



Budget Briefing: Department of Education

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics
 - FY 2022-23 Budget Highlights
 - 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 2022-23 is October 1, 2022 through September 30, 2023.

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 that establishes spending authorization for a particular program or function in a budget bill.

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

Lapses: 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.

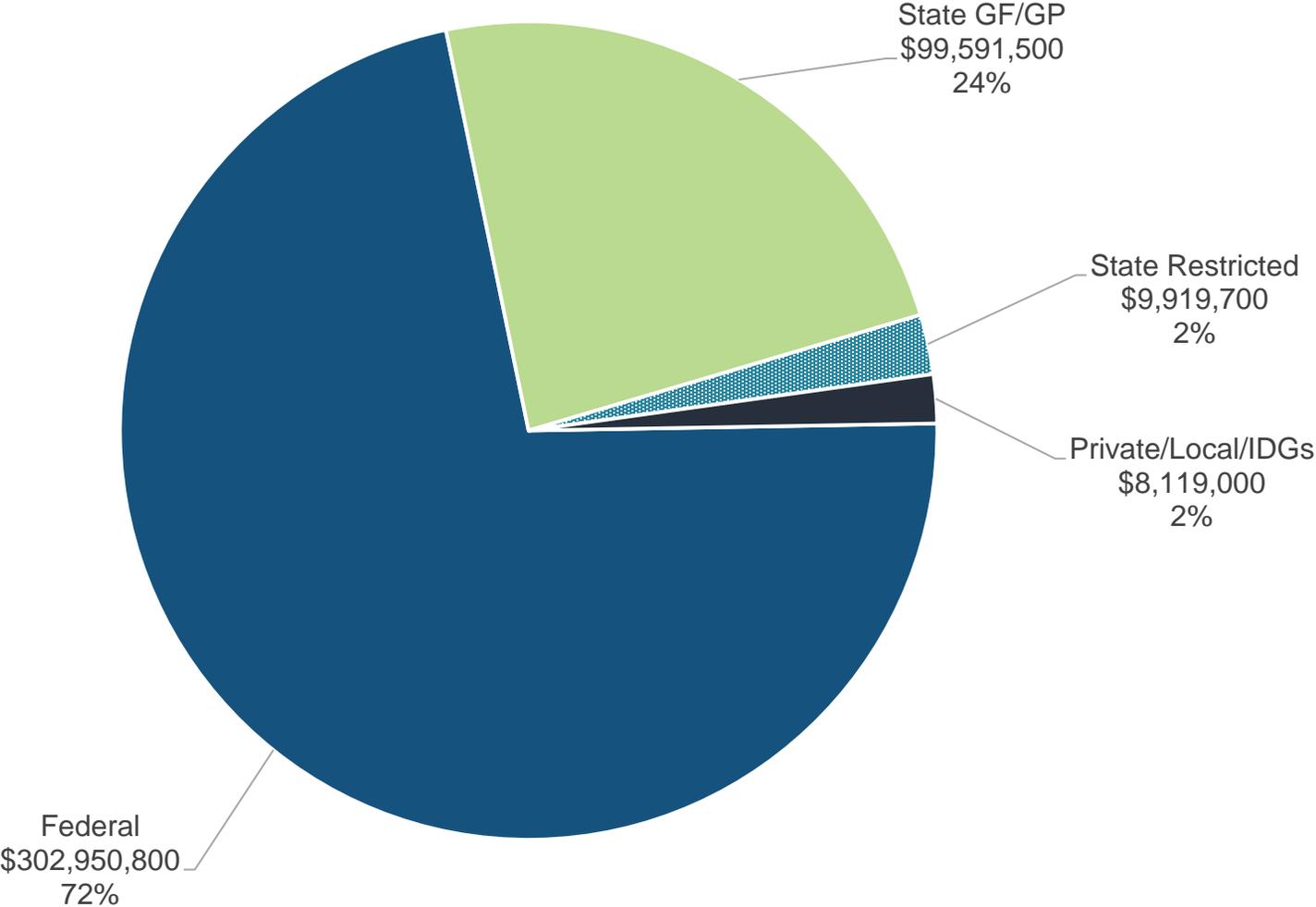
Funding Sources

FY 2022-23 MDE Budget

| Fund Source | Funding | Description |
|--|---------------|--|
| Gross Appropriations | \$420,581,000 | 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 | \$420,581,000 | Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas |
| Federal Revenue | 302,950,800 | Federal grant or matching revenue; generally dedicated to specific programs or purposes |
| Local Revenue | 5,878,600 | Revenue received from local units of government for state services |
| Private Revenue | 2,240,400 | Revenue from individuals and private entities, including payments for services, grants, and other contributions |
| State Restricted Revenue | 9,919,700 | 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 | \$99,591,500 | Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature |

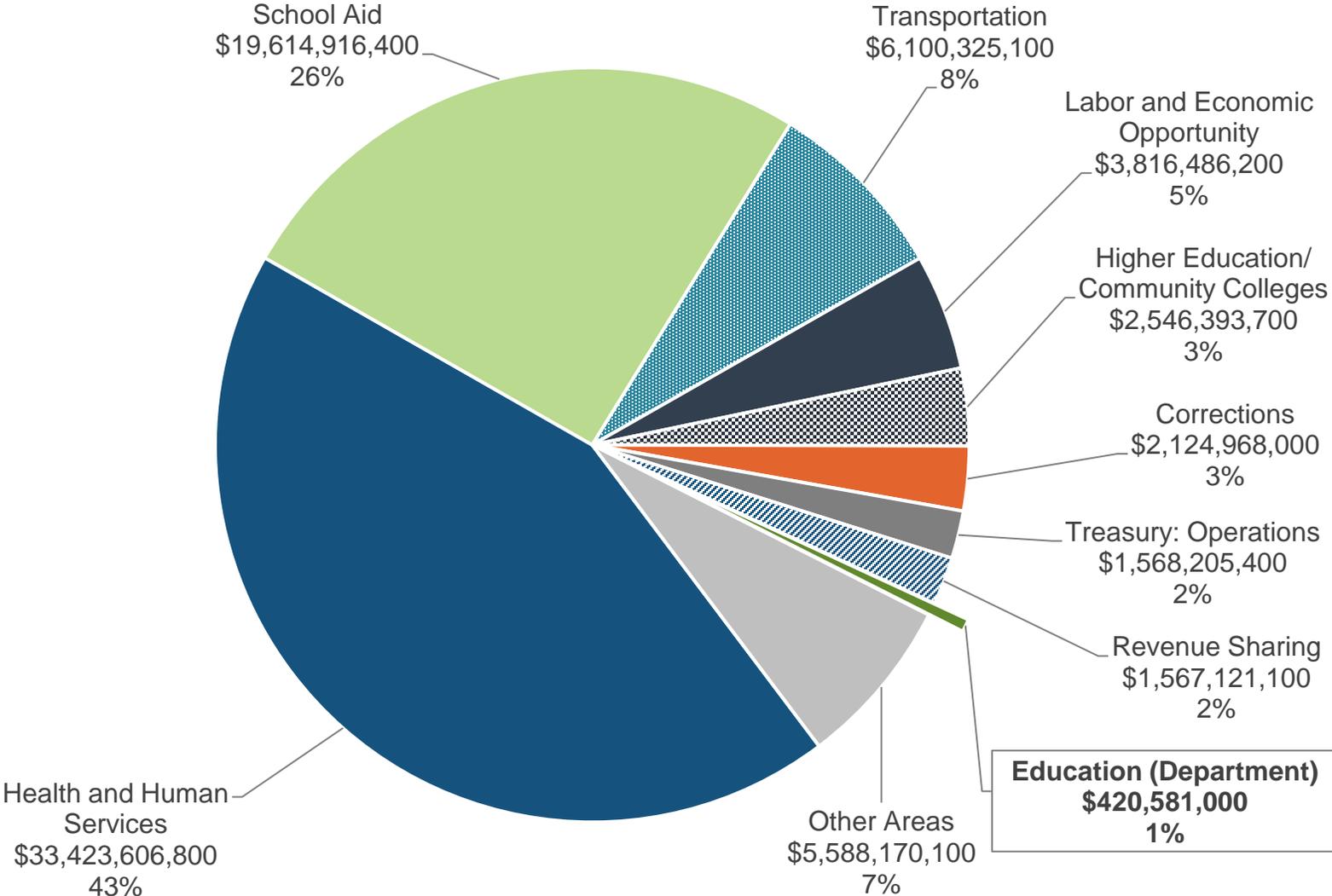
FY 2022-23 Fund Sources

Nearly three-quarters of the \$420.6 million MDE budget is funded by federal revenue.



