



Reinventing Michigan: Investing in our Future

Presented by:

John E. Nixon, CPA

State Budget Director, Michigan

Michigan Community Colleges

Business Officer's Association

March 2, 2012



Today's roadmap

- Summary of Accomplishments
- Where we are Today
- FY 2013 Budget Principles
- FY 2013 Strategic Investments
- Education
 - K-12
 - Higher Ed
 - Community Colleges
- Questions





FY 2012 Accomplishments

Fiscal Order Restored



- Structurally **Balanced Budget** – \$1.5 B perpetual deficit eliminated
- New predictable & **stable tax system** that is simple fair & efficient
- Made first deposit of \$255 M into the Budget Stabilization Fund since 2004



FY 2012 Accomplishments

Fiscal Order Restored

Addressed Long-term Liabilities

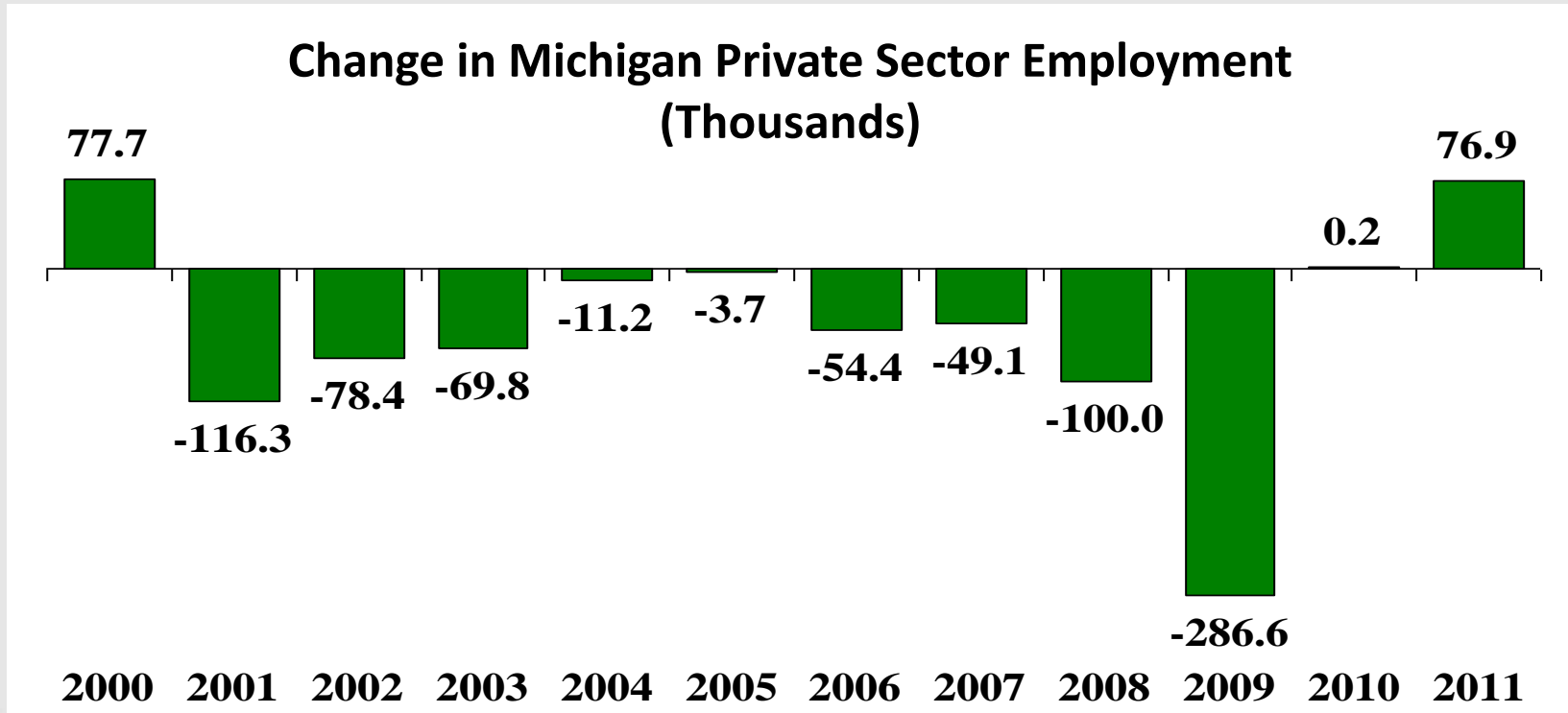
- Added \$280 M to fully fund actuarial required contributions for post retirement benefits
- OPEB legislation caps long-term post retirement healthcare liabilities
 - Immediately reduces states \$14.7 B unfunded liability by over **\$5 B**
 - Protects current employees
 - Gives new employees incentive to save for their post retirement healthcare needs with a 2% match into their 401K



