



Budget Briefing: Technology, Management, and Budget

Michael Clossen, Senior Fiscal Analyst

December 2023

Briefing Topics

- Funding Sources
- Appropriation 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 in FY 2010-11 under Executive Order 2009-55
- Authorized under the Management and Budget Act (1984 PA 431), DTMB is the 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 the executive budget recommendation and monitoring the state budget
 - State accounting functions
 - Managing retirement systems for state and school employees, judges, state police, and the military

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2023-24 is October 1, 2023 through September 30, 2024.

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 that establishes spending authorization for a particular program or function in a budget bill.

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

Lapses: 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.

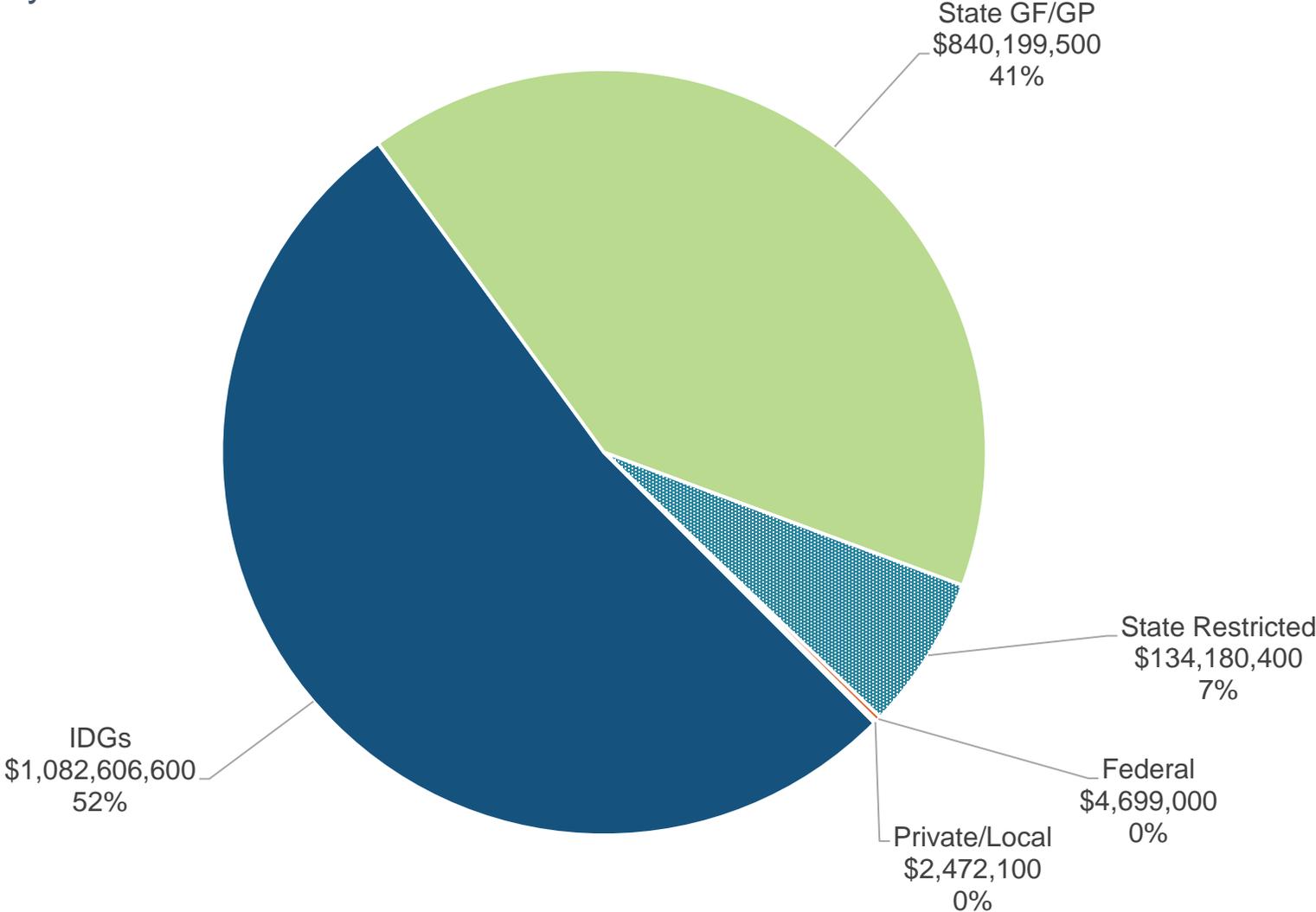
Funding Sources

FY 2023-24 DTMB Budget

Fund Source	Funding	Description
Gross Appropriations	\$2,064,157,600	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	1,082,606,600	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$981,551,000	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	4,699,000	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	2,334,700	Revenue received from local units of government for state services
Private Revenue	137,400	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	134,180,400	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	\$840,199,500	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

