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BILL ANALYSIS

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Senate Bill 596 (as introduced 10-2-25)
Sponsor: Senator Sarah E. Anthony
Committee: Appropriations

Date Completed: 10-8-25

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.

Definition and Eligibility of an LDSI

Under the bill, "LDSI" would mean an appropriation that meets all the following conditions: 1) the appropriation is for a specific amount of money; 2) the recipient is not a State department or agency and does not administer or provide services, programs, or resources that are required by law to be administered by a State department or agency; 3) the appropriation is a one-time appropriation in a budget bill; 4) the appropriation is not part of a program that exists in statute; 5) the appropriation was not included in the Governor's budget recommendation; 6) the appropriation was not requested by the State Budget Office; 7) the appropriation is not in support of a declared state of emergency or disaster; 8) the appropriation is not for a capital outlay project; 9) the appropriation is not a transfer request that the recipient is by law eligible to receive; and 10) the appropriation is not related to the administration of non-State funding or non-State matching funds.

An entity that was not a governmental entity would be eligible for an LDSI if it had been in existence for at least two years before a legislator requested funding.

Request for an LDSI

A request for an LDSI would have to include: 1) the name of the requesting legislator; 2) the total amount of the item and estimated cost of the project; 3) the name of the intended recipient or intended location; 4) the purpose of the LDSI, along with expected outcomes and deliverables; 5) a statement attesting that there was no conflict of interest; 6) if the proposed recipient were a nonprofit entity, verification of its nonprofit status and information about its management structure; and 7) a statement that the recipient was not a for-profit entity.

A legislator would have to submit a request for an LDSI before the date the budget bill containing that item was passed by that legislator's chamber for the first time; however, the Senate and/or House could require by rule that the request be submitted prior to that time.

A legislator that 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 of Representatives would have to establish pages on their websites, accessible at no cost, that contained information regarding LDSIs. The information published would have to include: 1) the name of the legislator requesting the LDSI; 2) the name of the recipient; 3) a summary of the purpose; 4) a description; 5) the State department of agency that would administer the item; 6) if enacted, the section of the bill containing the LDSI; and 7) contact information of the recipient.

Except for contact information for an LDSI, under the bill, the Department of Technology, Management, and Budget (DTMB) would have to establish and maintain a website listing the same information for LDSIs as required of the Senate and House, and each State department administering an LDSI would have to post that information on the DTMB-established website or on its own website. In addition, this information would have to include 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.

Departments administering LDSIs further would have to update the information as to whether contact had been made with a recipient and, at frequent intervals, update the status of each LDSI on their publicly accessible website.

Administering LDSIs and Agreements

A department administering an LDSI would have to ensure that the benchmarks and deliverables for an LDSI were met for the duration of the project, not to exceed seven years. The bill would require the Auditor General to evaluate the management of LDSIs as part of its annual performance audits of State agencies.

A recipient of an LDSI would have to enter an LDSI agreement. That agreement would require: 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) if the recipient were not a governmental entity, that the funding not be used to pay a debt obligation or tax lien; 4) that the DTMB or administering department take action to recover funds if the LDSI were not in compliance with the agreement; and 5) that interest earned be paid to the State.

Further Requirements of Departments

Under the bill, the DTMB would have to develop a standard form LDSI agreement and a process for recipients to enter into those agreements. Further, 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.

Proposed MCL 18.1364

FISCAL IMPACT

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

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