
R00A99

MSDE Early Childhood Education

Maryland State Department of Education

Response to the Analyst's Review and Recommendations

House Education & Economic Development Subcommittee –

February 21, 2024

Senate Education, Business & Administration Subcommittee –

February 23, 2024



Dr. Carey Wright
Interim 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.

Analysis: Managing for Results

1. Kindergarten Readiness Assessment Results Improve Slightly Following Pandemic Decline

MSDE should provide an update on KRA evaluation activities requested by AIB and the timeline for submitting the requested report.

MSDE RESPONSE: MSDE required extra time for a thorough analysis and discussion of the report to ensure the best interests of Maryland children. The objective is to identify and address biases, as well as to devise effective strategies for implementing a valid and reliable assessment. The report is attached for your reference.

Dr. Carey Wright, Interim Superintendent of Schools, will provide insights and address the *Maryland Kindergarten Readiness Assessment (KRA): Evaluation of Racial, Cultural, or Linguistic Bias* report during her remarks at the Maryland State Board of Education meeting scheduled for February 27, 2024. Additionally, MSDE commits to sending the finalized report to AIB by the same date, February 27, 2024. We appreciate your understanding as we work diligently to ensure the accuracy and effectiveness of this assessment for our State.

2. Despite Slowing Decline, Child Care Capacity Remains Stagnant Post-pandemic

MSDE should comment on the specific factors contributing to the continued decrease in child care capacity. In addition, MSDE should discuss performance measures that it is collecting and monitoring to evaluate the effectiveness of initiatives like the Growing Opportunities in Family Child Care Program, Maryland Rebuilds grants, child care stabilization grants, and other support to improve child care providers' business practices.

MSDE RESPONSE: Child care capacity involves both the number of licensed providers and the enrollment capacity of the licensed providers. Although the number of family child care homes has declined in Maryland, it is notable that this is a national trend that predates the pandemic. The State's decrease in family child care providers associated with pandemic-related closures and lack of available staff post-pandemic is offset by a 44% statewide increase in child care enrollment capacity within the Child Care Scholarship program. The increases in capacity are aligned with the Department's implementation of Growing Opportunities for Family Child Care (GOFCC), Maryland Rebuilds, Child Care Stabilization Grants, and business practices supports.

In terms of the Child Care Scholarship program, the actual child enrollment data in comparison to the licensing capacity data documents how MSDE's programmatic interventions to stabilize child care have benefited child care programs and low-income and working families.

The goal of the *Growing Opportunities for Family Child Care* (GOFCC) program is to increase the supply and ensure the sustainability of family child care providers in areas with above

average rates of poverty and unemployment. The GOFCC program has achieved promising outcomes. From January 2023 to January 2024, 88 programs have become licensed or registered (with 36 more programs in the pipeline to become registered), 62 new programs enrolled in Maryland EXCELS, with three programs reaching Level 3 within Maryland EXCELS, which is a mark of a quality program. In addition, 58 programs are set up to accept the Child Care Scholarship. All of this was accomplished through the GOFCC training, technical assistance, coaching, business consultation, licensure startup orientation, business sustainability, and quality improvement supports.

The *Maryland Rebuilds* Grants have also supported positive outcomes for the early care and education workforce. MSDE awarded \$14,391,195 in funding to sub-recipients focused on strengthening and expanding the early care and education workforce through innovative approaches such as Early Childhood Apprenticeship / Grow Your Own (GYO) models under the Growing a Highly Effective Child Care Workforce Strategy of the Maryland Rebuilds Grant. MSDE recognizes that a critical element to ensure success for children in child care and early education is a well-qualified and well-compensated workforce. Sub-recipients implementing workforce focused initiatives represent non-profit organizations, institutions of higher education, local education agencies, and private child care providers and have been charged with implementing innovative approaches to grow the pipeline of child care providers and other support staff.

Recipients are currently involved in the project implementation phase and final project outcomes will be reported in June 2024. Several notable outcomes have been documented thus far with one recipient attaining Maryland Department of Labor registered apprenticeship status for a first in the State Family Child Care Apprenticeship Program, launched in January 2024. Another recipient is on the path to becoming an early childhood registered apprenticeship program. This recipient has a scheduled March 2024 meeting with the Maryland Department of Labor. These outcomes are significant because when a program achieves registered apprenticeship status, it gains the ability to enhance sustainability by accessing various funding streams at both the State and Federal levels. To reinforce the child care workforce pipeline, almost 200 early childhood educators have participated in Maryland Rebuilds funded workforce initiatives to gain new credentials and degrees as well as access on-the-job learning opportunities.

