# 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 $10B, up 1.5 percent ($145M)

# Facing Challenges Head On

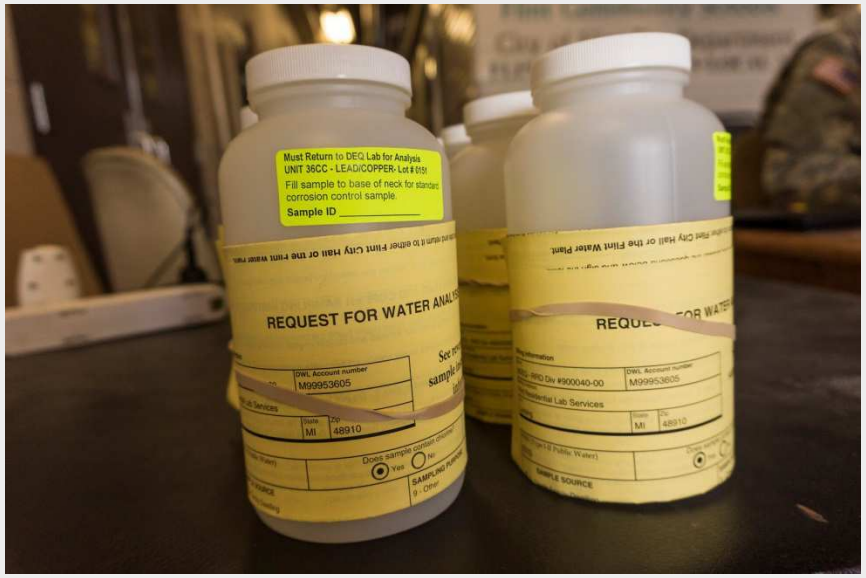
- Flint water crisis
- Statewide infrastructure prioritization
- Detroit Public Schools
- Specialty medications

# 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

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**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

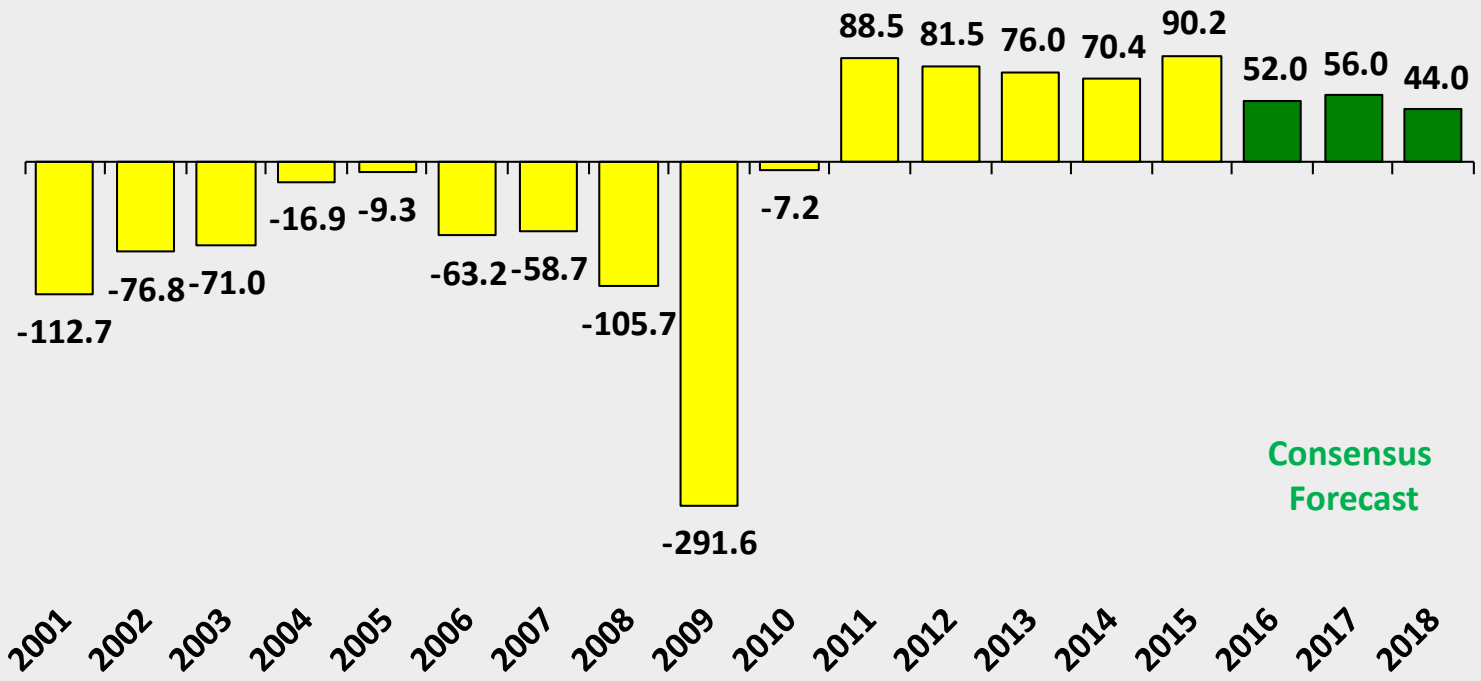
# Even with these challenges, Michigan's future is brighter for all Michiganders

