

# **Michigan Strategic Fund/Michigan Economic Development Corporation and the 21<sup>st</sup> Century Jobs Fund**

## **An Overview for the Senate Committee on Economic Development and Regulatory Reform**



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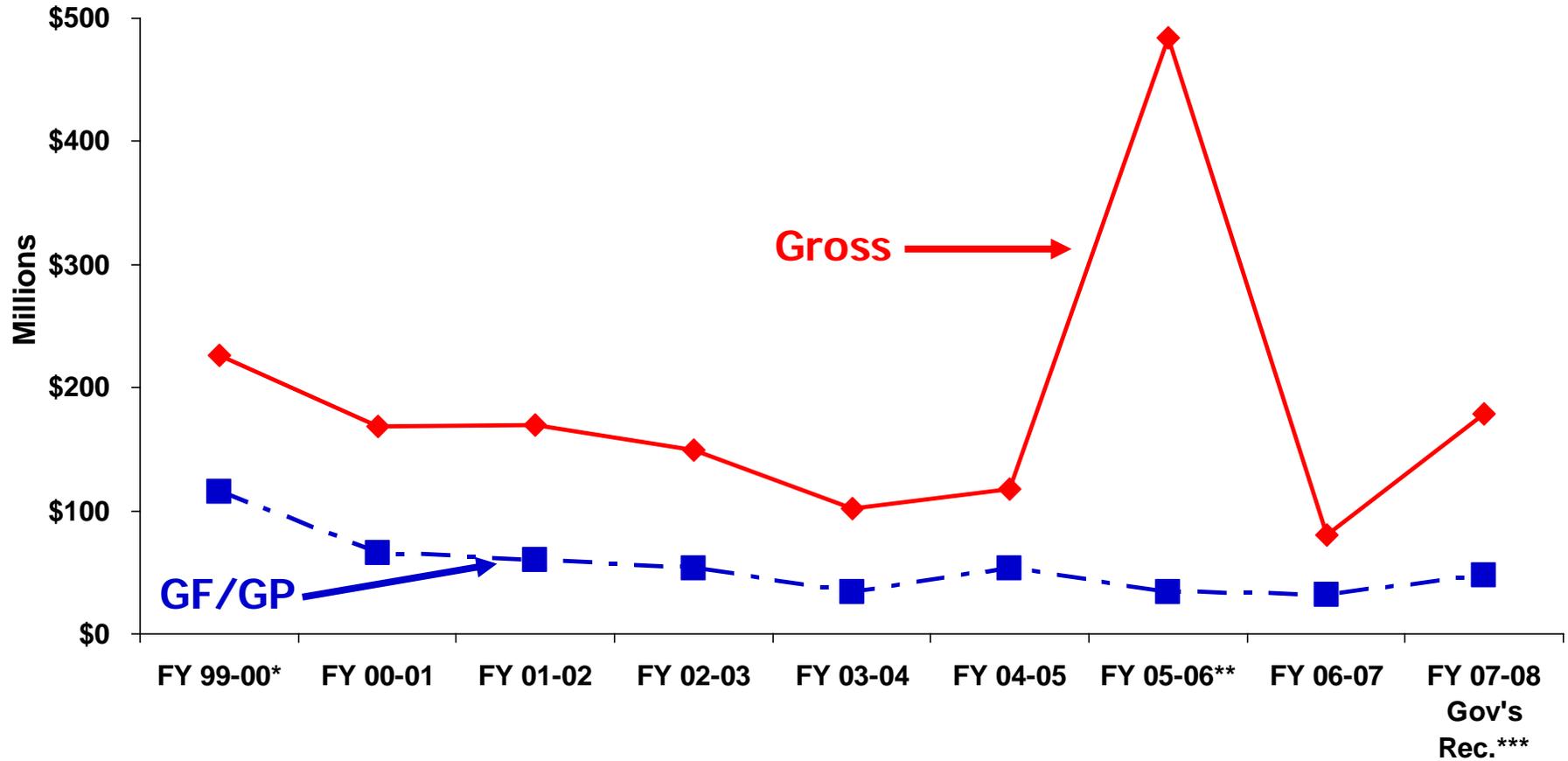
**February 28, 2007**

