

February 18, 2014

## **Fiscal Year 2015 Budget: What the Governor is Proposing for Early Childhood in Michigan**

On Wednesday, February 5, 2014, Governor Snyder released his proposed state budget for fiscal year 2015, which begins on October 1<sup>st</sup> of this year and ends on September 30<sup>th</sup> of 2015. The Governor presented two budget bills to the Legislature, including an education bill that proposes funding for local and intermediate school districts, community colleges and higher education, and an omnibus bill that covers all state departments and services.

The annual budget is the single most powerful expression of the state's priorities. It is during the budget process that decisions are made about the expenditure of state revenues, and there are many competing interests that the Governor and Legislature must consider when dividing up tax dollars. With finite resources, changes in tax policies and in the appropriation of revenues can benefit groups of Michigan residents, while leaving others behind. Of particular concern is the potential impact on young children and their families that outcome data show are already facing significant challenges. These include insufficient supports for families most challenged by their circumstances such as limited access to evidence-based home visiting programs, high quality child care, and child abuse and neglect prevention services.

As Michigan becomes a more diverse state, funding decisions that do not explicitly address underlying inequities in resource and opportunity will slow economic recovery and lead to longer-term fiscal hardships for all Michigan residents. Decision-makers must prioritize budget investments that create a strong foundation for all children to reduce disparities in child outcomes and student achievement – disparities that begin early and accumulate over a lifetime.

Proposals for fiscal year 2015 include the following spending provisions affecting Michigan's youngest children and their families.

Want to know more about the annual state budget process and how you can help shape the state's budget priorities? Read our Budget Basics report titled "The Budget Process in Michigan: Opportunities to Advocate for Children and Families" at [www.michiganschildren.org](http://www.michiganschildren.org).

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

A healthy start is the best foundation for ensuring life-long wellness. Unfortunately in Michigan, the state sees unacceptable disparities in young children's health with African American infants twice as likely to be born at low birth weight and more than three times as likely to die before their first birthday compared to white babies. However, programs like Medicaid and home visiting programs increase access to health services for pregnant women and infants, and promote healthy pregnancies and a healthy start.

**Medicaid and MICHild:** The Governor's budget does not change Medicaid eligibility for children, but it does include an increase of \$625.3 million (reduction of \$63.6 million in general funds) for a full-year of Healthy Michigan Plan implementation. The Healthy Michigan Plan was passed in 2013 to

expand Medicaid access to low-income adults with incomes up to 133% of the federal poverty level (FPL). While this does not directly affect children's coverage, Medicaid expansion through the Healthy Michigan Plan is expected to cover 91,000 parents. Furthermore, one out of four individuals covered by the expansion will be women of child-bearing age, which is vital since a woman's health prior to conception is critical to a healthy pregnancy. Funding for MICHild is slightly increased from \$69.7 million to \$71.2 million.

Mental health services for adults and children who are not Medicaid-eligible: The Governor reduces funding for non-Medicaid mental health services from \$283.7 million to \$97.1 million. This is the result of the passage of the Healthy Michigan Plan, which will now be able to serve a larger population of low-income adults with mental health services.

Mental Health and Wellness Commission: The Governor adds new ongoing funds of \$10.6 million in general funds/general purpose (GF/GP) and one time funds of \$5.0 million GF/GP for implementation of recommendations included in the State of Michigan Mental Health and Wellness Commission 2013 report. Some recommendations from this report that may specifically impact young children including the following:

- The need to explore options to address gaps in coverage for women postpartum who lose their Medicaid coverage 60 days after birth. A mother's ability to seek treatment for postpartum depression and other mental health needs will directly affect her ability to provide quality care to her infant.
- To work with local agencies to pilot innovative ways to:
  - involve pediatricians in care coordination,
  - coordinate delivery of children's services across government agencies, and
  - implement a statewide case management system that follows high-risk children and their families.
- Numerous other recommendations that impact adults – many of whom may be parents.

Health and Wellness Initiative: The Governor's Health and Wellness Initiative is funded at \$8.1 million, though details have yet to emerge on how this funding will be appropriated to various programs including his 4X4 wellness program, health disparities, home visiting services, the state's Infant Mortality Reduction Plan, the Michigan Care Improvement Registry, pregnancy prevention, and smoking cessation.

