

**A PATH  
TOWARD OUR  
FUTURE**

— 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
	<b>Total</b>	<b>\$ 134.6 M</b>

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

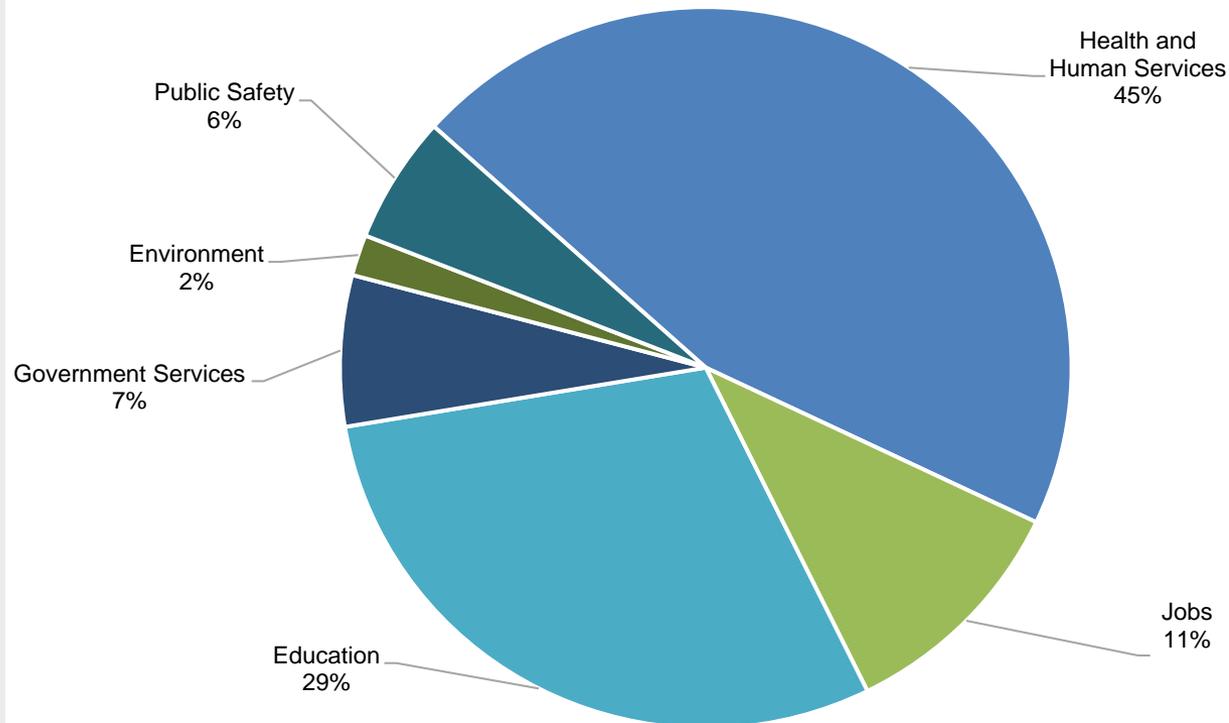
## Paving the path

- Prioritizing job creation and the skilled trades
- Emphasizing a 21<sup>st</sup> 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

