

**DATE:** November 17, 2011  
**TO:** House Committee on Appropriations  
**FROM:** Mark Wolf and Bethany Wicksall, School Aid Analysts  
Kevin Koorstra, DHS Analyst  
**RE:** Office of Great Start, Supplemental Request 2012-3

This memorandum provides an overview of EO 2011-8 and Supplemental Request 2012-3, establishing the Office of Great Start within the Department of Education.

In April 2011, Governor Snyder issued a special message to the Legislature stating his administration's proposals on education reform. Among those reforms proposed by the governor is the creation of the Office of Great Start (OGS) within the Department of Education (MDE), consolidating the MDE Office of Early Childhood Education and Family Services and the Department of Human Services, Office of Early Education and Care. The office will oversee the Great Start Readiness Program (GSRP), Great Parents/Great Start, preschool special education, Early On, head start collaboration, and the child care and development (CDC) program.<sup>1</sup> The Office of Great Start was established with Executive Order 2011-8, issued by Governor Snyder on June 29, 2011. Subsequently, the State Budget Office issued Supplemental Request 2012-3, implementing the executive order. The supplemental request was incorporated into House Bill 5014 (Substitute S-1), which was passed by the Senate on November 10, 2011.

### **DHS Programs Transferred to the Office of Great Start**

The executive order is transferring primary responsibility for the state's child development and care (CDC) program from DHS to the Office of Great Start. The CDC program provides state support for low-income and other qualifying families needing child care for dependent children.

In August 2011, the two departments entered into a memorandum of understanding (MOU) that stipulates the transfer of programs and staff between the two departments, and the responsibilities of each department during the transition process.<sup>2</sup>

#### *Department of Education Responsibilities*

– **Financial Management:** The MDE is now the grantee and lead agency for the CDC program, including the federal Child Care and Development Block Grant (CCDBG). Responsibilities for accounting, cost allocation, and federal reporting for the CDC program and the head start collaboration office were transferred to the MDE with the start of FY 2011-12. Funding transferred to support the CDC program now administered by the MDE-OGS include \$150.7 million Child Care and Development Fund (CCDF), \$11.8 million Temporary Assistance for Needy Families (TANF), \$1.6

<sup>1</sup> See, <http://www.michigan.gov/greatstart>

<sup>2</sup> See, [http://www.michigan.gov/documents/mde/Memorandum\\_of\\_Understanding\\_363586\\_7.pdf](http://www.michigan.gov/documents/mde/Memorandum_of_Understanding_363586_7.pdf). Subsequent to that, the departments entered into three additional addenda to the MOU concerning program eligibility and claims establishment, administrative hearings, and claims establishment.

million Title IV-E, and \$42.0 million GF/GP. Funding for child care subsidies is now appropriated in the MDE budget.

– **Policy Development:** CDC program policy and program operations, including development of the CCDF State Plan, are now the responsibility of the MDE-OGS. The departments will work together to ensure that CDC services are appropriately authorized by the DHS, although the MDE-OGS will exercise authority over requests for CDC eligibility exceptions and other special eligibility situations submitted by DHS.

The DHS staff will be provided an opportunity to review proposed changes in CDC policies that potentially impact DHS functions, with any resulting financial impact on the DHS accounted for in a purchase of services agreement between the departments. Similarly, the MDE-OGS staff will be provided an opportunity to review proposed changes in DHS policies that potentially impact CDC program operations. The MDE-OGS will approve any instructional materials and training content developed by DHS for its staff concerning CDC program eligibility and service authorization, until CDC program training is transferred to MDE. The MDE-OGS will also be responsible for maintaining and updating any CDC program forms utilized by DHS local office staff.

– **Quality Assurance:** DHS staff moving to MDE include CDC case review staff and provider billing reconciliation staff. Case review staff review the client (CDC assistance recipient) and child care provider case record for completeness and accuracy, identifying errors and issues of non-compliance, developing a corrective action plan for DHS local office staff, and seeing to it that case record errors are rectified and that staff comply with the corrective action plan. The results of these case reviews support the continued improvement of CDC program operations through clarifying CDC policy, revising procedures, and additional staff training. Reconciliation staff ensure the accuracy of provider billings by reviewing and comparing data from clients and providers, reconciling the data files for accuracy and CDC program policies and procedures. Reconciliation staff assist in recoupment efforts, refer suspected fraudulent activity for investigation, and identify noncompliant providers for disenrollment. MDE and DHS will jointly review any audit findings and develop appropriation corrective action plans.

– **Child Care Assistance:** Funding for child care assistance payments is transferred to the MDE budget. In order to receive state support through this program, the parent or guardian of the child must be categorically eligible<sup>3</sup> and must have a qualifying need.<sup>4</sup> Child care can be provided through either licensed or registered child care centers and homes or unlicensed relative providers and day care aides. State payments for child care vary depending on the type of provider, the child's age, the family's size, and the family's income.

