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### **Proposal**

The Governor’s FY25 Budget recommends \$3.9 million (\$0.5 million GF/GP) to expand the educational offerings at the Thumb Correctional Facility to allow nearly every prisoner at the facility to participate in an education program. This will be a groundbreaking endeavor, establishing the facility as an “education prison facility” that is believed to be the first-of-its-kind at that scale.

### **Background**

- Under its wide-ranging offender success model, the Department of Corrections (MDOC) provides an array of programs and support services that are aimed at fostering the skills needed to succeed in the community, achieve economic stability, and reduce the risk of recidivism. During their time in prison, the department works to ensure that each prisoner’s academic, vocational, and employment readiness needs are addressed through a robust education program at each facility that meets students at their current level and enables them to advance and progress through higher levels. Currently, about half of the prisoners entering the system each year lack a high school diploma or equivalency, with MDOC awarding about 1,200 equivalencies to prisoners each year.
- MDOC is the largest provider of adult education in the state, and offers an array of educational programs typical of any school, including high school equivalency preparation, special education services, and career and technical education. In partnership with public and independent colleges and universities, incarcerated individuals have opportunities to pursue higher education through correspondence courses or in-person instruction. Currently 150-200 MDOC prisoners graduate with an associate or bachelor’s degree each year, with more than 800 students actively enrolled at this time. With the 2020 enactment of the federal [FAFSA Simplification Act](#) restoring prisoner’s eligibility for federal Pell Grants and new funding for higher education in prison programs included in the FY2024 MDOC budget, participation in these programs will only increase.
- Correctional education programs have long been a part of state efforts to rehabilitate prisoners. Over the years, research from a diverse group of organizations such as the [RAND Corporation](#), [Vera Institute of Justice](#), [Brookings Institute](#), [Center for American Progress](#), [American Enterprise Institute](#), and others points to the positive impacts of correctional education programs on recidivism, employment and wages, prisoner behavior, and criminal justice and reincarceration costs. In a recent article in the [American Journal of Criminal Justice](#) researchers from Middle Tennessee State University estimated that post-secondary education programs reduced the likelihood of recidivism by 41.5% and increased the likelihood of employment by 20.7% for incarcerated individuals, with positive results from secondary and vocational education as well.<sup>1</sup>

Behind the numbers, though, are real impacts for individuals and their families and communities. Successful reentry with reduced recidivism, improved employment outcomes, higher educational attainment, and personal enrichment also has broader societal benefits.

### **FY2025 Executive Recommendation**

The Governor’s Budget includes \$3.9 million (\$0.5 million GF/GP) to expand educational offerings at the Thumb Correctional Facility to allow nearly every prisoner at the facility to participate in an education program,

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<sup>1</sup> This study was commissioned by the Mackinac Center for Public Policy and funded with support from the Michigan Justice Fund, an initiative of the Community Foundation of Southeast Michigan.

including adult basic education, vocational, and post-secondary.<sup>2</sup> Across all MDOC prisons, about 10-15% of prisoners participate in an education program, typically because of physical space constraints. This proposal will convert an old Michigan State Industries (MSI) factory into additional classroom space, allowing for the expansion of post-secondary courses at the facility. Numerous factors went into the selection of the Thumb facility, a Level II facility located in Lapeer. The facility includes one housing unit for prisoners sentenced under the Holmes Youthful Trainee Act and another separate unit for prisoners under the age of 18. Additionally, the facility has a greater education program participation rate (about 20%), a robust partnership with Mott Community College, and is in relatively close proximity to other university and education partners. The MSI factory is also located within the secure perimeter of the facility.

The department has already demonstrated the success of this approach on a smaller scale through three Vocational Villages, which provides separate housing units where prisoners reside, eat, study, congregate, and work, fostering an engaged learning environment. Students in these unique, nationally recognized programs have a return to prison recidivism rate that is about half of that of those who didn't participate in the programs. Similarly, this proposal engages nearly everyone in the 1,000-prisoner Thumb Correctional Facility to participate in an educational program.

The \$3.9 million recommended in the budget supports ongoing costs for instructional and custody staff, as well as costs to convert the MSI factory into classroom space. Of that, \$3.4 million (one-time) is appropriated from the Program and Special Equipment Fund, which previously received funding through the prisoner telephone contract. Appropriating this one-time balance will enable the department to direct prisoner-generated revenues to prisoner-focused programs. The \$0.5 million GF/GP appropriated is provided by reallocating available funds for offender success services to this program.

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<sup>2</sup> "Nearly" - because the facility includes a medically frail unit, which the department doesn't plan on moving. Due to their age and medical conditions, it's unlikely these prisoners would participate in educational programs.

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## **Background**

Michigan is currently grappling with a multifaceted environmental challenge characterized by the deposition of significant volumes of out-of-state waste, escalating greenhouse gas emissions, and straining the limited lifespans of existing landfills. These interconnected issues demand attention and comprehensive solutions to safeguard public health, protect the environment, and foster sustainable economic development.

**Out-of-State Waste:** Michigan has become a destination for a substantial volume of out-of-state waste, with an average of 12 million cubic yards annually coming into Michigan (25% of all Michigan waste), straining landfill capacities. This influx of waste not only intensifies the environmental impact on Michigan but places an undue burden on the state's waste management infrastructure.

**Greenhouse Gas Emissions from Waste:** The disposal of waste in landfills is a significant contributor to greenhouse gas emissions, with 7 million tons of CO<sub>2</sub> equivalent produced from Michigan waste annually. As organic waste decomposes in landfills, it releases methane, a potent greenhouse gas that contributes to climate change. Michigan's current waste management practices contribute 8% of the state's carbon footprint, necessitating a shift towards more sustainable waste management solutions.

**Landfill Lifespans:** The finite capacity of landfills and their limited lifespans pose a critical challenge to Michigan's waste management infrastructure. As landfills approach their capacity limits, the state faces the prospect of needing new landfill sites or implementing alternative waste disposal methods. This challenge underscores the urgency of finding sustainable, long-term solutions to address waste disposal and environmental contamination.

**Contaminated Sites:** Michigan is confronted with over 24,000 contaminated sites, each posing economic and health challenges to the affected communities. These sites not only hinder economic development by limiting land use but also present potential health risks to nearby residents.

## **Proposal**

Addressing these problems requires a strategic and sustainable funding mechanism. **The proposed increase in the landfill tipping fee from \$.36 per ton to \$5 per ton brings Michigan in line with the average Midwest tipping fee and is designed to generate approximately \$80 million in ongoing revenue.** This funding will be dedicated to environmental remediation, brownfield redevelopment, and recycling initiatives through the Renew Michigan Fund, helping clean up Michigan while directly addressing the volume of out-of-state waste, mitigating greenhouse gas emissions, and extending the lifespan of landfills with financial incentives.

The proposed adjustment in the tipping fee not only provides a financial incentive to encourage reduced deposition of waste but also establishes a consistent revenue stream for ongoing and future environmental initiatives. This approach aligns with Michigan's commitment to environmental stewardship, economic prosperity, and community well-being.

**Environmental Remediation and Brownfield Redevelopment:** 75% of the increased tipping fee will fund environmental remediation projects and brownfield redevelopment. These projects will enhance water

and soil quality, promote overall environmental sustainability, and transform blighted areas into valuable spaces, stimulating economic growth, job creation, and improving the quality of life for residents.

**Recycling Initiatives:** 13% of the generated revenue will fund expanded recycling programs, helping local communities divert waste through sustainable waste management practices.

**Landfill Operations:** The final 7% of revenues will go to ensuring landfills are operated in compliance with state and federal requirements and directly protecting nearby residents.

**Public Health and Safety:** By addressing environmental contamination, public health and safety are improved through the elimination of potential hazards in affected areas.

**Economic Growth:** Investment in brownfield redevelopment attracts private investment, fosters economic activity in redeveloped areas and contributes to the state's overall economic growth.

The proposed increase in the landfill tipping fee is a crucial step towards addressing environmental contamination and supporting brownfield redevelopment in Michigan. This initiative will concurrently make the state a healthier and more attractive place to live while ensuring that the state meets its climate goals and stops Michigan from continuing to be the destination for other state's waste.

