

**R00A99**  
**Early Childhood Development**  
Maryland State Department of Education

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$67,985	\$71,379	\$69,806	-\$1,573	-2.2%
Federal Fund	<u>81,364</u>	<u>94,538</u>	<u>93,777</u>	<u>-761</u>	<u>-0.8%</u>
<b>Total Funds</b>	<b>\$149,349</b>	<b>\$165,917</b>	<b>\$163,582</b>	<b>-\$2,334</b>	<b>-1.4%</b>

- The fiscal 2009 allowance is \$2.3 million less than the fiscal 2008 working appropriation due to a transfer of \$2.3 million for a child care tracking system, a decrease in Mandatory and Matching Child Care funds, and offsetting personnel cost growth.
- The underlying fiscal 2009 budget change, absent health insurance and Other Post Employment Benefits funding which distorts year-to-year comparisons, is -\$3.2 million, or -1.9%.

***Personnel Data***

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	194.00	195.50	194.50	-1.00
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>195.00</b>	<b>196.50</b>	<b>195.50</b>	<b>-1.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	12.12	6.23%
Positions Vacant as of 12/31/07	8.80	4.50%

- Regular positions are reduced by one in the fiscal 2009 allowance. The abolished position was a childcare licensing specialist.
- Contractual full-time equivalents are unchanged from the fiscal 2008 working appropriation.

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

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## *Analysis in Brief*

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### Major Trends

***School Readiness Improves, Some Subgroups Still Lag Behind:*** Although overall school readiness improves across the State, certain subgroups still lag behind, especially limited English proficiency students and those students enrolled in Head Start programs. **The Maryland State Department of Education (MSDE) should comment on the difference in readiness levels for children in different subgroups and for children enrolled in different types of child care programs, particularly in Head Start programs, prior to entering kindergarten. The agency should also comment on any attempts to increase readiness in those local school systems below the stated goal of 75% fully ready by this year.**

### Issues

***MSDE Reports on Access and Availability of Child Care:*** John Spears and Merve Gurlu of Towson University RESI Research & Consulting prepared a report for MSDE titled, “*Subsidy Enrollments among Accredited Child Care Providers in Maryland.*” This report, submitted to the General Assembly in November 2007, found that families enrolled in accredited providers tend to be less impoverished than those enrolled in non-accredited providers. **MSDE should comment on the usage of non-accredited subsidy providers among the neediest families.**

### Recommended Actions

1. Adopt narrative requesting a report on increased reimbursement rates for Child Care Subsidy Program.

### Updates

***Congress Reauthorizes Head Start Program:*** H.R. 1429, passed in both houses of the United States Congress in November 2007, reauthorizes the federal Head Start program. There were changes made in both eligibility requirements and requirements for teachers in the classrooms.

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***Operating Budget Analysis***

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**Program Description**

Chapter 585 of 2005 transferred the Child Care Administration from the Department of Human Resources (DHR), effective July 1, 2005, and mandated the establishment of the Division of Early Childhood Development (DECD) in the Maryland State Department of Education (MSDE). In February 2006, the Purchase of Care Program (POC), which provides financial assistance to low-income families for child care, was transferred from DHR to MSDE by executive order. MSDE is responsible for the budgetary and operational dimensions of the program, which MSDE has designated the Child Care Subsidy program. DHR continues to provide eligibility screening and payment processing through local departments of social services. The Governor also transferred the administration of the Maryland Child Care Resource and Referral Network (MCCRRN) and the Family Support Center Network from DHR to MSDE in fiscal 2005.

