



Budget Briefing: Department of Education

Samuel Christensen, Fiscal Analyst

January 2017

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 2016-17 is October 1, 2016 through September 30, 2017.

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.

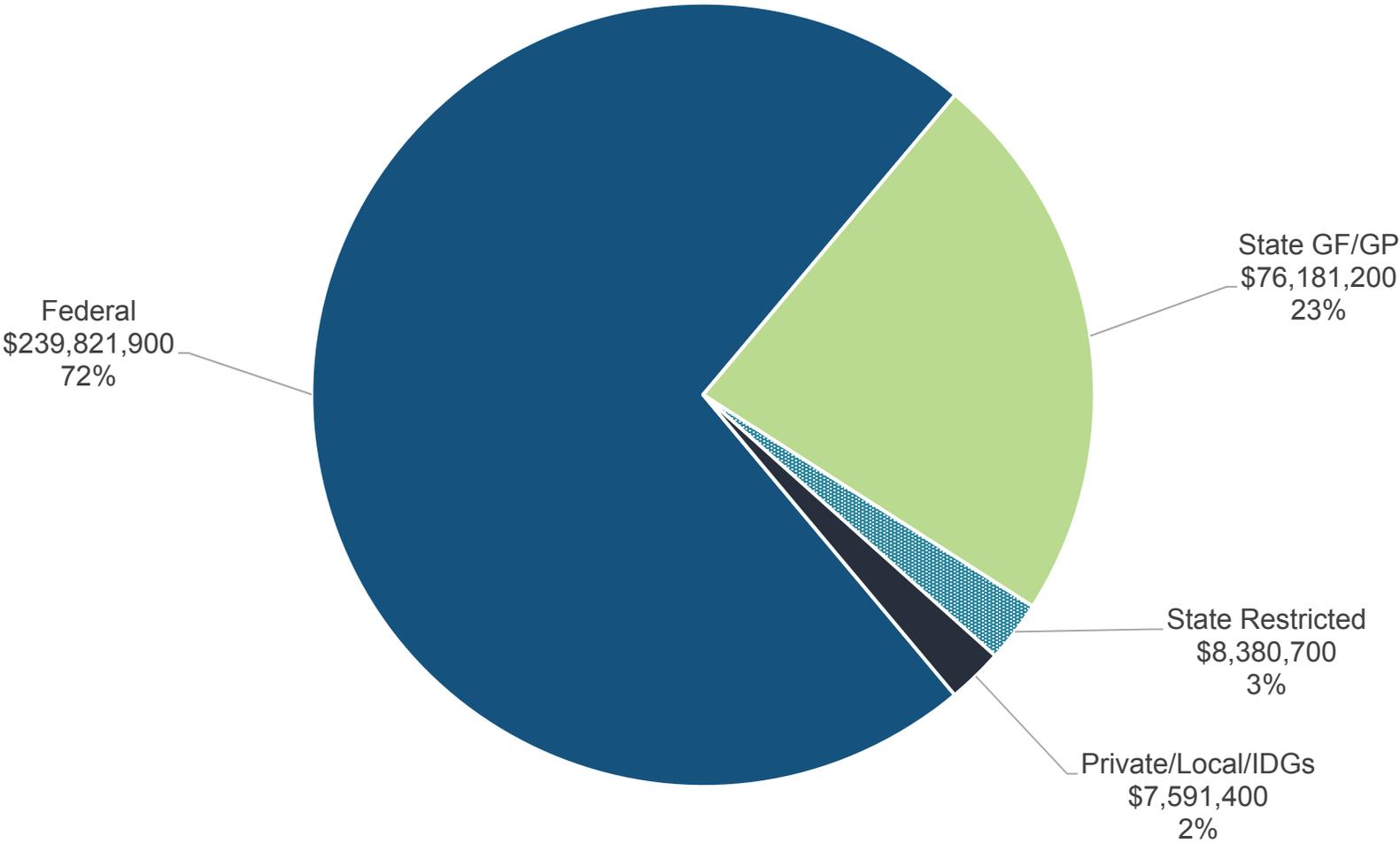
Funding Sources

FY 2016-17 MDE Budget

Fund Source	Funding	Description
Gross Appropriations	\$331,975,200	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	\$331,975,200	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	239,821,900	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	5,557,200	Revenue received from local units of government for state services
Private Revenue	2,034,200	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	8,380,700	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	\$76,181,200	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

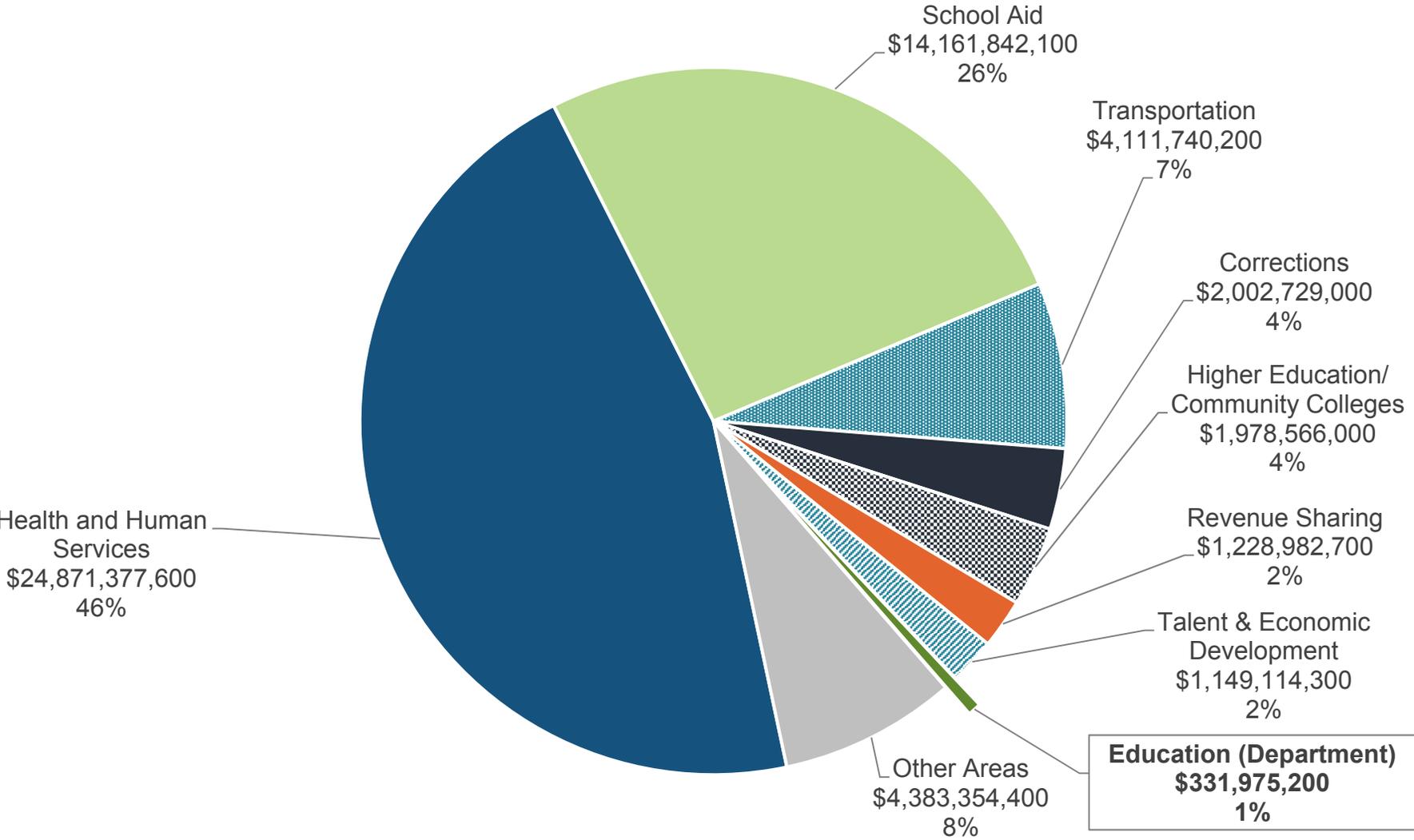
FY 2016-17 Fund Sources

Over 70% of the \$332.0 million MDE budget is funded by federal revenue.



