

April 27, 2011

### Investments in Early Childhood in Michigan: Fiscal Year 2012 Highlights

#### **The Governor's First Budget: Accountability for Results.**

On Thursday, February 17, 2011, Governor Snyder released his first state budget. The proposed fiscal year 2012 Executive Budget addresses a projected deficit of at least \$1.3 billion through tax and budget reforms, as well as budget cuts. How do the Governor's recommendations affect young children in light of past spending trends and the pressing need to invest in the next generation of Michigan workers and taxpayers?

The Governor will be evaluating the success of his Administration based on a set of indicators, including "dashboard" outcome measures, as well as transitional performance measure. Included in the metrics affecting young children are the following:

- Reading at grade level by 3<sup>rd</sup> grade
- Reductions in infant mortality and obesity
- Access to public mental health services
- Teen births
- Percentage of Michigan children 19 to 35 months of age who receive all recommended vaccines
- Reductions in childhood poverty

#### **The Fiscal Year 2012 Executive Budget: How Will Young Children Be Affected?**

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

##### ***The fiscal year 2012 budget proposals:***

##### **Medicaid:**

- *The Governor's proposed budget* includes no further cuts in Medicaid provider payment rates or in eligibility. The Governor recommends a 40 percent cut in funding for graduate medical education, potentially limiting access to pediatric services for low-income children.
- *The Senate* concurred with the Governor on Medicaid eligibility and rates. The Senate eliminated funding for graduate medical education. Retained by the Senate was budget language (removed by the Governor) that authorizes presumptive eligibility for Medicaid for pregnant women, specifies Medicaid co-pays, and directs the DCH to continue to provide increased reimbursement rates for well child visits and primary care for children. Also retained were provisions regarding access to EPSDT and Maternal Infant Health program services.
- *The House Committee* concurred with the Governor and the Senate by maintaining current Medicaid eligibility and provider rates. The House Committee also agreed with the Governor to reduce Graduate Medical Education by 40 percent. The Committee concurred with the Senate by retaining budget language related to presumptive eligibility and co-pays, but deleted language related to increased rates for well child visits and primary care for children, as well as access to EPSDT and Maternal Infant Health services.

##### **Maternal and child health and local public health:**

- *The Governor* recommends a 10 percent reduction in the Healthy Michigan Fund, with cuts in smoking and pregnancy prevention programs; and a 5 percent cut for local public health departments.

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- *The Senate* eliminated all funding for prevention programs through the Healthy Michigan fund, for a total cut of \$10.9 million over current year funding. Included are the elimination of funding for immunization local agreements (\$1.75 million), immunization management and field support (\$354,900), Maternity Outpatient Medical Services (\$1.58 million), minority health (\$500,000), pregnancy prevention programs (\$1.1 million), school health services (\$405,500), and smoking prevention (\$2.6 million). The Senate included budget language requiring the DCH to maintain the immunization registry, but provided no funding, and retained a requirement that the DCH report annually on the number of children with elevated blood levels (removed by the Governor). The Senate concurred with the Governor in reducing funding for local public health departments by 5 percent.
- *The House Committee* eliminates all but one program funded through the Healthy Michigan Fund, reducing the total fund to \$805,200. The House Committee concurred with the Senate in retaining annual reports by the DCH on the number of children with elevated blood lead levels. The House Committee increased the cut in local public health operations to 10 percent, for a total cut of \$3.4 million.

#### **Mental health services:**

- *The Governor's budget* further cuts funding for community mental health services for low-income families and children not eligible for Medicaid, with a 3 percent or \$8.5 million reduction.
- *The Senate* made deeper cuts in mental health services for persons not eligible for Medicaid, reducing, reducing funding by \$13.6 million or approximately 4.8 percent.
- *The House Committee* concurred with the Governor's 3 percent cut.