#### *Department of Human Services Responsibilities*

The Department of Human Services will remain responsible for a number of areas regarding child care, although many of these responsibilities are eventually to be transferred to the MDE. These services will be provided under a purchase of services agreement between the two departments and funded through an interdepartmental grant (budgeted at \$30.6 million in the supplemental request) from MDE to DHS.

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<sup>3</sup> Eligible categories include the family having an open children's protective service case, the child having an active DHS paid foster care case, the parent or child receiving family independent program (FIP) or SSI assistance, or meet other income eligibility criteria.

<sup>4</sup> Qualifying needs include family preservation (such as child care is necessary when a parent is medical unable to care for the child), completion of high school, employment, or other approved activity (such as participation in a Michigan Works! program).

– **Program Eligibility:** Initial and continuing eligibility determinations for child care clients and providers will continue to be done by DHS local office staff, as was its practice prior to the executive order. DHS staff will process applications and maintain case records for clients and providers in accordance with CDC program policy, now developed by the MDE. DHS staff will resolve any eligibility issues identified by MDE CDC staff, identify overpayments resulting from client or agency errors, and will continue to provide staff training on CDC eligibility issues. DHS will continue to provide the current interfaces used by the CDC program within the DHS Bridges eligibility system and will provide access to other DHS program database necessary to carry out the CDC program. The two departments will convene a stakeholder group to make recommendations on the transition of the responsibility for determining CDC program eligibility from DHS to MDE. The group is to complete its work by April 2012.

– **Administrative Hearings:** DHS will be responsible for responding to administrative hearings conducted by the Michigan Administrative Hearing System where CDC eligibility determinations made by DHS staff are appealed. DHS staff will be responsible for representing the local office's eligibility determination during the administrative hearing, with MDE staff consulting DHS staff on CDC policies. DHS will implement the decision of the ALJ as required, and provide MDE with statistics on administrative hearing activities.

– **Child Care Licensing:** DHS, through the Bureau of Children and Adult Licensing (BCAL) will continue to be responsible for licensing and registering child care facilities under Public Act 116 of 1973, MCL 722.111 et seq. The DHS will provide child care providers with materials developed by the MDE-OGS and the Early Childhood Investment Corporation (ECIC) concerning quality improvement measures for child care facilities. The MDE will convene a workgroup with DHS to assess the feasibility of transferring licensing staff supported by CDC program funds to the MDE-OGS to support program implementation and quality improvement initiatives.

### **Office of Great Start Director**

The supplemental request also adds \$89,000 in private funds (contributed by the Early Childhood Investment Corporation) to partially support the salary of a Deputy Superintendent of Public Instruction, who would serve as director of the Office of Great Start. These private funds are for FY 2011-12 only, with a fund source for FY 2012-13 not yet identified.

### **Early Childhood Funding Report**

The Senate substitute for HB 5014 includes a \$75,000 allocation to the OGS, not requested by the State Budget Office, to fund a study on early childhood education funding. The department is to contract for the completion of a study that provides an update to a May 2010 study by the Finance Project, funded through a grant from the W.K. Kellogg Foundation entitled, "Building a Sustainable Future: Analysis of the Fiscal Resources Supporting Children from Birth Through Age 8 in Michigan."<sup>5</sup> That report highlighted 84 programs (and funding streams) that impacted early childhood, covering six major areas: (1) Child Care and Early Education, (2) Social and Emotional Health, (3) Parenting Leadership (4) Family Support (Basic Needs), (5) K-3 Education, and (6) Pediatric and Family Health.

<sup>5</sup> See, <http://www.financeproject.org/publications/KelloggFullReport.pdf>. The report notes, "[t]he findings of the fiscal mapping study provide critical data for a strategic approach to financing early child system reform. In the current economy, it is more important than ever before to focus efforts on how to efficiently use current funding, seeking opportunities to maximize and leverage current funding where possible." The findings of the report were cited by Governor Rick Snyder when he first announced the creation of the Office of Great Start in his April 24, 2011 special message to the Legislature on education reform, [http://mi.gov/documents/snyder/SpecialMessageonEducationReform\\_351586\\_7.pdf](http://mi.gov/documents/snyder/SpecialMessageonEducationReform_351586_7.pdf)

House Bill 5014 (S-1) requires a report by the MDE, similar to the earlier Finance Project report, on the source and funding of early childhood activities, the agency responsible for distributing funding, the recipients of funding, the number of children served, a "fiscal map" of federal, state, and private expenditures on programs and services for children through age 8 and their families, and an analysis of the effectiveness of funding, including the diversity and adequacy of existing funding, the stability and flexibility of available programs and sources, and the coordination of funding from multiple public and private sources. The report, along with any recommendations, would have to be submitted to the Legislature by May 15, 2012.

