



March 24, 2015

The Governor's FY2016 Budget Proposal: What it Means for Young Children and Their Families

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. This has been evident in the FY2015 budget as tax shifts has resulted in fewer general fund revenues that has resulted in cuts to the current state budget that will impact children and families. At the same time, child poverty as well as child abuse/neglect rates continue to rise according to the 2015 Michigan Kids Count Data Book.

As Michigan's economy continues to recover, funding decisions must prioritize Michigan's most challenged families, otherwise the economic recovery will be slow and may 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.

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.

On February 11, 2015, Governor Snyder released his budget recommendations for Fiscal Year 2016, which begins October 1, 2015 and ends September 30, 2016. As in recent years, the Governor presented two budget bills, including an education bill that proposes funding for local and intermediate school districts, community colleges and higher education, and an omnibus bill that funds state departments and services. The Governor included a significant focus on improving third grade reading, which provides a unique opportunity to ensure that young children can access opportunities they need to begin kindergarten ready to succeed with the skills to become proficient readers.

Proposals for fiscal year 2016 include the following spending provisions affecting Michigan's youngest children and their families.

A Healthy Start: 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, which impacts their ability to learn and thrive. Ensuring children are born healthy and are developmentally on track will result in a healthy start to build the early skills they need to succeed.

Medicaid and MICHild: The Governor's budget continues to fund the Healthy Michigan Plan, Medicaid and MICHild. However, a significant portion of the MICHild funds will shift to accommodate the move of MICHild to new Medicaid managed care contracts to streamline payments starting January 1, 2016.

Mental health services: The Governor provides continuation funding for non-Medicaid mental health services at \$117.1 million after taking into account the \$20 million increase that was included in the FY2015 budget via supplemental appropriation. This will allow community mental health service providers to maintain their current array of services after the expansion of Medicaid for adults under the Healthy Michigan Plan to cover services provided to individuals not Medicaid eligible or for services not covered under Medicaid. The Governor also provides \$33.6 million (11.4 million GF/GP) to continue to implement recommendations from the State of Michigan Mental Health and Wellness Commission 2013 report. This is a \$3 million reduction from FY2015 due to the elimination of some one-year only programs and the inclusion of new one-time funding to coordinate child trauma response.

Health and Wellness Initiative: The Governor's Health and Wellness Initiative is flat funded at \$8.9 million to support various public health and wellness programs that focus on things like health disparities, home visiting, infant mortality reduction, Michigan's immunization registry, pregnancy prevention, and smoking cessation.

Maternal and child health programs: The Governor provides continuation funding or slight shifts in funding due to federal funding shifts for a range of maternal and child health programs that work to mitigate health disparities from a two-generation perspective including family planning local agreements (\$8.3 million), pregnancy prevention program (\$602,100), the sudden infant death syndrome program (\$321,300), maternal and child health services (\$20.3 million), local maternal and child health (\$7.0 million), WIC local agreements and food costs (\$256.3 million), the childhood lead program (\$1.5 million), lead abatement/enforcement (\$4.4 million), and prenatal care outreach and service delivery (\$18.9 million).

Home Visiting Programs: The Governor includes flat funding for evidence-based home visiting programs in the DCH budget that provides voluntary parent coaching and support to ensure that young children are healthy and developmentally on-track and provide tools for parents to support their child's development. The Governor eliminates \$800,000 GF/GP for an alternative pregnancy and parenting support pilot program to promote child birth and alternatives to abortion.

Healthy Kids Dental program: The Governor adds \$21.8 million (\$7.9 million GF) to Healthy Kids Dental to expand the program to an additional 210,000 eligible children ages 0-8 in Kent, Oakland and Wayne counties – the final three counties not currently covered by HKD. The Healthy Kids Dental program increases provider reimbursement rates, encourages provider participation and helps more children receive high quality dental care.

Supporting Parents: 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 help parents become their child's first and best teachers. Unfortunately, young children ages 0-5 continue to struggle as more Michigan children are living in poverty and are victims of maltreatment – particularly with the rise of neglect as it relates to poverty. Supporting parents to be their children's first and best teachers will result in safe, stable, and nurturing home environments that promote children's early learning and development.

