



## **Background Briefing**

# **TREASURY**

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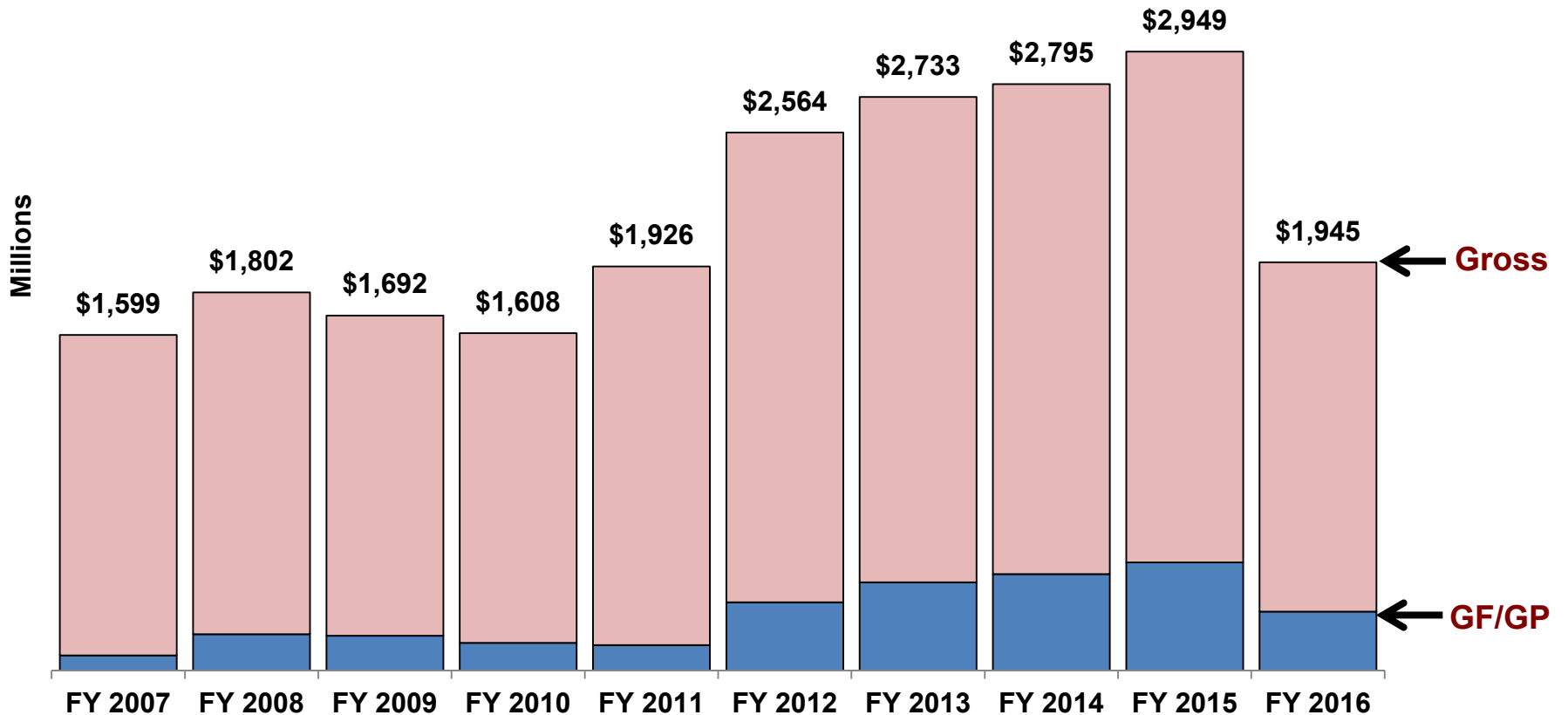
**December 2015**

# 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

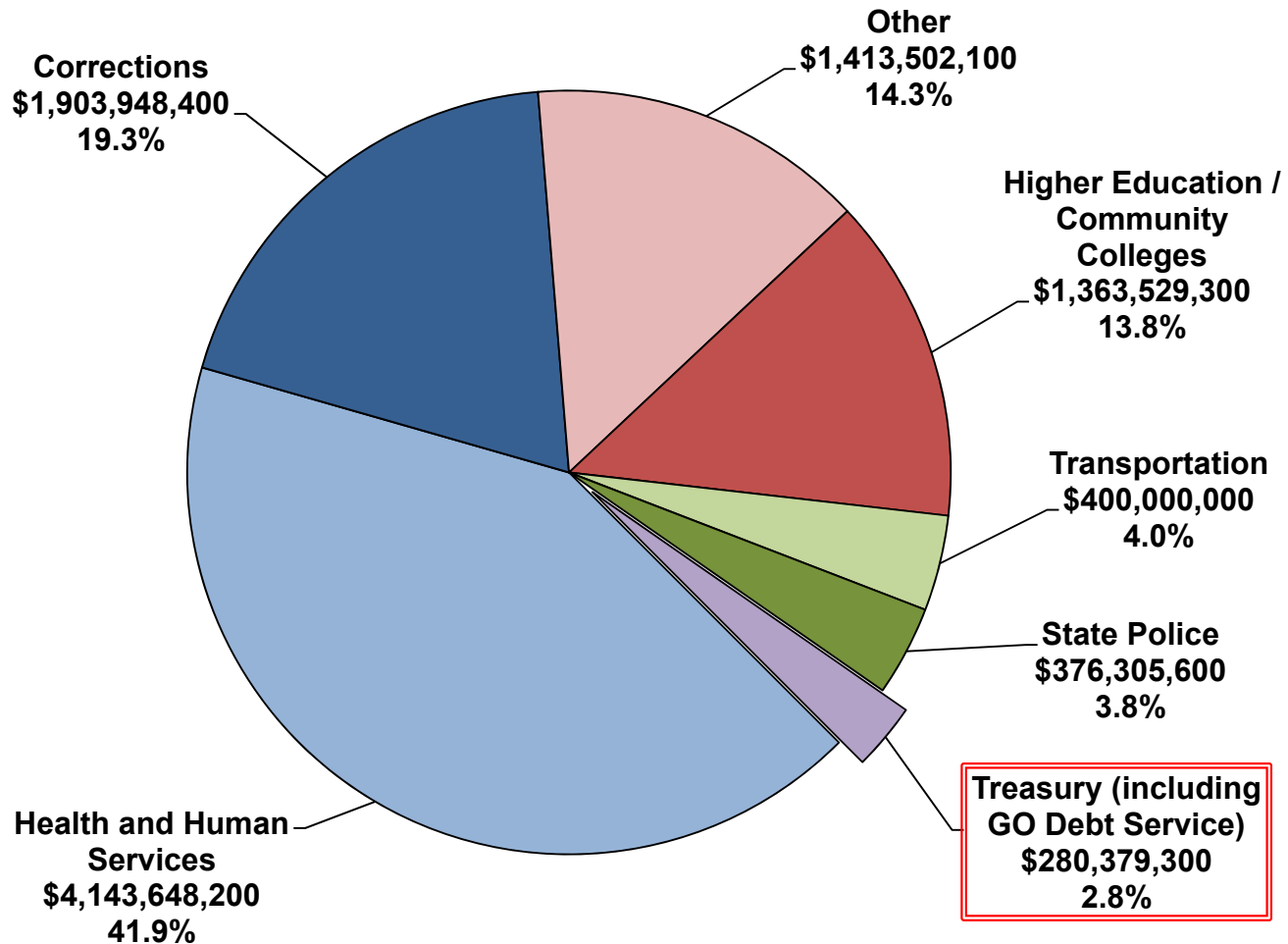
Programs and agencies under the purview of the Treasury budget constantly change, making annual comparisons difficult. FY 2011 appropriations include MSHDA, which was transferred from DELEG. Workforce development programs were transferred to MSF under EO 2011-4 in FY 2012. FY 2015 appropriations increased 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. FY 2016 transferred MSF, MSHDA, and Workforce Development to newly formed Department of Talent and Economic Development.



