

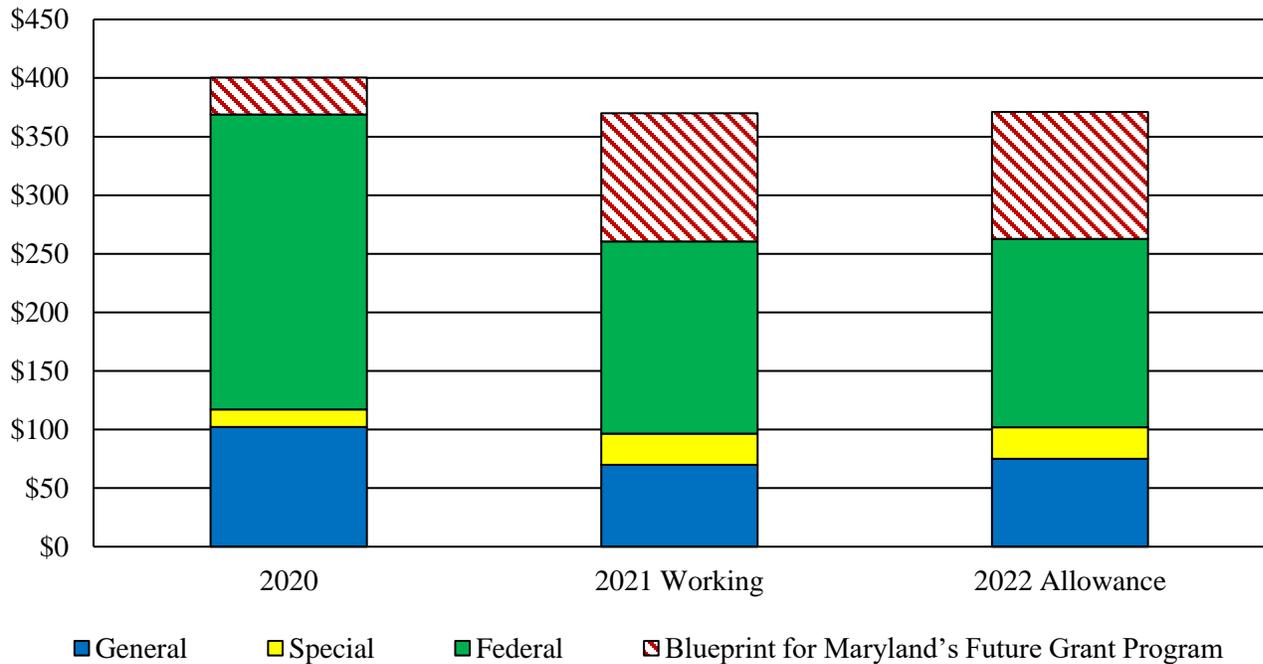
R00A99
Early Childhood Development
Maryland State Department of Education

Executive Summary

The Division of Early Childhood within the Maryland State Department of Education (MSDE) administers programs related to child care and early education including, but not limited to, licensing and credentialing, the Prekindergarten Expansion Grant program, and the Child Care Scholarship program. This analysis discusses funding for early childhood programs under the Blueprint for Maryland’s Future Grant Programs, but the budgeted funds and discussion of the other programs can be found in the MSDE Aid to Education analysis.

Operating Budget Summary

**Fiscal 2022 Spending on Early Childhood Services
Increases by \$1.1 Million, or 0.3%, to \$371.1 Million
(\$ in Millions)**



Note: The fiscal 2021 appropriation includes general salary increases. The fiscal 2022 appropriation includes annual salary reviews and annualization of the fiscal 2021 general salary increases. Funding for early childhood services under the Blueprint for Maryland’s Future Grant Program is assigned to the appropriate fiscal year and is discussed in this analysis, although the funds are budgeted under MSDE Aid to Education.

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Key Observations

- ***COVID-19 Pandemic Causes Closures and Temporary Programs for Child Care Providers:*** On March 27, 2020, all licensed child care providers were ordered to close unless approved by MSDE to serve children of essential personnel starting March 30. MSDE established an Essential Personnel Child Care Program and covered tuition costs for essential personnel during the stay-at-home order. As of December 17, 2020, 13% of providers statewide had not reopened.
- ***Administration Increases Discretionary Support for Early Childhood Programs:*** The fiscal 2022 allowance includes a total of \$108.4 million in special funds from the Blueprint for Maryland’s Future Grant Program that extends prekindergarten supplemental grants for local school systems through fiscal 2022 and expands various Division of Early Childhood programs.
- ***Child Care Scholarship Program Experiences Substantial Spending Growth Due to Ongoing Program Changes:*** Prior to the COVID-19 pandemic, income eligibility and reimbursement rates were increased in short succession while MSDE did not have a data analysis vendor to estimate the budgetary impacts of these ongoing changes. Enhanced federal funding supported the significant expenditure growth until fiscal 2021. The allowance includes \$5 million in State funding to maintain current service levels, raising concerns about sustainability in future years.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Adopt narrative to request a report regarding Blueprint for Maryland’s Future Grant Program spending on early childhood expansion activities.	
2. Adopt narrative to request a report with findings from the new advanced research and data analysis contract entered into with Towson University.	
3. Delete federal funds under the Prekindergarten Expansion Fund as a technical correction for a grant that expired in 2019.	\$ 3,000,000
4. Adopt narrative to request quarterly reports on Child Care Scholarship expenditures and recent programmatic changes.	
Total Reductions	\$ 3,000,000

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Operating Budget Analysis

Program Description

The State’s early child care and education programs are coordinated and administered by the Division of Early Childhood (DEC) within the Maryland State Department of Education (MSDE). DEC is composed of the Office of Child Care, the Early Learning Branch, and the Collaboration and Program Improvement Branch.

Office of Child Care licenses and monitors child care centers and family day care homes in the State, administers the Child Care Scholarship (CCS) program, implements the Maryland Child Care Credential program and manages child care training approval, and administers the State’s quality rating and improvement program, known as the Maryland Excellence Counts in Early Learning and School Age Care program. This program is commonly referred to as Maryland EXCELS.

Early Learning Branch is responsible for publicly funded prekindergarten and kindergarten policies. It oversees the administration of Ready for Kindergarten: Maryland’s Early Childhood Comprehensive System, early childhood curriculum guidance, developmental screening, and professional development.

Collaboration and Program Improvement Branch issues and administers early care grants and contracts, manages collaboration for the federal Head Start program, and administers the Judith P. Hoyer Early Childhood Education Enhancement program.