Family Support Programs:

- Family Independence Program (FIP): The Governor's budget allocates \$138.1 million for FIP to provide financial support for 31,400 families at \$351 per month, down from 32,300 families in FY2015. This is down from \$214.3 million in FY2014 due to rapidly declining caseloads. No changes were made to reverse FIP lifetime limits. The Governor made other changes to FIP including the elimination of Extended FIP (EFIP), which provides \$10 per month for six months as families exit FIP to ensure that they can transition other support services that are contingent on their FIP eligibility. EFIP currently counts against families' lifetime limits towards FIP.

- Food Assistance Program (FAP): The Governor’s budget includes \$2.6 billion – a \$13.7 million increase from FY2015 – to provide food benefits to 847,700 cases at \$252 per month.
- 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. Reinstatement of the EITC back to 20 percent is contingent on voters approving the May 5th ballot referendum.

Child Abuse and Neglect Prevention and Family Preservation Programs: The Governor’s budget provides no changes to child maltreatment programs or family preservation programs. Funding is maintained for Strong Families/Safe Children (\$12.4 million), and Family Preservation Programs are combined into one line item at \$38.9 million, which includes flat funding for key programs including Families First (\$17.0 million), the Family Reunification Program (\$6.5 million), family preservation and prevention services programs (\$2.5 million), and Child Protection and Permanency (\$12.9 million).

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. Providing high quality early learning experiences can ensure that young children have the social and cognitive skills they need to start school prepared and will help prevent an achievement gap that emerges as young as nine months of age.

Great Start Readiness Program (GSRP): The Governor maintains the GSRP expansion by providing \$239.3 million in his budget recommendation to provide \$3,625 per slot for a total of 63,000 half-day preschool slots for four-year-olds. He retains FY2015 policy shifts to GSRP including:

- Continuing to allow Intermediate School Districts (ISDs) to serve children living in families up to 300% of the federal poverty level (FPL) if they determine they have served all eligible children living at 250% FPL or below; and continuing to provide automatic eligibility regardless of family income for children in foster care, children experiencing homelessness, or children with an individualized education plan (IEP) recommending placement in an inclusive preschool setting.
- Designating \$10 million of the total funding for transportation reimbursements in an amount up to \$150 per half-day slot.
- Continuing to require GSRP providers to have a 3-star rating in Great Start to Quality.
- Continuing to require ISDs to contract out 30% of its GSRP slots to community-based providers.

Early On: The Governor does not include any state support for *Early On* early intervention services. *Early On* serves nearly 18,000 families with infants and toddlers birth to age three who have a 20% or greater delay in development or a disability. While Michigan receives \$11.8 million in federal funding through the Individuals with Disabilities Education Act – Part C for approximately \$639 per child, federal funds are intended to identify eligible children and to support service coordination, and is not intended nor is sufficient to fund actual service delivery which ranges from things like physical therapy to speech therapy to specialized instruction.

Third Grade Reading: The Governor, in recognition of the challenges Michigan has seen with third grade reading proficiency, has included a significant focus on this benchmark in his FY2016 budget. The Governor acknowledged that his recommendations to address third grade reading proficiency are a beginning framework, and recommends the formation of a workgroup that includes legislators to finalize the proposal prior to final passage of the FY2016 budget. Additionally, the Governor recommends a new oversight commission outside of state government to oversee implementation and monitor progress towards third grade reading proficiency.

The Governor's budget proposal includes an array of supports targeting third grade reading literacy, including \$1 million for the implementation of these efforts. His third grade literacy focus includes the following budget recommendations.

Early Childhood Block Grant: The Governor includes a \$5 million increase to the Early Childhood Block Grant for a total of \$15.9 million to ISDs or a consortium of ISDs. The block grant would continue to be distributed via formula to provide equitable funding statewide for early childhood programs serving children birth through age eight. The new \$5 million investment is targeted for home visits to at-risk children and their families with goals to improve school readiness, reduce the number of pupils retained in grade level, and reduce the number of pupils requiring special education services. This home visiting resource is intended to strengthen Michigan's home visiting infrastructure and maximize federal funds available for home visiting.

Pilot parent education program: The Governor includes \$1 million for new pilot parent education programs for parents of children ages 0 through 3 so that children are developmentally ready to succeed in school at the time of school entry. Eligible programs would provide at least two hours per week throughout the school year for parents and their children and would require parents be physically present; use research-based information to educate parents about their children's development; provide structured interactive activities between children and their parents; and provide structured activities for children that promote positive interaction with their peers. Programs would be required to establish a sliding-scale tuition fee. Funding will be allocated through a competitive application process, with districts or a consortium of districts eligible for \$120 per child or \$130,000 total, whichever is less; and \$100,000 of the funding is targeted towards evaluation of the programs. The Department of Education (MDE) is encouraged to ensure that grants are awarded in each of the 10 prosperity regions.

