

# A Comprehensive Fiscal Analysis of the Prenatal to Five System in Michigan: *Early On Michigan Addendum*



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Jeanna Capito

Carina Lane

Tami Mannes

Karen Rhinehardt

***Prenatal to Five Fiscal Strategies***



## About Prenatal to Five Fiscal Strategies



Prenatal to Five Fiscal Strategies is a national nonprofit founded by Jeanna Capito and Simon Workman that seeks to address the broken fiscal and governance structures within the prenatal to five system with a comprehensive, cross-agency, cross-service approach. The initiative is founded in a set of shared principles that centers on the needs of children, families, providers, and the workforce. This approach fundamentally rethinks the current system to better tackle issues of equity in funding and access.

For more information about Prenatal to Five Fiscal Strategies, please visit: [www.prenatal5fiscal.org](http://www.prenatal5fiscal.org)

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## Executive Summary

Early intervention (EI) services have a lasting impact on children, families, and communities. The **Early On Michigan Addendum** to the Comprehensive Fiscal Analysis (CFA) of Michigan's prenatal to five system provides a detailed evaluation of the funding, cost drivers, and systemic challenges within Michigan's early intervention system, *Early On*. *Early On* Michigan serves infants and toddlers with developmental delays and/or disabilities, supporting families with essential services to enhance developmental outcomes and prepare children for lifelong success.

Conducting a fiscal analysis of *Early On* Michigan is essential for ensuring that the program is well-funded, equitable, cost-effective, and accountable. It provides valuable data to support strategic planning, resource allocation, and advocacy efforts, ultimately enhancing the program's ability to meet the needs of all eligible children and their families.

## Key Findings

### Bifurcated Eligibility and Service Challenges:

- Michigan's *Early On* system includes two eligibility tiers: **Part C Only** and **Michigan Mandatory Special Education (MMSE)**. This

bifurcation results in inequities for families and inconsistent access to special education evaluation, qualified providers, and early intervention services. The bifurcated system of eligibility is the driver for all other system inequities within Michigan and creates confusion for families navigating the system.

- Access to services varies significantly across Intermediate School Districts (ISDs), with service models and staff qualifications differing widely.

### Funding Disparities and Gaps:

- *Early On* is funded through a combination of federal Individuals with Disabilities Education Improvement Act (IDEA) Part C funds, state allocations, Medicaid reimbursements, and local millages. However, the reliance on census-based funding and local property taxes creates inequities in resource availability.
- Total state and federal funding, not including Medicaid reimbursement or local funding, for *Early On* in fiscal years 2023 through 2025 ranged between \$32 million and \$35.2 million, while cost modeling estimates the true cost of maintaining current services at approximately \$259 million, and the cost of target service level delivery at \$334 million.



## Workforce and Administrative Barriers:

- Recruitment and retention of qualified staff, particularly for specialized roles, are ongoing challenges. Discrepancies in Medicaid reimbursement processes further strain resources.

## Cost Modeling

A comprehensive fiscal analysis of Michigan's *Early On* system includes the development of a cost model to evaluate service provision costs under current and target service levels. Two primary service delivery models were analyzed and built in to the cost model: the **Primary Service Provider (PSP)** model and the **Multidisciplinary Service Delivery** model. The cost model helps estimate service costs, assess revenue sufficiency, and guide decision-making for scaling and equity across the state.

Key findings from the cost model include:

- **Current Service Levels:** Serving 26,921 children, with 80% under the PSP model and 20% under the Multidisciplinary Service Delivery model:
  - Total cost: **\$259 million**
- **Target Service Levels:** Adjusting service intensity for the same number of children to mirror national best practices for early intervention services ranging from four to six hours monthly.<sup>i</sup>
  - Total cost: **\$334 million**
  - The model at target service levels accounts for key services, such as speech therapy, occupational/physical therapy, special instruction, and family counseling. This cost analysis emphasizes the financial needs for scaling services to

align with increased service levels while maintaining transparency in program funding.

Over the past three fiscal years, *Early On* Michigan's state and federal funding ranged between \$32 million and \$35.2 million, with approximately \$18.7 million in Medicaid reimbursements (2023) and additional local funding. Based on FY 2025 state and federal funding (\$32m) and estimated Medicaid reimbursements (\$18.7M):

- An additional **\$205 million** is needed to cover the cost of current services.
- An additional **\$280 million** is required to fund target service levels.

The exact funding gap is challenging to determine due to variability in local millage contributions across ISDs. The *Early On* Cost Model highlights the significant funding gap required to support *Early On* services at both current and target service levels. Investing in these services is essential to enhance service quality, reach more families, and promote equity across Michigan.

## Recommendations

The CFA generated three overarching recommendations in the initial report. The *Early On* CFA Work Group built on those recommendations to reflect *Early On* specific needs. The *Early On* CFA Work Group also re-prioritized recommendations leading with coordination of services and systems.

1. **Invest in coordination of services and systems:** Michigan's bifurcated system for *Early On* Part C Only and MMSE eligibility creates fragmentation in service delivery, causing inconsistent support, delays, and confusion for families navigating

different criteria and processes. To address these challenges, the recommendation is to establish a unified early intervention and special education system with streamlined eligibility, consistent funding, and coordinated services tailored to the individualized needs of children and families.

2. **Maximize existing funding sources:** To maximize existing funding sources for *Early On* Michigan, recommendations focus on addressing systemic funding inequities and optimizing resource utilization. Federal IDEA Part C funds are limited, leading to disparities for *Early On* Part C Only compared to *Early On* Part C + MMSE that benefit from additional state and local funding. Transitioning from Michigan's census-based funding formula to a needs-based model would align resources with the actual number and needs of students with disabilities. Medicaid billing for eligible services is inconsistently implemented across ISDs, highlighting the need to review and clarify rules to ensure equitable reimbursement. Additionally, examining Section 51a funding rules and developing equitable local funding strategies would address challenges stemming from property tax reliance and varying district resources. These actions aim to ensure equitable access and adequate support for all children and families in the program.

3. **Use the true cost of services to inform future investments:** The recommendation emphasizes the need to align funding with the true cost of delivering *Early On* services. Michigan should leverage the *Early On* Cost Model to reevaluate outdated funding formulas, ensuring adequate payment rates to support all eligible children. Aligning *Early On* Part C + MMSE staffing credential requirements with federal IDEA Part C standards would expand the pool of qualified providers, addressing workforce gaps. Additionally, significant public investment is necessary to close the funding gap, with an estimated \$334 million required to achieve target service levels. A multiyear plan for increased funding should prioritize children and families with the greatest needs.

The analysis underscores the urgency of addressing systemic inequities, funding gaps, and workforce challenges in Michigan's early intervention system. A unified and adequately funded approach will enhance service delivery, ensuring all eligible children and their families receive the support needed for developmental success.



# I. Introduction

Early intervention services for infants and toddlers with developmental delays and/or disabilities are critical for supporting healthy long-term development. However, inconsistent and inadequate funding often limits access to services, creating substantial disparities in developmental outcomes that disproportionately affect vulnerable populations.

In 2023, Think Babies Michigan engaged [Prenatal to Five Fiscal Strategies \(P5FS\)](#) to lead a [comprehensive fiscal analysis](#) (CFA) focused on multiple services and elements of financing the prenatal to five system. A fiscal analysis helps to ensure that the program is adequately funded, resources are used efficiently, and services are delivered equitably across regions. The CFA included a fiscal vision and guiding principles for the full prenatal to five system; a fiscal map detailing funding streams supporting prenatal to five programs and systems, including *Early On* and Section 619 Preschool Special Education; and cost estimation tools estimating the true cost of programming for child care and home visiting. This addendum shares information for *Early On* Michigan, Michigan's early intervention system, including *Early On* cost modeling, analysis, and system recommendations.

Early intervention (EI) services have a lasting impact on children, families, and communities. EI services are a [system of support](#) and services for babies and young children with developmental delays and/or disabilities and their families. Access to EI services can improve the developmental trajectories of infants and toddlers with developmental delays and/or disabilities and prevent further delays and may also reduce the need for special education or more intensive supports when children are older.<sup>ii</sup> Families also benefit by gaining support, resources, and strategies to effectively nurture their child’s growth and advocate for their needs.<sup>iii</sup> By fostering stronger developmental outcomes and empowering families, early intervention helps build a foundation for lifelong success.

## The Need for a Comprehensive Fiscal Analysis of *Early On*

*Early On*<sup>1</sup> is Michigan’s system for helping infants and toddlers, birth to age three, who have developmental delay(s) and/or disabilities or are at risk for delays due to certain health conditions, and their families. *Early On* supports and partners with families to find and provide the social, health, and developmental services to promote the development of their infants and toddlers with special needs.<sup>iv</sup>

Michigan is one of only five “birth mandate”<sup>2</sup> states that requires provision of special education services for infants and toddlers from birth to age three. In 1971, Michigan legislatively mandated that special education services, programs, and supports start at birth, provided children met eligibility criteria under the Michigan Administrative Rules of Special Education (MARSE).<sup>v</sup> This requirement predated the federal mandate to provide early intervention services for infants and toddlers established in 1986 through Part H of the Education for All Handicapped Children Act, now Part C of the Individuals with Disabilities Education Improvement Act (IDEA). Michigan implemented this federal requirement for infants and toddlers with developmental delays and/or disabilities in 1990, creating *Early On* Michigan, in which eligibility is broader than required under the Michigan Mandatory Special Education (MMSE) program that was initially required in 1971 (Figure 1).<sup>vi</sup> Infants and toddlers in *Early On* may also be eligible for MMSE services, called *Early On* Part C + MMSE throughout this report. Infants and toddlers not eligible for MMSE are considered “*Early On* Only” or “*Early On* Part C Only”. *Early On* Part C Only is used throughout this report to identify infants and toddlers receiving services through Part C.

