



# Budget Briefing: Department of Education

Noel Benson, Fiscal Analyst

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# Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics
  - FY 2023-24 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 2023-24 is October 1, 2023 through September 30, 2024.

**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.

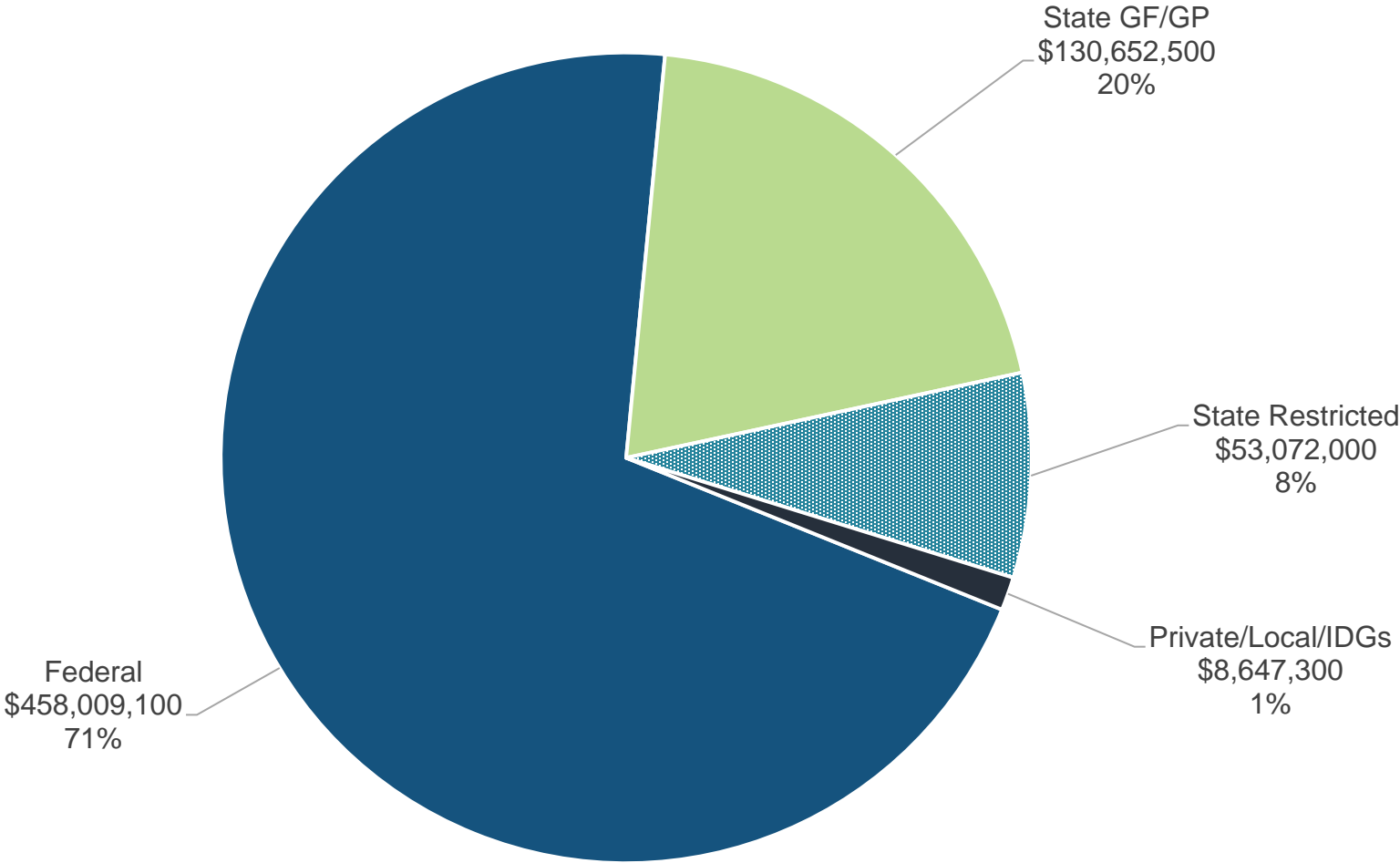
# Funding Sources

# FY 2023-24 MDE Budget

Fund Source	Funding	Description
Gross Appropriations	\$650,380,900	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	\$650,380,900	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	458,009,100	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	5,856,000	Revenue received from local units of government for state services
Private Revenue	2,791,300	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	53,072,000	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	\$130,652,500	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

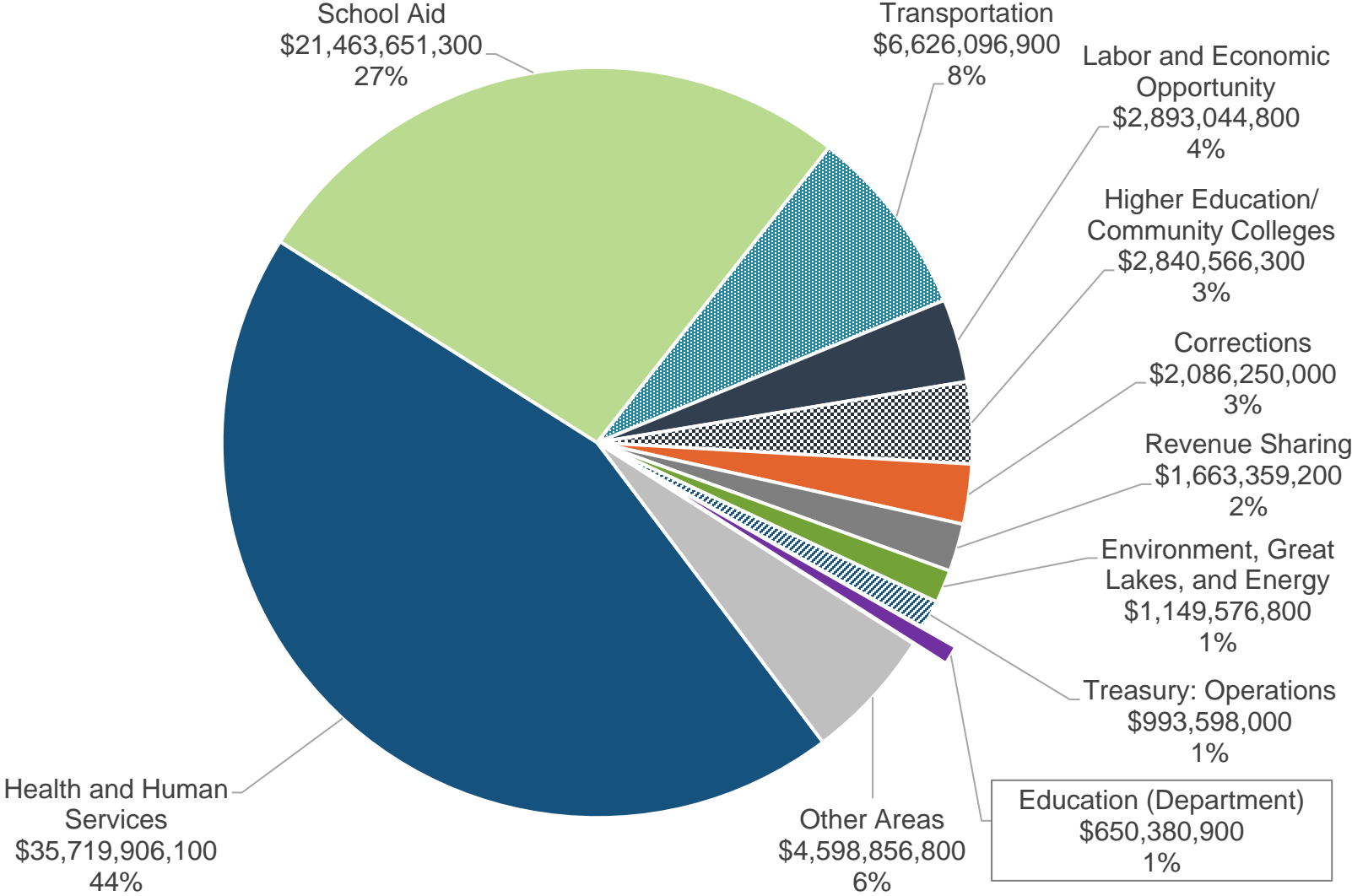
# FY 2023-24 Fund Sources

Nearly three-quarters of the \$650.4 million MDE budget is funded by federal revenue.



