

Hello! Welcome to the 2014 Early Childhood Action Network.

This action network has been dormant for a while due to my maternity leave, but I'm back. Also, Michigan's Children has been transitioning some of our technology, which has not been as smooth as we were anticipating. Until we get the kinks worked out, you'll be receiving these Early Childhood Action Network e-bulletins the old fashioned way – through direct emails from me.

In this email:

- Michigan's Children Welcomes New President & CEO Matt Gillard
- Early Childhood Provisions in the Governor's Fiscal Year 2015 Budget Recommendations
- Update on Michigan's Child Care System
- Look to the Sandbox Party for Weekly Early Childhood Updates

### **Michigan's Children Welcomes New President & CEO Matt Gillard**

It is with great excitement that the Board of Directors for Michigan's Children announces the addition of former state Rep. Matt Gillard as President and CEO.

Mr. Gillard, who represented the 106th District in the Michigan House of Representatives from 2002 to 2008, brings a history of proven leadership on key issues affecting children, youths and families, combined with a deep knowledge of the latest research and practices to improve conditions and increase wise investments.

“Whether working across the aisle on tough budget issues or looking for new ways to solve persistent problems, Matt always has displayed a commitment to improving the lives of Michiganders, especially our youngest and most vulnerable,” said Terry Murphy, Chairman of Michigan's Children Board of Directors. “We are thrilled to have him lead Michigan's only statewide multi-issue children's advocacy organization. With his guidance, Michigan's Children will be a stronger advocacy presence, and the children of Michigan will be better off for it.”

**Read our attached press release to learn more about Matt.**

### **Early Childhood Provisions in the Governor's Fiscal Year 2015 Budget Recommendations**

On Wednesday, February 5, 2014, Governor Snyder released his proposed state budget for fiscal year 2015 (FY2015). The Governor's budget includes some funding increases that would support young children in Michigan. Highlights include another \$65 million increase for the Great Start Readiness Program to make Michigan a "no wait state" for preschool. The Governor also proposes increasing support for the Child Development and Care program -- the state's child care subsidy system -- to increase the maximum number of reimbursable child care hours from 80 to 90 hours in a two-week period, as well as to implement a tiered reimbursement system based on child care providers' Great Start to Quality rating. The Governor also proposes to

expand home visiting services to rural communities in Northern Michigan and the Upper Peninsula.

**Learn more about the Governor's FY2015 budget proposal and how it will impact young children in our latest attached Budget Basics publication.**

### **Update on Michigan's Child Care System**

Earlier this week, the Michigan House of Representatives Education Appropriations Subcommittee held a hearing focused on the Child Development and Care Program. Michigan's Children submitted testimony in support of the Governor's proposed changes to implement a tiered reimbursement system for programs participating in Great Start to Quality with a rating of 3-, 4-, and 5-stars; and to increase the maximum number of reimbursable hours. Our testimony also highlights that these changes aren't enough for our state to ensure that low-income children can access the high quality care they need. **You can read our attached testimony, as well as a corresponding [blog](#) on the changes to the child care subsidy system.**

I'm sure this isn't news to anyone, but Michigan was awarded \$52 million for its Race to the Top - Early Learning Challenge (RTT-ELC) grant proposal. In short, the funds will be used to increase access for children with high needs to high quality programs by improving the quality of existing programs; a focus to increase quality among licensed and unlicensed home-based child care providers; increase parental engagement; strengthen ties to physical, social, and emotional health; expand professional development opportunities -- especially for home-based providers; and build an early learning data system. A short overview of the state's RTT-ELC grant application is available on the [Office of Great Start \(OGS\) website](#). At this point, OGS is working with the U.S. Department of Education to finalize its workplan, with work expected to begin this summer. Michigan's Children is excited by the focus on child care in the state's RTT-ELC plan. We know that for low-income families, access to high quality child care centers is often inaccessible and home-based care is an option that many are reliant. **The attached Issues for Michigan's Children publication highlights our child care quality system and how Michigan is proposing to strengthen that system through our RTT-ELC grant.**

### **Look to the Sandbox Party for Weekly Early Childhood Updates**

I'm sure many of you are already signed-up to receive the Michigan Sandbox Party newsletter. When the Michigan Legislature is in action, the Sandbox Party provides weekly updates on what's happening in Lansing and Washington, DC as it impacts young children in Michigan. I recommend you all [sign-up for their newsletter](#). I will continue to send out pertinent information through our Early Childhood Action Network as it relates to Michigan's Children specific products as well as actionable items that we'll need your assistance with to move public policies on behalf of young children.

