



July 2, 2014

The Fiscal Year 2015 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. 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. A safe and stable home environment.
2. To be ready for school at kindergarten entry.
3. To have pathways that lead to college and career readiness.

This Budget Basics publication analyzes the final fiscal year 2014-2015 (FY2015) budget and how it will promote equity in these key areas. During this election year, talk to candidates about how you believe the state budget should improve equitable outcomes for children, and ask candidates what they would prioritize in the state budget if elected or re-elected into office.

A safe and stable home environment

↑ *Steps forward*

- The final budget includes a \$500,000 increase to the Healthy Homes lead abatement program for a total of \$4.7 million. Lead poisoning remains the number one environmental health hazard for young children, and can cause irreversible cognitive damage and has been linked to learning disabilities and violent behavior in children and adults.
- The final budget adds \$36.5 million to begin implementing the recommendations included in the State of Michigan Mental Health and Wellness Commission 2013 report. While the Mental Health and Wellness Commission looked at a variety of mental health service delivery gaps, several aspects of the Commission's work will impact children. For example, one recommendation is to explore options to address gaps in coverage for women postpartum who lose their Medicaid coverage 60 days after birth, which is important since a mother's ability to seek treatment for postpartum depression and other mental health needs will directly affect her ability to provide quality care to her infant. Additionally, the Commission prioritized at-risk children and youth who are in the foster care system, aging out of the foster care system, and those connected to the juvenile justice system to ensure they have access to appropriate and coordinated mental health services. Another focus was made on the integration of mental health services and the education system and how these two systems can better work together.

↔ *Mixed results*

- The final budget appropriates federal funds to implement the Healthy Michigan Plan. While expanding Medicaid to low-income adults with incomes up to 133% of the federal poverty level is a significant win for Michigan residents, much attention has been paid to the unrealistic cost-savings anticipated by Medicaid expansion as it relates to non-Medicaid community mental health services, as many community mental health services cannot be subsumed under Medicaid expansion. While access to health care is essential for adults – particularly young adults who are completing their high school credential, parents, and women of childbearing age; ensuring that adults can also access mental health services is critical since we know that lack of services can result in significant challenges to parents caring for children and for young adults who may face challenges accessing a high school credential.

↓ *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 includes a reduction in funding to several programs aimed at child abuse and neglect prevention and family preservation, though child maltreatment has been on the rise in Michigan. Funding to support abuse/neglect prevention and family preservation programs have been cut over the past decade as focus has shifted from prevention to serving children and families already identified by the child welfare system. This shift in focus, unfortunately, is more costly to the state and to children’s well-being than preventing maltreatment and supporting families identified as at-risk prior to a child’s removal from his/her home.

To be ready for school at kindergarten entry

↑ *Steps forward*

- The final budget includes a \$2.5 million GF/GP increase to expand maternal, infant, and early childhood home visiting programs to serve several hundred pregnant women and families with young children in rural northern Michigan and the Upper Peninsula. The final budget also included \$1.5 million for a new Pay for Success Contracts pilot program, which will focus on home visiting programs for mothers and infants; details about this Social Innovation Bonds opportunity has yet to be released. Evidence-based home visiting programs support Michigan’s most challenged pregnant women and new moms – like teen moms, very low-income moms, and moms with other identifiable risk factors – with appropriate supports to be their child’s first and best teacher. These home visiting programs have demonstrated positive outcomes including improved birth outcomes, reduced child maltreatment, improved school readiness, and improved maternal well-being.
- The final budget includes a second \$65 million increase for the Great Start Readiness preschool program (GSRP) for a total of \$239.3 million to make Michigan a “no-wait state” for preschool

access. Part of this increase is targeted to increase access to GSRP by allocating \$10 million to support transportation needs. The final budget includes new language allowing automatic eligibility for GSRP regardless of family income for children in foster care, children experiencing homelessness, or children with an individualized education plan (IEP) recommending placement in an inclusive preschool setting. 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.