# MDE Share of Total State Budget

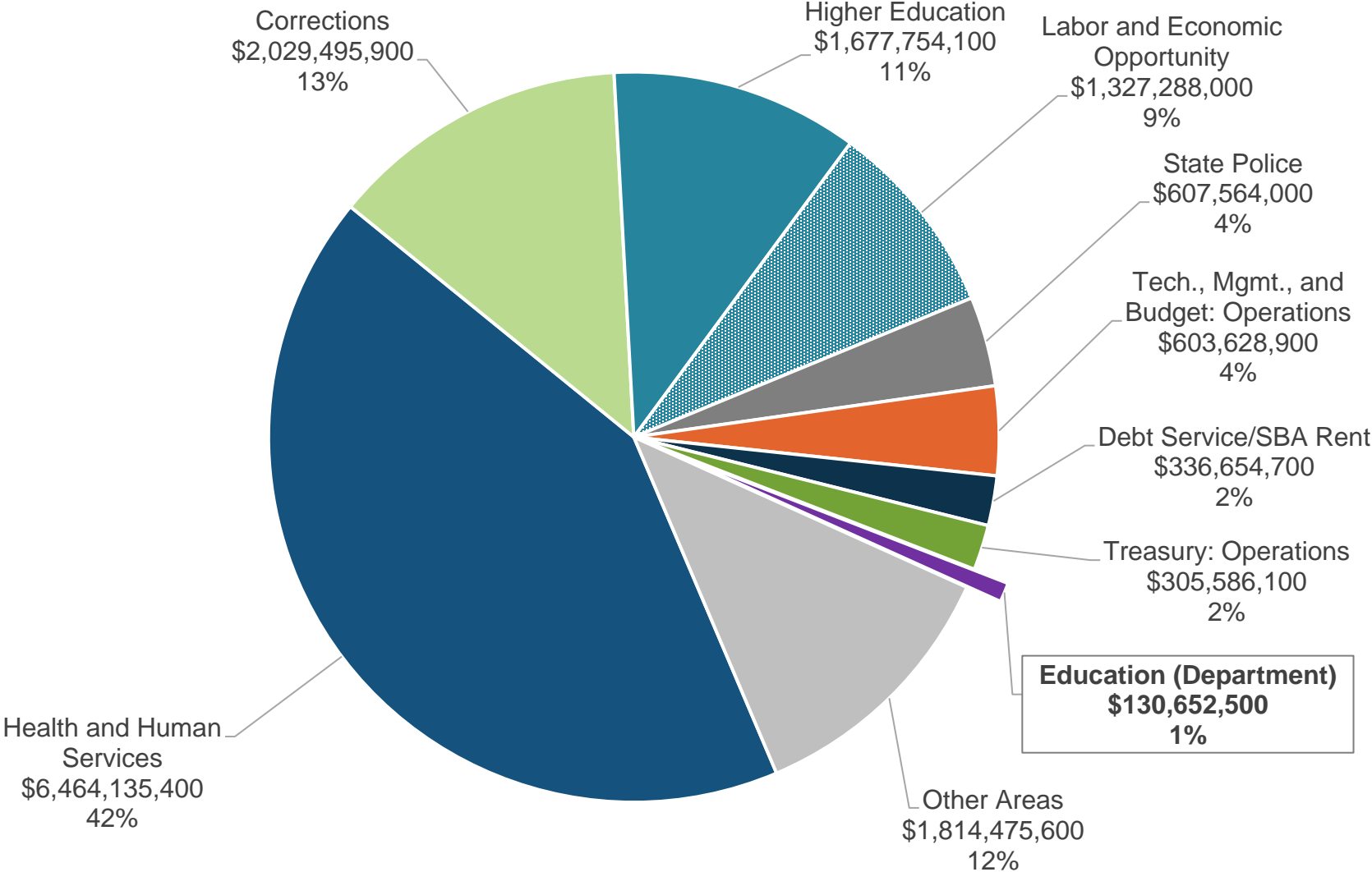
The MDE budget represents less than 1% of the \$80.7 billion state budget (adjusted gross) for FY 2023-24.





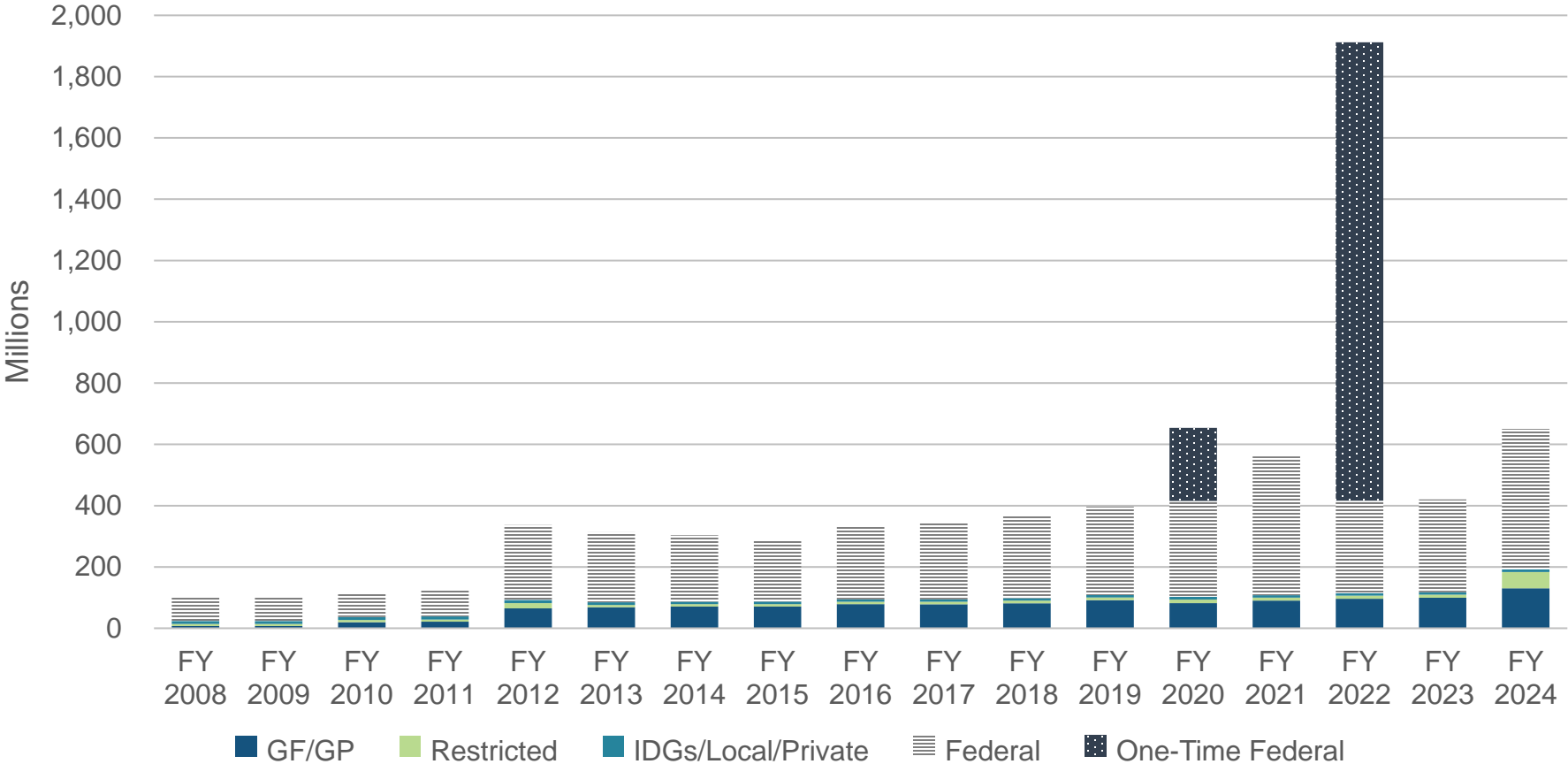
# MDE Share of Total GF/GP Budget

The MDE budget represents less than 1% of the \$15.3 billion state GF/GP budget appropriations for FY 2023-24.