#### Impact:

- **Medicaid:** The share of Michigan children covered by Medicaid grew from 23 percent in 2001 to 39 percent in 2010. Further, the percentage of women relying on Medicaid coverage during pregnancy and delivery is growing, with more than half (51%) of all births in Michigan now covered by Medicaid. More than one third (35%) of parents whose children are covered by Medicaid say they have trouble finding providers who will accept their coverage, and a leading barrier to access has been the failure to provide adequate payments to Medicaid providers. There have been no across the board Medicaid rate increases since 2001, with rate reductions of 4 percent in 2005, and 8 percent in 2010.
- **Maternal and child health and local public health:** There have been significant cuts in maternal and child health programs over the last several years, including a cut of nearly \$4.2 million in funding for health screening, pregnancy detection, community education and primary care referrals in fiscal year 2010—resulting in 32,000 low-income people no longer being able to access services. In addition, funding for infant mortality prevention was reduced from \$1 million to \$900,000 in fiscal year 2006, and eliminated in fiscal year 2010, along with \$1 million in funding for lead poisoning prevention. For local public health departments, a total of \$40.8 million was appropriated in 2003; in the current fiscal year, a total of \$39.1 million is appropriated.
- **Mental health services:** Between 10 and 14 percent of all young children birth through age five experience social, emotional and behavioral problems, yet most do not receive mental health services—even when their mental health conditions have been identified. Maternal depression and other mental health problems can also have severe consequences for both mothers and their children, affecting children's behavior and learning. Between fiscal year 2001 and January of 2010, funding for non-Medicaid mental health services decreased by 13 percent. In addition, funding for respite care services for families with children with serious emotional disturbances (\$1 million) was cut, along with all funding for the Child Care Enhancement Program (CCEP), a program that served high risk infants and toddlers in state subsidized child care, and helped parents work by preventing expulsion from child care. Currently, less than 1 percent of all state funds spent on infants, toddlers and preschool age children are used for services to promote social and emotional health.

#### **Early Learning:**

The fiscal year 2012 budget proposals:

**Child care:**

- *The Governor* reduces funding for child care subsidies based on expected reductions in caseloads and cuts in payments to unlicensed relatives and aides. Payments for unlicensed providers would drop from either \$1.60 or \$1.85 per hour (depending on the age of the child), to \$1.35 per hour. Funding for child care quality improvements (\$14.6 million) is continued at current year levels.
- *The Senate* concurred with the Governor on caseload projections and rate reductions. The Senate then further reduced funding for licensed child care by a total of \$36.5 million, requiring the Department of Human Services (DHS) to develop a cost-cutting plan by October 1, 2011. The Senate eliminated all funding to the Early Childhood Investment Corporation (ECIC), moving those dollars to the DHS child care and development programs (\$7 million) and to local Great Start Collaboratives (\$7.6 million). Funding for the local Great Start Collaboratives is for general operations and program support (\$6 million), as well as professional training activities (\$1.6 million).
- *The House Committee* concurred with the Governor on caseload projections and rate reductions. The House Committee also reduced the maximum number of reimbursable hours of child care from 90 every two weeks to 80, for a savings of \$10 million. The House Committee cut funding to the ECIC for child care quality improvements by \$750,000.

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

- *The Governor* provided continuation funding for the GSRP, a state-funded preschool program for at-risk four-year-olds, including \$88.1 million through the School Aid allocation, and \$7.6 million for the competitive program.
- *The Senate* increased funding for the GSRP by \$6 million (6.7%), and provided continuation funding for the GSRP competitive program.
- *The House Committee* provided continuation funding for both the GSRP School Aid program and the competitive program, and transferred responsibility for the administration and distribution of GSRP funds to Intermediate School Districts (ISDs). In fiscal year 2012, budget language requires the ISDs to allocate both the district and competitive GSRP funds based on current Michigan Department of Education (MDE) criteria.

**Great Parents/Great Start program:**

- *The Governor* included continuation funding (\$5 million) for the Great Parents/Great Start program through Intermediate School Districts.
- *The Senate* concurred with the Governor and provided continuation funding for the Great Parents/Great Start program.
- *The House Committee* concurred with the Governor and the Senate.

**Great Start Collaboratives (GSCs) and Great Start Parent Coalitions (GSPCs):**

- *The Governor* provided continuation funding for local GSCs and GSPCs.
- *The Senate* cuts funding for GSCs and GSPCs by \$100,000 to a total of \$5.9 million in the K-12 School Aid budget. As noted above, the Senate eliminated all child care quality funding to the ECIC in the DHS budget, providing \$7.6 million to local Great Start Collaboratives for general operations and program support (\$6 million), as well as professional training activities (\$1.6 million).
- *The House Committee* retains full funding (\$6 million) for GSCs and GSPCs in the K-12 School Aid budget.

**Early Childhood Block Grant:**

- *The Governor*, in his April 27, 2011 education address announced an Executive Order to combine the Office of Child Development and Care in the DHS with the office of Early Childhood Education and Family

Services in the MDE. The Governor describes this as the initial phase of a consolidation of early childhood programs and resources with the goal of “maximizing child outcomes, reducing duplication and administrative overhead and reinvesting resources from efficiencies into quality improvement and service delivery.” The programs that will become a part of the new Office of Great Start in this initial phase include: (1) the GSRP, (2) Great Parents/Great Start, (3) Preschool Special Education, (4) child care licensing, (5) Head Start State Collaboration, (6) the child care and development program, and (7) Early On.