↔ *Mixed results*

- The final budget includes a \$6.9 million increase to the Child Development and Care (CDC) program to increase the maximum number of reimbursable child care subsidy hours from 80 hours to 90 hours in a two-week period. While this is a step in the right direction towards supporting families who work full-time; at one point Michigan reimbursed up to 140 hours in a two-week period to cover a full-time employee's work week as well as to support those who may need more than one job to support their families. The final budget also includes an additional \$3.7 million to the CDC program to provide tiered reimbursement rates for high quality licensed and registered child care providers. Unfortunately, this increase is built upon an extremely low hourly reimbursement structure that makes it nearly impossible for families to access high quality care and for providers to maintain their businesses. 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.

↓ *Steps backward*

- The final budget provides continuation funding of \$2 million to support the state's Infant Mortality Reduction Plan; \$602,100 for pregnancy prevention; \$321,300 for the sudden infant death syndrome program; \$152,500 for perinatal regionalization; \$750,000 for maternal and infant health; and \$112,500 for pregnancy prevention. All of these funds continue to fall short of the funding needed to fully implement the state's Infant Mortality Reduction Plan that was developed in 2012. 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.

To have pathways that lead to college and career readiness

↑ *Steps forward*

- The final budget includes an additional 200 outstationed DHS workers for the Pathways to Potential program, funded through a combination of additional federal, state, local and private dollars. Pathways to Potential locates DHS staff in local public schools and other locations where they can work directly with children and families to address basic needs and barriers to success that may include health care, housing, food, education and employment issues. DHS staff are currently

located in 159 schools throughout the state. Coordination between education and human services is essential to reduce disparities in child outcomes including the academic achievement gap.

- The final budget adds \$15.7 million (\$5.4 million in general funds or GF) to Healthy Kids Dental to expand the program to an additional 100,000 eligible children in Kalamazoo and Macomb counties. Intent language is included indicating full state-wide implementation to the remaining counties – Kent, Oakland, and Wayne – in the FY2016 budget. 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.

↔ *Mixed results*

- The budget includes a \$50/pupil increase in the basic foundation grant (to \$8,099), and those districts receiving foundation allowances below \$7,251/pupil could receive up to \$125 per pupil from a new equity payment, for a total possible increase of \$175 per pupil. However, this increase as well as small increases in FY2013 and FY2014 towards the minimum foundation allowance continues to fall short of the \$470 per pupil cut that districts faced in the FY2012 budget. 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.
- The final budget includes \$1.8 million to reward districts who facilitate student participation in dual-enrollment options where students can take college courses while in high school but didn't include language used by other states encouraging districts to utilize dual enrollment as a re-engagement strategy for the most challenged students.
- The final budget maintains funding for At-Risk programs at \$309.0 million, continuing the significant underfunding of this critical program, and \$918,000 to support the lowest achieving schools through technical assistance opportunities. The budget includes significant shifts in the use, purpose and outcomes of the fund. This flexible funding is currently used to support students at-risk of school failure through a variety of supports during or outside regular school hours such as tutoring services, early childhood programming, reading support, school-based health services, etc. The budget makes significant changes in the way that At-Risk funding would be allocated and the way that students would be deemed eligible for that funding, including prioritizing improvements in 3rd grade reading and college and career readiness and tying future funding to improvements in those two specific areas.
- The final budget includes flat funding for child and adolescent health centers at \$3.6 million and school-based health services at \$112 million. Also included is \$2 million for a pilot program for nursing and behavioral health programs in schools provided by mobile health professional teams. While this is a step in the right direction, we know that integrating health needs within education settings improves student outcomes and adequately funding this type of program could have significant impact.

↓ *Steps backward*

- The final budget didn't include any funding for before- or after-school programs targeting youth, though the House included \$3 million to expand after-school programming which was eliminated in Conference Committee. 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.
- After a decade of disinvestment, the final budget provides no funding increases for opportunities for the 5th and 6th 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.

For more information on the fiscal year 2015 budget and what it means for children and families, visit www.michiganschildren.org.