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BILL



ANALYSIS

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Senate Bills 556, 566, 567, and 568 (as enacted)
Sponsor: Senator John Proos (S.B. 556)
Senator John Pappageorge (S.B. 566)
Senator Mike Kowall (S.B. 567)
Senator Goeff Hansen (S.B. 568)
Senate Committee: Economic Development
House Committee: Commerce

PUBLIC ACTS 250-253 of 2011

Date Completed: 8-7-12

CONTENT

Senate Bill 556 amended Chapter 8A (21st Century Investment Programs and Activities) of the Michigan Strategic Fund (MSF) Act to do the following:

- Require the MSF to create the Michigan Business Development Program to provide grants, loans, and other economic assistance to qualified businesses making investments or providing jobs in Michigan.
- Limit the amount a qualified business may receive for a project in a fiscal year to \$10.0 million.
- Specify requirements for a written agreement between the MSF and a qualified business.
- Require the MSF to establish background check policies regarding qualified businesses applying for assistance.
- Require an annual report to the Legislature regarding Michigan Business Development Program activities.
- Authorize the MSF to spend or invest 21st Century Jobs Trust Fund money for the Michigan Business Development Program and community revitalization incentives (under Senate Bills 567 and 568).
- Delete percentage restrictions on expenditures from the 21st Century Jobs Trust Fund.

- Allow the MSF to take a security interest in real property.
- Authorize the Michigan Economic Development Corporation (MEDC) to charge fees associated with loans under Chapter 8A.

Senate Bills 567 and 568 added Chapter 8C (Community Revitalization Program) to the Michigan Strategic Fund Act to:

- Require the MSF to create and operate the Michigan Community Revitalization Program to provide incentives, in the form of grants, loans, and other economic assistance, for eligible investments on eligible property in Michigan.
- Require funds appropriated for the program to be placed in the 21st Century Jobs Trust Fund.
- Prohibit the MSF board from approving incentives of more than 25% of a project's eligible investment up to \$10.0 million for a single project, limit a loan to \$10.0 million and a grant to \$1.0 million, and prohibit a combination of grants, loans, and other economic assistance from exceeding \$10.0 million per project.
- Require the MSF board to enter into a written agreement with an approved applicant for community revitalization incentives.

- **Require an agreement to provide for repayment and penalties if the applicant fails to comply with it.**
- **Prohibit the use of more than 4% of the annual appropriation from the 21st Century Jobs Trust Fund for administration of the Michigan Community Revitalization Program.**
- **Allow the MEDC to charge for costs associated with a community revitalization loan.**
- **Allow grant and loan proceeds to be assigned.**
- **Require the MSF board to submit an annual report to the Legislature.**

Senate Bill 566 amended the MSF Act to do the following:

- **Allow the MSF president to authorize community revitalization incentives, and incentives under the Michigan Business Development Program, of up to \$1.0 million.**
- **Impose certain restrictions on funding under the Michigan Community Revitalization Program and under the Michigan Business Development Program.**
- **Allow the Jobs for Michigan Investment Fund to be used for revitalizing Michigan communities.**
- **Add a misdemeanor penalty for the violation of certain conflict-of-interest provisions concerning the Investment Fund.**

All of the bills took effect on December 13, 2011. Senate Bills 566, 567, and 568 were tie-barred to each other.

Senate Bill 556

Michigan Business Development Program

The bill added Section 88r to Chapter 8A to require the MSF to create and operate the Michigan Business Development Program to provide grants, loans, and other economic assistance to qualified businesses that make qualified investments in Michigan or provide qualified new jobs in the State. Preference must be given to qualified businesses that need additional assistance for deal-closing and for second stage company gap financing.

The Program must provide that, in any fiscal year, a qualified business may not receive

more than \$10.0 million for a project funded under Section 88r.