**Figure 1:** Timeline of *Early On* Services in Michigan



Source: [https://eotta.ccsesa.org/Files/Uploads/New/188/Definition\\_of\\_Birth\\_Mandate\\_State\\_FINAL.pdf](https://eotta.ccsesa.org/Files/Uploads/New/188/Definition_of_Birth_Mandate_State_FINAL.pdf)

<sup>1</sup> Early On Michigan, <https://www.1800earlyon.org/>

<sup>2</sup> A “Birth Mandate State” is a historic designation that applies to states that provide state-authorized special education services to eligible infants and toddlers, birth to age three, prior to the federal requirement in 1986.



This resulted in Michigan as the only state creating two Part C tiers – those who meet special education eligibility criteria known as *Early On* Part C + MMSE and those who have lesser delays qualifying for *Early On* Part C Only. The intention of tiered eligibility was to allow infants and toddlers with significant delays to receive intensive services and align with Michigan’s mandate to provide special education services starting at birth.<sup>vii</sup>

*Early On* Part C Only eligibility criteria include two categories – developmental delay<sup>3</sup> and established condition<sup>4</sup>. Infants and toddlers, birth to three, may also qualify for special education services, MMSE, in one of the 13 areas of eligibility under the Michigan Administrative Rules for Special Education (MARSE).<sup>viii</sup>

Conducting a fiscal analysis of *Early On* Michigan is essential for ensuring that the program is well-funded, equitable, cost-effective, and accountable. It provides valuable data to support strategic planning, resource allocation, and advocacy efforts, ultimately enhancing the program’s ability to meet the needs of all eligible children and their families.

## Early On Services

*Early On* is administered through the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) and the Michigan Department of Education (MDE) with local implementation through Intermediate School Districts (ISDs). ISDs are the primary local agencies responsible for administering *Early On* Michigan services. In some areas, Local Education Agencies (LEAs) may directly provide services or collaborate

with ISDs to deliver *Early On* services.

Early Intervention services are defined as being “designed to meet the developmental needs of an infant or toddler with a disability and the needs of the family to assist appropriately in the infant’s or toddler’s development...”<sup>ix</sup> However, services vary across the state in terms of amount, frequency, and type.

Service levels are based on the needs of the child and family and vary considerably for both *Early On* Part C Only and *Early On* Part C + MMSE eligible children. There is not a prescribed amount of service a child must receive, and the amount of service can vary across the state for children who are eligible under *Early On* Part C Only. However, the minimum service requirement for receiving funding for infants and toddlers eligible under *Early On* Part C + MMSE and served under rule number R340.1862 is 72 clock hours over one year. This allows the district to receive partial reimbursement via pupil membership according to pupil accounting rules and section 51a. This is the only service-related reimbursement source for MMSE eligible children. There is no service driven funding source for *Early On* Part C Only children.

According to IDEA Part C, services are to be “provided by qualified personnel”. These qualifications mirror the *Early On* Part C + MMSE personnel qualifications. Michigan has established qualifications for *Early On* Part C Only providers that are much broader in scope and degree, ranging from high school diplomas, or equivalent, to bachelor’s degrees in related fields to fully licensed special education reimbursable staff. Some ISDs utilize staff that are not certified special education providers to provide services to their *Early On* Part C Only eligible children. In addition, some ISDs

<sup>3</sup> Developmental delay means a delay of 20%, or one standard deviation below the mean, in one or more areas of development

<sup>4</sup> Established condition is a diagnosed physical or mental condition that has a high probability of resulting in developmental delay.

utilize certified special education staff that are partially funded by 54d or Part C federal funds to serve *Early On* Part C Only eligible children. Still other ISDs are fully utilizing their special education certified staff to support and serve *Early On* Part C Only eligible children. It should be noted that this is part of the funding dilemma in Michigan related to two different groups of children being identified as infants and toddlers with developmental delays and/or disabilities – technically districts are utilizing special education funds to serve “non-special education eligible” children which is formally not allowed. However, many ISDs cannot meet their federal obligation to children and families if they do not take this approach.

## Early On Funding

*Early On* is funded through the federal Individuals with Disabilities Education Improvement Act (IDEA) Part C; state funding through the Michigan State School Aid Act, Sections 51a and 54d; Medicaid reimbursement; and local funding.

Federal IDEA Part C funds are distributed to states based on the proportion of children aged birth to two years old within the state’s general population, as determined by census data. States must submit an annual application to the U.S. Department of Education’s Office of Special Education Programs to receive Part C funds.

State funding has historically been distributed to ISDs according to MDE’s *Early On* funding

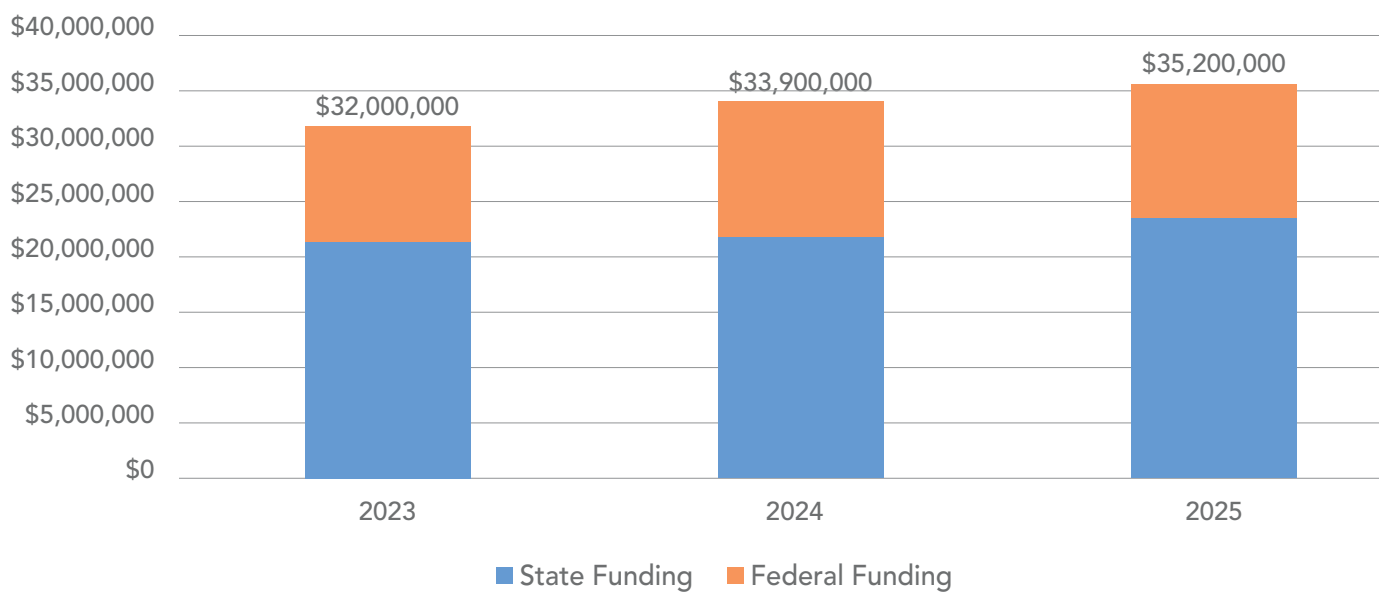
formula, also used to distribute federal funding under IDEA Part C. This formula allocates funds based on an assumed percentage of children with disabilities, rather than the actual number of children requiring services. Currently, both state and federal funding is distributed through MiLEAP.

Michigan State School Aid Act, Section 54d funds are allocated to ISDs to:

- Provide *Early On* services for children from birth to three years of age with a developmental delay or a disability, or both, and their families, as described in the *Early On* Michigan Part C of the IDEA State Plan, as approved by MDE.
- Increase *Early On* services and resources available to children that demonstrate developmental delays to help prepare them for success as they enter school. *Early On* services include evaluating and providing early intervention services for eligible infants and toddlers and their families to address developmental delays, including those affecting physical, cognitive, communication, adaptive, social, or emotional development.<sup>x</sup>

Section 51a of the State School Aid Act is appropriated to reimburse the increase in costs incurred in implementing the revisions in MARSE that became effective on July 1, 1987, specifically for children eligible for *Early On* under MMSE requiring at least 72 hours of service from certified special education staff.<sup>xi</sup>

**Figure 2:** State and federal funding for *Early On*



Total funding from 2023 to 2025 ranged from \$32 million to \$35.2 million with state funding accounting for approximately 66% to 67% of the total funding, illustrated in Figure 2. It is important to note that these total investments do not include 51a, Medicaid reimbursement, local funding, and the State of Michigan’s allocation to administer *Early On*.

- MDE allocated \$10.7 million in federal funding and \$21.3 million in state funding to ISDs for *Early On* in fiscal year 2023 totaling \$32 million.<sup>xii</sup>
- MDE allocated \$11.6 million in federal funding and \$22.3 million in state funding to ISDs for *Early On* in fiscal year 2024 totaling \$33.9 million based on 2019 – 2021 birth cohorts.<sup>xiii</sup>
- MiLEAP allocated \$11.5 million in federal funding and \$23.7 million in state funding to ISDs for *Early On* in fiscal year 2025 totaling \$35.2 million based on 2020 – 2022 birth cohorts.<sup>xiv</sup>

Michigan school districts can receive Medicaid reimbursement for certain medical-based services provided in schools. ISDs are eligible to bill Medicaid for medically necessary services and therapies delivered to infants and toddlers with developmental delays and/or disabilities who qualify for Medicaid. However, the amount of reimbursement varies by ISD based on factors like billing practices and the number of eligible children. Additionally, these Medicaid funds are not guaranteed to be directed back to the *Early On* program, which may limit the direct support for early intervention services.

