The 2017 State Budget Fails to Protect All Children and Families and Perpetuates Economic Disparities

The 2017 state budget approved by the Legislature falls short by failing to address long-term solutions to the public health and educational crises in Flint and Detroit, as well as the infrastructure and public health crises brewing in other areas of the state.

The exposure of Flint residents—and especially infants and toddlers—to toxic lead in their water, and the unsafe conditions and looming insolvency of the Detroit Public Schools (DPS) became national news this year, exposing many governmental failures and a history of inadequate investments.

By not addressing the risks to children and families state wide, reversing disinvestments in basic services or drawing down all available federal dollars, the state budget fails to protect all children and families and perpetuates the economic and racial disparities that plague the state’s economy.

While some quick fixes have been approved, Michigan still lacks a long-term strategy to address the state’s crumbling infrastructure and public services. Across the state, communities are struggling to maintain high-quality schools, provide basic services and protect their residents from threats to health and safety.

- There are hotspots of lead poisoning all over the state, with 70% of lead exposure associated with paint in older homes.

- School districts in both urban and rural areas are struggling financially as state funding has failed to keep pace with inflation or reflect rapidly declining enrollment.

- State policies—including stringent lifetime limits on public assistance, the ending of assistance for an entire family when one child is truant, child care

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Highlights of 2017 Budget

- Beginning investments in the health, human services and infrastructure needed to address the Flint crisis.
- Statewide expansion of the Healthy Kids Dental program that prevents tooth decay.
- Increased funding for child abuse and neglect prevention.
- Small increase in eligibility for child care subsidies for low-wage parents.
- Reductions in outreach for the successful Healthy Michigan Plan that now covers 600,000 low-income Michiganders.
- Continued reductions in the number of families receiving basic income and food assistance because of unnecessarily stringent eligibility policies.
- No additional funding for schools with high numbers of children at-risk of educational failure.
- No funding for financial aid for students who have been out of high school for more than ten years, despite the economic benefit of building the skills of this population.
- No additional revenue sharing funds for cities, villages and townships—despite the reality that current payments are substantially below statutorily set levels.
eligibility levels that are among the lowest in the country, and an asset test for food assistance—have pushed more Michigan families into deep poverty and made it harder for them to find and keep jobs.

Long-term fixes to the problems in Flint, Detroit and all areas of the state cannot be achieved by dividing up a shrinking “budget pie,” and state tax policies have created a difficult hill to climb in rebuilding Michigan’s infrastructure and basic services. In recent years, shifts in the way the state taxes businesses, the state’s failure to update its tax system to reflect the new service economy, and continued earmarking of the state’s General Fund all limit the state’s choices and must be part of the ultimate fix.

THE FLINT WATER CRISIS

As part of the final budget, the Legislature approved an additional $114 million ($87 million in state funds) to address the lead exposure crisis in Flint during the current budget year—on top of three smaller funding increases already approved. Funds are to be used in part to:

- Provide half-day child care services for children ages 0-3 in Flint who live in households earning less than 300% of the federal poverty level ($8 million, with an additional $8 million reserved for future child care services for children in Flint through 2018).
- Replace lead service lines in high-risk, high-hazard homes in Flint ($25 million).
- Provide mental health services for children affected by lead exposure ($1.5 million).
- Expand access to nutrition programs ($1.3 million), and increase resources for food banks ($430,000).
- Establish a statewide childhood lead poisoning prevention program ($1.3 million).
- Provide an additional $12.8 million to cover portions of Flint residents’ water bills (in addition to $30 million approved earlier).

THE CRISIS IN DETROIT PUBLIC SCHOOLS

In a contentious late-night session, the Legislature approved a package of bills intended to help Detroit Public Schools (DPS) as it struggles to remain solvent and maintain safe, high-quality schools. The final agreement retains the current school district as a vehicle to pay off the district’s debt (funded by the 18 mill property tax currently used for the school per-pupil foundation allowance), and establishes a new school district to operate the schools, completely funded with state funds.