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

Performance Analysis: Managing for Results

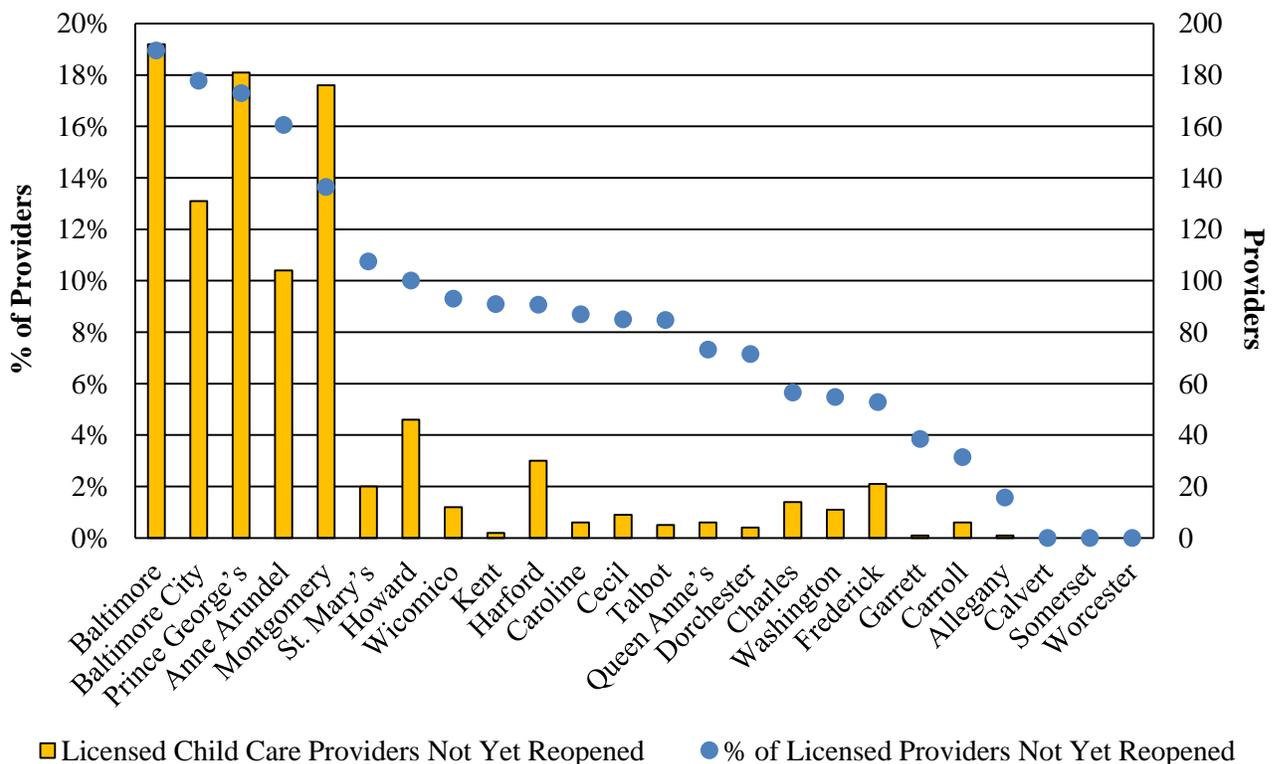
1. Statewide, 13% of Child Care Providers Have Not Reopened Following COVID-19 Pandemic Closures

Prior to the COVID-19 pandemic, child care capacity in Maryland was already declining, with MSDE reporting a reduction of 3,485 slots from fiscal 2015 to 2020. On March 25, 2020, as part of the State’s COVID-19 pandemic response, Governor Lawrence J. Hogan, Jr. issued an executive order authorizing the State Superintendent of Schools to close all licensed child care programs and establish

a program allowing certain providers to remain open only to serve children of essential personnel. MSDE was also permitted to suspend regulations, such as allowing family or friend care in a provider’s home, to aid families in caring for their school-age children while K-12 schools were closed. State Superintendent Karen B. Salmon ordered that all child care providers not approved to serve children of essential personnel were required to close after March 27, 2020. Providers were allowed to reopen beginning on June 10, 2020, as long as the programs met health guidelines and capacity limits.

Exhibit 1 displays the number and percent of licensed child care providers in each jurisdiction that have not reopened as of December 17, 2020, with a total of 978 providers, or 13%, in Maryland remaining closed. Only three jurisdictions (Calvert, Somerset, and Worcester counties) reported that all licensed providers had reopened at that time. County population correlated strongly with the percent of providers remaining closed as the five most populous jurisdictions reported the largest shares of licensed providers not yet reopened. These five counties showed a range of 14% to 19% of providers closed and accounted for 784 providers not operating.

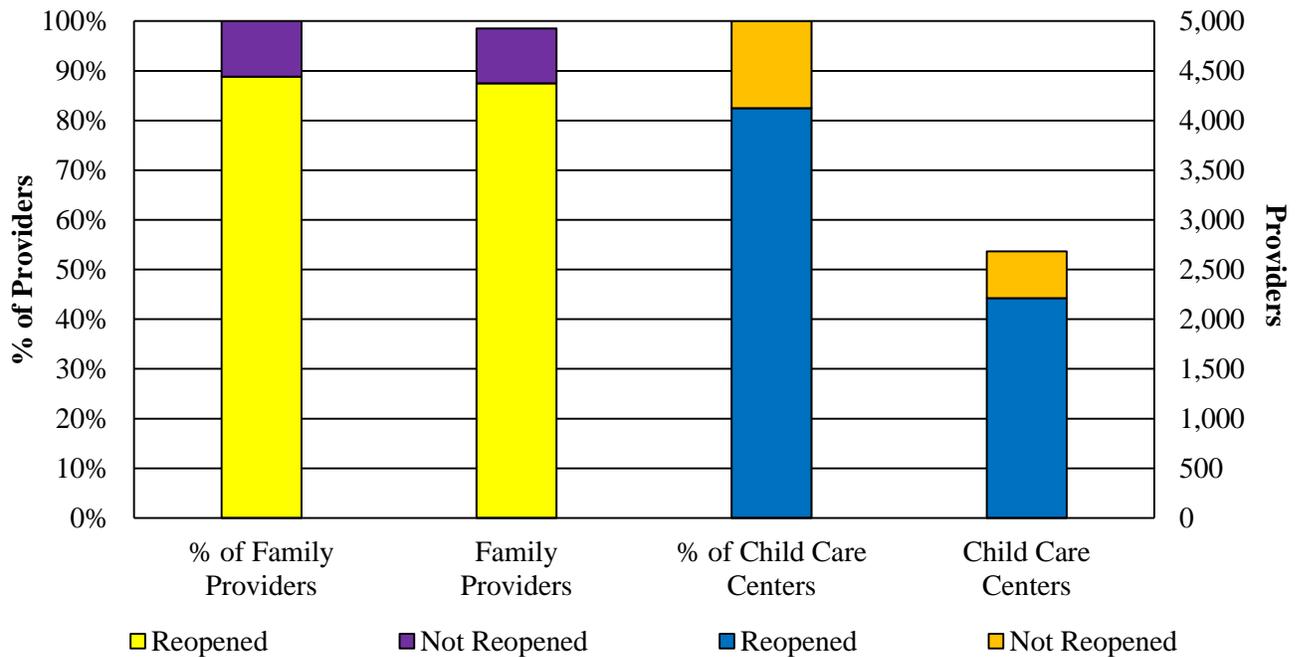
Exhibit 1
Licensed Child Care Providers Not Reopened (by Jurisdiction)
 As of December 17, 2020



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

MSDE indicated that 18% of child care centers were not operating compared to 11% of family child care providers as of November 4, 2020, shown in **Exhibit 2**. In Maryland, licensed family child care providers can serve up to eight children, while child care centers can be licensed for as many children as the space and number of qualified staff allows (with certain required teacher to child ratios enforced). Family child care providers received \$800 grants and child care centers received \$1,600 grants from MSDE upon reopening, up until October 31, 2020.

