



Michigan Department of
TREASURY

House General Government Appropriations Subcommittee
March 19, 2019

Treasury Budget Philosophy

- ▶ Use resources efficiently so the overall budget can reflect the Governor's major priorities of funding roads and education
- ▶ Focus on culture of *continuous improvement*, *employee engagement*, and *customer service* to utilize **existing resources** to best serve Treasury's constituents
- ▶ Focus investments on upgrading critical and legacy IT systems that support these operations and improve the functionality of both our operation and user experience

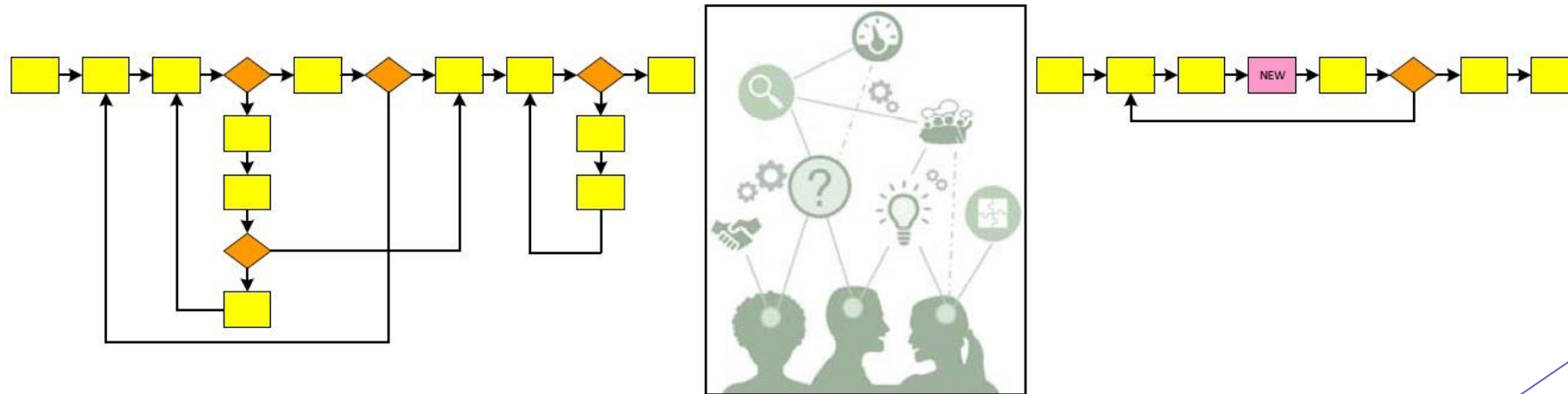
Treasury provides a broad range of services

Treasury has a wide range of responsibilities, including:

- ▶ Administration and collection of \$24 billion in taxes and fees
 - ▶ 9 million returns processed per year
 - ▶ Thousands of interactions with taxpayers, many of which are a taxpayers only interaction with state government
- ▶ Functions as the State's bank; disbursing payments for various programs impacting local units of government, scholarships and grants
- ▶ State and local tax policy; and revenue and economic forecasting
- ▶ Investment of approximately \$78 billion in retirement assets
 - ▶ 572,000 participants across plans that rely on our management to secure their retirement
- ▶ Local government and school financial health
- ▶ Higher education student financial assistance and savings plans
 - ▶ \$130 million in financial aid distributed to more than 75,000 Michigan students
 - ▶ More than 11,500 new MET or MESP accounts opened in 2018
- ▶ Managing the State's balance sheet and relationships with rating agencies

Focusing on Continuous Improvement

- ▶ Focusing on **Continuous Improvement** improves **Employee Engagement** and strengthens our **Culture of Service**
- ▶ Each year we focus on improving 10-15 Treasury processes using a consistent problem-solving framework
- ▶ We monitor our metrics and work with stakeholders to ensure the improved process is working and make adjustments as needed



