



## **Background Briefing**

# **TREASURY**

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**December 2011**

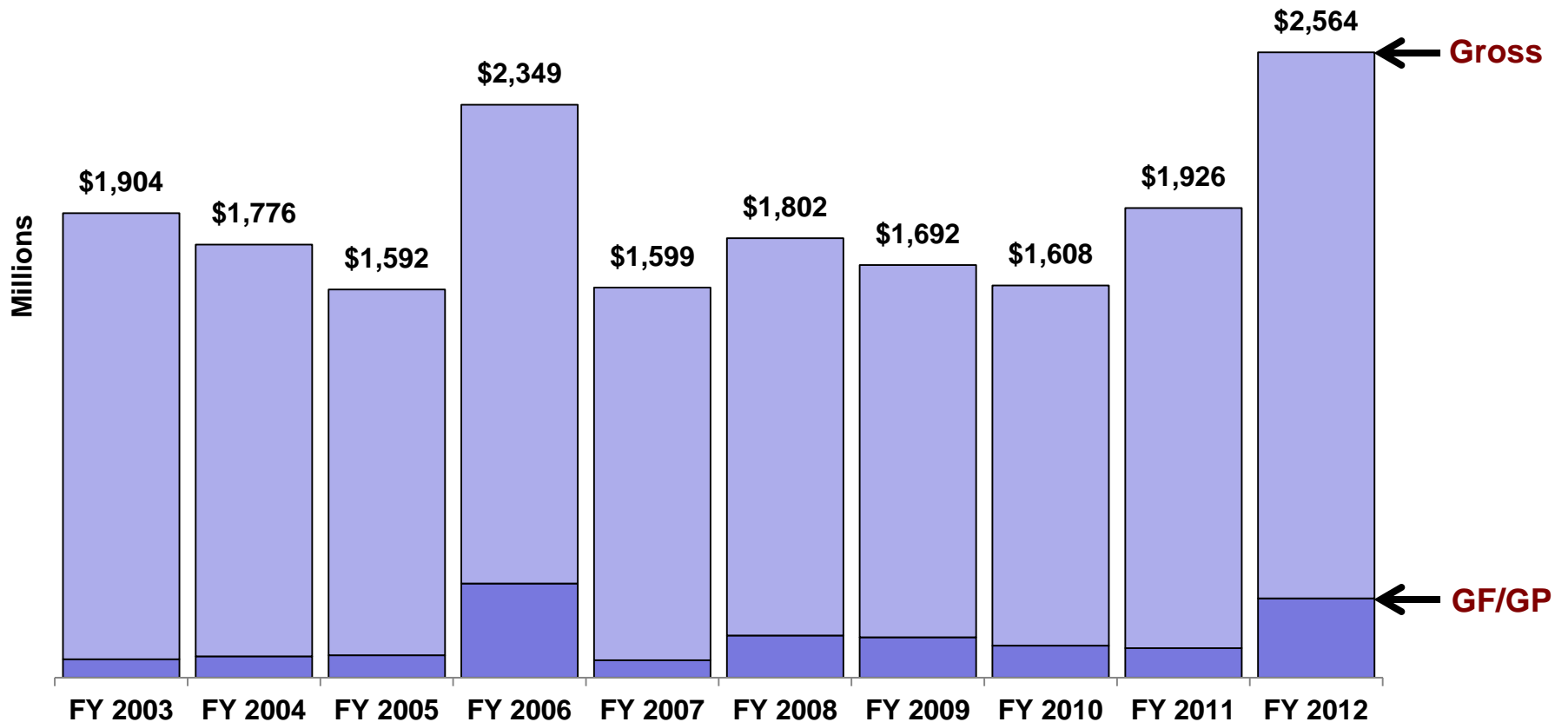
**The fiscal information in this background briefing is based on data through December 31, 2011.**

# 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 one of the nation's largest pension funds**
  - **Administer state revenue sharing grant and EVIP incentive program**
  - **Administer student financial aid programs**
  - **Investigate fraudulent financial activity**
  - **Provide advice and assistance on property tax-related issues**
  - **Advise issuers of municipal 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

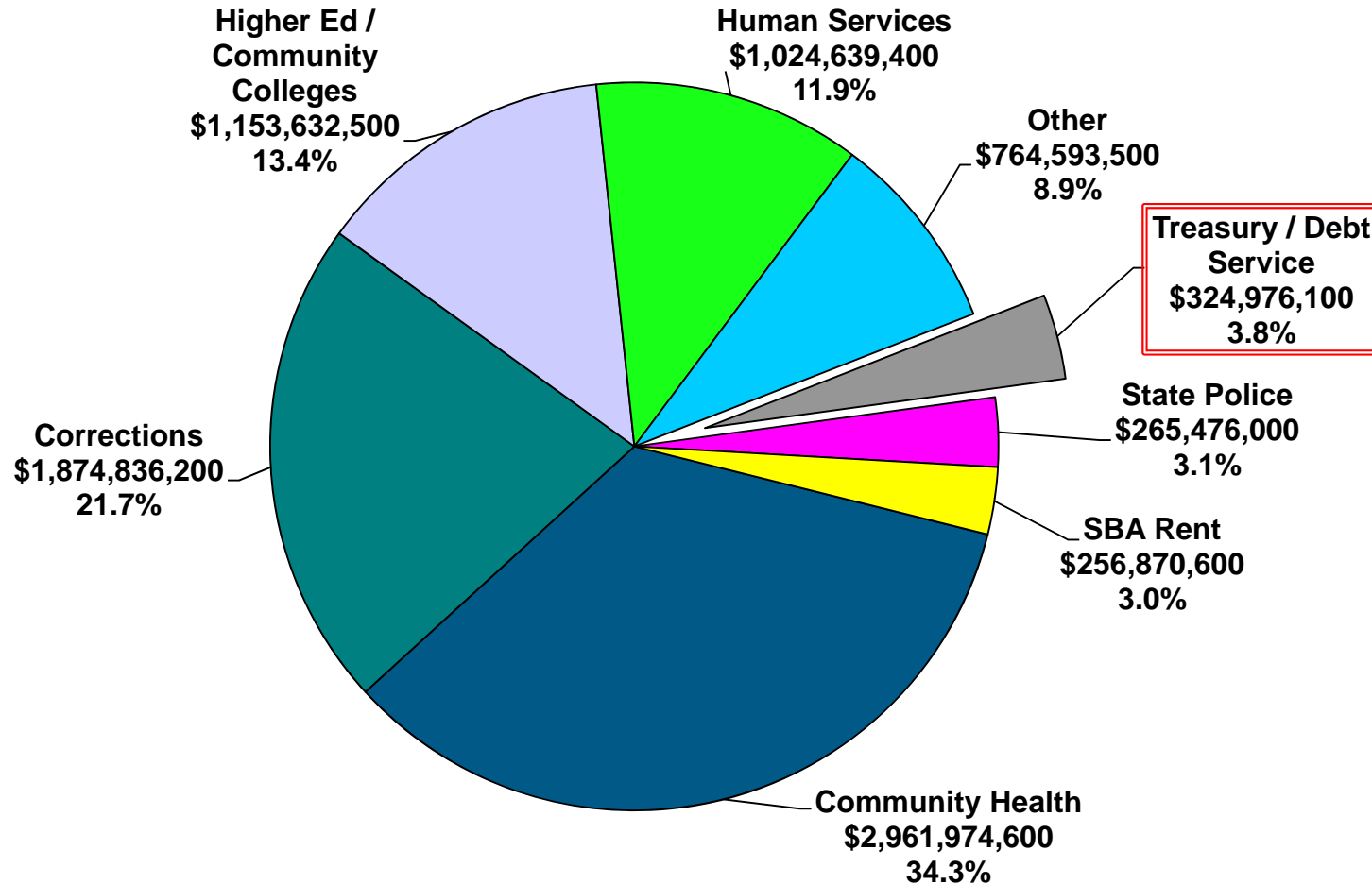
Programs and agencies under the purview of the Treasury budget constantly change, making annual comparisons difficult. Most notably, the FY 2006 annual appropriations include State Building Authority Rent payments while the FY 2006 and FY 2008 through FY 2011 appropriations include the Michigan Strategic Fund. FY 2011 appropriations includes MSHDA, which was transferred from DELEG. FY 2012 includes \$105.0 million in one-time appropriations and workforce development programs transferred to MSF under EO 2011-4.



