Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Final Report

Annapolis, Maryland

November 2001

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Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Bonnie A. Kirkland, Esq.
Chairman

November 14, 2001

The Honorable Parris N. Glendening
Governor of Maryland

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate

The Honorable Casper R. Taylor, Jr.
Speaker of the House

Gentlemen:

On behalf of the Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education, I am pleased to submit a copy of the commission's final report.

The 25-member commission was established in the fall of 2000 pursuant to Chapter 566 of the Laws of Maryland, 2000. It is charged with examining the costs and availability of funding for early child care and education by: (1) determining the total costs of early child care and education; (2) developing a coherent funding structure for early child care and education in Maryland; (3) reviewing and identifying the sources for any available and potentially available funding from the federal government for early child care and education; (4) reviewing and identifying potentially available public and private funding sources, other than the federal government, for early child care and education; (5) identifying methods for reducing the costs to middle-income parents of early child care and education; and (6) developing a specific plan and time line for implementation of programs developed.

Over the past year the commission has met monthly to discuss how to improve the State's early child care and education system. Through the testimony of national and State experts, members learned of the promising new research that links children's neurological, behavioral, emotional, and cognitive development with quality early childhood experiences. Studies have found that children in quality early childhood programs experience better school readiness for kindergarten; higher grades in elementary school and high school; and higher graduation rates. Such short-term outcomes translate into long-term public benefits, including lower spending on welfare and remedial education, and higher worker productivity and tax revenues. These findings solidify the notion that, in order for the State to successfully prepare children to enter school ready to learn, it must focus its efforts on children during the most developmentally vulnerable time in their lives: ages birth through five.

The commission's recommendations reflect this strong belief that quality early childhood experiences are critical to the future well-being of our children. The recommendations also reflect the commission's findings that, in order for the benefits of quality early childhood experiences to be realized, quality care must be affordable and accessible for all families. For low-income, at-risk children, access to quality early care becomes ever more critical to their success later in life.

Given the fiscal condition of the State, the commission understands that its recommendations may take several years to implement. However, they are just one step forward in the ongoing journey to create a quality, affordable early care and education system. These recommendations and the work of the commission must be complemented by efforts to increase public awareness of the importance of quality experiences for children early in life.

I would like to express my sincere appreciation to my fellow commission members for their time and effort over the past twelve months. Their ongoing attendance and participation inside and outside of meetings stand as a testament to their dedication to making early care and education a priority in Maryland. I would also like to thank the staff of the Department of Legislative Services for their hard work and contributions to the commission throughout the year.

Sincerely,

Bonnie A. Kirkland, Esq.
Chairman

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

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Executive Summary

Commission Charge and Activities

The Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education was established pursuant to Chapter 566 of the Laws of Maryland, 2000. The 25-member commission is charged with examining the costs and availability of funding for early child care and education. Chaired by Bonnie A. Kirkland, the commission represents a diverse array of interests throughout the State, including State legislators, cabinet-level secretaries, nonprofit organizations, private sector partners, university professors, child care providers, and parents.

Since the fall of 2000, the commission has met regularly to meet its charge. The commission heard from national and State experts throughout the field of early child care and education. Also, the commission created three workgroups to examine ways to finance the high cost of providing and purchasing child care. In addition, the commission held a public forum to solicit public comment on early child care and education in this State.

With the current fiscal climate in mind, the commission recognizes its recommendations may take several years to implement. However, they are just one step forward in the ongoing journey to create a quality, affordable early care and education system. These recommendations, and the work of the commission, must be complemented by efforts to increase public awareness of the importance of quality experiences for children early in life.

Quality Early Childhood Experiences Make a Difference in Children's Lives

During a time of limited financial resources and competing budget issues in Maryland, policy makers look to research and evaluation of programs to guide their policy and budget decisions. Thanks to the recent boom in scientific and longitudinal studies on early childhood development, policy makers have the evidence they are looking for. Now, research on early brain development is available to support the demand for greater quality early child care and education. Neurological and behavioral studies have found that children between birth and age five develop the building blocks for future development. They can "exhibit dramatic progress in their emotional, social, regulatory, and moral capacities," given the proper learning environment.

Nationally recognized studies have found five key ingredients to quality early childhood experiences: strong health and safety standards; low student-to-staff ratios and small classes; qualified, well-compensated teachers; proven curricula and learning processes; and meaningful involvement by parents. Children who were in programs with these quality components exhibited better school readiness for kindergarten; higher grades through elementary or high school; higher achievement test scores; fewer special education placements; higher graduation rates; and improved school attendance. Such short-term outcomes can translate into long-term public benefits, including lower crime rates, lower spending on welfare and remedial education, and higher worker productivity and tax revenues.

Building a Comprehensive Early Child Care and Education System

Maryland's system of child care and pre-school programming is a true patchwork of public and private programs. Available services range from child care centers and family day care homes to Head Start and other pre-schools to Even Start and the Infants and Toddlers Program. In theory, these programs provide parents with a range of options for their young children. Yet, they pose challenges to families of all income levels, regions, and particular needs.

The commission believes the State should focus on improving the quality of the current system and making it accessible to all families. By filling gaps in services and taking meaningful steps to encourage quality and accessibility, the State can develop a system of early care and education which will stand as a national model and ensure all Maryland children enter school ready to learn.

Commission Recommendations

1. **Providing Quality Early Child Care and Education**

- **The Departments of Business and Economic Development, Human Resources, and Housing and Community Development should form**
- **Enhance the quality of early care and education by improving the compensation of credentialed child care workers and Head Start teachers. Public funds should be used to close the salary gap between child care/Head Start workers and public school teachers/aides with comparable education and experience.**
- **Subsidize half the cost of a child care worker purchasing health insurance through the small group market program's standard benefit package.**

2. **Making Quality Early Child Care and Education Accessible to Families**

- **Expand eligibility for the State Purchase of Care (POC) subsidy program from 50 percent to 70 percent of the State Median Income.**
- **Reduce the POC co-payment amounts so that no family receiving a POC subsidy pays more than 10 percent of income toward child care. Adjust the co-payment scale so co-payments rise as income grows.**
- **Modify the existing Maryland Dependent Care Credit to increase the cap on credit claimed by families from 32.5 percent to 100 percent of the federal credit.**
- **Provide grants to local entities to address gaps in services and quality. Local jurisdictions would be able to use these grants to support a number of locally pressing needs, determined by the community.**

a task force to determine if the existing range of State programs meets the needs of the child care industry and if there are process issues which are making the programs inaccessible. The State should also explore options to assist small child care businesses through technical assistance, incentives to large corporations to act as mentors, and by expanding the role of the child care resource and referral network.

3. Financing Quality, Affordable Early Child Care and Education

- **Dedicate any increase in federal Temporary Assistance to Needy Families (TANF) or Child Care Development Fund (CCDF) funding to specific activities aimed at improving the quality and affordability of child care. In addition, State agencies should remain vigilant in identifying and pursuing all available sources of federal funding.**

- **Pursue greater flexibility from the federal government in the use of federal dollars for early education and child care.**

- **Since high quality early childhood experiences are linked to cost savings realized from children's long-term success, the commission urges the Governor to adopt early childhood care and education as the highest priority for additional investment.**

- **If any new revenue-generating options are implemented, the State should dedicate a portion of the additional funding to early child care and education efforts.**

- **Establish a tax check-off on income tax returns for early child care and education.**

- **Authorize counties to establish special taxing districts so that local jurisdictions can raise dedicated revenues for early care and education.**
- **Engage the private and nonprofit sectors by:**

  - **establishing/designating an independent State-level, private, nonprofit entity to act as the umbrella organization for coordinating local public-private partnership groups;**

  - **increasing utilization of new and existing partnership programs through increased funding to regional resource and referral centers;**

  - **raising awareness of child care and early childhood education issues among parents and the business community; and**

  - **expanding opportunities for partnerships through the adoption of a pilot matching grant program that would create incentives for employers to provide funds to meet some of the cost of child care for their employees and communities.**

Judith P. Hoyer Blue Ribbon Commission

Charge and Overview

The Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education (the commission) was established in the fall of 2000 pursuant to Chapter 566 of the Laws of Maryland, 2000. The 25-member commission is charged with examining the costs and availability of funding for early child care and education by:

- determining the total costs of early child care and education;
- developing a coherent funding structure for early child care and education in Maryland;
- reviewing and identifying the sources for any available and potentially available funding from the federal government for early child care and education;
- reviewing and identifying potentially available public and private funding sources, other than the federal government, for early child care and education;
- identifying methods for reducing the costs to middle-income parents of early child care and education; and
- developing a specific plan and time line for implementation of programs developed.

The chair of the committee, Bonnie A. Kirkland, Special Secretary for the Governor's Office for Children, Youth, and Families, was jointly appointed by the Governor, President of the Senate, and Speaker of the House of Delegates. The members represent a diverse array of interests throughout the State, including State senators and delegates, cabinet-level secretaries, representatives of nonprofit organizations, private sector partners, university professors, child care providers, and concerned parents. (See page iii for list of members.)

Summary of Commission's Work

Since the fall of 2000, the commission has met on a monthly basis in an effort to compile the necessary information to meet its prescribed charge. During the legislative session, members were invited to participate in the Joint Hearing on Children Entering School Ready to Learn, a budget analysis presented by staff of the Department of

Legislative Services (DLS).

The commission heard from a variety of national and State experts throughout the field of early child care and education. Speakers included: Dr. Joan Lombardi, Director of The Children's Project and former head of the U.S. Child Care Bureau; Ms. Sara Watson of The Finance Project; and Dr. William Gormley, Jr., Associate Dean of the Georgetown University Public Policy Institute and co-director of the Center for Research on Children in the United States. These experts reiterated findings of studies connecting children's brain development to early education. Programs that focus on cognitive and socio-emotional skills, such as working with peers, will greatly increase our children's abilities to enter school ready to learn. Moreover, the State should take a "holistic approach" in addressing and designing a comprehensive early child care and education system.

To explain early childhood education programs statewide, representatives from the Extended Elementary Education Program (EEEP), Head Start, the Judith P. Hoyer Program Initiative, and the Family Support Centers spoke on the importance of connecting early child development with education and family support services. The commission also heard from the Abell Foundation and the Early Childhood Family Education Program, which are both organizing pilot early childhood education programs.

Staff also presented background on utilization of early childhood education programs in Maryland. At this time, it is unclear what types of care parents prefer or are selecting for their children. Currently, programs are reaching a small population of children ages zero to five. In some cases, children are participating in more than one program, making utilization rates appear greater than they actually are. Gathering data on program utilization and parents' needs is one area where additional focus is needed. Also, determining whether programs should be universally available or targeted toward at-risk children is an issue that the commission discussed at great length. The commission's recommendations reflect a balanced view of targeted versus universal services.

Looking more specifically at the child care system in Maryland, staff presented information on current efforts by Maryland to improve the quality and affordability of care for young children. Regarding quality child care programs, staff acknowledged that several factors in the child care industry are working against quality care: low staff wages and inadequate benefits; high staff turnover rates; and child care providers who have limited education and/or training in child development.

Regarding affordability of child care for families, research has found that parents in Maryland can spend between 25 percent to 45 percent of their household income on child care expenses, depending on their income level and whether they receive child care subsidies. Providing quality child care is also expensive from the perspective of child care providers. The child care profession is plagued by hidden operating expenses and low staff wages and is highly subsidized through in-kind donations and government subsidies. The Maryland Committee for Children (MCC) provided data on what the "true cost of child care" would look like, substituting public kindergarten salaries for current child care provider salaries, given equivalent education levels. Understandably, these child care costs were substantially higher, ranging from 20 percent to 350 percent increases depending on the type of child care.

