

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$67,570	\$66,495	\$70,377	\$3,881	5.8%
Deficiencies and Reductions	0	0	-16	-16	
Adjusted General Fund	\$67,570	\$66,495	\$70,361	\$3,865	5.8%
Special Fund	495	495	1,320	825	166.7%
Adjusted Special Fund	\$495	\$495	\$1,320	\$825	166.7%
Federal Fund	84,975	109,280	118,299	9,018	8.3%
Deficiencies and Reductions	0	0	-33	-33	
Adjusted Federal Fund	\$84,975	\$109,280	\$118,266	\$8,985	8.2%
Adjusted Grand Total	\$153,040	\$176,271	\$189,946	\$13,676	7.8%

- The fiscal 2017 allowance for the Division for Early Childhood Development (DECD) has been decreased by \$48,920 due to an across-the-board reduction for employee health insurance.
- The fiscal 2017 allowance for Early Childhood Development programs within the Maryland State Department of Education (MSDE) increases by approximately \$13.7 million, or 7.8%, over the fiscal 2016 working appropriation. This increase is primarily due to increased federal funding for grant spending from the Child Care Development Block Grant (CCDBG) and the child care mandatory and matching funds of the Child Care Development Fund (CCDF), totaling \$9.0 million, and \$3.8 million in general funds for the Child Care Subsidy Program (CCS). These increases are offset by a \$2.2 million reduction in federal funds for Race to the Top – Early Learning Challenge (RTT – ELC) grant spending.

Note: Numbers may not sum to total due to rounding.

For further information contact: Kyle D. Siefering

Phone: (410) 946-5530

Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	167.50	168.50	168.50	0.00
Contractual FTEs	<u>39.00</u>	<u>41.00</u>	<u>42.00</u>	<u>1.00</u>
Total Personnel	206.50	209.50	210.50	1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	12.15	7.21%
Positions and Percentage Vacant as of 12/31/15	1.00	0.59%

- DECD receives an increase of 1.0 contractual full-time equivalent in the fiscal 2017 allowance to support the Office of the Assistant State Superintendent.
- The unit had 1.0 vacant position at the end of calendar 2015, providing a vacancy rate of 0.59%. The fiscal 2017 budgeted turnover expectancy for the division is 7.21%, requiring 12.15 vacant positions. However, vacancies have risen for DECD in calendar 2016, indicating that the December 31, 2015 count is an aberration.

Analysis in Brief

Major Trends

Slight Growth in Enrollment for Most Early Childhood Development Programs: Between fiscal 2011 and 2015, participation in State prekindergarten has held relatively steady. Enrollment increased by 574 students between fiscal 2014 and 2015. Fiscal 2015 was the first year affected by Chapter 2 of 2014, the Prekindergarten Expansion Act, which expanded prekindergarten services to additional eligible four-year-old children from families whose income is at or below 300% of federal poverty guidelines. The Department of Budget and Management has noted that school year 2015-2016 is the first year of implementation of the federal Preschool Development Grant, which means approximately 3,000 additional children will be served with the associated federal funds and matching State funds in fiscal 2016. While enrollment has also held steady for the Maryland Infants and Toddlers Program and Preschool Special Education, enrollment in Head Start has declined from 12,747 in fiscal 2014 to 10,550 in fiscal 2015. **DECD should comment on why this decline has occurred and the projections for Head Start enrollment for fiscal 2016 and beyond.**

Child Care Subsidy Program Participation Decreases: The CCS provides vouchers to help with child care costs for eligible low-income working families through local departments of social services. The total number of children served by the CCS decreased from 18,488 in fiscal 2014 to 18,015 in fiscal 2015. This decrease occurred after the CCS number served increased for the first time in a number of years in fiscal 2014.

Participation in Child Care Credentialing Drops; Maryland EXCELS Grows: The percent of child care program staff statewide participating in the State credentialing program dropped from 23% in fiscal 2014 to 18% in fiscal 2015. This occurred after consistent growth in participation for a number of years. MSDE had previously expected the percentage of participating providers to rise to 37% in fiscal 2016 due to the launch of Maryland EXCELS (EXCELS stands for Excellence Counts in Early Learning and School-Age Care), a tiered quality rating and improvement system for licensed child care centers, family child care providers, and public prekindergarten programs. Maryland EXCELS addresses the needs of both families and educators, and was implemented statewide in July 2013. Participation by program staff in the credentialing program is the basic criterion required for programs to advance through the Maryland EXCELS system. Maryland EXCELS increased its program participation count from 2,867 in fiscal 2014 to 5,249 in fiscal 2015 and is estimating 6,000 participating programs in fiscal 2016. **DECD should provide an explanation of why a drop has occurred in the credentialing participation rate, given that Maryland EXCELS continues to grow.**

Issues

Adequacy Study on Prekindergarten: Part of the statewide study on adequacy of education funding, which has been awarded by contract to Augenblick, Palaich, and Associates (APA), includes a comprehensive report on prekindergarten in the State. As part of its review, APA made

recommendations regarding investing in early childhood data systems, increasing return on investment for the State's prekindergarten programs, and offering universal prekindergarten. **MSDE should discuss the study's recommendations and how they would affect the current structure of prekindergarten in Maryland.**

Re-authorization of the Child Care and Development Block Grant: The Child Care and Development Block Grant Act of 2014 re-authorizes the block grant for the first time since 1996 and makes changes to the CCDF program. Most significantly, the CCDBG establishes a 12-month eligibility redetermination period for CCDF families, regardless of changes in income or temporary changes in participation in work, training, or education activities. MSDE estimates that the costs of implementing the new requirements in Maryland will require an additional \$24.4 million in State funds for fiscal 2017 and \$43.3 million in fiscal 2018. The fiscal 2017 allowance only increases general funds for the CCS by \$3.8 million, \$20.6 million short of the estimate. **DECD should comment on whether general funds in the allowance are sufficient to issue 12-month vouchers under the CCDBG re-authorization, and on how CSS will be impacted if funding is insufficient.**

