

Report to The LEGISLATIVE FINANCE COMMITTEE



Children, Youth, and Families Department Impact of Child Care and Head Start on Student Achievement September 25, 2013

Report #13-08

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State of New Mexico
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September 25, 2013

Yolanda Berumen-Deines, Secretary-Designate Children, Youth, and Families Department 1120 Paseo De Peralta Santa Fe, New Mexico 87501

Dear Secretary Berumen-Deines:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the evaluation, *Impact of Child Care and Head Start on Student Achievement*. The program evaluation team assessed the performance and effectiveness of child care and Head Start in promoting early literacy, assessed program effectiveness, oversight, and resource allocation related to program integrity, and reviewed and compared New Mexico's practices along with program collaboration and alignment to best practices. An exit conference was conducted with Children, Youth, and Families Department on September 12, 2013 to discuss the contents of this report. The report will be presented to the Committee on September 25, 2013. The Committee would like a plan to address the recommendations within this report within 30 days from the date of the hearing.

I believe this report addresses issues the Committee asked us to review and hope New Mexico's early childhood system benefits from our efforts. We very much appreciate the cooperation and assistance we received from your staff.

Sincerely

David Abbey, Director

Cc: Representative Luciano "Lucky" Varela,

Senator John Arthur Smith,

Representative Henry "Kiki" Saavedra,

Senator John Sapien

Representative Mimi Stewart

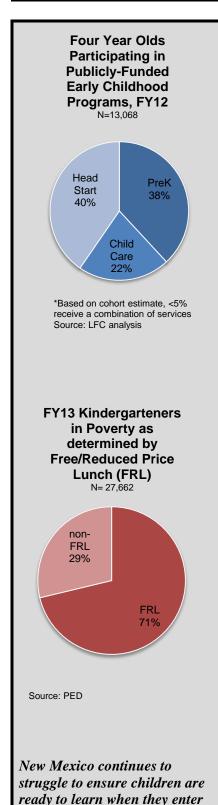
Tom Clifford, Secretary, Department of Finance and Administration Diana Martinez-Gonzales, Director, Early Childhood Services, CYFD

Hanna Skandera, Secretary Designate, Public Education Department

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EXECUTIVE SUMMARY



public schools.

Since FY12, the Legislature has increased early childhood funding by 44 percent to improve New Mexico's poor educational outcomes. The research is clear; early reading proficiency is a strong predictor of future educational and employment success, and experiences from birth to age five are critical for developing a strong foundation for future learning, behavior, and health. Many New Mexico children enter to school far behind their peers. One quarter of children entering kindergarten are unable to read one letter, and over 80 percent of children from low-income families are behind on the first day of school.

This program evaluation focused on the two largest early childhood programs in New Mexico, including an assessment of their impact on educational outcomes of low-income children. The child care assistance program administered by the Children, Youth and Families Department (CYFD) annually serves about 20 thousand children up to age 13 at a cost of \$95 million in child care assistance. The federally administered Head Start program serves roughly eight thousand children at a cost of \$61 million, with \$43 million focused on preschool services for 6,500 children.

Through these two programs and PreK, New Mexico has made extraordinary efforts to close the "opportunity gap" for children in poverty by providing access to preschool. In FY12, these three programs spent around \$100 million to serve 13 thousand four-year-olds, or 60-70 percent of low-income children. For FY14, appropriations for PreK will fund an additional 4,000 students; an 85 percent increase since FY12.

Unfortunately, neither child care nor Head Start is producing better academic outcomes. Rather than continuing with this fragmented system, the state should create an integrated PreK program, applying the same program standards across all publicly-funded early education initiatives.

Since 2004, Legislative Finance Committee evaluations have noted mission confusion for child care and whether the program should emphasize welfare support or school readiness. CYFD quality initiatives boost per child spending, resulting in fewer children being served. Given the lack of difference in student academic performance in the star rating system, future rate and cost increases should be tied to strategies to improve performance.

Similarly, a lack of Head Start cooperation and coordination results in inefficient resource allocation and potentially hinders school readiness. Although Head Start is the largest public preschool program in New Mexico, many agencies have little collaboration with child care providers, school districts or PreK sites. New Mexico would benefit if the state were responsible for overseeing these funds.

Finally, weak program integrity efforts at CYFD threaten effective allocation of resources and potentially endanger children. Examples include potential fraud and registered childcare providers sharing addresses with registered sex offenders.

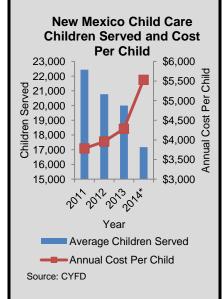
Early Childhood Funding FY13

(in millions)

Child Care Assistance	\$87.1
Head Start*	\$42.5
Pre-K	\$19.2

Source: LFC files

The childcare program will pay up to \$5 million over the next five years to 5-star day care centers despite a CYFD study calling many 5-star accreditation agencies and standards inferior.



Participating in child care is not associated with better outcomes on third grade reading or math scores.

KEY FINDINGS

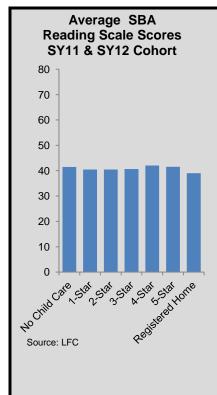
Despite significant investments, childcare assistance for low income children fails to improve school readiness and early literacy. In FY13, CYFD spent \$85.7 million to administer and subsidize the cost of child care for roughly 20 thousand children per month. The department has \$95 million to spend on child care assistance in FY14. Current funding allows for automatic enrollment for those up to 125 percent of the poverty level. Families may choose a variety of care settings in which to use their childcare subsides, including childcare centers, family and group childcare homes, and unlicensed registered providers, including care by relatives and friends. About 60 percent of children receiving childcare assistance are under the age of five, and 28 percent are preschool age (3-5). Most of the state's investment in childcare services, or \$43.4 million, serves children under age five.

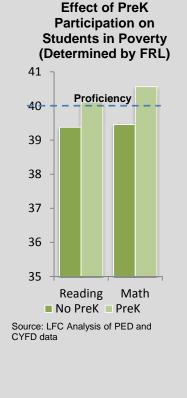
CYFD has spent millions on efforts to increase care quality to improve child outcomes. The purpose of improving quality in child care is to improve health and well-being of children and promote school success. Longitudinal studies have found that the impact of quality care extends into adulthood and includes improved school readiness. CYFD has three main approaches to improve quality: providing parents with information about quality care; providing higher rates and supplemental payments for higher rated care under the state's Quality Rating Improvement System (QRIS); and setting aside money for initiatives, such as the Training and Technical Assistance Program (TTAP). CYFD currently plans to spend the minimum four percent of child care development funds (CCDF) required on quality.

Spending per child continues to increase because of shifts toward more costly care of uncertain quality, which limits services to other low-income children. Previous LFC reports have shown the childcare program faces multiple financially competing goals that complicate resource allocation. Low-quality care undermines efforts to improve child development during a critical time before school entry. However, higher-quality day care typically increases program costs and limits the number of children served, which can undermine the program's goals to serve more low-income working families. The number of children served by child care has dropped 23.5 percent since FY11, and the cost per child has increased by 46.2 percent. Decreasing TANF caseloads have contributed to this drop. As a result, the child care assistance program experienced a \$6.7 million surplus in FY13 and will likely experience large surpluses in FY14. Additionally, the childcare program will pay up to \$5 million over the next five years to 5-star day care centers despite a CYFD study calling many 5-star accreditation agencies and standards inferior.

Participants in childcare assistance show no lasting improvements in early literacy levels, compared with peers who do not participate. Participating in child care is not associated with better outcomes on third grade reading or math scores compared to non-participant peers regardless of STAR level, duration of attendance, or type of care, and despite taxpayers providing additional funding for "higher-quality" providers.

^{* 100%} federally funded, excludes Early Head Start





Children participate in child care for very brief periods. Research suggests that breaks in the toddler-caregiver relationship are detrimental to optimal child development (U.S. Office of Child Care).

While CYFD's proposed quality initiatives reflect positive improvements, significant obstacles will likely prevent the desired impact of significantly improved school readiness among most child care participants. Barriers include data that suggests most children receiving childcare do not attend 4 or 5-star centers, and most children do not participate in child care very long, hampering quality improvements outlined in FOCUS. A lack of kindergarten readiness expectations and uniform assessment hampers the state's ability to align early childhood expectations with the K-12 system. Additionally the state's Race-to-the-Top Early Learning Challenge (RTT-ELC) grant proposal contains several significant deficiencies:

- The grant fails to propose a validated kindergarten-readiness tool and instead outlines a plan to validate the current PreK Observational Assessment for use as a kindergarten assessment, allocating \$2.1 million to the project.
- The new Quality Rating Improvement System (QRIS), FOCUS, will leave 70 percent of providers in the old system after RTT-ELC grant funding runs out.
- CYFD plans to validate the new QRIS during implementation and the evaluation will not look at outcomes.

