

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1051**

A bill to amend 1984 PA 431, entitled
"The management and budget act,"
by amending sections 113, 115, 123, 124, 283, 299, 343, 353, 363,
367, 373, 421, 462, 483, 484, 485, 486, and 487 (MCL 18.1113,
18.1115, 18.1123, 18.1124, 18.1283, 18.1299, 18.1343, 18.1353,
18.1363, 18.1367, 18.1373, 18.1421, 18.1462, 18.1483, 18.1484,
18.1485, 18.1486, and 18.1487), sections 113, 353, 363, 462, 484,
485, and 486 as amended by 1999 PA 8, section 115 as amended by
2012 PA 430, section 299 as added by 2006 PA 95, section 367 as
amended by 2016 PA 221, section 373 as added by 2012 PA 536,
section 421 as amended by 1988 PA 504, and sections 483 and 487 as
added by 1986 PA 272, and by adding section 495; and to repeal acts
and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 113. (1) "Capital outlay" means a project or facility
2 financed either in whole or in part with state funds, including
3 lease purchase agreements, to demolish, construct, renovate, or
4 equip a building or facility for which total project costs exceed
5 \$1,000,000.00. These projects may be on state owned property,
6 property owned by an institution of higher education, property
7 owned by community colleges, or property under the control of the
8 state building authority.

9 (2) "Community college" means a community college or a junior
10 college.

11 (3) "Department" means the department of **TECHNOLOGY**,
12 management, and budget.

13 (4) "Directives" means intergovernmental, interagency, or
14 interdepartment administrative or procedural guidelines or
15 instructions which do not affect the rights of, or procedures and
16 practices available to, the public.

17 (5) "Director" means the director of the department of
18 **TECHNOLOGY**, management, and budget.

19 (6) "Energy conservation measure" means improvement of a
20 building structurally or the installation of equipment or materials
21 in a building for the purpose of reducing energy consumption or
22 cost, increasing energy efficiency, or allowing the use of a
23 renewable resource for fuel.

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

26 **(2) "INFORMATION TECHNOLOGY SERVICES" MEANS SERVICES INVOLVING**

1 ALL ASPECTS OF MANAGING AND PROCESSING INFORMATION, INCLUDING, BUT
2 NOT LIMITED TO, ALL OF THE FOLLOWING:

3 (A) APPLICATION DEVELOPMENT AND MAINTENANCE.

4 (B) DESKTOP COMPUTER SUPPORT AND MANAGEMENT.

5 (C) MAINFRAME COMPUTER SUPPORT AND MANAGEMENT.

6 (D) SERVER SUPPORT AND MANAGEMENT.

7 (E) LOCAL AREA NETWORK SUPPORT AND MANAGEMENT, INCLUDING, BUT
8 NOT LIMITED TO, WIRELESS NETWORKING.

9 (F) INFORMATION TECHNOLOGY PROJECT MANAGEMENT.

10 (G) INFORMATION TECHNOLOGY PLANNING AND BUDGET MANAGEMENT.

11 (H) TELECOMMUNICATION SERVICES, SECURITY, INFRASTRUCTURE, AND
12 SUPPORT.

13 (3) ~~(2)~~—"JCOS" means the joint capital outlay subcommittee of
14 the appropriations committees.

15 (4) ~~(3)~~—Except as used in sections 284 to 292, "record" means
16 a public record as defined in section 2 of the freedom of
17 information act, 1976 PA 442, MCL 15.232.

18 (5) ~~(4)~~—"State agency" means a department, board, commission,
19 office, agency, authority, or other unit of state government. State
20 agency does not include an institution of higher education or a
21 community college or, for purposes of article 2 or 3, the
22 legislative branch of government. For purposes of article 2 or 3,
23 except for those sections pertaining to the authorization,
24 planning, construction, and funding of a capital outlay project,
25 including construction of a facility to house offices or functions
26 necessary for operation of the judicial branch of government, state
27 agency does not include the judicial branch of government.

1 (6) ~~(5)~~—"Unit of local government" means a political
2 subdivision of this state, including school districts, community
3 college districts, intermediate school districts, cities, villages,
4 townships, counties, and authorities, if the political subdivision
5 has as its primary purpose the providing of local governmental
6 service for citizens in a geographically limited area of the state
7 and has the power to act primarily on behalf of that area.

8 Sec. 123. (1) The director of the department of **TECHNOLOGY,**
9 management, and budget shall be appointed by the governor by and
10 with the advice and consent of the senate. The director shall serve
11 at the pleasure of the governor.

12 **(2) THE GOVERNOR SHALL DESIGNATE AN INDIVIDUAL WITHIN THE**
13 **DEPARTMENT, INCLUDING, BUT NOT LIMITED TO, THE DIRECTOR OF THE**
14 **DEPARTMENT, TO SERVE AS THE CHIEF INFORMATION OFFICER FOR THIS**
15 **STATE. THE DIRECTOR MAY SERVE CONCURRENTLY AS THE STATE CHIEF**
16 **INFORMATION OFFICER.**

17 Sec. 124. (1) The director may organize the department into
18 organizational entities and may merge or transfer functions between
19 organizational entities to promote efficiency and economy. The
20 director shall exercise direction and supervision over the
21 organization entities in the performance of the respective
22 functions. The director may appoint deputies and other officers and
23 employees as permitted by law to effectively accomplish the duties
24 and responsibilities of the department. The director may designate
25 a deputy or other employee to act on behalf of the director.

