On the heels of contentious state budget deliberations during 2019 that dragged final adoption of the 2020 budget into the very last hours of the fiscal year, and culminated in a range of budget vetoes and administrative transfers, Gov. Whitmer has presented her vision for the state for 2021. The governor’s budget focuses on three strategic areas for state investment: (1) improving education from the early years to postsecondary education and training; (2) supporting families, including access to health and child care services; and (3) protecting the environment and ensuring access to clean air and water.

The governor’s budget, which was presented to legislative leaders on Feb. 6, 2020, contains the details of her plan to allocate the state’s resources for the 2021 budget year, which begins on Oct. 1, 2020, and ends on Sept. 30, 2021. Missing from the governor’s 2021 budget is last year’s proposal to increase the gas tax to generate the funds the state sorely needs to fix the roads and address its aging infrastructure, as well as provide every child a top-rate public education. In its place, the governor is pursuing a $3.5 billion road bonding plan that would be paid back over 25 years and would add or expand 122 major road improvement projects.

Legislative committees are now meeting to craft their own versions of the 2021 budget. The decisions they make can either help create equity for all Michiganders regardless of race, ethnicity, income or zip code, or could perpetuate the long-term barriers faced by many Michigan families and working people that arose from a history of state budgets and policies that haven't adequately addressed the cumulative impact of discrimination.

The Governor’s 2021 Budget: Highlights of Wins & Losses

The League supports:

- New funding to ensure moms and their babies are healthy, including expanded postpartum care and family planning services.
- New investments to reduce exposure to lead and other environmental toxins.
- A stronger focus on the social determinants of health.
- Funding to keep families together and prevent child abuse and neglect.
- Expanded eligibility for child care assistance.
- Increased payments for preschool programs.
- A weighted school funding formula that recognizes the added cost of teaching children in high-poverty schools.
- Continued focus on early literacy.
- Funding to address the needs of older students through Michigan Reconnect.
- Restoration of funding for healthy foods in schools through Ten Cents a Meal.

What’s missing in the governor’s budget:

- A long-term solution to the state’s revenue problems.
- Funding to extend adequate temporary income assistance to children in deep poverty and support low-wage workers through the Earned Income Tax Credit.
- An increase in child care payments needed to eliminate child care deserts and improve quality.
- Increased state funding for early intervention for developmentally delayed infants and toddlers.
- A broader investment in adult education.
The League is advocating for a set of budget priorities that can improve Michigan’s economy by creating equity for the state’s children and families. The League has created an Owner’s Manual for Michigan that sets out a comprehensive path to good jobs and training, reliable healthcare, high-quality education from cradle to career, strong families, and a safe environment.

**Total Funding for 2021**

For 2021, the governor recommends $60.7 billion in total spending from state and federal revenues. Spending from the state’s General Fund—the portion of the budget over which lawmakers have the most control—is expected to be $11 billion. General Fund revenues are barely above the level of two decades ago and fall far below the need if increased inflationary costs are considered. In fact, had the General Fund continued to grow at the rate of inflation since 2000, Michigan would have an additional $5.5 billion to contribute to the core functions of government including public safety, public health and education.

Michigan’s General Fund has been losing ground because of state tax and budget decisions that have reduced revenues or earmarked funds. In addition to deep cuts in business taxes in 2011, lawmakers have diverted almost $2 billion of the state’s General Fund for other purposes, including $600 million for roads, $553 million for business tax credits, and $492 million to reimburse local governments for their losses resulting from personal property taxes no longer levied on businesses.

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Over 80% of the Total 2021 Executive Budget is Funded with Federal or Restricted Funds

- Federal: 39.3%
- State Restricted: 41.8%
- GF/GP: 18.1%
- Local/Private: 0.8%

*Source: State Budget Office*
Healthcare and Health Coverage

- **Medicaid.** The governor recommends continued funding to ensure that the traditional Medicaid program can accommodate any changes in enrollment numbers or use, as well as to maintain actuarial sound payment rates. The governor also recommends expanding the MiDocs medical residency program and boosting payment rates for Medicaid outpatient hospital care. These investments are intended to improve access to important health services in rural and underserved communities.