# Treasury Share of State GF/GP

Treasury makes up 2.8% of the total state GF/GP budget.

**FY 2015-16 GF/GP Total = \$9,881,312,900**



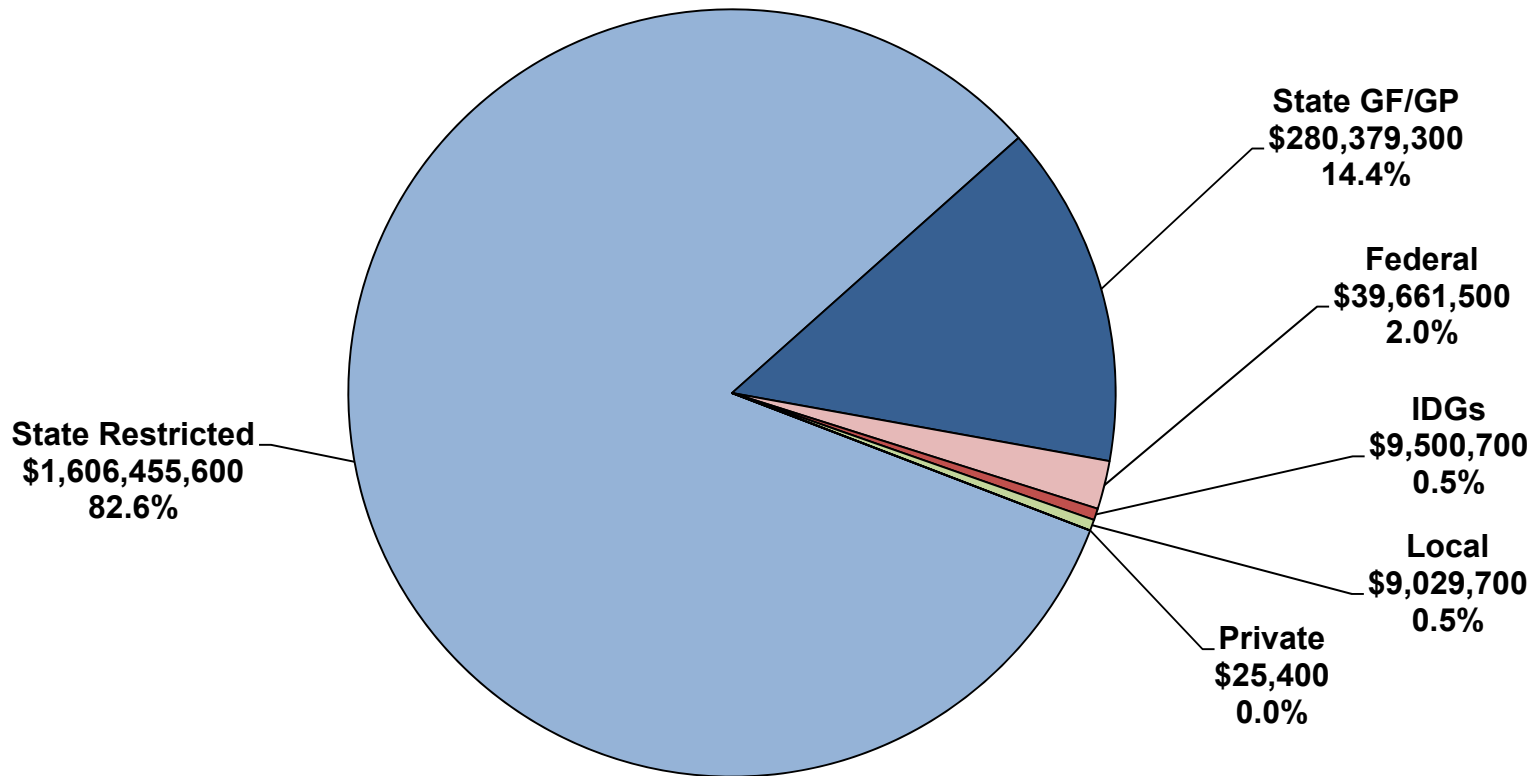
# **SOURCES OF FUNDING**

# Treasury Funding Sources

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

**FY 2015-16 Treasury Budget = \$1,945,052,200**

(Includes \$29.9 million in one-time appropriations)



# **APPROPRIATION AREAS**

# Treasury Appropriations

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

- Executive Direction
- Departmentwide Appropriations
- Local Government Programs
- Tax Programs
- Financial and Administrative Services
- Financial Programs
- Debt Service
- Grants
- Bureau of State Lottery
- Casino Gaming
- Payments in Lieu of Taxes
- Revenue Sharing
- State Building Authority (SBA)
- City Income Tax Administration Program
- Information Technology
- One-Time Basis Only Appropriations

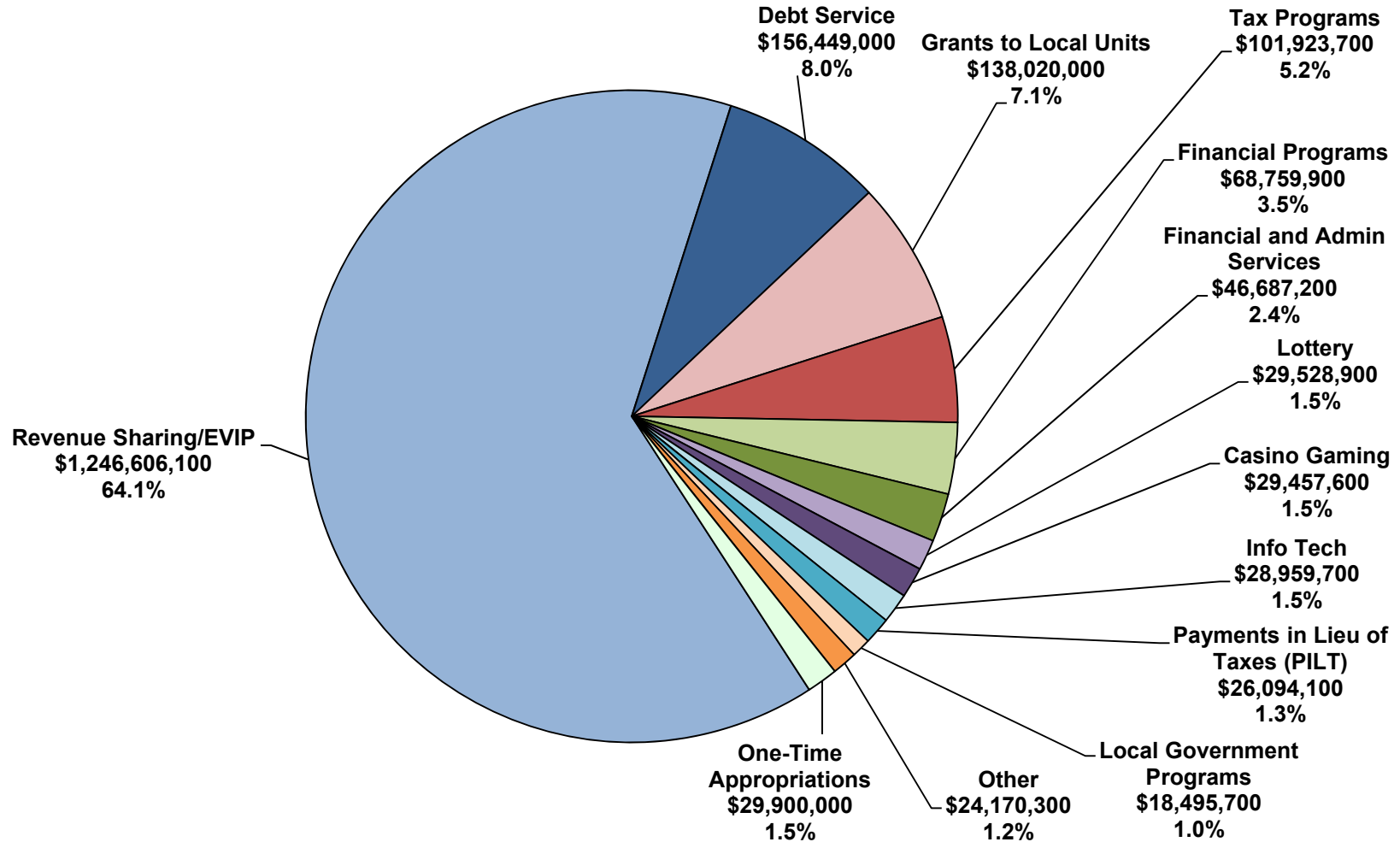


# Treasury Appropriations

Revenue Sharing is the largest spending component in the budget.

