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Senate Fiscal Agency

21ST CENTURY JOBS TRUST FUND PROGRAMS

by

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INTRODUCTION

A package of bills was enacted in November 2005 to address issues of economic diversification and to make available \$1.0 billion of State funds over the next decade for this purpose. Amendments to the Michigan Strategic Fund Act created new programs to award grants and loans, and make investments in individual companies for the purpose of diversifying Michigan's economy and helping to create jobs in the areas of "competitive edge technologies", which are defined as life sciences technology, advanced automotive, manufacturing and materials technology, homeland security and defense technology, and alternative energy technology.

To implement these programs, the legislation created: the 21st Century Jobs Trust Fund to hold funds for future expenditures; the Tobacco Settlement Finance Authority to execute the securitization of tobacco revenue in order to obtain \$400.0 million for expenditure in fiscal year (FY) 2005-06 and FY 2006-07; and the Strategic Economic Investment and Commercialization Board to award grants and loans for competitive edge technologies. The Michigan Strategic Fund (MSF) Board, staffed by the Michigan Economic Development Corporation (MEDC), was designated as the body to allocate funding among the programs created by the legislation.

This paper summarizes the current status of the 21st Century Jobs Trust Fund and programs and the impact of these programs on the availability of future tobacco settlement revenue. The data in this paper reflect implementation as of February 9, 2007.

PROCEEDS OF SECURITIZATION

Public Act (P.A.) 226 of 2005 created the Michigan Tobacco Settlement Finance Authority within the Department of Treasury as the entity to securitize a portion of Michigan's revenue from the settlement between 46 states and the tobacco industry, providing additional cash for distribution in FY 2005-06 and FY 2006-07.

The Authority was charged with the issuance of special revenue bonds sufficient to obtain \$400.0 million of cash for the 21st Century Jobs Trust Fund. The financial transaction was structured so that the Authority could use a portion of future tobacco settlement revenue received by the State of Michigan as the cash to make future payments of principal and interest on the bonds issued to generate the \$400.0 million of funding for the 21st Century Jobs Trust Fund. The Act required that the State Budget Director, with the approval of the State Administrative Board, approve the necessary transfer of tobacco settlement revenue in an amount necessary to repay the bonds.

The Tobacco Settlement Finance Authority purchased from the State 13.34% of the tobacco settlement revenue payable to the State on or after April 1, 2008. This percentage will be applied to the tobacco settlement revenue each year to determine the amount transferred to the Authority. The transferred amount will be paid directly to the Authority's Trustee and will not pass through the State. The percentage of tobacco settlement revenue transferred to the Trustee will remain constant each year; however, the dollar amount of the transfer will vary based on the annual amount of the tobacco settlement revenue.

On May 11, 2006, the Authority issued a total of \$490.5 million in bonds. The bond proceeds from this transaction were allocated as shown in [Table 1](#). Due to the uncertainty in the annual amount of tobacco settlement revenue, a complex structure was developed for the bond sale and repayment.

The debt service for the bonds is not subject to appropriation. It will be paid by the Trustee from the 13.34% of the tobacco settlement revenue received annually, the debt reserve account, and interest earnings on those funds. Technically, these bonds are debts of the Authority, not of the State, and the Tobacco Settlement Finance Authority is responsible for paying the debt service.

Table 1

DISTRIBUTION OF PROCEEDS SECURITIZATION OF TOBACCO SETTLEMENT REVENUE	
	Millions of Dollars
<u>21st Century Jobs Trust Fund</u> : These funds support appropriations in FY 2005-06 and FY 2006-07	\$400.0
<u>Debt Reserve Account</u> : Amount available to pay debt service if tobacco settlement revenue is less than anticipated. Any balance will pay the last outstanding bonds.	38.8
<u>Capitalized Interest Fund</u> : Used to pay interest on bonds through December 1, 2007. Pledge of tobacco settlement revenue for securitization does not start until April 2008.	46.3
<u>Costs of Issuance</u> : This covers the cost of the bond counsel, underwriters, rating agencies, and market experts.	5.4
Total	\$490.5

Source: PFM, "Michigan Tobacco Settlement Finance Authority Securitization Overview", June 15, 2006

The Authority received a \$1.0 million General Fund appropriation in FY 2005-06 for its administrative expenses and a reserve fund. At the end of FY 2005-06, \$301,687 had been spent. The expenses reported by the Authority include rating agency fees, legal and audit fees, disclosure filings, compliance with the accounting requirements of the bonds themselves, and trustee expenses. The unspent portion of the appropriation may be carried forward and has been placed in a work project account. The Authority estimates that its administrative expenses will be \$200,000 in FY 2006-07.

Another General Fund impact of the securitization is the interest earned on the balance in the 21st Century Jobs Trust Fund. Under the legislation, the \$400.0 million proceeds from the bond issue will remain in the 21st Century Jobs Trust Fund under the Department of Treasury until the MSF Board requests distribution of the funds as recipients draw them down. This allows the State to maximize the amount of interest that can be earned on these funds. These earnings then are designated in statute to be deposited into the General Fund. Recent estimates for the interest earnings include approximately \$8.0 million for FY 2005-06, \$15.5 million for FY 2006-07, and \$4.0 million for FY 2007-08.

APPROPRIATION OF BOND PROCEEDS

The \$400.0 million of bond proceeds was appropriated to the MSF in P.A. 225 of 2005. The MSF Board is responsible for allocating the appropriated funds among the programs authorized by the legislation. A flow chart of this structure is shown in Appendix A. The first category of programs is the specific earmarks from the legislation. These programs and their current status are shown in Appendix B. Funding for these earmarked programs totals \$115.5 million (excluding the \$90.0 million appropriated for life sciences technology, which is discussed below).

After funding the earmarked programs, the MSF Board had \$284.5 million to allocate among the remaining authorized programs, within the constraints of the legislation. These constraints specify limits on the use of the funds, notably limiting total expenditures on basic research to \$100.0 million over the 10-year life of the program and requiring a total of \$90.0 million to be spent on life sciences technology in FY 2005-06 and FY 2006-07. In addition, the MSF Board must stay within broad limits, allocating a maximum of 70.0% to competitive edge technologies, 40.0% to the investment

programs, and 25.0% to the loan enhancement program. Out of this appropriation and future appropriations the legislation also permits up to 5.0% of the annual appropriation to be used for business development and marketing and up to 4.0% to be used for administration.