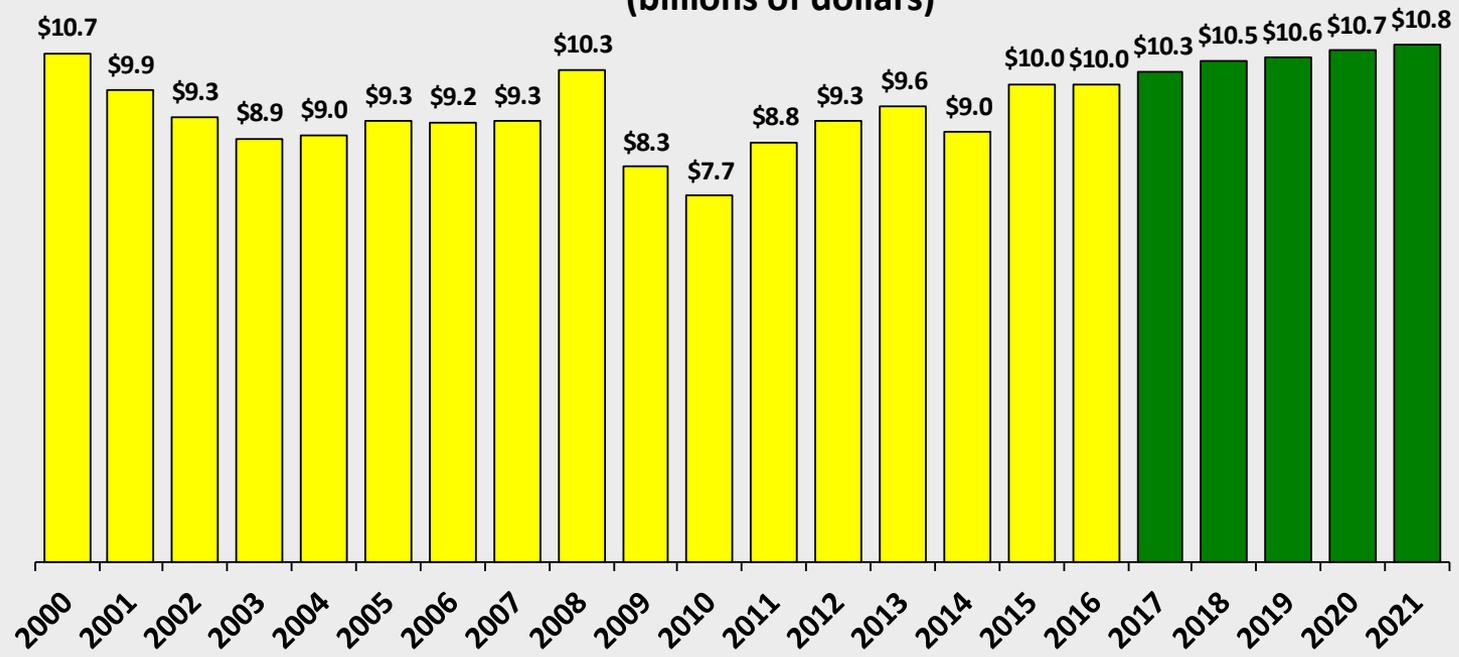


**Total FY 2018 Gross Spending: \$56.3B**



# 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
<b>Total One-Time Investments (GF/GP + SAF)</b>	<b>\$505.1M</b>



## 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**  

