



**A PATH
TOWARD OUR
FUTURE**

The text is positioned to the left of a large, light blue outline map of the state of Michigan. The map is oriented vertically, with the top of the state at the top of the page.

— GOVERNOR RICK SNYDER —

February 8, 2017
Governor Rick Snyder
Lt. Governor Brian Calley
Budget Director Al Pscholka



A look at how far we have come

- Nearly half a million private sector jobs created since December 2010,
 - #1 for Great Lakes States, #6 Nationally
- Unemployment rate remains near its lowest in more than 15 years
- Per capita personal income growing faster than the national average
 - #1 for Great Lakes States, #7 Nationally
- Since 2010, housing values are up 44%, beating the national average
- Six for six on getting responsible budgets done three months early
- A reduction of \$20 billion in long-term liabilities from 2012 reforms
- Rainy day fund was just \$2 million in 2011; now on track for \$1 billion



Reinvented Tax Structure

Tax reforms created a more simple, fair, and efficient tax system, while broadening the base of Michigan taxpayers.

- Corporate Income Tax
 - Eliminated Michigan business tax and enacted a job encouraging corporate income tax
- Personal Property Tax
 - Eliminated personal property taxes on manufacturers
- Expanded Homestead Property Tax Credit
- \$2.1 billion in tax relief already provided for Michiganders

Personal Property Tax Reform



196	Cities	\$ 63.7 M
69	Counties	\$ 37.1 M
25	Community Colleges	\$ 15.7 M
637	Townships	\$ 5.8 M
47	Authorities	\$ 5.0 M
116	Libraries	\$ 4.7 M
130	Villages	\$ 2.6 M
	Total	\$ 134.6 M

Payments in addition to full reimbursement of revenue losses resulting from Personal Property Tax reform approved by the state's voters in 2014



Big Picture Look at 2018 Budget

- Total budget \$56.3B, up 2.5 percent
- General Fund \$10.1B, up 1.75 percent

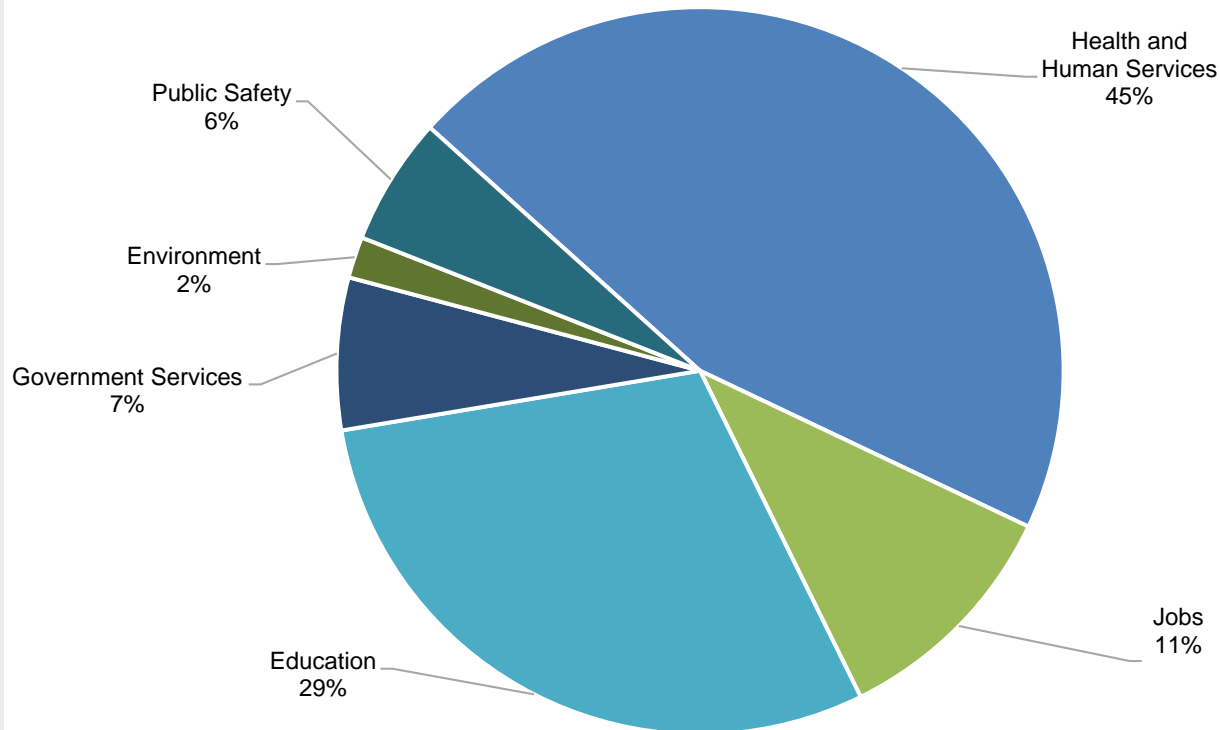
Paving the path

- Prioritizing job creation and the skilled trades
- Emphasizing a 21st Century education
- Revitalizing statewide infrastructure
- Reducing long-term risk for state retirement systems

