

**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, 281, 303, 305, 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, 18.1281, 18.1303, 18.1305, 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, 203, 205, 217, 221, 246, 281, 342,

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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 section 237a; 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
15 instructions which do not affect the rights of, or procedures and
16 practices available to, the public.

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1 (5) ~~(4)~~ "Director" means the director of the department of
2 management and budget.

3 (6) ~~(5)~~ "Energy conservation measure" means improvement of
4 a building structurally or the installation of equipment or mate-
5 rials in a building for the purpose of reducing energy consump-
6 tion or cost, increasing energy efficiency, or allowing the use
7 of a renewable resource for fuel.

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

10 (2) "JCOS" means the joint capital outlay subcommittee of
11 the appropriations committees.

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

14 (3) ~~(4)~~ Except as used in sections 284 to 292, "record"
15 means a public record as defined in section 2 of the freedom of
16 information act, ~~Act No. 442 of the Public Acts of 1976, being
17 section 15.232 of the Michigan Compiled Laws~~ 1976 PA 442,
18 MCL 15.232.

19 (4) ~~(5)~~ "State agency" means a department, board, commis-
20 sion, office, agency, authority, or other unit of state
21 government. State agency does not include an institution of
22 higher education or a community college or, for purposes of
23 article 2 or 3, the legislative ~~or judicial branches~~ BRANCH of
24 government. FOR PURPOSES OF ARTICLE 2 OR 3, EXCEPT FOR THOSE
25 SECTIONS PERTAINING TO THE AUTHORIZATION, PLANNING, CONSTRUCTION,
26 AND FUNDING OF A CAPITAL OUTLAY PROJECT, INCLUDING CONSTRUCTION
27 OF A FACILITY TO HOUSE OFFICES OR FUNCTIONS NECESSARY FOR

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1 OPERATION OF THE JUDICIAL BRANCH OF GOVERNMENT, STATE AGENCY DOES
2 NOT INCLUDE THE JUDICIAL BRANCH OF GOVERNMENT.

3 (5) ~~(6)~~ "Unit of local government" means a political sub-
4 division of this state, including school districts, community
5 college districts, intermediate school districts, cities, vil-
6 lages, townships, counties, and authorities, if the political
7 subdivision has as its primary purpose the providing of local
8 governmental service for citizens in a geographically limited
9 area of the state and has the power to act primarily on behalf of
10 that area.

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

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

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

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

18 (2) ~~(3)~~ Within ~~60~~ 120 days after the end of each fiscal
19 year, the department shall report ~~the following~~ to the appro-
20 priations committees and the fiscal agencies for the immediately
21 past completed fiscal year. A DEPARTMENTAL SUMMARY OF EXPENDI-
22 TURES AND SOURCE OF FUNDING FOR ALL INFORMATION TECHNOLOGY
23 PROJECTS UNDERTAKEN BY A PRINCIPAL DEPARTMENT. THIS REPORT SHALL
24 INCLUDE EXPENDITURES ON INFORMATION TECHNOLOGY HARDWARE, INFORMA-
25 TION TECHNOLOGY SOFTWARE, INFORMATION TECHNOLOGY CONSULTING SERV-
26 ICES ENTERED INTO WITH THE PRIVATE SECTOR, AND EXPENDITURES
27 RELATED TO STATE EMPLOYEES WHOSE PRIMARY WORK ASSIGNMENT INVOLVES

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1 INFORMATION TECHNOLOGY SUPPORT. THE REPORT SHALL CONTAIN A
2 DISTINCTION BETWEEN INFORMATION TECHNOLOGY EXPENDITURES MADE
3 DIRECTLY BY STATE DEPARTMENTS AND THOSE EXPENDITURES MADE THROUGH
4 CONTRACTS WITH THE PRIVATE SECTOR. —

5 ~~(a) The expenditures and funding for each state data~~
6 ~~center.~~

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

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

13 ~~(3) —(4) Except as provided in subsection (2), an AN expen-~~
14 ~~diture shall not be made for automated information processing~~
15 ~~unless the expenditure is pursuant to an automated information~~
16 ~~processing plan which is approved by the department.~~

17 (4) THE DEPARTMENT SHALL DEVELOP AND MAINTAIN A STATEWIDE
18 PLAN FOR THE EFFECTIVE AND EFFICIENT UTILIZATION OF INFORMATION
19 PROCESSING AND TELECOMMUNICATION PROJECTS AND SERVICES.

20 (5) THE DEPARTMENT MAY ARRANGE FOR AND EFFECT A UNIFIED AND
21 INTEGRATED STATEWIDE INFORMATION PROCESSING AND TELECOMMUNICATION
22 SYSTEM AND PROVIDE FOR THE ADMINISTRATION OF THE SYSTEM.

23 (6) A STATE AGENCY SHALL NOT PURCHASE OR OPERATE A TELECOM-
24 MUNICATIONS FACILITY OR SYSTEM OR AN AUTOMATED DATA PROCESSING
25 SYSTEM OR INSTALLATION UNLESS THE FACILITY, SYSTEM, OR INSTALLA-
26 TION IS APPROVED BY THE DEPARTMENT.

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

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

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

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

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

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

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

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

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

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

10 (2) THE DEPARTMENT SHALL ISSUE DIRECTIVES FOR THE IMPLEMEN-
11 TATION AND MAINTENANCE OF A FORMS MANAGEMENT PROGRAM WITHIN EACH
12 STATE AGENCY. THE DEPARTMENT SHALL COORDINATE THE DEVELOPMENT OF
13 FORMS AT STATE AGENCIES IN ORDER TO FACILITATE THE STANDARDIZA-
14 TION OF FORMS, RECOMMEND THE ELIMINATION OF REDUNDANT FORMS, AND
15 PROVIDE A CENTRAL SOURCE OF INFORMATION REGARDING FORMS USAGE IN
16 STATE GOVERNMENT.