Exhibit 2
Licensed Child Care Provider Operating Status by Provider Type
As of November 4, 2020



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

From March 27 to October 1, MSDE established capacity restrictions for child care centers as a precaution against COVID-19 outbreaks. As of November 4, when capacity restrictions had been lifted, the State reported 82 more closed family child care programs compared to child care centers, but a larger share of centers were closed. This is concerning as it is not clear how many licensed child care slots are unavailable. Further, the number of providers that have not reopened likely understates the loss in child care capacity as it does not reflect temporary closures due to outbreaks and the limits to centers' capacity when teachers are unavailable due to illness or quarantine.

The department should provide the most recent data available for the current number and percent of providers not operating by jurisdiction. MSDE should also discuss the reasons for licensed child care providers not operating and the strategies it is using to assist providers to reopen.

Fiscal 2020

Child Care Programs for Essential Personnel

Only child care providers serving children of essential personnel, and eventually workers in reopened businesses, were permitted to operate during the statewide stay-at-home order. MSDE rapidly created the Essential Personnel Child Care (EPCC) and Essential Personnel School-age (EPSA) programs to allow child care providers to apply to reopen as EPCC and EPSA sites. While EPCC sites were limited to licensed providers, the department allowed nonprofit organizations to apply to be EPSA sites. **Exhibit 3** shows the timeline for child care provider closures and reopening.

Exhibit 3 Child Care Program Closure Timeline Calendar 2020

March 27	All child care providers were ordered to close
March 30	2,258 child care programs (28.7% of total licensed programs) were approved by MSDE to begin providing services only to children of essential personnel; MSDE paid for child care tuition for essential personnel
April 24	MSDE announced \$800 to \$2,000 grants to EPCC and EPSA sites for cleaning supplies and other pandemic-related expenses
May 16	Approved EPCC and EPSA sites could serve children of parents working for newly reopened businesses; MSDE did not pay child care tuition for these families
June 10	Licensed child care programs were able to reopen as long as they met health guidelines and limited capacity; MSDE stopped paying child care tuition for essential personnel
July 20	Unlicensed EPSA sites were no longer permitted to operate

EPCC: Essential Personnel Child Care
EPSA: Essential Personnel School-age
MSDE: Maryland State Department of Education

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

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Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Maryland received \$45.8 million in supplemental funding from the Child Care and Development Fund (CCDF), supported by the federal Child Care and Development Block Grant (CCDBG). MSDE used this funding to pay for child care tuition for all children of essential personnel from March 30 to June 10, 2020. In fiscal 2020, EPCC and EPSA program costs, including grants for cleaning supplies and other expenses, totaled \$91.9 million. MSDE covered the remaining \$46.0 million with prior year and current year CCDF awards.

Fiscal 2021

Cost Containment

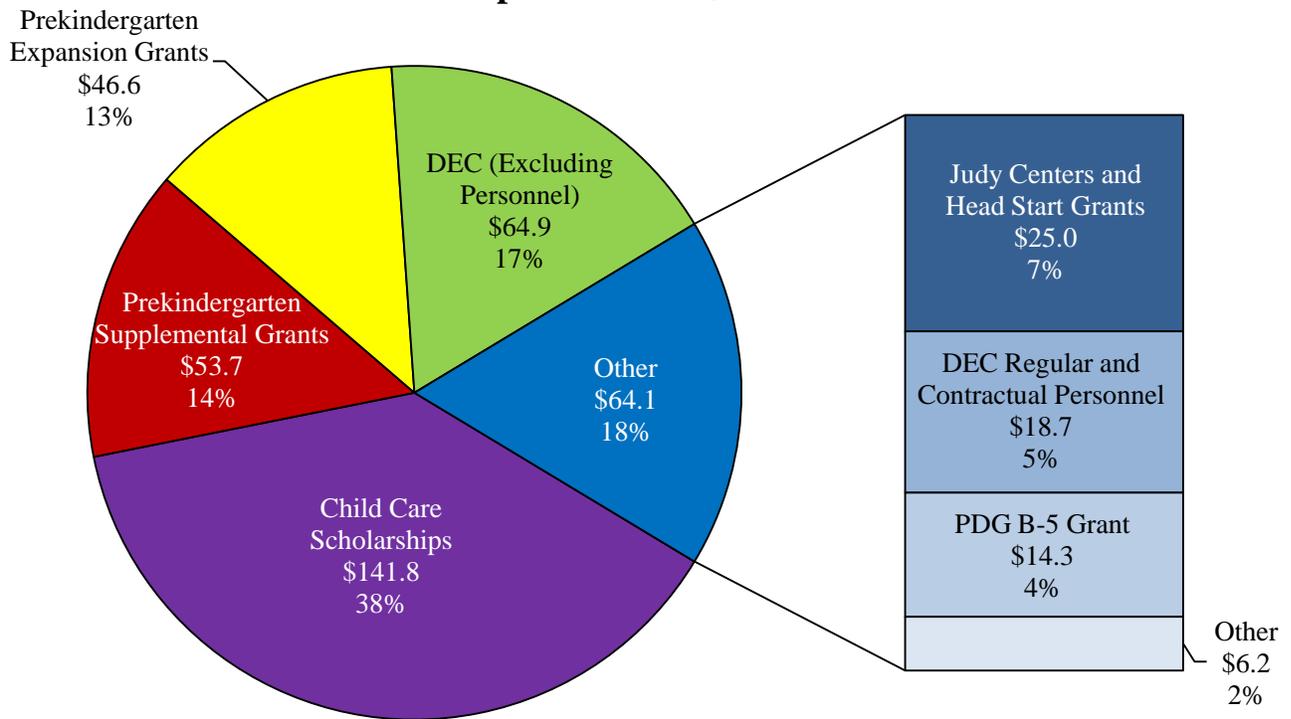
On July 1, 2021, the Board of Public Works approved a \$256,827 reduction from DEC to abolish 1 vacant position and increase turnover. DEC's budget was further reduced by \$37,567 in total funds as part of statewide reductions.

Fiscal 2022 Overview of Agency Spending

Funding in the fiscal 2022 allowance for early childhood services totals \$371.1 million, including \$108.4 million budgeted for early childhood expansion and prekindergarten supplemental grants under the Blueprint for Maryland's Future Grant Program. **Exhibit 4** displays early childhood expenditures under MSDE by purpose. Child care scholarships distributed to eligible families account for the largest share of spending at \$141.8 million, or 38%. A total of \$100.3 million in grants for local education agencies (LEA) and community-based prekindergarten providers account for the next largest share (27%) through a combination of prekindergarten expansion grants and prekindergarten supplemental grants.