Improving Economy

Where we are today

- 80,000 private sector jobs added in 2011



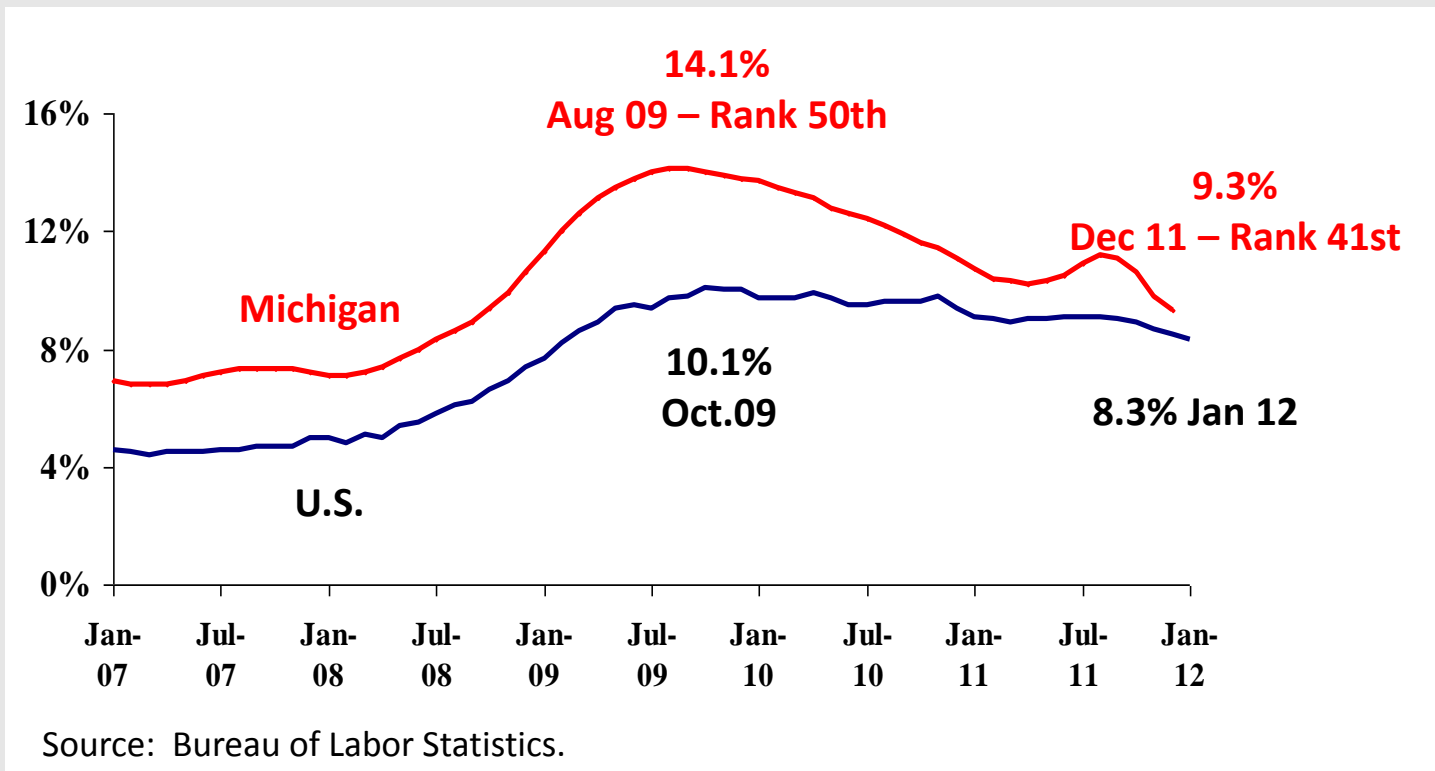
Source: Bureau of Labor Statistics.



