

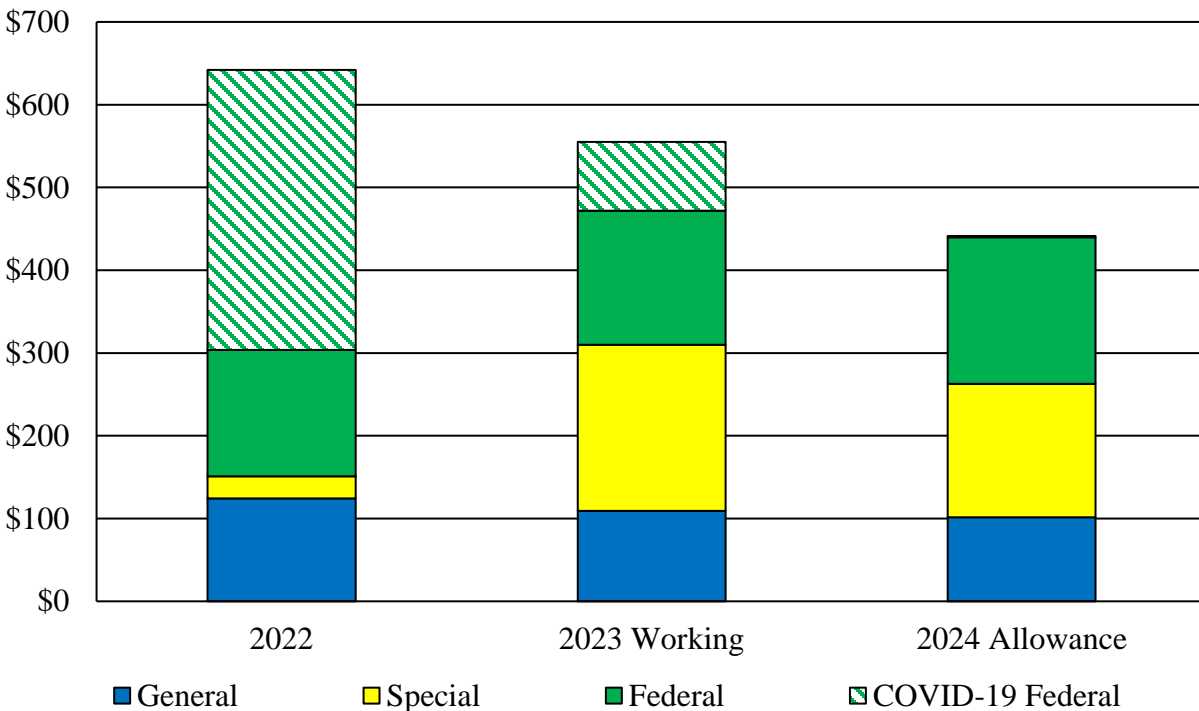
R00A99
Early Childhood Development
Maryland State Department of Education

Executive Summary

The Division of Early Childhood (DEC) within the Maryland State Department of Education (MSDE) administers programs related to child care and early childhood education and regulates child care programs through licensing and credentialing. Early childhood programs include, but are not limited to, the Child Care Scholarship (CCS) program, the Maryland State Prekindergarten Grant program, and the Prekindergarten Expansion Grant program.

Operating Budget Summary

Fiscal 2024 Budget Decreases by \$113.4 Million, or 20.4%, to \$441.5 Million
(\$ in Millions)



Note: The fiscal 2022 actual expenditures do not include special funds for early childhood education programs budgeted under the Blueprint for Maryland’s Future Grant Program. The fiscal 2023 working appropriation includes deficiency appropriations including this agency’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). The fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

For further information contact: Anne P. Wagner

Anne.Wagner@mlis.state.md.us

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- The net \$113.4 million decrease in the fiscal 2024 allowance compared to the adjusted fiscal 2023 working appropriation for MSDE’s early childhood programs is largely driven by a reduction of \$82.0 million in federal funds from the supplemental Child Care and Development Block Grant (CCDBG) award authorized in the American Rescue Plan Act of 2021 (ARPA). The Department of Legislative Services (DLS) notes that although the funding decreases in the allowance, MSDE has approximately \$96.3 million of the supplemental award that is unappropriated.
- Special funds from the Blueprint for Maryland’s Future Fund supporting early childhood programs decrease by just under \$45 million in the fiscal 2024 allowance due to a one-time discretionary enhancement budgeted in fiscal 2023 to account for an implementation issue affecting the full-day prekindergarten formula established in Chapter 36 of 2021 (the Blueprint for Maryland’s Future – Implementation). This decrease is partially offset by special fund increases in other early childhood programs that provide wraparound services for families and professional development for early childhood providers.

Key Observations

- ***Early Childhood Programs Funded under Blueprint for Maryland’s Future:*** Fiscal 2024 is the second year of implementation for provisions of Chapter 36 (as amended by Chapter 55 of 2021), also known as the Blueprint for Maryland’s Future. The fiscal 2024 allowance meets all mandated funding levels for early childhood programs expanded under the education reform effort. The reduction in the full-day prekindergarten formula in fiscal 2024 is reflective of eligibility determination issues in fiscal 2023. In fiscal 2024, the program is expected to be administered as established in statute.
- ***MSDE Implements Several CCS Program Changes:*** Following a sharp decline in CCS program enrollment from May 2020 to December 2021 during the COVID-19 public health emergency, enrollment greatly increased through November 2022. Enrollment growth has coincided with MSDE raising income eligibility levels, increasing provider reimbursement rates, and reducing or waiving family copayments beginning May 23, 2022. The department also initiated multiple operational changes to streamline application processing. Despite MSDE supporting many of the programmatic changes with one-time supplemental CCDBG federal funds in fiscal 2023 and there being an estimated \$96.3 million in unappropriated federal funds remaining, the fiscal 2024 allowance provides \$10 million in additional general funds to support these ongoing changes.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Adopt committee narrative requesting a report on child care stabilization grant awards.	
2. Reduce general funds supporting the Child Care Scholarship program in recognition of available federal funds from the supplemental Child Care and Development Block Grant award.	-\$10,000,000
3. Authorize the transfer of \$10 million from the supplemental Child Care and Development Block Grant award to support the Child Care Scholarship program.	
4. Adopt committee narrative requesting quarterly reports on Child Care Scholarship program enrollment, expenditures, and recent programmatic changes.	
5. Adopt committee narrative requesting new performance goals and measurements related to Child Care Scholarship program customer service and application processing.	
Total Net Change	-\$10,000,000

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Operating Budget Analysis

Program Description

DEC coordinates the State’s child care and early childhood education system through its three branches: the Office of Child Care; the Early Learning Branch; and the Collaboration and Program Improvement Branch.

The Office of Child Care licenses and monitors child care centers and family child care programs in Maryland through regional licensing offices, administers the CCS program, manages child care workforce development programs, provides technical assistance to child care providers and parents, and administers Maryland EXCELS (the State’s quality rating and improvement program for child care and early childhood education programs).

The Early Learning Branch is responsible for publicly funded prekindergarten and kindergarten policies. It oversees the administration of the Ready for Kindergarten Early Childhood Comprehensive Assessment System, early childhood curriculum guidance, developmental screening for children, professional development, and the Judith P. Hoyer Early Childhood Education Enhancement program.

The Collaboration and Program Improvement Branch issues and administers early care grants and contracts, manages the State’s collaboration with the federal Head Start program and works with State and local early childhood advisory councils to support a comprehensive early childhood infrastructure.

DEC has a five-year strategic plan from calendar 2020 to 2025 that outlines the following six goals and strategies for enhancing and expanding the State’s mixed-delivery system for young children and families: (1) strengthening availability and access to services; (2) improving and supporting program quality; (3) deepening family engagement; (4) ensuring successful transition experiences into kindergarten; (5) expanding and enhancing workforce development; and (6) improving systems for infrastructure, data, and resource management.

Performance Analysis: Managing for Results

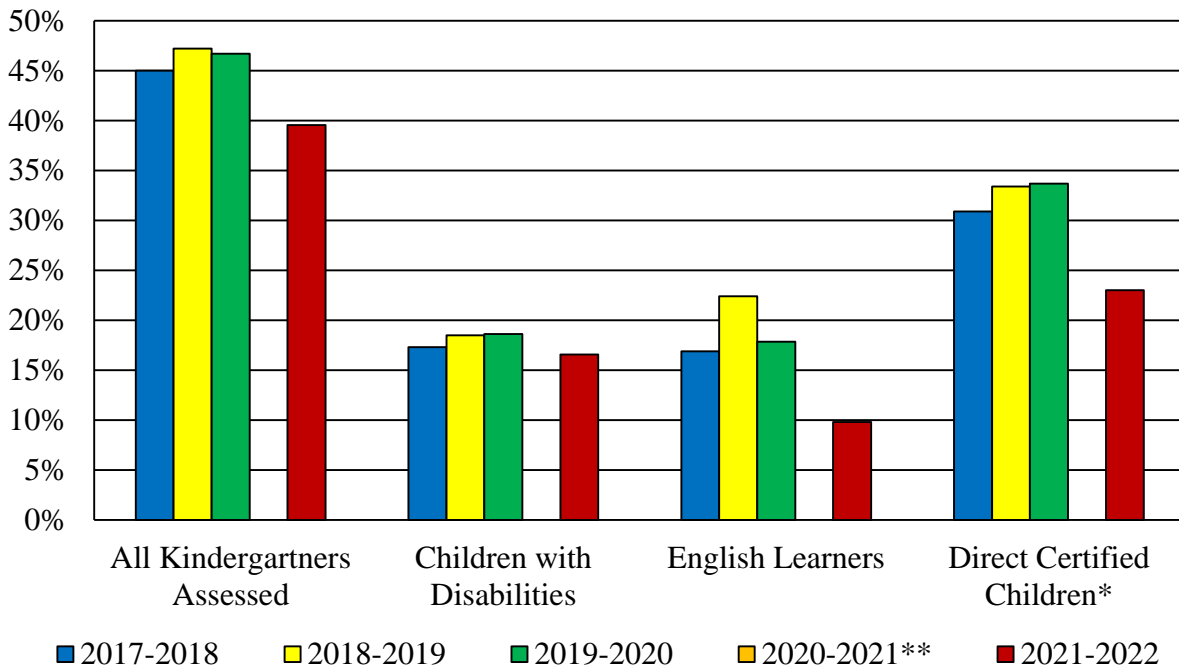
1. Kindergarten Readiness Assessment Results Worsen Compared to Prepandemic Readiness

Beginning in the 2014-2015 school year, Maryland began administering the Kindergarten Readiness Assessment (KRA), which involves kindergarten teachers assessing students according to a checklist of indicators and identifying students’ school readiness level. Students can be

identified as demonstrating, emerging, or approaching readiness. Students demonstrating readiness display the foundational skills and behaviors that prepare them for curriculum based on kindergarten standards.

