

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$71,229	\$62,481	\$64,426	\$1,945	3.1%
Contingent & Back of Bill Reductions	0	0	-27	-27	
Adjusted General Fund	\$71,229	\$62,481	\$64,400	\$1,918	3.1%
Federal Fund	81,586	93,554	88,165	-5,389	-5.8%
Contingent & Back of Bill Reductions	0	0	-50	-50	
Adjusted Federal Fund	\$81,586	\$93,554	\$88,115	-\$5,439	-5.8%
Adjusted Grand Total	\$152,815	\$156,035	\$152,514	-\$3,521	-2.3%

- The fiscal 2010 allowance is \$3.5 million less than the fiscal 2009 working appropriation.
- Including across-the-board reductions, general funds are \$1.9 million greater than the working appropriation. Federal funds are \$5.4 million below the prior year appropriation.

Personnel Data

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Regular Positions	193.50	187.50	186.50	-1.00
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	194.50	188.50	187.50	-1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	11.62	6.23%
Positions and Percentage Vacant as of 12/31/08	5.80	3.09%

- In the fiscal 2010 allowance, one vacant position is deleted from the agency.

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

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Analysis in Brief

Major Trends

School Readiness Improves, but Performance Gaps Still Exist: The 2007-2008 school readiness report shows continued increases in the percentage of children entering kindergarten fully ready to learn. Children enrolled in child care centers, nonpublic nursery school, and pre-k perform better than their peers in other types of early learning experiences. Limited English proficient children also perform below other students. **The Maryland State Department of Education (MSDE) should comment on the difference in readiness levels for children in different subgroups and for children enrolled in different types of child care programs, particularly in Head Start programs, prior to entering kindergarten.**

Recommended Actions

1. Concur with Governor's allowance.

Updates

MSDE Report on Access and Availability of Child Care: In response to committee narrative in the 2008 *Joint Chairmen's Report*, John Spears and Merve Gurlu of Towson University, RESI Research & Consulting, prepared a report for MSDE titled *Subsidy Enrollments among Accredited Child Care Providers in Maryland*. This report was submitted to the General Assembly in January 2008.

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Operating Budget Analysis

Program Description

Chapter 585 of 2005 transferred the Child Care Administration from the Department of Human Resources (DHR), effective July 1, 2005, and mandated the establishment of the Division of Early Childhood Development (DECD) in the Maryland State Department of Education (MSDE). 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 is responsible for the budgetary and operational dimensions of the program, which MSDE has designated the Child Care Subsidy Program. DHR continues to provide eligibility screening and payment processing through local departments of social services. The Governor also transferred the administration of the Maryland Child Care Resource and Referral Network and the Family Support Center Network from DHR to MSDE in fiscal 2005.

With the expansion of early childhood program oversight, DECD developed a three-year strategic plan, which the State Board of Education adopted in December 2006. The plan is designed to align early childhood programs with K-12 education and ensure that children, including children with special needs, acquire the needed skills to enter school ready to learn. The plan focuses generally on three areas: programs, regulations, and standards; career and professional development; and public relations and outreach.

DECD includes the Office of Child Care (OCC) and the Early Learning Branch, which was transferred from MSDE's Division of Instruction. OCC oversees the licensing and monitoring of child care centers and family care providers. Quality of care programs also are coordinated by OCC, including the issuance of contracts and grants to child care providers for improving care and the administration of the State's Child Care Credentialing System. The Early Learning Branch is responsible for the Judith P. Hoyer programs, Head Start collaboration, and the accreditation of early childhood programs. Policy issues relating to kindergarten and pre-kindergarten programs fall under the supervision of the Early Learning Branch, including curriculum development and the Maryland Model for School Readiness (MMSR).

This analysis includes funds for DECD, the Child Care Subsidy Program, Head Start, and Judy Centers.

Performance Analysis: Managing for Results

In the Managing for Results report, MSDE includes the goal of improving student achievement. One objective under the goal is that all children entering kindergarten arrive ready to learn. Data to measure progress has been collected by kindergarten teachers through the Work Sampling System (WSS) since the 2001-2002 school year. The MMSR sets the standard for what children should know before starting kindergarten and is used in the WSS to assess children's skills.

