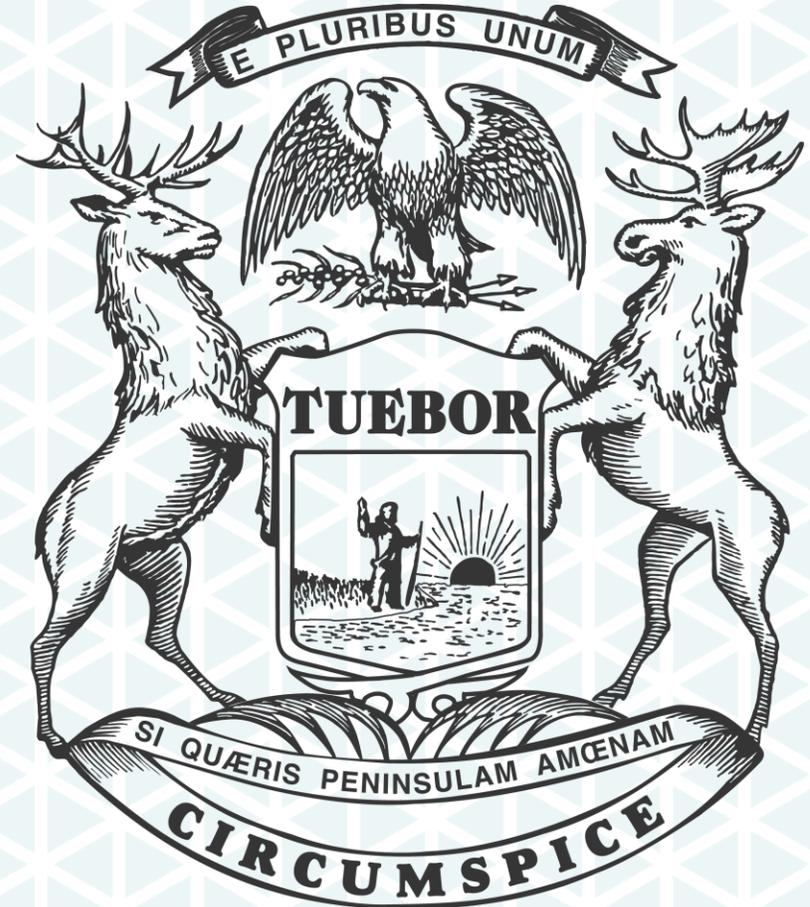


The FY27 Executive Budget Recommendation presentation, budget book, and accompanying documents are located at:

www.Michigan.Gov/MiBudget

#MiBudget



STATE OF MICHIGAN

EXECUTIVE BUDGET RECOMMENDATION

Fiscal Year 2027

JEN FLOOD
State Budget Director

KYLE GUERRANT
*Acting Director, Department of
Technology, Management, and Budget*



How Far We've Come

121,882 kids supported by free pre-K

Free school meals for 1.4M students

\$10,000+ per pupil, a 31% increase

106,300 students supported by the Michigan Achievement Scholarship

Ranked no. 6 nationally as a top state for business

\$2B roads package

Cut taxes for seniors and working families

67,220 new affordable housing units

\$28B in debt paid down and Credit rating upgrade

31% increase in revenue sharing

A Challenging Landscape



A Challenging Landscape

Federal and economic uncertainty

New costs and funding cliffs

Continued pressure from H.R. 1

Rising Health Care Costs

Rising health care costs are putting pressure on states

- Higher premiums and out-of-pocket costs affect families and employers
- Costs per person are increasing, even though Medicaid enrollment has decreased
- National Medicaid spending is projected to grow 8–9% annually despite declining enrollment

What this means for Michigan

- Remaining enrollees are older, sicker, and higher-acuity
- Aging population drives rising long-term care costs

Michigan runs a lean Medicaid program, but inflation and federal cost shifts limit the state's ability to contain costs through efficiency alone

H.R. 1 Overview

As health care costs are rising across the country, the federal government is passing the tab to states:

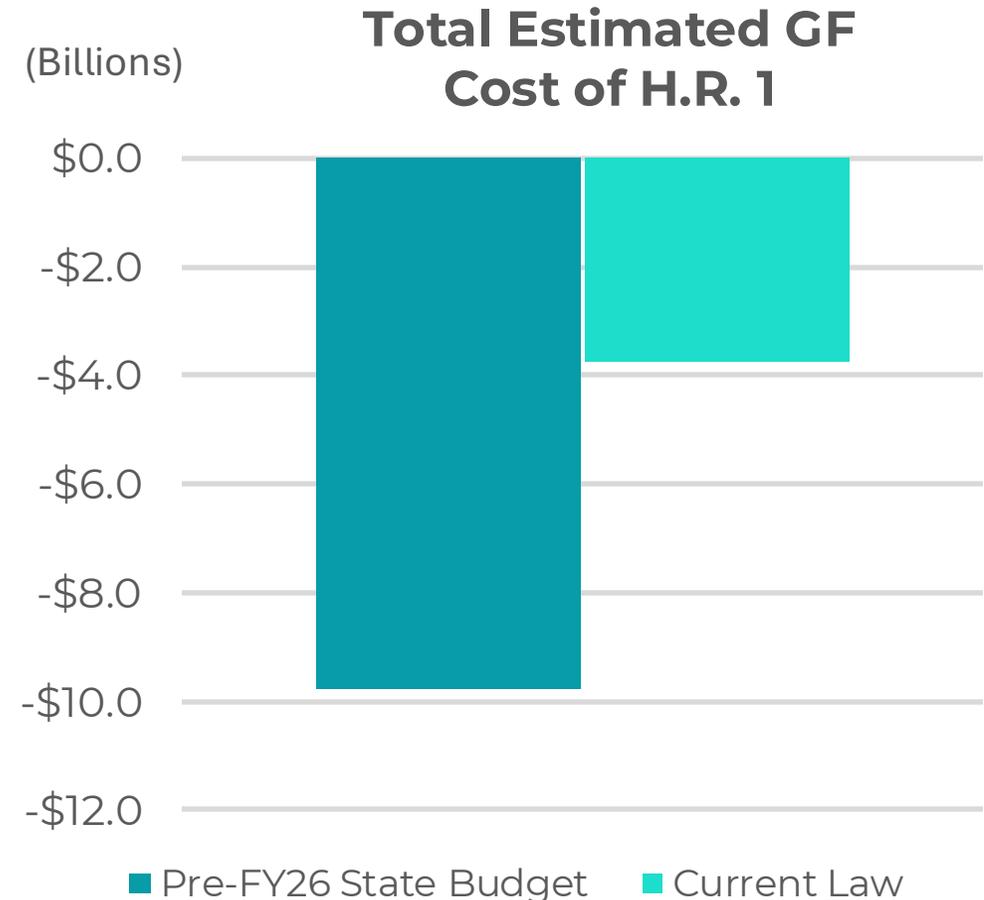
- Last July, Congress passed H.R. 1, which cut federal funding and shifted significant costs to states across the country
- When H.R. 1 passed, it immediately blew a \$1B hole in our budget
- While Michiganders continue to pay federal taxes, we all get less back in federal support, and the state pays more



Progress Made in FY26

Working together, we took steps to mitigate some of the impacts in FY26

- Decoupled from federal tax provisions, ensuring businesses could benefit from federal tax cuts while holding state programs harmless
- Protected \$2.7B in annual Medicaid funding
- Invested \$30M for SNAP error rate reduction
- Accomplished this while maintaining investments in priorities and passing a \$2B roads plan



Significant H.R. 1 Costs Remain

H.R. 1 is estimated to result in a nearly \$4B cost to the state through FY32, with costs increasing over time:

- Medicaid eligibility changes and SNAP admin cost-share (FY27)
- SNAP benefits cost-share (FY28)
- Medicaid financing and provider tax changes (FY28 and FY29)

The law also has significant impacts for Michigan outside of the state budget:

- 200,000 Michiganders could lose Medicaid coverage due to H.R. 1
- H.R. 1 did not extend marketplace subsidies, increasing the cost of coverage and decreasing enrollment by at least 6%
- H.R. 1 is projected to cost hospitals an estimated \$6.5B through FY32



National State Budget Outlooks

States around the country are facing similar pressures from rising health care costs and H.R. 1 implementation:

Kentucky	Proposing nearly \$1B withdrawal from rainy day fund
Washington	Proposing to end corporate tax exemptions and use \$1B in reserves
Alaska	Proposing new sales tax up to 4% and \$1.5B withdrawal from reserves
Delaware	Proposing an increase in tobacco taxes and business formation fees
South Dakota	Proposing no funding increase for K-12 students
Idaho	Exploring up to a 2% cut for K-12 students

