

State Notes

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Winter 2019



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

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. Three early childhood education programs are discussed in this article: the Child Development and Care Program, Great Start Readiness Program (GSRP), and Head Start. Governor Snyder consolidated these programs into the Office of Great Start (within the Michigan Department of Education (MDE)), 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 and was reauthorized in November 2014. The program is housed in the Administration for Children and Families within the United States Department of Health and Human Services and provides block grants to states that meet various requirements. These requirements include the following: a) establishing a lead agency in the state to administer the program, b) meeting matching and maintenance of effort (MOE) requirements, c) using the funds to help families with income levels below 85% of the state median income level, d) establishing health and safety standards, e) establishing reimbursement rates, f) using 4% of the funds to improve child care quality, and e) ensuring that children in the program have access to child care that is comparable to that received by children who are not in the Program.¹ The Administration for Children and Families also provides a number of recommendations for the states. A States must submit plans every three years on how funds will be used, specifically on how the State will improve accessibility and quality of the program.

In Michigan, the Child Development and Care Program originally was created in what was previously the Department of Human Services. Under Executive Order 2011-8, most of the Program was moved to the MDE. Currently, the MDE operates policy and programming, and the Michigan Department of Health and Human Services determines child eligibility. The Department of Licensing and Regulatory Affairs (LARA) also licenses child care providers to ensure that those entities meet health and safety standards and report caseloads and costs.

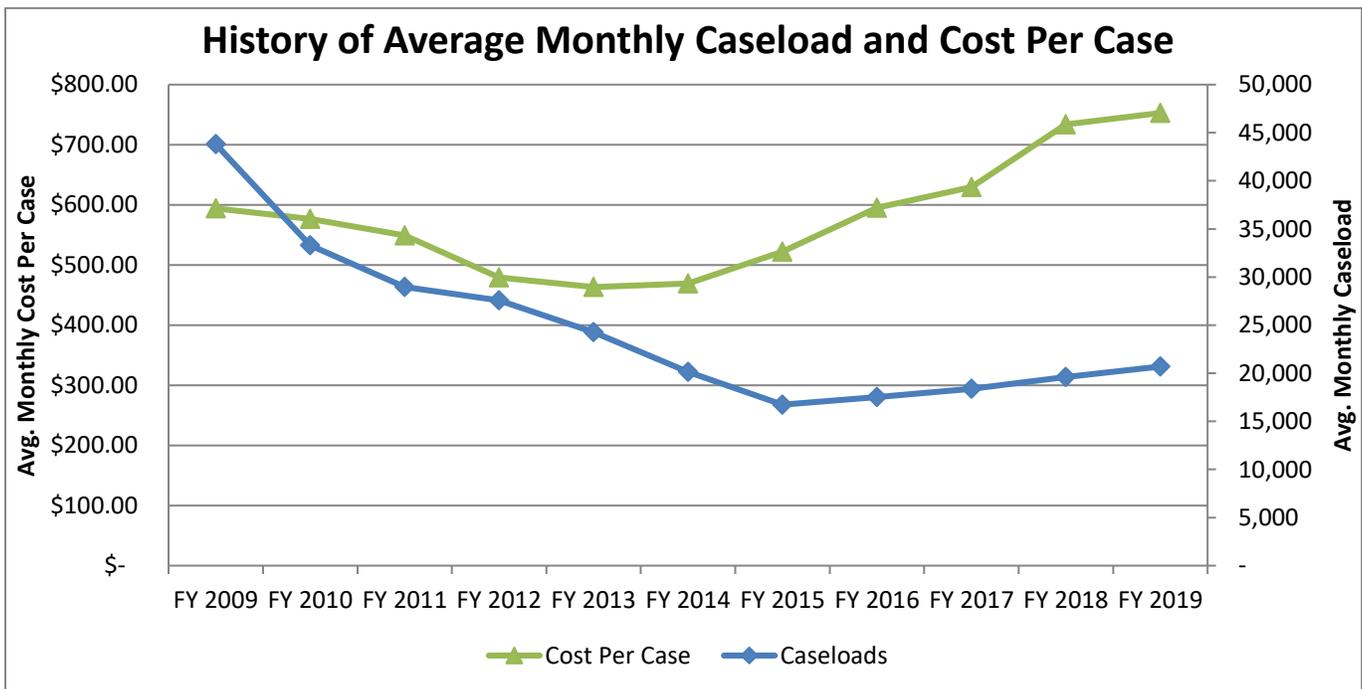
Originally, Michigan established the income eligibility limit at 39% of the State median income or below 121% of the Federal poverty rate (\$23,880 for a family of three). There are a number of other ways for children to be eligible for the Program, including foster care and protective services, but the majority of participants in the program are families that meet the income eligibility criterion. In addition, a parent must perform an approved activity, such as working, attending class, or receiving counseling and/or rehabilitation.