As shown in **Exhibit 1**, only 40% of all kindergartners assessed during the 2021-2022 school year demonstrated readiness for kindergarten, a significant 7 percentage point decrease compared to the last school year in which KRA results were available (school year 2019-2020), and a low for the period. Due to the COVID-19 public health emergency and related school closures, Maryland did not administer the KRA during the 2020-2021 school year. Prior to the COVID-19 pandemic, less than half of kindergartners were found to demonstrate readiness in each school year shown, though KRA results had improved slightly from 45% of all kindergartners demonstrating readiness in the 2017-2018 school year.

Exhibit 1
Maryland Kindergartners Demonstrating Readiness
2017-2018 School Year to 2021-2022 School Year



*Direct certification is the process the Maryland State Department of Education uses to identify children from low-income households by identifying the family’s use of other public benefits programs, such as Temporary Cash Assistance or the Supplemental Nutrition Assistance Program.

**Due to the COVID-19 public health emergency and related school closures, the Kindergarten Readiness Assessment was not conducted during the 2020-2021 school year.

Source: Governor’s Fiscal 2024 Budget Books; Maryland State Department of Education

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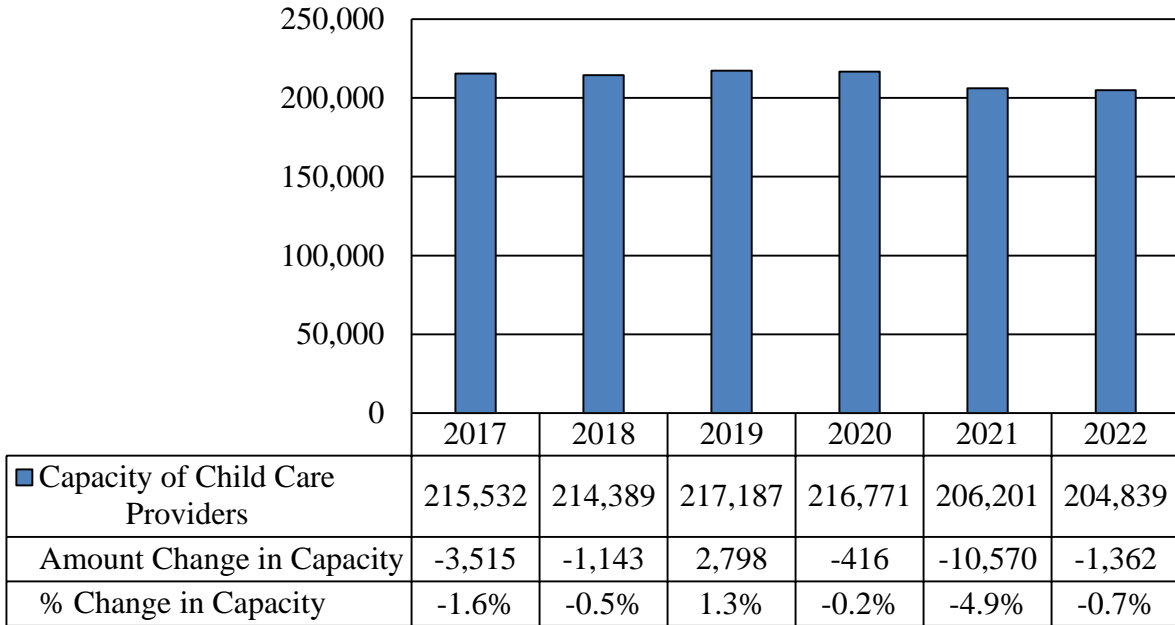
Certain subgroups of students, including children with disabilities, English learners, and children who were direct certified, consistently have lower shares of kindergartners demonstrating readiness compared to overall kindergartner performance. MSDE counts children who were direct certified as a proxy for children from low-income households by matching families that participate in needs-tested public benefits programs, such as the Temporary Cash Assistance program or the Supplemental Nutrition Assistance Program, with K-12 enrollment. This subgroup experienced the largest decline in KRA outcomes with only 23% demonstrating readiness in the 2021-2022 school year compared to 34% demonstrating readiness in the 2019-2020 school year (an 11 percentage point decrease). However, English Learners were found to have the lowest readiness levels of all groups with only 10% demonstrating readiness in the 2021-2022 school year.

KRA results are included as one of many performance measures that the Accountability and Implementation Board (AIB) will monitor as it assesses the long-term success of early childhood program expansion included in the Blueprint for Maryland's Future established in Chapter 36. AIB's *Blueprint for Maryland's Future Initial Comprehensive Implementation Plan* released in December 2022 indicated that the State's investment in high-quality early childhood education would be considered successful if, over time, overall KRA results improve, gaps in readiness among subgroups of students decrease and gaps in readiness among students served by public and private providers decrease.

2. Rate of Child Care Capacity Decline Returns to Prepandemic Levels

Before the COVID-19 public health emergency, MSDE reported declining licensed child care slots in Maryland and mainly attributed these trends to family child care programs closing. As shown in **Exhibit 2**, there was a net reduction of 10,693 licensed child care slots between fiscal 2017 and 2022. The largest share of this decline occurred from fiscal 2020 to 2021 alone when child care capacity fell by 10,570 licensed slots, or 4.9%, showing an acceleration of program closures during the pandemic. In fiscal 2022, child care capacity decreased by only 0.7%, which approached a more typical rate of decline seen in the years leading up to the pandemic. So far, there has been no visible period where child care capacity has made up for the slots it lost in fiscal 2021 compared to other programs like the CCS program (further discussed in Issue 2) that has seen enrollment rebound.

**Exhibit 2
Statewide Child Care Capacity
(Shown as Licensed Slots)
Fiscal 2017-2022**



Note: Child care capacity is presented as the total number of licensed slots in June of each fiscal year.

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

Fiscal 2022

Significant Federal and State Investment Supports Child Care Stabilization During the COVID-19 Pandemic

The State’s child care and early childhood education system was greatly impacted by the COVID-19 public health emergency as programs were required to temporarily close, reduce staff, and serve fewer children once reopened. To provide emergency financial assistance to child care providers, the ARPA allocated \$24.0 billion to states to distribute child care stabilization grants. Of this funding, Maryland received a \$309.1 million award that was targeted for grants to support child care providers’ operating and personnel costs to reopen or stay open, provide safe and healthy learning environments, and provide mental health supports for staff and children. MSDE administered two rounds of federally funded stabilization grants to distribute a total of

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\$286 million. Remaining federal funds supported administrative expenses and efforts to increase the supply of child care.

- **First Application Cycle:** MSDE published an application for child care stabilization grants that closed on August 6, 2021. During this round, 5,207 providers received just under \$159 million in stabilization funding overall. Awards were set at a base of \$15,000 with an additional \$500 per licensed slot for all grantees. MSDE distributed all grants in this round between September 2021 and December 2021.
- **Second Application Cycle:** The application for a second round of federally funded stabilization grants closed on January 23, 2022. Through this cycle, MSDE issued \$128 million in grants with a \$10,000 base grant to each of 5,371 providers. Grantees were also eligible for supplemental funds per slot if they met certain criteria, such as serving infants or toddlers or participating in the Maryland EXCELS program. In a response to the 2022 *Joint Chairmen’s Report* (JCR) submitted on August 17, 2022, MSDE also discussed operational changes for this grant cycle after child care providers reported some processing difficulties in the first round. MSDE streamlined the application, increased customer supports, and processed applications on a rolling basis. The department indicated in the JCR response that 88% of grants were processed within 30 days, and 98% of grants were processed within 60 days for this round.

Chapters 206 and 207 of 2022 required MSDE to administer child care stabilization grants using \$50 million in general funds in fiscal 2022 and \$3.2 million in general funds in fiscal 2023. The fiscal 2023 budget plan provided funds in both years as a fiscal 2022 deficiency appropriation allocated \$50 million in general funds and a supplemental budget during the 2022 session provided \$3.2 million in general funds in fiscal 2023. Language in Chapter 484 of 2022 (the fiscal 2023 Budget Bill) and Chapters 206 and 207 required that MSDE give preference to child care providers based on the following criteria (in order of priority):

- providers that have a demonstrated financial hardship that poses significant risk of the provider’s business closing within the next 12 months;
- providers that have not received a stabilization grant in a prior application cycle;
- providers that participate in the CCS Program;
- providers located in areas designated by MSDE as lacking child care slots;
- providers that serve primarily low-income populations in areas of high poverty;
- providers that serve children with special needs; and
- providers that serve children ages two and younger.

Although \$50 million in general funds was allocated in fiscal 2022, MSDE retained the funds for use in fiscal 2023. The application for a State-funded third round of child care stabilization grants closed on August 29, 2022, and grants were distributed in fall 2022. The grant period for this third round ended December 31, 2022. As of February 1, 2023, MSDE had not yet posted an application specifically distributing the \$3.2 million in State-funded stabilization grants allocated in fiscal 2023. The fiscal 2024 allowance does not include additional funding for child care stabilization.

MSDE should provide an update on the timing and amount of child care stabilization grants that it has distributed in fiscal 2023 using State funding, including when the department plans to award \$3.2 million for child care stabilization grants budgeted in fiscal 2023. DLS recommends adopting committee narrative requesting a report on child care stabilization grant awards, including a summary of how child care programs used the funding.

Fiscal 2023

New Financial Assistance for Child Care Providers

Building on the \$309.1 million ARPA federal fund allocation and \$53.2 million additional general fund investment in child care stabilization, legislation enacted during the 2022 session and funded in the fiscal 2023 working appropriation established the following new programs to provide financial assistance for child care providers.

