After a summer with little legislative action on the 2020 budget, and a breakdown in negotiations with Gov. Gretchen Whitmer, state lawmakers passed budgets for the major state departments and delivered them to the governor just three days prior to the end of the budget year. The governor signed the budgets in time to avert a partial state government shutdown, but included a record number of line-item vetoes and administrative transfers, which together could set the stage for continued negotiations between the governor and legislative leaders.

At issue is less what was in the budget, but what was not—namely sufficient new revenues to fix the roads, provide adequate funding for students in high-poverty schools, ensure that health care services are available, and help children living in deep poverty. The budgets sent to the governor did not address the reality that when adjusted for inflation, the state’s General Fund is lower than it was in 1968, and revenues from the School Aid Fund fall below 1995 levels.

The governor vetoed more than $947 million from the budgets presented to her by the Legislature, and used her administrative powers to transfer funding within state budgets to fill some much-needed gaps. Through these actions, the governor secured funding for several of the League’s priorities, including services to ensure that Medicaid work requirements are applied fairly and do not put the health of Michiganders in jeopardy.

As part of her 2020 budget vetoes, the governor rejected the carving out of $375 million in increasingly scarce state general funds to fix the roads—a short-term fix that would come at the expense of other critical state services. She also eliminated funding for many one-time programs, as well as smaller grants and programs targeted to specific communities or organizations.
Michigan's governor has the power to veto line items in the budget, but can't add new programs or increase funding—actions that require approval by lawmakers. The vetoed funds could be restored through later legislative budget actions if negotiations continue, and the League strongly believes that the work is not done.

While the League has concerns about some of the governor’s vetoes, including the elimination of the 10 Cents A Meal program that encourages the inclusion of healthy local foods in school meals, we see her actions as a clarion call to lawmakers to come back to the table and together identify what Michigan needs to move forward, and most importantly, how to fund it.

HIGHLIGHTS OF THE 2020 STATE BUDGET

Revenues

- **Legislature rejects long-term infrastructure funding.** The governor proposed a 45-cent gas tax to fund her campaign promise to fix the state’s roads. The gas tax would have added about $2.5 billion earmarked for infrastructure, including roads and bridges. The Legislature summarily rejected the proposal, instead opting for a one-time $375 million injection of general fund dollars toward road and bridge improvements. The governor vetoed this increase, calling on both parties to come to the table to discuss the future of road funding in the state. Statements from high-ranking Republicans indicate that the Legislature has three counter-options to the gas tax increase, including replacing the sales tax on gasoline with a gas tax, refinancing teacher pension payments and cutting $400 million in spending elsewhere in the budget.

- **Governor pushes revenue proposal to no avail.** The governor introduced a budget aimed to raise new revenue to adequately fund state services and end revenue shell games. To raise new revenue, the Governor proposed repealing the controversial pass-through entity tax exemption, which would require LLCs, S-corporations and partnerships to pay the state’s 6% corporate income tax. The governor also recommended a partial restoration of the Earned Income Tax Credit and a repeal of the expanded taxation imposed on Michigan retirees. The final budget signed by the governor did not reflect any of these revenue changes.

Healthcare and Coverage

- **Rural hospitals will go without.** The Legislature included $154.1 million ($41.3 million in state funds) for rural hospitals and increases in certain hospital reimbursement rates. A portion of this funding — approximately $8.0 million — was also intended to support labor and delivery services in rural communities. The governor vetoed all $154.1 million, which may inhibit hospitals’ ability to recoup various unreimbursed costs from serving uninsured and underinsured patients.

- **Healthy Michigan receives vital funding to implement forthcoming Medicaid work requirement law.** The governor proposed $10.0 million for employment and training services to help Healthy Michigan Plan (HMP) enrollees comply with the new law.
requiring HMP enrollees to report at least 80 hours per month of qualifying activities to maintain their health coverage. The Legislature eliminated this funding. In response, the governor exercised her executive power to transfer $6.1 million to Healthy Michigan to support the implementation of work requirements. She also allotted $9.0 million for workforce development programs for HMP enrollees in need of training and support to find and land a job in the budget for the Department of Labor and Economic Opportunity.

