

Legislative Analysis



21ST CENTURY INVESTMENT AMENDMENTS

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House Bills 5099 & 5100

Sponsor: Rep. Ed Clemente

Committee: New Economy and Quality of Life

Complete to 6-23-09

A PRELIMINARY SUMMARY OF HOUSE BILLS 5099 AND 5100 AS INTRODUCED 6-16-09

The bills would amend the Michigan Strategic Fund Act to revise provisions that spell out how money from the 21st Century Jobs Fund can be spent.

House Bill 5099 would amend Section 88k of the act (MCL 125.2088k) to do the following:

** Allow the Commercialization Board to recommend loans, convertible loans, equity investments, and warrants from the Jobs for Michigan Investment Fund to encourage the development of competitive edge technologies intended to create jobs.

** Make the Commercialization Board's recommendations subject to approval by the board of the Strategic Fund, which would have to establish a standard process to review the recommended investments prior to approval.

** Strike language that currently requires the involvement of independent peer review experts to assist the Commercialization Board.

** Permit the Fund to do either of the following:

(1) Establish a process to award grants for and recommend investments in competitive edge technologies. Under the process, the Commercialization Board would have to issue a request for proposals; establish a standard process to evaluate proposals; and appoint a committee to review the proposals. If an applicant for a grant or investment was seeking to match federal funds for small business innovation research or small business technology transfer programs, the federal agency review would satisfy the state review requirement. The bill retains the current emphasis on scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding in the evaluation process but also allows other criteria to be adopted.

(2) Establish a process to recommend investments in qualified venture capital funds to establish accelerator funds to invest in qualified businesses that engage in competitive edge technologies. Under this process, the Commercialization Board would have to select qualified venture capital funds by issuing a request for proposals. The RFP would require a responding entity to disclose any conflict of interest, criminal convictions, investigations by state or federal regulatory bodies or courts, and pending litigation. The Board would have to establish a standard process to evaluate proposals and appoint a committee to review the proposals.

A qualified venture capital fund would not be eligible to participate unless it operates or agrees to operate a business development office in Michigan with at least one full-time staffer seeking opportunities for investment in state businesses. However, the office requirement would not apply if the venture capital fund is targeted to a specific transaction involving competitive edge technology that would not occur without the fund's investment (as determined by the Commercialization Board). A venture capital fund also could not participate unless it agrees to create an accelerator fund and to collaborate with colleges and universities. (An accelerator fund is one that targets early stage technology companies.)

The evaluation process would also have to contain: a preference for proposals that contribute to the development of economic diversification or the creation of employment opportunities; a requirement that an applicant leverage other resources as a condition of the investment; a requirement that no more than 15 percent of any investment be used for administrative costs or overhead; and a provision requiring repayment if the venture capital fund or accelerator fund doesn't comply with statute.

****** Strike a provision that requires the Commercialization Board to notify the Governor and Legislature before adopting a resolution establishing or substantially changing a program operated by the Board.

House Bill 5100 would amend Section 88b of the act (MCL 125.2088b) to do the following:

****** Acknowledge that money can be used for convertible loans, equity investments, or warrants from the Investment Fund as recommended by the Commercialization Board.

****** Rewrite current provisions that delineate how much can be spent on specified programs from the 21st Century Jobs Trust Fund. Current allocation language would be stricken. The bill would allow the Strategic Fund board to authorize the expenditure of not less than \$30 million from the 2007-08 fiscal year through the 2011-12 fiscal year for competitive edge technology loans or grants or for convertible loans, equity investments, or warrants from the Investment Fund recommended by the Commercialization Board and approved by the Fund Board. Further, the bill would specify that no more than \$50 million could be spent for basic research between October 1, 2005 and September 30, 2016.

****** Specify that application fees for programs and activities would be paid to the Fund and used for administering programs and activities. These monies would be outside the existing limits on spending on administration (limited to four percent of the annual appropriation from the 21st Century Jobs Trust Fund).

FISCAL IMPACT:

A fiscal analysis is in process.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.