

June 22, 2011

## The Fiscal Year 2012 State Budget: The Impact of Current Decisions on Youth *June 22, 2011 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 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.

On May 26th, 2011, the Legislature finalized the state budget for the fiscal year that begins October 1, 2011 and ends on September 30, 2012 (the FY12 budget) after a speedy conference committee process. The final budget comes in the form of two omnibus budget bills – one for K-12 School Aid, Community Colleges and Higher Education (HB 4325) and one for all of the other departments (HB 4526). On June 21<sup>st</sup>, the Governor signed both bills into law with no vetoes in education budgets and limited vetoes in the other omnibus bill. However, the Governor made clear that much of the legislative intent that is included in budget bills as boilerplate language was not binding to the administration under the Constitution.

The budgets include tax changes, budget cuts and changes in how many critical programs are funded. The education budget expands the use of School Aid Fund resources beyond programs administered by local and intermediate school districts. Changes to the tax system include significant changes in the way businesses pay taxes, and a near 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. The budgets 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 11 is \$8,489 per pupil, with a minimum per pupil of \$7,316. Each budget proposal considered in the process reduced the per-pupil amount received by school districts and included incentive funding for districts implementing cost-saving measures in employee contributions to health care costs and service consolidation. **The final budget maintained the Governor's recommended total per pupil cut of \$470 and eliminates or reduces funding for a variety of categorical programs, further reducing support available to local school districts. The budget includes \$100 per pupil one-time grants to districts meeting cost-saving and reporting criteria, and funding is included for one-time payments to districts to partially offset retirement costs.** Per-pupil reductions in School Aid force school systems to make reductions in optional programming, innovative partnerships and initiatives targeted toward young

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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 the final FY12 budget**. The budget does **expand 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 the final FY12 budget**. Budget language in support of **the Michigan After-School Partnership (MASP) was 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, but the final budget includes a 7 percent cut (\$500,000.)**

*Support for Dropout Prevention and Recovery.* The budget 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. **The final FY12 budget eliminates funding for Middle Colleges, and maintains resources available to Michigan Virtual High School for on-line learning options.** Language is maintained 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 in large districts.

*College Access.* The Governor proposed flat funding for the state's Community Colleges and reduces funding for Universities by 15 percent, and the House and Senate had proposed cuts of different sizes. **The final budget reduced operational funding for Community Colleges by \$12 million (4%), with half of the reduction to be taken primarily across-the-board with a portion of the reduction based on performance indicators of enrollment and certificates awarded. Language defining the At-Risk Student Success program was eliminated, and the \$3.3 million in funding for the program was rolled into base funding. The final budget included a 15 percent reduction for Universities.**

**The final budget includes an increase for the Tuition Incentive Program (TIP) of \$6.4 million** (total final 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. **The final budget retains separate scholarship programs, funded at current year levels.**

*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 the final budget.**

*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. **The final budget includes flat funding in FY12 for child and adolescent health centers at \$3.6 million.**

Following reductions for the past three fiscal years, **the final budget includes the Governor's recommendation of a 3 percent cut to community mental health services to those not eligible for Medicaid.** However, it also included a small rate increase for mental health services covered by Medicaid.

*Services to foster youth.* **The final budget cuts youth in transition programs, including a reduction in the rate paid to foster youth for independent living. Funding for the guardianship assistance program was cut by 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 the final budget proposal.** 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 and the Legislature increase the likelihood of stalled or declining progress. They include:

- *Increased students reading at grade level in the 3<sup>rd</sup> grade, and demonstrated annual academic growth from 3<sup>rd</sup> grade through 8<sup>th</sup> grade.* A minimal increase was included for state-funded preschool, and the budget maintains flat funding for other early childhood programs including 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. The final budget 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 made 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.