



**DISCUSSION POINTS**  
**FY 2017 Budget Recommendation**  
**February 10, 2016**

**Budget Facts**

- Budget total: \$54.9 billion (up 0.8% or \$438 million)
- General Fund budget: \$10.2 billion (up 1.5% or \$145 million)
- School Aid Fund: \$12.5 billion

**Key Points**

- We are one Michigan. The FY 2017 budget recommendation reflects the right plan for Michigan's continued growth and strength.
- Michigan's economic forecast remains positive, but we realize the state faces unique challenges that require immediate attention. This budget recommendation makes critical investments toward the Flint water crisis and the financial and educational crisis in Detroit Public Schools.
- Over the last five years, Michigan has made smart, fiscally-responsible decisions that have led to a strong economy and an improved economic climate statewide. These decisions allow us today to come together as a state to provide necessary resources to the children and families in Flint.
- Michigan has faced tough challenges before and we have remained strong. The crises facing Flint and Detroit are monumental but not insurmountable. Our focus is centered on the Flint water crisis, statewide infrastructure needs, and the Detroit Public Schools. We will address these challenges and we will fix them.
- Today's announcement calls for a \$165 million deposit into a newly created Michigan Infrastructure Fund for strategic improvements for local infrastructure. An additional \$25 million is recommended specifically for Flint. Funding originally targeted for the rainy day fund is now recommended for statewide infrastructure needs.
- Even with these big challenges, the values and priorities of our state have not changed and our key priorities such as economic growth, education, public safety and fiscal responsibility

can be seen throughout this budget recommendation. This plan provides a balanced approach to addressing our special challenges while continuing to pay off debt, save money for the future, and make needed investments in critical areas.

- With a growing economy and unemployment at its lowest rate in more than 15 years, Michigan's future economic forecast remains bright. More than 440,000 new private sector

jobs have been created since December 2010 and personal income for families across Michigan is on the rise.

- This budget recommendation doesn't lose sight of the need for fiscal responsibility and it is built on the same fiscal disciplines and long-term view of budgeting as the governor's first five budgets. Paying our debts and planning for the future remain key principles in this plan.
- This marks the governor's sixth budget recommendation. The days of stalled budgets and government shutdown are long gone. The practice of getting the budget done early in June will continue so that schools, local governments, and others depending on state funding can have timely information to plan their budgets.
- This plan fully restores aggregate funding for higher education to fiscal year 2011 levels and brings total operating funds for universities to over \$1.4 billion.
- This budget plan includes the full expansion of the Healthy Kids Dental program to all of Michigan's 83 counties, ensuring that every eligible child has access to dental care which has been proven to lead to a lifetime of better health outcomes. The \$25.6 million investment will bring the number of children with access to dental care to an estimated 826,800, compared to 285,000 who were covered in fiscal year 2011.
- Three-fourths of the recommended budget is devoted to education and health and human services. This critical investment in Michigan's people creates an environment in which all residents can succeed, regardless of their stage in life. The vision is focusing government on people rather than programs.
- The governor's budget recommendation includes the assumption that the sunset on the Health Insurance Claims Assessment (HICA) will be extended and passed by the Legislature. Without a HICA extension, this budget recommendation does not balance and cuts to the plan will be required.

### **Flint Water Crisis**

- The top priority for Governor Snyder and his administration is ensuring every Flint resident has access to clean, safe drinking water. We are committed to providing affected children and families access to medical and educational resources to ensure long-term care and treatment.
- The Flint water crisis has been a systemic failure of government at all levels. The governor has held himself and his government accountable, and when coupled with the supplemental funding already provided to the city, this budget recommendation brings total funding for the Flint water crisis to more than \$230 million.

- Governor Snyder and his administration are committed to working in partnership with Flint Mayor Karen Weaver, independent experts, and the federal government to ensure both short-term and long-term solutions.
- The residents of Flint are our top priority, and this budget plan provides the funding necessary for the families of Flint to obtain the resources necessary in the areas of safe

drinking water, physical health, food and nutrition, and social and developmental needs including education.