*As always, please let me know if you have any questions, and thanks for your commitment to Michigan's youngest residents!*

Best,  
Mina

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**For Immediate Release**

February 20, 2014

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## **Experienced Policy Expert & Statesman Takes Helm of Top Children's Advocacy Agency**

*LANSING, MI* – It is with great excitement that the Board of Directors for Michigan's Children announces the addition of former state Rep. Matt Gillard as President and CEO.

Mr. Gillard, who represented the 106<sup>th</sup> District in the Michigan House of Representatives from 2002 to 2008, brings a history of proven leadership on key issues affecting children, youths and families, combined with a deep knowledge of the latest research and practices to improve conditions and increase wise investments.

“Whether working across the aisle on tough budget issues or looking for new ways to solve persistent problems, Matt always has displayed a commitment to improving the lives of Michiganders, especially our youngest and most vulnerable,” said Terry Murphy, Chairman of Michigan's Children Board of Directors. “We are thrilled to have him lead Michigan's only statewide multi-issue children's advocacy organization. With his guidance, Michigan's Children will be a stronger advocacy presence, and the children of Michigan will be better off for it.”

Originally from Alpena, Mr. Gillard served in leadership roles in the Democratic caucus and within the state appropriations process, including vice-chair of the House Appropriations Committee, chair of the K-12 School Aid Budget, and chair of the Judiciary Subcommittee. After being forced out by term limits, Mr. Gillard went on to provide policy development, legislative and advocacy services for the Michigan Sandbox Party. He also provided political and advocacy consulting services to agency collaborative bodies and parent coalitions across the state. He has had wide success working with current and former administrative and legislative leaders, resulting in the adoption of innovative policy and historic investment in the education of underserved young children in Michigan. One example is the recent unprecedented investment in Michigan's preschool programs.

“I am honored and excited about the opportunity to further strengthen the collective efforts of so many working tirelessly to ensure a bright future for our kids and our state,” Mr. Gillard said. “I welcome anyone interested in building adequate and responsive supports for children from cradle to career to join our efforts today, and I look forward to being part of a team dedicated to making Michigan the best state to be a child.”

Mr. Gillard is a graduate of Alpena High School. He received a bachelor's of arts degree from Albion College and a Juris Doctorate from Wayne State University. He was an attorney in the firm of Gillard, Bauer, Mazrum, Florip, Smigelski, and Gulden before his election. Mr. Gillard and his wife, Jessica, live in East Lansing with their children, Gracie, 10, Joe, 8, and Gus, 2.

He replaces Michele Corey who has served as Interim President and CEO since October 2012. Ms. Corey will resume her role as the Vice President for Programs at Michigan's Children. The Board of Directors thanks Ms. Corey for her leadership and ongoing dedication to the children of Michigan.

Since 1993, Michigan's Children has served as the only statewide, multi-issue advocacy organization in Michigan focused solely on public policy in the best interest of children from cradle to career and their families. To mitigate discouraging and unacceptable gaps that begin early and persist over a lifetime, Michigan's Children has taken on the specific challenge of reducing racial and economic disparities in child and family outcomes. Learn more at [www.michiganschildren.org](http://www.michiganschildren.org).

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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 as well as limited access to high quality early learning programs and high quality pediatric medical homes.

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

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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 \$8.5 million (\$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

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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.

November 2013

## **Quality Improvement Efforts and Opportunities in Michigan's Child Care System**

Michigan's Child Development and Care (CDC) program supports employment, education, and training to low-income families by providing child care assistance to qualifying families; and promotes safe, affordable, accessible, quality child care. Child care assistance through CDC is currently available to Michigan's most challenged families who qualify under the following criteria:

1. public assistance (Family Independence Program) recipients who are employed, participating in an approved employment preparation and/or training activity, completing their high school education, or participating in an approved family preservation activity;
2. income eligible families (approximately 122% of federal poverty line) who are employed, participating in an approved employment preparation and/or training activity or post-secondary education program, or completing their high school education;
3. licensed foster parents caring for foster children; and
4. families with open child protective services or preventive services cases.

