

for Child and Family Advocates

February 24, 2010

The Budget Process in Michigan: Opportunities to Advocate for Children and Families

Why should the public be more involved in the state's budget process?

The annual Michigan budget is the single, most powerful expression of the state's priorities. It is during the state budget process that decisions are made about the expenditure of approximately \$8.1 billion in state revenues, and there are many competing interests that legislators and other policymakers must consider in dividing up tax dollars. To significantly improve outcomes for Michigan children and families, the public must become more aware of and involved in setting state priorities.

For the last decade, Michigan has struggled to balance its budget because the revenues the state collects have not been sufficient to fund basic services and programs. The Michigan Legislature, which is constitutionally required to balance the budget each year, has addressed the state's continuing budget deficits through a mix of budget cuts, the draining of the state's "rainy day fund," one-time accounting measures, temporary tax changes, and the use of short-term federal stimulus funding.

Low-income children and families have already felt the impact of Michigan's budget crisis and revenue shortfalls. For more details on the consequences of state budget decisions see Michigan's Children's November 12th edition of *Budget Basics: A Call to Action: Michigan's Next Generation Jeopardized Without Resolution of State's Structural Deficit*.

After cutting spending by over \$4 billion since 2001, the Michigan Legislature is now grappling with a projected budget deficit of at least \$1.6 billion in fiscal year 2011. With federal stimulus dollars largely depleted, tough decisions on budget cuts and revenues will be made in the coming months, and it is increasingly important that lawmakers hear from their constituents about the impact of those decisions on vulnerable children and families.

Unfortunately, it has been difficult for many parents, teachers, community leaders and child advocates to become involved in the budget process. The budget process is too unfamiliar to many, and budget bills often move quickly through legislative committees. State budgeting is a complex process that involves political choices and priority-setting at many different levels of state government. The Governor, state department directors, the Department of Management and Budget (DMB) and the Legislature are all significantly involved in the decision-making process.

One of the goals of the *Budget Watch* project at Michigan's Children is to promote increased public involvement in the budget process for the benefit of children and their families. To that end, we produce a series of alerts and other informational materials to help keep you informed about budget decision-making in Lansing as it affects vulnerable children and families.

What is the state's fiscal year?

Michigan's fiscal year begins on October 1st and ends on September 30th of the following year. The state budget that is currently being debated in the Legislature is for the fiscal year beginning on October 1, 2010 and ending on September 30, 2011. It is referred to as the fiscal year 2010-2011 budget or FY 2011 budget.

What is the timeline for developing the FY 2011 state budget?

It is difficult to estimate the precise timeline for any specific budget. The Governor released her budget proposal on February 11, 2010, and in her State of the State Address called on the Legislature to complete budget work by July 1st. The state budget is normally finalized by mid-to late-summer, although in recent years, the need to address deep budget deficits has pushed final decision-making into the late fall.

What is the role of the major state departments in setting budget priorities?

In the summer prior to the new budget year, the DMB sends out general instructions on budget preparation to all directors of state agencies/departments. Budget offices or bureaus within the major departments then prepare their individual budget recommendations based largely on current-year costs of programs and an evaluation of needs. These staff-level recommendations are then submitted to department directors, who must weigh the overall needs and priorities of their departments and develop composite budgets.

The final department budget proposals, referred to as "management plans," generally reflect one of several potential levels of funding based on a percentage increase or decrease from the current year's budget. The management plans are submitted to the DMB in the fall. For the FY 2011 budget, department directors were asked

by the Governor to recommend cuts of 20 percent in each of their own departments.

What can you do? Access at this point in the budget process is often difficult for citizen groups, as decisions are made internally with very little public input. During this stage of the process, child advocates should communicate their concerns to the department directors and the Governor's office.

What is the role of the Governor and the DMB?

