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House Bill 4219 (as passed by the House)
Sponsor: Representative Matt Hall
House Committee: Economic Development and Small Business
Senate Committee: Committee of the Whole

Date Completed: 3-23-23

CONTENT

The bill would amend the Michigan Strategic Fund Act to codify changes made under Executive Reorganization Order (ERO) No. 2019-3, including the following provisions:

- **The composition of the Michigan Strategic Fund (MSF) Board, including a requirement that the Director of the Department of Labor and Economic Opportunity (LEO) and the Director of the Michigan Department of Transportation (MDOT) serve on the board with seven non-State employees.**
- **A requirement that members of the MSF Board be residents of the State.**
- **Four-year term limit for non-State employees of the Board and procedures for the succession of Board membership.**
- **A requirement that the president of the MSF also would serve as chairperson of the Board.**
- **A provision allowing the MSF Board members to elect a vice-chairperson from among their members.**

In addition, the bill would prohibit the Director of LEO from serving as president of the MSF, and would require the Governor, by December 31, 2023, to appoint two additional members to the Board for a four-year term, one selected from a list of three or more nominations provided by the Senate Minority Leader, the other selected from a list of three or more nominations provided by the House Minority Leader.

(Executive Reorganization Order No. 2019-3 created LEO and transferred a number of agencies and autonomous entities, including the MSF, to LEO. The ERO also established a new board of directors for the MSF within LEO.)

Department of Labor and Economic Opportunity

Under the Act, the MSF is an autonomous entity within the Department of the Treasury, exercising its prescribed statutory powers, duties, and functions independently of the State Treasurer. The bill would move the MSF to LEO, in accordance with ERO 2019-3, in which it would remain an autonomous entity independent from the Director of LEO.

Composition of the Board

The purposes, powers, and duties of the MSF are vested in and exercised by a board of directors. Under the Act, there are nine members of the MSF Board. The Board must consist of the following members:

- The Director of the Department of Licensing and Regulatory Affairs (LARA) or his or her designee from within LARA.
- The State Treasurer or his or her designee from within the Department of Treasury.
- The chief executive officer of the Michigan Economic Development Corporation (MEDC) or his or her designee.
- Six other members with knowledge, skill, and experience in the academic, business, or financial field, who are not employees of the State and are appointed by the Governor with the advice and consent of the Senate.

In accordance with the ERO, the bill would require the Director of LEO or his or her designee from within LEO to serve on the board, instead of the Director of LARA. Additionally, the Director of MDOT or his or her designee from within the Department would have to serve as an additional member on the Board.

The bill also would expand the number of non-State employee members from six to seven and require them to be residents of the State. Out of those members, one must be appointed by the Governor from a list of three or more nominees provided by the Speaker of the House of Representatives and one appointed by the Governor from a list of three or more nominees provided by the Senate Majority Leader. All but one must belong to the private sector.

Overall, the bill would expand the Board, in accordance with ERO 2019-3, from nine to 11. By December 31, 2023, the Governor would have to appoint, with the advice and consent of the Senate, two additional members for a term expiring December 31, 2027. One would have to be appointed by the Governor from a list of three or more nominees provided by the Senate Minority Leader, the other appointed from a list of three or more nominees provided by the House Minority Leader. (The Act requires these members to be from the private sector and have experience in private equity or venture capital investments, commercial lending, or commercialization of technology.)

The Act requires the Governor to designate one member of the Board to serve as president and one member to serve as vice-president of the Fund. The bill would prohibit the Director of LEO from serving as president of the Fund. It also would establish that the president of the MSF would serve as chairperson of the Board and allow the Board to elect a vice-chairperson from among their numbers, in accordance with the ERO.

Term Limits

The Act specifies that all but one of the Board members who could not be employees of the State must serve for fixed terms and until a successor is appointed. Under the bill, the initial non-State employee appointees would have to serve until a successor was appointed. Subsequent non-State employees would have to be appointed for a term of four years, in accordance with the ERO. The bill specifies that members initially appointed under Executive Reorganization Order No. 2019-3 would have to serve the terms provided for in the ERO.

MCL 125.2005

Legislative Analyst: Abby Schneider

FISCAL IMPACT

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

Fiscal Analyst: Michael Siracuse

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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.