17 Sec. 217. (1) The department shall issue and administer
18 directives relative to the travel of officers and unclassified
19 employees of state agencies when engaged in the performance of
20 state business and for the reimbursement of expenses necessarily
21 incurred when engaged in the performance of state business from
22 whatever source the reimbursement may be financed. The direc-
23 tives issued pursuant to this section shall not take effect
24 unless the directives are approved by the board.

25 ~~(2) A meeting of a state agency shall be held in a facility~~
26 ~~owned, leased, being purchased, or operated by this state, the~~
27 ~~federal government, a unit of local government, or a state~~

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1 ~~supported institution, college, or university, unless the chief~~
2 ~~executive officer of the state agency, in writing, authorizes a~~
3 ~~different location.~~

4 (2) ~~-(3)-~~ On January 1 of each year, the director shall pre-
5 pare a travel report in a format established jointly by the
6 chairpersons of the appropriations committees and shall submit
7 the report to the appropriations committees and the fiscal
8 agencies. The report shall list each person who received compen-
9 sation, fees, or remuneration under a budget act for travel out-
10 side the state during the preceding ~~12 months~~ FISCAL YEAR. The
11 listing shall include the name of the person who received the
12 compensation, fees, or remuneration and the destination, reason
13 for, and dates of the travel; and the transportation and related
14 costs. The report shall also include a SUMMARY statement of the
15 total in-state travel for the ~~same period~~ PRECEDING FISCAL
16 YEAR.

17 Sec. 219. (1) The department ~~may~~ SHALL PROVIDE FOR AND
18 issue directives for the management, operation, maintenance,
19 SECURITY, and repair of facilities. The director ~~may~~ SHALL
20 determine space utilization standards and may assign space within
21 the facilities. The department shall manage and operate state
22 owned facilities under the jurisdiction of the department.

23 (2) The department shall not assign space in buildings and
24 premises designated as part of the Michigan capitol park and
25 under the exclusive jurisdiction of the Michigan capitol park
26 commission, pursuant to section 298b, and shall not assign space
27 in buildings under the jurisdiction of the legislature or the

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1 Michigan capitol committee created under chapter 7 of the
2 legislative council act, ~~Act No. 268 of the Public Acts of 1986,~~
3 ~~being sections 4.1701 to 4.1702 of the Michigan Compiled Laws~~
4 1986 PA 268, MCL 4.1701 TO 4.1702, unless the Michigan capitol
5 park commission, the legislature, or the Michigan capitol commit-
6 tee request the department to assign such space.

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

9 (4) The Michigan capitol committee shall manage and operate
10 the capitol building and grounds. The senate shall manage and
11 operate the Farnum building and grounds. The house of represen-
12 tatives shall manage and operate the Roosevelt building and
13 grounds. This subsection shall take effect October 1, 1991.

14 ~~(5) Effective October 1, 1991, the current labor and trades~~
15 ~~and safety and regulatory classifications performing duties in~~
16 ~~the capitol building and on the capitol grounds shall no longer~~
17 ~~be maintained.~~

18 Sec. 221. (1) The director may provide for the rental and
19 lease of land and facilities for the use of state agencies in the
20 manner provided by law. The rentals and leases shall not be
21 effective unless approved by the board. ~~Before a facility or~~
22 ~~space is leased by the state, consisting of a total of 25,000~~
23 ~~gross square feet or more for a term of more than 5 years, the~~
24 ~~lease shall be approved by the joint capital outlay subcommittee~~
25 ~~of the legislature. For the purposes of this subsection, a lease~~
26 ~~agreement for more than the total gross square feet previously~~
27 ~~approved by the joint capital outlay subcommittee shall be~~

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1 ~~considered a new agreement subject to approval of the joint~~
2 ~~capital outlay subcommittee.~~

3 (2) ~~If a project costs more than \$1,000,000.00 and consists~~
4 ~~of less than 25,000 gross square feet, the department shall~~
5 ~~notify the joint capital outlay subcommittee in writing of its~~
6 ~~intent to proceed with such a facility. The notice shall be~~
7 ~~given 30 days before the lease contract providing for the pro-~~
8 ~~posed constructions is entered into.~~ IF THE DIRECTOR PROPOSES TO
9 LEASE SPACE OR A FACILITY WHICH MEETS EITHER OF THE FOLLOWING
10 CRITERIA, APPROVAL OF THE JOINT CAPITAL OUTLAY SUBCOMMITTEE IS
11 REQUIRED PRIOR TO BOARD APPROVAL:

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

13 (B) THE ANNUAL BASE COST OF THE PROPOSED LEASE IS MORE THAN
14 \$500,000.00.

15 (3) FOR THE PURPOSES OF THIS SECTION, THE RENEWAL OF AN
16 EXISTING LEASE WILL REQUIRE THE APPROVAL OF THE JOINT CAPITAL
17 OUTLAY SUBCOMMITTEE IF THE RENEWAL RESULTS IN CHANGES TO THE
18 LEASE THAT WOULD CAUSE IT TO MEET THE REQUIREMENTS OUTLINED IN
19 SUBSECTION (2).

20 (4) ~~(3)~~ The department may grant easements, upon terms and
21 conditions the board determines are just and reasonable, for
22 highway and road purposes, and for constructing, operating, and
23 maintaining pipelines or electric, telephone, telegraph, televi-
24 sion, gas, sanitary sewer, storm sewer, or other utility lines
25 including all supporting fixtures and other appurtenances over,
26 through, under, upon, and across any land belonging to this
27 state, except lands under the jurisdiction of the department of

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1 natural resources, the department of military affairs, or the
2 state transportation department.

3 (5) ~~(4)~~ The department shall determine annually the pre-
4 vailing market rental values of all state owned office facilities
5 and private facilities which provide housing for state
6 employees. The rental values determined pursuant to this subsec-
7 tion shall not be effective unless approved by the board. The
8 renting, ~~and~~ leasing, OR LICENSING of ~~excess~~ state owned land
9 and ~~buildings~~ FACILITIES to private and public entities shall
10 be at prevailing market rental values OR AT ACTUAL COSTS AS
11 DETERMINED BY THE DIRECTOR.