The Challenges We're Addressing

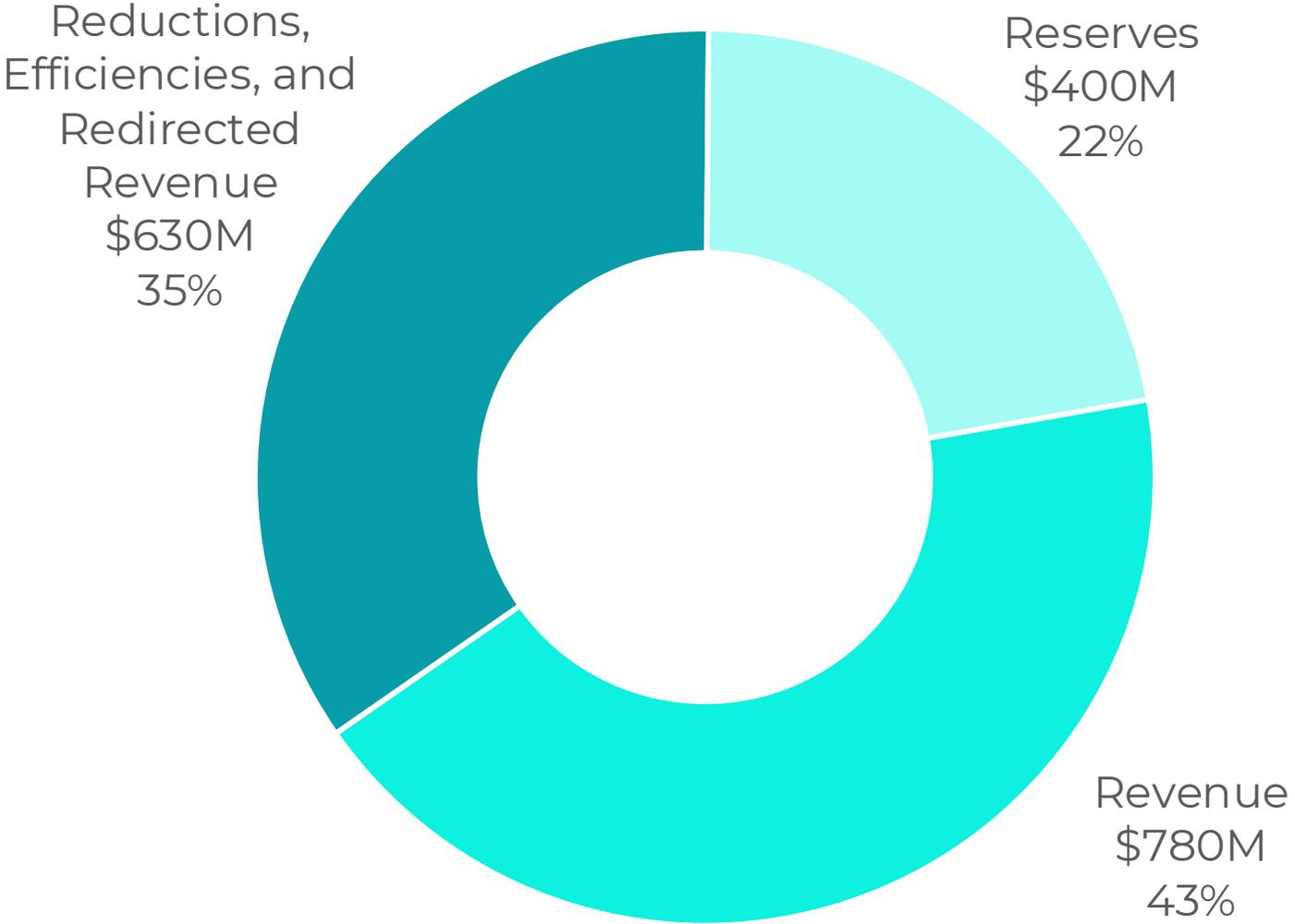
Michigan entered FY27 budget development facing a \$1.8B gap due to multiple pressures converging at once:

- Declining revenues and national economic softening reducing available resources
- Rising health care costs
- Direct fiscal impacts from H.R. 1 and other federal cost shifts
- Persistent inflation and ongoing cost pressures
- Critical investment needs that we cannot responsibly ignore

The FY27 Executive Budget Recommendation proposes a responsible mix of new revenues, reductions and efficiencies, and reserves to deliver a budget that benefits all Michiganders

Balancing the Budget

A responsible mix of new revenues, reductions and efficiencies, and reserves



Total: \$1.8B

Results That Last

The FY27 Executive Budget Recommendation focuses on:



Saving Michiganders Money



Creating Jobs and
Growing the Economy



Ensuring Every Kid Reads,
Eats, and Succeeds



Keeping Communities Safe



Protecting Medicaid
and Health Care



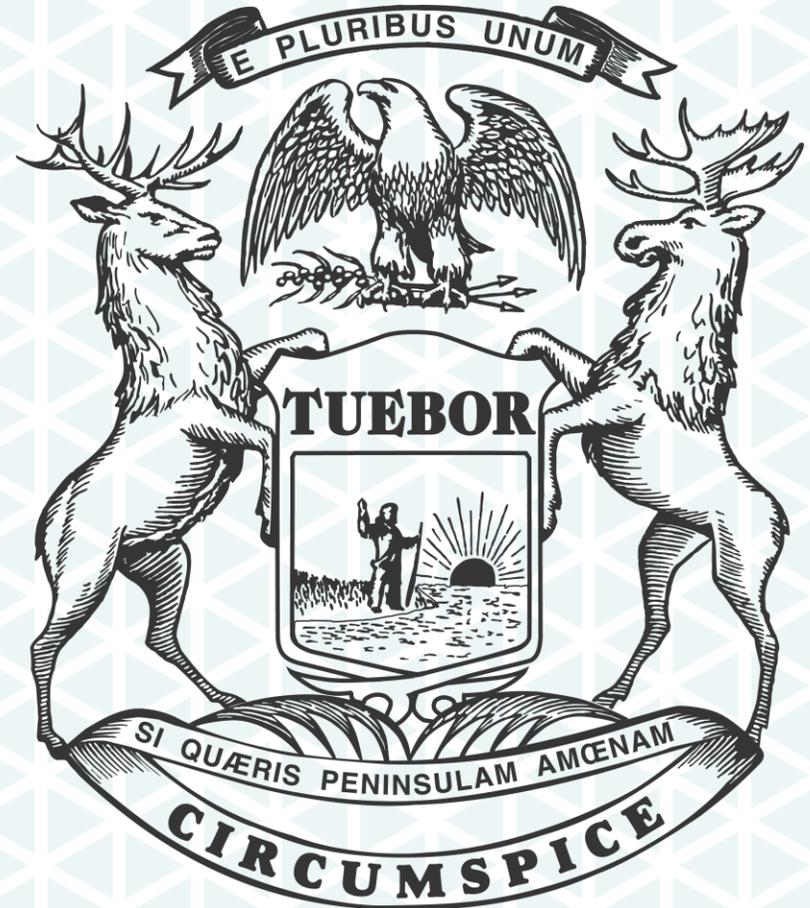
Effective and Efficient
State Government

This budget proposal responsibly balances efficiencies, revenue increases, and investments to continue delivering results for the priorities that matter most to Michiganders