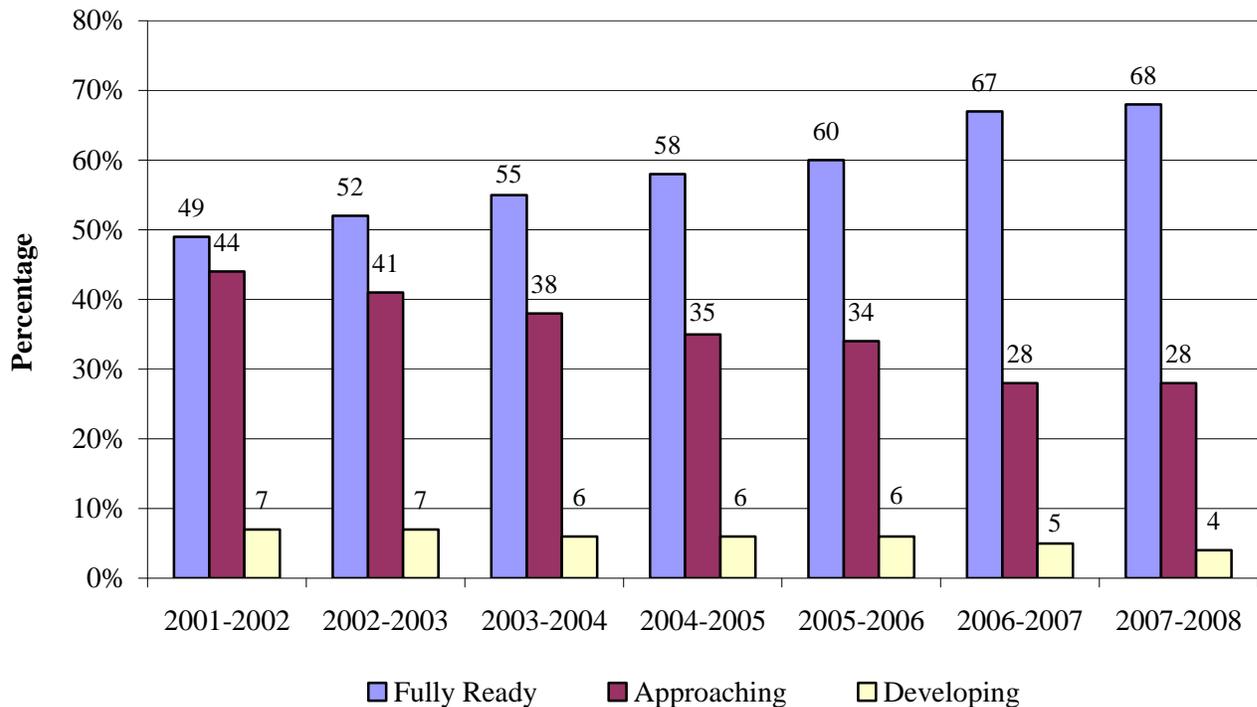
R00A99 – MSDE – Early Childhood Development

Teachers evaluate kindergarten children in the first grading period and report the results to MSDE, which has published an annual report of the results since 2002.

WSS is a portfolio-based assessment system, which measures skills in seven learning domains: social and personal development; language and literacy; mathematical thinking; scientific thinking; social studies; the arts; and physical development and health. MSDE reports scores for each domain, as well as a composite readiness score. Results are disaggregated by demographic information and by type of child care prior to kindergarten.

The 2007-2008 school readiness report shows continued increases in the percentage of children entering kindergarten fully ready to learn. As **Exhibit 1** shows, 68% of kindergarteners entered school fully ready to learn, meaning they consistently demonstrate the skills, behaviors, and abilities necessary to meet kindergarten expectations. That is a slight increase over the prior school year and a 19 percentage point increase from the 2001-2002 school year when the WSS was first implemented.

