

April 15, 2013

### **House & Senate Appropriations Subcommittees Pass Fiscal Year 2014 Budgets: What It Means for Young Children and Their Families in Michigan**

The week of March 18<sup>th</sup>, 2013, the House Appropriations Subcommittees passed their budget proposals for fiscal year 2014 (FY2014), which begins on October 1<sup>st</sup> of this year and ends on September 30<sup>th</sup> of 2014. The week of April 8<sup>th</sup>, the full House Appropriations Committee took up the budget bills in two omnibus bills – one for K-12 School Aid, Community Colleges, and Higher Education and one for the remaining department budgets. The House Appropriations Committee adopted all of the budget bills as approved by the Subcommittees with no amendments to the budget. The House Subcommittee rejected the Governor's proposal to expand Medicaid, which resulted in many other health programs failing to see the Governor's proposed expansions due to lost savings. The House Subcommittee also increased funding for the Great Start Readiness Preschool program (GSRP) by \$50 million rather than the Governor's proposed \$65 million.

The week of April 8<sup>th</sup>, 2013, the Senate Subcommittees approved their budgets for FY2014 as individual budget bills. The full Senate Appropriations Committee is expected to take up these budget bills the week of April 15<sup>th</sup>. Like the House, the Senate Subcommittee rejected the Governor's proposal to expand Medicaid. The Senate did include the Governor's \$65 million increase to GSRP but made some policy changes to the program that differs from the Governor's recommendation.

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.

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 FY2014 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:

- *Governor:* The Governor's budget did not change Medicaid eligibility for children, but he did take advantage of the Affordable Care Act by expanding eligibility for adults up to 133 percent of the federal poverty level using federal dollars. While this does not directly affect children, many more young adults, who are most likely to be uninsured in Michigan, will be able to access health care; and a woman's health prior to conception is critical to a healthy pregnancy. Funding for MICHild went up slightly from \$66.3 million to \$69.7 million.
- *House Subcommittee:* The Subcommittee rejected the Governor's proposal to expand Medicaid for adults up to 133 percent of the federal poverty level. Concurred with the Governor on MICHild.
- *Senate Subcommittee:* The Senate Subcommittee also rejected the Governor's proposal to expand Medicaid. They did concur with the Governor on MICHild.

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

- *Governor:* The Governor increased funding for non-Medicaid mental health services by \$9.6 million to a total of \$283.7 million.
- *House Subcommittee:* Concurred with the Governor.
- *Senate Subcommittee:* Concurred with the Governor.

#### Mental Health Innovations:

- *Governor:* The Governor made a new one-time investment of \$5 million in general funds/general purpose dollars (GF/GP) for Mental Health Innovations to support three service initiatives:
  - 1) comprehensive home-based mental health services for children to strengthen families and reduce child hospitalizations,
  - 2) coordination between the Department of Community Health, private providers and the Department of Human Services to pilot a high intensity care management team for children with complex behavior disorders, and
  - 3) mental health "first aid" training for a range of public and private groups to recognize mental health problems and obtain professional help.
- *House Subcommittee:* The House Subcommittee rejected the Governor's recommendation for new Mental Health Innovation grants.
- *Senate Subcommittee:* The Senate Subcommittee included a \$100 placeholder for Mental Health Innovations to allow for further discussion on this budget item.

#### Health and Wellness Initiative:

- *Governor:* The Governor's Health and Wellness Initiative included an additional \$1.5 million in ongoing GF, but did not include \$5 million in one-time appropriations from FY2013. Thus, the Health and Wellness Initiative got an overall \$3.5 million cut for a total spending of \$8.7 million. Specific cuts the Governor proposed include a \$1.0 million cut to his 4X4 wellness program (\$1.25 million total funding), \$10,000 cut to health disparities (\$480,500 total), \$98,800 cut to the Michigan Care Improvement Registry (\$2.1 million total), \$750,000 cut to pregnancy prevention (\$112,500 total), and \$251,500 cut to smoking cessation programs (\$1.6 million total). The Governor maintained FY2013 funding for the children's physical health pilot (\$1 million), Nurse Family Partnership (\$50,000), infant mortality reduction (\$750,000) and a slight increase for infant mortality perinatal regionalization (\$152,500). The Governor also included \$2.5 million GF to support the state's Infant Mortality Reduction Plan.

