



Budget Briefing: Treasury

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Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics

Department of Treasury

The Department of Treasury acts as the chief fiscal agency of the State of Michigan and is the primary source of advice to the Governor on tax and fiscal policy issues.

- Chief responsibilities:
 - Collect state taxes
 - Invest, control, and disburse state monies
 - Protect the state's credit rating and that of its cities
- Other responsibilities:
 - Manage investments for the State's pension funds
 - Administer state revenue sharing for local units of government
 - Administer student financial aid programs
 - Investigate fraudulent financial activity
 - Provide advice and assistance on property tax-related issues
 - Advise issuers of municipal security obligations
 - Lend funds to local units in fiscal distress through Emergency Loan Board

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2018-19 is October 1, 2018 through September 30, 2019.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

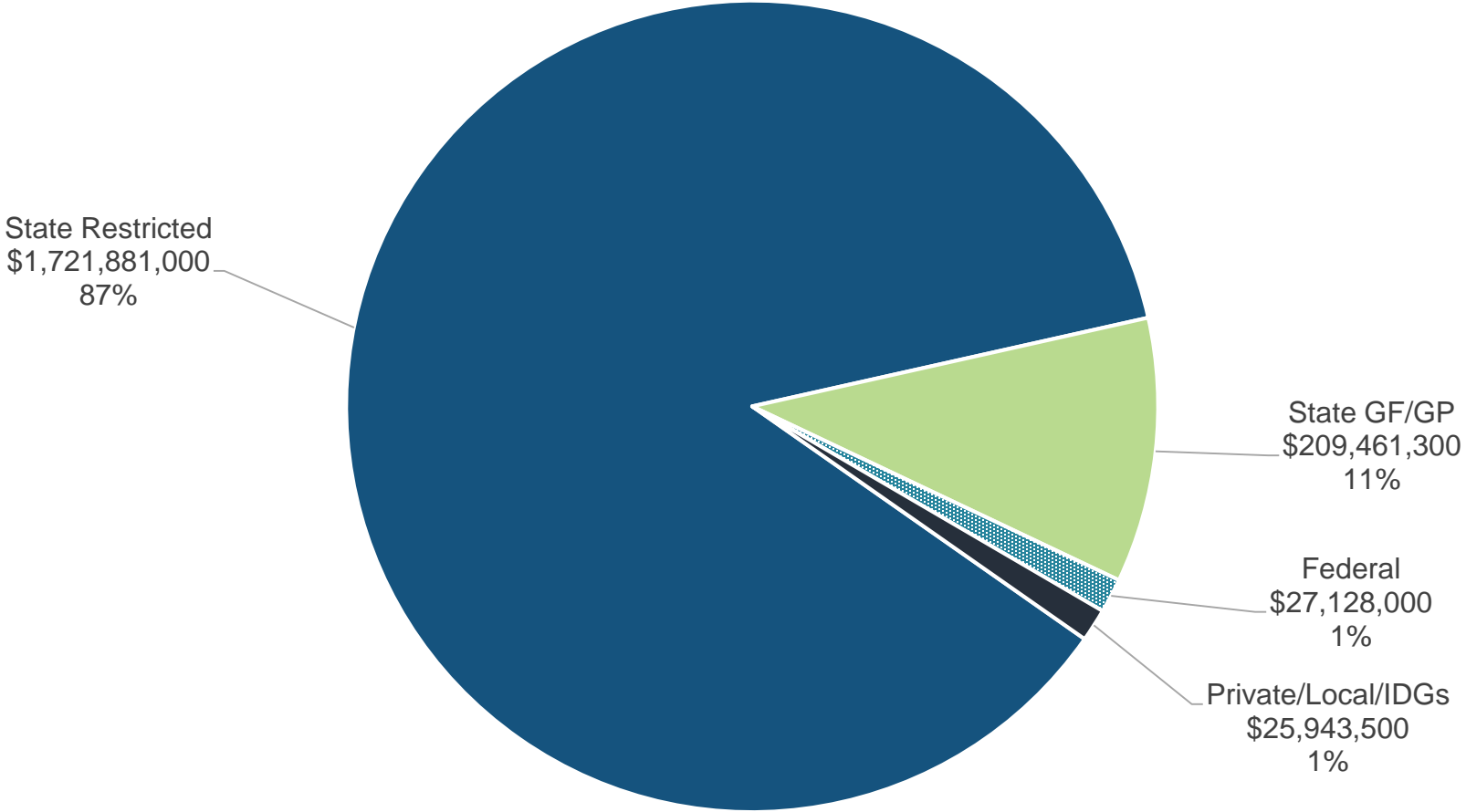
Funding Sources

FY 2018-19 Treasury Budget

Fund Source	Funding	Description
Gross Appropriations	\$1,984,413,800	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	12,780,300	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$1,971,633,500	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	27,128,000	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	13,135,700	Revenue received from local units of government for state services
Private Revenue	27,500	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	1,721,881,000	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$209,461,300	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