- **Healthy Michigan Plan.** The governor recommends continued funding for the Healthy Michigan Plan, which currently provides healthcare coverage for approximately 675,000 Michiganders. The federal government will continue to fund 90% of the Healthy Michigan program, with the state responsible for 10% of program costs.

Maternal and Child Health

- **Healthy Moms and Babies.** The governor’s budget proposal prioritizes investments to improve maternal and infant health. Specifically, the governor recommends investing $37.5 million to establish Healthy Moms, Healthy Babies, which will extend Medicaid postpartum coverage from 60 days to 12 months, expand home visiting capacity by 1,000 slots and improve access to behavioral health and family planning services.

- **Paid Parental Leave for State Employees.** Paid parental leave has been shown to reduce infant mortality rates as well as encourage new parents, women in particular, to maintain their current employment. The governor recommends providing 12 weeks of paid parental leave to approximately 46,000 state employees with the hope that doing so will promote greater family health across the state and compel other large employers to follow suit in providing this valuable benefit.

Public/Environmental Health

- **Property owners would have access to a new mechanism to finance lead hazard remediation.** The governor’s 2021 budget provides $10.0 million to establish a Lead Poisoning Prevention Fund. The Fund would reduce risk to private lenders as an incentive for them to extend low-cost loans to landlords and homeowners for projects that reduce lead exposure.

- **The budget would support an expanded focus on the social determinants of health.** The governor proposes $11.7 million to build a statewide infrastructure to address factors that affect health status, such as food insecurity and housing instability. This strategy centers on community-based systems and partnerships to facilitate data-sharing, resource referrals and service coordination across programs and providers.
Human Services

Food Assistance/Access to Healthy Food

- **The number of families receiving food assistance continues to decline.** The governor’s 2021 budget recognizes a reduction in federal funding for the food assistance program of $175 million as the number of eligible families declines. After rising to 967,566 in 2011, the number of Michigan families receiving federally-funded food assistance fell to 606,320 in the first quarter of the 2020 budget year—a reduction of 37%. In November of 2019, Gov. Whitmer increased the asset limit for food assistance in Michigan from $5,000 to $15,000, which will allow Michigan residents to maintain some savings while receiving assistance with food, and improve their economic stability.

Income Assistance/Basic Needs

- **The number of children receiving public income assistance continues to fall.** The number of children receiving income assistance through the Family Independence Program (FIP) has continued to drop, even though child poverty has remained relatively high. Between 2009 and the first quarter of the 2020 budget year, the number of children receiving FIP statewide fell by 81%, from 150,943 to only 28,701.

- **Children receiving income assistance through FIP would continue to live on monthly grants that have been eroded by inflation.** The governor proposes no change in FIP benefit levels in 2021. Since the beginning of Michigan’s “welfare reform” in 1993, the FIP monthly benefit amount has been increased in a meaningful way only once, in 2006. As a result, both income eligibility and benefit levels have eroded greatly with inflation, and monthly FIP grants now fall more than 70% below the federal poverty line. In 2019, FIP families received an increase in the annual clothing allowance for their children, and in the 2020 budget, Gov. Whitmer allowed the approximately 2,300 families with child support orders to keep up to $200 of child support per month.

- **The asset limit for income and emergency assistance is increased.** Along with the increase in allowable assets for the food assistance program, Gov. Whitmer increased the asset limit for FIP from $3,000 to $15,000, and the limit for State Emergency Relief from $500 to $15,000. Although Michigan was one of the first states to request a waiver to eliminate public assistance asset limits in the 1990s, subsequent state legislation reinstated the requirement—a stark contrast to the nearly half of all states that have eliminated asset requirements. The governor’s decision to raise the limit makes it easier for families facing economic emergencies to qualify for assistance.

