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House Bill 5100 (Substitute S-2 as reported)
Sponsor: Representative Ed Clemente

House Committee: New Economy and Quality of Life

Senate Committee: Commerce and Tourism

CONTENT

The bill would amend Chapter 8A (21st Century Investment Programs and Activities) of the Michigan Strategic Fund (MSF) Act to delete a requirement that the Strategic Economic Investment and Commercialization Board (commercialization board) authorize certain minimum expenditures for competitive edge technology grants and loans; and require the MSF to grant \$9.0 million for a bioeconomy research and commercialization institute.

Under Chapter 8A, the MSF board may not spend more than certain amounts each year from the 21st Century Jobs Trust Fund for specific purposes, including 70% for competitive edge technology grants and loans. The bill would delete a requirement that the commercialization board authorize the expenditure of at least \$25.0 million for that purpose in fiscal year (FY) 2008-09 through FY 2011-12.

In addition, under the bill, beginning October 1, 2009, before entering into an agreement for the designation and operation of a Center of Energy Excellence, the MSF would have to execute a grant agreement with a "qualified economic development organization" for \$9.0 million for the development and operation of a bioeconomy research and commercialization institute. The grant would have to be payable in equal yearly installments over the three fiscal years. "Qualified economic development organization" would mean an entity that maintains a partnership with an institution of higher education located in another community to facilitate the reuse of life science facilities and equipment; received money in FY 2007-08 from the MSF to facilitate the reuse of life science facilities and equipment; and, in partnership with an institution of higher education, established a bioeconomy research and commercialization institute focused on research in biofuels, biomaterials, and biochemicals at a facility donated to an institution of higher education by a private company.

MCL 125.2088b Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The MSF Act sets a minimum amount that is required to be allocated to the competitive edge technology grant and loan program each year. This allocation is set at \$25.0 million for each year from FY 2008-09 through FY 2011-12. The bill would eliminate this requirement. Given the reduced level of 21st Century Jobs Trust Fund appropriations after reductions made by Executive Order 2009-22 and the program allocations made by the MSF board to date, it does not appear that the MSF board can meet the current law requirement to allocate \$25.0 million in FY 2008-09 to competitive edge technology grants and loans. The program allocations for FY 2008-09 determined by the MSF board are shown in Table 1.

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 $\frac{\text{Table 1}}{\text{Allocations from the 21}^{\text{st}}} \text{ Century Jobs Trust Fund Appropriations} \\ \text{FY 2008-09}$

	FY 2008-09
Administration	\$2,480,000
Business Marketing and Business Development	3,100,000
Loan Programs	21,070,000
Centers for Energy Excellence	24,900,000
SBIR/STTR Matching Grants	1,400,000
Total	\$52,950,000

Source: Michigan Strategic Fund

The bill also would require the MSF board to award a grant of \$9.0 million to a qualified economic development organization. The grant would be payable at \$3.0 million per year for three years, with the first payment in FY 2009-10. The source of funding for the grant would be either annual appropriations to the MSF from the 21st Century Jobs Trust Fund or the Jobs for Michigan Investment Fund-Returns to Fund (the permanent fund that receives repayments and earnings from current and previous life science and technology tri-corridor programs), which is also subject to appropriation. This grant requirement would reduce the MSF's flexibility in allocating appropriations from the 21st Century Jobs Trust Fund among the various 21st Century Jobs Trust Fund programs.

Based on current discussions, appropriations from the 21st Century Jobs Trust Fund are expected to total \$37.5 million in FY 2009-10. An appropriation of \$9.0 million in FY 2009-10 has already been made from the Trust Fund to the Convention Facility Development Fund. Additional appropriations of \$28.5 million for FY 2009-10 are pending in Senate Bill 245, which includes the MSF budget.

Based on the qualifications in the bill, the grant recipient is expected to be Lakeshore Advantage, which has been working with Michigan State University (MSU) to develop a former Pfizer laboratory in Holland that was donated to MSU.

Date Completed: 9-29-09 Fiscal Analyst: Elizabeth Pratt

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