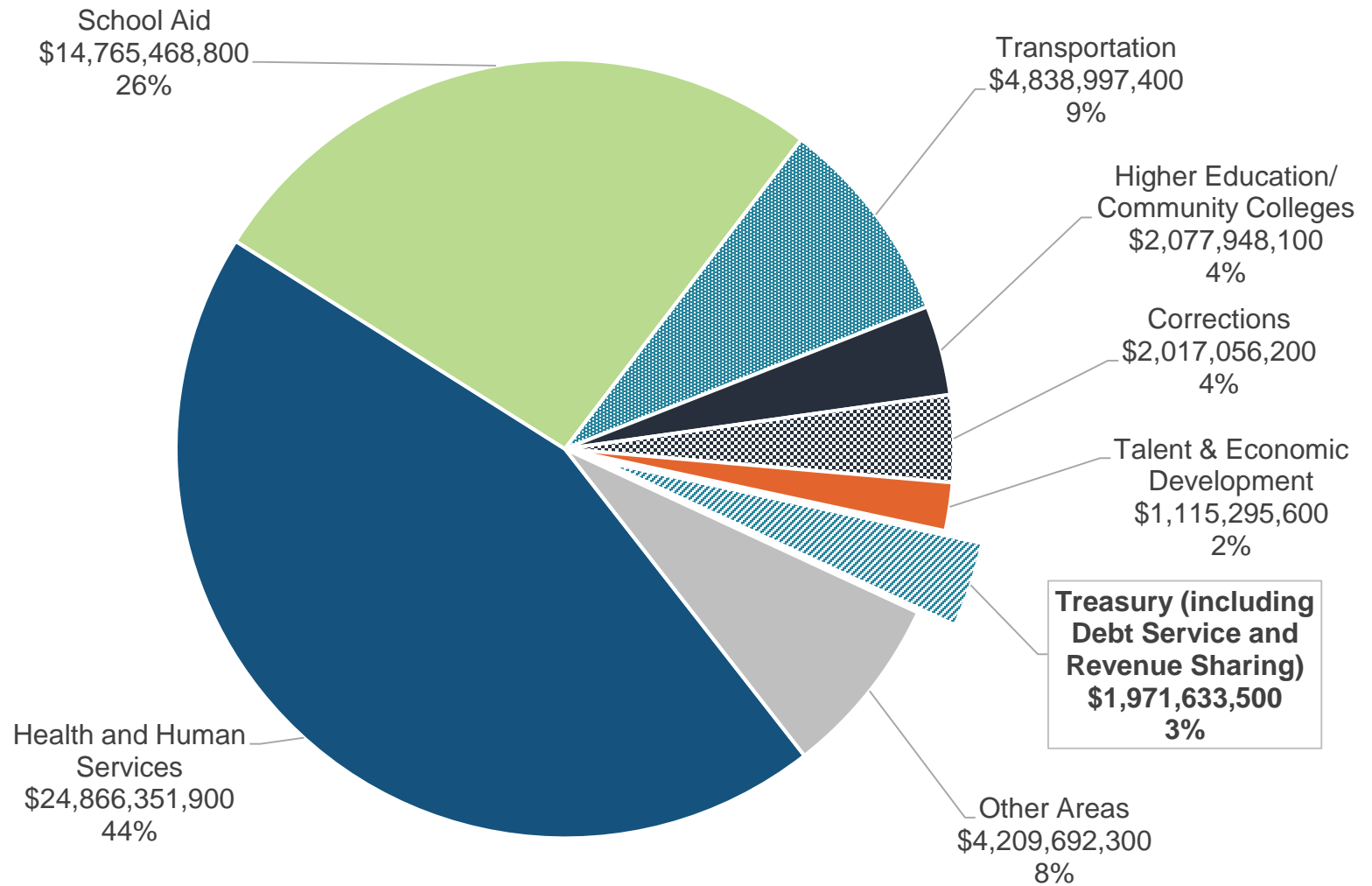
FY 2018-19 Fund Sources

86.7% of the \$2.0 billion Treasury budget is funded with state restricted revenues. Sales tax revenue which supports State Revenue Sharing payments to local units of government comprises a large majority of the state restricted fund source.