Child Care Subsidy Eligibility Determination Transition: The eligibility and case management services for CCS were transferred from the Department of Human Resources (DHR) to MSDE to allow the administration of the program to be fully consolidated. This transfer was completed in August 2015. However, per a Memorandum of Understanding between DHR and MSDE effective December 18, 2015, and continuing through December 31, 2016, eligibility determination for Temporary Cash Assistance (TCA) cases was transferred back to DHR. **MSDE should provide details on how it is working with DHR in processing cases, why its arrangement with DHR in determining eligibility for TCA cases was made, and whether this will be an ongoing long-term arrangement.** Complaints by CCS applicants and recipients have been made regarding not having questions responded to in a timely fashion, not receiving vouchers on time, and not having access to an online application. In October 2015, MSDE provided details regarding the amount of pending work its contractor, Xerox, received during the transition (five months of pending casework as opposed to the anticipated 30 days). MSDE noted that Xerox did not yet have access to the DHR data system that can be used to verify TCA application/eligibility or child support compliance. **MSDE should comment on whether this backlog has been addressed through the transfer of TCA cases back to DHR.**

Administration of Early Childhood Assessments: The Ready for Kindergarten: Maryland's Early Childhood Comprehensive System program attempts to align new assessments for early learners with the State's new college and career-ready standards. This includes the Kindergarten Readiness Assessment (KRA) for students entering kindergarten and the Early Learning Assessment (ELA) for students aged three to six, including students with disabilities. Based on the 2014-2015 KRA results, 47% of all Maryland children displayed the foundational skills indicating they were fully ready for kindergarten, in contrast to 83% from the 2013-2014 administration of the previously used Maryland Model for School Readiness. The 2016-2017 school year will be the pilot year for the administration of the ELA to preschool children with disabilities, with revisions based on teacher feedback to be incorporated into the ELA before the full rollout projected for the 2017-2018 school year. **DECD should provide an update on the fall 2015 implementation of the KRA and preparations for administering the ELA.**

Recommended Actions

1. Concur with Governor's allowance.

Updates

Race to the Top – Early Learning Challenge Grant: In December 2011, MSDE received a federal RTT – ELC grant of \$50 million over four years. The program is designed to narrow the school readiness gap for children in poverty, English language learners, and those with disabilities. This is achieved through the implementation of 10 individual projects. DECD received a fifth year no-cost extension for 4 of the 10 projects. These funds may be expended through December 31, 2016. As such, \$4.1 million in RTT – ELC funding was included in the fiscal 2017 allowance to fund the completion of projects through the first six months of the fiscal year.

R00A99 – MSDE – Early Childhood Development

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Analysis

Program Description

The State's early childhood programs are administered by the Division of Early Childhood Development (DECD) within the Maryland State Department of Education (MSDE). The division has a strategic plan that aligns early childhood programs with K-12 education to ensure that children, including those with special needs, enter school ready to learn. The plan focuses on three areas: programs, regulations, and standards; career and professional development for caregivers; and public relations and outreach.

Hoyer Program

Chapter 680 of 2000 established the Judith P. Hoyer Early Child Care and Education Enhancement Program. The program provides grants for local school systems to offer high-quality, full-day child care and education and family support services in or near Title 1 schools, which have high proportions of low-income students. The sites are known as "Judy Centers."

Hoyer Grants are also available to private providers of early child care and education to help them pursue accreditation and staff credentialing, which result in improved care for children. Hoyer funds also support administration of Ready for Kindergarten: Maryland's Early Childhood Comprehensive System (R4K).

Child Care

Chapter 585 of 2005 transferred functions of the Child Care Administration in the Department of Human Resources (DHR) to MSDE and mandated the establishment of DECD. In February 2006, the Purchase of Care Program, which provides financial assistance to low-income families for child care, was transferred from DHR to MSDE by executive order. MSDE has been responsible for the budget operations and payment processing for the program, which MSDE has designated the Child Care Subsidy Program (CCS). Through fiscal 2015, DHR was responsible for providing eligibility screening through local departments of social services. Efforts are being made in fiscal 2016 to consolidate all functions of the CCS within MSDE, though eligibility determination for Temporary Cash Assistance (TCA) cases has been transferred back to DHR as of December 2015. Contracts for the Maryland Child Care Resource and Referral Network and the Family Support Center Network were also transferred from DHR to MSDE.

DECD includes the Office of Child Care, which has three branches. The Licensing Branch licenses and monitors child care centers and family day care homes in the State. The Child Care Subsidy Branch regulates and administers the CSS. The Credentialing Branch administers the Maryland Child Care Credential Program; handles tiered reimbursement under the CCS; and manages child care training approval, training vouchers and reimbursements, and accreditation support awards.

Early Learning

The Early Learning Branch is responsible for public prekindergarten and kindergarten policies, the Judith P. Hoyer programs, R4K, early childhood curriculum guidance, and early childhood program accreditation. The accreditation work includes coordination of the application process and technical assistance for early care and education programs considering pursuing accreditation.

DECD also has a Collaboration and Program Improvement Branch that issues and administers early care grants and contracts, including the Family Child Care Provider Grant, the Quality Improvement Grant, and the contract for the Maryland Child Care Resource and Referral Network. This branch also handles Head Start collaboration, an early childhood mental health project, and a project to promote leadership and management skills in early childhood programs.