Improving Economy

Where we are today

- 9.3% unemployment lowest since September 2008



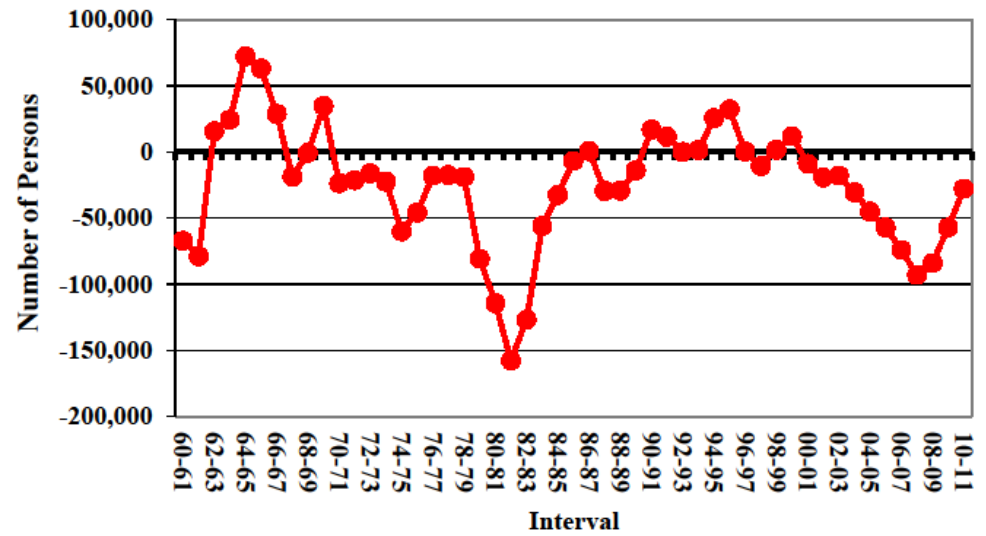
Improving Economy

Where we are today



- Reverse trend of people moving out of Michigan

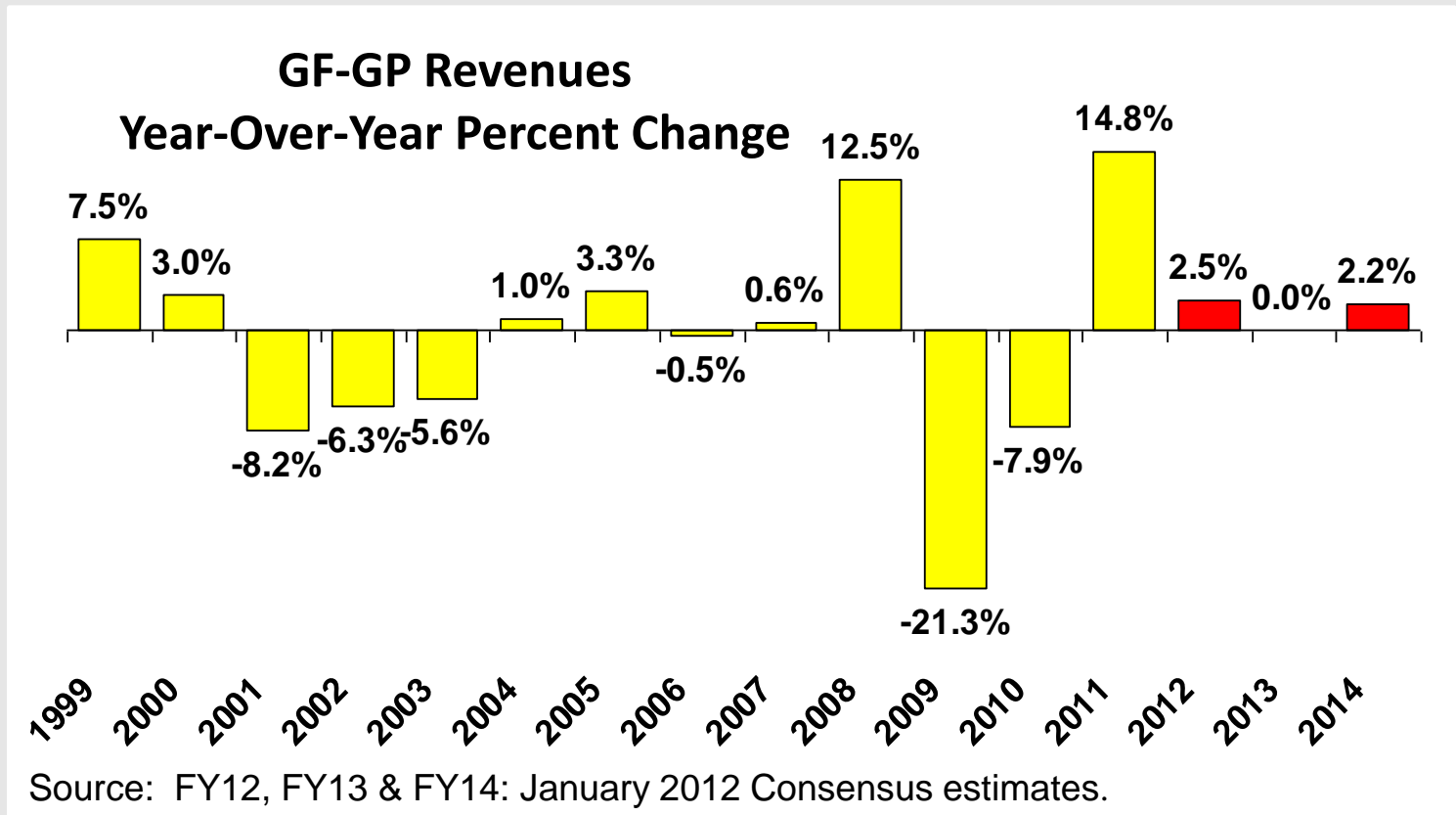
Total Net Migration: Michigan, 1960-2011