## Summary

The FY 2025 Executive Budget provides **\$265 million Gross/\$70 million general fund (12 FTEs)** to fund structural improvements to Michigan’s behavioral health delivery system and to expand the availability and capacity of behavioral health services. The Executive Recommendation includes funding to:

- Expand Michigan’s Certified Community Behavioral Health Clinics (CCBHC) demonstration program.
- Increase Medicaid reimbursement rates for outpatient behavioral health services provided outside the Prepaid Inpatient Health Plan (PIHP) system. The rate increase would align rates with similar services provided by physical health providers.
- Establish Medicaid reimbursement for hospital based-peer recovery support services.
- Launch a new loan repayment program for nurses and provide support to Michigan public universities to establish scholarship and internship programs for individuals training to become behavioral health professionals.
- Ensure ongoing structural support for the Michigan Crisis and Access Line (MICAL).
- Enhance gambling prevention and treatment services.
- Continue support for First Responder and Public Safety Staff Mental Health.

## Background

### Addressing Access to Services and Workforce Shortages

While Michigan has expanded access to behavioral health supports and services to 75,006 Michigan residents through CCBHCs, gaps remain. Michigan launched the CCBHC Medicaid demonstration on October 1, 2021, but services are currently only available in 21 of 83 counties. A recent Michigan Health Endowment Fund study estimates that only 68% of Michigan residents who have behavioral health needs receive needed services<sup>1</sup>. This study also concluded that most substance use disorders in Michigan go untreated.

One of the main contributors to barriers in access to care is an ongoing and persistent healthcare workforce shortage. Michigan ranks among the states with the highest shortages of mental health professionals<sup>2</sup>. Over 6.0 million people in Michigan live in federally designated health service professional shortage areas (HPSAs) and the state would need approximately 250 additional practitioners to align the availability of service providers with the behavioral health needs of Michigan residents.<sup>3</sup>

Of particular concern, Michigan’s state psychiatric hospital system struggles to hire and retain enough qualified and trained staff to provide psychiatric services to some of the state’s highest need individuals. Michigan’s state psychiatric hospitals experience an average of 284 nursing vacancies throughout the year. Similar workforce shortages are reported in non-state operated hospitals as well<sup>4</sup>.

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<sup>1</sup> Michigan Health Endowment Fund (2022). Access to Behavioral Health Care in Michigan. <https://mihealthprod.wpenginepowered.com/wp-content/uploads/2022/12/Health-Fund-2022-Behavior-Health-Access-Study-1.pdf>

<sup>2</sup> Health Resources and Administration (2024). Health Workforce Shortage Areas. <https://data.hrsa.gov/topics/health-workforce/shortage-areas>

<sup>3</sup> Health Resources and Administration (2024). First Quarter of Fiscal Year 2024 Designated HPSA Quarterly Summary

<sup>4</sup> Michigan Health and Hospital Association (2023). Hospital Workforce Vacancies. [Hospital-Workforce-Vacancies\\_infographic.pdf \(mha.org\)](#) (2023)

### **Improving Provider's Reimbursement Rates and Compensation**

Workforce shortages are exacerbated by low compensation and inadequate reimbursement to service providers. Michigan's state psychiatric hospitals staff compensation is lower than the private sector, making it difficult to attract behavioral health service providers.<sup>5</sup>

In addition, access to psychiatric services remain an ongoing challenge in Medicaid due to lower reimbursement rates. For example, psychiatrists receive lower Medicaid reimbursement than primary care providers for similar services<sup>6</sup>. This disparity in reimbursement rates between physical and mental health providers has resulted in inconsistent and inadequate beneficiary access to outpatient behavioral health services.

### **Proposal**

To address these, the FY2025 Executive Recommendation proposes funding to expand Michigan's Certified Community Behavioral Health Clinics demonstration program. Funding will allow as many as 50,000 more individuals access to a comprehensive array of behavioral health services regardless of their ability to pay.

The Executive Recommendation aligns outpatient behavioral health rates provided through contracted health plans, and fee-for-service providers with their physical health equivalent. Fully implemented, this would increase reimbursement for these services by an estimated 33%. Aligning reimbursement rates of behavioral health practitioners with medical professionals will not only increase provider participation but also improve access to mental health services for Medicaid beneficiaries.

In addition, this proposal will create a pathway for Peer Recovery Support Specialists to be reimbursed for Medicaid substance use disorder services provided in hospital settings. Peer Recovery Support Specialists assist beneficiaries seeking assistance with substance use disorder.

To promote recruitment and retention of behavioral health care professional, one-time grant funding will be allocated to Michigan's public universities to support scholarship and internship programs to attract and support individuals interested in behavioral health professions. Additional funding will be provided to lower salary professionals to support continuing education.

In addition, resources will be provided to Michigan's state psychiatric hospitals to create incentives to attract and retain more nurses to help alleviate the shortage.

Adequate ongoing support will be provided to MICAL to ensure that Michiganders experiencing behavioral health crisis have access to text and chat functionality, from a Michigan-based provider, 24 hours a day, seven days a week.

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<sup>5</sup> Department of Health and Human Services (2018). Final Workgroup Report. Michigan Inpatient Psychiatric Admissions Discussion

<sup>6</sup> Kaiser Family Foundation (2023). A Look at Strategies to Address Behavioral Health Workforce Shortages: Finding from a Survey of State Medicaid Programs. <https://www.kff.org/mental-health/issue-brief/a-look-at-strategies-to-address-behavioral-health-workforce-shortages-findings-from-a-survey-of-state-medicaid-programs/#:~:text=Documented%20workforce%20challenges%20contribute%20to,mental%20health%20workforce%20shortage%20area>.

Lastly, with the legalization of online betting, opportunities to gamble are more easily accessible than ever before. With this increased access, the state anticipates increased reliance on gambling disorder services, which have not kept pace with expansions in online gaming. Therefore, Michigan’s gambling disorder program enhancements are necessary to ensure services are appropriately aligned with current and future treatment needs. The Executive Budget invests \$4.0 million to bolster available services.

**Funding recommendations**

<b>Proposed Investments: FY2023</b>	<b>Gross</b>	<b>GF</b>
Ongoing: Expansion of CCBHCs demonstration program to new counties (12.0 FTEs)	\$193,324,000	\$35,631,100
Ongoing: Reimbursement rates increase for behavioral health provided through Medicaid health plans	\$36,149,400	\$10,209,700
Ongoing: Medicaid reimbursement for Peer Recovery SUD Services	\$8,333,300	\$2,500,000
Ongoing: Support for Michigan Crisis and Access Line	\$7,250,000	\$8,286,000
Ongoing: Enhancing gambling prevention and treatment services	\$4,000,000	
Ongoing: Grant to support behavioral health professional continuing education	\$500,000	\$500,000
<b>Total FY25 Ongoing</b>	<b>\$249,556,700</b>	<b>\$57,126,800</b>
One-time funding to create a new Nursing Loan Repayment program	\$10,000,000	\$10,000,000
One-time funding to establish scholarships and internships for prospective behavioral health providers	\$3,000,000	
One-time funding for first responders and public safety staff mental health	\$2,500,000	\$2,500,000
<b>Total FY2025 One-time</b>	<b>\$15,500,000</b>	<b>\$12,500,000</b>



## Summary

To improve the safety and well-being of Michigan children, the Michigan Department of Health and Human Services (MDHHS) is deploying the Keep Kids Safe Action Agenda, which establishes dozens of protocols and policies in the child welfare areas of prevention, intervention, stability, wellness, and workforce. To assist the department in fulfilling this agenda, the Executive Budget invests **\$61.3 million** (\$52.2 million general fund), of which \$5.0 million is one-time, to support children in Michigan's child welfare system.

## Proposed FY25 Investments

### *Residential facility capacity*

MDHHS contracts with residential Child Caring Institutions (CCIs) for the purpose of providing 24-hour care and supervision for some children involved in the juvenile justice and foster care systems. However, because of shortages in available staffed beds, there is regularly a waiting list for children to access necessary CCI services.

