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BILL ANALYSIS

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Senate Bill 1175 (as enacted)
Sponsor: Senator Bill Hardiman
Senate Committee: Commerce and Tourism
House Committee: Commerce

PUBLIC ACT 571 of 2008

Date Completed: 2-23-09

CONTENT

The bill amended the Michigan Strategic Fund Act to allow loans to be made from the Choose Michigan Fund until September 30, 2009, and allow up to three loans, rather than two, to be forgivable.

As amended by Public Act 223 of 2008, the Michigan Strategic Fund (MSF) Act requires the MSF, as a separate part of the loan enhancement program, to operate the Choose Michigan Fund program, in order to invest in loans from the Investment Fund to qualified businesses (business entities located in Michigan). The program must operate on an incentive basis and provide loans to qualified businesses to promote and enhance job creation or retention within the State.

Under Public Act 223, the Choose Michigan Fund could not make a loan after September 30, 2008. The bill changed that deadline to September 30, 2009.

The Act also allowed up to two loans to be forgivable, at the discretion of the Fund board. The bill allows up to three loans to be forgivable. (In determining whether to forgive all or part of a loan, the MSF must consider the net economic impact of the project on the State's economy. The loan agreement between the MSF and the qualified business must clearly enumerate the terms, conditions, and requirements under which all or part of the loan may be forgiven, including job creation and investment in this State.)

The bill took effect on January 16, 2009.

MCL 125.2088d

BACKGROUND

The Michigan Strategic Fund Act requires the MSF to create and operate a loan enhancement program. In addition to the Choose Michigan Fund program, the MSF is required or permitted to create several specific programs as separate and distinct parts of the loan enhancement program.

The Act allows the MSF to create a loan guarantee program that provides a loan guarantee mechanism to financial institutions located in Michigan that provide commercial loans to qualified businesses, public authorities, and local units of government. A qualified business is eligible for a loan guarantee only if it is has a "documented growth opportunity", as defined in the Act.

The Act required the MSF to reestablish the small business capital access program that was previously operated by the Fund for Small Business. The proceeds of a loan under this program may be used only for a business purpose within the State, and may not be used for certain purposes, including the construction or purchase of residential housing.

The MSF also is required to establish a Michigan Film and Digital Media Investment Loan Program to invest in loans from the Investment Fund to eligible production

companies or film and digital media private equity funds.

In addition, the MSF must establish and operate the Choose Michigan Film and Digital Media Loan Fund to invest in loans from the Investment Fund to eligible production companies or film and digital media private equity funds that are eligible for a tax credit under the Michigan Economic Growth Authority Act or the Michigan Business Tax Act.

The Investment Fund, or the Jobs for Michigan Investment Fund, is created under the MSF Act. It must be invested for the purpose of creating incentives for diversifying the economy, retaining or creating jobs, increasing capital investment activity and commercial lending activity, and encouraging the development and commercialization of competitive edge technologies. The Investment Fund includes funds appropriated to, transferred to, or deposited in it from the 21st Century Jobs Trust Fund; earnings, royalties, and payments made under agreements related to grants, loans, investments, or expenditures by the Investment Fund; and assets, earnings, and payments made to the Fund or the Michigan Economic Development Corporation under agreements related to grants, loans, investments, or other payments funded by appropriations from the General Fund or tobacco settlement revenue under various programs listed in the Act.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill postponed the sunset date for the Choose Michigan Fund Loan program from September 30, 2008, to September 30, 2009. This permits the Michigan Strategic Fund to enter into loans in FY 2008-09 using funds that are allocated for this program. In FY 2007-08, from the \$75.0 million appropriated for 21st Century Jobs Trust Fund programs, the Michigan Strategic Fund allocated \$18,750,000 for the Choose Michigan program. This funding, however, was not awarded before the sunset date and remains available for allocation by the MSF board. From the \$62.0 million appropriated for 21st Century Jobs Trust Fund programs in FY 2008-09, the MSF board allocated an additional \$6,910,000 to the Choose Michigan program.

The provision in the bill that increased the number of loans that may be forgiven under this program from two to three has the potential to reduce future contributions to the Investment Fund. Under the Strategic Fund Act, the Investment Fund receives revenue that includes repayments from loans under the various loan enhancement programs. Money from the Investment Fund can be spent upon appropriation for purposes related to the 21st Century Jobs Trust Fund programs.

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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.