

A FIRST LOOK AT GOV. GRETCHEN WHITMER'S 2022 STATE BUDGET

February 2021

Following an unusual budget cycle, with the COVID-19 pandemic interrupting typical budget deliberations and the need for a rare third revenue estimating conference before the 2021 budget was completed, Gov. Gretchen Whitmer has presented her 2022 budget recommendation. While much of the 2021 budget was focused on the response to the COVID-19 public health crisis, the governor's 2022 budget takes a look at the recovery ahead by prioritizing funding in the following areas: public education, economic opportunity, public health, infrastructure, clean energy and the environment, and equity.

The governor's budget, which was presented to the Legislature on Feb. 11, 2021, contains the details of her plan to allocate the state's resources for the 2022 budget year, which begins on Oct. 1, 2021, and ends on Sept. 30, 2022. Fears of significant cuts were alleviated by stronger than predicted revenues, due largely to federal funds in the form of increased unemployment benefits, direct stimulus payments, and state and local government relief.

However, despite these upward adjustments in revenues—much of which are considered one-time revenue increases—a structural deficit going forward and other risks exist on the horizon. Additionally, missing from the governor's budget is a long-term solution to the state's revenue problems. These upcoming risks dictate the need for smart and strategic investments to ensure future cuts do not occur.

Legislative committees are now meeting to craft their own versions of the 2022 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 inequity.

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 Governor's 2022 Budget: Highlights of Wins and Losses

The League Supports:

-  Increased incentives for lenders to finance lead hazard abatement in homes.
-  Funding for health equity initiatives.
-  Investment in safe drinking water in schools.
-  Long-overdue investment in affordable housing.
-  Expanded eligibility for child care assistance and an increase in provider rates, along with allowing providers to bill based on enrollment instead of attendance.
-  Expanded financial aid for older students.
-  Funding to support criminal justice reforms and legislation.

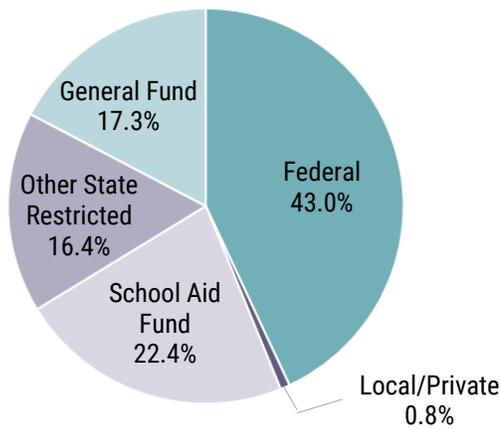
What's Missing?:

-  A long-term solution to the state's revenue problems.
-  Significant improvements to income assistance programs and commitment to use TANF dollars for core purposes.
-  Commitment to using SAF dollars solely for K-12 education.
-  A broader investment in adult education.

TOTAL FUNDING FOR 2022

For 2022, the governor recommends \$67.1 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 \$11.4 billion. General Fund revenues have been fairly flat over the last two decades and fall far below the need if increased inflationary costs are considered. In fact, when adjusted for inflation, the state's General Fund revenues fall below levels in the 1968 budget year, the year the state income tax was first levied.

State budget by fund source

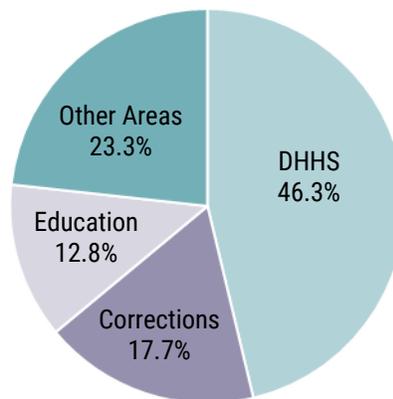


Source: State Budget Office

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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, an anticipated \$575 million for business tax credits, and \$521 million to reimburse local governments for their losses resulting from personal property taxes no longer levied on businesses. These diversions come at a significant cost to budget priorities, as ultimately more General Fund dollars are needed for federal match requirements and to fund health and human services, higher education, and public safety.

Over 75% of General Fund dollars are needed for health and human services, corrections, and education.



