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Governor's Budget: What's In It For Kids?*Sustain Investments in Maryland's Future To Compete In The New Economy***Executive Summary**

Like Maryland's winter look, the Governor's budget resembles a frozen landscape when it comes to spending for the state's public schools and other programs for children and families. The administration's record of achievement for Maryland includes public schools that lead the nation, expanded access to health care and more families staying safe and together. Without sustained investments, the state will miss the opportunity to build on these successes and may lose its place at the top in the race to compete in the new economy. The Governor and legislature should agree on additional revenue to fully fund mandated aid to public schools and undo other budget freezes or cuts that will harm children and families.

Background

Like the income of many Maryland's families, the state has seen a drop in revenues as a result of the recession. While the federal stimulus provided additional money to working families and state fiscal relief, the money for states has largely ended. The Governor's plan deals with the resulting budget gap through spending reductions, including a freeze in state aid to public schools, and shifting money from other sources. The budget also proposes new Medicaid hospital assessments and reins in Medicaid provider rates.¹ Rather than increasing money for front-end services to help more families stay together, anticipated foster care savings are largely transferred out of the child welfare budget; evidence-based programs for juvenile youth appear level-funded.

Education

For the first time since the landmark *Bridge to Excellence in Public Schools* ("Thornton") education funding plan passed, the administration has sought to not fully fund its mandated aid increases.² This freeze

in state aid reduces money for schools by about \$94 million, while level-funding library aid adds \$4 million in freezes. The budget also temporarily replaces about \$130 million in state money for schools using non-sustainable sources, with one-time federal money replacing about \$124 million in state aid and \$6 million in increased capital debt funding the Aging Schools program.³ The administration's capital budget also obligates \$250 million for public school construction.⁴

As the administration points out in their budget highlights document, "Maryland's best-in-the-nation schools must continue to identify ways to reform and improve in order to be globally competitive and prepared for the new economy."⁵ Indeed, the Thornton plan's boost in state aid coupled with reform and vigorous accountability has resulted in the state being chosen as the #1 public schools system in the country three years in a row.⁶ Reinforcing Maryland's excellent record, the budget includes a \$100 million deficiency to begin to distribute funds awarded through the federal Race to the Top grant. To stay at the top, instead of freezing support and success, the state should keep pace with its global competitors and fully fund Maryland's nation-leading public schools.

Maryland's early education and child care system is also often pointed to as a national model. Money for child care subsidies goes up by about \$9 million which will help working families find work or stay employed.⁷ While many programs are flat-funded, like Home Visiting, Head Start and the Judy Hoyer Centers, spending on the Child Care Resource & Referral Network and for Family Support Centers

<http://dbm.maryland.gov/agencies/operbudget/Documents/2012/FY2012BudgetHighlights.pdf>.

3 DLS Fiscal Briefing, page 10

4 DBM Budget Highlights, page 15

5 DBM Budget Highlights, page 14

6 Hightower, Amy M., "State Performance and Policymaking: Weighing In, Measuring Up," Education Week, January 13, 2011.

7 Spending data are from the FY 2012 Maryland Operating Budget available at

<http://dbm.maryland.gov/agencies/operbudget/Pages/FY2012OperatingBudgetDocs.aspx>. For Child Care Subsidy Program, see Maryland State Department of Education, Volume III, page 70.

1 For a detailed review of the Governor's budget, see the Department of Legislative Services report "Fiscal Briefing," revised January 25, 2011 at

http://mlis.state.md.us/2011rs/budget_docs/all/Operating/Fiscal_Briefing.pdf.

2 See "FY 2012 Maryland Budget Highlights," page 40, Department of Budget and Management, at



appears to be level-funded at best.⁸ After repeated past reductions, these vital parts of the state's early education infrastructure would be hard-pressed to absorb any additional cuts.

Through deficiency reversions, the budget also reduces current-year funding for the Governor's Office for Children by \$390,000 and for the Children's Cabinet Interagency Fund, which funds the activities of Local Management Boards (LMB) by \$210,000 or \$600,000 total to be transferred for current-year LMB administration.⁹ The Children's Cabinet Interagency Fund is cut by \$3 million in the upcoming budget. In the current Interagency Fund budget, about \$14.6 million went to fund Wraparound Maryland and \$15.7 million went to the Early Intervention and Prevention program, critical programs at the local level to keep families safe and intact.¹⁰ It is not yet clear which subprogram is cut in the Governor's budget.

