The Fiscal Year 2013 State Budget:
The Impact of Current Decisions on Youth
Which Decisions Have Been Made, and Which Remain In Play

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.

During the last week of April, the Michigan House and Senate approved all budget bills for fiscal year 2013 (FY13). As anticipated, the House combined budget bills into two omnibus bills – one for Education (HB 5372) including School Aid, Community Colleges, and Higher Education; and all department budgets into another omnibus budget bill (HB 5365). The Senate debated each budget area separately, resulting in a larger number of budget bills passing out of that chamber.

The House and Senate are now in the process of reviewing each other’s budgets - including beginning discussions of the points of difference that will be negotiated in conference committees in the coming weeks. Conference committee members have not yet been identified; however will be comprised of two majority and one minority member of each chamber (a total of 6 members) and are most often comprised of the Chair, Vice Chair and Minority Vice Chair from each chamber’s Appropriations Subcommittee. The House utilizing an omnibus budget structure (for the second year) may cause some changes to the way conference committees are handled, but that has yet to be determined.

FY13 budget conversations follow more than 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 partial reinstatement for large cuts for schools made over the last two years, partial reinstatement of funding for after-school programs which had been eliminated in previous years, and minimal investment in other supports for young people.

While it is possible that funding proposals that the House and Senate agree on could still be vetoed by the Governor in his final budget approval, no increased funding or adjustments in the agreed upon programs will be made at this point in the process. This analysis begins by highlighting significant points of difference in the budgets, and ends with information on some items of agreement.
Current Points of Difference for Conference Committee Deliberations

Increasing Opportunities Outside 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. The House included $5 million in their version of the FY13 Department of Human Services Budget, but the Senate did not. Budget language in support of the Michigan After-School Partnership (MASP) has not been included over the last several years as well. Michigan’s Children works in partnership with others through MASP helping communities maximize their resources from multiple Departments and sources.

Per-Pupil Support to Schools. The basic foundation allowance for FY12 is $8,019 per pupil and the minimum foundation is $6,846 – down $470 since fiscal year 2010. The Governor and the House recommend no increase in per pupil funding but the Senate recommends a partial reinstatement of recent cuts with per pupil increases from $116 - $232. This increase is funded by redirecting the Governor’s proposal of $177 million to partially offset the costs of retirement and $135 million of the incentive payments to districts. Inconsistent funding levels 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.

Incentive Payments to Districts. The Governor and the House propose using $190 million dollars to incentivize certain behaviors of local and intermediate school districts. The Governor proposes $70 million for districts who show improvement in student performance in reading and math. The Executive budget also includes $120 million for districts who meet five of the following criteria: participate in school choice programs; monitor academic growth for all students in all subjects; offer dual enrollment, AP courses, middle college or other postsecondary opportunities; offer online learning; hold their own health care policy; and publish a dashboard of outcomes for the public. The House instead creates a $75 million competitive technology infrastructure grant to local and intermediate school districts capped at $2 million per district. The House also recommends $115 million for districts (maximum payment of $75 per pupil) who have met 6 out of 8 revised best practices criteria which include the Governor’s recommendations and these two additions: competitively bid at least one non-instructional service; and provide State Board of Education recommends physical education and/or health education classes. The Senate recommends $40 million for pupil performance grants and $18 million to provide year-long access to online computer-adaptive tests as an additional test along with the MEAP.

Support for Dropout Prevention and Recovery. The Governor and the Senate recommend flat funding at $26.6 million for career and technical education. The House proposal increases funding by $3.4 million (roughly 13%). Increasing career and technical education options is a proven dropout prevention strategy. Despite this small increase, all budget proposals 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. 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.

Adolescent Health. 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 Senate includes $405,000, but the House proposal does not include any funding, threatening this critical infrastructure for health education.**

The Senate includes $450,000 for teen pregnancy prevention, but the House proposal does not include any funding. After many years of commitment to funding unintended pregnancy prevention for teens and others, funding for this programming has been cut by 80 percent in the last three years.

College Access. The Governor, House and Senate recommend reductions in the Tuition Incentive Program (TIP), currently funded at $44 million. This program provides scholarships to low-income students who have received Medicaid for 24 out of any 36 months. **The House recommends a $1 million reduction (2 percent) and the Senate a $2 million (nearly 5 percent) reduction in TIP.**

The Governor recommends $2 million to support Michigan College Access Network (MCAN), partially replacing $4.3 million in federal funds that Michigan lost because of a Maintenance of Effort violation. **The House proposal included the funding, but the Senate did not.**

The Governor recommends a 3 percent increase for Community Colleges ($8.5 million) to be distributed on a new performance based formula that includes their average share of the total number of associates degrees and certificate completions in critical areas such as STEM (science, technology, engineering, and mathematics) and health care over the past three years. **The Senate recommends the 3 percent funding increase, but continues to use of the Performance Indicators Taskforce recommendations to allocate funding increases which include enrollment and certificates awarded. The House recommends no increase in funding.**

The Governor recommends a 3 percent increase for Universities ($36.2 million) to be distributed to universities through a new performance based formula which includes: undergraduate degree completions, undergraduate degrees granted in critical skill areas, Pell Grant recipients in undergraduate programs, and compliance with tuition restraint policy of 4 percent over last academic year. **The Senate and the House proposals include the 3 percent increase, but differ in the distribution metrics. The House proposal also requires compliance with the following: tuition restraint; reporting of embryonic stem cell research activities; participation in reverse transfer agreements with at least three community colleges; have in place a dual enrollment policy that does not prohibit the use of credits towards high school graduation; and do not require students to carry health insurance.**
Services to Foster Youth. All proposals recommend maintaining funding for youth in transition programs at $14.7 million, and all proposals included within that funding an increase for the Michigan Youth Opportunities Initiative (MYOI), which helps youths transition from the child welfare system to adult employment and independence. The House recommends an increase of $1.9 million and the Senate, $1.6 for MYOI.

The Governor and the House proposed increases to the rates paid to foster and adoptive parents, but the Senate only increased rates to foster parents, not adoptive parents, but included an additional $2 million for a special post-adoption subsidy program. The Senate and the House both included increases in payments to child placing agencies, but differed on the amount of the increase. The Senate proposal directs the department to track and report quarterly the number and percentage of children who received both a physical and mental health assessment prior to placement in the foster care and juvenile justice systems.

Budget Agreements That Require No Further Legislative Action

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 FY13 budget proposals.

College Access. All FY13 budget proposals include an 11 percent increase in the need- and merit-based State Competitive Scholarship Program bringing funding to $20.4 million. Both the House and Senate concur with the Governor’s change in language that requires community colleges and universities to participate in the establishment of a statewide P-20 Longitudinal Data System. This was originally a requirement under the American Recovery and Reinvestment Act (ARRA). Language referring to ARRA was removed.

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 include flat funding for child and adolescent health centers at $3.6 million and reflect an increase in school-based health services of $40.2 million federal funding representing Michigan school district’s 60% portion of the federal Medicaid funds earned by the school district match.

Following reductions for the past four fiscal years, all proposals include flat funding for community mental health services to those not eligible for Medicaid.

Services to Foster Youth. The Governor, Senate and House recommend a roughly $2 million increase to the guardianship assistance program to reflect an increase in the number of cases and cost per case. This resource, which was cut by nearly one-third last year, supports family members and others to keep young people out of the foster care system.