



Budget Briefing: Department of Education

Samuel Christensen, Fiscal Analyst

August 2018

Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics
 - Child Development and Care Program
 - Libraries

Department of Education

The Department of Education is the administrative arm of the State Board of Education, and it is charged with implementing state and federal mandates in the field of education.

Major departmental responsibilities include the following:

- Development of K-12 instructional programs and administration
- Administering early childhood education and day care programs
- Certification and professional development of teachers
- Administration of state aid to school districts
- Education assessment development and administration
- Collecting and reporting educational data
- Providing technical assistance to school districts
- Managing the operations of the Library of Michigan

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2018-19 is October 1, 2018 through September 30, 2019.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

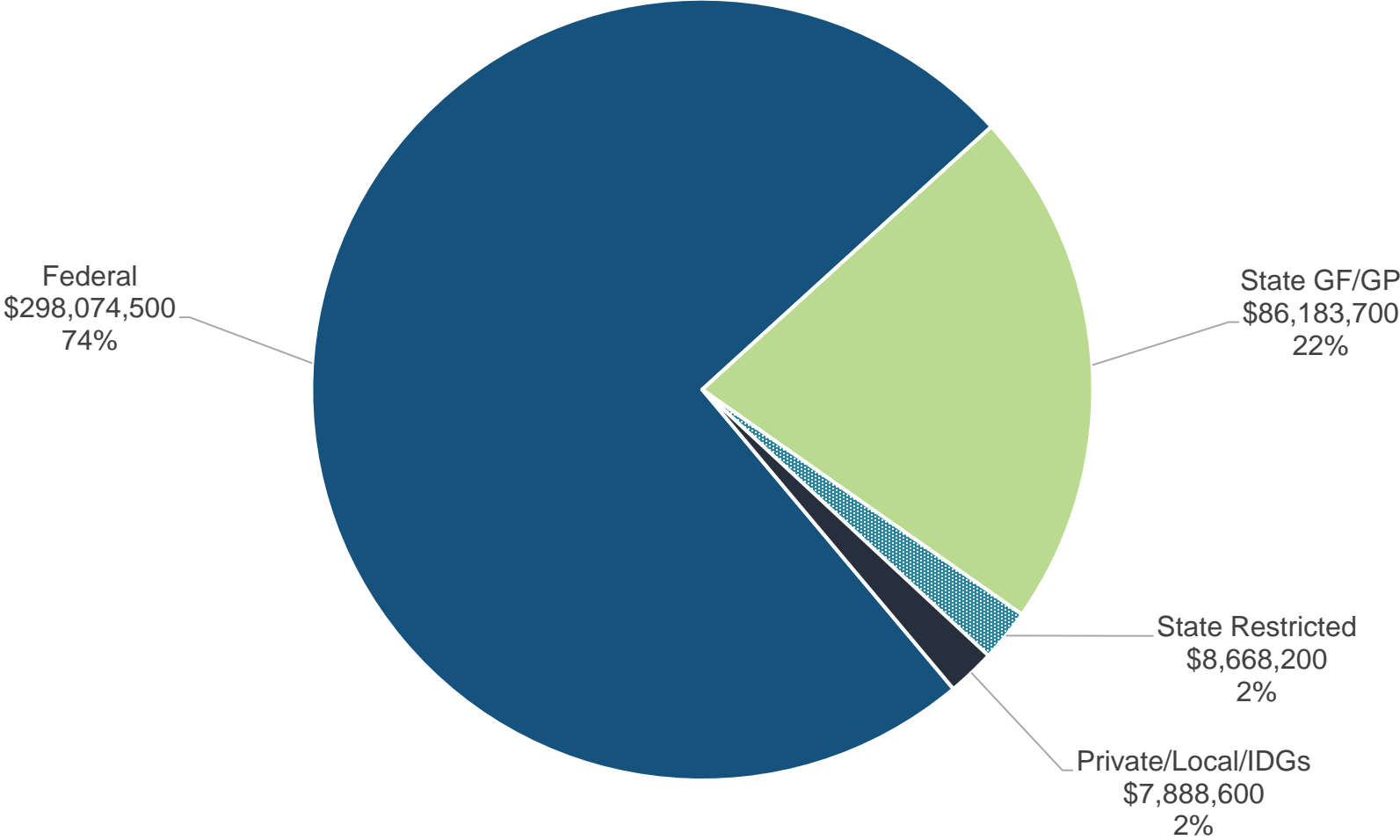
Funding Sources

FY 2018-19 MDE Budget

Fund Source	Funding	Description
Gross Appropriations	\$400,815,000	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	0	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$400,815,000	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	298,074,500	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	5,852,800	Revenue received from local units of government for state services
Private Revenue	2,035,800	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	8,668,200	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$86,183,700	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

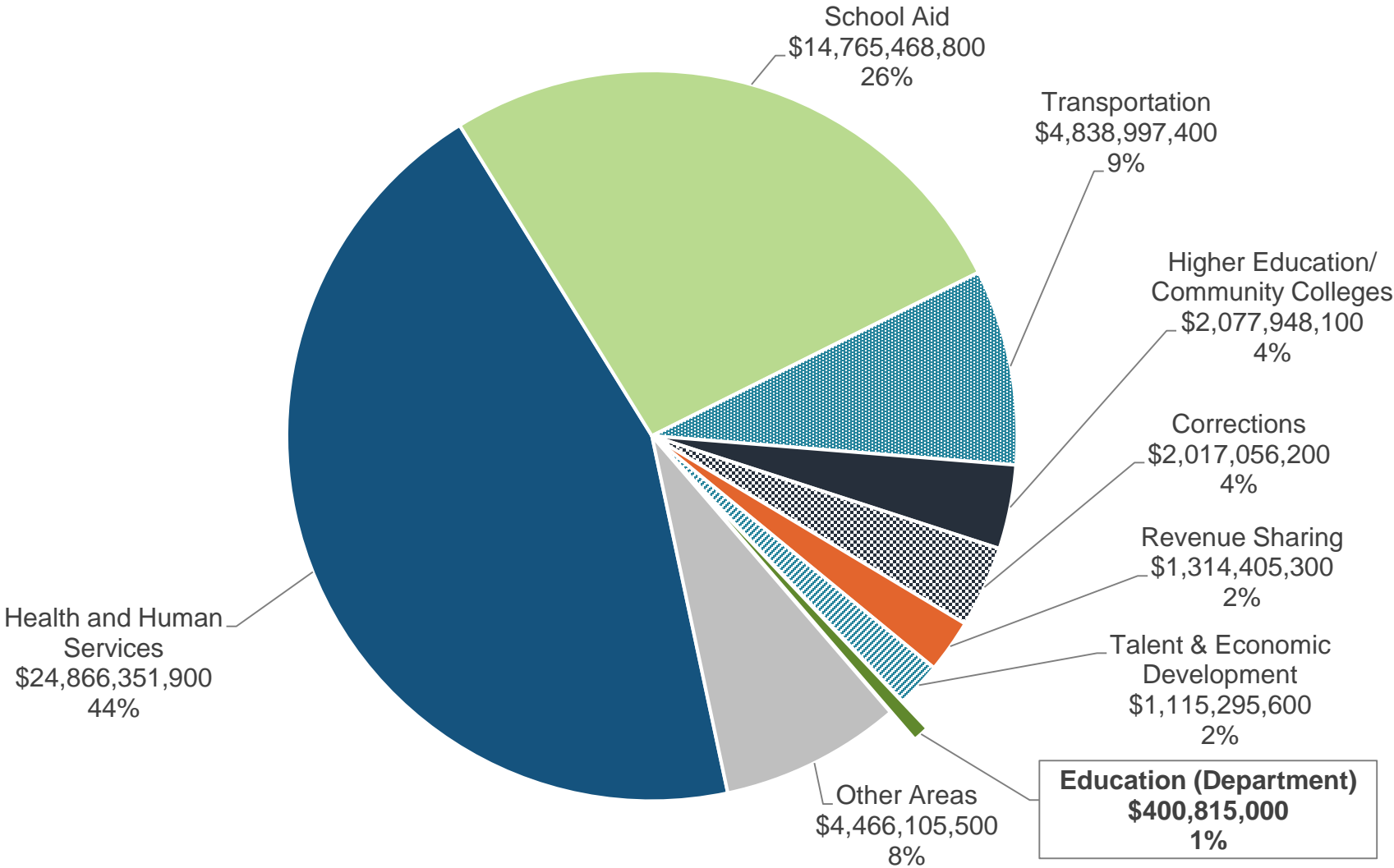
FY 2018-19 Fund Sources

Nearly three quarters of the \$400.8 million MDE budget is funded by federal revenue.



