

**Summary: Executive Budget Recommendation  
for Fiscal Year 2019-20  
DEPARTMENT OF EDUCATION**



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	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
<b>Federal</b>	298,074,500	332,152,900	34,078,400	11.4
<b>Local</b>	5,852,800	5,893,400	40,600	0.7
<b>Private</b>	2,035,800	2,036,200	400	0.0
<b>Restricted</b>	8,668,200	9,050,000	381,800	4.4
<b>GF/GP</b>	91,503,600	87,212,000	(4,291,600)	(4.7)
<b>Gross</b>	<b>\$406,134,900</b>	<b>\$436,344,500</b>	<b>\$30,209,600</b>	<b>7.4</b>
<b>FTEs</b>	620.5	620.5	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

**Overview**

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Michigan Department of Education (MDE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the MDE include developing and overseeing the K-12 school system, certifying teachers, disbursing funds to educational organizations and libraries, providing technical assistance to school districts and libraries, and providing early education and child day care support for low-income and other qualifying families.

<b>Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations</b>		<b>FY 2018-19 YTD (as of 3/5/19)</b>	<b>Executive Change from YTD</b>
<b>1. Child Development and Care (CDC) – Provider Reimbursement Rate Increase</b>	<b>Gross</b>	<b>\$202,000,000</b>	<b>\$16,400,000</b>
Includes \$16.4 million in federal funding to increase reimbursement rates for childcare providers delivering services through the CDC program beginning January 1, 2020. This represents three quarters of the estimated annual cost of \$21.9 million. The stated purpose of the increase is to better retain and incentivize providers to join the program, and to increase the quality of care that Michigan’s children receive in the program. The provider reimbursement rate increase would increase rates between \$0.20 and \$0.50 per hour depending on age of child and the Great Start to Quality star rating of the provider. (See Major Boilerplate Changes Sec. 1002 for additional information on the rate increase.)	Federal	162,570,300	16,400,000
	GF/GP	\$39,429,700	\$0
	<b>Gross</b>	<b>\$202,000,000</b>	<b>\$13,600,000</b>
<b>2. CDC – Entrance Eligibility Threshold Increase</b>	<b>Gross</b>	<b>\$202,000,000</b>	<b>\$13,600,000</b>
Includes \$13.6 million in federal funding to increase the entrance eligibility threshold from 130% of the federal poverty level (FPL) to 140% of the FPL beginning January 1, 2020. This represents three quarters of the estimated annual cost of \$18.1 million. Currently, Michigan has set the entrance threshold at 130% of FPL and serves families with an annual income below \$26,556 for a family size of three. The Executive recommendation would increase the entrance threshold to 140% of FPL, which would serve families with an annual income up to \$29,092 for a family size of three.	Federal	162,570,300	13,600,000
	GF/GP	\$39,429,700	\$0
	<b>Gross</b>	<b>\$202,000,000</b>	<b>\$13,600,000</b>

<b>Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations</b>		<b>FY 2018-19 YTD (as of 3/5/19)</b>	<b>Executive Change from YTD</b>
<b>3. CDC – Infant/Toddler and Quality</b>	<b>Gross</b>	<b>\$12,350,000</b>	<b>\$3,600,000</b>
Includes \$3.6 million in federal funding to ensure continued compliance with federal requirements on infant/toddler and program quality spending for the CDC program beginning January 1, 2020. This represents three quarters of the estimated annual cost of \$4.8 million.	Federal	10,195,500	3,600,000
	Private	250,000	0
	Restricted	64,600	0
	GF/GP	\$1,839,900	\$0
<b>4. CDC – State Matching Fund Increase</b>	<b>Gross</b>	<b>\$202,000,000</b>	<b>\$0</b>
Replaces \$599,400 of federal funds with a corresponding amount of GF/GP for the CDC program’s matching funds to increase the state share as a result of the reduction of the Federal Medicare Assistance Percentage (FMAP) rate from 64.45% in FY 2018-19 to 64.06% in FY 2019-20. This rate reduction necessitates an increase in the state match portion to \$27.9 million GF/GP to draw down the estimated full federal match amount of \$48.1 million. This represents an estimate because the federal allocation for Michigan has not been appropriated at the federal level.	Federal	162,570,300	(599,400)
	GF/GP	\$39,429,700	\$599,400
<b>5. Renaissance Zone Adjustment</b>	<b>Gross</b>	<b>\$2,500,000</b>	<b>(\$300,000)</b>
Reduces funding for Renaissance Zone reimbursements to libraries by \$300,000 GF/GP. Estimated reimbursement payments required by statute have decreased due to recent personal property tax reform.	GF/GP	\$2,500,000	(\$300,000)
<b>6. Office of Great Start Line Item Roll Up: CDC Contracted Services and TEACH Scholarship</b>	<b>Gross</b>	<b>\$12,350,000</b>	<b>\$0</b>
Transfers \$16.5 million of federal funding from two line items, Child Development and Care Contracted Services (\$11.5 million) and TEACH Scholarship Program (\$5.0 million), to the Office of Great Start Operations. Both of these programs were included as individual line items in the FY 2018-19 budget to separate their functions and appropriation levels from the Office of Great Start Operations.	Federal	10,195,500	0
	Private	250,000	0
	Restricted	64,600	0
	GF/GP	\$1,839,900	\$0
<b>7. Teacher Certification Fee Authorization Increase</b>	<b>Gross</b>	<b>\$4,287,500</b>	<b>\$300,000</b>
Increases teacher certification fee authorization by \$300,000 in the information technology services and projects line item to fund approximately two contractors at the Department of Technology, Management, and Budget (DTMB) for ongoing support and enhancements of MDE’s Michigan Online Educator Certification System (MOECS), which allows teachers to access their certification data, apply for certificates and endorsements, and renew their certificates.	Federal	2,496,500	0
	Restricted	406,500	300,000
	GF/GP	\$1,384,500	\$0
<b>8. MDE Reorganization</b>	FTE	NA	0.0
Reallocates funding and FTE positions to continue implementing a departmental reorganization that began in 2016 to reduce the duplication of service and oversight of the K-12 system and to create coordination between offices by specific function. The changes net to zero for both funding and FTE positions. The major departmental changes are as follows:	<b>Gross</b>	<b>NA</b>	<b>\$0</b>
	Restricted	NA	0
	GF/GP	NA	\$0

