



Reviewing the State Budget Through a Philanthropic Lens

On March 5th, Governor Gretchen Whitmer proposed her first executive budget to the Michigan state legislature. The Governor's original budget proposal reflects her deep commitment to fixing the roads and improving education. CMF has followed the seven-month budget process and will monitor the ongoing political process until the budget is approved.

While there are still possibilities of budget changes to come, this is a brief status update on this highly complex issue. CMF doesn't typically engage in budget issues, but this uncommon finance process has highlighted the critical impact budget changes can have on the charitable sector.

The governor's strong use of line item veto was unprecedented as using the State Administrative Board (Ad Board) to transfer departmental funds from one program to another had not been done in 28 years. Governor Whitmer is the second in her position to use this strategy.

Transfers usually occur after the administration makes a request of the legislature, following approval from the House and Senate Appropriations Committees. Given the polarized budget process these past few months, CMF staff saw this maneuver as strategic and nonpartisan – aimed at drawing the legislature to the negotiating table. Media coverage has been extensive including comprehensive analyses and impact stories, some of which have been linked in the report.

Several bills have been introduced that would reverse some of the decisions made by the legislature, Governor and Ad Board process. CMF continues to monitor those actions. Below is a high-level overview of where things currently stand:

- Governor Whitmer proposed a \$60.2 billion budget, which was rejected by the legislature who in turn approved \$59.9 billion in spending
- The approved budget incorporated \$400 million in one-time spending for roads but failed to include a long-term solution. In response, the governor struck nearly \$1 billion from the budget by issuing an unheard-of 147-line item vetoes, declaring 72 budget provisions constitutionally unenforceable.
- Governor Whitmer utilized the State Ad Board¹ process to approve 13 interdepartmental transfers which shifted \$625 million in funding. Of those transfers, \$406 million were within the Attorney General and Education departments. While not a direct impact to programming, this loosens full-funding hurdles previously placed on those departments.
- Supplemental bills have been introduced and require all parties negotiate the remaining \$1 billion.



- Between the House and Senate just 14 session days remain in November and December for legislative action to occur. Legislators will likely delegate within their districts while listening to constituents.
- Of the \$128 million in line item vetoes offered by the Governor in the school aid budget, approximately \$34 million came from 26 programs that were either new to the budget or continued from previous years that benefited non-government entities. Funding for Square One, a Southfield-based company that provides STEM professional development, workshops and enables high school students to design a variety of complex vehicles is an example.

By understanding the budget CMF staff can have deeper conversations with the administration and state agencies about priorities, gaps and intersections with philanthropy. CMF staff will continue to uplift budget implications in the coming months by highlighting key issues that have been identified by membership. Members with questions regarding this report or other budget actions, should contact [Regina Bell](#).

Education

Michigan's philanthropic community has experienced leaders in education and an established history of collaboration with state agencies and the nonprofit sector. In 2018, CMF's public policy committee sent policy recommendations to the Snyder Administration encouraging an increase to the eligibility threshold for access to state childcare subsidies and an increase to the reimbursement rates paid to childcare providers. While the policies proved successful during the Snyder Administration, Michigan's access to early childhood education still compares poorly to other states. Early childhood is touched by multiple agency budgets. Below are descriptions of the budgets and highlighted budget impacts:

School Aid Fund (SAF): This includes appropriations to the state's 539 local school districts, 297 Public School Academies (PSAs), and 56 Intermediate School Districts (ISDs) for operations and certain categorical programs. The SAF also appropriates funds to the Michigan Department of Education (MDE), Center for Educational Performance and Information (CEPI), Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

Great Start to Readiness Program: Reduced the Governor's proposed spending plan by \$80 million while proposing a \$5 million increase for a total of \$249.9 million. The legislature's plan maintains the \$2 million SAF allocation to ISDs, the current threshold and per child allocations, and includes \$50,000 within the general fund for the provider of the longitudinal study of the GSRP program to conduct a comparative analysis of the relationship between GSRP programs



and performance on the kindergarten readiness assessment funded under section 104 of the School Aid budget.

- **What it means:** While Governor Whitmer has proposed to work for the implementation of universal pre-school, the passed budget in no way covers the cost of implementation.

