



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 596 (Substitute S-2 as passed by the Senate)

Sponsor: Senator Sarah E. Anthony

Committee: Appropriations

Date Completed: 10-21-25

CONTENT

The bill would amend the Management and Budget Act to prescribe conditions for legislatively directed spending items (LDSIs). These appropriations items, sometimes referred to as 'earmarks', would need to meet specific criteria as well as the definition of "LDSI" as outlined in the bill to be eligible for expenditure.

Definition and Eligibility of an LDSI

Under the bill, "LDSI" would mean an appropriation that authorizes or obligates a specific amount of money for a contract or other expenditure with a grant, loan, or other economic assistance or incentive to a specific entity, local unit of government, or project or activity in a local unit of government. An LDSI would not include an appropriation made in response to a disaster or emergency situation, an appropriation wherein the recipient is a State department or agency that administers or provides services, programs, or resources that are otherwise required by law to be administered or provided by that department or agency, or the appropriation is made through a formula-driven or competitive process.

Under the bill, a for-profit entity would be ineligible to receive an LDSI. A nonprofit corporation would be eligible if it continuously operated in Michigan for the preceding three-year period, had a physical office in Michigan during the immediately preceding one-year period, and, has a board of directors. If requested by the Department of Technology, Management, and Budget (DTMB), a nonprofit receiving an LDSI would have to provide the Internal Revenue Service (IRS) Form 990, 990-EZ, or other 990-series tax returns.

Request for an LDSI

A legislator would have to submit a request for an LDSI at least 10 days before a bill containing that LDSI were passed by both chambers of the Legislature, using the form described under Section 364a (see House Bill 4420, S-2). The bill would allow the Senate and House of Representatives to require, by rule, that a legislator submit a request at an earlier date. An LDSI would have to be presented at a hearing of the Appropriations Committee or subcommittee (of the chamber in which the LDSI was requested) before a bill containing that LDSI was passed by both chambers.

A legislator who did not hold a leadership position (defined in the bill as the Senate Majority Leader, Senate Minority Leader, Speaker of the House, House Minority Leader, or chair, vice chair, or minority vice chair of an appropriations committee or appropriations subcommittee) could not request an LDSI for an intended recipient that was not located within, or that would not benefit the residents of, that legislator's district or county.

Publishing Requests for LDSIs

Under the bill, the Senate and House would have to establish pages on their respective

websites, accessible at no cost, that contained information regarding LDSIs. The bill would require the Senate and House to post, within five business days after a request for an LDSI was submitted, the information for the LDSI on their respective web pages. Further, the bill would require the Senate and House to post information on each LDSI contained in a bill at least 10 days before the bill was passed by both chambers.

Under the bill, the DTMB would have to establish and maintain a website listing Information for each LDSI included in an appropriations bill that was enacted into law. The information would have to include the following: the sponsor (and co-sponsor(s), as applicable) of the LDSI; the name of the recipient of the LDSI; a summary of the purpose of the LDSI; a description of the LDSI; the State department or agency administering the LDSI; the section of the law containing the LDSI; the status of the LDSI; the status of the LDSI agreement; whether the agreement had been amended and if so, a description of the amendment; and, to the extent allowable under law, the IRS forms provided by a nonprofit.

Departments administering LDSIs further would have to post the above information and, at frequent intervals, update the status of each LDSI on their publicly accessible websites.

Administering LDSIs and Agreements

A department administering an LDSI would have to ensure that the LDSI was spent according to the terms of the agreement, for the duration of the project, but not to exceed seven years. The bill would allow the Auditor General to audit a department's or agency's oversight of an LDSI.

A recipient of an LDSI would have to enter an LDSI agreement. That agreement would have to require the following: 1) that the recipient repay the LDSI funding if the recipient used the proceeds for a purpose other than which the LDSI funding was appropriated; 2) that the funding not be disbursed if the DTMB determined that the funding was not used for its intended purpose; 3) that the funding not be used to pay a debt obligation or tax lien; and, 4) that the DTMB or administering department take action to recover funds if the LDSI were not in compliance with the agreement including requiring a corrective action plan, canceling the LDSI, or seeking reimbursement of funds that had been disbursed to the recipient.

Further Requirements of Departments

Under the bill, the DTMB would have to verify that a recipient met eligibility requirements before disbursing funds and notify a recipient of disbursement after the recipient entered the agreement.

If the DTMB or department administering the LDSI determined that the recipient did not satisfy the terms of an LDSI agreement, the DTMB or administering department would have to cease payments until the recipient submitted a corrective action plan and that plan was approved. The DTMB or administering department could cease payments and cancel the LDSI if a satisfactory corrective action plan were not submitted. If an item were canceled, those funds would have to remain in the fund from which they were originally appropriated and not be spent until appropriated by law.

The bill would not apply to any LDSIs requested or included in legislation before the bill's effective date of January 1, 2026. Further, the bill is tie-barred to House Bill 4420.

Proposed MCL 18.1364

FISCAL IMPACT

The bill should have minimal fiscal impact on the Senate, House of Representatives, or departments administering LDSIs.

Fiscal Analyst: Kathryn Summers

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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.