



# **Budget Briefing: Technology, Management, and Budget**

Perry Zielak, Fiscal Analyst

August 2016

# Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics

# Department of Technology, Management, and Budget

- The Department of Technology, Management, and Budget (DTMB) was created through the merger of the Department of Management and Budget and the Department of Information Technology under Executive Order 2009-55.
- Authorized under the Management and Budget Act (1984 PA 431), DTMB is central service and management element of the Executive branch of state government.
- Department responsibilities include:
  - Information technology services and project support for state departments and agencies
  - Managing and maintaining state property, including the motor vehicle fleet
  - Purchasing and procurement for the state
  - Developing and monitoring the state budget
  - State accounting functions
  - Managing the state's retirement systems

# Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2016-17 is October 1, 2016 through September 30, 2017.

**Appropriation:** Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

**Line Item:** Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

**Boilerplate:** Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

**Lapse:** Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

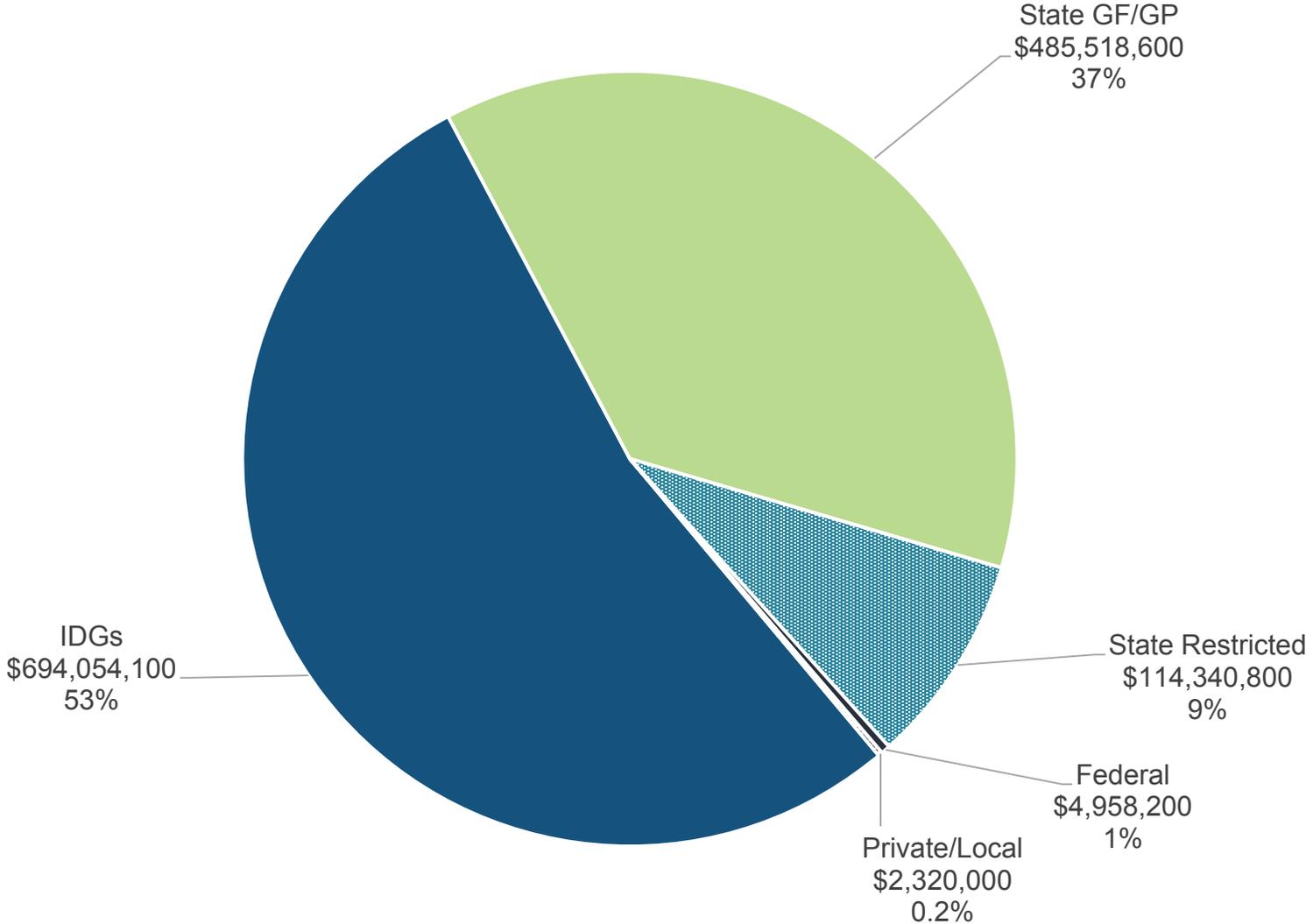
# Funding Sources

# FY 2016-17 DTMB Budget

Fund Source	Funding	Description
Gross Appropriations	\$1,301,191,700	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	694,054,100	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$607,137,600	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	4,958,200	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	2,320,000	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	114,340,800	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$485,518,600	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

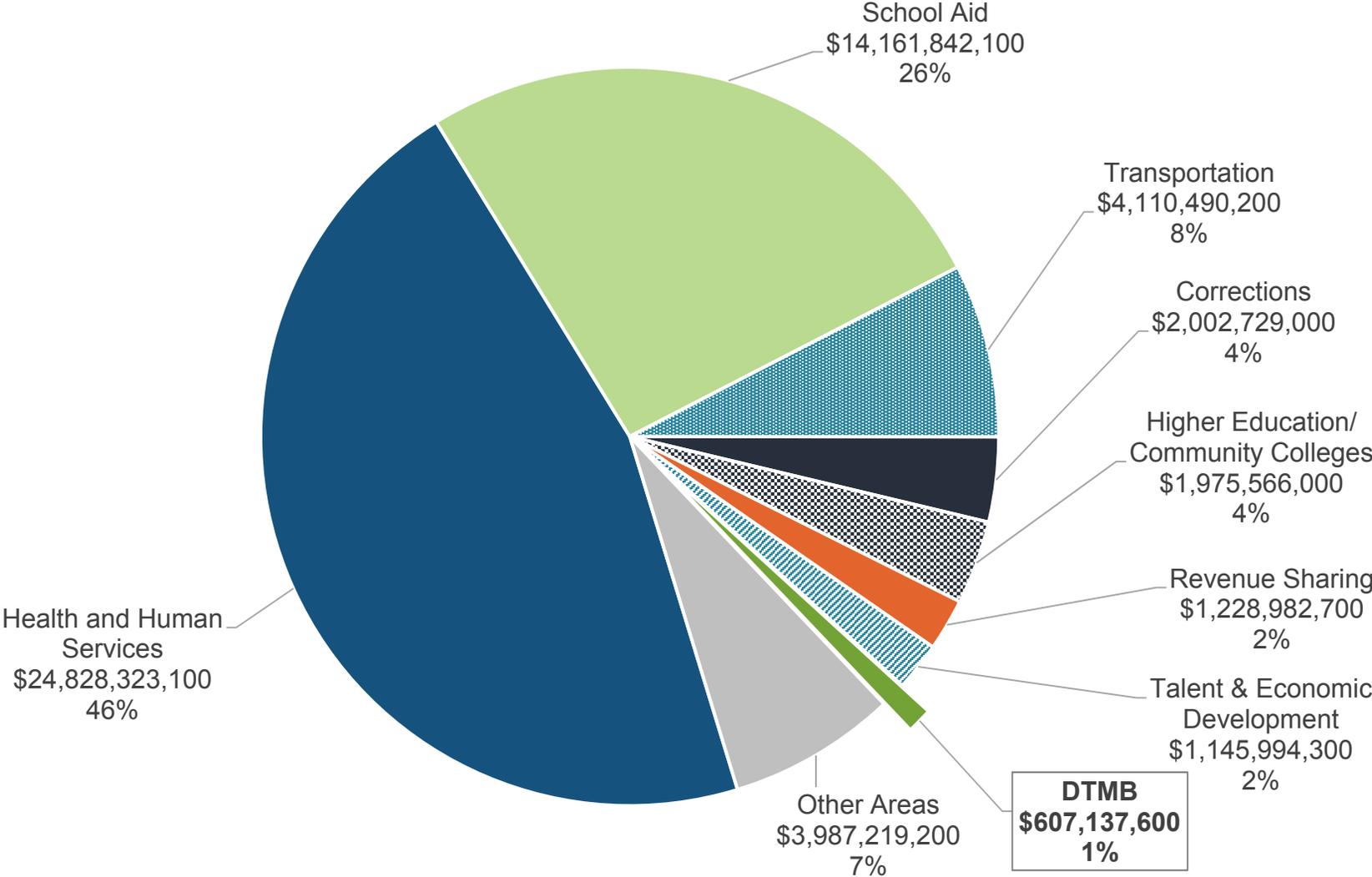
# FY 2016-17 Fund Sources

53% of the \$1.3 billion DTMB budget is funded by interdepartmental grants, which pay DTMB for services provided. Over a third of the budget is funded by GF/GP.



