

Executive Budget Recommendation

FY 2021

State Budget Director Chris Kolb





Fiscal Year 2021
State of Michigan
Budget Invests In:

- Education and Skills
- Health and Families
- Climate and Water

Strategic Investments 2021

Education

- Increases the weighted foundation for K-12 schools
- Increases access and funding for preschoolers
- Provides for literacy coach training
- Reimburses teachers for classroom supplies
- Improves teacher recruitment efforts
- Implements a Teacher Cadet program
- Upgrades school building infrastructure
- Provides free tuition for eligible Reconnect program students
- Offers lower interest rates for student loan refinancing



Strategic Investments 2021

Families

- Funds programs that will improve health for moms and babies
- Expands access to childcare
- Invests in programs to prevent foster care cases
- Provides paid parental leave to all state employees
- Establishes access to low-cost lead remediation loans
- Continues to fight opioid epidemic
- Increases the number of physicians in rural communities



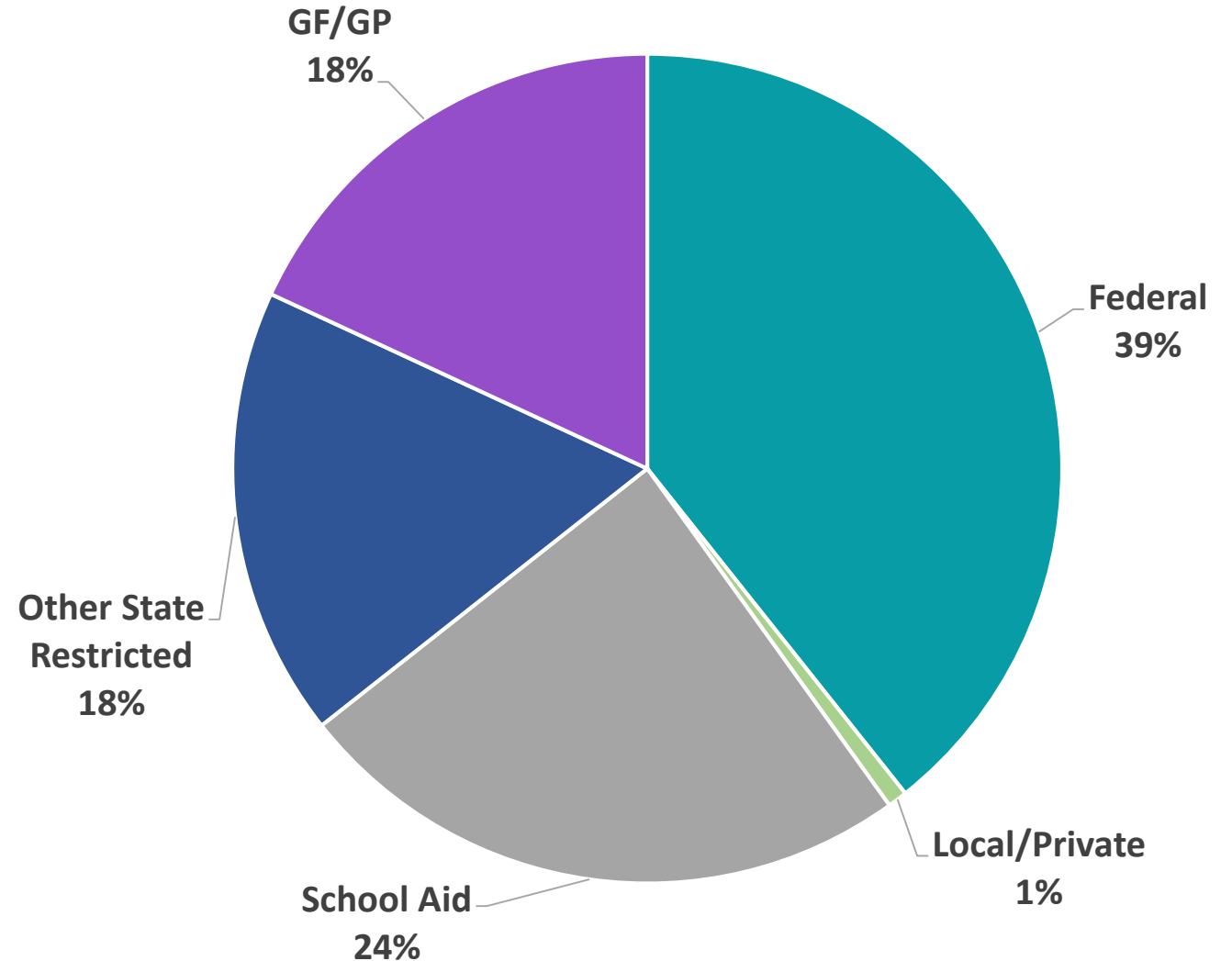
Environment

- Includes funding for Environmental Contamination Rapid Response to further abatement efforts at contaminated properties
- Protects lakes, streams, and habitat by decreasing phosphorus runoff
- Protects Michigan and our Great Lakes from invasive species like the Asian Carp
- Creates greener state facilities
- Provides grants for planning and infrastructure improvement to help prevent impacts from climate change and high water
- Encourages investment in renewable energy improvements

