

Fueling Michigan's Future

The Comeback Continues

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February 5, 2014

Governor Rick Snyder, CPA

Lt. Governor Brian Calley

Budget Director John E. Nixon, CPA



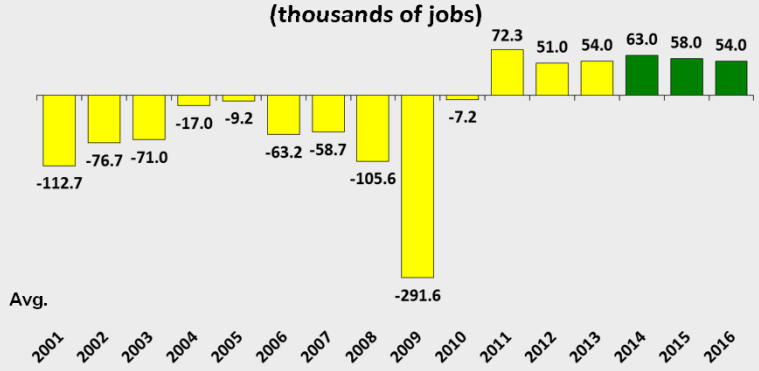
Michigan is Back on Track

- 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)

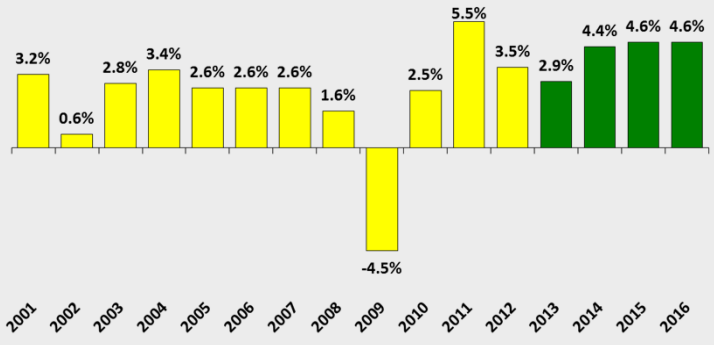


Note: U.S. Bureau of Labor Statistics. 2013-2016 estimates are 1/10/14 Consensus Forecast. 1/28/14.

Consensus Forecast 3

Michigan Personal Income Growth Increases in 2014 - 2016

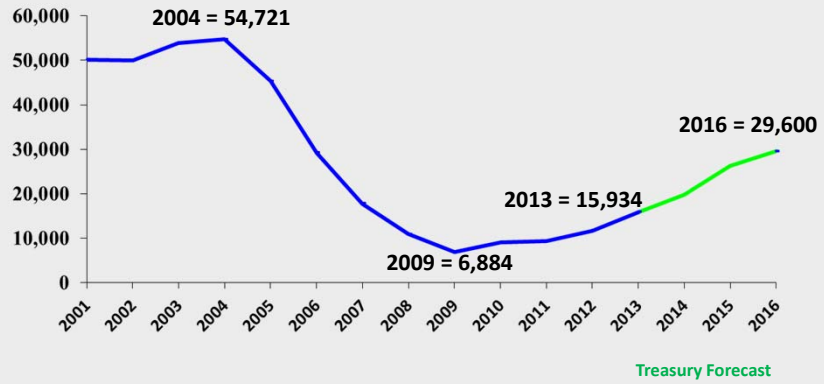
Michigan Personal Income Year-Over-Year % Change



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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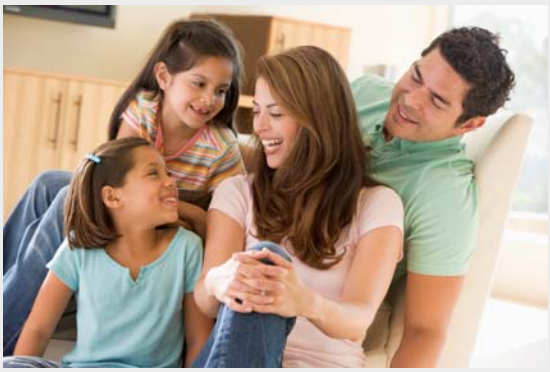
Continuing the Comeback