- ***Child Care Employee Bonuses:*** Chapter 594 of 2022 required a one-time distribution of \$16 million in fiscal 2023 for child care provider and employee bonuses as a means of improving retention and recruitment of child care workers. The chapter terminates on December 31, 2023. The fiscal 2023 working appropriation includes \$16 million in general funds for one-time provider bonuses. Of this funding, \$10 million supports retention bonuses, \$4 million supports new hire bonuses, and \$2 million supports hiring assistance bonuses.
- ***Therapeutic Child Care Grant Program:*** Other legislation specifically assisted providers that serve young children with special needs. Chapters 498 and 499 of 2022 established a Therapeutic Child Care Grant program within MSDE to support certain providers that provide specialized child care and early education to children under the age of six who have delays in development; physical disabilities; or delays in social, emotional, or behavioral functioning. The fiscal 2023 working appropriation and fiscal 2024 allowance each provide \$3.7 million in general funds for this program.
- ***Child Care Capital Support Revolving Loan Fund:*** Chapter 466 of 2022 established a Child Care Capital Support Revolving Loan Fund under the Department of Commerce (Commerce) to provide no-interest loans for capital expenses to child care providers who

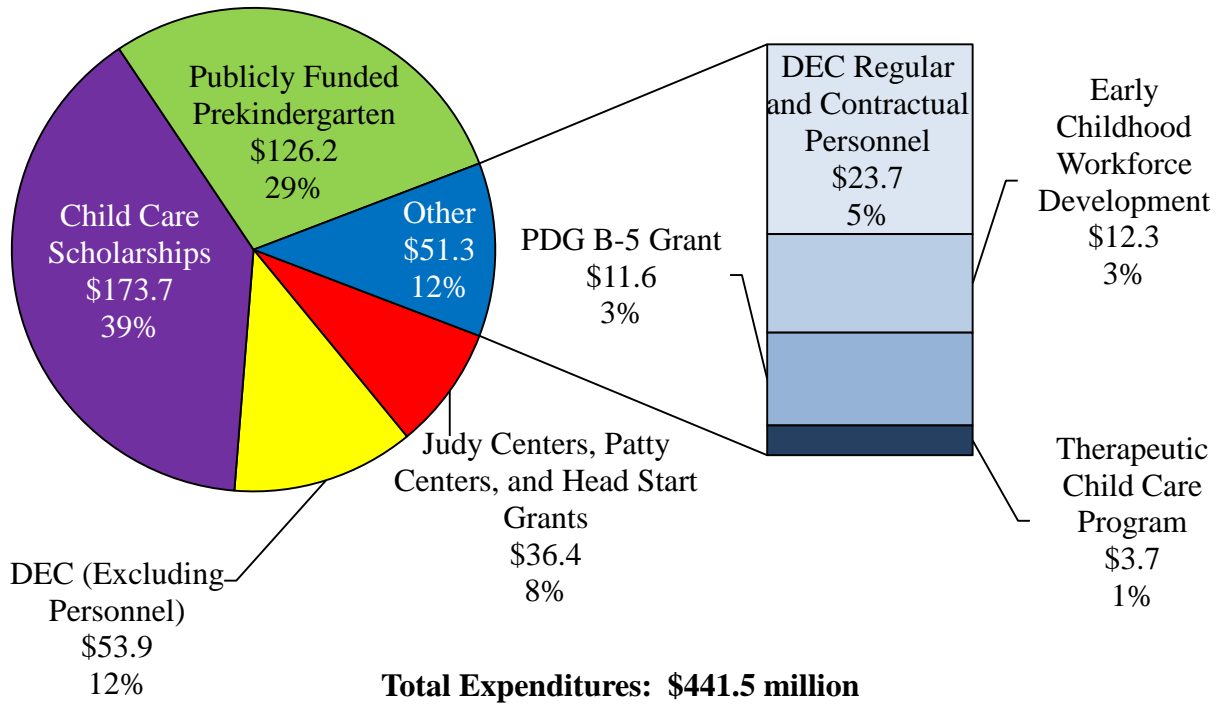
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participate in the CCS program. This program received \$15 million in fiscal 2023, and though not budgeted under MSDE, Commerce is working with MSDE to prioritize certain child care providers in underserved areas. The fiscal 2024 allowance contains \$10 million as mandated for this purpose.

Fiscal 2024 Overview of Agency Spending

The fiscal 2024 allowance for MSDE Early Child Development totals \$441.5 million. **Exhibit 3** shows the distribution of planned spending in the fiscal 2024 allowance for early childhood services and programs under MSDE. Approximately 68% of the fiscal 2024 allowance pays directly for low-income children and families to access early childhood programs, including \$173.7 million in total funds (39%) for financial assistance for child care distributed through CCS payments and \$126.2 million in special funds (29%) for publicly funded prekindergarten. The publicly funded prekindergarten spending includes full-day slots funded through the Maryland State Prekindergarten Grant program and Prekindergarten Expansion Grant program. MSDE also provides funding for wraparound and supportive services, with a total of \$36.4 million (8%) budgeted for Judith P. Hoyer Center Early Learning Hubs (Judy Centers), Patty Centers (also known as Family Support Centers), and Head Start programs.

**Exhibit 3
Overview of Agency Spending
Fiscal 2024 Allowance
(\$ in Millions)**



DEC: Division of Early Childhood
 PDG B-5: Federal Preschool Development Birth to Five grant

Note: The fiscal 2024 allowance does not include salary enhancements that are budgeted in the Statewide Account within the Department of Budget and Management. Publicly Funded Prekindergarten includes funding for the Maryland State Prekindergarten Grant program and Prekindergarten Expansion grants.

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

Proposed Budget Change

As shown in **Exhibit 4**, the fiscal 2024 allowance decreases by \$113.4 million compared to the adjusted fiscal 2023 working appropriation after accounting for the agency’s distribution of the 4.5% cost-of-living adjustment provided in November 2022. The decrease is mainly due to an \$82 million reduction in federal supplemental CCDBG funds authorized in the ARPA. The

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fiscal 2024 allowance decreases by an additional \$44.5 million in special funds from the Blueprint for Maryland’s Future Fund due to a one-time fiscal 2023 discretionary enhancement to the full-day prekindergarten formula resulting from an eligibility determination issue.

**Exhibit 4
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 2022 Actual	\$124,536	\$26,644	\$490,965	\$642,145
Fiscal 2023 Working Appropriation	109,208	200,890	244,839	554,937
Fiscal 2024 Allowance	<u>101,444</u>	<u>161,492</u>	<u>178,587</u>	<u>441,523</u>
Fiscal 2023-2024 Amount Change	-\$7,764	-\$39,398	-\$66,252	-\$113,415
Fiscal 2023-2024 Percent Change	-7.1%	-19.6%	-27.1%	-20.4%

Where It Goes: **Change**

Personnel Expenses

Salaries and fringe benefits for 16 contractual conversions	\$1,366
Other salaries for existing positions	917
Employee and retiree health insurance	221
Annualization of a 4.5% general salary increase that took effect November 1, 2022	183
Turnover expectancy (decreases from 5.01% to 4.77%)	161
Retirement contributions	75
Other fringe benefit adjustments	39

Child Care Assistance

State fund support for the CCS Program	10,000
Annual federal CCDF support for the CCS program	9,862
Child care stabilization grants (general funds)	-3,200
Child care provider bonuses (general funds)	-16,000
Supplemental CCDBG award authorized in the ARPA supporting the CCS program (discussed in Issue 2)	-64,000

Blueprint Initiatives

Judy Center expansion (9 additional centers)	2,970
Patty Center expansion (3 additional centers)	990
Other early childhood workforce development programs	528

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Where It Goes:	<u>Change</u>
EXCELS provider bonuses.....	500
Maryland State Prekindergarten Grant program to distribute full-day prekindergarten formula funding (discussed in Issue 1).....	-44,488
Other Expenditures	
Grant funded under the Office of the Assistant State Superintendent of DEC (federal funds).....	11,200
Child care data and research contract with the Regional Economic Studies Institute at Towson University.....	8,060
Infant and Early Childhood Mental Health Support Services Program, in accordance with Chapter 494 of 2022.....	4,131
Other Division of Early Childhood operating expenses	3,507
Net increase for child care case management contract with Deloitte Consulting LLP.....	2,850
Contracts related to the Child Care Administration Tracking System (a related major IT project replacing this system is discussed in Appendix 3).....	416
Contractual personnel, including 4.5% general salary increase that took effect November 1, 2022, and net reduction of 9.5 positions mainly due to contractual conversions.....	-112
Federal Preschool Development Birth to Five Grant.....	-2,653
One-time administrative contracts with the League for People with Disabilities and Canton Group LLC	-6,940
Reduction in DEC grants to child care providers (federal funds).....	-15,995
DEC Supplemental CCDBG expenditures authorized in the ARPA.....	-18,000
Total	-\$113,415

ARPA: American Rescue Plan Act
 CCDBG: Child Care and Development Block Grant
 CCDF: Child Care and Development Fund
 CCS: Child Care Scholarship
 DEC: Division of Early Childhood
 IT: information technology

Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). The fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM. Numbers may not sum to total due to rounding.

The fiscal 2024 allowance includes a new grant totaling \$11.2 million in federal funds under the Office of the Assistant State Superintendent for DEC. MSDE should discuss the need for these grant funds and explain how they will be spent in fiscal 2024.

Infant and Early Childhood Mental Health Support Services Program

DEC administers the Infant and Early Childhood Mental Health (IECMH) Support Services program to promote positive mental and behavioral health practices for young children. Under the program, the division partners with community providers operating in 12 regional licensing centers to refer children and families in need of intensive mental or behavioral health services to appropriate clinics or programs and to train teachers and caregivers in addressing challenging behaviors in children younger than age six. If DEC has additional funds for the program after serving all eligible children younger than age six, then the division must consider enrolling children in kindergarten, grade 1, or grade 2 who may have developmental, social, emotional, or behavioral issues. The University of Maryland School of Social Work also supports the program by providing professional development to consultants who serve participating children, families, and providers and by collecting analytical data regarding all aspects of the program.