Using some of the state's childcare assistance funding to enroll more four-year-olds in NM PreK would be a more cost-effective approach to boost student achievement. States are allowed to use up to 30 percent of CCDF matching funds toward PreK programs. The match is intended to provide an incentive for states to more closely link PreK and childcare systems and establish a coordinated approach to better meet the needs of working families. New Mexico has not used CCDF funds for PreK. Children who participated in NM PreK do significantly better in third grade reading and math than their peers who did not participate and peers that participated in child care. Similarly, participation in PreK, as compared with their peers who did not participate in PreK or who participated in child care, tend to have higher proficiency rates on the SBA and are less likely to participate in special education by third grade.

A lack of Head Start cooperation and coordination results in inefficient resource allocation and potentially hinders school readiness. With total federal funding of \$43 million for services to nearly seven thousand low-income three and four-year-olds, Head Start represents the largest public preschool program in New Mexico. Poor coordination and bifurcated funding hampers Head Start accountability and complicates NM PreK expansion. Head Start providers receive funding directly from the federal government, which monitors programs, and the state lacks Head Start oversight. Because of unnecessary competition and lack of collaboration between Head Start and PreK providers, the state has lost roughly \$1 million in federal funds for Head Start.

Children who participated in NM PreK do significantly better in third grade reading and math than their peers who did not participate or peers that participate in child care.

CLASS Domain
Scores National and
Three NM Head Start
Providers, 2012

5.5
5.0
904.5
5.0
2.5
2.0
National New Mexico

Because of unnecessary competition and lack of collaboration between Head Start and PreK providers the state has lost \$1 million in federal funds, resulting in fewer slots available for students in New Mexico.

Source: The Office of Head Start

Many Head Start agencies also receive other large grants and contracts from the state, some of which are under investigation for Medicaid fraud. Every non-tribal agency that provides Head Start services in New Mexico receives state funds in some form. Several agencies receive funding from multiple streams to provide Head Start, PreK, child care, and home visiting services. Two such agencies are currently under investigation for potential Medicaid fraud. Thirty-seven percent (\$2.4 million) of CYFD's \$6.6 allocation for state PreK in FY12 was awarded to Head Start and Early Head Start providers.

Head Start program measures show New Mexico falling behind, and some providers turn down state assistance that could help to reach these goals. Most Head Start programs do not meet the federal regulation that 50 percent of Head Start teachers have a bachelor's degree or higher in early childhood education. Additionally, one of the largest Head Start providers elects not to participate in the New Mexico T.E.A.C.H. program, which helps early childhood teachers attain degrees in early childhood education while continuing to work in the field. Other Head Start outcome data shows New Mexico falling behind the nation. Three New Mexico Head Start grantees received the federal teacher-child observation instrument CLASS last year. All scored below national means, and one grantee scored in the lowest 10 percent in the nation in the instructional support category.

The state lacks information on how Head Start impacts school readiness, and most providers refused to provide this data for the LFC. Despite communication from both the regional and national Head Start offices indicating providers were not barred from providing the LFC with student data, only three Head Start agencies shared requested data during the evaluation. Implementation of the state's Race-to-the-Top Early Learning Challenge (RTT-ELC) grant depends on collaboration among state and federally-funded early childhood programs. A lack of Head Start participation compromises the state's ability to fully implement RTT-ELC grant activities.

New Mexico needs to better target resources to children who need them most and improve access to early childhood services. Parents and children across the state do not have the same access to high-quality child care, do not have adequate access to apply for childcare assistance, and do not have adequate information about program quality or violations. Similarly, quality improvement resources for providers have been poorly distributed and have been reduced in recent years.

Parent access to information regarding provider quality and program violations is incomplete and inadequate. Fewer than half of clients receiving childcare subsidy have access to online resources for selecting quality child care or reviewing licensing surveys. Also, less than half of infractions resulting in sanctions are public. Examples of unreported infractions not included in the public database include a substantiated case of physical abuse and a child being duct taped to a chair.

The state does not even know which students receive Head Start.

Examples of unreported infractions not listed in the public database include a substantiated case of physical abuse and a child being duct taped to a chair.

LFC staff found three active registered homes where sex offenders reside.

New Mexico should look to other states for models of collaborative and coordinated PreK and Head Start systems that better provide services to highest risk children. In Georgia and Oregon, state PreK and Head Start collaboration offices are housed together. Oregon braids early childhood funds, as the state provides funding to Head Start agencies and community-based programs to provide the same services as Head Start, and the Oregon Department of Education and Region X Head Start Office conduct joint monitoring. Oregon also requires that other Head Start and PreK programs operating within an applicant's service area approve the applicant's request for additional funds.

Current childcare program integrity threatens the effective allocation of resources and potentially endangers children. CYFD childcare funding is at high risk for fraud, waste, and abuse because of weak program integrity efforts that could lead to a potential \$11 million dollars unrecovered annually, based on estimates from the federal Department of Health and Human Services. New Mexico is identifying only a small percent of estimated improper payments made each year for child care. According to the Government Accountability Office (GAO), a fraud prevention model should have a number of preventative controls and further detection and monitoring, including review of attendance and billing records, audits of provider records, and on-site visits to providers to review attendance or enrollment documents. The CYFD ECS does not perform any of these activities for program integrity purposes.

The CYFD Inspector General has been reduced from 4 FTE to 1 FTE and does not have a written work plan. In other states, the Inspector General (IG) reports directly to the cabinet secretary and all other program integrity efforts function within the IG's office. This management structure allows the office to autonomously organize work priorities and maintain the flexibility required to address high-risk issues as they arise.

LFC staff found clear examples of potential fraud and overpayments that go unreported. Providers are required to maintain records of attendance, including the time a child arrived and left the facility initialed by a person authorized to pick up the child. In one example of potential fraud, a CYFD licensing surveyor noted a lack of child arrival and departure records for a significant period of time, and when the surveyor found records, all forms with parent signatures were completed in the same handwriting. In 2012, CYFD recorded 54 occurrences of non-compliance with the requirement to keep a record of attendance in childcare centers where approximately \$4.3 million was spent by taxpayers on subsidized care.

CYFD implemented background checks do not include sex offender registries, and as a result, LFC staff found three active registered homes where sex offenders reside. A cross-reference between addresses listed in the sex offender registry and current child care provider addresses conducted by LFC staff revealed three childcare locations that registered sex offenders had listed as their primary current address in the sex offender registry. The findings were immediately shared with CYFD. The agency suspended the registrations of the three providers. Additionally, some sex offenders live next door to childcare providers with no requirement for

New Mexico is one of only ten states that do not have any requirements related to accounting for children in childcare center vehicles. notification. New Mexico is one of 19 states that does not restrict where sex offenders can reside. The remaining 31 states place restrictions on sex offender proximity to schools and/or childcare facilities.

Background checks are only conducted upon initial entrance into the system or after an employment break of 180 days. In some situations, child care employees are allowed access to children before a background check is completed, and volunteers do not require a background check. CYFD administrative code allows for exceptions for background checks being conducted prior to providing services as long as the employee or volunteer is under direct physical supervision and background check applications have been filed. New Mexico does not require background checks at licensed or registered facilities if the volunteer spends less than six hours per week at the facility and is under direct supervision.

Sanctions involving monetary penalties, reductions in star levels, or licensure revocation are infrequently and inconsistently applied. Early Childhood Services collects inconsistent amounts in civil monetary penalties for similar offenses. Additionally, three of the five licensed providers that have had their licenses revoked in recent years have reopened as either registered homes or licensed centers. Finally, New Mexico is one of only ten states that does not have any requirements related to accounting for children in childcare center vehicles. Evaluators found three documented occasions of children being left in cars by New Mexico childcare providers since 2007 and two other examples of a child being left behind at a park after a field trip.

KEY RECOMMENDATIONS

The Legislature should:

- Establish a framework for high-quality child care in statute through a child care accountability act, including provisions for pilot programs that would provide full day PreK, high quality wraparound early childhood services (similar to Educare), and maximize the use of federal childcare assistance for PreK for four year olds;
- Establish requirements in statute to improve Head Start through a
 Head Start accountability act, including requirements for licensed
 agencies offering head start to participate in New Mexico early
 learning standards and reporting requirements to facilitate outcomes
 reporting to the legislature and public;
- Amend statute to prohibit licensed childcare providers from leaving a child unattended in a motor vehicle given certain conditions;
- Ask congressional representation to support the federal government providing Head Start grants to the state for administration; and
- Establish a CYFD OIG function in statute with requirements for independence, duties, and reporting to the Legislature and executive.

The Children, Youth, and Family Department should:

- Use the provision of federal regulation that up to 30 percent of the funds for state match be used for PreK;
- Plan on implementing FOCUS as intended in the original RTT grant to enroll all providers by 2016;
- Follow federal best practices for preventing and finding fraud, waste and abuse;
- Expand the number of hours that staff members are available to childcare clients at ECS regional offices to better meet client needs; and
- Make information available to parents regarding childcare quality and licensing reports on paper in addition to referring parents to online resources.

The Race-to-the-Top Early Learning Challenge agencies should establish data sharing requirements with Head Start agencies by December 2013 to begin collecting data on participation, including requirements to provide historical information on participants to facilitate baseline performance calculations.

