

Legislative Analysis



FY 2014-15 SUPPLEMENTAL APPROPRIATION FOR VENTURE CAPITAL TAX VOUCHER PURCHASE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4101 (S-1) as passed by the Senate
Sponsor: Rep. Pscholka
Committee: Appropriations

Analysis available at
<http://www.legislature.mi.gov>

Complete to 6-11-15

SUMMARY:

House Bill 4101 is a Fiscal Year (FY) 2014-15 supplemental appropriations bill. The bill contains a single appropriation of \$100.0 million (\$76.2 million GF/GP and \$23.8 million Merit Award Trust Fund) for a Tax Voucher Purchase Program within the Department of Technology, Management, and Budget. The bill would authorize voucher purchases of \$50.0 million each in FY 2014-15 and FY 2015-16.

Specifically, boilerplate language (section 301) would authorize the State Budget Director to expend the appropriated funds to purchase certain tax vouchers issued by the Venture Michigan Fund under the Michigan Early Stage Investment Act of 2003. Purchases could be made as follows:

- Up to \$50.0 million could be expended to purchase vouchers scheduled for tender on June 1, 2015.
- Up to \$50.0 million could be expended to purchase vouchers scheduled for tender on October 1, 2015.

The appropriation would be considered a work project appropriation in order to allow for the FY 2015-16 portion of the purchases. Once the purchase of the tax vouchers was complete, the state budget director would forward them to the state treasurer for destruction.

FISCAL IMPACT:

Background information on the Venture Michigan Fund is available in the document linked below—an analysis of legislation related to the fund reported by the House Committee on Commerce and Trade.

<http://www.legislature.mi.gov/documents/2015-2016/billanalysis/House/pdf/2015-HLA-4195-B6491030.pdf>

Currently, \$50.0 million in tax vouchers are anticipated to be issued by the Venture Michigan Fund and redeemed in both FY 2014-15 and FY 2015-16 by companies with individual income tax withholding liabilities, creating a state revenue loss of that amount. Purchasing the vouchers directly under the provisions of House Bill 4101 would result in long-term fiscal savings by applying the full \$100.0 million in state funds toward liabilities

associated with the Venture Michigan Fund, rather than a discounted amount realized through an auction process. The amount of that savings cannot be precisely determined.

Additionally, the use of Merit Award Trust Fund revenue absorbs a revenue impact of \$23.8 million that would otherwise be incurred by the School Aid Fund. The Merit Award Trust Fund receives revenue from the state's share of annual tobacco settlement proceeds. The fund currently has a projected balance of \$71.6 million for FY 2015-16.

Fiscal Analysts: Kyle I. Jen
Mary Ann Cleary

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