

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$65,330	\$65,611	\$67,927	\$2,316	3.5%
Contingent & Back of Bill Reductions	0	-2,050	0	2,050	
Adjusted General Fund	\$65,330	\$63,561	\$67,927	\$4,366	6.9%
Special Fund	25	4,200	165	-4,035	-96.1%
Adjusted Special Fund	\$25	\$4,200	\$165	-\$4,035	-96.1%
Federal Fund	66,018	75,288	85,810	10,521	14.0%
Adjusted Federal Fund	\$66,018	\$75,288	\$85,810	\$10,521	14.0%
Adjusted Grand Total	\$131,373	\$143,050	\$153,901	\$10,852	7.6%

- The fiscal 2015 allowance is \$10.9 million above the 2014 working appropriation. General funds increase largely due to the Prekindergarten Expansion Program, which is new in fiscal 2015. Federal funds increase by \$10.5 million largely due to an increase in the Child Care Subsidy Program. Special funds decrease by \$4.0 million which were used to cover the fiscal 2014 shortfall in Head Start federal funds due to sequestration.

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

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Analysis of the FY 2015 Maryland Executive Budget, 2014

Personnel Data

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>
Regular Positions	175.50	173.50	173.50	0.00
Contractual FTEs	<u>23.00</u>	<u>32.00</u>	<u>33.50</u>	<u>1.50</u>
Total Personnel	198.50	205.50	207.00	1.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	12.41	7.15%
Positions and Percentage Vacant as of 12/31/13	16.00	9.22%

- The fiscal 2015 allowance does not provide for any new regular positions. The number of contractual full-time equivalent (FTE) positions increases by 1.5 due to a new federal grant – the Enhanced Assessment grant, which was awarded to the Division of Early Childhood Development (DECD) in September 2013.
- Turnover in the fiscal 2015 allowance is budgeted at 7.15%, which will require DECD to maintain the equivalent of 12.41 vacant positions for the entire year. As of December 31, 2012, DECD had 16.0 vacant positions.

Analysis in Brief

Major Trends

Kindergarten Readiness Stabilizes for All Groups: Kindergarten readiness reached 82% in the 2012-2013 school year, compared to 83% in the 2011-2012 school year. Every subgroup of children has made steady progress since the 2001-2002 school year.

Child Care Subsidy Participation Improving: The total number of children served by the Child Care Subsidy Program is expected to increase to 17,785 in fiscal 2014 from 16,843 in fiscal 2013. As of December 31, 2013, there were 1,227 children on the waitlist.

Issues

Prekindergarten Expansion: In the fiscal 2015 allowance, the Governor has added \$4.3 million in general funds to expand prekindergarten through a competitive grant program to high quality early childhood programs that are either nationally or State accredited or at Level 5 on Maryland EXCELS and have the capability to meet the current prekindergarten State standards. **The Department of Legislative Services recommends that the general fund appropriation for creating a competitive grant program to expand prekindergarten be contingent upon the enactment of SB 332 or HB 297 – Prekindergarten Expansion Act of 2014.**

Race to the Top Early Learning Challenge Grants Project Milestones: In December 2011, the Maryland State Department of Education (MSDE) received a federal Race to the Top Early Learning Challenge (RTTT-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. Funds are spread over 10 projects and involve 27 FTE contractual staff. **MSDE should comment on the RTTT-ELC grant's progress to date and on whether all projects are on track to be successfully completed by the end of the grant period.**

Child Care Subsidy Program: In fiscal 2011, MSDE experienced a federal fund shortfall that significantly affected the Child Care Subsidy Program. On March 1, 2011, an enrollment freeze was instituted to accommodate the federal fund shortfall. Since then, income brackets have been steadily opened in the 2012 and 2013 calendar years. Even with the opening of income brackets in 2012 and 2013, there are 1,227 children on the waitlist. The fiscal 2015 allowance is expected to significantly improve the participation in the Child Care Subsidy Program with an increase of \$8 million attributable to a federal funds increase. **MSDE should comment on whether a waitlist would be needed if income levels were reopened, how many more children would be served by the increase, and how it will ensure that the program stays viable into the future if federal funds fall below their significantly higher levels for the upcoming fiscal year.**

Recommended Actions

	<u>Funds</u>
1. Add contingent language for the Prekindergarten Expansion Program.	
2. Reduce \$2 million in general funds for the Child Care Subsidy Program.	\$ 2,000,000
Total Reductions	\$ 2,000,000

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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. New to the Early Childhood Development analysis is the Prekindergarten Expansion Program, which will be explored further in Issue 1 of this analysis.

Hoyer Program Emphasizes Quality Care and Support Services

The 2000 legislative session was a turning point for early childhood care in Maryland. 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 the Maryland Model for School Readiness (MMSR), the State's early childhood assessment system.

Focus on School Readiness Solidified in 2005

The 2005 legislative session solidified the focus of Maryland's early child care resources toward school readiness. 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 is responsible for the budget operations and payment processing for the program which MSDE has designated the Child Care Subsidy Program. DHR still provides eligibility screening through local departments of social services. 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 Subsidy Program. The Credentialing Branch administers the Maryland Child Care Credential Program; handles tiered reimbursement under the

Child Care Subsidy Program; and manages child care training approval, training vouchers and reimbursements, and accreditation support awards.

Another part of DECD is the Early Learning Branch, which was transferred from MSDE's Division of Instruction. The Early Learning Branch is responsible for public prekindergarten and kindergarten policies, the Judith P. Hoyer programs, the MMSR, 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

