# Fueling Michigan's Future

## The Comeback Continues

**Version:**
**2/4/13**
**3:09 p.m.**

February 5, 2014

**Governor Rick Snyder, CPA**

**Lt. Governor Brian Calley**

**Budget Director John E. Nixon, CPA**

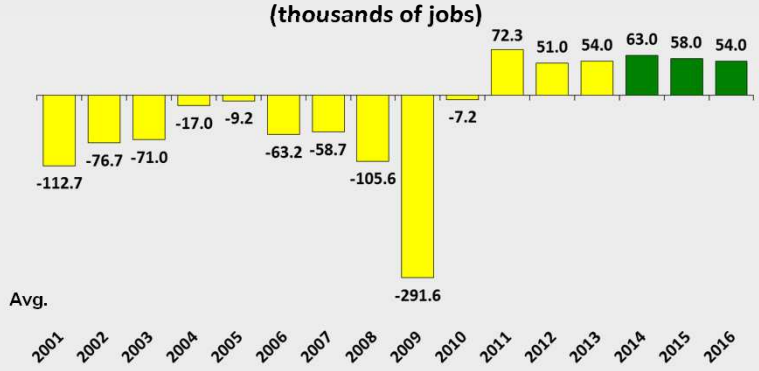
## Michigan is Back on Track

- More than 220,000 new private sector jobs since December 2010
- Leading the nation in manufacturing job creation
- Personal income growing; tied for #1 in Great Lakes; seventh nationally (Q1-Q3 2013)
- Fourth in the nation for high-wage job growth; sixth for middle-wage job growth
- Home sales and values on the rise

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# Michigan's Employment Expected to Increase in 2014 - 2016

**Change in Michigan Wage and Salary Employment from Previous Year (*thousands* of jobs)**

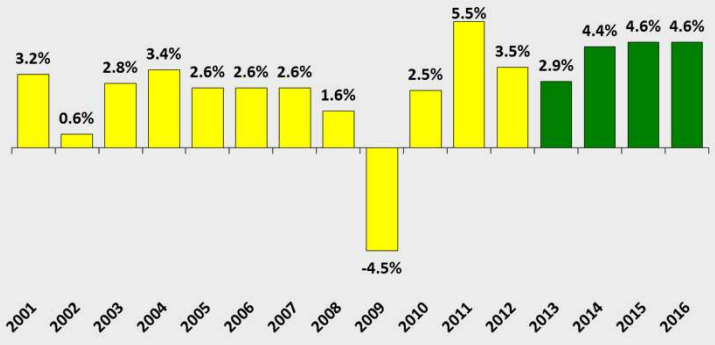



*Note: U.S. Bureau of Labor Statistics. 2013-2016 estimates are 1/10/14 Consensus Forecast. 1/28/14.*

Consensus Forecast 3

# Michigan Personal Income Growth Increases in 2014 - 2016

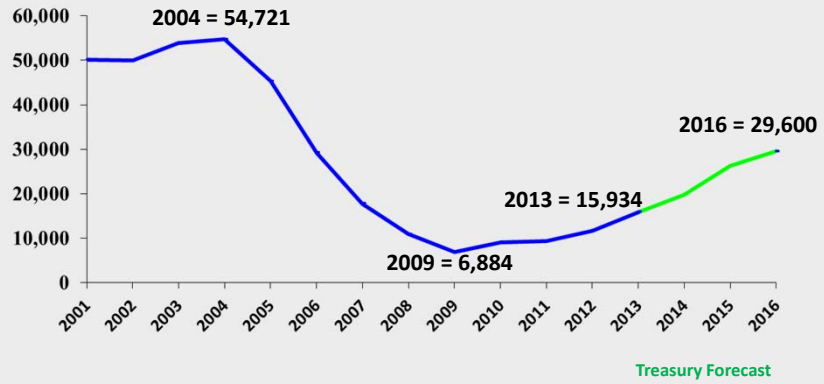
**Michigan Personal Income Year-Over-Year % Change**




*Note: U.S. Bureau of Economic Analysis. 2013-2016 estimates are 1/10/14 Consensus Forecast. 1/17/14.*

