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BILL ANALYSIS

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Senate Bill 559 (Substitute S-5 as passed by the Senate)
Senate Bill 562 (Substitute S-3 as passed by the Senate)
Sponsor: Senator Mallory McMorrow (S.B. 559)
Senator Mary Cavanagh (S.B. 562)
Committee: Economic and Community Development

Date Completed: 4-10-24

RATIONALE

The Strategic Outreach and Attraction Reserve (SOAR) Fund was created in December 2021 to make Michigan more attractive for economic development and investment projects. It contains two programs: the Critical Industry Program (CIP) and the Strategic Site Readiness Program (SSRP). The Fund has struck several major deals with companies such as General Motors ($600.0 million in CIP funds and $66.1 million in SSRP funds), Ford Motor Company ($100.8 million in CIP funds), and Hemlock Semiconductor Operations ($27.0 million in SSRP funds);[1] however, some have expressed concern about the SOAR Fund programs' implementation, transparency, and effectiveness. For example, Ford pledged to create 2,500 jobs for its electric vehicle battery plant in Marshall, MI, but 80% of those jobs are projected to start at $20 an hour (a salary of $41,600 a year, compared to the State's 2022 median income of $55,432).[2] Accordingly, it has been suggested that the SOAR program be modified to increase its transparency and its focus on residents' prosperity.

CONTENT

Senate Bill 559 (S-5) 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 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 MSF would retain to cover administrative expenses.**
- **Modify the factors the MSF must consider when determining whether to approve a project under the CIP or SSRP.**
- **Modify the requirements for a written agreement under the CIP and SSRP.**
- **Require, before entering a written agreement, the MSF to submit a copy of the negotiated terms to the Senate Majority Leader, the Speaker of the House, and the chairs of the Senate and House appropriations committees.**
- **Require the MSF to create the Michigan 360 Program using the Make it in Michigan Fund and generally allow public entities to use the Program for public development purposes.**
- **Prescribe the requirements of the 360 Program, which would be similar to the modified CIP and SSRP.**
- **Require the MSF to include the activities and progress of the 360 Program in its annual report.**

[1] Pohl, Stefanie, *This Just In: Gov. Whitmer approves additional investment in SOAR Fund to attract transformational projects to the state*, October 4, 2022.
[2] Gardner, Paula and Kelly House, "Gov. Whitmer's SOAR incentive fund, once a triumph, now faces headwinds", Bridge Michigan, September 25, 2023.

-- **Require money subject to clawback or repayment provisions or money that had been allocated to Make it in Michigan programs but had not been used to be deposited into the General Fund (GF) instead of the SOAR Fund.**

Senate Bill 562 (S-3) 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-5).**
-- **Prescribe the circumstances under which the State Treasurer could invest money from the Make it in Michigan Fund.**
-- **Specify that money in the Fund at the close of the fiscal year would lapse to the GF.**
-- **Allow money to be spent from the Make it in Michigan Fund for the 360 Program.**
-- **Require 50% of the money deposited into the Make it in Michigan Fund under the Income Tax Act to be reserved for expenditure under the 360 Program.**

The bills are tie-barred.

Senate Bill 559 (S-5)

Throughout the Michigan Strategic Fund Act, the bill would replace references to the SOAR Fund with the Make it in Michigan Fund. As used throughout, the "Make it in Michigan Fund programs" would mean the CIP, the SSRP, and the 360 Program. Each of these programs would be modified or created by the bill, and they are all discussed in further detail below.

Critical Industry Program

Among other things, the MSF operates the CIP using money from the SOAR Fund or money appropriated to the Program. The bill would specify that the CIP would have to be operated and implemented by the authorized employees, officers, and agents of the MSF, which could include employees of the Michigan Economic Development Corporation (MEDC).

Among other uses of the CIP, the MSF may spend money to provide economic assistance because of a technological shift in product or production. The bill would delete this provision, instead specifying that the MSF could provide economic assistance that it determined was critical to the economic growth and development of the State; however, the amount of a qualified investment or other economic assistance to be paid to a qualified business under the CIP would have to be reduced by 5%, which would be retained by the MSF to cover additional administrative expenses.