Chapter 494 of 2022 codified the IECMH Support Services program and expanded eligibility to include children enrolled in kindergarten, grade 1, or grade 2 if there are available resources after serving children younger than age six. Additionally, Chapter 494 required the Governor to appropriate at least \$3.0 million annually for the program. The fiscal 2024 allowance includes \$5.8 million in total funds (\$3.0 million in general funds and \$2.8 million in federal funds) for the IECMH Support Services program, an increase of \$4.1 million compared to the fiscal 2023 working appropriation. Therefore, the program’s fiscal 2024 allowance surpasses the mandated funding level by \$2.8 million.

Personnel Data

	FY 22 <u>Actual</u>	FY 23 <u>Working</u>	FY 24 <u>Allowance</u>	FY 23-24 <u>Change</u>
Regular Positions	158.00	158.00	174.00	16.00
Contractual FTEs	<u>47.00</u>	<u>58.00</u>	<u>48.50</u>	<u>-9.50</u>
Total Personnel	205.00	216.00	222.50	6.50

Vacancy Data: Regular

Turnover and Necessary Vacancies, Excluding New Positions	7.54	4.77%
Positions and Percentage Vacant as of 12/31/22	15.00	9.49%
Vacancies Above Turnover	7.46	

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- The fiscal 2024 allowance provides 16 new positions under DEC to convert existing contractual full-time equivalents (FTE) to regular positions. These positions include 13 child care licensing specialists, 2 positions under the CCS program, and 1 position under the Maryland EXCELS program.
- The allowance funds 6.5 new contractual FTEs in fiscal 2024, partially offsetting the reduction from 16 contractual conversions. The new contractual FTEs are largely supported with federal funds and generally provide administrative support, fiscal management, and technical assistance related to several of DEC’s federal grants.
- DEC reported 15 vacant positions as of December 31, 2022, almost double the vacancies needed to meet budgeted turnover. All 15 positions had been vacant less than one year.
- Between December 2021 and December 2022, the vacancy rate increased by 5.9 percentage points, from 3.6% to 9.5%. Furthermore, the number of filled positions fell from 161 in December 2021 to 143 in December 2022 (an 11.2% reduction). During this period, DEC’s workload has increased significantly due to the availability of COVID-19 stimulus funds for child care, the expansion of publicly funded prekindergarten, and the implementation of major CCS program changes, making the reduction in filled positions concerning. **MSDE should discuss the factors leading DEC’s vacancy rate to rapidly increase from 3.6% to 9.5% in one year and describe recruitment and retention efforts that it has implemented to lower the vacancy rate.**

Issues

1. Early Childhood Programs under the Blueprint for Maryland’s Future

The Blueprint for Maryland’s Future education reform effort established in Chapter 36, as amended by Chapter 55, included several initiatives and mandates that expand early childhood programs and gradually phase in from fiscal 2023 through 2030. **Appendix 4** details early childhood provisions in Chapter 36 and fiscal 2023 and 2024 Blueprint mandates by program.

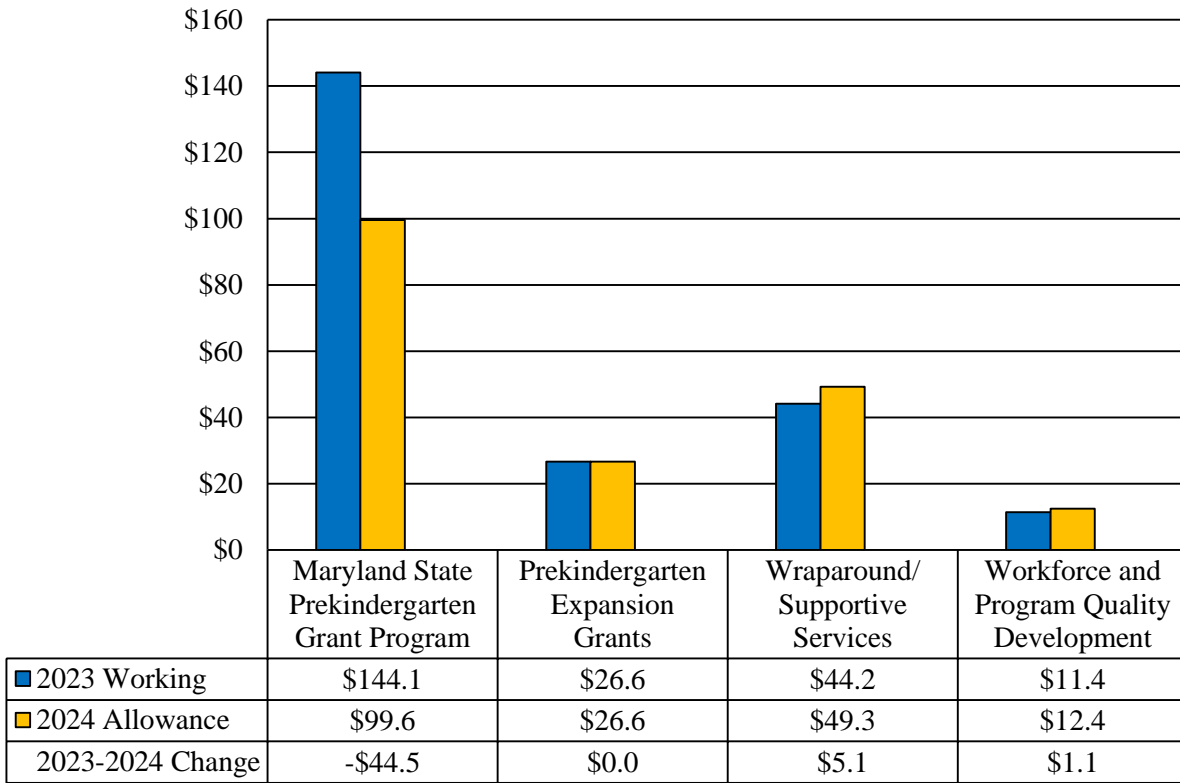
The fiscal 2024 allowance includes approximately \$187.9 million in total funds for Blueprint mandates supporting early childhood programs. Most of this funding (\$166.9 million) is budgeted as special funds from the Blueprint for Maryland’s Future Fund. All early childhood programs expanded or funded through Chapter 36 meet the mandated funding levels in the fiscal 2024 allowance. In general, funding for Blueprint initiatives related to early childhood programs falls into the following four programs/categories:

- ***Maryland State Prekindergarten Grant Program:*** Chapter 36 established a new funding formula for voluntary prekindergarten for three-year-old and four-year-old children from low-income families. The formula is jointly funded by the State and local governments, with per pupil funding levels increasing from \$10,094 in fiscal 2023 to \$19,526 in fiscal 2030. MSDE established the Maryland State Prekindergarten Grant program to distribute formula funding to local school systems and private programs.
- ***Prekindergarten Expansion Grant Program:*** MSDE has distributed competitive prekindergarten expansion grants to qualified public and private providers serving families with incomes at or below 300% federal poverty guidelines (FPG), children with disabilities, and English language learners since fiscal 2015. Chapter 36 extended the Prekindergarten Expansion Grant program through fiscal 2025, after which the program will be consolidated with the Maryland State Prekindergarten Grant Program in fiscal 2026.
- ***Wraparound/Supportive Services:*** Chapter 36 expands the number of Judy Centers and Patty Centers, which offer early childhood education programs, comprehensive support services, and educational and health-related services for young children and their families. Additionally, Chapter 36 increases funding for the Maryland Infants and Toddlers Program, which provides a system of comprehensive community-based intervention services to young children up to age three who have developmental delays and disabilities.
- ***Workforce and Program Quality Development:*** Chapter 36 codified existing early childhood professional development programs, such as the Maryland Child Care Credentialing Program, and required funding increases each year through fiscal 2030. MSDE must also designate a primary contact employee for early child care to assist child care providers in improving their EXCELS rating and applying for funding and accreditation.

Fiscal 2024 Prekindergarten Formula Funding Decreases as Local School Systems Fix Eligibility Determination Issues

As shown in **Exhibit 5**, the largest expansion of any early childhood program under Chapter 36 is the funding formula for full-day, high-quality prekindergarten distributed through the Maryland State Prekindergarten Grant Program. This program accounts for 72% and 63% of total early childhood spending under the Blueprint for Maryland’s Future in the fiscal 2023 working appropriation and fiscal 2024 allowance, respectively. **Appendix 5** shows fiscal 2023 and 2024 prekindergarten formula funding by local school system.

Exhibit 5
Early Childhood Funding under the Blueprint for Maryland’s Future
Fiscal 2023-2024
(\$ in Millions)



Source: Maryland State Department of Education; Department of Budget and Management

From fiscal 2018 to 2022, MSDE funded full-day services by awarding Prekindergarten Supplemental grants established in Chapters 6 and 607 of 2017 (later amended in Chapter 771 of