- *The House Committee* included language indicating legislative intent to transfer GSRP funding to an early childhood block grant in fiscal year 2013, along with funds for the Great Start Collaboratives (\$6 million) and the Great Parents/Great Start program (\$5 million). The early childhood block grant program would be administered by ISDs “in conjunction with their regional Great Start Collaborative to improve program quality, evaluation and efficiency for early childhood programs.” The MDE is directed to work with ISDs, school districts, Great Start Collaboratives and the ECIC to establish revised funding formulas, application procedures, program criteria and reporting requirements, with a report to the Legislature with recommendations no later than January 1, 2012.

Impact:

- **Child care:** Between 2005 and 2010, the number of low-income families receiving child care subsidies fell from nearly 65,000 to just over 33,000. During that same period, funding fell from approximately \$480 million to \$226 million. The reductions were caused by lower caseloads, reductions in provider payment rates, and aggressive quality assurance initiatives. In part because of very low provider reimbursement rates, more than half of the children in state-subsidized care are in unlicensed settings. The Governor’s budget will further reduce payments to unlicensed providers, although it is unclear if this will result in a reduced reliance on relatives and aides in Michigan and greater utilization of licensed care.
- **Great Start Readiness Program:** The GSRP is Michigan’s state-funded preschool program for approximately 25,000 four-year-olds at risk of school failure. Currently the program provides per-pupil funding of \$3,400 to eligible school districts, ISDs or community agencies. Because the per-pupil payment has remained low, many school districts and community agencies have had to absorb some of the costs of the program. In fiscal year 2010, funding for the competitive GSRP program was cut in half, and school districts were given the discretion to redirect GSRP funds to other district priorities, and as a result, approximately 4,600 young children were denied access to an early education. Even before these cuts, an estimated 35,000 four-year-olds were eligible for GSRP but unable to enroll because of inadequate funding. Michigan currently does not allow three-year-olds to enroll in the GSRP, unlike many other states that recognize the benefits of two years of preschool for very high risk young children.
- **Great Parents/Great Start program:** The Great Parents/Great Start program provides grants to Intermediate School Districts for voluntary parent education and involvement programs. Through coordination with local Great Start Collaboratives and community organizations, these dollars are often used to leverage other funds for young children.
- **Great Start Collaboratives and Great Start Parent Coalitions:** Michigan has 54 Great Start Collaboratives that serve all counties in the state, bringing together parent and community leaders to improve school readiness. More than 9,000 parents statewide are also engaged in local Great Start Parent Coalitions. The collaboratives have developed community plans and are now implementing them, leveraging significant private, local, and sometimes federal funds. Funding for Great Start Collaboratives and Great Start Parent Coalitions grew from \$1 million in 2007 to \$6.75 million in 2009. Funding remained at \$6 million in fiscal years 2010 and 2011.

***Family and Income Support:***

*The fiscal year 2012 budget proposals:*

**Income assistance:**

- *The Governor's budget* eliminates basic income assistance for 12,600 families, including roughly 25,000 children, by aggressively implementing a 48 month lifetime limit on benefits from the Family Independence Program (FIP).
- *The Senate* concurred with the Governor on FIP lifetime limits. The Senate reduced the FIP clothing allowance by \$200,000, adding boilerplate language that requires the Department to distribute the clothing allowance via clothing purchase cards to be used only in clothing stores.
- *The House Committee* concurred with the Governor on FIP lifetime limits. The House also increased the earned income disregard for FIP, allowing recipients to retain more of their earnings as a work incentive (cost of \$10 million), and a related amendment allowing FIP recipients to work up to 37 hours instead of the current 25 hours before they lose their benefits. The House Committee also cut \$9.9 million in the annual clothing allowance by limiting it to children in FIP groups that do not include an adult.

**Family support and child abuse and neglect prevention:**

- *The Governor's budget* removes specific line items for child abuse and neglect prevention programs, but according to the House Fiscal Agency there will be cuts in a range of family support programs including Families First (down \$500,000), Strong Families/Safe Children (cut by \$1.5 million), and Child Protection and Permanency (reduced by \$2.8 million). The 0 to 3 Secondary Prevention program (\$3.8 million) would be eliminated.
- *The Senate* concurred with the Governor.
- *The House Committee* concurred with the Governor on the cuts in child abuse and neglect prevention programs, and added an additional \$2.8 million cut to family preservation, giving the DHS flexibility to choose where to cut.

**Impact:**

- **Income assistance:** More than a quarter (27%) of all young children in Michigan live in poverty, and over 68,000 are reliant on FIP. Because they are more likely to live in poverty and be reliant on public assistance, young children are hardest hit by recessions and cuts in income assistance benefits. Poverty has been shown to lead to a range of negative outcomes for young children, thwarting intellectual and emotional development, and ultimately affecting the ability to learn and succeed.
- **Family support and 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. While new funding has been provided for improvements in the state's foster care and protective services systems as a result of the Children's Rights lawsuit and settlement, funding to strengthen families and prevent abuse and neglect has not kept pace.