CHILD CARE ASSISTANCE

High-quality early care and education can put children on a more promising trajectory. Recognizing this fact, the New Mexico Early Childhood Care and Education Act aims, "to establish a comprehensive early childhood care and education system through an aligned continuum of state and private programs, including home visitation, early intervention, child care, Early Head Start, Head Start, early childhood special education, family support, and Prekindergarten (PreK)." Recent LFC evaluations have highlighted the importance of evidence-based and effective home visitation and early childhood programs but noted a lack of data regarding the effectiveness of childcare programs. This report is a follow-up to the 2004 LFC evaluation of New Mexico's childcare programs.

The Child Care Services Bureau (CCSB) within the Early Childhood Services program (ECS) of CYFD administers the childcare assistance program, which subsidizes the cost of child care for families with incomes at or below 200 percent of the federal poverty line. Families must reapply for subsidies every six months. Child care is provided through licensed centers and registered homes. All childcare providers who receive childcare assistance reimbursement are required to be licensed or registered by CYFD to receive payment for services. Registered homes receive childcare subsidy payments but are not subject to the same enforcement procedures or regulations as licensed family providers. The CCSB oversees four regional offices, each with their own licensing and subsidy eligibility supervisors and teams of case workers who conduct licensing visits, provide technical assistance, and oversee client enrollment in the childcare assistance program.

Childcare Fast Facts. According to the U.S. Office of Child Care, roughly 56 thousand children in New Mexico live below 100 percent of the federal poverty line (FPL), and over 36 thousand more live below 185 percent of the FPL. Nearly four thousand registered childcare homes and one thousand licensed childcare centers and homes provide child care in New Mexico. In March 2013, CYFD reported that 19.5 thousand children received childcare assistance, roughly 20 percent of those eligible to receive care. Waiting list lengths vary as CYFD periodically purges the list. The Department reported that roughly 4,000 children, with families earning up to 200 percent FPL, were on the waiting list for childcare assistance in September 2012. At that time, the childcare assistance waiting list included more than 1,000 children who lived in families with incomes between 100 percent and 125 percent of the federal poverty line. In February 2013, CYFD reported that 5,467 children were on the waiting list.

The number of children receiving childcare assistance subsidy has consistently dropped during the past three years. Although the number of children receiving subsidy fluctuates seasonally, the average number of children receiving subsidy per year fell by 5,268 children, or 23.5 percent, between 2011 and 2014, whereas the average cost per child increased by 46.2 percent in the same time period. Previous LFC evaluations of early childhood programs note that efforts to increase childcare quality raise costs and reduce the number of children who may access care.

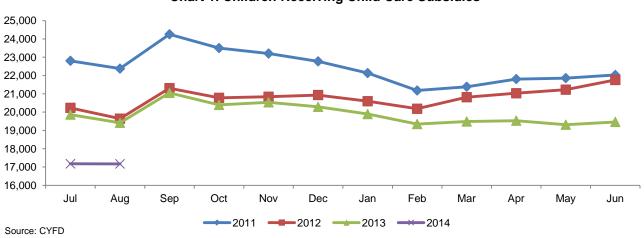


Chart 1. Children Receiving Child Care Subsidies

Children, Youth, and Families Department #13-08 Federally Funded Early Childhood Education Programs September 25, 2013 <u>Childcare Funding.</u> New Mexico relies upon several funding sources for childcare assistance. The majority of these funds come from three sources: the state general fund, federal Child Care and Development Fund (CCDF) block grant, and the Temporary Assistance for Needy Families (TANF) block grant. To draw down federal funds, states must meet match and maintenance-of-effort requirements. Between FY11 and FY13, the Legislature increased general fund spending on childcare assistance by over 61 percent from \$18.5 million to \$29.8 million. In FY14, CYFD is expected to spend \$95 million on childcare assistance. New Mexico also received a \$37.5 million, four-year federal Race-to-the-Top Early Learning Challenge grant (RTT-ELC) to improve early childhood care and education programs through workforce development, a new quality rating improvement system (QRIS), and data systems improvement.

<u>Licensed and Registered Providers.</u> Childcare homes (registered homes) are registered to participate in the U.S. Department of Agriculture's (USDA) child and adult care food program, meaning the caregiver receives reimbursement for providing nutritious meals and snacks, and the childcare assistance program. Historically, USDA food sponsors have completed registered home certification visits, and CYFD has been responsible for investigating complaints against registered homes and hosting training sessions for registered home providers.

Registered homes are operated by independent caregivers and are not required to meet minimal state licensing standards. Registered homes also do not participate in the state's QRIS. A 2009 LFC evaluation noted that roughly 70 percent of registered providers participating in the child care assistance program are related to the children for whom they provide care. Registered caregivers must attend six hours of training annually and complete first aid and CPR certification prior to registration. However, proposed U.S. Department of Health and Human Services (DHHS) regulations suggest that all provider training that occurs pre-service should include topics in health, safety, and child development. Current registered home training may not require all of the topics outlined in the proposed regulations and does not need to be completed before a registered provider begins operation. Though the Office of Child Care is still seeking public comment about the length of training, the proposed rule recommends 30 hours during the first year of operation and 24 hours in every subsequent year for all providers.

Licensed providers must meet minimal CYFD licensing standards. Three different types of childcare licenses are issued to providers: licensed childcare centers, licensed family childcare homes, and licensed family group homes. Licensed family childcare homes are private dwellings which may care for up to six children, or two children under the age of two, while a licensed group childcare home may provide care for seven to 12 children in a private dwelling. Licensed childcare centers operate in commercial settings and may care for larger groups of children. Licensing standards provide minimal requirements to protect the health, safety, and development of children in care, including zoning and capacity requirements, administrative requirements, record-keeping standards, staffing ratios, environmental expectations, and training.

In addition to meeting minimal licensing requirements, licensed providers may choose to meet standards of higher quality through the state's 5-star QRIS (8.16.2 NMAC). According to the federal Office of Child Care, "a QRIS is a systemic approach to assess, improve, and communicate the level of quality in early and school-age care and education programs." The state's existing QRIS, AIM HIGH, was implemented in 2000 and rates program quality on a scale of one to five stars. In 2012, CYFD modified childcare assistance requirements, no longer providing subsidies for children in 1-star level care. CYFD verifies that providers meet basic licensing requirements and awards contracts for the Training and Technical Assistance Programs (TTAPs) to verify that providers who receive star ratings of three and four meet quality rating requirements. Five-star providers are verified by external accrediting agencies.

CYFD will revamp its quality rating to further promote quality over the next five years by transitioning to a new QRIS, called FOCUS. Through the RTT-ELC grant, CYFD will implement FOCUS. The revised QRIS includes new quality benchmarks and eliminates the reliance on accreditation for the highest quality level rating but will continue to report quality on a 5-star scale. Registered homes will not participate in FOCUS.

Figure 1. Essential Elements of AIM HIGH and FOCUS

Essential Elements of AIM HIGH

- 1. Staff Qualifications, Evaluation, and Communication
- 2. Environment
- 3. Observation and Documentation of Children's Progress and Curriculum Planning
- 4. Staff/Caregiver Professional Development Plan
- 5. Family Involvement Plan
- 6. Administrative Policies
- 7. Employee Compensation and Benefits
- 8. Child-to-Caregiver Ratios and Group Size
- 9. Accreditation

Essential Elements of FOCUS

- 1. Licensing Compliance
- 2. Health Promotion Practices
- 3. Staff Qualifications and Professional Development
- 4. Physical/Social Emotional Environment
- 5. Program Administration
- 6. Continuous Improvement
- 7. Assessment and Curriculum
- 8. Cultural Competence
- 9. Staff: Child Ratios
- 10. Family Involvement/Family Engagement

CYFD reports FOCUS will involve more targeted program supports, higher standards for several AIM HIGH quality indicators, graduated program standards that are tied to the state's Early Learning Guidelines and school readiness, and more emphasis on program administration.

Source: CYFD

Statewide implementation of the new FOCUS system will begin in January 2016. CYFD conducts a survey of each licensed provider at least twice per year to ensure that providers are meeting licensing regulations.

Table 1. June 2012 Child Care Providers

	Number of Providers
2-star Licensed Homes and Centers	612
3-star Licensed Homes and Centers	62
4-star Licensed Homes and Centers	84
5-star Licensed Homes and Centers	179
Total	937

Source: CYFD

Teacher qualifications impact early childhood development, but low requirements and low wages prevent childcare providers from attracting highly-trained teachers. According to Child Care of America (CCA), New Mexico is one of 17 states that do not require lead teachers to have a high school diploma or GED. All other states require that teachers have this minimal qualification to work in licensed childcare centers. The state's QRIS does establish minimum education requirements for programs of higher quality, but the state does not track or monitor the qualifications of its early childhood educator workforce. The average annual income of childcare workers in New Mexico is \$18,670 per year, \$2,650 lower than the United States average. A 2010 CYFD workforce survey of childcare providers found that nearly one-third of surveyed childcare workers receive government assistance.

