



WE ARE ONE MICHIGAN

GOVERNOR RICK SNYDER'S FY 2017 BUDGET PRESENTATION

February 10, 2016

Governor Rick Snyder

Budget Director John Roberts



Overall Budget Growth

- Total budget \$54.9B, up 0.8 percent (\$438M)
- General Fund \$10.2B, up 1.5 percent (\$145M)

Facing Challenges Head On

- Flint water crisis
- Statewide infrastructure prioritization
- Detroit Public Schools
- Specialty medications





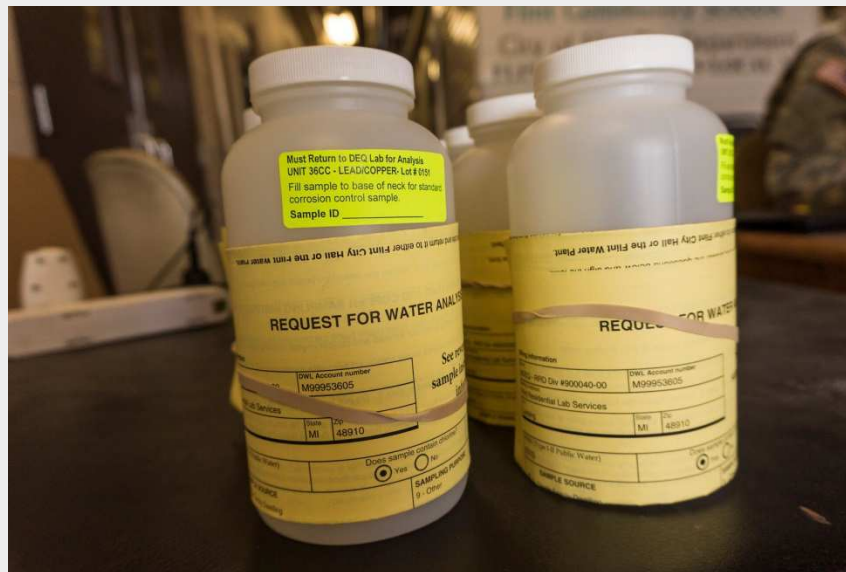
Addressing Flint Water

- Clean drinking water is a human necessity
- Residents across Flint, especially children, have been impacted by lead in the water
- To date, more than \$37M in state supplemental funding
- Additional resources will be required in the coming years to ensure Flint residents receive the necessary care and services and to strengthen the city overall



Complications of Lead Exposure

- Lead exposure is especially harmful to children
- Effects of lead exposure are lifelong
- Must assume all children exposed





Need for Broad and Early Intervention

- Leverage and enhance existing programs
 - Great Start, Pathways to Potential
- Add other critical programs
 - Early On, developmental childcare, nutritional support, crisis support
- Intense monitoring to ensure every child is cared for
- Time is of the essence – we can't play catch up



Address Water Infrastructure

- Achieve safe drinking water out of the tap
- Complete a system-wide assessment of pipes, etc.
- Prioritize infrastructure replacement needs
- Have a successfully operating utility in place

Strengthen Flint

- Neighborhoods
- Economy and community
- City government





Everyone Focused on Problem Solving

- State: Mission Flint
- City
- Community
- County
- Federal
- Non-governmental organizations
- Foundations
- Other donors





Key Actions to Date ...

- Reconnection to Detroit water
- Bottled water/filters provided to residents
- Corrosion controls in water to coat the pipes
- Fixtures being replaced in schools and childcare facilities
- Providing education and nutrition assistance
- Expediting funding for nurses
- Water testing



Flint Action Plan ...

- **October Supplemental, \$9.3M gross, including:**
 - Water sampling
 - Lab and testing costs
 - Blood screening
 - Inspections of fixtures in schools and daycare facilities



Flint Action Plan ...

- **January Supplemental, \$28M Gross, including:**
 - Replacement of fixtures in schools and daycare facilities
 - Treatment of children with high blood levels, which includes diagnostic testing, nurse visits and environmental assessments
 - Epidemiologists to analyze blood lead levels
 - Lead abatement in Flint homes
 - School nurses
 - Lab and testing costs



Flint Action Plan ...

- **Added investment request in FY16 & FY17 = \$195.4M Gross, including:**
 - Early On and Great Start Readiness funding to ensure 0-4 year olds have access to early education
 - Epidemiologists to analyze blood lead levels
 - Child and adolescent health centers and additional support necessary for children's health care access
 - Fixture replacements in schools and daycare facilities
 - Lab and testing costs



Flint Action Plan ...

- **FY16 & FY17 investments continued ...**
 - Mobile food bank and additional food bank resources
 - Staying connected with Detroit Water through the end of 2016
 - Lead abatement in Flint homes
 - Specialized therapy for children exhibiting effects of lead
 - Food inspections at licensed food establishments through the Genesee County Food Safety Division
 - Water bill relief

Bringing Flint investment to more than \$230M



Accountability for Results

- Major investments including new programs
- Need to deliver measurable results to the most important areas
- Invest \$50M into a flexible fund related to the lead crisis
- Legislative review mid-fiscal year to allocate properly
- Have monitoring results, studies done, and input from people



Statewide Infrastructure Prioritization

- The situation in Flint signals the need for infrastructure updates across the state
- Michigan's infrastructure was given a D grade by the American Society of Civil Engineers
 - Not isolated to Michigan, nationwide grade D+
- Time to focus on Michigan's infrastructure needs and replacement of lead pipes
- Forming the Commission on 21st Century Infrastructure



Statewide Infrastructure Prioritization

Michigan Infrastructure Fund, \$165M:

- Replace known high-risk lead and copper service lines
- Implement improvements/upgrades while repairing roads or other utilities – allowing communities to fully leverage federal, state and local funds
- Develop asset management plans, including:
 - Inventory and analysis of current infrastructure
 - Prioritization of needs



Turning Around Detroit's Schools

- Detroit Public Schools are struggling both academically and financially
- Test scores of Detroit high schoolers underscore the urgent need for action:
 - Just 6 percent are proficient in math
 - Only 4 percent are proficient in science
 - Two-thirds are not proficient in reading
- District debt to accumulate to \$515M by summer
- More than \$1,100 per student to pay down DPS debt