Consensus Forecast 4

# Michigan Housing Starts Continue to Rebound




Sources: U.S. Bureau of the Census & Treasury Forecast 1/17/14

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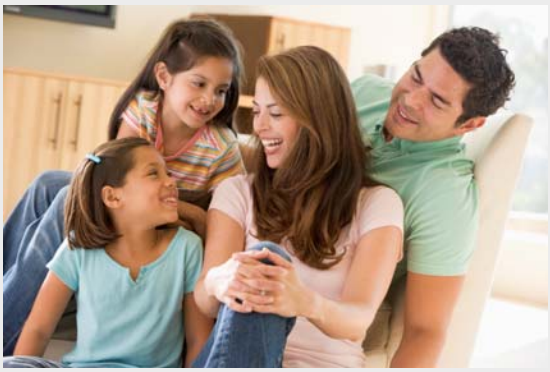
# Continuing the Comeback

- Investments are working
- We must finish the job we've started
- Executive Budget for Fiscal Years 2015 and 2016 focuses on:
  - — Paying our bills
  - — Investing wisely
    - Reducing long-term debt
    - Improving people's lives
    - Using metrics and rewarding real results
  - — Saving for the future
    - Taking care of taxpayers

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## Improving People's Lives

- Education
- People
- Jobs
- Public safety
- Transportation
- Environmental
- Government
- Savings
- Tax relief



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## Building a Brighter Future

*Educating Our Children: P-20*

- Early childhood – $65M
- K-12 programs – $365M
- Community colleges – $35M
- Universities – $81M
- Lifelong learning
  - — Community ventures
  - — Skilled trades



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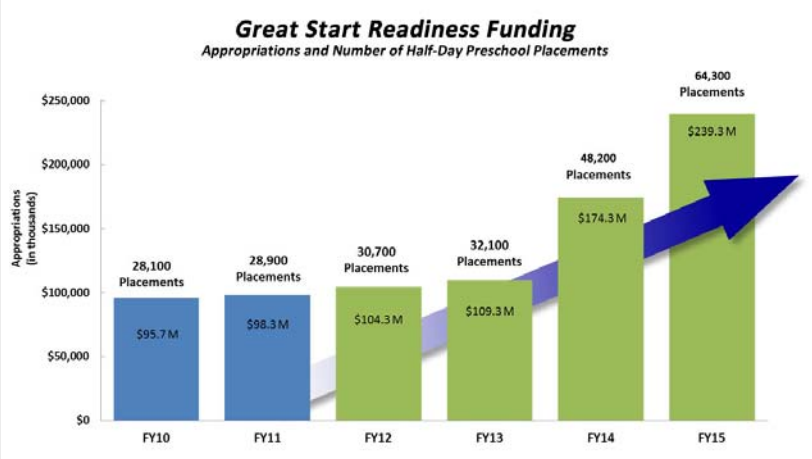
# Making Michigan a 'No Wait State' for Preschool

- FY15 recommendation eliminates waiting list
- 2014 investment – $65M, 16,000 additional placements
- 2015 investment – $65M, 16,000 additional placements
- Quality initiatives – $3.7M federal to improve child care program quality
- Race to the Top – $51.7M federal early childhood award

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# Eliminating the Wait

*Early Childhood Education*




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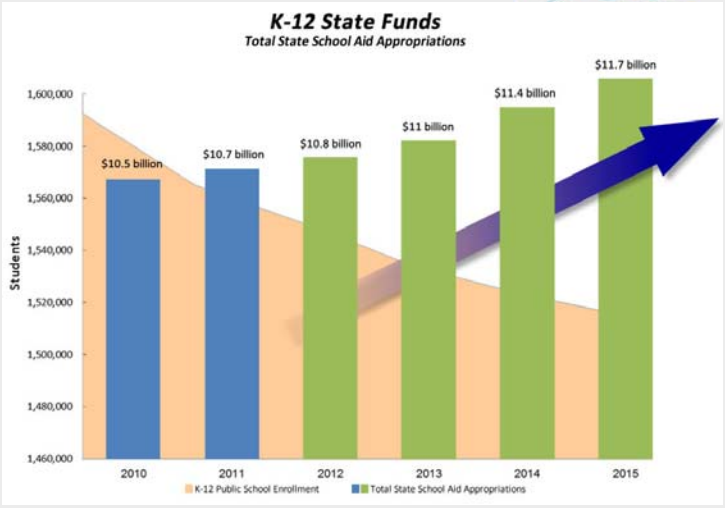
# Educating Our Children