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**12.3B**

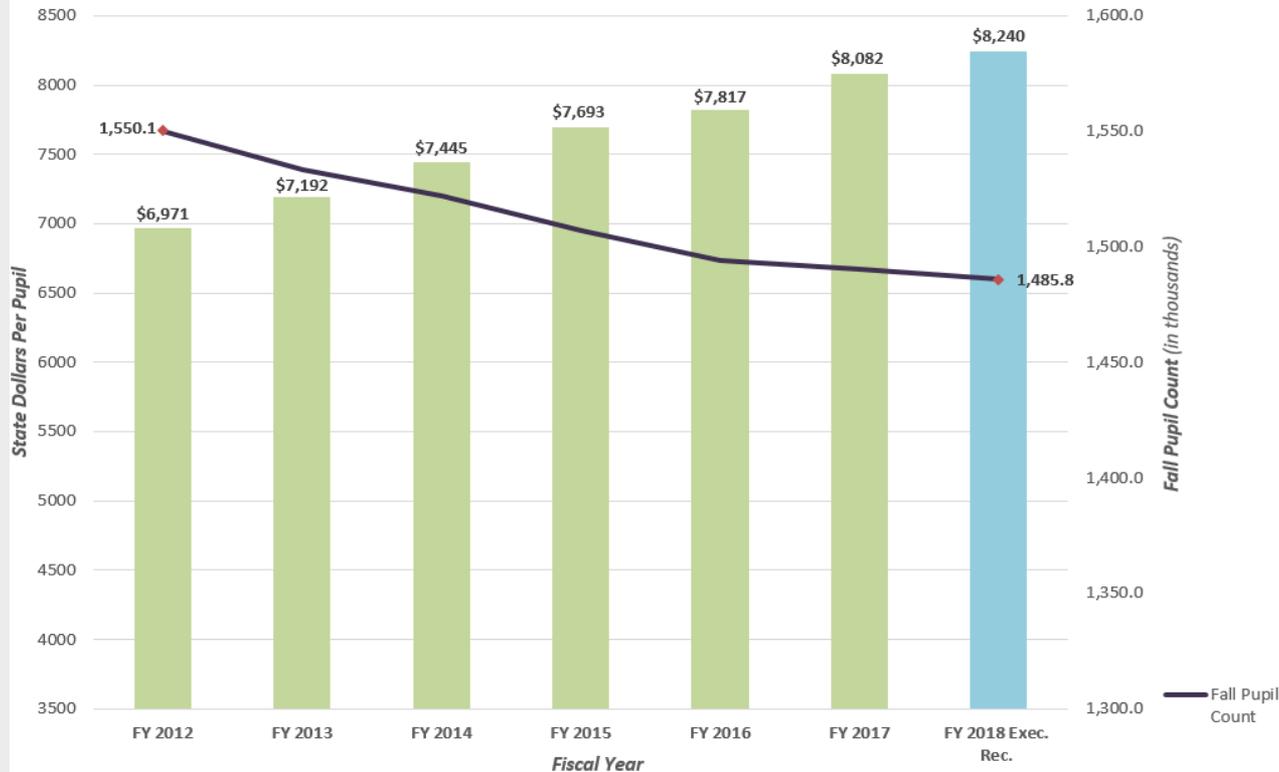
NOTE: Does not include federal funding, adult education funding, preschool funding, or deposits made into the MPSERS reserve fund

