

**Treasury Documentation****Subject:** Department of Treasury, Descriptions**For:** EMPLOYEE HANDBOOK**Also See:** BT-03019

<b>Identification</b>	BT-03064 Bulletin
<b>Effective Date</b>	1-1-2013
<b>Replaces</b>	BT-03064 (9-1-2008)
	Page 1 of 16

**EXECUTIVE****STATE TREASURER**

The State Treasurer acts as principal advisor to the Governor on tax and fiscal policy issues. The chairperson for the Michigan Education Trust (MET) and the Michigan Finance Authority (MFA).

The State Treasurer serves as:

- Sole investment fiduciary and treasurer of the judges, public school employees, State employees, and State police retirement funds.
- Treasurer of the Michigan Legislative Retirement System and the Mackinac Bridge Authority.
- A member of the following boards and commissions:
  - Local Emergency Financial Assistance Loan Board
  - Michigan Early Stage Venture Investment Corporation Board
  - Michigan Economic Development Corporation Corporate Board; Michigan Economic Growth Authority Board
  - Michigan Economic Growth Authority Executive Committee
  - Michigan State Housing Development Authority
  - Michigan Strategic Fund
  - Michigan Judges Retirement Board
  - Michigan State Employees Retirement Board
  - Michigan State Police Retirement Board
  - State Administrative Board
  - Michigan Finance Authority
  - Michigan Education Trust.

**CHIEF DEPUTY TREASURER**

The operational responsibilities of Michigan Department of Treasury (Treasury) are handled by the Executive Office, the Chief Deputy Treasurer, and Deputy Treasurers for Tax Administration, State and Authority Finance, Local Government Services, Financial and Administrative Services, and Investments.

---

## **DEPUTY TREASURER FOR FINANCIAL AND ADMINISTRATIVE SERVICES**

### **BUDGET OFFICE**

Budget Office develops, controls, and monitors all phases of the budget process for Treasury. These processes involve preparation of the annual budget detail, serving as liaison to the State Budget Office; legislative fiscal staff and appropriation committees on budget enactment, and monitoring and controlling expenditures. Providing analysis of budgetary impact of departmental programs and proposed legislation, statistical information for Chief Deputy Treasurer, preparing presentation materials for the Chief Deputy Treasurer to present to the Legislature and staff, and attends legislative sessions and meets with staff when necessary.

### **OFFICE OF DEPARTMENTAL SERVICES**

#### **Facility and Mail Operations**

**Facility Services** is responsible for providing office design and modification, furniture installation, and phone and data services to all Treasury offices, including State of Michigan (State) office buildings and private leased space. Additionally, the division is the liaison to the Department of Technology, Management, and Budget (DTMB) and Budget for building issues that could impact employee health and safety.

**Mail Operations** is responsible for all mail functions within Treasury; including receiving, processing and distribution of all inbound U.S. Postal Service mail, interoffice mail, and overnight express mail. It is responsible for the orderly flow of outgoing mail for Treasury and is the liaison for mail processed by DTMB, including all Treasury warrants. Additionally, the division provides Treasury with salvaging surplus of State purchased equipment, confidential shred pick-up, certified and overnight mail services, and Storekeeper assistance.

#### **Forms and Document Services (FDS)**

FDS Manages Treasury's centralized forms program; providing review, design, approval, and coordination of printing and storage of all departmental forms and minimizing the need for paper forms by combining existing forms and implementing alternatives that utilize State technology standards. This includes contract management for paper, printing, mailing services, and management of Treasury's program for privately printed substitute forms.

FDS manages Treasury's centralized documentation program; coordinating the development, review, design, authorization, publication, distribution, and maintenance of official Treasury documentation and ensuring compliance with documentation standards. FDS also coordinates development and update of procedure and training manuals, handbooks, and various telephone directories and listings for Treasury.

FDS is also responsible for coordinating Treasury's records management program in conjunction with DTMB; maintaining retention and disposal schedules for all departmental records and files.

