



## Testimony Presented to the House Appropriations Subcommittee on School Aid

March 4, 2014

The Michigan League for Public Policy (formerly known as the Michigan League for Human Services) is a 100 year-old organization advocating for low-income families and children in Michigan. We are pleased to provide our perspective on early childhood programs in Michigan, and want to start by thanking you for your support last year for the largest expansion in early childhood education funding in the country.

We are all familiar by now with the research that supports that investment, including the impact on educational achievement, dropout prevention, and ultimately on the creation of a more ready and skilled workforce. Early education programs for Michigan's low-income four-year-olds lay a solid foundation for a true P-20 system—a cradle to career pipeline for Michigan's future workforce.

The governor proposes an additional \$65 million for Fiscal Year 2015 to ensure that all eligible four-year-olds have access to the Great Start Readiness Program, and we support that investment. We do believe, however, that there are large holes in the P-20 system that must be addressed to get the results we all want, particularly for the youngest children—from birth through age 3—and we offer the following recommendations:

1. **Improve access to high quality preschool programs.** Under the governor's budget proposal, the number of half-day slots in Michigan's Great Start Readiness Program would rise from 48,200 this year to 64,300 in Fiscal Year 2015. The GSRP in general provides a half-day program for four-year-olds under 250% of poverty.

### Recommendations:

- **Invest not just in new pre-K slots, but in high quality programs and uniform access.** The GSRP per-slot allotment was increased this year, but prior to that had not been increased since 2007. We urge you to support the governor's proposed increase of \$100 to a total of \$3,725. However, we do not believe that this increase is sufficient to ensure the uniform level of quality needed in both the public and community-based sectors, as well as address barriers to participation in parts of the state, including transportation and differences in local capacity. The League supports additional funding targeted to the removal of those barriers.
  - **Create flexibility and funding to enroll three-year-olds in the GSRP, beginning on a pilot basis.** There is strong evidence that the lowest income children with the most risk factors do best when they have two years of early childhood education. Of the 40 states that have state-funded preschool programs, only 14, including Michigan, do not enroll three-year-olds.
2. **Restore services for low-income families with very young children.** Michigan has struggled to build an educational system that leads young people into good jobs in part because insufficient resources

have been devoted to services for at-risk families with infants and toddlers. The research is clear: as much as 90% of the architecture of a child's brain develops in the first few years of life, and failure to ensure the potential in that developmental period can have lifelong effects on learning and health. Many of the Michigan programs that did exist—like the ASAP-PIE and 0 to 3 Secondary Prevention programs—were first on the chopping block when the state began to struggle with its structural deficit.

**Recommendation:**

- **Set aside a portion of new GSRP funding for evidence-based programs for very young children and their families.** We believe that there should be funding set aside for proven programs for families with very young children, including home visiting programs that are now regulated by state law and must be evidence-based, or promising programs with demonstrated effectiveness and evaluations. We appreciate that the Office of Great Start is examining the best evidence-based models for Michigan, and believe that a mechanism for funding those services is needed. While a set-aside of at least 20% is desirable, a phase-in starting at 10% (\$6.5 million) next year would be a major step forward.

3. **Increase access to high quality child care:** Michigan's child care system is so grossly underfunded that it is difficult to ensure the high quality needed to get results, or to develop and retain a qualified child care workforce.

Caseloads and funding for subsidized child care have fallen precipitously in Michigan. In the current fiscal year, CDC caseloads are at approximately 22,000, down from nearly 65,000 in Fiscal Year 2005. Funding fell from \$479 million in 2005 to only \$136 million this year. While part of the decrease is attributed to rising unemployment rates—and any associated lack of demand for work-related child care—since 2005, CDC caseloads have fallen 66%, while the state's unemployment rate increased by 25%.

Falling caseloads are partly explained by low eligibility standards and the erosion in payment rates for Michigan's CDC program. Under federal law, Michigan can set its own eligibility guidelines and payment structure. Michigan's eligibility limit is 5<sup>th</sup> lowest in the nation, and the state's reimbursement rate for preschool age children in child care centers is 9<sup>th</sup> lowest.

**Recommendations:**

- **Support the governor's recommendation to increase the hours of child care that can be reimbursed while low-income parents work or participate in approved education and training** (\$6.9 million in federal funding). Since Fiscal Year 2012, Michigan has covered only 80 hours of child care in a two week period—down from a high of 140 hours. The cap is a disincentive for low-income parents trying to juggle child care with full-time jobs or training activities because it doesn't recognize both a 40-hour work week and the time required to travel to a child care setting and work.

The governor recommends increasing reimbursable care to 90 hours bi-weekly. The League believes that if a cap is continued, it should not fall below 100 hours bi-weekly. Thirty-two states do not impose caps on the hours of care, and of the states that do, Michigan's is the lowest, with the average cap being 60 hours per week.

- **Support the governor's recommendation to increase reimbursement rates for higher quality providers** (\$3.7 million in federal funding). We support the governor's proposal to

increase rates based on the level of quality. However, even with this increase, reimbursements to providers are so inadequate that Michigan is unable to ensure high quality child care that allows parents to work with the confidence that their children are well cared for.

Currently, Michigan's maximum reimbursement for a preschool age child in a center is \$433 per month, while the federal standard (75<sup>th</sup> percentile of market rate) is nearly \$975. Even with the governor's proposed tiered reimbursement rate, the maximum payment for a top-rated child care provider caring for an infant or toddler would be \$4.50 per hour.

Part of the problem is Michigan's payment method. Providers are paid hourly, depending on a child's actual attendance, making it difficult for them to run their businesses and project income. Most states pay child care providers on a daily, weekly or monthly basis, and we support a shift in Michigan's payment mechanism.

The League is also concerned about the rapid decline in the share of children who are cared for by relatives and aides—whose reimbursement rates were reduced in recent years while training requirements were increased—and would like to see data indicating that these children were able to find and afford higher quality care within their communities.

4. **Address poverty comprehensively.** Michigan, like other states, pays a high price for increasing child poverty, particularly among the youngest children. Kids Count data show that nearly one in every four children lives in poverty, and poverty rates are highest for young children and children of color. Michigan's poverty rate has been the fastest growing in the nation over the past 20 years.

On the positive side, early childhood programs, like high quality preschool programs, show great promise in improving economic outcomes and reducing racial and ethnic disparities in the long run, and we appreciate your continued support. On the negative side, there has been continued erosion in poverty-related programs, as well as tax policy decisions that have pushed more young children into poverty.

In 2011, the Michigan Legislature reduced income supports for hard working low- and moderate-income families, including a 70% cut in the state's Earned Income Tax Credit, which we estimate pushed nearly 12,000 more children into poverty. Also, the across-the-board income tax cuts currently under consideration would do little to help lower wage workers, but would reduce the revenues needed to provide high quality early childhood programs, along with other vital state services.

**Recommendation:**

- **Although we understand it is not within the purview of this subcommittee, we urge you to work with your colleagues to restore the EITC, and to reject current proposals for across-the-board income tax cuts.**

Thank you.