

SENATE BILL NO. 1160

May 26, 1998, Introduced by Senator GAST and referred to the
Committee on Appropriations.

A bill to amend 1984 PA 431, entitled
"The management and budget act,"
by amending sections 115, 131, 203, 204, 205, 217, 219, 221, 237,
241, 241a, 242, 244, 247, 248, 251, 303, 305, 342, 344, 350,
350a, 350d, 350e, 352, 355, 363, 367, 367b, 367f, 371, 372, 384,
386, 393, 396, 404, 434, 451, 454, 461, 462, 484, 485, 486, 488,
492, and 493 (MCL 18.1115, 18.1131, 18.1203, 18.1204, 18.1205,
18.1217, 18.1219, 18.1221, 18.1237, 18.1241, 18.1241a, 18.1242,
18.1244, 18.1247, 18.1248, 18.1251, 18.1303, 18.1305, 18.1342,
18.1344, 18.1350, 18.1350a, 18.1350d, 18.1350e, 18.1352, 18.1355,
18.1363, 18.1367, 18.1367b, 18.1367f, 18.1371, 18.1372, 18.1384,
18.1386, 18.1393, 18.1396, 18.1404, 18.1434, 18.1451, 18.1454,
18.1461, 18.1462, 18.1484, 18.1485, 18.1486, 18.1488, 18.1492,
and 18.1493), sections 115, 203, 205, 217, 221, 244, 247, 342,
350, 367, 371, 372, 384, 386, 393, and 451 as amended and

sections 204, 241a, 350a, 350d, 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 363 as amended by 1993 PA 2, section 461 as amended by 1986 PA 251, and sections 484, 485, 486, and 488 as added by 1986 PA 272; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

3 (2) "JCOS" means the joint capital outlay subcommittee of
4 the appropriations committees.

5 (3) "Project" means a facility which is being planned or
6 constructed.

7 (4) Except as used in sections 284 to 292, "record" means a
8 public record as defined in section 2 of the freedom of informa-
9 tion act, ~~Act No. 442 of the Public Acts of 1976, being section~~
10 ~~15.232 of the Michigan Compiled Laws~~ 1976 PA 442, MCL 15.232.

11 (5) "State agency" means a department, board, commission,
12 office, agency, authority, or other unit of state government.
13 State agency does not include an institution of higher education
14 or a community college or, for purposes of article 2 or 3, the
15 legislative ~~or judicial branches~~ BRANCH of government. FOR
16 PURPOSES OF ARTICLE 2 OR 3, EXCEPT FOR THOSE SECTIONS PERTAINING
17 TO THE AUTHORIZATION, PLANNING, CONSTRUCTION, AND FUNDING OF A
18 CAPITAL OUTLAY PROJECT, INCLUDING CONSTRUCTION OF A FACILITY TO
19 HOUSE OFFICES OR FUNCTIONS NECESSARY FOR OPERATION OF THE

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

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

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

26 (2) The department may promulgate rules as necessary to
27 implement this act. The rules shall be promulgated pursuant to

1 ~~Act No. 306 of the Public Acts of 1969~~ THE ADMINISTRATIVE
2 PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.201 TO 24.328.

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

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

16 (2) ~~(3)~~ Within 60 days after the end of each fiscal year,
17 the department shall report the following to the appropriations
18 committees and the fiscal agencies for the immediately past com-
19 pleted fiscal year:

20 (a) The expenditures and funding for each state data
21 center.

22 (b) The amount and source of funding for automated informa-
23 tion processing expenditures other than the amounts appropriated
24 for in each principal department.

25 (c) The amount and source of funding of expenditures by a
26 principal department for the acquisition of end-user computing
27 equipment as approved by the department.

1 (3) ~~(4) Except as provided in subsection (2), an~~ AN
2 expenditure shall not be made for automated information process-
3 ing unless the expenditure is pursuant to an automated informa-
4 tion processing plan which is approved by the department.

5 (4) THE DEPARTMENT SHALL DEVELOP AND MAINTAIN A STATEWIDE
6 PLAN FOR THE EFFECTIVE AND EFFICIENT UTILIZATION OF INFORMATION
7 PROCESSING AND TELECOMMUNICATION SYSTEMS AND SERVICES.

8 (5) THE DEPARTMENT MAY ARRANGE FOR AND EFFECT A UNIFIED AND
9 INTEGRATED STATEWIDE INFORMATION PROCESSING AND TELECOMMUNICATION
10 SYSTEM AND PROVIDE FOR THE ADMINISTRATION OF THE SYSTEM.

11 (6) A STATE AGENCY SHALL NOT PURCHASE OR OPERATE A TELECOM-
12 MUNICATIONS FACILITY OR SYSTEM OR AN AUTOMATED DATA PROCESSING
13 SYSTEM OR INSTALLATION UNLESS THE FACILITY, SYSTEM, OR INSTALLA-
14 TION IS APPROVED BY THE DEPARTMENT.

15 (7) THE DEVELOPMENT, IMPLEMENTATION, OPERATION, AND MAINTENANCE
16 OF ANY TELECOMMUNICATION SYSTEM OR SERVICES OR AUTOMATED
17 INFORMATION PROCESSING SYSTEM OR SERVICE IS SUBJECT TO LEGISLA-
18 TIVE OVERSIGHT IN A FORM DETERMINED BY THE LEGISLATURE. REPORTS
19 AND ANALYSIS OF PROPOSED OR EXISTING SYSTEMS OR PROGRAMS MAY BE
20 REQUIRED AT THE DISCRETION OF THE LEGISLATURE.

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

24 (2) The department shall review AND APPROVE all risk manage-
25 ment related programs of state agencies, including, but not
26 limited to, worker's compensation, disability management,
27 insurance, safety, loss control, claims handling, exposure

1 analysis, accident investigation, and risk management information
2 systems.

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

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

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

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

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

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

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

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

3 (2) THE DEPARTMENT SHALL ISSUE DIRECTIVES FOR THE IMPLEMEN-
4 TATION AND MAINTENANCE OF A FORMS MANAGEMENT PROGRAM WITHIN EACH
5 STATE AGENCY. THE DEPARTMENT SHALL COORDINATE THE DEVELOPMENT OF
6 FORMS AT STATE AGENCIES IN ORDER TO FACILITATE THE STANDARDIZA-
7 TION OF FORMS, RECOMMEND THE ELIMINATION OF REDUNDANT FORMS, AND
8 PROVIDE A CENTRAL SOURCE OF INFORMATION REGARDING FORMS USAGE IN
9 STATE GOVERNMENT.

10 Sec. 217. (1) The department shall issue and administer
11 directives relative to the travel of officers and unclassified
12 employees of state agencies when engaged in the performance of
13 state business and for the reimbursement of expenses necessarily
14 incurred when engaged in the performance of state business from
15 whatever source the reimbursement may be financed. The direc-
16 tives issued pursuant to this section shall not take effect
17 unless the directives are approved by the board.

