

SENATE BILL No. 1503

September 16, 2008, Introduced by Senators GARCIA, BARCIA, GEORGE, VAN WOERKOM, BROWN and KAHN and referred to the Committee on Commerce and Tourism.

A bill to amend 1984 PA 270, entitled "Michigan strategic fund act," by amending section 88b (MCL 125.2088b), as amended by 2008 PA 175, and by adding section 88r.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 88b. (1) The fund shall create and operate programs
2 authorized under this chapter. The fund board shall determine the
3 annual allocation of money for programs authorized under this
4 chapter and make authorized expenditures or investments from the
5 investment fund of the 21st century jobs trust fund created in the
6 Michigan trust fund act, 2000 PA 489, MCL 12.251 to 12.260, as
7 authorized under this chapter for programs and activities
8 authorized under this chapter.

1 (2) Money transferred or appropriated by law to the fund for
2 the purposes of carrying out this chapter shall be expended or
3 invested by the fund as authorized by law for the following
4 purposes:

5 (a) 21st century investments.

6 (b) Grants and loans approved by the commercialization board
7 under section 88k.

8 (c) Other programs or activities authorized under this
9 chapter.

10 (3) Except for the appropriations described in section 88j(3)
11 and as otherwise provided in ~~section~~**SECTIONS 88q AND 88R**, the fund
12 board shall not expend more than the following amounts each year
13 from the 21st century jobs trust fund created in the Michigan trust
14 fund act, 2000 PA 489, MCL 12.251 to 12.260, for the following
15 purposes:

16 (a) 25% for the loan enhancement program.

17 (b) 40% for the private equity investment program, the venture
18 capital investment program, and the mezzanine investment program
19 combined.

20 (c) 70% for competitive edge technology grants and loans under
21 section 88k. The commercialization board shall not authorize the
22 expenditure of more than \$100,000,000.00 of the amount described in
23 this subdivision for basic research over the life of the program.

24 (4) The commercialization board shall authorize the
25 expenditure of not less than the following amounts described in
26 subsection (3)(c) as follows:

27 (a) \$40,000,000.00 in the 2005-2006 fiscal year.

1 (b) \$50,000,000.00 in the 2006-2007 fiscal year.

2 (c) \$30,000,000.00 in the 2007-2008 fiscal year.

3 (d) \$25,000,000.00 in the 2008-2009 through the 2011-2012
4 fiscal years.

5 (5) Not more than 4% of the annual appropriation as provided
6 by law from the 21st century jobs trust fund created in the
7 Michigan trust fund act, 2000 PA 489, MCL 12.251 to 12.260, may be
8 used for the purposes of administering the programs and activities
9 authorized under this chapter. However, the fund and the fund board
10 shall not use more than 3% of the annual appropriation for
11 administering the programs and activities authorized under this
12 chapter unless the fund board by a 2/3 vote authorizes the
13 additional 1% for administration.

14 (6) Not more than 5% of the annual appropriation as provided
15 by law from the 21st century jobs trust fund created in the
16 Michigan trust fund act, 2000 PA 489, MCL 12.251 to 12.260, may be
17 used for business development and business marketing costs. Not
18 less than 80% of the funds committed for business development and
19 business marketing costs shall be targeted to persons or entities
20 outside of this state. No funds may be used for any business
21 development and business marketing effort that includes a reference
22 to or the image or voice of an elected state officer or a candidate
23 for elective state office and that is targeted to a media market in
24 Michigan. The fund board shall select all vendors for all marketing
25 expenditures under this chapter by issuing a request for proposal.
26 At a minimum, the request for proposal shall require the responding
27 entities to disclose any conflict of interest, disclose any

1 criminal convictions, disclose any investigations by the internal
2 revenue service or any other federal or state taxing body or court,
3 disclose any pertinent litigation regarding the conduct of the
4 entity, and maintain records and evidence pertaining to work
5 performed. The fund board shall establish a standard process to
6 evaluate proposals submitted as a result of a request for proposal
7 and appoint a committee to review the proposals. The fund or the
8 fund board shall not appoint or designate any person paid or unpaid
9 to a committee to review proposals if that person has a conflict of
10 interest with any potential vendors as determined by the office of
11 the chief compliance officer established in section 88i.

12 (7) The fund shall not use any money appropriated or
13 transferred for purposes authorized under this chapter to acquire
14 interests in or improve real property. The restriction under this
15 subsection applies only to the fund and not to recipients of
16 expenditures or investments under this chapter.

