

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 773**

A bill to amend 1984 PA 431, entitled  
"The management and budget act,"  
by amending sections 113, 115, 131, 203, 204, 205, 217, 219, 221,  
237, 241, 242, 246, 248, 251, 267, 303, 305, 323, 342, 344, 350,  
350a, 350e, 352, 353, 353e, 354, 355, 356, 363, 367, 367b, 367f,  
371, 372, 384, 386, 393, 396, 404, 434, 443, 451, 454, 461, 462,  
484, 485, 486, 492, and 493 (MCL 18.1113, 18.1115, 18.1131,  
18.1203, 18.1204, 18.1205, 18.1217, 18.1219, 18.1221, 18.1237,  
18.1241, 18.1242, 18.1246, 18.1248, 18.1251, 18.1267, 18.1303,  
18.1305, 18.1323, 18.1342, 18.1344, 18.1350, 18.1350a, 18.1350e,  
18.1352, 18.1353, 18.1353e, 18.1354, 18.1355, 18.1356, 18.1363,  
18.1367, 18.1367b, 18.1367f, 18.1371, 18.1372, 18.1384, 18.1386,  
18.1393, 18.1396, 18.1404, 18.1434, 18.1443, 18.1451, 18.1454,  
18.1461, 18.1462, 18.1484, 18.1485, 18.1486, 18.1492, and  
18.1493), section 113 as amended by 1987 PA 122, sections 115,

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203, 205, 217, 221, 246, 342, 350, 367, 371, 372, 384, 386, 393, and 451 as amended and sections 204, 350a, 350e, 396, and 454 as added by 1988 PA 504, sections 219, 352, and 355 as amended and sections 367b and 367f as added by 1991 PA 72, section 353 as amended by 1994 PA 107, section 353e as added by 1997 PA 144, section 354 as amended by 1995 PA 286, section 363 as amended by 1993 PA 2, section 461 as amended by 1986 PA 251, and sections 484, 485, and 486 as added by 1986 PA 272, and by adding sections 237a, 281a, and 430; and to repeal acts and parts of acts.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 113. (1) "CAPITAL OUTLAY" MEANS A PROJECT OR FACILITY  
2 FINANCED EITHER IN WHOLE OR IN PART WITH STATE FUNDS, INCLUDING  
3 LEASE PURCHASE AGREEMENTS, THAT HAS THE PURPOSE OF CONSTRUCTING,  
4 RENOVATING, OR EQUIPPING A BUILDING OR FACILITY FOR WHICH TOTAL  
5 PROJECT COSTS EXCEED \$1,000,000.00. THESE PROJECTS MAY BE ON  
6 STATE OWNED PROPERTY, PROPERTY OWNED BY AN INSTITUTION OF HIGHER  
7 EDUCATION, PROPERTY OWNED BY COMMUNITY COLLEGES, OR PROPERTY  
8 UNDER THE CONTROL OF THE STATE BUILDING AUTHORITY.

9           (2) ~~-(1)-~~ "Community college" means a community college or a  
10 junior college.

11           (3) ~~-(2)-~~ "Department" means the department of management  
12 and budget.

13           (4) ~~-(3)-~~ "Directives" means intergovernmental, interagency,  
14 or interdepartment administrative or procedural guidelines or

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1 instructions which do not affect the rights of, or procedures and  
2 practices available to, the public.

3       (5) ~~(4)~~ "Director" means the director of the department of  
4 management and budget.

5       (6) ~~(5)~~ "Energy conservation measure" means improvement of  
6 a building structurally or the installation of equipment or mate-  
7 rials in a building for the purpose of reducing energy consump-  
8 tion or cost, increasing energy efficiency, or allowing the use  
9 of a renewable resource for fuel.

10       Sec. 115. (1) "Institution of higher education" means a  
11 state supported 4-year college or university.

12       (2) "JCOS" means the joint capital outlay subcommittee of  
13 the appropriations committees.

14       ~~(3) "Project" means a facility which is being planned or~~  
15 ~~constructed.~~

16       (3) ~~(4)~~ Except as used in sections 284 to 292, "record"  
17 means a public record as defined in section 2 of the freedom of  
18 information act, ~~Act No. 442 of the Public Acts of 1976, being~~  
19 ~~section 15.232 of the Michigan Compiled Laws~~ 1976 PA 442,  
20 MCL 15.232.

21       (4) ~~(5)~~ "State agency" means a department, board, commis-  
22 sion, office, agency, authority, or other unit of state  
23 government. State agency does not include an institution of  
24 higher education or a community college or, for purposes of  
25 article 2 or 3, the legislative ~~or judicial branches~~ BRANCH of  
26 government. FOR PURPOSES OF ARTICLE 2 OR 3, EXCEPT FOR THOSE  
27 SECTIONS PERTAINING TO THE AUTHORIZATION, PLANNING, CONSTRUCTION,

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1 AND FUNDING OF A CAPITAL OUTLAY PROJECT, INCLUDING CONSTRUCTION  
2 OF A FACILITY TO HOUSE OFFICES OR FUNCTIONS NECESSARY FOR OPERA-  
3 TION OF THE JUDICIAL BRANCH OF GOVERNMENT, STATE AGENCY DOES NOT  
4 INCLUDE THE JUDICIAL BRANCH OF GOVERNMENT.

5 (5) ~~(6)~~ "Unit of local government" means a political sub-  
6 division of this state, including school districts, community  
7 college districts, intermediate school districts, cities, vil-  
8 lages, townships, counties, and authorities, if the political  
9 subdivision has as its primary purpose the providing of local  
10 governmental service for citizens in a geographically limited  
11 area of the state and has the power to act primarily on behalf of  
12 that area.

13 Sec. 131. (1) The director may issue, alter, or rescind  
14 administrative and procedural directives as determined to be nec-  
15 essary for the effective administration of this act. The direc-  
16 tives are exempt from the definition of administrative rule pur-  
17 suant to section 7(9) of the administrative procedures act of  
18 1969, ~~Act No. 306 of the Public Acts of 1969, being sections~~  
19 ~~24.201 to 24.328 of the Michigan Compiled Laws~~ 1969 PA 306,  
20 MCL 24.207. The directives shall be placed in the appropriate  
21 manual and distributed to each principal department, ~~and~~ auton-  
22 omous entity within state government, THE SENATE AND HOUSE APPRO-  
23 PRIATIONS COMMITTEES, AND THE FISCAL AGENCIES. The directives  
24 shall take effect upon written approval of the director unless a  
25 later date is specified. Before a directive may become effec-  
26 tive, the department shall give the affected principal

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1 departments reasonable time, as determined by the department of  
2 management and budget, to respond.

3 (2) The department may promulgate rules as necessary to  
4 implement this act. The rules shall be promulgated pursuant to  
5 ~~Act No. 306 of the Public Acts of 1969~~ THE ADMINISTRATIVE PRO-  
6 CEDURES ACT OF 1969, 1969 PA 306, MCL 24.201 TO 24.328.

7 Sec. 203. (1) The department shall issue directives, after  
8 consultation with any affected state agency, relative to state  
9 automated information processing installations AND TELECOMMUNICA-  
10 TIONS PROJECTS AND SERVICES including the planning, ~~and~~  
11 establishment, CONSOLIDATION, OR OUTSOURCING of state information  
12 processing installations AND TELECOMMUNICATIONS PROJECTS AND  
13 SERVICES to assure the design, implementation, and maintenance of  
14 effective and efficient support systems for state agencies.

15 ~~(2) The department shall report any modifications to the~~  
16 ~~definition of information processing to the appropriations com-~~  
17 ~~mittees and the fiscal agencies not less than 10 days before the~~  
18 ~~change is to be effective. The modifications shall be effective~~  
19 ~~unless disapproved by either appropriation committee.~~

20 (2) ~~(3)~~ Within ~~60~~ 120 days after the end of each fiscal  
21 year, the department shall report ~~the following~~ to the appro-  
22 priations committees and the fiscal agencies for the immediately  
23 past completed fiscal year. THE REPORT SHALL INCLUDE ALL OF THE  
24 FOLLOWING:

25 (A) A DEPARTMENTAL SUMMARY OF EXPENDITURES AND SOURCE OF  
26 FUNDING FOR ALL INFORMATION TECHNOLOGY PROJECTS UNDERTAKEN BY A  
27 PRINCIPAL DEPARTMENT.

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1 (B) EXPENDITURES ON INFORMATION TECHNOLOGY HARDWARE,  
2 INFORMATION TECHNOLOGY SOFTWARE, INFORMATION TECHNOLOGY CONSULT-  
3 ING SERVICES ENTERED INTO WITH THE PRIVATE SECTOR, AND EXPENDI-  
4 TURES RELATED TO STATE EMPLOYEES WHOSE PRIMARY WORK ASSIGNMENT  
5 INVOLVES INFORMATION TECHNOLOGY SUPPORT.

6 (C) A DISTINCTION BETWEEN INFORMATION TECHNOLOGY EXPENDI-  
7 TURES MADE DIRECTLY BY STATE DEPARTMENTS AND THOSE EXPENDITURES  
8 MADE THROUGH CONTRACTS WITH THE PRIVATE SECTOR. →

9 ~~(a) The expenditures and funding for each state data~~  
10 ~~center.~~

11 ~~(b) The amount and source of funding for automated informa-~~  
12 ~~tion processing expenditures other than the amounts appropriated~~  
13 ~~for in each principal department.~~

14 ~~(c) The amount and source of funding of expenditures by a~~  
15 ~~principal department for the acquisition of end-user computing~~  
16 ~~equipment as approved by the department.~~

17 (3) ~~(4) Except as provided in subsection (2), an~~ AN expen-  
18 diture shall not be made for automated information processing  
19 unless the expenditure is pursuant to an automated information  
20 processing plan which is approved by the department.

21 (4) THE DEPARTMENT SHALL DEVELOP AND MAINTAIN A STATEWIDE  
22 PLAN FOR THE EFFECTIVE AND EFFICIENT UTILIZATION OF INFORMATION  
23 PROCESSING AND TELECOMMUNICATION PROJECTS AND SERVICES.

24 (5) THE DEPARTMENT MAY ARRANGE FOR AND EFFECT A UNIFIED AND  
25 INTEGRATED STATEWIDE INFORMATION PROCESSING AND TELECOMMUNICATION  
26 SYSTEM AND PROVIDE FOR THE ADMINISTRATION OF THE SYSTEM.

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1 (6) A STATE AGENCY SHALL NOT PURCHASE OR OPERATE A  
2 TELECOMMUNICATIONS FACILITY OR SYSTEM OR AN AUTOMATED DATA  
3 PROCESSING SYSTEM OR INSTALLATION UNLESS THE FACILITY, SYSTEM, OR  
4 INSTALLATION IS APPROVED BY THE DEPARTMENT.

5 (7) EACH STATE AGENCY SHALL REPORT TO THE DEPARTMENT AND TO  
6 THE APPROPRIATE APPROPRIATIONS COMMITTEES AND FISCAL AGENCIES ON  
7 EACH INFORMATIONAL SYSTEM SOLD OR MARKETED BY THE STATE AGENCY OR  
8 A CONTRACTOR HIRED BY THE STATE AGENCY. THE REPORT SHALL INCLUDE  
9 ALL COSTS OF DEVELOPMENT OF THE SYSTEM, THE INCOME DERIVED FROM  
10 THE MARKETING OR SALE, AND THE DISPOSITION OF THE INCOME.

11 Sec. 204. (1) The department shall develop and implement  
12 standardized risk management policies, practices, and procedures  
13 for all state agencies.

14 (2) The department shall review AND APPROVE all risk manage-  
15 ment related programs of state agencies, including, but not  
16 limited to, worker's compensation, disability management, insur-  
17 ance, safety, loss control, claims handling, exposure analysis,  
18 accident investigation, and risk management information systems.

19 (3) After ~~review by~~ CONSULTATION WITH affected state agen-  
20 cies, the department may administer selected risk management  
21 related programs as described in subsection (2).

22 (4) The department shall review and approve all proposals  
23 for the acquisition of insurance or RISK MANAGEMENT related  
24 PROGRAM services for state agencies and utilize self-insurance  
25 options where cost effective.

26 Sec. 205. (1) As used in this section: ~~and sections 206~~  
27 ~~and 207:~~

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1 (a) "Form" means an application, questionnaire, permit,  
2 order, schedule, record, report, or document in regular and con-  
3 tinuing use which is used to obtain information, response, com-  
4 pliance, or application that is required from the public or pri-  
5 vate sector by this state.

6 ~~(b) "Forms efficiency analysis" means an evaluation of a~~  
7 ~~particular form to judge its efficiency as a paperwork system~~  
8 ~~which addresses the productivity, product cost, public image, and~~  
9 ~~management control aspects of the form.~~

10 (B) ~~(c)~~ "Forms management program" means a total system  
11 intended to improve the efficiency of state government through  
12 forms including, but not limited to, survey, analysis, design,  
13 specification, printing, buying, inventory storage, use, and dis-  
14 tribution of forms.