- Foundation allowance – $150M
- MPSERS – $270M
- Educator evaluations/student assessments – $40.9M
- Dual enrollment – $1.75M
- Year-round schools pilot – $2M
- Distressed situations – $10M
- Best practices funding
- Technology grants
- First Robotics



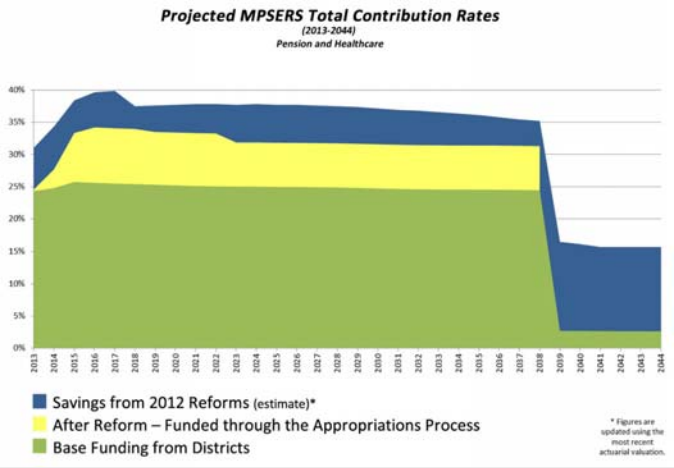
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# Investing in Education




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# Reforms Result in Savings




- Savings from reforms equals **$510M** or **$370** per K-12 student in FY 15
- FY 15 funding recommendation is **$674.7M** ($270M base increase over FY14) or **$450** per K-12 student
- These two actions translate into **$1.18B** or **$820** per student in FY 15

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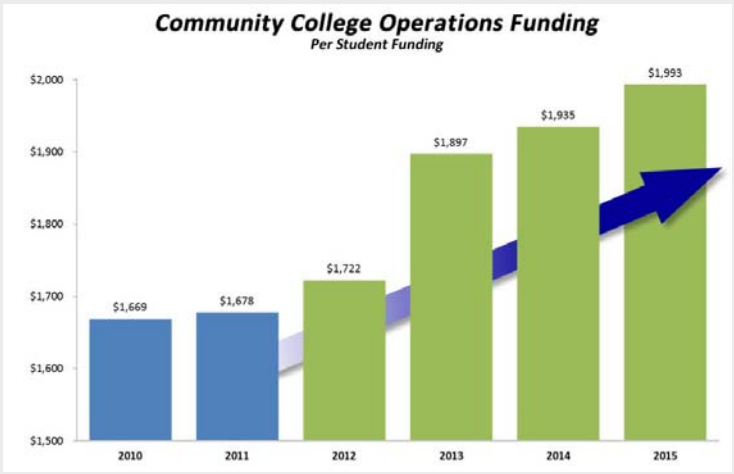
# Preparing for the Future

*Community Colleges/Universities*

- Community colleges – $35.5M
  - Operations – $8.9M, 3% increase
  - MPSERS – $27.7M
- Universities – $80M, 6.1% increase
- New Michigan National Guard tuition assistance program – $5M

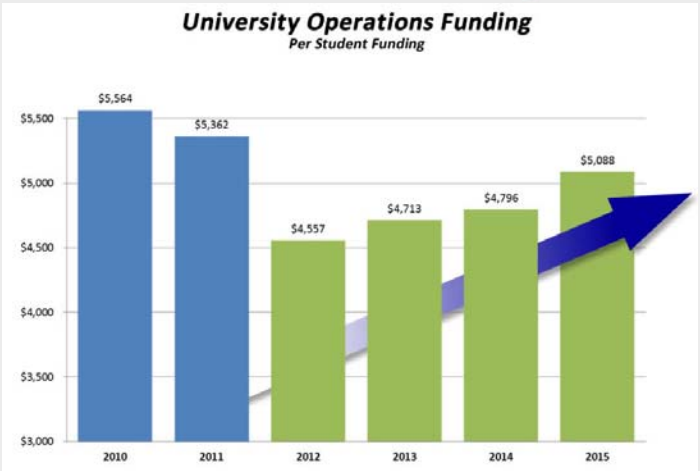
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## Funding Michigan's Community Colleges