Table 2. Provider Qualification Requirements

Child Care License (NMAC)	5-star AIM HIGH	5-star FOCUS	Head Start
None for care givers	Staff/caregivers working directly with children must have a high school diploma or equivalent	20% of all teaching staff must have the New Mexico Child Development Certificate for the age/groups assigned.	By 2013, 50% of Head Start teachers in center-based programs must have BA or advanced degree in early childhood education or another major relating to child care

Source: LFC

Minimal education requirements and correspondingly low compensation for childcare providers contribute to high annual staff turnover, which is about 33 percent in New Mexico. To retain high-quality early childhood providers, the Brindle Foundation has funded a pilot administered by the New Mexico Association for the Education of Young Children (NMAEYC), known as INCENTIVES, in southwest Bernalillo County and Santa Fe County. The program provides pay supplements which range from \$300 to \$5 thousand to teachers, depending on level of education. The INCENTIVES pilot demonstrates promise; during the first year of the project, NMAEYC reports that 46 percent of participants completed additional college coursework and no participating teachers turned over.

Child-to-provider ratios and size limits required for childcare center licensing and the star ratings in the state's QRIS, particularly at the lower-quality end, are greater than ratios recommended by industry best practices. Children in centers with lower ratios and group sizes are more likely to receive better quality care and to form more secure emotional attachments to caregivers. Ratios recommended by the American Academy of Pediatrics (AAP) are close to half of what is required by New Mexico to gain a childcare center license. However, reducing provider-to-child ratios is costly, as providers must hire additional staff.

Five-star standards within the FOCUS system will require that programs adhere to National Association for the Education of Young Children (NAEYC) ratio standards. Maximum child group sizes required for 4 and 5-star ratings within the AIM HIGH and FOCUS systems are also greater than those recommended by Head Start and the AAP. According to a 2013 report by Child Care of America (CCA) New Mexico is one of only thirteen states that do not specify maximum group sizes in regulation, which the report lists as a weakness of state childcare centers.

Table 3. Center Child-to-Provider Ratios

New Mexico Child-to- Provider Ratio Required for License (NMAC)		AIM HIGH (4 and 5-star)		FOCUS 5-star (NAEYC standards)		Head Start		American A Pedia Recomm (NIH s	endation
Age (months)	Ratio	Age (months)	Ratio	Age (months)	Ratio	Age (months)	Ratio	Age (months)	Ratio
								6 to 12	3 to 1
0 - 24	6 to 1	0 - 24	5 to 1	0-28	3-4 to 1	0- 24	4 to 1		
24-35	10 to 1	24- 35	8 to 1	21-36	4-6 to 1	25 to 35	4 to 1	13- 35	4 to 1
36-59	12 to 1	36- 59	10 to 1	30-48	6-9 to 1	36 to 47	8 to 1	36- 47	7 to 1
60- 83	15 to 1	60 - 83	12 to 1	48- 60	8-10 to 1			48- 71	8 to 1

Source: NIH, Head Start, NMAC

The Center for Law and Social Policy (CLASP) recommends three strategies states may use to improve childcare quality through reduced group and ratio sizes: 1) Altering licensing law or regulations. 2) Changing the rules that govern subsidy programs. 3) Enhancing the supply of quality

In 2012, CYFD recorded 252 instances of non-compliance with child care capacity and staff-to-child ratios in New Mexico licensed providers.

assistance.

programs through access to professional development and technical

Child Care History of Major Events.

- With welfare reform, the federal government consolidated childcare assistance into one unified program, creating a consolidated block of mandatory funds under the Social Security Act, known as the Child Care Development Block Grant (CCDBG).
- 1997 New Mexico is one of the first states to initiate a childcare quality rating system to provide parents with information about site quality through three rating tiers: gold, silver, and bronze. Participating in the rating system is voluntary.
- 2000 CYFD develops the AIM HIGH tiered quality rating and improvement system (QRIS) with five levels of quality. The new system provides differentiated subsidies for each level. CYFD also initiates program improvement assistance through training and technical assistance programs (TTAPs).
- 2004 CYFD began funding the T.E.A.C.H. Scholarship Program so childcare teachers can access the professional development system.
- 2010 A CYFD taskforce recommends improvements of the state's QRIS, leading to the development of FOCUS.
- 2011 Early Childhood Care and Education Act passes to establish a comprehensive early child care and education system through an aligned continuum of programs and establishes the state Early Learning Advisory Council and the Early Childhood Care and Education Fund.
- 2012 The state's third generation QRIS, FOCUS, begins implementation. Childcare providers holding a 1-star license are no longer eligible for childcare assistance subsidies. All licensed providers receiving subsidies must now meet 2-star requirements. Registered home rates remained unchanged.
- 2013 Proposed changes to federal regulations redefine the purpose of CCDF to include expanding high-quality childcare options, ensuring program integrity, and improving coordination among programs.

HEAD START

Head Start and Early Head Start are federal programs that promote the school readiness of children under age five from low-income families by enhancing their cognitive, social and emotional development. Head Start programs also provide health, nutrition, social and other services deemed necessary to enrolled children ages 3-5 and their families. The services may be provided in a center, school, family childcare home, or children's own homes. Head Start funding is provided directly to agencies bypassing states. CYFD has no administrative role in Head Start but does house one federally-funded staff member to act as the state's Head Start Collaboration Director.

<u>Head Start Fast Facts.</u> In 2012, Head Start and Early Head Start served 822 thousand children across the country and eight thousand in New Mexico. Since 1965, nearly 30 million low-income children and their families have received Head Start Services.

To be eligible for Head Start a family must: receive temporary assistance for needy families (TANF) or social security income benefits, priority is given to families at or below 100 percent of the federal poverty level, or have children in foster care. Ninety percent of Head Start attendees must be from a low-income family.

Head Start Funding. The Office of Head Start awards competitive grants to organizations to provide Head Start and Early Head Start services. Public agencies, non-profit organizations, or for-profit organizations can apply for the grant on a competitive basis, and are broken up into service areas by geographic boundaries.

Table 4. 2013 Federal Poverty Guidelines

	Federal		
Persons in Family/Household	Poverty Guideline		
1	\$11,490		
2	\$15,510		
3	\$19,530		
4	\$23,550		
5	\$27,570		
6	\$31,590		
7	\$35,610		
8	\$39,630		
For families/households with more than 8 persons, add \$4,020 for each additional person			

Source: Office of Administration for Child and Families

Head Start awarded grants totaling \$61 million for Early Head Start and Head Start in New Mexico serving roughly eight thousand children. An estimated \$43 million was awarded to providers in New Mexico for Head Start alone in FY13. Though federal funding increased slightly for FY13, programs are expected to experience an estimated \$3.2 million decrease in FY14 funding due to federal sequestration. In August of 2013, the DHHS announced that it will fund 57 thousand fewer Head Start slots nationally, resulting in 371 fewer slots in New Mexico. According to DHHS, Head Start enrollment in New Mexico has increased slightly while the number of staff have decreased over the last three years.

Head Start is administered in New Mexico through 32 providers, 18 of which are associated with Native American tribes and their governments. The state has 125 Head Start centers, including three migrant/seasonal Head Start centers.

Head Start History of Major Events.

1965	The federal Office of Economic Opportunity launched an eight-week Project Head Start as part of President Lyndon B. Johnson's War on Poverty.
1966	Head Start becomes a year-round program.
1977	Head Start begins to offer bilingual and bicultural programming.
1994	An advisory committee on Services for Families with Infants and Toddlers designed the Early Head Start Program.
2007	Head Start is reauthorized with provisions to strengthen quality, including the alignment of Head Start school readiness goals with state learning standards.

PRE-KINDERGARTEN (PREK)

New Mexico's prekindergarten program (PreK) provides roughly three hours of services in public schools and non-public settings, such as community childcare centers. Both CYFD and PED administer prekindergarten programs to four-year-olds. Both departments prioritize program applicants serving large numbers of at-risk students, and two-thirds of enrolled students must live in a Title I elementary school zone.

Table 5. General Fund PreK
Appropriations
(dollars in millions)

Fiscal Year	Appropriation	Total # Served
FY06	\$4.8	1,540
FY12	\$14.5	4,981
FY13	\$19.2	5,717
FY14	\$30.0	9,600 (estimated)

Source: LFC files

NEW MEXICO'S ACHIEVEMENT GAP

Nationally, New Mexico has the second highest percentage of students who qualify for free-or-reduced lunch (FRL), a standard measure of poverty, and the third highest percentage of English-language learners (ELL). Previous LFC evaluations have established that while the state experiences gaps in proficiency among ethnic subgroups, the gaps related to socioeconomic status and English-language learner status within ethnic subgroups are even greater.

Chart 2. SY11 and SY12 ELL and FRL Third Grade Math Achievement Gap

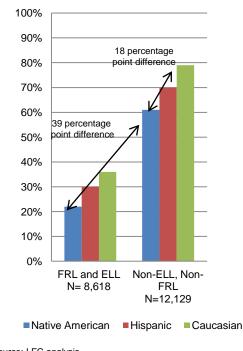
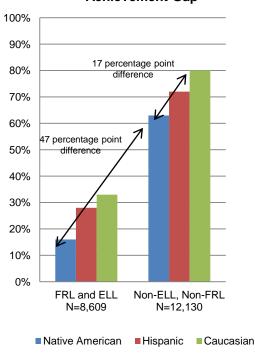


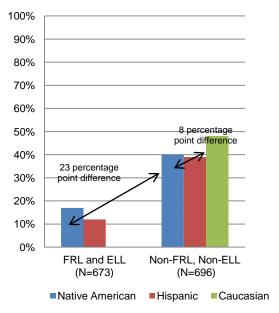
Chart 3. SY11 and SY12 ELL and FRL Third Grade Reading Achievement Gap



Source: LFC analysis Source: LFC analysis

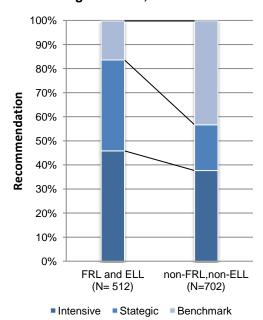
The achievement gap is similarly visible among students who completed the DIBELS, a test of pre-reading skills first administered in kindergarten, suggesting that the gap in achievement attributed to socioeconomic and language differences is apparent when students in New Mexico enter kindergarten. The DIBELS outcome scores provide schools with information regarding whether a student has met early literacy benchmarks or if the student needs intervention, either strategic or intensive. The DIBELS is not used by all schools or districts, and the state lacks a universal kindergarten-readiness assessment.