The bill defines "qualified business" as a business that is located in or operates in Michigan or will locate or will operate in Michigan, as determined by the MSF. "Qualified investment" means investment in Michigan related to a project subject to a written agreement under Section 88r. "Qualified new job" means a job performed by an individual who is a resident of Michigan whose Michigan income taxes are withheld by an employer, or an employee leasing company or professional employer organization on behalf of the employer, that is in excess of the number of jobs maintained by the qualified business in Michigan before the expansion or location, as determined and verified by the MSF.

"Other economic assistance" means any other form of assistance allowed under the MSF Act that is not a grant or a loan.

Application, Approval, & Compliance

The Michigan Business Development Program must provide a detailed application, approval, and compliance process published and available on the MSF website. At a minimum, this process must contain the following:

- A qualified business may apply for a grant, loan, or other economic assistance in a form and manner determined by the MSF.
- After receiving an application, the MSF may enter into a written agreement with the qualified business, if it agrees to make certain qualified investments or create a certain number of new jobs in Michigan.
- The agreement must provide all of the conditions imposed on the qualified business to receive a grant, loan, or other economic assistance under Section 88r, including specific time frames.
- The agreement must provide for the repayment of any grants, loans, or other economic assistance if the qualified business fails to comply with the agreement.
- The agreement must include an audit provision requiring the MSF to verify that established project milestones are met.

With assistance from the MEDC and the Office of the Chief Compliance Officer, the MSF must establish policies and procedures to conduct background checks on each qualified business applying for a grant, loan, or other economic assistance under Section 88r.

Written Agreement Criteria

The MSF may not enter into a written agreement with a qualified business under Section 88r unless all of the following are met:

- The municipality makes a staff, financial, or economic commitment to the project, as determined by the MSF.
- The qualified business provides a business plan or demonstrates the need for the grant, loan, or other economic assistance.
- The qualified business agrees to provide the data described in the agreement necessary for the MSF to report to the Legislature under the Act.

Website Postings

The MSF must post on its website or on the MEDC website, the name and location of each qualified business that receives a grant, loan, or other economic assistance awarded under Section 88r, and the amount of the grant, loan, or other economic assistance.

Beginning February 1, 2012, and at least every three months after that, the MSF must post on its website the name and location of a qualified business that received approval of a grant, loan, or other economic assistance under Section 88r in the preceding three-month period.

Report to the Legislature

Beginning November 1, 2012, and each year after that, the MSF must report to the Senate and the House of Representatives on its activities under Section 88r in the previous fiscal year. The report must be made available in an electronic format and include at least all of the following:

- The total proposed amount of qualified investment attracted under Section 88r.
- The total actual amount of qualified investment attracted under Section 88r and verified by the MSF.

- The total committed number of new jobs created under Section 88r.
- The total actual number of new jobs created under Section 88r verified by the MSF.
- The total number of new written agreements.
- The amount of the grant, loan, or other economic assistance awarded under Section 88r, separately for each qualified business.
- The actual amount of the grant, loan, or other economic assistance made under Section 88r, separately for each qualified business verified by the MSF.
- For each qualified business, whether it is a new business, whether it is an expansion of an existing business, or whether it relocated from outside of Michigan.
- An evaluation of the aggregate return on investment that the State realizes on the actual qualified new jobs and actual qualified investment made by qualified businesses.
- A report on the individuals hired by the qualified business that includes the number of individuals hired, their educational attainment, and the number who relocated to Michigan.

Legislative Finding & Declaration

The bill states, "The legislature finds and declares that funding authorized under...[Section 88r] to encourage diversification of the economy, to encourage capital investment in this state, and to promote the creation of qualified new jobs in this state is a public purpose and of paramount concern in the interest of the health, safety, and general welfare of the citizens of this state."

21st Century Fund Expenditures

The Act requires the MSF to spend or invest money transferred or appropriated to the MSF for the purpose of carrying out Chapter 8A, as authorized by law for certain purposes. The bill includes spending or investing for the purposes of carrying out Chapter 8C in that provision. In addition, the bill adds to the specific purposes spending or investing for grants, loans, or other economic assistance under the Michigan Business Development Program and the community revitalization incentives under Chapter 8C.