At issue were: (1) the adequacy of funding for the new school district, which at $617 million falls $88 million short of what is needed; (2) how the funding shortfall would be addressed—resulting in an amendment ensuring that it doesn’t affect other schools by coming from the School Aid Fund; (3) the rejection of the proposed Detroit Education Commission, a body that would have had the authority to help manage the proliferation and location of schools in Detroit which has partly led to DPS’s fiscal crisis; and (4) a range of changes in teacher hiring, pay and accountability systems that apply only to DPS.

THE 2017 STATE BUDGET

The Legislature approved a total of nearly $55 billion for 2017. More than 4 of every 10 dollars spent by the state are federal, with state general funds representing only 18%. The state’s General Fund—the dollars over which the Legislature has the most discretion and control—are 29% below 2000 budget year levels when adjusted for inflation.

Health

Flint Emergency Funds: The Legislature agreed with the governor on $15.1 million ($9.1 million in state funds) for partial-year funding of public health services for persons exposed to lead in Flint. Additional funding could come from a Flint Emergency Reserve Fund.

The League supports investments to address the Flint crisis in multiple state departments, including public health enhancements in 2017.

Healthy Kids Dental: The Legislature approved full funding—as recommended by the governor—of $8.9 million in state funds ($25.6 million in total funds) to expand the Healthy Kids Dental program to an estimated 131,000 Medicaid-eligible youths and young adults (ages 13-20) in Kent, Oakland and Wayne counties. With this expansion, all children and young adults insured by Medicaid are now eligible for dental coverage through the program.

The League supports the expansion of Healthy Kids Dental to all eligible children in Michigan. Tooth decay remains the most prevalent chronic disease in children resulting in
lost school days and diminished learning, as well as the potential for long-term negative health consequences.

**Adult Dental:** The final budget does not include $23 million ($8 million in state funds) that the Senate recommended to increase access to dental services for adults insured by Medicaid through a managed care program. The Legislature did support $1.6 million for local health departments that partner with nonprofit dental providers to expand services for seniors, children, uninsured low-income persons and adults enrolled in Medicaid. Also included was $2.7 million ($950,000 in state funds) to increase reimbursement rates for dental services provided to pregnant women.

The League supports funding to expand access to dental services for adults covered by Medicaid. Nationwide, the erosion of private dental insurance, the increased cost of dental care, and the limited number of dentists accepting public insurance have resulted in increased emergency room visits related to dental emergencies and barriers to employment.

**Healthy Michigan Plan:** The Legislature provided $110.6 million in state funds for the Healthy Michigan Plan to address the decline in federal match from 100% to 95% effective January 1, 2017. However, the final budget reduces the Healthy Michigan Plan call center by $8.1 million ($1.6 million in state funds), and reduces marketing and advertising for the program by $1 million ($500,000 in state funds).

The League supports funding for the state required contribution to the Healthy Michigan Plan and strongly opposes limits on outreach for the program. By meeting the new state match, the Legislature ensures that the program will continue to cover more than 600,000-plus enrollees. The Healthy Michigan Plan should be available to all who qualify, and the Department of Health and Human Services (DHHS) should be encouraged to reach out to currently uninsured individuals.

**Specialty Drugs for Medicaid Enrollees:** The Legislature approved an additional $105 million ($30 million in state funds) for new specialty drugs for Hepatitis C and cystic fibrosis treatment—down nearly 50% from the governor’s recommendation. With this added funding, total spending for the two drugs is expected to top $300 million next year, including $110 million in state funds. The Legislature also rejected the governor’s proposal for a specialty drug reserve fund of $86 million to cover costs associated with other specialty drugs in the pipeline.

The League supports adequate funding for specialty drugs for Medicaid enrollees. These new drugs, while expensive, have the potential to prolong life, and in the case of Hepatitis C, potentially provide a cure.

**Integration of Physical and Behavioral Health Services:** The Legislature rejected budget language proposed by the governor that would have transferred funding for all mental health and substance use disorder services for Medicaid and Healthy Michigan Plan beneficiaries to Medicaid Health Plans by September 30, 2017. New budget language was adopted that establishes a workgroup to make recommendations on how to integrate services. The budget also requires legislative authorization before funds are transferred, and provides for pilot programs.