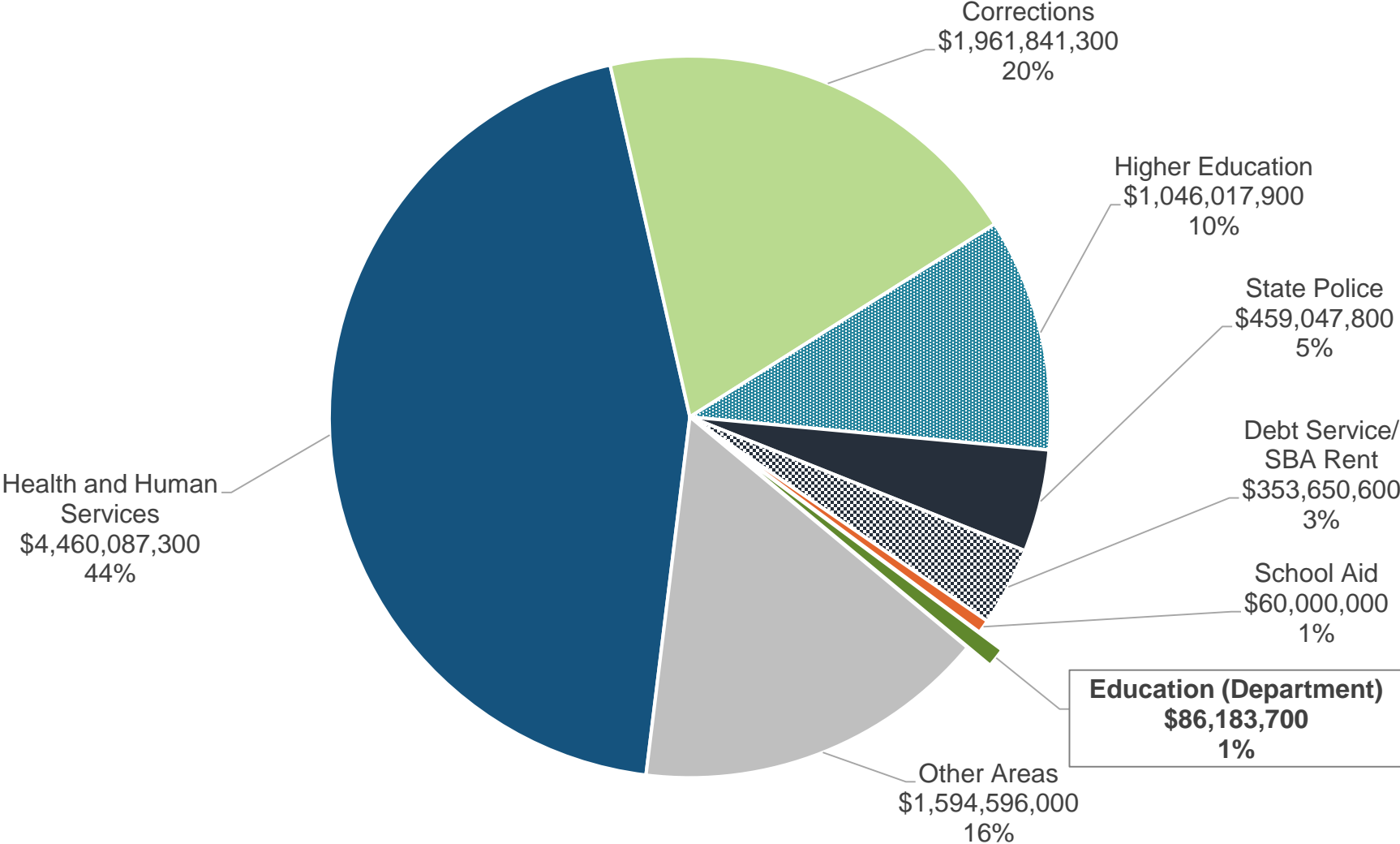
MDE Share of Total State Budget

The MDE budget represents less than 1% of the **\$55.9 billion** state budget (adjusted gross) for FY 2018-19.



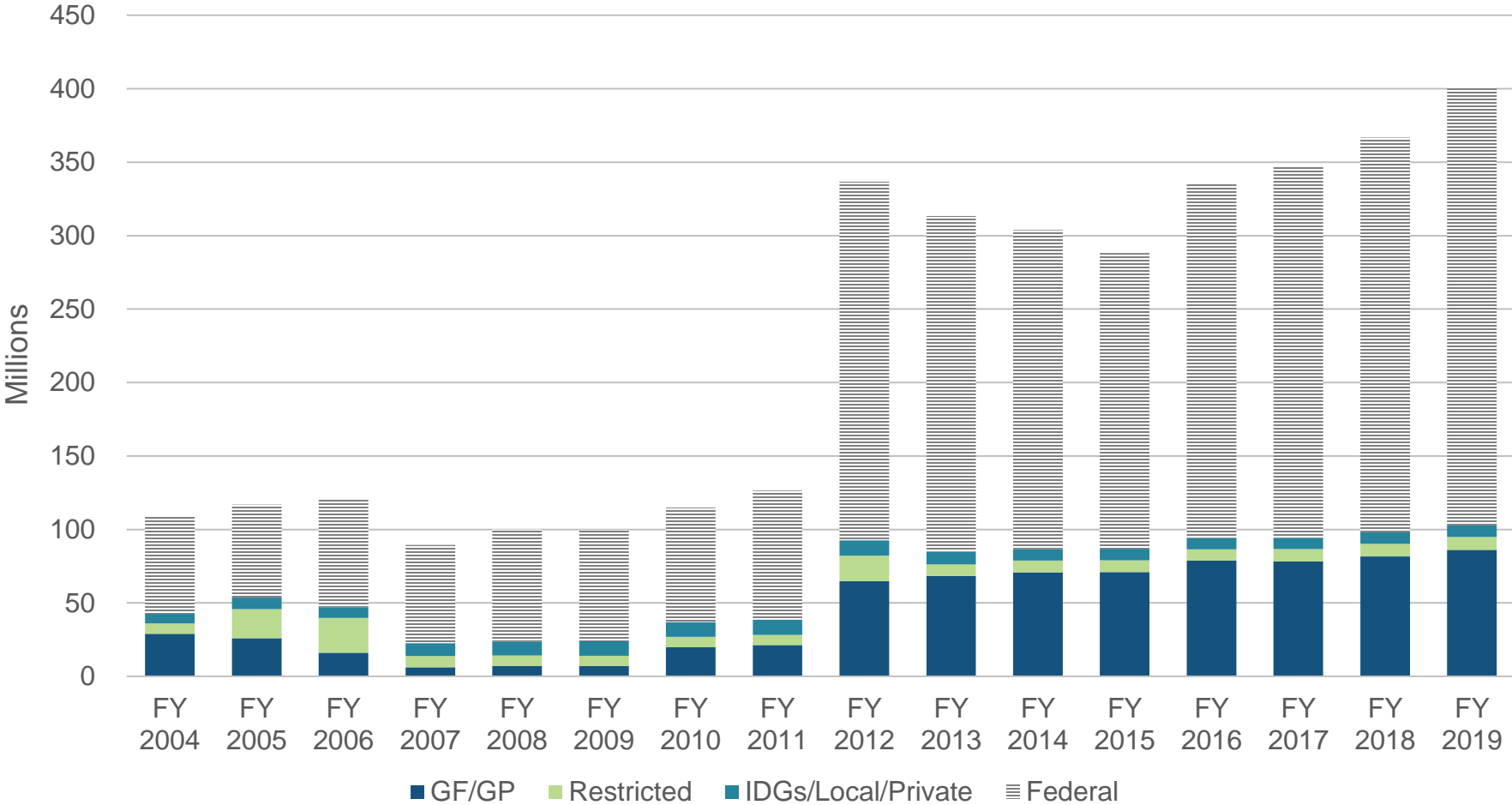
MDE Share of Total GF/GP Budget

The MDE budget represents less than 1% of the **\$10.0 billion** state GF/GP budget appropriations for FY 2018-19.