As research confirms, where and how children spend their days will determine much about their success in school and in life, particularly for young children when the brain is rapidly developing. Access to high quality child care can ensure that young children are building the foundational base they need to learn soft skills, develop basic literacy, and protect against poverty-related risk factors while reducing the equity gap. For school-aged children, access to high quality after-school programming is essential for children who are struggling in school by allowing them to access supports during out-of-school time to stay academically on-track. Thus, high quality child care provides the greatest benefit to the state's most challenged children, including children of color and children from low-income families. In fiscal year 2012, 50,000 children in Michigan spent part or all of their day (and sometimes evenings or weekends) with a non-parent caregiver who received public child care assistance. Therefore, ensuring that the CDC program promotes access to high quality settings that support children's learning and development is essential.

Over the past several years, Michigan has made great progress towards better understanding the quality of our child care system. In 2010, Michigan launched its quality rating and improvement system (QRIS) known as Great Start to Quality (GSQ), which is now in full operation. Quality rating and improvement systems are structured to provide families with information to help assess the quality of their child care options, providers with an understanding of the elements of quality and a path to improving the quality of their care, and policymakers with information to help target scarce resources to improving and supporting higher-quality services. Michigan's GSQ is no different. With star ratings advertised on Great Start CONNECT, a public website, GSQ provides a clear quality identification system for parents as they seek out high quality child care options for their children. And, GSQ provides a clear path for quality improvement efforts for all early learning providers including licensed and unlicensed child care providers. Because GSQ is still a relatively new system, policymakers have yet to utilize GSQ to target scarce child care resources, though targeting of resource based on GSQ has been done for the state's publicly funded preschool program, the Great Start Readiness Program.

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## The GSQ Tiers and Stars:

Currently, GSQ is set-up into two structures – a three-tiered structure for unlicensed providers and a five-star structure for licensed providers. For unlicensed providers, the minimum tier requires all providers to undergo a minimum of six hours of “Great Start to Quality Orientation” training. This training is mandatory for unlicensed providers to be eligible to receive the

minimum child care subsidy payment. The second tier of GSQ requires an additional ten hours of training for a slightly higher reimbursement rate, and the third tier requires unlicensed providers to complete twenty hours of training and work with a quality improvement specialist to develop a quality improvement plan that could lead to licensure for no additional reimbursement.

For licensed child care centers, group homes, and family homes; all providers enter into GSQ with one empty star to indicate that they’ve met basic licensing requirements but have not yet opted in to participate in GSQ. From there, providers who opt to participate in GSQ can move up the quality continuum through five star levels, with one filled-in star indicating the lowest level of quality and five filled-in stars indicating the highest level of quality. Quality standards in GSQ fall under five categories – staff qualifications and professional development, family and community partnerships, administration and management, environment, and curriculum and instruction. Currently, licensed providers have no financial incentive to move up the quality levels since Michigan does not have a tiered reimbursement structure for licensed providers and no other financial incentives to move up the star levels.