**FY 2015-16 Treasury Budget = \$1,945,052,200**

(Includes \$29.9 million in one-time appropriations)

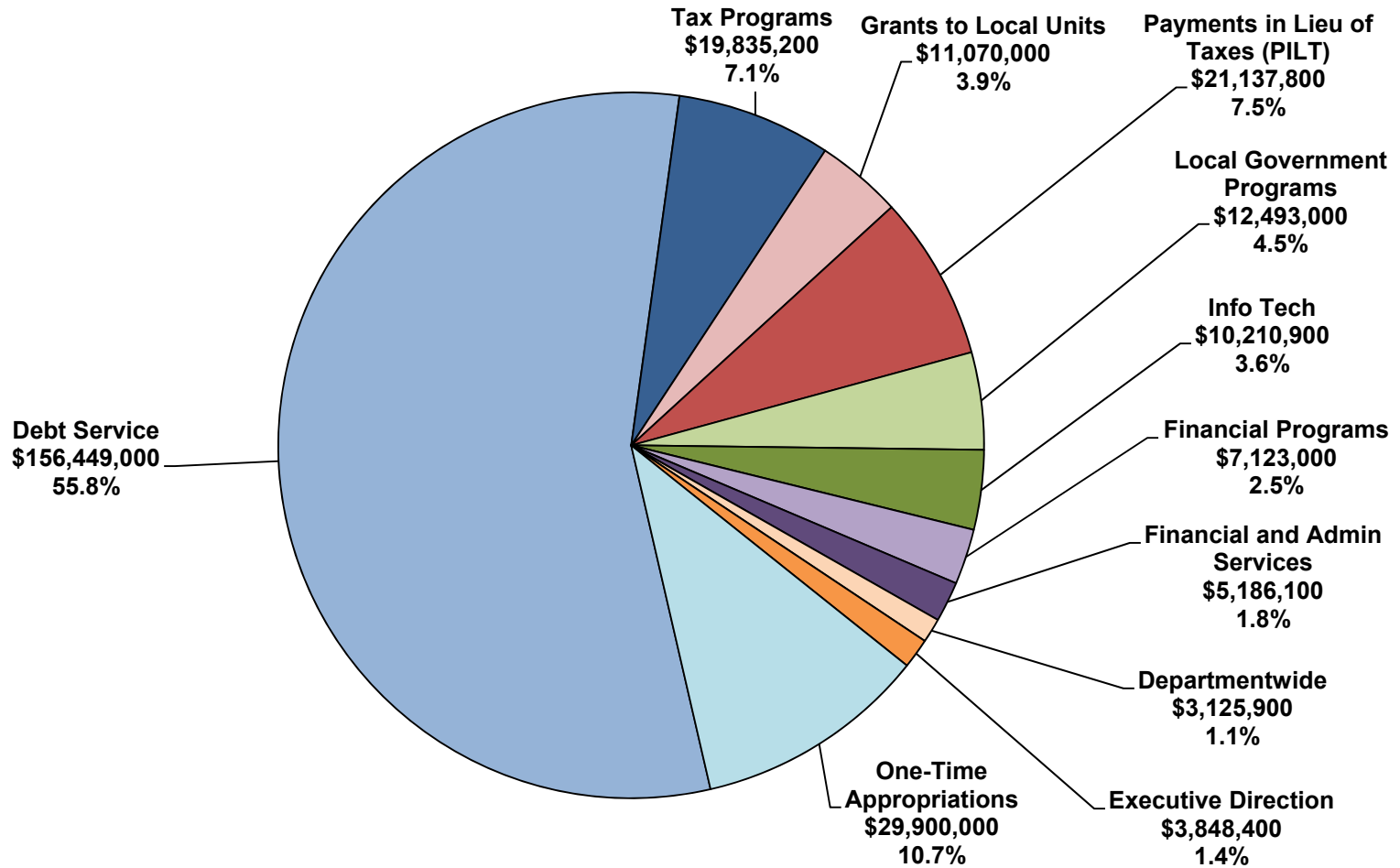


# Treasury GF/GP Appropriations

Debt Service on general obligation bonds is the largest GF/GP spending component.

**FY 2015-16 Treasury GF/GP Budget = \$280,379,300**

(Includes \$29.9 million GF/GP in one-time appropriations)