26 **(2) THE CHIEF INFORMATION OFFICER SHALL REPORT TO AND ADVISE**
27 **THE GOVERNOR ON MATTERS RELATING TO INFORMATION TECHNOLOGY SERVICES**

1 AND RELATED TECHNOLOGY. UNDER DIRECTION AND GUIDANCE OF THE CHIEF
2 INFORMATION OFFICER, THE DEPARTMENT SHALL DO ALL OF THE FOLLOWING
3 RELATED TO INFORMATION TECHNOLOGY SERVICES:

4 (A) LEAD STATE EFFORTS TO REENGINEER THE INFORMATION
5 TECHNOLOGY INFRASTRUCTURE OF THIS STATE TO ACHIEVE THE USE OF
6 COMMON TECHNOLOGY ACROSS THE EXECUTIVE BRANCH OF STATE GOVERNMENT.

7 (B) COORDINATE A UNIFIED EXECUTIVE BRANCH STRATEGIC
8 INFORMATION TECHNOLOGY PLAN, IDENTIFY BEST PRACTICES FROM EXECUTIVE
9 BRANCH AGENCIES AND OTHER PUBLIC AND PRIVATE SECTOR ENTITIES, AND
10 DEVELOP AND IMPLEMENT PROCESSES TO REPLICATE INFORMATION TECHNOLOGY
11 BEST PRACTICES AND STANDARDS THROUGHOUT THE EXECUTIVE BRANCH OF
12 STATE GOVERNMENT.

13 (C) OVERSEE THE EXPANDED USE AND IMPLEMENTATION OF PROJECT
14 MANAGEMENT PRINCIPLES RELATED TO INFORMATION TECHNOLOGY SERVICES
15 WITHIN THE EXECUTIVE BRANCH OF STATE GOVERNMENT. FUNDED PROJECTS
16 WITHIN ALL EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES SHALL USE
17 PROJECT MANAGEMENT METHODOLOGIES SPECIFIED BY THE CHIEF INFORMATION
18 OFFICER FOR THIS STATE.

19 (D) SERVE AS A GENERAL CONTRACTOR BETWEEN INFORMATION
20 TECHNOLOGY USERS WITHIN THE EXECUTIVE BRANCH AND PRIVATE-SECTOR
21 PROVIDERS OF INFORMATION TECHNOLOGY PRODUCTS AND SERVICES WHILE
22 WORKING TO BUILD STRONGER PARTNERING RELATIONSHIPS WITH PROVIDERS.

23 (E) DEVELOP AND PERIODICALLY UPDATE SERVICE-LEVEL AGREEMENTS
24 WITH EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES TO ENSURE QUALITY
25 INFORMATION TECHNOLOGY SERVICES ARE DELIVERED ON SCHEDULE AND
26 WITHIN BUDGET.

27 (F) DEVELOP STANDARDS FOR APPLICATION DEVELOPMENT, INCLUDING,

1 BUT NOT LIMITED TO, A STANDARD METHODOLOGY AND COST-BENEFIT
2 ANALYSIS THAT ALL EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES SHALL
3 UTILIZE FOR APPLICATION DEVELOPMENT ACTIVITIES.

4 (G) DETERMINE AND IMPLEMENT STATEWIDE EFFORTS TO STANDARDIZE
5 DATA ELEMENTS, FORMATS, AND STANDARDS AND DETERMINE DATA AND
6 INFORMATION OWNERSHIP OR CONTROL ISSUES AMONG DEPARTMENTS AND
7 AGENCIES IN THE EXECUTIVE BRANCH OF STATE GOVERNMENT WITH THE FULL
8 COOPERATION OF EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES.

9 (H) DEVELOP SYSTEMS AND METHODOLOGIES TO REVIEW, EVALUATE, AND
10 PRIORITIZE EXISTING INFORMATION TECHNOLOGY SERVICES PROJECTS WITHIN
11 THE EXECUTIVE BRANCH OF STATE GOVERNMENT.

12 (I) ASSIST THE OFFICE OF THE STATE BUDGET DIRECTOR WITH THE
13 DEVELOPMENT OF INFORMATION TECHNOLOGY SERVICES BUDGETS FOR THE
14 EXECUTIVE BRANCH OF STATE GOVERNMENT. ALL INFORMATION TECHNOLOGY
15 BUDGET REQUESTS FROM THE EXECUTIVE BRANCH MUST CONTINUE TO BE
16 SUBMITTED TO THE OFFICE OF THE STATE BUDGET DIRECTOR AND THE CHIEF
17 INFORMATION OFFICER. THE OFFICE OF THE STATE BUDGET DIRECTOR AND
18 THE CHIEF INFORMATION OFFICER WILL CONTINUE TO JOINTLY REVIEW AND
19 RECOMMEND FOR FUNDING CONSIDERATION ONLY THOSE PROPOSALS THAT FIT
20 INTO THE OVERALL STRATEGIC INFORMATION TECHNOLOGY MANAGEMENT PLAN
21 OF THIS STATE AND THAT PROVIDE A REASONABLE RETURN ON INVESTMENT,
22 SUBJECT TO AVAILABLE RESOURCES.

