

Executive Budget Recommendation

FY 2022

State Budget Director David Massaron



Strategic Investments 2022

- **Education and Children**

- The past year has been particularly difficult on students, parents, and teachers. This budget sets forth a path to get our students back on track, strengthen support for educators, and provide resources to parents and children

- **Infrastructure**

- The number of unsafe roads, bridges, and environmental infrastructure in the state is unacceptable. This budget addresses our crumbling infrastructure and gets bridges back open in local communities

- **Public Health**

- There has never been a more critical time to examine our public health. This budget addresses the immediate needs of the current public health crisis, as well as on-gong measures that will ensure the health, equity, and safety of the state

Strategic Investments 2022

- **Clean Environment**

- Michigan's environment is one of the state's most valuable resources. Whether it is protection of our Great Lakes and wetlands, to ensuring the health of our drinking water and farmed goods, when we protect our environment, we all win. This budget provides strategic investments aimed at protecting the integrity of our natural areas

- **Opportunity**

- While the pandemic has created some challenges and uncertainties, this budget focuses on building opportunities for people and businesses so residents can reach their full potential

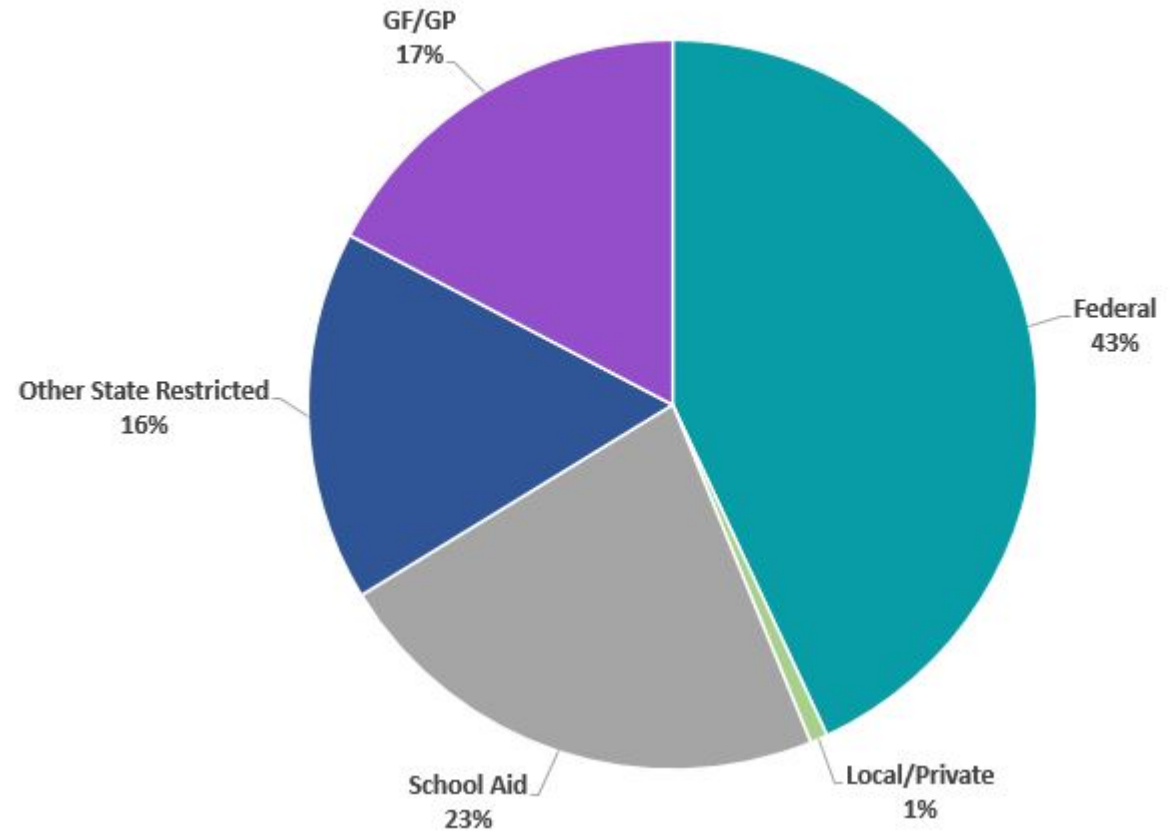
- **Fiscal Responsibility**

- The FY22 is a unique budget, as we find ourselves with an increase in one-time funding do to responsible budgeting. This budget recommendation places an emphasis on maintaining that fiscal responsibility by using one-time funding for one-time purposes and planning for our future