¹ See U.S. Department of Health and Human Services, Office of Child Care, "Policy Interpretation Questions about the Use of CCDF for Program Integrity Efforts", June 27, 2012.



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), the age of the child, the provider type, and the starting 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 the entire program in fiscal year (FY) 2018-19 is \$254.2 million, which includes public assistance, administration, oversight, and external support, including child care licensure. The Program assistance total is \$202.0 million, with Federal funds making up \$162.6 million and the General Fund making up \$39.4 million. Matching and MOE requirements for the State total \$52.4 million, \$13.0 million of which is supported by funds in the GSRP within the School Aid budget. Funding for administration and oversight of the Program is from a portion of the Great Start operations line item, as well as the Child Development and Care External Support, TEACH Scholarship program, and the Child Development and Care Contract Services line items. A total of \$52.2 million Gross and Federal funds is used for administration, oversight, support, and operations of the Child Development and Care Program.

The figure below shows the trend for the average monthly caseload and cost per case for each year from FY 2008-09 through FY 2018-19 (estimated). The trend shows a 71.9% drop in caseloads over the past 10 years while the cost per case has increased roughly 26.6%. There are multiple variables that may contribute to the decline in caseloads, including declining birth rates, fewer children living in families below the income entry threshold, attendance reporting changes, reimbursement rates that are insufficient to cover child care costs, or the exclusion of parents who 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.



Source: Actual average caseloads and cost provided by the Michigan Department of Health and Human Services, and projections from the May 2018 Consensus Revenue Estimating Conference

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 certify inspectors for 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 first must complete a self-assessment, which is then validated by an ECIC certified inspector. Programs that choose not to complete validation receive an empty star. In June 2013, Great Start to Quality was launched to create a star quality rating system. There are currently 3,978 systems that have a rating, out of 7,841 programs throughout the State. A rating is valid for two years, after which the program is rerated. 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 to give children access to higher-quality programs.

The Department of Licensing and Regulatory Affairs 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 for licensure. (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 96, while the current national average is 1 to 98. The licensing process is supported by Federal funds and licensing fees.

Program Enhancements

House Bill (HB) 4112 (Public Act 6 of 2015) made supplemental appropriations for FY 2014-15. As requested by Governor Snyder, HB 4112 included 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 expansion. The first was to increase the "exit threshold" for a subsidy to 250% of poverty. This means that the entry threshold for eligibility is 130% of the Federal poverty level and the exit is 250% of the Federal poverty level, which is below 85% of median State income. The exit threshold was intended to prevent a "drop off" in child care for families whose income increases above 130% and who otherwise would lose all child care benefits and risk being unable to find child care because of its costs.



The second program expansion was to create a 12-month period of child care. This was intended to reduce the risk of drop off further, by allowing children to remain in the Program for 12 months without being removed from it because of changes in income eligibility or approved activity. Both of these enhancements contributed to turning around the steep decreases in caseloads/children in the program that have occurred annually over the past 10 years (which decreased from a high of 64,881 caseload in FY 2004-05 to 16,733 caseloads in FY 2014-15).

The final program expansion increased the star-based reimbursement rate for providers. The reimbursement rate to providers based on tier/star quality was increased again in FY 2017-18. Table 1 shows the current hourly reimbursement rate. The increase was intended to give further incentives for providers to seek higher ratings. This program enhancement contributed to increases in the cost per case, while maintaining the level of caseloads/children in the Program.

Table 1

| | Recommended Tiered Reimbursement Rates per Hour | | | |
|---|--|--------------------|--|--------------------|
| | Child Care Centers | | Family & Group Child Care Homes | |
| | Birth to Age 2½ | Over Age 2½ | Birth to Age 2½ | Over Age 2½ |
| Base Rate (Empty Star and 1 Star) | \$4.00 | \$2.75 | \$3.15 | \$2.65 |
| 2 Star Rate | \$4.25 | \$3.00 | \$3.40 | \$2.90 |
| 3 Star Rate | \$4.75 | \$3.50 | \$3.90 | \$3.40 |
| 4 Star Rate | \$5.00 | \$3.75 | \$4.15 | \$3.65 |
| 5 Star Rate | \$5.50 | \$4.25 | \$4.65 | \$4.15 |

Source: State Budget Office

In FY 2015-16, the budget maintained the program enhancement from the half-year expansion under HB 4112 to the full fiscal year. The budget also included a Federal increase of \$9.1 million for external support, which increased the number of licensing inspectors in LARA. This increase lowered the inspector to provider ratio from 1 to 150 to 1 to 96.