15 ~~(d) "Forms survey" means forms efficiency analysis of all~~  
16 ~~forms in current use by an agency.~~

17 ~~(e) "Public form" means a form distributed by a state agency~~  
18 ~~to a person or entity outside of state government.~~

19 (2) THE DEPARTMENT SHALL ISSUE DIRECTIVES FOR THE IMPLEMEN-  
20 TATION AND MAINTENANCE OF A FORMS MANAGEMENT PROGRAM WITHIN EACH  
21 STATE AGENCY. THE DEPARTMENT SHALL COORDINATE THE DEVELOPMENT OF  
22 FORMS AT STATE AGENCIES IN ORDER TO FACILITATE THE STANDARDIZA-  
23 TION OF FORMS, RECOMMEND THE ELIMINATION OF REDUNDANT FORMS, AND  
24 PROVIDE A CENTRAL SOURCE OF INFORMATION REGARDING FORMS USAGE IN  
25 STATE GOVERNMENT.

26 Sec. 217. (1) The department shall issue and administer  
27 directives relative to the travel of officers and unclassified

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1 employees of state agencies when engaged in the performance of  
2 state business and for the reimbursement of expenses necessarily  
3 incurred when engaged in the performance of state business from  
4 whatever source the reimbursement may be financed. The direc-  
5 tives issued pursuant to this section shall not take effect  
6 unless the directives are approved by the board.

7 (2) A meeting of a state agency shall be held in a facility  
8 owned, leased, being purchased, or operated by this state, the  
9 federal government, a unit of local government, or a state sup-  
10 ported institution, college, or university, unless the chief  
11 executive officer of the state agency, in writing, authorizes a  
12 different location.

13 (3) On January 1 of each year, the director shall prepare a  
14 travel report in a format established jointly by the chairpersons  
15 of the appropriations committees and shall submit the report to  
16 the appropriations committees and the fiscal agencies. The  
17 report shall list each person who received compensation, fees, or  
18 remuneration under a budget act for travel outside the state  
19 during the preceding ~~12 months~~ FISCAL YEAR. The listing shall  
20 include the name of the person who received the compensation,  
21 fees, or remuneration and the destination, reason for, and dates  
22 of the travel; and the transportation and related costs. The  
23 report shall also include a SUMMARY statement of the total  
24 in-state travel for the ~~same period~~ PRECEDING FISCAL YEAR.

25 Sec. 219. (1) The department ~~may~~ SHALL PROVIDE FOR AND  
26 issue directives for the management, operation, maintenance,  
27 SECURITY, and repair of facilities. The director ~~may~~ SHALL

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1 determine space utilization standards and may assign space within  
2 the facilities. The department shall manage and operate state  
3 owned facilities under the jurisdiction of the department.

4 (2) The department shall not assign space in buildings and  
5 premises designated as part of the Michigan capitol park and  
6 under the exclusive jurisdiction of the Michigan capitol park  
7 commission, pursuant to section 298b, and shall not assign space  
8 in buildings under the jurisdiction of the legislature or the  
9 Michigan capitol committee created under chapter 7 of the legis-  
10 lative council act, ~~Act No. 268 of the Public Acts of 1986,~~  
11 ~~being sections 4.1701 to 4.1702 of the Michigan Compiled Laws~~  
12 1986 PA 268, MCL 4.1701 TO 4.1702, unless the Michigan capitol  
13 park commission, the legislature, or the Michigan capitol commit-  
14 tee request the department to assign such space.

15 (3) The legislative council shall manage and operate the  
16 Michigan library and historical center.

17 (4) The Michigan capitol committee shall manage and operate  
18 the capitol building and grounds. The senate shall manage and  
19 operate the Farnum building and grounds. The house of represen-  
20 tatives shall manage and operate the Roosevelt building and  
21 grounds. This subsection shall take effect October 1, 1991.

22 ~~(5) Effective October 1, 1991, the current labor and trades~~  
23 ~~and safety and regulatory classifications performing duties in~~  
24 ~~the capitol building and on the capitol grounds shall no longer~~  
25 ~~be maintained.~~

26 Sec. 221. (1) The director may provide for the rental and  
27 lease of land and facilities for the use of state agencies in the

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1 manner provided by law. The rentals and leases shall not be  
2 effective unless approved by the board. ~~Before a facility or~~  
3 ~~space is leased by the state, consisting of a total of 25,000~~  
4 ~~gross square feet or more for a term of more than 5 years, the~~  
5 ~~lease shall be approved by the joint capital outlay subcommittee~~  
6 ~~of the legislature. For the purposes of this subsection, a lease~~  
7 ~~agreement for more than the total gross square feet previously~~  
8 ~~approved by the joint capital outlay subcommittee shall be con-~~  
9 ~~sidered a new agreement subject to approval of the joint capital~~  
10 ~~outlay subcommittee.~~

11 (2) If a project costs more than \$1,000,000.00 and consists  
12 of less than 25,000 gross square feet, the department shall  
13 notify the joint capital outlay subcommittee in writing of its  
14 intent to proceed with such a facility. The notice shall be  
15 given 30 days before the lease contract providing for the pro-  
16 posed constructions is entered into.

17 (3) IF THE DIRECTOR PROPOSES TO LEASE SPACE OR A FACILITY  
18 WHICH MEETS EITHER OF THE FOLLOWING CRITERIA, APPROVAL OF THE  
19 JOINT CAPITAL OUTLAY SUBCOMMITTEE IS REQUIRED PRIOR TO BOARD  
20 APPROVAL:

21 (A) THE SPACE OR FACILITY EXCEEDS 25,000 GROSS SQUARE FEET.

22 (B) THE ANNUAL BASE COST OF THE PROPOSED LEASE IS MORE THAN  
23 \$500,000.00.

24 (4) FOR THE PURPOSES OF THIS SECTION, THE RENEWAL OF AN  
25 EXISTING LEASE WILL REQUIRE THE APPROVAL OF THE JOINT CAPITAL  
26 OUTLAY SUBCOMMITTEE IF THE RENEWAL RESULTS IN CHANGES TO THE

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1 LEASE THAT WOULD CAUSE IT TO MEET THE REQUIREMENTS OUTLINED IN  
2 SUBSECTION (3).

3       (5) ~~(3)~~ The department may grant easements, upon terms and  
4 conditions the board determines are just and reasonable, for  
5 highway and road purposes, and for constructing, operating, and  
6 maintaining pipelines or electric, telephone, telegraph, televi-  
7 sion, gas, sanitary sewer, storm sewer, or other utility lines  
8 including all supporting fixtures and other appurtenances over,  
9 through, under, upon, and across any land belonging to this  
10 state, except lands under the jurisdiction of the department of  
11 natural resources, the department of military affairs, or the  
12 state transportation department.

13       (6) ~~(4)~~ The department shall determine annually the pre-  
14 vailing market rental values of all state owned office facilities  
15 and private facilities which provide housing for state  
16 employees. The rental values determined pursuant to this subsec-  
17 tion shall not be effective unless approved by the board. The  
18 renting, ~~and~~ leasing, OR LICENSING of ~~excess~~ state owned land  
19 and ~~buildings~~ FACILITIES to private and public entities shall  
20 be at prevailing market rental values OR AT ACTUAL COSTS AS  
21 DETERMINED BY THE DIRECTOR.

22       ~~(5) The department shall determine the rentals for occu-~~  
23 ~~pancy of the department of labor building in the city of Detroit~~  
24 ~~pursuant to section 223.~~

25       (7) THE DEPARTMENT SHALL CHARGE STATE AGENCIES FOR BUILDING  
26 OCCUPANCY IN STATE OWNED FACILITIES UNDER THE JURISDICTION OF THE  
27 DEPARTMENT. THE RATES TO BE CHARGED FOR BUILDING OCCUPANCY SHALL

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1 BE COORDINATED WITH THE BUDGET CYCLE. THE RATES SHALL REFLECT  
2 THE ACTUAL COST FOR OCCUPANCY OF THE FACILITIES.

3       Sec. 237. (1) ~~The department shall provide for the devel-~~  
4 ~~opment of studies, designs, plans, specifications, and contract~~  
5 ~~documents relative to the acquisition, construction, improvement,~~  
6 ~~or demolition of facilities.~~ FOR STATE AGENCY CAPITAL OUTLAY  
7 PROJECTS OR FACILITIES, THE DEPARTMENT IS RESPONSIBLE FOR DEVEL-  
8 OPMENT, OVERSIGHT, REVIEW, AND APPROVAL OF PROGRAM STATEMENTS,  
9 STUDIES, DESIGNS, PLANS, MANAGEMENT, SPECIFICATIONS, CONTRACT  
10 DOCUMENTS, CONSTRUCTION MANAGEMENT, AND CONSTRUCTION, RELATIVE TO  
11 THE ACQUISITION, CONSTRUCTION, LEASE PURCHASE, IMPROVEMENT, DEMO-  
12 LITION, OR OTHER CAPITAL OUTLAY PROJECTS FOR STATE AGENCIES FOR  
13 WHICH AN APPROPRIATION OR OTHER AUTHORIZATION HAS BEEN MADE.

14       (2) The department shall ~~provide for~~ APPROVE the AWARD,  
15 selection, and employment of architects, ~~and~~ [professional] engi-  
16 neers, CONSTRUCTION MANAGERS, AND OTHER DESIGN OR CONSTRUCTION  
17 PROFESSIONAL SERVICES CONTRACTORS, subject to rules of the  
18 department of civil service, to do all of the following:

19       (a) ~~To study, design, prepare, and review~~ PREPARE PROGRAM  
20 STATEMENTS, STUDIES, DESIGNS, plans, and specifications for the  
21 construction of, repairing of, making additions to, remodeling OR  
22 DEMOLITION of, LEASE PURCHASE OF, or acquisition of ~~—~~ STATE  
23 facilities.

24       (b) To administer construction work, INCLUDING RESIDENT  
25 INSPECTORS, ON-SITE MANAGEMENT, AND SUPERVISION OF CONSTRUCTION  
26 PROJECTS.

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1       ~~(3) The department shall provide resident inspectors if the~~  
2 ~~department considers it necessary for on site observation of the~~  
3 ~~construction of facilities.~~

4       (3) ~~(4)~~ The department may obtain independent testing  
5 services to provide quality control of work performed on  
6 facilities.

7       (4) PRIOR TO STATE BUILDING AUTHORITY FINANCING, THE DEPART-  
8 MENT SHALL PROVIDE FINAL APPROVAL OF THE CAPITAL OUTLAY PROJECT  
9 TO ENSURE COMPLIANCE WITH THE AUTHORIZED PROGRAM, PLANS, AND  
10 SPECIFICATIONS.

11       (5) THE ATTORNEY GENERAL SHALL REVIEW ALL STANDARD LEASE AND  
12 LEASE PURCHASE AGREEMENT FORMATS AND APPROVE ANY EXCEPTIONS TO  
13 THE STANDARD FORMATS AND MAY ASSESS A FEE FOR LEGAL SERVICES PUR-  
14 SUANT TO AN AGREEMENT WITH THE DEPARTMENT.

15       SEC. 237A. (1) THIS SECTION PERTAINS TO CAPITAL OUTLAY  
16 PROJECTS FOR COMMUNITY COLLEGES AND UNIVERSITIES.

17       (2) THE DEPARTMENT SHALL REVIEW DOCUMENTS ASSOCIATED WITH  
18 COMMUNITY COLLEGE AND UNIVERSITY CAPITAL OUTLAY PROJECTS FOR  
19 WHICH AN APPROPRIATION OR OTHER AUTHORIZATION HAS BEEN MADE.

20       (3) THE DEPARTMENT SHALL PROVIDE ARCHITECTURAL AND  
21 [PROFESSIONAL] ENGINEER-  
22 ING REVIEW OF DOCUMENTS INCLUDING DESIGNS, PLANS, AND CHANGE  
23 ORDERS AT EACH STAGE OF THE PROJECT TO ENSURE THAT THE PROJECT OR  
24 FACILITY IS IN COMPLIANCE WITH APPROVED PROGRAM, APPROPRIATION,  
25 AND CAPITAL OUTLAY REQUIREMENTS.

26       (4) THE DEPARTMENT SHALL REVIEW THE AWARD AND SELECTION OF  
27 ARCHITECTS, [PROFESSIONAL] ENGINEERS, CONSTRUCTION MANAGERS, AND  
OTHER DESIGN OR  
CONSTRUCTION PROFESSIONAL SERVICE CONTRACTORS.

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1 (5) THE DEPARTMENT SHALL DO ALL OF THE FOLLOWING:

2 (A) REVIEW THE CONSTRUCTION BID.

3 (B) REVIEW MONTHLY REPORTS TO ENSURE APPROPRIATE CONSTRUC-  
4 TION PROGRESS, EVALUATE CHANGE ORDERS, AND WATCH FOR POTENTIAL  
5 PROBLEMS.

6 (C) RESPOND TO COLLEGE AND UNIVERSITY REQUESTS FOR ASSIST-  
7 ANCE ON THE CAPITAL OUTLAY PROCESS, CONTRACTOR ISSUES, AND OTHER  
8 CAPITAL OUTLAY RELATED ISSUES.

9 (D) PROVIDE FOR FIELD CHECKS AND AUDITS THROUGHOUT THE  
10 PROJECT IN ORDER TO MEET THE TRUSTEE REQUIREMENTS OF THE STATE  
11 BUILDING AUTHORITY.

12 (6) THE DEPARTMENT MAY CHARGE A FEE FOR THE SERVICES  
13 DESCRIBED IN THIS SECTION AT A RATE NOT TO EXCEED ACTUAL COSTS.