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**8. MDE Reorganization (continued)**

- Combines the Office of Educational Improvement and Innovation and the Office of Field Services into a new Office of Educational Supports, which focuses on school- and district-level supports.
- Creates a new Office of Systems, Evaluation, and Technology to coordinate reporting systems and reduce reporting burdens on districts.
- Creates a new Office of Strategic Planning for implementation of MDE's department wide strategic initiatives, such as Top Ten in Ten years that focuses on literacy, whole child, and prenatal through age 8.

**9. Economic Adjustments**

Reflects increased costs of \$1.6 million Gross (\$409,000 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

<b>Gross</b>	<b>NA</b>	<b>\$1,609,700</b>
Federal	NA	1,077,800
Local	NA	40,600
Private	NA	400
Restricted	NA	81,900
GF/GP	NA	\$409,000

**Major Boilerplate Changes From FY 2018-19**

**DELETED Sections**

- Personnel Records (Sec. 221)
- Communication with the Legislature (Sec. 222)
- Records Retention (Sec. 223)
- Grant Application Penalty (Sec. 225)
- Timely Data (Sec. 227)
- Contract Notification (Sec. 229)
- Nonpublic School Mandates (Sec. 230)
- Administrative Rules (Sec. 234)
- Travel Expenditures (Sec. 302)
- Federal and Private Grants (Sec. 325)
- Due Process Hearings (Sec. 409)
- Student Teaching Credits (Sec. 502)
- Adolescent and Social Health HIV/STI Prevention (Sec. 602)
- Keep Library Functions Together (Sec. 803)
- Early Childhood Investment Corporation Annual Report (Sec. 1003)
- CDC Childcare Monitoring (Sec. 1005)
- CDC Funding Changes (Sec. 1010)
- CDC Biweekly Block Reimbursement Rate Schedule (Sec. 1011)
- Drinking Water Declaration of Emergency – CDC Pilot (Sec. 1101)

**Sec. 231. Child Protection Law Reporting – REVISED**

Removes the requirement that MDE submit information to districts from the final task force recommendations for reducing child sexual abuse in this state as required by section 12b of the child protection law, 1975 PA 238, MCL 722.632b.

**Sec. 408. Carry Forward of Programmatic Service Funds – REVISED**

Revises to allow the Michigan Schools for the Deaf and Blind and the Low Incidence Outreach program to receive and expend funds in addition to the \$750,000 appropriated in the Low Incidence Outreach program in Sec. 106.

**Sec. 1002. CDC Provider Reimbursement Rate – REVISED**

Revises to include increases to the hourly provider reimbursement rate and to transfer the CDC biweekly block reimbursement rate schedule of payments from Sec. 1011 to this section. The proposed provider reimbursement rate increases for licensed providers are as follows: \$0.20 increases for providers with no star rating to a 2 star rating; \$0.30 increases for providers with a 3 to 5 star rating; and \$0.20 increases for children between the ages of 0-5, regardless of star rating. License-Exempt providers would receive \$0.20 increases for all tier 1 and tier 2 providers, regardless of the age of the child. Deletes the spending report for the biweekly block reimbursement rate schedule.

**Major Boilerplate Changes From FY 2018-19**

**Sec. 1004. CDC TEACH Scholarship – REVISED**

Transfers the designation of \$5.0 million from this section to the Office of Great Start Operations.

**Sec. 1009. CDC Eligibility Entrance Threshold Increase – REVISED**

Revises to increase the entrance income threshold for the CDC program from 130% of the federal poverty guidelines to 140%.

**Supplemental Recommendations for FY 2018-19 Appropriations**

**FY 2018-19  
Recommendation**

**1. CDC – State Matching Fund Increase**

Replaces \$254,200 of federal funds with a corresponding amount of GF/GP for the CDC program's matching funds to increase the state share as a result of the reduction of the FMAP rate from 64.78% in FY 2017-18 to 64.45% in FY 2018-19. This rate reduction necessitates an increase in the state match portion to \$27.1 million GF/GP to draw down the full federal match amount of \$48.5 million.

<b>Gross</b>	<b>\$0</b>
Federal	(254,200)
GF/GP	\$254,200