



Background Briefing

TREASURY

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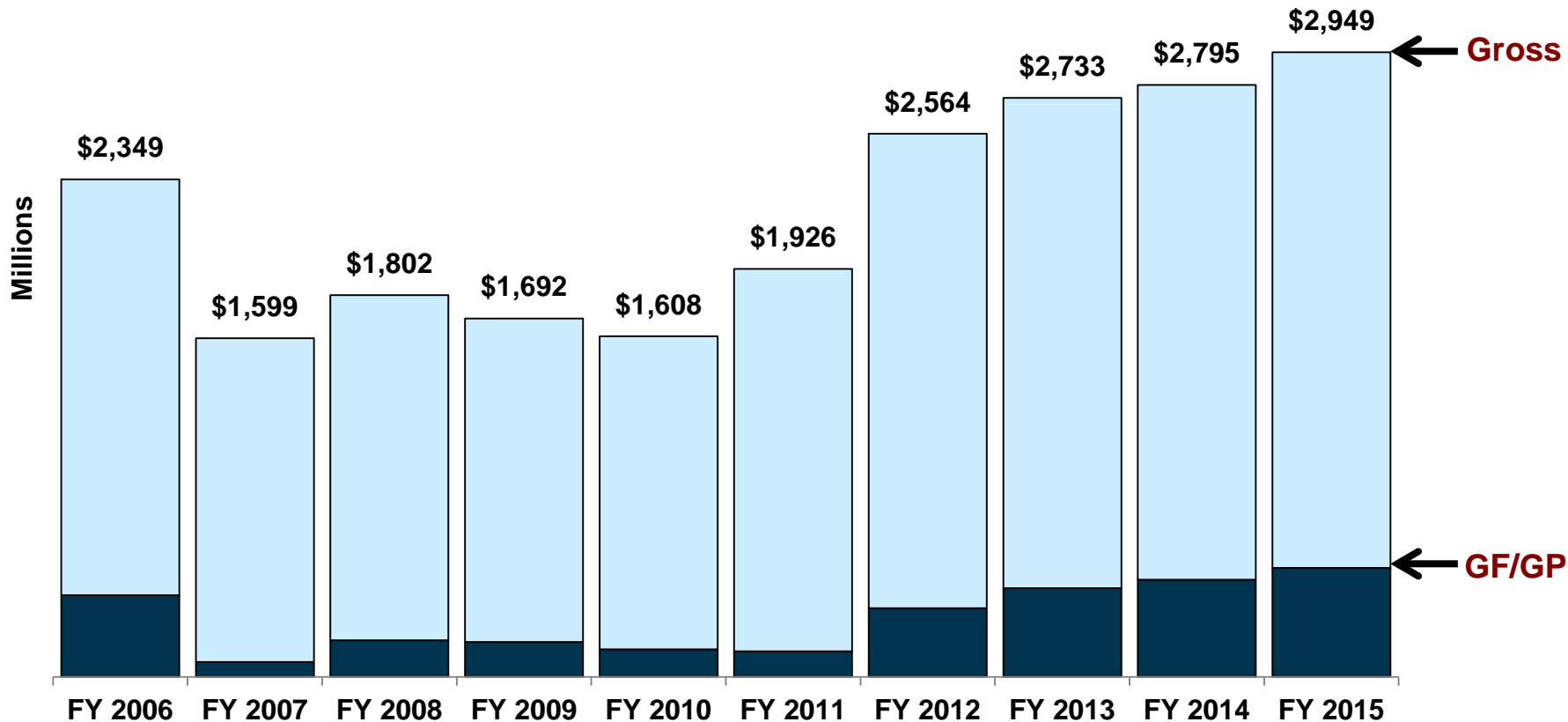
December 2014

Department of Treasury

- Chief fiscal agency of the state; primary source of advice to Governor on tax and fiscal policy issues
- Chief responsibilities:
 - Collect state taxes
 - Invest, control, and disburse state monies
 - Protect the state's credit rating and that of its cities
- Other responsibilities:
 - Manage investments for one of the nation's largest pension funds
 - Administer state revenue sharing grant program
 - Administer student financial aid programs
 - Investigate fraudulent financial activity
 - Provide advice and assistance on property tax-related issues
 - Advise issuers of municipal security obligations
 - Lend funds to local units in fiscal distress through Emergency Loan Board
 - Train/advise local units of government on aspects of financial management

Treasury: Gross Appropriations

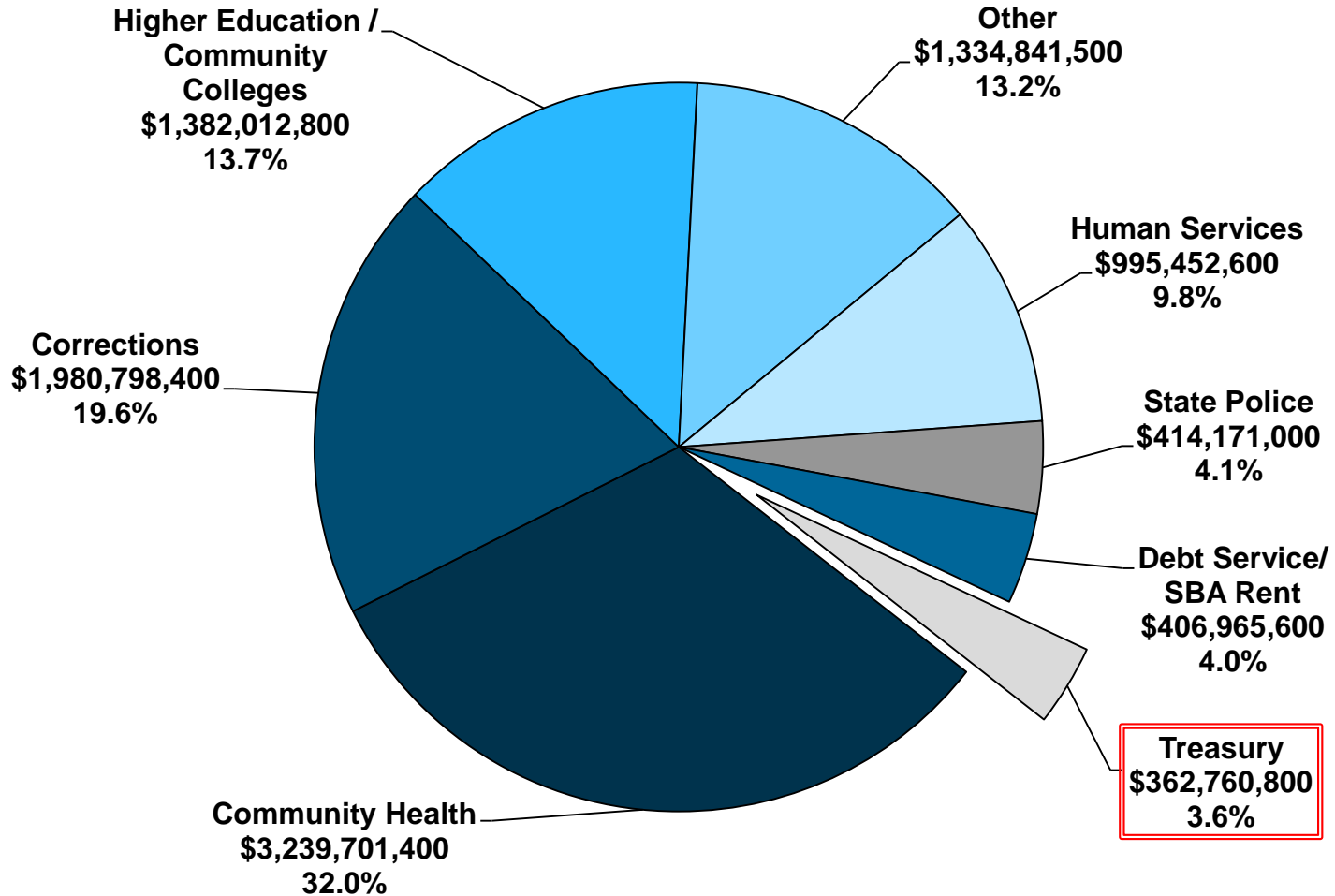
Programs and agencies under the purview of the Treasury budget constantly change, making annual comparisons difficult. Most notably, the FY 2006 annual appropriations include State Building Authority Rent payments while the FY 2006 and FY 2008 through FY 2015 appropriations include the Michigan Strategic Fund. FY 2011 appropriations include MSHDA, which was transferred from DELEG. Workforce development programs were transferred to MSF under EO 2011-4 in FY 2012. FY 2015 appropriations increased mainly due to increases in revenue sharing, appropriations for personal property tax reform reimbursements, IT Investment increases, and Michigan Public Safety Communication System equipment replacement.



Treasury Share of State GF/GP

Treasury makes up 3.6% of the total state GF/GP budget.