The Act allows the MSF to award a qualified investment to a qualified business by entering into a written agreement that includes the terms and conditions related to the investment. The MSF must consider several factors before entering such an agreement. Currently, these factors include the consideration of the investment's economic impact on affected communities, the amount of support for the project, and the availability of other funding for the project, among other things. They also include whether and how projects promote sustainable development. The bill would define "sustainable development" as development that uses natural resources responsibly, minimizes ecological and environmental impacts, and improves community resilience to natural disasters while preserving the ability of future generations to meet their own needs.

Under the bill, the MSF *also* would have to consider the following:

-- Whether the qualified jobs associated with the project were at or above the median hourly wage of the prosperity region in which the project was or would be located.[3]
-- The extent to which the applicant would leverage the local skilled workforce and Department of Labor and Economic Opportunity (LEO) programs for the development and construction at the project location.
-- The plan for remediating environmental contamination, if applicable.
-- Whether the proposed project was or would be in a qualified opportunity zone, a HUBZone,[4] or a county, city, village, or township with an unemployment rate that exceeded the average unemployment rate in the State, and whether the project would be located in a county, city, village, or township experiencing consistent population growth that had a median income *higher* than the statewide median income.
-- Whether the proposed project was or would be located in a county, city, village, or township that had or was projected to be impacted by industry or technological shifts.
-- Whether the project would result in equitable job growth based on providing training and advancement opportunities for employees.
-- Whether the qualified business provided employer-sponsored benefits, including health care coverage, retirement savings, paid family and medical leave, housing assistance, and child care.
-- The extent to which the qualified business engaged with the community in which the project was or would be located.
-- Whether the employees had the right to self-organization; to form, join, or assist labor organizations; to bargain collectively through representatives of their own choosing; and to engage in other concerned activities for the purpose of collective bargaining or other mutual aid or protection.
-- Whether the qualified business had downsized or permanently laid off workers in the State within two years of the potential award and, if downsizing or permanent layoffs had occurred, the salary range of the affected employees; the MSF would have to consider the net job loss or gain and the overall impact on net median income when determining whether to award a qualified investment.
-- The extent that the proposed project would attempt to coordinate with already existing resources and programs within the State, such as the Michigan Works! One-Stop Service Center System, the Michigan High Speed Internet Office, the Michigan State House Developing Authority, the State Land Bank Authority and local land bank authorities, and the Michigan Department of Transportation.

Additionally, the bill would remove the following criteria that the MSF must currently consider:

-- Whether and how the project involves the rehabilitation of a historic resource.
-- Whether and how the project's proximity to rail and utility will impact performance of the project and maximize energy and logistics needs in the community in which it is located and in the State.
-- The risk of obsolescence of the project, products, and investments in the future.
-- Whether and how the project addresses food supply challenges.
-- Any other additional criteria approved by the Board of the MSF that are specific to each individual project and are consistent with the purpose of the CIP.

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[3] The Department of Technology, Management, and Budget (DTMB) has identified ten prosperity regions throughout the State. For more information, see https://milmi.org/DataSearch/OEWS-Prosperity.
[4] "HUBZone" would mean that term as defined in 13 CFR 126: a historically underutilized business zone, which is an area located within one or more 1) Qualified census tracts; 2) Qualified non-metropolitan counties; 3) Lands within the external boundaries of an Indian reservation; 4) Redesignated areas; 5) Qualified base closure areas; 6) Qualified disaster areas; or 7) Governor-designated covered areas.

The MSF may decide to award funds under the CIP and enter into a written agreement after considering the factors described above. Under the bill, the project would have to *reasonably satisfy* the applicable criteria for the MSF to enter into a written agreement with the qualified business for the project. In determining whether a project reasonably satisfied the criteria, the MSF would have to make a holistic evaluation of the applicable criteria to determine if the goals of the CIP would be met. A project would not be required to satisfy *all* the criteria to be considered satisfactory.

Before entering into a written agreement, the MSF would have to submit a copy of the negotiated terms, along with the MSF's written analysis of the criteria, to the Senate Majority Leader, the Speaker of the House of Representatives, and the chairs of the Senate and House Appropriations Committees.

Additionally, the bill would require the written agreement to include the following, among other provisions currently required:

-- The amount of the total qualified investment to be awarded.
-- An audit provision that required the MSF to verify that the benchmarks required for the project had been satisfied.
-- A provision that, to the knowledge of the applicant, there were no proceedings pending before any government commission, board, bureau, or other administrative agency or tribunal that would have a materially adverse effect on the project or the performance of the applicant's obligations under the written agreement.

