

Act No. 190  
Public Acts of 2024  
Approved by the Governor  
January 13, 2025  
Filed with the Secretary of State  
January 14, 2025  
EFFECTIVE DATE: April 2, 2025

**STATE OF MICHIGAN  
102ND LEGISLATURE  
REGULAR SESSION OF 2024**

Introduced by Reps. Farhat, Hoskins, VanWoerkom and Miller

## **ENROLLED HOUSE BILL No. 5653**

AN ACT to amend 1984 PA 270, entitled “An act relating to the economic development of this state; to create the Michigan strategic fund and to prescribe its powers and duties; to transfer and provide for the acquisition and succession to the rights, properties, obligations, and duties of the job development authority and the Michigan economic development authority to the Michigan strategic fund; to provide for the expenditure of proceeds in certain funds to which the Michigan strategic fund succeeds in ownership; to provide for the issuance of, and terms and conditions for, certain notes and bonds of the Michigan strategic fund; to create certain boards and funds; to create certain permanent funds; to exempt the property, income, and operation of the fund and its bonds and notes, and the interest thereon, from certain taxes; to provide for the creation of certain centers within and for the purposes of the Michigan strategic fund; to provide for the creation and funding of certain accounts for certain purposes; to impose certain powers and duties upon certain officials, departments, and authorities of this state; to make certain loans, grants, and investments; to provide penalties; to make an appropriation; and to repeal acts and parts of acts,” by amending sections 88b, 88f, and 88h (MCL 125.2088b, 125.2088f, and 125.2088h), section 88b as amended by 2014 PA 505, section 88f as amended by 2012 PA 221, and section 88h as amended by 2012 PA 145, and by adding section 88u.

*The People of the State of Michigan enact:*

Sec. 88b. (1) The fund shall create programs authorized under this chapter. These programs shall be operated and administered by the authorized officers, employees, and agents of the fund, including the MEDC and its employees. Consistent with the requirements of this chapter, the fund board shall determine the annual allocation of money for programs authorized under this chapter and make authorized expenditures or investments from the investment fund of the 21st century jobs trust fund as authorized under this act for programs and activities authorized under this chapter.

(2) Money transferred or appropriated by law to the fund for the purposes of carrying out this chapter or chapter 8C must be expended or invested by the fund as authorized by law for the following purposes:

(a) 21st century investments if those investments provide for repayment for breach of the written agreement or the failure to meet measurable outcomes.

(b) Grants and loans approved by the fund board under section 88k if those grants and loans provide for repayment for breach of the written agreement or the failure to meet measurable outcomes.

(c) Other programs or activities authorized under this chapter, any other chapter of this act, or as provided in an appropriation act if those programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes.

(d) The Michigan innovation fund program as provided in section 88u.

(e) Grants, loans, or other economic assistance under section 88r and community revitalization incentives under chapter 8C if those grants, loans, other economic assistance, and community revitalization incentives provide for repayment for breach of the written agreement or the failure to meet measurable outcomes.

(3) Not more than 4% of the annual appropriation as provided by law from the 21st century jobs trust fund may be used for the purposes of administering the programs and activities authorized under this chapter. However, the fund and the fund board shall not use more than 3% of the annual appropriation for administering the programs and activities authorized under this chapter unless the fund board by a 2/3 vote authorizes the additional 1% for administration. The MEDC may charge actual and reasonable fees for costs associated with loans, grants, or other economic assistance under this chapter. These fees are in addition to the amount of the appropriation used for administering the programs and activities authorized under this chapter.

(4) Not more than 5% of the annual appropriation as provided by law from the 21st century jobs trust fund may be used for business development and business marketing costs. No funds may be used for any business development and business marketing effort that includes a reference to or the image or voice of an elected state officer or a candidate for elective state office and that is targeted to a media market in this state.