FISCAL YEAR 2027 EXECUTIVE BUDGET RECOMMENDATION

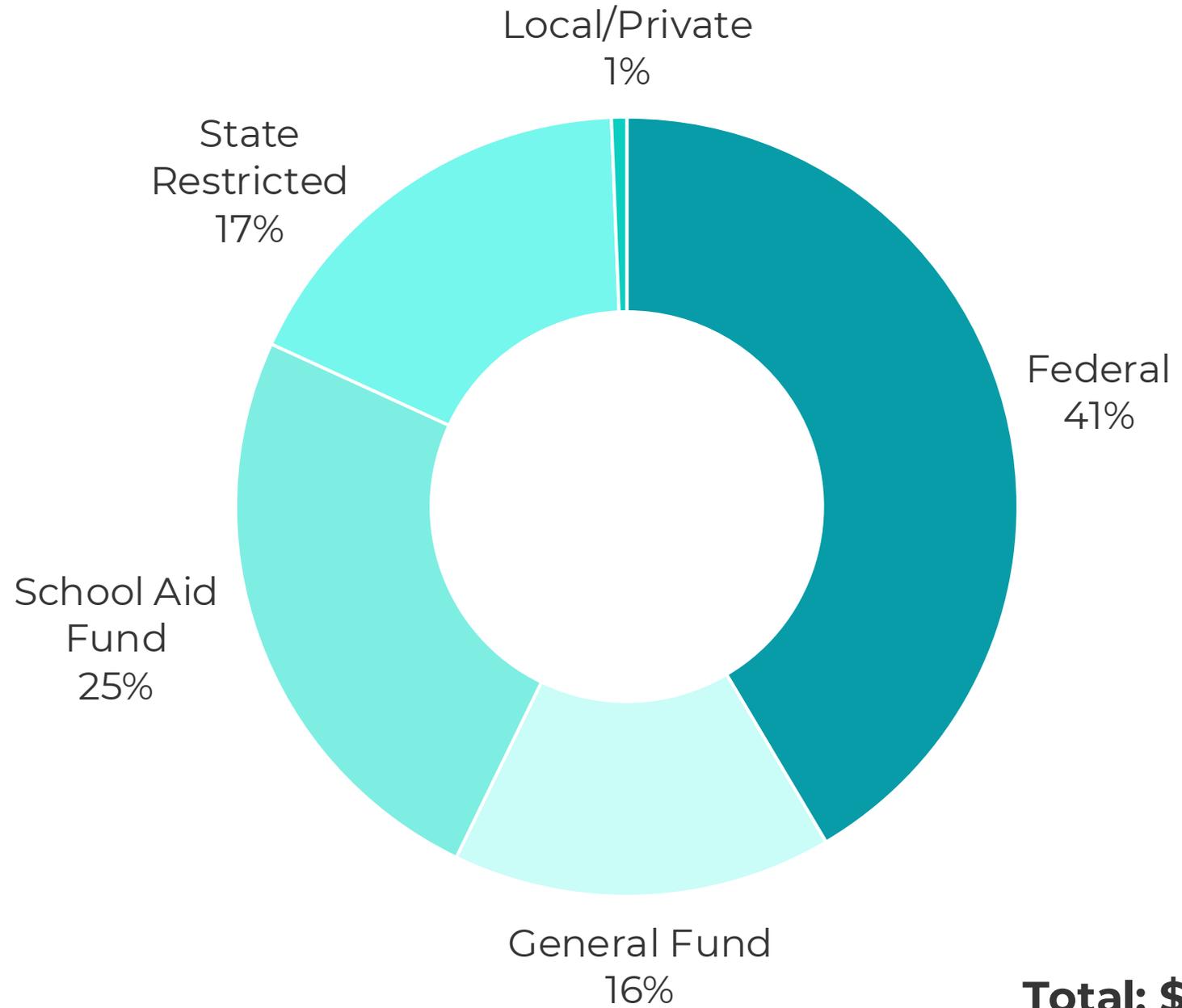
Kyle Guerrant

*Acting Director of the Department of
Technology, Management, and Budget*



Total Budget

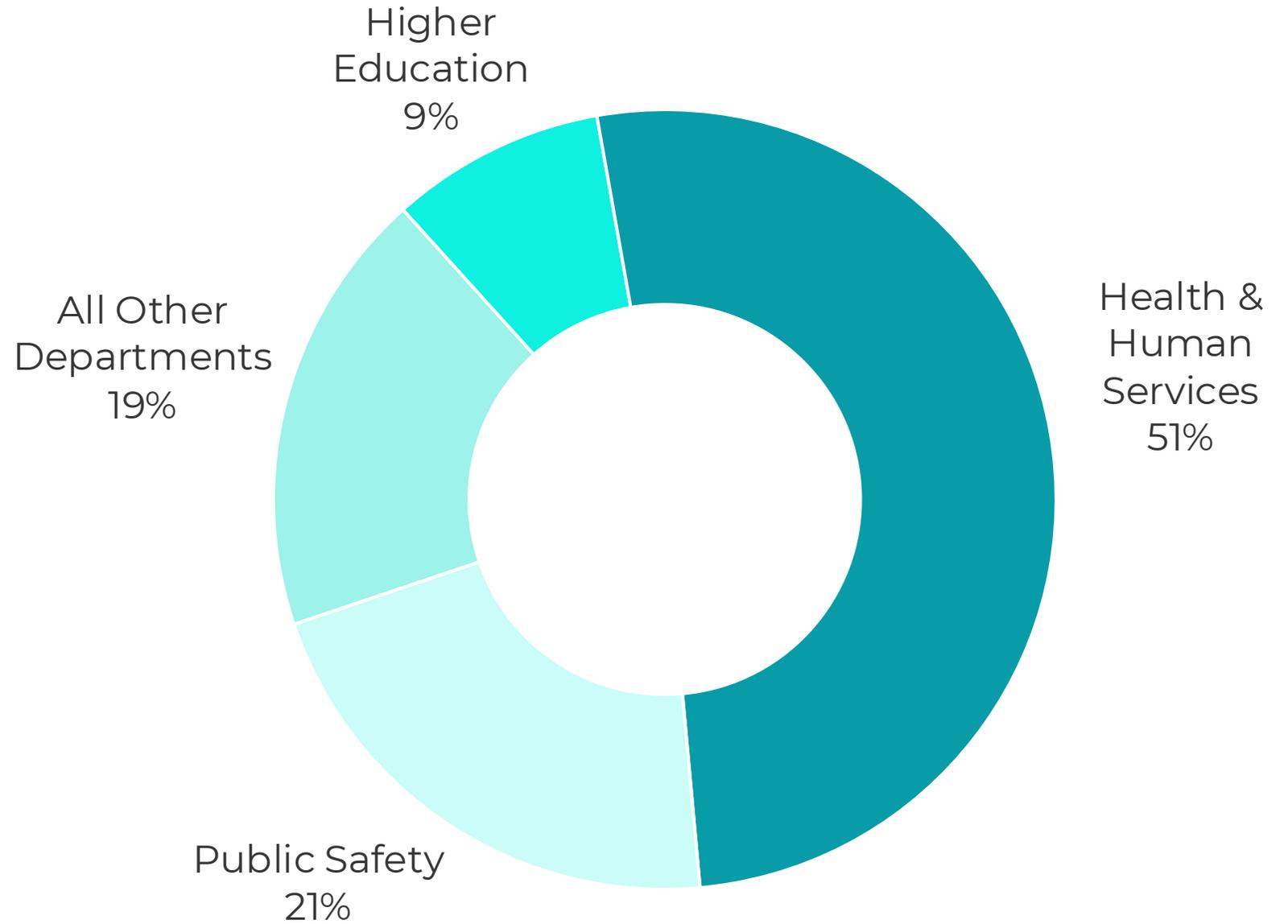
By Source



Total: \$88.1B

Total General Fund

By Category



Total: \$13.6B

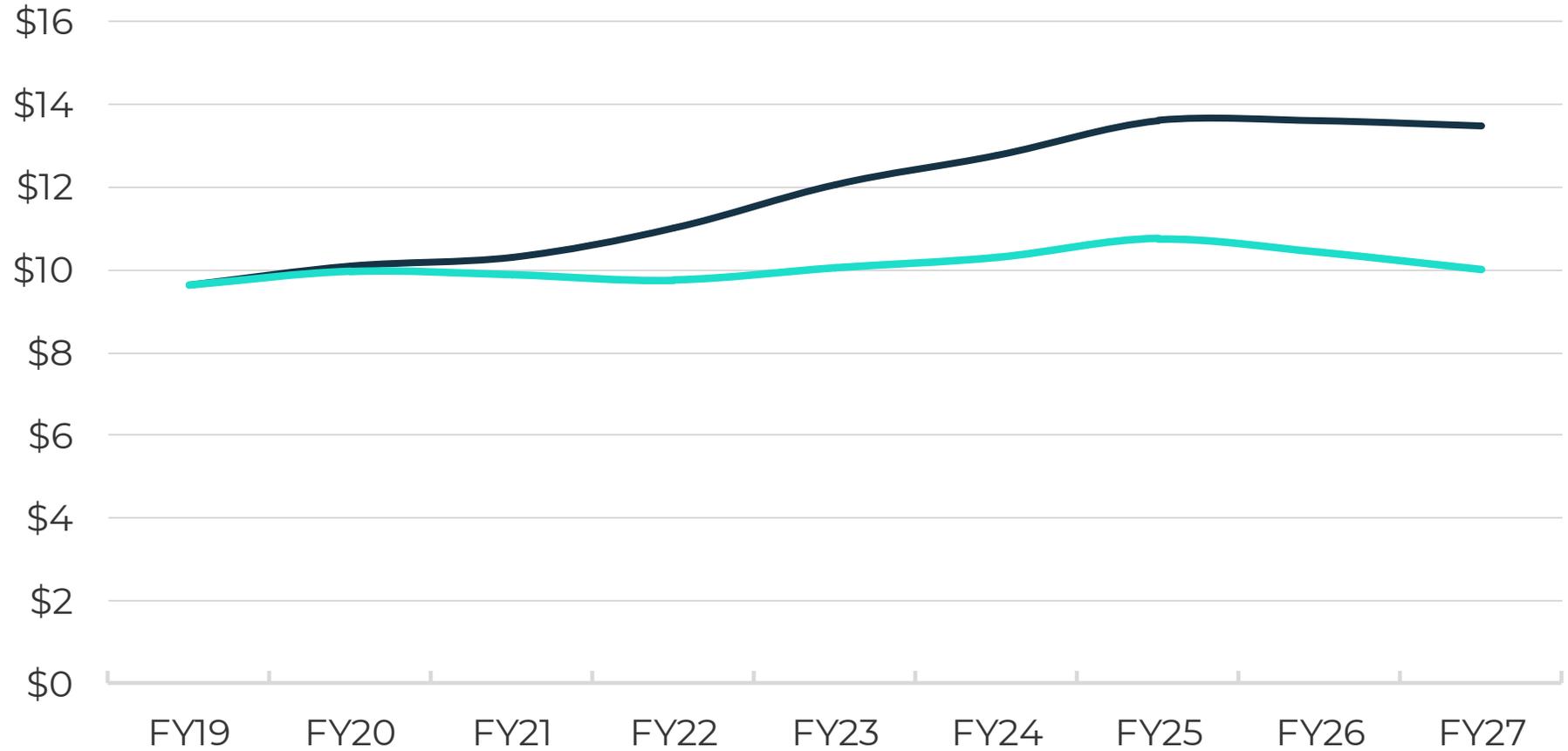
General Fund Over Time

Adjusted for Inflation



Amount
(Billions)