- *House Subcommittee:* The House Subcommittee did not include the Governor's proposed additional \$1.5 million in ongoing funding and also removed \$5 million in one-time funding from FY2013. Thus, funding for the Governor's 4X4 wellness program was eliminated and funding for smoking cessation was reduced by \$84,300 for a total of \$1.5 million. The House Subcommittee also eliminated the Governor's proposed \$2.5 million to support the state's Infant Mortality Reduction Plan.
- *Senate Subcommittee:* The Senate Subcommittee included a \$100 placeholder for the Governor's proposed \$1.5 million in new ongoing funding and placeholders for physical fitness curriculum, a Kent County integrated care project, and Alzheimer's disease services. The Senate Subcommittee included a \$100 placeholder for the Governor's proposed \$2.5 million to support the state's Infant Mortality Reduction Plan.

Maternal and child health programs:

- *Governor:* The Governor provided continuation funding 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), the sudden infant death syndrome program (\$321,300), and maternal and child health services (\$20.3 million). Some changes in funding included prenatal care outreach and service delivery support which slightly decreased by \$500,000 (\$10.6 million total), newborn screening follow-up and treatment services went up slightly to \$6.0 million from \$5.6 million, WIC local agreements and food costs rose by \$2.5 million to \$256.3 million, childhood lead program nearly doubled to \$1.2 million, and lead abatement/enforcement decreased to \$3.0 million from \$5.0 million in FY2013.
- *House Subcommittee:* The House Subcommittee concurred with the Governor on some 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), the sudden infant death syndrome program (\$321,300), maternal and child health services (\$20.3 million), newborn screening follow-up and treatment services (\$6.0 million), WIC local agreements and food costs (\$256.3 million), childhood lead program (\$1.2 million), and lead abatement/enforcement (\$3.0 million). The Subcommittee made deeper cuts to prenatal care outreach and services delivery support for a total of \$9.2 million; and specified that \$700,000 of this money be used for a new pregnancy and parenting support program that promotes childbirth and adoption as appropriate and \$350,000 be used for the Nurse Family Partnership home visiting program to enhance support and education to nursing teams, expand recruitment in high-need communities, and to support a program in a city with a population of 600,000 or more.
- *Senate Subcommittee:* The Senate Subcommittee concurred with the Governor on funding for family planning local agreements, local maternal and child health, pregnancy prevention program, the sudden infant death syndrome program, maternal and child health services, newborn screening follow-up and treatment services, WIC local agreements and food costs, and childhood lead program. The Subcommittee included an additional \$100 as a placeholder to expand lead abatement efforts. The Subcommittee also made cuts to prenatal care outreach and service delivery support for a total appropriation of \$9.7 million. The Senate Subcommittee proposed \$1 million in funding to support a pilot alternative pregnancy and parenting home support program. This program was funded last year with \$2 million in TANF money but was ultimately vetoed by the Governor. Also, rather than including the House proposal for \$350,000 to support the Nurse Family Partnership, the Senate included \$600,000 for evidence-based efforts to reduce infant mortality in areas designated as underserved for obstetrical and gynecological services. The Senate Subcommittee added new boilerplate directing the Department to work to develop an outreach program on fetal alcohol syndrome services, and requires a report to the subcommittees by April 1 on efforts to prevent and combat fetal alcohol syndrome as well as deficiencies in efforts to reduce the incidences of fetal alcohol syndrome.