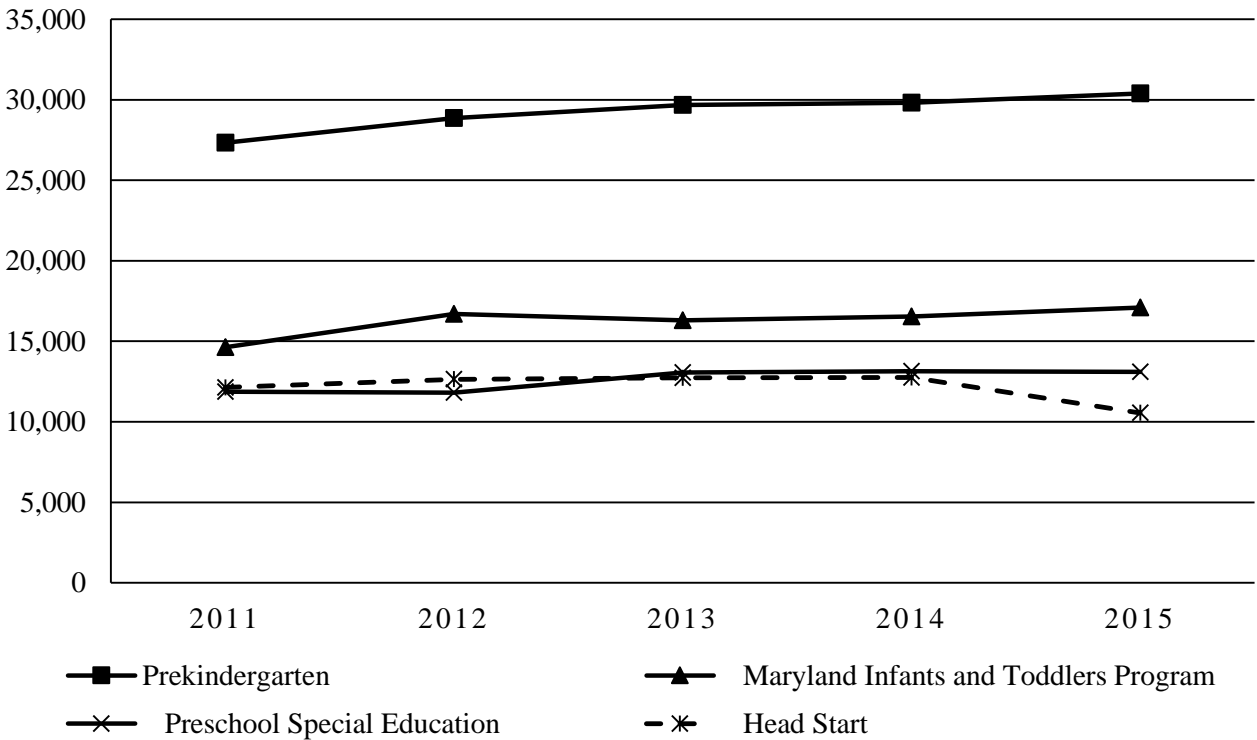
Performance Analysis: Managing for Results

1. Slight Growth in Enrollment for Most Early Childhood Development Programs

Between fiscal 2011 and 2015, participation in State prekindergarten has held relatively steady, as detailed in **Exhibit 1**. Enrollment increased by 574 students between fiscal 2014 and 2015. Fiscal 2015 was the first year affected by Chapter 2 of 2014, the Prekindergarten Expansion Act, which expanded prekindergarten services to additional eligible four-year-old children from families whose income is at or below 300% of federal poverty guidelines. The Department of Budget and Management (DBM) has noted that school year 2015-2016 is the first year of implementation of the federal Preschool Development Grant, which means approximately 3,000 additional children will be served with the associated federal funds in fiscal 2016.

While enrollment has also held relatively steady for the Maryland Infants and Toddlers Program (17,105 in fiscal 2015) and Preschool Special Education (13,105 in fiscal 2015), enrollment in Head Start has declined from 12,747 in fiscal 2014 to 10,550 in fiscal 2015. **DECD should comment on why this decline has occurred and the projections for Head Start enrollment for fiscal 2016 and beyond.**

**Exhibit 1
Enrollment in Early Childhood Development Programs
Fiscal 2011-2015**

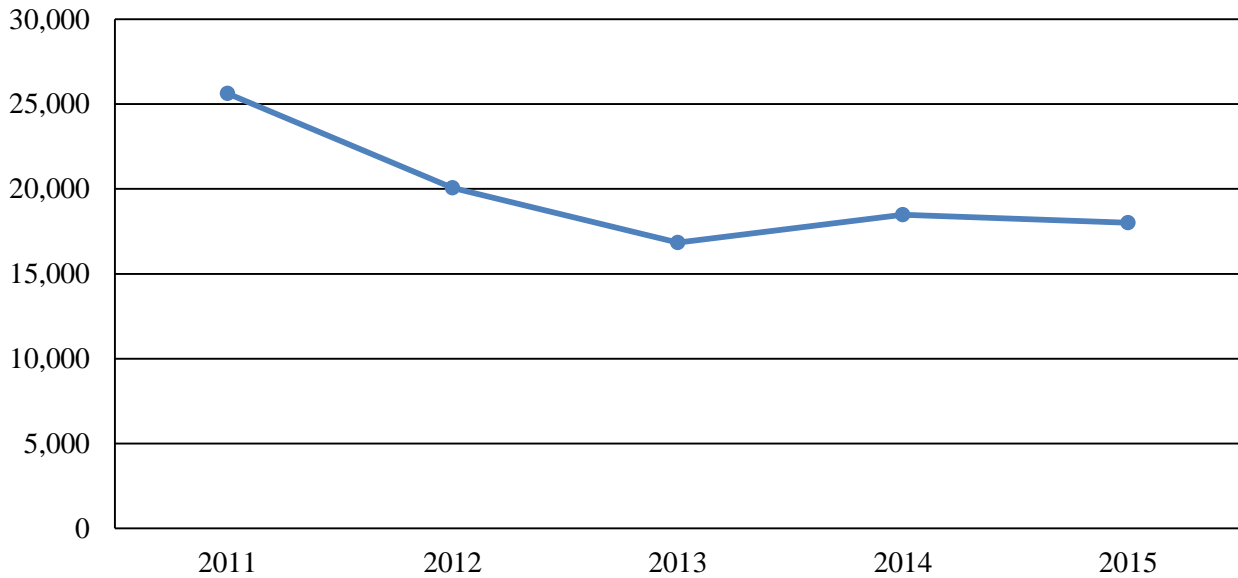


Source: Department of Budget and Management

2. Child Care Subsidy Program Participation Decreases

The CCS provides vouchers to help with child care costs for eligible low-income working families through local departments of social services. Vouchers are given to a regulated or informal care provider, and the provider submits them to MSDE for reimbursement. Voucher recipients pay a copayment, unless they are eligible for TCA or Supplemental Security Income. MSDE is the main administrator of the CCS following a transfer of the program from DHR, though eligibility determination and the issuance of vouchers for TCA-eligible applicants was returned to DHR per a Memorandum of Understanding (MOU) that commenced December 18, 2015. As shown in **Exhibit 2**, the total number of children served by the CCS decreased from 18,488 in fiscal 2014 to 18,015 in fiscal 2015. This decrease occurred after the CCS number served increased for the first time in a number of years in fiscal 2014. Discussion on the transfer and funding of the CCS is located in the Issues section of this analysis.

