

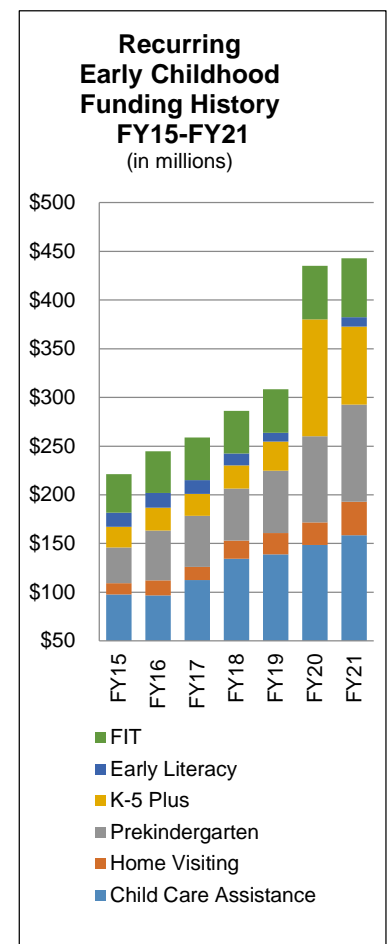
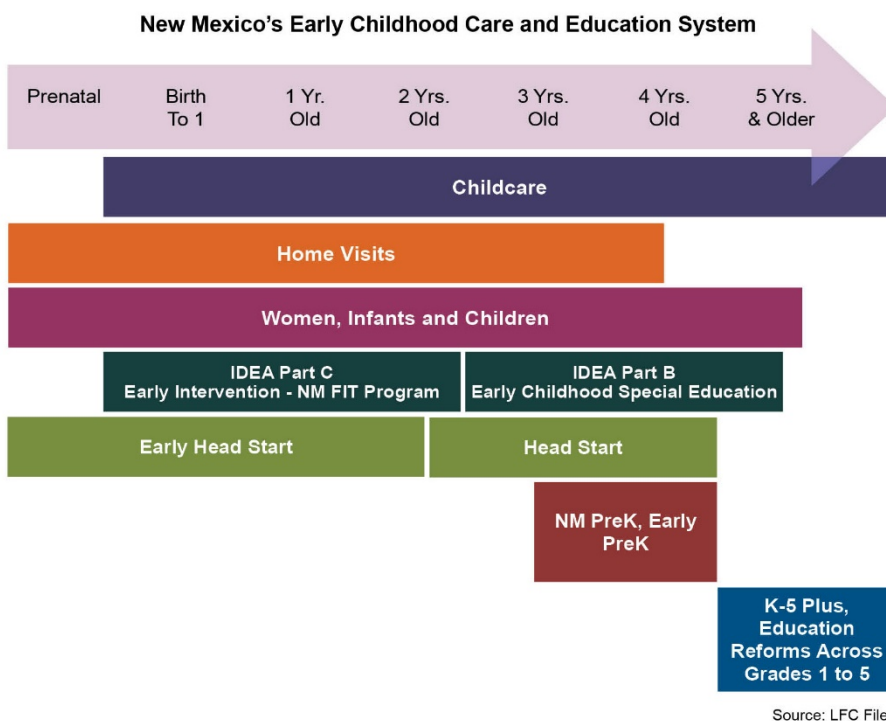
LFC Hearing Brief

Effective on July 1, 2020, the early childhood care and education system is now primarily administered by the newly created Early Childhood Education and Care Department (ECECD). Key programs include childcare assistance, home visiting (intensive parenting education and support), prekindergarten, and the Family, Infant, Toddler (FIT) program. However, some programs still considered part of the early care and education system remain in other state agencies or are directly federally funded, such as the K5-Plus extended school year program, the Women, Infants and Children (WIC) program, and Head Start.

AGENCY: Early Childhood Education and Care Department (ECECD)

DATE: August 27, 2020

WITNESS: Elizabeth Groginsky, Secretary



Creation of the Early Childhood Education and Care Department

The 54th Legislature enacted and the Governor signed Senate Bill 22 (Chapter 48) creating ECECD. The legislation specifies the department must be led by an individual with experience in early childhood education or care programs and requires the office of the secretary include a Native American assistant secretary to represent tribal communities in New Mexico. The law requires the department to enter into agreements with the Children, Youth and Families Department and the Public Education Department to share and maintain confidential information in accordance with state and federal law and work in collaboration to provide services.