Maternal and child health programs: The Governor provides continuation funding for a range of maternal and child health programs, though this comes on the heels of significant cuts to vital public health programs and local public health departments in previous fiscal years. The Governor's recommendation includes continuation funding for family planning local agreements (\$9.1 million), local maternal and child health (\$7.0 million), pregnancy prevention program (\$602,100), the sudden infant death syndrome program (\$321,300), maternal and child health services (\$20.3 million), WIC local agreements and food costs (\$256.3 million), and the childhood lead program (\$1.2 million). Funding for newborn screening follow-up and treatment services went up slightly from \$6.0 million to \$6.7 million, and lead abatement/enforcement slightly decreases from \$4.2 million to \$3.9 million. The prenatal care outreach and service delivery support line received an \$8.5 million increase (\$2.5 million GF/GP) for a total of \$19.8 million to expand home visiting programs services.

Home Visiting Programs: The Governor includes \$2.5 million GF/GP to expand maternal, infant, and early childhood home visiting programs to serve 200-500 pregnant women and families with children age five and younger at-risk for poor birth and health outcomes in rural northern Michigan and the Upper Peninsula.

Local health department operations and services: The Governor provides continuation funding for local health departments at \$39.4 million.

Autism treatment: The Governor reduces funding to support autism spectrum disorder treatment by \$10 million for a total of \$25.2 million due to Michigan's insufficient infrastructure to support autism treatment across the state. However, he does include a new one-time appropriation of \$3 million GF to Michigan State University, Western Michigan University, and Eastern Michigan University to increase the number of trained service providers so that autism services will become more readily available.

Healthy Kids Dental program: The Governor adds \$15.7 million (\$5.4 million GF) to Healthy Kids Dental to expand the program to an additional 100,000 eligible children in Kalamazoo and Macomb counties. This would leave Kent, Oakland, and Wayne Counties not covered by this program. Full statewide phase-in is expected to be completed within the next several years. The Healthy Kids Dental program increases provider reimbursement rates, encourages provider participation and helps more children receive high quality dental care.

### **Early Learning**

The evidence has been clear for a long time now – high quality early learning programs better prepare children for school while saving taxpayer dollars. However, Michigan children continue to struggle with nearly one-third of kindergarteners entering school under-prepared and huge disparities in third grade reading proficiency continuing to persist. Increasing access to high quality early care and education programs can ensure that children enter kindergarten with the foundation they need to succeed in school, reduce disparities in school readiness, and improve third grade reading proficiency and even high school completion.

Intermediate School District (ISD) Operations: The ISD's coordinate early childhood programming at the local level with responsibility over the Great Start Readiness Program and the Early Childhood Block Grant. Funding for ISD general operations is maintained at the FY2014 level of \$62.1 million. As in FY2014, an additional \$2 million is earmarked to ISDs to be eligible for a 3.2 percent increase if they meet five out of six performance criteria: consolidate and competitively bid services, support technology integration, publish a "citizens" dashboard, develop information management system in coordination with other ISDs, and hold its own health insurance policy.

Office of Great Start: The Governor provides a total of \$187.8 million for the Michigan Department of Education (MDE), Office of Great Start (OGS) – an \$11.5 million increase from FY2014. Included in the OGS's budget is a \$6.9 million increase to the Child Development and Care (CDC) program to increase the maximum number of reimbursable hours from 80 hours to 90 hours in a two-week period. At one point, Michigan reimbursed up to 100 hours in a two-week period to cover a full-time employee's work week including travel time to and from the child care provider. The Governor's budget also includes an additional \$3.7 million to the CDC program to provide tiered reimbursement rates for high quality licensed and registered child care providers. Hourly reimbursement rates would increase by \$0.25 per hour for 3-star rated programs, \$0.50 per hour for 4-star rated programs, and \$0.75 per hour for 5-star rated programs. Funds are also built into the Governor's proposal to waive copayments for families who choose a 3-, 4-, or 5-star rated program so as not to disincentivize those choices, since presumably, parent co-pays would increase if they chose higher rated, higher quality, and thus more expensive programs if those co-pays weren't waived. OGS operations also receives an increase to provide additional administrative support for the Great Start Readiness Program, which the Governor proposes to expand again.

