

October 2013

Federal Deficit Reduction Efforts Must Prioritize Michigan Children

The federal budget is the single most powerful expression of the federal government's priorities. It is during the budget process that decisions are made about the expenditure of federal revenues, and there are many competing interests that the President and Congress must consider when dividing up tax dollars. With finite resources, changes in tax policies and the appropriation of revenues can benefit groups of U.S. and Michigan residents, while leaving others behind. Of particular concern is the potential impact on the children and families that outcome data show are already facing challenges, including a lack of access to education and care in early childhood, health care throughout their lives, and opportunities for education and career success.

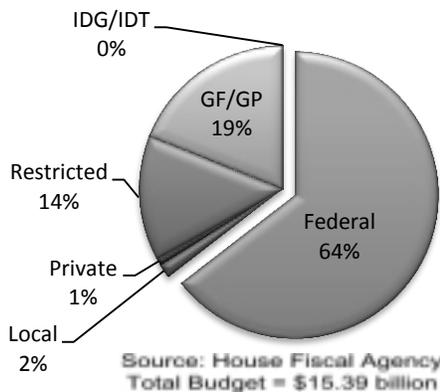
As Michigan and the nation becomes more diverse, funding decisions that do not explicitly address underlying inequities in resource and opportunity will slow economic recovery and lead to longer-term fiscal hardships for all U.S. residents. Decision-makers need to prioritize budget investments that improve outcomes for all children by closing the equity gaps that begin early and accumulate over a lifetime. Unfortunately in Michigan, these gaps are large and persistent. Michigan children and families have been harder hit by the recession compared to the rest of the nation as the number of children living in poverty continues to grow, with children of color more likely to be living in deep poverty. The percent of Michigan children living in families with earnings less than the federal poverty level increased by 64 percent between 2000 and 2009, with nearly one out of four Michigan children now living in poverty. This increase in child poverty was fully three times the national average. Even more dire is the one in ten Michigan children living in extreme poverty – at or below 50 percent of the federal poverty level or an annual income of \$9,545 or less for a family of three.

These gaps in opportunity, coupled with structural barriers, contribute to gaps in achievement throughout a student's educational career. While federal programming aims to breakdown these structural barriers as highlighted on the next page, funding to support these programs is vastly insufficient and too many Michigan children continue to struggle every day. One in three Michigan children start kindergarten underprepared; less than one-third of Michigan third graders demonstrate reading proficiency; and one out of five young people do not graduate high school within six years. These statistics are unacceptable and significantly worse for Michigan children of color and from low-income families. This is demonstrated by the fact that Michigan continues to struggle with the achievement gap between African-American and white fourth-grade readers. This is a critical benchmark since through third grade, children learn to read and beginning in fourth grade, are reading to learn. Reading proficiency by third grade has rightfully received significant attention since it can predict a student's future academic success.

As more children face deep poverty and increasing struggles in school, the share of federal spending on kids has continued to decline since 2006, although American Recovery and Reinvestment Act cushioned the decline temporarily. Cuts in federal spending for children and families occurred at the same time that Michigan's economic and fiscal problems accelerated, forcing increased reliance on federal funding for basic services and education programs that focus on reducing the achievement gap. Current efforts to address the increasing federal deficit including the pending sequester, could further reduce funding for children's services and threaten the state's ability to invest in the next generation of Michigan workers and leaders.

Michigan's reliance on federal funding means that disinvestment at the federal level will be felt across the state, particularly for struggling children and families. In the current fiscal year, *federal funds support 40 percent of Michigan's total state budget* but support significantly higher percentages of department budgets that support children, youth and families. Here is a breakdown of revenues for some of Michigan's key department budgets.

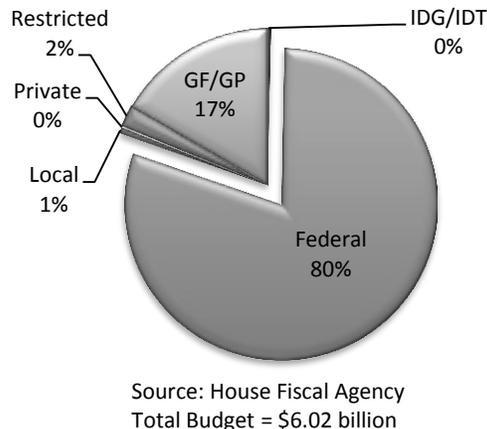
FY2014 Community Health Budget



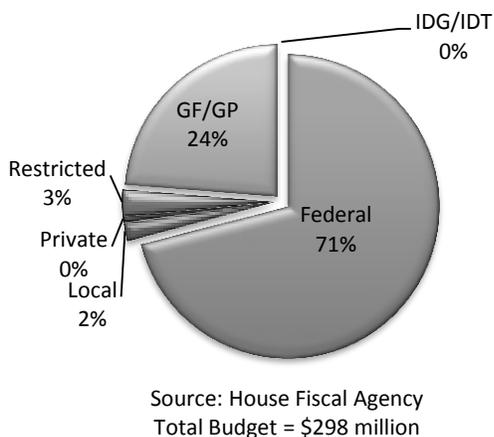
Two of every three dollars in the Michigan Department of Community Health budget comes from federal sources, much of which is Medicaid matching funds. More than half of all births in Michigan are covered by Medicaid and over half of Medicaid recipients in Michigan are children. Federal funding supports local health improvement initiatives, and school- and community-based health services for underserved adolescents. Compared to the 2013 fiscal year, federal funding to support the Department of Community Health budget increased by \$223 million in fiscal year 2014.

The Michigan Department of Human Services receives 80 percent of its funding from the federal government – which funds many critical safety net programs including income support, food assistance including WIC and SNAP, and other programs funded through TANF. In addition, virtually all of the state’s efforts to prevent child abuse and neglect and care for children and youth who have been removed from their families are funded through federal sources.

FY2014 Human Services Budget



FY2014 Dept. of Education Budget



The Michigan Department of Education receives 71 percent of its funding from federal sources; a 33 percent reduction from fiscal year 2013 (note: this does not include Michigan’s School Aid budget, which funds education programs ranging from early childhood to community colleges). The Department of Education is responsible for compliance with state and federal standards, administering the School Aid budget, and administering the state’s child care subsidy program. Michigan utilizes federal funding for a range of programs that work to reduce the achievement gap – a gap that begins early and grows over time. These include Michigan’s school improvement efforts, support for special needs students, opportunities for extended learning programs, before-and after-school programs, and school-based nutrition and health programs.

With Congress’ inability to pass federal budget appropriation bills in a timely fashion; this jeopardizes stability for programs that support health, education, community partnerships and nutrition programs for children, youth, and families. Furthermore, the impact of the sequester – across the board cuts that disproportionately affected children and family programs – also has dire consequences. Michigan children – the future scientists, entrepreneurs, teachers, parents, laborers, artists and elected officials – rely on these programs that are supported through federal dollars. A deficit reduction strategy should protect children and families – particularly children of color and children from low-income families – and ensure adequate investment for their future. Federal budget negotiations should preserve the programs that reduce disparities in outcomes for children and offer the most long-term gains such as high quality early education, multiple paths to high school completion, and access to basic needs. Congress must prioritize children and families as Michigan and our nation continues on a path towards economic prosperity.