#### Local health department operations and services:

- *Governor:* The Governor provided continuation funding for local health departments at \$37.4 million.
- *House Subcommittee:* The House Subcommittee included an additional \$100 to potentially increase funding to local public health departments.
- *Senate Subcommittee:* The Senate Subcommittee included an additional \$200 to further discuss a potential increase to local public health departments.

#### Autism treatment:

- *Governor:* The Governor included a \$20.5 million increase for autism spectrum disorder treatment of Medicaid and MICHild eligible children.
- *House Subcommittee:* Concurred with the Governor.
- *Senate Subcommittee:* Concurred with the Governor.

#### Healthy Kids Dental program:

- *Governor:* The Governor added \$11.6 million (\$3.9 million GF) to Healthy Kids Dental to expand the program to an additional 70,500 eligible children in Ingham, Ottawa and Washtenaw counties. Full statewide phase-in will be completed within the next several years. This program increases provider reimbursement rates, encourages provider participation and helps more children receive high quality dental care.
- *House Subcommittee:* The House Subcommittee rejected the Governor's expansion of the Healthy Kids Dental program.
- *Senate Subcommittee:* The Senate Subcommittee included the Governor's proposal to expand the Healthy Kids Dental program but did not specify which counties the program would be expanded to.

#### 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:

- *Governor:* The Governor maintained funding for ISD general operations at the FY2013 level of \$62.1 million. As in FY2013, an additional \$2 million is earmarked to ISDs to be eligible for a 3.2 percent increase if they now meet five out of six performance criteria (previously had to meet four of the criteria): consolidate and competitively bid services, support technology integration, publish a dashboard of outcomes that includes budget information, develop an information management system in coordination with other ISDs, and hold its own health insurance policy.
- *House Subcommittee:* The House Subcommittee also maintained funding for ISD general operations and executive language around best practices grants but only included a \$100 placeholder for best practices.
- *Senate Subcommittee:* The Senate Subcommittee rolled the \$2 million for best practices into base funding and removed best practices language for a total appropriation of \$64.1 million.

#### Office of Great Start:

- *Governor:* The Governor provided a total of \$196.8 million for the Michigan Department of Education (MDE), Office of Great Start – \$11.6 million less than FY2013. The majority of that reduction is

taken from the child care subsidy program's external support line item, which goes to the Department of Human Services for their support to the child care subsidy program, to reflect actual spending. The Child Development and Care program (child care subsidy program) got a small increase from \$156.2 million in FY2013 to \$156.8 million. Language was maintained requiring the department to provide an annual report by February 15<sup>th</sup> on the activities of the Early Childhood Investment Corporation (ECIC) including information about the various grants awarded.

- *House Subcommittee:* Concurred with the Governor. Added language back into the budget boilerplate (that the Governor had deleted) requiring the department submit a report on the number of child care providers, by type, receiving payment for services by November 1, 2013.
- *Senate Subcommittee:* Concurred with the Governor on OGS and CDC funding as well as the report on ECIC activities. Like the House Subcommittee, the Senate Subcommittee also retained language regarding child care providers. The Senate Subcommittee also added new language prohibiting the use of OGS appropriations to support administration for the ECIC. They also added new language requiring the OGS to ensure that any requirement, policy or regulation of a Head Start center-based program in the State is at least as rigorous as any applicable Great Start Readiness Program requirement, policy or regulation, in addition to any Federal requirements with which Head Start center-based programs must comply.

#### Great Start Readiness Program (GSRP):

- *Governor:* The Governor provided a \$65 million increase for the GSRP preschool program that combined the previous competitive portion of GSRP with School Aid GSRP for a total of \$174.3 million. Intent language was added to provide an additional \$65 million in FY2015 for a total of \$130 million increase to GSRP over two years. This increase would raise the slot amount from \$3,400 to \$3,625 per child and would increase access to an additional 16,000 four-year-olds for a total of 48,000 children.