Improving Economy

Where we are today

- Revenue growth strongest in over 10 years



FY 2013 Budget Principles

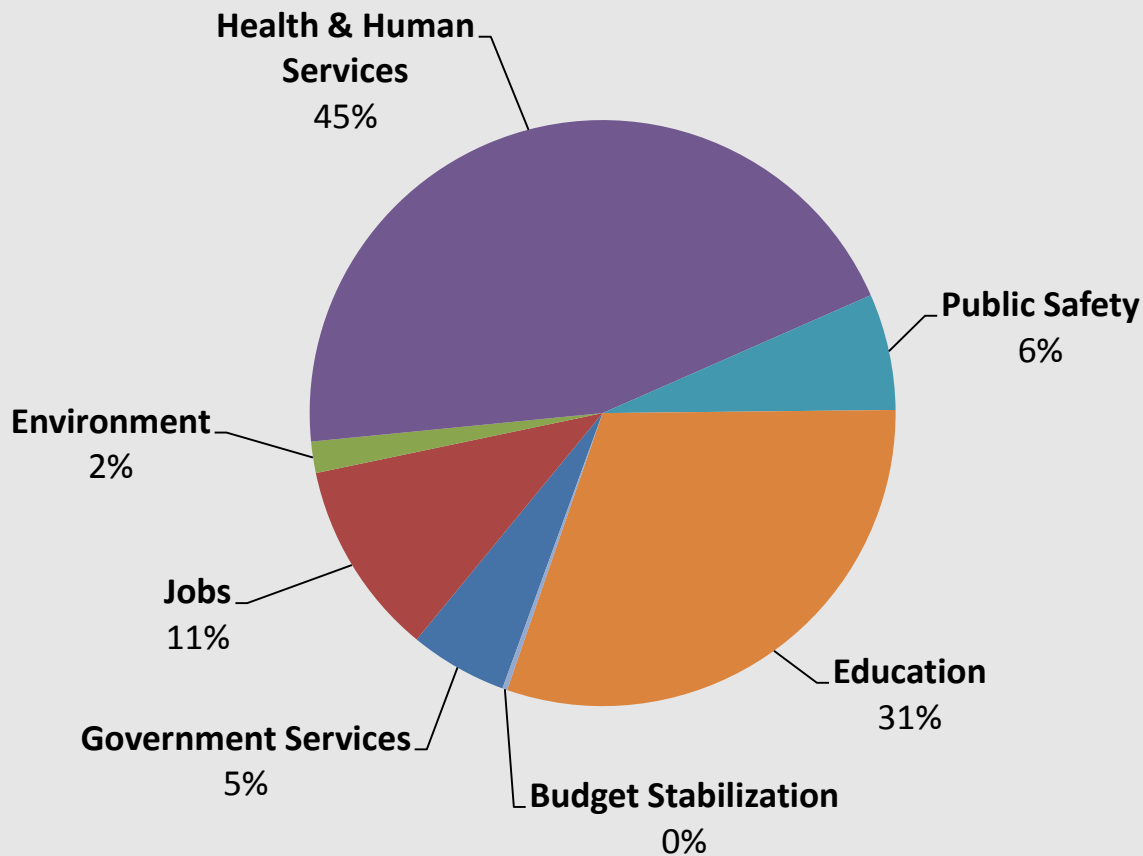


- Maintain Structural Balance
 - Separate ongoing & one-time money
 - No one-time money in the base budget
 - Protect education & stabilize state agency budgets
 - Invest in critical infrastructure, economic development & public safety needs
 - Meet the needs of the most vulnerable among us by investing in important safety net programs
 - Save for the future



