



Maximizing Michigan's

MOMENTUM

GOVERNOR RICK SNYDER

February 7, 2018

Governor Rick Snyder

Lt. Governor Brian Calley

State Budget Director John J. Walsh



Michigan's Momentum

- Added over 540,000 private-sector jobs
 - Ranked #1 in the Great Lakes Region
 - Ranked #6 nationally
- Unemployment has fallen by 10% since 2009
 - Lowest unemployment rate in 17 years
- Per capita income growth from 2010 through Sept. 2017 grew 28%
 - #1 in the Great Lakes Region
 - #6 in nation



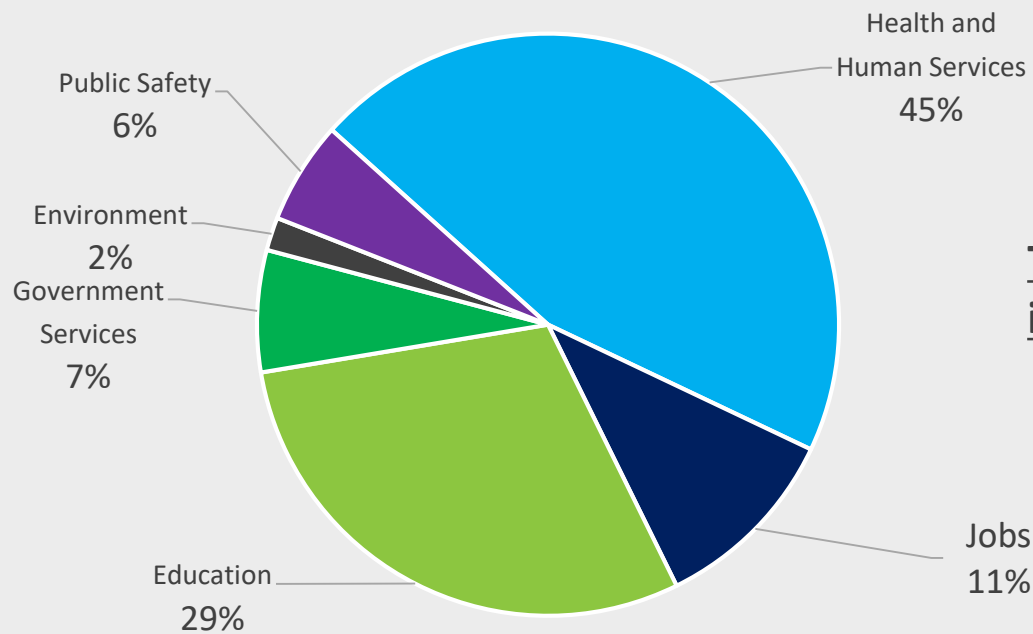
Michigan's Momentum

- In 2017, more people moved into Michigan than moved out
 - #1 in the Great Lakes Region for inbound migration of people with a bachelor's degree
- #1 in the creation of manufacturing jobs in the country
 - 76% of U.S. R&D in the auto industry is done in Michigan
 - World's leader in Mobility – Planet M Initiative
- The second most diverse agriculture industry in the nation
 - Grown to over a \$100 billion dollar industry
 - Value added processors expanding and coming to Michigan



FY19 Budget Plan:

Almost three quarters of the total spending is dedicated to education and health and human services.