18 ~~(2) A meeting of a state agency shall be held in a facility~~
19 ~~owned, leased, being purchased, or operated by this state, the~~
20 ~~federal government, a unit of local government, or a state sup-~~
21 ~~ported institution, college, or university, unless the chief~~
22 ~~executive officer of the state agency, in writing, authorizes a~~
23 ~~different location.~~

24 (2) ~~(3)~~ On January 1 of each year, the director shall pre-
25 pare a travel report in a format established jointly by the
26 chairpersons of the appropriations committees and shall submit
27 the report to the appropriations committees and the fiscal

1 agencies. The report shall list each person who received
2 compensation, fees, or remuneration under a budget act for travel
3 outside the state during the preceding 12 months. The listing
4 shall include the name of the person who received the compensa-
5 tion, fees, or remuneration and the destination, reason for, and
6 dates of the travel; and the transportation and related costs.
7 The report shall also include a statement of the total in-state
8 travel for the same period.

9 Sec. 219. (1) The department may PROVIDE FOR AND issue
10 directives for the management, operation, maintenance, SECURITY,
11 and repair of facilities. The director may determine space util-
12 ization standards and may assign space within the facilities.
13 The department shall manage and operate state owned facilities
14 under the jurisdiction of the department.

15 (2) The department shall not assign space in buildings and
16 premises designated as part of the Michigan capitol park and
17 under the exclusive jurisdiction of the Michigan capitol park
18 commission, pursuant to section 298b, and shall not assign space
19 in buildings under the jurisdiction of the legislature or the
20 Michigan capitol committee created under chapter 7 of the legis-
21 lative council act, ~~Act No. 268 of the Public Acts of 1986,~~
22 ~~being sections 4.1701 to 4.1702 of the Michigan Compiled Laws~~
23 1986 PA 268, MCL 4.1701 TO 4.1702, unless the Michigan capitol
24 park commission, the legislature, or the Michigan capitol commit-
25 tee request the department to assign such space.

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

1 (4) The Michigan capitol committee shall manage and operate
2 the capitol building and grounds. The senate shall manage and
3 operate the Farnum building and grounds. The house of represen-
4 tatives shall manage and operate the Roosevelt building and
5 grounds. This subsection shall take effect October 1, 1991.

6 (5) ~~Effective October 1, 1991, the current labor and trades~~
7 ~~and safety and regulatory classifications performing duties in~~
8 ~~the capitol building and on the capitol grounds shall no longer~~
9 ~~be maintained.~~ THE DEPARTMENT SHALL CHARGE STATE AGENCIES FOR
10 BUILDING OCCUPANCY IN FACILITIES UNDER THE JURISDICTION OF THE
11 DEPARTMENT. THE RATES TO BE CHARGED FOR BUILDING OCCUPANCY SHALL
12 BE COORDINATED WITH THE BUDGET CYCLE. THE RATES SHALL REFLECT
13 THE ACTUAL COST FOR OCCUPANCY OF THE FACILITIES, BASED ON THE
14 STATEWIDE COST ALLOCATION PLAN.

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

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

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

11 (B) THE TERM OF THE PROPOSED LEASE IS 5 YEARS OR MORE.

12 (C) THE ANNUAL COST OF THE PROPOSED LEASE IS MORE THAN
13 \$1,000,000.00 AND CONSISTS OF LESS THAN 25,000 GROSS SQUARE
14 FEET.

15 (D) THE PROPOSED LEASE REPRESENTS THE RELOCATION OF A STATE
16 OFFICE FROM 1 COUNTY, CITY, TOWNSHIP, OR VILLAGE TO A DIFFERENT
17 COUNTY, CITY, TOWNSHIP, OR VILLAGE.

18 (3) FOR THE PURPOSES OF THIS SECTION, A NEW LEASE AGREEMENT
19 FOR SPACE CURRENTLY UNDER LEASE WHICH CHANGES THE AMOUNT OF SPACE
20 OR THE LEASE TERM PREVIOUSLY APPROVED BY THE JOINT CAPITAL OUTLAY
21 SUBCOMMITTEE SHALL BE CONSIDERED A NEW AGREEMENT SUBJECT TO
22 APPROVAL BY THE JOINT CAPITAL OUTLAY SUBCOMMITTEE.

23 (4) IF A PROPOSED LEASE REQUIRES JOINT CAPITAL OUTLAY SUB-
24 COMMITTEE APPROVAL, THE LEASE AND THE REQUEST FOR APPROVAL MUST
25 BE SUBMITTED TO EACH MEMBER OF THE JOINT CAPITAL OUTLAY SUBCOM-
26 MITTEE 30 DAYS PRIOR TO THE CONVENING OF THE MEETING OF THE JOINT

1 CAPITAL OUTLAY SUBCOMMITTEE AT WHICH THE ITEM IS TO BE
2 CONSIDERED.

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

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

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

24 Sec. 237. (1) The department shall provide for the develop-
25 ment of studies, designs, plans, specifications, and contract
26 documents relative to the acquisition, construction, LEASE
27 PURCHASE, improvement, or demolition of facilities.

1 (2) The department shall provide for the selection and
2 employment of architects and professional engineers, subject to
3 rules of the department of civil service, to do all of the
4 following:

5 (a) To study, design, prepare, and review plans and specifi-
6 cations for the construction of, repairing of, making additions
7 to, remodeling of, LEASE PURCHASE OF, or acquisition of,
8 facilities.

9 (b) To administer construction work.

10 (3) The department shall provide resident inspectors if the
11 department considers it necessary for on site observation of the
12 construction of facilities.

13 (4) The department may obtain independent testing services
14 to provide quality control of work performed on facilities.

15 (5) THE ATTORNEY GENERAL SHALL REVIEW ALL LEASE PURCHASE
16 AGREEMENTS AND CONSTRUCTION CONTRACTS AND MAY ASSESS A FEE FOR
17 LEGAL SERVICES PURSUANT TO AN AGREEMENT WITH THE DEPARTMENT.

18 Sec. 241. (1) Except for the contracts permitted in section
19 240, a contract shall not be awarded for the construction,
20 repair, remodeling, or demolition of a facility unless the con-
21 tract is let pursuant to a bidding procedure which is approved by
22 the board. The department shall issue directives prescribing
23 procedures to be used to implement this section. The procedures
24 shall require a public advertisement of intention to award any
25 contract for construction, repair, remodeling, or demolition of a
26 facility.

1 (2) The department may award or approve the award, if the
2 board approves, of construction contracts to construct a project
3 for which the director is the agent and may expend, for the pur-
4 poses and in the manner set forth, the amounts appropriated. The
5 director ~~is not the agent for a community college or institution~~
6 ~~of higher education, but may act in that capacity upon the spe-~~
7 ~~cific request of a community college or institution of higher~~
8 ~~education~~ SHALL BE RESPONSIBLE FOR DESIGN AND CONSTRUCTION
9 ADMINISTRATION FOR ALL CAPITAL OUTLAY PROJECTS FOR STATE AGEN-
10 CIES, COMMUNITY COLLEGES, AND INSTITUTIONS OF HIGHER EDUCATION
11 FINANCED IN WHOLE OR IN PART BY STATE BUILDING AUTHORITY BOND
12 REVENUES UNLESS A WAIVER IS REQUESTED BY THE DEPARTMENT AND
13 APPROVED BY THE JCOS.