**<http://www.senate.michigan.gov/sfa/>**

# MSF/MEDC Programs

- 21<sup>st</sup> Century Jobs Trust Fund
- Tourism Promotion
- Financial Incentives
  - Economic Development Job Training Grants
  - Industrial Development Revenue Bonds
- Tax Incentives
  - Renaissance Zones
  - Single Business Tax Credits
    - Michigan Economic Growth Authority (MEGA) Tax Credits
    - Brownfield Redevelopment Credits

# Appropriations to MSF



\* Includes one-time \$50 million GF appropriation for Core Communities Program

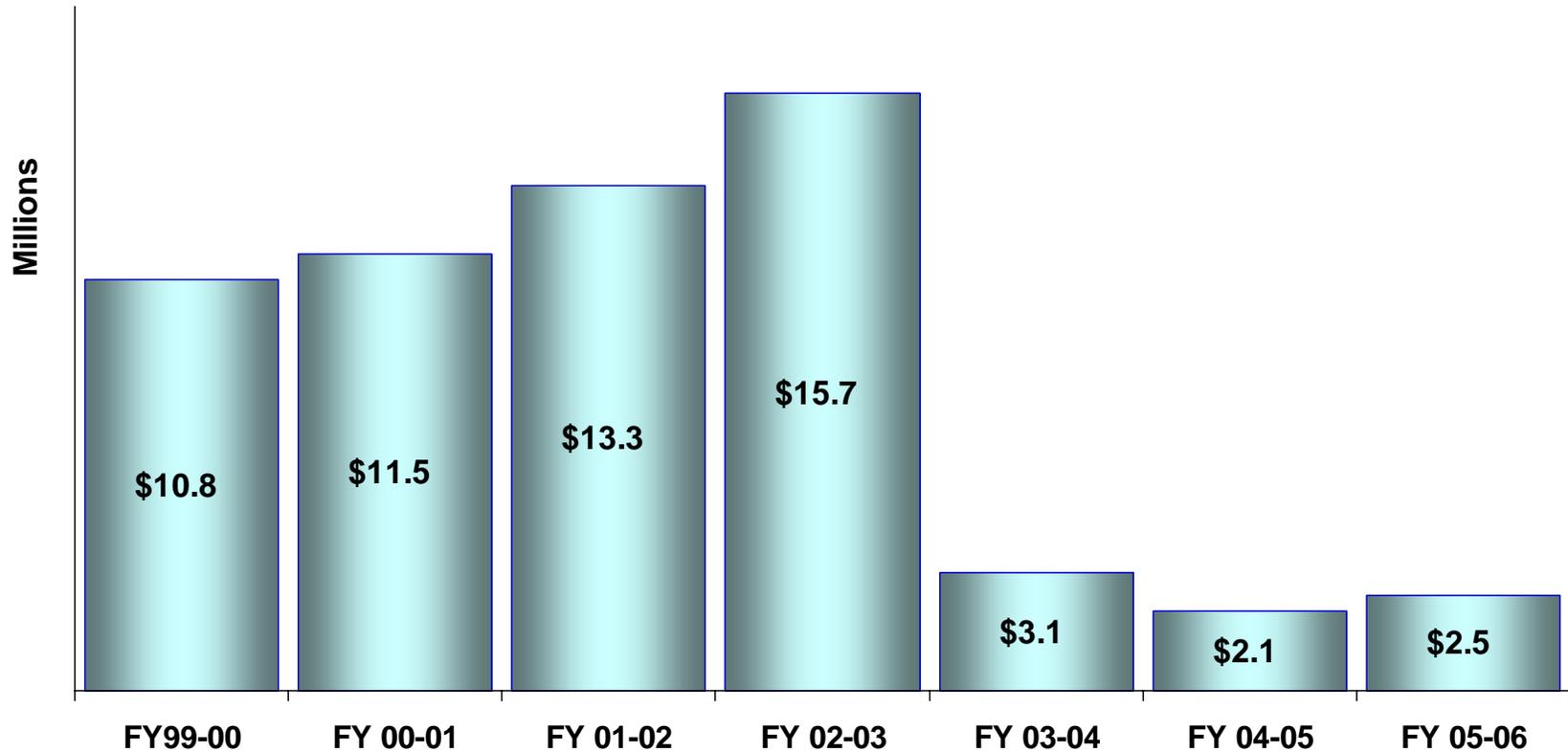
\*\* Includes \$400 million supplemental appropriation of securitized Tobacco Settlement Revenue for 21<sup>st</sup> Century Jobs Program