Source: State Budget Office; calculated by Michigan League for Public Policy

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TAX AND FEE CHANGES

- **The governor proposes exempting feminine hygiene products from sales and use taxes.** The governor's budget shifts \$5 million in General Fund dollars to the School Aid Fund to offset the loss of revenue associated with the proposed exemption. Currently, the 6% sales tax is levied on sales of feminine hygiene products, such as tampons and sanitary products. This tax generates about \$6.5 million and is disproportionately felt by families living in poverty. The League has supported similar legislation exempting feminine hygiene products from sales taxes in prior legislative sessions.
- **While the budget does not propose any tax increases, the budget does propose increasing and/or extending sunsets on a number of fees that fund state services.** The budget proposes raising roughly \$25 million through fee increases and maintaining current level funding through sunset extensions. Many of the fees are set to sunset October 1, 2021, and the budget would propose extending those sunsets. Additionally, many fees have not seen increases in recent years, despite costs rising in supported programs. The fees are used to fund state programs in the Departments of Agriculture and Rural Development; Environment, Great Lakes and Energy (EGLE); Labor and Economic Opportunity; State; and State Police.

HEALTH

- **Direct care professionals could see a permanent wage increase.** The executive budget proposal includes \$360 million (\$121.4 million in general funds) for a direct care worker wage increase. This increase would make permanent the \$2.00/hour COVID-19 related wage increase for health workers serving Medicaid-enrolled seniors in nursing homes and the various home and community-based programs operating in the state.
- **Behavioral health investments become a priority.** Governor Whitmer has proposed \$91 million (\$30 million in general funds) for behavioral health services for Medicaid enrollees and those served by the child welfare system. The budget also recommends \$26.5 million (\$5 million in general funds) for a community behavioral health pilot. The two-year pilot would establish 14 clinic sites across the state and provide integrated behavioral and physical health treatments to an estimated 100,000 adults in Michigan. The governor's 2022 budget proposal also includes \$15 million in one-time funding for the state's five psychiatric hospitals.
- **Budget recommendations include funding for older adults and infants.** Governor Whitmer has proposed \$37.5 million (\$9 million in general funds) in one-time funding for nursing homes. The budget also recommends \$19.1 million (\$6.3 million in general funds) for the MI Choice program. MI Choice enables seniors to receive health services at home or in community rather than in a nursing home. The program is estimated to grow by 1,000 slots based on the current 2022 proposal. Similarly, infant home visiting programs will increase by 1,000 slots based on the \$7.4 million (\$6.2 million in general funds) investment in the governor's 2022 budget proposal.
- **Funding for the Lead Poisoning Prevention Fund (LPPF) will be boosted.** The 2021 budget used \$2.0 million to establish the LPPF as a loan loss reserve fund. It reduces risk to private lenders as an incentive for them to extend low-cost loans to landlords and homeowners for projects that reduce lead exposure. Governor Whitmer has proposed increasing LPPF funding to \$10.0 million for the 2022 budget year.

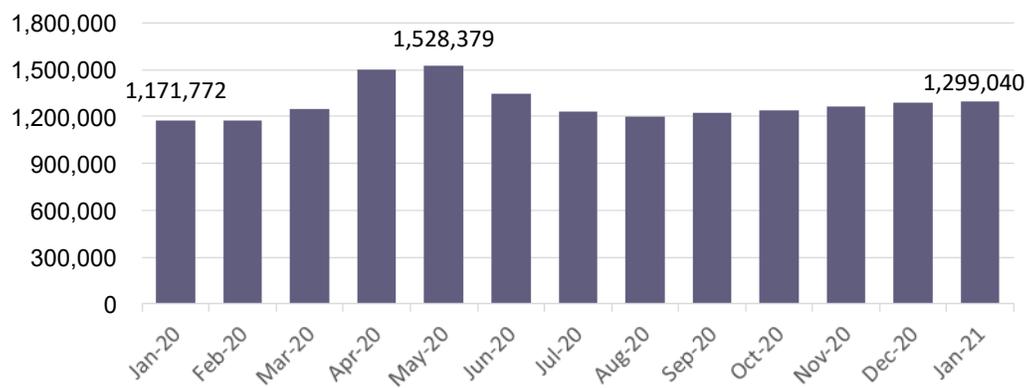
- **The budget will support a pilot for home repairs that promote health, safety and utility bill savings.** The state offers weatherization services to help households with low incomes reduce their energy use. Many eligible families, however, live in homes with significant health and safety issues, such as a deteriorating roof or the presence of hazardous substances, that must be addressed before weatherization can be performed. The governor’s 2022 budget proposes a \$5.0 million pilot program for construction, renovation and repairs needed to prepare these homes for energy efficiency improvements.
- **The governor proposes initiatives to promote health equity.** The convergence of multiple systemic issues over time has led to drastic racial and economic health disparities which have been magnified by the COVID-19 crisis. The 2022 budget includes funding for several initiatives to promote health equity. These include \$6.7 million to support necessary health care for those experiencing sickle cell disease, \$8.4 million for community navigators to help improve access to health coverage and other essential supports, and \$2.5 million to establish a Race, Equity, Diversity, and Inclusion Office within MDHHS to provide training, technical support, and data collection and analysis to promote equity and inclusion in MDHHS service delivery.