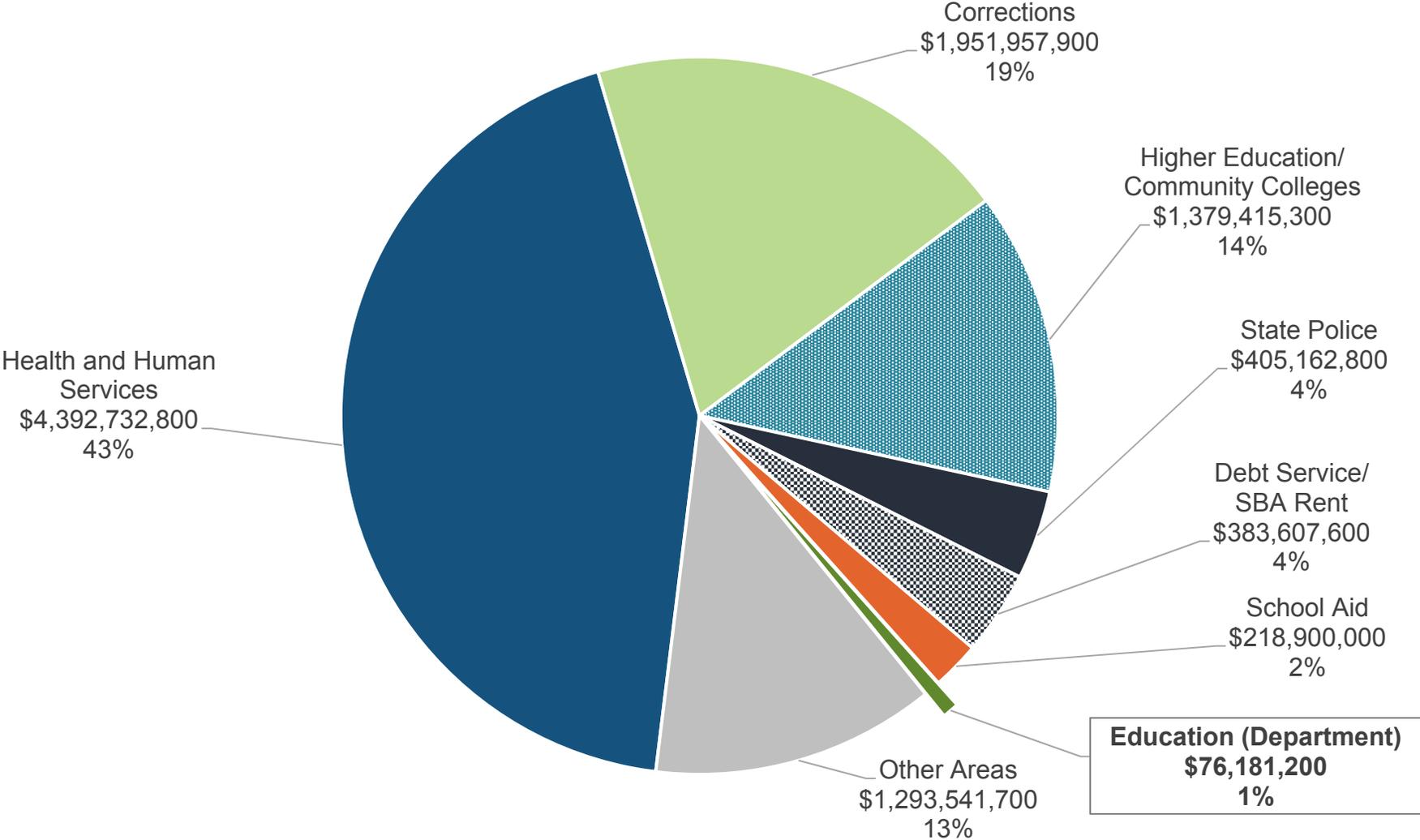
MDE Share of Total State Budget

The MDE budget represents less than 1% of the **\$54.2 billion** state budget (adjusted gross) for FY 2016-17.