FY 2014-15 GF/GP Total = \$10,116,704,100



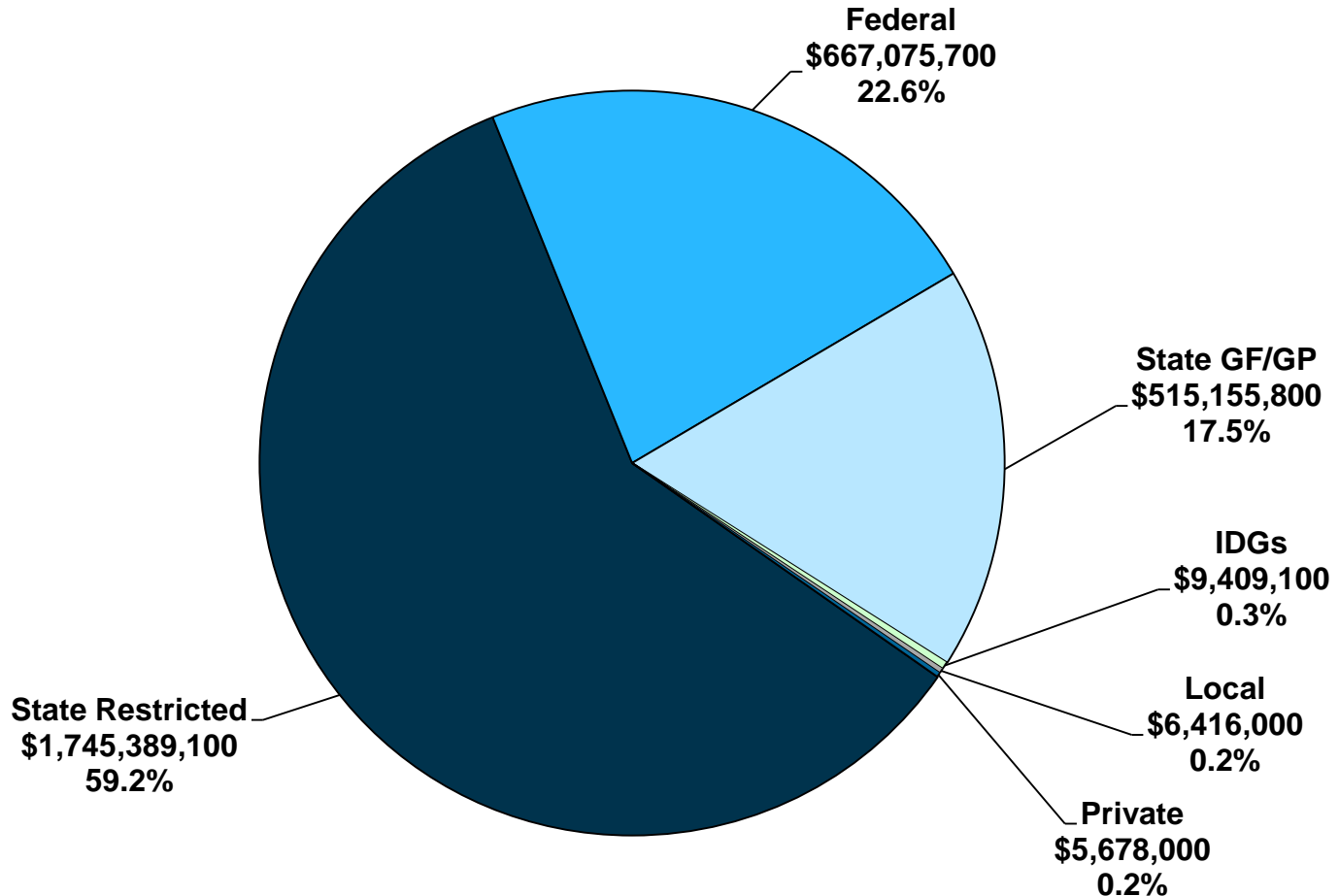
SOURCES OF FUNDING

Treasury Funding Sources

State restricted funds, mainly sales tax revenue for revenue sharing, are the largest revenue source in the budget.

FY 2014-15 Treasury Budget = \$2,949,123,700

(Includes \$91.9 million in one-time appropriations)



DEPARTMENT APPROPRIATIONS

Treasury Appropriations

The treasury budget is allocated into the following major spending areas:

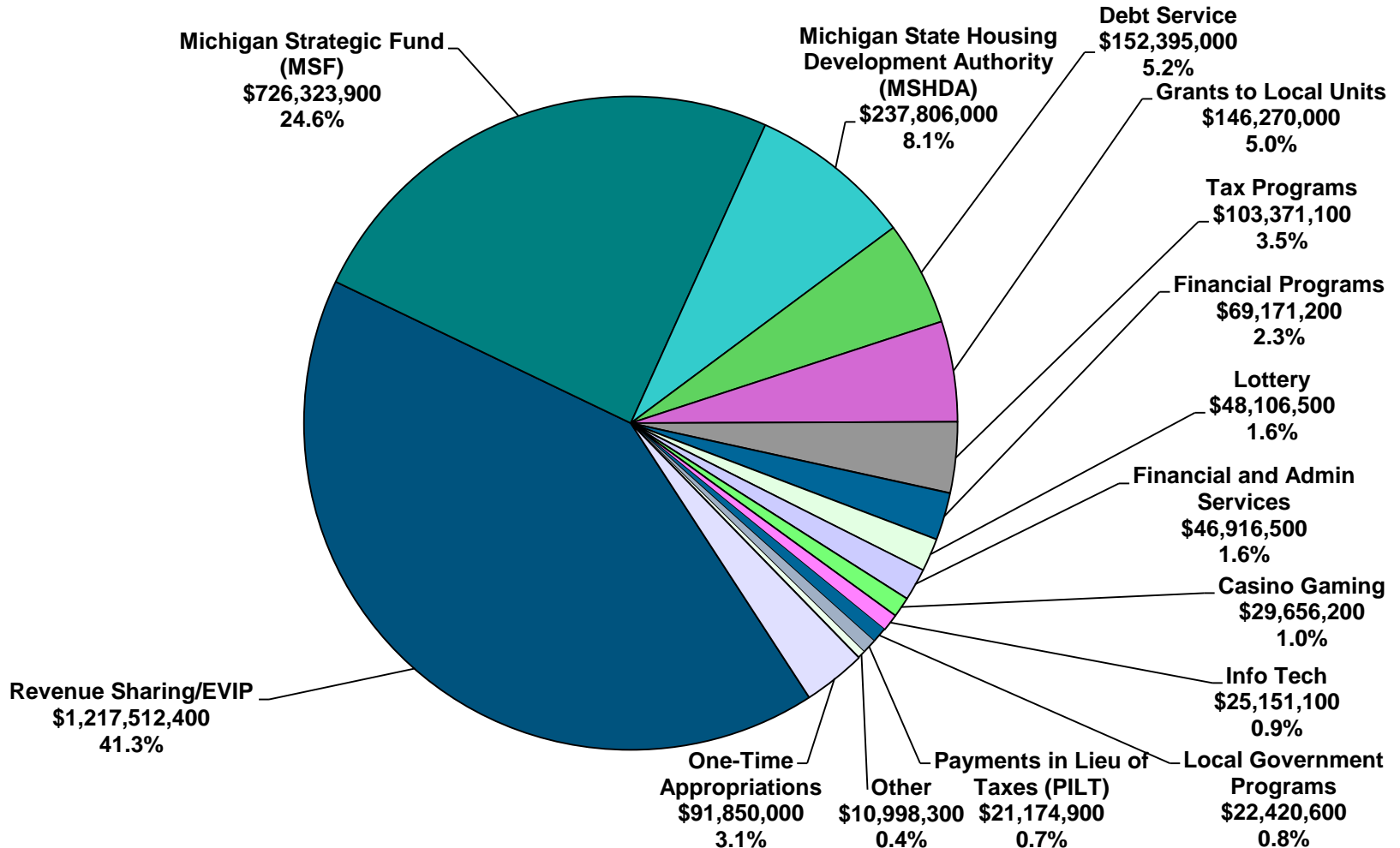
- Executive Direction
- Departmentwide Appropriations
- Local Government Programs
- Tax Programs
- Banking and Management Services
- Financial Programs
- Debt Service
- Grants
- Bureau of State Lottery
- Casino Gaming
- Payments in Lieu of Taxes
- Michigan Strategic Fund (MSF)
- Revenue Sharing/Economic Vitality Incentive Program (EVIP)
- MSF - Michigan State Housing Development Authority
- State Building Authority (SBA)
- Information Technology
- One-Time Appropriations

Treasury Appropriations

Revenue Sharing/EVIP is the largest spending component in the budget.

FY 2014-15 Treasury Budget = \$2,949,123,700

(Includes \$91.9 million in one-time appropriations)

