



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



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

Senate Bill 559 (Substitute S-2 as reported)  
Senate Bills 560 and 561 (as reported without amendment)  
Senate Bill 562 (Substitute S-1 as reported)  
Senate Bill 569 (as reported without amendment)  
Sponsor: Senator Mallory McMorrow (S.B. 559 & 561)  
          Senator Mary Cavanagh (S.B. 560 & 562)  
          Senator Jeremy Moss (S.B. 569)  
Committee: Economic and Community Development

## **CONTENT**

Senate Bill 559 (S-2) would amend the Michigan Strategic Fund Act to do the following:

- Replace references to the SOAR Fund with the Make it in Michigan Fund.
- Require the majority chairperson and minority vice-chairperson of a standing committee in the Senate and the House to serve as nonvoting members of the Michigan Strategic Fund (MSF) Board for two-year terms.
- Specify that the Critical Industry Program (CIP) and Strategic Site Readiness Program (SSRP) would be operated and implemented by authorized employees, officers, and agents, including employees of the Michigan Economic Development Corporation (MEDC).
- Require the amount of a qualified investment or other economic assistance to be paid to a qualified business under the CIP or SSRP to be reduced by 5%, which the Fund would retain for additional administrative expenses.
- Modify the factors the MSF would have to consider when determining whether to approve a project under the CIP or SSRP.
- Require the MSF to make a holistic evaluation of these factors to determine if a project would meet the goals of the CIP or SSRP.
- Modify the requirements for a written agreement under the CIP or SSRP.
- Delete certain considerations the MSF must consider when determining whether to approve economic assistance for a strategic site for which an end user had not been specifically identified.
- Require the MSF to create and operate the Michigan 360 Program using money from the Make it in Michigan Fund.
- Specify that the Michigan 360 Program would have to be operated and implemented by authorized employees, officers, and agents, including employees of the Department of Labor and Economic Opportunity (LEO).
- Require the amount of a qualified investment or other economic assistance to be paid to a qualified business under the Michigan 360 Program to be reduced by 5%, which the Fund would retain for additional administrative expenses.
- Prescribe the requirements and goals of the 360 Program, including ensuring that traditional economic development tools were packaged with investments in communities, housing, workforce development, education, and other services.
- Require the MSF to make a holistic evaluation of specified factors to determine if a project would meet the goals of the Michigan 360 Program.
- Establish new goals and requirements for the granting of economic assistance for all three programs administered by the MSF.
- Require the MSF to submit proposed written agreements to nonvoting members of the board, among others.

- Require the MSF to prioritize providing economic assistance under any Make it in Michigan Fund program to projects that enabled progress toward the State's economic justice and climate goals.
- Prohibit the MSF from providing economic assistance under the CIP or SSRP unless it also provided assistance under the 360 Program in an amount that was at least 20% of the total project investment.
- Prohibit the MSF from distributing funds to a business or applicant if that business was on default on any form of economic assistance made or guaranteed by the MEDC.
- Require money subject to clawback or repayment provisions to be deposited into the General Fund instead of the SOAR Fund.
- Require money that had been allocated to Make it in Michigan programs but had not been used to be deposited into the Make it in Michigan Fund.
- Specify that the bill's requirements would not apply to a project that was awarded funding under one of the Fund's current programs before the bill's effective date.
- Require the MSF to include the activities and progress of the Michigan 360 Program in its annual report.
- Require the MSF to provide a quarterly report on the activities of all Make it in Michigan Fund programs to the Senate Economic and Community Development Committee and the House of Representatives Economic Development and Small Business Committee.

Senate Bill 560 would amend Public Act 2 of 1921, which generally concerns the intertransfer of funds between State agencies, to do the following:

- Prohibit the State Administrative Board from transferring or intertransferring funds appropriated or transferred for the Michigan 360 Program.
- Replace references to the SOAR Fund with the Make it in Michigan Fund in agreement with Senate Bill 559 (S-2).

Senate Bill 562 (S-1) would amend the Michigan Trust Fund Act to do the following:

- Replace references to the SOAR Fund with references to the Make it in Michigan Fund in agreement with Senate Bill 559 (S-2).
- Prescribe the circumstances under which the State Treasurer could invest money from the Make it in Michigan Fund.
- Allow money to be spent from the Make it in Michigan Fund for the Michigan 360 Program.

Senate Bill 561 would amend the Economic Development Incentive Evaluation Act to modify the definition of "economic incentive" to include the Make it in Michigan Fund, the Make it in Michigan Fund programs, and any assistance provided for a Make it in Michigan project; this would require the Department of Technology, Management, and Budget (DTMB) to contract for the periodic evaluation of these funds and programs.

Senate Bill 569 would amend the Income Tax Act to replace references to the SOAR Fund with references to the Make it in Michigan Fund in agreement with Senate Bill 559 (S-2).