Detroit Public Schools Action Plan

- Working with the Legislature to develop an approach that ensures Detroit's children receive a high-quality education
- General fund dollars to hold School Aid Fund harmless
- Invest in Detroit's public schools, \$72M a year for 10 years from Michigan's tobacco settlement proceeds
- \$50M FY16 supplemental for current year DPS debt
- **Critical and urgent**



High Cost of Medications

- New specialty medications save lives and improve health, but cost is high
- Medicines to treat patients with hepatitis C and cystic fibrosis recently recommended by Pharmacy and Therapeutics Committee
- Additional specialty medications to treat other conditions may be approved in the future
- Specialty medications driving the pharmacy cost increase in Medicaid for FY17
- DHHS budget includes specialty medications prescription reserve, \$30M general fund to address more medications in the pipeline



Specialty Medications Action Plan

- Coverage recommended for individuals with:
 - Hepatitis C:
 - Assumed full year cost: \$91.5M GF, nearly 7,000 patients treated
 - Includes an additional \$17.3M GF to expand treatment to approximately 340 prisoners
 - Cystic fibrosis:
 - Assumed full year cost: \$43.7M GF, approximately 320 children impacted

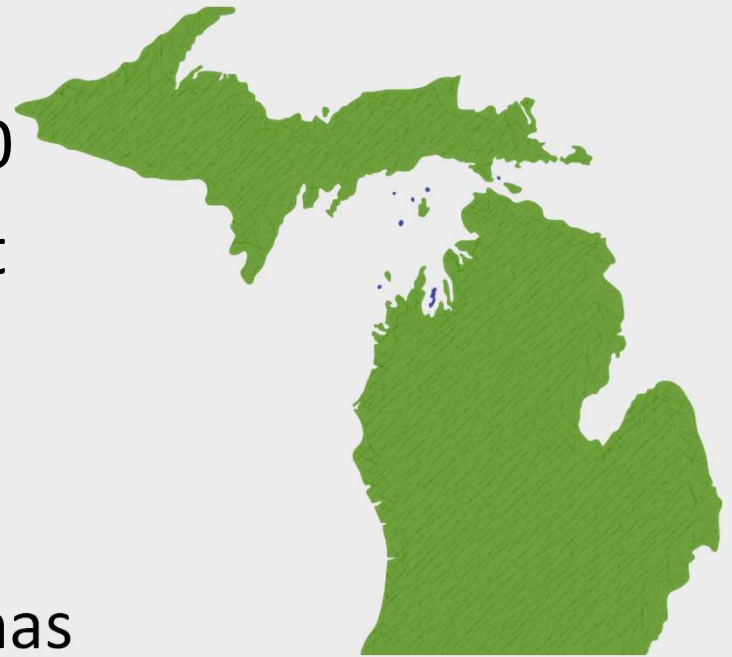


**Even with these challenges,
Michigan's future is brighter for
all Michiganders**



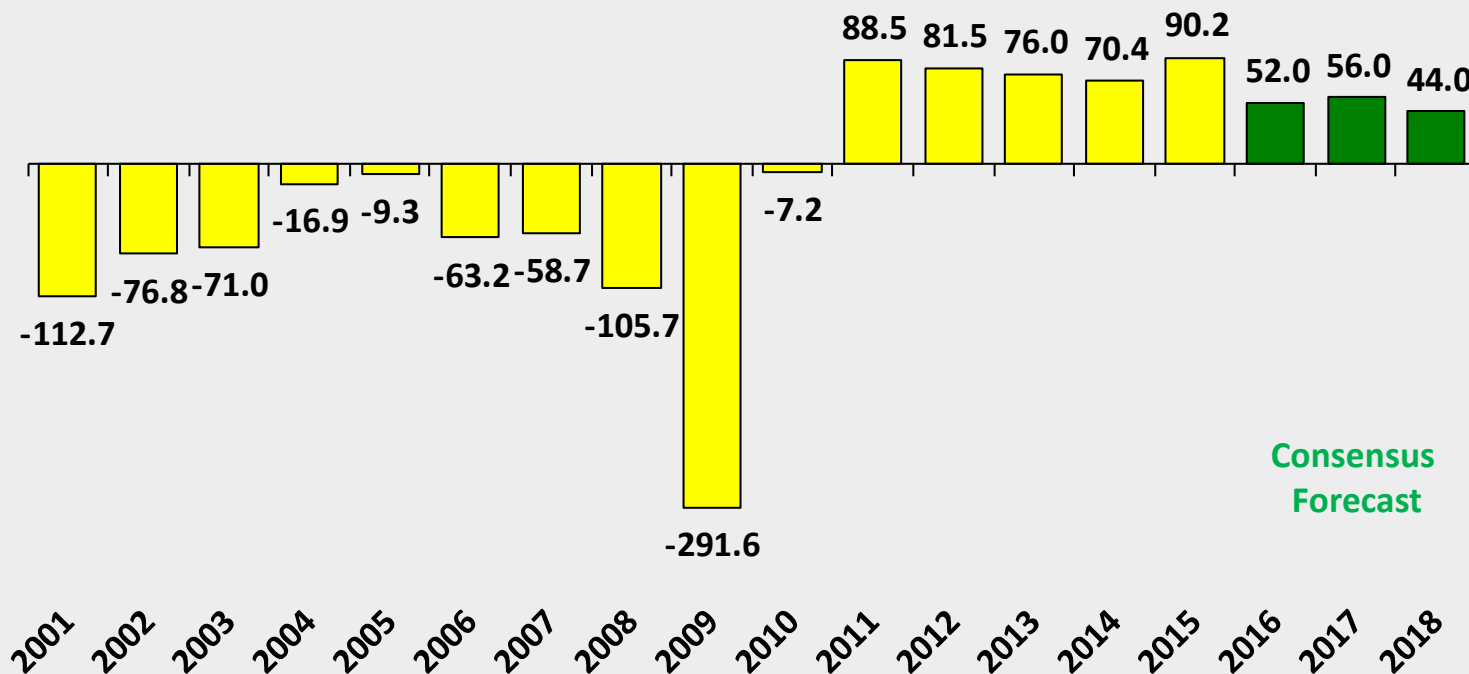
Michigan Economy Continues to Thrive

- More than 440,000 new private sector jobs since December 2010
- Michigan recorded fourth largest drop in jobless rate of any state over past year
- From December 2010 to now, Michigan's unemployment rate has fallen from 11.2 percent to 5.1 percent, lowest since 2001



