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## Michigan Governor's FY25 Budget Proposal: Key Wins and Missed Opportunities for Children, Youth, and Families

The fiscal year 2025 Executive Budget Recommendation, including all state and federal revenue, totals \$80.7 billion, just slightly under the current year's budget plan. That includes a total General Fund Budget of \$14.3 billion, and \$23.4 billion for K-12 school aid funding and higher education. You can find the Governor's proposed budget [here](#). Regarding children, youth and families, the big news in this year's executive budget proposal are calls for free pre-K for all Michigan 4-year-olds regardless of income eligibility (a year earlier than planned) and free community college, but no substantive improvements in state funding for revamping the child care system.

As always, the state budget represents our state's priorities. Over the next few months, the Legislature will identify where members agree and disagree with the Governor's proposals. As details come out, and legislative work begins, Michigan's Children will dig more deeply into our budget priority areas.

To learn more about the budget process, see our *Advocates Guide to the State Budget Process in 2025* to help you plan your next steps for advocacy. And to learn more about our budget priorities, stay tuned to our Budget Basics page for upcoming briefs on individual issues. Here is a first look at how the Governor's recommendations would impact children, youth and families.

### Child Care

- \$37.8 million to **increase reimbursement rates for the child care subsidy by 10%**. Whitmer proposes spending \$18.9 million in general funds and \$18.9 million in TANF funds.
- \$8.5 million in additional TANF funds to **increase child care subsidy rates by 30% for foster families** who are receiving child care from a provider.
- Funding to **maintain eligibility for the child care subsidy at 200% of the Federal Poverty Level (FPL)**, which is \$62,400 for a family of four.
- Funding to **continue paying child care providers based on enrollment rather than attendance** for families utilizing the child care subsidy.
- \$60 million in general funds for a **three-year pilot program to give child care benefits to child care professionals**. This would make employees of licensed child care programs eligible for the child care subsidy for their own children.
- Flat school aid funding for **Great Start Collaboratives and Great Start Family Coalitions** which utilize family and early childhood professional expertise to steer the local direction of early childhood services and public awareness campaigns.
- Flat general funding for **Child Care Resource and Referral Centers**, which support child care providers, early childhood programs, and parents with child care resources.
- \$4 million in TANF funds for **family child care networks**, which provide business, programming, and peer-learning support to home-based child care providers.
- \$3 million in general funds to maintain current funding of the **Infant and Early Childhood Mental Health Consultation service**, which helps child care providers appropriately respond to challenging child behaviors in over 31 counties.

- \$4.8 million in TANF funds for **improving the frequency of child care facilities inspections** by hiring more staff inspectors.
- \$500,000 in general funds for **supplies to test water and ensure its safety** in child care programs.
- \$31.5 million to the Department of Technology, Management and Budget **to provide state employees a 1:1 (dollar for dollar) match (up to \$2,500) for dependent care** through their Internal Revenue Service-authorized flexible spending accounts (FSAs).

#### Missed opportunities

- **We're disappointed that the Governor does not propose moving from the current market rate survey to a true cost of care payment model** for the child care subsidy, which would allow providers to be paid what it actually costs to provide high quality care. This change would essentially drive a much-needed overhaul of the state's child care system, and has growing support from child advocacy groups. Instead, her budget recommendation calls for increasing subsidy rates for providers by 10%, which is far below what is needed by providers to recoup the 26% rate reduction they experienced in September 2023 when federal ARPA funds ran out. (At that time, the state also failed to pitch in state funds to maintain higher subsidy rates.) Fully funding the child care subsidy program should be a top priority for the Administration as it seeks to expand the state's free Great Start Readiness Program (GSRP) to all 4-year-olds. The expansion will likely lead to many child care businesses closing their doors, unless the child care system receives an investment commensurate with GSRP's.
- **The Governor does not propose moving the child care subsidy system to a contract model**, which would better compensate child care providers for caring for young children, especially special populations like infants and toddlers, foster youth, student parents, and families who need second and third shift care. Advocates argue that adopting a contract model would make child care more accessible to more families who utilize the child care subsidy.
- **It is not clear how the MiLEAP department intends to learn from the recommendation for a three-year pilot program making child care benefits available to child care professionals.** We recommend requiring MiLEAP to produce a report that documents the impact of the pilot and provides recommendations for continuing this initiative.
- **The Governor does not propose increased funding for Child Care Resource and Referral Centers**, which are currently quite underfunded. Additional funding would give providers more needed support to improve the quality of their care and their business practices.
- **The entire state should have access to the Infant and Early Childhood Mental Health Consultation service** as the GSRP expansion will attract thousands of additional children over the next few years. In particular, newly hired preschool teachers will need this support as they face children with varying challenges in their classrooms. Currently, mental health consultation serves over 31 counties. This year, we are asking for a \$1 million increase in funding for the mental health consultation service to expand it to 10 additional counties.
- **The Governor does not propose funding to continue the Infant Toddler Quality Improvement Grants Pilot** that currently provides grants and contracts to hundreds of providers to improve quality and increase teacher wages. It is essential that the state invest in this initiative, which supports providers who offer infant and toddler slots for families who utilize the child care subsidy, because these slots are in the shortest supply. Without additional funding for infant and toddler care, the expansion of GSRP to all 4-year-olds will put many infant and toddler providers out of business.