## **Purchasing**

Purchasing is responsible for managing and administering the procurement of all commodity and service contracts for Treasury for ensuring that the appropriations Treasury encumbers for the acquisition of goods and services necessary for the operations of Treasury are in adherence with State purchasing laws, promulgated State purchasing procedures, DTMB Purchasing letters and Executive Directives where applicable. Purchasing is centralized and is responsible for procuring all contracts utilized by Treasury.

## **Unclaimed Property**

Unclaimed Property assumes custody of unclaimed property on behalf of the State, preserves the property in trust for the owners or their heirs, and returns that property to the rightful owners or their heirs upon presentation of proof of ownership.

## **OFFICE OF PRIVACY AND SECURITY**

The Office of Privacy and Security establishes a department-wide approach to ensure the privacy, confidentiality, and integrity of information collected, used, and retained by Treasury through prevention, detection, and enforcement practices in compliance with applicable laws, regulations, standards and other privacy and security industry best practices.

## **Disclosure**

Disclosure is responsible for administering the disclosure provisions of the Revenue Act found in section MCL 205.28(1) (f). It maintains liaison relationships with external organizations such as the Federation of Tax Administrators, Internal Revenue Service, Homeland Security, U.S. Customs, local cities, counties and other State agencies and assists Treasury divisions in tax compliance efforts.

## **OFFICE OF COLLECTIONS**

Office of Collections is the centralized collection agency for all overdue assessed taxes administered by Treasury and debts owed to State agencies, including some universities and courts. This responsibility includes collection of the Driver Responsibility fees referred by the Department of State.

The collection program consists of the following major functions:

- Maintenance of an accounts receivable database
- Maintenance of delinquent accounts for individuals and businesses
- Bankruptcy claims
- Centralized collection and tax clearance
- Oversight of the private collection agency contract
- Field operations staff
- MARCS (Michigan Accounts Receivable Collection System) – a telephone collection system operated under contract by a private vendor.

Office of Collections utilizes various tools in the collection process including telephone and written contacts, installment agreements, and electronic payment methods. Also, the Office of Collections has statutory authority to place liens on property, levy assets such as bank accounts, intercept tax refund monies owed to the taxpayer by the State to offset delinquent debt, assess corporate officers and successor businesses for business tax liabilities and seize property via the issuance of warrants.

Administers the Third-Party Withholding program, which is responsible for receiving and processing court-ordered garnishments of any third-party. These parties have obtained garnishments from courts with the intent of intercepting (offsetting) income tax refunds, vendor payments, State employee's payroll, and other types of payments that are being made by the State to their debtor.

## **OFFICE OF FINANCE AND ACCOUNTING**

Office of Finance and Accounting assists Treasury in maintaining financial and accounting integrity by providing oversight of Treasury's accounting structure and accounting profiles, along with the oversight and monitoring of Treasury's accounting functions, including year-end closing, accrual processes, and account balances. The office also serves as Treasury's liaison with the Office of Financial Services, DTMB. The office is also responsible for the reconciliation of bank statement activity with statewide book cash; the coordination of Michigan Administrative Information Network (MAIN)-related functions and processes; and processing vendor payments, direct vouchers, interaccount bills, travel, cash reconciliation, warrant reconciliation, interfaces, inventory, and asset control.

Office of Finance and Accounting is also responsible for the issuance of Commercial Forest, and Swamp and Tax Reverted Land payments based on information provided by the Department of Natural Resources (DNR). In addition, the office receives tax bills for all Purchased Lands acquired by the DNR and calculates the appropriate distribution of funds based on current statute. The office also administers the Senior Citizen Co-op Housing Tax Exemption Program. The State makes payments to municipalities for property taxes on qualifying senior citizen and disabled housing facilities.

## **OFFICE OF RECEIPTS PROCESSING**

Office of Receipts Processing serves as the central service agency to all State agencies for the administration of all statewide banking activity, related contracts, and statewide cash receipting. The office administers the disbursement and receipting of approximately \$80 billion annually.

Principal activities for the office include processing deposits, administering the lockbox contracts with the State's depositories, and administering the State Treasurer's bank accounts held at various financial institutions throughout the State. Other principal activities include daily review and reconciliation of the State Treasurer's concentration account at JP Morgan Chase, managing State credit card and EFT contracts, and working with other State agencies in the administration of State contractual relationships with financial institutions and revenue accounting responsibilities.