- **Medicaid reimbursement rates for certain pediatric services remain unchanged.** The Legislature included $10.7 million to increase pediatric psychiatry provider rates and $5.2 million to increase neonatal provider rates. The governor vetoed this funding.

- **Pay increased for Medicaid Adult Home Help workers.** The governor and Legislature approved $28.2 million ($10.1 million in state funds) to increase pay for home help workers who assist Medicaid-eligible individuals with daily activities. This funding provides for a $.25 per hour wage increase for home help workers and is intended to help retain and recruit additional workers.

### Public Health

- **Investments in lead poisoning prevention and treatment continue.** The state recognizes the continued need to prevent and reduce harm from lead exposure across the state of Michigan. The final 2020 budget included $3.4 million in state funds for communities affected by lead contamination—funds the governor had originally targeted to Flint. The funding will be used to provide nutrition assistance, transportation to doctor visits, healthcare for children and adolescents, and other related services. Additionally, the governor transferred $1.5 million in state funds to the Healthy Homes program to support initiatives related to the revised lead and copper rules, including education, outreach, water filters and drinking water testing in communities with high lead levels.

- **Funding approved to address PFAS and other environmental contaminants.** The governor and Legislature approved an increase of $7.3 million in state funds to respond to perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other environmental toxins such as dioxins, mercury, arsenic and polychlorinated biphenyls (PCBs) threatening the health of Michigan communities. Funds will support water sampling, laboratory testing and related services.

- **Local health departments will receive additional support.** The governor and Legislature approved $6.0 million in additional funding for essential public health services, which will ensure that every local health department receives at least the same amount of funding received for the prior year as a new allocation system is phased in.

### Behavioral Health

- **Behavioral health community supports and services will expand.** The governor and Legislature approved $11.2 million to expand various evidence-based behavioral health treatments and reduce wait lists for state psychiatric facilities.
• **Michigan will leverage federal dollars to respond to the opioid crisis.** The Legislature included $31.9 million to address opioid misuse in Michigan. A portion of the funding, $1.2 million, was to be directed to a recovery high school and a recovery community organization but was vetoed by the governor, leaving $30.7 million in federal funding to respond to and reduce rates of opioid misuse in the state.

• **Funding is provided to support additional mental health staff.** The final budget includes $6.2 million and nearly 100 new full-time positions to address clinical and direct care staff shortages, reduce mandatory overtime for direct care staff, and improve wait times for specialty evaluations.

• **Attempts to integrate physical and behavioral health continue.** The governor vetoed funding and budget language related to three pilot projects seeking to integrate physical and behavioral health and shift money and management responsibilities from the public mental health system to Medicaid health plans. New budget language, introduced by the Legislature and approved by the governor, allows for a separate two-year pilot to test integration without transferring money away from the public mental health system. This pilot project would seek to increase care coordination and data sharing across providers with the goal of improving various health outcomes and overall efficiency without increasing spending.

**Support for Older Adults**

• **Home and community-based program receives support to expand.** The governor and Legislature approved an increase of $40.5 million ($14.6 million in state funds) for the MI Choice long-term care program to expand access to services and raise reimbursement rates. Funding will allow for an additional 1,000 eligible seniors to enroll in MI Choice, which provides long-term care services to often medically frail seniors living at home or in the community. Funding will also allow for a 5% increase in the dollar amount programs receive for each enrollee.

**Human Services**

**Food Assistance/Access to Healthy Foods**

• **The number of families receiving food assistance continues to fall.** The final budget recognizes a reduction of $171 million in federal funding for food assistance, as fewer families qualify for help. Food assistance cases have fallen from their peak of 968,000 in 2011 during the Great Recession to roughly 614,000 in August 2019. This decline is the result of changes in policy, including the state’s adoption of an asset test for food assistance, as well as improvements in the economy.

• **Increased funding will support statewide expansion of the Double Up Food Bucks (DUFB) program.** The 2020 state budget includes $1 million for DUFB, which enables people using the Supplemental Nutrition Assistance Program (SNAP) to double the value of up to $20 per day in food assistance benefits spent on fresh produce at participating farmers markets and grocery stores. The 2019 budget included $300,000
for the Flint DUFB program. The increase in the 2020 budget will promote the growth of farmers market and grocery store participation statewide.

