

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15-16</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$63,439	\$67,461	\$67,889	\$428	0.6%
Deficiencies and Reductions	0	0	-263	-263	
Adjusted General Fund	\$63,439	\$67,461	\$67,626	\$165	0.2%
Special Fund	4,265	165	495	330	200.0%
Adjusted Special Fund	\$4,265	\$165	\$495	\$330	200.0%
Federal Fund	82,261	85,712	109,415	23,703	27.7%
Deficiencies and Reductions	0	0	-279	-279	
Adjusted Federal Fund	\$82,261	\$85,712	\$109,136	\$23,425	27.3%
Adjusted Grand Total	\$149,965	\$153,338	\$177,258	\$23,920	15.6%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The fiscal 2016 allowance for Early Childhood Development programs within the Maryland State Department of Education (MSDE) increases by approximately \$23.9 million, or 15.6%, over the fiscal 2015 working appropriation. This increase is almost entirely driven by additional federal funds, which reflects an additional \$18.2 million for child care subsidy payments and the assumption of eligibility determination services from the Department of Human Resources, and \$14.3 million to expand prekindergarten access to an additional 3,000 low-income students. This is offset by the \$8.3 million reduction in Race to the Top – Early Learning Challenge grant funding, as the grant program enters its fourth year.
- Cost containment actions to reduce employee salaries by 2% and eliminate merit increases in fiscal 2016 reduce the allowance by approximately \$542,000. Already reflected in the fiscal 2015 working appropriation is a \$424,000 reduction adopted by the Board of Public Works in July 2014 to use surplus federal funds from prior years in lieu of general funds to support the contract for Child Care Resource Centers.

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

For further information contact: Rebecca J. Ruff

Phone: (410) 946-5530

Personnel Data

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>
Regular Positions	174.70	175.50	175.50	0.00
Contractual FTEs	<u>27.75</u>	<u>33.50</u>	<u>41.00</u>	<u>7.50</u>
Total Personnel	202.45	209.00	216.50	7.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	10.78	6.14%
Positions and Percentage Vacant as of 1/1/15	6.00	3.42%

- The Division of Early Childhood Development (DECD) receives an increase of 7.5 contractual full-time equivalents (FTE) in the fiscal 2016 allowance. These FTEs are needed to support prekindergarten expansion and Maryland Excels (MD EXCELS).
- The unit had 6.0 vacant positions at the end of calendar 2014. The fiscal 2016 budgeted turnover expectancy for the division is nearly double its current vacancy rate.

Analysis in Brief

Major Trends

Kindergarten Readiness Continues Upward Trend for All Groups: Kindergarten readiness reached 83% in the 2013-2014 school year, compared to 82% in the 2012-2013 school year. Every subgroup of children has made steady progress since the 2001-2002 school year, although there is variation among the individual jurisdictions.

Child Care Subsidy Participation Increases for the First Time Since Fiscal 2011: The total number of Maryland children served by the Child Care Subsidy Program increased by nearly 10% in fiscal 2014 to 18,488 children. This is due to the division reopening 8 of the 10 income brackets that determine eligibility for the subsidy as of March 11, 2013. As of January 31, 2015, 2,700 children were on the child care subsidy waitlist. **DECD should comment on what is driving the increase in the number of children on the waitlist for participation in the Child Care Subsidy Program.**

Participation in MD EXCELS Grows: MD EXCELS is the State's tiered Quality Rating Improvement System for licensed child care centers, family child care providers, and public prekindergarten programs. Full statewide implementation began on July 1, 2013 (fiscal 2014). Online publication of program ratings began mid-year fiscal 2014. In the first full year of implementation, 2,867 programs participated in MD EXCELS, 748 of which were published. As of June 29, 2015, participation in MD EXCELS became mandatory for all programs receiving child care subsidy reimbursements, which should significantly increase the number of participants. **DECD should comment on what is being done to increase the ratings of the participating programs.**

Issues

Kindergarten Readiness Assessments: Through the Race to the Top – Early Learning Challenge Grant, Maryland developed an enhanced assessment system for determining the preparedness and achievement levels of Maryland's early learning population. The program, Ready for Kindergarten: Maryland's Early Childhood Comprehensive System, includes two components: an Early Learning Assessment (ELA) for children ages three to six, and a Kindergarten Readiness Assessment (KRA) for all incoming kindergarteners. The ELA and the KRA are designed to align with the new College- and Career-Ready Standards for the State. The ELA is still in development, with rollout anticipated for late spring/summer 2015. In fall 2014, more than 3,500 public school kindergarten teachers across the State administered the KRA for the first time. Some negative feedback was received in response to the first administration of the test. Issues raised by teachers included the length of the assessment and the amount of time required to administer the test, problems with technology, and the requirement to administer multiple assessments in meeting both State and local requirements. MSDE is attempting to make adjustments to the KRA in response to these concerns. The KRA is currently in the standard-setting phase, and the statewide and local reports are scheduled to be released at the Maryland State Board of Education meeting in April 2015. **MSDE should be prepared to discuss the issues encountered during the first administration of the KRA, progress made to resolve those issues,**

and preliminary findings from the readiness reports. The department should also comment on the impact participation in multiple state and local assessments over the course of a school year has on early learners and whether the KRA will replace the need for local assessments. The Department of Legislative Services recommends the addition of budget language requiring a report on the improvements made to the KRA and any issues encountered with the next administration of the exam.

Recommended Actions

1. Add language restricting funds pending receipt of a report on improvements made to the kindergarten readiness assessments.

R00A99
Early Childhood Development
Maryland State Department of Education

Operating Budget Analysis

Program Description

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

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 has been responsible for the budget operations and payment processing for the program, which MSDE has designated the Child Care Subsidy Program. Through fiscal 2015, DHR was responsible for providing eligibility screening through local departments of social services. Efforts are being made in fiscal 2016 to consolidate all functions of the Child Care Subsidy Program within MSDE. 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