FY18 Budget Plan:



Almost Three Quarters of the Total Spending is Dedicated to Education and Health and Human Services

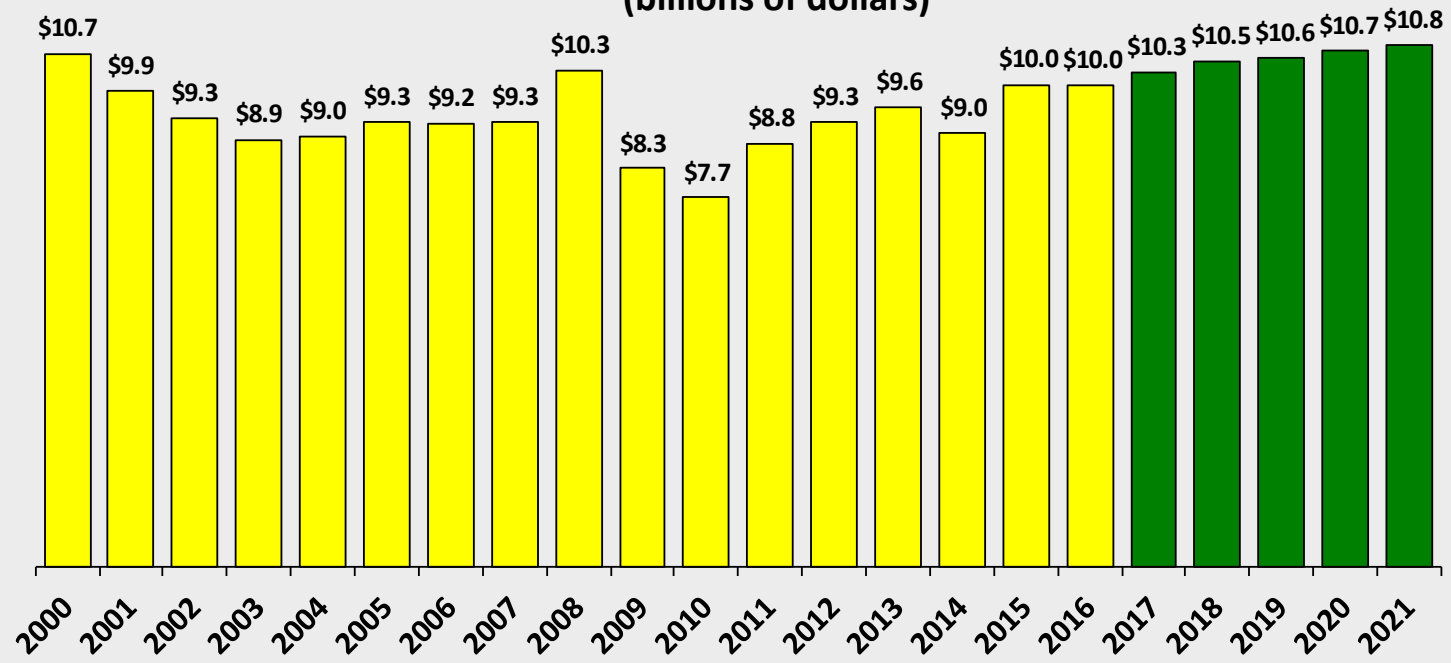


Total FY 2018 Gross Spending: \$56.3B



General Fund Revenue Remains Under \$11 Billion

General Fund – General Purpose Revenue
(billions of dollars)




Consensus
Estimates

Source: FY 2000 – FY 2015, Treasury Department, final revenue from ongoing revenue on same basis used in consensus process. FY 2016, Preliminary final revenue. 2017-2019 estimates, 1/12/17 Consensus Estimates. 1/12/17.

One-Time Investments

Investing one-time resource for long-term gains



Budget Stabilization Fund	\$266.5M
Education Investments	\$51.7M
IT Upgrades	\$28.4M
Other Reserves	\$55.0M
Talent and Economic Development	\$29.0M
State Parks Maintenance and Trail Development	\$15.0M
Training New Public Safety Employees	\$10.6M
Other One-Time Investments	\$48.9M
Total One-Time Investments (GF/GP + SAF)	\$505.1M



2018 Strategic Investments

- Reducing risk for our retirement systems
- Education
- Public safety
- Health and human services
- Economic growth
- Communities
- Infrastructure
- Capital Investments
- Rainy Day Fund



Reduce Future Retirement System Risk

- Retirement systems are built on employees and employers making contributions that are invested on a long-term basis to make benefit payments.
- Actuaries support lowering the assumed rate of return for the retirement systems from 8.0% to 7.5% (over 2 years for school employees; immediately for other systems).
- Lowering this assumption reduces risk to the system.
- This change moves the systems toward the 7.0% assumption utilized by the hybrid retirement system.

