

INFRASTRUCTURE ASSET MANAGEMENT

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House Bill 5335 (proposed H-1 substitute)
Sponsor: Rep. Rob VerHeulen
Committee: Transportation and Infrastructure

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

Complete to 3-6-18

BRIEF SUMMARY:

House Bill 5335 proposes a new act to create the Michigan Infrastructure Council within the Department of Treasury and to specify its membership and duties.

The bill proposes a statewide *asset management* approach to Michigan's water, energy, transportation, and communications infrastructure and creates the council to coordinate planning for those infrastructure systems at local, regional, and statewide levels. The bill is understood to reflect recommendations of the 21st Century Infrastructure Commission created by Executive Order 2016-5, which submitted its final report to the governor and the legislature on November 30, 2016.¹

The bill is also seen as building upon the Regional Infrastructure Asset Management Pilot Program created by Executive Directive 2017-1.² The pilot program has involved local and regional governmental entities and stakeholders in both southeast Michigan (the Detroit Metro Prosperity Region) and west Michigan (the West Michigan Prosperity Alliance) in developing and coordinating regional asset management processes.³

Under the bill, *asset* would mean infrastructure related to water, transportation, energy, or communications, and would include water supply systems, sewer systems, drains and stormwater systems, roads, bridges, electricity and natural gas networks, and broadband and communication systems.

Asset management would mean an ongoing process of maintaining, preserving, upgrading, and operating physical assets cost-effectively, based on a continuous physical inventory and condition assessment to achieve standards of system performance that reflect asset management principles for asset preservation and sustainability, operations, capacity consistent with local needs, and identified levels of service.⁴

¹https://www.michigan.gov/documents/snyder/21st_Century_Infrastructure_Commission_Final_Report_1_544276_7.pdf

² https://www.michigan.gov/documents/snyder/Executive_Directive_2017-1_556475_7.pdf

³ See <http://www.gvmc.org/documents/Infrastructure%20Pilot-July%202017v2.pdf>

⁴ For a general discussion of asset management and its early history as a public policy concept, see the 2001 HFA Fiscal Forum, "Transportation: Asset Management": <https://www.house.mi.gov/hfa/Archives/PDF/asset.pdf>

DETAILED SUMMARY:

House Bill 5335 proposes a new act, the “Michigan Infrastructure Council Act,” to create the Michigan Infrastructure Council and to specify its membership and duties.

Composition of the Michigan Infrastructure Council

The Michigan Infrastructure Council would be created within the Department of Treasury and would consist of nine voting members and nine nonvoting members.

The nine voting members would be experts in regional asset management planning across jurisdictions and infrastructure sectors; financial and procurement experts; and/or asset management experts with knowledge and expertise in the planning, design, construction, management, operation, and maintenance of transportation, energy, water, and communications infrastructure.

The voting members would be appointed within 60 days after the effective date of the new act: five by the governor, and one each by the senate majority leader, the senate minority leader, the speaker of the house, and the house minority leader. The voting members would serve three-year terms, though members first appointed would serve staggered one-, two-, or three-year terms.

The following state officials (or their designees) would serve as the council's nine nonvoting members:

- The state treasurer.
- The chairperson of the Water Asset Management Council (proposed by House Bill 5406).
- The chairperson of the Transportation Asset Management Council created in Public Act 51 of 1951.
- The director of the Department of Technology, Management, and Budget.
- The director of the Michigan Department of Transportation.
- The director of the Department of Environmental Quality.
- The director of the Department of Natural Resources.
- The director of the Department of Agriculture and Rural Development.
- The chairperson of the Michigan Public Service Commission.

Within 90 days after the effective date of the new act, the governor would call the council's first meeting, at which the council would elect a chairperson and other officers it considers appropriate. Thereafter, the council would meet at least quarterly, though it could meet more frequently at the call of the chair or upon a request by three or more members.

A majority of voting members and a majority of nonvoting members would constitute a quorum to transact council business, and an affirmative majority vote would be required for official council action. Council business would be performed at a public meeting held in compliance with the Open Meetings Act, and a writing created by the council in the performance of an official function would be subject to the Freedom of Information Act.

Members of the council would serve without compensation but could be reimbursed for expenses incurred in performing their duties. A member could be removed for incompetence, dereliction of duty, malfeasance, or any other reason considered appropriate by the office for whom the appointment was made. Council vacancies would be filled for the unexpired term in the same manner as the original appointment.

