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Governor Snyder Releases Fiscal Year 2013 Budget: A First Look at Provisions Affecting Children and Youths

On Thursday, February 9, 2012, Governor Snyder released his proposed state budget for fiscal year 2013, which begins on October 1st of this year and ends on September 30th of 2013. The Governor presented two budget bills to the Legislature, including an education bill that proposes funding for local and intermediate school districts, community colleges and higher education, and an omnibus bill that covers all state departments and services.

The total Executive budget recommendation for fiscal year 2013, including all state and federal funds, is \$48.2 billion. Of that total, \$9.2 billion are state general funds, and \$11.4 billion are from state restricted funds through the School Aid Act. The budget assumes that revenues collected through taxes and other fees will be up in fiscal year 2013 by nearly \$623 million over previous estimates.

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 state revenues, and there are many competing interests that the Governor, legislators and other policymakers must consider when dividing up tax dollars. With finite resources, changes in tax policies and in the appropriation of revenues can benefit groups of Michigan citizens, 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 becomes a more diverse state, 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 Michigan residents. Decision-makers need to prioritize budget investments that improve outcomes for all children by closing the equity gaps that begin early and accumulate for a lifetime.

Proposals for fiscal year 2013 include the following spending provisions affecting children, youth and families.

EDUCATION

The Governor's proposed budget for fiscal year 2013 combines funding for local and intermediate school districts, community colleges and higher education into an omnibus education budget bill. The Governor's budget includes a total of \$12.5 billion (\$200 million in state general funds) for School Aid, \$294.1 million (\$96.5 million in state general funds) for community colleges, and \$1.4 billion (\$1.1 billion in state general funds) for higher education.

Highlights of the Governor's proposed School Aid Budget

Local and Intermediate School District operations.

- *Per pupil allocations:* The Governor maintained the previous years' cuts to the per-pupil foundation allowance, with the minimum per pupil allowance continuing at \$8,019 per pupil – down \$470 since fiscal year 2010. Included in the Governor's recommended budget is \$190 million for incentive payments to districts that meet the following criteria:
 - \$70 million for districts who have shown average improvement in student performance in reading and math in 3rd through 8th grade, and four-year improvements in all tested subjects in high school for a maximum payment of \$100 per pupil.
 - \$120 million for districts (maximum payment of \$75 per pupil) who have met five of the following criteria: participated in school choice programs; monitored academic growth for all students in all subjects; offered dual enrollment, AP courses, middle college or other postsecondary opportunities; offered online learning; held their own health care policy; and published a dashboard of outcomes for the public.
- *Intermediate School District (ISD) operations:* Total funding for ISD operations is maintained at \$62.1 million, but 5 percent of current local funding is available only through incentive payments for ISDs who have met four of the following criteria: consolidated and competitively bid services; supported technology integration; published a dashboard of outcomes; and developed information management systems in coordination with other ISDs.
- The Governor includes \$10 million for competitive assistance grants to local and intermediate school districts to support efforts to consolidate services.
- Beginning in fiscal year 2013, school districts will receive a full-day per pupil allocation for kindergarten students only if they provide a full-day program. The Governor's budget includes \$50 million in savings from this change.

Funding for at-risk pupils. The Governor provides continuation funding of \$309 million for payments to eligible school districts for at risk students. These funds can be used flexibly by districts for a range of instructional and non-instructional services both during regular school hours and after school, including tutorial services, early childhood programs and reading programs. In addition, the Governor's budget provides continuation funding for:

- child and adolescent health centers at \$3.56 million; and
- hearing and vision screenings at \$5.15 million.

Programs to improve academic achievement and reduce dropout rates. The Governor provides continuation funding for the following programs:

- \$40 million for 21st Century Community Learning Centers, reflecting federal resources available for the programs (no other investments to increase opportunities outside the school hours are included);
- career and technical education at \$26.6 million;
- adult education at \$22 million; and
- math and science centers at \$7.8 million.

The Governor includes additional state funding of \$5 million for a new youth employment program through the Department of Natural Resources targeted to Detroit, Flint, Pontiac and Saginaw.

