

Act No. 453  
Public Acts of 2014  
Approved by the Governor  
December 27, 2014  
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January 2, 2015  
EFFECTIVE DATE: January 14, 2015

**STATE OF MICHIGAN  
97TH LEGISLATURE  
REGULAR SESSION OF 2014**

Introduced by Reps. Santana and Schmidt

# **ENROLLED HOUSE BILL No. 4481**

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 88k and 88n (MCL 125.2088k and 125.2088n), section 88k as amended by 2012 PA 145 and section 88n as added by 2005 PA 215.

*The People of the State of Michigan enact:*

Sec. 88k. (1) The strategic economic investment and commercialization board is created within the fund. Through October 17, 2010, the commercialization board shall exercise its powers, duties, and decision-making authority under this section independently of the fund, the fund board, and the department of treasury. Beginning October 18, 2010, the fund board shall exercise all powers, duties, and decision-making authority of the strategic economic investment and commercialization board.

(2) The fund board shall award grants and loans under this section from the 21st century jobs trust fund created in the Michigan trust fund act, 2000 PA 489, MCL 12.251 to 12.260, and the investment fund only for basic research, applied research, university technology transfer, and commercialization of products, processes, and services to encourage the development of competitive edge technologies to create jobs in this state.

(3) Subject to subsection (2), the fund shall establish a competitive process to award grants and make loans under this section for competitive edge technologies. The competitive process shall include, but is not limited to, the following:

(a) A provision that the applications must be reviewed by a joint-evaluation committee. Scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding may be given equal weight in the review and scoring process as determined by the fund board.

(b) A preference for proposals that can contribute to the development of economic diversification or the creation of employment opportunities in this state.

(c) A provision that out-of-state business must have a significant existing or proposed business presence in this state.

(d) A provision that the program will utilize contracts with measurable milestones, clear objectives, provisions to revoke awards for breach of contract or failing to meet measurable milestones, repayment of grants for breach of contract or for failing to meet measurable outcomes, and repayment provisions for loans given to qualified businesses that leave Michigan within 3 years of the execution of the contract, that otherwise breach the terms of the contract, or that fail to meet measurable outcomes.

(e) A provision that the applicant leverage other resources as a condition of the grant or loan. If an applicant is seeking a grant or a loan under this section to match federal funds for small business innovation research or small business technology transfer programs, the grant or loan under this section shall not exceed 25% of the federal funds and must leverage third-party commercialization funding at both the phase I and phase II levels.

(f) Limit overhead rates, administrative fees, and management fees for recipients of awards to not more than 25% of the award.

(g) Except as provided in subdivision (e), a provision that grants can only be awarded to Michigan institutions of higher education, Michigan nonprofit research institutions, and Michigan nonprofit corporations.

(h) A preference for collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses.

(i) A provision authorizing the award of grants to institutions of higher education to serve as match to promote or secure the award and receipt of competitively awarded federal research grants related to competitive edge technologies. A matching grant shall not exceed 10% of the amount of the competitively awarded federal research grants received.

(j) A provision encouraging the redevelopment of existing scientific wet lab space for the commercialization of life science technology.

(k) A preference for proposals that meet 1 or more of the following:

(i) Forecast revenues within 2 years.

(ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal.

(iii) Have outside directors with expertise in the industry targeted by the proposal.

(4) The fund board shall establish standards to ensure that money expended under this section will result in economic benefit to this state and ensure that a major share of the business activity resulting from the expenditures occurs in this state.

(5) When the fund board approves a grant or a loan under this section, the fund board shall state the specific objective reasons the applicant was selected over other applicants for a grant or loan under this section.

Sec. 88n. (1) All contracts approved by the fund for 21st century investments and all contracts approved by the commercialization board or fund board for grants or loans under this chapter shall contain a provision that the auditor general has access to the books and records, including financial records and all other information and data relevant to the terms of the contract related to the use of the grant, loan, or 21st century investment.

(2) If the fund board or the commercialization board has a reasonable belief that a breach of contract has occurred, the fund has the right to have the recipient's annual financial statements separately audited by an independent certified public accountant at its sole cost and expense. If the audit reveals that a breach of contract has occurred, the recipient shall reimburse the fund for the fees and expenses incurred to perform the audit.

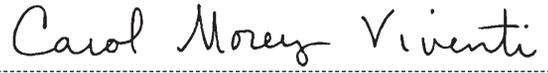
(3) As a condition of receiving funding under this chapter, the fund shall require a recipient to agree to provide to the fund the information necessary for the fund to produce the reports required under this section.

Enacting section 1. This amendatory act does not take effect unless House Bill No. 4480 of the 97th Legislature is enacted into law.

This act is ordered to take immediate effect.



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Clerk of the House of Representatives



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Secretary of the Senate

Approved .....

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Governor