



Reinventing Michigan: Investing in Our Future

February 9, 2012

Common Sense Budgeting
Driving Success for our Citizens



Today's Roadmap

- On the path to success
- The budget's role in success
- Budget highlights
- Good government
- Relentless positive action

Putting Michigan on a Path to Success

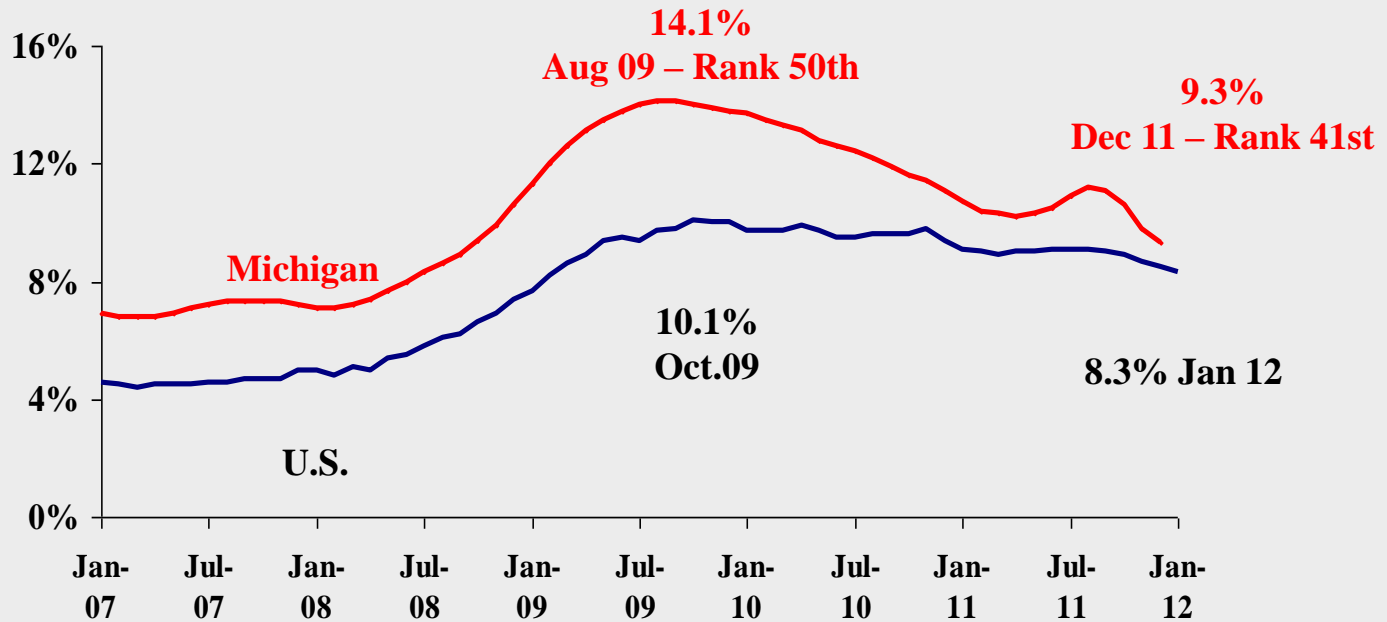


- Job creation
- Challenges
- Exciting future

Reducing Unemployment



9.3% unemployment lowest since
September 2008





Creating more and better jobs

- Strength in multiple private sectors
- Almost 80,000 private sector jobs created in 2011
- Higher income jobs growing fastest
- Trend of moving out is stopping
- We have 76,000+ job openings – MiTalent.org
- Accelerating innovation and connecting talent

Recognizing Challenges

- Global issues, particularly Europe
- Federal government issues
- Finances of our cities and schools
- Declining infrastructure
- Past tax credit obligations

Driving Our Exciting Future



- Creating the right public sector
- Enabling private sector success
- Leading in talent and the 3 C's
 - Creating, Collaborating, and Connecting
- Relentless positive action



The Budget's Role in Success



FY 2012:

Common Sense Responsibility

- Eliminated deficit - \$1.5 B
- Achieved structural balance
- Reduced liabilities - \$5.6 B
- Saved for the future - \$388 MM
- Enacted simple, fair and efficient tax system
- Set foundation for today and tomorrow