The commission created three workgroups to examine ways to finance the high cost of providing and purchasing child care. Using *Financing Child Care in the United States*, a publication by the Marion Ewing Kauffman Foundation, as a starting point, members looked at three areas: generating new public revenues; financing child care facilities; and public-private partnerships. Many of the findings and recommendations of the individual workgroups overlapped and served to highlight the pervasive need for improvements and innovative financing solutions.

The commission also held a public forum on October 4, 2001, to solicit public comment on early child care and education in this State. Specifically, the commission wished to hear from Maryland residents on: how the quality of child care could be improved; how the access to child care could be increased; the best ways to retain and train child care workers; and how to fund child care and educational services. The forum, which took place at Dasher Green Elementary School in Columbia, provided valuable information for the commission to factor into its final recommendations and report.

Why Is Early Childhood Care and Education So Important?

During a time of limited financial resources and competing budget issues in Maryland, policy makers look to research and evaluation of programs to guide their policy and budget decisions. For years, the State has relied on primary school education to prepare children for college and the work world. In fiscal 2001, for example, the State spent \$2.0 billion in general funds on K-12 education, or 21.5 percent of the State budget. In comparison, Maryland spent only \$65.9 million on early childhood education and child care, or 0.7 percent of the State budget in fiscal 2001. Over the past year, the commission has learned and strongly believes that early childhood care and education is an intrinsic extension of K-12 education and therefore, should be funded as such.

This is not to say that the State has not invested at all in early education. Beginning in 1979, the State has funded the Maryland Extended Elementary Education Program, a half-day preschool program for four-year-olds at a cost of roughly \$1,800 per child per year. Yet, it has been difficult for parents and educators to advocate on behalf of extending and enhancing the quality of such early care and education programs without evaluation and analysis. Thanks to the recent boom in scientific and longitudinal studies on early childhood development, policy makers have the evidence they are looking for. Now, nationally recognized research on early brain development is available to support the demand for greater quality early child care and education. Research unequivocally demonstrates that positive brain development, and long-term school success, is linked to quality, stimulating experiences in the early years of childhood. (*Early Childhood Development and Learning: New Knowledge for Policy*, National Research Council.)

Brain Development Occurs Early in Our Lives

Several studies have focused on early brain development in young children from a neurological perspective. For example, in *Rethinking the Brain*, by Rima Shore, the network of connections between brain cells (neural synapses) for a child at birth is compared to the same network for a child six years of age. Shore's research finds that brain growth (as measured by the number of newly formed connections between cells) is at its height between ages zero and three, with the number of connections being made in the brain increasing twenty-fold during that period. Those connections that get used the most will strengthen and last; those that are not used will eventually disappear. It has been concluded that without these critical connections, adaptations to learning and social growth may never materialize.

Research conducted by K.T. Chugani at the University of Chicago presents similar findings. Using positron emission tomography, which measures electrical activity based on brain activity and connections, researchers compared the brain image of two two-year-old infants: one who enjoyed enriched and nurturing experiences, the other having less positive experiences. Whereas the former child had complete development of the temporal lobes, the latter suffered severe gaps in the temporal lobes. Again, such research demonstrates the physical impact of early experiences on early childhood development.

Other research has focused on the behavioral and social development of young children. Researchers have found, for example, that children between birth and age five develop the building blocks for future development. In addition to their linguistic and cognitive gains, children "exhibit dramatic progress in their emotional, social, regulatory, and moral capacities." (*From Neurons to Neighborhoods: The Science of Early Childhood Development*, National Research Council.) If children are not able to successfully develop these core building blocks, other aspects of growth and development, such as positive mental health and peer socialization, can be stunted.

Quality Experiences Produce Positive Outcomes

Studies have looked at different types of environments to understand what impacts children's development early in their lives. For instance, authors of *Eager to Learn: Educating Our Preschoolers* explain that the research literature has shown that adequate care and education cannot be separated. In their research, the authors find that the care of young children "involves providing quality cognitive stimulation, rich language environments, and the facilitation of social, emotional, and motor development . . . [and] can occur only in the context of good physical care and of warm affective relationships." Such environments improve social and intellectual competence, and the ability to learn.

Reviewing several evaluations of pre-school programs throughout the country, the Southern Regional Education Board (SREB) identified five essential characteristics of high quality preschool and child care programs (*Improving Children's Readiness for School: Preschool Programs Make a Difference, But Quality Counts!*, 2001). These include:

- strong health and safety standards;
- low student-to-staff ratios and small classes;
- qualified, well-compensated teachers;
- proven curricula and learning processes; and
- meaningful involvement by parents.

The review found that "high quality programs improve school performance, and low quality programs of either type actually may have negative effects, especially for at-risk children."

These findings were based on results from nationally recognized, longitudinal evaluations of early education programs that focused on at-risk and/or low-income children. Evaluations included the landmark High/Scope Perry Preschool Program (conducted in Ypsilanti, Michigan, 1962 to 1967) and the Carolina Abecedarian Project (conducted in Chapel Hill, North Carolina, 1972 to 1985), as well as the New York State Experimental Prekindergarten Program (1966 to present), and the Chicago Child-Parent Center Program (1965 to present). The National Institute of Child Health and Human Development Study of Early Child Care (1991 to present) is another nationally recognized, multi-site study which represents "the most comprehensive U.S. study to date about connections among child care experiences, family factors, and children's early development." (G. DeHart, Journal of Applied Developmental Psychology.) These programs incorporated a combination of the five essential characteristics listed above. Moreover, there was a common pattern of effects these aspects of a child's environment had on the child.

To summarize, all programs found at least four of the following among their program participants, compared to the control group:

- better school readiness before entering kindergarten;
- better grades through elementary school or high school;
- higher scores on achievement tests;
- fewer placements in special education through high school;
- higher high school graduation rates; and
- improved school attendance.

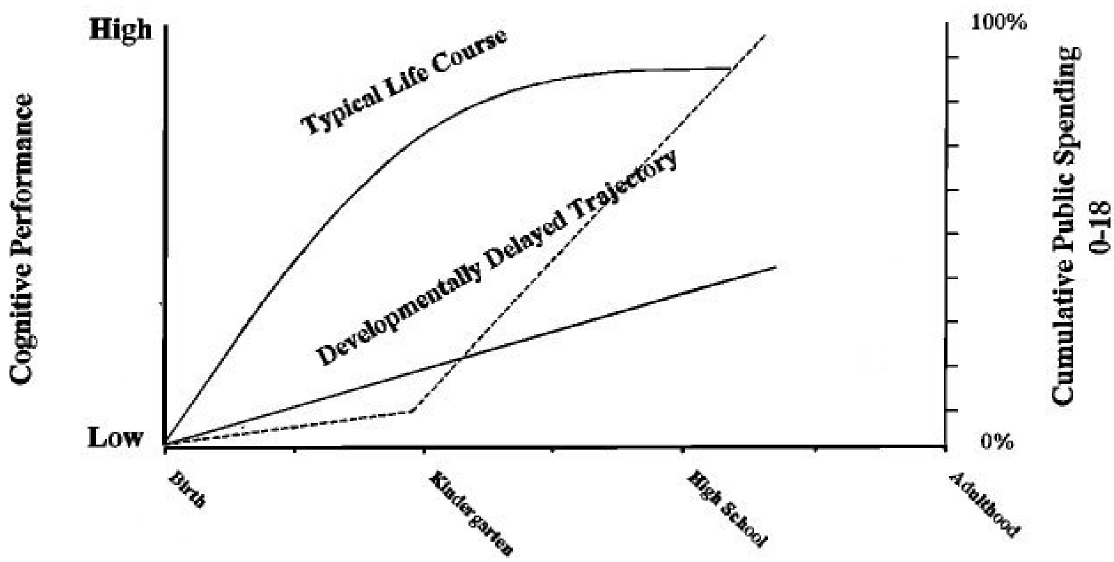
Some evaluations found other important results in the children later in life. For example, the High/Scope Perry Preschool Project found higher employment rates at age 19, lower welfare utilization through age 27, and higher monthly earnings at age 27. The Abecedarian Project found a higher college-attendance rate at age 21, and a lower rate of child bearing through age 21. Although not mentioned in the SREB report, the Journal of the American Medical Association's review of the Chicago Child Parent Center program found that program participants also had a significantly lower rate and number of juvenile arrests.

Cost-benefit Analysis of Early Childhood Investments

If the brain research tags the earliest period of childhood as indeed such a critical time in the development of young children, what are the implications for policy-makers? Perhaps more than anything else, if, as suggested by the data presented below, striking disparities in what children know and can do are evident by the time they enter kindergarten, redressing those disparities is critical both for the children and for society as a whole. In other words, children that do not enjoy quality early learning environments need quality prevention and early intervention programs to redress any developmental delays.

Consider, for example, **Exhibit 1**, which contrasts a typical development path with a developmentally delayed path. Exhibit 1 illustrates what is supported by research, that it is more difficult to reverse negative outcomes the longer the delay before early intervention programming is put in place. While the new brain research should not lead to the conclusion that effective intervention can only take place in the earliest years, it seems clear that the earlier at-risk children are identified and supported, the more

Exhibit 1
Developmental Paths and Public Spending



Source: Adapted from Ramey and Ramey, *American Psychologist*, 1998; RAND Corporation

cost-effective intervention should be. Interestingly, superimposed upon that chart, is a broken line derived from an early 1990's RAND study which tracked cumulative public spending on children 18-years and under. As is evident and not surprising, public spending tends to grow faster once children enter kindergarten rather than before it.

Researchers and advocates can point to a number of benefits as a result of quality early child care and education. These benefits can be short-term or long-term, can affect individuals, and can affect the general public. Some of the more recognized benefits to the child include: improved behavior and self-esteem, improved school readiness, and improved health. These qualities can positively affect the child in the long-run through greater work productivity and opportunities, which translate into higher wages. The general public can benefit from tax revenues accrued from these higher wages and overall worker efficiency. Moreover, the government will benefit from cost savings as a result of quality childhood education. Cost savings can be attained from spending on lower juvenile (and adult) crime, welfare payments, special education, grade repetition, and costs associated with teen pregnancy.

Cost-benefit analyses have already been conducted on nationally recognized intervention programs. For example, a 1990's analysis of the High/Scope Perry

Preschool Project found that the estimated economic benefit was more than $25,000 per child, or more than twice the per-child cost to operate the program. Further, the study found that, by dividing the $88,433 in benefits per participant by the $12,356 in cost per participant, the public receives an estimated $7.16 for every dollar originally invested. A similar study of the Chicago Child Parent Center Program found that program participation for 1.5 years produced an estimated $48,000 per child in economic benefits for the public, or more than seven times the per-child costs to operate the program.

During the 2001 legislative session, DLS estimated the amount of State funds dedicated to programs aimed at counteracting adverse outcomes. **Exhibit 2** demonstrates that the State will have spent approximately $600 million on adolescents with behavioral or emotional problems, or learning disabilities. The list is by no means comprehensive as it excludes spending on welfare programs for teen moms and compensatory education and excludes spending in the adult years resulting from adverse outcomes, including the cost of incarceration, food stamps, and Medicaid.

