

April 9, 2015

**The FY2016 Budget Proposals:
What They Mean for Young Children and Their Families**

In March, the House and Senate put forward their budget recommendations for fiscal year 2016 (FY2016) through the Appropriations Subcommittee process. There are significant differences between the Governor's, the House Subcommittees' (referred to as House in this document), and the Senate Subcommittees' (referred to as Senate in this document) budget recommendations in key areas impacting young children and their families. These recommendations will be further discussed by each chamber's full appropriations committees and by all members of the House and Senate before differences are ironed out in conference committee.

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.

Also pending during this budget process is the May 5th ballot proposal that, if approved, would provide new revenue to fix the state's crumbling roads, additional money in the School Aid fund, reinstatement of the Earned Income Tax Credit, and additional funding for local municipalities. If voters do not approve the ballot proposal, the Legislature will likely go back to the drawing boards for the FY2016 budget to determine where funds can be diverted from current programs and services – likely programs and services that benefit Michigan's most challenged children, youth and families – to fix the roads.

Current recommendations 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, Michigan has 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 is essential for young children to build the early skills they need to succeed.

Medicaid and MICHild: The Governor, House and Senate all continue to fund the Healthy Michigan Plan, Medicaid and MICHild based on caseload projections. 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, House and Senate provide 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. The Senate requires that \$10 million of the \$20 million be restored proportionally to the community mental health (CMH) funding reduction in FY2010, limiting any increase to a single CMH to \$3.3 million. This funding allows 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 and House provide \$27.5 million (\$9.3 million GF/GP) to continue to implement recommendations from the State of Michigan Mental Health and Wellness Commission 2013 report. The Senate provided \$13.8 million, transferring half of the funds to the Health Endowment Fund Corporation to determine programming. The Governor and House also provide new one-time funding of \$500,000 to be used for a strategic plan tied to coordinate child trauma responses; the Senate provides a \$100 placeholder for this to allow for further discussion.

Health and Wellness Initiative: The Governor and House provide flat funding for the Health and Wellness Initiative at \$8.9 million. This funding supports a variety of public health and wellness programs including but not limited to: health disparities (\$480,500), the Nurse Family Partnership home visiting program (\$50,000), Michigan's immunization registry (\$2.1 million), pregnancy prevention (\$112,500), maternal and infant health (\$750,000), infant mortality perinatal regionalization (\$152,500), and smoking prevention/cessation (\$1.5 million). The Senate assumed transfer of responsibility on whether to fund a number of the programs to the Health Endowment Fund Corporation, though would guarantee flat funding for several key programs including the immunization registry, health disparities, the Nurse Family Partnership, pregnancy prevention, and smoking prevention. The programs impacting young children that would be at the authorization of the Health Endowment Fund Corporation under the Senate plan include the infant mortality perinatal regionalization, maternal and infant health, and other programs that impact the well-being of adults who may be parents.

Maternal and child health programs: The Governor, House, and Senate provide 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 (\$1.6 million), and lead abatement/enforcement (\$4.4 million).

Home Visiting Programs: The Governor and House provide flat funding for evidence-based home visiting programs in the Department of Community Health (DCH) budget, which includes the FY2015 \$2.5 million expansion to northern rural communities and the Upper Peninsula. The Senate retains a \$100 placeholder for the FY2015 \$2.5 million expansion for further discussion. Evidence-based home visiting programs provide 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 funding (\$800,000 GF/GP) for an alternative pregnancy and parenting support pilot program to promote child birth and alternatives to abortion; the House and Senate both maintain \$50,000 for this program. In addition to funding, the House adds new language directing DCH to evaluate the feasibility of including an assessment tool to promote literacy development in the Maternal Infant Health Program, Michigan's Medicaid-funded home visiting program.

Pay for Success Maternal and Child Health Program: The Governor reinstates \$1.5 million for the Pay for Success Maternal and Child Health pilot program that had been eliminated in the supplemental budget for FY2015. This program was intended to support a public-private social innovation bond model focused on improving health and early childhood development for high-risk mothers and their babies through home-visitation, community programs and better coordination of care throughout pregnancy until the child's second birthday. The House and Senate provide a \$100 placeholder for this program.