\*\*\* Includes \$75 million for 21<sup>st</sup> Century Programs

## Michigan Strategic Fund State Appropriations

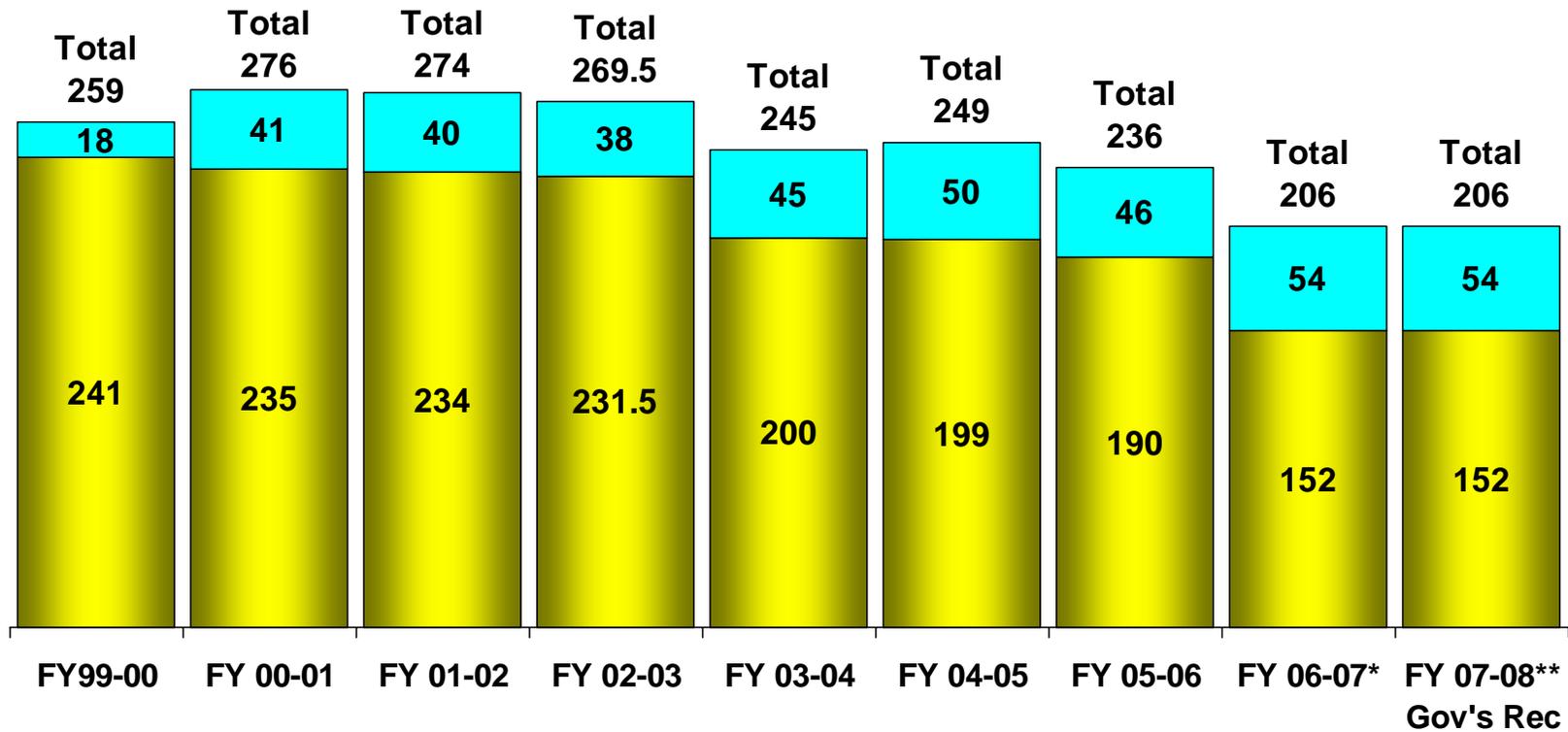
	FY 2006-07	FY 2007-08 Gov's Rec.	Fund Source
Administration.....	\$ 2,451,000	\$2,529,900	GF/GP
Job Creation Services .....	17,496,000	17,188,200	81% GF/GP; 14% Federal
Michigan Promotion Program.....	5,717,500	15,717,500	GF/GP
Economic Job Training Grants/Upper Hand.....	9,798,000	8,197,500	GF/GP
Community Development Block Grant .....	45,000,000	53,000,000	Federal
21 <sup>st</sup> Century Jobs Trust Fund .....	0	75,000,000	Restricted
Alternative Energy Initiative.....	0	7,000,000	GF/GP
Human Resources Optimization User Charges	17,300	17,800	GF/GP
<b>Total.....</b>	<b>\$80,479,800</b>	<b>\$178,650,900</b>	