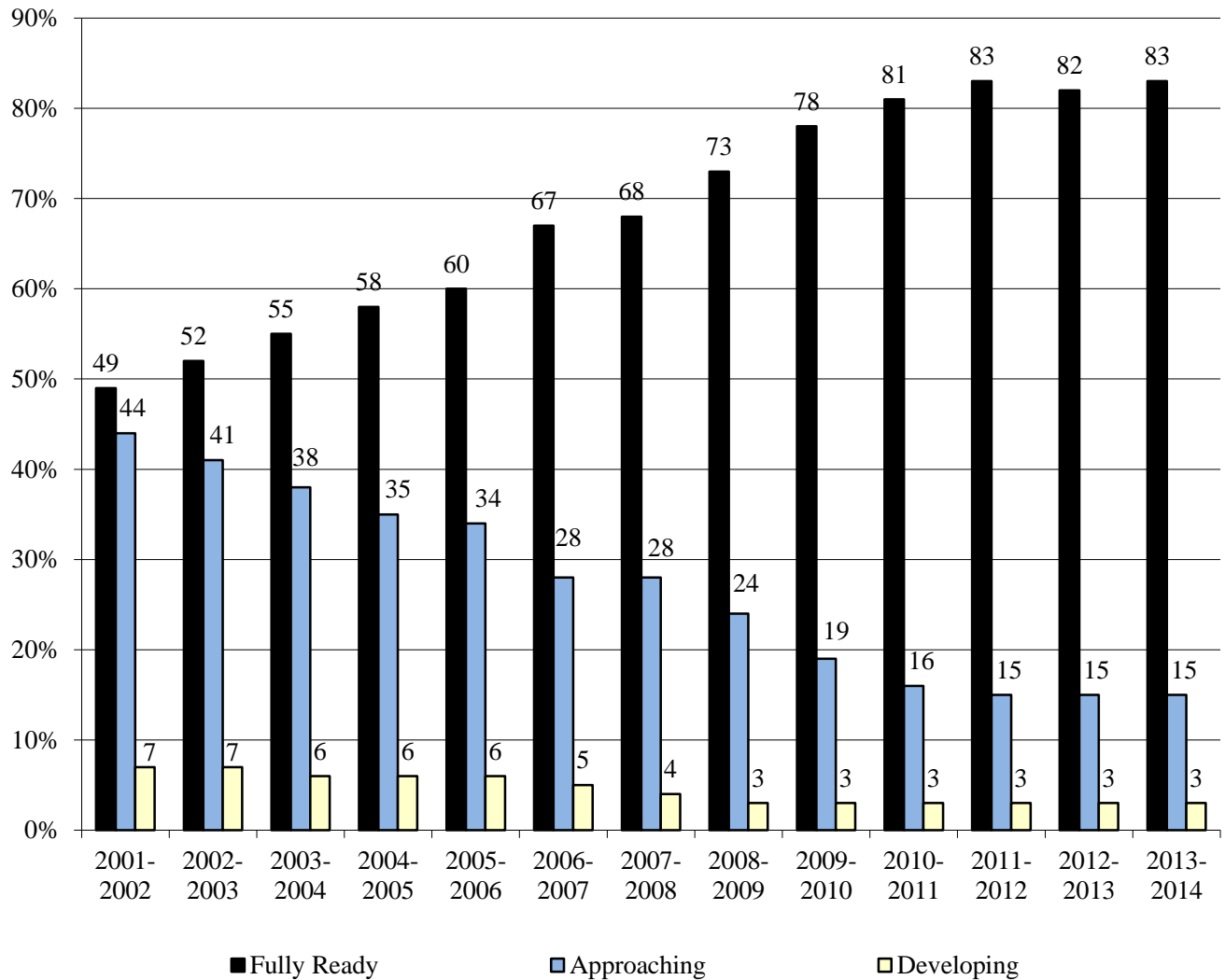
1. Kindergarten Readiness Continues Upward Trend for All Groups

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 currently 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.

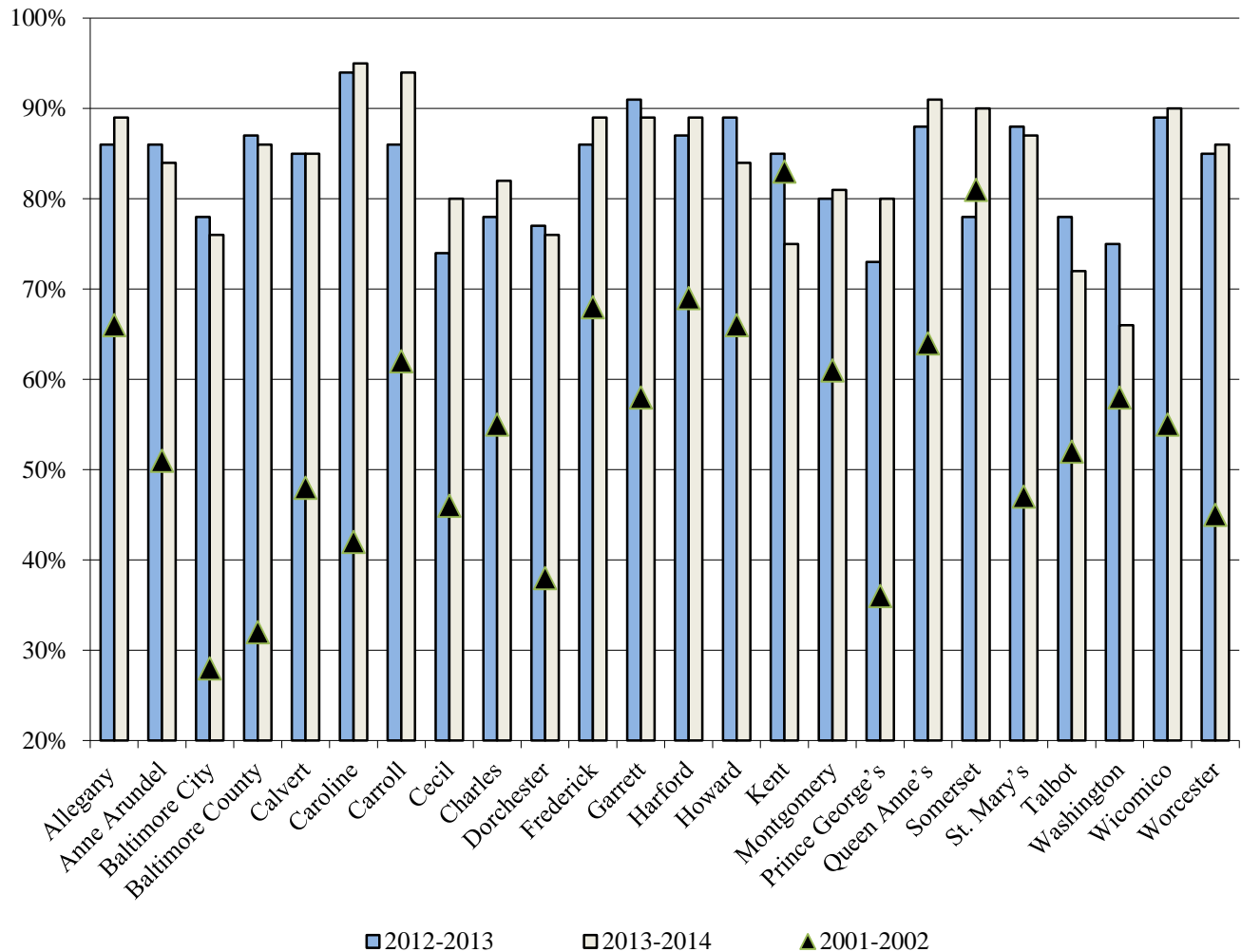
Exhibit 1 shows that kindergarten readiness increased slightly in the 2013-2014 school year. The percent of children rated as fully ready to learn reached 83%, compared to 82% in the 2012-2013 school year and 49% in the 2001-2002 school year. **Exhibit 2** shows the percent of students fully ready by county. Caroline County continues to have the highest readiness rate at 95% in 2013-2014. Washington County had the lowest rate, at 66%. This also reflects the most significant decrease from the prior year, when kindergarten readiness was at 75%. Caroline County improved the most (12 percentage points) from the 2012-2013 school year. In comparison to the first year of MMSR data collection, Baltimore County has exhibited the most progress, with an increase of 54 percentage points between the 2001-2002 and 2013-2014 school years.

