

Investments in Early Childhood in Michigan Fiscal Year 2013 Highlights

Before the Legislature left for spring break, the House and Senate Appropriations Subcommittees passed out all of their budget bills for fiscal year (FY) 2013. Both the House and Senate budget bills make significant changes to the Governor's budget recommendation in several key early childhood areas as outlined below. All appropriations bills will now be debated in the House and Senate Appropriations Committees.

Physical, Social, and Emotional Health

Background

Medicaid: The share of Michigan children covered by Medicaid grew from 23 percent in 2001 to 54 percent in 2011, though children only make up 19 percent of all Medicaid expenditures. 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, with babies of color more likely to be covered by Medicaid than white babies. 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 – which focused on reducing the large infant mortality rate among babies of color – 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. In the current fiscal year, public health and prevention programs funded by the Healthy Michigan Fund also received deep cuts. For local public health departments, a total of \$40.8 million was appropriated in 2003; in the current fiscal year, a total of \$37.4 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 2002 and fiscal year 2011, funding for non-Medicaid mental health services decreased by 6.4 percent. In addition, 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, was eliminated. 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.

Fiscal Year 2013 Proposals

Medicaid eligibility and provider reimbursement rates

- *Governor:* The Governor's budget does not change Medicaid eligibility. The Governor's budget includes \$282 million in federal funds to comply with the requirement in the federal Affordable Care Act of 2010 to increase Medicaid primary care physician reimbursements rates to 100 percent of Medicare levels. Not included in the rate increase are nurse practitioners, physician assistants and OB/GYNs. The increase is scheduled to take place between January of 2013 and December of 2014. Currently, Michigan Medicaid reimbursement rates are at 55 percent of Medicare payment levels. Between 1999 and 2005, physician reimbursement rates for Medicaid remained flat. In 2005, rates were cut by 4 percent in the face of rising health care costs. In 2010, payments to Medicaid providers were cut by up to 8 percent. As a consequence of lagging reimbursements rates, the number of physicians participating in the Medicaid program has dropped and access has been limited in many areas of the state.
- *House Subcommittee:* Concurs with the Governor to increase Medicaid primary care physician reimbursements rates. The subcommittee does not change Medicaid eligibility but does add boilerplate language directing the DCH to work with the Department of Human Services (DHS) to conduct a pilot project in three counties to demonstrate whether privatizing Medicaid eligibility determination is cost effective.
- *Senate Subcommittee:* Concurs with the Governor to increase Medicaid primary care physician reimbursement rates and makes no changes to Medicaid eligibility. The Senate subcommittee creates a \$100 placeholder for an increase in Medicaid OB/GYN payment rates.

Mental health services for adults and children who are not Medicaid-eligible.

- *Governor:* Funding for non-Medicaid mental health services maintains funding at \$274 million. Funding for non-Medicaid community mental health services has been cut by nearly \$64 million since 2009.
- *House and Senate Subcommittee:* Concurs with the Governor.

Healthy Michigan Fund/Health and Wellness Initiative

- *Governor:* The Governor includes one-time funding to expand infant mortality programming and to implement the state Infant Mortality Reduction Plan (\$750,000 one-time, \$196,600 on-going), health disparities (\$250,000 in addition to \$250,000 on-going through HMF), and pregnancy prevention (\$900,000).

- *House Subcommittee:* The House Subcommittee rejects the Governor's one-time funding to expand infant mortality programming, health disparities, and pregnancy prevention.
- *Senate Subcommittee:* The Senate Subcommittee creates a \$100 placeholder for all one-time funds.