Income Assistance/Basic Needs

- The number of families able to receive income assistance through the Family Independence Program (FIP) will continue to fall, in part because of the state’s strict eligibility requirements. The number of families receiving FIP is now lower than it was in the late 1950s. For the 2020 budget year, FIP caseloads are expected to continue to fall, for a statewide savings of $7.7 million. The state’s stringent eligibility requirements were retained, including lifetime time limits for FIP, and a prohibition on receiving assistance (both FIP and food assistance) for persons with more than one drug felony occurring after August 1996.

- Children receiving income assistance through FIP will be able to receive a portion of the child support paid by noncustodial parents. Currently, the Michigan Department of Health and Human Services retains all child support that would otherwise be paid to FIP parents, with a percentage of those funds required to be paid to the federal government. In 2017, 27 states and territories had child support pass-through policies. The governor proposed to allow the maximum pass-through of child support ($200 per month for two or more children), estimating that it would benefit 2,300 of the roughly 18,000 families receiving FIP. The Legislature rejected the governor’s proposal, but the governor subsequently transferred funding to implement a child support pass-through.

- The birth certificate fee for people experiencing homelessness will be waived. The final budget includes $226,000 to cover the cost of providing copies of vital records that individuals experiencing homelessness need to apply for other identity documents and access services and supports that will help them obtain safe, permanent housing.

Child Abuse and Neglect

- Funding is provided to support the increased number of child protection workers needed to keep abused and neglected children safe. In response to a lawsuit against the state for failing to protect children, as well as a state audit that highlighted problems in the state’s child protection system, additional funding has been provided to hire more staff, most recently through a supplemental budget approved by the Legislature late in 2018. The final 2020 budget includes an increase of $4.9 million to cover the costs of new staff for the full 2020 budget year.

- The governor’s proposal to provide incentives to relatives of abused and neglected children to become foster care providers is largely rejected. The governor included $1.8 million for incentives for relatives to become licensed as foster care providers, but the final budget includes only $250,000. The state’s settlement agreement requires that 85% of relative caregivers are licensed. A separate court decision now requires that kinship care providers be paid at the same rate as other foster parents, eliminating some of the financial incentive for families to become licensed.
• Child abuse and neglect prevention programs continue to be underfunded. Michigan has four major family preservation and prevention programs—Families First, Strong Families/Safe Children, Child Protection and Permanency, and Family Reunification—with funding for the programs remaining relatively flat over more than a decade. The governor recommended an increase in prevention programs of $9.3 million in 2020. The final budget includes a $5 million increase, including $3 million to help parents visit their children who have been placed outside the home (down from the governor’s request of $5.9 million), $1 million to continue several contracts for family reunification services (down from the governor’s request of $2.4 million), and $975,000 to expand the Parent Partner Program. The Legislature also approved an increase of $2.1 million for a 5.5% increase to private agencies providing family preservation programs, a move that was vetoed by the governor.

• Funding for runaway and homeless youths is not expanded. The Legislature included $800,000 in one-time funding for the state’s runaway and homeless youth programs. This new, one-time funding was vetoed by the governor.

Child Care and Early Education

Child Care

• Child care reimbursement rates will increase. The Legislature approved an increase of $15 million in federal Child Care Development Block Grant funding to raise reimbursement rates for child care providers. Rate increases vary according to the type of setting (centers, homes or license-exempt family/friends/neighbors), the age of the child and the quality of care based on Michigan’s five-star rating system. The governor had recommended an increase of $16.4 million beginning on January 1, 2020 (full year cost of $21.9 million).

• The child care entry eligibility threshold is not increased. The Legislature rejected the governor’s recommendation to increase the entry eligibility level from 130% of poverty to 140%. At 130% of poverty, Michigan’s child care eligibility threshold is one of the lowest in the country, and the number of families able to receive help with child care costs has dropped dramatically.

Great Start Readiness Preschool Program (GSRP)

• Funding for the GSRP will increase only slightly. The final budget includes an increase of only $5 million in the GSRP, maintaining current eligibility thresholds and per-child payments. The governor had recommended that funding for the GSRP be increased by $84 million to a total of over $328 million, by lifting income eligibility thresholds from 250% of poverty to 300% (and up to 350% of poverty if there is no Intermediate School District waiting list), and per-child payments from $7,250 to $8,500 for full-day programs.