Exhibit 1
Maryland Model for School Readiness
2001-2007 School Years

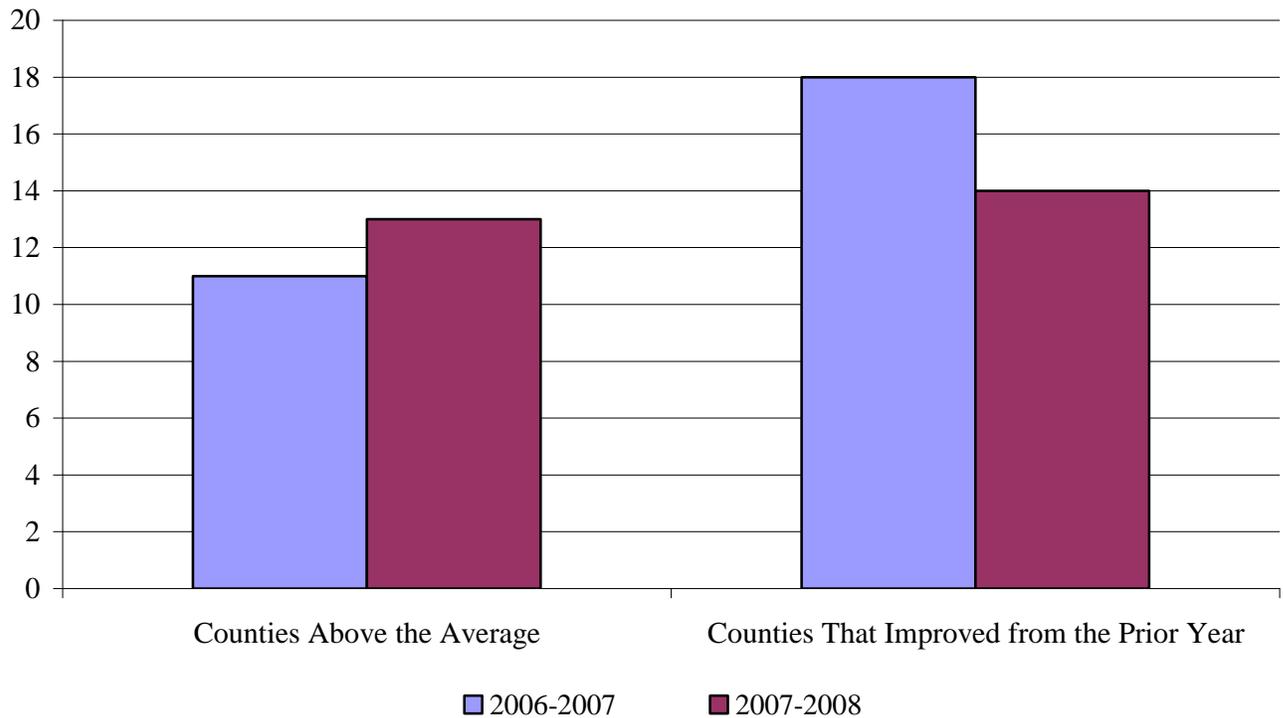


Source: Maryland State Department of Education

R00A99 – MSDE – Early Childhood Development

MSDE has established the goal of having all children enter school ready to learn by the 2009-2010 school year, but no school system has reached this goal. The statewide average percentage of students entering school ready to learn was 67% in the 2006-2007 school year and 68% in the 2007-2008 school year. **Exhibit 2** shows the number of school systems above the average for both the 2006-2007 school year and the number of counties in which readiness levels improved from the prior school year. **Appendix 2** shows readiness results by county. Eight school systems showed slight losses in the percentage of students entering school ready to learn between the 2006-2007 and the 2007-2008 school years, and two school systems showed no change. Fourteen systems improved between 2 and 17 percentage points. **MSDE should comment on strategies implemented to achieve the full readiness goal by the 2009-2010 school year.**