HUMAN SERVICES

Food Assistance

- **The need for food assistance rose during the early months of the pandemic and remains higher than a year ago.** The governor’s 2022 budget includes just over \$3 billion in federal funding for the food assistance program. Between January and May of 2020 the number of people in Michigan receiving food assistance rose by over 30% as thousands lost work as a result of the pandemic. Since that time, the number of food assistance recipients has dropped, but is still 10% higher than it was in January of last year. In addition to the impact of the pandemic, in November of 2019, Gov. Whitmer increased the asset limit for food assistance in Michigan from \$5,000 to \$15,000, and the state policy that penalized former drug felons by refusing them access to food assistance was eliminated—a move that will improve food security and racial equity, while reducing recidivism.

The number of people receiving food assistance peaked in May 2020 and remains 10% higher a year ago (total Michigan FAP recipients per month)



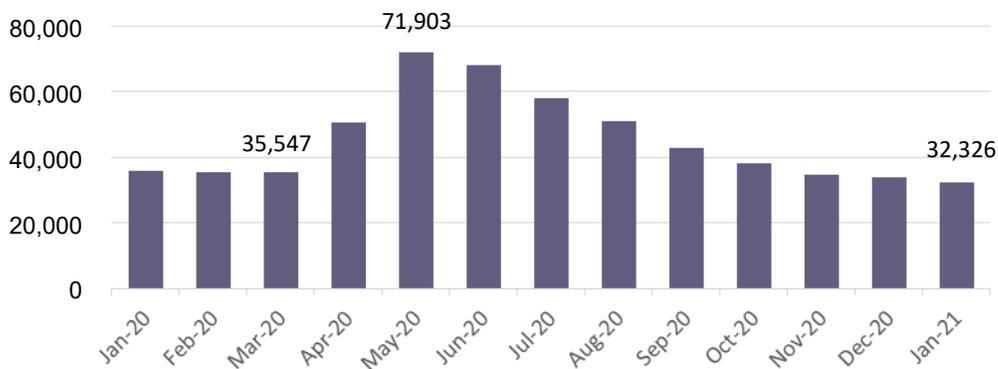
Source: Department of Health and Human Services

- The governor’s budget supplemental for the current year includes \$2.1 billion in additional federal authorization for the food assistance program. Costs for the program have been rising because of federal changes that extend more help to families during the economic slowdown caused by COVID-19, including:
 - An extension of food assistance benefits to school-age children missing out on free- or reduced-price meals due to school closures, as well as children under age six who would have received free- or reduced-price meals at a school or in a child care setting.
 - An increase in food assistance benefits of 15% through June 30, 2021.

Income Assistance

- The need for basic income assistance from the Family Independence Program (FIP) doubled in just a few months after the onset of the COVID-19 pandemic. This increase is particularly shocking given the state’s very stringent eligibility policies that exclude large numbers of Michiganders from a program intended to help families with children who cannot find work to meet their basic needs. To be eligible for FIP, a family of three cannot have a monthly income above \$815, or \$9,780 annually. Children represent 80% of all recipients of FIP income assistance, and between 2009 and the first quarter of the 2021, the number of children receiving FIP assistance statewide fell by 82% from 150,943 to 27,235. The governor’s budget includes \$74.4 million for the FIP program in 2022. In 2019, Gov. Whitmer increased the asset limit for FIP income assistance from \$3,000 to \$15,000, making it easier for families to receive help in an economic emergency, but no changes in eligibility policies are proposed in the 2022 budget.

The number of Michiganders turning to Michigan’s Public Assistance Program doubled within 3 months of the onset of the pandemic (FIP recipients by month)



Source: Department of Health and Human Services

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- Michigan continues to shift Temporary Assistance for Needy Families dollars from basic public assistance programs to other state priorities. Since the 2008 budget year, TANF spending on public assistance has declined by \$492.5 million or 70%. This decline was driven by a strict 48-month lifetime limit on FIP benefits—a full year less than the

federal 60-month limit—and by the elimination of the federal hardship exemption that allows states to continue to extend FIP benefits beyond 60 months to 20% of its caseload. Michigan now spends only 12% of its TANF block grant on basic income assistance, ranking it 37th in the country.

