

March 17, 2011

## Investments in Early Learning in Michigan: A Summary

Michigan's Governor and Legislature face extraordinary challenges as they attempt to address the state's economic and fiscal problems. As the rest of the country begins to emerge from a deep recession, Michigan continues to struggle with one of the highest unemployment rates in the country and a projected budget deficit in fiscal year 2012 of \$1.8 billion, with no expectation of significant new federal dollars to help balance the budget.

Michigan has a history of public, private and bipartisan support for innovative early learning programs, but the state's ongoing economic and budget woes have placed more children at risk, and put in peril the state's nascent efforts to build an early childhood system. Since Michigan's economy and fiscal health began to decline in 2001, many critical early childhood programs have been cut or eliminated, with the greatest losses in programs for vulnerable children at risk of school failure.

### Child Care and Early Education

**Summary:** Despite the proven importance and effectiveness of early learning programs, Michigan has struggled to maintain its investments in high quality child care and preschool for at-risk children. State lawmakers closed a \$2.8 billion state budget deficit in fiscal year 2010 in part by reducing child care subsidies for low-income working parents and cutting preschool programs. While a portion of the preschool funding was restored in the fiscal year 2011 state budget, low child care provider payments continue to push too many young children into unregulated care of unknown quality and safety.

Many states have struggled to maintain funding for early childhood education and care programs—despite their fiscal challenges—because they understand the programs' power in creating a competitive economic advantage. In 2010, 27 of the 38 states with state-funded preschool programs maintained or increased funding for early education. Michigan was one of ten states that reduced funding for preschool programs, along with some of the deepest child care cuts in the nation.<sup>1</sup>

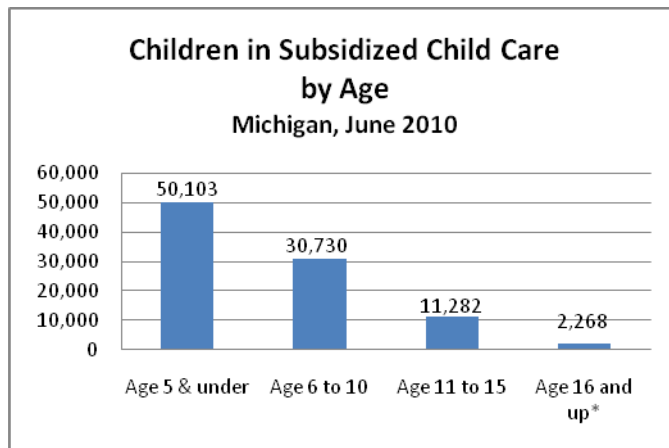
#### *What we know about child care and early education programs in Michigan:*

- Michigan's early learning programs, including the Great Start School Readiness program (GSRP) and Head Start have proven outcomes.

<sup>1</sup> Votes Count: Legislative Action on Pre-K Fiscal Year 2010, the PEW Center on the States (October 2009).

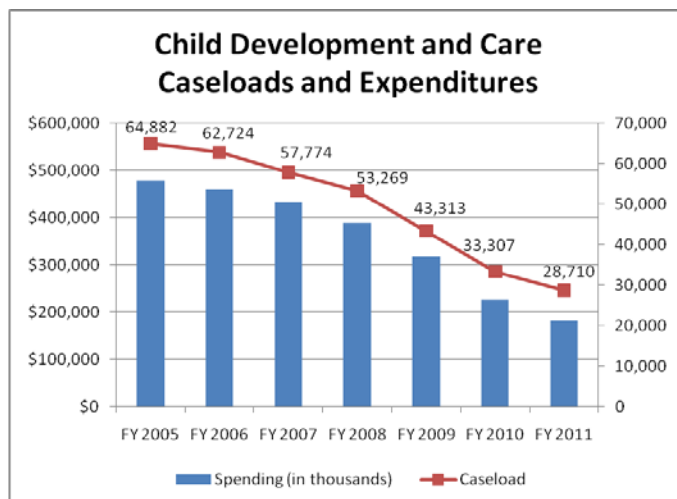
- The percentage of fourth graders who were not proficient in reading on the Michigan Education Assessment program (MEAP) dropped in 2009, but a much larger percentage (70%) of Michigan 4<sup>th</sup> graders are not considered proficient in reading by national standards. The states with the best 4<sup>th</sup> grade reading scores nationally also had the largest percentage of their 3- and 4-year-olds enrolled in preschool programs.
- More than 50,000 children under the age of 6 are in state-subsidized child care, with a large percentage of those children in unlicensed care provided by relatives and in-home aides. Nationally, three-quarters of children are in licensed settings.
- Caseloads and spending for child care services have dropped dramatically in recent years.