23 (3) ALL EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES SHALL FULLY
24 COOPERATE WITH THE STATE CHIEF INFORMATION OFFICER IN DEVELOPING
25 AND IMPLEMENTING THE SHARING OF DATA AND INFORMATION THROUGHOUT THE
26 EXECUTIVE BRANCH. THE STATE CHIEF INFORMATION OFFICER SHALL
27 DETERMINE AND IMPLEMENT STATEWIDE EFFORTS TO STANDARDIZE DATA

1 **ELEMENTS AND SHALL DETERMINE DATA OWNERSHIP ASSIGNMENTS AMONG**
2 **EXECUTIVE BRANCH DEPARTMENTS AND AGENCIES.**

3 Sec. 283. (1) The ~~department~~**STATE BUDGET OFFICE** shall issue
4 directives necessary to establish and maintain the central payroll
5 system for the periodic compensation of the officers and employees
6 of all state agencies of all branches of state government.

7 (2) The ~~department~~**STATE BUDGET OFFICE** shall perform such
8 duties as required as the tax withholding agency for the state
9 government payroll pursuant to any local, state, or federal law.

10 (3) The ~~department~~**STATE BUDGET OFFICE** shall issue directives
11 for the approval or disapproval of any proposal for payroll
12 deductions or withholding other than those required by law.

13 Sec. ~~1299.~~**299.** (1) The office of the state budget director
14 shall do all of the following:

15 (a) Establish, maintain, and coordinate the state higher
16 education database commonly known as the higher education
17 institutional data inventory or "HEIDI".

18 (b) Collect data concerning public universities and public
19 university programs in this state, including data required by law,
20 and include it in the database.

21 (c) Establish procedures to ensure the validity and
22 reliability of the data and the collection process.

23 (d) Develop model data collection policies, including, but not
24 limited to, policies that ensure the privacy of individual student
25 data. Privacy policies shall ensure that student social security
26 numbers are not released to the public for any purpose.

27 (e) Provide data in a useful manner to allow state

1 policymakers and public university officials to make informed
2 policy decisions.

3 (f) Assist public universities in complying with audits under
4 this section or federal law.

5 (g) Perform other functions assigned by the state budget
6 director or required by law.

7 (2) There is created within the office of the state budget
8 director in the department the higher education institutional data
9 inventory advisory committee. The committee shall provide advice to
10 the state budget director regarding the management of the state
11 higher education database, including, but not limited to:

12 (a) Determining what data is necessary to collect and
13 maintain.

14 (b) Defining the roles of all stakeholders in the data
15 collection system.

16 (c) Recommending timelines for the implementation and ongoing
17 collection of data.

18 (d) Establishing and maintaining data definitions, data
19 transmission protocols, and system specifications and procedures
20 for the efficient and accurate transmission and collection of data.

21 (e) Establishing and maintaining a process for ensuring the
22 accuracy of the data.

23 (f) Establishing and maintaining policies related to data
24 collection, including, but not limited to, privacy policies related
25 to individual student data.

26 (g) Ensuring the data is made available to state policymakers
27 and citizens of this state in the most useful format possible.

1 (h) Addressing other matters as determined by the state budget
2 director or as required by law.

3 (3) The higher education institutional data inventory advisory
4 committee created in subsection (2) shall consist of the following
5 members:

6 (a) One representative from the house fiscal agency, appointed
7 by the director of the house fiscal agency.

8 (b) One representative from the senate fiscal agency,
9 appointed by the director of the senate fiscal agency.

10 (c) One representative from the office of the state budget
11 director, appointed by the state budget director.

12 (d) Three representatives of the presidents council of state
13 universities, appointed by the presidents council. The presidents
14 council shall appoint 1 representative each from a master's
15 university, a doctoral university, and a research university.

16 (4) The auditor general shall review higher education
17 institutional data inventory enrollment data submitted by all
18 public universities and shall perform audits of selected data
19 submitted by public universities **AT LEAST ONCE EVERY 4 YEARS**. The
20 review and audits shall be based upon the definitions,
21 requirements, and uniform reporting categories established by the
22 state budget director in consultation with the higher education
23 institutional data inventory advisory committee. The auditor
24 general shall submit ~~an annual~~ **A** report of findings to the house
25 and senate appropriations committees and the state budget director
26 by July 1 of each year **IN WHICH AN AUDIT IS PERFORMED**.

27 Sec. 343. The ~~state budget director~~ **BUREAU OF LABOR MARKET AND**

1 **STRATEGIC INITIATIVES** shall conduct statistical studies and make
 2 estimates and projections of population relative to size and
 3 distribution.

4 Sec. 353. (1) In a calendar quarter following a calendar
 5 quarter in which the seasonally adjusted state unemployment rate as
 6 certified by the director of the department of career development
 7 or its successor is 8% or more, an amount may be appropriated from
 8 the fund by the legislature for the purposes listed in this section
 9 in accordance with the following table:

10	Percent of seasonally	Percent of fund available
11	adjusted unemployment	for economic stabilization
12	in the calendar quarter	during the calendar quarter
13	preceding the calendar	following a calendar quarter
14	quarter in which an	of high unemployment
15	amount may be appropriated	
16		
17	8.0-11.9%	2.5% of fund balance
18		as of first day of
19		calendar quarter
20	12.0% and over	5.0% of fund balance
21		as of first day of
22		calendar quarter

23 (2) The legislature may appropriate by law money from the fund
 24 in the amounts as provided in this section to assist in the
 25 following countercyclical economic stabilization purposes:

26 (a) Capital outlay.

