Reinventing Michigan: Investing in Our Future

February 9, 2012

Common Sense Budgeting Driving Success for our Citizens

Today's Roadmap

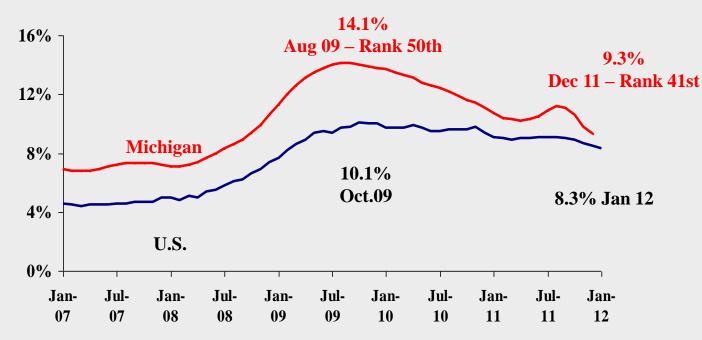
- On the path to success
- The budget's role in success
- Budget highlights
- Good government
- Relentless positive action

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

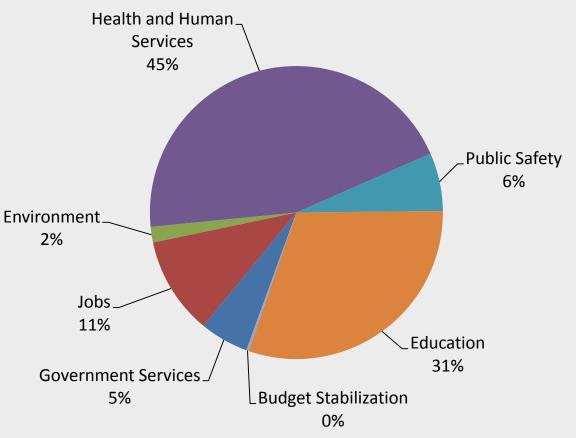
- Eliminated deficit \$1.5 B
- Achieved structural balance
- Reduced liabilities \$5.6 B
- Saved for the future \$388 MM
- Enacted simple, fair and efficient tax system
- Set foundation for today and tomorrow