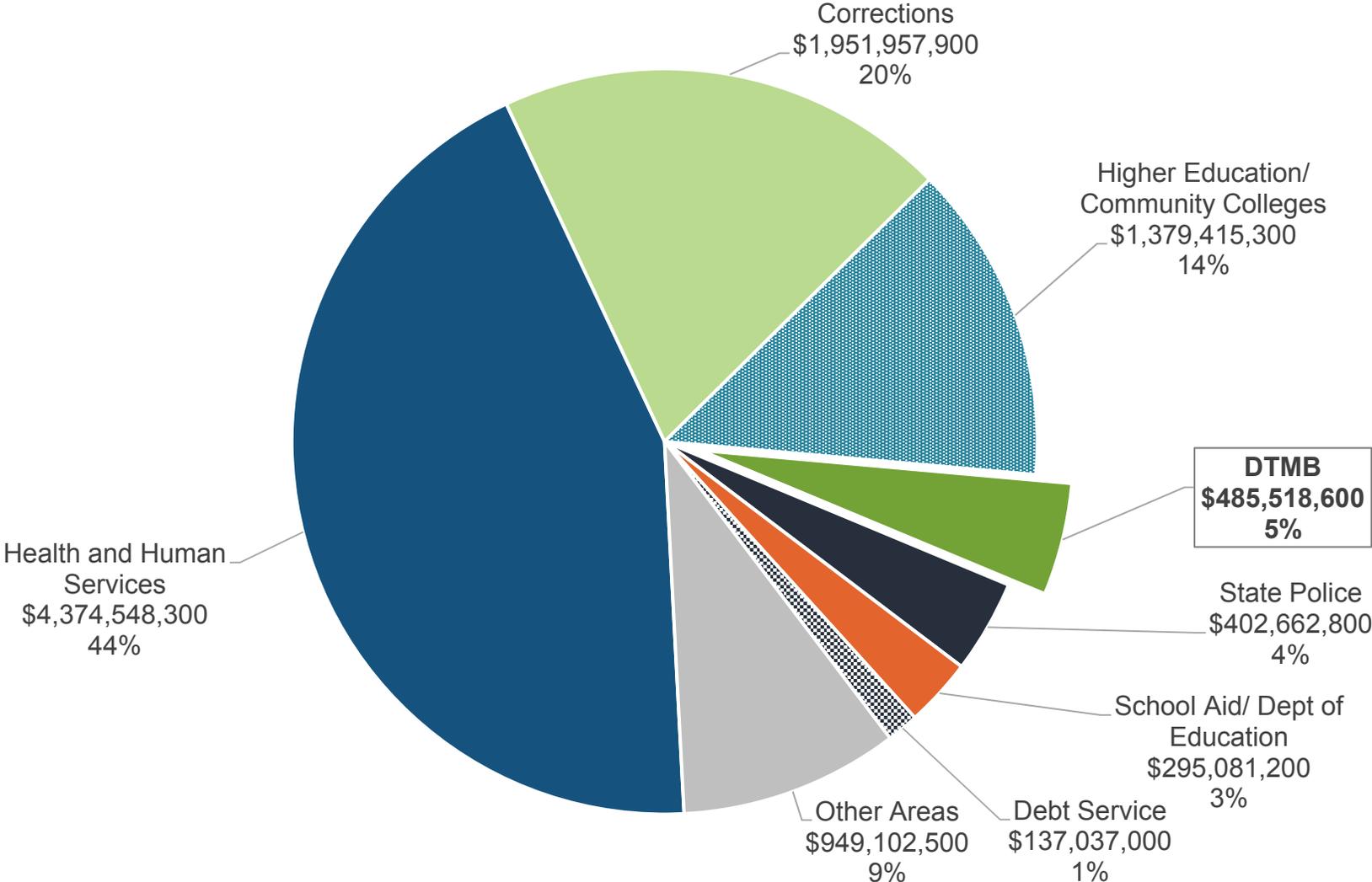
# DTMB Share of Total State Budget

The DTMB budget represents 1% of the **\$54.0 billion** state budget (adjusted gross) for FY 2016-17.