# 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

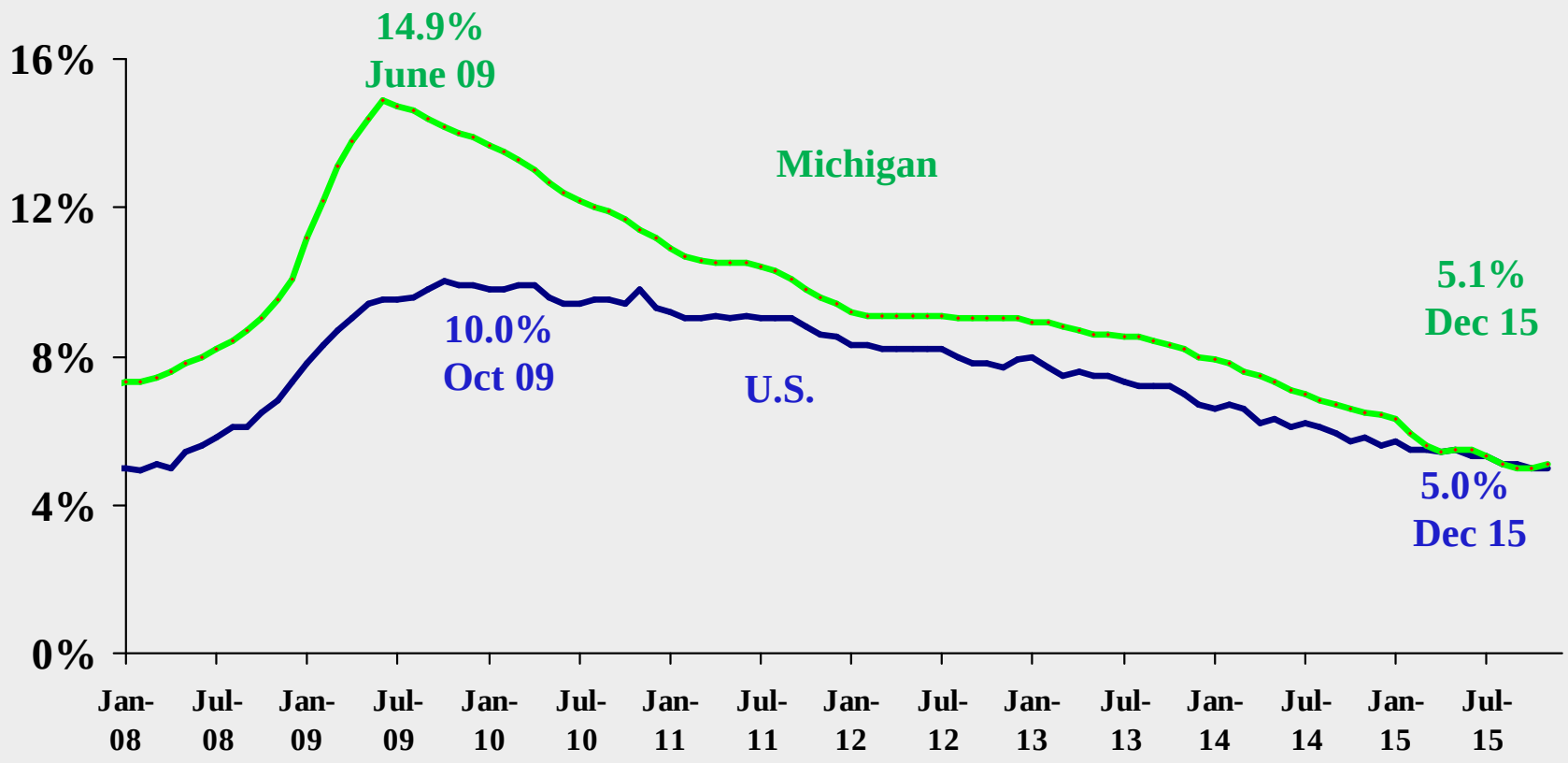
# Creating More and Better Jobs

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



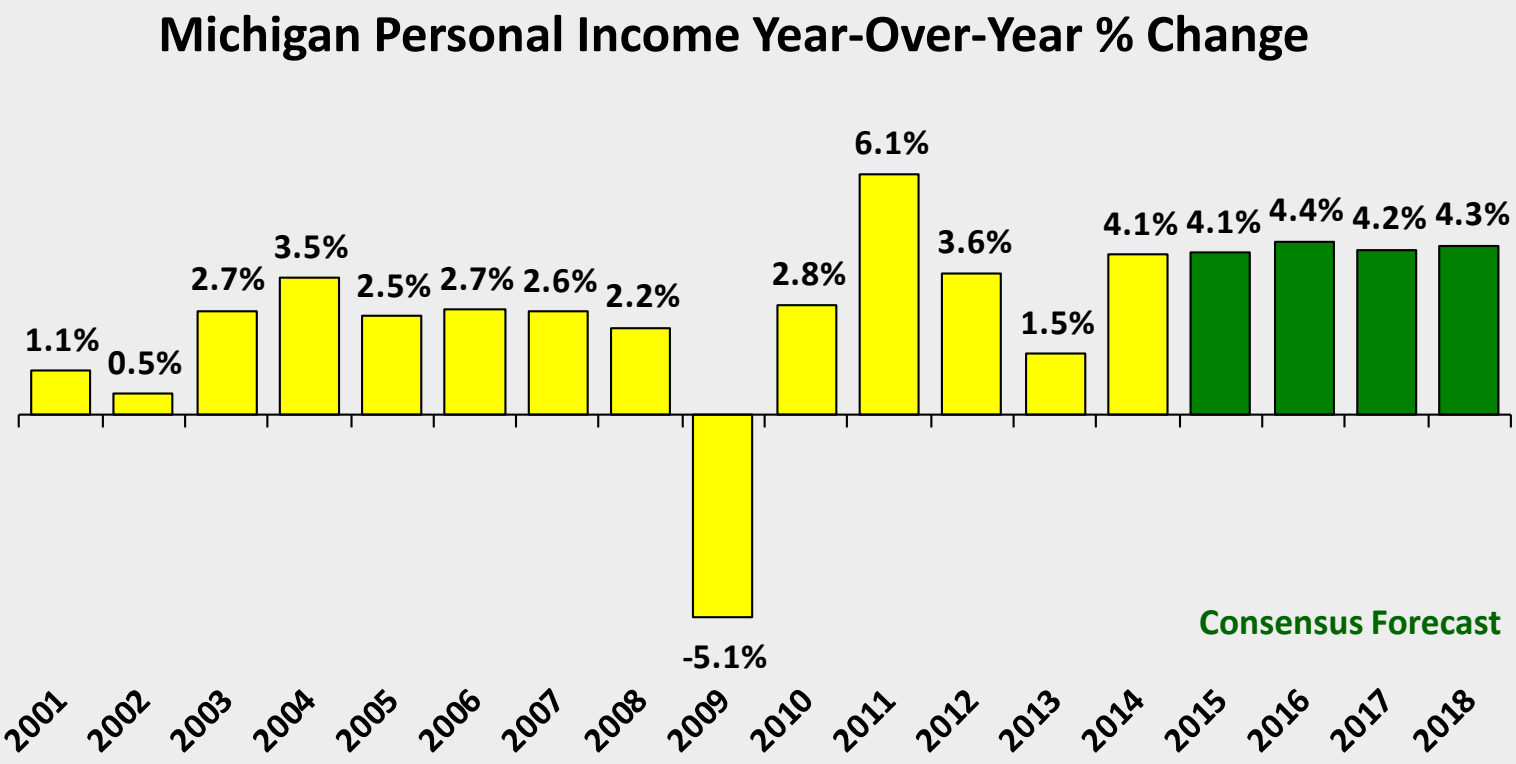

*Note: U.S. Bureau of Labor Statistics. 2015-2018 estimates are 1/14/16 Consensus Forecast. 1/26/16.*