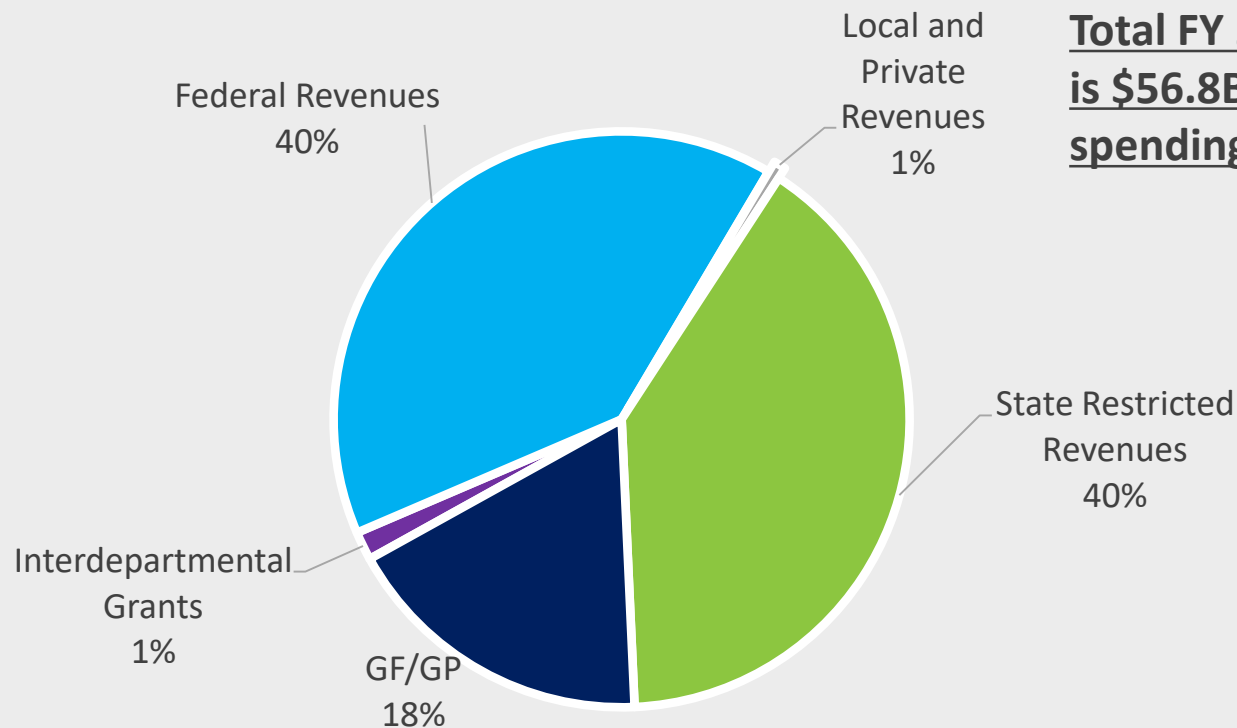


Total FY 2019 Gross Spending is \$56.8B, up only 0.6%



FY19 Budget Plan:

Only 18% of gross spending is General Fund revenue.



Total FY 2019 gross spending is \$56.8B, General Fund spending is flat at \$10B



2019 Budget

- Total budget \$56.8B, up 0.6 percent
- General Fund \$10B, no change from 2018
- Projected inflation rate for 2019 is 1.9 percent

Maximizing Our Momentum

- Providing for a wide scope of tax relief
- Increasing K-12 and higher education funding
- Accelerating support for roads and transportation
- Prioritizing safety for Michiganders
- Making strategic one-time investments



Tax Relief for Michiganders

- Increased Homestead Property Tax Credit
 - Increased maximum credit by \$300
 - Increasing income cap by \$10,000
 - Total for FY2019 is \$205.6M
- Phase out of Sales Tax on the Difference for trade in vehicles, total benefit for FY2019 is \$42M
- Personal Property Tax reform, total for FY2019 is \$438M
- Total Tax Relief for FY2019 is \$685.6M



2019 Ongoing General Fund

Reductions \$5 Million & Above	New Investments \$5 Million & Above
IT Investment Fund, \$25M	Indigent Defense Commission, \$46M
Corrections facility closure, \$18.8M	Prisoner Food Service, \$13.7
DHHS Managed Care Rule savings, \$21.2M	Rural Hospital payments, \$7M
Restoring cost share for foster care, \$8M	PFAS contaminant response, \$8M
Business Attraction/Community Revitalization, \$5.1M	
Reduce various Corrections items, \$6M	
Medicaid pharmaceutical savings, \$5M	
All others totaling \$40.3M	All others totaling \$36M
Total GF Reductions, \$129.4M	Total GF Investments, \$110.7M



2019 Ongoing School Aid Fund

Reductions \$5 Million & Above	New Investments \$5 Million & Above
Shared Time reforms, \$67.9M	Foundation allowance increase, \$312M
Cyber School reduction, \$25M	CTE per-pupil payment, \$5M
	University operations, \$28.6M
	Early On funding, \$5M
All others totaling \$0.3M	All others totaling \$0.5M
Total SAF Reductions, \$93.2M	Total SAF Investments, \$351.1M



2019 One-time investments

One-time Investments \$5 Million and Above (Combined GF & SAF; FY18 + FY19)

Accelerated roads investment, \$175M

Pre-pay capital outlay projects, \$112.1M

Flint investments, \$25.9M

Statewide Broadband \$20M total (\$13.6M GF and \$6.4M Restricted)