14 Sec. 241a. The department shall require that each contract
15 entered into for DESIGN, PROJECT MANAGEMENT, construction, alter-
16 ation, repair, or rebuilding of a state building or other state
17 property contain a clause requiring that of the persons working
18 on a project and employed by the contractor or subcontractor of
19 the contractor, not less than 50% shall have been residents of
20 this state for not less than 1 year before beginning work, except
21 that the percentage shall be reduced or the clause omitted to the
22 extent that residents are not available or to the extent neces-
23 sary to comply with a federal law or regulation concerning fed-
24 eral funds used for the project. A breach of the clause shall be
25 considered a material breach of the contract. This section shall
26 not apply to employers who are signatory to collective bargaining

1 agreements and which agreements allow for the portability of the
2 employees on an interstate basis.

3 Sec. 242. (1) This section applies to a project which is
4 any of the following:

5 (a) A project authorized for planning pursuant to an appro-
6 priation act.

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

9 (c) A project which will be financed by the state building
10 authority.

11 (2) The JCOS and the director shall jointly determine the
12 priority of the projects to be studied and planned. The
13 ~~department shall then review program statements and~~ DIRECTOR,
14 CONCURRENT WITH SUBMISSION OF THE EXECUTIVE BUDGET, SHALL SUBMIT
15 TO THE JCOS, FOR APPROVAL, CRITERIA USED FOR EVALUATING PROJECT
16 REQUESTS. THE JCOS AND THE DIRECTOR SHALL REVIEW AND APPROVE
17 PROGRAM STATEMENTS. THE DEPARTMENT SHALL prepare plans for
18 projects in accordance with the priority list.

19 (3) A professional services contract shall not be awarded
20 until a program statement is approved by the department and
21 ~~notice of the approval is given to~~ THE JCOS.

22 (4) A planning or preliminary study of a project shall be
23 pursuant to the purpose and scope as determined in the program
24 statement.

25 (5) An amount shall not be expended for schematics unless
26 the release is authorized by the department and the JCOS. A
27 REQUEST SUBMITTED BY THE DEPARTMENT FOR THE RELEASE OF LUMP-SUM

1 PLANNING FUNDS BY THE JCOS FOR THE PREPARATION OF SCHEMATIC
2 PLANNING DOCUMENTS SHALL INCLUDE A CURRENT ACCOUNT BALANCE FOR
3 THE LUMP-SUM PLANNING ACCOUNT.

4 (6) An appropriation shall not be released for preparation
5 of a preliminary planning document until the schematics for the
6 project are approved by the department and the JCOS and the
7 release is authorized by the department and the JCOS. A REQUEST
8 SUBMITTED BY THE DEPARTMENT FOR THE RELEASE OF LUMP-SUM PLANNING
9 FUNDS BY THE JCOS FOR THE PREPARATION OF PRELIMINARY PLANNING
10 DOCUMENTS SHALL INCLUDE A CURRENT ACCOUNT BALANCE FOR THE
11 LUMP-SUM PLANNING ACCOUNT.

12 (7) An appropriation shall not be released for a construc-
13 tion project unless the preliminary plans for the project are
14 approved by the department and the JCOS.

15 (8) FOR A PROJECT FOR WHICH THE DEPARTMENT IS NOT THE AGENT
16 OR IS NOT RESPONSIBLE FOR DESIGN AND CONSTRUCTION ADMINISTRATION,
17 AN INDEPENDENT APPRAISAL OF THE COST OF A PROJECT BASED ON PRE-
18 LIMINARY PLANNING DOCUMENTS IS REQUIRED BEFORE JCOS APPROVAL OF
19 PRELIMINARY PLANNING DOCUMENTS. COSTS ASSOCIATED WITH THE PREPA-
20 RATION OF AN INDEPENDENT COST APPRAISAL WILL BE THE RESPONSIBIL-
21 ITY OF THE ENTITY, INSTITUTION, OR AGENCY FOR WHICH THE PROJECT
22 WAS AUTHORIZED.

23 (9) ~~(8)~~ Appropriations made for studies and preliminary
24 plans shall not be considered a commitment on the part of the
25 legislature to appropriate funds for the completion of plans or
26 construction of any project based on the studies or preliminary
27 plans. The total authorized cost as set forth for a specific

1 project for which only a partial appropriation is made shall not
2 be considered a commitment on the part of the legislature to
3 appropriate the difference between the amount appropriated and
4 the amount authorized pursuant to a capital outlay appropriation
5 act during the next or subsequent fiscal years. The total appro-
6 priation will be equal to the actual cost of providing a project
7 designed and constructed to meet the purpose and scope of the
8 project as currently recognized by the legislature and equal to
9 or less than the authorized total cost, or the total authorized
10 project cost less any funds received from private or federal
11 sources, whichever is the smaller amount.

12 (10) ~~-(9)-~~ A project may be exempted from this section pur-
13 suant to a capital outlay budget act.

14 (11) ~~-(10)-~~ A project which is financed with restricted fund
15 money may be required to comply with this section pursuant to a
16 budget act OR AT THE DIRECTION OF THE JCOS.

17 Sec. 244. (1) Except as otherwise expressly provided or as
18 provided in section 246, a construction appropriation includes,
19 where applicable, costs for land; professional services, includ-
20 ing engineering and inspection services; all construction trades
21 work; utilities; site work; on site supervision; equipment; fur-
22 niture; and furnishings for a completed facility ready for use.
23 The appropriation for a project authorized in a budget act shall
24 be charged with any direct labor OR PROFESSIONAL SERVICES per-
25 formed on that project by employees of the state ~~agency for~~
26 ~~which the appropriations are made~~ INCLUDING COSTS ASSOCIATED
27 WITH A RESIDENT INSPECTOR TO PROVIDE ON-SITE SUPERVISION AND

1 SHALL NOT EXCEED 1.5% OF THE TOTAL AUTHORIZED COST. For each
2 construction project for which the department is an agent AND
3 RESPONSIBLE FOR DESIGN AND CONSTRUCTION ADMINISTRATION, the
4 department shall determine the need for a resident inspector to
5 provide on site supervision. The department may employ and
6 assign the resident inspector. ~~with the inspector's salary to be
7 paid from the project account, or from the account designated by
8 the department.~~ If the department approves, a qualified employee
9 of the state agency's regular staff may be the resident inspector
10 with the inspector's salary to be paid from the state agency's
11 operating funds. This subsection shall apply to all projects
12 regardless of when the appropriations were made for the project.
13 The direct labor charges and corresponding credits shall be made
14 in accordance with the systems and procedures prescribed by the
15 department. Charges shall not be made to projects for any indi-
16 rect or administrative overhead costs, except professional serv-
17 ices by a state agency if the professional services are approved
18 by the department and if the department is the agent AND RESPON-
19 SIBLE FOR DESIGN AND CONSTRUCTION ADMINISTRATION for the project
20 and provides professional services or administers and supervises
21 the project. The director may establish separate accounts within
22 an appropriation to permit a state agency, community college, or
23 institution of higher education to make expenditures for equip-
24 ment, furniture, and furnishings. The director shall carry out
25 this act and shall exercise the best professional judgment in the
26 design and construction of all projects included within a budget
27 act so that the design and construction meets the requirements of

1 the projects in the most economical and efficient manner, with
2 particular emphasis on future maintenance and operating cost.