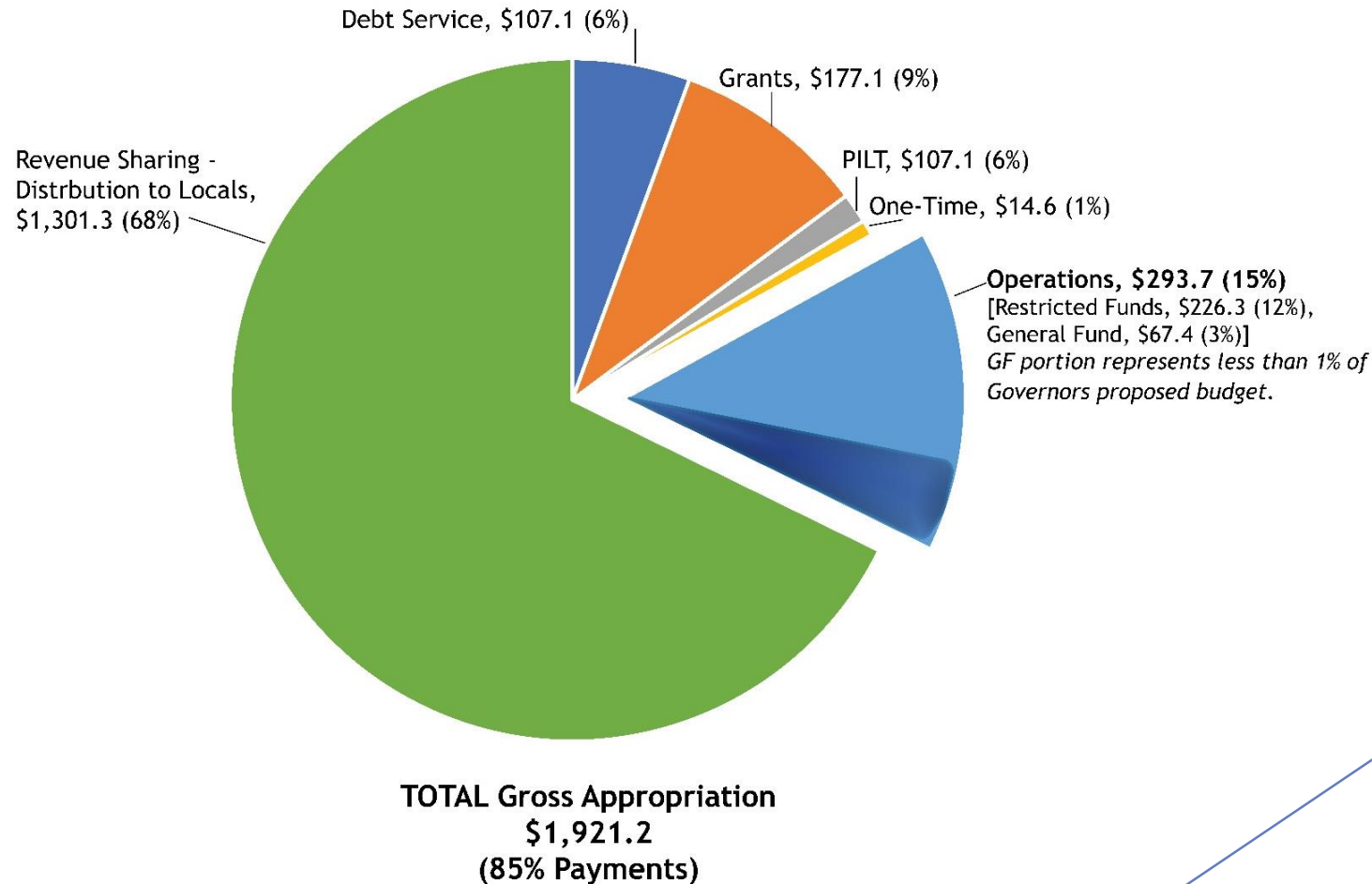
Focusing on Continuous Improvement: Our Successes



Treasury Budget FY19

Majority of Treasury's budget is disbursed to others

TOTAL FY19 Treasury Gross Appropriation (\$ in Millions)



New Programs

Over the long-term, Treasury has been able to keep base spending flat, as increases reflect new statutory and program requirements.

FY16 Total - \$15.5 Million

- ▶ Financial Review Commission
- ▶ Personal Property Tax/Essential Services Assessment
- ▶ City Income Tax Administration - Initial Authorization
- ▶ Dual Enrollment
- ▶ Michigan Treasury Online Project, Portion One-Time

FY17 Total - \$8.6 Million

- ▶ Free E-file, One-time
- ▶ IT Subject Matter Experts
- ▶ Wrongful Imprisonment Payments
- ▶ School Millage Reimbursement

FY18 Total - \$14.9 Million

- ▶ Medical Marihuana Administration & Excise Tax
- ▶ Tax Processing Customer Contact - CRM Replacement
- ▶ City Income Tax Administration - Expansion
- ▶ Lien Fees Increase in Authorization
- ▶ Dual Enrollment
- ▶ Information Technology, One-time - SAP Stabilization
- ▶ Tax Increment Financing