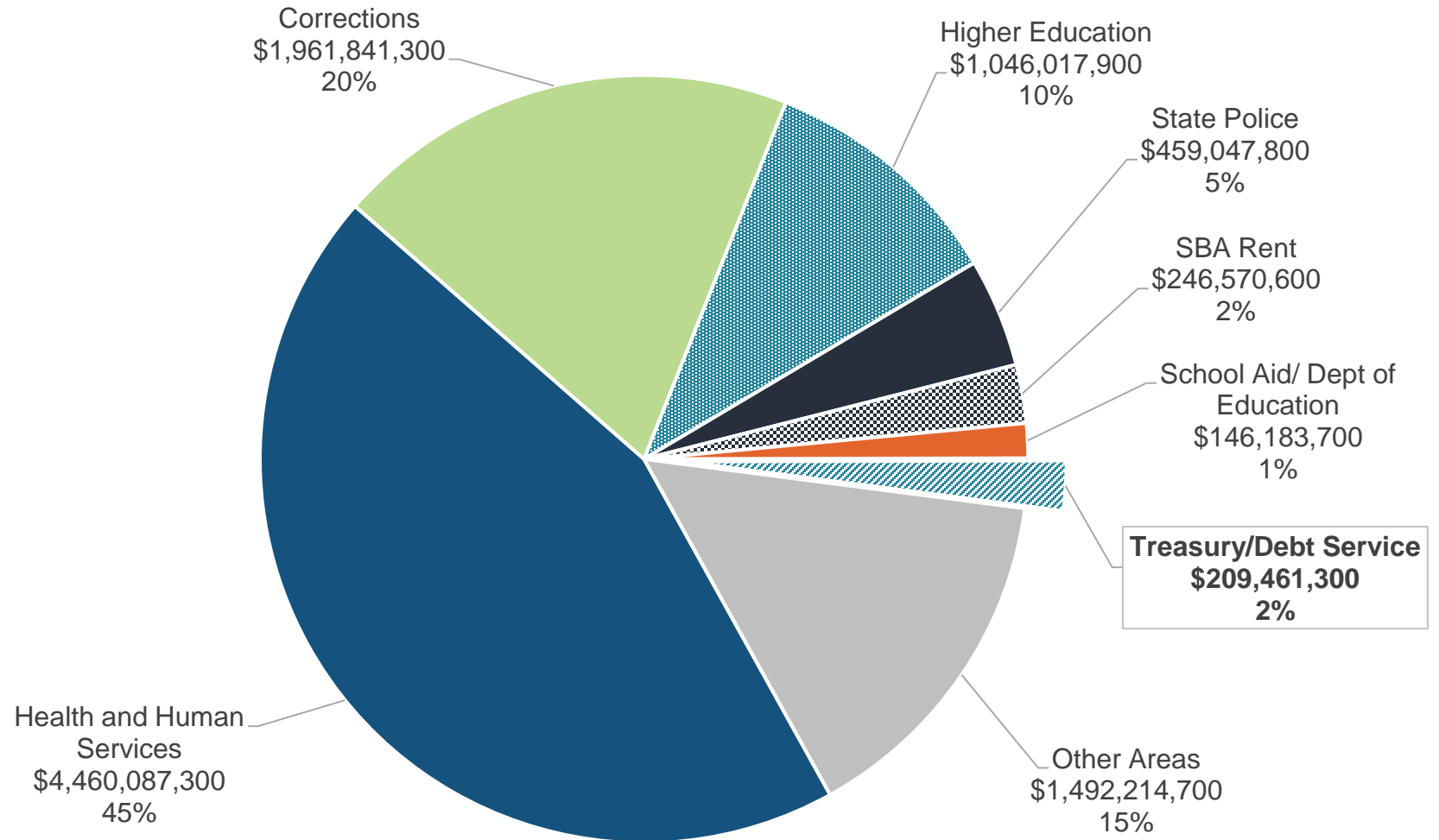
Treasury Share of Total State Budget

The Treasury budget, including Revenue Sharing, represents approximately 3% of the **\$55.9 billion** state budget (adjusted gross) for FY 2018-19.



