

Investments in Early Childhood in Michigan: A Summary of Child Care and Early Education Programs and Funding Trends June 2011

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.¹

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 4th graders are not considered proficient in reading by national standards. The states with the best 4th 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.

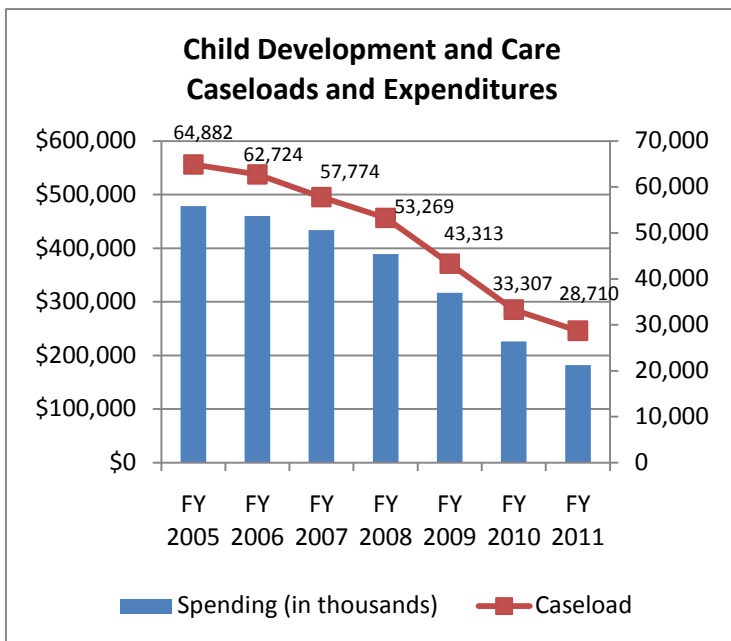
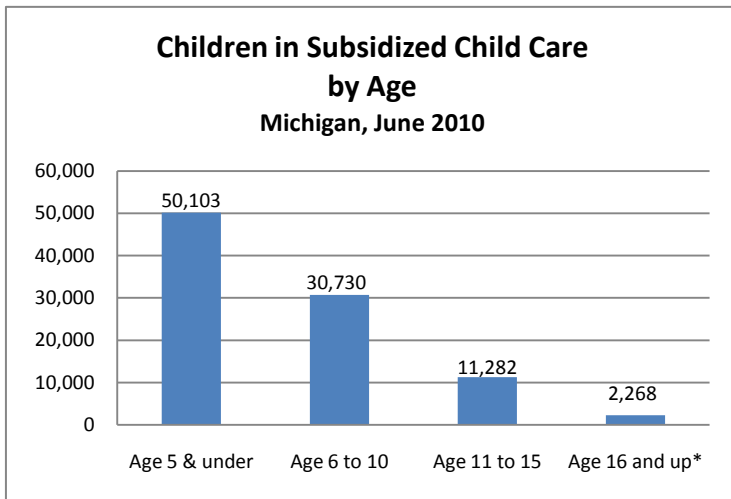
Selected programs and funding trends:

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.²

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

² Child Development and Care Program, presentation to the House Appropriations Subcommittee by Lisa Brewer-Walraven, Michigan Department of Human Services (March 13, 2011).



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.³ Michigan's income eligibility level fell from 178 percent of poverty in 2001 to 130 percent in 2010, a decrease of 48 percent.⁴

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 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.)⁵

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

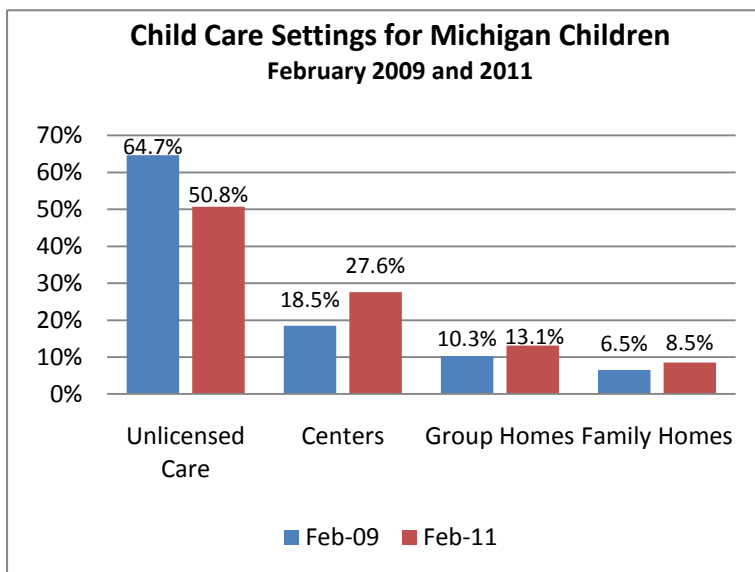
³ Schulman, K.; and Blank, H. *State Child Care Assistance Policies 2010: New Federal funds Help States Weather the Storm*, National Women's Law Center (September 2010).

⁴ Ibid.

⁵ *Child Development and Care Program*, presentation by Lisa Brewer-Walraven, Michigan Department of Human Services, to the DHS House Appropriations Subcommittee (March 15, 2011).

training costs.⁶ 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.



