

The 21st Century Jobs Fund

Michigan, today, is at a crossroads. Our economy is going through a transformation – the manufacturing jobs that once were a guarantee of a high-paying job are declining. To reshape our economy the 21st Century Jobs Fund will spark new investment creating high-tech companies and jobs which will diversify our economy.

The 21st Century Jobs Fund will be used to jump start our economy now and diversify and grow the state's economy in the future by focusing resources in three areas:

- **Increasing Capital Investment Activity:** In order to jump start our economy, the 21st Century Jobs Fund may invest funds in or alongside qualified equity funds, qualified mezzanine funds, and qualified venture capital funds that will create or retain jobs in Michigan companies.
- **Increase Commercial Lending Activity:** To stimulate additional lending by financial institutions across the State, the 21st Century Jobs Fund may create commercial loan enhancement programs where a documented growth opportunity has been identified. In addition, the 21st Century Jobs Fund will re-establish the Capital Access Program to assist small businesses.
- **Encourage the Development and Commercialization of Competitive-Edge Technologies:** The 21st Century Jobs Fund will help diversify and grow our high-tech economy by investing in basic research at our universities and non-profit research institutions, applied research, university technology transfer, and the commercialization of products, processes, and services. The four competitive-edge technologies are:
 - Life sciences
 - Alternative energy
 - Advanced automotive, manufacturing and materials
 - Homeland security and defense

Also supported are advanced computing or electronic device technology, design, engineering, testing, diagnostics, or product research and development related to any one of the four competitive-edge technologies.

The Competitive-Edge Technologies Program will capitalize on the best research and commercialization opportunities in the life sciences, homeland security/defense, alternative energy, and advanced automotive, manufacturing, and materials fields to foster a robust, entrepreneurial private sector, thereby advancing technology and promoting collaborative partnerships which enhance job growth and diversify Michigan's economy.

IMPLEMENTING THE 21st CENTURY JOBS FUND

The enabling legislation establishing the 21st Century Jobs Fund includes the following key provisions:

- Appropriates \$400 million in FY2005-06, of which \$108.5 million is for specific allocations or administration:

\$400.0	APPROPRIATION
(26.0)	Forest Finance Authority Grant
(10.0)	Defense Contract Coordination Center
(3.0)	Van Andel Research Institute
(6.0)	Automation Alley
(2.0)	Michigan Film Initiative
(2.0)	Technology Transfer, University to Private Sector
(15.0)	Michigan Promotion Program
(5.0)	Agricultural Development Fund (Julian-Stille Act)
(16.0)	Administration (not more than)
(20.0)	Business Development and Marketing (not more than)
<u>(3.5)</u>	Capital Access Program
\$285.5	Available for Equity, Lending, VC, Commercialization ¹

- Not more than 40% allocated to the commercial investment program (\$114.6 million); 25% to the commercial loan program (\$71.625 million); and, not more than 70% (\$200.55 million) to the commercialization, research, and development program
- Ensures that at least \$90.0 million goes toward the life sciences sector
- No more than 10% of proceeds can be spent on basic research to ensure that money is targeted at commercialization opportunities
- The Commercialization Board shall authorize the expenditure of not less than the following amounts for competitive-edge technology grants and loans:
 - \$40.0 million in FY05/06
 - \$50.0 million in FY06/07
 - \$30.0 million in FY07/08 thru FY11/12
- Vests authority in MSF board to carry out the Private Equity, VC, and Loan Enhancement programs
- Creates the Strategic Economic Investment and Commercialization Board as an independent body within the MSF to handle the awarding of grants and loans for the commercialization of competitive-edge technologies
- Research and commercialization funding will be awarded only after a peer review process, involving experts in competitive-edge technology with equal weighting given to scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding

¹ Governor Granholm line-item vetoed \$6.0 million from HB5047

- A preference for proposals that can contribute to the development of economic diversification or the creation of employment opportunities in Michigan
- A preference for proposals to meet one or more of the following:
 - forecast revenues within 2 years
 - have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal
 - have outside directors with expertise in the industry targeted by the proposal
- Applicants must leverage other resources as a condition of the grant or loan
- Allows for SBIR or STTR grants or loans to match up to 25% of federal funds and must leverage third party commercialization funding at both Phase I and Phase II levels
- Preference for collaborations between institutions of higher education, nonprofit research institutions, and non/for-profit corporations
- A provision allowing 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 (not to exceed 10% of the federal award)
- Encourage the redevelopment of existing scientific wet lab space for the commercialization of life science technology
- An annual financial audit and a program audit every three years performed by the Auditor General
- The establishment of a Chief Compliance Officer reporting to the MSF Board