

Talking Points – FY 2021 Executive Budget Recommendation

February 6, 2020

Budget Totals

- Budget total: \$61.9 billion, up 3.9% from current fiscal year 2020 budget
- General Fund budget: \$11.0 billion, up 5.8% (due to baseline increases and one-time investments)
- School Aid budget: \$15.9 billion, up 4.9%

Key Points – General

- Governor Whitmer is focused on getting things done that will make a difference in families' right now. Her FY 2021 budget recommendation is centered on the things that matter most to Michiganders – including improving education and skills for Michigan's children, protecting our families and public health, and cleaning up Michigan's water and fighting climate change.
- Improving education and skills:
 - In her budget, Governor Whitmer has prioritized funding for our public schools, providing the largest funding increase for classroom operations in 20 years and continues moving Michigan towards a weighted formula based on science and equity -- ensuring our students and educators have the resources they need to be successful.
 - Her budget also includes funding to reimburse teachers for out-of-pocket supply costs, because many teachers currently spend their own hard-earned money to buy supplies for their classrooms.
- Protecting Families and Public Health:
 - The governor has also included funding for her Healthy Moms, Healthy Babies program to help ensure every Michigander who chooses to have a baby has the resources they need for a healthy pregnancy, delivery, and postpartum care.
 - It also includes funding to expand access to child care services for thousands of Michigan kids, and provide up to 12 weeks of paid parental leave for state employees.
- Cleaning Up Michigan's Water and Fighting Climate Change:
 - The governor's budget prioritizes cleaning up our drinking water and combatting the harmful effects of climate change so we can build a stronger, more sustainable future for our kids and for generations to come.
- Governor Whitmer and this administration inherited major budget challenges created under 8 years of Republican control, including diverting hundreds of millions from the General Fund for a failed roads plan. The effort led by Republicans to divert from the General Fund

over the last decade has put tremendous pressure on a fund that has been flat for more than 20 years.

- The governor has done everything in her power to create a balanced budget that keeps people safe and healthy and improves our public schools.

Budget Priorities on Education and Skills

- **\$415 million to continue building a weighted funding model** that includes a base per-pupil amount plus additional funding for students with more costly educational needs:
 - **\$290 million to increase base per-pupil funding** to \$8,336 for districts at the minimum (a \$225 per pupil increase) and \$8,679 for districts at the maximum (a \$150 per pupil increase). This reduces the gap between the highest and lowest funded districts to \$343 per pupil.
 - **\$60 million to increase state reimbursements for special education services by 100 percentage points over FY20.** This doubles this additional state reimbursement and, including other state payments for special education services, brings total state funding for special education services to nearly \$1.3 billion, which will help districts address the wide variety of needs for special education students, ranging from academic supports to one-on-one specialists.
 - **\$60 million to provide additional supports for academically at-risk, economically disadvantaged pupils, an 11.5% increase over FY20.** This brings total funding for this purpose to \$582 million. Across the state, economically disadvantaged students tend to have lower academic success rates. This funding will allow districts to provide additional instructional supports like tutoring and non-instructional supports like counseling to improve academic outcomes for these students.
 - **\$5 million for additional payments for English Language Learners, a 38% increase over FY20.** This brings total funding for this purpose to \$18 million and will help support higher-cost student intervention services
- **Continues to fund literacy coaches** and expands resources to improve training for other educators in best practices of literacy learning.
- **\$42 million to expand state-funded preschool programming.** This new program expands access to preschool programming for children living in high-poverty, high-academic need school districts. This expansion would provide services to an estimated 5,000 children, giving those children a strong foundation for their future academic success.
- **\$35.5 million to increase payments for state-funded preschool programs.** The Great Start Readiness Program provides free preschool to 38,000 4-year-olds. The Executive Budget raises the state payment for a full-day preschooler from \$7,250 to \$8,336 – the same level as the proposed K-12 base foundation allowance. This represents the first increase in rates since 2014.
- **\$25 million to reimburse teachers for out-of-pocket supply costs.** Most teachers spend their own money to supply their classrooms. The budget helps to offset these costs through a teacher supply reimbursement and purchasing program that provide funding to teachers to purchase classroom supplies.
- **\$35 million for the new Michigan Reconnect Grant program** (funded from the Talent Investment Fund) to provide grants for non-traditional students seeking training toward in-demand industry certifications or credentials. These funds are being recommended in a fiscal year 2020 supplemental to get the program up and running and will support the

program through fiscal year 2021 and will accelerate the state's progress towards reaching the critical goal of 60% of Michiganders with a postsecondary degree or industry credential by 2030.