In FY 2016-17, the budget included increased the income entry threshold from 121% to 125% of the Federal poverty level, which was the first time the entry threshold had been increased since the program's creation. At that time, Michigan was one of three states that had the entry threshold at the minimum amount allowable for the program. In FY 2017-18, the budget increased the income entry threshold again, from 125% to 130% of the Federal poverty level, which is the current income entry threshold for the program. The increases contributed to steady increases in caseloads/children in the program.

In FY 2017-18, the budget included increased appropriations to the TEACH scholarship program by \$1.0 million Federal, which provided education grants to child care employees to complete education requirements. Before this increase, the program was funded with approximately \$3.0 million Federal child care and development funds and Race-To-The Top funding. The FY 2018-19 budget included an additional \$2.5 million to increase the program further and to replace expiring Race-To-The-Top funding. [The program line item was unrolled from the operations line item that fiscal year at \$5.0 million.] The increases to the TEACH



scholar program were intended to increase the star quality of child care providers throughout the State. A provider's staff qualification greatly contributes to its final star quality score.

Fiscal year 2018-19 included a \$63.1 million increase to the Federal discretionary block grant. Of the total, \$36.5 million was appropriated to implement a biweekly block reimbursement system on March 1, 2019, for child care centers, group homes, and registered families. Unlicensed programs will continue to be reimbursed under the biweekly-hourly reimbursement system. The block system distributes cases into four biweekly blocks based on the number of hours used by the child. The blocks include: 1) those children who use 1-30 hours in a biweekly period, reimbursed on the number of hours used; 2) those children who use between 31-60 hours in a biweekly period, reimbursed at 60 hours; 3) those children who use between 61-80 hours in a biweekly period, reimbursed at 80 hours; and 4) those children who use between 81-90 hours in a biweekly period, reimbursed at 90 hours. This new system is intended to align the reimbursement process and operations with current business practices of providers. Most providers bill parents based on the number of days or half/full weeks their children use and not on an hourly basis, and schedule employees accordingly. This system also is intended to encourage providers to accept children into the Child Development and Care Program.

Various program expansions could continue to raise the cost per case and caseloads in the program. The enhancements also are intended to increase the number and quality of providers in the Great Start to Quality system. The most recent report on quality improvement showed a 5% increase in the number of providers in the Great Start to Quality system from FY 2016-17 to FY 2017-18, and a 29.3% increase in the quality of providers in the system during the same period of time. At this time, it is not anticipated that the State will need to provide additional funds to support matching or MOE requirements. With the implementation of the block-reimbursement system moved from December 1 to March 1, there should be sufficient appropriations in the program to cover any increases in the number of cases and costs per case that may be greater than current projections for the current fiscal year. There also is sufficient Federal funding remaining from the block grant increase to cover additional increases within the program, without requiring additional State dollars. However, if additional enhancement were undertaken or caseloads or costs per cases increased greatly in the future, it may be necessary for the State to support the program with additional State dollars.

Great Start Readiness Program

History and Description

In 1985, the GSRP began providing preschool for "at risk" four-year-old children. The program is funded in the School Aid budget and is overseen by the Office of Great Start within the MDE. The GSRP is unique because the intermediate school districts (ISDs) oversee the various providers and determine child eligibility while the MDE 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 their needs and the amount of funding available; then, the ISDs make payments to the individual program providers. Many ISDs, schools, and academies have GSRPs on-site.

Since FY 2014-15, Section 32d of School Aid budget has 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 32I (which was repealed in 2013) allowed private program providers to participate in the grant program run by the Department. Head Start programs do not count toward the 30% requirement. Providers are paid based on the number of children they have in the program.

The School Aid Act requires programs to ensure that 90% of participation is by children 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 the programs slots may be used for children over income eligibility guidelines; however, they must have other risk factors to qualify.

