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The Governor's Fiscal Year 2009-2010 Budget: The Impact on Children and Families in Michigan

On February 12, 2009, Governor Jennifer Granholm released her proposed state budget for the upcoming fiscal year (FY 2010) which begins on October 1st of this year and ends on September 30th of 2010. The Governor's budget addresses a projected deficit of \$1.4 billion as a result of declining revenues and additional spending pressures for corrections, health and human services.

The state's structural budget deficit has been deepened by the national economic collapse. On the same day that the Governor's budget was released, Congress came to an agreement on a federal economic stimulus package that will infuse new resources into the state. Governor Granholm's budget includes only a small portion of the funds expected in the economic stimulus package—approximately \$500 million to reflect a temporary increase in the federal match Michigan can receive for Medicaid expenditures. In her budget message, the Governor reiterated that economic stimulus dollars are one-time money and cannot be used to fund ongoing programs, or Michigan will further deepen its structural deficit.

For FY 2010, the Governor proposed to address the state's budget shortfall through a combination of budget cuts totaling \$670 million and government reforms. Summarized below are selected recommendations affecting children and families in Michigan.

K-12 School Aid: The Governor's budget includes a total of \$13 billion for K-12 School Aid, including \$11.4 billion in state funds, and nearly \$1.6 billion in federal funds. Included in the Governor's proposal are the following:

- **K-12 per-pupil funding.** The Governor proposes to cut the School Aid payment for schools by \$59 per-pupil. A number of School Aid payment adjustments that had been available to specific school districts were also eliminated, including special earmarks for pilot programs, at-risk programs, transportation in rural districts, after-school math programs, vocational education and Positive Behavioral Support programs.

The Governor's budget assumes a state savings of \$5.8 million from the implementation of developmental kindergarten by requiring that beginning in FY 2010, districts will have to match the number of instructional hours provided in grades 1 through 12 to receive a full foundation allowance.

The Governor's budget also removes language that defines a district of the first class by reference to the Revised School Code, where the standard is student membership of greater

than 100,000. The result of that change is to leave a single definition of a district of the first class in the budget as one having more than 60,000 students.

- **Programs to improve academic achievement and reduce dropout rates.** The Governor's budget maintains \$15 million in funding for the 21st Century Schools Fund, which is designed to help districts replace large, impersonal high schools with low academic achievement and high dropout rates with small high schools that use "strong personal relationships, consistent discipline, and real-world relevance to help at-risk students achieve high academic goals". The Governor's budget includes language that would prevent charter schools from receiving any 21st Century grants for high school reform.

Also included in the Governor's FY 2010 budget is new language allowing Intermediate School Districts (ISDs) or the Detroit Public Schools to establish "middle college" programs in partnership with community colleges or universities that are focused on a range of career fields (previously limited to health sciences).

- **Early childhood programs.** Included in the Governor's early childhood proposals are continuation funding for the Great Start School Readiness program for at-risk 4-year-olds, and reductions in funding for children ages 0 to 3.
 - *0 to 3 Secondary Prevention program:* The Governor eliminated all funding in the K-12 School Aid budget for the 0 to 3 Secondary Prevention program (\$2.125 million). These funds are combined with funding in the budgets for the Departments of Human Services (DHS) and Community Health (DCH) and are used by communities for services to support families, improve parenting and prevent the abuse and neglect of young children ages 0 to 3.
 - *Great Parents/Great Start program:* The Governor's budget eliminates all funding (\$5 million) for Great Parents/Great Start programs operated by Intermediate School Districts (ISDs). These funds are used to leverage other local dollars to provide services to encourage early literacy, improve school readiness, strengthen families, improve parenting and reduce the need for special education services.
 - *Great Start School Readiness Program:* Funding to school districts for the Great Start School Readiness preschool program (GSRP) is continued at the current level of \$88.1 million, while the competitive grant program remains at \$15.2 million. Grants cannot be used for early childhood services similar to those funded through the former Parents Involved in Education (ASAP-PIE) program. Priority for competitive grants is given to programs that offer, or contract with another nonprofit or for-profit early childhood program to provide, supplementary child care needed to offer full-day programs. The reimbursement per child for both the school district and competitive programs remains at \$3,400.

Language is included in the Governor's budget that requires agencies and districts that provide GSRP services: (1) to engage in collaborative recruitment and enrollment with all other funded preschool programs in the same geographic area; (2) to use a

curriculum that complies with the early childhood standards of care adopted by the State Board of Education; (3) to provide nutritional services and health screenings; (4) to refer families to community services; (5) to involve parents and guardians; (6) to participate in a school readiness advisory committee; and (7) to ensure that more than 50 percent of the children participating come from families with incomes of 300 percent of poverty or less.

The Governor's budget includes language requiring districts who receive GSRP funds to complete a comprehensive needs assessment and community collaboration plan that is endorsed by the local Great Start Collaborative and is part of the community's Great Start strategic plan.

Budget language is also included allowing the Michigan Department of Education to establish required teacher and paraprofessional credentials through administrative rules, and permitting two or more school districts or ISDs to form consortiums to apply for school readiness grants.