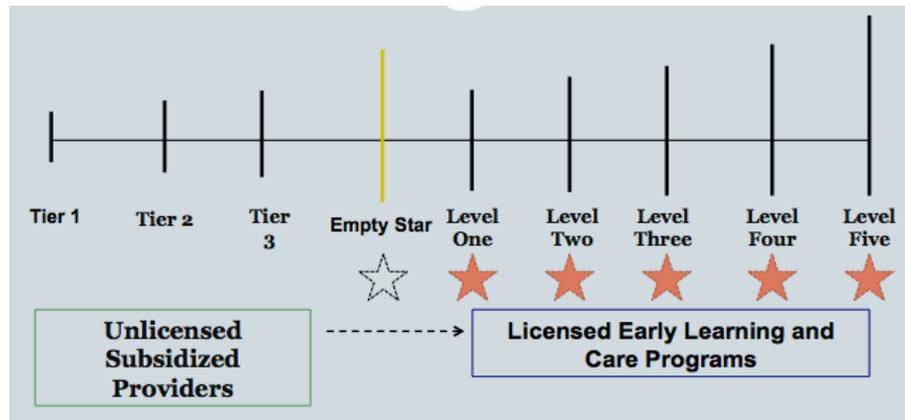
## Quality Improvement Efforts

As all systems building work goes, implementation and participation in GSQ has been challenging. Since there is no incentive for licensed providers to participate in GSQ and extremely limited assistance to support quality improvement efforts – efforts that are important but typically very costly – participation in GSQ has been low. Now that GSQ is in place, Michigan can make systemic reforms that support child care providers’ quality improvement efforts while simultaneously making concerted efforts to move more children into higher levels of care. Some of these efforts have been written into Michigan’s Race to the Top – Early Learning Challenge (RTT-ELC) grant application, which was submitted in October 2013. State-based efforts to improve access to high quality child care across the state, including those outlined in Michigan’s RTT-ELC application, are outlined below.

*Incentivize Providers to Participate in GSQ.* As previously mentioned, all licensed child care providers are part of GSQ but no incentives are in place for them to participate in moving up the star levels. Unless

### Michigan’s Great Start to Quality Structure

Source: MI Dept. of Education – Office of Great Start Presentation to the House Appropriations Subcommittees on School Aid and Education, 8/6/2013



providers are a five-star rated program, advertising their lower quality on a public website could be potentially damaging to their business. This is evidenced by the fact that currently only ten percent of programs have completed and submitted assessments of program quality against the GSQ standards and a vast majority of them are of high quality. However, entering into GSQ gives providers access to a quality improvement specialist who can assist them in creating a quality improvement plan to move up the quality levels. But, taking the first step to participate in GSQ is essential. Thus, in Michigan's RTT-ELC grant application, a one-time \$500 incentive for providers to participate in GSQ is written into the plan. This incentive coupled with extra supports to improve quality can help build a more robust, high quality child care market.

*Implement a Tiered Reimbursement Structure for Licensed Providers.* A majority of states that have implemented a QRIS have also implemented a tiered reimbursement structure to incentivize and support providers as they increase their quality. In Michigan, tiered reimbursement only applies to unlicensed providers, and no tiered payment structure is in place for licensed providers who require the most financial supports to move up the quality continuum. Incentivizing and supporting providers by creating a tiered reimbursement structure that appropriately compensates providers for higher quality of care can assist more providers in moving up the quality continuum. Tiered reimbursement coupled with other quality improvement incentives can ensure that high quality child care providers are appropriately supported.

*Support Quality Improvement Efforts for Licensed Providers.* Currently, Michigan providers rely on the efforts available by regional resource centers, quality improvement specialists, and their own finances to implement quality improvement efforts. However, these efforts are often very costly and can range from purchasing and implementing an evidence-based curriculum to hiring an additional teacher to support lower teacher-child ratios than required by licensure to provide higher quality instruction. Providers need financial assistance to support these and other types of quality improvement efforts, and one mechanism to do so is through quality improvement grants. Many states have implemented quality improvement grants to financially support providers' efforts to move up the quality levels within their QRIS, and it's often coupled with a tiered reimbursement structure. Michigan wrote support for quality improvement grants ranging from \$1,000 to \$1,500 in its RTT-ELC application specifically for programs rated one star to three stars to assist them in achieving their quality improvement plans. These quality improvement grants coupled with other strategies can assist more child care providers to reach higher levels of quality.

*Support Child Care Professionals.* Child care systems across the states are no different in that child care professionals are inadequately compensated for their critical roles in teaching and nurturing children. Understanding the limited revenues that child care providers work with, some states have implemented wage and retention awards that are coupled with quality improvement grants and tiered reimbursement. Wage and retention awards are specifically used by child care providers to bolster their teachers' salaries to attract and retain credentialed, quality staff. Michigan currently does not offer wage and retention awards but does, like many states, provide T.E.A.C.H. scholarships – a statewide scholarship program designed to help child care providers, teachers, directors, and other early childhood educators meet their professional development goals. Within the T.E.A.C.H. scholarship is a bonus structure that provides bonuses to child care providers as they make progress towards completing a higher credential. However, unlike wage and retention awards, once a teacher completes their credentialing, no other additional financial incentive is in place to retain that higher credentialed staff person unless his/her employer has the means and opts to provide a salary raise.