Since the enactment of the program, the MSF Board has made allocations totaling \$135.0 million to the Strategic Economic Investment and Commercialization (SEIC) Board for competitive edge grants and loans, \$114.0 million for investment programs, and \$1.4 million for the Life Sciences Pipeline. This leaves the MSF Board with an unallocated balance in the 21st Century Jobs Trust Fund of \$34.1 million, as shown in Table 2. On December 8, 2006, the SEIC Board voted to submit a request to the MSF Board for the entire balance to support another round of grants and loans. At the December 20, 2006, meeting of the MSF Board, a motion to table that request was passed.

Table 2

21ST CENTURY JOBS TRUST FUND ALLOCATIONS BY THE MICHIGAN STRATEGIC FUND BOARD FY 2005-06 AND FY 2006-07	
Proceeds of Securitization	\$400,000,000
Earmarked Appropriations	\$(115,500,000)
MSF Allocations	
Strategic Economic Investment and Commercialization Board	(135,000,000)
Investment Programs	(114,000,000)
Life Sciences Pipeline	<u>(1,400,000)</u>
Total Funds Committed.....	<u>(365,900,000)</u>
Unallocated Balance as of 2/8/07	\$34,100,000

Source: Michigan Strategic Fund

Competitive Edge Technology Grants and Loans

The SEIC Board is responsible for conducting a program of grants and loans for competitive edge technology. On December 21, 2005, the MSF Board approved \$100.0 million for competitive edge technology grants and loans. The SEIC Board developed two requests for proposals (RFPs) for eligible projects. Each RFP focused on different types of programs. RFP 1 was for commercialization activities for projects related to bringing a new product to market. RFP 2 was for commercialization support services, activities that assist companies bringing a product to market.

The SEIC Board adopted a review process similar to the one that had been used for predecessor programs, including the Health and Aging Research and Development Initiative (also referred to as the Life Sciences Corridor Initiative) and the Technology Tri-Corridor Initiative. The SEIC Board entered into a contract with the American Association for the Advancement of Science (AAAS) for evaluation of the proposals.

The MEDC and AAAS reported that 791 letters of intent to apply were submitted and there were 505 complete proposals submitted by the deadline of March 24, 2006. All of the proposals were reviewed and scored by three referees. One hundred eighty applicants were invited to interview, and 178 actually interviewed before a six- or seven-member committee. Numerical scores were awarded to the applicants based on the performance in the interview and these were categorized by the AAAS. Of the 178 interviews, 85 proposals were highly recommended by the AAAS to the SEIC Board.

On September 6, 2006, the SEIC Board awarded grants and loans that totaled \$100.0 million. The SEIC Board also approved a resolution to request \$35.0 million in additional funds from the MSF to permit all projects ranked as highly recommended to be funded. The MSF Board acted on September 27, 2006, to approve the additional \$35.0 million. These additional awards were made on October 16, 2006.

Ultimately, \$135.0 million was awarded to 84 highly recommended proposals after one applicant withdrew. The list of awardees is in [Appendix C](#). A summary of the awards by category is shown in [Table 3](#) below. Awards will be distributed to nonprofit or educational institutions as grants and to private companies as convertible loans or other investment instruments such as equity contracts. An equity investment will be made only in a for-profit company that already has a market-driven valuation of the company's equity. Funds will not be distributed, however, until a contract is in place between the MSF Board and the recipient. The MEDC anticipates that several companies will not be able to reach agreement on a contract and therefore will leave the program. Unused funds will be available for re-allocation by the SEIC Board. At the January 24, 2007, meeting, it was the consensus of the Board members to use any returned grants for a future round of awards.

For convertible loans, the SEIC is developing a process for changing loans to equity positions and MEDC staff will report quarterly to the SEIC Board regarding the status of the loan portfolio.

The legislation requires that a total of \$90.0 million be allocated for awards categorized under life sciences technology. MEDC staff has indicated that this requirement will be met by life sciences projects including those authorized by the SEIC Board and the MSF Board. According to MEDC staff, allocations by the SEIC Board for life sciences projects total \$59,733,627. This figure includes projects that are primarily life sciences projects and elements of other projects related to life sciences. In addition, the funds for the Van Andel Institute, the Life Sciences Pipeline, and wet laboratory space will be counted. Another component that will be used to meet this requirement will be investments in life sciences companies through the Investment Fund. As of February 9, 2007, MEDC staff estimate that total allocations for the life sciences are between \$78.1 million and \$84.1 million.

Table 3

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION BOARD AWARDS BY TYPE OF TECHNOLOGY		
Category	# of Awards	Funding
Advanced Automotive, Manufacturing and Materials Technology.....	37	\$71,473,214
Alternative Energy.....	7	6,597,134
Homeland Security and Defense	9	16,890,534
Life Sciences.....	31	39,205,772
Total.....	84	\$134,166,654

Source: Michigan Economic Development Corporation

At the end of FY 2005-06, no expenditures had been made for this program. An FY 2005-06 statutory work project account of \$135.0 million was established in the MSF for this program.

Investment Program

This program, titled the Jobs for Michigan Investment Fund, is overseen by the MSF Board. The purpose of the program is to strengthen and diversify Michigan's economy by investing in Michigan-based companies as a way to create jobs, and to provide financial assistance for the creation of new

businesses or industries. A principal function of this program is to expand the venture capital, private equity, and mezzanine investment (defined in statute as a loan or investment from \$250,000 to \$6.0 million) available in the State.

The legislation allows up to 40.0% of the total appropriation each year to be spent for this program. The legislation also provides the Board with the authority to enter into a contract with a Fund manager for the implementation and management of this program. All investments under this program must be approved by the MSF Board based on the recommendations of a Fund manager. An RFP for selection of the Fund manager was authorized by the MSF Board on April 19, 2006, with final selection made at the June 7, 2006, Board meeting. The Board selected DLJ MB Advisors, Inc., an affiliate of Credit Suisse Group, as the Fund Manager. In July, the Board approved the allocation of \$114.0 million for FY 2005-06 and FY 2006-07 for the investment program. Included in this amount are all management fees and expenses related to the operation of this program. On August 23, 2006, the Board approved an investment strategy, as proposed by the Fund Manager, and an investment subcommittee of the MSF Board was selected to recommend investments under this program to the Board.