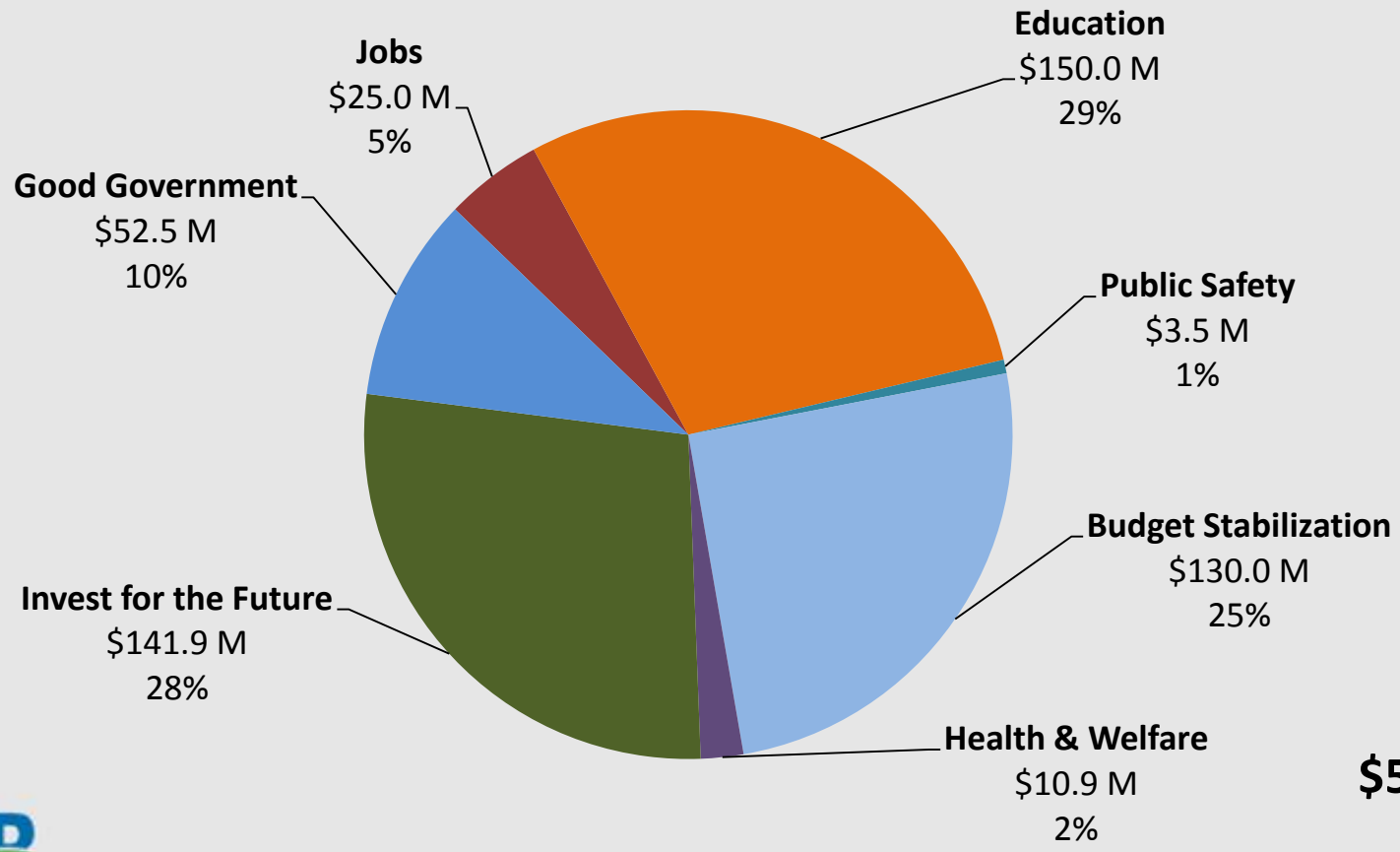
Total FY 2013 Budget Recommendation

Health & Human Services	\$21.7B
Education	\$14.7B
Public Safety	\$2.5B
Jobs	\$5.2B
Government Services	\$2.6B
Environment	\$836M
Budget Stabilization	\$130M
Total	\$48.2B





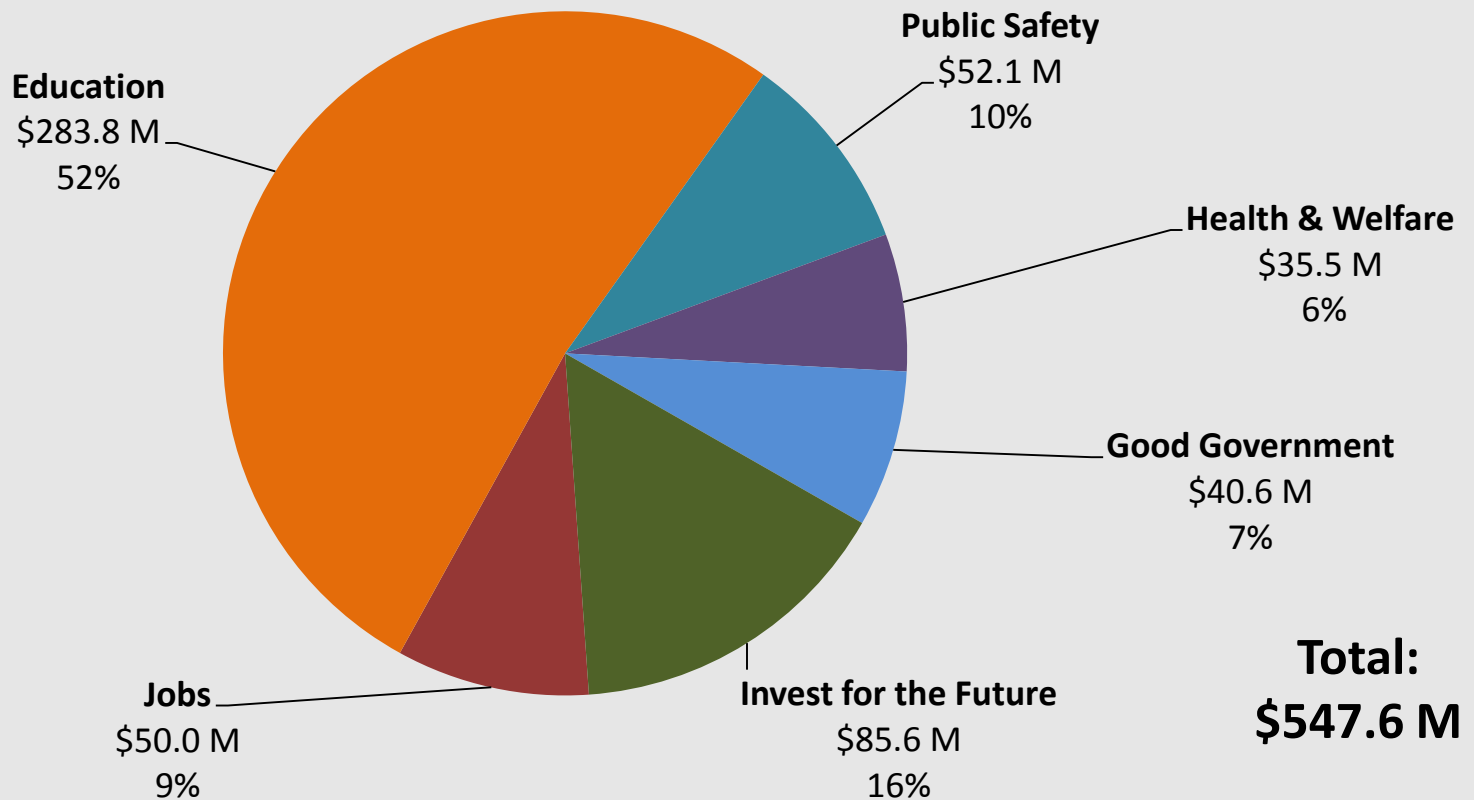
One-Time Enhancement Money in FY 2013 Budget