Exhibit 2
Children Served by the Child Care Subsidy Program
Fiscal 2011-2015



Source: Department of Budget and Management

3. Participation in Child Care Credentialing Drops; Maryland EXCELS Grows

The percent of child care program staff statewide participating in the State credentialing program dropped from 23% in fiscal 2014 to 18% in fiscal 2015. This occurred after consistent growth in participation for a number of years. MSDE had previously expected the percentage of participating staff to rise to 37% in fiscal 2016 due to the launch of Maryland EXCELS (EXCELS stands for Excellence Counts in Early Learning and School-Age Care), a tiered quality rating and improvement system for licensed child care centers, family child care providers, and public prekindergarten programs. Maryland EXCELS addresses the needs of both families and educators, and was implemented statewide in July 2013. Participation by program staff in the credentialing program is the basic criterion required for programs to advance through the Maryland EXCELS system. Maryland EXCELS increased its program participation count from 2,867 in fiscal 2014 to 5,249 in fiscal 2015, and is estimating 6,000 participating programs in fiscal 2016. **DECD should provide an explanation of why a drop has occurred in credentialing participation rate, given that Maryland EXCELS continues to grow.**

Proposed Budget

Exhibit 3 provides detail on how the Governor’s fiscal 2017 allowance for Early Childhood Development grows by approximately \$13.7 million, or 7.8%, over the working appropriation.

**Exhibit 3
Proposed Budget
MSDE – Early Childhood Development
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$67,570	\$495	\$84,975	\$153,040
Fiscal 2016 Working Appropriation	66,495	495	109,280	176,271
Fiscal 2017 Allowance	<u>70,361</u>	<u>1,320</u>	<u>118,266</u>	<u>189,946</u>
Fiscal 2016-2017 Amount Change	\$3,865	\$825	\$8,985	\$13,676
Fiscal 2016-2017 Percent Change	5.8%	166.7%	8.2%	7.8%

Where It Goes:

Personnel Expenses

Employee retirement system.....	\$250
Employee and retiree health insurance	208
Workers’ compensation premium assessment	13
Turnover adjustments	-89
Salaries and other compensation.....	-173
Other fringe benefit adjustments.....	-19

Grant Distribution

Child care individual projects and non-mandated program grants	6,994
Child Care Subsidy grants	5,715
Judy Center grants	825
Grant for Enhanced Assessment Instruments	647
Preschool Development grants	323
Head Start grants.....	12
Race to the Top – Early Learning Challenge grants	-2,209

Other Changes

DECD nonpersonnel administration and service delivery costs.....	1,178
--	-------

Total **\$13,676**

DECD: Division of Early Childhood Development

Note: Numbers may not sum to total due to rounding.

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency's share of these reductions is \$15,945 in general funds and \$32,975 in federal funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Major Changes

The general fund appropriation for Early Childhood Development reflects a 5.8% increase over the fiscal 2016 working appropriation. The special fund appropriation increases by \$825,000 provided from the Baltimore Community Foundation (BCF) in support for the Judy Centers. Changes in federal funding total \$9 million and account for 65.7% of the increase in fiscal 2017.

Personnel

Personnel expenses for DECD increase by a net \$190,000 in fiscal 2017. The division experiences no change in regular positions but does receive an increase of 1.0 contractual full-time equivalent to support the Office of the Assistant State Superintendent.

The unit had 1.0 vacant position at the end of calendar 2015, providing a vacancy rate of 0.59%. The fiscal 2017 budgeted turnover expectancy for the division is 7.21%, requiring 12.15 vacant positions. However, vacancies have risen for DECD in calendar 2016, indicating that the December 31, 2015 count is an aberration.

Funding for employee increments is not included in the Early Childhood Development budget, but is instead budgeted centrally in DBM. DECD will receive \$227,770 (\$82,649 in general funds, \$145,121 in federal funds) by budget amendment at the start of the fiscal year.

Grant Distributions

Grant spending for Early Childhood Development increases by \$12.3 million in the fiscal 2017 allowance. This is primarily due to \$7.0 million in funding for child care individual projects and non-mandatory programs funded by the Child Care and Development Block Grant (CCDBG). This includes funding for family support centers, child care resource and referral centers, and professional development. Federal funding also provides \$2.0 million for the CCS grants through child care mandatory and matching funds of the Child Care Development Fund (CCDF). The CCS also receives \$3.8 million in general funds, which is discussed in the budget issue regarding CCS funding in this analysis. Grant spending also increases by \$825,000 for Judy Centers due to the BCF support, \$323,000 for Preschool Development Grants (budgeted under DECD), \$647,000 for Enhanced Assessment Instruments, and \$12,000 for Head Start.

R00A99 – MSDE – Early Childhood Development

Increases in grant distributions are offset by a \$2.2 million decrease in federal fund grant spending from Race to the Top – Early Learning Challenge (RTT – ELC). This spending is used for special projects on comprehensive assessment, Maryland EXCELS, and quality capacity building programs such as Making Access Happen, Community Hubs, and Breakthrough Centers. An update on the impact of RTT – ELC and the State resources to sustain its projects is located at the end of this analysis.

Issues

1. Adequacy Study on Prekindergarten

The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002), which established new primary State education aid formulas based on adequacy cost studies and other education finance analyses, required the State to contract with a consultant to conduct a follow-up study of the adequacy of education funding in the State. The concept of adequacy is based on determining the level of resources that is adequate for all public school students to have the opportunity to achieve academic proficiency standards. After legislation delayed the beginning of the study, work on the adequacy study and other reports required by the legislation began in June 2014, when a contract was awarded to Augenblick, Palaich, and Associates (APA) and its team of researchers that includes Picus Odden and Associates and the Maryland Equity Project. A comprehensive report on prekindergarten in the State is one of the required reports. The final report on prekindergarten was submitted in January 2016.