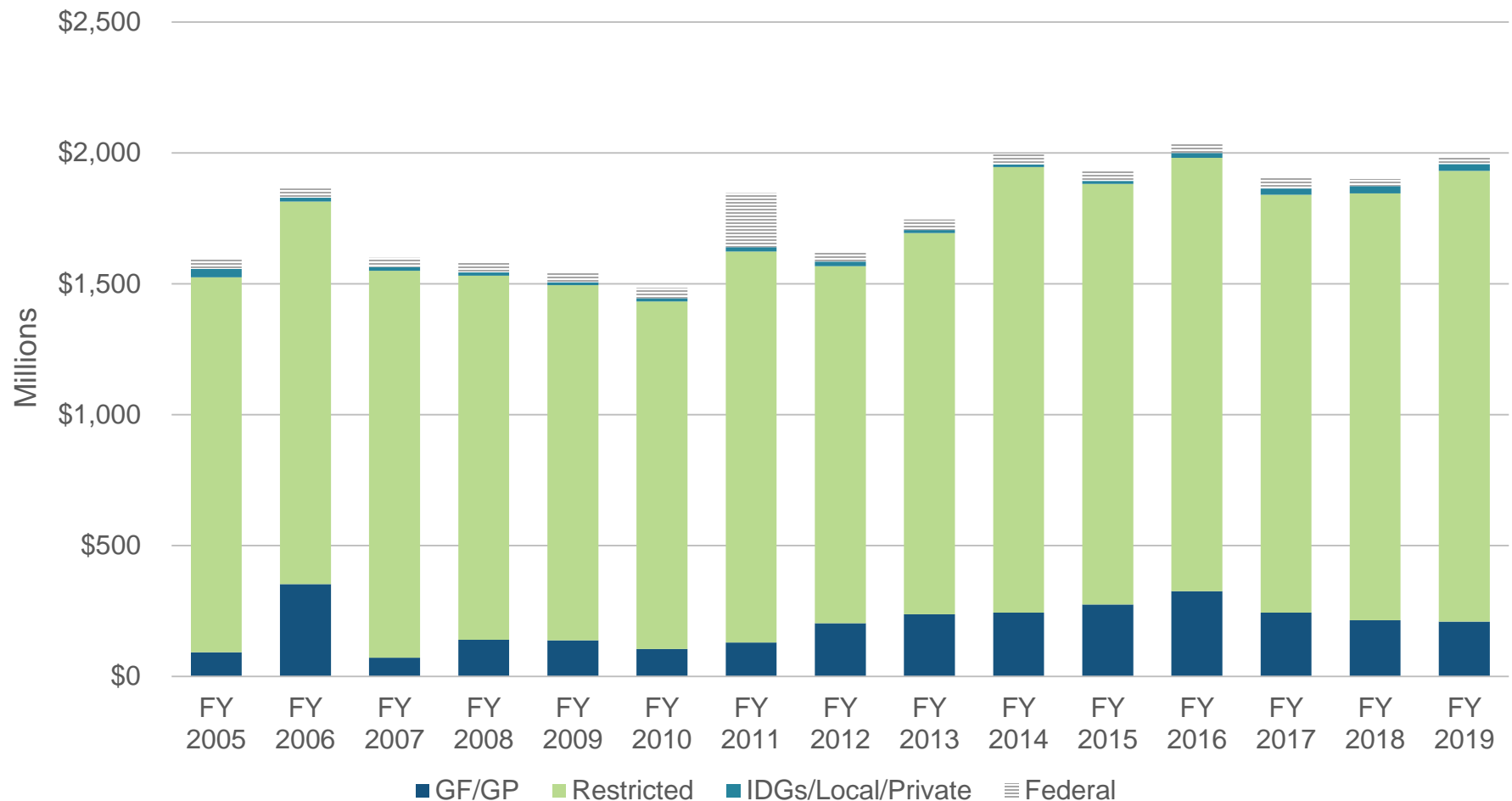
Treasury Share of Total GF/GP Budget

The Treasury budget, including general obligation bond debt service, represents approximately 2% of the state's **\$10.0 billion** GF/GP budget for FY 2018-19.



Treasury Funding History

Funding for Treasury has increased by 24.7% since FY 2004-05. Any economic increases have been offset mainly by decreases in revenue sharing payments to local units of government.



Note: \$194.8 million in one-time restricted funds were appropriated in FY 2014 to support Detroit's retirement systems (187 PA 2014). \$94.8 million Gross (one-time) was appropriated for Detroit Public Schools financial assistance and the Flint Water Emergency in FY 2016.

Appropriation Areas

Treasury Appropriation Areas

Financial and Tax Programs and Services: Funds Local Government financial services/programs; administers tax programs/processing; provides financial services for the State of Michigan; provides investment services for State-managed funds; supports operations of Michigan Finance Authority

Debt Service: Funding for principal and interest payment requirements on state general obligation bonds

Grants: Grants to local units of government for the operation of local programs/services

Gaming Control/Lottery: Funds operations for the Bureau of State Lottery and Michigan Gaming Control Board