- **State policies that penalize former drug felons would be maintained.** The governor has maintained the current policy that prohibits individuals with more than one drug felony occurring after August 1996 from receiving food or cash assistance—a rule that many states have avoided through federal waivers. Michigan received a waiver to adopt a policy more lenient than federal law, which prohibits FIP or federal food assistance benefits for applicants with drug felonies, but should seek a waiver to join the 26 states that have entirely eliminated the drug felony ban for food assistance, and the 18 states that have eliminated it for cash assistance.
Child Abuse and Neglect

- **The cost of foster care and other out-of-home placements for maltreated children has continued to rise.** Child welfare costs have increased in Michigan, partly in response to a lawsuit against the state for its failure to assure that children who have been abused or neglected are safe and find permanent homes without long delays. As part of the court settlement agreement, the state agreed to increase child welfare staff to address high caseloads. For 2021, the governor includes $278.2 million in payments for foster care—up 6.3% from the current year initial appropriation.

- **The governor takes advantage of the new Federal Family First Prevention Services Act (FFPSA) to increase investments in prevention and reduce the use of residential care.** The FFPSA allows states to use federal Title IV-E dollars to fund programs that allow children to remain safely in their own homes and avoid foster care, as well as reduce the need for residential or group care. Prior to passage of the new law in 2018, states could only use their federal Title IV-E dollars for children already in foster care. The governor recommends an increase of $8.6 million for prevention programs, along with a pilot program to keep children out of residential care. The Michigan Department of Health and Human Services estimates that this investment in substance abuse, mental health and parenting skills programs will help 2,250 families who have children at risk of removal from the home at an average cost of $4,695 per family—far below the average cost of foster care at approximately $26,000.

Child Care and Early Education

**Child Care Subsidies**

- **More families working in low-wage jobs will be able to get help with child care costs.** The governor increased the income eligibility threshold for child care assistance from 130% of poverty to 150% of poverty, expanding the child care subsidy to an additional 5,900 children. Michigan currently has one of the lowest income thresholds for child care assistance in the country. The estimated cost of the governor’s expansion, which would take effect on Jan. 1, 2021, is $25.7 million in federal Child Care Development Block Grant funds.

- **Licensed child care providers would be helped with the costs of required background checks for child care workers.** As part of the reauthorization of the federal Child Care Development Block Grant, child care providers are required to do background checks and fingerprinting of adults who will have contact with children in their care. In recognition of the costs that would be incurred by child care providers who are already operating at the margin, the governor includes $1.3 million to help cover the costs of background checks.
The Great Start Readiness Program (GSRP) will receive its first payment increase since 2014. While Michigan expanded funding for the GSRP by $130 million between 2014 and 2015, per-child payments have remained stagnant, making it more difficult to ensure that children are receiving the high-quality experiences that have been shown to improve school readiness. The GSRP currently provides a preschool education for 4-year-olds in families with incomes below 250% of poverty. The governor proposes an increase of $35.5 million to raise the per-pupil payment for a school-day GSRP slot from $7,250 to $8,336 to mirror the proposed minimum K-12 per-pupil allowance.

A GSRP funding increase would expand eligibility for 4-year-olds in areas with high rates of children who are economically disadvantaged and academically at risk. The governor recommended a $42 million increase in funding for the GSRP, with the funds targeted to districts that are members of a community engagement advisory committee in conjunction with the Department of Treasury (currently only the Benton Harbor Public Schools), or where 75% or more of the students are not proficient readers in third grade, and more than 75% of pupils are identified as economically disadvantaged. An estimated 26 public school systems would be eligible for the funds, which would serve an additional 5,038 students.

State funding for Early On remains at the current-year level. Michigan’s early intervention program for infants and toddlers with developmental delays received its first state funding in 2019. With an additional small increase in 2020, total state funding for Early On is $7.2 million—far short of the estimated need of $68 million and much lower than many peer states. The governor did not provide additional state funding for Early On.