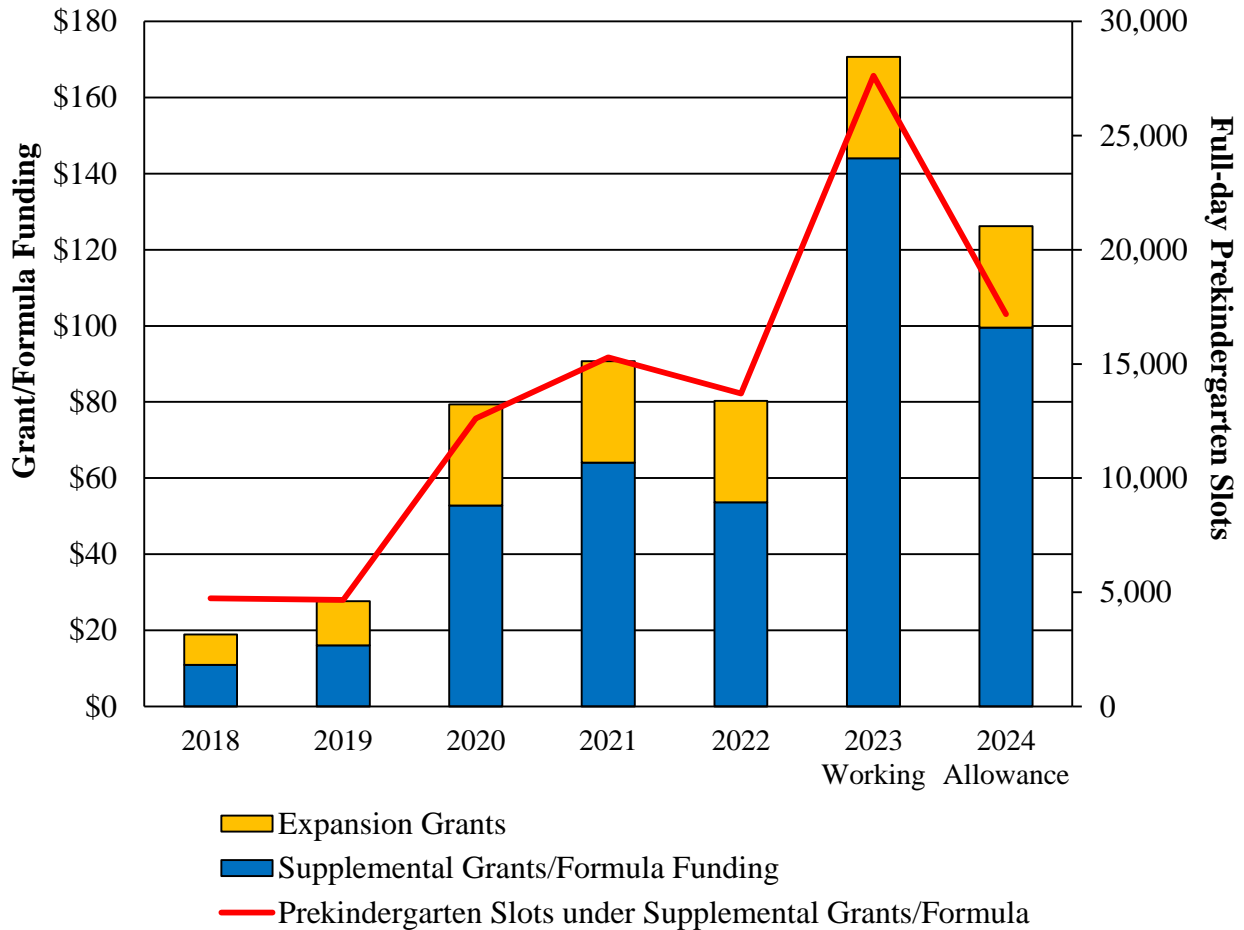
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2019) to local school systems based on the number of four-year-old students they enrolled in public programs. Chapter 36, as amended by Chapter 55, established a phased-in timeline beginning in fiscal 2023 in which MSDE and local school systems initially fund three-year-old and four-year-old children with family incomes at or below 300% FPG (defined as Tier I children) in both public and private programs through the full-day prekindergarten formula. Children from families with incomes between 300% and 600% FPG (defined as Tier II children) will eventually have access to prekindergarten services partially funded through the formula by paying a family share of costs beginning in fiscal 2025, contingent on available slot capacity and local school systems choosing to collect a family share.

MSDE noted in a mandated Prekindergarten Implementation Planning report dated November 4, 2021, that local school systems were unable to report prekindergarten enrollment by tiers in fiscal 2023, namely the number of children served from families with incomes less than 300% FPG. As a result, the fiscal 2023 working appropriation calculated State formula funding based on all public prekindergarten full-day enrollment to serve as a transition period, while local school systems did not collect income tier data from students.

As shown in **Exhibit 6**, those eligibility determination challenges resulted in the fiscal 2023 working appropriation providing a total of \$144.1 million in State formula funding (approximately \$68.2 million above the projected cost of the formula in the first year of implementation). Compared to fiscal 2022 when \$53.7 million in supplemental grants funded only 13,698 children in public prekindergarten slots, the fiscal 2023 formula more than doubled State-funded prekindergarten slots at 27,612. Due to MSDE and local school systems correcting the eligibility determination issue and calculating the formula as directed in statute, the fiscal 2024 allowance includes \$99.6 million for the prekindergarten formula (a \$44.5 million decrease), supporting 17,177 children in public and private prekindergarten slots.

Exhibit 6
Full-day Prekindergarten State Funding and Enrollment
Fiscal 2018-2024
(\$ in Millions)



Note: Fiscal 2018 to 2022 actual expenditures show Prekindergarten Supplemental and Prekindergarten Expansion grants. The fiscal 2023 working appropriation and fiscal 2024 allowance show Prekindergarten Expansion grants and prekindergarten formula funding distributed through the Maryland State Prekindergarten Grant program.

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

Potential Prekindergarten Formula Change Recommended by AIB

Under Section 7-1A-01 of the Education Article, Tier I children must be three- or four-years-old and have a family income that is equal to or less than 300% FPG. In its December 2022 initial comprehensive implementation plan, AIB recommended expanding the

definition of Tier I children to include children with disabilities, children from homes in which English is not the primary spoken language, and children experiencing homelessness to the definition of Tier I children. As of February 1, 2023, there has not been legislation introduced to effectuate this recommendation.

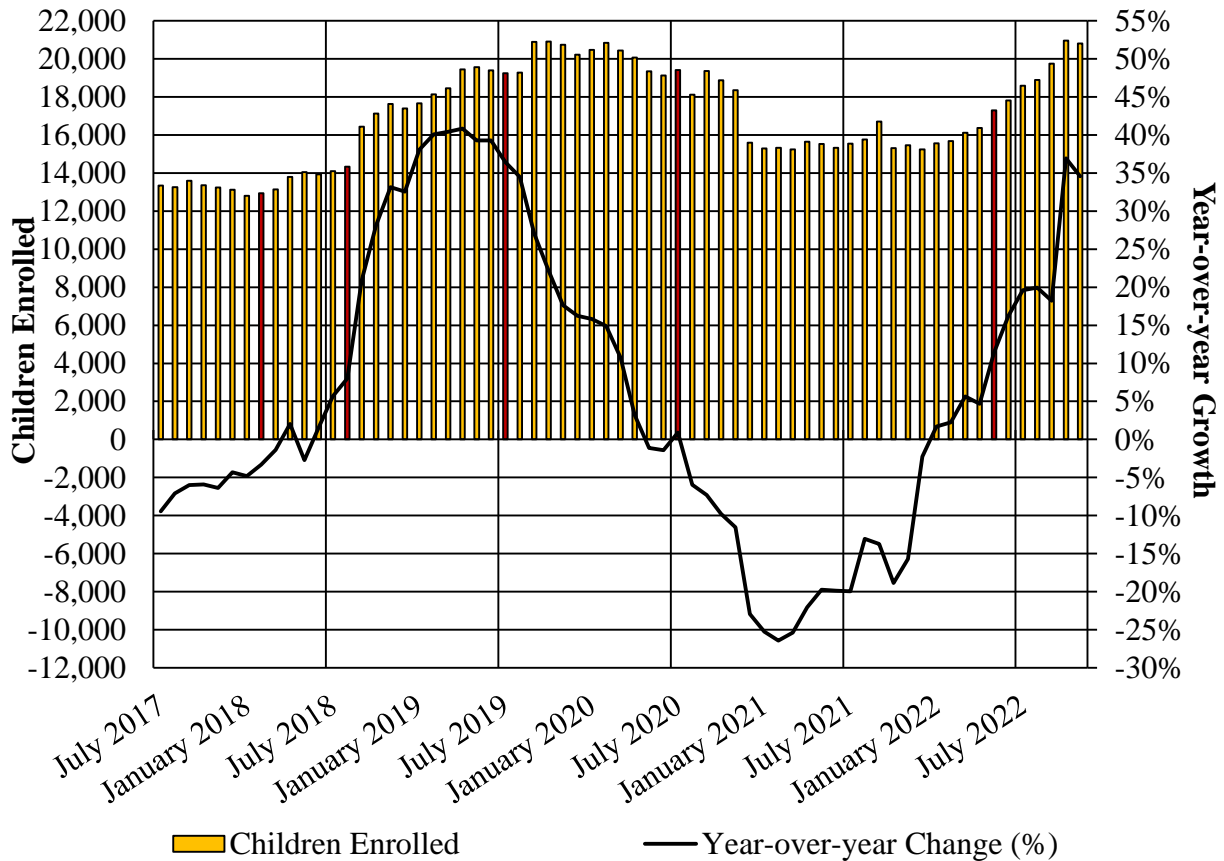
2. CCS Program Enrollment Trends and Expansion

The CCS program provided financial assistance with child care tuition to slightly over 16,000 eligible children and over 10,000 families per month on average in fiscal 2022. For each child needing care, participating families receive a voucher that indicates the scholarship rate and assigned copayment (if applicable) that are determined by household income and region, among other factors. Program eligibility is primarily determined by household income, which places the family in an income eligibility scale in categories A through J (category A being lowest income and category J being highest income). Participating families use vouchers and their assigned copayment to purchase child care directly from the provider of their choice, and MSDE reimburses the provider for the approved scholarship rate. The family may also be responsible for any remaining balance between the rate charged by the provider and the voucher amount.

Latest Monthly CCS Enrollment Just Surpasses Prepandemic Levels

As shown in **Exhibit 7**, monthly CCS program enrollment over the period ranged from 12,796 children served in January 2018 to 20,958 children served in October 2022. Beginning February 2018, several programmatic changes generally led to greater demand and enrollment prior to the onset of the COVID-19 pandemic. These changes included lifting an enrollment freeze for the two highest income eligibility levels (categories I and J) that had been frozen since February 2011, raising income eligibility levels from approximately 32% to 65% of State median income (SMI) as of August 2018 and adjusting provider reimbursement rates to meet increasing minimum percentiles of the most recent market rates.

Exhibit 7
Unduplicated Monthly Count of Children Enrolled in the CCS Program
July 2017 to November 2022



CCS: Child Care Scholarship

Note: Enrollment counts from September 2022 to November 2022 are preliminary and may change. Bars shaded in red note significant policy changes, such as the Maryland State Department of Education lifting an enrollment freeze in February 2018 or raising income eligibility levels in August 2018 and May 2022.