In its review, APA determined that prekindergarten is important due to the child development that occurs from birth to age five being critical to developing academic skills such as reading and math, as well as social and emotional competence and overall health. APA reported that prekindergarten can lead to a return on investment (ROI) for the State including the following:

- reduced instances of child abuse and neglect;
- reduced juvenile crime rates;
- increased educational attainment and lifetime earnings for attendees; and
- increased ability for parents/caregivers to work/attend school.

APA did note that some studies have been released that bring into question the long-term impact of prekindergarten, with some finding that the impacts of prekindergarten fade as other students catch up with prekindergarten students by the third grade or earlier. However, APA notes that a variety of variables impact these results, such as program quality, financial resources, program duration, populations served, and elementary school quality. APA did note that given limited resources, the State may benefit from the most ROI by making prekindergarten available to more students for at least one year, as opposed to fewer students for a longer period of time.

As part of its report, APA made the following recommendations:

- continue to invest in early childhood data systems and use them to establish targets for the number of high-quality prekindergarten slots available in each district;
- understand the differences in ROI between a one-year and a two-year investment in prekindergarten in order to target expenditures appropriately;

R00A99 – MSDE – Early Childhood Development

- increase the ROI of prekindergarten by providing increased investment to support child care centers and family homes reaching the highest levels of Maryland EXCELS;
- increase the ROI of prekindergarten by encouraging providers to participate in Maryland EXCELS and by encouraging parents to enroll their children in quality prekindergarten programs; and
- offer universal prekindergarten in Maryland, providing funding for 80% of the State’s four-year-olds to attend a high-quality prekindergarten program.

MSDE should discuss the study’s recommendations and how they would affect the current structure of prekindergarten in Maryland.

2. Re-authorization of the Child Care and Development Block Grant

The Child Care and Development Block Grant Act of 2014 re-authorizes the block grant for the first time since 1996 and makes changes to the CCDF program. When initially implemented in 1990, the CCDF’s priorities and goals were to support low-wage, working families with access to child care. The 2014 CCDBG re-authorization made changes that include the goals of the original block grant by defining health and safety requirements for child care providers, outlining family friendly eligibility policies, and providing parents and the general public with transparent information about the child care services available to them.

MSDE is the lead agency for the administration of the CCDF for the State through the CCS, providing financial assistance with child care costs to eligible working families through the CCS, while DHR provides eligibility determination for TCA families. Families may also receive help locating a licensed child care provider. The majority of requirements set by the CCDBG are already being met in Maryland. However, there are a number of new or strengthened requirements under the CCDBG that will require modification of regulations, policy, and/or funding levels.

Most significantly, the CCDBG establishes a 12-month eligibility redetermination period for CCDF families, regardless of changes in income or temporary changes in participation in work, training, or education activities. Current Maryland policy is to issue child care vouchers for up to 12 months based on the work activity of the parent. This generally translates into issuing vouchers for 30 days, 6 months, or 12 months. Most long-term vouchers are issued to those clients who have part- or full-time employment but with low wages that meet eligibility guidelines. This is done to adjust the length of the voucher with the assigned activity of the client and to allow subsidy support to end in case the client is not complying with the assigned activities. Therefore, the new CCDBG requirement of issuing only 12-month vouchers for all clients will have a significant fiscal impact on the program.

The Congressional Budget Office (CBO) estimated that the 12-month redetermination requirement for families’ eligibility for child care subsidies would require additional appropriations of around \$175.0 million annually nationwide. However, based on a methodology developed by Towson

University’s Regional Economic Studies Institute (RESI), MSDE estimates that the costs of implementing the new requirements in Maryland will exceed CBO’s estimate, requiring an additional \$24.4 million in State funds for fiscal 2017 and \$43.3 million in fiscal 2018. The fiscal 2017 allowance only increases general funds for the CCS by \$3.8 million, \$20.6 million short of the RESI estimate. **DECD should comment on whether general funds in the allowance are sufficient to issue 12-month vouchers under the CCDBG re-authorization, and on how CCS will be impacted if funding is insufficient.**

3. Child Care Subsidy Eligibility Determination Transition

On July 1, 2006, the administration of the CCS was transferred to MSDE from DHR. However, DHR, through the local departments of social services (LDSS), continued to conduct certain child care subsidy tasks (mailing, invoice processing, and case management including eligibility determination) through a Memorandum of Agreement with MSDE. In early 2010, MSDE assumed the role of mailing and invoice processing and contracted these services to a private vendor.

During the 2014 session, the Department of Legislative Services learned that the eligibility and case management services for CCS (including TCA cases) was intended to transfer from DHR. The transfer was to allow the administration of the program to be fully consolidated. The contract for the centralized case management services, including eligibility determinations, case management, and payment processing was awarded in May 2015 to Xerox, with the transition from DHR completed in August 2015. However, per an MOU between DHR and MSDE effective December 18, 2015, and continuing through December 31, 2016, eligibility determination for TCA cases was transferred back to DHR. **MSDE should provide details on how it is working with DHR in processing CCS cases, why its arrangement with DHR in determining eligibility for TCA cases was made, and whether this will be an ongoing long-term arrangement.**

Complaints by CCS applicants and recipients have been made regarding not having questions responded to in a timely fashion, not receiving vouchers on time, and not having access to an online application. When asked about these complaints in October 2015, MSDE provided details regarding its call load being as much as 5,000 per day at the beginning of implementation with the majority of calls concerning cases that were pending and not completed by LDSS offices prior to transition. It also provided details regarding the amount of pending work Xerox received during the transition (five months of pending casework as opposed to the anticipated 30 days). MSDE noted that Xerox did not yet have access to the DHR data system that can be used to verify TCA application/eligibility or child support compliance. **MSDE should comment on whether this backlog has been addressed through the transfer of TCA cases back to DHR.**