Qualified administrative and technical staff for the council would be provided by the Departments of Technology, Management, and Budget; Agriculture and Rural Development; Environmental Quality; Transportation; Natural Resources; and Treasury.

The Department of Technology, Management, and Budget would serve as the central data storage agency for the statewide database created by the council.

Duties of the Michigan Infrastructure Council

The Michigan Infrastructure Council would do all of the following:

- Develop a multiyear program, work plan, budget, and funding recommendation for asset management, with an emphasis on coordination and integration across asset classes and regions. (An *asset class* would mean a single type of asset, including its network and all associated appurtenances critical to its performance.) This recommendation would have to be updated and provided to the governor and the legislature by September 30 of each year.
- Prepare an annual report on the current statewide asset management assessment that tracks progress on established performance goals. (*Performance goals* would mean standards of system performance that reflect asset management principles for asset preservation and sustainability, operations, capacity consistent with local needs, and identified levels of service.)
- Undertake research and advise on matters related to asset management, including financing models, best practices, impediments to delivery, emerging technology, information technology advancements, opportunities for greater coordination and collaboration, right-sizing and cost-efficiencies, and aligning state incentives to asset performance improvement goals.

Within six months after its first meeting, the council would have to evaluate the Regional Infrastructure Asset Management Pilot Program and the findings of the 21st Century Infrastructure Commission (see *Background*, above) and develop and publish a three-year strategy for establishing a statewide integrated asset management system. The strategy would include at least all of the following:

- A determination of the appropriate assets within the asset classes.
- Consistent data standards and definitions for each asset class.
- A process to coordinate asset management across assets and asset owners at the regional level.
- Procedures for data storage, collecting, updating, and reporting.
- Recommendations on the appropriate level of financial support for various local and regional asset management activities and participation in an integrated statewide asset management system.
- A process to coordinate the planning efforts of state-level planning entities.

- Coordination to ensure that training and education programs on asset management principles and plan development, use of the statewide database, ongoing user support, and executive branch asset management requirements are consistent across various assets and the various entities providing that training.
- Statewide performance goals for appropriate assets and identification of regional and statewide progress toward meeting performance goals.
- Protocols for data security and accuracy at local, regional, and state levels.
- Consistent and coordinated requirements for asset management plans among the state-level agencies imposing those requirements. (An *asset management plan* would mean a set of procedures to manage assets through their life cycles, based on principles of life-cycle costing.)

Three years after the effective date of the new act, the council would start the second phase of the statewide system for asset management implementation, which would include at least:

- Predictive analytics to forecast asset condition.
- A public dashboard of state, regional, and local system performance across asset classes.
- A 30-year integrated strategy developed and published by the council. This strategy would be updated every five years and would have to include:
 - Current statewide condition assessment and infrastructure priorities across asset classes, tracked progress on established performance goals, and net changes in asset value.
 - Investment needs to reach targeted overall system ratings and performance goals.
 - Network intelligence in asset management planning and monitoring.

House Bill 5335 is tie-barred to both HBs 5406 and 5408, which respectively create the Water Asset Management Council and revise the duties of the Transportation Asset Management Council. The tie-bar means that HB 5335 could not take effect unless all three bills were enacted into law.

FISCAL IMPACT:

House Bill 5335 would create a new Michigan Infrastructure Council in the Department of Treasury. Members on the council would serve without pay; however, the bill would require the Departments of Technology, Management, and Budget; Transportation; Environmental Quality; Natural Resources; Agriculture; and Treasury to provide qualified and technical staff to the council. Additionally, the Department of Technology, Management, and Budget would be required to serve as the central data storage agency. Personnel and services provided by the requisite departments would increase costs for those departments by an unknown amount. Any cost increase would be directly related to the time and amount of resources that were necessary from each department. Presumably, funds appropriated to the Michigan Infrastructure Council (described below) could be used to offset costs to any of the departments.

The council would also incur costs associated with establishing and organizing the council; undertaking research and advising on matters related to asset management; evaluating existing asset management programs; developing a multiyear program, work plan, and budgeting and funding recommendations for asset management; and development and publishing an annual report on the current statewide asset management assessment.

Public Act 201 of 2017, a FY 2017-18 supplemental appropriations act, appropriated \$1.5 million in one-time appropriations from the Michigan Infrastructure Fund to the Department of Treasury to fund the activities, costs, and expenses of the Michigan Infrastructure Council. Any costs exceeding this appropriation would need to be funded through further appropriations.

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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.