



A First Look at Gov. Snyder's 2018-2019 Budget: Little Revenue Growth and Few New Initiatives

Governor Rick Snyder's 2019 budget proposal includes level funding for many health and human services programs for Michigan families with low wages, people with disabilities and seniors. There are few new investments largely because state leaders have not addressed the ongoing need for additional revenues, opting instead to reduce taxes on businesses while failing to support sufficient sources of new funding for their initiatives—including needed road improvements.

The result over time has been a deep loss in purchasing power in the state's General Fund—the pot of state money over which the Michigan Legislature has the most control. At \$10 billion, the state's General Fund is nearly 30% lower than it was in 2000 when adjusted for inflation.¹ Sixty percent of the state's General Fund is used for healthcare, basic human services and education, putting these very fundamental functions of government at risk if revenues fall short of the need.

Despite this loss in purchasing power, state lawmakers are debating additional tax cuts that could set the state's economy back by forcing disinvestments in the fundamentals of growth—a high-quality educational system from cradle to career; healthy children ready to learn with parents ready to earn; and strong communities with the infrastructure businesses need such as good roads, clean air and water, and dependable police and fire protection.

The governor's budget, which was presented to legislative leaders on Feb. 7, 2018, contains his plan for allocating state resources for the 2019 budget year that begins on Oct. 1, 2018, and ends on Sept. 30, 2019. Legislative committees will now consider the governor's proposals and craft their own budgets. The decisions they make have the potential to help or hurt children and families who have not yet benefited from the

Highlights of Governor's 2019 State Budget

-  *Continues funding for the "heat and eat" policy that increases food assistance for families, people with disabilities and seniors.*
-  *Supports the Healthy Michigan Plan that has provided health insurance for over 675,000 Michigan residents.*
-  *Includes state funds for Michigan's Early On program to serve infants and toddlers with developmental delays.*
-  *Provides a small increase in monthly Family Independence Program benefits after decades of flat funding left children living in extreme poverty.*
-  *Fails to expand funding for At-Risk School Aid and the school-based literacy programs needed to prevent the retention of children in third grade, including a disproportionate number of children of color.*
-  *Does not increase funding for adult education after deep cuts over the last two decades.*
-  *Leaves in place Michigan's child care assistance eligibility cutoff, which is one of the lowest in the nation.*
-  *Does not restore financial aid for an increasing number of college students who are older and supporting families.*

state's economic recovery, including a disproportionate number of children of color whose parents have been held back from the traditional pathways to economic opportunity because of state policies and budgets that don't address the cumulative effects of racism and discrimination.

The League is promoting [spending priorities](#) that could grow Michigan's economy by giving all children and families the opportunity to thrive. At the top of the list is our call for state lawmakers to incorporate [an analysis of the racial, ethnic and social justice impact](#) of budget options during their deliberations. The League believes that policies that limit economic security based on race, ethnicity and place will have a lasting impact on generations to come and slow economic growth.

TOTAL FUNDING FOR 2019

The governor recommends a total state budget of \$56.8 billion, an increase of less than 1%. And, at \$10 billion, state General Fund spending in the governor's budget is slightly lower than what was initially approved for the current budget year. In recent years, the state's General Fund has hovered around \$10 billion annually—after dipping as low as \$7.7 billion during the height of the Great Recession.

Federal funds currently account for \$4 of every \$10 spent by the state, making [Michigan second only to Mississippi in its reliance on federal dollars](#). With great uncertainty about the continuation of federal funds, this reliance makes Michigan's budget extremely vulnerable—even in a relatively good economy. With the possibility of deep cuts in federal funding to Michigan, it is even more critical that state leaders address the adequacy of Michigan's tax system and resist risky efforts to further reduce state taxes. The League has documented the potential [impact of federal budget cuts on your county](#)—information we hope you will share with your elected officials.