MCL 125.2005 et al. (S.B. 599)  
 17.3 (S.B. 560)  
 18.1753 (S.B. 561)  
 12.252 & 12.254 (S.B. 562)  
 206.695 (S.B. 569)

## **BRIEF RATIONALE**

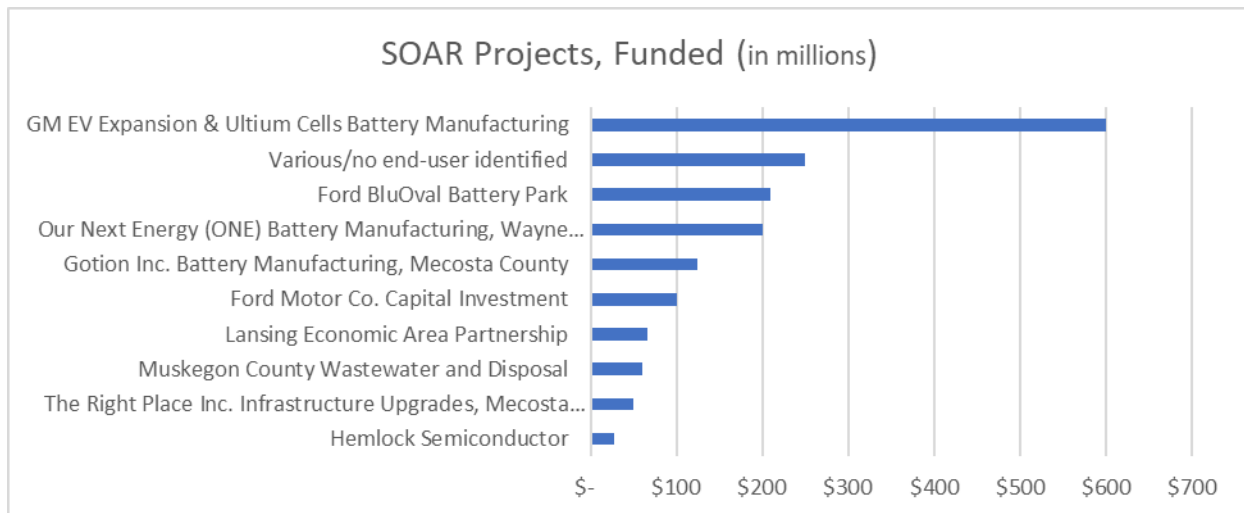
The SOAR Fund was created in December 2021 to make Michigan more attractive for economic development and investment projects. Though the Fund has struck several major deals, some have expressed concern concerning the SOAR Fund programs' implementation, transparency, and effectiveness. Accordingly, it has been suggested that the SOAR program be modified to increase its transparency and its focus on residents' prosperity.

Legislative Analyst: Abby Schneider

## **FISCAL IMPACT**

The bills would have a significant positive fiscal impact on local governmental units due to 20% or more of the project total that would be directed to the Michigan 360 Program. The Michigan 360 program would direct funds to various organizations including local government units to support various projects. These projects could include support for growth in local downtown areas, central business districts, small businesses, and local business hubs, which could result in an indeterminate but higher property tax revenue for the local government units. The MSF would see a negative fiscal impact through the increased administrative costs of reporting requirements. It also would see a small negative fiscal impact through the addition of four new members added to the Board, who would receive a refund for travel expenses.

Over the last two fiscal years, nearly \$1.7 billion has been transferred from the SOAR Fund to the CIP or the SSRP for development projects, as described in the chart below.



Adding 20% to the previous project awards, cumulatively, would have meant over \$400.0 million in additional investment in and around the locations of CIP or SSRP projects if, for example, the language of the bills was in effect at the time of those project awards and the Michigan 360 Program requirements were in place.

Senate Bill 561 likely would have a negative fiscal impact on the DTMB. Under the current Economic Development Incentive Evaluation Act (Public Act 540 of 2018), DTMB is required to engage contractors to periodically conduct an evaluation of various economic development incentive programs administered by the State, including the Michigan Strategic Fund Act. The bill would expand the definition of the initiatives to be evaluated to include the Make it in Michigan Program and the underlying Michigan 360 Program, as well as any other projects

funded in whole or in part by the MSF or incentivized by those programs. This would require additional resources.

The DTMB received \$1.0 million General Fund/General Purpose in FY 2021-22 and in FY 2022-23 to conduct its mandated incentive evaluations. As of October 2023, DTMB has spent most of these funds following its contractor bidding process. The remainder have been designated as a work project for completion of the third phase of evaluations.

The additional reporting on the new Make it in Michigan Fund would likely require a similar appropriation. It is indeterminate when this appropriation likely would be requested, as there would be significant lag time to permit the programs to be implemented. The DTMB would have to add the new Fund and programs to its multiyear evaluation schedule. This schedule is created in coordination with the MSF and the Department of Treasury. This work would be sufficiently funded by existing appropriations. The first evaluation report produced under Public Act 540 of 2018 was published in July 2023.

Date Completed: 10-27-23

Fiscal Analyst: Cory Savino, PhD  
Michael Siracuse  
Elizabeth Raczkowski  
Bobby Canell