Exhibit 2

Spending to Counteract "Adverse Outcomes"

Fiscal 2002 Allowance

($ in Thousands)

	All Funds	General Funds	Cigarette Restitution Funds
Dropout Prevention (MSDE)	$9,847	$0	$0
Children At-risk (Homelessness/Substance Abuse) (MSDE)	5,428	0	n/a
Special Education (MSDE)	354,910	194,067	n/a
Disruptive Youth (MSDE/Subcabinet Fund)	3,101	1,601	n/a
Department of Juvenile Justice	180,631	162,949	n/a
Governor's Council on Adolescent Pregnancy Grants	1,060	560	n/a
Youth Service Bureaus	2,048	n/a	n/a
Academic Intervention (MSDE)	19,500	n/a	19,500
Improvements to Kindergarten -- Grade 3 (MSDE)	19,000	19,000	n/a
Other (Youth Crisis Hotline, Choice, etc.)	2,718	2,718	n/a
Total	**$598,243**	**$380,895**	**$19,500**

MSDE - Maryland State Department of Education
Source: Maryland State Budget

Maryland's Current Early Child Care and Education System

There are about 419,000 children in Maryland under the age of six. A majority of these children live in a home with working parents. According to the Annie E. Casey Foundation, the percentage of children under six with a parent working at least part-time equals about 70 percent, or 293,000. Census Bureau data for 1997 indicate that about 16 percent of children under five were members of families with incomes below the poverty level. Maryland's overall child poverty rate has fallen from 13.4 percent in 1997 to 8.9 percent in 1999, which suggests that the number of children under five who live in poverty has also fallen.

Maryland's early child care and education system is a patchwork of public and private programs. Children ages zero to four years of age may be placed within private day care, public or private preschools, or other programs funded by a combination of local, State, and federal dollars. Regulated, formal child care consists of child care centers and family child care. Informal child care is usually relative care. Public pre-kindergarten programs, Head Start, EEEP, and locally funded pre-kindergarten are targeted programs serving at-risk or low-income families.

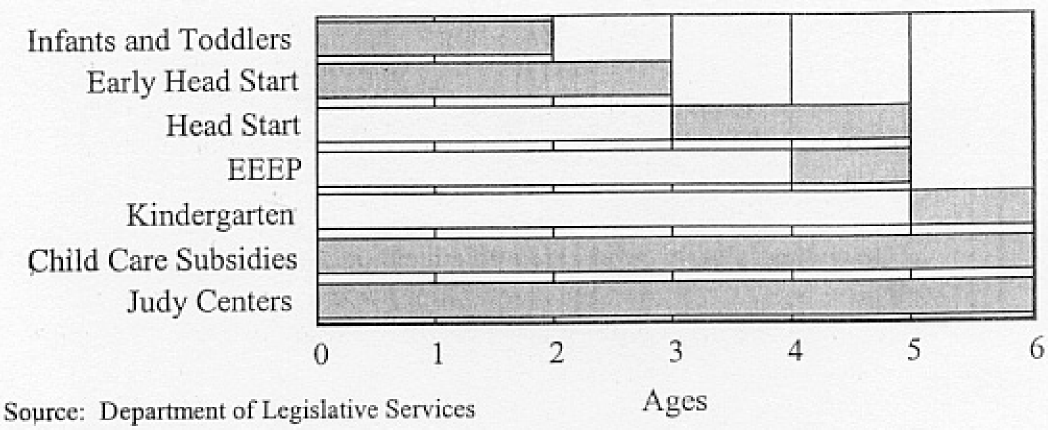
Part- or full-day kindergarten is universally available to five-year-olds. It is considered part of the public school system and is funded through the State's funding formula. As such, it was not discussed or considered at length during the commission's deliberations on recommendations.

Public Programs Serving Young Children in Maryland

Exhibit 3 provides a summary of the age groups targeted by Maryland's largest public early child care and education programs. **Exhibit 4** displays the same information for support services and parenting programs.

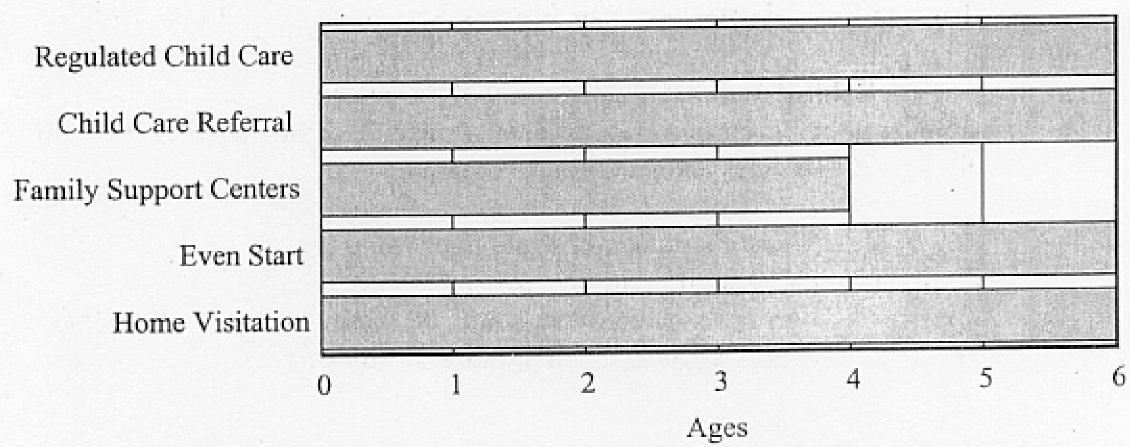
These two charts demonstrate that, while the same family support services are available to children of multiple ages, public early education programs are targeted for specific age groups. Moreover, some of these programs have specific eligibility requirements. For example, the Infants and Toddlers program is targeted to children with disabilities.

Exhibit 3
Public Early Childhood and Education



Source: Department of Legislative Services

Exhibit 4
Public Support Services for Families and Parenting Programs



Source: Department of Legislative Services

Exhibit 5 and **Exhibit 6** provide more detailed information on the public programs serving children ages zero to five.

Exhibit 5

Early Child Care and Education

Program	Eligibility	Program Utilization Rate	% of Total Age Eligible Population Served
Child care Subsidies -- Purchase of Care Program (POC)	Families with incomes up to **45%** of the State Median Income (SMI)*	16,687 children (35%). There are no waiting lists.	4%
Public Kindergarten	Universal access for five-year-olds	56,942 (79% of five- year-olds)	79%
State (EEEP) and Local-funded Public Pre-school	Four-year-old children at-risk of failing in school. Younger children qualify if special education is required.	19,285 children	27% of all four-year-olds
Head Start	Children ages three and four with incomes below federal poverty level	9,535 (57% of eligible population)	7% of all children ages three and four
Early Head Start	Children zero to three**	454 children	0.02% of children under the age of three
Infants and Toddlers	Children zero to three with disabilities**	7,350 children	3.5% of all children under the age of three
Judy Centers	Coordinating body which serves all children in area**	New program	n/a

* Eligibility will be increased to 50 percent of the SMI, December 2001
** Typically operate in Title I schools

Source: Subcabinet for Children, Youth, and Families; Department of Legislative Services

Exhibit 6
Support Services for Families and Parenting Programs

Program	Eligibility	Utilization Rate	Percent of All Children
Child Care Licensing and Regulation	Universal Benefits	Programs with more than 200,000 slots are licensed.	Licensed slots equate to about 50% of children ages zero to five, but many of the programs serve children to age 12.
Child Care Resource and Referral Network	Universal	44,524 calls received, 15,000 people trained, and 11,000 people receiving technical assistance. About 37,500 of the children are age five or below.	n/a
Family Support Centers	Young mothers with children zero to three	8,500 families or about 4% of families with children ages zero to three.	4% of families
Even Start	Families with children in poverty	155 to 160 families or about 0.3% of eligible families.	0.1% of families
Home Visitation	Eight different State programs serve different at-risk populations	Complete data is not available. 9,430 families were served by seven of the programs, but the largest State-funded program (Healthy Families Maryland) did not report data.	n/a

Source: Subcabinet for Children, Youth, and Families; Department of Legislative Services

As Exhibit 5 shows, none of the early child care and education programs are fully utilized. Although there are no waiting lists, subsidized child care reaches only about one-third of the eligible families. Some pre-kindergarten programs are also operating below capacity. Head Start reaches only about half of the eligible population.

Insufficient funding, an overlap in the target population, and gaps in services are all factors in the underutilization of early care and education programs. Funding limitations constrain participation in Head Start and Early Head Start to slightly more than half of the eligible population. Part-day programs such as Head Start and public pre-kindergarten do not meet the needs of working parents and thus are only a viable option if linked with programs which can serve the child for the remainder of the day. Since many families are eligible for multiple programs (e.g., pre-kindergarten, child care, and Head Start), it is understandable that they may choose one option over another.

Many of the family support services and parenting programs in Exhibit 6 are widely available to all families with children under the age of six. However, home visiting and Even Start typically target low-income families, and services are often constrained by budget limitations. With the exception of child care, most families with children zero to five do not require or seek these services.

Private Programs Serving Young Children in Maryland

In Maryland, regulated, private programs serve a significant number of young children. There are approximately 11,058 family child care providers and 1,336 child care centers. There are also 378 infant/toddler group programs and 400 nursery schools. Other private programs include before and after school care (school- and center-based), and employer-sponsored centers. According to MCC, family child care providers and State-licensed group programs have an estimated total capacity of 204,603 children. Approximately one-third of family child care providers serve or have served children with special needs. A little more than one-half of centers serve children with special needs.

These numbers underestimate the total number of individuals providing and children receiving care. An unknown, but large number of children are understood to remain in unregulated, informal care. This care includes relative care, but also those businesses that are not licensed by the Child Care Administration. Many children in low-income families are in unregulated care due to the high cost of child care in relation to family income.

State Efforts to Improve the Quality of Early Child Care and Education

Within the past two years, the State has focused more closely on early child care and education. More specifically, State agencies are developing ways to enhance the level of quality in both public and private early child care and education programs. Five major initiatives are described as follows:

- **Judy Hoyer Centers --** Typically located in public elementary schools, Judy

Centers are a co-location of early education and family support services. Children's programing can include, but are not limited to, before and after school programs, pre-school (EEEP), Even Start, Head Start, regulated child care, and the Infants and Toddlers program. Family programs include parenting, nutrition, and behavior management classes.

- **Credentialing --** A professional development career ladder, credentialing provides a systematic way to assure quality care by encouraging child care providers to acquire higher levels of recognized early childhood education and training. Participation is completely voluntary.
- **Accreditation --** Built upon the credentialing system, the accreditation system encourages child care and pre-school programs (such as Head Start) to seek State or national recognition for their ability to provide quality educational care to young children. Participation is completely voluntary.
- **Maryland Model for School Readiness and the Work Sampling System** -- The Maryland Model for School Readiness (MMSR) is a framework for early education curricula and is now being used by all Maryland kindergarten classes and many preschool classes. The work sampling system (WSS) kindergarten checklist is a measurement tool for the MMSR and is used to collect information on the skills and abilities of kindergarten students as assessed by their teachers in the first few weeks of the school year.
- **Public Engagement Campaign --** Funded by a grant from the National Governor's Association, a workgroup of public, nonprofit, and private sector representatives has met for more than a year to examine ways to increase public awareness of the importance of early care and education. The workgroup's discussions have led to an executive order establishing a public engagement campaign. The goal of the campaign is to raise awareness of early care and education issues and ultimately to influence the policy making process.