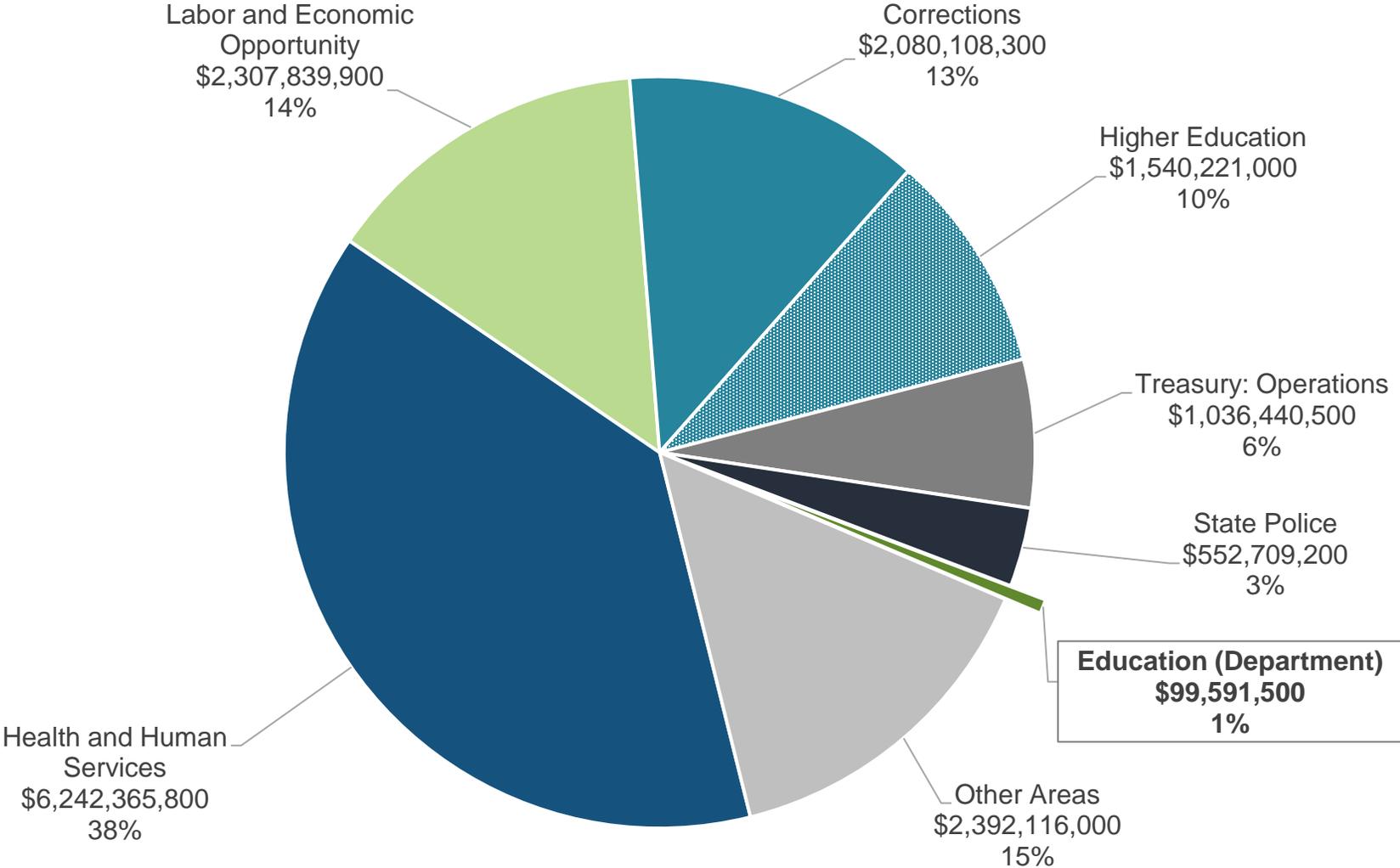
MDE Share of Total State Budget

The MDE budget represents less than 1% of the \$76.8 billion state budget (adjusted gross) for FY 2022-23.



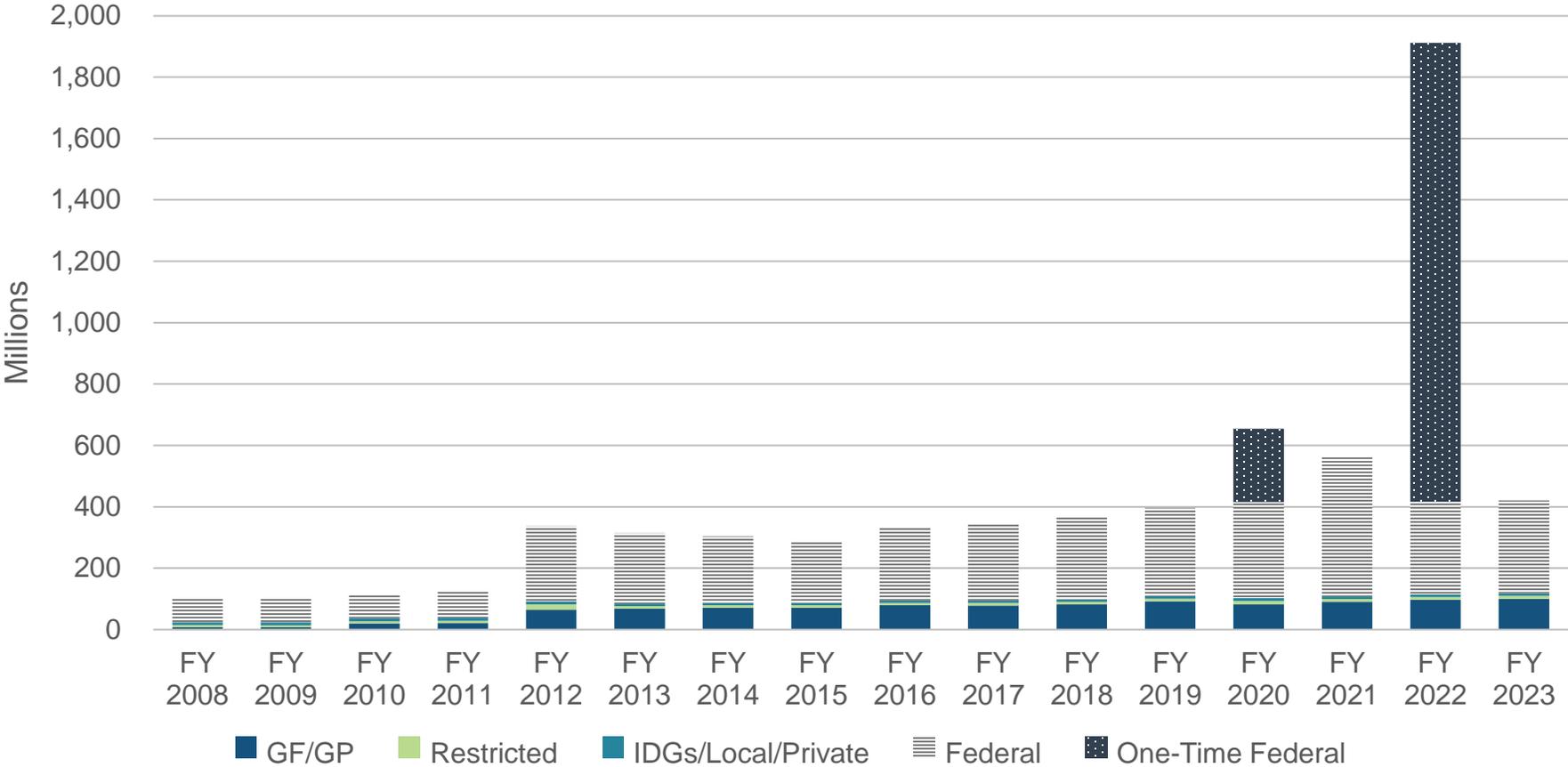
MDE Share of Total GF/GP Budget

The MDE budget represents less than 1% of the \$16.3 billion state GF/GP budget appropriations for FY 2022-23.