- 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
    - o Reducing long-term debt
    - o Improving people's lives
    - o Using metrics and rewarding real results
  - — Saving for the future
    - o 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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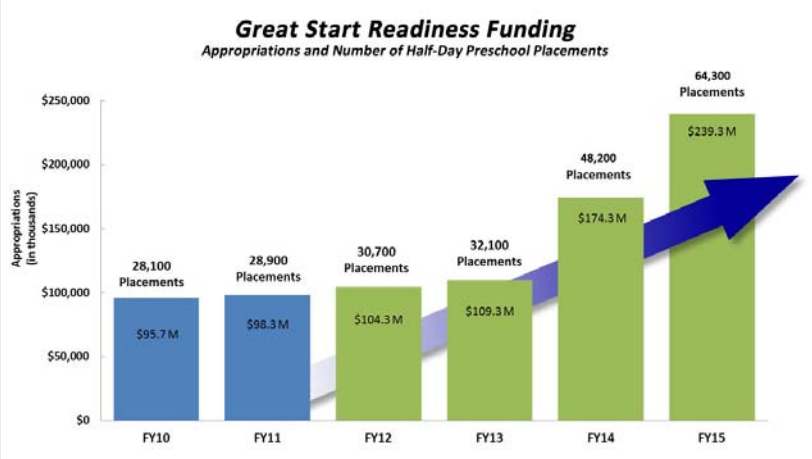
Making Michigan a 'No Wait State' for Preschool

- 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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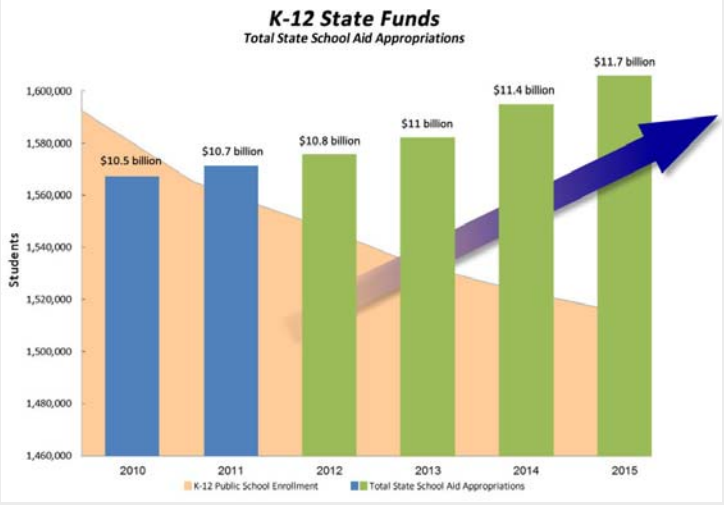
Educating Our Children

- 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



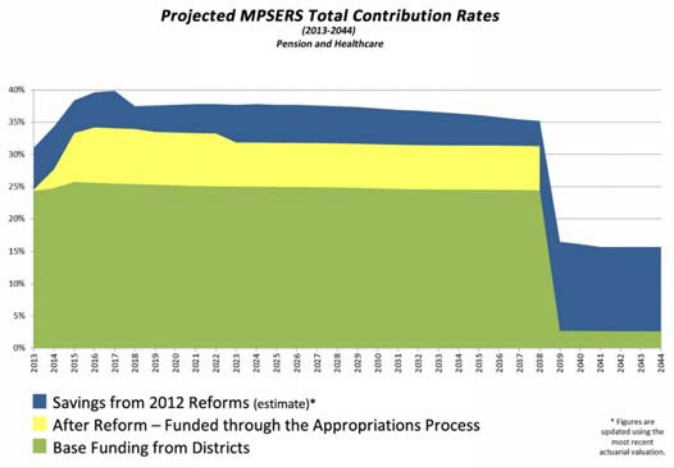
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Investing in Education