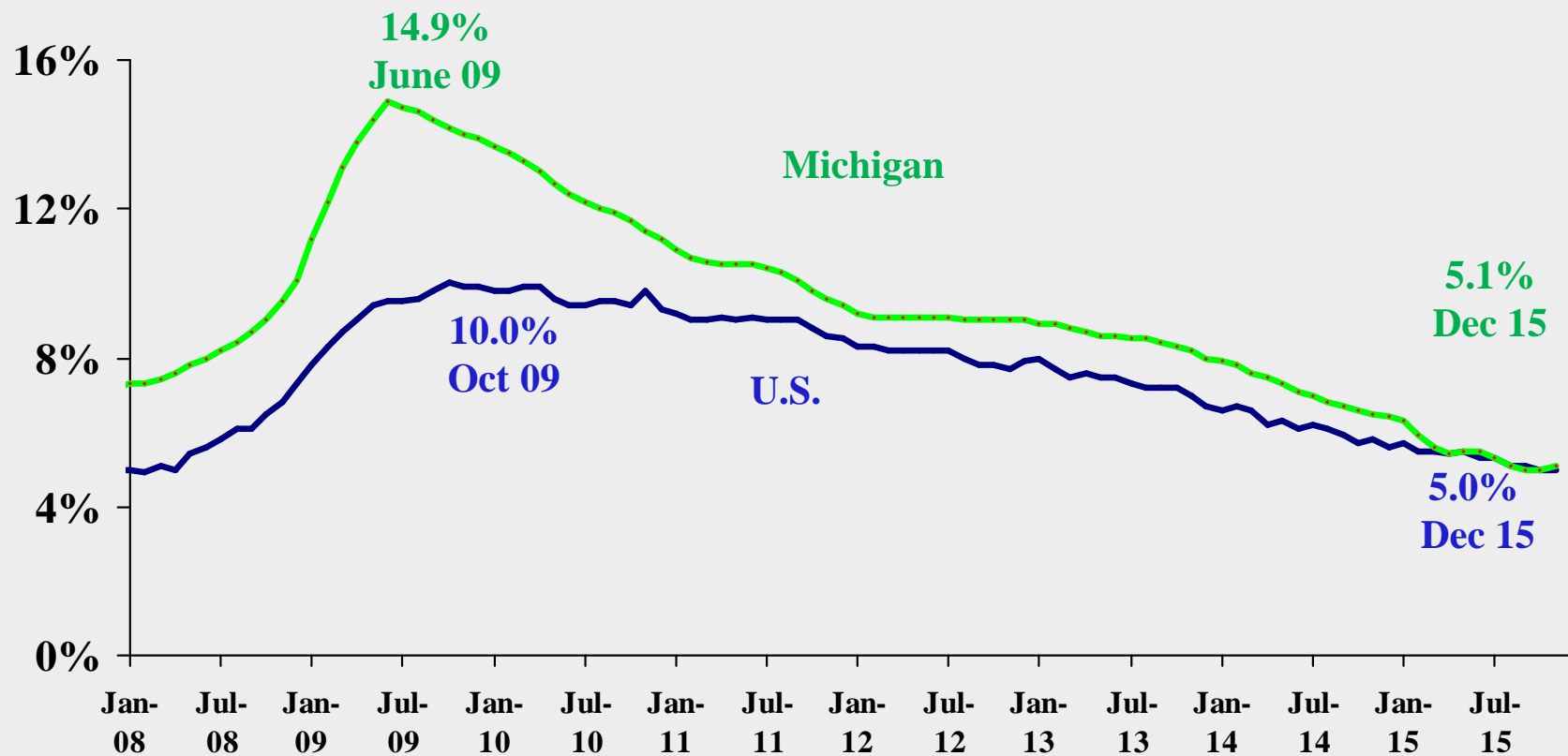
Creating More and Better Jobs

Change in Michigan Wage and Salary Employment from Previous Year
(thousands of jobs)



Note: U.S. Bureau of Labor Statistics. 2015-2018 estimates are 1/14/16 Consensus Forecast. 1/26/16.

