



Updates and Resources for Local Governments Webinar

Bureau of Local Government and School Services

Michigan Department of Treasury

July 20, 2023

Agenda

Welcome and Introduction

Jessica Thomas, Director, Bureau of Local Government and School Services, Michigan Department of Treasury

State of Michigan 2024 Budget Update

Rachael Eubanks, State Treasurer, Michigan Department of Treasury

Michigan Economic Update

Eric Bussis, Director, Office of Revenue and Tax Analysis, Michigan Department of Treasury

Budget Highlight - Local Governments

Ken Osborne, Budget Director, Michigan Department of Treasury

Impact of State Budget on Local Governments

Michelle Lewis, Senior Manager, Plante Moran

Question and Answer

Closing Remarks

Jessica Thomas, Director, Bureau of Local Government and School Services, Michigan Department of Treasury



Updates and Resources for Local Governments

Rachael Eubanks, State of Michigan Treasurer

July 20, 2023

- Administering and collecting more than \$30 billion in taxes and fees.
- Processing approximately 9 million tax returns per year.
- State and local tax policy.
- Economic and revenue forecasting.
- Overseeing a broadly diversified portfolio of State of Michigan investments that total nearly \$143 billion.
- Local government and school financial health.
- Higher education student financial assistance and savings plans.
- Managing the State's balance sheet.
- Managing the State's relationship with Wall Street and the rating agencies.
- Managing unclaimed property on behalf of Michigan's Citizens, returning more than \$135 million last year.



FY 2024 Budget Highlights

This budget **lowers** costs, **grows** the economy, and **protects** public safety to build a **brighter future for Michigan**.



LOWERING COSTS

- This year, the Governor signed legislation cutting taxes by nearly \$1 billion for seniors and working families by rolling back the retirement tax, which will save 500,000 households an average of \$1,000 a year, and quintupling the Working Families Tax Credit, delivering \$3,150 tax refunds to 700,000 working families.
- The budget takes the first step towards Pre-K for All, expanding free pre-K to up to 5,600 kids, saving families \$10,000 a year.

FY 2024 Budget

LOWERING COSTS

K-12 Education

Workforce Development

Health Care

Public Safety

Infrastructure

Economic Development

FY 2024 Budget

Lowering costs

K-12 EDUCATION

Workforce Development

Health Care

Public Safety

Infrastructure

Economic Development

K-12 EDUCATION

- Raises per-student investment to an all-time high, keeps the funding gap closed.
- Delivers free breakfast and lunch to all students, saving families over \$850 a year.
- Makes record investments in literacy, tutoring, before- and after-school programs, mental health, and school safety.
- Bolsters educator recruitment and retention, lowering the cost of becoming a teacher.

WORKFORCE DEVELOPMENT

- Additional resources for vocational and career and technical education.
- Temporarily lowers age for Michigan Reconnect from 25 to 21, expanding eligibility to 350,000 more.
- Funds Michigan Achievement Scholarship to lower cost of community, private, or public college by thousands for 80% of students and help 65% attend tuition-free.

FY 2024 Budget

Lowering costs

K-12 Education

WORKFORCE DEVELOPMENT

Health Care

Public Safety

Infrastructure

Economic Development

FY 2024 Budget

Lowering costs

K-12 education

Workforce Development

HEALTH CARE

Public Safety

Infrastructure

Economic Development

HEALTH CARE

- Expands Healthy Moms Healthy Babies, offering support for new and expecting moms.
- Raises wages for workers assisting seniors and those with disabilities in long-term care facilities.
- Improves access to essential health services under Medicaid.
- Funds Plan First!, offering essential care to 25,000 people, saving them \$2,000 a year.
- Implements recommendations to reduce health disparities.

PUBLIC SAFETY

- Funds \$400 million for public safety, totaling \$1.5 billion since the Governor took office.
- Delivers record, dedicated resources to hire, train, and retain local first responders.
- Implements gun violence prevention policies, funds programs and services to tackle root causes of crime and reduce recidivism.

FY 2024 Budget

Lowering costs

K-12 Education

Workforce Development

Health Care

PUBLIC SAFETY

Infrastructure

Economic Development

FY 2024 Budget

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K-12 education

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Public Safety

INFRASTRUCTURE

Economic Development

INFRASTRUCTURE

- Resources to draw down federal funds to fix the damn roads and expand transit, rail, and marine infrastructure.
- Support bridge bundling, adding on to the 1,400 bridges fixed since Governor took office.
- Builds more housing and backs more community revitalization projects.
- Continues replacing lead service lines and protects access to safe drinking water.
- Streamlines permitting and upgrades IT systems to get all kinds of projects done faster.