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



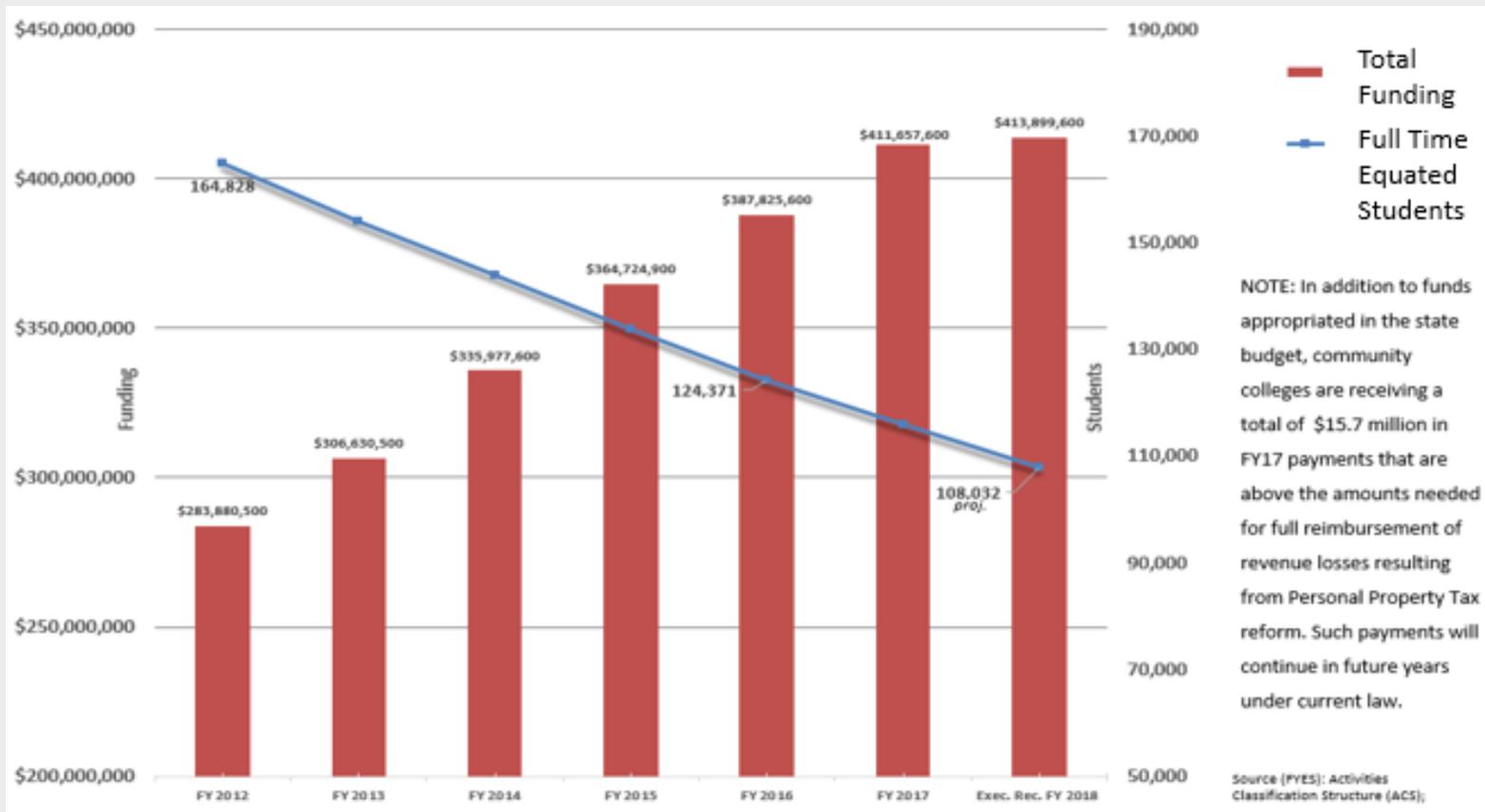
## Extra Support for At-Risk Youth

- 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