Chart 4. FRL and ELL DIBELS Kindergarten Benchmark Achievement Gap , SY07 and SY08



* FRLandELL Caucasian N<5 Source: LFC analysis

Chart 5. DIBELS Recommendation for Tested Kindergartenders, SY07 and SY08



Source: LFC analysis

RACE-TO-THE-TOP EARLY LEARNING CHALLENGE (RTT-ELC)

In 2011 New Mexico applied for a Race-to-the-Top (RTT-ELC) grant to support building capacity and improving quality in early childhood care and education programs. The application was led by the Public Education Department (PED) with participating agencies, including CYFD and the Department of Health (DOH). In 2012, New Mexico was awarded 50 percent of their request in the application, totaling \$25 million. In 2013, New Mexico was awarded an additional \$12.5 million, bringing total funding to 75 percent of what was originally requested, or a total of \$37.5 million. The New Mexico RTT-ELC grant funding constitutes four goals to be carried out over a five- year period.

- 1. Implement FOCUS, New Mexico's newly revised Tiered Quality Rating and Improvement System (ORIS).
- 2. Utilize the New Mexico *Early Learning Guidelines: Birth through Kindergarten*, as the foundation for the alignment of systems and improvement of program quality to close the readiness gap between children who are at risk for school failure and their peers.
- 3. Establish Early Childhood Investment Zones by identifying and prioritizing communities where children are at greatest risk and the community demonstrates the greatest will and capacity for creating a continuum of high-quality early learning programs.
- 4. Build a unified early learning data system that will provide educators, families and policymakers with a wide variety of information regarding quality, improvement, and informed choices for parents.

"New Mexico suffers from devastating poverty, especially in the State's rural and frontier areas. To intervene in this cycle of hopelessness, New Mexico's response must be powerful and radical. Simply providing more of the same in a disorganized manner won't work. New Mexico's children are in a state of crisis that demands bold systemic reform."

-New Mexico's phase II RTT-ELC plan

Prior to being awarded the additional \$12.5 million, in their application for phase II funding, RTT-ELC participating agencies described limitations to the RTT-ELC plan due to receiving only 50 percent funding. These are listed below. RTT-ELC agencies are now working on what can be done with the current 75 percent funding level.

Table 6. Phase I and II Activity Differences

Phase I (assuming 100% Phase II (assuming 50% Actual						
RTT-ELC activity	funding)	funding)	funding=75%			
KTT-LLC activity	runung)	Literature Review to see if FOCUS	Turiumg=7576			
Type of evaluation to be						
Type of evaluation to be	Outcome avaluation	supported by research and	?			
implemented.	Outcome evaluation.	Process Evaluation.	· ·			
FOCUS Implementation			_			
Participation.	870 sites.	245 sites.	?			
Establishing Early Learning						
Investment zones and						
prioritizing high risk						
communities.	\$250 thousand allocated.	\$100 thousand allocated.	?			
	18-credit Master's level cohort and					
Increase the number of Early	expansion of NM Kids website to					
Childhood educators	report data on early childhood	Will not be implemented through				
progressing to higher levels.	educator advancement	RTT.	?			
	Includes an automated attendance					
	system, home visiting data, and a					
Enhancing the early learning	licensed provider regulatory	Will not be implemented through				
data system at CYFD.	oversight system.	RTT.	?			
Implementation of a plan to offer	<u> </u>					
a certificate to non-licensed						
providers to ensure they are in	Includes quarterly visits and					
substantial compliance with	incentives to encourage	Doubtful will be able to be				
registration regulation.	participation.	implemented through RTT.	?			

Source: RTT-ELC applications

To this point CYFD has been working to transition the first cohort of 45 providers to FOCUS with initial selections being made in February 2013. While FOCUS is phased-in, programs will maintain their current star license level. New Mexico's transition to the new QRIS FOCUS was inspired by the need for higher quality within the state's early childhood community and federal OCC priorities to strengthen the quality of child care programs. CYFD identifies the following improvements in FOCUS: increased professional development requirements to improve teacher knowledge and skills, graduated program standards that are tied to the state's Early Learning Guidelines, program assessment tied to curriculum development, learning activities, adult-child interactions, health promotion practices, and more emphasis on program administration.

The statewide RTT budget detailed in the phase II application includes \$28.4 million in funds from other sources in addition to RTT federal funds for project activities. PED, the grant recipient, provided an updated project budget to reflect \$12.5 million in additional RTT funds which devotes \$37.9 million to the implementation of FOCUS, roughly \$2 million more than was planned during the RTT phase I application. Though the grant period has begun, in September CYFD reported that RTT grant disbursements have only been made for out-of-state travel.

Table 7. RTT-ELC Budget Assuming \$37.5 Million Federal Funding*

(in thousands)

(III tilousalius)	
QRIS	\$37,938.6
Investment Zones	\$8,505.3
Evaluation	\$500.0
Professional Development	\$4,827.6
Data Systems	\$11,214.3
Grantee Technical	\$400.0
Kindergarten Entry	\$2,103.4
Indirect Costs	\$399.6

Source: RTT application and CYFD *Includes state funds devoted to RTT activities

DESPITE SIGNIFICANT INVESTMENTS, CHILDCARE ASSISTANCE FOR LOW-INCOME CHILDREN FAILS TO IMPROVE SCHOOL READINESS AND EARLY LITERACY

In FY13, CYFD spent \$85.7 million to administer and subsidize the cost of child care for roughly 20 thousand children per month. The department has \$108 million to spend on child care overall in FY14 and \$95 million of this amount will be spent on childcare assistance, despite continued enrollment declines. The childcare program is administered through CYFD's Child Care Services Bureau which also oversees training, quality initiatives and licensing of service providers using 117 FTEs. The program provides resources to meet the needs of families receiving welfare who are in training, are in the workforce, are making the transition from welfare to work, and are low-income families who earn up to 200 percent of the federal poverty level. Current funding only allows for automatic enrollment for families earning up to 125 percent of the poverty level.

Table 8. Child Care Funding Sources and Uses, FY13-14

(in thousands)

,	FY13-Unaudited Actual	FY14-Budget
Sources		
CCDF (Federal)	\$38,303	\$39,107
Title IV-E (Federal)	\$900	\$900
TANF (Federal)	\$23,778	\$27,278
Employment & Training (Federal)	\$608	\$589
Other State Funds	\$1,350	\$2,750
General Fund	\$33,732	\$37,840
Total Revenue	\$98,670	\$108,464
Uses		
Child Care Services*		
1-Star	\$8,177	\$9,402
2-Star	\$32,264	\$37,123
3-Star	\$10,391	\$11,947
4-Star	\$7,222	\$8,292
5-Star	\$22,771	\$28,200
Child Care Services 1-5 Star Uses Total	\$80,825	\$94,964
Quality Initiatives (TTAP, etc)	\$4,152	\$4,623
Admin/Eligibility	\$6,956	\$8,289
Total Spending	\$91,934	\$107,875
Total Balances	\$6,736	\$589
Balances by Revenue		
CCDF (Federal)	\$3,237	\$0
Employment & Training (Federal)	\$228	\$589
Other State Funds	\$1,350	\$0
General Fund	\$1,921	\$589

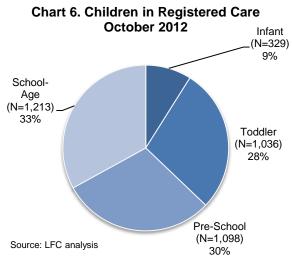
FY14 child care services by STAR level are CYFD estimates

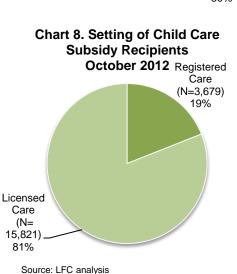
Source: CYFD

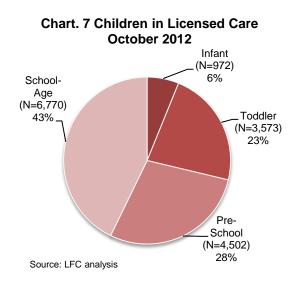
Families may choose a variety of care settings in which to use their childcare subsides, including childcare centers, childcare homes, and registered, unlicensed settings, including care by relatives and friends. Registered homes are operated by independent caregivers and are not required to meet minimal state licensing standards. Registered homes also do not participate in the state's quality rating improvement system (QRIS). Licensed providers must meet minimal CYFD licensing standards. Three different types of childcare licenses are issued to providers: licensed childcare centers, licensed family childcare homes, and licensed group childcare homes.