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. In FY 2021-22, **\$1.5 billion** in federal COVID-19 child care funding represented **78%** of the 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

COVID-19 Child Care Public Assistance: Authorizes a total of \$1.5 billion federal funding to provide child care investments for FY 2021-22 and FY 2022-23.

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

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

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

Libraries: 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.

MDE Appropriation Areas (cont.)

Educational Supports/Educator Excellence: 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; oversees professional preparation and professional development programs; manages teacher certifications; oversees statewide educator evaluation efforts.

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.

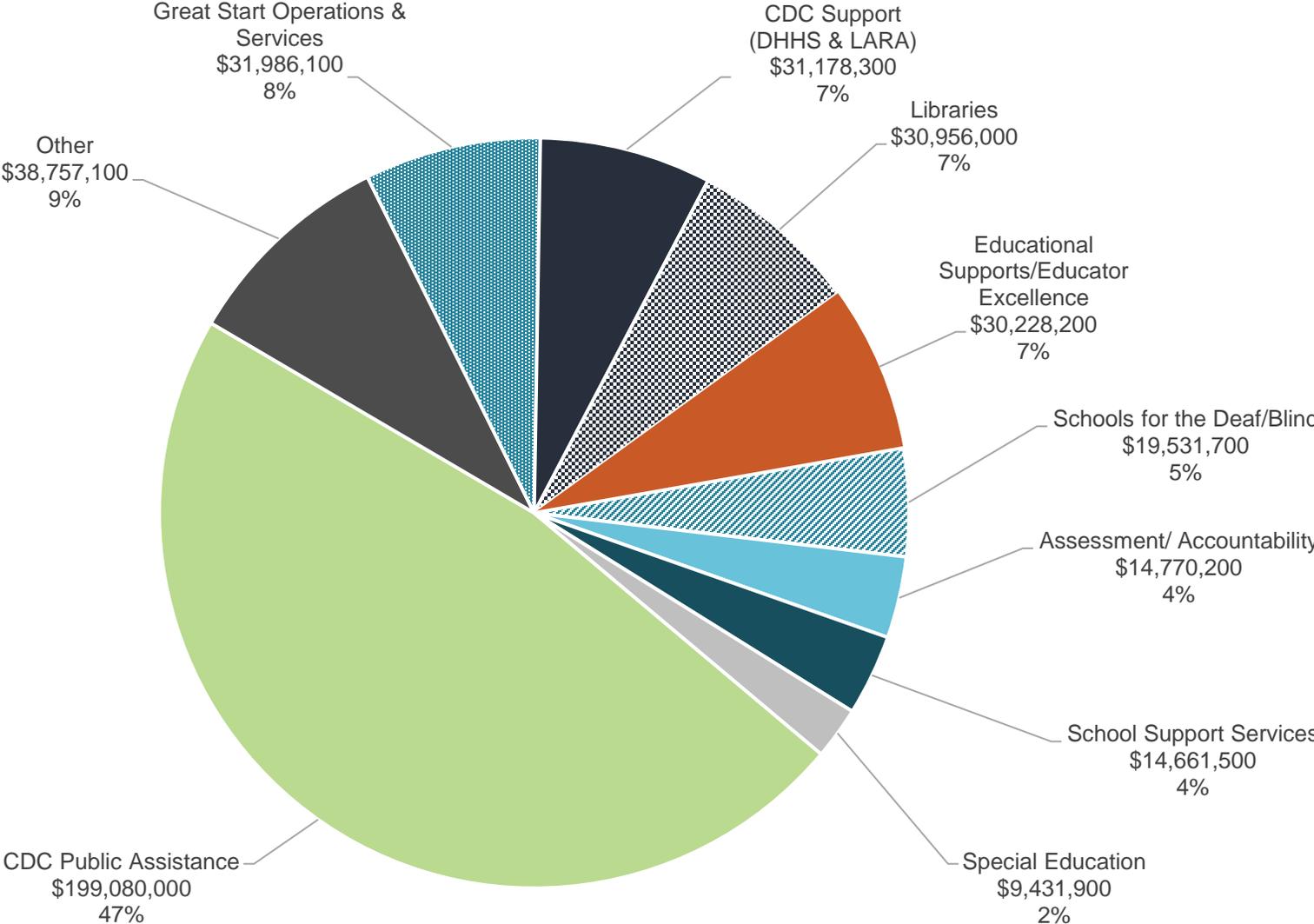
Assessment and Accountability: Develops, administers, and analyzes reports on M-STEP, the Merit Examination, and other state assessments; school district accountability and accreditation.

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

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.