# Dropping Unemployment Rate




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

# Rising Personal Incomes




*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 …*

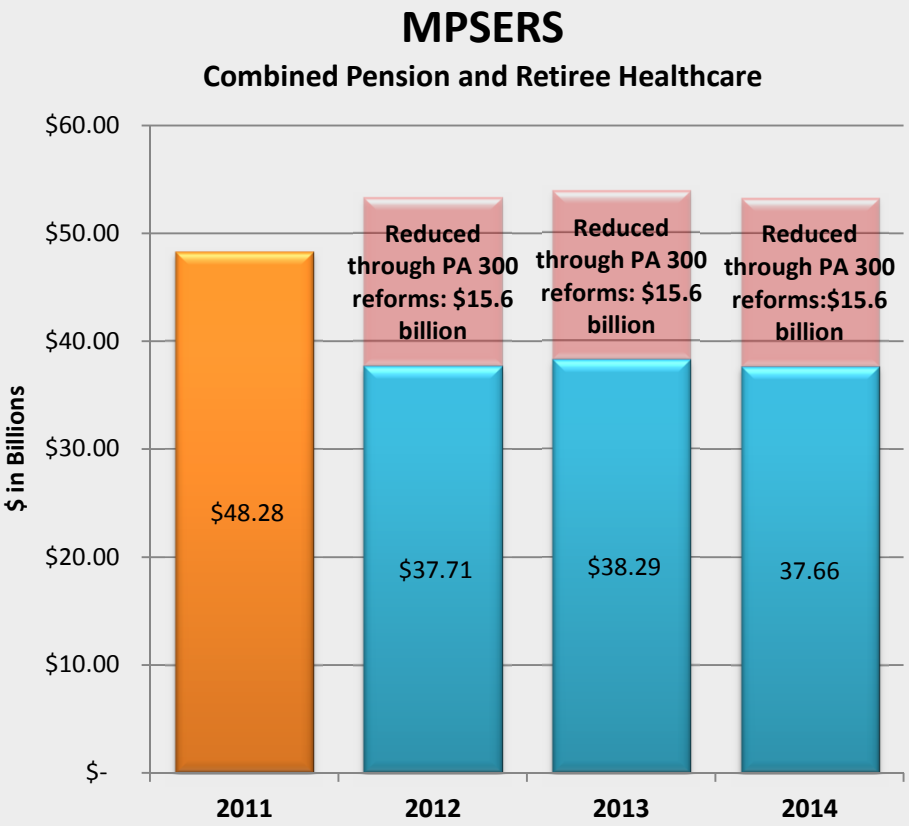
- Washington, D.C., which routinely kicks the can down the road and doesn't operate on a balanced budget
- Two states that are more than six months into their fiscal years without an enacted budget

