

Building a Sustainable Future

Analysis of the
Fiscal Resources
Supporting Children
from Birth Through
Age 8 in Michigan

May 2010

Executive Summary

During the past decade, Michigan has embarked on a major effort to build a coordinated system of supports to ensure young children are safe, healthy, and prepared to succeed in school. With funding from the W. K. Kellogg Foundation, this report analyzes funding for children from birth through age 8. It provides an account of federal, state, and private expenditures supporting children and their families and identifies how recent economic challenges have affected the early childhood system in Michigan. The study:

- **Created a fiscal map** of federal, state, and private expenditures on programs and services for children, from birth through age 8 and their families; and
- **Analyzed the effectiveness of funding**, highlighting the diversification and adequacy of existing funding, the stability and flexibility of available programs and funding sources, and the coordination of funding from multiple public and private sources.

The Finance Project (TFP) researchers collected detailed information on public investments that support services for children from birth through age 8 and their families in Michigan. TFP researchers interviewed select foundation and nonprofit organization leaders and surveyed local United Way organizations to better understand the role private funds play in supporting early childhood initiatives. Data was collected from July 2009 to December 2009, through a survey instrument and follow-up interviews with selected program staff.

Overview of Funding

Funding for children in Michigan comes from a wide range of sources, including federal, state, and private funding. **Table I** highlights some of the key findings on public funding for children from birth through age 8 in Michigan. TFP researchers identified **84 programs** supporting these children, with total state and federal funding estimated at **\$7.6 billion**. Total funding is split nearly evenly between state and federal sources. Roughly **90 percent** of the funding supports children in three goal areas: K–3 Education, Pediatric and Family Health, and Family Support.

Table I: Key Findings on Funding for Children from Birth Through Age 8 in Michigan

Number of Programs Supporting Children	84 federal and state programs.
Total Funding	\$7.6 billion.
Total State Funding	\$3.9 billion.
Total Federal Funding	\$3.7 billion.
Total Funding (<i>Children from Birth Through Age 5</i>)	\$3.1 billion.
Funding Per Child	\$6,699 per child (from birth through age 8). \$4,132 per child (from birth through age 5). \$11,694 per child (ages 6 to 8).
Percent of Funding by Goal Area	K–3 Education (49%). Pediatric and Family Health (24%). Family Support (Basic Needs) (16%). Child Care and Early Education (9%). Parenting Leadership (1%). Social and Emotional Health (1%).

Key Findings: Analysis of Effectiveness of Funding

Total Current Funding for Children from Birth Through Age 8: \$7.6 billion

- Adequacy of Funding** The state budget situation has continued to deteriorate since the first fiscal mapping study was completed in 2007. Some examples of programs, or services, where funding may not be sufficient to meet needs include:
- Social and Emotional Health Services;
 - Prekindergarten (Great Start School Readiness Program Competitive Grants);
 - Child Care Subsidies;
 - Child Lead Poisoning Prevention;
 - Parenting Leadership Programs; and
 - Community Mental Health.

Program respondents noted that funding in several areas was, for the most part, sufficient to meet the needs of children and families, including:

- Health Insurance for Children; and
- Funding for Basic Needs Programs.

- Stability of Funding** Funding for many of the programs that support young children in Michigan were considered unstable by program staff, with many experiencing reductions in their fiscal 2010 budget. Key findings include:
- Programs relying on state funding deemed to be most unstable.
 - Budget cuts have focused on certain Great Start areas.
 - Stimulus funding has helped filled the gap, for now.
 - Private funding is declining in certain areas.

- Coordination of Funding and Services** Program respondents noted several challenges in developing a more coordinated system of services for children, and they face significant barriers in aligning the requirements of different funding sources. Michigan leaders have implemented several key strategies to coordinate funding and services, including:
- braiding and blending funding; and
 - coordinating services through:
 - no-wrong-door policies and one-stop centers;
 - shared screening, assessments, and referral tools; and cross-agency workgroups.