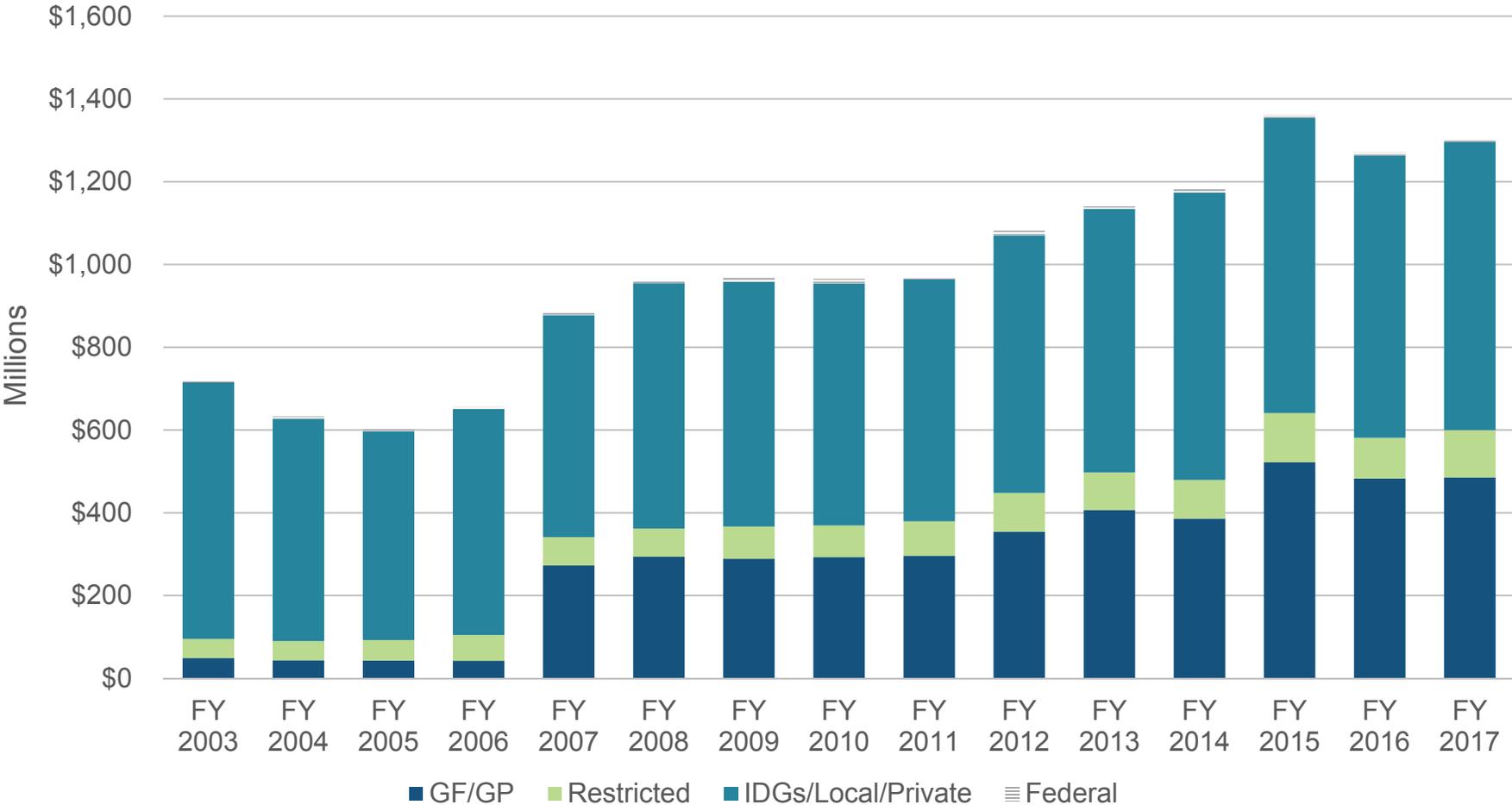
# DTMB Share of Total GF/GP Budget

The DTMB budget also represents 5% of the state's \$10.0 billion GF/GP budget for FY 2016-17.



