



February 2025

Michigan's Governors FY26 Budget Proposal Analysis

Governor Gretchen Whitmer's latest budget has met with mixed reviews at Michigan's Children. It continues some policies that do good things for families – like continued funding for free community college, and free school breakfasts/lunch - but doesn't contain much in the way of bold, new initiatives. Child care and housing are two areas where we would've liked to see broader strokes.

It may be that uncertainty about policy changes at the federal level has Governor Whitmer reluctant to launch new programs? Significant shifts in D.C. have potentially catastrophic implications for state budgets, and, as proposed, federal funding accounts for 41.7%¹ of Michigan's budget. For example, cuts to the 90% federal Medicaid matching rate could shift millions in costs to the state and imperil insurance for nearly 4 in 10 Michigan children (38.9%²), not to mention pregnant women and parents/caregivers. One suggested Medicaid change would ban states from using taxes on healthcare providers to cover state Medicaid matching funds; in 2019 such taxes accounted for 20% of Michigan's Medicaid matching funds.³ While we acknowledge the chaos in D.C., we also believe it is a call for greater creativity at the state level to protect Michigan kids and families.



Child Care

The proposed budget contains nothing overly exciting to report in child care, except for a few small steps forward which include using child care contracts and making prospective payments to providers. Contracts help ensure child care spots exist for vulnerable populations (including infants, toddlers, children with disabilities, and children living in areas where child care options are scarce). Prospective payments prepay child care providers for services, which is a change from Michigan's current process of paying two weeks after services are provided. This would bring Michigan in line with the best practices outlined in federal CCDF rules and promote the financial stability of child care programs.

1. Fiscal Year 2026 Executive Budget Recommendation. Pg 14. Retrieved from: <https://www.michigan.gov/budget/-/media/Project/Websites/budget/Fiscal/Executive-Budget/FY26-Exec-Rec/Current-Executive-Budget/FY26-Executive-Budget-Recommendation-Presentation.pdf?rev=e1a940f361744be2ae0e39e270ff04c6&hash=33D3780EC8BB1E0BB51909408BC10529>
2. Children's Healthcare Report Card - Michigan. Georgetown University Center for Children & Families. Retrieved from: <https://kidshealthcarereport.ccf.georgetown.edu/states/michigan/>
3. 2019 Fiscal Analysis note. <https://sfa.senate.michigan.gov/Publications/Notes/2019Notes/NotesSpr19jm.pdf>

Child Care (cont.)

Key Line Items:

- \$50 million additional (10% increase) for the Child Development and Care program to implement child care contracts and prospective payments. The Child Development and Care Program provides families making up to 200% FPL with support in paying for child care by paying their child care provider directly. \$3.4M for the Tri-Share program (same allocation as previous year), which supports families between 200-325% FPL by splitting the child care costs between the family, the state, and the employer.
- \$3M (flat funding) for the Infant and Early Childhood Mental Health Consultation service⁴ which helps early childhood educators support the social, emotional, and behavioral development of young children, and prevents suspension and expulsion of children from child care and preschool programs.

Missed Opportunities

- *No increase to provider rates.* Despite the Think Babies True Cost of Care⁵ report's clear mandate to increase funding for the CDC child care scholarship, the Governor did not propose increased rates. Only 41% of child care programs in Michigan accept the scholarship, and until rates are increased, too many Michigan families won't get the child care support they need to go to work knowing their kids have high-quality, safe child care.
- *No system improvements to the child care scholarship.* Currently, families are only notified to re-apply for their child care scholarship through the mail. If a family moves or otherwise misses this notification, they can lose child care while their providers lose revenue. The state must prioritize system improvements/technology upgrades to notify families by text, phone call, and email to increase the reapplication rate, and decrease barriers for families and child care providers.
- *No increase to child care workforce wages.* Despite the field's poverty-level wages and 65% turnover rate, the proposed budget does not include anything to increase compensation, such as a refundable tax credit.



Pre-K for All

Governor Whitmer has steered Michigan closer to universal pre-K over the past two years, with more than 45,000 (38.1%) of all 4-year-olds enrolled in Michigan's top-ranked⁶ free preschool program, the Great Start Readiness Program (GSRP). In keeping with last year, the Governor proposed removing the 400% FPL⁷ income cap for families to create a universal program. She also proposed allowing licensed child care group homes

4. Infant and Early Childhood Mental Health Consultation. Retrieved from: <https://michiganiecmmhc.org/>

5. A Comprehensive Fiscal Analysis of the Prenatal to Five System in Michigan. Retrieved from: https://www.ecic4kids.org/wp-content/uploads/2023/07/23_MI_Report_FINAL_webv2.pdf

6. Michigan's Free PreK Programs. Great Start to Quality. Retrieved from: <https://greatstarttoquality.org/free-preschool-programs/>

7. Federal Poverty Level. For a description and current dollar estimates see: <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>

Pre-K for All (cont.)

(licensed to care for 6-12 children) to participate in GSRP which would be a big win for continuity of care for young children, parental choice, and supporting the financial stability of child care home providers who are currently losing 4-year-olds to school-run programs.