---

## **DEPUTY TREASURER FOR TAX ADMINISTRATION**

### **OFFICE OF REVENUE AND TAX ANALYSIS**

The Office of Revenue and Tax Analysis (ORTA) is responsible for preparing the official Michigan economic and revenue forecasts with which the State Treasurer, State Budget Director and the Governor formulate the administration's tax and budget policy. ORTA is also responsible for providing economic and revenue forecasts for the administration's participation in the Consensus Revenue Estimating Conferences. State government levies approximately 5,000 separate taxes, fees, and other revenue charges that need to be projected to prepare the annual executive budget. Changing economic conditions require continual monitoring for potential needed adjustments to the revenue estimates. These State revenue sources are expected to generate more than \$45 billion in FY 2012.

The State revenue sharing program distributes State sales taxes to local units of government as authorized by the Glenn Steil State Revenue Sharing Act (Public Act (PA) 140 of 1971, MCL 141.901 – 141.921). The Economic Vitality Incentive Program (EVIP) was created in PA 63 of 2011 and has two parts, an incentive program and a grant program. ORTA is responsible for administering and developing the EVIP programs. ORTA is also responsible for administering the Convention Facility Tax Fund, the Airport Parking Tax, the Health and Safety Fund, and the Emergency 911 Fund. Effective monitoring and administration of these programs requires extensive interaction between office staff and revenue sharing recipients, DTMB-Budget, and House and Senate Fiscal Agencies.

### **BUREAU OF TAX POLICY**

#### **Hearings Division**

Hearings is responsible for holding informal conferences, conducting tobacco products hearings, providing legal advice, performing tax research, maintaining a tax library, conducting administrative wage garnishment hearings and conducting motor fuel seizure hearings.

#### **Special Taxes Division**

Special Taxes is responsible for the administration of the Michigan tax statutes governing motor fuel tax, tobacco tax, severance tax (oil and gas), the International Fuel Tax Agreement and the Master Settlement Agreement (MSA).

Services provided include processing license applications, stamp orders, tax returns, and issuing refunds and assessments.

## **Tax Policy Division**

Tax Policy provides legal and policy support to Treasury for taxes administered pursuant to the Revenue Act, 1941 PA 122, as Amended. Principal taxes include:

- Michigan Business Tax (MBT)
- Corporate Income Tax (CIT)
- Single Business Tax (SBT)
- Income Tax (IT)
- Motor Fuel Tax (MFT), Tobacco products
- Sales, Use and Withholding Taxes (SUW).

Services provided include legal research, policy position development, analyzing legislation, responding to complex technical correspondence and telephone inquiries, and supporting litigation efforts of the department. These services are performed for Treasury's executive office, other Treasury personnel, legislators, Attorney General staff, and the general public including tax professionals.

## **TAX COMPLIANCE BUREAU**

The Tax Compliance Bureau enforces compliance with the State tax statutes. The Tax Compliance Bureau accomplishes its mission through Discovery and Tax Enforcement, Field Audit One, and Field Audit Two.

### **Discovery and Tax Enforcement Division**

Discovery and Tax Enforcement promotes taxpayer education, tax registration and licensing, while helping to maintain voluntary tax compliance.

**Tax Enforcement Unit** concentrates on civil and criminal investigation and prosecution of tax fraud cases, working in conjunction with the Michigan State Police, other law enforcement agencies, and the Attorney General.

**Discovery Unit** is responsible for developing and conducting projects designed to identify and contact nonfilers and under-reporters of the various taxes administered by Treasury. Taxpayers are notified of their tax discrepancies using Letters of Inquiry issued in accordance with MCL 205.21 of the Revenue Act. This unit also administers Michigan's Voluntary Disclosure Program and Taxpayer Initial Disclosure.

### **Field Audit One and Field Audit Two Divisions**

Field Audit One and Field Audit Two promote a high level of taxpayer voluntary compliance through the conduction of tax audits in a fair, impartial, and consistent manner according to established principals of tax audit. Approximately 450,000 Michigan business taxpayers annually remit sales, use, income tax withholding, and Michigan business taxes. New tax return filing requirements began in 2012 for Corporate Income Tax (CIT), Flow-Through Withholding (FTW) and Health Insurance Claims Assessment (HICA) returns.