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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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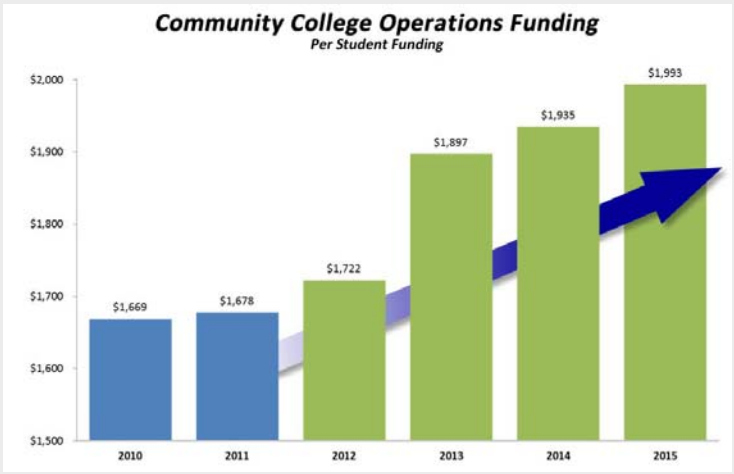
Preparing for the Future

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

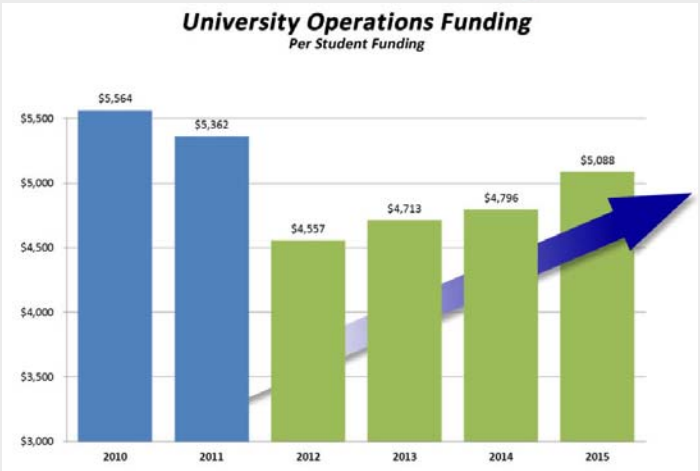
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Funding Michigan's Community Colleges



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Funding Michigan's Universities



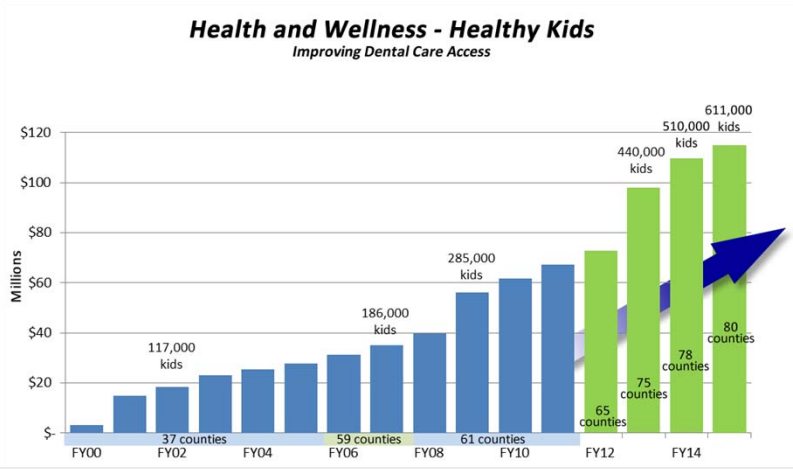
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Investing in People

- 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

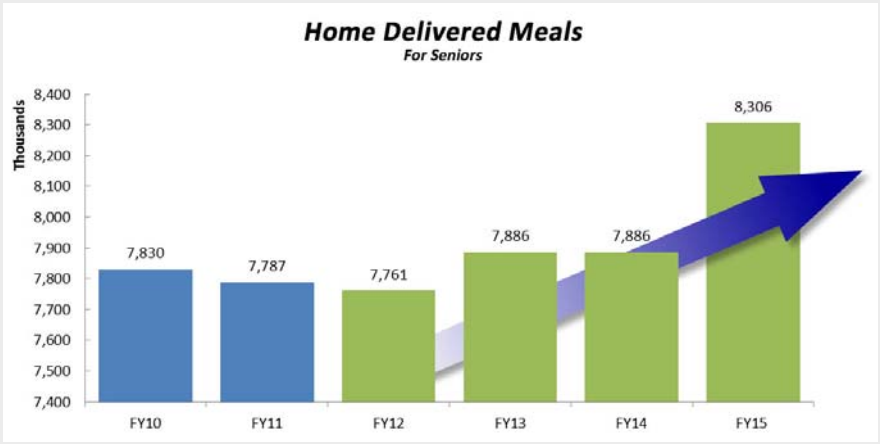
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Increased Access to Dental Care