The MSF Board authorized the first investments at its January 24, 2007, meeting. Based on the recommendation of the Fund Manager, the Board approved an investment of \$7.5 million with Arboretum, a venture capital fund specializing in life sciences. It also approved the investments of \$10.0 million with Nth Power, another venture capital firm with an emphasis on energy. In both investments, the 21st Century Jobs Trust Fund money will be combined with funds from other investors to make investments in Michigan-based companies.

An FY 2005-06 statutory work project of \$150,040,000 was established for the investment program, the unallocated million balance of the 21st Century Jobs Trust Fund, and several other programs. This work project consists of \$114.0 million allocated by the Board in July for the investment program, a one-time allocation of \$1.4 million for the Life Sciences Pipeline (described below), an additional \$540,000 available for administrative and business marketing costs (due to the appropriation of the remaining \$6.0 million from the 21st Century Jobs Trust Fund in P.A. 153 of 2006), and the unallocated balance of \$34.1 million.

Life Sciences Pipeline

The Life Sciences Pipeline was established by P.A. 213 of 2005 to coordinate the services and resources available to existing and emerging life science companies in the State. Companies in this industry will be allowed to affiliate themselves with the Pipeline as members, which will make them eligible for assistance with research and commercialization efforts. The Pipeline also will be required to market itself to in- and out-of-State companies in the life science industry, and develop and maintain a list of the members and the services provided.

An RFP was issued in February 2006 for this project. The selection of a contractor to operate the Pipeline made in July 2006. The MSF Board selected the Michigan Biosciences Industry Association (MichBio) to operate the Pipeline. The contract entered into with MichBio allows it to hire a subcontractor to administer this program. The Board allocated \$1.4 million to the Pipeline for the purpose of implementing the program described above. The Pipeline has been authorized to use discretion in establishing a reasonable fee to be charged to members for services provided and to cover ongoing administrative costs. The staff of the MEDC also will provide some administrative support to the Pipeline and will seek reimbursement for these costs from the MSF Board.

Programs Not Currently Funded

The legislation authorizes the programs discussed below, which currently are not funded.

University Matching Fund Program. Public Act 215 of 2005 provides for a program to supply matching funds that universities could use to obtain Federal research funds for competitive edge technology projects. This program is designed to increase the Federal research dollars that are coming into the State, to increase collaborations between universities and research institutions, and to assist universities in recruiting renowned research faculty. The areas of research would be limited to the competitive edge technology areas: life sciences, homeland security/defense, advanced automotive/manufacturing and alternative energy.

At the December 8, 2006, meeting, the SEIC Board defeated a motion to support the university matching program. The motion, if adopted, would have provided \$1.0 million contingent on the receipt of an additional allocation of at least \$30.0 million from the MSF Board to fund a grant competition in 2007.

Small Business Innovation Research (SBIR) and Small Business Technical Transfer (STTR) Matching Grant Program. The SBIR and STTR programs are Federal programs administered by the U.S. Small Business Administration. The programs require that a portion of research and development funds be reserved for awards to small businesses with fewer than 500 employees. To be eligible, small businesses must match the Federal grant. The SEIC Board can use its allocated funding for matching funds to permit Michigan small businesses to qualify for the Federal grants.

The SBIR program includes 11 Federal departments and the STTR program includes six Federal departments. The SBIR program provides funding to a qualified small business, and the STTR provides funding to a qualified small business that is partnered with a nonprofit research institution. The awarding agencies designate the topics and review the proposals. The programs provide funding to businesses in three phases. Phase I provides awards of up to \$100,000 to research the start-up options, including feasibility of the technology; Phase II provides up to \$750,000 for the evaluation of commercialization potential; and Phase III is taking the product to market. Phase III, or the marketability phase, is not funded by the Federal program, but requires the business to find private or other non-SBIR/STTR funding.

Approximately \$2.0 billion in Federal contracts is reserved for small businesses. To qualify, businesses must demonstrate the projects' degree of innovation, technical merit, and future market potential. The legislation provides for the SEIC to provide grants or loans to match up to 25.0% of the Federal funds and also requires the small business to leverage third party matching funds or in-kind support for the project.

A presentation on this program was made to the SEIC Board at the December 8, 2006, meeting. The Board approved a motion to dedicate \$2.0 million for the SBIR/STTR Federal match program, contingent on the SEIC Board's receipt of an allocation of at least \$30.0 million from the MSF Board for a 2007 distribution of competitive edge technology grants and loans. Awards would be limited to research and development in the life sciences, homeland security/defense, advanced automotive/manufacturing, and alternative energy.

Loan Enhancement Program. As part of the investment program, the MSF Board may allocate up to 25.0% of the total appropriation to create a loan guarantee program for financial institutions located in the State that provide commercial loans to businesses and local units of government. A qualifying business must demonstrate that it has a "documented growth opportunity", which is defined in P.A.

225 of 2005 as a plant expansion, capital equipment investment, acquisition of intellectual property or technology, or the hiring of new employees to meet the new business opportunity. An eligible business may include one engaged in retail sales if the loan is used to support a new opportunity with significant growth potential. Recipients of these loans would be subject to repayment provisions if the business left Michigan within three years of approval for the loan or otherwise breached the loan agreement. To date, the MSF Board has taken no action on the creation of a loan enhancement program, with the exception of the Capital Access program.

The Capital Access program provides financing to small business by using public resources to leverage private financing for loans. A one-time charge is assessed from both the lender and the borrower and put into a reserve fund. This amount then is matched by the MSF with a one-time award paid into the reserve fund. The reserve fund is thus available to provide additional collateral for the loan.

Public Act 225 of 2005 required the reinstatement of the Small Business Capital Access Program and provided \$3.5 million in earmarked funding. This program had existed as a financing tool of the MSF from 1986 until 2002, when it was discontinued due to budgetary constraints. The legislation allows other funds allocated by the MSF Board to be used to supplement this program in future years. The MSF Board passed a resolution on January 25, 2006, to reinstate this program.