- *Local Great Start Collaboratives:* The K-12 School Aid contribution to local Great Start Collaboratives (through the ECIC) is retained at \$6.75 million in the Governor's budget. Great Start Collaboratives have now been formed in 49 counties and are working to create the infrastructure needed for a comprehensive system of early childhood services and support for children from birth to kindergarten and their families.
- **Before and after-school programs.** The Governor's budget recognizes continuation funding for the federal 21st Century Community Learning Center program which funds after-school programs (\$35.7 million). Up to \$50,000 of that funding may be used to support the Michigan After-School Partnership.
- **Child and adolescent health centers.** The Governor proposes continuation funding for child and adolescent health centers for total spending of \$4.74 million.
- **Hearing and vision screening services.** The Governor proposes continuation funding for hearing and vision screenings, or \$5.15 million.
- **Adult and bilingual education.** The Governor cuts adult education by 17 percent (from \$24 million to \$20 million). State funding for bilingual education (\$2.8 million) is eliminated. The Governor also includes budget language creating a competitive grant process for the distribution of adult education funds. Applicants must be school districts or ISDs serving as the fiscal agents for regional partnerships that include at a minimum one postsecondary institution and one workforce development partner. Partnerships must be able to leverage other resources, support a comprehensive approach to adult education, employ certified teachers, offer comprehensive assessments, provide multiple career pathways for adult learners, use research-based instructional practices, and serve those most in need.

Department of Human Services: The Governor's budget includes a total of \$4.6 billion for the DHS, of which \$1 billion is state general fund. The budget assumes that the state will receive an additional \$155 million in Temporary Assistance for Needy Families (TANF) contingency funds in fiscal year 2009, providing flexibility to carry funds forward in 2010. Included in the Governor's budget are:

- **Public assistance for poor children:** The Governor provides \$382 million for the Family Independence Program (FIP), supporting an estimated 75,000 families—up from \$361 million in the current year budget. Employment support services were cut by \$3 million to \$34.4 million in FY 2010. Continuation funding was provided for low income energy assistance and weatherization programs, programs for homeless individuals, and emergency services.
- **Child care services:** The Governor's budget includes \$345.7 million for child care services to provide care to 48,500 low income families—down from approximately \$383 million in the current year budget. Included in the reduction is an estimated savings of \$10 million from reforms in the child care system, including provider background checks, reviews of cases at high risk for error, and additional requirements for providers and parents to verify the hours of care they use.
- **Early Childhood Investment Corporation:** The Governor recommends a small reduction in funding for the Early Childhood Investment Corporation (ECIC), from \$14.8 to \$14.6 million. Additional funding for the ECIC is appropriated through the K-12 School Aid budget.
- **Protective services and foster care:** The Governor includes an increase of \$113.4 million for child welfare improvements required to comply with a settlement resulting from a lawsuit against the state for weaknesses in its protective services and foster care systems. These funds will be used to hire additional protective services, foster care and licensing staff, as well as increase funding for private agencies. Total funding for foster care payments is expected to fall from \$213 million in the current fiscal year to \$203 million in FY 2010.
- **Adoption services:** The Governor includes \$237.3 million for adoption subsidies for an estimated 28,335 adopted children, down from \$242.2 million in the current fiscal year. An increase is recommended for adoption support services, with funding rising from \$17.8 million in the current year to \$25 million in FY 2010.
- **Family preservation and prevention programs.** The Governor recommends cuts in family preservation and prevention services, including:
 - *0 to 3 secondary prevention:* The Governor eliminates all funding in the DHS budget for secondary child abuse and neglect services (\$3,843,800). Funding from the budgets of the Department of Community Health and K-12/School Aid is also eliminated.
 - *Teen Parent Counseling:* Funding for the program (\$3.8 million) was eliminated.

- *Family group decision-making*: The Governor eliminates funding for family group decision-making, for a total cut of \$2.5 million.
 - *Marriage and fatherhood initiatives*: Funding for the marriage initiative (\$2.48 million) and the fatherhood program (\$1.73 million) is eliminated.
 - *Black Child and Family Institute*: \$100,000 in funding for the program is eliminated.
 - *Community protection and permanency planning*: The Governor reduces the program from \$21.8 million to \$17.8 million.
 - *Strong Families/Safe Children*: The Governor recommends essentially continuation funding for the program, or \$12.9 million in FY 2010.
 - *Families First*: The Governor recommends continuation funding (\$16.9 million) for Families First family preservation services.
 - *Family reunification services*: The Governor provides continuation funding for the program at \$3.98 million.
 - *Subsidized guardianship program*: The Governor recommends level funding for the program at \$4.58 million.
 - *Youth in transition*: Funding for the Youth in Transition program is increased in the Governor's budget from \$13.3 million to \$18 million.
- **Juvenile justice**: The Governor's budget includes a savings of \$10 million resulting from the closure of the Adrian Training School and the relocation of youths at the Maxey Training School to a smaller facility within the Maxey campus. Expenditures from the Child Care Fund are expected to continue to increase, rising from \$215 million this year to \$234 million in FY 2010.
 - **Before and after school programs**: The Governor eliminates funding (\$5 million) for before- and after-school programs.

