Fueling Michigan's Future – The Comeback Continues

Executive Budget Recommendation for Fiscal Years 2015 and 2016

Gov. Rick Snyder's fourth budget recommendation is grounded in fiscal responsibility and designed to fuel the state's continued comeback. As Michigan's economic turnaround progresses, the governor remains dedicated to advancing the state's reinvention.

By making strategic investments in education, jobs, health and wellness, public safety, and our infrastructure while providing tax relief to lower- and middle-income taxpayers, the governor's Executive Budget Recommendation for fiscal year 2015 and projected fiscal year 2016 is focused on accelerating the state's economic recovery, saving money now and into the future.

Back on Track

Michigan is back on track thanks to this fiscally responsible approach and long-term view to the state budget process. More than 220,000 new private sector jobs have been added since December 2010, and the state is leading the nation in manufacturing job creation. Michigan is fourth in the nation for high-wage job growth and sixth for middle-wage job growth, and home sales and values continue to rise. Additionally, personal income growth in Michigan is on the rise. In fact, Michigan's personal income growth is tied for first place among the Great Lakes states.

"Michigan is a good investment again. The confidence of investors is a good argument that the steps taken to make the state more competitive are paying off."

The Detroit News, May 21, 2013

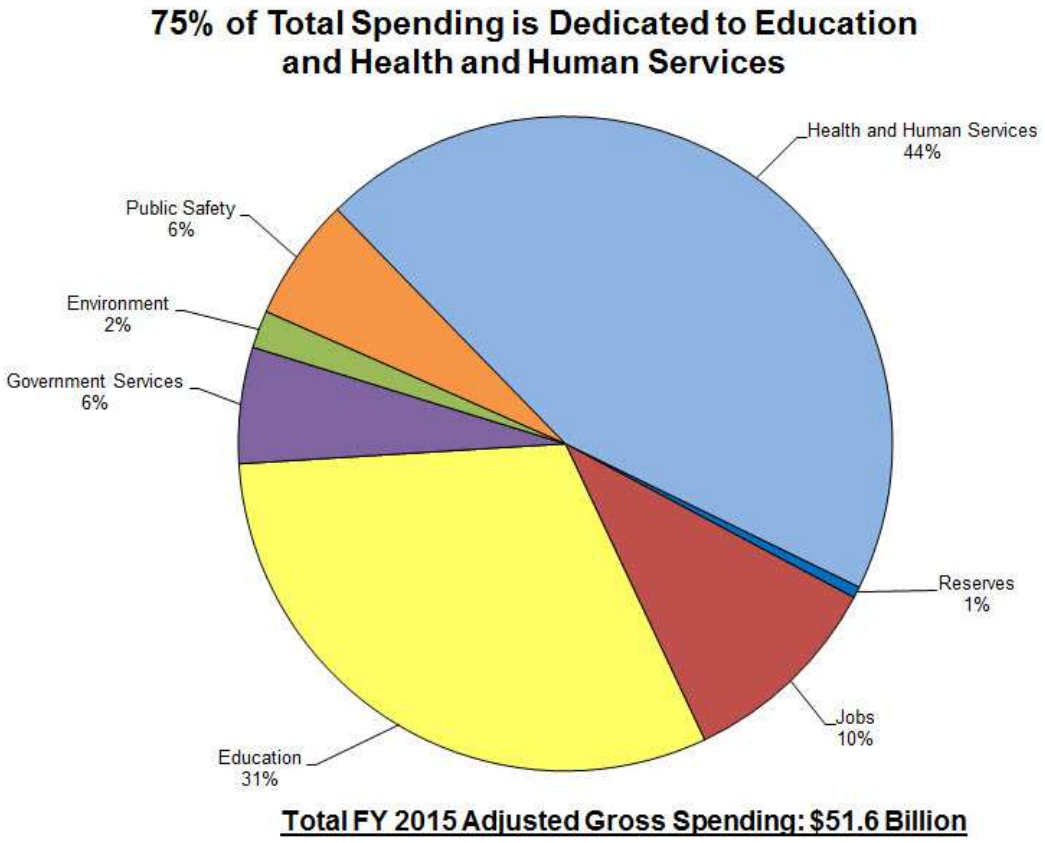
In 2013 Michigan posted its first annual labor force growth since 2006. Michigan's unemployment rate hit a high of 14.2 percent in August of 2009 during Michigan's Great Recession. Since Gov. Snyder took office in 2011, the unemployment rate dropped to a preliminary 2013 average rate of 8.7 percent, down from the 2011 annual average rate of 10.3 percent.

