

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Summer 2015



### **An Overview of Michigan's Early Childhood Education Programs** **Cory Savino, Fiscal Analyst**

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#### **Introduction**

Michigan has multiple early childhood education programs that support low-income children. In recent years, these programs have grown in scope, accountability, and quality standards. The Child Development and Care Program, Great Start Readiness Program (GSRP), and Head Start make up the three early childhood education programs that are discussed in this article. Governor Snyder consolidated these programs into the Office of Great Start, within the Michigan Department of Education, in June 2011, under Executive Order 2011-8. This article will provide an overview of the history, funding structure, and accountability for each program.

#### **Child Development and Care Program**

##### History and Description

The Federal Child Care and Development Block Grant was authorized in 1996 under the Personal Responsibility and Work Opportunity Reconciliation Act<sup>1</sup> and reauthorized in November 2014. The program is housed in the Administration for Children and Families of the U.S. Department of Health and Human Services and provides block grants to states that meet various requirements. These requirements include: establishing a lead agency in the state to administer the program, meeting matching and maintenance of effort (MOE) requirements, using the funds to help families with income levels below 85% of the state median income level, establishing health and safety standards, establishing reimbursement rates, using 4% of the funds to improve child care quality, and ensuring that children in the program have access to child care that is comparable to what children who are not in the program receive<sup>2</sup>. The Administration for Children and Families also provides a number of recommendations for the states, but these are not requirements. States must submit plans every three years on how funds will be used, specifically on how accessibility and quality will be improved.

In Michigan, the Child Development and Care Program was originally created in what was previously the Department of Human Services. In 2011, most of the program was moved to the Michigan Department of Education (MDE) under Executive Order 2011-8. The MDE operates policy and programming, with the Department of Human Services (now part of the Michigan Department of Health and Human Services) continuing to determine child eligibility. The Department of Licensing and Regulatory Affairs also provides licensing to ensure that child care providers meet health and safety standards as well as report caseloads and costs. Michigan established the income eligibility limit at 39% of the State median income or below 121% of the Federal poverty rate (\$23,880 for a family of three). There are a number of other ways for children to be eligible for the program, including foster care and protective services, but the majority of participants in the program are families meeting the income eligibility criterion. In addition, a parent must be performing an approved activity, such as working, attending class, or receiving counseling and/or rehabilitation. The State reimburses parents or guardians based on the number of hours that the child is in child care, up to 90 hours for two weeks, and the star-rating of the program. The program's funding level is based on caseloads and the cost per case, which are estimated at the May Consensus Revenue Estimating Conference. Funding for

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<sup>1</sup> See "Highlights of The Personal Responsibility and Work Opportunity Reconciliation Act of 1996", U.S. Department of Health and Human Services.

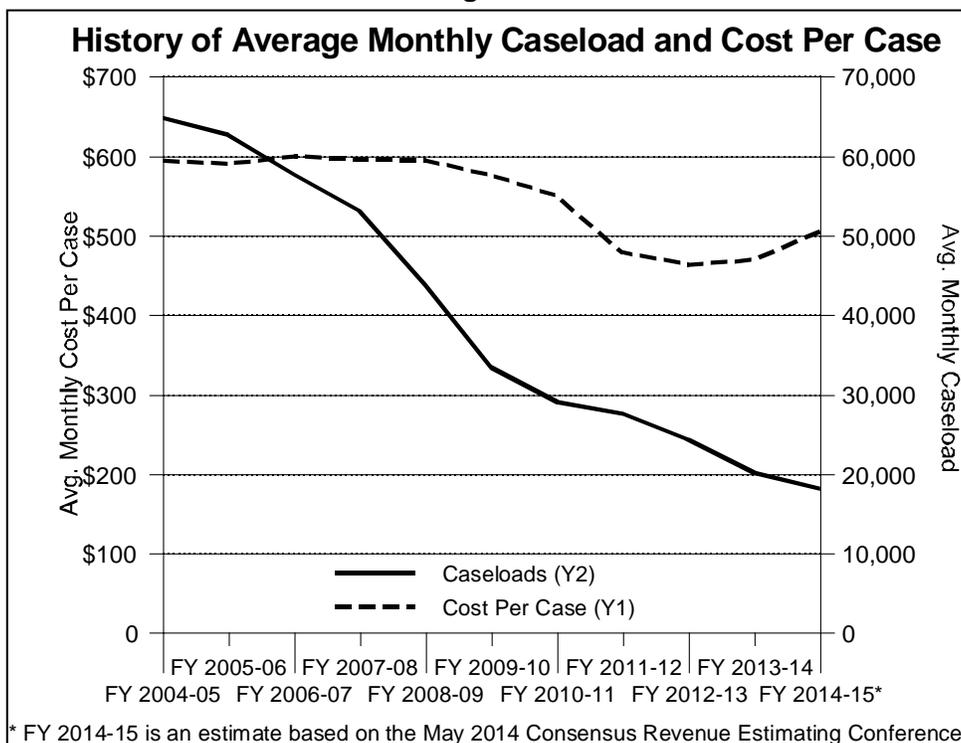
<sup>2</sup> See "Policy Interpretation Questions about the Use of CCDF for Program Integrity Efforts", June 27, 2012, U.S. Department of Health and Human Services, Office of Child Care.