HEALTH

Healthy Michigan: Last year, Congress made four serious attempts to repeal the Affordable Care Act (ACA), threatening the healthcare of over 675,000 Michiganders who have gained coverage through the Healthy Michigan Plan. With the ACA protected for now, [the governor continues needed state investments](#) in the program. The federal government pays 93% of the costs of the Healthy

Michigan Plan for the 2019 budget year, meaning the state's General Fund investment is \$217.6 million. Healthy Michigan has resulted in the creation of jobs, additional tax revenue and a decreased reliance on hospital emergency departments.

Public Health Investments: With the ongoing Flint water crisis, a hepatitis A outbreak, and polyfluoroalkyl substances (PFAS) water contamination, the governor recommends full-year funding for PFAS clean-up and additional funding to local public health departments to help address emergency health threats including vapor intrusion, drinking water contamination and hepatitis C.

Wage Increases at State Psychiatric Hospital: Psychiatrists at our state psychiatric hospitals are paid significantly less than our Great Lakes neighbors, and the Michigan Department of Health and Human Services (MDHHS)—with the approval of the Civil Service Commission—has proposed an increase in wages. The investment, which is included in the governor's 2019 budget, is expected to cost the state \$1.4 million. This wage increase will allow the state to attract and retain high-quality psychiatrists and reduce waiting lists at the hospitals.

Flint Water Crisis Funding Continues: As Flint continues to deal with the effects of the ongoing water crisis, the governor reduces MDHHS assistance by \$16.9 million but provides one-time funding for food and nutrition services, health services at child and adolescent health centers and schools, lead poisoning prevention and lead abatement.

Behavioral Health Integration: A hot topic during the past few budget cycles was the integration of the behavioral health and physical health proposed by the governor through budget boilerplate language. The 2019 budget encourages the department to continue pursuing the pilot projects it was directed to take on this year. The MDHHS is currently in the process of identifying the three sites for the pilot projects, with a decision expected on those locations in early March.

Lead Prevention Board: In 2016, the governor created the Child Lead Poisoning Elimination Board, which was charged with designing a long-term strategy to eliminate child lead poisoning. For 2019, the governor includes \$1.25 million to carry out the recommendations of the board, including expanded home testing, a statewide database and a requirement to test all children for lead exposure.

HUMAN SERVICES

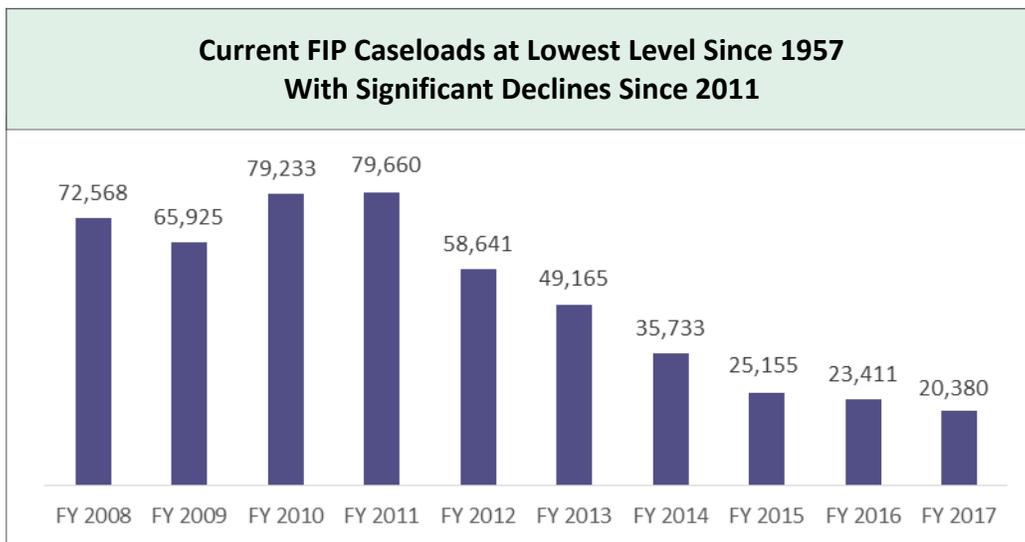
Food Assistance/Access to Healthy Food:

- **The “heat and eat” policy is continued, ensuring increased access to food for Michigan residents with low incomes.** The continuation of the “heat and eat” policy is a [priority for the League](#) and helps to ensure that nearly 340,000 Michigan residents with low incomes have access to adequate food. In 2017, 1.4 million people in the state used food assistance to ensure basic nutrition, including approximately 1 in 4 of the state’s children. African-American and Latinx families are more likely to face food shortages, as well as live in high-poverty neighborhoods with few sources of healthy food.
- **The number of families receiving food assistance continues to fall.** After peaking at 967,566 cases in 2011, the number of families receiving assistance fell to 727,396 in 2017 (a reduction of 25%), and fell below 694,970 in December of 2017. The governor’s budget reflects that decline and provides \$1.9 billion in federal funds for food assistance—down from the \$2.3 billion initially budgeted for this year. Declining caseloads are due to changes in policy, such as the state’s food assistance asset test, along with improvements in the economy.²
- **The asset test currently in place for food assistance is retained.** The League supports the [removal of the current asset test](#) because it can discourage families with low incomes from saving enough to weather a temporary crisis like the breakdown of a car,

unusually high heating costs or a potential eviction. Since 2002, approximately 35 states have eliminated their assets tests. Michigan was one of the first states to do so, but reinstated the asset test in 2012.

Income Assistance/Basic Needs:

- **Children receiving income assistance would receive a small increase in their monthly grant—the first in many years.** Since 1996 there have been only a few very small increases in Family Independence Program (FIP) grants, and the purchasing power of FIP benefits has consequently fallen from 42% of poverty to only 29%. The governor recommends \$1 million to increase the FIP grant by \$2 per person per month, resulting in a maximum monthly benefit for a single parent with two children of \$498.
- **The school clothing allowance would remain at its current level.** The governor provides level funding of \$6.3 million for the school clothing allowance for children in families receiving FIP income assistance. The League has supported the governor’s previous efforts to [increase the annual per-child clothing allowance](#) to \$200, and continues to believe that the basic needs of children must be met.
- **The number of children receiving income assistance continues to fall.** Despite continuing high rates of poverty—particularly for children of color—state funding for the FIP program that is intended to ensure that children’s basic needs are met has plummeted. Eighty percent of those receiving FIP benefits are children, and many are very young. With



Source: Michigan Department of Health and Human Services and House Fiscal Agency

continued declines in the number of families eligible for income assistance, total funding for FIP is expected to fall again next year from the \$82.4 initially appropriated for 2018 to \$81.2 million in 2019.

Child Abuse and Neglect:

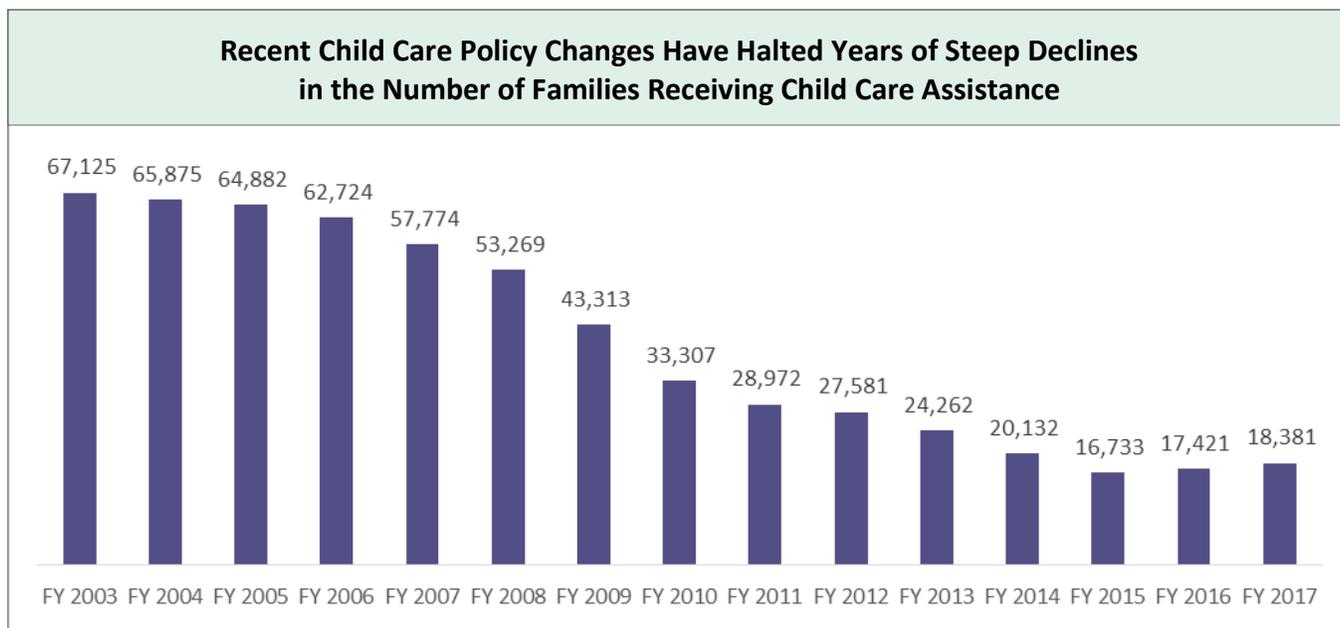
- Michigan continues to invest in foster care and other out-of-home placements for children.** In recent years foster care costs have increased largely because of efforts to meet the requirements of a settlement agreement that resulted from a lawsuit against the state by the Children’s Rights organization based on failures in the state’s child welfare system, including high caseloads for workers and delays in finding permanent homes for children. For 2019, the governor includes \$37.9 million (\$22 million state General Fund) for increased foster care caseloads and costs.
- Child abuse and neglect prevention and family preservation services continue to be underfunded.** The governor provides no new funding for services to prevent child abuse and neglect or to strengthen families, despite increasing rates of confirmed victims of child abuse and neglect. Prevention services were not specifically addressed in the lawsuit against the state and investments have declined. In 2006, Michigan spent over \$65 million on family preservation and prevention services and

had fewer than 29,000 confirmed victims of child abuse and neglect. For the upcoming fiscal year, the governor proposes to spend approximately \$51 million—despite an increase in the number of confirmed victims to nearly 40,000.

CHILD CARE AND EARLY EDUCATION

Child Care Subsidies:

- Payments to child care providers would not be increased.** The governor includes flat funding in 2019 for child care subsidies for families with low incomes. Payments to providers depend on the age of the child, the type of child care setting and participation in the state’s Great Start to Quality child care rating system. Following rate increases in the current budget year, the highest child care rate in the state is \$5.50 per hour for child care centers with 5 stars in the state’s star quality rating system. The lowest rates are paid to unlicensed providers (generally family, friends or neighbors), who receive a base rate of \$1.60 per hour. More than half (55%) of child care providers in the state are at the 0 or 1 star level, so are not eligible for an enhanced rate, and in many areas of the state [parents cannot find or afford high-quality child care](#).³
- Michigan’s low income eligibility cutoff for child care assistance would not be raised.** Michigan’s income eligibility cutoff for child care assistance has



Source: Michigan Department of Health and Human Services

been one of the lowest in the nation, and despite small increases in recent years, many families with low wages are not eligible for the subsidies that could help them find and keep jobs. The governor proposes no further eligibility expansions for child care in 2019. However, policy changes in the last several years—many of which were required of states following reauthorization of the federal Child Care Development Block Grant—have stemmed the decline of child care cases. Included in the changes was a new “exit” income eligibility threshold which allows families who have qualified at the lower threshold to retain their child care assistance until their income reaches 250% of poverty.