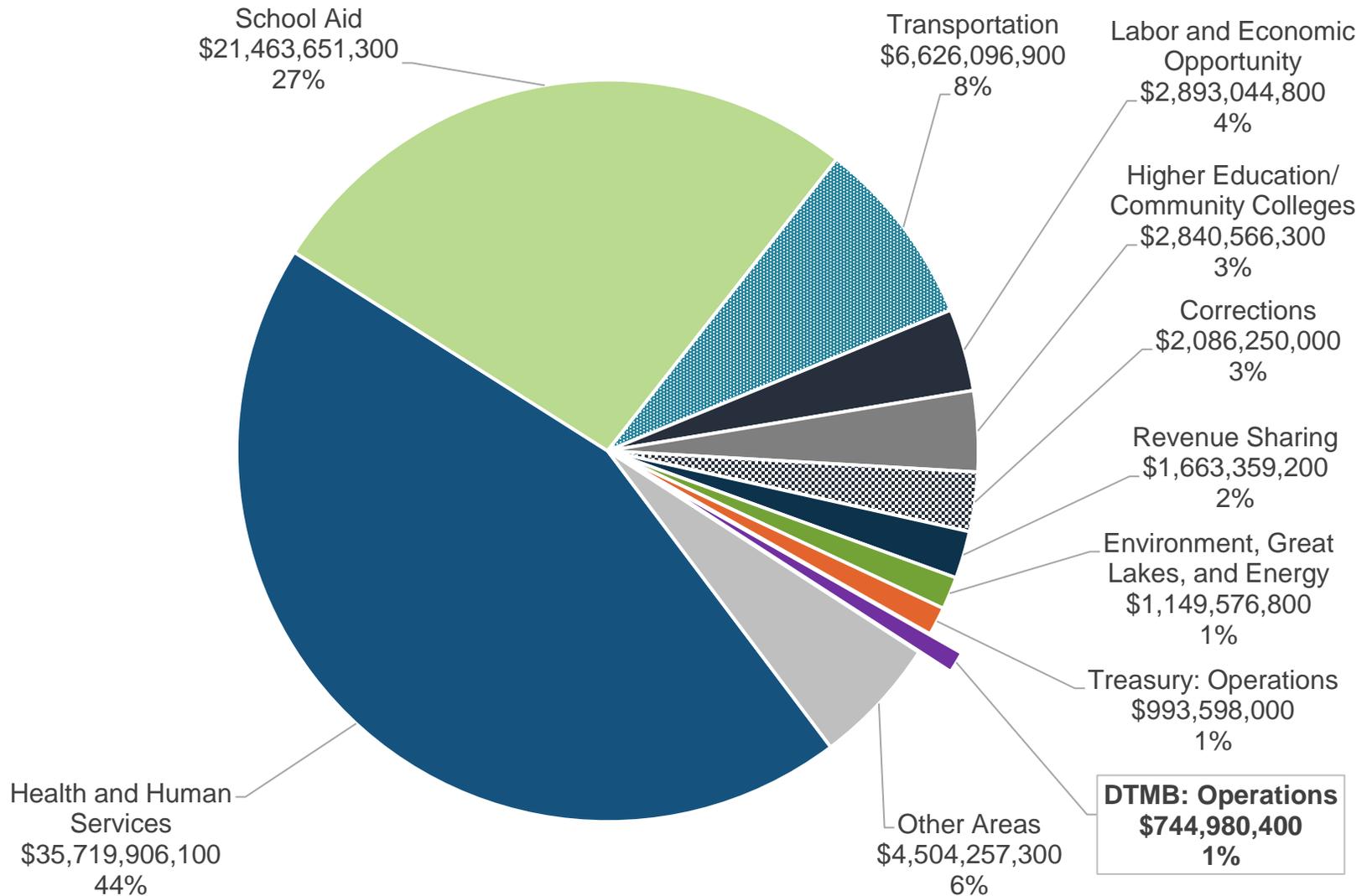
FY 2023-24 Fund Sources

Of the **\$2.1 billion** DTMB budget, **52%** is funded by interdepartmental grants, which pay DTMB for services provided to other departments and agencies, and **41%** of the budget is funded by GF/GP.