To ensure sufficient capacity for residential services, the Executive Budget includes **\$38.0 million** (\$30.3 million general fund) to implement a new method of contracting for CCI services. This method will make use the following:

- Tying payment to available provider capacity instead of direct service provision, making provider revenue more predictable and enabling appropriate staffing
- Simplification of the rate structure for state contracted CCI services
- Financial accountability, using a 10% payment withhold to maintain a provider incentive to accept all children referred for care

Three department positions are included in this investment to ensure alignment on rate structures across contracts, oversee implementation of the new rate structure, audit contracts to verify compliance, and provide financial monitoring and support.

### *Juvenile justice reform and state facility enhancements*

In July 2022, the Governor-appointed Michigan's Task Force on Juvenile Justice Reform (Task Force) released their report outlining numerous recommendations aimed at reforming the state's juvenile justice system. A majority of the recommendations have begun to be implemented through initiatives in prior budgets and changes in state statute. To aid in the full implementation of Task Force recommendations, the Executive Budget includes **\$3.5 million** general fund for new capacity to support the following:

- Improvements in risk assessment screening to increase diversion from legal sanctions or confinement for lower-risk youth.
- Establishing a review process for cases involving youth remaining in detention for longer than 30 days awaiting placement, as well as for youth in residential CCIs for longer than 9 months to identify community-based or residential treatment alternatives to reduce lengths of stay and free up bed capacity.
- Funding the activities of the newly established Michigan Juvenile Justice Advisory Council and Michigan Juvenile Justice Family Advisory Council.
- Funding for staffing to implement Task Force recommendations.

In addition, the Executive Budget invests **\$3.5 million** (\$2.3 million general fund) in new programming and staffing intended to improve the safety and well-being of children and staff in state-run juvenile justice facilities, as well as **\$5.0 million** (general fund, one-time) for capital needs at those facilities.

*Accelerating the exit of federal oversight of the child welfare system*

Since 2008, Michigan's child welfare system has been under federal court oversight through a lawsuit settlement agreement with advocacy organization, Children's Rights, Inc. The agreement, known in its current iteration as the Modified Implementation, Sustainability and Exit Plan (MISEP), requires a court-appointed, third-party monitor to measure MDHHS' performance in metrics related to the safe and effective management of foster care and juvenile justice services. MDHHS must fulfill court-established benchmarks to exit federal court supervision.

While MDHHS has made meaningful progress in meeting those commitments there is significant work left to be done, particularly in the area of achieving permanency for children in foster care. To address this, the Executive Budget includes **\$10.0 million** general fund for investments in new department services and supports designed to help these children achieve permanency. Examples of possible initiatives that could be funded through this allocation include training and technical assistance to parents, foster care providers, and child welfare staff, as well as legal services.

*Increases to the foster care clothing and holiday allowances*

To further assist foster parents supporting children in their care, MDHHS issues semi-annual clothing and annual holiday allowances. The value of these payments has not been increased in over twenty years, which is why the Executive Budget includes **\$1.5 million** (\$1.1 million general fund) to increase the clothing allowance by 40 – 50 percent (depending on the age of the child) and triple the holiday allowance for each child to \$75 per year.

## Background

Poverty is measured by the federal government through use of a measurement of household income called the Federal Poverty Level (FPL). For a family of 3, the FPL is an annual income at or below \$25,820.<sup>1</sup> In Michigan, 13.4% of the population lives below the FPL. For households with children under the age of 18, this percentage increases to 18.2%.<sup>2</sup> Many families with income near or below the FPL will struggle to make ends meet without additional assistance. Others are self-sufficient until a moment of a crisis and require one-time help during their emergency. To support these families, the State of Michigan uses state funds and a federal block grant called Temporary Assistance for Needy Families (TANF) funds. TANF is a time-limited program to assist families with children. Michigan's annual TANF block grant from the federal government has never been adjusted for inflation since being established in 1996.

## TANF Program Reform Proposal

The Fiscal Year 2025 budget restructures the allocation of Michigan's TANF grant to support historic investments in low-income family supports totaling **\$167 million**. These changes were made possible through an effort to reallocate TANF block grant funding away from departmental administrative costs and higher education scholarships to new low-income support programs. The proposed investments include:

- **\$103.5 million** in new TANF investments for low-income families and children in the Michigan Department of Health and Human Services proposed budget:
  - **\$46 million for changes in Family Independence Program (FIP)**. This includes increasing the FIP income standard by 35%, increasing the young child support payments made to FIP enrolled children under the age of 6 from \$50 to \$150 per month, and increasing the time limits a family is eligible for FIP from 48 months to 60 months. Implementation of this recommendation would represent the first significant change in the base FIP grant since 1990.
  - **\$30 million in additional funding for State Emergency Relief (SER)**. These funds provide emergency cash assistance to low-income families for costs associated with relocation, homeownership, tax delinquency, utilities and deposits, and home repairs.
  - **\$24 million Prenatal and Infant Support Program**. Provides funding for programs that improve the economic stability of households with very young children.
  - **\$3.5 million for homeless services**. This provides additional Emergency Housing Support for Families engaged in Child Welfare. Supports will include eviction diversion, first month's rent and deposit, and utility arrears.
- **\$36.2 million TANF** in additional investments for childcare services in the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) proposed budget. Specifically:
  - **\$18.9 million for childcare rates**, towards a 10% increase in childcare provider rates. These TANF dollars would account for half the cost of this increase.

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<sup>1</sup> [Poverty Guidelines | ASPE \(hhs.gov\)](https://www.hhs.gov/ashpe/docs/2018/poverty-guidelines)

<sup>2</sup> <https://data.census.gov/table/ACSST1Y2022.S1703?q=poverty%20michigan>

- **\$8.5 million for Foster Youth Childcare Rates** to increase the rates paid to childcare providers for youth who are in foster care by 30%.
- **\$4.8 million for Improving the Timeliness of Childcare Facility Inspections** to increase the number of staff who inspect childcare facilities.
- **\$4 million for Family Childcare Networks** that provide vital supports to home-based providers.

#### **Additional Investments for Low-Income Families**

The FY25 Executive Budget recommendation also recommends new General-Fund investments also targeted to support programs for low-income Michigan families. Proposals include:

- **\$17.3 million** in general fund one time assistance investments in low-income families and children in the Michigan Department of Health and Human Services proposed budget:
  - **\$7.3 million for homeless services** to support homeless families and families at risk of becoming homeless.
    - **\$4.5 million Emergency Housing Support for Families Engaged in Child Welfare** including eviction diversion, first month's rent and deposit, and utility arrears.
    - **\$2 million to expand family shelters.** Currently family shelters are at capacity and turning away families. These shelters will provide families with a safe place to stay while they are experiencing homelessness.
    - **\$750,000 for short term hoteling** to address the current backlog as communities build up permanent shelter options.
  - **\$5 million for employment and training support services.** These funds will be used by individuals receiving public assistance to for reliable transportation and work equipment.
  - **\$5 million for weatherization.** These funds will be used to reduce energy costs of low-income households through projects to improve energy efficiency of their homes. The general fund dollars will be used along with federal weatherization funding to ensure the federal money is more effectively spent.
- **\$18.9 million** in general fund to fund half the 10% increase in childcare provider rates in the MiLEAP Executive Budget recommendation.

With these historic investments, low-income families will be able to make ends meet and continue to be self-sufficient.

## Summary

The FY 2025 Executive Budget invests **\$52.5 million (\$15.1 million general fund)** to remove barriers to care and take advantage of changing federal regulatory guidelines to improve flexibility, scope, and breadth of services to improve daily life for Michigan’s low-income families. Funded initiatives include the following:

- Eliminates the \$10 per month premium for all families with children under 19 enrolled in the MIChild Medicaid program (\$1.8m general fund),
- Increases vaccine reimbursement rates for providers participating in the Vaccines for Children program (\$7 million Gross / \$2.5 million general fund),
- Creates a new pool for Medicaid health plans to access based on their deployment of “in lieu of services” programming to address food insecurity among beneficiaries (\$10 million Gross / \$3.5 million general fund),
- Establishes new training and supports to family and informal caregivers assisting beneficiaries enrolled in Michigan’s Home and Community-based Services waiver program (\$5 million Gross / \$1.7 million general fund) and,
- Funds new, pre-release services provided to incarcerated individuals in their final 90 days of confinement (\$30.5 million Gross / \$5.6 million general fund).

