

June 7, 2010

The Fiscal Year 2011 State Budget: Highlights of Recommendations Affecting Youth *June 2010 Update*

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.

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 FY11 budget. The Governor has made recommendations for all state departments for FY11. The Senate and the House have also recommended funding levels for several Departments including the Departments of Community Health (DCH), Education (DOE), and the School Aid Fund (SAF). Those budgets will be discussed by a conference committee made up of members of the House and Senate to iron out the differences between the proposals. After that agreement is reached, they will go to the Governor for her signature. The Senate has recommended funding levels for the Department of Human Services (DHS) as well, but the House has yet to pass their version of that budget.

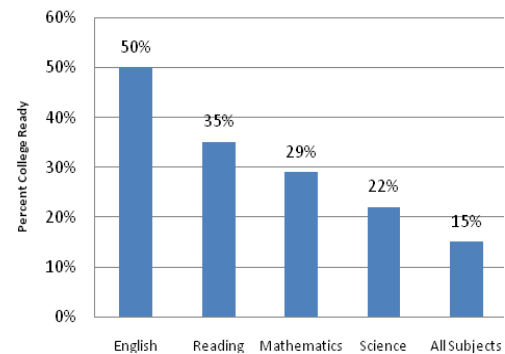
The FY2011 state budget discussions are taking place following significant reductions in the FY 2010 budget in per pupil grants to all local school districts, reductions for Intermediate School Districts, and cuts to programs improving school readiness, adolescent health, and high school completion. While the Governor's budget proposals maintained FY2010 spending for many programs, that assumption is made possible by earmarking additional revenue that has not yet been approved by the Legislature or the voters.

Michigan is facing a nearly unprecedented economic crisis. There has never been a more critical time to make sure that young people get the support, education and training that they need to help drive economic recovery.

Facts About Educational Success:

- Math proficiency for Michigan 4th and 8th graders is improving, based on MEAP scores between 2003 and 2008.
- National testing (the NAEP) results, however, showed little or no improvement in math skills for

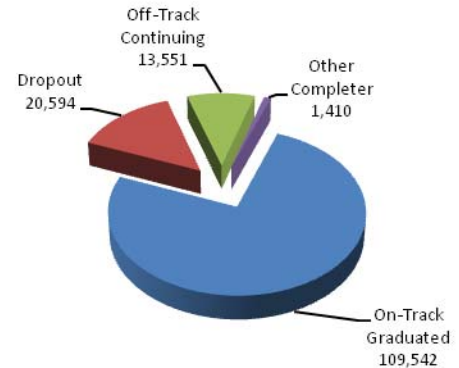
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students at either grade level over the same time period.

- In 2009, only one in six Michigan student's ACT scores indicated that they were college- or career-ready in all subjects.
- Over 20,500 Michigan young people who would have graduated in 2008 left high school without a diploma – 14 percent of the students who began high school four-years earlier. More than 13,500 others did not graduate in four years but either graduated in more than four years, or were still on a path toward high school completion.
- Young people of color and those from economically disadvantaged families are the least likely to graduate “on-time,” with their peers after 4 years of high school. More than one-quarter of all African American and Latino students drop out at some point in their high school career. Fortunately, another large percentage of the peer group are still connected to school, but need more time to finish.
- Educational failure has always had significant implications for young people, their families and their communities. The failure to graduate from high school leads to a wide range of personal and societal costs, some of which are borne directly by the public. In addition, high school dropouts face a labor market that is becoming more and more difficult to successfully navigate.
- School-community partnerships, like Communities in Schools (CIS), improve graduation rates by connecting young people with the community resources needed to successfully learn, stay in school, and prepare for life. Proven outcomes include improved attendance and behavior, fewer suspensions, and better academic performance. National evaluations show that a \$1 investment in CIS leverages up to \$37 in private funding.
- High quality programs serving young people outside the school hours have been shown to improve school attendance and achievement, and to reduce youth violence and other risky behaviors.
- Michigan students participating in 21st Century Community Learning Center programs in 2007 had improved assessment scores in reading and math, increased classroom participation and homework completion and improved student behavior, resulting in fewer suspensions and expulsions. Despite those outcomes, Michigan's federal allocation for after-school programs funds only 40% of the need.
- The Michigan After-School Partnership (MASP) began in 2005 after a legislative mandate to research the availability and quality of programming and provide recommendations. MASP works to create public/private partnerships to ensure that all school-age children have access to quality programs.