27 (b) Public works and public service jobs.

1 (c) Refundable investment or employment tax credits against
2 state business taxes for new outlays and hiring in this state.

3 (d) Any other purpose the legislature may provide by law which
4 provides employment opportunities counter to the state's economic
5 cycle.

6 ~~—— (3) Notwithstanding subsections (1) and (2), there is hereby~~
7 ~~appropriated \$40,000,000.00 from the fund for the Michigan state~~
8 ~~parks endowment fund. The appropriation provided for in this~~
9 ~~subsection shall only be effective after the proceeds from the sale~~
10 ~~of the accident fund have been transferred to the fund as provided~~
11 ~~for in section 701a of the worker's disability compensation act of~~
12 ~~1969, 1969 PA 317, MCL 418.701a.~~

13 Sec. 363. (1) Within 30 days after the legislature convenes in
14 regular session, except in a year in which a newly elected governor
15 is inaugurated into office when 60 days shall be allowed, the
16 governor shall transmit to each member of the legislature and the
17 fiscal agencies the budget in detail as provided in this act,
18 accompanied by such explanations and recommendations relative
19 ~~thereto~~ **TO THE BUDGET** as the governor considers necessary. At the
20 time the budget is transmitted to the legislature, the **STATE BUDGET**
21 director shall transmit line-item appropriation detail to the
22 fiscal agencies using a computer software application that is
23 compatible with the budget tracking computer systems used by the
24 respective fiscal agencies.

25 (2) **THE BUDGET TRANSMITTED BY THE GOVERNOR TO THE LEGISLATURE**
26 **SHALL BE FOR THE UPCOMING FISCAL YEAR AND THE FOLLOWING FISCAL**
27 **YEAR. AT A MINIMUM, THE BUDGETS SHALL CONSIST OF ALL OF THE**

1 FOLLOWING:

2 (A) ESTIMATES OF ANTICIPATED REVENUES BY STATE FUNDS.

3 (B) LINE-ITEM DETAILS OF PROPOSED EXPENDITURES UNROLLED TO
4 SHOW SPECIFIC PROGRAMS.

5 (C) ESTIMATES OF THE YEAR-END UNRESTRICTED FUND BALANCES FOR
6 STATE FUNDS.

7 (D) ANY ADDITIONAL BUDGET DETAIL REQUIRED BY THIS ACT.

8 (3) BEGINNING FOR THE 2020-2021 FISCAL YEAR, BY THE DEADLINE
9 ESTABLISHED IN SUBSECTION (1) FOR THE GOVERNOR TO SUBMIT A BUDGET
10 TO THE LEGISLATURE, THE GOVERNOR SHALL ALSO PRESENT A STRATEGIC
11 PLAN FOR THIS STATE.

12 (4) THE STRATEGIC PLAN SHALL BE PUBLISHED ON THE STATE'S
13 WEBSITE.

14 (5) THE STRATEGIC PLAN SHALL START WITH THE UPCOMING FISCAL
15 YEAR AND SHALL COVER THE NEXT 5 FISCAL YEARS. THE STRATEGIC PLAN
16 CAN BE A REVISED VERSION OF A PREVIOUS STRATEGIC PLAN OR A NEW
17 STRATEGIC PLAN.

18 (6) THE STRATEGIC PLAN SHALL INCLUDE THE MISSION, VISION,
19 GOALS, STRATEGIES, AND PERFORMANCE MEASURES FOR EACH STATE
20 DEPARTMENT, INCLUDING MEASURES OF THE DEPARTMENT'S INPUTS, OUTPUTS,
21 AND OUTPUT MEASURES. THE DEPARTMENT'S BALANCED SCORECARD CAN SERVE
22 AS THE DEPARTMENT'S OUTPUT MEASURES.

23 (7) AT THE GOVERNOR'S DISCRETION, THE STRATEGIC PLAN MAY
24 INCLUDE INPUTS, OUTPUTS, AND OUTPUT MEASURES FOR STATE AGENCIES,
25 BUREAUS, AND DIVISIONS WITHIN A STATE DEPARTMENT.

26 Sec. 367. (1) Concurrent with transmitting the state budget to
27 the legislature, the governor shall submit to the legislature and

1 the fiscal agencies **FOR THE UPCOMING FISCAL YEAR AND THE FOLLOWING**
2 **FISCAL YEAR** executive budget bills containing itemized statements
3 of estimated state spending to be paid to local units of
4 government; annual required employer contributions toward total
5 unfunded retiree health care and pension legacy costs as determined
6 by the state's consulting actuary for each department and the
7 legislative branch and the judicial branch; individual line item
8 amounts, including the number of FTE positions to be funded by each
9 individual line item amount, for the proposed expenditures; and any
10 necessary bills for additional revenue to provide financing for the
11 proposed expenditures.