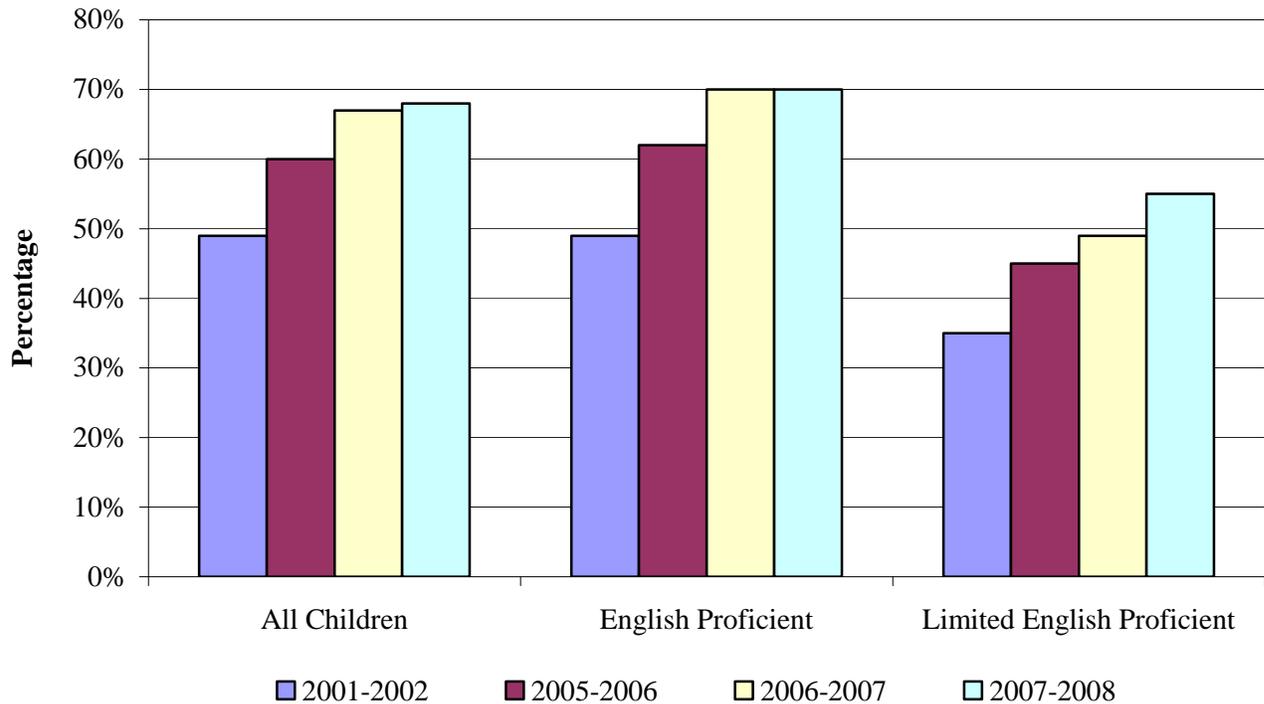
Exhibit 2
Children Entering School Ready to Learn
2006 and 2007 School Years



Source: Maryland State Department of Education

Although readiness improved among all subgroups, some continue to lag behind the composite average. In the 2007-2008 school year only 55% of students categorized as Limited English Proficient (LEP) students enter school fully ready to learn, while 70% of all other students are fully ready, as shown on **Exhibit 3**. Despite increases, LEP students are still 15 percentage points below students not classified as LEP, a persistent gap since the 2001-2002 school year.

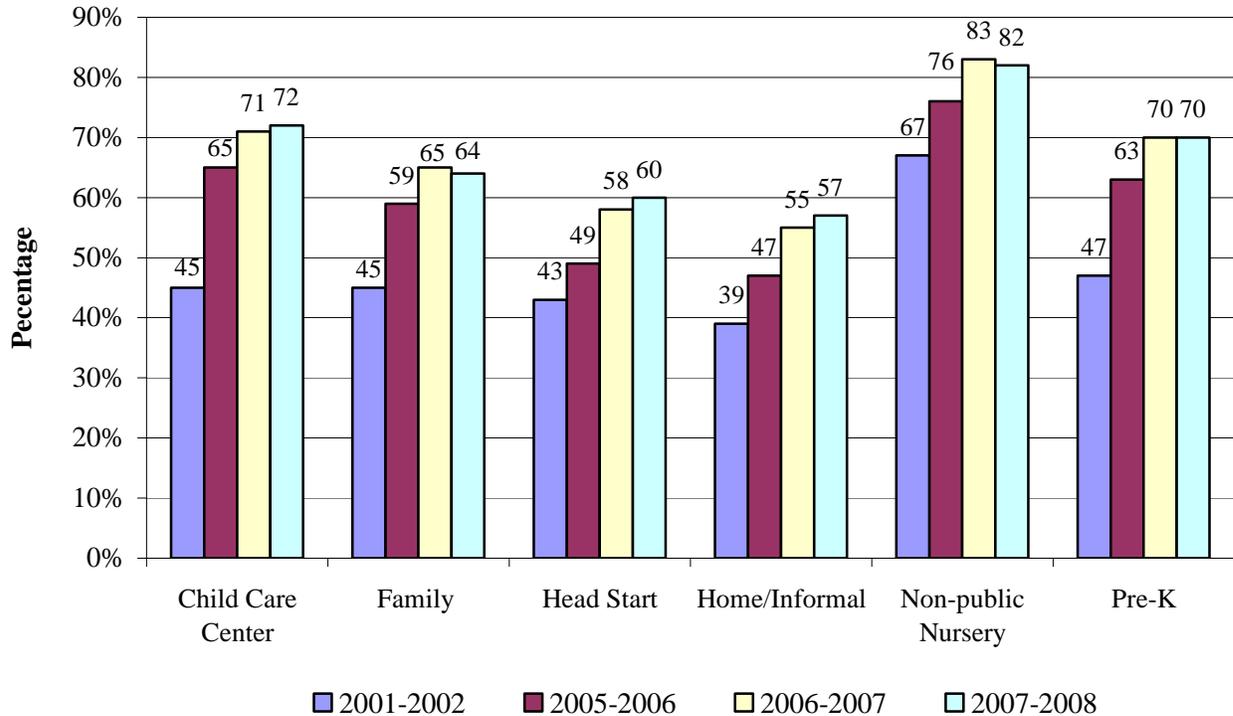
Exhibit 3
Maryland Model for School Readiness
English Proficient vs. Limited English Proficient