FY 2021 Budget

- Total budget \$61.9b, up 3.9%
- General Fund \$11b, up 5.8%
- School Aid Fund \$15.9b, up 4.9%

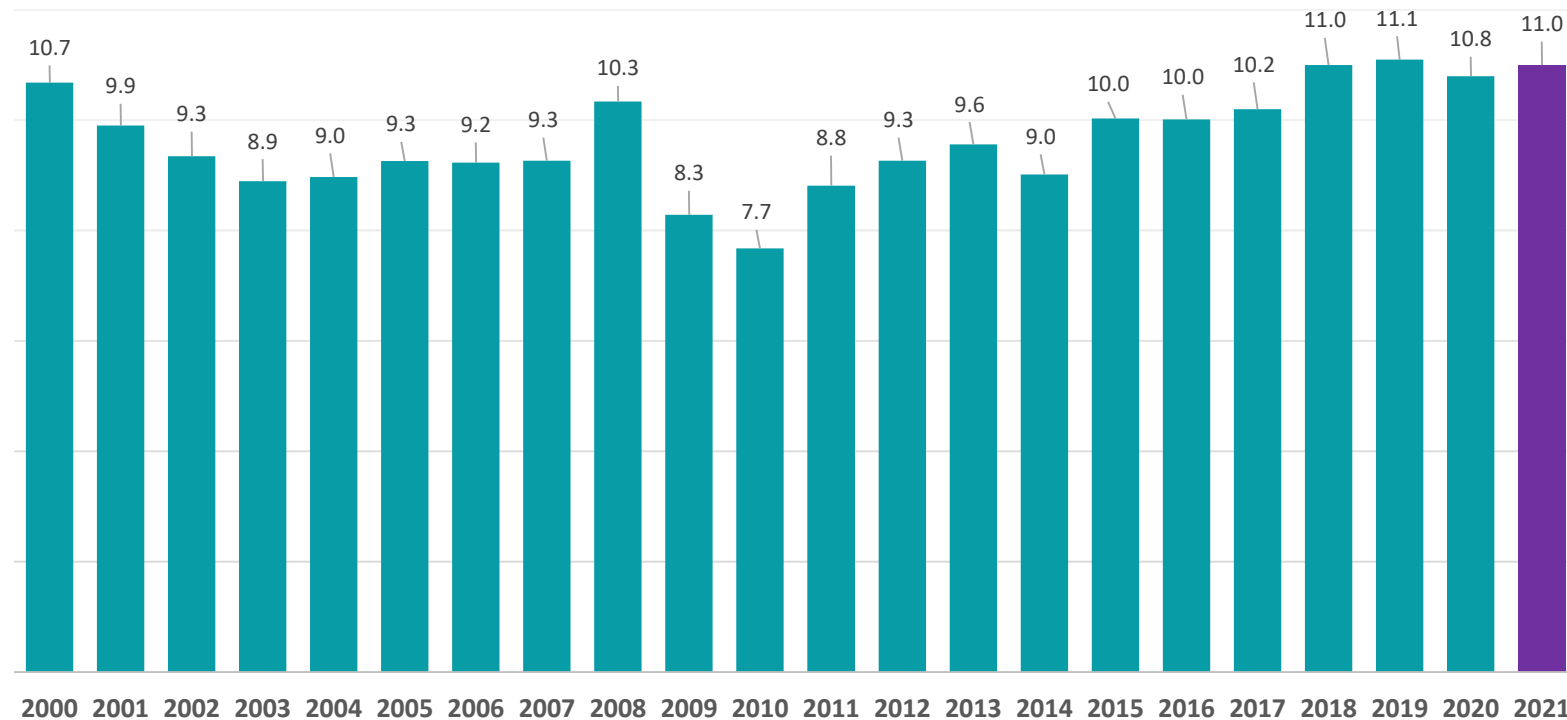
Total Budget by Source



Michigan's General Fund

GF revenue remains basically at the level it was 20 years ago: \$10.7 billion in FY 2000 vs. \$11 billion in FY 2021.

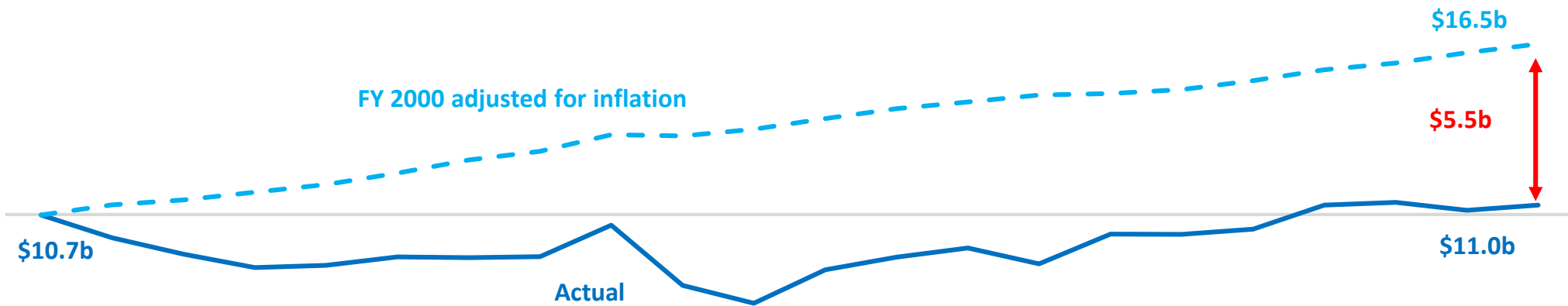
GENERAL FUND - GENERAL PURPOSE REVENUE



Note: FYs 2020 and 2021 reflect reduction of \$170m+ under HB 4125

General Fund Inflation

Michigan's General Fund Revenue Would Be \$5.5 Billion Higher
If It Had Kept Up With Inflation Since 2000