Early Intervention

• Funding for Early On is increased. The final budget includes an increase of $2.2 million in funding for Early On, the state’s early intervention program for children with develop-
mental delays. Until this year, Michigan’s Early On program operated without any state funding. Federal funds for the program have been available since 1986, but are insufficient to both identify infants and toddlers with disabilities, and provide the services needed to improve their growth and ultimately reduce the need for special education services.

**K-12 School Aid/Education**

**Per-Pupil Spending**

- **Per-pupil spending is increased.** The Legislature increased per-pupil payments to schools by between $120 and $240, with the largest increases for districts currently receiving the lowest payments. The minimum School Aid payment is increased by 3% to $8,111, and the maximum rises 1.4% to $8,529, for a total increase in spending of $304 million. The governor vetoed a $240 per-pupil increase for public school academies, as well as $250,000 in funding for nonpublic schools to cover the costs of state-mandated health and safety laws and rules.

- **Increased payments for high school students are ended.** In recognition of the higher cost of instruction for high school students, school districts have received a bonus payment of $25 per pupil for students in grades 9 through 12 for the last two years, at a cost of $11 million this year. The Legislature elected to discontinue the bonus payments in 2020.

- **Full funding for cyber schools is maintained.** The Legislature retained full funding for cyber schools in 2020. In recognition of lower facility and transportation costs, the governor recommended that cyber schools receive 80% of the minimum foundation allowance for a savings of $22 million to reflect lower facility and transportation costs. The Legislature rejected this recommendation.

- **Special education funding is increased.** The final budget includes $60.2 million to increase reimbursements to school districts and Intermediate School Districts (ISDs) by approximately 2 percentage points. Schools and ISDs are reimbursed for a percentage of their total approved special education costs. The governor had proposed a new weighted funding formula that would have increased special education costs by approximately 4 percentage points at a cost of $120 million.

**Funding for Students Academically at Risk**

- **Funding for students at risk academically is increased slightly.** The Legislature approved a $5 million increase in support for students who are considered at risk academically, including those who are economically disadvantaged. The final budget raises total funding for the At-Risk program to $522 million. The governor had recommended an increase of $102 million to a total of $619 million, with funds provided through a new weighted formula.

- **Funding for school-based health centers is increased.** The final budget increases funding for school-based health centers by $1.9 million to a total of nearly $8 million.
statewide. The funds are used to provide primary healthcare services to children and adolescents.

Early Literacy

- **Funding for literacy coaches is increased.** The final budget includes an additional $14 million in funding for literacy coaches, bringing total spending to $21 million—enough to double the number of coaches from 93 to 186 statewide. The goal is to improve third-grade reading scores as Michigan’s Read by Grade Three law takes effect in the current school year—a law that could result in the retention of children in third grade, with a higher risk for children from high-poverty schools and students of color. The governor had included a total of $31.5 million for literacy coaches in her proposed budget, enough to triple the number of coaches.

- **Funding for additional reading instructional time is maintained at 2019 levels.** The final budget for 2020 includes $19 million for districts for additional instructional time for students in kindergarten through third grade.

- **There is no new funding for summer literacy programs.** The Legislature added $15 million for a one-time summer school reading grant program for districts with high numbers of students who are not proficient in reading or are not reading at grade level. The one-time program was vetoed by the governor.

English Language Learner Grants

- **Funding for grants for support instruction of English Language learners will be increased.** The Legislature included $7 million for grants to improve instruction for English language learners, as well as $3 million for one-time payments to districts for capital improvements that could improve instruction. The governor vetoed the $3 million increase for capital improvements.

School Mental Health and Support Services

- **Funding for school mental health and support services is maintained.** The Legislature approved continued funding of $31.3 million for school mental and health and support services, including funding to add licensed behavioral health providers in ISDs or school districts, as well as related support services. The Department of Education is working with the Department of Health and Human Services to seek federal Medicaid matching funds for the services.