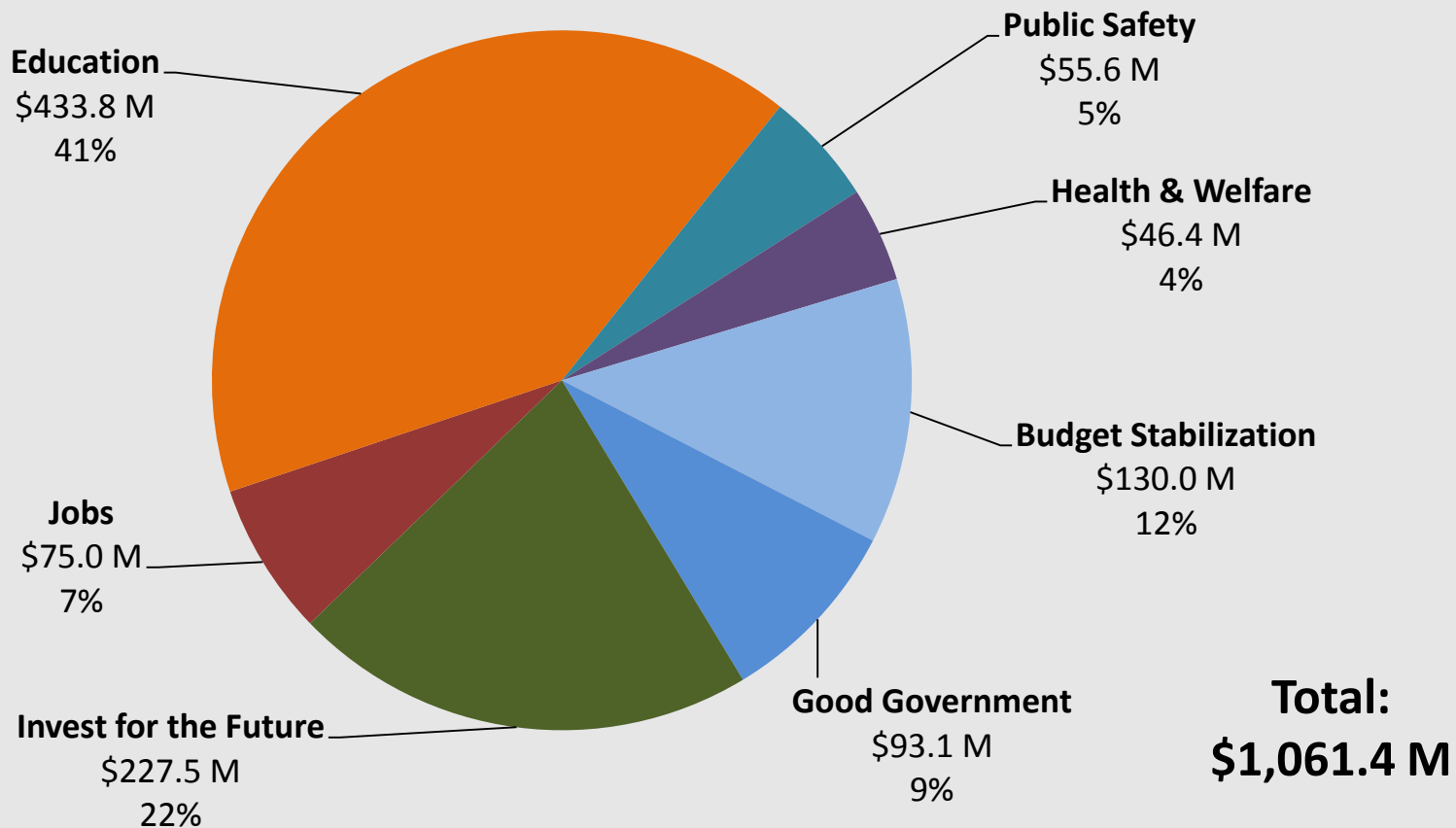
**Total:
\$513.8 M**



Ongoing Funding Enhancements in FY 2013 Budget



Total Enhancements in FY 2013 Budgets



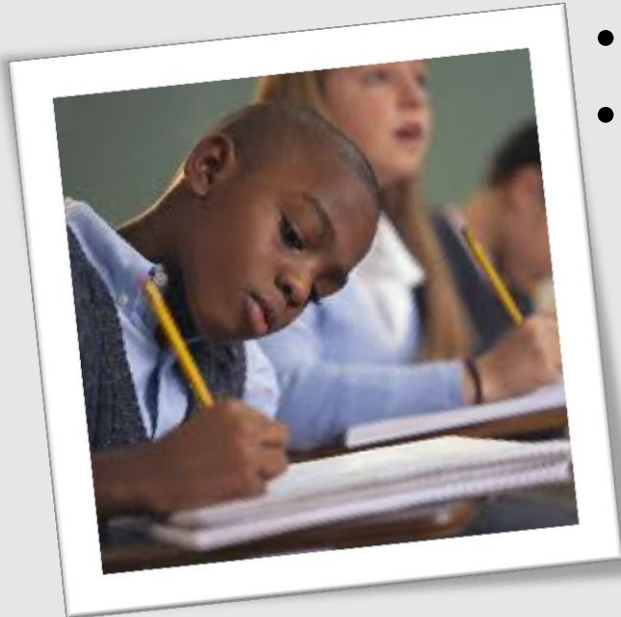
2013 Strategic Investments

- Jobs
- **Education**
- Public Safety
- Infrastructure
- Safety Net
- Save for the Future