Inflation-adjusted GF increases 4.1% from FY19-FY27



— GF Spending

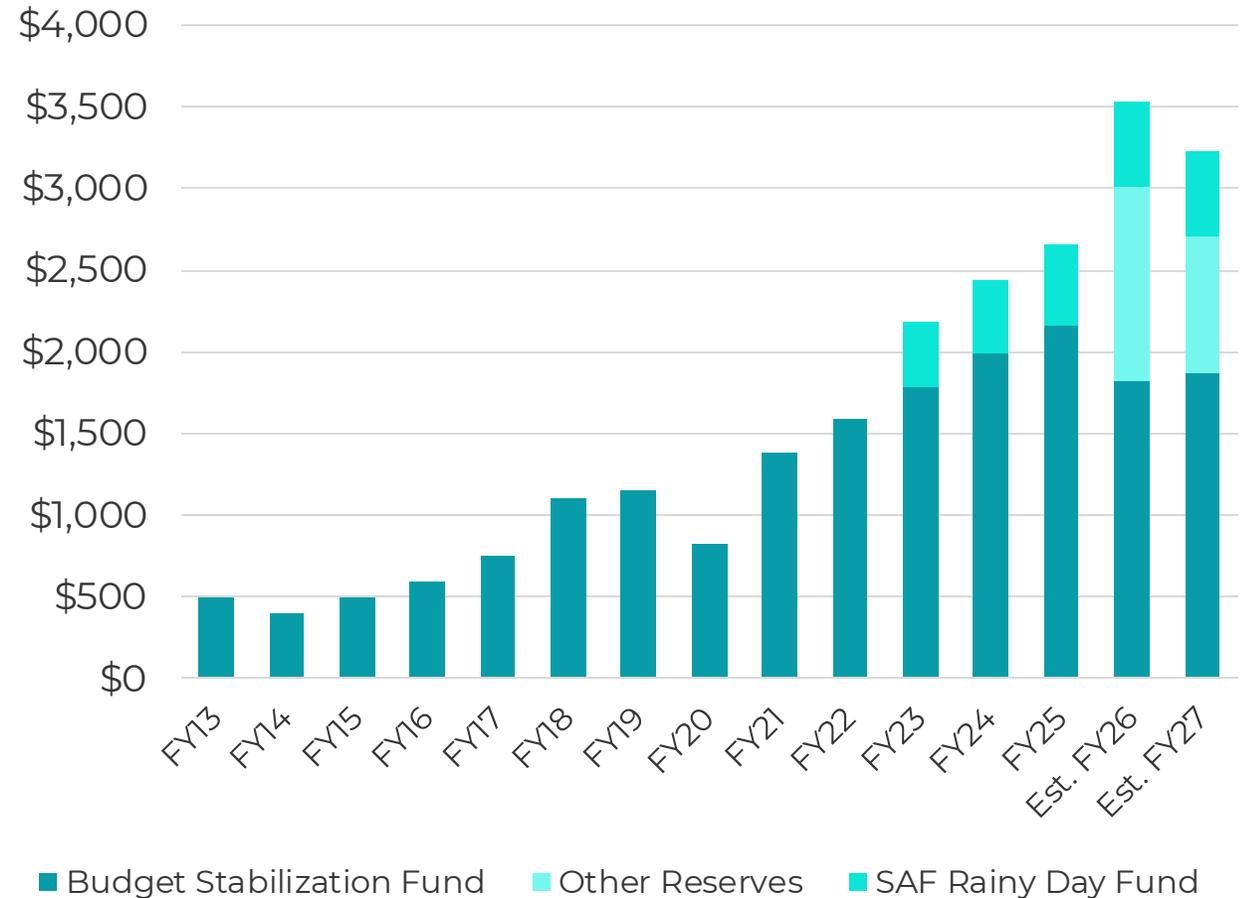
— Inflation Adjusted GF Spending

Fiscal Responsibility

- Seven balanced, bipartisan budgets passed
- From the Governor's first budget through her FY27 recommendation, the state will have paid down more than \$28B in debt
- Credit rating upgrade
- This recommendation includes a \$400M withdrawal from the Budget Stabilization Fund in FY26
- Reserve balances have more than doubled since the Governor took office

Amount
(Millions)

Reserve Balances



Saving Michiganders Money



An Affordable Education

- **More Than \$50,000 in Savings Per Child Over the Course of Their Education**

Michigan's continued investments in education reduce costs for families from preschool through postsecondary education

- Up to \$14,000 per child through free, high-quality preschool for every four-year-old
- Approximately \$1,000 per year in grocery savings through free school meals for all public school students
- More than \$27,000 towards a bachelor's degree through the Michigan Achievement Scholarship. Including a tuition-free associate degree or certificate at any Michigan community college

- **Sales Tax Savings in Action**

Provides a sales tax holiday to offer back to school savings beginning in 2026



Relief that Makes a Difference

- **Relief For Working Families**

Continues support for the Working Families Tax Credit, delivering an average of \$3,900 combined federal and state for approximately 665,000 working families

- **Tax Exemptions on Tips and Overtime**

Continues tax exemptions on overtime that will save nearly 500,000 Michiganders an average of \$500 a year on their state taxes, and continues tax exemptions on tips to help up to 300,000 Michiganders save roughly \$400 a year on their state taxes

- **Repealing the Retirement Tax**

Sustains expanded retirement tax credits, putting \$1,000 back in the pockets of almost 500,000 Michigan senior households

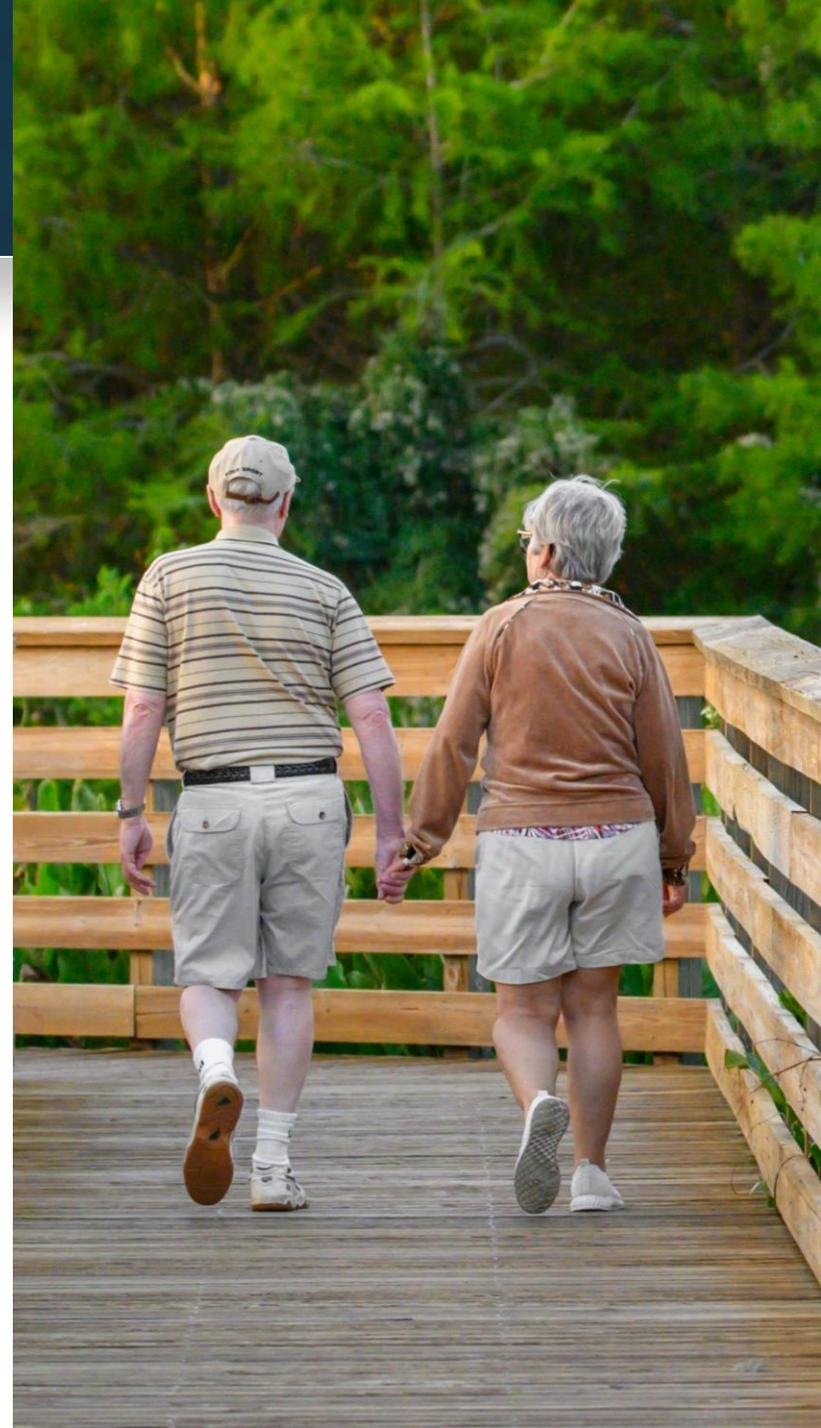
- **Deductions for Social Security**

Continues deductions for tax on Social Security benefits, saving up to 40,000 Michiganders an average of \$500 a year on their state taxes



Property Tax Relief for Seniors

- Rising housing costs and inflation continue to strain household budgets
- Property taxes represent one of the largest ongoing expenses for homeowners on fixed incomes
- The FY27 budget proposal provides targeted relief to approximately **335,000 seniors**, helping offset recent cost increases and improve housing stability
- The expanded credit will offer an average savings of **\$345 per year for eligible households**



Every Kid Reads, Eats, and Succeeds



Improving Student Literacy

In FY27, nearly \$625M will support student literacy

- **Investing in Every Student – \$325M ongoing**
Increases per-pupil funding by 2.5%, for a total of \$10.4B, or \$10,300 per pupil in FY27 — an overall increase of 31% since 2019
- **Coaching Improved Literacy – \$10.5M ongoing**
Increased support for literacy coaches by \$10.5M to \$52.5M. With this increase, total funding for literacy coaches is \$52.5M which supports 420 coaches across the state, an increase of 327 coaches since the Governor took office.
- **Implementing Tested Curriculum – \$100M one-time**
Provides grants to school districts, allowing them to purchase and implement high-quality literacy programs
- **Giving Teachers the Tools They Need – \$50M one-time**
Provides educators with LETRS training to strengthen teacher expertise in the science of reading



Foundational Supports for Early Learning

Early Childhood Education – \$176M Total

- **Pre-K for All – \$143M**

Expands access to high-quality preschool statewide by increasing per-child investments, adding classroom capacity, and supporting transportation, bringing total support to \$764.7M

- \$100M to increase per-child funding and expand slots
- \$25M for startup grants to open 1,000 additional classrooms
- \$18M for transportation to improve access

- **Supporting Families with Young Children – \$33M**

Connects families to resources and extends learning beyond the classroom

- \$30M for regional family support services
- \$3M to expand the Michigan Learning Channel



More Support for the Students Who Need It Most

- **Academically At-risk Students – \$79M ongoing**

Increases support for academically at-risk students. Support for at-risk students totals almost \$1.4B and has increased by \$850M, or 65%, since 2019.