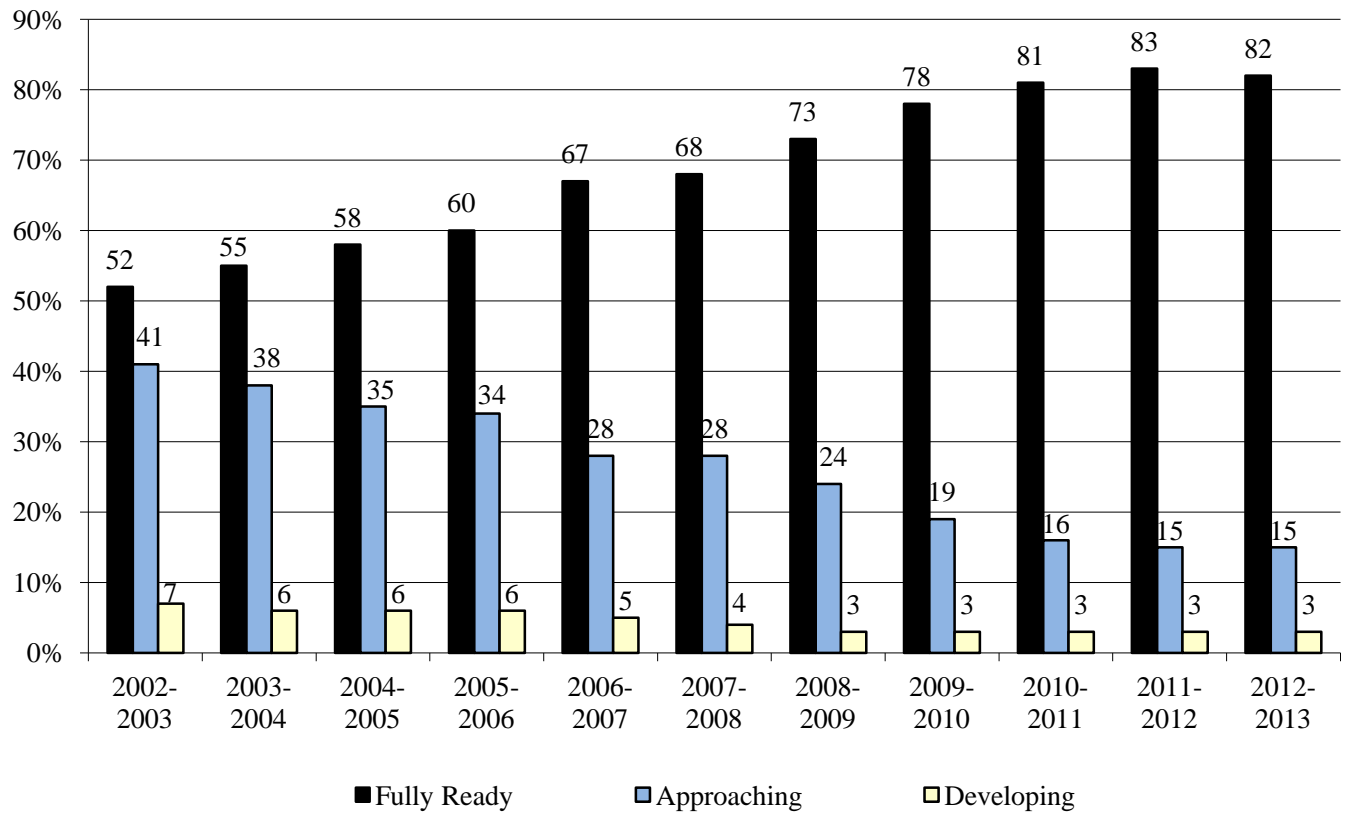
1. Kindergarten Readiness Stabilizes for All Groups

As part of MSDE's aim to improve student achievement, the agency has an objective that all children enter kindergarten ready to learn. To measure kindergarten readiness, the agency uses the MMSR assessment, a standardized assessment with seven domains: personal and social development; language and literacy; mathematical thinking; scientific thinking; social studies; the arts; and physical development.

MMSR data has been collected since the 2001-2002 school year. Teachers evaluate and rate student performance during the first eight weeks of school according to a checklist of 30 indicators. If a student is rated "fully ready," it means that the skills, behaviors, and abilities needed to meet kindergarten expectations are consistently demonstrated. "Approaching" readiness means the necessary skills and behaviors are inconsistently demonstrated. "Developing" means the skills and behaviors are not demonstrated, and considerable instructional support is needed.

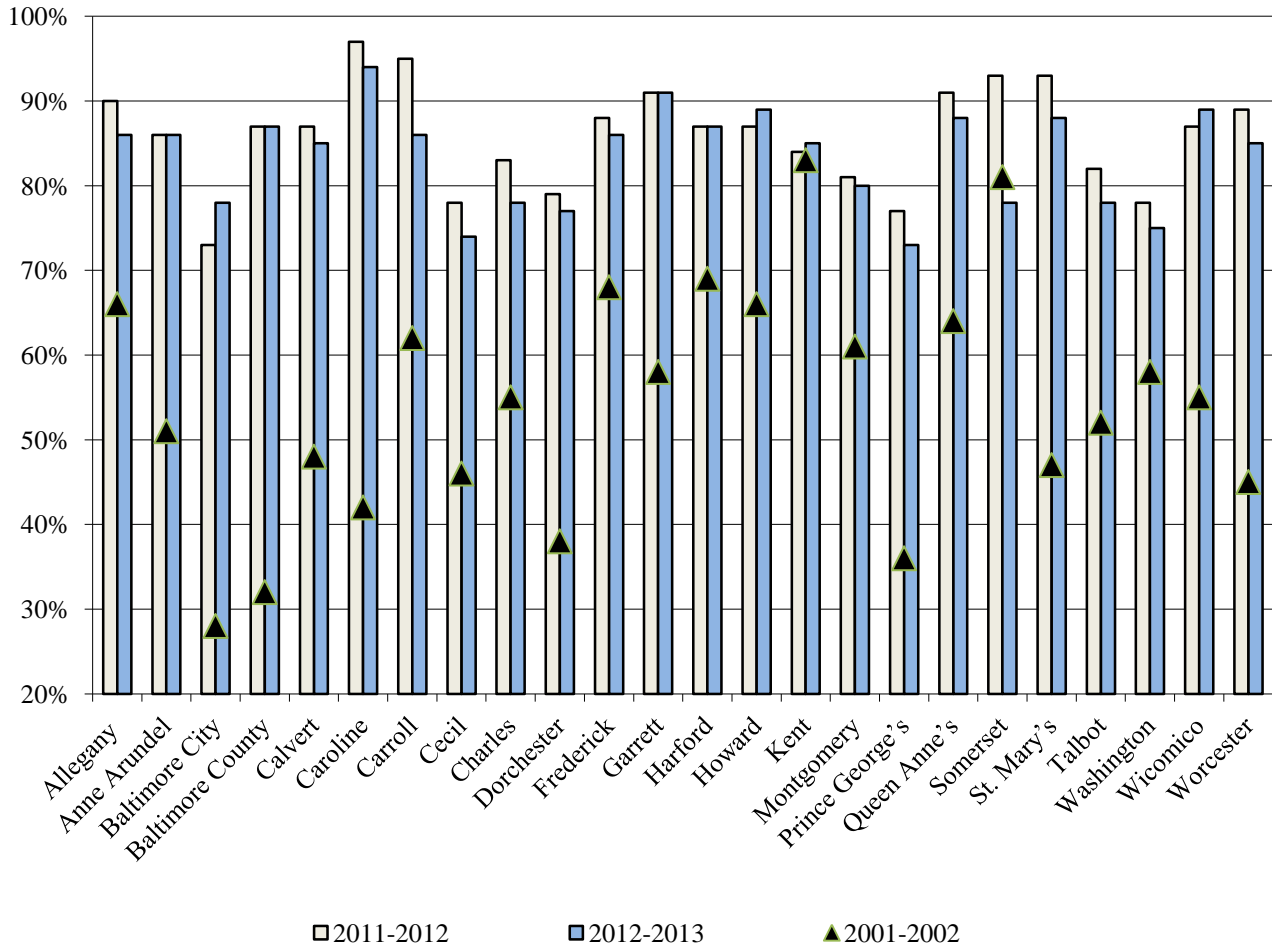
Exhibit 1 shows that kindergarten readiness has stabilized in the 2012-2013 school year. The percent of children rated as fully ready to learn reached 82%, compared to 83% in the 2011-2012 school year and 52% in the 2002-2003 school year. **Exhibit 2** shows the percent of students fully ready by county. Caroline County had the highest readiness rate in the 2012-2013 school year, at 94%. Prince George's County had the lowest rate, at 73%. Baltimore County improved the most (55 percentage points) from the 2001-2002 to the 2012-2013 school years.

