



Senate Fiscal Agency
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BILL  ANALYSIS

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Senate Bills 21 and 802 (as enacted)
Sponsor: Senator Tonya Schuitmaker (S.B. 21)
Senator Patrick Colbeck (S.B. 802)
Senate Committee: Reforms, Restructuring and Reinventing
House Committee: Oversight, Reform, and Ethics

PUBLIC ACTS 535 & 536 of 2012

Date Completed: 2-28-13

CONTENT

Senate Bill 21 amended the Management and Budget Act to require each department, every fiscal year, to have a strategic mission, vision, goals, and a balanced scorecard in place by the deadline for the Governor to submit a budget to the Legislature; and require the scorecard to include at least one metric for each one-time or ongoing enhancement budget recommendation.

The bill also expresses a legislative intent that the State Budget Director and the Senate and House Appropriations Committees identify adjustments to the State budget process to use the information contained in the spending plans.

The bills were tie-barred and took effect on January 2, 2013.

Senate Bill 21

Senate Bill 802 amended the Management and Budget Act to do the following:

As noted above, the bill requires each department, every fiscal year, to have a strategic mission, vision, goals, and a balanced scorecard in place by the deadline for the Governor to submit a budget to the Legislature. The scorecard must include at least one existing metric or establish at least one new metric for each one-time or ongoing enhancement budget recommendation.

- **Require each reporting unit to classify every line item in the enacted budget in one of the following spending categories: core services, support services, or work projects.**
- **Require each reporting unit to prepare a spending plan for each line item in the most recently enacted budget, and submit the plan to the State Budget Office within 60 days after the budget is enacted.**
- **Require the State Budget Director to approve each spending plan or request changes to it.**

Each metric must be in one of the following categories:

- Customer service (a standard that measures the value received from the citizen perspective and the scale and quality of the service).
- Financial (a standard for quantifying the amount that the strategy, implementation, and execution of an

enhancement budget recommendation is contributing to the bottom line).

- Internal business process (a standard that measures how well business processes are structured or organized to meet citizen service expectations).
- Learning and growth (a standard that measures how well the people, technology, and climate support the strategy of the enhancement).

The bill defines "balanced scorecard" as "a management tool that allows managers to lead through monitoring the performance of an organization on the few but vital set of activities and measures that drive enterprise success".

Senate Bill 802

The bill requires each reporting unit, beginning in fiscal year (FY) 2013-14, to classify each line item in the enacted budget in one of the following spending categories: core services, support services, or work projects. Each reporting unit also must prepare a spending plan for each line item in the most recently enacted budget.

Each spending plan must summarize the line items by appropriation unit; identify revenue sources and amounts for each appropriation unit; and identify the budget requirements for each core service, support service, and work project to, at a minimum, the following expense categories:

- State employee wages.
- State employee benefits, including insurance, retirement, and other postemployment benefits.
- Material and equipment.
- Facilities, including rent, building occupancy charges, and utilities.
- Direct payments to clients.
- Medical payments on behalf of clients.
- Educational expenses on behalf of clients or students.
- Other contracts.
- All of the costs.

A spending plan may not exceed the gross appropriation for the line item in the enacted budget, but may propose a lower

amount if Federal or State revenue is expected to be less than the amount appropriated.

Each reporting unit must submit its spending plan to the State Budget Office (SBO) every year within 60 days after the budget is enacted. The SBO must define expense categories, design a standardized spending plan reporting format, and make the reporting form available for use by each reporting unit.

Within 30 days after the SBO receives reporting units' spending plans, the State Budget Director must either review and approve each plan or, if he or she requests changes, return the plan to the reporting unit with a description of the requested changes. The reporting unit then will have two weeks to submit a revised spending plan that addresses the requested changes. The State Budget Director must submit each approved spending plan to the appropriate Appropriations subcommittees and the Senate and House Fiscal Agencies in a spreadsheet-compatible format, and post it on the Department of Technology, Management, and Budget's website.

The bill state a legislative intent that, for FY 2014-15 and each subsequent fiscal year, the State Budget Director and the Senate and House Appropriations Committees work to identify suitable adjustments to the annual State budget process to use the information contained in the spending plans produced under the bill.

The bill defines "reporting unit" as a State agency, excluding a public body corporate and politic, to which an appropriation is made. The bill requires a public body corporate and politic, however, to post annually on its website substantially the same spending and revenue data described above (identifying budget requirements to specific expense categories, and identifying revenue sources and amounts for each appropriation unit).

The bill defines "core service" as an activity that provides measurable value to

beneficiaries such as citizens, businesses, and units of local government. "Support service" means an activity, such as information technology, accounting, human resources, legal, and other support functions that are required to support the ongoing delivery of core services.

"Work project" means that term as defined in Section 404 of the Act. (Section 404 defines "work project" as a one-time nonrecurring undertaking for the purpose of accomplishing an objective contained in a specific line-item appropriation or any other specific line-item appropriation designated as a work project by law under criteria established under Section 451a(1). That section requires a work project to be for a specific purpose; contain a specific plan to accomplish its objective; have an estimated completion cost; and have an estimated completion date.)

"Appropriation unit" means "a numbered section in a budget bill that includes a related group of discrete line-item appropriations representing the structure of an organization or its major programs, the sum of which line-item appropriations equals the total appropriation for the appropriation unit and the sum of the appropriation unit total equals the total appropriation for the organization".

MCL 18.1447 (S.B. 21)
18.1373 (S.B. 802)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Senate Bill 21

There will be little or no added costs to any departments from the provisions of the bill. Departments already provide mission statement and metrics for existing funding; thus, complying with the bill's requirements should fall within the scope of what departments already provide.

Senate Bill 802

State departments and agencies may experience a minimal fiscal impact from

complying with the bill's requirements but any additional costs should be absorbed within the departments' or agencies' annual budgets. The Department of Technology, Management, and Budget already has a public website in place; thus, there will be no additional costs to the Department to comply with the bill's requirements.

Fiscal Analyst: Joe Carrasco

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.