

**SUBSTITUTE FOR
SENATE BILL NO. 418**

A bill to amend 1984 PA 270, entitled
"Michigan strategic fund act,"
by amending section 88q (MCL 125.2088q), as added by 2008 PA 175.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 88q. (1) The fund may create and operate a centers of
2 energy excellence program to promote the development, acceleration,
3 and sustainability of energy excellence sectors in this state. The
4 fund may enter into agreements with 1 or more qualified entities
5 for the designation and operation of a center of energy excellence
6 as provided in subsection (5). Prior to entering into an agreement
7 under this section, 1 or more qualified entities may apply to the
8 fund for an agreement for designation and operation of a center of
9 energy excellence. The application shall be in a form determined by
10 the fund and shall include information the fund determines

1 necessary and appropriate.

2 (2) The fund board shall not expend more than \$45,000,000.00
 3 **THROUGH FISCAL YEAR 2008-2009 AND NOT MORE THAN \$30,000,000.00 FOR**
 4 **FISCAL YEAR 2009-2010 THROUGH FISCAL YEAR 2010-2011** of the money
 5 appropriated for programs authorized under this chapter from the
 6 21st century jobs trust fund created in the Michigan trust fund
 7 act, 2000 PA 489, MCL 12.251 to 12.260, for the centers of energy
 8 excellence program. Grants given for the centers of energy
 9 excellence program shall only be awarded to for-profit companies
 10 for ~~1-ALL~~ of the following purposes:

11 (a) Providing a ~~UP TO A 1-FOR-1~~ match for ~~foundation funding,~~
 12 federal funding, ~~or international investments~~ of up to 50% of the
 13 total project 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 energy
 17 technology or process that will be ready to market within 3 years
 18 of the effective date of the agreement.

19 (d) Activities of the center, including, but not limited to,
 20 workforce development and technology demonstration.

21 (3) ~~Not less than 50%-ALL~~ of the funds allocated to the
 22 centers for energy excellence program shall be used to match
 23 ~~foundation funding,~~ federal funding. ~~, or international~~
 24 ~~investments.~~ The fund board may authorize investment terms in
 25 qualified entities as part of any agreement as provided in
 26 subsection (5). Not more than 15% of any grant awarded can be used
 27 for administrative costs or overhead by the grantee or any

1 subcontractor hired to implement any portion of the centers for
2 energy excellence agreement. Grants authorized by this section
3 shall be disbursed pursuant to a timeline and progress disbursement
4 schedule included as part of an agreement under this section.

5 (4) The fund board shall establish a standard process to
6 evaluate applications for an agreement under this section and shall
7 appoint a committee of members of the fund board to assist in the
8 review of applications. The fund or the fund board shall not
9 appoint or designate any person paid or unpaid to a committee to
10 review applications if that person has a conflict of interest with
11 any potential applicants as determined by the office of the chief
12 compliance officer established in section 88i. When determining
13 whether to enter into an agreement under this section, the fund
14 board shall consider all of the following:

15 (a) The potential that in the absence of an agreement the
16 development, acceleration, and sustainability of energy excellence
17 sectors addressed by the proposed center of energy excellence will
18 occur in a location other than this state.

19 (b) The extent to which the proposed center of energy
20 excellence will promote the development of energy excellence
21 sectors in this state.

22 (c) The extent to which the proposed center of energy
23 excellence will promote economic development or job creation in
24 this state.

25 (d) The extent to which the proposed center of energy
26 excellence could attract private investment or encourage
27 commercialization in energy excellence sectors in this state.

1 (e) The extent to which the proposed center of energy
2 excellence may leverage skills or resources in which this state
3 possesses a competitive advantage, including, but not limited to,
4 skills of workers, intellectual property, and natural resources.

5 (f) The extent to which the proposed center of energy
6 excellence may encourage collaboration on commercialization and
7 technology transfer among qualified entities in this state.

8 (g) The extent to which the proposed center of energy
9 excellence may attract additional federal funding to this state or
10 persons or entities within this state.

