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 before the date agreed to by the senate and house of representatives and must submit the request on the form described in section 364a. A legislatively directed spending item must not be included in a bill or conference report unless the legislatively directed spending item was presented at a hearing of the

appropriations committee or subcommittee of the chamber in which the legislatively directed spending item was requested. 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 entity is eligible to receive a legislatively directed spending item if all of the following requirements are met:

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

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

(c) The nonprofit entity 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.

(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 form, and all of the information on the form, that was submitted under subsection (1).

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

(c) For a legislatively directed spending item that is contained in a bill or that has been enacted into law, the section of the bill or law that contains the legislatively directed spending item.

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

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

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

(g) To the extent allowed by law, the forms provided by a nonprofit entity under subsection (9).

(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 benchmarks and deliverables of the legislatively directed spending

item have been met. The auditor general may audit a state department or agency that administers a legislatively directed spending item.

(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) If the recipient is not a governmental entity, that the legislatively directed spending item must not be used to pay a tax lien, delinquent tax, or other obligation owed to this state or a political subdivision of this state.

(d) 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, that the department or state department or agency may take any action authorized by law to recover funds that have been disbursed to the recipient. If the department or state department or agency administering a legislatively directed spending item determines that the recipient of the legislatively directed spending item has not satisfied the terms of the legislatively directed spending item agreement, the department or state department or agency shall cease payments to

the recipient until the recipient submits a corrective action plan to the department or state department or agency and the department or state department or agency approves the corrective action plan. If the recipient does not submit a satisfactory corrective action plan, the department or state department or agency may cancel the legislatively directed spending item. If the legislatively directed spending item is canceled, the money associated with the legislatively directed spending item remains in the fund from which it was purportedly appropriated, and the money must not be expended from the fund until it is appropriated in accordance with the law.

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

(10) The department shall do both of the following:

(a) 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.

(b) 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.

(11) This section does not apply to a legislatively directed spending item that was requested or included in a bill before the effective date of this section.

(12) 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*) A chair, vice chair, or minority vice chair of an appropriations committee or appropriations subcommittee.

(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 declared state of disaster or state of emergency.

(*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.

Enacting section 1. This amendatory act does not take effect unless House Bill No. 4420 of the 103rd Legislature is enacted into law.