

May 10, 2011

The Fiscal Year 2012 State Budget: The Impact of Current Recommendations on Youth

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 over \$8 billion in state revenues, and there are many competing interests that the Governor, legislators and other policymakers must consider while 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 finalized by the Legislature is for the fiscal year beginning on October 1, 2011 and ending on September 30, 2012. It is referred to as the fiscal year 2011-2012 budget or FY12 budget. The Governor, House and Senate have made their recommendations for FY12 and Conference Committees made up of members of the House and Senate leadership will be meeting shortly to iron out differences within the proposals. The Legislature and the Governor have indicated their intention to quickly complete all budget negotiations this month.

The budget proposals include tax changes, budget cuts and changes in how many critical programs are funded. The Governor and the House combined funding for several budgets into a smaller number of budget bills, while the Senate maintained individual Departmental budget recommendations. All proposals expand the use of School Aid Fund resources beyond programs administered by local and intermediate school districts. Proposed changes to the tax system include significant changes in the way businesses pay taxes, and the elimination of the Earned Income Tax Credit – a credit available to low-income working families to help support their employment.

FY12 budget conversations follow a decade of disinvestment in programs for children, youth and families throughout the public sector, mitigated temporarily by an influx of federal economic stimulus dollars. Proposals from the Governor, House and Senate each include large cuts for schools, after-school programs and other supports for young people.

Current Budget Proposals

Support to Schools. The basic foundation allowance for FY 2010-11 is \$8,489 per pupil, with a minimum per pupil of \$7,316. Each proposal reduces the foundation a little differently, but all result in reductions to the basic per-pupil amount received by school districts. **The Governor and the House recommend the steepest total reduction in the foundation grant in FY12 (on average \$470 per pupil) combined with the elimination of most categorical programs resulting in total losses of much more than that for many districts. The Senate proposes a slightly lower cut (\$340 per pupil) and many of the same categorical program cuts.** Each proposal includes some kind of incentive fund that would go to local districts who are implementing cost-saving measures in employee contributions to health care costs and service consolidation. Per-pupil reductions in School Aid force school systems to make reductions in optional programming, innovative

partnerships and initiatives targeted toward young people most at-risk of school failure. These programs, such as alternative education programming, are often the options chosen for elimination by local decision makers.

Building School/Community Partnership. In FY09, Michigan allocated a small amount of money to connect educational and other community services. This funding was removed from the FY10 budget, and is **not in any of the FY12 recommendations**. Proposals from the House and Senate included **expanding the uses of At-Risk funding to include crisis intervention and anti-bullying programming**, which could be used to leverage community resources in those areas.

Increasing Opportunities Outside the School Hours. State funding for before- and after-school pilot programs was reduced from \$16 million in fiscal year 2001 to \$5 million in fiscal years 2005-2009 and \$3 million in fiscal years 2010-2011 and **was not included in any of the FY12 budget recommendations**. Budget language in support of **the Michigan After-School Partnership (MASP) is also not included**. Michigan's Children works in partnership with others through MASP helping communities maximize their resources from multiple Departments and sources. **The Governor and the House both included significant cuts in funding for libraries.**

Support for Dropout Prevention and Recovery. The Governor retained damaging cuts from FY10 that cut or eliminated support for a variety of initiatives designed to maximize School Aid, Community College, and other community resources to build alternative pathways to graduation for some students. **All FY12 budget proposals eliminate the remaining funding for Middle Colleges, and maintain resources available to Michigan Virtual High School for on-line learning options.** Proposals maintain language from the FY11 budget that expanded the eligibility for state aid to students to age 22 under certain circumstances, which could create some incentive to maintain older youth in an educational setting and the Senate expands this language to include cities of over 500,000 people (from 750,000).

College Access. The Governor proposed flat funding for the state's Community Colleges and reduces funding for Universities by 15 percent. The Senate proposed a 3 percent cut to Community Colleges and rolled what had been formula funding for at-risk students into their base funding. The House proposed a steeper 15 percent reduction as well as the change in at-risk funding. **The House and Senate agreed with the roughly 15 percent reduction for Universities**, but the Senate included an additional 5 percent reduction for institutions maintaining benefits for unmarried partners.