Currently, a written agreement must contain a provision that the State has a security interest in the funds awarded.[5] Under the bill, this would not be required.

If the MSF receives a request to modify an existing written agreement, it must provide a copy of that request to the Governor, the Clerk of the House of Representatives, the Secretary of the Senate, and the House and Senate Fiscal Agencies. It also must submit a copy of that request to each member of the Legislature. The bill would remove the latter provision. Instead, out of the Legislature, it would require the MSF to submit copies to the Senate Majority Leader, the Speaker of the House, and the chairs of the House and Senate appropriations committees. Upon approving and modifying a written agreement, the MSF also would have to submit a copy of the amended agreement to these individuals.

The bill also would modify the definitions of "qualified investment" and "qualified job". It would specify that "qualified investment" would include economic assistance for the creation or retention of qualified jobs that the MSF determined to be critical to the economic growth and development of the State and "qualified job" would include only a permanent, full-time job.

<u>Strategic Site Readiness Program</u>

The MSF also operates the SSRP. The bill would specify that the SSRP would have to be operated and implemented by the authorized employees, officers, and agents of the MSF, which could include employees of the MEDC.

The MSF may spend money from the SOAR Fund or money appropriated to the SSRP to make grants, loans, or other forms of economic assistance to aid eligible applicants in creating investment-ready sites to attract and promote investment in the State for eligible activities

[5] The bill would define "security interest" as it is defined under the Uniform Commercial Code: an interest in personal property or fixtures which secures payment or performance of an obligation.

on, or related to, strategic sites and mega-strategic sites; however, the amount of a grant, loan, or other economic assistance to be paid to a qualified business under the SSRP would have to be reduced by 5%, which would be retained by the MSF to cover additional administrative expenses.

Before approving an application for economic assistance, the MSF must consider certain factors. In addition to current factors, the MSF would have to consider the following:

-- The potential economic impact of the project to the State.
-- Whether the project was or would be located in a county, city, village, or township with an unemployment rate that exceeded the average unemployment rate in the State.
-- Whether the project was or would be located in a county, city, village, or township that was or would be projected to be impacted by industry or technological shifts.
-- The *strategic* economic importance of the project to the community in which it was located and to the State.
-- Whether financial assistance was needed to secure the project in the State.
-- The extent to which the applicant would leverage the local skilled workforce and LEO programs for the development and construction at the project location.
-- The plan for remediating environmental contamination, if applicable.
-- The degree to which the project was a priority for the local governmental unit or local economic development corporation in the jurisdiction of which the site was located.
-- The level of capital investment.
-- The evidence of the end user's commitment to the site.

Under the bill, the MSF would no longer have to consider the following:

-- Whether and how the project converts abandoned buildings to public use.
-- Whether and how the project involves the rehabilitation of a historic resource.
-- Whether and how the project addresses underserved markets of commerce.
-- Whether and how the project will compete with or affect existing Michigan businesses within the same industry.
-- The risk of obsolescence of the project, products, and investments in the future.
-- The importance of the project or eligible activities to the community in which it was located.
-- Whether the proposed strategic site or mega-strategic site is incorporated into a strategic plan of a political subdivision of the State.
-- Any other additional criteria approved by the MSF that are specific to each individual project and are consistent with the purpose of the SSRP.

The MSF may decide to award funds under the SSRP and enter into a written agreement after considering the factors described above. Under the bill, the application for assistance would have to *reasonably satisfy* the applicable criteria for the MSF to enter into a written agreement with the applicant. In determining whether a project reasonably satisfied the criteria, the MSF would have to make a holistic evaluation of the applicable criteria to determine if the goals of the SSRP would be met. A project would not be required to satisfy *all* the criteria to be considered satisfactory.

Before entering into a written agreement, the MSF would have to submit a copy of the negotiated terms, along with the MSF's written analysis of the criteria, to the Senate Majority Leader, the Speaker of the House of Representatives, and the chairs of the Senate and House appropriations committees.

Additionally, the bill would require the written agreement to include the amount of the grant, loan, or other economic assistance to be awarded and a provision that the eligible applicant would provide the data described in the written agreement necessary for the MSF to report to the Legislature as required. Currently, a written agreement must contain a provision that the State has a security interest in awarded grant, loan, or other form of economic assistance. Under the bill, this would not be required.

