

# Legislative Analysis



## TECHNOLOGY INNOVATION REVOLVING FUND

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**House Bill 4157**

**Sponsor: Rep. Earl Poleski**

**Committee: Appropriations**

**Complete to 7-11-14**

## A REVISED SUMMARY OF HOUSE BILL 4157 AS INTRODUCED 1-31-13

The bill would create a new public act to provide for an information, communications, and technology (ICT) innovation loan program to be administered by a five-member board appointed by the governor. The program would make loans to public entities and nonprofits that provide public sector services. Loans would fund operational upgrades or innovative processes and would generally be limited to \$250,000, although higher amounts would be available for multiagency initiatives, shared service projects with other levels of government or the private sector, or efficiency improvements with a significant return on investment and repayment ability. Additional details follow.

### **Board**

The program would be managed by the Information, Communications, and Technology Innovation Revolving Fund Investment Board, which would consist of the director of the Department of Technology, Management, and Budget (DTMB) or designee, the state chief information officer or designee, the chief executive officer of the Michigan Economic Development Corporation (MEDC) or designee, and two members of the public appointed by the governor. The governor could remove members for cause. Board business would be subject to the Open Meetings Act and the Freedom of Information Act. Members would serve without compensation but could be reimbursed for expenses.

### **Loan Program**

The loan program would include solicitation of projects, eligibility criteria, selection, management, monitoring, performance, accountability, contractual reporting, loan repayment, project termination, and other management provisions the board considered necessary.

The program could make loans to: state agencies, local units of government, colleges and universities in this state, school districts, other public entities that provide public sector services, and not-for-profit organizations that provide public sector services, as determined by the department.

Loan applications would be evaluated based on at least the following criteria:

- Compliance with funding priorities and benefits to customers, citizens, and government.

- Return on investment and ability to repay the loan.
- Transferability of solutions, technologies, and processes to other state agencies or organizations.
- The project's ability to improve or upgrade business and operational processes.
- Innovation and re-engineering of processes to streamline government or processes.
- Timeline of development and deployment of the project.
- Postloan and design sustainability.
- Geographic location of loan recipients.

A loan for an individual project would be limited to \$250,000, and the recipient would have to demonstrate the ability to fund and sustain ongoing and future operations. A loan could exceed \$250,000 if the proposal was for one or more of the following:

- Enterprise level, multiagency initiative.
- Shared service project with other levels of government or the private sector.
- Single-agency or program efficiency improvements with significant return on investment and repayment ability.

A loan term could not exceed five years and would bear an interest rate established by the board.

### **Monitoring and Reporting**

The board would monitor the fund and loan program projects on a monthly basis and submit quarterly status reports and an annual assessment and report to the governor, the Senate and House appropriations subcommittees on general government, and the Senate and House fiscal agencies.

### **Fund**

The Information, Communications, and Technology Innovation Revolving Fund would be created in the state treasury. Money in the fund could be spent by DTMB, upon appropriation, to create and operate an information, communications, and technology loan program as provided by the bill. Money in the fund at the close of a fiscal year would remain in the fund and would not lapse to the general fund.

## **BACKGROUND INFORMATION:**

Budget acts for each of the past three fiscal years (FYs 2011-12, 2012-13, and 2013-14)<sup>1</sup> have appropriated \$2.5 million for the information technology innovation fund; associated boilerplate language in the past two years has required DTMB to administer the fund for the purpose of providing a "revolving, self-sustaining resource for financing information, communications, and technology innovation projects." Boilerplate allows

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<sup>1</sup> Public Acts 63 of 2011, 200 of 2012, and 59 of 2013, respectively. Associated boilerplate language was instituted in FY 2011-12 through a supplemental appropriation act, 2012 PA 476. The enacted budget for FY 2014-15 (2014 PA 252) does not include appropriations for the ICT innovation fund, but maintains boilerplate language providing for the loan program.

DTMB to issue loans to "state agencies, local units of government, colleges and universities in this state, school districts, other public entities that provide public sector services, and nonprofit organizations that provide public sector services."

In January 2012, Executive Directive 2012-1 required the DTMB director to establish the Information, Communications, and Technology Innovation Fund Investment Board to make funding decisions and oversee the management of the ICT Innovation Fund established under the FY 2011-12 budget act. The directive calls for the board to be appointed by the DTMB director and to consist of the DTMB director or representative, the state's chief information officer or designee, one agency director or designee, and two members selected from the public or private sectors, including the state legislature.

From the \$7.5 million total that has been appropriated for the ICT Innovation Fund over the past three years, two projects totaling \$750,000 have been approved:

- \$250,000 approved April 26, 2012, to the Eastern Upper Peninsula Intermediate School District to fully implement a common student information system and longitudinal student data system throughout its 17 constituent districts.
- \$500,000 approved November 18, 2013, to the Department of Natural Resources to complete a timber sale replacement and vegetative management system commenced in 2004 to replace a 1992 legacy system.

#### **FISCAL IMPACT:**

By establishing in statute a loan program that currently exists by operation of budget act boilerplate, the bill would enable continued implementation of that program. The ICT innovation fund currently has an available balance of approximately \$6.75 million. While the enacted budget for FY 2014-15 maintains boilerplate language providing for the ICT innovation loan program, it does not include any appropriations for the fund, and therefore continued governance of the fund arguably could be outside the operation of FY 2014-15 budget act boilerplate. Statutory enactment is considered necessary to ensure continued implementation of the program and to enable disbursements from the fund to state agencies. Without either enactment of the program in statute or continuing annual budget actions, the remaining \$6.75 million in the fund would eventually lapse to the General Fund.

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