Each ISD supplements state and federal funding with a local special education millage, approved by residents. Local millages are property taxes to fund public services or infrastructure. Millage revenue varies for each ISD depending on the number of mills levied and the property taxes.<sup>xv</sup> However, millages are not consistently available across the state creating barriers and inequities in access to services.



## II. *Early On* Michigan Leadership and Constituent Engagement

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Think Babies Michigan initiated and led the comprehensive fiscal analysis, as part of a prenatal to three system-wide change effort. By providing detailed information about the true cost of services and the impact of varying levels of compensation on total cost, this fiscal analysis supports the Think Babies Michigan goals of maximizing investments in prenatal to five services, removing barriers to access for families, paying providers fairly, developing a cross-sector strategy to improve compensation for the early childhood workforce, and improving equity for children across the state.



An *Early On* Comprehensive Fiscal Analysis (CFA) Work Group was convened to guide the fiscal analysis and cost modeling of *Early On*. The *Early On* CFA Work Group consisted of *Early On* Coordinators and staff representing Intermediate School Districts (ISDs) from across Michigan, parents whose children have received early intervention services in Michigan, state agency staff, governor’s office staff, and advocates for early intervention. The *Early On* CFA Work Group met virtually between February 2023 and September 2024 to guide the process, develop the survey, analyze data, provide input on the cost model development, and develop system

recommendations. Each meeting was facilitated by P5FS to gather the voice of Work Group members to ensure the process considered local philosophies, principles, and assumptions.

In addition to whole group meetings, P5FS held nine interviews with state leadership and *Early On* Coordinators from diverse ISDs and regions based on the Michigan Association of Administrators of Special Education (MAASE) (Table 1) to better understand service models, expenses, and revenues. Region 1A was the only MAASE region not represented in the interview process but was represented in the *Early On* CFA Work Group.

**Table 1:** *Early On* Interviews by MAASE Regions

Interview	MAASE Region
Bay-Arenac Intermediate School District	2
Ottawa Area Intermediate School District	3
Oakland Intermediate School District	4
Northwest Education Services	1B
Ionia Intermediate School District	3
Clinton County Regional Educational Service Agency	2
St. Clair County Regional Educational Service Agency	4
Wayne Regional Educational Service Agency	4
Michigan Department of Education	Statewide

Source: <https://www.maase.org/regional-maps>

Surveys were also used to gather additional data to support development of the *Early On* Cost Model tool (see Cost Model and Analysis section).

The Work Group meetings, interviews, and surveys allowed for statewide input while limiting *Early On* staff burden.



### III. Comprehensive Fiscal Analysis of *Early On* Michigan

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Early Intervention in Michigan is provided through *Early On* Michigan, which serves infants and toddlers with developmental delays and/or disabilities with two sets of eligibility criteria, *Early On* Part C Only and *Early On* Part C + MMSE, creating a bifurcated early intervention and special education system for infants and toddlers with disabilities and leading to systemic issues in providing equitable access to evaluation and services.

The bifurcated system creates several challenges including:

1. Variability in access to special education evaluation and services
2. Differences in service models
3. Disparities in funding

# Access to *Early On* Services

A total of 26,386 children, or 6.18% of children ages birth to three, were served by *Early On* from July 1, 2022 to June 30, 2023. Over the last 10 years, the

number of children eligible and served in *Early On* has increased by over 30%, shown in Table 2.

**Table 2:** Number of children served by *Early On*, 2013 to 2023

June Period Child Count Year	Number of Children Served in <i>Early On</i>	Percent of Children Birth to Three
2023	26,386	6.18%
2022	24,375	5.62%
2021	21,721	4.90%
2020	22,017	4.91%
2019	23,226	5.13%
2018	22,190	4.88%
2017	20,794	4.58%
2016	19,071	4.19%
2015	18,420	4.05%
2014	18,467	4.02%
2013	18,082	3.87%

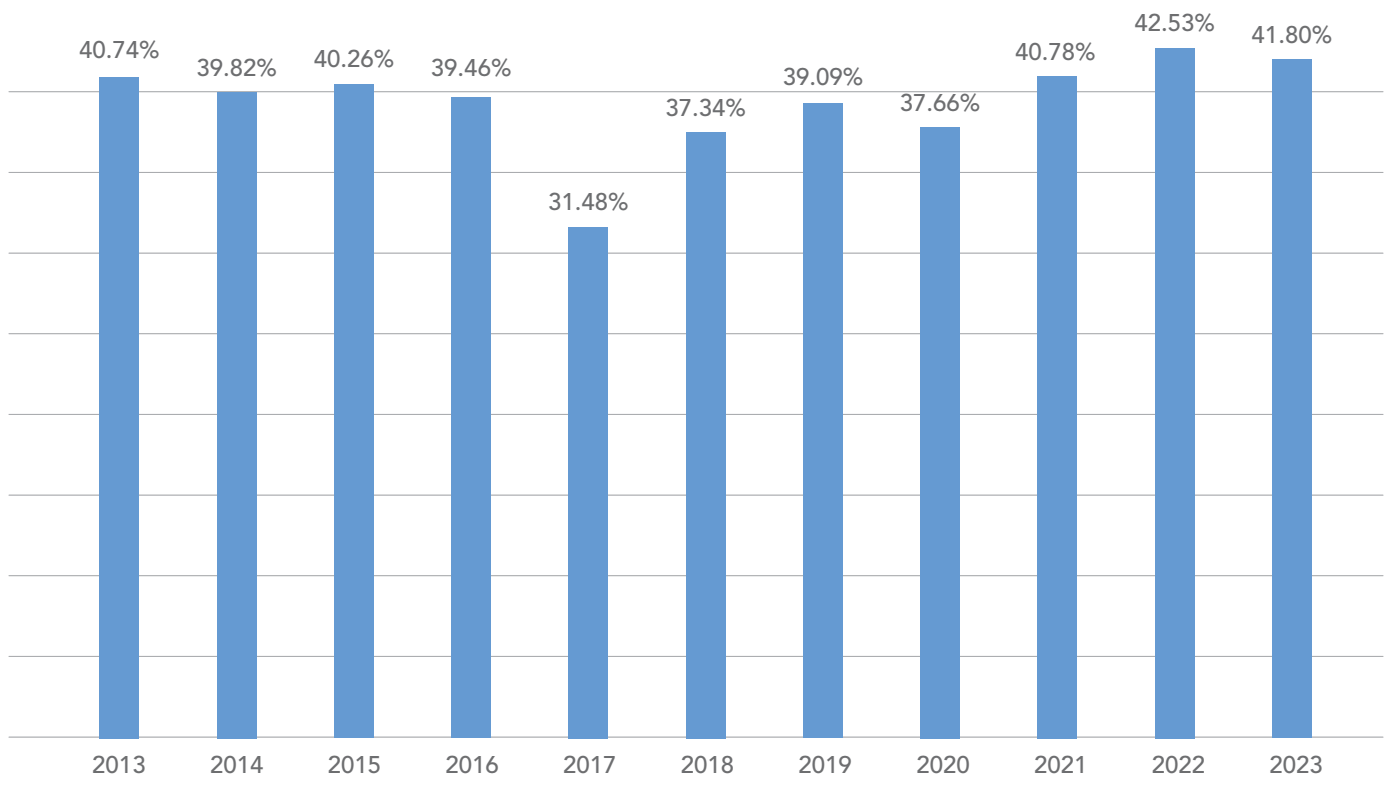
Source: <https://earlyondata.com/>

With the continued increase in children determined to be eligible and the variances in service delivery models and administration, access to *Early On* services fluctuates significantly across ISDs, leading to disparities in service provision for infants and toddlers with developmental delays and/or disabilities. There is also a disparity in access, evidenced by the variance in the percentage of eligible children by ISD, ranging from 4% to approximately 11% for the period count from July 1, 2022 to June 30, 2023.

This variance also shows in the number of children determined eligible for *Early On* Part C + MMSE. The point in time child count in June 2023 indicates approximately 42% of all **active** *Early On* Part C Only eligible children (12,907) were also eligible for *Early On* Part C + MMSE (5,395). This distribution