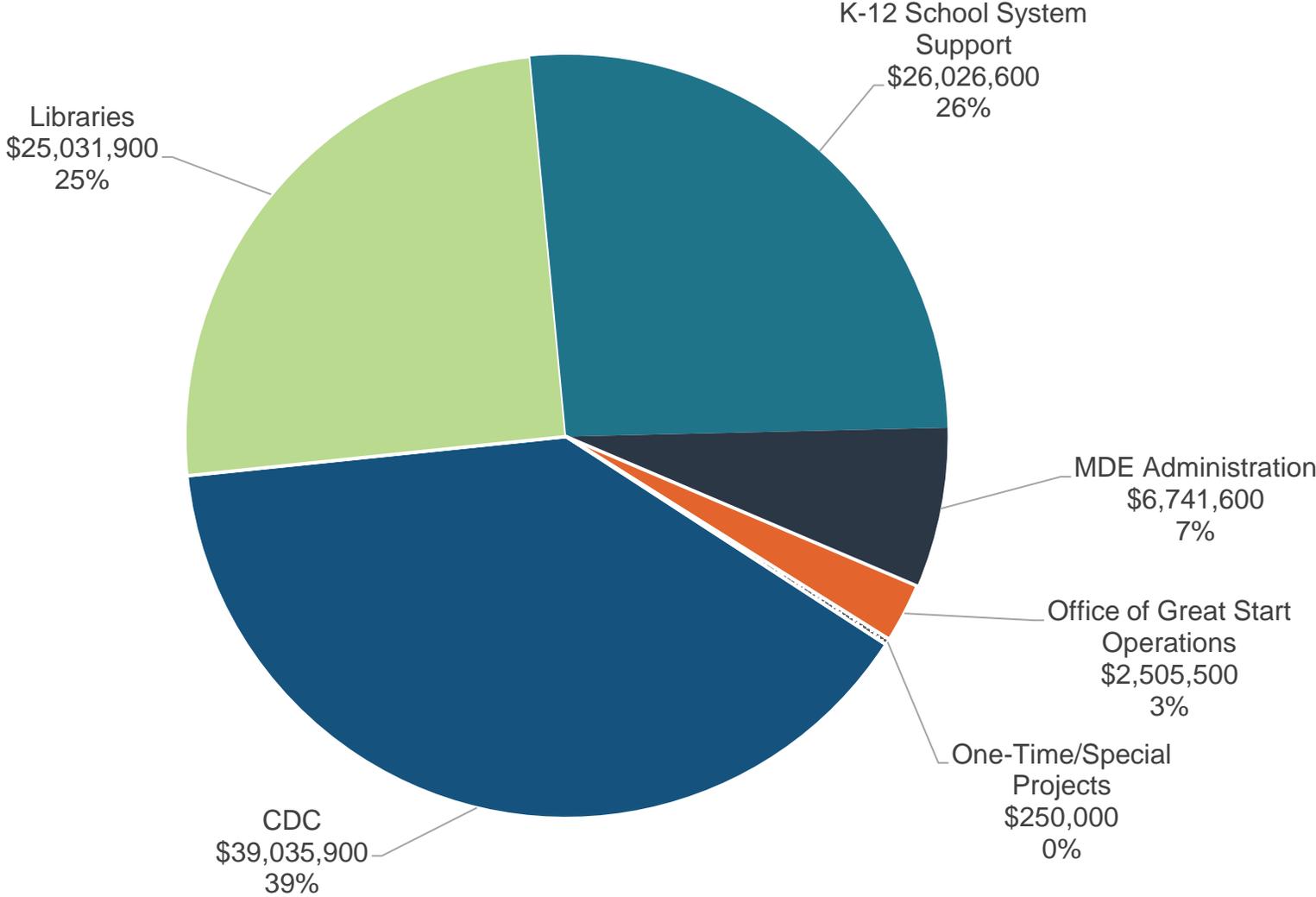
FY 2022-23 Gross Appropriations

The largest area of funding supports the Child Development and Care (CDC) program and early childhood education, comprising about **47%** of the budget.



FY 2022-23 GF/GP Appropriations

64% of the MDE GF/GP funds support the Child Development and Care (CDC) program and libraries.



Major Budget Topics

FY 2022-23 Major Budget Highlights

COVID-19 Child Care Public Assistance

- In FY 2021-22, MDE authorized a total of **\$1.5 billion** federal funding to provide child care investments.
- Funding supports the following costs for FY 2021-22 and FY 2022-23:
 - **\$700.7 million** to distribute subgrants to eligible child care providers
 - **\$222.0 million** for additional bonus pay to child care providers
 - **\$158.0 million** to increase provider reimbursement rates by 30%
 - **\$108.1 million** to increase the CDC entrance income eligibility threshold from 150% to 185% of the federal poverty guidelines
 - **\$117.4 million** to pay providers based on enrollment rather than attendance
 - **\$100.0 million** for technical and/or financial support to new or expanding child care providers
 - **\$36.5 million** to contract with child care providers for infant and toddler slots
 - **\$30.0 million** to distribute bonus pay based on the number of child care workers needed to be fully staffed
 - **\$13.0 million** to waive CDC family contribution copays for FY 2021-22
 - **\$7.2 million** for MDE implementation costs
 - **\$3.0 million** to provide mental health consultation to child care providers

FY 2022-23 New Programs

ASL Literacy Resources: Includes **\$1.0 million** GF/GP for the development of literacy resources, tools, and assessments for the parents and teachers of children who are deaf or hard of hearing. Funding will support the implementation of the requirements of HB 5777.

Michigan Core Curriculum: Includes **\$750,000** GF/GP for a collaboration with the confederation of Michigan Tribal Education Department to design, implement, and evaluate professional learning and optional curriculum modules regarding Michigan Indigenous tribal history, including the history of Indian boarding schools in Michigan.

Child Development and Care (CDC) Program

CDC Services 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 family size).
 - Michigan categorically serves family groups receiving Family Independence Program (FIP) assistance, foster care, or having a protective service case.
 - Michigan also serves families up to **185%** of the federal poverty guidelines, which is a monthly income below **\$3,550** for a family size of three, or **\$42,606** annually—around **62%** of the maximum federal eligibility threshold.

○ 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

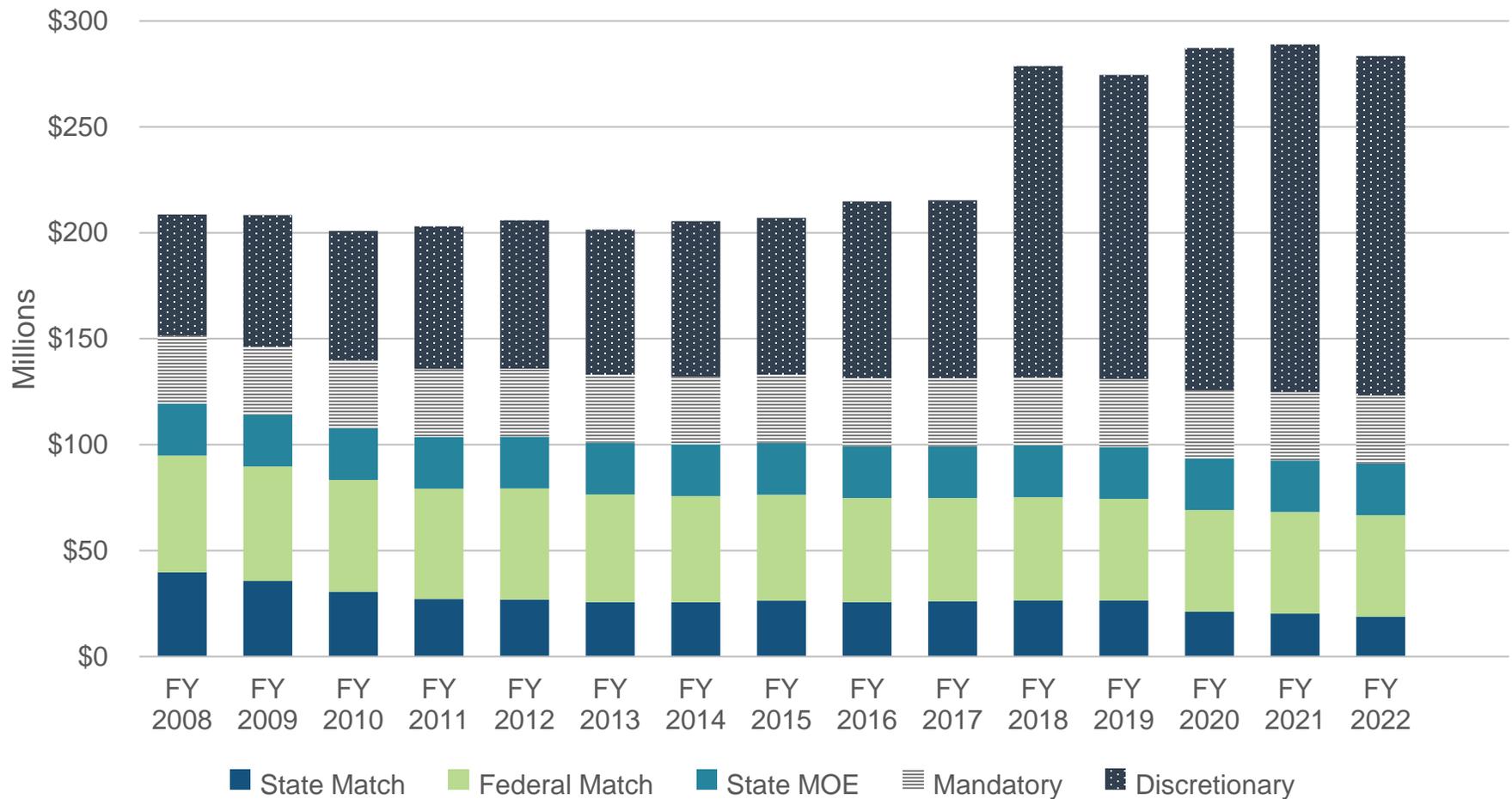
- CCDF federal regulations recommend that states provide subsidy reimbursements at the **75th percentile** of market rate, and Michigan's current payment structure provides tiered hourly reimbursements based on the age, provider type, provider rating, and reimbursement block (based on the number of hours of care).

