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Michigan Governor's FY23 Budget Proposal: Key Wins and Missed Opportunities for Children, Youth, and Families

Michigan's elected leaders are responsible for deciding how to spend a historic surplus of over \$7 billion in combined state and federal funds. Their choices have the potential to change the odds facing many children, youth, and families who have endured the worst of two years of pandemic and economic crisis. To kick off the budget-making process, Governor Gretchen Whitmer has issued her recommendations for one-time spending and for the FY 2022-23 (FY23) budget, which begins on October 1, 2022.

As always, the state budget represents our state's priorities. Over the next few months, the legislature will identify where they agree and disagree with the Governor's proposals before focusing their energies on the 2022 elections. As details come out, and legislative work begins, Michigan's Children will dig more deeply into our budget priority areas.

When you're finished reading, see our [Advocates Guide to the State Budget Process in 2022](#) to help you plan your next steps for advocacy. Here is a first look at how the [Governor's recommendations](#) would spend \$74.1 billion dollars to impact children, youth and families:

Key Proposals for Quality Child Care and Early Learning

- \$33 million increase in School Aid Funds (SAF) for the Great Start Readiness Program (GSRP), the state's free preschool program for four-year-olds. These funds would provide about 1,300 new slots for children and increase the full-day, per-child allocation by 5%, from \$8,700 to \$9,135.
- \$30 million in SAF for GSRP start-up grants to new programs (\$15 million) and funding to expand existing classrooms (\$15 million).
- \$7.5 million increase in state school aid funds for Great Start Collaboratives to expand enrollment efforts in state early education programs.
- \$5 million in SAF for a home-based preschool pilot to help home-based child care providers expand to offer preschool that is similar in content to GSRP. This crucial support would help mitigate the risk of home-based providers losing students to preschool programs by helping them to provide preschool for their communities.

What's Missing?

Despite setting aside some funds to expand the tri-share pilot program to a few more sites, the Governor recommends **no additional child care funding**, relying on previously-passed funds for increased reimbursement rates and subsidy eligibility to continue through the end of FY23. Child care providers receive reimbursement for every child they serve who is enrolled in the Child Development and Care subsidy. These rates do not reflect the true cost that a provider incurs caring for a child, which makes it impossible for child care providers to care for subsidy-eligible children and earn a living wage.

Key Proposals for A Healthy Start

- \$7.1 million increase in School Aid Funds (SAF) for *Early On*, Michigan's early intervention service for children aged 0-3 with developmental delays, for a total budget of \$21.25 million.

- \$2 million increase in state funds for voluntary home visiting programs that serve at-risk children and their families by teaching effective parenting techniques, knowledge of developmental stages, and offering connections to healthcare, housing, food, and other social services.

What's Missing?

- The Governor's recommendation does not include any increase in funding for **primary child abuse and neglect prevention** through the [Children's Trust Fund \(CTF\)](#). The CTF funds local councils and direct services across every county that provide training, community awareness, and concrete resources aimed at stopping child abuse before it happens.
- The \$7.1 million increase in *Early On* funding is a win for children with developmental delays, but still falls **far short of the overall funding *Early On* needs**, \$68 million, which would allow all Intermediate School Districts (ISDs) to coordinate their efforts statewide for detecting developmental delays so fewer children fall through the cracks.

Key Proposals for Keeping All Families Strong

The Governor recommends strengthening our state's mental health workforce and services including:

- \$135 million in state funds for one-time bonuses to the state's 50,000 behavioral health care and psychiatric facility workers.
- \$25 million in state funds for loan repayment for behavioral health practitioners. A [current Senate Bill](#) would expand the state's loan repayment program for health professionals to include psychologists, licensed master's social workers, licensed professional counselors, and marriage and family therapists and ensure funding needed to fill these slots.
- \$16.8 million in state and federal funds to expand behavioral health homes and opioid health homes to new counties, which would help more people experiencing mental illness or substance use disorder access blended social and behavioral health services.
- Over \$500 million in mostly state funds to expand psychiatric beds for adults and children, both generally and for children who are ruled to be Not Guilty by Reason of Insanity or Incompetent to Stand Trial; and to build a new state psychiatric hospital.

Additionally, Michigan families are facing increased costs of essentials due to pandemic-related production and supply chain issues. To counteract this, the Governor recommends increasing the state's Earned Income Tax Credit (EITC) from 6% to 20% of federal credit, which would increase tax refunds by potentially thousands of dollars for many working families across the state who earn less than \$42,000 or \$57,000, depending on the number of children in their household.