Continuing Education as a Priority



State K-12 Appropriations Continue to Increase



\$10.7B
\$1.6B

12.3B

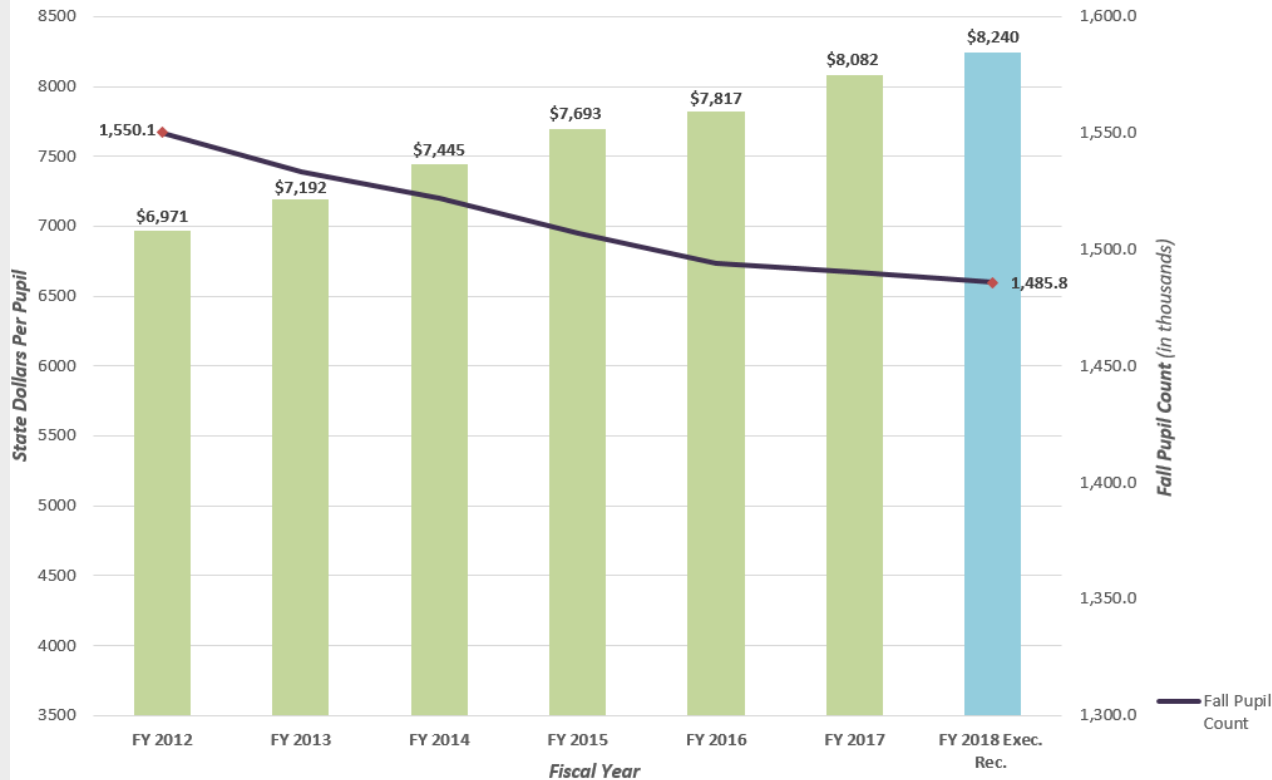
NOTE: Does not include federal funding, adult education funding, preschool funding, or deposits made into the MPSERS reserve fund

Exec. Rec.

State Funding Per Pupil



Total State Funding Per Pupil has Increased by Over \$1,300 Since FY12.



Statewide pupil counts have decreased by about 64,300 since FY12 to an estimated 1,485,800 in FY18, a decrease of over 4.1%.

NOTE: Does not include federal funding, adult education funding, preschool funding, or deposits made into the MPSERS reserve fund



Education: Michigan's tomorrow

- Foundation allowance, \$128M (\$50-\$100/pupil increase)
- At-risk funding increase, \$150M (\$778/pupil)
- Additional resources for high school operations, \$22M (\$50/pupil increase)
- Career and technical education equipment upgrades, \$20M, one-time
- Financial support for declining districts, \$7M, one-time
- MiSTEM Network, \$8.8M Total
- MPSERS support