Source: Maryland State Department of Education

The school readiness report also disaggregates results for kindergarteners by their prior early care and education experiences. As **Exhibit 4** shows, readiness varies based on type of child care experience. In the 2007-2008 school year, children in a nonpublic nursery care setting continued to perform above children with other early education experience. Children enrolled in nonpublic nursery schools, child care centers, and pre-k programs perform better than their peers, while children who do not go to some kind of formal early learning program are the least likely to enter school ready to learn.

**Exhibit 4
Readiness by Prior Educational Experience**



Source: Maryland State Department of Education

MSDE should comment on the difference in readiness levels for children in different subgroups and for children enrolled in different types of child care programs, particularly in Head Start programs, prior to entering kindergarten.

Fiscal 2009 Actions

Impact of Cost Containment

The Board of Public Works (BPW) reduced the appropriation by \$7.3 million. The most notable reduction was a \$5.3 million general fund cut to the Child Care Subsidy Program. Existing federal funds will replace the general fund reduction in order to ensure the same number of families can be served by the program. Other reductions included deleting six vacant positions for a \$349,694 savings and a \$500,000 reduction of funds for the Child Care Resource and Referral Network and the Family Support Centers, which distribute grants to centers across the State.

Proposed Budget

Exhibit 5 shows, the fiscal 2010 allowance which is \$3.5 million less than the fiscal 2009 working appropriation, including the across-the-board deletion of the deferred compensation match for State employees. General funds increase \$1.9 million from the working appropriation, and federal funds are reduced by \$5.4 million.

Personnel Changes

Personnel funding for the agency increases by \$0.7 million in the fiscal 2010 allowance from the fiscal 2009 working appropriation. The biggest increases are in salary compensation (\$0.5 million) and employee and retiree health insurance (\$0.3 million). These increases are offset by decreases in the deferred compensation match and the abolishment of one vacant position.

Other Changes

Other changes include a net decrease for funds in the Child Care Subsidy Program. General funds for the program increase by \$4.0 million, but the agency anticipates a \$5.5 million decrease in federal funds. However, the request was developed before the federal stimulus discussion began, and additional funds may be available since both the U.S. House and U.S. Senate version of the bill have early childhood education provisions. Other reductions include \$2.1 million for the Regional Resource and Referral Centers (\$1.8 million) and the Family Support Centers (\$0.3 million), and reductions to other educational contracts including Maryland Model for School Readiness contracts (\$0.7 million).

Federal Stimulus Focus on Early Childhood Education

On February 14, 2009, a conference committee agreement was reached and both the U.S. House of Representatives and the U.S. Senate voted to pass the bill. It contained \$1.9 billion for programs targeting infants and toddlers. This included, \$2.1 billion for Head Start/Early Head Start, \$2.0 billion for Childcare Development Block Grants, \$400.0 million for IDEA 619-Preschool grants, and \$500.0 million for IDEA Part C-Infants and Toddlers. Of this, Maryland could receive more than \$50.0 million. **MSDE should comment on the possible use of these funds and how this increase will affect early childhood education in the State.**

Exhibit 5
Proposed Budget
MSDE – Early Childhood Development
(\$ in Thousands)