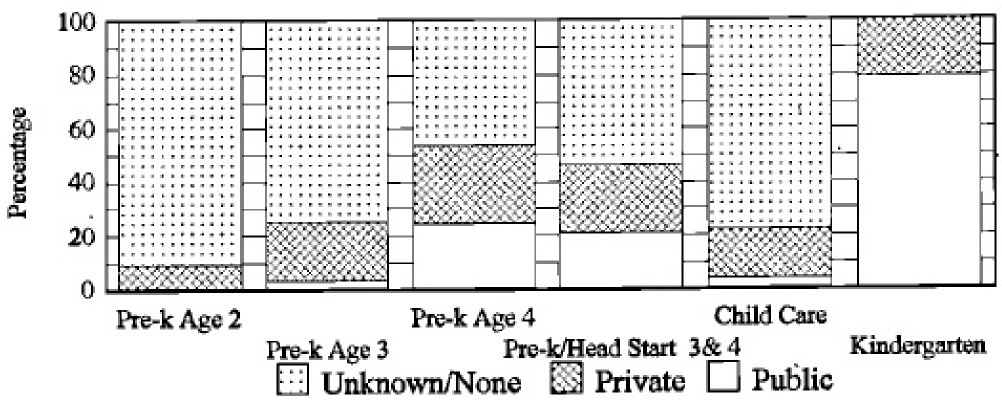
Building a Comprehensive Early Child Care and Education System

As previously stated, Maryland's system of child care and pre-school programming is a true patchwork of public and private programs. Available services range from child care centers and family day care homes to Head Start and other pre-schools to Even Start and Infants and Toddlers Program. In theory, these programs provide parents with a range of options for their young children. Yet, they pose challenges to families of all income levels, regions, and particular needs.

For example, low-income parents may access subsidized child care, Head Start, and pre-kindergarten for their four-year-old. But, these low-income families may not have the resources to access, or the time to move children between programs. Moreover, if these programs are not full-day (and even that is not a full eight-hour work day) low-income families often find it is easier to send their children to low-cost, unregulated, and often low-quality care. Moderate income families face challenges with the current system as well. Since they do not qualify for most of the public programs, they must use their own resources to purchase often expensive out-of-home care, such as private pre-school and regulated child care.

Exhibit 7 demonstrates the breakdown of usage among public and private programs and shows the extent to which families seeking early childhood programs for their children must or do rely on their own funds to access services.

Exhibit 7
Who Pays? Public vs. Private



Notes:

(1) Numbers are not unduplicated. The same child could be participating in child care, pre-kindergarten, and Head Start.

(2) Child care utilization by families is estimated based on the utilization patterns of the Purchase of Care (POC) children. Currently about 60 percent of the children receiving a State subsidy are below the age of six. Based on this data, DLS assumed that 60 percent of all family day care and child care center slots are utilized by children under age six and that the facilities are operating at 85 percent capacity.

(3) Child care data represents regulated care with the exception of about 3,300 children with State subsidies for informal care.

(4) Pre-school data for children age two assumes that all children under age three who are in pre-school are two-year-olds. It is possible that some of the children utilizing pre-school are under the age of two.

Sources: Maryland State Department of Education; Office for Children, Youth, and Families; Department of Human Resources; and Department of Health and Mental Hygiene

A number of observations can be made about the quality of Maryland's early childhood programs and gaps in the availability of services including:

- The majority of children under the age of five appear to be foregoing both pre-school and regulated child care. These children may be cared for by a parent, family member, friend, neighbor, nanny, and/or unregulated child care provider.

- Access to publicly funded pre-kindergarten programs is limited. Only about half of all four-year-olds attend pre-school and public pre-schools serve only 46 percent of four-year-olds in pre-school. Publicly funded pre-kindergarten for three-year-olds is limited to children with special educational needs.

- Poor families appear to utilize public pre-school and Head Start for services more than other forms of regulated child care. Moderate- and upper-income families seem to rely heavily on the regulated child care system, and to some extent private pre-school programs.

- While more than 200,000 children are in regulated early care and education programs, only 25,000 children are receiving a public subsidy. As a result, most families pay 100 percent of child care costs out-of-pocket. According to data compiled by MCC, the average annual cost of a child care center in 2000 was $5,595 for a child ages two to five, and $8,785 for a child ages zero to two. Family day care costs averaged $5,065 for a child ages two to five, and $6,016 for a child ages zero to two.

- There is a shortage of infant child care slots. Data compiled by MCC indicates that there are only 12,504 slots for children under the age of two, which means there is roughly one slot for every ten infants.

- Low salaries for child care workers and Head Start instructors in some jurisdictions contribute to the concerns about quality. Data compiled by MCC indicates that the salaries of public school teachers are more than double those of most child care workers.

- Oversight of the current system of early childhood programming focuses on child safety and health but does not offer parents much assurance about the quality of the experiences. Less than ten percent of child care centers/programs in Maryland are accredited, and family day care providers are just beginning to pursue accreditation.

Commission Findings and Recommendations

The Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education addressed its charge by examining the current system of early care and education in Maryland. After review, the commission determined it wise and prudent to invest in the existing multi-layered system rather than create an entirely new system. By filling gaps in services and taking meaningful steps to encourage quality, the State can develop a system of early care and education which will stand as a national model and ensure all Maryland children enter school prepared for success.

The commission recognizes that in a time of limited resources, it is important to find ways to most efficiently and effectively provide quality care and education for young children. With this in mind, the commission has focused on two central themes for its recommendations to the Governor: providing quality care for our State's children, and making quality child care affordable and accessible to low- and moderate- income families.

As stated earlier, quality child care and education can be found in many different types of environments but is defined by the following five key ingredients: strong health and safety standards; low student-to-staff ratios and small classes; qualified, well-compensated teachers; proven curricula and learning processes; and meaningful involvement by parents. These five components foster positive emotional, cognitive, behavioral, and academic development among our children, preparing them to enter school ready for success. Many parents rely on these ingredients to sift out the good providers from the bad. However, parents often are not aware of what makes a quality environment for their children; many do not have the means to choose quality care.

The commission believes the State should take an active role in improving the quality of care for young children. The widespread availability of quality care will better prepare children to succeed in school and make working parents more productive by providing them greater peace of mind about the care their children are receiving. Furthermore, as stated earlier, nationally recognized research has found that every dollar spent on early childhood intervention programs saves over $7 on public spending. Ensuring the availability of quality early childhood experiences for Maryland children can save the State money in the long run by:

- reducing spending on remedial and special education programs;
- favorably impacting the likelihood of criminal activity and welfare usage later in life; and
- increasing the long-term earnings potential of participants.

The commission recognizes that quality improvements alone are not enough. For the benefits of quality to be realized, quality care must be affordable and accessible for all families. Low-income families in particular are less likely to have access to, or be able to afford, high quality child care and education. Nevertheless, the children in these families are more likely to face challenges, such as malnutrition and illiteracy. For low-income, at-risk children, access to quality early care becomes ever more critical to their success later in life.

The commission understands that, given the fiscal condition of the State, its recommendations may take several years to implement. However, they are just one step forward in the ongoing journey to create a quality, affordable early care and education system. These recommendations and the work of the commission must be complemented by efforts to increase public awareness of the importance of quality experiences for children early in life.

The section below outlines the specific findings of the commission and offers recommendations when additional action is warranted.

1. Providing Quality Early Child Care and Education

a. Quality Enhancement Initiative: Improving the Compensation of Early Care and Education Providers

Finding: Recruitment and retention of qualified staff are critical to ensuring quality experiences for children participating in early childhood programs. Currently employee turnover at child care centers is 30 percent, while the turnover rate for family child care homes is 25 percent. The number of family child care homes dropped more than 9 percent from December 1995 to December 1999.

The State's new credentialing initiative is a good first step in encouraging child care workers to improve their qualifications and stay in the field. Accreditation of child care centers and family day care homes also has the potential to improve the quality of the programs while offering parents a way to gauge the value of a program they are considering for their children.

Accreditation and credentialing alone, however, are not sufficient to address the problems with attracting and retaining enough talented professionals to the child care profession because the initiatives do not address the core problem in the industry, poor compensation. A child care center director earns $26,571, while senior staff earn just $16,957, and center aids make a mere $11,688 per year. Center and family day care providers' salaries are considerably lower than public school teacher salaries. On average, public school teachers earn $43,720.

While a large portion of the salary differences are based on education, training, and experience, part of the reason for the salary differences is based on what providers and preschools can afford to pay their staff. In order to keep child care costs affordable for families, providers do not raise enough revenue to pay staff appropriately. Workers either move on to the public school system or leave the early childhood field altogether. As a result, the child care industry, in particular, faces major problems recruiting and retaining qualified, quality staff. Turnover is a significant issue that affects the ability of the businesses to continue, and more importantly, the quality of care and education provided to the children.

Recommendation: ***Enhance the quality of early care and education by improving the compensation of credentialed child care workers and Head Start teachers. Public funds should be used to close the salary gap between child care/Head Start workers and public school teachers/aides with comparable education and experience.***

Quality enhancement grants should be distributed to early care and education programs based on their progress toward accreditation as measured through the State's tiered reimbursement system with the largest grants provided to accredited programs.

Programs receiving quality enhancement grants will be required to allocate these funds to their staff based on the credential level and experience of the workers. For example, workers who have achieved the highest credential level, level six, could be eligible for a supplement that raises their salary to 80 percent of public school teachers in the region. Potential salary supplements for workers at the other credential levels are outlined in **Exhibit 8**. Since Maryland's teacher certification requirements are more stringent than child care credential requirements, it is expected that the salary gap, which reflects differences in education and experience, would not be completely closed.

In order to participate in the program, providers shall enter into a contract with the State that requires the grants to be used solely for salary enhancements, not salary supplantation.

Exhibit 8
Amount of Subsidy by Credential Level

Credential Level	Minimum Qualifications	Salary Supplement	Estimated Annual Subsidy Amount
Level 6	Bachelor's degree and two years of experience	80% of public school teacher salaries	$15,764
Level 5	Associate's degree and two years of experience	60% of public school teacher salaries	7,264
Level 4	Two years of experience and 135 clock hours in core of knowledge training	95% of salaries for instructional aides in public schools	3,196
Level 3	One year of experience or college and 90 clock hours in core of knowledge training	75% of salaries for instructional aides in public schools	910
Level 2	45 clock hours	None	0
Level 1	Licensed	None	0

Source: Department of Human Resources and Maryland Committee for Children

Estimated Fiscal Impact: If the scenario presented in Exhibit 8 is implemented, the initiative will cost $12 million rising to $100 million by the fifth year. Costs rise over the five years as programs make progress toward accreditation, and workers move up the credential ladder. First year costs assume that 2,000 workers will receive salary supplements.

b. Improving Employer Benefits for Child Care Providers

Finding: In addition to inadequate pay, most child care staff are unable to access or afford health insurance and other benefits offered to teachers and most other professionals. Child care centers offer health insurance to about two-thirds of full-time senior staff and one-third of full-time aides. No data are available on the percentage of the costs borne by the centers. Lack of health benefits throughout the child care system is a major obstacle to recruiting and retaining quality caregivers and teachers.

Recommendation: ***Subsidize half the cost of a child care worker purchasing health insurance through the small group market program's standard benefit package.***

Maryland's small group market reform establishes a standard health benefit package which insurers make available to employers with 2 to 50 employees and self-employed individuals. The cost for services provided through a health maintenance organization (HMO) is about $3,000 per person. Family coverage in comparison is almost $9,000. The State should assist child care workers in obtaining health insurance as a second step in recruiting and retaining qualified staff.

Estimated Fiscal Impact: $22 million per year assuming that 60 percent of child care staff seek individual coverage through an HMO and receive a 50 percent State subsidy or $1,500 per person.