ECONOMIC DEVELOPMENT

- Funds the bipartisan Make it in Michigan Fund to win projects creating thousands of manufacturing jobs and bringing supply chains home to Michigan.
- Establishes Make it in Michigan Competitiveness Fund to secure incoming federal resources to build more manufacturing facilities, boost clean energy production, rebuild infrastructure, and make the technology of the future.
- Boosts revenue sharing for local governments so they can improve quality of life for residents.
- Builds on the over \$1.5 billion (4th highest in the nation) Michigan will receive through the Broadband Equity, Access, and Deployment (BEAD) Program to expand high-speed internet access to over 200,000 Michiganders in unserved and underserved areas across the state.

FY 2024 Budget

Lowering costs

K-12 Education

Workforce Development

Health Care

Public safety

Infrastructure

ECONOMIC DEVELOPMENT



Consensus Revenue Estimating Conference Overview and Economic Highlights

Eric Bussis, Director of Office of Revenue and Tax Analysis (ORTA)

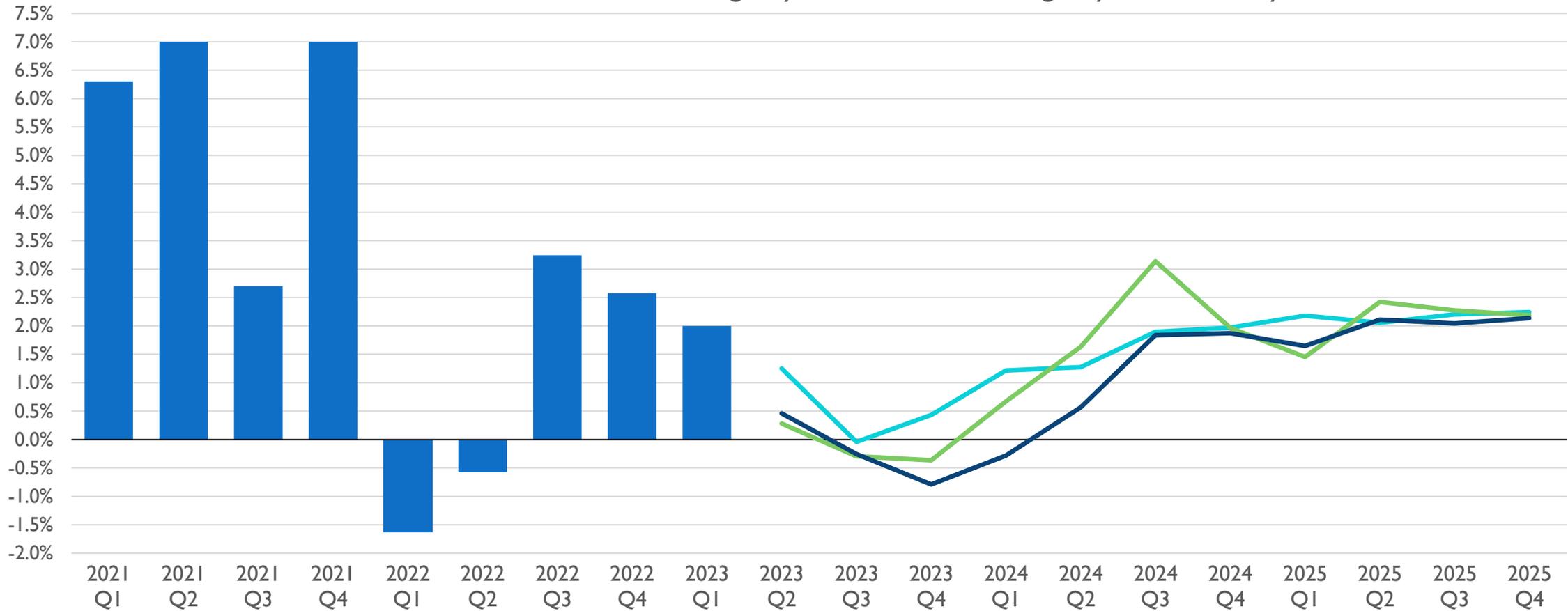
U.S. Economic and Michigan Overview



U.S. Real Gross Domestic Product (GDP)