Exhibit 1
Maryland Model for School Readiness
2001-2002 through 2013-2014 School Years



Source: Maryland State Department of Education

Exhibit 2
Children Entering School Fully Ready to Learn
2001-2002, 2012-2013, and 2013-2014 School Years

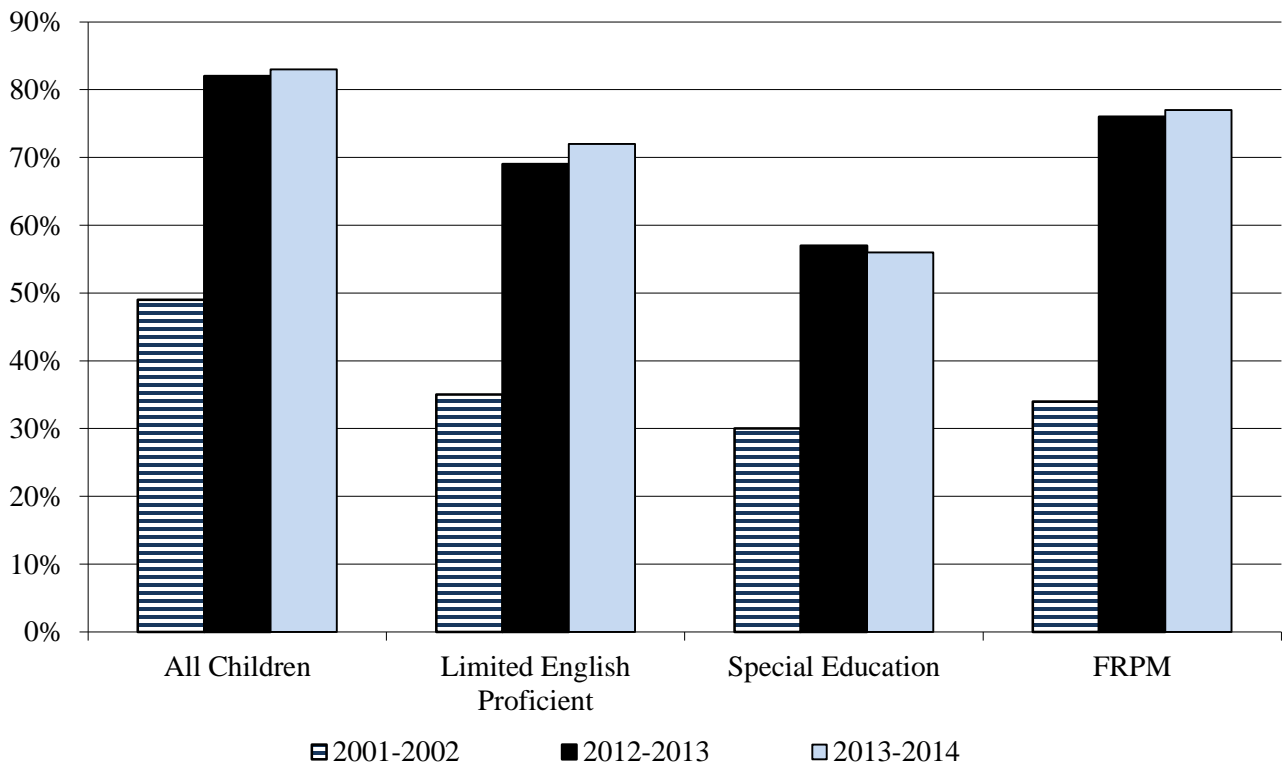


Source: Maryland State Department of Education

Readiness rates can fluctuate noticeably from year to year when looking at data by a 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 have improved the most (43 percentage points) since the 2001-2002 school year, while the percentage of children with limited English proficiency that are fully ready improved 37 percentage points. Both of these subgroups also improved in comparison to the prior year. Special education children improved by 26 percentage points over the 13-year period, although there was a slight decrease between the 2012-2013 and 2013-2014 school years. Among these groups in the 2013-2014 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 27 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

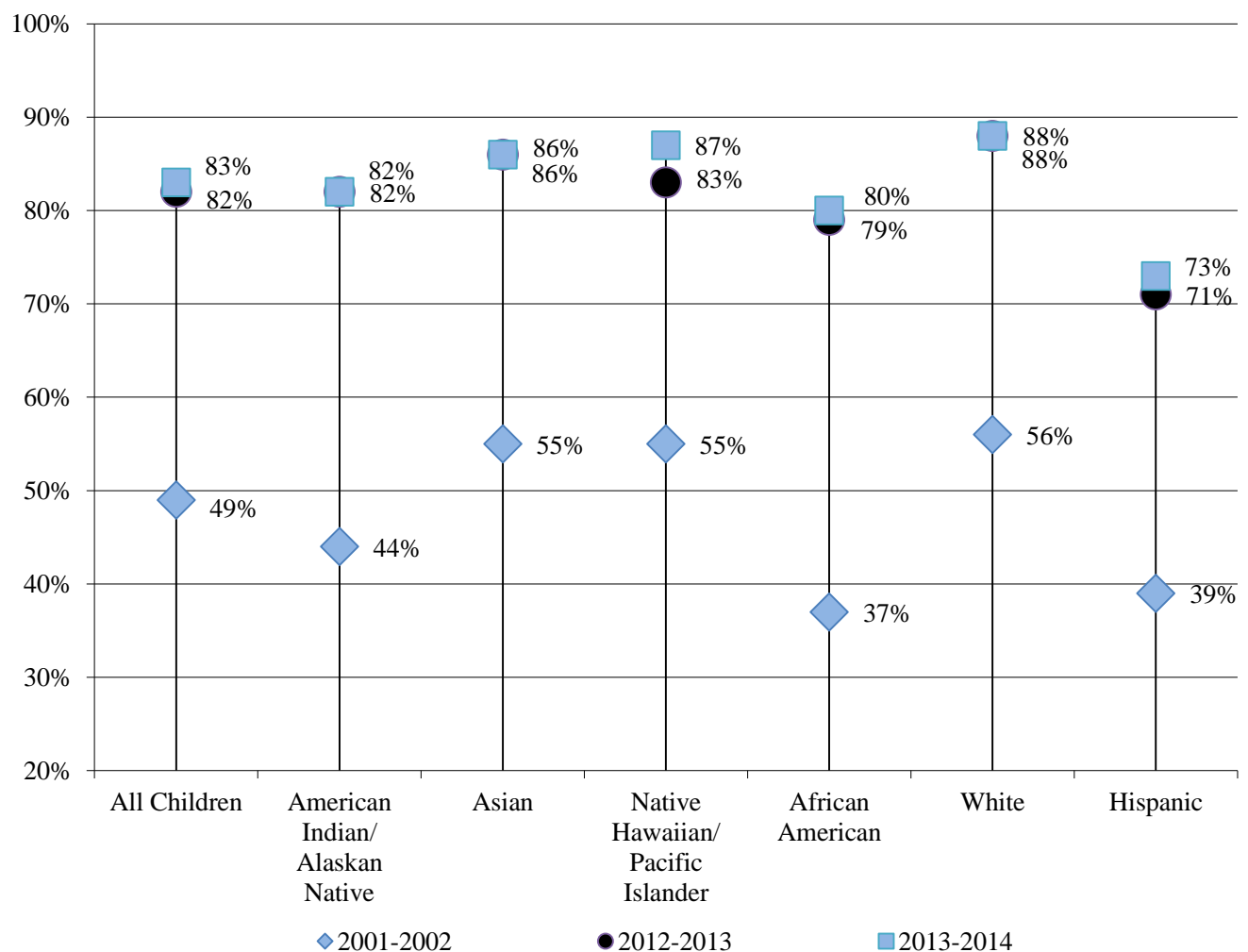


FRPM: free and reduced-price meals

Source: Maryland State Department of Education

Exhibit 4 shows the percent of children fully ready for kindergarten by race and ethnicity. In the 2013-2014 school year; White children had the highest proportion ready for kindergarten (88%), while Hispanic children had the lowest proportion ready (73%). Since the 2001-2002 school year, African American children improved their standing more than any other subgroup, gaining 43 percentage points.