FY 2022 Budget

- Total budget \$67.1b
- General Fund \$11.4b
- School Aid Fund \$14.7b

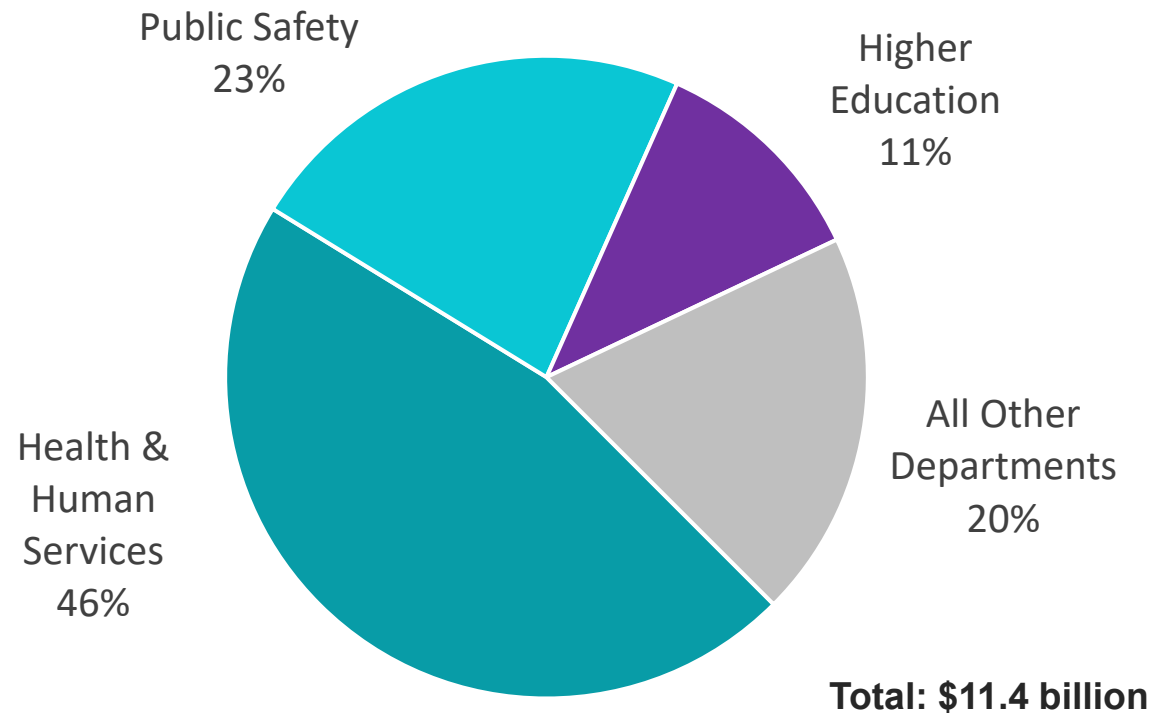
Total Budget by Source



General Fund Budget

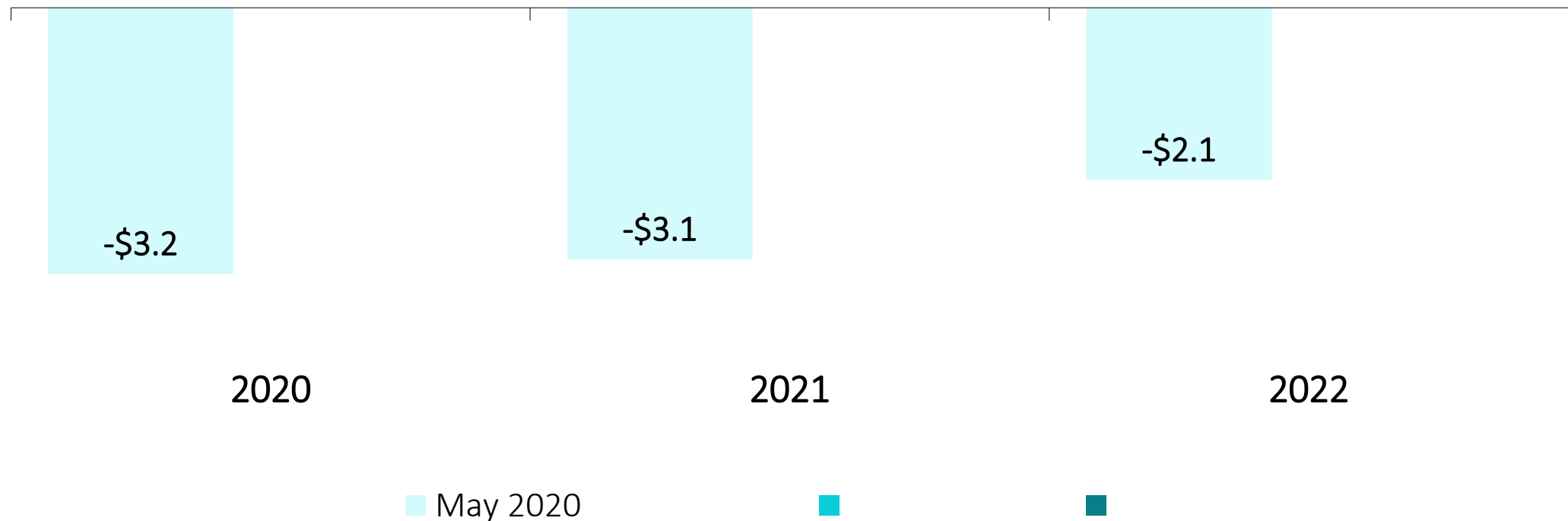
General Fund: 80% of GF/GP appropriations fund health care, the protection of vulnerable children and adults, public safety, and education.