In addition, the *Child Care Stabilization Grants* supported the early care and education programs to serve children and families amid the COVID-19 pandemic and after, preventing the permanent closure of many child care programs across the State. MSDE also addressed the instability of the child care market as a whole. These funds were a critical step to pave the way to strong economic recovery and a more equitable future for children and families.

Next, business practices for the early care and education field are provided through multiple avenues and support the sustainability of programs. The Maryland EXCELS Quality Assurance Specialists (QAS) are approved to provide the *Strengthening Business Practices training* for both child care centers and family child care providers and offer the training at no cost to programs participating in Maryland EXCELS. The Strengthening Business Practices training is offered as a train-the-trainer's curriculum series through The National Center on Early Childhood Quality Assurance. In FY2022, the QAS specialists conducted 28 child care center

modules and 50 family child care modules; while in FY2023, 31 child care center modules and 57 family child care modules were conducted.

Maryland Child Care Boost, coordinated by the Maryland Family Network and implemented at three Child Care Resource Centers, is a free program which provides training, intensive coaching, and access to resources and materials to support family child care programs. The goal of the program is to support family child care programs with increasing revenue, reducing administrative burden, and improve upon business administration and operations knowledge and skills. As a result of this training series, participants showed a 79% improvement in business knowledge.

Finally, the Maryland Department of Commerce currently administers the ***Child Care Capital Support Revolving Loan Fund***, with support from MSDE, to provide no-interest loans for capital expenses to child care providers who participate in the MSDE's Child Care Scholarship Program. In FY2023, the program's first year, 67 child care facilities were awarded loans totaling \$11.5 million. These loans support the sustainability and quality of facilities for programs to better serve children and families.

3. CCS Program Customer Service and Application Processing

MSDE should discuss the availability of customer service and application processing measures for the period after presumptive eligibility ends, such as the average length of time before an eligibility determination is made after receipt of a full or renewal CCS application.

MSDE RESPONSE: MSDE has financially invested in the human and infrastructure resources needed to address both CCS programmatic growth and to reduce customer barriers experienced by parents and providers participating in the Child Care Scholarship (CCS) Program. Fifty-six percent (56%) of families who received presumptive eligibility submitted an application for a 52-Week Full Fast-Track Application. The number of families that are determined eligible at the end of the presumptive eligibility period is 63%. MSDE is developing metrics for these services for the FY 2026 MFR submission.

Issues

1. Fiscal 2025 Allowance Includes Cost Saving Measures under the CCS Program Following Significant Fiscal 2023 and 2024 Shortfalls

CCS Program Enrollment Trends and Programmatic Changes

MSDE should comment on the timing of implementing these administrative and information technology changes and their associated costs. Furthermore, MSDE should comment on any additional processing and customer service changes planned within the CCS program.

MSDE RESPONSE: MSDE is excited about the enhancements to the Child Care Administrative Tracking System (CCATS) legacy data system as it is an opportunity to re-engineer the system in a manner that will meet the changing needs of the Agency and provide an increased level of customer service. Smoother payment processes for child care providers and

staff will support the availability of quality early care and education for children and families. MSDE will have the ability to track data more efficiently and accurately at a more granular level. System design will allow for a more efficient process to amend the code to meet changes in Federal and State regulations. These changes are expected to be implemented by fall 2024. MSDE will use the data available through the enhanced system to develop MFR metrics that focus on longer term data elements impacting families’ recertification and the communications and customer service provided during that process.

Fiscal 2023 and 2024 Shortfalls and Fiscal 2025 Spending Forecast

MSDE should comment on a plan and timeline to competitively bid CCS program forecasting services in the future.

MSDE RESPONSE: The contract for the data analysis and forecasting work ends in November 2024. MSDE is currently beginning the process of issuing a new RFP for this work.

Cost Containment Impact on Fiscal 2025 Allowance

Given the significance of copay increases and potential enrollment freezes in managing CCS program costs and resolving the potential \$20 million deficit in fiscal 2025, MSDE should provide detailed savings estimates for increasing copays and implementing an enrollment freeze.

MSDE RESPONSE: The following tables display the savings estimates for implementing copays at various limits in fiscal year 2024, followed by fiscal year 2025.