*Create Scholarships for High Needs Children, with a Focus on Infants and Toddlers.* Michigan’s current child care subsidy reimbursement rate falls well below the federally recommended 75<sup>th</sup> percentile of the market rate. This makes it extremely challenging for low-income working families who rely on the child care subsidy to access high quality care since child care providers can charge families the difference between their actual tuition and the subsidy amount through co-pays. Providing scholarships to the highest need families – particularly for families with infants and toddlers when child care is most costly – can allow more families to access higher quality care. Furthermore, for providers, receiving scholarships in a lump sum rather than an hourly payment as our current CDC subsidy is structured allows them to have more consistent revenue that can then be used towards quality improvement efforts. While Michigan wrote 300 child care scholarships for high needs children ages zero to three in its RTT-ELC grant application, these scholarships are targeted to specific communities and a more statewide system could benefit more children and more providers.

*Supporting Family, Friend, and Neighbor (FFN) Care.* For the most challenged families, often FFN care is the most affordable and accessible form of child care that’s provided by a trusted individual. However, FFN care is typically unlicensed care where the state knows very little about the quality of care being provided. In Michigan’s RTT-ELC grant application, several strategies to support FFN care are laid out including opportunities for peer-to-peer learning communities where unlicensed providers would come together and complete a series of training modules in cohorts where providers can not only learn from trained professionals but also from each other. Also, a \$500 incentive is written into the RTT-ELC application for unlicensed providers who meet Tier 3 requirements, thus moving more unlicensed providers towards higher quality. These and other supports and incentives targeted towards FFN care is essential since many families prefer this type of care over a child care center for a variety of reasons.

All families want the best care for their children. Ensuring that families can access high quality child care and supporting providers to reach higher levels of quality is essential to integrate Michigan’s CDC program into a prenatal through age 20 education framework. While Michigan has written many quality improvement strategies into its RTT-ELC grant application that would bolster the child care system, some of these strategies are targeted to specific communities or to a limited number of providers and children. As a state, we must work towards advancing the child care system as a whole so that all of Michigan’s most challenged children – regardless of geography – can better access high quality care. This means talking to your legislators about the importance of quality child care and providing solutions, like those laid out here, to advance the system.



Date: February 18, 2014  
To: Members of the House of Representatives, Education Appropriations Subcommittee  
From: Matt Gillard, President & CEO  
Contact: [info@michiganschildren.org](mailto:info@michiganschildren.org) or (517) 485-3500  
Re: Child Development and Care Program

Thank you for the opportunity to provide comments on the Department of Education budget for fiscal year 2015. As many of you know, Michigan's Children is a statewide, independent voice for children and their families. We focus on the cradle-to-career continuum by working with lawmakers, business leaders, and communities to make Michigan a place where all children have equitable opportunities to thrive. This means that we focus on the most challenged children in Michigan – those from low-income families and children of color – the same children and families that are served by the Child Development and Care (CDC) program.

We thank you and your colleagues in the Legislature for last year's historic increase in the Great Start Readiness Program (GSRP). As you know, high quality early childhood education can provide children with the solid foundation they need to succeed in school and life. A high quality child care experience can do the same. In fact, while the state's preschool program is critical to overcoming educational disparities, for Michigan's most challenged students, it may still be too little. Coupling our high quality GSRP program with high quality child care experiences for young children before they turn four-years-old as well as high quality after-school programming for school-aged kids can help Michigan eliminate the achievement gap.

The CDC program not only provides children with high quality learning experiences they need to succeed in school and life, but it also provides a critical support to Michigan's lowest-income families. The CDC program makes it possible for very low-income families to work or participate in the job training or education programs that we require as a state for families to maintain their FIP cash assistance, and that families need to become economically self-sufficient.

In the Governor's FY2015 budget, he included some investments to strengthen the CDC program and we urge you to adopt those recommendations in your budget bill.

1. Invest \$6.9 million to allow child care providers to be reimbursed up to 90 hours of care in a two-week period. Current law only allows providers to be reimbursed for a maximum of 80 hours in a two-week period. We know that 80 hours doesn't cover a full-time employee's work week in addition to the time needed to travel to and from the employee's place of work and his/her child care provider. Allowing 90 hours in a two-week period would begin to move towards more appropriate child care coverage that full-time working parents need. Michigan's Children strongly supports this Governor's recommendation and would recommend taking it further to allow up to 100 hours in a two-week period to accommodate longer commutes increasingly necessary to maintain consistent employment.
2. Invest \$3.7 million to provide tiered reimbursement rates for higher quality child care providers based on the state's Great Start to Quality system.