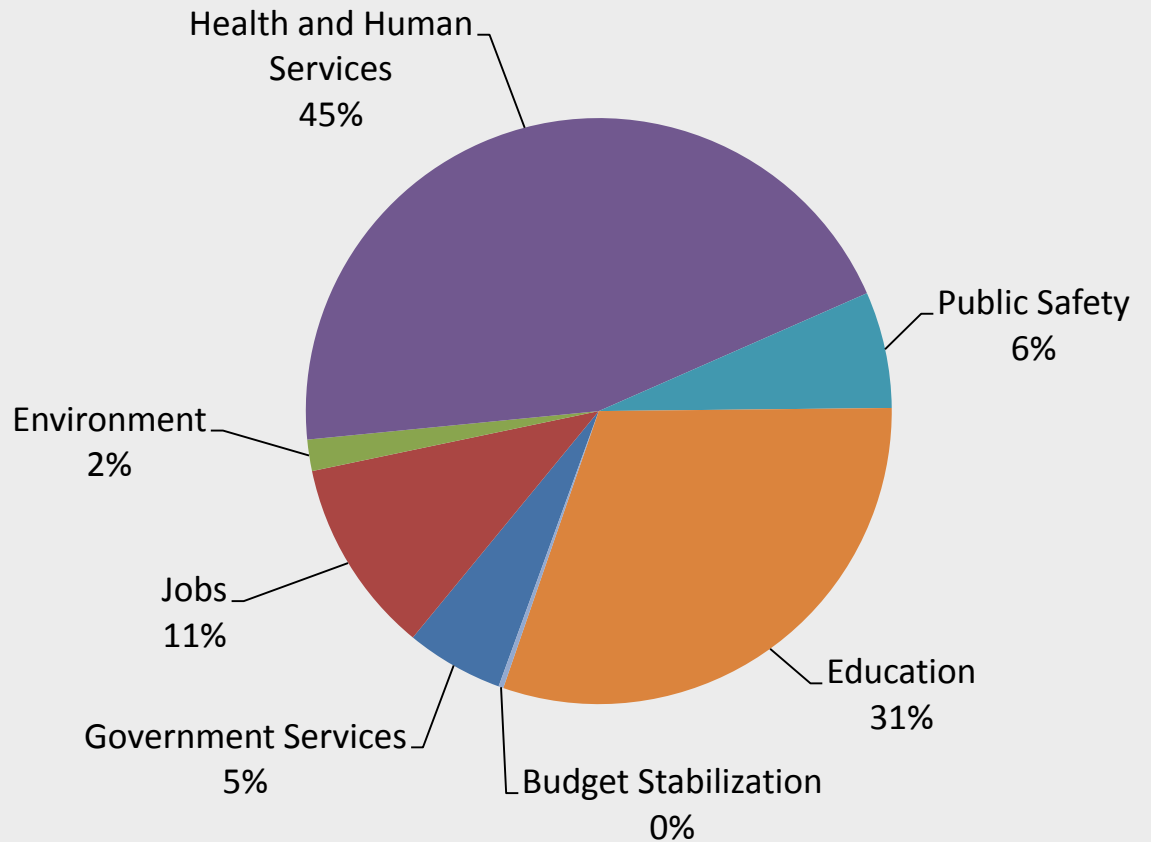
FY 2013 and Beyond: Common Sense Budgeting

- Invest and save wisely
 - Live within our means
 - Prioritize to make a difference
 - Ask for, measure, and reward real results
- Invest and save
 - Short term and urgent
 - Long term and important