the entire program in fiscal year (FY) 2014-15 is \$137.5 million<sup>3</sup>, which includes both the public assistance and external support, including child care licensure. The program assistance total is \$119.7 million, with Federal funds making up \$83.1 million and the General Fund making up \$36.6 million. Matching and MOE requirements for the State equal \$50.6 million, \$12.8 million of which is supported by funds in the GSRP within the School Aid budget. The administration of the program is combined with the Great Start operations line item. Of the total line item, \$18.4 million Gross, \$18.2 million Federal, and \$0.2 million General Fund/General Purpose (GP/GP) is used for administration and operations of the Child Development and Care Program.

Figure 1 shows the trend for the average monthly caseload and cost per case for each year from FY 2004-05 through FY 2014-15 (estimated). The trend shows a 71.9% drop in caseloads over the past 10 years while the cost per case has remained relatively stable. There are multiple variables that may contribute to the decline in caseloads, including declining birth rates, fewer children living in families below 39% of the State median income, attendance reporting changes, reimbursement rates that are not sufficient to cover child care costs, or one parent no longer working enough to require child care. A combination of these variables and others that are currently unknown may explain the dramatic decline in the number of children who are in the Child Development and Care Program.

**Figure 1**



**Source:** Actual average caseloads and cost provided by the Michigan Department of Health and Human Services, and projections from the May 2014 Consensus Revenue Estimating Conference

<sup>3</sup> This is the year-to-date number for the FY 2014-15 budget, which includes initial appropriations (PA 252 of 2014), Executive Order 2015-5, and PA 6 of 2015, which cut General Fund/General Purpose funding by \$2.4 million and increased Federal funds by \$11.8 million.

## Oversight

In 2011, Michigan launched the Great Start to Quality system, which was intended to increase child care quality not just for programs that support children in the Child Development and Care Program, but for all licensed and registered child care programs, including the Great Start Readiness Program and Head Start. It created a five-star system to identify the quality of the licensed and registered child care programs. Great Start to Quality is voluntary; however, programs that care for children who participate in the Child Development and Care Program must be approved by the Department of Education before care can be reimbursed. The Department has an agreement with the Early Childhood Investment Corporation (ECIC) to implement the Great Start to Quality, which has 10 regional resource centers that provide assistance with all levels of the rating system. The ECIC also contracts with HighScope Educational Resource Foundation to conduct the Program Quality Assessments for programs eligible for a four- or five-star rating.

The categories that make up the rating are: staff qualification and professional development, family and community partnerships, administration and management, environment, and curriculum and instruction. For a program to get a star rating, it must first complete a self-assessment, which is then validated by the ECIC. Programs that choose not to complete validation receive an empty star. In June 2013, Great Start to Quality launched a revised rating system. There are currently 2,296 programs that have a rating and 7,100 programs that have an empty star rating. A rating is valid for two years, after which the program is re-rated. Beginning in FY 2013-14, the Child Development and Care Program began reimbursing programs based on the star rating in order to give them an incentive to achieve the higher ratings and allow children access to higher-quality programs.

