



How the Budget Can Create Economic Opportunity

by **Anika Fassia**
Policy Analyst

For Michigan to be a prosperous state offering good jobs and a growing economy, everyone needs to be able to participate. Yet state policies are hurting the ability of a significant number of Michigan residents to reach their full potential.

In several key areas, the state has been reducing its investment in what helps create jobs and provides people who want to work the skills they need to compete.

It's important for Michigan to reverse counterproductive policies and return to an inclusive vision for building the state's economy. Everyone in Michigan deserves a chance to achieve their full potential and contribute back to the economy. Where a person starts out in life should not determine where they end up.

Targeted policies have the ability to level the playing field and create equitable access to opportunity for all Michigan residents. Equity means providing opportunity that meets people where they are, versus equality, which implies everyone receives the same opportunities the same way.

This is especially true with regard to policies and services that have a large impact on communities of color. While progress has been made over the years to counter historical barriers to opportunity, today communities of color compared with Michigan as a

whole, have lower educational attainment, lower wages, lower rates of health insurance coverage and home ownership, and higher infant mortality and unemployment.

Communities across the state experience hardship similarly and differently. By understanding these commonalities and differences, the state could better craft policies aimed at group-specific solutions.

It is important for state policy to reflect the reality that this situation is not just harmful to the families that face it but that it also puts Michigan's entire economy at risk.

Policy changes that recognize the needs of those struggling to make it in Michigan are especially important given looming changes in the makeup of the state. By 2042, half of the U.S. population will be people of color.¹ In Michigan, almost a quarter of the state's population is people of color.² The rate is higher for children: more than 31%.³ Over the last 10 years, the population of children of Asian descent grew by more than 29% and Hispanic or Latino children close to 40%,⁴ while the population of white children declined by more than 14%.⁵

Increases in population among youth of color are also projected to increase in Michigan. Projected increases from 2006 to 2020 for Asians (ages 5-24) is

¹ United for a Fair Economy, 2012. *State of the Dream Report: The Emerging Majority*.

² U.S. Census, SF QT-PL Michigan. 2000 and 2010.

³ Id.

⁴ Id.

⁵ Id.

28%, Latinos 23%, and African Americans 6%, with white youth projected to decline by 8%.⁶

It is important for state policy to pay heed to these changes because impediments to success at an early age lead to poorer outcomes as adults. Good health, education and financial security are the backbone of a strong workforce. As the only state to lose population

