

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$70,239	\$87,506	\$95,843	\$8,337	9.5%
Adjustments	0	-82	43	126	
Adjusted General Fund	\$70,239	\$87,424	\$95,886	\$8,463	9.7%
Special Fund	1,155	1,320	1,320	0	
Adjustments	0	0	0	0	
Adjusted Special Fund	\$1,155	\$1,320	\$1,320	\$0	0.0%
Federal Fund	95,271	117,515	107,596	-9,918	-8.4%
Adjustments	0	-139	71	210	
Adjusted Federal Fund	\$95,271	\$117,376	\$107,668	-\$9,708	-8.3%
Adjusted Grand Total	\$166,665	\$206,119	\$204,874	-\$1,245	-0.6%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The adjusted fiscal 2019 allowance decreases by \$1.2 million when compared to the fiscal 2018 working appropriation. General funds increase by \$8.5 million, primarily due to grants to assist local education agencies in providing prekindergarten services. Federal funds decrease by \$9.7 million, primarily due to decreased funding for child care subsidies (CCS) from the Child Care and Development Fund (CCDF).
- Across-the-board reductions reduce employee and retiree health insurance for the Division of Early Childhood Development (DECD) in fiscal 2018 by \$82,314 in general funds and \$138,765 in federal funds. Meanwhile, the fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees. DECD's share is \$43,234 in general funds and \$71,360 in federal funds.

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

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Personnel Data

	<u>FY 17 Actual</u>	<u>FY 18 Working</u>	<u>FY 19 Allowance</u>	<u>FY 18-19 Change</u>
Regular Positions	166.00	166.00	166.00	0.00
Contractual FTEs	<u>32.20</u>	<u>41.00</u>	<u>40.00</u>	<u>-1.00</u>
Total Personnel	198.20	207.00	206.00	-1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	12.35	7.44%
Positions and Percentage Vacant as of 12/31/17	18.00	10.84%

- There are no position reductions for DECD and a net reduction of only 1 contractual full-time equivalent (FTE) between the fiscal 2018 working appropriation and the fiscal 2019 allowance. However, it is worth noting that DECD was originally budgeted for 42 contractual FTEs in the fiscal 2017 legislative appropriation but closed with only 32.2, meaning that 9.8 were reduced within the fiscal year.
- DECD has recently filled its vacant assistant State superintendent position, which had been unfilled for the majority of calendar 2017. However, DECD still has 18 vacant positions as of December 31, 2017, resulting in a vacancy rate of 10.8%. This is higher than its budgeted turnover rate of 7.4%.

Analysis in Brief

Major Trends

Early Childhood Development Program Enrollments: Prekindergarten enrollment has grown in Maryland, with an increase of 1,483 children between fiscal 2015 and 2016, due to the implementation of the federal Preschool Development Grant, with continued growth of 220 children in fiscal 2017. Special education prekindergarten increased by 413 children in fiscal 2017, while the Infants and Toddlers Program was able to provide services for 194 additional children in fiscal 2017. Enrollment in Head Start was down in fiscal 2017 by 1,114 children, due in large part to Prince George’s County Public Schools losing its Head Start grant after a federal investigation revealed poor instructor training and instances of abuse in the program.

Maryland EXCELS and Child Care Credentialing: Maryland EXCELS (Excellence Counts in Early Learning and School-Age Care) experienced a decline of 134 programs participating in fiscal 2017, though the number of programs publishing results increased by 181. Meanwhile, child care providers in Maryland are participating in the State credentialing program at an increased rate, up from 16.9% in fiscal 2016 to 19.6% in fiscal 2017. **MSDE should comment on possible reasons for the diverging trends in EXCELS program participation and published ratings.**

Percentage of Children Ready for Kindergarten Down: Maryland began administering the Kindergarten Readiness Assessment (KRA) during the 2014-2015 school year, replacing the previously used Maryland Model for School Readiness (MMSR). While the MMSR annually indicated readiness for children entering kindergarten at rates above 80%, KRA is more rigorous and has produced lower scores. From fiscal 2015 through 2017, the percentage of students entering kindergarten as fully ready according to KRA has declined from 47% to 43%.

Issues

CCS Funding: CCS assist eligible low-income families with child care costs. Due to limited funding, the Maryland State Department of Education (MSDE) has imposed a CCS enrollment freeze and waitlist for CCS since February 2011. The CCDF serves as the primary source of federal funding for CCS in Maryland and was re-authorized in 2014 by federal legislation, implementing new eligibility rules for families. MSDE canceled large amounts of federal funds in fiscal 2016, reserving those funds in anticipation of increased costs for the program in fiscal 2017 under the re-authorization. However, costs in fiscal 2017 actually decreased. This indicates that fiscal 2018 is likely overbudgeted to meet the current CCS program. **MSDE should provide updated cost estimates for CCS in fiscal 2018 and explain what level of federal CCDF support is expected to be available in fiscal 2018 and beyond.** Governor Lawrence J. Hogan, Jr. has directed MSDE to use carryover federal funds to unfreeze remaining eligibility levels on the waitlist, an anticipated cost of \$5.2 million, and increase subsidy rates to providers by 8%, an anticipated cost of \$6.3 million. It is worth noting that when compared to the fiscal 2018 working appropriation of \$100.8 million, funding decreases for CCS in fiscal 2019 by \$10.1 million. **MSDE should comment on when it is planning to open up the CCS**

eligibility levels that remain frozen and raise subsidy rates to providers and whether Maryland’s annual CCDF grant and current level of State support will allow this level of support for CCS beyond fiscal 2019. MSDE should also explain if funding reserved in fiscal 2016 and 2017 in preparation for new federal CCS requirements could have also been used to draw down the CCS waitlist and increase subsidy rates for providers in those years.