(5) The fund shall not use any money appropriated or transferred for purposes authorized under this chapter to acquire interests in or improve real property. The restriction under this subsection does not prohibit the fund from taking a security interest in real property. The restriction under this subsection applies only to the fund and not to recipients of expenditures or investments under this chapter.

(6) The fund board may select all vendors for all expenditures and for program awards under this chapter by issuing a request for proposal or an alternative competitive process as determined by the fund board. At a minimum, the request for proposal must require the responding entities to disclose any conflict of interest, disclose any criminal convictions, disclose any investigations by the Internal Revenue Service or any other federal or state taxing body or court, disclose any litigation involving the entity, and maintain records and evidence pertaining to work performed. The fund board shall establish a standard process to evaluate proposals submitted as a result of a request for proposal and appoint a committee to review the proposals. The fund or the fund board shall not appoint or designate any person paid or unpaid to a committee to review proposals if that person has a conflict of interest with any potential vendors as determined by the office of the chief compliance officer established in section 88i.

(7) The fund may use application fees received for programs and activities authorized under this chapter or chapter 8C for administering the programs and activities authorized under this chapter or chapter 8C. The restrictions on expenditures under subsection (3) do not apply to expenditure of application fee revenue under this subsection.

(8) Funds appropriated by law to the fund board or the fund may be expended by the fund board or fund without further appropriation regardless of the source of those funds.

(9) Money deposited in the 21st century jobs trust fund under section 7(1)(c) of the Michigan trust fund act, 2000 PA 489, MCL 12.257, must be expended as provided in section 88u.

(10) As used in this section, "21st century jobs trust fund" means the 21st century jobs trust fund established in section 7 of the Michigan trust fund act, 2000 PA 489, MCL 12.257.

Sec. 88f. (1) When creating programs for 21st century investments under this chapter, the fund shall create and operate the venture capital investment program. The fund board shall authorize investments that must invest only in or alongside a qualified venture capital fund that invests primarily in early stage businesses in this state. The venture capital investment program must do all of the following:

(a) Provide that the return on investment that is sought is greater than the return on investment under the commercial loan portion of the loan enhancement program to reflect the greater risk and track actual return on investment performance comparison between venture capital investment and commercial loan enhancement investments on an ongoing basis in the annual report.

(b) Provide that the qualified venture capital fund will have an amount at risk greater than the fund's investment.

(c) Provide that a qualified venture capital fund is not eligible to participate in a venture capital investment program unless it operates a business development office in this state staffed with at least 1 full-time equivalent employee who is actively seeking opportunities for venture capital investments in businesses located in this state.

(d) Provide that a qualified venture capital fund is not eligible to participate in a venture capital investment program unless it agrees to make venture capital investments in this state at a percentage rate that is not less than the percentage rate that the fund's investment in the qualified venture capital fund bears to the total amount in the qualified venture capital fund.

(e) Provide that a qualified venture capital fund is not eligible to participate in a venture capital investment program if its investment strategy provides for the breakup and liquidation of businesses. The fund board shall make sure that the agreements with a venture capital fund have the appropriate provisions to prohibit the actions described in this subdivision.

(f) Provide that a qualified venture capital fund may make follow-up investments that were eligible for investment at the time of initial investment but that subsequently may not be characterized as an investment in an early stage business.

(2) The fund board may limit overhead rates for recipients of awards to reflect actual overhead, administrative fees, and management fees, to an amount as determined by the fund board, which overhead rates must not exceed 25% of the award. Start-up costs may be reimbursed as determined by the fund board.

Sec. 88h. (1) The jobs for Michigan investment fund is created within the fund as a permanent fund authorized by section 19 of article IX of the state constitution of 1963. Money in the investment fund at the close of the fiscal year remains in the investment fund and does not lapse to the general fund. Money in the investment fund must not be transferred to another governmental entity or a separate legal entity and public body corporate established under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512, except as authorized in this chapter.