**Great Start Readiness Program (GSRP):** Last year, the Governor committed to a \$130 million increase to GSRP over two years. As promised, the Governor provides a \$65 million increase for the GSRP preschool program in FY2015 for a total of \$239.3 million. This increase would raise the slot amount by \$100 from \$3,625 to \$3,725 per child and would increase access to an additional 16,000 half-day slots with the intent to make Michigan a “no wait state” for preschool.

In fiscal year 2014, income eligibility for GSRP participation shifted such that at least 90 percent of children accessing GSRP must live with families living at 250% FPL or below. The Governor’s FY2015 budget recommendation allows ISDs to enroll children between 250% and 300% FPL only after ensuring that all children at 250% FPL or below are served. For children between 250% and 300% FPL, the enrollment process must prioritize children based on income and risk factors to serve the highest needs children first. With this new language, the sliding scale of tuition would be implemented for families living at 300% FPL rather than the current 250% FPL.

Additionally, the proposal allows children in foster care, children experiencing homelessness, or children with an individualized education plan recommending placement in an inclusive preschool setting to have automatic eligibility for GSRP regardless of their families’ income.

**Early Childhood Block Grant:** The Governor’s budget maintains funding for the early childhood block grant at \$10.9 million for ISDs or a consortium of ISDs. Allocation of the block grant would still be determined by a distribution formula established by OGS to provide equitable funding statewide. Funds can be used to provide early childhood programs to children from birth through age eight. Each ISD must convene a Great Start Collaborative (GSC) and a Great Start Parent Coalition (GSPC) to ensure the coordination and expansion of local early childhood infrastructure and programs that align with the Office of Great Start’s four goals. Additionally, each local GSC and GSPC must convene workgroups to ensure its local great start system includes supports for children from birth through age eight that addresses physical health, social-emotional health, family supports and basic needs, parent education and child advocacy, and early education and care.

### **Family Supports**

Young children’s lives are shaped by the nurturing environments that surround them. Unfortunately in Michigan, young children ages 0-5 have been hardest hit by the poor economy. The percentage of Michigan’s young children eligible for the Food Assistance Program rose by 55 percent between 2005 and 2011, and incidences of child abuse and neglect went up during that same time period with almost 5,000 babies determined to be victims of maltreatment in 2011. Ensuring families have access to basic needs and supports to provide a safe and stable home for Michigan’s youngest children is the best way to support parents to become their child’s first and best teachers.

#### **Family Support Programs:**

- **Family Independence Program (FIP):** The Governor’s budget allocates \$151.6 million (\$56.9 million GF) for the FIP to provide financial support for 33,200 families. This is down from \$214.3 million in FY2014 due to rapidly declining caseloads. No changes were made to FIP lifetime limits.
- **Food Assistance Program (FAP):** The Governor’s budget includes \$2.4 billion in federal funds to provide food benefits to 1.7 million Michigan residents. Again, this is down from \$2.8 billion in FY2014 due to declining caseloads.
- **Energy Assistance:** The Governor maintains funding for heating assistance at \$235 million in federal and state restricted funds. This includes \$175 million in federal funds for the home heating credit, energy-related crisis payments, and weatherization for low-income home owners. The Michigan Energy Assistance Program administered by the Public Service

Commission – created in 2012 – is funded with \$60 million and provides heating assistance to low-income families and seniors.

- Earned Income Tax Credit: no changes were made to the EITC, which was reduced from 20 percent to six percent of the federal EITC in the FY2013 budget.

Child Abuse and Neglect Prevention and Family Preservation Programs: The Governor’s budget provides no significant changes to child maltreatment programs or family preservation programs. Funding is maintained for Strong Families/Safe Children (\$12.4 million), the Family Reunification Program (\$4.0 million), and family preservation and prevention services programs (\$2.5 million). Slight reductions were made to Families First from \$17.2 million to \$17.0 million and Child Protection and Permanency from \$13.2 million to \$12.9 million.