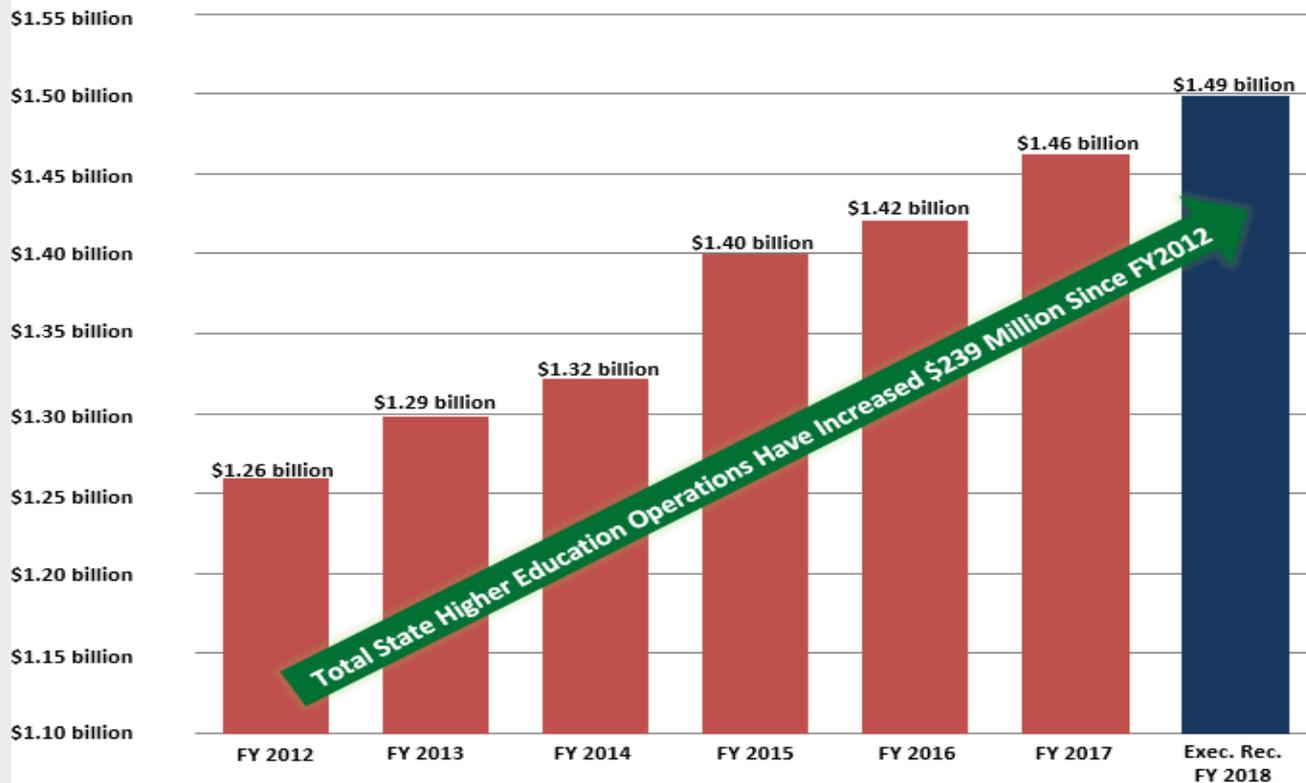
- Higher Education operations increase of \$36.6M
  - Total funding to \$1.5B
  - 2.5 percent increase
  - Exceeds 2011 level
- Tuition Restraint
  - 3.8 percent (2x inflation)