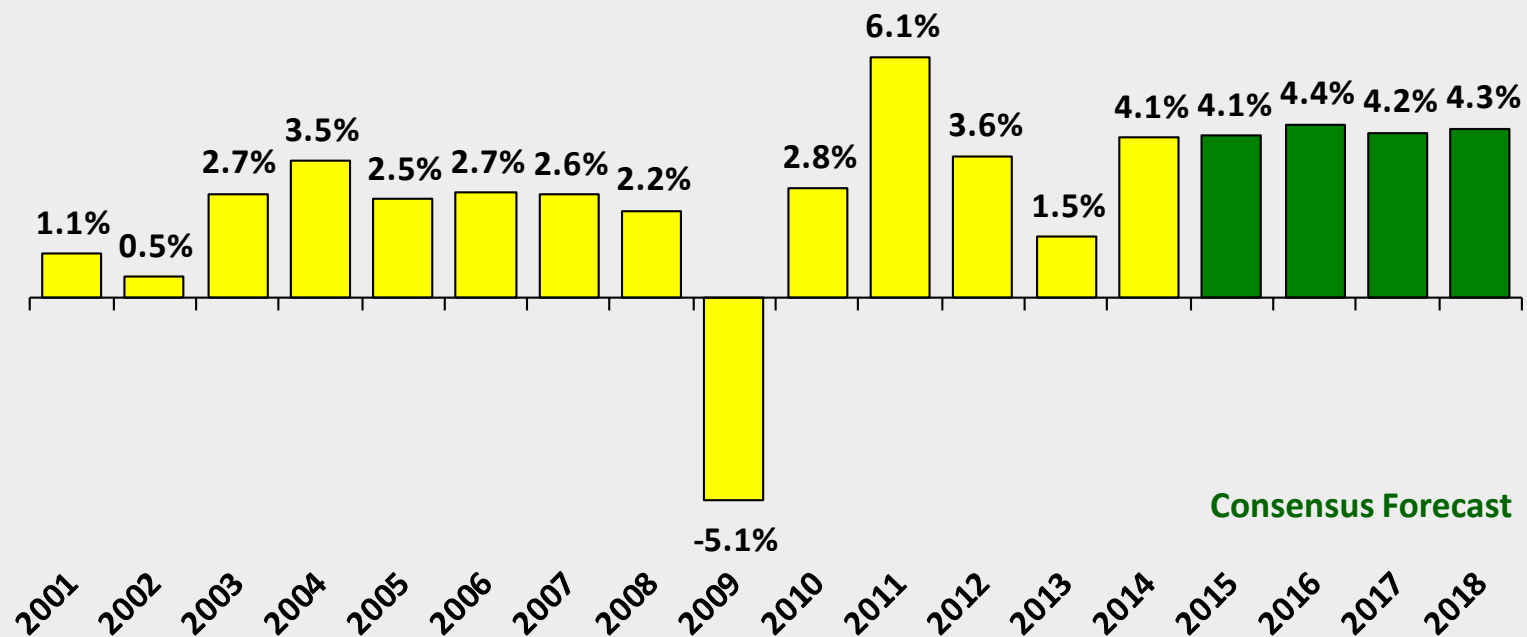
Dropping Unemployment Rate



Source: MI Bureau of Labor Market Information and U.S. Bureau of Labor Statistics. (12/16/2015)

Rising Personal Incomes

Michigan Personal Income Year-Over-Year % Change



Note: U.S. Bureau of Economic Analysis. 2015-2018 estimates are 1/14/16 Consensus Forecast. 1/15/16.



Michigan: #1 for Budget Process

- Nationally recognized for best budget process in the country*
 - We're focused on reducing the debt facing our children
- Compared to ...*
- Washington, D.C., which routinely kicks the can down the road and doesn't operate on a balanced budget
 - Two states that are more than six months into their fiscal years without an enacted budget

*Michigan was ranked first in the nation on the Federal Funds Information for States 2015 "budget process quality index"



Budget Responsibly Like a Family

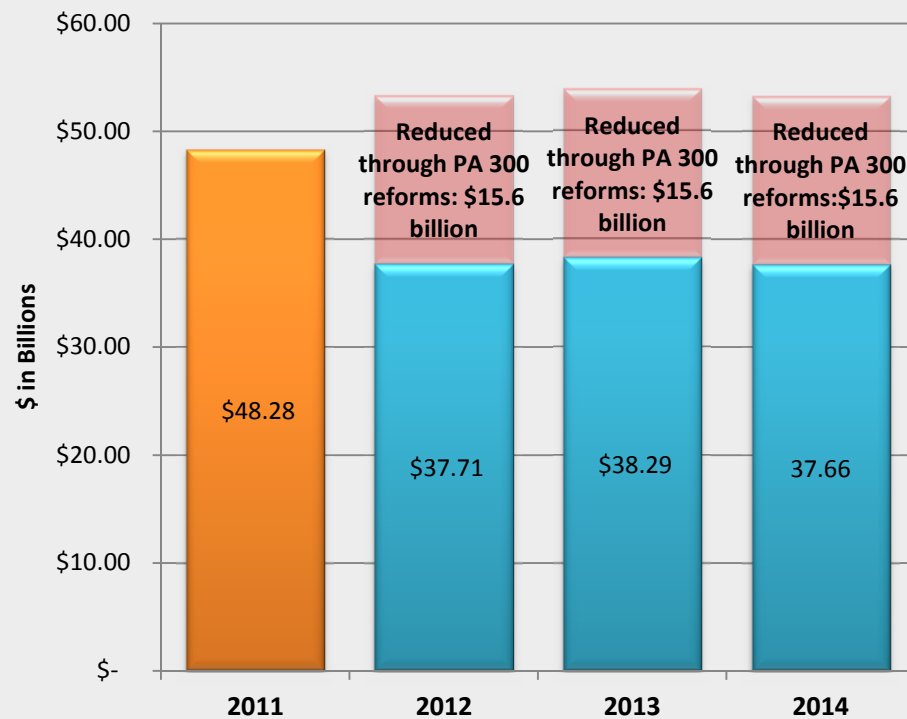
- Identify special challenges
- Pay our debts
- Manage our expenses
 - Tightening our belt
 - Regular expenses
 - Proper maintenance
 - Needed improvements
- Save for the future