# 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

**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.

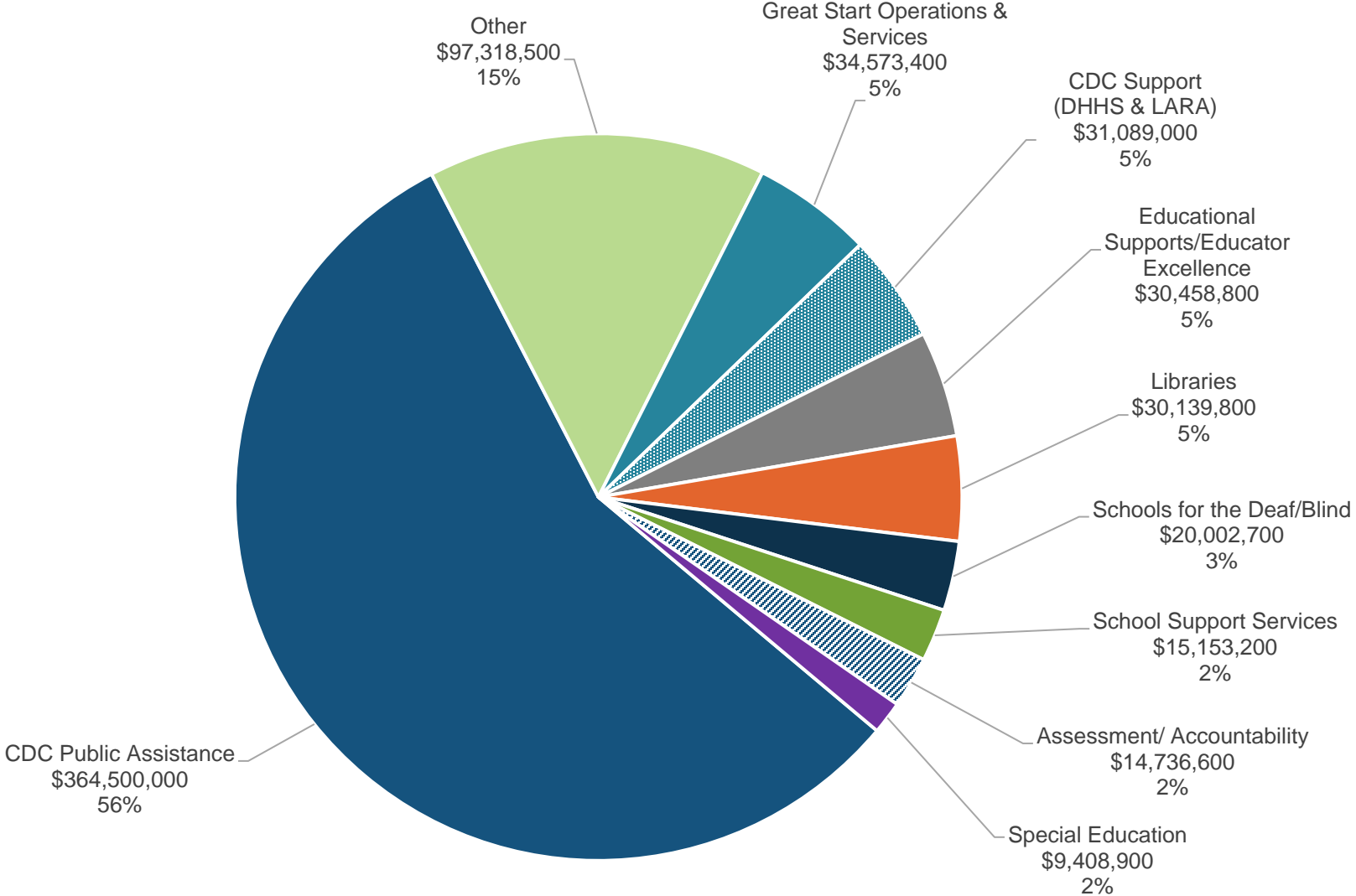
**Assessment and Accountability:** Develops, administers, and analyzes reports on M-STEP, the Merit Examination, and other state assessments; provides school district accountability and accreditation.