(2) Money or other assets deposited in the investment fund must be held as permanent funds as provided under section 19 of article IX of the state constitution of 1963 and invested only as authorized under this chapter, including, but not limited to, investments in the stock of a company, association, or corporation.

(3) The investment fund must be invested as authorized under this chapter for the benefit of the people of this state and for the purpose of creating incentives for the following in this state:

(a) Retaining or creating jobs.

(b) Increasing capital investment activity.

(c) Increasing commercial lending activity.

(d) Encouraging the development and commercialization of competitive edge technologies.

(e) Revitalizing Michigan communities.

(4) Funds or other assets of the investment fund also may be invested in debt instruments or debt obligations for loans or guarantees authorized under this chapter.

(5) The investment fund consists of all of the following:

(a) Any funds appropriated to, transferred to, or deposited in the investment fund from the 21st century jobs trust fund.

(b) Earnings, royalties, return on investments, return of principal, payments made, or other money received by or payable to the fund under agreements related to grants, loans, investments, or expenditures by the fund under this chapter or chapter 8C.

(c) Assets, property, money, earnings, royalties, return on investments, return of principal, payments made, or other money owed, received by, or payable to the fund or the Michigan economic development corporation under agreements related to grants, loans, investments, or other payments funded by appropriations from the state general fund or tobacco settlement revenue under 1 or more of the following:

(i) Section 418 of 1999 PA 120, commonly known as the health and aging research and development initiative or the Michigan life sciences corridor initiative, or any successor program.

(ii) Section 410 of 2000 PA 292, commonly known as the health and aging research and development initiative or the Michigan life sciences corridor initiative, or any successor program.

(iii) Section 410 of 2001 PA 80, commonly known as the health and aging research and development initiative or the Michigan life sciences corridor initiative, or any successor program.

(iv) Section 410 of 2002 PA 517, commonly known as the Michigan life sciences corridor initiative, or any successor program.

(v) Section 410 of 2003 PA 169, commonly known as the Michigan life sciences and technology tri-corridor initiative, or any successor program.

(vi) Section 510 of 2004 PA 354, commonly known as the Michigan technology tri-corridor and life sciences initiative, or any successor program.

(vii) Section 801 of 2005 PA 11, commonly known as the technology tri-corridor and life sciences initiative, or any successor program.

(viii) Section 381(1)(c) of 2003 PA 173, providing for payments to the life sciences commercial development fund.

(d) Any money appropriated to, transferred to, or deposited in the investment fund under section 88u.

(e) Money or assets received by the state treasurer or the fund from any source for deposit in the investment fund.

(f) Interest and earnings on any funds or other assets deposited in the investment fund or other net income of the investment fund.

(6) The net income of the investment fund may be expended by the fund only for purposes authorized under this chapter or chapter 8C. For purposes of this section, the net income of the investment fund must be computed annually as of the last day of the state fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses.

(7) The fund board is the trustees of the investment fund and shall direct the investment and reinvestment of the funds and assets of the investment fund as consistent with the objectives of this chapter or chapter 8C.

(8) The fund board or an officer of the fund may establish restricted subaccounts within the investment fund as necessary to administer the investment fund. The fund may contract with the state treasurer to assist the fund board in administering the investment fund. The fund may authorize money in the investment fund not invested as authorized under sections 88d, 88e, 88f, 88g, 88q, 88r, and 88u and chapter 8C to be managed by the state treasurer as part of the common cash fund of this state under 1967 PA 55, MCL 12.51 to 12.53. The state treasurer shall separately account for money managed by the state treasurer under this subsection. If authorized under this subsection, the state treasurer may invest the funds or assets of the investment fund in any investment authorized under 1855 PA 105, MCL 21.141 to 21.147, for surplus funds of this state, in any obligation issued by a state or political subdivision or instrumentality of the United States, or in any obligation issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, that is not in default as to principal or interest.