Total Unfunded Liabilities



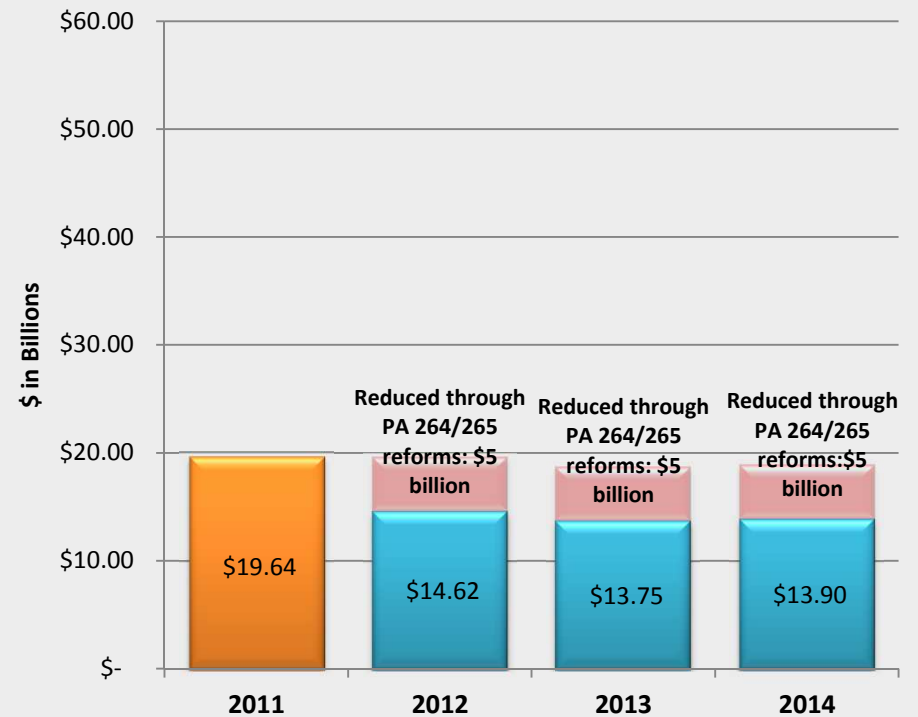
MPSERS

Combined Pension and Retiree Healthcare



SERS

Combined Pension and Retiree Healthcare



More than \$20B reduction in liabilities

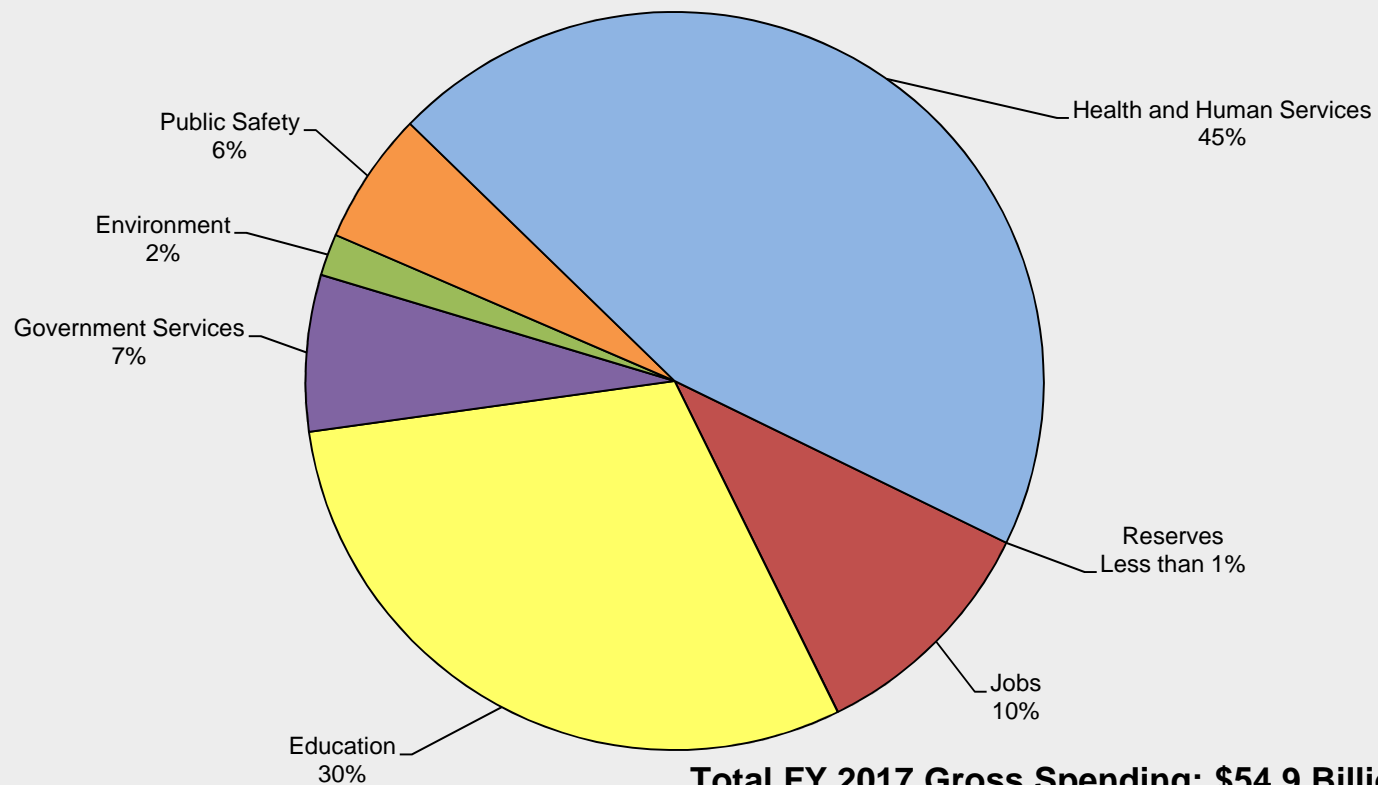


FY17 Budget Recommendations

FY17 Budget Plan: Bird's-eye View



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



Total FY 2017 Gross Spending: \$54.9 Billion



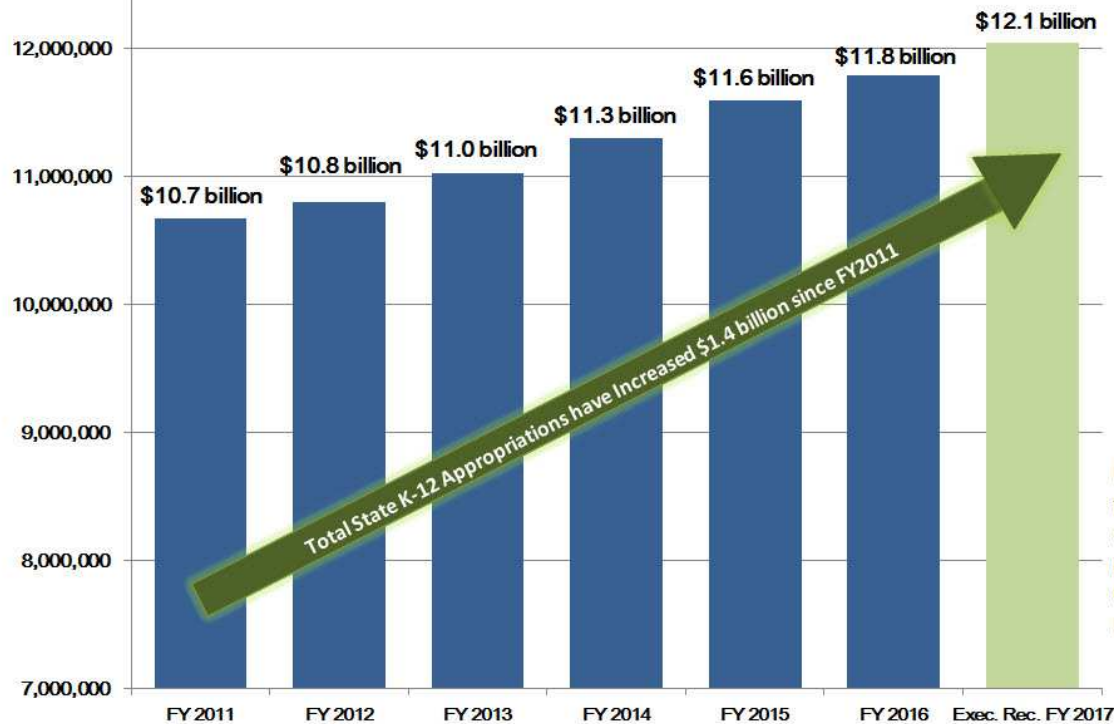
2017 Strategic Investments

- Education
 - K-12 schools
 - Restoring higher education funding
 - Upgrade of capital assets
- Public safety
- Health and human services
- Transportation
- Economic growth
- State infrastructure

Continuing Education as a Priority



State K-12 Appropriations
Continue to Increase



Total State K-12 Appropriations have Increased \$1.4 billion since FY2011

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