The Governor, House and Senate all agreed on an increase for the Tuition Incentive Program (TIP) by \$6.4 million (total recommendation of \$43.8 million), which provides scholarships to low-income students who have received Medicaid for 24 out of any 36 months. The Governor, House and Senate maintained flat funding for scholarship programs. The Governor merged the Michigan Competitive Scholarship and the Tuition Grants programs into a single Pathway to Higher Education program, but neither the House nor Senate agreed with that approach and maintained them as separate programs.

School health education. The Michigan Model for Comprehensive School Health Education is the primary health curriculum used in kindergarten through high school, and evaluations 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. At its peak, funding for the Michigan

Model was at \$3.6 million. **The Governor proposed flat funding for FY12 at just over \$400,000, but the funding was eliminated in both the House and Senate proposals.**

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. **All budget proposals recommend flat funding in FY12 for child and adolescent health centers at \$3.6 million.**

Following reductions for the past three fiscal years, the **Governor, House and Senate recommended additional cuts to community mental health services to those not eligible for Medicaid.** The Senate's proposed cuts (5%) were more severe than the Governor and House (3%.)

Services to foster youth. The Governor, House and Senate all proposed cuts in youth in transition programs, including a reduction in the rate paid to foster youth for independent living. Funding for the guardianship assistance program is slated for a cut of nearly one-third. This resource supports family members and others to keep young people out of the foster care system. In addition, **funding for child abuse and neglect prevention programming was again cut in proposals from the Governor, House and Senate.** This funding is used in many ways by communities to support families to avoid foster care placement in the first place.

Meeting the Dashboard Goals

The Governor has presented indicators against which he will be assessing the success of public programs through his budget proposals. He reiterated many of those indicators of educational progress in his education address on April 27, 2011. Included are "dashboard" outcome measures related to 3rd grade reading proficiency; as well as a variety of school and student performance measures.

Investment in some areas is consistent with improving outcomes highlighted by the dashboard and performance goals, but many of the cuts proposed by the Governor, the Senate and the House Appropriations Committee increase the likelihood of stalled or declining progress. They include:

- *Increased students reading at grade level in the 3rd grade, and demonstrated annual academic growth from 3rd grade through 8th grade.* Flat funding is proposed for early childhood programs including GSRP, Great Parents/Great Start, and Great Start Collaboratives, which help students arrive at elementary school ready to succeed. However, cuts in per-pupil funding, as well as cuts to programs supporting families by mitigating poverty, improving child health, and providing opportunity in the out-of-school hours put gains at risk.
- *Increased high school graduation and college readiness; decreased high school dropout.*
Specific departmental benchmarks include:
 - *Increased schools participating in the Superintendent's Dropout Challenge.*
 - *Increased school districts participating in the seat time waiver program.*
 - *Increased completion rates for on-line courses.*

Despite specific mention in budget benchmarks, proposals don't include additional resource support for existing initiatives, like the Superintendent's Dropout Challenge, the seat time waiver program and on-line learning options. All budget proposals removed funding for

Middle Colleges, a nationally recognized approach to successfully graduating at-risk young people while better preparing them for post-secondary and workforce success. Per-pupil reductions force school systems to make reductions in optional programming and innovative partnerships putting initiatives targeted toward young people with multiple needs at-risk.

- *Increased number of partners assisting low-performing schools.* State-funding is eliminated for before- and after-school programming and the language supporting the Michigan After-School Partnership is removed. There has not been funding allocated to connect educational and other community services included in the state budget since FY09.
- *Decreased incidence of bullying on school property.* Use of At-Risk funding for schools is expanded to include crisis intervention and bullying prevention programs.
- *Reduction in teen births and teen smoking.* Healthy Michigan funds for smoking prevention and pregnancy prevention programs are eliminated, and funding for local public health departments is reduced.
- *Measures of behavioral health service access, including reductions in drug abuse and quicker assessments of mental health needs.* Additional cuts are made in community mental health services.
- *More children and youth moving from foster care to permanent placements.* Despite work to meet the requirements of the Children's Rights Settlement, cuts are proposed in youth transition program funding and guardianship assistance. In addition, many proposed cuts will jeopardize other indicators, destabilizing families and ultimately creating more need for foster care placements.