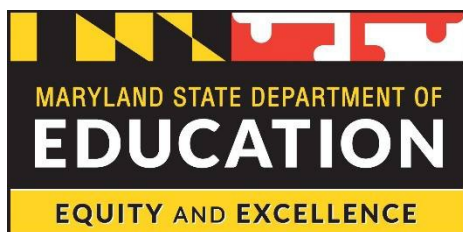

R00A99

MSDE Early Childhood Development

Maryland State Department of Education

Response to the Analyst's Review and Recommendations

House Education & Economic Development Subcommittee –
February 3, 2022
Senate Education, Business & Administration Subcommittee –
February 4, 2022



Mohammed Choudhury
State Superintendent of Schools

The Maryland State Department of Education (MSDE) welcomes this opportunity to share with the Committee some of its success stories and to address questions raised by the analyst.

Fiscal 2022

Over \$500 Million in ARPA Funding Made Available to Support Child Care in Maryland

Child Care Stabilization Grants

Considering the significant amount of one-time federal aid and State funding for child care stabilization grants made available in a short period of time, MSDE should provide:

- **a timeline for distributing \$50 million in additional stabilization grants (contingent on the legislature approving the deficiency appropriation);**
- **a discussion of whether any new uses or stakeholder input on new uses will be considered for stabilization grants supported with State funds;**
- **an explanation for how grants used for ongoing expenses, such as certain personnel costs, will be supported in the future; and**
- **first round grant allocations by jurisdiction and grant allocations broken out by child care centers and family child care providers.**

MSDE Response:

MSDE is prepared to distribute the \$50 million in FY 2022 general funds for additional stabilization grants once the legislature approves the deficiency appropriation, spring 2022. MSDE will elicit stakeholder input regarding the allowable uses of new State funds in preparation for releasing the application in spring 2022. Future funding of childcare stabilization grants is dependent on State and/or federal funding. The table below illustrates the first round of federal stabilization grant allocations by jurisdiction, disaggregated by child care centers and family child care providers.

Child Care Stabilization Grant Distribution - December 2021

PROVIDER COUNTY	CHILD CARE CENTERS	CHILD CARE HOMES	T O T A L
ALLEGANY	\$ 620,500	\$ 588,500	\$ 1,209,000
ANNE ARUNDEL	\$ 8,811,100	\$ 5,113,000	\$ 13,924,100
BALTIMORE	\$ 13,995,530	\$ 8,187,500	\$ 22,183,030
BALTIMORE CITY	\$ 7,208,500	\$ 6,052,500	\$ 13,261,000
CALVERT	\$ 1,463,500	\$ 1,409,500	\$ 2,873,000
CAROLINE	\$ 122,500	\$ 755,500	\$ 878,000
CARROLL	\$ 3,256,500	\$ 1,154,500	\$ 4,411,000
CECIL	\$ 1,123,000	\$ 1,005,500	\$ 2,128,500
CHARLES	\$ 1,905,500	\$ 2,353,000	\$ 4,258,500
DORCHESTER	\$ 174,000	\$ 664,000	\$ 838,000
FREDERICK	\$ 5,014,049	\$ 4,233,500	\$ 9,247,549
GARRETT	\$ 94,500	\$ 174,500	\$ 269,000
HARFORD	\$ 4,218,000	\$ 3,126,500	\$ 7,344,500
HOWARD	\$ 7,147,860	\$ 3,766,500	\$ 10,914,360
KENT	\$ 159,000	\$ 247,000	\$ 406,000
MONTGOMERY	\$ 21,715,491	\$ 10,870,000	\$ 32,585,491
PRINCE GEORGE'S	\$ 10,443,125	\$ 8,672,000	\$ 19,115,125
QUEEN ANNE'S	\$ 458,500	\$ 898,500	\$ 1,357,000
SAINT MARY'S	\$ 1,116,500	\$ 1,544,700	\$ 2,661,200
SOMERSET	\$ 130,500	\$ 244,500	\$ 375,000
TALBOT	\$ 592,500	\$ 507,850	\$ 1,100,350
WASHINGTON	\$ 1,753,000	\$ 1,661,350	\$ 3,414,350
WICOMICO	\$ 1,911,805	\$ 1,285,500	\$ 3,197,305
WORCESTER	\$ 731,500	\$ 265,500	\$ 997,000
Total	\$ 94,166,960	\$ 64,781,400	\$ 158,948,360

Fiscal 2023 Overview of Agency Spending

Blueprint for Maryland's Future Significantly Expands Early Childhood Programs in First Year of Implementation

Implementation Considerations and Formula Funding for the Publicly Funded Full-Day Prekindergarten Program

MSDE should discuss:

- local school systems' ability to collect tiered income data for students in public prekindergarten programs, including whether this data will be available for determining fiscal 2024 formula allocations;

- **whether the prekindergarten formula methodology will change to return to the phase-in schedule outlined in Chapter 36 in fiscal 2024 and beyond, including a timeline for when the prekindergarten formula allocation would not fund all children enrolled in full-day public programs and description for how that transition would occur;**
- **a process for notifying local school systems about changes to the prekindergarten formula methodology, especially concerning the transition to funding tier II students as a percentage of the per pupil amount and ceasing payments for tier III students; and**
- **how the State’s enhancement in fiscal 2023 affects the local share of prekindergarten funding and how the local share for each jurisdiction will be calculated.**

MSDE Response

Income verification for current prekindergarten programs occurs at the local level through program providers. Practices are consistent across both public providers (public schools) and private providers (community-based programs). Providers may use Free and Reduced Meal Program (FARM) eligibility or Direct Certification documentation (Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Foster Care documentation).

As Maryland moves to expand voluntary, public PreK, MSDE will develop and utilize a single application form and process for families to complete for early education and comprehensive services programs. This model streamlines the process for the families so that they can use one form and process for providing proof of documentation of income and assets and can then find out the services for which they are eligible.

MSDE anticipates that the formula methodology outlined in Chapter 36 will return in FY 2024. MSDE will ensure that local school systems are aware of the formula methodology outlined in Chapter 36, and that in FY 2024, the State share of the prekindergarten program will support Tier I students only. The FY 2023 enhancement does not impact the local share of the public prekindergarten program. The local share is calculated based on the formula in Statute.

Personnel Data

ARPA-funded positions are not backfilled with State funding in fiscal 2023.

Considering delays in disbursing child care stabilization grants in fall 2021 due to discontinuing contractual positions that were needed to process applications, MSDE should discuss how it will ensure adequate contractual staffing levels to complete all child care stabilization grant application evaluations and processing, including processing needed for distributing \$50 million in additional stabilization grants proposed in a deficiency appropriation.

MSDE Response

The process MSDE relied upon for the first round of Stabilization grants required new contractual positions to process applications and payments. MSDE did not receive the appropriation for those positions until August. MSDE acknowledges, however, that the Department could have done a better job of anticipating the supplemental appropriation from the moment the State became aware of the program to better build a timely plan and process.

MSDE was eager to improve this process for the second round and, consequently, the Department no longer relies on the contractual positions used for the first round of the grant program. Based on feedback from providers and advocacy groups, MSDE revised its practice for the second round of stabilization grants and will implement lessons learned from the revised practice in future rounds of funding. For example, MSDE's new Office of Grants Administration & Compliance revisited the grant application and proactively issued grant guidance documentations to support the child care community through the application process, systematized fiscal processes and created efficiencies within its finance team and accounting processes, and pre-checked provider information in MSDE's accounting systems to ensure MSDE can quickly process payments for potential awardees.

Issues

One-time Federal Aid Budgeted for Ongoing CCS Programmatic Changes

MSDE should explain how much of the \$81.0 million in supplemental CCDF support it actually expects to spend in fiscal 2022. The department should also discuss whether expanding income eligibility to 75% of SMI and increasing reimbursement rates to the seventieth percentile of market rates would be retroactive to a specific date.

MSDE Response:

MSDE is implementing the planned utilization of the ARP Discretionary funds and expects to spend or obligate the full \$81 million. However, the funding allocated to changing the eligibility and reimbursement rates is based on an estimate of the cost. ARP Child Care funds will be used to increase the income eligibility for families to 70% of the State median income and to increase provider reimbursement rates to the 70th percentile of market rates. The change in rates will be in place for the last quarter of FY 2022.

Potential State Fund Need Is Unknown without Adequate Cost Estimates

MSDE and RESI should provide CCS Program cost and enrollment projections by fiscal year for expanding eligibility and increasing reimbursement rates.

MSDE Response:

The Regional Economic Studies Institute (RESI) estimates the cost for the rate changes to be an additional \$16.8 million in FY 2022 and an additional \$56.3 million in FY 2023. RESI estimates the rate changes to impact 802 children in FY 2022 and 2,392 children in FY 2023.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Child Care Stabilization Grant Awards: Maryland received more than \$500 million in federal aid through the American Rescue Plan Act to support the child care industry and overall early childhood system as the COVID-19 pandemic has greatly impacted these programs. More than half of this funding was allocated for short-term stabilization grants to

child care providers, and a proposed fiscal 2022 deficiency would allocate \$50 million in State funds to distribute additional grants.