- **\$27.9 million for Going Pro** (general fund) to reinstate job training grants to businesses to support training for new and current employees in high-demand, skilled trades industries. In fiscal year 2019, the Going Pro program trained over 25,000 employees and contributed to over 1,500 new apprenticeships.

Budget Priorities for Families and Their Health

- **\$37.5 million for Healthy Moms, Healthy Babies initiative** (\$17.6 million general fund) to reduce infant mortality rates and racial disparities in birth outcomes through expanded maternal and reproductive health services and home visiting programs. Funding will extend Medicaid family planning benefits to women of child-bearing age up to 200% of the poverty level, expand Medicaid postpartum coverage from 60 days to 12 months after birth, increase evidence-based home visiting services to high-risk mothers and vulnerable families, and expand psychiatric support services to perinatal providers.
- **\$27 million for Child Development and Care** (federal funds) to expand access to high-quality child care for low-income families by increasing the income limit from 130% to 150% of the federal poverty level (\$31,995 for a family of three), effective January 1, 2021, and to cover the cost of required background checks for child care workers. This investment will expand childcare services to an estimated 5,900 children.
- **\$8.6 million for foster care prevention programming** (\$5.4 million general fund). New federal funding made available under the federal Family First Prevention Services Act will allow the state to invest in programs designed to prevent children from entering foster care and to reduce the utilization of residential care for foster children, producing better outcomes for Michigan's vulnerable youth. These costs will be offset by estimated savings of \$11.3 million (\$5.3 million general fund) generated by fewer children entering the higher-cost foster care system.
- **\$12.3 million to expand DHHS's response to the opioid crisis** (one-time, \$10 million general fund). This funding will support initiatives involving data-driven quick response teams, a predictive analytics system, substance use disorder treatment outcomes monitoring, and a revolving loan fund for recovery housing providers. Funding will also support training for community providers and criminal justice diversion grants.
- **\$10 million for a Lead Poisoning Prevention Fund** (one-time general fund) to enhance Michigan's ability to eliminate lead poisoning by injecting private capital into lead remediation efforts in homes. This fund will establish a loan loss reserve for private lenders, encouraging lending for lead remediation at below-market interest rates.
- **\$86.5 million to expand the MIDocs medical residency program** (one-time, \$21.6 million general fund). This investment will improve access to critical services in rural and medically underserved areas of the state by providing loan forgiveness to physicians committed to serving in those areas. One-time funding when combined with base funding will support 48 residency slots within cohorts beginning residencies over the next five years.
- **\$30 million for State Psychiatric Hospital special maintenance** (general fund). Provides one-time funding for necessary capital improvements such as roof replacements, HVAC upgrades, and other critical building systems repairs at all five of the state's psychiatric hospitals.