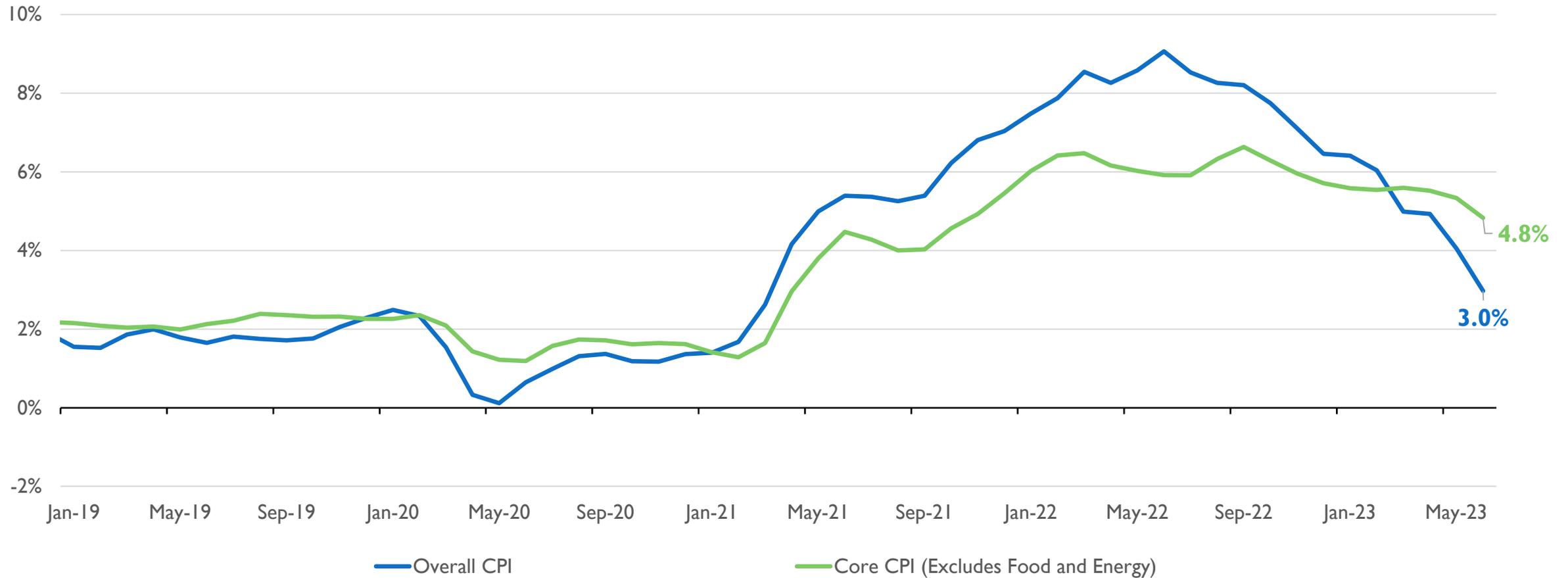
Quarterly Real GDP

Actual Senate Fiscal Agency House Fiscal Agency Treasury

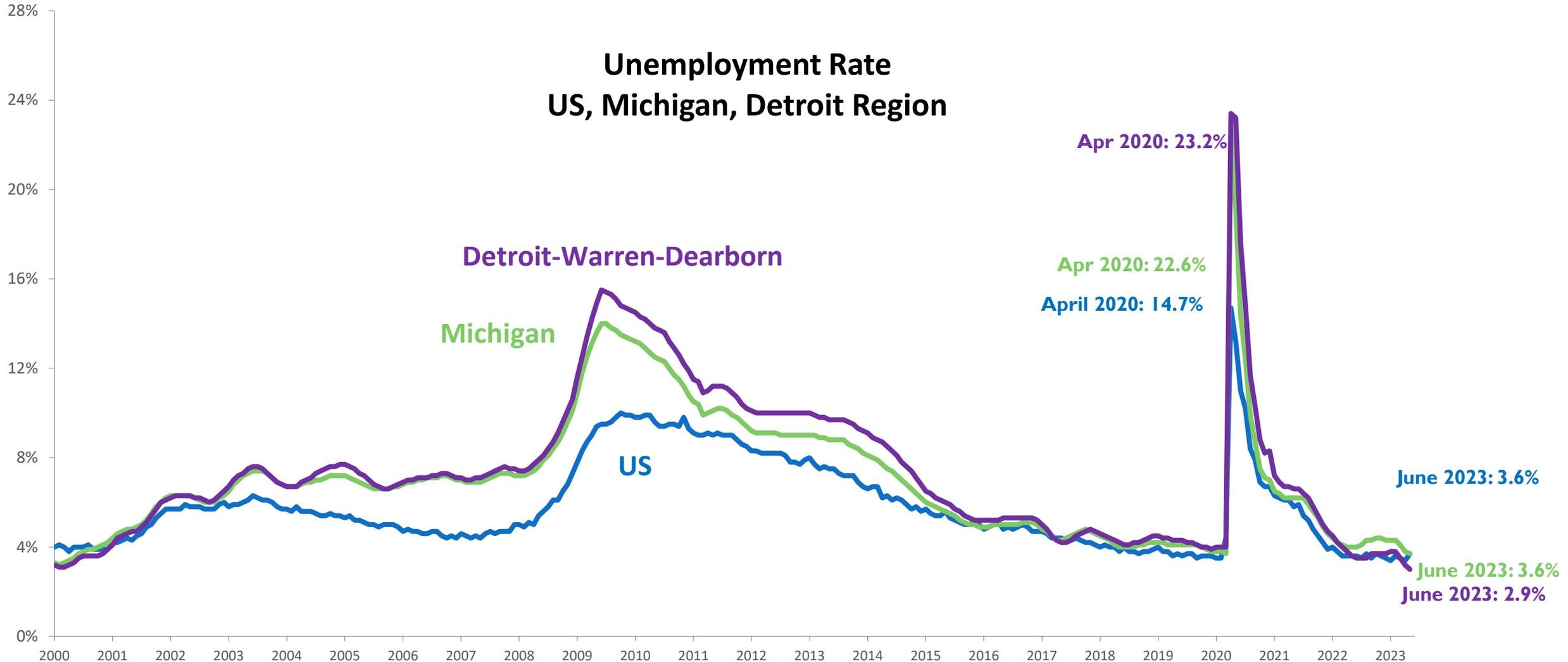


Overall Inflation's Pace of Growth Slowing

U.S. Consumer Price Index Year-Over-Year Percent Change