14 (7) IN THE EVENT THAT A COLLEGE OR UNIVERSITY CHOOSES TO  
15 HAVE THE DEPARTMENT PROVIDE FOR THE COMPLETE ADMINISTRATION OF A  
16 CAPITAL OUTLAY PROJECT, THEN THE PROVISIONS OF SECTION 237 APPLY  
17 TO THE PROJECT.

18 (8) PRIOR TO STATE BUILDING AUTHORITY FINANCING, THE DEPART-  
19 MENT SHALL PROVIDE FINAL REVIEW OF THE CAPITAL OUTLAY PROJECT TO  
20 ENSURE COMPLIANCE WITH THE AUTHORIZED PROGRAM, PLANS, AND  
21 SPECIFICATIONS.

22 Sec. 241. (1) Except for the contracts permitted in section  
23 240, a contract shall not be awarded for the construction,  
24 repair, remodeling, or demolition of a facility unless the con-  
25 tract is let pursuant to a bidding procedure which is approved by  
26 the board. The department shall issue directives prescribing  
27 procedures to be used to implement this section. The procedures

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1 shall require a ~~public advertisement of intention to award~~  
2 COMPETITIVE SOLICITATION IN THE AWARD OF any contract for con-  
3 struction, repair, remodeling, or demolition of a facility.

4 (2) The department may award or approve the award, if the  
5 board approves, of construction contracts to construct a project  
6 for which the director is the agent and may expend, for the pur-  
7 poses and in the manner set forth, the amounts appropriated. The  
8 director is not the agent for a community college or institution  
9 of higher education, but may act in that capacity upon the spe-  
10 cific request of a community college or institution of higher  
11 education.

12 Sec. 242. (1) This section applies to a project which is  
13 ~~any of the following:~~ (a) A project authorized ~~for planning~~  
14 pursuant to an appropriation act.

15 ~~(b) A project which will be financed by general fund appro-~~  
16 ~~priations other than lump sums.~~

17 ~~(c) A project which will be financed by the state building~~  
18 ~~authority.~~

19 (2) ~~The JCOS and the director shall jointly determine the~~  
20 ~~priority of the projects to be studied and planned. The depart-~~  
21 ~~ment shall then review program statements and prepare plans for~~  
22 ~~projects in accordance with the priority list.~~ STATE AGENCIES,  
23 COMMUNITY COLLEGES, AND UNIVERSITIES SHALL DEVELOP 5-YEAR CAPITAL  
24 OUTLAY REQUESTS, WHICH SHALL INCLUDE THE NEED FOR REMODELING AND  
25 RENOVATIONS. FOR COMMUNITY COLLEGES AND UNIVERSITIES, THE 5-YEAR  
26 CAPITAL OUTLAY REQUESTS SHALL ALSO INCLUDE THE NEED FOR SPECIAL

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1 MAINTENANCE. THESE REQUESTS SHALL BE SUBMITTED ANNUALLY TO THE  
2 DEPARTMENT AND TO THE JCOS.

3       (3) ~~A professional services contract shall not be awarded~~  
4 ~~until a program statement is approved by the department and~~  
5 ~~notice of the approval is given to JCOS.~~ THE DEPARTMENT AND THE  
6 JCOS SHALL REVIEW CAPITAL OUTLAY REQUESTS. THE DEPARTMENT SHALL  
7 PRIORITIZE REQUESTS AND SHALL INCLUDE THE APPROVED REQUESTS IN  
8 THE ANNUAL EXECUTIVE BUDGET RECOMMENDATION.

9       (4) ~~A planning or preliminary study of a project shall be~~  
10 ~~pursuant to the purpose and scope as determined in the program~~  
11 ~~statement.~~ EACH RECOMMENDED REQUEST INCLUDED IN THE EXECUTIVE  
12 BUDGET SHALL INCLUDE SUFFICIENT STATE FUNDS FOR STATE AGENCY  
13 PROJECTS AND INSTITUTION FUNDS FOR COLLEGE AND UNIVERSITY  
14 PROJECTS TO PROVIDE FOR PROFESSIONALLY DEVELOPED PROGRAM STATE-  
15 MENTS AND SCHEMATIC PLANS. THE REQUEST FOR PROGRAM DEVELOPMENT  
16 AND SCHEMATIC PLANNING MUST BE APPROVED BY THE JCOS AND THE LEG-  
17 ISLATURE THROUGH THE APPROPRIATION PROCESS.

18       ~~(5) An amount shall not be expended for schematics unless~~  
19 ~~the release is authorized by the department and the JCOS.~~

20       (5) ~~(6) An appropriation shall not be released for prepara-~~  
21 ~~tion of a preliminary planning document until the schematics for~~  
22 ~~the project are approved by the department and the JCOS and the~~  
23 ~~release is authorized by the department and the JCOS.~~ PROGRAM  
24 STATEMENTS AND SCHEMATIC PLANNING DOCUMENTS SHALL BE REVIEWED BY  
25 THE DEPARTMENT AND, WHEN COMPLETED, SHALL BE SUBMITTED TO THE  
26 JCOS AS EITHER APPROVED OR NOT APPROVED.

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1       (6) ~~(7) An appropriation shall not be released for a~~  
2 ~~construction project unless the preliminary plans for the project~~  
3 ~~are approved by the department and the JCOS.~~ UPON REVIEW AND  
4 APPROVAL BY THE JCOS, THE JCOS AND THE LEGISLATURE MAY AUTHORIZE  
5 THE PROJECT FOR FINAL DESIGN AND CONSTRUCTION WITH A LINE-ITEM  
6 APPROPRIATION IN AN APPROPRIATION BILL.

7       (7) ~~(8) Appropriations made for studies and preliminary~~  
8 ~~plans shall not be considered a commitment on the part of the~~  
9 ~~legislature to appropriate funds for the completion of plans or~~  
10 ~~construction of any project based on the studies or preliminary~~  
11 ~~plans. The total authorized cost as set forth for a specific~~  
12 ~~project for which only a partial appropriation is made shall not~~  
13 ~~be considered a commitment on the part of the legislature to~~  
14 ~~appropriate the difference between the amount appropriated and~~  
15 ~~the amount authorized pursuant to a capital outlay appropriation~~  
16 ~~act during the next or subsequent fiscal years. The total appro-~~  
17 ~~priation will be equal to the actual cost of providing a project~~  
18 ~~designed and constructed to meet the purpose and scope of the~~  
19 ~~project as currently recognized by the legislature and equal to~~  
20 ~~or less than the authorized total cost, or the total authorized~~  
21 ~~project cost less any funds received from private or federal~~  
22 ~~sources, whichever is the smaller amount.~~ PRELIMINARY PLANS  
23 SHALL BE SUBMITTED TO THE DEPARTMENT FOR REVIEW AND APPROVAL.  
24 THE DEPARTMENT SHALL REVIEW AND APPROVE FINAL PLANS TO BE PRE-  
25 PARED FOR BIDDING. BID RESULTS SHALL BE SUBMITTED TO THE JCOS.

26       (8) ~~(9) A project may be exempted from this section~~  
27 ~~pursuant to a capital outlay budget act.~~ THE DEPARTMENT SHALL



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1 designated project. The authorized cost of projects shall only  
2 be established or revised by specific reference in a budget act,  
3 by concurrent resolution adopted by both houses of the legisla-  
4 ture, or inferred by the total amount of any appropriations made  
5 to complete plans and construction.

6 (2) Expenditures under a capital outlay budget act shall be  
7 authorized when the release of the appropriation is approved by  
8 the board. The board shall approve the release of construction  
9 appropriations when the director certifies that a project can be  
10 accomplished within the appropriation or authorization and that  
11 the project is in compliance with this act. For each project  
12 certified, the board, upon the further recommendation of the  
13 director, shall approve the release of only those amounts  
14 required to complete the project according to the recommended  
15 purpose and scope ~~in the executive budget, its supporting docu-~~  
16 ~~ments, or as subsequently revised by the legislature~~ AS PROVIDED  
17 IN AN APPROPRIATION ACT. Contracts or other commitments shall  
18 not be incurred or obligated which will result in the completion  
19 of a project which exceeds this purpose and scope. A state  
20 agency, community college, or institution of higher education  
21 shall not make any commitments for a project until after the  
22 release of the appropriation pursuant to this act. The board may  
23 approve the release of a part of any appropriation for the pur-  
24 pose of preparing the planning or bidding documents or for inves-  
25 tigations which may be necessary to determine whether or not the  
26 project can be completed within the appropriation.

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1       ~~(3) Funds for a project costing more than \$1,000,000.00~~  
2 ~~shall not be released by the board unless either of the following~~  
3 ~~conditions is met:~~

4       ~~(a) The director has certified to the board in writing that~~  
5 ~~the total project cost is in compliance with section 244.~~

6       ~~(b) The director has certified to the board in writing that~~  
7 ~~the joint capital outlay subcommittee has approved the deferral~~  
8 ~~or deletion of specific project costs as categorized in~~  
9 ~~section 244. All requests for deferrals shall include the spe-~~  
10 ~~cific costs and future funding sources associated with each pro-~~  
11 ~~posed deferral.~~

12       Sec. 248. (1) This section applies to all capital outlay  
13 projects appropriated in any budget act. This section does not  
14 apply to lump sums other than planning projects.

15       (2) Appropriations made in any budget act for a planning  
16 project shall not lapse to the fund from which appropriated at  
17 the end of the fiscal year, but shall continue until the purposes  
18 for which the sums were appropriated are completed. However,  
19 each project which has been authorized for planning for ~~5~~ 3  
20 years or more and which has not been authorized for FINAL DESIGN  
21 AND construction shall be terminated, unless the project is spe-  
22 cifically reauthorized in a budget act.

23       (3) APPROPRIATIONS MADE IN ANY BUDGET ACT FOR FINAL DESIGN  
24 AND CONSTRUCTION SHALL NOT LAPSE TO THE FUND FROM WHICH THEY ARE  
25 APPROPRIATED AT THE END OF THE FISCAL YEAR, BUT SHALL CONTINUE  
26 UNTIL THE PURPOSES FOR WHICH THE SUMS WERE APPROPRIATED ARE  
27 COMPLETED. HOWEVER, EACH PROJECT THAT HAS BEEN AUTHORIZED FOR

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1 FINAL DESIGN AND CONSTRUCTION FOR 3 YEARS OR MORE AND WHERE  
2 CONSTRUCTION HAS NOT COMMENCED SHALL BE TERMINATED, UNLESS THE  
3 PROJECT IS SPECIFICALLY REAUTHORIZED IN A BUDGET ACT.

4       (4) ~~-(3)-~~ Except as otherwise provided in this section, the  
5 balance of any capital outlay project other than a planning  
6 project shall not lapse at the end of the fiscal year for which  
7 the appropriation was made, but shall continue for not more than  
8 2 fiscal years occurring after the fiscal year for which the  
9 appropriation for the project is made.

10       (5) ~~-(4)-~~ A capital outlay project may be continued beyond 3  
11 fiscal years if the bid for the start of construction of the  
12 project is awarded before the end of the second fiscal year  
13 occurring after the fiscal year for which the appropriation for  
14 the project is made.

15       (6) ~~-(5)-~~ A capital outlay project which is for purchase of  
16 property may be continued beyond 3 fiscal years if a contract to  
17 purchase property is entered into before the end of the second  
18 fiscal year occurring after the fiscal year for which the appro-  
19 priation for the purchase is made but only the amount necessary  
20 to complete the purchase of the property pursuant to the contract  
21 shall be carried forward.

22       (7) ~~-(6)-~~ A capital outlay project may be continued beyond 3  
23 fiscal years if a federal grant award is pending and the federal  
24 rules preclude the award of the bid before the end of the second  
25 fiscal year occurring after the fiscal year for which the appro-  
26 priation for the project was made, but shall not be continued

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1 beyond an additional year unless the bid for the start of  
2 construction of the project is awarded.

3       (8) ~~-(7)-~~ If the bid for the start of construction of the  
4 project is awarded before the appropriations for the project are  
5 scheduled to lapse pursuant to subsection ~~-(3)-~~ (4) or ~~-(5)-~~ (6),  
6 the unobligated balance of the appropriations for the project  
7 shall not lapse but shall continue for 23 months after a project  
8 is substantially completed.

9       (9) ~~-(8)-~~ If a capital outlay project is subject to a legal  
10 action, the balance shall lapse pursuant to subsections (2) to  
11 ~~-(7)-~~ (8), or 30 days after the legal action is settled, or 30  
12 days after a final order is entered, whichever is later.

13       (10) ~~-(9)-~~ An unexpended balance which is to lapse pursuant  
14 to this section shall lapse to the fund from which the appropria-  
15 tion is made.

16       (11) A GRANT OR GRANT-IN-AID APPROPRIATED FOR THE PURPOSE OF  
17 THE ACQUISITION, CONSTRUCTION, REPAIR, OR MAINTENANCE OF CAPITAL  
18 ASSETS SHALL NOT BE REDUCED, ADJUSTED, DELAYED, IMPOUNDED,  
19 LAPSED, OR OTHERWISE ALTERED BY THE DIRECTOR FOR ANY PURPOSE  
20 WITHOUT LEGISLATIVE APPROVAL AND SHALL BE CARRIED FORWARD UNTIL  
21 AWARDED, IN FULL, TO THE RECIPIENT OF THE APPROPRIATION CONSIS-  
22 TENT WITH LEGISLATIVE INTENT.