- **Children receiving income assistance through FIP continue to live in deep poverty.** The governor’s budget includes no increase in FIP grants that are the primary source of support for approximately 27,000 children in Michigan. Since 1993, FIP monthly benefits have 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 the monthly FIP grant falls about 70% below the federal poverty line.

Child Welfare and Justice

- **Funding for family preservation efforts is increased.** The governor proposes an increase of \$3.5 million (\$2.1 million in state funds) to help keep families together and prevent foster care placements. The governor is taking advantage of new federal flexibility under the Family First Prevention Services Act that allows states to use federal dollars for prevention programs rather than exclusively for children in foster care. The Michigan Department of Health and Human Services projects that these new funds will help 1,391 families with children at risk of removal from their homes in the first year, at an average cost of \$4,695—much lower than the average cost of foster care at more than \$26,000.

Efforts to preserve and strengthen families are critical in overcoming the persistent overrepresentation of children of color in the child welfare system—from the identification of neglect, to the removal of children from their parents, homes and communities. In 2018, 18% of children and youths ages 0-17 in Michigan were black or African American, but they represented 29% of the children in foster care, 35% of the children with more than two placements in care, and 30% of the children whose parents’ rights were terminated so they were waiting for adoption.

- **Funding for Raise the Age to keep 17-year-olds out of adult courts.** The governor includes \$29.1 million (\$24.2 million in state funds) to cover the costs of a new law that raises the age of juvenile court jurisdiction from 17 to 18 years of age, keeping youths out of adult court. Michigan passed Raise the Age legislation on Oct. 31, 2019 based on evidence that prosecuting youths as adults is harmful to children, threatens public safety and is expensive in the long run. By raising the age of juvenile court jurisdiction, 17-year-old youths can get appropriate rehabilitation and are more likely to succeed in school and the community.

CHILD CARE AND EARLY EDUCATION

Child Care Subsidies

- **The governor recommends a large temporary increase in the income eligibility threshold for child care assistance from 150% of poverty to 200%.** This increase is expected to provide a child care subsidy for up to 150,000 more children in the state at a cost of \$46.4 million in the current budget year and \$92.8 million in the 2022 budget, with the income eligibility threshold falling to 160% of poverty in 2023. Michigan has long had one of the lowest income eligibility thresholds in the country, with the first significant increase occurring in January 2021 when the threshold rose

from 130% of poverty to 150%. Even with this increase, Michigan falls well below the national 2018 median of 188% of poverty, and will continue to be in that position by 2023 under the governor's proposal when the eligibility threshold would fall to 160% of poverty.

- **The governor recommends a 10% increase in child care subsidy rates.** Child care subsidy payments to providers have remained low, and reflect the state's very depressed child care market that has failed to offer living wages to child care workers and business owners. Early educators in Michigan with bachelors' degrees are paid 22% less than their colleagues in the K-8 education system, and almost one in five have incomes under the poverty line. Sadly, nearly half of child care providers are themselves eligible for some type of public assistance and few have access to benefits like healthcare and paid sick leave. A 10% increase, while an important step, falls short of what is needed to stabilize child care businesses and ensure that parents have access to high-quality programs.
- **The governor recommends \$6.5 million in 2021, and \$13 million in 2022 to temporarily waive family contribution copays from April 1, 2021 to September 30, 2022.** Currently, some parents are required to pay copays to their child care providers every two weeks for each child in care. The amount provided by the parent is then subtracted from the subsidy payment provided by the state. Some families are exempt from family contribution copays, including those who are receiving Family Independence Program (FIP) income assistance, children in foster care, homeless or migrant children and children involved in the state's protective services system. For other parents the amount ranges from \$15 per child every two weeks to \$78—depending on family income. There is also a cap on total contributions for families, ranging from \$45 per two-week pay period to \$186. On top of these family contribution copays, parents remain responsible for the difference between what the state will pay through subsidies and the actual fees charged by child care providers.
- **The governor recommends that the state temporarily pay child care providers based on the children that are enrolled rather than on attendance.** At the beginning of the COVID-19 pandemic, a number of states, including Michigan, allowed child care providers to bill based on the number of children enrolled in their programs, rather than on attendance. The governor recommends that the policy be reinstated in April of this year through Dec. 31, 2021. The total cost of this change is \$29.4 million in the 2021 budget year, and \$14.7 million in 2022. This policy change addresses the reality that child care programs have fixed costs including staffing that are based on anticipated enrollment, and with more steady revenue, more providers may be willing to accept children receiving subsidies.
- **The governor provides for several additional rounds of child care provider grants.** During the COVID-19 crisis, the governor used federal relief dollars to provide grants to child care providers to help their businesses survive the shut-downs and reduced enrollments. The governor allocates an additional \$55 million in the current budget year for several more rounds of provider grants.
- **The governor maintains current funding levels (\$1.5 million) for social-emotional consultants for children exhibiting difficult behaviors in child care.** Michigan has a history as a leader in supporting child care providers as they face difficult behaviors exhibited by young children, including behaviors that have led to the expulsion of children from