The League supports the Legislature’s initiative to set up a thoughtful process to determine the best way to integrate physical and behavioral health services, and was a member of the DHHS behavioral health workgroup that addressed the issue.

**Selected Medicaid Provider Rates:** The final budget does not include the $21.3 million ($7.4 million in state funds) approved by the Senate for a 6% increase in rates for Medicaid primary care physicians. However, an increase of 15% was approved for private duty nursing services for persons under the age of 21 covered by Medicaid.

The League supports increased Medicaid primary care provider rates. Access to primary care is a problem in both rural and some urban areas, and addressing low Medicaid rates for primary care physicians is a critical step toward preventive care for families and individuals. The League also supports increases for private duty nurses for Medicaid beneficiaries as a way to improve the quality of care for children and adults with complex medical needs and allow them to remain in the most homelike setting possible.

**Human Services**

**Food Assistance:** The final budget does not include a House proposal—adopted through a bipartisan vote—to draw down approximately $138 million in federal food assistance dollars with an investment of only $3.2 million in state funds. If adopted, Michigan would have been
able—at a very small state cost—to restore cuts in food assistance for about 150,000 families, reductions that occurred in 2014 when the state opted to not participate in the federal “Heat and Eat” program.

The League strongly supported state funding for the Heat and Eat program, as well as the elimination of the state asset test for food assistance.

Family Independence Program: The final 2017 budget adopted by the Legislature perpetuates the chronic under-funding of state income assistance programs, including the Family Independence Program (FIP).

- The Legislature rejected the governor’s proposal to expand the annual clothing allowance for children in families receiving FIP from $140 per child to $200 at a total cost of $6.1 million in federal funds, although $3.4 million was provided to expand the allowance to all FIP children—not just those living with a relative or others not receiving FIP.
- The Legislature took no steps to reverse state policies that have resulted in a precipitous drop in the number of families eligible for FIP—including strict lifetime limits and the sanctioning of an entire family if one child is truant.

The League supports an expansion of the school clothing allowance. The League continues to oppose state policies that create deeper poverty and hardship for children, including more stringent FIP lifetime limits and sanctions which have resulted in many families failing to receive needed assistance, with caseloads falling from nearly 80,000 families in 2011 to only 25,000 in 2016.

Child Abuse and Neglect: The final budget includes $6.1 million in one-time federal funding to expand the Parent Partner and Family Reunification Programs—down from the governor’s recommendation of $10 million. The goals of the programs are to prevent the need for foster care, ensure that children are more quickly reunited with their families when it is safe to do so, and assist parents after children are returned home.

The League strongly supports programs to prevent child abuse and neglect and strengthen families. While the number of victims of child maltreatment has been climbing, funding for prevention has largely declined or remained stagnant.

Child Care and Early Education

Child Care: The final budget included $7.7 million in federal funds for a modest increase in the initial eligibility level for subsidized child care. At 121% of poverty, Michigan currently has one of the most restrictive child care eligibility levels in the country, and the 2017 budget will increase eligibility to 125% of poverty. Also included is $8.1 million for half-year funding of child care eligibility for Flint children ages 0 to 3 in families with incomes of 300% of poverty or less—with the possibility that additional funds could be transferred from the Flint Emergency Reserve Fund if needed. The Legislature did not address the reality that Michigan is one of only a handful of states nationwide that is not drawing down all federal child care funds to which it is entitled.

The League supports an increase in child care eligibility to 150% of poverty as well as increases in payment levels and access to high-quality child care. Statewide, the number of low-income families receiving child care subsidies fell by nearly 75% in the last decade—from 63,000 in 2006 to only 17,000 in 2015. Child care funding that communities and businesses need to keep low-wage parents on the job fell from $460 million to $105 million. The decline is partly the result of Michigan’s low child care eligibility and provider payment levels.

Great Start Readiness Program: The Legislature provided continuation funding for the Great Start Readiness preschool program ($243.6 million), allowing for 63,000 half-day slots for low-income 4-year-olds. Children are eligible if their family’s income is below 250% of poverty (300% if all children at 250% are served), with the priority given to children with the greatest needs.