States With the Lowest and Highest Income Eligibility Thresholds for Child Care – 2017 (As a Percent of Median Income)			
5 States With LOWEST Cutoff		5 States With HIGHEST Cutoff	
Maryland	33%	New Mexico	78%
MICHIGAN	38%	Maine	83%
Virginia*	38%	Tennessee	85%
Nebraska	40%	Vermont	85%
Ohio	40%	Mississippi	86%
*Virginia has an eligibility range from 38%-63% of median income.			

Source: National Women’s Law Center

Great Start Readiness Preschool Program (GSRP):

- **Funding for state-funded preschool will remain at current-year levels.** Gaps in learning can be identified very early in life, and children of color lag behind their peers in skills related to reading and math when they enter kindergarten.⁴ The governor provides continuation funding for the GSRP at \$243.6 million, along with \$300,000 for an ongoing evaluation of the long-term effectiveness of the program. Under the governor’s budget, the program will continue to be offered only to 4-year-olds from eligible families. Some other states provide services to 3-year-olds to ensure the best possible start for all young children, and the [League has supported that expansion in Michigan](#).

Early Intervention:

- **For the first time, state funds would be invested in the state’s early intervention program—Early On.** The governor recommended \$5 million for the state’s Early On program that helps identify and serve very young children with developmental delays and their families, as well as \$500,000 for mediation training and parental supports. Federal funds for Early On have been available since 1986, but they are insufficient to both identify infants and toddlers with delays *and* provide the services needed to ensure their development and reduce the need for special education services. Michigan has been the only state that does not provide a statewide budget allocation for early intervention, and while it is a commendable start, the [governor’s recommendation falls short of the need](#).

K-12 SCHOOL AID/EDUCATION

Per-Pupil Spending:

- **Per-pupil spending is increased.** The governor provides an additional \$312 million to increase the per-pupil allowance to public schools by between \$120 and \$240. This would bring the minimum School Aid payment to \$7,871 per student and the maximum to \$8,409. Two of every \$3 in the School Aid budget are used to support per-pupil payments, which are the primary source of funding for school operations.
- **Additional allowances would be given for high school students or those in career and technical education programs.** The governor recommends the continuation of the current \$25 payment for students in grades 9-12—in recognition of the higher costs of the high school curriculum. Also in the governor’s budget are additional payments of up to \$50 per pupil for high school students engaged in training in high-demand fields.
- **Increases in per-pupil spending are funded in part by reductions in funding for shared services and cyberschools.** The governor recommends reducing reimbursements for cyberschools by 25% to reflect lower facility and transportation costs. In addition, he recommends capping payments for educational programs provided to part-time private, nonpublic and home-schooled students. These funds are used for instruction in areas that are not core academics, and would be redirected to core academics through the basic foundation allowance.

Funding for Students Academically At Risk:

- **Funding for students at risk of low achievement is not increased.** The governor provides level funding for the At-Risk School Aid program that ensures that high-poverty schools have the resources they need to address the educational challenges of children exposed to the stresses of poverty. With two years of increased funding (in 2017 and 2018), Michigan is moving closer to fully funding the At-Risk program based on the state's adopted formula, but [the League advocates for full funding](#).
- **Level funding is provided for programs to improve reading by third grade.** The governor recommends no increases in early literacy programs for 2019, with total funding remaining at \$26.9 million. In the current year, funding for early literacy coaches in Intermediate School Districts was increased from \$3 million to \$6 million statewide, with the majority of the remaining funds used for added instructional time for students, and professional development. Sufficient resources for early literacy are crucial in light of Michigan's third-grade retention law, which could result in the holding back of students who can't read proficiently by that time. Given historical barriers to opportunity for many children of color, high percentages of African-American and Latinx children are not reading proficiently by third grade and could be negatively affected by implementation of the law if sufficient resources are not provided.

Adult Education:

- **Funding for adult education remains stagnant.** The governor recommends continuation funding of \$25 million for adult education programs, along with \$2 million for pilot programs focused on career and technical education. Despite the importance of adult education as a workforce development tool, Michigan has greatly reduced funding for the program over the last 16 years, and the [League is recommending an increase in funding of \\$10 million](#).

