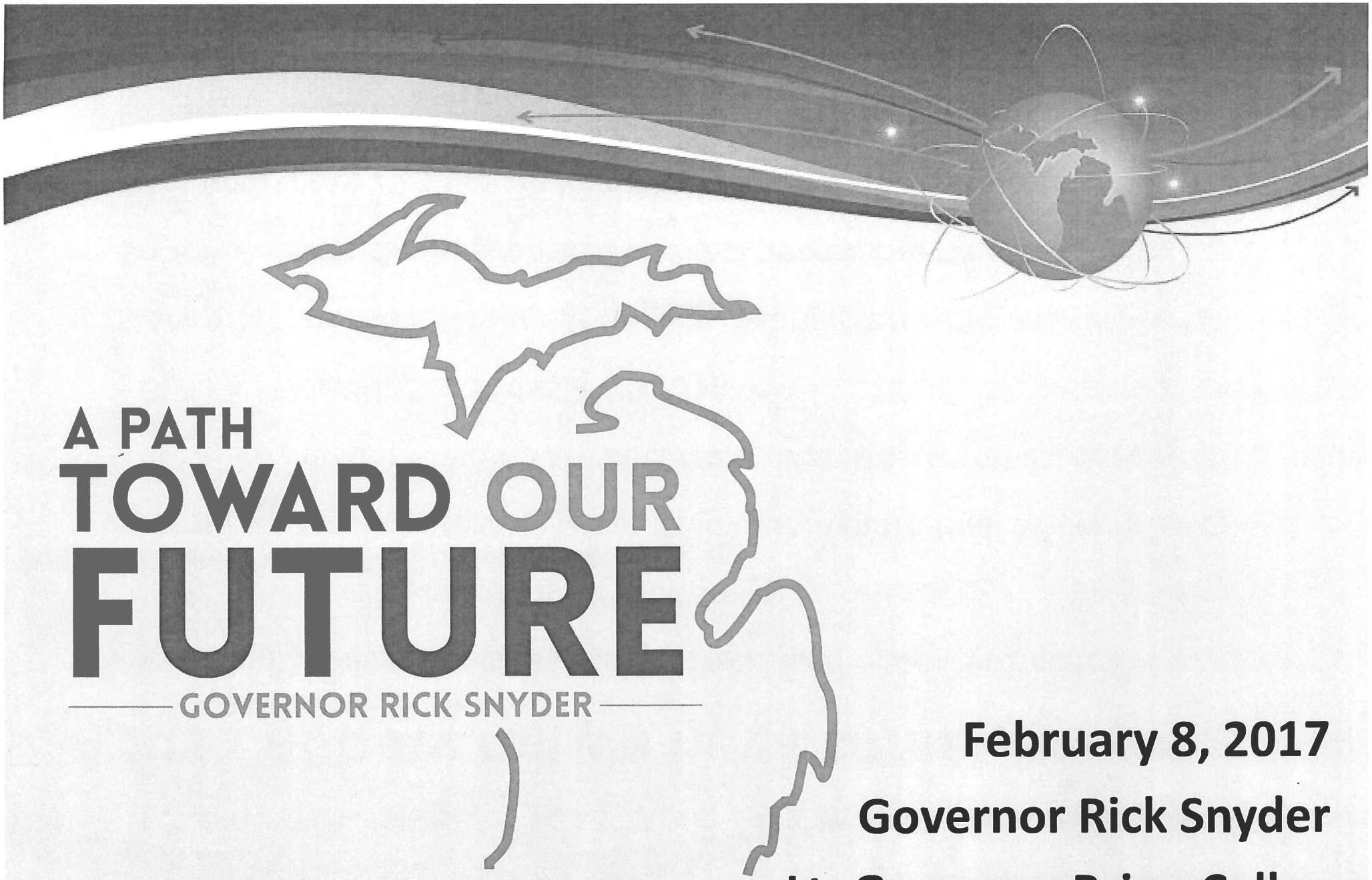


A PATH TOWARD OUR FUTURE

GOVERNOR RICK SNYDER

February 8, 2017

Governor Rick Snyder

Lt. Governor Brian Calley

Budget Director Al Pscholka

A look at how far we have come

- Nearly half a million private sector jobs created since December 2010,
  - #1 for Great Lakes States, #6 Nationally
- Unemployment rate remains near its lowest in more than 15 years
- Per capita personal income growing faster than the national average
  - #1 for Great Lakes States, #7 Nationally
- Since 2010, housing values are up 44%, beating the national average
- Six for six on getting responsible budgets done three months early
- A reduction of $20 billion in long-term liabilities from 2012 reforms
- Rainy day fund was just $2 million in 2011; now on track for $1 billion

Reinvented Tax Structure

Tax reforms created a more simple, fair, and efficient tax system, while broadening the base of Michigan taxpayers.

- Corporate Income Tax
  - Eliminated Michigan business tax and enacted a job encouraging corporate income tax
- Personal Property Tax
  - Eliminated personal property taxes on manufacturers
- Expanded Homestead Property Tax Credit
- $2.1 billion in tax relief already provided for Michiganders

Personal Property Tax Reform

Local Community Stabilization Authority
Fiscal Year 2017 Payments

196	Cities	$ 63.7 M
69	Counties	$ 37.1 M
25	Community Colleges	$ 15.7 M
637	Townships	$ 5.8 M
47	Authorities	$ 5.0 M
116	Libraries	$ 4.7 M
130	Villages	$ 2.6 M
	Total	$ 134.6 M

Payments in addition to full reimbursement of revenue losses resulting from Personal Property Tax reform approved by the state's voters in 2014

