

## **Investments in Early Childhood in Michigan: A Summary of Programs and Funding Trends March 2011**

Michigan's Governor and Legislature face extraordinary challenges as they attempt to address Michigan'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 approximately \$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 childhood 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.

This document provides an overview of Michigan's current early childhood landscape. Major programs serving young children in Michigan are described, along with funding levels, in three major areas that must be addressed to improve outcomes: (1) physical, social and emotional health; (2) child care and early education; and (3) parent education and family support.

Unfortunately, the needs of many vulnerable young children in Michigan cannot be met by a single program, no matter how effective. Instead, Michigan's focus must be on a comprehensive effort to strengthen families; and promote children's health, development and learning in the earliest years of life. Michigan currently has a patchwork of more than 80 federally- and state-funded early childhood services and programs that are available to a limited number of families based on varying and sometimes confusing eligibility requirements. The result: too many children slip through the cracks.

Moving forward, Michigan's leaders must embrace reforms that help move the state from an array of disconnected programs to an early childhood system that is accountable, easy to access and of high quality. In 2003, the Great Start initiative was launched with the mission of ensuring that all Michigan families have the resources and supports they need to provide a great start for their children from birth to age five. In 2005, the Early Childhood Investment Corporation (ECIC) was created as a public/private initiative to take the lead in developing Michigan's comprehensive early childhood system, with the support of 55 local Great Start Collaboratives, created through the state's Intermediate School Districts.

## **Physical, Social and Emotional Health**

### **Summary:**

While the rate of uninsured children in Michigan has traditionally been lower than the national average, the number of uninsured children in Michigan is rising. Between 2003/2005 and 2006/2008, the percentage of uninsured Michigan children ages 0 to 5 rose from 4.2 percent to 4.8 percent, with an estimated 36,000 young children uninsured.<sup>1</sup> Many of Michigan's uninsured children are believed to be eligible for Medicaid or MICHild, but are not enrolled.

During the decline of Michigan's economy, and in the face of a decade of budget deficits, Michigan lawmakers have struggled to protect Medicaid eligibility and services for children. However, with the state's continuing revenue crisis, children's access to basic health care services can no longer be assured, as cuts in reimbursement to Medicaid providers have limited access to care. In addition, cuts in vital local public health services and maternal and child health services have further limited access to care for many pregnant women and children.

Mental health services for children, which have never been adequate to meet the need, have become even more difficult to access because of cuts in funding for community mental health services, particularly for children not eligible for Medicaid. In addition, too few parents of young children have access to mental health services. Young children exposed to the stresses of maternal depression, substance abuse, domestic violence and other risk factors face twice the risk of developing problems with aggression, anxiety and hyperactivity.<sup>2</sup>

Of all the federal and state funding appropriated for young children ages birth to 5, more than half is for maternal and child health, mostly through the state's Medicaid program.<sup>3</sup> By contrast, less than 1 percent of funding for young children is for programs to improve children's social and emotional health, and additional cuts in those programs were adopted in the fiscal year 2011 budget recently approved by the Michigan Legislature.

### ***What we know about the physical, social and emotional health of young children in Michigan:***

- Less than 61 percent of toddlers (ages 19 to 35 months) have been fully immunized.
- Approximately one third of children ages 1 through 2 has been tested for lead poisoning, and less than 1 percent of those children (833) tested positive.
- More than 10,500 babies (8.5%) are born low weight each year, and low birth weight rates are increasing.
- Nearly 8 of every 1,000 babies born die in the first year of life, and African-American babies are three times more likely not to reach their first birthday.
- Nearly 36,000 births annually (29.6%) are to Michigan women who have had less than adequate prenatal care.
- Between 10 and 14 percent of all young children birth through age 5 experience social, emotional and behavioral problems, yet most do not receive mental health services—even when their mental health conditions have been identified.

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<sup>1</sup> *Cover Michigan: The State of Health Care Coverage in Michigan*, Center for Healthcare Research & Transformation (2010).

<sup>2</sup> *Unclaimed Children Revisited*, National Center for Children in Poverty.

<sup>3</sup> *Building a Sustainable Future: Analysis of the Fiscal Resources Supporting Children from Birth through Age 8 in Michigan*, the Finance Project and the W.K. Kellogg Foundation.

**Selected programs and funding trends:**

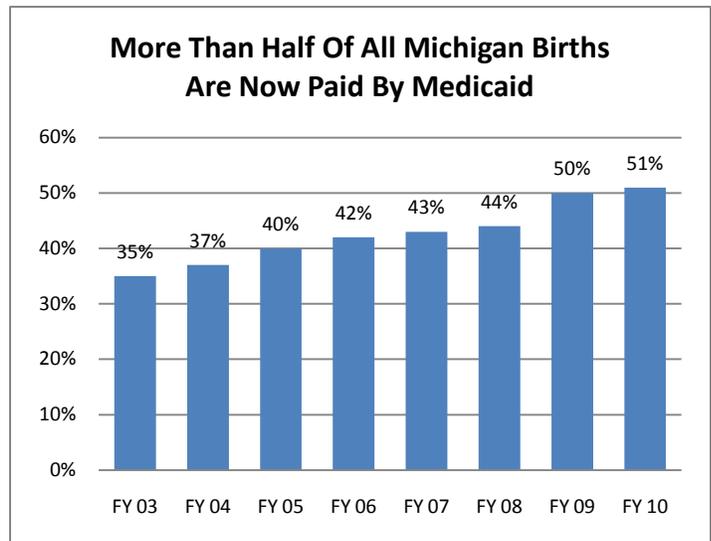
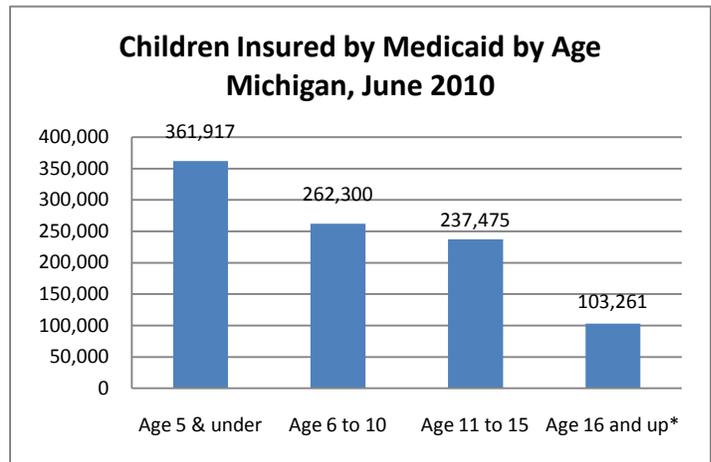
**Medicaid:**

*Background:* In fiscal year 2009, approximately 1 million children, or 45 percent of all children in the state, were enrolled at some time in the state’s Medicaid or MIChild programs. More than half (57%) of all Medicaid enrollees in the state are children,<sup>4</sup> and Medicaid caseloads for children in Michigan are growing faster than the national average.