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

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

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

**Performance Analysis: Managing for Results**

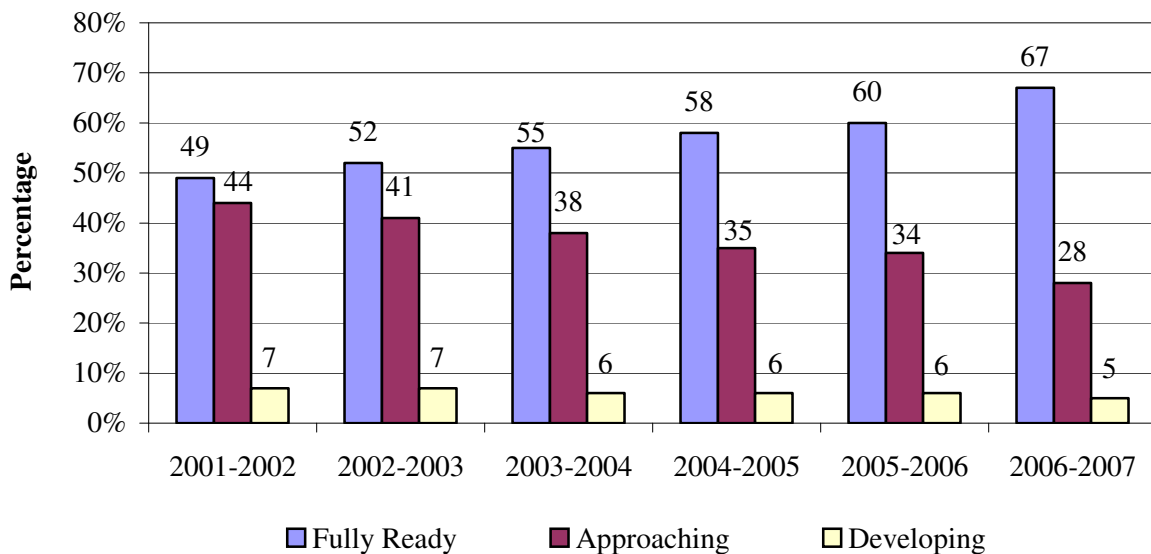
In its Managing for Results report, MSDE includes the goal of improving student achievement. One objective under the goal is that all children entering kindergarten arrive ready to learn. Data to measure progress have been collected by kindergarten teachers through the Work Sampling System (WSS) since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

*R00A99 – MSDE – Early Childhood Development*

Teachers evaluate kindergarten children in the first grading period and report the results to MSDE, which has published an annual report of the results since 2002. WSS is a portfolio-based assessment system, which measures skills in seven learning domains: social and personal development; language and literacy; mathematical thinking; scientific thinking; social studies; the arts; and physical development and health. MSDE reports scores for each domain, as well as a composite readiness score. Results are disaggregated by demographic information and by type of child care prior to kindergarten.

The 2006-2007 school readiness report shows continued increases in the percentage of children entering kindergarten fully ready to learn. As **Exhibit 1** shows, 67% of kindergarteners entered school fully ready to learn, meaning they consistently demonstrate the skills, behaviors, and abilities necessary to meet kindergarten expectations. That is a 7 percentage point increase over the prior school year and a 22 percentage point increase from the 2001-2002 school year when the WSS was first implemented.

