

**Budget Ad Hoc Committee Meeting
Michigan Department of Education
608 W. Allegan Street
Lansing, MI 48909
State Board of Education Room, 4th Floor
September 26, 2008
1:00-4:00 p.m.**

Minutes

Participants: Lindy Buch, Barbara Corbin, Sheri Falvay (via telephone), Mike Foley, Ted Forrest, Laura Jensen Hunt, Dawn Koger, Mark Larson, Lena Montgomery, Emilie Mullins, Nancy Peeler, Dawn Ritter, Mary Roberts (via telephone) Gary Schafer, Barb Schinderle, Rich Van Tol, Vanessa Winborne

Welcome/Introductions:

Introductions were made and everyone was welcomed.

A motion was made by Laura Jensen Hunt and supported by Barbara Corbin to accept the minutes.

Motion carried.

A motion was made by Nancy Peeler and supported by Lindy Buch to accept the agenda.

Motion carried.

Overview:

The charge for the meeting is to review the current funding formula for Intermediate School Districts (ISDs) and perhaps propose a new formula. Once the Ad Hoc committee makes its recommendation, it will go to the Michigan Interagency Coordinating Council (MICC) for approval. If approved, the recommendation will go to the Michigan Department of Education (MDE.)

Background information/Detailed discussion of the current funding formula:

Vanessa Winborne reviewed the current funding formula and shared the allocation awards to ISDs for FY 2009. The three core components of the funding formula are the block grant, the estimate of service need, and the estimate of performance. This formula has been in place for roughly a decade.

Michigan has received decreased federal funds for the past several years, due to a declining population. The MICC advised MDE that 80 percent of the award should go to the ISDs. The other 20 percent is for required components:

- Child Find/Referral
- Public Awareness
- Central Directory

- Comprehensive System of Personnel Development

Administration activities include:

- MDE *Early On* Consultants
- MICC meetings

General Supervision activities include:

- SPP/APR – WSU (child and family outcomes)
- Monitoring
- Determinations
- Public Reporting
- Complaints/Hearings and Administration
- Fiscal Monitoring

In-Kind Contributions from the Office of Special Education and Early Intervention Services include the data system (EETRK/MICIS), the monitoring system (CIMS), the MICC Liaison position, dispute resolutions, and complaints and hearings.

Discretionary Funds include:

Parent Grants

- Michigan Alliance for Families
- Parent Leadership in State Government

Interagency Grants

- Department of Community Health
- Department of Human Services
- Inter-Tribal Council of Michigan

Although the Inter-Tribal Council is listed under discretionary funds, federal regulations require Part C to work with underserved populations, which includes the Inter-Tribal Council.

The intent of the funds awarded to the 57 ISDs was to direct children and families to existing services, not to buy services. In the past, the \$50,000 block grant would pay for the *Early On* coordinator position and operate a local program, regardless of size.

Review data from MEGS about the amount spent on administrative salaries versus direct services:

Part C ISD Administrative Funds for 2005-2009 were shared.

	2005-2006	2006-2007	2007-2008	2008-2009
Part C Local Administration Dollars Spent	\$ 5,853,995 (55%)	\$5,915,249 (57%)	\$4,094,371 (40%)	\$3,947,400* (40%)
Service	\$ 2,116,736	\$ 1,631,646	\$ 2,591,359	\$2,467,125

Coordination	(20%)	(16%)	(25%)	(25%)
Part C-Only	\$ 2,625,398	\$ 2,890,572	\$ 3,596,160	\$3,453,975
Direct Services	(25%)	(27%)	(35%)	(35%)
Total Funds to ISDs	\$10,596,129	\$10,438,467	\$10,281,890	\$ 9,868,500

Members reported that many services are done through in-kind contributions.