Total FY 2013 Budget Recommendation



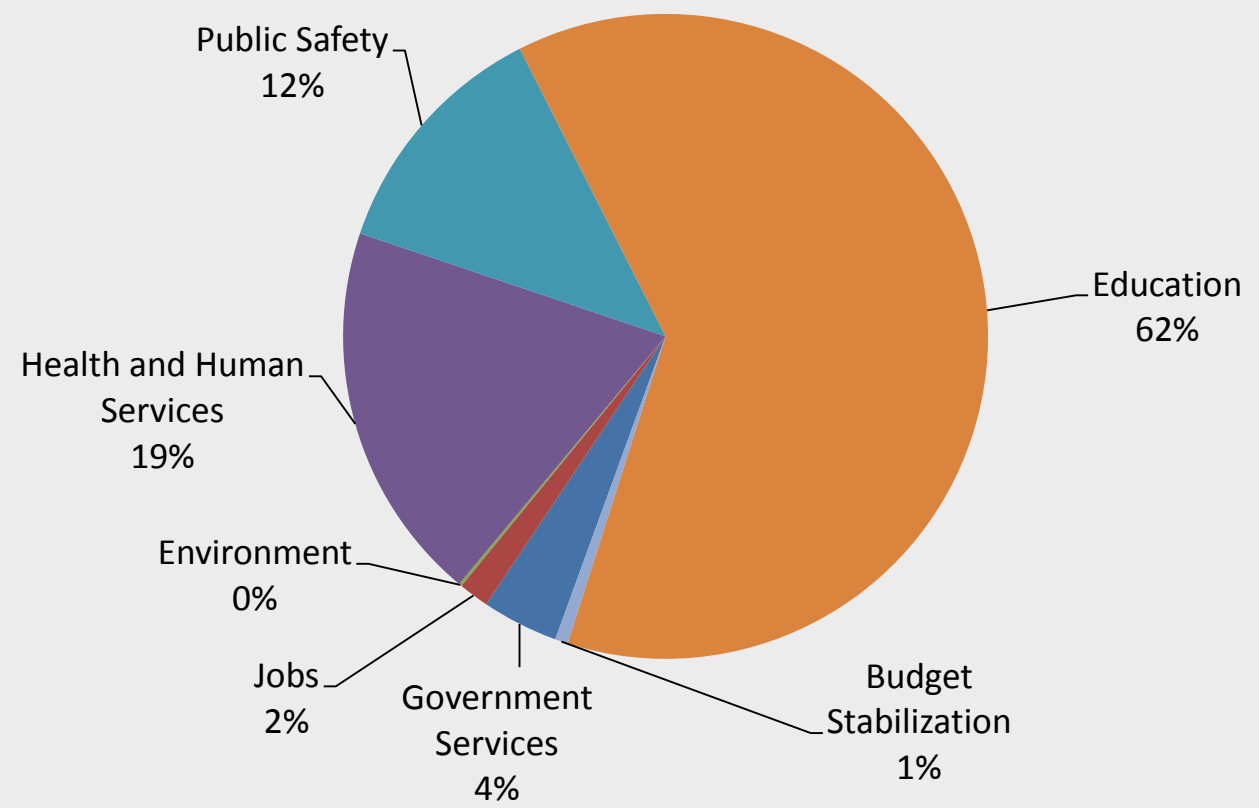
Health & Human Services	\$21.7B
Education	\$14.7B
Public Safety	\$2.5B
Jobs	\$5.2B
Government Services	\$2.6B
Environment	\$836M
Budget Stabilization	\$130M
Total	\$48.2B