The Department of Licensing and Regulatory Affairs (LARA) also provides oversight. The Department provides the licenses and registration for child care providers. The licensing process is focused on health and safety and a provider must meet minimum requirements in order to be licensed. (The Great Start to Quality, on the other hand, focuses on the quality of the program and is more in-depth.) The current ratio of LARA's licensing inspectors and programs is 1 to 150, while the current national average is 1 to 98. The licensing process is supported by Federal funds and licensing fees.

## FY 2014-15 Supplemental and FY 2015-16 Budget

House Bill (HB) 4112 (Public Act 6 of 2015) made supplemental appropriations for FY 2014-15. As requested by the Governor, HB 4112 included \$11.8 million in supplemental Federal funds to support expansion of the Child Care and Development Program for the remaining six months of FY 2014-15. There were three areas of program expansions. The first was to increase the "exit threshold" for a subsidy to 250% of poverty, which cost \$764,000 for six months. This means that the entry threshold for eligibility is 121% of the poverty level and the exit is 250% of the poverty level, which is still below 85% of median State income. This is intended to prevent a "drop off" in child care for families whose income increases above 121% and who otherwise would lose all child care benefits and risk being unable to find child care due to its costs. The second program expansion was to create a 12-month period of child care, which cost \$7,973,700 for six months. This is intended to further reduce the risk of drop off, by allowing children to remain in the program for 12 months without being removed from it due to changes in income eligibility or approved activity. The final program expansion increased the star-based reimbursement rate for providers, which cost \$3,068,000 for six months. [Table 1](#) shows how the hourly reimbursement rate changed. This is intended to give further incentives to higher-rated providers.



**Table 1**

<b>Recommended Tiered Reimbursement Rates per Hour (prior rates in parentheses)</b>				
	<b>Child Care Centers</b>		<b>Family &amp; Group Child Care Homes</b>	
	<b>Birth to Age 2½</b>	<b>Over Age 2½</b>	<b>Birth to Age 2½</b>	<b>Over Age 2½</b>
Base Rate (Empty Star and 1 Star)	\$3.75 (\$3.75)	\$2.50 (\$2.50)	\$2.90 (\$2.90)	\$2.40 (\$2.40)
2 Star Rate	\$4.00 (\$3.75)	\$2.75 (\$2.50)	\$3.15 (\$2.90)	\$2.65 (\$2.40)
3 Star Rate	\$4.25 (\$4.00)	\$3.00 (\$2.75)	\$3.40 (\$3.15)	\$2.90 (\$2.65)
4 Star Rate	\$4.50 (\$4.25)	\$3.25 (\$3.00)	\$3.65 (\$3.40)	\$3.15 (\$2.90)
5 Star Rate	\$4.75 (\$4.50)	\$3.50 (\$3.25)	\$3.90 (\$3.65)	\$3.40 (\$3.15)

**Source:** State Budget Office

For FY 2015-16, the budget keeps the half-year expansion under HB 4112 for the full fiscal year, which will cost an additional \$11.8 million in Federal funds. The budget also includes a Federal increase of \$9.1 million for external support, which will increase the number of licensing inspectors in the Department of Licensing and Regulatory Affairs. This increase will lower the inspector to provider ratio from 1 to 150 to the national average of 1 to 98.

The program expansion could cause a number of outcomes for the Child Development and Care Program. It could reduce the decrease or even increase the program's caseloads by increasing the exit threshold and providing 12 months of eligibility. The expansion also could raise the cost per case by allowing increased reimbursement for higher-rated programs. The higher reimbursement rate then could increase the number of five-star-rated providers and the number of providers in the Great Start to Quality system. At this time, it is not anticipated that the State will need to provide additional funds to support matching or MOE requirements. However, if caseloads were to increase greatly, it could be necessary for the State to support the additional Federal funds.

### **Great Start Readiness Program**

#### History and Description

The GSRP first began in 1985 to provide preschool for "at risk" four-year-old children. This program is funded in the School Aid budget and is overseen by the Office of Great Start in the MDE. The GSRP is unique because the intermediate school districts (ISDs) oversee the various providers and determine child eligibility while the Department determines the grant amount and audits the ISDs to ensure that they are following statute and policy. The Department gives money to ISDs based on the need in the intermediate districts and the amount of funds available; then, the ISDs make payments to the individual program providers. Many ISDs, schools, and academies have GSRPs on-site.