Education

K-12



- Creating Talent in a P-20 System
- Early childhood – \$12.5 M FY 12
- K-12 – 2.5% ongoing increase – 1% total increase
 - Protected per pupil foundation allowance – \$8.7 B
 - \$200 M for performance and innovation
 - Best practices – \$120 M
 - Student growth – \$70 M
 - Consolidation Grants – \$10 M
 - Long term liabilities – \$179 M



Education

Higher Ed

- Increased funding for higher education institutions by 3% (\$36.2 M general fund) tied to new formula based on 4 criteria:
 1. Growth in number of undergraduate degrees
 2. Undergraduate completions in critical skills areas
 3. Undergraduate Pell Grant recipients
 4. Compliance with tuition restraint
- Recommends 9 university capital outlay projects for construction – (\$500 M total – \$250 M state share)

Education

Community Colleges



- Increased funding for Community Colleges by 3% (\$8.5 M)
 - ✓ Distributed based on the number of certificate & associate degree completions in critical skills areas
- Recommends 9 capital outlay projects for construction (\$110 M total – \$53 M state share)



Education

Community Colleges

Capital Outlay Projects

INSTITUTION	PROJECT NAME	TOTAL	STATE SHARE
Alpena Community College	Electrical Power Technology & Training Center	\$4,997.5	\$2,498.8
Bay de Noc Community College	Nursing Lab/Lecture Hall Remodeling	\$1,500.0	\$750.0
Delta College	Health & Wellness F-Wing Renovations	\$19,984.0	\$9,992.0
Gogebic Community College	Building Renovation	\$1,500.0	\$750.0
Grand Rapids Community College	Cook Academic Hall Renovation	\$10,000.0	\$5,000.0
Jackson Community College	Bert Walker Hall Renovations (revised title)	\$19,500.0	\$9,750.0
Lansing Community College	Arts & Sciences Building Renovation	\$19,950.0	\$9,975.0
Mid-Michigan Community College	Mt. Pleasant Campus Unification	\$17,704.6	\$8,852.3
North Central Michigan College	Health Education & Science Center	\$10,428.4	\$5,214.2
TOTAL		\$105,564.5	\$52,782.3



Education

Community Colleges

Highlights of Process Reforms

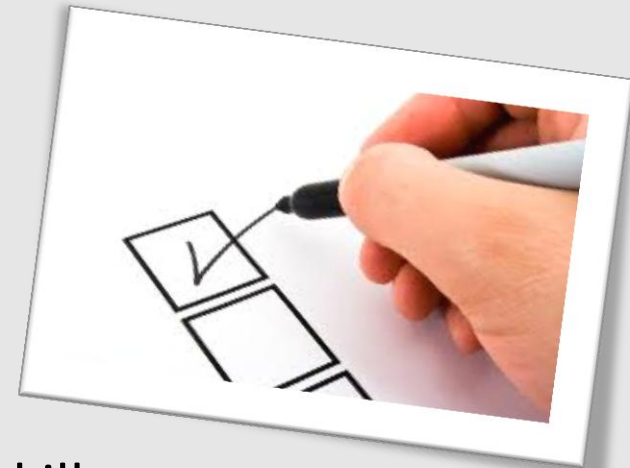
- Institutions submit professionally-developed schematic plans as the basis for their capital outlay request
- State Budget Office recommended criteria & a scoring grid to evaluate capital outlay requests
 - Senate Fiscal Agency, House Fiscal Agency & State Budget Office score the requests, provide non-binding, objective evaluation
 - Evaluation results published on State Budget Office website

Education

Community Colleges

Highlights of Process Reforms

- Scoring criteria will:
 - ✓ Recognize merits of projects that statewide economic development goals
 - ✓ Focus on core academic & critical skills programs
 - ✓ Re-invest or adaptively re-use existing facilities
 - ✓ Demonstrate efficient utilization of existing facilities
 - ✓ Support sustainable design





Education

Community Colleges

Michigan Public School Employees Retirement System

- Address increasing strain of employee-related pension & health care costs on community colleges' budgets
 - Recommendation - \$1.7 M for increased cost of health care for retirees of the Michigan Public School Employees Retirement System