Budget Recommendation in Totality

The total Executive Budget Recommendation for fiscal year 2015, including all state and federal revenue sources, is $52.1 billion in gross spending. Nearly 75 percent of the total budget is dedicated to education and health and human services.

The Consensus Revenue Estimating Conference held in early January projected that revenues will be $10 billion in the general fund and $11.9 billion in the School Aid Fund for fiscal year 2015, for a combined total of $21.9 billion.

Fiscal year 2016 projected revenues are $10.5 billion in the general fund and $12.3 billion in the School Aid Fund, for a combined total of $22.8 billion.



Building a Brighter Future for Our Children

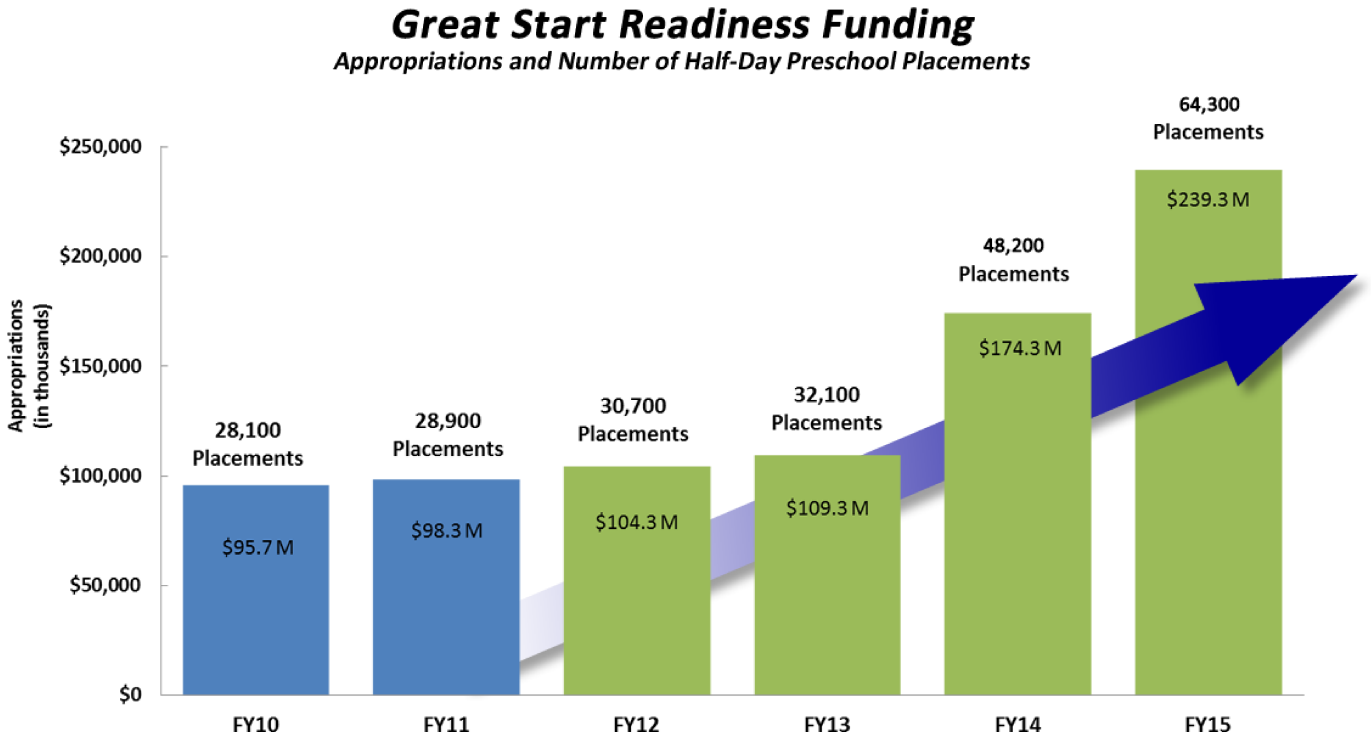
Providing a good education to our children creates a brighter future for them and Michigan. The best way to ensure that future is to approach funding for each area of education as separate parts of the same engine. The P-20 approach is focused on the three tiers of education – early childhood, K-12, and post-secondary education. This comprehensive and holistic approach recognizes that each tier plays a distinct and vital role in a child's education and future success.