MDE Funding History

Recent MDE budget changes have largely been driven by the transfer of the Child Development and Care program (CDC) program into the department in FY 2011-12, and its subsequent caseload and policy changes. CDC funding represents 62% of the MDE budget.



Note: FY 2008-09 figures do not include \$900 million in one-time federal American Recovery and Reinvestment Act (ARRA) grants that were distributed to school districts through the Department of Education budget.

Appropriation Areas

MDE Appropriation Areas

Child Development and Care (CDC) Public Assistance: Provides child care subsidies for qualifying families.

CDC External Support (Transfers to LARA & DHHS): LARA provides licensing for all child care providers in the state of Michigan (regardless of receiving a subsidy); DHHS provides determination of benefit eligibility.

Office of Great Start Operations: Oversees programs related to early childhood education and development including the Great Start Readiness Program (GSRP), preschool special education, and the CDC program.

Library of Michigan: Operates the Library of Michigan; provides reference services to the Executive, Legislative, and Judicial branches; distributes state aid to local libraries; provides eLibrary services; distributes renaissance zone reimbursements.

Field Services/OEII: Oversees federal Elementary and Secondary Education Act (ESEA); oversees state At-Risk categorical grants; provides curriculum and instruction standards; oversees charters granted by public school academy authorizers.

MDE Appropriation Areas (cont.)

School Support Services: Administers federal and state education grants related to school nutrition, school health and safety, and pupil transportation.

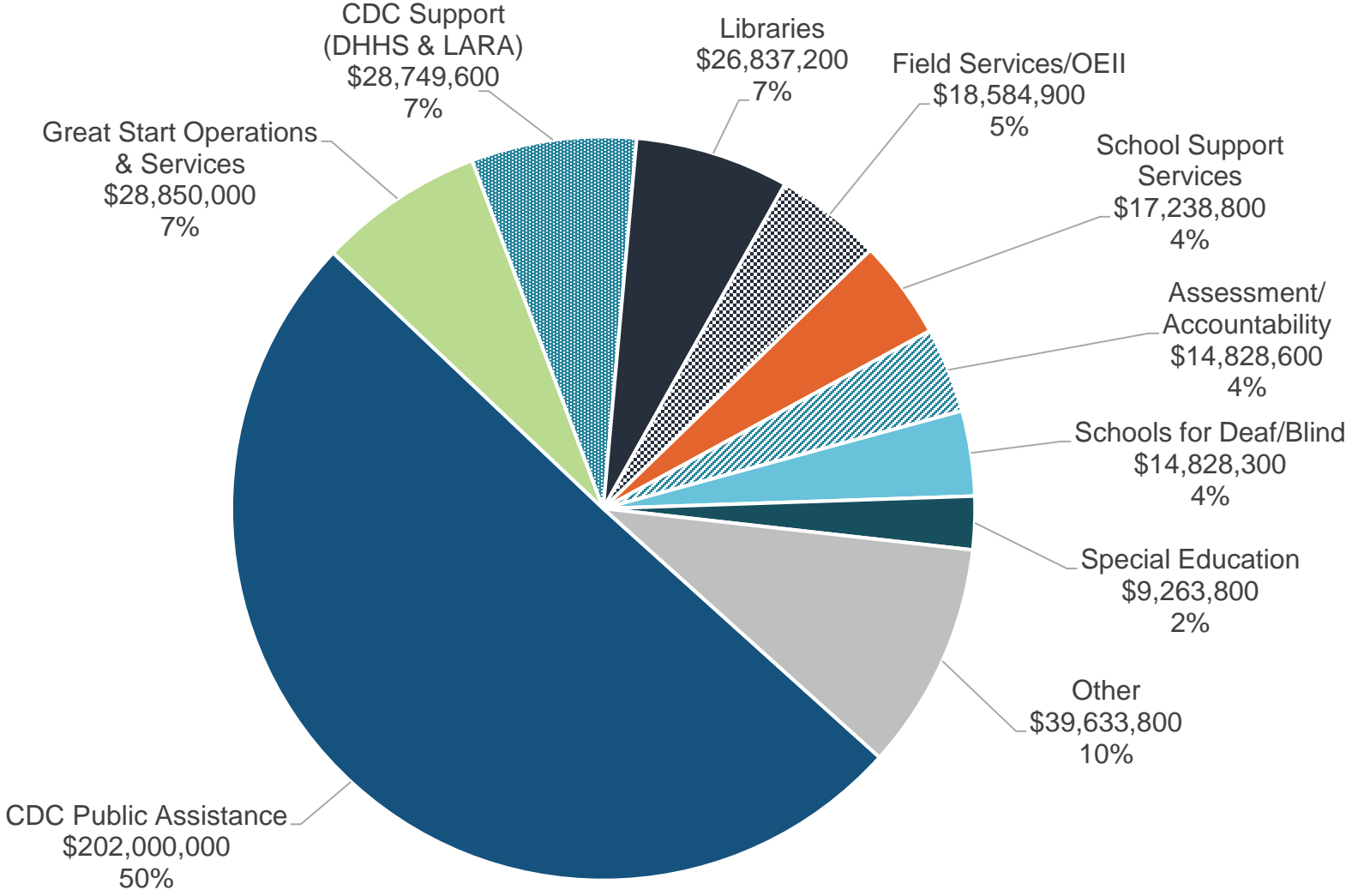
Assessment and Accountability: Develops, administers, and analyzes reports on M-STEP, the Merit Examination, and other state assessments; school district accountability and accreditation.

Schools for the Deaf/Blind: Delivers educational and residential services to students who are hearing or visually impaired; provides technical assistance and resources to local districts through cost-sharing.

Special Education: Administers education and early intervention programs for young students with disabilities; provides identification, evaluation, and provision of programs to meet individual educational needs.