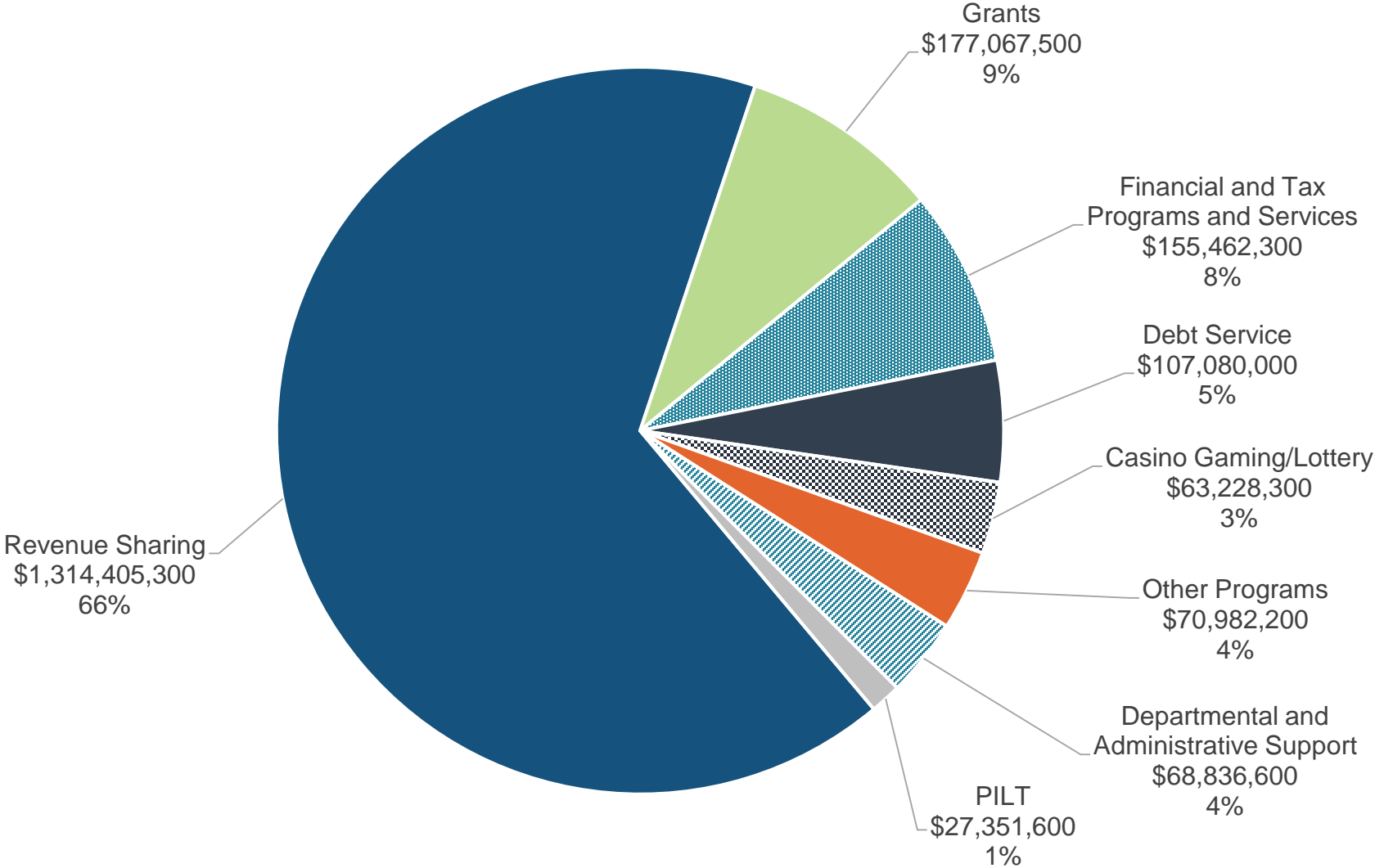
Payments in Lieu of Taxes (PILT): Funds payments to local units of government for certain statutorily tax-exempt property within a local units geographic boundary

Revenue Sharing: Constitutionally-required and discretionary revenue sharing payments to local units (For a more detailed summary of Revenue Sharing see [here](#))

Other: Executive Direction; Departmentwide Appropriations; State Building Authority; City Income Tax Administration Program; Information Technology (IT)