Early Childhood

Last year, Michigan was the trailblazing state when it came to investing in early childhood education. Gov. Snyder's executive budget recommendation for fiscal year 2014 made the single largest increase in preschool funding across the nation – allocating $65 million and adding 16,000 new placements for children. Investing in early childhood is not only the right thing to do for our children, it is also the fiscally responsible decision. Numerous economic studies have shown that every dollar spent on early childhood education pays off later. With the goal of making Michigan the "no wait state" for children in need of preschool education, the governor proposes investing another $65 million in funding to create 16,000 more placements. Additionally, the governor's budget calls for $3.7 million to improve the quality of child day care.

K-12

Despite declining student enrollment, Michigan's K-12 spending has increased by $1 billion since fiscal year 2011. The governor recommends $11.7 billion in state funds for K-12, an increase of $322 million. The K-12 budget provides a total of $150 million to increase the annual foundation allowance, which will equate to a range of $83 to $111 per student. It also provides $27.8 million to improve educator effectiveness, $2 million to pilot year-round schools with balanced calendars, and $10 million to assist financially distressed schools. District performance and best-practices funding of $80 million is continued, as well as $50 million in technology infrastructure



improvement grants. The budget includes $1.8 million in funding incentives for schools offering dual enrollment, allowing students to earn college credits while still in high school. To help ensure that the retirement promises made to teachers can be kept, the budget also includes an increase of $270.1 million to fund retirement liabilities within the school retirement system over and above the district share, which is now capped at 20.96 percent, providing stability to the system.

Post-secondary

In order to ensure educational opportunity, we must focus on making post-secondary education affordable for students who wish to pursue a degree or career education at one of Michigan's 28 community colleges and 15 public universities. The governor's budget recommendation helps address affordability by rewarding institutions that exercise tuition restraint and hold tuition increases below 3.2 percent.

To provide Michigan universities with stability in funding, the governor's plan calls for a 6.1 percent increase ($80.3 million) in state support for higher education using a modified version of the 2014 performance formula. The funding formula includes metrics designed to help ensure Michigan college students receive a quality education at a reasonable cost by linking funding to performance. The proposed budget includes a recommendation for a 3 percent operations increase ($8.9 million) for community colleges.

