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Budget Season Enters Next Phase

With the Governor's budget proposal now fully absorbed, Lansing is moving out of the "statement phase" and into the part of the process where decisions begin to take shape.

House and Senate appropriations subcommittees are now fully engaged, working through departmental budgets line by line. Agency directors have made their initial cases, legislative analysts are digging into assumptions, and members are beginning to sharpen their questions—not just about what is being proposed, but why.

The House, in particular, is leaning into a more deliberate pace. Subcommittee chairs are allowing for extended testimony and follow-up, signaling a desire to fully vet both new investments and baseline spending. There is a noticeable focus on accountability—members are asking how programs are measured, whether prior appropriations achieved intended outcomes, and what happens if they didn't.

The Senate, by contrast, is moving with more rhythm and predictability. Hearings are tighter, priorities are more clearly defined up front, and there is an effort to keep the process on a steady path. That doesn't mean less scrutiny—but it does reflect a more leadership-driven approach to shaping the final product.

Timing-wise, both chambers are tracking toward late April and early May as key inflection points. The House is expected to begin assembling and advancing its budget recommendations out of subcommittee in the coming weeks, with full committee action to follow and the Senate is on a similar trajectory.

Behind the scenes, conversations are already shifting. Early reactions to the Governor's proposal—some supportive, others skeptical—are giving way to more practical discussions about what can actually be executed within the state's fiscal constraints.

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There is a growing recognition, across both chambers, that this will be a tighter budget than some recent cycles. While Michigan is not facing an immediate shortfall, the combination of ongoing obligations, federal uncertainty, and cautious revenue expectations is shaping a more restrained posture.

You hear it in the way lawmakers are talking. Terms like “sustainability,” “ongoing cost,” and “right-sizing” are coming up more frequently. There is less appetite for one-time expansions that create long-term obligations without a clear funding path. At the same time, there remains strong interest in protecting core investments—particularly in education, workforce development, and key human services.

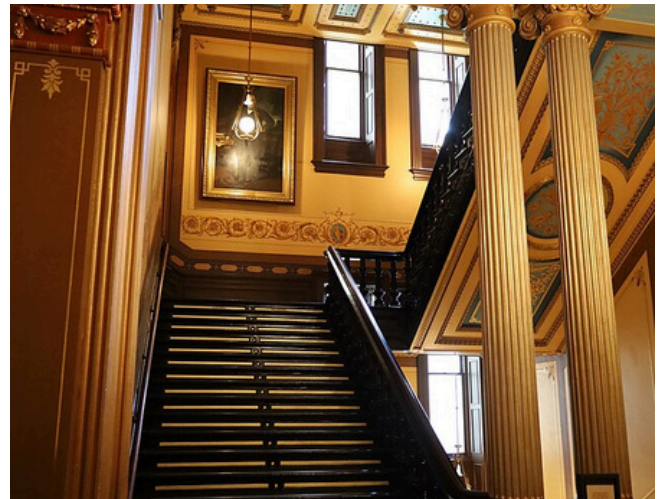
There’s also a quiet but important conversation happening around flexibility. Some lawmakers are signaling interest in building in more adaptability—whether through boilerplate language, targeted work projects, or phased implementations—so the state can respond if conditions shift.

For stakeholders, this is the moment where engagement is most valuable. Before positions harden and leadership negotiations take over, there is still room to shape how

programs are structured, how funding is allocated, and how success is defined.

The process from here may move quickly. Subcommittee work will give way to full appropriations action, and attention will soon turn to the May Consensus Revenue Estimating Conference (CREC), which will set the financial boundaries for final negotiations.

But right now—this is where the groundwork is being laid.



CREC on the Horizon: Setting Expectations for May

All eyes are beginning to turn toward the May CREC, one of the most consequential—if often overlooked—moments in Michigan’s budget cycle.

CREC will provide the updated revenue picture that ultimately determines how much flexibility lawmakers have to finalize the FY27 budget. While the January conference set the baseline, May is where adjustments are made, and those adjustments can meaningfully shift the trajectory of negotiations.

This year, uncertainty remains the defining theme. Economic signals are mixed, and while Michigan has remained relatively stable, there are ongoing questions about consumer

spending, federal policy impacts, and broader economic headwinds. Even modest changes in revenue projections can have outsized implications when applied across a multi-billion-dollar budget.

For appropriators, CREC is both a constraint and an opportunity. A stronger-than-expected forecast can ease pressure and open the door for targeted investments. A downward revision, however, forces difficult decisions—and often accelerates negotiations as lawmakers work to reconcile priorities with available resources.

Between now and May, much of the work underway in subcommittees is provisional. The real alignment begins once the numbers are locked in.

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House and Senate Dynamics: A Spring Snapshot

As the budget process unfolds, early differences in tone and approach between the House and Senate are becoming more apparent.

The House has taken a more granular, member-driven approach, with subcommittees digging into specific programmatic questions and showing a willingness to revisit assumptions embedded in the executive proposal. There is a noticeable emphasis on oversight, cost justification, and ensuring that new investments are paired with clear outcomes.

In the Senate, the approach has been more streamlined, with leadership signaling priorities early and maintaining a steadier trajectory through the hearing process.

There is a focus on continuity—building on prior investments while advancing a defined set of policy goals.

These differences are typical for this stage of the cycle, but they matter. They shape not only what each chamber

includes in its version of the budget, but also how negotiations will unfold when the two sides come together.

For now, the divergence is more about style than substance. But as the process moves forward—and particularly after CREC—those differences could translate into real policy and funding gaps that will need to be resolved.



Federal Crosscurrents: What to Watch from D.C.

While Lansing's focus remains on the state budget, developments in Washington continue to create ripple effects that could influence both policy and funding decisions in Michigan.

Work requirements tied to federal programs, potential adjustments to workforce funding streams, and ongoing healthcare policy discussions are all in play. Even when changes are not immediate, the direction of federal policy can shape state-level planning—particularly in areas where Michigan relies on federal matching funds or program flexibility.

For workforce and human services stakeholders, this is especially relevant.

Proposals affecting Workforce Innovation and Opportunity Act (WIOA) funding, Medicaid structures, or SNAP requirements could alter demand for services at the local level, placing additional pressure on state systems and partners.

At the same time, federal uncertainty often reinforces the importance of state-level stability. In past cycles, Michigan has responded to shifting federal dynamics by prioritizing continuity in key programs, even as broader budget pressures mount.

The takeaway is straightforward: while the decisions are being made in Lansing, the context is increasingly national. Staying attuned to both will be critical in the months ahead.