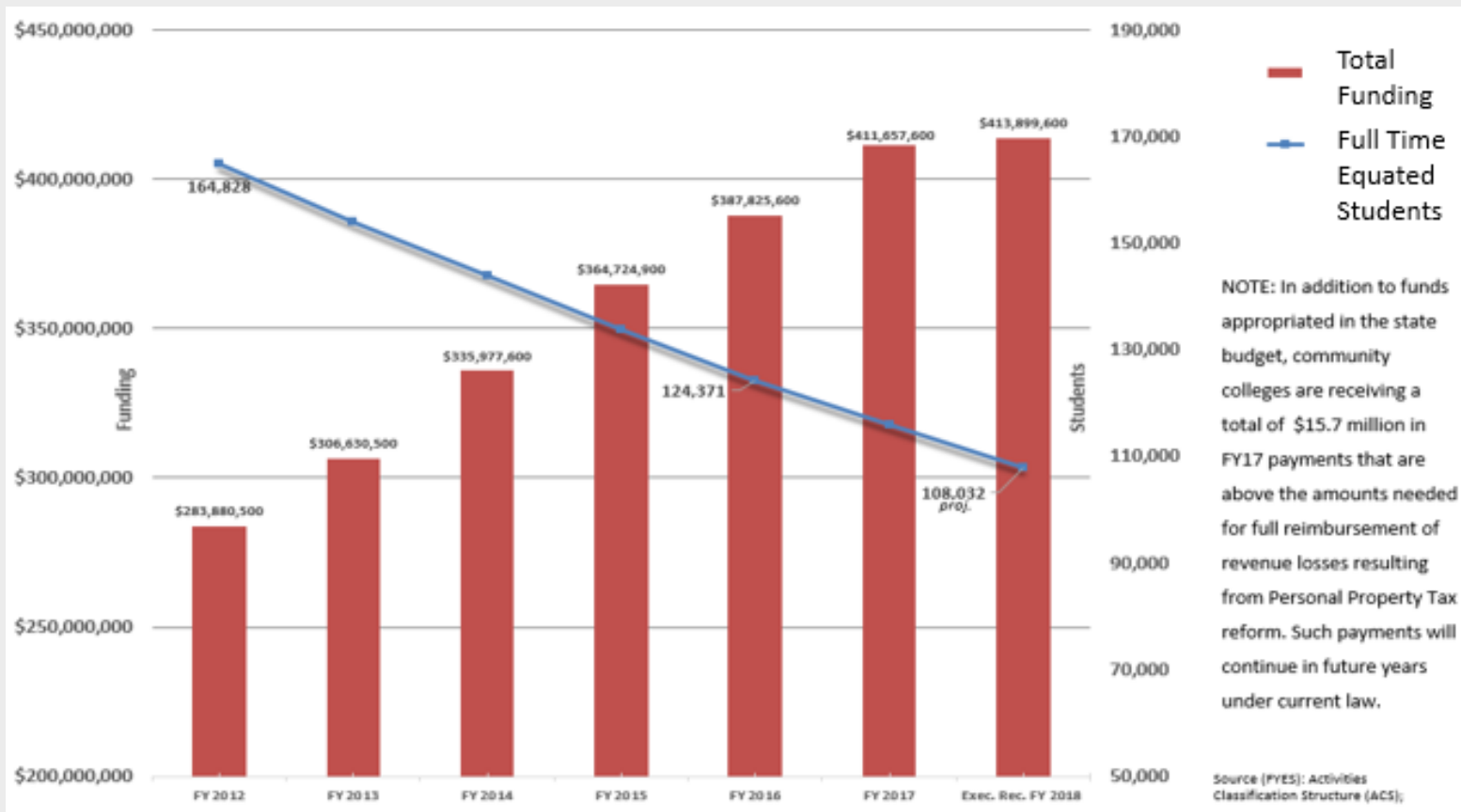
Extra Support for At-Risk Youth

- Increase of \$150M to \$529M, a 40% increase, resulting in 131,000 more children eligible for at-risk programs and services; 680,000 total pupils
- Definition of at-risk students expanded to include free and reduced lunch income eligibility, children in families receiving food (SNAP) or cash assistance (TANF), and homeless and foster care children
- All districts and public school academies are eligible to receive \$778 per pupil to assist academically at-risk students