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 (**64.71%** in FY 2022-23)
 - State MOE
 - Federal match
 - State match
 - School Aid Budget At-Risk Program (Sec. 31a) and Great Start Readiness Program (GSRP) (Sec. 32d) funding used as match
- **Federal Child Care Development Block Grant (CCDBG)**
 - **Discretionary Funds**
 - 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)

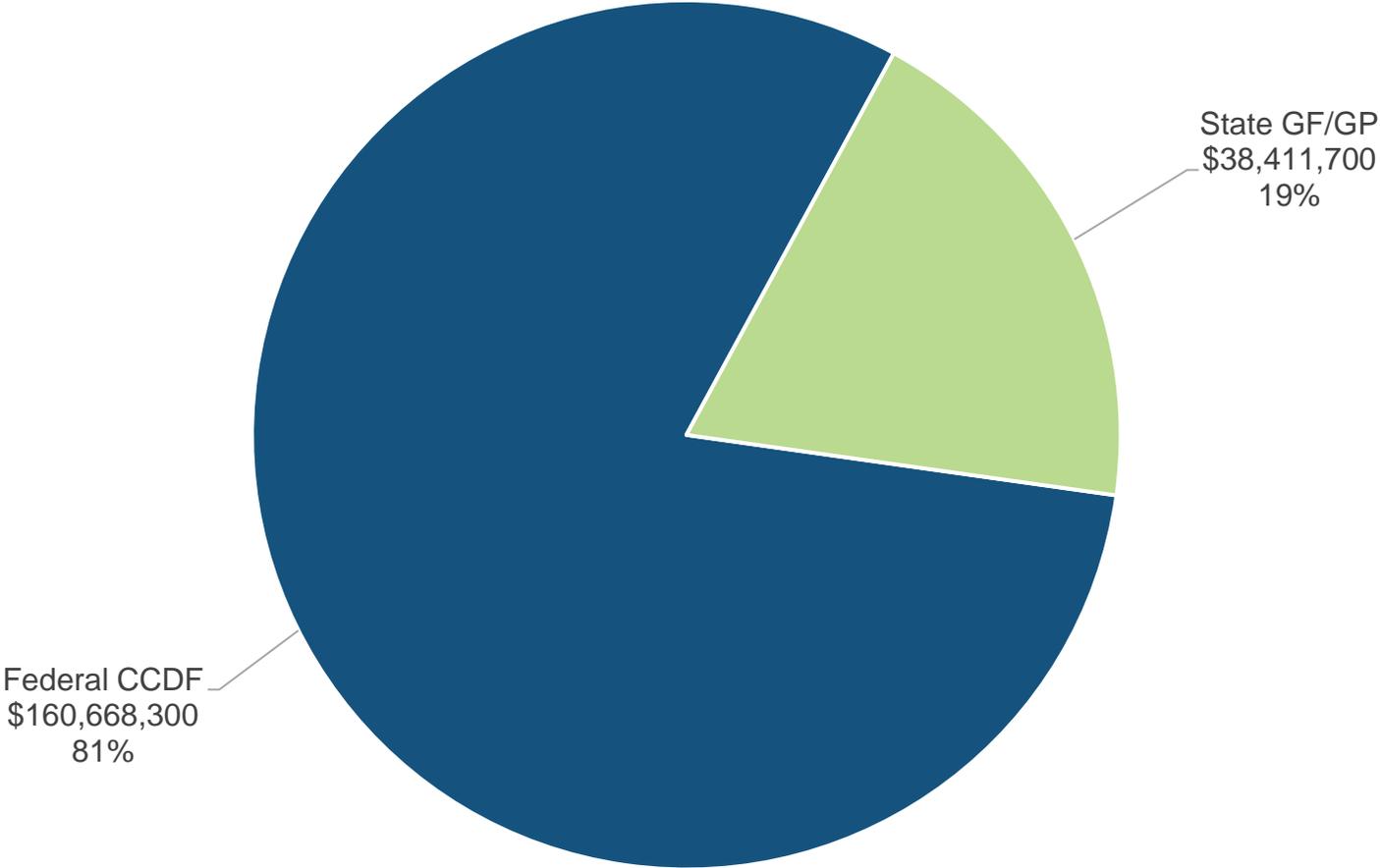
Total allotted CCDF funding was fairly consistent with adjustments for caseload and eligibility changes until discretionary funding was nearly doubled in FY 2017-2018 to fund added CCDF reauthorization requirements related to health, safety, and quality.



Note: The annually awarded CCDF funding shown above does not include COVID-19 stimulus.

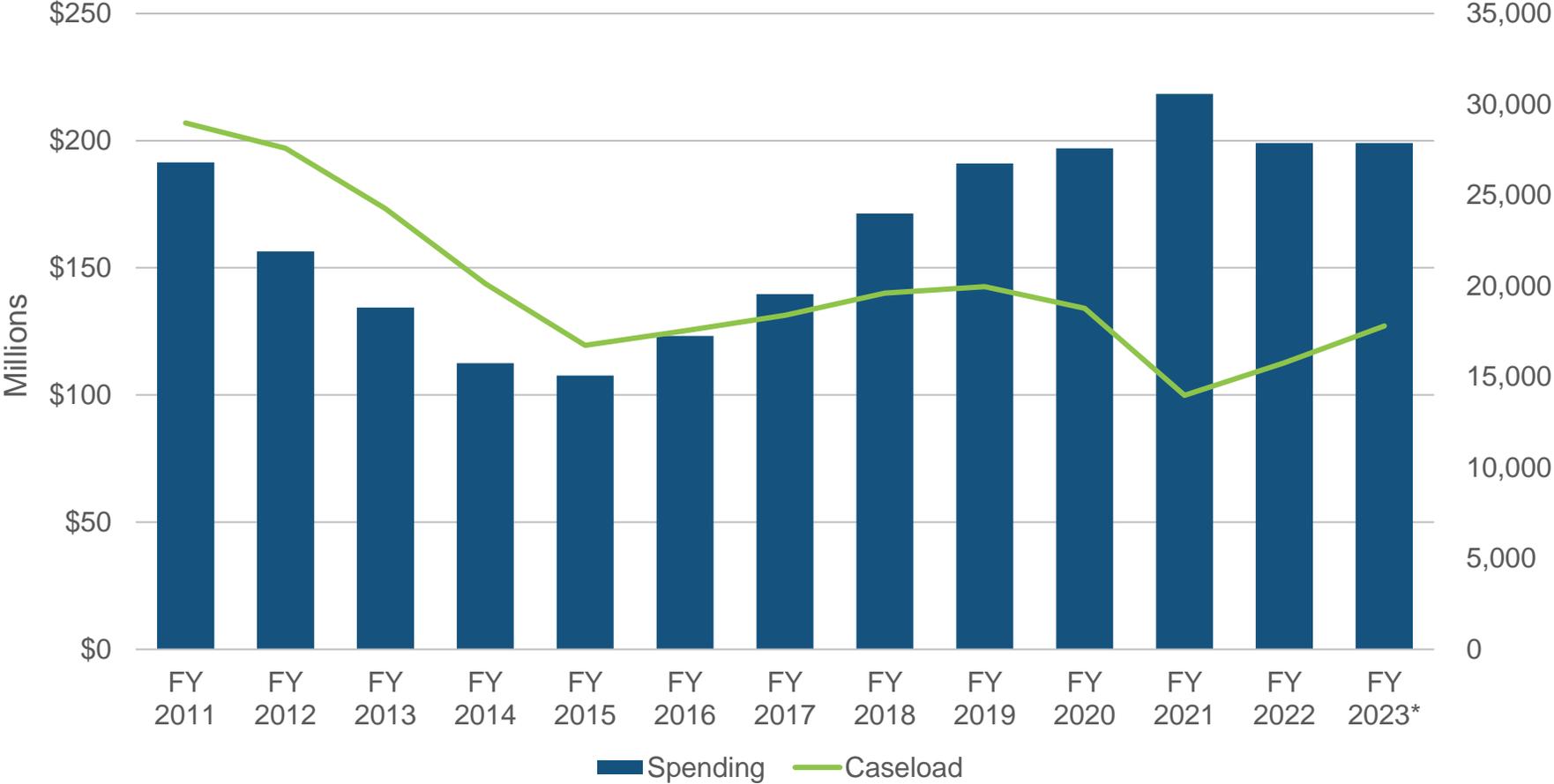
CDC Subsidy Funding Sources

Total funding for the CDC subsidy is **\$199.1 million** for FY 2022-23, based off the May 2022 Consensus Revenue Estimating Conference (CREC) estimates.