# Treasury Share of State GF/GP

Treasury makes up 3.8% of the total state GF/GP budget

FY 2011-12 GF/GP Total = \$8,626,998,900

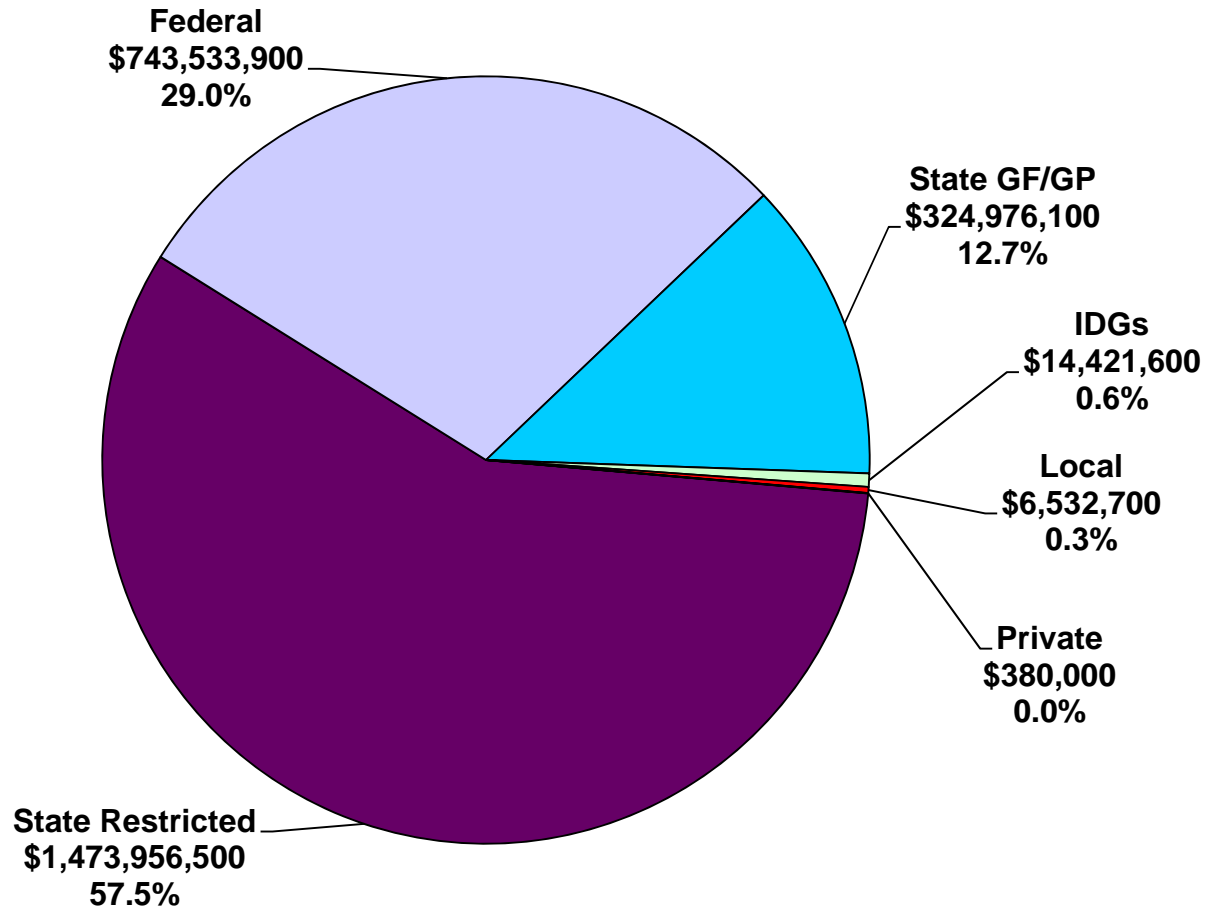


# **SOURCES OF FUNDING**

# Treasury Funding Sources

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

FY 2011-12 Treasury Budget = \$2,563,800,800  
(Includes \$105.0 million in one-time appropriations)



# **DEPARTMENT APPROPRIATIONS**

# Treasury Appropriations

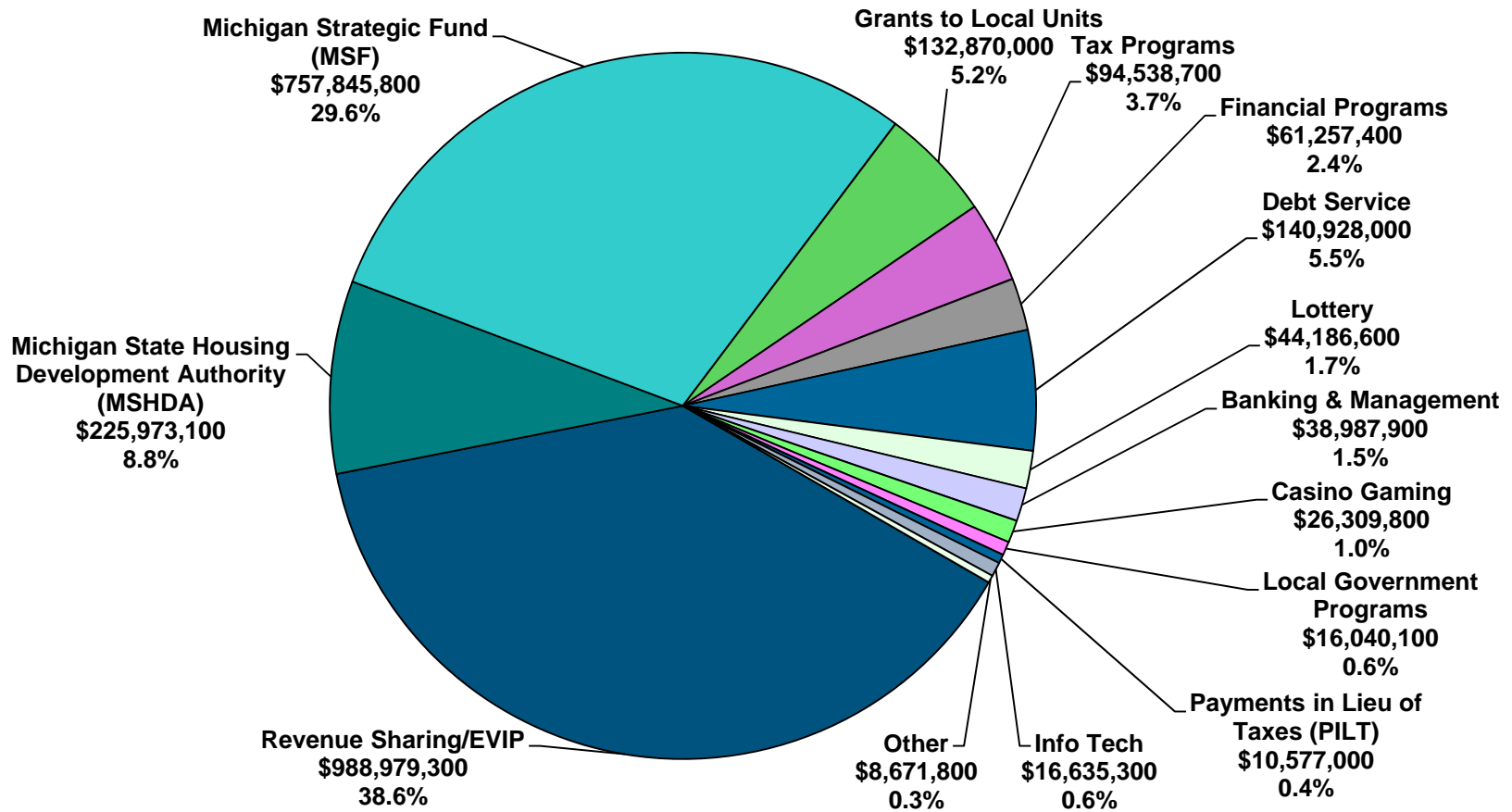
The treasury budget is allocated into the following major spending areas:

- 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
- Information Technology

# Treasury Appropriations

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

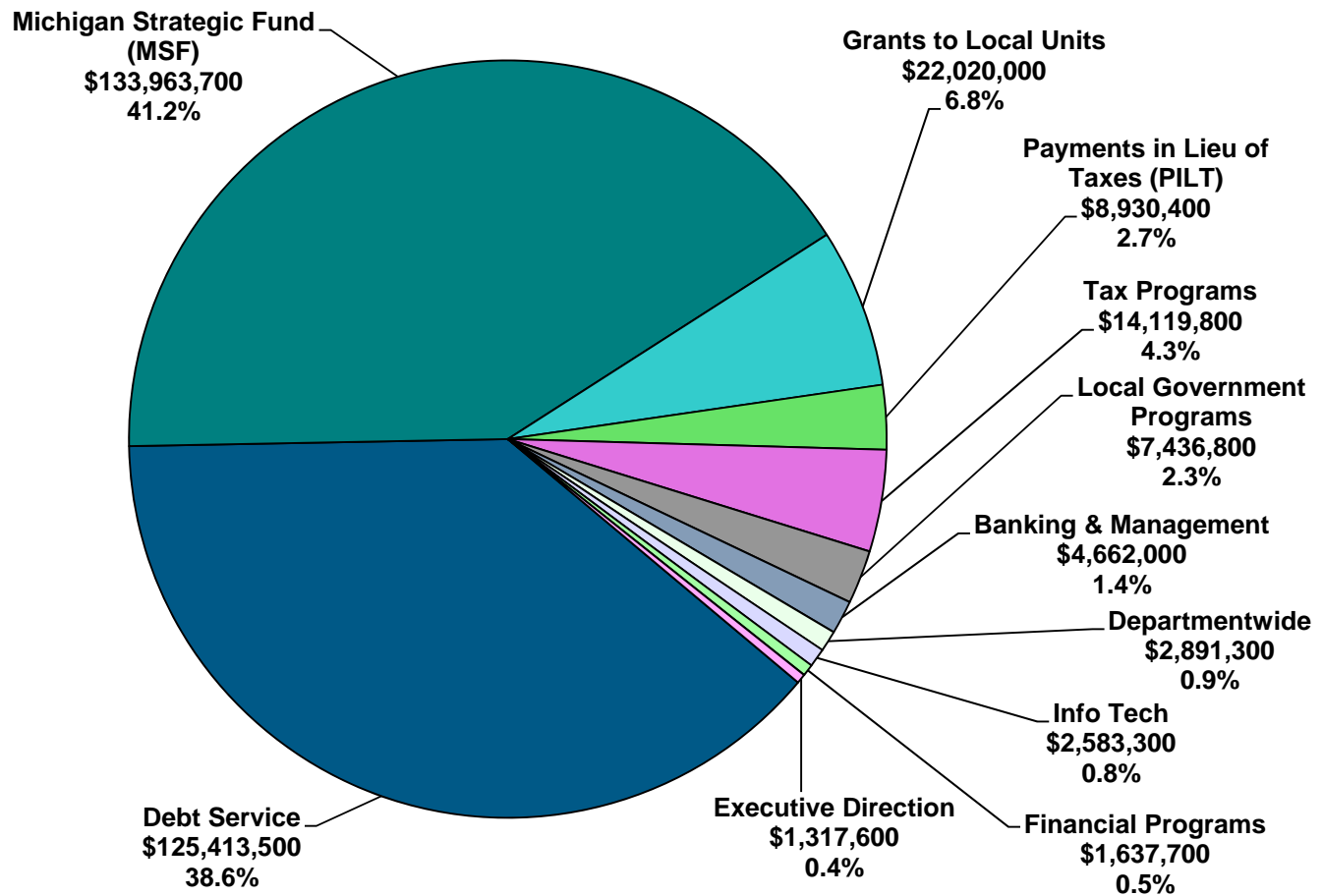
**FY 2011-12 Treasury Budget = \$2,563,800,800**  
 (Includes \$75.0 million GF/GP one-time appropriations for MSF and  
 \$30.0 million restricted one-time appropriations for Revenue Sharing)