Fiscal Year 2024

| | Current SFY 2024 Forecast | New Forecast 50% Copay Cap | New Forecast 25% Copay Cap | 50% Copay Cap Expenditure Change | 25% Copay Cap Expenditure Change | 50% Copay Cap Change Percentage | 25% Copay Cap Change Percentage |
|-----------------|----------------------------------|-----------------------------------|-----------------------------------|---|---|--|--|
| Low Scenario | \$358,629,811 | \$330,749,241 | \$334,132,109 | -\$27,880,570 | -\$24,497,702 | -7.8% | -6.8% |
| Middle Scenario | \$392,343,687 | \$359,882,513 | \$363,821,165 | -\$32,461,174 | -\$28,522,522 | -8.3% | -7.3% |
| High Scenario | \$427,813,027 | \$390,532,738 | \$395,056,114 | -\$37,280,289 | -\$32,756,913 | -8.7% | -7.7% |

Fiscal Year 2025

| | Current SFY 2025 Forecast | New Forecast 50% Copay Cap | New Forecast 25% Copay Cap | 50% Copay Cap Expenditure Change | 25% Copay Cap Expenditure Change | 50% Copay Cap Change Percentage | 25% Copay Cap Change Percentage |
|-----------------|----------------------------------|-----------------------------------|-----------------------------------|---|---|--|--|
| Low Scenario | \$383,932,919 | \$331,769,087 | \$338,098,346 | -\$52,163,832 | -\$45,834,573 | -13.6% | -11.9% |
| Middle Scenario | \$444,878,641 | \$384,434,294 | \$391,768,263 | -\$60,444,347 | -\$53,110,378 | -13.6% | -11.9% |
| High Scenario | \$510,153,392 | \$440,840,357 | \$449,250,401 | -\$69,313,035 | -\$60,902,991 | -13.6% | -11.9% |

MSDE RESPONSE: Detailed savings estimate for implementing an enrollment freeze in fiscal year 2024 followed by fiscal year 2025 are in the following tables.

Fiscal Year 2024

| | Current SFY 2024 Forecast | Forecast Estimate w/ Enrollment Frozen at Oct. 2023 Levels | Frozen Enrollment Estimate Expenditure Change | Frozen Enrollment Estimate Change Percentage |
|-----------------|--------------------------------------|---|--|---|
| Middle Scenario | \$392,343,687 | \$379,145,780 | -\$13,197,907 | -3.4% |
| High Scenario | \$427,813,027 | \$398,755,429 | -\$29,057,598 | -6.79% |

Fiscal Year 2025

| | Current SFY 2025 Forecast | Forecast Estimate w/ Enrollment Frozen at Oct 2023 Levels | Frozen Enrollment Estimate Expenditure Change | Frozen Enrollment Estimate Change Percentage |
|-----------------|--------------------------------------|--|--|---|
| Middle Scenario | \$448,878,641 | \$399,783,696 | -\$45,094,945 | -10.14% |
| High Scenario | \$510,153,392 | \$433,790,468 | -\$76,362,924 | -14.97% |

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

MSDE should comment on the impact of this on the implementation of the program.

MSDE RESPONSE: The Maryland Child Care Credential Program does not receive funds in fiscal 2025 as Chapter 36 only required 10% increases in program funding each year through fiscal 2024, and it does not impose a minimum funding requirement for fiscal 2025.

MSDE RESPONSE: As of August 21, 2023, there were 57,584 early care and education (ECE) teachers, including family child care providers, in Maryland. Currently, 18% of all ECE teachers participate in the program, totaling 10,408 teachers. The amount of the bonuses awarded in FY23 was \$2,771,025. This program recognizes ECE teachers for exceeding the requirements of State licensing and registration regulations. The program serves as a career ladder that supports providers to build knowledge and skills from introductory training to advanced-level education. Without funding in FY 2025, Maryland would not be able to provide bonuses to support ECE teachers as they gain more skills and credentials.

Fiscal 2025 Prekindergarten Formula Funding Increases by \$33 Million Compared to the Fiscal 2024 Working Appropriation

MSDE should clarify whether it incorporated the updated definition of Tier I children, as outlined in Chapter 119, into calculation of full-day prekindergarten formula funding in fiscal 2024 or 2025.

MSDE RESPONSE: The updated definition was not a mandate in fiscal year 2024. MSDE included the updated definition of Tier I children, as outlined in Chapter 119, in the calculation of full-day prekindergarten formula funding in fiscal year 2025. The updated definition includes students with disabilities and students whose home language is other than English and whose family annual income is between 300% and 600% of the federal poverty level to be included as Tier I in fiscal year 2025 only.