Early Literacy Teacher Coaches: \$14 million for a total of \$21 million in spending was added to increase the number of literacy coaches from 93 to 186, statewide. This is less than the \$24.5 million increase proposed by the Governor. The legislature’s passed budget also included boilerplate language changes that require a school district or ISD to select from a list of professional development programs provided by MDE based on the results from a request for proposal process. Senate Bill 577, a recently introduced supplemental, would add additional funds for literacy coaches.

- **What it means:** MDE has reported that they are forecasting retention rates to be at only 4 percent due to how the word “proficient” is defined. There is great need to ensure children are reading at proficient levels and additional funding is possible through the \$14 million approved by the legislature in the budget to support early literacy teacher coaches.

Summer School Literacy Intervention Grants – The Governor vetoed language that would have included \$15 million for a one-time funding summer school reading grant program. That would have provided eligible districts a grant based on the number of third grade pupils determined not proficient in the English Language Arts (ELA) portion of the 2019 Michigan Student Test of Educational Progress (M-STEP). Districts would have been required to spend funds over three fiscal years for summer reading programs that prioritize third grade pupils not proficient in the ELA portion of the M-STEP and may extend the program to any student in grades kindergarten through second grade who are not reading at grade level.

- **What it means:** According to the MSTEP ELA scores released in August, more than half of Michigan’s third graders, 54 percent, did not have proficient ELA scores. Aggressive action needs to be taken to ensure that students are reading at proficient levels

Michigan Department of Education (MDE): The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. MDE is the administrative arm of the State Board and is charged with implementing state and federal educational mandates and administering programs. The enacted \$420 million budget for the fiscal year is \$13.6 million more than previous but represents a \$4.3 million reduction in general funding.

Child Care and Development Fund (CCDF) Provider Reimbursement Rates: The Executive budget included \$16.4 million in federal funding to increase reimbursement rates for childcare



providers. This represents three quarters of the estimated annual cost of \$21.9 million. The increase would better retain and incentivize providers to join the program and to increase the quality of care. The legislature's budget includes \$15 million in federal funding to increase reimbursement rates for childcare providers. Licensed providers serving children ages zero to five would receive a \$0.30 increase and providers serving children age five and older would receive a \$0.20 increase. License-exempt providers with a level one status would receive a \$0.15 increase, and those with a level two status would receive a \$0.05 increase.

- **What it means:** The childcare provider system in Michigan is stressed with limited availability, shoe-string budgets, and has had difficulty retaining its workforce. The passed budget shows the needle moving in the right direction, but far short of what is needed to build capacity in this sector.

Child Care and Development Fund (CCDF) Entrance Eligibility Threshold: The Executive budget included \$13.6 million in federal funding to increase the entrance eligibility threshold from 130 percent of the federal poverty guidelines to 140 percent of the federal poverty guidelines beginning January 1, 2020. Michigan's current 130 percent of the federal poverty guideline serves families with an annual income below \$26,556 for a family size of three.

- **What it means:** Michiganders must be at or below 130 percent of the federal poverty line in order to qualify for a childcare subsidy. With a national range of 130 percent to 250 percent of the federal poverty line, Michigan continues to be among the least accessible states for childcare support.

Criminal Justice/Reentry/Workforce

CMF has found a strong partner in the Michigan Department of Corrections (MDOC) and its Director, Heidi Washington, who is among the only agency directors to serve under governors Snyder and Whitmer. Under its new strategic plan, MDOC aims to expand its nationally acclaimed vocational village reentry program, expand substance use and mental health services, improve conditions at the state women's prison, and play an important role in criminal justice reform.

Michigan Department of Corrections (MDOC): The department is responsible for operation and maintenance of the state's 29 correctional facilities that house felony offenders sentenced to prison. This includes provision of physical and mental health care, education, food service, transportation, and reintegration programming. Also, the department is responsible for supervision of all parolees and probationers under department jurisdiction and has oversight over community corrections programs and other programs designed to encourage alternatives to prison placement for appropriate offenders. As of September 1, 2019, the department was responsible for 93,880 Michigan offenders: 38,155 prisoners, 42,192 probationers, and 13,533 parolees.