Exhibit 1
Maryland Model for School Readiness
2002-2003 through 2012-2013 School Years



Source: Maryland State Department of Education

Exhibit 2
Children Entering School Fully Ready to Learn
2001-2002, 2011-2012, and 2012-2013 School Years

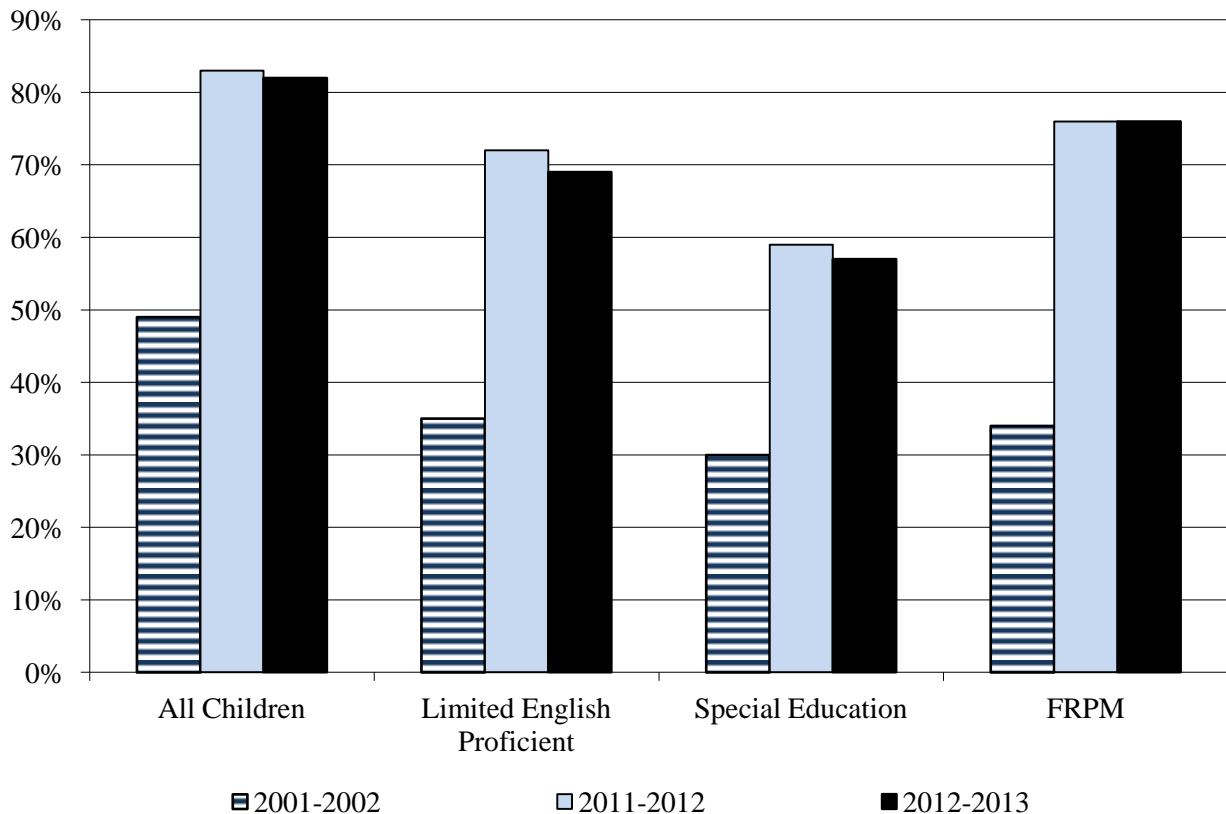


Source: Maryland State Department of Education

Readiness rates can fluctuate noticeably from year to year when looking at data by local education agency (LEA). In small school systems, a few children's results can have a large effect. Changes to early childhood programs in school systems may also have a significant effect in a single year. If a cohort has many children from a demographic group that tends to get higher or lower scores, the scores for that year may be affected.

While data by LEA may fluctuate, statewide, all subgroups have made steady progress since the 2001-2002 school year. **Exhibit 3** shows readiness data for children with limited English proficiency, special education children, and children who qualify for free and reduced price meals (FRPM). Kindergarten readiness among FRPM children has improved the most (42 percentage points) since the 2001-2002 school year, while the percentage of children with limited English proficiency that are fully ready improved 34 percentage points, and special education children improved by 27 percentage points. Among these groups in the 2012-2013 school year, FRPM children were closest to the State composite of all children, although there is a gap of 6 percentage points. The largest gap is 25 percentage points between all children and special education children.

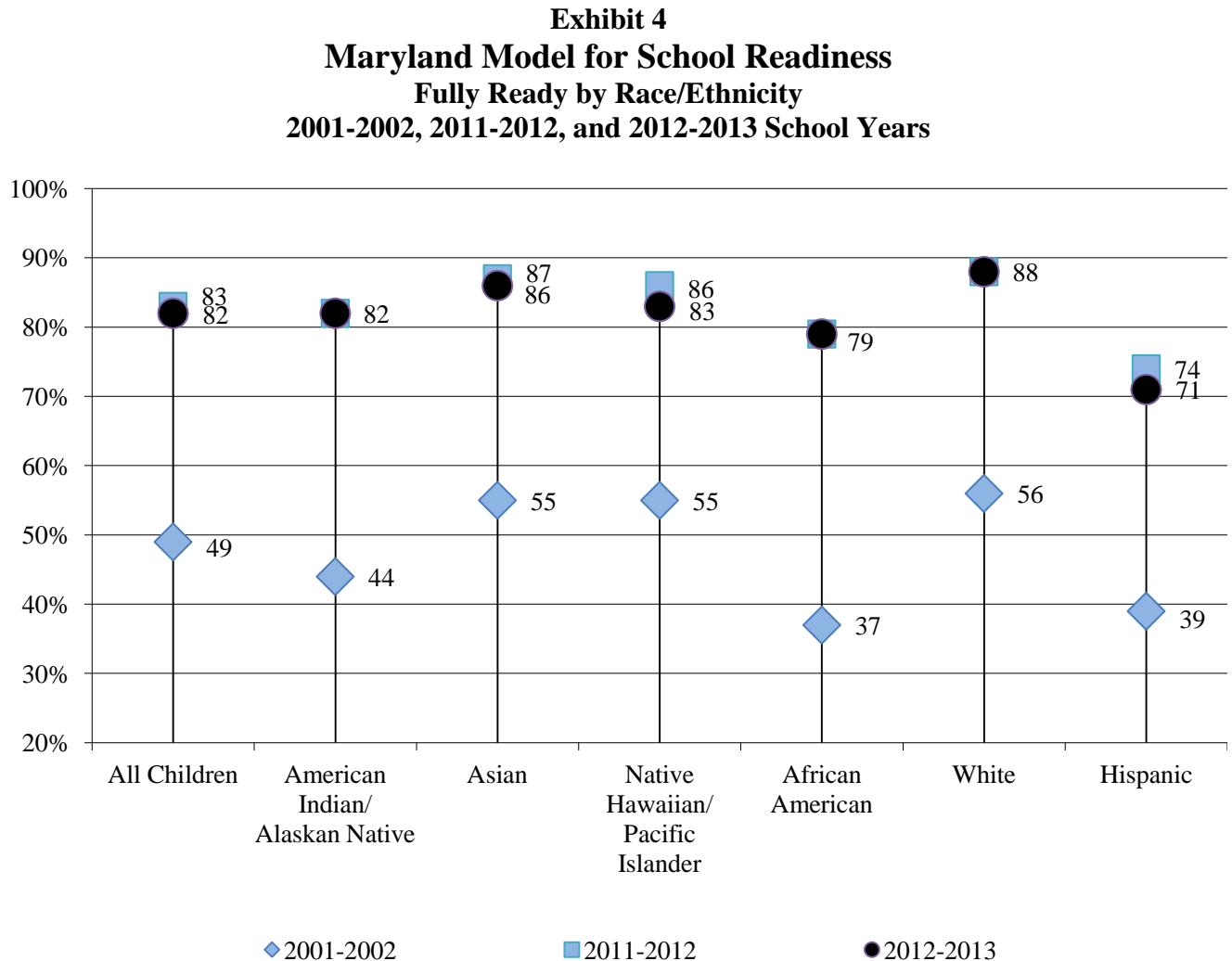
Exhibit 3
Maryland Model for School Readiness
Readiness by Limited English Proficiency, Special Education, and FRPM Groups
2001-2002, 2011-2012, and 2012-2013 School Years