Health

Over the last several years, the budget of the Department of Health and Mental Hygiene has taken roughly 40 cents of every dollar cut in the overall budget. Healthy Start programs, substance abuse programs, cancer screenings, pre-natal visits and chronic disease management programs have been reduced or eliminated in many counties. Cuts in local aid will also reduce available funding for health services and programs.

In addition to a drop in state revenues, the recession has also led to an increase in the number of Marylanders needing work supports, like Medicaid, which is the major factor in a \$675 million increase in the Department of Health and Mental Hygiene's budget to just under \$10 billion. To help pay for this growth, the administration would raise about \$200 million through Medicaid Hospital Assessments and continue cost-containment measures on Medicaid provider rates.

8 Accounting for a FY 2011 deficiency, MSDE's Division of Early Childhood Education is flat-funded. See FY 2012 Operating Budget, Volume III, page 31.

9 For deficiencies, see DBM Budget Highlights, Appendix C, page C24 and C28. For FY 2012 allowance, see FY 2012 Operating Budget, MSDE, Children's Cabinet Interagency Fund, Volume III, page 85.

10 See "Analysis of the FY 2011 Maryland Executive Budget – Children's Cabinet Interagency Fund," Department of Legislative Services, Exhibit 3, page 7.

The mental health budget goes up about \$80 million, due to increased community fee-for-service enrollment and utilization. Money for the Developmental Disabilities Administration increases by about \$28 million, with expanded number of placements and a provider rate increase. Spending for substance abuse treatment is reduced slightly in the Alcohol and Drug Abuse Administration; the Primary Adult Care program has added substance abuse treatment as a covered benefit.¹¹ In the MSDE budget, School Based Health Centers are targeted to get \$2.6 million, a cut of about \$140,000.¹²

Despite its wealth, the most recent national data ranked Maryland 38th in the nation in terms of low-birth weight babies and 42nd in terms of infant mortality. Maryland did see a reduction in overall infant mortality in 2009, due to a 20 percent decrease in white infant mortality. However, overall, black infant mortality increased—except for in Prince George's County where new health department initiatives likely contributed to a 12 percent reduction in infant mortality. The significant progress made in Prince George's County merits expansion and replication, but additional funding does not appear to have been provided.¹³

While recognizing the need to expand family planning services to low-income women before they become pregnant, Maryland has yet to find the 10 percent state match needed to expand its services. Family planning services are flat-funded and federal funds for the Women, Infants and Children nutritional program go down by \$2.5 million, though the decrease is mainly due to lower projected food costs per participant.¹⁴

As with Medicaid, the recession has caused enrollment in the Supplemental Nutrition Assistance Program (previously called Food Stamps) to surge. The

11 See "Analysis of the FY 2012 Maryland Executive Budget, Department of Health and Mental Hygiene – Fiscal 2012 Budget Overview," Department of Legislative Services, page 12, at http://mlis.state.md.us/2011rs/budget_docs/all/Operating/M00_-_DHMH_Overview.pdf.

12 School Based Health Centers are budgeted in MSDE Aid to Education – Innovative Programs, FY 2012 Operating Budget, Volume III, page 59.

13 See "2010 KIDS COUNT Data Book: State Profiles of Child Well-Being," The Annie E. Casey Foundation, page 19 and page 21, at

<http://datacenter.kidscount.org/DataBook/2010/OnlineBooks/2010DataBook.pdf>.

14 FY 2012 Operating Budget, Department of Health and Mental Hygiene, Family Health Administration, Volume II, page 158-159.