Note: FYs 2020 and 2021 reflect reduction of \$170m+ under HB 4125

Average Annual Inflation = 2.1%

FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 est	2021 est

General Fund Revenue Issues

- Almost \$2b will be diverted from the General Fund in FY 2021 for other purposes
 - \$600m for roads, a function historically supported solely by dedicated fuel taxes and user fees
 - \$553m for MEGA tax credits to manufacturers/companies that have promised to retain or expand jobs
 - \$492m to reimburse local governments for the cost of reducing personal property taxes levied on businesses
 - \$206m for an expansion of the Homestead Property Tax Credit as part of the previous road funding package

General Fund Baseline Increases

- Baseline costs are those needed to continue providing the current level of state services, as opposed to an investment that would increase services
- Baseline costs can increase because of:
 - Normal inflationary cost increases
 - Federal policy changes
 - Past decisions by state policy makers
 - Other unavoidable costs
- The FY 2021 budget confronts us with a “perfect storm” of these cost increases

General Fund Baseline Increases

- Normal Inflationary Cost Increases
 - About \$240m for Medicaid and other caseload costs in the DHHS budget. After years of costs coming in below estimates, they are now bouncing the other way
 - A little over \$100m for state employee compensation-related costs, mostly due to changes in retirement system assumptions to reflect longer retiree lifespans
- Federal Policy Changes
 - Almost \$50m for changes in federal Medicaid match rates
 - About \$65m to backfill declining restricted revenues in the DHHS budget, partially due to the federal increase in the age to purchase cigarettes

General Fund Baseline Increases

- Past State Policy Decisions

- \$56m for the costs of purchasing tax vouchers needed to meet short-term financial obligations of the Venture Michigan Fund created in 2003
- \$36.5m for full-year costs of reimbursing local court systems to comply with the first four indigent defense standards approved under the statutory process created by the Legislature in 2013

General Fund Baseline Increases

- Funds also need to be reserved for:
 - Legal judgments/settlements such as the recent pending settlement on juvenile sex abuse case for the Department of Corrections. Other major pending lawsuits include Flint-related suits, MPSERS 3% case, and Unemployment Insurance Agency case
 - More aggressive federal audit findings including \$60m per year needed to begin payment on federal disallowances related to state psychiatric hospitals that date back to 2001
 - Costs created by enacted Raise the Age legislation, proposed criminal expungement legislation and indigent defense standards. These are good, bipartisan reforms but will require funding to implement and reimburse locals