ECECD is the lead agency for early intervention programs, including physical development, communications development, adaptive development, social and

emotional development and sensory development programs designed to meet the developmental needs of eligible children.

Finally, among other performance and accountability requirements the law requires the new department to prepare and update a four-year early childhood education and care finance plan to provide to the Legislature and the governor with demographic information on at-risk children, data on the efficacy of early childhood education and care programs, and recommendations for financing the early childhood education and care system.

Early Childhood Funding and Services

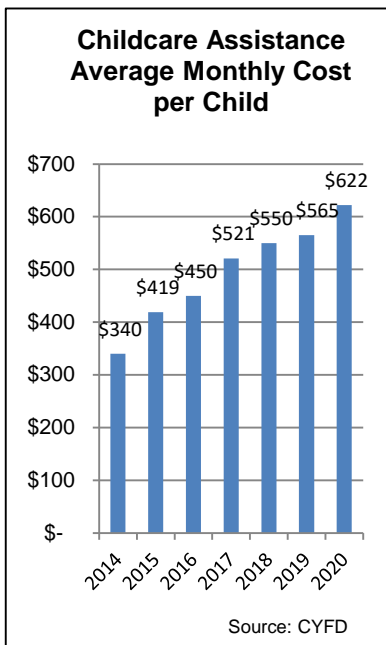
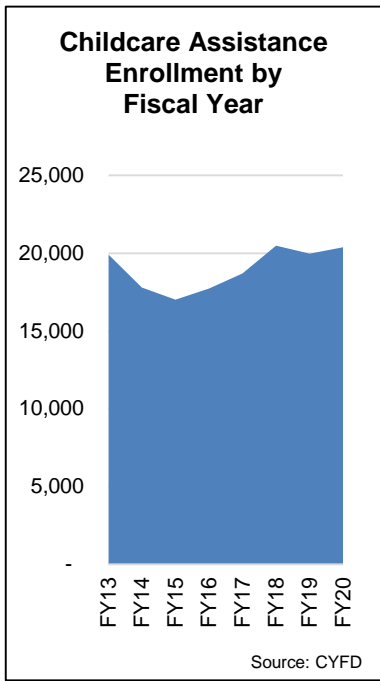
Funding and capacity for early childhood have grown steadily since FY12. In FY12, early childhood spending was \$136.5 million growing to nearly \$450 million in FY21, or 229 percent, not including other federal early childhood programs such as Head Start and Early Head Start, which provides an additional \$73 million. From FY20 to FY21 funding for early childhood programs grew only \$6 million. Childcare assistance and prekindergarten grew nearly \$19 million, but appropriations to the K-5 Plus extended school year program declined \$40 million as a result of the Public Education Department (PED) cancelling the program in the summer for 2020 due to the pandemic.

Growth in funding for childcare assistance, Head Start, prekindergarten and other publically funded services allowed the state to serve nearly 80 percent of 4-year-olds in FY20. Funding in FY21 for prekindergarten increased \$6 million for public schools, serving an additional estimated 850 four-year-olds (See attached capacity estimate chart).

The state increased the reimbursement rate for prekindergarten in FY20 by nearly \$600 per child, or nearly 9 percent, and mandated the increase be provided in teacher compensation. This increase was not contemplated by the legislature during the appropriations process and consequently reduced service levels expected for FY20. However, increases in appropriations in FY21 should increase prekindergarten an estimates additional 850 4-year-olds. With capacity to serve about 80 percent of 4-year-olds with some type of publically funded early childhood service, the legislature should consider any increase in early childhood learning programs to focus on early prekindergarten for 3-year-olds or to expand prekindergarten days to match the K-5 Plus extended school year calendar.

Childcare assistance funding has also increased significantly from \$80 million in FY12 to \$158 million in FY21. Childcare Assistance provides an opportunity for low-income families to work or go to school. In FY21, New Mexico is projected to serve over 20 thousand children up to age 14. The program subsidizes the cost of childcare for families with incomes up to 200 percent of the federal poverty level (FPL). Beginning January 2019, all participating families at 200 percent of the FPL receive automatic assistance, an increase from 150 percent in recent years. There is some discussion among communities and policy makers about increasing eligibility above 200 percent of the FPL, however there is little analysis regarding those who are already eligible and not enrolled.

