



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5477 (Substitute S-1 as reported)
Sponsor: Representative Wayne Schmidt
House Committee: Commerce
Senate Committee: Economic Development

CONTENT

The bill would amend Chapter 8A (21st Century Investment Programs and Activities) of the Michigan Strategic Fund Act to do the following:

- Allow the Michigan Strategic Fund (MSF) to create and operate a Center of Innovation Program to promote competitive edge technology sectors, rather than a Centers of Energy Excellence Program to promote the development, acceleration, and sustainability of energy excellence sectors.
- Allow grants, loans, or other economic assistance under the Innovation Program to be awarded to for-profit companies, benefit companies, nonprofit companies, universities, and national laboratories.
- Require funds provided for the Innovation Program to be used to match Federal, collaborative partner, or third-party funding.
- Allow up to 25% of any grant, loan, or other economic assistance for the Innovation Program to be used for administrative costs or overhead.
- Require an Innovation Program agreement with the MSF to include negotiation of payback provisions for failure to meet contract performance requirements.
- Require the MSF to establish the Michigan Micro Loan Program as a separate part of the Loan Enhancement Program under Chapter 8A, to invest in, make loans to, or provide other economic assistance to support loans made by qualified micro loan lenders.
- Require the MSF to establish guidelines for the Michigan Micro Loan Program that included minimum standards specified in the bill, including a requirement that a loan not exceed the greater of \$50,000 or the Small Business Administration micro loan amount limitations.
- Require the Venture Capital Investment Program under Chapter 8A to track actual return on investment performance comparisons between venture capital investment and commercial loan enhancement investments.
- Limit overhead rates, administrative fees, and management fees for recipients of Venture Capital Investment Program awards to 25% of the award, as determined by the MSF board.

MCL 125.2088d et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would establish an additional loan enhancement program that the Michigan Strategic Fund would be required to operate. The level of funding would be at the discretion of the MSF board from its available resources, which include unallocated appropriations from the 21st Century Jobs Trust Fund and the Jobs for Michigan Investment Fund, the permanent fund that receives refunds from 21st Century loans and investments and revenue from one Indian gaming compact.

The percentage of funds that recipients could use for administrative costs or overhead would increase from 15% under the Centers for Energy Excellence Program (which would be eliminated by the bill) to 25% under the proposed Center for Innovation Program.

Date Completed: 5-31-12

Fiscal Analyst: Elizabeth Pratt