



Moving Michigan Forward: Continuing Our Comeback

February 7, 2013

Governor Rick Snyder, CPA

Lt Governor Brian Calley

Director John Nixon, CPA

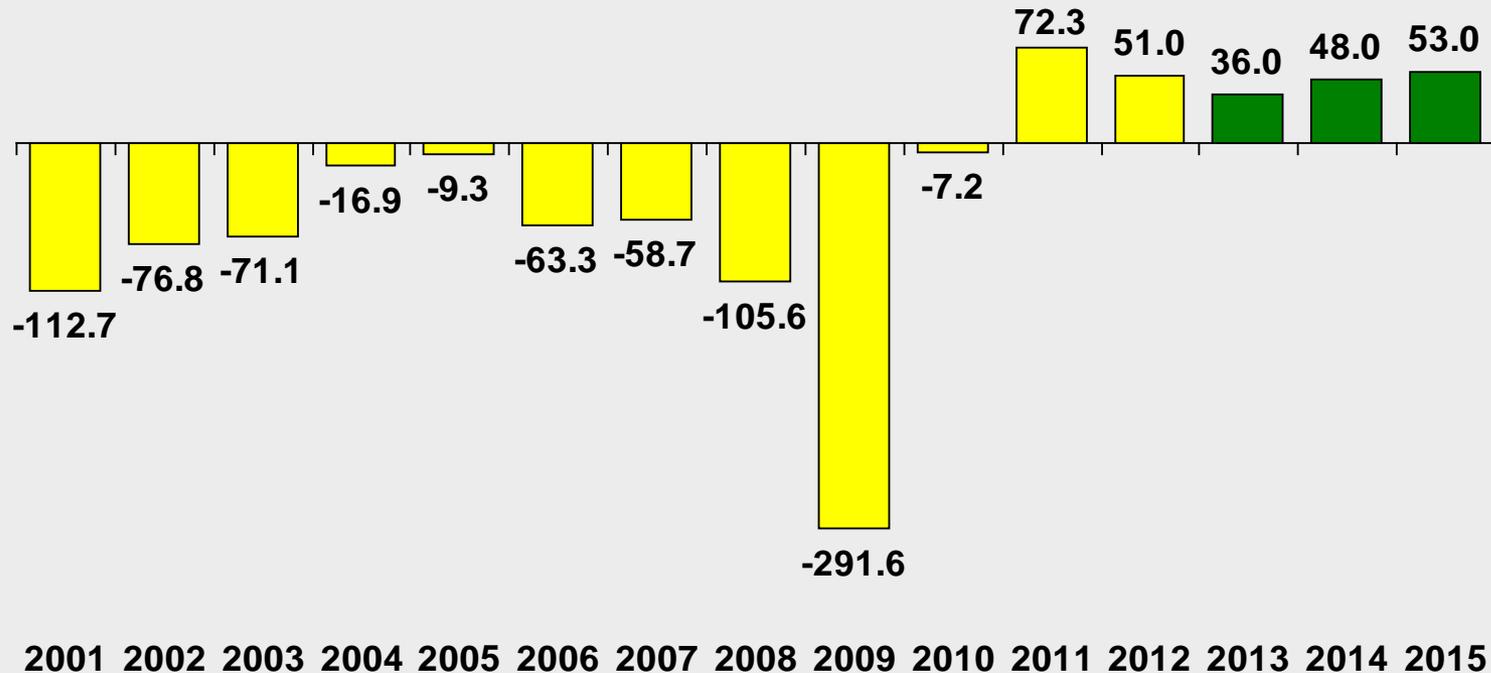
Turning the Corner

- Growing more jobs
- Personal income is increasing
- Home sales and prices are increasing
- Our population is growing again





Michigan's Employment Expected to Increase in 2013 - 2015



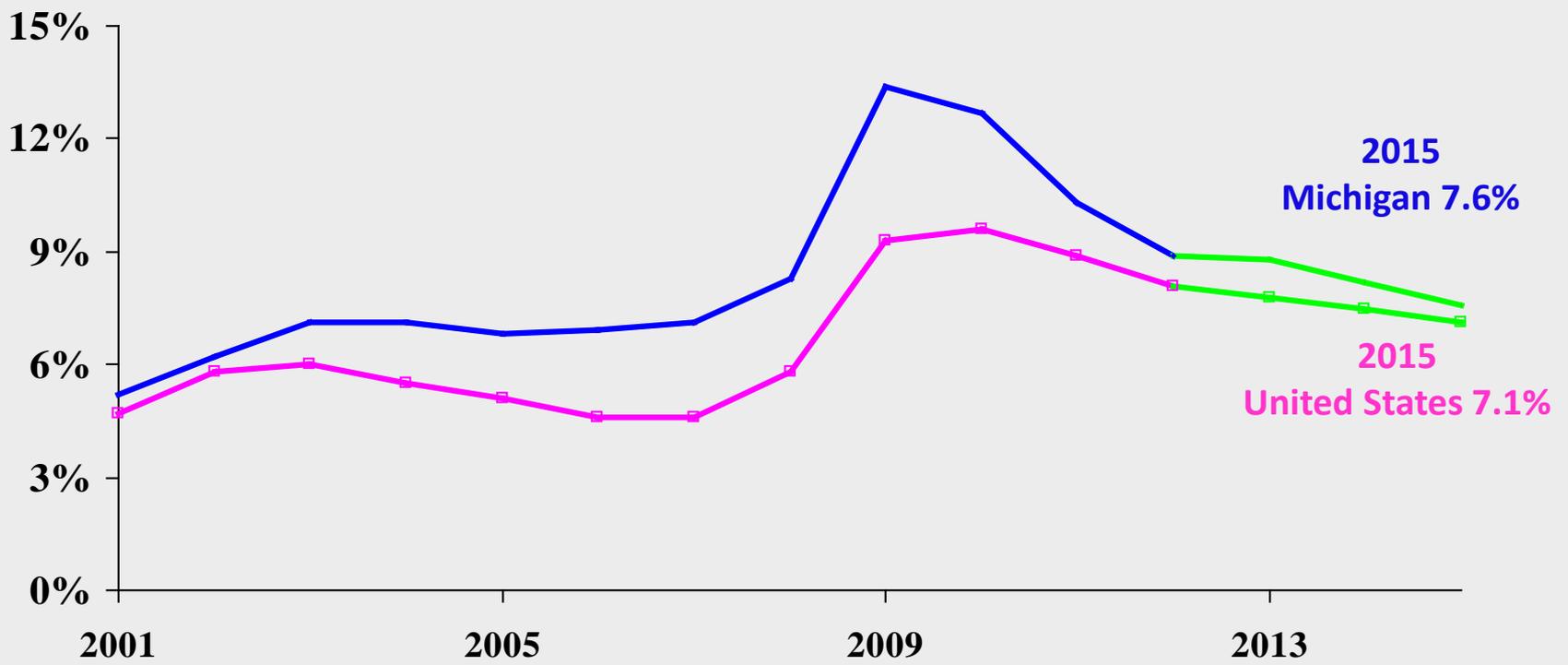
Michigan Wage and Salary Employment Year-Over-Year Change
(In Thousands)

Consensus Forecast

Note: U.S. Bureau of Labor Statistics. 2012-2015 estimates are 1/11/13 Consensus Forecast. 1/25/13.