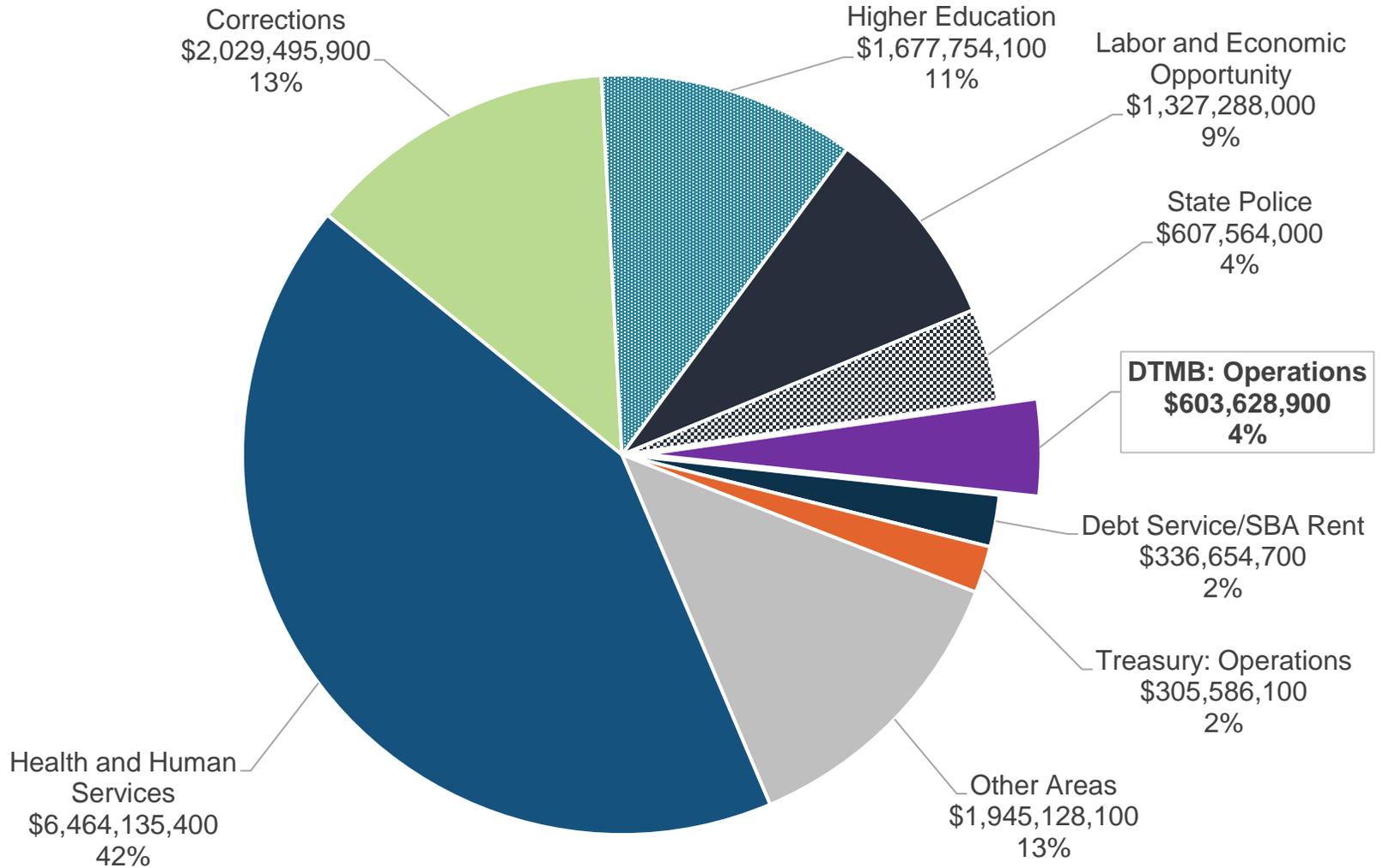
DTMB Share of Total State Budget

The DTMB Operations budget represents less than 1% of the **\$80.7 billion** state budget (adjusted gross) for FY 2023-24.