Early childhood education. The Governor provides continuation funding for the following early education programs:

- *Great Start Readiness Program (GSRP):* Funding for the School Aid GSRP would continue at \$95.4 million, with \$8.88 million for the GSRP competitive program. The per slot allotment remains at \$3,400, and an estimated 30,000 children can be served.
- *Great Parents/Great Start:* Funding for the Great Parents/Great Start program is continued at \$5 million.
- *Great Start Collaboratives:* Continuation funding is provided for local Great Start Collaboratives through the ECIC at \$5.9 million.

The Governor's budget directs the Michigan Department of Education (MDE) to develop a plan for a multi-year, phased-in approach to transfer funding for GSRP, Great Parents/Great Start and Great Start Collaboratives into an early childhood block grant that would allocate funds to Intermediate School Districts (ISDs) that would act as fiduciaries and administer the funds in conjunction with local Great Start Collaboratives.

Highlights of the Governor's Proposed Department of Education Budget

The Governor's proposal maintained funding for the Michigan Department of Education (MDE) separate from the education omnibus budget bill. The Governor recommends a total of \$330.3 million, of which \$67.9 million is general fund. The primary increase in the MDE is the new Office of Great Start that was created by Executive Order in 2011, along with the transfer of the funds for the state subsidized child care program.

Office of Great Start. The Governor provided a total of \$209.2 million for the Office of Great Start (OGS), including \$159.2 million for the Child Care and Development program. The OGS has responsibility for the following programs:

- Great Start Readiness program.
- Great Parents/Great Start.
- Preschool special education.
- Early On.
- Head Start Collaboration.
- Child Development and Care (CDC) program.

Highlights of the Governor's Proposed Community College and Higher Education Budgets

Support for community colleges. The Governor recommends total funding for community colleges of \$294.1 million, a 3 percent increase. The increases for individual colleges range from 1.3percent to 8.4percent. \$8.5 million is 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.

Support for universities. The Governor recommends \$1.4 billion for Michigan's 15 public universities, a 3 percent increase. The increases for individual universities range from 0.9 percent to 7.6 percent. Part of the funding is distributed through a new performance based formula which includes: increases in the number of undergraduate degree completions, the number of undergraduate

degrees granted in critical skill areas, the number of Pell Grant recipients in undergraduate programs, and compliance with tuition restraint policy.

Financial aid programs. The Governor's proposal includes a 1.3 percent decrease in financial aid programs to \$98.2 million, including:

- A 2.3% reduction in the Tuition Incentive Program to \$42.8 million. This program provides financial assistance to low-income students who have received Medicaid for 24 out of a consecutive 36 month period.
- A \$1 million cut (3.2%) to the Tuition Grant program to \$30.7 million. This program provides financial assistance to low-income students attending one of Michigan's participating independent colleges and universities.
- A \$500,000 increase (2.5%) in the State Competitive Scholarship Program to \$20.4 million. This program is a need- and merit-based program.
- A \$1.7 million increase for Project GEAR-UP to \$3.2 million. This program focuses on increasing the number of low-income students prepared to enter and graduate from Michigan's universities.

HEALTH

Highlights of the Governor's Proposed Budget for the Department of Community Health

The Governor's proposed budget for 2013 includes \$15 billion for the Michigan Department of Community Health (MDCH), of which \$2.8 billion is general fund. Approximately 70 percent of DCH funding is for Medicaid health care services, with an additional 15 percent for Medicaid-funded mental health services. Funding for public health and supportive services for families and children represents approximately 6 percent of the total MDCH budget.

Medicaid eligibility and provider reimbursement rates. The Governor's budget includes \$282 million in federal funds to comply with the requirement in the federal Affordable Care Act of 2010 to increase Medicaid primary care physician reimbursements rates to 100 percent of Medicare levels. The increase is scheduled to take place between January of 2013 and December of 2014. Currently, Michigan Medicaid reimbursement rates are at 55 percent of Medicare payment levels.

Mental health services: Mental health services are funded at over \$3 billion, including \$2.9 billion (\$1.2 billion general fund) for community mental health services. Over the last several years, funding for community mental health services for children not eligible for Medicaid has been deeply cut.