Maternal and child health programs:

- *Governor:* Continuation funding was provided for a range of maternal and child health programs, including family planning local agreements (\$9.1 million), local maternal and child health (\$7.0 million), pregnancy prevention program (\$602,100), prenatal care outreach and service delivery support (\$3.8 million), newborn screening follow-up and treatment services (\$5.6 million), childhood lead program (down from \$1.6 million to \$1.3 million to reflect changes in federal funds), lead abatement/enforcement (increased from \$2.65 million to \$2.93 million to reflect new federal and private funds), the sudden infant death syndrome program (\$321,300), and WIC local agreements and food costs (\$253.8 million). Maternal and child health is funded at \$20.8 million (up from \$20.3 million in FY2012). The Governor omits language included in FY2012 directing the department to use at least 50% of the funds allocated for voluntary in-home visiting services for evidence-based models or models that conform to a promising approach that are in the process of being evaluated.
- *House Subcommittee:* The House subcommittee concurs with the Governor by providing continuation funding for family planning local agreements, local maternal and child health, pregnancy prevention program, newborn screening follow-up and treatment services, childhood lead program, lead abatement/enforcement, the sudden infant death syndrome program, WIC local agreements and food costs, and maternal and child health medical services. The House Subcommittee provides an increase in prenatal care outreach and service delivery support by \$7.9 million which includes \$2 million in federal TANF funding for a new 2-year alternative home visit support program to provide enhanced counseling and support for women during pregnancy through 12 months after birth; \$1 million in federal TANF funding for two years to enhance support and education for the Nurse Family Partnership (NFP) program including strategic planning and awareness for Detroit-based NFP; recognition of \$4.3 million federal Maternal, Infant and Early Childhood Home Visiting Program funding made available through the Affordable Care Act; as well as private Kellogg funding directed towards infant mortality and prenatal wellness programs. The House Subcommittee omits language included in FY2012 directing the department to use at least 50% of the funds allocated for voluntary in-home visiting services for evidence-based models or models that conform to a promising approach that are in the process of being evaluated.
- *Senate Subcommittee:* The Senate Subcommittee concurs with the Governor by providing continuation funding for family planning local agreements, local maternal and child health, pregnancy prevention program, newborn screening follow-up and treatment services, childhood lead program, the sudden infant death syndrome program, WIC local agreements and food costs. Maternal and child health is flat funded at \$20.3 million. The subcommittee creates a \$100 placeholder for lead abatement/enforcement. The Senate Subcommittee retains language directing the department to use at least 50% of the funds allocated for voluntary in-home visiting

services for evidence-based models or models that conform to a promising approach that are in the process of being evaluated.

Local health department operations and services.

- *Governor:* The Governor maintains funding for local health department operations at \$37.4 million.
- *House and Senate Subcommittee:* Concurs with the Governor.

Autism treatment:

- *Governor:* The Governor recommends a \$34.1 million (\$10.1 million in state general funds) increase in funding to expand Medicaid and MICHild coverage to include treatment of autism spectrum disorders for children under the age of six.
- *House Subcommittee:* Concurs with the Governor but changes the language to cover children ages 2-5.
- *Senate Subcommittee:* The Senate Subcommittee creates a \$100 placeholder for these line items (Medicaid expansion, MICHild expansion, as well as CSCHCS expansion). Boilerplate language is added making service expansion subject to the availability of funds and tie-bars funding to enactment of Senate Bills 414 and 415.

Early Learning

Background

Child care: Between 2005 and 2011, the number of low-income families receiving child care subsidies fell from nearly 65,000 to just over 28,000. During that same period, funding fell from approximately \$480 million to under \$200 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 two out of five children in state-subsidized care are in unlicensed settings where very little is known about the quality of care. High quality child care can ensure that children are ready for school and can help mitigate educational disparities – disparities that emerge far before children reach kindergarten.

Great Start Readiness Program: The GSRP is Michigan’s state-funded preschool program for approximately 30,000 four-year-olds at risk of school failure. Evaluations of the GSRP program has found that attendance in GSRP improves school readiness, improves third grade literacy, and improves high school graduation rates, all while narrowing the academic achievement gap. Currently the program provides per-pupil funding of \$3,400 to 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. In fiscal year 2012, the School Aid portion of GSRP

received a \$6 million increase to serve nearly 1800 additional children. 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. In fiscal year 2010, funding was cut to \$6 million and was further reduced in fiscal year 2012 to \$5.9 million.