# Treasury GF/GP Appropriations

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

**FY 2011-12 Treasury GF/GP Budget = \$324,976,100**  
**(Includes \$75.0 million GF/GP in one-time appropriations for MSF)**



# **MAJOR BUDGET ISSUES**

# Agencies Within Treasury

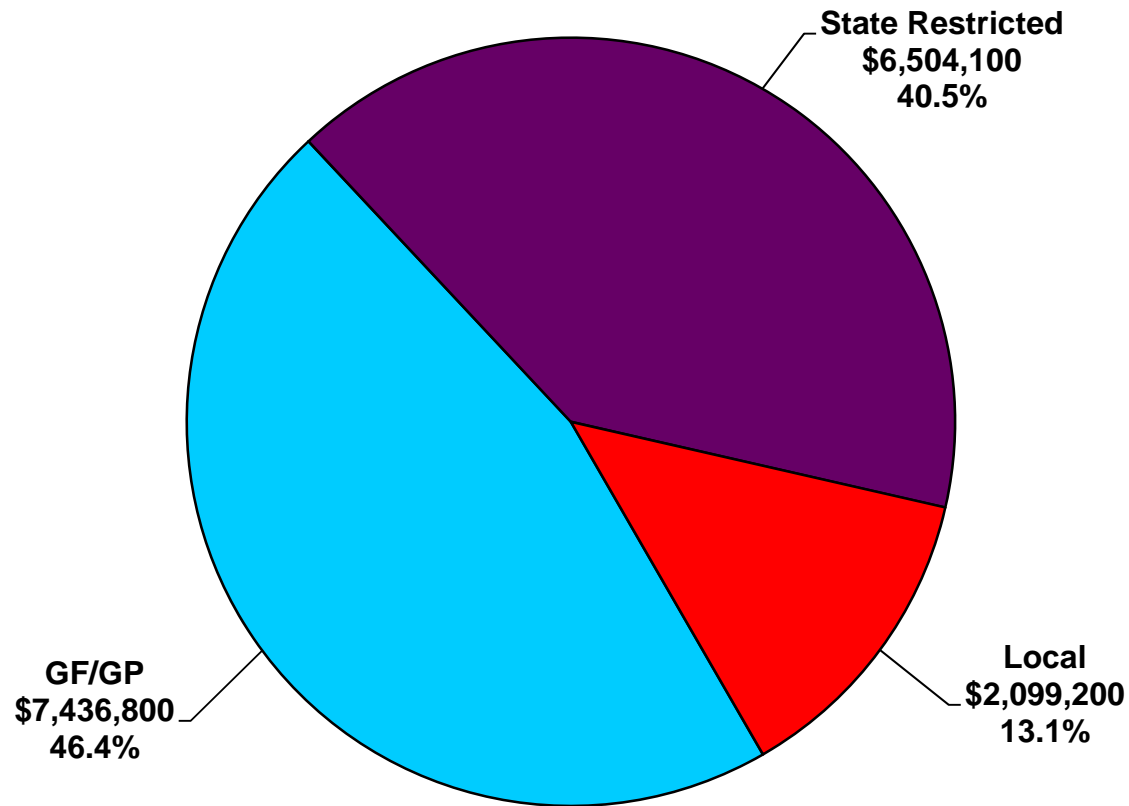
- **Autonomous entities organizationally housed in Department of Treasury**
  - **Bureau of State Lottery (1972 PA 239)**
  - **Michigan Gaming Control Board (Initiated Law of 1997 PA 69)**
  - **Michigan Strategic Fund (1984 PA 270); transferred from DELEG with enactment of tobacco securitization legislation (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**

# 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**
    - **Homestead Property Tax Exemption Section**
- **State Assessors Board responsibilities:**
  - **Train and certify property tax assessors**
  - **Represent tax commissions, townships, assessors, county equalization directors, and public colleges**

# Local Government Program Appropriations

FY 2011-12 Total = \$16,040,100

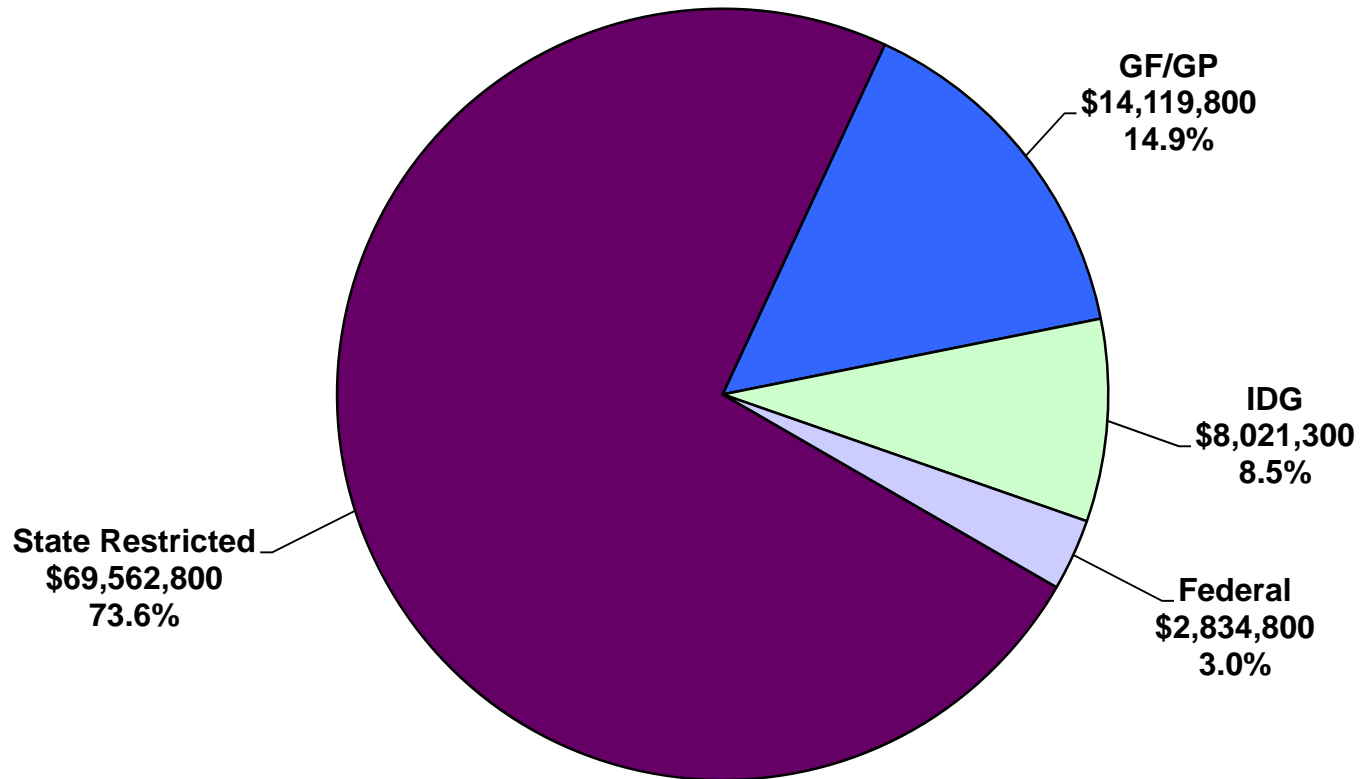


# Tax Programs

- **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 and economic policy:**
  - Prepare economic forecasts/revenue projections
  - Review/analyze tax legislation
  - Administer state-local revenue sharing and EVIP program