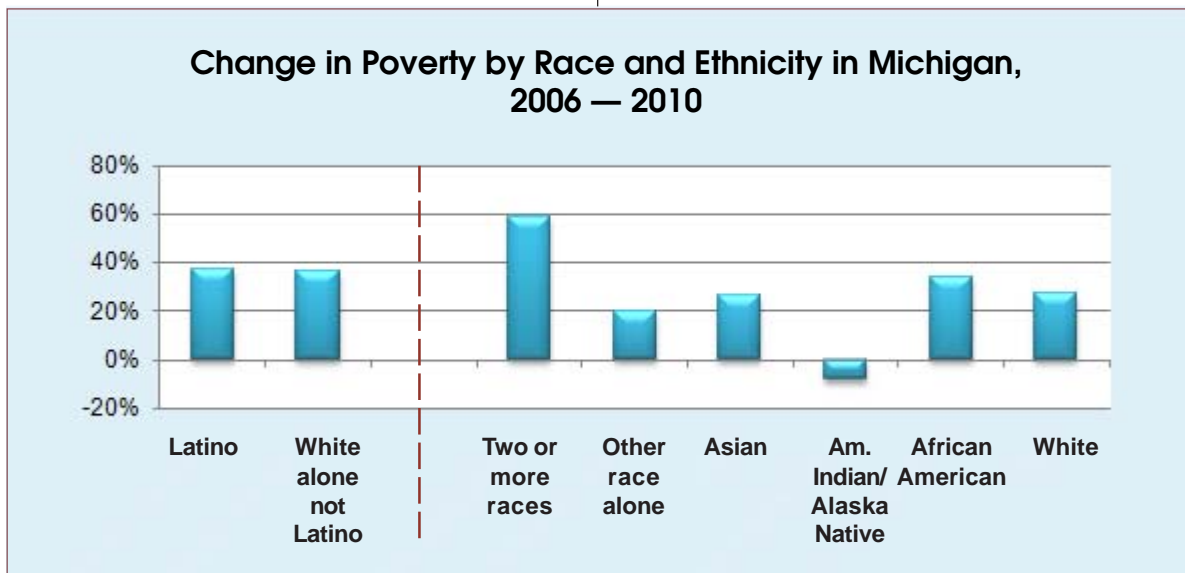
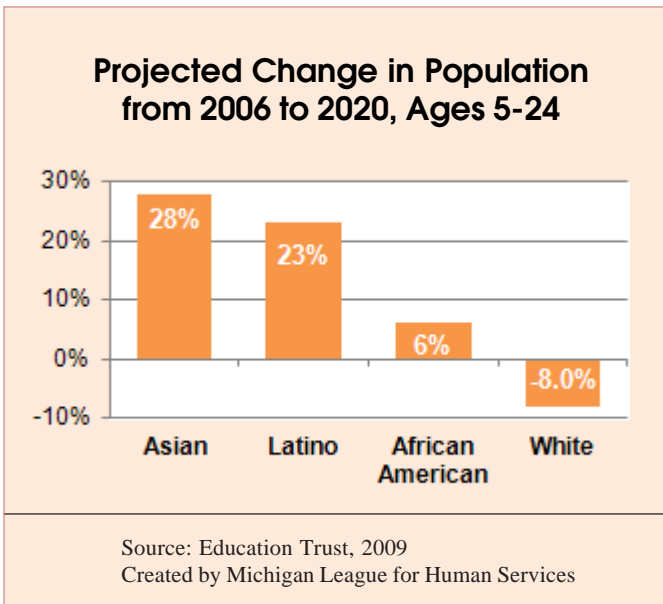
in the 2010 census, Michigan can benefit by ensuring that all residents have access to the skills and tools needed for economic success. This is especially true for youth who are the next generation of workers and are increasingly people of color.

By implementing and supporting inclusive policies, Michigan has the ability to increase opportunity for everyone and stimulate the economy by broadening the consumer base.

Equity in Economic Security

Michigan continues to see an increase in poverty rates, and incomes earned by people of color on average are lower and in hard economic times tend to fall more quickly than for whites.

Between 2006 and 2010, poverty increased by 34% for African Americans and 37% for Latinos, compared with a 27.6% increase for whites.⁷ For children of color, poverty levels worsened in 2010, when over half of all African American children under the age of 5 lived in poverty compared with 19.4 of white children.⁸ The poverty rate is also high for Hispanics or Latinos, with close to 40% of children under the age of 5 in poverty.⁹



⁶ The Education Trust, 2009. *Education Watch State Report: Michigan*.

⁷ Michigan League for Human Services, 2011. *Ties That Bind: Poverty and Michigan's Economic Recovery*.

⁸ U.S. Census Bureau, 2008-2010 American Community survey, 3-year estimates.

⁹ Id.

The same disparities are seen in household income. Median household incomes from 2006 to 2010 for whites fell by 10.5%, compared with 13.7 for African Americans. In 2010, median income for whites was \$48,125 a year. For African Americans it was \$28,718, and Hispanics or Latinos \$36,355.¹⁰ During tough economic times, when unemployment is high and wages are low, providing economic security becomes increasingly important. By reducing disparities in income, everyone benefits from additional consumer spending in the economy, creating the demand for more jobs.

Despite this, the state's commitment to efforts that can help people in tough times has weakened. For example, the budget for the current fiscal year reduced resources that combat poverty by enforcing lifetime limits on the Family Independence Program and reducing the state Earned Income Tax Credit.