The committees are interested in receiving information about how federal aid and State funding have been spent to assist the State’s child care system. The committees request that the Maryland State Department of Education (MSDE) submit a report by November 1, 2022, that provides stabilization grant allocations by jurisdiction, grant allocations by child care program type (child care centers and family child care programs), the number of child care providers that received stabilization grants in each application cycle, and a summary of how child care providers spent the grants across specific uses (i.e., wages for employees, staff bonuses or paid leave, rent, transportation costs for staff, personal protective equipment, and other allowable uses). In the report, MSDE should also discuss any new programs or funding streams that it will administer to support child care programs with personnel retention, recruitment, and operating costs once the stabilization grant term ends.

Information Request	Author	Due Date
Report on COVID-19-related child care stabilization grants	MSDE	November 1, 2022

MSDE Response:
MSDE concurs.

2. Adopt the following narrative:

Early Childhood Data System Modernization Project: Due to the availability of one-time federal funds to aid the early childhood education system in Maryland, the Maryland State Department of Education (MSDE) has redesigned its Child Care Administration Tracking System replacement project to include multiple early childhood data systems. Before September 1, 2022, MSDE, in consultation with the Department of Information Technology (DoIT), should submit a report to the committees including:

- a list of early childhood data systems and early childhood programs that will be affected by this project;
- the federal funding sources for this project with funds from each federal grant shown by fiscal year;
a description of major improvements planned for each early childhood program and benefits to relevant stakeholders;
- specific issues with legacy early childhood systems that will be improved with this major information technology project, including cybersecurity issues like ensuring independent security reviews (particularly System and Organization Controls reviews (SOC 2 Type 2));
- an update on whether any early childhood systems will be integrated to the Maryland Total Human-services Integrated Network; and
- the status of all applications completed or in the process of being completed.

Information Request	Author	Due Date
Report on the Early Childhood Data System Modernization project	MSDE DOIT	September 1, 2022

MSDE Response:

MSDE concurs.

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

, provided that \$10,000,000 of this appropriation made for the purpose of the Child Care Scholarship Program may not be expended until the Maryland State Department of Education submits a report to the budget committees on fiscal 2022 and 2023 funding adequacy in the Child Care Scholarship Program. The report shall include:

- (1) fiscal 2022 year-to-date federal fund expenditures used to expand program income eligibility thresholds and increase reimbursement rates and the amount of federal funds being carried over into future fiscal years;
- (2) total projected costs for fiscal 2022 and 2023 for the Child Care Scholarship program separately identifying costs related to these programmatic changes;
- (3) a discussion of whether these programmatic changes are expected to continue after the one-time federal funding sources are fully expended, including cost estimates for fiscal 2024 and 2025 for these programmatic changes if the changes are expected to continue; and
- (4) if the planned changes are expected to continue, the planned funding sources that would be made available for ongoing program costs after one-time federal funding sources for child care purposes are fully expended. Delete federal funds under the Prekindergarten Expansion Fund as a technical correction for a grant that expired in 2019.

The report shall be submitted by July 1, 2022, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: The fiscal 2023 allowance includes \$10.0 million in new general fund support for the Child Care Scholarship (CCS) Program in a period when the COVID-19 pandemic has caused a significant reduction in enrollment, and additional federal aid has become available to support the State’s child care system. This language requires the Maryland State Department of Education (MSDE) to submit a report providing projected spending and cost estimates related to recent programmatic changes affecting CCS Program expenditures and a discussion of whether these changes are expected to be ongoing.

Information Request

Report on funding adequacy in the CCS Program

Author

MSDE

Due Date

July 1, 2022

MSDE Response:

MSDE concurs.

4. Adopt the following narrative:

Child Care Scholarship Program Quarterly Reports:

The COVID-19 pandemic has led to reduced enrollment in the Child Care Scholarship (CCS) Program, while significant federal aid and State funding has become available for child care programs. The Maryland State Department of Education (MSDE) allocated part of the one-time funding to expand CCS through higher income eligibility thresholds and increased provider reimbursement rates. 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 for COVID-19-related uses listed separately), and general fund spending;
- CCS expenditures disaggregated by federal and State funding used directly for scholarships and funding used 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 by region;
- the total number of children and families receiving CCS per month, including the number of children and families who became eligible when income eligibility thresholds were raised to 65% of the State median income (SMI) and the number of children and families who become eligible once income eligibility is raised to 75% SMI; 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 2022 report, MSDE should include actual data as it related to the CCS Program in the final quarter of fiscal 2022 and aggregate fiscal 2022 data.

Information Request	Author	Due Date
CCS quarterly expenditure reports	MSDE	August 1, 2022 November 1, 2022 February 1, 2023 May 1, 2023

MSDE Response:

MSDE concurs.