- **\$5 million to increase psychiatric care staffing** (general fund) to improve the quality of care and staff and patient safety at state psychiatric hospitals. Funding supports 63 new positions across four facilities. An additional \$30 million in one-time general fund is recommended in the budget for the Department of Technology, Management and Budget to address a backlog of facility maintenance needs.
- **\$10 million for Paid Parental Leave** (general fund) to offset disproportionate costs to departments in providing state workers up to 12 weeks paid leave if they are the parent of newborn or newly adopted child, to promote a more family friendly work environment.
- **\$3.7 million to support child support enforcement efforts** (\$900,000 general fund) to enforce court ordered child support obligations to help ensure the basic needs of children are met.
- **\$14 million for the Centers for Independent Living** (general fund) to provide critical services to residents with disabilities who rely on assistance to live independently. This \$2 million increase will allow the Centers for Independent Living to continue assisting individuals in finding affordable and accessible housing, access transportation, coordinate benefits, and access other community resources.
- **The DHHS budget maintains \$4.1 billion in funding for the Healthy Michigan Plan** which provides comprehensive health care coverage for around 675,000 Michigan residents living in low-income households. State match requirements were fully phased in at 10% starting in January 2020. Going forward, the federal government will continue to cover 90% of the costs of health care services under the program. State-level financial savings due to the program continue to more than offset state match costs, and Michigan hospitals continue to realize much lower levels of uncompensated care costs.

Budget Priorities for the Environment, Climate, and Water

- **\$40 million for local climate resilient infrastructure grants** (general fund, one-time) to support planning activities and resilient, green infrastructure projects that aim to protect local communities from the negative impacts of Michigan's changing climate conditions.
- **\$40 million for school infrastructure.** These one-time grants will support districts with air and water filter replacement, lead and asbestos abatement, heating and cooling modifications, building modifications, and other facility upgrades to provide students with safe, healthy learning environments.
- An increase of **\$10.6 million for the Conservation Reserve Enhancement Program** (general fund). Specifically, \$10 million in one-time support is provided to leverage up to \$250 million in federal funding to reimburse Michigan farmers for implementation of conservation practices designed to reduce the transport of phosphorus, nitrates, and pesticides into the soil, ground water, and surface water, thereby improving stream habitats, reducing flood peaks, and restoring critical habitat for game and nongame wildlife species. Additionally, \$600,000 in ongoing (general fund) support will provide outreach and education, technical assistance, and grants for water research in affected areas.
- **\$4 million for legal efforts for environmental protection** including protecting residents from chemical contamination of drinking water and commercial pollution.
- **\$20 million for rapid environmental contamination response** (general fund). This one-time funding provides additional resources for identification, prioritization, and initial abatement of contaminated properties across the state.

- **\$5 million for new renewable energy grants and rebates** (federal funds) to reduce energy waste, reduce energy usage, and support renewable energy projects. This funding will be provided as grants and rebates to municipalities, schools, nonprofits, and businesses for energy efficiency projects. The clean energy industry will also receive grants and rebates for reductions in energy use.
- **\$5 million for the Michigan Saves green bank** (all general fund), to leverage private investment in clean energy improvements for Michigan's 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 benefitting property owners and the environment.
- **\$5 million for a Green Revolving Fund** (general fund) to provide for energy efficiency and renewable energy projects at state facilities. This fund will allow for the re-investment of funds generated from long-term cost savings in new projects and establish a long-term program focused on reducing the state's carbon footprint.

Budget Priorities Across Other Major Areas

- **\$38.1 million in additional university operations funding** (general fund), representing a 2.5% increase over fiscal year 2020. This increase will be distributed across-the-board to provide planning stability for universities. Receipt of this additional funding is contingent on universities holding tuition increases below 4.25% or \$586 (equal to 2.5 times the projected inflation), in order to limit tuition cost increases for students and their families. This investment also includes a 2.5% increase for MSU AgBioResearch and MSU Extension.
- **\$8.1 million in additional community college operations funding** (school aid fund), representing a 2.5% increase over fiscal year 2020. This increase is distributed through the existing performance funding formula. Receipt of the funding increase is contingent on colleges holding tuition increases below 4.25% (equal to 2.5 times the projected inflation), in order to limit tuition cost increases for students and their families and ensure the fiscal sustainability of the new Reconnect Program for adults pursuing credentials, certificates, and associates degrees.
- **\$10 million to establish the Michigan Student Loan Refinance Program** (general fund). In efforts to ease the burden of outstanding student loan debt, this new revolving loan fund program will enable a qualified individual to refinance up to \$50,000 of his or her student loans through the Michigan Department of Treasury with a new lower interest rate. The program will be open to individuals with federal and nonfederal student loans used to pay expenses at a Michigan institution of higher education, who have resided in Michigan for at least 12 months, and have been making regular payments on those loans for at least 3 years.
- **\$37.2 million for Constitutional Revenue Sharing Payments** for cities, villages, and townships, bringing total Constitutional payments to \$902.6 million. This represents a \$16.5 million, or 1.9% increase over the most recent estimates for constitutional payments in fiscal year 2020 and is based on estimated growth in sales tax collections.
- **\$6.5 million for City, Village and Township Revenue Sharing** to provide eligible cities, villages, and townships with a 2.5% increase over the total fiscal year 2020 funding level. Total funding for City, Village, and Township Revenue Sharing will be \$267.6 million.