Currently, the program is funded at \$243.6 million, of which \$300,000 GF/GP is dedicated to ongoing program evaluation, \$10.0 million is dedicated for transportation, and \$1.0 million is for professional development. The \$232.6 million available for programming equates to more than 63,000 half-days of programming that is available to be filled, at \$3,625 per half-day. 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 (\$13.0 million)² and Federal Temporary Assistance for Needy Families (TANF) funds (\$212.2 million).³

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, and a formal report was issued in 2012. The study found an increase in the on-time, high school graduation rate for participants in the GSRP program compared to non-participants of similar backgrounds, a decrease in the percentage of GSRP participants that repeated a grade compared to non-participants, and an increase in the percentage of GSRP participants that were found proficient in math and language arts on the Michigan Merit Examination compared to non-participants.⁴ A new longitudinal study began in 2011, and the ongoing evaluation costs \$300,000 annually.

In addition to the State-level evaluation, the ISDs oversee the program providers using the same star ratings that is used for other child care programs. In order to receive funds to fill slots, GSRPs must have at least a three-star rating and must meet all the GSRP rules and policies. Unlike other child care providers, the ECIC does not audit or support of the program's providers. The ISDs use the three-star rating requirement, as well as information from development screening, ongoing observational assessments, program quality evaluations,

² According to the Department of Education listing of Federal matching and MOE requirements for all Federal funds received by the Department.

³ According to the Department of Health and Human Services listing of line-item amounts that are used to support TANF matching and MOE requirements.

⁴ Schweinhart, Lawrence J., "Michigan Great Start Readiness Program Evaluation 2012: High School Graduation and Grade Retention Findings", HighScope Educational Research Foundation, March 2012.

insight from staff and parents on providers, information pertaining to the efficient use of resources, and responses to the needs of children. These factors are intended to provide local data that can be used to improve program performance.

Each ISD is required to have at least one early childhood coordinator/specialist 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. Intermediate school districts, may use up to 4% of the grant amount for administrative services. Beginning in FY 2018-19, \$1.0 million was earmarked for payments for professional development for educators in programs implementing new curricula in FY 2019-20 in coordination with the Department of Education.

Section 32p

In addition to the GSRP grants to providers based on the number of income-eligible children, there also is \$13.4 million appropriated to fund various early childhood block grants. Of the total, \$10.9 million is allocated toward coordinating great start collaboratives with parent coalitions to expand local early childhood infrastructure. This funding is determined based on a formula established by the Office of Great Start. Each ISD is required to provide an application detailing the purpose of using the funds and must submit reports at the end of each fiscal year indicating the program's actual use of the funds. The remaining \$2.5 million is allocated to provide home visits to at-risk children and their families. The purpose of the home visits is to improve school readiness, reduce grade retention, reduce the number of pupils requiring special education services, and focus on developmentally-appropriate outcomes for early literacy.

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 and [home-based provider programming] 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 State involvement. In 2007, the Head Start Act was reauthorized to include initiatives to increase quality; these included 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 provided 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 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 (emotional support, instructional support, and classroom organization) during their Office of Head Start monitoring visit. 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 \$9.2 billion in FY 2017-18 in grants and quality services and served 915,603 children in the same year.⁵ In Michigan, Early Head Start and Head Start programs received approximately \$293.6 million from the Federal government. The Head Start Collaboration Office, in the Office of Great Start in the MDE, is funded at a level of \$313,700 in FY 2018-19. Of the total, \$250,700 is support from Federal funds and \$63,000 is matched with GF/GP. 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.

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. The GSRP 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 changed recently 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 to accept children who are in the Child Development and Care Program. The GSRP has increased quality goals and ISD

⁵ According to the United States Department of Health and Human Services, Office of Head Start.

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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 to reduce the achievement gap. Table 2 summarizes the FY 2018-19 State appropriations for the early childhood education programs that serve low-income children.

Table 2

| FY 2018-19 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.) | \$52,249,600 | \$52,249,600 | \$0 | \$0 | \$0 |
| Child Development and Care | 202,000,000 | 162,570,300 | 0 | 0 | 39,429,700 |
| Great Start Readiness (Admin.) | 5,350,000 | 3,195,500 | 250,000 | 64,600 | 1,839,900 |
| Great Start Readiness Grants | 257,300,000 | 0 | 0 | 257,000,000 | 300,000 |
| Head Start Collaboration Office | 313,700 | 250,700 | 0 | 0 | 63,000 |
| Total | \$517,213,300 | \$218,266,100 | \$250,000 | \$257,064,600 | \$41,634,000 |
| Note: Initial appropriations for FY 2018-19, PA 207 & 265 of 2018. | | | | | |