Exhibit 4
MSDE – Early Childhood Services
Fiscal 2022 Allowance
(\$ in Millions)

Total Expenditures = \$371.1 million



DEC: Division of Early Childhood
 MSDE: Maryland State Department of Education
 PDG B-5 Grant: Preschool Development Grant Birth through Five

Note: Numbers may not sum to total due to rounding. Includes annualization of fiscal 2021 general salary increases, annual salary reviews, and funding for early childhood services budgeted under the Blueprint for Maryland’s Future Grant Program.

Source: Governor’s Fiscal 2022 Budget Books

Proposed Budget Change

As shown in **Exhibit 5**, the fiscal 2022 adjusted allowance increases by \$2.3 million, or 0.9%, compared to the fiscal 2021 working appropriation. However, when accounting for early childhood funding under the Blueprint for Maryland’s Future Grant Program, the fiscal 2022 allowance is largely level funded with only 0.3% growth.

Exhibit 5
Proposed Budget
MSDE – Early Childhood Development
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2020 Actual	\$102,258	\$14,909	\$251,660	\$368,826
Fiscal 2021 Working Appropriation	69,937	26,644	163,844	260,425
Fiscal 2022 Allowance	<u>75,187</u>	<u>26,644</u>	<u>160,902</u>	<u>262,734</u>
Fiscal 2021-2022 Amount Change	\$5,251	\$0	-\$2,942	\$2,309
Fiscal 2021-2022 Percent Change	7.5%		-1.8%	0.9%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Turnover adjustments.....	\$178
Annualization of fiscal 2021 general salary increase and ASR adjustment.....	140
Employee and retiree health insurance	30
Other fringe benefit adjustments.....	29
Retirement contributions.....	-20
Workers' compensation premium assessment	-29
Salaries and fringe benefits for 2 abolished FTE positions.....	-129
Other Changes	
General fund support for the Child Care Scholarship Program	5,000
Other	90
Rent paid to the Department of General Services.....	20
Child Care and Development Fund appropriation (federal funds), see Issue 1 for further discussion	-3,000
Total	\$2,309

ASR: annual salary review
FTE: full-time equivalent
MSDE: Maryland State Department of Education

Note: Numbers may not sum to total due to rounding. The fiscal 2021 appropriation includes general salary increases. The fiscal 2022 appropriation includes annual salary reviews and annualization of the fiscal 2021 general salary increases. Funding for early childhood services under the Blueprint for Maryland's Future Grant Program is not included.

Early Childhood Programs Supported under Blueprint for Maryland’s Future Grant Program

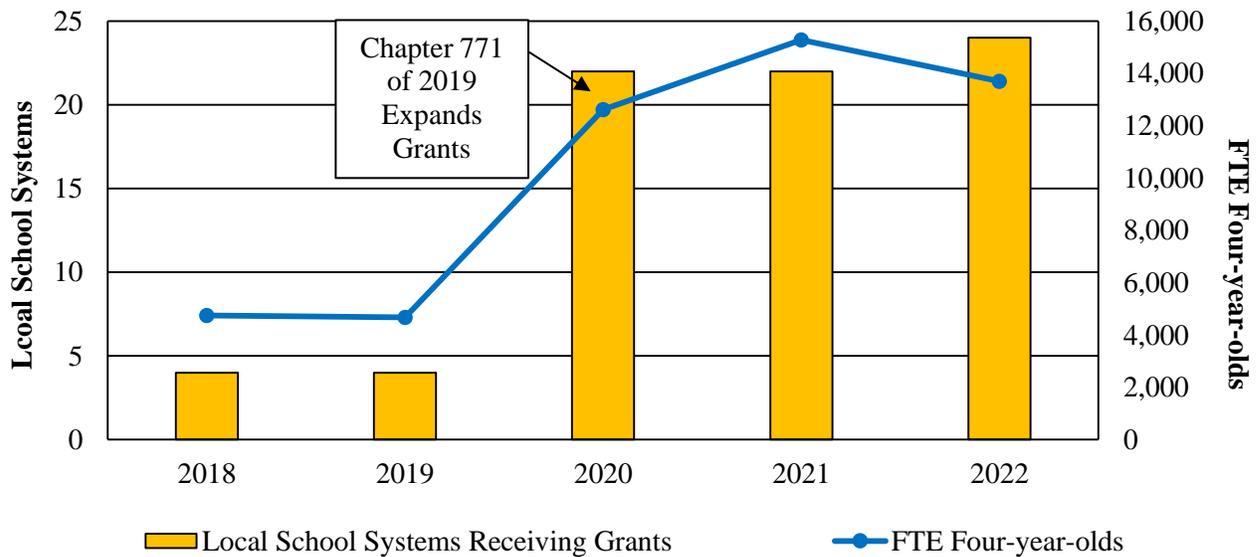
The fiscal 2022 allowance includes \$713.5 million in special funds under the Blueprint for Maryland’s Future Grant Program for a variety of initiatives recommended by the Commission on Innovation and Excellence in Education (commonly referred to as the Kirwan Commission) and for education spending budgeted on a discretionary basis by the Administration. A provision in the Budget Reconciliation and Financing Act of 2021 would expand the allowable use of the Blueprint for Maryland’s Future Fund to include early childhood, primary, and secondary education costs associated with COVID-19. Of the Blueprint Grant funding, \$53.7 million is allocated for prekindergarten supplemental grants, and \$54.7 million is budgeted to expand DEC programs and the Infants and Toddlers program.

Prekindergarten Supplemental Grants

Chapters 6 and 607 of 2017 established supplemental grants from fiscal 2018 to 2020 for local school systems in which all four-year-old students enrolled in public prekindergarten were served in full-day programs. MSDE distributed \$10.9 million in fiscal 2018 and \$16.0 million in fiscal 2019 for supplemental grants across four eligible jurisdictions (Baltimore City, and Garrett, Kent, and Somerset counties).

Chapter 771 of 2020 expanded the grants to other local school systems starting in fiscal 2020 by providing funding based on all eligible four-year-olds enrolled in public full-day prekindergarten, regardless of whether the local school system provided only full-day programs to four-year-olds. The supplemental grants were also mandated to continue to fiscal 2021. As shown in **Exhibit 6**, Chapter 771 allowed for 22 jurisdictions to receive supplemental grants and based the grant awards on a total of 12,613 eligible full-time equivalent (FTE) four-year-olds, an increase of 7,994 students compared to fiscal 2019.

**Exhibit 6
Prekindergarten Supplemental Grants – Enrollment Trends
Fiscal 2018-2022**



FTE: full-time equivalent

Note: Supplemental grant awards are based on the eligible FTE four-year-olds enrolled as of September 30 in the prior fiscal year. For example, the number of FTE four-year-olds shown for fiscal 2022 uses September 30, 2020 enrollment.