Big Picture Look at 2018 Budget

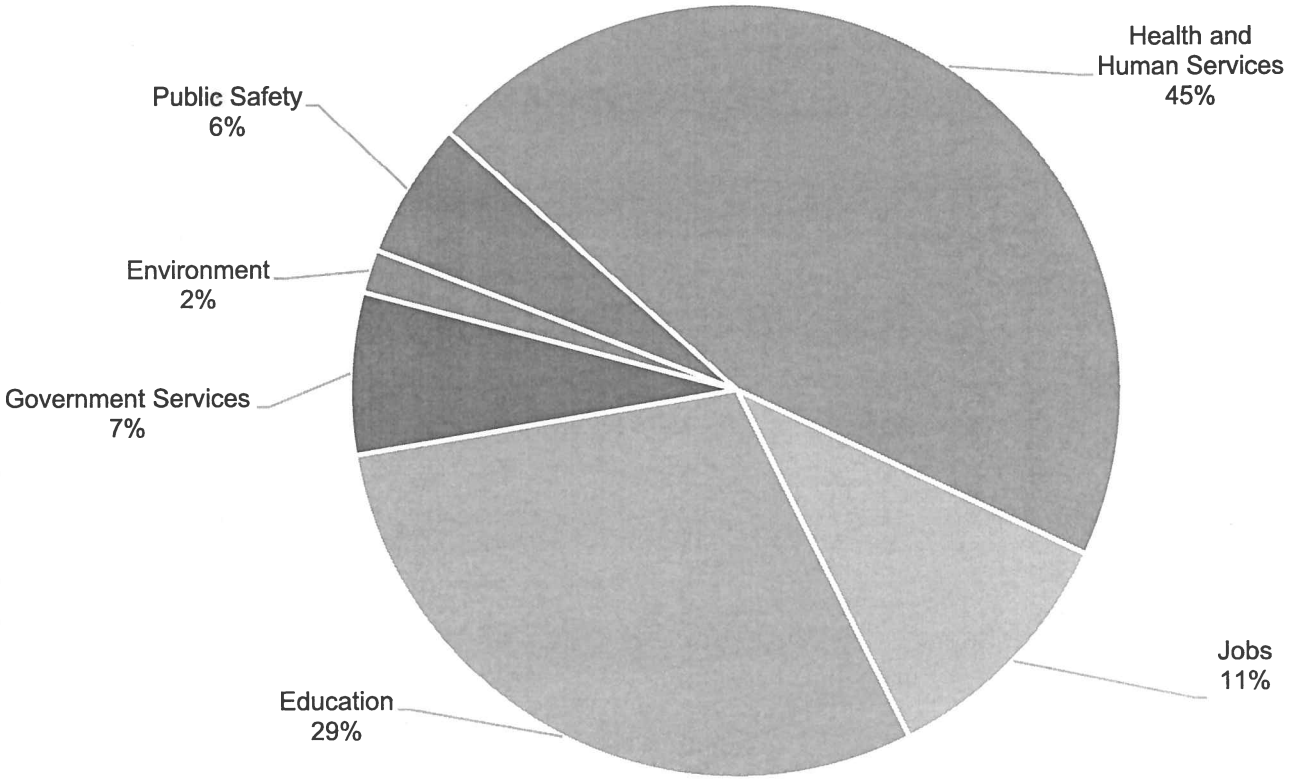
- Total budget $56.3B, up 2.5 percent
- General Fund $10.1B, up 1.75 percent

Paving the path

- Prioritizing job creation and the skilled trades
- Emphasizing a 21st Century education
- Revitalizing statewide infrastructure
- Reducing long-term risk for state retirement systems

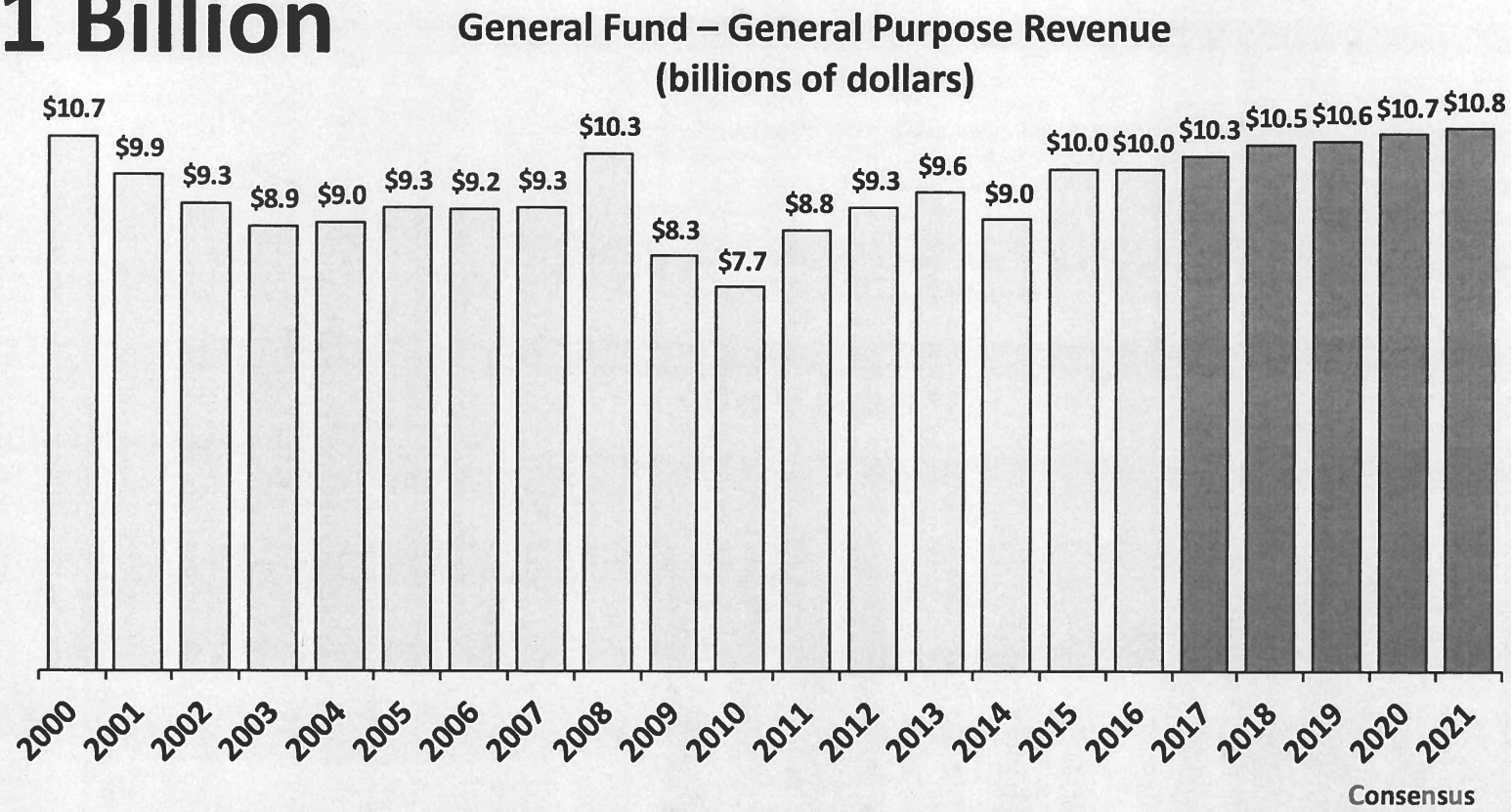
FY18 Budget Plan:

Almost Three Quarters of the Total Spending is Dedicated to Education and Health and Human Services



Total FY 2018 Gross Spending: $56.3B

General Fund Revenue Remains Under $11 Billion



Source: FY 2000 – FY 2015, Treasury Department, final revenue from ongoing revenue on same basis used in consensus process. FY 2016, Preliminary final revenue. 2017-2019 estimates, 1/12/17 Consensus Estimates. 1/12/17.