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

In general, MSDE reported year-over-year CCS program enrollment decline during the COVID-19 public health emergency, specifically from May 2020 to December 2021, when child care providers were required to close for some portion of that time (except to serve children of essential personnel) and overall demand for child care services was reduced. Since January 2022, year-over-year program participation change increased rapidly, reaching double-digit percentage growth in May 2022. CCS program enrollment has maintained that level of growth through

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November 2022 and just surpassed the prepandemic high of 20,907 children served in the program in October 2019 with 20,958 children served in October 2022.

Although enrollment was already growing in the months leading up to May 2022, additional programmatic changes have coincided with a significant increase of approximately 3,500 additional children served in the program in November 2022 compared to May 2022. Effective May 23, 2022, MSDE:

- increased provider reimbursement rates from the sixtieth percentile to the seventieth percentile of the most recent market rates;
- raised income eligibility levels from 65% of SMI to 75% of SMI as of May 2022. In accordance with Chapters 525 and 526 of 2022, MSDE further extended eligibility by eliminating the requirement that an individual pursue or receive child support payments or apply for services from a child support agency to be eligible for the CCS program; and
- waived copayments for individuals participating in certain public benefits programs, including (but not limited to) the Supplemental Nutrition Assistance Program and Special Supplemental Nutrition Program for Women, Infants, and Children, as required by Chapters 525 and 526. MSDE also reduced copayments to a range of \$1 to \$3 per week for all other participating families.

Additional CCS Program Changes Announced to Improve Application Processing and Customer Service

Child care providers have reported challenges in receiving CCS payments, including a slow application process and outdated systems that delay reimbursement. MSDE is in the process of implementing the following measures to shorten application and payment processing timeframes.

- ***Presumptive Eligibility:*** Chapters 525 and 526 require MSDE to establish, by July 1, 2023, a process for granting presumptive eligibility to individuals who attest to their eligibility for the CCS program (allowing applicants to begin receiving scholarships and providers to be reimbursed for at least a 60-day period while MSDE reviews the application).
- ***Payment Processing Standards:*** As required by Chapters 525 and 526, MSDE must notify the Comptroller within 10 days after receiving an invoice from a provider, and the Comptroller must pay the provider within 5 days after receiving notification.
- ***Short-term Measures to Expedite Payments:*** During summer and fall 2022, MSDE paid providers based on CCS program enrollment (regardless of attendance), issued one-time payments to offset processing delays and ongoing COVID-19 impacts, and distributed one-time retention payments to child care providers participating in the CCS program.

- ***Ongoing Measures to Streamline Provider Reimbursement:*** MSDE announced in a memo to the child care community dated October 20, 2022, that it would transition from retroactive, attendance-based payments to an advanced, enrollment-based payment structure beginning January 2023. Additionally, MSDE is transitioning application, payment, and attendance processing to an online provider and parent portal.

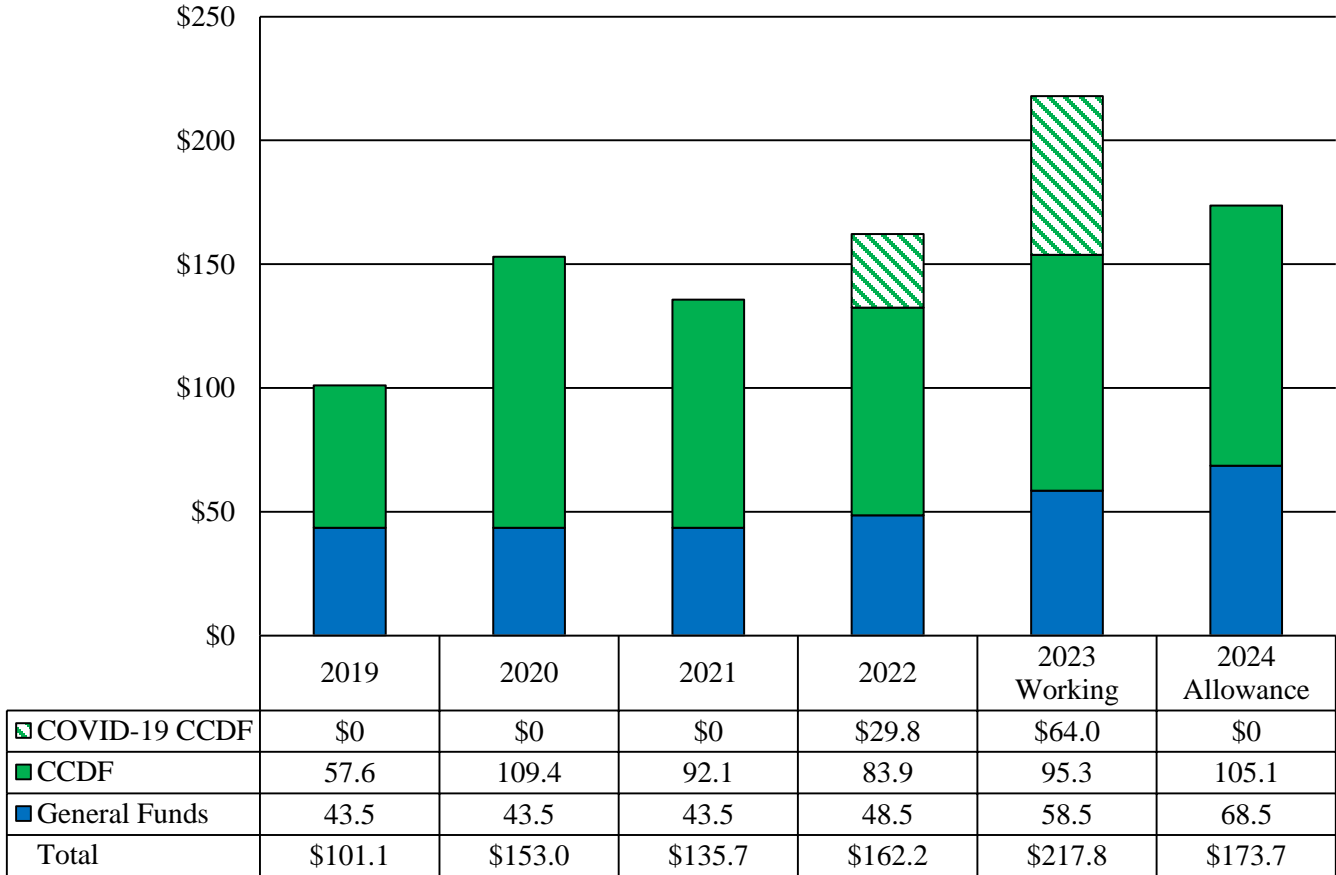
In a quarterly CCS program expenditure report submitted on August 1, 2022, MSDE reported a variety of actual performance measures from October 2021 to December 2021 that are included in the State’s customer service contract for the CCS program. The report indicated that MSDE’s CCS vendor met five customer service measurement goals 100% of the time, such as not having callers wait more than five minutes on hold and addressing all complaints by the end of the next business day after receipt by the vendor. Despite the customer service vendor performing well on its goals, MSDE provided a list of top five customer service issues including the delivery times of invoices (which providers need to bill the CCS program for services rendered) and scholarships for initial applicants once they are determined eligible for the CCS program, among other issues.

As of the writing of this analysis, MSDE had reported customer service performance measures under the CCS program once and had not included additional months of data in the second or third quarterly expenditure reports submitted in fiscal 2023, in response to the 2022 JCR. MSDE does not currently provide any performance measures regarding CCS program customer service or application processing in its annual Managing for Results (MFR) submission. **DLS recommends adopting committee narrative requesting that MSDE set annual performance goals and provide customer service and application processing measures for the CCS program in the annual MFR submission, beginning with the fiscal 2025 allowance.**

Time-limited COVID-19 Stimulus Funding Budgeted for Ongoing CCS Program Expenses in Fiscal 2023 Only

As shown in **Exhibit 8**, total fund spending on CCS payments has fluctuated since fiscal 2019, while State fund support for the program has consistently increased since fiscal 2021. Maryland’s annual CCDBG allocation paid into the Child Care and Development Fund (CCDF) continues to serve as the primary source of funding for the CCS program. The fiscal 2024 allowance reflects a \$44.1 million reduction in CCS payments compared to the fiscal 2023 working appropriation due to the fiscal 2023 working appropriation including \$64.0 million in supplemental CCDBG funding authorized in the ARPA, while the fiscal 2024 allowance contains no funding from this support in the CCS program.

Exhibit 8
Child Care Scholarship Expenditures by Fund Source
Fiscal 2019-2024
(\$ in Millions)



CCDF: Child Care and Development Fund

Note: This exhibit reflects only spending on child care scholarships and does not include COVID-19 CCDF distributed as stabilization grants or CCDF spent on other early childhood system improvements. Other CCDF funding budgeted under the Division of Early Childhood for administrative costs are also excluded.

Source: Department of Budget and Management; Maryland State Department of Education; Department of Legislative Services

The ARPA allocated \$15.0 billion through a discretionary CCDBG award for states to make child care more affordable and accessible for families, increase wages for early childhood workers, or meet other needs related to the State’s child care system. Maryland received a total of

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\$202.3 million through the flexible CCDBG award. MSDE held three town hall meetings in August 2021 to receive stakeholder input and develop a proposed spending plan for the discretionary CCDBG funds. As of February 2, 2023, MSDE’s spending plan included:

- the CCS programmatic changes that took effect May 23, 2022, including raising provider reimbursement rates, expanding income eligibility levels, and waiving or reducing family copays;
- grants distributed through the new Maryland Rebuilds program that target six strategy areas, such as expanding access to quality child care, early learning models of excellence, and expanding mental health supports and services, among other uses. According to the grant application released on August 30, 2022, MSDE planned to award a total of \$43 million in supplemental CCDBG funds through this program; and
- an ongoing Major Information Technology Development Project (MITDP) that replaces the Child Care Administration Tracking System (CCATS), described in further detail in **Appendix 3**.

The fiscal 2023 working appropriation includes a total of \$83.0 million in supplemental CCDBG funds across MSDE’s budget for these purposes, including the \$64 million supporting the CCS program changes. In a response to committee narrative in the 2022 JCR submitted on October 20, 2022, regarding funding adequacy in the CCS program, the Regional Economic Studies Institute (RESI) at Towson University (MSDE’s research and data analysis vendor for the CCS program) estimated that all three of the CCS program changes that took effect May 23, 2022, would cost a total of \$55.9 million in fiscal 2023. The cost estimate by program change is as follows:

- \$23.8 million to raise provider reimbursement rates;
- \$17.9 million to waive and reduce copays for participating families;
- \$11.1 million to increase income eligibility levels; and
- \$3.1 million for the combined cost of growing enrollment in the program with these changes in place.