Investing in People – Health and Human Services

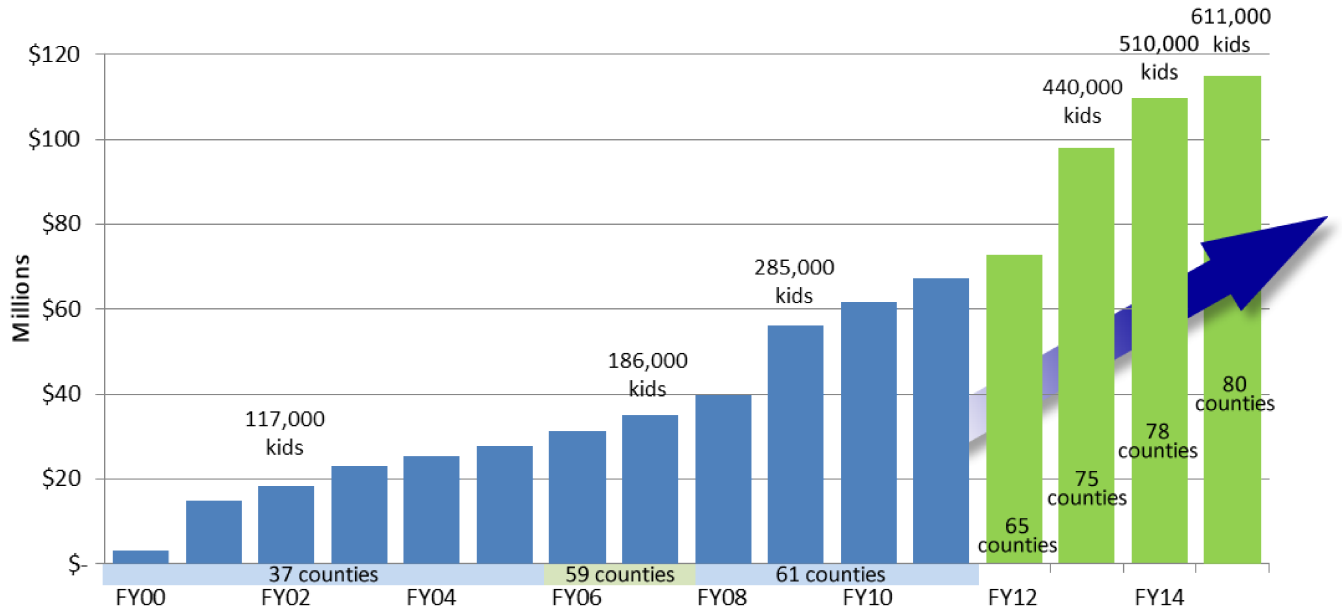
Michigan has made significant strides to improve the health and wellness of its residents. The Healthy Michigan Plan was signed into law, expanding Medicaid and ultimately providing health care to 477,000 residents. In fiscal year 2014, the Healthy Kids Dental program was also expanded to cover three additional counties.

Health

The fiscal year 2015 proposed budget invests $5.4 million to add 100,000 children in Kalamazoo and Macomb counties to the Healthy Kids Dental program. Currently, 510,000 Michigan children residing in 78 of Michigan's 83 counties are enrolled in the program. This effort will bring the total number of children receiving dental care to 611,000 in 80 counties.

The governor's budget invests $2.5 million to increase prenatal home visitation programs in rural areas. The funds will expand the Michigan Home Visiting Initiative in the Upper Peninsula and northern Lower Peninsula to help ensure that families receive the prenatal and pediatric health care necessary to result in healthy outcomes for Michigan's children. The funding is specifically aimed at high-risk pregnant women and families with children under the age of 5. Continuing his commitment to children, the governor recommends $410 million to enhance Michigan's child welfare system, providing services for abused and neglected children.

Recognizing the important role mental health plays in overall health, the governor's proposed budget includes $15.6 million for Mental Health and Wellness Commission initiatives; a total of $3 million for autism programs focused on supporting programs at Eastern Michigan University, Western Michigan University, and Michigan State University; and $6.1 million for the Mental Health Diversion Council to support and help those with mental health and developmental disabilities so they can be diverted from the criminal justice system and receive the medical attention and care they need.



Serving Seniors

In his 2014 State of the State address, the governor called for making Michigan the "no wait state" for our seniors and people with disabilities. To accomplish this goal, the budget recommendation includes $5 million to increase in-home services and home-delivered meals for seniors and $9 million for the MI Choice Waiver Program, which helps senior citizens and individuals with disabilities who might otherwise be living in a nursing home to receive the care and services they need while remaining in their own homes. To help protect our seniors, a total of $1 million will go toward increasing awareness of the penalties under recently passed elder abuse laws as well as for training medical and financial professionals on identifying and reporting elder abuse.

Driving Michigan Forward: Investing in Infrastructure and Job Creation

Michigan's infrastructure is badly in need of maintenance. Gov. Snyder realizes the vital role our transportation system plays in our economy. The state's job providers and Michigan motorists depend on it for the movement of goods and workday commutes, while tourists who visit Michigan rely on safe roads and bridges for leisure travel.