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

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

16 (b) Summary totals for each state operating fund to reflect
17 that recommended expenditures for each fund are within proposed and
18 estimated resources.

19 (c) A statement of estimated state spending to be paid to
20 units of local government, total state spending from state sources
21 of financing, and the state-local proportion derived from that
22 data.

23 Sec. 373. (1) Beginning fiscal year 2013-2014, each reporting
24 unit shall classify each line item in the enacted budget in 1 of
25 the following spending categories: core services, support services,
26 or work projects. Each reporting unit shall prepare a spending plan
27 for each line item in the most recently enacted budget.

1 (2) A spending plan under this section shall do all of the
2 following:

3 (a) Summarize the line items by appropriation unit.

4 (b) Not exceed the gross appropriation for the line item in
5 the enacted budget. A spending plan may propose a lesser amount if
6 the federal or state revenues are anticipated to be less than the
7 amount appropriated.

8 (c) Identify the budget requirements for each core service,
9 support service, and work project to, at a minimum, the following
10 expense categories:

11 (i) State employee wages.

12 (ii) State employee benefits including insurances, retirement,
13 and other postemployment benefits.

14 ~~(iii) Materials and equipment.~~

15 (iii) ~~(iv)~~ Facilities, including rent, building occupancy
16 charges, and utilities.

17 (iv) ~~(v)~~ Direct payments to clients.

18 (v) ~~(vi)~~ Medical payments on behalf of clients.

19 (vi) ~~(vii)~~ Educational expenses on behalf of clients or
20 students.

21 ~~(viii) Other contracts.~~

22 (vii) ~~(ix) All MATERIALS AND EQUIPMENT, OTHER CONTRACTS, AND~~
23 **ALL** other costs.

24 (d) Identify revenue sources and amounts for each
25 appropriation unit.

26 (3) Each reporting unit shall submit its spending plan to the
27 state budget office each year within 60 days after enactment of the

1 budget. The state budget office shall define expense categories,
2 design a standardized spending plan reporting format, and make the
3 reporting form available for use by each reporting unit.

4 (4) Within 30 days after the state budget office receives the
5 spending plans from the reporting units, the director of the state
6 budget office shall either review and approve each spending plan
7 or, if the director requests changes, return the spending plan to
8 the reporting unit with a description of requested changes. The
9 reporting unit shall resubmit a revised spending plan that
10 addresses the requested changes within 2 weeks. The state budget
11 director shall submit each approved spending plan to the
12 appropriate appropriations subcommittees and the senate and house
13 fiscal agencies in a spreadsheet-compatible format, and post it on
14 the department's public website.

15 (5) For the fiscal year 2014-2015 and each subsequent fiscal
16 year, the legislature intends that the state budget director and
17 the senate and house appropriations committees work to identify
18 suitable adjustments to the annual state budget process to utilize
19 the information contained in the spending plans produced under this
20 section.

21 (6) As used in this section:

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

1 organization.

2 (b) "Core service" means an activity that provides measurable
3 value to beneficiaries such as citizens, businesses, and units of
4 local government.

5 (c) "Reporting unit" means a state agency, excluding a public
6 body corporate and politic, to which an appropriation is made.
7 However, a public body corporate and politic shall post annually on
8 its website substantially the same spending and revenue data
9 described in subsection (2)(c) and (d).

10 (d) "Schedule of programs" means a listing of the programs
11 within a budget that are funded from a specific line item.

12 (e) "Support service" means an activity, such as information
13 technology, accounting, human resources, legal, and other support
14 functions that are required to support the ongoing delivery of core
15 services.

16 (f) "Work project" means that term as defined in section 404
17 and that meets the criteria in section 451a(1).

18 Sec. 421. (1) In order to establish strong internal control in
19 the management of the state's financial transactions, the **STATE**
20 **BUDGET** director may do any of the following:

21 (a) Issue directives for the accountability, custody, periodic
22 inventory, and maintaining departmental records of the real and
23 personal property and supplies and materials of the state.

24 (b) Issue directives relative to the formulation and control
25 of a state central accounting system.

26 (c) Monitor, approve or disapprove, and assist in the
27 development and enhancement of agency accounting systems. When

1 assistance is provided, the state agency shall be interaccount
2 billed for the cost of the services provided. The **STATE BUDGET**
3 director shall issue directives to implement this subdivision.

4 ~~(d) Examine, directly or by the director's representative,~~
5 ~~each proposed payment from the state treasury as will enable the~~
6 ~~director to certify to the state treasurer that the proposed~~
7 ~~payment is correct, for the discharge of a state liability or for~~
8 ~~some other purpose authorized by law, within the scope of the~~
9 ~~appropriation to which charged, and is not in excess of the~~
10 ~~unexpended or unencumbered balance of the appropriation. Except for~~
11 ~~investment transactions and refund of taxes, a payment shall not be~~
12 ~~made from the state treasury except upon certification of the~~
13 ~~director.~~**ISSUE DIRECTIVES REGARDING INTERNAL CONTROL OVER PAYMENT**
14 **PROCESSING AS WILL ENABLE THE STATE BUDGET DIRECTOR TO CERTIFY TO**
15 **THE STATE TREASURER THAT THE SYSTEM OF INTERNAL CONTROL IS**
16 **SUFFICIENT TO ENSURE THAT THE PROPOSED PAYMENT IS PROPERLY**
17 **AUTHORIZED AND IS NOT IN EXCESS OF THE UNEXPENDED OR UNENCUMBERED**
18 **BALANCE OF THE APPROPRIATION. EXCEPT FOR INVESTMENT TRANSACTIONS,**
19 **LOTTERY PRIZE AWARDS, AND REFUND OF TAXES, A PAYMENT SHALL NOT BE**
20 **MADE FROM THE STATE TREASURY EXCEPT UPON CERTIFICATION OF THE STATE**
21 **BUDGET DIRECTOR.**