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## Funding Michigan's Universities



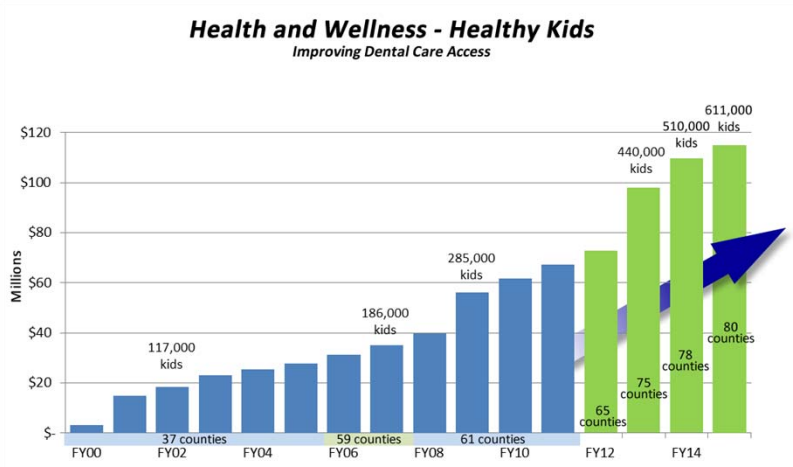

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# Investing in People

- Health
  - Mental Health Commission – $15.6M
  - Mental Health Diversion Council – $6M
  - Healthy Kids Dental – $5.4M, adds 100,000 children in two counties
- Other services
  - "No Wait State"
    - Senior in-home services and home-delivered meals – $5M
    - MI Choice Waiver – $9M
  - Elder abuse prevention – $1M

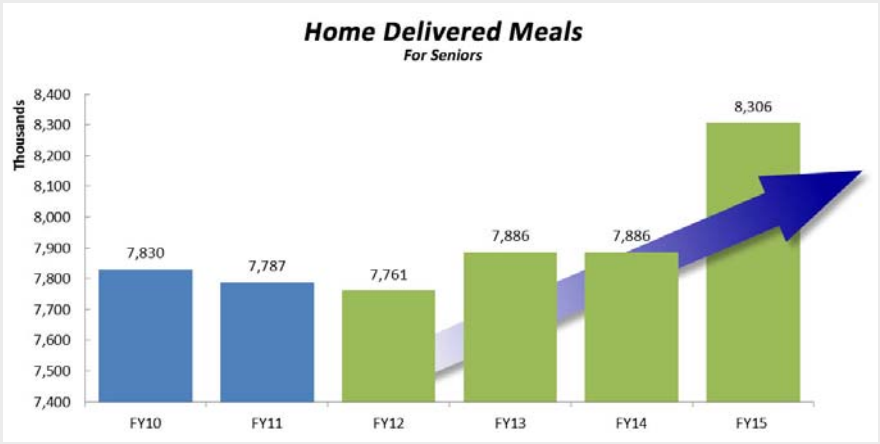
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# Increased Access to Dental Care




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## Eliminating the Waiting List for Meals on Wheels




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## Creating Jobs

- Business attraction and community revitalization – $15M
- Automotive initiative – $5M
- Pure Michigan – $2M
- Arts and culture – $2M
- Talent development
  - — University engineering investment – $100M bond
  - — Community college career tech investment – $50M bond

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## Making Michigan Safer

- Michigan State Police
  - Additional 100 troopers and 31 motor carrier officers – $17.8M
  - Local public safety initiative – $5M
- Corrections – $4.3M for prisoner education
- 25 Conservation officers – $3.5M
- State Public Safety Communication System – $25M