The coordinated collection of State taxes under the self-assessing system that the State operations requires an enforcement presence to sustain the system. The audit functions performed help to maintain a visible tax audit present to encourage taxpayers to voluntarily comply with the State tax statutes. An objective of this program is to ensure compliance with the State system of self-assessment through the selective audit of taxpayer books and records.

## **TAX PROCESSING BUREAU**

The Tax Processing Bureau's primary functions include administering the processing and review of individual and business tax returns as well as providing responses to taxpayer inquiries.

### **Individual Income Tax Division**

Individual Income Tax (IIT) processes approximately 5 million income tax returns annually ensuring the accuracy of returns filed. IIT is also responsible for maintaining data management functions for Treasury including data entry and document imaging and indexing. The creation, maintenance and distribution of income tax forms and instructions are the responsibility of IIT. IIT is the owner of the income tax legacy programs (TC-06) and retention and disposal schedules for all income tax returns filed with Treasury.

### **Business Taxes Division**

Business Taxes is responsible for processing:

- CIT
- FTW
- HICA
- MBT
- SBT
- SUW

The creation, maintenance and distribution of the forms and instructions for the above taxes are also the responsibility of the division. The division is the owner of the legacy programs for SBT, SAP for MBT, CIT, FTW, CustFin for HICA, and electronic filing programs and scheduling for all the major taxes.

### **Customer Contact Division**

Customer Contact is the primary point of contact for most taxpayers with inquiries concerning taxes administered by Treasury. Customers can access information about their accounts through a variety of channels:

- Web-based and automated phone services allow 24-hour access to account information.
- Written inquiries through the mail and through the web.

- Customer service representatives provide direct contact for taxpayers through the Division's Interactive Voice Response system by utilizing an integrated customer relationship management (CRM) program which provides a bridge between department records and taxpayers. This system also facilitates the ongoing quality assurance efforts by allowing for a review of customer interactions to improve customer service and staff training.

## **DEPUTY TREASURER FOR STATE AND AUTHORITY FINANCE**

### **BUREAU OF STATE AND AUTHORITY FINANCE**

The Bureau of State and Authority Finance achieves and maintains market access, low-cost financing, and financial assistance for the citizens of Michigan on behalf of: Municipalities; Healthcare Providers; Public, Private, and Charter Schools; Higher Education; College Students for loans, scholarships and grants, and savings programs; State-at-large for environmental, recreational, and other specific voter-approved projects; and the State for cash flow financing and operating purposes.

#### **Authority Finance Division**

Authority Finance as part of the Bureau of State and Authority Finance, provides financial and administrative support services for the Michigan Finance Authority (MFA).

**Municipal Finance Programs** provide local units of government and schools an alternative source of financing for infrastructure projects and cash flow needs through low-cost access to the public finance market.

- *Local Government Loan Program (LGLP)*. Provides competitive interest rates for three to 30 year loans. The MFA provides pooling of local government obligations. All Michigan units of local government and public entities are eligible to apply. Loans have included purchases of equipment, school buses, fire trucks, real property, energy conservation improvement, infrastructure needs, and refunding existing debt.
- *State Aid Note (SAN) Program*. A streamlined loan program to finance short-term operational cash flow needs for Michigan Public Schools. The MFA facilitates the process by pooling the loans, soliciting bids, and obtaining the highest possible short-term rating resulting in competitive interest rates and lower costs for the schools.
- *Public School Academy State Aid Note (PSA SAN) Program*. A streamlined loan program to finance short-term operational cash flow needs for Michigan Public School Academies. The MFA facilitates the process by pooling the loans, soliciting bids, and obtaining the highest possible short-term rating resulting in competitive interest rates and lower costs for the schools.
- *Clean Water Revolving Fund (CWRP), Drinking Water Revolving Fund (DWRP), and Strategic Water Quality Initiatives Fund (SWQIF) Programs*. Provides low-cost financing for municipal waste water facilities, drinking water projects, the on-site upgrade/replacement of septic systems, and the removal of ground water or storm water from sewer leads. These programs are administered jointly by Treasury and the Michigan Department of Environmental Quality (DEQ) which determines qualified projects and annual funding priority.