Expanding and Improving Prekindergarten: In September 2017, the Workgroup to Study the Implementation of Universal Access to Prekindergarten for 4-Year-Olds recommended that universal high-quality full-day prekindergarten should be provided to all four-year-old children in a mixed delivery system, along with implementation recommendations, which were submitted to the Commission on Innovation and Excellence in Education (commission). The commission expanded upon these recommendations, including the preliminary recommendation that all three-year-old children from low-income families should have access to full-day early childhood education. **MSDE should comment on its capacity to implement the recommendations of the commission as they pertain to early childhood development should they be approved by the General Assembly.** The commission has extended its work into calendar 2018 in order to complete its charge of reviewing and recommending changes to the current education funding formulas in Maryland, thereby integrating its policy recommendations into the study of the formulas. Naturally, part of this process will include costing out how much additional funding will be required to extend prekindergarten to three- and four-year-old children in Maryland. Current estimates show a gap of 41,577 four-year-old children when comparing the capacity of the State to provide publicly funded prekindergarten to funding and potential total need. **MSDE should comment on how much of the gap in prekindergarten services the prekindergarten expansion grants will be able to address in fiscal 2018 and 2019. MSDE should also comment on its plans for prekindergarten expansion after the federal grant expires.**

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

Updates

Feasibility of Creating a Supplemental Benefit for the Purchase of Diapers: The 2017 *Joint Chairmen’s Report* requested that MSDE, the Department of Human Services, and the Maryland Department of Health submit a report on the feasibility of creating a State supplemental benefit for the purchase of diapers. The agencies did not describe in the report how a new State program could be implemented to assist families in the purchase of diapers, describing instead the limitations of the Supplemental Nutrition Assistance Program; Temporary Cash Assistance (TCA); Women, Infants, and Children (WIC); and CCS preventing funds for those programs to be used for the purchase of diapers for families. However, the agencies did use the number of families participating in TCA, WIC, and CCS and the ages of their children to determine what providing diapers could cost, should those programs be used to assess need, with the results ranging from \$3.7 million to \$34.2 million.

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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. DECD is composed of three parts: the Office of Child Care, the Early Learning Branch, and the Collaboration and Program Improvement Branch.

Child Care

Chapter 585 of 2005 transferred functions of the Child Care Administration in the Department of Human Services (DHS) 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 DHS to MSDE by executive order. In fiscal 2016, all functions of the Child Care Subsidy (CCS) program were consolidated within MSDE, though eligibility determination for Temporary Cash Assistance (TCA) cases was transferred back to DHS.

DECD includes the Office of Child Care, which has four branches within the office. 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 CCS. The Credentialing Branch administers the Maryland Child Care Credential Program; handles tiered reimbursement under CCS; and manages child care training approval, training vouchers and reimbursements, and accreditation support awards. The Maryland EXCELS (Excellence Counts in Early Learning and School-Age Care) Branch administers the State's quality rating and improvement program, Maryland EXCELS, the accreditation program; and handles accreditation support awards. The issuance of tiered reimbursement for CCS is tied directly to the quality rating established by Maryland EXCELS. Training approval is directly overseen by the Director of the Office of Child Care.

Early Learning

The Early Learning Branch of DECD is responsible for publicly funded prekindergarten and kindergarten policies. It oversees the administration of Ready for Kindergarten: Maryland's Early Childhood Comprehensive System, early childhood curriculum guidance, developmental screening, and professional development.

Collaboration and Program Improvement

DECD's Collaboration and Program Improvement Branch issues and administers early care grants and contracts, including the Family Child Care Provider Grant. This branch also manages collaboration for the federal Head Start program and administers the Judith P. Hoyer Program.

The Judith P. Hoyer Early Childhood Education Enchantment Program was established by Chapter 680 of 2000. 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 I schools that 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.

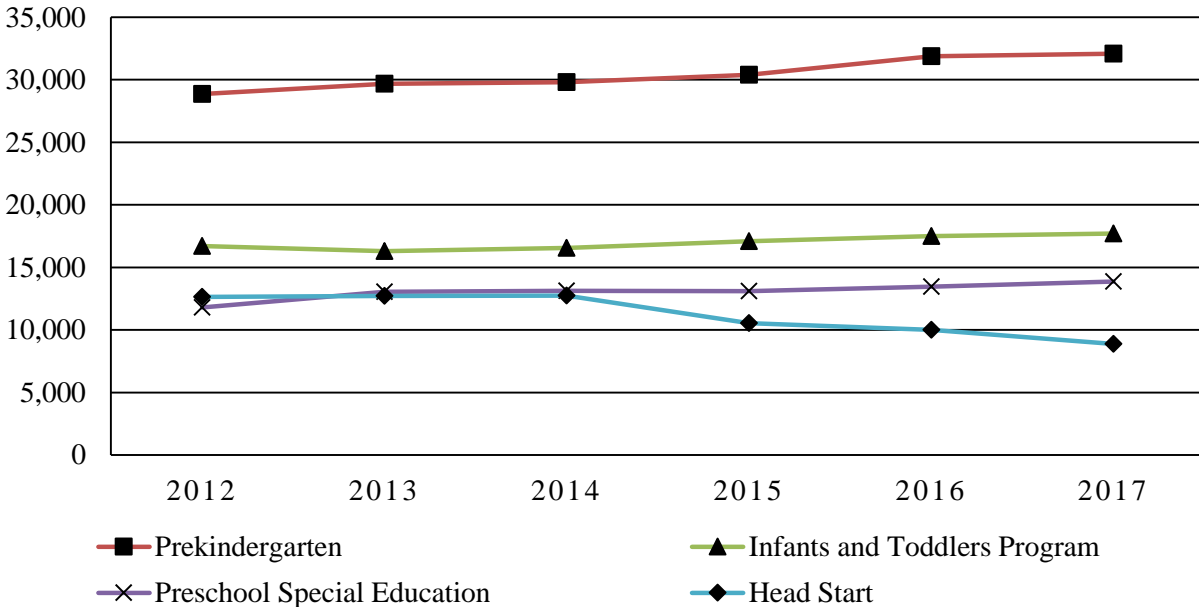
Performance Analysis: Managing for Results

1. Early Childhood Development Program Enrollments

Maryland provides publicly funded prekindergarten statewide. Between academic year 2012 and 2016, participation in State prekindergarten has grown, as detailed in **Exhibit 1**. Fiscal 2016 was the first year of implementation for the federal Preschool Development Grants, with State matching funds being mandated through Chapters 683 and 684 of 2016 for fiscal 2018 and 2019. Between fiscal 2015 and 2016, the State had an increase of 1,483 children participating in publicly funded prekindergarten (the fiscal 2016 number has been revised from the January 2017 Managing for Results (MFR) data to include publicly funded prekindergarten expansion spots in private centers, an increase of 977 children). Enrollment continued to increase in fiscal 2017, with an additional 220 students enrolling in publicly funded prekindergarten. Additional discussion of expanding prekindergarten to more Maryland children can be found in the Issues section of this analysis.