RESI also provided fiscal 2024 and 2025 cost estimates for these specific expansion efforts totaling \$67.2 million each year. The report does not acknowledge or cost out any other recent or upcoming program changes, such as implementing presumptive eligibility or moving from attendance-based payments to enrollment-based payments. Therefore, the report likely understates the projected cost of continuing these program expansion efforts due to other simultaneous changes.

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Based on RESI’s estimates, projected CCS spending in fiscal 2024 totals \$229.1 million (an increase of \$11.3 million over the fiscal 2023 working appropriation). The fiscal 2024 allowance only includes \$173.7 million in total funds for CCS payments and is therefore underbudgeted by approximately \$55 million compared to estimated program costs. The allowance provides a \$10 million increase in general funds above the fiscal 2023 level to pay for a small portion of the program expansion. Though not currently budgeted, there are available federal funds through the supplemental CCDBG award that can cover all additional costs in fiscal 2024. Departmentwide actual fiscal 2022 spending and budgeted fiscal 2023 and 2024 expenditures leave an estimated \$96.3 million in supplemental CCDBG funds unappropriated.

It is concerning that MSDE has budgeted additional general fund support for the continuation of CCS program changes in fiscal 2024 before fully expending supplemental CCDBG funds that have been specifically earmarked for this purpose. Furthermore, the discretionary CCDBG award is time-limited as funds are only available through the end of federal fiscal 2024. MSDE indicated on February 2, 2023, that it expected to fully spend the CCDBG supplemental funds by September 30, 2023, despite having a longer allowable grant term and not appropriating all remaining grant funding in the fiscal 2023 budget or in the fiscal 2024 allowance.

Beginning in fiscal 2025 when supplemental CCDBG funds would not cover the estimated \$67.2 million in annual costs associated with raising provider reimbursement rates, increasing income eligibility levels, and reducing copays, a substantial amount of State funding would be needed to continue funding these ongoing CCS program changes. This causes concern for the sustainability of the CCS program expansion, as MSDE has instated CCS program enrollment freezes in the past due to scholarship costs outpacing the program’s budget.

MSDE should provide a status update on the actual and planned uses of supplemental CCDBG funds, including actual supplemental CCDBG spending in fiscal 2022 and 2023 year to date, the timing of when remaining ARPA federal funds will be allocated, and how the department plans to appropriate additional funds. Additionally, the department should provide RESI’s updated fiscal 2023 and 2024 cost estimates for the CCS program overall and the cost of each CCS program change taking effect in fiscal 2022 through 2024. Finally, MSDE should explain how it plans to sustain the CCS program expansion that it has implemented in recent years once supplemental federal funding expires.

DLS recommends reducing \$10 million in general fund support for the CCS program and authorizing a federal fund budget amendment to add \$10 million in unappropriated supplemental CCDBG funding. DLS also recommends adopting committee narrative requesting quarterly reports on CCS program expenditures and enrollment to continue monitoring program costs.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Child Care Stabilization Grant Awards: Maryland received more than \$300 million in federal funds through the American Rescue Plan Act of 2021 and allocated an additional \$53.2 million in State funds to help stabilize the child care industry during the COVID-19 public health emergency. The Maryland State Department of Education (MSDE) has distributed most of this funding to providers over multiple rounds of child care stabilization grants. The committees request that MSDE submit a report providing stabilization grant allocations by jurisdiction, grant allocations by child care program type, the number of child care providers that received stabilization grants, and the ways that child care providers spent the grants across allowable uses. In the report, MSDE should include the number of application rounds needed to distribute all State and federal funding for this purpose, the timing of those application cycles, and the timing of when grant payments were made. Finally, MSDE should discuss any new programs or funding streams that it will administer to support child care programs with personnel retention, recruitment, and operating costs once all stabilization grant terms end.

Information Request	Author	Due Date
Report on child care stabilization grant awards	MSDE	December 1, 2023

- | | <u>Amount
Change</u> |
|---|--------------------------|
| 2. Reduce general funds supporting the Child Care Scholarship program in recognition of available federal funds from the supplemental Child Care and Development Block Grant award. | -\$ 10,000,000 GF |
| 3. Add the following language to the federal fund appropriation: | |

, provided that authorization is hereby provided to process a federal fund budget amendment of \$10,000,000 from the supplemental Child Care and Development Block Grant award to support the Child Care Scholarship program.

Explanation: This language authorizes the transfer of \$10 million from the supplemental Child Care and Development Block Grant award authorized in the American Rescue Plan Act of 2021 to support the Child Care Scholarship program.

4. Adopt the following narrative:

Child Care Scholarship Program Quarterly Reports: The Maryland State Department of Education (MSDE) has implemented several changes under the Child Care Scholarship (CCS) program in short succession, including raising income eligibility levels, increasing provider reimbursement rates, and waiving assigned copayments for most participating families, that all took effect May 23, 2022. Considering these programmatic changes, the committees request that MSDE submit quarterly reports with the following information:

- CCS expenditures, including Child Care and Development Fund spending that was carried over from prior fiscal years, the amount of newly authorized federal funds expended (with federal awards from COVID-19 stimulus legislation listed separately), and general fund spending;
- the number of scholarships awarded by income eligibility category and total expenditures for those scholarships in each quarter;
- CCS expenditures disaggregated by federal and State funding used directly for scholarships and expenditures by MSDE Headquarters for administrative costs and activities to improve provider quality, specified by purpose;
- quarterly updates on the provider reimbursement rate as a percentile of the market rate, statewide and by region;
- the total number of children and families receiving CCS per month statewide and by jurisdiction, including the number of children and families who became eligible when income eligibility thresholds were raised to 75% of the State median income; and
- quarterly updates on whether the department is maintaining a CCS waiting list and, if so, which income categories are impacted and how many children and families have applied for CCS benefits and been added to the waiting list.

In its August 2023 report, MSDE should include actual data for the CCS program in the final quarter of fiscal 2023 and aggregate fiscal 2023 data.

Information Request	Author	Due Date
CCS quarterly expenditure reports	MSDE	August 1, 2023 November 1, 2023 February 1, 2024 May 1, 2024

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5. Adopt the following narrative:

Child Care Scholarship (CCS) Program Customer Service and Application Processing: The Maryland State Department of Education (MSDE) has acknowledged delays and challenges for child care providers and families participating in the CCS program, specifically related to application processing times and the delivery of invoices and scholarships. Additionally, Chapters 525 and 526 of 2022 require MSDE to establish a presumptive eligibility program and meet processing requirements, i.e. notifying the Comptroller within 10 days after receiving an invoice from a child care provider. The committees request that MSDE include goals, objectives, and performance measures related to CCS program customer service and application processing in its annual Managing for Results submission beginning with the fiscal 2025 allowance. Performance measures should include, but not be limited to, the average number of days to notify the Comptroller after receiving an invoice from a child care provider and the average length of time before an eligibility determination is made after receipt of a CCS application.

Information Request	Author	Due Date
Performance goals and measures related to CCS program customer service and application processing	MSDE	With the submission of the fiscal 2025 allowance and annually thereafter
Total General Fund Net Change		-\$ 10,000,000

Appendix 1
2022 Joint Chairmen’s Report Responses from Agency

The 2022 JCR requested that MSDE prepare five reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Child Care Stabilization Grant Awards:*** As of February 1, 2023, MSDE had not submitted a report to the committees.
- ***Child Care Stabilization Grant Processing Times:*** Additional information regarding child care stabilization grant processing times can be found in the Fiscal 2023 budget section of this analysis.
- ***Early Childhood Data System Modernization Project:*** Appendix 3 provides a status update and projected budget for the CCATS replacement major information technology (IT) project discussed in this response.
- ***CCS Program Quarterly Reports:*** CCS program enrollment and spending trends are further discussed in Issue 2 of this analysis.
- ***Funding Adequacy in the CCS Program:*** Further discussion of CCS program spending data and funding adequacy can be found in Issue 2 of this analysis.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	January 1, 2018 – June 30, 2021
Issue Date:	March 2022
Number of Findings:	3
Number of Repeat Findings:	1
% of Repeat Findings:	33.3%
Rating: (if applicable)	n/a

Finding 1: DEC’s regional offices did not always finalize complaints within 35 days after being received, as required by its policy.

Finding 2: DEC did not verify the information recorded by its regional offices for criminal background check alerts received from the Criminal Justice Information System and did not review related documentation to ensure that the resultant investigations were completed in a timely manner.

Finding 3: **DEC did not always document the rationale for not taking available administrative actions when inspection deficiencies were not corrected timely by child care facilities. In addition, DEC did not always document that all individuals working at child care facilities were recorded in the Child Care Administrative Tracking System.**

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Child Care Administration Tracking System (CCATS) Replacement
Major Information Technology Project
Maryland State Department of Education

New/Ongoing: Ongoing								
Start Date: March 9, 2020					Est. Completion Date: June 3, 2024			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2023	2024	2025	2026	2027	Remainder	Total
FF	\$13.500	\$23.060	\$12.000	\$8.586	\$4.170	\$0.000	\$0.000	\$61.316
Total	\$13.500	\$23.060	\$12.000	\$8.586	\$4.170	\$0.000	\$0.000	\$61.316

Note: Funding for this project is budgeted under MSDE Headquarters in the MITDP program.

- Project Summary:** DEC initially planned a replacement project for one legacy child care IT program but expanded the scope of the project to include all early childhood programs due to the availability of flexible federal support under the supplemental CCDBG grant authorized in the ARPA. The project uses a Software as a Service system that builds on a Salesforce platform and will require integration with other existing State platforms and information systems, including the Comptroller’s Financial Management Information System and the Department of Human Services’ Maryland Total Human-services Integrated Network, also known as MD THINK.