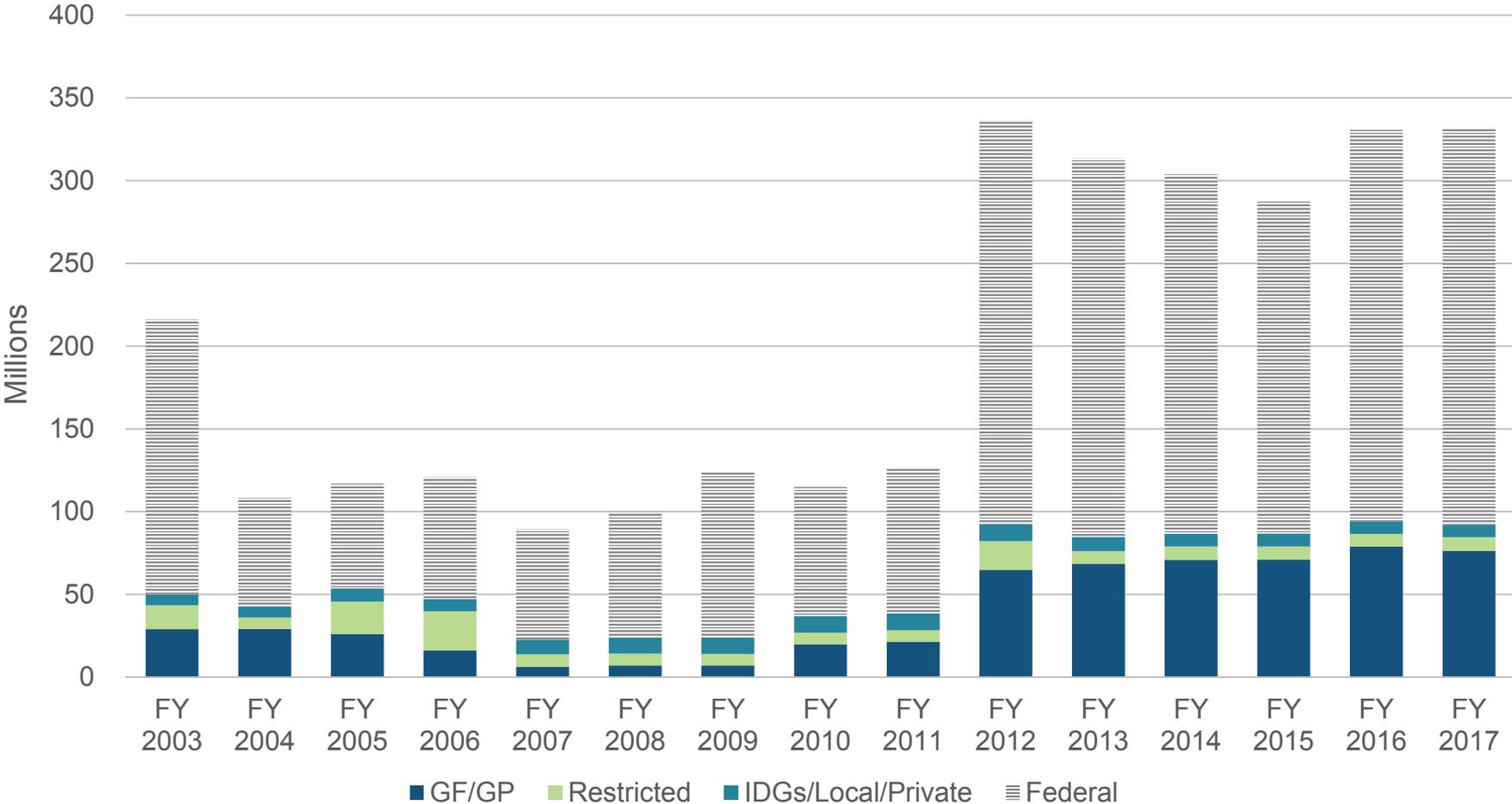
MDE Share of Total GF/GP Budget

The MDE budget represents less than 1% of the **\$10.1 billion** state GF/GP budget appropriations for FY 2016-17.



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 half 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.

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

MDE Appropriation Areas (cont.)

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

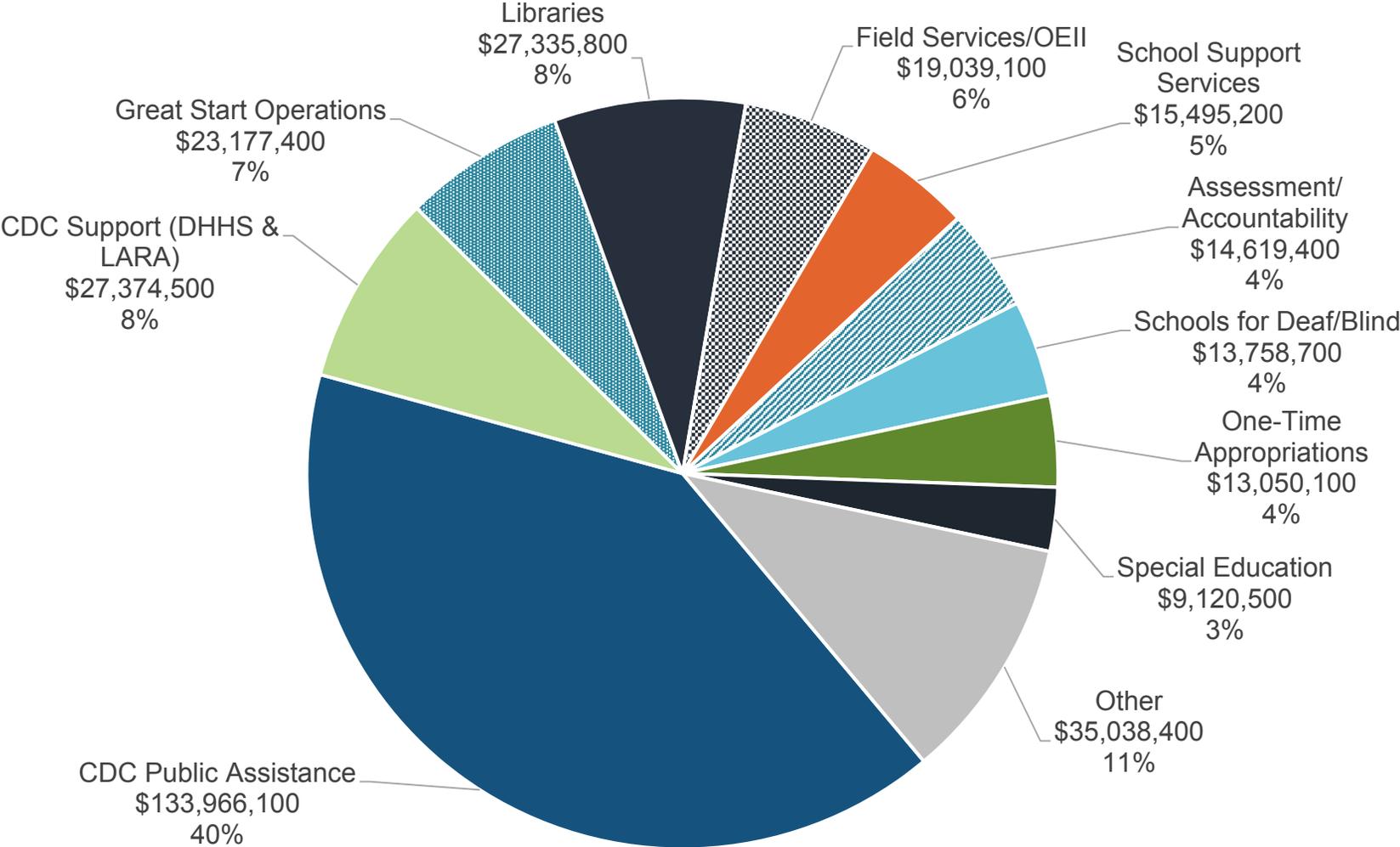
Schools for the Deaf/Blind: Delivers educational and residential services to students who are hearing or visually impaired; provides technical assistance and resources to local districts through cost-sharing.

One-Time Appropriations: FY 2016-17 included funding for a pilot CDC program expansion in Flint, teacher certification fee subsidy, and local school water testing.

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.