Child Development and Care (CDC) Program: The Governor's budget includes a \$29.3 million increase in federal funds to support the CDC program, recognizing that high quality child care is a critical component of the early learning continuum that is essential to early literacy. However, the Governor does include a \$2.4 million reduction in state general funds in recognition of continued declines in caseload. The CDC program provides child care subsidies to 22,000 working families living at or below 120% FPL. The Governor's recommended increases with federal funds include the following:

- \$16 million to provide continuous, 12-month eligibility for families regardless of changes in life circumstances throughout the year – a shift that was approved in a FY2015 supplemental budget. Previously, families lost their child care assistance if they lost their job mid-year, though families will need that child care while searching for a new job and attending job interviews.
- \$1.5 million to raise the exit income threshold by which a family becomes ineligible for child care assistance from 120% FPL to 250% FPL – a shift that was approved in a FY2015 supplemental budget. This ensures that families can maintain their child care assistance as they begin to earn more money and continue on a path towards self-sufficiency.
- \$6.1 million increase for additional tiered reimbursement rates based on the Great Start to Quality star-rating of child care programs to bring Michigan's child care subsidy assistance closer to the market rate – a shift that was approved in a FY2015 supplemental budget. This increases reimbursement rates as follows: \$0.25 increase to the hourly base rate for 2-star rated programs, \$0.50 for 3-star rated programs, \$0.75 for 4-star rated programs, and \$1.00 for 5-star rated programs. The federal government recommends that state's set their child care subsidy payments to allow parents to access 75 percent of the child care market in their communities, yet Michigan's

low reimbursement rates only allow families to access between 3% and 30% of the market, strictly reducing parental choice in child care.

- \$5.7 million to hire 35 additional licensing consultants for a total of 105 consultants – this was not included in the FY2015 supplemental budget. This will reduce average caseloads from 150 to 98 though the federally recommended caseload is 50. Licensing consultants ensure that child care facilities are complying with licensing standards so that children are in safe learning environments.

Kindergarten Entry Assessment (KEA): The Governor includes \$1.6 million to field test a kindergarten entry assessment with full implementation in the 2016-2017 school year. KEAs are an observational assessment tool to identify a child's development so that teachers can provide appropriate instruction so students can succeed in the classroom. An additional \$1 million is included in the Governor's budget to administer assessments in first and second grades to measure English language arts and mathematics. These assessments are intended to determine a student's proficiency levels prior to third grade.

Library support: The Governor includes a \$1 million increase for support to public libraries to expand their early learning and preschool reading programs.

Teacher Supports: The Governor's budget includes an array of supports for teachers focused on literacy instruction. His budget includes:

- \$950,000 for grants to districts to support MDE-approved, research-based professional development for kindergarten through third (k-3rd) grade teachers focused on literacy. MDE would also work with Michigan Virtual University (MVU) to provide this PD online.
- \$500,000 for the adoption of a new certification test to ensure newly-certified elementary teachers have the skills to deliver evidence-based literacy instruction.
- \$3 million for competitive grants to a consortium of ISDs in the prosperity regions to provide literacy coaches to support k-3rd grade teachers.
- \$1.45 million to administer diagnostic tools to monitor the development of early literacy and early reading skills of k-3rd graders and to support research-based professional development for educators in data interpretation for the purpose of implementing a multi-tiered system of support to improve third grade reading proficiency. MDE will also collaborate with MVU to provide online training to k-3rd grade teachers.
- \$500,000 to establish a best practices clearinghouse that identifies, develops and determines best practices from research-based models of education reform that districts can use to improve reading proficiency for k-3rd graders.

Additional Instruction Time in K-3rd Grade: The Governor includes \$10 million for districts that provide additional instructional time for k-3rd graders who have been identified as needing additional supports and intervention. This additional instruction time can be provided before, during and after school hours or as part of a year-round balanced school calendar. Districts would be eligible for \$95 per pupil based on the number of first graders in the district or a lesser prorated amount if there are insufficient funds; and districts would be eligible if they implement a multi-tiered system of support instructional delivery model, use research-based diagnostic tools to identify students in need of additional instruction time, and provide k-3rd grade teachers with research-based professional development in diagnostic data interpretation.