The federal Head Start program enhances school readiness for children up to age five from low-income families, while the State coordinates Head Start providers with the other early learning activities of DECD. This program experienced a decline of 1,114 children between fiscal 2016 and 2017. MSDE has commented with this MFR submission that Prince George's County Public Schools' (PGCPS) loss of its Head Start grant for the 2016-2017 school year explains 932 of the enrollees lost. PGCPS lost its Head Start grant after a federal investigation revealed poor instructor training and instances of abuse in the program. PGCPS announced that it would continue services for its Head Start services with local funds and that stricter oversight would be provided for the program. MSDE also explains that declines in Head Start may be due to families choosing to enroll their children in the prekindergarten expansion instead of Head Start.

Exhibit 1
Enrollment in Early Childhood Development Programs
Fiscal 2012-2017



Source: Department of Budget and Management

Under the Individuals with Disabilities Act, children with disabilities in the State ages three through five may receive instruction from Preschool Special Education Services through their local school system. This program experienced an increase of 413 children in fiscal 2017. Additionally, Maryland administers the Infants and Toddlers program, which provides early intervention services for young children with developmental delays and disabilities and their families. This program experienced an increase of 194 children in fiscal 2017.

2. Maryland EXCELS and Child Care Credentialing

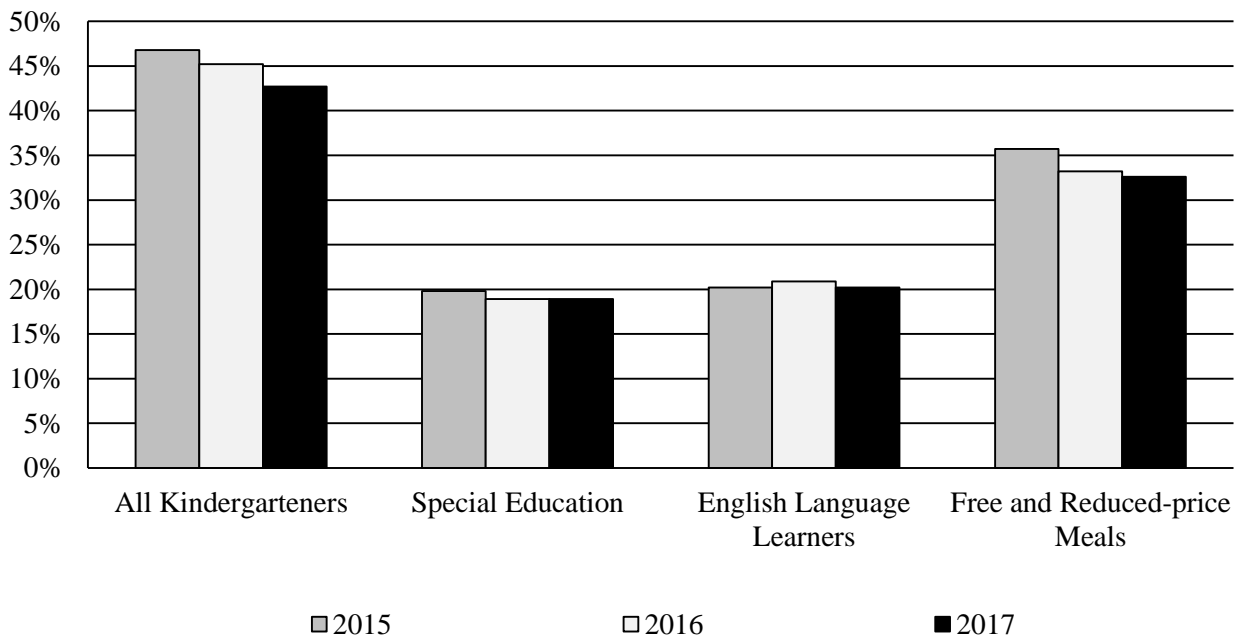
Maryland EXCELS is a tiered quality rating and improvement system for licensed child care centers, family child care providers, and public prekindergarten programs. Maryland EXCELS had a decline in the number of programs participating in the system, dropping from 4,591 in fiscal 2016 to 4,457 in fiscal 2017. This marks the second straight year of declined participation for the system. However, the system has had increases in the number of programs choosing to publish EXCELS ratings every year since it launched in July 2013, increasing from 3,512 in fiscal 2016 to 3,693 in fiscal 2017. Programs must publish ratings annually or else become unable to participate in EXCELS for that year.

Child care providers in Maryland are participating in the State credentialing program at an increased rate, up from 16.9% in fiscal 2016 to 19.6% in fiscal 2017. This increase comes after two years of facing declining rates. It is worth noting that participation in the credentialing program is the basic criterion required for child care programs to advance through Maryland EXCELS. **MSDE should comment on possible reasons for the diverging trends in EXCELS program participation and published ratings.**

3. Percentage of Children Ready for Kindergarten Down

Maryland began administering the Kindergarten Readiness Assessment (KRA) during the 2014-2015 school year, replacing the previously used Maryland Model for School Readiness (MMSR). While the MMSR annually indicated readiness for children entering kindergarten at rates above 80%, the KRA is more rigorous and has produced lower scores. The KRA scores from fiscal 2015 through 2017 are shown in **Exhibit 2**. From fiscal 2015 through 2017, the percentage of students entering kindergarten as fully ready according to the KRA has declined from 47% to 43%. The percentages are lower for the subgroups of special education (19% in fiscal 2017), English language learners (20% in fiscal 2017), and students receiving free and reduced-price meals (FRPM) (33% in fiscal 2017).