**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.

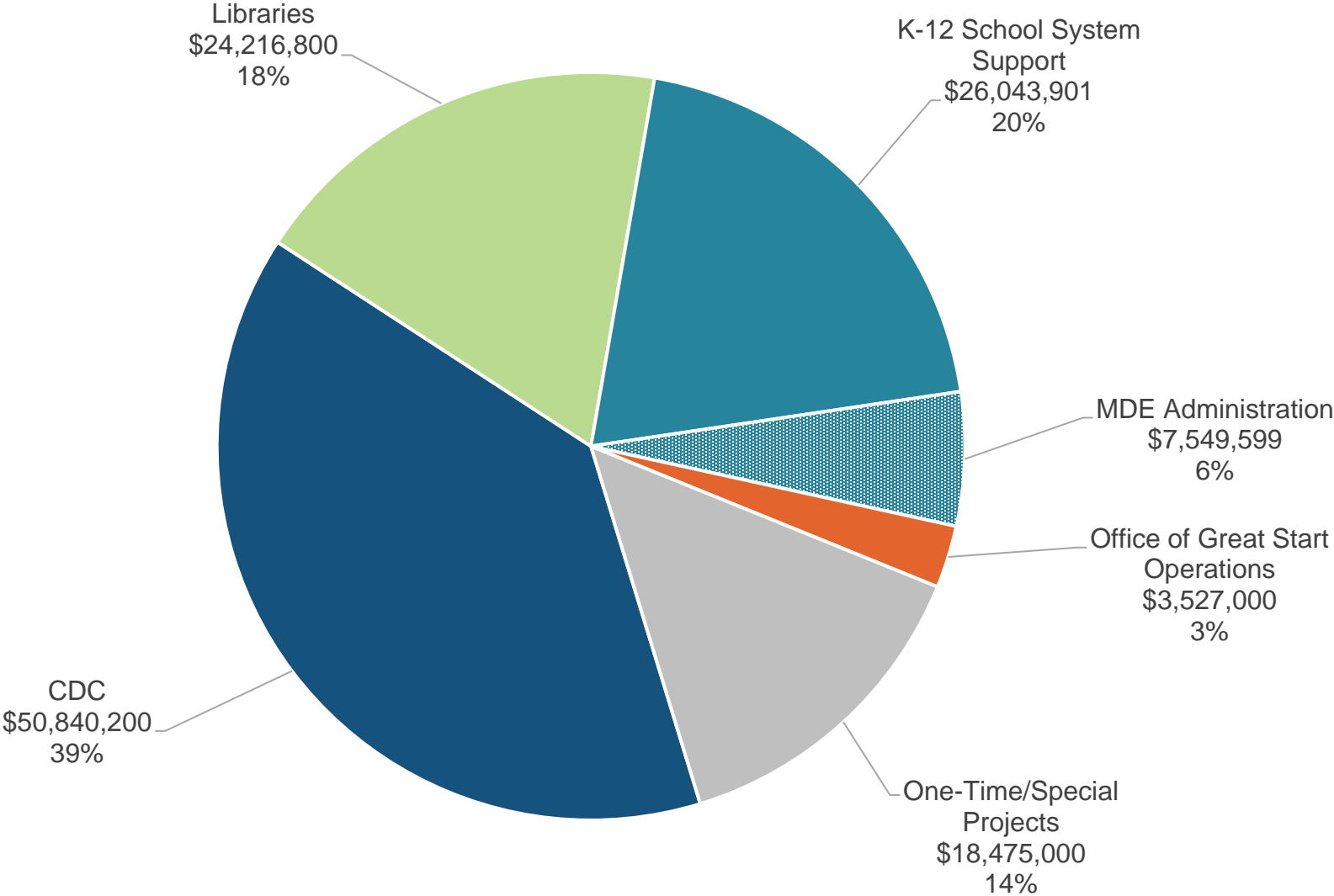
# FY 2023-24 Gross Appropriations

The largest area of funding supports the Child Development and Care (CDC) program and early childhood education, comprising about **66%** of the budget.



# FY 2023-24 GF/GP Appropriations

39% of the MDE GF/GP funds support the Child Development and Care (CDC) program and libraries.



# Major Budget Topics



# **FY 2023-24 Major Budget Highlights**

# FY 2023-24 New Programs

**Michigan School for the Deaf Dorm:** Includes **\$40.0 million** School Aid Fund to construct a new dorm for the Michigan School for the Deaf.

**PRIME Schools:** Includes **\$6.0 million** GF/GP to provide high schools with engineering and manufacturing programs.

**Wonderschool:** Includes **\$5.5 million** GF/GP for recruiting and coaching potential child care providers for the CDC program.

**E-rate Special Construction Matching Fund:** Includes **\$4.8 million** GF/GP to reimburse out-of-pocket costs for local schools and libraries approved for funding through the federal E-rate program to expand access to broadband internet.

**New Administrative Funding:** Includes **\$1.4 million** GF/GP for the department to provide administrative support to K-12 schools for math education, school nurses, mental health and SEL support, and school consolidation.

**Family and Community Engagement Centers:** Includes **\$1.2 million** GF/GP for developing trainings, coaching, resource development, translation services, and related activities at ten literacy hubs across the state and to create a new family and community engagement division.

**Michigan Test for Teacher Certification Reimbursement:** Includes **\$1.0 million** GF/GP to reimburse the costs of subject area tests for first-time test takers seeking certification.

# Child Development and Care (CDC) Program

# CDC Services Overview

CDC services are provided for the financial assistance of child day care for 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 **200%** of the federal poverty guidelines, which is a monthly income below **\$4,144** for a family size of three, or **\$49,728** annually—around **68%** of the maximum federal eligibility threshold.

## ○ **Child Eligibility**

- Under federal law, children under the age of 13 and children under the age of 19 who are under court supervision or are mentally or physically incapable of self-care are eligible. Michigan serves children under the age of 13 or under the age of 18 when under court supervision or when incapable of self-care.

## ○ **Provider Payments**

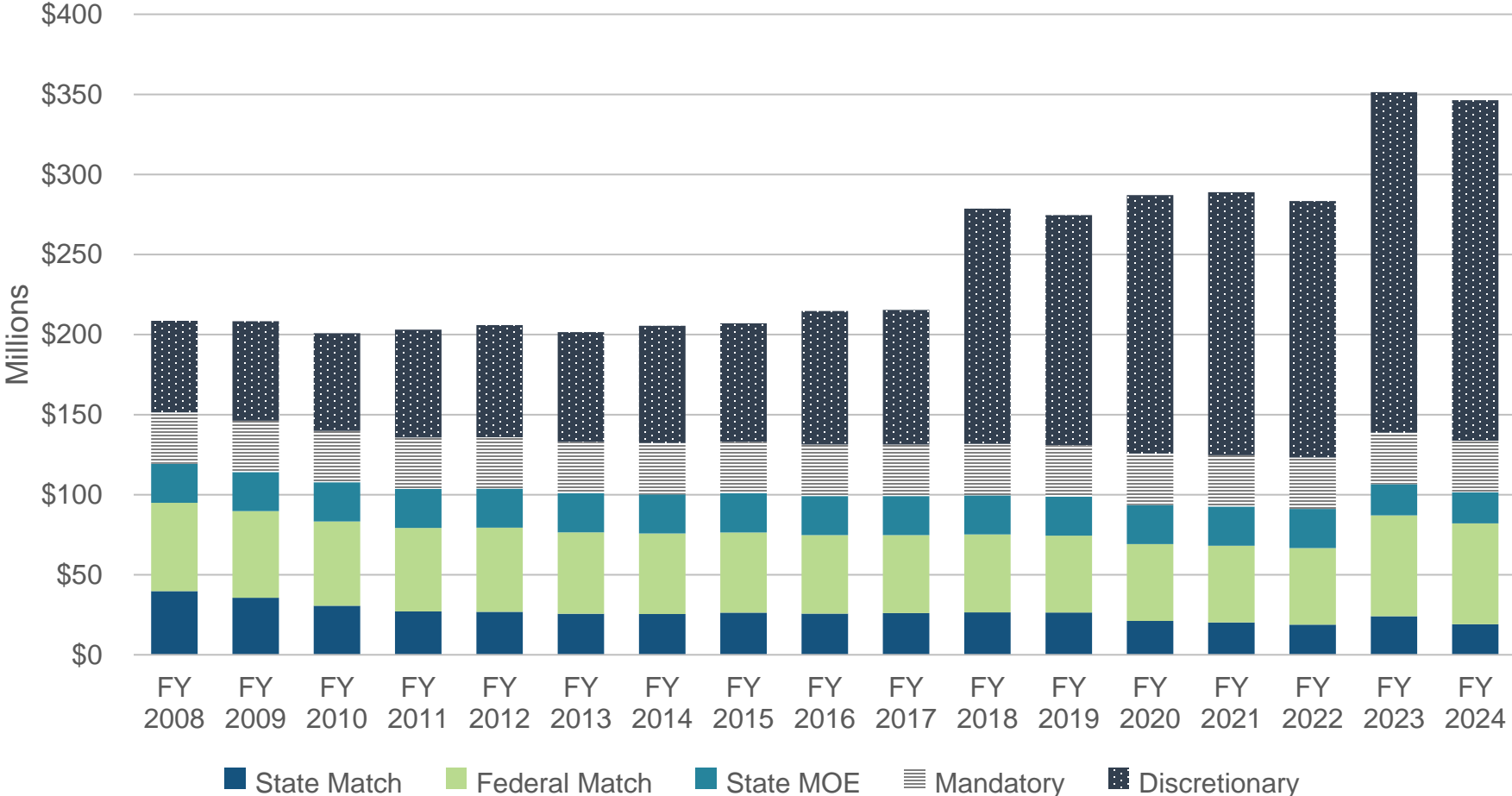
- CCDF federal regulations recommend that states provide subsidy reimbursements at the **75th percentile** of market rate, and Michigan's current payment structure provides tiered hourly reimbursements based on the age, provider type, provider rating, and reimbursement block (based on the number of hours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