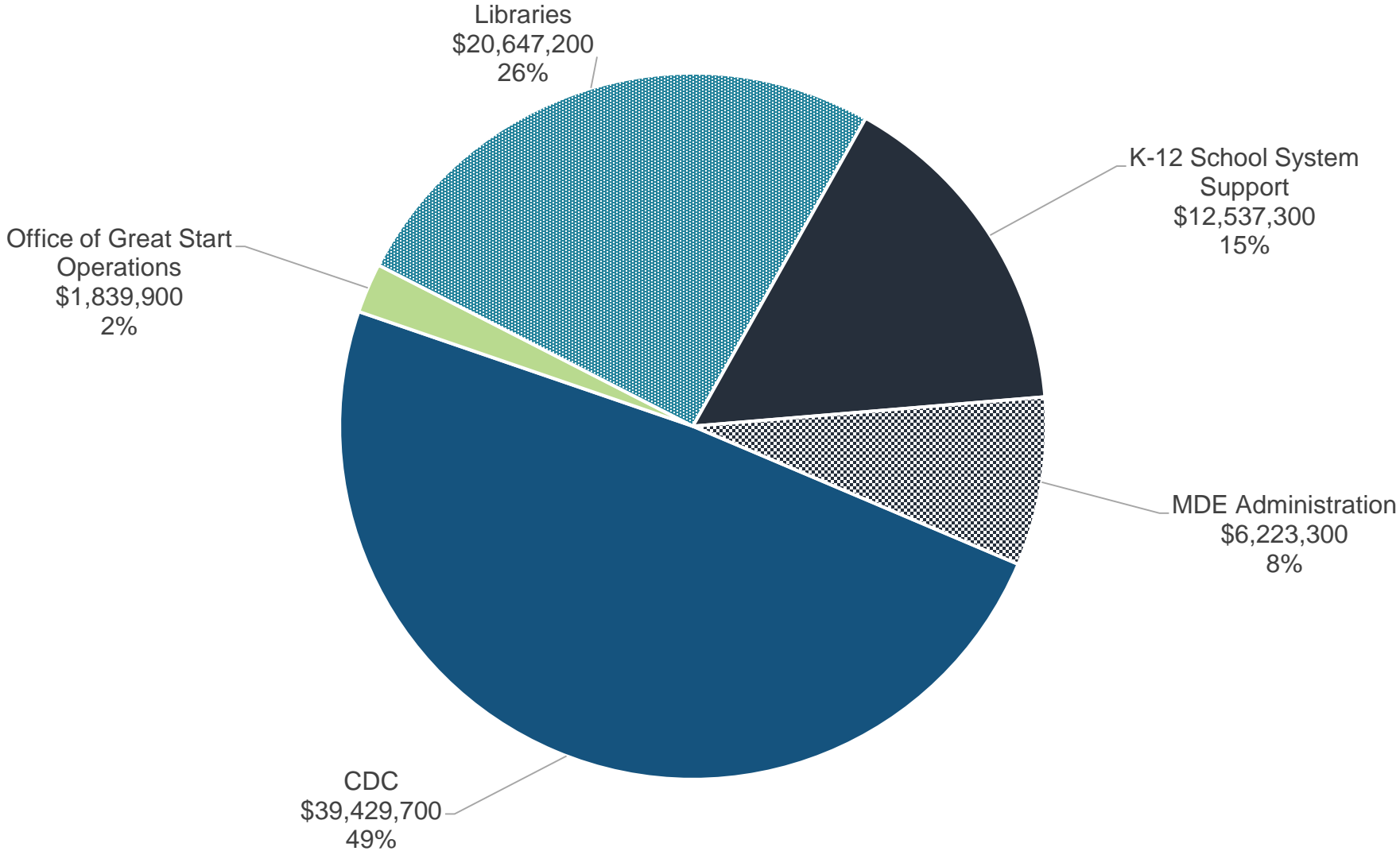
FY 2018-19 Gross Appropriations

About 65% of the \$400.8 million MDE budget supports the child development and care program and early childhood education. Another 7% supports public libraries, with the balance administering funds for the K-12 public school system.



FY 2018-19 GF/GP Appropriations

Over 75% of the MDE GF/GP supports the child development and care (CDC) program, early childhood education, and libraries.



Major Budget Topics

FY 2018-19 Budget Highlights

- **Child Development and Care (CDC) – Biweekly Block Reimbursement Rate Schedule**
 - Provides **\$15.0 million federal funds** to implement, by December 1, 2018, a biweekly block reimbursement rate schedule for Licensed Providers (License-Exempt Providers will receive their current hourly rates) as follows: 0-30 hours paid hourly; 31-60 hours paid at 60 hours; 61-80 hours paid at 80 hours; and 81-90 hours paid at 90 hours.
- **CDC Caseload Adjustment**
 - Increases by **\$24.6 million federal funds** to align with consensus caseload estimates and consensus cost per case estimates. Recent policy changes have increased both the cost per case (increased provider reimbursement rates and block schedule reimbursements) and the number of eligible participants (increased entrance income eligibility threshold).
- **Teacher Education Assistance for College and Higher Education (TEACH) Scholarship Fund**
 - Adds **\$2.5 million federal funds** to total of \$5.0 million for TEACH scholarships to increase credit-based educational opportunities (associate's degrees, bachelor's degrees, and other related certificates and credentials) for child care providers.

FY 2018-19 Budget Highlights (cont.)

○ School Reform Office Shift to MDE

- Partnership District Support Operations: adds **\$2.9 million GF/GP** and 9.0 FTEs to support existing partnership districts as partnership liaisons, as well as providing data analysis, financial management, and office for school reform efforts.
- State Board/Superintendent Operations: adds **\$497,600 GF/GP** and 2.0 FTEs to support operational staff to work with the superintendent to identify, partner with, and hold districts accountable for meeting goals outlined in partnership agreements.

○ State Aid to Libraries Increase

- Increases state aid to libraries by **\$1.0 million GF/GP** to a total of \$12.1 million.

○ Early Literacy Implementation

- Provides **\$1.0 million GF/GP** for continuing implementation of literacy initiatives funded in Section 35a of the School Aid Act. Previously, these funds were located in Section 35 of the School Aid Act.

FY 2018-19 Budget Highlights (cont.)

○ **Project UNIFY**

- Provides **\$500,000 GF/GP** for Project UNIFY (Special Olympics Unified Champion Schools). MDE oversees the program and has been reimbursed by DHHS since 2015, but is now directly funded. The program brings together students with and without disabilities through education, sports, and leadership enrichment activities in their communities.

○ **Braille Textbook Production Expansion**

- Increases by **\$300,000 restricted funds** in the Michigan Schools for the Deaf and Blind unit's Low Incidence Outreach program. Increased appropriations allows for increased production and sale of Braille Textbooks and the additional fund revenue provides books, services, supports, and training for students teachers, parents, and other related personnel.

Child Development and Care (CDC) Program

CDC Service Overview

CDC services are provided for the financial assistance of child day care to qualifying families when the caretaker is unavailable due to employment, education, treatment of health/social condition, or other approved activity.

Michigan may establish its own eligibility guidelines/payment structure within the following federal guidelines:

○ **Family Eligibility**

- States may serve families already receiving federal and state assistance, as well as families with incomes up to 85% of state median income (based on a sliding scale for family size)
 - Michigan serves families with a monthly income below \$2,213 for a family size of three, or \$26,556 annually—around 40% of state median income
 - Michigan categorically serves family groups receiving Family Independence Program (FIP) assistance, foster care, or have a protective service case

○ **Child Eligibility**

- Federally, may serve children under age 13 (Michigan Concurs)
- Federally, may serve children under 19 who are under court supervision or mentally or physically incapable of self-care (Michigan set at 18)

○ **Provider Payments**

- CCDF federal regulations recommend that states provide subsidy reimbursements at the 75th percentile of market rate and Michigan provides tiered reimbursements based on the age, provider type, and provider rating

CDC Services: Funding

○ Child Care Development Fund (CCDF)

• Mandatory Funds

- Federal Social Security Act, Section 418
- Based on amount received for child care prior to 1996 welfare law
- No match or maintenance of effort (MOE) required

• Matching Funds and MOE

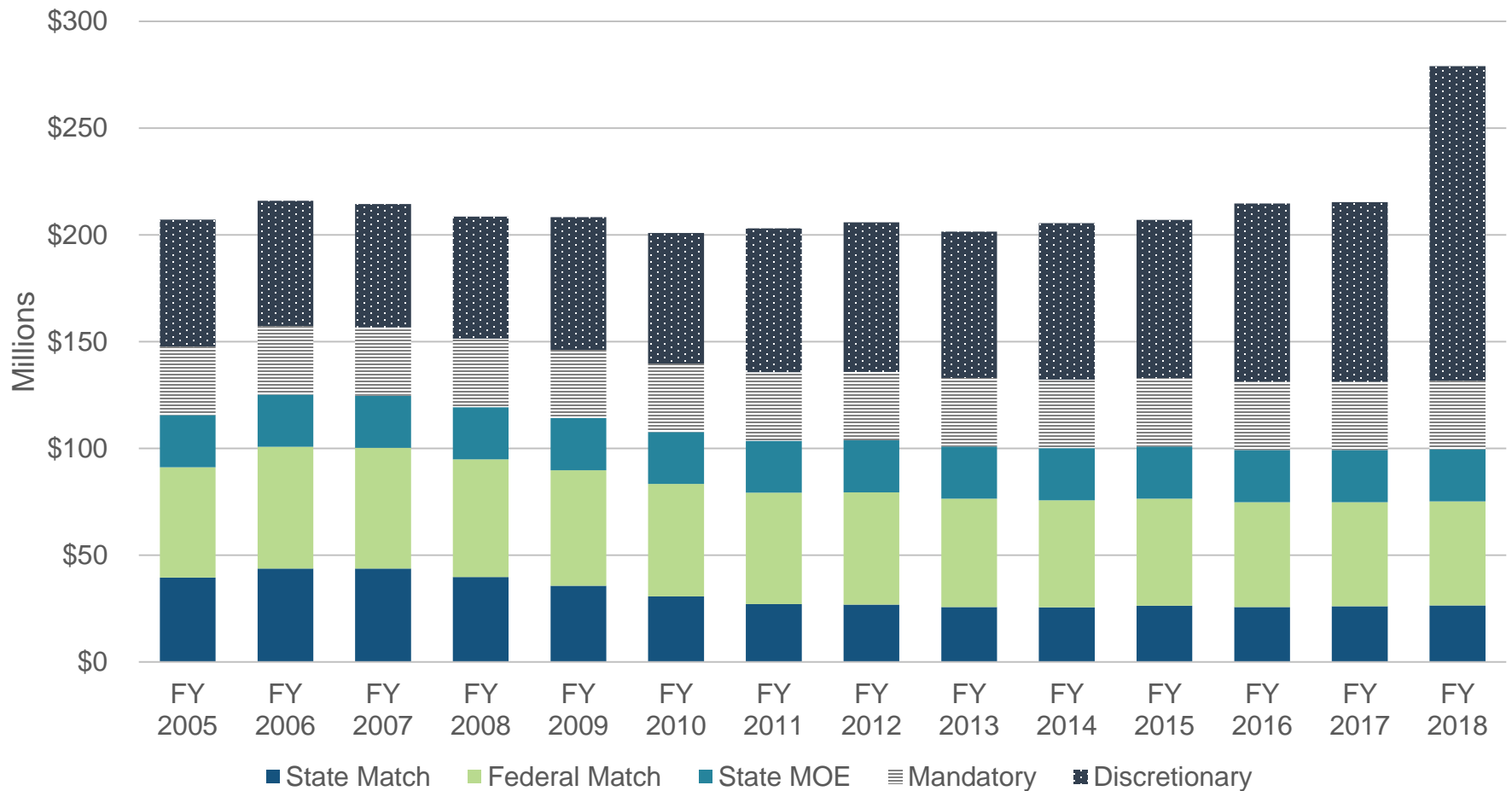
- Matched at current Medicaid match (FMAP) rates (64.78% in FY 2017-18)
- Federal Match
- State Match
- State MOE
- School Aid Budget At-Risk Program (Sec. 31a) and Great Start Readiness Program (GSRP) (Sec. 32d) funding used at match

