

Legislative Analysis



MANAGEMENT AND BUDGET PROCESS

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Senate Bill 1051 as enacted
Public Act 389 of 2018
Sponsor: Sen. Dave Hildenbrand
House Committee: Government Operations
Senate Committee: Government Operations
Complete to 7-11-19

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

BRIEF SUMMARY:

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

- Require the governor's annual budget to encompass two fiscal years.
- Require the governor to annually present a five-year strategic plan for the state, beginning with the 2020-21 fiscal year.
- Require the state budget director to publish a financial report on the internet within nine months after the end of each fiscal year.
- Require the governor to designate an individual in the Department of Technology, Management, and Budget (DTMB) as the state's chief information officer.
- Revise in statute certain duties of the state budget director and other entities.

FISCAL IMPACT:

The bill would have negligible, if any, fiscal implications for the State Budget Office within the DTMB. The bill would codify current practice that has been in place since the FY 2011-12 Executive Budget Presentation. While the strategic plans and financial report are new practices required under the bill, the information required to compile the reports is currently available. Compiling the information into new reports would not increase costs for the DTMB. The bill would have no fiscal impact on local units of government.

BACKGROUND INFORMATION:

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

DETAILED SUMMARY:

Executive budget

Section 363 of the Management and Budget Act requires the governor to transmit his or her budget, with explanations and recommendations, to the House and Senate Fiscal Agencies and each member of the legislature within 30 days after the legislature convenes in regular session (or within 60 days in a year when a newly elected governor is inaugurated

into office). At the same time, the governor also submits to the legislature and the fiscal agencies executive budget bills to implement the budget legislatively.

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

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

Strategic plan

Beginning with the 2020-21 fiscal year, the bill requires the governor to annually present, and publish on the state's website, a five-year strategic plan for the state. The deadline for the strategic plan is the same as for the governor's budget. The strategic plan must include the mission, vision, goals, strategies, and performance measures for each state department, including measures of the department's inputs, outputs, and output measures. A department's balanced scorecard may serve as its output measures.¹ The strategic plan may also include, at the governor's discretion, inputs, outputs, and output measures for state agencies, bureaus, and divisions within a department.

Financial report

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

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

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

¹ Note, however, that the bill repeals section 477, the section that required departments to establish a balanced scorecard.

Chief information officer

Executive Reorganization Order 2009-39 (MCL 18.441) created the position of state chief information officer.² The bill codifies that executive order, enacting current practice into statutory law, through the provisions described below.

The bill requires the governor to designate an individual within the DTMB to serve as the chief information officer (CIO) for the state. The director of the DTMB may serve concurrently as the state CIO. The CIO must report to and advise the governor on matters related to *information technology services* and related technology.

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

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

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

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

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

Other provisions

According to committee testimony, most of the other changes made by the bill represent a codification, and not a modification, of current practice. The bill enacts into statute administrative and organizational changes already put in place by executive order, bringing

² <http://legislature.mi.gov/doc.aspx?mcl-18-441>

the language of Michigan's laws into conformance with executive branch practice. Executive orders whose contents are reflected in changes made by the bill include:

- Executive Reorganization Order 2007-22 (MCL 18.46), which consolidated executive branch internal audit functions in the State Budget Office.³
- Executive Reorganization Order 2007-23 (MCL 18.47), which transferred all executive branch accounting functions to the State Budget Office.⁴
- Executive Reorganization Order 2009-39 (MCL 18.441), which, in addition to creating the office of the state CIO, transferred certain functions, powers, and responsibilities prescribed by the Management and Budget Act from the DTMB to the State Budget Office.⁵

Finally, the bill repeals section 447 of the act, which generally required departments to have a strategic mission, values, goals, and a balanced scorecard in place each fiscal year by the governor's annual budget deadline.

The bill took effect December 19, 2018.

MCL 18.1113 et al.

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

³ <http://legislature.mi.gov/doc.aspx?mcl-18-46>

⁴ <http://legislature.mi.gov/doc.aspx?mcl-18-47>

⁵ <http://legislature.mi.gov/doc.aspx?mcl-18-441>