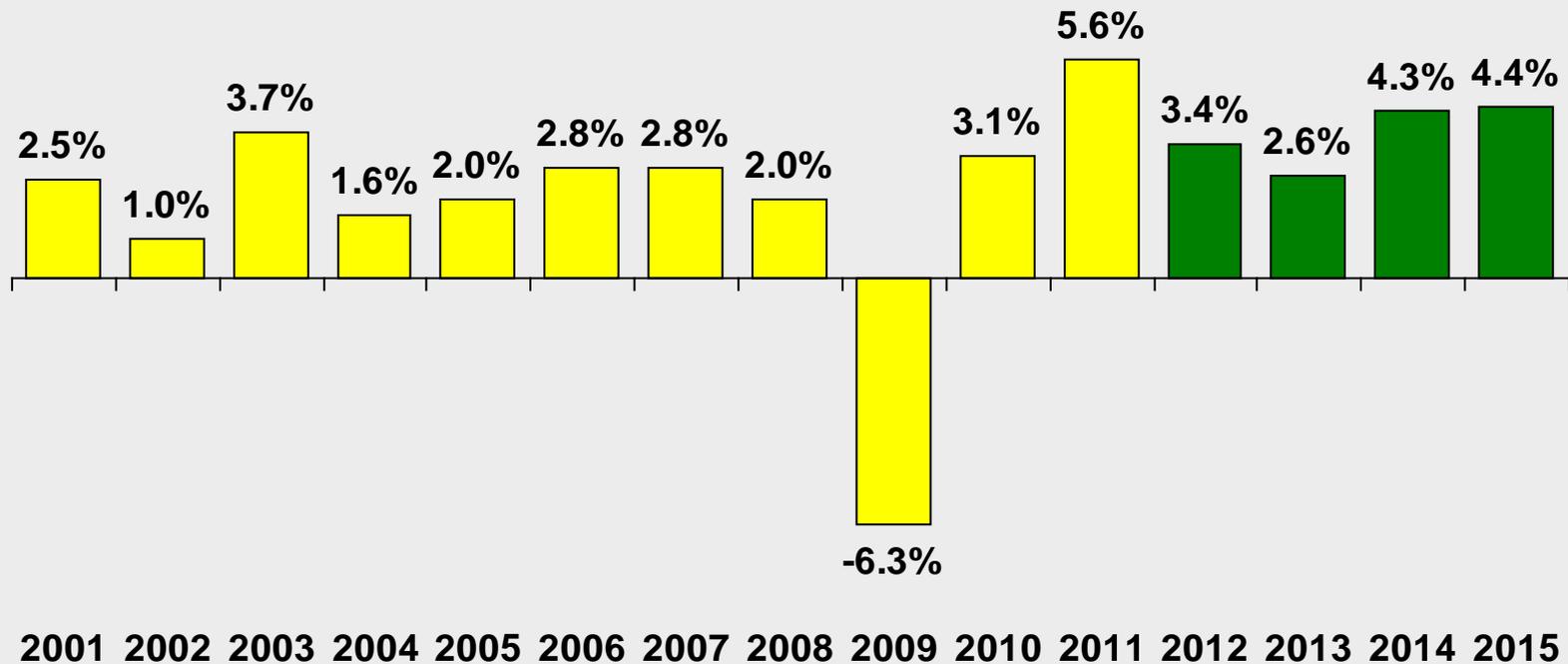


Michigan's Unemployment Rate Improving Faster Than the U.S. Rate



Source: U.S. Bureau of Labor Statistics. 2013-2015, 1/11/13 Consensus Forecast. 1/25/13

Michigan Personal Income Continuing Growth in 2013 - 2015

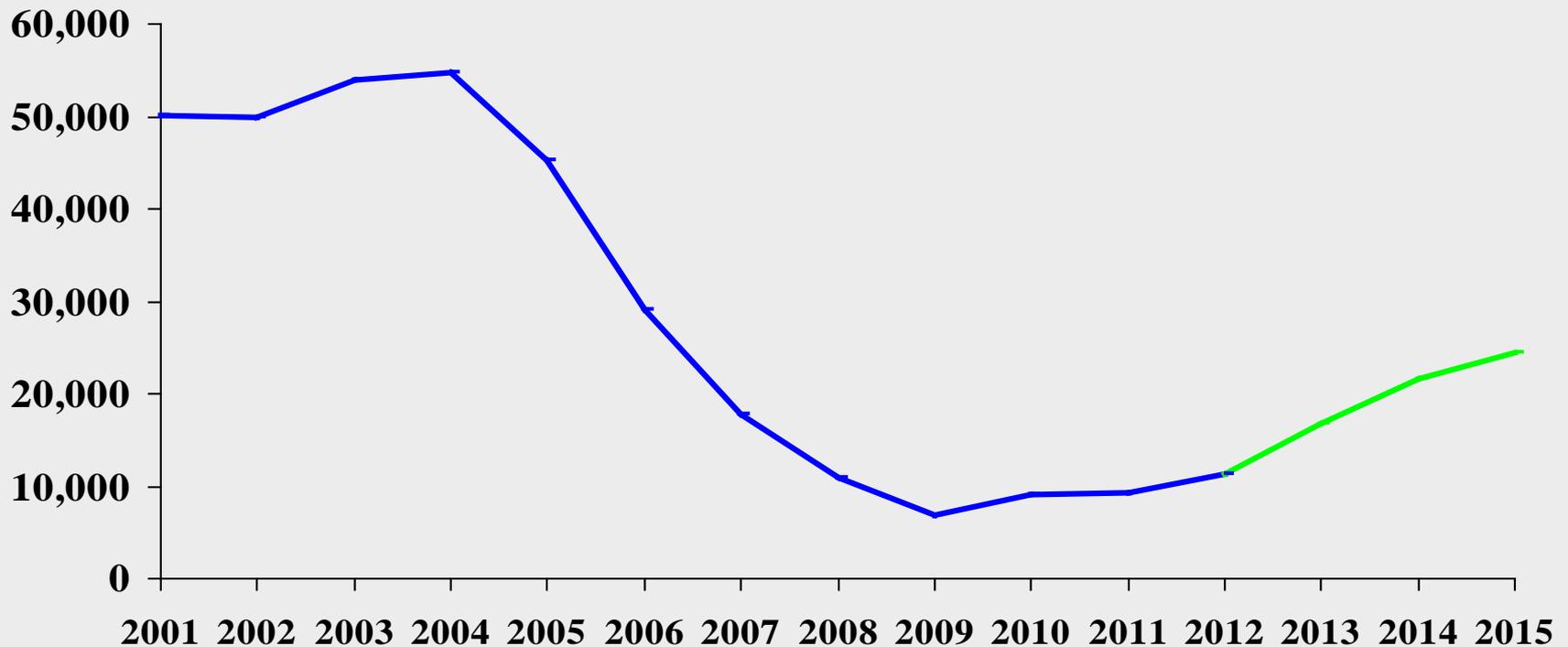


Michigan Personal Income Year-Over-Year Change

Consensus Forecast

Note: U.S. Bureau of Economic Analysis. 2012-2015 estimates are 1/11/13 Consensus Forecast. 1/25/13.

Michigan Housing Starts are Rebounding



Treasury Forecast



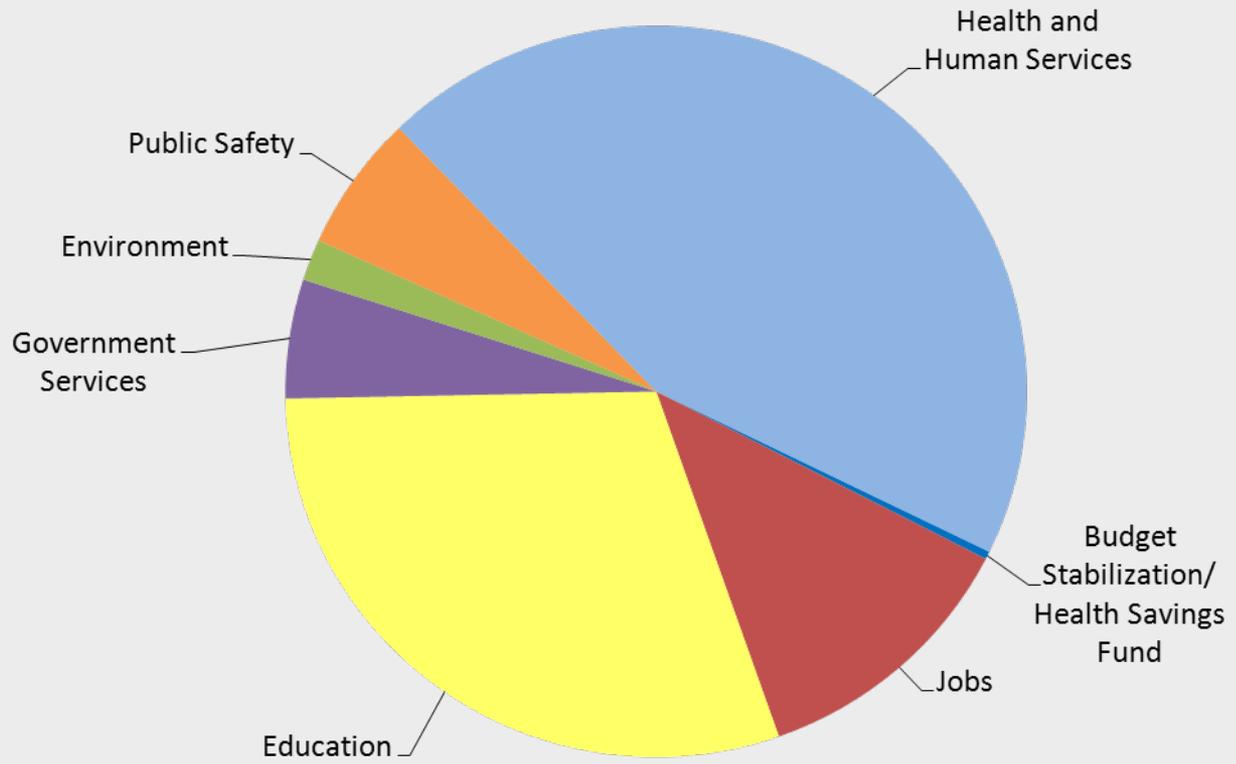
Recognizing Risks

- Federal fiscal management
- Global issues, particularly Europe
- Challenged local entities
- Ensuring long term solutions
- Returning to old bad habits