Michigan is desperately in need of a regular, sustained budget investment to fill in the $1.3 billion gap in annual funding levels to adequately keep our roads and bridges maintained. In the interim, the governor proposes $254 million to fully match federal funds and provide for improvements to Michigan's roads and bridges.

"I'm not sure I've seen another politician demonstrate such a grasp of, or affinity for, the idea that for Michigan to be strong in the future, we have to invest – in infrastructure, people and creative momentum – now."

Battle Creek Enquirer, Jan. 29, 2013

Job Creation

Michigan's comeback requires continued investments in policies that foster job creation. Gov. Snyder proposes a new investment of $5 million for the Automotive, Engineering and Manufacturing Technology Fund, a strategic initiative created to grow this vital industry. Bond funding will enable Michigan's colleges and universities to compete for funds to improve their talent programs. First, a total of $100 million will be available to universities with accredited engineering programs to compete for capital improvements to help increase the number of engineers and retain them here in Michigan. Second, $50 million will allow community colleges to retool equipment for high-wage, high-skill and high-demand occupations.

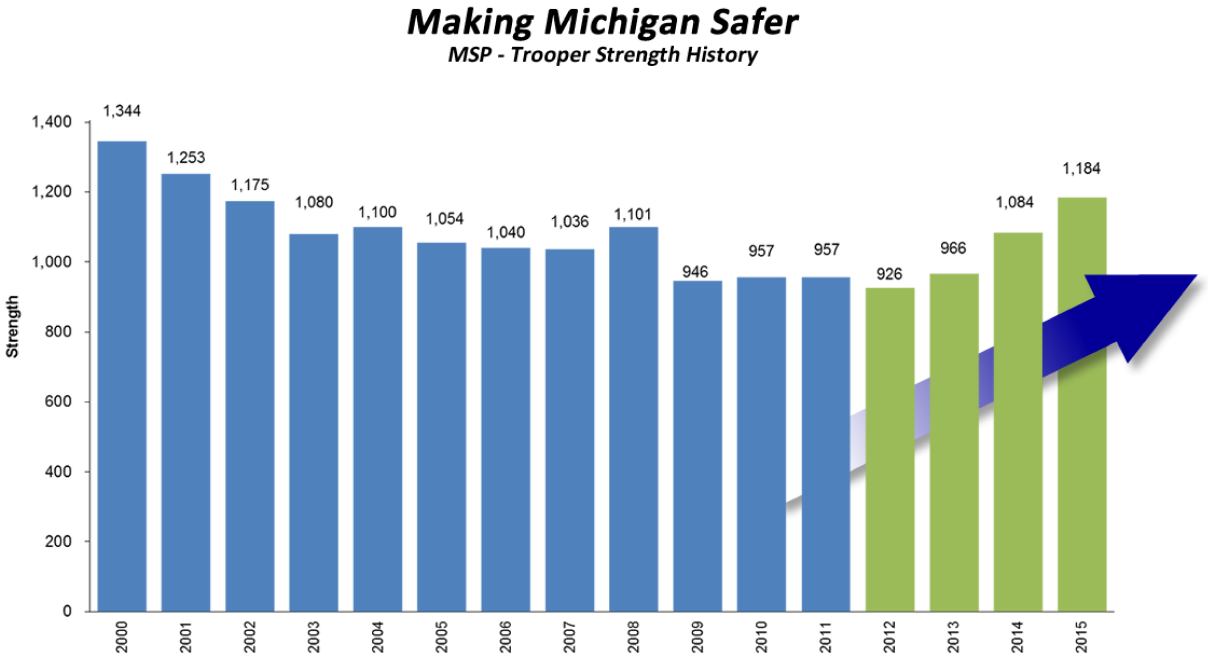
"We have seen incredible improvements from where our state was just a few years ago."