(9) A member of the fund board or officer of the fund shall not gain from any investment of funds or assets of the investment fund. A member of the fund board or officer of the fund shall not have any direct or indirect interest in an investment of funds or assets of the investment fund. A member of the fund board or person connected with the investment fund directly or indirectly, for that person, or as an agent or partner of others, shall not borrow any of the funds or assets of the investment fund or in any manner use funds or assets of the investment fund except as authorized under this chapter. A member of the fund board or officer of the fund shall not become an endorser or surety or become in any manner an obligor for money loaned by or borrowed from the investment fund. Failure to comply with this subsection constitutes misconduct in office subject to removal under section 94. In addition to any other sanction, a person who violates this subsection is guilty of a misdemeanor punishable by imprisonment for not more than 90 days or a fine of not more than \$500.00, or both.

(10) As used in this section, "21st century jobs trust fund" means the 21st century jobs trust fund established in section 7 of the Michigan trust fund act, 2000 PA 489, MCL 12.257.

Sec. 88u. (1) The fund shall create the Michigan innovation fund program to provide support in this state for investments under section 88h, qualified evergreen venture funds, qualified emerging evergreen funds, qualified venture capital funds, and qualified start-up support services. The Michigan innovation fund program shall be operated and administered by the authorized officers, employees, and agents of the fund, including the MEDC and its employees. Money deposited in the 21st century jobs trust fund under section 7(1)(c) of the Michigan trust fund act, 2000 PA 489, MCL 12.257, must be expended by the fund to support the Michigan innovation fund program as provided in this section.

(2) Subject to subsection (5), the fund shall expend money deposited in the 21st century jobs trust fund under section 7(1)(c) of the Michigan trust fund act, 2000 PA 489, MCL 12.257, each fiscal year through the fiscal year ending September 30, 2054, as follows:

- (a) 5% for transfer to and deposit in the investment fund for investment under section 88h(3)(a), (d), or (e).
- (b) 80% for grants to qualified evergreen venture funds for eligible activities.
- (c) 8% for grants to 1 or more qualified emerging evergreen funds for eligible activities.
- (d) 7% for grants to qualified nonprofits for qualified start-up support services.

(3) Money deposited in the 21st century jobs trust fund under section 7(1)(c) of the Michigan trust fund act, 2000 PA 489, MCL 12.257, for grants under subsection (2)(b) or (c) must be awarded by the fund under this section not later than 182 days after the deposit of the money in the 21st century jobs trust fund. The fund shall award grants under subsection (2)(b) or (c) to all eligible applicants. For all grants made by the fund in a fiscal year under subsection (2)(b), the total amount of grants provided to qualified evergreen venture funds that invest in 2 or more industry sectors must be not less than 200% of the total amount of grants provided to qualified evergreen venture funds that invest in only 1 industry sector. The fund may enter into grant agreements to ensure compliance with this section. For a grant under subsection (2)(b) or (c), all of the following apply regarding a grant agreement under this subsection:

(a) The grant agreement must require a grant award to be committed by the recipient not later than 5 years after the receipt of the grant by the recipient.