Department of Human Resources (DHR) budget includes about \$500 million in a deficiency appropriation for Food Stamps for the current budget and funds the next budget at the same increased amount, bringing total Food Stamps funding to nearly \$1.2 billion a year.¹⁵ In response to the recession, the administration's plan also increases funding for cash assistance by \$2.5 million and energy assistance by \$20.9 million.¹⁶

Child Welfare

DHR's *Place Matters* initiative has successfully reduced both the number of children in foster care and the number of children placed in group homes. Although DHR began to report this success as early as 2007¹⁷, the related savings in foster care payments did not become apparent until this budget, when about \$50 million is effectively shifted out of the child welfare program.¹⁸ The administration missed an opportunity to build on this success and use at least a part of the savings to fund in-home services for at-risk families. Recent studies have demonstrated these intensive services can reduce foster care entries by up to one-third.¹⁹ Achieving the goals of *Place Matters* without

15 For FY 2011 deficiency, see DBM Budget Highlights, Appendix C, page C27. For FY 2012 allowance, see Operating Budget, Department of Human Resources, Local Department Operations – Assistance Payments, Volume II, page 398.

16 See “Analysis of the FY 2012 Maryland Executive Budget, Department of Human Resources – Fiscal 2012 Budget Overview,” Department of Legislative Services, page 9, at http://mlis.state.md.us/2011rs/budget_docs/all/Operating/N00_-_DHR_Overview.pdf.

17 DHR's StateStat reports which include foster care caseload data back to July 2007 are available at <http://www.statestat.maryland.gov/reports.asp>.

18 ACY's March 2009 issue brief “Lost Savings” analyzing the anticipated and at-that-point unrealized savings is available at <http://acy.org/articlenav.php?id=383>. Prior the release of the FY 2012 budget, the most recent reporting for foster care payment funding was at the close of the 2010 legislative session. For the FY 2010 and FY 2011 appropriations for foster care, see “The 90 Day Report – A Review of the 2010 Legislative Session,” Department of Legislative Services, Part A, Exhibit A-1.21, page A40. At that time, FY 2010 was budgeted at \$365.9 million while FY 2011 was funded at \$351.9 million. For funding in this budget, see FY 2012 Operating Budget, DHR, Local Department Operations – Foster Care Payments, Volume II, page 382. The FY 2010 actual spending is reported as \$329.9 million, or \$36 million less than the FY 2010 appropriation in the 2010 90 Day Report. For the FY 2011 \$18.3 million deficiency reversion, see DBM Budget Highlights, Appendix C, page C27.

19 See “Intensive Family Preservation Services: Program Fidelity Influences Effectiveness,” Washington State Institute of Public Policy, February 2006, at <http://www.wsipp.wa.gov/pub.asp?docid=06-02-3901>. For

investing the resulting savings, at least partially, in expanded family preservation services leaves the administration with a partial victory.

Juvenile Justice

Like many other programs, the Department of Juvenile Services (DJS) budget is basically level-funded, with an increase of about \$2 million.²⁰ According to the administration, the residential operations budget increases by about \$4 million and the community services budget increases by less than \$300,000²¹. A proposed change to allow DJS to charge local school districts for part of the cost of educating youth committed to DJS will save \$2.2 million.²² The administration misses an opportunity to expand funding for evidence-based programs, like Multi-Systemic Therapy and Family Functional Therapy.

Conclusion

While the Governor has signaled openness to consider additional revenue, the budget does not rely on new revenue, except for the Medicaid Hospital Assessments. Reaching consensus and selecting from a range of revenue options, including corporate tax reform, raising the alcohol tax or gas tax, applying the sales tax to services and continuing the millionaire's tax²³, would provide the additional money needed to enact a balanced budget that eliminates unwise spending cuts and freezes.

analysis of a range evidence-based practices, see “Evidence-Based Programs to Prevent Children from Entering and Remaining in the Child Welfare System: Benefits and Costs for Washington,” Washington Institute of Public Policy, July 2008, at <http://www.wsipp.wa.gov/pub.asp?docid=08-07-3901>.

20 For FY 2012 allowance, see FY 2012 Operating Budget, Department of Juvenile Services, Volume III, page 631. For FY 2011 deficiencies, see DBM Budget Highlights, Appendix C, pages C28-C29.

21 DBM Budget Highlights, page 56.

22 DBM Budget Highlights, page 56.

23 For more detail on Maryland's reasonable revenue options, see Maryland Budget and Tax Policy Institute's legislative preview at <http://marylandpolicy.org/documents/preview2011.pdf>.