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

15 (6) THE DEPARTMENT SHALL CHARGE STATE AGENCIES FOR BUILDING
16 OCCUPANCY IN STATE OWNED FACILITIES UNDER THE JURISDICTION OF THE
17 DEPARTMENT. THE RATES TO BE CHARGED FOR BUILDING OCCUPANCY SHALL
18 BE COORDINATED WITH THE BUDGET CYCLE. THE RATES SHALL REFLECT
19 THE ACTUAL COST FOR OCCUPANCY OF THE FACILITIES.

20 (7) BEGINNING ON THE EFFECTIVE DATE OF THE AMENDATORY ACT
21 THAT ADDED THIS SUBSECTION, THE BOARD SHALL NOT APPROVE A LEASE
22 OR RENTAL AGREEMENT UNDER THIS SECTION OF A BUILDING THAT IS
23 DESIGNED TO STATE SPECIFICATIONS OR THAT IS OCCUPIED SOLELY BY 1
24 OR MORE STATE AGENCIES UNLESS THE LEASE OR RENTAL AGREEMENT CON-
25 TAINS A PROVISION THAT GIVES THIS STATE THE OPTION TO PURCHASE
26 THE BUILDING AT ANY TIME AFTER THE END OF THE FIRST YEAR OF THE

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1 LEASE OR RENTAL AGREEMENT AT FAIR MARKET VALUE AS DETERMINED BY
2 AN INDEPENDENT APPRAISAL.

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 ENGINEER-
21 ING REVIEW OF DOCUMENTS INCLUDING DESIGNS, PLANS, AND CHANGE
22 ORDERS AT EACH STAGE OF THE PROJECT TO ENSURE THAT THE PROJECT OR
23 FACILITY IS IN COMPLIANCE WITH APPROVED PROGRAM, APPROPRIATION,
24 AND CAPITAL OUTLAY REQUIREMENTS.

25 (4) THE DEPARTMENT SHALL REVIEW THE AWARD AND SELECTION OF
26 ARCHITECTS, ENGINEERS, CONSTRUCTION MANAGERS, AND OTHER DESIGN OR
27 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 PROVIDE FOR REVIEW AND OVERSIGHT OF CAPITAL OUTLAY PROJECTS
2 FINANCED EITHER IN TOTAL OR IN PART BY THE STATE BUILDING AUTHOR-
3 ITY PURSUANT TO THE PROVISIONS OF SECTIONS 237 AND 237A.

4 (9) ~~(10) A project which is financed with restricted fund~~
5 ~~money may be required to comply with this section pursuant to a~~
6 ~~budget act.~~ APPROPRIATIONS MADE FOR STUDIES AND PLANS SHALL NOT
7 BE CONSIDERED A COMMITMENT ON THE PART OF THE LEGISLATURE TO
8 APPROPRIATE FUNDS FOR THE COMPLETION OF PLANS OR CONSTRUCTION OF
9 ANY PROJECT BASED ON THE STUDIES OR PLANNING DOCUMENTS.

10 (10) A CAPITAL OUTLAY PROJECT SHALL BE FUNDED BY AN APPRO-
11 PRIATION FOR THE PURPOSE PROVIDED IN A CAPITAL OUTLAY APPROPRIA-
12 TION ACT AND MUST CONFORM TO THE CAPITAL OUTLAY PROCESSES AND
13 PROCEDURES AS DESCRIBED IN SECTIONS 237 AND 237A AND THIS
14 SECTION. CAPITAL OUTLAY PROJECTS MAY NOT BE FUNDED FROM OPERAT-
15 ING ACCOUNTS UNLESS APPROVED BY THE DEPARTMENT AND THE JCOS.
16 PROJECTS BETWEEN \$500,000.00 AND \$1,000,000.00 FOR RENOVATIONS,
17 REMODELING, AND SPECIAL MAINTENANCE MUST BE FUNDED FROM ACCOUNTS
18 FOR THOSE PURPOSES AS PROVIDED IN A CAPITAL OUTLAY APPROPRIATION
19 ACT UNLESS APPROVED BY THE DEPARTMENT AND THE JCOS. PROJECTS
20 LESS THAN \$500,000.00 MAY BE FUNDED FROM OPERATING ACCOUNTS IN AN
21 AGENCY'S ANNUAL APPROPRIATION ACT. AT THE DISCRETION OF THE
22 DEPARTMENT OR THE LEGISLATURE, OTHER BUILDING, RENOVATION, OR
23 REMODELING PROJECTS MAY BE APPROVED AND FINANCED IN A CAPITAL
24 OUTLAY APPROPRIATION ACT.

25 Sec. 246. (1) The release of allocations may be approved
26 when the legislature has specified either a total authorized cost
27 or has appropriated an amount sufficient to complete the

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. 281. (1) ~~Before the fifteenth of each month, the~~
24 ~~department of civil service shall report to the appropriations~~
25 ~~committees and the fiscal agencies the following for each con-~~
26 ~~tract for services approved by the department of civil service~~
27 ~~during the previous calendar month:~~ THE DEPARTMENT OF MANAGEMENT

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24

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

8 (a) ~~The state agency contracting for the service.~~ THE
9 TOTAL DOLLAR AMOUNT OF THE CONTRACT.

10 (b) ~~The name of the individual or entity with whom the~~
11 ~~state agency is contracting.~~ THE EFFECTIVE BEGINNING AND ENDING
12 DATES OF THE CONTRACT.

13 (c) ~~The dollar amount of and source of financing for the~~
14 ~~contract.~~ THE NAME OF THE VENDOR.

15 (d) ~~The name of any individual providing contractual serv-~~
16 ~~ices to the state, whether as a special personal service employee~~
17 ~~or as the employee of an independent contractor, as certified by~~
18 ~~the contracting state agency, and who has retired under~~
19 ~~section 19a of Act No. 240 of the Public Acts of 1943, being~~
20 ~~section 38.19a of the Michigan Compiled Laws.~~ THE TYPE OF SERV-
21 ICE TO BE PROVIDED.