Section 32d of Public Act (PA) 196 of 2014<sup>4</sup>, the FY 2014-15 School Aid budget, required that ISDs take reasonable steps to allocate a minimum of 30% of their slots to community-based organizations, to allow other private program providers to compete locally within an ISD for funding grants from the GSRP. Previously, Section 32l (which was repealed in 2013) allowed private program providers to participate in the grant program run by the Department. Providers are paid based on the number of "slots" they have in the program. One "slot" is equal to a half day of instruction, so if a student were eligible for a full day of instruction, he or she would fill two "slots". Children's eligibility is largely determined by family income. Currently, the cap for income eligibility is 250% of the poverty level.

<sup>4</sup> MCL 388.1632d



Statute requires programs to ensure that 90% of slots are filled by a child at or below 250% of poverty before accepting children with family income between 250% and 300% of poverty. Children between 250% and 300% of poverty may be accepted only if all eligible children under 250% are being served. Up to 10% of slots may be used for children over income eligibility guidelines; however, they must have other risk factors to qualify.

Over the past few years, the Governor has recommended increases to the program with approval from the Legislature. Currently, the program is funded at \$239.6 million, of which \$300,000 is dedicated to ongoing program evaluation and \$10.0 million is dedicated for transportation. This equates to more than 63,000 half-day slots that are available to be filled, at \$3,625 per slot. In addition to supporting the program, the funds are used for matching and meeting MOE requirements for Federal funds in the Child Development and Care Program (\$14.0 million)<sup>5</sup> and Federal Temporary Assistance for Needy Families (TANF) funds (\$208.3 million)<sup>6</sup>.

### Oversight

In 1994, the GSRP began a longitudinal study conducted by HighScope Educational Research Foundation to look at the impact of the program, by tracking student outcomes. This study followed students who were in the program in order to measure differences between them and students who were not in the program but had similar family backgrounds. HighScope measured both academic and social outcomes through high school graduation plus two years. The study concluded in 2011 with a formal report issued in 2012<sup>7</sup>. A new longitudinal study began in 2011 and the first results will soon be available for review. The ongoing evaluation uses \$300,000 annually.

In addition to the State-level evaluation, the ISDs oversee the program providers using the same star ratings as used for other child care programs. In order to receive funds to fill slots, GSRPs must have at least a three-star rating and meet all the GSRP rules and policies. Unlike other child care providers, the ECIC does not do the auditing and support of the program's providers. The ISDs use the three-star rating requirement in addition to: information from development screening, ongoing observational assessments, program quality evaluations, insight from staff and parents on providers, whether there is an efficient use of resources, and responses to the needs of children. These factors are intended to provide local data that can be used to continuously improve program performance.

Each ISD is required to have at least one early childhood coordinator/specialist in order to provide monitoring, professional development, and support to the various program providers within the ISD. The ISD is responsible for monitoring its providers for compliance with policies and guidelines for fiscal and programmatic issues. The MDE monitors ISDs for their administration and implementation of the program. An MDE auditor, GSRP consultant, or combined team will conduct on-site monitoring visits to the ISD to ensure compliance with State policies and program requirements as they relate to fiscal and programmatic management of the grant.

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<sup>5</sup> According to the Department of Education listing of Federal matching and MOE requirements for all Federal funds received by the Department.

<sup>6</sup> According to the Department of Health and Human Services listing of line-item amounts that are used to support TANF matching and MOE requirements.

<sup>7</sup> "Michigan Great Start Readiness Program Evaluation 2012: High School Graduation and Grade Retention Findings" at HighScope.

## FY 2015-16 Budget

Most of the FY 2015-16 budget maintains existing law with one change. The change concerns how much of the funding can be used for administration at either the ISD or the provider level. Currently, administration costs are capped at 7%, but if an ISD subcontracts, then the cap is 2% for the ISD and 5% for the subrecipient provider. The budget has ISDs and subrecipients capped at 4% if subcontracting.

## **Head Start**

### History and Description

President Lyndon B. Johnson initially created Head Start as an eight-week pilot project for low-income youths in 1965. It is currently administered by the U.S. Department of Health and Human Services and has expanded to allow full-day, full-year programming and home-based and child care options. In 1995, the Clinton Administration awarded the first Early Head Start grants, which provide for services to pregnant women, infants, and children up to age three, while Head Start serves children ages three to kindergarten-entry. Head Start and Early Head Start provide education, health, and social services to low-income children from birth to five years old. The American Reinvestment and Recovery Act included increases to the number of slots in the program.