# CDC Services: Funding

- The **Child Care Development Fund (CCDF)** is composed of mandatory federal, state maintenance of effort (MOE), federal match, state match, and federal discretionary funds. CCDF is used for CDC public assistance, department operations, and interdepartmental grants to DHHS and LARA to assist with administering the program.
  - **Mandatory Funds**
    - Federal Social Security Act, Section 418
    - Based on amount received for child care prior to 1996 welfare law
    - No match or MOE required
  - **Matching Funds and MOE**
    - Includes state MOE, federal match, and state match funds
    - Matched at current Medicaid match (FMAP) rates (**65.13%** in FY 2023-24)
    - The At-Risk (Sec. 31a) and Great Start Readiness Program (Sec. 32d) funding in the School Aid budget are used as matching funds
  - **Discretionary Funds**
    - Includes the federal Child Care Development Block Grant, which is determined by federal appropriation
    - Allocation to states is based on the number of children under age 5, number of children who qualify for free or reduced-price lunch under federal law, and state per-capita income
    - No match or MOE required

# Child Care Development Fund (CCDF)

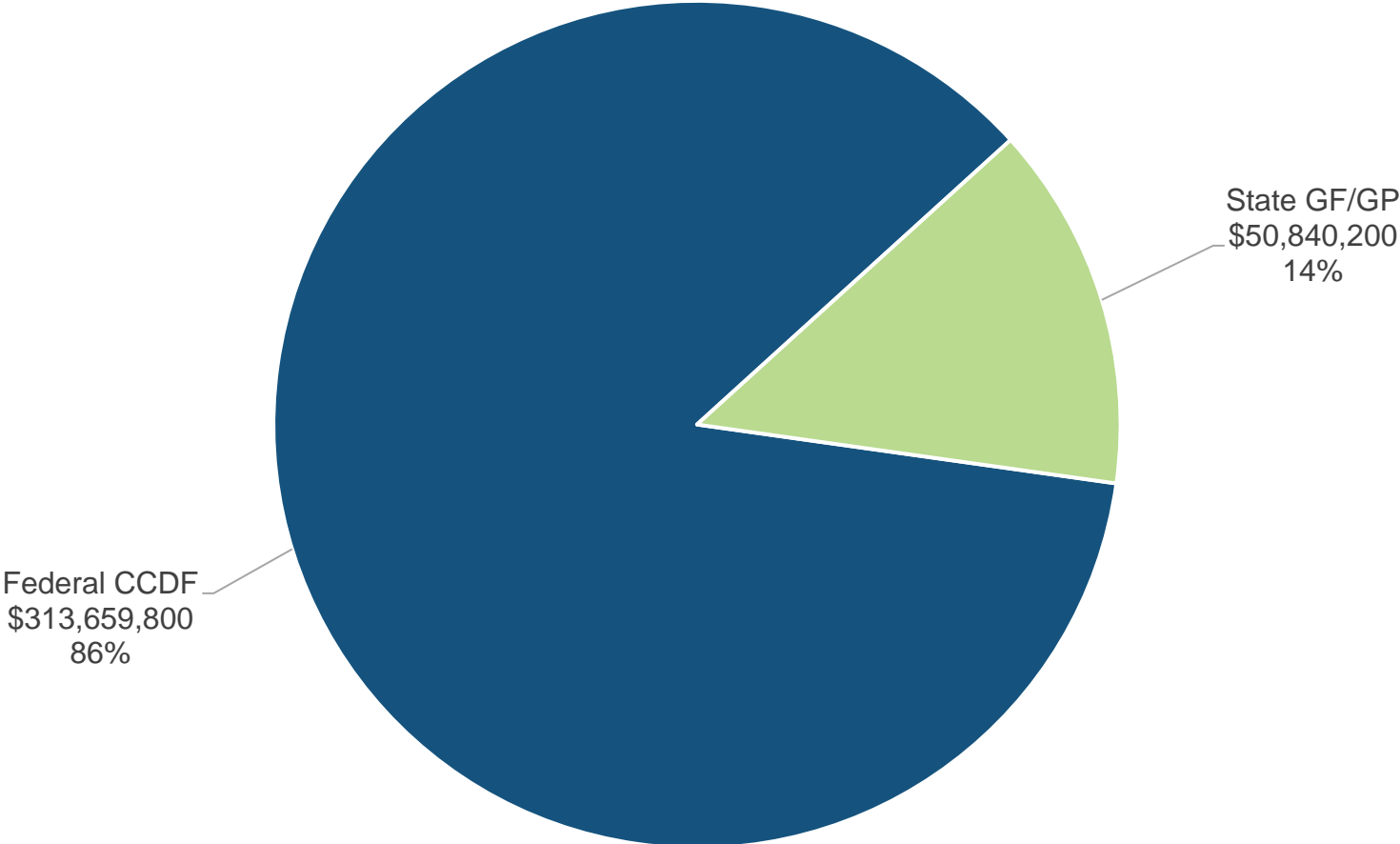
Total allotted CCDF funding was fairly consistent with adjustments for caseload and eligibility changes until discretionary funding was nearly doubled in FY 2017-2018 to fund added CCDF reauthorization requirements related to health, safety, and quality.



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

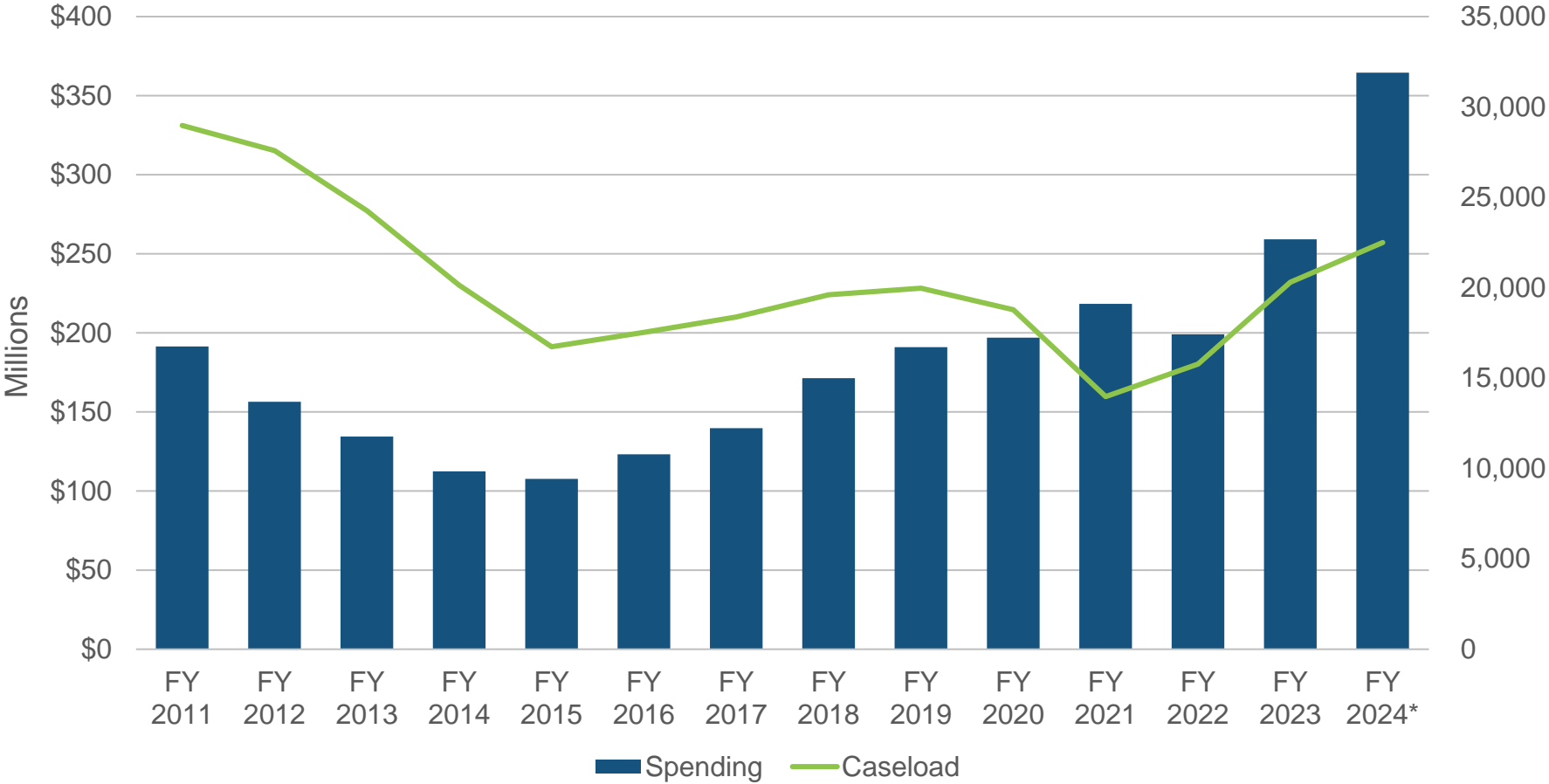
# CDC Public Assistance Funding Sources

Total funding for CDC public assistance is **\$364.5 million** for FY 2023-24, based off the May 2023 Consensus Revenue Estimating Conference estimates.