Nearly 75 Percent of Total Spending is Dedicated to Education and Health and Human Services

| | |
|--|-----------------------|
| Health and Human Services | \$22.6 Billion |
| Education | \$15.3 Billion |
| Jobs | \$6.1 Billion |
| Public Safety | \$3.1 Billion |
| Government Services | \$2.7 Billion |
| Environment | \$922 Million |
| Budget Stabilization / Health Savings Fund | \$178 Million |
| FY 2014 Total | \$50.9 Billion |

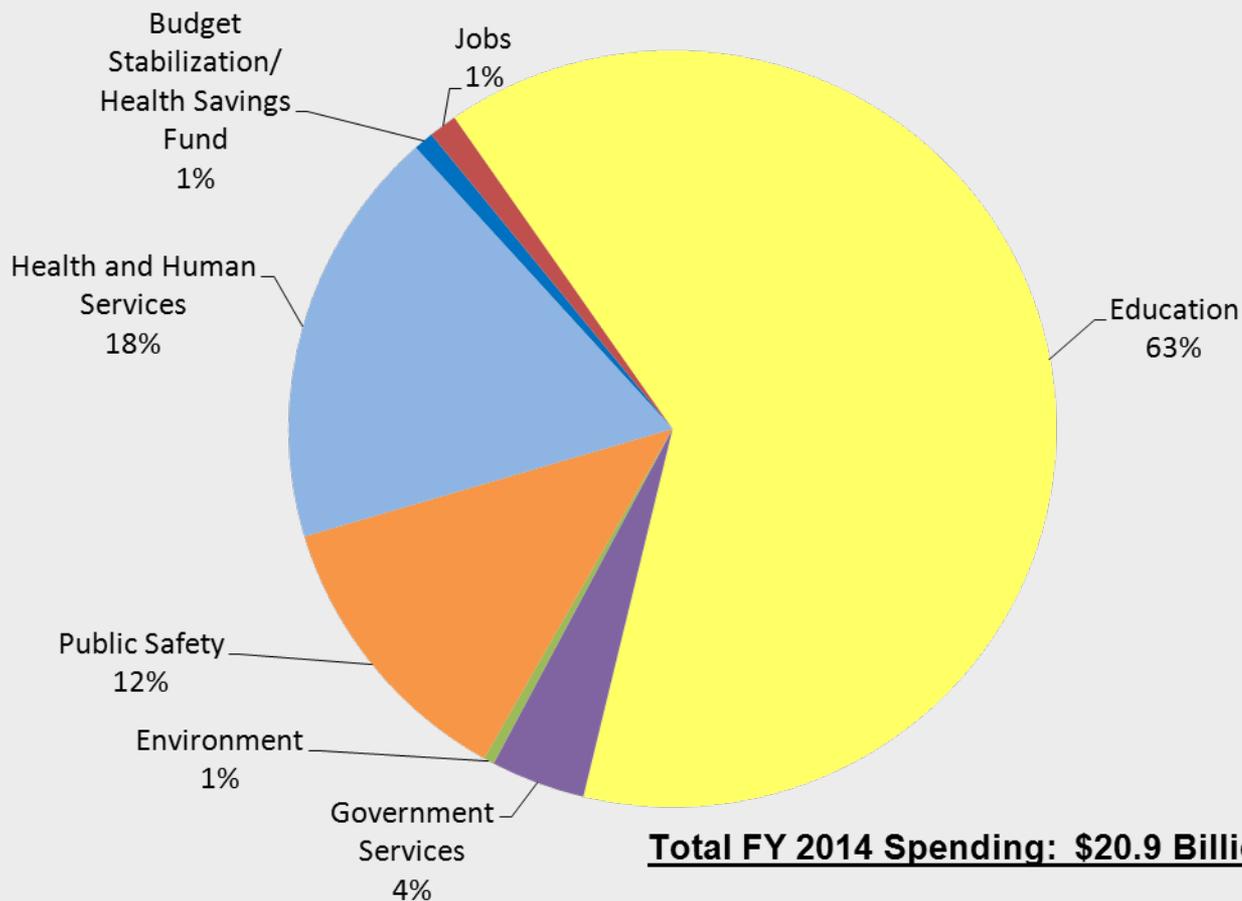


Total FY 2014 Adjusted Gross Spending: \$50.9 Billion

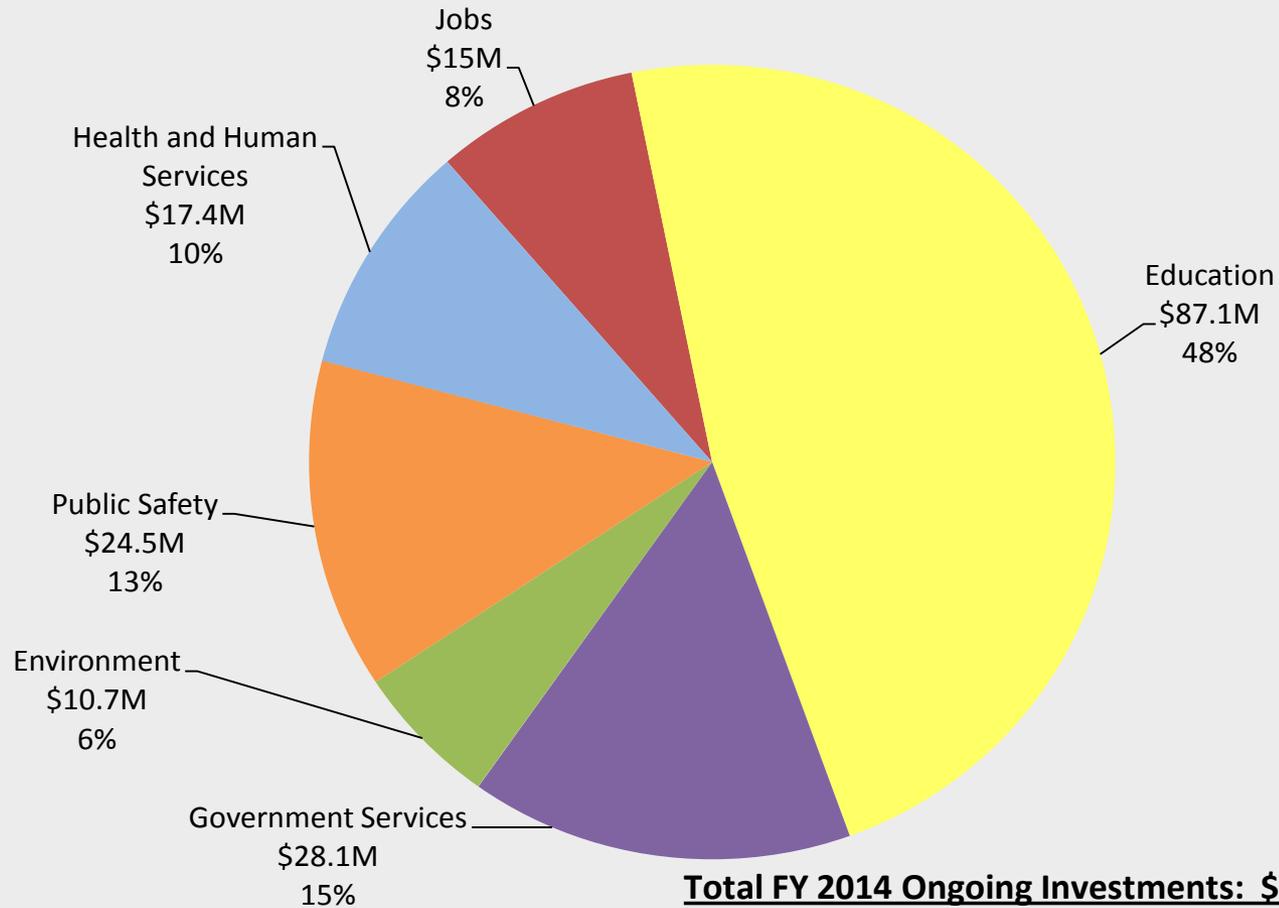


Over 60 Percent of General Fund and School Aid Fund Resources are Devoted to Public Education

| | |
|--|-----------------------|
| Education | \$13.2 Billion |
| Health and Human Services | \$3.7 Billion |
| Public Safety | \$2.6 Billion |
| Government Services | \$830 Million |
| Jobs | \$249 Million |
| Budget Stabilization / Health Savings Fund | \$178 Million |
| Environment | \$94 Million |
| FY 2014 Total | \$20.9 Billion |