The Family Independence Program provides cash assistance of up to \$492 a month for a family of three struggling with lower incomes. To initially qualify, a family's household earnings combined with FIP benefits cannot exceed \$814 a month. Once the family starts receiving FIP benefits, it can increase total household income (earnings plus FIP benefits) up to \$1,184 per month. This equates to less than \$14,500 a year for a family of three. In November, 11,000 families lost their cash assistance grants and more families stand to lose their benefits as several exemptions to the 48-month time limit have been removed.

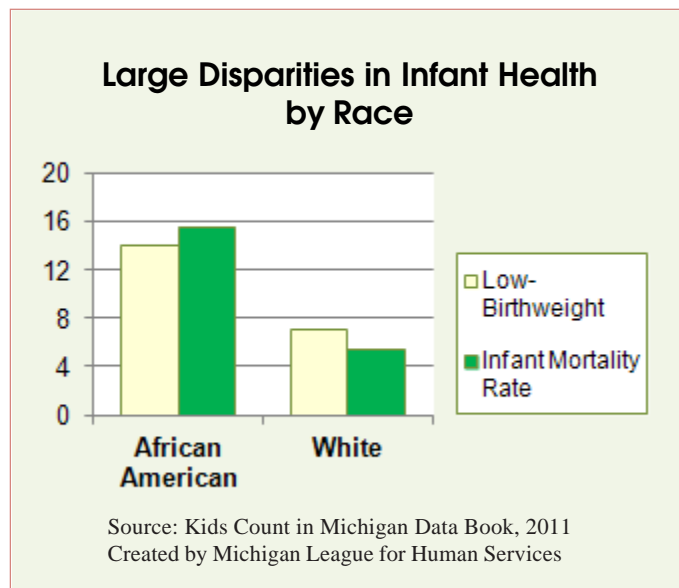
The state Earned Income Tax Credit, an annual refundable credit, was reduced by 70%, an average yearly loss of \$294 per working family. Almost 800,000 families receive this credit every year.

Equity in Health Access

There is a strong relationship between health and economic status. Those with higher levels of education, wealth and income, on average will be healthier than those with less income and less education.

It is important to note that communities of color from all economic backgrounds have higher rates of infant mortality, heart disease, stroke, cancer, overall mortality, death from breast cancer, prostate cancer and AIDS/HIV.

The infant mortality rate among African Americans is almost triple that of white infants: 15.5 deaths per 1,000 live births compared with 5.4.¹¹ In 2011, the low-birthweight rate was 14% for African Americans, compared with 7% for whites.¹² The percentage of low-birthweight babies in Michigan was higher than the national average among African Americans. Low-birthweight babies weigh less than 5.5 pounds and are at a higher risk of developmental delays, chronic disease and death than those born at a higher weight. Structural barriers to healthcare, including employer-based coverage have led a disproportionate number of pregnant women of color to rely on Medicaid, limiting their access to timely prenatal care. In 2009, 41% of African American mothers and 36% of Hispanic mothers received less than adequate prenatal care.¹³



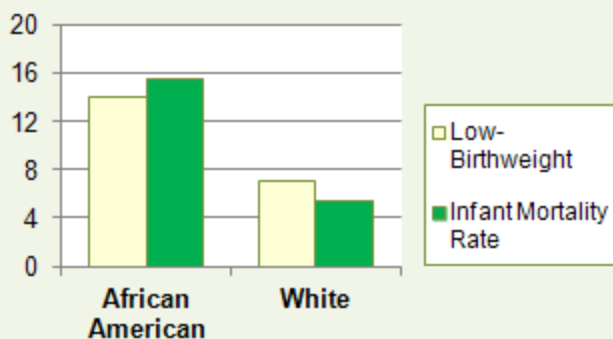
¹⁰ Michigan League for Human Services, 2011. *Ties That Bind: Poverty and Michigan's Economic Recovery*.