22 (e) Issue directives for the refund to payers of money which
23 has been deposited in the state treasury through misunderstanding,
24 inadvertence, or mistake and to which the state does not have a
25 claim. The refunds shall be made pursuant to the directives except
26 as otherwise provided in this act.

27 (f) Issue directives providing for and governing the

1 establishment, the proper uses of, and accounting for imprest and
2 petty cash funds by state agencies. An imprest or petty cash fund
3 shall not exceed the monetary limit approved by the board.

4 (g) Prepare and publish a comprehensive annual financial
5 report at the close of each fiscal year which clearly reflects the
6 financial position of the state funds at the close of the fiscal
7 year.

8 (2) If there is a conflict between generally accepted
9 accounting principles, the principles adopted by the governmental
10 accounting standards board, or its successor, shall be used.
11 Changes in generally accepted accounting principles which require
12 budgetary revisions shall be incorporated not later than the next
13 executive budget after the change is issued. The **STATE BUDGET**
14 director shall issue directives to incorporate any changes,
15 additions, and rescissions made to the generally accepted
16 accounting principles as they affect the accounting of state
17 government. If an item is not covered by an existing generally
18 accepted accounting principle, the **STATE BUDGET** director shall
19 issue a directive which shall not be effective until 30 days after
20 the directive is reported to the appropriations committee and the
21 auditor general.

22 (3) The ~~department~~ **STATE BUDGET OFFICE** shall not change an
23 accounting principle, or the application of an accounting
24 principle, from that which was followed in the preceding fiscal
25 year if the change will materially affect the final year-end
26 balance of an appropriated operating fund, unless the change in the
27 accounting principle or the application of the accounting principle

1 is reported to the senate and house appropriations committees not
2 later than 120 days after the end of the fiscal year for which the
3 change is to be implemented. However, the 120-day notice
4 requirement shall not apply to a change in an accounting principle
5 or the application of an accounting principle which is implemented
6 to conform with requirements promulgated by the governmental
7 accounting standards board, or its successor.

8 **(4) THE STATE BUDGET DIRECTOR SHALL DETERMINE AND AUTHORIZE**
9 **THE MOST EFFICIENT MANNER POSSIBLE FOR HANDLING FINANCIAL**
10 **TRANSACTIONS AND RECORDS IN THE STATE'S FINANCIAL MANAGEMENT SYSTEM**
11 **NECESSARY TO IMPLEMENT EXECUTIVE REORGANIZATION ORDERS AS PROVIDED**
12 **UNDER SECTION 2 OF ARTICLE V OF THE STATE CONSTITUTION OF 1963.**

13 Sec. 462. ~~(1) Within 60 days after the final audit is~~
14 ~~released,~~ **UPON COMPLETION OF AN AUDIT,** the principal executive
15 officer of a state agency which is audited shall submit a plan to
16 comply with the audit recommendations to the ~~department.~~ **STATE**
17 **BUDGET OFFICE.** The plan shall be prepared in accordance with
18 procedures prescribed by the ~~principal department.~~ **STATE BUDGET**
19 **DIRECTOR.** Copies of the plan shall be distributed in accordance
20 with the administrative guide to state government. Copies shall
21 also be distributed to relevant house and senate appropriations
22 subcommittees, relevant house and senate standing committees,
23 fiscal agencies, and the executive office.

24 **(2) THE STATE BUDGET DIRECTOR SHALL DEVELOP PROCEDURES FOR**
25 **PRINCIPAL DEPARTMENTS TO FOLLOW FOR THE DEVELOPMENT OF CORRECTIVE**
26 **ACTION PLANS. THE PLAN DESCRIBED UNDER THIS SECTION SHALL BE**
27 **PREPARED IN ACCORDANCE WITH PROCEDURES PRESCRIBED BY THE STATE**

1 BUDGET DIRECTOR AND IN ACCORDANCE WITH REINFORCING PROCEDURES
2 PRESCRIBED BY THE PRINCIPAL DEPARTMENT.

3 (3) PRINCIPAL DEPARTMENTS SHALL PERIODICALLY REPORT PROGRESS
4 ON REMEDIATING MATERIAL WEAKNESSES ON A SCHEDULE PROVIDED BY THE
5 STATE BUDGET DIRECTOR.

6 Sec. 483. As used in this section and sections 484 to 489:

7 (a) "Department head" means the head of a principal
8 department.