• Discretionary Funds

- Federal Child Care Development Block Grant (CCDBG)
- No match or MOE required
- Based on federal appropriation
- Allocated based on children under age 5, children receiving free or reduced-price lunch, and state per-capita income

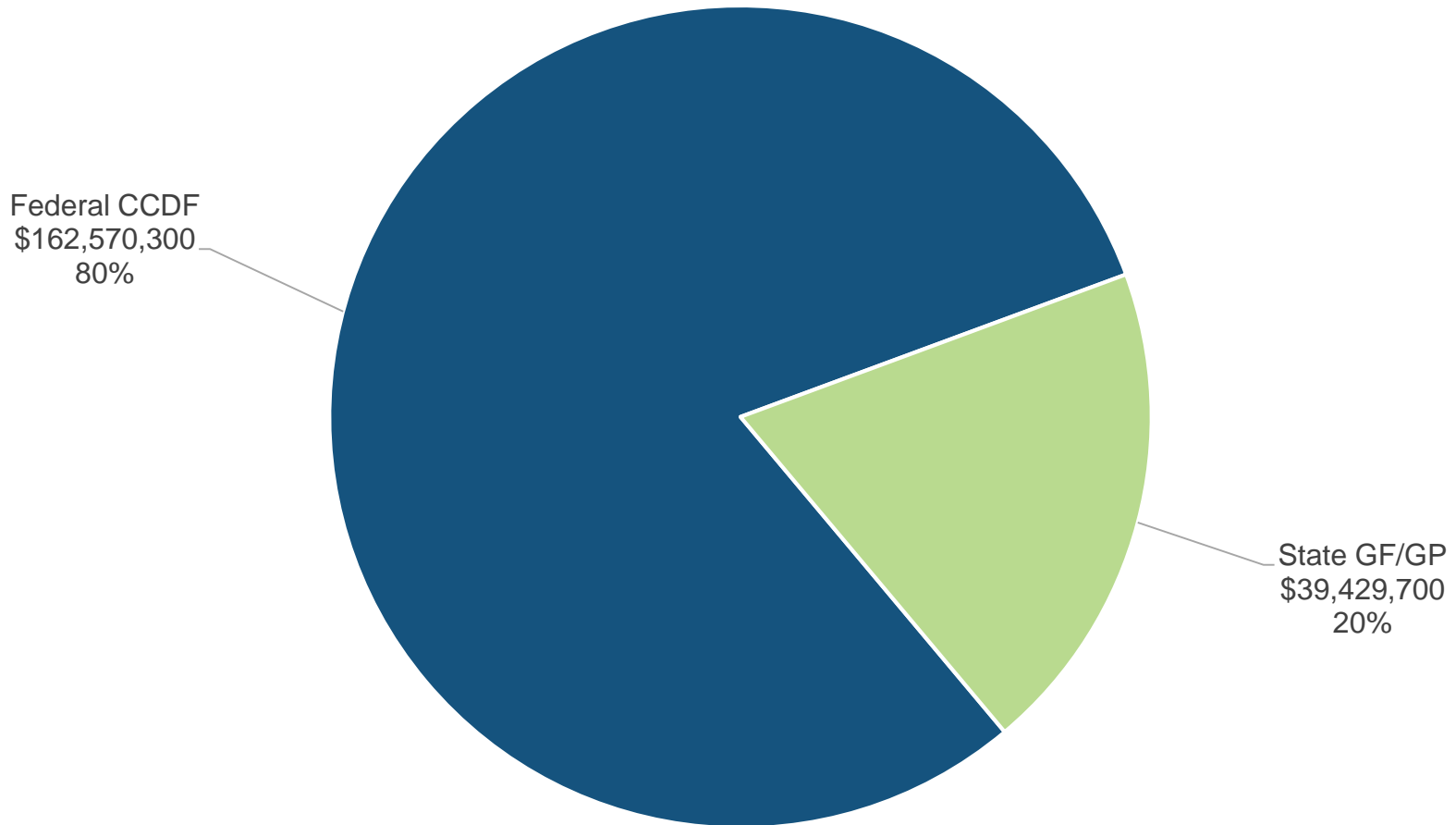
Child Care Development Fund (CCDF)

Total allotted CCDF funding was fairly consistent with adjustments for caseload and eligibility changes until discretionary funding was nearly doubled in FY 2018 to fund added CCDF Reauthorization requirements related to health, safety, and quality.