ANNUAL ALLOCATIONS, FY 2007-08 TO FY 2014-15

In addition to the sale of tobacco settlement revenue to obtain cash through the issuance of bonds, the second use of the tobacco settlement receipts for the economic diversification package is the planned annual allocation from those receipts to the 21st Century Jobs Trust Fund. Pursuant to P.A. 232 of 2005, \$75.0 million is allocated annually from FY 2007-08 to FY 2014-15. Assuming that this provision is unchanged by future Legislatures, the statutory earmarks will provide \$600.0 million to the Trust Fund, bringing the total funds available in the Fund to \$1.0 billion.

Under current law, the \$75.0 million will be appropriated in the annual budget to the MSF, which then may allocate those funds among the allowed programs of 21st Century Investments and the SEIC Board. Current law requires allocation of \$30.0 million annually from FY 2007-08 to FY 2011-12 to the SEIC Board for competitive edge technology grants and loans. The annual appropriation also will be subject to the other statutory allocations, including the use of up to 4.0% of the appropriation for administration and up to 5.0% for business development and marketing.

The amount of tobacco settlement revenue received by the State varies annually. Table 4 shows an illustration of the impact of this program on the amount of unallocated tobacco settlement revenue in future years. Due to these variations, which can be affected by the level of cigarette sales, inflation, and any court challenges regarding annual payments, the revenue amounts on Table 4 from FY 2007-08 through FY 2026-27 are only estimates, which assume that payments in future years continue at the level in FY 2007-08. The illustration also assumes that the bonds are paid as projected at the time they were issued, with final payment in FY 2026-27. The dollar amount of tobacco settlement revenue forgone each year due to the sale of 13.34% of the revenue will vary annually depending on the total revenue allocated under the tobacco settlement and other factors. This table does not include an amount from FY 2005-06 and FY 2006-07 payments that has been escrowed pursuant to a recent court challenge regarding the State's enforcement of the settlement agreement. The two-year escrowed amount is estimated to be \$84.9 million, which could become available depending on the outcome of the litigation.

Table 4

ILLUSTRATION OF TOBACCO SETTLEMENT REVENUE AND ALLOCATIONS				
(Millions of Dollars)				
Fiscal Year	Estimated Tobacco Settlement Revenue	Revenue Sold (13.34% of Total)	Allocation to 21st Century Jobs Trust Fund	Remaining Unallocated Revenue
FY 2005-06	\$251.5			
FY 2006-07	239.4			
FY 2007-08	321.4 ^{a)}	\$42.9	\$75.0	\$203.5
FY 2008-09	321.4	42.9	75.0	203.5
FY 2009-10	321.4	42.9	75.0	203.5
FY 2010-11	321.4	42.9	75.0	203.5
FY 2011-12	321.4	42.9	75.0	203.5
FY 2012-13	321.4	42.9	75.0	203.5
FY 2013-14	321.4	42.9	75.0	203.5
FY 2014-15	321.4	42.9	75.0	203.5
FY 2015-16 through FY 2026-27	321.4	42.9	0.0	278.5

^{a)} The annual amount of tobacco settlement revenue received depends on a number of factors including cigarette sales and inflation. In addition, the companies have challenged the amount of annual payments, a matter currently in litigation. Beginning in FY 2008-09, revenue estimates assume that payments continue at the estimated FY 2007-08 level.

Source: Department of Treasury and Senate Fiscal Agency

These transactions will reduce the unencumbered future tobacco settlement revenue received by the State in future years. First, there will be an estimated \$42.9 million reduction due to the sale of sufficient revenue to repay the bond. This will reduce the unencumbered revenue from an estimated \$321.4 million to \$278.5 million beginning in FY 2007-08. A second reduction will occur in FY 2007-08 through FY 2015-16 when \$75.0 million is allocated in statute to the 21st Century Jobs Trust Fund. This further reduces the unencumbered tobacco settlement revenue to \$203.5 million for the years FY 2007-08 through FY 2014-15. After the period of annual allocations, the available tobacco settlement revenue will increase to approximately \$278.5 million beginning in FY 2015-16.

Under current law, the remaining unencumbered tobacco settlement revenue will be deposited in the Michigan Merit Award Trust Fund where it will be available for Michigan Merit Award Scholarships, the administration of the Michigan Merit Award program, and other expenditures authorized by law. The allocations of tobacco settlement revenue are shown in Table 4.

The legislation also provides for any earnings on the investments or loans awarded under the SEIC program or the investment program to be paid to the Investment Fund. In addition, the legislation allows for any earnings from the former Health and Aging Research and Development Initiative, the Life Sciences Corridor Initiative, or the Technology Tri-Corridor Initiative to be deposited into the Investment Fund. These contributions may be invested by the MSF Board. The net income of the Investment Fund, as determined at the end of each fiscal year, may be spent pursuant to appropriations for any of the 21st Century programs.

The MEDC has reviewed the performance of previous investments from the Life Science and the Technology Tri-Corridor programs. The MEDC calculates that within those programs it invested an estimated \$38.0 million in loans convertible to equity positions. As of November 30, 2006, the MEDC reported that approximately \$5.0 million had been repaid from these investments.