Healthy Kids Dental program: The Governor and House add \$21.8 million (\$7.5 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 Senate adds \$16.3 million (\$5.6 million GF) to expand to all eligible children in those three counties but delays implementation to July 1, 2016 – thus only covering the last quarter of FY2016. 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, House and Senate all reduce funding for FIP cash assistance to about \$140 million to provide financial support for 31,400 families at \$361 per month, down from 32,300 families in FY2015. This is down from \$214 million in FY2014 due to rapidly declining caseloads. No changes were made to reverse FIP lifetime limits. The Governor and both chambers also eliminated 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, House and Senate all provide \$2.6 billion – a \$13.7 million increase – 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: Funding for child abuse and neglect prevention programs has been cut over the years while the number of substantiated child abuse/neglect victims has grown. While Michigan has focused on investing in improvements in the state's foster care and protective services system, as required by a settlement agreement stemming from a lawsuit by the national Children's Rights organization, prevention funding has not kept pace. As a result, abuse/neglect prevention programs have relied primarily on federal dollars. For FY2016, the Governor and Senate provide no funding shifts to child maltreatment programs or family preservation programs while the House cuts \$2.75 million in TANF funding from many of these programs to offset state general fund dollars for the FIP program. Funding for these programs are as follows:

Strong Families/Safe Children is maintained at \$12.4 million. This federally funded program provides prevention services through Community Collaboratives to families at risk of child abuse/neglect, services to families at risk of out-of-home placement or in crisis, time-limited reunification services, and adoption promotion and support services.

Families First funding is maintained at \$17.0 million by the Governor and Senate, while the House cut this program by \$500,000. Families First of Michigan reduces the need of out-of-home placements by providing intensive, short-term crisis intervention and family education services in the home for four to six weeks to assist families by teaching, modeling and reinforcing parenting.

Family Reunification Program funding is maintained at \$6.5 million by the Governor and Senate, while the House cuts it by \$250,000. This program offers up to six months of therapeutic/skill-based intervention services for families who are being reunified after having their children in foster care for some period of time.

Family Preservation and Prevention Services are flat funded at \$2.5 million by the Governor and Senate, while the House cuts it by \$1.5 million. This currently funds Supportive Visitation (\$2 million) which provides individualized parent/child visits for children in foster care with the goal to reunify the family; and the Parent Partner program (\$500,000) which matches a parent who successfully navigated the foster care system and reunified with their child(ren) with families currently involved in the foster care system with the goal of reunification.

Child Protection and Permanency is flat funded at \$12.9 million by the Governor and Senate, while the House cuts it by \$500,000. These funds support local services that work to improve the safety and well-being of children at-risk of abuse or neglect, reduce out-of-home placements, improve family functioning, and increase permanency for children through family reunification or placement stabilization.

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 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, House and Senate maintain the GSRP expansion by providing \$239.3 million to provide \$3,625 per slot for a total of 63,000 half-day preschool slots for four-year-olds. The Senate adds new language allowing programs to serve eligible three-year-olds if a program would otherwise have to return funding for slots due to insufficient class size – a shift primarily to support rural programs. The House does not include this language. The House increases the amount that Intermediate School Districts (ISDs) can retain for administrative costs if they contract out to community-based providers; a shift the Senate does not include. Some GSRP policies that are retained in all recommendations include the following:

- Eligibility: ISDs can 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 automatic eligibility regardless of family income is given to children in foster care, children experiencing homelessness, or children with an individualized education plan (IEP) recommending placement in an inclusive preschool setting.
- Transportation funding: \$10 million is earmarked for transportation reimbursements for up to \$150 per half-day slot.
- Quality: GSRP providers must have at least a 3-star rating in Great Start to Quality.
- Community-based providers: ISDs must contract at least 30% of its GSRP slots to community-based providers.