23       Sec. 251. (1) This section applies to all real property of  
24 the state except all of the following:

25       (a) Property under the jurisdiction of the state transporta-  
26 tion department.

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1 (b) Property under the jurisdiction of a state institution  
2 of higher education.

3 (c) Property under the jurisdiction of the department of  
4 natural resources.

5 (d) Property under the jurisdiction of the department of  
6 military affairs.

7 (2) The department shall provide for the development and  
8 maintenance of real property records and facility inventories.  
9 The department may award appropriate service contracts or employ  
10 land surveyors to survey, monument, map, describe, and record  
11 real property and facilities.

12 (3) The department shall issue directives to provide for the  
13 disposition process for facilities and lands which are considered  
14 surplus. THE DEPARTMENT SHALL REQUIRE A PUBLIC NOTICE COMPONENT  
15 IN ITS DIRECTIVES REGARDING THE DISPOSITION PROCESS UNDER THIS  
16 SUBSECTION.

17 Sec. 267. (1) The department shall issue directives to pro-  
18 vide for the disclosure, transfer, and disposal of surplus, sal-  
19 vage, and scrap material of state agencies. The department may  
20 dispose of surplus and of salvage or scrap by donating or selling  
21 the property or equipment to a unit of local government. ~~or by~~  
22 ~~selling~~ HOWEVER, IF A UNIT OF LOCAL GOVERNMENT IS NOT INTERESTED  
23 IN THE PROPERTY OR EQUIPMENT, THE DEPARTMENT MAY SELL the sur-  
24 plus, salvage, or scrap at auction.

25 (2) The department may pay necessary costs incurred in the  
26 conduct of the transfers or auctions of the property or equipment  
27 including the necessary warehousing and reconditioning costs from

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1 the proceeds of the auction or by assessing a handling fee for  
2 property or equipment being donated.

3       SEC. 281A. (1) THE DEPARTMENT OF MANAGEMENT AND BUDGET AND  
4 EACH PRINCIPAL EXECUTIVE DEPARTMENT AND AGENCY SHALL PROVIDE TO  
5 THE SENATE AND HOUSE OF REPRESENTATIVES STANDING COMMITTEES ON  
6 APPROPRIATIONS AND THE SENATE AND HOUSE FISCAL AGENCIES A MONTHLY  
7 REPORT ON ALL PERSONAL SERVICE CONTRACTS IN AN AMOUNT GREATER  
8 THAN \$10,000.00 AWARDED WITHOUT COMPETITIVE BIDDING, PRICING, OR  
9 RATE SETTING. THE REPORT SHALL INCLUDE ALL OF THE FOLLOWING:

10       (A) THE TOTAL DOLLAR AMOUNT OF THE CONTRACT.

11       (B) THE EFFECTIVE BEGINNING AND ENDING DATES OF THE  
12 CONTRACT.

13       (C) THE NAME OF THE VENDOR.

14       (D) THE TYPE OF SERVICE TO BE PROVIDED.

15       (2) FOR NEW PERSONAL SERVICE CONTRACTS OF \$100,000.00 OR  
16 MORE, THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL PROVIDE A  
17 MONTHLY REPORT TO THE SENATE AND HOUSE OF REPRESENTATIVES STAND-  
18 ING COMMITTEES ON APPROPRIATIONS AND THE SENATE AND HOUSE FISCAL  
19 AGENCIES INCLUDING ALL OF THE FOLLOWING:

20       (A) THE TOTAL DOLLAR AMOUNT OF THE CONTRACT.

21       (B) THE EFFECTIVE BEGINNING AND ENDING DATES OF THE  
22 CONTRACT.

23       (C) THE NAME OF THE VENDOR.

24       (D) THE TYPE OF SERVICE TO BE PROVIDED.

25       (3) EACH PRINCIPAL EXECUTIVE DEPARTMENT AND AGENCY SHALL  
26 PROVIDE A MONTHLY SUMMARY LISTING TO THE SENATE AND HOUSE OF  
27 REPRESENTATIVES STANDING COMMITTEES ON APPROPRIATIONS AND THE

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1 SENATE AND HOUSE FISCAL AGENCIES OF INFORMATION THAT IDENTIFIES  
2 ANY AUTHORIZATIONS FOR PERSONAL SERVICE CONTRACTS THAT ARE PRO-  
3 VIDED TO THE DEPARTMENT OF CIVIL SERVICE PURSUANT TO DELEGATED  
4 AUTHORITY GRANTED TO EACH PRINCIPAL EXECUTIVE DEPARTMENT AND  
5 AGENCY RELATED TO PERSONAL SERVICES CONTRACTS.

6 (4) THE CIVIL SERVICE DEPARTMENT SHALL ALSO INCLUDE A REPORT  
7 OF ALL MIXED CONTRACTS THAT THE CIVIL SERVICE COMMISSION DID NOT  
8 REVIEW FOR APPROVAL UNDER THE AUTHORITY OF CIVIL SERVICE RULE  
9 4-6.3, STANDARD (E).

10 Sec. 303. (1) "Detroit consumer price index" means the most  
11 comprehensive index of consumer prices available for the Detroit  
12 area from the bureau of labor statistics of the United States  
13 department of labor OR ITS SUCCESSOR.

14 (2) "Open-end appropriation" means an annual appropriation  
15 without a specific sum, for a state budget purpose.

16 (3) "Personal income" means as defined by the bureau of eco-  
17 nomic analysis of the United States department of commerce OR ITS  
18 SUCCESSOR.

19 (4) "Program" means the activities and financial resources  
20 applied to a public policy intention as approved by the  
21 legislature.

22 (5) "Proportion" means the proportion of total state spend-  
23 ing from state sources paid to all units of local government in a  
24 fiscal year, and shall be calculated by dividing a fiscal year's  
25 state spending from state sources paid to units of local govern-  
26 ment by total state spending from state sources for the same  
27 fiscal period.

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1       Sec. 305. (1) "Total state spending" means the sum of state  
2 operating fund expenditures, not including transfers ~~for~~  
3 ~~financing~~ between funds.

4       (2) "Total state spending from state sources" means the sum  
5 of state operating fund expenditures not including transfers ~~for~~  
6 ~~financing~~ between funds, federal aid, and restricted local and  
7 private sources of financing.

8       (3) "Transfer payments" means as defined by the bureau of  
9 economic analysis of the United States department of commerce OR  
10 ITS SUCCESSOR.

11       (4) "Unit of local government" means unit of local govern-  
12 ment as defined in section 115(6).

13       Sec. 323. The governor shall establish and maintain an  
14 executive budget function through a state budget director. The  
15 governor shall develop and present to the legislature an execu-  
16 tive budget proposal for the following fiscal period. The execu-  
17 tive budget proposal shall include proposed appropriations for  
18 state program services and estimated or proposed revenue and  
19 resources for all state operating funds. Proposed appropriations  
20 shall not exceed the estimated financing in a state operating  
21 fund. The executive budget function shall include the management  
22 and execution of the state budget which is enacted into law to  
23 deliver intended services within actual levels of financing in  
24 the state operating funds.

25       Sec. 342. The state budget director OR STATE TREASURER  
26 shall establish and maintain an economic analysis, revenue  
27 estimating, and monitoring activity. The activity shall include

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1 the preparation of current estimates of all revenue by source for  
2 state operating funds for the initial executive budget proposal  
3 to the legislature and thereafter through final closing of the  
4 state's accounts.

5       Sec. 344. (1) The state budget director shall develop  
6 annual proposals for departmental program activities and the  
7 associated estimated costs and sources of financing. The propos-  
8 als shall reflect current departmental program activities rela-  
9 tive to impact on state policy goals, and new and augmented pro-  
10 gram activities in response to changing priorities. The propos-  
11 als shall reflect the evaluations and analyses of state programs  
12 and activities prescribed in this act.

13       (2) The state budget director shall review the auditor  
14 general's audits of state agencies as a basis for making recom-  
15 mendations in departmental program expenditure proposals.

16       (3) The state budget director shall annually determine the  
17 amounts required for interest and principal of state debt and the  
18 estimated costs of capital outlay projects to provide facilities  
19 for state program services.

20       ~~(4) The state budget director shall review the long-range~~  
21 ~~capital outlay needs for the succeeding 5 years and the project~~  
22 ~~priorities as determined pursuant to section 242.~~

23       Sec. 350. (1) If state government assumes the financing and  
24 administration of a function, after December 22, 1978, which was  
25 previously performed by a unit of local government, the state  
26 payments for the function shall be counted as state spending paid  
27 to units of local government.

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1 ~~(2) Amounts excepted from the financial liability of a~~  
2 ~~county under section 302(2)(c) of the mental health code, Act~~  
3 ~~No. 258 of the Public Acts of 1974, being section 330.1302 of the~~  
4 ~~Michigan Compiled Laws, shall be counted as state spending paid~~  
5 ~~to local units of government.~~

6 ~~(3) State spending paid to units of local government shall~~  
7 ~~include the same proportion of the state's short-term interest~~  
8 ~~and interfund borrowing expense as the proportion of state spend-~~  
9 ~~ing from state resources paid to all units of local government,~~  
10 ~~as is established pursuant to section 349.~~

11 ~~(2) (4) Refunds or other repayments of prior year revenues~~  
12 ~~shall not be considered in the determination of total state~~  
13 ~~spending.~~

14 Sec. 350a. As used in sections 26 to 28 of article IX of  
15 the state constitution of 1963:

16 (a) "Personal income of Michigan" for a calendar year means  
17 total annual personal income as officially reported by the United  
18 States department of commerce, bureau of economic analysis, OR  
19 ITS SUCCESSOR, in August of the year following the calendar year  
20 for which the report is made. Revision of the total annual per-  
21 sonal income figure as reported by the bureau of economic analy-  
22 sis after August of the year following the calendar year for  
23 which the report is made shall not cause personal income of  
24 Michigan as defined to be revised.

25 (b) "Total state revenues" means the combined increases in  
26 net current assets of the general fund and special revenue funds,  
27 except for component units included within the special revenue

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1 group for reporting purposes only. For fiscal years beginning  
2 after September 30, 1986, total state revenues shall be computed  
3 on the basis of generally accepted accounting principles as  
4 defined in this act. However, total state revenues shall not  
5 include the following:

6 (i) Financing sources which have previously been counted as  
7 revenue, for the purposes of section 26 of article IX such as,  
8 beginning fund balance, expenditure refunds, and residual-equity  
9 and operating transfers from within the group of funds.

10 (ii) Current assets generated from transactions involving  
11 fixed assets and long-term obligations in which total net assets  
12 do not increase.

13 (iii) Revenues which are not available for normal public  
14 functions of the general fund and special revenue funds.

15 (iv) Federal aid.

16 (v) Taxes imposed for the payment of principal and interest  
17 on voter-approved bonds and loans to school districts authorized  
18 under section 16 of article IX of the state constitution of  
19 1963.

20 (vi) Tax credits based on actual tax liabilities or the  
21 imputed tax components of rental payments, but not including the  
22 amount of any credits not related to actual tax liabilities.

23 (vii) Refunds or payments of revenues recognized in a prior  
24 period.

25 (viii) The effects of restatements of beginning balances  
26 required by changes in generally accepted accounting principles.

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1 (c) The calculation of total state revenues required by  
2 section 350b(3) shall not be adjusted after the filing of the  
3 report required by June 30, 1989, unless future changes in gener-  
4 ally accepted accounting principles would substantially distort  
5 the comparability of the base year and the current and future  
6 years. In no event shall intervening years be recalculated.

7 Sec. 350e. The department shall annually prepare a report  
8 which summarizes in detail the state's compliance with the reve-  
9 nue limit established in section 350b. The report shall be sub-  
10 mitted to the auditor general for review and comment not later  
11 than May 31 of each year, and shall be published by submission to  
12 the legislature not later than June 30 of each year. ~~For the~~  
13 ~~fiscal year 1988 report only, the report shall be submitted to~~  
14 ~~the auditor general not later than August 31, 1989, and published~~  
15 ~~not later than September 30, 1989.~~

16 Sec. 352. (1) When the annual growth rate is more than 2%,  
17 the percentage excess over 2% shall be multiplied by the total  
18 state general fund-general purpose revenue for the fiscal year  
19 ending in the current calendar year to determine the amount to be  
20 transferred to the fund from the state general fund in the fiscal  
21 year beginning in the current calendar year.

22 (2) When the annual growth rate is less than 0%, the percen-  
23 tage deficiency under 0% shall be multiplied by the total state  
24 general fund-general purpose revenue for the fiscal year ending  
25 in the current calendar year to determine the eligible amount to  
26 be transferred to the state general fund from the fund in the  
27 ~~current~~ fiscal year ENDING IN THE CURRENT CALENDAR YEAR. When

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1 the formula calls for a larger transfer from the fund than is  
2 necessary to balance the current fiscal year state general  
3 fund-general purpose budget, the excess shall remain in the  
4 fund.

