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Senate Bill 1503 (as introduced 9-16-08)
Sponsor: Senator Valde Garcia
Committee: Commerce and Tourism

Date Completed: 12-9-08

CONTENT

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

- Authorize the MSF board to create and operate a "Centers of Creative Artificial Intelligence Excellence Program".**
- Authorize the MSF board to spend up to \$18.0 million for the program.**
- Allow grants given for the program to be awarded only to for-profit companies for certain purposes.**
- Limit to 15% the amount of any grant that could be used for administrative costs.**
- Require the MSF board to establish an application review process for agreements for the designation and operation of centers of creative artificial intelligence excellence.**
- Establish requirements for an agreement designating a center, including the participation of at least one qualified business and at least one institution of higher education.**

Centers of Creative Artificial Intelligence Excellence

The MSF could create and operate a program to promote the development, acceleration, and sustainability of creative artificial excellence sectors in Michigan.

The MSF could enter into agreements with one or more "qualified entities" for the designation and operation of a center of creative artificial intelligence excellence. Before entering into an agreement, one or more qualified entities could apply to the MSF for an agreement for designation and operation of a center.

"Creative artificial intelligence" would mean advanced artificial neural network technology that is capable of autonomously generating new and potentially valuable concepts or strategies.

"Creative artificial intelligence excellence sectors" would mean new and developing industry sectors in the creative artificial intelligence field in Michigan where the MSF has determined there are barriers to the commercialization of technology within the new and developing industry sector.

"Creative artificial intelligence field" would mean computer processor technology, natural language development technology for computer processors, or mathematical research, if that research is focused on providing algorithms for the development of creative artificial intelligence software programs or hardware that will support the development of creative artificial intelligence.

"Qualified entity" would mean a qualified business, an institution of higher education, a Michigan nonprofit corporation, or a political subdivision of the State. (Under the Act, "qualified business" means a business entity located in Michigan.)

Funding

The MSF board could not spend more than \$18.0 million of the money appropriated for programs authorized under Chapter 8A from the 21st Century Jobs Trust Fund for the program. Grants given for the program could be awarded only to for-profit companies for the following purposes:

- Providing a match for foundation funding, Federal funding, or international investments of up to 85% of the total project costs.
- Supplementing in-kind contributions provided by a person or entity other than the State.
- Accelerating the commercialization of an innovative creative artificial intelligence technology or process that would be ready to market within three years of the agreement's effective date.
- Activities of the center, including workforce development and technology demonstration.

The MSF board could authorize investment terms in qualified entities as part of an agreement. Not more than 15% of any grant could be used for administrative costs or overhead. Grants could be disbursed pursuant to a timeline and progress disbursement schedule.

Application Evaluation

The MSF board would have to establish a standard process to evaluate applications for agreements under the bill, and appoint a committee of board members to assist in reviewing the applications. Neither the MSF nor its board could appoint or designate any person, paid or unpaid, to an application review committee if that person had a conflict of interest with any potential applicants, as determined by the chief compliance officer.

When determining whether to enter into an agreement, the MSF board would have to consider all of the following:

- The potential that, in the absence of an agreement, the development, acceleration, and sustainability of creative artificial intelligence excellence sectors addressed by the proposed center would occur in a location other than Michigan.
- The extent to which the center would promote the development of creative artificial intelligence excellence sectors in Michigan.
- The extent to which the center would promote economic development or job creation in Michigan.
- The extent to which the center could attract private investment or encourage commercialization in creative artificial intelligence excellence sectors in Michigan.
- The extent to which the center could encourage collaboration on commercialization and technology transfer among qualified entities in Michigan.
- The extent to which the center could attract additional Federal funding to Michigan or people or entities within the State.
- The financial viability of the center, including commitments of financial and other support for the center and the potential availability of Federal funding for it.

- The financial resources available to the MSF board for operation of the program under the bill.

Agreement Requirements

If the MSF board entered into an agreement with one or more qualified entities for the operation of a center of creative artificial intelligence excellence, the agreement would have to include participation by at least one qualified business and at least one institution of higher education. An agreement would have to include all of the following:

- The roles and responsibilities of the MSF and the qualified entities participating in the agreement.
- A governance structure for the center, which could include representation of the MSF.
- The responsibilities of the MSF and the participating qualified entities, including financial resources, technology, real property, personal property, or other resources contributed by the parties to the agreement.
- A commitment by the participating qualified entities to collaborate on commercialization and technology transfer opportunities in creative artificial intelligence excellence sectors in Michigan.
- A commitment to locate and retain in Michigan commercialization opportunities resulting from the agreement or center.
- The duration of the agreement and a mechanism for the dissolution of the center and the disposition of any assets.
- Provision for repayment of grants from the MSF in the event a qualified entity failed to comply with the agreement.

An agreement also would have to include a commitment by qualified entities that are higher education institutions to provide incentives for faculty who participated in technology transfer and commercialization activities in creative artificial intelligence excellence sectors and expansion of related business formation efforts to increase the number of higher education institution-related start-up companies.

The MSF board could revoke an agreement for the designation and operation of a center of creative artificial intelligence excellence if a qualified entity that was a party to the agreement did not comply with it.

MCL 125.2088b et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would permit the Michigan Strategic Fund Board to allocate appropriations from the 21st Century Jobs Trust Fund for an additional purpose, the proposed Centers of Creative Artificial Intelligence Excellence Program. Up to \$18.0 million could be allocated to the program for grants to one or more for-profit companies. A recipient company would operate a center in conjunction with an institution of higher education and use the funds for eligible purposes, including a match for other grants or investments, commercialization of a new process, workforce development, or technology demonstration.

The bill does not propose any additional funding for this program. The MSF board could allocate money to the program from the funds appropriated for 21st Century Jobs Trust Fund programs. The \$62.0 million appropriated from the Fund for FY 2008-09 has been allocated by the MSF board as follows: \$25.0 million for the Strategic Economic Investment Board Commercialization Competition, \$3.1 million for business development and marketing, \$2,480,000 for administration, \$1.4 million for the Small Business Technical Development Centers to conduct the Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) Federal matching grant program, \$6,910,000 for the Choose Michigan

Fund, and \$23.0 million for Centers of Energy Excellence. The Michigan Trust Fund Act provides for \$75.0 million to be appropriated to the MSF annually until FY 2014-15 and \$30.0 million in FY 2015-16, however, the appropriation for FY 2008-09 was reduced to \$62.0 million pursuant to the Leadership Target Agreement and a veto by the Governor.

The MSF board is permitted to use up to 4% of the annual appropriation from the 21st Century Jobs Trust Fund for the costs of administering the programs. If the board chose to operate the proposed program, the 4% allocation could be used to support the administrative costs.

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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.