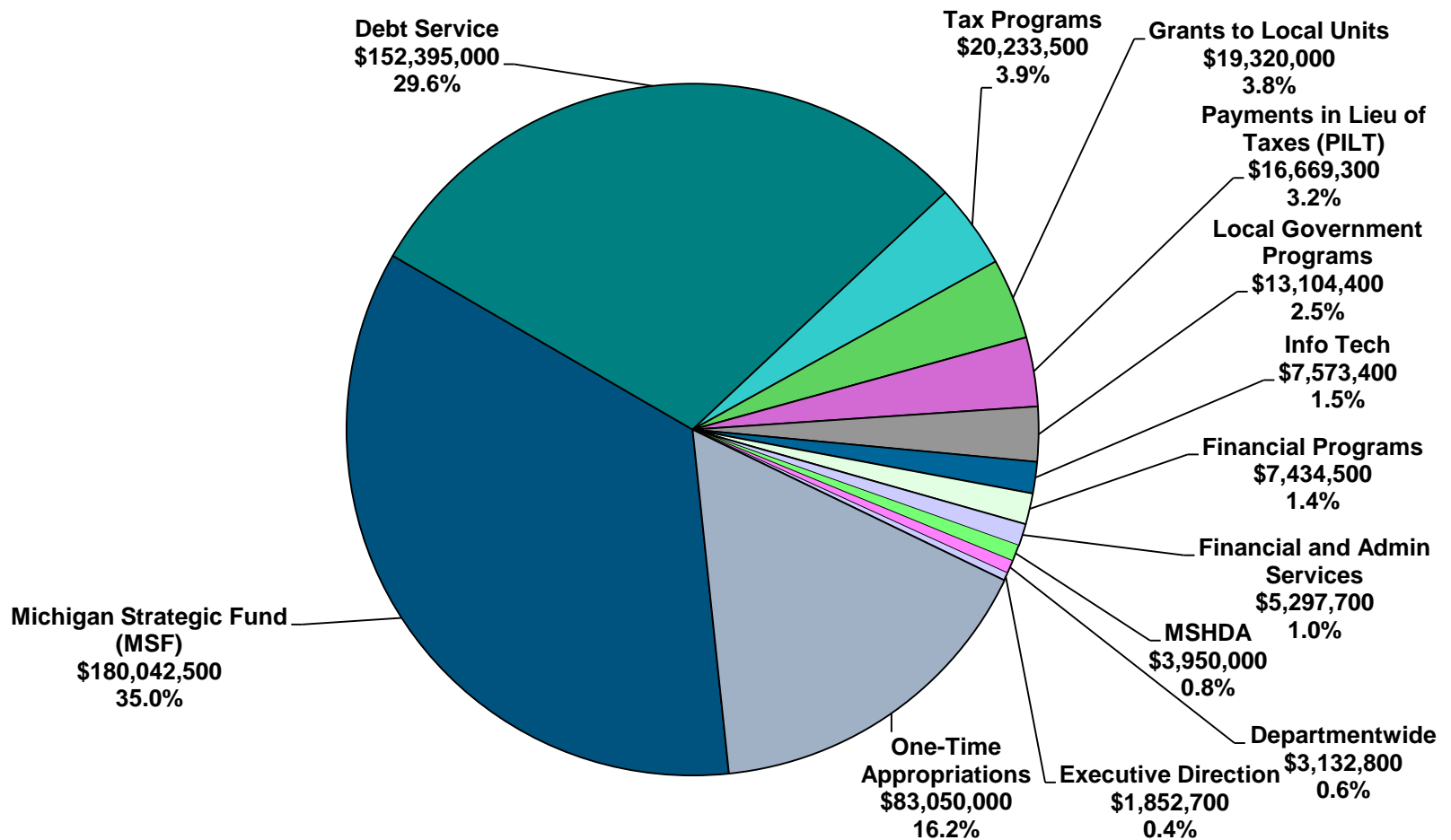


Treasury GF/GP Appropriations

Michigan Strategic Fund (MSF) is the largest GF/GP spending component in the budget.

FY 2014-15 Treasury GF/GP Budget = \$514,055,800

(Includes \$83.1 million GF/GP in one-time appropriations)



MAJOR BUDGET TOPICS

Agencies Within Treasury

- Autonomous entities organizationally housed in Department of Treasury
 - Bureau of State Lottery (1972 PA 239)
 - Michigan Gaming Control Board (Initiated Law of 1997 PA 69)
 - State Building Authority (1964 PA 183)
 - Michigan Strategic Fund (1984 PA 270); transferred from DELEG with enactment of tobacco securitization legislation (2005 PA 225)
 - Michigan State Housing Development Authority 1966 PA 384; transferred from DELEG in Executive Order 2010-2 and moved under the purview of MSF under EO 2011-4; includes the Michigan Land Bank Fast Track Authority

Local Government Programs

- Tax and financial services for local units of government on bonding proposals, audits, and training programs
- Property Tax Division responsibilities:
 - Establish property tax base
 - Determine/levy taxes on public utilities
 - Develop average tax rate for locally-assessed property
 - Assess telephone/telegraph real property and state-owned lands
 - Administer: Special tax exemptions, Sale of tax delinquent lands, Deferred Special Assessment Program for low-income seniors, and Homestead Property Tax Exemption Section

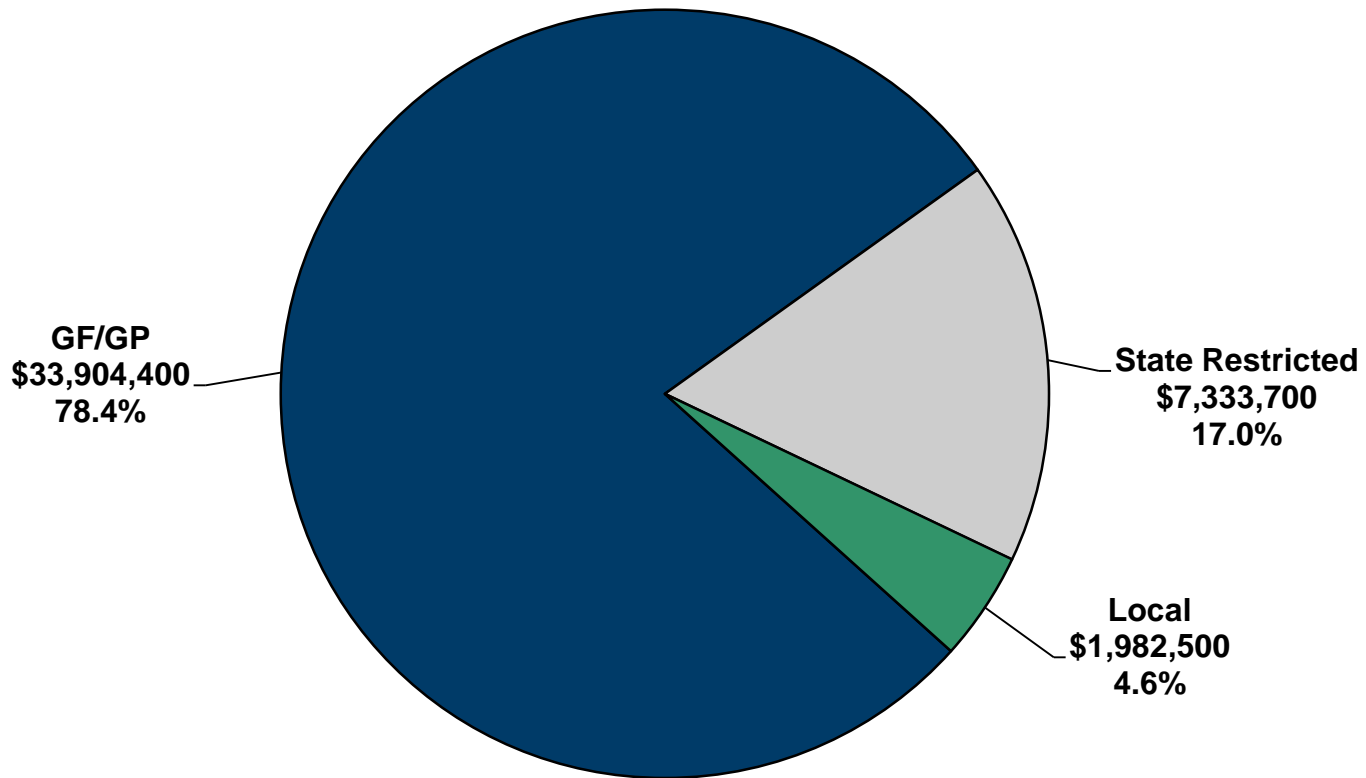
Local Government Programs

- Includes Business Property Tax Appeals assistance to local units
- Office of Fiscal Responsibility
- State Assessors Board responsibilities:
 - Train and certify property tax assessors
 - Represent tax commissions, townships, assessors, county equalization directors, and public colleges
- Personal Property Tax Reform (one-time)
 - Funds distribution of payments from metropolitan area component tax for lost debt service revenue to local units of government

Local Government Program Appropriations

FY 2014-15 Total = \$43,220,600

(Includes \$20.8 million in one-time funding for Office of Fiscal Responsibility)



Tax Programs

- Administrative functions:
 - Register taxpayers and maintain taxpayer files
 - Inform/assist taxpayers
 - Manage/support customer service improvement projects
 - Identify emerging tax issues
 - Implement new tax plan under PAs 38 and 39 of 2011

- Tax processing functions:
 - Process tax refunds
 - Research/develop electronic tax refund processing
 - Conduct IRS tax projects
 - Administer Principal Residence Affidavit Program

- Tax compliance/tax auditing:
 - Detect/resolve tax underpayment/overpayment and non-filers
 - Identify noncompliance with state statutes