FRPM: free and reduced price meals

Source: Maryland State Department of Education

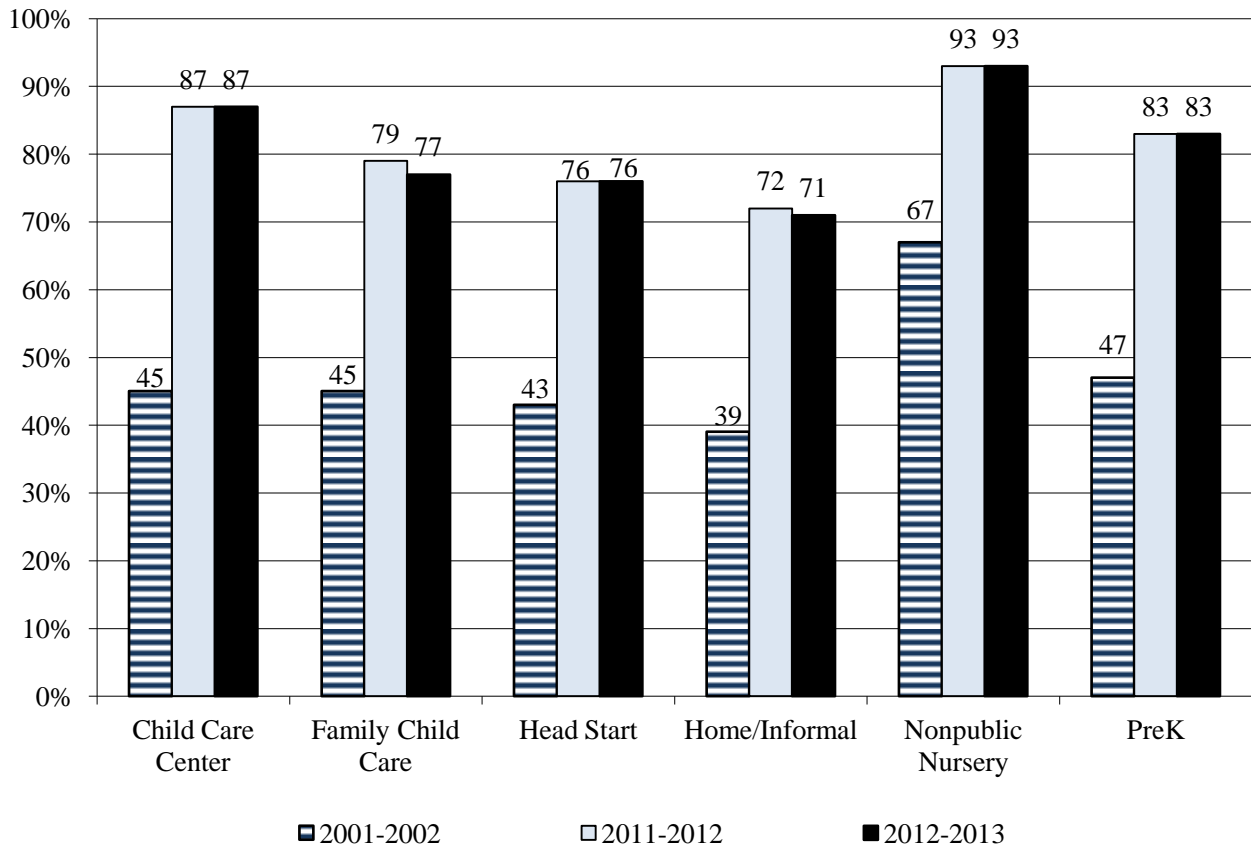
Exhibit 4 shows the percent of children fully ready for kindergarten by race and ethnicity. In the 2012-2013 school year, White children had the highest proportion ready for kindergarten (88%), while Hispanic children had the lowest proportion ready (71%). Since the 2001-2002 school year, African American children improved their standing more than any other subgroup, gaining 42 percentage points.



Source: Maryland State Department of Education

Kindergarten readiness data by prior educational experience is shown in **Exhibit 5**. All groups have improved since the 2001-2002 school year. Children from nonpublic nursery schools have the highest kindergarten readiness scores, followed by child care centers and prekindergarten programs. Children in home or informal care arrangements are the least ready.

Exhibit 5
Readiness by Prior Educational Experience
2001-2002, 2011-2012, and 2012-2013 School Years



Source: Maryland State Department of Education

As part of the State's Race to the Top Early Learning Challenge (RTTT-ELC) grant, MSDE is revising the MMSR to align to the Common Core State Standards. **MSDE should discuss how this revision is expected to change the existing assessments and whether kindergarten readiness rates are expected to decrease under the revised assessments that are being developed this year.**

2. Child Care Subsidy Participation Improving

The total number of children served by the Child Care Subsidy Program is expected to increase to 17,785 in fiscal 2014 from 16,843 in fiscal 2013. In March 2011, an enrollment freeze was implemented, and a waitlist was established as a result of an overestimate of available federal funds in fiscal 2011. As of December 31, 2013, 1,227 children were on the Child Care Subsidy

waitlist. The number of children on the child care waitlist has increased since January 23, 2013, when 589 children were on the waitlist. The proportion of income-eligible families receiving subsidies is expected to increase from 15.0% in fiscal 2013 to 16.9% in fiscal 2014.

The subsidy program 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 Temporary Cash Assistance or Supplemental Security Income. The Child Care Subsidy Program is discussed in more detail in Issue 3 of this analysis.

Two other performance measures relate to child care providers. The percent of child care providers participating in the credentialing program continues to rise, totaling 19.9% in fiscal 2013, compared to 18.6% in fiscal 2012. MSDE expects the percentage of participating providers to rise to 23.0% in fiscal 2014 due to the launch of Maryland EXCELS, a quality improvement system for early care programs, which 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. **The State Superintendent should discuss the impact Maryland EXCELS has had on early care programs for the State since it was implemented last year.**

Fiscal 2014 Actions

Cost Containment

The fiscal 2015 allowance includes a negative deficiency which withdraws \$2.05 million in general funds from the Child Care Subsidy Program. The Administration indicates that these funds reflect savings in eligibility determination services, as discussions are underway to privatize this service rather than continue to have them performed by DHR. **The department should brief the committees on how this privatization is expected to take place during fiscal 2014, how savings will be realized in MSDE's budget (instead of DHR's budget where the cost of eligibility determination is budgeted), and whether this action will affect the amount of funding available for Child Care Subsidy voucher payments.**

Proposed Budget

The fiscal 2015 allowance is \$10.85 million above the 2014 working appropriation as adjusted for the negative deficiency. **Exhibit 6** shows the changes by fund as well as key increases and decreases. **Appendix 4** shows changes by program.