If the MSF receives a request to modify an existing written agreement, it must provide a copy of that request to the Governor, the Clerk of the House of Representatives, the Secretary of the Senate, and to the House and Senate Fiscal Agencies. It also must submit a copy of that request to each member of the Legislature. The bill would remove the latter provision. Instead, out of the Legislature, it would require the MSF to submit copies to the Senate Majority Leader, the Speaker of the House, and the chairs of the House and Senate appropriations committees. Upon approving and modifying a written agreement, the MSF also would have to submit a copy of the amended agreement to these individuals.

Currently, the Act prescribes separate considerations for the MSF when determining whether to approve a grant, loan, or other economic assistance for a strategic site for which an end user has not been specifically identified. The bill would delete these and related provisions, including a provision requiring the MSF to prepare a mega-strategic site investment strategy and spending plan.

The bill also would remove a provision allowing the SSRP to make grants and provide technical assistance to local economic development corporations for the purpose of creating an inventory of development-ready sites, provided that the inventory uses nationally recognized criteria to identify the readiness of those sites for investment. Additionally, it would delete a provision requiring the MSF to maintain a comprehensive inventory of those sites on its website.

The bill would allow a local and regional economic development organization to use SSRP funds for the acquisition of real property or interests in real property and the MSF to enter into a written agreement with a land bank fast track authority.

Additionally, the bill would modify the definition of "eligible activities" to include administrative fees for administrative costs incurred by the eligible applicant, and any applicable subrecipients of an eligible applicant, relating to administering the funding provided under this program, but not to exceed 5% of the amount of the grant, loan, or other economic assistance awarded to the eligible applicant under the SSRP.

Michigan 360 Program

The bill would require the MSF to create and operate the 360 Program using money from the Make it in Michigan Fund or other money appropriated to the Program. The 360 Program would have to be operated and implemented by the authorized employees, officers, and agents of the MSF, which could include employees of LEO.

The MSF could spend money allocated to the 360 Program only to provide qualified investments to eligible applicants to support eligible activities related to 360 projects. The amount of a qualified investment to be paid to an eligible applicant under the 360 Program would have to be reduced by 5%, which would be retained by the MSF to cover additional administrative expenses.

The bill would define an "eligible applicant" for the 360 Program as one of the following:

-- A political subdivision of the State, such as a county, city, or township.
-- An educational institution within the State, such as a university or community college.
-- A nonprofit corporation or community advocacy group.
-- A community development financial institution or a coalition of such institutions that previously provided services within the State.
-- A local professional or technical service provider.
-- A local economic development corporation.
-- A land bank fast track authority.

"Eligible 360 activities" would mean one or more of the following:

-- Building, expanding, or improving regional transit.
-- Housing activities to provide access to affordable housing for low- and moderate-income households, including, but not limited to, new construction or rehabilitation of existing housing, home buyer education classes, foreclosure prevention programs, and down payment assistance.
-- Neighborhood stabilization programs to stabilize communities with high rates of abandoned and foreclosed homes and to assist households whose annual incomes were not more than 120% of the area median income.[6]
-- Public facilities and improvement projects, including, but not limited to, projects for the construction or rehabilitation of streets, sidewalks, parks, broadband infrastructure, energy infrastructure, or other public recreational spaces or infrastructure.
-- Public service activities, including, but not limited to, child care, health care, job training, and recreational or education programs.
-- Business assistance, including, but not limited to, downtown business development, micro-business and small business assistance, revolving loan funds to support business development, technical assistance to businesses, and commercial rehabilitation.
-- Mixed-use development to enable a combination of retail and residences so an area would remain vibrant outside of business hours and residents would have walkable access to grocery stores and other essential goods and services.
-- Activities relating to energy conservation and renewable energy resources.
-- Activities to provide stable transitional housing for individuals in recovery from a substance use disorder.

The MSF would have to adopt an application, approval, and compliance process for the Program. The MSF would have to consider and document all the following criteria regarding the proposed project and the proposed eligible 360 activities as defined for the proposed project before entering into a written agreement for a qualified investment:

-- The potential economic impact of the project to the community and to the State.
-- The degree to which the project was a priority for the municipality in which the qualified investment was to be made.
-- Whether the project would catalyze additional economic growth in the community and in the State.
-- Whether the project's eligible 360 activities would invest in transportation or infrastructure supports or support workforce training and development needs in the community.
-- The extent to which the eligible 360 activities would support the growth of a community's local downtown, central business district, small businesses, or local business hubs.