Previously, the Act generally restricted the MSF board from spending more than the following amounts each year from the 21st Century Jobs Trust Fund for the following purposes:

- 25% for the loan enhancement program.
- 40% for the private equity investment program, the venture capital investment program, and the mezzanine investment program combined.
- 70% for competitive edge technology grants and loans, with not more than \$100.0 million of that amount authorized for basic research over the life of the program.

The bill deleted those restrictions.

The Act prohibits the MSF from using any money appropriated or transferred for purposes authorized under Chapter 8A to acquire interest in or improve real property. The bill specifies that this restriction does not prohibit the MSF from taking a security interest in real property.

Loan Fees

The bill allows the MEDC to charge actual and reasonable fees for costs associated with loans under Chapter 8A. The fees are in addition to an amount of the annual appropriation used for administering the programs and activities authorized under Chapter 8A.

Senate Bill 567

Michigan Community Revitalization Program

The bill requires the MSF to create and operate the Michigan Community Revitalization Program to provide community revitalization incentives for eligible investments on eligible property in Michigan.

The MSF must develop and use a detailed application, approval, and compliance process adopted by resolution of the MSF board and published and available on the MSF website. Program standards, guidelines, templates, or any other forms used by the MSF to implement the Program must be approved by the board.

Funds appropriated for the Michigan Community Revitalization Program must be placed in the 21st Century Jobs Trust Fund.

The bill defines "community revitalization incentive" as a community revitalization grant, a community revitalization loan, or other economic assistance. "Community revitalization grant" means a grant approved under Chapter 8C and subject to requirements in Section 90c (added by Senate Bill 568). "Community revitalization loan" means a loan approved under Chapter 8C and subject to the requirements of Section 90d (also added by Senate Bill 568). "Other economic assistance" means any form of assistance allowed under the MSF Act other than a community revitalization loan or community revitalization grant.

"Eligible investment" means one or more of the following, subject to a written agreement, including investment that occurred before the application's approval, to the extent that it has not been reimbursed to or been paid for on behalf of the person requesting a community revitalization incentive:

- Any demolition, construction, alteration, rehabilitation, or improvement of buildings.
- Site improvements.
- The addition of machinery, equipment, or fixtures to the approved project.
- Architectural, engineering, surveying, and similar professional fees, but not certain soft costs of the investment as determined by the MSF board, including fees and costs specified in the bill.

"Eligible property" means property that meets one or more of the following conditions:

- It is determined to be a "facility", as defined in the Brownfield Redevelopment Financing Act.
- It is a historic resource, i.e., a publicly or privately owned historic building or structure located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act.
- It is blighted property (as defined in the bill).
- It is functionally obsolete (as defined in the bill).

- It is a parcel that is adjacent or contiguous to property listed above, if the development of the adjacent or contiguous parcel is estimated to increase the taxable value of the property listed above.

Application for Incentives

A person may apply to the MSF for approval of community revitalization incentives associated with a project. As part of the application, the applicant must include documentation establishing that the project is located on eligible property and a project description that includes a project pro-forma.

The MSF must review all applications. Incentives may not be approved for any property that is not eligible property.

When approving a community revitalization incentive, the MSF must consider the following criteria to the extent reasonably applicable to the type of project proposed:

- The importance of the project to the community in which it is located.
- Whether the project will act as a catalyst for additional revitalization of the community.
- The amount of local community and financial support for the project.
- The taxpayer's financial need for a community revitalization incentive.
- The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property.
- Creation of jobs.
- The level of private sector and other contributions, including Federal funds and Federal tax credits.
- Whether the project is financially and economically sound.
- The level and extent of environmental contamination.
- Whether the rehabilitation of the historic resource will meet the U.S. Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings.
- Whether the project will compete with or affect existing Michigan businesses within the same industry.