Chuck Hadden, CEO
Michigan Manufacturers Association
Detroit Free Press, Oct. 28, 2013

Additionally, the fiscal year 2015 proposed budget includes a $15 million increase for community revitalization and business attraction efforts and $2 million in new funding for the Pure Michigan marketing campaign to help bolster the state's strong tourism industry. An increase of $2 million is proposed for the visibility of Michigan's vital arts and culture sector, supporting arts education, encouraging creative and innovative works of art, and broadening cultural understanding.

Making Michigan Safer

The safety and well-being of Michigan residents continues to be a priority for Gov. Snyder. Significant progress is being made in reducing the violent crime rates in Pontiac, Detroit, Saginaw, and Flint. In the first 10 months of 2013, violent crimes declined by 30 percent in Flint; 16 percent in Saginaw; 7 percent in Detroit; and 6.5 percent in Pontiac. While the crime rates remain unacceptably high, the declining numbers are clear evidence of the impact being made by state and local partnerships under the Secure Cities Initiative.



To strengthen the ranks of the Michigan State Police, the governor's recommendation calls for $17.8 million to train 100 troopers and 31 motor carrier officers through the Michigan State Police Training Academy so that they can patrol Michigan roadways and communities. Increasing the number of troopers trained to protect and serve will help improve public safety all across Michigan. Conducting a Michigan State Police motor carrier school will enable more officers to help protect the state's infrastructure from overweight commercial vehicles that damage our roads.

To ensure first responders and other public safety employees can share information, the governor's plan funds $25.3 million to update the state's public safety communication system, which supports the Michigan State Police and the Departments of Corrections, Transportation, Natural Resources, and Military and Veteran Affairs as well as 1,400 local public safety departments around the state. Additionally, the governor's proposal includes $4.3 million for prisoner education.

Protecting and Enhancing Our Natural Resources

Michigan's bountiful natural resources offer residents across the state rich outdoor opportunities and quality of life. Protecting and enhancing these natural resources is critical to the state's overall health, economy and well being. Gov. Snyder recognizes the importance of investing in our natural resources, and that is reflected in this budget recommendation.

The governor recommends $3.5 million to hire and train 25 additional DNR conservation officers to enforce natural resource, recreational safety and environmental protection laws vital to helping maintain Michigan's quality of life. Coupled with the new conservation officers currently in training, this brings the total number of conservation officers to 227, up from 186 in 2010.

Gov. Snyder is following through on his commitment in his 2014 State of the State address to protect the state from invasive species, which can do great harm to Michigan's natural resources. A total of $6 million in new funding is proposed toward the prevention, detection and eradication of invasive species. The governor is also following through on his vision to make Michigan the "Trail State" with a total of $2.5 million in new funding for the development of a trail system from Belle Isle to the Wisconsin border in the Upper Peninsula.

Michigan's forests are protected in this budget with $4 million in new funding for wildfire protection and forest management through the hiring of new foresters. Continued funding in the amount of $2.5 million is provided for the Qualified Forest Program designed to assist landowners in private forest management while providing the economic benefit of harvests on non-industrial private forest land.

Michigan's state parks are second to none and provide residents and tourists with the perfect setting to experience Michigan's great outdoors. The governor's recommendation of $6.5 million in added funding for the repair and maintenance of state parks will help ensure that these treasured destinations are preserved for generations to come.

The quality of Michigan's water is critical to the vitality of our state. New funding of $4 million is recommended for the Water Quality and Use Initiative, focused on developing a comprehensive water strategy to address the increased demand for water quality. An additional $2.5 million is provided for the Drinking Water Revolving Fund and just over $3 million in new funding will help continue the state's progress in cleaning up leaking underground storage tanks.

A new investment of $1 million is proposed for a recycling initiative designed to increase the number of counties with convenient access to recycling.

Investing in Local Communities

Michigan is strongest when its local communities are strong too, and the continued comeback of our state is spurred partly by the success of our local jurisdictions and leadership, whether it's a small community or a large urban area.

The fiscal year 2015 budget increases constitutional revenue sharing payments for cities, villages, and townships by $19.4 million (3 percent) to $764.9 million, based on estimated sales tax collections. A total of $211.2 million is provided in county payments, the maximum funding allowed under statutory provisions to 74 eligible counties.