How Much It Grows:	General Fund	Federal Fund	Total
2009 Working Appropriation	\$62,481	\$93,554	\$156,035
2010 Allowance	<u>64,426</u>	<u>88,165</u>	<u>152,591</u>
Amount Change	\$1,945	-\$5,389	-\$3,444
Percent Change	3.1%	-5.8%	-2.2%
 Contingent Reductions	 -\$27	 -\$50	 -\$77
Adjusted Change	\$1,918	-\$5,439	-\$3,521
Adjusted Percent Change	3.1%	-5.8%	-2.3%
 Where It Goes:			
Personnel Expenses			
Abolished/transferred positions			-\$51
Deletion of deferred compensation match			-77
Increments and other compensation			480
Employee and retiree health insurance			312
Workers' compensation premium assessment			16
Turnover adjustments			-37
Other fringe benefit adjustments.....			36
Other Changes			
Child Care Subsidy Program			-1,499
Regional Resource and Referral Centers			-1,789
Family Support Centers			-325
Maryland Model for School Readiness.....			-650
Other Changes			63
 Total			 -\$3,521

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

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. MSDE Report on Access and Availability of Child Care

In response to committee narrative in the 2008 *Joint Chairmen’s Report*, John Spears and Merve Gurlu of Towson University, RESI Research & Consulting, prepared a report for MSDE titled *Subsidy Enrollments among Accredited Child Care Providers in Maryland*. This report was submitted to the General Assembly in January 2008.

The report detailed the number of child care providers accredited by one or more of the following organizations: the National Association for the Education of Young Children, MSDE, National Early Childhood Program Accreditation, Middle State Accreditation, the American Montessori Society (AMI) and AMI International, and the National Association of Family Child Care; and the provider type – either family or center providers. The report also detailed the number of these accredited providers who accepted childcare subsidy children and the demographics of the childcare subsidy children who access the accredited providers.

Compared to the previous year, the number of accredited providers accepting children in the Child Care Subsidy Program increased by 13.8%, equivalent to 54 more providers across the State. An additional 170 (15.0%) subsidized child care placements were in the care of accredited providers. The demographics of subsidized families using accredited providers remained the same from the previous year. The children tended to be from families that are slightly less impoverished than all subsidy families and tended to be from the suburbs of Washington, DC.

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 2008					
Legislative Appropriation	\$71,680	\$0	\$94,538	\$0	\$166,218
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	50	0	-413	0	-362
Cost Containment	-419	0	-8	0	-428
Reversions and Cancellations	-81	0	-12,531	0	-12,612
Actual Expenditures	\$71,229	\$0	\$81,586	\$0	\$152,815
Fiscal 2009					
Legislative Appropriation	\$69,667	\$0	\$93,604	\$0	\$163,271
Cost Containment	-7,266	0	-51	0	-7,316
Budget Amendments	80	0	0	0	80
Working Appropriation	\$62,481	\$0	\$93,554	\$0	\$156,035

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

Fiscal 2008

The fiscal 2008 budget closed out at \$152.8 million, \$13.4 million less than the legislative appropriation. Reversions and cancellations accounted for the majority of this decrease, about \$12.6 million. The appropriation was reduced by \$362,401 through budget amendments and \$427,560 during cost containment.

Actual general fund expenditures totaled \$71.2 million, \$450,338 less than the legislative appropriation. The July 2007 BPW actions reduced the general fund appropriation \$419,367 including one vacant position which was deleted as part of the 500 statewide position reductions in January 2008. The appropriation to evaluate the Early Childhood Mental Health pilot program was deleted. The agency was able to substitute \$167,000 in federal funds to cover a portion of the general funds lost. General fund reversions totaled \$81,000 from unused funds in the State's contribution to the Head Start Program.