22 (2) ~~The department of civil service shall report to the~~
23 ~~appropriations committees and the fiscal agencies before~~
24 ~~January 30 of each year the following information for contracts~~
25 ~~for personal services approved by the department of civil service~~
26 ~~during the previous fiscal year:~~ FOR NEW PERSONAL SERVICE
27 CONTRACTS OF \$100,000.00 OR MORE, THE DEPARTMENT OF MANAGEMENT

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25

1 AND BUDGET SHALL PROVIDE A MONTHLY REPORT TO THE SENATE AND HOUSE
2 OF REPRESENTATIVES STANDING COMMITTEES ON APPROPRIATIONS AND THE
3 SENATE AND HOUSE FISCAL AGENCIES INCLUDING ALL OF THE FOLLOWING:

4 (a) ~~The state agency contracting for the service.~~ THE
5 TOTAL DOLLAR AMOUNT OF THE CONTRACT.

6 (b) ~~The name of the individual or entity with whom the~~
7 ~~state agency is contracting.~~ THE EFFECTIVE BEGINNING AND ENDING
8 DATES OF THE CONTRACT.

9 (c) ~~The dollar amount and source of financing for the~~
10 ~~contract.~~ THE NAME OF THE VENDOR.

11 (d) ~~The name of an individual providing contractual serv-~~
12 ~~ices to the state, whether as a special personal service employee~~
13 ~~or as the employee of an independent contractor, who is certified~~
14 ~~by the contracting state agency, and who has retired under sec-~~
15 ~~tion 19a of Act No. 240 of the Public Acts of 1943, being section~~
16 ~~38.19a of the Michigan Compiled Laws.~~ THE TYPE OF SERVICE TO BE
17 PROVIDED.

18 ~~(e) The total number of contracts submitted by the state~~
19 ~~agencies and the total number approved.~~

20 ~~(f) The total dollar amount of contracts submitted by the~~
21 ~~state agencies and the total dollar amount approved.~~

22 ~~(g) The duration of employment of special personal service~~
23 ~~employees paid on payroll.~~

24 ~~(h) The total dollar amount and total number of hours a~~
25 ~~state agency contracts with an independent contractual service~~
26 ~~vendor that is paid by voucher.~~

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1 ~~(i) The number of contracts approved to have jobs performed~~
2 ~~contractually that had been performed by classified civil service~~
3 ~~employees including the total number of positions eliminated;~~
4 ~~what provisions were made for the reemployment of the displaced~~
5 ~~employees; and what, if any, cost savings to the state were real-~~
6 ~~ized as a result of the contracts.~~

7 (3) THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL PROVIDE A
8 MONTHLY LISTING TO THE SENATE AND HOUSE OF REPRESENTATIVES STAND-
9 ING COMMITTEES ON APPROPRIATIONS AND THE SENATE AND HOUSE FISCAL
10 AGENCIES OF ALL PERSONAL SERVICE BID REQUESTS OR REQUESTS FOR
11 PROPOSAL THAT WERE ISSUED.

12 (4) EACH PRINCIPAL EXECUTIVE DEPARTMENT AND AGENCY SHALL
13 PROVIDE A MONTHLY SUMMARY LISTING TO THE SENATE AND HOUSE OF REP-
14 RESENTATIVES STANDING COMMITTEES ON APPROPRIATIONS AND THE SENATE
15 AND HOUSE FISCAL AGENCIES OF INFORMATION THAT IDENTIFIES ANY
16 AUTHORIZATIONS FOR PERSONAL SERVICE CONTRACTS THAT ARE PROVIDED
17 TO THE DEPARTMENT OF CIVIL SERVICE PURSUANT TO DELEGATED AUTHOR-
18 ITY GRANTED TO EACH PRINCIPAL EXECUTIVE DEPARTMENT AND AGENCY
19 RELATED TO PERSONAL SERVICE CONTRACTS.

20 Sec. 303. (1) "Detroit consumer price index" means the most
21 comprehensive index of consumer prices available for the Detroit
22 area from the bureau of labor statistics of the ~~United States~~
23 ~~department of labor~~ FEDERAL GOVERNMENT.

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

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1 (3) "Personal income" means as defined by the bureau of
2 economic analysis of the ~~United States department of commerce~~
3 FEDERAL GOVERNMENT.

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

7 (5) "Proportion" means the proportion of total state spend-
8 ing from state sources paid to all units of local government in a
9 fiscal year, and shall be calculated by dividing a fiscal year's
10 state spending from state sources paid to units of local govern-
11 ment by total state spending from state sources for the same
12 fiscal period.

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

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

20 (3) "Transfer payments" means as defined by the bureau of
21 economic analysis of the ~~United States department of commerce~~
22 FEDERAL GOVERNMENT.

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

25 Sec. 342. The state ~~budget director~~ TREASURER OR OTHER
26 DESIGNEE OF THE GOVERNOR shall establish and maintain an economic
27 analysis, revenue estimating, and monitoring activity. The

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1 activity shall include the preparation of current estimates of
2 all revenue by source for state operating funds for the initial
3 executive budget proposal to the legislature and thereafter
4 through final closing of the 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
18 ~~United States department of commerce,~~ bureau of economic analy-
19 sis OF THE FEDERAL GOVERNMENT, in August of the year following
20 the calendar year for which the report is made. Revision of the
21 total annual personal income figure as reported by the bureau of
22 economic analysis after August of the year following the calendar
23 year for which the report is made shall not cause personal income
24 of 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 security~~
8 ~~commission~~ is 8% or more, an amount may be appropriated from the
9 fund by the legislature for the purposes listed in this section
10 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~~
12 ~~hereby appropriated \$40,000,000.00 from the fund for the Michigan~~
13 ~~state parks endowment fund. The appropriation provided for in~~
14 ~~this subsection shall only be effective after the proceeds from~~
15 ~~the sale of the accident fund have been transferred to the fund~~
16 ~~as provided for in section 701a of the worker's disability com-~~
17 ~~pensation act of 1969, Act No. 317 of the Public Acts of 1969,~~
18 ~~being section 418.701a of the Michigan Compiled Laws.~~