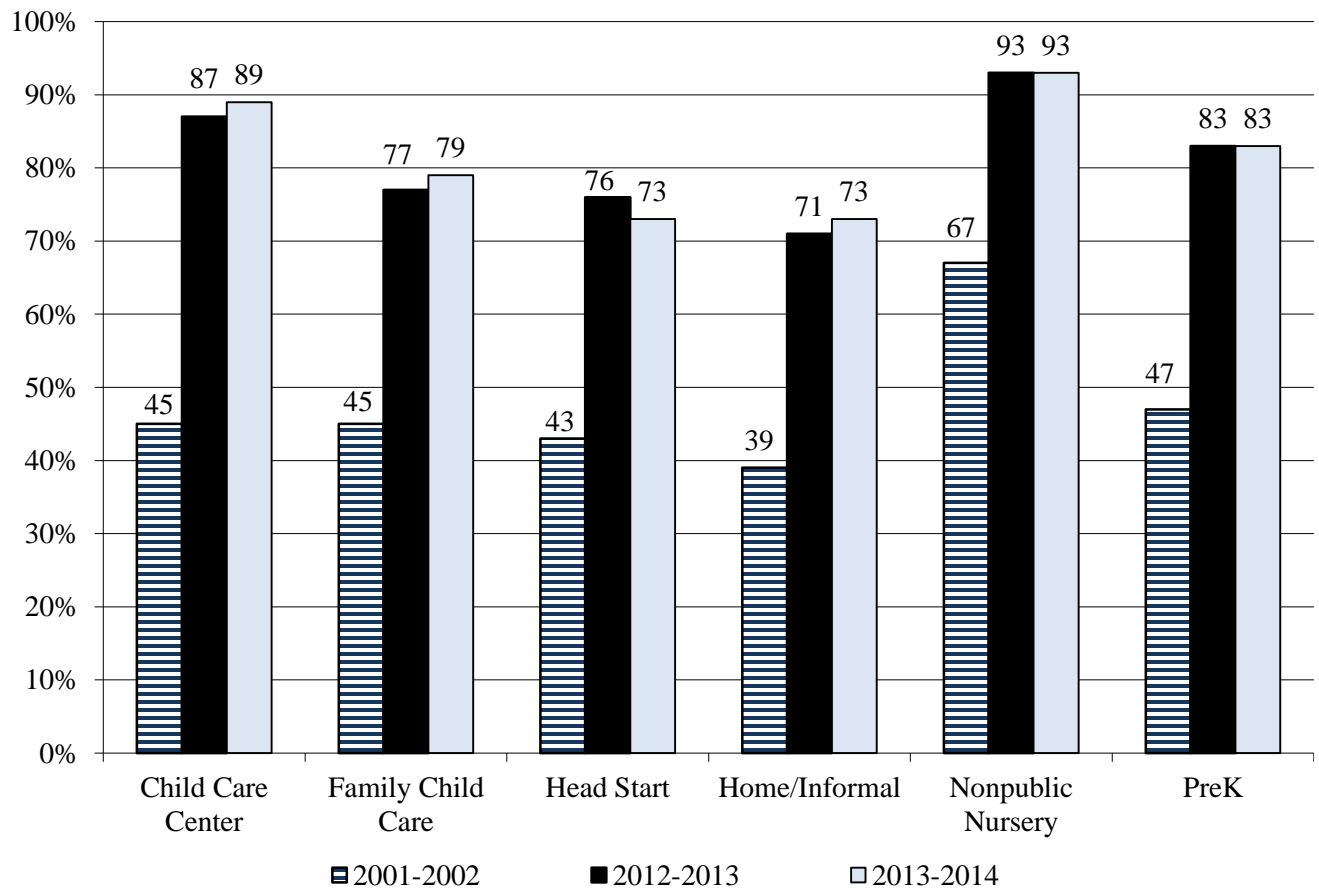
Exhibit 4
Maryland Model for School Readiness
Fully Ready by Race/Ethnicity
2001-2002, 2012-2013, and 2013-2014 School Years



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 continue to have the highest kindergarten readiness scores, followed by child care centers and prekindergarten programs. Children in home or informal care arrangements and Head Start 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

Under Maryland's Race to the Top – Early Learning Challenge (RTTT – ELC) Grant award, MSDE has partnered with the State of Ohio to develop an enhanced kindergarten readiness assessment (KRA) system. Beginning in fiscal 2015, this new system replaces the MMSR Kindergarten Assessment System. The new KRA was administered for the first time in fall of 2014 and is discussed in more detail in the Issues section of this analysis.

2. Child Care Subsidy Participation Increases for the First Time Since Fiscal 2011

The Child Care 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 total number of children served by the Child Care Subsidy Program increased for the first time since fiscal 2011. In fiscal 2014, 18,488 children were served through the program, an increase of nearly 10% over the prior year. Population estimates for fiscal 2015 and 2016 indicate, however, that the fiscal 2014 level of service is not sustainable. Fiscal 2015 estimates project a 3% decrease in the population. Although the fiscal 2016 estimate is expected to increase slightly, the 18,120 children expected to receive subsidies through the program is still nearly 2% below the fiscal 2014 level.

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. Although the waitlist had declined to 589 children by January 2013, as of January 31, 2015, 2,700 children were on the child care subsidy waitlist. This reflects an increase of nearly 1,500 children above the number on the waitlist in January 2014. This increase is occurring despite the division's efforts to reopen 8 of the 10 income brackets for eligible families. All of the children on the waitlist fall within the top two income brackets, which remain frozen. Despite the increase in the number of children on the waitlist, according to the division's Managing for Results (MFR) data, the proportion of income-eligible families receiving subsidies is expected to increase from 18% in fiscal 2014 to 21% in fiscal 2015 and 22% in fiscal 2016.

Two other performance measures relate to child care providers. The percent of child care providers participating in the credentialing program continues to rise, totaling 23% in fiscal 2014, compared to 20% in fiscal 2013 and 19% in fiscal 2012. MSDE expects the percentage of participating providers to rise to 37% in fiscal 2016 due to the launch of Maryland Excels (MD 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 MD EXCELS system.

DECD should comment on what is driving the increase in the number of children on the waitlist for participation in the Child Care Subsidy Program.

3. Participation in MD EXCELS Grows

MD EXCELS is the State's tiered Quality Rating Improvement System for licensed child care centers, family child care providers, and public prekindergarten programs. Under this system, an early care program achieves a specific quality rating level, on a 1 to 5 scale, according to its ability to meet a predetermined set of quality criteria. Due to Maryland's stringent licensing and regulation

requirements, all licensed and registered child care programs/providers are considered a Level 1 upon acceptance into the program. Ratings are made available to the general public through an online portal at www.marylandexcels.org. Once registered with MD EXCELS, a program has 12 months to achieve and publish a rating.

Full statewide implementation began on July 1, 2013 (fiscal 2014), although the division's MFR data shows that 330 programs registered in fiscal 2013. Online publication of program ratings began mid-year fiscal 2014. In the first full year of implementation, 2,867 programs were participating in MD EXCELS, 748 of which were published. As of January 2015, over 3,700 programs/providers were participating in MD EXCELS, with over 1,200 of those participants published. Approximately 58% of participants were family child care providers. Center-based providers accounted for 29% of participants, and less than 1% of public prekindergarten programs were participating. The majority of the published ratings (69%) were Level 1. Less than 20% of the ratings were Level 3 or higher.

DECD began a public outreach campaign about MD EXCELS in fall 2014. As of June 29, 2015, participation in MD EXCELS became mandatory for all programs receiving child care subsidy reimbursements. Both of these actions should significantly increase the number of participants. **DECD should comment on what is being done to increase the ratings of the participating programs.**

Fiscal 2015 Actions

Cost Containment

As seen in **Exhibit 6**, cost containment actions adopted by the Board of Public Works (BPW) in July 2014 reduced the legislative appropriation within DECD by \$424,000. General funds used to support a contract for Child Care Resource Centers were reduced in lieu of using surplus federal funds available from prior years.