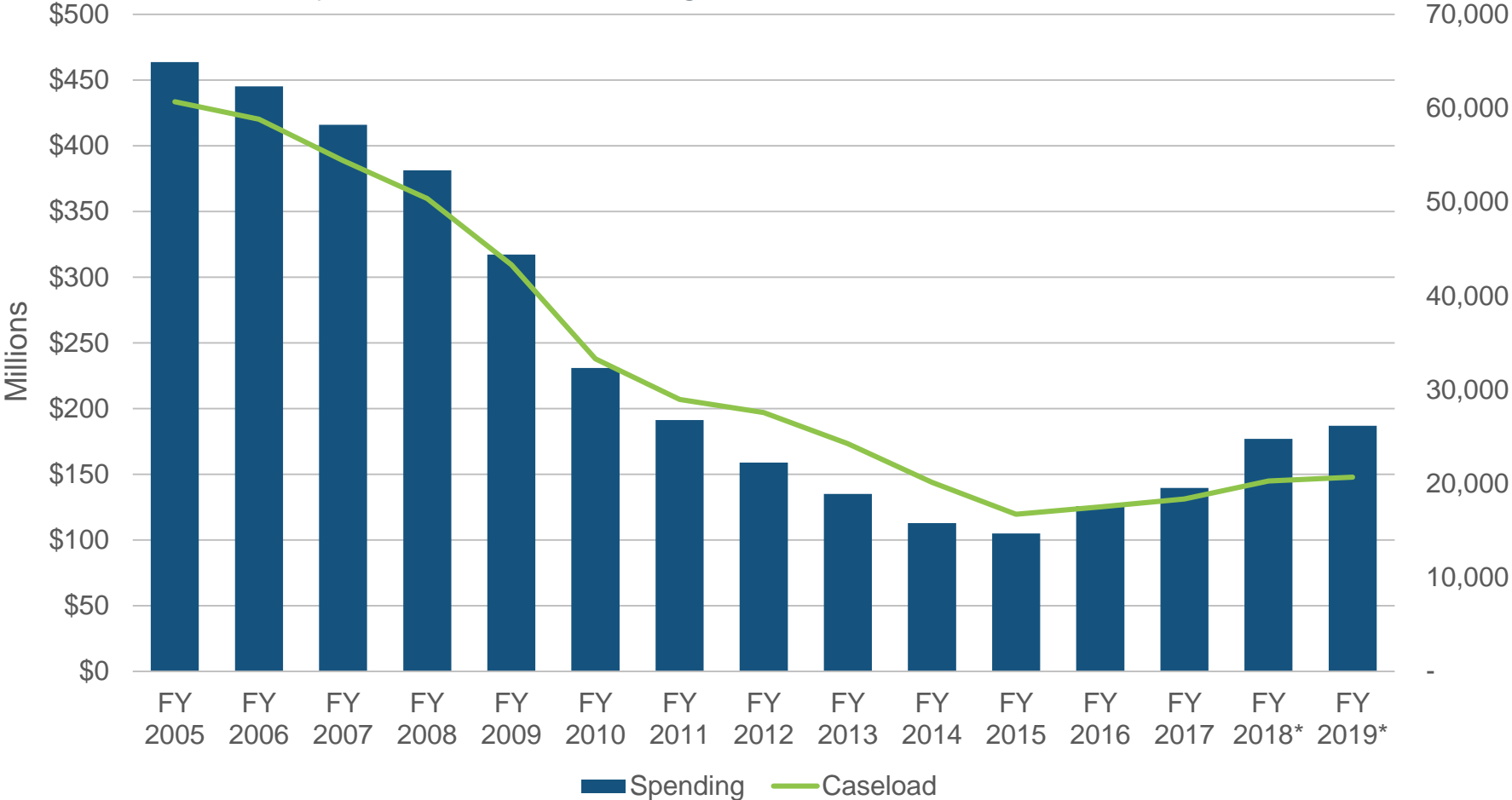
CDC Subsidy Funding Sources

Total funding for the CDC subsidy is \$202.0 million for FY 2018-19.



CDC Caseload and Spending Trends

Historically, CDC caseload and spending levels fell rapidly due to economic conditions and policy changes that tightened eligibility guidelines. Expanded eligibility guidelines and increased provider reimbursement rates since FY 2013-14 have incrementally increased spending and caseloads.



*Represents estimated costs based on Consensus Revenue Estimating Conference (CREC) adjustments and enacted policy changes.

CDC Hourly Tiered Provider Reimbursement

Providers receive reimbursement based on provider type, age of child, and tiered rating.

	Child Care Centers		Group/Family Child Care Homes	
	Birth to 2 ½	Over 2 ½	Birth to 2 ½	Over 2 ½
Base Rate	\$4.00	\$2.75	\$3.15	\$2.65
1 Star Rate	\$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
License-Exempt Providers				
	Birth to Age 2 ½		Over Age 2 ½	
Tier 1	\$1.60		\$1.60	
Tier 2	\$2.95		\$2.60	

CDC Block Schedule Reimbursement

- A new block schedule reimbursement will be instituted December 1, 2018, for Licensed providers. The provider's tiered hourly rate and the child's age (Birth to 2 ½ or Over 2 ½) and licensed daycare program type (Child Care Center or Group/Family Child Care Home) rate will be assessed and reimbursed under one of the following block schedule payments:
 - 1-30 hours: paid at the hourly tiered reimbursement rate
 - 31-60 hours: paid as 60 hours at the hourly tiered reimbursement rate
 - 61-80 hours: paid as 80 hours at the hourly tiered reimbursement rate
 - 81-90 hours: paid as 90 hours at the hourly tiered reimbursement rate
- License-Exempt providers will continue to be paid at their current hourly tiered reimbursement rate.

CDC Provider Types

○ **Licensed Centers**

- A facility, other than a private home, licensed to care for one or more children

○ **Licensed Group Homes**

- A private home licensed to care for up to 12 children at a time

○ **Registered Family Homes**

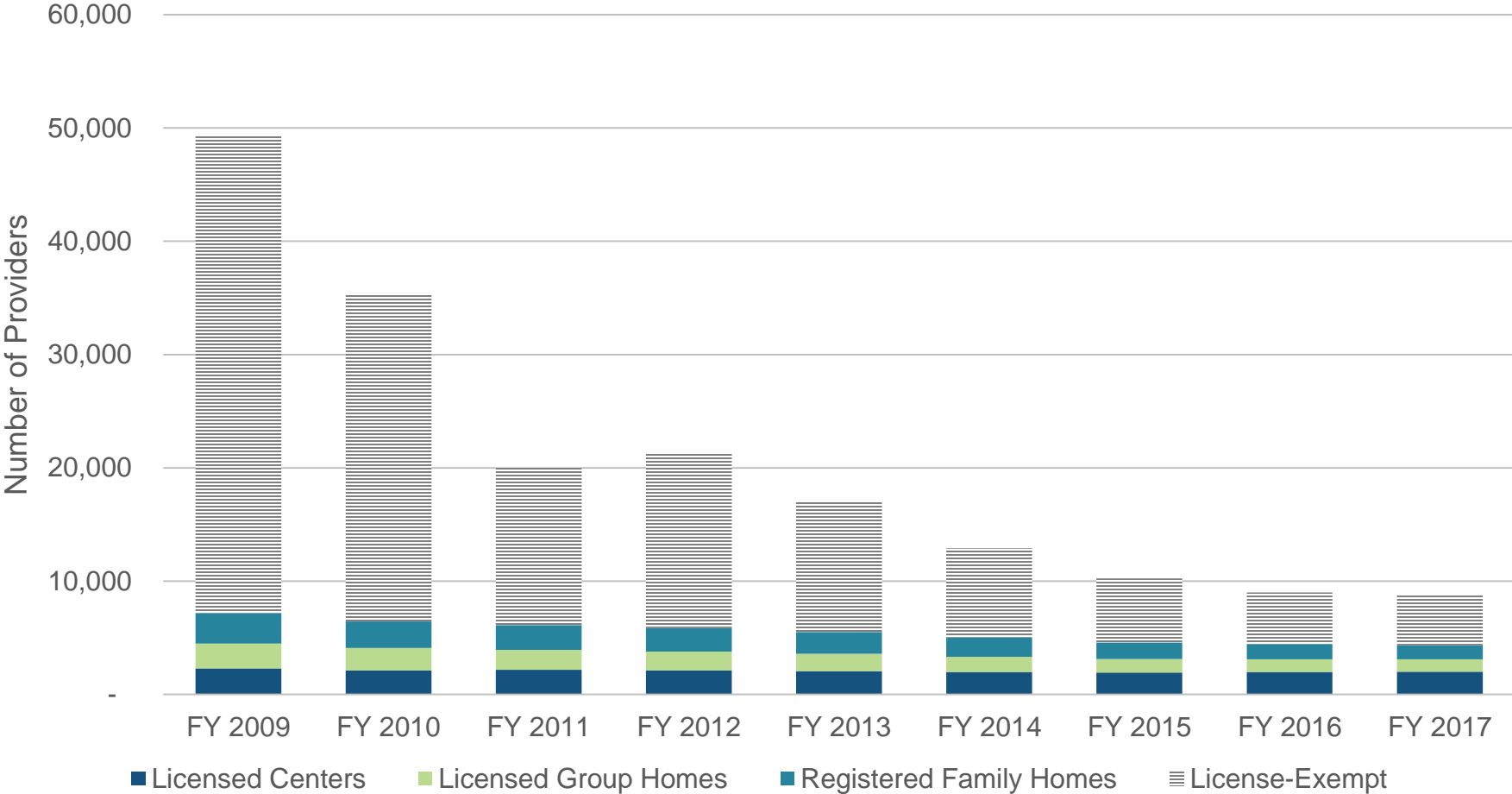
- A private home registered to care for up to 6 children at a time

○ **License-Exempt Providers**

- An adult who is 18 years or older and enrolled to provide child care for up to 4 children at a time (or 6 children, if all children are siblings or living at the same address)

CDC Services by Provider Type

Policy and economic changes since FY 2008-09 led to decreasing numbers of unlicensed providers in the CDC system, while other provider types have remained relatively static.