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.⁷ 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 fiscal year 2012 budget:

- **The final budget cuts funding by \$27.2 million to reflect new hourly reductions and boilerplate language is added indicating legislative intent for the department to save \$7 million by revising the maximum number of reimbursable hours per recipient (from 90 to 80 hours per 2 week period) and \$5 million by improving the error rates for income verification and income eligibility. Currently, unlicensed providers receive either \$1.60 or \$1.85 per hour, depending on the age of the children they care for; a flat rate of \$1.35 per hour will be implemented in FY12 for unlicensed providers. Boilerplate language is added directing the Department to submit a report on the amount of child care payments parents are paying, by provider type, not paid for by the CDC program; as well as the number of enrolled providers based on providers’ annual household income ranging in the following categories: annual income less than \$15,000; \$15,000-\$25,000; \$25,000-\$35,000; and more than \$35,000. Funding for the Michigan Home Based Child Care Council is eliminated.**

Child Care Quality Improvement Initiatives:

⁶ H.B. 5882, Human Services Decision-making Document, Senate Fiscal Agency (September 28, 2010).

⁷ Koorstra, K. and Schneider, B. Human Services Background Briefing, House Fiscal Agency (January 2011).

What Works:

Investing in Early Learning Programs

- A 2007 study that followed **Michigan's Great Start Readiness Program (GSRP)** graduates through 8th 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 8th 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%).
-

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), 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.⁸

Department of Human Services plans for additional quality improvements include the field testing of a quality rating and improvement (QRIS) system for

⁸ Information provided by the House Fiscal Agency (October 6, 2010).

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.⁹

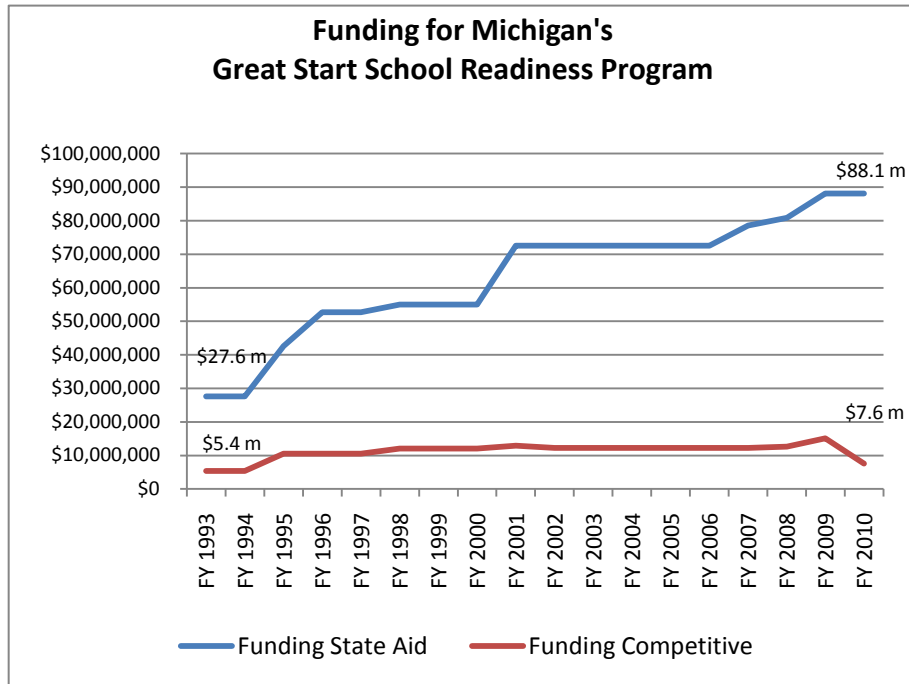
Funding trends: Federal law requires states to spend not less than 4 percent of their Child Care and Development Fund dollars (CCDF) on child care quality improvements. In fiscal year 2010, an estimated \$28 million was spent on quality improvements, or 15.7 percent.¹⁰

The fiscal year 2012 budget:

- **Funding to the ECIC for child care quality improvements was cut by \$1.9 million for a total of \$12.7 million.**

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.¹¹ In fiscal year 2010, approximately \$256 million in federal funds were available to Michigan for Head Start and Early Head Start.

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

⁹ *Child Development and Care Program*, Michigan Department of Human Services. Presentation by Lisa Brewer-Walraven to the DHS House Appropriations Subcommittee (March 15, 2011).

¹⁰ Child Care and Development Fund Plan for Michigan, FFY 2010-2011, Michigan Department of Social Services.

¹¹ Child Care and Early Education: The Facts, Early Childhood Investment Corporation at www.greatstartforkids.org

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.¹²

The fiscal year 2012 budget:

- **The final budget increases funding for the GSRP by \$6 million to a total of \$104.3 million (\$95.4 million School Aid and \$8.9 million competitive), and transfers responsibility for the administration and distribution of GSRP funds to ISDs or a consortia of ISDs. Boilerplate language is added indicating legislative intent to transfer GSRP funding to an early childhood block grant in fiscal year 2013 – along with funds for Great Start Collaboratives and Great Parents/Great Start – to be administered by ISDs.**
- **The budget maintains the Governor’s recommendation for 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.¹³ 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.

¹² Chase, R.; Anton, P.; Diaz, J.; Martin Rogers, N.; and Rausch, E. Cost Savings Analysis of School Readiness in Michigan, Wilder Research (November 2009).

¹³ 2009-2010 Great Parents, Great Start Program Grants Continuation Plan Announcement, Michigan Department of Education (November 12, 2009).

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 fiscal year 2012 budget:

- **The budget includes continuation funding (\$5 million) for the Great Parents/Great Start program. Boilerplate language is added indicating legislative intent to transfer Great Parents/Great Start funding to an early childhood block grant in fiscal year 2013 – along with funds for Great Start Collaboratives and GSRP – to be administered by ISDs.**

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 fiscal year 2012 budget:

- **The final budget reduces funding for GSCs and GSPCs by \$100,000 to a total of \$5.9 million and includes boilerplate language indicating legislative intent to transfer GSRP funding to an early childhood block grant in fiscal year 2013 – along with funds for GSCs and Great Parents/Great Start – to be administered by ISDs.**