3 (2) A contract to complete the construction of a project for
4 which construction appropriations are made in a budget act shall
5 be made upon the conditions that the total cost for the comple-
6 tion of each facility, ready for use, shall not exceed the total
7 cost authorized for each respective project; that the obligations
8 for payments for each project, during the fiscal years subject to
9 this act, shall not exceed the amount appropriated for each spe-
10 cific facility by this and previous budget acts; and that the
11 contract may be awarded before the beginning of the next fiscal
12 year if the terms of the contract provide that payments shall not
13 be made until after the first day of the following fiscal year,
14 except in amounts previously appropriated.

15 Sec. 247. (1) Appropriations may be transferred ~~for~~ FROM
16 a state agency, community college, or institution of higher edu-
17 cation ~~as required~~ to provide necessary funds for ~~any project~~
18 ~~contained in any budget act for any state agency, community col-~~
19 ~~lege, or institution of higher education to which the appropria-~~
20 ~~tion is made~~ THE COMPLETION OF AN AUTHORIZED CAPITAL OUTLAY
21 PROJECT, if the transfer is approved by the department, JCOS, and
22 the appropriations committees.

23 (2) FUNDS MAY NOT BE TRANSFERRED INTO CAPITAL OUTLAY
24 ACCOUNTS WHICH WERE ESTABLISHED BEFORE 2 FISCAL YEARS PRIOR TO
25 THE YEAR IN WHICH THE TRANSFER IS PROPOSED UNLESS THAT PROJECT
26 HAS BEEN REAUTHORIZED WITHIN THE 3-YEAR PERIOD.

1 (3) FUNDS MAY NOT BE TRANSFERRED IN ORDER TO EXPAND THE
2 SCOPE OF A CAPITAL OUTLAY PROJECT OR TO ACCOMPLISH NEW
3 CONSTRUCTION, REMODELING, ADDITIONS, OR SPECIAL MAINTENANCE NOT
4 SPECIFICALLY AUTHORIZED IN A CAPITAL OUTLAY APPROPRIATIONS ACT.

5 (4) THE DEPARTMENT AND THE JCOS SHALL NOT PERMIT OR AUTHO-
6 RIZE THE USE OF FUNDS APPROPRIATED TO STATE AGENCIES FOR OPERA-
7 TIONS IN EXCESS OF \$250,000.00 TO BE USED FOR CAPITAL OUTLAY PUR-
8 POSES EXCEPT PURSUANT TO A TRANSFER PERMITTED UNDER THIS SECTION.

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

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

20 (3) Except as otherwise provided in this section, the bal-
21 ance of any capital outlay project other than a planning project
22 shall not lapse at the end of the fiscal year for which the
23 appropriation was made, but shall continue for not more than 2
24 fiscal years occurring after the fiscal year for which the appro-
25 priation for the project is made.

26 (4) A capital outlay project may be continued beyond 3
27 fiscal years if the bid for the start of construction of the

1 project is awarded before the end of the second fiscal year
2 occurring after the fiscal year for which the appropriation for
3 the project is made.

4 (5) A capital outlay project which is for purchase of prop-
5 erty may be continued beyond 3 fiscal years if a contract to pur-
6 chase property is entered into before the end of the second
7 fiscal year occurring after the fiscal year for which the appro-
8 priation for the purchase is made but only the amount necessary
9 to complete the purchase of the property pursuant to the contract
10 shall be carried forward.

11 (6) A capital outlay project may be continued beyond 3
12 fiscal years if a federal grant award is pending and the federal
13 rules preclude the award of the bid before the end of the second
14 fiscal year occurring after the fiscal year for which the appro-
15 priation for the project was made, but shall not be continued
16 beyond an additional year unless the bid for the start of con-
17 struction of the project is awarded.

18 (7) If the bid for the start of construction of the project
19 is awarded before the appropriations for the project are sched-
20 uled to lapse pursuant to subsection (3) or (5), the unobligated
21 balance of the appropriations for the project shall not lapse but
22 shall continue for 23 months after a project is substantially
23 completed.

24 (8) If a capital outlay project is subject to a legal
25 action, the balance shall lapse pursuant to subsections (2) to
26 (7), or 30 days after the legal action is settled, or 30 days
27 after a final order is entered, whichever is later.

1 (9) An unexpended balance which is to lapse pursuant to this
2 section shall lapse to the fund from which the appropriation is
3 made.

4 (10) A GRANT OR GRANT-IN-AID APPROPRIATED FOR THE PURPOSE OF
5 THE ACQUISITION, CONSTRUCTION, REPAIR, OR MAINTENANCE OF CAPITAL
6 ASSETS SHALL NOT BE REDUCED, ADJUSTED, DELAYED, IMPOUNDED,
7 LAPSED, OR OTHERWISE ALTERED BY THE DIRECTOR FOR ANY PURPOSE
8 WITHOUT LEGISLATIVE APPROVAL AND SHALL BE CARRIED FORWARD UNTIL
9 AWARDED, IN FULL, TO THE RECIPIENT OF THE APPROPRIATION CONSIS-
10 TENT WITH LEGISLATIVE INTENT.

11 Sec. 251. ~~(1) This section applies to all real property of~~
12 ~~the state except all of the following:~~

13 ~~(a) Property under the jurisdiction of the state transporta-~~
14 ~~tion department.~~

15 ~~(b) Property under the jurisdiction of a state institution~~
16 ~~of higher education.~~

17 ~~(c) Property under the jurisdiction of the department of~~
18 ~~natural resources.~~

19 ~~(d) Property under the jurisdiction of the department of~~
20 ~~military affairs.~~

21 (1) ~~(2)~~ The department shall provide for the development
22 and maintenance of real property records and facility
23 inventories. The department may award appropriate service con-
24 tracts or employ land surveyors to survey, monument, map,
25 describe, and record real property and facilities FOR ALL STATE
26 AGENCIES.

1 (2) ~~(3)~~ The department shall issue directives to provide
2 for the disposition process for facilities and lands which are
3 considered surplus FOR ALL STATE AGENCIES.

4 Sec. 303. (1) "Detroit consumer price index" means the most
5 comprehensive index of consumer prices available for the Detroit
6 area from the bureau of labor statistics of the ~~United States~~
7 ~~department of labor~~ FEDERAL GOVERNMENT.

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

10 (3) "Personal income" means as defined by the bureau of eco-
11 nomic analysis of the ~~United States department of commerce~~
12 FEDERAL GOVERNMENT.

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

16 (5) "Proportion" means the proportion of total state spend-
17 ing from state sources paid to all units of local government in a
18 fiscal year, and shall be calculated by dividing a fiscal year's
19 state spending from state sources paid to units of local govern-
20 ment by total state spending from state sources for the same
21 fiscal period.

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

25 (2) "Total state spending from state sources" means the sum
26 of state operating fund expenditures not including transfers ~~for~~

1 ~~financing~~ between funds, federal aid, and restricted local and
2 private sources of financing.