Health prevention and promotion services: The Governor includes \$6 million for a new Health and Wellness Initiative. These funds will support programs that promote healthy behaviors and wellness, and reduce infant mortality and obesity. Along with funding currently available for health prevention and promotion through the Healthy Michigan Fund, total funding will rise to \$11.15 million.

Other maternal and child health services: The Governor's proposed budget for 2013 includes the following:

- *Autism treatment:* A \$34.1 million (\$10.1 million in state general funds) increase in funding to expand Medicaid and MICHild coverage to include treatment of autism spectrum disorders for children under the age of six.

- *Healthy Kids dental program:* A total of \$25 million (\$8.4 million in state general funds) to expand the Healthy Kids Dental program. The Healthy Kids Dental program is currently available in 65 of Michigan's 83 counties, and serves 350,000 children. The Governor proposes to expand the program by 25 percent in fiscal years 2013 and 2014, expanding services to 180,000 additional children each year. The goal is to provide statewide coverage for all Medicaid-eligible children by 2016. The program provides increased provider reimbursement rates, which encourages provider participation and ensures that children have better access to dental care.
- *Maternal and child health programs:* Continuation funding was provided for a range of maternal and child health programs, including family planning local agreements (\$9.1 million), local maternal and child health (\$7.0 million), pregnancy prevention program (\$602,100), prenatal care outreach and service delivery support (\$3.8 million), the sudden infant death syndrome program (\$321,300), and WIC local agreements and food costs (\$253.8 million). Maternal and child health is flat funded at \$20.8 million.

HUMAN SERVICES

Highlights of the Governor's Proposed Budget for the Department of Human Services

The Governor provides a total of \$6.6 billion for the Michigan Department of Human Services (DHS) for fiscal year 2013, of which \$1 billion in state general fund. More than half (54%) the dollars spent through the DHS budget are for the federally funded food assistance program, with only 10 percent allocated for other public assistance, including the Family Independence program. Approximately 15 percent supports child welfare services.

Family Independence Program (FIP). The Governor's budget reflects the ongoing implementation of a 48 month lifetime limit on the receipt of FIP benefits, with an expected reduction of over 7,000 cases between fiscal years 2012 and 2013 as a result of this policy change. FIP caseloads are expected to fall from 85,389 in fiscal year 2007 to 61,850 in 2013, a reduction of 28 percent.

Home heating assistance. The Governor's budget includes \$195 million in federal funds for the home heating credit, energy-related crisis payments and weatherization for low-income home owners. \$60 million in state general funds is also available through the Department of Licensing and Regulatory Affairs to provide heating assistance to low-income families and individuals – including DHS clients – through the Vulnerable Fund.

Child welfare services. The Governor's budget includes funding for child welfare improvements required as a result of a consent decree following litigation by Children's Rights, a child advocacy organization, including additional staff to reduce caseloads, technology and data collection improvements, and expansion of foster care eligibility to age 21. In addition, the Governor:

- Provides \$11.3 million (\$6.3 million in state general funds) to increase the rate paid to foster and adoptive parents by \$3 per day. If adopted, daily rates would increase to \$19.83 per day for children ages 0 to 12; \$24.78 per day for children ages 13-17; and \$21.27 for children in independent living.
- Provides \$2.5 million for family reunification efforts that include peer mentors to birthparents, and home-based parent education.

- Provides \$1.9 million (\$878,000 in state general funds) for the Michigan Youth Opportunities Initiative, which helps youths transition from the child welfare system to adult employment and independence.

Family preservation. The Governor's budget includes some changes from fiscal year 2012 including the following:

- Strong Families Safe Children was reduced by \$2.7 million for a total of \$12.4 million to reflect an anticipated federal grant reduction;
- Families First was increased by \$500,000 for a total of \$18.5 million.
- \$2 million in federal funds are included for supported visitation, a home-based parent education program that supports family reunification.
- \$500,000 is included for a new parent partners program.

Juvenile justice services. The Governor includes the following:

- \$11.5 million for the W.J. Maxey Training School;
- \$5 million for the Bay Pines Center; and
- \$5 million for the Shawono Center.

A slight increase in funding for educational services within juvenile facilities is included in the School Aid budget proposal.

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