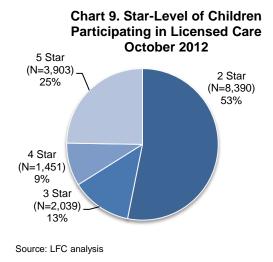
Almost 60 percent of children receiving childcare assistance are under the age of five, and 28 percent are preschool age (3-5). Most of the state's investment in childcare services, or \$43.4 million, serves children under age five. In October 2012, 19,500 children received subsidized child care. Of these children, the vast majority (81 percent) received care from licensed providers, reflecting an increase since the 2009 LFC evaluation of early childhood programs (roughly 70 percent).

Seventy-eight percent of children receiving licensed care in October 2012 participated in either 2-star or 5-star care. In addition to meeting minimal licensing requirements, licensed providers may choose to meet standards of higher quality through the state's 5-star QRIS. According to the federal Office of Child Care, a quality rating system (QRIS), "is a systemic approach to assess, improve, and communicate the level of quality in early and school-age care and education programs." The state's existing QRIS, AIM HIGH, was implemented in 2000 and rates program quality on a scale of two to five stars. The CYFD will revamp its quality rating to further promote quality over the next five years by transitioning to a new QRIS, called FOCUS.









Children, Youth, and Families Department #13-08 Federally Funded Early Childhood Education Programs September 25, 2013 <u>CYFD has spent millions on efforts to increase care quality to improve child outcomes.</u> The purpose of improving quality in child care is to improve the health and well-being of children and promote school success. Longitudinal studies have found that the impact of quality care extends into adulthood and includes improved school readiness.

CYFD has three main approaches to improve quality; providing parents with information about the importance of high-quality care; providing higher rates and supplemental payments for higher-rated care under the state's QRIS; and setting aside money for initiatives, such as the state's Training and Technical Assistance Program (TTAP). States are required to spend a minimum of four percent of Child Care Development Funds (CCDF) on three targeted quality activities:

- 1) child care resource and referral and school-aged childcare activities
 - a. Includes development of school-age care credentials for providers, grants to expand or improve school-age care, and consumer information and referral services to help parents find care
- 2) quality expansion activities
 - a. Includes improvement of professional development opportunities, support to include children with special needs in child care, and monitoring and site visits of child care programs
- 3) infant and toddler care
 - a. Includes providing specialized training, technical assistance, and/or expanding the supply of child care programs serving infants and toddlers

In their most recent CCDF plan, CYFD indicates that the department will spend the minimum amount required on quality by the federal government, \$3.5 million in FY14. The CYFD's planning for spending on targeted quality activities has decreased since FY12. Total funding for child care, including state and federal support has increased by more than \$3 million since FY12.

"Although early care and education programs vary greatly and some of the evidence for their effectiveness is mixed, the principal elements that have consistently produced positive impacts include: (1) highly skilled teachers; (2) small class sizes and high adult-to-child ratios; (3) age-appropriate curricula and stimulating materials in a safe physical setting; (4) a language rich environment; (5) warm, responsive interactions between staff and children; and (6) high and consistent levels of child participation."

-Center on the Developing Child, Harvard University

Table 9. Quality Activity Spending by CYFD

Quality Activity	Description	FY12	FY14
Infant/Toddler (up to 23 months old) Targeted Funds (subsidy)	Funding for the higher reimbursement rates for this age group	\$950,000	\$950,000
School Age Reimbursement	Quality earmarks for funding higher reimbursement rates for school-age children	\$170,000	\$170,000
Resource and Referral	Funding for the New Mexico Kids Child Care Resource and Referral and Mario's Search. Helps families find child care	\$120,000	\$120,000
Training and Technical Assistance Programs (TTAPs)	Funding provides program support through AIM HIGH including training, TA and STAR level verification	\$2,280,000	\$2,280,000
Higher Rates for 2-5-stars	Funding provides incentives for high quality child care	\$5,944,911	None Reported

Source: New Mexico CCDF Plan (2012-2013 and 2014-2015)

Spending per child continues to increase because of shifts toward more costly care of uncertain quality, which limits services to other low-income children. The childcare assistance program has multiple goals, including providing high-quality child care, allowing families to participate in the workforce, and keeping children safe and well cared for while their parent(s) work. Previous LFC reports have shown the purposes of the childcare program face multiple financially competing goals that complicate resource allocation. Low-quality care undermines efforts to improve child development during a critical time period before school entry. However, higher quality day care typically increases program costs and limits the number of children served, which can undermine the program's goals to serve more low-income working families. Likewise, simply expanding the number of children served in order to meet access goals undermines family and state interests in ensuring children are safe and well cared for while their parent(s) work.

Federal and state laws are shifting the purpose of childcare to reflect educational preparation and program coordination. Proposed changes to federal regulations redefine the purpose of CCDF to include expanding high- quality child care options, ensuring program integrity, and improving coordination among programs. Additionally, the New Mexico Early Childhood Care and Education Act specifies the need for coordination among programs and includes childcare as a part of its definition of the education system. Funding for child care and the number of children served has reflected this shift in focus; the number of children served by child care has dropped 23.5 percent since FY11, and the cost per child has increased by 46.2 percent.

The department pays a differentiated base per-child rate according to provider type, location, and child age. On November 30, 2012, CYFD increased the basic licensure level for subsidy children from 1-star to 2-star,

Table 10. Additional Star-Level Subsidy per Child per Month

Provider Star Level	Previous Subsidy Rates	Rates Effective July 1, 2013
2-star (base rate)	\$326-\$521.00	unchanged
3-star	\$70.00	\$88.00
4-star	\$104.50	\$122.50
5-star	\$132.00	\$150.00

Source: NMAC and CYFD

increasing total cost per child as children receiving subsidy migrated from 1-star care to 2-star care and the 2-star rate became the licensed provider base rate. As a result, 3, 4, and 5-star providers experienced subsidy increases to provide the same level of care. In July 2013, the CYFD again increased subsidy rates for 3, 4, and 5-star providers using appropriated tobacco settlement funds.

Chart 10. New Mexico Child Care Children Served and Cost Per Child 30,000 \$6,000 25,000 \$5,000 20,000 \$4,000 Children Served 15,000 10,000 5,000 \$1,000 \$0 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014* Fiscal Year Source: CYFD Average Children Served Annual Cost Per Child *2014 based on Jul & Aug attendance

Children, Youth, and Families Department #13-08 Federally Funded Early Childhood Education Programs September 25, 2013 Due to lower enrollment, CYFD has experienced a \$6.7 million surplus. Higher subsidy rates along with falling TANF caseloads have led to lower enrollment over the last three years. Reasons for families leaving TANF seem to be unrelated to people leaving for work, as there has not been an associated increase in needy families on TANF transitional assistance. CYFD also cites several relatively new program policies, including provisions which require families applying for childcare assistance to enroll in the state's child support enforcement program, decreased subsidy rates for after-school care, and shortened periods of time before providers must report child non-attendance, as reasons for the decline in childcare assistance enrollment. Due to the drop in enrollment, CYFD experienced a \$6.7 million surplus for FY13 and will likely have large surpluses in FY14.

Across the board subsidy rate increases to eliminate childcare assistance surpluses are not warranted. The CYFD's child care subsidy structure provides incentives for higher-quality care in the form of higher subsidy reimbursement for meeting specific program requirements. Registered homes, which do not meet minimal licensing standards, receive the lowest reimbursement. Programs that meet minimal licensing standards receive a higher reimbursement rate, and programs that meet higher quality standards receive additional reimbursement on top of this base rate.

Table 11. Metro Care Subsidy Rates At the Time of the 2013 Market Rate Survey

	Infant	Preschool
Registered home	\$278.74	\$242.00
Base (2-star) center	\$521.37	\$440.01
3-star center	\$591.37	\$510.01
4-star center	\$625.87	\$544.51
5-star center	\$653.37	\$572.01

Source: CYFD Market Rate Survey

States are required to conduct surveys of childcare providers' rates every two years but are not required to set subsidy rates at any particular level. Federal regulations recommend that states set reimbursement rates at the 75th percentile of market rate, an amount that, on average, equals or exceeds the rates charged by 75 percent of survey respondents. According to Child Care Aware, very few states are able to pay 75 percent of market rate. CYFD's 2013 market rate survey suggests for higher-quality care, subsidy rates tend to reflect the market. In some cases, CYFD subsidies may, in fact, be higher than the reported 75th percentile. Market rates tend to be higher in metro areas than in rural areas and higher for younger children.