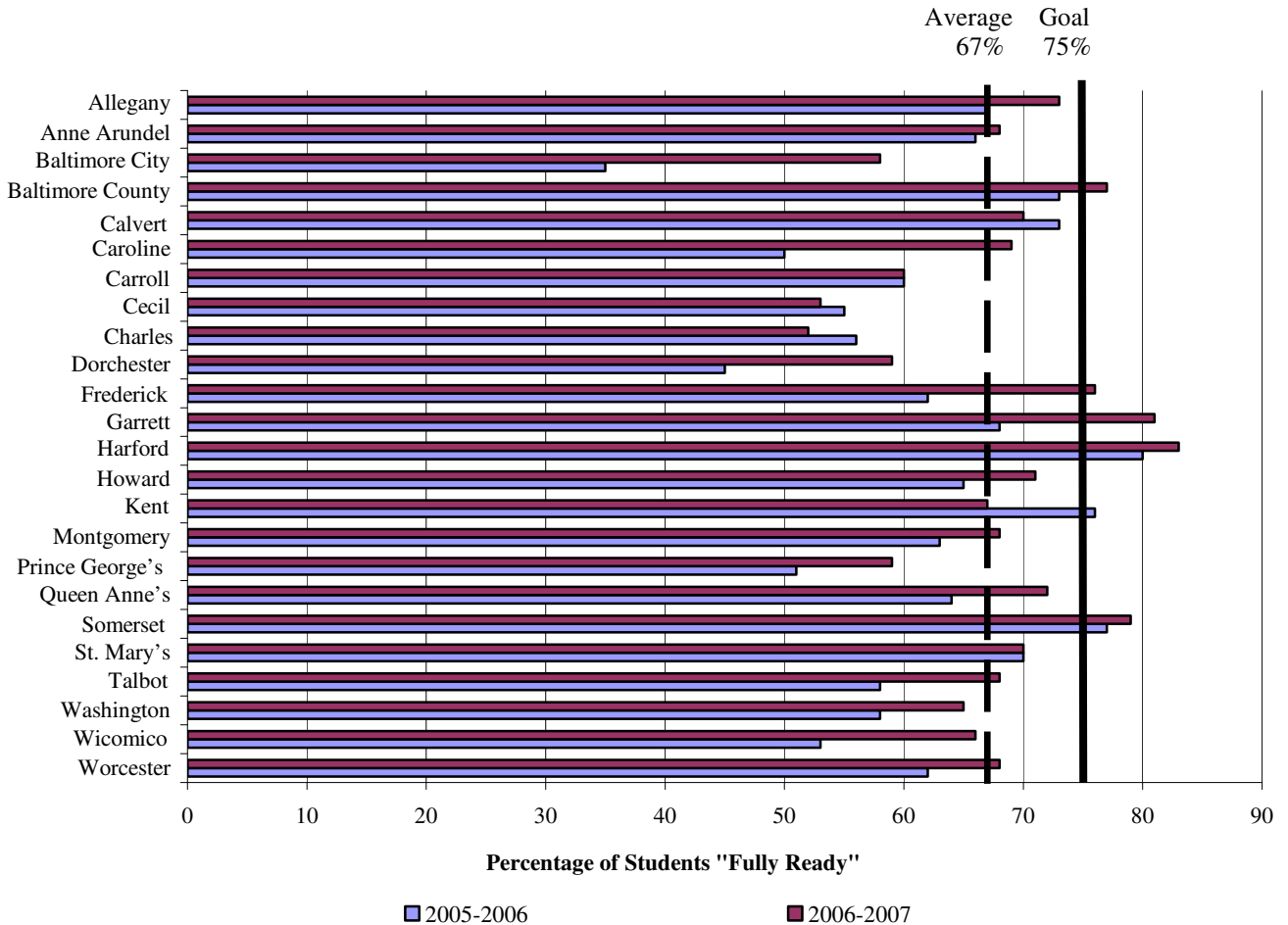
**Exhibit 1**  
**Maryland Model for School Readiness**  
**2001-2002 School to 2006-2007 School**



Source: Maryland State Department of Education

In 2002, the Subcabinet for Children, Youth, and Families established a statewide goal that 75% of all kindergarteners will enter school “fully ready” by the 2006-2007 school year. **Exhibit 2** shows that of the 24 schools systems 15 are at or above the statewide average of 67%, and 18 had increases in the percentage of children entering school ready to learn from the previous school year. Five systems – Baltimore, Frederick, Garrett, Harford and Somerset counties – exceeded the State’s 75% goal, while 5 others were within five percentage points.

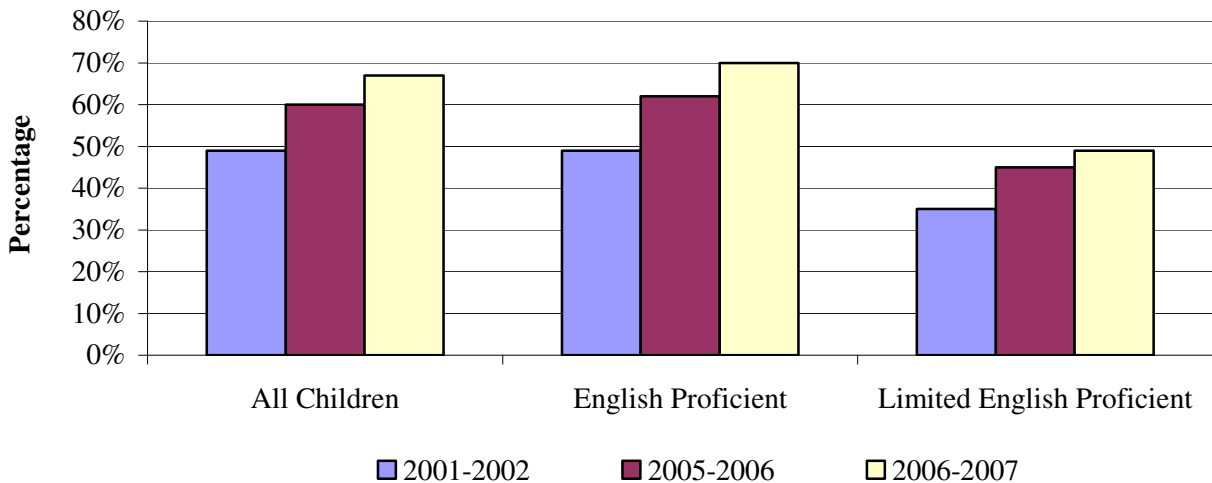
**Exhibit 2**  
**Percentage of Students Entering School Fully Ready by Jurisdiction**  
**2005-2006 and 2006-2007 School Years**