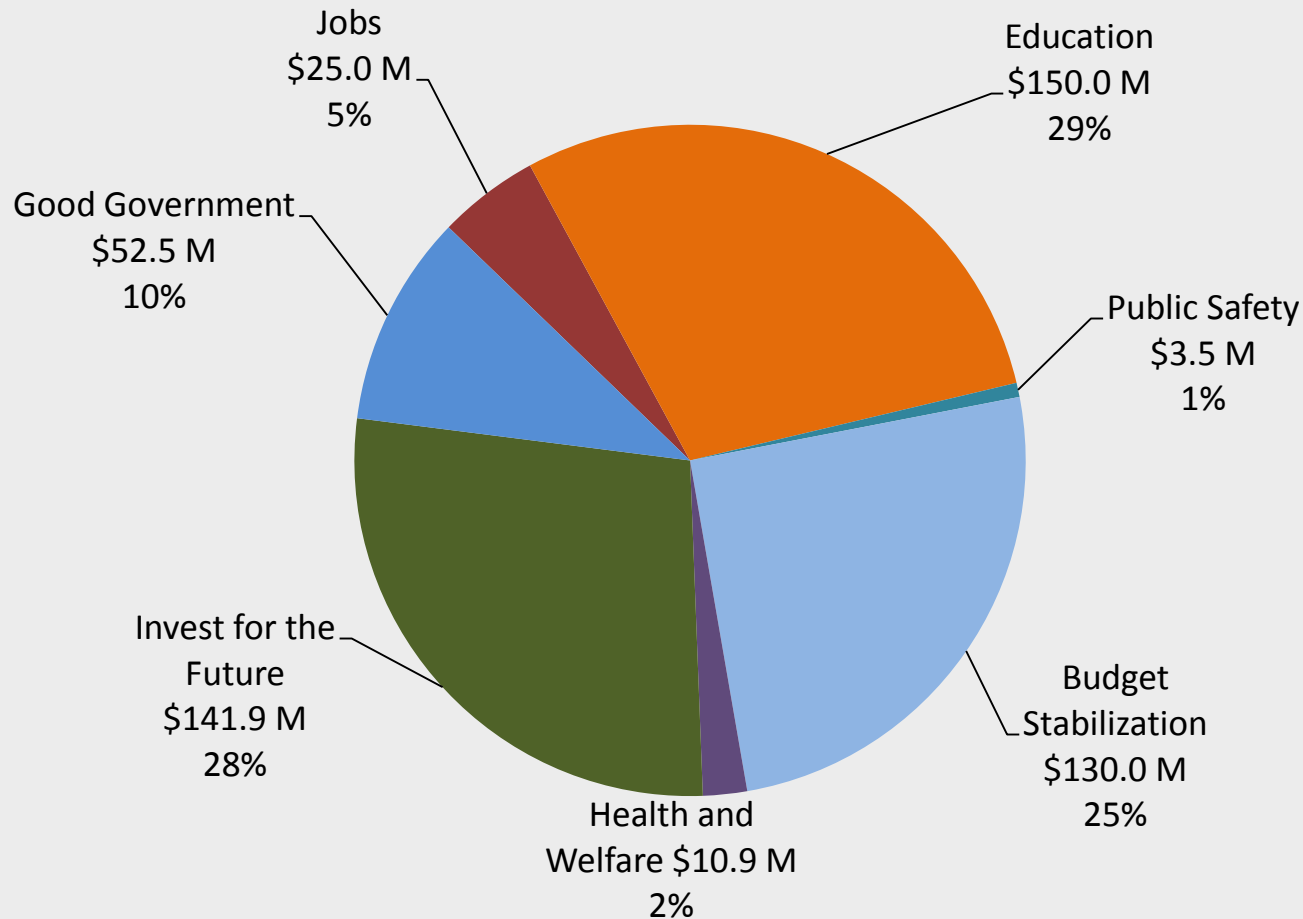


General Fund/School Aid Fund FY 2013 Budget Recommendation

Education	\$12.7B
Health & Human Services	\$3.9B
Public Safety	\$2.5B
Government Services	\$779M
Jobs	\$308M
Budget Stabilization	\$130M
Environment	\$85M
Total	\$20.3B