As announced earlier this year, the governor is proposing $17.5 million annually for 20 years in tobacco settlement reserves to resolve ongoing issues in the bankruptcy of Detroit and help minimize impacts to pensioners. This total investment of $350 million will assist the city in its reinvention, transformation and its return to becoming an economic powerhouse.

The Economic Vitality Incentive Program (EVIP) provides $243 million for qualified cities, villages and townships that adopt best practices. An additional $28.8 million is recommended for supplemental payments distributed to all qualified local units of government on a population basis, with high-performing and high-need communities receiving larger shares of the proposed payments. Total funding for EVIP is up 15 percent over fiscal year 2014 funding, which is a 30 percent increase since the program was created.

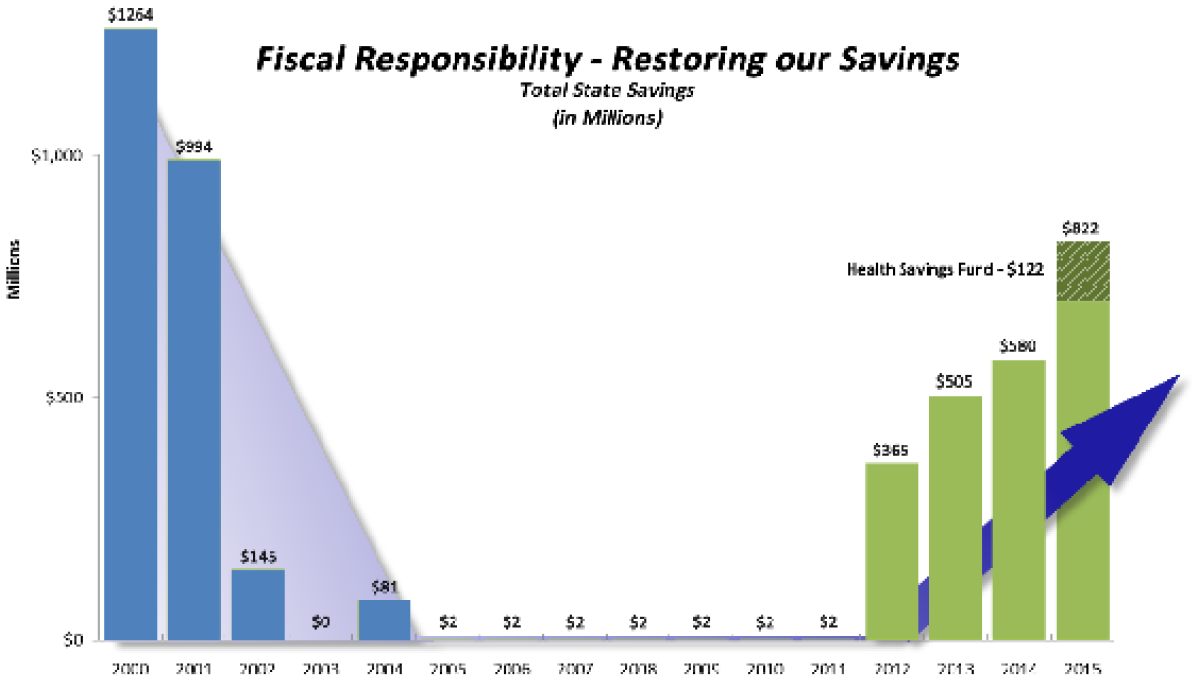
The governor recommends a new investment of $2.5 million for the Regional Prosperity Program to encourage local communities to work together to develop and implement regional economic development models. In addition, the 2015 executive budget recommends $5 million for competitive grant assistance as an incentive to share or consolidate services or government operations.

Responsible Government, Not Big Government

Because of his deep background in accounting, Gov. Snyder is dedicated to ensuring that the state's budget is both fiscally sound and responsible. The governor believes in approaching the state budget the same way a family would carefully take care of balancing their budget – pay the bills, pay down debt, set aside savings, and make targeted investments that build a strong future.