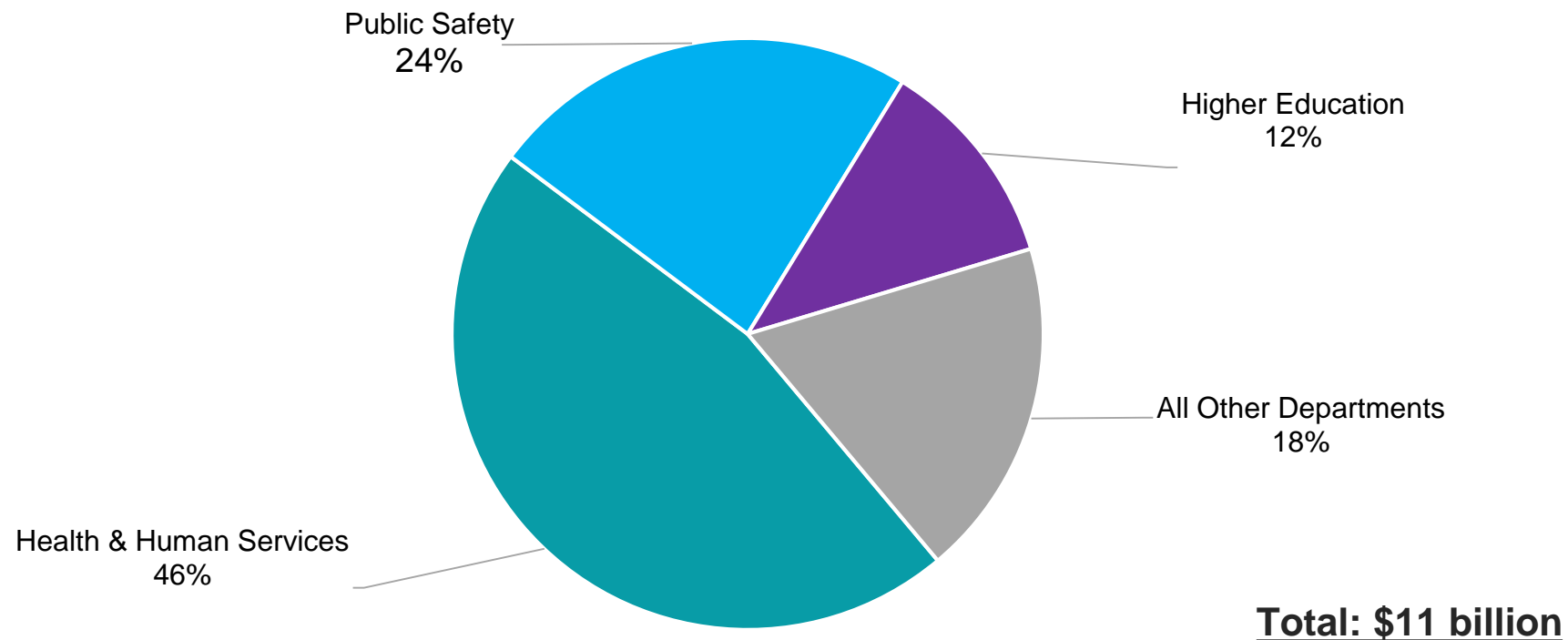
General Fund Budget Approach

- Given these general baseline cost increases, which total over \$600m, the FY 2021 Executive Budget takes the following approach:
 - Departments were asked for reductions where general fund dollars can be reprioritized without harming critical services, \$178m
 - Investments that create ongoing general fund commitments are limited to only critical needs, \$118m
 - Available one-time dollars are used for initiatives that will have long-term health, safety, and education benefits for the state's residents, \$283m
- This approach works to diminish the need for budget reductions in FY 2022

General Fund Budget

- General Fund: Over 80% of GF/GP appropriations are for health care, protecting vulnerable children and adults, public safety, and education.

Total General Fund by Category



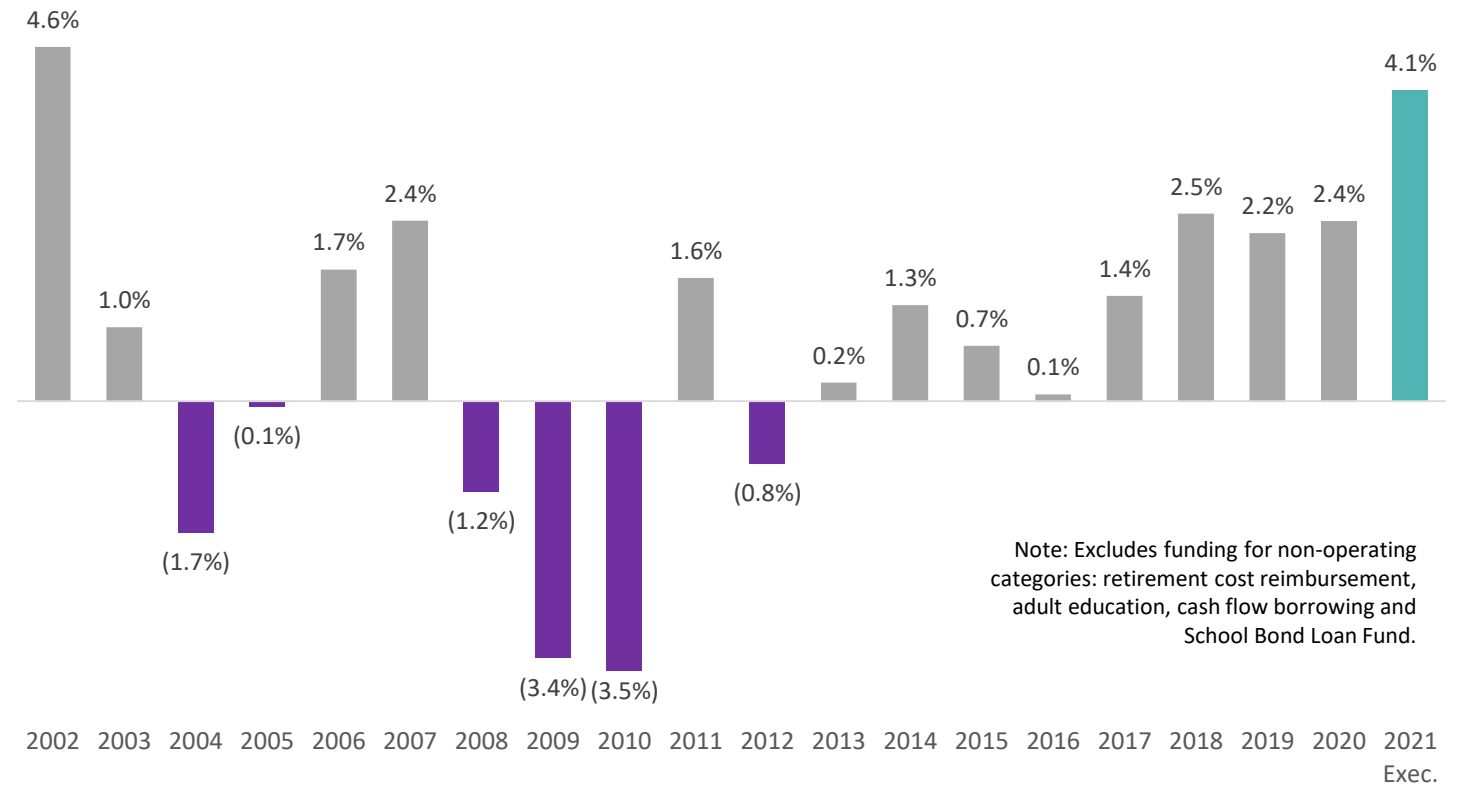
A photograph of a classroom. A male teacher in a plaid shirt stands at the front near a whiteboard. Several students are seated at desks, some looking towards the teacher. A white rectangular box is overlaid in the center of the image, containing the text "Education and Skills".