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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

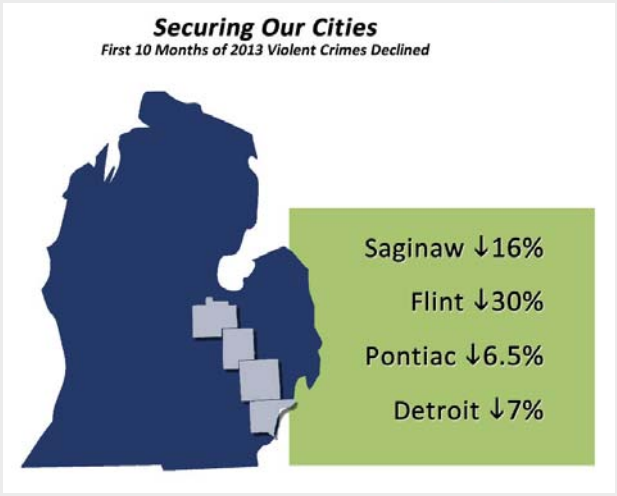
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Increasing Trooper Strength



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Reducing Violent Crime



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Driving Michigan Forward

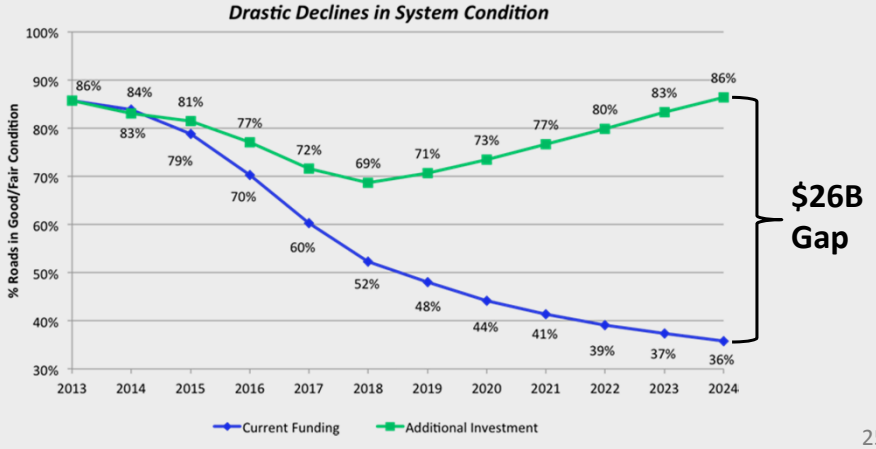
- $2.9B in transportation revenues dedicated to roads and bridges
- Proposed road package to address funding gap
- In the interim, general funds committed to roads
  - — FY13: $133M
  - — FY14: $236M
  - — FY15: $254M



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Investing in Our Roads

State Trunkline Pavement Condition Forecast:
Additional Investment Needed to Avoid Drastic Declines in System Condition



$26B Gap

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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



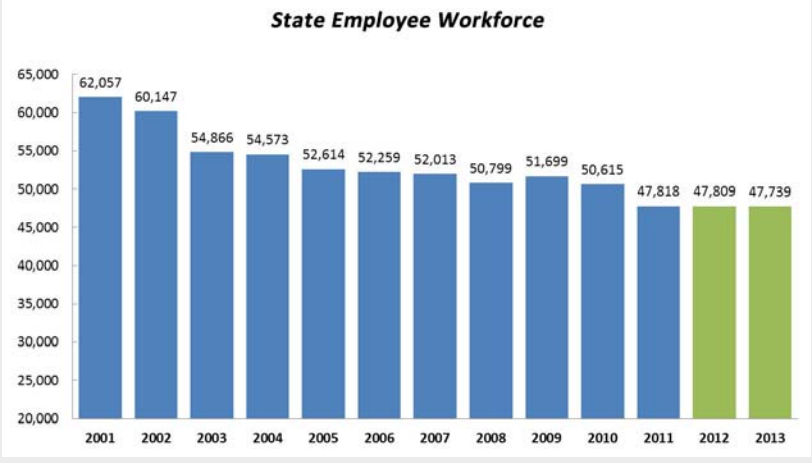
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Responsible Government