The governor believes that responsible government means smarter, more efficient government. In addition to properly funding maintenance of state facilities and updating legacy systems, the state workforce is also leaner today than it was 10 years ago. The State of Michigan workforce has decreased from 62,000 employees in 2001 to 48,000 in 2013, and the state has successfully eliminated 1 million square feet of leased space since 2011, resulting in significant savings.

As imperative as it is to maintain the state's transportation system, it is also important to properly fund maintenance of state facilities and assets. To help avoid future upkeep that would be significantly more costly, the governor's budget recommendation includes a total of $5 million in increased investments for maintenance of state facilities.



To bring about greater efficiency in state government, the proposed budget also includes a total of $28 million for the Information Technology Investment Fund for various information technology related projects, including improved cybersecurity, system upgrades and replacements of legacy computer systems.

Responsible government also includes ensuring the state has healthy reserves. Before Michigan's economic downturn, Michigan's Budget Stabilization Fund (commonly referred to as the "Rainy Day Fund") had a balance of more than $1.2 billion. By the time the governor took office, the fund was depleted to a balance of only $2.2 million. Strategic investments throughout the past three years have made significant progress in restoring the state's reserves. Recognizing how important this continued saving is, the governor's proposed budget calls for a deposit of $120 million, which will boost the Rainy Day Fund balance to more than $700 million. The budget recommendation also includes a deposit of $122 million into a similar reserve to offset future health care costs.

Providing Tax Relief for Michiganders

Michigan has turned the corner from the economic turmoil that plagued the state for nearly a decade. For years and years, revenue estimating conferences held by the state projected dismal news and a shortfall of revenue. That has changed, and what we have done has worked. Since 2011, revenue estimates have turned to the positive. Forecasts have improved and revenue streams have started to flow again. With nearly $1 billion in added revenue, the state is in a much stronger fiscal position, a position that affords not only making strategic investments but offering tax relief for hard-working families across Michigan.

The governor recommends expansion of the existing Homestead Property Tax credit to provide $102.7 million of additional property tax relief primarily to low- to middle-income working families, seniors and people with disabilities.

Currently, the general Homestead Property Tax Credit is available to homeowners and renters with incomes up to $50,000. It is calculated by subtracting 3.5 percent of the taxpayer's income from the amount of property taxes on the taxpayer's home and multiplying that result by 60 percent. An enhanced credit is available for low-income seniors and those with disabilities. Renters calculate their credit using 20 percent of rent.

Beginning with tax year 2013, the governor proposes two significant changes to the calculation of the Homestead Property Tax Credit. First, the governor proposes to change the Homestead Property Tax Credit income percentage from 3.5 percent to 3 percent, allowing a greater percentage of property taxes to be refunded. Second, the governor proposes extending the credit to taxpayers with incomes up to $60,000.

The proposed changes will provide additional property tax relief and increased tax refunds to an estimated 1.3 million taxpayers. Under the governor's proposal, taxpayers who qualify for and claim the existing credit will be issued a supplemental refund check in the summer of 2014 for the 2013 tax year. Newly eligible taxpayers will need to file a credit claim in order to receive a refund. In future years, eligible taxpayers will simply claim the credit by filing a Homestead Property Tax Credit return.

Conclusion

While there is no doubt that Michigan is the comeback state, there is still a great deal of work to be done before the state makes a full economic recovery. Gov. Snyder's budget recommendation is designed to address those areas where improvement is needed and to continue to advance Michigan's reinvention. This two-year budget plan builds on the prioritized investments of the past three years while remaining focused on Michigan's future.

Adoption of Gov. Snyder's responsible budget recommendation for fiscal year 2015 is the right answer for Michiganders. Gov. Snyder and his administration are ready to work in partnership with the members of the Michigan Senate and House of Representatives to enact a fiscal year 2015 budget that will help fuel our future and continue Michigan's comeback.

"In Michigan, Gov. Rick Snyder has helped bring about reforms that have reduced government interference and created more certainty for businesses."

The Midland Daily News, Feb. 13, 2013