¹¹ *Kids Count in Michigan Data Book 2011*.

¹² Id.

¹³ Id.

Large Disparities in Infant Health by Race



Source: Kids Count in Michigan Data Book, 2011
Created by Michigan League for Human Services

A healthier community translates into a healthier economy. Michigan has experienced dramatic increases in health care expenses with reduced revenues to cover the costs. By reducing health disparities the state can begin to move towards a healthier and ultimately stronger economy.

Unfortunately, state policy is headed in the other direction.

- In the current budget, the Healthy Michigan Fund, which provides several preventive programs, including reproductive health care, was cut by \$5.9 million.
- Funding for local health departments, which provide vital services to increase public health, were reduced by \$1.7 million. This reduction was on top of the \$1.5 million in reductions made over the last two fiscal years and reduces operational funding to \$37.4 million.

Equity in Child Welfare

Growing up in a stable home with a supportive family provides children security and safety. For those children whose parents lack the resources, physical or emotion-

al, to provide such an environment, the state steps forward to offer protection. The average age of a child in the child welfare system is 9 years old. Unfortunately, children of color in the child welfare system are less likely to be reunited with their families and find a permanent home, leading to poor educational, social, behavioral, and other outcomes compared to their white counterparts.¹⁴ A study in Michigan found that the child welfare system lacked targeted policies, practices and resources that would ensure equitable outcomes for African American families and children.¹⁵ In fact, Children’s Rights, a national advocacy group, filed suit against the state in 2006 due to the relatively large numbers of abused and neglected children languishing in the custody of the Michigan Department of Human Services. In response, funding has increased to provide more child welfare caseworkers, yet funding for resources that could prevent children from entering state custody continue to decline.

Children of color make up 31% of all children in Michigan, yet accounted for more than 44% of children in the foster care system in 2010.¹⁶ Between 2005 and 2010, 15% to 20% of white children in the child welfare system remained in care for at least three years, with a peak of 25% in 2009, compared with a steady 30% of African American children in care for at least three years during the same time period.¹⁷

All children, especially children in the child welfare system, need to be provided with an equitable chance for success. With children of color disproportionately represented in the child welfare system, the state needs to take steps to give all children access to security and safety from the start. Children living in areas of concentrated poverty often lack the critical resources for healthy growth and development and are at a higher risk of entering state custody. Recent findings revealed that two-thirds of Michigan’s African American children live in areas of concentrated poverty compared with less than half in the nation.

Despite this, cuts to the state budget conflict with the importance of providing adequate resources to

¹⁴The Alliance for Racial Equity in Child Welfare, 2011. *Disparities and Disproportionately in Child Welfare: Analysis of the Research*.

¹⁵ Id.

¹⁶ Facts about Children in Foster Care in Michigan (FY 10).

¹⁷ Casey Family Programs, 2011. *Children of Color in Child Welfare, Michigan (9/25/11)*.

prevent and reduce child poverty and decrease the risk of children entering state custody.

- The annual back-to-school clothing allowance, providing children with new clothing at the start of the school year, was cut by \$10 million. Most of the nearly 110,000 children receiving cash assistance will no longer receive the clothing allowance in FY 12. In past years, all children receiving cash assistance were given the clothing allowance.
- The Child Care Assistance Program was cut by \$13.9 million. The hourly rate for the program, which helps 78,000 families pay for child care monthly, was reduced from \$1.60 to \$1.35 an hour for most providers.

Equity in Education Opportunities

Reading proficiency by fourth grade is a key indicator of overall success in school. The ability to master and retain knowledge enables a child to do well in school. By fourth grade, if a student is unable to read proficiently, this struggle leads to further difficulties and puts them on a track toward dropping out of high school.