What's Missing?

While increasing the state EITC is a strong step, costs for families have risen since that high-water mark of 20%. **Increasing the state EITC up to 60%** would have a greater benefit for the overall economy. This increase would support working families who are struggling most with rising costs, and who would spend that money in local economies and on needs for their families. It would total around \$1 billion, but Michigan would recoup a great deal of that through increased sales tax revenue and economic growth, and would save even more by lifting thousands of families out of poverty. One [Senate Bill](#) with Republican support already moves to 30%, closer in the direction of 60% even though it gets to that point over a number of years when families need support now.

The current proposals to increase the EITC also leave out vulnerable working youth populations who would not be able to benefit from the tax credit even though they are working. Research shows that **young people emerging from foster care** earn less than half of what their non-foster care peers earn and more than 25% report not having enough money to pay rent. Some foster youth or homeless youth are parents and receive the EITC, but the vast majority are not. Expanding the age for eligibility for the EITC to include youth age 18 and up who experienced foster care would help to bolster their earnings, stabilize their housing, and help them move forward with school or other credentialing.

Key Proposals for Struggling Families

The Governor's recommended child welfare system investments include:

- \$33.7 million in state and federal funds for an 18% daily maintenance rate increase for foster families, relative caregivers, adoptive families, and juvenile guardians.
- \$28.6 million in state and federal funds for Child Welfare Information System improvements for better information-keeping and reporting around intake and investigations.
- \$10.5 million in mostly state funds for residential treatment centers to increase payment rates for serving youth in the child welfare and juvenile justice systems.
- \$2.5 million in state funds for an after-school/in-school service program for children in foster care who have been expelled from or are at-risk or expulsion from school because of challenging behaviors that threaten the stability of their current placement.

The Governor also recommends \$14.8 million in Federal Temporary Assistance for Needy Families (TANF) and state funds to improve the [Family Independence Program](#) (FIP), including:

- An additional \$100/month for enrollees with children ages 0-5, recognizing the increased costs of raising young children.
- Ending birth expense recovery from unwed fathers by Medicaid.
- Passing state-collected child-support through to parents enrolled in FIP. When unwed parents apply for FIP, they are required to pursue child support from the other parent, which the state collects to "fund" the enrollee's monthly FIP cash allowance.

Public policy must support families of all kinds to be strong. The FIP changes would support positive relationships between unwed parents. These FIP reforms would prevent strain between unwed parents and encourage increased involvement from fathers by avoiding unnecessary collections for birth-related costs from poor fathers who cannot afford them.

What's Missing?

Informal relative caregivers who are not registered with DHHS would not be included in the foster care payment proposal. These caregivers provide equally critical care for children and youth who have experienced instability and deserve support for the costs of providing for grandchildren, nieces, and nephews.

Key Proposals for Helping Students Thrive

The Governor recommends a dramatic increase in School Aid Funds for K-12 education, including:

- \$1 billion for a School Infrastructure Fund, which will fund district requests for new buildings and health and safety renovations including clean air and clean water. Districts with a higher proportion of students who are economically disadvantaged or lower taxable land values per pupil than other districts will receive priority.
- \$580 million to increase the K-12 foundation grant by \$435, from \$8,700 to \$9,135 per pupil.
- \$361 million in increased one-time and ongoing funding for school mental health, including statewide mental health training for school personnel; hiring additional mental health professionals and counselors; and school-based health clinics.
- \$222 million for increased funding for academically at-risk and economically disadvantaged students for additional instructional and wraparound supports.
- \$150 million for increased special education funding for districts.
- \$50 million, divided evenly between one-time and ongoing funds, to expand access to before- and after-school and summer learning programs statewide. This would be the largest single investment into afterschool programs in state history.
- \$26.5 million increase for English Language Learner services and \$8.8 million for rural/isolated districts.

The proposal also recommends \$2.3 billion in School Aid Funds over the next five years to attract, retain, and strengthen the PreK-12 education workforce. This includes:

- \$1.5 billion for bonuses for teachers, administrators, paraprofessionals, and non-instructional staff ranging between \$2,000 and \$11,000 based on job type and length of retention.
- \$250 million for scholarship of \$10,000 per year for PreK-12 teaching degree-seekers contingent upon a commitment to teach in Michigan for 2 years.
- \$150 million over five years for stipends for student teachers at \$9,600 per semester.
- \$150 million for five-year Grow-Your-Own programs for districts to identify current students or lower-level staff like substitutes or support staff who may be interested in an education career.
- \$50 million for scholarships for students interested in being principals, counselors, and school mental health professionals.
- \$50 million in stipends and cost reimbursement for current teachers to mentor new teachers.