# Tax Programs Appropriations

FY 2011-12 Total = \$94,538,700

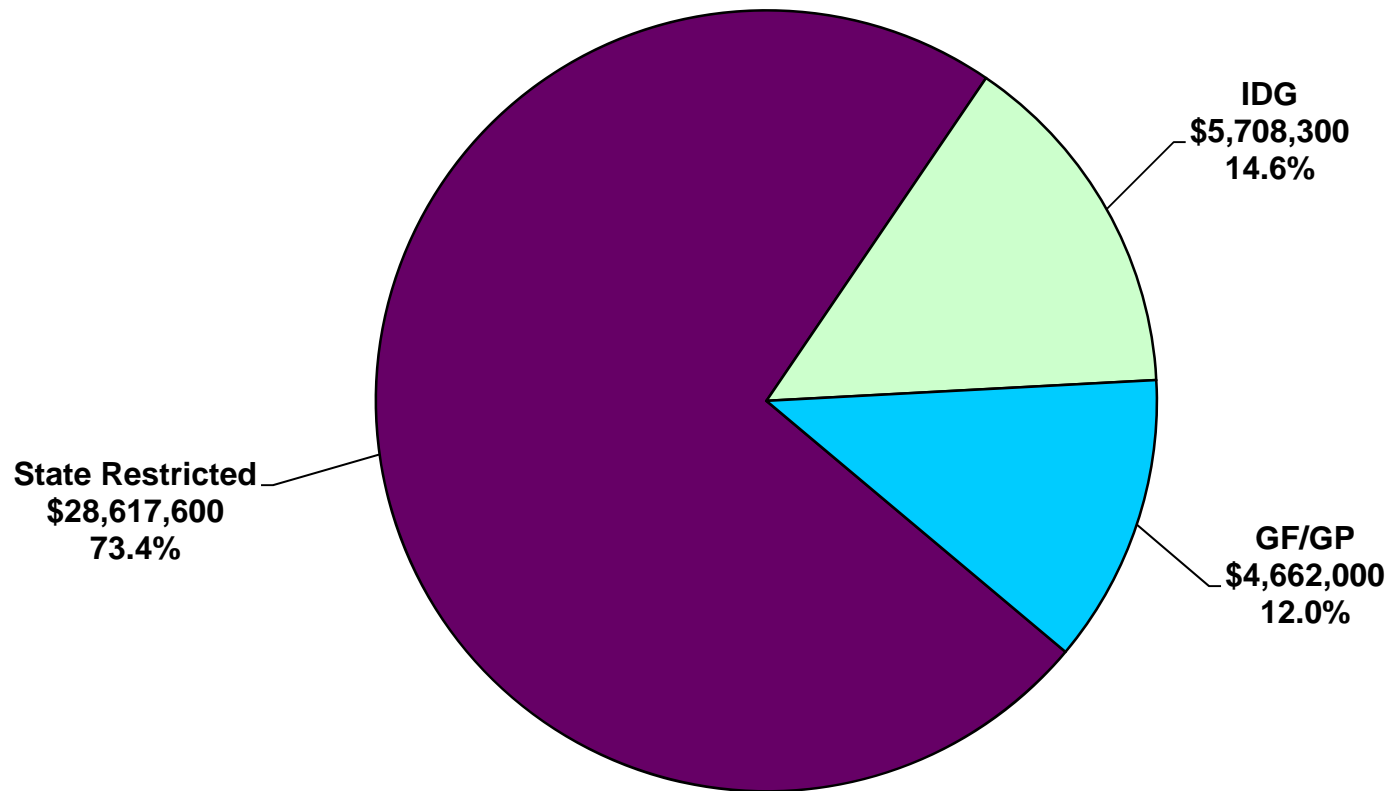


# Banking and Management Services

- **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**
- **Program management (budget development) and security of Treasury information and systems**

# Banking and Management Services Appropriations

FY 2011-12 Total = \$38,987,900

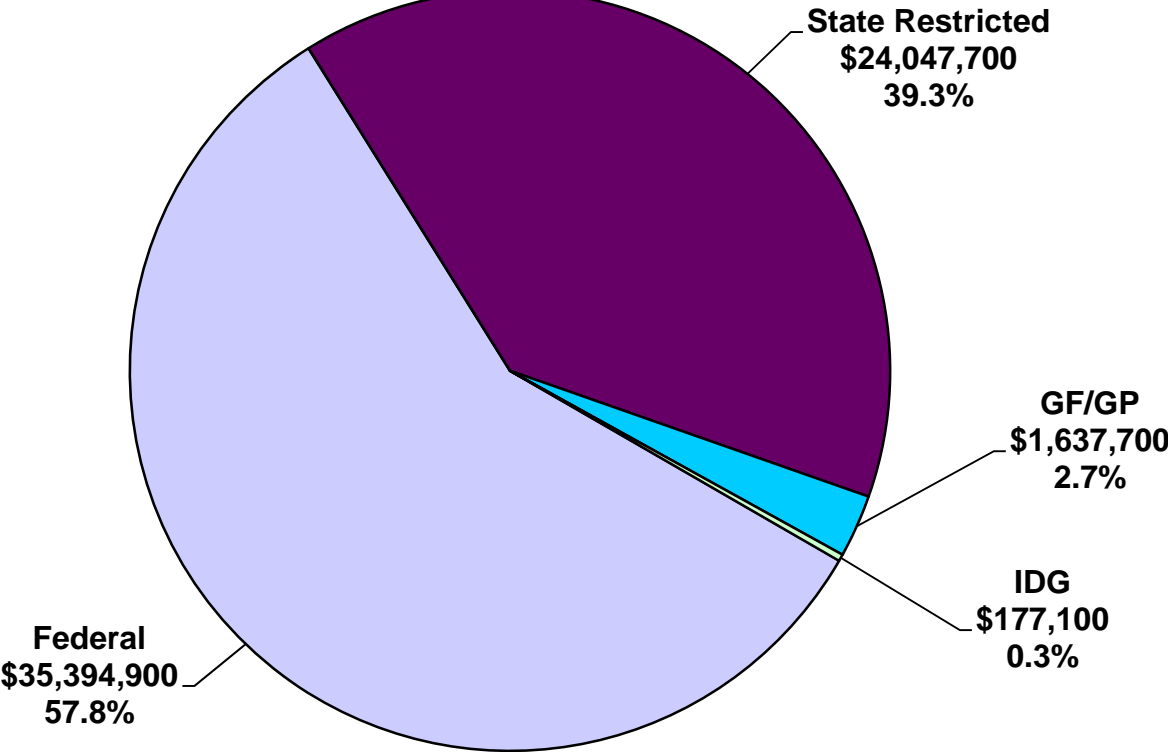


# Financial Programs

- **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**
- **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**
- **Public/Private Partnership Office**

# Financial Programs Appropriations

FY 2011-12 Total = \$61,257,400

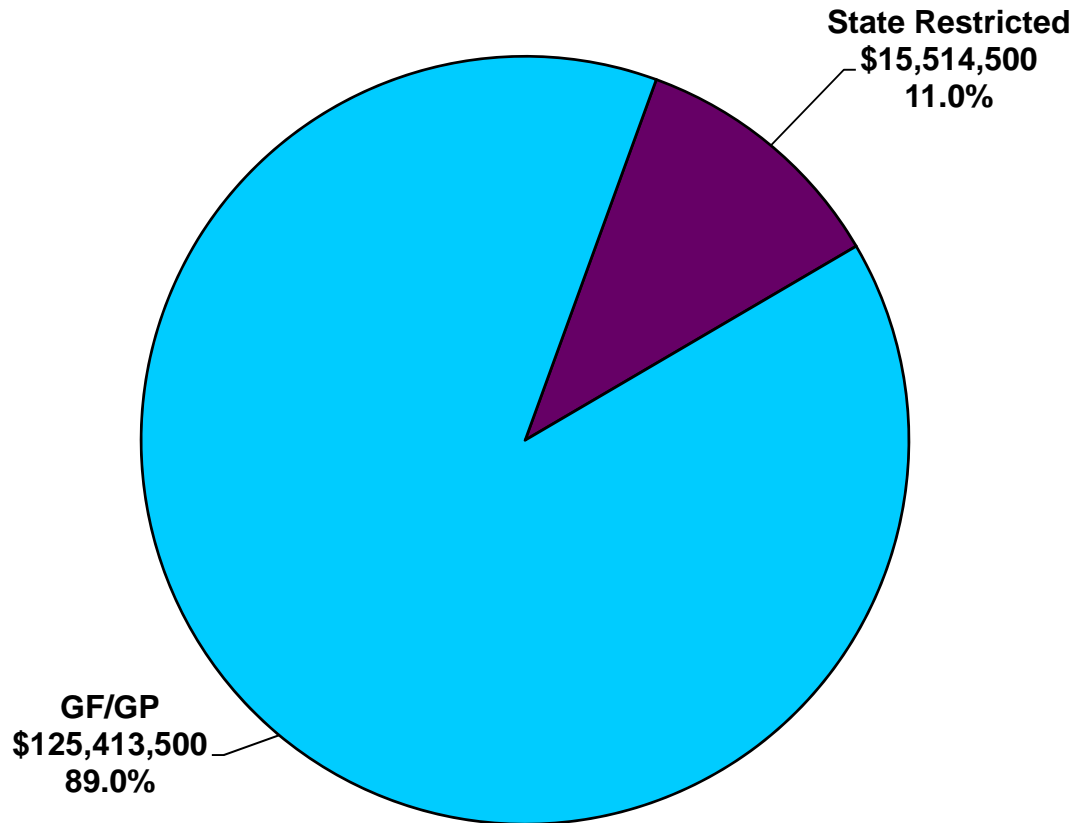


# Debt Service

- **Principal and interest payment requirements on state general obligation bond issues except School Bond Loan debt (funded from School Aid act)**
  - ***Water Pollution Control Bond and Interest Redemption:*** plan, acquire, and construct facilities to abate/prevent water pollution (capital outlay program)
  - ***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