# DTMB Funding History

Funding for Technology, Management and Budget has grown by 80% since FY 2002-03, driven mainly by transfers from other departments, including: State Building Authority rent payments (FY 2007), Civil Service (FY 2008), and Information Technology (FY 2011). Various one-time appropriations explain recent increases.



Note: Amounts prior to FY 2010-11 are totals for DMB, Department of Information Technology, and Civil Service

# Appropriation Areas

# DTMB Appropriation Areas

**Department Services:** Statewide administrative services, budget and financial management, building operations, motor vehicle fleet and various other operations.

**Technology Services:** Information technology services and support to state departments and agencies, IT investment projects, cyber security.

**Special Programs:** Various programs and offices, including Retirement Services, Children's ombudsman, School Reform Office, and Office of Urban Initiatives.

**SBA Rent:** Rent payments for projects authorized by the State Building Authority.

**Civil Service Commission:** Autonomous agency charged with various responsibilities around classification and compensation rates of positions, qualifications and other rules related to civil service employment.

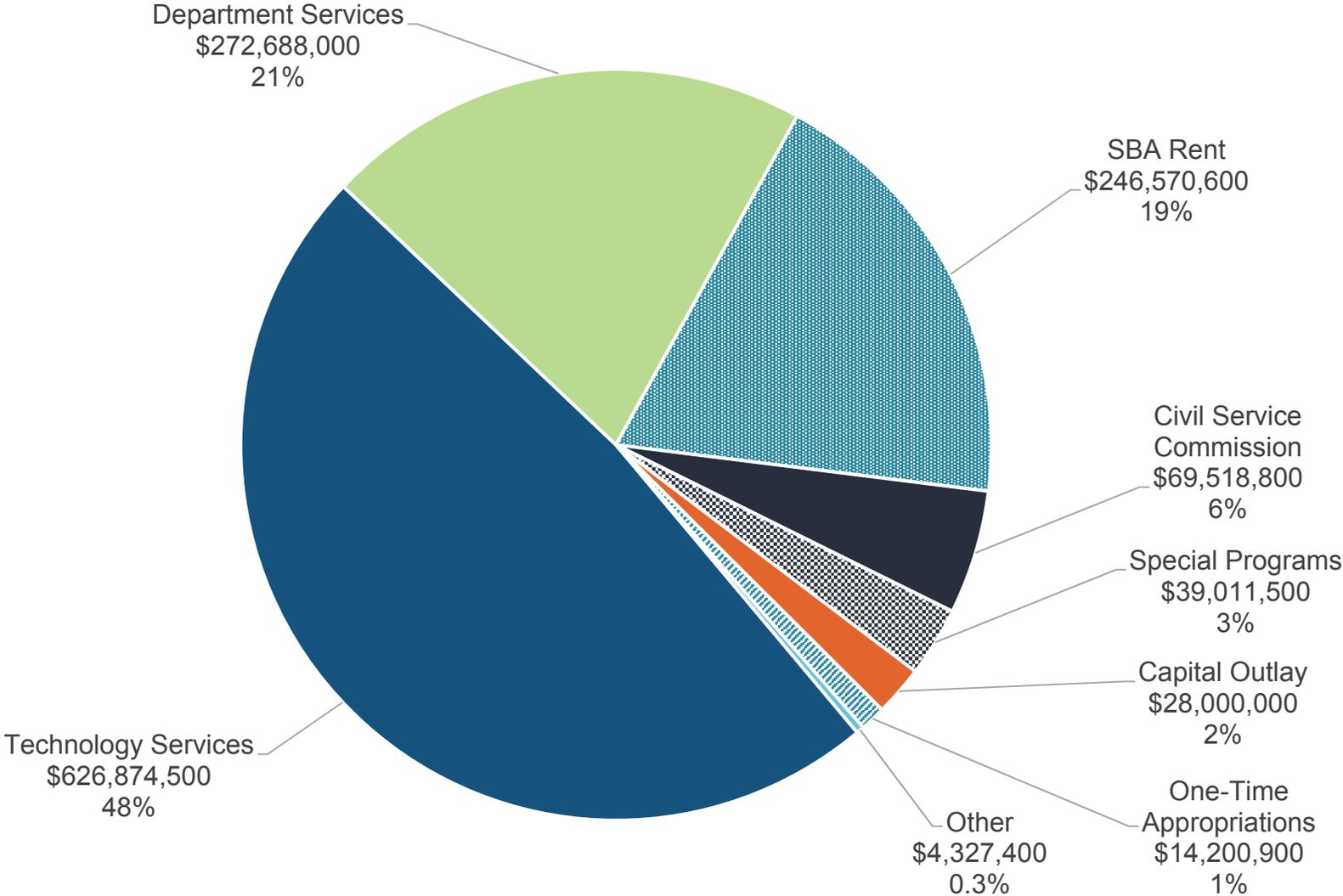
**Capital Outlay:** Supports renovation, remodeling and special maintenance of facilities used by state departments and agencies.