Early On: The Governor, House and Senate do 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 developmental delay or disability. Michigan receives \$11.8 million in federal funding through the Individuals with Disabilities Education Act – Part C for approximately \$639 per child, but these funds are vastly insufficient to provide needed services which range from physical therapy to speech therapy to specialized instruction. Longitudinal studies demonstrate that young children who receive appropriate early intervention are less likely to need special education in preschool and beyond.

Child Care Licensing Consultants: The Governor and Senate appropriate \$5.7 million of Michigan’s unspent federal Child Care and Development Block Grant funds to hire 39 additional licensing consultants and staff for a total of 105 consultants, a recommendation not included in the House budget. This will reduce average caseloads from 150 to 98 per licensing consultant, bringing Michigan closer to the federally recommended caseload of 50. Licensing consultants ensure that all licensed and regulated child care programs and facilities are complying with minimum health and safety regulations, regardless of whether the facility serves families receiving the state’s child care subsidy.

Third Grade Reading: The Governor and Senate’s budget proposals include an array of supports targeting third grade reading literacy, including \$1 million for the implementation of these efforts. The House does not include any new funding to support third grade reading efforts. Budget recommendations to improve third grade literacy include the following:

Early Childhood Block Grant: The Governor and Senate include 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 programming for 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. The Senate adds new language requiring ISDs to include an evaluation of the services provided with funding for home visits, including the degree to which school readiness was improved. The House maintains funding for the early childhood block grant at \$10.9 million and adds no new money for home visiting.

Pilot parent education program: The Governor and Senate include \$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; the House does not include this. 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. The Department of Education (MDE) is encouraged to ensure that grants are awarded in each of the 10 prosperity regions. The Governor earmarks \$100,000 of this funding for evaluation of the programs; the Senate earmarks \$100,000 of the \$1 million for the implementation of all the new third grade reading initiatives for evaluation.

Child Development and Care (CDC) Program: The Governor, House and Senate budgets appropriate unspent federal funds to support improvements to the CDC program, recognizing that high quality child care is a critical component of the early learning continuum. However, the Governor, House and Senate 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 121% FPL. The recommended increases with federal funds were already approved in the FY2015 budget through a mid-year supplemental budget, and includes the following for FY2016:

- \$16 million to provide continuous, 12-month eligibility for families regardless of changes in life circumstances throughout the year. Previously, families lost their child care assistance if they lost their job mid-year, though families would need 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. 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 subsidy reimbursement closer to the market rate. 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.

Kindergarten Entry Assessment (KEA): The Governor and Senate include \$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. An additional \$1 million is included in the Governor and Senate's budgets to administer assessments in first and second grades to determine a student's proficiency levels prior to third grade. The House does not include new funding for early assessments.

Library support: The Governor and Senate include a \$1 million increase for support to public libraries to expand their early literacy focused programming with the goal to improve third grade reading proficiency. The House includes the increase but does not specify its use for early literacy programming.

Teacher Supports: The Governor and Senate include an array of teacher supports focused on literacy instruction; these were not included by the House. The Governor and Senate recommend the following:

- \$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.
- The Governor includes \$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. The Senate requires MDE to make these changes to the certification test but requires any costs associated with the changes be paid for by teacher certification fees or testing fee revenues.
- \$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 professional development for educators in data interpretation for the purpose of implementing a multi-tiered system of support. MDE will also collaborate with MVU to provide online training to k-3rd grade teachers.
- The Governor provides \$500,000 to establish a best practices clearinghouse that identifies, develops and disseminates best practices from research-based models of education reform that

districts can use to improve reading proficiency for k-3rd graders. The Senate does not include this funding but does require MDE to establish a best practices clearinghouse.

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. The Senate doubles this support to \$20 million for \$190 per pupil and earmarks \$350,000 for the Michigan Education Corps to provide literacy services and tutors for students in k-3rd grade who struggle with reading. The House did not include this funding.

Stay tuned to Michigan's Children throughout the budget process; [learn](#) what the state budget means for children, youth and families; and find out how you can [get involved](#) in budget advocacy. And, [sign-up](#) for our Early Childhood Action Network and the Graduate Michigan Action Network for more budget details as it relates to young children and older youth.