



THE EARLY CHILDHOOD INVESTMENT CORPORATION

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STATE UPDATE

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With the passage of the House Department of Human Services budget proposal late Thursday afternoon, the House has finally finished work on their proposals for the fiscal year 2011 budgets. The House DHS budget maintained funding for most early childhood programs at current year levels. A major problem with the proposal, however, is a \$50.7 million case load reduction to the Child Care Development Fund. This number is over four times the amount that was reflected in both the Governor's and Senate proposals. Any significant reductions to the program severely limit our ability to transform the child care system in our state.

Both the Senate and House have now passed their own versions of all of the departmental budgets as well as a School Aid budget for the next fiscal year. The budget bills will all now be referred to Conference Committees in order for the differences between the House and Senate versions of each budget to be negotiated out. Before the Conference Committees can begin to meet, target numbers for each budget have to be agreed to by the leadership of each chamber and the Governor. The legislative leaders and the Governor use the May Revenue Estimating Conference numbers to establish the targets for each budget.



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The May Revenue Estimating Conference produced mixed results in terms of the budget projections for the rest of this year and 2011. The consensus reached was that School Aid Fund revenues are coming in better than earlier predictions and will continue to do so as sales tax collections are increasing. General Fund revenues, however, are down from earlier projections as returns collected from the Michigan Business Tax are coming in lower than they were anticipated.

The big debate shaping up in Lansing is centered around whether the “surplus” School Aid funds should be used to cover the shortfall in the General Fund. Some lawmakers are arguing the “surplus” School Aid funds should be used to fund Community Colleges and Universities and subsequently the General Fund money that would have been used to fund these entities can cover the shortfall. Obviously, the school community is vehemently opposed to this idea and is making it clear to the legislators that they will fight this every way they can. Stay tuned as this is sure to get interesting.



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