

June 27, 2012

### Fiscal Year 2013 Budget: What It Means for Early Childhood in Michigan

The last week of May, the Conference Committees approved all of their budget bills for fiscal year (FY) 2013, and on June 26, 2012, Governor Snyder signed the budget bills into law. The 2013 fiscal year begins October 1, 2012 and ends September 30, 2013. As anticipated, the final budgets were in the form of two omnibus bills – one for Education (PA 201) including School Aid, Community Colleges, and Higher Education; and another (PA 200) for all of the department budgets.

#### Physical, Social, and Emotional Health

##### Medicaid eligibility and provider reimbursement rates

- *Governor:* The Governor's budget does not change Medicaid eligibility. The Governor 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:* Concurs with the Governor to increase Medicaid primary care physician reimbursements rates. The House 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:* Concurs with the Governor to increase Medicaid primary care physician reimbursement rates and makes no changes to Medicaid eligibility. The Senate creates a \$100 placeholder for an increase in Medicaid OB/GYN payment rates.
- ***Final Budget:* The final budget recognizes an increase of \$281.8 million of federal funds to increase reimbursement rates for primary care physicians, family doctors, and pediatricians up to 100% of Medicare rates. The final budget also includes \$11.9 million gross (\$4 million GF) to provide an increase in the reimbursement rates for OB/GYN doctors for a 20% increase.**

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

- *Governor:* Funding for non-Medicaid mental health services is maintained at \$274 million. Funding for non-Medicaid community mental health services has been cut by nearly \$64 million since 2009.
- *House and Senate:* Concurs with the Governor.
- ***Final Budget: 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:* The House rejects the Governor's one-time funding to expand infant mortality programming, health disparities, and pregnancy prevention.
- *Senate:* The Senate creates a \$100 placeholder for all one-time funds.
- ***Final Budget: The final budget adopts the Governor's recommendation for one-time funding for infant mortality (\$750,000), a slightly lower allocation for health disparities (\$240,000 one-time in addition to \$250,000 on-going) and pregnancy prevention (\$860,000), and designates \$50,000 for the Nurse Family Partnership in the Healthy Michigan Fund.***

### Maternal and child health programs:

- *Governor:* Continuation funding is 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:* The House 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 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 (MIECHV) 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 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:* The Senate 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 Senate creates a \$100 placeholder for lead abatement/enforcement. The Senate 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.
- ***Final Budget:* The final budget adopted the Governor's recommendation to provide continuation funding for family planning local agreements, local maternal and child health services, pregnancy prevention program, newborn screening follow-up and treatment services, the sudden infant death syndrome program, and WIC local agreements and food costs. Maternal and child health is flat funded at \$20.3 million. The final budget includes \$2 million in state restricted funding for abatement of lead in homes where children reside who have tested positive for high blood lead. The Legislature approved a \$7.3 million increase for prenatal care outreach and service delivery which included the House proposed \$2 million of TANF funding for a new two-year alternative home visit pregnancy and parenting support program; \$1 million to enhance support and education for the NFP program with strategic planning and awareness for a Detroit-based NFP program. The Governor vetoed this due to lack of funding. The final budget does however, recognize \$4.3 million of federal MIECHV funding to support prenatal care outreach and service delivery. The \$873,400 in private Kellogg funding directed towards infant mortality and prenatal wellness programs is rolled into the Family, Maternal and Children's Health Services Administration line item. FY2012 language is omitted, 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:* Concurs with the Governor.
- ***Final Budget:* 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 up to age eighteen.
- *House:* Concurrs with the Governor but changes the language to cover children ages 2-5 only.
- *Senate:* The Senate 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.
- ***Final Budget: Includes \$20.9 million (\$6.7 million GF) to fund autism spectrum disorder treatment for Medicaid and MICHild eligible children through age 18.***

#### Healthy Kids dental program.

- *Governor:* A total of \$25 million (\$8.4 million in state general funds) to expand the Healthy Kids Dental program. The Healthy Kids Dental program is currently available in 65 of Michigan's 83 counties, and serves 350,000 children. The Governor proposes to expand the program by 25 percent in fiscal years 2013 and 2014, expanding services to 180,000 additional children each year. The expansion would include, but is not limited to, parts of several large urban counties including Kent, Oakland, Macomb, and Wayne. The goal is to provide statewide coverage for all Medicaid-eligible children by 2016. The program provides increased provider reimbursement rates, which encourages provider participation and ensures that children have better access to dental care.
- *House:* Provides less funding than the Governor for the expansion of the Healthy Kids Dental program at 7.9 million gross (\$2.7 million general funds).
- *Senate:* The Senate creates a \$100 placeholder for this expansion.
- ***Final Budget: Includes \$16.6 million gross (\$5.6 million GF) to expand the coverage area of the Healthy Kids Dental program into 10 counties (91,000 children under 21) in fiscal year 2013: Bay, Berrien, Calhoun, Cass, Grand Traverse, Jackson, Mecosta, Montcalm, Osceola and Wexford.***

#### Early Learning

##### 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:* 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 percent increase if they meet 4 out of 5 performance criteria. The Senate includes the Governor's \$10 million competitive assistance grants for consolidation efforts and includes language allowing consolidation between one or more school districts and one or more municipalities.