Prior to the pandemic, when many childcare providers closed temporarily reducing capacity, increased eligibility did not result in significant enrollment changes. Childcare Assistance enrollment grew about 2 percent, from an average monthly enrollment of 19,977 to nearly 20,376 thousand between FY19 and FY20. Increased provider rates at the highest levels of quality care continue to drive



spending as more providers qualify for the reimbursement rates for centers with five-stars. Childcare providers qualify as a five star provider by either meeting quality standards in the state’s tiered rating quality improvement system, Focus, or through national accreditation. Provider rates have grown 91 percent from an average monthly rate of \$326 in 2013 to \$622 in FY20. At the current average rate, it will cost \$7.5 million for every 1,000 additional children served. As more providers obtain the highest quality rating, the projected average monthly subsidy will increase.

In addition to traditional care options, one of the greatest opportunities for the state to expand early childhood services is the Medicaid-matched home visiting pilot. Home-visiting programs, available to pregnant women and families with new babies and young children, address maternal and child health issues, support positive parenting practices, and provide access to support services. Home-visiting services are an intensive parenting education program shown to effectively reduce child abuse and improve child health. In many instances, home visits provide the first opportunity to address risk factors that may limit a child’s development. Previous reports on home visits, by providers contracted by the state, show a higher percentage of children in the program receive well-child visits compared with children on Medicaid who do not participate in this program.

In FY20, CYFD contracted for 3,836 families to receive state-funded home-visiting services. To maximize federal revenues and utilize medical providers as the point of referral, ECECD, in collaboration with the Human Services Department, is piloting Medicaid-funded home visits as part of a broader waiver request. The pilot is offering Medicaid-funded home-visiting services in three counties. In FY21, the Legislature appropriated an additional \$3 million, which could leverage up to an additional \$9 million Medicaid revenue. If the state were to expand the pilot to fully leverage this federal revenue, an estimated additional 2,400 families could be served. However, without expanding the waiver to include other home visiting models already established statewide, it is unlikely the state will leverage a significant portion of this revenue in FY21.

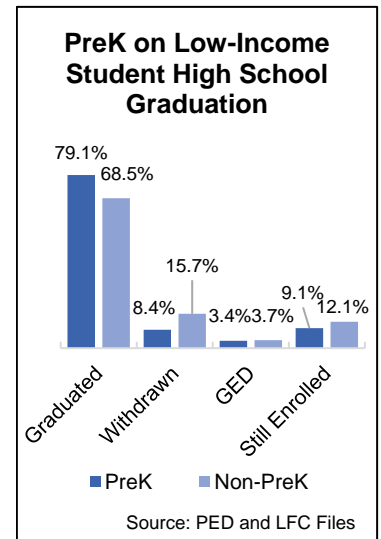
LFC Research on New Mexico Early Childhood Education and Care

A recent LFC evaluation on prekindergarten found prekindergarten programs improve student performance throughout the student’s public school tenure. The 2006 inaugural New Mexico prekindergarten cohort had a four-year high school graduation rate of 80.2 percent, 6.5 percentage points higher than students who did not attend prekindergarten. Gains in graduation rates are even higher – 11 percentage points – for English learners and lower-income children, who attended prekindergarten.

Additionally, prekindergarten reduces chronic absenteeism and the chance a child will be held back a grade, and improves the odds a child will exit special education services. Prekindergarten also provides a positive return on investment for New Mexico taxpayers, with the state earning \$6 for every dollar spent through tax revenue on the higher earnings of participants and reduced social costs. When combined with the K5 Plus extended school year program, outcomes are even better for prekindergarten participants.

A 2019 evaluation of childcare assistance found childcare assistance did not lead to measurable improvement in educational outcomes. The program did lead to positive impacts for family income and child well-being, but these effects occurred regardless of the ranking of the program. While the report found no overall

An 2020 LFC evaluation of prekindergarten found that improving the workforce is key to improving quality. The evaluation reported that students taught by teachers with bachelor's degrees tend to fare better than those taught by teachers with lower credentials. However, only the Public Education Department requires prekindergarten teachers to have a bachelor’s degree.



Purpose of New Mexico Prekindergarten

- Increase statewide access to voluntary, quality New Mexico prekindergarten developmental readiness programs;
- Focus on enrolling new children and building community capacity;
- Provide developmentally appropriate activities for New Mexico children;
- Focus on school readiness;
- Expand early childhood community capacity.

