



**Senate Fiscal Agency**  
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House Bill 4157 (Substitute H-2 as passed by the House)

Sponsor: Representative Earl Poleski

House Committee: Appropriations

Senate Committee: Appropriations

Date Completed: 12-8-14

## **CONTENT**

**The bill would create a new statute to provide for an information, communications, and technology (ICT) innovation loan program. The bill also would create a five-member board to administer the loan program. The program would make loans available to eligible local units of government, public colleges and universities, and local and intermediate school districts.**

### **Board Members and Functions**

The bill would create the ICT Innovation Fund Investment Board in the Department of Technology, Management, and Budget (DTMB). The Board would consist of five members: The DTMB Director 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. In the case of a vacancy, the Governor would have to make an appointment for the unexpired term. The Board would have to elect a chairperson and other officers from among its membership. The Board would have to meet at least quarterly; Board business would be subject to the Open Meetings Act; and any written materials prepared, owned, used, in the possession of, or retained by the Board would be subject to the Freedom of Information Act. Board members would serve without compensation but could be reimbursed for any actual and necessary costs incurred in the performance of official Board duties. Except for budgeting, procurement, and related functions, the Board would function independently of the DTMB.

### **Board Powers, Duties, and the Loan Program**

The Board would be required to create and operate a loan program, and would be authorized to make loans and/or renegotiate the terms of outstanding loans made to a local unit of government, a public college or public university, or a local or intermediate school district. The Board also could develop a management and operation process, including solicitation of projects, application and eligibility criteria, selection, management, monitoring, performance, accountability, contractual reporting, loan repayment, project termination, and other management provisions the Board deemed necessary.

In regard to the loans, the Board would have to determine all of the following:

- The amount of a loan.
- The interest rate of a loan.
- The recipient of a loan.
- The termination of a loan agreement based on performance or availability of funds.
- Any other terms and conditions related to a loan.

The Board and the DTMB would be required to make available on its website a clear description of the loan program, eligibility criteria, and the application and selection process.

The Board would have to consider all of the following criteria to determine loan recipients:

- The benefits that would inure to the State from the loan project.
- The feasibility of the loan project.
- The ability of the recipient to repay the loan.
- The loan project's potential to provide innovative technology improvement, efficiencies, transferability, or other value.
- Any other criteria the Board considered reasonable or necessary.

The Board could not make loans for projects for facilities or services owned or operated by a loan applicant if the service were to be provided to the private sector for compensation in competition with private sector entities.

### The ICT Innovation Fund

The Information, Communications, and Technology Innovation Fund would be created within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund along with money from repayments of loans. The State Treasurer would have to direct investments of the Fund and credit to the Fund interest and earnings. Money in the Fund at the close of the fiscal year would remain in the Fund and not lapse to the General Fund.

The Department of Technology, Management, and Budget would be the administrator of the Fund for auditing purposes. Upon appropriation, the DTMB would have to spend money from the Fund to create and operate the ICT Innovation Program.

The Board would have to 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 for the immediately preceding fiscal year) to the Governor, the Senate and House Appropriations Subcommittees on General Government, and the Senate and House Fiscal Agencies.

### Repealer

The bill would repeal Section 831 of the fiscal year (FY) 2014-15 enacted general government budget (Article VIII of Public Act 252 of 2014), which provides for the ICT Innovation Fund if legislation is not enacted to create and provide for the administration and use of the Fund.

### **FISCAL IMPACT**

The bill would have no additional fiscal impact on State or local government. However, enacted budgets for general government in the last three fiscal years (FYs 2011-12, 2012-13, and 2013-14) appropriated \$2.5 million each year for the ICT Innovation Fund. No additional funds are appropriated for FY 2014-15. Additionally, accompanying boilerplate language required the DTMB to administer the Fund and provide revolving, self-sustaining loans for ICT innovation projects to the entities mentioned above. Of the \$7.5 million appropriated over the past three fiscal years, one project totaling \$250,000 for the Eastern Upper Peninsula Intermediate School District (ISD) has been approved to date. Project funds are being used to implement a common student information system and longitudinal student data system throughout the ISD.

At present, there is an approximate balance of \$7.3 million in the ICT Innovation Fund. The establishment in statute of the ICT Innovation Loan Program would enable continued implementation of the program and would negate the boilerplate language currently contained in the enacted budget. If legislation is not enacted, absent annual budget language to continue the program, the remaining balance in the Fund will eventually lapse to the General Fund.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.