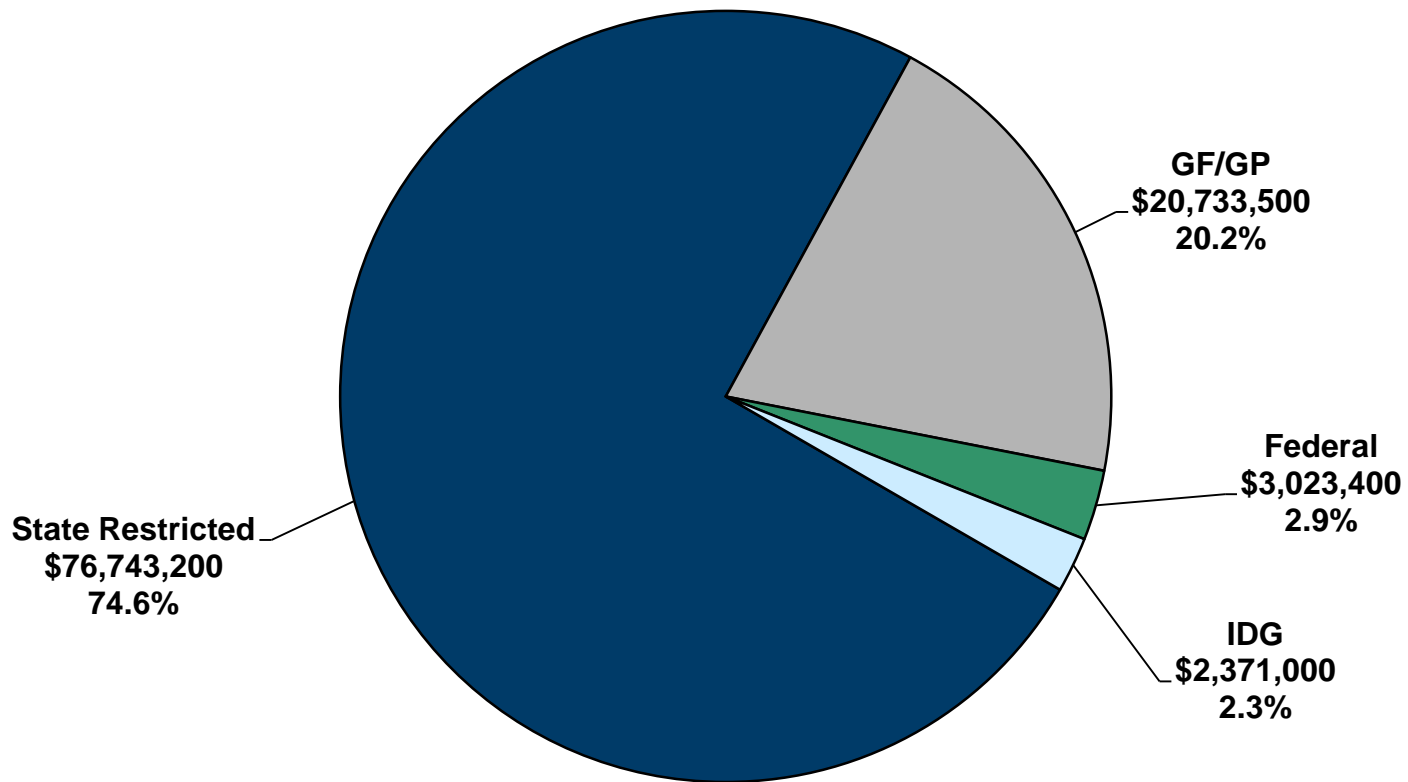
Tax Programs (cont.)

- Tax and economic policy:
 - Prepare economic forecasts/revenue projections
 - Review/analyze tax legislation
 - Administer state-local revenue sharing and EVIP program
- Health Insurance Claims Assessment – Includes funding to administer the Health Insurance Claims Act (HICA) program
- Tobacco Tax Enforcement:
 - Increases tobacco tax enforcement with Michigan State Police and Attorney General
 - Supports new tobacco stamp indicia and scanners
- Bottle Bill Implementation

Tax Programs Appropriations

FY 2014-15 Total = \$102,871,100

(Includes \$500,000 million one-time for credit card processing payment service upgrades)

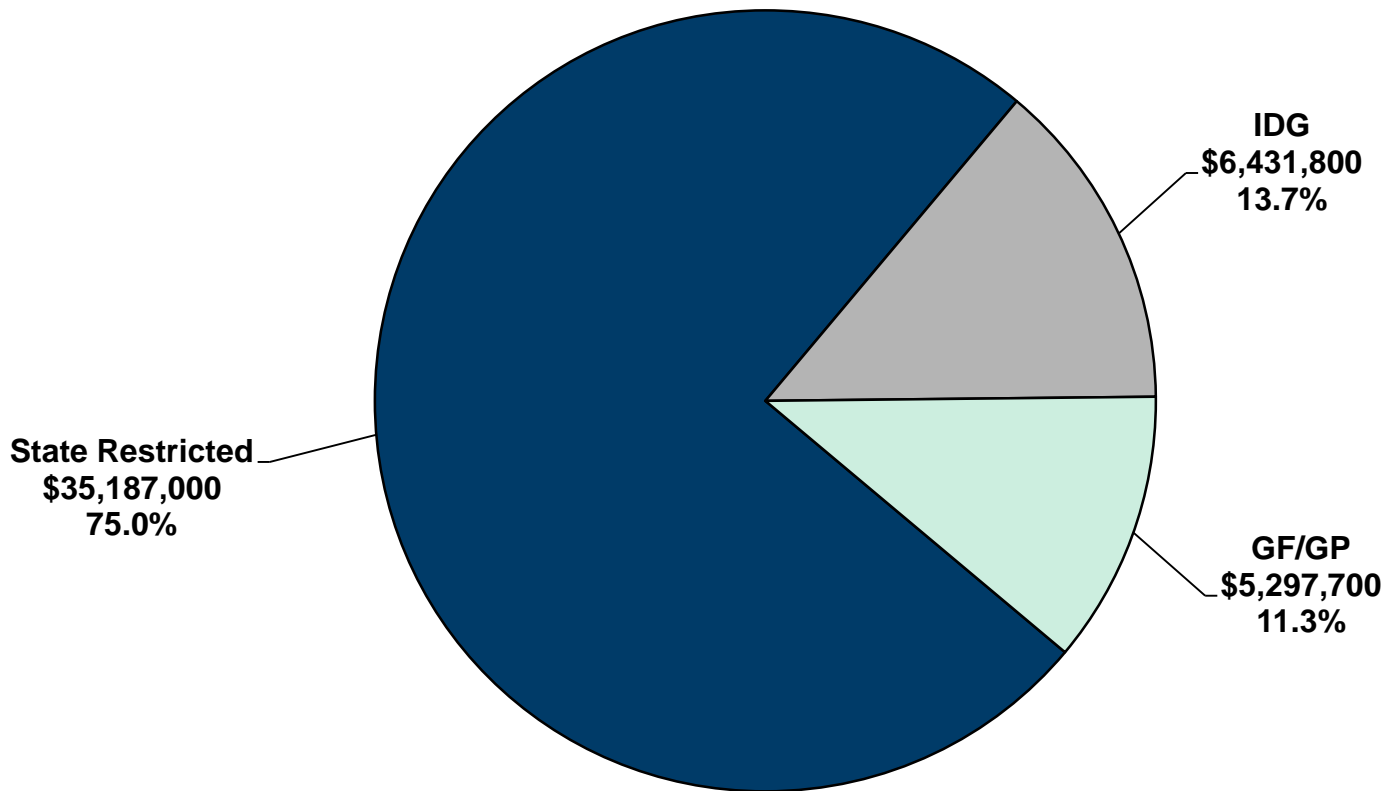


Financial and Administrative Services

- Processing, tax collection, and record keeping functions
- Collect outstanding debt and provide services for other state agencies
- Uniform Unclaimed Property Act of 1995: report and regulate unclaimed property distribution and disposal
- Mail operations
- Human resources and purchasing
- Data Management

Financial and Administrative Services Appropriations

FY 2014-15 Total = \$46,916,500



Financial Programs

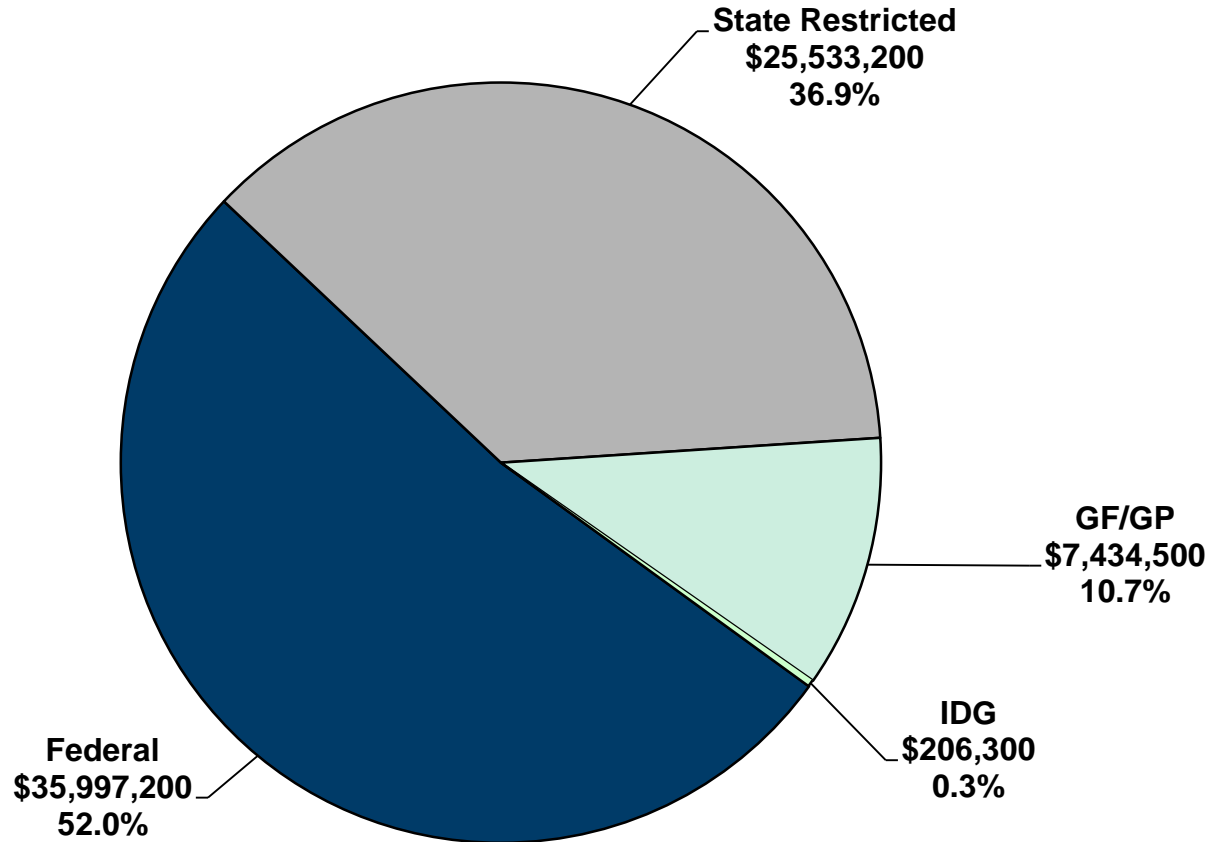
- Bureau of Investments: investment of pension funds and state restricted funds
- Office of Cash and Debt Management:
 - Oversee outside funding receipts (federal and local)
 - Manage state cash flow and long-term general obligation debt
- Student Financial Assistance Program administers and manages funds for:
 - Michigan Education Trust
 - Tuition Incentive Program
 - Tuition Grants
 - State Competitive Scholarships
 - Children of Veterans Tuition Grants
 - Michigan Education Savings Program
 - John R. Justice Federal Grant Program