Increases to Community College Funding

Community College Enrollment is Declining While Funding Continues to Increase





Increases to Higher Education Operations

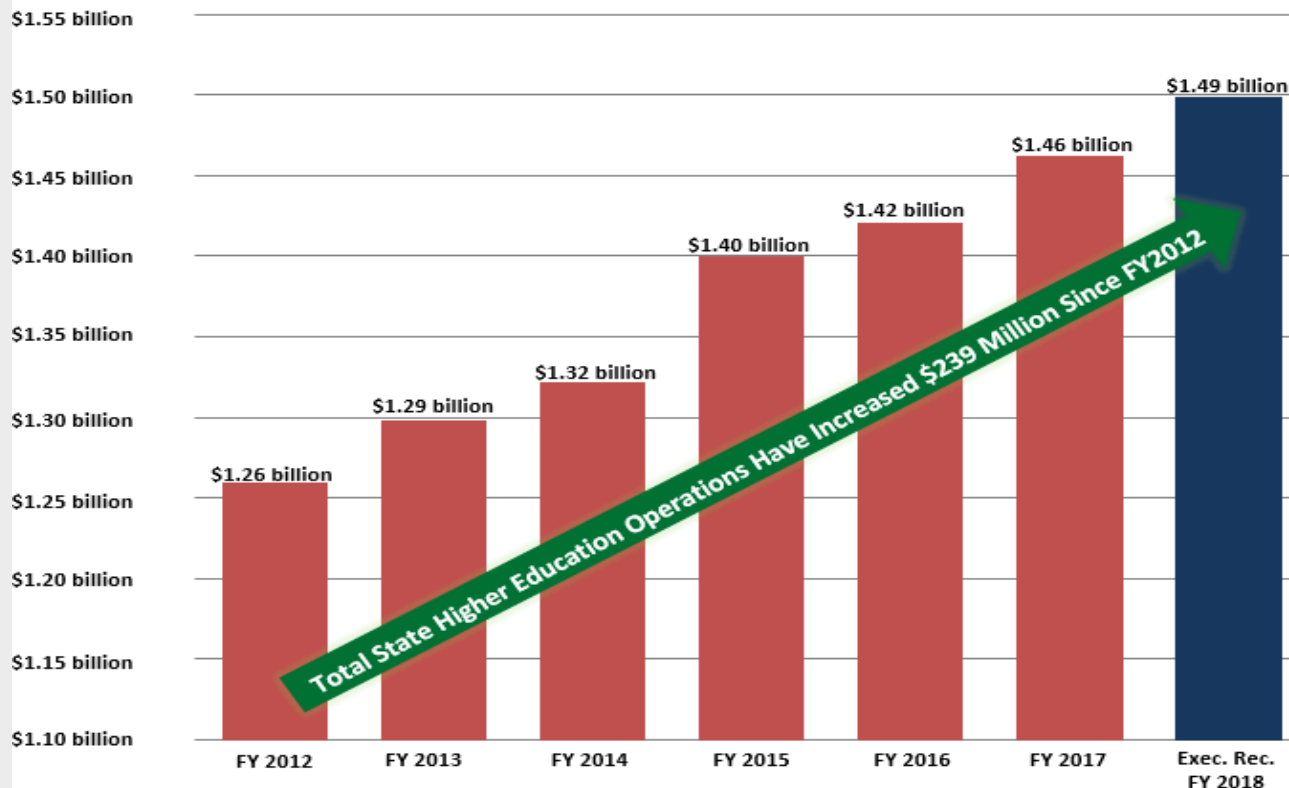
- Higher Education operations increase of \$36.6M
 - Total funding to \$1.5B
 - 2.5 percent increase
 - Exceeds 2011 level
- Tuition Restraint
 - 3.8 percent (2x inflation)





Increases to Higher Education Operations

State Higher Education Operations Continue to Increase



NOTE: Does not include payments for financial aid, special projects, or funding to support MPSERS obligations.



Helping Families Afford College

- MI Competitive Scholarship & MI Tuition Grant programs, \$11M
 - A 21% increase to support about 46,000 students
 - Increases maximum award per student to \$1,000 for MCS, \$2,000 for MTG
- Tuition Incentive Program, \$5.3M
 - Increase of 10% to support about 18,500 students
 - Supports very low-income Medicaid-eligible students.
 - Funding for an associate's degree and up to \$2,000 for baccalaureate work
- Independent Part-Time Student Grants program, \$2M
 - Targets adult students at community college that have 15+ credit hours
 - Supported about 3,300 students in FY09 when previously funded



Investing in Michigan's Safety

- Funding 100 additional troopers; highest level in more than 15 years, \$9.2M, \$6.2M one-time, \$3M on-going
- Expansion of computer crimes enforcement, \$1.5M
- Expansion of forensic science, \$2.6M
- Expansion of emergency management, \$1M
- Sexual assault prevention and education, \$600,000, one-time
- Statewide communications system upgrade, \$5M, one-time
- Disaster Emergency Contingency Fund, \$10M, one-time



Health and Human Services Investments

- Medicaid mental health direct care worker wage increase, \$45M
- Non-emergency medical transportation broker contract, \$12M
- Adult services staffing for elderly and disabled, \$11.3M
- Expansion of Pathways to Potential program, \$5.6M
- Provide for additional staff for state psychiatric hospital, \$7.2M
- Shelters to help clients obtain permanent housing, \$3.7M



Assisting Michigan Families

- Increased child care provider rates and other enhancements to improve quality of care, \$29.4M
- Low-income children clothing, from \$140 to \$200/year
- Foster and adoptive parents, \$3.5M
- Implementing “Heat & Eat” program, \$6.8M
- Expand Food Bank Council’s surplus program, \$500,000, one-time