[6] Activities under a neighborhood stabilization program could include establishing financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, purchasing and rehabilitating homes and residential properties that were abandoned or foreclosed, demolishing blighted structures, or redeveloping demolished or vacant properties.

-- Whether the project's eligible 360 activities would support the childcare needs of the community required to support the local workforce.
-- Whether the eligible 360 activities would provide local housing to support growth in the community related to the project.
-- Whether the eligible 360 activities would reuse vacant buildings or historic resources or redevelop blighted property.
-- The extent to which the eligible 360 activities would attempt to coordinate with already existing resources and programs within the State, such as those previously described (see Critical Industry Program).

If the MSF determined that the project and its related eligible 360 activities reasonably satisfied the applicable criteria, it could award a qualified investment to an eligible applicant. In determining whether a project and related eligible 360 activities *reasonably satisfied* the criteria, the MSF would have to make a holistic evaluation of the applicable criteria to determine if the goals of the program would be met. A project and related eligible 360 activities would not be required to satisfy *all* the criteria to be determined reasonably satisfactory.

Before entering into the written agreement, the MSF would have to submit a copy of the negotiated terms, along with the MSF's written analysis of the criteria, to the Senate Majority leader, the Speaker of the House, and the chairs of the Senate and House Appropriations Committees.

The MSF would have to enter a written agreement with an applicant that included the terms and conditions related to the qualified investment. The written agreement would have to include the following provisions:

-- The amount of the total qualified investment to be awarded.
-- Specific dates and benchmarks for the applicant to receive the qualified investment, including conditions for the disbursement of money in installments.
-- Specific terms relating to measurable outcomes, proration of payments for partial performance, and clawback and specific repayment provisions for noncompliance with the agreement.
-- An audit provision that required the MSF to verify that the benchmarks required for the project had been satisfied.
-- A provision that the eligible applicant would provide the data described in the written agreement necessary for the MSF to report to the Legislature as required.

If the MSF received a request to modify an existing written agreement for a qualified investment under the 360 Program, the MSF would have to provide a copy of that requested modification to the Senate Majority Leader, the Speaker of the House, the chairs of the Senate and House of Representatives Appropriations Committees, the Governor, the Clerk of the House of Representatives, the Secretary of the Senate, and the Senate and House Fiscal Agencies within five business days of the receipt of the modification request.

In addition to the copy of the request for modification, the notice also would have to include the specific provisions to be modified and the rationale for considering the modification. Before the MSF modified an existing written agreement for a qualified investment, it would have to give notice of the proposed amendments and publish them on the MSF's internet website at least one business day before a public hearing on the proposed amendments. If the MSF approved and modified an existing written agreement, it would have to provide a copy of that amended written agreement to the individuals listed above within one business day of the modification.

General Fund

Currently, the Act prohibits the MSF from distributing funds allocated under the CIP or SSRP to a business or applicant if that business or applicant has not fully repaid all money subject to clawback or required to be repaid under a repayment provision as provided for in a written agreement or is in default on any grant, loan, or other economic assistance made or guaranteed by the State. The bill would prescribe these requirements to the 360 Program.

Currently, all money paid to the MSF due to a clawback or repayment provision in a written agreement must be deposited in the SOAR Fund. Additionally, any unused money allocated to the CIP or SSRP also must be deposited in the SOAR Fund. Under the bill, this money would have to be deposited into the GF.

The bill also would specify that any money allocated under the Make it in Michigan programs that remained unexpended, unallocated, or unobligated at the end of the fiscal year would revert to the GF, not the SOAR Fund.

Reporting Requirements

The MSF must transmit to each member of the Legislature, the Governor, the Clerk of the House of Representatives, the Secretary of State, and the Senate and House Fiscal Agencies an annual report of its activities, including the CIP and the SSRP. Among other requirements, the CIP report must include the average annual salary of the qualified jobs created or retained. The bill would change this to the average median salary.

Under the bill, the report also would have to include the activities of the 360 Program. Specifically, the report would have to include a list of eligible applicants that received a qualified investment, as well as the all the following for each eligible investment:

-- A description of the associated project.
-- The amount and type of qualified investment, including a description of installments that had been paid and a description of future projected installments.
-- A description of community engagement in connection with the project.
-- The status of the progress of eligible 360 activities.
-- A description of all benchmarks that the eligible 360 activities had to meet under the written agreement and the status of those benchmarks.