Financial Programs

- Michigan Finance Authority
 - Created under Executive Order 2010-2
 - Offers financing to public and private agencies including municipalities; healthcare providers; higher education; loans to college students; and public, private, and charter schools
- Dual Enrollment Payments:
 - Supports tuition costs for nonpublic students enrolled in postsecondary institutions (implements PAs 131-134 of 2012)
- Financial Independence Team
 - Joint program with the Department of Education to assist financially troubled school districts prior to entering a financial emergency

Financial Programs Appropriations

FY 2014-15 Total = \$69,171,200



Debt Service

- Principal and interest payment requirements on state general obligation bond issues except School Bond Loan debt (funded from School Aid act)
 - **Quality of Life Bond:** environmental bonds support environmental protection activities; recreation bonds support development of recreation activities and facilities
 - **Clean Michigan Initiative:** environmental clean-up, pollution prevention, redevelopment, and natural resource protection projects
 - **Great Lakes Water Quality Bond:** sewage treatment works, storm water projects, and water pollution projects
- \$152,395,000 GF/GP appropriated in FY 2014-15.

Grants to Locals

- Grants to local units of government for operation of local programs and services
 - Convention facility development distribution (\$90,950,000)
 - Funded 100% from the Convention Facility Development Fund
 - Senior citizen cooperative housing tax exemption program (\$12,020,000)
 - Funded 100% from GF/GP
 - Emergency 911 payments (\$27,000,000)
 - Funded 100% from the Emergency 911 Fund
 - Health and safety fund grants (\$9,000,000)
 - Funded 100% from the Health and Safety Fund
 - Facility for Rare Isotope Beams Debt Service (\$7,300,000)
 - Provides for debt service (100% from GF/GP) on the community share portion of the Facility for Rare Isotope Beams (FRIB) at Michigan State University

Bureau of State Lottery

- Established pursuant to 1972 PA 239
- Charged with “producing the maximum amount of net revenues for the state consonant with the general welfare of the people”, the mission statement of the Bureau of State Lottery includes:
 - Maximize net revenues to supplement state education programs (\$736.5 million to School Aid Fund in FY 2013-14). The School Aid Fund receives 100% of the Lottery profits.
 - Operate all games and Bureau functions
- Funded 100% with State Lottery Fund revenue
- \$48.1 million in funding for FY 2014-15 (includes funds for IT-related services and projects provided by DTMB)

Casino Gaming

- Michigan Gaming Control Board (MGCB)
 - Established pursuant to 1997 PA 69
 - Licenses/regulates the three Detroit casinos
 - Does not regulate Native American casinos but provides minimal oversight of the Tribal-State Gaming Compacts between State and 12 federally recognized tribes.

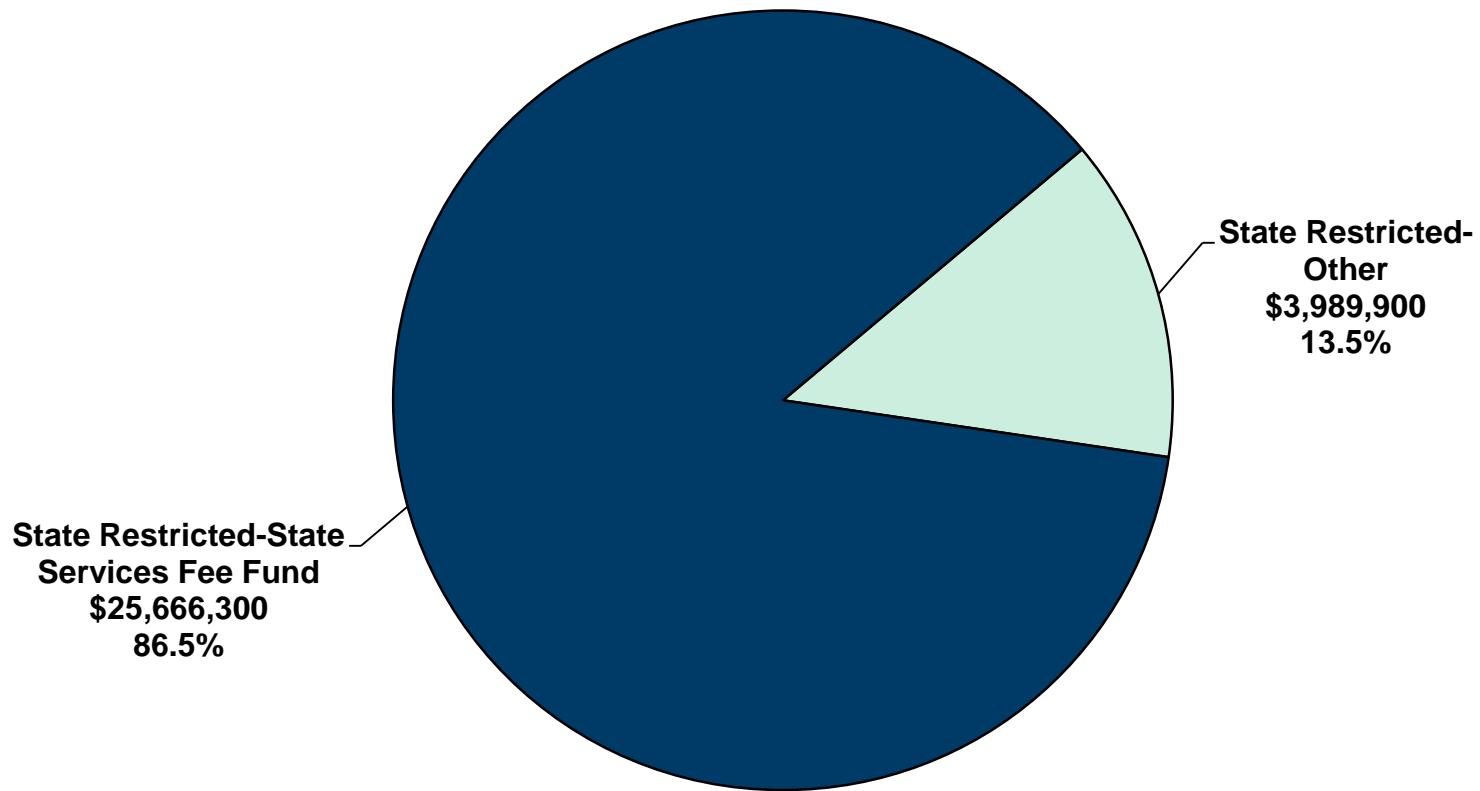
- Casino Gaming Control Administration
 - Regulates operation of the three Detroit casinos
 - Pays for contractual services, supplies, materials, and equipment
 - Hires personnel, licenses vendors, provides security oversight
 - Tests slot machines, inspects the premises
 - Regulates millionaire parties pursuant to EO 2012-4

- Includes funds for IT-related services and projects provided by Department of Technology, Management, and Budget

- Includes funding for horse racing oversight which was integrated into the MGCB in Executive Order 2009-45

Casino Gaming Appropriations

FY 2014-15 Total = \$29,656,200



Revenue Sharing

- Payments to approximately 1,775 local units of government
 - **Constitutional state general revenue sharing grants**
 - To cities, villages, and townships on per capita basis
 - Funded by 15% of gross sales tax collections at a 4% rate
 - **City, Village, and Township (CVT) Revenue Sharing**
 - Formerly Economic Vitality Incentive Program (EVIP)
 - Funded by a portion of sales tax collections
 - Incentive-based grant program funded at \$248.8 million (includes \$5.8 million one-time appropriation)
 - Includes \$8.0 million (\$3.0 million one-time appropriation) for Financially Distressed CVTs competitive grant program
 - For additional information, see HFA Revenue Sharing/CVT Revenue Sharing Budget Briefing [here](#).
 - HFA CVT Revenue Sharing Briefing Memo can be found [here](#).

