

## MANAGEMENT AND BUDGET PROCESS MODIFICATIONS AND CODIFICATIONS

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**Senate Bill 1051 (H-1) as reported from House committee**  
**Sponsor: Sen. Dave Hildenbrand**  
**House Committee: Government Operations**  
**Senate Committee: Government Operations**  
**Complete to 11-25-18**

Analysis available at  
<http://www.legislature.mi.gov>

### BRIEF SUMMARY:

Senate Bill 1051 would amend the Management and Budget Act to do all of the following:

- Require the governor's annual budget to encompass two fiscal years.
- Require the governor to annually present a five-year strategic plan for the state.
- Require the state budget director to publish a financial report on the internet within nine months after the end of each fiscal year.
- Require the governor to designate an individual in the Department of Technology, Management, and Budget (DTMB) as the state's chief information officer.
- Revise in statute certain duties of the State Budget Director and other entities.

### FISCAL IMPACT:

The bill would have negligible, if any, fiscal implications for the State Budget Office within the DTMB. The bill would codify current practice that has been in place since the FY 2011-12 Executive Budget Presentation. While the strategic plans and financial report are new practices required under the bill, the information required to compile the reports is currently available. Compiling the information into new reports would not increase costs for the DTMB.

The bill would have no fiscal impact on local units of government.

### DETAILED SUMMARY:

#### **Executive budget**

Section 363 of the Management and Budget Act currently requires the governor to transmit his or her annual budget, with explanations and recommendations, to the House and Senate Fiscal Agencies and each member of the legislature within 30 days after the legislature convenes in regular session (or within 60 days in a year when a newly elected governor is inaugurated into office). At the same time, the governor also submits to the legislature and the fiscal agencies executive budget bills to implement the budget legislatively.

The bill would require the governor's budget recommendations and budget bills to be for the upcoming two fiscal years. The bill would further specify that the budget must contain at least all of the following:

- Estimates of anticipated revenues by state funds.

- Line-item details of proposed expenditures, unrolled to show specific programs.
- Estimates of the year-end unrestricted fund balances for state funds.
- Any additional budget detail required by the act.

### **Strategic plan**

The bill would require the governor annually to present, and publish on the state's website, a five-year strategic plan for the state. The deadline for the strategic plan would be the same as for the governor's budget, described above. The strategic plan would have to include the mission, vision, goals, strategies, and performance measures for each state department, including measures of the department's inputs, outputs, and output measures. A department's balanced scorecard could serve as its output measures. The strategic plan could also include, at the governor's discretion, inputs, outputs, and output measures for state agencies, bureaus, and divisions within a department.

### **Financial report**

The bill would require the state budget director to publish on the internet an easy-to-understand financial report that communicates the state's current financial situation. The report would have to include at least the most recent five years of data for each of the following:

- Total state revenues and expenditures.
- Total general fund/general purpose revenues and expenditures and the unrestricted fund balance for the general fund.
- Total School Aid Fund revenues and expenditures and the unrestricted fund balance for the School Aid Fund.
- Total outstanding state debt, by major type.
- Total unfunded pension and other postemployment benefit obligations for the state employees', public school employees', judges', state police, and legislative retirement systems.
- Total revenues by major source, including taxes and federal grants.
- Total expenditures by major spending category.
- The number of state employees by department.
- Basic economic information for the state, including per capita income, nonfarm payroll employment, and the unemployment rate.

The report would have to be published within nine months after the end of the fiscal year (that is, by June 30 for the fiscal year ending the previous September 30).

### **Chief information officer**

Executive Reorganization Order 2009-39 (MCL 18.441) created the position of state chief information officer.<sup>1</sup> The bill would codify that executive order, enacting current practice into statutory law, through the provisions described below.

The bill would require the governor to designate an individual within the DTMB to serve as the chief information officer (CIO) for the state. The director of the DTMB could serve

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<sup>1</sup> <http://legislature.mi.gov/doc.aspx?mcl-18-441>

concurrently as the state CIO. The CIO would report to and advise the governor on matters related to *information technology services* and related technology.

*Information technology services* would mean services that involve all aspects of managing and processing information, including at least all of the following:

- Support and management of desktop computers, mainframe computers, servers, and local area networks, including wireless networking.
- Information technology (IT) planning, project management, and budget management.
- Development and maintenance of applications.
- Telecommunication infrastructure, services, security, and support.

The DTMB, under the direction and guidance of the CIO, would have to do all of the following with regard to executive branch departments and agencies:

- Work to reengineer the information technology infrastructure to promote the use of common technology across all agencies.
- Coordinate a unified strategic IT plan.
- Identify and replicate IT best practices.
- Develop and implement uniform IT-related project management methodologies.
- Act as a general contractor for private-sector IT products and services.
- Develop and update IT service agreements.
- Standardize development of applications.
- Develop and implement a greater uniformity of data standards and formats.
- Develop methods to review and prioritize IT services projects.
- Assist the State Budget Office in developing IT services budgets, reviewing proposals, and making funding recommendations.

The bill would require all executive branch departments and agencies to cooperate with the CIO in developing and implementing the sharing of data and information throughout the executive branch. The CIO would work toward standardizing data elements and would also determine data ownership assignments among executive branch departments and agencies.

### **Other provisions**

According to committee testimony, most of the other changes proposed by the bill would represent a codification, and not a modification, of current practice. The bill would enact into statute administrative and organizational changes already put in place by executive order, and thus bring the language of Michigan's laws into conformance with executive branch practice. Executive reorganization orders whose contents are reflected in changes proposed by the bill include:

- Executive Reorganization Order 2007-22 (MCL 18.46), which consolidated executive branch internal audit functions in the State Budget Office.<sup>2</sup>
- Executive Reorganization Order 2007-23 (MCL 18.47), which transferred all executive branch accounting functions to the State Budget Office.<sup>3</sup>

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<sup>2</sup> <http://legislature.mi.gov/doc.aspx?mcl-18-46>

<sup>3</sup> <http://legislature.mi.gov/doc.aspx?mcl-18-47>

- Executive Reorganization Order 2009-39 (MCL 18.441), which, in addition to creating the office of the state CIO, transferred certain functions, powers, and responsibilities prescribed by the Management and Budget Act from the DTMB to the State Budget Office.<sup>4</sup>

MCL 18.1113 et al.

#### **HOUSE COMMITTEE ACTION:**

The House Committee on Government Operations reported an H-1 substitute, which added the provisions described in **Chief Information Officer** and **Other Provisions**, above.

#### **BACKGROUND INFORMATION:**

According to a February 9, 2011 opinion letter from the Department of Attorney General, while the governor is not precluded from submitting a two-year budget to the legislature, and the legislature is not prohibited from enacting a two-year budget, the appropriations for the second year “would be only an expression of an ‘intent to appropriate,’ not a binding or legally enforceable appropriation.”

#### **POSITIONS:**

Representatives of the following entities testified in support of the bill (9-26-18):

- Department of Technology, Management, and Budget
- State Budget Office
- Business Leaders for Michigan

The following entities indicated support for the bill (9-26-18):

- Small Business Association of Michigan
- Public Sector Consultants
- Grand Rapids Area Chamber of Commerce
- Detroit Regional Chamber

Legislative Analyst: Rick Yuille  
Fiscal Analyst: Ben Gielczyk

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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<sup>4</sup> <http://legislature.mi.gov/doc.aspx?mcl-18-441>