**One-Time Appropriations:** IT projects, Legal Services, and various programs.

**Other:** Includes Executive Direction and Statewide Appropriations.

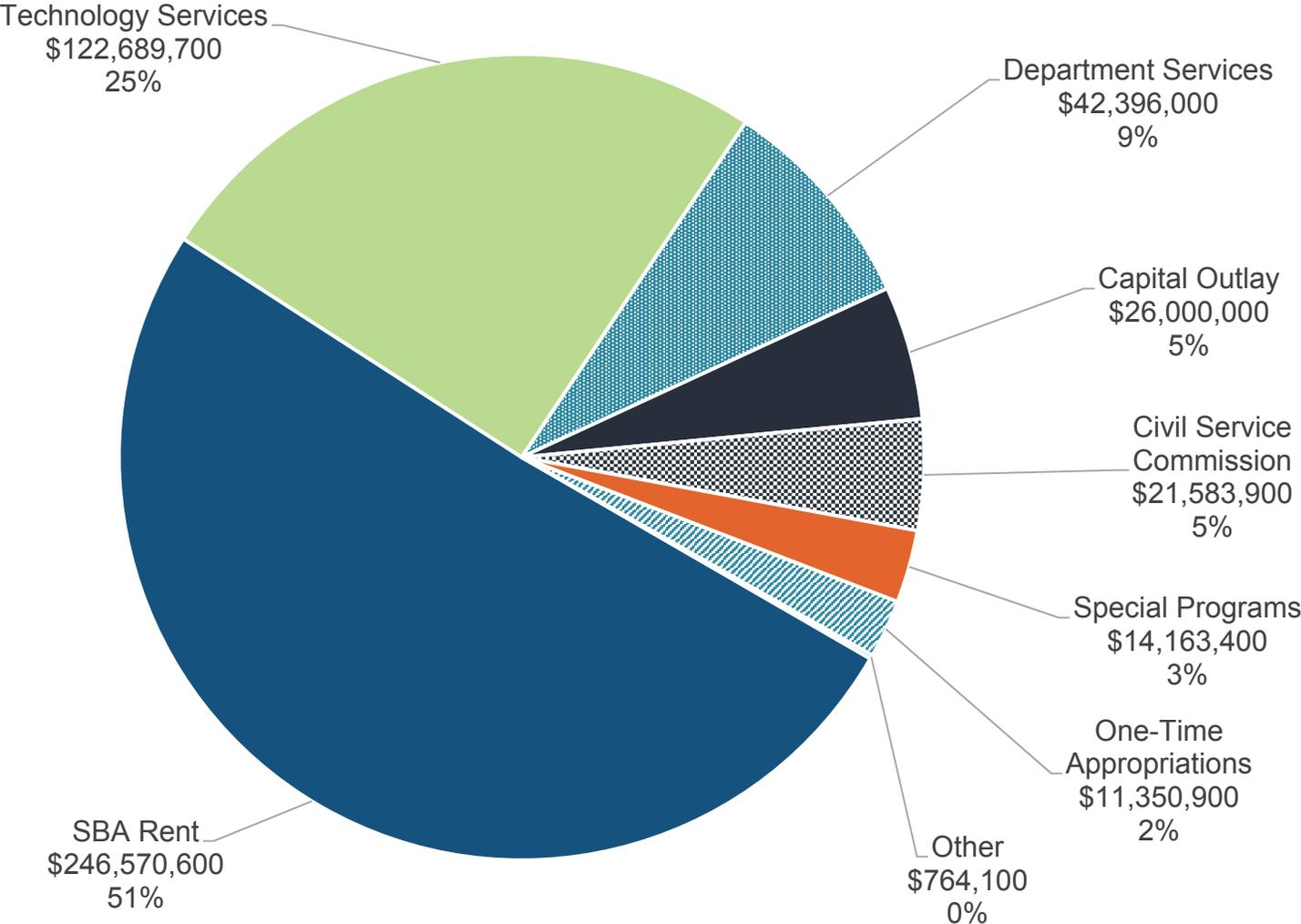
# FY 2016-17 Gross Appropriations

Nearly one-half of the **\$1.3 billion** DTMB budget supports technology services, the vast majority of which are funded through interdepartmental grants (IDGs) and GF/GP.