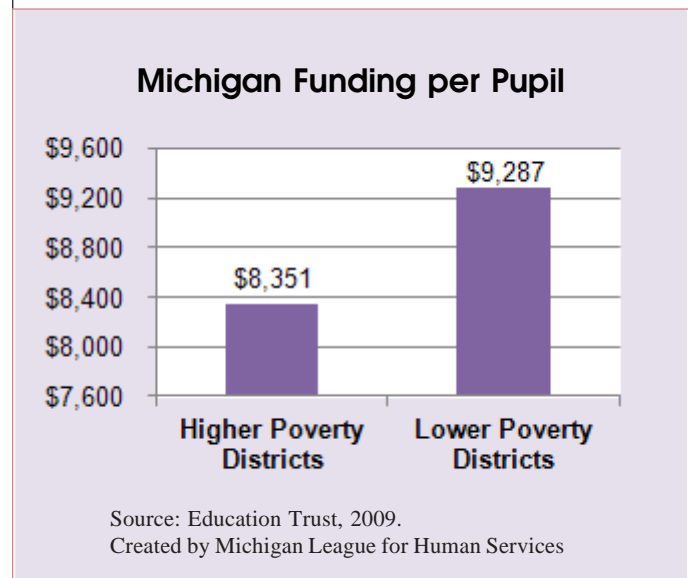
In 2011, 92% of African American fourth-graders in Michigan were not considered proficient in reading compared with 63% of white fourth-graders and 52% of Asian fourth-graders.¹⁸ Among Hispanic fourth-graders, 80% were not considered proficient. Children living in lower-income households are also at a greater risk of not being able to read proficiently by the fourth grade. In 2011, 83% of students living in lower-income households were not proficient, compared with 57% of students living in higher-income households.¹⁹

Districts with higher concentrations of students of color tend to be more racially segregated and lack substantial funding and infrastructure—making it difficult for any student to do well.²⁰ In Michigan,

schools in higher poverty districts receive \$936 less per pupil than districts with lower poverty rates.²¹ Even taking Title 1 funding into consideration, where schools largely serving students from lower income households can receive supplemental funds, 40% are still experiencing inequitable distribution in funding per pupil compared with higher-income districts.²²

In secondary schools nationwide, 27% of classes in higher poverty districts are being taught by out-of-field teachers compared with 14% in lower poverty districts.²³ The disparities are more pronounced for math courses in districts with a higher concentration of students of color, where 30% of students are being taught by out-of-field teachers compared with 16% of districts with lower concentrations.²⁴ These rates are even higher in high-poverty districts with 41% of secondary math classes being taught by out-of-field teachers compared with 17% of low-poverty districts.²⁵

State educational policies have disproportionately affected traditional public school systems in urban areas



¹⁸ Kids Count Data Center, Michigan 2011.

¹⁹ Id.

²⁰ Schott Foundation for Public Education, 2008. *Given Half a Chance: The Schott 50 State Report on Public Education and Black Males*.

²¹ The Education Trust, 2009. *Education Watch State Report: Michigan*.

²² U.S. Department of Education, 2011. *Comparability of State and Local Expenditures among Schools Within Districts: A Report From the Study of School-Level Expenditures* (p.18).

²³ The Education Trust, 2008. *Core Problems: Out of Field Teaching Persists in Key Academic Courses and High-Poverty Schools*.

²⁴ Id.

²⁵ Id.