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

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

8 Sec. 342. The state ~~budget director~~ TREASURER OR OTHER
9 DESIGNEE OF THE GOVERNOR shall establish and maintain an economic
10 analysis, revenue estimating, and monitoring activity. The
11 activity shall include the preparation of current estimates of
12 all revenue by source for state operating funds for the initial
13 executive budget proposal to the legislature and thereafter
14 through final closing of the state's accounts.

15 Sec. 344. (1) The state budget director shall develop
16 annual proposals for departmental program activities and the
17 associated estimated costs and sources of financing. The propos-
18 als shall reflect current departmental program activities rela-
19 tive to impact on state policy goals, and new and augmented pro-
20 gram activities in response to changing priorities. The propos-
21 als shall reflect the evaluations and analyses of state programs
22 and activities prescribed in this act.

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

26 (3) The state budget director shall annually determine the
27 amounts required for interest and principal of state debt and the

1 estimated costs of capital outlay projects to provide facilities
2 for state program services.

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

6 Sec. 350. (1) If state government assumes the financing and
7 administration of a function, after December 22, 1978, which was
8 previously performed by a unit of local government, the state
9 payments for the function shall be counted as state spending paid
10 to units of local government.

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

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

21 (2) ~~(4)~~ Refunds or other repayments of prior year revenues
22 shall not be considered in the determination of total state
23 spending.

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

26 (a) "Personal income of Michigan" for a calendar year means
27 total annual personal income as officially reported by the

1 ~~United States department of commerce,~~ bureau of economic
2 analysis OF THE FEDERAL GOVERNMENT, in August of the year follow-
3 ing the calendar year for which the report is made. Revision of
4 the total annual personal income figure as reported by the bureau
5 of economic analysis after August of the year following the cal-
6 endar year for which the report is made shall not cause personal
7 income of Michigan as defined to be revised.

8 (b) "Total state revenues" means the combined increases in
9 net current assets of the general fund and special revenue funds,
10 except for component units included within the special revenue
11 group for reporting purposes only. For fiscal years beginning
12 after September 30, 1986, total state revenues shall be computed
13 on the basis of generally accepted accounting principles as
14 defined in this act. However, total state revenues shall not
15 include the following:

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

20 (ii) Current assets generated from transactions involving
21 fixed assets and long-term obligations in which total net assets
22 do not increase.

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

25 (iv) Federal aid.

26 (v) Taxes imposed for the payment of principal and interest
27 on voter-approved bonds and loans to school districts authorized

1 under section 16 of article IX of the state constitution of
2 1963.

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

6 (vii) Refunds or payments of revenues recognized in a prior
7 period.

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

10 (c) The calculation of total state revenues required by sec-
11 tion 350b(3) shall not be adjusted after the filing of the report
12 required by June 30, 1989, unless future changes in generally
13 accepted accounting principles would substantially distort the
14 comparability of the base year and the current and future years.
15 In no event shall intervening years be recalculated.

16 Sec. 350d. (1) The procedures enumerated in this section
17 shall be followed when revenues are required to be refunded pur-
18 suant to section 26 of article IX of the state constitution of
19 1963.

20 (2) For any fiscal year in which total state revenues exceed
21 the revenue limit as provided in section 26 of article IX of the
22 state constitution of 1963 by 1% or more, the revenues in excess
23 of the revenue limit shall be refunded pro rata based on the
24 liability reported on the state income tax return filed ~~pursuant~~
25 ~~to section 441 of Act No. 281 of the Public Acts of 1967, being~~
26 ~~section 206.441 of the Michigan Compiled Laws~~ UNDER THE INCOME
27 TAX ACT, 1967 PA 281, MCL 206.1 TO 206.532, and the single

1 business tax return filed ~~pursuant to section 97 of Act No. 228~~
2 ~~of the Public Acts of 1975, being section 208.97 of the Michigan~~
3 ~~Compiled Laws~~ UNDER THE SINGLE BUSINESS TAX ACT, 1975 PA 228,
4 MCL 208.1 TO 208.145, for the taxpayer's tax year beginning in
5 the fiscal year for which it is determined that the revenue limit
6 has been exceeded.

7 ~~(3) A refund shall not be required if total state revenues~~
8 ~~exceed the revenue limit by less than 1%.~~

9 (3) ~~(4)~~ If total state revenues exceed the revenue limit
10 by less than 1%, the ~~governor shall recommend to the legislature~~
11 ~~that the excess be appropriated~~ REVENUES IN EXCESS OF THE LIMIT
12 SHALL BE TRANSFERRED to the countercyclical budget and economic
13 stabilization fund, or its successor.

14 (4) ~~(5)~~ A refund required pursuant to this section shall
15 be refunded during the fiscal year beginning on the October 1
16 following the filing of the report required by section 350e which
17 determines that the limit was exceeded in the prior fiscal year
18 for which the report was filed.

19 Sec. 350e. The department shall annually prepare a report
20 which summarizes in detail the state's compliance with the reve-
21 nue limit established in section 350b. The report shall be sub-
22 mitted to the auditor general for review and comment not later
23 than May 31 of each year, and shall be published by submission to
24 the legislature not later than June 30 of each year. ~~For the~~
25 ~~fiscal year 1988 report only, the report shall be submitted to~~
26 ~~the auditor general not later than August 31, 1989, and published~~
27 ~~not later than September 30, 1989.~~

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

7 (2) When the annual growth rate is less than 0%, the percen-
8 tage deficiency under 0% shall be multiplied by the total state
9 general fund-general purpose revenue for the fiscal year ending
10 in the current calendar year to determine the eligible amount to
11 be transferred to the state general fund from the fund in the
12 ~~current~~ fiscal year ENDING IN THE CURRENT CALENDAR YEAR. When
13 the formula calls for a larger transfer from the fund than is
14 necessary to balance the current fiscal year state general
15 fund-general purpose budget, the excess shall remain in the
16 fund.

17 Sec. 355. ~~(1)~~ The transfer into or out of the fund as
18 provided in section 352 for each fiscal year beginning after
19 September 30, 1978, may be adjusted in light of revision in the
20 annual growth rate for the calendar year upon which that transfer
21 was made. IF AN ADJUSTMENT IS REQUIRED, IT SHALL BE IMPLEMENTED
22 BY AN APPROPRIATION BILL ENACTED INTO LAW. The adjustment, if
23 made, shall be directly proportional to an increase or decrease
24 in the annual growth rate, but the adjustment shall not be in
25 excess of 1% multiplied by the total general fund-general purpose
26 revenue of the fiscal year upon which the transfer was based.
27 The basis for an adjustment shall be a change in the personal

1 income level for that calendar year as determined by the bureau
2 of economic analysis of the United States department of commerce
3 in the last report it makes before April 30 of the fiscal year in
4 which that calendar year ended. The adjustment, if made, shall
5 be effective on June 1 of the fiscal year in which the transfer
6 is made.