Michigan Unemployment Rate Lowest Since 2000

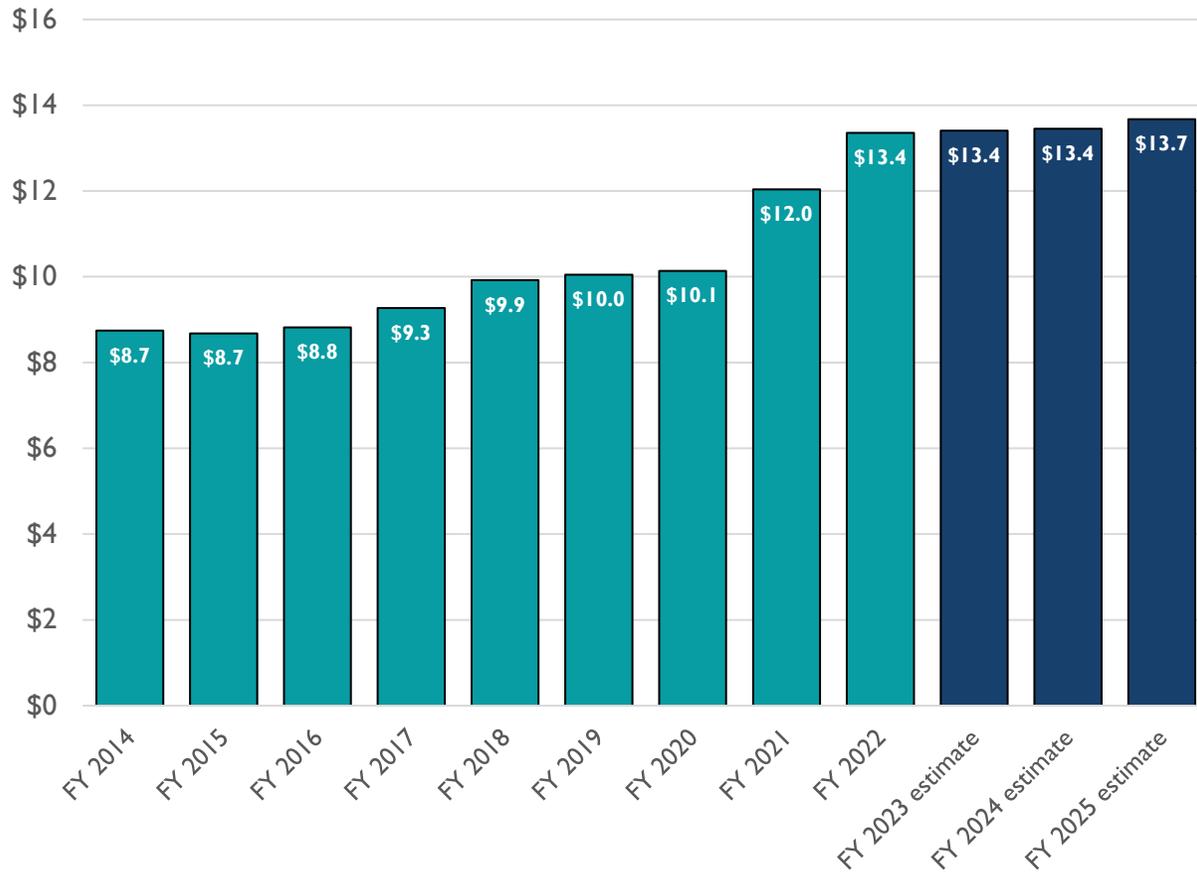


Revenue and Budget Outlook

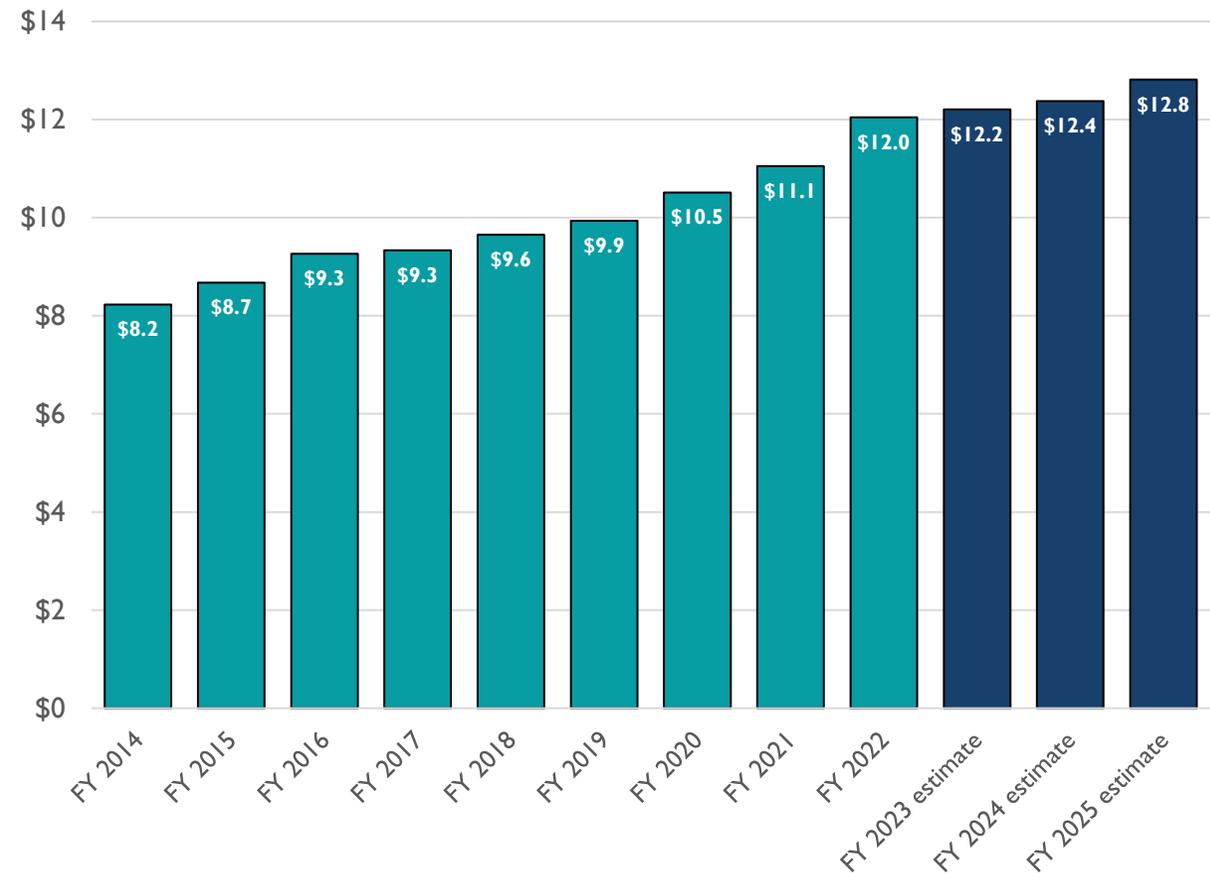


Collections Jump in FY 2021 and FY 2022

Sales and Use Tax Collections Billions of Dollars