CDC Caseload and Spending Trends

CDC caseload and spending levels fell due to economic conditions and tightened eligibility guidelines. Expanded eligibility guidelines and increased provider reimbursement rates after FY 2013-14 incrementally increased spending/caseloads through FY2018-19. Starting in FY 2019-20, COVID-19 caused a disruption to the child care market which decreased cases and costs. Recent policy changes increased the total spending from FY 2019-20 to FY 2021-22.



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

CDC Block Schedule Reimbursement

- A new block schedule reimbursement was implemented in March of 2019 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 is 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
 - 61-90 hours: paid as 90 hours at the hourly tiered reimbursement rate
- License-exempt providers continue to be paid at their current hourly tiered reimbursement rate.

CDC Hourly Tiered Provider Reimbursement

Providers receive reimbursement based on provider type, age of child, and tiered rating. The current rate has been temporarily increased by 30% until April 2023.

| | Child Care Centers | | | Group/Family Child Care Homes | | |
|--------------------------|--------------------|----------|------------|-------------------------------|------------|------------|
| | Birth to 2 ½ | 2 ½ to 5 | Over Age 5 | Birth to 2 ½ | 2 ½ to 5 | Over Age 5 |
| Base Rate | \$7.30 | \$5.20 | \$5.05 | \$5.85 | \$5.05 | \$4.90 |
| 1 Star Rate | \$7.30 | \$5.20 | \$5.05 | \$5.85 | \$5.05 | \$4.90 |
| 2 Star Rate | \$7.75 | \$5.60 | \$5.50 | \$6.35 | \$5.50 | \$5.30 |
| 3 Star Rate | \$8.60 | \$6.45 | \$6.35 | \$7.15 | \$6.35 | \$6.15 |
| 4 Star Rate | \$9.00 | \$6.90 | \$6.70 | \$7.55 | \$6.70 | \$6.60 |
| 5 Star Rate | \$9.85 | \$7.75 | \$7.55 | \$8.40 | \$7.55 | \$7.45 |
| License-Exempt Providers | | | | | | |
| | Birth to 2 ½ | | 2 ½ to 5 | | Over Age 5 | |
| Tier 1 | \$3.00 | | \$3.00 | | \$3.00 | |
| Tier 2 | \$5.10 | | \$4.50 | | \$4.50 | |

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

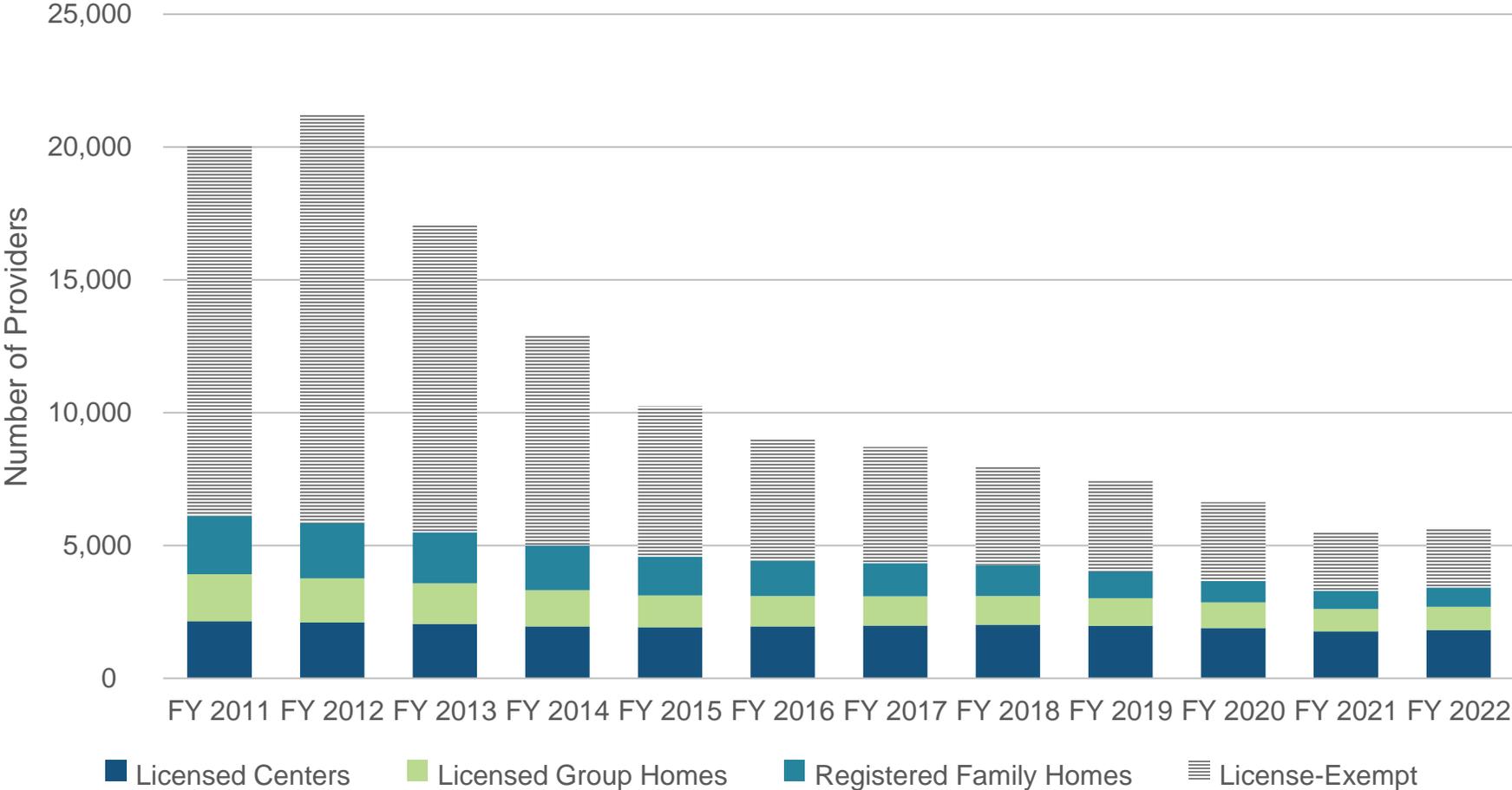
- A private home registered to care for up to 6 children at a time

○ License-Exempt Providers

- An adult who is 18 years or older and enrolled to provide child care for up to 6 children at a time
- Must either (1) provide care in the child's home or (2) provide care in the provider's home and be related to the child
- Providers receive **Level 1** status after completing a 7-hour basic training course and **Level 2** status after completing an additional 10 hours per year