17 **SEC. 88R. (1) THE FUND MAY CREATE AND OPERATE A CENTERS OF**
18 **CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE PROGRAM TO PROMOTE THE**
19 **DEVELOPMENT, ACCELERATION, AND SUSTAINABILITY OF CREATIVE**
20 **ARTIFICIAL INTELLIGENCE EXCELLENCE SECTORS IN THIS STATE. THE FUND**
21 **MAY ENTER INTO AGREEMENTS WITH 1 OR MORE QUALIFIED ENTITIES FOR THE**
22 **DESIGNATION AND OPERATION OF A CENTER OF CREATIVE ARTIFICIAL**
23 **INTELLIGENCE EXCELLENCE AS PROVIDED IN SUBSECTION (5). PRIOR TO**
24 **ENTERING INTO AN AGREEMENT UNDER THIS SECTION, 1 OR MORE QUALIFIED**
25 **ENTITIES MAY APPLY TO THE FUND FOR AN AGREEMENT FOR DESIGNATION AND**
26 **OPERATION OF A CENTER OF CREATIVE ARTIFICIAL INTELLIGENCE**
27 **EXCELLENCE. THE APPLICATION SHALL BE IN A FORM DETERMINED BY THE**

1 FUND AND SHALL INCLUDE INFORMATION THE FUND DETERMINES NECESSARY
2 AND APPROPRIATE.

3 (2) THE FUND BOARD SHALL NOT EXPEND MORE THAN \$18,000,000.00
4 OF THE MONEY APPROPRIATED FOR PROGRAMS AUTHORIZED UNDER THIS
5 CHAPTER FROM THE 21ST CENTURY JOBS TRUST FUND CREATED IN THE
6 MICHIGAN TRUST FUND ACT, 2000 PA 489, MCL 12.251 TO 12.260, FOR THE
7 CENTERS OF CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE PROGRAM.
8 GRANTS GIVEN FOR THE CENTERS OF CREATIVE ARTIFICIAL INTELLIGENCE
9 EXCELLENCE PROGRAM SHALL ONLY BE AWARDED TO FOR-PROFIT COMPANIES
10 FOR 1 OF THE FOLLOWING PURPOSES:

11 (A) PROVIDING A MATCH FOR FOUNDATION FUNDING, FEDERAL FUNDING,
12 OR INTERNATIONAL INVESTMENTS OF UP TO 85% OF THE TOTAL PROJECT
13 COSTS.

14 (B) SUPPLEMENTING IN-KIND CONTRIBUTIONS PROVIDED BY A PERSON
15 OR ENTITY OTHER THAN THIS STATE.

16 (C) ACCELERATING THE COMMERCIALIZATION OF AN INNOVATIVE
17 CREATIVE ARTIFICIAL INTELLIGENCE TECHNOLOGY OR PROCESS THAT WILL BE
18 READY TO MARKET WITHIN 3 YEARS OF THE EFFECTIVE DATE OF THE
19 AGREEMENT.

20 (D) ACTIVITIES OF THE CENTER, INCLUDING, BUT NOT LIMITED TO,
21 WORKFORCE DEVELOPMENT AND TECHNOLOGY DEMONSTRATION.

22 (3) THE FUND BOARD MAY AUTHORIZE INVESTMENT TERMS IN QUALIFIED
23 ENTITIES AS PART OF ANY AGREEMENT AS PROVIDED IN SUBSECTION (5).
24 NOT MORE THAN 15% OF ANY GRANT AWARDED CAN BE USED FOR
25 ADMINISTRATIVE COSTS OR OVERHEAD BY THE GRANTEE OR ANY
26 SUBCONTRACTOR HIRED TO IMPLEMENT ANY PORTION OF THE CENTERS FOR
27 CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE AGREEMENT. GRANTS

1 AUTHORIZED BY THIS SECTION SHALL BE DISBURSED PURSUANT TO A
2 TIMELINE AND PROGRESS DISBURSEMENT SCHEDULE INCLUDED AS PART OF AN
3 AGREEMENT UNDER THIS SECTION.