In conjunction with these investments, the Executive Budget includes funding for administrative implementation and monitoring of significant contract changes between the state and Medicaid health plans that will lead to long-term program improvement and benefit Medicaid participants.

## Expanding Scope and Breadth of Services

Approximately 12% of families in Michigan struggle with food insecurity.\* 5% of families are categorized as having “very low food security”, where food insecurity leads to intake of nutritious food below levels considered adequate. The Michigan Department of Health and Human Services, in its Roadmap to Healthy Communities, identified food security and access to nutritious foods as a “basic condition or circumstance of peoples’ lives that greatly influence[s] health outcomes.” This is particularly true for Medicaid beneficiaries living with strict, medically necessary dietary needs or restrictions.

The Executive Budget invests \$10 million (\$3.5 million general fund) to create an incentive pool to be paid out to Medicaid health plans that successfully address food insecurity among Medicaid beneficiaries through “in lieu of services” programming. Access to nutritious food is not a covered Medicaid benefit, but federal regulations do allow for funding to go toward “medically appropriate, cost-effective alternatives to medical state plan services through In Lieu of Services (ILOS)”. ILOS can be used to provide home-delivered meals that comport with dietary and/or allergy restrictions, or are needed in response to medical diagnoses and/or medication.

Low-income families caring for their elderly relatives enrolled in Michigan’s Medicaid Home-and Community-Based Services Waiver program (MIChoice) also receive new supports in the Executive Budget. The Executive Budget includes \$5.0 million (\$1.7 million general fund) to fund a stipend to live-in family members providing

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\* –A circumstance where nutritious food is scarce at some time during the year due to monetary, transportation, or geographic restrictions on families.

services to their MIChoice-enrolled relative. This funding also goes toward additional trainings to informal caregivers providing aid to MIChoice enrollees.

### **Removing Barriers to Needed Services**

The Executive Budget continues a commitment to improving vaccination rates for children enrolled in Medicaid. Provider participation in the Vaccines for Children program (VFC) has steadily fallen in the last five years. VFC is a federal program designed to provide low-cost vaccinations to Medicaid-enrolled, uninsured, underinsured children, and children in American Indian or Alaska Native families.

Children enrolled in Medicaid are required to receive their vaccines through providers participating in VFC. According to MDHHS, fewer than 50% and 25% of pediatricians and family practitioners, respectively, are enrolled in VFC. Low provider enrollment in VFC delays and prevents children from receiving the vaccines they need. The Executive Budget invests \$7.0 million (\$2.5 million general fund) to increase reimbursement rates to providers participating in VFC to the maximum level allowed by the federal government (\$23.03 per vaccine). This will reduce burdens on families who would otherwise have to wait or travel further from home to access these services for their children.

The Executive Budget funds measures to make health care for children more accessible while effectively putting money back in the pocket of low-income families by eliminating the monthly \$10.00 per household premium payment for families with Medicaid-enrolled children under 19 years of age.

Formerly incarcerated individuals who have recently reentered their communities commonly experience barriers to affordable health care and services that risk adverse health impacts and increased visits to hospital emergency departments. Among this population, chronic medical, psychiatric, or substance use conditions are common reasons for difficulty transitioning back into their community and avoiding recidivism.

The Executive Budget allocates \$30.5 million (\$5.6 million general fund) for a five-year demonstration waiver program, recently made allowable by the federal government under section 1115 of the Social Security Act, to provide limited Medicaid coverage to incarcerated individuals in their final 90 days of confinement. This coverage includes case management services to assess physical and behavioral health needs (including health-related social needs), screening for common health conditions, medication-assisted treatment services, and a 30-day supply of prescribed medications upon release from custody.

The Executive Budget pairs these initiatives – characterized by expanded flexibility, scope, and efficacy of services provided to Medicaid beneficiaries – with funding for administrative staffing resources to implement and evaluate a more structured contract framework, enhancing opportunities to partner with Medicaid health plans to the benefit of Medicaid enrollees. These budget neutral contract changes are consistent with the MIHealthy Life procurement process and related findings. The Executive Budget assumes resources to support the monitoring and evaluation of health plan compliance with MIHealthy Life success criteria. Notable contract enhancements include:

- Doubling the size of quality withhold from 1% to 2% of monthly premiums paid and reworking success criteria to more effectively reward plans' efforts to meet outcomes defined by the state,
- A new requirement for all plans to reinvest 5% of annual profits into partnerships with community organizations on efforts to address social determinants of health.

The changes detailed above represent the continued evolution of the Medicaid program to remain flexible in supporting the needs of their enrollees as needs change.

## **Background**

Public Act 232 of 2023 establishes the Community and Worker Economic Transition Office in the Department of Labor and Economic Opportunity. This legislation recognizes that Michigan's economy is undergoing significant transitions from the shift to electric vehicles from internal combustion engines, to the decarbonization of the manufacturing industry, and the growing development and adoption of renewable energy sources. Creating an equitable transition will require the state to take an active role in connecting existing workers, communities, and employers to the resources needed to compete in the future economy.

## **Proposal**

Governor Whitmer's 2025 Executive Budget Recommendation provides support to ensure Michigan is well positioned as the state's economy evolves, particularly in the automotive, utility, manufacturing and building trades sectors. These economic changes provide important opportunities for Michigan as the changing economy will bring with it the creation of new, high-quality jobs and the opportunity to attract population and new investments to the state. However, these transitions may also bring challenges as certain workers, communities, and businesses will be disproportionately impacted by the changing economy.

To ensure the state has a plan for addressing both the opportunities and challenges of the changing economy, and to ensure an equitable transition for Michigan's workers, communities, and businesses, the fiscal year 2025 Executive Recommendation and fiscal year 2024 supplemental recommendation support the following two initiatives:

- **Community and Worker Economic Transition Office (CWETO) - \$5 million general fund**

The CWETO is established in Public Act 232 of 2023 and is tasked with developing a community and worker economic transition plan for the state, to be submitted no later than December 31, 2025. This plan will help guide the state's work moving forward to ensure communities, businesses, and workers have the resources they need to navigate the state's economic transition. In addition to developing the transition plan, the CWETO's work may also include developing transition mitigation strategies, conducting data analysis, coordinating across state and federal agencies, engaging stakeholders, and providing resource navigation support.

The fiscal year 2025 Executive Recommendation includes \$5 million ongoing general fund and 20.0 FTEs to support the Community and Worker Economic Transition Office. To accelerate these efforts, \$2.5 million general fund is also recommended in a fiscal year 2024 supplemental to provide for implementation in the current fiscal year. With these resources, the CWETO will hire staff focused on data, analytics, and reporting, engaging with industry, coordinating and developing programs where unmet needs exist, providing community navigation and support, and collaborating with public and private partners to amplify and advance the mission of the office.

- **Community and Worker Economic Transition Fund Pilot - \$10 million general fund**

The Community and Worker Economic Transition Fund Pilot will be administered by the CWETO. This pilot fund will provide resources to help address the challenges faced by transition-impacted workers, communities, and businesses and will also support initiatives put forth in the community and worker economic transition plan. Pilot funds will be deployed across the state and will help the CWETO develop an understanding of the most effective interventions for the state. These funds will be used for technical assistance and planning grants to communities, support for wraparound services for impacted workers, resource navigation support, incumbent worker retraining, temporary wage gap coverage, and other supports, as funding allows. The fiscal year 2024 supplemental recommendation includes \$10 million one-time general fund for this initiative.

## **Proposal**

Governor Whitmer's Fiscal Year 2025 Executive Budget Recommendation expands Michigan's economic development toolkit by establishing the new Michigan Innovation Fund. This will help fill the early-stage funding gap that causes promising young startups to leave Michigan. By investing in early-stage growth, the Michigan Innovation Fund will help attract and retain promising young companies and talent and will launch new startups creating high-wage knowledge jobs statewide.