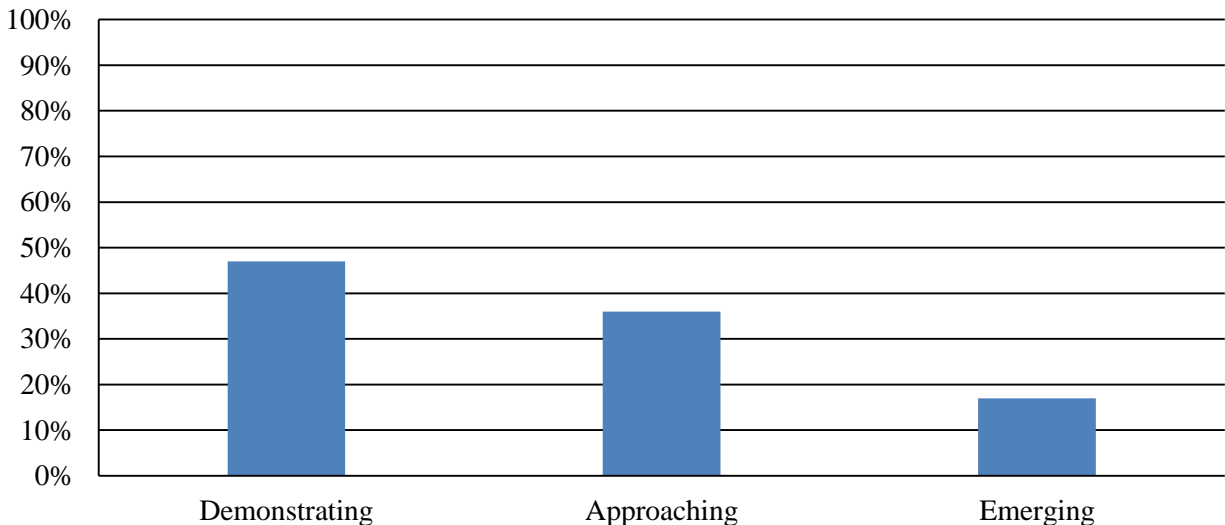
4. Administration of Early Childhood Assessments

R4K attempts to align new assessments for early learners with the State’s new college and career-ready standards. This includes the Kindergarten Readiness Assessment (KRA) for students entering kindergarten and the Early Learning Assessment (ELA) for students aged three to six, including students with disabilities.

Improving the KRA

The KRA is the cornerstone of R4K and was developed through a partnership between Maryland and Ohio, with funding from RTT – ELC Grants. Based on the 2014-2015 KRA version 1.0 results, shown in **Exhibit 4**, 47% of all Maryland children displayed the foundational skills indicating they were fully ready for kindergarten, in contrast to 83% from the 2013-2014 administration of the previously used Maryland Model for School Readiness (MMSR). MSDE reports that KRA measures are different from the ones used in the MMSR, representing a more rigorous measurement of school readiness. Children with disabilities, those learning English language, and those from low-income families had lower school readiness than Maryland kindergartners as a whole. The KRA results are not used to prohibit a child from entering kindergarten or for high-stakes decisions.

Exhibit 4
Maryland Kindergarten School Readiness
Kindergarten Readiness Assessment Administration
School Year 2014-2015



Source: Maryland State Department of Education

R00A99 – MSDE – Early Childhood Development

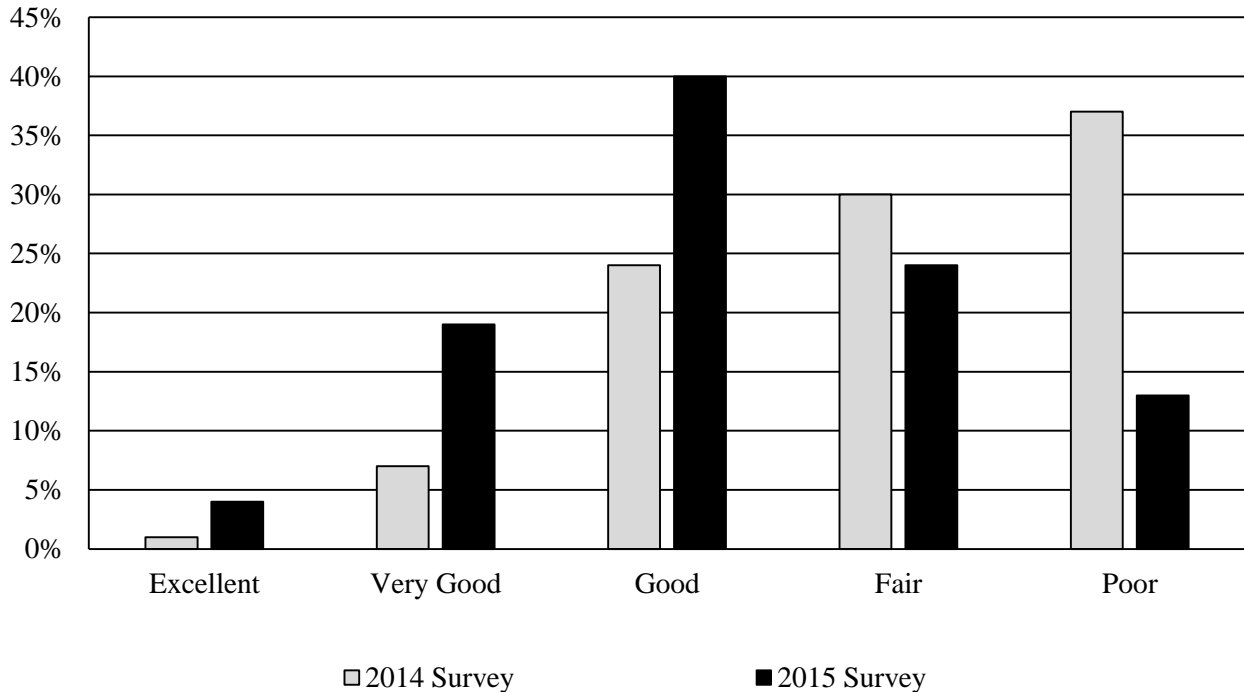
The KRA’s standards were set through a process called “bookmarking” to determine the cut scores for students from emerging to approaching readiness levels, and from approaching to demonstrating readiness. Twenty-three kindergarten teachers and early learning specialists representing a range of educational backgrounds and subgroup populations served as panelists in this process.