child care or preschool settings. The current infant and early childhood mental health consultation program is based on Michigan’s nationally-recognized child care expulsion prevention model, which was found to decrease the number of young children who are expelled from child care settings and improve children’s development. Maintaining current funding is crucial, yet additional investments are needed to expand access to services.

[Great Start Readiness Program \(GSRP\)](#)

- **The governor recommends the first increase in per-child payments for the GSRP 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 governor proposes an increase of \$32.2 million to raise the allocation for a full-time preschool slot by \$1,025 to a total of \$8,275—mirroring the minimum K-12 per-pupil payment.

K-12 SCHOOL AID/EDUCATION

[Per-pupil Spending](#)

- **Per-pupil spending is increased.** The governor recommends \$203 million for an increase of \$164 dollars per pupil for school districts receiving the minimum state support—an increase of 2%—and an \$82 per-pupil increase (1%) for the districts with the highest state funding. The goal is to continue to reduce the gap between the highest- and lowest-funded districts, and this investment would reduce that gap to \$336 per pupil. Despite increases in per-pupil spending in the last several years, when adjusted for inflation, per-student funding in Michigan fell 9% between 2008 and 2019, and falls well below the levels recommended by the bipartisan Michigan School Finance Research Collaborative.
- **To continue her push for a weighted school funding formula that recognizes the added costs of teaching children from high-poverty schools or with special needs, the governor provides small increases in support.** For 2022, the governor is proposing a total of \$14.1 million toward the weighted school funding formula, including an increase of \$12.5 million for the At-Risk School Aid program, along with small increases in funding for English language learners (\$260,000), special education (\$1.2 million), and students in rural and isolated districts (\$140,000). In her first budget, Gov. Whitmer pursued a new weighted school funding formula that more vigorously supported students in low-income communities and those with special needs, including an increase of \$102 million for the At-Risk School Aid program targeted to children at risk of failing to achieve academically, as well as an increase of \$128 million for special education. The Legislature largely rejected the move to a weighted school funding formula in both the 2020 and 2021 state budgets, and did not address that reality that the At-Risk School Aid program is underfunded, with districts receiving less than 80% of the funds that they are eligible for and need.
- **The governor provides one-time support to school districts to recognize the number of students lost in the last year, in part due to the COVID-19 crisis.** Many school districts report that fewer students are enrolled than expected, with some parents delaying entry into kindergarten during the pandemic, while others turn to homeschooling or non-

public schools, or are as yet unaccounted for. The primary source of operating funds for districts—the per-pupil state payment—depends on student counts. To address this shortfall in funding, the governor recommends a one-time \$200 million investment to pay districts for 70% of lost students in both 2021 and 2022.

Addressing Learning Loss During COVID-19

The governor recommends additional funding in the current budget year (2021) to address student learning loss and help schools reopen safely. The governor’s goal is to ensure that students have an in-person learning option by March of 2021, and she is focused on student recovery programs as well as out-of-school time opportunities that can help students with learning losses related to the quick and unavoidable shift to online learning early in 2020. Included in her supplemental budget request are:

- **\$250 million for student recovery services**, including evidence-based programs to support academic recovery, physical and mental health services for students, and post-secondary readiness and transition services;
- **\$60 million for summer and after-school opportunities for students**, with an additional \$60 million in the 2022 budget; and
- **\$125.7 million in federal funding from the Governor’s Emergency Education Relief Fund for a wide range of services for both public and non-public schools**, including pandemic recovery efforts, mental health services for students and teachers, and increased access to out-of-school time programs.