After receiving the management plans, the DMB reviews them through extensive consultation with department staff. The plans are compared to estimated revenue figures for the budget year. Based on this review, and in conjunction with the Governor's office, the DMB prepares a recommended state budget and submits it to the Governor. The Governor then finalizes the Executive Budget, and formally presents it to the Legislature in February in the form of a "Budget Message." The Budget Message includes detailed revenue projections and proposed expenditure levels.

The Governor has decision-making powers apart from those inherent in her role in developing the Executive Budget that are ultimately used as a basis for legislative debate. Specially, the Governor can veto line-items in any appropriation bill approved by the Legislature—or may even veto an entire bill. A two-thirds vote of the Legislature is required to override a Governor's veto.

In addition, the Governor has a constitutional mandate to reduce expenditures below the appropriated level if revenue projections prove inaccurate and it appears that spending levels will exceed actual revenue collections during a given fiscal period. These budget cuts, referred to as Executive Order cuts, must ultimately be approved by the Senate and House

Appropriations Committees, and may occur during any three-month fiscal period.

What can you do? Again, the budget decisions by the DMB and the Governor are made internally and accurate up-to-date information is often difficult to obtain. Advocates can communicate their concerns and priorities to the Governor and her staff.

What is the role of the Legislature?

Technically, the role of the Legislature in the budget process is that of approving, rejecting, or amending appropriations bills that embody the Governor's budget recommendations. However, since the establishment of the Senate and House Fiscal Agencies, the Legislature has assumed a more active role earlier in the budget process and generates its own economic and revenue projections.

Members of the Senate and House Appropriations Committees are divided into subcommittees that meet with department staff and other interested groups. The subcommittee process usually begins in February and continues through the Spring. The subcommittees typically hold hearings that include department and fiscal agency staff, *as well as public testimony*. Approximately half of the budget bills originate in the Senate each year, with the remainder debated by the House of Representatives first.

By May, budget decisions are usually made by the first chamber of the Legislature, and the bills are then taken up by the second chamber. By June, the budgets are generally adopted by the second chamber and sent to a conference committee. Conference committees consist of three members from each chamber of the Legislature and are charged with reconciling differences between the Senate and House versions of the budget bills. By late June or

The Michigan FY 2011 Budget Process

- **May – June 2009:** Preliminary budget targets were determined and instructions sent to state departments for developing their FY 2011 budgets.
- **June – September 2009:** State departments developed work plans and expenditure requests for the Department of Management and Budget (DMB).
- **October – December 2009:** DMB and the Governor's office review departmental requests, reviewed estimated revenues, and prepared the Governor's recommended budget (the "Executive Budget").
- **February 11, 2010:** The Executive Budget was released.
- **February – May 2010:** Legislative committee action is underway. The bills are assigned to appropriations subcommittees, with approximately half being debated first by the Senate, and the other half by the House of Representatives. The subcommittees take public testimony and report out substitutes to the Executive Budget. These bills are then approved by the full appropriations committees, and then the process is repeated in the opposite chamber for the bills.
- **June 2010:** Expected revenues are re-determined at a revenue estimating conference, and legislative conference committees meet to work out differences between the Senate and House versions of the budget bills.
- **July – August 2010:** The Governor signs or vetoes budget bills, and can include line-item vetoes.

July, the budget bills are negotiated by the conference committees (and subsequently approved by the full Legislature) and sent to the Governor for approval.

What can you do? Legislative review opens up opportunities for citizen groups to influence budget decisions. Although there are no statutory requirements for public hearings on budget bills, the legislative process is generally more open and responsive to citizen input. The best time to influence the budget process is when the appropriations subcommittees are discussing the budget bills. During legislative

review, it is important to maintain contact with your legislators, appropriations committee and subcommittee members, and leadership in both the House and the Senate, as well as legislative staff and other like-minded groups.

How can you contact budget decision makers?

