

**ECONOMIC DEVELOPMENT INCENTIVE EVALUATION ACT (EXCERPT)**  
**Act 540 of 2018**

**18.1759 Periodic evaluation report requirements & recommendations; disclosure of methodology and sources.**

Sec. 9. (1) Evaluations of economic development incentives shall include, to the extent practicable, all of the following:

- (a) A description of the history of the economic development incentive and its goals.
  - (b) A literature review of the effectiveness of this type of incentive, including an inventory of similar incentives in other states.
  - (c) An estimate of the economic and fiscal impact of the economic development incentive. This estimate shall take into account all of the following considerations in addition to other relevant factors:
    - (i) The extent to which the economic development incentive influences business behavior.
    - (ii) The results of the economic development incentive for the economy of this state as a whole. This consideration includes both positive direct and indirect impacts and any negative effects on other businesses located in this state.
    - (iii) A comparison to the results of other economic development incentives or other economic development strategies with similar goals.
    - (iv) An evaluation of the loss of potential gains from other alternatives or programs enacted by the legislature or existing economic development incentives that have been extended.
  - (d) An assessment of whether adequate protections are in place to ensure that the fiscal impact of the economic development incentive does not increase substantially beyond the state's means or expectations in future years.
  - (e) An assessment of whether the economic development incentive is being administered effectively, including a review of auditor general reports.
  - (f) An assessment of whether the economic development incentive is achieving its goals.
  - (g) Recommendations for how this state can most effectively achieve the economic development incentive's goals, including recommendations on whether the economic development incentive should be retained, reconfigured, or repealed.
  - (h) Recommendations for any changes to state policy, rules, or statutes that would allow the economic development incentive to be more easily or conclusively evaluated in the future. These recommendations may include changes to collection, reporting and sharing of data, and revisions or clarifications to the goal of the economic development incentive.
  - (i) Any other information the contractor considers necessary to assess the effectiveness of the economic development incentive and whether it is achieving its goals.
- (2) Each evaluation for exclusive economic development incentives shall include all of the following based on a program-wide basis:
- (a) Aggregate information and a description of trends related to this state's exclusive economic development incentives, which may include analysis of their structure, performance standards, and economic and fiscal impact.
  - (b) Recommendations for how exclusive economic development incentives should be structured or in what circumstances they should be offered to ensure they successfully change business behavior.
  - (c) Recommendations for how exclusive economic development incentives should be structured or in what circumstances they should be offered to maximize positive direct and indirect impacts on this state's economy and minimize negative effects on other businesses located in this state.
  - (d) Recommendations for how exclusive economic development incentives should be structured or in what circumstances they should be offered to ensure that they represent a cost-effective approach compared to other economic development incentive programs or other economic development strategies.
  - (e) Recommendations for what protections exclusive economic development incentives should include ensuring their costs do not substantially exceed this state's expectations.
  - (f) Recommendations for how exclusive economic development incentives should be structured or in what circumstances they should be offered to avoid adverse impacts on the fiscal stability of local units of government.
  - (g) Recommendations for the types of performance standards that should be included in exclusive economic development incentives, how these standards should be structured, and how they should be monitored.

(3) A contractor shall disclose a summary of its methodology and source materials in how it arrived at its evaluation under this act.

**History:** 2018, Act 540, Imd. Eff. Dec. 28, 2018.