County Revenue Sharing and County Incentive Program

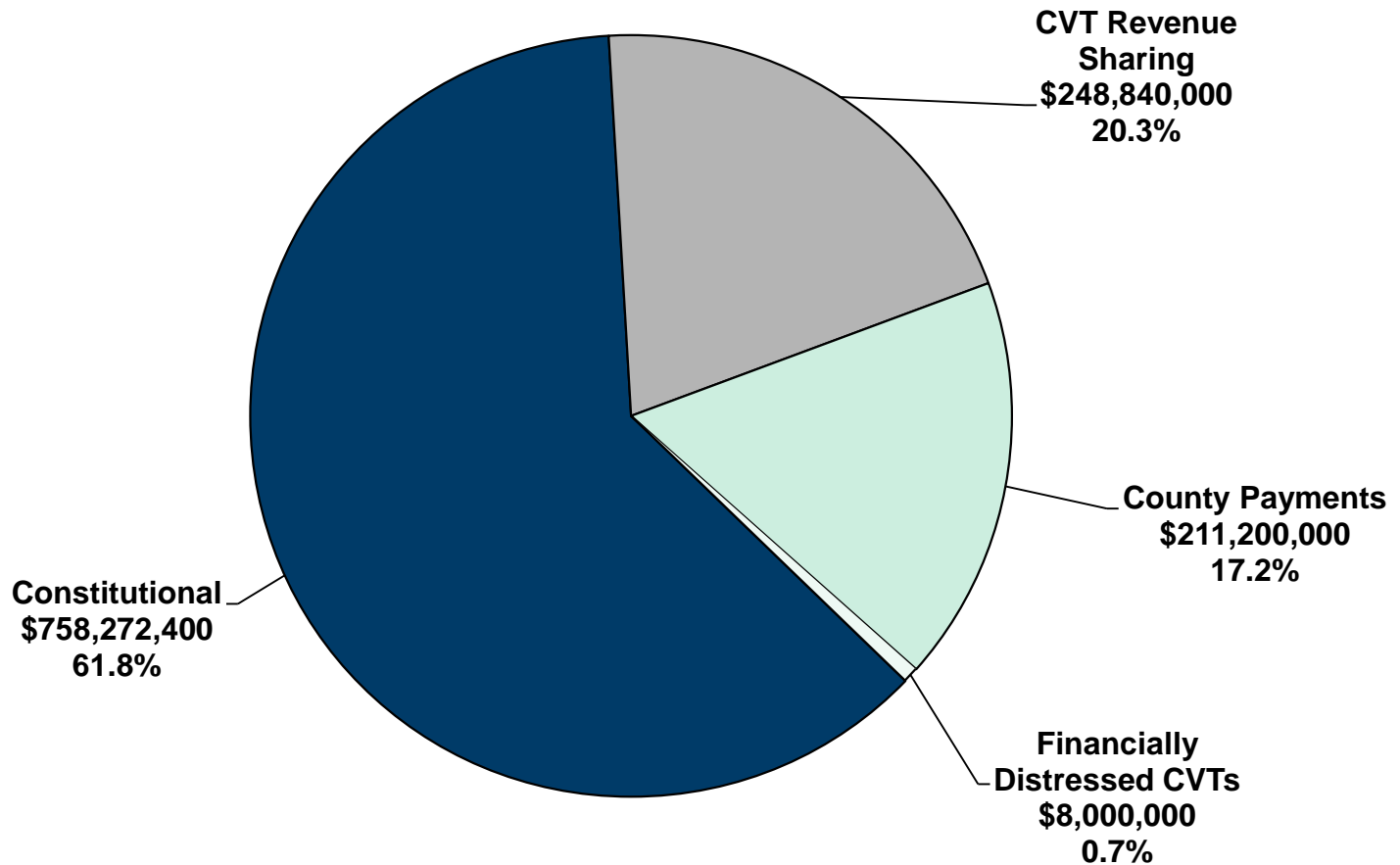
▪ County Revenue Sharing

- Payments to counties as they exhaust revenue sharing reserve funds created with shift in county tax collection to summer. Payments to counties total \$211.2 million in FY 2014-15 (full funding). Of the total, 20.0% (\$42.2 million) is appropriated for a county incentive program modeled on CVT Revenue Sharing.
- For additional information, see HFA Revenue Sharing/EVIP Budget Briefing [here](#).
- HFA County Revenue Sharing and Incentive Program memo can be found [here](#).

Revenue Sharing Distribution

FY 2014-15 Total = \$1,226,312,400

(Includes one-time appropriations totaling \$5.8 million for CVT Revenue Sharing and \$3.0 million for the Financially Distressed CVTs. NOTE: County Payments include both County Revenue Sharing and County Incentive Program)



Payment In Lieu of Taxes (PILT) Appropriations

- Payments to local units of government for lost revenue from property taxes

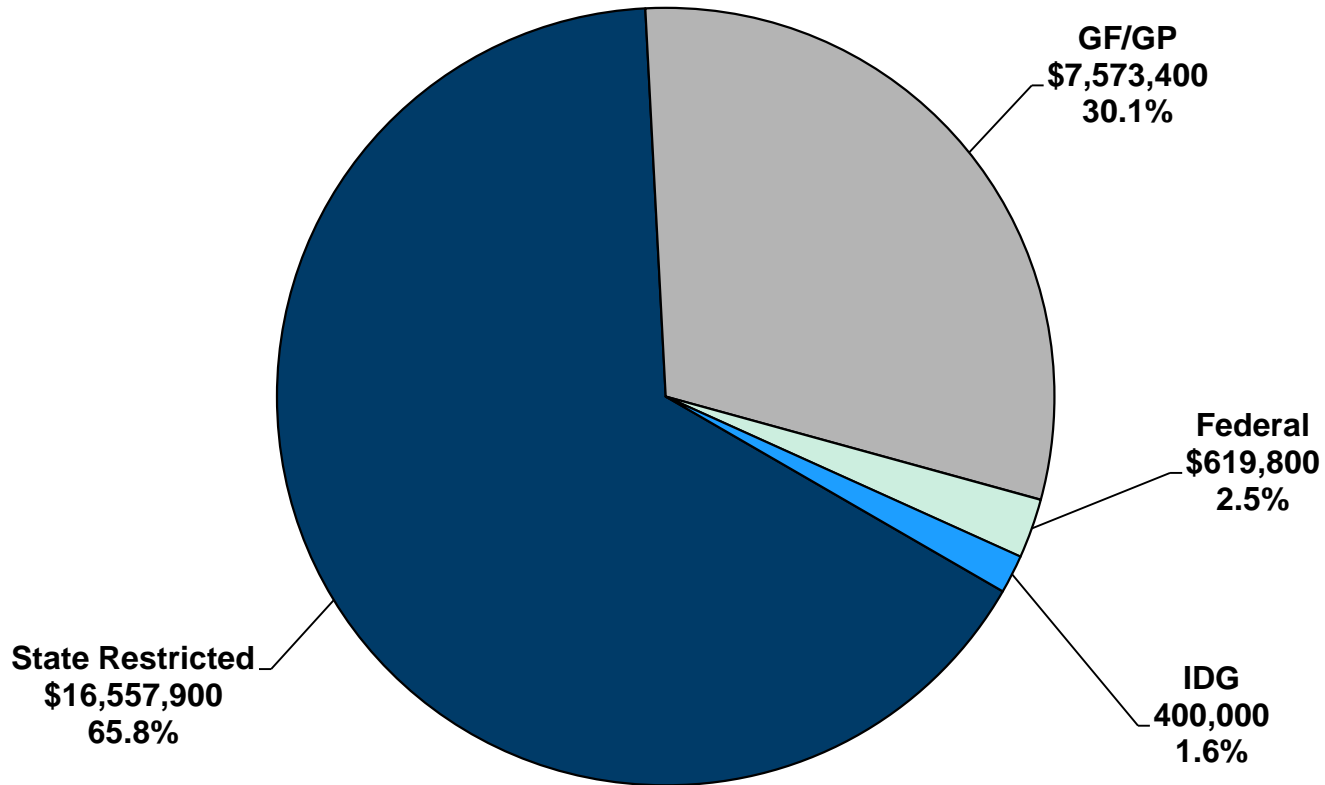
- Three types of land programs:
 - Commercial forest reserve
 - Purchased lands
 - Swamp and tax reverted lands

- PILT funding for FY 2014-15 totals \$21.2 million (\$16.7 million GF/GP)
 - Fully funded PILT payments to local units of government
 - Fully funded Michigan Natural Resources Trust Fund (MNRTF) Purchased Land PILT with funds from MNRTF

Treasury: IT Appropriations by Revenue Source

Covers costs for information technology-related services and projects provided by Department of Information Technology

FY 2014-15 Total = \$25,151,100



Michigan Strategic Fund (MSF)

- Created by the Michigan Strategic Fund Act in 1984 (1984 PA 270)
- Has broad authority to promote economic development and the creation of jobs
- MSF program focus:
 - Attract and retain businesses in Michigan
 - Provide financial/technical assistance to facilitate business expansion
 - Promote Michigan as a business location and tourism destination
 - Workforce Development/Skills Training

MSF

Michigan Economic Development Corporation (MEDC)

- Administrative responsibilities include:
 - Job Creation Services
 - Community Development Block Grants (CDBG)
 - Pure Michigan
 - Economic Development grants, loans and investments programs
 - 21st Century Jobs Trust Fund
 - Michigan Film Office
 - Provides staff to MSF Board
 - Arts and Cultural Grants
 - Workforce Development
 - Adult Education
 - Skilled Trades Training/Community College Skilled Trades Equipment Program
 - Community Ventures

Michigan Strategic Fund (MSF)

The MSF is administered by the 10-member Michigan Strategic Fund Board which has the following responsibilities:

- Approve grants and loans under the Michigan Business Development Program and Michigan Community Revitalization Program
- Approve the use of Private Activity Bonds
- Authorize local units of governments' Community Development Block Grant (CDBG) applications
- Recommend Agricultural Processing, Renewable Energy, and Forest Products Processing Renaissance Zones
- Approve MSF designated Renaissance Zones and Tool and Die Renaissance Recovery Zones
- Act as the fiduciary agent for the 21st Century Jobs Fund investments

