

February 13, 2009

### **Governor Granholm Releases FY 2010 Budget With Deep Cuts in Services for Children and Families**

On Thursday, February 12, 2009, Governor Granholm released her proposed state budget for the upcoming fiscal year (FY 2010), which begins on October 1<sup>st</sup> of this year and ends on September 30<sup>th</sup> of 2010. The Governor's budget addresses a projected deficit of \$1.4 billion as a result of declining revenues and additional spending pressures in the Departments of Corrections, Community Health and Human Services. State revenue estimates are now below 1971 levels.

The national economic collapse has also deepened the state's structural budget deficit. On the same day the Governor's budget was released, Congress reached a compromise on a federal economic recovery package that will infuse new resources into the states. Governor Granholm's budget includes only a small portion of the funds expected in the economic stimulus package--\$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 run the risk of further deepening its structural deficit.

The Governor proposed to address the budget deficit through a combination of budget cuts totaling \$670 million and government reforms. Although detailed budget bills are not yet available, the following changes are noted in the budget message for 2010.

**Department of Human Services (DHS):** 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:

- 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 to \$203 million.
- \$237.3 million for adoption subsidies for an estimated 28,335 adopted children—down from \$242.2 million in the current year budget.
- \$382 million for the Family Independence Program, supporting 75,000 families—up from \$361 million in the current year budget.
- \$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.
- \$134.9 million for home heating, energy and weatherization programs for low-income homeowners.
- \$40.1 million for emergency assistance.

**The Governor recommends cuts of \$100 million in the Department of Human Services, including:**

- A total of \$54.3 million for family preservation and prevention services—a reduction from current year spending. Among the apparent cuts are Community Protection and Permanency Planning (\$21.8 million to \$17.8 million), Teen Parent Counseling, 0 to 3 Secondary Prevention, Family Group Decision-making, the Marriage and Fatherhood Initiatives, the Black Child and Family Institute, and the Michigan Youth Opportunity Initiative. Continuation funding was provided for Families First, Family Reunification and the Subsidized Guardianship program. Increases were recommended for Adoption Support Services and the Youth in Transition program
- Elimination of funding (\$5 million for before- and after-school programs).
- A cut of \$3 million in funding for employment support services from approximately \$38 million in the current fiscal year to \$35 million.
- The elimination of a number of pilot and non-statewide programs (no details yet available).
- Elimination of the state supplemental payments for Supplemental Security Income (SSI) recipients (\$14 per month per recipient).
- Savings of \$10 million from reforms in the child care system, including provider background checks, review of cases at high risk for error, and additional requirements for providers and parents to verify the hours of care they need.
- Saving of \$10 million resulting from the closure of the Adrian Training School and the relocation of youth at the Maxey Training School to a smaller facility within the Maxey campus.

**Department of Community Health (DCH):** The Governor’s budget includes a total of \$13 billion for the DCH, of which \$2.8 billion is state general fund. Included in the Governor’s budget are:

- An increase of \$354 million to recognize Medicaid caseload growth and increased utilization of services.
- An increase of \$198 million to increase payment rates to Health Maintenance Organizations.
- An expansion of Medicaid health coverage under the Children’s Special Health Care Services program, affecting 4,000 disabled children with family incomes between 200 percent and 300 percent of the federal poverty level.
- \$2.5 billion for community mental health services, including \$73 million to increase provider payments rates.
- \$139 million to provide basic health coverage to 62,000 low-income adults through the Adult Benefits Waiver program.

**The Governor recommends \$106 million in state general fund cuts, including:**

- Elimination of the Office of Drug Control Policy.
- A savings of \$5.7 million in state general funds as a result of closing the Mount Pleasant Center for Persons with Developmental Disabilities.
- Savings of \$44 million for drug rebates through managed care organizations.
- Savings of \$6.9 million by adding behavioral health drugs to the preferred drug list.
- A cut of \$7.6 million in Community Mental Health funding.
- A total cut of \$8.8 million in services “to specialized populations or in limited service areas,” including the elimination of over \$500,000 in Early Childhood Collaborative Secondary Prevention Grants (0-3 Secondary Prevention), and reductions in the Nurse Family Partnership program.

**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 budget are:

- A continuation of \$15 million for 21<sup>st</sup> Century School Grants to help large districts restructure their high schools to address high dropout rates and improve student achievement.
- A total of \$100 million for Great Start Readiness Programs, including continuation funding for preschool programs (\$88.1 million for district programs and \$15.2 million for competitive programs) for 30,000 Great Start Readiness Program slots for at-risk 4-year-olds, and continuation funding (\$6.75 million) for local Great Start Collaboratives.
- Funding for a new professional development program (Algebra 4 All) for teachers in grades 8 through 12 to promote best practices for teaching algebra.
- \$1.5 billion for special education services.
- \$850 million for academically at-risk students.
- \$365 million for the school meal programs..
- Continuation of current funding (\$20 million) to help district offset the impact of declining enrollments.
- Continuation funding for the Michigan Afterschool Partnership.

**The Governor recommends cuts of \$164 million for K-12 education, including :**

- A reduction in the per-pupil foundation allowance of \$59 per student.
- A reduction in funding for adult education programs (from \$24 million to \$20 million), with new budget language significantly changing the expenditure of funds and populations served.
- Elimination of just over \$2 million for the Interagency Early Childhood Grants (0-3 Secondary Prevention).

**Higher Education:** The Governor's budget includes a total of \$1.7 billion for the state's 15 public universities and student financial aid programs, of which \$1.5 billion is state general fund. Included in the Governor's budget are:

- An increase of \$6 million (to over \$30 million) in the Tuition Incentive Program (TIP) to reflect increased need.
- A proposal that state universities and community colleges freeze tuition for the next academic year.
- A consolidation of the state's higher education scholarship programs, creating: (1) Michigan Promise Grants (\$140 million), a merits-based scholarship; and (2) Michigan College Access Grants (\$90 million), a single needs-based program which would benefit approximately 89,000 students who would qualify for an estimated \$1,000 annual award.

**The Governor recommends cuts in higher education, including :**

- A 3 percent reduction in university operations.

**Other reductions and reforms :**

- A reduction of 1,500 state employee positions in fiscal years 2009 and 2010, with additional state employee concessions. The state has 17 percent fewer employees than it did in 2001, and employees have twice made concessions, including increased health insurance premiums and unpaid days off.