Source: New Mexico Prekindergarten Program Standards 2019-2020

educational impact in either Kindergarten or 3rd grade and no impact of quality on school readiness, it also found some providers did have higher educational outcomes. The evaluation also reported childcare assistance increased family income and utilization of well-child checks and dental visits.

Recently, an LFC evaluation of home visiting services found a higher percentage of children in home visiting receive well-child visits compared to children on Medicaid who do not participate in this program. Evidence-based home visiting programs in New Mexico continue to show a positive return on investment and positive child outcomes.

Finance Plan Requirements

(1) Identification of:

(a) the social, emotional, cognitive, health, educational, safety and other needs and risk factors of children by age and location;

(b) the availability of, cost of and funding for programs that address those needs and reduce those risks by:

- 1) type of program;
- 2) age of program participant; and
- 3) geographic location;

(c) the gaps between those needs and the programs that address those needs and the reasons for those gaps; and

(d) the funding for each of the previous four years for programs that address those needs and reduce those risks;

(2) an evaluation of the early childhood education and care system by service type;

(3) an assessment of whether desired outcomes have been reached for each of the previous four years; and

(4) recommendations for legislation, funding and other changes necessary to improve that system and to close the gaps in those programs.

Early Childhood Taskforce, Financial and Strategic Plan

As required by its enabling legislation, the department is currently developing a strategic and financial plan. The four-year finance plan is to provide the Legislature and governor with demographic information on at-risk children, data on the efficacy of early childhood education and care programs and recommendations for financing the early childhood education and care system. Other requirements of the plans are shown in the sidebar. The agency has initiated planning and some community outreach for the financial plan, but it not expected to be released until the close of 2020.

The enabling legislation also required ECECD to develop several advisory taskforces including representatives of providers, community organizations, employees who reflect the demographics of the current early childhood workforce throughout the state, and representatives of the Legislative Finance Committee and the Department of Finance and Administration. The advisory council is primarily tasked with developing an outcomes measurement plan including goals and objectives with corresponding indicators to measure effectiveness, and developing a workforce development plan to include a career ladder, wage structure and professional development plan. As of September, the taskforce has met twice virtually.

ECECD and COVID-19

During the beginning of the state response to COVID-19, ECECD provided financial incentives for childcare providers who stayed open to provide care. This included both a differential rate per child for childcare facilities that remained open and paying for children to attend an alternative provider if their initial childcare provider closed, and several other emergency orders. In addition, several hundred providers closed due to the public health emergency, the state began paying child care assistance contracts based on enrollment, not attendance to help prevent a collapse of the state's child care industry. While the state was paying based on enrollment, which ended in June, the number of children attending was estimated to be 30 percent of the pre-pandemic level. These policy changes resulted in significantly increased childcare assistance spending in March, April, May, and June. March spending on the public health emergency for child care assistance increased nearly \$1.3 million to waive parent co-pay, \$4.4 million to pay \$250 differential for all contracts in licensed facilities, and \$135.2 thousand to provide child care for health care, first responders, and other essential employees under the at-risk category. This spending is above the average \$11 million to serve nearly 20 thousand children per month. By April, childcare assistance monthly spending rose to \$17.7 million, \$18 million in May, and \$14 million in June. The average spending per month on childcare assistance prior to March in FY20 was \$11.4

million, meaning the state spent \$15.9 million from March through June above expected costs for COVID-19 related activities.

Some of this increased spending was supported by the additional \$29 million in revenues ECECD received from the federal CARES Act. The agency planned spending the following: \$12 million for stabilization grants for child center ranging between \$2,000 to \$34,500, \$8 million for workforce support payments to early childhood teachers which provided \$700 a month for full time employee and \$350 for a part time employee for April, May, and June, and \$8 million to back fill the March and April differential payment given to providers who stayed open.

In addition to the increased spending, ECECD was a leader in helping early childhood providers transition services, create safety protocols, and provide PPE and other essentials to the early childhood system. Their leadership in this area assisted many providers in safely staying open so essential care could be provided, with relatively low infection rates. This operational success should be considered when developing other opening strategies for the state, such as schools.

ECECD was required by its enacting law to convene a one-time advisory council consisting primarily of eligible providers, community organizations, employees who reflect the demographics of the current early childhood workforce throughout the state, employee representatives, and representatives of the Legislative Finance Committee and the Department of Finance. The bill states the department must submit an annual report by December 31 on early childhood programs.