Exhibit 2
Percentage of Kindergartners Rated “Fully Ready”
Fiscal 2015-2017



Source: Department of Budget and Management

Fiscal 2018 Actions

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency’s share of this reduction is \$82,314 in general funds and \$138,765 in federal funds.

Proposed Budget

Exhibit 3 provides detail on how the Governor’s fiscal 2019 allowance decreases by \$1.2 million, or 0.6%, when compared to the fiscal 2018 working appropriation, after adjusting for the across-the-board health insurance reduction and general salary increase.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2017 Actual	\$70,239	\$1,155	\$95,271	\$166,665
Fiscal 2018 Working Appropriation	87,424	1,320	117,376	206,119
Fiscal 2019 Allowance	<u>95,886</u>	<u>1,320</u>	<u>107,668</u>	<u>204,874</u>
Fiscal 2018-2019 Amount Change	\$8,463	\$0	-\$9,708	-\$1,245
Fiscal 2018-2019 Percent Change	9.7%		-8.3%	-0.6%

Where It Goes:

Personnel Expenses

Across-the-board health insurance adjustment	\$221
General salary increase	115
Turnover adjustments.....	17
Other fringe benefits	-14
Workers’ compensation	-21
Salaries (decline primarily due to budgeting vacant positions at base salaries)	-157

Division of Early Childhood Development

Child care quality assurance grants.....	1,000
Rent and facilities	309
Other	51
Travel.....	-101

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Where It Goes:

Equipment	-386
Contracts	-641

Prekindergarten

Prekindergarten supplemental grants	4,787
Prekindergarten expansion.....	3,672

Child Care Subsidies

Funding for the Child Care and Development Fund.....	-10,096
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Total	-\$1,245
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MSDE: Maryland State Department of Education

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

General Salary Increase

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$43,234 in general funds and \$71,360 in federal funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

DECD

Personnel expenses for DECD increase by \$160,000, which can largely be attributed to comparing the fiscal 2018 working appropriation and the fiscal 2019 allowance after adjusting for the across-the-board general salary increase and health insurance reduction. This increase is offset by a \$157,000 reduction in salaries, primarily due to budgeting vacant positions at base salaries.

Nonpersonnel expenses for DECD increase by a total of \$232,000. This is primarily due to a \$1 million increase in grant spending to be used to increase quality of care at CCS-providing facilities. Funding for this purpose has been increased due to requirements to raise spending on quality of care according to the Child Care and Development Fund (CCDF) re-authorization. DECD also receives a \$309,000 increase for rent and facilities spending. These increases are offset by decreased spending for contracts, equipment, and travel. The majority of these expenditure changes are the result of changes in federal funding received by DECD to administer the KRA, preschool development grants, and funding from the CCDF.

Prekindergarten and CCS

General funds for prekindergarten increase by \$8.5 million in fiscal 2019. This is attributed to two separate mandates. The first is an increase of \$3.7 million to be distributed as grants to local school systems to expand prekindergarten services. These funds fulfill a matching requirement for a federal Preschool Development Grant that Maryland receives and are mandated by Chapters 683 and 684 of 2016. (The federal Preschool Development Grant is level funded between fiscal 2018 and 2019 at \$16 million.) The second increase of \$4.8 million is attributed to mandates from Chapters 6 and 607 of 2017, which make local education agencies (LEA) eligible for a prekindergarten supplemental grant if they offer full-day prekindergarten for all four-year-old children who are enrolled in prekindergarten. These grants are equal to the number of full-time equivalent eligible children enrolled, multiplied by the State share of the per pupil foundation amount, phased in over three years (50% in fiscal 2018, 75% in fiscal 2019, and 100% in fiscal 2020). The increase in fiscal 2019 is primarily due to the phase-in of these supplemental grants.

CCS receive a decrease of \$10.1 million in federal funding from the CCDF in fiscal 2019. Funding for CCS, including this decrease, and its implications for CCS in the State are described in detail in the Issues section of this analysis.

Issues

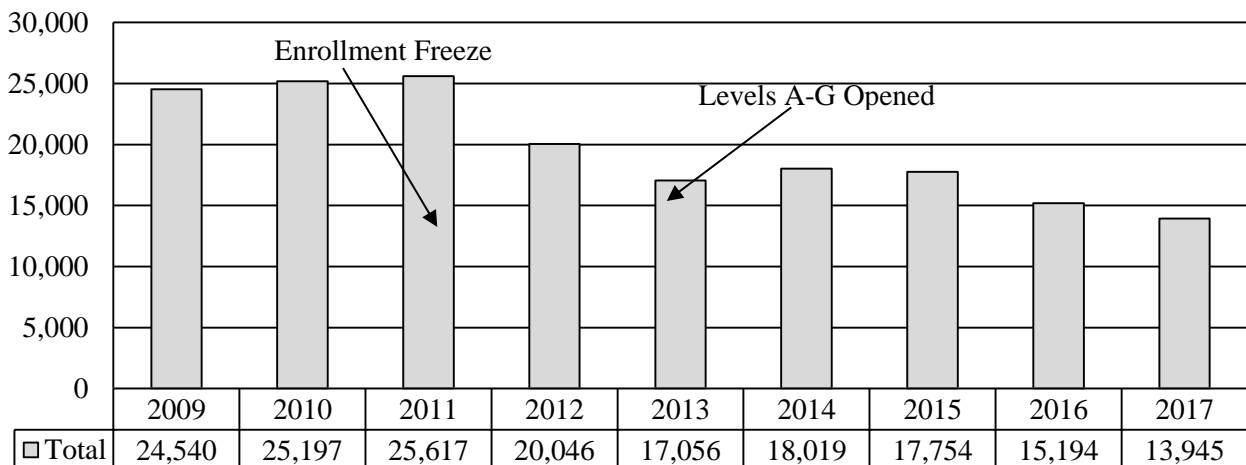
1. CCS Funding

CCS assists eligible low-income families with child care costs. For each child needing care, the family receives a voucher that indicates the subsidy rate and the parents' assigned copayment. Eligibility for the program and the size of a family's copayment are primarily determined by family income, which places the family in an income eligibility scale in categories A through J.