The FY27 recommendation advances this effort through a transition to a weighted per-pupil funding model, increasing support for economically disadvantaged students and English language learners and rolling key categorical grants into the foundation allowance

- **Special Education Students – \$123M ongoing**

Expands support for special education students, a 7.3% increase in the state allocation from adjusted current law levels for a total of \$2.9B in FY27



Helping Students Succeed

- **Before and After School Programs – \$50M ongoing, \$85M one-time**
Increases support for before and after school programs to \$135M to help students engage and grow outside of the traditional class setting
- **Ensuring Mental Health and Safety at School – \$50M ongoing, \$250M one-time**
Provides \$300M in additional mental health and school safety resources for districts. With this investment and other ongoing supports, total school mental health funding will reach approximately \$440M in FY27 — more than twelve times the \$35.6M invested in FY19.



Higher Education

- **Continuing Operations Support – \$2.1B ongoing, \$63.3M one-time**
Sustains operations support for universities and community colleges at current levels
- **Scholarships & Financial Aid – \$753M ongoing**
Continues scholarship support to provide Michiganders with an affordable pathway to a degree through programs like the Michigan Achievement Scholarship including the Community College Guarantee, and the Tuition Incentive Program
- **Reconnect at 21 – \$25M ongoing**
Lowers the Michigan Reconnect age threshold from 25 to 21 years to improve eligibility and provide scholarship support to more Michiganders
- **ITEMS – \$60M one-time**
Supports infrastructure, technology, equipment, maintenance, and safety improvements that strengthen university and community college campuses and student success



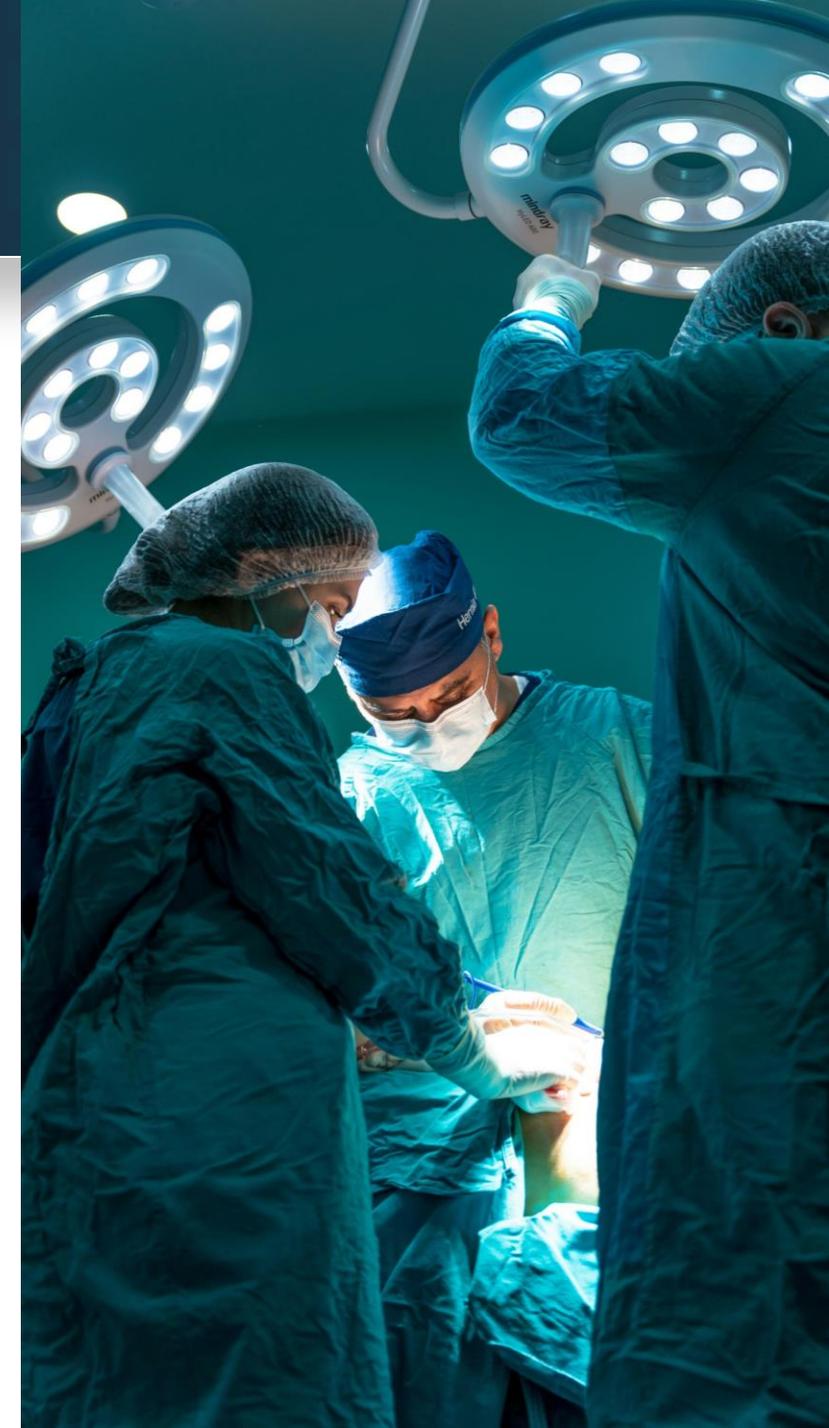
Protecting Medicaid and Health Care



Medicaid in Michigan

Michigan's Medicaid Program

- Medicaid is a joint federal-state program providing free or low-cost health coverage
- For many, Medicaid is the only realistic option for health coverage
- In Michigan, Medicaid provides health care coverage for one in four people—more than 2.5 million Michiganders, including:
 - 1 million children
 - 300,000 people with disabilities
 - 168,000 seniors
 - 675,000 adults on the Healthy Michigan Plan
- 45% of births in Michigan are covered by Medicaid



Protecting Access to Care

Ensuring Medicaid Sustainability

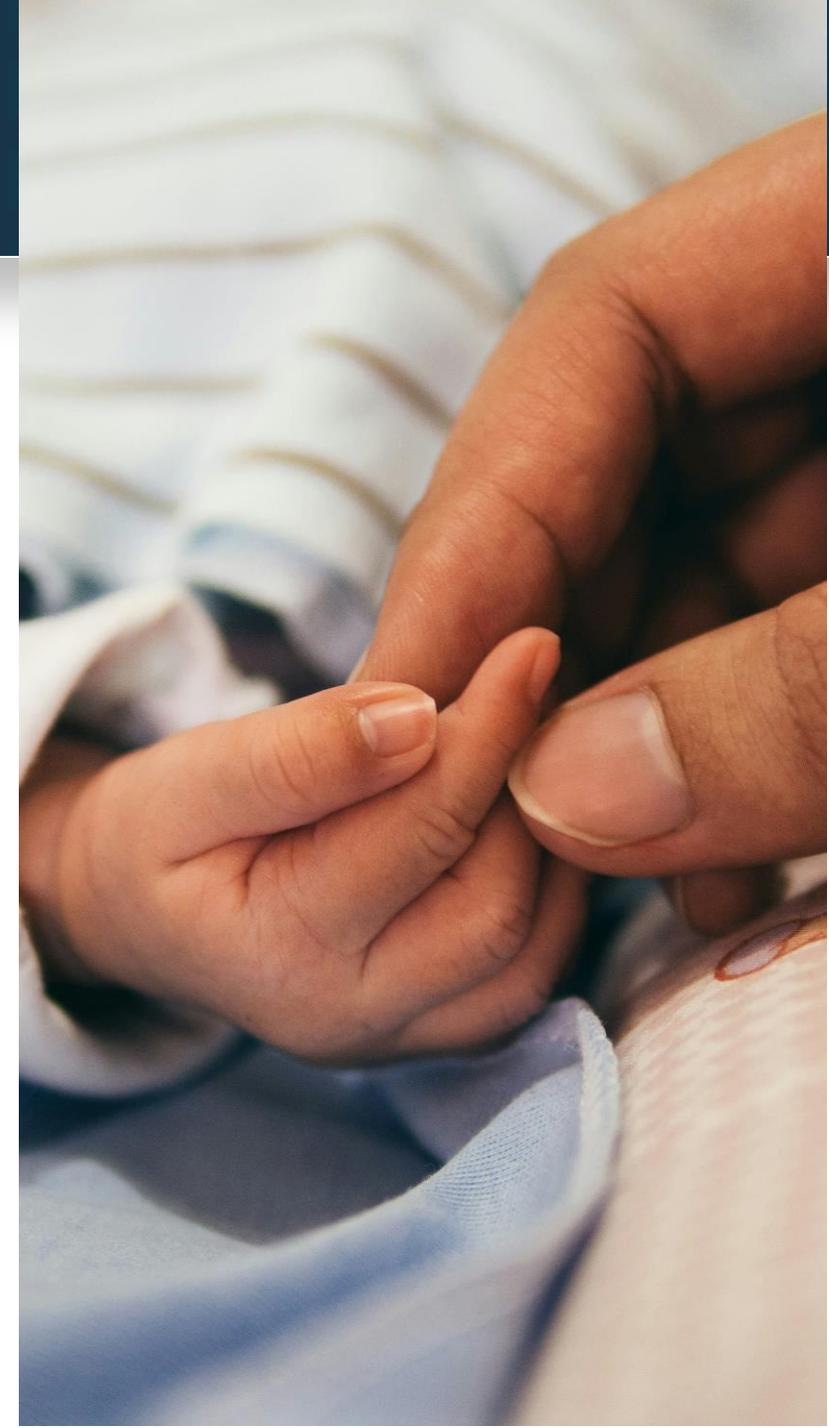


The FY27 Executive Budget Recommendation secures new revenue to preserve health coverage for eligible Michiganders and proposes cost efficiency measures for program sustainability:

- **Modernizing Tobacco Taxes – \$232M revenue**
Updates Michigan’s tobacco tax rates to be more consistent with other states, generating dedicated revenue to sustain Medicaid coverage while reflecting regional market standards
 - **Creating Parity for Nicotine Products – \$73.6M revenue**
Closes tax loopholes on non-tobacco nicotine products and establishes a 57% wholesale tax on electronic cigarettes and vaping products to ensure consistent treatment and disincentivize nicotine use
 - **Aligning Online Gaming Revenue – \$192.8M revenue**
Updates Michigan’s iGaming tax structure, including new top-tier rates for the largest providers and adjustments to free-play deductions, to better align with other states and ensure growing online gaming revenues help support Medicaid
 - **Digital Advertising – \$282M revenue**
Imposes a modest 4.7% gross receipts tax on advertising across all media platforms, similar in structure to a sales tax, to ensure today’s advertising economy contributes to essential health care services
-
- **Medicaid Sustainability – \$150M savings**
Efficiency savings identified in collaboration with key stakeholders to address costs, accountability and resource effectiveness

Healthy Families

- **Enhancing Community Health – \$3.1M ongoing, \$1M one-time**
Improves access to coordinated, culturally responsive care through expanded community health workers
- **Protecting Public Health and Disincentivizing Nicotine Use – \$21.4M ongoing revenue**
Supports prevention, smoking and vaping cessation, and mental/behavioral health support for Michigan children through the Healthy Michigan Fund from a portion of vape tax revenues
- **Psychiatric Care Capacity – \$72.2M ongoing, \$7.2M one-time**
Expanding behavioral health care and capacity through the new state psychiatric hospital



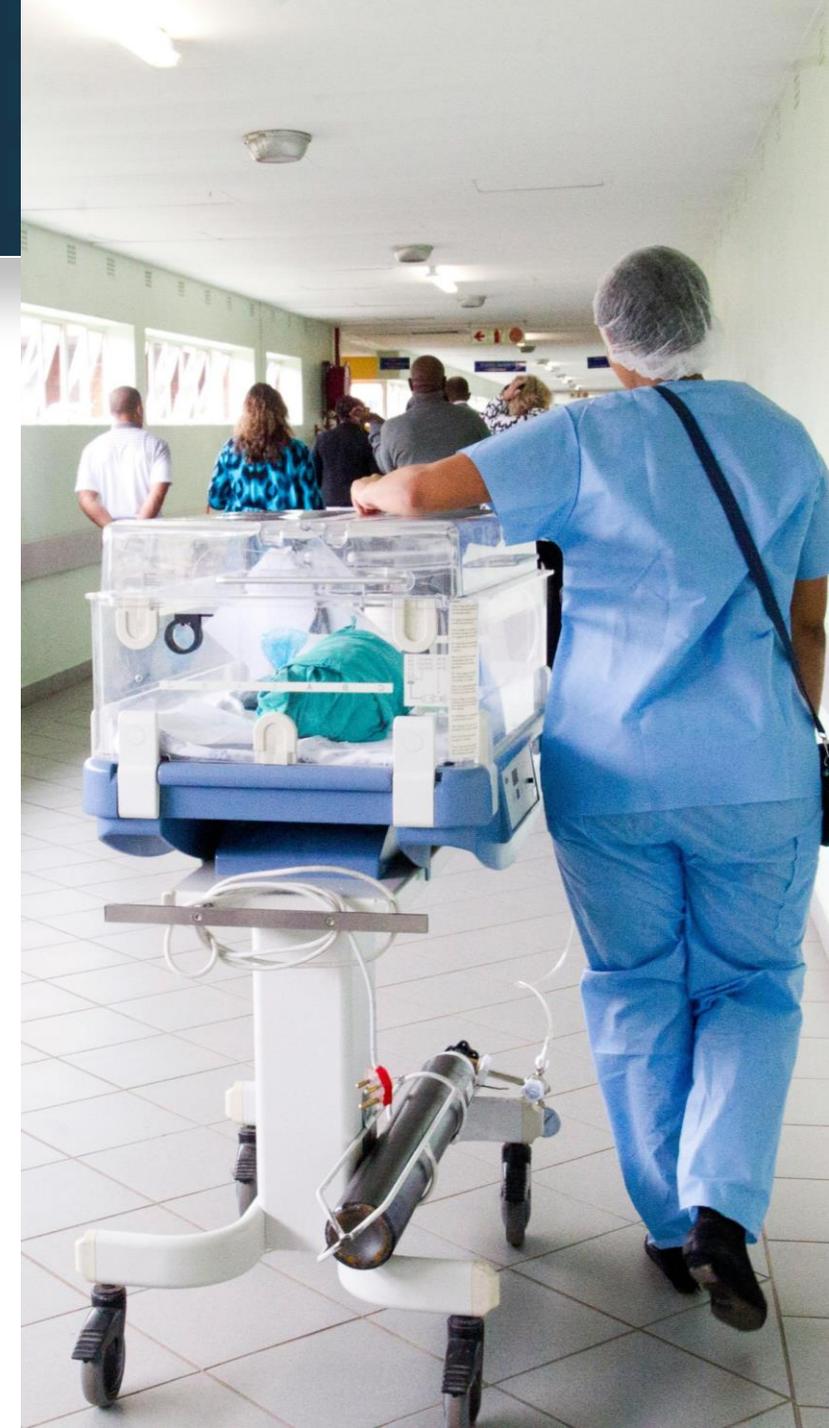
Health Care Workforce

- **Improving Wages for Direct Care Workers – \$351.8M ongoing**

Maintains a \$3.40 per hour wage enhancement and supports paid sick leave for more than 160,000 direct care workers, helping providers recruit and retain the workforce that Michiganders rely on

- **Improving Nursing Home Care – \$10M one-time**

Deploys civil monetary penalty revenue to stabilize staffing levels, enhance training, and improve quality of care for nursing home residents across Michigan



Protecting Access to Care and Food Security

H.R. 1 Implementation

The FY27 Executive Budget Recommendation makes investments to ensure compliance with federal changes while supporting Michiganders in meeting Medicaid and SNAP work requirements:

- **SNAP Admin – \$94.3M ongoing**
State administrative cost-share increases from 50% to 75%
- **New Medicaid and SNAP Requirements**
 - **DHHS – \$60.4M ongoing**
Funds staff and beneficiary support to implement new federal requirements
 - **LEO – \$30M ongoing**
Provides job search and training, employment services, and registered apprenticeships to help residents meet new work requirements
 - **DTMB – \$2M ongoing**
Enhances enterprise data-sharing to streamline verification and ensure efficient compliance



