COMMUNITY ECONOMIC DEVELOPMENT
ASSOCIATION OF MICHIGAN

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The Fiscal Year 2025–26 (FY26) budget, signed by Governor Gretchen Whitmer on October 7, totals **$81 billion**, including a **$14.1 billion General Fund**.

This budget reflects targeted investment in housing, workforce development, transportation and public safety alongside significant cuts across most departments including LEO, MEDC, and MDHHS. The budget maintains some key programs like the Housing and Community Development Fund and the Community Development Financial Institution (CDFI) Fund while also increasing funding for roads and public safety. Cuts to department budgets led to the reduction of programs like VITA, Supportive Housing, Going PRO training grants, and the elimination of key investments aimed at expanding affordable housing and workforce housing.

Additionally, the budget continues to deliver the Working Families Tax Credit, Michigan's match of the federal Earned Income Tax Credit (EITC), putting an average combined refund of $3,500 in the pockets of 650,000 families, and eliminates state taxes on tips, overtime pay, and Social Security income.

Department Highlights

Department of Labor and Economic Opportunity (LEO)

- Budget: $1.7B, $690M reduction from FY25.
- **Key investments and updates:**
    - $28M in legislative directed spending for 22 projects; $14M in one-time grants to 11 organizations.
    - Boilerplate language was added to now require grants to local governments or nonprofits be in operation for at least three years.
- **Key housing and rural investments:**
    - $50M for Housing and Community Development Fund (administered by MSHDA).
    - $14M in unused blight elimination funds to be reallocated as grants for local land banks to remove or redevelop blighted properties (administered by MSHDA).

    - $2.3M for Office of Rural Prosperity; $1.4M for Rural Development Fund Grant Program.
    - $1.22M for Home Repair Grants for home repairs and weatherization to households with incomes not greater than 250% of the federal poverty level. This is new, one-time funding.
- **Key workforce & economic programs:**
    - $439.1M for workforce development, including training for youth, dislocated workers, and underserved populations.
    - $188.8M for Michigan Rehabilitation Services.
    - $25.2M for the Community and Worker Economic Transition Program, an increased investment from FY25
    - $5M to address talent gaps, expand pre-apprenticeships and registered apprenticeships, and support employer-led collaboratives.
    - $31.8M for Going PRO to support employer-led training. This is a $22M reduction from FY25. The funding is no longer ongoing but a one-time allocation for FY26.
- **Key Cuts:**
    - Elimination of the $1 million for free tax preparation grants
    - Elimination of the $40M Talent Partnership program
    - No funding for 53 one-time programs totaling $633M.
    - No funding for Employer Assisted Housing Financing Program Funding which was included by the Executive for $25M one-time funding
    - No funding for Emergency Housing, which was included by the Senate for $50M one-time funding
    - No funding for Housing Relief Fund, which was included by the Senate for $75M one-time funding. This subsequently means no funding for Missing Middle and faith-based housing grants.

Michigan Economic Development Corporation (MEDC)

- Program Cuts & Adjustments:
    - SOAR funding eliminated ($500M).
    - RAP funding sunsetted ($50M).
    - $59.4M for Business Attraction & Community Revitalization, a $40M reduction from FY25, including up to $11.8M for the Michigan Community Revitalization Program. Updated boilerplate language is below:
        - Not less than 25% to provide grant or loan funding for business support services to small and medium-sized businesses (at least $14.8M)
        - Not less than 19% for grants to small business support hubs and community incubators (at least $11.3M)
        - Not less than 30% for cash and loan assistance to small businesses through the Business Development Program (at least $17.8M)
        - Not less than 2% to provide CDFI supplemental support (at least $1.2M)

        - Not more than 4% for program administration (No more than $2.4M)
        - The remainder of the funds may be used to support the Community Revitalization Program and up to 7% ($4.2M) may be used to provide additional support to the Business Development Program.
- Key Investments:
    - $15.6M for the entrepreneur ecosystem.
    - $5M for Michigan CDFI Fund.
    - $56.5M for entrepreneurship, business expansion, defense/aerospace innovation.
    - $13.4M for arts & cultural institutions
    - $17M for Pure Michigan tourism.

Department of Health and Human Services (DHHS)

- Budget: $30.03B ($7.62B General Fund), a 20.2% reduction due to the loss of $5.87B in federal funding tied to H.R.1
- Contingency Funds: $4.95B from hospital and insurance provider assessments to offset shortfalls.
- Workforce: 827 positions eliminated, saving $96.6M.
- Permanent Supportive Housing: $5.0M reduced by $5.0M from $10M
- Key Investments:
    - $29.8B to continue core Medicaid services, including $14.5B for physical health, $5.5B for mental/behavioral health, and $4.5B for long-term supports.
    - $30 million for food assistance.
    - $131.8M for opioid healing and recovery programs.
    - $430.3M for Children's Special Health Care Services.
    - $428.2M for family health services.
    - $162.3M for crime victim services, domestic violence, and human trafficking intervention.

Department of Transportation

- Budget: $7.89B a 15.8% increase.
- New Revenue Sources: 24% wholesale cannabis tax, fuel tax swaps (starting January 2026).
- Road & Transit Funding:
    - $1.14B to local governments: $456.7M counties, $246.1M cities/villages, $179.7M State Trunkline Fund.
    - Public transit: $160M annually, largest investment in decades.
- Fee Adjustments: Hybrid registration $30 → $80; EV registration $60 → $160.

Revenue Sharing & Public Safety

- $1.6 billion for revenue sharing, a reduction of $63M from FY25, to support cities, villages, townships, and counties in providing essential services, including public safety, transportation, water infrastructure, and community development
- $95 million for new local public safety programs for law enforcement, training, equipment, and violence intervention.