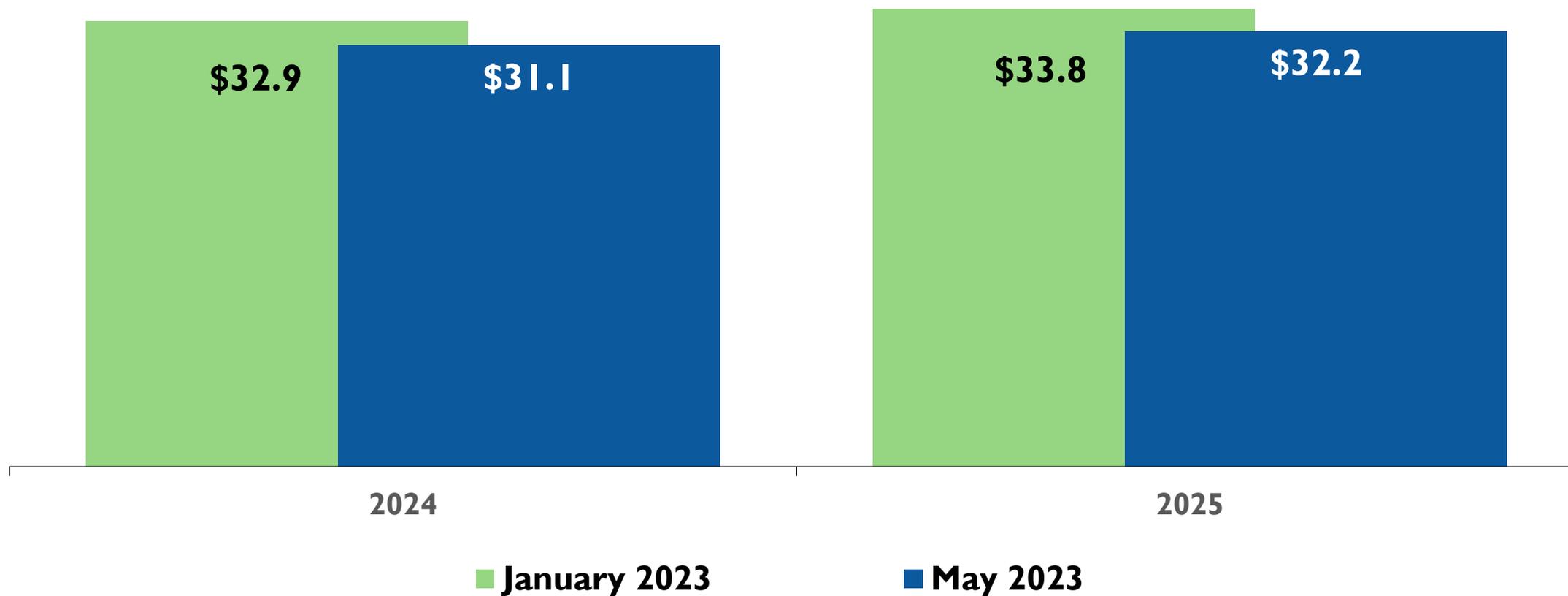
Individual Income Tax Withholding Billions of Dollars



Source: Department of Treasury, FY 2012 – 2022 Actuals; CREC Forecast FY 2023 – 2025.
FY 2023–2025 estimates are from the May 2023 Consensus Revenue Estimating Conference (CREC) Forecast