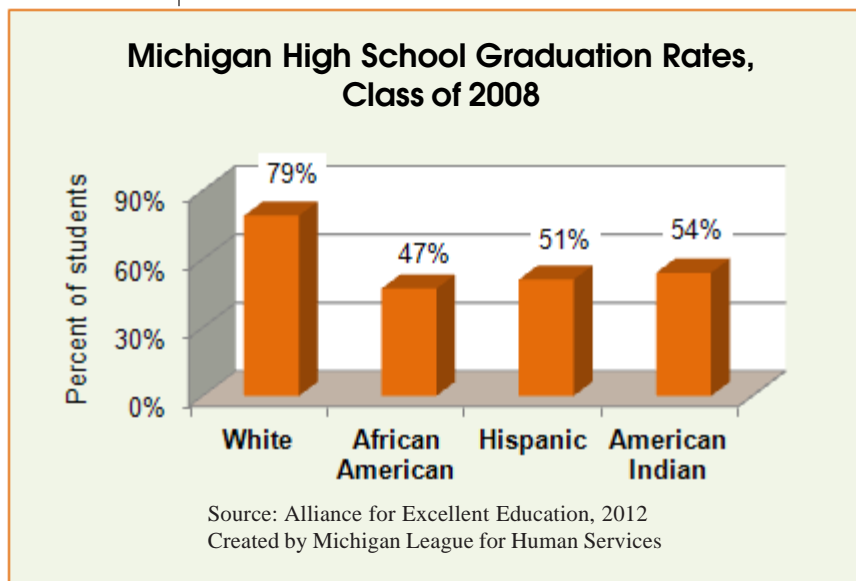
where students of color make up the majority. Students in the most disadvantaged families are the least likely to have the resources to attend schools outside their districts. Even so, the Detroit Public School system, the state's largest urban district, has seen a decline in enrollment of over 43% between 2002 and 2009.²⁶ As enrollment declines, funding (based on per pupil) plummets and school closings become the norm. In this environment, it is not surprising that Detroit Public Schools graduation rates and standardized test scores reflect little to no improvement. In 2010, where 88% of Detroit Public School students were African American, only 54.6% African American males and 69.8% of African American females graduated in four years.²⁷ In 2009, Detroit Public School students scored the lowest in the 30 year history of the National Assessment of Educational Progress.²⁸

Differences in ACT composite scores also reflect similar trends across racial lines. From 2008 to 2011, white students in Michigan scored an average of 19.9, whereas African American students scored an average of 15.4 and Latino students, 16.9.²⁹ These numbers also correlate with income levels, with students from higher income households scoring an average of 20.2 and students from lower income households scoring an average of 16.7.³⁰

For every student who does not complete high school, there is an estimated cost of \$260,000 to communities in lost earnings, tax investments, and productivity.³¹ Additionally, students who do not finish high school are more likely to be

arrested or have a child as a teenager—adding to the financial and social cost of dropping out of school.³² In Michigan, a high school graduate will earn an average of \$8,456 more each year than someone without a high school diploma.³³ The high school graduation rates for Michigan's class of 2008, with 76% of schools reporting, were 79% for white students, 47% for African American students, 51% for Hispanic students and 54% for American Indian students.³⁴ Furthermore, graduation rates from four-year colleges decrease for African American students, where they graduate at half the rate of their white peers, at 28% compared with 59%.³⁵

With children and youth of color disproportionately impacted by higher poverty rates, equitable access to education becomes a significantly larger concern for these communities. By closing the racial gap in graduation and achievement, the state is supporting the future workforce and the stability of the economy.



²⁶ Data Driven Detroit, 2010. *State of the Detroit Child* (p. 19-21).

²⁷ Id.

²⁸ Id.

²⁹ The Education Trust, 2011. *Michigan's Reading and Math Performance on the 2011 National Assessment of Educational Progress, MEAP/ACT Data and Charter Data*.

³⁰ Id.

³¹ Annie E. Casey, 2010. *Learning to Read: Early Warning! Why Reading by the End of Third Grade Matters*.

³² Id.

³³ Alliance for Excellent Education, 2012. *Michigan High Schools*.

³⁴ Id.

³⁵ Id.

However, both funding for At-Risk Grants and Special Education were reduced in the FY 12 state budget. In addition, per pupil funding was cut by \$300, following a \$170 cut in FY11, for a total reduction of \$470 over the two-year period. Funding for universities was also cut by 15% and community colleges by 4%.