Senate Bill 562 (S-3)

Among other things, the Michigan Trust Fund Act concerns the creation and operation of the SOAR Fund. The bill would replace references to the SOAR Fund with the Make it in Michigan Fund. The State Treasurer directs the investment of the SOAR Fund. Under the bill, the State Treasurer also could invest money in the Make it in Michigan Fund as follows:

-- As part of the common cash of the State; however, the money would have to be separately accounted for.
-- In an investment authorized under Public Act 105 of 1855,[7] for surplus funds of the State.

[7] Public Act 105 authorizes the State Treasurer to invest funds within the Treasurer's control with a financial institution, investment company, insurance company, brownfield redevelopment authority, and more, if the investment is found and declared to be for a valid public purpose. For more information, see MCL 21.142a-21.142f.

-- In an obligation issued by any State or political subdivision or instrumentality of the United States.
-- In an obligation issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States that was not in default as to principal or interest.
-- In an investment authorized by law.

Under the bill, money in the Make it in Michigan Fund at the close of the fiscal year would lapse to the GF. Additionally, the bill would allow money to be spent from the Make it in Michigan Fund for the 360 Program.

The Income Tax Act requires income tax revenue collected to be distributed into the GF up to a certain threshold.[8] Once that threshold is met, additional revenue may be distributed into the Michigan Housing and Community Development Fund, the Revitalization and Placemaking Fund, and the SOAR Fund. The bill would require fifty percent of the money deposited into the Make it in Michigan Fund each fiscal year to be reserved for expenditure for the purpose of the 360 Program.

MCL 125.2005 et al. (S.B. 559)
12.252 & 12.254 (S.B. 562)

BACKGROUND

In 2021, the Michigan Legislature passed Public Act 137, which created the SOAR Fund within LEO. The SOAR Fund is used to fund the CIP and the SSRP. Initially, the Legislature allocated $1.0 billion to the SOAR Fund; however, as the MSF has pursued a variety of high-profile projects, the SOAR Fund has been replenished several times.[9]

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bills would center Michigan's economic development policy on resident prosperity. In the past, Michigan has focused on awarding funds to electric vehicle (EV) and battery production, working with General Motors and Ford Motor Company, among others; however, some Michigan communities continue to reckon with the pollution and abandoned infrastructure previous manufacturing partners have left behind.[10] Additionally, some question the quality of jobs that these deals create and believe that the State sacrifices too much for too little. The bills would allow the MSF to leverage the Make it in Michigan Fund to invest in Michigan communities first and encourage economic development second.

Under the 360 Program, the MSF could partner with eligible applicants to provide affordable housing and regional transit, to improve public facilities and service activities, to provide business assistance, and to contribute positively to the State's economy overall. In turn, this focus on resident prosperity would encourage greater economic development by attracting young talent and competition. In 2018, Virginia won Amazon's HQ2 by offering $550.0 million in tax breaks (in comparison to Michigan's offer of $4.0 billion in incentives) and $1.1 billion

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[8] For the 2022-2023 State fiscal year through the 2024-2025 State fiscal year, the threshold is $1.2 billion.
[9] White, Rose, "Michigan funneled $2B into luring big business. Here's where it went", *MLive*, July 6, 2023.
[10] House, Kelly, and Paula Gardner, "As automakers win incentives for EV plants, Michigan pays for polluted past", *Bridge Michigan*, September 25, 2023.

in resident education.[11] Investments in resident prosperity outlast projects and incentivize future economic development.

Additionally, the bills would amend the factors the MSF would have to consider when approving a project under the CIP and SSRP to include a greater focus on community, instead of corporate welfare. They would encourage the MSF to approve offers from qualified, quality businesses that respected their employees and their host communities. They also would encourage stakeholders to create high-wage jobs with good benefits. Overall, the bills would modify SOAR to benefit Michigan residents and, therefore, attract business.