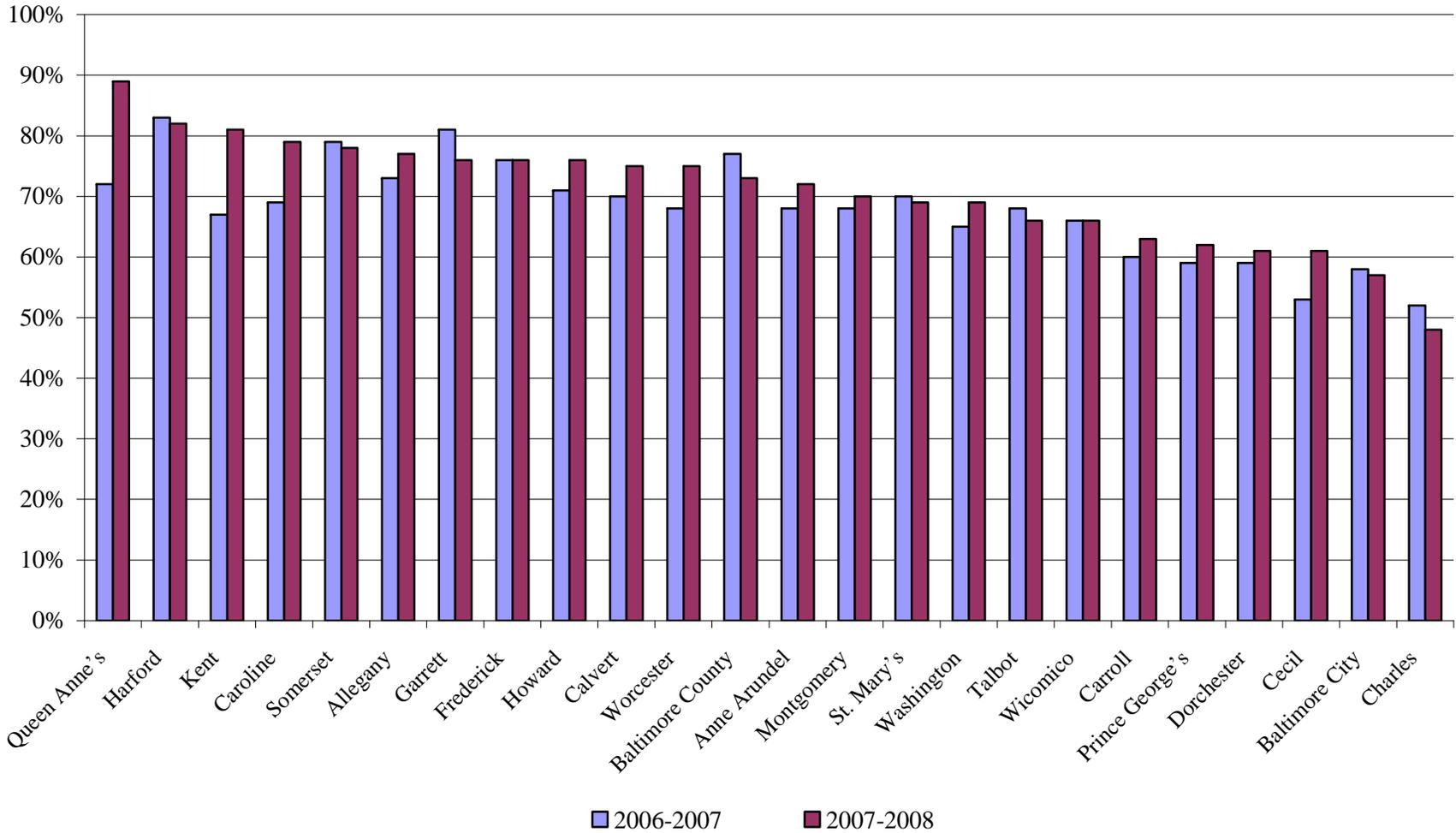
Federal fund actual expenditures were \$81.6 million, \$13.0 million less than the legislative appropriation. The majority of this decrease is due to the \$12.5 million in cancellations, which MSDE estimates can be carried over into fiscal 2009. Enrollment forecasts based on enrollment from the preceding year in the Child Care Subsidy Program were higher than actual enrollment, leading to an \$11.9 million cancellation in the program, and \$650,000 was cancelled due to a start up delay in issuing contracts to local providers.

Fiscal 2009

The fiscal 2009 working appropriation is \$156.0 million, \$7.2 million less than the legislative appropriation. The general fund working appropriation is \$7.2 million less than the legislative appropriation, and federal funds have been reduced by \$50,535.

Two rounds of BPW cost containment measures reduced the appropriation by \$7.3 million. The most notable reduction was a \$5.3 million general fund cut to the Child Care Subsidy Program. Federal funds will replace the general fund reduction in order to ensure that the same number of families can be served by the program. Other reductions included deleting six vacant PINs for a \$349,694 savings, and a \$500,000 reduction of funds to the Child Care Resource and Referral Network and the Family Support Centers. A cost-of-living adjustment for State employees increased the appropriation by \$80,051.