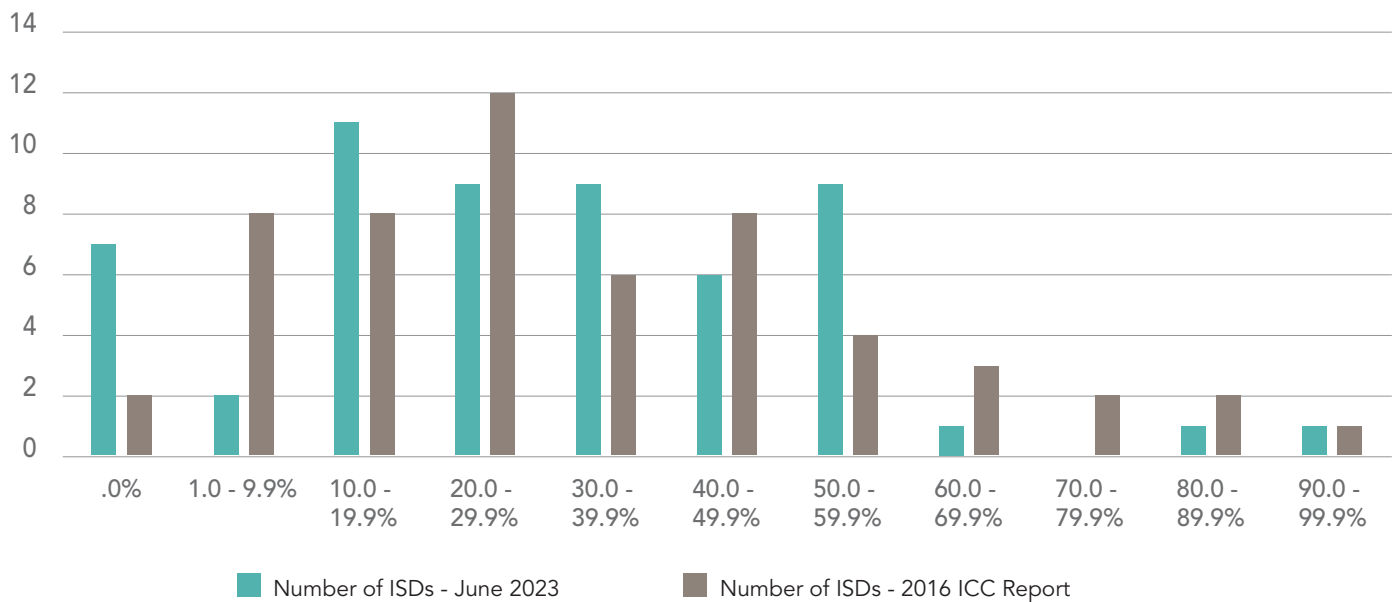
of approximately 60% *Early On* Part C Only and 40% *Early On* Part C + MMSE has been relatively consistent over last 10 years (Figure 3). However, while the statewide percentage of children eligible for *Early On* Part C + MMSE has remained stable overall, it varies significantly across ISDs. The percentage of children eligible for *Early On* Part C + MMSE ranged from zero percent (7 ISDs) to 93% (Figure 4). This range reflects disparate service delivery and inequitable access to evaluation and special education services for infants and toddlers with developmental delays and/or disabilities as well as variance in policies, procedures, and interpretations of the special education eligibility entitlement for infants and toddlers with developmental delays and/or disabilities across ISDs.

**Figure 3:** Percent *Early On* Part C + MMSE eligible June 2013 to June 2023



Source: <https://earlyondata.com/?service=ST&coldate=Jun2023>

**Figure 4:** Number of ISDs by percent of *Early On* Part C Only eligible children also eligible for MMSE, June 2023 compared to 2016



Source: <https://earlyondata.com/index.php?service=&coldate=Jun2023> and [https://earlyonfoundation.org/Files/Resources/MICC\\_Fiscal\\_2016\\_11\\_18\\_FINAL\\_550570\\_7.pdf](https://earlyonfoundation.org/Files/Resources/MICC_Fiscal_2016_11_18_FINAL_550570_7.pdf)

These data are similar to information shared in the *Michigan Interagency Council Fiscal Ad Hoc Committee Report and Recommendations*, published

November 2016, showing continued issues due to a bifurcated system. According to this report, and through the interviews conducted in 2023 with



*Early On* Coordinators (see Engagement section), variations on the availability of local millage funding along with local leadership and decision-making on the use of funds are contributing to the differences in service delivery.<sup>xvi</sup>

*“Because we have a bifurcated system, people think there are [different] choices in what children are entitled to than if they lived in any other state. If our eligibility was a 25% delay, it would mirror 47 other states in the nation, and we would then have those kids... getting access to physical therapists. Those kids in other states are getting access to speech and language [therapists], but, in Michigan, if you’re Early On Only, and you have a 25% delay, you might get access to a generalist or somebody with a bachelor’s degree. You aren’t entitled to the same level that others are. And, so, I think that really is part of Michigan’s problem is that we allow providers to make choices and our families don’t know the difference.”*

The differing service models between *Early On* Part C Only and *Early On* Part C + MMSE create a range of issues that impact special education evaluation, service frequency and intensity, funding, coordination, and outcomes for infants and toddlers with developmental delays and/or disabilities and their families. By aligning *Early On* and MMSE, programs can provide a more comprehensive and tailored approach to support the developmental and educational needs of infants and toddlers with developmental delays and/or disabilities to ensure they can thrive and improve the effectiveness and equity of its early intervention and special education services.

## Differences in Service Models

The provision of *Early On* services in Michigan differs significantly between ISDs and LEAs

based on funding, local leadership, policies, and administrative practices. ISDs and LEAs may adopt different models for delivering *Early On* services with varying staffing levels and qualifications. Local priorities and leadership also impact service delivery. Variances in how *Early On* policies and regulations are interpreted and implemented can lead to inequities in quality and availability of services across regions.

ISDs may adopt different service delivery models for both *Early On* Part C Only and *Early On* Part C + MMSE, such as home-based, community-based, or hybrid approaches, based on their resources and community needs. Variability in service delivery models leads to differences in the intensity and types of interventions provided, affecting the overall effectiveness of *Early On*. Many ISDs have moved to the Primary Service Provider (PSP) model for delivering services which is a family-centered approach to delivering early intervention services for infants and toddlers with developmental delays and/or disabilities and their families. The evidence-based PSP model is relationship-based designating a single service provider who collaborates via formal teaming sessions and co-visits with members of the multidisciplinary team to address the needs of children and families. Other ISDs implement a Multidisciplinary Service Delivery model which involves multiple professionals from different disciplines working together to provide services. Other ISDs combine service delivery approaches.

During interviews, *Early On* Coordinators shared differences in how programs are operated. Some *Early On* Coordinators have oversight of *Early On* Part C Only and *Early On* Part C + MMSE implementation; others do not. In addition, *Early On* services are not always provided directly at the ISD level. In some cases, Lead Education Agencies (LEAs) within the ISD are responsible for service provision, with the ISD providing monitoring,

compliance, and reporting functions. Other ISDs administer services using combination of these administration models.

*“Our RESA provides all the [Early On] Part C Only services and then some special education services [Early On Part C + MMSE] to some of our smaller districts, but four out of the seven districts provide the [Early On Part C +] MMSE services to their own.”*

Along with different service delivery models, differences in staff qualification requirements between *Early On* Part C Only and *Early On* Part C + MMSE impact service delivery. *Early On* Part C Only staff typically include early intervention generalists, service coordinators, and family support personnel. *Early On* Part C + MMSE requires additional specialized staff, such as special education certified teachers, psychologists, and related service providers. The variability in staff qualifications affects the range of services available for families and their infants and toddlers with developmental delays and/or disabilities. Additionally, some ISDs face difficulties in recruiting and retaining qualified early intervention professionals, such as speech-language pathologists, occupational therapists, and developmental specialists. Staffing shortages can lead to increased caseloads, reduced service frequency, and lower quality of intervention. Through interviews, some *Early On* Coordinators shared a desire to align staffing even though it is not yet required. As *Early On* Part C Only staff are retiring or leaving positions, *Early On* Part C + MMSE qualified staff are hired to replace them.

*“So, to do [Early On] Part C Only, you don’t have to necessarily have somebody that has a special education background. We did have a couple of social workers that did have a degree, but it wasn’t a school social worker. We also*

*had a couple of staff members that didn’t have any type of a degree, they just had training and [were] just working in Great Start home visiting programs..., and with the switch, we made it so that all [families], no matter if they’re MMSE or not, are getting somebody who is certified with special education.”*

## Disparities in Funding

Michigan’s early intervention funding formula has several inherent inequities that contribute to disparities in resources available for infants and toddlers with developmental delays and/or disabilities across different districts. Michigan’s formula allocates funds based on an assumed percentage of infants and toddlers with developmental delays and/or disabilities, rather than the actual number requiring services. Districts with higher actual identification rates of infants and toddlers with developmental delays and/or disabilities are underfunded, as they receive the same proportion of funding as districts with lower prevalence rates. This can lead to resource shortages and inadequate service provision.

The state’s contribution to early intervention funding is limited, falling short of covering the full costs incurred by districts. Some districts rely on their local funding sources to cover the shortfall and others do not have access to local funding at all, exacerbating inequities. This can result in disparities in the services offered. One *Early On* Coordinator offered that adequate funding is a key driver in ensuring access to services in early intervention.

*“Since we’ve gotten the 54d [state] money, we’ve worked on increasing our services. Previously, before the 54d money, the [Early On Part C] Only kids [were not seen] nearly as frequently as they are now, so now we are pretty comparable to*

*what our students [receive] that are MMSE. We typically see kiddos about two to three times a month. Whereas in the school, it's typically more on a weekly basis. Usually, it is like three to four times a month, and ours is about two to three times a month, so we are pretty comparable now, ...but again as cases get higher, I don't know if that will be able to sustain."*

Local millages or other local funding in Michigan play a crucial role in funding special education. Variations in local contributions due to differences in property tax revenues results in disparities in available per child funding. Districts with lower property values and millage rates have less funding to supplement state contributions, resulting in inequitable resource allocation for special education services.

*"We have Act 18 funds...that support our Early On specialized program. Then we have the state 54d [funds]...which have increased considerably over the years [helping] us maintain and grow some staff. That's how I'm getting districts to [provide] more Early On. Here, I'll give you two staff to do Early On [Part C Only] in your district."*

In addition to local, state, and federal funds, Medicaid serves as a potential funding source for *Early On* services. The Medicaid School Services Program (SSP), also known as School Based Services or SBS, provides reimbursement to schools for specific health-related services provided to Medicaid-eligible infants and toddlers with developmental delays and/or disabilities.<sup>xvii</sup> These services can include evaluations, qualifying administrative activities, and services such as speech and language, occupational, and physical therapies. However, leveraging Medicaid funding

involves navigating complex and resource-intensive documentation and billing process, which requires ongoing training, robust administrative support, and dedicated administrative staff time.