Key Line Items:

- \$676.1M for GSRP, which is a 7.7% (\$20.8M) increase over last year's budget. The per child allocation moves from \$10,185 to \$10,577 for full-day students, a 3.8% increase in SAF.
- \$61M (including \$43M in new SAF funding) to expand access to GSRP for 3-year-olds through a program called Strong Beginnings. This program accepts families up to 250% FPL. This would be the second phase of the Strong Beginnings pilot with the goal of expanding from 1,000 to 4,000 children and 100 classrooms by the 2028-2029 school year. This second phase will also test additional variations like inclusive classrooms for children with disabilities and 5-day preschool.

Missed Opportunities

- *Child care family homes still not included.* The proposal to allow child care group homes (licensed for 6-12 children) to offer GSRP is good, but child care family homes (licensed to care for 1-6 children) should also be included. This would allow children to continue attending their high-quality, home-based provider into preschool, thus enhancing their continuity of care, and rewarding home-based providers who run high-quality programs.



Additional Line Items for Afterschool, Early Intervention, Home Visiting & Continuous Medicaid Eligibility for 0-5

- \$50M (flat funding; SAF) for out-of-school-time/afterschool programs.
- \$28.4M (with \$4.7M increase) for *Early On*, Michigan's early intervention service for infants and toddlers who have disabilities, developmental delays, and medical conditions.
- \$3.5M (flat funding; SAF) for home visits to at risk children and their families.
- \$2.75M (flat funding; GF) for rural home visiting.
- \$400,000 for DHHS to prepare a feasibility study to determine long-term cost, benefits, and potential barriers associated with implementing continuous eligibility for Medicaid to beneficiaries aged 0-5.

Additional Line Items for Afterschool, Early Intervention, Home Visiting & Continuous Medicaid Eligibility for 0-5 (cont.)

Missed Opportunities

- *Early Intervention.* With referrals up and a cost study⁸ indicating that the state needs to invest \$230M to fully fund *Early On*, the Governor's proposed increase does not come close to meeting the need. The state budget should reflect the *Early On* Coalition's ask of \$23.7M in additional funding and \$300,000 for a taskforce to examine Michigan's bifurcated early intervention system.
- *Home visiting.* The Think Babies True Cost of Care report⁹ suggested increasing home visiting rates by 30% to pay home visitors a living wage and meet program costs. The proposed budget does nothing to address the shortfalls in these essential services to Michigan families.



K-12 Education

In the wake of disappointing reading, writing and math test scores for Michigan students compared to national averages,¹⁰ the Governor is promoting her “SMART” on education program, “focusing on **Students, Metrics and Results, with Transparency.**” The program uses targeted funding to incent districts to implement best practices (total of \$232M, with \$107M in ongoing funding), proposes development of a formula to reward districts with improved scores, and seeks to increase parent engagement and district transparency on how funds are spent. The Governor’s budget proposes just under \$26.4M for SMART in the School Aid budget (includes federal, state and local funds); a 2.6% increase over FY2025.¹¹

Additionally, perhaps in another sign of concern at possible changes at the federal level, the Governor’s budget recommends adding an additional \$50M to the school aid rainy day fund, bringing the total to \$550M available for qualifying emergencies.

Key line items:

- \$10.4B in state funding for the per pupil foundation allowance (additional \$516M or \$392 additional per pupil; 4.1% increase) bringing the per student foundation allowance to \$10K, with fully online schools receiving \$8K (80%) due to their lower operating costs.

8. *Early On System Costs: Understanding Early Intervention in Michigan, 2023.* Retrieved from: <https://www.michigan.gov/mileap/-/media/Project/Websites/mileap/Documents/Early-Childhood-Education/earlyon/EarlyOnCostStudyReport-508-NEW.pdf?rev=123065f696ec42b2aaf21f2509de8228&hash=0B1AEB29BD3F4A1A96C4DAB6D34C37F1>
9. *A Comprehensive Fiscal Analysis of the Prenatal to Five System in Michigan.* Retrieved from: https://www.ecic4kids.org/wp-content/uploads/2023/07/23_MI_Report_FINAL_webv2.pdf
10. *Michigan's Reading, Writing Scores See No Significant Improvement In National Assessment.* (January 29, 2025). WKAR News. Retrieved from: <https://www.wkar.org/wkar-news/2025-01-29/michigans-reading-writing-scores-see-no-significant-improvement-in-national-assessment>
11. *Fiscal Year 2026 Executive Budget Recommendation, Education Briefing Papers.* (February 5, 2025). Retrieved from: <https://www.michigan.gov/budget/-/media/Project/Websites/budget/Fiscal/Executive-Budget/FY26-Exec-Rec/Executive-Budget-Supporting-Documents/FY26-Education-Briefing-Papers.pdf?rev=7cecd2dd42524459bf930519774cc35a&hash=2DDC12CE3F74BC7AA3165D42673A5437>

K-12 Education (cont.)