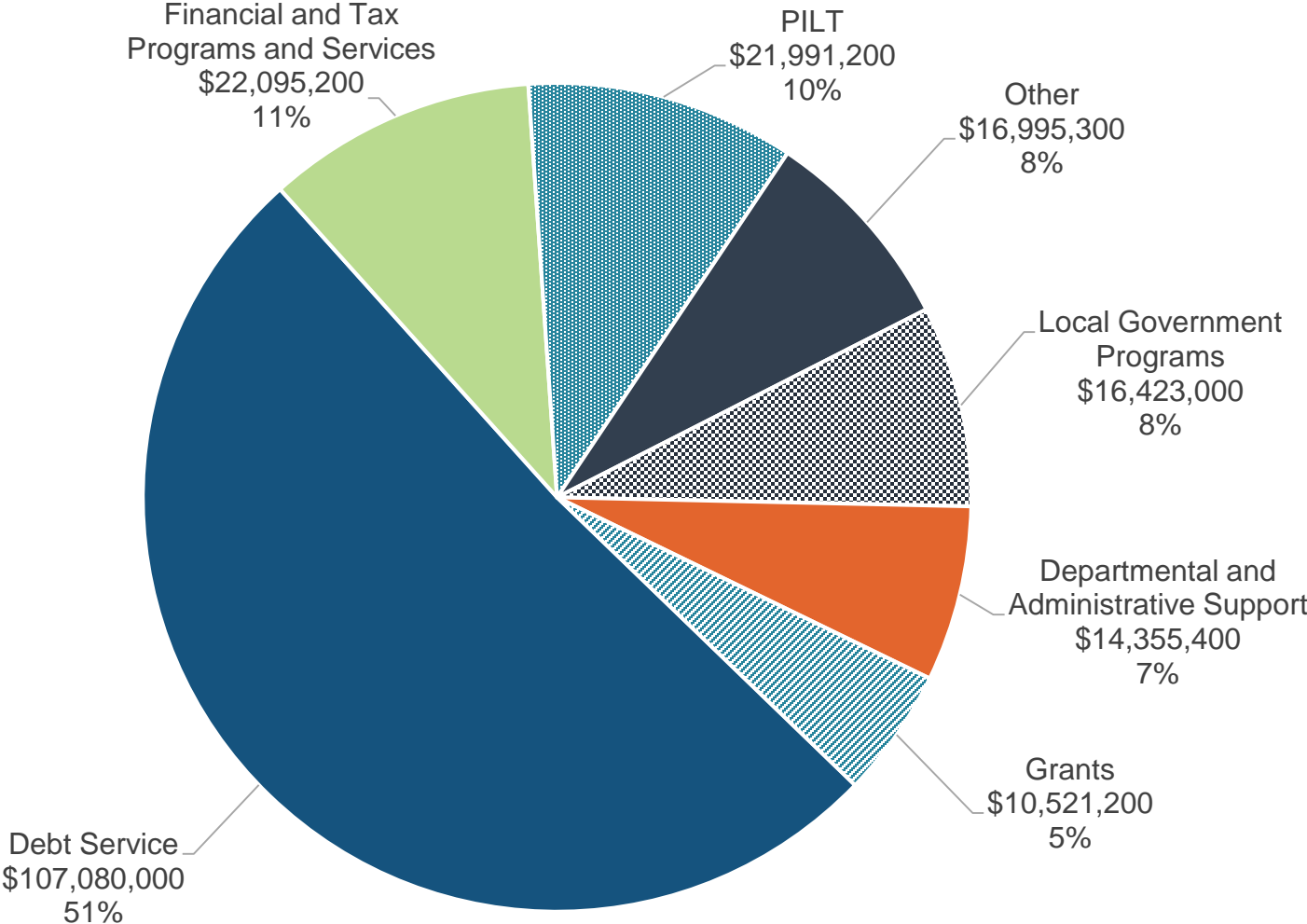
FY 2018-19 Gross Appropriations

About 66% of the \$2.0 billion Treasury budget supports revenue sharing payments to local units of government.



FY 2018-19 GF/GP Appropriations

Approximately 51% of the **\$209.5 million** GF/GP funds support debt service payments on State of Michigan general obligation bonds.



