

**FY 2019-20: DEPARTMENT OF EDUCATION**  
**Summary: As Passed by the House**  
**House Bill 4232 (H-2)**



**Analyst: Samuel Christensen**

IDG/IDT	FY 2018-19 YTD as of 3/5/19	FY 2019-20 Executive	FY 2019-20 House	FY 2019-20 Senate	FY 2019-20 Enacted	Difference: House From FY 2018-19 YTD	
						Amount	%
	\$0	\$0	\$0			\$0	--
<b>Federal</b>	298,074,500	332,152,900	300,765,100			2,690,600	0.9
<b>Local</b>	5,852,800	5,893,400	5,893,400			40,600	0.7
<b>Private</b>	2,035,800	2,036,200	2,036,200			400	0.0
<b>Restricted</b>	8,668,200	9,050,000	8,787,200			119,000	1.4
<b>GF/GP</b>	91,503,600	87,212,000	86,741,500			(4,762,100)	(5.2)
<b>Gross</b>	<b>\$406,134,900</b>	<b>\$436,344,500</b>	<b>\$404,223,400</b>			<b>(\$1,911,500)</b>	<b>(0.5)</b>
<b>FTEs</b>	620.5	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.

**Major Budget Changes From FY 2018-19 YTD Appropriations**

**1. Child Development and Care (CDC) – Provider Reimbursement Rate Increase**

Executive 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 the age of the 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.)

House does not include.

	FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 House Change
<b>Gross</b>	<b>\$202,000,000</b>	<b>\$0</b>
Federal	162,570,300	0
GF/GP	\$39,429,700	\$0

**2. CDC – Entrance Eligibility Threshold Increase**

Executive includes \$13.6 million in federal funding to increase the entrance eligibility threshold from 130% of the federal poverty guidelines to 140% of the federal poverty guidelines 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.

House includes a \$100 placeholder to increase the entrance eligibility threshold from 130% to up to 135%. (See Major Boilerplate Changes Sec. 1009 for additional information.)

	Gross	FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 House Change
<b>Gross</b>	<b>\$202,000,000</b>		<b>\$100</b>
Federal	162,570,300		100
GF/GP	\$39,429,700		\$0

		<b>FY 2018-19 Year-to-Date (as of 3/5/19)</b>	<b>FY 2019-20 House Change</b>
<b><u>Major Budget Changes From FY 2018-19 YTD Appropriations</u></b>			
<b>3. CDC – Infant/Toddler and Program Quality Spending Increase</b>	<b>Gross</b>	<b>\$12,350,000</b>	<b>\$3,600,000</b>
<u>Executive</u> 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
<u>House</u> concurs with Executive.	Private	250,000	0
	Restricted	64,600	0
	GF/GP	\$1,839,900	\$0
<b>4. Automated External Defibrillators</b>	<b>Gross</b>	<b>NA</b>	<b>\$250,000</b>
<u>House</u> includes \$250,000 GF/GP in one-time funding for MDE to provide grants to school districts for the purchase of one automated external defibrillator per school district for use in a school that offers grades 9 to 12.	GF/GP	NA	\$250,000
<b>5. CDC – State Matching Fund Increase</b>	<b>Gross</b>	<b>\$202,000,000</b>	<b>\$0</b>
<u>Executive</u> 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)
<u>House</u> concurs with Executive.	GF/GP	\$39,429,700	\$599,400
<b>6. Renaissance Zone Adjustment</b>	<b>Gross</b>	<b>\$2,500,000</b>	<b>(\$300,000)</b>
<u>Executive</u> 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)
<u>House</u> concurs with Executive.			
<b>7. 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>
<u>Executive</u> 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
<u>House</u> does not include.	Private	250,000	0
	Restricted	64,600	0
	GF/GP	\$1,839,900	\$0
<b>8. Teacher Certification Fee Authorization Increase</b>	<b>Gross</b>	<b>\$4,287,500</b>	<b>\$225,000</b>
<u>Executive</u> 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
<u>House</u> includes but reduces by 25% to \$225,000 to align with IT reductions throughout the budget (see item 12 below).	Restricted	406,500	225,000
	GF/GP	\$1,384,500	\$0