Michigan Strategic Fund (MSF) Budget

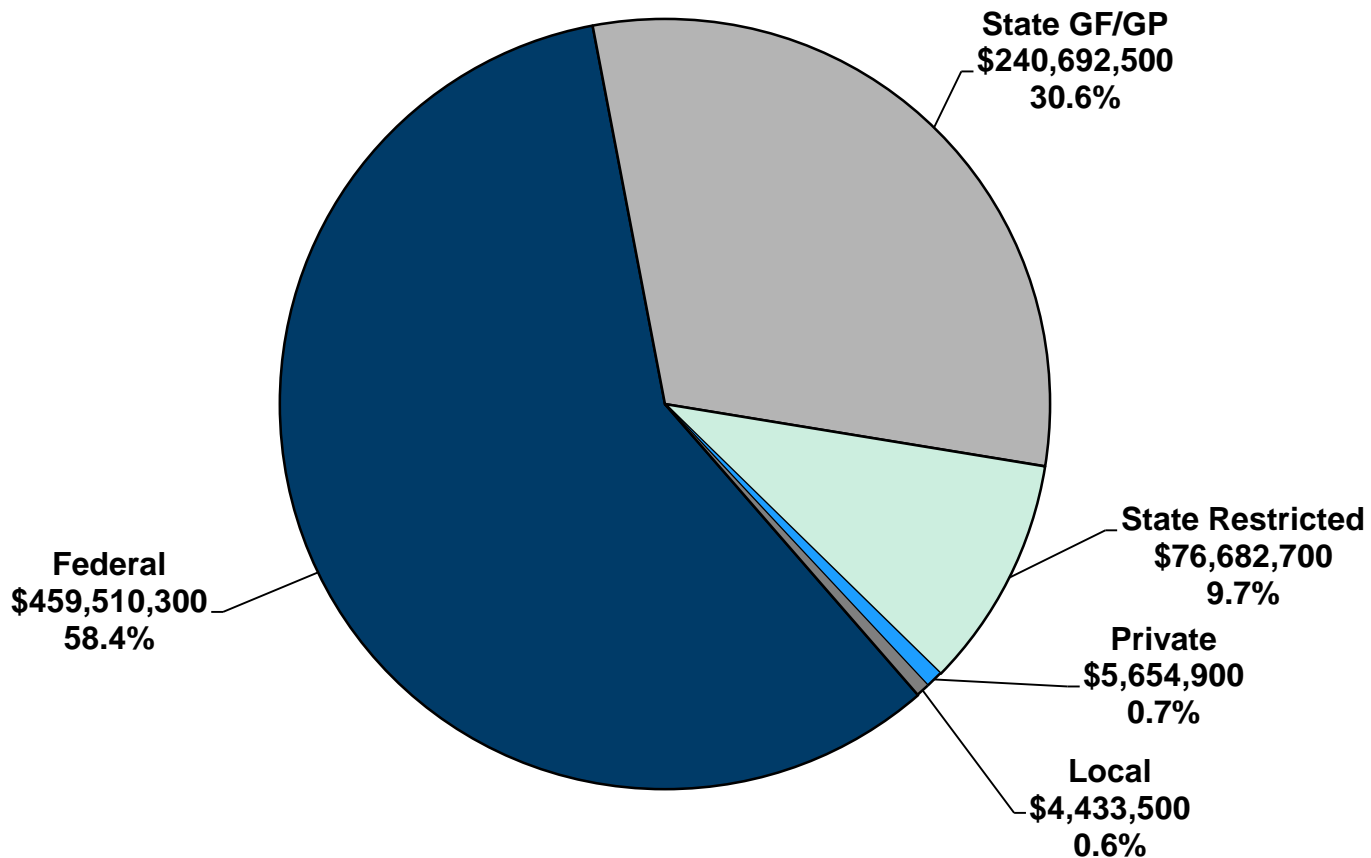
- Michigan Economic Development Corporation (MEDC):
 - Partnership with the MSF; helps administer MSF programs. MEDC is an autonomous agency within Department of Treasury
 - Has 61 local economic development partners
 - Local agencies sign interlocal agreements with MSF to coordinate economic development efforts
 - MSF personnel operate under MEDC (MSF's administrative arm, which provides all program services)

- In FY 2013-14, six tribal casinos authorized under negotiated compacts contributed a percentage of their gross winnings from gaming to MEDC (1 tribe pays 4%, 3 tribes pay 6%, 1 tribe pays 8%, 1 tribe pays a range between 4-8% depending on net win)
 - Casino revenue is not subject to legislative appropriation
 - Casino revenue (corporate funding) totaled \$62.9 million in 2013 (most recent year of data available)

MSF Revenue Sources

FY 2014-15 Total = \$786,973,900

(Includes \$60.7 million GF/GP in one-time appropriations. Does not include \$62.7 million received from Tribal Casinos as corporate revenue)



Major MSF Programs

- **Job Creation Services** (\$19.0 million Gross; \$14.9 million GF/GP)
 - Provides administration of job creation services. Focus on attracting new company investments and jobs to Michigan and retaining Michigan businesses and jobs through various grant, loan, and tax incentive programs.
- **Community Development Block Grants Programs** (\$47.0 million Gross)
 - 100% Federally-funded grants to promote economic development planning and public infrastructure improvements needed to facilitate job creation
 - Funded projects must create jobs; at least 50% of jobs must accrue to low-income individuals
 - MEDC administers program for smaller municipalities; larger cities apply directly to federal government
- **Film Incentives** (\$50.0 million Gross and GF/GP)
 - Grant and loan program for film, post-production, and interactive digital media projects.

Major MSF Programs

- **Pure Michigan** (\$29.0 million Gross)
 - Funded 100% with 21st Century Jobs Trust Fund
 - Business and Tourism Marketing campaigns to improve perceptions of Michigan and generate business growth opportunities and increased tourism in state

- **Business Attraction and Economic Development** (\$130.0 million Gross; \$109.0 million GF/GP)
 - Michigan Business Development Program provides incentive grants and loans to businesses moving to or expanding in the state of Michigan. Funds earned when job growth and investment targets met (created in PA 250 of 2011)
 - Community Revitalization Program replaced Brownfield and Historic Preservation tax incentives. Provides grants and loans for community revitalization investments. Specific agreement milestones would need to be reached to receive funding (Created in PA 251 of 2011)

- **Entrepreneurship Eco-System** (\$25.0 million Gross)
 - Funded 100% with 21st Century Jobs Trust Fund
 - Entrepreneurial capital and support; business incubator/accelerator programs; business development and marketing; SBIR/STTR; and administration.

Major MSF Programs

- **Workforce Development** (\$377.4 million Gross; \$11.3 million GF/GP)
 - Transferred to MSF under EO 2011-4
 - Most workforce development funding is pass-through grant revenue from the federal government to Michigan Works! Agencies and other local partners
 - Administers job-training programs including Partnership, Accountability, Training, Hope (PATH); migrant and seasonal farmworker programs; adult basic education; veterans programs; Trade Adjustment Assistance; and the Michigan Talent Bank. Also provides oversight of certain community colleges job training programs and oversees certain federal grants and other higher education programs. Job-training programs administered locally through 25 Michigan Works! Agencies.

- **Energy Programs** (\$3.6 million Gross)
 - Promotes the development of renewable energy systems in the state and energy efficiency practices among Michigan residents, businesses, and public institutions.

- **GEAR-UP Grants** (\$4.7 million Gross)
 - Grants to increase low-income and at-risk youth college enrollment

Major MSF Programs

- **Carl D. Perkins** (\$19.0 million Gross)
 - Grants to local school districts for vocational education programs
 - Develops links between high school and community college technical programs

- **Adult Education** (\$25.0 million Gross; \$1.0 million GF/GP)
 - Supports instructional programs targeted at individuals that have not graduated from or enrolled in high school and are lacking basic education skills (reading, English, and/or math below 9th-grade level);
 - Provides assistance with completing high school or GED

- **Community Ventures** (\$9.8 million Gross and GF/GP): Supports structurally unemployed initiatives in distressed cities (Detroit, Flint, Pontiac, and Saginaw)

- **Automotive, Engineering, and Manufacturing Technology Fund** (\$2.0 million Gross and GF/GP)
 - Assists in the global marketing of Michigan's automotive sector and public-private partner engagement and collaborations within the auto industry

Major MSF Programs

- **Skilled Trades Training Program** (\$10.0 million Gross and GF/GP): Addresses job and talent mismatches and enabling employers to design training programs for potential employees
- **Arts and Cultural Grants** (\$10.2 million Gross; \$9.0 million GF/GP): Michigan Council for Arts and Cultural Affairs distributes funds to public and private arts and cultural entities
- **Community College Skilled Trades Equipment Program** (\$4.6 million Gross and GF/GP)
 - Provides debt service payment for \$50.0 million bond program that would provide competitive grants to community colleges to upgrade training equipment necessary for skilled trades training.