4 (4) THE FUND BOARD SHALL ESTABLISH A STANDARD PROCESS TO
5 EVALUATE APPLICATIONS FOR AN AGREEMENT UNDER THIS SECTION AND SHALL
6 APPOINT A COMMITTEE OF MEMBERS OF THE FUND BOARD TO ASSIST IN THE
7 REVIEW OF APPLICATIONS. THE FUND OR THE FUND BOARD SHALL NOT
8 APPOINT OR DESIGNATE ANY PERSON PAID OR UNPAID TO A COMMITTEE TO
9 REVIEW APPLICATIONS IF THAT PERSON HAS A CONFLICT OF INTEREST WITH
10 ANY POTENTIAL APPLICANTS AS DETERMINED BY THE OFFICE OF THE CHIEF
11 COMPLIANCE OFFICER ESTABLISHED IN SECTION 88I. WHEN DETERMINING
12 WHETHER TO ENTER INTO AN AGREEMENT UNDER THIS SECTION, THE FUND
13 BOARD SHALL CONSIDER ALL OF THE FOLLOWING:

14 (A) THE POTENTIAL THAT IN THE ABSENCE OF AN AGREEMENT THE
15 DEVELOPMENT, ACCELERATION, AND SUSTAINABILITY OF CREATIVE
16 ARTIFICIAL INTELLIGENCE EXCELLENCE SECTORS ADDRESSED BY THE
17 PROPOSED CENTER OF CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE WILL
18 OCCUR IN A LOCATION OTHER THAN THIS STATE.

19 (B) THE EXTENT TO WHICH THE PROPOSED CENTER OF CREATIVE
20 ARTIFICIAL INTELLIGENCE EXCELLENCE WILL PROMOTE THE DEVELOPMENT OF
21 CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE SECTORS IN THIS STATE.

22 (C) THE EXTENT TO WHICH THE PROPOSED CENTER OF CREATIVE
23 ARTIFICIAL INTELLIGENCE EXCELLENCE WILL PROMOTE ECONOMIC
24 DEVELOPMENT OR JOB CREATION IN THIS STATE.

25 (D) THE EXTENT TO WHICH THE PROPOSED CENTER OF CREATIVE
26 ARTIFICIAL INTELLIGENCE EXCELLENCE COULD ATTRACT PRIVATE INVESTMENT
27 OR ENCOURAGE COMMERCIALIZATION IN CREATIVE ARTIFICIAL INTELLIGENCE

1 EXCELLENCE SECTORS IN THIS STATE.

2 (F) THE EXTENT TO WHICH THE PROPOSED CENTER OF CREATIVE
3 ARTIFICIAL INTELLIGENCE EXCELLENCE MAY ENCOURAGE COLLABORATION ON
4 COMMERCIALIZATION AND TECHNOLOGY TRANSFER AMONG QUALIFIED ENTITIES
5 IN THIS STATE.

6 (G) THE EXTENT TO WHICH THE PROPOSED CENTER OF CREATIVE
7 ARTIFICIAL INTELLIGENCE EXCELLENCE MAY ATTRACT ADDITIONAL FEDERAL
8 FUNDING TO THIS STATE OR PERSONS OR ENTITIES WITHIN THIS STATE.

9 (H) THE FINANCIAL VIABILITY OF THE PROPOSED CENTER OF CREATIVE
10 ARTIFICIAL INTELLIGENCE EXCELLENCE, INCLUDING, BUT NOT LIMITED TO,
11 COMMITMENTS OF FINANCIAL AND OTHER SUPPORT FOR THE PROPOSED CENTER
12 AND THE POTENTIAL AVAILABILITY OF FEDERAL FUNDING FOR THE PROPOSED
13 CENTER.

14 (I) THE FINANCIAL RESOURCES AVAILABLE TO THE FUND BOARD FOR
15 OPERATION OF THE CENTERS OF CREATIVE ARTIFICIAL INTELLIGENCE
16 EXCELLENCE PROGRAM UNDER THIS SECTION.

17 (5) IF THE FUND BOARD ENTERS INTO AN AGREEMENT WITH 1 OR MORE
18 QUALIFIED ENTITIES FOR THE OPERATION OF A CENTER OF CREATIVE
19 ARTIFICIAL INTELLIGENCE EXCELLENCE, THE AGREEMENT SHALL INCLUDE
20 PARTICIPATION BY AT LEAST 1 QUALIFIED BUSINESS AND AT LEAST 1
21 INSTITUTION OF HIGHER EDUCATION. AN AGREEMENT SHALL INCLUDE, BUT IS
22 NOT LIMITED TO, ALL OF THE FOLLOWING:

23 (A) THE ROLES AND RESPONSIBILITIES OF THE FUND AND THE
24 QUALIFIED ENTITIES PARTICIPATING IN THE AGREEMENT.

25 (B) A GOVERNANCE STRUCTURE FOR THE CENTER OF CREATIVE
26 ARTIFICIAL INTELLIGENCE EXCELLENCE. THE AGREEMENT MAY PROVIDE FOR
27 REPRESENTATION OF THE FUND IN THE GOVERNANCE OF THE CENTER.