The Fiscal Year 2025 Executive Budget appropriates \$60 million for the new Michigan Innovation Fund to be administered by the Michigan Strategic Fund (MSF). The MSF will select several experienced institutions and nonprofit investment funds to receive funding through the program, and those grant recipients will establish investment funds to provide capital support for high-growth, scalable startups. This investment capital will support job growth, research commercialization, and expand economic opportunity in Michigan long-term. The program will have the following requirements:

- **Evergreen Structure** - Each individual fund will have an evergreen structure, where all investment returns are recycled back and reinvested, thereby supporting additional startups into the future.
- **Support for Underrepresented Entrepreneurs** - A minimum of \$5 million will be allocated to support underrepresented entrepreneurs.
- **Annual Pitch Competition** - Grantees will coordinate with the department on an annual pitch competition, open to Michigan companies, to address strategic challenges in Michigan.

In addition to providing investment capital, this funding will also be used to support the broader entrepreneurial eco-system through programming, technical assistance and other support services that will increase the number of startups across the state.

## **Background**

The Michigan Innovation Fund will be seeded with funds originating from the Venture Michigan Fund. The Venture Michigan Fund (VMF) was initially created by legislation in 2003 with the goal of fostering and growing the venture capital industry in Michigan and supporting young companies.<sup>1</sup> Tax vouchers were issued by the state to the VMF, which used the vouchers as collateral and bonded to generate investment capital. Statute provides the Venture Michigan Fund will expire on January 1, 2030, at which point any remaining funds will be distributed first to the General Fund, up to \$140 million, and any remaining dollars deposited in the 21<sup>st</sup> Century Jobs Trust Fund. To date, investments made by the VMF have generated investment proceeds which are slated to return to the state on January 1, 2030.

Through legislative changes proposed with the fiscal year 2025 Executive Budget Recommendation, \$60 million<sup>2</sup> of these investment earnings from the VMF are recommended to be returned early, in fiscal year 2025, and deposited in a new restricted fund, the Michigan Innovation Fund. The new restricted fund will support the Michigan Innovation Fund program. By utilizing the VMF returns in this way, these dollars will further advance Michigan's goal of supporting young startups in Michigan.

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<sup>1</sup> See the Michigan Early Stage Venture Investment Act of 2003:

[http://www.legislature.mi.gov/\(S\(ujvOgrg5ygpt4xei05h43aks\)\)/documents/mcl/pdf/mcl-Act-296-of-2003.pdf](http://www.legislature.mi.gov/(S(ujvOgrg5ygpt4xei05h43aks))/documents/mcl/pdf/mcl-Act-296-of-2003.pdf)

<sup>2</sup> The recommended statutory changes would allocate \$60 million to the Michigan Innovation Fund, and \$40 million to the general fund, to support other statewide priorities.



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## Background

Affordable child care is an integral component in removing a barrier for low-income individuals to seek employment, job training, or furthering their educational attainment. Child care has seen many investments in recent years focused primarily in two areas: increasing the number of Michiganders eligible for the program by expanding income eligibility thresholds and increasing support to child care businesses through higher state-paid rates. Since 2018, Michigan has raised the income threshold from 130% of the federal poverty level (FPL) to 200% FPL. For a family of four, this is \$62,400 annually. Also, since 2018, Michigan has increased the amount paid to child care businesses each year. Investments included in the Executive Recommendation continue to support child care businesses by providing rate increases for all children in the state's child development and care program, with a larger increase for foster care youth in the program; continue to support home based providers; and help these businesses retain their staff. The recommendation also continues supporting Michigan families by expanding benefits to child care professionals, helping foster care families better find child care options, and ensuring that children are in safe environments.

## Proposed Investments in Child Care

- **Child care benefits for child care professionals – \$60m** – Median child care worker pay is \$13.71 an hour, or roughly \$28,500 annually. The average cost for child care for one child is \$10,600 annually, which means the average child care worker would need to dedicate over 37% of their gross salary to child care costs if they want their child to receive the same care they provide for other children on a daily basis. Therefore, the Governor is proposing a pilot program to provide child care professionals with the state funded benefits as part of the child development and care program, granting them the option to have their children eligible for the same care they provide for others. This also creates an incentive to retain many in the child care workforce which will benefit Michigan businesses and the overall Michigan economy.
- **Raise rates an additional 10% – \$37.9m** – Supporting child care providers by continuing to increase the amount paid for services, extending a streak of 8 years of increased compensation for Michigan child care businesses participating in the child development and care program.
- **Rate increase for foster care youth – \$8.5m** – Increasing rates paid for foster care children being served by the state's child development and care program by 30%. This increases the amount paid to child care providers, but more importantly, it will give foster care parents more child care options for children in their care. This will remove one financial barrier to becoming a foster parent.
- **Family child care networks – \$4m** – Originally funded from COVID-19 stimulus dollars, family child care networks provide support to home based providers. These are small businesses often owned and operated by individual home owners who lack the resources and expertise that traditional child care centers have at their disposal. By continuing to support these networks, Michigan will retain many home-based providers and avoid the negative impacts of them leaving the market due to a lack of support or expertise.
- **Increase timeliness of child care facility inspections – \$4.8m** – Increase staff support for child care facility inspections by 30 employees. This ensures that MiLEAP has the resources to be able to provide inspections expeditiously and helps ensure that Michigan children are in safe environments.

## Background

Poverty is measured by the federal government through use of a measurement of household income called the Federal Poverty Level (FPL). For a family of 3, the FPL is an annual income at or below \$25,820.<sup>1</sup> In Michigan, 13.4% of the population lives below the FPL. For households with children under the age of 18, this percentage increases to 18.2%.<sup>2</sup> Many families with income near or below the FPL will struggle to make ends meet without additional assistance. Others are self-sufficient until a moment of a crisis and require one-time help during their emergency. To support these families, the State of Michigan uses state funds and a federal block grant called Temporary Assistance for Needy Families (TANF) funds. TANF is a time-limited program to assist families with children. Michigan's annual TANF block grant from the federal government has never been adjusted for inflation since being established in 1996.

## TANF Program Reform Proposal

The Fiscal Year 2025 budget restructures the allocation of Michigan's TANF grant to support historic investments in low-income family supports totaling **\$167 million**. These changes were made possible through an effort to reallocate TANF block grant funding away from departmental administrative costs and higher education scholarships to new low-income support programs. The proposed investments include:

- **\$103.5 million** in new TANF investments for low-income families and children in the Michigan Department of Health and Human Services proposed budget:
  - **\$46 million for changes in Family Independence Program (FIP)**. This includes increasing the FIP income standard by 35%, increasing the young child support payments made to FIP enrolled children under the age of 6 from \$50 to \$150 per month, and increasing the time limits a family is eligible for FIP from 48 months to 60 months. Implementation of this recommendation would represent the first significant change in the base FIP grant since 1990.
  - **\$30 million in additional funding for State Emergency Relief (SER)**. These funds provide emergency cash assistance to low-income families for costs associated with relocation, homeownership, tax delinquency, utilities and deposits, and home repairs.
  - **\$24 million Prenatal and Infant Support Program**. Provides funding for programs that improve the economic stability of households with very young children.
  - **\$3.5 million for homeless services**. This provides additional Emergency Housing Support for Families engaged in Child Welfare. Supports will include eviction diversion, first month's rent and deposit, and utility arrears.
- **\$36.2 million TANF** in additional investments for childcare services in the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) proposed budget. Specifically:
  - **\$18.9 million for childcare rates**, towards a 10% increase in childcare provider rates. These TANF dollars would account for half the cost of this increase.