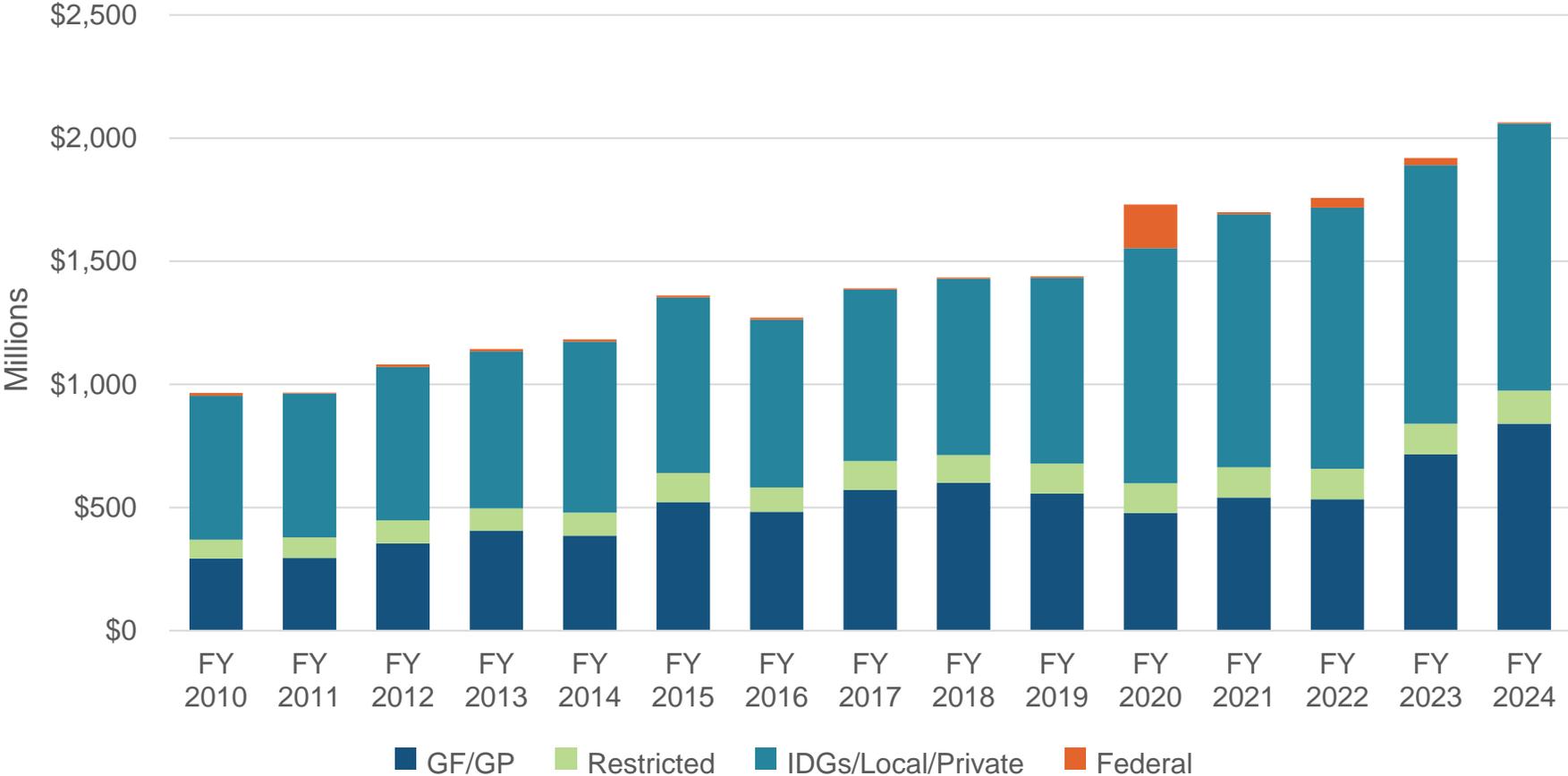
DTMB Share of Total GF/GP Budget

The DTMB Operations budget represents **4%** of the state's **\$15.3 billion** GF/GP budget for FY 2023-24.



DTMB Funding History

Funding for DTMB increased by **17%** since FY 2021-22, driven mainly by increased IDG funding from DHHS and one-time appropriations including **\$267 million** in FY 2022-23 for various purposes including IT and state building maintenance and **\$358 million** in FY 2023-24 mostly for state matching funds for federal programs.



Appropriation Areas

DTMB Appropriation Areas

Departmental Administration and Support: Statewide administrative services, executive direction, 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, and cyber security.

Statewide Appropriations: Professional development for state employees as provided in collective bargaining agreements.

Special Programs: Various programs and offices, including Office of Retirement Services and Office of the Child Advocate.

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

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

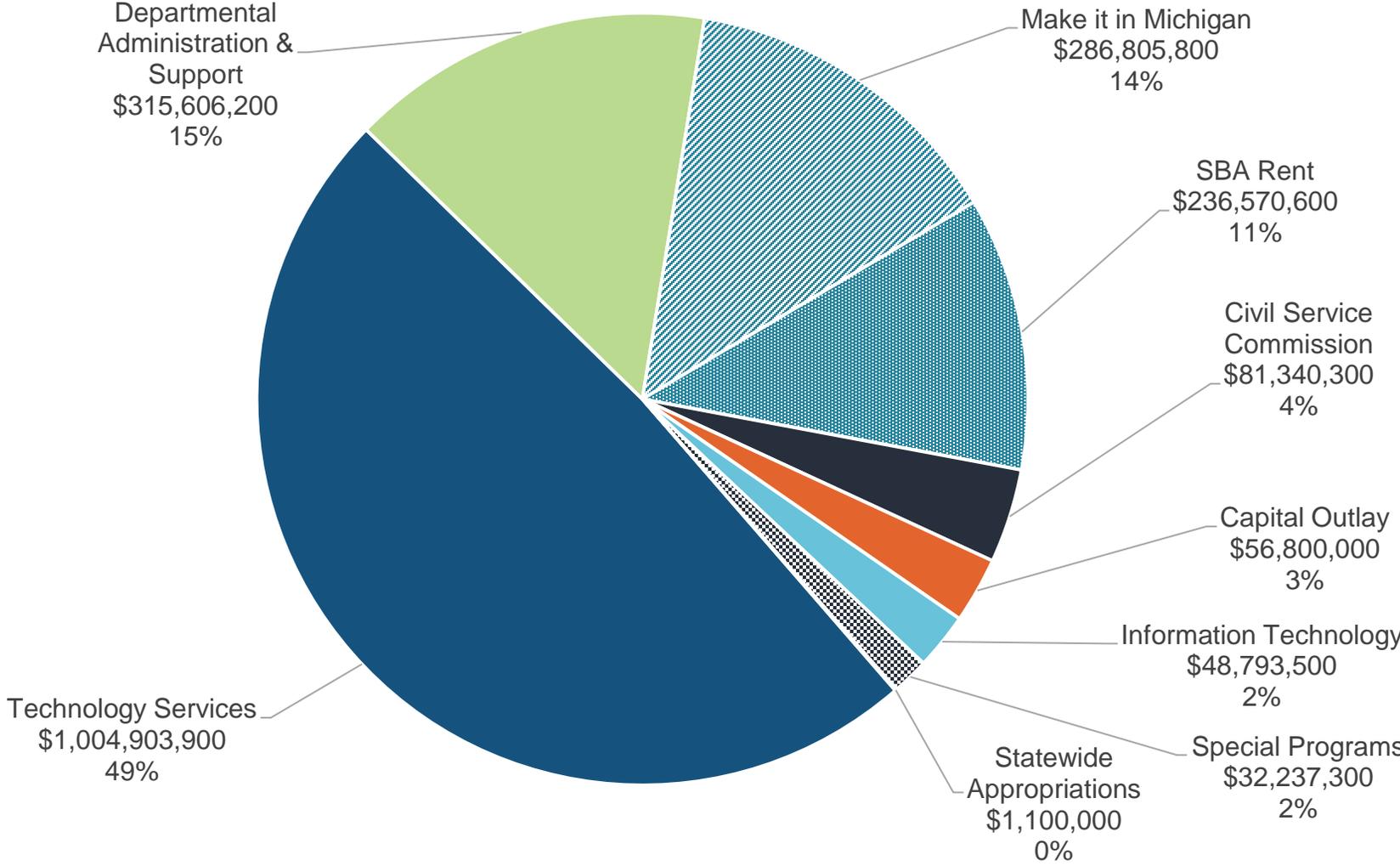
Capital Outlay: Supports renovation, remodeling, and special maintenance of facilities used by state departments and agencies.