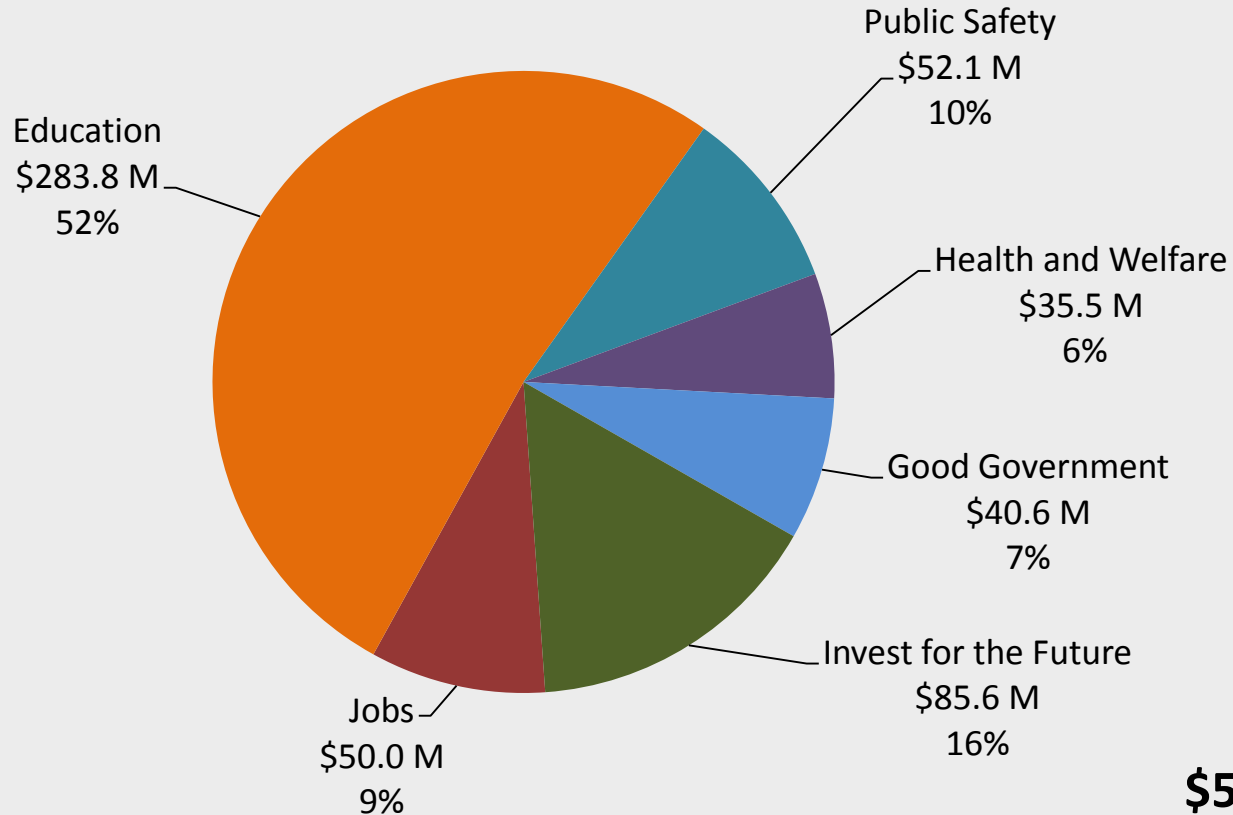


One-Time Enhancement Money in FY 2013 Budget



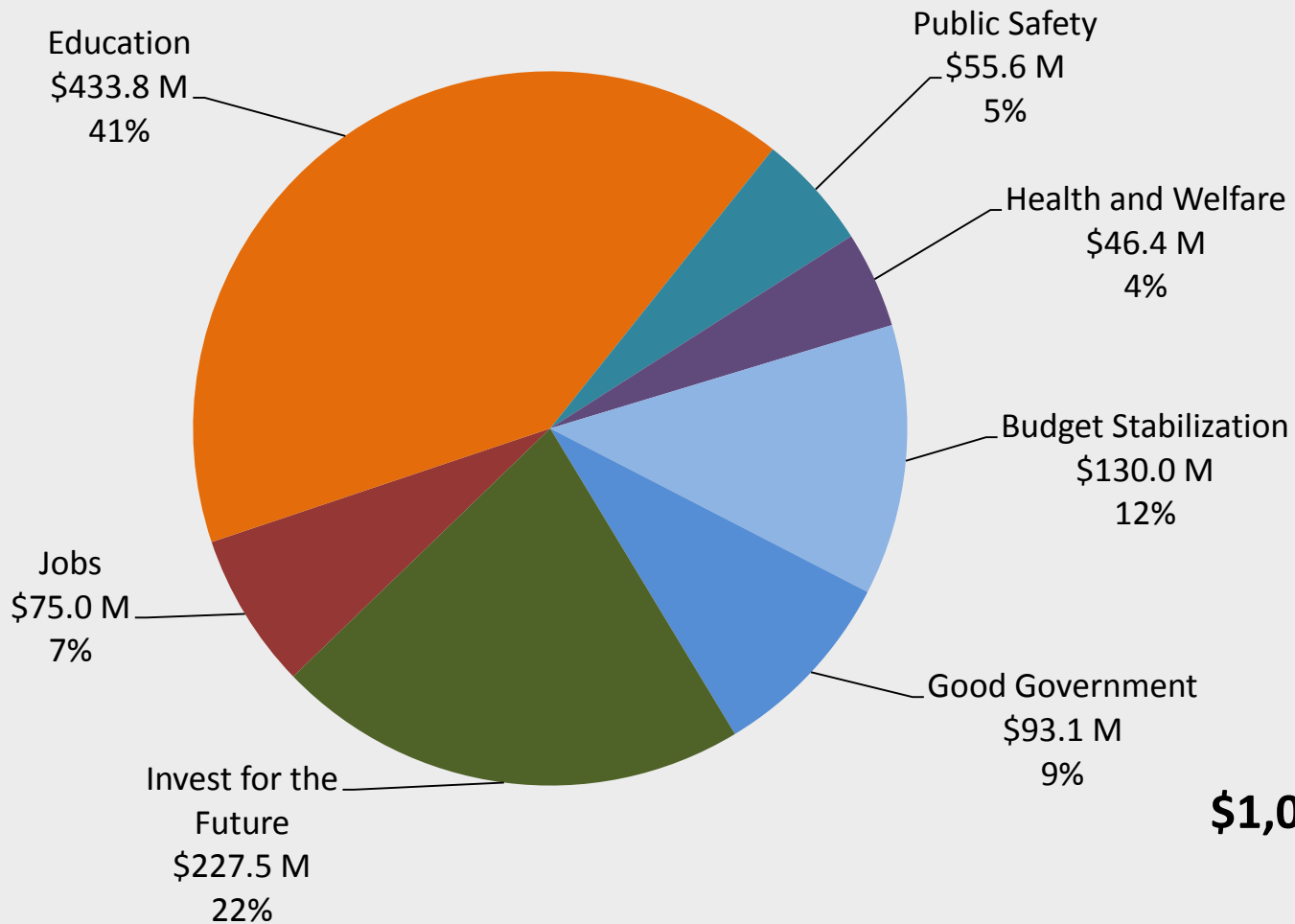
Total:
\$513.8 million

Ongoing Funding Enhancements in FY 2013 Budget



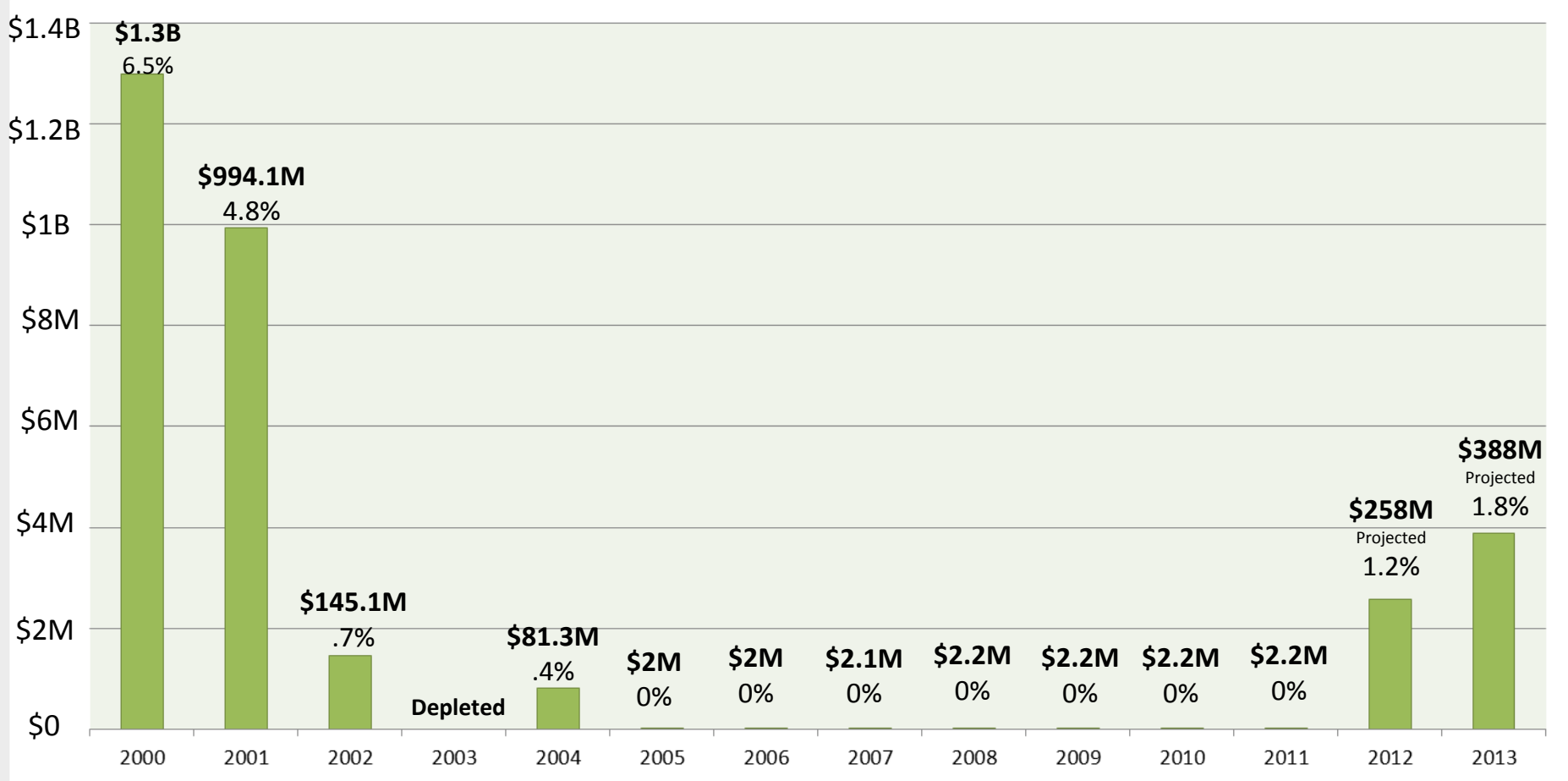
Total:
\$547.6 million
14

Total Enhancements in FY 2013 Budgets



Total:
\$1,061.4 million

Budget Stabilization Fund



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



Investing in our Key Priorities

- Jobs - \$75 MM
- Education - \$434 MM
- Public safety - \$56 MM
- Health and human services - \$46 MM
- Infrastructure - \$227 MM
- Good government - \$18 MM
- Save for the future - \$130 MM
- Communities – our local partners - \$50 MM

Job #1 is Jobs



- Moving from one-time funding to ongoing for:
 - Gardening, attraction and redevelopment - \$50 MM
- Continue and add support for quality of place:
 - Continue film incentive grants - \$25 MM
 - Addition for arts and culture - \$3.6 MM

Commitment to Education



- Creating Talent in a P-20 System
- Early childhood – \$12.5 MM FY 12
- K-12 – 2.5% ongoing increase, 1% total increase
 - Protected per pupil foundation allowance - \$8.7 B
 - \$200 MM for performance and innovation
 - Best practices - \$120 MM
 - Student growth - \$70 MM
 - Consolidation Grants - \$10 MM
 - Long term liabilities - \$179 MM
- Community college – 3% increase (\$8.5 MM)
- Higher education – 3% increase (\$36.2 MM)