11 (h) The financial viability of the proposed center of energy
12 excellence and the proposed business plan for the center of energy
13 excellence, including, but not limited to, commitments of financial
14 and other support for the proposed center and the potential
15 availability of federal funding for the proposed center.

16 (i) The financial resources available to the fund board for
17 operation of the centers of energy excellence program under this
18 section.

19 (j) Any recommendations from the centers manager selected
20 under subsection (6).

21 (5) If the fund board enters into an agreement with 1 or more
22 qualified entities for the operation of a center of energy
23 excellence, the agreement shall include participation by at least 1
24 qualified business and at least 1 institution of higher education
25 **OR A NATIONAL LABORATORY.** An agreement shall include, but is not
26 limited to, all of the following:

27 (a) The roles and responsibilities of the fund and the

1 qualified entities participating in the agreement.

2 (b) A governance structure for the center of energy
3 excellence. The agreement may provide for representation of the
4 fund in the governance of the center.

5 (c) The responsibilities of the fund and the qualified
6 entities participating in the agreement, including, but not limited
7 to, financial resources, technology, real property, personal
8 property, or other resources contributed by the parties to the
9 agreement.

10 (d) A commitment by the qualified entities participating in
11 the agreement to collaborate on commercialization and technology
12 transfer opportunities in energy excellence sectors in this state.

13 (e) A commitment by qualified entities that are institutions
14 of higher education to provide incentives for faculty who
15 participate in technology transfer and commercialization activities
16 in energy excellence sectors and expansion of business formation
17 efforts related to energy excellence sectors to increase the number
18 of institution of higher education related start-up companies.

19 (f) A commitment to locate and retain commercialization
20 opportunities resulting from the agreement or center of energy
21 excellence within this state.

22 (g) A business plan for the center of energy excellence that
23 identifies clear and measurable objectives, timelines, and
24 deliverables for the center.

25 (h) The duration of the agreement and a mechanism for the
26 dissolution of the center of energy excellence and the disposition
27 of any assets. The fund board may revoke an agreement for the

1 designation and operation of a center of energy excellence if a
2 qualified entity that is a party to the agreement does not comply
3 with the agreement.

4 (i) Provision for repayment of grants from the fund in the
5 event a qualified entity fails to comply with the agreement.

6 (6) The fund board may select a person or entity as a centers
7 manager to assist the fund in the administration of the centers of
8 energy excellence program authorized by this section. Costs
9 associated with the administration of the centers of energy
10 excellence program are subject to section 88b(5). The centers
11 manager shall do all of the following as determined by the fund
12 board:

13 (a) Provide administrative services related to the centers of
14 energy excellence program.

15 (b) Act as contract manager on behalf of the fund for any
16 agreement establishing a center of energy excellence under this
17 section.

18 (c) Recommend to the fund board a plan for managing the
19 centers of energy excellence program and implement any plan
20 authorized by the fund board.

21 (d) Assist centers of energy excellence in developing a supply
22 chain for energy excellence sectors.

23 (e) Evaluate and report to the fund board on the centers of
24 energy excellence program and progress made toward
25 commercialization of technology in energy excellence sectors in
26 this state.

27 (f) Review applications submitted under subsection (1) and

1 make recommendations to the fund board on the applications for
2 approval ~~or disapproval~~ of applications.

3 (g) Perform other functions related to the centers for energy
4 excellence program authorized by this section as deemed necessary
5 and appropriate by the fund board.

6 (7) As used in this section:

7 (a) "Centers manager" means a centers manager selected under
8 subsection (6).

9 (b) "Energy excellence sectors" means new and developing
10 industry sectors in the energy field in this state where the fund
11 has determined the state has a competitive advantage and there are
12 barriers to the commercialization of technology within the new and
13 developing industry sector.

14 (c) "Energy field" means alternative energy technology, energy
15 efficiency technology, technologies that contribute to energy
16 security and independence, other advanced energy technologies, or
17 water technology related to the development of energy excellence
18 sectors.

19 (d) "Qualified entity" means a qualified business, an
20 institution of higher education, a Michigan nonprofit corporation,
21 **A NATIONAL LABORATORY**, or a political subdivision of this state.