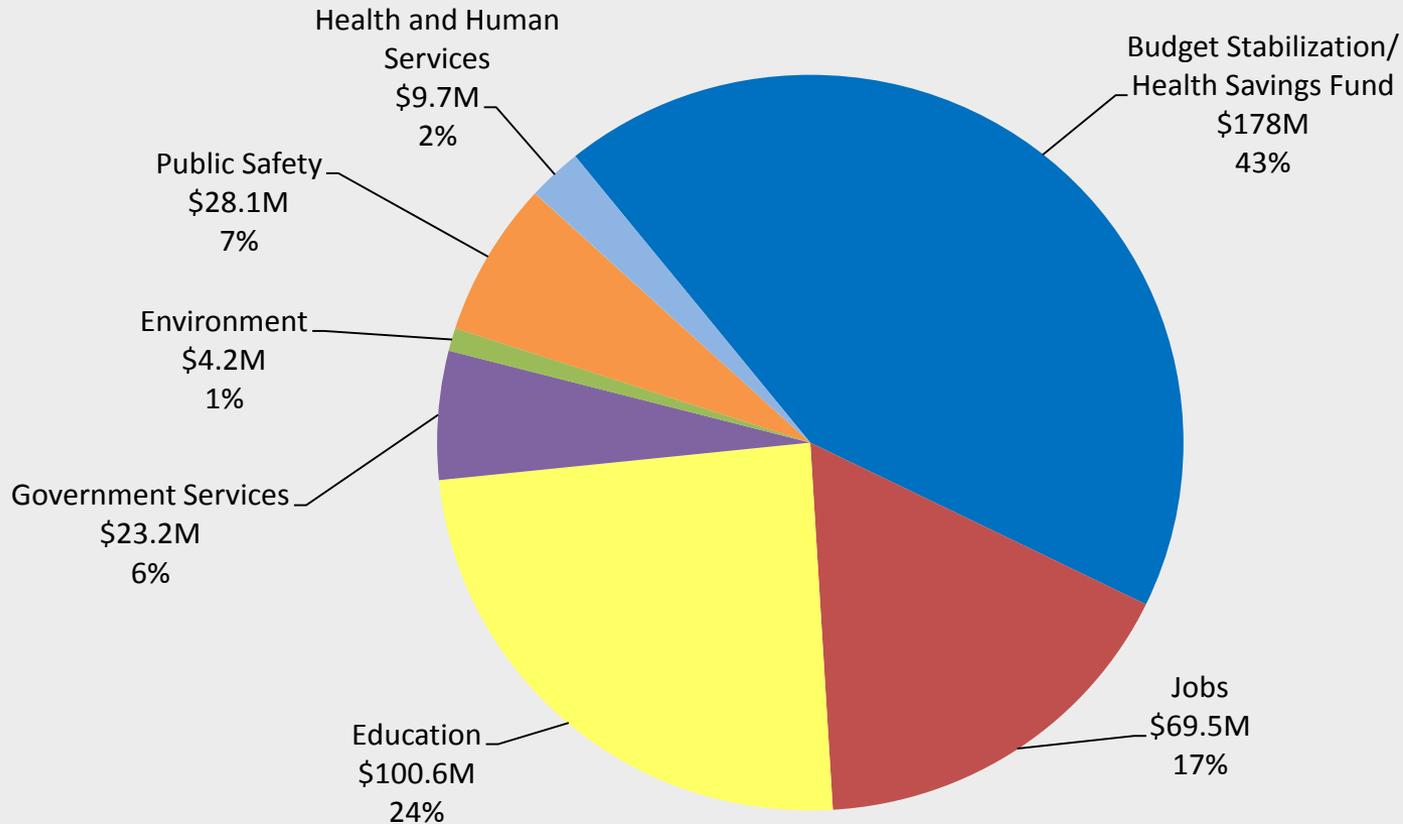


Education Programs Receive Almost Half of Ongoing Investment Funding



Total FY 2014 Ongoing Investments: \$182.8 Million

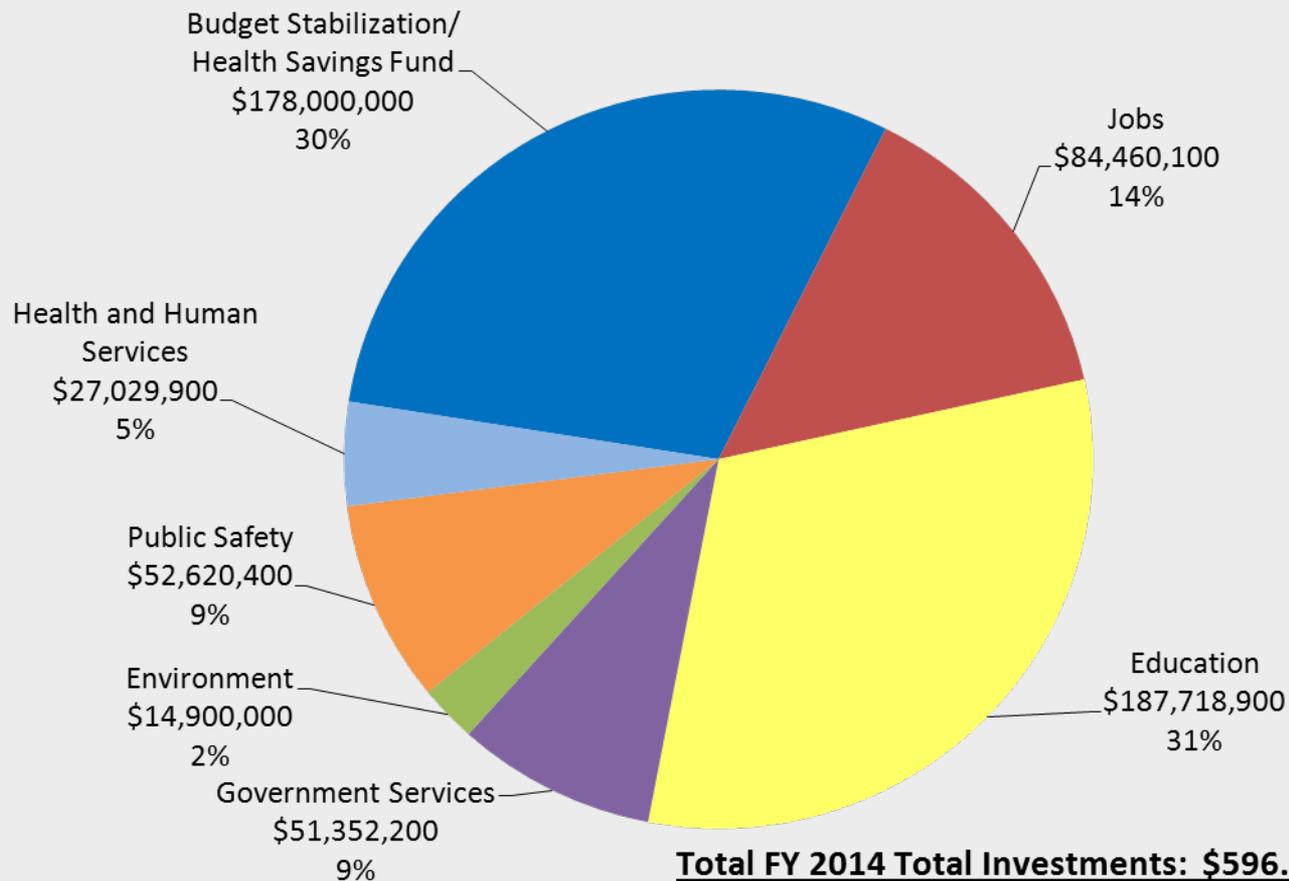
Over \$275M in One-time Funding is Dedicated for Savings Accounts and Education Programs



Total FY 2014 One-Time Investments: \$413.3 Million



61 Percent of Total Investments are Designated for Savings Accounts and Education Programs



Supplemental for 2013

- Emergency harbor dredging
- Veterans service delivery model
- Health Care Exchange





Budgeting Responsibly

- Invest and save wisely
 - Live within our means
 - Prioritize to make a difference
 - Ask for, measure and reward real results
- Invest and save
 - Short term and urgent
 - Long term and important



Paying and Lowering Our Bills

- Retirement
 - Michigan Public School Employees Retirement System
 - Michigan State Employee Retirement System
- Bond Obligations
 - Clean water
- Updating old, outdated and worn assets