In 2008, more than 35,500 Michigan high schoolers needed more than the traditional educational structure to earn a diploma.



Current Budget Proposals:

The flurry of education reform activity at the end of 2009 was focused to improve Michigan's national competitiveness. These and other educational reforms must be funded, and they will not be successful if they take place within the context of disinvestment in other programs that support educational success.

Support to Schools. The Governor's budget makes no additional cuts to per-pupil payments to schools beyond the \$165 per pupil reduction in 2010. Her proposal does eliminate additional funding intended to ease the burden of declining student enrollment in a number of school districts. The Senate proposes a total reduction of \$283 (\$118 on top of the existing \$165.) Based on a more optimistic revenue estimation, the House proposal restores some of the current year (FY10) cuts to schools of \$65 per pupil, and continues that funding level through the FY11 recommendation, resulting in a total reduction in FY10 and FY11 of \$100 per pupil from FY09 levels. Per-pupil reductions in School Aid force school systems to make reductions in optional programming and often forces impossible choices between things like reading programs or transportation services. Innovative partnerships and initiatives targeted toward young people most at-risk of school failure, like alternative education programming, are often the options chosen by local decision-makers.

Building School/Community Partnership. In FY09, Michigan allocated \$200,000 from the DHS budget that helped support seven Communities in Schools (CIS) affiliates who served 90,000 students around the state. This funding was removed from the FY2010 budget, and is not in the current recommendations from the Governor, House or Senate for FY2011.

Increasing Opportunities Outside of School Hours. Funding authority for before- and after-school pilot programs was reduced from \$16 million in fiscal year 2001 to \$5 million in fiscal years 2005-2009. Funding for the program was eliminated in the FY10 budget, and was not included in the Governor's FY11 DHS budget proposal. The House and Senate identified \$3 million for the program and maintained priority given to funding programs that serve an area that has seen a marked increase in gang violence. The House added a requirement for programs to demonstrate how they involve parents and how they integrate other programs offered at the same site, as well as some additions to evaluation requirements.

Budget language allowing resources to be used to support the Michigan After-School Partnership was present in four Departmental budgets in FY09 (DHS, DCH, DOE, and DELEG). FY10 budgets removed the language, and the Governor's FY11 budgets also failed to include it. The Senate included support for the partnership in their FY11 budget proposals for DHS and DELEG, but other budget proposals do not include the language.

Support for Dropout Prevention and Recovery. Despite recent legislative changes affirming Michigan's commitment to educating all students until graduation or age 18, budget proposals have not done enough to recognize necessary changes to the current system. The Governor and the Senate retained damaging cuts from FY10 in School Aid that ended support for the 21st Century Schools Fund, continued retrenchment in Adult Education funding, cut funding for the Youth ChalleNge Academy and maintained flat funding for Middle College programs. All of these are initiatives that serve to maximize School Aid, Community College, and other community resources to build alternative pathways to graduation for some students. The Senate did include expanding the eligibility for Career and Technical Education services in some instances to age 22, which could create some incentive to maintain older youth in an educational setting. The House did not include this expansion in their proposal.

College Access. The Governor proposed a cut of \$1.1 million to the Tuition Incentive Program (TIP) in the Higher Education budget for FY2011 (total funding of \$30.1 million). The TIP program provides full tuition scholarships for the first two years of college to roughly 12,000 low-income students (eligibility criteria is based on whether the student has received Medicaid for 24 out of any

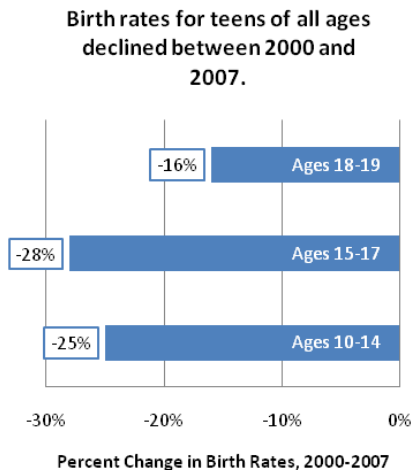
36 months). Phase II of TIP, which supports students in BA programs at a slightly lower level, would be eliminated under the Governor's proposal. Additional savings would be seen by setting a ceiling on reimbursements to 4-year public institutions at the average community college tuition rate. The Senate and House proposed an increase in TIP funding to \$37.4 million, including Phase II funding. TIP is an entitlement (anyone who is eligible can receive the benefit), and Michigan has not adequately funded the program for the last several years, resulting in the need for mid-year supplemental funding to support all eligible students. Successful efforts of the Michigan College Access Network focused in part on increasing the use of TIP funds (many eligible young people are not aware of the program) will result in additional enrollment in the program.