The share of Michigan children covered by Medicaid grew from 23 percent in 2001 to 39 percent in 2010.<sup>5</sup> Young children and children of color are even more likely to rely on publicly-funded health insurance.<sup>6</sup>

Further, the percentage of women relying on Medicaid coverage during pregnancy and delivery is growing, with the percent of total Michigan births covered by Medicaid rising from 35 percent in 2003 to 51 percent in 2010<sup>7</sup>

*Funding trends:* Medicaid costs have increased along with caseloads, and the Department of Community Health (DCH) budget is now the largest state budget, with a total appropriation of over \$14 billion in the current fiscal year. Two of every three dollars spent in the DCH budget are from federal sources—primarily federal Medicaid funds.



While a rising number of families with children have turned to Medicaid for their health care coverage, services for children account for a relatively small percentage of total Medicaid spending. For example, in 2009, 55 percent of those enrolled in Medicaid were children, but they accounted for only 19 percent of all Medicaid payments.<sup>8</sup>

<sup>4</sup> Overview of the Michigan Department of Community Health, presentation by Olga Dazzo, Director, MDCH to the House Appropriations Subcommittee on Community Health (February 8, 2011).

<sup>5</sup> Ibid.

<sup>6</sup> Cover Michigan: The State of Health Care Coverage in Michigan, Center for Healthcare Research & Transformation (2010).

<sup>7</sup> Overview of the Michigan Department of Community Health, presentation by Olga Dazzo, Director, MDCH to the House Appropriations Subcommittee on Community Health (February 8, 2011).

<sup>8</sup> Michigan Department of Community Health, presentation to the House Appropriations Subcommittee on Community Health by Stephen Fitton, Director, Medical Services Administration (March 1, 2011).

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*What Works:*

*Investing in Pediatric Medical Homes*

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Kent County's Children's Healthcare Access Program (CHAP) was launched in 2008 in response to research showing that uninsured children and those insured by Medicaid have poorer health outcomes and significantly higher hospitalization rates for preventable conditions, resulting in higher taxpayer costs.

Kent CHAP is a partnership with First Steps Kent, Priority Health, Helen DeVos Children's Hospital, local medical clinics and pediatric practices, and human services agencies.

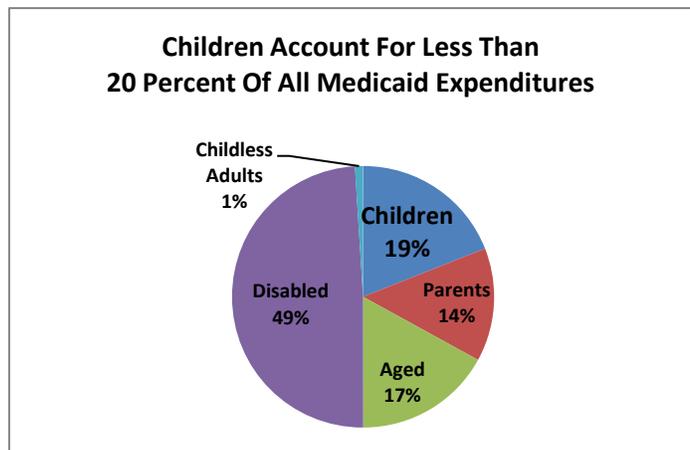
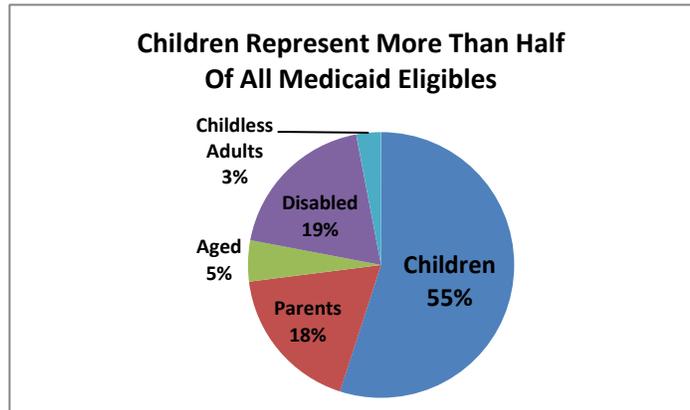
CHAP is strengthening health care quality and access by: (1) providing assistance to primary care providers; (2) creating more openings in private practices for children with Medicaid, in part through financial incentives; (3) working with partners to offer more evening hours and same-day appointments; and (4) providing home-based education and coordination of support services for families.

Kent CHAP has served 15,000 children with promising results:

- Emergency department visits decreased by 11% and hospital admissions fell by 9%.
- Initial cost estimates suggest 75 percent of CHAP spending will be offset by reduced spending on hospitalizations, with the program potentially "paying for itself" because of CHAP case management and better preventive treatment.

The successes of the Kent CHAP model will soon be expanding to other communities, including a new initiative in Wayne County.

Of particular concern have been increasing problems reported by Medicaid recipients in finding health care for themselves and their children. More than one-third (35%) of those covered by Medicaid or Healthy Kids said that they had difficulty finding providers who would accept their coverage, revealing that coverage alone does not guarantee access to care.<sup>9</sup>



A leading barrier to access has been the failure to provide adequate payments to Medicaid providers. There have been no across the board Medicaid rates increases since 2001 in Michigan.<sup>10</sup> Rate reductions during that period included a decrease in hospital payments of \$13.7 million in fiscal year 2002, a 4 percent rate reduction in 2005, and a total reduction of 8 percent in fiscal year 2010, including an estimated \$57 million in funds for services to young children ages 0 to 5.<sup>11</sup> As a consequence of lagging reimbursement

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<sup>9</sup> *Cover Michigan Survey 2010*, Center for Healthcare Research & Transformation.

<sup>10</sup> *Michigan Department of Community Health, presentation to the House Appropriations Subcommittee on Community Health by Stephen Fitton, Director, Medical Services Administration (March 1, 2011).*

<sup>11</sup> *Summary of Budget Actions Affecting Early Childhood Programs*, Early Childhood Investment Corporation (2010).

rates, the number of physicians willing to participate in the Medicaid program has dropped.

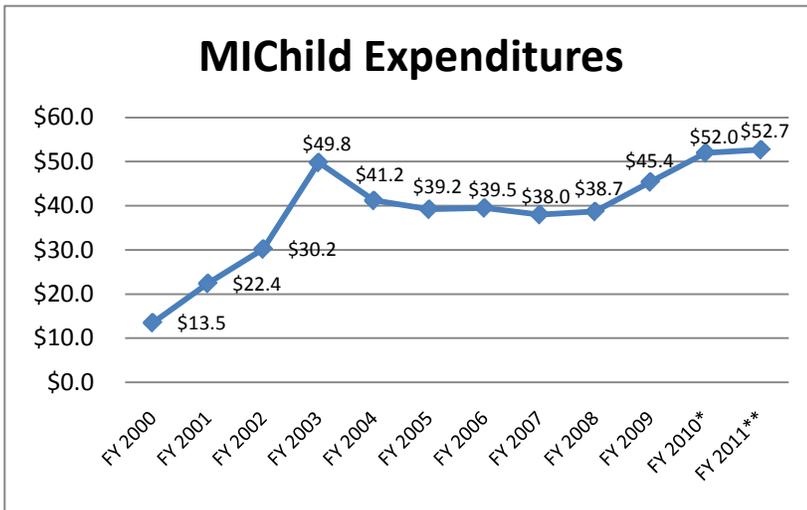
**The Governor’s fiscal year 2012 budget recommendation:**