Education and Skills

K-12 Education

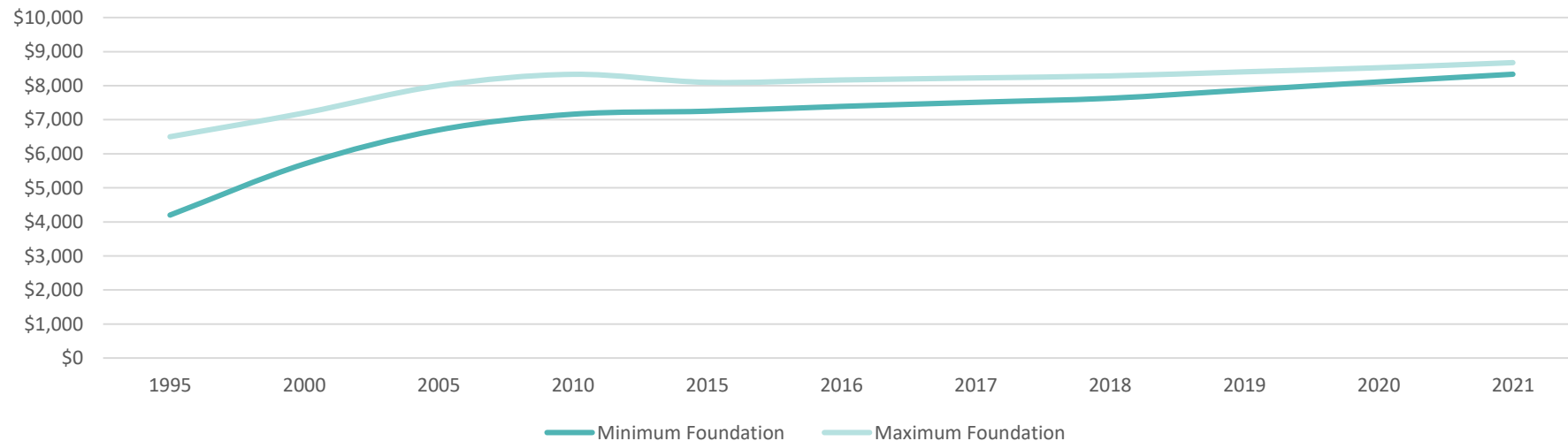
- This Executive Budget provides the largest increase for school operations in over a generation of students, surpassing the FY 2020 Executive Budget

Year-over-Year % Increase in State Funding for School Operations



- **Base Foundation Allowance**
 - \$8,336 for districts at the minimum (\$225 per pupil increase)
 - \$8,679 for districts at the maximum (\$150 per pupil increase)
 - This reduces the gap between the highest and lowest funded districts to \$343 per pupil

The gap between the minimum and maximum foundation allowance has been reduced by 84% over the past 25 years



Weighted Foundation

- **Continue Building the Weighted Foundation**
 - By implementing a weighted foundation in our K-12 schools, we ensure that students who require more assistance and resources to learn will be supported
 - Special education students, \$60m increase
 - Economically disadvantaged students, \$60m increase
 - English Language Learners (ELL) learners, \$5m increase
 - Nearly \$60m in the budget for Career and Technical Education (CTE) is maintained

	Additional Weighted Foundation Payment Per Pupil		
	Special Education	Economically Disadvantaged and Other At Risk	ELL Learners
Current	\$6,702	\$744	\$135
Increase	\$1,537	\$85	\$50
Total Per Pupil	\$8,239	\$829	\$185

Literacy and Preschool Programs

- **Increase Funding for Preschoolers**
 - Children who attend public preschool programs are better prepared for kindergarten than those who do not, with low-income and disadvantaged children often making the most gains
 - Expansion of the Great Start Readiness Program will:
 - Make preschool programs available to 5,000 more children across the state by targeting those that live in high-poverty, high-academic need school districts, \$42m
 - Increase the full-day per-child rate by \$1,086, bringing it to the same level as K-12 base foundation allowance and making it the first increase since 2014, \$35.5m
- **Increase Literacy Funding**
 - Investments to improve literacy across Michigan, which includes funding to train the corps of literacy coaches in school district across Michigan, \$5m

Support for Michigan's Educators

- **Classroom Supplies**
 - Up to \$250 reimbursement per teacher for classroom supplies that they purchase, \$25m
- **Teacher Recruitment**
 - Streamline hiring process for educators with out-of-state teaching certificates for special education and STEM curriculum and design user-friendly website that will increase transparency about teaching opportunities in Michigan, \$180,000
- **Teacher Cadet Program**
 - Implement Teacher Cadet program for high school students who would like to go on to teach in their hometown, \$1.5m
 - Helps to create a pipeline of qualified, talented teachers for our schools
 - Aims to keep our educated youth at home where they can become advocates for their schools and communities