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<sup>1</sup> [Poverty Guidelines | ASPE \(hhs.gov\)](https://www.hhs.gov/ashpe/docs/2018/poverty-guidelines)

<sup>2</sup> <https://data.census.gov/table/ACSST1Y2022.S1703?q=poverty%20michigan>

- **\$8.5 million for Foster Youth Childcare Rates** to increase the rates paid to childcare providers for youth who are in foster care by 30%.
- **\$4.8 million for Improving the Timeliness of Childcare Facility Inspections** to increase the number of staff who inspect childcare facilities.
- **\$4 million for Family Childcare Networks** that provide vital supports to home-based providers.

#### **Additional Investments for Low-Income Families**

The FY25 Executive Budget recommendation also recommends new General-Fund investments also targeted to support programs for low-income Michigan families. Proposals include:

- **\$17.3 million** in general fund one time assistance investments in low-income families and children in the Michigan Department of Health and Human Services proposed budget:
  - **\$7.3 million for homeless services** to support homeless families and families at risk of becoming homeless.
    - **\$4.5 million Emergency Housing Support for Families Engaged in Child Welfare** including eviction diversion, first month's rent and deposit, and utility arrears.
    - **\$2 million to expand family shelters.** Currently family shelters are at capacity and turning away families. These shelters will provide families with a safe place to stay while they are experiencing homelessness.
    - **\$750,000 for short term hoteling** to address the current backlog as communities build up permanent shelter options.
  - **\$5 million for employment and training support services.** These funds will be used by individuals receiving public assistance to for reliable transportation and work equipment.
  - **\$5 million for weatherization.** These funds will be used to reduce energy costs of low-income households through projects to improve energy efficiency of their homes. The general fund dollars will be used along with federal weatherization funding to ensure the federal money is more effectively spent.
- **\$18.9 million** in general fund to fund half the 10% increase in childcare provider rates in the MiLEAP Executive Budget recommendation.

With these historic investments, low-income families will be able to make ends meet and continue to be self-sufficient.

The current Recreation Passport program in Michigan has notably contributed to the maintenance and improvement of state parks. However, the existing opt-in structure limits its potential impact. By transitioning to an opt-out system, it is possible to increase participation, enhance public access to state parks, and fortify the sustainability of Michigan's natural resources.

**Background:**

The Michigan Recreation Passport program has played a crucial role in funding and maintaining state parks, recreation areas, and boating access sites. Residents opt into the program during vehicle registration, paying an annual fee that allows them access to these natural treasures. While the program has achieved notable success, the opt-in structure presents some challenges.

**Low Participation Rates:** The opt-in nature of the program leads to lower participation rates, with approximately 36% of residents utilizing the recreation passport. Many residents may not be aware of the program or may choose not to participate actively.

**Missed Opportunities for Revenue:** The current system misses opportunities to generate additional revenue that could further enhance and expand the state park system.

**Inertia and Default Bias:** Economic research suggests that people are more likely to stick with default options. The opt-in system might be contributing to an unnecessary barrier to participation due to the cognitive effort required to actively enroll or not changing their enrollment status due to past year choices.

**Proposal:**

To address the deficiencies in the current structure, it is proposed to transition from an opt-in to an opt-out system for the Michigan Recreation Passport. Under this new model, residents would be automatically enrolled in the program during vehicle registration, with the option to decline if they choose not to participate.

**Increase Participation:** The opt-out system takes advantage of default bias, leading to higher participation rates estimated at 60% of all residents. This would expand the program's impact and allow more residents to contribute to the conservation and enjoyment of our state parks.

**Streamline Enrollment:** Shifting to an opt-out model simplifies the enrollment process, reducing administrative burdens and increasing efficiency for both residents and the State of Michigan.

**Enhance Revenue Generation:** By capturing a larger share of the population through the opt-out approach, there is an anticipation of increased revenue of \$21 million that can be directed toward vital improvements and innovations within the state park system.

## **Impacts:**

The proposed transition from an opt-in to an opt-out Recreation Passport system holds the potential for transformative impacts on Michigan's state parks. By addressing the current deficiencies in participation rates, the shift aims to foster a more inclusive and engaged community. This change anticipates not only an increase in public access to state parks but also a more sustainable financial foundation for their maintenance and enhancement. The streamlined enrollment process under the opt-out model is poised to drive higher participation, thereby fortifying the state park system's role as a vital contributor to local economies and a source of recreational opportunities for residents.

**Improve Public Access:** The higher participation rates resulting from the opt-out structure would translate to increased public access to state parks, fostering a greater sense of community engagement with Michigan's natural resources. Other states that have implemented an opt-out system, such as Montana, have seen participation rates as high as 80% of state residents.

**Sustainable Funding for State Parks:** The additional revenue generated by the opt-out system would ensure a more sustainable and robust financial foundation for maintaining and enhancing our state parks, and enable the Department of Natural Resources to address its significant backlog of \$250 million in park infrastructure needs.

**Economic and Recreational Opportunities:** A thriving state park system contributes to local economies through tourism and recreation-related activities. The proposed shift aligns with the commitment to fostering economic growth and providing recreational opportunities for residents, and assists in the growth of a \$12 billion Michigan recreation economy.

Transitioning from an opt-in to an opt-out Recreation Passport system represents a strategic move toward maximizing the program's impact. By simplifying the enrollment process, increasing participation rates, and bolstering funding for state parks, Michigan can ensure the continued preservation and enjoyment of its natural treasures.

The Fiscal Year 2025 Executive Budget continues a total of \$35 million ongoing general fund for the Information Technology Investment Fund (ITIF) in the Department of Technology, Management and Budget (DTMB). Created in 2013, the ITIF supports information technology projects that modernize state agency legacy information technology systems and use technology to advance transformative change in service delivery to residents and businesses across the state. Projects selected for ITIF funding in Fiscal Year 2025 include:

Department	Project Title / Description	Amount
Education	<b>Michigan Online Repository of Educators (MORE) System</b> <i>Supports the ongoing MORE project, bringing the total investment to \$13,600,000. This project is a modernization and interdepartmental integration of MDE’s educator certification system and DTMB/CEPI’s registry of educational personnel systems.</i>	\$9,200,000
Labor and Economic Opportunity	<b>Michigan Rehabilitation Services (MRS) Case Management Modernization</b> <i>Provides for replacement of the twenty-five-year-old AWARE system and consolidation of the existing FRED system into a commercial off-the-shelf solution that includes integrated case management, budget, payment and reporting to support the 40,000 caseload of MRS. Project is supported in part with federal funds.</i>	\$13,700,000 (\$2,918,100 ITIF)
Technology, Management and Budget	<b>Enterprise Language Accessibility</b> <i>Implements the information technology component of a language access plan for all Michigan.gov internet sites to ensure state resources are available in multiple languages. An accompanying ongoing investment of 3.0 FTE and \$2,360,000 general fund supports translation services and a multi-lingual chatbot agent.</i>	\$820,000
Technology, Management and Budget	<b>Artificial Intelligence Strategy, Platforms, Tools, and Pilots</b> <i>Develop the strategy, platforms, and tools for the integration of artificial intelligence and develop pilot projects that capitalize on the potential of this new generative technology to transform the provision of government services. Artificial intelligence and the automation opportunities it provides for perceiving, synthesizing, and inferring information faster and with greater accuracy presents myriad opportunities to leverage this technology to modernize business processes, increase productivity and ultimately improve service delivery.</i>	\$10,000,000
Transportation	<b>Act 51 Distribution and Reporting System Modernization</b> <i>Provides for the replacement of the ADARS system that is presently used to calculate monthly Michigan Transportation Fund payments and filing of annual financial reports for 614 local units of government. The new system will automate the payment interface with SIGMA and provide improved integration with Transportation Asset Management Council technologies.</i>	\$5,585,500
Transportation	<b>Rail Project Management System Modernization</b> <i>Replaces an existing system used to coordinate the financial and project management components of rail grade crossing improvements by upgrading to a more modern and sustainable platform.</i>	\$1,000,000
Treasury	<b>Tax Credit Implementation</b> <i>Resources to implement recommended tax code changes into Treasury’s revenue collection systems.</i>	\$2,828,900
<b>TOTAL ITIF Financing</b>		<b>\$32,352,500</b>

\* The ITIF recommendation includes \$2 million allocated off-the-top for cyber security, and \$647,500 reserved for project quality assurance.