- *Long-Term Facilities Financing for Public School Academies.* As provided by Executive Order 2002-3, the MFA provides an effective, low-cost, facilities-financing option for Public School Academies.
- *School Loan Revolving Fund (SLRF).* The SLRF was created to make loans to school districts to assist with making debt service payments on bonds issued through the School Bond Qualification and Loan Program. Loan repayment is deferred until the required debt millage yields enough to pay the district's debt service obligations. Money repaid by school districts is deposited back into the fund for debt service and for future loans.

**Healthcare Finance Programs** provide low-cost capital financing to municipal and non-profit providers of healthcare services that participate in any phase of the continuum of healthcare.

- *Healthcare Facility Financing.* MFA issues bonds to make loans to finance and refinance the acquisition, construction, improvement or alteration of hospital facilities, and the payment of project costs.
- *Healthcare Equipment Loan Program (H.E.L.P.).* Provides a tax-exempt financing plan offering Michigan healthcare providers a low-cost alternative to conventional methods of borrowing for a variety of capital-related purposes.

**Higher Education Finance Programs** lower the cost of non-profit higher education by providing Michigan's private, non-profit educational institutions access to tax-exempt capital. The MFA issues bonds to make loans to private non-profit colleges and universities for various capital needs, including construction of new facilities, renovation of existing facilities, and equipment purchases.

**Private (K-12) School Finance Programs** lower the cost of private primary and secondary school financing by providing access to tax exempt capital. The MFA issues bonds to make loans to private primary and secondary schools for various capital needs, including construction of new facilities and renovation of existing facilities.

**Student Loan Programs** due to credit market turmoil causing an inability to raise capital and elimination of the Federal Family Education Loan Program (FFELP), federal and alternative student loan programs have been suspended. Current emphasis is on restructuring outstanding student loan bond portfolios.

**Other Finance Activities** including issuing bonds and notes as needed, for:

- Tobacco Securitization
- Underground Storage Tank Cleanup
- Forest Finance
- Land Bank Fast Track
- Unemployment Trust Fund Obligation.

## **State Finance Division**

State Finance as part of the Bureau of State and Authority Finance, provides financing and administrative services for the following:

**State Cash Management** assists the State Treasurer in managing the common cash fund that pools the combined cash balances of State monies and is used as the State's checkbook. State Cash Management forecasts statewide cash flow receipt and disbursement activity in the common cash fund, including cash flow activity resulting from the State's annual budget, which is in excess of \$47 billion.

- *Oversight and Compliance of the Federal Cash Management Improvement Act (CMIA)* which sets forth the procedures for the efficient transfer of federal funds to the State which totals in excess of \$20 billion annually.

**Debt Management** assists with the issuance of State general obligation and special revenue bonds and notes; provides fiscal agent and trust services for various bond issues and public finance programs; and ensures requirements are met for compliance with federal tax laws and Securities Exchange Commission (SEC) disclosure filings.

**School Bond Qualification and Loan Program** administers the qualification of school district bonds issued for capital expenditure purposes and provides for loans to assist with making debt service payments. Approximately \$14 billion in qualified school district bonds and \$1.28 billion in loans are outstanding under the program.

## **Michigan Education Trust (MET)**

MET the higher education savings programs are designed to protect families from rising tuition costs by providing flexible and affordable access to state institutions, and to encourage saving for the future cost of higher education to reduce the amount of debt students incur to graduate from college.

MET allows parents, grandparents, businesses, and others to prepay undergraduate tuition for a child residing in Michigan at any Michigan public university or college. MET also provides refunds if a student chooses to attend a Michigan independent college or out-of-state college. The total purchase amount of a MET contract is eligible for a state tax deduction and earnings are exempt from federal taxes if used for qualified higher education expenses at any qualified higher education institution in the nation or abroad.