Table 12. CYFD Subsidy Rates Higher Than Market Rates at the Time of the 2013 Market Rate Survey

Provider Type	CYFD Monthly Rate	75th Percentile Market Rate
Metro 3,4-star centers, school age	\$478	\$433
Rural 3,4-star centers	\$465	\$448
Rural 3,4-star family homes, preschool	\$449	\$433
Rural 3,4-star group homes, infant	\$488	\$433
Rural 5-star center, school age rate	\$523	\$409
Rural 5-star centers, infant	\$653	\$568
Rural 5-star centers, preschool	\$572	\$444
Rural 5-star group homes, infant	\$556	\$541

Source: CYFD 2013 Market Rate Survey, excludes categories with fewer than 5 respondents

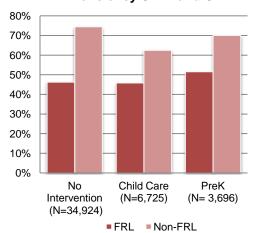
Subsidy rates for lower-quality care, registered homes and 2-star providers, tend to be lower than market rate. For example, the CYFD rate for metro infant registered homes (\$279) was \$241 below market rate, while the rate for metro toddler registered homes (\$264) was \$256 below market rate (see **Appendix I**). CYFD notes that in several cases, registered home rates have not increased in five or more years, and the department is considering rate increases. As this evaluation points to the need for quality improvement, CYFD should only consider higher subsidy reimbursement in exchange for higher quality standards.

In FY12, CYFD paid an additional \$5.9 million to providers for being in higher star levels, despite a lack of validation that the quality rating system is accurate or that it produces better outcomes for children. The highest quality childcare facilities in New Mexico are rated as 5-star, but oversight of 5-star providers is currently lacking. Quality verification of 5-star childcare centers performed by CYFD is limited to basic licensure requirements, which reflect standards of 2-star level care. The state instead relies on national accrediting bodies to ensure quality of 5-star providers beyond basic licensure. However, these national bodies each follow different standards and criteria.

The childcare program will pay up to \$5 million over the next five years to 5-star day care centers despite a CYFD study calling many 5-star accreditation agencies and standards inferior. The state's AIM HIGH QRIS allows providers to gain accreditation from six different agencies to qualify for 5-star rating. A University of New Mexico report commissioned by CYFD identifies accreditation by the National Association for the Education of Young Children (NAEYC) standards as guaranteeing the highest quality. The report noted that standards of the five other accepted accrediting agencies are inferior to NAEYC's standards, leading to differing quality of 5-star programs. While new 5-star FOCUS standards will improve the CYFD's oversight of 5-star providers by requiring that providers either meet quality standards established by the department or gain NAEYC accreditation, CYFD will allow providers until 2018 to transition to the new 5-star standards.

Participation in childcare assistance shows no lasting impact on early literacy levels, compared with peers who do not participate in the program. LFC staff analyzed a two-year cohort of New Mexico 3 and 4-year-old children who participated in CYFD childcare, participated in NM PreK, or had no record of participating in early childhood services and compared their third grade reading and math standardized based assessment (SBA) scores. Participating in child care is not associated with better outcomes on third grade reading or math scores compared with non-participant peers regardless of program star level and duration of attendance. The results showed that several factors affect how a child does on third grade reading and math SBA tests including differences in school composition (percentage of free/reduced price lunch (FRL) and minority children) and individual differences (minority status, FRL status, participation in PreK, ELL status, gifted status and ethnicity). The observed outcomes support a recent national study that found very few associations of QRISs with outcomes and concluded that programs with high QRIS ratings do not produce better outcomes than programs with low ratings.

Chart 11. Third Grade SBA Math Proficiency SY11 and SY12



Source: LFC analysis of CYFD and PED data

Chart 13. Average SBA Reading Scaled Scores SY11 & SY12 Cohort

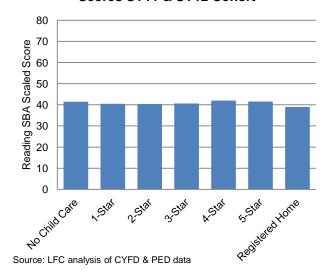
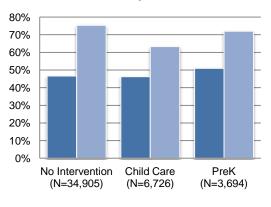


Chart 12. Third Grade SBA Reading Proficiency SY11 and SY12



Source: LFC analysis of CYFD and PED data

Chart 14. Average SBA Math Scaled Scores SY11 & SY12 Cohort

■FRL ■Non-FRL

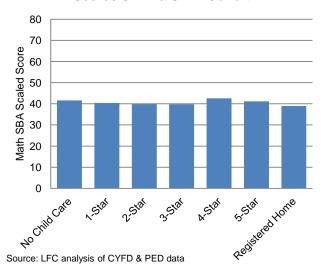
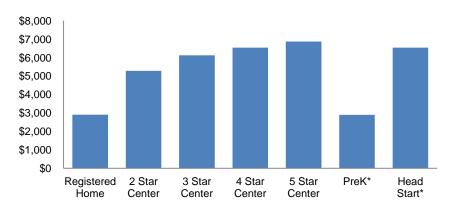


Chart 15. Annual Cost per Four-Year-Old Child FY12



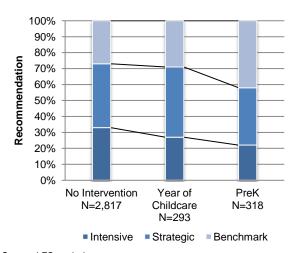
*Children may participate less than a full day and less than a full year

Source: LFC analysis

Some small impact exists for childcare participants on kindergarten literacy exams used in some school districts. Though New Mexico lacks a universal measure of kindergarten readiness, this evaluation examined the impact of

early childhood programs on kindergarteners using data that is available. The Dynamic Indicators of Basic Early Literacy Skills (DIBELS) may be administered when a student first enters school to assess the development of pre-reading skills and identify students who may be at risk for becoming struggling readers. The assessment provides a recommendation about whether a student is on track to developing basic early literacy skills (benchmark) or requires intervention (either strategic or intensive). Students who completed DIBELS in SY07 and SY08 (roughly 4 thousand students) and received a year of child care (roughly 300 students) performed slightly better than students who received no state-funded early childhood interventions and were slightly less likely to require intensive intervention, even though the childcare group was composed of proportionally more ELL and FRL students. However, students who participated in child care did not perform as well as students who received PreK, who were more likely to perform at benchmark and less likely to require strategic or intensive intervention.

Chart 16. Kindergarten DIBELS
Recommendation by Early Childhood
Intervention



Source: LFC analysis

Early influences of childcare participation may dissipate as students progress through school, known as the "fade-out effect." Several well-known studies, including the Head Start Impact Study and Perry Preschool Project suggest that improved preschool outcomes may disappear as students progress through school. Additionally, fade-out may be explained by the differing influences of school quality and participation (Federal Reserve Bank of Minneapolis, 2013). The fade-out effect may explain why very small differences in DIBELS performance disappear by third grade.

Children participate in child care for very brief periods, and those who stay in higher-quality child care longer do not perform better than their peers. States that have attempted to measure subsidy participation find relatively short periods of participation, frequent returns, and frequent placement changes. The U.S. Office of Child Care reports that most families receive CCDF assistance for between three to seven months and remain eligible after they stop receiving services. Research suggests that breaks in the toddler-caregiver relationship are detrimental to optimal child development (U.S. Office of Child Care).

1000 900 800 700 Children 600 500 400 300 200 100 0 1 2 3 4 5 6 **Quarters of Care** 2 Star -3 Star --4 Star Source: LFC analysis

Chart 17. Quarters of Childcare SY11 and SY12 Students Received by Star Level

Among a SY11-12 cohort of New Mexico childcare participants, children who received care from registered providers during the two years prior to kindergarten received 4.1 quarters of care on average. Children who attended licensed care during the two years prior to kindergarten received an average of 4.6 quarters of care, but they also tended to receive fewer quarters from a consistent star level. However, statistical analysis showed no significant difference in third grade achievement among children who participated in child care and peers who did not, even after controlling for care duration.

Child care may provide other benefits to parents, children, and taxpayers. Childcare assistance enables low-income parents to seek employment or education and training, potentially improving the financial self-sufficiency of families. However, the extent to which New Mexico families experience these benefits remains unknown as CYFD does not track these outcomes or link program participation to Department of Workforce Solutions data. Other outcomes potentially beneficial to tax payers, such as reducing special education participation and reducing student retention, could exist. These outcomes will be examined later this fall through the New Mexico Results First Cost-Benefit Model.

While CYFD's proposed quality initiatives reflect positive improvements, significant obstacles will likely prevent the desired impact of significantly improved school readiness among most child care participants. Barriers include program data that suggest most children receiving child care in New Mexico do not attend the 4 and 5-star centers which will experience the most significant quality improvements outlined in FOCUS, and most children tend not to participate in child care very long, hampering the impact of high quality. Additionally, the state's RTT phase II application suggests that only 245 providers will transition to the new FOCUS system by the time grant funding expires, and 5-star centers will be allowed up to five years to meet FOCUS' more rigorous quality standards, meaning thousands of four-year-olds in New Mexico will not gain the quality benefits promised by FOCUS during the RTT grant period. Finally, recent research shows few associations of QRISs with better outcomes and overall mixed support for QRIS systems as measures of quality (Sabol et al, 2013; Zellman et al, 2008).

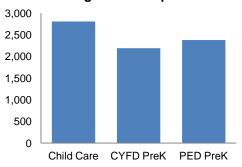
A lack of kindergarten readiness expectations and uniform assessment hampers the state's ability to align early childhood expectations with the K-12 system. Regulation requires districts to assess the performance of all kindergarten students and requires PED to compile and report student test data to the Legislature. PED has not reported kindergarten data since 2005.