Going Pro funding, \$10M

Corrections custody staff training, \$9.3M

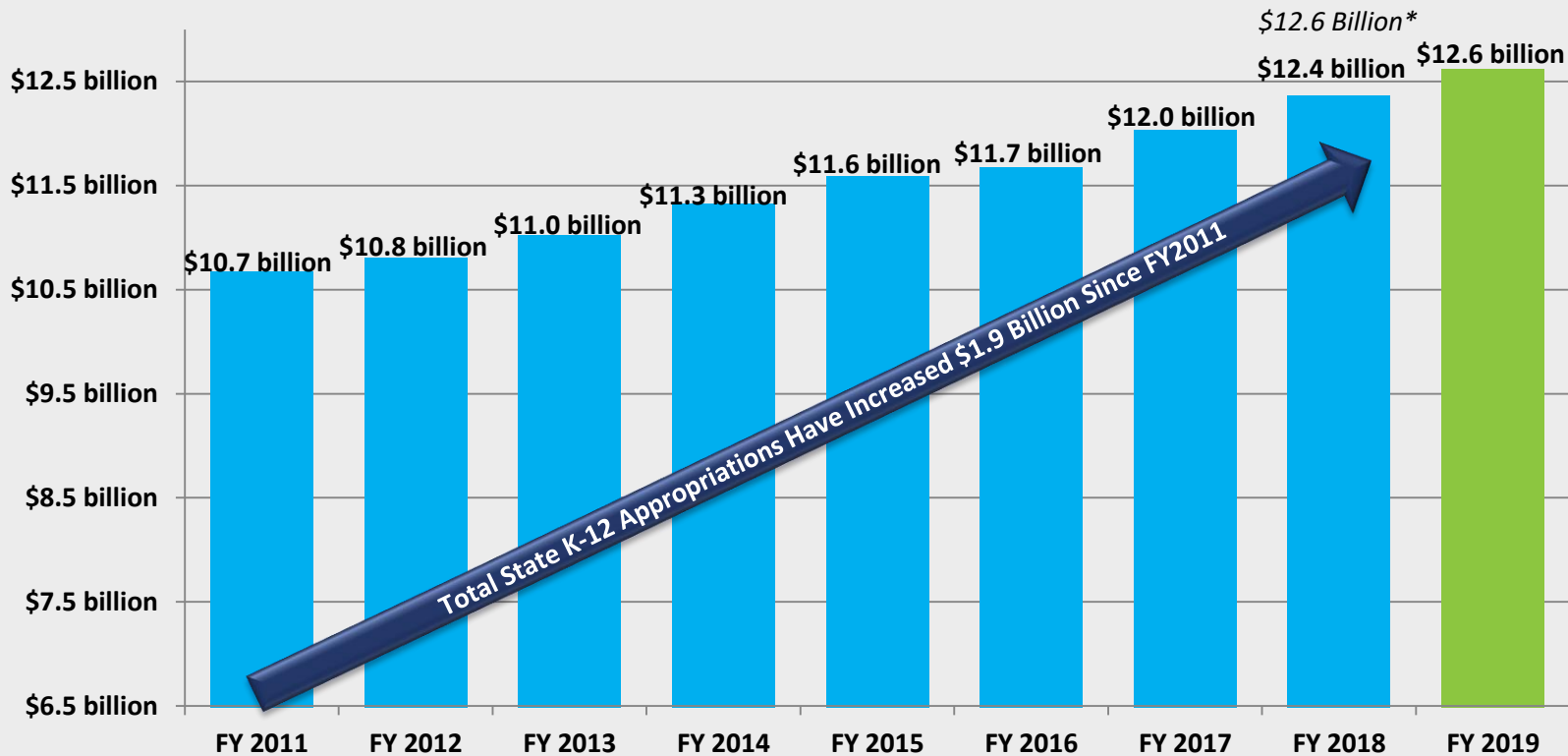
State Police trooper schools \$6.1M (plus \$3.8M ongoing)

All Other, \$30.7M

Total One-time Investments, \$382.7M



Educating Michigan's Tomorrow Today



*FY 18 includes an additional \$200 million for one-time MPSERS liability paydown