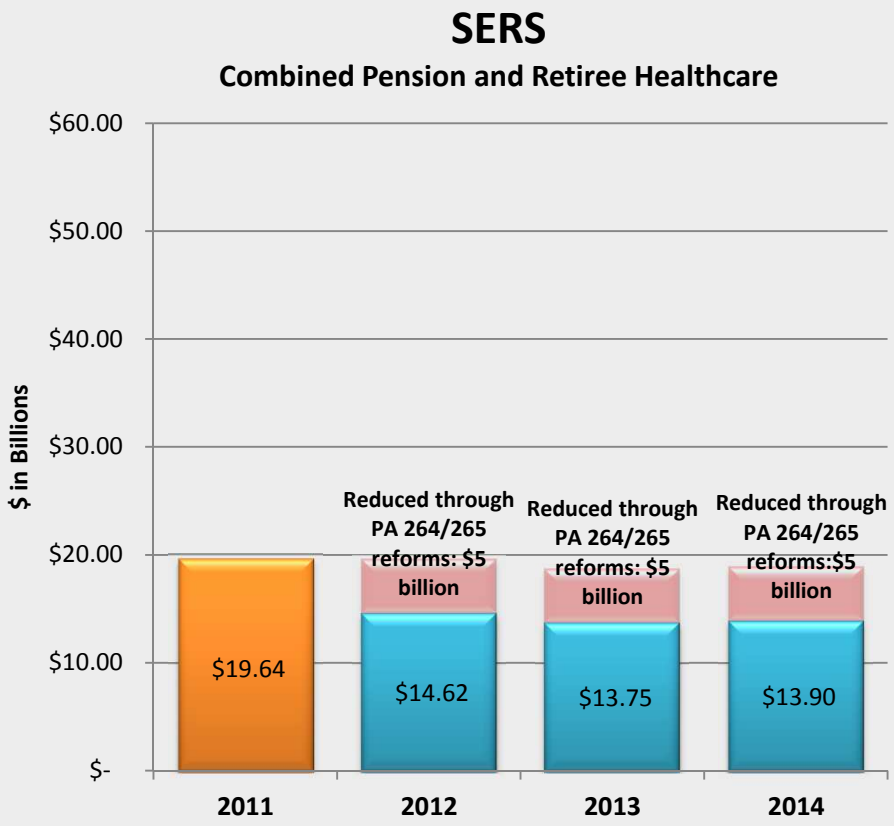
*Michigan was ranked first in the nation on the Federal Funds Information for States 2015 "budget process quality index"