# 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



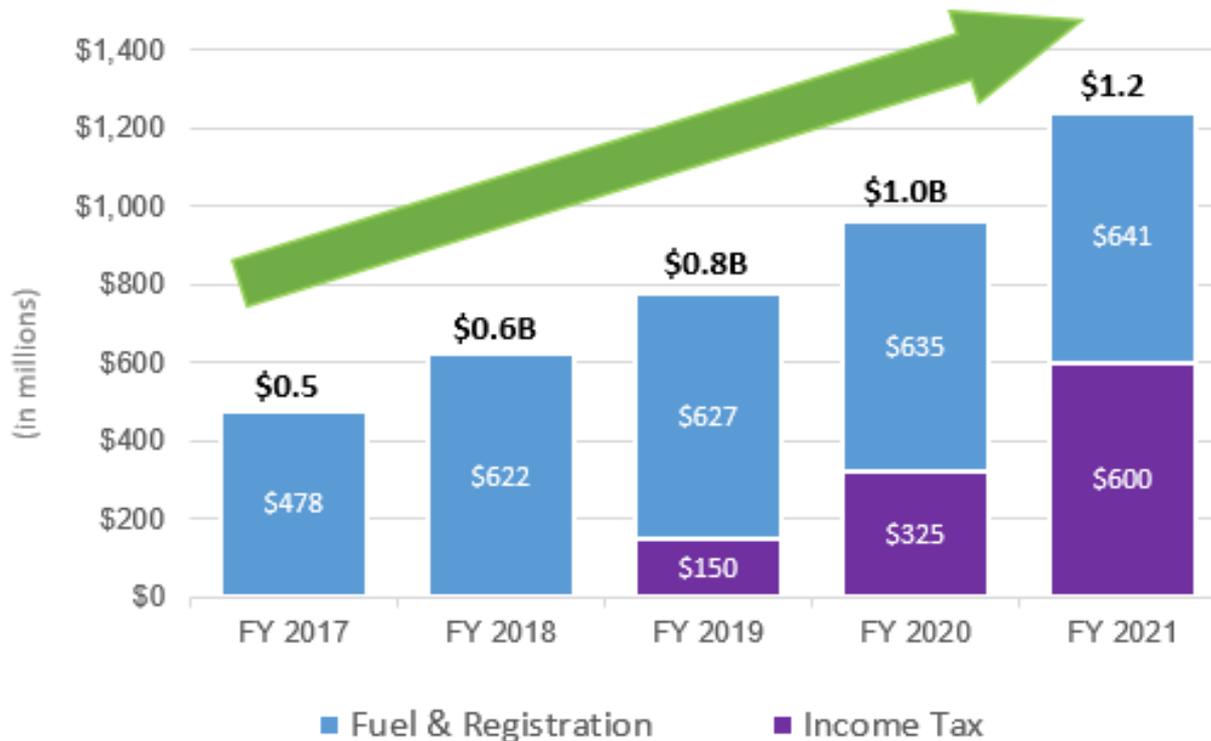
# Prioritizing Infrastructure

- 21<sup>st</sup> 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



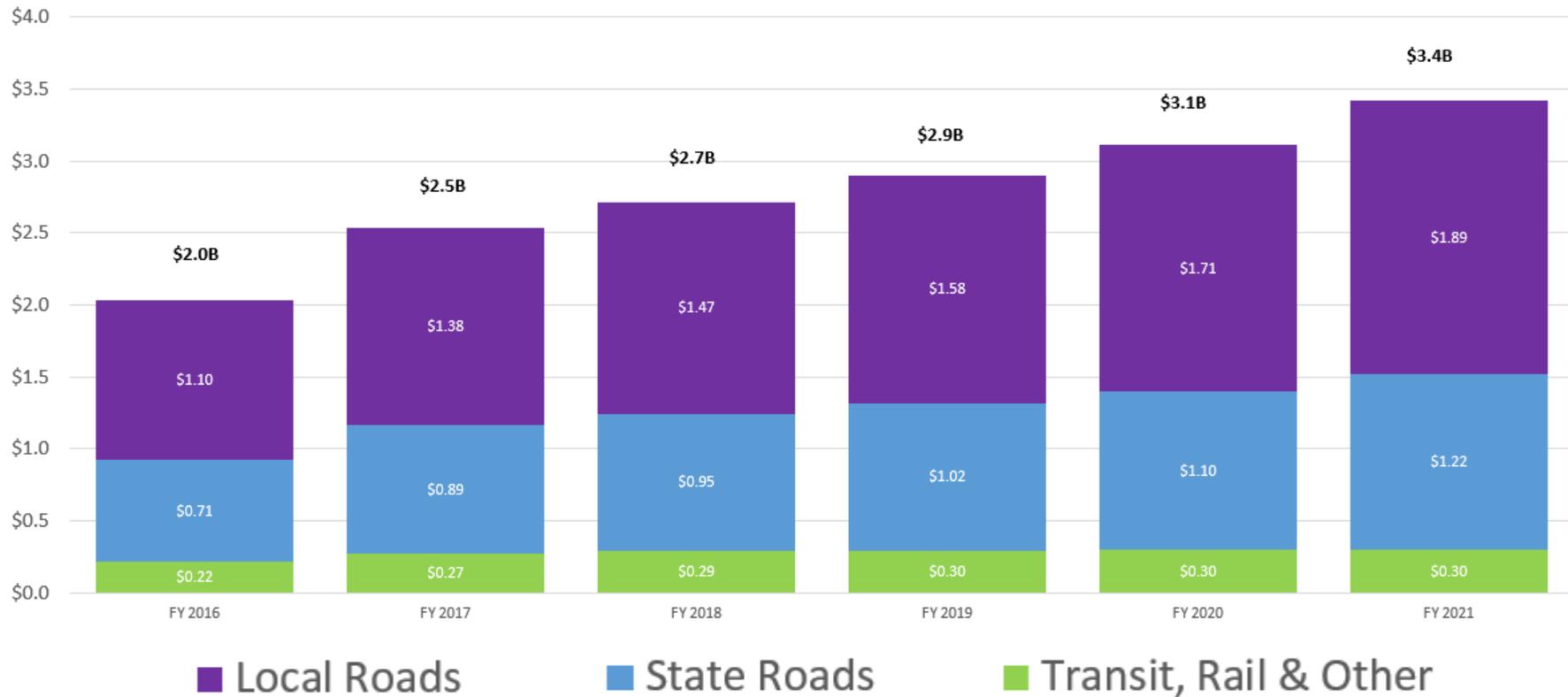
On Track to \$1.2 Billion  
in New Transportation Revenues  
by 2021