- **School Infrastructure**

- One-time grants for facility upgrades that will provide students with safe, healthy learning environments, \$40m
 - Air and water filter replacement
 - Lead and asbestos abatement
 - Heating and cooling modifications (HVAC)
 - Building modifications and other facility upgrades

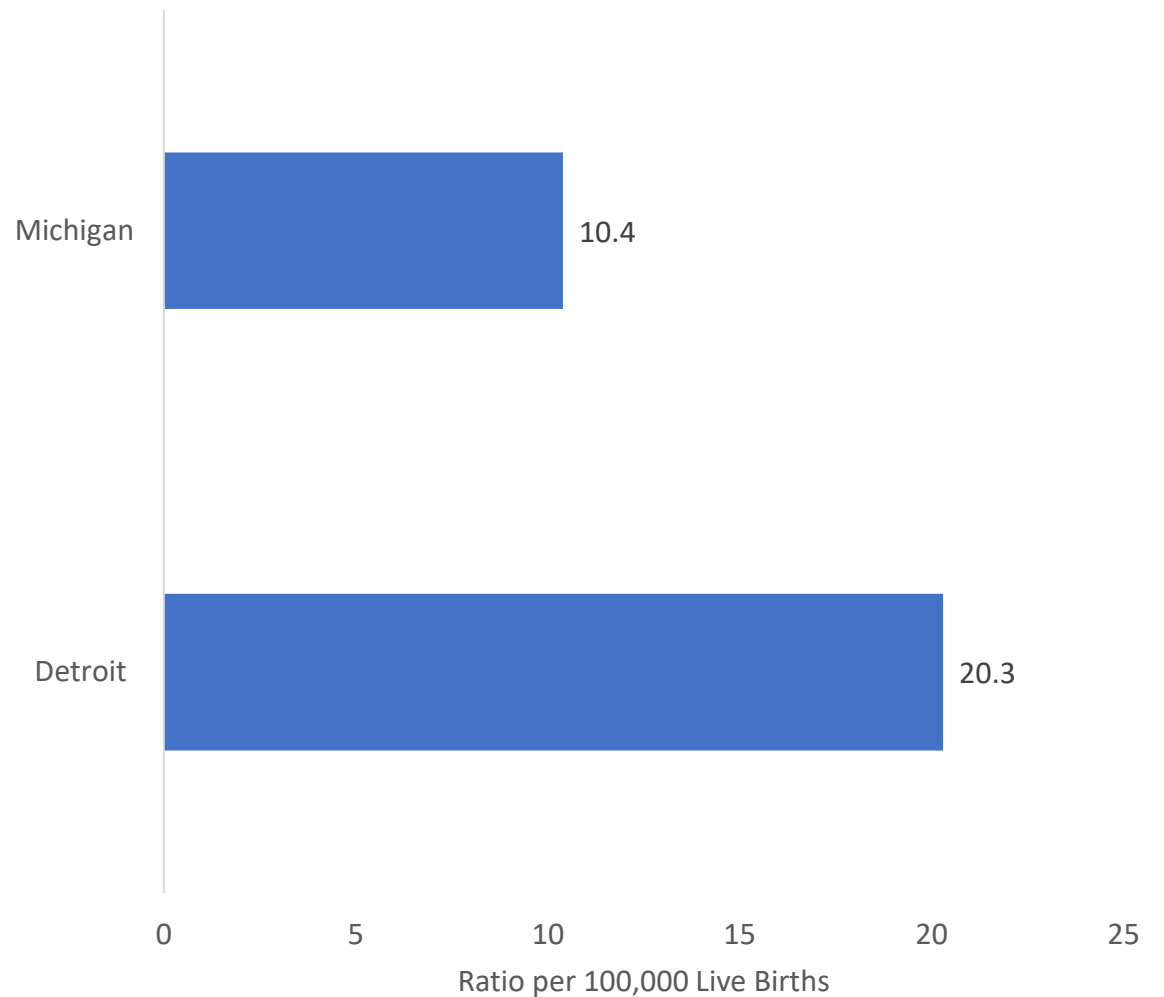
- **Higher Education**
 - Universities and community colleges both see a 2.5% increase, \$46.2m
- **Reconnect Program**
 - Invest from the Talent Investment Fund to support the Reconnect program, \$35m
 - Investment will provide a tuition-free pathway to an in-demand industry certificate or associate degree for Michigan adults (25+)
 - Will support Michigan's goal to increase higher educational attainment to 60% by the year 2030
- **Michigan Student Loan Refinance Program**
 - This program will enable qualified individuals to refinance their student loans through the Michigan Department of Treasury with a new lower interest rate, \$10m
 - Qualified individuals are residents of the state who have made on-time payments for three years