- **The Governor recommends no further cuts in Medicaid provider payments, or in Medicaid eligibility—contingent on the adoption of a new health care insurance claims assessment of one percent applied to all health insurers in the state.**
- **The Governor recommends a cut of 40 percent in funding for graduate medical education, for a savings of \$67.3 million total, including \$22.8 million state funds, potentially limiting access to pediatric services for low-income children.**

**MiChild:**

*Background:* MiChild is a health insurance program for children in low-income working families in Michigan, and is authorized under the Children’s Health Insurance Program (CHIP). Michigan launched its MiChild program in 1998, and since that time, nearly 210,000 children have been insured through the program. In addition, approximately 875,000 children applying for MiChild were transferred to the Medicaid Healthy Kids program.<sup>12</sup>

In September of 2010, 29,306 children were enrolled in MiChild. MiChild caseloads increased consistently until 2004, when approximately 35,000 children were enrolled. Since that time, caseloads have hovered around 30,000. However, because the majority of children who apply for MiChild are eligible for Medicaid, the MiChild program has helped bring more children into the public system. The reauthorization of the federal Children’s Health Insurance Program (CHIPRA) included new funding for outreach for MiChild, and three projects were funded in Michigan.



*Funding trends:* It is estimated that approximately 38 percent of all MiChild expenditures are for children from birth to age 5—approximately \$18.9 million in fiscal year 2010.<sup>13</sup> Total funding for the MiChild program grew from \$13.5 million in fiscal year 2000 to an expected \$52.7 million in the current fiscal year. After a number of years of declining or flat funding, expenditures have grown in recent years, largely because of increased reimbursements for MiChild dental services, required by the reauthorization of the federal Children’s Health Insurance program (CHIPRA).

With the reauthorization of CHIPRA, states were provided an opportunity to draw down significant new federal funds to cover children through increases in the income eligibility guidelines (currently at 200 percent of poverty

<sup>12</sup> *MiChild August 2010 Executive Summary*, Maximus.

<sup>13</sup> *Building a Sustainable Future: Analysis of the Fiscal Resources Supporting Children from Birth through Age 8 in Michigan*, the Finance Project and the W.K. Kellogg Foundation.

in Michigan), as well as by covering pregnant women and legal immigrant children. Michigan turned away approximately \$100 million in potential new federal funding because no eligibility changes were adopted.

**The Governor's fiscal year 2012 budget recommendation:**

- **The Governor recommends no significant changes in MICHild funding or eligibility, with total funding falling slightly from \$52.7 million in the current fiscal year to \$51.8 million in fiscal year 2012.**

**Maternal and Child Health and Local Public Health Services:**

*Background:* Over the last several years, cuts have been made in local public health services, as well as maternal and child health services such as family planning, infant mortality and lead poisoning prevention. Reductions in public health programs have both human and fiscal repercussions. For example:

- The average cost per discharge for a premature or low birth weight infant in Michigan is \$102,103, approximately 14 times higher than for a healthy infant.<sup>14</sup>
- This year, local public health departments are expected to distribute 1.5 million doses of vaccine.<sup>15</sup> Every dollar invested in childhood immunization programs provides a savings of \$22; in 2009 the savings to the State were at least \$88 million.<sup>16</sup>
- Local public health departments will screen over 500,000 children for hearing defects this year, and 3 percent of those children will be referred to physicians for follow-up.<sup>17</sup> Every dollar spent on hearing screenings in children, along with appropriate treatment, saves an estimate \$112 in future work productivity.<sup>18</sup>
- Nearly 683,000 children will have their vision screened by local health departments this year, with 10 percent referred for follow-up.<sup>19</sup> Vision screenings can detect many preventable eye problems, and every dollar spent on vision screening saves \$162.<sup>20</sup>

*Funding trends:* Examples of public health cuts affecting pregnant women and young children include the following:

- *Investments in local public health departments:* Michigan's 45 local public health departments play a critical role in protecting the health of parents and children, including responsibility for immunizations and hearing and vision screenings for preschool and school-aged children. Since 1984, there has been a codified cost-sharing formula to fund local public health services, but for the last 15 years, the state has not provided its statutorily required level of funding. In 2003, a total of \$40.8 million was appropriated for local public health departments; in the current fiscal year, a total of \$39.1 million is appropriated. If local public health funding had been increased to reflect inflation, funding in fiscal year 2010 would have been at \$47.6 million; if the state had met its statutory obligation, local health departments would have received \$66.8 million.<sup>21</sup>
- *Family planning:* In fiscal year 2010, nearly \$4.2 million was cut in services for health screening, pregnancy detection, community education, and follow-up primary care referrals. As a result, over 32,000 low-income

<sup>14</sup> *Prematurity*, Issue Brief by the Center for Healthcare Research & Transformation (November 2010).

<sup>15</sup> Michigan Department of Community Health, presentation by Jean Chabut, Deputy Director, Public Health Administration, to the House Appropriations Subcommittee on Community Health (March 8, 2011).

<sup>16</sup> *Analysis of the Value of Local Public Health Operations Funding*, Public Sector Consultants Inc. (April 2010).

<sup>17</sup> Michigan Department of Community Health, presentation by Jean Chabut, Deputy Director, Public Health Administration, to the House Appropriations Subcommittee on Community Health (March 8, 2011).

<sup>18</sup> *Analysis of the Value of Local Public Health Operations Funding*, Public Sector Consultants Inc. (April 2010).

<sup>19</sup> *Ibid.*

<sup>20</sup> *Analysis of the Value of Local Public Health Operations Funding*, Public Sector Consultants Inc. (April 2010).

<sup>21</sup> *Ibid.*

people were no longer able to access services, with the cost of unplanned pregnancies expected to increase Michigan's already unacceptable infant mortality rates, as well as the cost of prenatal and perinatal care.<sup>22</sup>

- *Infant mortality prevention*: Reflecting the unacceptable reality that African American infants in Michigan are almost three times more likely to die before their first birthday than white infants, since fiscal year 2005, approximately \$1 million in Healthy Michigan Fund dollars have been used to help the ten communities in Michigan with the highest African American infant death rates (Berrien, Genesee, Kalamazoo, Kent, Macomb, Oakland, Saginaw and Washtenaw counties, as well as Detroit and out-Wayne County). Funding for infant mortality prevention was reduced from \$1 million to \$900,000 in fiscal year 2006 and eliminated in fiscal year 2010.
- *Childhood lead poisoning prevention*: In fiscal year 2010, a cut of \$1 million in Healthy Michigan funds used for lead poisoning prevention resulted in cuts of 30-45 percent in grants to local public health agencies in the communities with the highest rates of childhood lead poisoning (Benton Harbor, Detroit, Dearborn/Hamtramck/Highland Park, Pontiac, Flint, Saginaw, Lansing, Kalamazoo, Grand Rapids and Muskegon). The cut represented a 45 percent reduction in state level efforts to prevent and eliminate lead poisoning, including reduced outreach and training for parents, elimination of state capacity to conduct environmental home investigations and lab analyses in areas of the state that don't have local capacity, and the elimination of state funding for lead abatement, the Lead Safe Housing Registry, and the Lead Abatement Ombudsman.<sup>23</sup>

