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BILL ANALYSIS



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Senate Bill 1380 (Substitute S-1 as reported)
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

CONTENT

The bill would amend Chapter 8a (21st Century Investment Programs and Activities) of the Michigan Strategic Fund Act to do all of the following:

- Allow the Michigan Strategic Fund (MSF) to create and operate a Centers of Energy Excellence Program to promote the development, acceleration, and sustainability of "energy excellence sectors" in Michigan.
- Allow the MSF board to enter into agreements with "qualified entities" for the designation and operation of a center of energy excellence.
- Allow the MSF board to spend up to \$45.0 million from the 21st Century Jobs Trust Fund appropriations on the Centers of Energy Excellence Program.
- Allow grants for the Program to be awarded only to for-profit companies for certain purposes.
- Require at least 50% of the funds allocated for the Program to be used to match foundation funding, Federal funding, or international investments.
- Prohibit more than 15% of any grant from being used for administrative costs or overhead.
- Require the MSF board to establish an application evaluation process and appoint a committee to assist in reviewing applications.
- Specify factors the MSF board would have to consider in determining whether to enter into an agreement with a qualified entity.
- Specify information that an agreement would have to include.
- Allow the MSF board to select a centers manager to assist in the administration of the Program.
- Specify the centers manager's responsibilities.
- Reduce the minimum expenditure the commercialization board must authorize in fiscal year (FY) 2008-09 through FY 2011-12 for competitive edge technology grants and loans.
- Prohibit the MSF or its board from appointing any person to a review committee if he or she had a conflict of interest with any potential vendor.

"Energy excellence sectors" would mean new and developing industry sectors in the energy field in Michigan where the MSF has determined the State has a competitive advantage and there are barriers to the commercialization of technology within the new and developing industry sector. "Energy field" would mean alternative energy technology, energy efficiency technology, technologies that contribute to energy security and independence, other advanced energy technologies, or water technology related to the development of energy excellence sectors.

"Qualified entity" would mean a qualified business, an institution of higher education, a Michigan nonprofit corporation, or a political subdivision of the State. (Under the Act, "qualified business" means a business entity located in Michigan.)

MCL 125.2088b et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would create a new program under the 21st Century Jobs Trust Fund and reduce a statutory allocation to an existing program for FY 2008-09 through FY 2011-12.

The 21st Century Jobs Trust Fund program received an appropriation of \$75.0 million in FY 2007-08. The statute and the appropriations bill for this program include earmarks totaling \$38,150,000. These consist of \$30.0 million for Competitive Edge Technology Grants and Loans, \$3.0 for administration, \$3,750,000 for business development and marketing, and \$1.4 million for the Small Business Technology Development Centers to administer the Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) Federal matching grant programs. In addition, the MSF board has allocated \$18,750,000 in FY 2007-08 for the Choose Michigan Fund, a new loan enhancement program that, pursuant to Public Act 80 of 2008, part of the film industry package, is required to include the Michigan Film and Digital Media Investment Loan Program. This brings the total of earmarks and allocations in FY 2007-08 to \$56.9 million. The unallocated balance of the \$75.0 million appropriated in FY 2007-08 is \$18.1 million. The Michigan Economic Development Corporation has proposed using that balance for a Centers of Excellence Program. The bill would create a Centers of Energy Excellence Program specifically to provide grants to companies that collaborate with universities to commercialize alternative energy technology.

The bill would reduce the earmark for the Competitive Edge Technology Grants and Loans program from \$30.0 million to \$25.0 million for FY 2008-09 through FY 2011-2012. This would reduce funding for this program, which is administered by the Strategic Economic Investment and Commercialization Board, by \$5.0 million per year. In addition, the bill would permit up to \$45.0 million to be used for the Centers of Energy Excellence. This would reduce the amount of funds available for other authorized programs and boilerplate allocations.

For FY 2008-09, the Senate-passed version of HB 5816 (S-1), the appropriation bill that includes funding for the Michigan Strategic Fund, would provide \$74,999,900 for 21st Century Jobs Trust Fund programs. This would fund the current statutory earmarks for Competitive Edge Technology Grants and Loans, administration and business development and marketing, and proposed boilerplate allocations which total \$4.4 million, consisting of \$1.4 million for SBIR/STTR and \$3.0 million for Lakeshore Advantage. The Senate-passed budget would leave an unallocated balance of approximately \$33.8 million for allocation by the MSF board to other 21st Century programs, including the loan enhancement and investment programs.

The creation of the Centers of Energy Excellence Program would increase the administrative responsibilities of the Michigan Strategic Fund. Any additional administrative costs related to this Program would be funded by the \$3.0 million statutory earmark for administrative expenses.

Date Completed: 6-18-08

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.