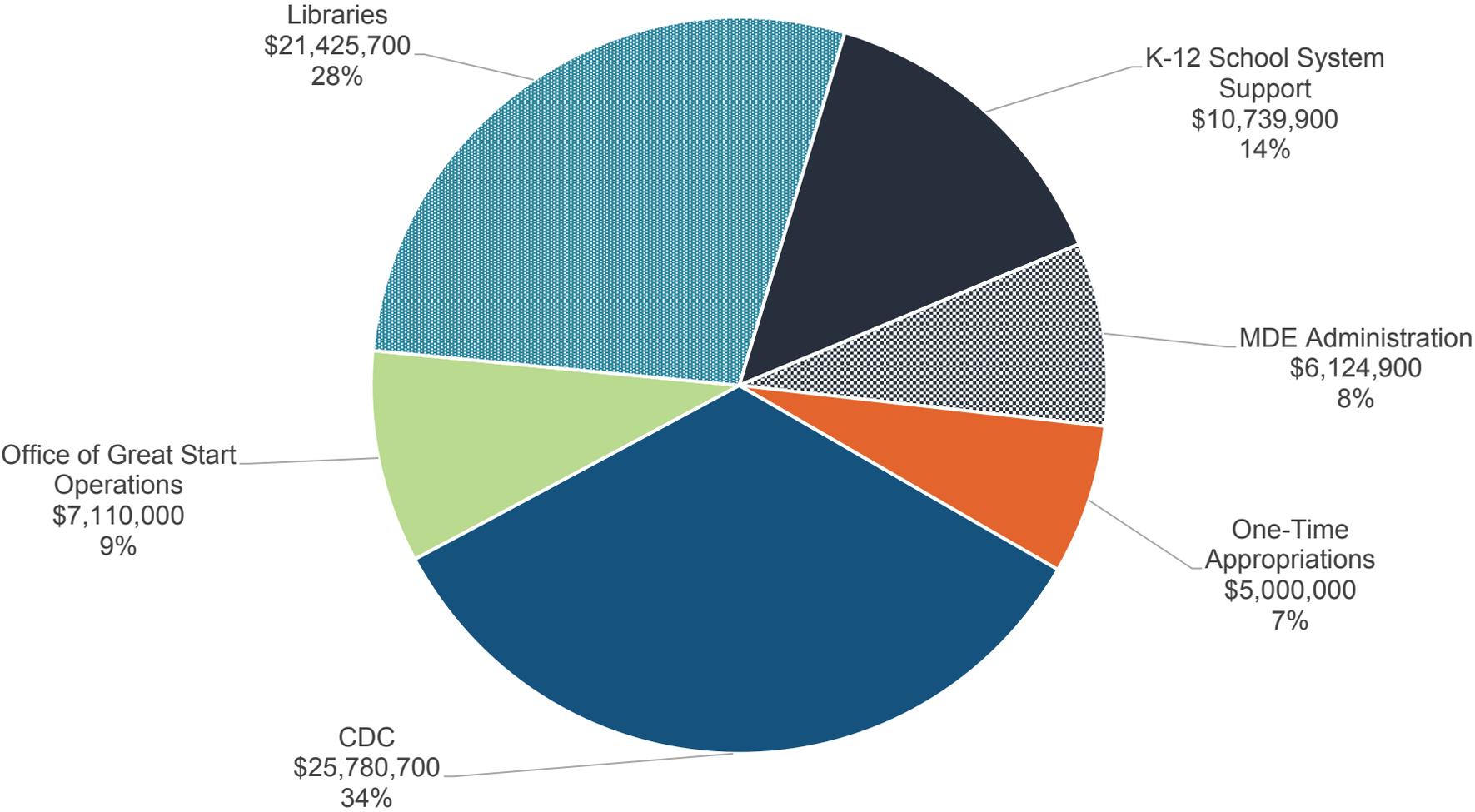
FY 2016-17 Gross Appropriations

About **55%** of the **\$331.9 million** MDE budget supports the child development and care program and early childhood education. Another **8%** supports public libraries, with the balance administering funds for the K-12 public school system.



FY 2016-17 GF/GP Appropriations

Over 70% of the MDE GF/GP supports the child development and care (CDC) program, early childhood education, and libraries.



Major Budget Topics

FY 2016-17 Budget Highlights

- **Child Development and Care – Increase Entrance Threshold:**
 - Provides \$7.7 million federal CCDF to increase the eligibility entrance threshold from 121% of the federal poverty guidelines to 125%.
- **Flint Declaration of Emergency Child Development and Care (CDC):**
 - Includes one-time, half-year funding of \$8.1 million federal CCDF to provide subsidized childcare to all 0-3 children in Flint for half-day services, for household income up to 300% of the federal poverty guidelines.
- **Voluntary Water Testing:**
 - Includes \$4.5 million GF/GP to reimburse local schools (public and private instructional school buildings) for costs related to lead tests, fixture replacement, filters, plumbing, and technical assistance, with a cap of \$950 per school building.
- **Certification Fees Subsidy:**
 - Includes \$500,000 GF/GP to support declining teacher certification fee revenue in a number of line items, for which a fee increase is requested for FY 2017-18.

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 monthly income below \$2,093 for typical family of three, \$25,116 annually—around 40% of state median income
 - Michigan categorically serves family groups receiving Family Independence Program (FIP) assistance, foster care families, and families with protective service cases

○ **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 subsidies at the 75th percentile of market rate

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**

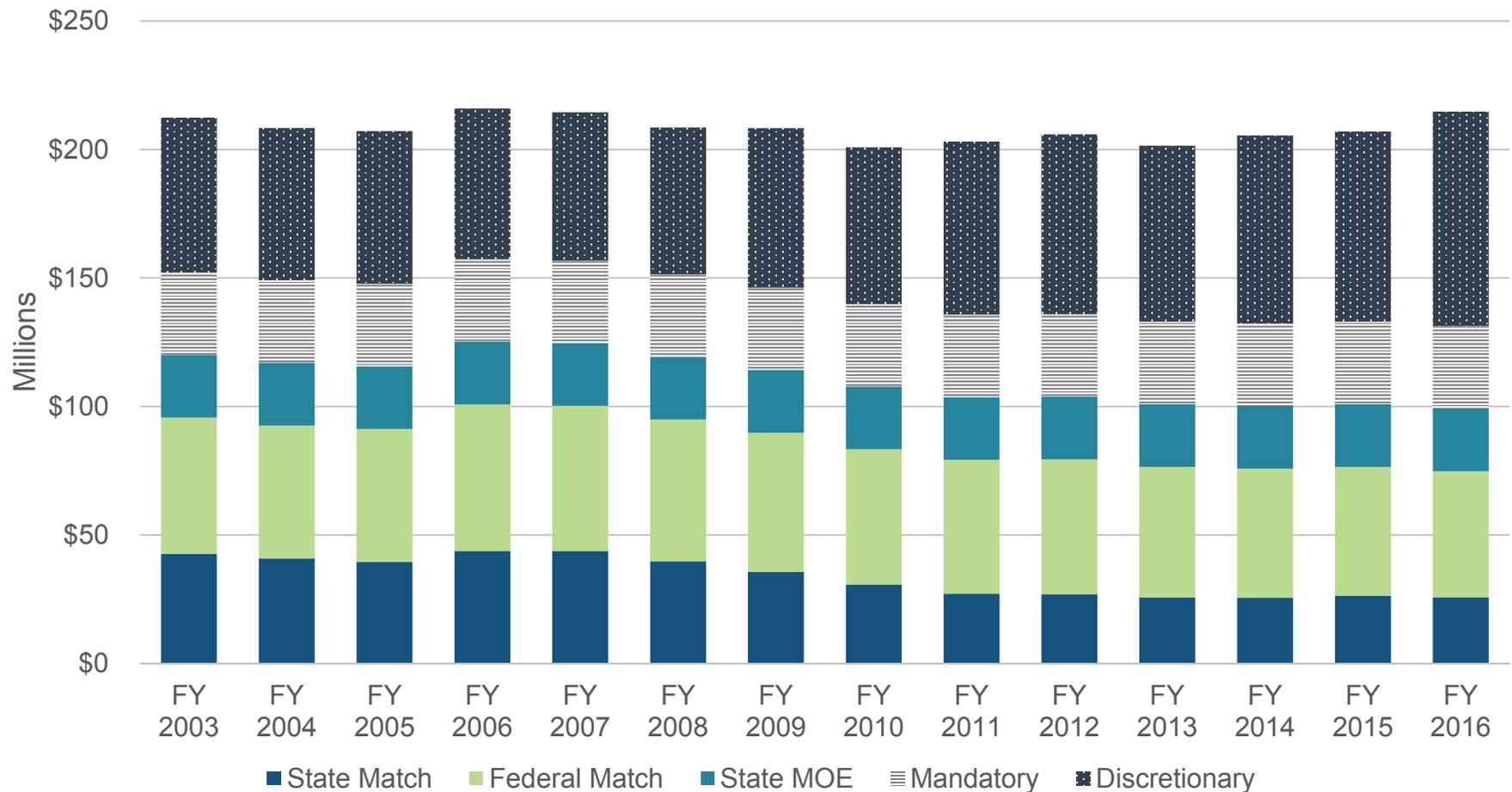
- Matched at current Medicaid match (FMAP) rates (65.60% in FY 2015-16)
- Federal Match
- State Match
- State MOE
- School Aid Budget At-Risk Program (Sec. 31) and Great Start Readiness Program (GSRP) (Sec. 32d) funding used at match