Families use vouchers to purchase child care directly from the provider of their choice. The State pays the subsidy to providers, while parents pay the required copayment and any remaining balance between the market rate and the amount the voucher pays. The program is funded through State general funds and federal CCDF grants. In prior years, a small amount of federal Temporary Assistance for Needy Families funds were also used for the program; however, these funds have not been available since fiscal 2011.

Due to limited funding, MSDE has imposed a CCS enrollment freeze and waitlist for CCS since February 2011. At the beginning, this freeze included all CCS income eligibility levels, but in fiscal 2013, MSDE opened all levels except I and J. The monthly average number of children receiving CCS, as well as indicators of when and how freezes have been implemented, is detailed over time in **Exhibit 4**. As of November 30, 2017, 4,316 children remain on the waitlist.

Exhibit 4
Monthly Average of Children Receiving Child Care Subsidies
Fiscal 2009-2017



Source: Maryland State Department of Education; Department of Legislative Services

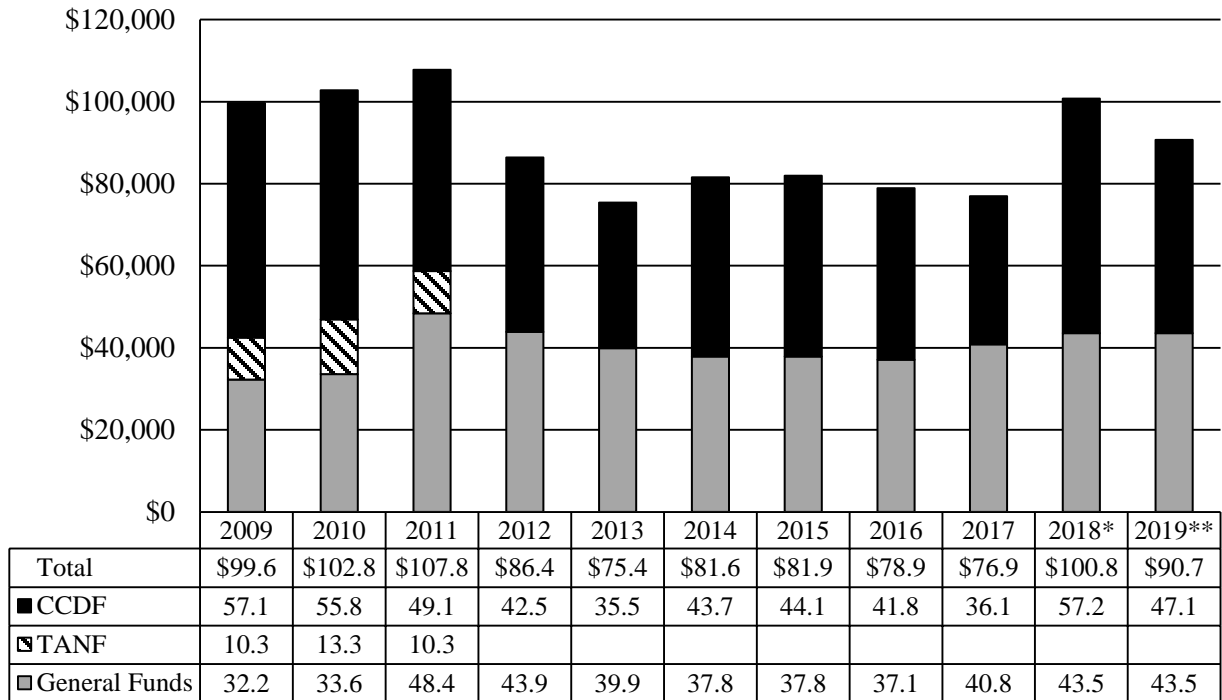
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The CCDF serves as the primary source of federal funding to states to help provide child care assistance for low-income families. The Child Care and Development Block Grant Act of 2014 re-authorized the program for the first time since 1996. The re-authorizing legislation shifted the focus from one largely dedicated to enabling low-income parents to work to one with an increased emphasis on promoting positive child development and wellness through greater child care quality, safety, and access requirements, including professional development standards for child care workers and more rigorous health and safety standards.

Of particular note is the requirement for a 12-month eligibility period. Under the former practice, the State issued vouchers for up to 12 months based on the work activity of the parent. The re-authorization establishes a minimum 12-month eligibility period for families, regardless of changes in income or temporary changes in participation in work, training, or education activities. Even if a family has an increase in income that exceeds the State's established income eligibility threshold (but not the federal threshold of 85% of State median income), the State cannot terminate assistance during the 12-month period. States have the option to terminate assistance prior to 12 months only if the state provides parents at least 3 months to engage in job searching, resume work, or attend an education or training program. This 12-month eligibility requirement went into effect during fiscal 2017.

In anticipation of increased costs for CCS under the re-authorization, MSDE canceled \$12.8 million in federal funds at the close of fiscal 2016, reserving those funds for anticipated increased costs in fiscal 2017. However, costs in fiscal 2017 were actually lower than in fiscal 2016, primarily driven by the program serving an average of 1,249 fewer children per month in fiscal 2017 than in 2016, as shown in Exhibit 4. This occurred despite the implementation of the 12-month eligibility period. The decrease in costs is shown in **Exhibit 5**, which details funding for CCS from fiscal 2009 to the fiscal 2019 allowance. This trend indicates that fiscal 2018 is likely overbudgeted to meet the need of the currently open CCS eligibility levels at current subsidy rates. **MSDE should provide updated cost estimates for CCS in fiscal 2018 and explain what level of federal CCDF support is expected to be available in fiscal 2018 and beyond.**

**Exhibit 5
Child Care Subsidy Expenditures
Fiscal 2009-2019
(\$ in Millions)**



CCDF: Child Care and Development Fund
TANF: Temporary Assistance for Needy Families

*Fiscal 2018 working appropriation.