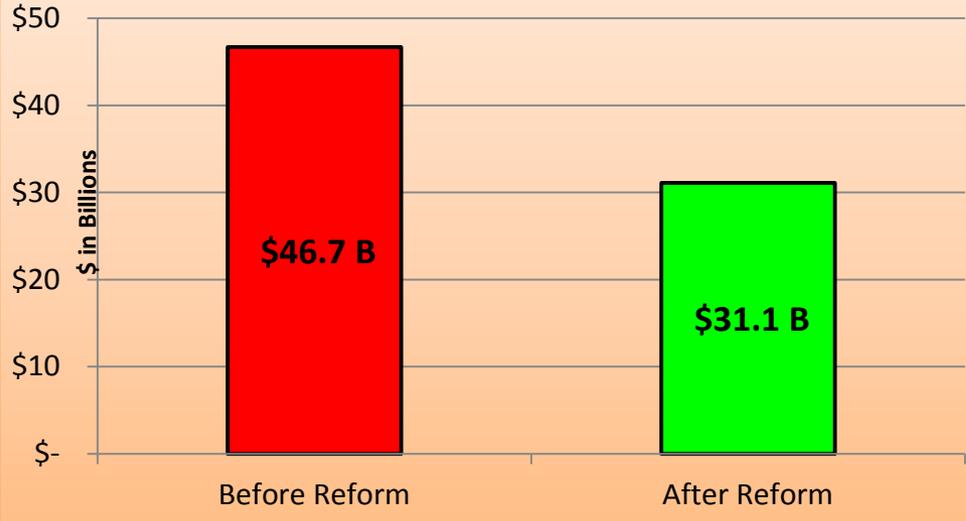


Retirement Reforms

Long-term results: savings of **\$2,200** per citizen and more than **\$10,000** per student

Total Estimated Liabilities for MPSERS

Both Pension and Healthcare



Total Estimated Liabilities for SERS

Both Pension and Healthcare





Investing in the Future

- Infrastructure
- Education
- Medicaid expansion
- Health improvements
- Jobs
- People
- Public safety
- Quality of life



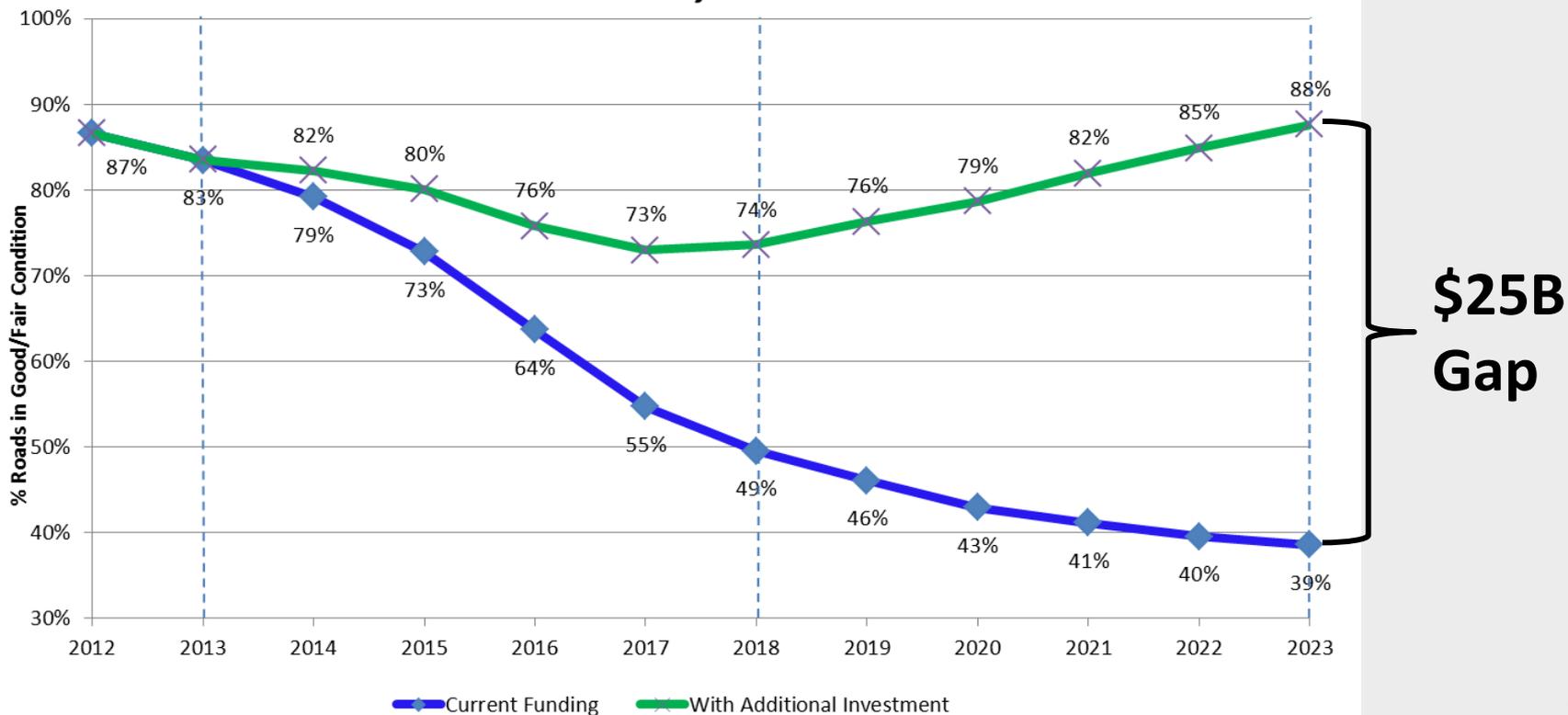
Driving the Economy Forward

- Invest \$1.2B more per year in infrastructure
- Four layers to a common sense outcome
 - Make regular payments to avoid huge bill
 - Save on vehicle repair costs
 - Grow the economy by creating jobs
 - Save nearly 100 lives per year
- Roads, bridges, public transit, rail, harbors

Investing in Our Roads



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





Creating a P-20 Educational System

- More seamless system
 - Student growth
 - Careers or self enrichment
- Three tiers
 - Early childhood
 - K-12
 - Higher education
- Total \$15B investment (\$13.1B from State)

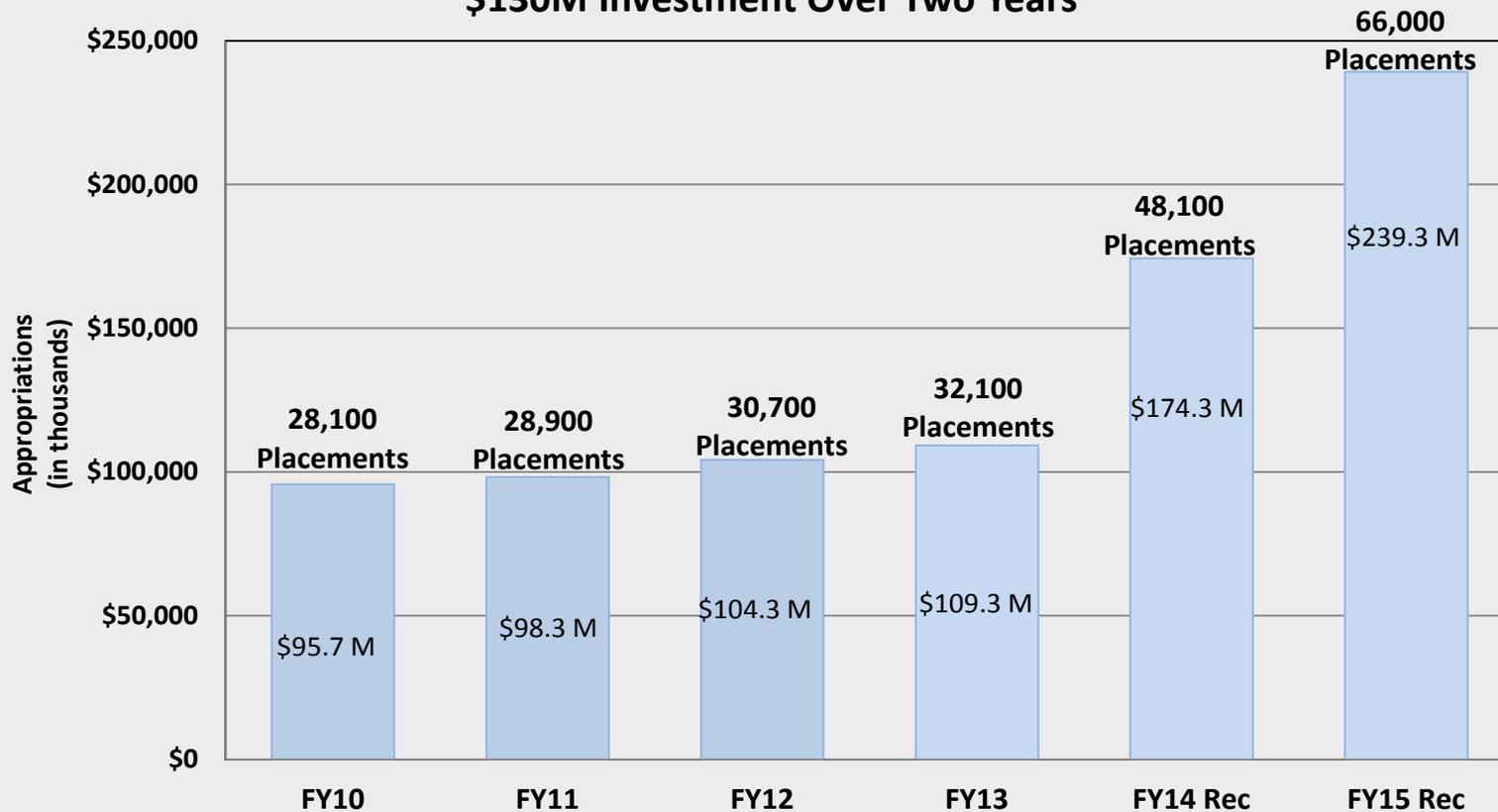


Early Childhood – Major New Investment

- \$130M investment over the next two years
 - More than double the 2011 investment
- 2014 Investment - \$65M total
 - Creating 16,000 new placements
 - Increased funding per slot from \$3,400 to \$3,625
- 2015 Investment – adding another \$65M more
 - Creating an additional 18,000 placements
- Value add to all