- An infrastructure study will be conducted in Flint to determine the long-term need for pipe replacement. In the meantime, the governor is calling for \$25 million in funding to be set aside to prioritize the immediate infrastructure needs for Flint.
- In addition to the investments already made to provide emergency response for Flint's most immediate needs, this budget recommendation offers more investments to resolve the longer term needs of the city and the future health and well-being of the people of Flint. The path forward for Flint will require continued investment from the state not only in this budget, but in the years to come, to ensure Flint residents receive the care and services necessary for a healthy future.
- The investments for Flint in this budget recommendation are spread out across several state agencies and will be used to address various needs, including nurses and epidemiologists and the ongoing treatment of children.
- According to calculations by the state demographer, the number of children in City of Flint ages 0 to 9 totals 11,484, as follows:

Age 0: 1,219  
 Age 1: 1,223  
 Age 2: 1,243  
 Age 3: 1,288  
 Age 4: 1,264  
 Age 5: 995  
 Age 6: 1,050  
 Age 7: 1,060  
 Age 8: 1,067  
 Age 9: 1,075

- The population in the City of Flint is 99,000, with a total number of 39,125 occupied homes.

### **Funding for Detroit Public Schools**

- All of Michigan's children deserve a quality education that prepares them for future success. The financial stress currently facing the Detroit Public Schools must be resolved in order to

ensure Detroit's schoolchildren have the same opportunities for success as other children in our state.

- Schools throughout the Detroit Public Schools system are struggling both academically and financially to provide Detroit children with the education they need to succeed. Test scores of all Detroit high schoolers show that just 6 percent of high school students are proficient in math, 4 percent are proficient in science and two-thirds are not proficient in reading. With declining enrollment, losing nearly 100,000 students in the last decade, and projected accumulation of nearly \$515 million in debt by summer, Gov. Snyder understands the severity of the challenges the district is facing and how desperately systemic change is needed.
- The governor's plan to help turnaround the district involves maintaining the current district to pay off the district's debt; establishing a new district to operate the schools; and a new commission that would hire an education manager to oversee all traditional and charter public schools in the city and manage universal services, such as security, for all buildings.
- Carrying a debt load that will hit \$515 million by this coming summer, under the governor's plan, the Detroit Public Schools would use the existing local millage – about \$72 million per year – to pay off debt. The governor is extremely concerned that the debt requires more than \$1,100 per student to pay down what is owed – money that would be better spent in the classroom helping students learn. That is why the governor's budget recommendation provides \$72 million a year for 10 years from Michigan's tobacco settlement proceeds to offset the loss of locally generated money. These funds will help get the school district back on firmer financial footing and more importantly, help ensure Detroit children are receiving a quality education, setting them on a path toward a brighter future.

### **Education Highlights**

- The goal of building one Michigan rests firmly on the foundation of ensuring our children and young adults have the education they need to succeed. The governor's sixth budget once again prioritizes education funding.
- Since 2011, state funding for K-12 education has increased by **\$1.4 billion!**
- This budget provides significant investment at all academic levels with a focus on long-term results.
- Preparing students to meet the needs of a global economy and changing work force demands innovative thinking and system reinvention.

### **K-12**

- An investment of \$150 million is recommended to provide a \$60 to \$120 per-pupil increase in the foundation allowance for schools across the state, bringing the minimum foundation allowance to \$7,511 and the basic foundation allowance to \$8,229 per pupil.
- A total of nearly \$12.1 billion in state funding is recommended for K-12 education, a \$1.4 billion funding increase from fiscal year 2011.
- Evidence shows that early learning before kindergarten is an indicator for success in life. The governor's budget recommends nearly \$240 million to provide preschool programs for

at-risk 4-year-old children. A total of \$24 million is continued for early literacy to help ensure children are reading at grade level by third grade.