**Percentage of Student Entering School Fully Ready to Learn
2006 and 2007 School Years**



Major Information Technology Projects

Maryland State Department of Education – Early Childhood Development Enhanced Child Care Administration Tracking System II

Project Description:	Expansion of the Child Care Administration Tracking System (CCATS) project. The goal is to improve the operational efficiency, system performance, and end-to-end support of the Maryland State Department of Education (MSDE) child care business processes responsibilities, currently run through CCATS, initially developed by the Department of Human Resources. Critical new functionality will provide for enhanced subsidy payments processing and tracking, and increase report generating capabilities. Available funding will be only sufficient enough to complete the system development life cycle planning and requirements phases.							
Project Business Goals:	To expand and increase efficiency of CCATS system, and to increase availability of child care information to the public.							
Estimated Total Project Cost:	\$450,000				New/Ongoing Project:		\$300,000	
Project Start Date:	Fiscal 2009			Projected Completion Data:		Fiscal 2010.		
Schedule Status:	The draft project schedule will be defined at the end of the planning phase, which will begin once the project's contract project manager starts with MSDE. The planning phase should take no more than three months to complete, including time needed for management review and signoff on all planning phase deliverables.							
Cost Status:	Current funding was identified by MSDE to fund a dedicated project manager to lead the project and complete requirements definition, develop a procurement document for the revised system's development phases, and provide a cost estimate for the development and implementation phases of the project. Additional funding will be required in future years to award the development contract.							
Scope Status:	The projects scope, and scope document, will be defined during the planning phase.							
Project Management Oversight Status:	Project manager being selected by MSDE. Peer review meeting held March 2008. Peer Review Committees assigned February 2009.							
Identifiable Risks:	Full project cost and scope are undetermined.							
Additional Comments:								
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Balance to Complete	Total
Personnel Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Professional and Outside Services	150,000	300,000	0.0	0.0	0.0	0.0	300,000	450,000
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$150,000	\$300,000	\$0.0	\$0.0	\$0.0	\$0.0	\$300,000	\$450,000

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	193.50	187.50	186.50	-1.00	-0.5%
02 Contractual	1.00	1.00	1.00	0	0%
Total Positions	194.50	188.50	187.50	-1.00	-0.5%
Objects					
01 Salaries and Wages	\$ 13,030,218	\$ 12,678,241	\$ 13,433,526	\$ 755,285	6.0%
02 Technical and Spec. Fees	658,481	108,108	484,904	376,796	348.5%
03 Communication	254,284	400,067	388,338	-11,729	-2.9%
04 Travel	189,999	154,052	49,094	-104,958	-68.1%
06 Fuel and Utilities	9,859	0	20,000	20,000	N/A
07 Motor Vehicles	60,280	171,446	179,478	8,032	4.7%
08 Contractual Services	15,865,172	14,046,942	11,483,561	-2,563,381	-18.2%
09 Supplies and Materials	99,423	104,967	104,569	-398	-0.4%
10 Equipment – Replacement	2,061	0	0	0	0.0%
11 Equipment – Additional	53,927	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	121,709,865	127,769,509	125,468,791	-2,300,718	-1.8%
13 Fixed Charges	870,988	601,799	978,626	376,827	62.6%
14 Land and Structures	10,776	0	0	0	0.0%
Total Objects	\$ 152,815,333	\$ 156,035,131	\$ 152,590,887	-\$ 3,444,244	-2.2%
Funds					
01 General Fund	\$ 71,229,191	\$ 62,481,477	\$ 64,426,329	\$ 1,944,852	3.1%
05 Federal Fund	81,586,142	93,553,654	88,164,558	-5,389,096	-5.8%
Total Funds	\$ 152,815,333	\$ 156,035,131	\$ 152,590,887	-\$ 3,444,244	-2.2%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
10 Division of Early Childhood Development	\$ 40,301,026	\$ 36,860,131	\$ 34,914,388	-\$ 1,945,743	-5.3%
57 Transitional Education Funding Program	10,569,037	10,575,000	10,575,000	0	0%
58 Head Start	2,926,439	3,000,000	3,000,000	0	0%
59 Child Care Subsidy Program	99,018,831	105,600,000	104,101,499	-1,498,501	-1.4%
Total Expenditures	\$ 152,815,333	\$ 156,035,131	\$ 152,590,887	-\$ 3,444,244	-2.2%
General Fund	\$ 71,229,191	\$ 62,481,477	\$ 64,426,329	\$ 1,944,852	3.1%
Federal Fund	81,586,142	93,553,654	88,164,558	-5,389,096	-5.8%
Total Appropriations	\$ 152,815,333	\$ 156,035,131	\$ 152,590,887	-\$ 3,444,244	-2.2%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.