Source: Maryland State Department of Education

Although readiness improved among all subgroups, some continue to lag behind the composite average. Only 49% of students categorized as Limited English Proficient (LEP) students enter school fully ready to learn, while 70% of all other students are fully ready, as shown on **Exhibit 3**. Despite increases, LEP students are still 18 percentage points below the State average, a persistent gap since the 2001-2002 school year.

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

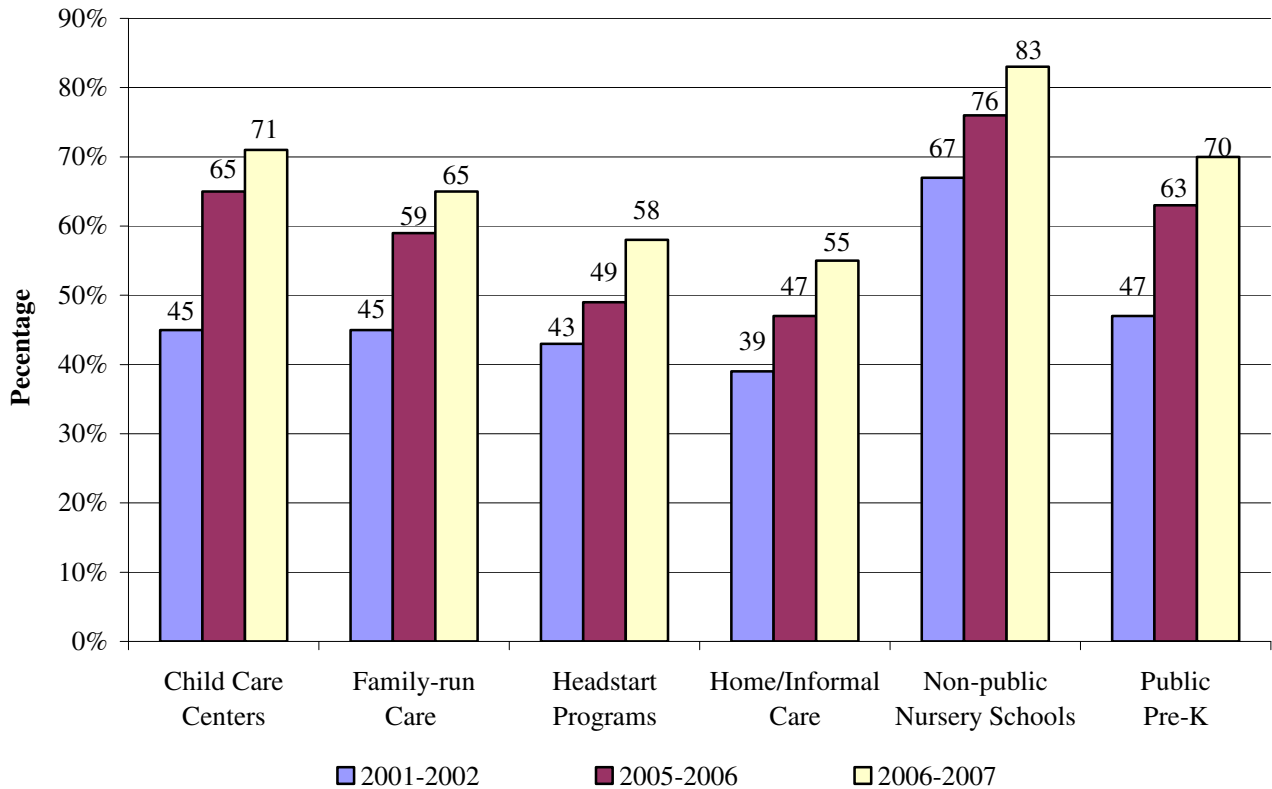


Source: Maryland State Department of Education

The school readiness report also disaggregates results for kindergarteners by their prior early care and education experiences. As **Exhibit 4** shows, children in all types of care demonstrate more readiness for kindergarten in 2007 than they did in the prior school year or since the implementation of the MMSR. In the 2006-2007 school year, a higher percentage of children from pre-kindergarten, non-public nursery schools, and child care centers demonstrated readiness than the 67% statewide average. Children who are not enrolled in an early education program or receive informal child care, and children who are enrolled in a Head Start program, however, are less ready for kindergarten than their peers.