No cuts have been proposed for FY11 in the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) in the DELEG budget. GEAR UP is a federal program designed to significantly increase the number of low-income students who enter college prepared and successfully complete postsecondary education.

Current education reform/school restructuring efforts are unlikely to see intended results without a specific focus on building community partnership and connecting community, higher education and workforce development resources to reform efforts. In addition, cuts in other prevention and support services leave children unprepared to succeed in school, making reform more difficult to achieve. (See Michigan's Children's budget analyses related to early childhood and specific budget areas of DCH, DHS and K-12 on our web site.) Consistent funding for schools and support programs will likely need to be expanded in order to see real improvement in educational success for those most challenged schools, communities and young people.

Facts About Adolescent Health:

- Fewer teenagers are having babies of their own than a decade ago. The teen birth rate dropped by 20 percent in Michigan between 2000 and 2007. However, data for more recent years appears troubling. 4,000 babies are born to girls under age 18 in Michigan every year. It is well documented that young women who have babies in their teens are much less likely to graduate from high school, and are often not well-equipped to navigate systems on behalf of their children.
- Deaths among Michigan teens, ages 15-19, have also dropped over the decade, led by a significant decline in deaths rates from accidents. However, Michigan's rate of young people attempting suicide is significantly higher than the national average. Roughly 9 percent of the young people surveyed in Michigan through the Youth Risk Behavior Survey (YRBS) reported that they had attempted suicide within the last year, as compared to just under 7 percent nationwide.
- Nearly half of Michigan high school students report using alcohol, with one-quarter engaged in binge drinking according to the YRBS. Over a third have used marijuana, and nearly thirty percent have been offered, sold, or given illegal drugs at school.
- Adolescents are less likely to seek and receive basic preventive health care, even those who have health insurance. In 2007, fewer than two-thirds of all Michigan high schoolers



reported that they saw a doctor or health care provider for a preventive check-up or physical exam, not as a response to sickness or injury.

- Meeting the health needs and removing barriers to learning for young people is becoming more challenging due to an increased number of complex individual health needs, such as asthma, severe food allergies, and diabetes. For example, fully one in ten high school students report an asthma diagnosis, and nearly one quarter report that asthma symptoms resulted in a hospital or urgent care stay.
- Medicaid enrollment for all children, including adolescents, continues to rise. In FY00, there were just over 340,000 young people, ages 6-18, enrolled in this essential program. By FY09, there were nearly 604,000 – an increase of 77 percent.
- Between 1999 and 2005, the number of physicians participating in the Medicaid program dropped from 88 to 64 percent. Payments to Medicaid providers have failed to keep pace with the costs of providing health care, posing significant access issues for low-income youth and their families.

Current Budget Proposals:

School health education. The Michigan Model for Comprehensive School Health Education is the primary health curriculum used in kindergarten through high school, addressing topics such as healthy eating, physical activity, personal health practices, social and emotional health, violence prevention, HIV/STD prevention, and alcohol, tobacco and other drug prevention skills and strategies. Evaluations of the Michigan Model have shown that students who benefit from the curriculum experience less substance use, better anger and stress management skills, and better knowledge of healthy behaviors. In FY2004, funding for the Michigan Model was reduced from \$3.6 million to only \$500,000, a cut of 86 percent. Another \$100,000 was cut from the program in FY10, and FY11 proposals from the Governor, Senate and the House for DCH continue funding of \$400,000.

The FY10 budget included reductions in a number of public health prevention and promotion programs, including the elimination of an initiative targeted toward physical fitness, nutrition and health.

Access to health services for adolescents. Adolescent health centers are positioned to provide needed services, and integrate a variety of medical, mental health, social and counseling services that would not otherwise be accessed. These centers not only contribute to the health and success of students, but they can also reduce other public spending. Studies have shown that that access to these services can significantly reduce in-patient, non-emergency and emergency care expenses. Funding for child and adolescent health centers was cut by 25 percent in FY10 (the Senate had proposed a complete elimination of program funding), and neither the Governor nor the Senate proposals reinstate that funding in the School Aid budget for FY11. The House did reinstate the funding in their version of the budget. The Governor also proposed eliminating funding in FY11 from the DCH budget for the two school-based clinics funded by this budget and the House agreed. The Senate retained funding for those two clinics in their proposal.