One-Time Funding for Training New Custody Staff: The proposed executive budget included a one-time appropriation of \$10.5 million general fund to train an additional 408 corrections officers to meet projected attrition needs. Funding supports salary and payroll costs of new officers while they participate in training, as well as costs for uniforms, training materials, certifications, food, travel, and lodging. Between 50 and 55 custody staff are projected to retire each month in the next year. With the additional funding added to the 2018-19 base of \$9.5 million, the department would be able to train roughly 779 new officers in 2019-20. The legislature passed budget did not include a line-item appropriation but does include boilerplate section 226 that directs the department to expend \$7.4 million of unexpended work project appropriations for training new custody staff. The Governor vetoed section 226, so there is no funding included for training new custody staff.

- **What it means:** The elimination of this line item from the proposed executive budget was a major blow to MDOC having the new staff and training to manage important aspects of the MDOC strategic plan. For example, MDOC may not have the requisite staff to open its next vocational village replication for the state's women's prison in Huron Valley.

Program Elimination: The proposed executive budget eliminated several programs to reflect a savings of \$4.7 million. Conference concurred with the Executive on eliminating funding for the Supervising Region Incentive Program, the Online High School Equivalency Pilot Program, the Federally Qualified Health Center Pilot Program, and for kitchen inspections but retained current-year funding for Goodwill Flip the Script and included boilerplate language (Section 226) that directs MDOC to expend \$1 million of unexpended work. There is no funding included for the Substance Abuse Parole Certain Sanction Program.

- **What it means:** This is an example of the administration and the legislature in agreement. This reduces the department's ability to bring in new hires. As a result, MDOC will be required to use more overtime and extracurricular activities for inmates will be reduced.

In-Sourcing Substance Abuse Services: The executive proposed and legislature approved budget authorizes 30.0 FTE positions to provide consistent clinical support of both mental health and substance abuse treatment services throughout a prisoner's sentence, rather than just prior to parole. Currently, prison- and non-prison-based substance abuse services are performed by contractors, and \$21.4 million is appropriated in a single line item titled Substance Abuse Treatment and Services. The department proposes in-sourcing prison-based substance abuse services and transferring \$4.5 million of the \$21.4 million to the Mental Health Services line item. The current Substance Abuse Treatment and Services line item would be eliminated, and the balance of \$16.9 million would be transferred to the Offender Success Services line item, through which non-prison-based substance abuse services would continue to be provided contractually.



- **What it means:** This represents the integration of substance use and mental health services within MDOC to account for the high number of inmates that are dual diagnosed for both conditions.

Re-Appropriation of Unexpended Work Project Appropriations: The legislature's passed budget includes boilerplate section 226 that directs the department to expend unexpended work project appropriations on several efforts such as \$950,000 for providing PTSD training and wellness support for department employees. This also includes the Substance Abuse Parole Certain Sanction Program be funded with \$1 million from repurposed unexpended work project appropriations. The Governor deleted section 226 and zeroed out this line item.

- **What it means:** Ongoing work projects that ended with this budget include parolee tethers, and MDOC's new employee school.

County Jail Reimbursement Program: The legislature's passed budget reduces the appropriation for the County Jail Reimbursement Program by \$250,000. The Governor vetoed eliminating all funding for the County Jail Reimbursement Program which reimburses county jails for housing state inmates – if a county has a policy that infringes on law enforcement working with Immigrations and Custom Enforcement (ICE).

- **What it means:** This program was vetoed because of its language related to counties having policies that infringe on law enforcement working with ICE. The program was designed to support county diversion activities.

Businesses in Deprived and Depressed Communities: The Executive Office included new boilerplate language requiring the director to take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts to provide services or supplies, or both. The language added in Section 206 would have also required the director to encourage firms the MDOC contracts with to subcontract with certified businesses in deprived and depressed communities. The language was not included by the legislature and therefore not contained in the final adopted budget.

- **What it means:** An important effort to diversify the contractor base for MDOC contracts, ultimately was not adopted.