**Michigan Education Savings Program (MESP)** allows individuals or entities to open college savings investment accounts and is a Section 529 direct-sold program. MESP offers a state tax deduction up to \$5,000 for single filers (\$10,000 for joint tax filers). MESP accounts may be used for qualified higher education expenses.

**MI 529 Advisor Plan (MAP)** allows individuals or entities to open college savings investment accounts and is a Section 529 advisor-sold program. MAP offers a state tax deduction up to \$5,000 for single tax filers (\$10,000 for joint tax filers). MAP accounts may be used for qualified higher education expenses.

### **Student Loan Division (SLD)**

SLD administers outstanding portfolios of loans made to students and parents for postsecondary education under federal and state education loan programs. The SLD monitors loan servicers for compliance with federal laws, rules and regulations governing loans, and is responsible for required federal reporting and budgeting activities.

**Michigan Finance Authority (MFA) – Student Loan Programs** participated as a lender in the FFELP (Subsidized Federal Stafford Loan Program, Unsubsidized Federal Stafford Loan Program, Federal PLUS Loan Program, and Federal Consolidation Loan Program). (Beginning June 30, 2010, no new loans were made by this lender under FFELP.)

**Michigan Alternative Student Loan Program (MI-LOAN)** a private student loan program for students attending Michigan degree-granting colleges and universities. This program helped students bridge the gap between college costs and traditional federal financial aid resources. (The MI-LOAN Program has been suspended since February 2008.)

**Michigan Guaranty Agency (MGA)** since 1965, as the State-designated FFELP guarantor in Michigan, assists students and their parents with financing a postsecondary education through low-cost guaranteed student loans. Since its inception, MGA has guaranteed over \$14.3 billion in student loans. MGA services include training and technical support services to schools and lenders, borrower information programs, and customer assistance starting from loan application through the repayment process, as well as outreach and financial literacy activities.

### **Student Scholarships and Grants Division**

Student Scholarships and Grants Division administers State and federally-funded scholarship and grant programs. These programs allow Michigan students access and choice in achieving their higher education goals. These programs include:

- Michigan Competitive Scholarship (MCS)
- Michigan Tuition Grant (MTG)
- Tuition Incentive Program (TIP)
- Children of Veterans Tuition Grant (CVTG)
- Police Officer's and Fire Fighter's Survivor Tuition Grant (STG)
- Michigan Merit Award (MMA)
- Robert C. Byrd Scholarship Program (BYRD)
- GEAR UP Michigan!
- GEAR UP College Day Scholarships (GEAR UP).

Three unfunded programs do not issue payments, but require administration related to the verification of employment.

- Michigan Nursing Scholarship (MNS)
- Paul Douglas Teacher Scholarship (Douglas)
- Teacher Loan Cancellation List (TCLI).

---

## **DEPUTY TREASURER FOR LOCAL GOVERNMENT SERVICES**

### **OFFICE OF FISCAL RESPONSIBILITY**

The Office of Fiscal Responsibility provides local units of government with state-wide technical expertise and policy recommendations to ensure proper implementation of state and federal laws, regulations, requirements, accounting standards, and financial controls. This office assists local government elected and appointed public officials to establish protocol and develop strategies that will assist them in retaining strong fiscal health, avoiding financial stress or crisis, and developing consent agreements with local units of government and formulates short-term and long-term plans.

### **BUREAU OF LOCAL GOVERNMENT SERVICES**

The Bureau of Local Government Services consists of an Assessment and Certification Division, a Local Audit and Finance Division, a Property Services Division, and a separate Office of the Director. The Office of the Director provides administrative oversight, contract management, and coordination of issues. Other functions, duties, and responsibilities of the Office of the Director include administration of new departmental initiatives; administration of the Local Government and School District Fiscal Accountability Act, MCL 141.1501 to 141.1531; the Director administers the Emergency Municipal Loan Act, MCL 141.931 to 141.942; coordinates drafting of legislation, legislation review, and legislative reports, processes Freedom of Information Act and litigation requests assigned to the Bureau, and all media and legislative inquiries for the Bureau.