**Does not include federal funding, adult education funding, or preschool funding

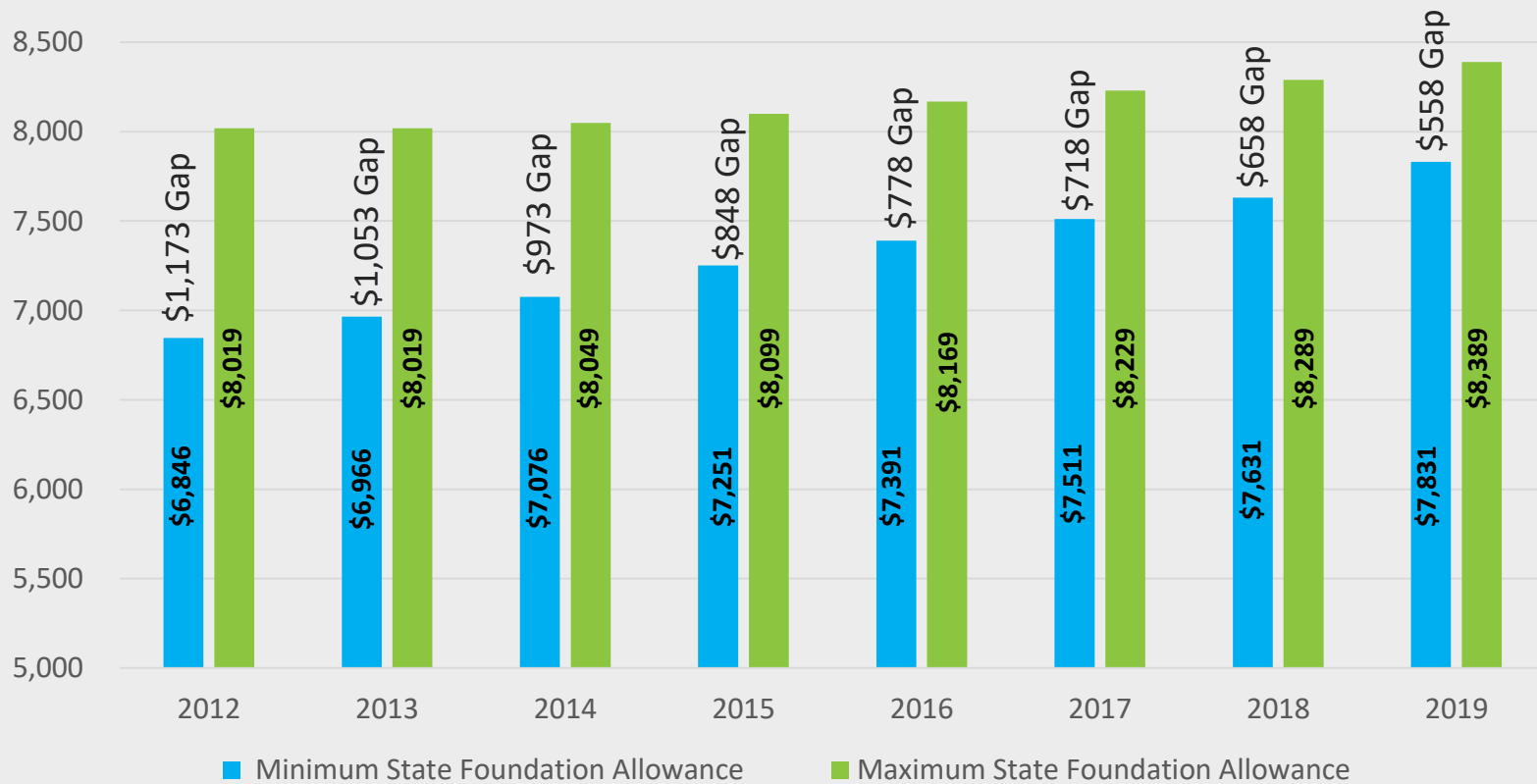


Educating Michigan's Tomorrow Today

- Foundation allowance, \$312M (\$120-\$240/per-pupil increase)
 - Largest increase in minimum foundation allowance in 15 years
 - Equity gap closed by 54% since 2011-2012
- Career and technical training (CTE), up to an additional \$50 per enrolled high school student, \$5M
- New Early on Funding, \$5M
- This funding from SAF growth and Shared Time and Cyber-Schools, \$92.9M