The MSF also must consider whether the project does the following:

- Increases the density of the area.
- Promotes mixed-use development and walkable communities.
- Converts abandoned public buildings to private use.
- Promotes sustainable development.
- Involves the rehabilitation of a historic resource.
- Addresses areawide redevelopment.
- Addresses underserved markets of commerce.

In addition, the MSF must consider any other criteria approved by the MSF board that are specific to each individual project and are consistent with the findings and intent of Chapter 8C.

Approval & Award of Incentives

An application for community revitalization incentives must be approved or denied within 90 days after receipt of an application that is considered administratively complete by the MSF board or its designee. If the application is neither approved nor denied within that time, it must be considered by the MSF board, or the MSF president if delegated, for action at or by the next regularly scheduled board meeting. If an application is approved, the MSF must determine the amount of community revitalization incentives for the project based on its review of the application and the criteria listed above.

The amount of community revitalization incentives that the MSF board may approve for a single project may not exceed 25% of a project's eligible investment up to \$10.0 million. A community revitalization loan may not exceed \$10.0 million, and a community revitalization grant may not exceed \$1.0 million. A combination of loans, grants, and other economic assistance under Chapter 8C may not exceed \$10.0 million per project.

The board may not approve \$10.0 million per project in community revitalization incentives to more than three projects per fiscal year. The board must approve at least five projects of \$1.0 million or less per project each fiscal year unless the MSF determines that fewer than five projects warrant an award of \$1.0 million or less.

Written Agreement

When the MSF board approves an application and determines the amount of community revitalization incentives, the board must enter into a written agreement with the applicant. The agreement must provide all of the conditions imposed on the applicant to receive the incentives, including specific time frames. The agreement also must provide for repayment and penalties if the applicant fails to comply with the agreement as determined by the MSF board. The applicant must agree to provide the data described in the agreement that are necessary for the MSF to report to the Legislature.

Limit on Administrative Costs & Loan Fees

The bill provides that not more than 4% of the annual appropriation from the 21st Century Jobs Trust Fund may be used for the purposes of administering the programs and activities authorized under Chapter 8C. The MSF and the MSF board, however, may not use more than 3% of the annual appropriation for administering those programs and activities unless the board authorizes the additional 1% for administration, by a two-thirds vote.

The MEDC may charge actual and reasonable fees for costs associated with a community revitalization loan. The fees will be in addition to an amount of the appropriation used for administering the programs and activities authorized under Chapter 8C.

Legislative Finding & Intent

The bill states, "The legislature finds and declares that any activity under this chapter to promote community revitalization will accelerate private investment in areas of historical disinvestment, contribute to Michigan's reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of this state and is a public purpose and of paramount concern in the interest of the health, safety, and general welfare of the citizens of this state."

The bill also states, "It is the intent of the legislature that the economic benefits

resulting from this chapter occur substantially within this state."

Senate Bill 568

Community Revitalization Grants

Under the bill, upon completion of a project for which the MSF board has approved a community revitalization grant, the applicant may apply to the Fund for the grant and may assign a grant by submitting written notice of the assignment to the MSF. The board must develop and implement the use of an application form and assignment form. Within 90 days of receiving an application, the MSF or its designee must determine whether the project has complied with the terms of the agreement and, if applicable, the U.S. Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings. If the MSF or its designee determines that the project has complied with the agreement and, if applicable, the Federal standards and guidelines for historic buildings, the MSF must issue the grant proceeds to the applicant or, if the grant has been assigned, to the assignee.

Community Revitalization Loans

Upon completion of a project for which the MSF board has approved a community revitalization loan, the applicant may apply to the MSF for the loan proceeds and may assign some or all of the loan proceeds by submitting written notice of the assignment to the MSF. The MSF board must develop and implement the use of an application for disbursement form and assignment form. Within 90 days of receiving an application for disbursement, the MSF or its designee must determine whether the project has complied with the agreement and, if applicable, the U.S. Secretary of the Interior's standards and guidelines for historic building rehabilitation. If the project has complied, the MSF must distribute the loan proceeds to the applicant or, if the proceeds have been assigned, to the assignee.