Changes to the use of GSRP funding included the following:

- Ensure that at least 90 percent of participating children live with families living at 300 percent of the Federal Poverty Level (FPL) or below (set at 75 percent of participating children in FY2013).
- Shifts age eligibility for GSRP to align with the new kindergarten start date age requirement, that would eventually require all kindergarteners to be five-years-old by September 1<sup>st</sup> to be eligible for kindergarten or all GSRP students to be four-years-old by September 1<sup>st</sup> to be eligible for GSRP.
- Ability to support transportation costs (new language).
- Language allowing an ISD to fund a Parent Involved in Education (PIE) program is removed and shifted to the early childhood block grant.
- Allow up to seven percent of the grant amount to be used for administrative services (set at five percent in FY2013).
- Allow up to two percent of the grant amount to be used for recruiting and public awareness (set at 10 percent in FY2013).
- GSRP programs must participate in Great Start to Quality – Michigan's Quality Rating and Improvement System – and have a minimum of a three-star rating (new language).
- Sliding scale tuition language is changed to require grant recipients to use a sliding scale of tuition rates, approved by MDE, based on household income for families for those above 300 percent FPL.

Further, budget language is added that requires ISDs or a consortium of ISDs to conduct a local process to contract at least 20 percent of its total slot allocation to interested and eligible public and private community-based providers. If the ISD is unable to contract for that capacity, then they must notify MDE.

- *House Subcommittee:* The House Subcommittee also combined the School Aid and Competitive GSRP programs and provided a \$50 million increase for a total of \$159.6 million – \$15 million less than the Governor’s recommendation – to add an additional 11,800 half-day slots. The Subcommittee concurred with the Governor to increase the slot amount to \$3,625.

Other House Subcommittee policy changes included the following:

- Shifted the Governor’s recommendation to ensure that at least 80 percent of participating children live with families living at 250 percent FPL or below.
- Concurred with the Governor on age requirement to align with kindergarten age requirement.
- Concurred with the Governor to support transportation.
- Maintained language to allow the use of funding for Parent Involved in Education (PIE) programs but shifted requirement that families served must be at 250 percent FPL or below.
- Included the Governor’s recommendation to allow seven percent of the grant amount to be used for administrative services and two percent of the grant amount to be used for recruiting and public awareness.
- Included the Governor’s recommendation for a program to have a three-star rating in Great Start to Quality.
- Shifted the Governor’s sliding scale tuition language to require a sliding scale for families above 250 percent FPL.
- Added new parental choice language that requires ISDs or a consortium of ISDs to allow parents to choose any GSRP program operated by or contracted within that ISD or consortium if the program has capacity. Also added new language that allows parents to choose a GSRP program outside of their residing ISD or consortium, and that the applicable per-child funding will be paid to the chosen ISD by the ISD in which the family resides.

Concurred with Governor to require ISDs or a consortium of ISDs to conduct a local process to contract at least 20 percent of its total slot allocation to interested and eligible public and private community-based providers. Clarified that if the ISD is unable to contract for that capacity, then they must notify MDE. If MDE verifies that the ISD or consortium attempted to contract 20 percent of its slots, then the ISD or consortium may retain all of its allocated slots.

- *Senate Subcommittee:* The Senate Subcommittee also combined the School Aid and Competitive GSRP programs and provided the Governor’s recommended \$65 million increase for a total of \$174.3 million. The Subcommittee did not accept the Governor to increase the slot amount and maintains it at \$3400 per slot to add an additional 19,100 half-day slots.

Other Senate Subcommittee policy changes included:

- Shifted the Governor’s recommendation to ensure that all children served are living in families with income levels at or below 300 percent FPL.
- Added new language around enrollment requiring that the children living with families whose income is in the poorest quintile are served first, then filling slots with the next lowest quintile, and so on.
- New language was added requiring providers to retain 10 percent of funding to be able to enroll eligible children after the start of the program.
- Concurred with the Governor on age requirement to align with kindergarten age requirement.
- Concurred with the Governor to support transportation.
- Concurred with the Governor to remove language to allow the use of funding for Parent Involved in Education (PIE) programs, but this language was not shifted to the early childhood block grant.

