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BILL ANALYSIS

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House Bill 5848 (Substitute H-1 as reported without amendment)
Sponsor: Representative Robert Jones
House Committee: Commerce
Senate Committee: Commerce and Tourism

CONTENT

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

- Allow a loan under the Small Business Capital Access Program to be issued to an eligible production company or film and digital media private equity fund, even if it were not a small business.
- Require the MSF to establish a Michigan Film and Digital Media Investment Loan Program to invest in loans from the Jobs for Michigan Investment Fund to eligible production companies or film and digital media private equity funds.
- Establish conditions for loans under the proposed Investment Loan Program, including a limitation of \$15.0 million on the amount that could be loaned to any one eligible production company or private equity fund for one qualified production.
- Require the MSF to establish the "Choose Michigan Film and Digital Media Loan Fund" to invest in loans from the Jobs for Michigan Investment Fund to eligible production companies or film and digital media private equity funds eligible for a tax credit under the Michigan Economic Growth Authority (MEGA) Act or proposed sections of the Michigan Business Tax Act.
- Establish conditions for loans issued under the proposed Loan Fund, including a minimum interest rate of 1%, a minimum loan amount of \$500,000, and a maximum term of 10 years including up to three years of deferred principal payments.
- Require that, under both the Michigan Film and Digital Media Investment Loan Program and the Choose Michigan Film and Digital Media Loan Fund, 100% of principal repaid be deposited in the Jobs for Michigan Investment Fund and half of any earnings on a loan or investment be deposited in that Fund and the remainder in a proposed Michigan Film Promotion Fund.

MCL 125.2088d

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The three loan programs that are proposed by this bill would be funded from appropriations to the 21st Century Jobs Trust Fund. Two of the three, the Michigan Film and Digital Media Investment Loan Program and the Choose Michigan Film and Digital Media Loan Fund, would be created as separate and distinct loan programs under the Loan Enhancement Program. Under the law, not more than 25% of the annual \$75 million allocation to this program, or \$18.75 million, may be used for a loan enhancement program. For FY 2007-08, the MSF board has allocated the entire allotment or \$18.75 million to a proposed loan enhancement program called the Choose Michigan Fund, which would provide low-cost loans for job creation projects to companies that qualified for MEGA job creation credits, making the cash value of the anticipated future credits available to a company at the start of a

project. Any loans that would be made under the two proposed loan enhancement programs could reduce or eliminate any funding under this program for all other industries interested in locating or expanding in Michigan.

In addition, the bill would make film production companies eligible for the Small Business Capital Access Program. Funding for the Capital Access Program also is provided through 21st Century Jobs Trust Fund. The act that initially created this program, Public Act 225 of 2005, included a one-time earmark of \$3.5 million to start this program and permits the MSF board to make additional allocations to this program in future years from its appropriation. This program provides financing to small businesses by using public resources to leverage private financing for loans. The bill would make film production companies eligible for these loans regardless of size. This exception could reduce allocations to other programs under the 21st Century Jobs program if the MSF board designated additional resources to this program to accommodate these new loans.

Date Completed: 3-19-08

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