

CAPITOL NEWS UPDATE

GOVERNOR'S BUDGET RECOMMENDATION



WHITMER PROPOSES HISTORIC \$74.1B BUDGET WITH FOCUS ON SCHOOLS, INFRASTRUCTURE, TARGETED TAX RELIEF

Gov. Gretchen Whitmer presented her fourth State of Michigan Budget on Wednesday with a historic \$74.1 billion budget with funding increases across every department and budget area for the 2022-23 fiscal year.

The massive size of the budget, which now needs approval from the Republican-led Legislature, comes from \$5.8 billion in surplus revenue, most of which is expected to be a one-time surplus. The amount comes from both federal funds directed to states as a response to the coronavirus pandemic, and higher-than-anticipated state income and sales tax revenue. The increased income and sales tax was also influenced by the federal relief stimulus checks and increased unemployment insurance benefits.

"This budget is structurally sound," said State Budget Director Chris Harkins at a joint meeting of the House Appropriations Committee and the Senate Appropriations Committee. "This is where we will discuss significant resources in this budget. But it's important to understand that one-time fund balances are being used for one-time spending."

The administration said that the enormous budget could be transformational in many areas, setting a generational foundation for Michigan's present and future. Some of the major proposals include addressing the teacher shortage with \$1.5 billion in retention bonuses; fixing infrastructure, adding \$500 million to attract large corporations and fund a new Office of Rural Development; and \$13.1 million for the Department of Attorney General and Unemployment Insurance Agency to investigate and prosecute fraud, plus \$75 million to replace its computer system.

Of the \$74.1 billion, \$14.3 billion is General Fund – this is a hefty 21.6% increase in the General Fund compared to the 2021-22 fiscal year.

The budget plan also includes a \$51.8 million deposit to the state's "rainy day fund," bringing the total fund to about \$1.5 billion.

- With a focus on K-12 education, Whitmer's budget includes an unprecedented 8.1% increase in the K-12 school aid budget. The proposal includes a 5% increase in per pupil funding (\$435 more per pupil, bringing the foundation grant to \$9,135 per pupil), plus \$1.5 billion for retention bonuses for educators who agree to work for their school district for the next three years, and \$600 million for teacher recruitment. The proposed increase also includes funding hundreds of mental and behavioral health professionals in schools, and 40 school-based clinics to provide services directly. The budget also proposes investing in school infrastructure — with \$1 billion to go toward K-12 school infrastructure, including \$170 million available annually until the 2028-29 fiscal year.

Other significant increases include:

- 10% increase for 15 state public universities (split into 5% now as a one-time increase and 5% ongoing)
- Funding floor of \$4,500 per student for universities with a four-year phase in.
- 10% increase in statutory revenue sharing with cities, counties, townships, and villages. Like the universities, it will be 5% in a one-time increase and 5% ongoing. The total amount for cities, townships, and villages will be less than 10% because of a decline in the constitutionally guaranteed revenues from sales tax.
- Infrastructure — \$279.9 million General Fund for infrastructure along with an additional \$488.6 million more from federal and state revenues.
- Public safety and security — The proposed budget designates \$9.2 million for 50 additional Department of State Police troopers (beyond the 120 troopers which would be hired due to attrition). The budget also includes \$1 million to help diversify the State Police force. In addition, there is \$50 million proposed to go to first responders for retention, and \$500 million for hero pay because of the pandemic. Also, there is \$115 million earmarked to modernize National Guard armories.
- \$175 million towards a statewide judicial case management system.
- \$50 million for electric vehicle rebates.
- \$325 million for a new psychiatric hospital campus

Additionally, the budget allows for Whitmer to follow through on promises made at her State of the State address including tripling the Earned Income Tax Credit for low-income workers; and fulfilling a campaign promise to repeal taxes on certain pension income, which would happen in phases with the administration starting with a 25% tax reduction for pensioners 65 and older with reductions would go up while eligibility ages decrease between 2022 and 2025. After 2025, every pensioner would be eligible.

Some criticized the budget, comparing it to a spending spree, but others applauded the governor commenting that the one-time investments will be used in the areas of highest need.