Immigration Status: The legislature included new language, Section 414, that disqualifies counties from receiving reimbursement under the County Jail Reimbursement Program if they enact or enforce any law, ordinance, policy, or rule that limits or prohibits a peace officer or local official, officer, or employee from communicating or cooperating with appropriate federal officials concerning the immigration status of an individual in the state.



- **What it means:** The legislature’s proposed language was aimed at counties with policies related to sanctuary for immigrants. Governor Whitmer vetoed the language.

Female Prisoner Labor and Delivery: A new section, section 902, was added that requires MDOC to allow a female prisoner to have one visitor present during labor and delivery under specific conditions.

- **What it means:** Female prisoners may now have one background-checked visitor – particularly fathers and grandparents – present when delivering a child. We were surprised that this was not already the case and thankful that it is now.

Human Services

Below are some of the Michigan Department of Health and Human Services (MDHHS) budget highlights which have broad significance to Michigan philanthropy. MDHHS accounts for nearly half of the state’s budget and intersects with foundation and nonprofit programs across the state. CMF staff continue to analyze the implications of this complex department.

Michigan Department of Health and Human Services: MDHHS includes programs and services to assist Michigan’s most vulnerable families, including public assistance programs, protecting children and assisting families by administering foster care, adoption, and family preservation programs and by enforcing child support laws, and funding for behavioral health (mental health and substance use disorder), population health, aging, crime victim, and medical services programs, including Medicaid and the Healthy Michigan Plan. The enacted DHHS budget for fiscal year 2019-2020 with vetoes and Ad Board transfers is \$716 million greater than the previous year’s budget

West Michigan Partnership for Children (WMPC): The Ad Board transferred \$2 million for WMPC to other DHHS programs.

Kids’ Food Basket – The legislature included \$250,000 one-time funding for a grant to the Kids’ Food Basket organization, which provides meals to children from low-income families. The Governor vetoed.

Oral Health Assessment for Children – The legislature included \$2 million for a new oral health assessment program for children entering public school kindergarten who do not have dental insurance, similar to HB 4223. Sec. 1319 is related boilerplate. The Governor vetoed deleting section 1319 and removes related funding from Dental Programs line item. She also vetoed funding to the University of Detroit Mercy dental clinics.



Prenatal Strong Beginnings Program – The legislature provides \$1 million for a new Prenatal Care and Premature Birth Avoidance Grant line item to support the Strong Beginnings program in Kent County a federal Healthy Start program, previously funded as an outcome-based pay for success program and includes related boilerplate in section 1312.

Child/Adolescent Health Centers – The legislature included \$1 million in one-time funding for the expansion of school-based child and adolescent health centers in underserved areas, for behavioral and physical health services. Sec. 1911 is related boilerplate. The Governor vetoed deleting section 1911 and related funding.

Healthy Michigan Plan Work Requirement – The Executive proposed a \$36.2 million increase for administrative costs and employment and training-related services and supports related to the Healthy Michigan Plan work requirements set to begin January 1, 2020. With \$10 million allocated for employment and training-related services and supports. The legislature rejected additional employment and training-related funding. The Governor used her Administrative Board power to transfers in \$6.1 million to support the implementation of work requirements.

Moving forward, CMF staff will continue to work closely with administration to distill information and keep members informed. CMF invites you to reach out to [Regina Bell](#), director of government relations and public policy at CMF about the areas of the budget that are of greatest concern.

Helpful news links on the state budget:

- [MLPP](#): October 17, 2019
- [Detroit News](#): October 16, 2019
- [Bridge](#): October 1, 2019

ⁱ Per [P.A. 2 of 1921](#), the State Administrative Board has general supervisory control over the administrative activities of all state departments and agencies, including, but not limited to, the approval of contracts and leases, oversight of the state capitol outlay process and the settlement of claims against the State under \$1,000.00. The State Administrative Board functions through three standing committees that make recommendations to the Board.

The State Administrative Board members are the Governor, Lieutenant Governor, Secretary of State, Attorney General, State Treasurer, Superintendent of Public Instruction and the Director of the Department of Transportation. The Department of Technology, Management and Budget (DTMB) designates a Secretary to the State Administrative Board and provides staff support.