7 ~~(2) An appropriation from the fund as provided in section~~
8 ~~353 may be adjusted for a change in the unemployment rate statis-~~
9 ~~tics for the 4 quarters immediately preceding the quarter in~~
10 ~~which the appropriation is to be made, as long as an adjustment~~
11 ~~has not already been made in an appropriation from the fund~~
12 ~~because of a prior change in the unemployment rate statistics for~~
13 ~~1 or more of those 4 quarters. A change in the unemployment rate~~
14 ~~statistics shall not be made until that change is certified by~~
15 ~~the director of the Michigan employment security commission.~~

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

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

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

18 ~~(5) In accordance with the economic stabilization transfer~~
 19 ~~allowed under section 353(1) there is appropriated from the fund~~
 20 ~~for the fiscal year ending September 30, 1991 the sum of~~
 21 ~~\$20,000,000.00 determined as follows:~~

22	Fund Balance			
23	Calendar	as of First		Maximum
24	Quarter	Day of Calendar	Maximum Allowable	Amount of
25	<u>Beginning</u>	<u>Quarter</u>	<u>Withdrawal</u>	<u>Withdrawal</u>
26	4/1/91	\$400,000,000	2.5% of the fund	\$10,000,000
27			balance as of first	
28			day of quarter	
29	7/1/91	\$398,000,000	2.5% of the fund	\$10,000,000
30			balance as of first	
31			day of quarter	

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

1 Sec. 363. Within 30 days after the legislature convenes in
2 regular session, except in a year in which a newly elected
3 governor is inaugurated into office when 60 days shall be
4 allowed, ~~or except in the 1993 calendar year when the transmis-~~
5 ~~sion date shall be not later than March 19, 1993,~~ the governor
6 shall transmit to each member of the legislature and the ~~senate~~
7 ~~and house~~ fiscal agencies the budget in detail as provided in
8 this act, accompanied by such explanations and recommendations
9 relative thereto as the governor considers necessary. At the
10 time the budget is transmitted to the legislature, the director
11 shall transmit line-item appropriation detail to the fiscal agen-
12 cies using a computer software application that is compatible
13 with the budget tracking computer systems used by the respective
14 fiscal agencies.

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

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

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

1 (b) Summary totals for each state operating fund to reflect
2 that recommended expenditures for each fund are within proposed
3 and estimated resources.

4 (c) An ~~itemized~~ ESTIMATED statement of state spending to
5 be paid to units of local government, total state spending from
6 state sources of financing, and the state-local proportion
7 derived from that data.

8 Sec. 367b. (1) A revenue estimating conference shall be
9 held in the second week of January and ~~in~~ NOT LATER THAN the
10 last week in May of each year, and as otherwise provided in this
11 act.

12 (2) The principals of the conference shall be ~~the director~~
13 ~~of the department of management and budget~~ A DESIGNEE OF THE
14 GOVERNOR, the director of the senate fiscal agency, and the
15 director of the house fiscal agency, or their respective
16 designees.

17 (3) The conference shall establish ~~an official economic~~
18 ~~forecast of major variables of the national and state economies.~~
19 ~~The conference shall also establish~~ a forecast of anticipated
20 state revenues as the conference determines including the
21 following:

22 (a) State income tax collections.

23 (b) State sales tax collections.

24 (c) Single business tax collections.

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

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

1 (f) Total school aid fund revenues.

2 (G) CHANGE IN THE BASIC FOUNDATION ALLOWANCE PROVIDED FOR IN
3 THE STATE SCHOOL AID ACT OF 1979, 1979 PA 94, MCL 388.1601 TO
4 388.1772.

5 (H) COMPLIANCE WITH THE STATE REVENUE LIMIT ESTABLISHED BY
6 SECTION 26 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.

7 (I) PAY-INS OR PAY-OUTS REQUIRED UNDER THE COUNTERCYCLICAL
8 BUDGET AND ECONOMIC STABILIZATION FUND.

9 (4) The conference's official forecast of economic and reve-
10 nue variables shall be determined by consensus among the
11 principals.

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

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

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

20 Sec. 371. (1) An employee of a state agency shall not make
21 or authorize an expenditure or incur an obligation that results
22 in the agency exceeding the gross appropriation level of an
23 appropriation line item made to that agency by the legislature.
24 The chief executive officer and the chief financial officer of a
25 state agency are responsible for any action taken by a state
26 agency which results in exceeding an appropriation. The chief
27 executive officer of a state agency shall report a violation of

1 this subsection immediately to the director and the chairpersons
2 of the senate and house appropriations committees, together with
3 a statement of any action taken to remedy the occurrence.

4 (2) Within 15 days after a bill appropriating an amount is
5 enacted into law, the amount appropriated shall be divided into
6 allotments by department and by state agency based on periodic
7 requirements to represent a spending plan. The state budget
8 director shall review the allotments. By June 1 of each year,
9 the director shall submit a report to the appropriations commit-
10 tees AND THE FISCAL AGENCIES that compares actual expenditures to
11 the allotments made for each department and each state agency for
12 the first 6 months of the fiscal year. When it appears that a
13 spending plan, or sources of financing related, do not provide
14 the level of program service assumed in the appropriation for the
15 fiscal year, the state budget director shall ~~pursue 1 of the~~
16 ~~following remedies:~~ IMMEDIATELY NOTIFY THE APPROPRIATIONS
17 COMMITTEES.

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

26 ~~(b) Reflect the deficiency in projecting and reporting the~~
27 ~~status of the state budget. The state budget director shall then~~

~~1 approve the spending plan as submitted by the department and
2 within 45 days after the enacted appropriation, recommend to the
3 legislature a supplemental appropriation to provide the necessary
4 level of program service.~~

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

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

11 (3) For open-end appropriations, a continuing allotment may
12 be approved by the state budget director or the state budget
13 director may require the state agency to submit requests for
14 periodic allotments.

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

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

23 Sec. 384. (1) A state agency which applies for federal
24 financial assistance shall notify the department within 10 days
25 after the application is sent. The notification to apply for
26 federal financial assistance shall be on a form prescribed by,
27 and contain information requested by, the department. Within 10

1 days after the state agency receives notice that its application
2 for federal financial assistance is awarded, rejected, revised,
3 or deferred, the state agency shall provide notice of the award,
4 rejection, revision, or deferment of the application to the
5 department AND TO THE FISCAL AGENCIES.

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

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

23 Sec. 386. (1) The state budget director shall prepare
24 monthly financial reports.

25 (2) Within 30 days after the end of each month, the state
26 budget director shall transmit copies of the monthly financial
27 report to all the appropriations committee members and the fiscal

1 agencies. The monthly financial report due by November 30 shall
2 be the first monthly financial report to include statements con-
3 cerning the fiscal year which began on October 1.

4 (3) Each monthly financial report shall contain the follow-
5 ing information:

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

12 (b) A statement of estimated year-end appropriations lapses
13 and overexpenditures for the state general fund by principal
14 department.

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

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

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

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

4 (g) Any other information considered necessary by the state
5 budget director or jointly requested by the chairpersons of the
6 appropriations committees.

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

9 (i) THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION
10 FUND.

11 (ii) THE STRATEGIC FUND.

12 (iii) THE NATURAL RESOURCES TRUST FUND.