School Nutrition

- **Funding for the 10 Cents a Meal program is eliminated.** The governor vetoed funding for the 10 Cents a Meal program that serves as an incentive for schools to include locally grown fruits and vegetables in their school meals. Currently funded at $575,000, the Legislature had included a $1.4 million increase (for total funding of $2 million), allowing more areas of the state to be covered and extending the program to child care centers. Priority is currently given to school districts with high percentages of
students eligible for free lunches, with the program currently covering three of the state’s Prosperity Regions.

**Flint Water Emergency**

- **Funding for Flint is increased in the 2020 budget.** The final School Aid budget includes an increase of $4.8 million for services related to the Flint water crisis, bringing total funding to $8.1 million. Included are: (1) $2.4 million for school nurses, classroom aides and school social workers; (2) $4 million for Early On services for children ages 3 to 5; (3) $1 million to enroll 4-year-olds in the GSRP regardless of household income; and (4) $650,000 for nutritional services. The Legislature reduced authorized spending for educational services in Flint from the state restricted contingency fund from $15 million to $5 million.

**Adult Education**

- **The budget provides no new funding for adult education programs, keeping the appropriation at $30 million despite the fact that adult education funding still falls far short of the need.** State funding for adult education peaked between 1997 and 2001 at $80 million, but was cut drastically after that period to between $20-22 million annually until very recently.

**Post-Secondary Education**

**Financial Aid**

- **The budget increases the amount of Temporary Assistance for Needy Families (TANF) funds for financial aid that serves affluent and middle class students in addition to students with low incomes.** It maintains current total levels of funding for the Michigan Competitive Scholarship ($32.4 million), but increases the amount of TANF funds going into the program by $2 million, for a total of $26.4 million in TANF funds (82% of total funding) to replace dollars from the General Fund. TANF is meant to be used for programs that help families below or close to the poverty level, and the League has long advocated using TANF dollars only to fund college financial aid that goes to students from families with low incomes.

- **The Michigan Tuition Grant, funded at $38 million for the current year, is vetoed.** This financial aid program helps students who attend a not-for-profit private college in Michigan, including many students with low incomes.

- **Funding for the Tuition Incentive Program (TIP) is maintained at the current level of $64.3 million, all TANF dollars.** The TIP covers two years of tuition at a community college for a student from a low-income household and partially covers the third and fourth year of tuition at a public university if the student continues with studies toward a bachelor’s degree. The League believes funding of this grant is an appropriate use of TANF because it exclusively serves the TANF target population.
The appropriation for the Indian Tuition Waiver is increased from $4.2 million to $10.9 million. The Indian Tuition Waiver differs from grant programs in that it waives tuition costs for members of a federally recognized tribe rather than transferring money from the Michigan Treasury to the student and/or institution. However, if the total tuition costs of students under this waiver exceed the amount of money appropriated as reimbursement for the waiver, then the university or community college where those students study must "eat" those costs. The increase is necessary because of the shortfall in recent years (approximately $6.7 million per year total) and the resulting costs to universities and community colleges.

Use of K-12 Funds for Postsecondary Education

- The budget removes $151.1 million in School Aid Fund (SAF) funding to universities and replaces it with General Fund dollars. From Budget Year 2012 through the current budget year, the governor and Legislature have pulled 15-34% of university operations funding, totaling nearly $2 billion, from the SAF in order to free up General Fund dollars for other uses or for tax cuts. For 2020, the governor had proposed funding the state’s public universities entirely from the General Fund, removing all SAF dollars from the operations funding appropriation.

- The budget continues to fund community college operations entirely with SAF dollars, in keeping with the practice of the past two budget years. It increases the overall appropriation from $322.3 million to $324.7 million.

Tuition Restraint (Student Affordability Criteria)

- The budget increases the allowable amount that universities may raise their tuition without receiving a penalty, from 3.2% or $427 per credit hour (whichever is greater) in Budget Year 2019 to 4.4% or $587 in Budget Year 2020. Universities and community colleges set their own tuition rates, but because university tuition has increased dramatically over the past 15 years (due in part to decreasing state support), funding increases to each university are contingent on whether the university plans to keep the upcoming year’s tuition increase below a specific threshold (known as “tuition restraint”).