The League strongly supports the state’s continued investment in preschool opportunities for 4-year-old children from low-wage families, as well as an expansion—on a pilot basis—to 3-year-olds.

K-12 Schools/Education

Per-Pupil Spending:

- The Legislature retained the governor’s per-pupil increase of between $60 and $120, with districts receiving the lowest payment per pupil receiving the largest increases. The minimum per-pupil payment will increase to $7,511, while the
maximum will rise to $8,229. This year, the difference between the highest- and lowest-funded districts is $778—down from a gap of $2,300 when Proposal A was first adopted.

- The final budget includes the $72 million recommended by the governor to pay the additional foundation allowance costs associated with diverting Detroit Public Schools’ property tax revenue to pay off the district’s debt.

The League supports school funding levels that increase the quality of education, mitigate the impact of inflation and fixed costs on school operating budgets, and increase funding equity. Two of every 3 dollars in the School Aid budget are used to support per-pupil payments, which are the primary source of funding for school operations. Part of the challenge facing school districts has been declining enrollment, in part the result of the growth of charter schools.

Funding for At-Risk Students: The final budget approved by the Legislature did not increase funding for high-needs students—rejecting a House increase of $18 million for a small number of districts that are currently not eligible for At-Risk program funding, but have more than 50% of their students eligible for the free lunch program due to family income below 130% of poverty (about $26,000 a year for a family of three). Total funding for the program is maintained at the current year level ($379 million). Ongoing funding of $5.6 million is available for adolescent teen health centers and $5.2 million for hearing and vision screenings in schools.

The League supports full funding of the At-Risk program. In the current year, the Legislature approved an increase of $70 million for at-risk students—the first increase in over a decade. By statute, districts are supposed to receive a set amount of At-Risk dollars based on the number of children receiving free breakfast and lunch (135% of poverty). However, because the At-Risk program has been underfunded by a total of $1.9 billion since 1995, districts receive much less. Fully funding the At-Risk program this year would have cost an estimated $134 million more than was appropriated.

Reading by Third Grade: The final budget reduces funding for this year’s initiative to improve reading by third grade by $2.5 million, from $26.4 million to $23.9 million, through the elimination of pilot projects and one-time funding. The largest component of the initiative—funding for additional instructional time for children who are behind in reading—is retained at $17.5 million. Also included are funds for early literacy screenings, teacher coaches and professional development.

The League supports state investments in early literacy, including expanded instruction time and professional development for teachers. The League also supports early intervention and early childhood education programs that give children a jumpstart before they enter the schoolhouse doors.

Lead Testing in Schools Statewide: The Legislature approved $4.5 million in state funds (in the budget of the Department of Education) to reimburse school districts that choose to test their water for lead levels, with a cap of $950 per school building. The governor’s budget included $9 million in the School Aid budget for lead testing in schools statewide.

The League recognizes that lead exposure—from water, paint, demolition debris or other sources—is a threat in many areas of the state, and supports a statewide approach to lead exposure prevention, abatement and amelioration.

Adult Education:

- The Legislature expanded eligibility for adult education to adults age 18-19. Currently, adult education is available for persons age 20 and over, and the governor had proposed expanding eligibility to adults age 18-19 and to high school students and out-of-school youths under age 18. While the final budget’s expansion puts less strain on adult education providers’ budgets than the governor’s proposal, it still increases the likelihood that some adult education programs will be strapped for money to the degree that they cannot effectively serve their priority population (individuals 20 years of age and over).

- The Legislature followed the governor’s lead by continuing to fund adult education at $25 million, the same amount as last year. This is despite the demonstrated need for more funding, as the League and adult education providers have shown that fewer students in Michigan are enrolling in and completing adult education programs and many counties have cut their programs due to a shortage of money.
The League opposes the expansion of adult education eligibility to any new groups without concurrent additional funding to providers to accommodate the increase in students. The League also recommends an increase of at least $10 million in adult education funding. At an estimated cost of $1,240 per student, this would enable 8,000 more students to be served, and would enable adult education to serve the equivalent of 10% of students age 25-44 without a high school diploma.