#### **The Governor's fiscal year 2012 budget recommendation:**

- **The Governor's budget includes a 10 percent reduction in the Healthy Michigan Fund, with cuts anticipated in smoking prevention programs (from \$4.64 million to \$4.37 million), and pregnancy prevention programs (from \$1.71 to \$1.33 million).**
- **The Governor provided continuation or slightly increased funds for a range of programs, including: (1) family planning and local agreements (continued at \$9.1 million); (2) local maternal and child health services (continued at \$7.02 million), prenatal care outreach and support (cut from \$50,100 to \$42,500); (3) school health and education programs (continued at \$405,300); (4) minority health grants and contracts (continued at \$1.1 million); (5) immunization programs (increased slightly to \$15.87 million); (6) childhood lead program (increased slightly to \$1.6 million) and lead abatement (increased from \$2.44 to \$2.65 million); (6) newborn screening follow-up and treatment services (increased from \$4.73 to \$5.34 million); and (7) Women, Infants and Children Nutrition program or WIC (increased from \$253.8 to \$254.2 million).**
- **The Governor recommends a 5 percent cut in state funds (\$1.7 million) for local health department operations.**

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<sup>22</sup> *Fiscal Year 2009-2010 State Budget Reductions and Impacts*, Maternal and Child Health, Division of Family and Community Health, Michigan Department of Community Health (December 16, 2009).

<sup>23</sup> *Fiscal Year 2009-2010 State Budget Reductions and Impacts*, Maternal and Child Health, Division of Family and Community Health, Michigan Department of Community Health (December 16, 2009).

### What Works: The Child Care Enhancement Program (CCEP)

The CCEP was in operation from 1999-2010 to serve young children (through 36 months of age) with mental health and behavioral challenges in state subsidized child care settings. The purpose of the program was to promote the social and emotional health and development of infants and toddlers (a predictor of school success), and prevent expulsion and long-term mental health problems for children later in life.

In Michigan:

- An estimated 10 percent of young children suffer from emotional and behavioral problems that impair their ability to learn, and the incidence among poor children is two to three times higher.
- An estimated 7,000 children are expelled from child care centers and preschools every year—much higher than the number of K-12 expulsions.

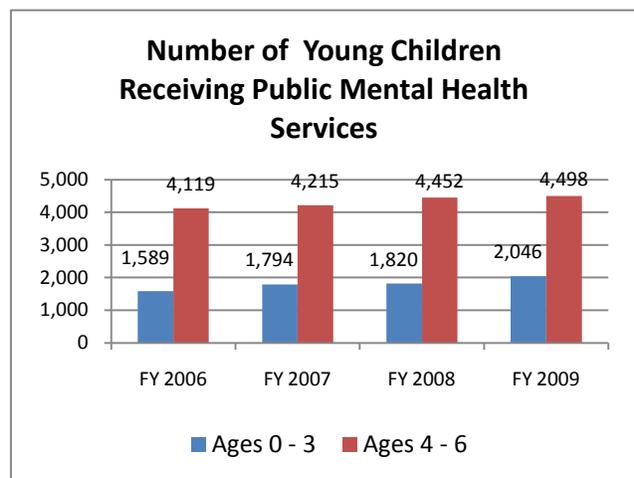
Research shows that the CCEP:

- improved young children's behaviors. Of the 2,591 children referred to CCEP from 2004-2009, only 3 percent were ultimately expelled. Most (83%) remained in the same child care setting, transitioned to special education services, went to a new child care center successfully with the support of family, or graduated successfully to kindergarten.
- reduced work and school disruptions for parents of young children.

### Mental Health Services for Parents and Children:

**Background:** Research shows that between 10 and 14 percent of all young children birth through age 5 experience social, emotional and behavioral problems, yet most do not receive mental health services—even when their mental health conditions have been identified.<sup>24</sup> In addition, it is well documented that maternal depression and other mental health conditions can have severe consequences for both mothers and their children, affecting children's cognition and behaviors even in infancy. Further, studies have shown that the rate of maternal depression among low-income women (40%) is double that of their higher-income peers.<sup>25</sup>

National data show that most mental health services for young children ages 0 to 5 are funded by Medicaid. In Michigan, 2,046 children under the age of 4 received public mental health services in 2009, representing less than 1 percent of children in that age group, and well below estimated need. Another 4,498 children ages 4 to 6 received public mental health services<sup>26</sup>



### Funding trends:

- **Cuts in community mental health services:** Between fiscal year 2001 and January of 2010, funding for Medicaid mental health services increased by 69 percent

<sup>24</sup> *Unclaimed Children Revisited*, National Center for Children in Poverty.

<sup>25</sup> *Kids Count in Michigan 2008 Data Book: A Focus on Young Children*, Michigan League for Human Services (2208).

<sup>26</sup> Michigan Department of Community Health.

while non-Medicaid mental health spending decreased by 13%.<sup>27</sup> In fiscal year 2009, an Executive Order eliminated funding for respite care services for families with children with serious emotional disturbances (\$1 million), and cut funding for non-Medicaid community mental health services by \$10 million. In fiscal year 2010, the Michigan Legislature made an additional cut of \$40 million in funding for services for persons not eligible for Medicaid, and the fiscal year 2011 budget is reduced by \$5.4 million (a \$3.8 million cut in administrative funding and \$1.6 million in services). While it is estimated that less than 1 percent of those funds were directed to children ages 0 to 5, mental health services for parents of young children were affected.

- *Elimination of the Child Care Enhancement Program (CCEP)*: In fiscal year 2010, the CCEP was cut by over 40 percent from prior year funding of \$1.8 million. As a result, the program was restructured, and no longer served children ages 3 to 5. In the budget for the current fiscal year (fiscal year 2011), funding for the CCEP (\$1 million) was eliminated. The CCEP was created in 1999 to serve high-risk infants and toddlers who are experiencing mental health and behavioral challenges in Department of Human Services (DHS) subsidized child care settings. Through the CCEP, early childhood mental health consultants coached and trained adults to promote the social and emotional health and development of infants and toddlers in their care, and prevented expulsion and long-term mental health problems.