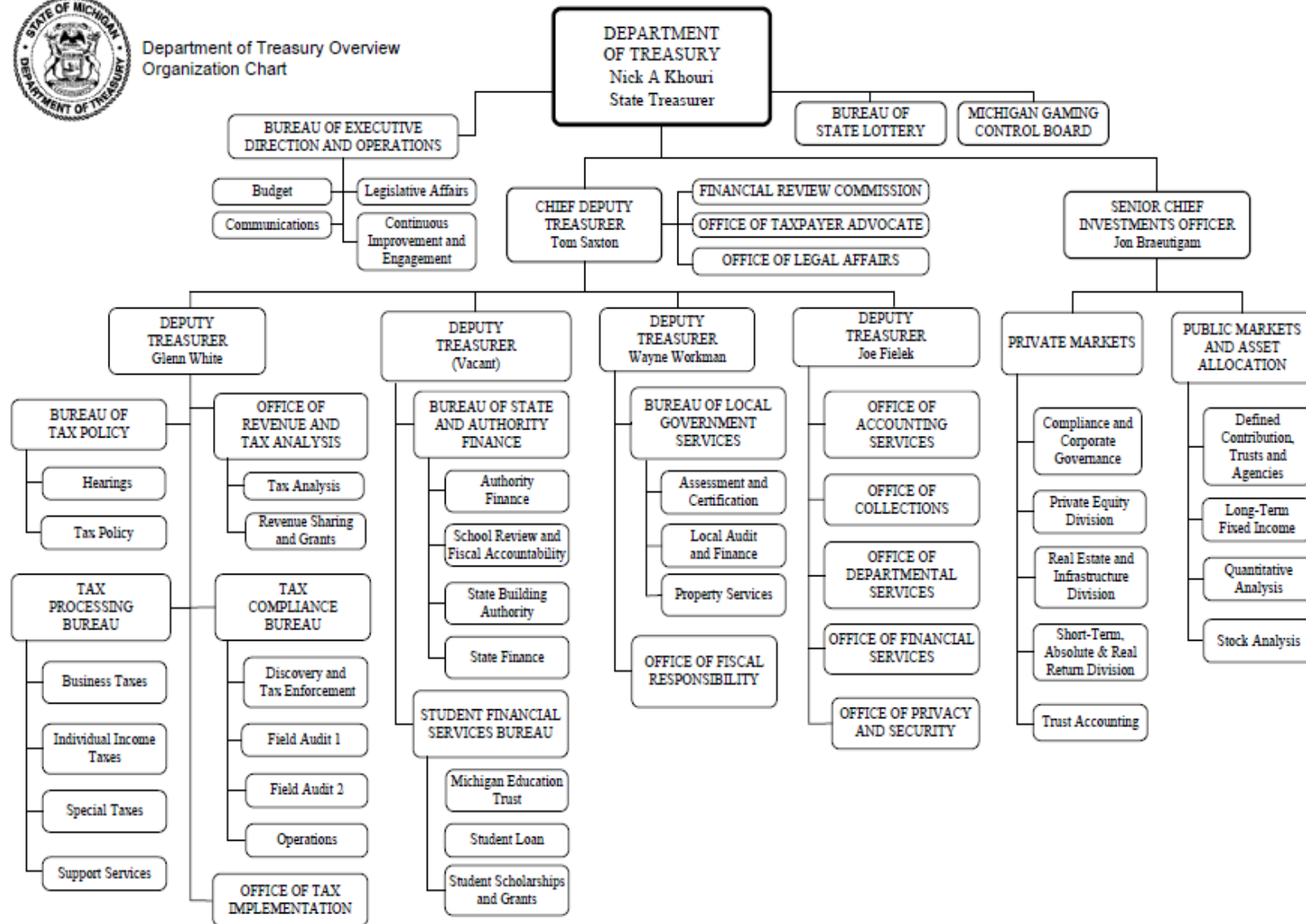


# **MAJOR BUDGET TOPICS**

# TREASURY ORGANIZATIONAL CHART



Department of Treasury Overview  
Organization Chart



# 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)

# 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 (taxable and state equalized value)
  - 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

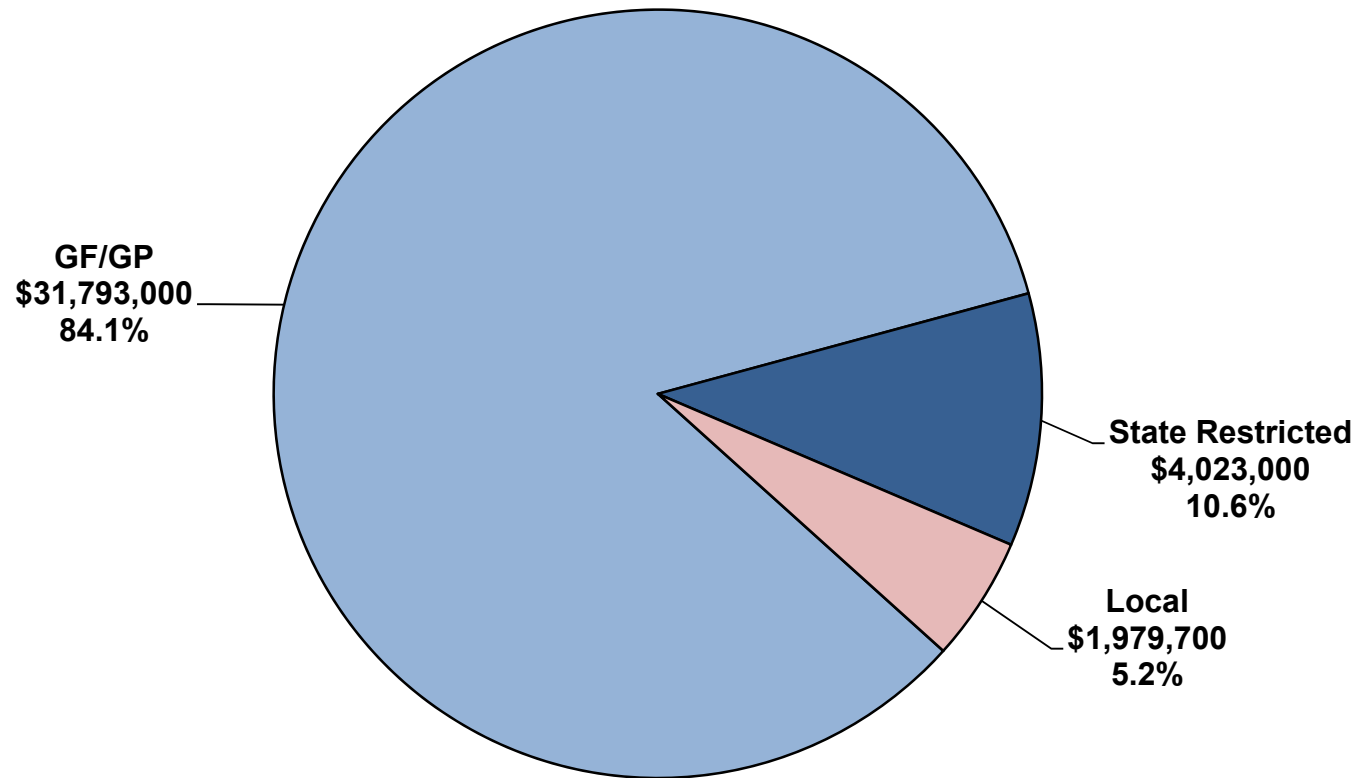
# Local Government Programs (cont.)

- Includes Business Property Tax Appeals assistance to local units
- Office of Fiscal Responsibility
  - Provides funding to support contractual services associated with local governments in realizing fiscal distress and fiscal emergencies
- 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)
  - Administers Essential Services Assessment
  - Funds distribution of payments from metropolitan area component tax for lost debt service revenue to local units of government
    - Appropriation totals \$19.3 million GF/GP in FY 2015-16

# Local Government Program Appropriations

**FY 2015-16 Total = \$37,795,700**

(Includes \$19.3 million in one-time funding for  
Personal Property Tax Reform payments)





# Tax Programs

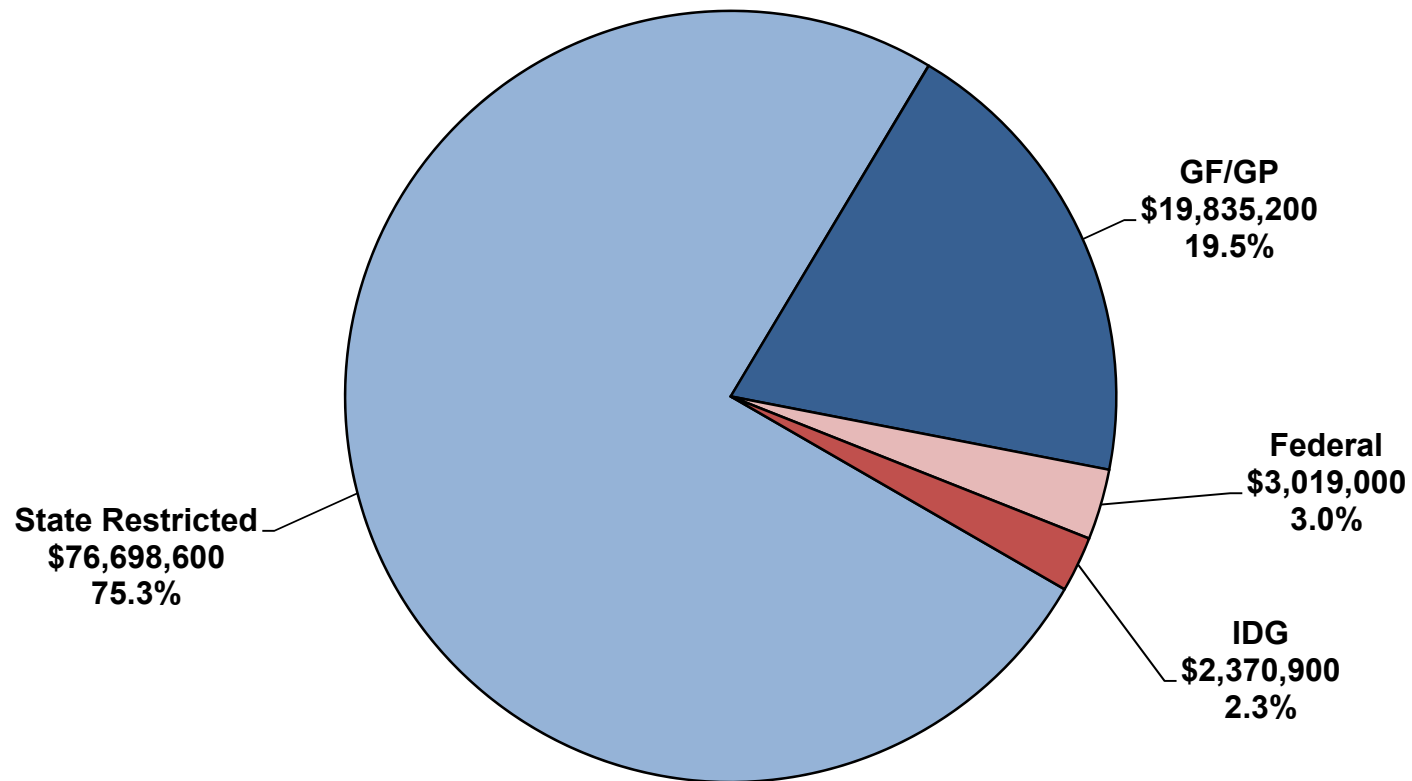
- Administrative functions:
  - Register taxpayers and maintain taxpayer files
  - Inform/assist taxpayers
  - Manage/support customer service improvement projects
  - Identify emerging tax issues
  - Implement new tax plan under PAs 38 and 39 of 2011 (Income tax rollback freeze and Corporate Income Tax)
  