9 (b) "~~Internal accounting and administrative control system~~"
10 means ~~the methods through which reasonable assurances can be given~~
11 ~~that measures are being used by a principal department and its~~
12 ~~state agencies to safeguard assets, check the accuracy and~~
13 ~~reliability of accounting data, promote operational efficiency, and~~
14 ~~encourage adherence to prescribed managerial policies.~~ **A PROCESS,**
15 **EFFECTED BY THE DIRECTOR OF THE PRINCIPAL DEPARTMENT, MANAGEMENT,**
16 **AND OTHER PERSONNEL, DESIGNED TO PROVIDE REASONABLE ASSURANCE**
17 **REGARDING THE ACCOMPLISHMENT OF DEPARTMENT OBJECTIVES RELATING TO**
18 **OPERATIONS, REPORTING, AND COMPLIANCE.**

19 Sec. 484. (1) The **STATE BUDGET** director, in consultation with
20 the auditor general, shall develop a system of reporting and a
21 general framework which shall be used by the principal departments
22 in performing evaluations on their respective internal ~~accounting~~
23 ~~and administrative control~~ systems.

24 (2) The **STATE BUDGET** director, in consultation with the
25 auditor general, may modify the format for the report or the
26 framework for conducting the evaluations after giving 30 days'
27 notice to each principal department head and the senate and house

1 appropriations committees.

2 Sec. 485. (1) The department head of each principal department
3 shall establish and maintain an internal ~~accounting and~~
4 ~~administrative~~-control system within that principal department
5 using the generally accepted accounting principles as developed by
6 the accounting profession and in conformance with directives issued
7 pursuant to section 141(d).

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

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

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

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

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

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

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

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

1 (4) The head of each principal department shall provide a
2 biennial report on or before May 1 of each odd numbered year
3 ~~prepared by the principal department's internal auditor on the~~
4 ~~evaluation of the principal department's internal accounting and~~
5 ~~administrative control system~~ to the governor, the auditor general,
6 the senate and house appropriations committees, the fiscal
7 agencies, and the **STATE BUDGET** director. **THE DEPARTMENT DIRECTOR**
8 **SHALL ATTACH A LETTER FROM THE INTERNAL AUDITOR CERTIFYING THE**
9 **DEPARTMENT'S CONFORMANCE TO THE EVALUATION AND REPORTING**
10 **REQUIREMENTS IN THE GENERAL FRAMEWORK REFERENCED IN SECTION 484.**

11 For the period reviewed, the report shall include, but not be
12 limited to, both of the following:

13 (a) A description of any material inadequacy or weakness
14 discovered in connection with the evaluation of the department's
15 ~~internal accounting and administrative control~~ system as of October
16 1 of the preceding year and the plans and a time schedule for
17 correcting the internal ~~accounting and administrative control~~
18 system, described in detail.

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

21 Sec. 486. (1) ~~Each principal department shall appoint an~~
22 ~~internal auditor.~~ **THE STATE BUDGET DIRECTOR SHALL APPOINT INTERNAL**
23 **AUDITORS AS NEEDED TO AUDIT PRINCIPAL DEPARTMENTS.** Each internal
24 auditor shall be a member of the state classified executive
25 service.

26 (2) Except as otherwise provided by law, each internal auditor
27 shall report to and be under the general supervision of the

1 ~~department head.~~**STATE BUDGET DIRECTOR.**

2 (3) A person may not prevent or prohibit the internal auditor
3 from initiating, carrying out, or completing any audit or
4 investigation. The internal auditor shall be protected pursuant to
5 the whistleblowers' protection act, 1980 PA 469, MCL 15.361 to
6 15.369.

7 ~~The internal auditor of each principal department~~**AN**
8 **INTERNAL AUDITOR APPOINTED BY THE STATE BUDGET DIRECTOR** shall:

9 (a) Receive and investigate any allegations that false or
10 misleading information was received in evaluating the principal
11 department's internal ~~accounting and administrative~~ control system
12 or in connection with the preparation of the biennial report on the
13 system.

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

16 (c) Review existing activities and recommend policies designed
17 to promote efficiency in the administration of that principal
18 department's programs and operations as assigned by the department
19 head.

20 (d) Recommend policies for activities to protect the state's
21 assets under the control of that principal department, and to
22 prevent and detect fraud and abuse in the principal department's
23 programs and operations.

24 (e) Review and recommend activities designed to ensure that
25 principal department's internal financial control and accounting
26 policies are in conformance with the ~~department of management and~~
27 ~~budget accounting division~~**STATE BUDGET OFFICE** directives issued

1 pursuant to sections 421 and 444.

2 (f) Provide a means to keep the department head fully and
3 currently informed about problems and deficiencies relating to the
4 administration of that principal department's programs and
5 operations and the necessity for and progress of corrective action.

6 (g) Conduct other audit and investigative activities as
7 assigned by the ~~department head~~. **STATE BUDGET DIRECTOR.**

8 **(H) PREPARE BIENNIAL REPORTS FOR PRINCIPAL DEPARTMENTS**
9 **REQUIRED UNDER SECTION 485.**

10 (5) Each internal auditor shall adhere to appropriate
11 professional and auditing standards in carrying out any financial
12 or program audits or investigations.