Creating Jobs and Growing the Economy

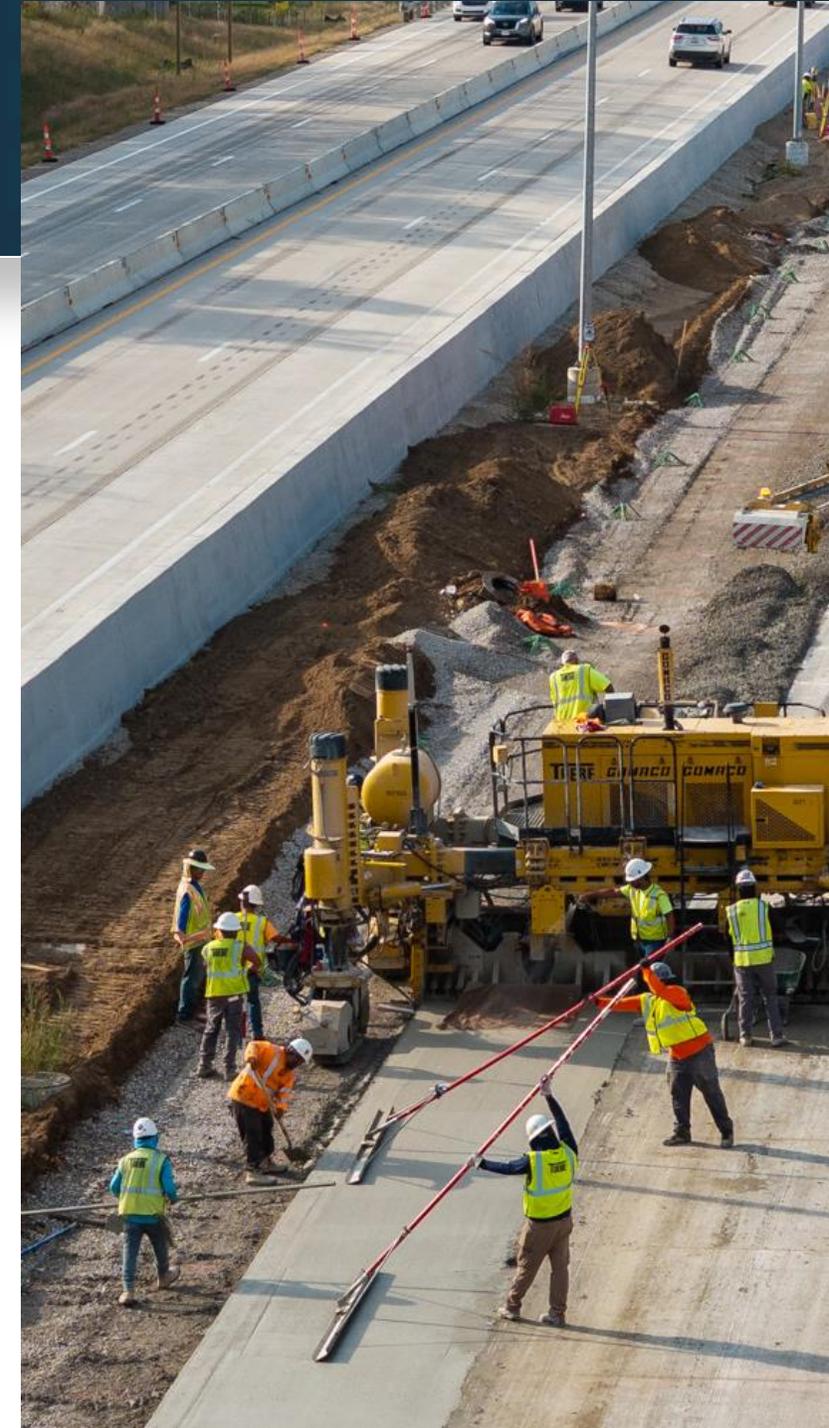


Sustainable Road Funding

- **Implementing a Long-term Roads Package – \$1.6B in FY27**

Launches the first full year of a sustainable, long-term road funding package, delivering on Governor Whitmer's promise and benefiting every driver and community across Michigan

- \$2B delivered to improve Michigan's roads once fully phased in, with the majority going to local roads
- \$100M to repair and replace local bridges, improving safety and reliability for drivers
- \$40M for rail grade separation projects to reduce congestion and improve safety at crossings
- \$100M for public transit, supporting new infrastructure projects and local bus operations
- Supports an estimated 30,500 jobs annually
- ***When new resources from the roads package are combined with existing support, over \$5.8B in support for roads, bridges, and transit is recommended in the Governor's fiscal year 2027 budget***



Growing and Diversifying Jobs

- **Special Event and Convention Attraction – \$6M one-time**
Brings major events and conventions to Michigan, supporting tourism and small businesses
- **Pure Michigan – \$16M ongoing**
Sustains support for Pure Michigan and enhances the state's tourism marketing initiatives
- **Strengthening Port Infrastructure – \$5.3M ongoing**
Establishes a Maritime and Port Facility Office to coordinate port activity, administer grants, and position Michigan to attract federal and private investment
- **Business Attraction and Community Revitalization – \$59.4M ongoing**
Continues support for Michigan's business attraction and community revitalization programs to incentivize job creation, investment and revitalize blighted properties



Growing Michigan's High-Tech Jobs

- **Aerial Innovation – \$5M one-time**
Provides resources for the Office of Future Mobility and Electrification, advancing aviation and drone initiatives that drive innovation, economic growth, and workforce development in Michigan
- **Growing Defense-Based Industries – \$1M one-time**
Brings total support for the Michigan Office of Defense and Aerospace Innovation to \$5M, advancing programs that foster innovation, create jobs, and grow Michigan's defense and aerospace industries
- **Powering Maritime Manufacturing – \$5M one-time**
Supports Michigan's maritime manufacturing workforce and defense industry growth



Vibrant Communities

- **Strategic Site Readiness – \$150M one-time**
Invests in public infrastructure to create a statewide inventory of development-ready sites to attract investment and create jobs, preparing sites in Michigan for future development or redevelopment
- **Michigan’s Art and Culture – \$10M one-time**
Restores state support for arts and cultural programs, helping communities access exhibitions, performances, and creative opportunities
- **Housing and Community Development – \$50M ongoing**
Continues support to address affordable housing needs by supporting neighborhood revitalization, infill housing development, and other locally driven housing solutions



Keeping Communities Safe



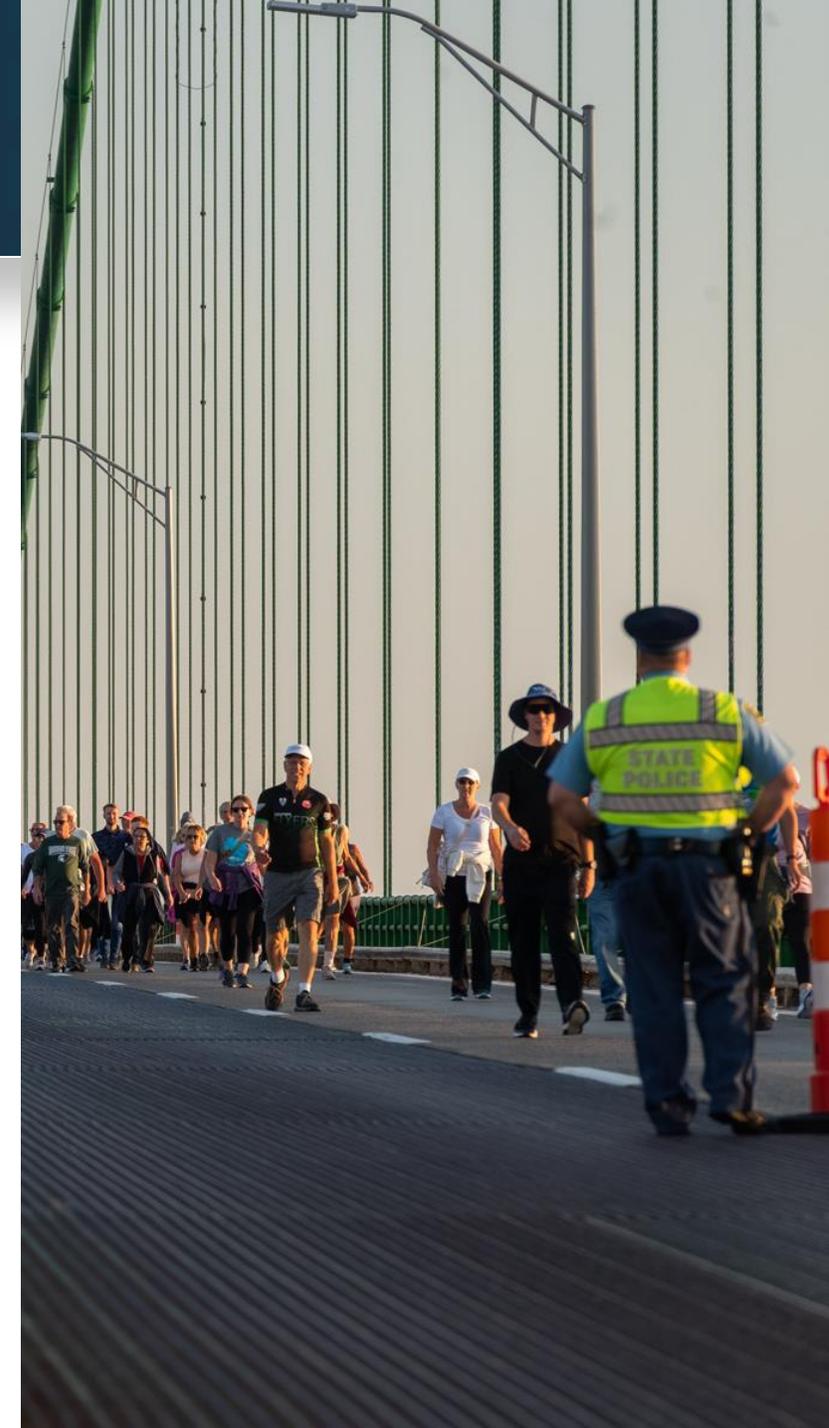
Safer Communities

- **Revenue Sharing – \$1.7B ongoing**
Sustains revenue sharing to help counties, cities, villages, and townships ensure public safety and improve the quality of life for residents
- **Public Safety Revenue Sharing – \$50M ongoing**
Distributes funds to cities, villages, and townships to enhance public safety and prevent violent crime
- **Gun Violence Prevention Taskforce – \$2.5M one-time**
Supports the recommendations of the statewide gun violence prevention task force focused on safety and prevention