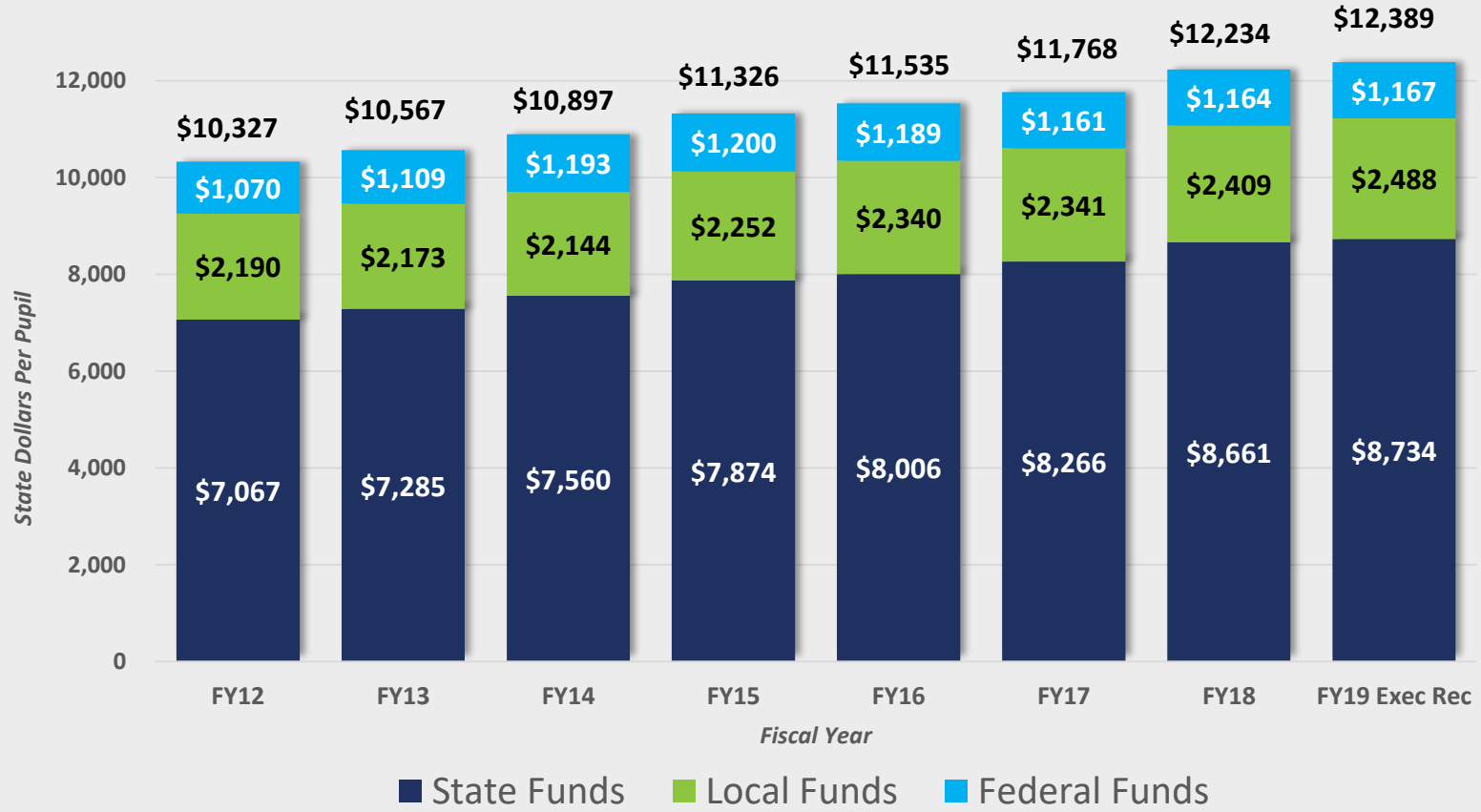


Education Foundation Allowance



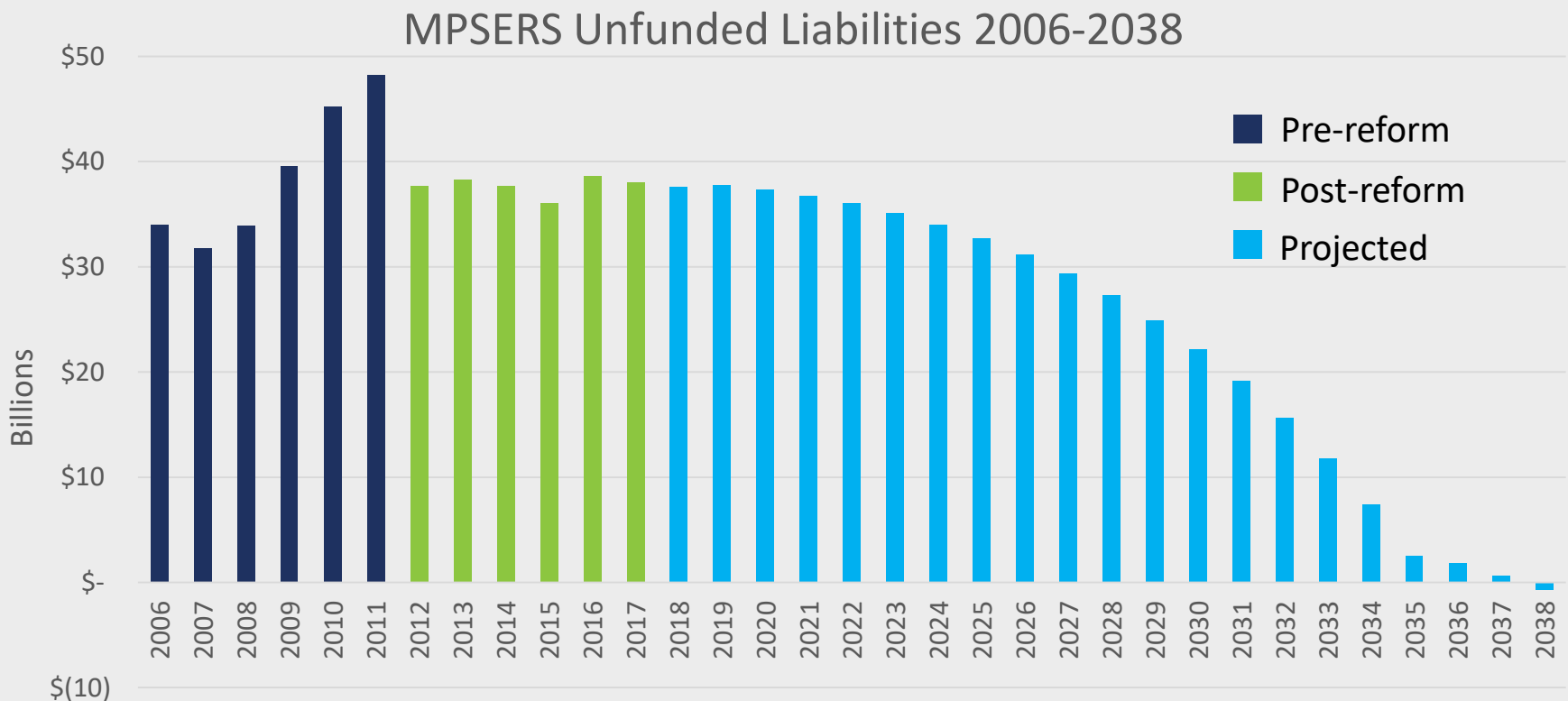


Total Pre-K to 12 Funding Per Student





On Track to Pay Liabilities off by 2038



*Uptick in 2016 is the result of lowering assumed rate of return to 7.5%, thereby lowering long-term risk.



