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:

Sec. 364. (1) Except as otherwise provided in this section, a state department or agency shall not expend money that was appropriated as a legislatively directed spending item. A legislator must submit a request for a legislatively directed spending item in accordance with this section and on the form described in section 364a. A request for a legislatively directed spending item does not carry over to a subsequent budget cycle and must be submitted each budget cycle to be considered. A legislatively directed spending item must be presented at a hearing

of the appropriations committee or subcommittee of the chamber in which the legislatively directed spending item was requested before a bill containing the legislatively directed spending item is passed by both chambers of the legislature. A legislator that does not hold a leadership position may not request a legislatively directed spending item for an intended recipient or location that is not located within, or that would not benefit the residents of, the legislator's district or a county, any part of which is located within the legislator's district.

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

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

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

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

(3) The senate and house of representatives shall each establish pages on their existing websites that are accessible to the public at no cost and that contain information regarding legislatively directed spending items. Not later than 5 business days after a request for a legislatively directed spending item is submitted, the senate and house of representatives shall post the information for the legislatively directed spending item on the respective page. At least 60 calendar days before the date that a bill containing a legislatively directed spending item is passed by both chambers of the legislature, the senate and house of representatives shall post the information for each legislatively

directed spending item contained in the bill on the respective page.

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

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

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

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

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

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

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

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

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

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

(j) To the extent allowed by law, the forms provided by a nonprofit corporation under subsection (7)(e).

(5) The department or, if applicable, the state department or agency that is administering a legislatively directed spending

item, shall do both of the following:

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

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

(6) The state department or agency that is administering a legislatively directed spending item shall, for the duration of the public project, but not to exceed 7 years, ensure that the legislatively directed spending item has been spent in accordance with the terms of the legislatively directed spending item agreement. The auditor general shall, at no additional cost to the department or state department or agency, evaluate the management of legislatively directed spending items as part of the auditor general's annual financial audits of state agencies.

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

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

(b) That the legislatively directed spending item not be disbursed if the department determines that the recipient is not using or will not use the appropriation for the purpose for which it was appropriated.

(c) That the legislatively directed spending item must not be used to pay a tax lien, delinquent tax, or other obligation owed to

the federal government, this state, or a political subdivision of this state.

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

(e) If the recipient is a nonprofit corporation, that the nonprofit corporation submit the recipient's internal revenue service form 990, 990-EZ, or other 990-series return for the most recent tax year to the department.

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

(9) The department or state department or agency administering a legislatively directed spending item, as applicable, shall do all of the following:

(a) Disburse, in whole or in part, a legislatively directed spending item to a recipient only after the recipient has provided sufficient documentation, as determined by the department or state department or agency, to the department or state department or agency for a corresponding and valid expenditure that is in accord with the purpose of the legislatively directed spending item.

(b) Verify that a legislatively directed spending item

recipient meets the eligibility requirements under this section before disbursing the legislatively directed spending item to the recipient. Verification under this subdivision may be done by accessing publicly available filings, relying on certified information provided by the intended recipient, or other similar means.

(c) Notify a legislatively directed spending item recipient of the status of the disbursement of the legislatively directed spending item after the recipient enters into a legislatively directed spending item agreement.

(d) Not later than 30 calendar days after taking action under subsection (7)(d), notify each member of the legislature who holds a leadership position.

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

(11) As used in this section:

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

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

(*ii*) The chair of the senate or house of representatives appropriations committee.

(b) "Legislatively directed spending item" means, except as otherwise provided in subdivision (c), 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.

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

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

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

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

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

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

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