Strengthening Public Safety



- March Special Message
 - Increased law enforcement - \$15 MM
 - Criminal justice system reforms - \$14.5 MM
 - Jobs and youth programs - \$20 MM
- Focus on areas of greatest need
 - Data driven
 - Multi-year commitment

Investing in Infrastructure



- Roads and bridges – general funds needed
 - \$119 MM GF
- Environmental issues
 - \$19.4 MM GF and restricted
- Physical asset maintenance
 - \$29.8 MM GF
- Information technology
 - \$50 MM GF



Bolstering Health and Human Services

- Children's Services - \$6.3 MM GF (\$11 MM gross)
- Autism coverage - \$25 MM GF (\$49 MM gross)
 - \$10 MM GF for Medicaid and MiChild (\$34 MM GF)
 - \$15 MM GF Non-Medicaid Autism Coverage
- Healthy Kids Dental phase-in – \$8.4 MM GF (\$25 MM gross)
- Seniors & people with disabilities/MI Choice waiver - \$3.7 MM GF (\$11 MM gross)
- Health and wellness initiative - \$6 MM GF
- Home heating assistance - \$60 MM in restricted funds (\$255 MM gross)



Partnering with Local Communities

- Constitutional revenue sharing – 2%+ (\$14 MM)
- Statutory programs – 9.2% increase
 - County incentive program - \$125.6 MM
(\$11 MM increase; \$15 MM converted to ongoing)
 - Economic Vitality Incentive Program - \$210 MM
(\$15 MM converted to ongoing)
 - Competitive Grant Assistance Program - \$25MM
(\$20 MM increase)
- Distressed community support - \$4.5 MM

Focus on Good Government



- Apply to all of the public sector
 - Dashboards and scorecards
 - Best practices
- Empowering our people
- Other
 - Capital outlay process
 - Move ahead with 18 projects
 - Future process reform
 - Debt financing reform

Relentless Positive Action



- Building a reinvented Michigan
- Vision regarding jobs and kids
- Based on positive and inclusive culture
- Working and winning together