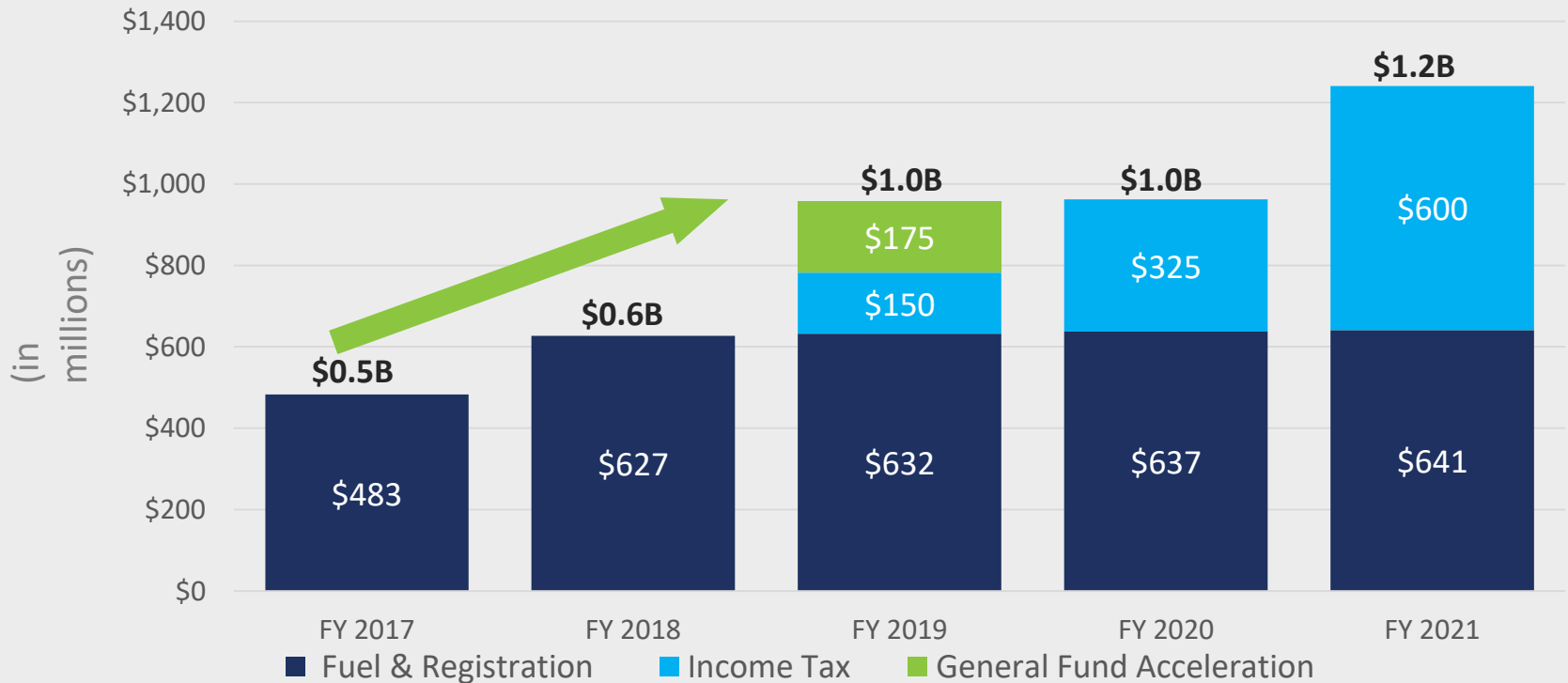
Higher Education Funding

- University operations increase of \$28.6M ongoing
 - Total funding to \$1.5B
 - 2 percent increase
- Tuition Restraint
 - 3.8 percent (2x inflation)
- MSU AgBioResearch, increase of \$679K
- MSU Extension operations, increase of \$585K