Information Technology: IT-related services and projects including desktop services, hardware, software, and application development to support DTMB specific activities.

One-Time Appropriations: Includes one-time appropriations for various programs, including the Make it in Michigan Competitiveness Fund, special maintenance for state facilities, IT projects and state employee management training

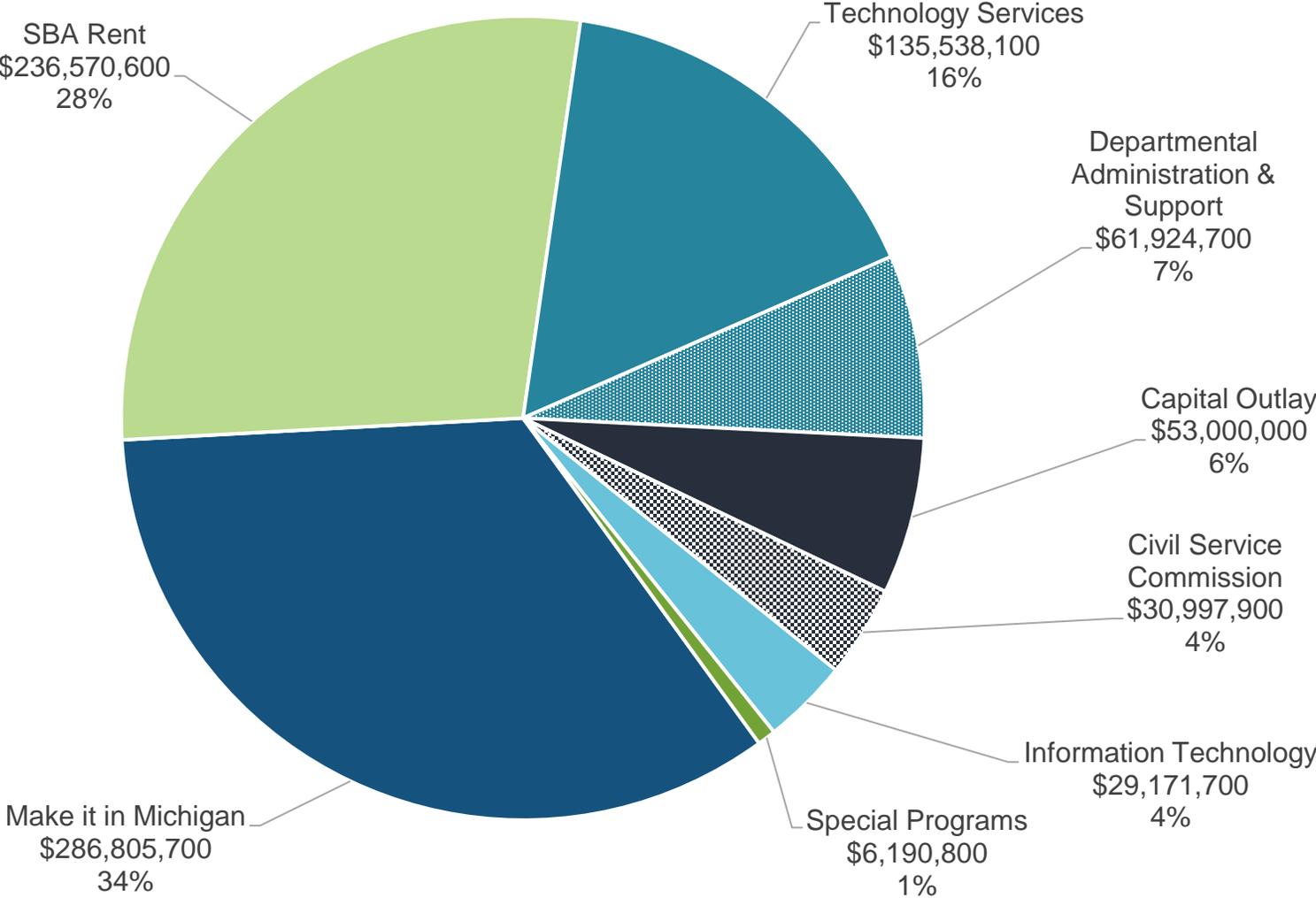
FY 2023-24 Gross Appropriations

Of DTMB's budget **51%** supports technology and IT services, the vast majority of which are funded through interdepartmental grants (IDGs) and GF/GP.