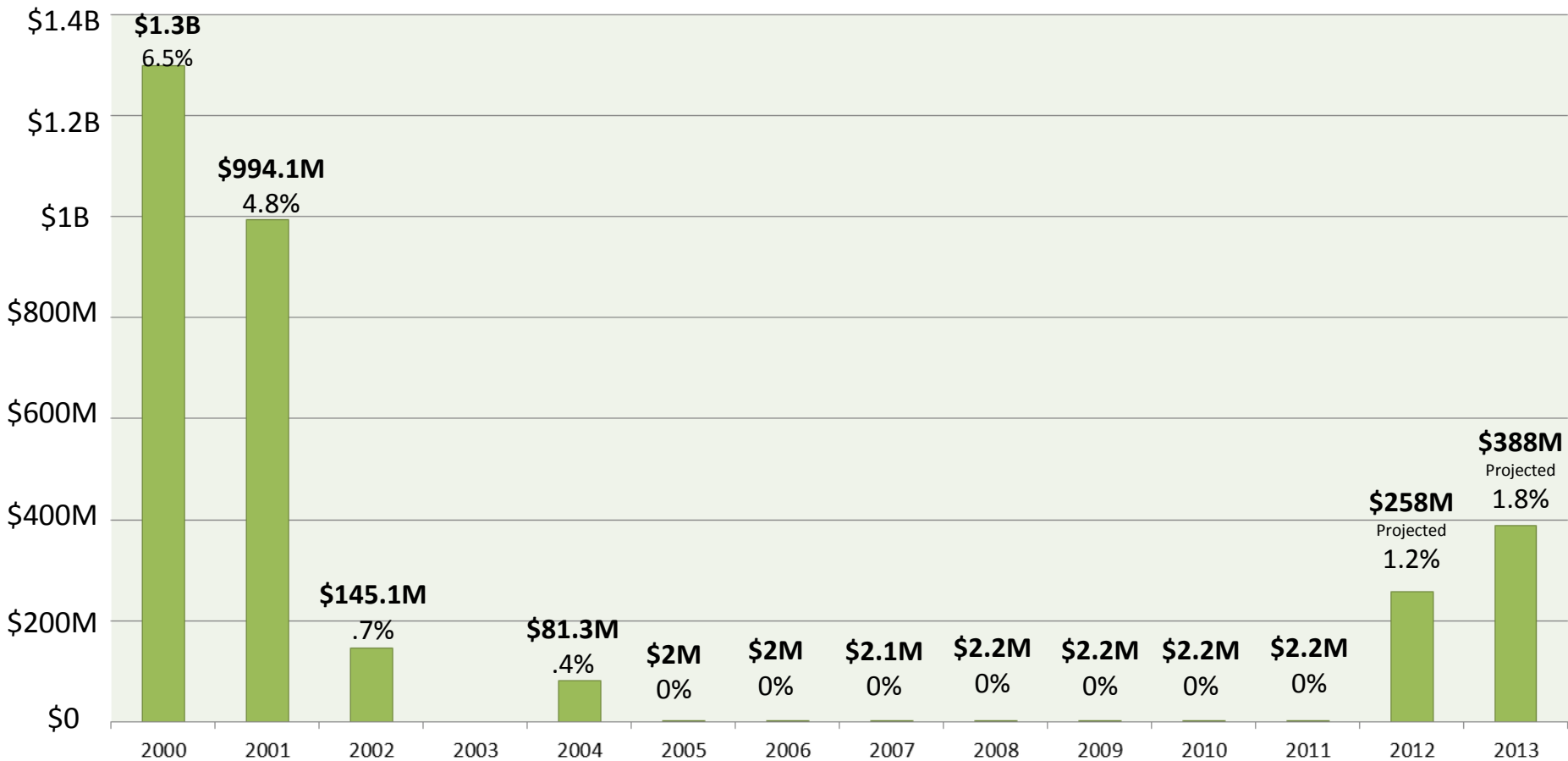
2013 Strategic Investments

Save for the Future

- Deposit \$130 M into the Budget Stabilization Fund
- Brings total at the end of FY 2013 to \$388 M
- Total OPEB payment is \$744 M gross – \$367 M general fund



Budget Stabilization Fund



Note: The balance is represented as a percentage of general fund & school aid fund expenditure.



People are taking note

July 2011:

Fitch Ratings announced revisions to Michigan's Rating Outlook for all bonds from Stable to **Positive** due to:

- Continued evidence of a return to structural balanced budget
- Continued progress toward re-building reserve funds
- Continued employment recovery



People are taking note

November 2011:

Bloomberg Economic Evaluation of States (BEES) ranked Michigan 2nd best forecast for economic health in nation based on 6 key indicators:

1. Tax revenue
2. Personal income
3. Employment
4. Home prices
5. Mortgage foreclosures
6. Stock performance of in-state companies

People are taking note

February 2012:



Tax Foundation upgraded Michigan's State Business Tax Climate Index from 49th to 7th in the nation. Tax Foundation measures this based on which states have the most neutral, simple & business-friendly tax structures.

According to Tax Foundation, it is clear the 2011 tax reforms in are a "major improvement for Michigan's business tax system."

People are taking note

February 2012:



Moody's Investors Service commented in its Weekly Credit Outlook that Governor Rick Snyder's FY 2013 budget proposal is a "credit positive" for local governments and "a key turning point" for Michigan.



Thank you
Any Questions?