19 Sec. 353e. (1) Notwithstanding section 353, for the fiscal
20 year ending September 30, 1998, there is appropriated and trans-
21 ferred from the fund to the state school aid fund the sum of
22 \$212,000,000.00 for the purpose of paying money damages to school
23 districts and intermediate school districts who were plaintiffs
24 in the consolidated cases known as Durant v State of Michigan,
25 Michigan supreme court docket no. 104458-104492, according to the
26 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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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 GENERAL FUND-GENERAL PURPOSE BALANCES
15 AT THE FINAL CLOSE OF THE FISCAL YEAR SHALL BE TRANSFERRED TO THE
16 FUND. IF AN AMOUNT IS REQUIRED TO BE TRANSFERRED TO THE FUND FOR
17 A FISCAL YEAR UNDER SECTION 352, ANY AMOUNT TRANSFERRED TO THE
18 FUND UNDER THIS SUBSECTION SHALL BE CONSIDERED TO BE A PART OF
19 THE AMOUNT TRANSFERRED TO THE FUND FOR PURPOSES OF SECTION 352.

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

23 ~~-(a) Up to \$22,653,100.00 are appropriated for distribution~~
24 ~~to the state's 15 universities and 28 community colleges. Of the~~
25 ~~\$22,653,100.00 available for distribution to the state's 15 uni-~~
26 ~~versities and 28 community colleges, \$18,805,186.00 shall be~~
27 ~~distributed to universities and \$3,847,914.00 shall be~~

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

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

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

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

19	Central Michigan university.....	\$ 1,350,000
20	Eastern Michigan university.....	1,000,000
21	Ferris state university.....	625,000
22	Grand valley state university.....	250,000
23	Lake Superior state university.....	250,000
24	Michigan state university.....	900,000
25	Michigan technological university.....	750,000

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1	Northern Michigan university.....	500,000
2	Oakland university.....	700,000
3	Saginaw valley state university.....	505,186
4	University of Michigan - Ann Arbor.....	8,000,000
5	University of Michigan - Dearborn.....	250,000
6	University of Michigan - Flint.....	250,000
7	Wayne state university.....	3,000,000
8	Western Michigan university.....	475,000
9	(6) The appropriation for the state's 28 community colleges	
10	appropriated in subsection (4) shall be distributed to the col-	
11	leges in direct proportion to the 1995 fiscal year unrestricted	
12	operating appropriations as follows:	
13	Alpena community college.....\$	63,009
14	Bay de Noc community college.....	53,818
15	Delta college.....	182,277
16	Glen Oaks community college.....	26,991
17	Gogebic community college.....	56,841
18	Grand Rapids community college.....	251,450
19	Henry Ford community college.....	276,759
20	Jackson community college.....	168,689
21	Kalamazoo valley community college.....	124,895
22	Kellogg community college.....	110,996
23	Kirtland community college.....	41,612
24	Lake Michigan college.....	61,471
25	Lansing community college.....	400,092

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

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

23 ~~(8) For the fiscal year ending September 30, 1996 only,~~
24 ~~there is appropriated \$391,300.00 to the city of Detroit to fund~~
25 ~~the Detroit crime lab and the Detroit police special events~~
26 ~~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~~ FEDERAL
14 GOVERNMENT 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>	
14			
15	Michigan personal income.....	\$ 170,534	\$ 175,484
16	Less: Transfer payments.....	(26,866)	(28,932)
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			Maximum
4	Calendar	as of First		
5	Quarter	Day of Calendar	Maximum Allowable	Amount of
6	Beginning	Quarter	Withdrawal	Withdrawal
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~~ NOT LATER THAN the
3 last week in May of each year, and as otherwise provided in this
4 act.

5 (2) The principals of the conference shall be ~~the director~~
6 ~~of the department of management and budget~~ A DESIGNEE OF THE
7 GOVERNOR, the director of the senate fiscal agency, and the
8 director of the house fiscal agency, or their respective
9 designees.

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

15 (a) State income tax collections.

16 (b) State sales tax collections.

17 (c) Single business tax collections.

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

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

20 (f) Total school aid fund revenues.

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

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

26 (i) PAY-INS OR PAY-OUTS REQUIRED UNDER THE COUNTERCYCLICAL
27 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 director shall submit a report to the appropriations
2 committees AND THE FISCAL AGENCIES that compares actual expendi-
3 tures to the allotments made for each department and each state
4 agency for the first 6 months of the fiscal year. When it
5 appears that a spending plan, or sources of financing related, do
6 not provide the level of program service assumed in the appropri-
7 ation for the fiscal year, the state budget director shall
8 ~~pursue 1 of the following remedies:~~ IMMEDIATELY NOTIFY THE
9 APPROPRIATIONS COMMITTEES.

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

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

24 Sec. 372. (1) Allotments may be adjusted by the state
25 budget director as requested by a department, subject to the con-
26 siderations in section 371(2).

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

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

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

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

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

26 (2) Within 30 days after a state agency receives notice that
27 a federal grant has been awarded to the state for which

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1 organizations or units of local government are eligible to apply,
2 the state agency administering the federal grant program shall
3 report to the legislature AND THE FISCAL AGENCIES the availabil-
4 ity of the grant funds and the proposed plan for allocating the
5 grant funds to the organizations or units of local government. A
6 state agency shall not commit any federal grant funds before this
7 notification to the legislature has occurred and a subsequent
8 appropriation of the funds is made by the legislature.

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

16 Sec. 386. (1) The state budget director shall prepare
17 monthly financial reports.

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

24 (3) Each monthly financial report shall contain the follow-
25 ing information:

26 (a) A statement of actual monthly and year-to-date revenue
27 collections for ~~each operating fund;~~ the general fund/general

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1 purpose revenues, school aid fund revenues, and the tax
2 collections dedicated to the transportation funds; including a
3 comparison with prior year amounts, statutory estimates, and the
4 most recent estimates from the executive branch.

5 (b) A statement of estimated year-end appropriations lapses
6 and overexpenditures for the state general fund by principal
7 department.