13 Sec. 393. ~~(1) Administrative transfers of appropriations~~
14 ~~within any department to adjust for current cost and price varia-~~
15 ~~tions from the enacted budget items, or to adjust amounts between~~
16 ~~federal sources of financing, may be made by the state budget~~
17 ~~director not less than 30 days after notifying the senate and~~
18 ~~house appropriations committees. Administrative transfers shall~~
19 ~~not include adjustments that have policy implications or that~~
20 ~~have the effect of creating, expanding, or reducing programs~~
21 ~~within that department. Those transfers may be disapproved by~~
22 ~~either appropriations committee within the 30 days and, if disap-~~
23 ~~proved within that time, shall not be effective.~~

24 (1) ~~(2)~~ A transfer of appropriations within any department
25 ~~for reasons other than cost and price variances~~ from those
26 appropriations as enacted into law shall not be made by the state
27 budget director unless approved by both appropriations

1 committees. If the budget director does not approve transfers
2 adopted by both appropriations committees under this subsection,
3 the budget director shall notify the appropriations committees of
4 his or her action within 15 days.

5 (2) THE DIRECTOR SHALL SUBMIT TRANSFERS TO THE APPROPRIA-
6 TIONS COMMITTEES BY THE FOLLOWING DATES UNLESS OTHERWISE APPROVED
7 BY THE CHAIRPERSONS OF THE APPROPRIATIONS COMMITTEES:

8 (A) FOR MID-YEAR ADJUSTMENTS, THE LAST DAY OF SUBMISSION TO
9 THE COMMITTEE BY THE DIRECTOR SHALL BE BY MAY 1 OF THAT FISCAL
10 YEAR.

11 (B) FOR YEAR-END ADJUSTMENTS, THE LAST DAY OF SUBMISSION TO
12 THE COMMITTEE BY THE DIRECTOR SHALL BE BY SEPTEMBER 15 OF THAT
13 FISCAL YEAR.

14 (C) FOR BOOK CLOSING ADJUSTMENTS OF THE PRIOR YEAR AND PRE-
15 LIMINARY ADJUSTMENTS FOR THE FISCAL YEAR JUST BEGUN, THE LAST DAY
16 OF SUBMISSION TO THE COMMITTEE BY THE DIRECTOR SHALL BE BY
17 NOVEMBER 1 FOLLOWING THE END OF THE PRIOR FISCAL YEAR.

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

21 (4) A transfer approved pursuant to this section shall con-
22 stitute authorization to transfer the amount recommended and
23 approved. However, the amount shall be reduced by the state
24 budget director to be within the current unobligated amount of
25 the appropriation.

26 (5) A transfer approved by law shall not subsequently be
27 withdrawn or reversed in whole or in part.

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

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

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

13 (9) The state budget director shall not make transfers
14 between items appropriated except as provided in this section or
15 section 396(2).

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

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

21 (b) Writeoffs of accounts receivable recorded in a prior
22 year.

23 (2) The attorney general shall notify the senate and house
24 appropriations committees, the speaker of the house, ~~and~~ the
25 senate majority leader, AND THE FISCAL AGENCIES within 14 days
26 after entering into a settlement or consent judgment which would
27 result in a state obligation that exceeds \$200,000.00. The

1 notice shall include a summary of the facts of the case and the
2 reason or reasons that the settlement or consent judgment would
3 be in the best interests of the state.

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

12 (4) Before December 1 of each year, each principal depart-
13 ment shall transmit to the appropriations committees and fiscal
14 agencies a written report which includes all of the following:

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

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

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

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

26 (e) An estimate of the total dollar amount and a description
27 of the facts involved in each court action currently pending

1 against the department for the most recently completed fiscal
2 year.

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

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

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

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

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

15 (6) "Work order" means a capital outlay undertaking
16 incurred, including salaries and wages, contractual services,
17 supplies, and materials services.

18 (7) "Work project" means a 1-time nonrecurring undertaking
19 for the purpose of accomplishing an objective contained in spe-
20 cific item appropriation for that purpose OR ANY OTHER SPECIFIC
21 ITEM APPROPRIATION DESIGNATED AS A WORK PROJECT BY LAW.

22 Sec. 434. Revenues received from rates charged or goods
23 sold and revenue which is received from any other source and des-
24 ignated to be credited to a revolving fund shall be credited to
25 that fund. Within 60 days after the fiscal year begins, the
26 director shall submit to the appropriations committees and fiscal
27 agencies a financial plan for the ensuing fiscal year. The

1 financial plan shall include the rate structure, a projected
2 statement of revenues and expenses in sufficient detail to pro-
3 vide for comparison with actual revenues and expenses, a
4 projected statement of receipts and disbursements, and any other
5 information considered necessary by the director. WITHIN 60 DAYS
6 AFTER THE END OF THE FISCAL YEAR, THE DIRECTOR SHALL SUBMIT TO
7 THE LEGISLATURE A REPORT ON THE STATUS OF ALL SUCH REVOLVING
8 FUNDS, INCLUDING ALL INFORMATION REPORTED IN THE FINANCIAL PLAN.

9 Sec. 451. (1) At the close of the fiscal year, the unencum-
10 bered balance of each appropriation shall lapse to the state fund
11 from which it was appropriated UNLESS OTHERWISE PROVIDED BY LAW.
12 A document which is not ascertainable before the cutoff date set
13 by the director may be charged against a current year's appropri-
14 ation if the chief accounting officer determines that the state
15 agency was not willful in its failure to ascertain or record the
16 document and if the amount of the payment would not have exceeded
17 the unencumbered balance of the applicable appropriation in the
18 prior fiscal year.

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

23 (3) ~~This section does not apply to an appropriation for a~~
24 ~~work order or a work project funded by general purpose revenues.~~
25 Except as provided in section 248, a work order or work project
26 appropriation continues to be available until completion of the
27 work or 12 months after the last expenditure, whichever comes

1 first, then the remaining balance lapses to the state fund from
2 which it was appropriated. ~~The appropriation~~ APPROPRIATIONS
3 DESIGNATED AS WORK PROJECTS AS PROVIDED IN LAW ARE NOT SUBJECT TO
4 SUBSECTION (4). LEGISLATIVE APPROPRIATIONS for a work order or
5 work project shall specifically designate the item as a work
6 order or work project and shall include all of the following
7 information:

8 (a) The purpose of the order or project.

9 ~~(b) The methods that will be used to accomplish the~~
10 ~~project.~~

11 (B) ~~(c)~~ The total estimated cost of the project.

12 (C) ~~(d)~~ A tentative completion date of the project.

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

18 (4) ~~(5)~~ Not later than 45 days after the conclusion of the
19 fiscal year, the director shall notify the senate and house
20 appropriations ~~committee~~ COMMITTEES of appropriations proposed
21 to be designated as work projects in accordance with the defini-
22 tion contained in this act, but not specifically so designated in
23 ~~an appropriations act~~ LAW. THE NOTIFICATION SHALL INCLUDE THE
24 ORIGINAL APPROPRIATION, THE PURPOSE OF THE PROJECT, AND THE ESTI-
25 MATED COST AND COMPLETION DATE OF THE PROJECT. These designations
26 ~~may~~ SHALL be ~~disapproved~~ APPROVED by ~~either~~ THE
27 appropriations ~~committee~~ COMMITTEES within 30 days after the

1 date of notification ~~and, if disapproved within that time, shall~~
2 ~~not~~ IN ORDER TO be effective. COPIES OF THE NOTIFICATION SHALL
3 BE FORWARDED TO THE FISCAL AGENCIES CONCURRENT WITH SUBMISSION TO
4 THE APPROPRIATIONS COMMITTEES.