An estimated 7,000 children are expelled from child care centers and preschool programs in Michigan every year. By comparison, less than 2,000 Michigan K-12 students were expelled in 2008-2009. Nearly 46,000 children benefited from CCEP services between 2004 and 2009, as services provided to promote the health of children at-risk of expulsion contributed to improvements in the educational environment for all children. Preliminary results of a four-year evaluation of the CCEP show positive outcomes including improvements in young children's behaviors and fewer disruptions in their parents' work and school schedules.<sup>28</sup>

#### **The Governor's fiscal year 2012 budget recommendation:**

- **The Governor's budget further reduces funding for community mental health services for low-income families and children not eligible for Medicaid, cutting total funding by \$8.5 million or 3 percent.**
- **The Governor recognizes that costs related to Medicaid mental health services will continue to grow from \$2.019 billion in the current year to \$2.055 in fiscal year 2012.**

### **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

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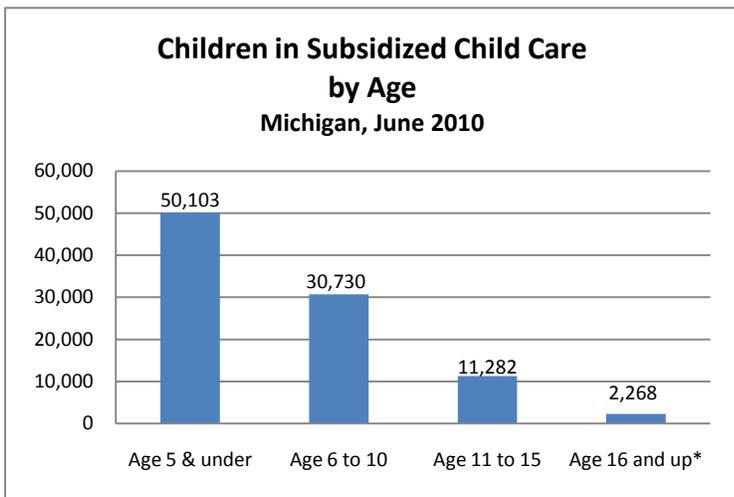
<sup>27</sup> *Community Health Background Briefing*, House Fiscal Agency (January 2010).

<sup>28</sup> Information provided by the Michigan Department of Community Health.

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>29</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.
- 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 the majority 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 128% of federal poverty line) with co-pays ranging from 5% to 30%; (3) licensed foster parents caring for foster children; and (4) families with open child protective services or preventive services cases.<sup>30</sup>

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>31</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>32</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, family and group homes, relatives, and

<sup>29</sup> Votes Count: Legislative Action on Pre-K Fiscal Year 2010, the PEW Center on the States (October 2009).

<sup>30</sup> Child Development and Care Program, presentation to the House Appropriations Subcommittee by Lisa Brewer-Walraven, Michigan Department of Human Services (March 13, 2011).

<sup>31</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>32</sup> Ibid.

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*What Works:*

*Investing in Early Learning Programs*

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- A 2007 study that followed **Michigan's Great Start Readiness Program (GSRP)** graduates through 8<sup>th</sup> grade found that the program significantly reduced grade retention, increased early math and print awareness among kindergarten students, increased the percentage of fourth grade GSRP students who passed the MEAP compared to non-GSRP students, and increased the number of GSRP children of color who took math classes in 8<sup>th</sup> grade.
  - Recent data on the federally-funded **Early Head Start (EHS)** program indicate that EHS *children* exhibit better social-emotional development and more positive approaches to learning than their peers; their *parents* are more supportive of their children's development, and more likely to enroll their children in formal preschool programs.
  - A longitudinal study of the **HighScope Perry Preschool** found that children who received high quality early education were less likely to need special education (15% compared to 35%), more likely to be ready for school (67% vs. 28%), more likely to obtain basic achievement standards at age 14 (49% vs. 15%), more likely to graduate from high school (77% vs. 60%), earned \$20,000 or more in adulthood (60% vs. 40%), and less likely to be arrested 5 or more times (36% vs. 55%).
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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 do 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.)<sup>33</sup>

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>34</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.

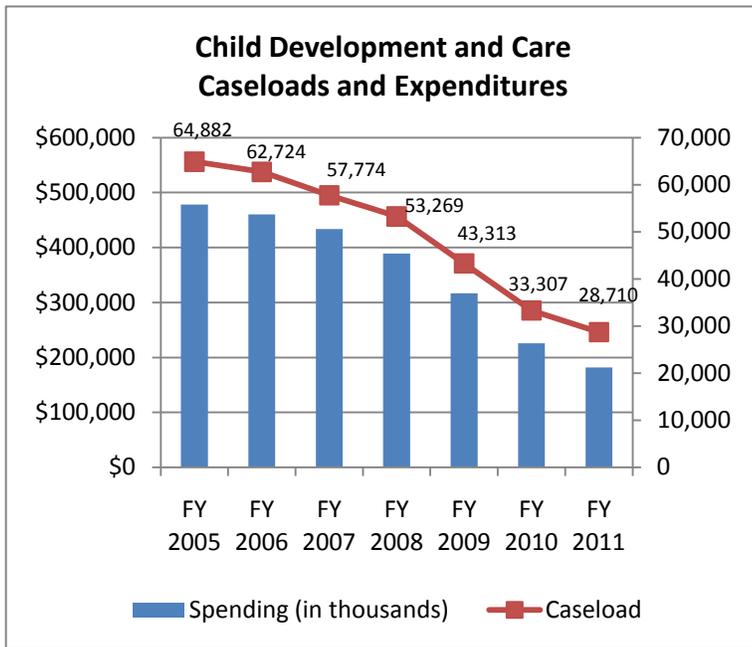
In part as a result of low provider reimbursement rates, fewer families relying on state child care subsidies have had access to regulated care, and more young children are placed in unlicensed settings in Michigan. In February of 2011, 71.4 percent of paid child care providers were unlicensed relatives 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 high unemployment rates; and (4) more children moving into licensed care.

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<sup>33</sup> *Child Development and Care Program*, presentation by Lisa Brewer-Walraven, Michigan Department of Human Services, to the DHS House Appropriations Subcommittee (March 15, 2011).

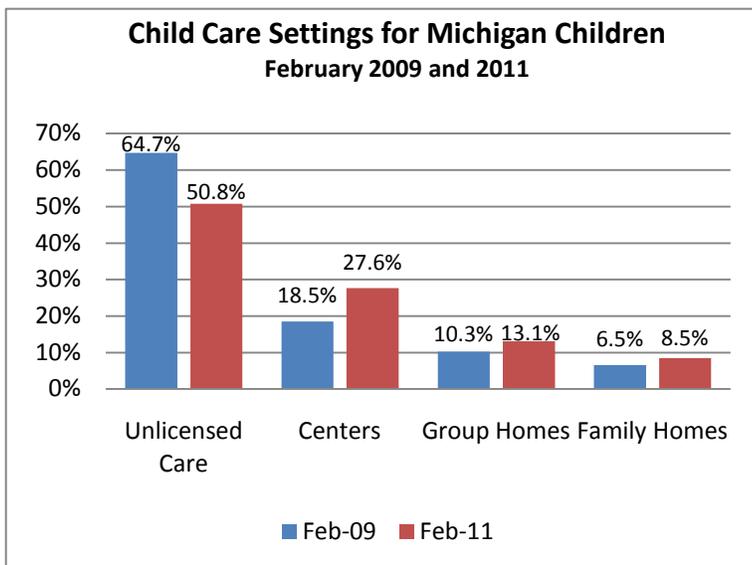
<sup>34</sup> *H.B. 5882, Human Services Decision-making Document*, Senate Fiscal Agency (September 28, 2010).