## PreK For All

- The Governor proposes removing the income eligibility thresholds for the Great Start Readiness Program (GSRP) in order to **expand preschool eligibility to all 4-year-olds** in Michigan. She still proposes prioritizing enrollment of children living in low income households, though.
- The Governor's budget proposes a total **increase in school aid funding of \$159.8 million for GSRP to provide both part-day and all-day care, plus GSRP extended programs, and GSRP/Head Start blended programs.** This would bring total funding to \$684.6 million.
  - A \$63.5 million increase in funding for GSRP to **serve an estimated 6,800 additional children.**
  - An increase to the per child allocation, from \$9,608 to \$10,342, a 7.6% increase. This would make GSRP payments higher than K-12 payments for the first time.
- She proposes maintaining the requirement that **Intermediate School Districts contract with community-based organizations for at least 30% of their GSRP slots.**
- She proposes **allowing the MiLEAP department to waive GSRP requirements to allow more child care providers to start offering GSRP.** Providers would need to meet a short list of requirements, including providing the minimum instruction time and participating in Great Start to Quality at a level determined by MiLEAP.
- **\$28 million in continuation funding for GSRP student transportation.**
- **\$35 million to continue offering startup grants for the creation of 1,400 classrooms and new providers.**

## Missed opportunities

- **The Governor proposes a huge jump forward for the preschool program without proposing equal investment in the child care system,** which will probably lead to more child care business closures and families at odds over where to find care.
- Michigan's PreK for All Implementation Plan, commissioned by the Governor, found that the state will need to recruit 5,100 lead and assistant preschool teachers in order to provide universal preschool to all 4-year-olds in Michigan. It is hard to imagine how this goal can be met as **the Governor does not propose any initiatives to encourage more Michiganders to pursue a career in early education** which requires improved compensation. Curiously, she did not re-introduce her proposal from last year for an Early Childhood Educator Tax Credit which would have improved compensation for the early childhood workforce. This is a missed opportunity for both the child care and preschool workforces since both earn poverty wages.
- The PreK for All Implementation Plan also strongly recommended **implementing a pilot program that would allow family child care providers to also offer GSRP preschool,** along with additional supports to those providers. **The Governor failed to include it in her proposed budget,** which makes no provisions allowing family child care providers to benefit from the steady funding that comes with providing GSRP programming.

## Out of Schooltime / Afterschool

- **\$50 million in continuation school aid funding for quality, affordable programming for before school, after school, or summer care** to support working parents and meet additional educational needs between the classroom and home.

### Home visiting

- **\$1 million increase in school aid funds for home visiting for at-risk children**, bringing total funding to \$4.5 million.
- **\$3.3 million increase in funding for the Maternal Infant Health Program**, a statewide, evidence-based Medicaid-funded home visitation program for pregnant and postpartum people, infants, and caregivers.

### Missed opportunities

- **Home visiting programs need inflationary increases** to continue providing the same level of services.
- Other needs we believe are necessary for the home visiting system include **funding to pay home visitors living wages, and funding for necessary structural supports** across the two state departments and six agencies that administer funds for home visiting, to ensure coordination and quality.

### Early Intervention

- **\$1 million increase in school aid funding for *Early On***, Michigan's early intervention system for children birth to 3 years old with developmental delays or disabilities. This would bring total funding to \$23.3 million.