Department of Community Health: The Governor recommends funding for the Department of Community Health of \$13 billion, of which \$2.8 billion is state general fund. Included in the Governor's proposal are the following:

- **Medicaid**: The Governor includes an additional \$345 million to recognize Medicaid caseload growth and the increased utilization of services. In FY 2008, 1.15 million Michigan children, or 45 percent of all children in the state, were enrolled in Medicaid or MICHild at some point in time. Young children are the most reliant on public health insurance. In FY 2008, 54 percent of the state's children under the age of one were covered by Medicaid.
- **MICHild**: The Governor projects an increase in funding for MICHild--Michigan's State Children Health Insurance (SCHIP) program--of 25 percent, from approximately \$36.9 million in the current year to \$45.7 million in FY 2010. Included is an expected increase in MICHild cases, utilization and costs of 7.6%. Since 2002, when outreach services for MICHild were cut, caseloads have remained relatively flat. The Governor's budget for FY 2010 removes budget language from the current fiscal year that requires the DCH to continue a comprehensive approach to the marketing and outreach of the MICHild program. MICHild

provides health care coverage to approximately 30,000 children in low-income working families earning between 150 percent and 200 percent of poverty.

- **Family, maternal and children's health prevention and promotion services:** Under the Governor's budget, overall spending from the Healthy Michigan Fund would fall 13.2 percent over the current year appropriation, from \$41.8 million to \$36.8 million. Prevention programs funded through other DCH revenue sources are also affected.
 - *Elimination of funding for the 0-3 secondary prevention program:* The Governor eliminated funding in the DCH budget (\$524,000) for early childhood collaborative secondary prevention (0-3 secondary prevention) programs. As noted above, funding for the program was also cut from the DHS and K-12/School Aid budgets.
 - *Elimination of funding for the Nurse Family Partnership program.* The Governor eliminates all funding (\$2,022,100) for the Nurse Family Partnership program which provides intensive services for at-risk mothers and babies.
 - *Continuation funding for local infant mortality prevention initiatives.* The Governor recommends a continuation of the current year funding level of \$900,000, with funds coming from the Healthy Michigan Fund. The initiative was started in 2005 when lawmakers earmarked \$1 million for infant mortality prevention initiatives in the Michigan communities with the greatest racial and ethnic disparities in infant mortality.
 - *Elimination of funding for physical fitness/Governor's Fitness Council.* The Governor's budget eliminates \$700,000 in Healthy Michigan Fund dollars for the Governor's Fitness Council and related physical fitness initiatives.
 - *Continuation funding for school health curriculum.* The Governor's budget continues funding of \$500,000 for the Michigan Model school health curriculum. Funding for the program was reduced in 2004 from \$3.6 million to \$500,000, a cut of 86 percent
 - *Other public health programs:* The Governor included continuation funding or minor increases for local maternal and child health services, immunization local agreements, pediatric AIDS prevention and control, lead abatement programs, newborn screening follow-up and treatment, health disparities programs, violence prevention programs, the immunization registry, lead poisoning prevention, and the Maternal Outpatient Medical Services (MOMS) program. Cuts were recommended in family planning and pregnancy prevention services (\$385,600); AIDS, tobacco and risk reduction clearinghouse and media campaigns (\$1.35 million); poison control programs (\$695,000); and the injury control intervention project (\$104,500).
- **Prenatal care outreach and support:** The Governor's budget reduces funding for prenatal care outreach and support services for low-income women from \$3 million to \$1.43 million.

- **Community mental health services:** The Governor proposes spending a total of \$2.7 billion for mental health funding, up slightly from \$2.69 billion this year. Among the changes are: (1) a \$73 million increase in provider payments; (2) a cut of \$7.6 million (2.3%) in Community Mental Health funding; (3) the elimination of funding for mental health multi-cultural services (\$6.8 million); and (4) the elimination of respite services (\$1 million).
- **Children's Special Health Care Services:** The Governor's budget includes an expansion of Medicaid health coverage under the Children's Special Health Care Services program, affecting 4,000 disabled and special needs children with family incomes between 200 percent and 300 percent of the federal poverty level. The budget also increases parent participation fees for a state savings of \$1.1 million.
- **Women, Infant and Children Nutrition program (WIC):** The Governor has projected a \$35.2 million increase in funding for the Women, Infants and Children Food and Nutrition Program with total funding increasing to \$246.1 million in FY 2010. The increase reflects both an expected increase in need, and a rise in food costs.
- **Office of Drug Control Policy:** The Governor eliminates the Office of Drug Control Policy. Anti-drug abuse grants are reduced from \$8.8 million to \$5.3 million, while funding for drug treatment courts is maintained at current levels (\$1.8 million).
- **School-based health services:** The Governor recommends a 7 percent increase in funding for school-based health services from \$83.4 million to \$89.2 million.

The Budget Watch Project is generously funded by the Detroit-based Skillman Foundation. For more information about the state budget or the Budget Watch project of Michigan's children, contact Pat Sorenson at 517/485-3500 or sorenson.pat@michiganschildren.org.