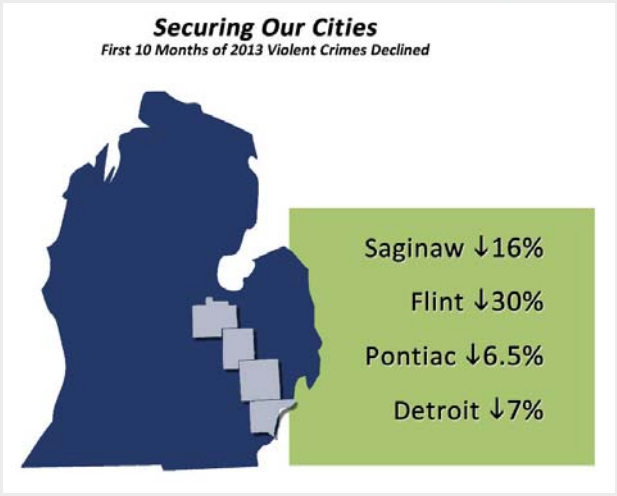
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## Increasing Trooper Strength




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## Reducing Violent Crime




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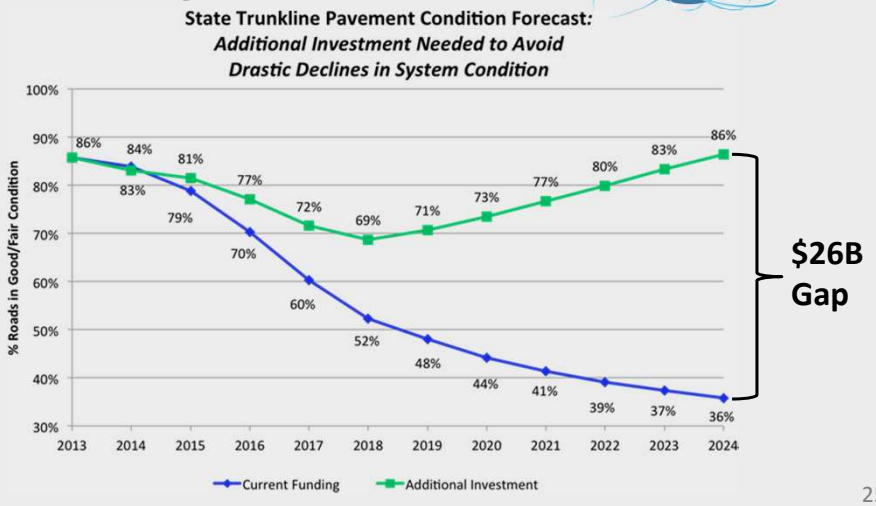
## Driving Michigan Forward

- $2.9B in transportation revenues dedicated to roads and bridges
- Proposed road package to address funding gap
- In the interim, general funds committed to roads
  - — FY13: $133M
  - — FY14: $236M
  - — FY15: $254M



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# Investing in Our Roads




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# Protecting Our Quality of Life

- Water quality and safety – $6.5M
- Food and dairy safety improvements – $1.8M
- Prevention, detection and eradication of invasive species – $6M
- State park improvements – $4M
- Forestry and trails – $9M
- Recycling initiative – $1M



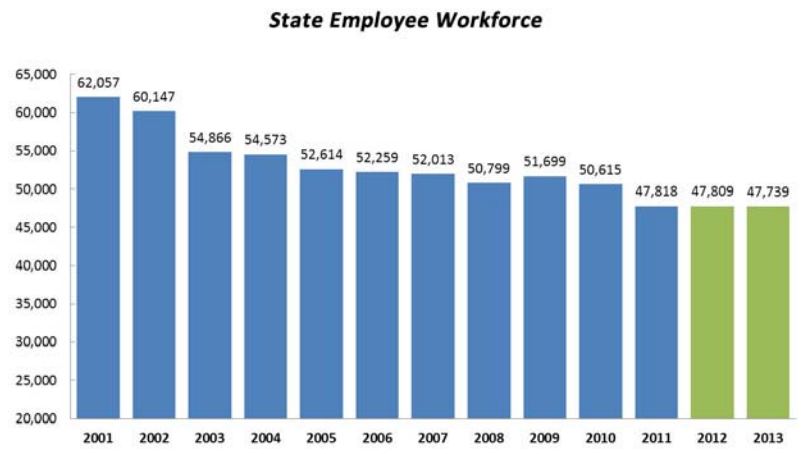
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# Responsible Government

- Revenue sharing
  - Constitutional Revenue Sharing – $19.4M, 3% increase
  - EVIP in two programs – $36M, 15% increase
  - Counties – $65.4M, 100% of full funding
- Infrastructure
  - Information technology – $28M
  - Facility maintenance – $5M
- Financial team to work with distressed schools – $7.3M
- Settlement of Detroit bankruptcy – $17.5M/yr for 20 years