Health and Families

Mother and Infant Mortality Rates

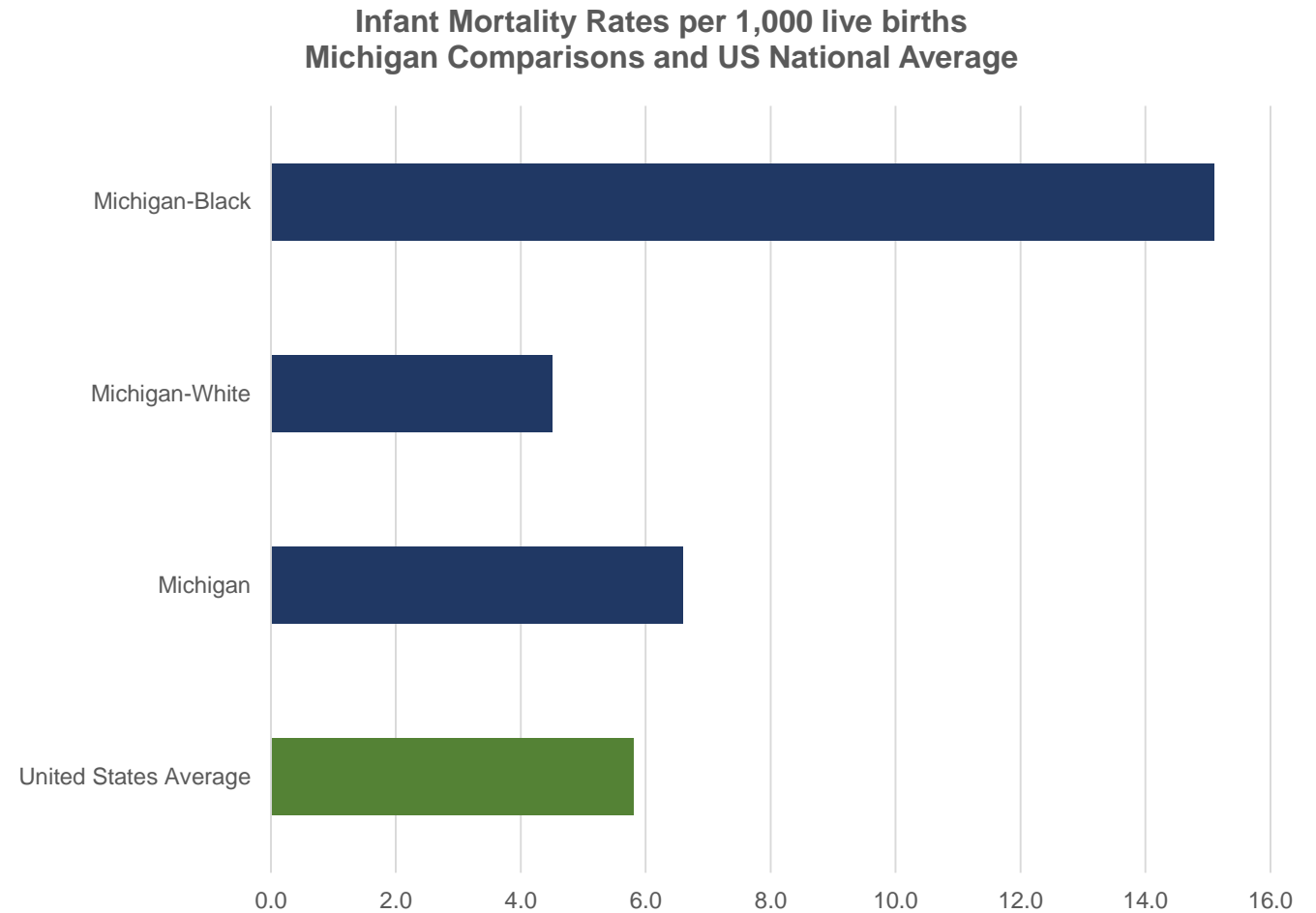
- Pregnancy-related mortality refers to the death of a woman while pregnant or within one year of the end of a pregnancy from any cause related to or aggravated by the pregnancy or its management
- Between 2012 and 2016, the City of Detroit experienced two times the rate of pregnancy-related maternal mortality as compared to Michigan overall



Data Sources: Michigan Department of Health and Human Services, Michigan Maternal Mortality Surveillance Program; Michigan Department of Health and Human Services, Division for Vital Records and Health Statistics, Michigan Resident Birth and Death Files.

Mother and Infant Mortality Rates

- Black women die from pregnancy-related causes at a rate three times the national average
- Michigan has the nation's 13th highest state infant mortality rate



- **Healthy Moms, Healthy Babies, \$37.6m**
- Provides access to in-home nursing and counseling services for 1,000 more families
 - Services provide at-risk families with knowledge in safety, health, and best practices for parenting
- Expands access to postpartum care from 60 days to one full year with the first visit within three weeks and a comprehensive visit within twelve weeks
 - Services include screening for risk factors such as depression and substance abuse which can help decrease the cases of mother mortality
- Expands Medicaid for greater access to reproductive healthcare and family planning services for low-income women

- **Expand Access to Childcare**
 - Expanded child development and care to low-income Michigan families by increasing income limit from 130% to 150% of the federal poverty level, which will raise income eligibility to \$31,995 for a family of three, \$27m
 - Provides an additional 5,900 children with access to high-quality childcare
- **Foster Care Children**
 - Invest in programs aimed at preventing children from entering foster care, \$8.6m
 - Reduces the utilization of resident care for foster children, producing better outcomes for Michigan's vulnerable youth
- **Parental Leave**
 - Upon approval of the Michigan Civil Service Commission, the state will provide up to 12 weeks of paid parental leave to Michigan's 46,000 employees, \$10m
 - This policy follows those recently implemented by the federal government and several large corporations