Third-Grade Reading Instructions

When the COVID-19 pandemic struck and schools closed in March, concerns were raised about the impact on third-grade reading, as well as implementation of the state’s Read by Grade Three law that permits the retention of children who are reading below grade level. The Return to Learn law that was approved in August 2020 requires school districts to use benchmark assessments in the 2020-2021 school year to identify children who are having difficulties with reading. Funding for early literacy services is kept at current-year levels in the governor’s 2022 budget, including:

- **The 2020 expansion of early literacy coaches is maintained.** The governor recommends \$31.5 million for literacy coaches in Intermediate School Districts (ISDs)—the same level as the current year. The number of literacy coaches was tripled in 2020.
- **Flat funding of \$19.9 million is proposed for early literacy grants to districts to improve third-grade reading**, and funding for the literacy essentials training program for coaches and principals is also continued.

Student Health and Safety

- **For the current budget year, the governor recommends \$55 million to replace drinking water fixtures in schools** to ensure lead and other contaminants are filtered safely.
- **School Aid funding for the children of Flint** who were exposed to toxic levels of lead in their water remains flat in the governor’s budget at \$8.1 million. The governor also provides \$1 million for the Educare early childhood program in Flint.

- **Funding for school mental health and support services is maintained.** The governor recommends level funding of \$36.9 million for student mental and behavioral health programs. The funds are used by Intermediate School Districts as well as child and adolescent health centers to provide critical mental health services to students.
- **The 10 Cents a Meal program retains its current funding.** After being vetoed in 2020, the Legislature restored the 10 Cents a Meal program in 2021 and increased total funding to \$2 million to allow the program to expand to school districts in all counties as well as child care centers. The 10 Cents a Meal program provides incentives for schools and child care providers to purchase and serve healthy food grown in Michigan. The governor recommends continuation funding of \$2 million for 2022.

Adult Education

- Adult education funding continues to be inadequate to meet the need. The governor's budget does not increase adult education funding over the current year appropriation. Adult education currently receives \$26 million for adult education programs, \$4 million for programs that connect adult education or career technical programs to employers, and \$500,000 to reimburse districts who serve as fiduciaries for the allocation of funding among districts in their regions. The current level of funding for adult education programs falls far short of what is needed, as many parts of the state do not have adult education programs and the highly populated areas that do often cannot serve all who want to enroll. With an increase of \$10 million, for a total of \$36 million, adult education could serve 8,000 more students.

POSTSECONDARY EDUCATION AND TRAINING

Financial Aid

- **For the first time in nearly ten years, older students receive financial aid for community college.** The governor's budget provides \$120 million for Michigan Reconnect, a program that went into effect in early 2021 to cover tuition for students older than age 25 to receive a credential (such as an associate degree or occupational certificate) from a Michigan community college or approved training provider. This is a four-fold increase over the \$30 million appropriation for the current budget year, but much of the increase is one-time funding and not a precedent for future funding. The program covers tuition 100% for students who go to the community college in their district, and for those who do not live in a community college district or who go to a community college outside their district, the financial aid they receive is equal to in-district tuition at the college they attend. This is an important addition to Michigan's financial aid offerings, as Michigan has not provided need-based financial aid to older students attending a public college or university since 2010.
- **Frontline workers of any age receive full tuition coverage.** The governor's budget provides \$60.4 million for Futures for Frontliners, which provides tuition coverage for a certificate or degree program for frontline workers in acknowledgment of the risks to their health as they worked during the COVID-19 pandemic. The Governor recommends that \$25 million of this funding support an expansion of the program to workers who became newly unemployed during November 2020-January 2021 in industries disproportionately impacted by COVID-19. A portion of this funding, \$21.3 million, is recommended in the budget year 2021 supplemental to support the frontline workers currently in the program.

- **Wraparound services for older students are provided.** Because older students often experience pressures that traditional students do not, such as working and raising a family or being the first in their family to go to college, wraparound services such as childcare, tutoring, and career counseling can greatly improve their chances of academic success. The governor recommends \$6 million for Michigan Reconnect and Futures for Frontliners Wraparound Services to support enrolled single parents with customized services that will lead to successful completion of their programs. This amount is added to the \$6 million in funding that was included in the Budget Year 2021 MI COVID Recovery Plan.
- **The governor funds Going Pro occupational training programs entirely from the General Fund, rather than with money taken from the Unemployment Insurance (UI) Penalty and Interest Account.** In Budget Years 2016 through 2019, money collected from UI recipients in penalty and interest due to overpaid benefits has been used to offset General Fund dollars to fund training programs such as Going Pro. This is egregious in light of the large amount of money that went into this account after being wrongly taken from UI recipients who were erroneously accused of fraud in recent years. Using money collected in penalty and interest to supplant General Fund dollars for training programs provides a perverse incentive to accuse UI recipients of fraud and charge high penalties. Governor Whitmer has vetoed the use of the funds for that purpose in recent budgets and should continue to do so if the Legislature shifts funding for Going Pro from GF/GP to the Penalty and Interest Account.
- **Traditional financial aid receives a small increase.** The governor increases funding by \$2.5 million for the Tuition Incentive Program, a financial aid grant that serves students from Medicaid-eligible households, to support anticipated growth in the program. The governor keeps funding for Michigan's two other needs-based grants (the Michigan Competitive Scholarship and the Michigan Tuition Grant) at current levels.