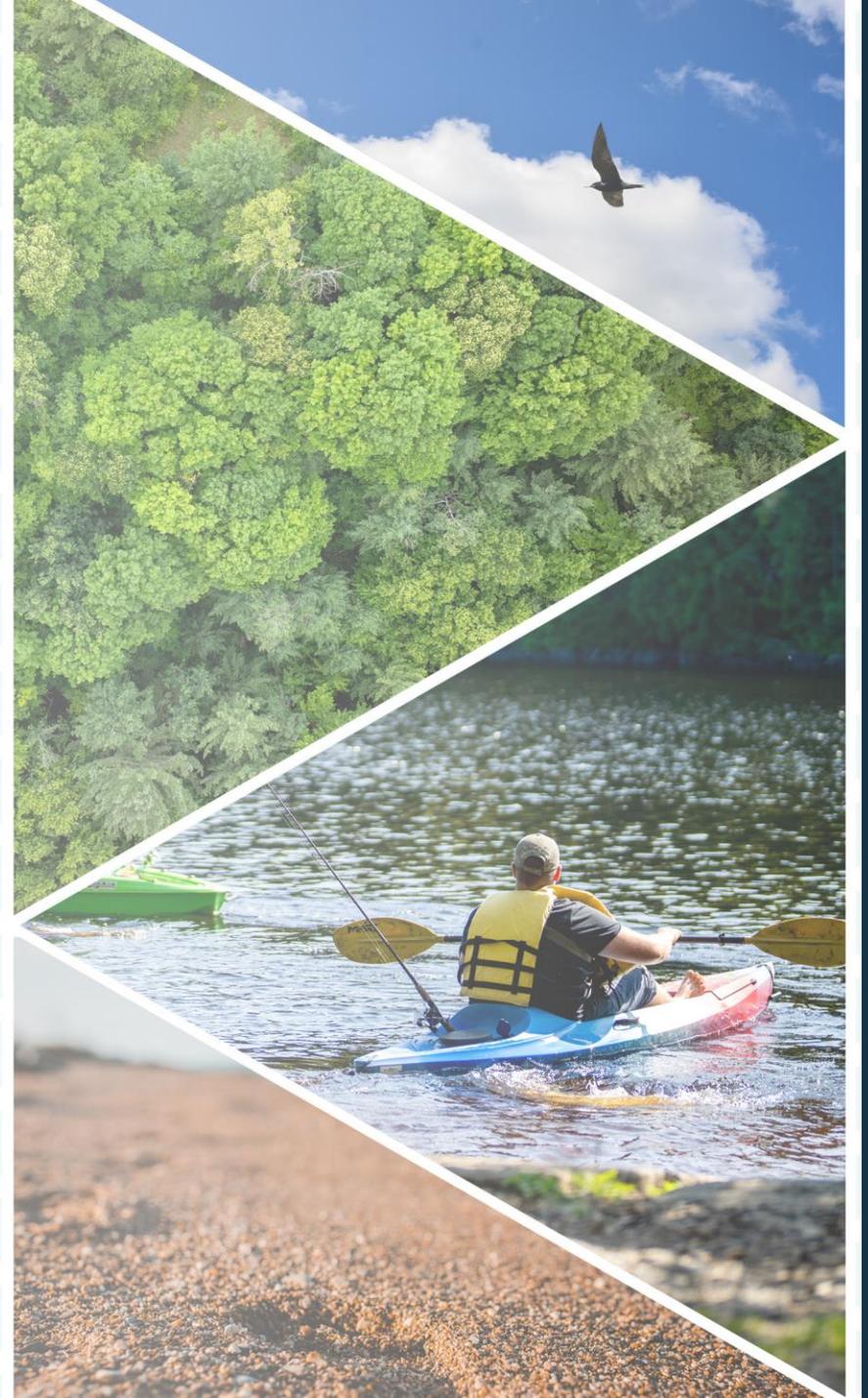


Protecting Public Safety

- **Statewide Emergency Communication – \$6.7M ongoing**
Increases support for Michigan's Public Safety Communication System, for a total of \$58.6M, keeping 2,600+ public safety agencies connected
- **Local Infrastructure Preparedness and Protection Program – \$2M one-time**
Identifies vulnerable communities and supports local adaptation strategies to reduce risk and costs
- **Supporting Local Ambulance Partners – \$31.5M ongoing**
Maximizes federal resources to ensure continued support for local ambulance services
- **Firefighter Training – \$346,000 ongoing**
Increases support for firefighter training and maintains \$2.3M to help local fire departments improve safety and emergency response through professional training



Michigan's Air, Land, and Water



Investing in Natural Resources

- **Protecting Michigan from Out-of-State Waste – \$80M ongoing**
Cleans up contaminated sites and brings Michigan's tipping fee in line with other Midwest states when it comes to out-of-state trash haulers
- **Ensuring Access to Clean Drinking Water – \$399M ongoing**
Continues to invest in clean drinking water, local water systems, and lead service line replacement – maximizing the use of federal funds
- **Recreation and Infrastructure – \$17M ongoing**
Directs a constitutionally required share of transportation fuel tax revenue to support boating access sites, harbors, and vehicle and snowmobile trail development and maintenance



Making Recreation More Accessible

- **Expanding Access to Recreation at State Parks – \$29.8M ongoing revenue**
Updates game, fishing, and boating fees to fund state park improvements, so more Michiganders can experience the natural wonders of Michigan's great outdoors
- **Protecting Public Resources in the Upper Peninsula – \$6.5M one-time**
Preserves 22,649 acres of forestlands in the Keweenaw Heartlands as a public resource
- **Qualified Forests Program – \$300,000 ongoing**
Strengthens stewardship of private forests through continued grants, site visits, and conservation district support
- **Detroit River Boating Access – \$271,300 ongoing**
Preserves and improves a well-used public harbor while expanding state access along the Detroit River

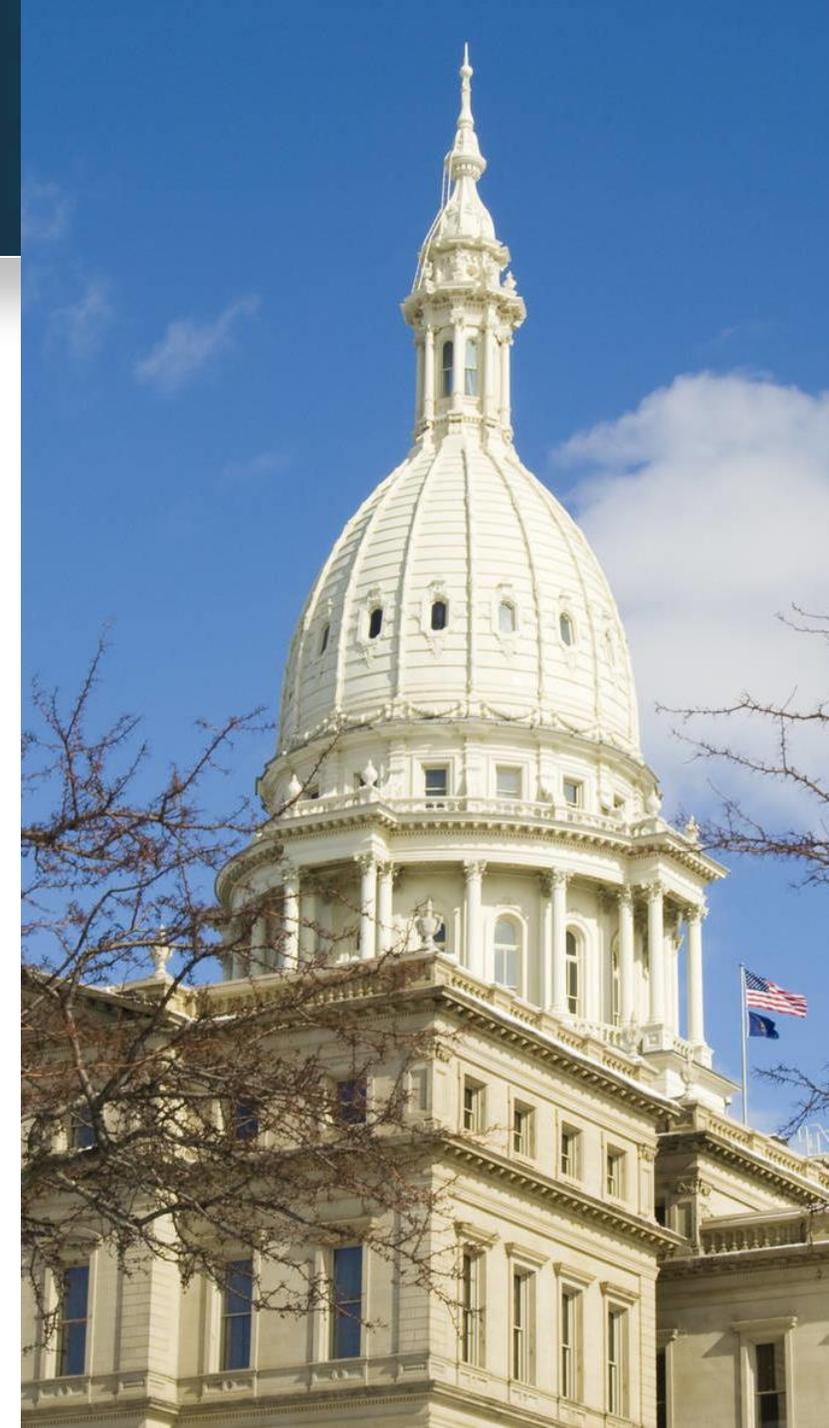


Effective and Efficient State Government



Efficient, Effective Government

- **Statewide Judicial Case Management System – \$17.3M ongoing**
Supports continued expansion of the statewide judicial case management system, improving efficiency and consistency across trial courts as additional courts come online
- **Strengthening Oversight & Accountability – \$491,100 ongoing**
Creates an internal compliance and risk management team to improve oversight, reduce audit risk, and strengthen service delivery across LARA programs
- **Preventing Fraud – \$466,000 ongoing**
Enhances safeguards to prevent fraud and ensure payments are accurate and appropriate
- **Strengthening the Election Equipment Reserve Fund – \$43.2M one-time**
Supports the Election Equipment Reserve Fund to enable local election administration and lifecycle maintenance of election equipment





CONTACT

[Michigan.gov/Budget](https://michigan.gov/Budget)

(517) 335-3420

Contact-SBO@michigan.gov