**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>35</sup> This reduction in funding reflects reduced caseloads, rate 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 fiscal year 2012 budget recommendation:**

- **The Governor reduces funding for the child care subsidy based on expected declines in caseloads and reductions in rates to unlicensed relatives and aide caregivers. Total funding for child care subsidies for low income parents would fall by 5.6 percent to approximately \$172 million. All of the funding reductions would come from payments to unlicensed relatives and aides, dropping from \$84.1 million in the current fiscal year 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.**
- **The Governor reduces payments to unlicensed relatives and aides providing child care from either \$1.60 or \$1.85 per hour (based on age of child) to \$1.35 per hour.**



**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

<sup>35</sup> Koorstra, K. and Schneider, B. *Human Services Background Briefing*, House Fiscal Agency (January 2011).

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), quality improvement specialists, orientation trainings for aides and relative providers, statewide training curriculum review, 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>36</sup>

Department of Human Services plans for additional quality improvements include the field testing of a quality rating and improvement (QRIS) system for licensed providers, a quality development continuum (QDC) for unlicensed providers this fall in conjunction with the ECIS, as well as an increased focus on linking early childhood programs such as the Great Start Readiness preschool program, Head Start and child care services.<sup>37</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>38</sup>

#### **The Governor's fiscal year 2012 budget recommendation:**

- **The Governor's budget provides continuation funding (total of \$14.6 million) for child care quality improvements through the Early Childhood Investment Corporation and Great Start Regional Resource Centers.**

#### **Head Start and Early Head Start:**

*Background*: The federally-funded Head Start program provides a comprehensive, primarily part-time preschool experience during the school year for children ages 3 or 4 in center-based programs in schools, community action agencies or public or private non-profits. The program includes physical health, social and nutrition services, as well as screenings with follow-up mental health counseling. Early Head Start is a home-visiting component for pregnant women and children ages 0 to 2. Traditionally 90 percent of children come from families with incomes at the poverty line or below. In fiscal year 2007, approximately 35,000 Michigan children were enrolled in Head Start.

*Funding*: Between 2002 and 2009, when adjusted for inflation, Head Start funding fell approximately 12 percent.<sup>39</sup> In fiscal year 2010, approximately \$256 million in federal funds were available to Michigan for Head Start and Early Head Start.

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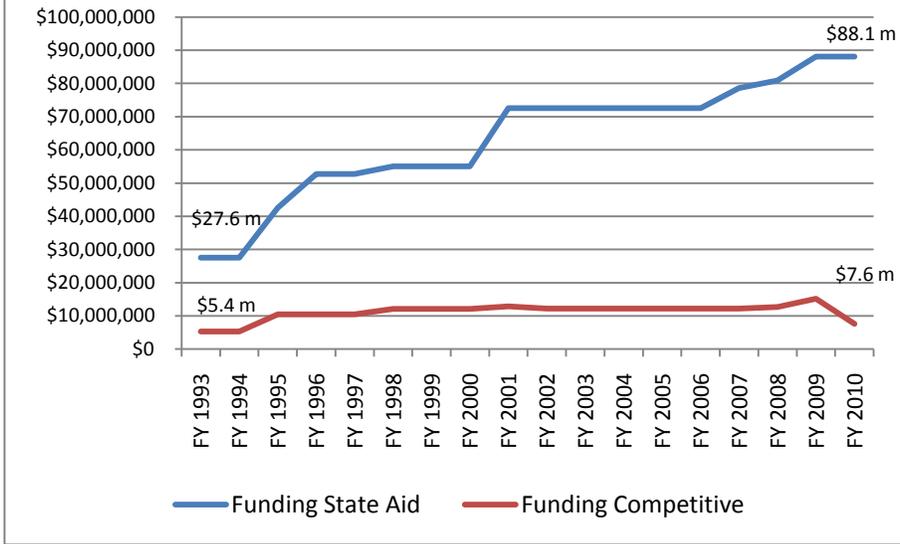
<sup>36</sup> Information provided by the House Fiscal Agency (October 6, 2010).

<sup>37</sup> *Child Development and Care Program*, Michigan Department of Human Services. Presentation by Lisa Brewer-Walraven to the DHS House Appropriations Subcommittee (March 15, 2011).

<sup>38</sup> Child Care and Development Fund Plan for Michigan, FFY 2010-2011, Michigan Department of Social Services.

<sup>39</sup> Child Care and Early Education: The Facts, Early Childhood Investment Corporation at [www.greatstartforkids.org](http://www.greatstartforkids.org)

### Funding for Michigan's Great Start School Readiness Program



### 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>40</sup>

### The Governor’s fiscal year 2012 budget recommendation:

- The Governor’s budget includes continuation funding for the School Aid GSRP (\$88.1 million), as well as the GSRP competitive community program (\$7.6 million).

<sup>40</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).

- **The Governor recommends a deep cut in per-pupil foundation grants, which could jeopardize the ability of some districts to support GSRP programs.**

#### **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>41</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’s fiscal year 2012 budget recommendation:**

- **The Governor includes continuation funding (\$5 million) for the Great Parents/Great Start program.**

#### **Great Start Collaboratives:**

*Background:* Michigan has 54 Great Start Collaboratives that serve all counties in the state, and bring together parent leaders and community decision-makers from diverse sectors—education, business, clergy, law enforcement, etc.—to create and implement school readiness plans. Each collaborative partners locally with a Great Start Parent Coalition, comprised of local volunteers who educate community and state leaders about the importance of investing in young children, and provide a parent voice. Over 9,000 parents statewide are involved in local Great Start Parent Coalitions.

*Funding Trends:* In fiscal year 2007, \$1 million in new funding was approved through the K-12 School Aid budget for local Great Start Collaboratives and Great Start Parent Coalitions. Funding was increased to \$1.75 million in fiscal year 2008. In fiscal year 2009, funding for the local collaborative and coalitions was increased by \$5 million to a total of \$6.75 million. In fiscal year 2010, funding was cut to \$6 million, where it remains in the current fiscal year.

#### **The Governor’s fiscal year 2012 budget recommendation:**

- **The Governor recommends continuation funding (\$6 million) for local Great Start Collaboratives and Great Start Parent Coalitions.**

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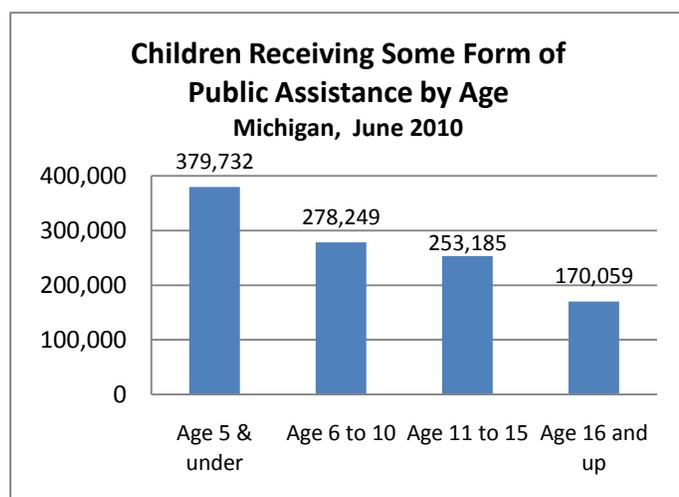
<sup>41</sup> 2009-2010 Great Parents, Great Start Program Grants Continuation Plan Announcement, Michigan Department of Education (November 12, 2009).