Transportation Funding

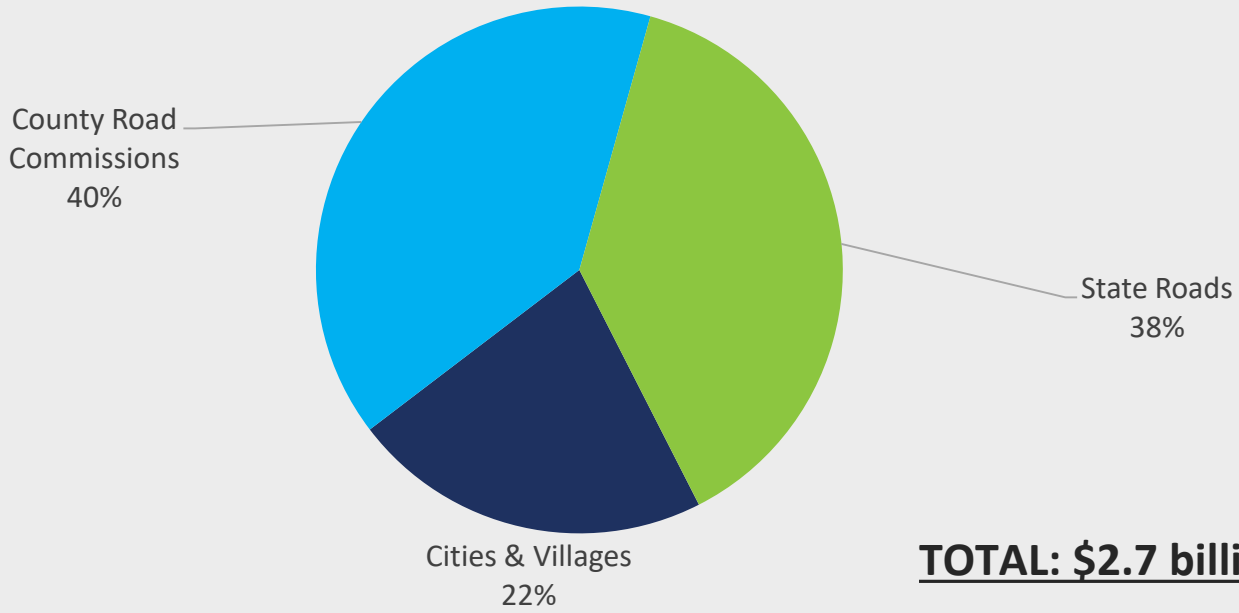
Accelerating to nearly \$1 billion in new transportation revenues 2017 - 2019.





Transportation Funding

Over 60 percent of state road and bridge funding supports local roads.



TOTAL: \$2.7 billion



Prioritizing Michigan's Safety

- Funding 50 additional troopers; \$3.8M ongoing, \$3.1M one-time
- Funding 80 troopers for the state's attrition school, \$3M one-time
- Replacement of outdated technology (car cameras), \$1.25M ongoing
- State Police recruitment and outreach, \$1M (FY18 supplemental)
- Train over 350 new corrections officers to fill department vacancies, \$9.2M one-time
- Funding 10 Conservation Officers, \$1.5M ongoing
- Campus Sexual Assault Prevention & Education Initiative, \$600K one-time; additional requests in process



Responsible Use of Lapsed Funds

- Nearly \$300M in FY17 lapsed funding needs to go to one-time uses.
 - \$175M for Roads and Infrastructure
 - \$112M to pre-pay already approved Capital Outlay projects: Capitol Building and new veterans homes
 - Avoids \$48M in long-term interest costs



Strategic One-Time Investments

- Statewide Broadband, \$20M
- Next Generation Technologies/Mobility Pilot, \$20M
(included in state share of \$175M road acceleration)
- Michigan Israel Business Accelerator, \$2.5M total for 5 years
- Project Rising Tide, \$2M
- Employment First Program, \$500K



Additional Budget Related Items

- One time funding of upcoming Marshall Plan for Talent – rollout later this month
- Two environmental infrastructure programs
 - Renew Michigan Initiative
 - Water Infrastructure Investment
- Equitable sharing of excess PPT distributions
- Indigent defense statutory reforms
- Revise tax refund allocation between GF and SAF



Two Environmental Infrastructure Initiatives

- Renew Michigan investment of \$79M to replace bond funds that have been depleted, to clean up contaminated sites, improve solid waste management and recycling, provide water quality monitoring and improve state park infrastructure. Average cost of \$4.75 yr per family
- Water Infrastructure Investment of \$110M to fund integrated asset management, grant and loan funds for water and sewer infrastructure in communities, and have a fund for water and sewer emergencies. Phased in maximum cost of \$5 per person for water systems of 1,000 users or more.