		<b>FY 2018-19 Year-to-Date (as of 3/5/19)</b>	<b>FY 2019-20 House Change</b>
<b>Major Budget Changes From FY 2018-19 YTD Appropriations</b>			
<b>9. MDE Reorganization</b>			
<u>Executive</u> 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:	FTE	NA	0.0
	<b>Gross</b>	<b>NA</b>	<b>\$0</b>
	Restricted	NA	0
	GF/GP	NA	\$0
<ul style="list-style-type: none"> <li>• Transfers the Office of Audit Services and the Office of State Aid and School Finance Services into the Office of Financial Management, which brings MDE's budgeting and accounting, as well as school district state aid payments and audits, together under one office.</li> <li>• Combines the Office of Preparation Services and the Office of Educator Talent and Policy into a new Office of Educator Excellence, with a focus on supporting teachers through certification, professional development, and teacher evaluation.</li> <li>• 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.</li> <li>• Creates a new Office of Systems, Evaluation, and Technology to coordinate reporting systems and reduce reporting burdens on districts.</li> <li>• 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.</li> <li>• Creates a new line item titled Grant and Contract Operations for managing grants and contracts handled by MDE.</li> </ul>			
<u>House</u> only includes the new line item for Grant and Contract Operations.			
<b>10. Removal of One-Time Appropriations</b>			
<u>Executive</u> removes \$5.0 million GF/GP for E-rate matching enhancements and \$100 Drinking Water Declaration of Emergency Reserve Fund for a CDC pilot program, which were considered one-time appropriations.	<b>Gross</b>	<b>\$5,000,100</b>	<b>(\$5,000,100)</b>
	Restricted	100	(100)
	GF/GP	\$5,000,000	(\$5,000,000)
<u>House</u> concurs with Executive.			
<b>11. Economic Adjustments</b>			
<u>Executive</u> includes 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
<u>House</u> concurs with Executive.			
<b>12. Administrative Efficiencies</b>			
<u>House</u> reduces operation funding throughout the budget, reflecting a 3% reduction to be achieved through administrative efficiencies.	<b>Gross</b>	<b>NA</b>	<b>(\$1,208,400)</b>
	Federal	NA	(754,500)
	Restricted	NA	(84,700)
	GF/GP	NA	(\$369,200)
<b>13. Information Technology Reduction</b>			
<u>House</u> reduces funding available for information technology services and projects by 25%.	<b>Gross</b>	<b>\$4,287,500</b>	<b>(\$1,087,800)</b>
	Federal	2,496,500	(633,400)
	Restricted	406,500	(103,100)
	GF/GP	\$1,384,500	(\$351,300)

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

### **Executive DELETED but House RETAINED the following boilerplate sections:**

- Communication with the Legislature (Sec. 222)
- Grant Application Penalty (Sec. 225)
- Timely Data (Sec. 227)
- Nonpublic School Mandates (Sec. 230)
- Travel Expenditures (Sec. 302)
- Federal and Private Grants (Sec. 325)
- Student Teaching Credits (Sec. 502)
- CDC Funding Changes (Sec. 1010)

### **Sec. 221. Personnel Records – DELETED**

Directs that MDE require districts to retain teacher personnel records regarding sexual misconduct. Executive and House delete this section.

### **Sec. 223. Records Retention – DELETED**

Requires MDE to retain all reports funded from appropriations according to federal and state guidelines for short-term and long-term retention of records. Executive and House delete this section.

### **Sec. 229. Contract Notification– REVISED**

Requires MDE to notify the House and Senate appropriations committees and the State Budget Director before entering into a contract that exceeds \$1.0 million or seeking a federal waiver form, or amending the federal waiver form. Executive deletes this section. House revises to remove the requirement that MDE provide notification to the House and Senate appropriations committees and the state budget director before entering into a contract that exceeds \$1.0 million.

### **Sec. 231. Child Protection Law Reporting – DELETED**

Requires MDE to report to districts, ISDs, and PSAs task force recommendations for reducing child sexual abuse as required by 12b of the child protection law, 1975 PA 238, MCL 722.632b. Executive 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. House deletes this section.

### **Sec. 234. Administrative Rules – DELETED**

Prohibits MDE from developing, staffing, or promoting activities for the promulgation of new, revised, or rescinded administrative rules until a permanent state superintendent of public instruction is appointed by the State Board of Education, unless a rules change request was submitted before the effective date of the act. Executive and House delete this section.