One-Time Investments

Investing one-time resource for long-term gains

Budget Stabilization Fund	$266.5M
Education Investments	$51.7M
IT Upgrades	$28.4M
Other Reserves	$55.0M
Talent and Economic Development	$29.0M
State Parks Maintenance and Trail Development	$15.0M
Training New Public Safety Employees	$10.6M
Other One-Time Investments	$48.9M
Total One-Time Investments (GF/GP + SAF)	$505.1M

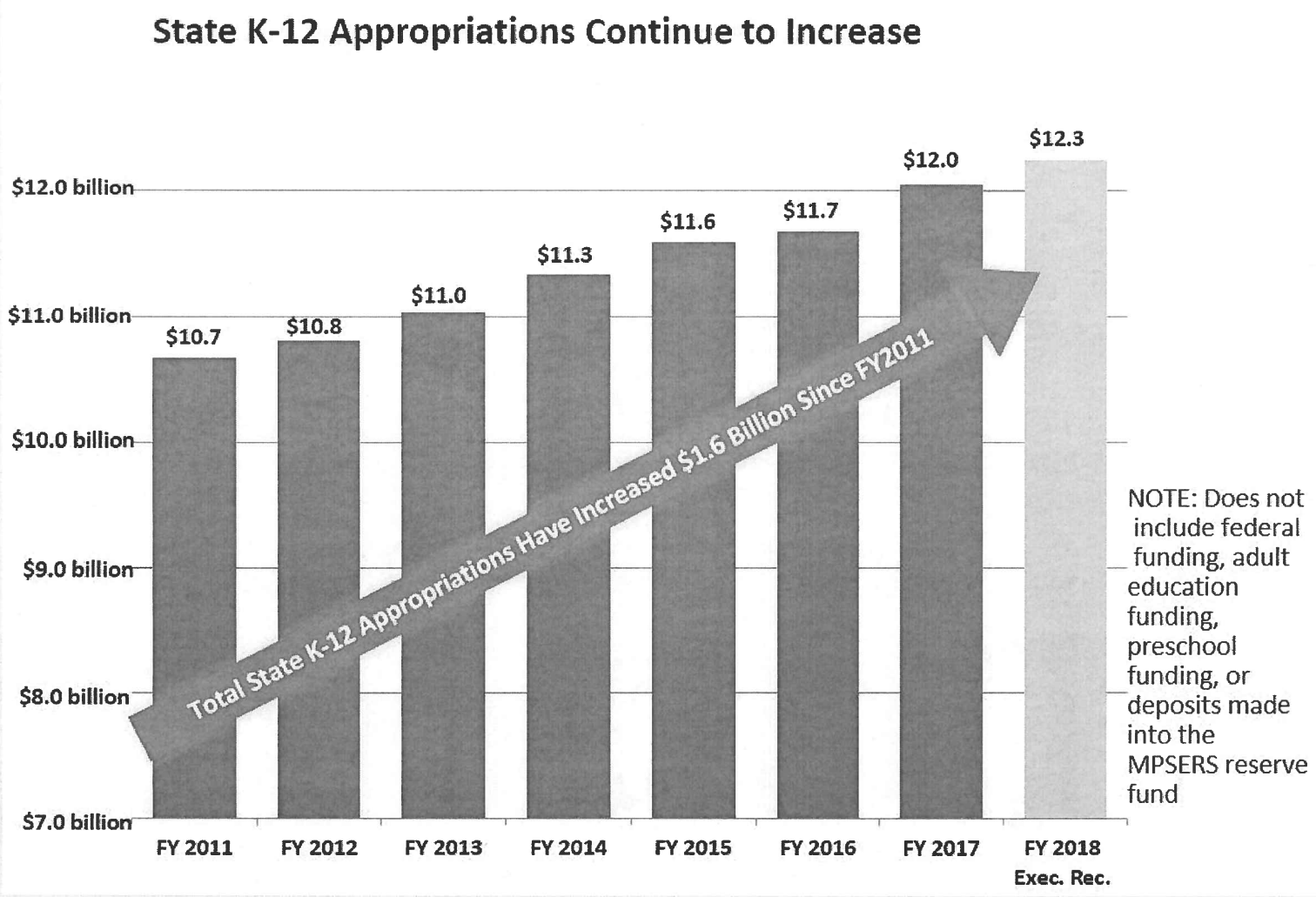
2018 Strategic Investments

- Reducing risk for our retirement systems
- Education
- Public safety
- Health and human services
- Economic growth
- Communities
- Infrastructure
- Capital Investments
- Rainy Day Fund

Reduce Future Retirement System Risk

- Retirement systems are built on employees and employers making contributions that are invested on a long-term basis to make benefit payments.
- Actuaries support lowering the assumed rate of return for the retirement systems from 8.0% to 7.5% (over 2 years for school employees; immediately for other systems).
- Lowering this assumption reduces risk to the system.
- This change moves the systems toward the 7.0% assumption utilized by the hybrid retirement system.