Major Budget Topics

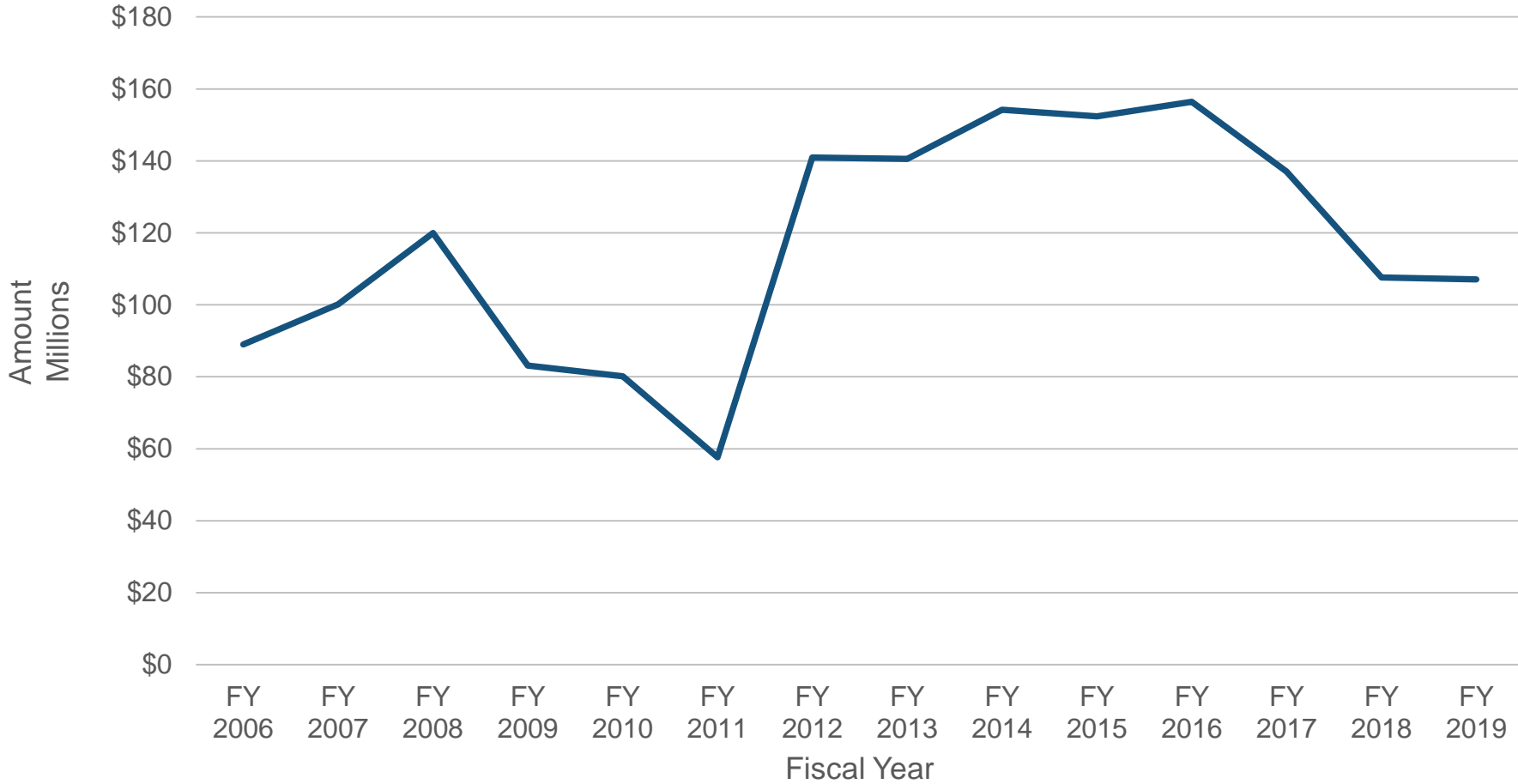
General Obligation Debt Service

Appropriation covers principal and interest payment requirements on state general obligation bond issues (authorized by the electorate) except School Bond Loan debt (funded in School Aid Act)

- **Quality of Life Bond:** issuance of up to \$660 million in environmental bonds to support environmental protection activities and up to \$140 million in recreation bonds to support development of recreation activities and facilities; includes portion of Strategic Water Quality Initiative
- **Clean Michigan Initiative:** issuance of up to \$675 million in bonds for environmental clean-up, pollution prevention, redevelopment, and natural resource protection projects; includes portion of Strategic Water Quality Initiative
- **Great Lakes Water Quality Bond:** issuance of up to \$1 billion in bonds for sewage treatment works, storm water projects, and water pollution projects; includes portion of Strategic Water Quality Initiative

General Obligation Debt Service

Annual debt service payments for the State of Michigan general obligation debt (not including School Bond Loan Fund). Debt service payments have declined in recent years due to refinancing, payoffs, and lower bond capacity for the issuance of new debt.



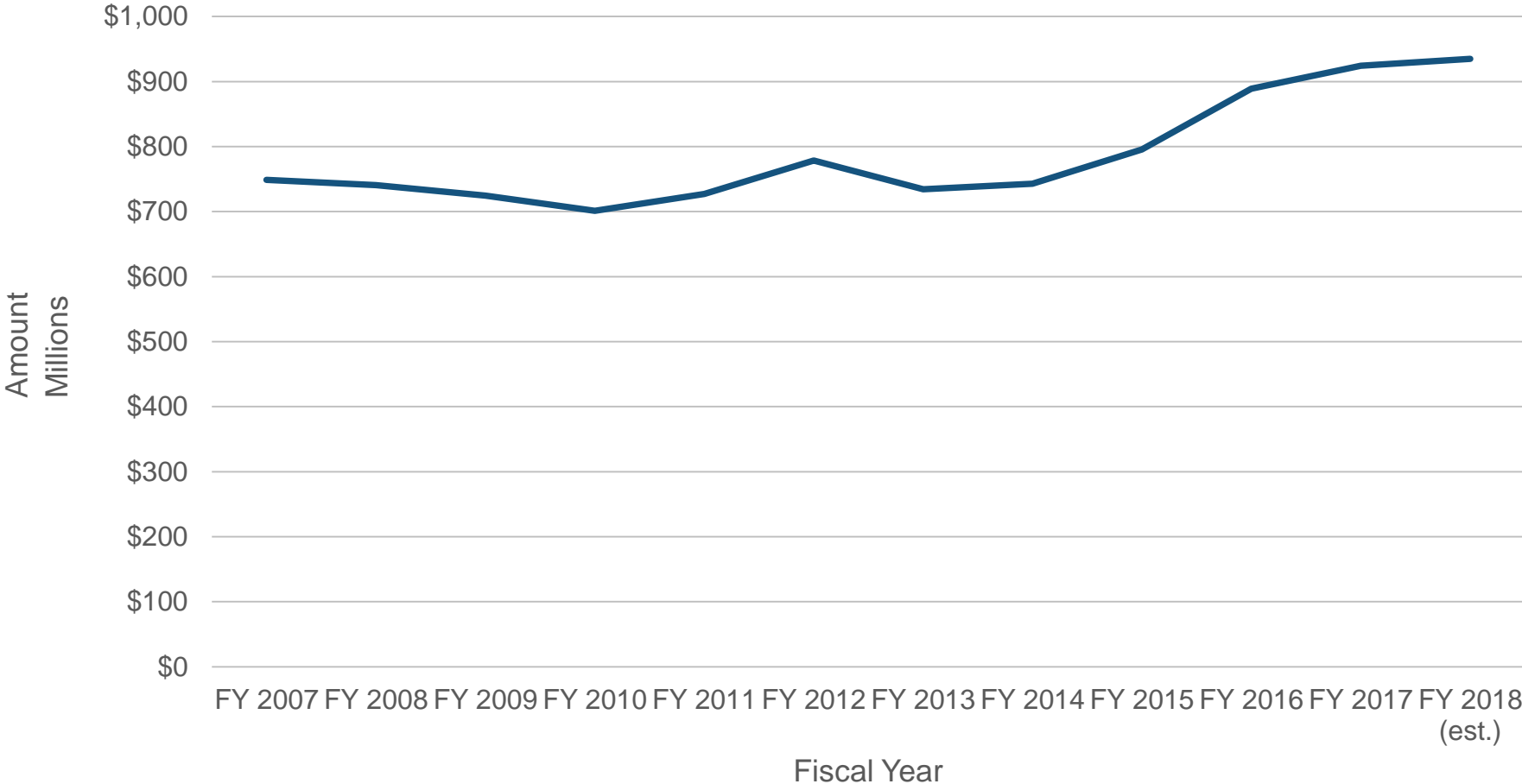
Note: Increase in FY 2012 reflects increased debt service costs of \$83.3 million GF/GP due to scheduled payment requirements and new issues resulting from short-term restructuring to achieve FY 2010-11 savings.