ISDs must also navigate complex regulations to maintain compliance with state and federal Medicaid requirements, which can vary based on evolving Medicaid policies, state and federal budget allocations, and the actual costs of services provided. The variability in reimbursement rates and eligibility criteria further complicates funding stability.

Additionally, there is a misalignment between the services covered by Medicaid and the evidence-based delivery model many ISDs use. While Medicaid reimburses for specific direct services, many ISDs have adopted the Primary Service Provider (PSP) model of service delivery, which emphasizes interdisciplinary teamwork and does not align with Medicaid's reimbursement structure. Consequently, within the PSP model, services are delivered under special instruction or family training and home visits are not reimbursable through Medicaid, even if provided by a Medicaid-eligible provider, creating a funding gap.

Moreover, while Medicaid reimbursement is directed to the ISD, these funds do not necessarily flow to the *Early On* programs within the ISD, limiting their ability to benefit directly from the resources intended to support their work. This disconnect underscores the need for systemic improvements in how Medicaid funds are allocated and managed to better support the comprehensive needs of *Early On* programs and the families they serve.



## IV. *Early On* Cost Model and Analysis

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To fully understand the cost of providing services that align with the vision and principles and meet the needs of children and families, the CFA includes the development of cost estimation models.

The *Early On* Cost Model is informed by primary and secondary data collection with input from the *Early On* Comprehensive Fiscal Analysis (CFA) Work Group and interviews with *Early On* Coordinators as detailed in the Engagement section. Additional data were requested from *Early On* Coordinators throughout the state through surveys. Data were also leveraged through [earlyondata.com](https://earlyondata.com) and extant data sources for salary options.

### Surveys

Each Intermediate School District (ISD) received a survey requesting deidentified data on personnel costs within their local early intervention program. Almost 80% of ISDs participated, with representation from every Michigan Association of Intermediate School Administrators region, ranging from 57% per region to 100% per region. The data collected built on Michigan Department of Education (MDE) data and included the following variables:



- position type (i.e. occupational therapist, physical therapist, teacher, speech and language pathologist, etc.)
- position vacancy
- total FTE<sup>5</sup> (including FTE for *Early On* Part C Only and FTE for *Early On* Part C + MMSE)
- number of days worked, including hours per day, salary, and benefits

Additional publicly available data variables from [earlyondata.com](https://earlyondata.com) were added to the combined data set. These variables included snapshot child counts, annual child counts, contacts per child, contacts per month, hours of service per child, and hours of service per child by month, three-year birth cohort, total children served, and the percentage of *Early On* Part C Only eligible children served in *Early On* Part C + MMSE. Additional information specific to ISD funding was included, fiscal year 2024 federal *Early On* allocation and fiscal year 2024 54d state funding allocation.

## Interviews

P5FS facilitated eight virtual interviews with *Early On* Coordinators and one interview with Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) and MDE Office of Early Education staff. Participants in interviews shared general information on their ISD, operating and staffing approach, salaries and compensation, and cost drivers. These interviews provided valuable information for the development of the cost model.

## Early On Comprehensive Fiscal Analysis Work Group Meetings

As mentioned in the Engagement section, the *Early On* CFA Work Group met approximately 18 times between February 2023 to September 2024

to provide input for developing the cost model. The *Early On* CFA Work Group provided feedback on service options, staffing and wages, program variables, and nonpersonnel costs.

## Modeling the Cost of *Early On*

Early intervention service delivery varies and ISDs can individually select service models. Most ISDs utilize the Primary Service Provider (PSP) model, some utilize the Multidisciplinary Service Delivery model, while others have a combination of both models to provide services to infants and toddlers with developmental delays and/or disabilities. The CFA developed the cost model, accounting for all service models to ensure an accurate depiction of current and projected costs. All models aim to provide high-quality services to address the developmental needs of children, but they differ in service delivery, coordination, and family involvement, affecting the overall costs of each approach. In addition, IDEA Part C requires all children to receive service coordination with each model accounting for this federal requirement.

The *Early On* Cost Model is designed to accurately identify the true costs associated with both the Multidisciplinary Service Delivery model and the PSP model, as these are the primary models for delivering early intervention services. By incorporating both service methodologies into the *Early On* Cost Model, Michigan aims to capture a precise picture of the financial implications of each approach. This comprehensive model allows for a more informed decision-making process regarding resource allocation and ensuring that reimbursement rates accurately reflect the true costs of providing high-quality early intervention services, regardless of the chosen delivery model. Both service delivery models in the cost model

<sup>5</sup> A full-time equivalent (FTE) is a unit of measurement that indicates the workload of an employed person. For the cost model, 2,080 hours would be equal to one FTE (40 hours x 52 weeks = 2,080 hours).

aim to capture ongoing operational costs of the programs, not the costs related to startup, or costs associated with switching from one service delivery model to the other.

## Early On Cost Model

Cost drivers in the *Early On* Cost Model include both personnel and nonpersonnel expenses. Personnel expenses include salary and benefits, while nonpersonnel expenses include occupancy and program costs such as staff and student materials, equipment, interpretation and translation services, professional development, mentoring, reflective supervision, travel, and mileage. To use the *Early On* Cost Model, users select the tab for the direct service delivery model they want to use for the scenario they will run. The selection of which service delivery model draws on specific expenses built into the model, driven by the qualitative and quantitative data gathered throughout the engagement process.

Both service delivery models incorporate costs associated with service options, service frequency, salary selection and benefits, program variables, and nonpersonnel expenses. This comprehensive approach ensures the cost model accurately reflects all costs in delivering *Early On* services by the direct service model selected. Below, each section of the cost model is described in greater detail based on the service delivery model – the PSP model and the Multidisciplinary Service Delivery model.

**Salary and Benefits:** There are multiple salary options in the *Early On* Cost Model, in both service delivery options.

- Current salaries: can be selected as statewide values, Michigan Association of Administrators of Special Education (MAASE) regionalized values and Michigan Association of Intermediate School Administrators (MAISA) regionalized values.

- Massachusetts Institute of Technology (MIT) Living Wage Calculator, with a living wage informed base for the salary scale, can be selected as statewide values, MAASE regionalized values and MAISA regionalized values.<sup>xviii</sup>
- Bureau of Labor Statistics (BLS), has wage data, statewide only.<sup>xix</sup>

The salary options section includes the option of a Dual Language Salary increase. The user keys in the percentage increase on the annual salary amount for those positions they wish to include a dual language salary increase. The positions eligible for this increase are:

- Administrative support
- Speech language pathologist
- Social worker
- Psychologist

For benefits, the user inputs a total percentage of benefits, which is applied to the salary total. This is designed to include both mandatory taxes and discretionary benefits, allowing for maximum flexibility as it is a percentage approach of any value determined by the user.

**Service Option:** The service option in the *Early On* Cost Model will look different based on which direct service delivery approach is chosen – the PSP model or the Multidisciplinary Service Delivery model. The staffing of the service options most commonly encompasses:

- Early childhood special education teacher
- Speech and language pathologist
- Occupational therapist
- Physical therapist
- School social worker or school psychologist
- Other providers as appropriate: Deaf and Hard of Hearing teacher, Visually Impaired teacher, nurse

Additional service options can be selected, including, but not limited to, vision, hearing, and nursing services/personnel. These services are not part of every child's service plan; therefore, costs will differ depending on the number of children needing these additional specialties. Additional specific details on the cost modeling of the PSP and Multidisciplinary Service Delivery models can be found in Appendix C.

**Service Frequency:** Multiple levels of service intensity are built into cost model to capture variation in costs based on the service intensity. The higher the intensity, the more expensive the service is due to a greater number of staff hours needed to provide the service. The cost model requires the user to spread each type of service across the following options for service frequency:

- 1 hour/month
- 4 hours/month
- 6 hours/month
- 8 hours/month

The user is also able to key in a custom number of hours per week if modeling is needed to capture costs of delivering a number of hours that differ from the available intensity levels.

**Program Variables:** Both service delivery models include program variables beyond the costs in the standard nonpersonnel lines, including interpretation services, additional travel expenses, indirect rate allowance, adjustment to the specialty caseloads (i.e. nursing), and reflective supervision. These are all additional costs to providing high-quality services and can be individualized to reflect the current program operations. Reflective supervision selection points include variation in frequency accounting for different implementation by programs.

**Nonpersonnel:** These costs encompass the activities and materials needed to implement high-quality early intervention services and are consistent across both service delivery models. Incorporating these essential expenses into the cost model provides a more comprehensive and accurate picture of the true costs of delivering effective and high-quality *Early On* services to families and children. Nonpersonnel categories in the *Early On* Cost Model include:

- Occupancy
- Staff Supplies/Materials
- Professional Development
- Mentoring
- Staff Mileage
- Printing
- Student Supplies/Materials
- Student Equipment
- Interpretation Services
- Extra Travel Expenses
- Reflective Supervision
- Administration Type/Indirect Rate Allowance

## Early On Scenarios

Several cost model scenarios were modeled for 26,921 children<sup>6</sup> served in a one-year period based on October 2023 annual count data, the most recent data available at the time of this report.<sup>xx</sup>

Due to both the PSP model and Multidisciplinary Service Delivery model being the primary service delivery methodologies, modeling decisions were made to ensure accurate representation of the actual costs of providing services. Through feedback from the *Early On* CFA Work Group, it was determined that 80% of the State of Michigan is using the PSP model (serving 21,537 children),

and 20% are implementing the Multidisciplinary Service Delivery model (serving 5,384 children). The Multidisciplinary Service Delivery model includes service percentages based on typical incidence levels with 80% of children receiving speech and language pathology services, 10% receiving occupational and physical therapy, 20% receiving special instruction services from a special education teacher, and 12% receiving family training and counseling from either a social worker or psychologist (6% each). The total number of children receiving each service included in each model are detailed in Tables 3 and 4.