Exhibit 6
Fiscal 2015 Reconciliation
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$67,885	\$165	\$85,712	\$0	\$153,762
July BPW	Reduces general funds in lieu of surplus federal funds from prior years for Child Care Resource Centers contract.	-424	0	0	0	-424
Working Appropriation		\$67,461	\$165	\$85,712	\$0	\$153,338
Adjusted Working Appropriation		\$67,461	\$165	\$85,712	\$0	\$153,338

BPW: Board of Public Works

Source: Department of Legislative Services

Proposed Budget

Exhibit 7 provides detail on how the Governor's fiscal 2016 allowance for DECD grows by slightly more than \$23.9 million, or 15.6%, over the fiscal 2015 working appropriation.

Exhibit 7
Proposed Budget
MSDE – Early Childhood Development
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
Fiscal 2014 Actual	\$63,439	\$4,265	\$82,261	\$149,965
Fiscal 2015 Working Appropriation	67,461	165	85,712	153,338
Fiscal 2016 Allowance	<u>67,626</u>	<u>495</u>	<u>109,136</u>	<u>177,258</u>
Fiscal 2015-2016 Amt. Change	\$165	\$330	\$23,425	\$23,920
Fiscal 2015-2016 Percent Change	0.2%	200.0%	27.3%	15.6%

Where It Goes:

Personnel Expenses

Increments and other compensation (prior to cost containment).....	\$368
Section 20: abolition of prior year 2% general salary increase	-327
Section 21: abolition of increments	-215
Employee and retiree health insurance	439
Employee retirement system	238
Workers' compensation premium assessment.....	-36
Turnover adjustments	121
Other fringe benefit adjustments	44

Major Changes

Preschool Development Grant (FF).....	14,250
Child Care Subsidy Grant federal fund increase	9,537
Judy Center support from the Baltimore Community Foundation (SF)	330
Child care subsidy eligibility determination and administrative funding (FF).....	8,693
RTTT – ELC grant funding	-8,308
Grant for Enhanced Assessment Instruments	-466
Other	-748

Total **\$23,920**

FF: federal fund

RTTT – ELC: Race to the Top – Early Learning Challenge

SF: special fund

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Personnel

Personnel expenses for DECD increase by a net \$632,000 in fiscal 2016. The division experiences no change in regular positions; however, an increase of 7.5 contractual full-time equivalents is provided to support the expansion of public prekindergarten and MD EXCELS.

Although the allowance provides a \$368,000 increase to reflect annualization of the fiscal 2015 2.0% cost-of-living adjustment (COLA) and fiscal 2016 increments, back of the bill cost containment actions reduce employee salaries by 2.0% and abolish fiscal 2016 increments for a total of \$542,000. This results in a net decrease of \$174,000 for employee salaries. Additional funding increases are provided for employee and retiree health insurance and retirement costs, as well as an improved budgeted turnover rate. The fiscal 2016 budgeted turnover expectancy of 6.1% is still nearly double the division's current vacancy rate.

Major Changes

The general fund appropriation for DECD reflects a 0.2% increase over the fiscal 2015 working appropriation. The special fund appropriation increases by \$330,000 to reflect additional funding provided from the Baltimore Community Foundation in support for the Judy Centers. Changes in federal funding for DECD account for 98.0% of the increase in fiscal 2016.

Preschool Development Grant

The majority of the federal fund increase is attributable to new funding provided through the Preschool Development Grant. Maryland was awarded a \$15 million federal grant to continue its expansion of public prekindergarten access to low-income students. The grant is expected to provide the State with \$15 million annually over four years. It is estimated that in the first two years of the grant, the new federal funds will provide prekindergarten access to an additional 2,788 students.

This grant builds off of the \$4.3 million general fund expansion implemented in fiscal 2015 via the Prekindergarten Expansion Act of 2014. A total of \$4.3 million in general funds is provided in fiscal 2016, as well. The Baltimore Community Foundation has also committed to providing \$825,000 per year toward the enhancement of public prekindergarten, although this is not currently reflected in DECD's budget. There is no required State match associated with the grant; however, states that did not include state-funded support as a match to the grant were not considered competitive.

Previously, Maryland had required school systems to make half-day prekindergarten available to economically disadvantaged four-year-olds at or below 185% of Federal Poverty Guidelines since the 2007-2008 school year, although the State did not provide significant funding for prekindergarten other than through the compensatory education formula. The Prekindergarten Expansion Act of 2014 expanded access to prekindergarten for students in families where income is at or below 300% of poverty and provided State funding to support the expansion. The programs selected for expansion in July 2014 are located in all parts of the State and will expand full- and half-day prekindergarten for up to an additional 1,400 four-year-olds. As of November 2014, an additional 1,088 four-year-olds were enrolled. The programs include:

R00A99 – MSDE – Early Childhood Development

- \$1.8 million for 17 community-based providers who in partnership with their local school systems will expand preK to children at their existing sites;
- \$2.5 million to 7 local public school systems to expand preK, including three new Judy Centers; and
- a public-private partnership in Baltimore City between the State and Baltimore Community Foundation, sponsored by the Ravens and M&T Bank, that will allow for a new Judy Center to open at Arundel Elementary School in Baltimore City.

The federal funding available from the Preschool Development Grant became available as of January 1, 2015. These grants can only be used to support four-year-olds whose families' income is at or below 200% of poverty; full-day programs of at least six hours per day for 180 days a year; prekindergarten teachers who are state certified in early childhood education; and programs that provide comprehensive services. In order for a program to be eligible, it must meet one of the following criteria:

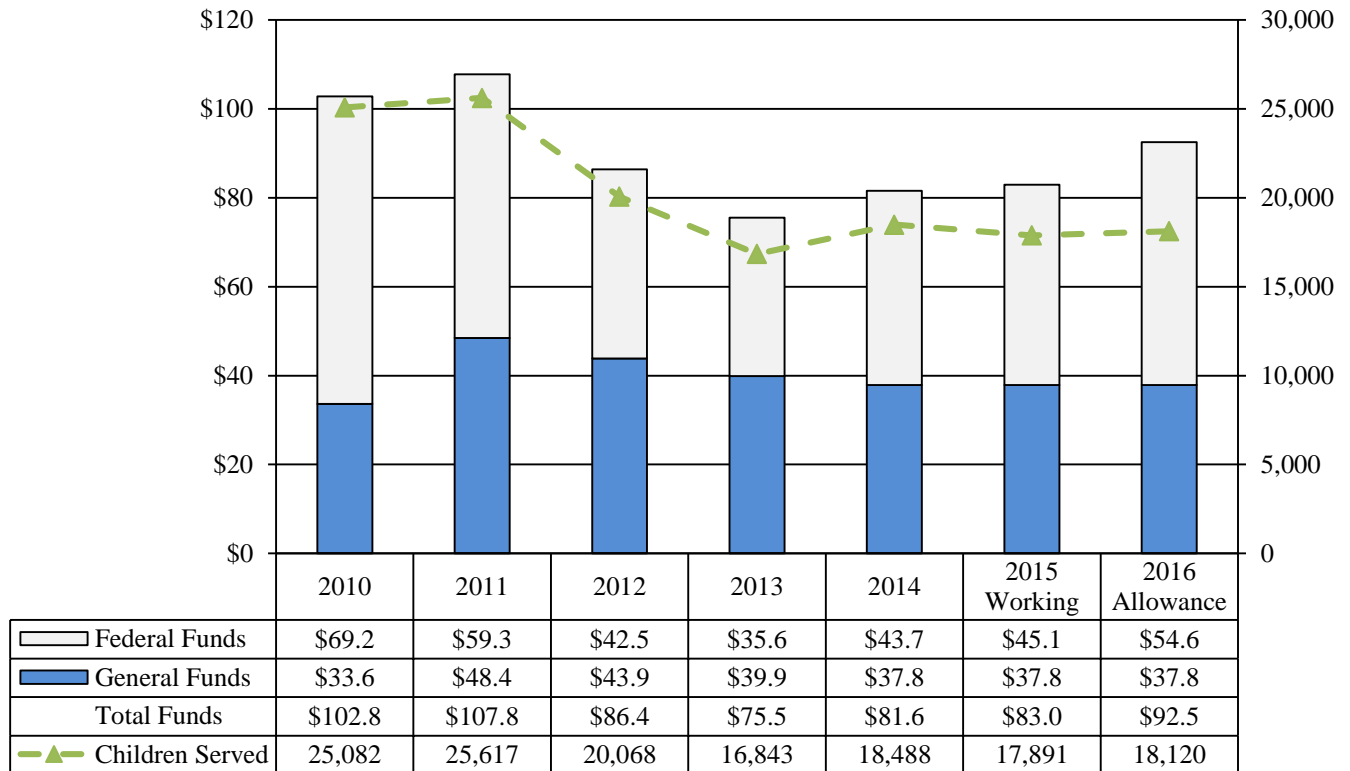
- prekindergarten operated by an LEA;
- licensed program that is MSDE-certified as a nursery school;
- licensed program that is published at Level 5 on MD EXCELS; or
- licensed program that is either state or nationally accredited.