Exhibit 6
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>
2014 Working Appropriation	\$63,561	\$4,200	\$75,288	\$143,050
2015 Allowance	<u>67,927</u>	<u>165</u>	<u>85,810</u>	<u>153,901</u>
Amount Change	\$4,366	-\$4,035	\$10,521	\$10,852
Percent Change	6.9%	-96.1%	14.0%	7.6%

Where It Goes:

Personnel Expenses

Annualized fiscal 2014 cost-of-living adjustment and increments	\$392
Salary adjustments.....	-74
Employee and retiree health insurance	-233
State contribution to employee retirement	143
Workers' compensation premium assessment.....	29
Other fringe benefit adjustments	-8

Other Changes

Child Care Subsidy Grant federal grant increase	10,020
Expansion of prekindergarten	4,300
Enhanced Assessment Grant	1,400
Federal Race to the Top Early Learning Challenge (RTTT-ELC) grant.....	857
Non-RTTT-ELC grants and contracts	596
Supporting Child Care Administration Tracking System.....	407
Judy Center Support from the Baltimore Community Foundation	65
Supplies and materials.....	-50
Stipends for the Program Accreditation Project.....	-55
Equipment rental (other than data processing).....	-73
Fuel and utilities	-74
Rent	-90
Licensing contract to the Baltimore City Health Department cancelled	-127
Postage and telephone expenses.....	-224
Purchase of Care Program services	-168
Career and Development Grant.....	-1,900

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Where It Goes:

One-time support for Head Start to offset federal sequestration reduction	-4,100
Other changes	-181
Total	\$10,852

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Personnel Changes

Fiscal 2015 personnel costs increase \$249,897 largely due to employee retirement and health insurance costs and the annualized cost of the fiscal 2014 statewide cost-of-living adjustment (COLA) and increments.

Major Changes

The largest increase for fiscal 2015 is the \$10.0 million increase in federal funds to support the Child Care Subsidy Grant. The Child Care Subsidy Program is discussed in Issue 3 of this analysis. Federal RTTT-ELC grants are increasing by \$0.9 million in fiscal 2015 as the program enters its final year, discussed in Issue 2 of this analysis. The allowance includes \$4.3 million for a new Prekindergarten Expansion Program, which is further discussed in Issue 1 of this analysis. The Enhanced Assessment Grant is a new federal grant, which increases the fiscal 2015 allowance by \$1.4 million. It was awarded to MSDE on September 12, 2013, and the goal of the grant is to enhance and develop kindergarten entry assessments. Non-RTTT-ELC grants and contracts within Child Development are increasing by \$596,815 in fiscal 2015. An overall increase to the fiscal 2015 allowance of \$407,425 is being used to support the Child Care Administration Automated Tracking System.

A one-time budget amendment increase of \$4.1 million to Head Start was added to the fiscal 2014 appropriation due to sequestration reducing federal funds to the program. Those funds are no longer needed for fiscal 2015 as federal funding has been restored to the program. General funds for Head Start are level funded at \$1.8 million. Overall, the fiscal 2015 State Budget shows a decrease in funds for Head Start because the federal Head Start monies do not flow through the State budget. There is a \$1.9 million decrease to the federal Career and Development Grant as it was moved elsewhere in MSDE. Other decreases include \$168,815 in the Purchase of Care Program services to redirect funds to a new branch and support online training, \$223,851 for postage and telephone expenses due to spending history, and a \$73,743 in reduction in utilities' expenses. A contract to the Baltimore City Health Department was cancelled this year for a reduction of \$127,000 in the fiscal 2015 allowance. General funds to the Hoyer Program are level funded in the fiscal 2015 allowance, although funds from the Baltimore Community Foundation increase to \$165,000.

Issues

1. Prekindergarten Expansion

The Administration has added a new program in the fiscal 2015 allowance for prekindergarten expansion. A total of \$4.3 million in general funds is provided, which would add approximately 860 to 1,720 children to prekindergarten programs depending on whether they are enrolled in half-day or full-day programs. The Prekindergarten Expansion Program (introduced as SB 332/HB 297) will be overseen and monitored by DECD. The bill allows funds to be used to expand prekindergarten for students in families where income is 185 to 300% of the Federal Poverty Guidelines.

The \$4.3 million in the fiscal 2015 allowance is not contingent on enactment of SB 332/HB 297. The bills have four major provisions that expand or extend existing prekindergarten programs in the State for four-year-olds, including prekindergarten in public schools and prekindergarten in community-based programs, as part of Preschool for All pilot sites and Judy Centers. **The Department of Legislative Services recommends that the general fund appropriation for creating a competitive grant program to expand prekindergarten be contingent upon the enactment of SB 332/HB 297 – Prekindergarten Expansion Act of 2014.**

Maryland has required school systems to make half-day prekindergarten available to economically disadvantaged four-year-olds since the 2007-2008 school year. The State does not provide significant funding for prekindergarten through a specific categorical program; instead, the State incorporates funding to school systems for prekindergarten through the State compensatory education formula funding level – in fiscal 2014, this amount is an estimated \$83.7 million. Expanding prekindergarten to all four-year-olds (full-day for disadvantaged four-year-olds and half-day for all four-year-olds) has been estimated to cost \$120.0 million to \$150.0 million annually. SB332/HB297 propose an incremental expansion of existing prekindergarten programs until the adequacy study of education funding, including prekindergarten, is complete.

Public Prekindergarten Available to Disadvantaged Four-year-olds

The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) has required each local school system to make publicly funded prekindergarten available to all economically disadvantaged or homeless four-year-old children in the State since the 2007-2008 school year. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of the Federal Poverty Guidelines (FPG), which is the income eligibility criterion for the federal FRPM program. After the initial enrollment of eligible children, local school systems may fill any vacancies with children who lack certain skills or exhibit a lack of readiness for kindergarten. State regulations require local school systems to provide prekindergarten for a minimum of 2.5 hours per day (for half-day) using certified early education teachers.

In the 2012-2013 school year, 26,402 four-year-olds were enrolled in prekindergarten programs offered by the local school systems. Prince George's County and Baltimore City have the

highest prekindergarten enrollments in the State. Most school systems offer half-day prekindergarten, but about 25% of the students are enrolled in full-day prekindergarten. Baltimore City and Kent and Garrett counties offer full-day prekindergarten exclusively, while another seven counties offer both half- and full-day programs.

Prekindergarten students are not included in the annual September 30 enrollment counts for State education aid. Instead, since the State mandates that local school systems make prekindergarten available only to disadvantaged four-year-olds, State funding is provided through the compensatory education formula established in the Bridge to Excellence Act. Specifically, the compensatory aid formula uses a per pupil cost that is 0.97 times the per pupil funding level established in the foundation program for each FRPM-eligible student. Of the 0.97 compensatory aid add-on or weight, approximately 0.07 is provided by the State to fund prekindergarten. In fiscal 2014, this equates to \$83.7 million in State funds. This is a statewide total; the amount provided to each school system varies.

