

**SUBSTITUTE FOR
SENATE BILL NO. 596**

A bill to amend 1984 PA 431, entitled
"The management and budget act,"
(MCL 18.1101 to 18.1594) by adding section 364.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 **Sec. 364. (1) Except as otherwise provided in this section, a**
2 **state department or agency shall not expend money that was**
3 **appropriated as a legislatively directed spending item. A**
4 **legislator must submit a request for a legislatively directed**
5 **spending item at least 10 days before the date that the bill**
6 **containing the legislatively directed spending item is passed by**
7 **both chambers of the legislature. However, the senate or house of**
8 **representatives may require, by rule, that a legislator in that**
9 **chamber submit a request for a legislatively directed spending item**



1 at an earlier date. A legislator must submit a request for a
2 legislatively directed spending item on the form described in
3 section 364a. A legislatively directed spending item must be
4 presented at a hearing of the appropriations committee or
5 subcommittee of the chamber in which the legislatively directed
6 spending item was requested before a bill containing the
7 legislatively directed spending item is passed by both chambers of
8 the legislature. A legislator that does not hold a leadership
9 position may not request a legislatively directed spending item for
10 an intended recipient or location that is not located within, or
11 that would not benefit the residents of, the legislator's district
12 or a county, any part of which is located within the legislator's
13 district.

14 (2) A for-profit entity is not eligible to receive a
15 legislatively directed spending item. A nonprofit corporation is
16 eligible to receive a legislatively directed spending item if all
17 of the following requirements are met:

18 (a) The nonprofit corporation has continuously operated in
19 this state during the immediately preceding 3-year period.

20 (b) The nonprofit corporation had a physical office in this
21 state during the immediately preceding 1-year period.

22 (c) The nonprofit corporation has a board of directors.

23 (3) The senate and house of representatives shall each
24 establish pages on their existing websites that are accessible to
25 the public at no cost and that contain information regarding
26 legislatively directed spending items. Not later than 5 business
27 days after a request for a legislatively directed spending item is
28 submitted, the senate and house of representatives shall post the
29 information for the legislatively directed spending item on the



1 respective page. At least 10 days before the date that a bill
2 containing a legislatively directed spending item is passed by both
3 chambers of the legislature, the senate and house of
4 representatives shall post the information for each legislatively
5 directed spending item contained in the bill on the respective
6 page.

7 (4) The department shall establish and maintain a website that
8 lists information for each legislatively directed spending item
9 included in an appropriations bill that is enacted into law. The
10 website must be available to the public at no cost. The website
11 must include all of the following information for each
12 legislatively directed spending item:

13 (a) The name of the legislator who submitted the request for
14 the legislatively directed spending item and of each legislator who
15 cosponsored the request.

16 (b) The name of the recipient of the legislatively directed
17 spending item.

18 (c) A summary of the purpose of the legislatively directed
19 spending item.

20 (d) A description of the legislatively directed spending item.

21 (e) The state department or agency that is administering the
22 legislatively directed spending item.

23 (f) The section of the bill or law that contains the
24 legislatively directed spending item.

25 (g) The status of the legislatively directed spending item.

26 (h) The status of the legislatively directed spending item
27 agreement.

28 (i) Whether the legislatively directed spending item agreement
29 has been amended and, if so, a description of the amendment.



1 (j) To the extent allowed by law, the forms provided by a
2 nonprofit corporation under subsection (9).

3 (5) The department or, if applicable, the state department or
4 agency that is administering a legislatively directed spending
5 item, shall do both of the following:

6 (a) Post the information described in subsection (4) on the
7 website or on the state department's or agency's website, and
8 provide the information described in subsection (4) to the
9 department.

10 (b) At frequent intervals, update the status of each
11 legislatively directed spending item.

12 (6) The state department or agency that is administering a
13 legislatively directed spending item shall, for the duration of the
14 public project, but not to exceed 7 years, ensure that the
15 legislatively directed spending item has been spent in accordance
16 with the terms of the legislatively directed spending item
17 agreement. State department or agency oversight of legislatively
18 directed spending items are subject to audit at the discretion of
19 the auditor general. Only department restricted funds may be
20 charged for an audit described in this subsection, in applicable
21 circumstances.