- The funding recommendation for the school employee retirement system is set at \$1 billion for K-12 schools, providing fiscal relief to schools for their retirement obligations and helping to ensure that retirement promises made to school employees can be kept.
- To help ensure all schools have safe drinking water, the governor's plan calls for \$9 million to be designated for reimbursements to schools for costs associated with voluntary testing of water.
- The governor's plan also recommends funding to ensure our students and educators are prepared, including \$10 million for training and professional development related to educator evaluation tools, \$15 million for the expansion of career and technical education, and \$2.4 million for STEM initiatives.

### Post-Secondary Education

- The plan calls for an increase in operations funding for state universities of 4.3% or \$61.2 million, and restores aggregate university funding to fiscal year 2011 levels. Also included is an increase in operations funding for community colleges of 2.4% through an additional \$7.5 million.
- The recommendation calls for limiting tuition increases to 4.8 percent or less in order for universities to receive the funding increase.

### Capital Outlay

- The governor's 2016 recommended capital outlay projects for three university and two community colleges are pending before the Legislature and include total project costs of \$240 million for the following projects:
  - Lake Superior State University: Center for Freshwater Research and Education
  - University of Michigan – Dearborn: Engineering Laboratory Building Replacement
  - University of Michigan – Ann Arbor: School of Dentistry Renovation & Addition
  - Delta College: Saginaw Center
  - C.S. Mott Community College: Southern Lakes Branch Center Renovation
- The governor's capital outlay recommendations for fiscal year 2017 includes 9 projects totaling \$403 million and includes the following projects:
  - U of M Flint – Murchie Science Building Expansion
  - Saginaw Valley State University – College of Business and Management Expansion
  - Wayne State University – STEM Innovation Learning Center
  - Eastern Michigan University – Strong Hall Renovation
  - Kellogg Community College – Regional Manufacturing Technology Center
  - Wayne County Community College – Eastern Campus Upgrade
  - Northwestern Michigan College – West Hall Innovation Center Expansion

- DNR – Coolwater Rearing Hatchery Improvements
- DTMB – Jackson State Office Building

### **Job Growth Highlights**

- The governor envisions one Michigan where any resident who wants employment can find it. That's why he is focused on growing the state's economy and reducing unemployment.
- Continuing the governor's focus on skilled trades, an additional \$10 million in restricted funds is recommended, bringing total program funding to \$35.6 million.
- The budget recommendation calls for one-time funding of \$8.8 million for the Statewide Data System Integration project which will help Michigan meet new workforce data reporting requirements and integrate data across workforce and education programs.
- To help the structurally unemployed pursue career opportunities and maintain employment in Detroit, Flint, Saginaw, and Pontiac, \$9.8 million in general fund is recommended for the Community Ventures program. An additional \$2 million is recommended in challenge match funding to encourage foundations and other organizations to support the program.
- The Rising Tide initiative will continue to be a priority in 2017 as work continues with communities in each of the state's ten prosperity regions. Rising Tide provides economically challenged communities with needed resources to develop a thriving community and attract business investment and talent.

### **Healthier Families Highlights**

- A healthier Michigan is good for the individual, good for the economy, and good for all taxpayers.
- The budget plan includes an investment of \$3.4 billion in federal funds for the Healthy Michigan Plan to continue expanded Medicaid coverage. More than 600,000 Michigan residents now have health coverage through the Healthy Michigan Plan.
- Michigan is getting healthier. With more than 600,000 residents now enrolled in the Healthy Michigan Plan, men and women around the state are now the recipient of primary care and preventive care visits through the Healthy Michigan Plan.
- The budget recommendation provides another \$25.6 million for the Healthy Kids Dental program and achieves the governor's goal of fully expanding the program to cover all eligible children in all of the state's 83 counties. The investment will bring the number of children with access to dental care to an estimated 826,800, compared to 285,000 who were covered in fiscal year 2011, providing a vital building block to a lifetime of better health.

