

RURAL JOBS AND CAPITAL INVESTMENT FUND

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House Bill 5575 (H-1) as reported from committee

Sponsor: Rep. Triston Cole

1st Committee: Regulatory Reform

2nd Committee: Ways and Means

Complete to 6-18-20

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5575 would amend the Michigan Strategic Fund Act to revise the definition of a rural jobs and capital investment fund. Generally speaking, money from a fund may be used only to make grants, loans, or other types of economic assistance to rural jobs and capital investments funds in the state.

Currently, a rural jobs and capital investment fund is defined as an entity approved by the Michigan Strategic Fund (MSF) that meets all of the following criteria:

- The entity or its affiliate (a term defined in the act) is a rural business investment company or small business company under federal law; is registered as an investment adviser under federal law; and is regulated by the Securities and Exchange Commission.
- As of the date of the application, the entity or its affiliates had invested at least \$100.0 million in nonpublic companies located in counties throughout the U.S. with a population of less than 50,000.
- As of the date of the application, the entity or its affiliates had received equity investments from investors who are not affiliates of the applicant equal to at least \$100.0 million.

The bill would revise the first element above to instead require the entity or *one or more of its affiliates* to be regulated by the Securities and Exchange Commission and to be either a rural business investment company or small business investment company under federal law or registered as an investment adviser under federal law. The other conditions in the definition would not be changed.

MCL 125.2090/

BACKGROUND:

House Bill 5575 would expand definitional criteria to allow more businesses to participate in the rural jobs and capital investment fund program, while at the same time retaining other requirements, such as MSF approval and requisite levels of experience and investment. According to committee testimony, without enactment of the bill, only one or two private sector investment firms could participate in the program. Expanding eligibility, as the bill would do, could lead more firms to invest in small businesses in rural towns and cities in Michigan.

FISCAL IMPACT:

The bill would have no fiscal impact on state or local government.

POSITIONS:

A representative of Stonehenge Capital testified in support of the bill. (6-17-20)

The Michigan Economic Development Corporation indicated a neutral position on the bill. (6-3-20)

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