Fiscal Year 2013 Proposals

Intermediate School District (ISD) Operations:

- *Governor:* Total funding for ISD operations is maintained at \$62.1 million, but 5 percent of current local funding is available only through incentive payments for ISDs who have met four of the following best practices criteria: consolidated and competitively bid services; supported technology integration; published a dashboard of outcomes; and developed information management systems in coordination with other ISDs. The Governor includes \$10 million for competitive assistance grants to local and intermediate school districts to support efforts to consolidate services.
- *Senate Subcommittee:* Funding for ISD general operations is maintained at the FY2012 levels and an additional \$2 million is earmarked to ISDs to be eligible for a 3.2% increase if they meet 4 out of 5 performance criteria. The subcommittee includes the Governor's \$10 million competitive assistance grants for consolidation efforts.
- *House Subcommittee:* Funding for ISD general operations is maintained at the FY2012 levels and an additional \$3.1 million is earmarked to ISDs to be eligible for a 5% increase if they meet 4 out of 5 performance criteria. The subcommittee includes the Governor's \$10 million competitive assistance grants for consolidation efforts and includes language allowing consolidation between a school district or ISD and a local unit of government to qualify.

Office of Great Start and the Early Childhood Investment Corporation

- *Governor:* The Governor provides a total of \$209.2 million for the Office of Great Start (OGS), including \$159.2 million for the Child Development and Care (CDC) program – a \$3 million reduction from FY2012 in anticipation of reduced caseloads. Included in funding for the OGS is

a \$1.9 million (\$1.25 million GF, \$655,300 federal) increase for the Early Childhood Investment Corporation (ECIC).

- *Senate Subcommittee:* Provides a total of \$207.9 million for the OGS and concurs with the Governor on funding for the CDC program. The subcommittee rejects the Governor's proposal to increase ECIC funding by \$1.9 million and instead proposes that \$655,300 in federal funds be rolled in with \$12.7 million existing federal dollars to be distributed for the purpose of local or direct programming for early childhood participants and restricted from use by the ECIC. The Senate Subcommittee adds boilerplate language directing the department to contract for a report that updates the fiscal analysis published by the W.K. Kellogg Foundation "Building a Sustainable Future – Analysis of the Fiscal Resources Supporting Children from Birth Through Age 8 in Michigan".
- *House Subcommittee:* Provides a total of \$208.3 million for the Office of Great Start, including the Governor's recommended \$159.2 million for the CDC program but only a \$1 million increase for the ECIC.

Great Start Readiness Program (GSRP)

- *Governor:* Funding for the School Aid GSRP would continue at \$95.4 million and \$8.9 million for the competitive program. The per slot allotment remains at \$3,400, and an estimated 30,000 children can be served.
- *Senate Subcommittee:* Continuation funding for the School Aid portion of GSRP is provided at \$95.7 million. The GSRP competitive program is rolled into the early childhood block grant (see below).
- *House Subcommittee:* Concurs with the Governor but adds boilerplate language that allows an ISD to fund a Parent Involved in Education (PIE) program operated by a district that had operated a program in the previous fiscal year.

Great Parents/Great Start (GP/GS)

- *Governor:* Funding for GP/GS is continued at \$5 million.
- *Senate Subcommittee:* Funding for GP/GS is rolled into the early childhood block grant.
- *House Subcommittee:* Concurs with the Governor.

Great Start Collaboratives (GSC)

- *Governor:* Continuation funding is provided for local GSCs at \$5.9 million.
- *Senate Subcommittee:* Funding for the GSCs is rolled into the early childhood block grant.
- *House Subcommittee:* Concurs with the Governor.

