

# Legislative Analysis

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## MSF: CHOOSE MICHIGAN FUND

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**House Bill 6208 as enrolled**  
**Public Act 223 of 2008**  
**Sponsor: Rep. Ed Clemente**  
**House Committee: New Economy and Quality of Life**  
**Senate Committee: Commerce and Tourism**

**Senate Bill 1175 as enrolled**  
**Public Act 571 of 2008**  
**Sponsor: Sen. Bill Hardiman**  
**Senate Committee: Commerce and Tourism**  
**House Committee: Commerce**

**Complete to 7-24-09**

## A SUMMARY OF HOUSE BILL 6208 AND SENATE BILL 1175 AS ENROLLED

The two bills both amended Section 88d of the Michigan Strategic Fund Act during the 2007-08 legislative session. House Bill 6208 first amended the section to create a new Choose Michigan Fund with the capacity to make certain loans, including two forgivable loans, through September 30, 2008. The bill took effect July 16, 2008, but no loan was made from the new fund by the deadline. Senate Bill 1175 subsequently amended the section to extend that date to September 30, 2009 and to allow three forgivable loans to be made. It took effect January 16, 2009.

Supporters of the program said it is designed to allow Michigan to better compete with other states to attract jobs and investment.

The following explains the bills.

House Bill 6208 required the Michigan Strategic Fund, as a separate part of its loan enhancement program, to operate the "Choose Michigan Fund" program in order to invest in loans to businesses located in Michigan for the promotion and enhancement of significant job creation or retention within Michigan. The bill:

- Provided that the Choose Michigan Fund could not make a loan after September 30, 2008.
- Required the program to operate on an incentive basis.
- Allowed two of the loans to be forgiven at the discretion of the MSF board.
- Established a minimum loan amount of \$500,000, a maximum term of 10 years, and a minimum interest rate of 1.0%.
- Allowed the MSF board to convert a loan to an equity investment.
- Required immediate repayment if a qualified business closed or relocated outside of Michigan within three years after the term of its loan.

[House Bill 6208 also contained an amendment that affects the Choose Michigan Film and Digital Media Loan Fund. The act has specified that the MSF could establish such a fund; the bill added that it could establish and operate such a fund.]

Senate Bill 1175 subsequently amended the Michigan Strategic Fund Act to allow loans to be made from the Choose Michigan Fund until September 30, 2009, and allow up to three loans, rather than two, to be forgivable.

#### **FISCAL IMPACT:**

No loans were made from the Choose Michigan Fund by the original September 30, 2008 deadline. Senate Bill 1175 postponed the sunset date for making loans until September 30, 2009. As the Senate Fiscal Agency notes in its analysis of SB 1175, this permits the Michigan Strategic Fund to enter into loans in FY 2008-09 using funds allocated for the program. In FY 2007-08, from the \$75 million appropriated for 21st Century Jobs Trust Fund programs, the Michigan Strategic Fund allocated \$18,750,000 for the Choose Michigan program. This funding, however, was not awarded before the sunset date and remains available for allocation by the MSF board. From the \$62 million appropriated for 21st Century Jobs Trust Fund programs in FY 2008-09, the MSF board allocated an additional \$6,910,000 to the Choose Michigan program.

Allowing forgivable loans could reduce future contributions to the Investment Fund, since that Fund receives revenue from loan repayments from loans under the various loan enhancement programs. Money from the Investment Fund can be spent upon appropriation for purposes related to the 21st Century Jobs Trust Fund programs.

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