- The governor's plan calls for \$30 million in general fund dollars to be set aside in a reserve for the future need for specialty medications. Specialty medications are changing and improving lives across Michigan. For example, patients with Hepatitis C and Cystic Fibrosis are experiencing drastic improvements in quality of life through new medications, and additional medications to help patients with other conditions are now in the pipeline.
- As part of a series of recommendations from Lt. Governor Calley's Michigan Prescription Drug and Opioid Task Force, the budget plan calls for \$4.5 million to upgrade the Michigan Automated Prescription System (MAPS), a statewide database that assists in the prevention of prescription drug abuse through better tracking. The enhancement of MAPS will allow for

better coordination between health professionals and law enforcement when investigating prescription drug and opioid abuse.

### **Human Services Highlights**

- The governor's budget calls for continued support of behavioral and mental health services with \$3.25 billion in gross funding including the Mental Health and Wellness Commission, Medicaid mental health services, and Medicaid substance abuse treatment.
- Funding for autism services is recommended at \$63 million and expands coverage of applied behavioral analysis to the age of 21.
- The governor is recommending an increase in the funding for the children's clothing allowance through an additional \$6.1 million. The current \$140 clothing allowance, paid once a year to approximately 20,000 children, will be increased to \$200 a year to cover 45,000 children.
- An investment of \$7.6 million in general fund dollars is recommended for the expansion of the Center for Forensic Psychiatry for persons identified as Not Guilty by Reason of Insanity and Incompetent to Stand Trial. This expansion will assist in moving individuals currently waitlisted and housed in other hospitals to a facility better suited to address their mental health needs.
- The DHHS budget recommendation includes \$22.3 million in gross funding to support the implementation of the statewide IT system (MiSACWIS) to help ensure the state and private welfare agencies are effectively monitoring child protective services, foster care, and adoption cases.

### **Infrastructure/Transportation/Technology/Government Efficiency Highlights**

- With passage of a new comprehensive transportation package in 2015, there is a long-term plan in place for funding the state's crumbling infrastructure. The new plan will dedicate an extra \$1.2 billion a year, when fully implemented in fiscal year 2021, to maintain and repair roads and bridges across the state.
- The governor's plan for fiscal year 2017 features \$533.3 million in dedicated transportation revenue, which includes \$189 million for the State Trunkline Fund, \$283 million for local

road agencies and \$61 million for rail and public transit. The budget proposal also includes \$57.5 million in new federal funds from the Fixing America's Surface Transportation (FAST) Act to be used for local road agencies, state trunklines, and transit.

- Investing in the maintenance of state facilities is the fiscally responsible thing to do. Too often, these investments are delayed or eliminated, resulting in higher costs down the road. This budget recommendation includes \$16.5 million space consolidation and for building maintenance, including armories.
- Investments in information technology (IT) are a key driver for improved government efficiency and cost savings for taxpayers. Gov. Snyder has been a strong supporter and advocate for investing in IT and those investments are making state government more efficient safe. The fiscal year 2017 budget recommendation calls for an additional \$133 million in IT investment, including \$5 million for cybersecurity to protect state systems and networks
- The governor's budget recommendation provides \$2.8 million in general fund for development and implementation of an internet individual electronic file system to allow residents to e-file their Michigan tax returns free of charge.
- Funding of \$10 million in general fund is provided for the purchase and replacement of voting systems, voting devices, and elections management systems for counties, cities and townships to ensure reliable and uniform statewide voting systems.