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# More Efficient Government




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## Saving For Michigan's Future

- Budget Stabilization Fund – $120M increase
- Health Savings Fund – $122M

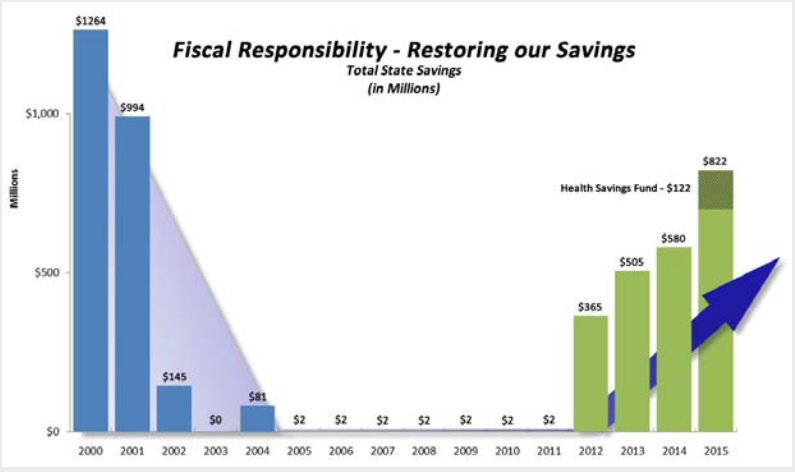
Total savings – $822M



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## Saving for a Rainy Day

*Responsible Government, Not Big Government*




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## Providing Property Tax Relief

- Expanding the Homestead Property Tax Credit to provide $100M in additional tax relief to seniors, working families and the disabled



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## Impact

- Provides additional ongoing property tax relief to approximately 1.3 million taxpayers – 33% of relief will go to seniors
- Expands tax relief to cover between 200,000 and 250,000 new beneficiaries

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# Proposal

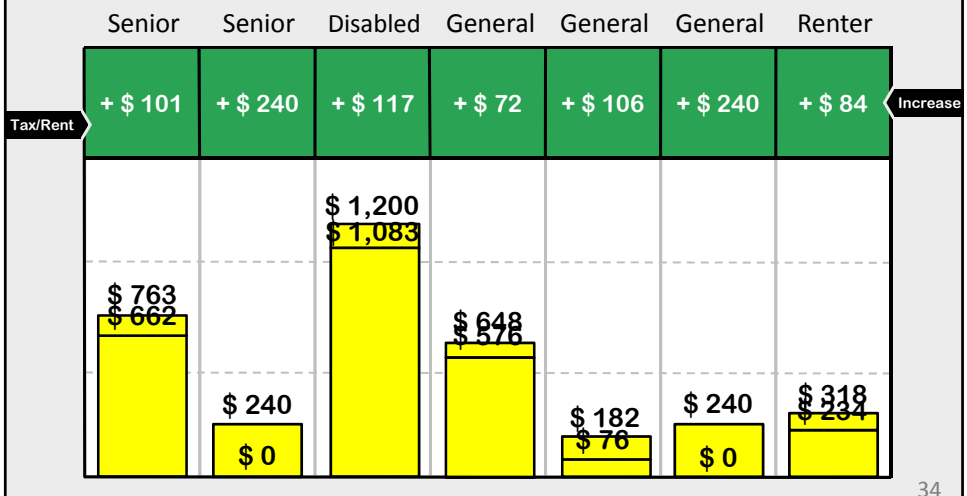
*For tax year 2013 and beyond:*

- Reduce the income multiplier from 3.5% to 3%
- Increase the income limit to $60,000



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# Homestead Property Tax Credit Expansion




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## Claiming the Credit

- Taxpayers who qualify for and claim the existing credit for tax year 2013 do not need to do anything
  - They will be issued a supplemental refund check this summer
- Taxpayers who do not qualify for the existing credit for tax year 2013 but who will qualify for the expanded credit will need to file a credit claim later this year to receive a refund
- In future years, all eligible taxpayers will claim the credit simply by filing a Homestead Property Tax Credit return as under current law