# 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



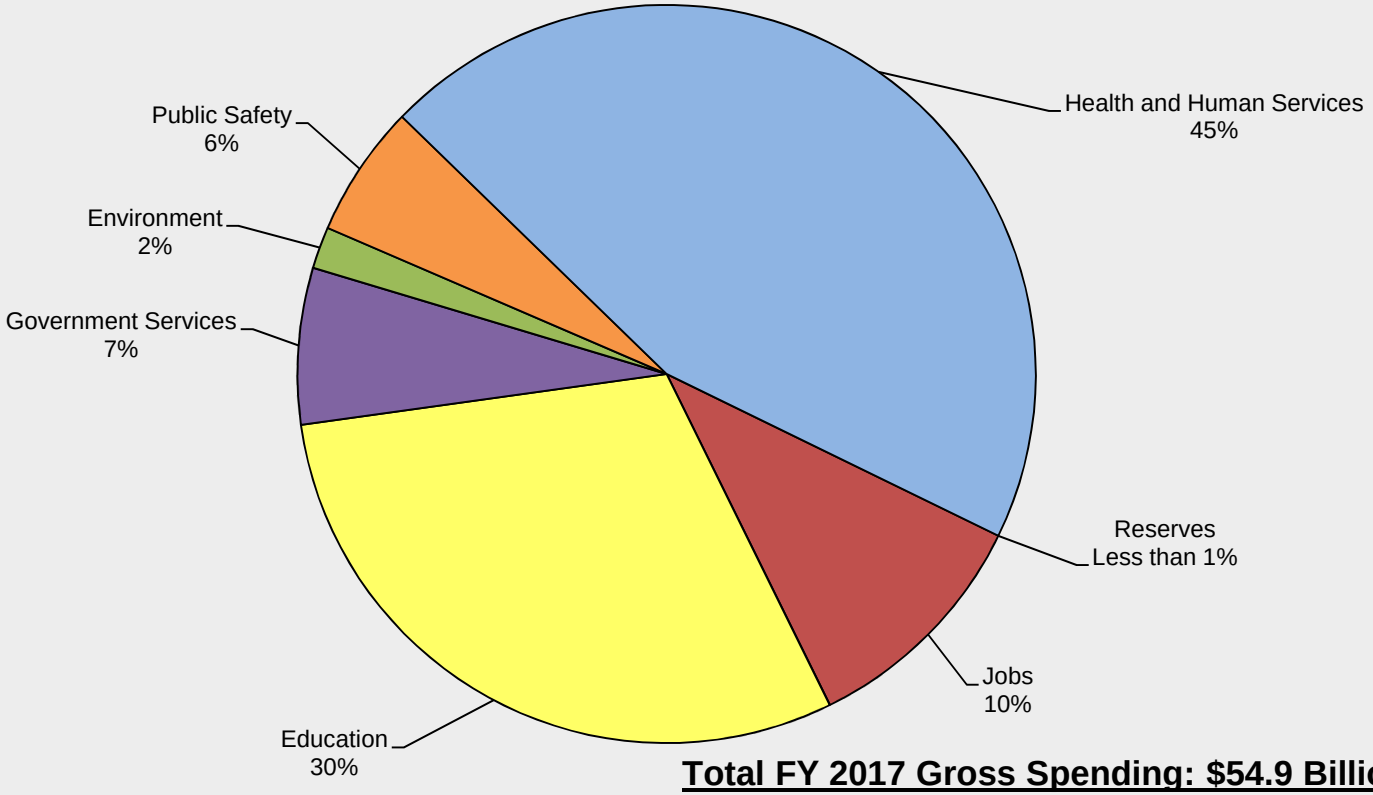




**More than $20B reduction in liabilities**

# FY17 Budget Recommendations

# FY17 Budget Plan: Bird's-eye View

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

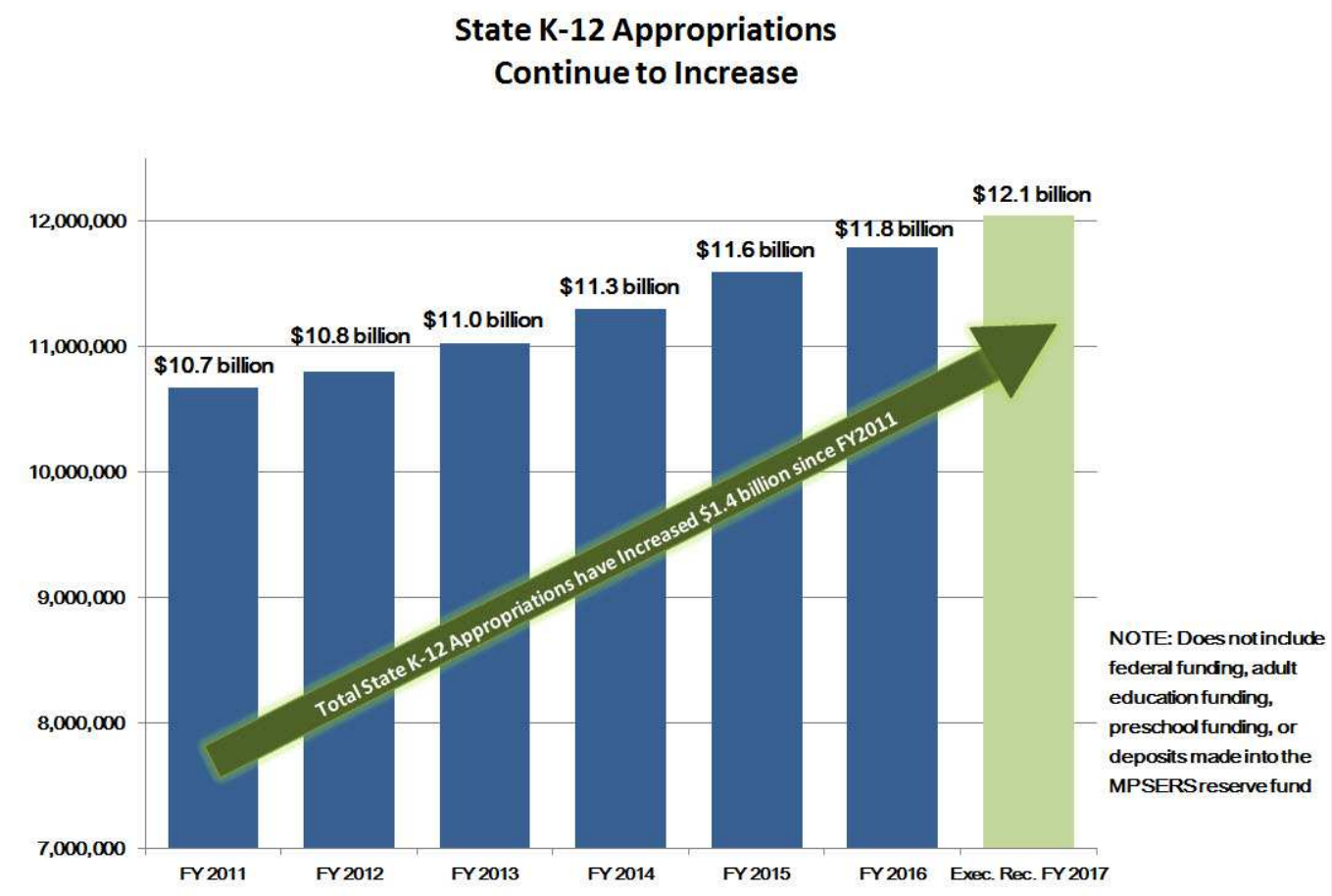