POSTSECONDARY EDUCATION

Financial Aid:

Funding for the Tuition Incentive Program (TIP) is increased. Of Michigan's three need-based financial aid programs, TIP is the one program in which eligibility is

based on household income level rather than estimated family contribution, and thus serves the neediest and most economically vulnerable of students. The governor's budget includes a \$1.5 million increase for TIP, for a total of \$59.8 million. This is expected to assist approximately 22,000 students in the upcoming school year.

Tuition Grant award is slightly increased while Competitive Scholarship award remains flat. The governor's budget moves some of this year's funding for the Competitive Scholarship to the Tuition Grant to raise the Tuition Grant maximum award from \$2,000 to \$2,100, and leaves the maximum Competitive Scholarship maximum award at \$1,000.

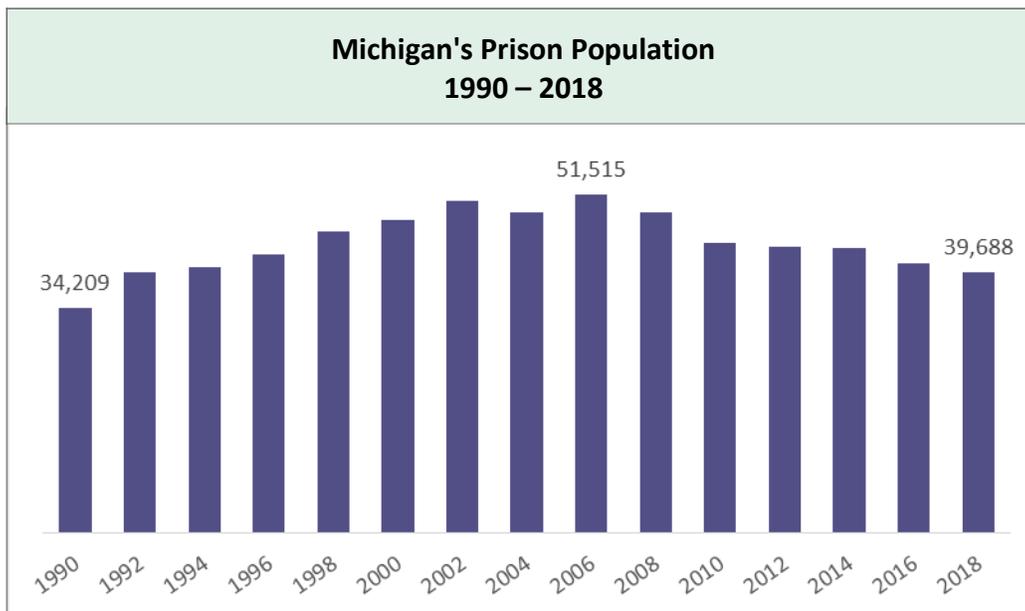
Operations Funding and Retirement Costs:

School Aid Fund (SAF) dollars continue to be pulled from K-12 to fund community colleges and universities. The governor's budget continues to pull School Aid Fund dollars from K-12 to provide full operations funding for community colleges, and for budget year 2019 also funds 100% of the Michigan Public School Employees Retirement System (MPSERS) allocation for community colleges from the SAF, for a total of \$405 million diverted from K-12 to community colleges. The governor's budget also diverts \$385.6 million from K-12 to public universities for a portion of university operations and retirement funding.

Full funding for each university is contingent on tuition restraint. Tuition restraint was introduced several years ago into the university funding budgets and requires universities to limit any tuition increases they adopt in order to receive full funding. Generally, the maximum increase is double the expected level of inflation, which equates in budget year 2019 to 3.8%, for a tuition increase cap of \$490 per student.