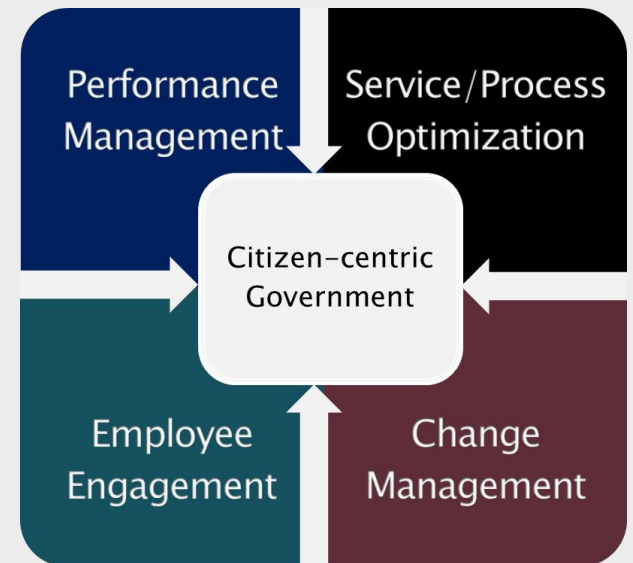


Reinventing Michigan's Government

Our Framework for Reinvention

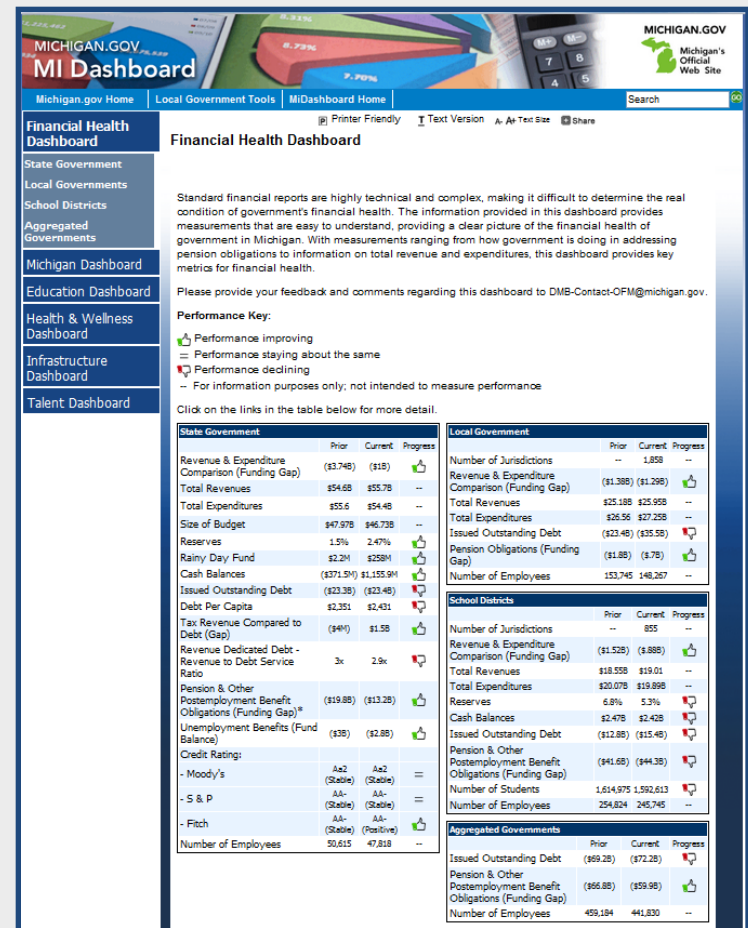


- Building on a structurally sound foundation
- Reinventing Michigan's government:
 - Performance Management
 - Service/Process Optimization
 - Employee Engagement
 - Change Management
- Leveraging a steering committee and strong coalition across state government



Performance Management Dashboards

- Dashboards track how Michigan as a whole is performing and enable our citizens to see how we measure up:
 - MiDashboard
 - Education
 - Health & Wellness
 - Infrastructure
 - Talent
 - Financial Health



Performance Management *Scorecards*

- Scorecards, track State of Michigan government performance, to ensure we are working together, moving the needle for better service
 - Funding decisions tied to performance outcomes
 - Featured on www.michigan.gov/openmichigan
 - Providing transparency for citizens and a compass for government employees





Optimization

State Level Services & Processes

- Teeing up opportunities that are ripe for transformational change:
 - Improving alignment
 - Reducing duplication
 - Increasing cost savings
 - Improving services
 - Increasing partnerships and shared services
- Developing a culture and competency for long-term continuous improvement

Optimization

Local Government Best Practices



- Providing a 2% increase in constitutional revenue sharing for cities, villages and townships
- Strengthening Economic Vitality Incentive Program (EVIP) requirements, best practice categories include:
 - Accountability and transparency
 - Consolidation of services
 - Employee compensation reforms
- Creating a \$125.6 million County Incentive Program for eligible counties, meeting the same requirements as EVIP
- Increasing competitive grants to \$25 million for local governments to offset costs of mergers, interlocal agreements and cooperative efforts



Optimization

School Resource Optimization

- Protecting the foundation allowance
- Dealing responsibly with long-term retirement issues
 - Reform addresses liability and increasing costs
- Providing best practice incentives (5 of 6 required)
 - Schools of choice
 - Student online assessments
 - Dual enrollment/AP courses
 - Online/blended learning
 - Citizen’s dashboard
 - Health care benefits
- Supporting performance funding (student growth)
 - Students in grades 3-8 for Math and Reading
 - High school students over a 4-year period
- Providing competitive innovation grants for consolidation and shared services efforts

\$10M
\$70M
\$120M
\$179M
\$8.7B

Optimization

Community Colleges and Universities



- Community Colleges: Providing 3% increase for performance-based funding
 - Three year average of completions in critical areas (science, technology, engineering, mathematics and health)
- Universities: Providing 3% increase distributed through performance-based funding to Michigan Transfer Network participants:
 - Three year average growth in undergraduate completions
 - Three year average of undergraduate completions in critical areas
 - Three year average of undergrads receiving a Pell Grant
 - Compliance with tuition restraint (4% cap)



Employee Engagement

- Core to improving Michigan's government is engaging our talented workforce:
 - We are beginning by assessing current levels engagement
- To build a culture of leadership, excellence, and teamwork, we are:
 - Ensuring that employees understand the vision, feel empowered to share ideas and take action for improvement
 - Breaking down barriers to change and encouraging innovation

Change Management



- We will not claim victory on the 10-yard line, we are intentionally:
 - Creating a climate for change
 - Engaging and enabling the organization
 - Implementing and sustaining the change



In Conclusion

- In moving this reinvention forward, we are:
 - Using performance incentives and results to make adjustments for better outcomes
 - Taking action; reversing negative trends and advancing positive ones
 - Ensuring that every member of the team knows where we're headed and how they fit in
- We will continue on this path to create a better environment for economic growth and a better future for our kids