# CDC Caseload and Spending Trends

Starting in FY 2019-20, COVID-19 caused a disruption to the child care market, which decreased caseload and total cost. Expenditures are projected to increase by **41%** in FY 2023-24 due to the retention of the 200% eligibility threshold originally funded through federal COVID-19 stimulus packages.



\*Reflects estimated costs based on Consensus Revenue Estimating Conference adjustments and enacted policy changes.



# CDC Block Schedule Reimbursement

- Licensed child care providers are reimbursed at a tiered hourly rate based on the type of license the provider holds, the provider's quality rating, a child's age, and the number of hours a child attended over a two-week period. The number of hours attended are calculated based on the following block schedule:
  - 1-30 hours: paid as 30 hours at the hourly tiered reimbursement rate
  - 31-60 hours: paid as 60 hours at the hourly tiered reimbursement rate
  - 61+ hours: paid as 90 hours at the hourly tiered reimbursement rate
- License-exempt providers continue are 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 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 Hourly Tiered Reimbursement Rates

Licensed providers' reimbursement rates are based on license type, age of child, and quality rating. The temporarily increased provider rates ended September 23, 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	\$6.20	\$4.40	\$4.25	\$4.95	\$4.25	\$4.15
Maintaining Health & Safety	\$6.20	\$4.40	\$4.25	\$4.95	\$4.25	\$4.15
Reflecting on Quality	\$6.55	\$4.75	\$4.65	\$5.35	\$4.65	\$4.50
Enhancing Quality	\$7.30	\$5.45	\$5.35	\$6.05	\$5.35	\$5.20
Enhancing Quality - Validated	\$7.60	\$5.85	\$5.70	\$6.40	\$5.70	\$5.60
Demonstrating Quality	\$8.35	\$6.55	\$6.40	\$7.10	\$6.40	\$6.30

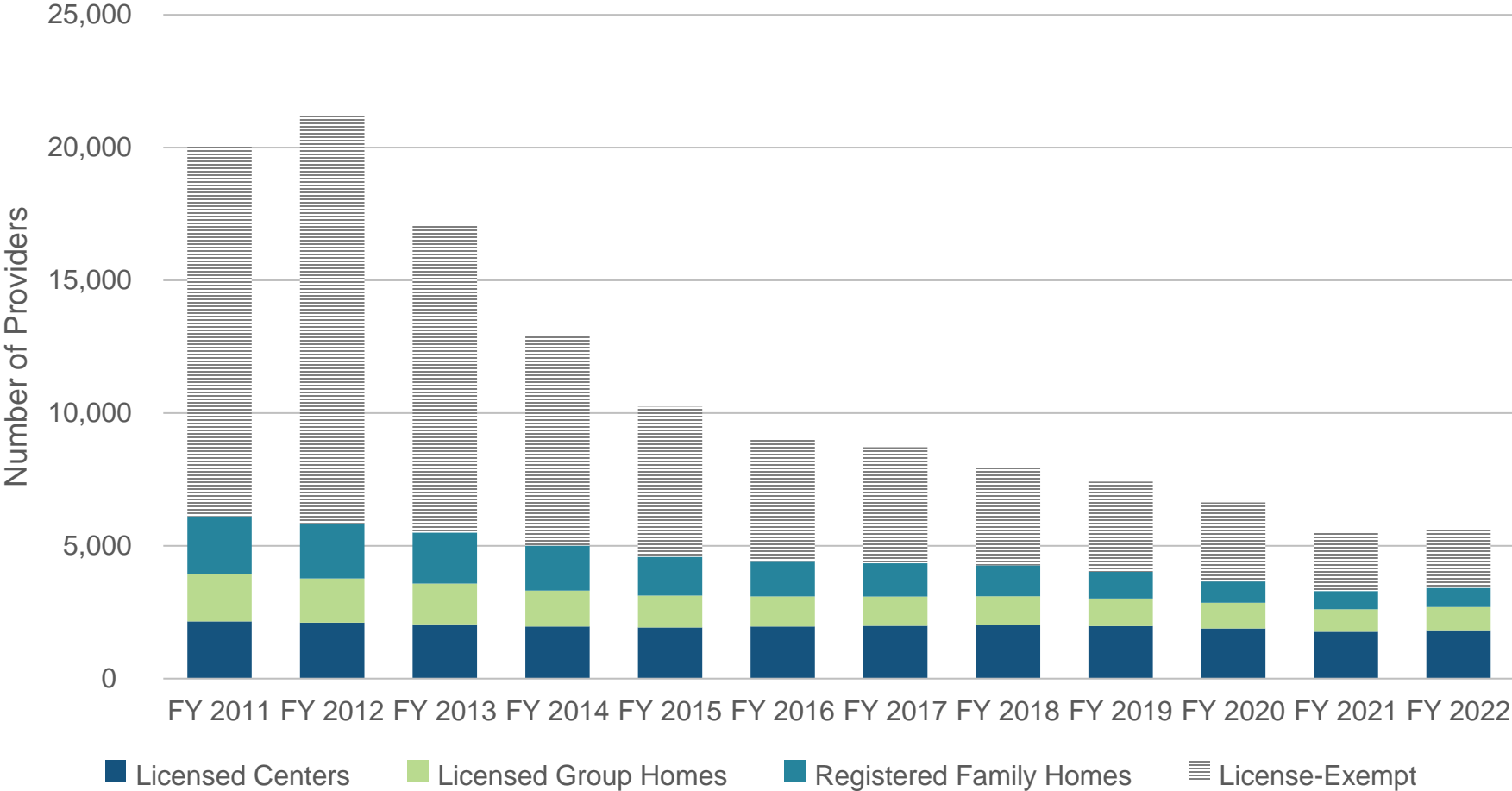
# CDC Hourly Tiered Reimbursement Rates

License-exempt providers' reimbursement rates are based on the age of child and tiered rating. The temporarily increased provider rates ended September 23, 2023.