Supporting Our Veterans and Seniors

Veterans

- Increased funding for veteran homes staffing and training, \$3.6M
- National Guard tuition assistance increase, \$500,000
- Armory Maintenance, \$2.5M, one-time

Seniors

- Invested \$5M in FY15 to eliminate waiting list for home delivered meals and in-home services
- The waitlist actually grew to nearly 7,000 at the end of FY16
- Invest \$3.6M more in FY 18 in efforts to eliminate waiting lists by building on the \$2.5M investment in FY 17



Addressing Public Health Issues

- Clean water resources
 - Drinking water, childhood lead, and toxicology response, \$4.2M
 - Expanded Lead and Copper Program, \$2.6M
 - Statewide school drinking water quality program, \$4.5M, one-time
 - State match for Drinking Water Revolving Fund Program, \$3M
- Vapor Intrusion, \$4.9M



Key Flint 2018 One-Time Investments

- Total invested in Flint-to-date, \$247M
- Fiscal year 2018 recommendation, \$48.8M
 - Drinking water declaration of emergency reserve fund, \$25M
 - Water filter cartridges and filter replacement, \$1M
 - Technical assistance for water treatment plant operations, \$1M
 - Lead poisoning prevention program, \$709K
 - Nutrition services, \$11.5M
 - Children's Health Access program expansion, \$375,000
 - Early childhood services, \$8.7M



Enhancing Michigan for the Future

- State parks special maintenance, \$19.5M, \$10M, one-time, \$9.5M, on-going
- DNR Enhanced Challenge for Trail Development, \$5M, one-time
- Wetland Mitigation Banking Program, \$3.8M, one-time
- Hire additional conservation officers, \$1.8M
- Animal and workforce agriculture initiatives, \$3.7M, one-time
- Agriculture development industry enhancement, \$3M
- Implementation of federal food and dairy requirements, \$1.1M



Focusing on Michigan's Economic Future

- Business Attraction and Community Revitalization, \$125.5M total, an increase of 8.7%
- Going Pro Program (skilled trades training), \$40.9M total, an increase of 32%
- Talent Marketing, \$5M, one-time





Investing in Our Communities

- Constitutional Revenue Sharing, \$773.5M, up 2.3%
- Statutory Revenue Sharing, \$468.8M
- Recommend reallocation of excess PPT funding to local partners in a broader fashion
- Project Rising Tide, \$2M, one-time
- Arts and cultural program, \$11.2M, 10% increase