- 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
  
- Administers Low Income Heat and Energy Assistance Program

# Tax Programs (cont.)

- Tax and economic policy:
  - Prepare economic forecasts/revenue projections
  - Review/analyze tax legislation
  - Administer state-local revenue sharing program
  - Assist in administering Personal Property Tax reforms
- 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 – Administers the Bottle Deposit Fund; distributes funds to the Clean-Up and Redevelopment Fund and bottle dealers at fiscal year-end

# Tax Programs Appropriations

FY 2015-16 Total = \$101,923,700

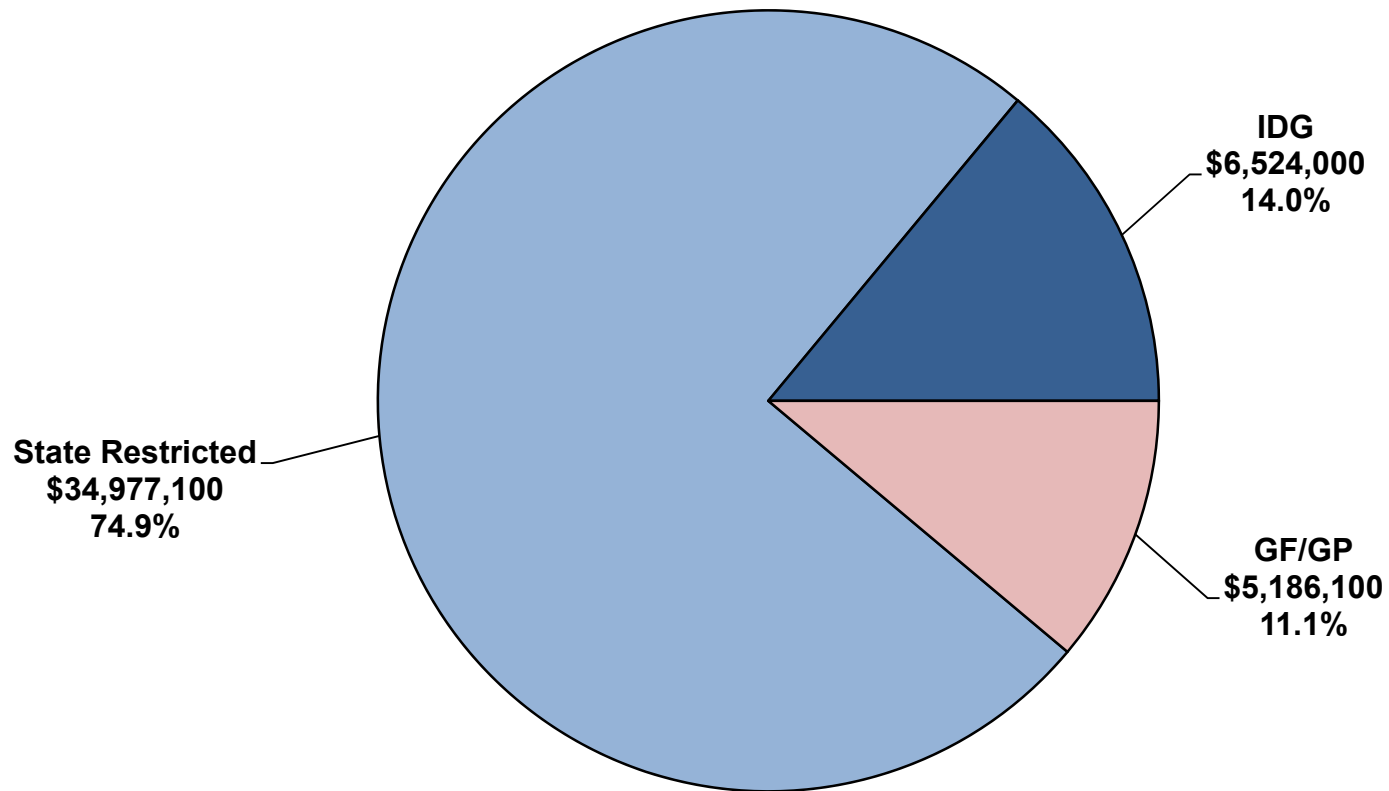


# Financial and Administrative Services

- Department and Budget Services - Processes payroll and personnel transactions; maintains personnel information; ensures compliance with state purchasing laws; obtains necessary goods and services; processes mail and mail service for returned warrants of other departments and Treasury; provides data management-related services; mail operations
- Office of Collections – Collects taxes, state agency fees, and driver responsibility fee revenue; ensures compliance with requirement that state payments are offset to enforce child support orders
- Uniform Unclaimed Property Act of 1995 – report and regulate unclaimed property distribution and disposal
- Office of Accounting Services – Disburses funds; processes payments; maintains accounting services; provides cash and warrant reconciliation services
- Office of Financial Services – Establishes statewide cash receipting policies and practices; accounting of state receipts; clearinghouse for revenue owed to the state