Tuition Restraint

- Universities and community colleges will be required to limit tuition increases to receive additional state funding. Universities and community colleges set their own tuition rates. Because university tuition has increased dramatically over the past 16 years, and because community college students will receive considerable financial aid through Michigan Reconnect and Futures for Frontliners, increases in funding to individual institutions are dependent on those institutions keeping tuition increases below a specific level. The tuition restraint level for Budget Year 2022 for community colleges is 4.2%, which is two times the level of inflation. The tuition restraint level for public universities is 4.2% or \$590 per student, whichever is greater.

Use of K-12 Funds for Postsecondary Education

Over \$796 million in School Aid Fund dollars are diverted from K-12 schools to postsecondary education in the governor's budget. This is money taken directly from funds primarily intended for K-12 education in order to fund community colleges and public universities, pitting K-12 and postsecondary education against each other in a zero-sum game.

- The governor proposed \$361.4 million in School Aid funds for universities in Budget Year 2022, an increase of \$5.3 million over the current year.

- As with the current budget, the governor’s budget funds the entire community colleges appropriation (operations, retirement and renaissance zone reimbursements) with School Aid Fund dollars, at \$435 million.

CORRECTIONS

- **Number of prisoners and prisoner facilities costs decrease.** Michigan’s prisoner population is now at a 30-year low: just under 34,000 prisoners. This decrease of about 4,000 prisoners is a larger-than-typical one-year decrease; the reduction is driven in part by the Michigan Parole Board working to move more people out of the system due to COVID-19. The governor has proposed maintaining \$1.1 billion to fund 28 correctional facilities across the state. This total factors in a reduction of \$14.8 million for facilities funding, which includes the \$10.5 million savings seen by the closure of the Detroit Reentry Center.
- **Funding to retain employees is increased, along with investments in employee wellbeing.** The governor again proposes increasing funding for new custody staff training, this year by \$7.4 million, to hire and train 278 new corrections officers annually and address attrition. In addition, the governor includes an additional \$809,400 to support employees and families, particularly in addressing occupational stress, bringing total funding for employee wellness programming to \$2 million.
- **Funding for education, skilled trades and career-readiness is maintained.** The governor proposes \$132.3 million for continuing offender success programs, which help prepare prisoners with vocational and educational skills prior to release, reducing the likelihood of recidivism and helping them to lead stable and fulfilling lives. Specifically, the governor provides \$40.3 million in continuation funding for education, skilled trades and career readiness programs (which now includes the enhanced food technology program as well).
- **Funding for prisoner healthcare costs is maintained.** The governor proposes \$312.7 million for continuing prisoner healthcare funding to support prisoners’ physical health, mental health and pharmacy services. Maintenance of current-year funding for Hepatitis C treatment and prisoner healthcare services at \$8.8 million and \$94.8 million, respectively, are included in this total.

FUNDING TO IMPLEMENT CRIMINAL JUSTICE REFORM

In addition to funding in the Human Services portion of the budget to fund the enacted Raise the Age initiative to keep 17 year olds out of adult courts, the governor’s budget includes funding to implement and further support criminal justice reforms and legislation:

- **The governor proposes funding recent criminal record expungement reforms.** At the end of 2020, Gov. Whitmer signed the Clean Slate legislation into law, which expands and simplifies Michigan’s criminal record expungement process and automatically clears certain felonies and misdemeanors from criminal records. A criminal record can be a barrier to work, housing, education and other resources, yet having a conviction expunged has been shown to increase the chance of employment and wages. The governor has proposed a total of \$20.1 million to fund the coordinated development of criminal record expungement systems across multiple departments including the

Departments of Attorney General, Corrections, State Police and the Judiciary (\$19 million in state restricted funds and an additional \$1.1 million GF/GP within the Department of State Police for ongoing maintenance).