5       Sec. 353. (1) In a calendar quarter following a calendar  
6 quarter in which the seasonally adjusted state unemployment rate  
7 as certified by the director of the Michigan ~~employment~~  
8 ~~security~~ JOBS commission is 8% or more, an amount may be appro-  
9 priated from the fund by the legislature for the purposes listed  
10 in this section in accordance with the following table:

11

12       Percent of seasonally	Percent of fund avail-
13       adjusted unemployment	able for economic
14       in the calendar quarter	stabilization during
15       preceding the calendar	the calendar quarter
16       quarter in which	following a calendar
17       an amount may be	quarter of high
18       appropriated	unemployment
19       _____	_____
20               8.0-11.9%	2.5% of fund balance
21	as of first day of
22	calendar quarter
23               12.0% and over	5.0% of fund balance
24	as of first day of
25	calendar quarter

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1 (2) The legislature may appropriate by law money from the  
2 fund in the amounts as provided in this section to assist in the  
3 following countercyclical economic stabilization purposes:

4 (a) Capital outlay.

5 (b) Public works and public service jobs.

6 (c) Refundable investment or employment tax credits against  
7 state business taxes for new outlays and hiring in this state.

8 (d) Any other purpose the legislature may provide by law  
9 which provides employment opportunities counter to the state's  
10 economic cycle.

11 (3) Notwithstanding subsections (1) and (2), there is hereby  
12 appropriated \$40,000,000.00 from the fund for the Michigan state  
13 parks endowment fund. The appropriation provided for in this  
14 subsection shall only be effective after the proceeds from the  
15 sale of the accident fund have been transferred to the fund as  
16 provided for in section 701a of the worker's disability compensa-  
17 tion act of 1969, ~~Act No. 317 of the Public Acts of 1969, being~~  
18 ~~section 418.701a of the Michigan Compiled Laws~~ 1969 PA 317,  
19 MCL 418.701A.

20 Sec. 353e. (1) Notwithstanding section 353, for the fiscal  
21 year ending September 30, 1998, there is appropriated and trans-  
22 ferred from the fund to the state school aid fund the sum of  
23 \$212,000,000.00 for the purpose of paying money damages to school  
24 districts and intermediate school districts who were plaintiffs  
25 in the consolidated cases known as Durant v State of Michigan,  
26 Michigan supreme court docket no. 104458-104492, according to the  
27 supreme court's July 31, 1997 opinion in that case.

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1           (2) Notwithstanding section 353, for the fiscal year ending  
2 September 30, 1999, there is appropriated and transferred from  
3 the fund to the state school aid fund the sum of \$73,700,000.00  
4 for the purpose of making appropriations to school districts and  
5 intermediate school districts other than those described in  
6 subsection (1).

7           (3) Notwithstanding section 353, for the fiscal year ending  
8 September 30, 2000, for the fiscal year ending September 30,  
9 2001, for the fiscal year ending September 30, 2002, for the  
10 fiscal year ending September 30, 2003, for the fiscal year ending  
11 September 30, 2004, for the fiscal year ending September 30,  
12 2005, for the fiscal year ending September 30, 2006, for the  
13 fiscal year ending September 30, 2007, and for the fiscal year  
14 ending September 30, 2008, there is appropriated and transferred  
15 from the fund to the state school aid fund the sum of  
16 \$32,000,000.00 for the purpose of making appropriations to school  
17 districts and intermediate school districts other than those  
18 described in subsection (1).

19           ~~(4) Notwithstanding sections 352 and 354, for each fiscal~~  
20 ~~year ending after October 1, 1997, all general fund-general pur-~~  
21 ~~pose balances at the final close of the fiscal year shall be~~  
22 ~~transferred to the fund. If an amount is required to be trans-~~  
23 ~~ferred to the fund for a fiscal year under section 352, any~~  
24 ~~amount transferred to the fund under this subsection shall be~~  
25 ~~considered to be a part of the amount transferred to the fund for~~  
26 ~~purposes of section 352.~~

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35

1       Sec. 354. (1) The executive budget for each fiscal year  
2 shall contain an estimate of the transfer into or out of the fund  
3 required by section 352.

4       (2) The legislature shall include a final estimate of the  
5 transfer into or out of the fund required by section 352 in the  
6 appropriations bill which contains the revenue estimate required  
7 by section 31 of article IV of the state constitution of 1963.

8       (3) Except as provided in subsection ~~(7)~~ (4), a transfer  
9 into the fund shall be made in equal monthly installments  
10 throughout the fiscal year. Except as provided in subsection  
11 ~~(7)~~ (4), a transfer out of the fund may be made as needed  
12 during the fiscal year.

13       (4) NOTWITHSTANDING SECTION 352, FOR EACH FISCAL YEAR ENDING  
14 AFTER OCTOBER 1, 1997, ALL UNRESERVED GENERAL FUND-GENERAL PUR-  
15 POSE BALANCES AT THE FINAL CLOSE OF THE FISCAL YEAR SHALL BE  
16 TRANSFERRED TO THE FUND. IF AN AMOUNT IS REQUIRED TO BE TRANS-  
17 FERRED TO THE FUND FOR A FISCAL YEAR UNDER SECTION 352, ANY  
18 AMOUNT TRANSFERRED TO THE FUND UNDER THIS SUBSECTION SHALL BE  
19 CONSIDERED TO BE A PART OF THE AMOUNT TRANSFERRED TO THE FUND FOR  
20 PURPOSES OF SECTION 352.

21       ~~(4) For the fiscal year ending September 30, 1995 only, all~~  
22 ~~general fund-general purpose balances at the final close of the~~  
23 ~~fiscal year are appropriated in the following order:~~

24       ~~(a) Up to \$22,653,100.00 are appropriated for distribution~~  
25 ~~to the state's 15 universities and 28 community colleges. Of the~~  
26 ~~\$22,653,100.00 available for distribution to the state's 15~~  
27 ~~universities and 28 community colleges, \$18,805,186.00 shall be~~

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1 distributed to universities and \$3,847,914.00 shall be  
2 distributed to community colleges in the manner provided in  
3 subsections (5) and (6). If the general fund-general purpose  
4 balances at the final close of the fiscal year are less than  
5 \$22,653,100.00, the distribution to the state's 15 universities  
6 and 28 community colleges shall be reduced proportionally.

7 (b) If the general fund-general purpose balances at the  
8 final close of the fiscal year exceed \$22,653,100.00, the addi-  
9 tional general fund-general purpose balances up to \$5,000,000.00  
10 are hereby appropriated for state special maintenance projects.

11 (c) If the general fund-general purpose balances at the  
12 close of the fiscal year exceed \$27,653,100, all remaining bal-  
13 ances are hereby appropriated into the counter cyclical budget  
14 and economic stabilization fund. This appropriation shall be  
15 used to satisfy requirements under section 26 of article IX of  
16 the state constitution of 1963.

17 (5) The appropriation for the state's 15 universities appro-  
18 priated in subsection (4) shall be allocated to the universities  
19 as follows:

20	Central Michigan university.....	\$ 1,350,000
21	Eastern Michigan university.....	1,000,000
22	Ferris state university.....	625,000
23	Grand valley state university.....	250,000
24	Lake Superior state university.....	250,000
25	Michigan state university.....	900,000

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1	<del>Michigan technological university.....</del>	<del>750,000</del>
2	<del>Northern Michigan university.....</del>	<del>500,000</del>
3	<del>Oakland university.....</del>	<del>700,000</del>
4	<del>Saginaw valley state university.....</del>	<del>505,186</del>
5	<del>University of Michigan - Ann Arbor.....</del>	<del>8,000,000</del>
6	<del>University of Michigan - Dearborn.....</del>	<del>250,000</del>
7	<del>University of Michigan - Flint.....</del>	<del>250,000</del>
8	<del>Wayne state university.....</del>	<del>3,000,000</del>
9	<del>Western Michigan university.....</del>	<del>475,000</del>

10       ~~(6) The appropriation for the state's 28 community colleges~~  
11 ~~appropriated in subsection (4) shall be distributed to the col-~~  
12 ~~leges in direct proportion to the 1995 fiscal year unrestricted~~  
13 ~~operating appropriations as follows:~~

14	<del>Alpena community college.....\$</del>	<del>63,009</del>
15	<del>Bay de Noc community college.....</del>	<del>53,818</del>
16	<del>Delta college.....</del>	<del>182,277</del>
17	<del>Glen Oaks community college.....</del>	<del>26,991</del>
18	<del>Gogebic community college.....</del>	<del>56,841</del>
19	<del>Grand Rapids community college.....</del>	<del>251,450</del>
20	<del>Henry Ford community college.....</del>	<del>276,759</del>
21	<del>Jackson community college.....</del>	<del>168,689</del>
22	<del>Kalamazoo valley community college.....</del>	<del>124,895</del>
23	<del>Kellogg community college.....</del>	<del>110,996</del>
24	<del>Kirtland community college.....</del>	<del>41,612</del>
25	<del>Lake Michigan college.....</del>	<del>61,471</del>

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1	<del>Lansing community college.....</del>	<del>400,092</del>
2	<del>Macomb community college.....</del>	<del>433,324</del>
3	<del>Mid Michigan community college.....</del>	<del>49,144</del>
4	<del>Monroe county community college.....</del>	<del>46,534</del>
5	<del>Montcalm community college.....</del>	<del>41,908</del>
6	<del>Mott community college.....</del>	<del>197,936</del>
7	<del>Muskegon community college.....</del>	<del>115,122</del>
8	<del>North central Michigan college.....</del>	<del>37,650</del>
9	<del>Northwestern Michigan college.....</del>	<del>107,757</del>
10	<del>Oakland community college.....</del>	<del>289,677</del>
11	<del>St. Clair county community college.....</del>	<del>90,922</del>
12	<del>Schoolcraft college.....</del>	<del>147,844</del>
13	<del>Southwestern Michigan college.....</del>	<del>68,966</del>
14	<del>Washtenaw community college.....</del>	<del>138,360</del>
15	<del>Wayne county community college.....</del>	<del>235,233</del>
16	<del>West Shore community college.....</del>	<del>28,637</del>

17       ~~(7) For the fiscal year ending September 30, 1996 only, all~~  
18 ~~general fund-general purpose balances at the final close of the~~  
19 ~~fiscal year are hereby appropriated and shall be transferred to~~  
20 ~~the fund. Notwithstanding section 352, the total amount trans-~~  
21 ~~ferred to the fund under this subsection shall be considered to~~  
22 ~~be the amount transferred to the fund for purposes of section 352~~  
23 ~~for the fiscal year ending September 30, 1996 only.~~

24       ~~(8) For the fiscal year ending September 30, 1996 only,~~  
25 ~~there is appropriated \$391,300.00 to the city of Detroit to fund~~  
26 ~~the Detroit crime lab and the Detroit police special events~~  
27 ~~unit.~~

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1       Sec. 355. ~~(1)~~ The transfer into or out of the fund as  
2 provided in section 352 for each fiscal year beginning after  
3 September 30, 1978, may be adjusted in light of revision in the  
4 annual growth rate for the calendar year upon which that transfer  
5 was made. IF AN ADJUSTMENT IS MADE, IT SHALL BE IMPLEMENTED BY  
6 AN APPROPRIATION BILL ENACTED INTO LAW. The adjustment, if made,  
7 shall be directly proportional to an increase or decrease in the  
8 annual growth rate, but the adjustment shall not be in excess of  
9 1% multiplied by the total general fund-general purpose revenue  
10 of the fiscal year upon which the transfer was based. The basis  
11 for an adjustment shall be a change in the personal income level  
12 for that calendar year as determined by the bureau of economic  
13 analysis of the United States department of commerce OR ITS  
14 SUCCESSOR in the last report it makes before April 30 of the  
15 fiscal year in which that calendar year ended. The adjustment,  
16 if made, shall be effective on June 1 of the fiscal year in which  
17 the transfer is made.

