

June 27, 2012

### **The Fiscal Year 2013 State Budget: The Impact on Youth *Final Budget Update***

The last week of May, The FY13 budgets approved all of their budget bills for fiscal year (FY) 2013, and on June 26, 2012, Governor Snyder signed the budget bills into law. The 2013 fiscal year begins October 1, 2012 and ends September 30, 2013. As anticipated, the final budgets were in the form of two omnibus bills – one for Education (PA 201) including School Aid, Community Colleges, and Higher Education; and another (PA 200) for all of the department budgets. The Governor vetoed several items in PA 200, including \$1 million for before and after school programming and a \$3 million increase for 0-3 prevention programs.

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.

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 budget includes 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.

#### *Increasing Opportunities Outside School Hours.*

The Governor vetoed all funding for before- and after-school programs in the The FY13 budget. The Legislature had included \$1 million (TANF funding) one-time funding for before- or after-school programs targeted to children in kindergarten to ninth grade in areas near schools that do not meet AYP and serve children with income below 200% of the federal poverty level. This funding was vetoed by the Governor. 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) 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 FY13 budget maintains the previous years' cuts to the per-pupil foundation allowance, with the per pupil allowance continuing at \$8,019 per pupil - down \$470 since fiscal year 2010. However, an increase of \$120 per pupil (\$100.3 million) was added for districts receiving the lowest foundation allowance, increasing the minimum foundation allowance from \$6,846 to \$6,966. 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 FY13 budget includes \$30 million in performance-based incentives for districts showing

improvement based on 2010-11 MEAP and MME exam performance, to be prorated to districts based on funding. Best practice incentives include \$80 million for districts (maximum payment of \$52 per pupil) who have met 6 of 8 best practice criteria recommended by the House: hold their own health care policy; competitively bid at least one non-instructional service; participate in school choice programs; measure student growth twice annually or show progress toward developing the technological infrastructure to implement assessments by the 2014-2015 school year; provide dual enrollment; offer online learning; publish a dashboard of outcomes for the public; and provide State Board of Education recommended physical education and/or health education classes. Also included is the House recommendation for technology infrastructure grants funded at \$50 million in order for districts to utilize computer-adaptive student assessment tests.

#### *Support for Dropout Prevention and Recovery.*

The FY13 budget includes continuation funding of \$26.6 million for career and technical education. 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.

#### *Access to Health Services for Adolescents.*

The FY13 budget includes 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. 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.

Following reductions for the past four fiscal years, the FY13 budget includes flat funding for community mental health services to those not eligible for Medicaid.

The FY13 budget includes \$350,000 from the general fund for the Michigan Model for Comprehensive School Health Education. The Michigan Model 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 FY13 budget includes \$900,000 for pregnancy prevention services, \$450,000 of which is to be used for teen pregnancy prevention. 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.

#### *Services to Foster Youth.*

The FY13 budget maintains funding for youth in transition programs at \$14.7 million, including \$1.9 million for the Michigan Youth Opportunities Initiative (MYOI), which helps youths transition from the child welfare system to adult employment and independence.

The FY13 budget adds \$11.3 million (\$6.3 million in state general funds) to increase the rate paid to foster and adoptive parents by \$3 per day, 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.

The FY13 budget includes 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.

*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.*

The FY13 budget maintains funding for the Tuition Assistance Program at the FY12 level of \$43.8 million. This program provides scholarships to low-income students who have received Medicaid for 24 out of any 36 months. The FY13 budget also includes an 11 percent increase in the need- and merit-based State Competitive Scholarship Program bringing funding to \$20.4 million.

The FY13 budget includes \$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 FY13 budget includes \$1.3 billion for university operations which is a \$36.3 million increase from FY12. However, The FY13 budget distributes this increase based on the following funding formula which is based on the House and Senate formulas. This new formula is as follows: \$18.1 billion based on performance comparisons versus national peers on the six year graduation rate, total degree completions, and institutional support; \$6 million based on the number of undergraduate degrees/certificates earned in critical degree areas and \$3 million based on total research and doctorate expenditures for seven of the state's 15 universities. The remaining \$9.1 million is based on tuition restraint of 4 percent. However, to receive this performance funding, universities must comply with the following three requirements: participation with the Michigan Transfer Network, a dual enrollment policy that does not prohibit the use of credits towards high school graduation, and a reverse transfer agreement with at least three community colleges in Michigan, or an effort to enter into such agreements.

The FY13 budget includes a 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.