Total General Fund by Category



Revenue Change from Jan. 2020 Forecast

General Fund and School Aid Fund Combined Revenue Drop Compared to
January 2020 Estimates
(Values in Billions)



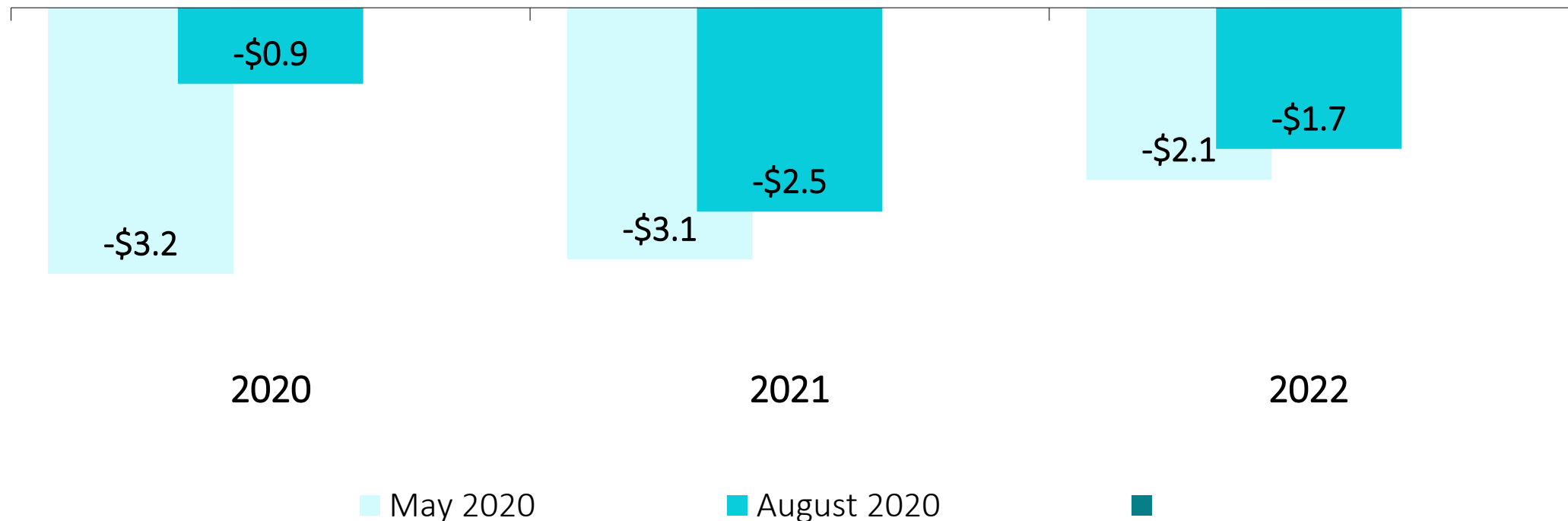
FY 2020 Budget Solution

Amounts shown in millions.

	GF/GP	SAF	Total
May 2020 revenue adjustments	(1,984)	(1,249)	(3,233)
Previously projected year-end balances/caseload adjustments	541	158	699
Shortfall	(1,459)	(986)	(2,445)
Savings from Enhanced Federal Medicaid (EFMAP) match	479	0	479
Replace GF and SAF with CRF	697	456	1,153
Department and Programmatic Reductions, generally one-time	483	75	558
GF Shift to SAF and \$350m BSF Withdrawal	(211)	561	350
BALANCE	5	1	6

Revenue Change from Jan. 2020 Forecast

General Fund and School Aid Fund Combined Revenue Drop Compared to
January 2020 Estimates
(Values in Billions)



FY 2021 Budget Framework

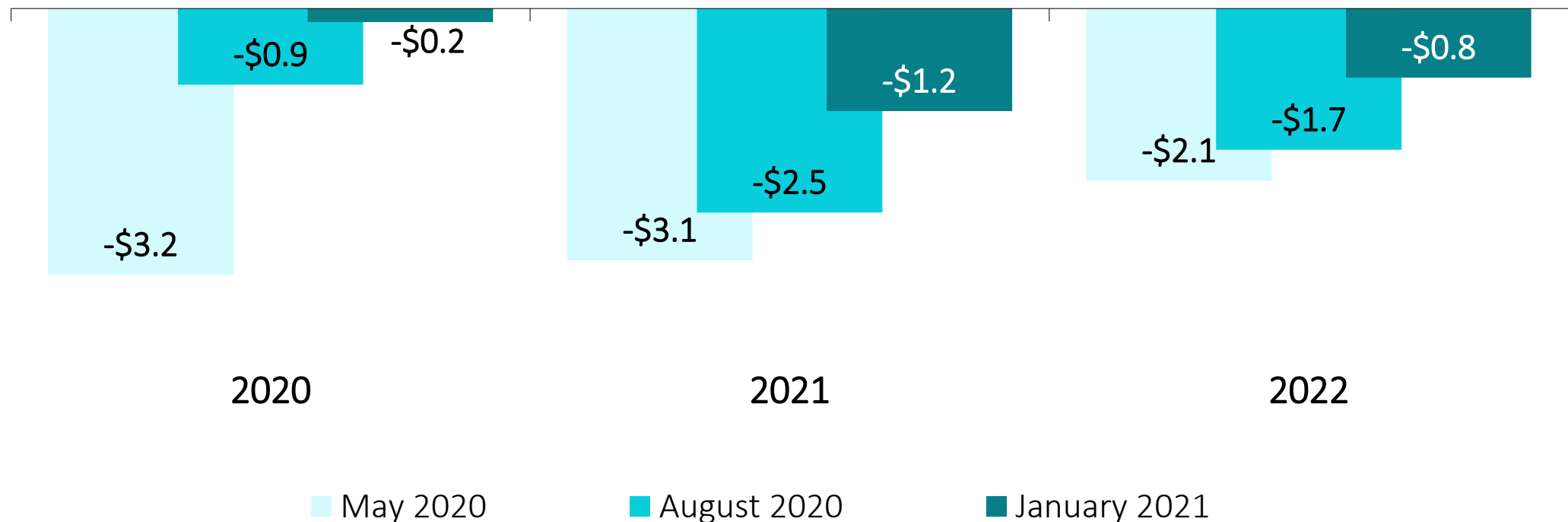
Amounts shown in millions.