$$\begin{array}{r} \$10.7B \\ + \quad \$1.4B \\ \hline = \$12.1B \end{array}$$



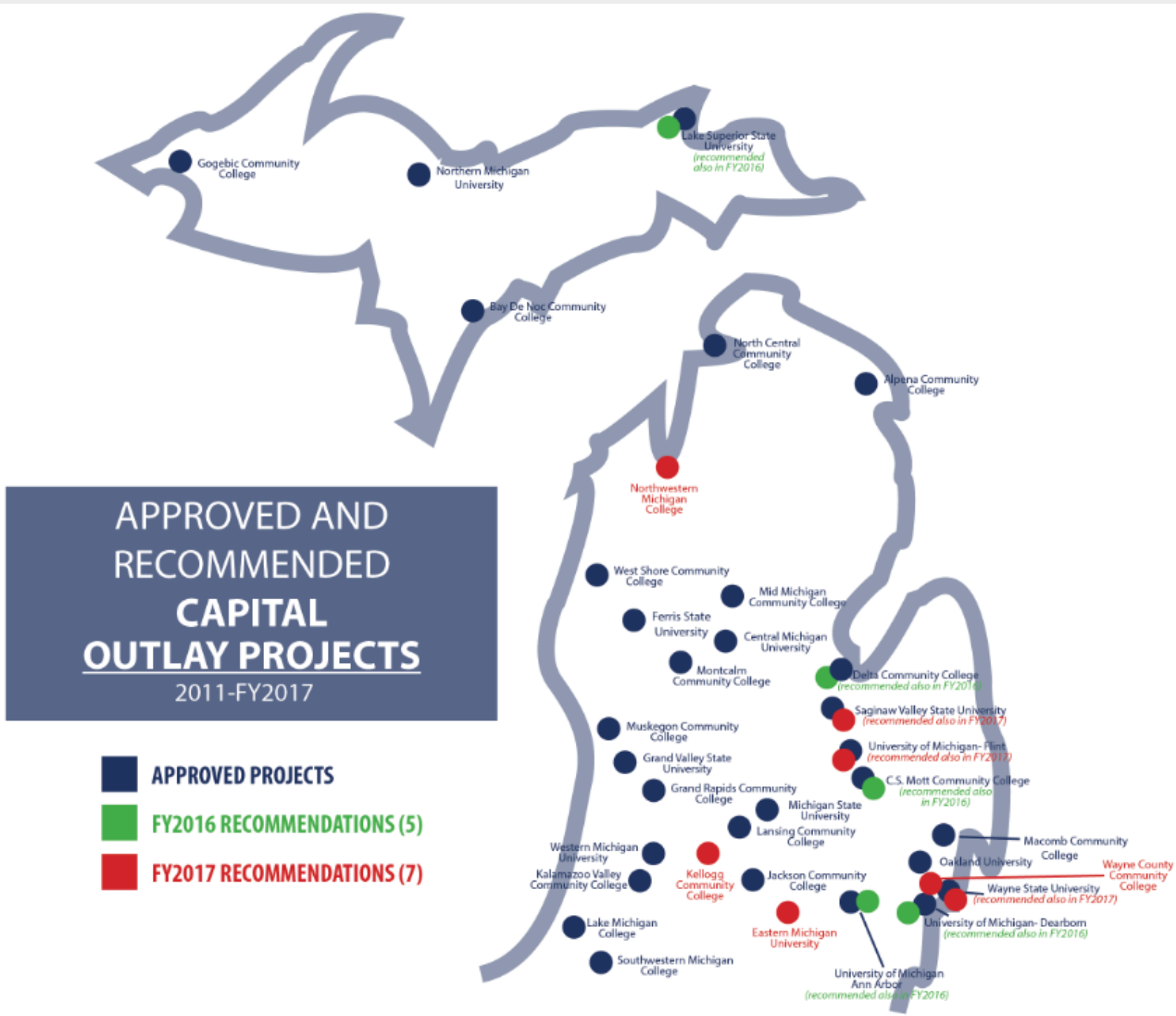
Education: Focus on Student Academic Growth

- Foundation allowance, \$150M (\$60-\$120 per-pupil)
- Keeping children safe in school, \$4M for school safety grants
- STEM programs to encourage math and sciences, \$2.5M
- Career and Technical Education Middle College program and equipment increase, \$15M
- Adjust school funding formula to 50/50 to help schools with declining enrollment
- School consolidation grants, \$5M
- Water testing in schools, \$9M



Higher Education Funding Fully Restored

- Universities
 - Operations, \$61.2M, 4.3 percent increase
 - MPSERS, \$730,000 increase
 - Tuition restraint at 4.8 percent (twice inflation)
- Community colleges
 - Operations, \$7.5M, 2.4 percent increase
 - MPSERS, \$3.7M increase