The Office of the Governor

Governor Jennifer M. Granholm
P.O. Box 30013, Lansing, MI 48909
(517) 373-3400
<http://www.michigan.gov/gov>

Lieutenant Governor John Cherry, Jr.
P.O. Box 30013, Lansing, MI 48909
(517) 373-6800
<http://www.michigan.gov/lsgov>

State Department Directors

Janet Olszewski, Director
Department of Community Health
Capitol View Building
201 Townsend Street, Lansing, MI 48913
(517) 373-3740
norris@michigan.gov
<http://www.michigan.gov/mdch>

Ismael Ahmed, Director
Department of Human Services
Grand Tower, 235 S. Grand Avenue
P.O. Box 30037, Lansing, MI 48909
(517) 373-2000
dhsweb@michigan.gov
www.michigan.gov/dhs

Michael Flanagan, Superintendent of Public Instruction
Department of Education
Hannah Building, 608 W. Allegan, 4th Floor
P.O. Box 30008, Lansing, MI 48909
(517) 373-3324
flanaganmp@michigan.gov
<http://www.michigan.gov/mde>

The Michigan Legislature

Contact information for the full appropriations committees in the Michigan Senate and Michigan House of Representatives is available online at www.michiganschildren.org. The following are members of appropriations committees that are assigned to subcommittees that address children's issues:

Senate Appropriations Subcommittees

Community Health:

Senator Roger Kahn, Chair (R-Saginaw)
Senator John Pappageorge, Vice-Chair (R-Troy)
Senator Tom George (Republican-Kalamazoo)
Senator Tony Stamas (R-Midland)
Senator Deb Cherry, Minority Vice-Chair (D-Burton)
Senator Jim Barcia (D-Bay City)
Senator Michael Switalski (D-Roseville)

Human Services:

Senator Bill Hardiman, Chair (R-Kentwood)
Senator Roger Kahn, Vice-Chair (R-Saginaw)
Senator Mark Jansen (R-Gaines Township)
Senator Martha Scott, Minority Vice-Chair (D-Highland Park)
Senator Jim Barcia (D-Bay City)

K-12, School Aid, Education:

Senator Ron Jelinek, Chair (R-Three Oaks)
Senator Cameron Brown, Vice-Chair (R-Sturgis)
Senator Valde Garcia (R-Howell)
Senator Michael Switalski, Minority Vice-Chair (D-Roseville)
Senator Irma Clark-Coleman (D-Detroit)

House Appropriations Subcommittees

Community Health:

Rep. Gary McDowell, Chair (D-Rudyard)
Rep. Shanelle Jackson, Vice-Chair (D-Detroit)
Rep. John Espinoza (D-Croswell)
Rep. Vincent Gregory (D-Southfield)

Rep. Fred Miller (D-Mt. Clemens)
Rep. Alma Wheeler Smith (D-Salem Township)
Rep. Kevin Green, Minority Vice-Chair (R-Wyoming)
Rep. Hugh Crawford (R- Novi)
Rep. Matt Lori (R-Constantine)

Human Services:

Rep. Dudley Spade, Chair (D-Franklin Township)
Rep. Rashida Tlaib, Vice-Chair (D-Detroit)
Rep. Vincent Gregory (D-Southfield)
Rep. Fred Miller (D-Mt. Clemens)
Rep. Alma Wheeler Smith (D-Salem Township)
Rep. Dave Agema, Minority Vice-Chair (R-Grandville)
Rep. John Proos (R-St. Joseph)

K-12, School Aid, Education:

Rep. Terry Brown, Chair (D-Pigeon)
Rep. Richard Hammel, Vice-Chair (D-Mt. Morris Township)
Rep. Richard LeBlanc (D-Westland)
Rep. Tim Melton (D-Auburn Hills)
Rep. Dudley Spade (D-Franklin Township)
Rep. Rashida Tlaib (D-Detroit)
Rep. Gail Haines, Minority Vice-Chair (R-Hillsdale)
Rep. Chuck Moss (R-Birmingham)

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