Major MSF Programs

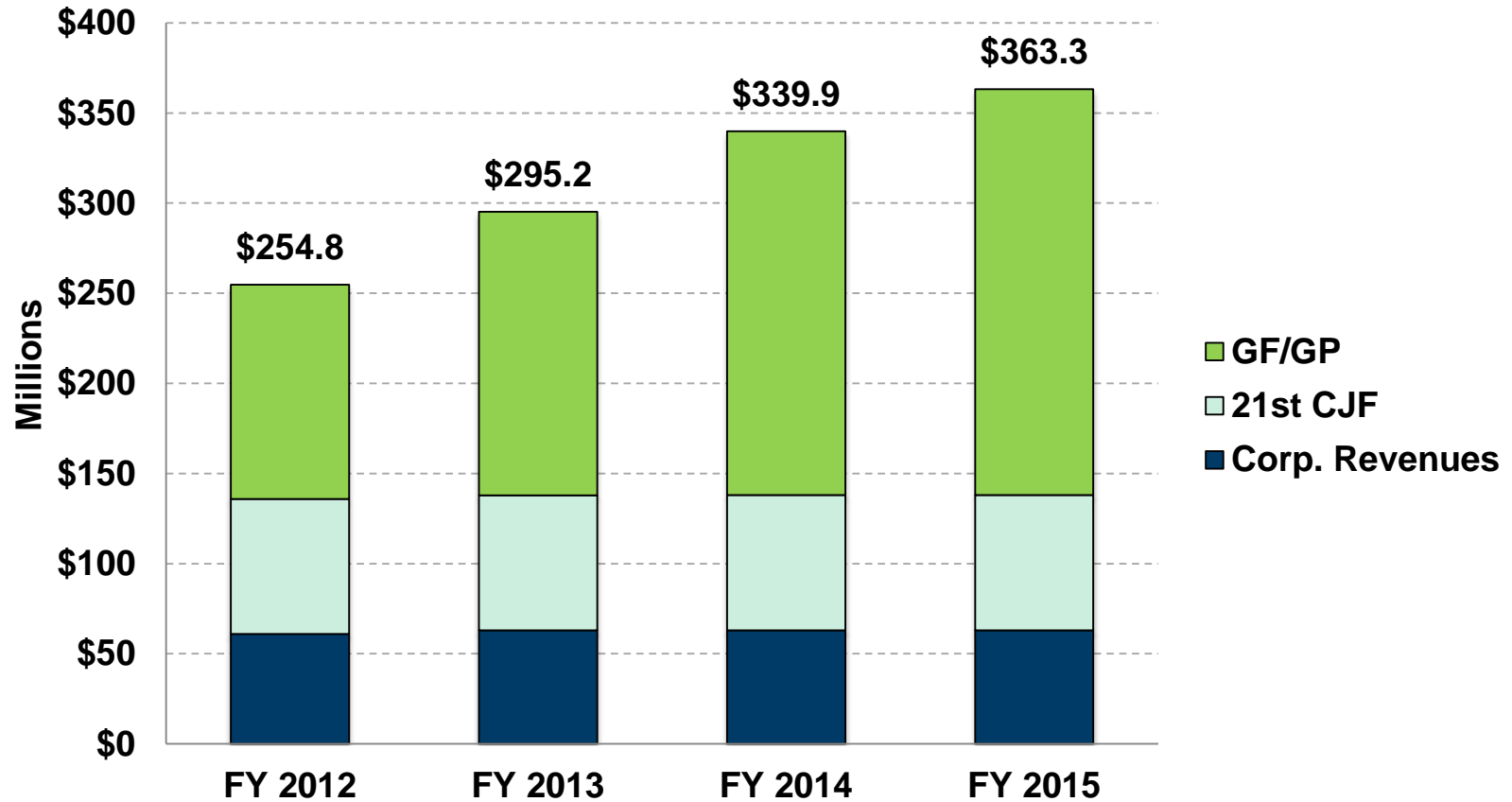
- **Special Grants** (\$15.8 million Gross and GF/GP)
 - Yankee Air Museum (\$1.5 million)
 - Saginaw Art Museum (\$1.0 million)
 - West Michigan Airport (\$1.3 million)
 - Grand Rapids Market (\$1.5 million)
 - First Merit Bank Park (\$700,000)
 - Capac Senior Center (\$200,000)
 - Waterford Fire Dept. (\$150,000)
 - Detroit Pre-College Engineering (\$300,000)
 - Year-round School Pilot Project (\$1.5 million)
 - Michigan Law Enforcement Officers Memorial Monument Fund (\$2.0 million)
 - Van Andel Institute Advanced Medical Research (\$4.5 million)
 - Michigan Heritage Restoration Program (\$600,000)
 - Michigan GED-to-School Program (\$500,000)

MSF Programs

21st Century Jobs Trust Fund

- 21st Century Jobs Trust Fund received an initial \$400.0 million funding for expenditures over two years, FY 2005-06 and FY 2006-07, to help Michigan achieve greater economic diversification. This funding was obtained through the securitization of 13.34% of Michigan's tobacco settlement revenue
- Statutory provisions provide that \$75.0 million in tobacco settlement revenue be credited to 21st Century Jobs Trust Fund each year from FY 2007-08 through FY 2014-15 and \$72.0 million in FY 2015-16 for economic development programs
- \$75.0 million was appropriated to MSF from the 21st Century Jobs Trust Fund for FY 2014-15. Past appropriations have been reduced to help balance GF/GP budget.
- MSF Board previously allocated funding for loan enhancement programs, the investment program, and competitive edge technology projects (advanced manufacturing, alternative energy sources, homeland security, and life sciences projects)
- In FY 2014-15 \$75.0 million was appropriated between Pure Michigan (\$29.0 million), Entrepreneurship Eco-System (\$25.0 million), and Business Attraction and Economic Development (\$21.0 million)

Michigan Strategic Fund Economic Development Funds Post-Tax Restructuring



NOTE: Corporate revenues are not subject to legislative appropriation. FY 2014 and 2015 corporate revenue amounts are estimated.

MSF - Michigan State Housing Development Authority (MSHDA) Budget

- Payments on Behalf of Tenants (\$166.9 million Gross)
 - Housing Choice Voucher Program provides rental subsidy
 - Provide education and opportunities for families to become economically self-sufficient

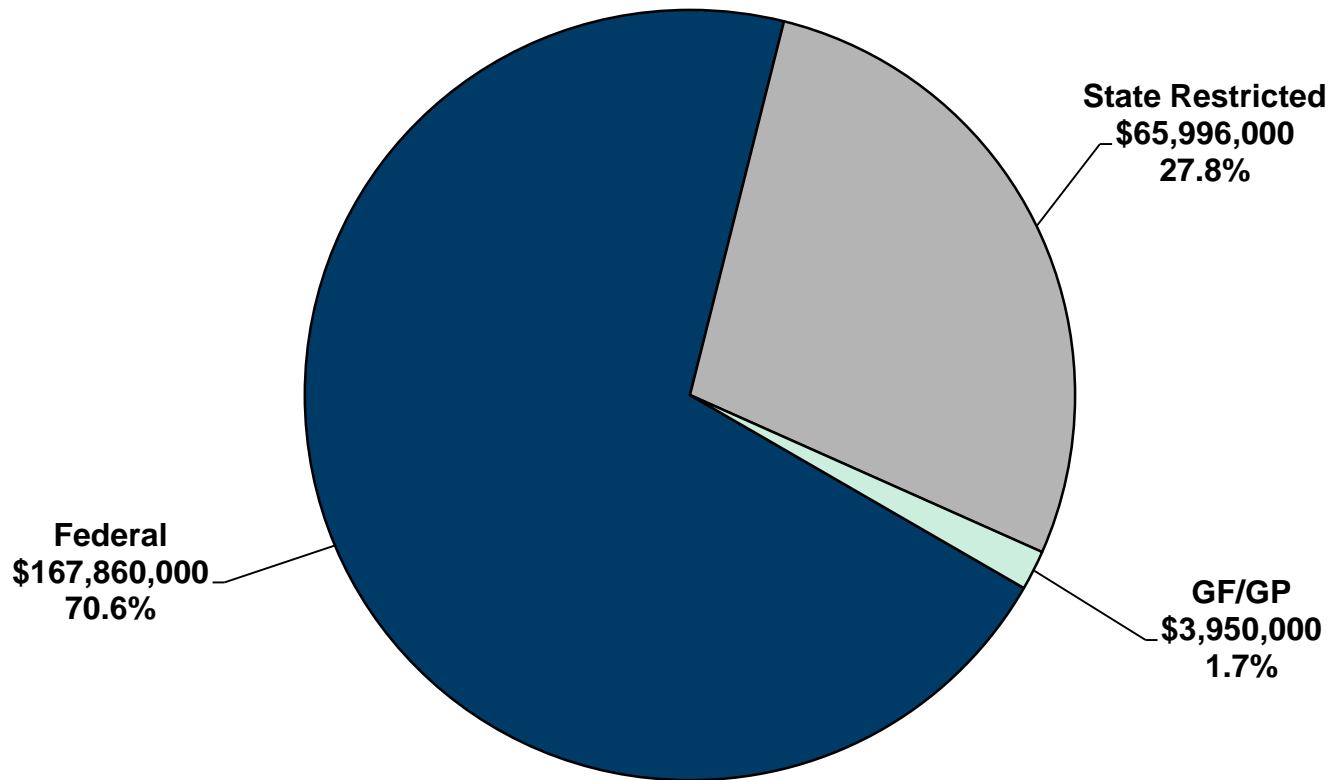
- Housing and Rental Assistance Programs (\$58.0 million Gross)
 - Administrative costs for administering various housing programs
 - State Historic Preservation Program

- Lighthouse Preservation Grant Program (\$307,500 Gross)

- Land Bank Fast Track Authority (\$5.3 million Gross; \$4.0 million GF/GP)
 - Assists in reversion of state owned tax reverted properties to viable use

MSF - MSHDA Appropriations by Revenue Source

FY 2014-15 Total = \$237,806,000



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