- \$94M for weighted foundation funding (also a 4.1% increase) providing additional funds for at-risk, special education, English-language learners, career and technical students and students in rural/isolated districts.
- \$209.7M for career/technical/vocational education investments, including \$125M in new funding for career & technical education for areas in the state without such programs.
- \$200M (flat funding) for free school breakfast and lunch, combined with federal dollars, would total nearly \$1.2B for school meals in Michigan.
- \$258M to support student safety & mental/physical health, including \$150M (flat funding) to support the mental and emotional wellbeing of Michigan’s 1.4 million students through mental health and safety grants to school districts, and \$101.5M for behavioral health/other mental health services.
- Literacy
 - \$45.2M for 362 literacy coaches, \$39.8M (double last year’s funding of \$19.9M) for early literacy grants, targeted at schools with higher percentage of students scoring below average on state reading assessments.
 - \$10M for teacher training in LETRS, an evidence-based science of reading program.
 - \$15M in other literacy programs including Michigan Reading Corps.

Missed Opportunities

- *More funding to meet Opportunity Index goals by 2030.* The Governor’s budget would need to add \$357.7M in additional funding for FY 2026 to better position the state to meet equitable funding targets.
- *Full funding for multilingual learners.* Our partners, EdTrust - Midwest, recommend \$100M this year to move the state toward full weighted funding over the next five years.¹²



Increasing Higher Education Access & Achievement

The Governor’s 60x30 goal aims to increase the number of Michiganders with a skill certificate or college degree to 60% by 2030. The Governor continues her commitment to the Michigan Achievement Scholarship, including the Community College Guarantee.¹³

12. Education Priorities Outlined in Gov. Whitmer’s Proposed Budget for Fiscal Year 25-26. (February 5, 2025). The Educational Trust – Midwest. Retrieved from: <https://midwest.edtrust.org/2025/02/05/new-education-priorities-outlined-in-gov-whitmers-proposed-budget-for-fiscal-year-25-26/>

13. Michigan Department of Lifelong Education, Advancement, and Potential. (n.d.). Michigan Achievement Scholarship. Retrieved from <https://www.michigan.gov/mistudentaid/programs/michigan-achievement-scholarship>

Increasing Higher Education Access & Achievement (cont.)

Key line items:

- \$350M for Michigan Achievement Scholarship (\$50M additional) which provides financial support at 4-year universities, tuition-free attendance at in-district community colleges, and funding support for recognized trades certificates.
- \$15M (flat funding) for College Success Fund grants to support student retention and degree completion.
- \$10M in FAFSA Completion Challenge grants.
- \$2.2M in advanced coursework testing fees, to ensure all students can afford AP tests, and college entrance exams.



Child Welfare

Michigan's child welfare and foster care system is still in need of strengthening. This year's budget continues investments the state designed to lead Michigan toward ending 15 years of federal oversight following a lawsuit against the state. The Governor proposes funding a number of efforts designed to maintain kids in their families, increase kinship care for kids who require out-of-home care, and build more support for youth transitioning out of care. Keeping kids at home, or with kin, and reducing the number of placements they experience can improve their wellbeing and lead to improved outcomes longer term.

Key Line Items:

- \$27M for family liaison staff to help at-risk families connect to child welfare workers and resources with an eye to shortening their involvement with the child welfare system.
- \$24.4M to increase kinship placements and reduce placements in institutional settings.
- \$17.5M to decrease financial barriers to adoption by expanding access to the Adoption Medical Subsidy program, restructuring fees to private adoption agencies, and expanding Medicaid eligibility.
- \$13.3M to strengthen support for foster parent recruitment, community reintegration, and family-based placements to reduce residential care reliance and shorten out-of-home stays.¹⁴
- \$5.4M to improve transitions of youth aging out of the foster care system, including \$3.5M to ensure transitioning youth get the benefits they are eligible for that can help them become independently living young adults, and \$1.9M for independent living services.
- \$325,700 to provide services aimed at keeping Native American families intact.

14. Michigan State Budget: Department of Health and Human Services. (2025). Retrieved from: <https://www.michigan.gov/budget>

Child Welfare (cont.)

Missed Opportunities

- *Proposed support for kinship carers doesn't go far enough.* While kinship care provides children with the familiarity and support of extended family, many kin caregivers struggle with financial insecurity, lack of access to state-provided benefits, and difficulties navigating the child welfare system.¹⁵ Greater investment is needed to make kinship care an option for more Michigan kids.

Next Steps In The State Budget Process

- *April - May:* Senate and House will release their budgets.
- *May - June:* typically the peak of budget negotiations.
- *July 1:* statutory (legal) budget deadline, but without any penalties for not meeting deadline. Budget negotiations can continue past this deadline, but schools are left making decisions without complete financial information.
- *September 30:* End of the state's fiscal year. If a budget has not been approved by midnight the state government will shutdown until a budget has been passed by the legislature and signed by the Governor.

15. Michigan League for Public Policy. (2024). Kinship Care Policy in Michigan: Strengths and Challenges. <https://mlpp.org/kinship-care-policy-michigan-2024>