Early Childhood Block Grant

- *Governor:* The Governor requires that the MDE develop a plan for a multi-year phased-in approach for an early childhood block grant that would include GSRP, GSCs, and GP/GS and be allocated to ISDs or a consortia of ISDs to act as fiduciaries and provide administration of early childhood programs in conjunction with the local GSC.
- *Senate Subcommittee:* Recommends \$19.8 million for a new early childhood block grant program using funding previously allocated to the GSRP competitive program (funded at \$8.9 million in

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FY2012), GSCs (funded at \$5.9 million in FY2012) and GP/GS (funded at \$5 million in FY2012). In FY2013, ISDs would receive the total amount of funding received under the three combined programs in FY2012 after submitting an application detailing proposed uses of funding. ISDs would be required to submit reports after the end of the fiscal year indicating actual programs offered and children served.

- *House Subcommittee*: Concurs with the Governor.

Family Supports

Background

Income assistance: More than a quarter (27%) of all young children in Michigan live in poverty, and in June of 2010, over 68,000 were 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. In FY2012, a combination of the Legislature's more aggressive implementation of a 48-month lifetime limit on FIP benefits as well as DHS's rule changes has resulted in 46,000 children losing access to cash assistance.

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 or eliminated, 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.

Fiscal Year 2013 Proposals

Family Independence Program (FIP)

- *Governor*: The Governor's budget reflects the ongoing implementation of a 48 month lifetime limit on the receipt of FIP benefits, with an expected reduction of over 7,000 cases between fiscal years 2012 and 2013 as a result of this policy change. FIP caseloads are expected to fall from 85,389 in fiscal year 2007 to 61,850 in 2013, a reduction of 28 percent. The Governor's budget assumes \$22 million in savings from caseload reduction.
- *Senate Subcommittee*: Concurs with the Governor.
- *House Subcommittee*: The House subcommittee revises caseload projections to approximately 59,000 cases for FY 2013 at average of \$406.60 per month instead of the Governor's caseload estimation and average amount of \$427 per month. This results in a \$51.7 million gross, \$10.5 million GF reduction to FIP.

Child Abuse and Neglect Prevention and Family Preservation Programs

- *Governor:* The Governor's budget includes some changes from FY2012 including a \$2.7 million reduction to Strong Families Safe Children for a total of \$12.4 million to reflect an anticipated federal grant reduction and a \$500,000 increase to Families First for a total of \$18.5 million. Child Protection and Permanency would be funded at \$16.6 million and Family Reunification at \$4.0 million. The Governor also includes \$2 million in federal funds for a new supported visitation, home-based parent education program that will support family reunification for approximately 7,000 families as well as \$500,000 in federal funds for a new parent partners program – a peer-to-peer mentoring program for parents – to serve 360 families in cases where the child/children have been removed from the home.
- *Senate Subcommittee:* The Senate Subcommittee concurs with the Governor on funding for Strong Families Safe Children, Child Protection and Permanency, Family Reunification, Supported Visitation, and Parent Partners program. The subcommittee reduces Families First funding to \$16 million (\$2.5 million below the Governor). The Senate Subcommittee recommends removing excess authorization in several line items pertaining to child abuse and neglect programs including Children's Trust Fund Grants, Child Protective Services Workers, Direct Care Workers, Permanency Planning Specialists, and Child Welfare First Line Supervisors.
- *House Subcommittee:* The House Subcommittee provides \$4 million below the Governor's recommendation in prevention and family preservation programs including \$16 million for Families First (\$2.5 million below the Governor's proposal), \$12.4 million for Strong Families Safe Children (concur with the Governor), \$16.0 million for Families First (\$2.5 million below the Governor), \$15.3 million for Child Protection and Permanency (\$1.3 million below the Governor), and \$3.6 million for Family Reunification (\$400,000 below the Governor). The House Subcommittee includes the Governor's Supported Visitation and Parent Partners program.