**MSDE should comment on the difference in readiness levels for children in different subgroups and for children enrolled in different types of child care programs, particularly in Head Start programs, prior to entering kindergarten. The agency should also comment on any attempts to increase readiness in those local school systems below the stated goal of 75% fully ready by this year.**

**Exhibit 4  
Readiness by Prior Educational Experience**



Source: Maryland State Department of Education

**Fiscal 2008 Cost Containment**

During the July 2007 Board of Public Works cost containment reductions, the Division of Early Childhood Development’s general fund appropriation was reduced by \$410,000 and one vacant regular position was deleted. The appropriation to evaluate the Early Childhood Mental Health pilot program was deleted. The agency was able to substitute \$167,000 in federal funds to cover a portion the general funds lost.

**Governor’s Proposed Budget**

The fiscal 2009 allowance decreases by \$2.3 million from the fiscal 2008 working appropriation, as shown on **Exhibit 5**. All of the decreases occur in the Division of Early Childhood Development, with general funds accounting for a \$1.6 million decrease. All other programs are unchanged from the fiscal 2008 working appropriation.

**Exhibit 5**  
**Governor’s Proposed Budget**  
**MSDE – Early Childhood Development**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Federal Fund</b>	<b>Total</b>
2008 Working Appropriation	\$71,379	\$94,538	\$165,917
2009 Governor’s Allowance	<u>69,806</u>	<u>93,777</u>	<u>163,582</u>
Amount Change	-\$1,573	-\$761	-\$2,334
Percent Change	-2.2%	-0.8%	-1.4%

**Where It Goes:**

**Personnel Expenses**

Abolished/transferred positions .....	-\$48
Increments and other compensation.....	301
Health insurance – pay-as-you-go costs.....	237
Health insurance – reduced long-term Other Post Employment Benefits liability .....	625
Other fringe benefit adjustments .....	-428

**Other Changes**

Decreases in Child Care Development Block Grant.....	-1,368
Increases in Child Care Development Block Grant for subsidy program.....	8,699
Redirected federal funds for the Child Care Administration Tracking System to Major Information Technology Project in Headquarters budget .....	-2,292
Increase in the Mandatory and Matching Child Care funds.....	608
Decreases in Mandatory and Matching Child Care funds for subsidy program .....	-8,699
Other changes.....	32

**Total** **-\$2,334**

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

## **Personnel**

Personnel expenses had a net increase of \$686,251 due mainly to increases in health insurance cost and Other Post Employment Benefits requirements for the agency. Reductions included the elimination of 1 regular position as part of the 500-PIN reduction required during the special session.

## **Other Changes**

The largest decrease is the reduction of federal funds for the Childcare Administration Tracking System data management program in the Division of Early Childhood Development. The funds for the program were moved to the Major Information Technology Project budget program under the MSDE Headquarters budget to align all major information technology projects within one budget unit.

Changes in federal funds include reductions in the expected federal Mandatory and Matching Child Care funds. However, this decrease was partly offset by a \$7.3 million increase in Child Care Development Block Grants. These funds supplement state funds for early childhood programs for low-income families. Mandatory and Matching Child Care funds are used for child care services on a sliding fee scale basis. Unlike the more discretionary Child Care Development Block Grant, states must ensure that not less than 70% of the total amount of Mandatory and Matching Funds is used to provide child care assistance to families who are receiving assistance under the Temporary Assistance for Needy Families program, families who are attempting through work activities to transition off of temporary assistance programs, and families who are at risk of becoming dependent on temporary assistance programs.