#### **Assessment and Certification**

Assessment and Certification staff assists local assessing officers, Equalization Departments, Public Officials, and taxpayers with assessing and other questions pertaining to the General Property Tax Act, PA 206 of 1893, as amended. Staff provides support in:

- Determination of the State equalized valuations for each class of property for each county.
- Assesses properties owned by the DNR and public utilities, as specified by law.
- Gathering information to publish the State Average Tax Rate.
- Providing administrative support and assistance to the State Tax Commission (STC) for training, examinations, omitted and incorrectly reported property, and annual updates for property tax assessing officers.
- Performing administrative support when investigating revocation petitions filed against certified assessment administrators.

There are approximately 1,938 persons who hold certificates in property tax assessment administration, serving 83 counties, 1,240 townships, and 277 cities. The division maintains databases and records associated with the certification process.

### **Local Audit and Finance Division**

Local Audit and Finance staff issues guidance and also monitors statutory compliance of approximately 2,200 local units of government.

- Performs various types of audits of local units of government when requested or at the discretion of Treasury.
- Assesses the unit's plan to eliminate its deficit to determine if the plan is reasonable and achievable reporting when required when a unit of local government ends its fiscal year in a deficit condition.
- Approves or denies the issuance of debt by local units of government through the review of qualifying statements and prior approval applications.
- Audits all tax increment financing plans as well as industrial facilities tax and reconciles such tax receipts against the State's accounting system.

### **Property Services Division**

Property Services staff administers and provides support for a variety of programs and functions associated with the General Property Tax Act:

- Administers the State's tax reversion process and conducts the foreclosure process for 12 counties that have opted out of handling the process.
- Receives, reviews, and prepares, for the STCs approval, applications for the Industrial Facilities Tax, Air and Water Pollution Control, Neighborhood Enterprise Zone, Obsolete Property Rehabilitation, Commercial Rehabilitation, and New Personal Property tax exemptions programs.
- Responsible for administering the Principal Residence Exemption (PRE) program which includes processing of PRE affidavits, processing bona fide purchase denials, auditing PRE's claimed on properties, denying PRE's that do not qualify, and representing Treasury at informal conferences and the Michigan Tax Tribunal for Department-initiated denials.
- Administers tasks and processes that assist the STC with its statutory responsibilities with property classifications, state equalized valuations, assessment of state assessed properties, omitted and incorrectly reported property, and educating and certifying assessing officers in Michigan.
- Administers the Major Property Tax Appeals program which reviews and coordinates the State's intervention in major property tax valuation and policy cases before the Michigan Tax Tribunal.

## **DEPUTY TREASURER FOR INVESTMENTS**

### **BUREAU OF INVESTMENTS**

The Bureau of Investments (BOI) is responsible for the management and investing activities for assets held in trust for the four State sponsored retirement plans: The Michigan Public School Employees' Retirement System; Michigan State Employees' Retirement System; Michigan State Police Retirement System; and Michigan Judges' Retirement System, collectively, the State of Michigan Retirement System (SMRS); the General fund, and over 150 Trust and Agency Funds.

The State Treasurer is the sole investment fiduciary and custodian for the assets held in trust. The SMRS' Funds are also overseen by a five-person Investment Advisory Committee, comprised of governmental, economic, and investment professionals who provide advice to the State Treasurer.

The BOI is comprised of two distinctive Investment areas: Investments-Public Markets and Investments-Private Markets. Combined, the investment areas oversee a broadly diversified portfolio \$63 billion in assets under management that are managed internally and externally, and include over 3,000 individual investments.

### **PUBLIC MARKETS**

#### **Long-Term Fixed Income Division**

Long-Term Fixed Income manages corporate and government bonds and is responsible for the research, analysis and investment of fixed income securities maturing in more than one year. The strategy is a diversified portfolio of fixed income securities designed to primarily protect principal and generate cash flows according to the guidelines established by the State Treasurer and BOI.

#### **Quantitative Analysis Division**

Quantitative Analysis manages passive and active equity investments targeting the returns of U.S. and international stock indices. The investments targeting the S&P 500 and other benchmark indices, are, or closely resemble, enhanced index funds. Staffed by an administrator and investment specialists, the division purchases and sells stocks and derivative securities, and provides information for management analysis and decision making.