Bureau of State Lottery

- Established pursuant to 1972 PA 239 and charged with "producing the maximum amount of net revenues for the state consonant with the general welfare of the people"
 - Maximize net revenues to supplement state education programs (\$934.9 million estimated for FY 2017-18). The School Aid Fund receives 100% of the Lottery net revenue (profit).
 - Operate all Lottery games and Bureau functions
- Funded 100% with State Lottery Fund revenue which is received from Lottery game sales

Bureau of State Lottery

Annual distribution of Lottery proceeds to the School Aid Fund. The iLottery was introduced in FY 2014 and is expected to steadily increase net revenue to the School Aid Fund.



Note: Most of the increase in FY 2016 estimate is due to historically large Powerball jackpot.

Payments in Lieu of Taxes (PILT)

- Payments to local units of government for lost revenue from property taxes
- Three types of land programs receive PILT:
 - **Commercial Forest Reserve** – pays a specific tax (\$1.30) on each acre enrolled in the program to county treasurers; approximately 2.2 million acres of private forest land are owned by 1,800 landowners enrolled in the program to retain and manage forest for timber production.
 - **Purchased Lands** – payments on certain lands owned by state and controlled by DNR; valuation of state-owned lands established by state tax commission guidelines
 - **Swamp and Tax Reverted** – payments of \$4.117 (TY 2017) per acre tax (adjusted annually by 5% or inflation, whichever is less) to counties (40%), townships (40%), and schools (20%) on tax-reverted recreation and forest lands under control and supervision of DNR
- PILT funding for FY 2018-19 totals \$27.4 million (\$22.0 million GF/GP)
 - Fully funded PILT payments to local units of government
 - Fully funded Michigan Natural Resources Trust Fund (MNRTF) Purchased Land PILT with funds from MNRTF

State-Owned Land Eligible for PILT

Acreage of Tax Reverted and Purchased Land property owned by the State of Michigan.

Fiscal Year	Total Acreage
FY 2010-11	4,589,431
FY 2011-12	4,594,986
FY 2012-13	4,602,806
FY 2013-14	4,602,916
FY 2014-15	4,602,491
FY 2015-16	4,601,943
FY 2016-17	4,601,724

Revenue Sharing

- Payments to approximately 1,773 local units of government
- Constitutional state general revenue sharing grants
 - To all cities, villages, and townships on a per capita basis
 - Funded by 15% of sales tax collections at a 4% rate
- City, Village, and Township (CVT) Revenue Sharing
 - Funded by a portion of sales tax collections
 - Incentive-based grant program funded at \$249.9 million (includes \$5.9 million one-time appropriation); a total of 536 CVTs are eligible for a payment in FY 2018-19
 - Distributes funds by providing a payment equal to the greater of (1) 78.51044% of the FY 2009-10 payment (if the FY 2009-10 payment exceeded \$1,000) or (2) \$2.648299 per capita (CVT population must exceed 7,500).
 - Includes \$2.5 million for Financially Distressed CVTs competitive grant program
- Supplemental CVT Revenue Sharing distributes additional \$6.2 million on a per capita basis to 636 CVTs eligible for CVT Revenue Sharing payment (\$0.807929 per person); funds must be used to pay debt, pension, or OPEB liabilities, if present
- For additional information, see HFA Revenue Sharing Budget briefing [here](#).

County Revenue Sharing and County Incentive Program

- County Revenue Sharing
 - Discretionary payments (no constitutional component) to counties as they exhaust revenue sharing reserve funds created with shift in county tax collection to summer in FY 2004-05
 - Payments to counties total \$220.4 million for FY 2018-19
 - Funding totals 102% of the full funding amount
 - Of the total 19.6% (\$43.2 million) is appropriated for a county incentive program modeled on CVT Revenue Sharing.
- New Supplemental County Revenue Sharing is funded at \$1.0 million, distributed to all counties eligible for a state payment in an amount equal to 0.4627% of each county's total revenue sharing payment.
 - Funds must be used to pay debt, pension, or OPEB liabilities, if present
- For additional information, see HFA Revenue Sharing Budget briefing [here](#).

For more information about the Treasury budget:

HFA Resources

<http://www.house.mi.gov/hfa/GeneralGovernment.asp>

Contact Information

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