2. Making Quality Early Child Care and Education Accessible to Families

a. Reducing the Burden of Child Care Costs for Low-income Families

Finding: Maryland's child care subsidy program, POC, currently caps eligibility for assistance at 45 percent of SMI. In December 2001, the State plans to raise the eligibility threshold to 50 percent of SMI. Even at 50 percent of SMI, Maryland's eligibility criteria are far more restrictive than many of its neighbors and pale in comparison to the national standard. Child care subsidies are available to families in Pennsylvania, the District of Columbia, and West Virginia with incomes in excess of 60 percent of SMI. The national standard is 85 percent of SMI.

Maryland's median household income (2000) is $52,436, well above the national median income of $41,343. Yet, families still face high child care costs that make up a significant percentage of family income. A Baltimore City family earning $30,000 with one infant in family child care and a four-year-old in center care may spend up to 35 percent of its income on child care. A similar family residing in Montgomery County may spend up to 45 percent of their income on care.

Recommendation: ***Expand eligibility for the State POC subsidy program from 50 percent to 70 percent of the State Median Income.***

Raising POC eligibility to 70 percent of SMI will make quality child care a viable option for more working families. Failure to raise the income eligibility threshold will strain the resources of working parents of moderate means who want to place their children in a quality program.

Estimated Fiscal Impact: If the State raises POC eligibility to 70 percent of SMI and continues to serve 32 percent of the eligible population, 88,705 additional children will participate in POC at a cost of $132 million. Due to the limited availability of federal funds, most of the costs will be borne by the State.

Finding: According to a 2000 U.S. Bureau of the Census report, although poor families spend fewer dollars on child care, they spend a greater portion of their family income on child care. Poor families spend 36 percent of their income on care, or an average of $60 per week, compared to families with higher incomes who spend about 10 percent of their income, or $85 per week.

National child care experts recommend that families should pay no more than 10 percent of their household income toward child care. In Maryland, approximately 28 percent of families receiving subsidies are still making co-payments that are 10 percent or more of their income. This means that a family who qualifies for POC subsidies by making $20,380 may still pay $2,250 for child care, leaving next to nothing for other living expenses, such as rent, food, and clothes.

Maryland's current co-pay scale requires families at the top end of the income eligibility scale to spend a smaller percentage of their income on co-payments than families with slightly lower incomes. This differential is inequitable and ill prepares the higher income families for the day when they will no longer qualify for POC.

Recommendation: ***Reduce the POC co-payment amounts so that no family receiving a POC subsidy pays more than 10 percent of income toward child care. Adjust the co-payment scale so co-payments rise as income grows.***

Implementing the recommendation will result in a more equitable co-payment system and make child care more affordable for low-income families.

Estimated Fiscal Impact: The cost of the proposal will depend on whether the income eligibility threshold is raised to 70 percent of SMI as proposed above. Assuming the current income eligibility threshold, capping co-payments at 10 percent of family household income will cost

$2.3 million. The cost will rise by $4.6 million if eligibility for POC is extended to families with incomes at or below 70 percent of SMI.

b. Reducing the Burden of Child Care Costs for Middle-income Families

Finding: There are currently two programs which provide tax benefits to families incurring child care expenses: the Dependent Care Assistance Plan and the Dependent Care Tax Credit.

Under the current Dependent Care Assistance Plan, employers can make pre-tax contributions to accounts funding employees' dependent care expenses. They also can allow employees to withhold a portion of their salaries for these expenses. Employers and employees pay no taxes on these funds, up to $5,000 in any one year.

The Maryland Dependent Care Credit allows families to claim a credit of as much as 32.5 percent of the federal Dependent Care Credit. The federal credit offsets child care expenses for children under 13. Eligible expenses are capped at $2,400 for the first child with a maximum of $4,800 for all children. The federal caps will increase to $3,000 and $6,000 respectively in tax year 2003. The federal credit can be claimed for 30 percent (35 percent beginning in 2003) of expenses with a maximum credit of $1,440 ($2,100) allowed. Maryland's credit allows families with incomes to $50,000 to claim a credit equal to a percentage of the federal credit.

Recommendation: ***Modify the existing Maryland Dependent Care Credit to increase the cap on credit claimed by families from 32.5 percent to 100 percent of the federal credit.***

Expanding the credit allowed under State law will help reduce the costs of care particularly for families who do not qualify for POC.

Estimated Fiscal Impact: $14 million when fully implemented.

c. Giving Local Jurisdictions the Flexibility and Resources to Target Needed Early Child Care and Education Services

Finding: Communities throughout the State are grappling with the need to provide full-day, full-year programs and meet the needs of parents working evenings and weekends. Many publicly funded programs like pre-kindergarten and Head Start are offered for only a few hours a day and are available only during the school year. This creates numerous logistical and transportation issues for families and providers. For working parents, it means a second form of care must be found for the remainder of the day or year and that they must find a way to transport their child from Head Start to a child care center or from pre-kindergarten to a child care center.

While communities face many of the same problems, they also have different priorities and unique needs. Testimony from the commission's Public Forum on October 4, 2001, demonstrated that there are gaps in services, but that the gaps vary by community. For example, representatives from the Eastern Shore have noted a dearth of infant care. Rural communities in Western Maryland are concerned with transportation to move children to and from facilities while a provider in Baltimore County sought funding to better coordinate services. Expansion of existing statewide programs like Family Support Centers, Head Start, and pre-kindergarten were also championed at commission meetings.

Recommendation: ***The State should provide grants to local entities to address gaps in services and quality. Local jurisdictions would be able to use these grants to support a number of locally pressing needs, determined by the community.*** These grants may be used to support such early care and education areas as:

- all-day and/or year-round preschool programs;
- infant care;
- special needs care;
- care during non-traditional work hours;
- before- and after-school care;
- child care services located within local schools; and
- local schools purchasing care at child care centers or family day care.

Grant recipients would be required to negotiate memoranda of agreement among early care and education providers in the community, including Head Start, child care centers, family day care, and the school systems in order to achieve a seamless, family-friendly system of services. Moreover, any grants would be used to supplement, not supplant existing funding.

Estimated Fiscal Impact: The commission recommends the State spend a minimum of $10 million per year on competitive local grants. The State should periodically reassess funding levels by examining the quality of unfunded requests.

d. Helping Expand the Number of Quality Early Care and Education Providers

Finding: Maryland currently is experiencing a shortage in infant and non-traditional hour child care. Existing grant and loan programs targeting development and expansion of child care services are poorly utilized. Given the shortage of care, the small profit margins associated with child care businesses, the role child care plays in supporting the State's economy, and the positive impact quality child care has on children, the State should ensure that it is making the appropriate support available to the child care industry.

Recommendation: ***The Departments of Business and Economic Development, Human Resources, and Housing and Community Development should form a task force to determine if the existing range of State programs meets the needs of the child care industry and if there are process issues which are making the programs inaccessible. The State should also:***

- ***explore options to assist small child care businesses in preparing grant applications and make support available through mechanisms that reduce the grant application workload; and***
- ***prove technical assistance to small businesses by offering incentives to large corporations to act as mentors and expand the role of the child care resource and referral network.***

Estimated Fiscal Impact: Indeterminate.

e. Full-day Kindergarten

Finding: There has been much discussion in Maryland over the last year about requiring that every jurisdiction make all-day kindergarten available. While the commission believes that full-day kindergarten is a worthwhile investment, particularly for disadvantaged children, it has deferred any recommendations on it due to the fact that other groups have been more extensively examining this issue. In particular, the Commission on Education Finance, Equity and Excellence, chaired by Dr. Alvin Thornton, has explored this issue at great length and examined the fiscal impact of such a proposal. During one of its meetings, the commission heard from Dr. Thornton on his commission's discussions on early childhood education and the option of full-day kindergarten.

The commission recognizes that full-day kindergarten merits the full attention of policy makers and other stakeholders. Full-day kindergarten is another important step in creating quality early childhood experiences for Maryland's children. Therefore, the commission urges the State to continue exploring the option of full-day kindergarten. Furthermore, since full-day kindergarten does not meet the needs of families for the entire day, the State should invest in quality child care and after-school programs to ensure that stimulating opportunities are available outside of school.

3. Financing Quality, Affordable Early Child Care and Education

a. Leveraging Additional Federal Funds

Finding: The State appears to be leveraging the available sources of federal funding for early childhood care and education. In addition, the State has regularly elected to transfer federal Temporary Assistance to Needy Families (TANF) block grant dollars to the federal Child Care Development Fund (CCDF) to support the State's POC program.

Recommendation: ***The State should dedicate any increase in federal TANF or CCDF funding to specific activities aimed at improving the quality and affordability of child care. In addition, State agencies should remain vigilant in identifying and pursuing all available sources of federal funding.***

The State currently receives an annual TANF block grant of $229.1 million. In 2002 the Congress must re-authorize the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which established the TANF block grant. As part of re-authorization, Congress must decide whether to appropriate grants to states at levels similar to the past five years. Should the Congress increase Maryland's TANF or

CCDF funding, the additional funds should be dedicated to financing the recommendations of the commission.

Recommendation: ***The State should pursue greater flexibility from the federal government in the use of federal dollars for early education and child care.***

Maryland receives federal assistance for a variety of educational, child care, and social service programs that serve young children. The State should pursue federal waivers or changes in federal law that enhance the State's flexibility to spend federal dollars on early care and education.

b. Generating New Public Revenue

Finding: The commission is recommending a menu of changes to the early care and education system, which will require a substantial investment of resources in Maryland's youngest and most vulnerable citizens.

Recommendation: ***Researchers have demonstrated that the first years of life are critical to a child's physical, social, cognitive, language, and emotional development. Since high quality early childhood experiences are linked to cost savings realized from children's long-term success, the commission urges the Governor to adopt early childhood care and education as the highest priority for additional investment.***

The following sources of revenue have been identified by the commission:

- Additional sin taxes. Dedicating sin tax revenues to early childhood experiences is not unprecedented. Beginning in 1999 with the Children and Families First Act ballot initiative, California has dedicated nearly $700 million annually to services for children, prenatal to age five, through increased state excise taxes on cigarettes and other tobacco products.
- A new lottery game with the proceeds earmarked for enhancements to early care and education programs. Currently 13 states earmark lottery proceeds for education, including pre-kindergarten.
- Legalization of slots or casino gambling.
- Increasing the sales tax by one quarter of one percent.
- Selling a children's license plate.

- A visitors tax.

Recommendation: ***If any of the above revenue-generating options are implemented, the State should dedicate a portion of the additional funding to early child care and education efforts.***

Recommendation: ***Establish a tax check-off on income tax returns for early child care and education.***

While states that have tried this program have increased revenues by a nominal amount (less than $1 million annually), the check-off would raise public awareness of the importance of early care and education.

Recommendation: ***Authorize counties to establish special taxing districts.***

By authorizing the creation of special taxing districts, the State would both encourage localities to establish their own dedicated revenue sources for early care and education programs and highlight the State's view that these programs are important.

4. Engaging the Private and Nonprofit Sectors

Findings: The private and nonprofit sectors already play a key role in providing early care and education services to Maryland. However, there are steps the State can take to further engage these sectors in improving the current system.

Recommendations: ***Engage the private and nonprofit sectors by:***

- ***Establishing/designating an independent State-level, private, nonprofit entity to act as the umbrella organization for coordinating local public-private partnership groups and engaging the private sector.***
- ***Increasing utilization of new and existing partnership programs through increased funding to regional resource and referral centers. Total cost of approximately $600,000.***
- ***Raising awareness of child care and early childhood education issues among parents and the business community. A business-led public awareness and engagement campaign is currently under development.***
- ***Expanding opportunities for partnerships through the adoption of a pilot matching grant program that would create incentives for employers to provide funds to meet some of the cost of child care for their employees and communities.***

Estimated Fiscal Impact: Approximately $1 million is required to bolster the resource and referral networks and support a public engagement campaign. The cost of the other options is indeterminate at this time.