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

HB 1300 of 2020 would have again extended the prekindergarten supplemental grants by one year through fiscal 2022, then implemented a new funding formula for four-year-olds and three-year-olds enrolled in public prekindergarten starting in fiscal 2023. Despite the Governor vetoing HB 1300, thereby invalidating the mandate for supplemental grants in fiscal 2022, the allowance includes \$53.7 million in special funds to continue providing supplemental grants. All 24 jurisdictions reported serving eligible four-year-olds at least partially in full-day slots as of September 30, 2020, and will receive fiscal 2022 grants. This reflects an increase of two LEAs compared to fiscal 2021. However, the number of four-year-olds in full-day programs as of September 30, 2020, reflects the impact of the COVID-19 pandemic and school closures on enrollment as LEAs will receive grants for 1,586 fewer FTE four-year-olds even as more jurisdictions become eligible for grants. On February 12, 2022, the Maryland Senate overrode the Governor’s veto of HB 1300 following the House of Delegates overriding the veto on February 8.

Early Childhood Expansion

Similarly to the prekindergarten supplemental grant funding, the Governor was not mandated to spend special funds under the Blueprint for Maryland’s Future Grant Program on DEC programs in

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fiscal 2022 as a result of vetoing HB 1300. **Exhibit 7** reflects how the grants budgeted for early childhood expansion are distributed across DEC programs in fiscal 2021 and 2022 and how these enhancements compare to HB 1300 early childhood provisions.

Exhibit 7
Early Childhood Expansion Spending
Fiscal 2021-2022
(\$ in Millions)

	Working Fiscal <u>2021</u>	Allowance Fiscal <u>2022</u>	HB 1300 Fiscal <u>2022</u>	Allowance – HB 1300 <u>Difference</u>
Prekindergarten Expansion Grant Program	\$20.0	\$20.0	\$0	\$20.0
Judy Centers*				
Enhanced Grants for Existing Centers	\$3.2	\$5.8		\$5.8
Grants for Centers Added in the Prior Year	n/a	2.2	\$2.5	-0.2
Grants for New Centers	2.2	3.3	2.5	0.9
Family Support Centers				
Enhanced Grants for Existing Centers	\$0.4	\$0.4		\$0.4
Grants for Centers Added in the Prior Year	n/a	2.0	2.0	0
Grants for New Centers	2.0	1.2	\$1.0	0.2
Maryland Infants and Toddlers Program	\$2.0	\$4.0	\$3.1	\$0.9
Child Care Quality Initiatives				
Maryland EXCELS – Grant to Johns Hopkins University for Maintenance of Online Systems	\$6.0	\$6.1		\$6.1
Maryland EXCELS – Provider Bonuses			\$5.0	-5.0
Workforce Development Programs	9.7	10.7	10.3	0.4
New DEC Employee to Serve as a Primary Contact for Child Care Providers			0.1	-0.1
Total	\$45.6	\$55.7	\$26.5	\$29.3

DEC: Division of Early Childhood

EXCELS: Excellence Counts in Early Learning and School Age Care

HB 1300: House Bill 1300 of 2020 (Blueprint for Maryland’s Future – Implementation)

*In fiscal 2021, DEC raised Judy Center grants to \$330,000 per center to align with Family Support Center grants. HB 1300 would have required the Governor to establish new Judy Centers with a minimum grant award at the former funding level of \$275,000 per center.

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

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

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As shown in Exhibit 7, the budget includes approximately \$29.3 million in special funds above the amount that HB 1300 would have mandated for early childhood uses. This is mainly due to the Administration budgeting \$20 million in additional funds for the Prekindergarten Expansion Grant program, which offers competitive grants to qualified public and private prekindergarten providers to serve four-year-olds from eligible low-income families and to improve the quality of existing slots. HB 1300 would not have mandated increased funding for these grants but would have modified the program to include low-income three-year-olds in full-day programs and limited grants to expanding full-day programs and converting half-day to full-day programs.

It should be noted that MSDE originally planned to award \$20 million in Blueprint funds in addition to the annual appropriation of \$26.6 million for prekindergarten expansion grants in fiscal 2021 to serve up to 2,000 new students and improve the quality of existing slots through the traditional grant process. Instead, MSDE indicated in a December 2020 response to the 2020 *Joint Chairmen’s Report* that the funds were not being expended in anticipation of possible budget cuts due to the economic crisis. Since then, MSDE has reported that it will use the fiscal 2021 funding to extend current expansion grants to the summer as a way to mitigate the effects of learning loss during the COVID-19 pandemic.

Exhibit 8 reflects other differences between how Blueprint Grant funds are used in the fiscal 2022 allowance versus HB 1300 mandated provisions for early childhood programs. With exception to the funding for Maryland Excellence Counts in Early Learning and School Age Care (otherwise known as Maryland EXCELS), the planned spending in the allowance generally aligns with the Kirwan Commission’s recommendations to expand the programs shown.

Exhibit 8
Differences in Early Childhood Programs Between the Allowance and HB 1300
Fiscal 2022

	<u>Allowance</u>	<u>HB 1300</u>
Judy Centers*	10 new centers, funding for 7 centers added in fiscal 2021, and supplemental grants to existing centers	9 new centers and funding for 9 centers added in fiscal 2021
Family Support Centers	3 new centers, funding for 6 centers added in fiscal 2021, and supplemental grants to existing centers	3 new centers and funding for 6 centers added in fiscal 2021
Maryland EXCELS	Grant to Johns Hopkins University for technical assistance and outreach to participating child care and prekindergarten providers	Bonuses for providers upon publishing in the quality rating system, publishing at a higher rating, and annually for publishing at a level 5

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Allowance

HB 1300

**Workforce
Development
Programs**

Support for teachers earning a CDA, associate, or bachelor’s degrees and for teachers in the Child Care Credentialing program

Establish multiple accreditation programs in statute that currently exist in regulation and mandate funds for these accreditation programs and CDA, Associate, and Bachelor’s degrees tuition assistance programs

CDA: Child Development Associate

EXCELS: Excellence Counts in Early Learning and School Age Care

HB 1300: House Bill 1300 of 2020 (Blueprint for Maryland’s Future – Implementation)

*In fiscal 2021, DEC raised Judy Center grants to \$330,000 per center to align with Family Support Center grants. HB 1300 would have required the governor to establish new Judy Centers with a minimum grant award at the former funding level of \$275,000 per center.

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

MSDE should provide more information on how the \$6.1 million grant to Johns Hopkins University for technical assistance and outreach will be used and how this aligns with the statutory uses of the Blueprint for Maryland’s Future Fund. The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that MSDE submit a report regarding year-to-date spending and outcomes related to the \$55.7 million in special fund appropriation for early childhood expansion in fiscal 2022.

Personnel Data

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 21-22</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	166.00	167.00	166.00	-1.00
Contractual FTEs	<u>33.35</u>	<u>44.00</u>	<u>44.00</u>	<u>0.00</u>
Total Personnel	199.35	211.00	210.00	-1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	14.77	8.90%
Positions and Percentage Vacant as of 12/31/20	4.00	2.40%
Vacancies Below Turnover	10.77	

- This budget data reflects a regular DEC position reduction of 1 FTE from fiscal 2021 to 2022. However, upon review, MSDE and the Department of Budget and Management indicate that 1 additional FTE position was abolished for a total of 2 abolished FTE positions in fiscal 2022. Both positions supported DEC’s regional offices.