FY 2023-24 GF/GP Appropriations

Ongoing GF/GP funds (totaling **\$840.2 million**) are concentrated in SBA rent payments and technology services. Make it in Michigan Competitiveness fund, created to leverage federal funding opportunities, comprises 34% of GF/GP appropriations..



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:

- **Administrative Services (\$27.0 million):** Includes financial services which is responsible for accounting services, business analysis, billing, contract and lease management, accounts payable, revenue collection and control, and other services; supports state membership in national associations
- **Budget and Financial Management (\$41.8 million):** Includes the State Budget Office, Office of Financial Management, SIGMA administration, Office of Performance and Transformation, and Center for Educational Performance and Information
- **Office of the State Employer (\$1.8 million):** Labor contract negotiations, labor relations, statewide disability management, worker's compensation
- **Business Support Services (\$15.4 million):** Purchasing operations, State Administrative Board, real estate services, interdepartmental mail, state records center
- **Building Operation Services (104.0 million):** 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 (\$9.2 million):** Project planning, architectural and engineering services, surveying, construction management, quality control for infrastructure improvements; serves state agencies, universities, and community colleges
- **Motor Vehicle Services (\$87.7 million):** Acquires and maintains the state's motor vehicle fleet, manages and regulates use of state vehicles
- **Michigan Center for Data and Analytics (\$7.5 million):** Formerly the Bureau of Labor Market Information and Strategies; provides labor market information and statistic, economic and workforce data, research, analysis, and program measurement data and services; established by [Executive Order 2022-11](#)
- **Property Management (\$9.3 million):** Pays for DTMB-occupied space in private and state-owned buildings.
- **State Fleet Electric Vehicle Transition (\$1.0 million):** Preliminary administration costs to begin transitioning the state's vehicle fleet to electric vehicles and to conduct an analysis of infrastructure needs to transitioning to electric power.

Information Technology (IT) Appropriations

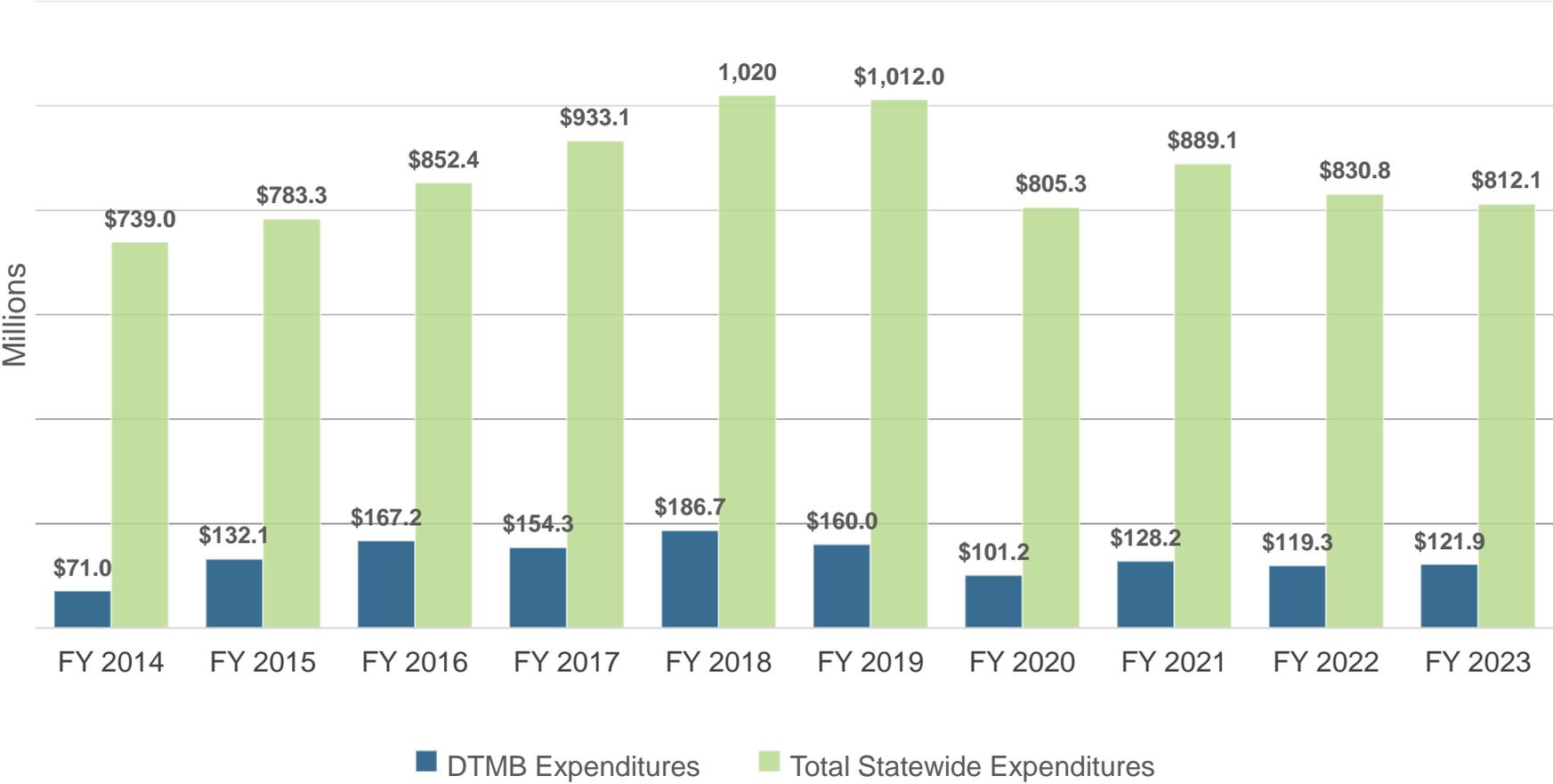
The state government's IT services are almost entirely centralized within DTMB. IT appropriations within DTMB are grouped into the following categories:

- 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
- Various Program Investments and Costs
 - Consists of various ongoing and new projects

Information Technology Appropriations

IT spending decreased following the pandemic and the completion of SIGMA.

DTMB and Statewide IT Spending



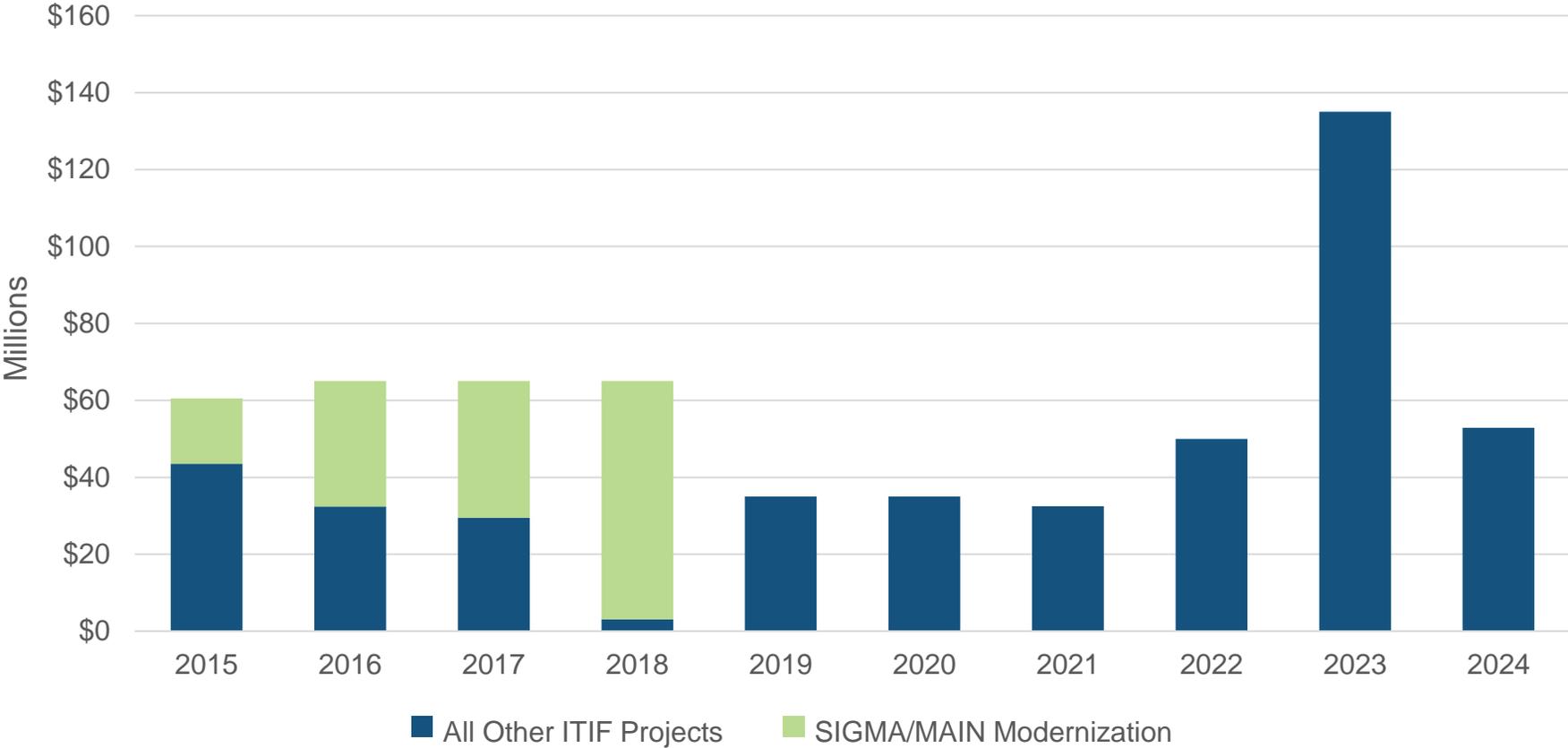
Information Technology Investment Fund (ITIF)

