

June 17, 2013

### **The Fiscal Year 2014 Budget: Is It Promoting Equity to Ensure All Children Are Ready to Learn & Lead?**

The single best predictor of economic prosperity is a state's success in educating and preparing its workforce. As Michigan becomes more diverse, funding decisions that do not explicitly address underlying inequities in resource and opportunity will lead to longer-term fiscal hardships for all Michigan residents. Gaps in opportunity caused by Michigan's profound economic hardships, coupled with structural barriers by race or ethnicity, contribute to gaps in achievement throughout a student's educational career. These long-term disparities in educational and life success have had profound and unacceptable economic, social and fiscal consequences for Michigan.

The state budget, as the single most powerful expression of the state's priorities, is a critical tool for either improving equity or widening gaps. With the next workforce set to be its most diverse yet, Michigan needs to allocate its scarce resources in ways that ensure that ALL children can thrive. The evidence is clear, all children need:

1. To be born healthy and have continued access to high quality health care services.
2. To be raised by parents or caregivers who have the supports needed to be their child's first, consistent and best teachers.
3. To be assured a high quality education that begins in early childhood, extends through a career, and leads to economic self-sufficiency.

What's in store for equity in the fiscal year 2014 (FY2014) budget? This analysis provides an overview of the final budget decisions that will increase disparities, reduce disparities, or have a neutral or unknown effect on disparities in child and family outcomes.

#### **A healthy birth and access to high quality health care services**

##### **↑** *Steps forward*

- The final budget adds \$11.6 million (\$3.9 million in general funds or GF) to Healthy Kids Dental to expand the program to an additional 70,500 Medicaid-eligible children in Ingham, Ottawa and Washtenaw counties. This program increases provider reimbursement rates, encourages provider participation and helps more children receive the high quality dental care that they need. Dental disease is the most common chronic illness for children – more so than asthma or hay fever – and disproportionately affects children of color and children from low-income families. Access to oral health care can ensure that fewer children suffer from tooth decay and miss fewer days of school due to oral health problems.

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- The final budget includes more investment towards mental health coverage including a \$9.6 million increase for non-Medicaid mental health services, impacting parents and children, as well as \$5 million for Mental Health Innovations. This new \$5 million investment will support: 1) comprehensive home-based mental health services for children to strengthen families and reduce child hospitalizations, 2) for the Department of Community to coordinate with private providers and the Department of Human Services (DHS) to pilot a high intensity care management team for youth with complex behavior disorders, and 3) to provide mental health “first aid” training to a range of public and private groups to recognize mental health problems in youth and obtain professional help. Comprehensive mental health coverage is critical for children and families who often fall victim to a fragmented health care system that struggles to properly integrate health and mental health needs due to insufficient funds, particularly for children of color and from low-income families. These home-based and coordinated efforts between DCH and DHS could assist in ensuring that children who struggle with mental health issues and their families get the support they need, and the “first aid” training can better prepare adults to recognize signs of mental health issues that may previously have been inappropriately identified as bad behavior. Expanding mental health services for both parents and children can ensure that children and families of color can better access the resources they need to thrive.



#### *Steps backward*

- The final budget did not take advantage of the Affordable Care Act (ACA) to expand Medicaid eligibility for adults up to 133 percent of the federal poverty level (FPL) using federal dollars. As part of the ACA, the federal government would have pay 100 percent of the cost of all newly eligible Medicaid residents for three years beginning in 2014. Children, ages 1-17, are already covered by Medicaid up to 150 percent FPL and infants under age 1 up to 185 percent FPL for infants. However, many young adults, who are most likely to be uninsured in Michigan, will be able to access health care. African American and Latino Michigan residents are more likely to be uninsured than white residents, so a Medicaid expansion will ensure that more adults of color will be able to access health care, reducing health disparities. This helps the odds of more babies (and particularly more babies of color) born healthy since a woman’s health prior to conception impacts pregnancy outcomes and the health of a newborn child. In addition, improving the health of parents of young children improves their ability to keep consistent employment and provide adequate caregiving.
- The final budget included an overall \$4 million cut to the Health and Wellness Initiative, that resulted in cuts to various health promotion programs including a significant cut to the Governor’s 4X4 wellness plan from \$2.25 million to \$850,000; a \$10,000 cut to health disparities for a total appropriation of \$480,500; pregnancy prevention was cut from \$862,500 to \$112,500; an \$89,000 cut to the Michigan Care Improvement Registry for a total appropriation of \$2.0 million; and a \$35,000 cut to the Michigan Model for School Health evidence-based health curriculum offered in schools for a total appropriation of \$300,700.

- The Healthy Homes lead abatement program received a \$1 million cut from \$4.9 million in FY2013 to \$3.9 million in FY2014. The Healthy Homes program provides remediation and safe removal of lead hazards from older homes in areas of the state with high incidence of lead poisoned children. Lead poisoning remains the number one environmental health hazard for young children, with children of color and from low-income families more likely to be exposed to lead.

↔ *Mixed results*

- The final budget included \$2 million to support the state’s Infant Mortality Reduction Plan, yet this comes on top of an 87 percent cut to pregnancy prevention efforts through the Health and Wellness Initiative. This level of funding to support the state’s plan is a step in the right direction, but is still insufficient to fully implement the plan, which is estimated at more than \$10 million by its developers. In a state where African American infants are three times more likely to die during the first year of life compared to white infants, fully implementing the state’s Infant Mortality Reduction Plan while also addressing other factors that impact health outcomes such as poverty, limited access to high quality education from cradle to career, or availability of adequately paying jobs are essential to move the dial on the infant mortality dashboard indicator and other key public health indicators.