Timeline for Recommendations

First Year

- Implement Quality Enhancement Compensation Initiative.
- Raise Purchase of Care (POC) eligibility level to 55 percent of State Median Income (SMI).
- Cap family co-payments at 10 percent of household income.
- Provide grants to local entities to address gaps in services and quality.
- Modify Maryland Dependent Care Credit to increase cap on credit claimed by families from 32.5 percent to 45 percent of the federal credit.
- Create task force to examine usage of the Department of Business and Economic Development (DBED) child care facility loans and other assistance help child care facilities.
- Establish/designate an independent State-level, private, nonprofit entity to act as the umbrella organization for coordinating local public-private partnership groups.
- Raise awareness of child care and early childhood education issues among parents and the business community.

Second Year

- Implement Health Insurance Subsidy Initiative.
- Raise POC eligibility level to 60 percent of SMI.
- Modify Maryland Dependent Care Credit to increase cap on credit claimed by families from 45 percent to 55 percent of the federal credit.
- Increase utilization of new and existing partnership programs through increased funding to regional resource and referral centers.

- Expand opportunities for partnerships through the adoption of a pilot matching grant program to create incentives for employers to provide funds to meet some of the cost of child care for their employees and communities.

- Establish a tax check-off on income tax returns for early child care and education.

Third Year

- Increase POC eligibility limit to 65 percent of SMI.

- Modify Maryland Dependent Care Credit to increase cap on credit claimed by families from 55 percent to 65 percent of the federal credit.

Fourth Year

- Increase POC eligibility limit to 70 percent of SMI.

- Modify Maryland Dependent Care Credit to increase cap on credit claimed by families from 65 percent to 75 percent of the federal credit, and each succeeding year increase incrementally until reaching 100 percent of the federal credit.

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Appendix 2

Public Forum Witness List

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

1. Ms. Charlene Uhl
   Montgomery City Collaboration Council

2. Ms. Arva Jackson
   Montgomery City Collaboration Council

3. Ms. Debbie Shepard
   Early Childhood Services/Health & Human Services

4. Ms. Ginny Smith
   Child Care Links
   Baltimore County Child Advocacy Community

5. Mr. John V. Surr
   Maryland Association for Education of Young Children
   Advocate for Young Children

6. Mr. Duane Yoder

7. Ms. Bets Grater
   League of Women Voters of Howard County

8. Ms. Laura Lee
   Running Brook Elementary School Parents as Teachers program

9. Ms. Debbie Yare
   Howard County Child Care Resource Center/Howard County Task Force on Child Care

Appendix 2 (Continued)

10 Ms. Erica Murphy
President, Howard County Family F. Child Care

11. Ms. Valerie McGuire
Family Child Care

12. Ms. Thomasine Parrott
UAW Vice President Local 239

13. Ms. Cara Bethke
Baltimore City CCRC

14. Mr. James B. Davis, III
Department of Human Resources -- OS

15. Ms. Barbara Frederick
Bet Yeladim Pre School

16. Ms. Anita Narine
Family Child Care

17. Lae Davis
Baltimore County LMB

18. Ms. Lynn Lockwood
Baltimore County Public Library

19. Ms. Paula Baykin
Abilities Network, Inc.

20. Mr. Thomas Hardnelt
Phyllis Wheatley Education Center

Appendix 2 (Continued)

21. Ms. Karen Day
    African American Childcare Association and Youth Development

22. Dana Vollmerhausen
    Child Care Provider

Summary of Public Forum Testimony

Approximately 35 people attended the hearing on October 4 at Dasher Green Elementary School in Howard County. Much of the testimony came from service providers located in Howard, Montgomery, and Baltimore counties. Minimal testimony was provided from the minority community, and only a handful of parents testified.

Common Themes

Schools and child care providers need to coordinate efforts. Schools should adopt local child care centers. Child care providers should visit schools.

- Transportation is an impediment for families with children in part-day early childhood programs. Parents don't have time to leave work to take their child from one program to another.
- Child care providers incur significant costs in renovating homes to serve additional children. Revenues from providing care do not allow providers to recoup costs of renovations.
- Additional support is required for special needs children served through child care.
- Families are already struggling to pay for child care and quality will cost even more.
- There is a dearth of infant care, and the care which is available is high cost.
- Generally, there is a positive response to Judy Centers. Resources should be made available to areas without wherewithal to initiate a Judy Center.
- Better training will improve quality. The State may want to consider in-home training.

Other Interesting Comments

- There is a staffing crisis in child care. Compensation is a significant issue.
- Parents should be educated concerning credentialing and accreditation.
- Funding for program enhancements must be sustainable over multiple years.
- The responsibility for early childhood programming should be shared with locals.
- The focus should be on product not educational level of providers. The Work Sampling System will help to measure quality of product.
- School overcrowding limits the availability of space for after-school programs.
- Head Start should be expanded and combined with public pre-school programs.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Monday, April 30,2001
10:00 a.m.

Meeting convened at 10:00 a.m.

Chairman Kirkland made her opening remarks.

The Department of Legislative Services staff presented an overview of the "Children Entering School Ready to Learn" Fiscal 2002 budget analysis. The staff first spoke on research linking brain development in young children to childhood experiences. Information was also provided on current funding and participation trends among the State's early child care and early education programs. Also, the staff presented information on the new credentialing and accreditation systems that will begin July 2001. These systems will promote professionalism and quality care among care providers and will be linked to financial incentives for the providers.

Staff took questions regarding the presentation, such as the level of outreach to families regarding how to find quality child care. Dr. Cooper asked whether it would be advisable for the State to target resources, given they are limited, as discussed. The staff responded that it is up to the commission to decide whether it wants to recommend targeting resources or providing a more universal approach.

Members discussed gaps in the current system of child care assistance. For example, the Maryland Higher Education Commission's (MHEC) state scholarship fund is available only for those parents who work full-time and are also full-time students. Because many adults cannot be both full-time students and employees, this means the scholarship is hardly accessed. Staff and MHEC will follow up on this issue. Also, certain regulations have served as barriers to family day care providers.

Next, Chairman Kirkland reviewed the draft agenda with the commission members. The draft agenda entailed monthly meetings for discussion of innovative mechanisms to improve quality and access to affordable child care, with a period to draft and review a list of recommended actions for the Governor. Discussion ensued over what exactly the future meetings should include as topics of discussion. Moreover, members discussed whether the focus should be on quality, affordability, or both, of child care. Further, how does the commission, and the State, determine what is "quality" care?

Senator Neall explained the legislature's perspective on any proposed recommendations from the commission. Considering the Thornton Commission's work, the likely fiscal impact of its recommendations, the commission has to be realistic in its work and recommendations. The commission must recognize the limited resources available and the extent to which the Governor and legislature want to focus on child care. Senator Neall suggested the commission provide a "menu" of options from which the legislature or the Governor can choose.

Ideas for future meetings were also discussed. These included bringing in a panel of child care providers to explore their costs and ways to address quality care. In addition, a suggestion was made that the commission break out into small groups to review portions of the Kauffman Foundation -- "Financing Child Care in the United States."

The chairman and members determined that they wanted to understand better the costs of quality care. This would involve examining the cost of providing care by a center or family care, compared to the market rate, and what the parent pays (with or without copayments). Sandy Skolnik and Linda Heisner volunteered to work with staff on these questions and will present their findings at the next meeting. The following meetings would entail a review of possible innovative mechanisms the commission could recommend to the Governor to make quality care more affordable.

The commission decided to schedule subsequent meetings for the second Thursday of every month, beginning at 10:00 a.m. **The next meeting is scheduled for Thursday, June 21, 2001, at 10:00 a.m., Room 110 (House Ways and Means) in the Lowe House Office Building.**

The meeting adjourned at 12:30 p.m.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Thursday, June 21, 2001
10:00 a.m.

Meeting convened at 10:00 a.m.

Senator Neall stood in for Bonnie Kirkland as chair and began the meeting with his opening remarks.

Commission staff, following up on questions from the previous meeting, provided background information on eligibility for the State's child care provider scholarship program. State law and regulations indicate that both full- and part-time child care providers qualify for scholarships.

The meeting continued with a presentation from staff on the current child care system in Maryland and options to enhance or improve services. Jennifer Garey, staff, spoke on the elements of quality child care, options to enhance the quality of care, and what other states are doing to improve the delivery of child care. One of the primary elements of quality child care is the education and training of child care teachers and providers. When providers are properly trained, the quality of care is higher and child development is better. Research shows that children suffer fewer behavior problems, gain better cognitive and social skills, and greater language proficiency when their early childhood teachers have a strong education background and focused training. Another element of quality is the retention of providers; low pay and poor benefits result in a higher than national average turnover rate of 31%. And, finally, low staff to child ratios are a key component of quality standards.

There are several options to enhance the quality of care, including education initiatives, such as forgiving student loans or offering scholarships, training initiatives, such as increasing annual training or increasing provider education requirements, and compensation and benefit initiatives, such as incremental pay increases for continuing education, wage supplements, or bonuses for educational achievements. North Carolina has been a front-runner with the Teacher Education and Compensation Helps (T.E.A.C.H.) program to address the needs of the low education level, poor wages and high turnover by linking higher education with increased compensation, and the WAGE$ program to supplement salaries of caregivers with early childhood education credentials.

Suzanne Freed, staff, continued with a discussion on the costs to provide care and the affordability of child care for parents. From data collected by the Maryland Committee for Children (MCC), a sample child care center faces $8,581 per child in start-up expenses, and $4,001 per child for annual operating costs. Yet, these expenses do not reflect all costs providers incur, which are subsidized through in-kind donations, government subsidies, hidden operating expenses, and low staff wages. At an 85% utilization rate, a sample "true cost" of care for a provider would be $129.53 per child per week, compared to the current payment levels of $98 to $169 per child per week. Staff and MCC also worked on determining the "true cost of quality care" using salaries of public school teachers with comparable education and experience. Data presented to the commission indicated child care costs would rise by 20% to 350% depending on the type of care if child care workers were paid salaries (adjusted for differences in educational background) equivalent to teachers.

The presentation continued with a discussion of current State efforts to help make child care more affordable for parents. The State Purchase of Care (POC) program provides subsidies to low-income families to help cover the cost of child care. Two scenarios demonstrated that as families' incomes increase, they pay a higher co-pay for care. However, once the family is not participating in the subsidy program, the cost of child care can range as high as 25% to 45% of family income. Almost a third of the families participating in the POC program have child care costs above 10% of their income. Staff suggested three options to make child care affordable for low-income families:

- expand the POC eligibility limit from 45% to 50%, 55%, or 60% of State median income;

- adjust the co-payment schedule so that co-payments increase with income, rather than holding the co-pay steady for families at the upper end of the eligibility scale until the family is no longer eligible; and

- adjust the co-payments to reflect household income rather than the cost of care in local jurisdictions.

Discussion among the commission members followed regarding the cost of such investments in the child care and early education system. Senator Collins reminded the commission that many human service professions are struggling with staff and salary "crises." Moreover, Senator Neall added that even if the State enhanced the POC program, these efforts help only about one in eight children. Dr. Chisman commented that perhaps it is easier to treat the issue of costs and options from a political or public policy perspective by addressing child care and early education as separate areas. Debbie Moore and Dotty Chaney commented that the two cannot be separated. The chair reminded the commission that the next meeting will be looking specifically at early childhood education programs and options of financing.