• **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

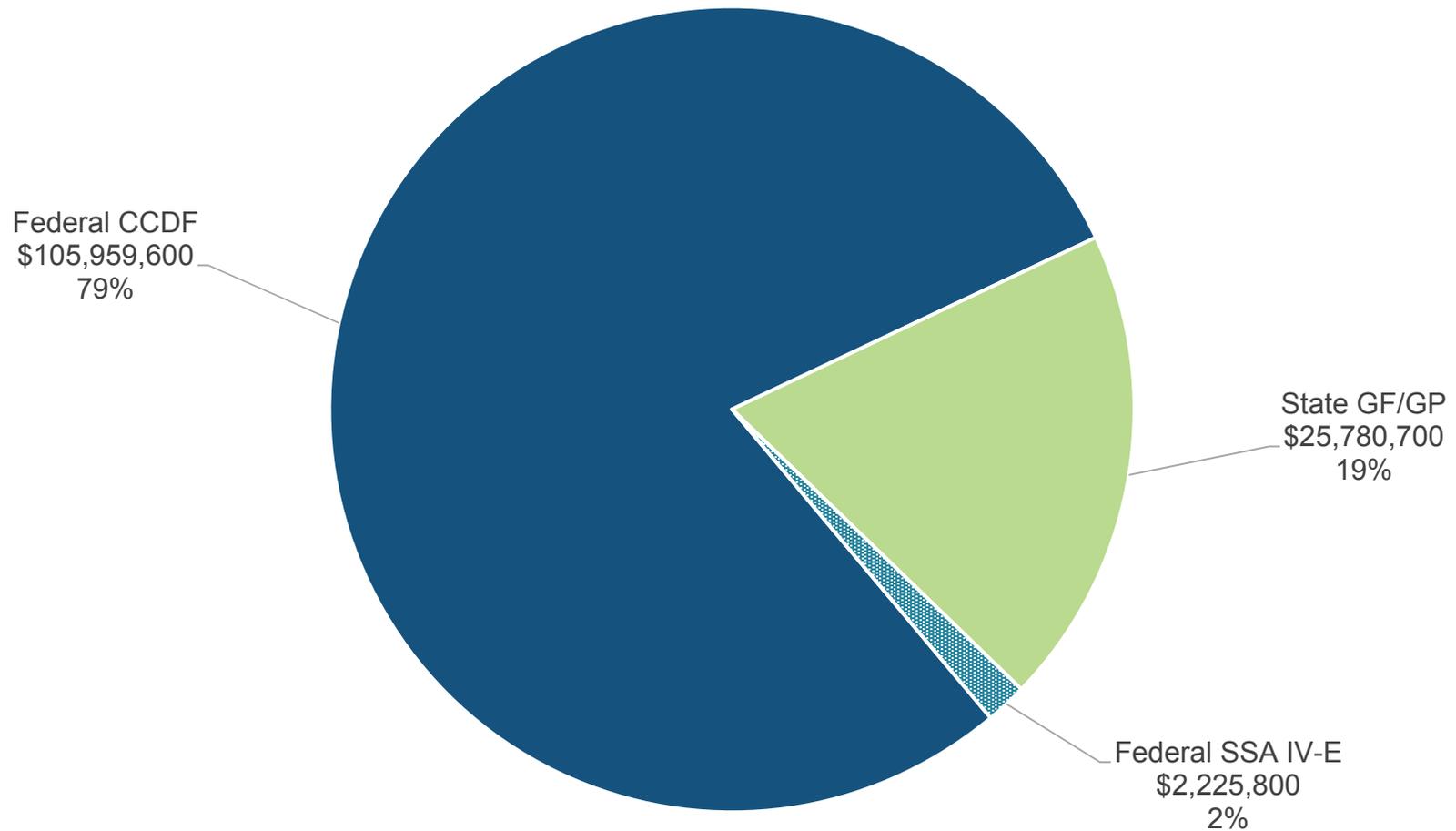
Child Care Development Fund (CCDF)

Total allotted CCDF funding has been fairly consistent with adjustments for caseload and eligibility changes.



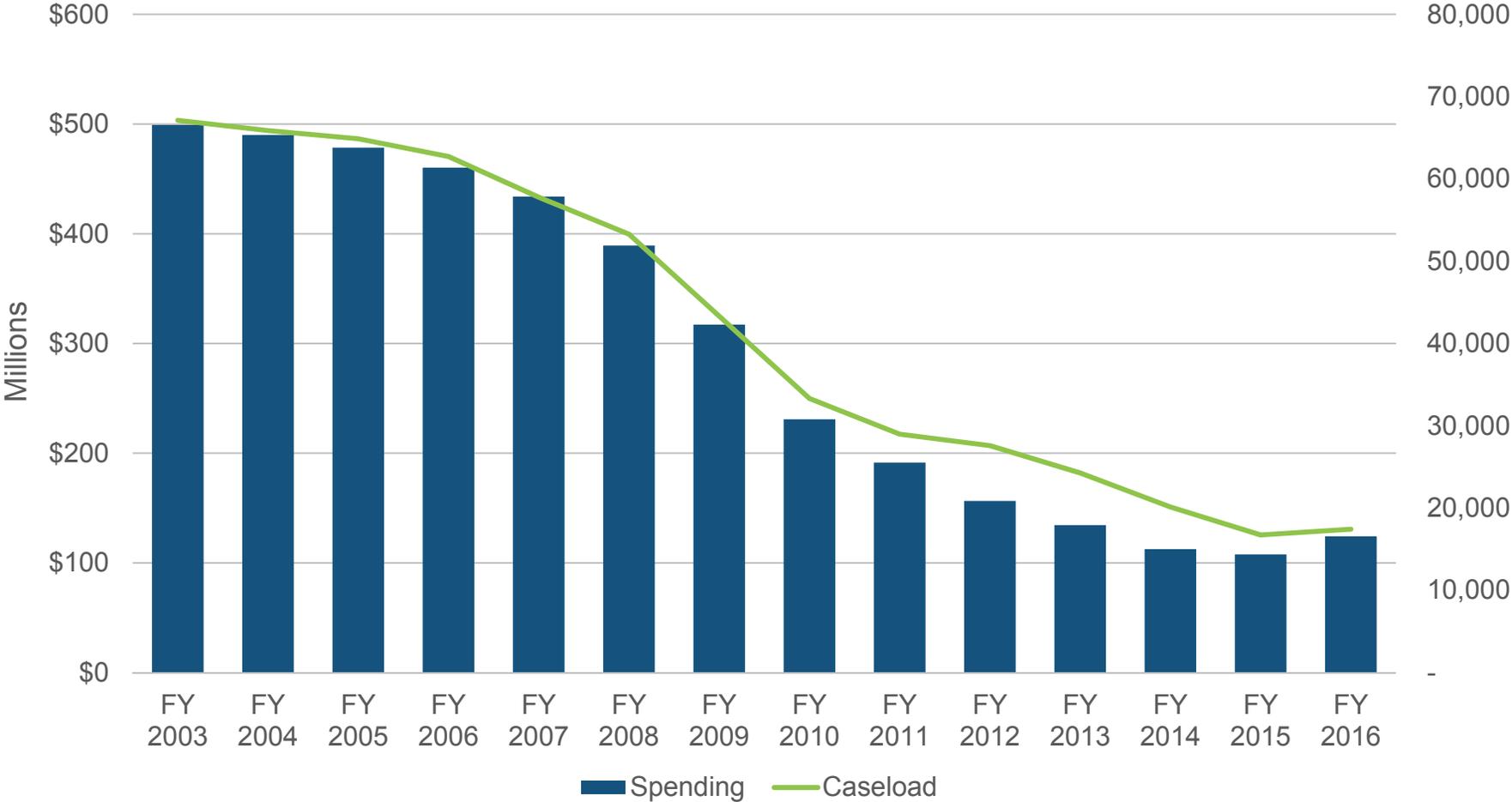
CDC Subsidy Funding Sources

Total funding for CDC subsidies is \$134.0 million for FY 2016-17.