	License-Exempt Providers		
	Birth to 2 ½	2 ½ to 5	Over Age 5
Tier 1	\$2.55	\$2.55	\$2.55
Tier 2	\$4.30	\$3.80	\$3.80

# 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.



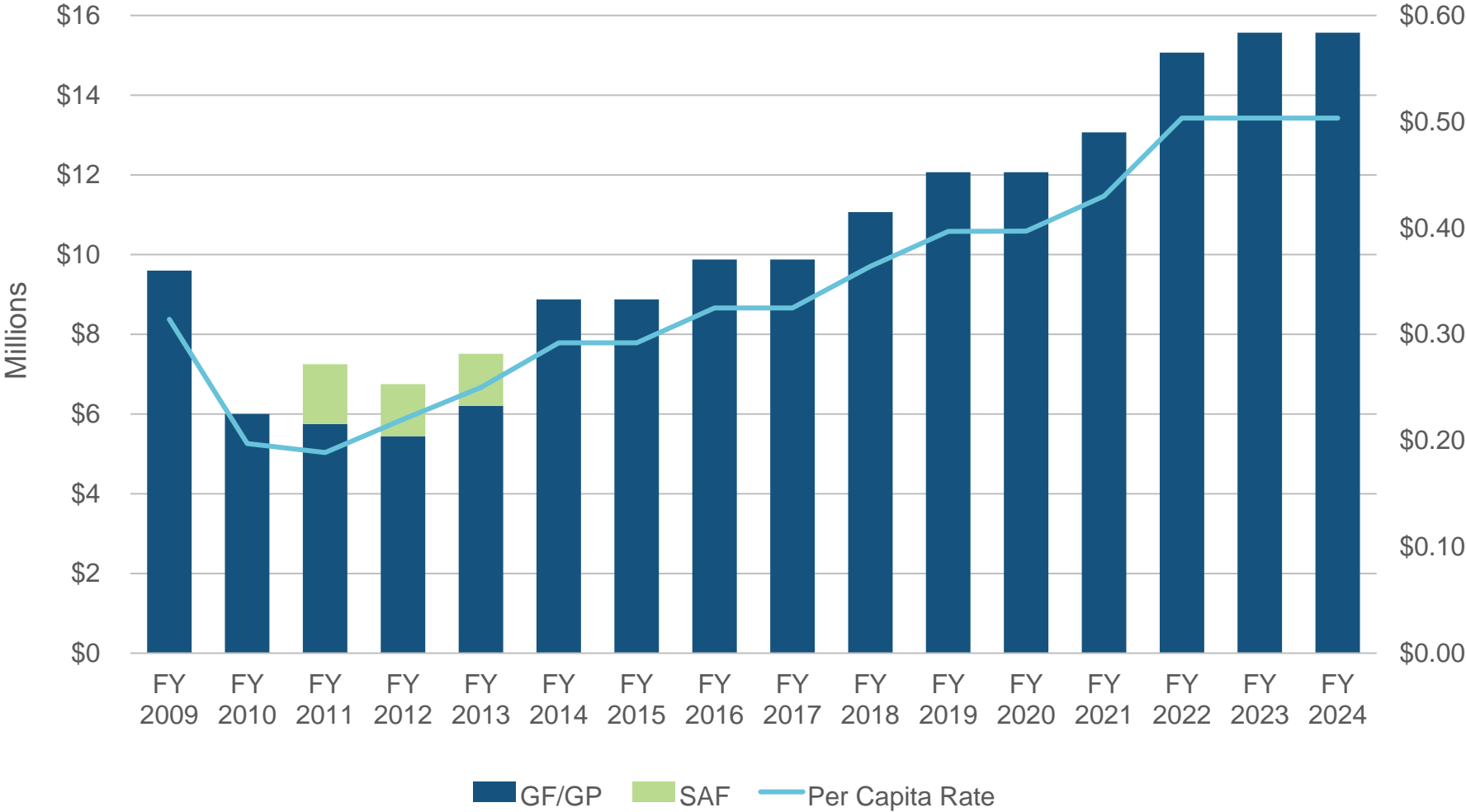
# Libraries

# 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 per square mile** 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

# State Aid to Libraries

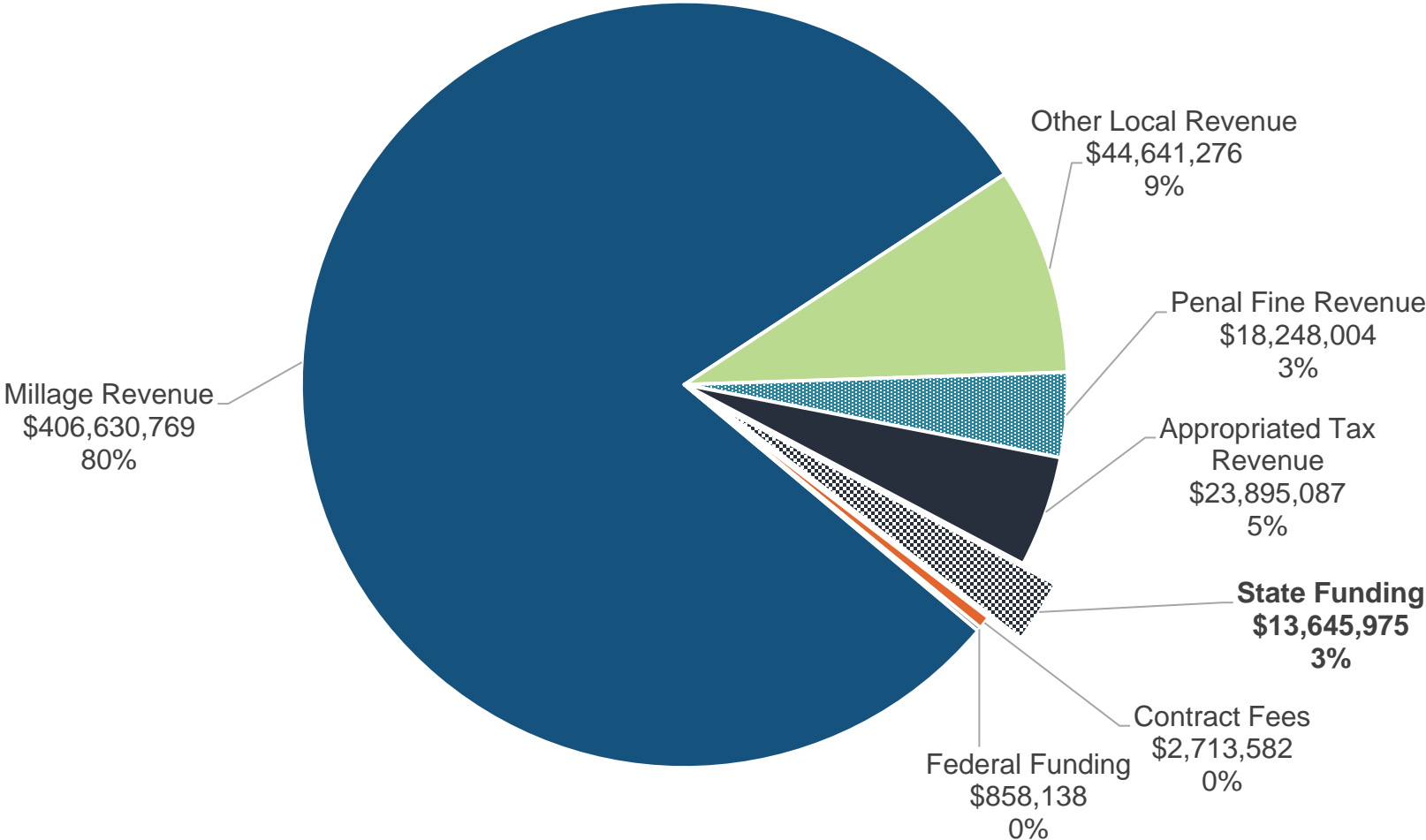
State aid to libraries was reduced throughout the Great Recession, but it gradually increased as the economy rebounded. State aid has not been prorated since FY 2021-22.