Corrections

Correctional Facilities

- Closure of Ojibway Correction Facility produces savings. The Legislature agreed with the governor’s total funding of $1.1 billion for the state’s 29 correctional facilities, which house approximately 38,000 prisoners. The budget sees savings of $6.8 million from the closure of the Ojibway Correctional Facility in Marenisco Township.

- Language to punish counties with sanctuary policies is vetoed. The governor vetoed the Senate proposal to disqualify counties from receiving reimbursement under the County Jail Reimbursement Program if they adopt sanctuary policies. The veto zeros out the program.
Incarceration Alternatives

- **Funding for Residential Alternatives to Prison program is maintained.** Despite the Senate eliminating the program, the Residential Alternative to Prison program retains current year funding levels at $1.5 million. The program provides vocational, educational and cognitive programming for probation violators who might otherwise be sentenced to prison.

Education, Skilled Trades and Career Readiness

- **Funding for Vocational Village is increased.** Although one-time $2 million funding for the expansion of the Vocational Village program expired, approximately $4.6 million of the total $38.3 million appropriated to the Education, Skilled Trades and Career Readiness budget is used to operate Vocational Village programs. This is a small increase of $1.3 million for the skilled trades training programs, which are based in facilities in Jackson and Ionia, with a third in Huron Valley planned for 2020. The one-time expansion in 2019 that was cut from the 2020 budget represents the bulk of the $2.7 million decrease in the final budget for education, skilled trades and career readiness.

- **Online High School Equivalency pilot program funding is eliminated.** The Legislature agreed with the governor’s elimination of the Online High School Equivalency pilot, which had been funded for two years ($1 million in the 2018 budget and $500,000 in the 2019 budget). The program served up to 400 prisoners by offering career-based online high school diplomas.

- **Goodwill Flip the Script funding is maintained.** Despite the governor and House eliminating the program, the final budget continues to fund the program at $1.5 million. Operated by Goodwill Industries in Wayne County, the program was first included in the 2015 budget and provides education, job training and mentoring to 16- to 39-year-olds who have recently entered the criminal justice system, with the goal of keeping them out of the prison system.

Prison Healthcare

- **Funding for the state’s aging prison population is rejected.** The Legislature rejected the governor’s recommendation to provide $2.1 million ($350,000 one-time funding) to convert a 240-bed housing unit at the Thumb Correctional Facility to specifically house elderly prisoners who have intense treatment needs.

- **Funding for Federally Qualified Health Center (FQHC) pilot program is eliminated.** The Legislature agreed with the governor and eliminated the FQHC pilot, which was implemented to provide care coordination for the physical and behavioral health needs of parolees and probationers. This program had been funded for two years ($75,000 in the 2018 budget and $250,000 in the 2019 budget).

- **Funding for Hepatitis C Treatment is doubled.** Despite the House and Senate rejecting the governor’s recommendation to increase funding for Hepatitis C treatment by 103%, the final budget includes the increase, bringing total funding to $13.7 million.
This funding will be used to continue treating approximately 780 prisoners per year and begin treating prisoners in the early stages of fibrosis.

- **Prison-based substance abuse services are in-sourced.** The Legislature approved moving prison-based substance abuse services from external contractors to state-supervised staff, and appropriated the total $21.4 million into Mental Health Services ($4.5 million) and Offender Success Services ($16.9 million). The Mental Health Services funding will better support evidence-based clinical treatment prior to parole, particularly for prisoners with co-occurring substance use disorders and mental health needs. The budget also authorizes 30 full-time staff to provide clinical support (both mental health and substance abuse treatment services) throughout a prisoner’s full sentence. The Offender Success Services funding will continue to provide non-prison-based substance abuse services contractually.

- **Visitors will be allowed during labor and delivery.** The budget includes House-proposed language to allow a female prisoner to have one visitor present during labor and delivery. The visitor can be an immediate family member, legal guardian, spouse or domestic partner.

**Thriving Communities**

- **Local governments receive funding bump.** Constitutional Revenue Sharing, the amount of sales tax revenue that the state is constitutionally obligated to transfer to state and local governments, increased by $30.1 million, a 1.7% increase. Additionally, the Legislature and governor agreed to include an increase of $5.9 million (2.3%) to cities, villages, and townships and an increase of $5.1 million (2.3%) to counties.