The MSF board must develop criteria for repayment of community revitalization loans. The proceeds from repayment must be paid into the Jobs for Michigan Investment Fund and spent exclusively for

community revitalization incentives under Chapter 8C.

Report to the Legislature

The bill requires the MSF, beginning November 1, 2012, and each year after that, to report to the Senate and the House of Representatives on the activities of the MSF under Chapter 8C that occurred in the previous fiscal year. Except as otherwise provided, the MSF may not divulge sensitive or private financial information associated with a community revitalization incentive.

The report must be made available in an electronic format and include at least all of the following:

- The total proposed amount of qualified investment attracted under Chapter 8C.
- The total actual amount of qualified investment attracted under Chapter 8C as reported to the MSF.
- The total number of new written agreements.
- The amount of the community revitalization incentives awarded under Chapter 8C, separately for each project.
- The actual amount of the community revitalization incentives made under Chapter 8C, separately for each project.
- The total actual amount of square footage revitalized or added for each project approved as reported to the MSF, reported by category, including commercial, residential, or retail.
- The aggregate increase in taxable value of all property subject to a written agreement under Chapter 8C when established and recorded by the local units of government and as reported to the MSF.
- A summary of all written agreements for community revitalization loans.
- The total actual number of residential units revitalized or added for each project approved as reported to the MSF.
- The identity of people who received a community revitalization incentive outside the program standards and guidelines and why the variance was given.
- The amount of administrative costs used to administer the programs and activities authorized under Chapter 8C.
- A summary of the projected and actual aggregated taxpayer return on investment for each eligible investment

that received a distribution in the reporting period.

Website Posting; Info to the Legislature

The bill requires the MSF, beginning February 1, 2012, and at least every three months after that, to post on its website the name and location of a person who received approval of community revitalization investment under Chapter 8C in the preceding three-month period.

On a monthly basis beginning on January 1, 2012, the MSF must provide exact copies of all information that is provided to board members for the purpose of monthly board meetings, subject to confidentiality, to the chairperson and the minority vice-chairperson of each of the following: the House Commerce Committee, the House and Senate Appropriations Subcommittees on General Government, and the Senate Economic Development Committee.

Senate Bill 566

Authorization of Economic Assistance

The Act allows the MSF board to delegate certain functions to its president, vice-president, staff, or others, but responsibilities specifically vested in the board under Chapter 8A (21st Century Investment Programs and Activities) must be performed by the board and may not be transferred to the Michigan Economic Development Corporation. The bill permits the MSF president to authorize community revitalization incentives under Chapter 8C, and Michigan Business Development Program incentives under Section 88r, of \$1.0 million or less.

Restricted Use of Funds

The Act requires the MSF board to ensure that a recipient of money under certain programs in Chapter 8A agrees that the money not be used for the development of a stadium or arena for use by a professional sports team, or for the development of a casino or property associated or affiliated with the operation of a casino. The MSF board also must ensure that money spent for those programs in Chapter 8A not be used for various other purposes.

The bill requires the board to ensure the same restrictions on money awarded under the Michigan Business Development Program and the Michigan Community Revitalization Program.

Jobs for Michigan Investment Fund; Penalty

The Jobs for Michigan Investment Fund is a permanent fund within the MSF. The Investment Fund must be invested as authorized under Chapter 8A for purposes specified in that chapter. Under the bill, in addition to those purposes, the Fund may be used for revitalizing Michigan communities.

The Act describes the funds, property, and other assets that comprise the Investment Fund. These include earnings, royalties, return on investment, return of principal, payments made, or other money received or payable to the Fund under agreements related to grants, loans, investments, or expenditures by the Fund under Chapter 8A. The bill also refers to Chapter 8C.