**Total FY 2017 Gross Spending: $54.9 Billion**

# 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



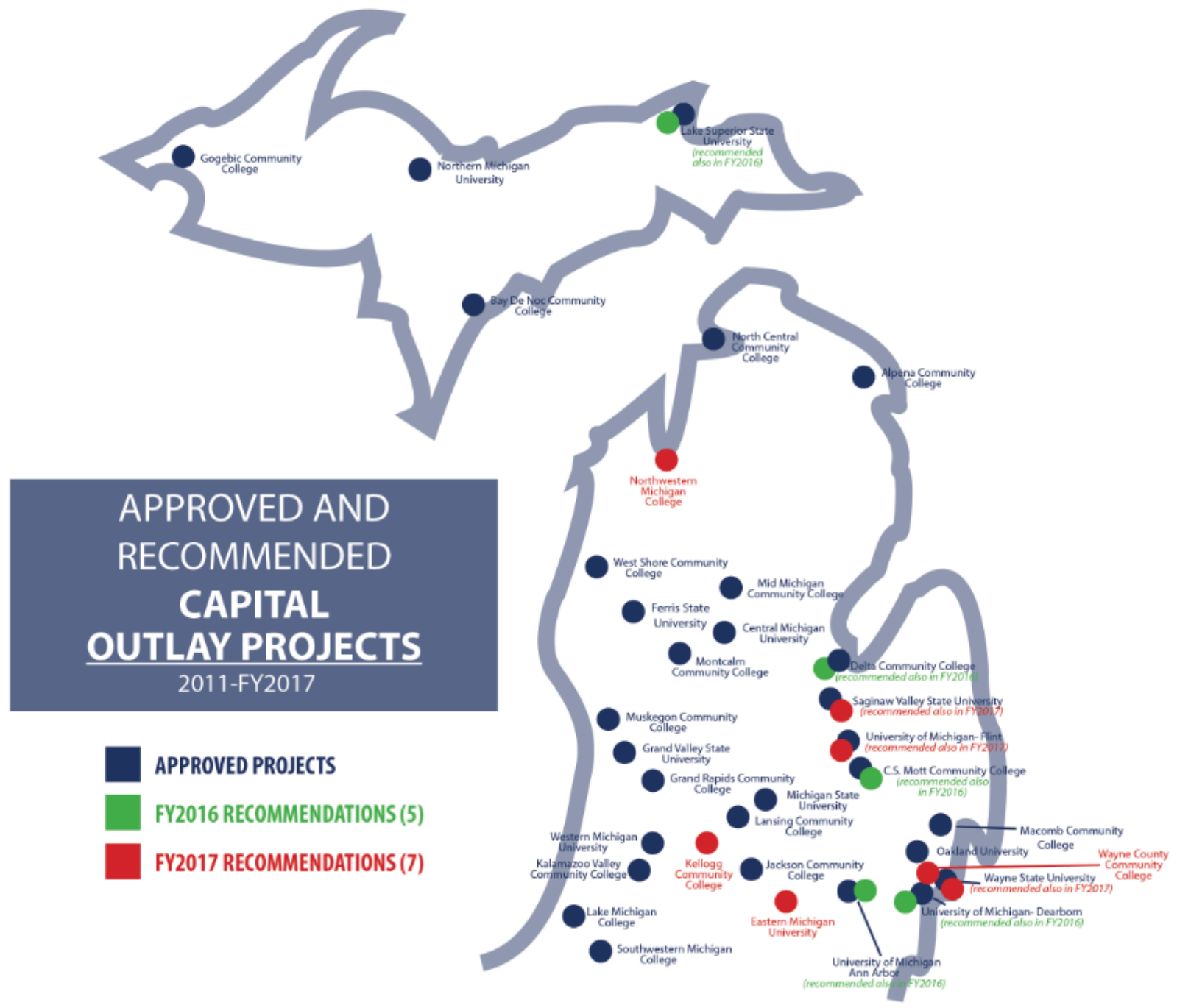

**$10.7B**
**+ $1.4B**
**= $12.1B**

# 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**

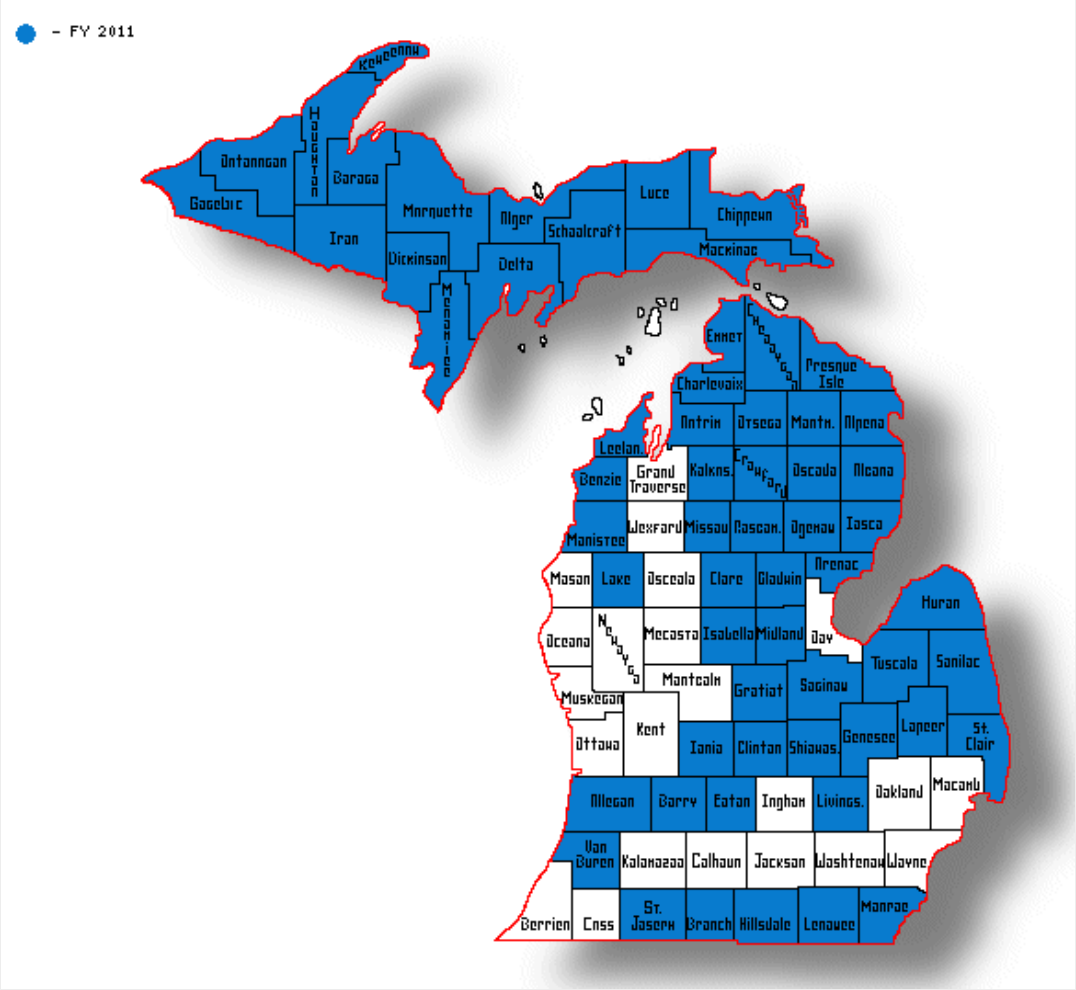
# Making Michigan Safer

- 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

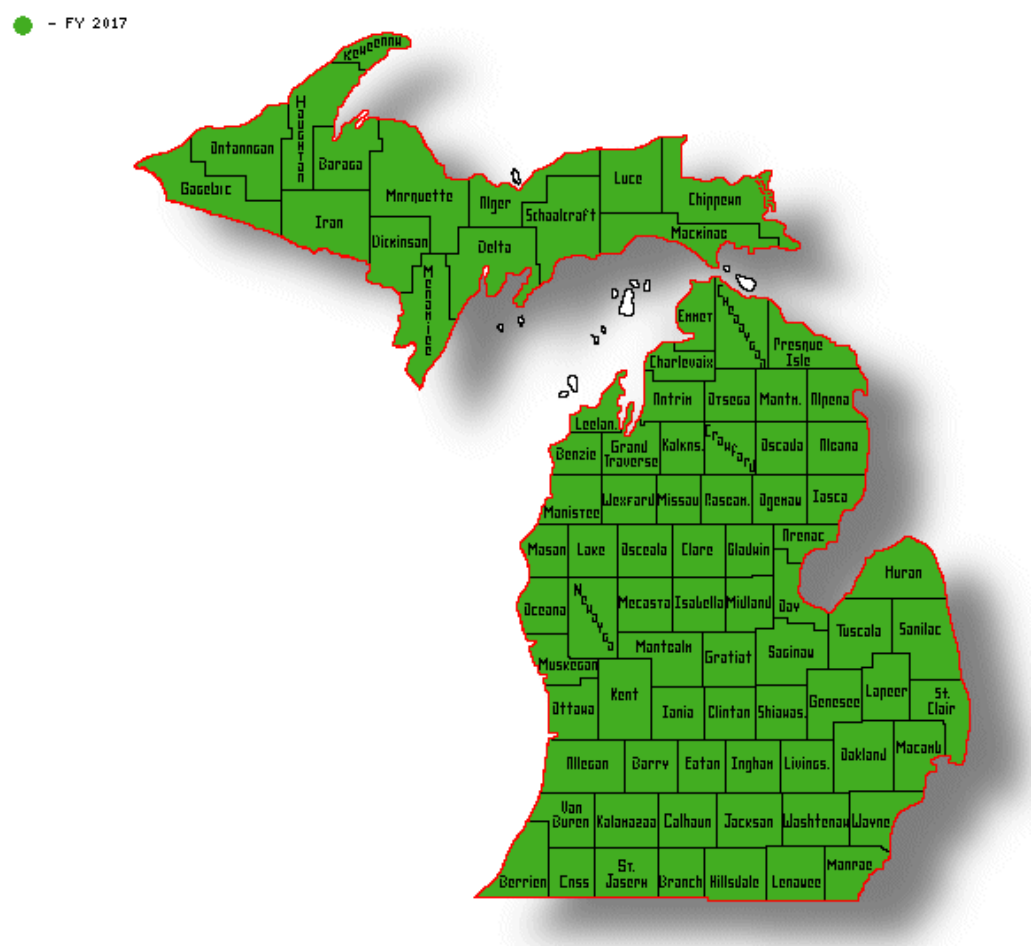
- Increase FIP clothing allowance for children, $6.1M
- Expand the Center for Forensic Psychiatry to help ensure persons ruled incompetent to stand trial or not guilty by reason of insanity receive mental health services, $7.6M
- Improve IT to better monitor child protective service, foster care, and 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




