

BUDGET BULLETIN – February 15, 2007

Michigan's Budget and Its Impact on Early Childhood Systems

In an effort to inform our partners of the fiscal crisis in the State of Michigan and its impact on early childhood systems and resources, the ECIC has created the Budget Bulletin. This quick reference bulletin features up-to-date budget information captured from a variety of sources to share with our partners, as well as a broader constituent audience galvanized about early childhood issues. These data are collected and compiled by ECIC from existing public records. ECIC does not prepare nor officially issue the data contained in this bulletin. All information is appropriately credited to the publishing agency.

Fight Crime: Invest in Kids and Michigan's Children published the following summary of the 2008 State of Michigan Budget

State Budget Director Bob Emerson presented Governor Granholm's 2008 Budget before a joint session of the State House and State Senate. He also presented cuts through the Governor's Executive Order to the current budget 2007. Highlights are listed below:

2007 Executive Order

- Cuts MASP funding in DHS Budget to \$12,500 in current fiscal year.
- Cuts statewide competitive after-school program to \$2.5 million — all programs to get 50% less.
- Family independence program cut by \$6.576 million
- Day care services cut by \$12.939 million
- Foster care payments cut by \$1.226 million

2008 STATE BUDGET

School Aid (K-12)

- Increases funding for Great Start preschool programs, by \$200 million, with the increase targeted to programs that provide full-day preschool and kindergarten programs.
- Increases Intermediate School District operations by \$2 million.
- Targets \$10 million for rewarding districts that establish cost-sharing agreements promoting consolidation of business, administration, and instructional services with their ISDs.

Department of Human Services (DHS)

- Invests \$40 million in child welfare system improvements. Supports guardianship programs for children in foster care, and foster care staff and services to place children in permanent homes.
- Funds the children's Foster Care program at \$186.7 million to provide care, supervision, and a home for over 9,500 children until they are either returned to their birth parents or are adopted.
- Provides \$410.8 million to support safe, quality child day care for 63,000 low income families.
- Provides over \$49 million for family preservation services to help keep children safe with their families.
- Supports adoption subsidies for 27,700 adopted children at a funding level of \$237.4 million.

Department of Community Health (DCH)

- Allocates \$100 million in federal funds to implement the Michigan First healthcare Plan to provide health insurance to low-income families and individuals who are not eligible for Medicaid.
- Adds more than \$188 million to the Medicaid budget for increases in the number of Medicaid recipients and increased utilization of services.
- Provides mental health funding of \$2.7 billion gross, \$1.2 billion general fund, that consists of: more than \$2.4 billion to provide Community Mental Health Services, including \$43 million to increase provider payment rates; funding for psychiatric hospitals and centers at \$292 million.
- Includes \$452.2 million for health and disease prevention programs, including \$45 million in grants to local public health departments.
- Supports Children's Special Health Care Services with \$192 million to provide medical care and treatment for children with special health care needs.

The School – Community Health Alliance of Michigan (SHCA-MI) published the following information in their new publication STOP UNDERSPENDING IN MICHIGAN. For more information on STOP UNDERSPENDING IN MICHIGAN, contact Robert Parks at bparks@scha-mi.org , or call (517) 908-0847.

- Most analysts of Michigan's expenses and revenues believe that Michigan is now in its worst fiscal crisis since Michigan's structural budget deficit began six years ago. In this current fiscal year (October 1, 2006 - September 30, 2007), Michigan is facing a deficit of \$800 million. This deficit assumes that revenues from the Single Business Tax - \$1.9 billion each year - which expires on December 31, 2007, will be fully replaced.
- The projected budget deficit for the next fiscal year (October 1, 2007 - September 30, 2008) may be as high as \$2 billion.
- Many Legislators - on both sides of the aisle - concede that Michigan's fiscal crisis is permanent unless fundamental tax changes are implemented that move away from

the manufacturing-based tax structure that exists in Michigan.

- Michigan's Constitution requires that expenses and revenues must balance by the end of each fiscal year. In order to begin balancing the budget, Governor Granholm issued Executive Order No. 2007-01 which cut spending of essential health and human services by \$166,929,400.00. Enactment of the Executive Order requires approval of the House and Senate Appropriations Committee. Executive Order 2007-1 is available through the following link: www.michigan.gov/documents/gov/EO2007-1_186382_7.pdf
- Many Legislators - on both sides of the aisle - concede that Michigan's fiscal crisis is permanent unless fundamental tax changes are implemented that move away from the manufacturing-based tax structure that exists in Michigan.
- Is Michigan overspending on public services? In 1978 Michigan adopted the Headlee Constitutional Amendment. The Headlee Amendment limits the amount of state spending based on a share of Total Personal Income. In 2006, Michigan spending on public services was \$4.6 billion below the constitutional limit.