13 **(6) EACH INTERNAL AUDITOR APPOINTED BY THE STATE BUDGET**
14 **DIRECTOR SHALL REPORT IMMEDIATELY TO THE STATE BUDGET DIRECTOR AND**
15 **THE PRINCIPAL DEPARTMENT HEAD IF THE INTERNAL AUDITOR BECOMES AWARE**
16 **OF PARTICULARLY SERIOUS OR FLAGRANT PROBLEMS, ABUSES, OR**
17 **DEFICIENCIES RELATING TO THE ADMINISTRATION OF PROGRAMS OR**
18 **OPERATIONS OF A PRINCIPAL DEPARTMENT OR AGENCIES WITHIN THE**
19 **DEPARTMENT.**

20 Sec. 487. (1) Each internal auditor **AND DEPARTMENT MANAGEMENT**
21 shall report immediately to the department head if the internal
22 auditor **OR MANAGEMENT** becomes aware of particularly serious or
23 flagrant problems, abuses, or deficiencies relating to the
24 administration of programs or operations of that principal
25 department or its state agencies. If criminal activity is
26 suspected, the department head shall immediately submit a report to
27 the governor, attorney general, and the auditor general in

1 accordance with reporting requirements established pursuant to
2 section 484. **DEPARTMENTS SHALL ESTABLISH INCIDENT REPORTING**
3 **PROTOCOLS, REVIEWED AND APPROVED BY THE PRINCIPAL DEPARTMENT**
4 **DIRECTOR, TO FULFILL THE REPORTING OF ALL SUSPECTED SERIOUS**
5 **PROBLEMS BY EITHER INTERNAL AUDIT OR DEPARTMENT MANAGEMENT.**
6 **INCIDENCES WARRANTING REPORTING UNDER THESE PROVISIONS SHALL**
7 **INCLUDE THOSE PERPETRATED BY STATE EMPLOYEES OR EXTERNAL ENTITIES**
8 **WITH WHOM DEPARTMENTS COME INTO CONTACT.**

9 (2) Within 60 days after the receipt of a report filed
10 pursuant to subsection (1), the department head shall submit a plan
11 to correct the problems, abuses, or deficiencies to the **STATE**
12 **BUDGET** director. Within 30 days after the receipt of the plan to
13 correct, the **STATE BUDGET** director shall submit copies of the plan
14 to correct to the auditor general and the senate and house
15 appropriations committees.

16 (3) This section shall not be construed to authorize the
17 public disclosure of information which is part of an ongoing
18 criminal investigation or which is specifically prohibited from
19 public disclosure by any other provision of law.

20 **SEC. 495. (1) WITHIN 9 MONTHS AFTER THE END OF THE FISCAL**
21 **YEAR, THE STATE BUDGET DIRECTOR SHALL PUBLISH ON THE INTERNET A**
22 **REPORT THAT COMMUNICATES THE STATE'S CURRENT FINANCIAL SITUATION IN**
23 **AN EASY-TO-UNDERSTAND REPORT.**

24 (2) **AT A MINIMUM, THE REPORT WILL CONTAIN INFORMATION ON NO**
25 **LESS THAN THE MOST RECENT 5 YEARS OF DATA FOR EACH OF THE**
26 **FOLLOWING:**

27 (A) **TOTAL STATE REVENUES AND EXPENDITURES.**

- 1 (B) TOTAL GENERAL FUND/GENERAL PURPOSE REVENUES AND
2 EXPENDITURES.
- 3 (C) TOTAL SCHOOL AID FUND REVENUES AND EXPENDITURES.
- 4 (D) THE UNRESTRICTED FUND BALANCE FOR THE GENERAL FUND AND
5 SCHOOL AID FUND.
- 6 (E) TOTAL OUTSTANDING STATE DEBT BY MAJOR TYPE.
- 7 (F) TOTAL UNFUNDED PENSION AND OTHER POSTEMPLOYMENT BENEFIT
8 OBLIGATIONS FOR EACH OF THE FOLLOWING RETIREMENT SYSTEMS:
- 9 (i) THE STATE EMPLOYEES' RETIREMENT ACT, 1943 PA 240, MCL 38.1
10 TO 38.69.
- 11 (ii) THE PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980
12 PA 300, MCL 38.1301 TO 38.1437.
- 13 (iii) THE JUDGES RETIREMENT ACT OF 1992, 1992 PA 234, MCL
14 38.2101 TO 38.2670.
- 15 (iv) THE STATE POLICE RETIREMENT ACT OF 1986, 1986 PA 182, MCL
16 38.1601 TO 38.1648.
- 17 (v) THE MICHIGAN LEGISLATIVE RETIREMENT SYSTEM ACT, 1957 PA
18 261, MCL 38.1001 TO 38.1080.
- 19 (G) TOTAL REVENUES BY MAJOR SOURCE, INCLUDING TAXES AND
20 FEDERAL GRANTS.
- 21 (H) TOTAL EXPENDITURES BY MAJOR SPENDING CATEGORY.
- 22 (I) THE NUMBER OF STATE EMPLOYEES BY DEPARTMENT.
- 23 (J) BASIC ECONOMIC INFORMATION FOR THIS STATE, INCLUDING PER-
24 CAPITA INCOME, NONFARM PAYROLL EMPLOYMENT, AND THE UNEMPLOYMENT
25 RATE.
- 26 Enacting section 1. Section 447 of the management and budget
27 act, 1984 PA 431, MCL 18.1447, is repealed.