- Flexibility of Funding** Michigan has significant discretion over how it allocates several large federal block grants and over how much is allocated to young children. However, some program respondents noted that economic conditions are driving the use of these grants for meeting basic needs, such as food and housing, rather than for supporting quality improvements or wrap-around services that would typically be funded with flexible funds. Michigan can consider the following strategies:
- Using flexible funding for prevention.
 - Using federal funding for locally determined needs.
 - Using flexible funds to cover administrative and coordination costs otherwise not covered.

- Maximization of Funding** Michigan is not unlike many other states experiencing revenue declines because of the economic downturn. The state is making every effort to maximize all sources of funding to sustain or expand services to young children and their families. Strategies to maximize funding include:
- maximizing entitlement funding by increasing program participation;
 - using performance-based contracts and other accountability measures;
 - leveraging other funding sources; and
 - providing sufficient state matching funds.

Key Policy and Funding Issues Impacting Goals For Children

TFP researchers analyzed how funding is used to support key goals for children birth through age eight. The following key policy and funding issues were noted:

Child Care and Early Education—This goal area includes services that support the early learning of infants and young children, including child care and preschool. Key findings are:

- **Funding for Prekindergarten Programs.** Funding is not sufficient to support all children who are eligible for these programs. Program respondents confirmed that the initiative serves only about 40 percent of *eligible* children statewide. This equates to the program serving 19 percent of *all* 4-year olds in the state.
- **Restructuring of Child Care Services.** Michigan is funding 10 regional resource centers to deliver child care resource and referral information and technical assistance to early care and education practitioners and families. A new online system, Great Start Connect, enables practitioners to update their information on their services directly. The system also serves as an online hub for parents seeking information on early care and education program availability in their community.

- **Reliance on Relative Care.** Michigan currently relies on relative care and day care aides to provide much of the subsidized care for children in the state. The percentage of children receiving subsidized child care in licensed centers and homes is 33 percent, compared with 66 percent cared for by relatives. This is directly opposite the national average—66 percent of children are in licensed centers and homes and 33 percent are in a relative's home.¹ Studies have found that children in

high-quality settings, that are regulated and monitored on quality indicators, fare significantly better on key measures of educational preparedness for kindergarten and school.

Social and Emotional Health—This goal area includes screening, assessment, and intervention services focused on promoting the social and emotional well-being of infants and young children. Key findings are:

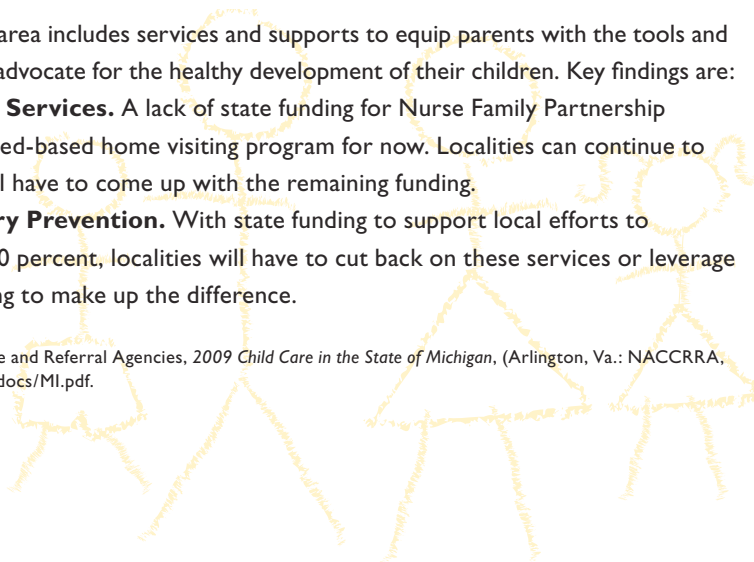
- **Restricted Access to Mental Health Consultation Services.** Recent changes in eligibility for Child Care Expulsion Prevention will restrict access to early childhood mental health consultation services for children ages 3–5 who are at risk of being expelled from their child care provider. The program will now only focus on children from birth through 36 months of age.
- **Limited Funding for Mental Health Services.** Less than one percent of total funding is devoted to programs supporting the social and emotional health of young children. Access for children whose families who are not Medicaid-eligible is particularly limited. As a result, many families are not able to access services for their children with either severe emotional disturbances or developmental disabilities.