# Financial and Administrative Services Appropriations

FY 2015-16 Total = \$46,687,200



# Financial Programs

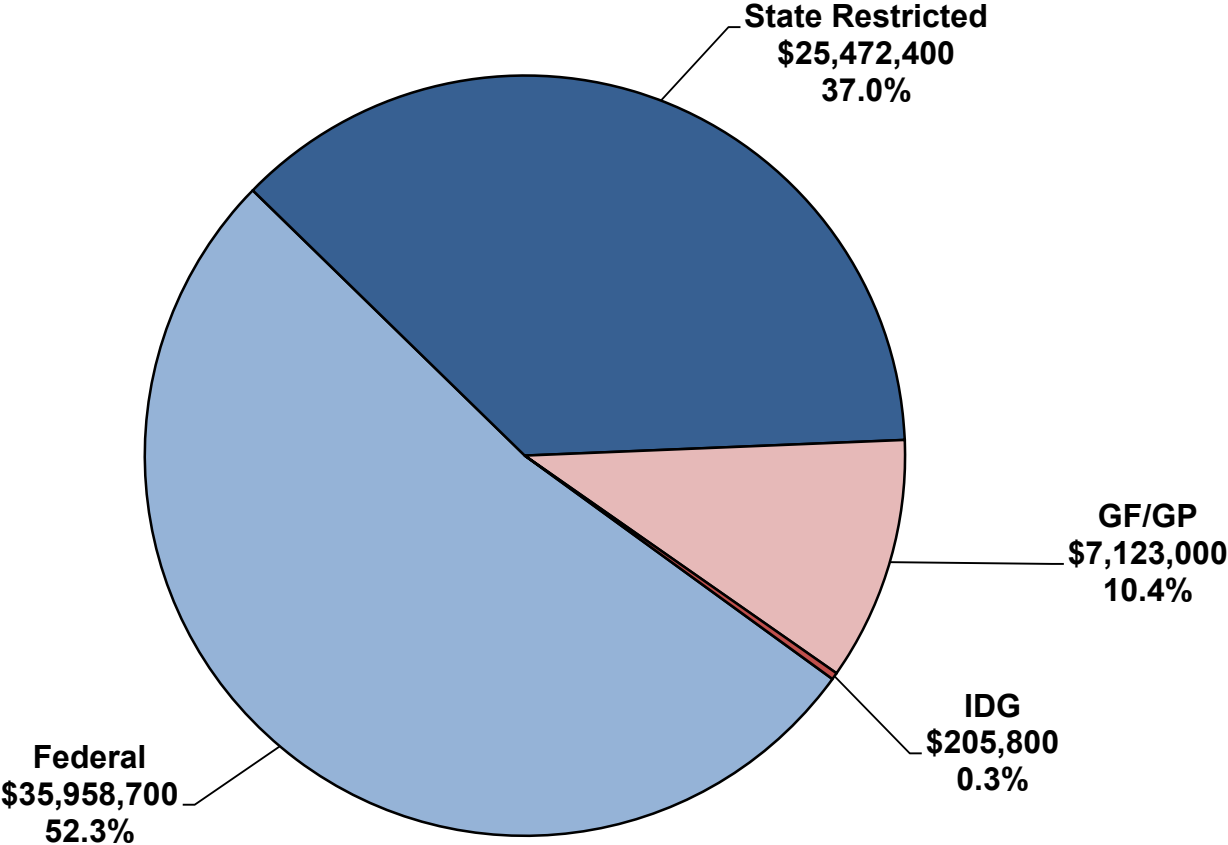
- Bureau of Investments: Overseas investment of pension funds and state restricted funds
- Common Cash and Debt Management:
  - Oversee outside funding receipts (federal and local)
  - Manage state cash flow and long-term general obligation debt
- Student Financial Assistance Program administers and manages funds for:
  - Michigan 529 Plans: Michigan Education Trust/Michigan Education Savings Program
  - Tuition Incentive Program
  - Tuition Grants (including Children of Veterans and Police and Fire Fighter's Survivors)
  - State Competitive Scholarships
  - Children of Veterans Tuition Grants
  - John R. Justice Federal Grant Program
  - Teacher Loan Forgiveness
  - Michigan Competitive Scholarship
  - Fostering Futures Scholarship
  - GEAR-UP Scholarships

## Financial Programs (cont.)

- Michigan Finance Authority and Bond Finance Programs
  - 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 2015-16 Total = \$68,759,900





# 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:** issuance of up to \$660 million in environmental bonds support environmental protection activities and up to \$140 million in recreation bonds to support development of recreation activities and facilities; includes portion of Strategic Water Quality Initiative
  - **Clean Michigan Initiative:** issuance of up to \$675 million in bonds for environmental clean-up, pollution prevention, redevelopment, and natural resource protection projects; includes portion of Strategic Water Quality Initiative
  - **Great Lakes Water Quality Bond:** issuance of up to \$1 billion in bonds for sewage treatment works, storm water projects, and water pollution projects; includes portion of Strategic Water Quality Initiative
- \$156,449,000 GF/GP appropriated in FY 2015-16 to cover debt service

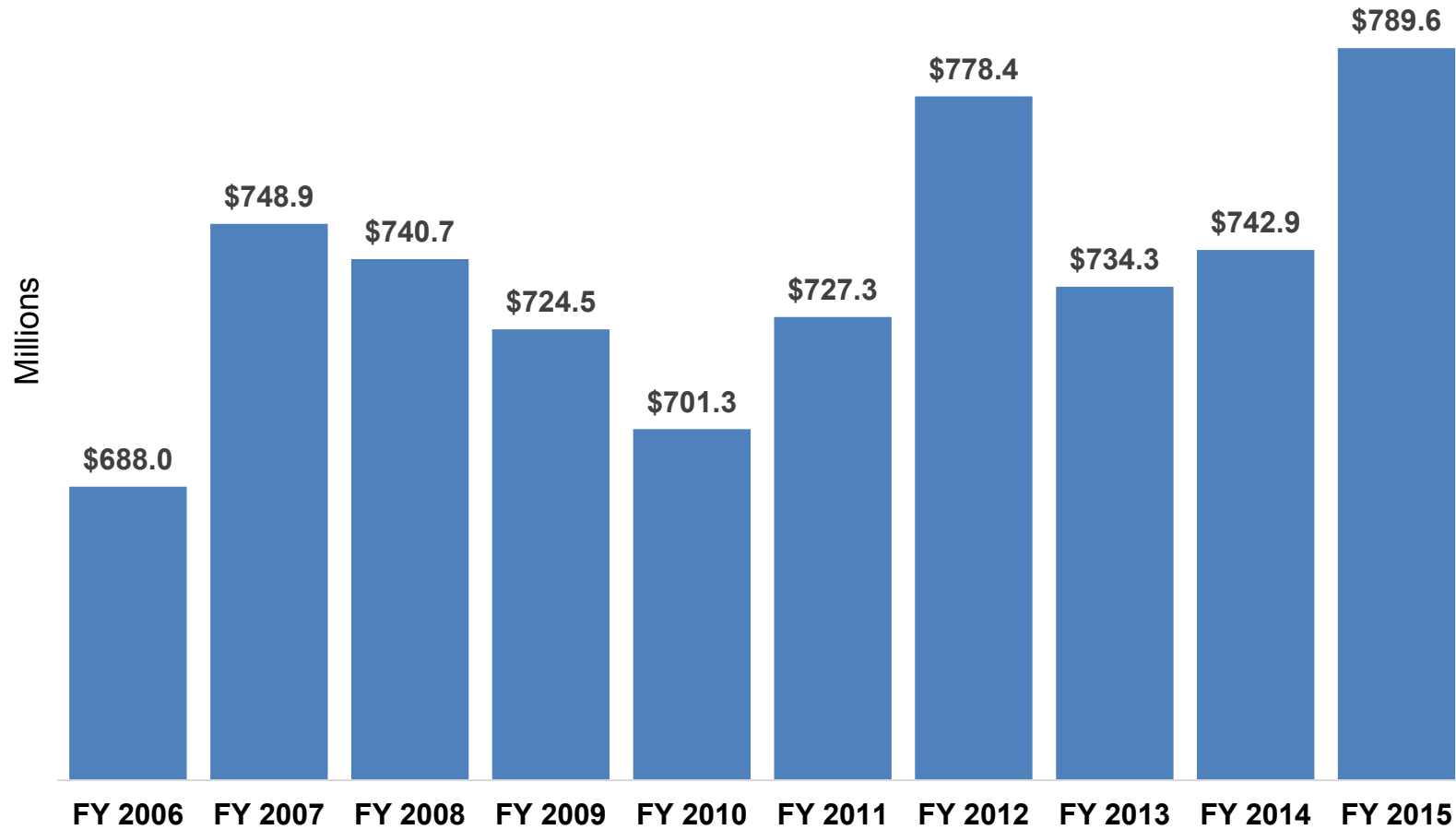
# Grants to Locals

- 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 (\$10,520,000)
    - 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
  - Chaldean Community Foundation (\$250,000)
    - Grant to Chaldean Community Foundation funded 100% with GF/GP
  - Urban Search and Rescue Taskforce (\$300,000)
    - Funded 100% with GF/GP
  - Presidential Primary (\$10,000,000) (One-Time)
    - Funded 100% from GF/GP
    - Reimbursements to local governments for costs associated with 2016 Presidential Primary