## **Provider Rate Increase**

Fiscal 2008 budget bill language restricted \$3 million in funds to MSDE to be used only to increase reimbursement rates for childcare providers participating in the subsidy program, which had not increased since 2002. An increase in rates went into effect on October 15, 2007. In order to implement new rates, MSDE reports spending \$5.6 million more in payments to providers than in the prior fiscal year. The average increase for providers is \$17.22, from \$287 weekly to \$304 weekly, with higher reimbursements for infants and lower reimbursements for preschoolers and school-age children. Co-payments made by subsidy families also increase by an average of \$2.36 per week, from \$30.14 to \$32.50, which is a 7.8% increase over previous co-pays. MSDE chose to increase co-pays to keep contributions from parents at about 10% of their gross income, reflecting a target in federal guidelines. The fiscal 2009 allowance level funds the Child Care Subsidy Program at \$110.9 million. **MSDE should comment on how the agency plans to fund the increase in rates into the future, and if the rate increase will affect the gross number of families receiving the subsidy.**

## **Unchanged Funding in the Fiscal 2009 Allowance**

The following programs in the allowance are funded at their fiscal 2008 level:

- Both MCCRRN and the Family Support Network are level funded in fiscal 2009. MCCRRN receives \$4.6 million, and the Family Support Center Network receives \$5.3 million in the allowance.
- Judith P. Hoyer programs receive \$10.6 million. The funding provides grants to local school systems for Judy Centers, accreditation support for private early childhood providers, and professional development to support the MMSR/Voluntary State Curriculum.
- Head Start programs for children five years old or younger from low-income families receive \$3.0 million in general funds.

## Issues

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### 1. MSDE Report on Access and Availability of Child Care

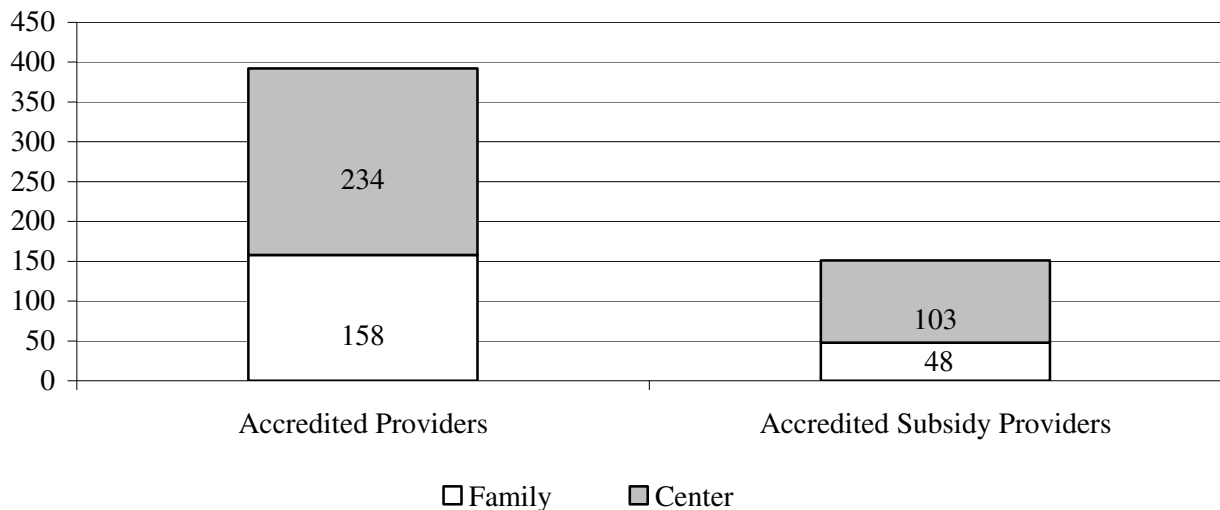
John Spears and Merve Gurlu of Towson University, RESI Research & Consulting, prepared a report for MSDE titled “*Subsidy Enrollments among Accredited Child Care Providers in Maryland.*” This report was submitted to the General Assembly in November 2007.

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

**Exhibit 6** shows the total number of accredited providers and accredited subsidy providers by type. There is a total of 392 accredited providers in the State; however, under half, 151 providers, are subsidy providers. Among the subsidy providers, 68% (103) are child care centers, while 32% (48) are smaller family providers.