Feedback after the completion of KRA version 1.0 indicated that the time and effort to administer the assessment was very challenging, leading to the decision by State leadership teams, in conjunction with assessment, technology, and professional development partners, to reduce the length of the KRA by agreeing upon a reduced set of items that would alleviate the burden of assessment administration while retaining enough content to allow for valid and reliable results. The length of the assessment was reduced by approximately 20%, from 63 to 50 items. The resulting version, called KRA version 1.5, is the current, fall 2015, version for administration.

Feedback also provided the basis for significant enhancement and expanded functionality of the technology systems to support the administration of the KRA. In addition to the improvements, MSDE implemented a User Acceptance Test (UAT), which allowed stakeholders to test the technology and software to make sure it could handle required tasks in real-world scenarios. Feedback and issues from the UAT allowed for system bugs to be fixed prior to the launch of KRA version 1.5, while other system enhancements and assessment content changes will be considered for the next system implementation version (KRA version 2.0).

Survey respondents were asked to rate their experience with administering the KRA in 2014 and 2015, the results of which are detailed in **Exhibit 5**. Although responses on overall experience were better in the second year, with a majority rating their experience as “good” or better, a number of concerns were raised in open-ended comments about the value of the assessment, as it takes away from instructional time, the length of time required to administer the KRA, and the timing of the assessment. Respondents were concerned that kindergartners were being assessed numerous times within the testing window, and raised questions about whether an assessment of kindergarten readiness should take place before children enter kindergarten.

Exhibit 5
Respondents' Satisfaction with KRA Administration Experience
2014 and 2015 Surveys



KRA: Kindergarten Readiness Assessment

Source: Maryland State Department of Education

Preparing for the ELA

The ELA is an optional assessment, except for children with disabilities for which it is mandatory, and is intended to allow teachers to differentiate instructional planning and serve as a measure for progress monitoring. The ELA can also be utilized by child care, Head Start, or public prekindergarten and kindergarten teachers for the general education population.

Professional development for special education teachers to administer the ELA will be completed by May 2016. The 2016-2017 school year will be the pilot year for the administration of the ELA to preschool children with disabilities, with revisions based on teacher feedback to be incorporated into the ELA before the full rollout projected for the 2017-2018 school year. Training for general education teachers began in January 2016. Phased rollout of district level training will be based on expressed interest in the use of the ELA.

R00A99 – MSDE – Early Childhood Development

Time and staffing necessary to implement changes and enhancements for the implementation of KRA version 1.5 delayed the development and deployment of the ELA and delayed its rollout.

DECD should provide an update on the fall 2015 implementation of the KRA and preparations for administering the ELA.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Race to the Top – Early Learning Challenge Grant

In December 2011, MSDE received a federal RTT – ELC grant of \$50 million over four years. The program is designed to narrow the school readiness gap for children in poverty, English language learners, and those with disabilities. This is achieved through the implementation of 10 individual projects. DECD received a fifth year no-cost extension for 4 of the 10 projects. These funds may be expended through December 31, 2016. As such, \$4.1 million in RTT – ELC funding was included in the fiscal 2017 allowance to fund the completion of projects through the first six months of the fiscal year. **Exhibit 6** shows RTT – ELC funding by grant year and project type. **Exhibit 7** shows how much funding in general and special funds were required to sustain RTT – ELC projects over the duration of the grant program.

Exhibit 6
Early Learning Race to the Top Funds by Projects
(\$ in Thousands)

	<u>FTE Staff</u>	<u>Grant Year 1 Actual</u>	<u>Grant Year 2 Actual</u>	<u>Grant Year 3 Actual</u>	<u>Grant Year 4 Actual</u>	<u>Grant Year 5 Working*</u>	<u>Total Funding</u>
Maryland EXCELS	21.0	\$839	\$2,978	\$3,741	\$7,497	\$3,820	\$18,875
Quality Capacity Building	0.0	1,689	2,616	3,204	1,997	0	9,506
Early Learning Data System	2.0	179	2,713	449	947	0	4,289
Comprehensive Assessment System	1.0	780	1,051	1,846	1,847	109	5,633
Family Engagement and Support Professional Development for Early Learning Standards	0.5 1.0	206 237	321 355	917 97	636 0	70 0	2,151 688
Child Development Innovations	0.5	204	146	1,296	2,305	107	4,058
Local Early Childhood Councils	0.0	1	81	1,129	40	0	1,251
Early Learning and Development Standards	0.8	195	173	462	277	0	1,107
Leadership in Early Learning Academies	0.3	86	79	360	485	0	1,010
Total	27.0	\$4,417	\$10,513	\$13,501	\$16,032	\$4,106	\$48,568

FTE: full-time equivalent

*Grant years do not equate to State fiscal years. Grant Year 5 includes expenditures through December 31, 2016 (fiscal 2017).

Source: Maryland State Department of Education

Exhibit 7
General and Special Fund Support for Race to the Top – Early Learning Challenge Projects

Project	Funding	Grant Year				Total
		1	2	3	4	
Quality Capacity Building	DECD Headquarters	\$5,873,466	\$5,873,493	\$5,392,439	\$5,161,558	\$22,300,956
	Head Start Aid	1,789,538	5,439,775	2,322,563	1,195,242	10,747,117
	TEFP Aid	9,290,294	8,978,553	9,296,891	9,430,035	36,995,773
Early Learning and Development Standards	TEFP Aid	0	0	68,036	31,299	99,335
Professional Development for Early Learning Standards	TEFP Aid	528,995	577,382	448,331	0	1,554,708
Comprehensive Assessment System	TEFP Aid	500,000	500,000	531,233	729,387	2,260,620
Child Development Innovations	DECD Headquarters	1,713,077	1,706,328	1,637,077	1,632,571	6,689,053
Total		\$19,695,370	\$23,075,530	\$19,696,570	\$18,180,092	\$80,647,562

DECD: Division of Early Childhood Development
TEFP: Transitional Education Funding Program

Note: Grant years do not equate to State fiscal years. Grant Year 4 includes estimated amounts of State funds used for fiscal 2016.