CDC Services by Provider Type

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



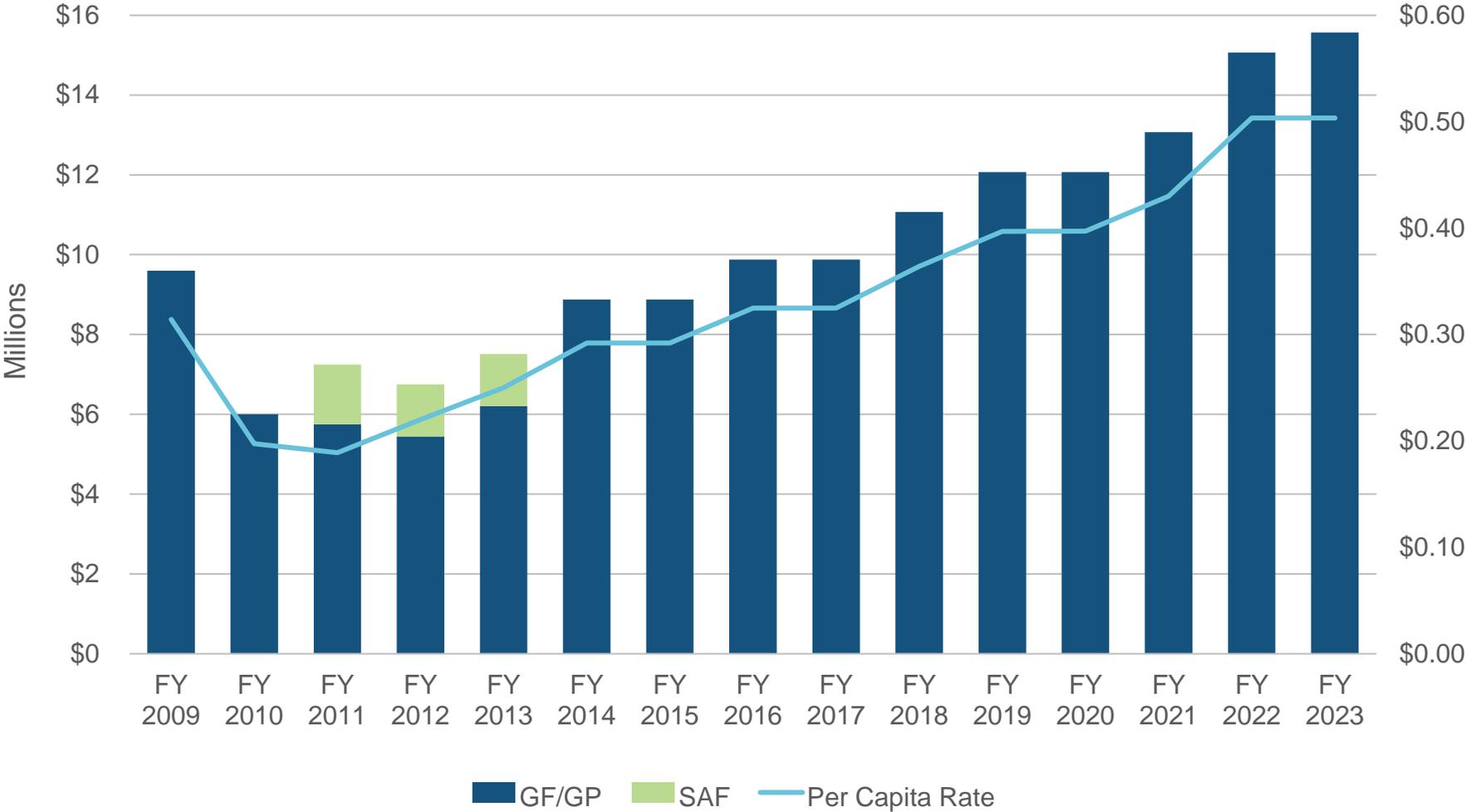
Libraries

Library of Michigan/State Aid to Libraries

- Transferred from the Department of History, Arts, and Libraries in FY 2009-10
- Supports operation of the Library of Michigan (**\$5.0 million** Gross)
- Supports State Aid to Libraries (**\$15.6 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

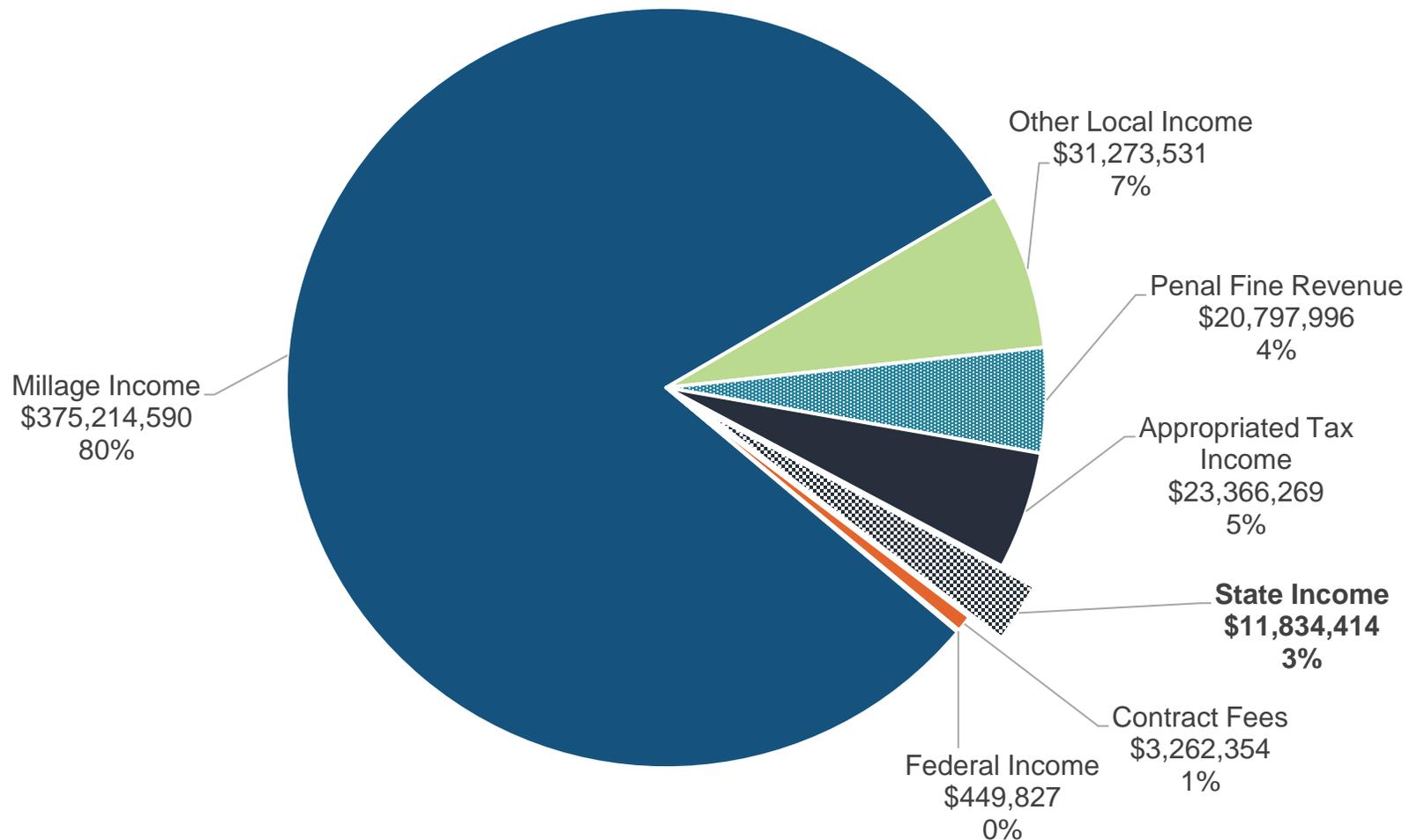
State Aid to Libraries

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 **\$15.6 million**.