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

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

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

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

22 (g) Any other information considered necessary by the state
23 budget director or jointly requested by the chairpersons of the
24 appropriations committees.

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

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1 (i) THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION
2 FUND.

3 (ii) THE RENAISSANCE FUND.

4 (iii) THE NATURAL RESOURCES TRUST FUND.

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

20 (2) A transfer of appropriations within any department ~~for~~
21 ~~reasons other than cost and price variances from those appropria-~~
22 ~~tions as enacted into law shall not be made by the state budget~~
23 ~~director unless approved by both appropriations committees. If~~
24 ~~the budget director does not approve transfers adopted by both~~
25 ~~appropriations committees under this subsection, the budget~~
26 ~~director shall notify the appropriations committees of his or her~~
27 ~~action within 15 days.~~ OTHER THAN AN ADMINISTRATIVE TRANSFER

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1 PURSUANT TO SUBSECTION (1) SHALL NOT BE MADE BY THE STATE BUDGET
2 DIRECTOR UNLESS APPROVED BY BOTH APPROPRIATIONS COMMITTEES. IF
3 THE STATE BUDGET DIRECTOR DOES NOT APPROVE TRANSFERS ADOPTED BY
4 BOTH APPROPRIATIONS COMMITTEES UNDER THIS SUBSECTION, THE BUDGET
5 DIRECTOR SHALL NOTIFY BOTH APPROPRIATIONS COMMITTEES OF HIS OR
6 HER ACTION WITHIN 15 DAYS AFTER THE APPROPRIATIONS COMMITTEES'
7 FINAL APPROVAL.

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

11 (4) A transfer approved pursuant to this section shall con-
12 stitute authorization to transfer the amount recommended and
13 approved. However, the amount shall be reduced by the state
14 budget director to be within the current unobligated amount of
15 the appropriation.

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

24 (6) ~~Transfers between capital outlay appropriations~~
25 ~~accounts shall not be made except as provided in section 247.~~
26 TRANSFERS SHALL NOT BE AUTHORIZED UNDER ANY OF THE FOLLOWING
27 CIRCUMSTANCES:

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1 (A) TO CREATE A NEW LINE-ITEM APPROPRIATION OR TO CREATE A
2 NEW STATE PROGRAM.

3 (B) TO OR FROM AN APPROPRIATION LINE-ITEM THAT DID NOT
4 APPEAR IN THE CURRENT FISCAL YEAR APPROPRIATION BILLS.

5 (C) TO OR FROM A WORK PROJECT AS DESIGNATED UNDER SECTION
6 451.

7 (D) BETWEEN STATE GOVERNMENTAL FUNDS.

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

11 ~~(8) Transfers of appropriations shall not be made between~~
12 ~~state operating funds except as provided in subsections (6) and~~
13 ~~(7). Transfers shall not be allowed into or from an open-end~~
14 ~~appropriation, nor shall a transfer create a new line expenditure~~
15 ~~item appropriation. Transfers of appropriations for financing~~
16 ~~sources shall be made concurrently with related transfers of~~
17 ~~appropriations for line expenditure items.~~

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

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

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

26 (b) Writeoffs of accounts receivable recorded in a prior
27 year.

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

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

17 (3) ~~(4)~~ Before December 1 of each year, each principal
18 department shall transmit to the appropriations committees and
19 fiscal agencies a written report which includes all of the
20 following:

21 (a) The total dollar amount of final judgments and settle-
22 ments against the principal department for the most recent com-
23 pleted fiscal year.

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

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1 (c) The total dollar amount of final judgments and
2 settlements received in the most recent completed fiscal year
3 pursuant to legal actions by the principal department.

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

6 (e) An estimate of the total dollar amount and a description
7 of the facts involved in each court action currently pending
8 against the department for the most recently completed fiscal
9 year.

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

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

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

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

20 (5) "Unit of local government" means unit of local govern-
21 ment as defined by section 115(6).

22 (6) "Work order" means a capital outlay undertaking
23 incurred, including salaries and wages, contractual services,
24 supplies, and materials services.

25 (7) "Work project" means a 1-time nonrecurring undertaking
26 for the purpose of accomplishing an objective contained in
27 specific ~~item~~ LINE-ITEM appropriation for that purpose OR ANY

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1 OTHER SPECIFIC LINE-ITEM APPROPRIATION DESIGNATED AS A WORK
2 PROJECT BY LAW UNDER CRITERIA ESTABLISHED UNDER SECTION 451(3).
3 Sec. 434. Revenues received from rates charged or goods
4 sold and revenue which is received from any other source and des-
5 ignated to be credited to a revolving fund shall be credited to
6 that fund. Within 60 days after the fiscal year begins, the
7 director shall submit to the appropriations committees and fiscal
8 agencies a financial plan for the ensuing fiscal year. The
9 financial plan shall include the rate structure, a projected
10 statement of revenues and expenses in sufficient detail to pro-
11 vide for comparison with actual revenues and expenses, a
12 projected statement of receipts and disbursements, and any other
13 information considered necessary by the director. WITHIN 60 DAYS
14 AFTER THE END OF THE FISCAL YEAR, THE DIRECTOR SHALL SUBMIT TO
15 THE LEGISLATURE A REPORT ON THE STATUS OF ALL SUCH REVOLVING
16 FUNDS, INCLUDING ALL INFORMATION REPORTED IN THE FINANCIAL PLAN.
17 Sec. 443. Except as otherwise provided by law, all money
18 received by the various state agencies for whom appropriations
19 are made by a budget act shall be forwarded to the state trea-
20 surer and credited to the state general fund. THE STATE BUDGET
21 DIRECTOR MAY MAKE FEDERAL REVENUE TRANSFERS BETWEEN THE RECIPIENT
22 STATE DEPARTMENT AND THE SPENDING STATE DEPARTMENT ONLY WHEN
23 FUNDS ARE APPROPRIATED IN THE SPENDING DEPARTMENT.
24 Sec. 451. (1) At the close of the fiscal year, the unencum-
25 bered balance of each appropriation shall lapse to the state fund
26 from which it was appropriated. A document which is not
27 ascertainable before the cutoff date set by the director may be

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1 charged against a current year's appropriation if the chief
2 accounting officer determines that the state agency was not will-
3 ful in its failure to ascertain or record the document and if the
4 amount of the payment would not have exceeded the unencumbered
5 balance of the applicable appropriation in the prior fiscal
6 year.