In a response to committee narrative in the 2022 JCR submitted on October 3, 2022, MSDE described the following early childhood programs and functions as components of the final modernized system that would use integrated case management and payment processing:

- child care program licensing services delivered through regional offices;
 - workforce advancement for child care professionals;
 - CCS program administration;
 - early learning and collaborative initiatives (prekindergarten support, Judy Centers, and family engagement); and
 - the Maryland EXCELS quality rating program.
- Need:** The State has increased its investment in early childhood programs in recent years, causing a need for effective IT systems and cross-program data collection and analysis. DEC indicates that the new system will allow for more efficient case management and quicker data collection and will eliminate the need for multiple system interfacing.

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- ***Observations and Milestones:*** According to the response to the request in the 2022 JCR, the CCATS replacement project was in the procurement phase and had received vendor responses on August 9, 2022, for a task order request for proposals shared on the Department of Information Technology website.
- ***Concerns:*** Resource availability has been designated as high risk because the project relies on a contract for consulting and technical services that would cause delays in obtaining other resources if there is protest or delay in awarding that contract. Another concern is that refocusing this project on more early childhood systems will mean the legacy CCATS program is in place longer when multiple agencies and stakeholders determined it needed to be replaced.

Appendix 4
Early Childhood Mandates Under Chapter 36 (the Blueprint for Maryland's Future)
Fiscal 2023-2024
(\$ in Millions)

<u>Early Childhood Program</u>	<u>2023 Working</u>	<u>2024 Allowance</u>	<u>2023-2024 Change</u>	<u>Chapter 36 Mandates As Amended by Chapter 55</u>
Publicly Funded Prekindergarten				
Maryland State Prekindergarten Grant Program ¹	\$144.063	\$99.575	-\$44.488	Children from families with household incomes at or below 300% FPG may receive funding for publicly funded prekindergarten services (based on a \$10,094 per pupil amount in fiscal 2023 and \$11,594 in fiscal 2024).
Prekindergarten Expansion Grants	26.644	26.644	0.000	The Governor must appropriate the same amount to the Prekindergarten Expansion Grant program as the prior year through fiscal 2025.
Subtotal	\$170.707	\$126.219	-\$44.488	
Wraparound/Supportive Services				
Infants and Toddlers Program ²	\$14.673	\$15.816 ³	\$1.142	The Governor shall provide \$14.7 million in fiscal 2023 and \$15.8 million in fiscal 2024 for the Maryland Infants and Toddlers Program.
Judy Centers	24.936	27.906	2.970	The State shall fund nine additional Judy centers per year from fiscal 2021 through fiscal 2025 (funded at \$330,000 per center).
Patty Centers	4.542	5.532	0.990	The State shall fund three additional Patty centers per year from fiscal 2022 through 2029 (funded at \$330,000 per center).
Subtotal	\$44.151	\$49.254	\$5.102	

<u>Early Childhood Program</u>	<u>2023 Working</u>	<u>2024 Allowance</u>	<u>2023-2024 Change</u>	<u>Chapter 36 Mandates As Amended by Chapter 55</u>
Workforce/Program Quality Development				
Maryland Child Care Credential Program	\$5.170	\$5.687	\$0.517	From fiscal 2022 through 2024, funding for the program shall increase by 10% over the prior year.
EXCELS Provider Bonuses	5.000	5.500	0.500	From fiscal 2022 through 2026, funding for EXCELS bonuses will increase by 10% over the prior fiscal year.
Child Care Accreditation Support Fund	1.000	1.000	0.000	The Governor shall appropriate at least \$1.0 million beginning in fiscal 2021.
Child Care Incentive Grant Program	0.110	0.121	0.011	From fiscal 2022 through 2030, funding for this program shall increase 10% over the prior year.
Early Childhood Primary Contact	0.090	0.121 ³	0.030	MSDE shall designate a primary contact employee for early child care in the Office of Child Care.
Subtotal	\$11.370	\$12.429	\$1.058	
Total	\$226.229	\$187.901	-\$38.328	

¹Due to local school systems not being able to determine income eligibility for children with family incomes at or below 300% FPG, the full-day prekindergarten formula supported all children enrolled in public prekindergarten programs in fiscal 2023. The fiscal 2024 allowance calculates the formula as detailed in statute, with enrollment including only on children with family incomes at or below 300% FPG.

²Budgeted under R00A02.07.

³Fully or partially supported with general funds.

Source: Department of Budget and Management; Maryland State Department of Education; Department of Legislative Services

Appendix 5
Formula Funding Distributed through the Maryland State Prekindergarten
Grant Program by Local School System
Fiscal 2023-2024

	<u>2023</u> <u>Working</u>	<u>2024 Allowance</u> <u>as Introduced</u>	<u>2024 with</u> <u>Updated</u> <u>Formula*</u>	<u>2023-2024</u> <u>Change with</u> <u>Updated</u> <u>Formula</u>
Allegany	\$3,452,883	\$1,233,011	1,249,884	-\$2,202,999
Anne Arundel	7,799,860	6,829,279	6,713,967	-1,085,893
Baltimore City	25,858,417	20,503,017	20,502,537	-5,355,880
Baltimore	17,071,365	1,204,040	1,155,557	-15,915,808
Calvert	1,963,745	435,221	434,557	-1,529,188
Caroline	2,360,915	2,086,573	2,097,761	-263,154
Carroll	2,070,059	1,556,090	1,553,564	-516,495
Cecil	3,422,726	2,682,786	2,707,822	-714,904
Charles	5,063,961	4,517,993	4,567,584	-496,377
Dorchester	1,500,997	1,696,762	1,687,188	186,191
Frederick	6,833,704	4,518,145	4,520,620	-2,313,084
Garrett	556,630	633,015	639,624	82,994
Harford	4,901,199	2,554,749	2,530,680	-2,370,519
Howard	5,358,992	1,848,016	1,810,900	-3,548,092
Kent	220,302	240,226	236,267	15,965
Montgomery	12,549,473	5,806,600	5,595,524	-6,953,949
Prince George’s	22,680,915	22,480,561	22,852,674	171,759
Queen Anne’s	1,168,989	315,575	307,293	-861,696
St. Mary’s	3,710,537	3,197,428	3,205,966	-504,571
Somerset	1,380,954	1,588,802	1,618,814	237,860
Talbot	709,646	460,539	440,956	-268,690
Washington	6,963,041	5,367,578	5,316,344	-1,646,697
Wicomico	5,528,009	6,922,566	6,943,145	1,415,136
Worcester	936,033	896,504	885,855	-50,178
Total	\$144,063,352	\$99,575,076	\$99,575,083	-\$44,488,269

*Due to incomplete income wealth data at the time county allocations in the allowance were calculated, a corrected set of allocations is provided. The total amount of statewide prekindergarten formula funding largely remains the same.

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

Appendix 6
Object/Fund Difference Report
Maryland State Department of Education Early Childhood Development

<u>Object/Fund</u>	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u> <u>Appropriation</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23 - FY 24</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	158.00	158.00	174.00	16.00	10.1%
02 Contractual	47.00	58.00	48.50	-9.50	-16.4%
Total Positions	205.00	216.00	222.50	6.50	3.0%
Objects					
01 Salaries and Wages	\$ 13,824,893	\$ 15,598,436	\$ 18,925,862	\$ 3,327,426	21.3%
02 Technical and Special Fees	3,390,658	4,759,015	4,752,442	-6,573	-0.1%
03 Communication	311,362	440,515	493,736	53,221	12.1%
04 Travel	93,229	221,828	83,000	-138,828	-62.6%
06 Fuel and Utilities	44,871	42,511	55,000	12,489	29.4%
07 Motor Vehicles	41,959	35,714	53,056	17,342	48.6%
08 Contractual Services	31,188,201	21,421,093	18,737,045	-2,684,048	-12.5%
09 Supplies and Materials	73,315	95,038	90,000	-5,038	-5.3%
10 Equipment – Replacement	149,075	0	250,000	250,000	N/A
11 Equipment – Additional	20,790	180,125	0	-180,125	-100.0%
12 Grants, Subsidies, and Contributions	591,915,815	511,361,841	397,063,637	-114,298,204	-22.4%
13 Fixed Charges	1,091,095	309,633	1,018,757	709,124	229.0%
Total Objects	\$ 642,145,263	\$ 554,465,749	\$ 441,522,535	-\$ 112,943,214	-20.4%
Funds					
01 General Fund	\$ 124,536,300	\$ 109,060,183	\$ 101,443,695	-\$ 7,616,488	-7.0%
03 Special Fund	26,644,000	200,890,282	161,491,822	-39,398,460	-19.6%
05 Federal Fund	490,964,963	244,515,284	178,587,018	-65,928,266	-27.0%
Total Funds	\$ 642,145,263	\$ 554,465,749	\$ 441,522,535	-\$ 112,943,214	-20.4%

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary adjustments budgeted within the Department of Budget and Management.

Appendix 7
Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY 22 Actual</u>	<u>FY 23 Wrk Approp</u>	<u>FY 24 Allowance</u>	<u>Change</u>	<u>FY 23 - FY 24 % Change</u>
04 Division of Early Childhood	\$ 88,374,432	\$ 85,018,259	\$ 77,566,599	-\$ 7,451,660	-8.8%
10 Division of Early Childhood Development	0	0	0	0	0%
06 Prekindergarten Expansion	26,644,000	170,707,352	126,219,076	-44,488,276	-26.1%
57 Transitional Education Funding Program	24,532,104	47,427,930	48,734,452	1,306,522	2.8%
58 Head Start	2,947,251	3,000,000	3,000,000	0	0%
59 Child Care Assistance Grants	499,647,476	248,312,208	186,002,408	-62,309,800	-25.1%
Total Expenditures	\$ 642,145,263	\$ 554,465,749	\$ 441,522,535	-\$ 112,943,214	-20.4%
General Fund	\$ 124,536,300	\$ 109,060,183	\$ 101,443,695	-\$ 7,616,488	-7.0%
Special Fund	26,644,000	200,890,282	161,491,822	-39,398,460	-19.6%
Federal Fund	490,964,963	244,515,284	178,587,018	-65,928,266	-27.0%
Total Appropriations	\$ 642,145,263	\$ 554,465,749	\$ 441,522,535	-\$ 112,943,214	-20.4%

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary adjustments budgeted within the Department of Budget and Management.