- Information Technology Investment Fund (ITIF) is appropriated **\$52.9 million** in FY 2023-24.
 - Created to address the need to modernize state agencies' many aging information systems
 - A major component of DTMB's IT services budget since 2013
 - Funded through annual GF/GP appropriations
 - Consists of a portfolio of approximately 20 active projects overseen by its own governing board. Demand for modernization projects not expected to decrease in coming years
 - SIGMA is the state's financial and resource planning tool and replaces MAIN. It was the largest ongoing ITIF and state IT project. Large portions of ITIF appropriations had been dedicated to SIGMA until recent years
 - Regularly updated [ITIF reporting](#) is available online

Information Technology Investment Fund (ITIF)

The FY 2018-19 appropriation was significantly reduced due to completion of the SIGMA project. In FY 2023-24, funding returned closer to typical levels after **\$75 million** was dedicated for replacement of the unemployment insurance IT system, Michigan Integrated Data Automated System (MiDAS).

ITIF Annual Appropriations



DTMB Appropriations: Special Programs

Funds various offices and programs. Includes:

- **Executive/Legislative Building Occupancy (\$1.3 million):** Space occupied by the Executive Office in the Romney Building in Lansing and Cadillac Place in Detroit
- **Office of Retirement Services (\$26.1 million):** Administers deferred compensation and retirement systems for state employees, public school employees, judges, state police, and the military
- **Capital City Services (\$1.0 million):** Grant to the City of Lansing to maintain or improve local roads, sidewalks, public utility infrastructure, emergency response, traffic management, or other public safety services that support the state capitol and adjacent state facilities
- **Office of the Child Advocate (\$3.7 million):**
 - Formerly Office of the Children’s Ombudsman, an autonomous state agency that monitors and investigates child welfare actions and policies of the Department of Health and Human Services (DHHS) and child placement agencies; recommends policy and statute changes to the legislature, governor, and DHHS
 - Works to ensure compliance with child welfare statutes and policies in the placement, supervision, and treatment of foster children
 - Received an increase of \$1.6 million and 8.0 FTE positions in FY 2023-24 to support expanded investigative duties as authorized by 2023 PA 303 and as recommended by Executive Order 2021-6

Civil Service Commission

- The Civil Service Commission, is a bipartisan, four-member body, appointed by the governor to serve 8-year, staggered terms. It is appropriated **\$88.1 million** in FY 2023-24.
- 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.
- The state personnel director is a classified position selected by the Civil Service Commission to serve as the principal executive officer for the commission.
- Responsibilities include:
 - Classification of civil service positions according to duties & responsibilities
 - Administration of employee benefit programs
 - Providing human resources services for all state departments
 - Setting rules and regulations covering all personnel transactions.

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. Funding, totaling **\$236.6 million** in FY 2023-24, is allocated for the following three project categories:
 - Community Colleges - **\$33.1 million**
 - State Agencies - **\$68.9 million**
 - Universities - **\$134.6 million**
- 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 administration of the State Building Authority to the Department of Treasury, however, funding of rent payments remains within DTMB.

Make it in Michigan Competitiveness Fund

- Make it in Michigan Competitiveness Fund was created in DTMB boilerplate of 2023 PA 119 in FY 2022-23 (section 853) and FY 2023-24 (section 891) to leverage various federal funding opportunities from the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, the CHIPS Act, and others, by providing state matching funds or by supporting other federal funding criteria
- An interagency evaluation committee will make recommendations for disbursements from the fund
- Disbursements must be appropriated by the legislature or submitted to the legislature for approval through the administrative transfer process
- **\$50.0 million** GF/GP was appropriated directly to DTMB in FY 2022-23
- **\$286.8 million** GF/GP is appropriated for deposit into the fund in FY 2023-24

State Office Space Consolidation

- Following the pandemic and changes in remote work policies, DTMB, in collaboration with state agencies, began assessing state-leased and owned office space for consolidation opportunities
- DTMB's real estate office is conducting a study to determine strategies for state office space consolidations over the coming years
- Square footage of leased office space decreased 11.7% from 2019 to 2023
- From FY 2019-20 to FY 2022-23 a total of 32 leases were vacated for total net annual savings of **\$17.6 million**

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>Total</u>
No. of Leases Vacated	6	18	8	0	32
Total Sq. Ft.	13,362	355,879	90,605	46,919	506,765
Expenses	\$0	\$42,811	\$139,582	\$0	\$182,393
Savings	\$63,892	\$14,713,072	\$2,263,112	\$742,458	\$17,782,534
Net Savings	\$63,892	\$14,670,261	\$2,123,530	\$742,458	\$17,600,141

For more information about the DTMB budget:

HFA Resources

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

Contact Information

Michael Cnossen

Senior Fiscal Analyst

mcnossen@house.mi.gov

(517) 373-8080