**Fiscal 2019 allowance.

Source: Maryland State Department of Education; Department of Legislative Services

Due to CCS participation under the CCDF re-authorization being lower than projections, Governor Lawrence J. Hogan, Jr. has directed MSDE to use carryover federal funds to unfreeze the remaining eligibility levels on the waitlist, an anticipated cost of \$5.2 million, and increase subsidy rates to providers by 8%, an anticipated cost of \$6.3 million. This \$11.5 million enhancement is included in the fiscal 2019 allowance of \$90.7 million. Compared to the fiscal 2018 working appropriation of \$100.8 million, funding decreases in fiscal 2019 by \$10.1 million. General funds for CCS remain level funded between fiscal 2018 and 2019 at \$43.5 million. **MSDE should comment on when it is planning to open up the CCS eligibility levels that remain frozen and raise subsidy rates to providers and whether Maryland’s annual CCDF grant and current level of State**

support will allow this level of support for CCS beyond fiscal 2019. MSDE should also explain if funding reserved in fiscal 2016 and 2017 in preparation for new federal CCS requirements could have also been used to draw down the CCS waitlist and increase subsidy rates for providers in those years.

Current subsidy amounts in Maryland only cover the tenth percentile of market rate, while new federal guidelines recommend setting subsidies at the seventy-fifth percentile. **MSDE should comment on what percentile of market rate its CCS program would be after implementing the Governor’s proposal.** It is worth noting that SB 379/HB 430 have been introduced during the 2018 session and, if enacted, would require the Governor to add money to CCS in fiscal 2020, 2021, and 2022 so that subsidy rates in those years are raised to at least the thirtieth, forty-fifth, and sixtieth market rate percentiles, respectively.

It is worth noting that Maryland spends a significant amount of its CCDF funding on costs to support CCS services, rather than direct spending on providing CCS for families. These support costs are budgeted in MSDE Headquarters, primarily in funding for DECD. In the fiscal 2019 allowance, MSDE has budgeted \$45.4 million to this purpose, as shown in **Exhibit 6.**

Exhibit 6
Use of CCDF and General Funds in Support of CCS
Fiscal 2017-2019

	<u>2017 Actual</u>	<u>2018 Working</u>	<u>2019 Allowance</u>
CCDF Used by MSDE Headquarters	\$43,078,069	\$44,404,073	\$45,395,414
CCDF Used Directly on CCS	36,082,193	57,216,238	47,119,830
Total	\$79,160,262	\$101,620,311	\$92,515,244
General Funds Used Directly on CCS	\$40,847,835	\$43,547,835	\$43,547,835
Grand Total	\$120,008,097	\$145,168,146	\$136,063,079

CCDF: Child Care and Development Fund
CCS: Child Care Subsidy
MSDE: Maryland State Department of Education

Source: Department of Budget and Management; Department of Legislative Services

The Office of Child Care (OCC) in the U.S Department of Health and Human Services summarizes the use of support funds as belonging to three categories: quality activities, administration, and indirect services. Quality activities funds may be used for initiatives that improve the care by providers serving CCS families, such as Maryland EXCELS. Administration refers to the staffing and day-to-day operating costs of CCS. Indirect services refers to expenditures used for the operation of CCS such as computer systems and eligibility determinations. Various federal requirements for

funding levels and maintenance of effort requirements regulate how much states must spend from CCDF in these categories. OCC reports that in federal fiscal 2015, Maryland spending (general and federal funds) for these support costs, separate from spending directly for CCS, was 50% on quality initiatives, 31% on administration, and 19% on indirect services.

2. Expanding and Improving Prekindergarten

One of the major charges to the Commission on Innovation and Excellence in Education (commission) is to make recommendations on the preferred approach to expand publicly funded prekindergarten in Maryland. To assist in this effort, Chapters 25 and 779 of 2017 established the Workgroup to Study the Implementation of Universal Access to Prekindergarten for 4-Year-Olds (prekindergarten workgroup). It was given the charge to estimate the number and portion of eligible four-year-old children currently being served by publicly funded prekindergarten programs and to submit recommendations regarding an implementation plan to make full-day prekindergarten universally available to four-year-old children, based on Augenblick, Palaich, and Associates’s January 2016 report *A Comprehensive Analysis of Prekindergarten in Maryland*. Following five meetings, the prekindergarten workgroup submitted a report in September 2017 to the commission to inform the commission for its final report.

Preliminary Recommendations

At the conclusion of its work, the prekindergarten workgroup recommended that universal high-quality, full-day prekindergarten should be provided to all four-year-old children in a mixed delivery system to include schools (public and private), child care centers, family child care homes, and Head Start programs. The prekindergarten workgroup also recommended provisions regarding the implementation of universal prekindergarten for all four-year-old children, including the following:

- funds should flow through MSDE and be distributed through a grant process to school systems and community-based programs;
- the State’s provision of universal prekindergarten should be phased in over a 10-year period, beginning with converting current half-day slots to full-day slots for children in families at or below 185% of the federal poverty level (FPL), then expanding to families at 300% of FPL, and finally providing universal prekindergarten to all four-year-old children;
- any four-year-old child with an individualized education plan should receive priority placement in an appropriate prekindergarten setting, regardless of income; and
- MSDE should ensure a minimum threshold of slots are in community-based programs. This threshold should be 50% at full implementation.