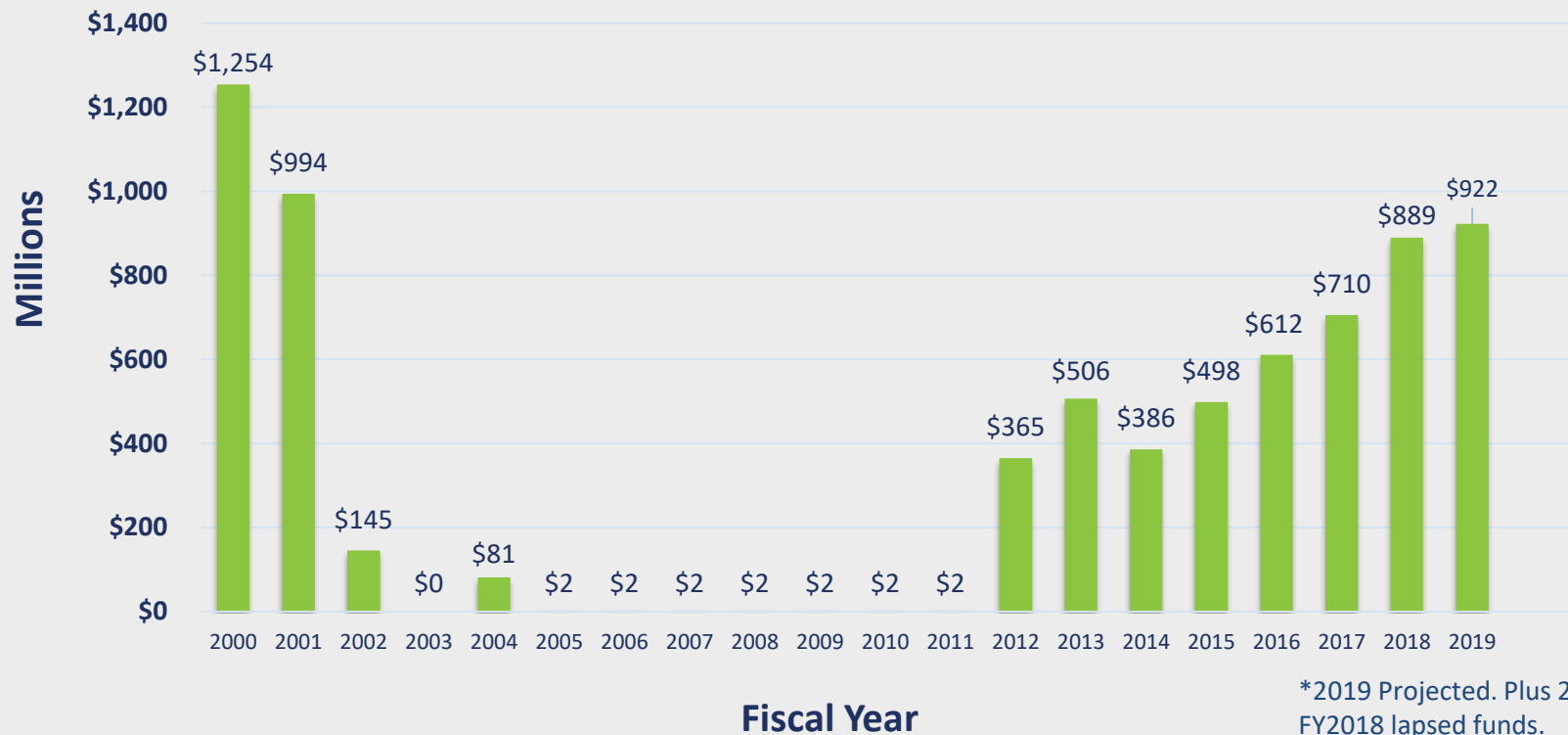
Excess PPT Distribution

- Proposing to distribute nearly \$150 million in a simpler and more predictable method.
- Dedicate a portion to Fire Protection Grants (guaranteeing \$15M per year)
- Balance allocated to groups as follows (estimates based on FY 2018):
 - Counties, \$44M
 - Cities, \$70M
 - Villages, \$3M
 - Townships, \$7M
 - Community Colleges, \$23M
- Provides additional resources to all communities and colleges in each group.



Rainy Day Fund Approaching \$1 Billion

Budget Stabilization Fund



*2019 Projected. Plus 25% of FY2018 lapsed funds.



Questions?

Thank you.