- 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

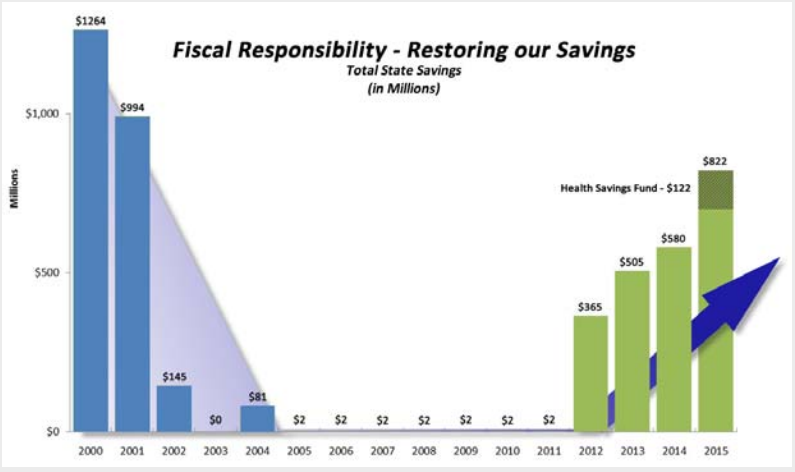
Total savings – $822M



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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

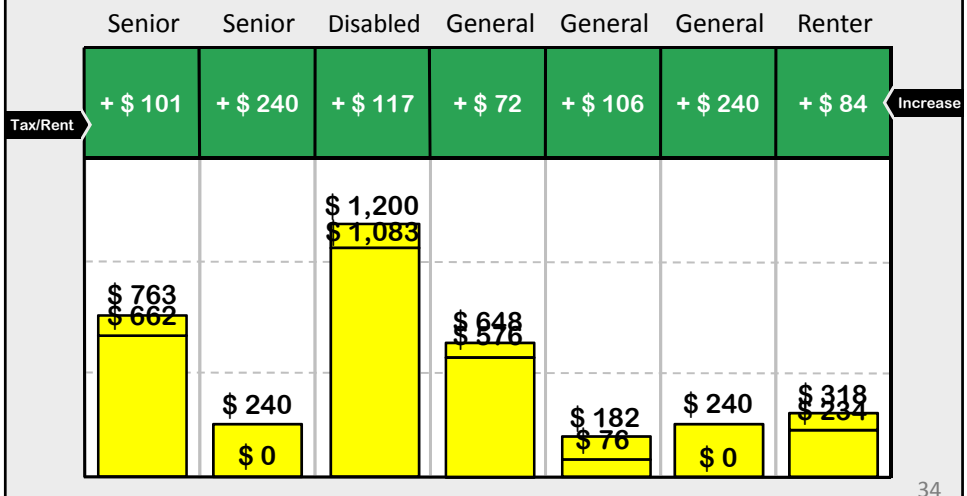
For tax year 2013 and beyond:

- 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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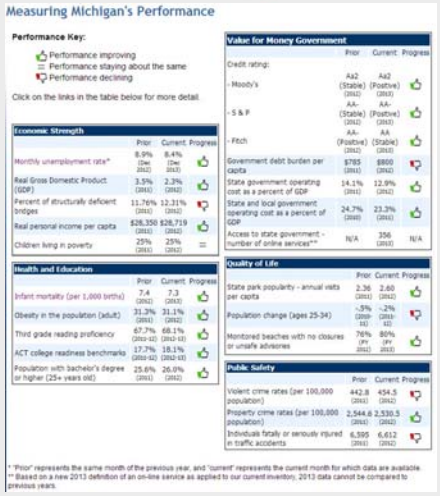
Looking Toward the Future

- 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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