These are small but necessary steps. While Michigan's Children supports providing increased support for higher quality care, we strongly urge the Legislature to champion additional adjustments to the structure of our child care subsidy system. Michigan remains one of three states that pays child care providers on an hourly basis and is the only Great Lakes state to do so. The vast majority of other states reimburse child care providers on a daily, weekly, or monthly rate to match the marketplace demands. Our hourly structure not only makes it challenging for providers to support their businesses, but the payment itself is so pitifully low that it makes it nearly impossible for parents to afford quality care. Even with the tiered payment structure proposed by the Governor, the highest reimbursement that a five-star rated provider could receive is \$4.50 an hour for infants and toddlers – the most expensive population to serve. Can we honestly expect high quality programs to be able to sustain their businesses making \$4.50 an hour or less?

Michigan's Children supports the tiered reimbursement rate proposed by the Governor as a first step. However, it continues to be woefully inadequate to ensure that Michigan's most challenged young children can access high quality programs – programs that have quality standards like GSRP.

Governor Snyder's recommended investments to the CDC program are a step in the right direction. We urge you to adopt his recommendations and to take them a step further to ensure that Michigan's lowest-income young children can have a great start in life.

Attached to this testimony is additional information about the child care subsidy system and more details about mechanisms for improvement. If you have any questions, please don't hesitate to contact our office. Thank you for your time.

November 2013

## **Quality Improvement Efforts and Opportunities in Michigan's Child Care System**

Michigan's Child Development and Care (CDC) program supports employment, education, and training to low-income families by providing child care assistance to qualifying families; and promotes safe, affordable, accessible, quality child care. Child care assistance through CDC is currently available to Michigan's most challenged families who qualify under the following criteria:

1. public assistance (Family Independence Program) recipients who are employed, participating in an approved employment preparation and/or training activity, completing their high school education, or participating in an approved family preservation activity;
2. income eligible families (approximately 122% of federal poverty line) who are employed, participating in an approved employment preparation and/or training activity or post-secondary education program, or completing their high school education;
3. licensed foster parents caring for foster children; and
4. families with open child protective services or preventive services cases.

As research confirms, where and how children spend their days will determine much about their success in school and in life, particularly for young children when the brain is rapidly developing. Access to high quality child care can ensure that young children are building the foundational base they need to learn soft skills, develop basic literacy, and protect against poverty-related risk factors while reducing the equity gap. For school-aged children, access to high quality after-school programming is essential for children who are struggling in school by allowing them to access supports during out-of-school time to stay academically on-track. Thus, high quality child care provides the greatest benefit to the state's most challenged children, including children of color and children from low-income families. In fiscal year 2012, 50,000 children in Michigan spent part or all of their day (and sometimes evenings or weekends) with a non-parent caregiver who received public child care assistance. Therefore, ensuring that the CDC program promotes access to high quality settings that support children's learning and development is essential.

Over the past several years, Michigan has made great progress towards better understanding the quality of our child care system. In 2010, Michigan launched its quality rating and improvement system (QRIS) known as Great Start to Quality (GSQ), which is now in full operation. Quality rating and improvement systems are structured to provide families with information to help assess the quality of their child care options, providers with an understanding of the elements of quality and a path to improving the quality of their care, and policymakers with information to help target scarce resources to improving and supporting higher-quality services. Michigan's GSQ is no different. With star ratings advertised on Great Start CONNECT, a public website, GSQ provides a clear quality identification system for parents as they seek out high quality child care options for their children. And, GSQ provides a clear path for quality improvement efforts for all early learning providers including licensed and unlicensed child care providers. Because GSQ is still a relatively new system, policymakers have yet to utilize GSQ to target scarce child care resources, though targeting of resource based on GSQ has been done for the state's publicly funded preschool program, the Great Start Readiness Program.