**Civil Service Commission**

**State Employee Flexible Spending Accounts – Dependent Care Match**

February 7, 2024



**Proposal**

The Governor’s budget recommendation includes \$31.5 million to provide state employees a 1:1 (dollar for dollar) match of up to \$2,500 for dependent care through their Internal Revenue Service (IRS) authorized flexible spending accounts (FSAs). A dependent care FSA is an existing tool that allows employees to set aside payroll deducted pre-tax dollars to pay for out-of-pocket care expenses for qualifying dependents. This match benefit will help recruit new state employees and retain those employees that are already a part of the state workforce by removing barriers to employment and contributing to the care needs of their families.

Key program details include the following:

- Time-limited program begins January 1, 2025 and continues through December 31, 2027.
- Eligible state employees will be able to enroll during the benefits open enrollment period in the fall, upon hire, or after a qualifying life event.
- Employee contributions to their dependent care FSA will be matched on a 1:1 (dollar for dollar) basis up to \$2,500. The employer match contribution counts towards the annual maximum for the dependent care FSA. Both the employee contribution and the match (combined maximum of \$5,000) will be deposited into the employee’s dependent care FSA.
- Federal law limits contributions to an employee’s dependent care FSA each plan year. The contribution maximums are the lesser of:
  - \$5,000 for single individuals or married couples filing joint returns;
  - \$2,500 for married individuals filing separate returns,
  - The employee’s or spouse’s earned income (if less than \$5,000/\$2,500).
- Qualifying individuals for dependent care include:
  - An individual age 12 or under who lives with the employee, does not provide over half of his or her own support, and is a son, daughter, grandchild, step-child, brother, sister, niece, or nephew.
  - A spouse or other tax dependent (as defined in IRS Code Section 152) who is physically or mentally incapable of caring for himself or herself and resides with the employee more than half the year.
- Eligible dependent care expenses must be incurred for the care of a qualifying individual and to accommodate the employee’s ability to gain or maintain employment, with certain limitations.
- Additional details on dependent care FSAs are available in the [2024 Flexible Spending Account \(FSA\) Plan Booklet](#). The 2025 FSA Plan Booklet will be updated to provide additional information on an approved dependent care match benefit.
- In addition to the appropriation of funds by the Michigan Legislature, this program will also be subject to collective bargaining and will require the approval of the Civil Service Commission.

**Background**

Over 1,200 state employees are currently enrolled with a dependent care FSA, although the number of enrollees is expected to increase with this new benefit. Dependent care FSAs are typically used to support child and elder care expenses, as well as expenses to support disabled individuals living in the home. Much like health care FSAs, the dependent care FSAs are widely offered by both private and public sector employers as a means of providing employee access to available tax benefits.



**FISCAL YEAR 2025**

**CAPITAL OUTLAY**

**PROJECT REQUEST**

**REVIEW AND EVALUATIONS**

In conformance with  
Public Act 430 of 2012  
(MCL 18.1242)

Prepared by  
State Budget Office  
February 7, 2024



**STATE BUDGET OFFICE  
CAPITAL PROJECT REQUEST EVALUATION CRITERIA**

**PREREQUISITE:** Based on the information provided in the request, does the project appear eligible for State Building Authority financing? If YES, proceed to scoring. If NO, project will not be scored.

No	Source	Evaluation Criteria	Evaluation Factors	Scoring	Max Points
1	SBO	Clarity of project purpose and scope	Does the request clearly describe the purpose, scope, and program focus of the project?	Low - High	10
2	Statutory	Impact on job creation in this state	To what extent does the project support Michigan's talent enhancement, job creation and economic growth initiatives on a local, regional and/or statewide basis?	Low - High	40
3	SBO	Impact on the core mission and development of critical skill degrees of the institution	To what extent does the project enhance the core (academic, research, or programmatic) mission of the institution and the development of critical skill degrees?	Low - High	40
4	Statutory	Investment in existing facilities and infrastructure	To what extent does the project support investment in or adaptive re-purposing of existing facilities and infrastructure?	Low - High	10
5	Statutory	Life and safety deficiencies	Does the requested project address facility or infrastructure deficiencies that pose a serious threat of injury or death?	Yes or No	N/A
6	Statutory	Occupancy and utilization of existing facilities	To what extent has the institution demonstrated occupancy and effective utilization of existing facilities to merit the capital investment?	Low - High	10
7	Statutory	Integration of sustainable design principles to enhance the efficiency and operations of the facility	To what extent does the project incorporate sustainable design features to enhance the operational efficiency of the facility?	Low - High	10
8	Statutory	Estimated cost	To what extent does the project require state cost participation?  (Based on estimated state cost share.)	<u>Universities:</u> 0 = more than \$40M 5 = \$40M or less 10 = \$30M or less 15 = \$20M or less 20 = \$10M or less  <u>Community Colleges:</u> 0 = more than \$20M 5 = \$20M or less 10 = \$15M or less 15 = \$10M or less 20 = \$5M or less	20

No	Source	Evaluation Criteria	Evaluation Factors	Scoring	Max Points
				<u>State Agencies:</u> 0 = more than \$40M 5 = \$40M or less 10 = \$30M or less 15 = \$20M or less 20 = \$10M or less	
9	Statutory	Institutional support*	To what extent is the institution proposing to support the project with its own resources beyond what is typically required?	0 = no over match 1 = 2.5% over match 2 = 5% over match 3 = 7.5% over match 4 = 10% over match 5 = 12.5% over match 6 = 15% over match 7 = 17.5% over match 8 = 20% over match 9 = 22.5% over match 10 = 25% over match	10
10	Statutory	Estimated operating costs	To what extent has the institution identified operating costs and existing resources to support them?	Low - High	10
11	Statutory	Impact on tuition, if any*	To what extent will students be held harmless from the financial costs of the project?	Low - High	10
12	Statutory	History of prior appropriations received by the institution through the capital outlay process*	To what extent have state capital outlay investments in the institution been less relative other peer institutions?	Low - High	10
13	SBO	Is the project focused on a single, stand-alone facility?	Is the project consistent with SBO instructions that only requests for single, stand-alone facilities may be submitted for consideration?	Low - High	10
14	SBO	History of compliance with JCOS and DTMB project requirements	Has the institution been in compliance with statutory and DTMB requirements in all material respects on previously constructed state projects?	Low - High	10

\* Not applicable to state agency projects.