The Senate FY11 proposal eliminates Medicaid coverage for 19- and 20-year olds (\$2.1 million.) However, new federal health care reform maintenance of effort requirements prohibit this action, so it is not included in the House version of the budget.

The FY10 budget included a cut of \$40 million in mental health services for people not eligible for Medicaid, including services for adolescents, and eliminated funding for respite care services for children and youth with serious emotional disturbances and their families. In the FY11 DCH budget, the Governor recommended cutting Medicaid reimbursement rates for health care providers if a physician quality assessment insurance (QAAP)—one revenue proposal—is not passed. The Senate recommended an additional 4% cut—rates were reduced by 8% in FY10—for providers except for primary care, pediatrics, obstetrics, and emergency services. The House FY11 budget proposals for DCH don't include cuts to Medicaid reimbursement rates for health care providers, but they do continue rates that were cut by 8% in FY10.

Senate proposes a nearly \$60 million cut in FY11 for Community Mental Health services for people not covered by Medicaid. This represents a cut of about 20%, severely limiting services for adolescents and their families. The House did not include this level of cut.

Support for teen parents and pregnancy prevention. The FY10 budget included the elimination of the teen parent counseling program, an initiative to reduce repeat teen pregnancy. That funding was not restored by the Governor in her budget proposal for DHS, but was restored in both the House and Senate proposals. The FY10 budget also eliminated funding for the Nurse-Family Partnership (NFP) program that provides intensive support to low-income, first time mothers, including teen parents. The Governor and Senate did not include NFP in their FY11 proposals, but the House included a placeholder of \$100, resulting in a point of discussion for conference committee discussions. Cuts to family planning in the FY10 budget are not reinstated in current DCH proposals, but the proposals do increase the funding for the Plan First family planning waiver, which expands eligibility for family planning services beyond traditional Medicaid recipients. Teens represent more than a quarter of the people served by the family planning program, so cuts to those services impact teen pregnancy rates.

Facts About Child Abuse and Neglect:

- Nearly 30,000 children were confirmed victims of abuse or neglect in 2008, with the rate of maltreatment up 16 percent since 2000. While young children are at the highest risk for abuse and neglect, just over 5,000 of those victims were between the ages of 13 and 16.
- Six of every 1,000 children in Michigan are placed in foster care, with out-of-home placement rates disproportionately higher for children of color. In 2009, 251 young people “aged out” of the foster care system, upon turning 19, without a foster placement or guardianship arrangement.
- Young people who have been in the foster care system, particularly those who have aged out, are more likely than their peers who have not been involved in that system to experience a variety of negative outcomes.
 - Roughly half of all former foster youth graduate from high school by the time they are 19, compared to nearly 90 percent of other young adults, according to national estimates by the Center for the Study of Social Policy. Youth move to new foster care placements up to three times each year, often resulting in school changes. Students lose four to six months of educational progress each time they change schools.
 - The same estimates conclude that while over half of all former foster youth attend community college, only two percent receive two-year degrees, compared to 37 percent of other young adults.

- National studies have shown that former foster youth suffer from mental health problems at twice the rate of youth in the general population, and describe their physical health less favorably.
- Multiple studies have confirmed that former foster youth are disproportionately represented in prison populations, families receiving public assistance, and the unemployed.

Current Budget Proposals:

The Governor's FY11 proposal for DHS includes more than \$35 million for child welfare improvements required to comply with a settlement agreement resulting from a lawsuit against the state related to weaknesses in its child protection and foster care systems. Included are funds for an additional 527 child welfare caseworkers and supervisors, and \$7.2 million to extend foster care, adoption assistance and subsidized guardianship eligibility to age 20. Also included is language requiring the DHS to focus on the overrepresentation of children of color in the child welfare system. The House and Senate include funding to extend services to age 20, but only recommend an additional 151 staff.

Michigan currently makes foster care services available to young people up to age 20 on a voluntary basis. Expansions included in the Governor's budget proposal for FY11 estimate service expansion to more than 200 additional foster care youth; more than 100 adoptive parents by extending that subsidy through age 20; and 25 guardians to continue that assistance.

The Governor and Senate have kept the requirements that DHS reports its progress to reduce overrepresentation of children of color in the child welfare system. The Senate has approved their version of the DHS budget, but the House has not.