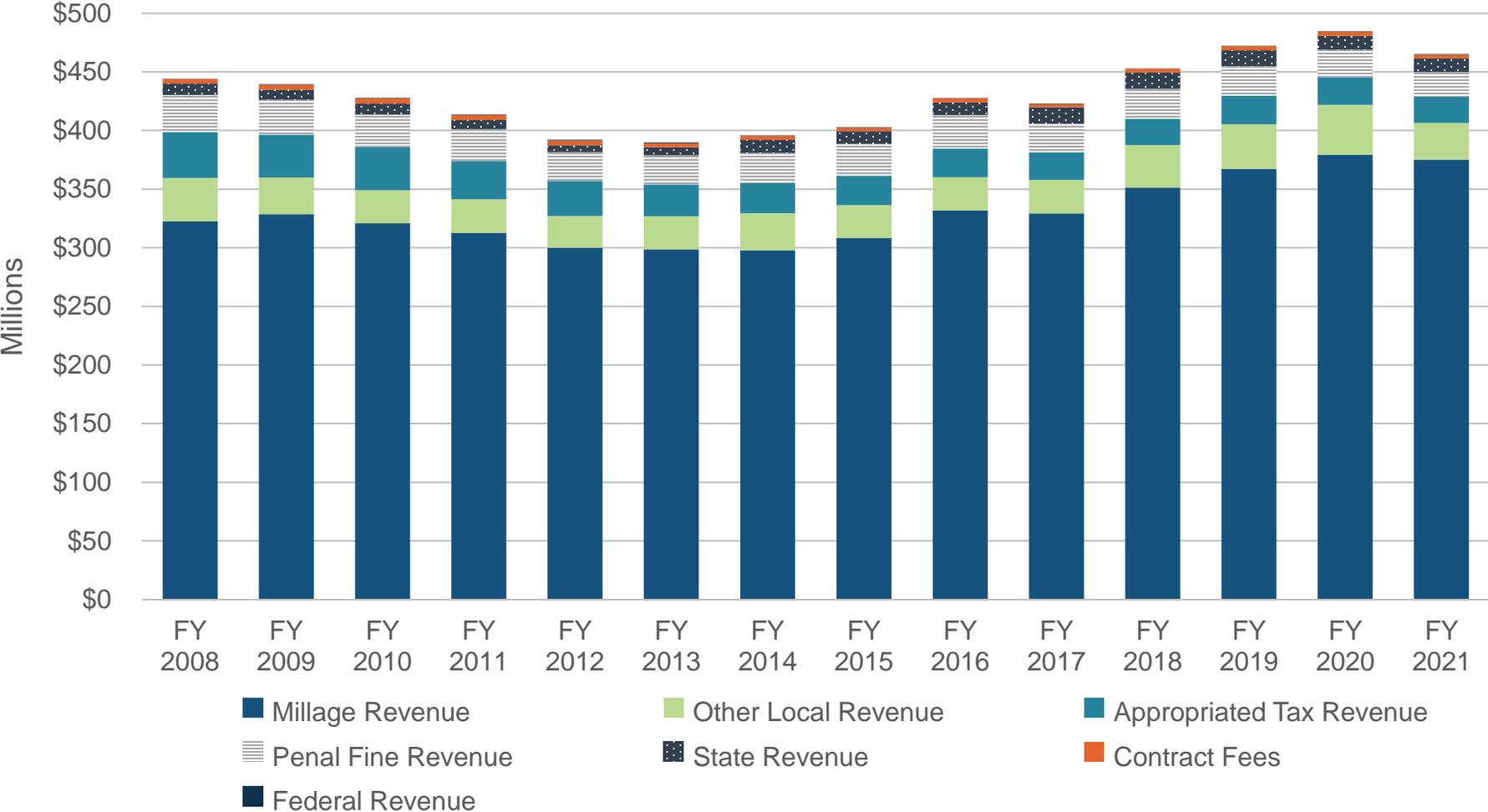
Public Libraries' Operating Income

Funding from the state makes up **3%** of the **\$466.2 million** FY 2020-21 total operating income for libraries statewide.



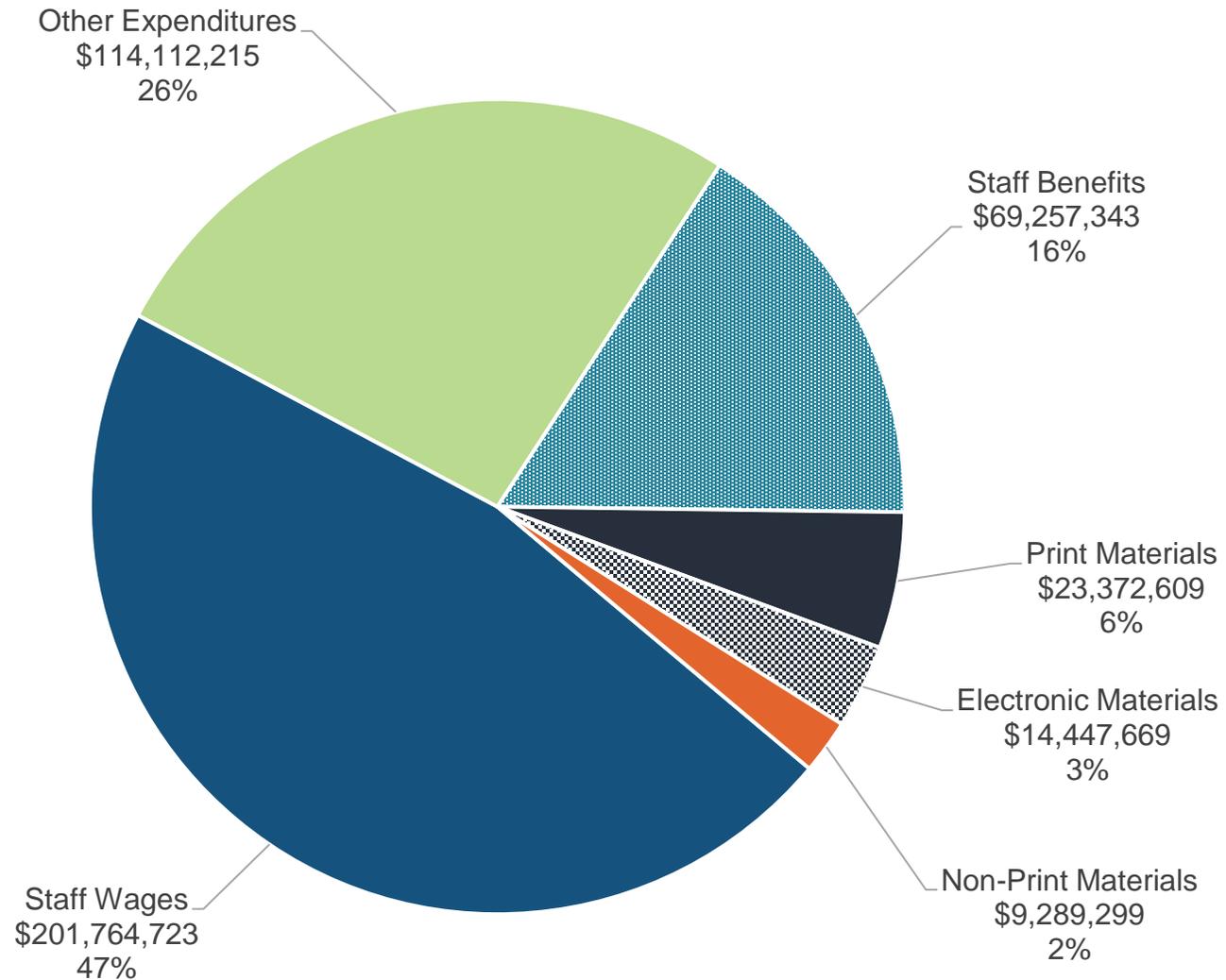
Public Libraries' Operating Income

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 **\$375.2 million** in FY 2020-21, a slight decrease from the prior year.



Public Libraries' Operating Expenditures

Total operating expenditures were **\$432.2 million** in FY 2020-21.



For more information about the Department of Education budget:

HFA Resources

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

Contact Information

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