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

11 (3) This section does not apply to an appropriation for a
12 work order or a work project. ~~funded by general purpose~~
13 ~~revenues.~~ Except as provided in section 248, a work order or
14 work project appropriation continues to be available until com-
15 pletion of the work or ~~12~~ 24 months after the ~~last~~
16 ~~expenditure~~ CLOSE OF THE FISCAL YEAR IN WHICH THE APPROPRIATION
17 WAS ORIGINALLY MADE, whichever comes first, then the remaining
18 balance lapses to the state fund from which it was appropriated.
19 ~~The appropriation for a work order or work project shall specif-~~
20 ~~ically designate the item as a work order or work project and~~
21 ~~shall include all of the following information:~~ THIS SUBSECTION
22 APPLIES ONLY TO WORK PROJECTS ESTABLISHED BY THE EXECUTIVE BRANCH
23 OF STATE GOVERNMENT. TO BE DESIGNATED AS A WORK ORDER OR WORK
24 PROJECT, AN APPROPRIATION SHALL MEET ALL OF THE FOLLOWING
25 CRITERIA:

26 (a) ~~The purpose of the order or project.~~ THE WORK ORDER OR
27 WORK PROJECT SHALL BE OF A SPECIFIC PURPOSE.

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1 (b) ~~The methods that will be used to accomplish the~~
2 ~~project.~~ THE WORK ORDER OR WORK PROJECT SHALL CONTAIN A SPECIFIC
3 PLAN TO ACCOMPLISH ITS OBJECTIVE.

4 (c) ~~The total estimated cost of the project.~~ THE WORK
5 ORDER OR WORK PROJECT SHALL HAVE AN ESTIMATED COMPLETION COST.

6 (d) ~~A tentative completion date of the project.~~ THE WORK
7 ORDER OR WORK PROJECT SHALL HAVE AN ESTIMATED COMPLETION DATE.

8 ~~(4) Except as provided in section 248, unencumbered appro-~~
9 ~~priations made for work projects and financed from restricted~~
10 ~~revenues shall continue to be available for expenditure until the~~
11 ~~projects are completed or until lapsed by directives issued by~~
12 ~~the director.~~

13 (4) ~~(5)~~ Not later than 45 days after the conclusion of the
14 fiscal year, the director shall notify the senate and house
15 appropriations ~~committee~~ COMMITTEES of appropriations proposed
16 to be designated as work projects in accordance with ~~the defini-~~
17 ~~tion contained in this act, but not specifically so designated in~~
18 ~~an appropriations act. These designations may be disapproved by~~
19 ~~either appropriations committee within 30 days after the date of~~
20 ~~notification and, if disapproved within that time, shall not be~~
21 ~~effective.~~ THIS SECTION. THE NOTIFICATION SHALL INCLUDE AN
22 ESTIMATE OF THE DOLLAR AMOUNT OF THE FUNDS TO BE DESIGNATED AS
23 WORK PROJECTS.

24 (5) NOT LATER THAN 120 DAYS AFTER THE CONCLUSION OF THE
25 FISCAL YEAR, THE DIRECTOR SHALL PREPARE AND DELIVER TO THE SENATE
26 AND HOUSE APPROPRIATIONS COMMITTEES A REPORT WHICH SUMMARIZES
27 CURRENT WORK PROJECT ACCOUNTS. THIS REPORT SHALL CONTAIN A

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1 LISTING OF ALL WORK PROJECT ACCOUNTS, THE BALANCE IN EACH
2 ACCOUNT, THE AMOUNT OF FUNDS THAT LAPSED FROM ANY PREVIOUSLY DES-
3 IGNATED WORK PROJECTS AND THE FUNDS THAT RECEIVED THESE LAPSES.

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

6 (2) Before the ~~thirtieth of each month~~ END OF EACH
7 QUARTER, the department of civil service shall provide a report
8 to the department, the appropriations committees, and the fiscal
9 agencies regarding the status of FTE positions for the preceding
10 ~~month~~ QUARTER. The ~~monthly~~ QUARTERLY report shall include,
11 but shall not be limited to, the following information:

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

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

16 (c) The difference between the appropriated FTE positions,
17 and the actual number of FTE positions, by department, for that
18 ~~month~~ QUARTER.

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

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

26 Sec. 461. (1) As required by federal law, all federal
27 grants awarded to the state shall be audited by the auditor

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1 general, an independent accounting firm selected by the auditor
2 general, or an auditor approved by the appropriate federal
3 agency. The funding for each audit shall be from the respective
4 federal grants audited.

5 (2) Each audit performed pursuant to Public Law 98-502 shall
6 be conducted by an independent auditor in accordance with gener-
7 ally accepted government auditing standards. Single audits for
8 this state shall be conducted in accordance with Public Law
9 98-502 by the auditor general, an independent accounting firm
10 selected by the auditor general, or an independent auditor
11 approved by the appropriate federal agency. For fiscal years
12 beginning October 1, 1985 and thereafter, biennial audits of
13 state departments and agencies shall be performed for purposes of
14 complying with the requirements of Public Law 98-502 pertaining
15 to audit evaluation of the internal controls of this state and
16 the state's compliance with material features of laws and regula-
17 tions related to major federal assistance programs.

18 (3) The funding for single audits shall be from the respec-
19 tive federal grants audited, in accordance with Public Law
20 98-502. The chief executive officer of each principal department
21 shall ensure that sufficient amounts are encumbered from the
22 appropriate federal grants to finance the cost of the audits.
23 Any unexpended amounts of encumbered funds may be carried over
24 into succeeding years to cover the cost of the single audits.

25 (4) Before March 1 of each year, the director of each prin-
26 cipal department shall submit to the director, fiscal agencies
27 and the auditor general a schedule of federal financial

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1 assistance for the last completed fiscal year in a form approved
2 by the auditor general.