Investing in Our Children Early

Preschool Funding Will Double by FY 2015 With
\$130M Investment Over Two Years



Reflects State Appropriations and Number of Half-Day Preschool Placements

K-12: Continuing Focus on Student Growth

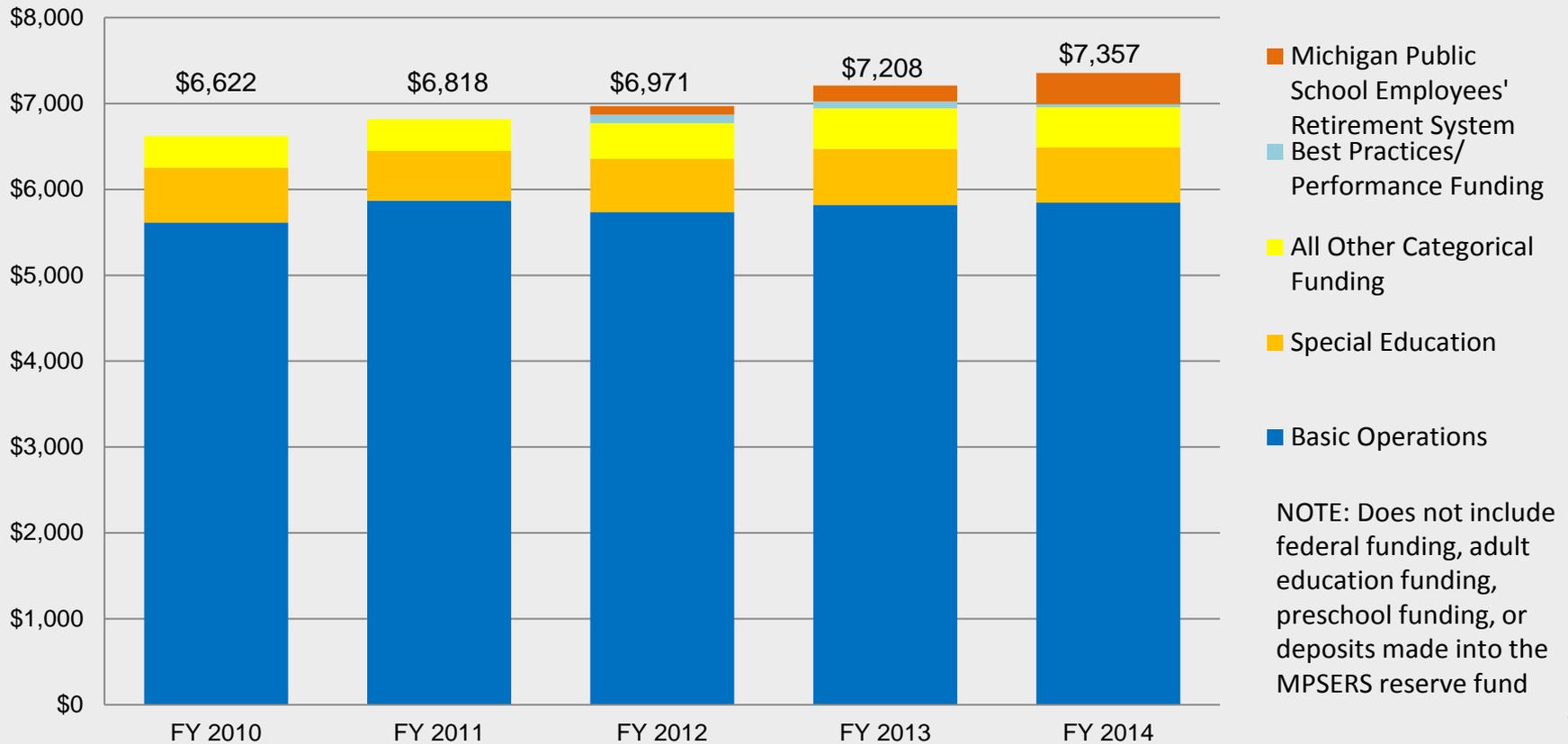


- \$13.2B for K-12, including \$11.5B of state funds, an increase of \$227M
- Includes an equity payment to further close the foundation allowance funding gap (\$24M to raise the lowest funded districts to \$7,000 per pupil)
- Continue performance and best practices funding, as well as technology grants
- Supports online courses



K-12 Per Pupil School Aid

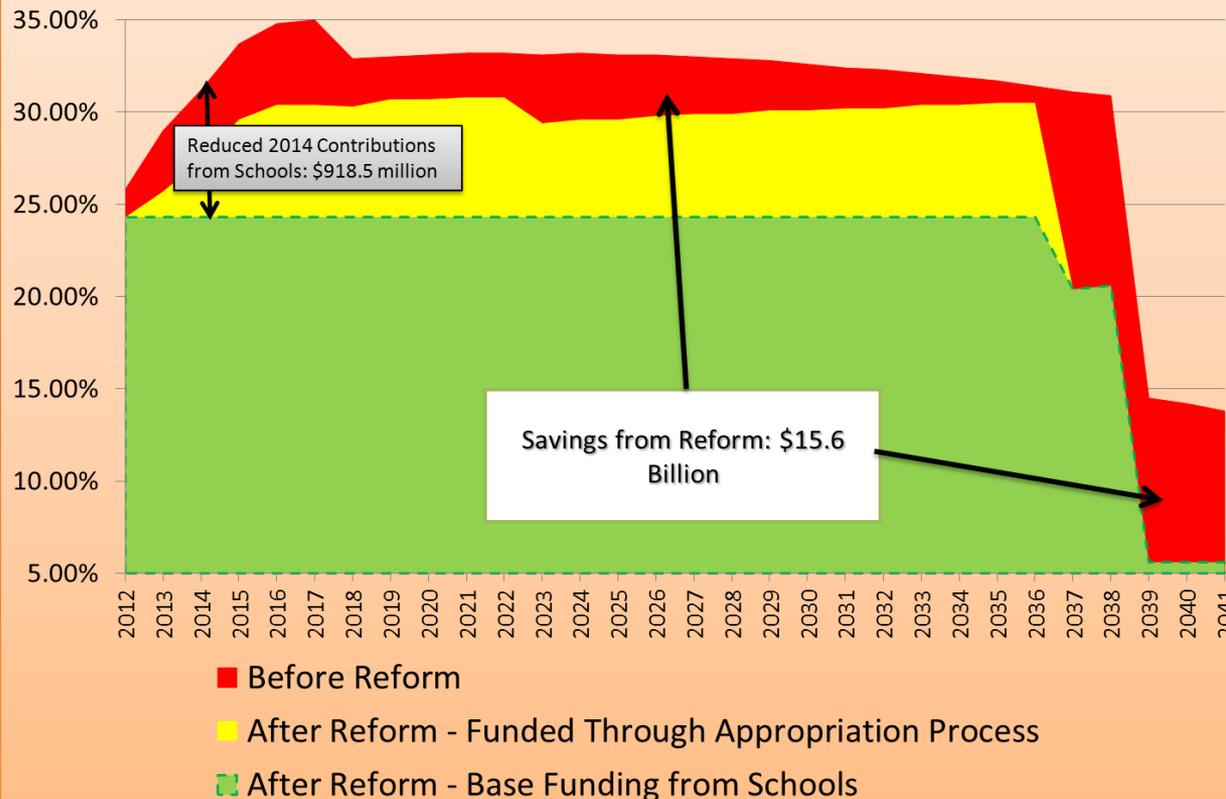
Appropriations - FY 2010 to FY 2014





Projected MPSERS Total Contribution Rates (2012-2041)

Pension and Healthcare



- Savings from reforms equals **\$482M** or **\$315** per K-12 student in FY 14
- FY 14 funding recommendation is an increase of **\$436M** or **\$250** per K-12 student
- These two actions translate into **\$918M** or **\$565** per student in FY 14



Higher Education

- Total funding of \$1.4B for universities, a \$31.4M increase
 - An increase of \$24.9M for performance formula funding
 - \$1.1M increase for MSU's Ag Bio Research and Extension
- Total funding of nearly \$336M for community colleges
 - \$5.8M increase for performance formula funding
 - \$31.4M for retirement costs
 - \$1.1M for the Virtual Learning Collaborative
- Capital investment challenges for FY 2015