May 2023 CREC Forecast

GF-GP and SAF Combined
Fiscal Year
Billions



May CREC Contributions to Revenue Changes

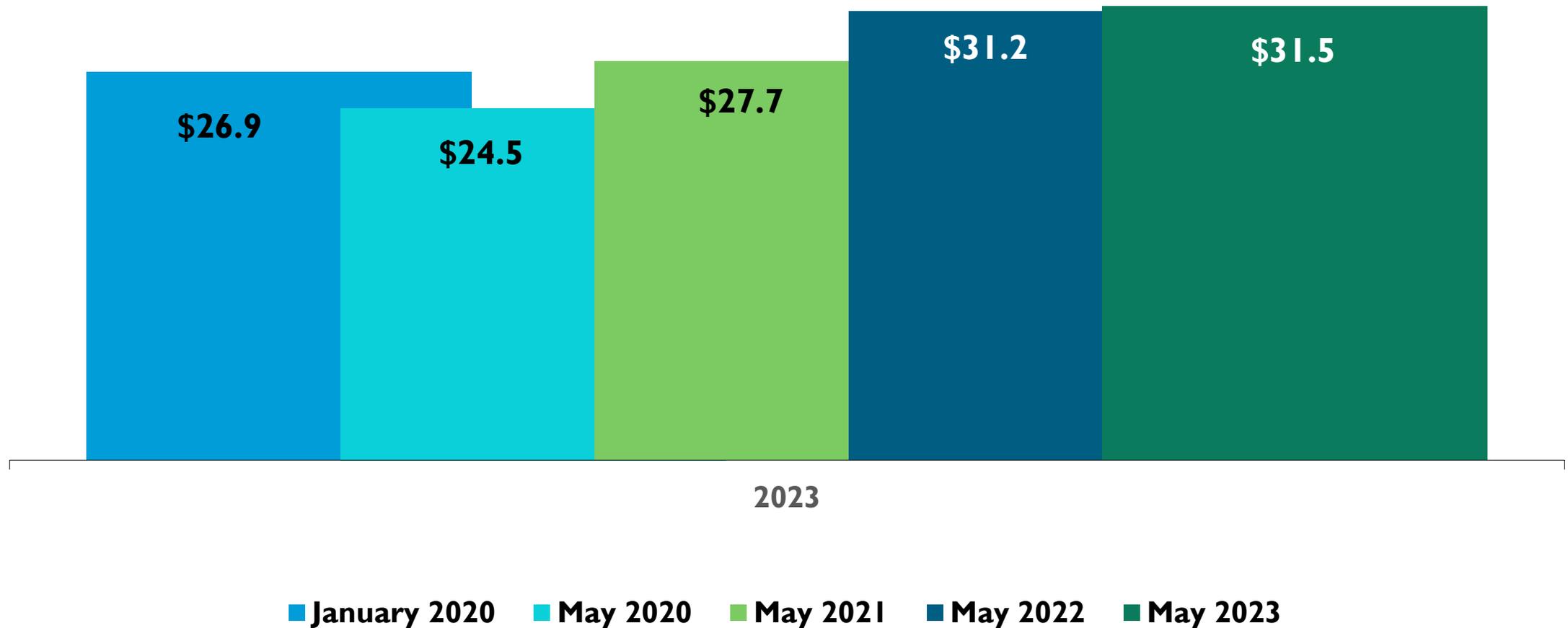
Legislation enacted since the January conference will lower revenue estimates