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

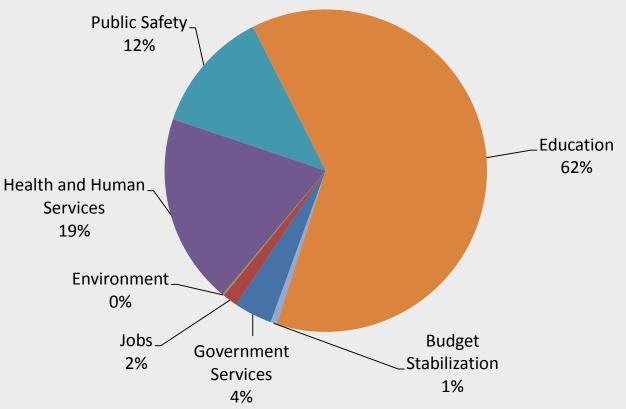
Total FY 2013 Budget Recommendation

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

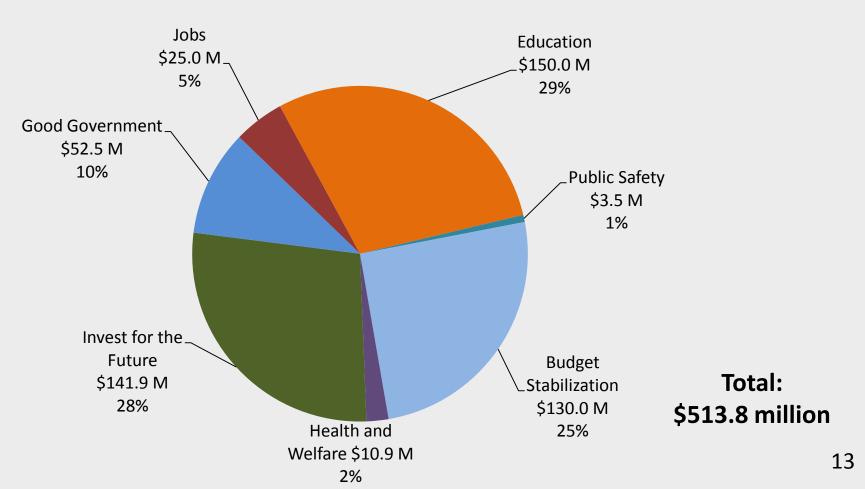


General Fund/School Aid Fund FY 2013 Budget Recommendation

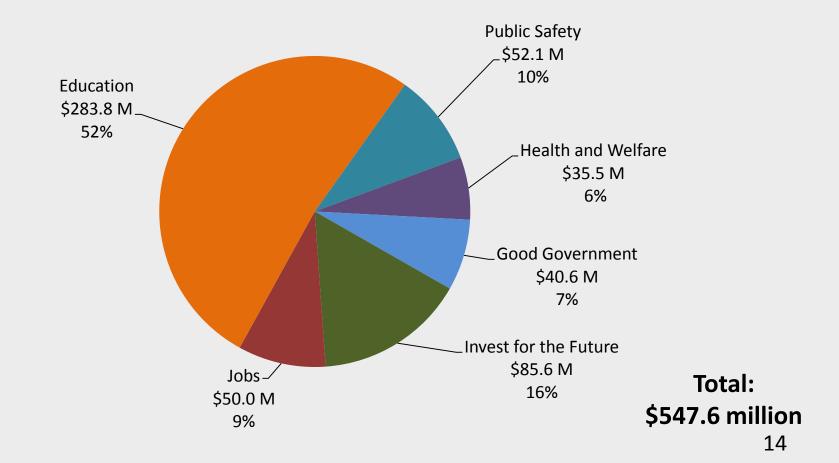
Education	\$12.7B
Health & Human Services	\$3.9B
Public Safety	\$2.5B
Government Services	\$779M
Jobs	\$308M
Jobs Budget Stabilization	\$308M \$130M



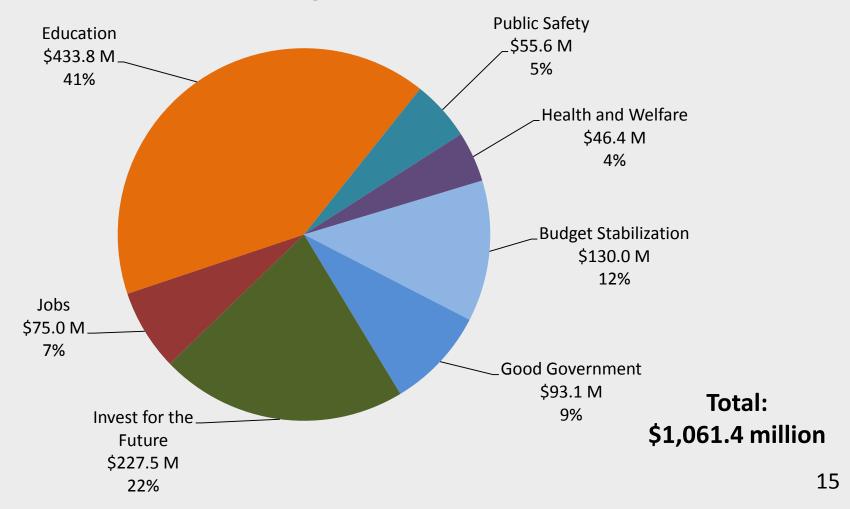
One-Time Enhancement Money in FY 2013 Budget



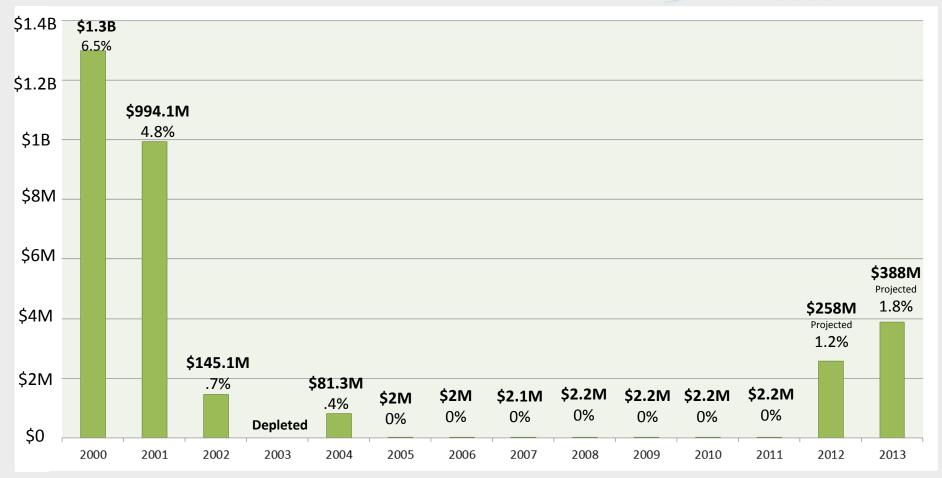
Ongoing Funding Enhancements in FY 2013 Budget