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**Exhibit 6**  
**Number of Accredited Providers**  
**2007-2008 School Year**

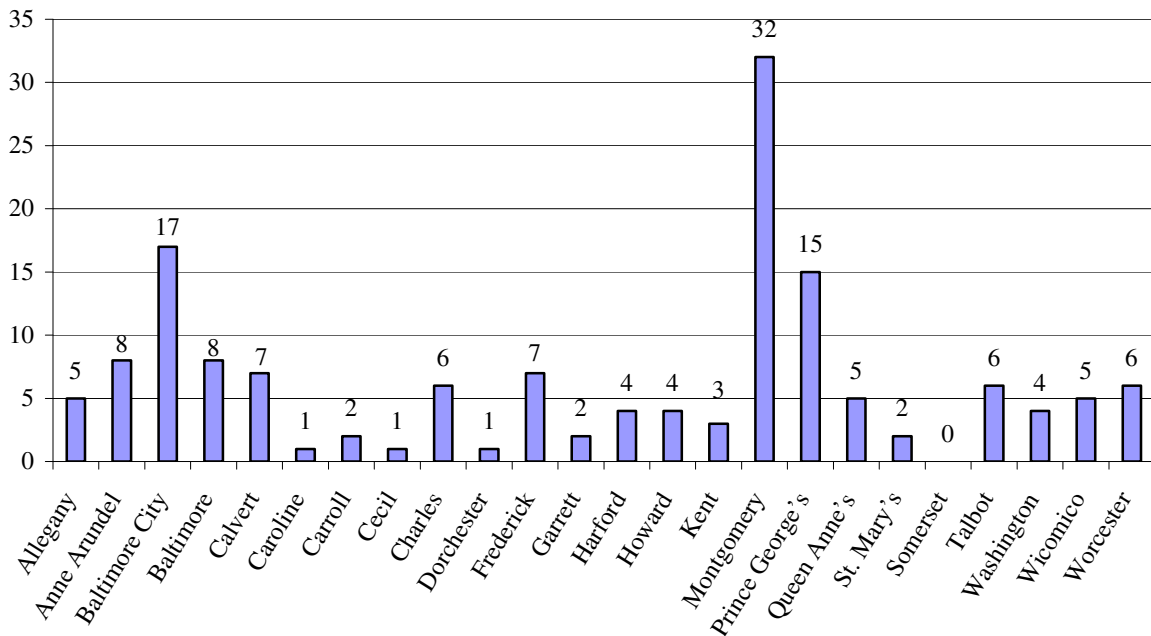


Source: RESI Research & Consulting, Towson University

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**Exhibit 7** shows the distribution of subsidy providers by county. Baltimore City and Montgomery and Prince George’s counties have the largest number of accredited subsidy providers in the State. The less populated and rural counties have fewer accredited subsidy providers. Somerset County is the only county that does not have any accredited subsidy providers.

**Exhibit 7**  
**Number of Subsidy Providers Per County**  
**2007-2008 School Year**



Source: RESI Research & Consulting, Towson University

As of 2007, there are 25,482 children in the Child Care Subsidy Program. Of these children, 1,156 (4.5%) are enrolled in accredited programs. The RESI report found that children in the subsidy program who are enrolled in accredited programs are primarily from families classified as the “working poor,” often single parent families with an employed adult and an annual income at or below 175% of the federal poverty level (earning \$29,990 per year for a family of three). Only 10% of children enrolled in an accredited center, who receive the child care subsidy, are in Maryland’s Temporary Cash Assistance (TCA) program. Eight percent of children enrolled in an accredited family program are also in TCA. The RESI report concluded that families who choose accredited providers are less impoverished than those who do not. **MSDE should comment on the usage of non-accredited subsidy providers among the neediest families and efforts to increase the number of children in accredited programs. MSDE should also comment on the MMSR results for children in the CCS program as they relate to the overall positive MMSR results and whether accreditation of additional programs is expected to have any input on the MMSR results.**

## ***Recommended Actions***

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1. Adopt the following narrative:

**Report on Increased Reimbursement Rates for the Child Care Subsidy Program:** The committees, concerned with the number of accredited child care providers participating in the subsidy program across the State, request the Maryland State Department of Education (MSDE) to submit a report on the number of accredited providers available since the subsidy rate increase went into effect in November 2007. The report should also include the number of children enrolled in programs run by accredited and non-accredited providers.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on accredited child care providers	MSDE	December 1, 2008

## ***Updates***

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### **1. Congress Reauthorizes Head Start Program**