- 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

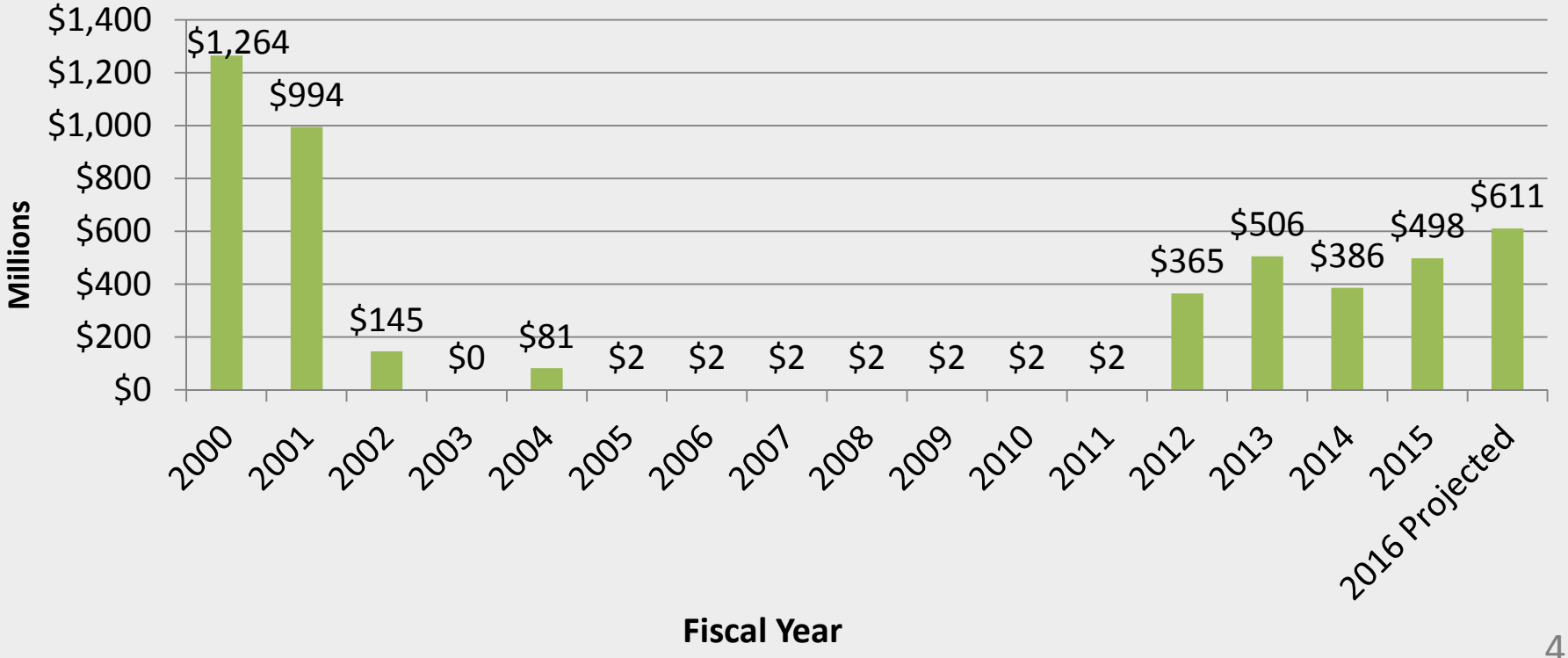
- Growing Michigan's economy through business attraction and community revitalization, $1.5M increase, $115.5M total
- Skilled Trades Training Program, $10M increase, $35.6M total to match talent needs of employers with skilled workers for in-demand jobs
- Community Ventures – challenge grant of $2M 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.**