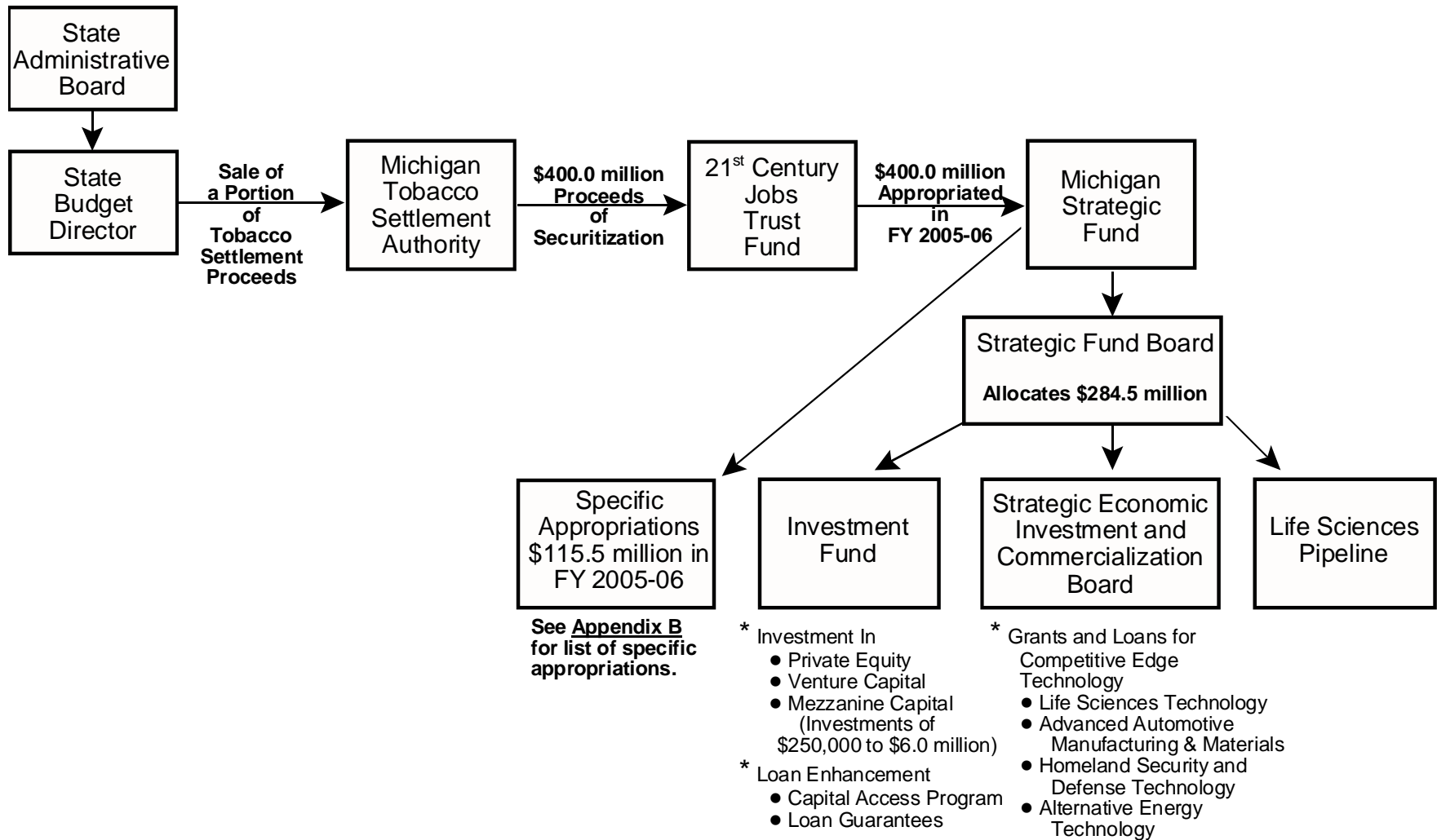
CONCLUSION

The State has allocated substantial resources to the 21st Century programs, with \$400.0 million appropriated in FY 2005-06 and an additional \$600.0 million scheduled to be made available over the next eight years. The cost of the \$400.0 million in FY 2005-06 is substantial and continuing, with the State having forgone 13.34% of future tobacco settlement proceeds over approximately 20 years in order to obtain \$400.0 million at one time.

Future legislative actions on this program include the consideration of appropriating the \$75.0 million in tobacco settlement revenue annually from FY 2007-08 through FY 2014-15. As stated previously, P.A. 232 of 2005 requires that \$75.0 million of tobacco settlement revenue be deposited in the 21st Century Jobs Trust Fund. Expenditures from that Fund must be made pursuant to appropriations, thereby giving the Legislature the discretion to allocate these funds.

Other possible legislative actions could include determining the status of the \$34.1 million balance. Although these funds have been placed into a work project account, the Legislature could amend the Strategic Fund Act to require additional earmarks on the funds.

Illustration of Securitization Plan for FY 2005-06 and FY 2006-07



21st CENTURY JOBS TRUST FUND STATUS OF APPROPRIATION EARMARKS		
Program	Appropriation^{a)}	Status
Administrative Costs: These funds are for the MEDC's expenses in operating the 21 st Century Programs.	\$16,000,000	On December 12, 2005, the MSF Board authorized the full 4.0% maximum allowed to be used for administration. Subsequently the MEDC and the MSF entered into a Memorandum of Understanding dated 1/25/06 that lists the programs that the MEDC will administer. This was amended by MSF Resolution 2006-118 to include the life sciences pipeline. An FY 2005-06 statutory work project of \$14,500,000 was established in the MSF.
Agricultural Development Fund: Funding is for grants and loans under the Julian-Stille Value-Added Act, P.A. 322 of 2000. The program is to support development of crops and uses of agricultural products that increase the uses and value of agricultural products in Michigan.	5,000,000 (This was reduced from \$10,000,000 by veto. Vetoed funds were restored in P.A. 153 of 2006.)	The Michigan Department of Agriculture conducted a competitive process and approved the grants on September 12, 2006. The State Administrative Board gave approval to the grants on October 3, 2006. An FY 2005-06 statutory work project of \$5,000,000 was established in the MSF for this project.
Agricultural Development Fund: Restored the Governor's veto in P.A. 225 of 2005 to provide an additional \$5,000,000 for specialty crop grants and loans.	5,000,000 ^{b)}	An FY 2005-06 nonstatutory work project of \$5,000,000 was established in the Department of Treasury.
Automotive Technology Business Accelerator: The funds are for the development and commercialization of new technologies and products by providing early stage venture capital funding, international business support, and services for technology companies and professionals.	6,000,000	After an RFP process, on September 27, 2006, the MSF Board selected Automation Alley to conduct this program. An FY 2005-06 statutory work project of \$6,000,000 was established in the MSF.
Business Development and Marketing: The funds are for the development and commercialization of new technologies and products by providing early stage venture capital funding, international business support, and services for technology companies and professionals.	20,000,000	On December 21, 2005, the MSF Board established an RFP process for determining specific expenditures. On February 2, 2006, the MSF Board selected the vendor for business marketing. An FY 2005-06 statutory work project of \$16,000,000 was established in the MSF.

