



STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

GRETCHEN WHITMER
GOVERNOR

CHRISTOPHER M. HARKINS
DIRECTOR

October 5, 2022

The Honorable Jim Stamas, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Mary Whiteford, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

Dear Legislators:

SUBJECT: Legislative Transfer Request 2023-1

I recommend the following fiscal year 2023 legislative transfer for your approval. This transfer is in accordance with section 393(2) of Act No. 431, P.A. 1984, as amended and is recommended for approval by the House and Senate Appropriations Committees.

The following information summarizes the transfer recommendation:

<u>Department</u>	<u>Transfer Amount</u>
Labor and Economic Opportunity	\$435,000,000

Sincerely,

Christopher M. Harkins
State Budget Director

Attachment

cc: Mike Shirkey, Senate Majority Leader
Jason Wentworth, Speaker of the House
Jim Ananich, Senate Minority Leader
Donna Lasinski, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency
House Fiscal Agency

Departments
JoAnne Huls, Chief of Staff
Tricia Foster, Chief Operating Officer
Jen Flood, Deputy Chief of Staff
Bethany Wicksall, Deputy State Budget Director
Heather Boyd, Office of Financial Management
Internal State Budget Office

Report ID: BUD-TRNLET-0046

SIGMA

Run Date: 10/05/2022

Transfer Letter Detail

Run Time: 7:59:35 AM

Legislative Transfer

Letter # 2023-1

Labor and Economic Opportunity

FROM: BOILERPLATE APPROPRIATIONS

Contingency funds	B24000		(175,000,000)
State restricted contingency revenues 376	2015	STRS	(175,000,000)

TO: ONE-TIME APPROPRIATIONS

Critical industry program	T38773		125,000,000
Strategic outreach and attraction reserve fund transfer to Michigan strategic fund	2658	STRS	125,000,000
Michigan strategic site readiness program	T54315		50,000,000
Strategic outreach and attraction reserve fund transfer to Michigan strategic fund	2658	STRS	50,000,000

This transfer provides \$175 million in state restricted contingency authorization to the Critical Industry Program (CIP) and Michigan Strategic Site Readiness Program (SSRP) pursuant to Sec. 406 of PA 194 of 2022. Funds are transferred into the Critical Industry Program (\$125 million) and the Strategic Site Readiness Program (\$50 million) in support of a transformational investment project involving Gotion Inc. and The Right Place, Inc. in Mecosta County. Revenue to support this transfer is available in the Strategic Outreach and Attraction Reserve Fund (SOAR), created in PA 137 of 2021, and appropriated \$846.1 million in PA 194 of 2022. This transfer is in compliance with the statutory requirements for the use and expenditure of the SOAR fund in its enacting legislation.

The Michigan Strategic Fund Board approved performance-based incentives for the aforementioned project on October 5, 2022. The project secures an up to \$2.364 billion investment in Michigan by Gotion Inc. to serve increasing demand in the battery production industry, creating up to 2,350 new jobs in the state. The \$125 million transfer to the CIP will support the creation of a new battery campus in Mecosta County, including four new production plants totaling an estimated two million square feet for the production of cathode and anode battery materials. The \$50 million transfer to the SSRP will support a performance-based grant to The Right Place Inc. for infrastructure upgrades to support the project. Combined with additional incentives outside the SOAR Fund, this significant investment further strengthens Michigan's position in the rapidly evolving automotive industry.

Legislative Transfer

Letter # 2023-1

FROM: BOILERPLATE APPROPRIATIONS

Contingency funds	B24000		(60,000,000)
State restricted contingency revenues 376	2015	STRS	(60,000,000)

TO: ONE-TIME APPROPRIATIONS

Michigan strategic site readiness program	T54315		60,000,000
Strategic outreach and attraction reserve fund transfer to Michigan strategic fund	2658	STRS	60,000,000

This transfer provides \$60 million in state restricted contingency authorization to the Strategic Site Readiness Program (SSRP) pursuant to Sec. 406 of PA 194 of 2022. Funds are transferred to the Strategic Site Readiness Program in support of a grant to Muskegon to provide wastewater transport and disposal services to strengthen the agriculture processing industry in Michigan. Revenue to support this transfer is available in the Strategic Outreach and Attraction Reserve Fund (SOAR), created in PA 137 of 2021, and appropriated \$846.1 million in PA 194 of 2022. This transfer is in compliance with the statutory requirements for the use and expenditure of the SOAR fund in its enacting legislation.

The Michigan Strategic Fund Board approved performance-based incentives for the aforementioned project on October 5, 2022. The grant to Muskegon County secures an up to \$187 million investment in Michigan by key agricultural processing companies that include fairlife, Continental Dairy, DeVries Meats, Applegate Dairy, and Swanson Pickle, and will benefit the municipalities of the City of Coopersville, Polkton Charter Township, Ravenna Township, and the Village of Ravenna. Once complete, these companies anticipate the creation of 145 jobs. The \$60 million transfer to the SSRP will support public infrastructure and utility upgrades that include building a wastewater line connecting employers in the greater Coopersville area to the Muskegon County Resource Recovery Center Service District to increase carrying capacity and removing a barrier to growth. In addition to facilitating expansion of existing employers, these public infrastructure upgrades will also create opportunities for much-needed housing development and attraction of new businesses in rural, underserved communities in Muskegon and Ottawa Counties.

FROM: BOILERPLATE APPROPRIATIONS

Contingency funds	B24000		(200,000,000)
State restricted contingency revenues 376	2015	STRS	(200,000,000)

TO: ONE-TIME APPROPRIATIONS

Critical industry program	T38773		200,000,000
Strategic outreach and attraction reserve fund transfer to Michigan strategic fund	2658	STRS	200,000,000

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Legislative Transfer

Letter # 2023-1

This transfer provides \$200 million in state restricted contingency authorization to the Critical Industry Program (CIP) pursuant to Sec. 406 of PA 194 of 2022. Funds are transferred into the Critical Industry Program in support of a transformational investment project involving Our Next Energy (ONE) for its new battery technology manufacturing location in Van Buren, Wayne County. Revenue to support this transfer is available in the Strategic Outreach and Attraction Reserve Fund (SOAR), created in PA 137 of 2021, and appropriated \$846.1 million in PA 194 of 2022. This transfer is in compliance with the statutory requirements for the use and expenditure of the SOAR fund in its enacting legislation.

The Michigan Strategic Fund Board approved performance-based incentives for the aforementioned project on October 5, 2022. The project secures an up to \$1.6 billion investment in Michigan by ONE to establish a manufacturing facility that will produce cell and electric vehicle (EV) battery packs, creating up to 2,112 new jobs in Michigan. This \$200 million transfer to the CIP, combined with other non-SOAR incentives, will support the company's aims to pioneer sustainable battery manufacturing practices to support American energy independence and position the United States as a leader in disruptive energy storage technology. This funding will specifically support the establishment of ONE's inaugural state-of-the-art factory totaling over 659,589 square feet and additional capital upgrades at its Novi campus. ONE's campus will include raw material refinement, cathode material production and cell and battery manufacturing. This critical investment in battery production will better position Michigan to win future vehicle assembly plants and related suppliers, including potential chipmakers.