- **Lead Poisoning Prevention Fund**

- Enhances Michigan's ability to eliminate lead poisoning by injecting private capital into lead remediation efforts in homes. This fund establishes a loan loss reserve for private lenders, encouraging lending for lead remediation at below market interest rates, \$10m

- **Opioid Crisis Response**

- Opioid deaths in our state have nearly tripled in the last decade. This budget sets a goal to harness resources to cut the number of opioid deaths in half over the next five years
- Expands response to the opioid crisis and supports initiatives involving quick response teams, a predictive analytics system, outcome monitoring, and a revolving loan fund for recovery housing providers, \$10m

- **Rural Hospitals**

- Doubles the number of physicians in the MIDocs medical residency program to improve access to critical services in rural and medically underserved areas of the state by providing loan forgiveness to those committed to serving in those areas, \$21.6m



Climate and Water

- **Rapid Environmental Contamination Response**
 - Provides resources for identification, prioritization, and initial abatement of contaminated properties that arise outside EGLE’s annual planning process, \$20m
- **Conservation Reserve Enhancement Program (CREP)**
 - Decrease phosphorus runoff in the Western Lake Erie Basin to meet the 40 percent reduction goal by 2025 and reduce nonpoint source pollution from crop production in the Saginaw Bay, River Raisin, and Lake Macatawa watersheds by reimbursing farmers for conservation practices that will improve stream habitats, reduce flood peaks, and restore critical habitats for game and nongame wildlife species, \$10m one-time which will leverage up to \$250 million in Federal funding
 - This budget also provides ongoing funding to support outreach, technical assistance, and outreach grants for water research in affected areas, \$600,000

- **Invasive Species**
 - Continued funding for Invasive Species Prevention and Control, \$5m
 - Cooperative support of the Brandon Road Lock and Dam project to prevent Asian Carp from migrating from the Mississippi River to the Great Lakes, \$8m
- **Green State Facilities**
 - Green Revolving Fund to provide for energy efficiency and renewable energy projects at state facilities, \$5M
- **Infrastructure for Climate Change/High Water**
 - Local climate resilient infrastructure grants to local governments to plan for and address the negative impacts of Michigan's changing climate conditions, \$40M

- **Michigan Saves**
 - Michigan Saves green bank to leverage private investment in clean energy improvements for Michigan's residents and businesses by encouraging lenders to provide more favorable rates and terms for renewable energy improvements, \$5M
- **Milliken Visitor Center**
 - New funding to build the Milliken Visitor Center near Arch Rock on Mackinac Island which will include interactive exhibits that capture Michigan's rich history, \$2.5m



Other Key Investments

- Constitutional revenue sharing payments projected to increase by 1.9% from current estimates, \$16.4m
- Statutory revenue sharing increase for cities, villages, and townships of 2.5%, \$6.5m
- County revenue sharing and county incentive program increase of 2.5%, \$5.7m

- **State Police Troopers**

- Support for 120 new recruits to graduate from two new State Police trooper recruit schools, \$2.5m

- **Cyber Threats**

- Support for emergency response, threat intelligence, and vulnerability assessments that will enhance protections for Michigan's critical information technology infrastructure from entities that are hostile and pose an advanced persistent threat to the State of Michigan, \$20m

- **Law Enforcement Training**

- Provides training for law enforcement, dispatch, and jail officers related to encounters with individuals who have behavioral health needs and on best practices when responding to domestic violence calls to support recommendations of Michigan Joint Task Force on Jail and Pretrial Incarceration, \$7.2m

- **Elder Abuse**

- Budget funds the Elder Abuse Task Force to help decrease crimes against seniors including crimes that are financial in nature, \$387,500

- **Veterans Homes**
 - Provide ongoing support for state operated veteran homes, \$66.5m
 - D.J. Jacobetti Home for Veterans, \$24.7m
 - New Grand Rapids Home for Veterans, \$29.5m
 - New Chesterfield Township Veteran Home, \$8.6m
 - Central administration veteran home costs, \$3.7m
- **Psychiatric Hospitals**
 - Increase psychiatric care staffing to improve the quality of care as well as staff/patient safety at state psychiatric hospitals, \$5m
 - One-time investment for necessary capital improvements such as roof replacements, HVAC upgrades, and other critical repairs, \$30m

Talent and Economic Investments

- **Business Attraction and Community Revitalizations**
 - To incentivize job creation, stimulate private investment, and revitalize and redevelop vital properties across the state, \$100m
- **Going Pro Program**
 - Promotion and training for in-demand skilled trades, \$27.9m
- **Pure Michigan**
 - This budget includes \$15m for the Pure Michigan campaign, with an invitation to the tourism industry to contribute additional funding to this statewide effort that encourages travelers to experience Michigan's four-season natural beauty, its unique urban destinations and its world-class cultural attractions



Budget Timeline

- **February 6:** Executive Budget Presentation
- **February – April:** Legislative deliberations
- **May:** Revenue Estimating Conference
- **May – June:** Executive and legislative budget negotiations
- **July 1:** Legislature passes and presents general appropriation bills to the Governor

Questions