**Maximum Points (U/CC) 200**  
**Maximum Points (State Agency) 170**

# FY 2025 CAPITAL OUTLAY REQUEST SCORING EVALUATION

University	FY 2025 Capital Outlay Request	Total			Evaluation Criteria															
		Estimated Cost	Estimated State Share	Est. State Share %	Purpose	Jobs	Core	Infra	Life/Safety	Utilization	Sustainable	Cost	Match	Operating	Tuition	History	One Bldg	Compliance	TOTAL	Ranking
Michigan Tech	Center for Convergence and Innovation	\$87,000.0	\$30,000.0	34.5%	8.0	36.0	36.2	2.0	Y	9.0	8.0	10.0	10.0	9.6	10.0	8.0	10.0	10.0	166.8	1
UM - Dearborn	Computer and Information Science Building Renovation	\$40,000.0	\$30,000.0	75.0%	8.0	36.4	34.8	7.0	Y	7.0	6.0	10.0	0.0	3.0	10.0	8.0	10.0	10.0	150.2	2
Lake Superior	Center for Applied Science and Engineering Technology Renovation and Expansion	\$38,600.0	\$28,950.0	75.0%	8.4	33.6	31.2	7.0	Y	9.0	4.0	10.0	0.0	3.2	10.0	10.0	10.0	10.0	146.4	3
Ferris	Allied Health Services Building	\$29,500.0	\$22,125.0	75.0%	9.0	35.8	32.8	8.0	Y	3.6	6.0	10.0	0.0	2.0	10.0	6.0	10.0	10.0	143.2	4
Central	Brooks Hall Renovation	\$40,000.0	\$30,000.0	75.0%	9.0	31.0	32.0	10.0	Y	3.4	6.0	10.0	0.0	2.4	10.0	4.0	10.0	10.0	137.8	5
Michigan State	Engineering and Digital Innovation Center	\$250,000.0	\$150,000.0	60.0%	6.6	30.8	29.2	3.0	N	8.0	6.0	0.0	6.0	8.0	10.0	2.0	10.0	10.0	129.6	6
UM - Ann Arbor	School of Public Health Renewal	\$150,000.0	\$30,000.0	20.0%	2.6	27.0	29.4	5.0	Y	7.4	4.0	10.0	10.0	1.6	10.0	2.0	10.0	10.0	129.0	7
Western	IF1 Knauss Hall Renovation and Addition	\$36,000.0	\$27,000.0	75.0%	5.8	16.6	18.2	6.0	Y	2.8	6.0	10.0	0.0	1.8	10.0	2.0	10.0	10.0	99.2	8
Eastern	Eastern Michigan University - Engineering & Technology Complex - Roosevelt Hall	\$42,500.0	\$30,000.0	70.6%	Authorized for Planning in PA 321 of 2023															
Grand Valley	Blue Dot Lab	\$140,000.0	\$30,000.0	21.4%	Authorized for Planning in PA 321 of 2023															
Northern	Northern Enterprise Center (College of Business)	\$19,100.0	\$13,370.0	70.0%	Authorized for Planning in PA 321 of 2023															
Oakland	Science Complex Renovation Project	\$40,000.0	\$30,000.0	75.0%	Authorized for Planning in PA 321 of 2023															
Saginaw Valley	Lake Huron Environmental Sciences Research Station	\$10,000.0	\$7,500.0	75.0%	Authorized for Planning in PA 321 of 2023															
UM - Flint	Innovation and Technology Complex	\$40,000.0	\$30,000.0	75.0%	Authorized for Planning in PA 321 of 2023															
Wayne State	Wayne Law Classroom Building	\$40,000.0	\$30,000.0	75.0%	Authorized for Planning in PA 321 of 2023															
<b>TOTAL</b>		<b>\$1,002,700.0</b>	<b>\$518,945.0</b>																	

Community College	FY 2025 Capital Outlay Request	Total			Evaluation Criteria															
		Estimated Cost	Estimated State Share	Est. State Share %	Purpose	Jobs	Core	Infra	Life/Safety	Utilization	Sustainable	Cost	Match	Operating	Tuition	History	One Bldg	Compliance	TOTAL	Ranking
Montcalm	North Building Renovation - HVAC, Electrical and BAT Programs	\$5,874.6	\$2,937.3	50.0%	8.0	36.0	34.4	10.0	Y	4.0	2.0	20.0	0.0	2.6	10.0	8.0	10.0	10.0	155.0	1
North Central	Applied Learning Annex	\$6,500.0	\$3,250.0	50.0%	7.6	34.8	30.0	3.0	Y	4.4	6.0	20.0	0.0	8.2	10.0	8.0	10.0	10.0	152.0	2
Lansing	Health & Human Services Simulation Center and Veterans Resource Center	\$14,000.0	\$7,000.0	50.0%	5.8	36.0	34.8	10.0	Y	4.0	6.0	15.0	0.0	2.4	10.0	4.0	10.0	10.0	148.0	3
Mid-Michigan	Automotive and Diesel Training Center	\$18,300.0	\$9,150.0	50.0%	8.0	35.8	35.4	2.0	Y	5.6	2.0	15.0	0.0	6.4	10.0	6.0	10.0	10.0	146.2	4
Monroe	Renovation and Addition to Welch Health Education Building (HEB)	\$21,864.4	\$10,932.2	50.0%	8.2	36.4	33.2	4.0	N	7.8	2.0	10.0	0.0	8.2	10.0	6.0	10.0	10.0	145.8	5
Bay de Noc	Catherine Bonifas Building Renovation: Escanaba Campus	\$2,000.0	\$1,000.0	50.0%	7.6	24.0	24.8	10.0	Y	4.4	6.0	20.0	0.0	3.0	10.0	8.0	10.0	10.0	137.8	6
Oakland	Skilled Trades and Industrial Technology Building	\$121,000.0	\$60,500.0	50.0%	7.4	36.0	33.4	6.0	Y	7.0	4.0	0.0	0.0	3.0	10.0	10.0	10.0	10.0	136.8	7
Northwestern	Integrated Student Services Hub	\$7,000.0	\$3,500.0	50.0%	7.8	24.4	25.8	10.0	Y	6.0	2.0	20.0	0.0	3.0	10.0	6.0	10.0	10.0	135.0	8
Washtenaw	Center for Success and Innovation	\$23,000.0	\$11,500.0	50.0%	8.6	30.2	30.0	8.0	N	3.6	6.0	10.0	0.0	3.0	10.0	4.0	10.0	10.0	133.4	9
Alpena	Charles R. Donnelly Life Sciences and STEM Innovation Center	\$8,500.0	\$4,250.0	50.0%	8.4	21.0	22.2	10.0	Y	4.9	2.0	20.0	0.0	4.0	10.0	8.0	10.0	10.0	130.5	10
Glen Oaks	Center for Rural Sustainability	\$2,300.0	\$1,150.0	50.0%	8.0	19.0	18.6	2.0	Y	7.0	2.0	20.0	0.0	2.0	10.0	10.0	10.0	10.0	118.6	11
Kirtland	Improving Facilities for Trades Programs at Kirtland - Gaylord	\$7,281.4	\$3,640.7	50.0%	6.6	17.2	17.8	3.0	Y	3.3	2.0	20.0	0.0	4.8	10.0	10.0	10.0	10.0	114.7	12
Jackson	STEM Remodel of James McDivitt Hall	\$45,000.0	\$22,400.0	49.8%	5.8	25.0	21.8	8.0	Y	4.0	4.0	5.0	0.0	6.4	10.0	4.0	10.0	10.0	114.0	13
Southwestern	Dale A. Lyons Academic Core Building Renovation	\$10,000.0	\$5,000.0	50.0%	5.8	17.4	14.0	10.0	N	2.0	2.0	20.0	0.0	3.0	10.0	8.0	10.0	10.0	112.2	14
Kellogg	Severin Building Renovation	\$5,600.0	\$2,800.0	50.0%	5.9	15.2	15.2	10.0	Y	2.4	2.0	20.0	0.0	2.8	10.0	8.0	10.0	10.0	111.5	15
Gogebic	Chemistry, Physics, and Biology Lab Remodel	\$600.0	\$300.0	50.0%	3.8	14.0	15.4	10.0	Y	2.0	2.0	20.0	0.0	3.0	10.0	10.0	10.0	10.0	110.2	16
West Shore	Student Housing Project	\$17,396.2	\$8,698.1	50.0%	Not Bondable as Presented															
C. S. Mott	Prahl College Center Renovation	\$32,500.0	\$12,500.0	38.5%	Authorized for Planning in PA 321 of 2023															
Delta	Information Technology and Computer Science (K Wing) Renovation	\$5,701.7	\$2,423.2	42.5%	Authorized for Planning in PA 321 of 2023															
Grand Rapids	Learning Resource Center/Library Learning Commons	\$33,600.0	\$16,800.0	50.0%	Authorized for Planning in PA 321 of 2023															
Kalamazoo	Automotive Technology/Advanced Manufacturing Wing	\$39,000.0	\$19,500.0	50.0%	Authorized for Planning in PA 321 of 2023															
Macomb	Mobility and Sustainability Education Center	\$58,554.1	\$26,349.3	45.0%	Authorized for Planning in PA 321 of 2023															
Wayne County	Center for Virtual Learning and Digital Careers	\$11,564.2	\$5,782.1	50.0%	Authorized for Planning in PA 321 of 2023															
Henry Ford	No Project Request for FY 2025																			
Lake Michigan	No Project Request for FY 2025																			
Muskegon	No Project Request for FY 2025																			
Schoolcraft	No Project Request for FY 2025																			
St. Clair	No Project Request for FY 2025																			
<b>TOTAL</b>		<b>\$497,136.6</b>	<b>\$241,362.9</b>																	