What's Missing?

\$25 million in annual funding for after-school and summer learning programs is an important step, but does not go far enough to meet the **\$50 million in unmet need for out-of-school time learning** opportunities to help students accelerate their skills and learning.

Workforce Development and Retention

The Governor's proposal recommends \$500 million in combined state and federal funds for one-time bonuses for [essential workers](#). An additional \$50 million in state and federal funds would be spent on bonuses of up to \$1,000 for public safety personnel including state police, EMTs and 9-1-1 operators.

The Governor also recommends a suite of workforce development investments including continued funding for Michigan Reconnect and [Going PRO](#), employment supports like child care, clothing and tools, and transportation for students and trainees, and opportunities for youth ages 14-24 in households who are above the poverty line but not far enough to be able to afford all essential needs. Additional funding

is requested for apprenticeships in home construction and a job court which would offer pretrial defendants an opportunity to find a full-time job with an employer for a year.

What's Missing?

The Governor recommends **no increased funding for high school completion and family literacy programs** through adult education, and in fact recommends program language that would discourage adult education CTE programs from serving certain student with a diploma but who need remedial skills training or students who recently received their GED just before entering their adult education program's CTE courses. These guidelines directly contradict the mission of the adult education system.

Other Missed Opportunities – Supporting Successful Youth Transitions

Michigan's leaders in 2020 neglected to take a number of steps that would have provided increased support for young people exiting foster care, who have arguably the thinnest safety nets and protective factors especially during the pandemic crisis, through:

- **Increased postsecondary scholarships** dedicated for young people who experienced foster care.
- **Expanding the [Michigan Youth Opportunities Initiative](#)** to ensure comprehensive and consistent access now with older youth experiencing foster care as vulnerable as they have ever been.
- Funding increased student advocacy and **education planners** for young people experiencing foster care and disability.
- Funding to repair and **strengthen our state network of runaway and homeless youth services**, which are experiencing increased needs, increased costs, and heavy staff turnover. Many of the youth served by these programs are quickly reunited with their families, avoiding homelessness or child welfare involvement altogether.
- Funding expanded **in-home care programs** as an alternative to out-of-home juvenile detention.

Uncertain Future for State Revenue

The Governor also has proposed the reinstatement of a tax credit on retirement and pension income, ending what has been called "the pension tax". While some seniors do struggle with increased costs, this proposal, because it rewards people with a retirement plan in the first place and because it removes the percentage-based 4.25% income tax entirely, would disproportionately provide far more real dollars to wealthy retired individuals with larger retirement accounts at the expense of \$500 million from essential services that children, youth, and families will need to set themselves up for decades of health and prosperity. Currently, just [14 states do not tax retirement benefits](#).

Decision-makers can pursue other wiser measures - such as expanding the age eligibility for the EITC to include seniors or increasing access to TANF for relatives caring for grandchildren – to target economic support for seniors who are the hardest-hit by economic struggles.

Because this year is an election year, some legislators have used the Governor's proposals around the EITC and retirement income taxes as a jumping-off point for proposing much wider-sweeping reductions in the state income tax or increases to the personal exemption. Not only do these proposals deliver far more benefit to the wealthiest individuals and relatively little to struggling youth and families, they

could blow a catastrophic hole in the state budget, costing the state budget up to \$2 billion per year without delivering anything resembling equitable economic support.

For years our state government has been plagued by underinvestment, and essential public goods and services, including our schools, mental health system, child care system, and child welfare system, have languished, leaving children, youth and families who shoulder significant challenges unable to take advantage of opportunities and contribute to our society and economy. We cannot let the abundance of one-time funds allow lawmakers to bait-and-switch our citizens by offering one-time increases at the expense of future expansion of essential services. Michigan can afford to strengthen all of these systems, and we need our elected leaders in all branches of government to commit to doing so.

Additional Key Proposals

- \$500 million for incentives for large businesses.
- \$250 million for broadband expansion.
- \$200 million for a competitive grant program for local communities to apply to use for affordable housing, broadband expansion, and other economic development projects that would impact economically distressed communities, and have long-term impact.
- \$175 million for a statewide case management system for the state's hundreds of local trial courts. This would reduce staff time transferring reports and improve accuracy of information when, currently, important data falls through the cracks, or is not reported at all by local courts.
- \$50 million for a Michigan Nonprofit Relief Program.
- Over \$1 billion in additional funding for improving roads, bridges, and water infrastructure.