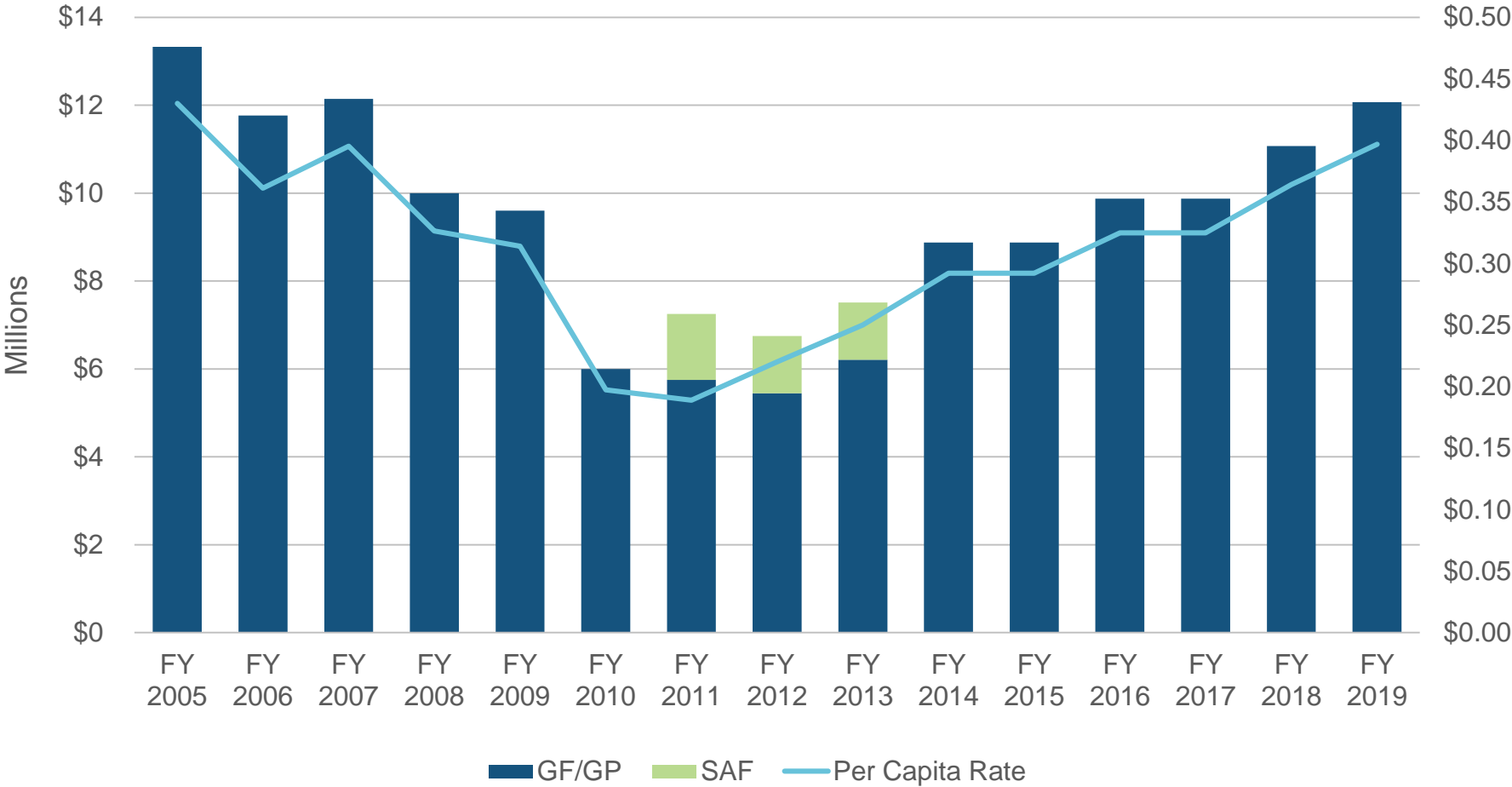
Libraries

Library of Michigan/State Aid to Libraries

- Transferred from the Department of History, Arts, and Libraries in FY 2009-10
- Supports the operation of the Library of Michigan (\$4.9 million Gross)
- Supports State Aid to Libraries (\$12.1 million GF/GP), based on:
 - \$0.50 per capita to public libraries meeting minimum standards
 - \$0.50 per capita to public libraries for cooperative services
 - \$0.50 per capita to cooperative libraries
 - \$10/mi² to cooperative libraries with low population density
 - Reimbursement of up to \$4,800 for the director's salary for county libraries serving populations of less than 50,000.
- Minimum Standards for Public Libraries
 - “Lawfully established” as a public library
 - Maintain local support equal to 3/10 mill
 - Personnel certification requirements set by Library of Michigan
- State Aid payments are subject to proration based on available appropriations

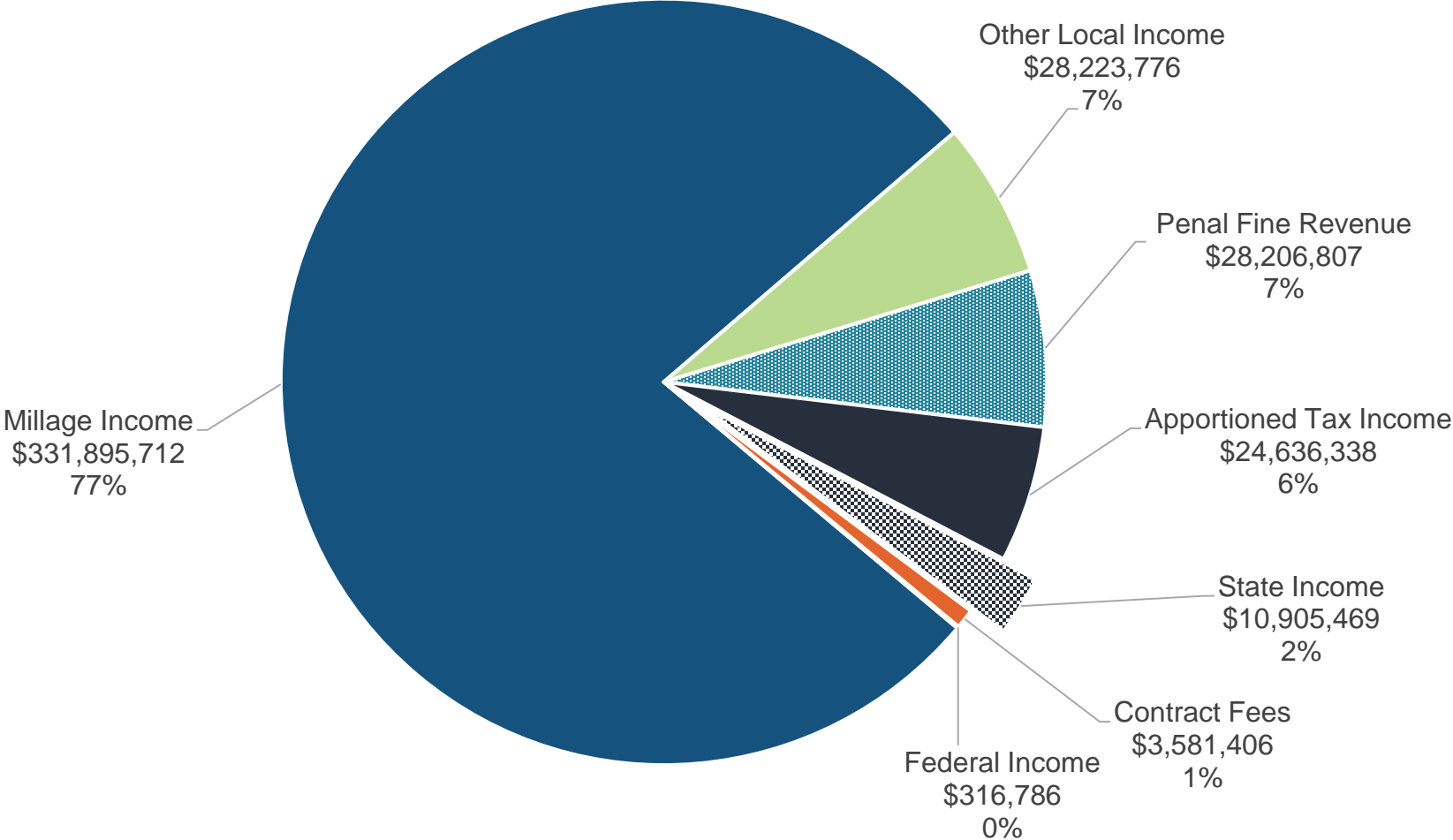
State Aid to Libraries

State Aid to Libraries was reduced throughout the Great Recession, but it has gradually increased as the economy rebounded. State Aid to libraries is currently prorated; full funding would require approximately \$15.2 million.