18       ~~(2) An appropriation from the fund as provided in section~~  
19 ~~353 may be adjusted for a change in the unemployment rate statis-~~  
20 ~~tics for the 4 quarters immediately preceding the quarter in~~  
21 ~~which the appropriation is to be made, as long as an adjustment~~  
22 ~~has not already been made in an appropriation from the fund~~  
23 ~~because of a prior change in the unemployment rate statistics for~~  
24 ~~1 or more of those 4 quarters. A change in the unemployment rate~~  
25 ~~statistics shall not be made until that change is certified by~~  
26 ~~the director of the Michigan employment security commission.~~

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1       ~~(3) An adjustment made pursuant to subsection (2) shall not~~  
 2 ~~be made unless the change in the unemployment rate statistics~~  
 3 ~~would have provided for a different percent of the fund to be~~  
 4 ~~appropriated under section 353. If the adjustment creates a~~  
 5 ~~state general fund liability, that liability shall be offset~~  
 6 ~~against future appropriations which would have been made under~~  
 7 ~~section 353.~~

8       ~~(4) For the fiscal year ending September 30, 1991 only, the~~  
 9 ~~mid-year adjustment to be used to calculate the amount to be~~  
 10 ~~transferred from the fund to the general fund pursuant to~~  
 11 ~~section 352(2) shall be based on the following estimates:~~

	<u>Dollars in</u>	
	<u>Millions</u>	
	<u>1990</u>	<u>1991</u>
15 Michigan personal income.....	\$ 170,534	\$ 175,484
16 Less: Transfer payments.....	<del>(26,866)</del>	<del>(28,932)</del>
17 Subtotal.....	\$ 143,668	\$ 146,552
18 Divided by: Detroit C.P.I. for 12 months		
19 ending June 30 (1982=1.00).....	1.253	1.317
20 Equals: Real adjusted Michigan personal		
21 income.....	\$ 114,659	\$ 111,277
22 Percentage decrease.....		(2.95)%
23 Multiplied by: Estimated GF/GP revenue in		
24 FY 1990-91.....		7,120
25 Equals: Transfer from countercyclical		
26 budget and economic stabilization fund		
27 for the fiscal year ending September 30,		
28 1991.....		\$ 210

29       ~~(5) In accordance with the economic stabilization transfer~~  
 30 ~~allowed under section 353(1) there is appropriated from the fund~~

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1 ~~for the fiscal year ending September 30, 1991 the sum of~~

2 ~~\$20,000,000.00 determined as follows:~~

3	Fund Balance			
4	Calendar	as of First		Maximum
5	Quarter	Day of Calendar	Maximum Allowable	Amount of
6	<u>Beginning</u>	<u>Quarter</u>	<u>Withdrawal</u>	<u>Withdrawal</u>
7	4/1/91	\$400,000,000	2.5% of the fund	\$10,000,000
8			balance as of first	
9			day of quarter	
10	7/1/91	\$398,000,000	2.5% of the fund	\$10,000,000
11			balance as of first	
12			day of quarter	

13 ~~(6) The total transfer from the fund to the general fund for~~  
 14 ~~the fiscal year ending September 30, 1991 pursuant to subsections~~  
 15 ~~(4) and (5) shall be \$230,000,000.00.~~

16 Sec. 356. THE BALANCE IN THE FUND SHALL NOT EXCEED 10% OF  
 17 THE COMBINED LEVEL OF GENERAL FUND-GENERAL PURPOSE AND SCHOOL AID  
 18 FUND REVENUES. If the balance in the fund at the end of a fiscal  
 19 year exceeds ~~25%~~ 10% of the actual state general fund-general  
 20 purpose ~~revenue~~ AND SCHOOL AID FUND REVENUES for that fiscal  
 21 year, the excess shall be rebated TO TAXPAYERS on the individual  
 22 income tax returns filed following the close of that fiscal year  
 23 according to a schedule to be established by law.

24 Sec. 363. Within 30 days after the legislature convenes in  
 25 regular session, except in a year in which a newly elected gover-  
 26 nor is inaugurated into office when 60 days shall be allowed, ~~or~~  
 27 ~~except in the 1993 calendar year when the transmission date shall~~  
 28 ~~be not later than March 19, 1993,~~ the governor shall transmit to  
 29 each member of the legislature and the ~~senate and house~~ fiscal  
 30 agencies the budget in detail as provided in this act,  
 31 accompanied by such explanations and recommendations relative

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1 thereto as the governor considers necessary. At the time the  
2 budget is transmitted to the legislature, the director shall  
3 transmit line-item appropriation detail to the fiscal agencies  
4 using a computer software application that is compatible with the  
5 budget tracking computer systems used by the respective fiscal  
6 agencies.

7       Sec. 367. (1) Concurrent with transmitting the state budget  
8 to the legislature, the governor shall submit to the legislature  
9 and the ~~senate and house~~ fiscal agencies executive budget bills  
10 containing ITEMIZED STATEMENTS OF ESTIMATED STATE SPENDING TO BE  
11 PAID TO LOCAL UNITS OF GOVERNMENT, individual line item amounts,  
12 including the number of FTE positions to be funded by each indi-  
13 vidual line item amount, for the proposed expenditures and any  
14 necessary bills for additional revenue to provide financing for  
15 the proposed expenditures.

16       (2) One executive budget bill and 1 enacted budget bill  
17 shall contain all of the following:

18       (a) The estimated revenue for each state operating fund in  
19 sufficient detail to provide for comparison with actual revenue.

20       (b) Summary totals for each state operating fund to reflect  
21 that recommended expenditures for each fund are within proposed  
22 and estimated resources.

23       (c) An ~~itemized~~ ESTIMATED statement of state spending to  
24 be paid to units of local government, total state spending from  
25 state sources of financing, and the state-local proportion  
26 derived from that data.

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1           Sec. 367b. (1) A revenue estimating conference shall be  
2 held in the second week of January and in the last week in May of  
3 each year, and as otherwise provided in this act.

4           (2) The principals of the conference shall be the ~~director~~  
5 ~~of the department of management and budget~~ STATE BUDGET DIRECTOR  
6 OR THE STATE TREASURER, the director of the senate fiscal agency,  
7 and the director of the house fiscal agency, or their respective  
8 designees.

9           (3) The conference shall establish an official economic  
10 forecast of major variables of the national and state economies.  
11 The conference shall also establish a forecast of anticipated  
12 state revenues as the conference determines including the  
13 following:

14           (a) State income tax collections.

15           (b) State sales tax collections.

16           (c) Single business tax collections.

17           (d) Total general fund/general purpose revenues.

18           (e) Lottery transfers to the school aid fund.

19           (f) Total school aid fund revenues.

20           (g) ANNUAL PERCENTAGE GROWTH IN THE BASIC FOUNDATION ALLOW-  
21 ANCE PROVIDED FOR IN THE STATE SCHOOL AID ACT OF 1979, 1979  
22 PA 94, MCL 388.1601 TO 388.1772.

23           (h) COMPLIANCE WITH THE STATE REVENUE LIMIT ESTABLISHED BY  
24 SECTION 26 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.

25           (i) PAY-INS OR PAY-OUTS REQUIRED UNDER THE COUNTERCYCLICAL  
26 BUDGET AND ECONOMIC STABILIZATION FUND.

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1 (4) The conference's official forecast of economic and  
2 revenue variables shall be determined by consensus among the  
3 principals.

4 (5) The forecasts required by this section shall be for the  
5 fiscal year in which the conference is being held and the ensuing  
6 fiscal year.

7 (6) The official conference forecast shall be based upon the  
8 assumption that the current law and current administrative proce-  
9 dures will remain in effect for the forecast period.

10 Sec. 367f. Upon the written request of a principal, a con-  
11 ference shall be convened by the ~~director~~ CHAIRPERSON.

12 Sec. 371. (1) An employee of a state agency shall not make  
13 or authorize an expenditure or incur an obligation that results  
14 in the agency exceeding the gross appropriation level of an  
15 appropriation line item made to that agency by the legislature.  
16 The chief executive officer and the chief financial officer of a  
17 state agency are responsible for any action taken by a state  
18 agency which results in exceeding an appropriation. The chief  
19 executive officer of a state agency shall report a violation of  
20 this subsection immediately to the director and the chairpersons  
21 of the senate and house appropriations committees, together with  
22 a statement of any action taken to remedy the occurrence.

23 (2) Within 15 days after a bill appropriating an amount is  
24 enacted into law, the amount appropriated shall be divided into  
25 allotments by department and by state agency based on periodic  
26 requirements to represent a spending plan. The state budget  
27 director shall review the allotments. ~~By June 1 of each year,~~

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1 ~~the~~ THE director shall submit a report EACH QUARTER to the  
2 appropriations committees AND THE FISCAL AGENCIES that compares  
3 actual expenditures to the allotments PER APPROPRIATION LINE ITEM  
4 made for each department and each state agency for ~~the first 6~~  
5 ~~months of the fiscal year~~ THAT QUARTER. When it appears that a  
6 spending plan, or sources of financing related, do not provide  
7 the level of program service assumed in the appropriation for the  
8 fiscal year, the state budget director shall ~~pursue 1 of the~~  
9 ~~following remedies:~~ IMMEDIATELY NOTIFY THE CHAIRPERSONS AND  
10 MINORITY CHAIRPERSONS OF THE APPROPRIATIONS COMMITTEES, THE  
11 CHAIRPERSONS AND MINORITY CHAIRPERSONS OF THE APPROPRIATE APPRO-  
12 PRIATIONS SUBCOMMITTEES, AND THE FISCAL AGENCIES.

13 ~~(a) Require from the principal department a lower level of~~  
14 ~~service spending plan for the fiscal year. The state budget~~  
15 ~~director shall thereafter withhold any payment which would exceed~~  
16 ~~the allotment balance in the approved reduced plan. If a reduced~~  
17 ~~spending or service plan is to be implemented pursuant to this~~  
18 ~~subdivision, the state budget director shall notify the appropri-~~  
19 ~~ations committees and the fiscal agencies at least 15 days before~~  
20 ~~the reduction plan is to be effective.~~

21 ~~(b) Reflect the deficiency in projecting and reporting the~~  
22 ~~status of the state budget. The state budget director shall then~~  
23 ~~approve the spending plan as submitted by the department and~~  
24 ~~within 45 days after the enacted appropriation, recommend to the~~  
25 ~~legislature a supplemental appropriation to provide the necessary~~  
26 ~~level of program service.~~

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1           Sec. 372. (1) Allotments may be adjusted by the state  
2 budget director as requested by a department, subject to the  
3 considerations in section 371(2).

4           (2) A payment which would exceed an allotment balance may be  
5 withheld by order of the state budget director. Payments shall  
6 not exceed the total periodic allotments for the fiscal year.

7           (3) For open-end appropriations, a continuing allotment may  
8 be approved by the state budget director or the state budget  
9 director may require the state agency to submit requests for  
10 periodic allotments.

11           (4) Allotments may be reduced or adjusted by the state  
12 budget director as a result of implementing measures of adminis-  
13 trative efficiency, including the abolishment of positions by  
14 appointing authorities. An action taken under this section shall  
15 be reported to the appropriations committees AND THE FISCAL  
16 AGENCIES within 15 days after the action is taken.

17           (5) The state budget director may issue directives for the  
18 allotment of appropriations.

19           Sec. 384. (1) A state agency which applies for federal  
20 financial assistance shall notify the department within 10 days  
21 after the application is sent. The notification to apply for  
22 federal financial assistance shall be on a form prescribed by,  
23 and contain information requested by, the department. Within 10  
24 days after the state agency receives notice that its application  
25 for federal financial assistance is awarded, rejected, revised,  
26 or deferred, the state agency shall provide notice of the award,

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1 rejection, revision, or deferment of the application to the  
2 department.

3       (2) Within 30 days after a state agency receives notice that  
4 a federal grant has been awarded to the state for which organiza-  
5 tions or units of local government are eligible to apply, the  
6 state agency administering the federal grant program shall report  
7 to the legislature AND THE FISCAL AGENCIES the availability of  
8 the grant funds and the proposed plan for allocating the grant  
9 funds to the organizations or units of local government. A state  
10 agency shall not commit any federal grant funds before this noti-  
11 fication to the legislature has occurred and a subsequent appro-  
12 priation of the funds is made by the legislature.

13       (3) Before December 1 and June 1 of each year, each princi-  
14 pal department shall report to the appropriations committees, the  
15 fiscal agencies, and the department estimates on the extent to  
16 which federal revenues appropriated have been realized and are  
17 expected for the remainder of the fiscal year. The report shall  
18 detail the estimate by program or grant, and catalog of federal  
19 domestic assistance account.

20       Sec. 386. (1) The state budget director shall prepare  
21 monthly financial reports.

22       (2) Within ~~30~~ 45 days after the end of each month, the  
23 state budget director shall transmit copies of the monthly finan-  
24 cial report to all the appropriations committee members and the  
25 fiscal agencies. The monthly financial report due by [DECEMBER 15]  
26 shall be the first monthly financial report to include statements  
27 concerning the fiscal year which began on October 1.

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1 (3) Each monthly financial report shall contain the  
2 following information:

3 (a) A statement of actual monthly and year-to-date revenue  
4 collections for ~~each operating fund;~~ the general fund/general  
5 purpose revenues, school aid fund revenues, and the tax collec-  
6 tions dedicated to the transportation funds; including a compari-  
7 son with prior year amounts, statutory estimates, and the most  
8 recent estimates from the executive branch.

9 (b) A statement of estimated year-end appropriations lapses  
10 and overexpenditures for the state general fund by principal  
11 department.

12 (c) A statement projecting the ending state general fund  
13 ~~balance~~ AND STATE SCHOOL AID FUND BALANCES for the fiscal year  
14 in progress.

15 (d) A summary of current economic events relevant to the  
16 Michigan economy, and a discussion of any economic forecast or  
17 current knowledge of revenue collections or expenditure patterns  
18 that is the basis for a change in any revenue estimate or expen-  
19 diture projection.

20 (e) A statement of estimated and actual total state revenues  
21 compared to the revenue limit provided for in section 26 of arti-  
22 cle IX of the state constitution of 1963.

23 (f) A statement of the estimated fiscal year-end balance of  
24 state payments to units of local government pursuant to  
25 section 30 of article IX of the state constitution of 1963.

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1 (g) Any other information considered necessary by the state  
2 budget director or jointly requested by the chairpersons of the  
3 appropriations committees.

4 (H) A STATEMENT OF YEAR-TO-DATE BALANCES FOR THE FOLLOWING  
5 FUNDS:

6 (i) THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION  
7 FUND OR ITS SUCCESSOR.

8 (ii) THE RENAISSANCE FUND OR ITS SUCCESSOR.

9 (iii) THE NATURAL RESOURCES TRUST FUND OR ITS SUCCESSOR.