### Missed opportunity

- **The *Early On* Michigan Foundation is asking for a \$15 million increase in funding because *Early On* has seen a 26% increase in referrals since pre-pandemic levels.** This would bring total funding to \$37.3 million. We agree that this increase is necessary.

### Caring for MI Family Tax Credit

- \$59 million for a Caring for MI Family Tax Credit / Caregivers Tax Credit. This would be a new tax credit that would provide up to \$5,000 to unpaid caregivers who are looking after aging and sick relatives. It would cover caregiving expenses such as nursing and respite care, counseling, and transportation. The credit would provide tax relief for parents caring for children with special health needs.

### Missed opportunity

- We were disappointed that the Governor prioritized investing in a Caregivers Tax Credit without also prioritizing paid family medical leave and an early childhood educator tax credit. The Governor asserted that investing in a Caregivers Tax Credit would be a step toward implementing paid family medical leave, but a \$5,000 tax credit doesn't come close to the support that families need when they have a child, a family member with disabilities, or an older relative to take care of. An early childhood educator tax credit would be a welcome benefit for a workforce that is notoriously underpaid, despite the fact that their work makes it possible for the rest of our economy to function.

### **Governor's Proposed FY2025 Education Budget**

Governor Whitmer has proposed an Education Budget of **\$23.4 billion for FY2025** with enough funding to continue providing free breakfast and lunch for every student, regardless of income or ZIP code; a major investment in the Great Start Readiness Program (GSRP) with an additional \$159 million to fully expand free pre-K to every 4-year-old in Michigan; and two years of free community college for any

state resident. Her budget proposal continues to work towards closing equity gaps in education funding for all students, but does not achieve full equity in 2025.

Michigan's history of inequitable funding has the state ranked 36<sup>th</sup> out of 46 states in funding gaps. Students from the highest-poverty districts receive nearly 6% less than students in the wealthiest districts. The governor's recommendations aim to improve the odds for vulnerable students by including increases in the per-student allotment with additional increases for students at risk, students with disabilities, and English language learners.

### **Key Proposals for K-12 Foundation Increase**

Governor Whitmer's executive budget recommendation includes these highlights:

- **The Governor is proposing a 2.5% increase in the base foundation allowance**, amounting to \$241 per student, and bringing the total foundation allowance to \$9,849 per student.
- The proposal includes **\$23.8 million for weighted funding** for students from low-income families and other underserved student groups.
- **\$175 million for educator recruitment and retention**, which includes the MI Future Educator Program and the Grow Your Own programs.
- **\$200 million to continue the free breakfast and lunch** for all Michigan students.
- An increase of **\$30 million for school districts to improve FAFSA** completion rates.

### What's Missing?

While we recognize that the Governor's proposal moves toward closing equity gaps, we opine that it's not nearly enough to address the continuing challenges Michigan students and schools face in improving outcomes for all student populations. The Governor's proposal aims to make similar percentage increases in the foundation allowance and weighted funding formula (also known as the Opportunity Index). However, it's a given that it costs more to educate students who live with particular challenges and different learning abilities. To move forward together we need to make stronger investments in educating students from low-income backgrounds, English language learners, and students with special needs, for example. This is the reality.

### **Free Community College Proposal**

Governor Whitmer estimates that Michiganders will save an average of \$4,000 as they earn a two-year associate degree, which will set them up to earn a bachelor's degree, and improve their earning potential in the workforce. Her proposal offers graduating seniors two years of free community college toward an associate degree or skilled certificate.

### **Key Proposals for Free Community College**

- Michigan has 28 public community colleges that service more than 292,600 students annually. Community colleges are generally closer to home than universities and much more affordable.
- Michigan community colleges contribute significantly to the state's Sixty by 30 goal, to raise the percentage of working-age adults holding skills certificates or degrees to 60% by 2030.
- The Governor's budget proposal includes the proposed Community College Guarantee through the Michigan Achievement Scholarship.

### What's Missing?

While Governor Whitmer is committed to additional opportunities that increase educational outcomes, there also needs to be a strong effort for bi-partisan support from the Michigan Legislature to support

her Higher Education agenda that eliminates barriers to college and post-secondary education to all of Michigan's citizens. At this point, Democrats have stated that they are eager to work with the governor on her Higher Education agenda and believe it's on track to create a more vibrant Michigan while Republican leaders have scrutinized what they believe are "gaps" in the plan.