**Selected programs and funding trends:**



**Child Care Subsidies:**

Background: Michigan’s Child Development and Care program provides child care subsidies to: (1) public assistance recipients; (2) income eligible families (approximately 140% of federal poverty line) with co-pays ranging from 5% to 30% and monthly incomes below \$1,990 for a family of 3; (3) licensed foster parents caring for foster children; and (4) DHS child protective services or preventive services participants.



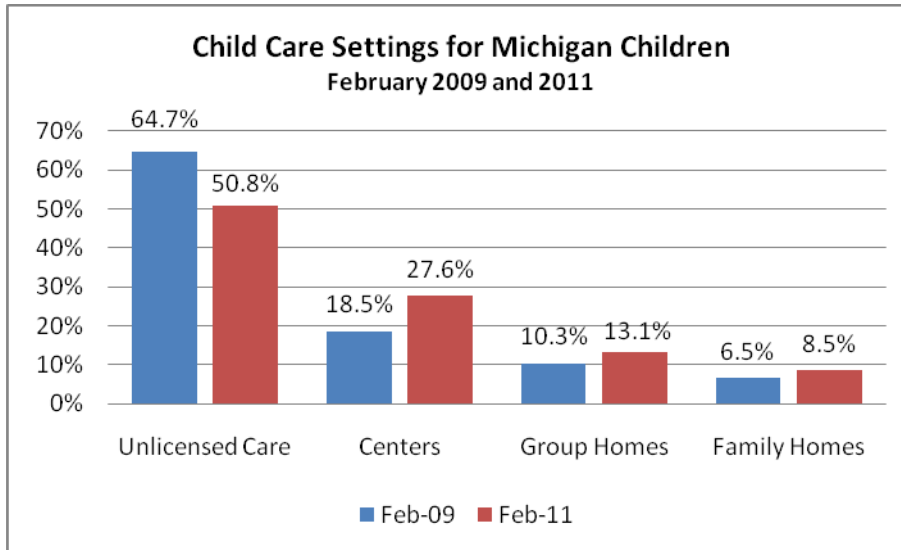
Low payment rates and eligibility levels for the child care subsidy program have persisted for over a decade. Michigan’s child care income eligibility guidelines have not been adjusted for inflation, and by 2010 had fallen to 130 percent of the federal poverty level for a family of three, or 38 percent of state median income— one of the lowest eligibility levels in the nation.<sup>2</sup> Michigan’s income eligibility level fell from 178 percent of poverty in 2001 to 130 percent in 2010, a decrease of 48 percent.<sup>3</sup>

Payments for child care providers have also remained very low, with only one across-the-board increase in 12 years. In 2010, provider payments were restructured. Until that time, payments varied by region (DHS shelter areas), based on the age of the child and the type of care (centers,

<sup>2</sup> Schulman, K.; and Blank, H. *State Child Care Assistance Policies 2010: New Federal funds Help States Weather the Storm*, National Women’s Law Center (September 2010).

<sup>3</sup> Ibid.

family and group homes, relatives, and aides). Payments are now the same statewide, and vary by the age of the child and the type of care. Prior to restructuring, providers received reimbursements that averaged less than 30 percent of the current market rate.



Many providers received small payment increases with the restructuring, although rates were cut for relatives and aides who did not take advantage of enhanced training opportunities. Since 2010, relative and aide providers have been required to complete six hours of training to be eligible for subsidy payments. Relative and

aides that annually complete an additional 10 hours of training receive a higher rate of pay (tier one for children ages 0 to 2 ½ is \$1.85/hour, with a rate of \$1.60/hour for children over 2 ½ years; tier two is \$2.20 for children ages 0 to 2 ½, and \$1.85 for children over 2 ½ years.)

The deadline for training for existing relative and aide providers was September of 2010. New providers (applying for subsidies after March 7, 2010) are required to complete the training before they are authorized for payments. Anticipating that many relatives and aides would not complete the basic training, the fiscal year 2011 budget included a savings of \$12.1 million in child care payments to unlicensed providers, as well as savings in training costs.<sup>4</sup> By the beginning of November of 2010, 2,922 providers lost their child care subsidies (13.4% of all relative and aides), affecting 10 percent of child care cases.

In part as a result of low provider reimbursement rates, fewer families relying on state child care subsidies had access to regulated care, and more young children were placed in unlicensed settings in Michigan. In February of 2011, 71.4 percent of paid child care providers were unlicensed relatives or aides, down from 81.9 percent in February of 2009. According to the Department of Human Services, the reasons for the recent decline in the percentage of unlicensed providers receiving subsidies include: (1) the new training requirement (resulting in the disenrollment of relative and aide providers); (2) payment integrity measures put in place in the last several years; (3) decreasing caseloads due to unemployment; and (4) more children moving into licensed care.

