

## TECHNOLOGY INNOVATION FUND

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### House Bill 4157 Substitute (H-2)

**Sponsor: Rep. Earl Poleski**

**Committee: Appropriations**

**Complete to 9/24/14**

### A REVISED SUMMARY OF HOUSE BILL 4157 (H-2)

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. The program would make loans to local units of government, public colleges and universities, and school districts. Additional details follow.

#### **Board Members and Business**

The program would be managed by a five-member Information, Communications, and Technology Innovation Fund Investment Board, which would consist of the director of the Department of Technology, Management, and Budget (DTMB) or designee, the state budget director or designee, the state chief information officer or designee, the chief executive officer of the Michigan Economic Development Corporation (MEDC) or designee, and one member of the public appointed by the governor. The Board would meet quarterly; 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. Except for budgeting, procurement, and related functions, the Board would function independently of DTMB; staff services would be provided by DTMB.

#### **Board Powers**

The Board would be empowered to authorize a loan to a local unit of government, a public college or university, a school district, and an intermediate school district. The board could develop a management and operation process, including 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 Board would determine:

- The amount of a loan.
- The interest rate on a loan, providing the rate was a market rate not less than paid by the state on short-term notes.
- The recipient of a loan, except that a loan could not be for a service provided to the private sector for compensation in competition with private sector entities.
- The termination of a loan agreement due to performance or availability of funds.
- Any other loan terms and conditions

### **Loan Program**

The Board and the Department would make available on its website a clear description of the loan program, including the application process, eligibility criteria, and the selection process.

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

- Benefits accruing to the State of Michigan from the loan project.
- Feasibility of the loan project.
- Ability of loan applicant to repay the loan.
- The loan project's potential to provide innovative technology improvements, efficiencies, transferability, or other value.

### **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 (due by December 31) 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 Fund would be created in the state treasury. The department would expend money from the fund, upon appropriation, to create and operate the loan program. Money in the fund at the close of a fiscal year would remain in the fund and would not lapse to the general fund.

### **Repealer**

The bill would repeal the section of the FY 2014-15 DTMB budget act that provides for the ICT innovation loan program in the absence of enactment of legislation to provide for the program in compiled law.

## **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 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.”

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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.

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 appropriated for the ICT Innovation Fund, one project is currently 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. This loan has been disbursed and repayment has commenced.

### **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 has a current balance of about \$7.3 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 would be outside the operation of FY 2014-15 budget act boilerplate. Statutory enactment is considered necessary to ensure continued implementation of the program. Without either enactment of the program in statute or continuing annual budget actions, the balance in the fund would eventually lapse to the General Fund.

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