- (b) The grant agreement may permit not more than 15% of the amount of the grant award to be used for both of the following:
- (i) Administration of the grant award by the recipient.
  - (ii) Technical assistance related to investments made by the qualified evergreen venture fund or qualified emerging evergreen fund, including, but not limited to, coaching, mentoring, and programming to support business founders.
- (c) The grant agreement must require at least 5% of the grant money invested to be invested in geographically disadvantaged business enterprises.
- (d) The grant agreement must require a grant award recipient to report annually, by April 15 of each year, on its activities under this section on a standard form that is prescribed by the fund and the annual report must be published on the fund's website and on the recipient's website. Except as otherwise provided in subsection (4), an annual report required under this subdivision must include all of the following information:
- (i) A list of investments made with grant award proceeds during the immediately preceding calendar year that includes all of the following:
    - (A) The name of the recipient of each investment.
    - (B) The date of each investment.
    - (C) The amount of each investment.
    - (D) The physical address of the recipient of each investment.
    - (E) A description of the type of investment.
    - (F) A description of the industry or economic sector in which the recipient operates.
    - (G) An indication of whether the investment is a new investment in the recipient or a follow-on investment.
    - (H) An indication of the number of jobs created or jobs retained, or both, as a result of the investment.
  - (ii) A summary of expenditures for administration and operations that includes a summary of administrative and operational costs incurred, including, but not limited to, any professional fees and expenses incurred.
  - (iii) The amount, the date, and a description of any returns received from each investment made with grant proceeds.
- (e) A grant agreement must include a provision that requires the recipient of the grant to use returns from the investment of money using grant proceeds as follows:
- (i) Not more than 15% may be used for expenses described in subdivision (b)(i) or (ii).
  - (ii) Not less than 85% must be reinvested.
- (f) A grant agreement must include a provision that requires the recipient of the grant to notify the fund within 90 days after there is a change in that recipient's senior leadership team.
- (g) A grant agreement must include a provision that if the recipient of a grant realizes an earned return on an investment under this section that exceeds \$8,000,000.00 within 15 years after the initial investment, then the recipient shall, not later than 1 year after the return realized exceeds the cap under this subdivision, distribute an amount equal to 10% of that return to the state treasurer for deposit to the general fund in this state.
- (4) A grant award recipient is not required to provide information in an annual report under subsection (3)(d) if the information is exempt from disclosure under the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
- (5) It is the intent of the legislature that grants and investments under this section are for the public purpose of encouraging economic development and job creation in this state. The fund shall not enter into any new grant agreements or make new commitments to recipients under this section after December 31, 2054.
- (6) Not later than 90 days after receipt of notification from a grant recipient of a change in the recipient's senior leadership team, the fund must conduct a performance review of all investments made by that recipient and submit a report to the senate and house appropriations subcommittees on general government, the senate and house fiscal agencies, the senate and house policy offices, and the state budget office on those investments and include any considerations the fund deems relevant regarding the change in leadership.
- (7) Not later than January 1, 2030, the fund shall conduct a formal review of the Michigan innovation fund program and submit a report to the senate and house appropriations subcommittees on general government, the senate and house fiscal agencies, the senate and house policy offices, and the state budget office on the performance and effectiveness of the Michigan innovation fund program.
- (8) As used in this section:
- (a) "Eligible activity" means all of the following:
    - (i) An investment through an investment instrument in an early-stage start-up company that is located in this state and engaged in 1 or more competitive edge technologies. As used in this subparagraph, "investment instrument" includes, but is not limited to, convertible notes, simple agreements for future equity (SAFEs), and an equity investment as that term is defined in 12 CFR 1805.104.
    - (ii) Technical assistance related to an investment described in subparagraph (i).

(iii) Grants related to the activities described in subparagraphs (i) and (ii).

(b) “Evergreen fund” means an investment plan or program of a Michigan nonprofit corporation that is exempt from taxation under section 501(c)(6) of the internal revenue code of 1986, 26 USC 501, or an investment fund that meets all of the following requirements:

(i) Is organized for the purpose of investing in private debt or equity with limited restrictions on or no provision for investor withdrawal and redemption rights.

(ii) Operates on an open-end basis without a definitive closing date or fixed end date.

(iii) Permits capital to be raised on an ongoing basis and the reinvestment of investment returns.

(c) “Geographically disadvantaged business enterprise” means a person that meets 1 or more of the following requirements:

(i) Is certified as a HUBZone small business concern by the United States Small Business Administration.

(ii) Has a principal place of business located within a qualified opportunity zone within this state.

(iii) More than half of its employees have a principal residence located within a qualified opportunity zone within this state.

(d) “Qualified emerging evergreen fund” means any of the following:

(i) A public institution of higher education or a Michigan nonprofit corporation that is exempt from taxation under section 501(c)(3) or (6) of the internal revenue code of 1986, 26 USC 501, that administers, manages, or operates 1 or more evergreen funds if at least 1 of those evergreen funds meets both of the following requirements:

(A) Is organized to provide early stage venture capital funding to entities within this state.