# Debt Service Appropriations

FY 2011-12 Total = \$140,928,000

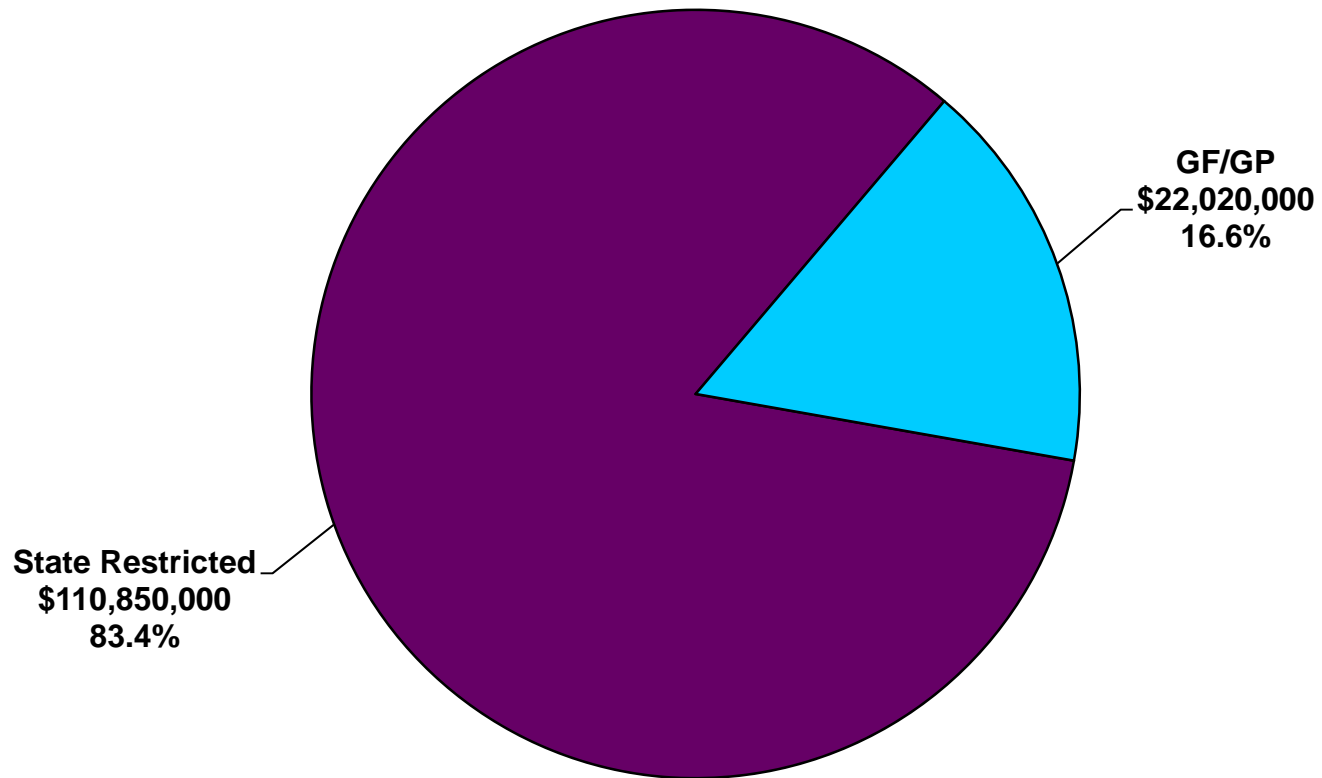


# Grants to Locals

- **Grants to local units of government for operation of local programs and services**
  - **Convention facility development distribution**
    - Funded 100% from the Convention Facility Development Fund
  - **Senior citizen cooperative housing tax exemption program**
    - Funded 100% from GF/GP
  - **Emergency 911 payments**
    - Funded 100% from the Emergency 911 Fund
  - **Health and safety fund grants**
    - Funded 100% from the Health and Safety Fund
  - **Presidential Primary**
    - Grants to locals for costs associated with presidential primary.  
Funded 100% from GF/GP

# Grants to Locals Appropriations

FY 2011-12 Total = \$132,870,000



# Bureau of State Lottery

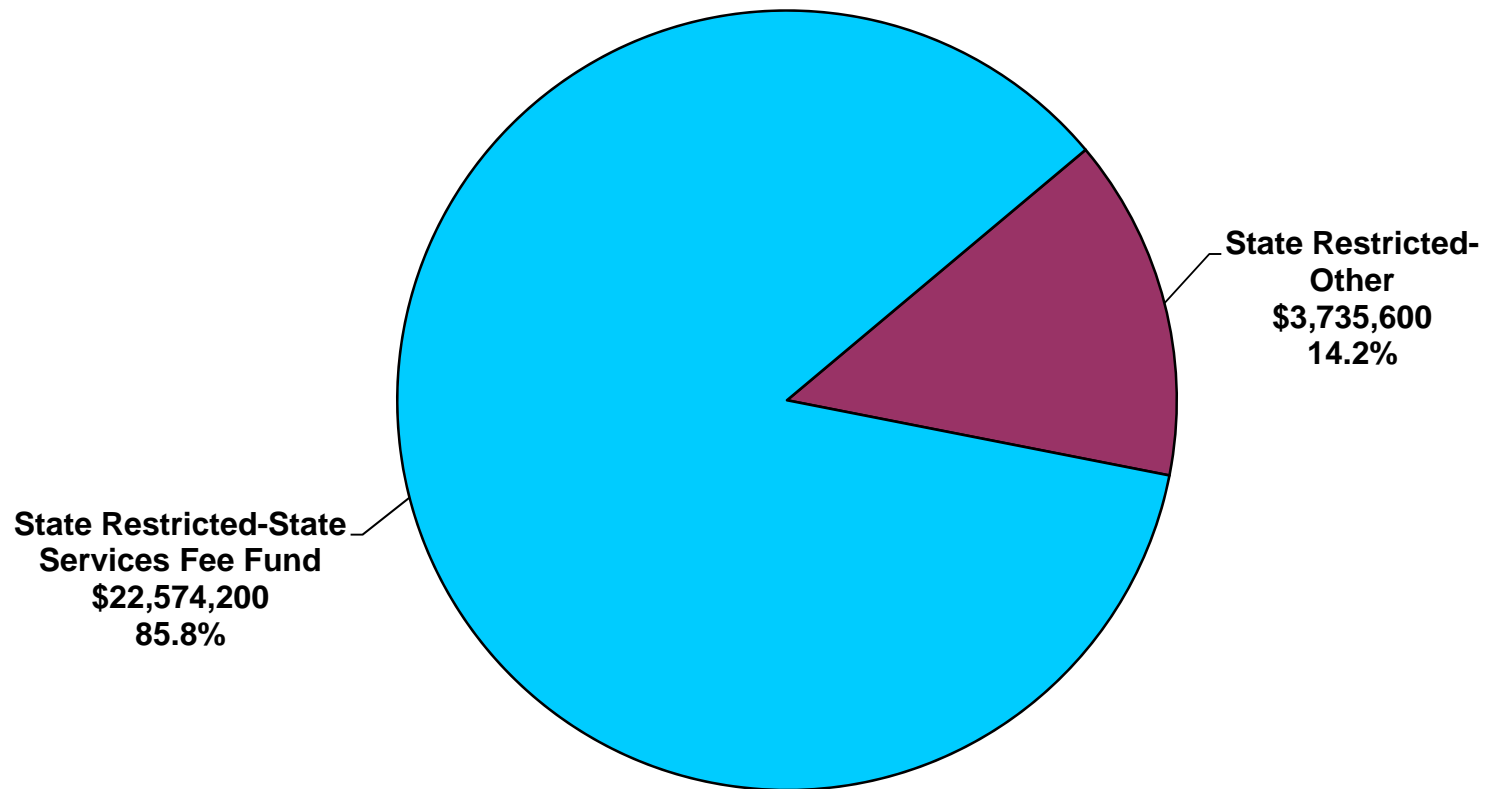
- **Established pursuant to 1972 PA 239**
- **Charged with “producing the maximum amount of net revenues for the state consonant with the general welfare of the people”, the mission statement of the Bureau of State Lottery includes:**
  - **Maximize net revenues to supplement state education programs (\$722.0 million to School Aid Fund in FY 2010-11). The School Aid Fund receives 100% of the Lottery profits.**
  - **Operate all games and Bureau functions with nothing less than total integrity**
- **Funded 100% with State Lottery Fund revenue**
- **\$44.2 million in funding for FY 2011-12 (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
  
- 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 2011-12 Total = \$26,309,800