**Postsecondary Education**

**Financial Aid:**

- The Legislature added $4.5 million in new funding for the Tuition Incentive Program (TIP), which serves students from households that are eligible for Medicaid, bringing the total funding for the program to $53 million.

  *The League supported the increase in funding for the TIP, as it is specifically targeted to students from low-income households.*

- Neither the governor nor the Legislature included funding for the Part-Time Independent Student Grant, which serves individuals who have been out of high school for more than 10 years and/or are over 30 years of age. This grant had been included in the 2016 Community Colleges budget, but was cut from the final budget in conference committee. The failure to include funding for the grant in 2017 means that the upcoming school year will be the seventh year in a row that there is no state financial aid to help this population attend a community college or public university.

  *The League supports reinstating and funding the Part-Time Independent Student Grant to help older students, many of whom are low-paid workers raising families.*

- The final budget includes just under $1 million in new funding for the Michigan Tuition Grant, a means-tested grant that helps students attend private not-for-profit institutions. No additional funding was provided for the Student Competitive Scholarship which is based on both merit and need.

  *The League supports keeping these two financial aid programs strong, as they are accessible to students from low-income families in addition to those from financially secure families.*

**Tuition Restraint:** Tuition restraint is a limit on the amount a university may increase tuition and fees annually and still receive full funding from the state. For 2017, the Legislature increased the cap by a smaller amount than recommended by the governor, 4.2% vs. 4.8%, and added language that universities that exceed the cap will not receive capital outlay funds (for school construction projects) in the 2018 or 2019 budget years and that the Legislature may adjust the appropriations for those universities.

  *The League supports tuition restraint as an attempt to keep tuition from rising too quickly, but prefers that Michigan undertake other strategies to actually bring tuition down and reduce student debt. Because much of the cost burden of supporting public universities has been shifted from the state to students, reducing tuition can only be done if the state restores the university funding that has been cut over the past decade.*

**Community Revenue Sharing**

**Statutory Revenue Sharing for Cities, Villages and Townships:** The Legislature maintained the funding amount ($248.8 million in restricted funding) and statutory revenue sharing distribution formula used in the current year, which makes all cities, villages and townships (CVTs) eligible for 100% of the payment they received in the current budget year so long as they meet already established accountability and transparency requirements. This does not do enough to reverse the trend of disinvestment, as Michigan currently funds statutory revenue sharing at less than 30% of the statutorily set level.

**County Revenue Sharing and Incentive Program:** The Legislature approved a total of $217.3 million in restricted funding, expanding county revenue sharing to two newly eligible counties and providing a 1.0% increase to all eligible counties. In the 2017 budget year, 78 counties are eligible for state-paid county revenue sharing, up from 76 in the current year.

  *The League supports full funding of statutory and county revenue sharing. The increase provided to counties is a step in the right direction to start reversing years of*
disinvestment in our local communities, but CVT revenue sharing is still woefully underfunded. While holding CVTs harmless is preferable over cuts, more must be done to provide the increases that these municipalities require.

**Corrections**

**Mental Health Services:** The Legislature approved approximately $1 million for an additional nine full-time mental health care staff positions—below the governor’s recommendation of 17 new full-time mental health services positions in the 2017 budget year.

The League supports increased funding for prisoner mental health care and substance use disorder treatment. An estimated 20-25% of prisoners have been diagnosed with severe mental illness, and many more with mental health problems. Nine of every 10 prisoners with severe mental illness also suffer from substance use disorders, and upwards of 65% of those with mental health symptoms do not receive treatment.

**Reentry Services:** The final budget did not include increases for contract rebids to adjust for inflation as proposed by the governor; however, an additional $4.5 million was appropriated as "criminal justice reinvestment" in order to expand current evidenced-based reentry programs along with $500,000 for medication-assisted substance abuse programs, and $2 million for expansion of the Vocational Village pilot program that connects prisoners with employers that provide job training for future employment.

The League supports efforts to adequately fund and improve reentry programming and advocates for further funding geared towards reducing recidivism. Currently over 50% of the prison population is made up of probation and parole violators.