- Included the Governor’s recommendation to allow seven percent of the grant amount to be used for administrative services and two percent of the grant amount to be used for recruiting and public awareness.
- The Governor’s recommendation for a program to have a three-star rating in Great Start to Quality was removed.
- Added new language that for all GSRP/Head Start blended programs, the Head Start and GSRP policies and regulations would be applied to the blended slots with adherence to the highest standard from either program.

The Senate Subcommittee concurred with the House Subcommittee regarding contracts with community-based providers.

#### Early Childhood Block Grant:

- *Governor:* The Governor’s budget maintained funding for the early childhood block grant at \$10.9 million for ISDs or a consortium of ISDs. Each ISD would receive the same level of funding it receives in the current fiscal year, and new language was added allowing the funding to support a Parent Involved in Education (PIE) program (which was formerly in the GSRP language). The block grant language requires each ISD to 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 a workgroup to serve as a school readiness advisory committee to ensure that 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. Language that allows an ISD to reconstitute its local GSC if it finds it to be ineffective is removed.
- *House Subcommittee:* Concurred with the Governor but changes allocation of the block grant to a distribution formula established by the Office of Great Start to provide equitable funding statewide.
- *Senate Subcommittee:* Concurred with the Governor except for the allowance of funding to support PIE programs.

#### 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 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:

- *Governor:*
  - Family Independence Program (FIP): The Governor’s budget allocated \$239.4 million (\$99.2 million GF) for FIP to provide financial support for 48,240 families. The 48-month lifetime limit is maintained.
  - Food Assistance Program (FAP): The Governor’s budget included \$2.8 billion in federal funds to provide food benefits to 1.6 million Michigan residents.
  - Energy Assistance: The Governor invested \$235 million in federal and state restricted funds to support heating assistance. This included the creation of a new permanent Low-Income Energy Assistance Fund – \$60 million in state restricted revenues collected by the Public

Service Commission through utility rates – to support a new Michigan Energy Assistance Program that was created in 2012.

- 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.
- *House Subcommittee:* Concurred with the Governor on FIP, FAP, and the EITC. The Subcommittee rejected the Governor’s proposal for new restricted revenues to support energy assistance and instead replaced one-time funding with funds available from reductions elsewhere in the budget.
- *House Subcommittee:* Concurred with the Governor on all family support programs. The Senate Subcommittee also added a new Energy Self-Sufficiency Program that’s funded with \$24.5 million in federal LIHEAP funding.

Child Abuse and Neglect Prevention and Family Preservation Programs:

- *Governor:* The Governor’s budget maintained funding for Strong Families Safe Children at \$12.4 million and drops Families First funding back to FY2012 levels at \$18.0 million (decrease of \$500,000). Child Protection and Permanency increased slightly to \$16.8 million, and Family Reunification maintained funding at \$4.0 million. The Governor also included one-time federal funding of \$1.5 million to support family preservation and prevention services and \$1.0 million for child protection and permanency to expand these programs to other counties.
- *House Subcommittee:* The House Subcommittee removed \$4.2 million in TANF funds from Families First (total appropriation of \$16.2 million), Child Protection and Permanency (\$15.2 million), Family Reunification (\$3.6 million), Family Preservation and Prevention Services (\$2.3 million), and Family Preservation administration (\$1.3 million). The Subcommittee maintained funding for Strong Families Safe Children and rejected the Governor’s \$2.5 million proposal for one-time federal funding to expand family preservation and prevention services and child protection and permanency programs.
- *Senate Subcommittee:* The Senate Subcommittee concurred on all the Governor’s proposals except for his slight increase of \$200,000 to Child Protection and Permanency.