Continuing Education as a Priority

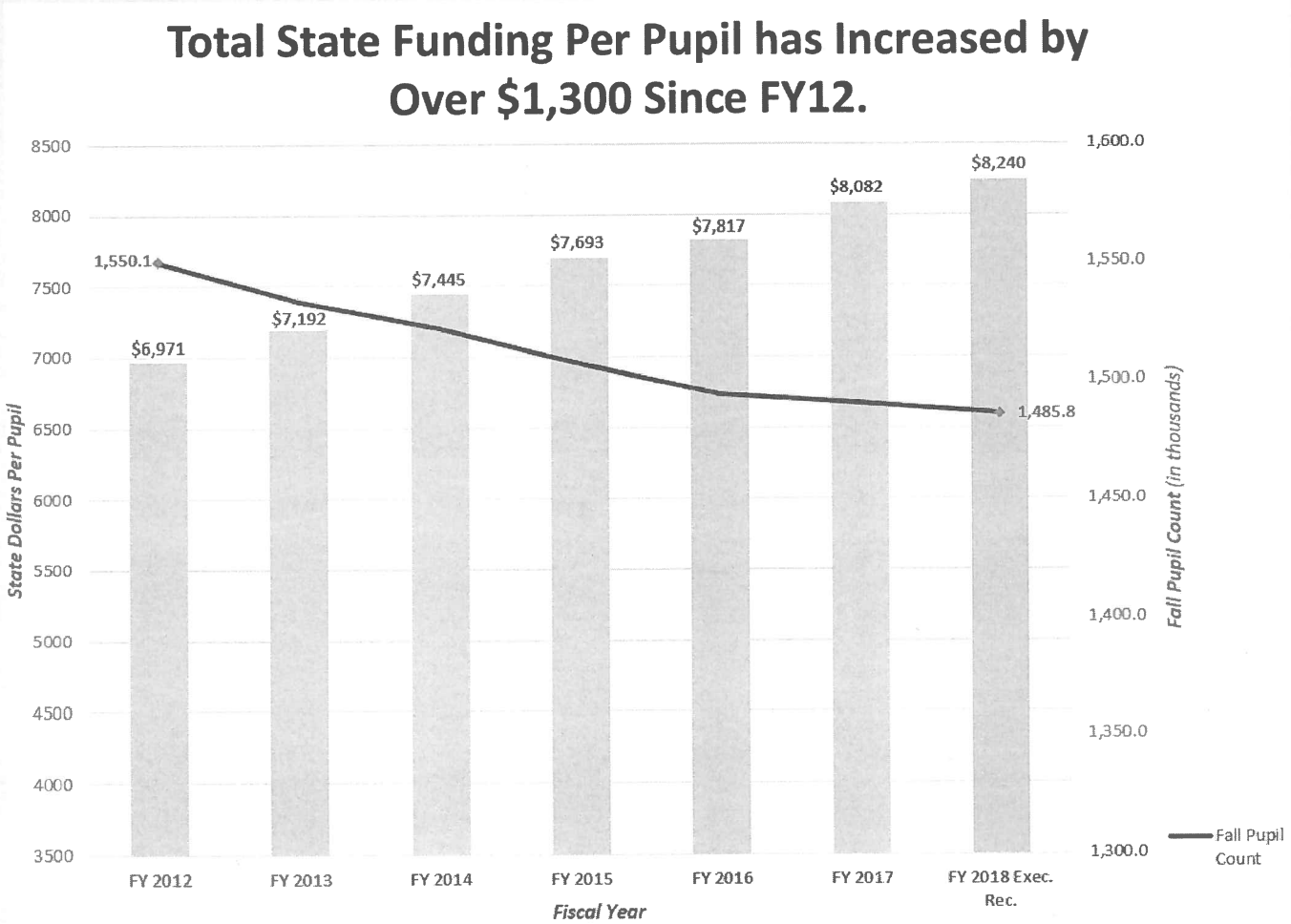


NOTE: Does not include federal funding, adult education funding, preschool funding, or deposits made into the MPSERS reserve fund

$10.7B
$1.6B

12.3B

State Funding Per Pupil



Statewide pupil counts have decreased by about 64,300 since FY12 to an estimated 1,485,800 in FY18, a decrease of over 4.1%.

NOTE: Does not include federal funding, adult education funding, preschool funding, or deposits made into the MPSERS reserve fund

Education: Michigan's tomorrow

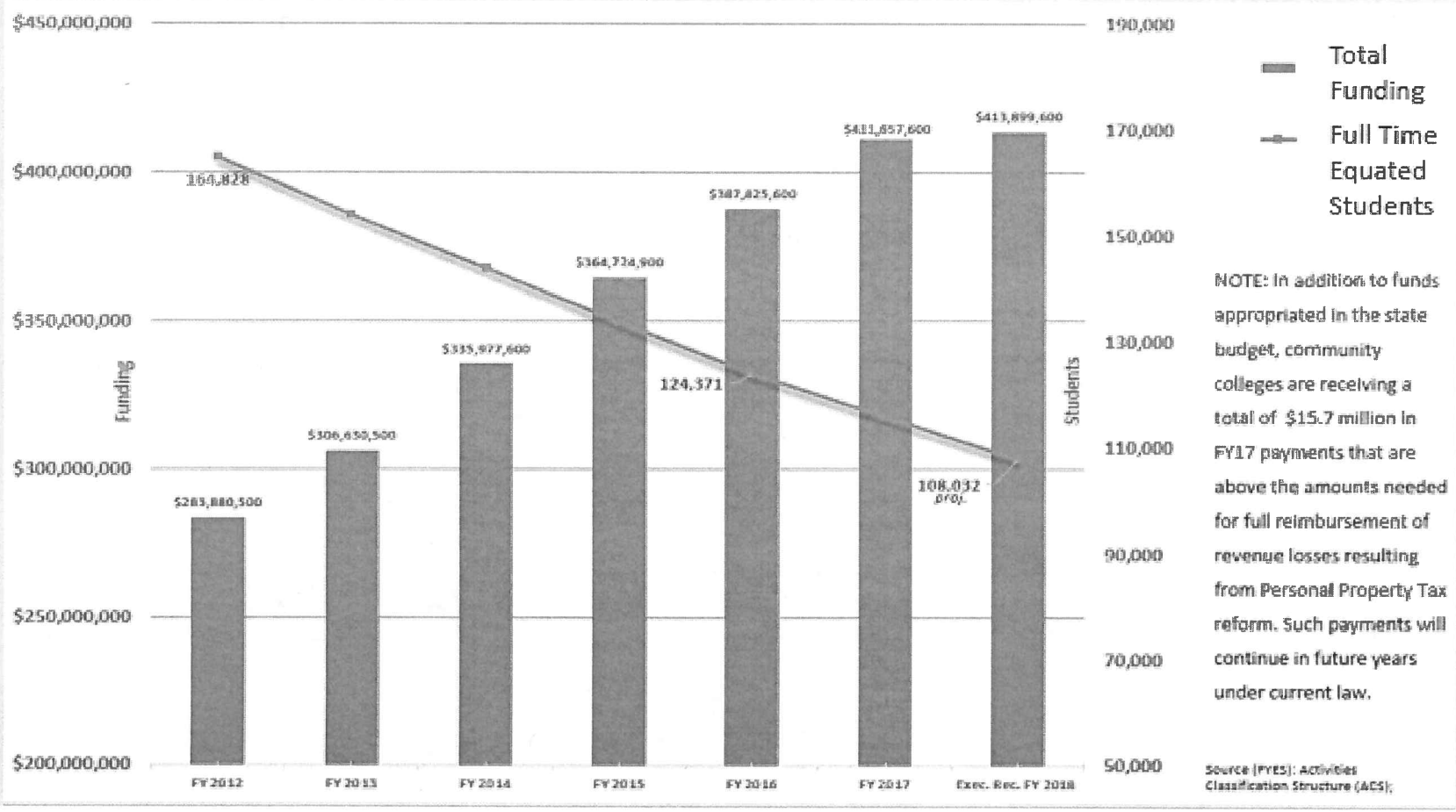
- Foundation allowance, $128M ($50-$100/pupil increase)
- At-risk funding increase, $150M ($778/pupil)
- Additional resources for high school operations, $22M ($50/pupil increase)
- Career and technical education equipment upgrades, $20M, one-time
- Financial support for declining districts, $7M, one-time
- MiSTEM Network, $8.8M Total
- MPSERS support

Extra Support for At-Risk Youth

- Increase of $150M to $529M, a 40% increase, resulting in 131,000 more children eligible for at-risk programs and services; 680,000 total pupils
- Definition of at-risk students expanded to include free and reduced lunch income eligibility, children in families receiving food (SNAP) or cash assistance (TANF), and homeless and foster care children
- All districts and public school academies are eligible to receive $778 per pupil to assist academically at-risk students