1 (C) THE RESPONSIBILITIES OF THE FUND AND THE QUALIFIED
2 ENTITIES PARTICIPATING IN THE AGREEMENT, INCLUDING, BUT NOT LIMITED
3 TO, FINANCIAL RESOURCES, TECHNOLOGY, REAL PROPERTY, PERSONAL
4 PROPERTY, OR OTHER RESOURCES CONTRIBUTED BY THE PARTIES TO THE
5 AGREEMENT.

6 (D) A COMMITMENT BY THE QUALIFIED ENTITIES PARTICIPATING IN
7 THE AGREEMENT TO COLLABORATE ON COMMERCIALIZATION AND TECHNOLOGY
8 TRANSFER OPPORTUNITIES IN CREATIVE ARTIFICIAL INTELLIGENCE
9 EXCELLENCE SECTORS IN THIS STATE.

10 (E) A COMMITMENT BY QUALIFIED ENTITIES THAT ARE INSTITUTIONS
11 OF HIGHER EDUCATION TO PROVIDE INCENTIVES FOR FACULTY WHO
12 PARTICIPATE IN TECHNOLOGY TRANSFER AND COMMERCIALIZATION ACTIVITIES
13 IN CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE SECTORS AND
14 EXPANSION OF BUSINESS FORMATION EFFORTS RELATED TO CREATIVE
15 ARTIFICIAL INTELLIGENCE EXCELLENCE SECTORS TO INCREASE THE NUMBER
16 OF INSTITUTION OF HIGHER EDUCATION RELATED START-UP COMPANIES.

17 (F) A COMMITMENT TO LOCATE AND RETAIN COMMERCIALIZATION
18 OPPORTUNITIES RESULTING FROM THE AGREEMENT OR CENTER OF CREATIVE
19 ARTIFICIAL INTELLIGENCE EXCELLENCE WITHIN THIS STATE.

20 (G) THE DURATION OF THE AGREEMENT AND A MECHANISM FOR THE
21 DISSOLUTION OF THE CENTER OF CREATIVE ARTIFICIAL INTELLIGENCE
22 EXCELLENCE AND THE DISPOSITION OF ANY ASSETS. THE FUND BOARD MAY
23 REVOKE AN AGREEMENT FOR THE DESIGNATION AND OPERATION OF A CENTER
24 OF CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE IF A QUALIFIED
25 ENTITY THAT IS A PARTY TO THE AGREEMENT DOES NOT COMPLY WITH THE
26 AGREEMENT.

27 (H) PROVISION FOR REPAYMENT OF GRANTS FROM THE FUND IN THE

1 EVENT A QUALIFIED ENTITY FAILS TO COMPLY WITH THE AGREEMENT.

2 (6) AS USED IN THIS SECTION:

3 (A) "CREATIVE ARTIFICIAL INTELLIGENCE" MEANS ADVANCED
4 ARTIFICIAL NEURAL NETWORK TECHNOLOGY THAT IS CAPABLE OF
5 AUTONOMOUSLY GENERATING NEW AND POTENTIALLY VALUABLE CONCEPTS OR
6 STRATEGIES.

7 (B) "CREATIVE ARTIFICIAL INTELLIGENCE EXCELLENCE SECTORS"
8 MEANS NEW AND DEVELOPING INDUSTRY SECTORS IN THE CREATIVE
9 ARTIFICIAL INTELLIGENCE FIELD IN THIS STATE WHERE THE FUND HAS
10 DETERMINED THERE ARE BARRIERS TO THE COMMERCIALIZATION OF
11 TECHNOLOGY WITHIN THE NEW AND DEVELOPING INDUSTRY SECTOR.

12 (C) "CREATIVE ARTIFICIAL INTELLIGENCE FIELD" MEANS COMPUTER
13 PROCESSOR TECHNOLOGY, NATURAL LANGUAGE DEVELOPMENT TECHNOLOGY FOR
14 COMPUTER PROCESSORS, OR MATHEMATICAL RESEARCH, IF THAT RESEARCH IS
15 FOCUSED ON PROVIDING ALGORITHMS FOR THE DEVELOPMENT OF CREATIVE
16 ARTIFICIAL INTELLIGENCE SOFTWARE PROGRAMS OR HARDWARE THAT WILL
17 SUPPORT THE DEVELOPMENT OF CREATIVE ARTIFICIAL INTELLIGENCE.

18 (D) "QUALIFIED ENTITY" MEANS A QUALIFIED BUSINESS, AN
19 INSTITUTION OF HIGHER EDUCATION, A MICHIGAN NONPROFIT CORPORATION,
20 OR A POLITICAL SUBDIVISION OF THIS STATE.