The prekindergarten workgroup also discussed the role of LEAs in hiring prekindergarten teachers and providing benefits under a mixed delivery system, parent contributions for prekindergarten

for families above 300% of the FPL, expanding prekindergarten capacity in the State, and promoting a mix of all family income levels in the classroom. The workgroup did present some options that resulted from these discussions, but made few concrete recommendations.

Expanded Recommendations and Next Steps

The commission was tasked with taking the work of the prekindergarten workgroup and turning it into its own recommendations in the context of its gap analysis between Maryland and successful school systems. While the commission acknowledges that Maryland is one of only a few states to begin to offer wrap-around social services to families with young children before they enter school, it notes that it lags behind 10 other states that already have universal prekindergarten for all four-year-old children and lags far behind the commission's benchmark countries in terms of standard of care, qualifications and pay for prekindergarten providers, and access by the population to the prekindergarten system. At its meeting in January 2018, the commission expanded upon the workgroup's recommendations, most notably with the following:

- three-year-old children from low-income families should have access to a full-day early childhood education program;
- Maryland should create a staffing system for approved early childhood education providers that is fully integrated with the commission's proposed statewide career ladder;
- Maryland must assess the school readiness of every child prior to entering kindergarten from public and private providers, either using the KRA or a new instrument developed in collaboration with Maryland's teachers. This readiness assessment should be administered by kindergarten teachers prior to the beginning of the school year and be used to align the kindergarten program for each kindergarten student in ways that will enable him or her to get on track and stay on track for college and career readiness;
- Maryland should significantly expand its network of Judy Centers and Family Support Centers to reach all low-income families with children who need them; increase child care subsidies so that working families have access to affordable, high-quality child care; and expand the current Infant and Toddlers Program that provides support to families with special needs children.

The commission's current policy recommendations also included suggestions for legislation to be introduced during the 2018 session. This included the recommendation that funding be increased for the Prekindergarten Expansion Program, as established under Chapter 2 of 2014. This is, in part, due to the fact that federal funding has added \$15 million each year in expansion grants since fiscal 2016 plus matching State funds in fiscal 2018 and 2019, but the federal funds (and potentially the State matching funds) expire after fiscal 2019.

MSDE should comment on its capacity to implement the preliminary recommendations of the commission as they pertain to early childhood development should they be approved by the General Assembly next year.

The commission has extended its work into calendar 2018 in order to complete its charge of reviewing and recommending changes to the current education funding formulas in Maryland, thereby integrating its policy recommendations into findings. Part of this process will include costing out how much additional funding will be required to extend prekindergarten to low-income three- and four-year-old children in Maryland.

Exhibit 7 examines the gap that exists between the capacity of the State to provide publicly funded prekindergarten to four-year-old children and potential total need represented by universal prekindergarten for all four-year-old children in the State. Estimates show that there are approximately 66,770 four-year-old children in Maryland in any given year who are likely to enroll in public prekindergarten. Of these students, 35,287 have family income levels that are eligible for FRPMs. Meanwhile, LEAs report that if they were to provide only full-day public prekindergarten, they would have a statewide capacity of 22,258 (this is in comparison to their current capacity of 28,604 for both full- and half-day enrollments, meaning that converting all public half-day slots to full-day slots already presents a gap of 6,346). In addition, MSDE reports that 2,935 four-year-old children are currently receiving prekindergarten through community providers with funding from State and federally funded prekindergarten expansion grants. This indicates that the State currently has an estimated total capacity for prekindergarten of 25,193. Compared to the estimated number of four-year-old children in the State, this represents a gap of 41,577 slots, or 10,094 if slots were prioritized for FRPM students. If universal prekindergarten were to be extended to low-income three-year-old children, it can be assumed that these gaps would at least double. Over the next year, the commission will be tasked with figuring out how much addressing these gaps would cost and ways to pay for these costs. **MSDE should comment on how much of the gap in prekindergarten services prekindergarten expansion grants will be able to address in fiscal 2018 and 2019. MDSE should also comment on its plans for prekindergarten expansion after the federal grant expires.**

Exhibit 7
Gap Analysis between Estimated Four-year-old Children and
Current Publicly Funded Prekindergarten Capacity
School Year 2016-2017

Estimated Four-year-old Children

66,770

Estimated FRPM Four-year-old Children

35,287

Estimated Public Prekindergarten Capacity (Full-day)

22,258

Community Provided Prekindergarten

2,935

Estimated Current Total Capacity

25,193

Estimated Four-year-old Children Gap

41,577

Estimated FRPM Four-year-old Children Gap

10,094

FRPM: free and reduced-price meals

Note: Four-year-old populations estimated are based on an average of kindergarten enrollment over a five-year period. Estimates for full-day public prekindergarten are based on local education agency survey responses on capacity if they were to only offer full-day prekindergarten. Community-provided prekindergarten may include half-day enrollments.

Source: Maryland State Department of Education; Center for American Progress; Department of Legislative Services

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Feasibility of Creating a Supplemental Benefit for the Purchase of Diapers

The 2017 *Joint Chairmen's Report* requested that MSDE, DHS, and the Maryland Department of Health submit a report on the feasibility of creating a State supplemental benefit for the purchase of diapers. The report was to include the following:

- the appropriate benefit size;
- the appropriate agency to administer the benefit;
- the appropriate method of administering the benefit, such as through either the Supplemental Nutrition Assistance Program (SNAP) or the soon to be implemented Women, Infants, and Children (WIC) electronic benefit transfer cards;
- the appropriate eligibility criteria, including if the benefit should be provided to a subset of recipients of a current public benefit; and
- a review of options proposed in other states or at the federal level, in order to create similar benefits.

The agencies did not describe in the report how a new State program could be implemented to assist families in the purchase of diapers, describing instead the limitations preventing the use of SNAP, TCA, WIC, and CCS funds for the purchase of diapers. However, the agencies did use the number of families participating in TCA, WIC, and CCS and the ages of their children to determine what providing diapers could cost should those programs be used to assess need. Those costs by program are as follows:

- TCA: \$4.5 million;
- WIC: \$34.2 million; and
- CCS: \$3.7 million.