Expanding Medicaid

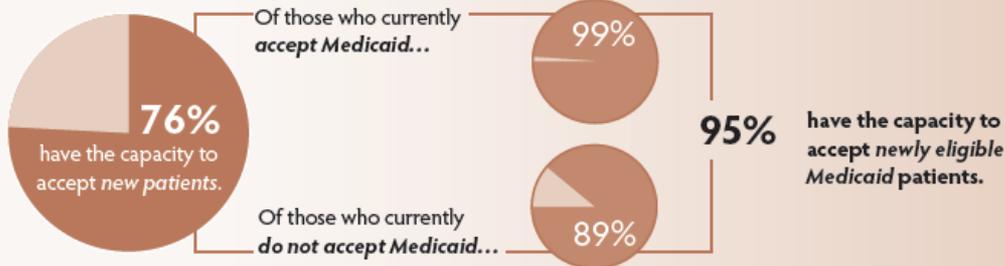
- Work toward better care at lower cost to society
- Critical issue is having patient centered medical home vs. more ER visits
- Simpler and better for families, providers and small business
- Reserve one half of short term savings to cover future costs and reduce federal risks



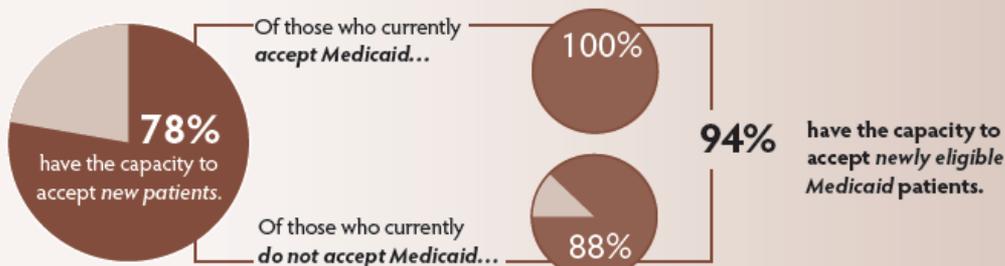
Provider Capacity Exists in MI

Family Medicine and Internal Medicine

Family Medicine



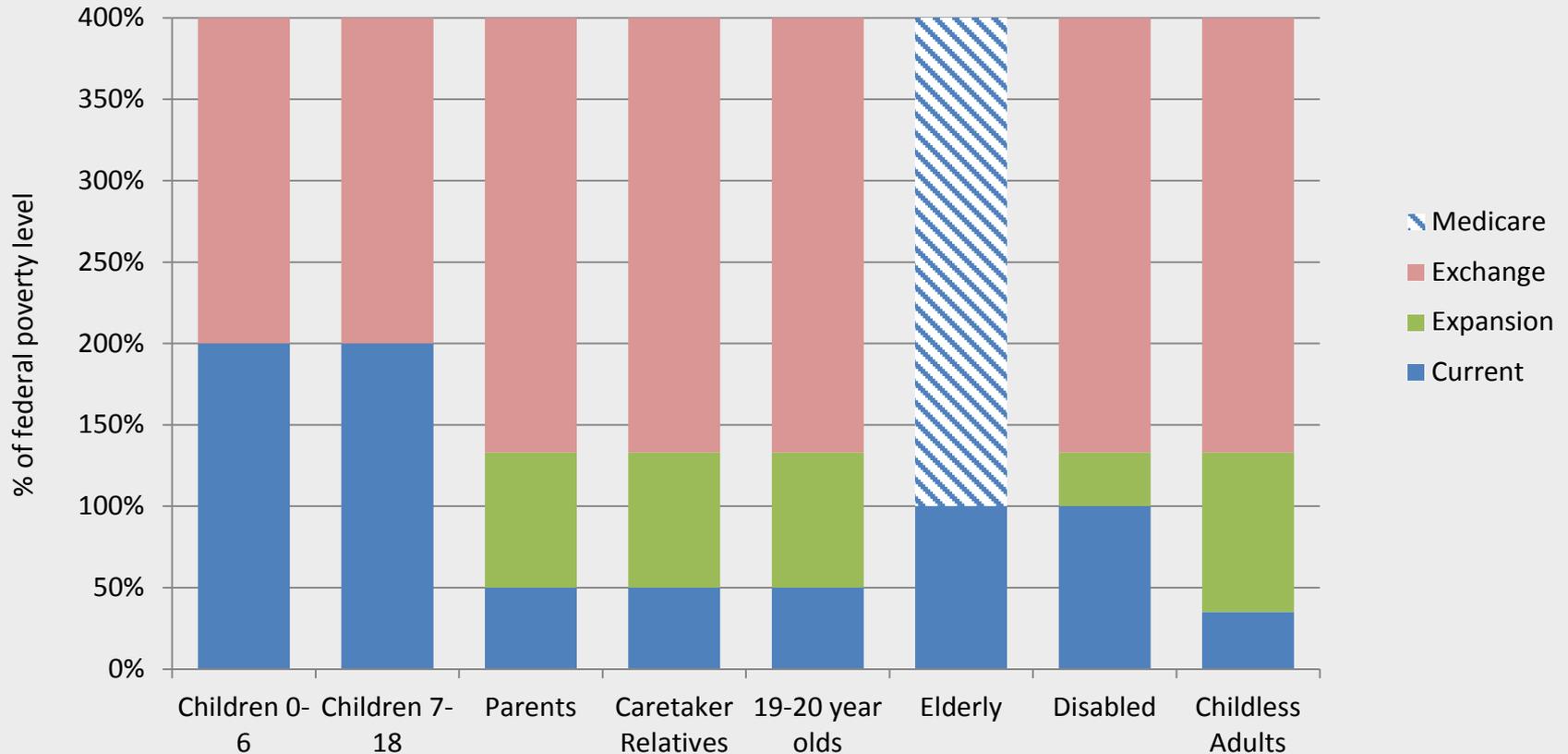
Internal Medicine



Medicaid Expansion



Medicaid expansion fills the gap between current coverage and private health insurance coverage offered on the Exchange



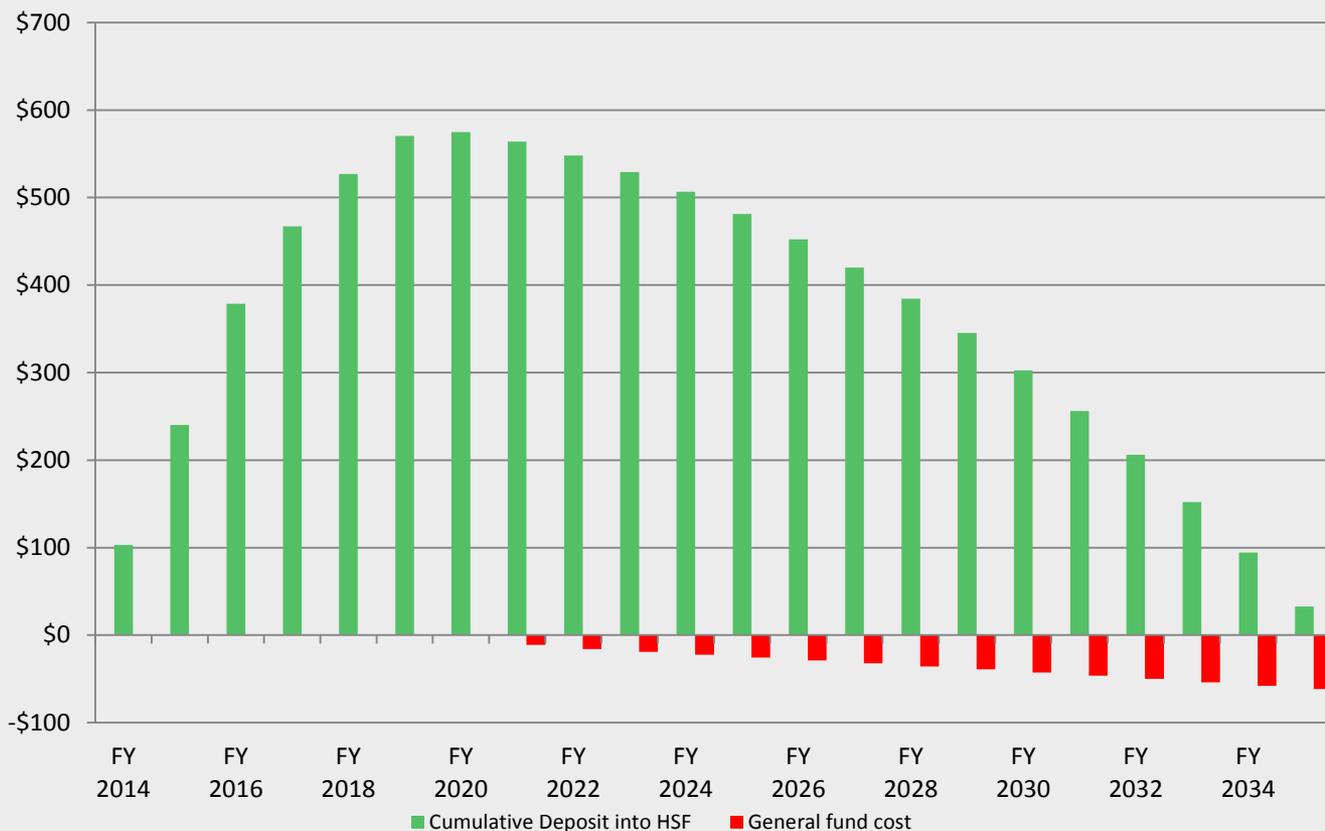


Medicaid Expansion Would Dramatically Reduce the Number of Uninsured

- A recent national report concluded that Medicaid expansion in Michigan would result in a 46 percent reduction in the uninsured*
- If Michigan does not expand, many individuals under 100 percent of poverty would not be eligible for insurance either through Medicaid or the Exchange