10 Sec. 393. (1) Administrative transfers of appropriations  
11 within any department to adjust for current cost and price varia-  
12 tions from the enacted budget items, or to adjust amounts between  
13 federal sources of financing FOR A SPECIFIC APPROPRIATION LINE  
14 ITEM, OR TO ADJUST AMOUNTS BETWEEN RESTRICTED SOURCES OF FINANC-  
15 ING FOR A SPECIFIC APPROPRIATION LINE ITEM, OR TO PAY COURT JUDG-  
16 MENTS, INCLUDING COURT APPROVED CONSENT JUDGMENTS, OR TO PAY ALL  
17 SETTLEMENTS AND CLAIMS may be made by the state budget director  
18 not less than 30 days after notifying the senate and house appro-  
19 priations committees. Administrative transfers shall not include  
20 adjustments that have policy implications or that have the effect  
21 of creating, expanding, or reducing programs within that  
22 department. Those transfers may be disapproved by either appro-  
23 priations committee within the 30 days and, if disapproved within  
24 that time, shall not be effective.

25 (2) A transfer of appropriations within any department ~~for~~  
26 ~~reasons other than cost and price variances from those~~  
27 ~~appropriations as enacted into law shall not be made by the state~~

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1 ~~budget director unless approved by both appropriations~~  
2 ~~committees. If the budget director does not approve transfers~~  
3 ~~adopted by both appropriations committees under this subsection,~~  
4 ~~the budget director shall notify the appropriations committees of~~  
5 ~~his or her action within 15 days.~~ OTHER THAN AN ADMINISTRATIVE  
6 TRANSFER PURSUANT TO SUBSECTION (1) SHALL NOT BE MADE BY THE  
7 STATE BUDGET DIRECTOR UNLESS APPROVED BY BOTH APPROPRIATIONS  
8 COMMITTEES. IF THE STATE BUDGET DIRECTOR DOES NOT APPROVE TRANS-  
9 FERS ADOPTED BY BOTH APPROPRIATIONS COMMITTEES UNDER THIS SUBSEC-  
10 TION, THE STATE BUDGET DIRECTOR SHALL NOTIFY BOTH APPROPRIATIONS  
11 COMMITTEES OF HIS OR HER ACTION WITHIN 15 DAYS AFTER THE APPRO-  
12 PRIATIONS COMMITTEES' FINAL APPROVAL.

13       (3) A transfer approved by the appropriations committees  
14 shall not be effective unless it is identical in terms of funding  
15 sources and dollar amounts.

16       (4) A transfer approved pursuant to this section shall con-  
17 stitute authorization to transfer the amount recommended and  
18 approved. However, the amount shall be reduced by the state  
19 budget director to be within the current unobligated amount of  
20 the appropriation.

21       (5) ~~A transfer approved by law shall not subsequently be~~  
22 ~~withdrawn or reversed in whole or in part.~~ CAPITAL OUTLAY APPRO-  
23 PRIATIONS MAY BE TRANSFERRED FROM A STATE AGENCY, COMMUNITY COL-  
24 LEGE, OR INSTITUTION OF HIGHER EDUCATION TO PROVIDE NECESSARY  
25 FUNDS FOR THE COMPLETION OF AN AUTHORIZED CAPITAL OUTLAY PROJECT,  
26 IF THE TRANSFER IS APPROVED BY JCOS AND THE APPROPRIATIONS

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1 COMMITTEES. OPERATING APPROPRIATIONS SHALL NOT BE TRANSFERRED  
2 INTO AN EXISTING CAPITAL OUTLAY ACCOUNT.

3 (6) ~~Transfers between capital outlay appropriations~~  
4 ~~accounts shall not be made except as provided in section 247.~~

5 TRANSFERS SHALL NOT BE AUTHORIZED UNDER ANY OF THE FOLLOWING  
6 CIRCUMSTANCES:

7 (A) TO CREATE A NEW LINE-ITEM APPROPRIATION OR TO CREATE A  
8 NEW STATE PROGRAM.

9 (B) TO OR FROM AN OPERATING APPROPRIATION LINE-ITEM THAT DID  
10 NOT APPEAR IN THE [ ] FISCAL YEAR APPROPRIATION BILLS [FOR  
WHICH THE TRANSFER IS BEING MADE].

11 (C) TO OR FROM A WORK PROJECT AS DESIGNATED UNDER SECTION  
12 451.

13 (D) BETWEEN STATE GOVERNMENTAL FUNDS.

14 ~~(7) The state budget director may make transfers between~~  
15 ~~departments for federal and other restricted flow-through funds~~  
16 ~~when funds are appropriated in the budget of both departments.~~

17 ~~(8) Transfers of appropriations shall not be made between~~  
18 ~~state operating funds except as provided in subsections (6) and~~  
19 ~~(7). Transfers shall not be allowed into or from an open-end~~  
20 ~~appropriation, nor shall a transfer create a new line expenditure~~  
21 ~~item appropriation.~~

22 (7) Transfers of appropriations for financing sources shall  
23 be made concurrently with related transfers of appropriations for  
24 line expenditure items.

25 ~~(9) The state budget director shall not make transfers~~  
26 ~~between items appropriated except as provided in this section or~~  
27 ~~section 396(2).~~

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1       Sec. 396. (1) From the appropriations contained in a budget  
2 act, a state agency shall pay or record expenditures for the  
3 following:

4       (a) Court judgments, including court approved consent judg-  
5 ments; all settlements, awards, and claims.

6       (b) Writeoffs of accounts receivable recorded in a prior  
7 year.

8       (2) The attorney general shall notify the senate and house  
9 appropriations committees, the speaker of the house, ~~and~~ the  
10 senate majority leader, AND THE FISCAL AGENCIES within 14 days  
11 after entering into a settlement or consent judgment which would  
12 result in a state obligation that exceeds \$200,000.00. The  
13 notice shall include a summary of the facts of the case and the  
14 reason or reasons that the settlement or consent judgment would  
15 be in the best interests of the state.

16       ~~(3) Each principal department shall establish separate~~  
17 ~~accounts for recording payments made pursuant to this section.~~  
18 ~~The director may make transfers from appropriations contained in~~  
19 ~~a budget act into the accounts established pursuant to this sub-~~  
20 ~~section in such amounts as are necessary to cover the payments~~  
21 ~~made and expenditures recorded. The transfers shall be made in~~  
22 ~~the same manner as, and subject to the same requirements as those~~  
23 ~~transfers which are made pursuant to section 393(1).~~

24       (3) ~~(4)~~ Before December 1 of each year, each principal  
25 department shall transmit to the appropriations committees and  
26 fiscal agencies a written report which includes all of the  
27 following:

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1 (a) The total dollar amount of final judgments and  
2 settlements against the principal department for the most recent  
3 completed fiscal year.

4 (b) Each source of funding and item appropriating money in a  
5 budget act, which source and item is used to pay the judgments  
6 and settlements pursuant to subdivision (a).

7 (c) The total dollar amount of final judgments and settle-  
8 ments received in the most recent completed fiscal year pursuant  
9 to legal actions by the principal department.

10 (d) Each revenue account in which money was credited pursu-  
11 ant to subdivision (c).

12 (e) An estimate of the total dollar amount and a description  
13 of the facts involved in each court action currently pending  
14 against the department for the most recently completed fiscal  
15 year.

16 Sec. 404. (1) "Revenues" means the increases in the net  
17 current assets of a fund other than from expenditure refunds and  
18 residual equity transfers.

19 (2) "Revolving fund" means a self-supporting fund which pro-  
20 vides services or sells goods to state agencies, other governmen-  
21 tal jurisdictions, or the public.

22 (3) "Unencumbered balance" means that portion of an appro-  
23 priation not yet expended and encumbered.

24 (4) "Unexpended balance" means that portion of an appropria-  
25 tion not yet expended.

26 (5) "Unit of local government" means unit of local  
27 government as defined by section 115(6).

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1 (6) "Work order" means a capital outlay undertaking  
2 incurred, including salaries and wages, contractual services,  
3 supplies, and materials services.

4 (7) "Work project" means a 1-time nonrecurring undertaking  
5 for the purpose of accomplishing an objective contained in spe-  
6 cific ~~item~~ LINE-ITEM appropriation for that purpose OR ANY  
7 OTHER SPECIFIC LINE-ITEM APPROPRIATION DESIGNATED AS A WORK  
8 PROJECT BY LAW UNDER CRITERIA ESTABLISHED UNDER SECTION 451(3).

9 SEC. 430. WITHIN 10 WORKING DAYS AFTER FORMAL PRESENTATION  
10 OF THE EXECUTIVE BUDGET, THE STATE BUDGET DIRECTOR SHALL REPORT  
11 TO THE MEMBERS OF THE SENATE AND HOUSE APPROPRIATIONS COMMITTEES  
12 AND THE SENATE AND HOUSE FISCAL AGENCIES ON THE AMOUNTS AND  
13 SOURCES OF ALL CAPPED FEDERAL FUNDS, SPECIAL REVENUE FUNDS AS  
14 DEFINED IN THE STATE OF MICHIGAN'S COMPREHENSIVE ANNUAL FINANCIAL  
15 REPORT, AND THE HEALTHY MICHIGAN FUND CREATED UNDER SECTION 5953  
16 OF THE PUBLIC HEALTH CODE, 1978 PA 368, MCL 333.5953, AND AN  
17 ACCOUNTING OF THE STATE DEPARTMENTS OR AGENCIES IN WHICH THE  
18 EXECUTIVE BUDGET PROPOSES TO SPEND THE FUNDS.

19 Sec. 434. Revenues received from rates charged or goods  
20 sold and revenue which is received from any other source and des-  
21 ignated to be credited to a revolving fund shall be credited to  
22 that fund. Within 60 days after the fiscal year begins, the  
23 director shall submit to the appropriations committees and fiscal  
24 agencies a financial plan for the ensuing fiscal year. The  
25 financial plan shall include the rate structure, a projected  
26 statement of revenues and expenses in sufficient detail to  
27 provide for comparison with actual revenues and expenses, a

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1 projected statement of receipts and disbursements, and any other  
2 information considered necessary by the director. WITHIN 60 DAYS  
3 AFTER THE END OF THE FISCAL YEAR, THE DIRECTOR SHALL SUBMIT TO  
4 THE LEGISLATURE, THE APPROPRIATIONS COMMITTEES, AND THE FISCAL  
5 AGENCIES A REPORT ON THE STATUS OF ALL SUCH REVOLVING FUNDS,  
6 INCLUDING ALL INFORMATION REPORTED IN THE FINANCIAL PLAN.

7       Sec. 443. Except as otherwise provided by law, all money  
8 received by the various state agencies for whom appropriations  
9 are made by a budget act shall be forwarded to the state trea-  
10 surer and credited to the state general fund. THE STATE BUDGET  
11 DIRECTOR MAY MAKE FEDERAL REVENUE TRANSFERS BETWEEN THE RECIPIENT  
12 STATE DEPARTMENT AND THE SPENDING STATE DEPARTMENT ONLY WHEN  
13 FUNDS ARE APPROPRIATED IN THE SPENDING DEPARTMENT.

14       Sec. 451. (1) At the close of the fiscal year, the unencum-  
15 bered balance of each appropriation shall lapse to the state fund  
16 from which it was appropriated. A document which is not ascer-  
17 tainable before the cutoff date set by the director may be  
18 charged against a current year's appropriation if the chief  
19 accounting officer determines that the state agency was not will-  
20 ful in its failure to ascertain or record the document and if the  
21 amount of the payment would not have exceeded the unencumbered  
22 balance of the applicable appropriation in the prior fiscal  
23 year.

24       (2) An encumbrance entered into within 15 days before the  
25 end of the fiscal year and outstanding at the close of the fiscal  
26 year is not a charge against that fiscal year but is charged to  
27 the next succeeding fiscal year.

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1           (3) This section does not apply to an appropriation for a  
2 work order or a work project. ~~funded by general purpose~~  
3 ~~revenues.~~ Except as provided in section 248, a work order or  
4 work project appropriation continues to be available until com-  
5 pletion of the work or ~~12~~ 24 months after the ~~last~~  
6 ~~expenditure~~ CLOSE OF THE FISCAL YEAR IN WHICH THE APPROPRIATION  
7 WAS ORIGINALLY MADE, whichever comes first, then the remaining  
8 balance lapses to the state fund from which it was appropriated.  
9 ~~The appropriation for a work order or work project shall specif-~~  
10 ~~ically designate the item as a work order or work project and~~  
11 ~~shall include all of the following information:~~ THIS SUBSECTION  
12 APPLIES ONLY TO WORK PROJECTS ESTABLISHED BY THE EXECUTIVE BRANCH  
13 OF STATE GOVERNMENT. TO BE DESIGNATED AS A WORK ORDER OR WORK  
14 PROJECT, A WORK PROJECT SHALL MEET ALL OF THE FOLLOWING CRITERIA:  
15           (a) ~~The purpose of the order or project.~~ THE WORK ORDER OR  
16 WORK PROJECT SHALL BE OF A SPECIFIC PURPOSE.  
17           (b) ~~The methods that will be used to accomplish the~~  
18 ~~project.~~ THE WORK ORDER OR WORK PROJECT SHALL CONTAIN A SPECIFIC  
19 PLAN TO ACCOMPLISH ITS OBJECTIVE.  
20           (c) ~~The total estimated cost of the project.~~ THE WORK  
21 ORDER OR WORK PROJECT SHALL HAVE AN ESTIMATED COMPLETION COST.  
22           (d) ~~A tentative completion date of the project.~~ THE WORK  
23 ORDER OR WORK PROJECT SHALL HAVE AN ESTIMATED COMPLETION DATE.  
24           ~~(4) Except as provided in section 248, unencumbered appro-~~  
25 ~~priations made for work projects and financed from restricted~~  
26 ~~revenues shall continue to be available for expenditure until the~~

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1 ~~projects are completed or until lapsed by directives issued by~~  
2 ~~the director.~~

3       (4) ~~(5)~~ Not later than 45 days after the conclusion of the  
4 fiscal year, the director shall notify the senate and house  
5 appropriations ~~committee~~ COMMITTEES [AND THE SENATE AND HOUSE  
FISCAL AGENCIES] of appropriations proposed  
6 to be designated as work projects in accordance with the defini-  
7 tion contained in this act, but not specifically so designated in  
8 an appropriations act. These designations may be disapproved by  
9 either appropriations committee within 30 days after the date of  
10 notification and, if disapproved within that time, shall not be  
11 effective. THE NOTIFICATION SHALL INCLUDE AN ESTIMATE OF THE  
12 DOLLAR AMOUNT OF THE FUNDS TO BE DESIGNATED AS WORK PROJECTS.