## Family and Income Support

### **Summary:**

Over the last decade, programs to support at-risk parents and their young children have been cut and sometimes eliminated as Michigan has continued to struggle with its structural budget deficit. In addition, funding for many programs, and especially those intended to meet the basic needs of poor children and their families, has been stagnant, forcing more young children into deep poverty.

Of great concern have been cuts in services to prevent child abuse and neglect and strengthen families, including the Nurse-Family Partnership program, the 0 to 3 Secondary Prevention program, Family Group Decisionmaking, marriage and fatherhood initiatives, and teen parent counseling programs.



### ***What we know about the need for family and income support programs in Michigan:***

- More than a quarter (27%) of all young children in Michigan live in poverty<sup>42</sup>, and nearly 380,000 are reliant on some form of public assistance.<sup>43</sup>
- In 2009, roughly 176,000 children in Michigan lived in families where an investigation was conducted to determine if child abuse or neglect had occurred; nearly 31,000 were confirmed victims.<sup>44</sup>

### ***Selected programs and funding trends:***

### **Basic needs programs:**

***Background:*** Because they are more likely to live in poverty and be reliant on public assistance, young children are hardest hit during a recession when families' needs grow at the same time that state revenues dwindle. The problem is particularly severe in Michigan because of the state's 10 year struggle with structural budget deficits.

While all children are disproportionately reliant on public services and supports, the youngest children—under the age of 6—are the most vulnerable. In June of 2010, over 1 million children were receiving some form of public assistance, including income assistance, food assistance, child care subsidies, Medicaid or disability assistance. Nearly 380,000 of those children were under the age of five.<sup>45</sup>

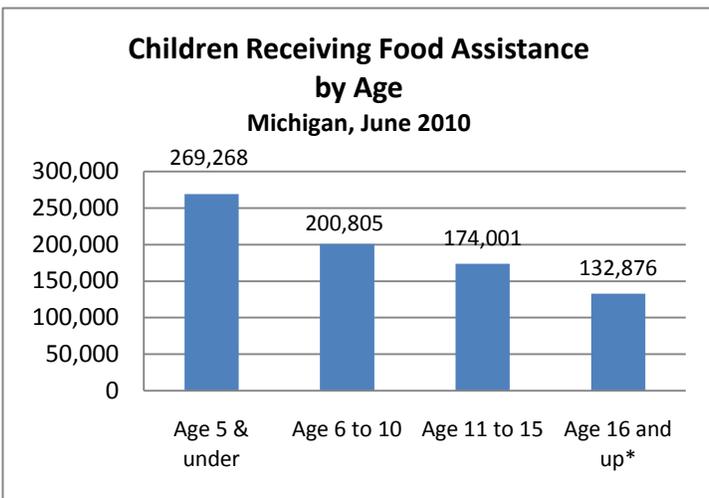
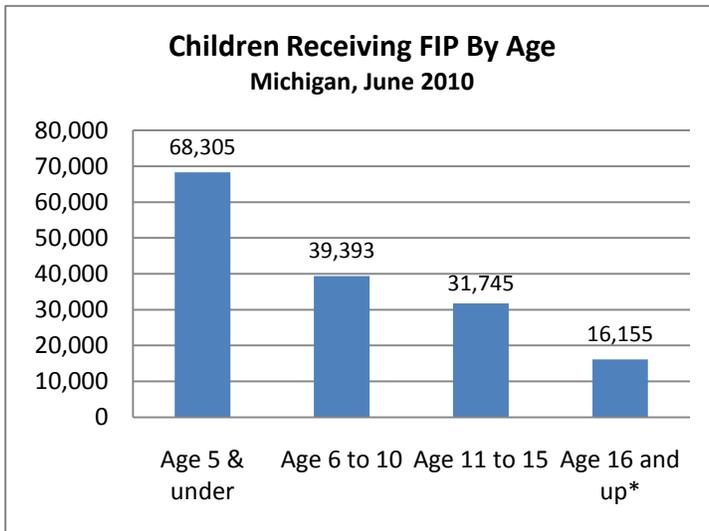
Young children under the age of six are much more likely to live in families with incomes so low that they qualify for public income assistance. Two of every three recipients of public income assistance—Michigan's Family

<sup>42</sup> The Education Connection, Kids Count in Michigan 2010 Data Book, Michigan League for Human Services.

<sup>43</sup> *Distribution of Children by Age Reports*, Green Book Report of Key Program Statistics, Michigan Department of Human Services (June 2010).

<sup>44</sup> The Education Connection, Kids Count in Michigan 2010 Data Book, Michigan League for Human Services.

<sup>45</sup> *Distribution of Children by Age Reports*, Green Book Report of Key Program Statistics, Michigan Department of Human Services (June 2010).



Independence Program or FIP—are children. To be eligible for FIP, families must typically have incomes below approximately \$9,780 per year for a family of three. Between 1981 and 2008, the maximum public assistance grant for a family of three, currently \$492 per month, dropped from 23 percent below the poverty line to 66 percent below. As a result, it is estimated that less than one-third of Michigan households with children living in poverty now receive the cash assistance needed to cover their children’s basic needs.<sup>46</sup>

Nearly 270,000 young children in Michigan receive federally-funded food assistance. In addition, 260,000 Michigan infants, 57 percent of all infants born in Michigan in 2010, received nutrition assistance through the federally-funded Supplemental Food Program for Women, Infants and Children (WIC) program, at a cost of nearly \$209 million.

*Funding trends:* Between fiscal years 2002 and 2011, funding for the FIP program increased from \$351 million to \$429 million, reflecting a caseload increase from 73,453 in 2002 to 81,983 in 2011. The average monthly benefit for FIP is \$434 per month.<sup>47</sup>

Greater growth was seen in the need for federally funded food assistance, where total caseloads grew from approximately 327,000 in fiscal year 2002 to 948,000 in 2011. In June of 2010, over

269,000 children under the age of 6 received federal food assistance. To be eligible, families must have incomes below 200 percent of the federal poverty level, or approximately \$36,000 for a family of three. Over 70 percent of families that receive food assistance do not get other state administered cash assistance. The average monthly benefit is about \$266 per case, or \$130 per person.<sup>48</sup>

**The Governor’s fiscal year 2012 budget recommendation:**

- **The Governor’s budget includes savings of \$77.4 million (\$65 million in state funds) as a result of more aggressive implementation of the 48 month lifetime limit on the receipt of public assistance by families with children. An estimated 12,600 families would be affected, or 15 percent of all poor families receiving income assistance through the Family Independent Program.**