FY19 Total - \$9.2 million

- ▶ Support for Locals, Other Post-Employment Benefits
- ▶ Tax Increment Financing
- ▶ MI Thrive
- ▶ IT Costs
- ▶ Recreational Marihuana Program

Treasury FY20 Funding Requests

Executive Summary

- ▶ Treasury's FY20 operating budget request (\$297.48 million) represents a 1.2% on-going increase from FY19 towards the department's goals to:
 - Reinvest in information technology
 - Process taxes in a fair and efficient manner
 - Reduce risk
 - Provide excellent customer service

- ▶ Total FY20 request:
 - \$3.75 million in total on-going costs
 - \$25 million in one-time costs - IT request funded through DTMB IT Investment Fund

Critical need for IT to drive efficiency and improve user experience

Our FY19 plan continues to focus on legacy systems with replacement/upgrade of:

- ▶ Contact Center Interactive Voice Recognition Phones, Customer Relationship Management and new e-services
- ▶ Individual Income Tax and Garnishments and Levies legacy systems
- ▶ 2008 server replacement
- ▶ Accounts Receivable legacy systems replacement plan

Other initiatives include:

- ▶ Business Registration enhancements, making the process more seamless for the taxpayer
- ▶ Essential Services Assessment legislative changes
- ▶ Recreational marijuana program

Our Needs:

- ▶ 86.8% of our new funding requests focus on IT needs
- ▶ Treasury's revenue collection and customer interfaces are IT driven and essential to the function of the department
- ▶ Improvements are needed in legacy and call center systems. We must apply innovative solutions to meet the demands of our tech-driven society.

*improved
systems ...*

System Update



LOADING...



**IMPROVED
SERVICE!**

FY20 Critical system replacement

- ▶ Individual Income Tax (IIT) and Garnishments & Levies (GAL) System replacement is critical
 - ▶ 30 year old systems lack modern e-service features that create efficiencies for managing transactions and customer service experiences
 - ▶ Technical resources to support these systems are becoming more difficult to obtain
 - ▶ Revenue for the two systems is approximately \$9.7 billion annually
 - ▶ Improved experience for taxpayers by providing improved functionality, including:
 - ▶ Provide e-file option for taxpayers to input their own return information
 - ▶ Secure customer portal and document uploading
- ▶ \$25 million in one-time funding (\$2.0 million on-going for maintenance to begin in FY21). The Governor's recommendation funds this request through the IT Investment Fund (DTMB) at \$16.4 million in FY20 and the balance in FY21.
- ▶ Funding through IT Investment Fund reflects prioritization as critical state IT need

FY20 Additional Requests

- ▶ IT Cost Increases for Mainframe and Servers
 - ▶ \$1.45 million on-going funding
 - ▶ Servers provide critical functionality for business processes
- ▶ Implement and administer new tax on pass-through entities
 - ▶ FY19 supplemental request of \$10 million, majority to build new tax system
 - ▶ FY20 request for \$2 million on-going to administer the new tax
- ▶ Michigan Finance Authority - Restricted Funds
 - ▶ \$300,000 increase in authorization only (using existing resources)
- ▶ Wrongful Imprisonment Compensation funding for payments
 - ▶ FY19 supplemental request of \$10 million
 - ▶ FY20 one-time request of \$10 million

FY20 General Fund Reduction - \$650,100

▶ General Fund Reductions:

- ▶ Tax Compliance Bureau - \$250,000
- ▶ Executive Direction & Operations - \$100,000
- ▶ Departmental Services - \$100,000
- ▶ Supervision of the General Property Tax Law - \$100,000
- ▶ Tax Administration Services - \$100,000
- ▶ Forensic Science Commission - \$100
- ▶ **Total - \$650,100**

Transparency. Integrity. Service.

“As state treasurer I will focus on transparency, integrity and service delivery for taxpayers and policymakers. I want the department to be a resource in making sound policy judgements and to be a place that stakeholders feel they can approach to resolve issues in a collaborative way. I’ll also work to ensure that as a department we are always faithful stewards of public funds and the public interest. Further, I want to be forward thinking to ensure we have the right technology, people, and systems in place to make interactions with the department more positive.”

- *Rachael Eubanks, State of Michigan Treasurer*

Questions?