Parenting Leadership—This goal area includes services and supports to equip parents with the tools and resources they need to support and advocate for the healthy development of their children. Key findings are:

- **Reductions to Home Visiting Services.** A lack of state funding for Nurse Family Partnership has effectively halted this evidenced-based home visiting program for now. Localities can continue to provide the services, but they will have to come up with the remaining funding.
- **Lack of Funding for Secondary Prevention.** With state funding to support local efforts to prevent child abuse reduced by 40 percent, localities will have to cut back on these services or leverage additional local and private funding to make up the difference.

¹ National Association of Child Care Resource and Referral Agencies, 2009 *Child Care in the State of Michigan*, (Arlington, Va.: NACCRRRA, 2009), <http://www.naccrra.org/randd/data/docs/MI.pdf>.

State leaders have set ambitious goals for the results they expect to achieve for children in Michigan.



The findings of this fiscal mapping study provide critical data for a strategic approach to financing early childhood system reform.

Family Support (Basic Needs)—This goal area includes services and assistance to support the basic needs, safety, and economic security of children and families. Key findings are:

- **Children’s Rights Settlement.** A 2008 settlement agreement between Children’s Rights and the state called for the creation of the Children’s Services Administration. It also included significant investments in new staff to lower caseloads and new training and education requirements to improve quality. As a result, the fiscal 2010 budget includes significant new funding to create some 544 new caseworker and supervisory positions.
- **Greater Demand for Public Assistance Services.** State and localities have seen significant increased demand for many public assistance programs. Additional funding provided as a result of caseload increases tied to entitlements or through ARRA has helped localities cope with increased demand.
- **Subsidized Housing Limited.** In a recent report, the Michigan Commission on Poverty highlighted the dearth of available subsidized housing for low-income families. Waiting lists are long, and funding for case management services is limited.

K–3 Education—This goal area includes education programs and funding supports for children 6–8, typically spanning kindergarten through grade 3. Key findings are:

- **State School Aid Funding Cut.** To help balance the state budget, state school aid funding was reduced by \$165 per student.
- **Race to the Top.** Although the state was not one of the finalists in this round of Race to the Top funding, the opportunity remains for future rounds of funding.

Pediatric and Family Health—This goal area includes comprehensive physical health and child development services, such as pre-natal healthcare, nutrition services, and services for children with special needs or learning disabilities. Key findings are:

- **Medicaid Rate Adjustment.** The federal share of costs covered by Medicaid will increase from 60.3 percent to 68.4 percent in coming years, resulting in significant savings of state general funds. Similarly, the federal share of costs for the MICHild Program increases from 72.2 percent to 74.2 percent.
- **Cuts to Healthy Michigan Fund.** Several programs supported by the Healthy Michigan Fund were reduced or eliminated in the FY2010 budget. This program was doubly impacted since some of the Healthy Michigan funds were also used to draw down Medicaid funds.

Looking Forward

This report describes the current fiscal landscape for early childhood and early school-age services and supports in Michigan. It identifies opportunities to use dollars more effectively including cost savings that could result from increased alignment with key priorities, reducing inefficiencies in the current use of funds and leveraging new federal and private dollars. The challenging economic environment in Michigan will necessitate bold leadership in the upcoming years to push for greater coordination and better planning to increase the efficiency of funding across its many child-serving programs and agencies. State leaders are well positioned to use this fiscal data and analysis to guide decision making on how to finance services and sustain goals for children and families in Michigan.



About the Finance Project

The Finance Project is an independent non-profit research, consulting, technical assistance and training firm for public and private leaders nationwide. We help leaders finance and sustain initiatives that lead to better futures for children, families and communities.

About W.K. Kellogg Foundation

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