CORRECTIONS

Prison Population and Costs: After peaking in 2006, the prisoner population has declined significantly, dropping below 40,000 for the first time in over 20 years. The Michigan Department of Corrections (MDOC) budget is almost entirely funded with state general funds, and total spending is expected to remain at \$2 billion in 2019. Approximately \$1.6 billion or roughly 80% of the Corrections budget is allocated to prisoner housing, physical and mental healthcare, food, transportation, and



Source: Michigan Department of Corrections and House Fiscal Agency

treatment and vocational programs for prisoners.⁵ Citing a recent decline in the prison population, MDOC announced the closure of the West Shoreline Correctional Facility in Muskegon, expected to occur in March. The governor claims \$18.8 million in General Fund savings as a result of this forthcoming closure. The prison employs 174 employees.

Residential Alternative to Prison Program: The governor maintains \$1.5 million for the Residential Alternatives to Prison program which expanded to counties in West Michigan last year. The program provides vocational and educational services for probation violators who might otherwise be sentenced to prison.

Education and Job Training for Prisoners: The governor maintains \$2 million in funding for the Vocational Village program in Jackson. The program trains prisoners in the skilled trades. The governor also recommends \$2.4 million in one-time funding to expand educational services to higher custody-level prisoners.

Prison Food Services: The governor recommends \$13.7 million in state General Fund support to move food service operations in-house, ending the privatization of the service following a series of highly publicized failures by contractors.

Goodwill Flip the Script: The governor eliminates funding for the Flip the Script program operated by Goodwill Industries in Wayne County. The program has been

funded since the 2015 budget year, and provides education, job training and mentoring to 16- to 39-year-olds who have entered the criminal justice system—with the goal of keeping them out of the prison system.

Prisoner Healthcare and Mental Health Services: Between 2002 and 2016, Corrections spending increased by an average of 1.3% annually. During this period, per-prisoner costs for healthcare increased by an average of 3.7% annually (2002-03 through 2016-17).⁶ The aging prison population is a major factor in the rise in per-prisoner healthcare costs. The governor maintains \$6.7 million in funding for drug treatment of prisoners with hepatitis C.

THRIVING COMMUNITIES

Increased constitutional revenue sharing due to higher sales tax revenues: Our state constitution automatically dedicates a portion of sales tax revenues to support Michigan cities, villages and townships. This is an automatic per-person payment that is determined based on the amount of sales tax generated. This year, we anticipate stronger sales tax revenues which will automatically increase payments to cities, villages and townships.

Cuts to city, village and township (CVT) or “statutory” revenue sharing results in some communities seeing reductions in state support: The governor eliminates about \$12 million in CVT revenue sharing, which has not

received full funding since 2001, that was used to increase payments to several large townships as well as expand revenue sharing to CVTs that were not previously eligible. The result is that, even when combined with increased per-person payments under constitutional revenue sharing, at least 100 CVTs will see reductions in payments compared to current year projections, and countless more will see a smaller increase than neighboring communities.

Full funding for county revenue sharing payments: The governor proposes to fully fund county revenue sharing payments, for which all but two counties in the state would be eligible to receive in 2019. However, for

counties eligible in the current year, the budget had included a 1% increase in payments, as counties have not seen an increase or even an inflationary adjustment in their state payments. The governor's budget includes only full funding and does not provide an additional increase.

Continued funding for financially distressed communities: The governor would continue to provide \$5 million in grants to financially distressed communities. Eligible communities may receive up to \$2 million in grants to help reduce unfunded liabilities (such as retirement costs), repair publicly owned infrastructure, or transition to shared services.

ENDNOTES

1. Cleary, M.A., and Wicksall, B., Budget Briefing: *State Budget Overview*, House Fiscal Agency (August 2017).
2. Wild, V.B., *Budget Briefing: HHS – Human Services*, House Fiscal Agency (January 2018).
3. *Great Start to Quality Participation Data*, Early Childhood Investment Corporation (February 2018).
4. Friedman-Krauss, A., Barnett, W. S., and Nores, M., *How Much Can High-Quality Universal Pre-K Reduce Achievement Gaps?* Center for American Progress and the National Institute for Early Education Research (April 2016).
5. Risko, R., Budget Briefing: Corrections, House Fiscal Agency (January 2017).
6. Ibid.