13       (5) NOT LATER THAN 120 DAYS AFTER THE CONCLUSION OF THE  
14 FISCAL YEAR, THE DIRECTOR SHALL PREPARE AND DELIVER TO THE SENATE  
15 AND HOUSE APPROPRIATIONS COMMITTEES [AND THE SENATE AND HOUSE FISCAL  
AGENCIES] A REPORT WHICH SUMMARIZES  
16 CURRENT WORK PROJECT ACCOUNTS. THIS REPORT SHALL CONTAIN A LIST-  
17 ING OF ALL WORK PROJECT ACCOUNTS, THE BALANCE IN EACH ACCOUNT,  
18 THE AMOUNT OF FUNDS THAT LAPSED FROM ANY PREVIOUSLY DESIGNATED  
19 WORK PROJECTS AND THE FUNDS THAT RECEIVED THESE LAPSES.

20       Sec. 454. (1) Each budget act shall appropriate full-time  
21 equated positions based on 2,088 hours for 1.0 FTE position.

22       (2) Before the ~~thirtieth of each month~~ END OF EACH  
23 QUARTER, the department of civil service shall provide a report  
24 to the department, the appropriations committees, and the fiscal  
25 agencies regarding the status of FTE positions for the preceding  
26 ~~month~~ QUARTER. The ~~monthly~~ QUARTERLY report shall include,  
27 but shall not be limited to, the following information:

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1 (a) The number of FTE positions, by department, on the last  
2 payroll for the preceding ~~month~~ QUARTER.

3 (b) The increase or decrease in FTE positions, by depart-  
4 ment, compared to the last ~~monthly~~ QUARTERLY report.

5 (c) The difference between the appropriated FTE positions,  
6 and the actual number of FTE positions, by department, for that  
7 ~~month~~ QUARTER.

8 (d) Summary totals for the information listed in subdivi-  
9 sions (a), (b), and (c).

10 (3) The department of civil service shall provide a report  
11 to the appropriations committees and the fiscal agencies by  
12 December 1 of each year, which shall include a fiscal year sum-  
13 mary of the information required in subsection (2) for the most  
14 recently completed fiscal year.

15 Sec. 461. (1) As required by federal law, all federal  
16 grants awarded to the state shall be audited by the auditor gen-  
17 eral, an independent accounting firm selected by the auditor gen-  
18 eral, or an auditor approved by the appropriate federal agency.  
19 The funding for each audit shall be from the respective federal  
20 grants audited.

21 (2) Each audit performed pursuant to Public Law ~~98-502-~~  
22 104-156 shall be conducted by an independent auditor in accord-  
23 ance with generally accepted government auditing standards.  
24 Single audits for this state shall be conducted in accordance  
25 with Public Law ~~98-502-~~ 104-156 by the auditor general, an inde-  
26 pendent accounting firm selected by the auditor general, or an  
27 independent auditor approved by the appropriate federal agency.

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1 For fiscal years beginning October 1, 1985 and thereafter,  
2 biennial audits of state departments and agencies shall be per-  
3 formed for purposes of complying with the requirements of Public  
4 Law ~~98-502~~ 104-156 pertaining to audit evaluation of the inter-  
5 nal controls of this state and the state's compliance with mate-  
6 rial features of laws and regulations related to major federal  
7 assistance programs.

8       (3) The funding for single audits shall be from the respec-  
9 tive federal grants audited, in accordance with Public Law  
10 ~~98-502~~ 104-156. The chief executive officer of each principal  
11 department shall ensure that sufficient amounts are encumbered  
12 from the appropriate federal grants to finance the cost of the  
13 audits. Any unexpended amounts of encumbered funds may be car-  
14 ried over into succeeding years to cover the cost of the single  
15 audits.

16       (4) Before ~~March 1~~ NOVEMBER 30 of each year, the director  
17 of each principal department shall submit to the director, fiscal  
18 agencies and the auditor general a schedule of federal financial  
19 assistance for the last completed fiscal year in a form approved  
20 by the auditor general.

21       (5) As used in this section, "Public Law ~~98-502~~ 104-156"  
22 means ~~the single audit act of 1984~~ CHAPTER 75 OF TITLE 31 OF  
23 THE UNITED STATES CODE, 31 U.S.C. 7501 to 7507.

24       Sec. 462. Within 60 days after the final audit is released,  
25 the principal executive officer of a state agency which is  
26 audited shall submit a plan to comply with the audit  
27 recommendations to the department. The plan shall be prepared in

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1 accordance with procedures prescribed by the principal  
2 department. Copies of the plan shall be distributed in accord-  
3 ance with the administrative ~~manual~~ GUIDE TO STATE GOVERNMENT.  
4 COPIES SHALL ALSO BE DISTRIBUTED TO RELEVANT HOUSE AND SENATE  
5 APPROPRIATIONS SUBCOMMITTEES, RELEVANT HOUSE AND SENATE STANDING  
6 COMMITTEES, FISCAL AGENCIES, AND THE EXECUTIVE OFFICE.

7       Sec. 484. (1) ~~Not later than April 1, 1987, the~~ THE  
8 director, in consultation with the auditor general, shall develop  
9 a system of reporting and a general framework which shall be used  
10 by the principal departments in performing evaluations on their  
11 respective internal accounting and administrative control  
12 systems.

13       (2) The director, in consultation with the auditor general,  
14 may modify the format for the report or the framework for con-  
15 ducting the evaluations after giving 30 days' notice to each  
16 principal department head and the senate and house appropriations  
17 committees.

18       Sec. 485. (1) ~~Not later than October 1, 1987, the~~ THE  
19 department head of each principal department shall establish and  
20 maintain an internal accounting and administrative control system  
21 within that principal department using the generally accepted  
22 accounting principles as developed by the accounting profession  
23 and in conformance with directives issued pursuant to section  
24 141(d).

25       (2) Each internal accounting and administrative control  
26 system shall include, but not be limited to, all of the following  
27 elements:

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1 (a) A plan of organization that provides separation of  
2 duties and responsibilities among employees.

3 (b) A plan that limits access to that principal department's  
4 resources to authorized personnel whose use is required within  
5 the scope of their assigned duties.

6 (c) A system of authorization and record-keeping procedures  
7 to control assets, liabilities, revenues, and expenditures.

8 (d) A system of practices to be followed in the performance  
9 of duties and functions in each principal department.

10 (e) Qualified personnel that maintain a level of  
11 competence.

12 (f) Internal control techniques that are effective and  
13 efficient.

14 (3) Each head of a principal department shall document the  
15 system, communicate system requirements to employees of that  
16 principal department, assure that the system is functioning as  
17 prescribed, and modify as appropriate for changes in condition of  
18 the system.

19 ~~-(4) Not later than October 1, 1987, the head of each prin-~~  
20 ~~cipal department shall issue a report to the governor, the audi-~~  
21 ~~tor general, the senate and house appropriations committees, and~~  
22 ~~the director describing the current internal accounting and~~  
23 ~~administrative control systems of the principal department, the~~  
24 ~~organization and size of the internal audit staffs, and the~~  
25 ~~manner in which the internal auditor will be utilized by the~~  
26 ~~department head. Not later than March 1, 1988, the auditor~~  
27 ~~general shall evaluate and report to the legislature on each~~

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1 ~~principal department's report prepared pursuant to this~~  
2 ~~subsection.~~

3       (4) ~~(5) Beginning March 1, 1989, and biennially thereafter,~~  
4 ~~the~~ THE head of each principal department shall provide a  
5 BIENNIAL report ON OR BEFORE MAY 1 OF EACH ODD NUMBERED YEAR pre-  
6 pared by the principal department's internal auditor on the eval-  
7 uation of the principal department's internal accounting and  
8 administrative control system to the governor, the auditor gener-  
9 al, the senate and house appropriations committees, [THE SENATE AND  
HOUSE FISCAL AGENCIES,] and the  
10 director. For the period reviewed, the report shall include, but  
11 not be limited to, both of the following:

12       (a) A description of any material inadequacy or weakness  
13 discovered in connection with the evaluation of the department's  
14 internal accounting and administrative control system as of  
15 October 1 of the preceding year and the plans and a time schedule  
16 for correcting the internal accounting and administrative control  
17 system, described in detail.

18       (b) A listing of each audit or investigation performed by  
19 the internal auditor pursuant to sections 486(4) and 487.

20       Sec. 486. (1) ~~Not later than October 1, 1987, each~~ EACH  
21 principal department shall appoint an internal auditor. Each  
22 internal auditor shall be a member of the state classified execu-  
23 tive service.

24       (2) Except as otherwise provided by law, each internal audi-  
25 tor shall report to and be under the general supervision of the  
26 department head.

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1           (3) A person may not prevent or prohibit the internal  
2 auditor from initiating, carrying out, or completing any audit or  
3 investigation. The internal auditor shall be protected pursuant  
4 to the whistleblowers' protection act, ~~Act No. 469 of the Public~~  
5 ~~Acts of 1980, being sections 15.361 to 15.369 of the Michigan~~  
6 ~~Compiled Laws~~ 1980 PA 469, MCL 15.361 TO 15.369.

7           (4) The internal auditor of each principal department  
8 shall:

9           (a) Receive and investigate any allegations that false or  
10 misleading information was received in evaluating the principal  
11 department's internal accounting and administrative control  
12 system or in connection with the preparation of the biennial  
13 report on the system.

14           (b) Conduct and supervise audits relating to financial  
15 activities of the principal department's operations.

16           (c) Review existing activities and recommend policies  
17 designed to promote efficiency in the administration of that  
18 principal department's programs and operations as assigned by the  
19 department head.

20           (d) Recommend policies for activities to protect the state's  
21 assets under the control of that principal department, and to  
22 prevent and detect fraud and abuse in the principal department's  
23 programs and operations.

24           (e) Review and recommend activities designed to ensure that  
25 principal department's internal financial control and accounting  
26 policies are in conformance with the department of management and

1 budget accounting division directives issued pursuant to sections  
2 421 and 444.

3 (f) Provide a means to keep the department head fully and  
4 currently informed about problems and deficiencies relating to  
5 the administration of that principal department's programs and  
6 operations and the necessity for and progress of corrective  
7 action.

8 (g) Conduct other audit and investigative activities as  
9 assigned by the department head.

10 (5) Each internal auditor shall adhere to appropriate pro-  
11 fessional and auditing standards in carrying out any financial or  
12 program audits or investigations.

13 Sec. 492. ~~Effective with the fiscal year ending~~  
14 ~~September 30, 1983, the~~ THE financial statements of all state  
15 agencies, as defined by generally accepted accounting principles  
16 as falling within the reporting responsibility of the state,  
17 shall be included in the comprehensive annual financial report of  
18 the state. The director shall designate and notify each state  
19 agency of this responsibility as well as describe the statement  
20 format that shall be followed by each agency so notified. The  
21 statements provided shall be followed by each state agency so  
22 notified. The statements provided shall be audited as provided  
23 by law or by the auditor general or independent auditors selected  
24 by the auditor general before submission to the department of  
25 management and budget and shall be submitted not later than 90  
26 days following the close of the state's fiscal year.

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1       Sec. 493. The director shall submit preliminary, unaudited  
2 financial statements including notes of the general fund and the  
3 state school aid fund to the legislature AND THE FISCAL AGENCIES  
4 within 120 days after the end of the fiscal year.

5       Enacting section 1. Sections 206, 207, 223, 225, 238, 239,  
6 243, 247, 271, 282, 353a, 353b, 353d, 354a, 362, 362a, 382, 456,  
7 and 488 of the management and budget act, 1984 PA 431,  
8 MCL 18.1206, 18.1207, 18.1223, 18.1225, 18.1238, 18.1239,  
9 18.1243, 18.1247, 18.1271, 18.1282, 18.1353a, 18.1353b, 18.1353d,  
10 18.1354a, 18.1362, 18.1362a, 18.1382, 18.1456, and 18.1488, are  
11 repealed.