Per-pupil spending is increased through a weighted formula that addresses the higher costs of teaching children who are economically disadvantaged, have special needs or are English language learners. For 2021, the governor recommends a $415 million increase in funding for public schools through a weighted school funding formula that recognizes the added costs of teaching students with the greatest barriers to achievement. In addition to $290 million for an increase in the base state payment per-pupil of between $150 and $225—with districts that currently have lower funding getting larger increases—the governor included a $60 million increase for special education, $60 million in additional funding for children who are economically disadvantaged (bringing total At-Risk funding to $582 million), and an increase of $5 million for students who are English language learners (bringing total funding to $18 million).
- **Funding for cyber schools is reduced.** In recognition of lower facility and transportation costs, the governor reduces the foundation allowance for cyber schools by 20% for a savings of approximately $24 million.
- **Some districts will be allowed to soften the fiscal impact of declining enrollment.** The governor proposes $6 million to allow districts with community engagement advisory committees to average their pupil membership over a three-year period.
- **Funding is provided to reimburse teachers who purchase classroom materials and supplies.** The governor recommends $25 million in one-time funding to cover the costs of classroom supplies, which are now often paid for by teachers.

*Third-Grade Reading Instruction*

- **The current-year expansion of early literacy coaches is maintained.** The governor continues to provide $31.5 million for state-funded literacy coaches. The number of literacy coaches was tripled in the current budget year as the state faces the first year of implementation of its Reading by Grade Three law. Under the law, which was adopted in 2016, children who are more than one year behind in reading proficiency can be retained in third grade—despite evidence that retention does not improve educational outcomes. The Department of Education estimates that as many as 5,000 children could be subject to retention, and based on current data, those children are likely to be disproportionately children of color, including an estimated 11% of African American third-graders statewide compared to less than 3% of White students.
- **Funding to train coaches, principals and teachers in best practices of literacy instruction is increased.** The governor increases funding for literacy training by $3 million (bringing total funding to $4 million). The increase would support a system of regional lead literacy coaches.
- **Funding for other literacy grants remains flat.** The governor maintains current-year funding of $19.9 million for early literacy grants to increase reading proficiency, including regular student screenings, and targeted interventions such as multi-tiered systems of supports for students falling behind.
- **Funding for the Michigan Reading Corps is restored.** The governor provides $2 million for the Michigan Reading Corps program, which was funded in 2019 but vetoed in the 2020 budget.
- **One-time funding for a summer school reading program is removed.** The governor does not include $5 million for a summer reading program that was approved by the Legislature for the current budget year.

*Healthy and Safe School Environments*

- **New funding is provided to upgrade schools to protect student health and safety.** The Governor calls for one-time funding of $40.0 million to provide competitive grants of up to $500,000 to districts for air and water filter replacement, lead and asbestos remediation, and other modifications that promote student health, safety and well-being. Priority for grants is given to districts with deficit elimination plans, low academic achievement or participation in a community engagement advisory committee.
• **The 10 Cents a Meal program is restored.** The 2019 budget included $575,000 for the program, which provides an incentive for schools to purchase healthy food grown in Michigan, and brought the total number of counties where the program was available to 43. For the 2020 budget year, the Legislature allocated $2 million and expanded eligibility to school districts statewide as well as child care centers, but the governor vetoed the funding. The governor’s 2021 budget restores $1 million from the School Aid Fund for expansion to school districts in all counties, but does not include child care centers.

• **Student lunch debt will be forgiven.** The 2021 budget includes $1.0 million in one-time funding for school districts that forgive all outstanding student meal debt and adopt policies to prevent public identification or shaming of students who cannot pay for a school meal. Nationally, the average school district has $2,000 to $2,500 in student meal debt.

• **Funding for school mental health and support services is continued.** The governor provides continuation funding of $31.3 million for behavioral health services for K-12 students. Included is $6.5 million for child and adolescent health centers to place licensed behavioral health providers in schools, and $23 million for Intermediate School Districts for school-based mental health and support services.

• **Funding for school-based interventions for children affected by the Flint water crisis is continued.** The governor retains current-year funding of $8.1 million for students in Flint. Funds are to be used for: (1) school nurses, aides and social workers ($2.43 million); (2) early intervention services for children ages 3 to 5 ($2.4 million); (3) GSRP preschool enrollments for children regardless of household income ($1 million); (4) nutritional services ($650,000); and (5) supports for K-12 students, including behavioral supports, counselors, psychologists, nursing, transportation and other services ($1.6 million).

• **Funding for adolescent teen health centers, and school hearing and vision screening remains flat.** The governor continues current-year funding of $8 million for adolescent teen health centers and $5.2 million for vision and hearing screenings.