Revenue Adjustments	GF/GP	SAF	Total
Aug 2020 FY20 revenue adjustments	1,269	1,038	2,306
Aug 2020 FY21 revenue adjustments	258	322	580

Remaining Balance/(Shortfall) for FY21	(502)	355	97
Savings from Enhanced Federal Medicaid match (one quarter)	244	0	244
Replace GF with CRF for Public Safety	146	0	146
Investments/Reductions	(20)	(186)	(206)
Reverse partial GF Shift to SAF	169	(169)	0
Estimated Framework Balance	47	0	47

Revenue Change from Jan. 2020 Forecast

General Fund and School Aid Fund Combined Revenue Drop Compared to
January 2020 Estimates
(Values in Billions)



FY 2021 Supplemental Funding

Amounts shown in millions.

Additional One-time Revenue	GF/GP	SAF	Total
Jan 2021 CREC - FY20 revenue adjustments	476	282	758
Jan 2021 CREC - FY21 revenue adjustments	701	528	1,229
Savings from enhanced Medicaid match (three more quarters)	753	0	753
FY20 Year End Lapses and CY adjustments (\$280m in DHHS Caseloads)	471	99	570
TOTAL	2,401	909	3,310
Major FY21 One-time Expenditures	GF/GP	SAF	Total
Dec 2020 Supplemental (PA 257)	(243)	0	(243)
Jan 2021 Mi COVID Recovery Plan (Supp Request 2021-3, 2021-4)	(274)	(300)	(574)
Feb 2021 Supplemental Request (2021-5 and 2021-6)	(703)	(302)	(1,005)
BSF Deposit (Replace Half the 2020 withdrawal)	(175)	0	(175)
Estimated Balances carried forward into FY22	1,006	307	1,313



Education and Children

Education and Children

This Executive Budget Recommendation provides the resources needed to help kids across the state recover from the pandemic.

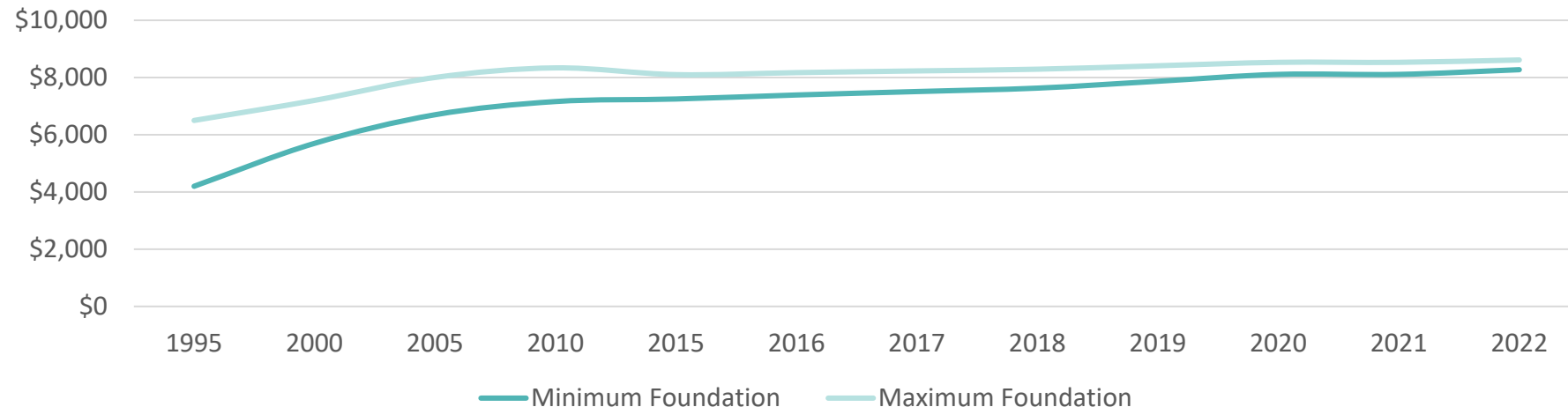
The proposed investments will:

- Decrease disparity among districts across the state
- Help kids catch up from any learning losses experienced during the pandemic
- Provide for greater funding equity for students

Weighted Funding formula – \$203m Increase in Base Foundation

- \$8,275 for districts at the minimum (\$164 per pupil increase)
- \$8,611 for districts at the maximum (\$82 per pupil increase)
- This reduces the gap between the highest and lowest funded districts to \$336 per pupil

The gap between the minimum and maximum foundation allowance has been reduced to \$336 per pupil



Weighted Funding formula – \$14.1m Increases in Additional Weights

- Special Education, Total Added Cost Reimbursement, \$61.4m (\$1.2m increase)
- Economically Disadvantaged Students, Total Additional Resources, \$533.5m (\$12.5m increase)
- English Language Learners (ELL), Total Additional Resources, \$13.3m (\$300,000 increase)