Head Start and Early Head Start are different from the Child Development and Care Program, because the administration and oversight of the Head Start programs go from the Federal level to the agency level, with very little involvement of the State. In 2007, the Head Start Act was reauthorized to include initiatives to increase quality; these include increased qualifications for Head Start teachers, increased monitoring, inclusion of a five-year competitive grant system for increased accountability, and regional and state coordination that provides training and technical support. Through a process called Designation Renewal, grantees must demonstrate high service quality, as well as compliance with programmatic and financial standards. Failure to meet Office of Head Start standards results in a competitive application process in which grantees must reapply for their funding. This competition allows other programs in the community also to apply for Head Start funding. Grantees also can go through recompetition if they fall in the bottom 10% in any of the three evaluation domains during their Office of Head Start monitoring visit. The three domains are emotional support, instructional support, and classroom organization. Since the grantees in the bottom 10% are subject to the competitive process, they are removed when the Office of Head Start establishes the minimum requirements in the three domains, which results in higher standards.

The Federal program appropriated \$7.57 billion in FY 2012-13<sup>8</sup> in both grants and quality services and served 932,164 children in the same year. In Michigan, Early Head Start programs received over \$57,674,645 and Head Start programs received \$211,889,900 from the Federal government. The Head Start Collaboration Office, in the Office of Great Start in the MDE, is funded at a level of \$307,700. In the Collaboration Office, one staff member facilitates partnerships between Head Start agencies and other State entities that provide services to benefit low-income children and their families, such as health and education.

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<sup>8</sup> According to the United States Department of Health and Human Services, Office of Head Start.



Oversight

Programs in Michigan are administered by the Office of Head Start regional office, which is located in Chicago, and are subject to a monitoring system that is aligned with a comprehensive, five-year oversight plan. Many providers voluntarily participate in Great Start to Quality and must do so if the Head Start program wishes to partner with the GSRP, which requires a minimum of three stars. Head Start partners with the GSRP as a direct operator of GSRP programming and through blended agreements. In blended classrooms, one GSRP half-day slot and one Head Start half-day slot are combined to allow for a full-day of instruction. These partnerships allow more at-risk four-year-olds to attend a full day of preschool. In these blended settings, the program requirements for both Head Start and the GSRP must be followed, which can maximize program quality.

**Conclusion**

Michigan has a number of early childhood education programs that serve low-income children. The Child Development and Care Program, the Great Start Readiness Program, and Head Start differ in how they are administered and structured. Since these programs were reorganized within the same office and the Great Start to Quality system was launched, the programs' interactions with each other and the general child care system have increased. All of these programs have recently changed in order to try to increase quality and reduce education gaps in schools. The Child Development and Care Program worked with the Great Start to Quality system to create a five-star rating that is used to calculate reimbursement rates, which gives programs an incentive to improve quality and accept children who are in the Child Development and Care Program. The GSRP has increased quality goals and ISD oversight, and tracks children who participate in the program in order to further improve it. Head Start has increased the Federal standards and oversight, and opened up the Federal grants to a competitive process in order to increase quality. The goal of more oversight, increased quality standards, and competition is to have low-income children ready for school and reduce the achievement gap. Table 2 summarizes the FY 2015-16 State appropriations for the early childhood education programs that serve low-income children.

**Table 2**  
**FY 2015-16 State Appropriations**  
**for Early Childhood Programs that Serve Low-Income Children**

Program	Gross	Federal	Private	State Restricted	GF/GP
Child Dev'l and Care (Admin.)	\$18,367,700	\$12,949,500	\$0	\$0	\$5,418,200
Child Development and Care	151,096,500	120,615,800	0	0	30,480,700
Great Start Readiness (Admin.)	4,440,900	2,732,200	250,000	64,100	1,394,600
Great Start Readiness Grants	239,575,000	0	0	239,275,000	300,000
Head Start Collaboration Office	307,400	245,800	0	0	61,600
<b>Total</b>	<b>\$413,787,500</b>	<b>\$136,543,300</b>	<b>\$250,000</b>	<b>\$239,339,100</b>	<b>\$37,655,100</b>

**Note:** Initial appropriations for FY 2015-16, PA 84 of 2015.