Source: Maryland State Department of Education

Current and Prior Year Budgets

Current and Prior Year Budgets MSDE – Early Childhood Development (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$67,796	\$165	\$85,640	\$0	\$153,601
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-746	0	0	0	-746
Budget Amendments	564	330	341	0	1,235
Reversions and Cancellations	-44	0	-1,007	0	-1,051
Actual Expenditures	\$67,570	\$495	\$84,975	\$0	\$153,040
Fiscal 2016					
Legislative Appropriation	\$66,854	\$495	\$109,052	\$0	\$176,401
Budget Amendments	-359	0	228	0	-130
Working Appropriation	\$66,495	\$495	\$109,280	\$0	\$176,271

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

General fund expenditures totaled nearly \$67.6 million in fiscal 2015, reflecting a decrease of \$225,000 when compared to the legislative appropriation.

- Cost containment measures approved by the Board of Public Works (BPW) reduced the legislative appropriation to Early Childhood Development by \$746,000. Of this reduction, \$424,000 came from the first measure approved by BPW in July 2014, and \$322,000 came from the second measure approved in January 2015.
- Budget amendments resulted in increases of \$564,000 in general funds. The appropriation was increased by \$322,000 due to a reallocation in the Headquarters and Aid Budgets for the January reduction approved by BPW, resulting in reductions in contractual services and employee turnover. An increase in funding of \$211,000 was due to transfers between divisions and programs in the Headquarters and Early Childhood Development budgets to cover costs of accrued leave payments, technical and special fees, contractual services, fuel and utilities, and educational equipment. The remaining increases from budget amendments were due to funding for the cost-of-living adjustment (COLA), totaling \$89,000. These increases were offset by a decrease due to the State Employee Voluntary Separation Program, totaled at \$58,000.
- General fund reversions of \$44,000 resulted from an incorrect fund split on a purchase order for the space rental for the Office of Child Care’s 13 regional offices.

Special fund expenditures totaled \$495,000. This reflects a \$330,000 increase when compared to the legislative appropriation, attributed to a budget amendment that recognized a grant from BCF to support Judy Centers.

Federal fund expenditures totaled nearly \$85.0 million in fiscal 2015, an increase of \$666,000 when compared to the original appropriation. Budget amendments resulted in increases of \$341,000, with \$270,000 being due to transfers between divisions and programs in the Headquarters and Early Childhood Development, and \$71,000 due to funding for the COLA. This was offset by federal fund cancellations of \$1.0 million due to the needed appropriation for the CCS being lower than the budgeted amount.

Fiscal 2016

The fiscal 2016 general fund working appropriation is approximately \$66.5 million, reflecting a net decrease of \$359,000 below the legislative appropriation. This is the result of a \$544,000 decrease due to realignment for the 2% cost containment reduction in Section 19 of the fiscal 2016 budget bill. This was offset by an \$186,000 increase for the 2% State salary adjustment, which restored the funding reduced in Section 20 of the budget bill.

R00A99 – MSDE – Early Childhood Development

The fiscal 2016 federal fund working appropriation is approximately \$109.3 million, reflecting an increase of \$228,000 over the legislative appropriation. This includes an increase to the 2% salary adjustment and an increase of \$83,000 due to transfer of funds to the Early Childhood Development budget as part of an agencywide reorganization.

**Object/Fund Difference Report
MSDE – Early Childhood Development**

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	167.50	168.50	168.50	0.00	0%
02 Contractual	39.00	41.00	42.00	1.00	2.4%
Total Positions	206.50	209.50	210.50	1.00	0.5%
Objects					
01 Salaries and Wages	\$ 14,376,136	\$ 14,467,679	\$ 14,707,479	\$ 239,800	1.7%
02 Technical and Spec. Fees	1,843,586	3,243,220	3,198,966	-44,254	-1.4%
03 Communication	564,730	691,307	671,133	-20,174	-2.9%
04 Travel	205,267	296,910	300,377	3,467	1.2%
06 Fuel and Utilities	14,455	24,257	24,371	114	0.5%
07 Motor Vehicles	44,947	56,608	58,766	2,158	3.8%
08 Contractual Services	10,032,177	12,401,764	13,459,884	1,058,120	8.5%
09 Supplies and Materials	98,364	69,261	65,211	-4,050	-5.8%
11 Equipment – Additional	427,278	331,479	477,844	146,365	44.2%
12 Grants, Subsidies, and Contributions	124,595,006	143,603,265	155,910,130	12,306,865	8.6%
13 Fixed Charges	837,935	1,085,027	1,121,238	36,211	3.3%
Total Objects	\$ 153,039,881	\$ 176,270,777	\$ 189,995,399	\$ 13,724,622	7.8%
Funds					
01 General Fund	\$ 67,570,290	\$ 66,495,296	\$ 70,376,685	\$ 3,881,389	5.8%
03 Special Fund	495,000	495,000	1,320,000	825,000	166.7%
05 Federal Fund	84,974,591	109,280,481	118,298,714	9,018,233	8.3%
Total Funds	\$ 153,039,881	\$ 176,270,777	\$ 189,995,399	\$ 13,724,622	7.8%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
10 Division of Early Childhood Development	\$ 53,922,328	\$ 53,115,638	\$ 60,300,437	\$ 7,184,799	13.5%
06 Prekindergarten Expansion	4,300,000	18,550,000	18,550,000	0	0%
57 Transitional Education Funding Program	11,070,000	11,070,000	11,895,000	825,000	7.5%
58 Head Start	1,799,999	1,800,000	1,800,000	0	0%
59 Child Care Subsidy Program	81,947,554	91,735,139	97,449,962	5,714,823	6.2%
Total Expenditures	\$ 153,039,881	\$ 176,270,777	\$ 189,995,399	\$ 13,724,622	7.8%
General Fund	\$ 67,570,290	\$ 66,495,296	\$ 70,376,685	\$ 3,881,389	5.8%
Special Fund	495,000	495,000	1,320,000	825,000	166.7%
Federal Fund	84,974,591	109,280,481	118,298,714	9,018,233	8.3%
Total Appropriations	\$ 153,039,881	\$ 176,270,777	\$ 189,995,399	\$ 13,724,622	7.8%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.