**21st CENTURY JOBS TRUST FUND
STATUS OF APPROPRIATION EARMARKS**

Program	Appropriation ^{a)}	Status
<p>Capital Access Program: This restores the Capital Access Program, a mechanism to increase the availability of bank loans to small businesses by creating a reserve fund funded by charges on the borrower and bank, and matched by a contribution from the MSF.</p>	3,500,000	<p>The MSF Board authorized this program on January 25, 2006. It is administered by the MEDC with expenses reimbursed by the MSF.</p> <p>A FY 2005-06 statutory work project of \$3,300,000 was established in the MSF.</p>
<p>Defense Contract Coordination Center (DC3): This project is to assist Michigan firms seeking Federal contracts for defense and homeland security projects. Up to one-half of the funds may be used for low-interest loans to firms that need to expand to qualify for a Federal contract. Loan repayments are returned to the Investment Fund.</p>	10,000,000	<p>On September 7, 2006, the MSF Board approved Resolution 2006-168 to authorize use of \$510,000 from the Defense Contract Coordination Center funds to support Procurement Technical Assistance Centers (PTACs) in FY 2005-06. Similarly, Resolution 2006-169 authorized \$520,000 in FY 2006-07 for the PTACs. This replaces the MEDC corporate funds that previously funded PTACs.</p> <p>On December 20, 2006, the Board authorized \$100,000 to hire a consultant to complete a strategic plan and business plan for the Defense Contract Coordinating Center.</p> <p>An FY 2005-06 statutory work project of \$9,400,000 was established in the MSF.</p>
<p>Michigan Film Office: The funds are to promote Michigan as a film location, to contract for an independent study of Michigan's role in the film industry and possible improvements, promotion of Michigan as a film location, and development of a qualified film crew workforce.</p>	2,000,000	<p>On July 26, 2006, the MSF Board committed funds for this project. A resolution by the Michigan Film Advisory Commission requested transfer of the funds. As of January 2007, a Memorandum of Understanding was developed between MEDC and the Department of History, Arts, and Libraries (HAL). The entire \$2,000,000 was established as a statutory FY 2005-06 work project in MSF. HAL staff has indicated that the funds will be spent at a rate of about \$500,000 per year for four years for marketing of the State's tax credit incentive for film-making, the required study, and improved web site marketing.</p>
<p>Michigan Forest Finance Authority: The funds are for projects that preserve or create jobs or develop forests or forest industries.</p>	26,000,000	<p>The MSF Board on July 26, 2006, committed the \$26,000,000. The entire \$26,000,000 was established as an FY 2005-06 work project in the MSF.</p>

21st CENTURY JOBS TRUST FUND STATUS OF APPROPRIATION EARMARKS		
Program	Appropriation^{a)}	Status
Michigan Promotion Program: The funds are for advertising campaigns to increase tourism in Michigan.	15,000,000	Based on recommendations from the tourism industry, the Board decided to spend these funds during FY 2005-06 and FY 2006-07. The vendor was selected on February 2, 2006. An FY 2005-06 statutory work project of \$10,000,000 was established in the MSF.
Private Research Institute: This funding is for a private research institute with a Federally approved good manufacturing facility, the Van Andel Research Institute. The funds are for producing drugs to be used in approved clinical trials, and for promoting the Core Technology Alliance, which includes specialized facilities at six educational institutions that can support pharmaceutical research.	3,000,000	At the October 25, 2006 meeting, these funds were committed to the Van Andel Research Institute. The entire \$3,000,000 was established as an FY 2005-06 statutory work project in the MSF.
Private Research Institute: This funding also is for the Van Andel Research Institute, for the same purposes described above.	1,000,000 ^{b)}	Established as an FY 2005-06 nonstatutory work project in the Department of Treasury.
University Technology Transfer: Funds are to facilitate transfer of university research results to private companies.	2,000,000	The entire amount was established as a statutory FY 2005-06 work project in the MSF.
Wet Laboratory Space: This provides funding for specialized laboratories with appropriate hoods, vents, and other equipment for biotech research.	1,000,000 ^{b)}	Established as an FY 2005-06 nonstatutory work project in the Department of Treasury.
Total	\$115,500,000	
^{a)} Appropriations authorized by Public Act 225 of 2005 except where noted.		
^{b)} Appropriations authorized by Public Act 153 of 2006.		

Source: Michigan Strategic Fund Board resolutions, Department of Management and Budget, and Senate Fiscal Agency

Appendix C

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION AWARDS					
Organization	Primary Industry	Funding Opportunity	Title	County	Amount Awarded¹⁾
AAPharmaSyn LLC	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	AAPharmaSyn LLC is a contract research organization providing chemistry research and synthesis service	Washtenaw	\$750,000
Accuri Instruments, Inc.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Commercialization of an affordable high performance flow cytometer for life science research	Washtenaw	\$2,000,000
Adaptive Materials, Inc.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Realizing the Alternative – Commercialization of Portable Fuel Cell Systems	Washtenaw	\$6,271,190
Advanced Resource Recovery, LLC	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	An operating waste recycling facility develops Biodiesel creating jobs and community revitalization.	Wayne	\$1,912,000
Afid Therapeutics Inc.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Further Commercial Expansion of a Comprehensive Pharmaceutical Chemistry Platform	Ingham	\$1,665,725
Ann Arbor Spark	Advanced Automotive, Manufacturing and Materials Technology	Pre-Seed Fund	Michigan Pre-Seed Capital Fund	Washtenaw	\$8,000,000
Avidimer Therapeutics, Inc.	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Avidimer Therapeutics: ATI-001 Phase I and Phase II Clinical Trials in Cancer	Washtenaw	\$2,250,000
AVL North America, INC.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	AVL North America New Product Development	Wayne	\$1,514,311
Battle Creek Unlimited	Advanced Automotive, Manufacturing and Materials Technology	Business Acceleration	BCU Technology Business Accelerator	Calhoun	\$430,000
Biodiscovery-LLC	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Development of Low Cost Oligonucleotide Microarrays for Commercialization in Michigan	Washtenaw	\$2,194,675
Biotechnology Business Consultants, LLC	Advanced Automotive, Manufacturing and Materials Technology	Support Networks	Statewide SBIR/STTR Consulting Services	Washtenaw	\$426,804
Center for Automotive Research	Advanced Automotive, Manufacturing and Materials Technology	Business Services	Connected Vehicle Proving Center	Washtenaw	\$3,149,755

