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## BILL ANALYSIS

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Senate Bill 270 (as enrolled)  
Sponsor: Senator Judy K. Emmons  
Senate Committee: Economic Development  
House Committee: Commerce

Date Completed: 1-14-15

### **CONTENT**

**The bill would amend the Michigan Strategic Fund (MSF) Act to do the following:**

- **Require money appropriated to the MSF to be spent or invested for certain purposes as long as they provided for repayment for breach of a written agreement or failure to meet measureable outcomes.**
- **Eliminate a requirement that at least 80% of the funds appropriated to the MSF from the 21st Century Jobs Trust Fund for business development and marketing costs be targeted to people and entities outside the State.**
- **Authorize the MSF board to spend funds appropriated to it by law without further appropriation, regardless of the source of those funds.**

The Act requires the MSF to create and operate programs authorized under Chapter 8A (21st Century Investment Programs and Activities); determine the annual allocation of money for programs authorized under Chapter 8A; and make authorized expenditures or investments from the investment fund of the 21st Century Jobs Trust Fund for programs and activities authorized under Chapter 8A. The bill would refer to the Act, rather than Chapter 8A, in these requirements.

The Act provides that money transferred or appropriated by law to the MSF for the purposes of carrying out Chapter 8A or 8C (Community Revitalization Program) must be spent or invested for the following purposes:

- 21st century investments (investments in commercial loan guarantees and private equity, venture capital, and mezzanine investments under programs operated by the MSF).
- Grants and loans approved by the Strategic Economic Investment and Commercialization Board (described below).
- Promotion of tourism in Michigan (which is administered through a program under Chapter 8B).
- Grants, loans, or other economic assistance under the Chapter 8A Michigan Business Development Program and the Community Revitalization Program under Chapter 8C.
- Other programs or activities authorized under Chapter 8A.

In the last provision, the bill would refer to other programs or activities authorized under Chapter 8A, any other chapter of the Act, or as provided in an appropriation act. Additionally, the expenditure or investment of money for the listed purposes (other than tourism promotion) would be subject to the condition that they provide for repayment for breach of the written agreement or the failure to meet measurable outcomes.

(The Act requires the Strategic Economic Investment and Commercialization Board within the MSF to award grants and loans from the 21st Century Jobs Trust Fund and the Jobs for Michigan Investment Fund for basic research, applied research, university technology transfer, and

commercialization of products, processes, and services to encourage the development of competitive edge technologies to create jobs in Michigan. Under the bill, as of October 18, 2010, "Strategic Economic Investment and Commercialization Board" would mean the MSF Board.)

Under the Act, not more than 5% of the annual appropriation from the 21st Century Jobs Trust Fund may be used for business development and business marketing costs. At least 80% of the funds committed for business development and marketing costs must be targeted to people or entities outside of the State. The bill would delete this requirement.

The Act also requires at least 75% of the funds appropriated under the Chapter 8B tourism promotion program, to be targeted to people or entities outside of the State. The bill would delete this requirement.

The bill would authorize the MSF board to spend funds appropriated by law to the board or the Fund without further appropriation, regardless of the source of those funds.

MCL 125.2088a et al.

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

The bill would increase State revenue by an unknown amount. The Michigan Strategic Fund could receive additional revenue due to the broad requirements that grants, loans, investments, and other program funding be repaid if there were a breach of a written agreement or the recipient failed to meet measurable outcomes; however, MSF programs such as the Michigan Business Development Program and the Community Revitalization Program already provide for repayments in some circumstances and program payments are made only after contractual milestones are met. The amount of revenue would depend on future actions of funding recipients and the extent to which the MSF was able to collect on amounts due under this provision.

The bill would increase the authority of the MSF board to allocate funds among the programs it operates. Currently, within the limits imposed by annual appropriations, the board has authority to allocate funds from the 21st Century Jobs Trust Fund among 21st Century programs, including investments, grants, and loans; tourism promotion; community revitalization; and business development. The bill would expand the board's authority to allocate appropriations from the Trust Fund among any of the programs that the MSF operates. The Michigan Trust Fund Act, however, limits use of the 21<sup>st</sup> Century Jobs Trust Fund for programs under Chapter 8A, Chapter 8B, and Chapter 8C of the MSF Act.

Fiscal Analyst: Elizabeth Pratt

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