Estimating the Cost of Expanding Prekindergarten

The cost of expanding publicly funded prekindergarten to four-year-olds depends on the cost for each additional classroom, the number of additional children who enroll, and whether the program will be half-day or full-day. Based on MSDE's experience with Preschool for All pilot sites, it is estimated that each additional classroom (20 students for full day or 40 students half day) will cost approximately \$100,000. However, there are data challenges in estimating the number of four-year-olds who are eligible for prekindergarten at different income levels.

The U.S. Census Bureau estimates that there were approximately 75,000 four-year-olds in Maryland in 2012. Reliable data on the family income of four-year-olds is harder to ascertain. MSDE and Current Population Survey data estimate that about 21,000 to 22,000 four-year-olds in the State are from families who are at or below 185% FPG. However, based on the number of four-year-olds enrolled in Medicaid in September 2013, 33,893 four-year-olds in the State are from families who are at or below 185% FPG. Using the percentage of kindergarteners eligible for FRPM, 46% in 2012-2013 (up 8% from the prior year), an estimated 35,000 four-year-olds are eligible for public prekindergarten.

The wide range in the number of four-year-olds who are currently eligible for publicly funded prekindergarten makes it difficult to estimate the impact of expanding eligibility. Reliably estimating the number of four-year-olds whose families are below 300% FPG, for example, requires having a reliable estimate of those currently eligible at 185% FPG. Assuming all of the current 26,400 four-year-olds in prekindergarten are income eligible (which is unlikely), approximately 8,500 additional four-year-olds may currently be eligible to participate in a half-day program. At least an additional \$21.3 million in State funds would be necessary if all of those children were to enroll in the current publicly funded half-day prekindergarten. If the program is expanded to a full day, it is reasonable to assume that some portion of these children who are not currently participating would enroll in a full-day program. SB 332/HB 297 requires MSDE, the Department of Health and Mental Hygiene, and the Department of Planning to jointly develop estimates on the number of income eligible four-year-olds in the State under the program. The legislation also requires MSDE to

leverage Child Care Subsidy funds when making prekindergarten grants to providers who participate in the subsidy. **The State Superintendent should discuss how MSDE would leverage Child Care Subsidy funds and how the prekindergarten grants would be awarded around the State.**

Kindergarten readiness has significantly improved since the 2002-2003 school year, but readiness continues to vary by a student's prior educational experience. **The Superintendent should discuss how an expansion of funding for prekindergarten programs would be expected to further improve kindergarten readiness.**

2. Race to the Top Early Learning Challenge Grants Project Milestones

In December 2011, MSDE received a federal RTTT-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.

Exhibit 7 shows the plan for RTTT-ELC funds by project type. The work involves 27 full-time equivalent contractual staff. Funds are spread over the 10 projects identified in MSDE's grant application over four grant years. Spending in grant year two totaled \$12.0 million. Spending in grant year three (fiscal 2014) is expected to increase to \$15.8 million and to \$16.7 million in the fiscal 2015 allowance, the fourth grant year.

Exhibit 7
Early Learning Race to the Top Funds by Project Type
(\$ in Thousands)

	<u>FTE Staff</u>	<u>Grant Year 1 Actual</u>	<u>Grant Year 2 Actual</u>	<u>Grant Year 3 Working</u>	<u>Grant Year 4 Budgeted</u>	<u>Total Funding</u>
Maryland EXCELS	21.0	\$841	\$4,074	\$6,291	\$9,564	\$20,770
Quality Capacity Building	0.0	1,727	2,635	3,052	3,101	10,515
Early Learning Data System	2.0	203	2,701	654	540	4,099
Comprehensive Assessment System	1.0	786	1,059	2,064	946	4,855
Family Engagement and Support	0.5	210	332	690	1,026	2,258
Professional Development for Early Learning Standards	1.0	246	519	621	423	1,810
Child Development Innovations	0.5	241	166	421	309	1,136
Local Early Childhood Councils	0.0	1	87	1,166	22	1,277
Early Learning and Development Standards	0.8	215	263	368	271	1,117
Leadership in Early Learning Academies	0.3	108	123	494	476	1,200
Total	27.0	\$4,579	\$11,959	\$15,821	\$16,678	\$49,037

FTE: full-time equivalent

Source: Maryland State Department of Education

Project Status

Exhibit 8 describes recent milestones that each RTTT-ELC project has reached as of December 31, 2013, at the close of grant year 2.

Exhibit 8 Early Learning Race to the Top Project Milestones

<u>Project</u>	<u>Milestones</u>
Maryland EXCELS	By December 31, 2013, 12% of all early learning and development programs, including all publicly funded programs, will be participating in Maryland EXCELS. ACTUAL – 17% (1,700) of all early learning and development programs, including all publicly funded programs, are participating in Maryland EXCELS.
Quality Capacity Building	Deliverable: By December 31, 2013, a total of 225 schools (42 programs on Levels 4 and 5) will receive Early Childhood Breakthrough Center services and participate in Maryland EXCELS. Missed target and achieved 193 programs and are taking corrective action.
Early Learning Data System	Deliverable: By June 26, 2013, plan, schedule the Point of Service (POS) system design process, and develop and document the functional requirements of the POS system – COMPLETED. Deliverable: By August 15, 2013, plan and schedule the portal's expansion to accommodate the trainer support and professional development grants and incentives modules – COMPLETED.
Comprehensive Assessment System (CAS)	Milestone: By May 31, 2014, complete the development and testing of the CAS, including a KEA and formative assessments – ON TARGET FOR COMPLETION.
Family Engagement and Support	Deliverable: By September 30, 2013, the Maryland Family Engagement Framework will be completed – COMPLETED. Milestone: By December 31, 2013, conduct 24 Parent Cafes – COMPLETED. Milestone: By July 31, 2013, 100% of selected programs (36) are implementing Learning Parties – COMPLETED. Milestone: By December 31, 2013, at least 30,000 low-income children will receive Reach Out and Read services – COMPLETED, actual was 30,300. Milestone: By December 31, 2013, 10 library systems will have Parent Information Centers in Title I area libraries – COMPLETED.
Professional Development for Early Learning Standards	Milestone: Implement first cohort (five full-day sessions) of the MMSR Professional Development (PD) for licensed child care and Head Start programs using revised MMSR PD modules by June 30, 2014 – IN PROGRESS AND ON SCHEDULE.

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Project

Milestones

Child Development
Innovations

Early Childhood Mental Health Consultation Training for Pediatricians project – Milestone: By November 30, 2013, recruit 20 primary care providers/pediatricians – COMPLETED, actual was 35. Deliverable: By May 14, 2014, operational SEFEL web-based data system, a SEFEL/ECMH website, and online SEFEL professional development modules – ON TARGET FOR COMPLETION. Training for Pediatric Health Care Providers: Deliverable: By December 31, 2013, 15 trained primary care practices – COMPLETED, actual was 20.

Local Early Childhood
Councils

Deliverable: By December 31, 2013, completion of 10 full-day sessions of Regional Leadership Capacity Building Training (24 of the 24 jurisdictions) – COMPLETED.

Early Learning and
Development
Standards

Milestone: By February 3, 2014, revise Early Learning Framework to align to final Common Core Standards for Social Studies, Science, the Arts, Physical Development, and Health and Social Competencies – ON TIME FOR COMPLETION IN MARCH 2014.