# 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

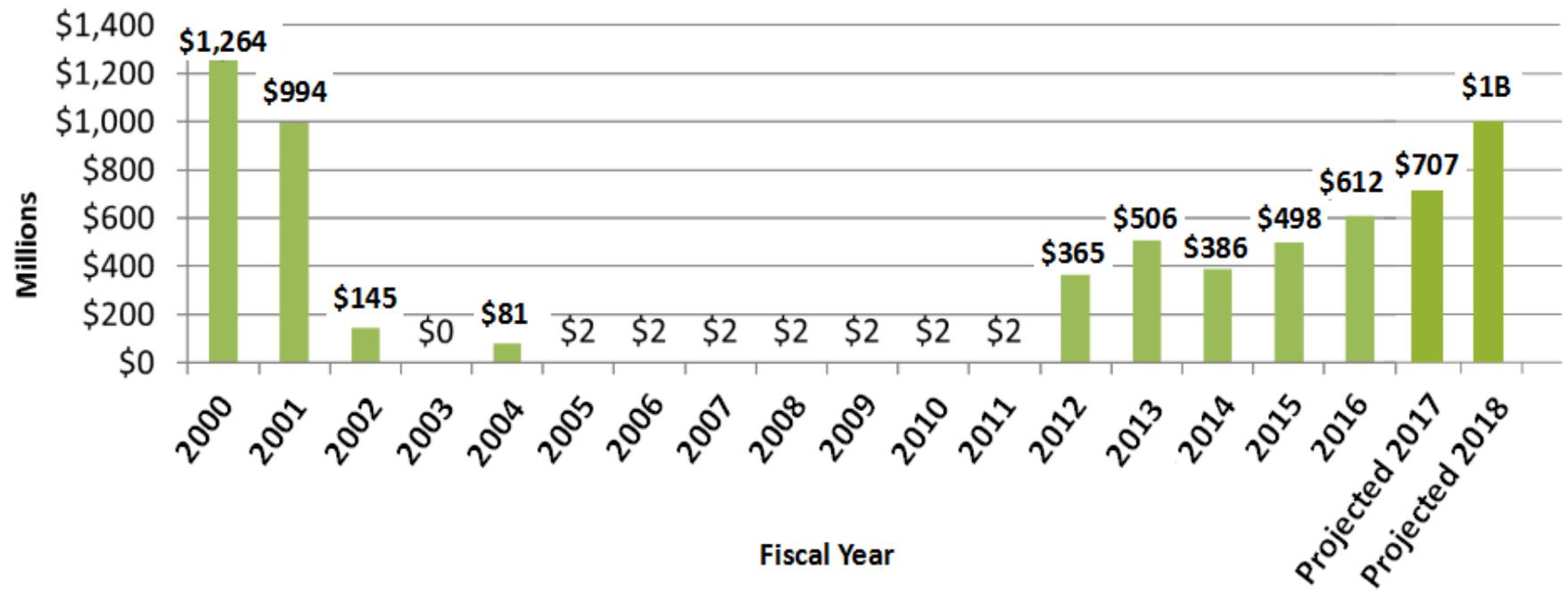
- Department of Health and Human Services – Caro Center Replacement, \$115M
- Secondary Complex – Secretary of State building renovation, \$34.1M





# 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.**