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

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

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

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

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

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

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

1 Sec. 461. (1) As required by federal law, all federal
2 grants awarded to the state shall be audited by the auditor
3 general, an independent accounting firm selected by the auditor
4 general, or an auditor approved by the appropriate federal
5 agency. The funding for each audit shall be from the respective
6 federal grants audited.

7 (2) Each audit performed pursuant to ~~Public Law 98-502~~
8 CHAPTER 75 shall be conducted by an independent auditor in
9 accordance with generally accepted government auditing
10 standards. Single audits for this state shall be conducted in
11 accordance with ~~Public Law 98-502~~ CHAPTER 75 by the auditor
12 general, an independent accounting firm selected by the auditor
13 general, or an independent auditor approved by the appropriate
14 federal agency. For fiscal years beginning October 1, 1985 and
15 thereafter, biennial audits of state departments and agencies
16 shall be performed for purposes of complying with the require-
17 ments of ~~Public Law 98-502~~ CHAPTER 75 pertaining to audit eval-
18 uation of the internal controls of this state and the state's
19 compliance with material features of laws and regulations related
20 to major federal assistance programs.

21 (3) The funding for single audits shall be from the respec-
22 tive federal grants audited, in accordance with ~~Public Law~~
23 ~~98-502~~ CHAPTER 75. The chief executive officer of each princi-
24 pal department shall ensure that sufficient amounts are encum-
25 bered from the appropriate federal grants to finance the cost of
26 the audits. Any unexpended amounts of encumbered funds may be

1 carried over into succeeding years to cover the cost of the
2 single audits.

3 (4) Before March 1 of each year, the director of each prin-
4 cipal department shall submit to the director, fiscal agencies
5 and the auditor general a schedule of federal financial assist-
6 ance for the last completed fiscal year in a form approved by the
7 auditor general.

8 (5) As used in this section, ~~"Public Law 98-502"~~ "CHAPTER
9 75" means ~~the single audit act of 1984~~ CHAPTER 75 OF TITLE 31
10 OF THE UNITED STATES CODE, 31 U.S.C. 7501 to 7507.

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

21 Sec. 484. (1) ~~Not later than April 1, 1987, the~~ THE
22 director, in consultation with the auditor general, shall develop
23 a system of reporting and a general framework which shall be used
24 by the principal departments in performing evaluations on their
25 respective internal accounting and administrative control
26 systems.

1 (2) The director, in consultation with the auditor general,
2 may modify the format for the report or the framework for
3 conducting the evaluations after giving 30 days' notice to each
4 principal department head and the senate and house appropriations
5 committees.

6 Sec. 485. (1) ~~Not later than October 1, 1987, the~~ THE
7 department head of each principal department shall establish and
8 maintain an internal accounting and administrative control system
9 within that principal department using the generally accepted
10 accounting principles as developed by the accounting profession
11 and in conformance with directives issued pursuant to section
12 141(d).

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

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

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

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

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

25 (e) Qualified personnel that maintain a level of
26 competence.

1 (f) Internal control techniques that are effective and
2 efficient.

3 (3) Each head of a principal department shall document the
4 system, communicate system requirements to employees of that
5 principal department, assure that the system is functioning as
6 prescribed, and modify as appropriate for changes in condition of
7 the system.

8 (4) ~~Not later than October 1, 1987, the~~ THE head of each
9 principal department shall issue a report to the governor, the
10 auditor general, the senate and house appropriations committees,
11 and the director describing the current internal accounting and
12 administrative control systems of the principal department, the
13 organization and size of the internal audit staffs, and the
14 manner in which the internal auditor will be utilized by the
15 department head. ~~Not later than March 1, 1988, the~~ THE auditor
16 general shall evaluate and report to the legislature on each
17 principal department's report prepared pursuant to this
18 subsection.

19 (5) ~~Beginning March 1, 1989, and biennially thereafter,~~
20 ~~the~~ THE head of each principal department shall provide a
21 BIENNIAL report prepared by the principal department's internal
22 auditor on the evaluation of the principal department's internal
23 accounting and administrative control system to the governor, the
24 auditor general, the senate and house appropriations committees,
25 and the director. For the period reviewed, the report shall
26 include, but not be limited to, both of the following:

1 (a) A description of any material inadequacy or weakness
2 discovered in connection with the evaluation of the department's
3 internal accounting and administrative control system as of
4 October 1 of the preceding year and the plans and a time schedule
5 for correcting the internal accounting and administrative control
6 system, described in detail.

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

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

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

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

22 (4) The internal auditor of each principal department
23 shall:

24 (a) Receive and investigate any allegations that false or
25 misleading information was received in evaluating the principal
26 department's internal accounting and administrative control

1 system or in connection with the preparation of the biennial
2 report on the system.

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

5 (c) Review existing activities and recommend policies
6 designed to promote efficiency in the administration of that
7 principal department's programs and operations as assigned by the
8 department head.

9 (d) Recommend policies for activities to protect the state's
10 assets under the control of that principal department, and to
11 prevent and detect fraud and abuse in the principal department's
12 programs and operations.

13 (e) Review and recommend activities designed to ensure that
14 principal department's internal financial control and accounting
15 policies are in conformance with the department of management and
16 budget accounting division directives issued pursuant to sections
17 421 and 444.

18 (f) Provide a means to keep the department head fully and
19 currently informed about problems and deficiencies relating to
20 the administration of that principal department's programs and
21 operations and the necessity for and progress of corrective
22 action.

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

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

1 Sec. 488. (1) The governor's budget recommendations for the
2 fiscal year ~~beginning October 1, 1987~~ shall include a plan for
3 each principal department to fully implement sections 483 to 487
4 and this section, including an identification of staff resources,
5 an organizational plan, and any transfers of existing staff or
6 resources.

7 (2) Except as otherwise provided by law, the state budget
8 director may issue directives to a principal department to sup-
9 port the principal department's internal auditors through the use
10 of that principal department's state grants funded from state
11 resources. A directive issued under this subsection shall not
12 authorize a principal department to allocate more than 10% of the
13 principal department's state grants funded from state resources
14 nor more than 10% of the principal department's state agencies
15 state grants funded from state resources and shall provide for a
16 uniform reduction in each of the state grants funded from state
17 resources.

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

1 by law or by the auditor general or independent auditors selected
2 by the auditor general before submission to the department of
3 management and budget and shall be submitted not later than 90
4 days following the close of the state's fiscal year.

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

9 Enacting section 1. Sections 206, 207, 223, 225, 253, 254,
10 271, 282, 353a, 362, 362a, and 456 of the management and budget
11 act, 1984 PA 431, MCL 18.1206, 18.1207, 18.1223, 18.1225,
12 18.1253, 18.1254, 18.1271, 18.1282, 18.1353a, 18.1362, 18.1362a,
13 and 18.1456, are repealed.