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Strategic Outreach and Attraction Reserve (SOAR) Fund

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Overview

In 2021, several Public Acts (PA) were enacted pertaining to economic development projects: PA 137 of 2021 (which created the SOAR Fund), PA 136 of 2021 (which established Critical Industry Program (CIP)), and PA 134 of 2021 (which established the Michigan Strategic Site Readiness Program (MSSRP)). The SOAR Fund and the two programs were created to provide cash support to large-scale economic development projects and site preparation with final approval determined by the Senate and House Appropriation Committees.

The SOAR Fund holds deposits made through appropriations. Any unrestricted, unobligated, or uncommitted dollars that remain in the Fund at the end of a fiscal year lapse to the General Fund, including interest generated on those dollars through a fiscal year. Money may be spent from the SOAR Fund only by an appropriation authorization or a legislative transfer under Section 393(2) of the Management and Budget Act, MCL 18.1393(2), that is made to the CIP or MSSRP.

The CIP provides investments to qualified businesses for deal-closing, gap financing, or other economic assistance that creates or retains jobs or to make capital investments, or both. The Michigan Strategic Fund (MSF) oversees the application, approval, reporting, and compliance oversight for all projects in the CIP. After the MSF enters into a written agreement with a qualified business, either a legislative transfer request is made to the Appropriation Committees for final approval, or a supplemental appropriation request is made. If final approval is given, funds are transferred from the SOAR Fund to the CIP and become obligated to the qualified business. The MSF then transmits funds to the qualified business. An agreement includes a claw-back provision to recoup money for a project that is not completed in accordance with that agreement. Funds that are unspent, unallocated, or unobligated at the end of a fiscal year lapse to the SOAR Fund. It is unclear whether money lapses to the General Fund at that time or if it remains in the SOAR Fund for an additional fiscal year.

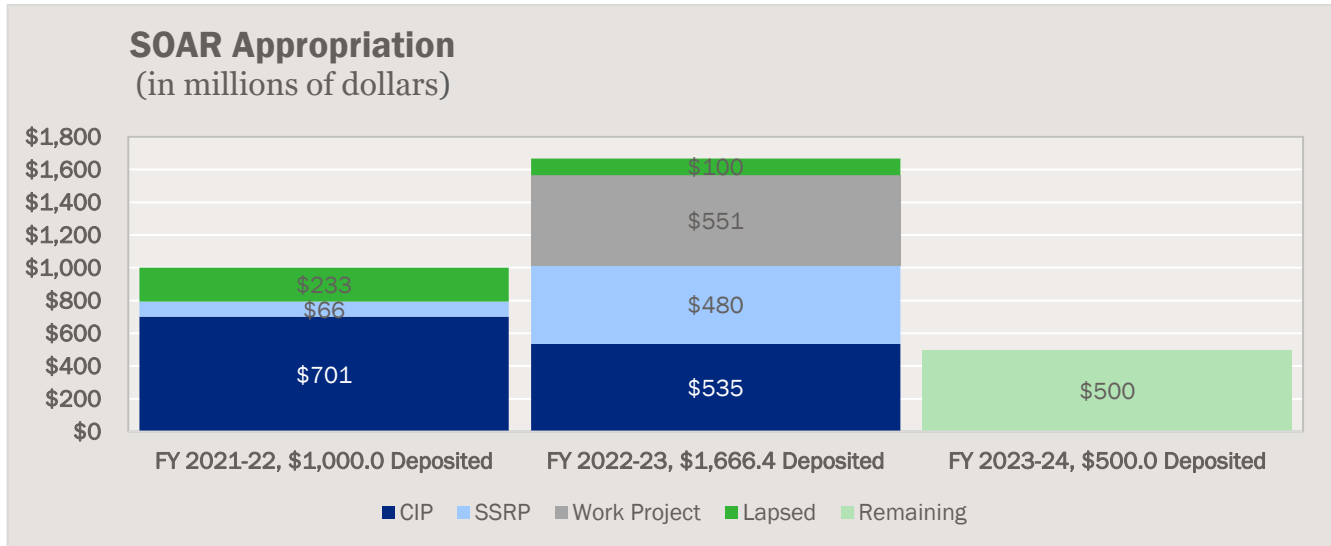
The MSSRP provides grants, loans, or other economic assistance for the purpose of creating investment-ready sites to attract and promote investments to businesses. Unlike the CIP, funds for the MSSRP typically go to a regional or local economic development office to support individual site-readiness projects, which are called eligible applicants. The MSF oversees the application, approval, reporting, and compliance process for all MSSRP projects. The MSF and the funds in the program follow the same procedure and restrictions as are required in the CIP.

Appropriations

Table 1 below details the appropriations made to the SOAR Fund, the amounts transferred to the CIP and MSSRP, and the amounts lapsed, placed into a work project, or remaining in the Fund. The SOAR Fund was initiated in fiscal year (FY) 2021-22 with a \$1.0 billion deposit. In FY 2022-23, a total of \$1,666,400,000 was deposited into the Fund. A boilerplate deposit of up to \$500.0 million in FY 2023-24 will be made after the Corporate Income Tax generates \$1.2 billion. (The first \$1.2 billion is deposited into the General Fund, then \$100 million is earmarked for other purposes, and the next up-to \$500.0

million is deposited into SOAR). Additionally, \$551.1 million of unobligated funds from FY 2022-23 was placed into a work project. However, under Section 393(6)(c) of the Management and Budget Act, MCL 18.1393(6)(c), a transfer may not be authorized to or from a work project. Thus, an appropriation authorization may be needed to use the \$551.1 million work project from FY 2022-23.

Table 1



Projects Funded

Table 2 below depicts all projects that have been funded by the SOAR Fund and whether they are supported by the CIP, MSSRP, or both. The amounts shown are only for SOAR Fund dollars and do not represent the entire amount awarded to each project that could include other appropriations and/or tax incentives. Eight projects have been approved by the Appropriation Committees. Seven of these projects were for individual qualified businesses and used either the CIP, MSSRP, or both. The other approved project totaled \$250.0 million and supported various site-readiness activities, including to support regional and local economic development organizations, site improvements for both identified and unidentified end users, and the development of mega-strategic sites. The provisions that outlined the various site-readiness activities were specified in boilerplate language in PA 194 of 2022 before funding was provided through a legislative transfer.

Table 2