**Funding:** Caseloads for the child care subsidy program have fallen from 64,882 in fiscal year 2005 to 33,307 in 2010. During those same years, funding for child care subsidies fell from \$478.5 million to \$225.9 million.<sup>5</sup> This reduction in funding reflects reduced caseloads, rate

<sup>4</sup> H.B. 5882, *Human Services Decision-making Document*, Senate Fiscal Agency (September 28, 2010).

<sup>5</sup> Koorstra, K., and Schneider, B. *Human Services Background Briefing*, House Fiscal Agency (January 2011).

reductions and restructuring, and savings from quality assurance and fraud reduction policies. The fiscal year 2011 budget reduced child care funding by \$43 million to reflect an anticipated caseload of approximately 29,000 cases.

**The Governor's budget assumes that 27,000 low-income families will receive a child care subsidy next year. The Governor's recommendation is to cut total subsidy funding by 5.6 percent, with all of the reduction coming in unlicensed care—where funding will fall from \$81.4 million in the current fiscal year budget to \$62.6 million in fiscal year 2012, a cut of 23 percent. Funding for licensed child care would increase slightly from \$100.7 million to \$109.2 million. If the Governor's recommendation is adopted, total funding for child care subsidies will have fallen from \$499 million in 2003 to only \$172 million in 2012.**

### **Child Care Quality Improvement Initiatives:**

*Background:* Michigan invests in child care quality improvements in the following ways:

- *ECIC child care quality improvement activities:* The ECIC administers funds for child care quality improvements on behalf of the Department of Human Services. The resources offered are based on community stakeholder quality improvement plans that are data-driven. Included are the following for child care providers and parents: (1) a statewide network of 10 Great Start Regional Resource Centers that implement local quality improvement plans, provide training and professional development for providers, assess local child care quality, educate parents and consumers, and provide technical assistance ; (2) the Great Start Connect database and Resource Center, Michigan's first statewide parent/provider database that includes opportunities for providers to market their services and resource and referral information for parents; and (3) additional quality supports, including the professional development scholarship program (T.E.A.C.H), orientation trainings for aides and relative providers, and research to inform quality improvement and rating system pilots. In fiscal years 2011 and 2010, \$14.4 million in CCDF funding was appropriated for these activities, a reduction of \$200,000 over fiscal year 2009.
- *Child care licensing:* In fiscal year 2009, a total of \$10.5 million in child care quality funding was appropriated for child care licensing activities.
- *Infant and toddler incentives:* As an incentive, Michigan has provided enhanced reimbursements to child care providers that care for infants and toddlers. Total funding in fiscal year 2009 was \$3 million.<sup>6</sup>

*Funding trends:* Federal law requires states to spend not less than 4 percent of their Child Care and Development Fund dollars (CCDF) on child care quality improvements. In fiscal year 2010, an estimated \$28 million was spent on quality improvements, or 15.7 percent.<sup>7</sup>

In the current fiscal year, funding was eliminated for the Child Care Enhancement program, which was created in 1999 to serve high risk infants and toddlers experiencing social, emotional and behavioral problems in DHS child care settings. An estimated 7,000 children are expelled from child care centers and preschool programs in Michigan every year. The program was

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<sup>6</sup> Information provided by the House Fiscal Agency (October 6, 2010).

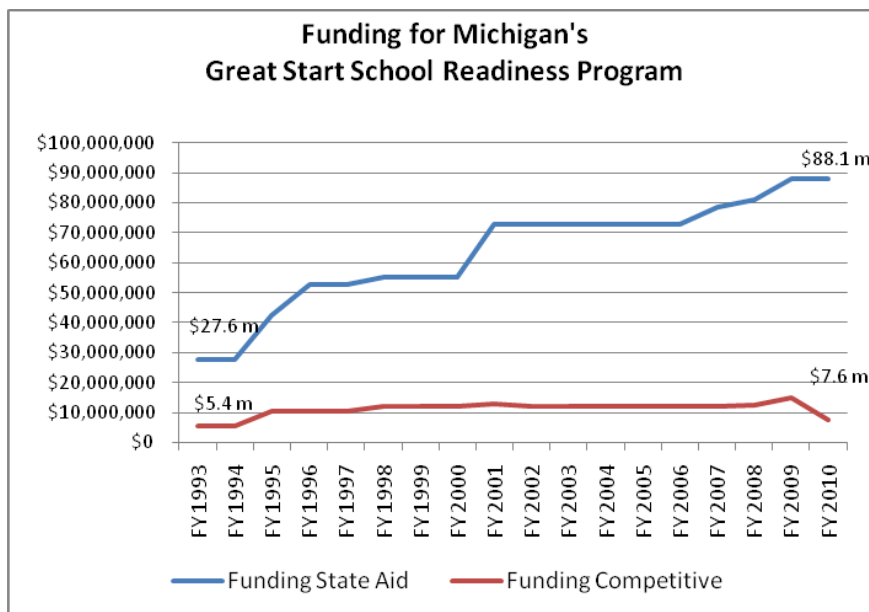
<sup>7</sup> Child Care and Development Fund Plan for Michigan, FFY 2010-2011, Michigan Department of Social Services.

eliminated despite a four-year evaluation showing improvements in young children's behaviors and fewer disruptions in parents' work and school schedules.