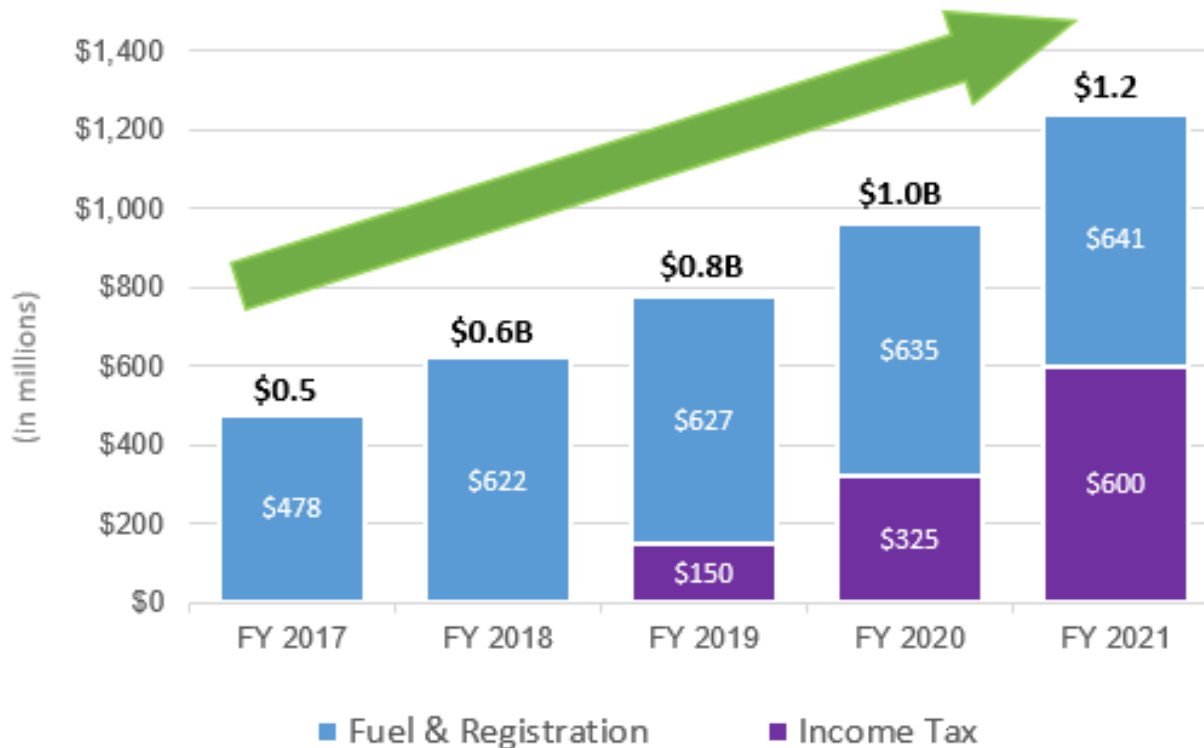
Prioritizing Infrastructure

- 21st Century Infrastructure Commission Report
- Pilot of integrated asset management database
- Embracing Emerging Technologies
 - Improving access to broadband
- Creating Sustainable Funding
 - Consideration of long-term investments
 - Funding through a combination of local, state, federal, private, and user fees
- Infrastructure Fund Investment recommendation

Transportation Funding



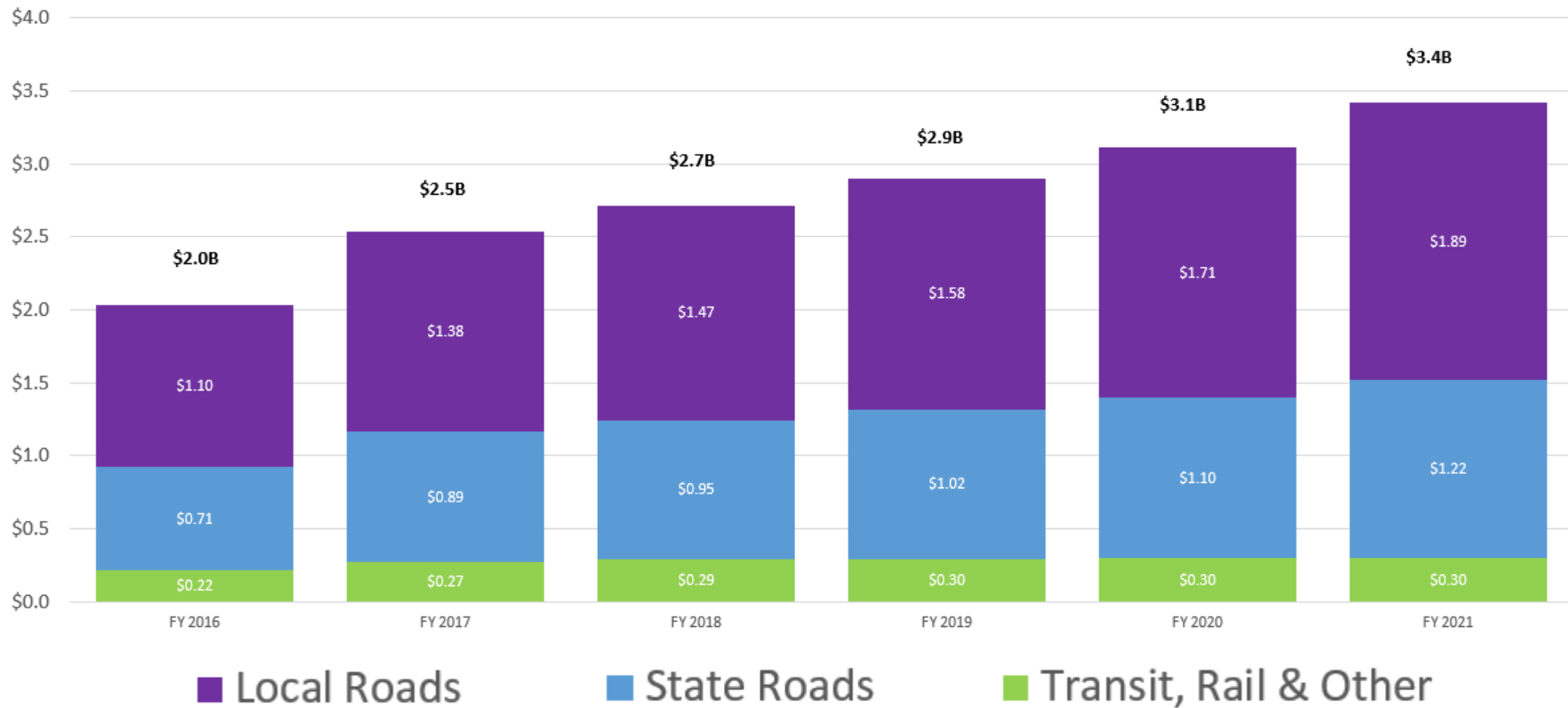
On Track to \$1.2 Billion
in New Transportation Revenues
by 2021