3 (5) As used in this section, "Public Law 98-502" means the
4 single audit act of 1984, 31 U.S.C. 7501 to 7507.

5 Sec. 462. Within 60 days after the final audit is released,
6 the principal executive officer of a state agency which is
7 audited shall submit a plan to comply with the audit recommenda-
8 tions to the department. The plan shall be prepared in accord-
9 ance with procedures prescribed by the principal department.
10 Copies of the plan shall be distributed in accordance with the
11 administrative manual. COPIES SHALL ALSO BE DISTRIBUTED TO RELE-
12 VANT HOUSE AND SENATE APPROPRIATIONS SUBCOMMITTEES, RELEVANT
13 HOUSE AND SENATE STANDING COMMITTEES, FISCAL AGENCIES, AND THE
14 EXECUTIVE OFFICE.

15 Sec. 484. (1) ~~Not later than April 1, 1987, the~~ THE
16 director, in consultation with the auditor general, shall develop
17 a system of reporting and a general framework which shall be used
18 by the principal departments in performing evaluations on their
19 respective internal accounting and administrative control
20 systems.

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

26 Sec. 485. (1) ~~Not later than October 1, 1987, the~~ THE
27 department head of each principal department shall establish and

1 maintain an internal accounting and administrative control system
2 within that principal department using the generally accepted
3 accounting principles as developed by the accounting profession
4 and in conformance with directives issued pursuant to section
5 141(d).

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

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

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

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

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

18 (e) Qualified personnel that maintain a level of
19 competence.

20 (f) Internal control techniques that are effective and
21 efficient.

22 (3) Each head of a principal department shall document the
23 system, communicate system requirements to employees of that
24 principal department, assure that the system is functioning as
25 prescribed, and modify as appropriate for changes in condition of
26 the system.

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1 ~~(4) Not later than October 1, 1987, the head of each~~
2 ~~principal department shall issue a report to the governor, the~~
3 ~~auditor general, the senate and house appropriations committees,~~
4 ~~and the director describing the current internal accounting and~~
5 ~~administrative control systems of the principal department, the~~
6 ~~organization and size of the internal audit staffs, and the~~
7 ~~manner in which the internal auditor will be utilized by the~~
8 ~~department head. Not later than March 1, 1988, the auditor gen-~~
9 ~~eral shall evaluate and report to the legislature on each princi-~~
10 ~~pal department's report prepared pursuant to this subsection.~~

11 (4) ~~(5) Beginning March 1, 1989, and biennially thereafter,~~
12 ~~the~~ THE head of each principal department shall provide a
13 BIENNIAL report ON OR BEFORE MAY 1 OF EACH ODD NUMBERED YEAR pre-
14 pared by the principal department's internal auditor on the eval-
15 uation of the principal department's internal accounting and
16 administrative control system to the governor, the auditor gener-
17 al, the senate and house appropriations committees, and the
18 director. For the period reviewed, the report shall include, but
19 not be limited to, both of the following:

20 (a) A description of any material inadequacy or weakness
21 discovered in connection with the evaluation of the department's
22 internal accounting and administrative control system as of
23 October 1 of the preceding year and the plans and a time schedule
24 for correcting the internal accounting and administrative control
25 system, described in detail.

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

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

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

8 (3) A person may not prevent or prohibit the internal audi-
9 tor from initiating, carrying out, or completing any audit or
10 investigation. The internal auditor shall be protected pursuant
11 to the whistleblowers' protection act, ~~Act No. 469 of the Public~~
12 ~~Acts of 1980, being sections 15.361 to 15.369 of the Michigan~~
13 ~~Compiled Laws~~ 1980 PA 469, MCL 15.361 TO 15.369.

14 (4) The internal auditor of each principal department
15 shall:

16 (a) Receive and investigate any allegations that false or
17 misleading information was received in evaluating the principal
18 department's internal accounting and administrative control
19 system or in connection with the preparation of the biennial
20 report on the system.

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

23 (c) Review existing activities and recommend policies
24 designed to promote efficiency in the administration of that
25 principal department's programs and operations as assigned by the
26 department head.

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1 (d) Recommend policies for activities to protect the state's
2 assets under the control of that principal department, and to
3 prevent and detect fraud and abuse in the principal department's
4 programs and operations.

5 (e) Review and recommend activities designed to ensure that
6 principal department's internal financial control and accounting
7 policies are in conformance with the department of management and
8 budget accounting division directives issued pursuant to sections
9 421 and 444.

10 (f) Provide a means to keep the department head fully and
11 currently informed about problems and deficiencies relating to
12 the administration of that principal department's programs and
13 operations and the necessity for and progress of corrective
14 action.

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

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

20 Sec. 492. ~~Effective with the fiscal year ending~~
21 ~~September 30, 1983, the~~ THE financial statements of all state
22 agencies, as defined by generally accepted accounting principles
23 as falling within the reporting responsibility of the state,
24 shall be included in the comprehensive annual financial report of
25 the state. The director shall designate and notify each state
26 agency of this responsibility as well as describe the statement
27 format that shall be followed by each agency so notified. The

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1 statements provided shall be followed by each state agency so
2 notified. The statements provided shall be audited as provided
3 by law or by the auditor general or independent auditors selected
4 by the auditor general before submission to the department of
5 management and budget and shall be submitted not later than 90
6 days following the close of the state's fiscal year.

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

11 Enacting section 1. Sections 206, 207, 223, 225, 238, 239,
12 243, 247, 271, 282, 353a, 353b, 353d, 354a, 362, 362a, 382, 456,
13 and 488 of the management and budget act, 1984 PA 431,
14 MCL 18.1206, 18.1207, 18.1223, 18.1225, 18.1238, 18.1239,
15 18.1243, 18.1247, 18.1271, 18.1282, 18.1353a, 18.1353b, 18.1353d,
16 18.1354a, 18.1362, 18.1362a, 18.1382, 18.1456, and 18.1488, are
17 repealed.