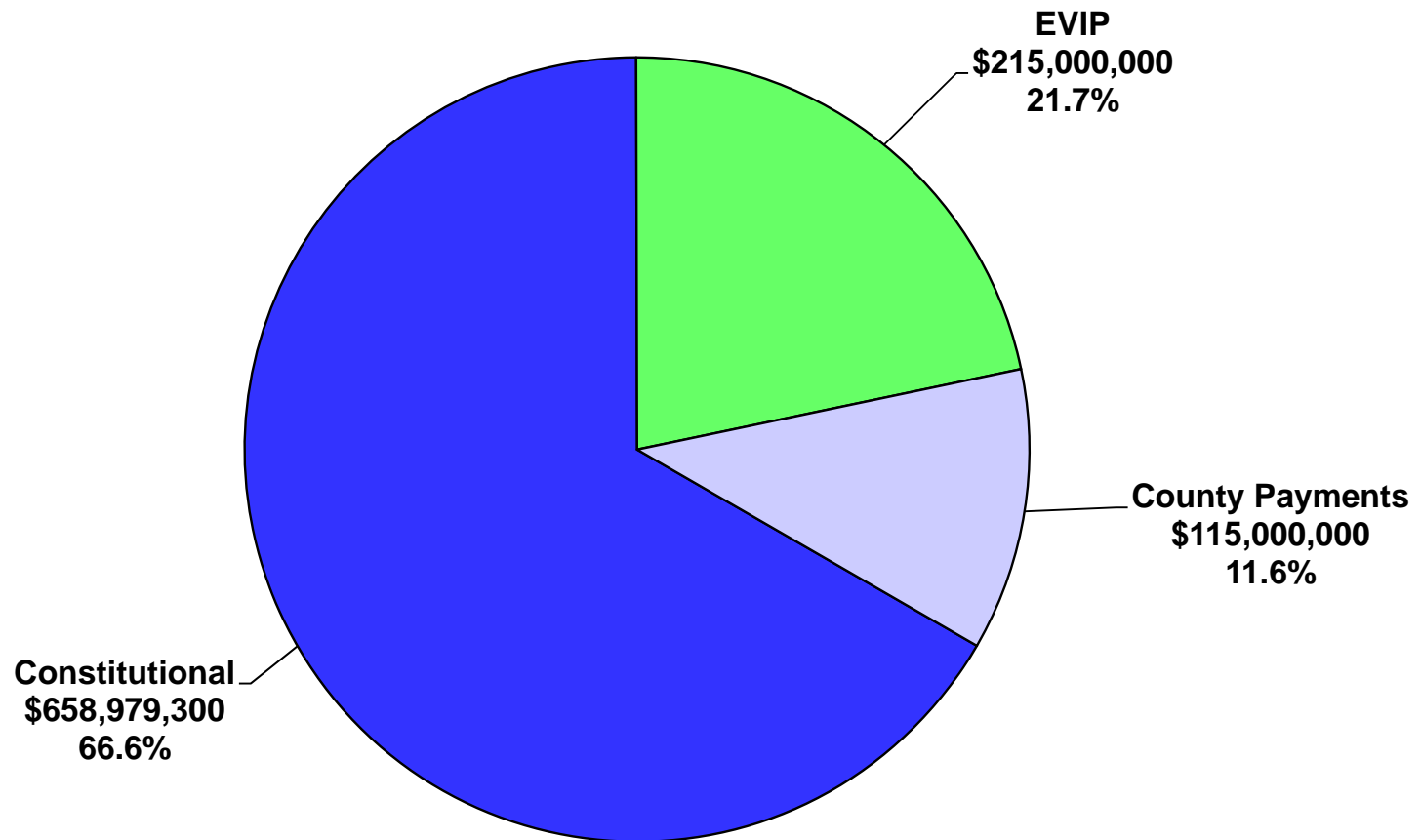
# Revenue Sharing

- **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**
  - **Economic Vitality Incentive Program**
    - **Funded by a portion of sales tax collections**
    - **Replaced Statutory Revenue Sharing with incentive-based grant program funded at \$215.0 million (includes \$15.0 million one-time appropriation).**
    - **Includes \$5.0 million consolidation, cooperation, and collaboration grant program.**
  - **Payments to counties as they exhaust revenue sharing reserve funds created with shift in county tax collection to summer. Payments to counties were reduced to \$115.0 million (includes \$15.0 million one-time appropriation) in FY 2011-12.**
  - **For additional information, see HFA Revenue Sharing Budget Briefing**

# Revenue Sharing Distribution

**FY 2011-12 Total = \$988,979,300**

**(Includes \$15.0 million in one-time appropriations for EVIP and \$15.0 million in one-time appropriations for County Payments)**



# **Payment In Lieu of Taxes (PILT) Appropriations**

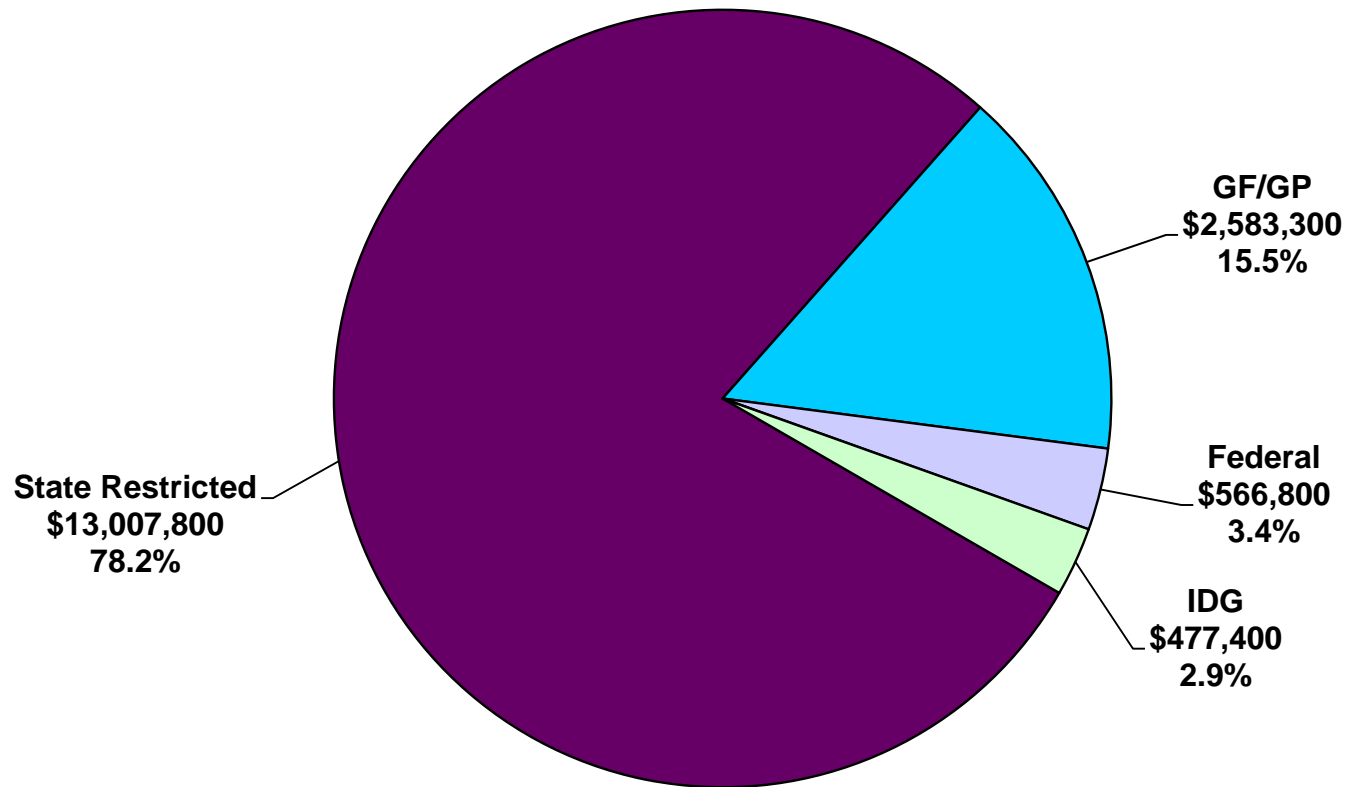
- **Payments to local units of government for lost revenue from property taxes**
  
- **Three types of land programs:**
  - **Commercial forest reserve**
  - **Purchased lands**
  - **Swamp and tax reverted lands**
  
- **PILT funding for FY 2011-12 totals \$10.6 million**
  - **Reduced 15% from FY 2010-11**

# Treasury: Information Technology (IT)

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

# Treasury: IT Appropriations by Revenue Source

FY 2011-12 Total = \$16,635,300



# Michigan Strategic Fund (MSF)

- **Created by the Michigan Strategic Fund Act in 1984 (1984 PA 270)**
- **Has broad authority to promote economic development and create 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**

# 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**
  - **21<sup>st</sup> Century Jobs Trust Fund**
  - **Michigan Film Office**
  - **Provides staff to MSF Board**
  - **Arts and Cultural Grants**
  - **Workforce Development**
  - **Adult Education**