H.R. 1429, passed in both houses of the United States Congress in November 2007, reauthorizes the federal Head Start program. The eligibility level for the program increased from 100% of the federal poverty level to 130%. Congress also authorized \$450 million in additional spending for Head Start programs throughout the country. Lastly, the bill mandates that by 2013, 50% of all of the programs' teachers attain bachelor's degrees.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Early Childhood Development (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$67,962	\$0	\$87,482	\$0	\$155,445
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	62	0	4,798	0	4,860
Reversions and Cancellations	-40	0	-10,916	0	-10,956
<b>Actual Expenditures</b>	<b>\$67,985</b>	<b>\$0</b>	<b>\$81,364</b>	<b>\$0</b>	<b>\$149,349</b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$71,680	\$0	\$94,538	\$0	\$166,218
Cost Containment	-410	0	0	0	-410
Budget Amendments	109	0	0	0	109
<b>Working Appropriation</b>	<b>\$71,379</b>	<b>\$0</b>	<b>\$94,538</b>	<b>\$0</b>	<b>\$165,917</b>

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

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**Fiscal 2007**

Actual expenditures decreased by \$6 million. General funds increased through a cost-of-living adjustment (COLA) for State employees by \$108,126; however, this increase was offset by reductions through cost containment and a redistribution of health insurance allocations due to a State hiring freeze. General fund reversions totaled \$40,166.

Federal funds increased due to carryover from fiscal 2006 from the Child Development Fund, Child Care and Development Block Grant, totaling \$4.8 million. However, this increase was offset by cancellations totaling \$10.9 million.

**Fiscal 2008**

The fiscal 2008 general fund working appropriation was increased for a COLA by \$109,011. However, during the Governor's cost containment measures, the appropriation was reduced by \$410,000 which results in a net decrease of \$300,989.

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	194.00	195.50	194.50	-1.00	-0.5%
02 Contractual	1.00	1.00	1.00	0	0%
<b>Total Positions</b>	<b>195.00</b>	<b>196.50</b>	<b>195.50</b>	<b>-1.00</b>	<b>-0.5%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 12,558,444	\$ 12,657,945	\$ 13,344,196	\$ 686,251	5.4%
02 Technical and Spec. Fees	492,561	61,331	110,254	48,923	79.8%
03 Communication	462,978	375,689	400,067	24,378	6.5%
04 Travel	146,621	160,100	162,620	2,520	1.6%
06 Fuel and Utilities	3,721	0	0	0	0.0%
07 Motor Vehicles	94,918	130,125	226,618	96,493	74.2%
08 Contractual Services	13,321,428	18,916,903	15,287,175	-3,629,728	-19.2%
09 Supplies and Materials	102,149	106,310	105,600	-710	-0.7%
10 Equip. – Replacement	383	0	0	0	0.0%
11 Equip. – Additional	61,551	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	121,390,510	132,632,571	133,069,509	436,938	0.3%
13 Fixed Charges	790,911	875,697	876,327	630	0.1%
14 Land and Structures	-77,397	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 149,348,778</b>	<b>\$ 165,916,671</b>	<b>\$ 163,582,366</b>	<b>-\$ 2,334,305</b>	<b>-1.4%</b>
<b>Funds</b>					
01 General Fund	\$ 67,984,574	\$ 71,378,662	\$ 69,805,778	-\$ 1,572,884	-2.2%
05 Federal Fund	81,364,204	94,538,009	93,776,588	-761,421	-0.8%
<b>Total Funds</b>	<b>\$ 149,348,778</b>	<b>\$ 165,916,671</b>	<b>\$ 163,582,366</b>	<b>-\$ 2,334,305</b>	<b>-1.4%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary**  
**MSDE – Early Childhood Development**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
10 Division of Early Childhood Development	\$ 35,115,983	\$ 41,441,671	\$ 39,107,366	-\$ 2,334,305	-5.6%
57 Transitional Education Funding Program	10,572,838	10,575,000	10,575,000	0	0%
58 Head Start	2,961,996	3,000,000	3,000,000	0	0%
59 Child Care Subsidy Program	100,697,961	110,900,000	110,900,000	0	0%
<b>Total Expenditures</b>	<b>\$ 149,348,778</b>	<b>\$ 165,916,671</b>	<b>\$ 163,582,366</b>	<b>-\$ 2,334,305</b>	<b>-1.4%</b>
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