# 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 (\$789.6 million to School Aid Fund in FY 2014-15). The School Aid Fund receives 100% of the Lottery profits.
  - Operate all games and Bureau functions
- Funded 100% with State Lottery Fund revenue
- \$29.5 million in funding for FY 2015-16 (includes funds for IT-related services and projects provided by DTMB)
- Authorizes 1% of prior year gross sales or \$23.0 million, whichever is less, for promotion and advertising

# Bureau of State Lottery Distribution to School Aid Fund

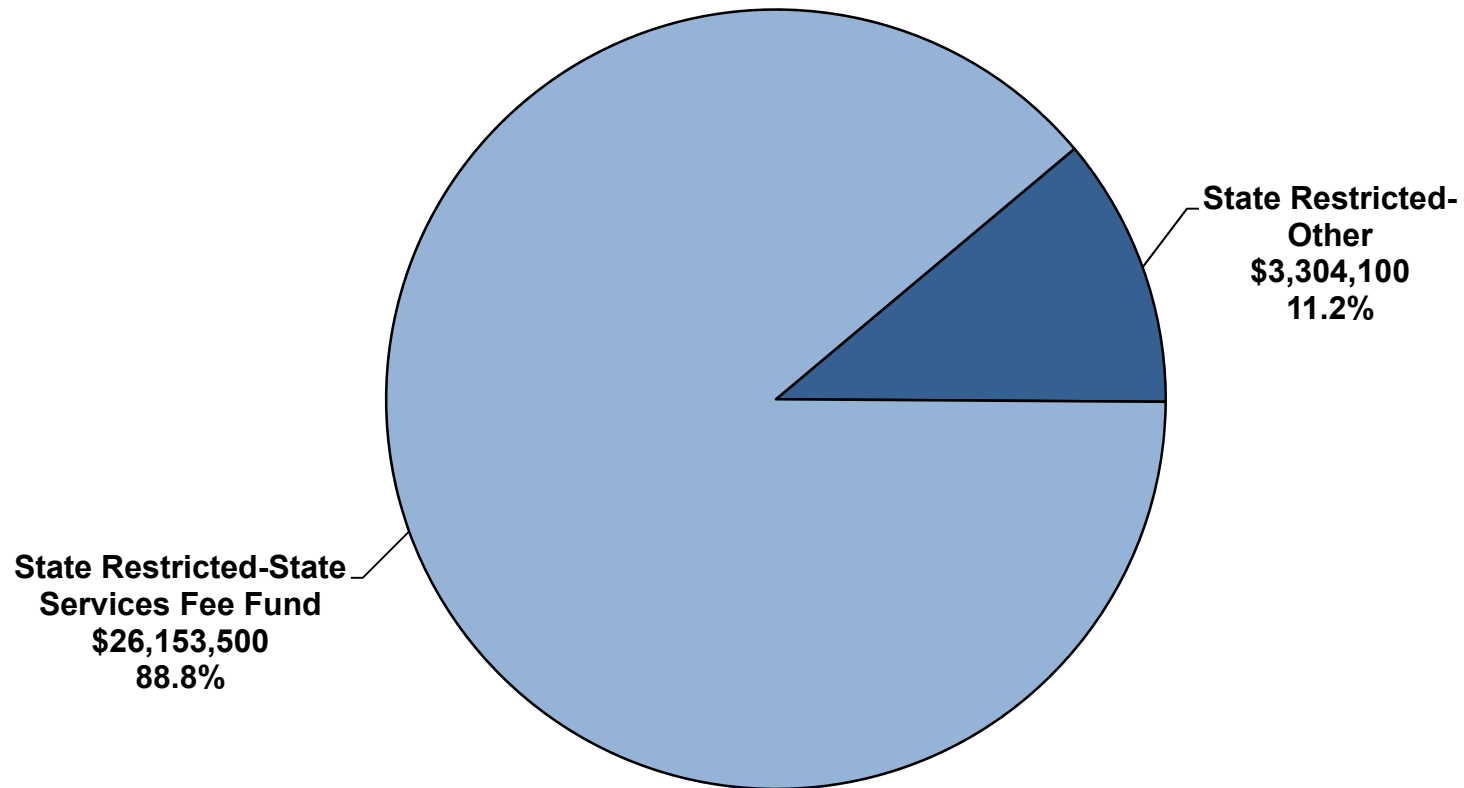


# Casino Gaming

- 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 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 2015-16 Total = \$29,457,600



# Revenue Sharing

- Payments to approximately 1,773 local units of government
  - **Constitutional state general revenue sharing grants**
    - To all 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**
    - Funded by a portion of sales tax collections
    - Incentive-based grant program funded at \$248.8 million (includes \$5.8 million one-time appropriation)
    - Distributes funds to all CVTs with a population of 7,500 or more by providing a payment equal to 100% of the FY 2014-15 payment
    - Includes additional \$5.0 million for Financially Distressed CVTs competitive grant program
  - For additional information, see HFA Revenue Sharing Budget Briefing [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 \$214.7 million in FY 2015-16 (full funding). Of the total, 20.0% (\$42.9 million) is appropriated for a county incentive program modeled on CVT Revenue Sharing.
- For additional information, see HFA Revenue Sharing Budget Briefing [here](#).