# FY 2016-17 GF/GP Appropriations

GF/GP funds (totaling \$485.5 million) are concentrated in SBA rent payments and technology services.



# Major Budget Topics

# DTMB Appropriations: Department Services

Funds centralized operational services for DTMB, other state departments and agencies, colleges, universities, and other governmental units. Includes:

- **State Budget Office:** Prepares, presents and executes the state budget on behalf of the governor.
- **Financial Services:** Accounts payable, billing, projections, contract and lease management.
- **Office of Financial Management:** Accounting and payroll oversight, prepares Comprehensive Annual Financial Report (CAFR).
- **Office of the State Employer:** Labor contract negotiations, labor relations, statewide disability management, worker's compensation.
- **Business Support Services:** Purchasing operations, State Administrative Board, real estate services, interdepartmental mail, state records center.
- **Building Operation Services:** Operation and maintenance of state buildings, equipment and grounds, space assignment and design, building-related security, utilities and parking.

# DTMB Appropriations: Department Services

- **Design and Construction Services:** Project planning, architectural and engineering services, surveying, construction management, quality control for infrastructure improvements. Serves state agencies, universities and community colleges.
- **Motor Vehicle Services:** Acquires and maintains the state's motor vehicle fleet, manages and regulates use of state vehicles.
- **Bureau of Labor Market Information and Strategies:** Labor market information and statistics; economic and workforce data, research and analysis; program measurement data and services. Transferred from Department of Licensing and Regulatory Affairs to DTMB by Executive Order 2011-4.

# DTMB Appropriations: Technology Services

Funds information technology (IT) services and support to various state department and agencies, as well as various IT projects. Includes:

## ○ **IT Services to State Agencies:**

- Funded entirely with IDG revenue. Each department requests spending authority to fund IT-related activities and pays for services through IDGs.
- Support and management for desktop computers, laptops, state mainframes, servers, local area networks.
- Application development and maintenance, software and software licensing.
- Telecommunications services, security, infrastructure and support.
- IT contracting and project management.

## ○ **Homeland Security Initiative/Cyber Security:**

- Protects Michigan's critical infrastructure from cyber disruption.
- Funds Michigan Cyber Security Operations Center under federal Department of Homeland Security program.

# DTMB Appropriations: Technology Services

- **Various Information Technology Investment Projects:** IT projects to upgrade and replace various department legacy systems. Includes the following general categories:
  - Enterprisewide Projects
  - General Government and Public Safety Projects
  - Health and Human Services Projects
  - MAIN System Replacement Project
  - Cyber Security Projects.
- **Michigan Public Safety Communications System:** Development and maintenance of interoperable public safety communications system for local, state and federal agencies.
- **Enterprise Identity Management:** Efforts to create MILogin, a single sign-in and identity management tool which allows for the establishment, management and authentication of user identities for statewide IT systems.

# IT Investment Fund Projects

- Dedicated funding for improving department legacy IT systems began in FY 2012-13.
- Approved projects within the IT Investment Fund are directed, managed and implemented by DTMB.
- \$284.5 million has been appropriated and/or spent on various IT upgrades and projects through FY 2016-17.
- 28 IT projects have been completed and 22 IT projects are in progress.
- Not all IT upgrade projects will be funded through IT Investment Fund umbrella.