**Parents or caregivers with the supports needed to be their child’s first, consistent and best teachers.**

↓ *Steps backward*

- The final budget does nothing to reverse the harmful changes made to family support programs including the 48-month lifetime limit to the Family Independence Program (which was codified into law in 2012), the asset test for the Food Assistance Program, and the reduction of the Earned Income Tax Credit (EITC) from 20 percent to 6 percent of the federal EITC. Childhood poverty is clearly linked to many negative outcomes for children including poor health and reduced access to a high quality education from cradle to career.
- The final budget provides a \$2.5 million increase in federal funds to expand family preservation and prevention services for families identified through the Department of Human Services and child protection and permanency services to other counties. However, this comes on top of a \$4.2 million cut to child abuse and neglect prevention and family preservation programs due to a shortfall in TANF. In a state that has seen an unacceptable rise in child maltreatment since 2005 and continues to be plagued by disproportionate contact of children of color in child protective services, cutting support to programs that prevent child maltreatment are clearly counterintuitive.

**A high quality education that begins in early childhood, extends through a career, and leads to economic self-sufficiency.**

↑ *Steps forward*

- The final budget provides a \$65 million increase for the Great Start Readiness preschool program (GSRP) that combines the previous competitive portion of GSRP with School Aid GSRP for a total of \$174.3 million. This increase would raise the slot amount from \$3,400 to \$3,625 per child and

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would increase access to an additional 16,000 half-day slots for four-year-olds at-risk of being underprepared for kindergarten. In addition to a high return on investment, GSRP evaluations have shown that the program prepares young children for kindergarten, improves student achievement, increases high school graduation rates, all while narrowing the achievement gap.

↓ *Steps backward*

- The final budget didn't include any funding for educational before- or after-school programs for youth. State funding for before- and after-school pilot programs peaked in FY2001 at \$16 million and gradually lost funding in subsequent fiscal years until its elimination in the FY2012 budget. While the Legislature successfully restored \$1 million in funding for before- and after-school programming in the FY2013 budget, this was ultimately vetoed by the Governor. Access to before- and after-school programs has shown to improve educational success for all students and demonstrate the greatest benefit for students who face the most extraordinary educational challenges – kids from low-income families and kids of color.
- The final budget includes a \$19.8 million cut to the child development and care program – the state's child care subsidy program. Though this reduction is the result of caseload projections, the \$19.8 million could have been used to support changes in the CDC program to better support families, children, and child care providers such as reconfiguring the payment structure from hourly to daily or weekly payments and other policy changes to improve quality of care. Access to high quality child care will better prepare young children – particularly those more likely to struggle in kindergarten – for school; and will ensure that school-aged children can access high quality after-school programs that promote educational outcomes.
- The final budget did not include any funding to support school-community partnerships, though the Senate-passed budget did include a placeholder to support the Communities in Schools program. School-community partnership ensures that the most challenged students have access to the supports they need beyond traditional education to succeed academically. These include opportunities for extended learning, school-based health, positive behavior, and other services that have proven to increase student success. Incentives for schools to create community links aimed at strengthening schools, increasing parent involvement, and meeting children's needs can improve student outcomes and reduce the achievement gap.
- After a decade of disinvestment, the final budget provides no funding increases for opportunities for the 5<sup>th</sup> and 6<sup>th</sup> year of high school. These additional years of high school have proven to increase high school graduation rates for students who struggle the most in school.

↔ *Mixed results*

- The final budget designates \$500,000 of the prenatal care outreach and service delivery support line to support evidence-based infant mortality programs including Nurse Family Partnership programs to enhance support, education, client recruitment and strategic planning, which is a step in the right direction for equity. However, the final budget also designates \$700,000 to support a pilot alternative pregnancy and parenting home support program that promotes childbirth and adoption.

While brain research and the understanding of how basic language and literacy skills are formed in the first three years of life are now widely known, programs that promote a healthy start in life must be rooted in research and evidence. Unfortunately, this \$700,000 pilot program is based off a program in Pennsylvania that does not stand up to this threshold. Access to high quality, evidence-based programs for families with very young children can offset the disparities in cognitive development that emerge as young as nine months of age. Thus, increasing investment in research-backed services across the birth to five spectrum, not just for four-year-olds, is the best way to ensure kindergarten readiness for all children and prepare them for success in education and life.

- The final budget increased the basic foundation allowance by \$30 to \$8,049 and the minimum foundation allowance by \$60 to \$7,026. Additionally, \$36 million is appropriated for an equity payment of up to \$50 on top of the foundation allowance increase to bring the minimum foundation allowance up to \$7,076. However, these increases as well as the small increase in FY2013 towards the minimum foundation allowance continues to fall short of the \$470 per pupil cut that districts faced in the FY2012 budget.
- The final budget includes \$80 million for best practices grants to districts that have met 7 out of 8 best practices criteria for a maximum payment of \$52 per pupil. While several of the best practices criteria help improve educational equity including providing dual enrollment opportunities and offering online or blended learning, these types of programs should be adequately funded and offered since they reduce educational disparities, rather than being attached to a small per pupil foundation increase only if a laundry list of “best practices” are achieved.

For more information on the fiscal year 2014 budget and what it means for children and families, visit [www.michiganschildren.org](http://www.michiganschildren.org).