The agencies report that no state offers a diaper-specific benefit program. Federal legislation was proposed during the 114th Congress (the Hygiene Assistance for Families of Infants and Toddlers Act, HR 4055) to direct the Department of Health and Human Services to make available to states grants to conduct demonstration projects that would implement and evaluate strategies to help families address the diapering needs of eligible children. However, this legislation ultimately failed.

R00A99 – MSDE – Early Childhood Development

**Appendix 1
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 2017					
Legislative Appropriation	\$70,311	\$1,320	\$118,267	\$0	\$189,898
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	84	0	-429	0	-345
Reversions and Cancellations	-156	-165	-22,567	0	-22,888
Actual Expenditures	\$70,239	\$1,155	\$95,271	\$0	\$166,665
Fiscal 2018					
Legislative Appropriation	\$87,506	\$1,320	\$117,515	\$0	\$206,340
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$87,506	\$1,320	\$117,515	\$0	\$206,340

MSDE: Maryland State Department of Education

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

General fund expenditures totaled approximately \$70.2 million in fiscal 2017, reflecting a decrease of nearly \$72,000 when compared to the legislative appropriation. A budget amendment to provide a general salary increase in the Division of Early Childhood Development (DECD) increased the appropriation by \$84,000. This was offset by general fund reversions that decreased the appropriation by nearly \$156,000. The reversions are primarily due to expenditures being lower than budgeted for salary and fringe benefits (\$49,000), communications (\$45,000), and contracts (\$28,000).

Special fund expenditures totaled nearly \$1.2 million in fiscal 2017, \$165,000 lower than the legislative appropriation. This is due to the grant from the Baltimore Community Foundation for Judy Centers being \$165,000 lower in fiscal 2017 than what was budgeted.

Federal fund expenditures totaled approximately \$95.3 million in fiscal 2017, reflecting a decrease of nearly \$23.0 million when compared to the legislative appropriation.

- Budget amendments resulted in decreases of \$429,000 when compared to the legislative appropriation. This decrease is due to nearly \$1.6 million in Race to the Top – Early Learning Challenge (RTTT-ELC) funding for DECD being transferred to the Maryland State Department of Education – Headquarters budget. This decrease is offset by an increase of \$984,000 for the Prekindergarten Expansion Program and \$139,000 for DECD general salary increases.
- Federal fund cancellations result in decreases of nearly \$22.6 million when compared to the legislative appropriation. This is primarily due to expenditures for the Child Care Subsidy being \$20.5 million lower than budgeted and a decrease of \$2.0 million due to expenditures from RTTT-ELC being less than the budgeted amount.

Fiscal 2018

The fiscal 2018 working appropriation is \$87.5 million in general funds, \$1.3 million in special funds, and \$117.5 million in federal funds. There are no changes between the working appropriation and the legislative appropriation.

Appendix 2
Object/Fund Difference Report
MSDE – Early Childhood Development

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	166.00	166.00	166.00	0.00	0%
02 Contractual	32.20	41.00	40.00	-1.00	-2.4%
Total Positions	198.20	207.00	206.00	-1.00	-0.5%
Objects					
01 Salaries and Wages	\$ 14,501,387	\$ 14,167,150	\$ 13,991,720	-\$ 175,430	-1.2%
02 Technical and Spec. Fees	2,188,398	3,029,111	2,864,912	-164,199	-5.4%
03 Communication	323,298	616,002	715,885	99,883	16.2%
04 Travel	177,171	295,813	195,189	-100,624	-34.0%
06 Fuel and Utilities	24,072	43,467	42,511	-956	-2.2%
07 Motor Vehicles	70,714	39,771	161,338	121,567	305.7%
08 Contractual Services	12,997,112	14,437,684	13,796,577	-641,107	-4.4%
09 Supplies and Materials	64,292	107,976	82,772	-25,204	-23.3%
10 Equipment – Replacement	891	371	0	-371	-100.0%
11 Equipment – Additional	12,600	986,465	600,558	-385,907	-39.1%
12 Grants, Subsidies, and Contributions	135,406,569	171,410,319	170,791,805	-618,514	-0.4%
13 Fixed Charges	898,591	1,206,368	1,516,079	309,711	25.7%
Total Objects	\$ 166,665,095	\$ 206,340,497	\$ 204,759,346	-\$ 1,581,151	-0.8%
Funds					
01 General Fund	\$ 70,239,444	\$ 87,505,973	\$ 95,843,165	\$ 8,337,192	9.5%
03 Special Fund	1,155,000	1,320,000	1,320,000	0	0%
05 Federal Fund	95,270,651	117,514,524	107,596,181	-9,918,343	-8.4%
Total Funds	\$ 166,665,095	\$ 206,340,497	\$ 204,759,346	-\$ 1,581,151	-0.8%

MSDE: Maryland State Department of Education

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 3
Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
10 Division of Early Childhood Development	\$ 56,733,636	\$ 56,963,321	\$ 57,019,505	\$ 56,184	0.1%
06 Prekindergarten Expansion	19,471,431	34,918,103	43,377,176	8,459,073	24.2%
57 Transitional Education Funding Program	11,730,000	11,895,000	11,895,000	0	0%
58 Head Start	1,800,000	1,800,000	1,800,000	0	0%
59 Child Care Subsidy Program	76,930,028	100,764,073	90,667,665	-10,096,408	-10.0%
Total Expenditures	\$ 166,665,095	\$ 206,340,497	\$ 204,759,346	-\$ 1,581,151	-0.8%
General Fund	\$ 70,239,444	\$ 87,505,973	\$ 95,843,165	\$ 8,337,192	9.5%
Special Fund	1,155,000	1,320,000	1,320,000	0	0%
Federal Fund	95,270,651	117,514,524	107,596,181	-9,918,343	-8.4%
Total Appropriations	\$ 166,665,095	\$ 206,340,497	\$ 204,759,346	-\$ 1,581,151	-0.8%

MSDE: Maryland State Department of Education

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.