Discussion also continued on the role of private businesses. Lillian Kilroy added that businesses are suffering because of high turnover related to child care problems. Families, in particular, mothers, are choosing their children over their jobs because they cannot find or afford quality care. Dr. Chisman asked why businesses are not more pro-active in addressing the problem. The ensuing discussion focused on the difficulties small businesses and branch offices have in providing child care to their workers.

David Smulski concluded the staff presentation with a discussion of tax credits and deductions available to families on the State and federal level. There are three tax credits available to assist families with children. The Child Tax Credit is taken against federal income taxes and is in recognition of the fact that children are expensive to raise. The Child and Dependent Care Tax Credit, is also taken against federal income taxes, and its purpose is to offset expenses for child care, but there is no income limitation. The Maryland Dependent Care Credit is in addition to the federal Child and Dependent Care Tax Credit, but is income limited. Families with children may also deduct child care expenses but the deduction can not exceed the allowable child care expenses under the federal tax credit. Most states offer some relief to families with children in day care. New York and Oregon were noted in particular because of their generous credits.

Maryland also provides some assistance to day care providers to expand or build new facilities. The Maryland Department of Business and Economic Development provides loan guarantees and direct loans to expand or build new daycare facilities. The State has also authorized local governments to issue tax credits against property taxes for areas designated for day care. It was pointed out during the meeting that Howard County may be the only jurisdiction that has implemented this credit. As a result of the staff presentation, several options for providing additional assistance to families with children were presented. These options included: developing tax credits for providers that offer health insurance; expanding existing credits; publicizing existing programs; and offering grants rather than loans to address day care shortages. It was pointed out by staff that any additions or increases in the tax credit area will reduce the amount that can be spent on services and programs for child care.

Secretary Kirkland then reviewed the revised work plan with the commission. In addition, she asked commission members to sign up to participate on four workgroups. These workgroups will look at different ways to finance child care and early childhood programs, primarily working with the Marion Kauffman Foundation publication -- Financing Child Care in the United States. The four workgroups are:

- Public Private Partnerships and the Private Sector;

- Generating New Public Revenue;
- Financing Child Care Facilities; and
- Tax Credits, Deductions, and Exemptions.

The next meeting is scheduled for Thursday, July 12, 2001, at 10:00 a.m., Room 110 (House Ways and Means) in the Lowe House Office Building.

The meeting adjourned at 12:00 p.m.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Thursday, July 12, 2001
10:00 a.m.

Meeting convened at 10:00 a.m.

The chairman asked everyone to introduce themselves and their affiliation.

David A. Romans, staff, then continued the meeting with a brief background and discussion of early childhood programs in Maryland. Two major issues that must be answered are: (1) what parents are doing with their children; and (2) what do parents want for their children. Currently, programs are reaching a small population of children ages zero to five. In some cases, children are using more than one program, making utilization rates appear greater than they actually are. The Thornton Commission is looking at ways to improve the financing system of education -- extending education through kindergarten and pre-k. Consultants and other experts examining the system all recommended some type of pre-k for children. Other "big picture" issues are whether the State should focus on targeted or universal services for young children; and gathering data to more fully understand the availability of programs and needs of parents.

Members associated with child care expressed concern that moving toward expanding early childhood education programs might negatively affect the child care industry. Seeing child care as a "wrap around" service would make it difficult for providers to fill slots for the entire day. The chairman stated that there is not one recommendation that will solve the problems families and the community are facing.

Continuing with presentations, Mary Gunning, Executive Director of the Maryland Head Start Association, provided background information on Head Start in Maryland. Head Start is a program that focuses on cognitive development and parent involvement. The chairman asked why there is underutilization of the Head Start program. Ms. Gunning did not have that information, but added that there is a waiting list. Also, the chair asked whether there is an interface between Head Start and the Extended Elementary Education Program (EEEP). Currently there is a collaboration through the Judy Centers, as well as the Advisory Board. Montgomery County has joint staff workshops, even though they don't serve the same children. In response to the issue of adequate funding of Head Start teachers, Ms. Gunning commented that 50% of the teachers who have a Bachelor's of

Arts degree now have salaries comparable to elementary school teachers.

Next, Dr. Rolf Grafwallner, Maryland State Department of Education (MSDE), and Ms. Dorothy Giersch, Judith P. Hoyer Initiative, presented on the EEEP program, the Judy Hoyer Enhancement grants, and the Hoyer Centers. EEEP is a pre-k program targeted to at-risk children who are four years old. The Hoyer Initiative is made up of several different projects, including the enhancement grants and the Hoyer Centers. In fiscal 2001, 44 grants were provided, 36 of which went to child care providers to help programs seek State MSDE accreditation. Mentors have also been funded to help providers attain accreditation. Another piece of the initiative is the Judy Hoyer Centers. Ms. Giersch is currently visiting each new site to monitor their progress. Some centers are operating at full capacity, but not all.

Finally, Kate Walsh and Heather Callister of the Abell Foundation presented information on a pilot program they are currently heading in Baltimore City. They stated that $32 million has been spent on pre-k in Baltimore City, there are 6,000 funded pre-k slots, and access to Head Start is not an issue in Maryland; rather, poverty and literacy are issues that need to be addressed. The Abell Foundation's project is creating an infrastructure for a common vision of what early childhood education should be. The foundation believes currently, there is a lack of communication among the agencies involved in this policy area. The project uses exiting services plus a new curriculum, while facilitating collaborative approaches with the community.

The chairman finished the meeting with closing business. She noted that a public forum might be on the schedule in the next few months. Also, there will be additional presentations at the next August 9 meeting on the Family Support Centers and a new early education model being piloted in Western Maryland.

The next meeting is scheduled for Thursday, August 9, 2001, at 10:00 a.m., Room 110 (House Ways and Means) in the Lowe House Office Building.

The meeting adjourned at 12:20 pm.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Thursday, August 9, 2001
10:00 a.m.

Meeting convened at 10:00 a.m.

The chairman made opening remarks, to include an announcement that the Thornton Commission would like the Hoyer Commission to present an overview of how the recommendations of the Hoyer Commission are shaping up. It was agreed that it would be beneficial for the Hoyer Commission to be informed of the Thornton Commission's progress, as well.

Two presentations were given regarding early childhood programs. First, Margaret Williams from Friends of the Family spoke about the core services provided by the Family Support Centers, which are community-based programs that provide free services to pregnant women and to parents with young children. The free services are numerous, comprehensive, and preventive and include health education and developmental infant and toddler assessment and referral services. The centers also have a coordination role in acting as advocates for families to receive certain health and substance abuse services. The center services are designed to provide certain "community" outcomes aimed at both children and parents. Ms. Williams also discussed the clientele receiving the services of the centers and the problems they face. Several recommendations were provided, to include: (1) reconsideration of the mandate for Temporary Assistance to Needy Families (TANF) recipients to join the work force once their children turn age one; (2) establishment of a Family Support Center in every community marked by concentration of risk factors; (3) provision of funding for the centers concomitantly with funding for Judy Center initiatives; and (4) assurance that new community initiatives are integrated with existing ones, not layered or built separately.

The second speaker was Rose Berdahl from the Early Childhood Family Education Program (ECFE). The program is based on the Minnesota model and is a universal, voluntary, family-focused/child-focused program for expectant parents and parents of children from birth to kindergarten-age. Ms. Berdahl described the mission of the ECFE Program, which is to build on the strengths of families through the education and support of all parents in providing the best environment for the healthy growth and development of children. The program is not site-based, but instead offers classes in a variety of settings, such as community centers, churches and schools. Approximately 300 families are expected to participate in ECFE between September 2001 and May 2002.

David Romans, staff, then continued the meeting with a discussion regarding the framework for the commission's recommendations. He began the presentation with the basic question of: "What services do parents want and need?" He referenced the outline that staff had prepared, which includes the legislative charge of the commission and a breakout of the issues into: (1) Improving Quality, and (2) Improving Access. The subject of quality was discussed first; and different strategies were mentioned, including: forgiving student loans, increasing training requirements, and increasing compensation and benefit initiatives. One member expressed a concern over what effect increasing quality would have on affordability and accessibility. Some members expressed concern that training dollars may not be well spent because of the high turnover rate, and further, it was mentioned that research has shown that one-time training programs (vs. ongoing programs) have virtually no impact. Other members mentioned that making the field more attractive for providers would increase the supply and thus ultimately address accessibility.

Generally, the members decided that improving wages and benefits for providers in the field would be the best option at this point. Two ideas discussed were bonuses and a group health insurance pooled purchasing program. One member inquired about cost information on a bonus or wage improvement program in Maryland and expressed interest in receiving information about other state programs.

The chairman finished the meeting with closing business. She solicited possible dates for a public forum in the next couple of months. Discussion ensued, and it was determined that the date would be early October, to coincide with an additional commission meeting outside the already scheduled meetings (on the second Thursday of the month). The public forum will be held in northern Arundel County or Howard County at a school, the exact location of which is yet to be determined. The September meeting will include the presentations of the workgroups and a continuation of the discussion of the framework for the commission's recommendations.

The next meeting is scheduled for Thursday, September 13, 2001, at 9:00 a.m., Room 110 (House Ways and Means) in the Lowe House Office Building.

The meeting adjourned at 12:00 pm.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Thursday, September 13, 2001
9:00 a.m.

Meeting convened at 9:00 a.m.

The chairman made opening remarks, to include mention of the recent National Governors Association conference held in Washington D.C. and the great opportunity it provided to get reinvigorated about early childhood education and to hear what other states are doing in this arena.

Dr. Alvin Thornton, the chairman of the Commission on Education Finance, Equity, and Excellence, presented on the work of the commission thus far. Dr. Thornton discussed the six-prong charge of the commission, which includes reviewing the current education financing formulas and accountability measures and making recommendations for ensuring adequacy and equity for funding for students in public schools. Dr. Thornton predicted that the first draft of recommendations from his commission would be issued on or around October 15, 2001. He is hoping to continue the dialogue with the Hoyer Commission as the two groups move closer to issuing their respective recommendations. Dr. Thornton mentioned that the goal is to produce recommendations that not only indicate what children need from birth in order to become the citizens we expect, but that can ultimately be successfully conveyed to the legislators in order to gather public support.

Continuing with presentations, representatives from two of the three workgroups offered their findings and recommendations specific to the area they covered. First, David Romans, staff, presented on Generating New Public Revenues. Several options were considered by this workgroup, and four recommendations were offered:

- create a tax check-off for early childhood care and education;
- raise the tobacco tax;
- if slot machines and casino gambling are legalized, target revenues to early childhood programs; and
- authorize special taxing districts.

Second, Dr. David Cooper presented the findings and recommendations on Financing Child Care Facilities. The workgroup made seven recommendations based on the basic assumptions that: child care facilities should be in the business of providing quality child care; the State provides insufficient levels of funding to improve accessibility, quality, and affordability; a balanced allocation of additional State resources to businesses is appropriate; and adherence to State regulations and professional standards should be necessary requirements to receiving State support. Recommendations included:

- exploring small grant application assistance;
- creating a loan forgiveness program for child care centers; and
- examining the marketing efforts of the Department of Business and Economic Development's current small business loan program.