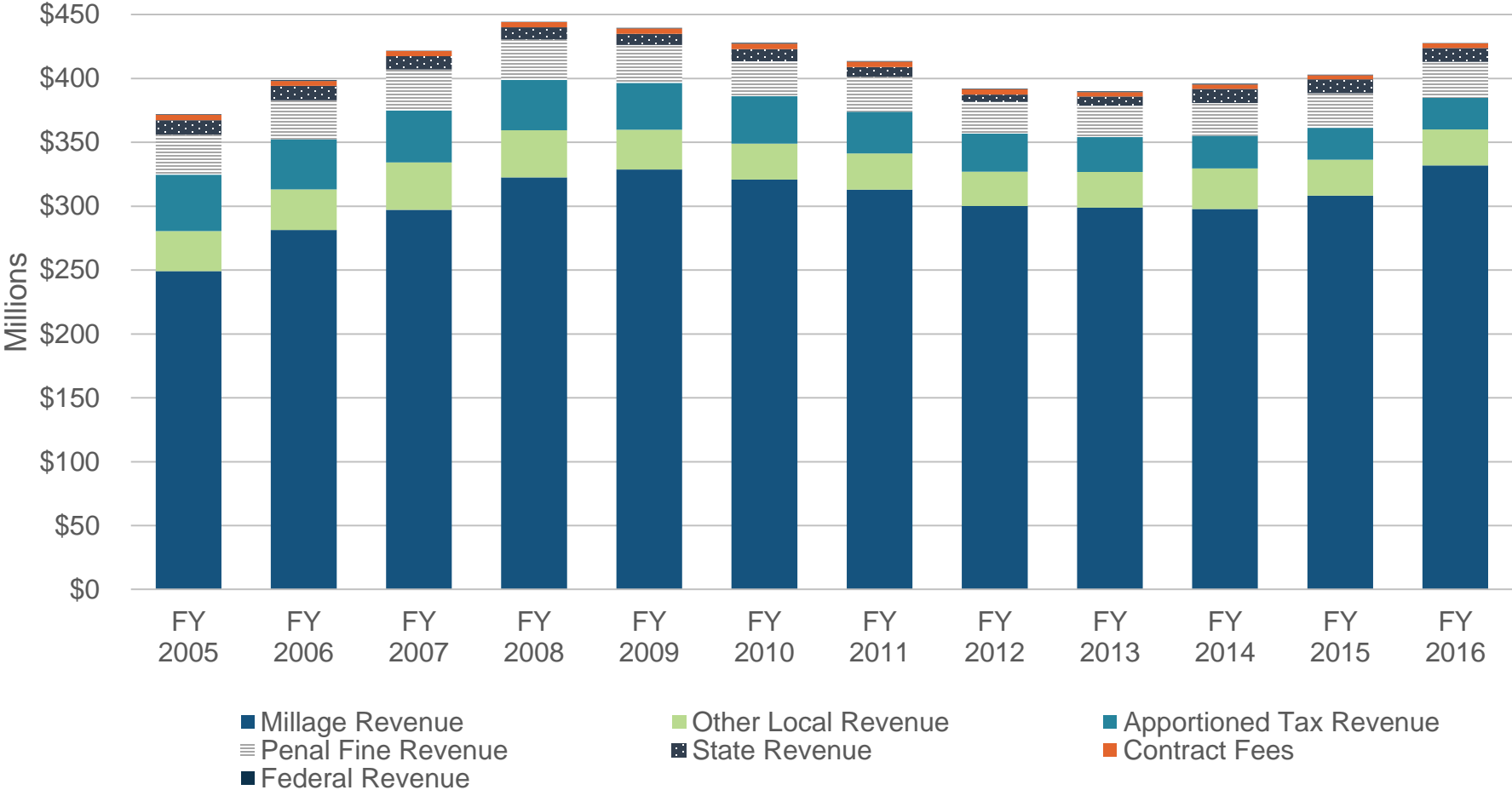
Public Libraries' Operating Income

Funding from the state makes up 2% of the \$427.8 million FY 2015-16 total operating income for libraries statewide.



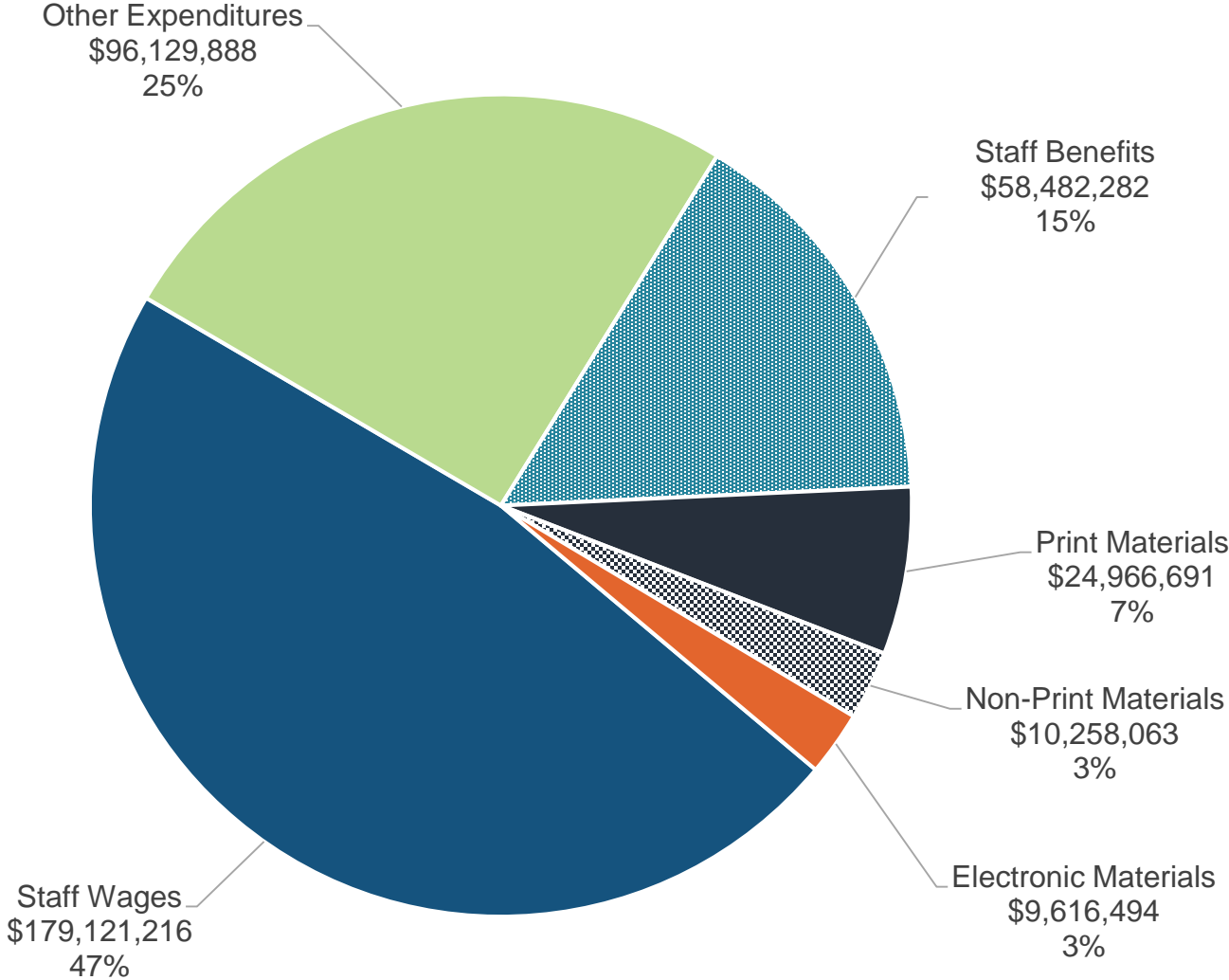
Public Libraries' Operating Income

Local property tax millage revenues are the main revenue source for local libraries. Millage revenue declined to a low of \$297.7 million in FY 2013-14 during the Great Recession but has increased to \$331.9 million in FY 2015-16, which is \$3.0 million higher than the previous peak in FY 2008-9.



Public Libraries' Operating Expenditures

Total Operating Expenditures were **\$378.6 million** in FY 2015-16.



For more information about the Department of Education budget:

HFA Resources

<http://www.house.mi.gov/hfa/Education.asp>

Contact Information

Samuel Christensen

Fiscal Analyst

schristensen@house.mi.gov

(517) 373-8080