MSDE is in the process of scheduling orientation sessions with LEAs and community-based programs that are scheduled to receive funds through the grant. All programs must be operational by September 1, 2015, and all programs must confirm the number of new or improved prekindergarten slots which they committed to by December 31, 2015. It is expected that the federal funds will be provided to the same programs in each of four years that the grant is awarded.

Funding Child Care Subsidy Payments

The fiscal 2016 allowance includes a total of \$92.5 million for the Child Care Subsidy Program. **Exhibit 8** shows the level of funding provided and the number of children served through the program since fiscal 2010. At the program's peak in fiscal 2011, total funding reached \$107.8 million and 25,617 children were served. However, this level of funding required a \$14.8 million general fund deficiency due to a shortfall in federal funds. 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 had declined by nearly 30.0% to \$75.4 million. Similarly, participation in the program had decreased by 8,774 children, or 34.3%, as a result of a budget-driven enrollment freeze implemented in February 2011.

Exhibit 8
Child Care Subsidy
Fiscal 2010-2016
(\$ in Millions)



Source: Governor's Budget Books, Fiscal 2011-2016

Federal funds increased by a net \$8.1 million between fiscal 2013 and 2014. The division processed a fiscal 2014 budget amendment acknowledging \$11.0 million in unexpended carryover funding from prior years. As a result of this additional funding, DECD was able to reopen 8 of the 10 income brackets for eligible families on March 11, 2013. As such, the number of children served increased by 8.9%. The fiscal 2015 federal fund working appropriation is \$45.1 million, an increase of \$1.4 million above fiscal 2014 actual expenditures, despite an estimated 3.2% decrease in the number of children served. Federal funds are expected to increase in fiscal 2016 by \$9.5 million, for a total appropriation of \$54.6 million. The population served through the program is expected to increase by 229 children.

The additional federal funding is available through carry-over from previous years. The increase is needed to account for changes resulting from the November 2014 re-authorization of the Child Care and Development Block Grant (CCDBG). As part of that re-authorization, a 12-month eligibility redetermination period was established, regardless of changes in income or

temporary changes in participation in work, training, or education activities. It also provided states the option to terminate assistance prior to redetermination if a parent loses employment, but only after providing an additional three months of assistance to allow for job search. This results in an increased cost to the program, as previously, eligibility redetermination was done more frequently, and some participants were awarded vouchers for shorter time periods.

The Department of Legislative Services (DLS) would note that \$3.3 million in CCDBG funds appropriated to this program was cancelled in fiscal 2013, and an additional \$2.3 million was cancelled in fiscal 2014. As previously mentioned in the performance measure discussion for DECD, as of January 31, 2015, there were 2,700 children on the waiting list for the Child Care Subsidy Program. **DECD should comment on why child care subsidy funding is being unspent when such a significant number of children are waiting to receive the benefit. In addition, the division should discuss how federal funding for the program is awarded and expended, given the inconsistencies in the budgeting of federal funds since fiscal 2011. Finally, DECD should discuss what efforts are being made to eliminate the waitlist and reopen the remaining two income brackets for eligible families.**

Child Care Subsidy Eligibility Determination and Administrative Funding

The fiscal 2016 allowance provides an increase of nearly \$8.7 million in CCDBG funding. This funding supports the administrative services related to the operation of the Child Care Subsidy Program. The majority of the increase, approximately \$6.0 million, reflects MSDE's assumption of responsibility for determining eligibility for the Child Care Subsidy Program from DHR. There is no corresponding reduction in funding within DHR, which means these federal funds are double budgeted in fiscal 2016. If MSDE is successful in assuming responsibility for eligibility determination, an equivalent amount of federal funds would not be available for expenditure by DHR.

DHR currently handles eligibility determinations for most social services available to Marylanders – cash assistance, the Supplemental Nutrition Assistance Program or SNAP, child care subsidies, *etc.* It came to light during the 2014 session that MSDE intended to assume responsibility for determinations in order to fully consolidate all administrative aspects of the program within one agency and attempt to generate cost savings within the program. Concern was expressed that this shift would have a negative impact on the amount of funding provided to DHR, as the federal Child Care and Development grant funds received by DHR are pooled with other funds for allocation to local Division of Social Services (DSS) offices to perform eligibility determinations for all social services. Language was added to the fiscal 2015 budget to restrict \$100,000 each from DHR and MSDE until information was provided on the proposed new contract for MSDE, cost estimates, and the potential impact on the ability to receive services if eligibility determination for the child care subsidies is severed from the determination process for other social services.

DHR and MSDE jointly submitted and received approval granting a request for extension in providing the requested information until December 2014, as MSDE expressed intent to consolidate all administrative and case management functions for the Child Care Subsidy Program into a new privatized contract, as opposed to having multiple contracts within the program. In December 2014, the departments provided a follow-up letter indicating that MSDE and DHR have agreed to work

together to determine if outsourcing all aspects of case management, including initial and ongoing eligibility for families, to a centralized contractor can improve the delivery of services within the State's fiscal resources. The letter indicated MSDE's plans to release a task order request for proposal (TORFP) in December 2014 to solicit proposals for a vendor to provide case management services for child care subsidy customers, with the potential for awarding a contract as early as January 2015.

To date, an award for centralized case management services for the Child Care Subsidy Program has not been made, although MSDE has reviewed responses to the TORFP. As there has not been a proposed contract brought before BPW, it is unlikely that a shift in eligibility determination services would occur prior to fiscal 2016. In addition, the fiscal impact of the new contract is not currently known, nor is the potential timeline for transferring functions away from DHR. The funds restricted within MSDE and DHR remain unreleased, as the information requested by the fiscal 2015 budget bill language has not been provided. The increase in federal funding for eligibility determination would suggest that the proposed centralized delivery of services cannot be provided within existing resources, although it does not appear to have a negative impact on State-sourced funds. To the extent that the procurement for centralized services within MSDE is successful, the federal funds currently budgeted in DHR would likely require general funds to backfill.