#### **Stock Analysis Division**

Stock Analysis invests in publicly traded stocks. The objective of the division is to maximize the aggregate portfolio's risk adjusted returns. The overall strategy is to invest in stocks across the market cap spectrum, with an emphasis on attractive risk-adjusted opportunities. The division implements the following strategies:

- *The Large-Cap Value* strategy invests primarily in equities and equity-related securities of U.S. companies that are significantly underpriced as measured by price/earnings and/or price/book value ratios, as well as meaningfully below fair value as determined by quantitative and qualitative valuation models.

- *The Large-Cap Growth* strategy invests primarily in equities and equity-related securities of U.S. companies which offer above average and sustainable growth in revenues, earnings, cash flow, identifiable catalysts, and reasonable valuations relative to their fundamentals.
- *The Large-Cap Core* strategy is a portfolio of large-cap stocks of U.S. companies that are attractively priced, have strong competitive positions, and strong balance sheets. The All Cap GARP strategy invests in equity securities with both attractive valuations and strong returns on invested capital.
- *The Absolute Return Income Fund* focuses on investing in high dividend yielding stocks, as well as high yield bonds.
- *The External Manager* portfolio consists of a diverse selection of 24 managers across the large, mid, and small cap spectrum.

## **PRIVATE MARKETS**

### **Alternative Investments Division**

Alternative Investments manages investments in private equity, primarily through limited partnerships and other vehicles, including but not limited to, leveraged buyouts, venture capital, mezzanine and distressed debt, and special situations. Employees are responsible for establishing and maintaining relationships with investment professionals, evaluating and recommending investment opportunities, and portfolio management.

### **Real Estate and Infrastructure Investments Division**

Real Estate and Infrastructure Investments represent ownership interest in partnerships and other vehicles including but not limited to, equity and/or debt in real property such as:

- Retail
- Industrial
- Residential
- Natural Resources
- Land
- Energy Resources and Utilities
- Transportation Assets
- Water and Waste
- Communications
- Social Infrastructure
- Other infrastructure and real asset related investments or publicly traded securities that invest in real properties.

These investments are expected to provide diversification from traditional capital market risk. Equity participation in concentrated or specialized real estate or infrastructure investments may include the use of leverage. Investments are diversified by asset type, geography, life cycle phase, vintage year and may include international real estate.

### **Short-Term Fixed Income, Absolute, and Real Return Division**

Short-Term Fixed Income's objective is to invest in fixed income securities with maturities of less than one year including, but not limited to, Treasury bills and notes, commercial paper, bankers' acceptances, certificates of deposit, asset backed securities, Eurodollar securities, and debentures with less than one year remaining to maturity.

**Absolute Return** investments represent ownership interest in hedge funds managed to an overall risk tolerance. Absolute return strategies seek to produce return patterns over time that have a lower level of correlation with equities and other traditional asset classes. Diversification by fund and by strategies, such as, long/short equities, arbitrage, and event driven is important as a prudent leverage level on a total portfolio.

**Real Return and Opportunistic** investments represent ownership interest in either individual real return assets that provide an inflationary "hedge" or portfolios that are managed strategically or tactically utilizing real return assets in isolation or in combination with traditional asset classes to achieve this goal.

### **Trust Accounting Division**

Trust Accounting provides the "back office" custodial and trust services to the various investment divisions within BOI and to other agencies and State departments. The division is comprised of three sections delineated by function or responsibility:

- *Operation Section* is responsible for processing daily cash and accounting transactions and the security settlement.
- *Accounting and Systems Control Section* is responsible for cash and general ledger control functions, in addition to financial statement analysis and preparation.
- *Specialized Accounting Section* is responsible for managing the performance measurement process and accounting for derivatives and international investments.

### **Defined Contribution, Trusts and Agencies Division**

Defined Contribution, Trusts and Agencies staff are responsible for providing investment oversight to the 401(k) and 457 plans' construction and investment manager line-up. The division is also responsible for the management of portfolios of non-retirement Trust and Agency Funds administered by the BOI. Finally, the division is responsible for reporting and performing special, in-depth assignments relating to the Defined Benefit Plans the BOI manages.

**End**