# Corporate Indian Gaming Revenue to MSF/MEDC



Source: Michigan Gaming Control Board

# MSF/MEDDC Staff



■ Appropriated FTEs      ■ Corporate Staff

\* 34 appropriated staff transferred to MSHDA; corporate staff includes 21<sup>st</sup> Century positions.

\*\* Estimated corporate positions

# **21<sup>st</sup> Century Jobs Trust Fund**

# 21<sup>st</sup> Century Jobs Trust Fund

## **FY 2005-06 and FY 2006-07**

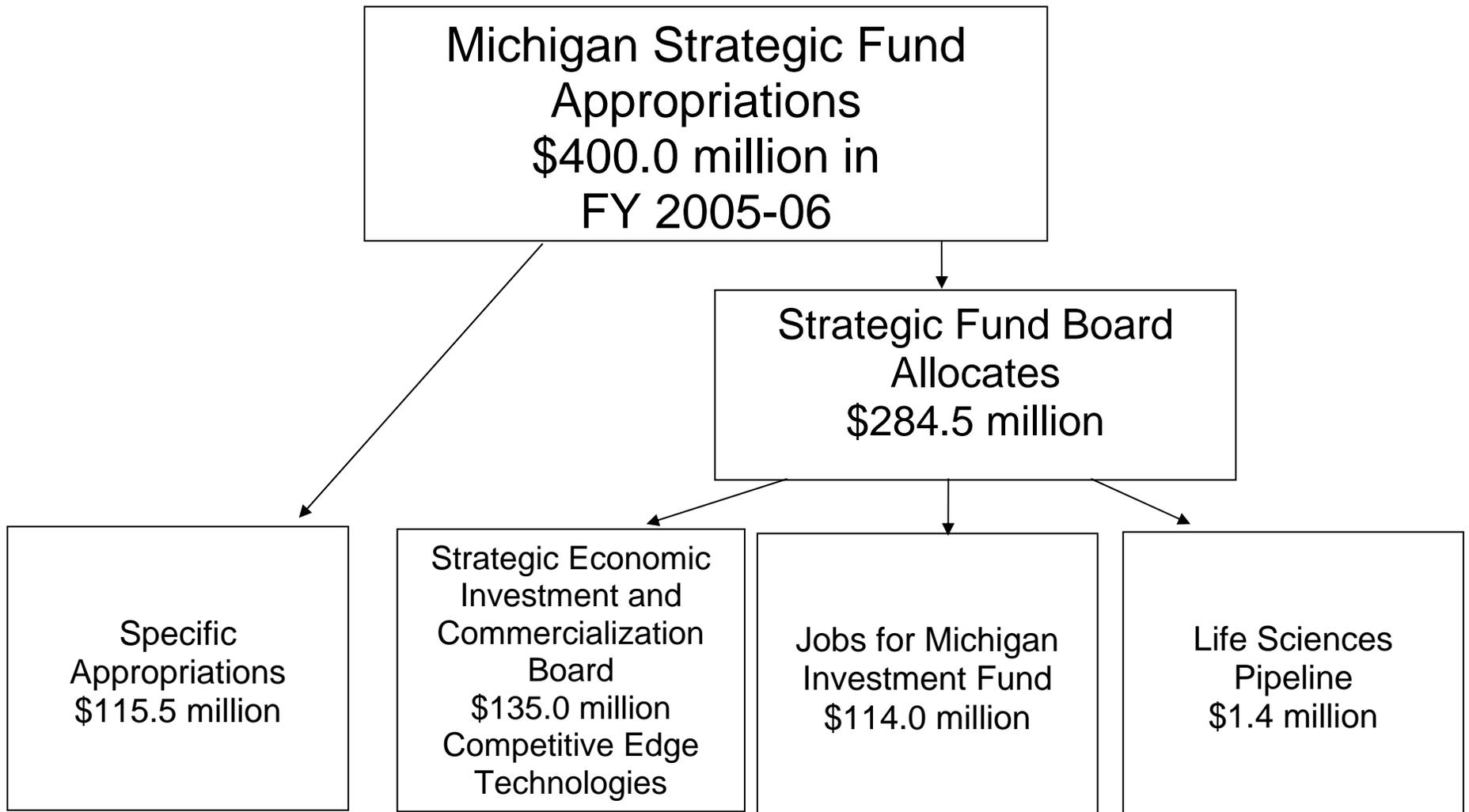
- \$400 million appropriated in PA 225 of 2005
  - Bond proceeds from securitization of tobacco settlement revenue