Total Enhancements in FY 2013 Budgets



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

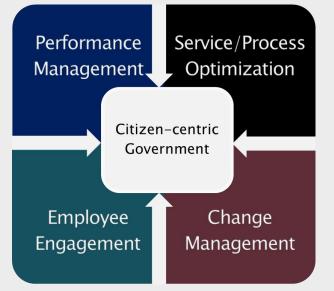
Relentless Positive Action

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

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Financial Health Dashboard	Financial Health Dash	0.1	r Friendly	/ <u>⊺</u> ⊺e:	kt Version A, A+⊤extSize 🔯 Si	hare		
State Government Local Governments School Districts Aggregated Governments Michigan Dashboard Education Dashboard Health & Wellness Dashboard Infrastructure Dashboard Talent Dashboard	Anise Standard financial reports are highly technical and complex, making it difficult to determine the real condition of government's financial health. The information provided in this dashboard provides measurements that are easy to understand, providing a clear picture of the financial health of government in Michigan. With measurements ranging from how government is doing in addressing pension obligations to information on total revenue and expenditures, this dashboard provides key metrics for financial health. Dashboard Please provide your feedback and comments regarding this dashboard to DMB-Contact-OFM@michigan.gov Wellness Performance Key: d Performance singing about the same Image: The information purposes only, not intended to measure performance							
Talent Dasiboard	Click on the links in the table	e below	for more	e detail.				
	State Government	Prior	Current	Progress	Local Government	Prior		
	Revenue & Expenditure				Number of Jurisdictions	Philor	Current 1,858	Progress
	Comparison (Funding Gap)	(\$3.748)	(\$18)	Ó	Revenue & Expenditure	(\$1.388)	(\$1.298)	
	Total Revenues	\$54.68	\$55.78	-	Comparison (Funding Gap) Total Revenues		\$25,958	
	Total Expenditures	\$55.6	\$54.48	-	Total Expenditures		\$27,258	-
	Size of Budget		\$46.738		Issued Outstanding Debt		(\$35.58)	5
	Reserves	1.5%	2.47%	۰¢	Pension Obligations (Funding		(\$.78)	3
	Rainy Day Fund Cash Balances	\$2.2M	\$258M \$1,155.9M		Gap)			_
	Lash Balances Issued Outstanding Debt	(\$3/1.5M) (\$23.38)			Number of Employees	153,745	148,267	
	Debt Per Capita	\$2,351	(\$2,431	÷,	School Districts			
	Tax Revenue Compared to	(\$411)	\$1.58	\$	Number of Jurisdictions	Prior	Current 855	Progress
	Debt (Gap)	(\$411)	\$1.58		Number of Jurisdictions Revenue & Expenditure			-
	Revenue Dedicated Debt - Revenue to Debt Service Ratio	3x	2.9x	₽	Comparison (Funding Gap) Total Revenues	(\$1.52B) \$18.55B	\$19.01	-
	Pension & Other Postemplovment Benefit	(\$19.88)	(\$13.28)	\$	Total Expenditures Reserves	\$20.078	\$19.898	-
	Obligations (Funding Gap)*	(447.00)	(0.0.0)		Cash Balances	\$2.478	2.2.12	÷.
	Unemployment Benefits (Fund	(\$38)	(\$2.88)	\$	Issued Outstanding Debt	(\$12.88)		÷.
	Balance) Oredit Rating:			~	Pension & Other			
	- Moody's	Aa2	Aa2	=	Postemployment Benefit Obligations (Funding Gap)	(\$41.68)	(\$44.38)	•⊋
		(Stable)	(Stable)	-	Number of Students	1.614.975	1.592.613	•2
	- 5 & P	AA- (Stable)	AA- (Stable)	=	Number of Employees	254,824		
	- Fitch	AA-	AA-					
	Number of Employees	(Stable) 50.615	(Positive) 47,818		Aggregated Governments	Prior	Current	Progress
	realizer or ciripioyees				Issued Outstanding Debt		(\$72.28)	100
					Pension & Other Postemployment Benefit Obligations (Funding Gap)	(\$66.88) ((\$59.98)	4
					Number of Employees	459.184	441.830	

Performance Management Scorecards

- Scorecards, track <u>State of</u> <u>Michigan government</u> performance, to ensure we are working together, moving the needle for better service
 - Funding decisions tied to performance outcomes



- Featured on <u>www.michigan.gov/openmichigan</u>
- 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 30

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

		\$10M
•	Protecting the foundation allowance	\$70M
•	Dealing responsibly with long-term retirement issues	\$120M
•	 Reform addresses liability and increasing costs Providing best practice incentives (5 of 6 required) 	\$179M
	 Schools of choice 	
	 Student online assessments 	
	 Dual enrollment/AP courses 	
	 Online/blended learning 	
	 Citizen's dashboard 	\$8.7B
	 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	

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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