**Table 3:** Total number of children receiving each service in the Primary Service Provider model

Additional Services	Percentage	Children Receiving Services
<b>Primary Service Provider</b>		<b>21,537</b>
Vision Services	2%	431
Hearing Services	2%	431
<b>Children Served (duplicative)</b>		<b>22,938</b>

**Table 4:** Total number of children receiving each service in the Multidisciplinary Service Delivery model

Services	Percentage	Children Receiving Services
<b>Multidisciplinary Service Delivery</b>		<b>5,384</b>
Occupational Therapy	10%	538
Physical Therapy	10%	538
Speech and Language Pathology Services	80%	4,307
Special Education Teacher Services	20%	1,077
Family Training and Counseling	12%	646
Other Services: Vision	2%	108
Other Services: Hearing	2%	108
<b>Children Served (duplicative)</b>		<b>7,322</b>

<sup>6</sup> Michigan *Early On* Part C Data Collection Profile Report, October 2023, <https://earlyondata.com/?service=ST&coldate=Oct2023>



# Service Intensity

Service intensity scenarios were ran covering both the PSP and Multidisciplinary Service Delivery models, with 80% of the children being served in the PSP model and 20% being served in the Multidisciplinary Service Delivery model. A scenario for **current service levels** was modeled at five service intensities ranging from one hour per month to eight hours per month by an estimated percentage of children receiving that level of service, detailed in Table 5. Additionally, a scenario was modeled for **target service levels** at four

service intensities ranging from three hours per month to eight hours per month by an estimated percentage of children receiving that level of service, also detailed in Table 5. These intensities were chosen following review of Early Childhood Technical Assistance (ECTA) data, national Part C State Coordinator survey results, Michigan *Early On* Coordinators survey results, and through discussion with the *Early On* CFA Work Group.<sup>7</sup> The outputs of these scenarios are discussed in the *Early On* Cost Model Results section.

**Table 5:** Percentage of current and target service levels per month, 2024

Service Hours Per Month	Current Service Levels	Target Service Levels
1 hour	20%	NA
2 hours	20%	NA
3 hours	NA	10%
4 hours	40%	60%
6 hours	10%	20%
8 hours	10%	10%

## Early On Cost Model Results

The *Early On* Cost Model results seek to demonstrate the investment needed to fiscally sustain high-quality early intervention, that upholds federal and state mandates, and is based up research-based practices to support the development of infants and toddlers with developmental delays and/or disabilities. The model outputs delineate current staffing, costs, and models of service delivery, as well as fiscal implications for targeted service delivery.

## Total Early On Costs at Current Service Levels

The cost model outputs for total *Early On* costs at current service levels are \$259,286,441, shown in Table 6. Salaries and benefits costs make up 68% of the total costs; nonpersonnel make up 32%.

<sup>7</sup> Early Childhood Technical Assistance Center data, <https://ectacenter.org/eco/pages/childdata.asp>; IDEA Infant and Toddler Coordinators Association, Tipping Point Survey Results, <https://www.ideainfanttoddler.org/pdf/2023-Tipping-Points-Survey.pdf>

**Table 6:** Total *Early On* costs, current service levels

Results – Personnel	
Wages	\$100,268,855
Benefits	\$75,201,642
<b>Total Personnel</b>	<b>\$175,470,497</b>
Results – Nonpersonnel	
Occupancy	\$8,250,889
Staff Supplies/Materials	\$2,359,754
Professional Development	\$1,415,181
Mentoring	\$986,816
Staff Mileage	\$10,561,137
Printing	\$2,207,500
Student Supplies/Materials	\$1,749,188
Student Equipment	\$3,311,250
Interpretation Services	\$5,376,000
Extra Travel Expenses	\$5,037,389
Reflective Supervision	\$18,989,345
Administration Type/Indirect Rate Allowance	\$23,571,495
<b>Total Nonpersonnel</b>	<b>\$83,815,944</b>
<b>Total <i>Early On</i> Costs at Current Service Levels</b>	<b>\$259,286,441</b>



## Total Early On Costs at Target Service Levels

The cost model outputs for total *Early On* costs at target service levels are \$334,110,421, shown in Table 7. Salaries and benefits costs make up 69% of the total costs with nonpersonnel making up 31%.

**Table 7:** Total *Early On* costs, target service levels

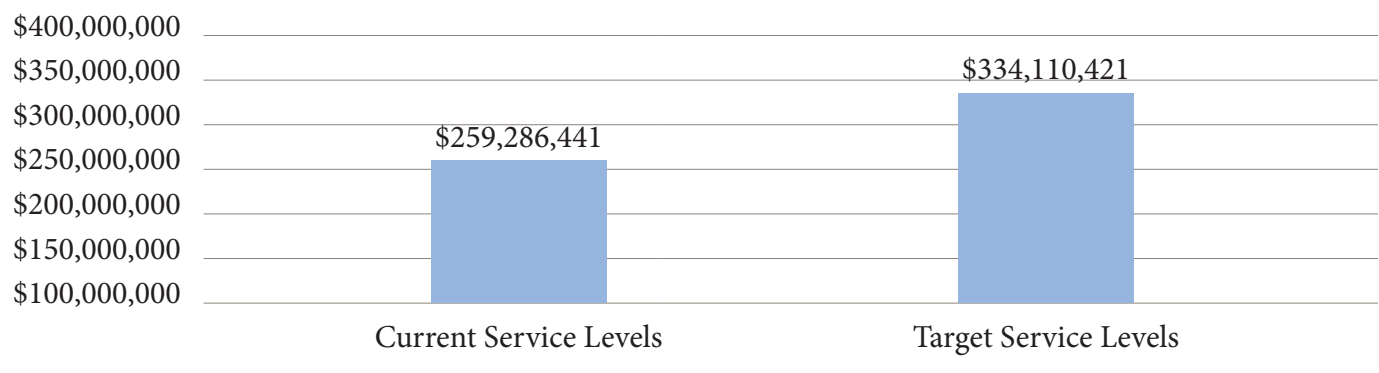
Results – Personnel	
Wages	\$130,895,005
Benefits	\$98,171,254
<b>Total Personnel</b>	<b>\$229,066,260</b>
Results – Nonpersonnel	
Occupancy	\$10,771,993
Staff Supplies/Materials	\$3,080,790
Professional Development	\$2,286,095
Mentoring	\$1,428,809
Staff Mileage	\$13,788,151
Printing	\$2,207,500
Student Supplies/Materials	\$2,283,662
Student Equipment	\$3,311,250
Interpretation Services	\$5,376,000
Extra Travel Expenses	\$4,032,000
Reflective Supervision	\$26,104,237
Administration Type/Indirect Rate Allowance	\$30,373,675
<b>Total Nonpersonnel</b>	<b>\$105,044,162</b>
<b>Total <i>Early On</i> Costs at Current Service Levels</b>	<b>\$334,110,421</b>

# Total Early On Costs: Current Service Levels and Target Service Levels

Based on the cost model, *Early On*’s true cost of care at current service levels is \$259,286,441 for 26,921 children, 80% of these children served through the PSP model and 20% served with the

Multidisciplinary Service Delivery model. The same number of children and the same breakdown between PSP and Multidisciplinary Service Delivery models, at target service levels, increases *Early On* costs to \$334,110,421, detailed in Figure 5. Services provided at the target service level cost almost \$75 million more than services at the current service level.

**Figure 5:** Total annual costs, current service levels compared to target service levels, 2024



Source: *Early On* Cost Model, P5FS

## Needed Investment

In the last three fiscal years, *Early On* Michigan’s state and federal funding ranged between \$32 million and \$35.2 million with additional funding through Medicaid reimbursements and local funding. It is estimated that approximately \$18.7 million is generated for *Early On* through Medicaid reimbursement (2023).<sup>xxi</sup>

Based on Fiscal Year (FY) 2025 state and federal funding (\$35.2m) and 2023 Medicaid reimbursements (\$18.7m), Michigan needs \$205 million in additional funding to cover the cost at current services and \$280 million to cover the cost at target service levels. It is challenging to determine the exact amount of additional funding needed because it is unclear how much each local ISD allocates to early intervention services from local millages or other funding sources.

Needed Investment	Current Service Levels	Target Service Levels
	\$205 million	\$280 million



## AIR *Early On* Cost Study

As part of the Preschool Development Grant Birth through Five Renewal grant, the Michigan Department of Education (MDE) Office of Great Start partnered with the American Institutes for Research® (AIR®) to study the costs of high-quality early intervention (EI) services. The cost study was completed in 2023 with reports published in December 2023.<sup>xxii</sup> This cost study can be considered in relation to understanding the outputs of the cost model and the CFA to support a deeper understanding of *Early On*'s fiscal needs.

A **cost study** is an analysis of the actual costs of providing a service collecting data from providers about their operating expenses and other factors influencing costs. Cost studies seek to understand the current finances of a service or program identifying variations based on region and intensity of services.

A **cost model** is a predictive tool that creates various scenarios to estimate the resources needed to achieve policy or quality goals. Using a framework based on typical costs, often informed by cost studies, cost models allow for adjustments based on wages, staff qualifications, service intensity levels, and program enhancements. Cost models help project the costs of new policies or standards.<sup>xxiii</sup>

AIR's cost study included personnel and nonpersonnel costs to implement an early intervention system. Personnel costs included service providers and a service coordinator. Nonpersonnel costs included travel, such as

mileage, hotel, and meal reimbursement; materials and equipment; and facilities. Based on this methodology, AIR determined the statewide annual cost of *Early On* is \$229,443,420 for 12,783 children, the number of children enrolled in February 2023. Personnel costs were determined to make up 89% of all costs; nonpersonnel costs make up 11% of all costs.