(B) Has a principal office located in a county with a population of more than 600,000 and less than 700,000.

(ii) A Michigan nonprofit corporation that meets both of the following requirements:

(A) Is organized for the purpose of enhancing the vitality of the communities affected by this state’s Upper Peninsula by leveraging local resources with capital and expertise and fostering economic opportunity throughout the area.

(B) Administers, manages, or operates 1 or more evergreen funds.

(iii) A Michigan nonprofit corporation that meets all of the following requirements:

(A) Is organized to provide early stage venture capital funding to entities within this state.

(B) Has a principal office located in a county with a population of more than 90,000 and less than 99,000.

(C) Administers, manages, or operates 1 or more evergreen funds and grants.

(e) “Qualified evergreen venture fund” means a qualified higher education institution or a Michigan nonprofit corporation that is exempt from taxation under section 501(c)(3) or (6) of the internal revenue code of 1986, 26 USC 501, that administers, manages, or operates 1 or more evergreen funds if at least 1 of those evergreen funds meets all of the following requirements:

(i) Provides early-stage venture capital funding to entities within this state.

(ii) Has been actively operating in this state for not less than 3 years.

(iii) Has 4 years or more experience in making early-stage venture capital investments and in mentoring start-up companies.

(iv) Before January 1, 2024, has not less than \$15,000,000.00 in deployable capital or invested not less than \$15,000,000.00.

(f) “Qualified higher education institution” means an institution of higher education specified in section 4 of article VIII of the state constitution of 1963. Qualified higher education institution also includes both of the following:

(i) A Michigan nonprofit corporation that is incorporated under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192, and meets all of the following requirements:

(A) The corporation is incorporated for the purpose of providing support for the objects and purposes of an institution of higher education specified in section 5 of article VIII of the state constitution of 1963.

(B) The corporation is incorporated for the purpose of assisting in an exclusively educational and charitable manner in the accomplishment of the educational purposes of an institution of higher education specified in section 5 of article VIII of the state constitution of 1963.

(C) The name of the corporation or an assumed name of the corporation under section 212(3) of the nonprofit corporation act, 1982 PA 162, MCL 450.2212, includes the word “foundation”.

(ii) A Michigan corporation that is incorporated under the business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098, and meets all of the following requirements:

(A) An institution of higher education specified in section 4 of article VIII of the state constitution of 1963 is the only shareholder of the corporation and owns all of the shares of the corporation.

(B) The name of the corporation or an assumed name of the corporation under section 217 of the business corporation act, 1972 PA 284, MCL 450.1217, includes the words "biosciences" and "research".

(g) "Qualified nonprofit" means a nonprofit corporation that provides programming, technical assistance, or other support that promotes the growth and development of start-up companies and their founders in this state, and entities in this state that administer, manage, or operate funds that invest in start-up companies in this state.

(h) "Qualified start-up support services" means 1 or more of the following:

(i) Activity that supports the growth of the venture capital talent pool in this state and the development of the next generation of venture capital fund leadership in this state, including, but not limited to, a venture capital fellows program.

(ii) Activity that supports the creation and growth of start-up companies in this state.

(iii) Activity that supports the professional development and growth of the founders of start-up companies in this state, including, but not limited to, mentoring and coaching.

(i) "21st century jobs trust fund" means the 21st century jobs trust fund established in section 7 of the Michigan trust fund act, 2000 PA 489, MCL 12.257.

Enacting section 1. This amendatory act does not take effect unless all of the following bills of the 102nd Legislature are enacted into law:

(a) House Bill No. 5651.

(b) House Bill No. 5652.



Clerk of the House of Representatives



Secretary of the Senate

Approved \_\_\_\_\_

\_\_\_\_\_  
Governor