# Michigan Strategic Fund (MSF)

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

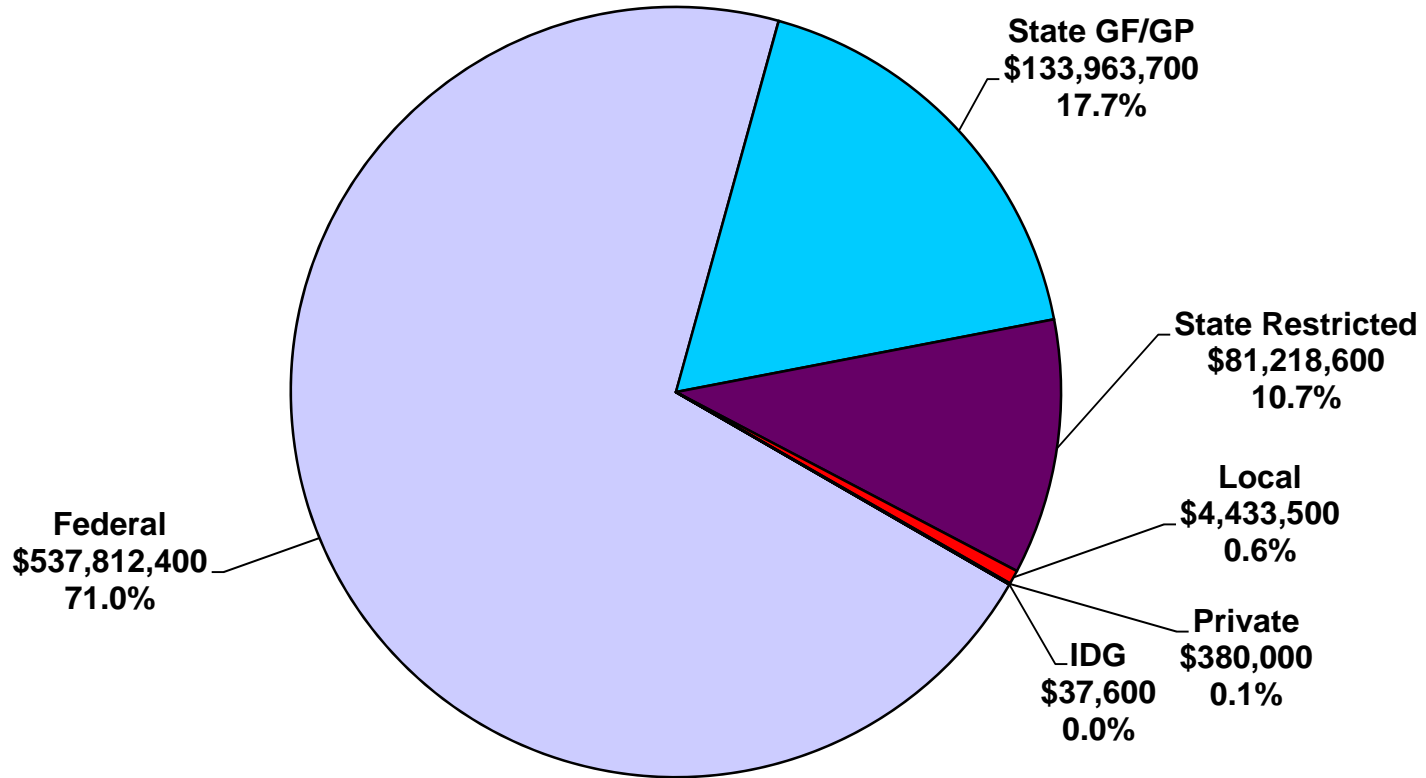
- Approve the use of Private Activity Bonds
- Authorize local units of governments' Community Development Block Grant (CDBG) applications
- Recommend Agricultural Processing, Renewable Energy, and Forest Products Processing Renaissance Zones
- Approve MSF designated Renaissance Zones and Tool and Die 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 2010-11, five 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%)**
  - **Casino revenue is not subject to legislative appropriation**

# MSF Revenue Sources

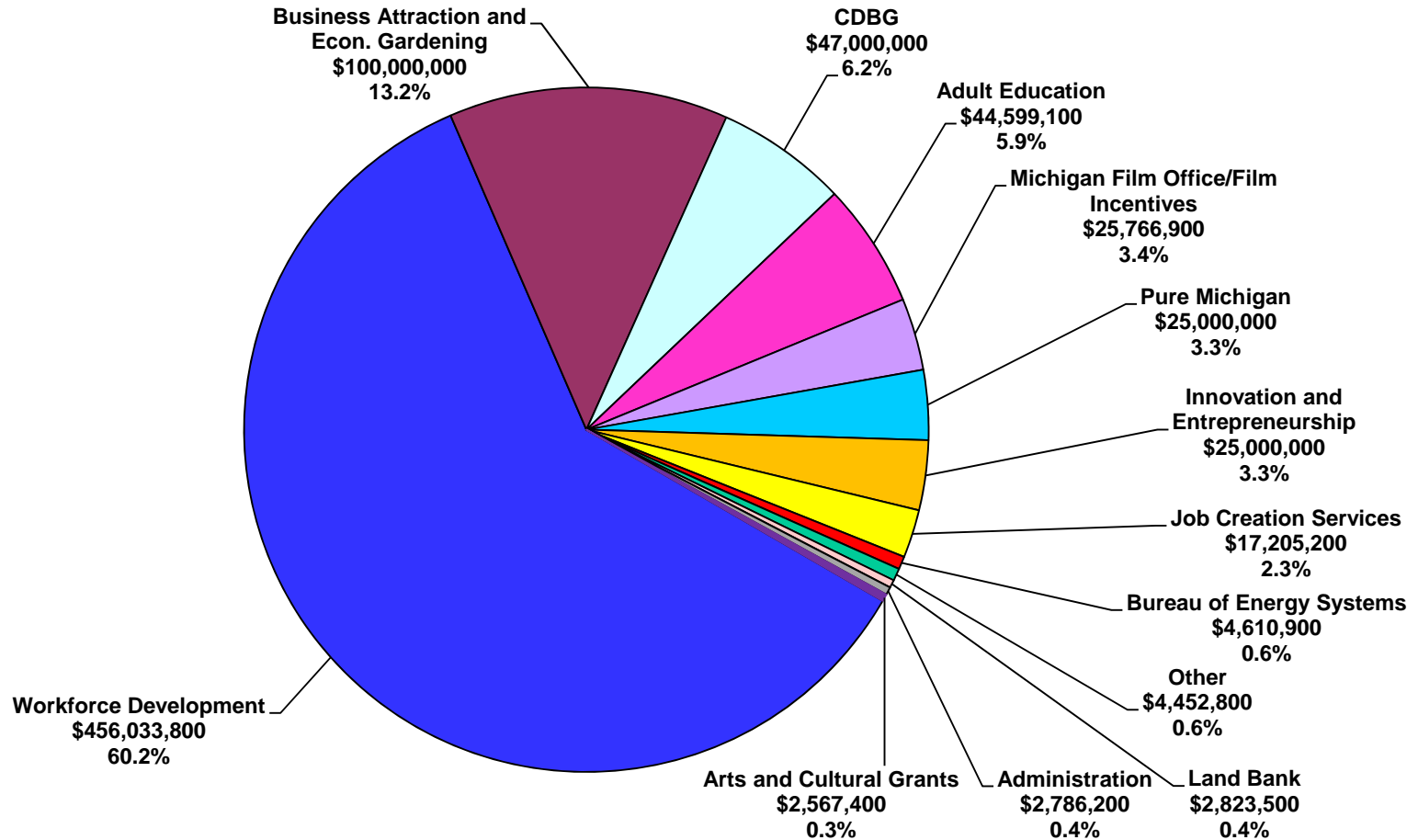
FY 2011-12 Total = \$757,845,800  
(Includes \$75.0 million GF/GP one-time appropriations)



# FY 2011-12 MSF Spending

**FY 2011-12 Total = \$757,845,800**

(Includes a \$50.0 million GF/GP one-time appropriation for Business Attraction and Economic Gardening and a \$25.0 million GF/GP one-time appropriation for Film Incentives)



# MSF Programs

- **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**
  - 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
  - \$47.0 million is appropriated for FY 2011-12
  
- **Film Incentives**
  - Replace tax incentive program with grant and loan program capped at \$25.0 million (one-time boilerplate funding) for FY 2011-12.

# MSF Programs

- **Pure Michigan**
  - Business and Tourism Marketing campaigns to improve perceptions of Michigan and generate business growth opportunities and increased tourism in state
  - “Pure Michigan” is award-winning travel and tourism campaign.
  - FY 2011-12 appropriation is \$25.0 million
- **Business Attraction and Economic Development**
  - Will replace brownfield, historic preservation, and MEGA tax incentive programs with grant and loan based program capped at \$100.0 million (\$50.0 million GF/GP one-time boilerplate appropriation) for FY 2011-12.
- **Innovation and Entrepreneurship**
  - Entrepreneurial capital and support; business incubator/accelerator programs; business development and marketing; SBIR/STTR; and administration.
  - FY 2011-12 appropriation is \$25.0 million.

# MSF Programs

## ■ Workforce Development

- Transferred to MSF under EO 2011-4
- Most workforce development funding is pass-through grant revenue from the federal government
- Administers job-training programs, including No Worker Left Behind (see following slide); Jobs, Education, and Training (JET); migrant and seasonal farmworker programs; adult basic education; veterans programs; and the Michigan Talent Bank. Also provides oversight of the community colleges and oversees certain federal grants and other higher education programs. Job-training programs administered locally through 25 Michigan Works! Agencies.

## ■ Wage and Hour Division

- Administers and enforces the Payment of Wages and Fringe Benefits Act (1978 PA 390), the Michigan Minimum Wage Act (1964 PA 154), Youth Employment Standards Act (1978 PA 90), and the Prevailing Wage Act (1965 PA 166).

## ■ Bureau of Energy Systems

- Promotes the development of renewable energy systems in the state and energy efficiency practices among Michigan residents, businesses, and public institutions.