As discussed in the previous section, Prenatal to Five Fiscal Strategies' (P5FS) *Early On* Cost Model estimates a higher total cost with personnel costs at 68% at current service levels. This model includes additional enhancements in nonpersonnel costs, such as reflective supervision, mentoring, interpretation services, and professional development. If these enhancements were not included in the cost model, the personnel costs would be more in line with AIR's findings. This report focuses solely on the costs for direct services to infants and toddlers with developmental delays and/or disabilities and does not include statewide costs such as MiLEAP staffing, training and technical assistance, public awareness, and evaluation of the *Early On* system. It is acknowledged that all aspects of the early intervention system needing fiscal support to create a robust system.

Both AIR's cost study and the P5FS *Early On* Cost Model show a significant investment is needed to meet the needs of Michigan's infants and toddlers with developmental delays and/or disabilities.



## V. Findings and Recommendations

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Building on the recommendations from [Michigan's Prenatal to Five Comprehensive Fiscal Analysis \(CFA\)](#), several recommendations have been developed for *Early On* after analysis and with input from the *Early On* CFA Work Group.

The *Early On* recommendations follow the framework of the CFA recommendations falling into three broad categories focused on ensuring the prenatal to five system, including *Early On*, (1) invests in the infrastructure to support a sustainable system, (2) makes decisions informed by a full understanding of the true cost of care, and (3) maximizes existing funding.<sup>8</sup> Table 8 summarizes each recommendation followed by supporting rationale.

\*Additional language to existing CFA recommendations or new recommendations specific to *Early On* are identified in [blue](#).

<sup>8</sup> The *Early On* CFA Work Group decided to reorder the three broad categories to prioritize investing in coordination of services and systems.

**Table 8:** Summary of CFA recommendations including *Early On* (modified from the original CFA recommendations)

Recommendations	
1. Invest in coordination of services and systems	A. Create a <b>single, unified</b> early intervention and special education system for infants and toddlers that is adequately funded through federal, state, and local funding with a <b>unified eligibility determination process</b> ensuring services are provided based on the <b>individualized</b> needs of the child and family.
	B. Home visiting leaders across Michigan should consider strategic priorities for the growth of the home visiting systems through the development of a shared leadership approach.
	C. Fund community-level systems coordination equitably and sufficiently across the state.
2. Maximize existing funding sources	A. Align eligibility requirements for CDC child care subsidies with family needs by revising the requirement that custodial parents obtain child support on behalf of the children for whom they receive assistance or seek an exception.
	B. Review Medicaid billing practices to identify eligible services provided by other home visiting models to better leverage federal funding. Review rates for preventative and early childhood wellness services to ensure that they reflect the true cost of quality services and all elements of the service model. <b>Review and interpret existing rules to maximize the use of Medicaid for supporting early intervention services and develop guidance for utilizing Medicaid for <i>Early On</i> services.</b>
	C. Provide a range of possible GSRP allocations to school districts in the spring, based on proposed budgets, to allow them to plan for a range of scenarios. Consider shifting GSRP funding to a prior-year budget cycle so that GSRP slots can be allocated a year in advance to allow school districts to plan with greater confidence.
	D. <b>Examine strategies to better account for child, family, and district needs to adopt a more equitable state funding formula.</b>
	E. <b>Examine funding rules specific to Section 51a and devise a strategy to better account for the intricacies of funding services for infants and toddlers with developmental delays and/or disabilities.</b>
	F. <b>Work with communities to map and analyze local funding strategies and opportunities.</b>

### 3. Use the true cost of services to inform future investments

- A. Prioritize increased provider salaries and benefits when setting child care subsidy and home visiting contract rates. Move toward a standard of a living wage with benefits across the early childhood field. Update cost model scenarios on an ongoing basis to reflect changing costs and needs in Michigan.
- B. *Align state staffing credential requirements for MMSE to Part C federal rule to broaden the array of qualified staff to provide services.*
- C. Seek federal approval to set CCDF subsidy rates based on an alternative methodology using a cost estimation model rather than a market rate survey. Engage child care providers and other stakeholders to ensure that they understand this change and have an opportunity to contribute information to the cost model.
- D. *Use the *Early On* Cost Model to determine the true cost of providing services for all eligible children in an aligned system.*
- E. Significantly increase public investment in child care, home visiting, and *early intervention* to close the gap between current investments and the overall investment needed. Develop a multi-year plan for increased investments, prioritizing children and families most in need of support.

## Recommendation 1:

### Invest in coordination of services and systems

Currently, Michigan is the only birth mandate state that has maintained a bifurcated system for *Early On* Part C Only eligibility and state special education eligibility (Michigan Mandatory Special Education – [MMSE]), requiring one set of eligibility criteria for *Early On* Part C Only and additional criteria for *Early On* Part C + MMSE.<sup>xxiv</sup> Having one group of children identified as infants and toddlers with a development delay or disability but two systems for eligibility that have roots in different funding sources further complicates and already confusing process for families and for those administering the program.

The separation between *Early On* Part C Only and *Early On* Part C + MMSE can lead to fragmentation

in service delivery resulting in inconsistent services and support to children and families.

**A. Align Systems Under *Early On*:** The bifurcated early intervention system in Michigan aims to provide targeted support to one group of identified children with developmental delays and/or disabilities through *Early On* Part C + MMSE and lesser support to *Early On* Part C Only eligible children. IDEA Part C requires the same personnel providing services through *Early On* Part C + MMSE be available to all children and families eligible under Part C. The division of *Early On* Part C Only and *Early On* Part C + MMSE creates inequities in the overall system. Addressing these issues requires improved coordination, streamlined processes, consistent funding, and a unified approach to ensure that children and their families receive seamless, high-quality support.



**Recommendation 1A:** Create a **single, unified** early intervention and special education system for infants and toddlers that is adequately funded through federal, state, and local funding with a **unified eligibility determination process**, ensuring services are provided based on the **individualized** needs of the child and family.

## Recommendation 2:

### Maximize existing funding sources

The CFA considered current barriers to efficient use of funds, as well as future funding needs. *Early On* Part C Only is primarily funded through a combination of federal IDEA Part C funds and the Michigan School State Aide Act, section 54d, which may be limited and not fully cover the cost of comprehensive services. *Early On* Part C + MMSE receives additional state and local funding, which can lead to disparities in resources available for children in different programs. Children in *Early On* Part C Only programs may not receive the same level of services or resources as those in programs that also provide *Early On* Part C + MMSE, leading to inequities in service quality and access.

**B. Medicaid:** State Medicaid programs have flexibility in how they establish Medicaid payments for school-based services, while meeting federal requirements. In Michigan, the Medicaid State Plan specifies the types of services that can be delivered, as well as the qualifications and roles of providers authorized to bill Medicaid for these services. However, the implementation of Medicaid billing varies widely across ISDs. Additionally, *Early On* programs within ISDs often do not receive Medicaid reimbursement due to special instruction and family training not being allowable services under Michigan's State Medicaid plan, highlighting a gap in funding

access and equitable resource distribution, in alignment with research-based practice.

**Recommendation 2B:** The State should review and interpret existing rules to maximize the use of Medicaid for supporting early intervention services and develop guidance for utilizing Medicaid for *Early On* services.

**D. Funding Formula:** Michigan uses a census-based funding formula allocating funds based on a predetermined percentage of the total student population, rather than the actual number of identified infants and toddlers with developmental delays and/or disabilities or their individualized needs. This method can lead to several inequities, particularly in a diverse state like Michigan, where the prevalence and needs of students with disabilities can vary significantly across districts. Shifting from a census-based formula to a needs-based funding model that considers the actual number of students with disabilities and the severity of their needs will ensure funding is aligned with the true costs of providing special education services.

**Recommendation 2D:** Examine strategies to better account for child, family, and district needs to adopt a more equitable state funding formula.

**E. Per-Pupil Funding through Special Education:** Michigan provides per-pupil funding for students with disabilities based on a K-12 funding model within the school system specific to the School State Aid Act, Section 51a, for infants and toddlers who are eligible for special education and meet service requirements outlined in MARSE rules and the Michigan Pupil Accounting Manual. The way this is currently implemented creates challenges for ISDs and LEAs to obtain funding for the

services offered for infants and toddlers with developmental delays and/or disabilities.

**Recommendation 2E:** Examine funding rules specific to Section 51a and devise a strategy to better account for the intricacies of funding services for infants and toddlers with developmental delays and/or disabilities.

#### F. Local Funding Strategies and Opportunities:

Michigan's education funding system heavily relies on local property taxes, resulting in wealthier districts with higher property values generating significantly more revenue. Schools in poorer districts, which often have a higher proportion of students requiring special education services, receive less funding, resulting in inequitable access to resources, staffing, and quality of special education services.

**Recommendation 2F:** Work with communities to map and analyze local funding strategies and opportunities.

### Recommendation 3:

#### Use the true cost of services to inform future investments

Funding formulas often rely on outdated or inaccurate estimates of the true cost of providing special education services, resulting in inadequate funding allocations that do not meet the actual financial demands of serving infants and toddlers with developmental delays and/or disabilities and their families. The *Early On* Cost Model, developed as part of the CFA, provides Michigan with a tool to understand the true cost of *Early On*.