DECD should provide an update on the status of the TORFP and the department's plan for centralizing the case management services of the Child Care Subsidy Program. The division should also discuss how it intends to ensure that individuals who need to apply for a child care subsidy are not unduly burdened by severing that responsibility from other eligibility determinations made at local DSS offices.

Race to the Top – Early Learning Challenge Grant

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. This is achieved through the implementation of 10 individual projects.

Although fiscal 2015 represented the fourth State fiscal year of RTTT – ELC appropriations, the grant funds may be expended until December 31, 2015. As such, nearly \$7.7 million in RTTT – ELC funding is included in the fiscal 2016 allowance to fund the completion of projects through the first six months of the fiscal year. The fiscal 2016 appropriation reflects a reduction of approximately \$8.3 million in comparison to fiscal 2015. **Exhibit 9** shows RTTT – ELC funding by grant year and project type. As illustrated by the chart, DECD is requesting a fifth year no-cost extension for 8 of the 10 projects.

Exhibit 9
Early Learning Race to the Top Funds by Project Type
(\$ in Thousands)

	FTE Staff	Grant Year 1 Actual	Grant Year 2 Actual	Grant Year 3 Actual	Grant Year 4 Working	Grant Year 5 Budgeted*	Total Funding
Maryland Excels	21.0	\$839	\$2,978	\$3,741	\$5,512	\$2,904	\$15,974
Quality Capacity Building	0.0	1,689	2,616	3,204	3,092	1,295	11,896
Early Learning Data System	2.0	179	2,713	449	947	461	4,750
Comprehensive Assessment System	1.0	780	1,051	1,846	1,847	218	5,741
Family Engagement and Support	0.5	206	321	917	636	33	2,114
Professional Development for Early Learning Standards	1.0	237	355	97	0	0	688
Child Development Innovations	0.5	204	146	1,296	2,305	37	3,988
Local Early Childhood Councils	0.0	1	81	1,129	40	0	1,251
Early Learning and Development Standards	0.8	195	173	462	277	80	1,187
Leadership in Early Learning Academies	0.3	86	79	360	485	34	1,044
Total	27.0	\$4,417	\$10,513	\$13,501	\$15,142	\$5,062	\$48,635

FTE: Full-time equivalent

Note: Grant years do not equate to State fiscal years. Grant Year 5 includes expenditures through December 31, 2016 (fiscal 2017). The Maryland State Department of Education is requesting a no-cost fifth year extension to the U.S. Department of Education.

Source: Maryland State Department of Education

R00A99 – MSDE – Early Childhood Development

R00A99 – MSDE – Early Childhood Development

According to MSDE, over 90% of the 855 specific tasks associated with the 10 projects have been completed or are in progress. The department notes the following accomplishments:

- participation by more than 3,000 early childhood programs in MD EXCELS, with more than 1,000 of them published from Levels 1 to 5;
- expansion of a third Judy Center site (Arundel Elementary School) in Baltimore City through a public-private partnership model with the Baltimore Community Foundation;
- expansion of English language learners participating in the Vocabulary Improvement and Oral Language Enrichment Through Stories, also known as VIOLETS, program to 75 classrooms in 18 Maryland jurisdictions;
- expansion of Making Access Happen, which provides coaching and mentoring to community-based early childhood programs serving children with disabilities, to all jurisdictions;
- initiated preschool science, technology, engineering, and mathematics, also known as STEM, field testing;
- administration of the newly developed KRA by more than 3,500 public school kindergarten teachers across the State; and
- completion of six dashboards as part of the Early Childhood Data Warehouse.

In its Year 2 Annual Performance Report, submitted to the U.S. Department of Education (USDE) in February 2014, MSDE noted major challenges related to difficulties in hiring staff resulting from the department's inability to hire permanent State positions and external delays, such as waiting on the release of national research information to influence project guidelines or receiving delayed approval for new academic standards, impacting project timelines. The Year 3 Annual Performance Report is due to USDE in February 2015.

MSDE should provide a status update on all RTTT – ELC projects, including the reasons for requesting the no-cost extensions. The department should also comment on the extent to which the issues with staffing and project delays have been resolved and whether any additional challenges will be identified in the Year 3 Annual Performance Report.

Issues

1. Kindergarten Readiness Assessments

Through the RTTT – ELC grant, Maryland developed an enhanced assessment system for determining the preparedness and achievement levels of Maryland’s early learning population. The program, Ready for Kindergarten (R4K): Maryland’s Early Childhood Comprehensive System, looks at seven domains: social foundations, physical well-being and motor development, language and literacy, mathematics, science, social studies, and the arts. The R4K includes two components: an Early Learning Assessment (ELA) for children ages three to six, and a Kindergarten Readiness Assessment (KRA) for all incoming kindergarteners. The ELA and the KRA are designed to align with the new College- and Career-Ready Standards for the State.

The ELA is still in development, with rollout anticipated for late spring/summer 2015. In fall 2014, more than 3,500 public school kindergarten teachers across the State administered the KRA for the first time. The KRA is designed for online administration, although there was variance among the jurisdictions in terms of the availability of tablets and/or computers for use during the testing period.

Following completion of the KRA in November 2014, Johns Hopkins University – Center for Technology in Education conducted a survey of participating kindergarten teachers to provide feedback on the implementation. Approximately 40% of all teachers responded. The overarching complaint related to the length of the assessment and time required to administer it, which resulted in an imbalance between the time spent for assessment and instruction. Specifically, DECD notes the following observations generated from the survey results:

- Approximately 84% of all teachers had to administer one or several other locally devised assessment during the KRA test window.
- Testing efficiency was impacted by disruptions to WiFi connectivity.
- Teachers who were using the paper version of the test had to invest more time in administering the KRA than those using a tablet or computer.
- Teachers had to learn the new online process, as well as develop a comfort level using new technology. Those teachers who had their training of the assessment closer to the school year felt better prepared to administer the KRA.

MSDE is attempting to make adjustments to the KRA in response to the concerns raised by educators. The overall number of test items is being reduced in order to shorten the exam by 20% and the number of items that students can use independently, or with minimal supervision from the teacher, will be increased. MSDE has also established a workgroup with curriculum and data specialists from LEAs to coordinate the use of locally devised assessments, address any data uploading and connectivity issues, and introduce other measures designed to reduce the burden on kindergarten teachers. The KRA

is currently in the standard-setting phase, and the statewide and local reports are scheduled to be released at the Maryland State Board of Education meeting in April 2015.

MSDE should be prepared to discuss the issues encountered during the first administration of the KRA, progress made to resolve those issues, and preliminary findings from the readiness reports. The department should also comment on the impact participation in multiple state and local assessments over the course of a school year has on early learners and whether the KRA will replace the need for local assessments. DLS recommends the addition of budget language requiring a report on the improvements made to the KRA and any issues encountered with the fall 2015 administration of the exam. The report should also include an evaluation of the first administration of the ELA, as well.