## **FY 2007-08 through FY 2014-15**

- \$75 million allocated to 21<sup>st</sup> Century Trust Fund from tobacco settlement revenue pursuant to PA 232 of 2005
- Total for eight years - \$600 million
- Allocations are subject to appropriation by Legislature

**\$1 Billion 10-Year Total**

# 21<sup>st</sup> Century Jobs Trust Fund



Unallocated Balance: \$34.1 million

## 21<sup>st</sup> Century Jobs Trust Fund FY 2005-06 Specific Appropriations

Administrative Costs.....	\$16,000,000
Agriculture Development Fund.....	10,000,000
Automotive Technology Business Accelerator .....	6,000,000
Business Development and Marketing.....	20,000,000
Capital Access Program.....	3,500,000
Defense Contract Coordination Center (DC3).....	10,000,000
Michigan Film Office .....	2,000,000
Michigan Forest Finance Authority.....	26,000,000
Michigan Promotion Program.....	15,000,000
Private Research Institute .....	4,000,000
University Technology Transfer.....	2,000,000
Wet Laboratory Space.....	1,000,000
<b>Total.....</b>	<b>\$115,500,000</b>

**Source:** PA 225 of 2005 and PA 153 of 2006

# 21<sup>st</sup> Century Jobs Trust Fund

## Statutory Requirements on Funding:

- Up to 70% of total appropriation on competitive edge technology grants and loans
  - Limitations: Not more than \$100 million can be spent on basic research over the 10-year life of the program
- Up to 40% of total appropriation for Investment Program
- Up to 25% of total appropriation for Loan Enhancement Program
- Up to 5% of total appropriation for Business Development and Marketing
- Up to 4% of total appropriation for Administration

# 21<sup>st</sup> Century Jobs Trust Fund

## Statutory Requirements on Funding (continued):

### Other Limitations:

- For FY 2005-06 and FY 2006-07 – Not less than \$90 million for Life Sciences Technology
- For FY 2007-08 through FY 2008-12 - \$30 million per year for Competitive Edge Technology Grants and Loans

# **21<sup>st</sup> Century Jobs Trust Fund**

## **Competitive Edge Technology Grants and Loans**

- Advanced Automotive, Manufacturing, and Materials Technology
- Alternative Energy
- Homeland Security and Defense
- Life Sciences

# **21<sup>st</sup> Century Jobs Trust Fund Strategic Economic Investment & Commercialization Board**

## **Competitive Edge Technology Grants and Loans:**

- \$135 million allocated to fund 84 proposals
- Two proposals totaling approximately \$3.0 million have been withdrawn
- 66 proposals have completed contracts
- 16 remaining proposals working through contract process
- \$26 million in first payments made as of February 12, 2007

Source: Michigan Economic Development Corporation

# **21<sup>st</sup> Century Jobs Trust Fund**

## **Competitive Edge Technology Grants and Loans**

### **Number of Awards by Category:**

- 36 Advanced Automotive, Manufacturing, and Materials Technology
- 7 Alternative Energy
- 9 Homeland Security and Defense
- 30 Life Sciences