CDC Caseload and Spending Trends

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



CDC Provider Tiered Reimbursement

The maximum hourly rate of support varies depending on child's age and the provider type. The average monthly benefit for an average 1.75 children per case is \$570 per month.

	Child Care Centers		Group/Family Child Care Homes	
	Birth to 2 ½	Over 2 ½	Birth to 2 ½	Over 2 ½
Base Rate	\$3.75	\$2.50	\$2.90	\$2.40
2 Star Rate	\$4.00	\$2.75	\$3.15	\$2.65
3 Star Rate	\$4.25	\$3.00	\$3.40	\$2.90
4 Star Rate	\$4.50	\$3.25	\$3.65	\$3.15
5 Star Rate	\$4.75	\$3.50	\$3.90	\$3.40

	Unlicensed Providers	
	Birth to Age 2 ½	Over Age 2 ½
Tier 1	\$1.35	\$1.35
Tier 2	\$2.20	\$1.85

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**

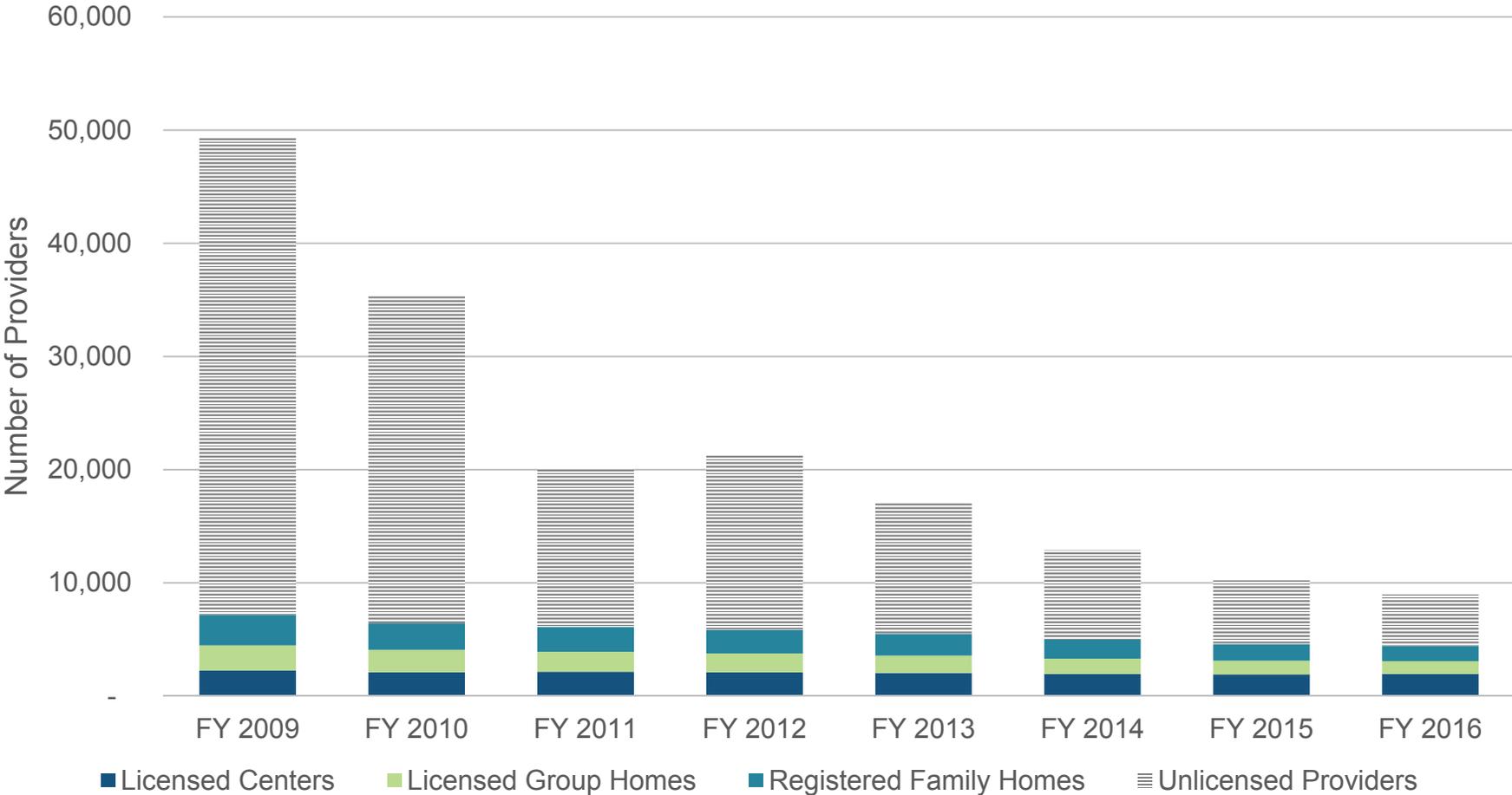
- A private home registered to care for up to six children at a time.

○ **Unlicensed Providers**

- An adult who is 18 years or older and enrolled to provide child care for up to four children at a time (or six 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.