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

Allows the Michigan Schools for the Deaf and Blind to carry forward funds available for expenditure into the next succeeding year for the low incidence program; conferences, workshops, and training classes; and the use of specialized equipment, facilities, and software for required services. Executive 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. House concurs with Executive.

### **Sec. 409. Due Process Hearings – DELETED**

Requires that when conducting a due process hearing related to an individualized education program (IEP) educational placement, a state administrative judge shall consider the Michigan Schools for the Deaf and Blind the least restrictive environment under federal law for the parent's child who is deaf, deafblind, or hard of hearing. Executive and House delete this section.

### **Sec. 602. Adolescent and Social Health HIV/STI Prevention – DELETED**

Requires MDE to direct funds toward a HIV/STI prevention grant that was funded under section 39a(2)(a) of the State School Aid Act. Executive and House delete this section.

### **Sec. 803. Keep Library Functions Together – DELETED**

Provides intent that the state maintain the Library of Michigan and its component programs, except for the genealogy collections, together in a state department. Executive and House delete this section.

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

### ***Sec. 1002. CDC Provider Reimbursement Rate – RETAINED***

Requires MDE to set the provider reimbursement rates for licensed and license exempt providers at the FY 2017-18 appropriated levels. Requires MDE to publish the reimbursement rates on its webpage and the Great Start to Quality webpage.

Executive 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. House maintains current law.

### ***Sec. 1003. Early Childhood Investment Corporation Annual Report – DELETED***

Requires MDE to submit an annual report on all funding appropriated to the Early Childhood Investment Corporation (ECIC) by February 15. Report must detail the amounts of grants awarded, grant recipients, activities funded by each grant, and an analysis of the work of each grantee. Also requires contracts for early childhood comprehensive systems planning to be bid through a statewide RFP process.

Executive and House delete this section.

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

Requires MDE to set the entrance income threshold for the CDC program at 130% of the federal poverty guidelines.

Executive revises to increase the entrance income threshold for the CDC program from 130% of the federal poverty guidelines to 140%. House revises to increase the eligibility entrance threshold from 130% of the federal poverty guidelines to “up to 135%”. (See Major Budget Changes point number 2 for additional information.)

### ***Sec. 1011. CDC Biweekly Block Reimbursement Rate Schedule – REVISED***

Requires MDE to implement a biweekly block reimbursement rate schedule for licensed providers (license exempt providers will continue to be at their hourly rate) at the following block segments: 1-30 hours reimbursed at their hourly reimbursement rate; 31-60 reimbursed at 60 hours; 61-80 reimbursed at 80 hours; and 81-90 reimbursed at 90 hours. Requires MDE, before funds may be expended, to provide a detailed spending report that specifies how MDE will implement the block reimbursement, the specific rates broken out by provider type and differentiation by age groups, and the overall projected costs for FY 2018-19 and FY 2019-20.

Executive retained and shifted the biweekly block reimbursement rate schedule to Sec. 1002 as noted above, but deletes the spending report for the biweekly block reimbursement rate schedule. House maintains the biweekly block reimbursement rate schedule but deletes the spending report for the biweekly block reimbursement rate schedule.

### ***Sec. 1101. Drinking Water Declaration of Emergency – CDC Pilot – DELETED***

Requires that from the funds for the Drinking Water Declaration of Emergency, MDE must do the following activities until it has spent all of the money appropriated for a drinking water declaration of emergency: pilot the expansion of CDC eligibility to children ages 0 to 3 for half-day childcare services for household income up to 300% of the federal poverty guidelines; provide information to childcare providers on identification and intervention services for children demonstrating potential developmental delays associated with exposure to lead; and provide a report on various metrics associated with the pilot's outcomes.

Executive and House delete this section.

### ***Sec. 1101. Automated External Defibrillators – NEW***

House provides requirements for a school district to be eligible to receive a grant for an automated external defibrillator (AED). Requires a school district to submit an application for a grant to MDE, as well as requires the board of the school district to adopt and implement a cardiac emergency response plan as required under section 19 of the Fire Prevention Code, 1941 PA 207, MCL 29.19 and to adopt a resolution that the school district accomplish both of the following: (1) train at least five staff members in cardiopulmonary resuscitation and the use of an AED; (2) pay for the ongoing maintenance and repair of each AED purchased under this section.

### ***Sec. 1102. Automated External Defibrillators – Work Project – NEW***

House includes a work project designation for funds appropriated for automated external defibrillators.