Values shown are combined impact on GF-GP and SAF Revenue (values in millions)

	FY 2023	FY 2024	FY 2025
Individual Income Tax Rate Trigger	(\$428)	(\$218.7)	\$0
PA 4: Corporate Income Tax Earmarks	(\$600.0)	(\$600.0)	(\$600.0)
PA 4: Earned Income Tax Credit	\$0	(\$768.0)	(\$384.0)
PA 4: Retirement Taxation Changes	\$0	(\$281.0)	(\$350.0)
PA 20, 21, 29: Delivery & Installation Exemption	(\$18.0)	(\$62.9)	(\$63.8)
Total Tax Policy Impacts on Revenue	(\$1,046.2)	(\$1,930.6)	(\$1,397.8)
Baseline Revenue Outlook Changes	\$162.8	\$118.8	(\$223.0)
Total Change from January CREC	(\$883.4)	(\$1,811.8)	(\$1,620.8)

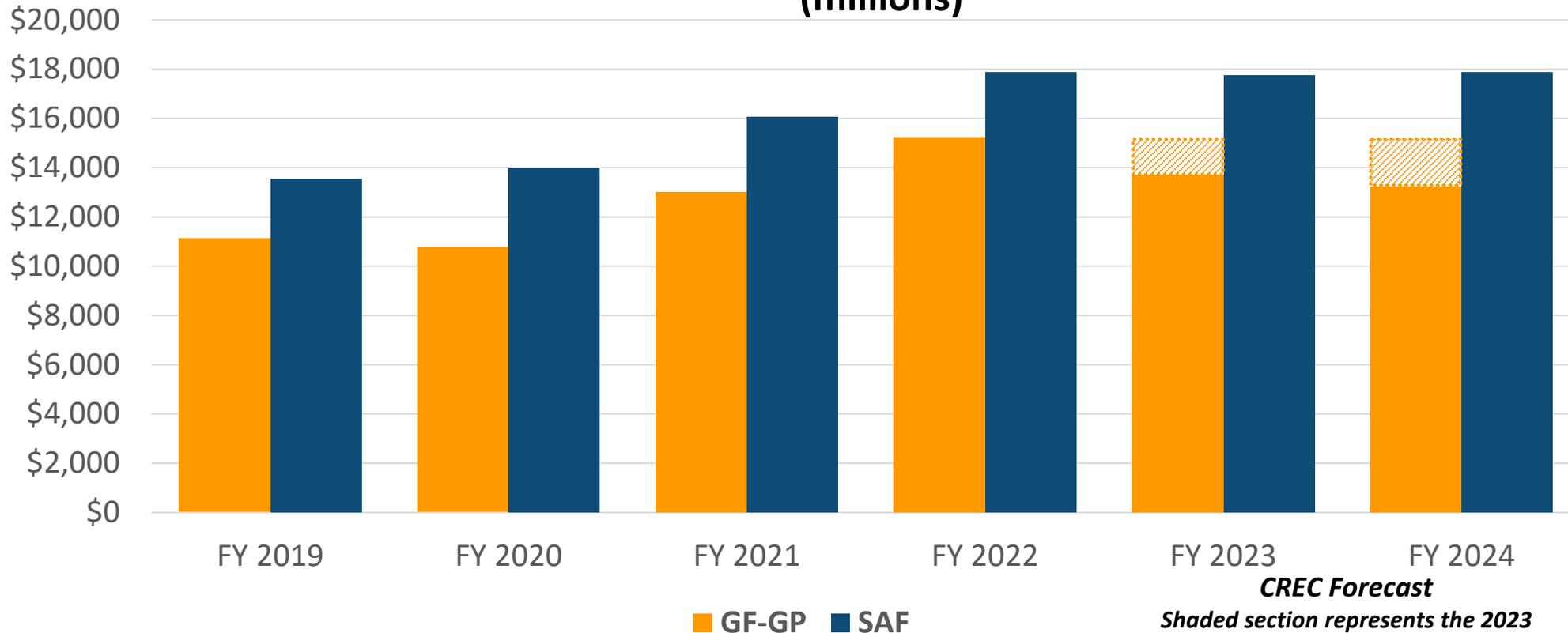
May 2023 CREC Forecast

GF-GP and SAF Combined
Fiscal Year
Billions



Collections Jump in FY 2021 and FY 2022

**GF-GP & School Aid Fund Revenue
(millions)**



CREC Forecast
Shaded section represents the 2023 tax cuts and \$600 million in earmarks for SOAR, MEDC, and MSHDA