The Act prohibits a member of the MSF board or an officer of the MSF from gaining from any investment of funds or assets of the Investment Fund, having an interest in an investment of the Fund, or becoming an obligor for money loaned by or borrowed from the Fund. Also, a board member or a person connected with the Investment Fund may not use funds or assets of the Fund except as authorized. A violation of these provisions constitutes misconduct in office and the violator is subject to removal.

The bill provides that, in addition to any other sanction, a violator is guilty of a misdemeanor punishable by imprisonment for up to 90 days or a maximum fine of \$500, or both.

MCL 125.2088b & 125.2088r (S.B. 556)
125.2005 et al. (S.B. 566)
125.2090-125.2090b (S.B. 567)
125.2090c-125.2090d (S.B. 568)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Senate Bill 556

The bill expanded the allowable 21st Century Jobs Trust Fund programs by establishing the Michigan Business Development Program

to replace the Michigan Economic Growth Authority (MEGA) credits that would no longer be awarded after December 31, 2011. The bill also increased the flexibility of the board of the Michigan Strategic Fund (an independent agency within the Department of Treasury) to allocate appropriations among the allowable programs.

Under the law, the MSF board is authorized to allocate appropriations from the 21st Century Jobs Trust Fund among programs subject to conditions and earmarks included in statute and the annual budget. The statute limited allocations to various programs to not more than 25% for loan enhancements, not more than 40% for investment programs, and not more than 70% for competitive edge technology grants and loans. The bill eliminated these constraints. It allows the MSF board to determine the allocation of funds from the 21st Century Jobs Trust Fund among those programs, tourism promotion, other programs authorized under Chapter 8A, the Michigan Business Development Program that is created by the bill, and the Michigan Community Revitalization Program that is created in Chapter 8C of the MSF Act by Senate Bills 566, 567, and 568.

The FY 2012-13 budget for the MSF (in the General Government budget within Article VIII of Public Act 200 of 2012), includes \$100.0 million in FY 2012-13 for Business Attraction and Economic Gardening. This total funding consists of \$25.0 million from the 21st Century Jobs Trust Fund and \$75.0 million GF/GP appropriated in a traditional line item. These funds will be available in FY 2012-13 for allocation by the MSF board between the Michigan Community Revitalization Program and the Michigan Business Development Program. Section 1024 of Public Act 200 of 2012 requires that at least \$20.0 million be used for brownfield and historical preservation grants, which will be funded under the new Michigan Community Revitalization Program.

The new Michigan Business Development Program will provide financial assistance to eligible businesses that make investments or create jobs in the state. Assistance to a business is limited to a maximum of \$10.0 million in any fiscal year. The MSF board adopted program guidelines for the Program at its meeting on August 24, 2011.

The MSF will experience increased costs from additional administrative responsibilities, including establishing and conducting the Business Development Program, verifying businesses' compliance with the written agreements, completing background checks, and verifying the creation of qualified new jobs. Resources available for paying for these additional costs include the allocation of up to 4% of the annual appropriations from the 21st Century Jobs Trust Fund, fee revenue paid by program participants, and the MSF's annual appropriation for Job Creation Services, which funds the classified staff of the agency.

The Michigan Business Development Program continues State support for selected local economic development projects after MEGA credits are no longer issued. Local governments with projects in their communities will be required to provide a local match such as in-kind staff support, financial, or economic commitments.

Senate Bills 566-568

The bills created the Michigan Community Revitalization Program, providing a statutory framework for a program to replace brownfield and historic preservation tax credits, which are no longer awarded after December 31, 2011. The Community Revitalization Program is authorized within the Michigan Strategic Fund. The program will provide investment incentives in the form of loans, grants, or other economic assistance to a person with an approved application for a project on eligible property, including property that is a historic resource, blighted, functionally obsolete, or adjacent to such a parcel. Under MCL 125.2004 of the MSF Act, "person" is defined as "...an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, limited liability company joint venture, profit or nonprofit corporation including a public or private college or university, public utility, local industrial development corporation, economic development corporation, or another association of persons organized for agricultural, commercial, or industrial purposes".