	Additional Weighted Foundation Payment Per Pupil		
	Special Education (including all required special education payments)	Economically Disadvantaged and Other At Risk	English Language Learners
Current	\$7,941	\$700	\$138
Increase	\$1,239	\$42	\$8
Total Per Pupil	\$9,180	\$742	\$147

Success for Schools and Students

- **\$250m in Student Recovery Supports** (FY21 Supplemental)
 - Implement research-based best practices to support student academic recovery, physical and mental health, and post-secondary readiness and transition
- **\$120m Out-of-School Learning Opportunities** (\$60m in FY21 and \$60m in FY22)
 - Provide opportunities for students through summer learning, after school learning, day camps, and other activities designed to support student needs outside of the normal school schedule
- **\$32.2m for the Great Start Readiness Program**
 - The Great Start Readiness Program provides free preschool to 38,000 4-year-olds
 - This recommendation will raise the state payment for a full-day preschooler from \$7,250 to \$8,275, which is the same as the proposed K-12 base foundation allowance
 - This represents the first rate increase to the program since 2014
- **\$3.5m Foster Care Children**
 - Provides support services for families to help at-risk children remain at home, as well as to keep more foster children in family-like settings
 - Expands support for evidence-based programs now eligible for federal matching funds through the federal Family First Prevention Services Act

Success for Schools and Students

- **\$126m Governor's Education Emergency Relief Fund**
 - Fund will help mitigate the impact of COVID-19 on students for use in public schools (\$38.9m) and nonpublic schools (\$86.8m) This funding will be used to help intermediate school districts:
 - Respond to pandemic recovery efforts
 - Identify and support students who left the education system during the pandemic
 - Provide mental health supports for students and teachers
 - Increase access to out-of-school-time learning environments
 - Enhance early childhood learning opportunities
 - Improve college persistence and completion
 - Provide research-based best practices to implement recommendations of the state's Student Recovery Advisory Council

Success for Schools and Students

- **\$200m for Districts with Declining Enrollment - COVID Stability**
 - Public school has been volatile through the pandemic and this budget recommendation helps to stabilize budgets for districts experiencing losses in FY22
- **\$2.9m to Address Educator Shortages**
 - Will provide more supports for current teachers as well as incentives to recruit former and future educators into the profession
- **\$55m for Filters First**
 - Begins statewide implementation of drinking water fixture replacements in schools to ensure that children have access to clean, safe drinking water
- **\$100,000 for Michigan's Poet Laureate**
 - Create and support a state poet laureate promote poetry, the spoken word, and literary arts in a generation of young students.

Higher Education Investments

Investment in Higher Education

- Universities and community colleges both see a one-time 2% increase
 - \$30.5m for Universities
 - \$6.5m for Community Colleges
- One-time funding upon adoption of policies related to COVID-19 testing and quarantining, contact tracing, and other mitigation strategies for students living in and off-campus to limit the spread of COVID-19 and to ensure the State is meeting maintenance of effort requirements in the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act
 - \$57.3m for Universities
 - \$12.7m for Community Colleges



Infrastructure

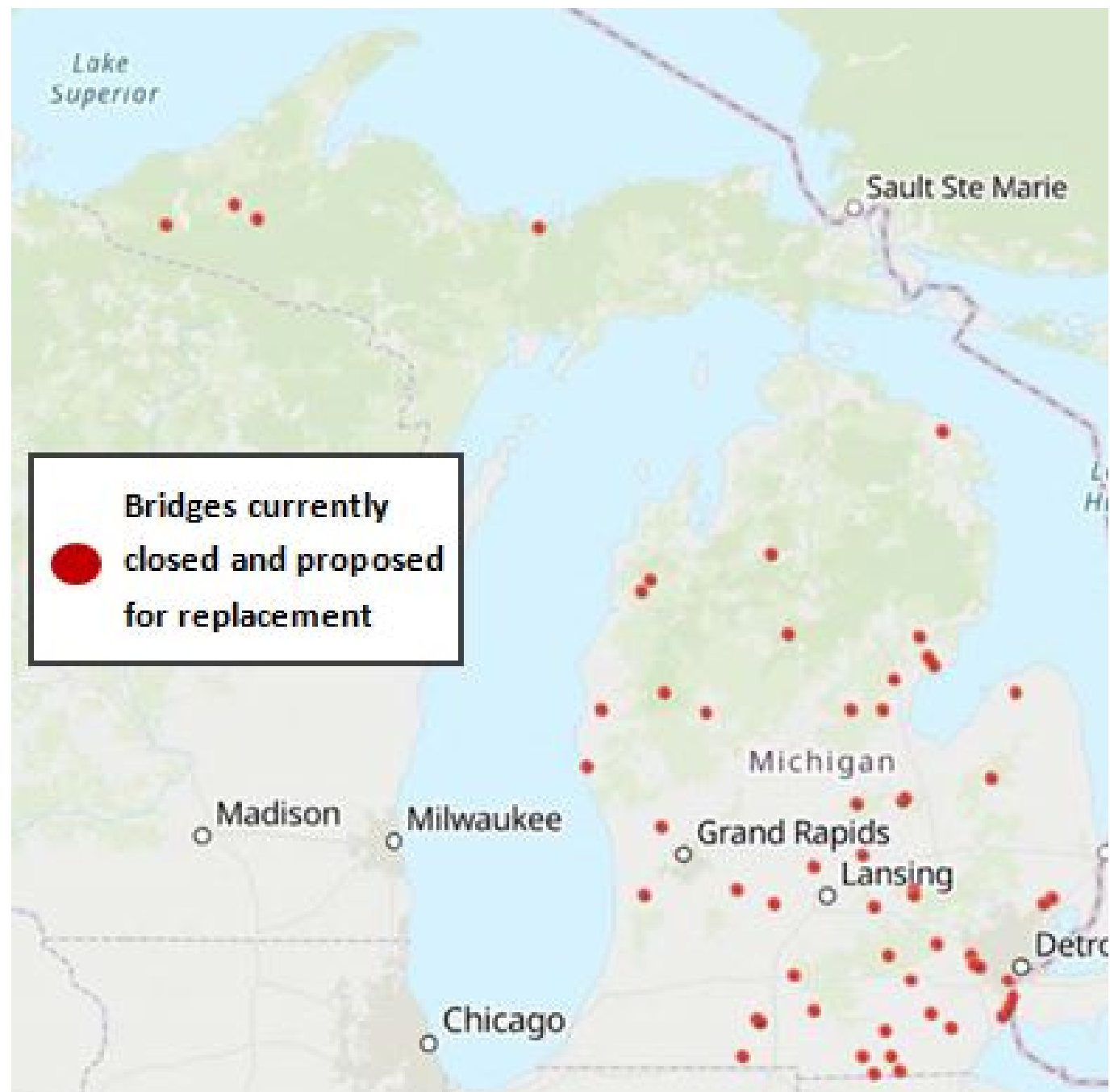
This budget strategically invests one-time resources that will kick-start infrastructure improvements in the state.