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## The GSQ Tiers and Stars:

Currently, GSQ is set-up into two structures – a three-tiered structure for unlicensed providers and a five-star structure for licensed providers. For unlicensed providers, the minimum tier requires all providers to undergo a minimum of six hours of “Great Start to Quality Orientation” training. This training is mandatory for unlicensed providers to be eligible to receive the

minimum child care subsidy payment. The second tier of GSQ requires an additional ten hours of training for a slightly higher reimbursement rate, and the third tier requires unlicensed providers to complete twenty hours of training and work with a quality improvement specialist to develop a quality improvement plan that could lead to licensure for no additional reimbursement.

For licensed child care centers, group homes, and family homes; all providers enter into GSQ with one empty star to indicate that they’ve met basic licensing requirements but have not yet opted in to participate in GSQ. From there, providers who opt to participate in GSQ can move up the quality continuum through five star levels, with one filled-in star indicating the lowest level of quality and five filled-in stars indicating the highest level of quality. Quality standards in GSQ fall under five categories – staff qualifications and professional development, family and community partnerships, administration and management, environment, and curriculum and instruction. Currently, licensed providers have no financial incentive to move up the quality levels since Michigan does not have a tiered reimbursement structure for licensed providers and no other financial incentives to move up the star levels.

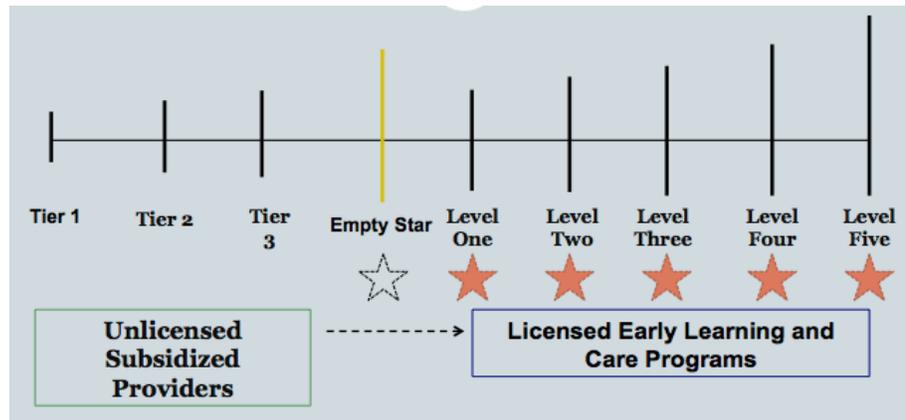
## Quality Improvement Efforts

As all systems building work goes, implementation and participation in GSQ has been challenging. Since there is no incentive for licensed providers to participate in GSQ and extremely limited assistance to support quality improvement efforts – efforts that are important but typically very costly – participation in GSQ has been low. Now that GSQ is in place, Michigan can make systemic reforms that support child care providers’ quality improvement efforts while simultaneously making concerted efforts to move more children into higher levels of care. Some of these efforts have been written into Michigan’s Race to the Top – Early Learning Challenge (RTT-ELC) grant application, which was submitted in October 2013. State-based efforts to improve access to high quality child care across the state, including those outlined in Michigan’s RTT-ELC application, are outlined below.

*Incentivize Providers to Participate in GSQ.* As previously mentioned, all licensed child care providers are part of GSQ but no incentives are in place for them to participate in moving up the star levels. Unless

### Michigan’s Great Start to Quality Structure

Source: MI Dept. of Education – Office of Great Start Presentation to the House Appropriations Subcommittees on School Aid and Education, 8/6/2013



providers are a five-star rated program, advertising their lower quality on a public website could be potentially damaging to their business. This is evidenced by the fact that currently only ten percent of programs have completed and submitted assessments of program quality against the GSQ standards and a vast majority of them are of high quality. However, entering into GSQ gives providers access to a quality improvement specialist who can assist them in creating a quality improvement plan to move up the quality levels. But, taking the first step to participate in GSQ is essential. Thus, in Michigan's RTT-ELC grant application, a one-time \$500 incentive for providers to participate in GSQ is written into the plan. This incentive coupled with extra supports to improve quality can help build a more robust, high quality child care market.

*Implement a Tiered Reimbursement Structure for Licensed Providers.* A majority of states that have implemented a QRIS have also implemented a tiered reimbursement structure to incentivize and support providers as they increase their quality. In Michigan, tiered reimbursement only applies to unlicensed providers, and no tiered payment structure is in place for licensed providers who require the most financial supports to move up the quality continuum. Incentivizing and supporting providers by creating a tiered reimbursement structure that appropriately compensates providers for higher quality of care can assist more providers in moving up the quality continuum. Tiered reimbursement coupled with other quality improvement incentives can ensure that high quality child care providers are appropriately supported.