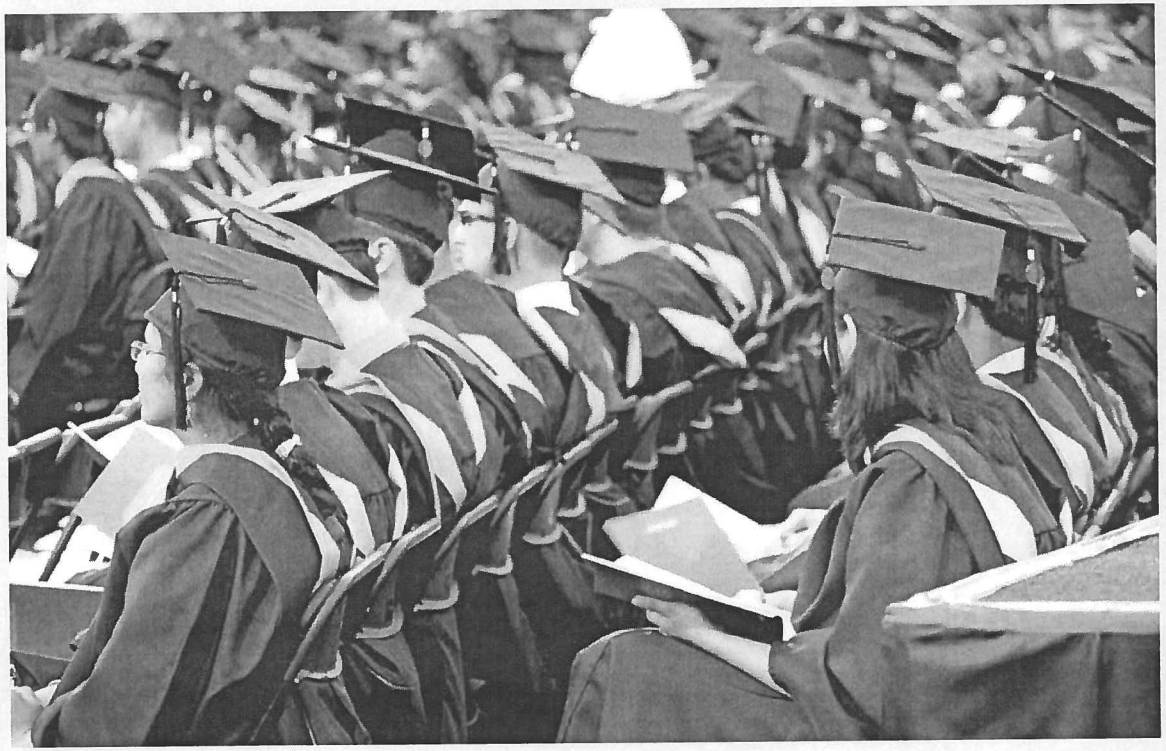
Increases to Community College Funding

Community College Enrollment is Declining While Funding Continues to Increase

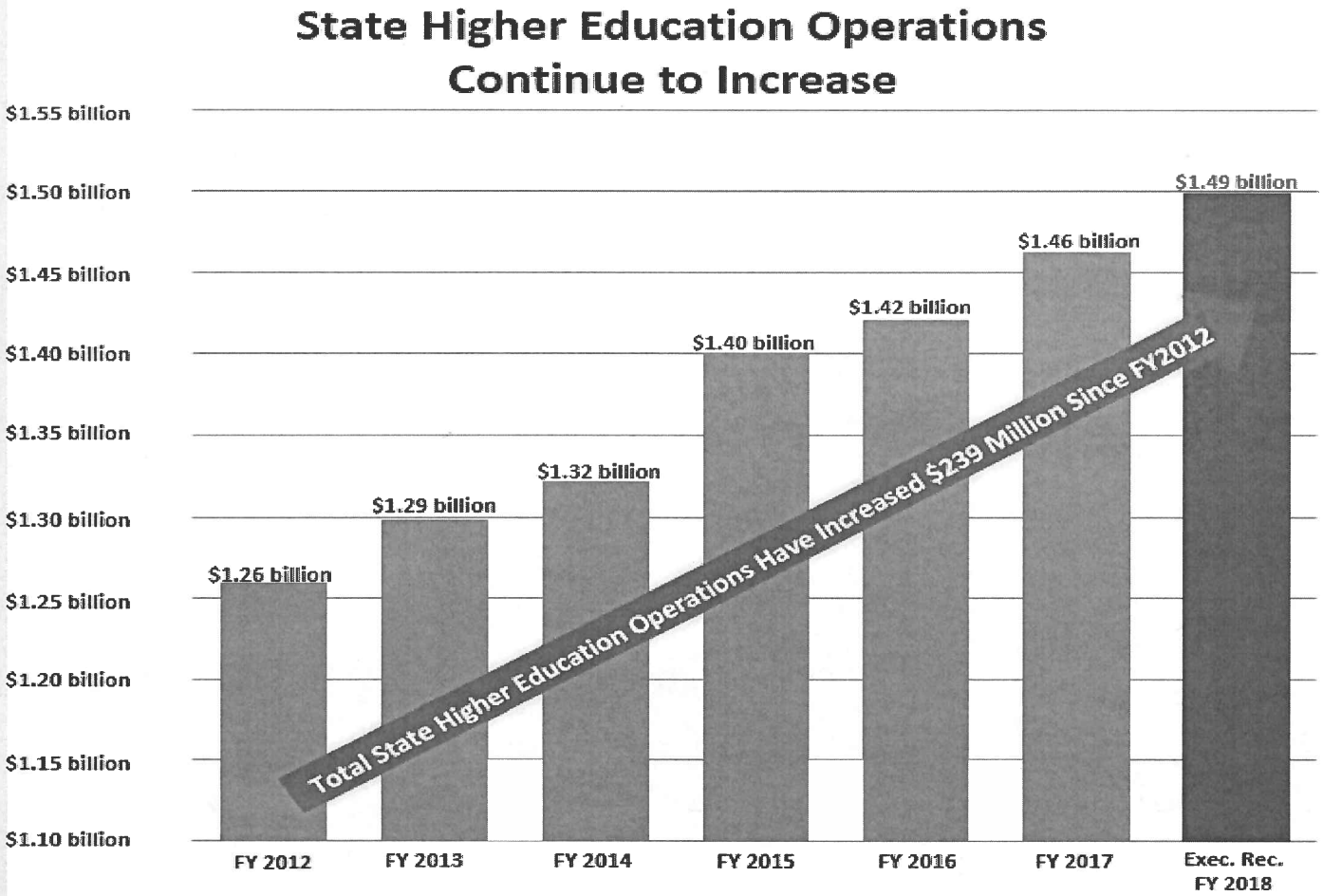


Increases to Higher Education Operations

- Higher Education operations increase of $36.6M
  - Total funding to $1.5B
  - 2.5 percent increase
  - Exceeds 2011 level
- Tuition Restraint
  - 3.8 percent (2x inflation)



Increases to Higher Education Operations



NOTE: Does not include payments for financial aid, special projects, or funding to support MPSERS obligations.