22 (7) A recipient of a legislatively directed spending item
23 shall enter into a legislatively directed spending item agreement.
24 A legislatively directed spending item agreement must require, at a
25 minimum, all of the following:

26 (a) That the recipient repay the legislatively directed
27 spending item if the recipient uses the appropriation for a purpose
28 other than the purpose for which it was appropriated.

29 (b) That the legislatively directed spending item not be



1 disbursed if the department determines that the recipient is not
2 using or will not use the appropriation for the purpose for which
3 it was appropriated.

4 (c) That the legislatively directed spending item must not be
5 used to pay a tax lien, delinquent tax, or other obligation owed to
6 the federal government, this state, or a political subdivision of
7 this state if the recipient is not a governmental entity.

8 (d) That the department or state department or agency may take
9 any action authorized by law, including, but not limited to,
10 requiring a corrective action plan before making further payment,
11 cancelling the legislatively directed item, or seeking
12 reimbursement of funds that have been disbursed to the recipient,
13 if the department or state department or agency administering the
14 legislatively directed spending item determines that the recipient
15 is not in compliance with the legislatively directed spending item
16 agreement.

17 (8) The disbursement of the money associated with a
18 legislatively directed spending item must be made in accordance
19 with this act and the disbursement schedule in the executed
20 legislatively directed spending item agreement.

21 (9) If requested by the department, a nonprofit corporation
22 that receives a legislatively directed spending item shall, not
23 later than 10 business days after receiving the department's
24 request, provide the nonprofit corporation's internal revenue
25 service form 990, 990-EZ, or other 990-series return for the most
26 recent tax year to the department.

27 (10) The department or state department or agency
28 administering a legislatively directed spending item, as
29 applicable, shall do both of the following:



1 (a) Verify that a legislatively directed spending item
2 recipient meets the eligibility requirements under this section
3 before disbursing the legislatively directed spending item to the
4 recipient. Verification under this subdivision may be done by
5 accessing publicly available filings, relying on certified
6 information provided by the intended recipient, or other similar
7 means.

8 (b) Notify a legislatively directed spending item recipient of
9 the status of the disbursement of the legislatively directed
10 spending item after the recipient enters into a legislatively
11 directed spending item agreement.

12 (11) This section does not apply to a legislatively directed
13 spending item that was requested or included in a bill before
14 January 1, 2026.

15 (12) As used in this section:

16 (a) "Leadership position" means any of the following within
17 the legislature:

18 (i) The senate majority leader, senate minority leader, speaker
19 of the house, or house minority leader.

20 (ii) A chair, vice chair, or minority vice chair of an
21 appropriations committee or appropriations subcommittee.

22 (b) "Legislatively directed spending item" means, except as
23 otherwise provided in subdivision (c), an appropriation that
24 authorizes or obligates a specific amount of money for a contract
25 or other expenditure with a grant, loan, or other economic
26 assistance or incentive to a specific entity, local unit of
27 government, or project or activity in a local unit of government.

28 (c) Legislatively directed spending item does not include an
29 appropriation if any of the following conditions are met:



1 (i) The appropriation is made in response to a disaster or
2 emergency situation.

3 (ii) The recipient of the appropriation is a state department
4 or agency or an entity that administers or provides services,
5 programs, or resources that are otherwise required by law to be
6 administered or provided by a state department or agency.

7 (iii) The appropriation is made through a formula-driven or
8 competitive award process.

9 (d) "Nonprofit corporation" means that term as defined in
10 section 108 of the nonprofit corporation act, 1982 PA 162, MCL
11 450.2108.

12 Enacting section 1. This amendatory act takes effect January
13 1, 2026.

14 Enacting section 2. This amendatory act does not take effect
15 unless House Bill No. 4420 of the 103rd Legislature is enacted into
16 law.