Recommended Actions

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

, provided that \$100,000 of this appropriation made for the purpose of general administration may not be expended until the Division of Early Childhood Development within the Maryland State Department of Education (MSDE) submits a report to the budget committees on the Early Learning Assessment (ELA) and Kindergarten Readiness Assessments (KRA) associated with the Ready for Kindergarten: Maryland's Early Childhood Comprehensive System program. The report shall include an update of any improvements made to the KRA by MSDE, particularly with regard to identified connectivity issues, adjustments in the length of the assessment, and time required to administer the exam. The report should also identify any issues encountered and feedback received from fall 2015 administration of the KRA, in addition to reporting the percent of tests administered using paper and online. Finally, the report should include an evaluation of the first administration of the ELA, including any issues identified by educators and potential resolutions. The report shall be submitted to the budget committees no later than December 15, 2015, and the budget committees shall have 45 days to review and comment. Funds restricted pending receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: The Ready for Kindergarten: Maryland's Early Childhood Comprehensive System program attempts to align new assessments for early learners with the State's new College- and Career-Ready Standards. The first administration of the KRA took place in fall 2014. A number of issues with the test were identified by teachers, including the total number of assessments administered to students, the impact the length of the test and the time required for administration had on available time for instruction, problems with connectivity, and a lack of available technology for online administration. This language restricts funds until MSDE reports on any improvements made to the KRA and any issues identified during the fall 2015 administration of the exam. In addition, the ELA, for children ages three to six, has yet to be administered. This report requests an evaluation of the administration of that exam, as well.

Information Request	Author	Due Date
Report on early learning assessments	MSDE	December 15, 2015

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 2014					
Legislative Appropriation	\$65,525	\$0	\$75,145	\$0	\$140,670
Deficiency Appropriation	-2,231	0	-184	0	-2,415
Budget Amendments	168	4,265	12,863	0	17,296
Reversions and Cancellations	-23	0	-5,563	0	-5,586
Actual Expenditures	\$63,439	\$4,265	\$82,261	\$0	\$149,965
Fiscal 2015					
Legislative Appropriation	\$67,796	\$165	\$85,640	\$0	\$153,601
Cost Containment	-424	0	0	0	-424
Budget Amendments	89	0	71	0	161
Working Appropriation	\$67,461	\$165	\$85,712	\$0	\$153,338

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

General fund expenditures totaled \$63.4 million in fiscal 2014, reflecting a decrease of approximately \$2.1 million when compared to the legislative appropriation.

- Deficiency appropriations reduced the legislative appropriation by \$2.2 million. Across-the-board reductions among all State agencies for retirement and health care contributions accounted for nearly \$181,000. An additional \$2.1 million was withdrawn from the Child Care Subsidy Program based on the assumed savings from alterations in the eligibility determinations that are conducted. The proposed changes to eligibility determination services were never realized in fiscal 2014.
- Budget amendments for employee COLAs and to realign funds within MSDE – Headquarters based on actual expenditures provided an additional \$168,000.

Special fund expenditures totaled \$4.3 million in fiscal 2014, all provided via budget amendment. The Early Childhood Development function received a \$4.1 million transfer from the Dedicated Purpose Account to support Head Start programs as an offset to the impact of federal sequestration. Also, \$165,000 in funding was shifted within MSDE Headquarters to support operation of the Judy Centers.

Federal fund expenditures totaled \$82.3 million in fiscal 2014, an increase of \$7.1 million over the legislative appropriation. Across-the-board reductions to retirement and health care contributions implemented via deficiency appropriation reduced the appropriation by \$184,000. Offsetting this reduction were budget amendments providing \$104,000 for employee COLAs, \$1.7 million to support a project designed to enhance the quality of assessment instruments, and \$11.0 million to acknowledge carryover federal fund balance for child care subsidies. Approximately \$5.6 million in unexpended federal funds were cancelled at the close of the fiscal year. This included approximately \$2.3 million in child care incentive bonuses based on actual expenditures and \$850,000 due to regular and contractual employee vacancies. The remainder of the cancelled funds are primarily attributable to grant funds that could not be spent in fiscal 2014 and are expected to be carried forward in fiscal 2015.

Fiscal 2015

The fiscal 2015 general fund working appropriation for Early Childhood Development reflects a net reduction of \$335,000 when compared to the fiscal 2015 legislative appropriation. Cost containment actions adopted by BPW in July 2014 reduced the general fund appropriation for Child Care Resource Center contracts by \$424,000 in lieu of available surplus federal funds from prior years. This reduction is offset by the increase of approximately \$89,000 provided for employee COLAs.

The fiscal 2015 federal fund working appropriation reflects an increase of approximately \$71,000 over the legislative appropriation due to the allocation of employees COLAs.

Major Information Technology Projects

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

Project Status	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 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 Cost:	\$9,452,344			Estimated Planning Project Cost:		\$2,039,259		
Project Start Date:	March 2009			Projected Completion Date:		Fiscal 2016		
Schedule Status:	The project was rebaselined in the second quarter of fiscal 2015. Resources have been added to provide for completing the project with no change in the current project end date.							
Cost Status:	No change. Resources can be added without additional cost because most of the contract is fixed price.							
Identifiable Risks:	The migration to a new hardware infrastructure and operating system environment were completed in the second quarter of fiscal 2015, so there are no longer any associated risks.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	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	9.2	0.3	0.0	0.0	0.0	0.0	0.0	9.5
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$9.2	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$9.5

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	174.70	175.50	175.50	0.00	0%
02 Contractual	27.75	33.50	41.00	7.50	22.4%
Total Positions	202.45	209.00	216.50	7.50	3.6%
Objects					
01 Salaries and Wages	\$ 13,127,138	\$ 13,966,049	\$ 15,140,426	\$ 1,174,377	8.4%
02 Technical and Spec. Fees	1,667,074	3,204,670	3,243,220	38,550	1.2%
03 Communication	781,151	439,994	691,307	251,313	57.1%
04 Travel	220,204	338,320	296,910	-41,410	-12.2%
06 Fuel and Utilities	21,983	24,257	24,257	0	0%
07 Motor Vehicles	49,570	56,310	56,608	298	0.5%
08 Contractual Services	7,351,630	6,929,650	12,401,764	5,472,114	79.0%
09 Supplies and Materials	159,246	80,183	69,261	-10,922	-13.6%
10 Equipment – Replacement	437	0	0	0	0.0%
11 Equipment – Additional	110,566	0	331,479	331,479	N/A
12 Grants, Subsidies, and Contributions	125,595,752	127,299,079	144,459,265	17,160,186	13.5%
13 Fixed Charges	880,155	999,026	1,085,027	86,001	8.6%
Total Objects	\$ 149,964,906	\$ 153,337,538	\$ 177,799,524	\$ 24,461,986	16.0%
Funds					
01 General Fund	\$ 63,439,151	\$ 67,460,902	\$ 67,889,392	\$ 428,490	0.6%
03 Special Fund	4,264,983	165,000	495,000	330,000	200.0%
05 Federal Fund	82,260,772	85,711,636	109,415,132	23,703,496	27.7%
Total Funds	\$ 149,964,906	\$ 153,337,538	\$ 177,799,524	\$ 24,461,986	16.0%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
10 Division of Early Childhood Development	\$ 51,736,574	\$ 53,542,939	\$ 53,888,385	\$ 345,446	0.6%
06 Prekindergarten Expansion	0	4,300,000	18,550,000	14,250,000	331.4%
57 Transitional Education Funding Program	10,739,994	10,740,000	11,070,000	330,000	3.1%
58 Head Start	5,899,983	1,800,000	1,800,000	0	0%
59 Child Care Subsidy Program	81,588,355	82,954,599	92,491,139	9,536,540	11.5%
Total Expenditures	\$ 149,964,906	\$ 153,337,538	\$ 177,799,524	\$ 24,461,986	16.0%
General Fund	\$ 63,439,151	\$ 67,460,902	\$ 67,889,392	\$ 428,490	0.6%
Special Fund	4,264,983	165,000	495,000	330,000	200.0%
Federal Fund	82,260,772	85,711,636	109,415,132	23,703,496	27.7%
Total Appropriations	\$ 149,964,906	\$ 153,337,538	\$ 177,799,524	\$ 24,461,986	16.0%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.