**B. Workforce:** Michigan's *Early On* system includes two distinct groups of professionals who can provide early intervention services. These groups consist of those who meet the federal requirements under IDEA Part C and those who meet the Michigan MMSE personnel requirements. While many providers meet

both the federal IDEA Part C requirements and MMSE personnel requirements, not all providers meet both sets of criteria. Allowing *Early On* Part C Only personnel to provide *Early On* Part C + MMSE services will expand the range of providers able to meet the needs of infants and toddlers with developmental delays and/or disabilities.

**Recommendation 3B:** Align state staffing credential requirements for MMSE to Part C federal rule to broaden the array of qualified staff to provide services.

**D. True Cost:** Expanding *Early On* services will require reevaluating funding to reflect the true cost of care.

**Recommendation 3D:** Use the *Early On* Cost Model to determine the true cost of providing services for all eligible children in an aligned system.

**E. Public Investment:** *Early On* is funded through federal, state, and local sources, yet the funding is inadequate to meet the needs of all eligible children and their families. Cost modeling indicates the investment needed to maintain current service levels is \$205 million, while \$280 million is required to achieve proposed target service intensity levels. In FY 25, *Early On* received \$35.2 million in federal and state funding, along with an estimated \$18.7 million for Medicaid reimbursement, based on 2023 reimbursement. While each ISD benefits from local millage revenues, these vary significantly by county and the proportion allocated to *Early On*.

**Recommendation 3E:** Significantly increase public investment in child care, home visiting, and [early intervention](#) to close the gap between current investments and the overall investment needed. Develop a multiyear plan for increased investments, prioritizing children and families most in need of support.



## VI. Conclusion

While the bifurcated early intervention system in Michigan aims to provide targeted support for children with developmental delays and/or disabilities, the separation between *Early On Part C Only* and *Early On Part C + MMSE* introduces several challenges. Addressing these issues requires improved coordination, streamlined processes, consistent funding, and a unified approach to ensure that children and their families receive seamless, high-quality support.

# Appendices

## A. Michigan Comprehensive Fiscal Analysis *Early On* Work Group Membership | Summer 2023 - Fall 2024

Name	Organization
Katie Bourbina	Monroe Intermediate School District
Christy Callahan	Clinton County Regional Educational Service Agency <i>Early On</i> Foundation
Madeline Elliott	Michigan's Children
Cheryl Granzo	Ionia Intermediate School District
Mark Higgins	Kent Intermediate School District
Mina Hong	Start Early
Dawn Koger, Ph.D.	Oakland Intermediate School District
Salina Mann	Think Babies Michigan Coalition
Tami Mannes, Ph.D.	Ottawa Area Intermediate School District
Victoria Martinez	Michigan Alliance for Families
Yvonne Donohoe McCool, Ph.D.	Northwest Education Services
Alan Oman	Early Childhood Investment Corporation
Jessica Savoie	Eastern Upper Peninsula Intermediate School District
Cara Sutcliffe	Think Babies Michigan Coalition
Natisha Thompson	Think Babies Michigan Coalition
Janet Timbs	Michigan Department of Education, Office of Early Childhood Development and Family Education
Tamara Tucker	Think Babies Michigan Coalition
Gretchen Wagner	Bay-Arenac Intermediate School District



## B. Michigan Comprehensive Fiscal Analysis *Early On* Interviews | Summer 2023

Name	Organization
Christy Callahan	Clinton County Regional Educational Service Agency <i>Early On</i> Foundation
Cheryl Granzo	Ionia Intermediate School District
Dawn Koger, Ph.D.	Oakland Intermediate School District
Tami Mannes, Ph.D.	Ottawa Area Intermediate School District
Yvonne Donohoe McCool, Ph.D.	Northwest Education Services
Colleen O'Connor	Michigan Department Lifelong Education, Advancement, and Potential
Lisa Perugi	Wayne Regional Educational Service Agency
Jonnie Taton	Michigan Department Lifelong Education, Advancement, and Potential
Stacy Thomas	St. Clair County Regional Educational Service Agency
Janet Timbs	Michigan Department of Education, Office of Early Childhood Development and Family Education
Gretchen Wagner	Bay-Arenac Intermediate School District

## C. Cost Model Results

Developing cost models that are reflective of current practice is a robust task in which assumptions must be made to most closely align with the early intervention system. As outlined in the Engagement section, 80% of ISDs submitted staffing type, salary, benefit cost, and days and hours worked. Once the data were collected, the *Early On* CFA Work Group reviewed the initial findings to ensure that the data appeared accurate and reasonable based on knowledge of the Michigan early intervention system. Next, the service delivery model was considered. P5FS utilized expertise from the *Early On* CFA Work Group and determined that there were several

models of service delivery – the Primary Service Provider model (PSP), the Multi-Disciplinary Service Delivery model, and a hybrid of both. To streamline the cost model, it was determined that 80% of the state was using a PSP model and 20% was using a Multidisciplinary Service Delivery model, and those who were using a hybrid were encompassed within those numbers. This model acknowledges the intricacies and complexities of the Michigan early intervention system. The information below outlines, in detail, costs for service delivery models with the assumption that all service delivery models are covered within the 80/20 split.

## Current Service Levels

At current service levels, the PSP model's total cost is approximately \$216.7 million serving 21,537 children in *Early On* Michigan, shown in Table 9. Salaries and benefits make up 66% of the cost; nonpersonnel costs make up 34%. At current

service levels, the Multidisciplinary Service Delivery model's total cost is approximately \$42.6 million serving 5,384 children in *Early On* Michigan, shown in Table 10. Salaries and benefits make up 77% of the cost; nonpersonnel costs make up 23%.

**Table 9:** Current service level results, Primary Service Provider Model

Results – Personnel	Primary Service Provider Model
Wages	\$81,459,958
Benefits	\$61,094,969
<b>Total Personnel</b>	<b>\$142,554,927</b>
Results – Nonpersonnel	
Occupancy	\$7,604,948
Staff Supplies/Materials	\$2,175,015
Professional Development	\$1,304,390
Mentoring	\$917,572
Staff Mileage	\$9,734,334
Printing	\$2,153,700
Student Supplies/Materials	\$1,612,249
Student Equipment	\$3,230,550
Interpretation Services	\$4,300,000
Extra Travel Expenses	\$3,225,000
Reflective Supervision	\$18,182,345
Administration Type/Indirect Rate Allowance	\$19,699,503
<b>Total Nonpersonnel</b>	<b>\$74,139,608</b>
<b>Total Primary Service Provider Model</b>	<b>\$216,694,535</b>

**Table 10:** Current service level results, Multidisciplinary Service Delivery Model

Results – Personnel	Multidisciplinary Service Delivery Model
Wages	\$18,808,897
Benefits	\$14,106,673
<b>Total Personnel</b>	<b>\$32,915,570</b>
Results – Nonpersonnel	
Occupancy	\$645,940
Staff Supplies/Materials	\$184,739
Professional Development	\$110,791
Mentoring	\$69,244
Staff Mileage	\$826,803
Printing	\$53,800
Student Supplies/Materials	\$136,939
Student Equipment	\$80,700
Interpretation Services	\$1,076,000
Extra Travel Expenses	\$807,000
Reflective Supervision	\$1,812,389
Administration Type/Indirect Rate Allowance	\$3,871,997
<b>Total Nonpersonnel</b>	<b>\$9,676,336</b>
<b>Total Multidisciplinary Service Delivery Model</b>	<b>\$42,591,906</b>

## Target Service Levels

At target service levels, the PSP model's total cost is approximately \$279 million serving 21,537 children in *Early On* Michigan, shown in Table 11. Salaries and benefits make up 67% of the cost with nonpersonnel making up 33%. At target service

levels, the Multidisciplinary Service Delivery model's total cost is approximately \$54.9 million serving 5,384 children in *Early On* Michigan, also shown in Table 12. Salaries and benefits make up 78% of the cost; nonpersonnel costs make up 22%.

**Table 11:** Target service level results, Primary Service Provider Model

Results – Personnel	Primary Service Provider Model
Wages	\$106,350,501
Benefits	\$79,762,876
<b>Total Personnel</b>	<b>\$186,113,377</b>
Results – Nonpersonnel	
Occupancy	\$9,928,683
Staff Supplies/Materials	\$2,839,603
Professional Development	\$2,107,123
Mentoring	\$1,316,952
Staff Mileage	\$12,708,714
Printing	\$2,153,700
Student Supplies/Materials	\$2,104,881
Student Equipment	\$3,230,550
Interpretation Services	\$4,300,000
Extra Travel Expenses	\$3,225,000
Reflective Supervision	\$23,738,062
Administration Type/Indirect Rate Allowance	\$25,376,664
<b>Total Nonpersonnel</b>	<b>\$93,029,932</b>
<b>Total Primary Service Provider Model</b>	<b>\$279,143,309</b>



**Table 12:** Target service level results, Multidisciplinary Service Delivery Model

Results – Personnel	Multidisciplinary Service Delivery Model
Wages	\$24,544,504
Benefits	\$18,408,378
<b>Total Personnel</b>	<b>\$42,952,882</b>
Results – Nonpersonnel	
Occupancy	\$843,310
Staff Supplies/Materials	\$241,187
Professional Development	\$178,972
Mentoring	\$111,858
Staff Mileage	\$1,079,437
Printing	\$53,800
Student Supplies/Materials	\$178,782
Student Equipment	\$80,700
Interpretation Services	\$1,076,000
Extra Travel Expenses	\$807,000
Reflective Supervision	\$2,366,175
Administration Type/Indirect Rate Allowance	\$4,997,010
<b>Total Nonpersonnel</b>	<b>\$12,014,230</b>
<b>Total Multidisciplinary Service Delivery Model</b>	<b>\$54,967,113</b>



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