3. Proposed Prekindergarten Sliding Scale

Considerations Regarding the Proposed Sliding Scale Options

MSDE should comment on:

- **the absence of income tier data for 38% of prekindergarten students, including how it will determine eligibility and the family share of costs for publicly funded prekindergarten for those students;**
- **plans to improve the collection of household income data from families of prekindergarten students;**
- **whether the fiscal 2025 allowance calculates the full-day prekindergarten formula funding level based on the sliding scale Option 4; and**
- **the process and timeline for approval and implementation of the sliding scale methodology, specifying whether this process involves receiving feedback or approval from the General Assembly.**

MSDE RESPONSE: For fiscal 2026, LEAs and private providers will collect household income data from families of prekindergarten students to determine federal poverty level and Tier levels for each child. This data will be reported by the LEAs to MSDE in fall 2024 through the 9/30 enrollment collection process.

For fiscal year 2025, MSDE released guidance stating that families that do not share their income or household size at the time of enrollment, the child will be considered a Tier III student and families will pay the full cost for prekindergarten in the 2024-2025 school year.

MSDE will request approval for the Pre-K sliding scale methodology from the Maryland State Board of Education during the February 27, 2024, meeting. The Sliding Scale is planned to be implemented starting in the 2024-2025 school year. The FY 2025 allowance calculates the full-day prekindergarten formula funding level based on the Sliding Scale Option 4.

4. Child Care Stabilization Grant Awards

MSDE should clarify whether it still intends to make the planned awards and, if so, what funds will support the awards.

MSDE RESPONSE: MSDE does not intend to distribute the awards as originally planned. Therefore, there will be no funds allocated to support these awards.

Grant Expenditures by Use

MSDE should provide the actual expenditures of stabilization grants across all rounds.

MSDE RESPONSE: MSDE does not gather actual expenditure data by spending categories. The percentages presented in Exhibit 15 are derived from the initial round of the American Rescue Plan (ARP) Act of 2021 Child Care Stabilization Fund Grant Application submissions.

MSDE has conducted three rounds of grant fund distributions, totaling \$295.2 million in ARP Stabilization funding, benefiting nearly 5,500 providers.

Operating Budget Recommended Actions

1. Adopt the following narrative:
Child Care Scholarship (CCS) Program Waiting List Proposal: The Maryland State Department of Education (MSDE) indicates that the fiscal 2025 allowance for the CCS program does not incorporate estimated savings resulting from a provision in the Budget Reconciliation and Financing Act of 2024 would authorize MSDE to implement an enrollment freeze under the program. The committees request that MSDE submit a report with the following information:
 - an outline of specific spending or enrollment triggers that would prompt the implementation of an enrollment freeze within the CCS program. These triggers should indicate if they are based on predetermined thresholds or indicators that signify financial constraints or capacity limitations, among others;
 - strategies proposed by MSDE for effectively managing waitlists within the CCS program. These strategies should address how waitlists will be monitored, prioritized, and managed to ensure allocation of subsidies to eligible families; and
 - fiscal 2024 and 2025 year-to-date forecasts from the Regional Economic Studies Institute at Towson University for the CCS program, including estimated savings related to the implementation of an enrollment freeze.

| Information Request | Author | Due Date |
|--|---------------|-------------------|
| Report on plans for a CCS waiting list | MSDE | September 1, 2024 |

MSDE RESPONSE: MSDE concurs.

2. Adopt the following narrative:

Child Care Scholarship (CCS) Program Quarterly Reports: The Maryland State Department of Education (MSDE) has implemented several changes under the 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. These programmatic changes combined with enrollment growth have led to higher CCS program costs and shortfalls in fiscal 2023 and 2024. 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;
- fiscal 2025 year-to-date spending and annualized cost estimates, noting the adequacy of remaining State and federal fund sources;
- the number of scholarships awarded by income eligibility category by month, total expenditures for those scholarships, and average cost per child;
- 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;
- updates on the provider reimbursement rate as a percentile of the market rate, statewide and by region, including the status of the next market rate survey or alternative method allowable under federal law;
- 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; and
- updates on the implementation of an enrollment freeze and changes in copayments, including up-to-date savings estimates.

In its August 2024 report, MSDE should include actual data for the CCS program in the final quarter of fiscal 2024 and aggregate fiscal 2024 data. All reports should provide data on a monthly basis for fiscal 2025 year to date.

| Information Request | Author | Due Date |
|-----------------------------------|---------------|---|
| CCS quarterly expenditure reports | MSDE | August 1, 2024 November 1, 2024 February 1, 2025 May 1, 2025 |

MSDE RESPONSE: MSDE concurs.

DLS recommends adopting committee narrative that requests a report with updates on implementation of any cost containment measures in the CCS program. The report should include spending or enrollment triggers for implementing an enrollment freeze and strategies for effectively managing wait lists. Lastly, DLS recommends adopting committee narrative requesting quarterly reports on CCS program expenditures and enrollment to continue monitoring program costs.

MSDE RESPONSE: MSDE concurs.