Review comparison document of how other states administration is structured:

State/Lead Agency	Number of Units	Number Served	Percent Served
Hawaii	42	3688	6.71
Iowa	15	2588	2.35
Indiana	14	10,418	4.04
Illinois	5	16,175	3.00
Minnesota	96	3209	1.56
Michigan	57	8547	2.20
Maryland	24	6607	2.88
North Carolina	52	6698	1.85
Ohio	88	10,893	2.47
Missouri	10	3356	1.47

According to the fiscal study, the cost of the early intervention system in Michigan is about \$55,000,000, however the amount received from the federal government is \$12,320,224. The Special Education system contributes 63 percent of the total amount. Approximately 1/3 of the children in *Early On* are eligible for Special Education services.

Currently, children eligible for Part C only may receive as little as case management and parent training. Some of the children may get referred to a community education program. A fund expansion committee will be developed to look at additional funding for the early intervention system. The Interagency Management Team is discussing this issue and doing internal work to connect all the pieces. A presentation will be made at the November MICC meeting. At the point when a fund expansion committee will be formed, Rich Van Tol expressed interest in joining it.

The Early Childhood Investment Corporation (ECIC) is doing financial mapping and is working with people at the national level to see how states are leveraging dollars. Each of their four advisory committees will be involved with the finance work.

Mark Reigle from Berrien County was not able to attend the meeting, but sent comments in electronically to be shared with the committee. No representatives from small ISDs were present at this meeting. His comments stressed the importance of receiving the block grant so that rural districts could continue to function and collect data. Mark also raised the question of the 20 percent administration funds. Others in the room expressed dissatisfaction in the current spending of the discretionary funding.

Representatives from larger ISDs reported the data requirements are significant and without additional funds they are in jeopardy of meeting timelines. By eliminating the block grant, some larger ISDs would fare better. An inequity is the price per IFSP per child is much less in larger ISDs.

Review and discuss other possible funding formula scenarios:

Gary Schafer led the committee through five exhibits, changing or eliminating the block grant. No consensus was made, however no one was in favor of eliminating it completely.

Members were in agreement that there needs to be equity for children throughout the state, and with less money projected next year, no matter how the funds are divided up, there is not going to be enough. The charge is to come up with the best compromise.

The committee looked at changing the other components, such as the target of 2.2 percent of the children served.

Poverty is a factor that compounds a child's development and is present in every county in the state. The Governor is having a summit on poverty in Detroit on November 13th and the public is welcome. This factor will be looked at after the Fund Expansion Committee work has been done.

Exhibit D changes the block grant amount based on ISD size, ranging from \$100,000-\$25,000. Members asked Gary to make the lowest amount higher than \$25,000 and look at it for next time.

The Prevalence Study was done as part of the *Early On* Redesign process. The summary of it was shared and members looked at the prevalence rates for the different ISDs. An article titled "Prevalence of Developmental Delays and Participation in Early Intervention Services for Young Children" was distributed and it supports Michigan's prevalence study. According to both sources, Michigan should be serving many more children than 2.2 percent; in some counties the prevalence is as high as 13 percent.

If changes to the funding formula were recommended, it would have to go out for public comment since it's a change in policy. The public comment period is for sixty days and would be held in 3-4 locations around the state. The comments would then be analyzed and a decision would be made. It would then go to the Office of Special Education Programs (OSEP) for the final decision. The work from this committee has to be completed in time for the February MICC meeting. If all the timelines are met, the new formula would be in place for next fiscal year, beginning July 1, 2009. If there are delays, it would mean not being in place until July 1, 2010.

Next Steps:

A motion was made by Nancy Peeler and supported by Mike Foley to meet again as a committee in to discuss making a recommendation.

Motion carried.

Members would like to meet in November, and look at additional options. Gary will work with Vanessa to provide more scenarios, which include:

- Look at a different target number (2.4%)
- Add a column that shows the cost of IFSP per child
- For the Estimate of service need column, weight the amount like Exhibit D did for the block grants
- Look at the different amounts for the block grant, based on size, with a higher bottom amount.
- Eliminate the Target and Estimate of Service Need columns, use figures based on performance and factor in administrative costs, like done in Exhibit D for the block grant.
- Eliminate the Estimate of Performance column and increase the targets for each ISD.

Members discussed coming up with a short term fix until after the Fund Expansion committee does its work and additional funds are identified.