

PROHIBIT ECONOMIC INCENTIVES TO CERTAIN FOREIGN ENTITIES

Phone: (517) 373-8080
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House Bill 4241 as introduced
Sponsor: Rep. Mike Hoadley
Committee: Government Operations
Complete to 3-18-25

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

SUMMARY:

House Bill 4241 would amend the Michigan Strategic Fund Act to prohibit the Michigan Strategic Fund (MSF) from knowingly entering into an agreement with a *foreign entity* for an *economic incentive*.

Foreign entity would mean an entity that meets any of the following:

- It is owned or controlled¹ by the government of a *foreign country of concern* (China, Cuba, Iran, North Korea, Russia, Syria, or Venezuela).
- It is organized under the laws of any of those countries.
- It has its principal place of business in any of those countries.

Economic incentive would mean all programs under state law that are administered by MSF or require an applicant to seek certification, approval, or other action from MSF, including grants, loans, and other economic assistance.

Before MSF could provide any economic incentive, the recipient or applicant would have to submit an affidavit, signed under penalty of perjury,² attesting that they are not a foreign entity.

The bill would prohibit a *person* that distributes or receives an economic incentive from knowingly distributing it to, or using it for the benefit of, a foreign entity. The person would have to require an entity that an economic incentive is distributed to, or used for the benefit of, to provide the affidavit described above, which the person would have to copy to MSF.

Person, as defined in the act, means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, profit or nonprofit corporation including a public or private college or university, public utility, municipality, local industrial development corporation, economic development corporation, other association of persons organized for agricultural, commercial, or industrial purposes, a lender, or any other entity approved by the MSF board. For purposes of the bill, *person* would be said to also

¹ "Controlled by" would mean that the government in question has the power to direct or cause the direction of the management or policies of the entity, whether through ownership of securities, by contract, or otherwise. A government that directly or indirectly holds at least a 25% voting interest in an entity or is entitled to at least 25% of an entity's profits would be presumed to control the entity.

² Perjury is a felony punishable by imprisonment for up to 15 years.

or specifically include a state department or agency, a political subdivision of the state, or a public or private person acting on behalf of a state department or agency or political subdivision.

MSF would have to develop and issue rules to administer the above provisions.

Proposed MCL 125.2007c

FISCAL IMPACT:

House Bill 4241 would not have a direct fiscal impact on the Michigan Strategic Fund. Activities to comply with provisions regarding foreign entities and any rules promulgation activities would likely have minimal costs.

The bill also would have an indeterminate fiscal impact on the state and on local units of government. Under the bill, before providing any economic incentive, the Michigan Strategic Fund must require the recipient or applicant to provide an affidavit signed under the penalty of perjury attesting that the recipient or applicant is not a foreign entity. An individual who knowingly and willfully makes a false, fictitious, or fraudulent statement or representation on an affidavit executed under the bill would be guilty of perjury, which is a felony punishable by imprisonment for not more than 15 years. In fiscal year 2024, the average cost of prison incarceration in a state facility was roughly \$46,200 per prisoner, a figure that includes various fixed administrative and operational costs. State costs for parole and felony probation supervision averaged about \$5,500 per supervised offender in the same year. Those costs are financed with state general fund/general purpose revenue.

Legislative Analyst: Rick Yuille
Fiscal Analysts: Marcus Coffin
Robin Risko

■ 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.