**HOUSE BILL 4437 – TRANSPARENCY LANGUAGE**

**Article 4, Department of Environment, Great Lakes, and Energy**

**Section 245**

Sec. 245. (1) For any grant program or project funded in part 1 intended for a single recipient organization or local government, the grant program or project is for a public purpose and the department shall follow procurement statutes of this state, including any bidding requirements, unless it can fully validate, through information detailed in this part or public supporting documents, both of the following:

(a) The specific organization or unit of local government that will receive or administer the funds.

(b) How the funds will be administered and expended.

(2) Notwithstanding any other conditions or requirements for direct appropriation grants, the department shall perform at least all the following activities to administer the grants described in subsection (1):

(a) Develop a standard application process, grantee reporting requirements, and any other necessary documentation including sponsorship information as specified under subsection (3).

(b) Establish a process to review, complete, and execute a grant agreement with a grant recipient. Grant agreements shall be executed by the department only if all necessary documentation has been submitted and reviewed.

(c) Verify to the extent possible that a grant recipient will utilize funds for a public purpose that serves the economic prosperity, health, safety, or general welfare of the residents of this state.

(d) Review and verify all necessary information to ensure the grant recipient is reasonably able to execute the grant agreement and perform its fiduciary duty and is in compliance with all applicable state and federal statutes. The department may deduct the cost of background checks performed as part of this verification from the amount of the designated grant award.

(e) Establish a standard timeline to review all documents submitted by grant recipients and provide a response within 45 business days whether submitted documents by a grant recipient are sufficient or in need of additional information.

(3) A sponsor of a grant described in subsection (1) must be a legislator or the department. A legislative sponsor shall be identified through a letter submitted by that legislator’s office to the department and state budget director listing the grant recipient, the intended amount of the grant, a certification from that legislator that the grant is for a public purpose, and the specific citation of section and subsection of the public act that authorizes the grant, as applicable. If a legislative sponsor is not identified before January 15, 2024, the department must do 1 of the following:

(a) Identify the department as the sponsor.

(b) Decline to execute the grant agreement.

(4) An executed grant agreement under this section between the department and a grant recipient shall include at least the following:

(a) All necessary identifying information for the grant recipient, including any tax and financial information for the department to administer funds under this section.

(b) A description of the project for which the grant funds will be expended, including tentative timelines and the estimated budget. No expenditures outside of the project purpose, as stated in the executed grant agreement, shall be reimbursed from appropriations in part 1.

(c) Unless otherwise specified in department policy, a requirement that funds appropriated for the grants described in subsection (1) may be used only for expenditures that occur on or after the effective date of this act.

(d) At the discretion of the department, an initial disbursement of 50% to the grant recipient upon execution of the grant agreement consistent with part II, chapter 10, section 200 of the Financial Management Guide.

(e) A requirement that after the initial 50% disbursement, additional funds shall be disbursed only after verification that the initial payment has been fully expended, in accordance with the project purpose. The remaining funds shall be disbursed after the grantee has provided sufficient documentation, as determined by the department, to verify that all expenditures were made in accordance with the project purpose.

(f) A requirement for reporting from the recipient to the department that provides the status of the project and an accounting of all funds expended by the recipient, as determined by the department.

(g) A claw-back provision that allows the department of treasury to recoup or otherwise collect any funds that are declined, unspent, or otherwise misused.

(5) If appropriate to improve the administration or oversight of a grant described in subsection (1), the department may adopt a memorandum of understanding with another state department to perform the required duties under this section.

(6) A grant recipient shall respond to all reasonable information requests from the department related to grant expenditures and retain grant records for a period of not less than 7 years, and the grant may be subject to monitoring, site visits, and audits as determined by the department. The grant agreement required under this section shall include signed assurance by the chief executive officer or other executive officer of the grant recipient that this requirement will be met.

(7) All funds awarded shall be expended by the grant recipient, and projects completed, by September 30, 2028. If, at that time, any unexpended funds remain, those funds shall be returned by the grant recipient to the state treasury. If a grant recipient does not provide information sufficient to execute a grant agreement by June 1, 2024, funds associated with that grant shall be returned to the state treasury.

(8) Any funds that are granted to a state department are appropriated in that department for the purpose of the intended grant.

(9) The state budget director may, on a case-by-case basis, extend the deadline in subsection (7) on request by a grant recipient. The state budget director shall notify the chairs of the house and senate appropriations committees not later than 5 days after an extension is granted.

(10) The department shall post a report in a publicly accessible location on its website not later than September 30, 2024. The report shall list the grant recipient, project purpose, and location of the project for each grant described in subsection (1), the status of funds allocated and disbursed under the grant agreement, and the legislative sponsor, if applicable.

(11) As applicable, the legislative sponsor of a grant described in subsection (1) shall comply with all applicable laws concerning conflicts of interest in seeking a direct grant. A legislative sponsor shall not seek a grant for a recipient if a conflict of interest exists.

(12) If the department reasonably determines the funds allocated for an executed grant agreement under this section were misused or their use misrepresented by the grant recipient, the department shall not award any additional funds under that executed grant agreement and shall refer the grant for review following internal audit protocols.