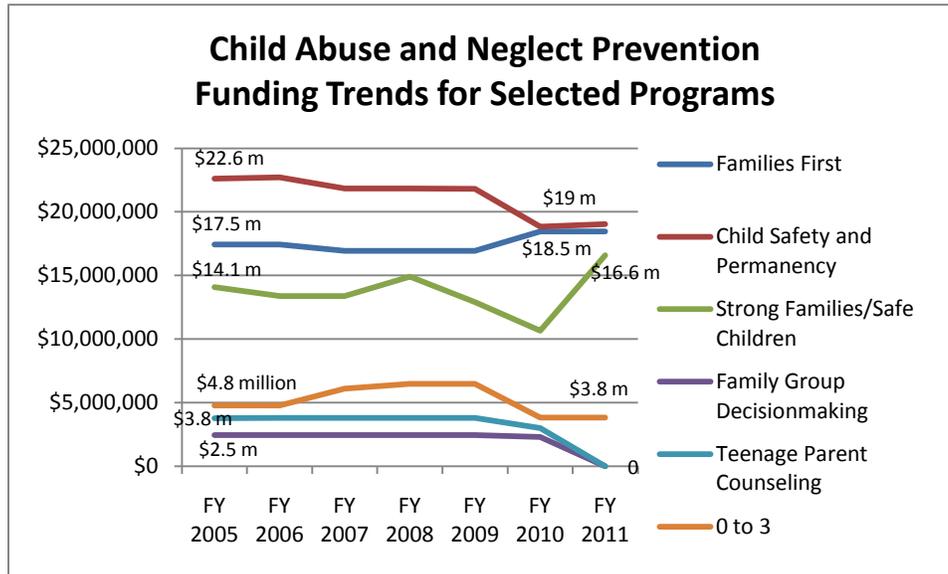
<sup>46</sup> *Michigan’s Incredible Shrinking Safety Net*, Michigan League for Human Services (May 2009).

<sup>47</sup> Koorstra, K. and Schneider, B. *Human Services Background Briefing*, House Fiscal Agency (January 2011).

<sup>48</sup> *Ibid.*

**Family support, home visiting and child abuse and neglect prevention:**

*Background:* Included in the budget cuts over the last decade were family preservation services, child abuse and neglect prevention programs, Family Group Decisionmaking, marriage and fatherhood initiatives, the Nurse-Family Partnership program, and teen parent counseling. New federal funding for home visiting programs from the Patient Protection and Affordable Care Act of 2010 provides Michigan with an opportunity to develop a system of home visiting programs for parents of young children.



Funding trends:

*Child abuse and neglect prevention:* Since 2000, funding for most of the major child abuse and neglect prevention programs has been cut, and the number of substantiated child abuse and neglect victims has grown. Between 2000 and 2009, the number of confirmed victims grew from 26,844 to 30,799, an increase of 15 percent. The rate of victimization grew 25 percent, from 10.3 per 1,000 to 12.9.<sup>49</sup> While new funding has been provided for improvements in the state’s foster care and protective services system, as required by a settlement agreement stemming from a lawsuit by the national Children’s Rights organization, prevention funding has not kept pace. Included in the reductions were the following:

- Funding for the Families First program was reduced from \$21 million in 2000 to \$18.5 million in 2011, a cut of 12 percent.
- Funding for the Strong Families/Safe Children program fell from \$16.9 million in 2000 to \$10.7 million in 2010, but was restored to \$16.6 million in the current fiscal year with one-time federal carry-forward Title IV-B funding. The temporary funding was to be used for pilot projects for intensive family services in five urban counties.
- Funding for the 0 to 3 Secondary Prevention program fell from a total (in the budgets of the DHS, the Department of Community Health and K-12/School Aid) of \$7.75 million in 2001 to \$3.8 million in 2011, a reduction of 50 percent.
- Funding for Teen Parent Counseling programs was eliminated in 2010 (\$3 million).

<sup>49</sup> The Education Connection, Kids Count in Michigan 2010 Data Book, Michigan League for Human Services.

- Funding for Family Group Decisionmaking was eliminated in 2010 (\$2.3 million).

*Home visiting programs:* Early childhood home visiting programs provide voluntary, in-home services to families with children beginning before birth. Trained home visitors, who may be nurses, social workers, early childhood education specialists or other trained paraprofessionals, work with families to advise them on their children's health and development and connect families with community services and supports.

On March 23, 2010, the President signed into law the Patient Protection and Affordable Care Act of 2010 which in part authorized the creation of the Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program. The new federal home visiting program provides \$1.5 billion over 5 years to states. There is no state or local match required, and states cannot use the new federal funds to substitute for existing state funds for home visiting. States must give priority to high risk families and children, including those living in high risk communities, low-income families, pregnant women under the age of 21, families with histories of child abuse or neglect or substance abuse, and children with developmental delays or low student achievement.

The goal of the new federal home visiting program is to strengthen collaboration at the federal, state, and community levels to improve health and development outcomes for at-risk children through evidence-based home visiting programs. This program is designed: (1) to strengthen and improve the programs and activities carried out under Title V; (2) to improve coordination of services for at risk communities; and (3) to identify and provide comprehensive services to improve outcomes for families who reside in at-risk communities. Michigan was initially eligible for \$2,014,745 in fiscal year 2010 under the Act.

Michigan has a history of providing home visiting programs, such as Nurse-Family Partnership and Parents as Teachers, but the state's economic and fiscal problems have made it very difficult to sustain funding for the programs, and there hasn't been a state wide strategy or approach to home visitation.<sup>50</sup> The new federal Early Childhood Home Visiting Program provides Michigan with an opportunity to improve collaboration related to early childhood and home visitation, and to focus investments on proven interventions.

The Great Start System Team (GSST), which is co-convened by the Michigan Department of Community Health and the Early Childhood Investment Corporation (ECIC), is overseeing Michigan's implementation of the Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program. The GSST, which is working through a Home Visiting Workgroup of key state department staff, has identified 10 at-risk communities based on 13 indicators, and completed a preliminary statewide needs assessment.

The definition of home visiting programs utilized by the Work Group is: (1) programs that use home visiting as a primary service delivery strategy; (2) are at least partially supported with state or federal funds; and (3) focus on promotion or prevention. Using this definition, Michigan identified 9 state-level home visiting programs supported by state and federal funds, including:

- Maternal Infant Health Program
- Community Mental Health Home-Based Services
- Early Head Start
- 0 to 3 Secondary Prevention
- Children's Trust Fund direct services grants
- Prevention Pilot home visiting programs

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<sup>50</sup> Szekely, A., Connors-Tadros, L. *Financing Evidence-Based Home Visiting Programs in Michigan: A Strategic Financial Planning Toolkit*, The Finance Project (May 2010).

- Nurse-Family Partnership
- Healthy Start
- Parent-Child Assistance program.

**The Governor's fiscal year 2012 budget recommendation:**

- **The Governor's budget removes line items for specific child abuse and neglect prevention programs, but according to the House Fiscal Agency, the following programs would be cut under the Executive proposal: (1) Families First (cut from \$18.5 to \$18 million); (2) Strong Families/Safe Children (down from \$16.6 to \$15.1 million); (3) Child Protection and Permanency (cut from \$19 to \$16.2 million); (4) 0 to 3 Secondary Prevention (eliminated, for a loss of \$3.8 million).**

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