- **The governor includes a one-time funding boost to support a Michigan Joint Task Force on Jail and Pretrial Incarceration recommendation to provide behavioral health crisis response training for law enforcement, dispatch and jail officers.** One of the Task Force's recommendations was to develop, implement and deliver de-escalation and crisis response training for encounters with individuals who have mental health and substance abuse needs. There is significant evidence to suggest that such training increases safety for both the individual involved and the responding officer. The governor has proposed \$10.2 million in one-time funding, within the Department of State Police, to support the continued development and delivery of such training for the nearly 19,000 licensed law enforcement personnel across the state—a \$6 million increase in one-time funding for the Task Force recommendation.

INFRASTRUCTURE AND LOCAL GOVERNMENT INVESTMENT

- **The governor recommends long-overdue investment in affordable housing.** The 2022 budget would dedicate \$10.0 million to the Michigan Housing and Community Development Program, which is supported by a trust fund to finance downtown revitalization and affordable housing developments. To date, the trust fund has received money only twice—\$2.2 million when it was first established in 2008, and \$3.7 million in 2012. The proposed funding would alleviate housing needs for families with low incomes and revitalize downtown areas throughout the state.

Local Government Investments

- **Along with her budget proposal, the governor proposes a one-time fiscal year 2021 investment of \$70 million to 24 cities that assess local income taxes to offset some of the loss anticipated due to COVID-19.** In Michigan, 24 cities levy city income taxes on residents and non-residents working in the city. During COVID-19 these cities were hit hard by high unemployment and workers working from home, as cities cannot collect local income taxes on unemployment income nor from workers working outside of their taxing jurisdictions. The \$70 million would be spread proportionately to the amount of income tax collected prior to the pandemic and capped at a maximum of \$25 million per city.
- **The governor's budget includes a one-time 2% increase in city, village, and township revenue sharing (CVTRS) and county revenue sharing.** Michigan's local government revenue sharing consists of the following:
 - Constitutional revenue sharing is an automatic per capita payment to all 1,782 cities, villages, and townships based on a percentage of the sales tax revenue. The governor's budget contains a recommendation based on the anticipated sales tax revenues established at the January 2021 Consensus Revenue Estimating Conference. This payment does not depend on a budget appropriation.
 - CVTRS is a budget appropriation, with a distribution determined in boilerplate. The governor's budget includes a one-time 2% increase in CVTRS to be distributed to about 587 cities, villages, and townships using the existing

formulas. While increasing CVTRS is greatly needed, it is still woefully underfunded as compared to the statutory formula, which is still in law but no longer used. The last time CVTRS was fully funded was over two decades ago, and it is currently funded at only about 27.5% of the full statutory amount.

- The governor proposes to provide county revenue sharing and the county incentive program a one-time 2% increase over current year payments, for which all but one county in the state would be eligible to receive in 2022 (Emmet is still drawing from its revenue sharing reserve fund, created in the mid-2000s to help offset state budget declines). Eligible counties would receive a payment 2% higher than the payment they receive for the current year. Eligible counties would still need to abide by accountability and transparency requirements.

Infrastructure Funding

- **The governor proposes a one-time fiscal year 2021 investment of \$300 million in the current budget year to support repair or replacement of about 120 locally owned bridges.** The Local Bridge Bundling Initiative would select bridges based on specific criteria. The initiative would cover 100% of the costs, and no local cost share would be required. While including the initiative in FY 2021 would provide enough lead time to plan the projects, construction wouldn't begin until spring of 2022.
- **The budget includes \$40 million in one-time funding for high water level and resilient infrastructure and planning grants.** Of this, \$30 million would be provided to local governments to address issues such as coastal erosion, flooding, transportation networks, urban heat, and stormwater management. The remaining \$10 million would be provided in planning grants to help support the development of local resiliency plans.
- **The governor's budget also proposes a one-time \$15 million general fund deposit into a Dam Safety Emergency Fund** to respond to emergency situations where dam owners fail to properly maintain a dam.
- **The governor includes an appropriation of the remaining \$290 million in the Strategic Water Quality Initiatives Fund for the MI Clean Water Plan.** The MI Clean Water Plan would provide clean water infrastructure grants for purposes such as eliminating sanitary sewer overflows, correcting combined sewer overflows, and increasing green infrastructure; grants to mitigate significant public health risks such as direct and continuous discharges of raw sewage to ground or surface water; and fund a new program to help eliminate failing septic system.