Total 82

Source: Michigan Economic Development Corporation

# 21<sup>st</sup> Century Jobs Trust Fund

## Summary of Public Sector Consultants Survey Results:

- 53 survey responses compared with 505 completed proposals
- 84% knew about program before RFP Process
- Average rating for stages of process (1 - Terrible; 10 - Outstanding)
  - Application Process - 7
  - Mail Review Process - 7
  - Interview Process - 5
- Interview process received most criticism from survey respondents

# 21<sup>st</sup> Century Jobs Trust Fund

## Summary of Public Sector Consultants Survey (continued):

- More business responders felt panelists were knowledgeable about their proposals than did nonprofit and university participants
- Many respondents suggested inconsistency between the results of the mail review phase and interview phase of the application process
- Perception among survey responders that awards showed bias toward long-term research and university-based projects and less on business and commercialization and short-term job creation
- 40% suggested more entrepreneurial focus would be helpful, for example, shorter time frame from application phase to award

# 21<sup>st</sup> Century Jobs Trust Fund Investment Program

- State investments are alongside other investors in qualified managed funds.
- Statutory allowable investments:
  - Venture Capital – A firm engaged in investing in early stage businesses with growth potential that have not yet demonstrated consistent profitability or a proven business model.
  - Private Equity – A firm engaged in investing in or acquiring businesses.
  - Mezzanine Investment – A person or entity engaged in making loans or investments ranging in size from \$250,000 to \$6,000,000.

# 21<sup>st</sup> Century Jobs Trust Fund Investment Program

- Current Allocation for Program - \$114 million
- Two Investments Authorized to Date
  - Arboretum Venture Capital–Life Sciences - \$7.5 million
  - Nth Power–Alternative Energy - \$10 million

# 21<sup>st</sup> Century Jobs Trust Fund Loan Enhancement Program

- Capital Access Program
  - \$3.5 million appropriated in PA 225 of 2005
  - Public resources to leverage private financing for loans
  - Lender and borrower deposit into Reserve Fund
  - MSF matches amount in Reserve Fund
- Optional MSF Loan Guarantee Program not currently funded
  - Loan Enhancement Program
    - May allocate up to 25% of total appropriation
    - Businesses must demonstrate documented growth opportunity

# **21<sup>st</sup> Century Jobs Trust Fund Life Sciences Pipeline**

- Created by PA 213 of 2005
- Purpose: Coordinate services and resources available to existing and emerging Life Sciences companies
- Awarded to Michigan Biosciences Industry Association (MichBio)
- MSF Board allocated \$1.4 million

# **21<sup>st</sup> Century Jobs Trust Fund**

## **Defense Contract Coordination Center**

- \$10,000,000 specific appropriation in PA 225 of 2005 to assist firms seeking Federal contracts for defense and homeland security projects.
- The MSF Board authorized use of \$510,000 in FY 2005-06 and \$520,000 in FY 2006-07 to support Procurement Technical Assistance Centers (PTACs). Previously, PTACs were funded with MEDC's corporate revenue.
- The MSF Board authorized \$100,000 for a consultant to prepare strategic and business plans for the Defense Contract Coordinator Center.

# 21<sup>st</sup> Century Jobs Trust Fund

## Life Sciences Funding Requirement

- A total of at least \$90 million is required in FY 2005-06 and FY 2006-07
  - Competitive Edge Grants and Loans - \$59,733,627
  - Van Andel Institute Specific Allocations - \$4,000,000
  - Life Sciences Pipeline - \$1,400,000
  - Wet Laboratory Space (Ann Arbor) - \$1,000,000
  - Investment Fund - \$12 million to \$18 million

Total - Minimum \$78,133,627; Maximum \$84,133,677

Source: Michigan Economic Development Corporation

# 21<sup>st</sup> Century Jobs Trust Fund

## SEIC board programs not currently funded:

- University Matching Fund Program
  - Would provide matching funds for Federal research dollars in Competitive Edge Technology Project categories
- Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR)
  - Federal program under U.S. Small Business Administration that reserves research and development funds for small businesses
  - Would provide matching funds for qualified small business

# 21<sup>st</sup> Century Jobs Trust Fund

Senate Fiscal Agency Issue Paper "21<sup>st</sup> Century Jobs Trust Fund Programs" is available at:

<http://www.senate.michigan.gov/sfa/Publications/Issues/21stCenturyJobs/21stCenturyJobs.pdf>

