



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4480 (Substitute S-2 as reported by the Committee of the Whole)

House Bill 4481 (Substitute H-2 as reported without amendment)

House Bill 4482 (Substitute H-5 as reported without amendment)

Sponsor: Representative Tom Leonard (H.B. 4480)

Representative Harvey Santana (H.B. 4481)

Representative Frank Foster (H.B. 4482)

House Committee: Commerce

Senate Committee: Economic Development

CONTENT

The bills would amend the Michigan Strategic Fund (MSF) Act.

House Bill 4480 (S-2) would codify and expand annual reporting requirements regarding various programs operated and funded by the MSF, and require certain information to be posted on the MSF website.

Currently, the MSF must transmit an annual report of its activities to the Legislature. Under the bill, the report would have to be sent to each member of the Legislature, the Governor, the Secretary of the Senate, the Clerk of the House, and the Senate and House Fiscal Agencies. The report would have to be transmitted by April 10 of each year for activities in the immediately preceding State fiscal year.

House Bill 4481 (H-2) would provide for the MSF board's responsibilities regarding strategic economic investment and commercialization (consistent with a 2010 executive reorganization order that abolished the Strategic Economic Investment and Commercialization Board and transferred its responsibilities to the MSF board). The bill also would expand requirements regarding the competitive process to award grants and make loans for competitive edge technologies.

Chapter 8A (21st Century Investment Programs and Activities) of the Act requires the MSF to establish a competitive process to award grants and make loans for competitive edge technologies, and specifies provisions that the competitive process must include. Among those is a provision that the program will use contracts with measurable milestones, clear objectives, provisions to revoke awards for breach of contract, and repayment provisions for loans given to qualified businesses that leave Michigan within three years of the execution of the contract or that otherwise breach the terms of the contract. Under the bill, the competitive process also would have to include provisions to revoke awards for failing to meet measurable milestones, and provide for repayment of grants for breach of contract or for failing to meet measurable outcomes. The loan repayment provisions also would apply to qualified businesses that failed to meet measurable outcomes.

House Bill 4482 (H-5) would authorize the MSF to do the following, in addition to exercising the powers and duties provided in the Act:

- Take necessary and reasonable steps to pursue repayment of funds disbursed for any grant or loan for failure to comply with provisions of a written agreement, as required under the Business Development Program and the Community Revitalization Program.
- Establish and operate a Job Training Fund that would support the training of workers for Michigan businesses as determined by the MSF.
- Establish and operate a Brownfield Historic Investment Program that would provide capital for projects, as determined by the Fund.
- Procure goods and services, purchase and sell real and personal property, and lease property independent of any other State department or agency.
- Appoint any individuals, including MSF and Michigan Economic Development Corporation employees, to boards to represent the interests of the MSF.

The bill also would repeal Section 89d of the Act, which requires an annual report to the Legislature regarding the MSF's tourism promotion and business development efforts. (Reporting on those efforts would be included in the MSF annual report under House Bill 4480 (H-3).)

MCL 125.2009 & 125.2088c (H.B. 4480)
 125.2088k & 125.2088n (H.B. 4481)
 125.2007 (H.B. 4482)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

House Bill 4480 (S-2) could have a minimal fiscal impact on the Michigan Strategic Fund as a result of the consolidation of the reporting requirements, which traditionally have been contained in budget legislation. There could be a saving to the Fund in administrative costs as a result of efficiencies that resulted from the inclusion of all reporting requirements into a single section of the Act. Any cost savings are indeterminate, but would be negligible.

Additionally, the bill could result in a cost to the MSF as a result of the posting of required information on the Fund's website. Any costs to the Fund would depend on whether the Fund currently has the staff and technology in place to perform this function. The current statewide average for salary and benefits for a State classified employee is \$85,000 Gross, \$45,000 General Fund per FTE equivalent. Technology enhancement costs would depend on whether any system upgrades would become necessary.

House Bill 4481 (H-2) would have no fiscal impact on State or local government.

House Bill 4482 (H-5) would not have a fiscal impact on the MSF's funding; however, the expanded authority granted to the Fund under the bill could affect how funds are distributed and spent by the Fund. Programs and entities currently receiving funds from the MSF could be affected by the expanded authority if it resulted in smaller grants and loans for those entities.

Date Completed: 12-16-14

Fiscal Analyst: Joe Carrasco