**Table 1**  
**DHS Funding Transferred to MDE**

<u>LINE ITEMS</u>	<u>FUND SOURCES</u>		
	<b>Federal</b>	<b>GF/GP</b>	<b>Total</b>
Executive Operations	\$728,900	\$56,300	\$785,200
Children's Services (ECIC)	\$12,723,000	\$0	\$12,723,000
Central Support Accounts	\$270,700	\$0	\$270,700
Child Care Public Assistance	\$117,166,900	\$41,988,800	\$159,155,700
- Lic'd and Reg'd CC and Devt	\$76,897,100	\$22,415,800	\$99,312,900
- Enrolled Child Devt and Care	\$42,969,900	\$16,872,900	\$59,842,800
- Funding Swap DCTO	(\$2,141,600)	\$2,141,600	\$0
- Funding Swap FIP	(\$558,500)	\$558,500	\$0
Day Care Tech and Oversight	\$2,618,400	\$0	\$2,618,400
- Day Care Tech/Oversight DHS	\$476,800	\$2,141,600	\$2,618,400
- Funding Swap	\$2,141,600	(\$2,141,600)	\$0
Information Technology	\$30,000	\$0	\$30,000
<b>DHS Activities Transferred to MDE</b>	<b>\$133,537,900</b>	<b>\$42,045,100</b>	<b>\$175,583,000</b>
<b>CCDC External Support</b>	<b>Federal</b>	<b>GF/GP</b>	<b>Total</b>
Executive Operations	\$14,694,200	\$0	\$14,694,200
Adult and Family Services	\$25,000	\$0	\$25,000
Child Welfare Services	\$235,000	\$0	\$235,000
Local Office Staff Ops	\$7,716,000	\$0	\$7,716,000
Central Support Accounts	\$6,000,000	\$0	\$6,000,000
Information Technology	\$1,943,600	\$0	\$1,943,600
<b>Total MDE IDG to DHS</b>	<b>\$30,613,800</b>	<b>\$0</b>	<b>\$30,613,800</b>
<b>Grand Total Transfer to MDE</b>	<b>\$164,151,700</b>	<b>\$42,045,100</b>	<b>\$206,196,800</b>

**Note:** Funding for child care public assistance is contained in one line item in the MDE budget, rather than separate line items for licensed and registered providers and enrolled providers. Also, funding the child care public assistance line includes two fund shifts: (1) swaps \$2.1 million Federal with \$2.1 million GF/GP authorization from the day care technology and oversight line item (billing reconciliation staff) now transferred to OGS, and (2) swaps \$558,500 Federal with \$558,500 GF/GP from the Family Independence Program (FIP) assistance line item.

**Table 2  
Office of Great Start Appropriation**

<u>FUND SOURCES</u>	<u>LINE ITEMS</u>				
	<u>Office of Great Start</u>	<u>External Support (IDG to DHS)</u>	<u>Head Start Collaboration</u>	<u>Child Care Assistance</u>	<u>Total Funding</u>
Social Security Act, Title IV-E	\$0	\$0	\$0	\$1,647,100	\$1,647,100
Special Education Preschool	\$990,000	\$0	\$0	\$0	\$990,000
Special Education, Early On	\$994,500	\$0	\$0	\$0	\$994,500
21st Century Learning Centers	\$1,277,000	\$0	\$0	\$0	\$1,277,000
Even Start	\$126,800	\$0	\$0	\$0	\$126,800
Temporary Assistance for Needy Families	\$0	\$0	\$0	\$11,820,600	\$11,820,600
Child Care and Development Fund	\$16,146,000	\$30,613,800	\$225,000	\$103,699,200	\$150,684,000
<b>Federal Revenue Subtotal</b>	<b>\$19,534,300</b>	<b>\$30,613,800</b>	<b>\$225,000</b>	<b>\$117,166,900</b>	<b>\$167,540,000</b>
Certification Fees	\$59,100	\$0	\$0	\$0	\$59,100
<b>State Restricted Subtotal</b>	<b>\$59,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$59,100</b>
<b>General Fund/General Purpose</b>	<b>\$923,300</b>	<b>\$0</b>	<b>\$56,300</b>	<b>\$41,988,800</b>	<b>\$42,968,400</b>
<b>Gross Appropriation</b>	<b>\$20,516,700</b>	<b>\$30,613,800</b>	<b>\$281,300</b>	<b>\$159,155,700</b>	<b>\$210,567,500</b>

**Note:** Does not include funding for the salary of the OGS Director, which will include \$89,000 in private funds and is appropriated in the Unclassified Salaries line item. The totals here include funding transferred from DHS (\$206.1 million Gross) as well as existing funding for the MDE Office of Early Childhood Education and Family Services (\$4.3 million Gross) and the additional \$750,000 GF/GP added by the Senate for the report on early childhood education funding.