*Kaiser Commission on Medicaid and the Uninsured, November 2012

Cumulative Deposits into the Health Savings Fund will Finance Medicaid Expansion for the Next 21 Years



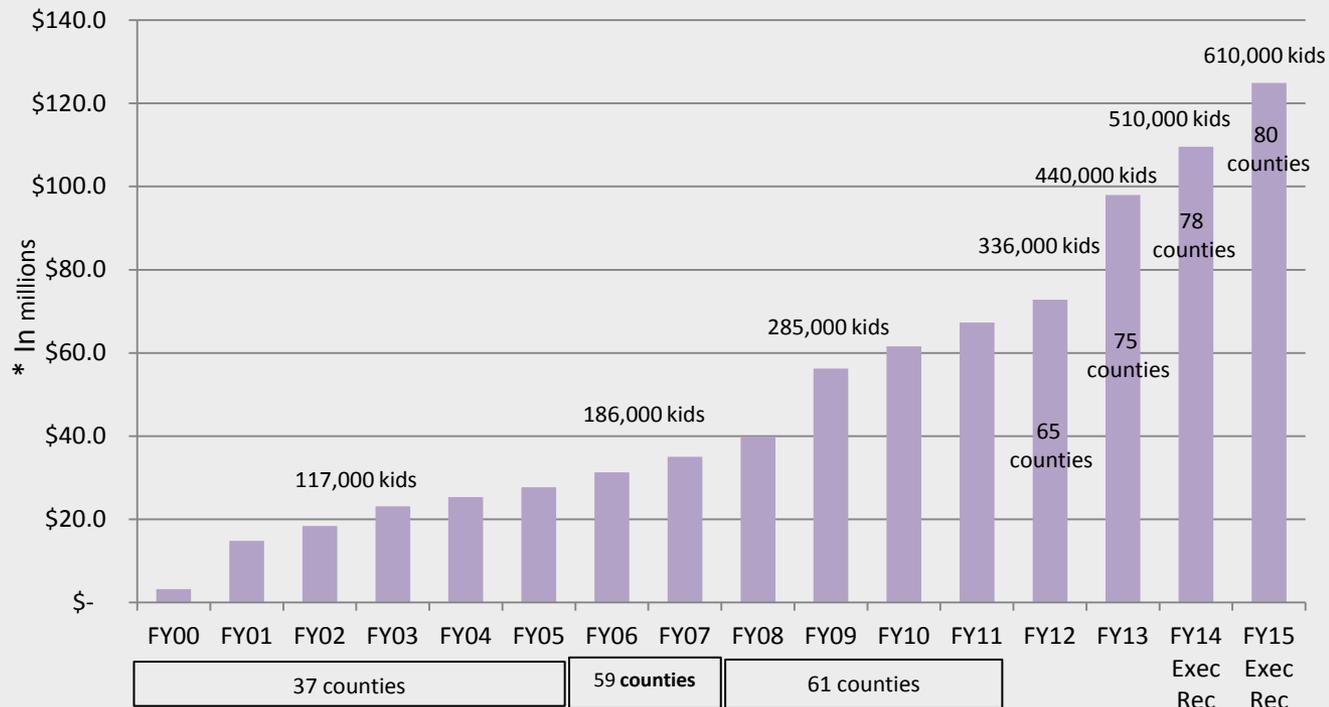
*in millions

Making Dental Health a Priority



- \$11.6M to expand Healthy Kids Dental to reach 70,500 more children — Additional 100,000 children in FY 2015

Healthy Kids Dental program has increased access to dental care for Michigan children





Making Michigan Healthier

- Fostering innovation
 - \$3M for “Health Innovation Grants” to improve the provision of health care
 - \$5M for mental health innovations to expand and improve mental health services
- Additional \$2.5M to reduce infant mortality
- \$8.7M for health and wellness to support prevention and promote healthy behaviors



Supporting Job Creation

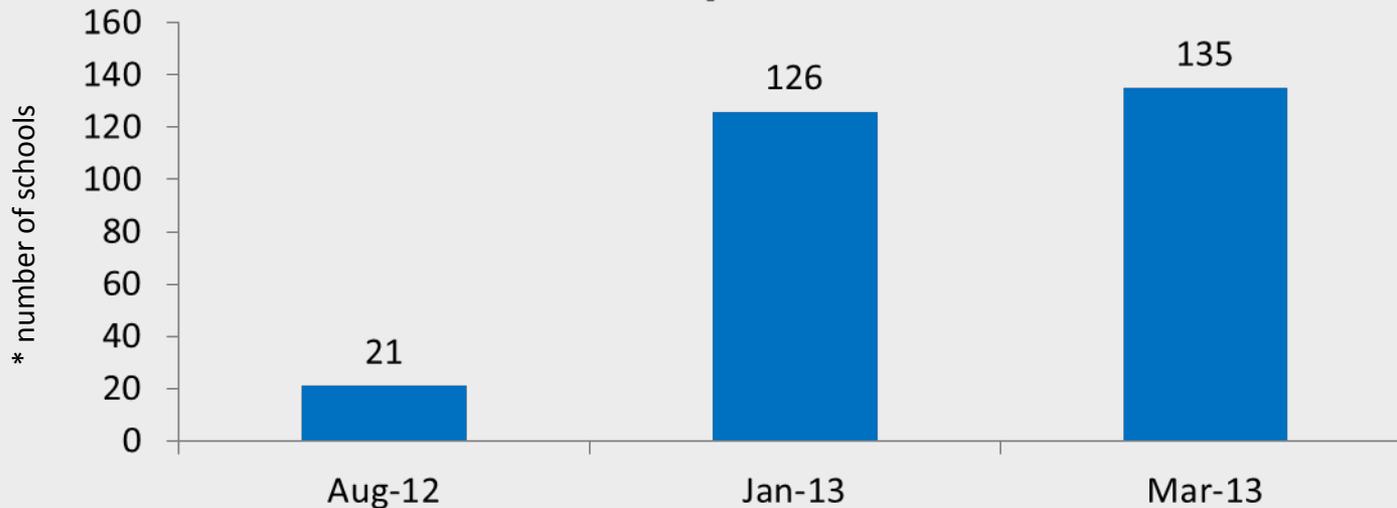
- \$10M for a new skilled trades program
- \$20M to assist banks in extending capital to underserved communities
- \$3M for a new food and agriculture growth initiative
- \$4M increase for Pure Michigan

Improved Services to People



- Paving the path to independence
 - \$6.2M to continue and expand Pathways to Potential

Pathways to Potential Implementation





Honoring Our Veterans

- \$8.6M for a new innovative Veterans' Service Delivery Initiative
 - Create a new agency to focus directly on veteran services
- \$600,000 to add an additional five qualified service officers to connect veterans with services



Making Michigan Safer

- Increase strength of Michigan State Police ranks
 - Trained 78 troopers in FY 2012
 - Anticipate training 152 troopers during FY 2013
 - \$15.2M to train 107 troopers in FY 2014
- \$2M for mental health courts
- \$3M for treatment courts
- \$9.5M for blight elimination and \$4M for “Good Neighbor” property maintenance



Protecting Our Natural Resources

- Safeguarding Michigan's water
 - \$2.5M gross for underground storage tank cleanup
 - \$2M to replace the Great Lakes Research Vessel
 - \$97M bond for grants and loans to improve sewage collection and treatment systems
 - \$3M bond for wetland mitigation bank program
- \$2.7M gross for off-road vehicle trail network
- \$5.9M to train 41 new conservation officers

Saving for the Future

- Rainy Day Fund
- Michigan Health Savings Fund
- Disaster and Emergency Contingency Fund



Long-term Savings



Under Gov. Rick Snyder, Michigan is saving for the future

(BSF) Budget Stabilization Fund
(HSF) Health Savings Fund



State Savings Accounts

FY 2014
\$683M



Questions?

Thank you.