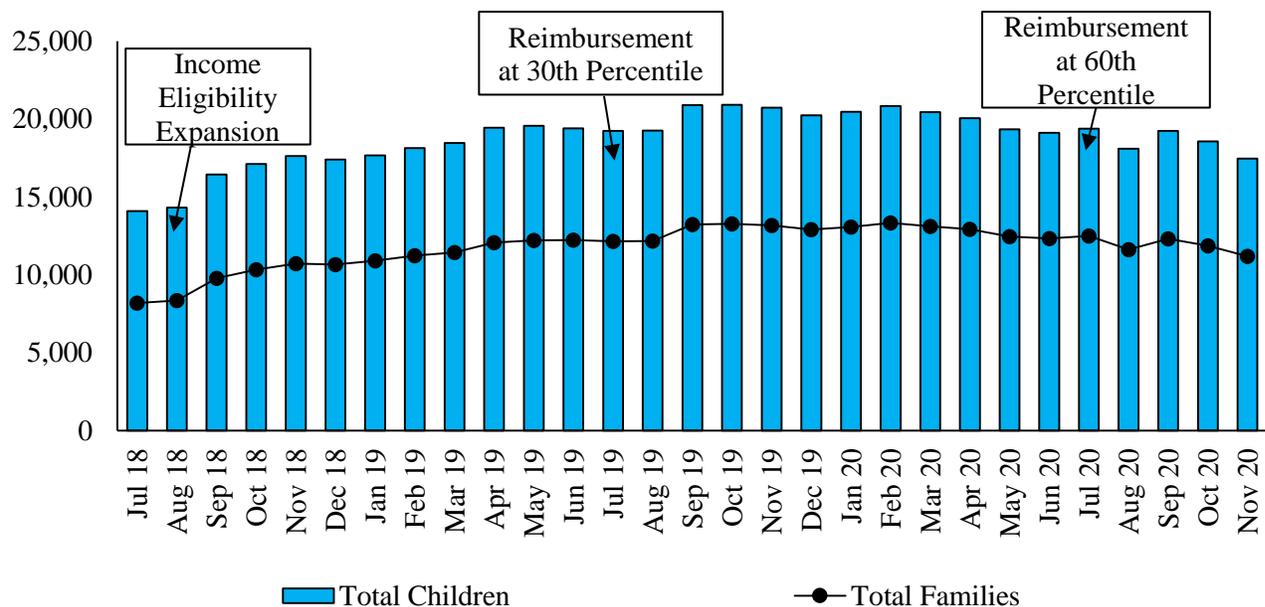
Issues

1. CCS Program Receives Grants Related to the Pandemic as Ongoing Program Changes Cause Substantial Growth in Spending

The CCS program provides financial assistance with child care tuition to eligible low-income families. For each child needing care, participating families receive a voucher that indicates the scholarship rate and the assigned copayment that is determined by household income and region, among other factors. 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.

In recent years, efforts to increase income eligibility and reimbursement rates to providers were put into effect, in part to incentivize more families and providers to participate after multiple years of the program underspending its appropriation. **Exhibit 9** shows the monthly count of children and families receiving scholarships, showing the varying impacts of the following programmatic changes on participation.

Exhibit 9
Unduplicated Count of Children and Families
Receiving Child Care Scholarships Per Month
July 2018 to November 2020



Note: Data from July 2020 to November 2020 is preliminary and may change.

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

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- Effective August 1, 2018, an emergency regulation raised income eligibility levels from approximately 32% to 65% of the 2018 State median income.
- Chapters 563 and 564 of 2018 required MSDE to adjust provider reimbursement rates to meet increasing minimum percentiles of current market rates. At the start of fiscal 2020, reimbursement rates were increased to the 30th percentile.
- Chapters 595 and 596 of 2019 accelerated the mandated reimbursement rate increase so that MSDE was required to increase rates to the sixtieth percentile of current market rates beginning in fiscal 2021. MSDE delayed increasing the provider reimbursement rates from July 2020 to November 2020 due to the fiscal impact of the pandemic and operational delays related to updating the child care information system and simultaneously administering the EPCC program. The new rates eventually took effect November 23, 2020, but retroactively applied to all fiscal 2021 payments.

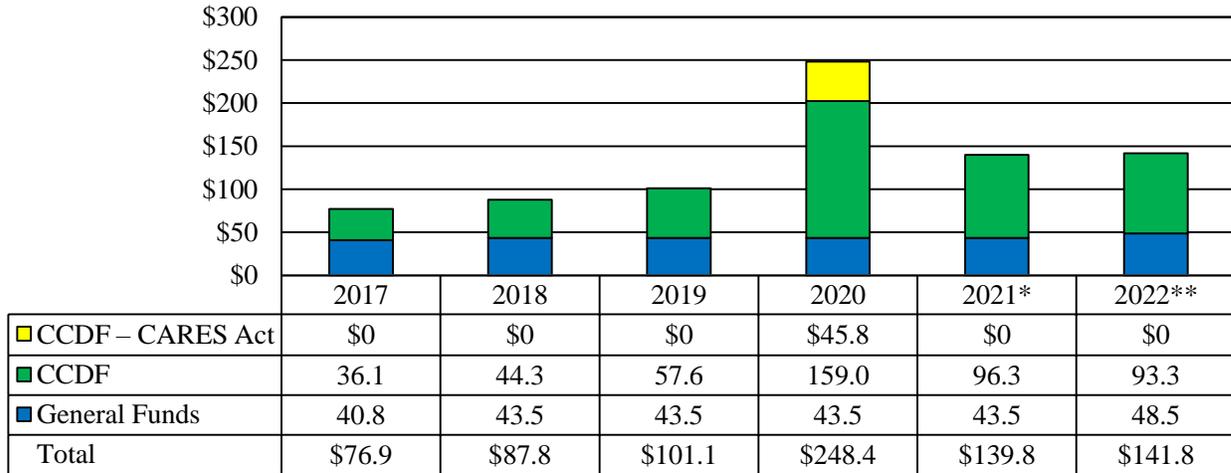
CCS Program Spending Growth

Exhibit 10 reflects how the above program changes made in short succession have contributed to significant growth in CCS program expenditures, which increased by \$64.9 million, or 84.4%, from fiscal 2017 to the fiscal 2022 allowance. Maryland’s annual CCDF award serves as the primary source of funding for CCS and has supported increased program costs up to fiscal 2021. In the fiscal 2022 allowance, the general fund appropriation increases by \$5 million to maintain the elevated income eligibility and reimbursement rates. This is the first increase in State funding for the program since fiscal 2018.

The one-time growth in spending in fiscal 2020 was also associated with the temporary EPCC and EPSA programs and payments for children of essential personnel implemented during the stay-at-home order. These efforts were partially supported with a supplemental CCDF award allocated in the federal CARES Act. Another supplemental award of \$130 million in CCDF was authorized in the Consolidated Appropriations Act of 2021 passed in December 2020. The budget as introduced does not currently reflect this additional federal support. However, the Administration announced in a February 12, 2021 press release that \$60 million of this funding would support a new Child Care Pandemic Relief Grant program. Licensed child care centers and family child care providers will be eligible to apply for grants to address revenue losses and increased operating costs due to the pandemic.