Source: Department of Treasury, FY 2012 – 2022 Actuals; CREC Forecast FY 2023 – 2025.
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Budget Overview and Areas of Focus for Local Governments

Ken Osborne, Director, Department of Treasury Budget Division

Evah Cole, Director, Revenue Sharing and Grants Division

FY 2024 Budget

Investing in local
communities

City, Village and Township Revenue Sharing

- 4% Increase (based on FY 2023 ongoing funding)
- 1% Increase (based on FY 2023 ongoing funding)
 - Certify ARPA - CLFRF (Entitlement Units and Non-entitlement Units) funds obligated, expended or declined by December 31, 2023
 - Certification due to Treasury by March 30, 2024
 - Certification form coming soon
- 2% Increase (based on FY 2023 Ongoing funding)
 - Funding for Public Safety Initiatives only
 - Public Safety Initiatives include:
 - Recruitment or retention efforts;
 - Training programs;
 - New equipment purchases;
 - Equipment replacements;
 - Capital improvement to public safety buildings or structures

FY 2024 Budget

Investing in local
communities

County Revenue Sharing

- 116.459281856% of Full Funding
- 1% Increase (based on FY 2023 ongoing funding)
 - Certify ARPA - CLFRF (Entitlement Units and Non-entitlement Units) funds obligated, expended or declined by December 31, 2023
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FY 2024 Budget

Investing in local
communities

City, Village and Township Revenue Sharing and County Incentive Program

- Changes in Reporting Requirements
 - Required Documents
 - Debt Service Report
 - Projected Budget Report
 - Certification Form (Form 4886)
 - Documents No Longer Required
 - Performance Dashboard
 - Citizens Guide

FY 2024 Budget

Investing in local
communities and public
safety

New Grant Programs

- \$35 million for additional grants toward unfunded pension and health care liabilities, to be targeted at communities that experience the greatest burden from retirement system costs on their annual budget
- New funding to cover implementation costs associated with bringing additional cities into Treasury's city income tax administration, which currently serves Detroit
- \$12 million in grants to county prosecutors to address caseload backlogs. Six counties are identified by population as grant recipients



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How to Use Budget Information?

Michelle Lewis, Senior Manager, Plante Moran



What information is important to local units in the State's Budget?

- **Revenue projections for local units**
 - Revenue Sharing
 - Both Constitutional and Statutory
 - Located within the Treasury section of the budget
 - Transportation funding
 - New and/or expanded grant funding
- **Overall economic trends outlined in the budget**
- **Specific programs that impact your local government**
 - Agricultural
 - Environmental
 - Transportation
 - Other



How can this information help you?

We can't see into the future, but this information CAN help you so you can decide:





FINANCIAL FORECASTING



What is the purpose of a forecast or projection?



Good tool to help determine what the financial needs are for the community in the future



Can identify where problems exist



Can help in negotiation of collective bargaining agreements



Gives time to proactively address needs instead of reacting in desperation



Some things you will not see coming (COVID)



Developing a financial forecast

For many local units, aside from property taxes, revenue from the state makes up a large percentage of overall revenue:

- State Shared Revenue
- ACT 51 funding
- Grants and other funding

Historical comparisons are essential

- The forecasted numbers should somehow be connected to actual historical results – not solely next year's budget
- You could start with budget, and adjust for historical average of below-budget actual spending results



How to prepare a forecast - Revenue

State Shared Revenue

Obtain your community's SSR estimate from the State of Michigan Treasury website:

<https://treassecure.state.mi.us/apps/findrevshareinfo.asp>

ACT 51 Revenue

Obtain your community's MTF revenue estimate from the MDOT website:

<https://www.michigan.gov/mdot/business/local-government/act-51/michigan-transportation-fund>



How to prepare a forecast

Do not make it overly complex

Do not make it too simplistic

Need to find a balance that works for you and your community

Think about the largest revenue and expense items for your community - those are the ones to focus on

The smaller items won't have as much of an impact, and are likely very comparable from year to year

What's your target end of year fund balance?



Forecasting – Monitoring and Updating

Annually, the plan should be updated with more accurate figures and updated assumptions

Review your projection with actual results. Learn where your projections were off, and use that to make more accurate in the future

The more reliable your projections, the more people trust your expertise

A financial forecast is the best way for your local unit to be resilient to the unknown



THANK YOU!

If you have any questions feel free to reach out to us!

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Thank you!