Supporting Argument
The bills would reinvent SOAR to be more transparent. Since March 2022, the State granted almost $2.2 billion to SOAR, approving more than $1.4 billion for disbursement; however, questions have arisen surrounding these projects.[12] For example, the State authorized $175.0 million to Gotion, Inc., which has promised to hire about 2,350 people in Mecosta County; however, Gotion's ties to its Chinese parent company has some people concerned about the project's national security implications.[13] The Green Charter Township Board, chosen to host Gotion, initially supported the project; however, after an election in November 2023 recalled five pro-Gotion board members and replaced them with opponents of the Gotion project, the Board rescinded its support for the project.[14] In March 2024, Gotion sued Green Charter Township for its disavowal.[15] In addition to concerns about national security, residents of Green Charter Township claim that their communities were not properly consulted during the project planning stage, furthering complaints about SOAR's transparency. In 2023, *the Detroit News* found that many sitting lawmakers, including 27 members of the Legislature, had signed non-disclosure agreements (NDAs) preventing them from sharing information with voters about potential economic development projects.[16]

The bills would ensure that the Make it in Michigan programs would be transparent and accountable, while balancing necessary confidentiality. Before entering a written agreement, the MSF would have to send copies of the negotiated terms to key members of the Legislature. It also would have to send the terms of a modified agreement to the Legislature for review. Projects would continue to be approved or disapproved by the Legislature through the appropriations process or through a legislative transfer. Additionally, the bills would provide that funds left in the Make it in Michigan Fund would not remain in the Fund for future disbursement but would lapse to the GF. Funds subject to a clawback or breach of agreement also would return to the GF. The bills would require the MSF to consider the priorities of communities chosen to host projects during the negotiating stage and would extend reporting requirements for the CIP and SSRP to the 360 Program. These provisions would encourage stakeholders to exercise their best judgement in approving offers and would keep businesses accountable.

Response: While the bills address common criticisms of SOAR, they do not go far enough. The legislation would require the MSF to provide key members of the Legislature with

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[11] Mullins, Luke, "The Real Story of How Virginia Won Amazon's HQ2", *Washingtonian*, June 16, 2019; Howes, Daniel, "Michigan offered Amazon $4 billion package to build HQ2 in Detroit", *The Detroit News*, May 26, 2018.
[12] Lancaster, Joe, "Michigan Has Given the E.V. Industry $1.4 Billion and Counting", *Reason*, May 24, 2023.
[13] Gardner, Paula, "New scrutiny challenges Michigan's investment in Gotion EV battery plant" *Bridge Michigan*, December 5, 2023.
[14] *Id.*
[15] Lobo, Arpan, "Gotion sues west Michigan town, accusing board of blocking $2.4B EV battery plant", *Detroit Free Press*, March 19, 2024.
[16] LeBlanc, Beth, "1 in 5 Michigan lawmakers have signed pact to keep taxpayer-subsidized projects secret", *The Detroit News*, November 12, 2023.

the terms of a written agreement; however, legislators and community leaders could be hampered by NDAs that prevented them from discussing projects with voters or *other* legislators. For those uninformed, the first time they might learn of the details of a project could be when voting on whether to approve its funding. The bills should be amended to further the transparency of the Make it in Michigan Fund. Additionally, the bills should be amended to require the MSF to consider matters of national security. Michigan should not sacrifice the wellbeing of the State and the country to win jobs from foreign businesses and governments.

Opposing Argument
The Make it in Michigan Fund would not improve the State's economic outlook. Like SOAR, the bills are based on corporate incentives that do not work. In the past, Michigan's economic development policies have focused on EV and EV battery production. Using the SOAR Fund, the State partnered with several companies to invest in EV plants, but industry momentum has led to delays and lay-offs. For example, Ford planned to invest $3.5 billion in and create 2,500 jobs for an EV plant in Marshall; however, later that year it announced it was reducing its commitment by 800 jobs and more than $1.0 billion.[17] While the plant may lead to a net increase in jobs, those jobs may not be high quality. An investigation by Bridge Michigan found that 40% of the jobs created by corporate incentives will pay less than $45,510, the State's median annual wage.[18] The bills would address the symptoms of SOAR, not its policy problem. Instead of reinventing and funding a faulty program, the State should scrap SOAR and focus on other methods of encouraging economic growth, such as reducing taxes and energy costs.

Response: Forty percent of the jobs created by corporate subsidies will pay less than the median wage *statewide*; however, the median wage varies across the State. In Livingston County, the median wage in 2021 was $88,908, whereas, in Lake County, the median wage was $40,753.[19] Eighty-four percent of the jobs created by corporate subsidies pay more than their *regional* median wage.[20] The bills would account for geographical variation by requiring the MSF to consider whether qualified jobs created under the CIP were at or above the median hourly wage of the project location's *prosperity region*. A company unable to pay its workers the median salary in Livingston County could relocate to Lake County. The bills would offer the MSF and businesses geographical flexibility while benefiting Michigan residents across the State.