Scholarship expenditures were also higher in fiscal 2020 and will remain escalated slightly into fiscal 2021 because MSDE reimbursed child care providers based on CCS program enrollment, rather than attendance. This strategy was used to provide financial support early in the COVID-19 pandemic to child care providers who had experienced decreased attendance or had limited capacity. It should be noted that payments based on enrollment applied exclusively to children in the CCS program. **MSDE should discuss any other program or regulatory changes that were made while licensed child care providers experienced decreased attendance and/or limited capacity. The department should also describe their preliminary budget plan for how they will spend the remaining \$70 million in supplemental CCDF funding.**

Exhibit 10
Child Care Scholarship Expenditures by Fund Source
Fiscal 2017-2022
(\$ in Millions)



CARES: Coronavirus Aid, Relief, and Economic Security
 CCDF: Child Care and Development Fund

*Fiscal 2021 working appropriation

**Fiscal 2022 allowance

Note: Numbers may not sum to total due to rounding. Excludes CCDF spending for child care quality and administration under the Division of Early Childhood. Fiscal 2022 does not reflect the \$130 million supplemental CCDF award authorized in the December 2020 federal stimulus.

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

Advanced Research and Data Analysis Contract Update

Although MSDE increased CCS program income eligibility and reimbursement rates, the department had not contracted with any vendor or entity for advanced research and data analysis services to project the budgetary impact of these changes. Until fiscal 2021, the spending level for CCS was generally consistent with the State’s increasing CCDF award. The \$5 million in added general funds in fiscal 2022 raises concerns about sustainability as the programmatic changes are ongoing.

MSDE formerly used an interagency agreement with the Regional Economic Studies Institute (RESI) at Towson University for projecting participation and associated program costs. Following the enactment of the federal CCDBG Act, RESI was generally unable to produce accurate estimates, and budget language in the fiscal 2019 Budget Bill restricted funds for this contract from being used on an interagency agreement and required the contract to be competitively bid. As shown in **Exhibit 11**, more

than two years after the original memorandum of understanding (MOU) with RESI terminated, MSDE entered a new MOU with RESI on November 6, 2020.

Exhibit 11
Advanced Research and Data Analysis Contract Timeline

November 2014	Federal CCDBG Act is passed, reauthorizing the block grant and making regulatory changes to the CCS program
Fiscal 2017 to Fiscal 2018	MSDE canceled over \$30 million in federal funds at the close of fiscal 2017 and 2018 combined
February 2018	Enrollment freezes were lifted for the two highest income brackets of eligible CCS program participants
June 30, 2018	MOU with RESI for advanced research and data analysis services expired
June 19, 2019	MSDE brought a competitively bid contract proposal before BPW that was ultimately denied
November 6, 2020	MSDE enters a new MOU for advanced research and data analysis services with RESI that will end in 2023 with two option periods

BPW: Board of Public Works
CCDBG: Child Care and Development Block Grant
CCS: Child Care Scholarship
MOU: Memorandum of Understanding
MSDE: Maryland State Department of Education
RESI: Regional Economic Studies Institute

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

MSDE should explain why it was unable to successfully procure a competitive bid contract for the research and data analysis services and why it entered into a new interagency agreement with RESI. The department should also describe any changes between the MOU that expired at the close of fiscal 2018 and the new MOU that will ensure RESI provides improved participation and cost estimates. Finally, the department should discuss what measures it would take if CCS program costs rise substantially above its appropriation. DLS recommends adopting two pieces of committee narrative requesting that MSDE provide a report with CCS projections for costs and participation developed by RESI and quarterly reports on CCS expenditures.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Early Childhood Expansion Funding: The fiscal 2022 allowance allocates \$108.4 million in special funds from the Blueprint for Maryland’s Future Grant Program to expand early childhood services through prekindergarten supplemental grants, prekindergarten expansion grants, workforce development programs, the Maryland Infants and Toddlers program, and supportive services offered at Judy Centers and Family Support Centers. By December 1, 2021, the Maryland State Department of Education (MSDE) should submit a report to the budget committees that provides year-to-date spending of these special funds by purpose and the number of Judy Centers and Family Support Centers created in fiscal 2022. MSDE should provide information on how the \$6.1 million grant to Johns Hopkins University for technical assistance and outreach was used under the Maryland EXCELS program, including the grantee’s research, evaluation, and recommendations regarding the Maryland EXCELS program overall. The report should also provide the fiscal 2022 prekindergarten supplemental and expansion grant awards by jurisdiction and the number of slots created or improved with the additional funds.

Information Request	Author	Due Date
Report on early childhood expansion spending	MSDE	December 1, 2021

2. Adopt the following narrative:

Child Care Scholarship Program Data Analysis: The Maryland State Department of Education (MSDE) had previously contracted with the Regional Economic Studies Initiative (RESI) at Towson University to conduct advanced research and data analysis to project Child Care Scholarship (CCS) program participation and costs. After more than two years without successfully procuring a competitive bid contract, MSDE has entered a new memorandum of understanding with RESI for the same services. By October 1, 2021, MSDE should submit a report with RESI’s program participation forecast by income bracket. The report should also provide an analysis of how increased income eligibility, increased provider reimbursement rates, and the COVID-19 pandemic (including child care and K-12 school closures) have impacted CCS program participation and expenditures. Finally, the report should discuss any changes to MSDE’s procurement process that would create efficiencies and expand the use of competitive bid procurements over interagency agreements in the future.

Information Request	Author	Due Date
Report on CCS program data analysis	MSDE	October 1, 2021

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- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 3. Delete federal funds under the Prekindergarten Expansion Fund as a technical correction for a grant that expired in 2019. | \$ 3,000,000 FF |
| 4. Adopt the following narrative: | |

Child Care Scholarship Program Quarterly Reports: Recent changes to the Child Care Scholarship (CCS) program, specifically expanding income eligibility and increasing provider reimbursement rates, have substantially increased program participation and expenditures. General fund support for the CCS program increased in the fiscal 2022 allowance for the first time since fiscal 2018. The rapid increase in program expenditures is especially concerning as the Maryland State Department of Education (MSDE) has implemented enrollment freezes in the past due to limited funding availability.

MSDE should report quarterly on CCS expenditures, including the amount from the Child Care and Development Fund (CCDF) being spent that was carried over from prior fiscal years, the amount of newly authorized federal funds, the amount of CCDF funding awarded for COVID-19-related uses, and the amount of general funds. These reports should disaggregate CCDF funding used directly for scholarships and funding used by MSDE Headquarters in support of the CCS program specified by purpose. MSDE should also report quarterly on the provider reimbursement rate as a percentile of the market rate, statewide by region. The reports should include the total number of children and families receiving CCS per month and the number of children and families receiving CCS who are newly eligible as a result of the emergency regulation effective August 1, 2018. Finally, MSDE should provide quarterly updates on whether it is maintaining a CCS waiting list and, if so, which income categories are impacted and how many children are on the waiting list.