The Executive Recommendation improves Michigan's infrastructure by:

- Repairing and replacing crumbling bridges across the state
- Protecting our surface water and ground water resources
- Mitigating hostile cyber security threats

Infrastructure

- Michigan has had decades of disinvestment in our critical infrastructure
- The Local Bridge Bundling Initiative targets the growing number of bridges in serious and critical condition that are owned by cities, villages, and counties
- This budget recommends a \$300m one-time down payment to repair or replace approximately 120 local bridges out of an estimated 1,000 that will need repaired within the next five years.



Fixing Bridges

- Smith's Bridge, connecting Spring Lake and Ferrysburg (Top)
 - The local communities of Spring Lake and Ferrysburg are in dire need of a safe and secure bridge which greatly impacts schools, citizens and visitors in the area
- Miller-Rotunda Bridge in Dearborn (Bottom)
 - This bridge is one of the state's most urgent infrastructure needs as it is used by car and steel plants in the area and gets significant heavy truck traffic





Bridge Repair:

- When our roads and bridges are safe to travel, they ensure families stay safe and that emergency vehicles can take the most direct route when called for assistance

MI Clean Water Plan

- **\$290m for the MI Clean Water Plan**
 - Plan supports numerous grants that will target various wastewater infrastructure projects
 - \$235m to address sewer overflows and increased green infrastructure
 - \$20m to address substantial public health risks by removing sewage discharge to surface water and ground water
 - \$35m to help eliminate failing septic systems

Cyber Security



THE BALTIMORE SUN

Baltimore transfers \$6 million to pay for ransomware attack; city considers insurance against hacks

Technology

Big Russian hack used a technique experts had warned about for years. Why wasn't the U.S. government ready?

The Washington Post
Democracy Dies in Darkness

The New York Times

'Dangerous Stuff': Hackers Tried to Poison Water Supply of Florida Town

For years, cybersecurity experts have warned of attacks on small municipal systems. In Oldsmar, Fla., the levels of lye were changed and could have sickened residents.



THE NEWS TRIBUNE

POLITICS & GOVERNMENT

After data breach, bill introduced to create 'state office of cybersecurity' in Washington

The Washington Times

Reliable Reporting. The Right Opinion.

Cybersecurity experts fear SolarWinds' hack leads to larger attack on unprepared U.S.

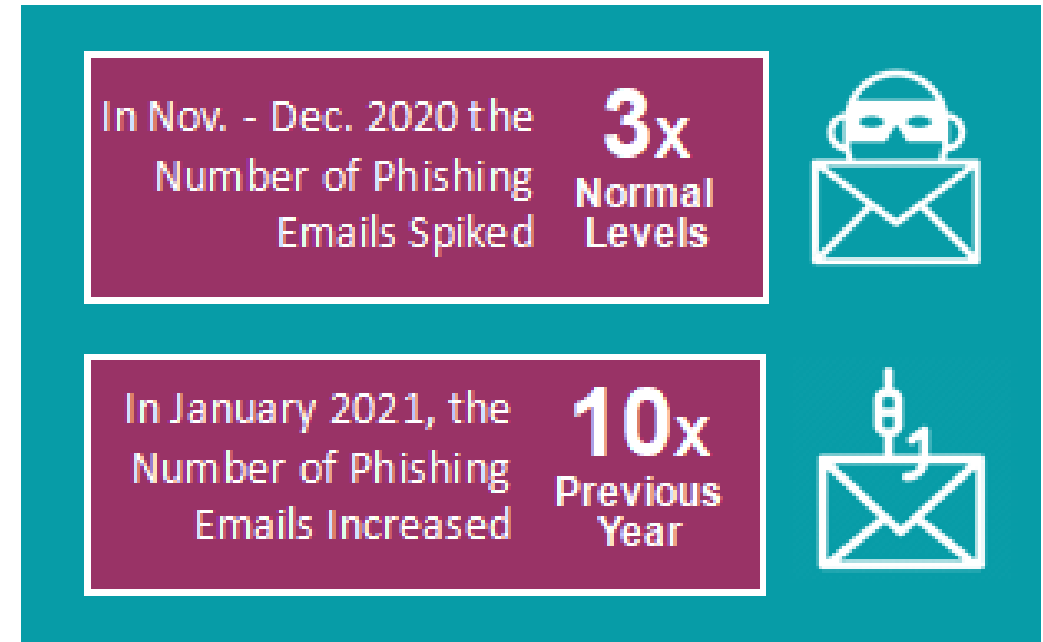
Race underway to fortify cyber defenses as fallout spreads