Opposing Argument
The bills would make the economic incentive offer process in Michigan too complex, putting the State at a disadvantage nationally. They would require offers to be submitted to the Legislature for review, which could lengthen the approval process. Additionally, they would require the MSF to evaluate a company based on ambiguous and unclear criteria. Finally, requiring 50% of the Make it in Michigan Fund to be disbursed to the 360 Program would divert funding and resources from the CIP and SSRP, further diminishing their attractiveness. The State should focus on simplifying the process to ease the path for businesses to relocate and expand in Michigan.

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[17] Boucher, Dave, "Ford to drastically scale back jobs, investment plans for Marshall EV battery plant", *Detroit Free Press*, November 21, 2023.
[18] Gardner, Paula, "Corporate subsidies cost Michigan $335M; 40% of deals create low-paying jobs", *Bridge Michigan*, March 14, 2024.
[19] "Michigan Income - Table", National Institutes of Health, U.S. Department of Health and Human Services. Retrieved on 4-2-24.
[20] Gardner, Paula, "Corporate subsidies cost Michigan $335M; 40% of deals create low-paying jobs", *Bridge Michigan*, March 14, 2024.

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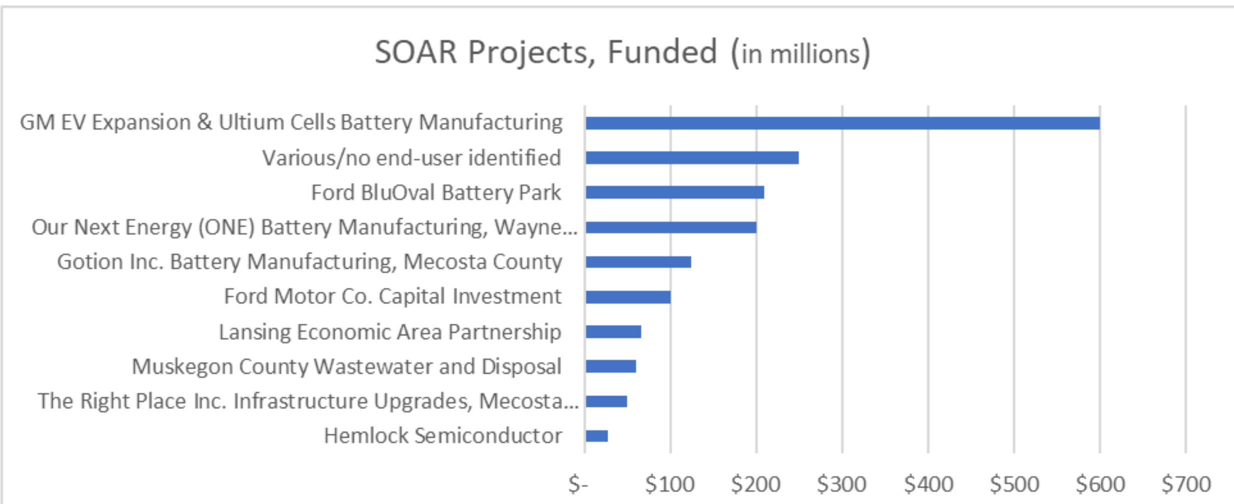
FISCAL IMPACT

The bills would have a significant positive fiscal impact on local governmental units due to 50% of the amount deposited from the Corporate Income Tax to the Make it in Michigan Fund that would be directed to the 360 Program. The 360 Program would direct funds to various organizations including local governmental 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 governmental units. The MSF would see a negative fiscal impact through the increased administrative costs of reporting requirements.

The bills would require 50% of the amount deposited from the Corporate Income Tax to the Make it in Michigan Fund to be reserved for the 360 Program. The Corporate Income Tax deposits up to $500.0 million dollars into SOAR after $1.3 billion dollars has been generated for Fiscal Years 2022-23, 2023-24, and 2024-25. Requiring 50% of those deposits to be used for the 360 Program would total $750.0 million.

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.



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. The DTMB would continue to conduct these evaluations for programs under the Michigan Strategic Fund Act. It is possible that additional appropriations could be needed in the future, depending on the scope and type of projects.

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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.