Note: University and community college projects



Making Michigan Safer

- Funding trooper recruit school with 85 graduates, \$9.5M
 - Number of troopers hired since December 2010 will make up 48 percent of total troopers
- Implement recommendations of Michigan Prescription Drug and Opioid Abuse Task Force, \$1.3M
- Expand Secure Cities to Muskegon Heights, Inkster, Hamtramck, Harper Woods, Highland Park and Benton Harbor, \$1.5M
- Expand cyber crimes enforcement, \$2.2M
- Corrections officer academy, train 350 graduates, \$8.5M
- Ensure safety of MDOC agents in the field across the state, \$981,300 for ballistic vests

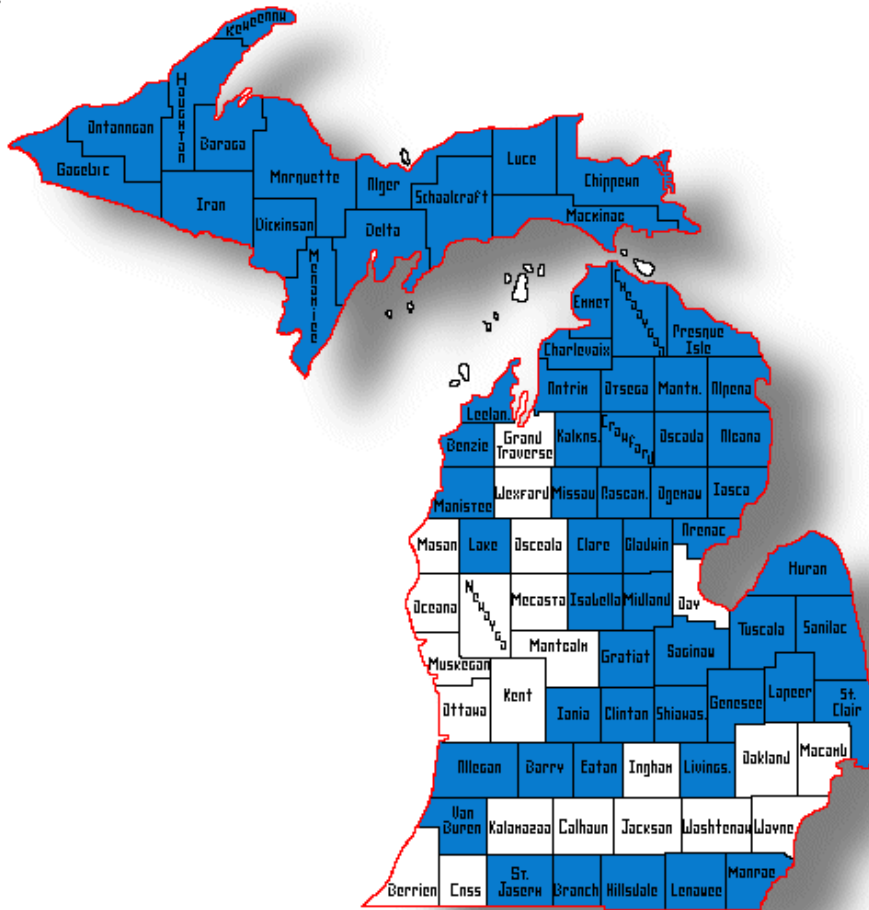


We Are One Michigan: Health and Human Services Investments

- Increase FIP clothing allowance for children, \$6.1M
- Expand the Center for Forensic Psychiatry to help ensure persons ruled incompetent to stand trial or not guilty by reason of insanity receive mental health services, \$7.6M
- Improve IT to better monitor child protective service, foster care, and adoption cases, \$7.7M
- Continued support of Mental Health and Wellness Commission and Medicaid mental health services
- HICA sunset extensions still needed



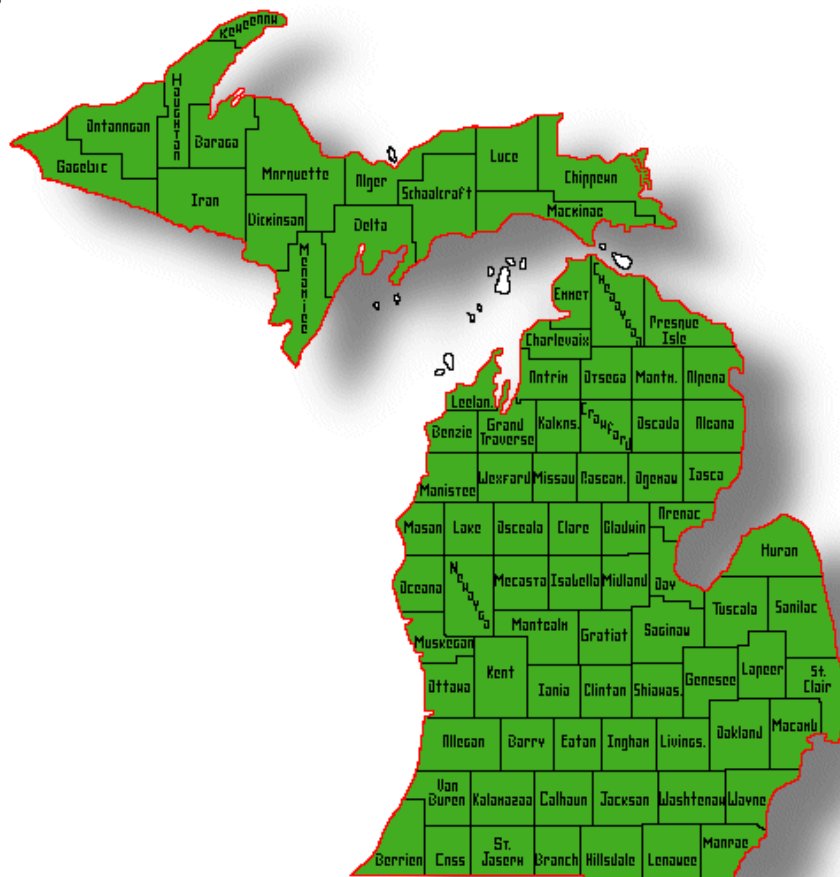
Healthy Kids Dental FY11



- Michigan children covered by Healthy Kids Dental in FY11: 285,000
- Coverage in just 61 counties