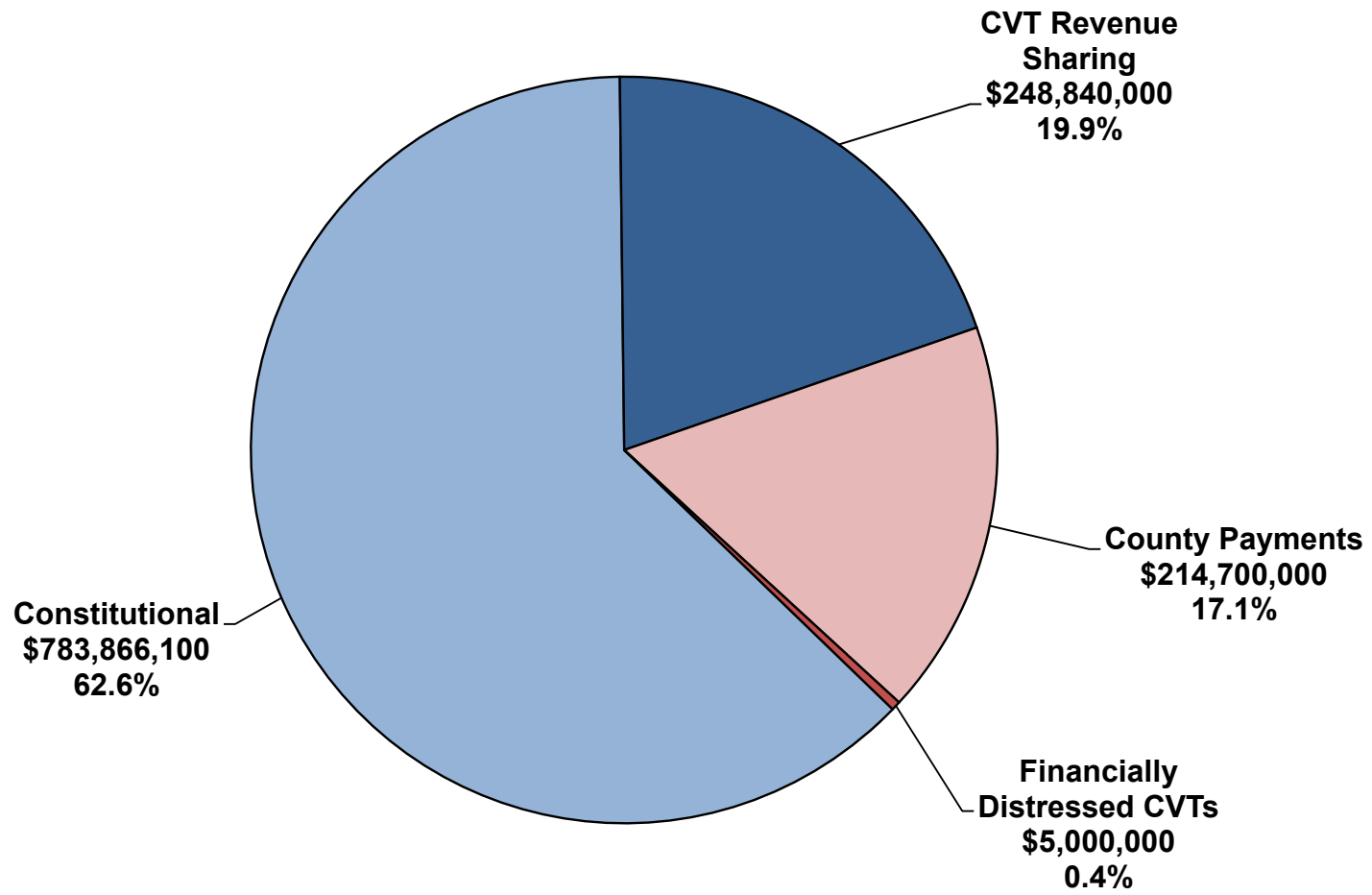


# Revenue Sharing Distribution

**FY 2015-16 Total = \$1,252,406,100**

(Includes one-time appropriations totaling \$5.8 million for CVT Revenue Sharing.)

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* – pays a specific tax (\$1.25) on each acre enrolled in the program to county treasurers; approximately 2.2 million acres of private forest land are owned by 1,800 landowners enrolled in the program to retain and manage forest for timber production
  - *Purchased lands* – payments in lieu of taxes on certain lands owned by state and controlled by DNR; valuation of state-owned lands established by state tax commission guidelines
  - *Swamp and tax reverted lands* – payments of \$4.00 per acre tax to counties (40%), townships (40%), and schools (20%) on tax-reverted recreation and forest lands under control and supervision of DNR
- PILT funding for FY 2015-16 totals \$26.1 million (\$21.1 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

# City Income Tax (CIT) Administration

- Provides ongoing support for the City of Detroit to utilize the Department of Treasury to collect the city's individual income tax
- Funding will support additional development of a system to collect the city's business tax component
- CIT funding for FY 2015-16 totals \$5.9 million in local income tax revenue captured to cover administration
- CIT program will be expanded on a voluntary basis to other local units that levy an income tax and choose to have Treasury administer the tax

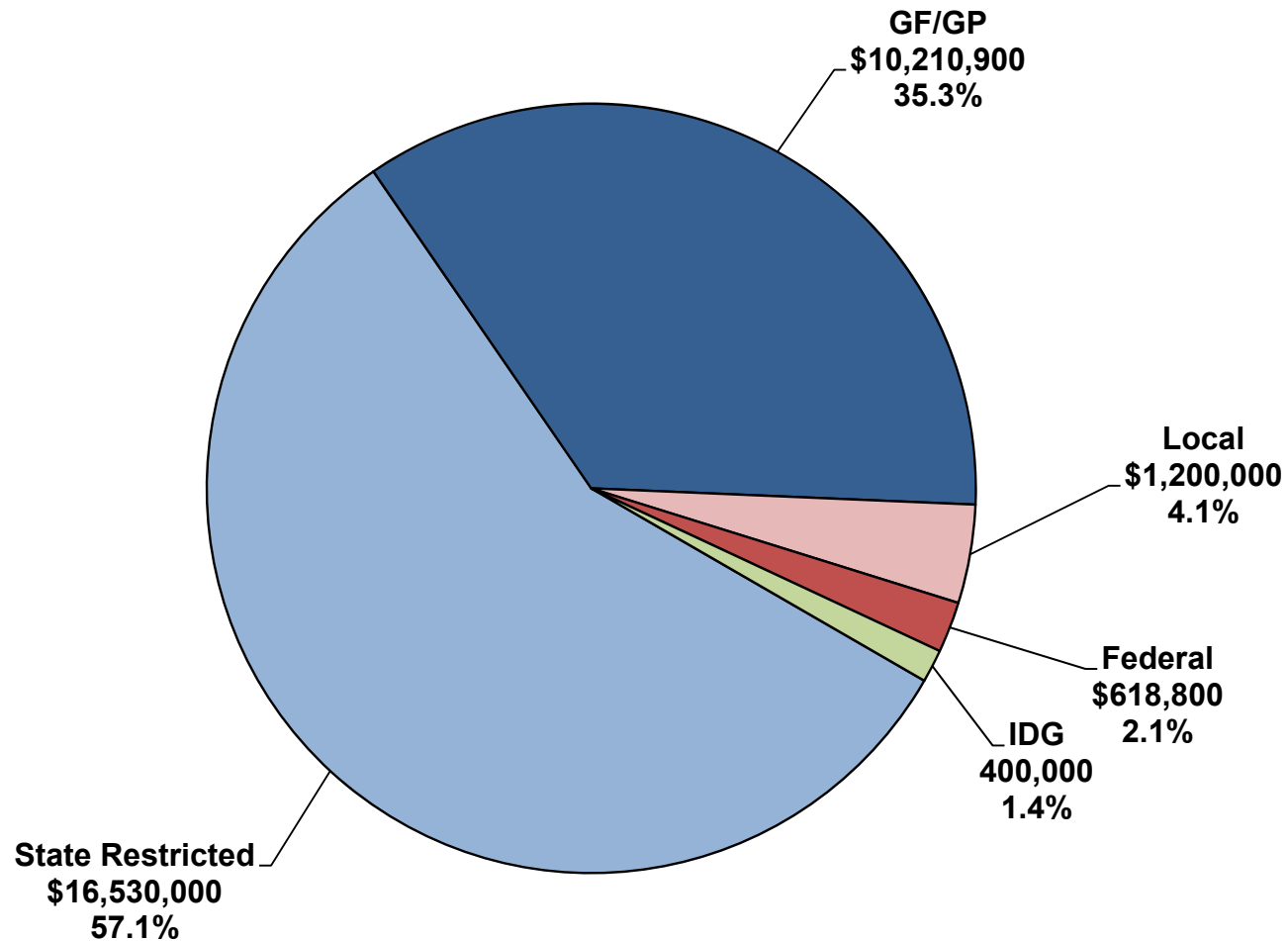
# State Building Authority (SBA) Administration

- Funds administrative costs of SBA; includes \$711,700 restricted SBA revenues for FY 2015-16
  
- SBA has the following duties:
  - Issue revenue bonds and other short-term debt for facility construction/acquisition for state and agency use
  - Monitor SBA-financed construction, risk management for vehicles, and non-health related insurances.
  
- SBA Rent (debt service on SBA issued bonds) is appropriated in the DTMB budget

# Treasury: IT Appropriations by Revenue Source

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

**FY 2015-16 Total = \$28,959,700**



**For more information about the  
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