**IT Investment Fund Appropriations**

Source	GF/GP Amounts
FY 2012-13	\$47,000,000
FY 2013-14	\$47,000,000
FY 2014-15	\$60,500,000
FY 2015-16	\$65,000,000
FY 2016-17	\$65,000,000
<b>TOTAL</b>	<b>\$284,500,000</b>

# DTMB Appropriations: Special Programs

Funds various offices and programs. Includes:

- **Executive/Legislative Building Occupancy:** Space occupied by the Executive Office in the Romney Building in Lansing and Cadillac Place in Detroit.
- **Retirement Services:** Administers deferred compensation and retirement systems for state employees, public school employees, judges, state police, and the military.
- **Office of Children's Ombudsman:**
  - Monitors and investigates the child welfare actions and policies of the Department of Health and Human Services (DHHS) and child placement agencies.
  - Works to ensure compliance with child welfare statutes and policies in the placement, supervision, and treatment of children in foster care and adoptive homes.
  - Recommends policy and statute changes to the Legislature, Governor and DHHS.

# DTMB Appropriations: Special Programs

- **Office of Urban Initiatives:** Focuses on urban and metropolitan initiatives respective to transportation, public services, land use/sustainability, housing, and workforce development to foster urban and regional growth.
- **School Reform Office:** Oversees the state's Priority schools while strengthening teacher effectiveness, developing policies for school leaders, and reallocates resources to implement school reform plans.
- **Public-Private Partnership:** Seeks to foster state and private partnerships for capital improvements, energy projects, infrastructure projects, and joint economic benefit ventures.
- **Regional Prosperity Grants:** Provides various grants to eligible regional planning organizations that collaborate on economic and workforce development, adult and higher education, and transportation.

# Legal Services Fund

- Created in DTMB starting with FY 2013-14 budget.
- Designed to provide support for major litigation involving the Governor and Attorney General in their official capacity, and to secure outside legal advice on major statewide issues not unique to a single agency.
- Funding has been used for Detroit Chapter 9 Bankruptcy, Retired Detroit Police Settlement, DeBoer v. Snyder, Bassett v. Snyder, and Flint Water Crisis cases.
- Funded with GF/GP revenues.

**Legal Services/Litigation Fund Appropriations**

Source	GF/GP Amounts
FY 2013-14	\$2,000,000
FY 2014-15	\$2,000,000
FY 2015-16	\$12,000,000
FY 2016-17	\$5,000,000
<b>TOTAL</b>	<b>\$21,000,000</b>

# Civil Service Commission

- The Civil Service Commission is a bipartisan, four member body, appointed by the governor to serve 8 year, staggered terms.
- Funding is guaranteed by the State Constitution, Article XI, Section 5:

“To enable the commission to exercise its powers, the legislature shall appropriate to the commission for the ensuing fiscal year a sum not less than one percent of the aggregate payroll of the classified service for the preceding fiscal year, as certified by the commission.”
- Executive Order 2007-30 transferred all Department of Civil Service functions to DTMB and transferred all human resources functions from state agencies to the commission within DTMB.
- **State Personnel Director:** A classified position selected by the Civil Service Commission to serve as the principal executive officer for the commission.

# Civil Service Commission

- The Civil Service Commission is responsible for the following:
  - Classification of civil service positions according to duties & responsibilities.
  - Set compensation rates for all position classes.
  - Determine qualifications of candidates for classified service positions by competitive examination and performance on the basis of merit and fitness.
  - Set rules and regulations covering all personnel transactions.
  - Administration of employee benefit programs, including the state's employee health, dental, vision, and life insurance plans.
  - Provide human resources services for all state departments, including audits of personnel and payroll transactions.
  - Operates the Human Resources Management Network, which provides an enterprise-integrated technological infrastructure to support major management functions, such as payroll, personnel, and employee benefits.
  - Support for general and agency-specific training for all state classified employees.

# State Building Authority Rent Payments

- Funds rent payments to the State Building Authority (SBA) for SBA-financed construction projects for state agencies, universities, and community colleges.
- The SBA is authorized to issue and sell bonds and notes for acquisition and construction of facilities and equipment in an aggregate principal amount outstanding not to exceed \$2.7 billion. Not included in that limitation are bonds allocated for debt service reserves, bond issue expenses, bond discounts, bond insurance premiums, or certain refunding bonds.
- Executive Order 2013-8 transferred the State Building Authority to the Department of Treasury. However, the administration of the rent payments remain within DTMB.

# For more information about the DTMB budget:

## HFA Resources

<http://www.house.mi.gov/hfa/GeneralGovernment.asp>

## Contact Information

Perry Zielak

Fiscal Analyst

[pzielak@house.mi.gov](mailto:pzielak@house.mi.gov)

(517) 373-8080