- *House*: 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 percent increase if they meet 4 out of 5 performance criteria. The House 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.
- ***Final Budget: Concurs with the Senate.***

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*: Provides a total of \$207.9 million for the OGS and concurs with the Governor on funding for the CDC program. The Senate 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 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*: 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.
- ***Final Budget: The final budget provides a total of \$208.3 million for the Office of Great Start, including \$156.2 million for the CDC program based on projected caseloads and costs per case. Included in funding for the OGS is an \$827,700 increase for the ECIC (\$655,300 Federal increase, \$172,400 GF/GP increase) and the state’s \$12.7 million CCDF allocation would continue to be administered by the ECIC. The final budget also includes \$310,000 for the OGS to prepare a report by May15, 2013, that contains a comprehensive state plan for early childhood learning and development that contains a fiscal map of federal, state, local, and private expenditures on programs and services for children from birth through age eight and their families; and recommendations that properly align and integrate programs, services, and the roles of state, local, and private partners including the OGS and the ECIC, to eliminate administrative duplication and ensure that early childhood education are carried out in the most cost-effective and efficient manner. Language is included that would impose a one percent penalty of state funds to the OGS if the report is not submitted by the deadline. The Department must also provide an annual report by February 15<sup>th</sup> on the activities of the ECIC including information about the various grants awarded each year; language is included requiring one percent of ECIC funding to be withheld for each month or partial month the report is late.***

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:* Increases funding for the School Aid portion of GSRP by \$10 million for a total of \$105.4 million. The GSRP competitive program is rolled into the early childhood block grant (see below).
- *House:* 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.
- ***Final Budget:* Funding for School Aid GSRP is increased by \$5 million for a total of \$100.4 million. Funding for the competitive programs is maintained at \$8.9 million. Language pertaining to PIE programs is altered such that funds used under the PIE option can only be spent on families with incomes below 300% of the federal poverty level.**

#### Great Parents/Great Start (GP/GS)

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

#### Great Start Collaboratives (GSC)

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

#### 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 consortium of ISDs to act as fiduciaries and provide administration of early childhood programs in conjunction with the local GSC.
- *Senate:* 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 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. Language is included directing each ISD or consortium of ISDs to convene a local GSC to address the availability of the 6 components of a great start system in its communities: physical health, social-emotional health, family supports, basic needs, economic stability and safety, and parenting education and early education and care, to ensure that every child in the community is ready for kindergarten. Block grant language is included that directs each GSC to ensure the coordination and expansion of infrastructure, or programming to support high-



quality early childhood and childcare programs. ISDs would be required to submit reports after the end of the fiscal year indicating actual programs offered and children served.

- *House*: Concurs with the Governor.
- ***Final Budget*: The final budget appropriates \$10.9 million to ISDs or a consortium of ISDs in the form of an early childhood block grant. This was formally funding for the Great Start Collaboratives (\$5.9 million) and Great Parents/Great Start (\$5 million). Each ISD will receive the same funding it receives in the current fiscal year but must first submit an application to the OGS by August 15, 2012 detailing planned activities as well as report by December 1, 2013 on actual activities provided and children served. The block grant language requires each ISD to convene a Great Start Collaborative and a Parent Coalition to address the availability of six components of a great start system in its communities: physical health, social-emotional health, family supports, basic needs, economic stability and safety, and parenting education and early education and care. The final budget added language that allows an ISD to reconstitute its local GSC if it finds it to be ineffective.**

## Family Supports

### 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*: Concurs with the Governor.
- *House*: The House 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.
- ***Final Budget*: The final budget allocates \$255.3 million for FIP – a \$85.7 million gross reduction from the current fiscal year with anticipated caseload reduction from 69,363 cases at \$407 per month to 53,298 cases at \$397.01 per month.**

### 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*: The Senate concurs with the Governor on funding for Strong Families Safe Children, Child Protection and Permanency, Family Reunification, Supported Visitation, and Parent

Partners program. The Senate reduces Families First funding to \$16 million (\$2.5 million below the Governor). The Senate 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:* The House 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 includes the Governor's Supported Visitation and Parent Partners program.
- ***Final Budget: Concur with the Governor on funding levels for Strong Families Safe Children, Child Protection and Permanency, Family Reunification, Supported Visitation, and Parent Partners program. Maintains funding for Families First at the FY2012 level of \$18.0 million.***