Because of meeting time constraints, Forrest Chisman and Lillian Kilroy did not have an opportunity to present the findings and recommendations from the workgroup on Public-Private Partnerships, but they did distribute a document that adequately covered the workgroup's results. The workgroup recommended the following initiatives to enhance the State's commitment to public-private partnerships dedicated to child care and early education issues:

- establish/designate an independent state-level, private, nonprofit entity to act as the umbrella organization for coordinating local public-private partnership groups;
- increase utilization of new and existing partnership programs through increased funding to Regional Resource and Referral Centers;
- raise awareness of child care and early childhood education issues among parents and the business community; and
- expand opportunities for partnerships through the adoption of a pilot matching grant program that would create incentives for employers to provide funds to meet some of the cost of child care for their employees and communities.

After each workgroup presentation, the chairman polled the members to gather feedback on the respective recommendations. All but one of the recommendations were accepted. The one recommendation from the Financing Child Care Facilities workgroup that was a concern to a member was going to be altered in order to meet the approval of the commission. Staff for the commission are tasked with preparing an amalgamation of the workgroup recommendations for the next meeting.

The chairman finished the meeting with closing business. She noted the need for additional meetings and presented a rough time line for draft recommendations of the commission. She also noted the scheduling of a public forum in order to solicit public comment on Maryland's early child care and education system. Staff for the commission will distribute an updated schedule to the members.

Following the chairman's departure, the rest of the attending members stayed for an additional presentation by Suzanne Freed and David Romans, staff, on child care compensation issues. Staff noted that the cost of raising child care worker salaries to the level of teachers with similar experience is $245 million. Suzanne Freed presented the commission with three options for reducing the gap between teacher and child care salaries, including salary supplements based on either accreditation status or credentialing level. Commission members were particularly interested in the possibility of tying salary enhancements to the credential level of the child care worker. Staff also outlined options for increasing the availability and affordability of health insurance. While staff in child care centers appear to have access to the State-defined and -regulated comprehensive standard benefit plan for employers with 2 to 50 workers, the cost of more than $4,000 per enrollee is a barrier. Commission members expressed interest in subsidizing part or all of this benefit and asked for information on the eligibility of family child care providers for the comprehensive standard benefit plan.

The next meeting is scheduled for Thursday, October 4, at 4:00 p.m., in the Teachers' Lounge at Dasher Green Elementary School in Columbia, Maryland. The meeting will be followed by a public forum at 7:00 p.m. Additionally, there will be commission meetings on Thursday, October 11, 2001, and Thursday, November 1, 2001, from 9:30 a.m. - 12:30 p.m.

The meeting was adjourned by Senator Collins on behalf of the chairman at 12:00 p.m.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Thursday, October 4, 2001
9:00 a.m.

The meeting began in the teacher's lounge of Dasher Green Elementary school in Columbia, Maryland. A public forum was to take place after the meeting, beginning at 7:00 p.m. in the auditorium, to hear from the general public on issues of concern to families and child care providers. The chair opened the meeting with introductions of the members. She also thanked the Maryland Committee for Children for distributing the press release for the forum, and added that the Office of Children, Youth, and Families had also sent the press release out, and put information on the website regarding the forum.

The meeting continued with staff presenting a guide of options and strategies that the members have discussed or heard about during prior presentations. These options are divided into four major areas:

- Improving Quality of the Existing System;
- Improving Access;
- Financing Improvements; and
- Other Options, Issues.

The first list of options discussed involved improving quality of care through better provider salaries and compensation. Such efforts will help retain and recruit qualified providers and encourage entrance into the field with higher salaries. Discussion focused around the first option of providing direct salary supplements to providers, in order to close the gap between early childhood education providers and public school teachers' salaries. The members agreed that any supplements should be tied to the attainment of higher credential or accreditation levels, in other words, a merit-based system.

Forrest Chisman raised the issue that direct subsidies such as this would give no incentive to providers to raise their employees's salaries if the State was going to fill the gap. However, Linda Heisner explained that there is precedence for these supplements.

For example, the federal government subsidizes the agricultural industry, and the State pays farmers on the Eastern Shore not to grow crops. In addition, there is a larger public policy issue of extending the mandate that public education is a greater public good. The members also agreed that the option to supplement salaries would be going to all providers, not just those serving low-income, or Purchase of Care (POC) children. It was suggested that the providers agree to a contract (similar to the North Carolina TEACH model) requiring that the supplement go to salaries and benefits. The members agreed to look at a proposed recommendation and vote on it for the next meeting.

The members continued with the second set of options regarding health insurance benefits. It was agreed that the members would recommend the State subsidize 50 percent of the cost of the small group market plan for individuals. This would cost approximately $30 million, assuming an 80 percent participation rate by child care providers. Linda Heisner explained this would be difficult to administer and would require an administrative structure and additional funds.

The next set of options involved education and training, and enhancing early education experiences. Members agreed that the first option agreed to, raising salaries for higher credentialed providers, would serve as impetus enough for providers to seek out more training and education. However, members also agreed that the report should reflect the continuing need for scholarships for those who cannot afford to seek higher credential levels and better training. A suggestion was made that the commission highlight the importance of Judy Hoyer Centers. Members also agreed that while these centers are an important resource, they should not be signaled out as the only effective model in the State for early education efforts.

The last discussion focused on options to make child care more affordable. Three options involved helping the poor and working poor:

- reducing the POC co-payment so that no family pays more than 10 percent of their income on child care costs;

- expanding POC eligibility from 50 percent to 60 percent of the State median income; and

- index POC income eligibility limits to annual changes in the State median income.

These options would allow more families to qualify for the State subsidy program, and reduce the growing proportion of child care costs to family income. Linda Heisner explained that the national norm for eligibility of the program is marked at 85 percent of state median income. Maryland is at the bottom of this list, at 50 percent currently. She suggested a recommendation that the State expand POC eligibility to 85 percent of the SMI, which is approximately $50,000. These three options were all agreed to by the members. Additionally, the members agreed to recommending an option that would help middle-income families with child care. This recommendation would modify the Maryland Dependent Care Credit by raising the amount of credit a family could claim from 32.5 percent to 100 percent of the federal credit.

Members agreed to continue discussion of proposed options at **the next meeting, scheduled for Thursday, October 11, 2001, at 9:30 a.m., in the House Ways and Means Committee Hearing Room.**

The meeting concluded at 6:55 p.m. Members moved on to the auditorium for the public forum.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Thursday, October 11, 2001
9:30 a.m.

The meeting began with the chairman's opening remarks. She then asked for comments on the public forum from last week. All members agreed it was a very positive and informative experience. In response to the issue regarding scholarships for early education training, Dottie Chaney explained there is $90,000 available for scholarships. The Maryland Higher Education Commission (MHEC) is beginning a broader outreach campaign to see that the money will be exhausted.

The next item on the agenda was a continuation of the discussion of commission recommendations. Members suggested that a recommendation be made to review the current Department of Business and Economic Development (DBED) loan program to see if it is fulfilling the needs of child care providers. If DBED cannot successfully promote the program, it was suggested another department may be considered to run the loan program.

Discussion moved to recommendation on early education programs. Specifically, what, if any, recommendations should be made regarding full-day kindergarten and full- or part-day universal pre-kindergarten? Senator Collins mentioned that the Thornton Commission has not addressed how to pay for full-day kindergarten at all, and he is not sure what direction the Thornton Commission will take. Members asked what were the problems with full-day kindergarten? Senator Neall mentioned that among several, there were space and liability issues. Such a roll out would also require additional teachers; right now there is a shortage of quality early education teachers. Other members suggested they should be focusing more on children before kindergarten, when development is most critical. Yet, one member stated that you can't build up pre-school to full day, and then expect to send children to only half-day kindergarten. The chairman suggested that the commission, in its report, state that while full-day kindergarten is a long-term goal, it still doesn't solve the problem of quality care through the entire day.

The chairman also commented that the report should discuss the need for greater access to early childhood education programs, such as Head Start and the Extended Elementary Education Program (EEEP), without laying out specific details of cost. David Romans suggested as one recommendation that the State provide grants to locals to fill any gaps in services, such as after-school care, or pre-kindergarten. The grantees should be required to make strong linkages between the local school districts and the early education programs. Also, this funding should supplement, not supplant current funding. Senator Collins added that in the report, there should be a recommendation telling the Governor he should make early childhood education a priority among general funding revenues.

Staff then presented follow-up from the October 4 meeting. This included a review of the provider salary supplement recommendation. Members agreed the supplement amounts were too high and didn't reflect realistic assumptions. Staff will provide a different analysis of the fiscal impact at the next meeting.

The chairman concluded with closing business.

The next and last scheduled meeting is on November 1, 2001, at 9:30 a.m., in the House Ways and Means Committee Hearing Room.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

Minutes
Thursday, November 1, 2001
9:30 a.m.

The meeting began at 9:50 a.m. with the chairman making her opening remarks. She thanked the commission for its hard work, loyalty, and patience throughout the year. Also, she thanked the staff for getting out the draft report for editing and comments today at the meeting. The chairman also suggested that her office will help put out a press release on the final report when it is finished. Today's meeting is the last meeting of the commission.

Next, the commission began reviewing the draft recommendations of the report. Beginning with the health insurance subsidy, there was a question regarding whether the subsidy should be linked to the accreditation process, or be universally available. The members came to a consensus that it should be universally available because it is one of the basic fundamental initiatives to help all providers with the issue of adequate compensation.

The commission then discussed the salary supplement recommendation. Staff presented two alternative proposals developed by the Department of Human Resources and the Maryland Committee for Children (MCC). The first proposal, already in the draft report, tied the salary supplements to providers in the process of achieving or who already received accreditation status. The second proposal recommended by MCC was to tie the salary supplements to providers that already achieved accreditation.

Members expressed concern with the high fiscal note for the original proposal, and suggested looking at ways to revamp the recommendation in order to make the fiscal note smaller. Linda Heisner explained how she thought the salary supplement should work. Dr. Chisman raised the issue of whether the supplement should be tied to the individual or the program. Members stated that it had already been decided to send the supplement to the program, which then pass on the grant to its members based on their credentials and experience. Lynn Sanchez added that she has seen a change in the workforce and the timeliness of this recommendation is very important. Keith Cave asked whether this type of recommendation would be a disincentive for workers to move between programs. After discussion, the members agreed to accept the alternative one, which was the original proposal, with changes to the fiscal note portion of the draft.

The next discussion was on a proposal by Linda Heisner. Her proposal was to alter the recommendation on the Purchase of Care program. She suggested changing the increased eligibility level from 85 percent back down to 70 percent. This was because the combination of the 85 percent eligibility level and the 10 percent cap on co-payment would be subsidizing families with incomes well above the State Median Income.

Following this discussion, the chairman began working through the narrative page by page, asking for additions or edits. She added that there should be a comment about the current fiscal environment in the executive summary. Lillian Kilroy mentioned that more should be added regarding discussions on universal or targeted services. David Cooper said the piece on cost-benefit analysis sounded too apologetic and should be made more assertive. Members also added more should be discussed on local pre-kindergarten programs, besides the Extended Elementary Education Program. A representative of Delegate Mark Shriver added that a section should be added on the Work Sampling System and the Maryland Model for School Readiness, as well as the public engagement campaign. Other comments regarding fleshing out pieces on full-day kindergarten, private-public partnerships, and leveraging additional federal funding. Linda Heisner said she would help flesh out and provide better numbers for the recommendations regarding the salary supplement and the purchase of care recommendations. The chairman reiterated that comments should be e-mailed to staff by Monday, November 5, 2001.

Members also mentioned they would like to see certain appendices added, included public hearing testimony, a list of witnesses, and a chart on brain development and long-term outcomes. The staff would also be adding the minutes for all meetings.

No further meetings have been scheduled for the commission.