**Adult Education**

• **Funding for adult education continues to be inadequate.** Despite the fact that adult education is an important element in helping reach the governor’s goal of 60% of Michigan working adults having a postsecondary credential, the governor’s budget does not increase funding for adult education, which has been cut by 78% since 2001 when adjusted for inflation.
Postsecondary Education

**Tuition Restraint**

*Universities and community colleges will be required to limit tuition increases to receive additional state funding.* To receive the 2.5% funding increase proposed by the governor for universities and community colleges for the 2021 budget year, each postsecondary institution will be limited to increasing tuition by 4.25% or $586 per student, whichever is greater. This tuition restraint level is slightly lower than the current level of 4.4% or $587 per student, and breaks with previous years in that it applies to community colleges as well as universities. 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.”

**Financial Aid**

- **Older students will be able to get financial aid to build their skills.** The governor provides $35 million through a 2020 budget year supplemental to establish Michigan Reconnect, which will provide up to two years of tuition-free education or training leading to a credential for students ages 25 and older and already in the workforce. If enacted, this will be the first budget year since 2009 in which there is state financial aid for students attending public institutions who have been out of high school for at least ten years.
- **The Michigan Tuition Grant is increased, while the State Competitive Scholarship and the Michigan Tuition Grant are maintained at current levels or cut.** For Michigan’s existing need-based financial aid programs, the governor is increasing the Tuition Incentive Program, which serves students from Medicaid-eligible families, by 5.6%, from $64.3 million to $68 million. The State Competitive Scholarship continues at its current funding level of $38.4 million, while the Michigan Tuition Grant is cut by 16%, from $38 million to $32 million. Of the $138.3 million proposed for these three existing need-based programs, $112.8 million, or 82%, is from Michigan’s federal allocation from Temporary Assistance for Needy Families (TANF) that is intended to help low-income individuals and households even though a likely far lower percentage of those funds is going to students in that target population. This is a reduction from the use of $131 million in TANF in the current budget.
- **Funding for the North American Indian Tuition Waiver remains flat.** The governor recommends flat funding for the North American Indian Tuition Waiver of $10.9 million for universities and $1.8 million for community colleges.

**Student Debt**

- **Some student loans will be refinanced with lower interest rates.** The governor has also proposed $10 million for a new Michigan Student Loan Refinance program that will enable qualified individuals to refinance up to $50,000 of federal or nonfederal student loans through the Michigan Department of Treasury with a new lower interest rate. Borrowers must have resided in Michigan for at least one year and have made regular loan payments for at least three years in order to qualify.
Use of K-12 Funds for Postsecondary Education

- Nearly $790 million in School Aid Fund dollars are diverted from K-12 schools to postsecondary education in the governor’s budget. The governor proposed $356 million in School Aid funds for universities in 2021, an increase from the $349.4 million in the current year.
- Community college operations continue to be entirely funded with School Aid Fund dollars. In keeping with the practice of the past several budget years, the governor continued to use School Aid Fund dollars to fund community colleges, increasing the overall School Aid Fund appropriation to $433.8.

Corrections

- Prison facilities costs increase while state’s prisoner population decreases. For the sixth year in a row, Michigan’s prisoner population has decreased, bringing the total number of prisoners to approximately 38,000 – a 25-year low. The governor has proposed just over $1.1 billion dollars to cover the cost of 27 correctional facilities, which is an increase of $70 million spread across the facilities.
- Funding to retain employees and improve employee wellbeing is increased. For the second year in a row, the governor proposes increased funding for new custody staff training, this year by $8.5 million. In addition, the governor includes a $500,000 investment for employee wellness enhancements to help manage occupational stress among correctional employees and provide resources to employees.
- Education, skilled trades and career-readiness increased. The governor provides a small funding boost of $2.4 million for educational and work-readiness programs that help prepare prisoners for work upon their release, reducing the likelihood of recidivism and helping them to lead stable and fulfilling lives.
- Funding for prison healthcare operations is increased. The governor’s proposal increases total prison health care funding to $314 million, which includes an additional $6.6 million for prison healthcare services and a $1.5 million boost for mental health and substance abuse treatment services.