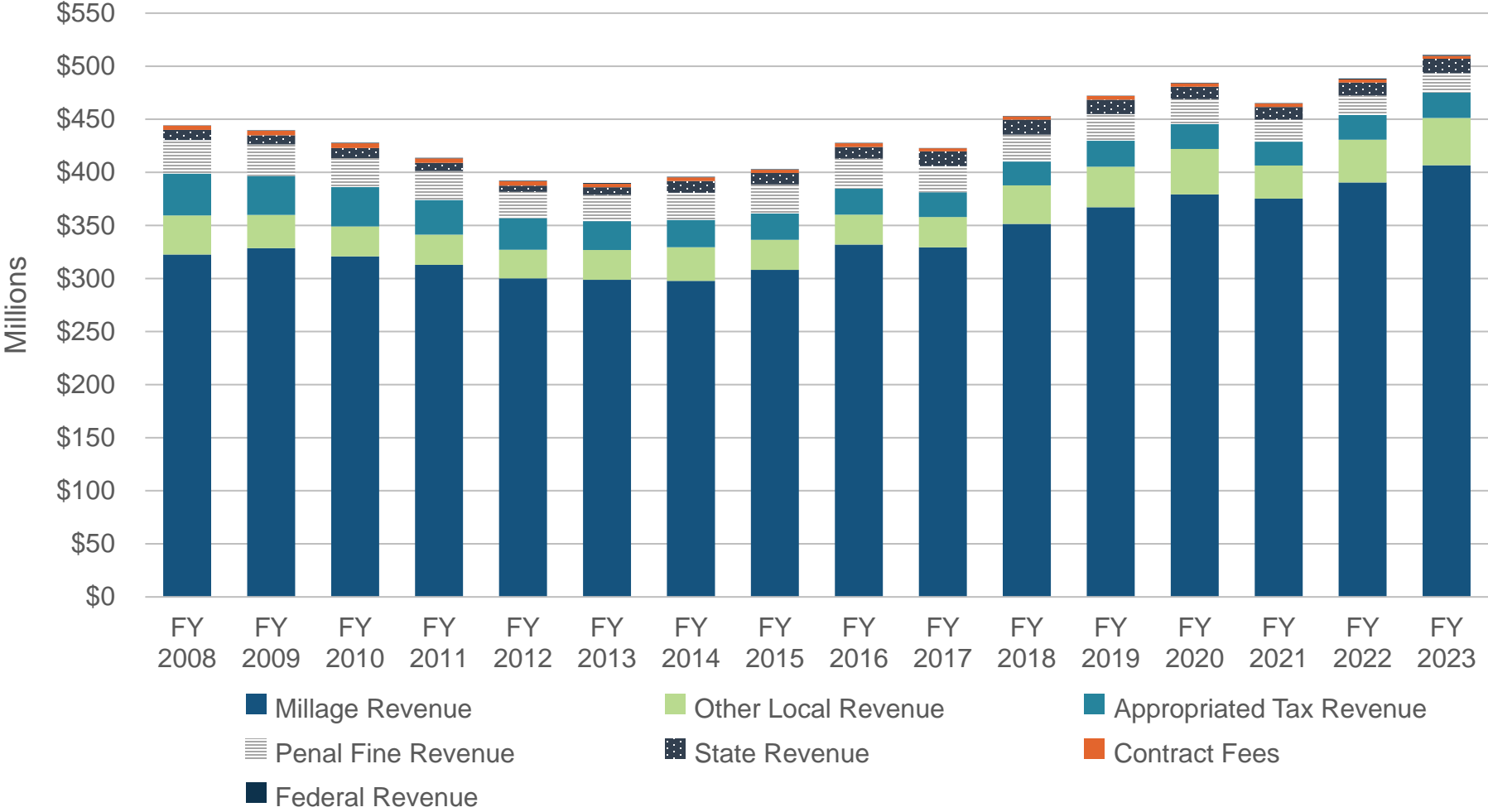
# Public Library Operating Revenue

Funding from the state makes up 3% of the \$510.6 million FY 2022-23 total operating revenue for libraries statewide.



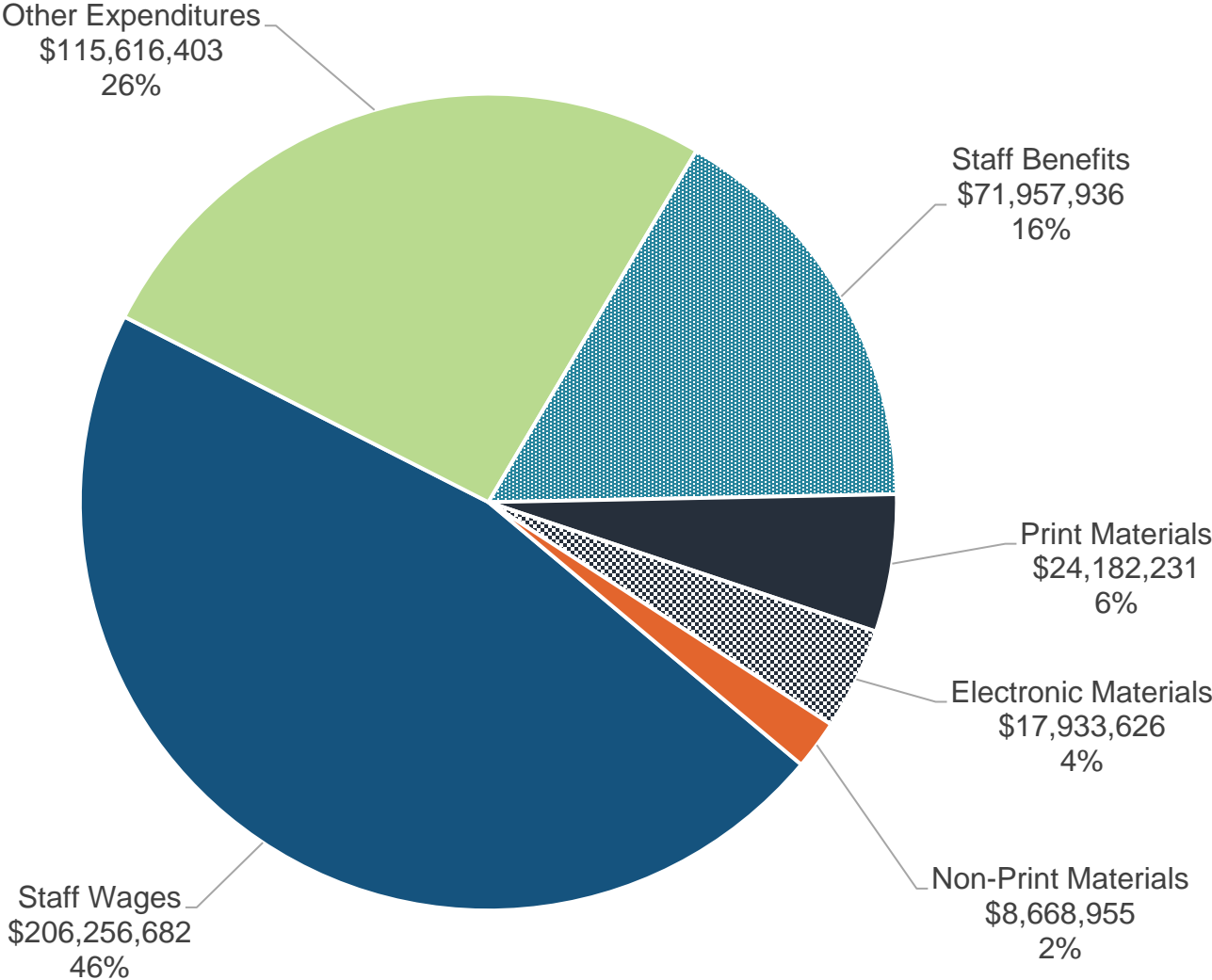
# Public Library Operating Revenue

Local property tax millage revenues are the main revenue source for local libraries. Millage revenue reached a nominal record high of **\$406.6 million** in FY 2022-23.



# Public Library Operating Expenditures

Total operating expenditures for public libraries were **\$444.6 million** in FY 2022-23.



# For more information about the Department of Education budget:

## HFA Resources

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

## Contact Information

Noel Benson, Fiscal Analyst

[nbenson@house.mi.gov](mailto:nbenson@house.mi.gov)

(517) 373-8080