Equity in Employment Opportunities

Children are more likely to have decent and stable housing, good nutrition and adequate health care if parents have secure employment.³⁶ Having stable employment improves physical and mental health by reducing parental stress, preventing depression and improving overall family functioning, creating a more positive home environment for everyone.³⁷ Going to work can also connect parents to a broader social and support network, expanding their access to information and resources that can help support their children's growth and education.³⁸

Unemployment rates in Michigan for the two largest communities of color, African Americans and Hispanics, have been disproportionately higher, sometimes double, in comparison to their white counterparts for at least the last 10 years. In 2011, African Americans had an unemployment rate of 20.1%, Hispanics of 10.7%, and whites of 8.9%.³⁹ Michigan currently ranks 2nd highest in African American unemployment among the 50 states.⁴⁰

Michigan's overall unemployment rate stands at 9%.⁴¹ Michigan has remained in the top five states with the highest unemployment rate for at least the last five years, yet as of 2009 the state used under 2% of total funding for economic security towards employment and support services, making it the least-funded economic security program compared with health care, cash assistance, housing, food assistance, and family preservation programs.

Employment and training support services assist individuals and families by helping them find employment and maintain economic security, especially during a tough economic climate. Yet, funding for JET Plus, a program intended to provide specialized training programs and subsidized employment opportunities, was eliminated and employment and training for participants receiving cash assistance was reduced by \$4.8 million in the FY 12 state budget.

By investing in economic security and mobility for all communities through equitable access to employment and support services, the state could decrease the need for public assistance in other areas, including cash assistance and health care and strengthen the workforce.

Conclusion

There are a number of reasons to promote and implement inclusive policies across economic security, health access, education and employment opportunities. As the state's demographics change it is becoming even more important that the state budget reflect the needs of Michigan's changing communities. It is in the state's interest to ensure that everyone enjoys full and equitable opportunity.

Unfortunately, that is clearly not happening in the economic, health, educational and employment systems today, where children of color face substantial hurdles to success far more often than their white counterparts. If the state does not attend to these inequities by removing barriers to opportunity, Michigan's economy will suffer.

³⁶ Kids Count Indicator Brief, 2009. *Increasing the Number of Children Whose Parents have Stable Employment*.

³⁷ Id.

³⁸ Id.

³⁹ Economic Policy Institute analysis of Current Population Survey data, 2011.

⁴⁰ Economic Policy Institute, 2012. *No Relief in 2012 from high unemployment for African Americans and Latinos*. (Table 1, p. 2).

⁴¹ Bureau of Labor Statistics, January 2012.

Policy Action Needed to Improve Equitable Access for Children

- **Encourage policies that increase racial equity** by taking into account how state policy and budget decisions affect racial inequities. One in every three children born in Michigan is a child of color. By increasing the pathways to equitable access to vital services, the opportunity gap that is so pervasive among children of color could be closed.
- **Modernize Michigan's tax structure** to ensure that there are adequate revenues to fund initiatives that address racial disparities. This could be done by moving from a flat income tax to a progressive tax, as most states have done. Extending the sales tax to services would also generate more revenue, reducing the need for additional budget cuts.
- **Protect child well-being** by restoring funding for the annual child clothing allowance and increasing the hourly rate for the Child Care Assistance Program. Children of color make up 31% of all children in Michigan, yet accounted for over 44% of children in the foster care system in 2010.
- **Preserve tax credits that help low-income residents** by restoring the Earned Income Tax Credit to 20% of the Federal Earned Income Tax Credit. It is a successful anti-poverty, pro-work strategy that rewards work and supports struggling families.
- **Improve access to health care for low-income residents** by supporting Medicaid and the Affordable Care Act. An estimated 1.8 million Michigan residents will gain coverage from implementation of the Affordable Care Act. Through the expansion of Medicaid, African Americans and Hispanics in Michigan, who are twice as likely to be uninsured, will gain coverage.
- **Expand education and training** by supporting funding for K-12, community colleges, higher education and adult education. Currently, for every job opening in Michigan, there are four unemployed people. Expanding the skill set of the state's current and future workforce will open the door for more employment opportunities.