Leadership in Early
Learning Academies

Deliverable: Leadership Academies conducted for administrators/teachers/child care and Head Start programs in 30 Title I school attendance areas for one day during the 2012-2013 school year – COMPLETED SUMMER 2013.

ECMH: early childhood mental health
KEA: kindergarten entry assessment
MMSR: Maryland Model for School Readiness
SEFEL: Social Emotional Foundations for Early Learning

Source: Maryland State Department of Education

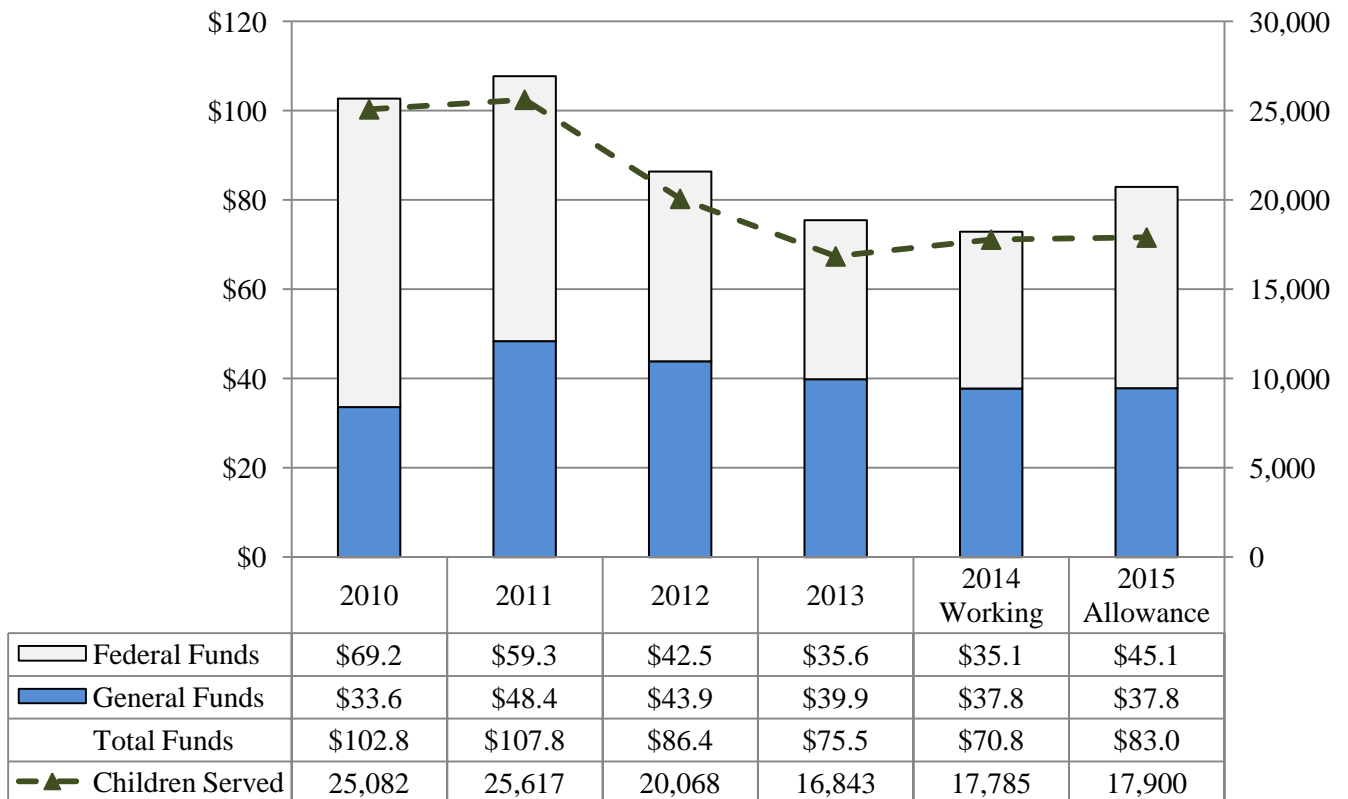
MSDE should comment on the RTTT-ELC grant's progress to date and on whether all projects are on track to be successfully completed by the end of the grant period.

3. Child Care Subsidy Program

The Child Care Subsidy Program provides financial assistance to eligible working families for child care costs by issuing vouchers to help with the cost of care. 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 Temporary Cash Assistance or Supplemental Security Income.

Exhibit 9 shows changes in general and federal funds for the Child Care Subsidy Program from fiscal 2010 to 2015, as well as program participation. To support the Child Care Subsidy Program for the remainder of fiscal 2011 in the face of the federal fund shortfall, a \$14.8 million general fund deficiency was approved. As shown in Exhibit 9, at the program’s peak in fiscal 2011, total funding reached \$107.8 million, serving 25,617 children. In fiscal 2012, federal funds declined \$16.8 million as the shortfall continued, and a \$10.3 million general fund deficiency was required to supplant federal Temporary Assistance for Needy Families funds. There was no deficiency to increase funds in fiscal 2013, but spending was down to \$75.4 million. The Department of Legislative Services would note that \$3.3 million in Child Care and Development funds appropriated to this program was cancelled in fiscal 2013. Federal funds increase \$10.5 million in fiscal 2015, and the fiscal 2015 allowance is expected to total \$83.0 million, up from \$72.9 million in fiscal 2014. **MSDE should explain the reasons behind the significant increase in federal funds.**

Exhibit 9
Child Care Subsidy
Fiscal 2010-2015
(\$ in Millions)



Note: Fiscal 2014 reflects a negative deficiency.

Source: Maryland State Department of Education

Child Care Subsidy Waitlist

As of December 31, 2013, there are 1,227 children on the Child Care Subsidy Program waitlist. This is up from 589 children on the waitlist in January 2013. As shown in Exhibit 9, the number of children served has decreased from 25,617 in fiscal 2011 to an expected 17,785 in fiscal 2014 as a result of frozen enrollment and program attrition. The Child Care Subsidy Program was able to reopen 8 of the 10 income brackets for eligible families on March 11, 2013. MSDE reports that there are plans to open additional income levels, if the full amount of the increase in the fiscal 2015 allowance is provided. **MSDE should comment on whether a waitlist would be needed if income levels were reopened, how many more children would be served by the increase, and how it will ensure that the program stays viable into the future if federal funds fall below their significantly higher levels for the upcoming fiscal year.**

Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$4.3 million of this appropriation made for the purpose of creating a competitive grant program to expand prekindergarten is contingent upon the enactment of SB 332 or HB 297 – Prekindergarten Expansion Act of 2014.

Explanation: Funding for the program is made contingent upon enactment of the legislation that creates the program, SB 332 or HB 297 – Prekindergarten Expansion Act of 2014.

	<u>Amount Reduction</u>	
2. Reduce funding for the Child Care Subsidy Program by \$2,000,000. Given the \$10,000,000 increase in federal funds, the Child Care Subsidy Program will still grow by 14% even with the reduction.	\$ 2,000,000	GF
Total General Fund Reductions	\$ 2,000,000	

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 2013					
Legislative Appropriation	\$65,353	\$0	\$75,176	\$0	\$140,528
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	19	25	65	0	108
Reversions and Cancellations	-41	0	-9,222	0	-9,263
Actual Expenditures	\$65,330	\$25	\$66,018	\$0	\$131,373
Fiscal 2014					
Legislative Appropriation	\$65,525	\$0	\$75,145	\$0	\$140,670
Budget Amendments	86	4,200	143	0	4,430
Working Appropriation	\$65,611	\$4,200	\$75,288	\$0	\$145,100

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

The fiscal 2013 budget closed at \$131.4 million, which was \$9.2 million less than the legislative appropriation.