Healthy Kids Dental: Full Coverage in FY17

● - FY 2017



- Program now fully covers all 83 counties
- Complete expansion of Healthy Kids Dental to Wayne, Kent and Oakland counties, \$25.6M ongoing
- Michigan children covered by Healthy Kids Dental in FY17: 826,800



Future Transportation Funding Picture Now Stabilized

- New State Transportation package results in \$1.2B in support for transportation when fully implemented in FY21
- In FY17, \$533.3M in increased transportation revenues
 - \$189M for State Trunkline Fund
 - \$283M for local road agencies
 - \$61.4M for rail and public transit
- \$57.5M in new federal FAST Act transportation funding

Supporting Our Veterans

- Medicaid/Medicare certification for DJ Jacobetti home and a floor of the Grand Rapids home to maximize benefits, \$6.1M
- Veteran Health System Modernization Committee to develop a long-term vision to care for veterans





Investing in Our Communities

- Constitutional revenue sharing, \$781.5M, an increase of 3.9 percent
- Ongoing incentive-based funding for eligible municipalities meeting accountability/transparency requirements, \$243M
- County revenue sharing and incentive programs, added two counties, \$467,500 increase
- Competitive grant funding to encourage more efficient local government, \$11M
- Grant assistance for financially-distressed communities, \$5M



Focusing on Michigan's Future

- Growing Michigan's economy through business attraction and community revitalization, \$1.5M increase, \$115.5M total
- Skilled Trades Training Program, \$10M increase, \$35.6M total to match talent needs of employers with skilled workers for in-demand jobs
- Community Ventures – challenge grant of \$2M to further expand successful program
- XPrize style competition to address invasive species, \$1M



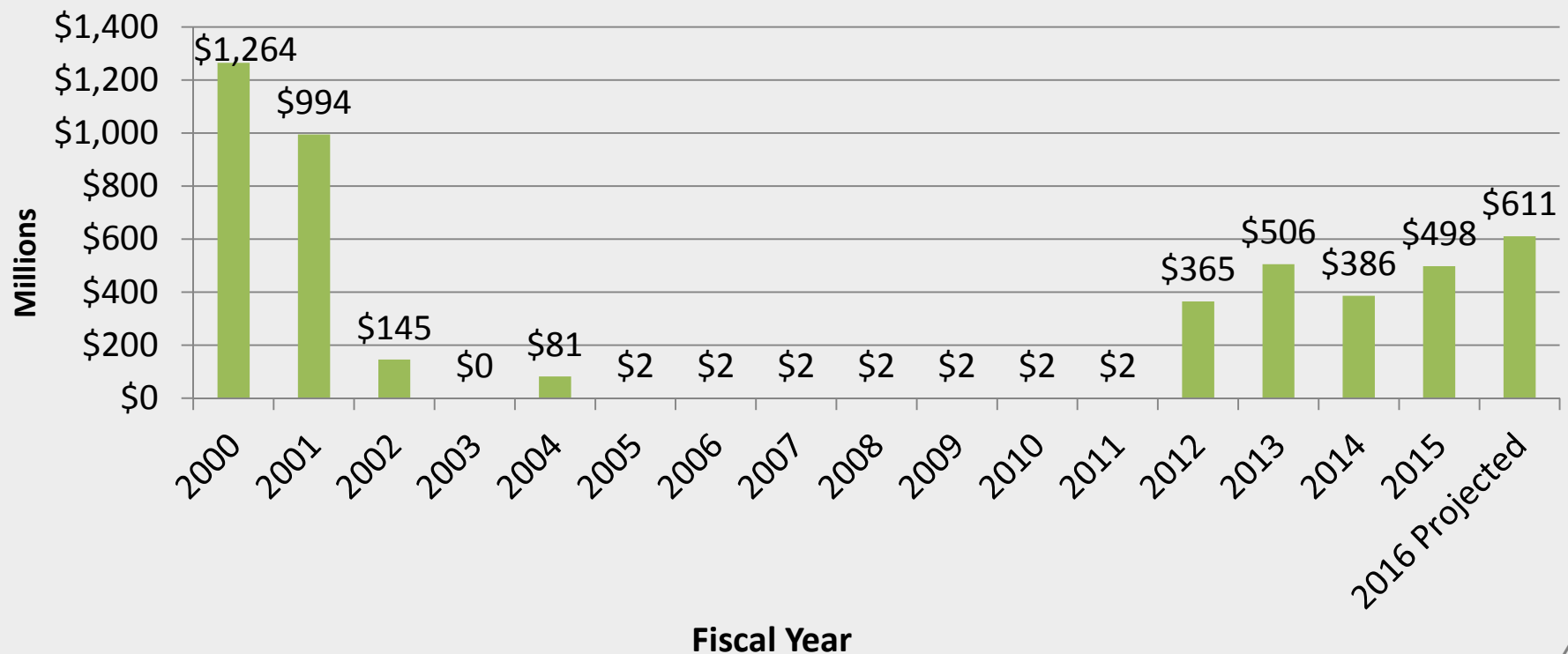
Saving Taxpayer Dollars by Keeping Up State Infrastructure

- New technology investments – total \$133M
 - Cybersecurity improvements, \$5M
- State infrastructure
 - Maintenance, armories and space consolidation into state-owned assets, \$16.5M

Saving for a Rainy Day



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 FY 2016 the balance will be approximately \$611M.





Accelerating the Comeback

- Ongoing
 - Transportation ✓ **Comprehensive funding solution**
 - Healthy Kids Dental ✓ **All counties now fully implemented**
 - Education
 - K-12: School retirement system ✓ **Funding retirement obligations**
 - Universities/Community Colleges ✓ **Prior funding levels restored**
 - Public safety ✓ **Expanding Safe Cities Initiative**
 - Local government funding ✓ **Competitive grants and full funding for counties**
- One-time
 - Grow reserves ✓ **Rainy Day Fund \$611M**

Future Priorities

- Flint and statewide infrastructure prioritization
- DPS and P-20 Education
- Economic growth
- Public safety
- Long-term debt and savings





Questions?

Thank you.