In its August 1, 2021 report, MSDE should provide an update on how the CCDF supplemental award allocated through the Consolidated Appropriation Act of 2021 has been spent, how much funding remains, and how the remaining funds will be used. MSDE should provide information regarding the Child Care Pandemic Relief Grant program, including the number of child care providers receiving grants and grant allocations by jurisdiction and by child care provider type. This report should also include actual data as it relates to the CCS program in the final quarter of fiscal 2021 and fiscal 2022 overall.

Information Request	Author	Due Date
CCS quarterly expenditure reports	MSDE	August 1, 2021 November 1, 2021 February 1, 2022 May 1, 2022

Total Federal Fund Reductions	\$ 3,000,000
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Appendix 1
2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Maryland State Department of Education (MSDE) prepare five reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Child Care and Development Fund Accounting:*** Further discussion of the State’s Child Care and Development Block Grant awards and spending can be found in Issue 1 of this analysis.
- ***Early Childhood Expansion Funding:*** Additional information on early childhood expansion funding can be found in the budget section of this analysis.
- ***Family Child Care Involvement in Prekindergarten Expansion:*** MSDE submitted a report by the Family Child Care Alliance of Maryland that found family child care providers participated in State-funded prekindergarten initiatives in nine states as of 2019. The report also discussed benefits from creating family child care networks, such as recruitment and retention of home-based providers and increasing the availability of care for families receiving child care scholarships, and described a pilot family child care hub of providers in Montgomery and Prince George’s counties.
- ***Child Care Scholarship Program Quarterly Reports:*** Further discussion of this data can be found in Issue 1 of this analysis.
- ***Child Care Scholarship Program Data Analysis:*** MSDE reported entering into a memorandum of understanding for Advance Data Research and Technical Services with Towson University on November 5, 2020. This contract is discussed in further detail in Issue 1 of this analysis.

Appendix 2
Child Care Administration Tracking System (CCATS) Replacement
Major Information Technology Project
Maryland State Department of Education

New/Ongoing: New								
Start Date: 3/9/2020					Est. Completion Date: 12/31/2022			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2021	2022	2023	2024	2025	Remainder	Total
FF	\$0.00	\$0.00	\$9.43	\$4.71	\$0.00	\$0.00	\$0.00	\$14.14
Total	\$0.00	\$0.00	\$9.43	\$4.71	\$0.00	\$0.00	\$0.00	\$14.14

- Project Summary:** The CCATS replacement project will modernize the child care information technology system by developing a centralized Early Childhood Data System (ECDS) that will support internal agency staff processes, customer portal services (including eligibility determination and payments for families receiving child care scholarships), licensing, electronic inspections, data analysis, and reporting for all Division of Early Childhood (DEC) programs.
- Need:** DEC is undertaking this project to allow for more efficient case management, to collect and enter data more quickly, and to eliminate multiple system interfacing. DEC reports that it needs a more efficient enterprise system as its existing programs and child care quality initiatives experience rapid growth.
- Observations and Milestones:** DEC will be replacing CCATS with a no-cost copy of an existing child care system code from another state that was developed with federal funding. As of September 1, 2020, DEC secured an agreement with Pennsylvania to receive their code, and an agreement with Colorado is pending for another phase of the project.
- Concerns:** Initial planning documents discussed integration of CCATS onto the Department of Human Services Maryland Total Human-services Information Network (MDTHINK). However, DEC decided not to pursue CCATS migration to the platform due to necessary changes to security that would cost \$1 million, especially considering this new project that replaces the system. The department indicated that the new ECDS system will need a hosting platform, but it has not yet decided whether MDTHINK will serve as the platform or not.
- Other Comments:** DEC has secured enough federal funding through the three-year Preschool Development Grant Birth through Five (totaling \$26.8 million) to support the estimated cost of \$13.5 million for system development and personnel and \$642,857 for oversight.

Appendix 3
Object/Fund Difference Report
MSDE – Early Childhood Development

<u>Object/Fund</u>	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u> <u>Appropriation</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21 - FY 22</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	166.00	167.00	166.00	-1.00	-0.6%
02 Contractual	33.35	44.00	44.00	0.00	0%
Total Positions	199.35	211.00	210.00	-1.00	-0.5%
Objects					
01 Salaries and Wages	\$ 14,986,701	\$ 14,483,221	\$ 14,632,732	\$ 149,511	1.0%
02 Technical and Spec. Fees	2,890,352	3,770,731	3,760,671	-10,060	-0.3%
03 Communication	273,678	440,515	440,515	0	0%
04 Travel	126,463	221,828	221,828	0	0%
06 Fuel and Utilities	22,341	42,511	42,511	0	0%
07 Motor Vehicles	46,007	35,714	35,714	0	0%
08 Contractual Services	11,523,279	19,729,478	19,738,806	9,328	0%
09 Supplies and Materials	52,285	95,038	95,038	0	0%
11 Equipment – Additional	18,510	180,125	180,125	0	0%
12 Grants, Subsidies, and Contributions	337,896,052	220,215,559	222,215,559	2,000,000	0.9%
13 Fixed Charges	990,490	1,089,769	1,109,473	19,704	1.8%
Total Objects	\$ 368,826,158	\$ 260,304,489	\$ 262,472,972	\$ 2,168,483	0.8%
Funds					
01 General Fund	\$ 102,257,522	\$ 69,892,262	\$ 75,086,830	\$ 5,194,568	7.4%
03 Special Fund	14,908,774	26,644,000	26,644,000	0	0%
05 Federal Fund	251,659,862	163,768,227	160,742,142	-3,026,085	-1.8%
Total Funds	\$ 368,826,158	\$ 260,304,489	\$ 262,472,972	\$ 2,168,483	0.8%

MSDE: Maryland State Department of Education

Note: The fiscal 2021 appropriation does not include general salary increases. The fiscal 2022 allowance does not include annual salary review adjustments or annualization of general salary increases.

Appendix 4
Fiscal Summary
MSDE – Early Childhood Development

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
10 Division of Early Childhood Development	\$ 53,521,161	\$ 63,003,281	\$ 63,171,764	\$ 168,483	0.3%
06 Prekindergarten Expansion	47,844,360	29,644,000	29,644,000	0	0%
57 Transitional Education Funding Program	16,083,245	24,825,000	24,825,000	0	0%
58 Head Start	2,993,540	3,000,000	3,000,000	0	0%
59 Child Care Scholarship Subsidy	248,383,852	139,832,208	141,832,208	2,000,000	1.4%
Total Expenditures	\$ 368,826,158	\$ 260,304,489	\$ 262,472,972	\$ 2,168,483	0.8%
General Fund	\$ 102,257,522	\$ 69,892,262	\$ 75,086,830	\$ 5,194,568	7.4%
Special Fund	14,908,774	26,644,000	26,644,000	0	0%
Federal Fund	251,659,862	163,768,227	160,742,142	-3,026,085	-1.8%
Total Appropriations	\$ 368,826,158	\$ 260,304,489	\$ 262,472,972	\$ 2,168,483	0.8%

MSDE: Maryland State Department of Education

Note: The fiscal 2021 appropriation does not include general salary increases. The fiscal 2022 allowance does not include annual salary review adjustments or annualization of general salary increases.