### **Protecting the Public Highlights**

- Michigan must be a safe place to live and work. Safe cities and neighborhoods improve our overall quality of life and our economy.
- To increase the strength of the Michigan State Police ranks, the governor's budget recommendation calls for \$9.5 million to support a trooper recruit school aimed at producing 85 graduates. Residents across the state will benefit from having more troopers trained and sworn to protect and serve the public.
- Following impressive results from the Secure Cities program, which has reduced violent crime in four of the state's larger cities (Detroit, Flint, Pontiac and Saginaw), the governor's plan calls for an investment of \$1.5 million to expand the program to the communities of Benton Harbor, Hamtramck, Harper Woods, Highland Park, Inkster and Muskegon Heights.
- Other public safety investments include \$8.5 million to run an academy to train and graduate 350 new corrections officers; \$4 million aimed at supporting a safe learning environment for students; \$2.2 million to enhance efforts to combat the rising tide of digital crime; \$500,000 for a higher education sexual assault prevention and education initiative; and nearly \$1 million to purchase new ballistic vests to help keep probation and parole agents safe while on field duty.
- The governor's ongoing commitment to justice for rape victims is supported with \$1.7 million for sexual assault law enforcement efforts with the Attorney General budget. Additionally, a comprehensive plan to fight human trafficking is supported with nearly \$400,000.
- The budget plan calls for \$750,000 in general fund to develop a statewide strategy and implementation plan for energy assurance that will identify necessary actions to effectively respond to potential long-duration power outages.



## **Stronger Communities Highlights**

- Michigan is only as strong as its communities. Whether it's a small community or one of our urban cores, Michigan's future depends on leadership and success at the local level.
- The county revenue sharing and incentive program funding is set at \$215.2 million, an increase of \$467,500, as two additional counties are added this year, bringing the total number of counties to 78.
- Constitutional revenue sharing payments for cities, villages, and townships is increased by \$29.4 million, 3.9 percent, to \$781.5 million, based on estimated sales tax collections.
- Distressed municipalities will be eligible for \$5 million in grant funding to help reduce unfunded accrued liabilities, reduce general fund debt, transition to shared services and repair publicly-owned critical infrastructure.
- Local units of government across the state can apply for \$11 million available through a competitive grant assistance program to encourage the consolidation of services and programs.

## **Fiscal Responsibility Highlights**

- With already scheduled deposits to the rainy day fund in fiscal year 2016, the balance in the state's savings account will increase from the current \$498 million to \$611 million. This equates to a \$609 million increase since 2011, when the fund contained a mere \$2.2 million.
- The governor's commitment to solving the state's pension and retiree health care obligations cannot be understated. These long-term debts are strangling other states, while Michigan is now on a sustainable path to resolving the liabilities while ensuring the promises to state and school employees can be kept. Reforms made to both the school employee retirement system and the state employee retirement system have reduced the state's long-term debt by more than \$20 billion.
- Funding for the school employee retirement system is recommended at \$1 billion for K-12 schools, which equates to over \$660 per K-12 student. This investment provides fiscal relief to schools for retirement obligations and helps ensure retirement promises made to employees can be kept.
- A \$730,000 million increase and a total of \$5.9 million in ongoing funds is recommended within higher education to provide for costs above a proposed rate cap for 7 participating universities in the Michigan Public School Employees Retirement System (MPERS). Community colleges receive a recommended \$3.7 million increase and total ongoing funds of \$74.9 million, to provide for costs above the rate cap for MPERS. Capping costs for universities and community colleges is another example of Gov. Snyder's commitment to fiscal responsibility.

## **HICA**

**Background:** Legislation that created the Health Insurance Claims Assessment (HICA) Act effective Jan. 1, 2012, requires certain third party administrators, carriers and self-insured entities to pay an assessment on certain paid health care claims. HICA was enacted to replace the HMO Use Tax, intended to generate funds that will be used to leverage federal Medicaid matching funds. The assessment was levied at the rate of 1 percent and now stands at 0.75

percent of the “paid claims” of the covered carrier, third party administrator, or self-insured entity and was designed to produce revenue of approximately \$400 million. HICA revenues have consistently fallen short of \$400 million, and with Use Tax going away in 2017, we must act to implement a long-term solution that guarantees our full Medicaid match

- HICA was enacted as a bipartisan answer to replace the HMO Use Tax. However, collections have fallen short of expectations and in order to ensure Michigan receives all federal dollars, a solution is still needed. Legislation to extend the sunset for HICA beyond 2017 is necessary and assumed in order to keep this budget recommendation in balance. If an extension is not passed, cuts to this recommendation will be necessary.

**END**