- **\$5.7 million for County Revenue Sharing and the County Incentive Program** to provide a 2.5% increase over total fiscal year 2020 funding for eligible counties. Total revenue sharing payments for counties will be \$232.2 million.
- **\$100 million for Business Attraction and Community Revitalization** (\$58.6 million general fund), a gross increase of \$20.6 million from the reduced FY 2020 level. This adjustment restores funding to an appropriate investment level to support job creation, stimulate private investment, and revitalize and redevelop vital properties in communities across the state.
- **\$15 million for Pure Michigan** (general fund) to promote Michigan as a travel destination, with the ability for the tourism industry to continue contributing additional funding to this statewide effort that encourages travelers to experience Michigan's four-season natural beauty, its unique urban destinations and its world-class cultural attractions.
- **\$117.5 million for Indigent Criminal Defense** (\$117.3 million general fund) for 134 trial court funding units to meet the ongoing requirements for the effective assistance of counsel for indigent criminal defendants. This is a \$36.5 million increase from the fiscal year 2020 level as more trial courts will be incurring full year implementation costs for their compliance plans to meet standards #1-4, as approved by the Michigan Indigent Defense Commission.
- **\$2.5 million for trooper recruit schools** (one-time general fund) to support training costs associated with two trooper recruit schools anticipated to graduate a total of 120 troopers. This investment will allow the department to backfill projected vacancies and maintain enlisted strength near 2,000 to ensure public safety across the state.
- **\$7.2 million to support the recommendations of the Michigan Joint Task Force on Jail and Pretrial Incarceration** (one-time general fund). Funding will support the development and delivery of de-escalation and crisis response training to assist law enforcement, dispatch, and jail officers during encounters with individuals who have behavioral health needs. Evidence suggests that such training increases safety for both the individual involved and the responding officer.
- **\$20 million for Advanced and Persistent Cyber Threats** (general fund) to mitigate cyber threats from entities that are hostile to the State of Michigan. Funds will be used to support a number of measures including emergency response, threat intelligence, and vulnerability assessments that will enhance protections for Michigan's critical information technology infrastructure.
- **\$66.5 million ongoing support for Michigan Veteran Homes** (\$28.0 million general fund) to provide quality long-term care for veterans and their eligible family members at the state's three veteran homes, including two new homes located in Grand Rapids and Chesterfield Township in Macomb County. These state-of-the-art facilities will provide Centers for Medicare and Medicaid Services-certified skilled nursing care to 256 military veterans, while beginning to reduce the reliance on state general fund revenue by maximizing federal funding sources. One-time funding is provided to support the transition from the current home in Grand Rapids to the new one over the course of FY 2021.
- **\$35 million for the Information Technology Investment Fund (ITIF)** that will support four projects in fiscal year 2021 (bringing the cumulative ITIF portfolio to 90 projects) to modernize legacy information technology systems and improve the regulatory oversight of drinking water, improve the administration of tax collections and protection of taxpayer information, and improve the state's retail liquor sales program.

Key Points – FY 2020 Supplemental

- A new supplemental budget request for the current fiscal year totaling more than \$180 million includes funding for caseload adjustments within the Department of Health and Human Services, costs associated with an Asian Carp barrier in Illinois, and costs related to the Presidential primary.