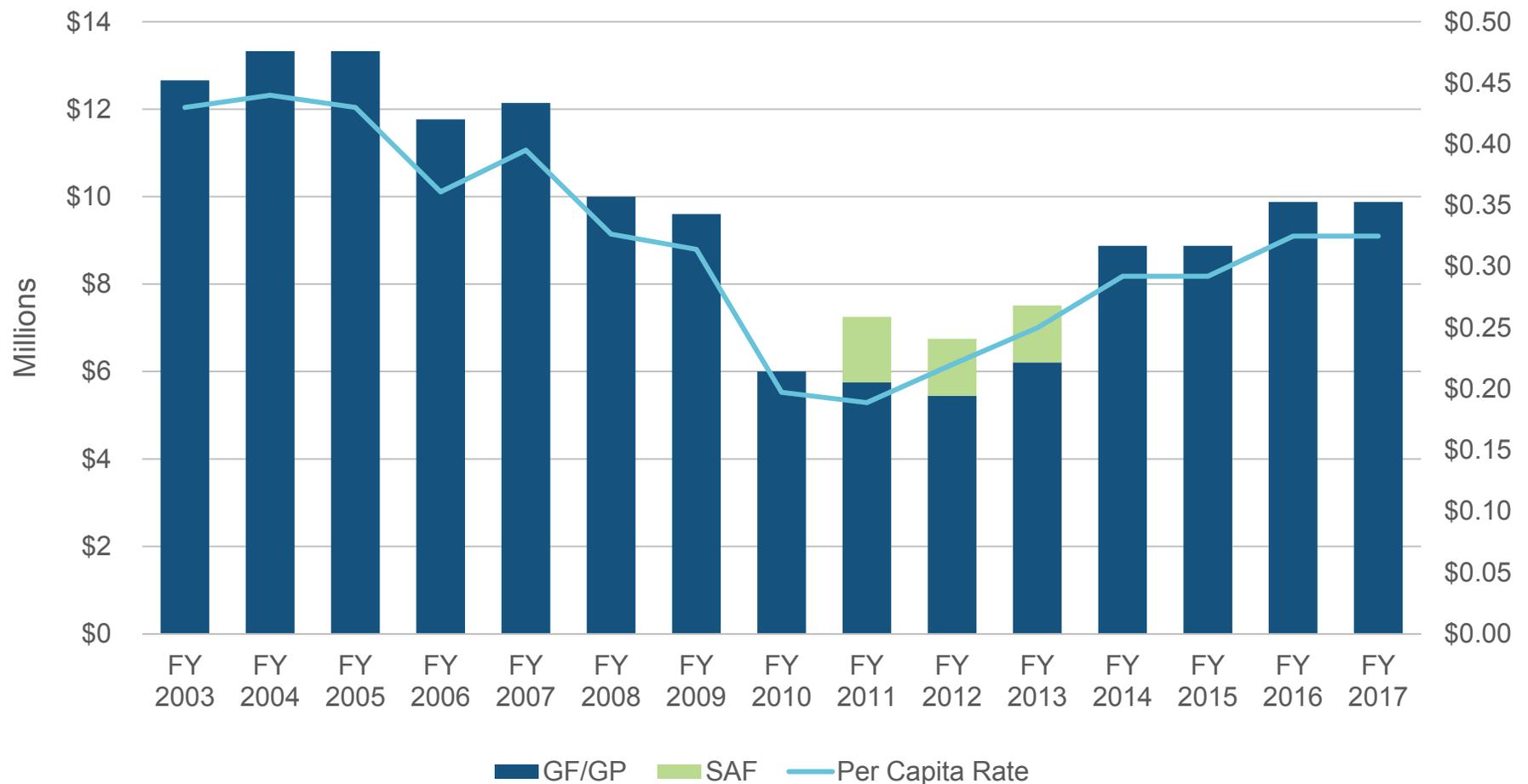
Libraries

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 (\$4.4 million GF/GP)
- Supports State Aid to Libraries (\$9.9 million GF/GP), based on:
 - \$0.50 per capita to public libraries meeting minimum standards
 - \$.050 per capita to public libraries for cooperative services
 - \$.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

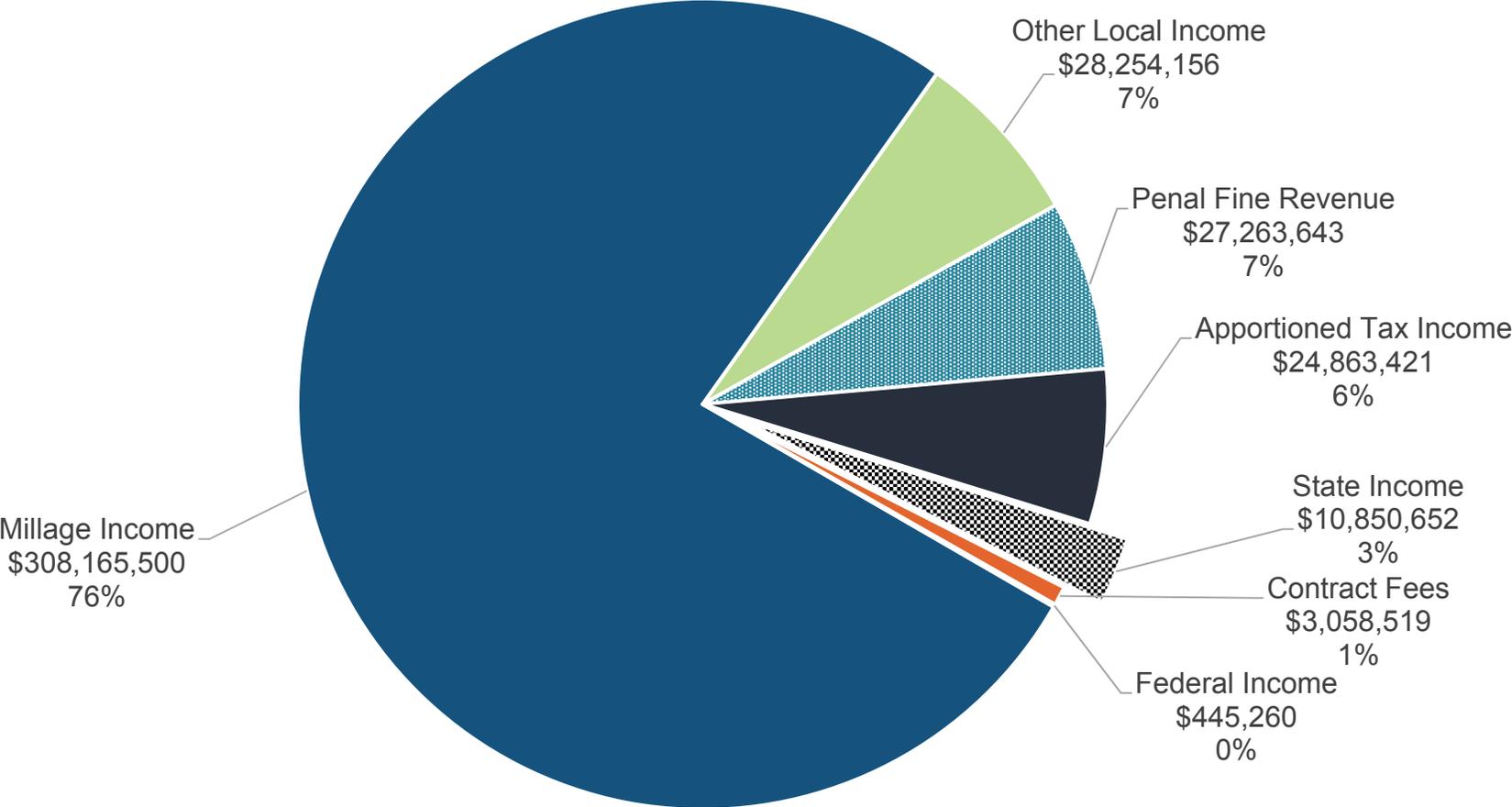
State Aid to Libraries

State Aid to Libraries was reduced throughout the Great Recession, and it has gradually increased as the economy rebounded. State Aid to libraries is currently prorated and full funding would require approximately \$15.1 million in total funding.