Helping Families Afford College

- MI Competitive Scholarship & MI Tuition Grant programs, $11M
  - A 21% increase to support about 46,000 students
  - Increases maximum award per student to $1,000 for MCS, $2,000 for MTG
- Tuition Incentive Program, $5.3M
  - Increase of 10% to support about 18,500 students
  - Supports very low-income Medicaid-eligible students.
  - Funding for an associate's degree and up to $2,000 for baccalaureate work
- Independent Part-Time Student Grants program, $2M
  - Targets adult students at community college that have 15+ credit hours
  - Supported about 3,300 students in FY09 when previously funded

Investing in Michigan's Safety

- Funding 100 additional troopers; highest level in more than 15 years, $9.2M, $6.2M one-time, $3M on-going
- Expansion of computer crimes enforcement, $1.5M
- Expansion of forensic science, $2.6M
- Expansion of emergency management, $1M
- Sexual assault prevention and education, $600,000, one-time
- Statewide communications system upgrade, $5M, one-time
- Disaster Emergency Contingency Fund, $10M, one-time

Health and Human Services Investments

- Medicaid mental health direct care worker wage increase, $45M
- Non-emergency medical transportation broker contract, $12M
- Adult services staffing for elderly and disabled, $11.3M
- Expansion of Pathways to Potential program, $5.6M
- Provide for additional staff for state psychiatric hospital, $7.2M
- Shelters to help clients obtain permanent housing, $3.7M

Assisting Michigan Families

- Increased child care provider rates and other enhancements to improve quality of care, $29.4M
- Low-income children clothing, from $140 to $200/year
- Foster and adoptive parents, $3.5M
- Implementing "Heat & Eat" program, $6.8M
- Expand Food Bank Council's surplus program, $500,000, one-time

Supporting Our Veterans and Seniors

Veterans

- Increased funding for veteran homes staffing and training, $3.6M
- National Guard tuition assistance increase, $500,000
- Armory Maintenance, $2.5M, one-time

Seniors

- Invested $5M in FY15 to eliminate waiting list for home delivered meals and in-home services
- The waitlist actually grew to nearly 7,000 at the end of FY16
- Invest $3.6M more in FY 18 in efforts to eliminate waiting lists by building on the $2.5M investment in FY 17

Addressing Public Health Issues

- Clean water resources
  - Drinking water, childhood lead, and toxicology response, $4.2M
  - Expanded Lead and Copper Program, $2.6M
  - Statewide school drinking water quality program, $4.5M, one-time
  - State match for Drinking Water Revolving Fund Program, $3M
- Vapor Intrusion, $4.9M

Key Flint 2018 One-Time Investments

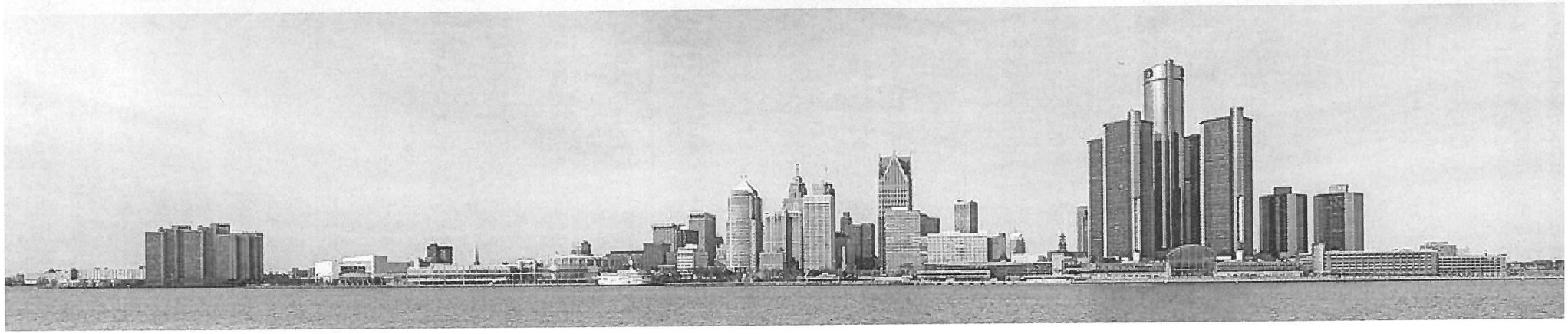
- Total invested in Flint-to-date, $247M
- Fiscal year 2018 recommendation, $48.8M
  - Drinking water declaration of emergency reserve fund, $25M
  - Water filter cartridges and filter replacement, $1M
  - Technical assistance for water treatment plant operations, $1M
  - Lead poisoning prevention program, $709K
  - Nutrition services, $11.5M
  - Children's Health Access program expansion, $375,000
  - Early childhood services, $8.7M

Enhancing Michigan for the Future

- State parks special maintenance, $19.5M, $10M, one-time, $9.5M, on-going
- DNR Enhanced Challenge for Trail Development, $5M, one-time
- Wetland Mitigation Banking Program, $3.8M, one-time
- Hire additional conservation officers, $1.8M
- Animal and workforce agriculture initiatives, $3.7M, one-time
- Agriculture development industry enhancement, $3M
- Implementation of federal food and dairy requirements, $1.1M

Focusing on Michigan's Economic Future

- Business Attraction and Community Revitalization, $125.5M total, an increase of 8.7%
- Going Pro Program (skilled trades training), $40.9M total, an increase of 32%
- Talent Marketing, $5M, one-time



