



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5651 (Substitute H-1 as reported without amendment)
House Bill 5652 (Substitute H-2 as reported without amendment)
House Bill 5653 (Substitute H-5 as reported without amendment)
Sponsor: Representative Greg VanWoerkom (H.B. 5651)
Representative Jason Hoskins (H.B. 5652)
Representative Alabas Farhat (H.B. 5653)
House Committee: Economic Development and Small Business
Senate Committee: Economic and Community Development

CONTENT

House Bill 5653 (H-5) would amend the Michigan Strategic Fund Act to do the following:

- Require the Michigan Strategic Fund (MSF) to create the Michigan Innovation Fund Program (Program) to provide support in the State for investments in qualified evergreen venture funds, qualified emerging evergreen funds, qualified venture capital funds, and qualified start-up support services.
- Provide that money deposited in the 21st Century Jobs Trust Fund would have to be spent by the MSF to support the Program and prescribe how that money could be spent each fiscal year until the fiscal year ending September 30, 2054.
- Prescribe requirements for grant agreements between the MSF and a qualified evergreen venture fund or a qualified emerging evergreen fund.
- Require, by January 1, 2030, the MSF to conduct a formal review of the 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 Program.

House Bill 5652 (H-2) would amend the Michigan Early Stage Venture Investment Act to do the following:

- Require the articles of incorporation for a Michigan early stage venture investment corporation to include a provision that, if a Michigan early stage venture investment corporation had one or more Michigan early stage venture investment funds with realized earned returns on investments as of June 30, 2024, the board of the corporation would have to enter into an agreement with the Department of Treasury to distribute \$60.0 million of the earned returns for deposit into the 21st Century Jobs Trust Fund.
- Provide that, on dissolution of a Michigan early stage venture investment corporation, the property remaining after debts and obligations would transfer to the General Fund.

House Bill 5651 (H-1) would amend the Michigan Trust Fund Act to specify that the 21st Century Jobs Fund would be funded, in addition to current sources, by amounts deposited in accordance with the Michigan Early Stage Venture Investment Act, as amended by House Bill 5652 (H-2).

The bills are tie-barred.

MCL 12.257 & 12.258 (H.B. 5651)
125.2237 et al. (H.B. 5652)
125.2088b et al. (H.B. 5653)

BRIEF RATIONALE

According to testimony before the Senate Committee on Economic and Community Development, entrepreneurs and business startups face difficulties in Michigan due to a lack of early-stage capital. The State lags several others in the Midwest, including Ohio. Some believe Michigan could support businesses by investing in evergreen funds, which are low-risk rolling funds often created by universities and non-profits to support startups. It has been suggested that the State create an innovation fund to this end.

Legislative Analyst: Abby Schneider

FISCAL IMPACT

The bills would have a fiscal impact on the State and no fiscal impact on local units of government. The bills would transfer \$60.0 million from the Michigan Early State Venture Investment Fund to the Michigan Innovation Fund Program, created within the 21st Century Jobs Trust Fund. The remaining dollars in the Michigan Early State Venture Investment Fund would be deposited to the General Fund until all funds were exhausted. The Fiscal Year (FY) 2024-25 budget for the Department of Labor and Economic Opportunity (PA 121 of 2024), appropriated \$60.0 million to the Michigan Innovation Fund. The \$60.0 million would support evergreen venture funds, venture capital funds, and other qualified supports.

Under current law, \$140.0 million would be transferred from the Michigan Early State Venture Investment Fund to the General Fund on January 1, 2030, with any remaining dollars deposited into the 21st Century Jobs Trust Fund. The bills would reduce the amount in current law assumed to be deposited to the General Fund by \$60.0 million. There is estimated to be \$125.0 million of realized earnings returned to the Michigan Early State Venture Investment Fund. This would mean there is an additional \$65.0 million deposited into the General Fund in FY 2024-25 than was assumed under current law, which would have otherwise occurred on January 1, 2030.

After the initial deposits were made under the bills, on June 30 of each year, if any funds had been received in the Michigan Early State Venture Investment Fund, those dollars would be transferred to the General Fund. After January 1, 2030, any remaining funds would be transferred to the General Fund and the Michigan Early State Venture Investment Fund would expire.

Any funds that were returned from investment would be deposited into the 21st Century Jobs Trust Funds and are available for appropriation. If an agreement resulted in an investment's earnings exceeding \$8.0 million or more within 15 years of the initial investment of a grant, then the amount exceeding \$8.0 million would be deposited to the General Fund. It is unknown if this scenario would ever occur. Funds could be appropriated from the 21st Century Jobs Trust Fund until September 30, 2054. The bills do not specify directly what would happen to any remaining dollars in the Fund after September 30, 2054.

The bills would not provide for any administrative dollars to the MSF to the Michigan Innovation Fund program. The MSF would have to fund the administration, oversight, and reporting with existing dollars unless appropriated by the Legislature. The bills would have no fiscal impact on the Department of Treasury.

Date Completed: 12-11-24

Fiscal Analyst: Cory Savino, PhD

[floor/hb5651](#)

Bill Analysis @ www.senate.michigan.gov/sfa

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.