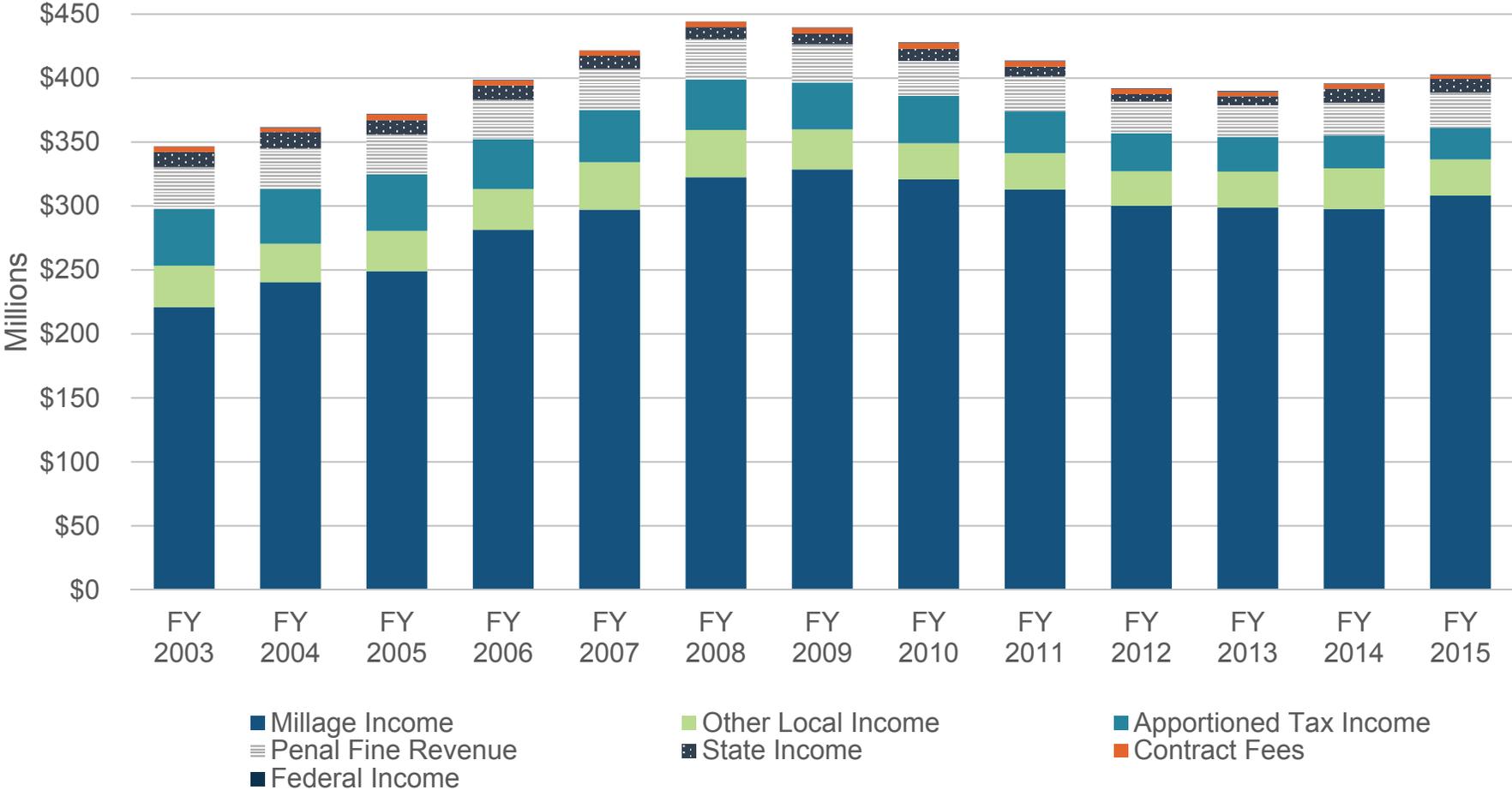
Public Libraries' Operating Income

Funding from the state makes up 3% of the \$402.9 million FY 2014-15 total operating income for libraries statewide.



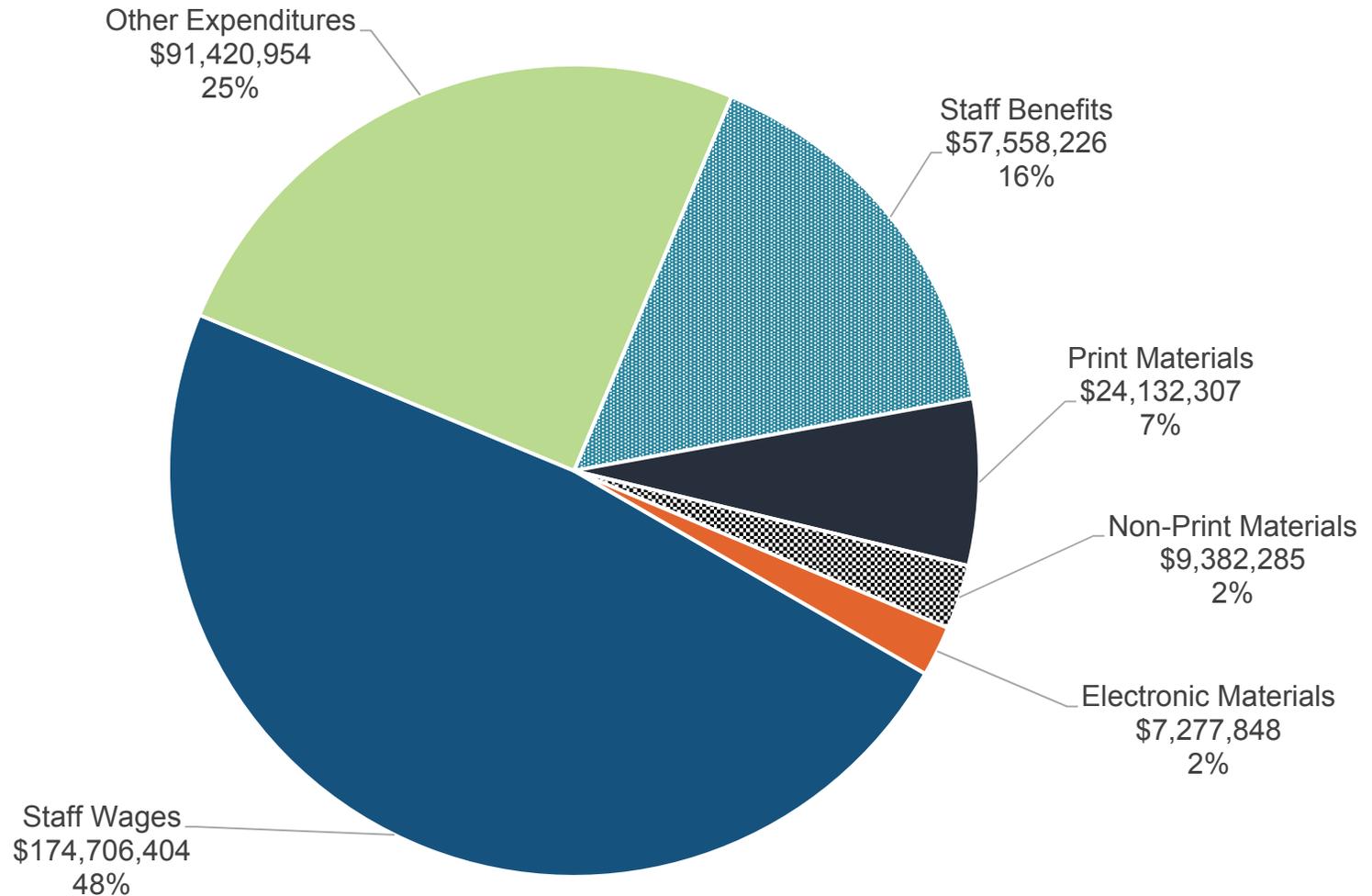
Public Libraries' Operating Income

Local property tax millage revenues are the main revenue source for local libraries. Property tax revenue peaked at \$328 million in FY 2008-9 but declined during the Great Recession to a low of \$297 million in FY 2013-14.



Public Libraries' Operating Expenditures

Total Operating Expenditures were \$364,478,024 in FY 2014-15.



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