**The Governor's budget provides \$14.6 million for child care quality initiatives through the Early Childhood Investment Corporation.**

**Great Start School Readiness Program (GSRP):**

*Background:* The GSRP is Michigan's state-funded preschool program for 4-year-olds at-risk of school failure. Funds may be used for classroom programs (part-day or school-day), home-based programs, and parent education. Two funding streams support GSRP. School district funds are allocated by a formula based on need and capacity of districts; and competitive funds are available to districts and community-based agencies.



Currently, the program provides per-pupil funding of \$3,400 to eligible school districts, Intermediate School Districts or community agencies, although per pupil funding had been flat for many years, forcing school districts and community organizations to absorb some of the costs of the program. The result has been that some districts have decided that they are no longer able to continue programs.

In May of 2009, the State Board of Education adopted new GSRP eligibility and prioritization guidelines. Now, at least three-quarters of the children enrolled the GSRP must be from families with incomes below 300 percent of poverty. Children who are extremely low income, below 200 percent of poverty, qualify if they are not eligible for Head Start. Children in families with incomes between 200 and 300 percent of poverty must have risk factors in addition to income to qualify for the program. Risk factors include diagnosed disabilities or developmental delays, severe or challenging behaviors, a primary home language other than English, parents with low education levels, a history of abuse or neglect, homelessness or being born to a single or teen parent.

*Funding trends:* Approximately 25,000 low-income or at-risk four-year-olds currently participate in GSRP programs each year. In fiscal year 2010, funding for the competitive GSRP was cut by 50 percent, resulting in the loss of 2,200 preschool slots for at-risk 4-year-olds. In addition, reflecting cuts in per pupil allotments, lawmakers gave school districts flexibility to

redirect GSRP funds to other district needs. Approximately 10 percent of the school district GSRP funding, \$8.2 million, was redirected, leaving another 2,400 at-risk children without access to preschool. Even before these cuts were made, an estimated 35,000 Michigan children were eligible for state- or federally-funded preschool programs but unable to access them.<sup>8</sup>

**The Governor recommends continuation funding for the GSRP in fiscal year 2012. Districts would not be allowed to redirect GSRP funding.**

### **Great Parents/Great Start:**

*Background:* The Great Parents/Great Start program provides grants to Intermediate School Districts (ISDs) to provide voluntary parent education and involvement programs. The goals of the program are to encourage early mathematics and reading literacy, improve school readiness, reduce the need for special education services, and foster the maintenance of stable families by encouraging positive parenting skills.<sup>9</sup> Through coordination with local Great Start Collaboratives and community organizations, these funds can be used to leverage other funds, and as “glue” for local collaborative activity.

*Funding trends:* The Great Parents/Great Start program is an outgrowth of the All Students Achieve Program – Parent Involvement and Education (ASAP-PIE) that was approved by the Michigan Legislature in fiscal year 2001, and which appropriated \$45 million annually for parenting education and involvement programs. Funding for ASAP-PIE was eliminated after two years as part of lawmakers’ attempts to address budget deficits. Currently, \$5 million is appropriated annually to ISDs, with a requirement that the limited funding be part of the larger community plan for parent and family support.

**The Governor recommends continuation funding for the Great Parents/Great Start program.**

### **Local Great Start Collaboratives and Great Start Parent Coalitions:**

*Background:* Michigan currently has a statewide network of 54 Great Start Collaboratives and 68 Great Start Parent Coalitions supported by the ECIC. The collaboratives and coalitions have leveraged more than \$10 million in new public and private funds to build comprehensive early childhood systems and are beginning to implement new projects based on community-wide strategic plans.

*Funding trends:* Great Start Collaboratives and Great Start Parent Coalitions receive \$6 million in funding through the School Aid Act in the current fiscal year.

**The Governor recommends continuation funding for local Great Start Collaboratives and Great Start Parent Coalitions in fiscal year 2012.**

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<sup>8</sup> Chase, R.; Anton, P.; Diaz, J.; Martin Rogers, N.; and Rausch, E. Cost Savings Analysis of School Readiness in Michigan, Wilder Research (November 2009).

<sup>9</sup> 2009-2010 Great Parents, Great Start Program Grants Continuation Plan Announcement, Michigan Department of Education (November 12, 2009).