

July 2020

FY20 Supplemental Budget: Missed Opportunities Point to Critical FY21 Priorities

Michigan's leaders have agreed to one final FY20 supplemental budget deal, which uses most of the state's remaining federal CARES Act funds to fill shortfalls in state revenue and end the year with a balanced budget. The final agreement includes Executive Order (EO) 2020-155 would, in conjunction with House Bill 5265, Senate Bill 373, and work project lapses specified by the State Budget Director in a letter dated July 22, 2020, resolve a projected General Fund (GF/GP) and School Aid Fund (SAF) shortfall of \$2.2 billion in the FY 2019-20 state budget. These included a mixture of spending cuts, spending Michigan's remaining federal coronavirus relief money, and \$350 million from the state's Budget Stabilization or "Rainy Day" Fund to fully balance the books on the current fiscal year. The spending shifts include:

- Increasing support for K-12 schools
- Increased supports for public safety costs
- Holding harmless higher education and local governments
- Temporary lay-offs, hiring freezes and salary reductions for employees and contractors

A close read of some budget cuts affecting children and families offers two important insights for advocates: where our lawmakers over the last year missed opportunities to provide better supports, and what we should regard among necessary priorities for FY21.

Across-the-board reductions from temporary lay-offs, hiring freezes and salary reductions for state employees and contractors

Creative labor management solutions like temporary furloughs and hiring freezes are short-term solutions that at best put off important work for future stressed professionals and at worst widening gaps in access to effective government services. We must recognize that when critical departmental functions are unsupported by staff, it often results in a loss of critical knowledge of programs and initiatives and delays in processing state grant funding that supports community needs. Ultimately, our most vulnerable children, youth, and families fall through these cracks

\$9.7 million cut from Marshall Plan for Talent CTE programs, including competency grants, cyber security programs, curriculum integration, and the Going Pro Campaign

While it makes sense to reduce funding based on lower use, investing in skill-building in FY21 is going crucial, especially as we experience permanent shifts in many industries. Parents without a high school diploma are most at-risk of being left behind, and while we must continue to support innovative competency-based education and CTE programs, we must also prioritize adult and family skill-building in FY21. Dedicated support must also be ensured for students transitioning out of high school with the most needs.

\$10 million cut from school safety grants

After the Parkland shooting protests, Michigan's Children and others supported spending the majority of "school safety" funds on student mental and behavioral health supports, but funding was split between mental health and physical building safety supports and school resource officers. The \$10 million unspent school safety grants represent funding we could have used to

build out school-based mental health services, which could have been in place to help more children, youth, and families navigate the crisis. In FY21, we must take steps to ensure every child is socially and emotionally ready to learn.

\$3 million reduction in federal child care funds

These funds were “cut” due to adjusted consensus estimates of need according to budget documents, but Michigan has not lost this funding. Lawmakers simply decided to hold the funds in reserve until the next fiscal year. \$3 million would be enough to make significant investments into behavioral consultant support for all child care providers and additional increased supports for family, friend, and neighbor providers, to whom families are turning at greater rates.

\$250,000 for relative caregiver incentive payments to become licensed foster parents

It makes sense to pull back funding for incentive payments that were not made, but this cut represents a missed opportunity for policymakers from this past year to step up and meet the needs of relative caregivers. In 2019, relative caregivers themselves for the first time organized in Lansing in support of increased kinship navigator supports, which would have helped relatives navigate complicated systems during COVID distancing.

Our state leaders must prioritize the needs exposed by these budget cuts, and others, in the FY21 budget. Our children, youth, and families' well-being, and our state's future, is at stake.