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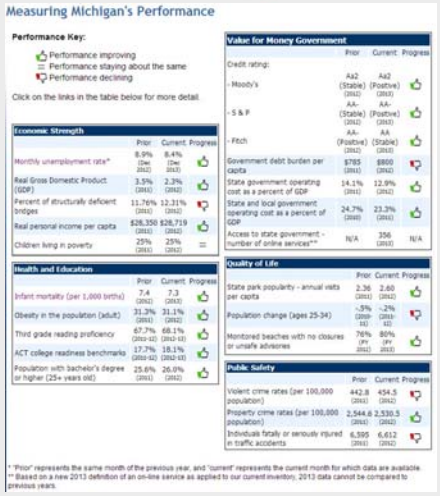
## Looking Toward the Future

- Ongoing
  - Transportation: Comprehensive funding solution – $1B
  - Healthy Kids Dental – $24M
  - Education
    - K-12: School retirement system – $234M
    - Universities – $80M
  - Public safety – $30M
  - Local government funding: EVIP
- One-time
  - Grow our reserves – target range of $1.2B to $1.6B

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# Taking a Long-term Outlook

- Ongoing areas
  - — Operations
  - — Investments
  - — Local government
- Long-term debt
- Savings
- Tax relief



Measuring Michigan's Performance

Performance Key:

Performance improving
= Performance staying about the same
Performance declining

Click on the links in the table below for more detail.

**Economic Strength**

| | Prior | Current | Progress |
|---|---|---|---|
| Monthly unemployment rate* | 8.9% (Dec 2012) | 8.4% (Dec 2013) | |
| Real Gross Domestic Product (GDP) | 3.5% (2011) | 2.3% (2012) | |
| Percent of structurally deficient bridges | 11.76% (2011) | 12.31% (2012) | |
| Real personal income per capita | $28,350 (2011) | $28,719 (2012) | |
| Children living in poverty | 25% (2011) | 25% (2012) | = |

**Health and Education**

| | Prior | Current | Progress |
|---|---|---|---|
| Infant mortality (per 1,000 births) | 7.4 (2012) | 7.3 (2013) | |
| Obesity in the population (adult) | 31.3% (2011) | 31.1% (2012) | |
| Third grade reading proficiency | 67.7% (2011-12) | 68.1% (2012-13) | |
| ACT college readiness benchmarks | 17.7% (2011-12) | 18.1% (2012-13) | |
| Population with bachelor's degree or higher (25+ years old) | 25.6% (2011) | 26.0% (2012) | |

**Value for Money Government**

| | Prior | Current | Progress |
|---|---|---|---|
| Credit rating: | | | |
| - Moody's | Aa2 (Stable) (2012) | Aa2 (Positive) (2013) | |
| - S & P | AA- (Stable) (2012) | AA- (Positive) (2013) | |
| - Fitch | AA- (Positive) (2012) | AA (Stable) (2013) | |
| Government debt burden per capita | $785 (2011) | $800 (2012) | |
| State government operating cost as a percent of GDP | 14.1% (2011) | 12.9% (2012) | |
| State and local government operating cost as a percent of GDP | 24.7% (2010) | 23.3% (2011) | |
| Access to state government - number of online services** | N/A | 356 (2013) | N/A |

**Quality of Life**

| | Prior | Current | Progress |
|---|---|---|---|
| State park popularity - annual visits per capita | 2.36 (2011) | 2.60 (2012) | |
| Population change (ages 25-34) | -.5% (2009-11) | -.2% (2010-12) | |
| Monitored beaches with no closures or unsafe advisories | 76% (FY 2012) | 80% (FY 2013) | |

**Public Safety**

| | Prior | Current | Progress |
|---|---|---|---|
| Violent crime rates (per 100,000 population) | 442.8 (2011) | 454.5 (2012) | |
| Property crime rates (per 100,000 population) | 2,544.8 (2011) | 2,530.5 (2012) | |
| Individuals fatally or seriously injured in traffic accidents | 6,595 (2011) | 6,612 (2012) | |

* 'Prior' represents the same month of the previous year, and 'current' represents the current month for which data are available.
** Based on a new 2013 definition of an on-line service as applied to our current inventory; 2013 data cannot be compared to previous years.

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# Questions?

# Thank you.

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