The New York Times

NONFICTION

The Most Serious Security Risk Facing the United States

- **\$20m to Mitigate Advanced Persistent Cyber Threats**
 - Mitigate cyber threats from entities that are hostile to the State of Michigan by supporting:
 - Vulnerability assessments and testing,
 - Enhanced cloud security
 - Expanding monitoring, management, and analytical tool capabilities





Public Health

This Executive Budget Recommendation provides major investments in order to keep our residents healthy.

The investments were built around:

- Maintaining critical benefits we extended during the pandemic
- Addressing disparities painfully highlighted by the pandemic
- Investing in the physical and mental health of our children and seniors



Public Health

- **Direct Care Wage Increase**
 - Maintains the \$2/hr wage increase for direct care workers permanently, \$360m gross, \$127m GF
- Increase support to workers in:
 - behavioral health services
 - skilled nursing care
 - community-based supports through the MiChoice, MI Health Link, and Home Help programs
 - In-home care services delivered through area agencies on aging
- The investment will help attract and retain high-quality workers in providing these critical services

Health Investments

- **\$8.4m to Reduce Racial and Economic Health Disparities (\$5.1m GF)**
 - Improves access to needed health coverage and other social supports, improves screening and health data sharing, and promotes the interoperability of various health data systems
- **\$2.1m for a DHHS Race, Equity, Diversity and Inclusion Office (\$1.6m GF)**
 - Will provide support training, technical support, and data collection to promote racial equity and inclusion
- **\$6.7m for a Sickle Cell Disease Initiative**
 - Expands Children's Special Health Care Services coverage for sickle cell disease treatment to around 400 adults and increases outreach and clinical capacity supporting the estimated 3,500 to 4,000 Michigan residents living with sickle cell disease
 - The disease is disproportionately prevalent in people who are black, affecting roughly 1 in 365 newborns

Health Investments

- **\$19.1m MiChoice Program Expansion (\$6.6 GF)**
 - Provide alternatives to nursing home care by gradually increases slots for Medicaid Home and Community Based Waiver services by 1,000 slots by the end of FY22
- **\$7.4m for Infant Home Visiting Expansion (\$6.3m GF)**
 - Expands evidence-based home visiting services to at-risk families with infants born with substance exposure by 1,000 additional home visits
 - Also supports hospitals or clinics to hire or retain home visiting navigators to refer families to appropriate services and programs
- **\$3.5m Cross Enrollment Expansion (\$2m GF)**
 - Improves technology and communication tools to more efficiently identify and enroll individuals needing support and services

Health Investments

- **\$91m for Behavioral Health (\$30m GF)**
 - Improves access to and consistency of behavioral health for Medicaid enrollees and those served through the child welfare system
- **\$26.5m Certified Community Behavioral Health Clinics Pilot (\$5m GF)**
 - Provides integrated behavioral health services to adults in the state
- **\$15m State Psychiatric Hospital Special Maintenance**
 - Capital improvements at all five psychiatric hospitals
 - One-time funds will be used to continue necessary infrastructure improvements including roof replacements, HVAC upgrades, and other critical building system repairs

Health Investments


- **\$37.5m for Nursing Home COVID Supplemental Payments (\$9m GF)**
 - One-time payment to nursing homes to address lost revenue from reduced bed occupancy during COVID-19 emergency
- **\$10m Lead Poisoning Prevention Fund**
 - Enhances Michigan's ability to eliminate lead poisoning by injecting private capital into lead remediation efforts in homes
 - This fund establishes a loan loss reserve for private lenders, encouraging lending for lead remediation at below market interest rates



Clean and Sustainable Environment

- **\$40m High Water and Resilient Infrastructure**
 - Provides grants to local governments for high water and resiliency needs
 - \$30m to address issues like coastal erosion, flooding, transportation networks, urban heat, and storm water management
 - \$10m to support development of local resiliency plans
- **\$15m for Dam Safety Emergency Fund**
 - Fund will be used for emergency response in situations where the dam owner fails to pay for the necessary work
- **\$20m for Contaminated Site Cleanup**
 - Provides additional funding for new high-risk sites that arise throughout the year outside of the annual planning process
 - Supports rapid response to immediate threats to the environment and public health

- **\$5m State Facility Green Revolving Fund**
 - Supports energy efficiency and renewable energy projects at state facilities to reduce the state's carbon footprint
- **\$5m for Michigan Saves Green Bank**
 - Leverages private investment in clean energy improvements for residents and businesses
 - By providing a credit enhancement to lenders, the green bank incentivizes lenders to provide more favorable rates and terms for renewable energy improvements by leveraging \$150m in private capital for clean energy improvements across the state

A photograph of two women with long brown hair sitting at a white desk in a bright, modern office. They are looking at a laptop screen which displays a website with various images. The woman on the left is wearing a light-colored top, and the woman on the right is wearing a dark sweater. A semi-transparent white rectangular box is overlaid on the center of the image, containing the title text.