*Support Quality Improvement Efforts for Licensed Providers.* Currently, Michigan providers rely on the efforts available by regional resource centers, quality improvement specialists, and their own finances to implement quality improvement efforts. However, these efforts are often very costly and can range from purchasing and implementing an evidence-based curriculum to hiring an additional teacher to support lower teacher-child ratios than required by licensure to provide higher quality instruction. Providers need financial assistance to support these and other types of quality improvement efforts, and one mechanism to do so is through quality improvement grants. Many states have implemented quality improvement grants to financially support providers' efforts to move up the quality levels within their QRIS, and it's often coupled with a tiered reimbursement structure. Michigan wrote support for quality improvement grants ranging from \$1,000 to \$1,500 in its RTT-ELC application specifically for programs rated one star to three stars to assist them in achieving their quality improvement plans. These quality improvement grants coupled with other strategies can assist more child care providers to reach higher levels of quality.

*Support Child Care Professionals.* Child care systems across the states are no different in that child care professionals are inadequately compensated for their critical roles in teaching and nurturing children. Understanding the limited revenues that child care providers work with, some states have implemented wage and retention awards that are coupled with quality improvement grants and tiered reimbursement. Wage and retention awards are specifically used by child care providers to bolster their teachers' salaries to attract and retain credentialed, quality staff. Michigan currently does not offer wage and retention awards but does, like many states, provide T.E.A.C.H. scholarships – a statewide scholarship program designed to help child care providers, teachers, directors, and other early childhood educators meet their professional development goals. Within the T.E.A.C.H. scholarship is a bonus structure that provides bonuses to child care providers as they make progress towards completing a higher credential. However, unlike wage and retention awards, once a teacher completes their credentialing, no other additional financial incentive is in place to retain that higher credentialed staff person unless his/her employer has the means and opts to provide a salary raise.

*Create Scholarships for High Needs Children, with a Focus on Infants and Toddlers.* Michigan’s current child care subsidy reimbursement rate falls well below the federally recommended 75<sup>th</sup> percentile of the market rate. This makes it extremely challenging for low-income working families who rely on the child care subsidy to access high quality care since child care providers can charge families the difference between their actual tuition and the subsidy amount through co-pays. Providing scholarships to the highest need families – particularly for families with infants and toddlers when child care is most costly – can allow more families to access higher quality care. Furthermore, for providers, receiving scholarships in a lump sum rather than an hourly payment as our current CDC subsidy is structured allows them to have more consistent revenue that can then be used towards quality improvement efforts. While Michigan wrote 300 child care scholarships for high needs children ages zero to three in its RTT-ELC grant application, these scholarships are targeted to specific communities and a more statewide system could benefit more children and more providers.

*Supporting Family, Friend, and Neighbor (FFN) Care.* For the most challenged families, often FFN care is the most affordable and accessible form of child care that’s provided by a trusted individual. However, FFN care is typically unlicensed care where the state knows very little about the quality of care being provided. In Michigan’s RTT-ELC grant application, several strategies to support FFN care are laid out including opportunities for peer-to-peer learning communities where unlicensed providers would come together and complete a series of training modules in cohorts where providers can not only learn from trained professionals but also from each other. Also, a \$500 incentive is written into the RTT-ELC application for unlicensed providers who meet Tier 3 requirements, thus moving more unlicensed providers towards higher quality. These and other supports and incentives targeted towards FFN care is essential since many families prefer this type of care over a child care center for a variety of reasons.

All families want the best care for their children. Ensuring that families can access high quality child care and supporting providers to reach higher levels of quality is essential to integrate Michigan’s CDC program into a prenatal through age 20 education framework. While Michigan has written many quality improvement strategies into its RTT-ELC grant application that would bolster the child care system, some of these strategies are targeted to specific communities or to a limited number of providers and children. As a state, we must work towards advancing the child care system as a whole so that all of Michigan’s most challenged children – regardless of geography – can better access high quality care. This means talking to your legislators about the importance of quality child care and providing solutions, like those laid out here, to advance the system.