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION AWARDS					
Organization	Primary Industry	Funding Opportunity	Title	County	Amount Awarded¹⁾
Clifford Group	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Commercialization of Competitive Edge Aircraft Propulsion Technology	Livingston	\$3,511,000
Compendia Bioscience, Inc	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Advanced product development and commercialization of Oncomine	Oakland	\$1,238,212
Core Technology Alliance (CTA Corp)	Advanced Automotive, Manufacturing and Materials Technology	Support Networks	CTA-A Statewide Infrastructure and Technology Support Network Advancing Life Sciences in Michigan	Washtenaw	\$3,020,000
Diversified Natural Products, Inc.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	HEP-30: A Natural Alternative to Treat Elevated Cholesterol	Mason	\$1,994,578
ElectroJet Incorporated	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Small engine fuel injection technologies to reduce emissions and improve engine performance	Livingston	\$962,600
Evigia Systems, Inc.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Wireless Sensor Tags for Advanced Weapons and Defense Materials Monitoring	Washtenaw	\$1,736,300
Fraunhofer USA	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Advanced Laser Processing for Mass Production of Alternative Energy Systems	Wayne	\$823,557
Fraunhofer USA Inc.	Advanced Automotive, Manufacturing and Materials Technology	Business Services	Accelerating the commercialization of competitive edge technology and research	Ingham	\$322,904
Fraunhofer USA, Center for Laser Technology	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	High Power Diode Laser for Advanced Vehicle Production and High Energy Laser for Homeland Security	Wayne	\$1,094,084
Genetics Squared Inc	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Clinical Development of Therapeutic Agents for Oncology Using Companion Diagnostics	Washtenaw	\$1,569,999
Great Lakes Entrepreneur's Quest	Advanced Automotive, Manufacturing and Materials Technology	Support Networks	GLEQ Statewide Technology Support Network	Washtenaw	\$600,000
IA, Inc./ ThreeFold Sensors	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Pre-commercialization activities to launch biosensor platform and assays for point-of-care testing	Washtenaw	\$2,600,657
Integrated Sensing Systems Inc.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Production of a Fuel Cell Sensor for Alternative Energy Consumer Electronics and Auto Applications	Washtenaw	\$974,999

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION AWARDS					
Organization	Primary Industry	Funding Opportunity	Title	County	Amount Awarded¹⁾
Karmanos Cancer Institute	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Clinical Validation of CURE: A Novel Technology for Improved Breast Cancer Diagnosis	Wayne	\$1,596,728
Karmanos Cancer Institute	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Phase I Clinical Therapeutics Center Grant	Wayne	\$2,606,786
KTM Industries, Inc.	Advanced Automotive, Manufacturing and Materials Technology	Commercialization	Biobased foam materials for protective packaging applications and for craft and toy markets	Eaton	\$2,011,185
Lake Superior State University	Advanced Automotive, Manufacturing and Materials Technology	Business Services	LSSU Prototype Development Center - Assisting Business Development in Northern Michigan	Chippewa	\$350,250
Lawrence Technological University	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Advanced Material Technology and Design for Innovative Box Beam Highway Bridges in Michigan	Oakland	\$899,996
Meditrina Pharmaceuticals, Inc.	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Re-purposing approved drugs to meet unmet needs in Women's Health	Washtenaw	\$3,829,733
Michigan Research Institute	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Revolutionizing the Practice of Commercial Shell-Egg Pasteurization	Washtenaw	\$2,199,940
Michigan State University	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Catalytic Boronate Ester Synthesis: Developing New Commercial Building Blocks for Drug Discovery	Ingham	\$1,380,990
Michigan State University	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Application of laser-based molecular scalpel technology for proteomic and metabolomic analysis	Ingham	\$1,401,865
Michigan State University	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Advanced Combustion Systems for Ethanol Fueled Engines using Microelectronic Control	Ingham	\$1,443,689
Michigan State University	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Low Cost, Multifunctional Nanomaterial Additive for Polymers and Composites	Ingham	\$2,077,191
Michigan State University	Advanced Automotive, Manufacturing and Materials Technology	Applied Research	Reactive Distillation for Production of Organic Acid Esters	Ingham	\$661,511
			Total Advanced Automotive, Manufacturing and Materials Technology		\$71,473,214

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION AWARDS					
Organization	Primary Industry	Funding Opportunity	Title	County	Amount Awarded¹⁾
Michigan State University	Alternative Energy	Applied Research	Dissolved Oxygen Sensor for Continuous (24/7) Monitoring in Aquaculture Applications	Ingham	\$914,492
Michigan State University	Alternative Energy	Applied Research	A PCR-chip for simultaneous detection of 50 threat agents relevant to air and water safety	Ingham	\$966,608
Michigan State University	Alternative Energy	Applied Research	Manufacture of thermoplastic foams with nanoclays	Ingham	\$329,725
Michigan State University	Alternative Energy	Applied Research	Development and Demonstration of a Low Cost Hybrid Drive Train for Medium and Heavy Duty Vehicles	Ingham	\$2,425,851
Michigan State University	Alternative Energy	Applied Research	Therapeutic and Diagnostic Biochemicals	Ingham	\$250,000
Michigan State University	Alternative Energy	Basic Research	Fundamental Studies on Multifunctional Electrospun Nanofibers for Sensor Applications	Ingham	\$659,677
Michigan State University	Alternative Energy	Business Acceleration	"Rational Siting Push / Pull Accelerator 2" (RSPPA2)	Ingham	1,050,781
Total Alternative Energy					\$6,597,134
Michigan State University	Homeland Security	Basic Research	Engineered Catalytic Nanoparticles for Aqueous-phase Transformations of Biobased Materials	Ingham	\$884,637
Michigan Technological University	Homeland Security	Basic Research	Optimizing Chemo-Mechanical Structure for MEMS Chemical Vapor Sensor Arrays	Houghton	\$808,832
Michigan Venture Capital Association	Homeland Security	Business Services	MVCA's Venture Upstart Program	Washtenaw	\$2,100,000
MI-SBTDC - Grand Valley State University	Homeland Security	Support Networks	Providing Effective Business Counsel for Michigan's Competitive Edge Technology Companies	Kent	\$2,000,000
Molecular Imaging Research, Inc.	Homeland Security	Commercialization	Commercialization of novel preclinical imaging technologies for cancer and other diseases	Washtenaw	\$1,233,374
NanoBio Corporation	Homeland Security	Applied Research	Clinical & Regulatory Development of Topical Nanoemulsions for the Treatment of Onychomycosis	Washtenaw	\$2,377,526
NextEnergy Center	Homeland Security	Support Networks	NextEnergy Statewide Alternative Energy Technology Support Network	Wayne	\$2,923,165
NexusTech Ventures	Homeland Security	Pre-Seed Fund	State wide Company Formation Capital Investment Program	Oakland	\$3,063,000
Polytorx	Homeland Security	Commercialization	Rapid Growth Phase for Helix Sales and Production	Washtenaw	\$1,500,000
Total Homeland Security					\$16,890,534