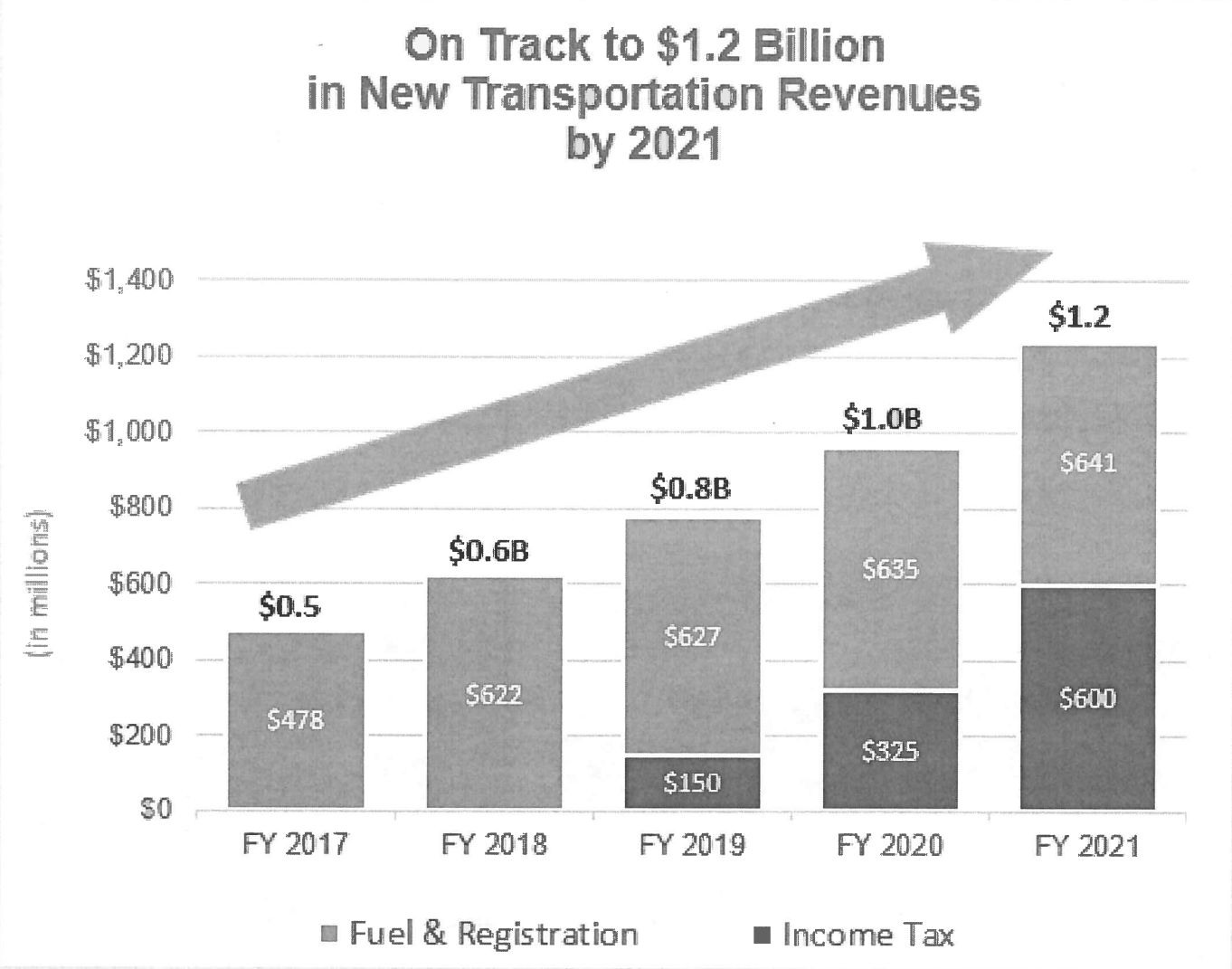
Investing in Our Communities

- Constitutional Revenue Sharing, $773.5M, up 2.3%
- Statutory Revenue Sharing, $468.8M
- Recommend reallocation of excess PPT funding to local partners in a broader fashion
- Project Rising Tide, $2M, one-time
- Arts and cultural program, $11.2M, 10% increase

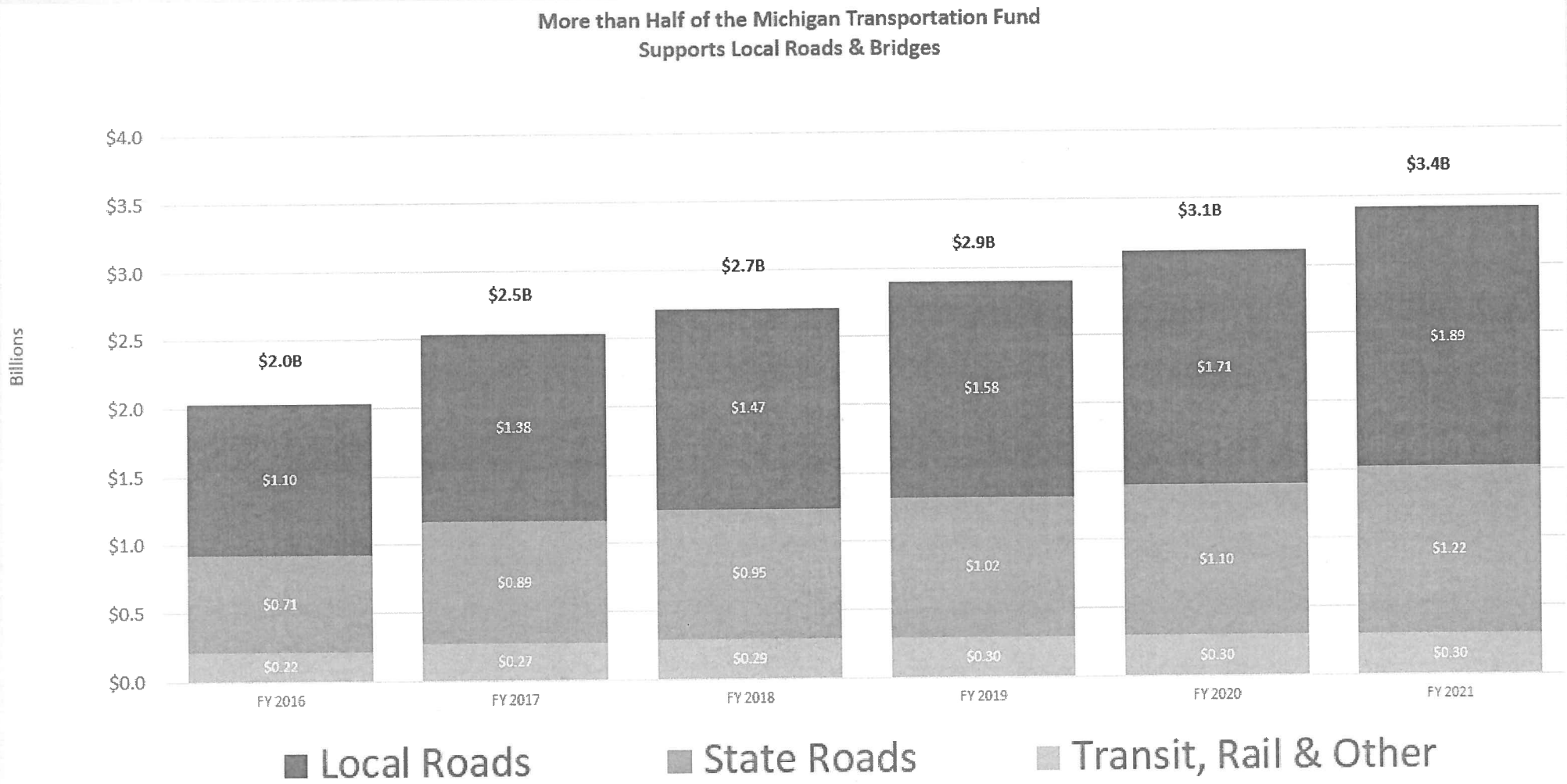
Prioritizing Infrastructure

- 21st Century Infrastructure Commission Report
- Pilot of integrated asset management database
- Embracing Emerging Technologies
  - Improving access to broadband
- Creating Sustainable Funding
  - Consideration of long-term investments
  - Funding through a combination of local, state, federal, private, and user fees
- Infrastructure Fund Investment recommendation