Budget Amendments: Special funds increased by \$24,685, and federal funds increased by \$64,895 to reflect the fiscal 2013 statewide COLA.

Reversions and Cancellations: Cancellations totaled \$9.3 million. Of this total, \$3.2 million in federal funds for the Child Care Subsidy Program was cancelled and is attributable to the application process being temporarily discontinued, so new applicants were placed on a waiting list. The income-determined levels were opened on a staggered basis during fiscal 2013; as a result, all of the appropriation was not expended. A total of \$5.9 million in federal funds was cancelled in fiscal 2013 but will not be reverted to the grantor and can still be obligated in fiscal 2014. This total fund balance was not expended because of delays related to RTTT-ELC projects and an inability to expend funds due to the freeze in the Child Care Subsidy Program. A total of \$41,134 reverted to the general fund in fiscal 2013.

Fiscal 2014

The fiscal 2014 working appropriation is \$4.4 million above the legislative appropriation and totals \$145.0 million. General funds increased by \$86,457, and federal funds increased by \$143,126 to reflect the fiscal 2014 statewide COLA and increment. Special funds increased by \$4.1 million in order to fund the Head Start program, which was impacted negatively by the federal sequestration. Funds were appropriated to the Dedicated Purpose Account to be available if needed; in all, \$8.8 million was provided to a number of State agencies. A total of \$100,000 in special funds increased to recognize a grant to the Transitional Education Funding Program to support the Judy Centers.

Major Information Technology Projects

Maryland State Department of Education Enhanced Child Care Administration Tracking System II

Project Status¹	Implementation.	New/Ongoing Project:	Ongoing.
Project Description:	This project is an upgrade to the existing Child Care Administration and Tracking System (CCATS), which supports child care licensing, subsidies, credentialing, grants, and related accounting processes. The initial CCATS was developed by the Department of Human Resources (DHR) and does not accommodate business processes at the Maryland State Department of Education (MSDE).		
Project Business Goals:	Goals are to improve the operational efficiency, system performance, and end-to-end support of MSDE child care business processes. New functions will provide enhanced subsidy payments processing and tracking, correction of deficiencies in the credentialing interface, business object report development, and implementation of a robust reporting architecture.		
Estimated Total Project Cost¹:	\$10,329,719	Estimated Planning Project Cost¹:	\$ 2,230,857
Project Start Date:	March 2009	Projected Completion Date:	Fiscal 2016
Schedule Status:	In May 2013, MDSE revised the schedule to reflect delays and remaining work to be completed through the Consulting and Technical Services (CATS) II contract and a new contract for items beyond the CATS II expiration. Limited staffing availability has slowed progress in User Acceptance Testing (UAT); however, two full-time UAT personnel were added at the beginning of fiscal 2014, alleviating the staffing problem. MSDE continues to review and adjust the schedule when necessary in response to agency priorities.		
Cost Status:	Expected costs have stayed in the range of \$10 million even while the project has been revised and increased with new personnel in fiscal 2014.		
Scope Status:	The scope has been slightly reduced by dropping options: 4C AdHoc Reports, 6 Lic. Enrollment, 11 Lic. Process Changes, 13 Expand DHR Interface, and 14 Quality Rating Improvement System. The scope is still the same for the major task areas.		
Project Management Oversight Status:	The last quarterly update was provided on December 18, 2013.		
Identifiable Risks:	MSDE planned a migration to a new hardware infrastructure and operating system environment in July 2013; however, the migration has been pushed back to late January 2014 due to procurement delays. As a result, UAT and implementation activities for Objective 1 have been delayed. There is still a potential for further delay. MSDE is working with the contractors to adjust the deliverable schedule in response to this delay.		
Additional Comments:	None.		

Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	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	4,472.0	3,936.0	1,901.0	0.0	0.0	0.0	5,857.0	10,311.0
Other Expenditures	19.0	0.0	0.0	0.0	0.0	0.0	0.0	19.0
Total Funding	\$4,491.0	\$3,936.0	\$1,901.0	\$0.0	\$0.0	\$0.0	\$5,857.0	\$10,329.0

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

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

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	175.50	173.50	173.50	0.00	0%
02 Contractual	23.00	32.00	33.50	1.50	4.7%
Total Positions	198.50	205.50	207.00	1.50	0.7%
Objects					
01 Salaries and Wages	\$ 13,217,610	\$ 13,856,068	\$ 14,105,965	\$ 249,897	1.8%
02 Technical and Spec. Fees	798,801	2,310,596	3,204,670	894,074	38.7%
03 Communication	372,081	643,195	439,994	-203,201	-31.6%
04 Travel	164,528	389,663	338,320	-51,343	-13.2%
06 Fuel and Utilities	23,130	98,000	24,257	-73,743	-75.2%
07 Motor Vehicles	48,362	62,078	56,310	-5,768	-9.3%
08 Contractual Services	4,836,186	6,349,446	6,929,650	580,204	9.1%
09 Supplies and Materials	79,348	130,250	80,183	-50,067	-38.4%
10 Equipment – Replacement	102,362	0	0	0	0.0%
11 Equipment – Additional	276,602	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	110,534,938	120,171,364	127,723,079	7,551,715	6.3%
13 Fixed Charges	918,928	1,088,895	999,026	-89,869	-8.3%
Total Objects	\$ 131,372,876	\$ 145,099,555	\$ 153,901,454	\$ 8,801,899	6.1%
Funds					
01 General Fund	\$ 65,329,953	\$ 65,611,103	\$ 67,926,738	\$ 2,315,635	3.5%
03 Special Fund	24,685	4,200,000	165,000	-4,035,000	-96.1%
05 Federal Fund	66,018,238	75,288,452	85,809,716	10,521,264	14.0%
Total Funds	\$ 131,372,876	\$ 145,099,555	\$ 153,901,454	\$ 8,801,899	6.1%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
10 Division of Early Childhood Development	\$ 43,622,050	\$ 53,539,267	\$ 54,106,855	\$ 567,588	1.1%
06 Prekindergarten Expansion	0	0	4,300,000	4,300,000	0%
57 Transitional Education Funding Program	10,575,000	10,675,000	10,740,000	65,000	0.6%
58 Head Start	1,798,404	5,900,000	1,800,000	-4,100,000	-69.5%
59 Child Care Subsidy Program	75,377,422	74,985,288	82,954,599	7,969,311	10.6%
Total Expenditures	\$ 131,372,876	\$ 145,099,555	\$ 153,901,454	\$ 8,801,899	6.1%
General Fund	\$ 65,329,953	\$ 65,611,103	\$ 67,926,738	\$ 2,315,635	3.5%
Special Fund	24,685	4,200,000	165,000	-4,035,000	-96.1%
Federal Fund	66,018,238	75,288,452	85,809,716	10,521,264	14.0%
Total Appropriations	\$ 131,372,876	\$ 145,099,555	\$ 153,901,454	\$ 8,801,899	6.1%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.