Opportunity for Families and Business

Opportunity

- **\$120m for the Reconnect Program**
 - Provides a tuition-free pathway to an in-demand industry certificate or associate degree for adults (25+) through FY23
- **\$60.4m for the Future for Frontliners Program**
 - Provides free tuition for eligible frontline workers who have proven to be vital in the fight against COVID
 - \$25m will support an expansion of the program to frontline workers that became newly unemployed between Nov. 1, 2020 and Jan. 31, 2021 in industries disproportionately impacted by COVID
 - \$21.3m will support the existing population of frontliners in the program
- **\$6m for Reconnect and F4F Wraparound Services Pilot (in addition to \$6m in Mi COVID Recovery plan)**
 - Provide enrolled single parents customized support to ensure completion including child care, tutoring, and career counseling
- **\$3m for Statewide Pre-apprenticeship Program**
 - Connects unemployed or underemployed with training and resources necessary for gainful employment in the construction and building trades

Opportunity

- **\$25m for Mobility Futures Initiative**
 - Supports a new statewide collaboration advancing Michigan's position in the rapidly evolving mobility sphere by addressing:
 - Environmental sustainability
 - Connected and autonomous vehicle deployment
 - Economic and workforce development
 - Alleviation of systemic mobility inequities in underserved communities
- **\$15m increase for Going Pro**
 - Expands employer-based training grants that result in industry recognized credentials and certificates

- **\$370m to Expand Child Care Options**
 - Increases child care income eligibility threshold from 150% to 200% of the poverty line and temporarily covers out-of-pocket copays through FY22, and to 160% permanently
 - Increases hourly rates for child care providers by 10% to provide greater stability by basing payments on enrolled children
 - Invests in one-time provider stability grants
 - Pays providers on enrollment rather than attendance through 2021
- **\$2m Child Savings Accounts**
 - Supports will improve financial literacy, boost educational attainment for low-income children, and build wealth in low-income families
- **\$5m for a Home Health and Safety Pilot**
 - Promotes construction, renovation, and repair required for participation in energy efficiency programs



Investing in Community Services

Investing in Community Services

- **\$15.4m in constitutional revenue sharing payments**
 - Projected to increase by 1.8% based on current estimates
- **\$9.7 million (2%) in one-time statutory revenue sharing increases for counties, cities, villages, and townships**
- **\$70m City Income Tax COVID Losses**
 - Relief to city governments from income tax revenue losses as a result of the COVID-19 pandemic
 - Payments shall be no more than \$25 million to any one city
- **\$5m for first responder recruiting and training grants for local governments**
- **\$5m for Security at Michigan State Capitol**
 - Helps to create a safer Capitol complex by enforcing new security measures



Fiscal Sustainability

Fiscal Sustainability

With the responsible management of the COVID-19 pandemic, we were able to minimize damage to the state's economy

- Strong revenues allow for significant one-time investments in FY22
- **\$175m Investment to Budget Stabilization Fund**
 - A strong rainy day fund helps the state to weather unforeseen events like the current pandemic
- **\$80m Venture Michigan II Fund Payoff**
 - By clearing the remaining debt associated with this program in the current year, it is projected that \$150m GF will be saved over the course of the next two fiscal years, an 88% return

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**Michigan; Appropriations; Gas Tax;
General Obligation; Joint Criteria**

“As seen in prior recessions, Michigan's recovery could be longer than other states, leading to a protracted period of difficult budget decisions. While it is our expectation that the state will use some of its good BSF balance, which it has built up during the prior economic expansion, we also expect it to prioritize more sustainable budget adjustments to address the budget for the next few fiscal years. Repeated or significant draws on reserves could indicate near-term pressure on the state's credit quality. If, in our view, the state demonstrates diminished capacity to make cuts, raise revenues, or tap reserves to address likely shortfalls beyond the next fiscal year, we would likely lower the rating.”



Justice Reform

Justice Reform

This budget recognizes and funds the important bipartisan work on justice improvement efforts done through a partnership among all three branches of state government.

- **\$31.4m increase for Michigan Indigent Defense Commission** (total now \$149m)
 - Increase for existing standards and newly approved minimum standard #5, Independence from the Judiciary
- **\$29.1m for Raise the Age**
 - Program implementation will shift most 17-year-old alleged offenders from adult court to juvenile justice system
- **\$20.1m for Clean Slate for Michigan**
 - Will implement recent legislative package for criminal record expungement programs
- **\$10.2m for De-escalation Training**
 - Provides behavioral health crisis and domestic violence response training for law enforcement to help divert individuals with behavioral health needs away from the criminal justice system, and better supports crime victims within justice system
- **\$325,700 for Pretrial Bail and Sentencing Decisions**
 - Will support the work of pretrial reform efforts
- **\$200,000 for Michigan Legal Help**
 - Michigan Legal Help provides civil legal assistance to unrepresented civil litigants and expands access to justice



Questions