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION AWARDS

Organization	Primary Industry	Funding Opportunity	Title	County	Amount Awarded¹⁾
ProNAi Therapeutics Inc.	Life Science	Applied Research	Development of a novel cancer therapeutic	Kalamazoo	\$3,297,826
Realscape Corporation	Life Science	Commercialization	Localized Visual Information System (LVIS)	Macomb	\$449,356
Sentelligence, Inc.	Life Science	Commercialization	Sentelligence, Inc. Platform Technology Commercialization for Oil Condition and Urea Sensors	Out of State	\$1,500,000
Solidica, Inc.	Life Science	Commercialization	Advanced Medical Devices via Additive Manufacturing	Washtenaw	\$1,295,259
Sonetics Ultrasound, Inc.	Life Science	Applied Research	Technology Development for a Portable Real-Time 3D Ultrasound Unit	Washtenaw	\$1,214,682
Southwest Michigan Innovation Center	Life Science	Business Acceleration	Southwest Michigan Innovation Center Business Incubator Acceleration Services	Kalamazoo	\$500,000
Southwest Michigan Innovation Center	Life Science	Wet Lab Redevelopment	Southwest Michigan Innovation Center Lab Reclamation Project	Kalamazoo	\$525,000
T/J Technologies, Inc.	Life Science	Applied Research	Rechargeable Lithium Battery Performance at Lead Acid Cost	Washtenaw	\$952,665
TechTown	Life Science	Business Acceleration	TechTown - Comprehensive Economic Development Program	Wayne	\$776,676
Tellurex Corporation	Life Science	Commercialization	Develop, Manufacture and Market World Class Thermoelectric Modules into Established and New Markets	Grand Traverse	\$1,263,950
Translume, Inc.	Life Science	Commercialization	Real Time Optical Fluid Condition Monitoring System	Washtenaw	\$1,650,510
Truck Emission Control Technologies Inc.	Life Science	Commercialization	Retrofit technology for the reduction of pollutions from diesel trucks and buses	Jackson	\$1,500,000
TSRL, Inc.	Life Science	Applied Research	Bile Acid Conjugates For Enhanced Absorption of Anti-Influenza Drugs	Washtenaw	\$968,715
University of Michigan	Life Science	Basic Research	Advanced Adsorbents for Sulfur Removal based on ultra high surface area microporous coordination pol	Washtenaw	\$899,713
University of Michigan Regents	Life Science	Applied Research	Development of an Intelligent Computer Aided Stamping System	Washtenaw	\$493,999
University of Michigan Regents	Life Science	Applied Research	S-P3 System: Sensor-based Prognostics and Predictive Process Control for Hot Deformation Processes	Washtenaw	\$895,000
University of Michigan Regents	Life Science	Applied Research	Wearable Miniaturized Neutron Detector for Nuclear Material Tracking and Personnel Protection	Washtenaw	\$1,228,172

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION AWARDS					
Organization	Primary Industry	Funding Opportunity	Title	County	Amount Awarded¹⁾
University of Michigan Regents	Life Science	Applied Research	Collaborative Development of Clean Diesel Exhaust Aftertreatment System through Modeling and Testing	Washtenaw	\$1,670,811
University of Michigan Regents	Life Science	Applied Research	Integration and demonstration of high efficiency hydraulic hybrid propulsion technology for trucks	Washtenaw	\$1,248,904
University of Michigan Regents	Life Science	Basic Research	Machine Learning Approaches to Vehicle Power Management	Washtenaw	\$285,100
University of Michigan Regents	Life Science	Pre-Seed Fund	Michigan Universities Commercialization Initiative (MUCI): From Idea to Enterprise	Washtenaw	\$4,724,999
Van Andel Research Institute	Life Science	Support Networks	Development of an Innovative Clinical Research Alliance	Kent	\$1,513,830
Velcura Therapeutics, Inc.	Life Science	Applied Research	Building Human Bone: New Therapies for Osteoporosis	Washtenaw	\$2,000,000
Wayne State University	Life Science	Applied Research	Development of Synthetic Fueled Generator Sets for Homeland Security	Wayne	\$2,030,156
Wayne State University	Life Science	Applied Research	Materials for Use in Producing Forming Tools With Laminate Tooling Containing Thermal Management	Wayne	\$302,761
Wayne State University	Life Science	Basic Research	Laser-Based Submillimeter-Scale Joining of Dissimilar Materials	Wayne	\$700,841
Wayne State University	Life Science	Basic Research	HyperEye: Susceptibility Weighted Imaging-based Informatics Tools for Brain Tumor Studies	Wayne	\$830,277
Western Michigan University	Life Science	Applied Research	Printed RFID Tags on Packaging Materials	Kalamazoo	\$966,714
Western Michigan University	Life Science	Wet Lab Redevelopment	Southwest Michigan Wet Lab Consortium: Redeveloping Building 126 for Economic Development	Kalamazoo	\$2,000,000
XB TransMed Solutions, LLC	Life Science	Commercialization	Large Biological Data Sets: Discovery to Application	Kent	\$508,263
Zeeland Farm Services Inc.	Life Science	Applied Research	Value Added Bio-based Industrial Products and Chemicals	Ottawa	\$1,011,593
Total Life Science.....					\$39,205,772
					Grant Total
					\$134,166,654

¹⁾ Contracts must be in place prior to the disbursement of any funds.

Source: Michigan Economic Development Corporation