The MSF budget includes \$100.0 million in FY 2011-12 for Business Attraction and Economic Gardening, in Article VIII of Public Act 63 of 2011. The funds are appropriated in two places: \$50.0 million GF/GP in one-

time funding in Section 1201 and \$50.0 million (\$25.0 million GF/GP and \$25.0 million from the 21st Century Jobs Trust Fund) in a conventional line item. In FY 2012-13, the program is funded at \$100.0 million in ongoing revenue, consisting of \$25.0 million from the 21st Century Jobs Trust Fund and \$75.0 million GF/GP. This money is available to fund the Michigan Community Revitalization Program as well as the Michigan Business Development Program.

The bills required that all funds appropriated for community revitalization incentives be deposited into the 21st Century Jobs Trust Fund. This increased the balance in the 21st Century Jobs Trust Fund by \$75.0 million in FY 2011-12 and FY 2012-13. Interest earnings on the 21st Century Jobs Trust Fund remain in the General Fund pursuant to MCL 12.257(4).

Before these bills were enacted, the MSF board was authorized to allocate up to 4% of the annual appropriations from the 21st Century Jobs Trust Fund for administrative costs. This provided up to 4% of the \$25.0 million appropriated in FY 2011-12, or \$1.0 million for administration. The bills apply the administrative percentage to the entire \$100.0 million appropriation, increasing the administrative share of the funding to up to \$4.0 million in FY 2011-12 and FY 2012-13.

The MSF board has authority to allocate the \$100.0 million appropriation between the two new programs and allowable administrative costs. The amount allocated to the Michigan Community Revitalization Program will be determined by the board subject to boilerplate and statutory constraints. Section 1024 of the General Government budget requires that at least \$20.0 million in FY 2011-12 and FY 2012-13 from the line item for Business Attraction and Economic Gardening be granted for brownfield redevelopment incentives and historic preservation incentives.

The MSF board will have considerable flexibility in determining the types of assistance available. As noted above, the bills provide for assistance in the form of loans, grants, and other economic assistance, which is defined as any form of assistance allowed under the MSF Act. The incentive payment may not support more than 25% of a project's eligible investment.

There is a cap of the \$10.0 million on the incentive awarded to any one project, and a limit of \$1.0 million on the amount of any grant awarded within that amount. The board is limited to approving not more than three projects at \$10.0 million per fiscal year. The board is required to approve at least five projects of \$1.0 million or less each fiscal year, unless the MSF determines that fewer than five projects qualify for funding during the year. A recipient may assign the proceeds of any grant or loan.

Repayments of community revitalization incentive loans will be deposited into the Jobs for Michigan Investment Fund, a permanent fund created as part of the 21st Century Jobs Trust Fund. These repayments will be available only for additional community revitalization incentives, which are now a permissible use of the Investment Fund.

The common cash earnings on the body of the Investment Fund are available for appropriation by the Legislature. To the extent that the repayments increase any balance in the Fund, the earnings will increase.

The MSF will incur administrative costs for this program to process applications within the allowable timelines, monitor compliance by recipients, post required information on the internet, prepare required reports, and provide copies of board materials each month to the chairs of specified House and Senate committees. The administration of the program will be funded from the administrative allocation of up to \$4.0 million as discussed above, fees paid by applicants (similar to the fees paid by MEGA credit applicants and recipients), and the line item for Job Creation Services.

If there is a conviction for the misdemeanor created by Senate Bill 566, local governments will incur the costs of incarceration in local facilities. Any penal fine revenue will benefit public libraries.

The bills continue State support for brownfield and historic preservation projects in local areas. Local financial and community support of projects will be an item evaluated in the selection of projects. The program guidelines adopted by the MSF board describe the local support as staff, financial, or economic support from the municipality where the project is located.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.