Transportation Funding



Transportation Funding



One-Time Capital Outlay Funding

University & Community College Project Planning

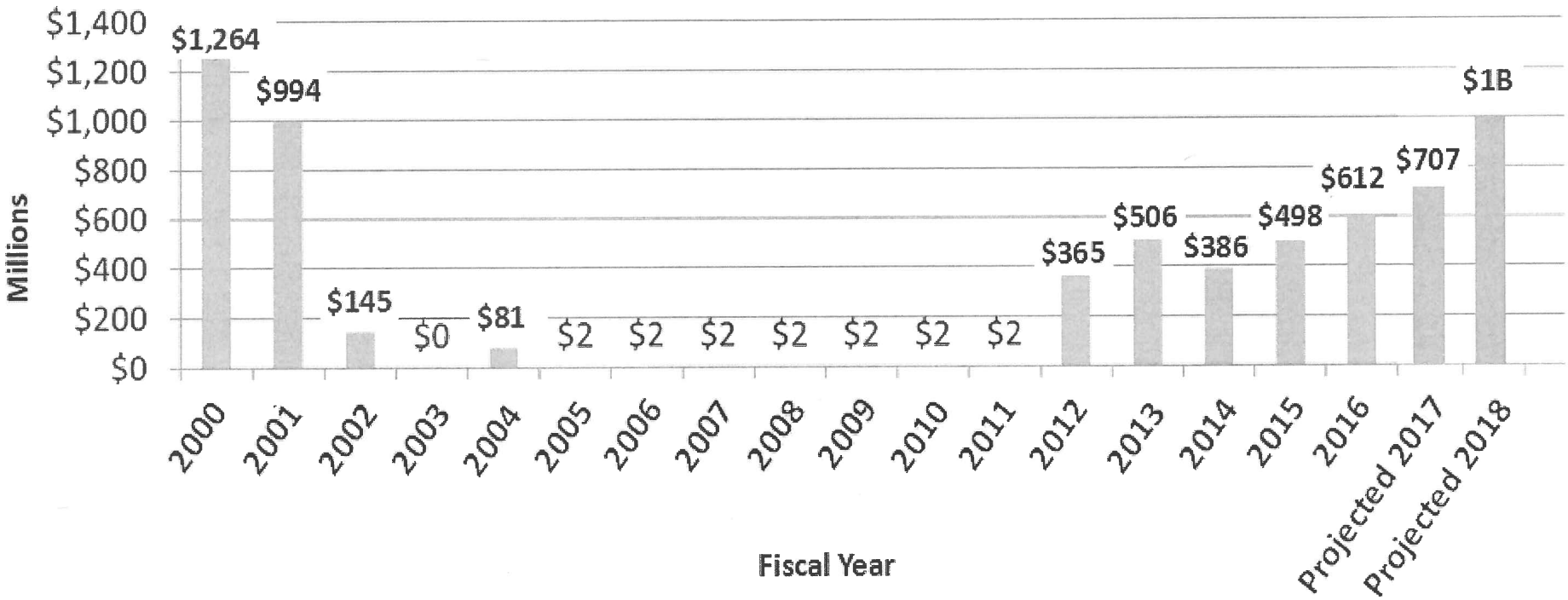
- Michigan Technological University – H-STEM Engineering and Health Technologies, $39.6M
- Saginaw Valley State University – College of Business Expansion, $17.5M
- Wayne State University – STEM Innovation Learning Center, $29.5M
- Henry Ford Community College – Entrepreneur and Innovation Institute, $14.9M
- St. Clair County Community College – Health Sciences Building Renovation, $14.9M

State Agency Project Planning

- Department of Health and Human Services – Caro Center Replacement, $115M
- Secondary Complex – Secretary of State building renovation, $34.1M

Rainy Day Fund on Track to $1 Billion

The Budget Stabilization Fund (BSF) peaked at $1.3 billion in FY 2000, but was quickly depleted. Michigan started to rebuild the BSF balance in FY 2012. At the end of FY2017 the balance will be approximately $707 million, and it is projected to be $1 billion by the end of FY 2018.

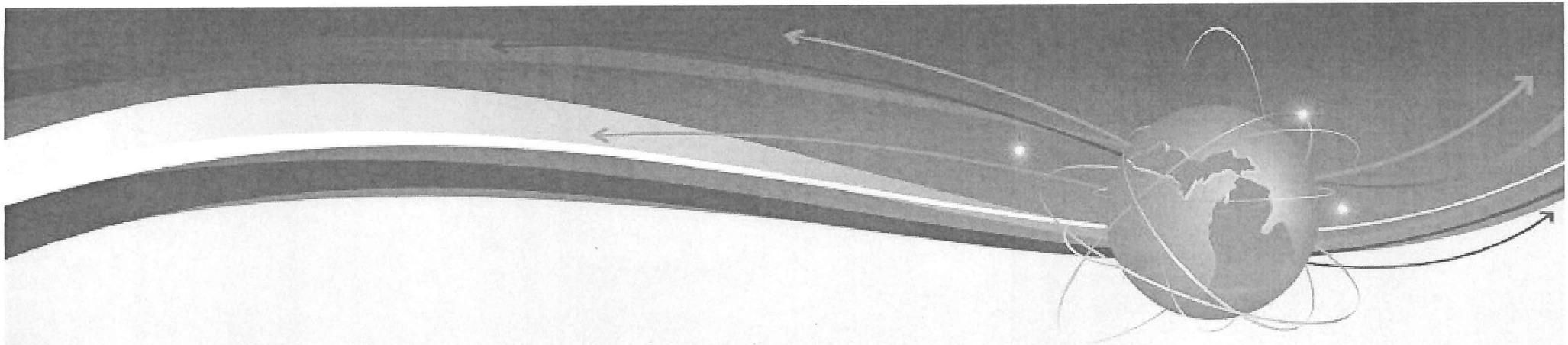


Accelerating the Comeback

- Long term Liabilities ✓ Reduced by more than $20 billion
- Ongoing
  - Tax reductions ✓ Reinvented tax structure producing job growth
  - Education ✓ $1.6 billion in additional K-12 funding
  - Infrastructure ✓ $1.2 billion in new transportation revenues
  - Public safety ✓ Increasing our trooper strength and securing our cities
  - Local government ✓ Personal Property Tax reform
- One-time
  - Grow reserves ✓ Rainy Day Fund $1 billion projected

Future Priorities

- Career connections
- Mobility
- Infrastructure
- Public safety
- Long-term liabilities and savings



Questions?

Thank you.