# MSF Programs - No Worker Left Behind

- **Program began in August 2007**
  - Greater focus on long-term career training in in-demand/high-growth occupations and entrepreneurship.
  - Provides \$5,000/year for up to two years for tuition at a community college, university, or other approved training program. Eligibility:
    - Individuals currently unemployed
    - Individuals received notice or termination or layoff
    - Employed individuals with family income under \$40,000/year
- **After 3 years**
  - 139,710 enrolled in a training program
    - 72,442 NWLB participants completed training (52%)
    - 45,707 NWLB participants still in training (33%)
    - 21,561 NWLB participants did not complete training (15%)
- **Primarily funded from federal Workforce Investment Act**
  - About 40% of WIA funds can be used for NWLB training
  - Available WIA funding has not enabled DELEG to meet demand (long wait lists).
  - DELEG capped participation in July 2010 by WIA-funded training
  - Continues to enroll participants in training supported by TAA, JET, and MRS

# MSF Programs

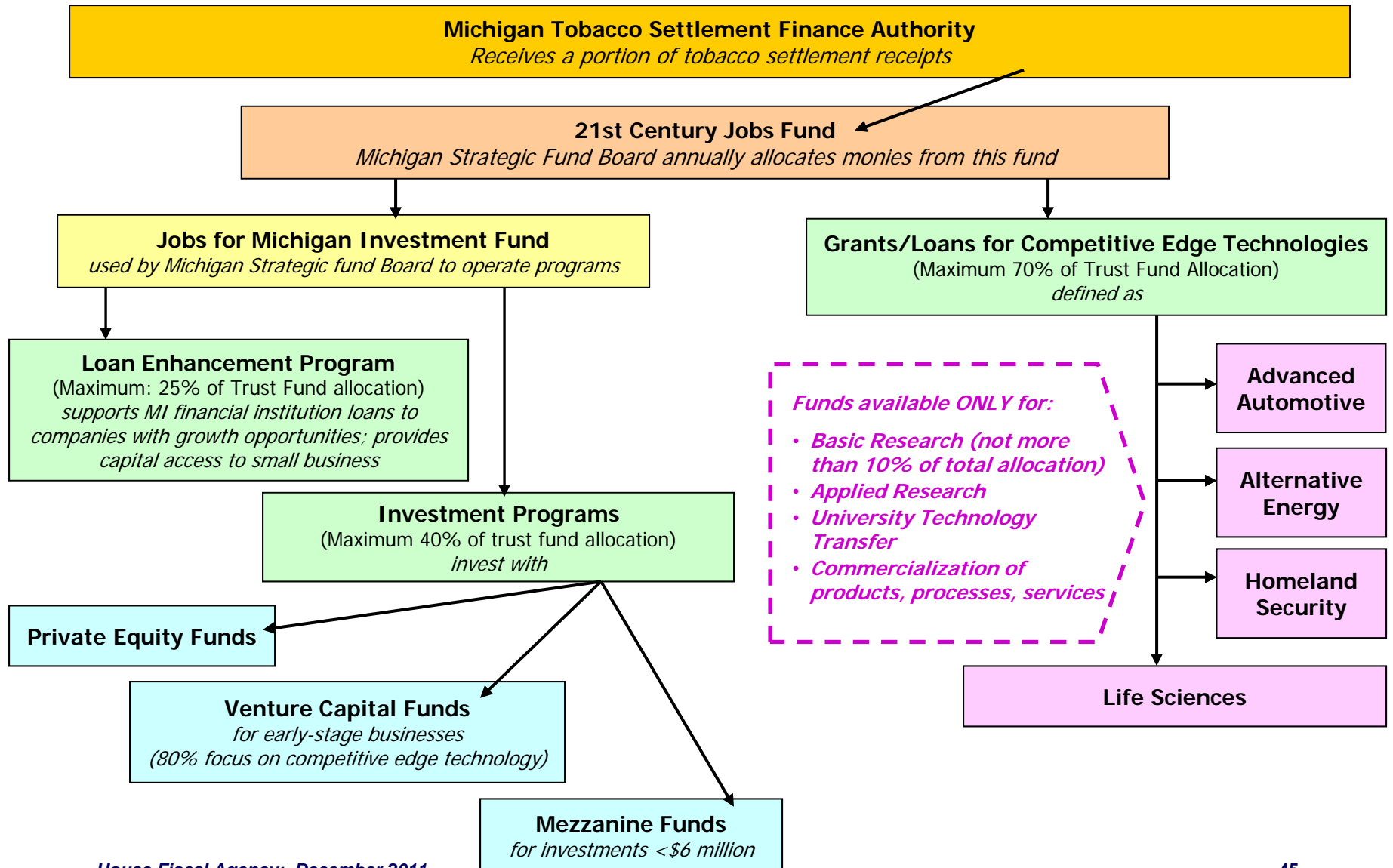
- **Land Bank Fast Track Authority**
  - Assists in reversion of state owned tax reverted properties to viable use.
- **GEAR-UP Grants**
  - Grants to increase low-income and at-risk youth college enrollment.
- **Carl D. Perkins**
  - Grants to local school districts for vocational education programs.
  - Helps to develop links between high school and community college technical programs

# MSF Programs

## 21st Century Jobs Trust Fund

- **21<sup>st</sup> 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 21<sup>st</sup> Century Jobs Trust Fund each year from FY 2007-08 through FY 2014-15 for economic development programs**
- **\$75.0 million was appropriated to MSF from the 21<sup>st</sup> Century Jobs Trust Fund for FY 2010-11. Past appropriations have been reduced to help balance GF/GP budget.**
- **MSF Board allocates funding for loan enhancement programs, the investment program, and competitive edge technology projects. By statute, competitive edge technology projects funding is awarded to advanced manufacturing, alternative energy sources, homeland security, and life sciences projects**

# Tobacco Settlement Revenue Securitization

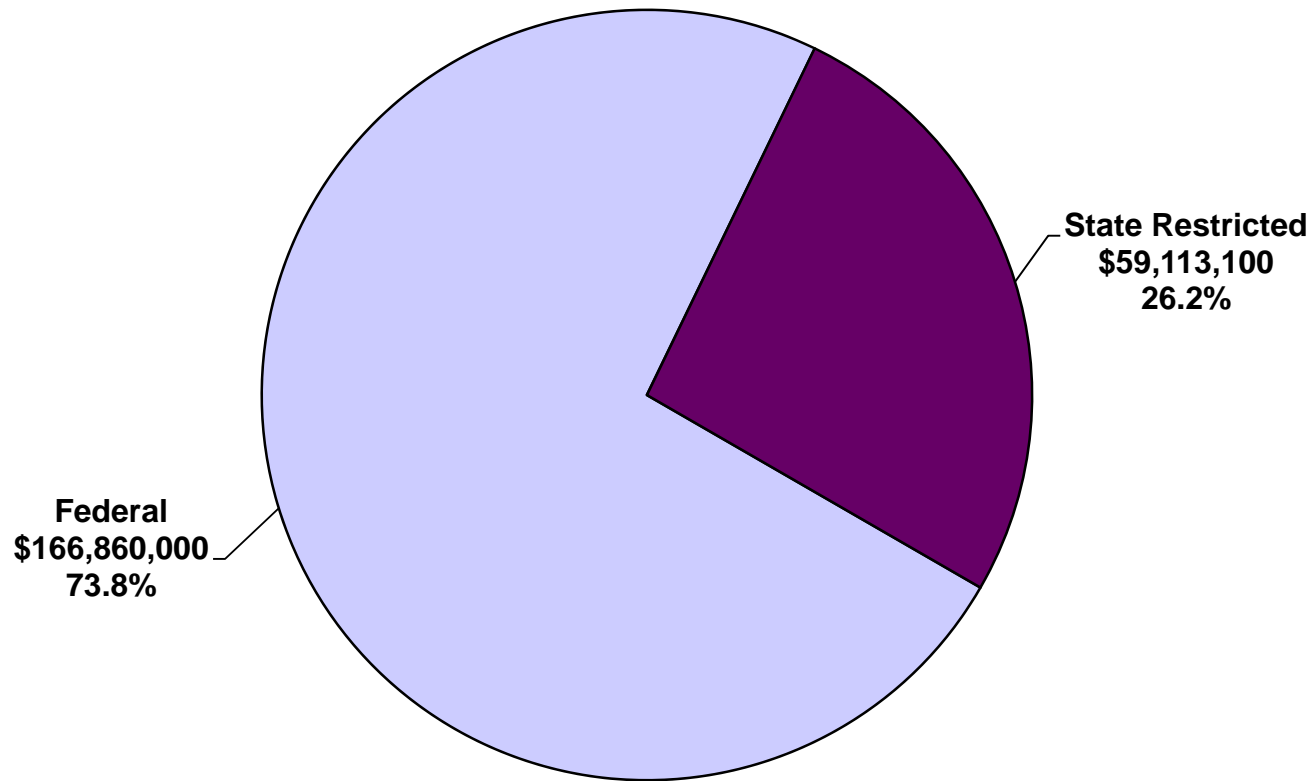


# **MSF - Michigan State Housing Development Authority (MSHDA) Budget**

- **Payments on Behalf of Tenants**
  - Housing Choice Voucher Program provides rental subsidy
  - Provide education and opportunities for families to become economically self-sufficient
- **Housing and Rental Assistance Programs**
  - Administrative costs for administering various housing programs
- **State Historic Preservation Program**
  - Identifies and protects historic sites with research and registration programs, technical assistance, grants, planning, etc.
  - Records, investigates, interprets, and protects Michigan's archaeological sites
  - Cultural Economic Development – positions arts, culture, and heritage as vital forces in developing vibrant cities
- **Lighthouse Preservation**

# MSF - MSHDA Appropriations by Revenue Source

FY 2011-12 Total = \$225,973,100



**For more information about the  
Treasury budget, contact:**

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