Transportation Funding



More than Half of the Michigan Transportation Fund Supports Local Roads & Bridges





One-Time Capital Outlay Funding

University & Community College Project Planning

- Michigan Technological University – H-STEM Engineering and Health Technologies, \$39.6M
- Saginaw Valley State University – College of Business Expansion, \$17.5M
- Wayne State University – STEM Innovation Learning Center, \$29.5M
- Henry Ford Community College – Entrepreneur and Innovation Institute, \$14.9M
- St. Clair County Community College – Health Sciences Building Renovation, \$14.9M

State Agency Project Planning

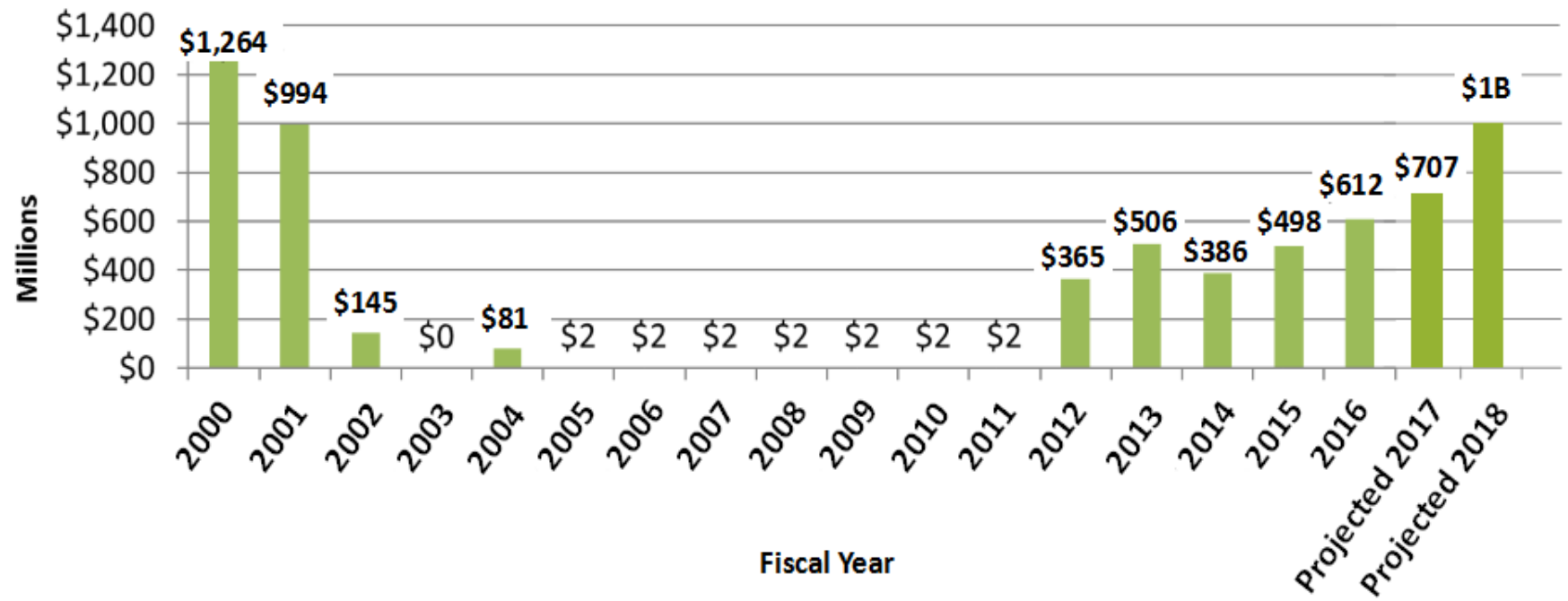
- Department of Health and Human Services – Caro Center Replacement, \$115M
- Secondary Complex – Secretary of State building renovation, \$34.1M





Rainy Day Fund on Track to \$1 Billion

The Budget Stabilization Fund (BSF) peaked at \$1.3 billion in FY 2000, but was quickly depleted. Michigan started to rebuild the BSF balance in FY 2012. At the end of FY2017 the balance will be approximately \$707 million, and it is projected to be \$1 billion by the end of FY 2018.





Accelerating the Comeback

- Long term Liabilities ✓ **Reduced by more than \$20 billion**
- Ongoing
 - Tax reductions ✓ **Reinvented tax structure producing job growth**
 - Education ✓ **\$1.6 billion in additional K-12 funding**
 - Infrastructure ✓ **\$1.2 billion in new transportation revenues**
 - Public safety ✓ **Increasing our trooper strength and securing our cities**
 - Local government ✓ **Personal Property Tax reform**
- One-time
 - Grow reserves ✓ **Rainy Day Fund \$1 billion projected**



Future Priorities

- Career connections
- Mobility
- Infrastructure
- Public safety
- Long-term liabilities and savings



Questions?

Thank you.