While school districts may choose to use kindergarten assessment tools, such as DIBELS or DISCOVERY, PED does not mandate that all students entering kindergarten complete the same assessment, and many districts choose the assessment that they will use. PED does not collect data that districts gather, and the department only sporadically collects data as required by grants. As a result, the state lacks information about kindergarten readiness that could inform policy and provide feedback about the effectiveness of early childhood programs.

The state's Race-to-the-Top Early Learning Challenge grant proposal contains several significant deficiencies.

- The grant fails to propose a validated kindergarten-readiness tool and instead outlines a plan to validate the current PreK Observational Assessment for use as a Kindergarten assessment. The RTT-ELC grant proposes allocating \$2.1 million over four years to the validation of the PreK assessment developed by the state. This work will be completed by PED and is scheduled to be fully implemented by the 2015 school year. However, a previous LFC evaluation of early literacy noted challenges associated with the PreK assessment, including high costs, time-intensive administration, lack of alignment with Common Core and the K-12 system, and lack of comparison with other states.
- The new QRIS, FOCUS, will leave 70 percent of providers in the old QRIS after RTT-ELC grant funding runs out. To this point, CYFD has been working to transition the first cohort of 45 providers to FOCUS, making initial program participation selections in February 2013. The slow implementation of FOCUS could leave the need to support technical assistance for two systems through two approaches after grant funding is spent. Presumably, the state will need to support full implementation of the new system at a high cost.
- CYFD plans to validate FOCUS, during implementation and the evaluation will not look at outcomes. The original RTT grant called for an outcome evaluation to be conducted by Child Trends, however in the phase II application the evaluation was changed to examine processes rather than outcomes. Additionally, this new system will not likely produce improved outcomes, as recent research suggests that state QRISs are not associated with improved academic achievement (Sabol et al, 2013). If done properly, the state could design an evaluation tool that validates quality associated with improved student outcomes and pays providers for these outputs, instead of rewarding inputs that do not significantly improve child outcomes.

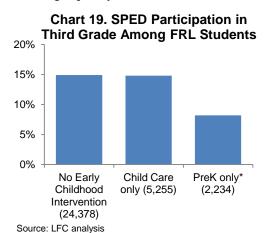
Chart 18. FY12 Four-Year-Old Program Participants



Source: LFC analysis

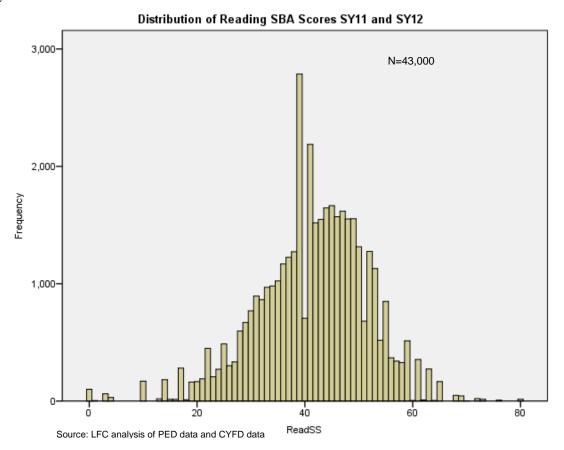
<u>Using some of the state's childcare assistance funding to enroll four-year olds in NM PreK would be a more cost-effective approach to boost student achievement.</u> After meeting maintenance of effort requirements states are allowed to use up to 30 percent of CCDF matching funds toward PreK programs. According to the ACF, the 30 percent allowable amount toward PreK programs is intended to provide an incentive for states to more closely link PreK and childcare systems and establish a coordinated approach that better meets the needs of working families and prepares children to enter school ready to learn. New Mexico has not used CCDF funds for PreK. The universal preschool initiative proposed by the federal government recommends increasing investment in state-based preschool programs.

Children who participated in NM PreK do significantly better in third grade reading and math than their peers who did not participate or peers that participated in child care. Similarly, PreK participants, when compared with peers who did not participate in PreK and peers who participated in child care, tend to have higher proficiency rates on the SBA and are less likely to participate in special education by third grade. Consistent participation in high-quality child care may be associated with reduced special education participation, however very few students within the identified cohort received sustained high-quality child care.



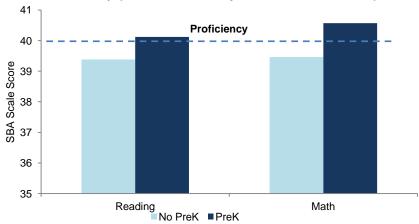
On average, children who participate in PreK gain approximately 0.8 SBA points compared with children who did not participate, a small but significant difference. To put this gain in perspective, the average gain resulting from third grade retention is eight SBA points. Using this benchmark (eight points=171 days), PreK provides approximately 17 days worth of third grade instruction. This difference could potentially provide the boost certain children need to become proficient. Participation in PreK also results in higher proficiency levels and lower participation in special education programs. Previous LFC evaluations have also shown lower retention levels associated with PreK participation. PED PreK participation results in slightly better SBA scores than participation in CYFD PreK; this is a small but significant difference.

The practical meaning of approximately one SBA point is arguable, but for many students one SBA point can mean the difference between proficiency and non-proficiency. The most frequently occurring SBA score, or mode, in both reading and math is a 39. Approximately 2,500 third graders were within one point of reading proficiency in SY11 and SY12.



Students classified as FRL are, on average, within one point of becoming proficient in math and reading. On average, FRL children not participating in PreK are not proficient whereas children who participated in PreK are proficient in each area. In the SY11 SY12 cohort, 315 PreK participants reached proficiency by one point.

Chart 20. Effect of PreK Participation on Students In Poverty (As Determined By Free-Reduced Lunch)



Source: LFC Analysis of PED and CYFD data

New Mexico PreK maintains higher and more consistent standards of quality than child care, potentially explaining higher student achievement. PreK program standards requires that all PreK teachers hold a valid early childhood teacher license, which involves earning a bachelor's degree or completing multiple years of experience and passing the New Mexico Teacher's Assessment. New Mexico PreK guidelines also require that programs implement a curriculum that addresses the total developmental needs of children, including physical, cognitive, social and emotional needs, nutrition, safety, and multicultural sensitivity. PreK guidelines also limit child-to-provider ratios to 10 to one and cap class sizes at 20 students. PreK providers implement a consistent assessment framework across programs to monitor student learning outcomes. Based on LFC cost-benefit analysis, Pre-K provides a greater return on investment than high-quality child care.

Recommendations:

The Legislature should:

Establish a framework for high quality child care in statute through a child care accountability act, including provisions for pilot programs that would provide full day PreK, high quality wraparound early childhood services (similar to Educare), and maximize the use of federal child care assistance for PreK for four-year-olds;

CYFD should:

Use the provision of federal regulation that up to 30 percent of the funds for state match be used for PreK funding, thereby freeing up more state funding for PreK. These CCDF funds should count toward the statutory requirement that equally divides monies appropriated for PreK programs.

Implement quality indicators in FOCUS consistently across star levels to align with national best practices. Plan on implementing FOCUS as intended in the original RTT grant to enroll all providers by 2016 and more rapidly verify the quality of 5-star providers.

Offer a certificate to non-licensed providers to ensure they are in substantial compliance with registration regulation and additional training. This is similar to what was proposed in the original RTT application. Any increases in subsidy offered to registered homes should be tied to receiving a certificate.

Develop performance measures that track provider transitions to FOCUS.

Develop performance measures that track kindergarten-readiness rates of students who participate in child care, as measured by the state's universal kindergarten readiness assessment.

A LACK OF HEAD START COOPERATION AND COORDINATION RESULTS IN INEFFICIENT RESOURCE ALLOCATION AND POTENTIALLY HINDERS SCHOOL READINESS

With total funding of \$43 million for services for around seven thousand low-income three and four-year-olds, Head Start represents the largest public preschool program in New Mexico. The Office of Head Start awarded \$61 million in competitive grants to state providers who offer Early Head Start and Head Start services. Head Start accounts for approximately \$43 million of these grants and is administered in New Mexico through 32 providers, 18 of which are associated with Native American tribes and their governments. To be eligible for Head Start a family must: receive temporary assistance for needy families (TANF) or social security income benefits, priority is given to families at or below 100 percent of the federal poverty level, or have children in foster care. The state has 125 Head Start centers, including three migrant/seasonal Head Start centers. Head Start grantees are awarded roughly \$6,538 per child.

Table 13. 2012 Non-Tribal Head Start Enrollment

Head Start Provider	Children Enrolled
Youth Development Inc.	1,725
Presbyterian Medical Services	1,159
Mid-West New Mexico Community Action Program	967
Southeast New Mexico Community Action Corporation	965
Las Cruces Public Schools	465
HELP New Mexico Inc.	417
Child and Family Services Inc.	322
New Mexico State University Education Research	316
El Grito, Inc.	218
West Las Vegas Head Start	215
Mora Independent School District	191
Region IX Education Cooperative	140

Source: 2012 ACF HHS PIR Report

About two-thirds of Head Start participants in New Mexico attend part-day or part-week Head Start, and according to the U.S. Administration for Children and Families (ACF) less than one percent of these children receive childcare subsidy. Recent national Head Start impact studies, which utilized randomized control design initiated by the ACF, found that Head Start improved children's preschool outcomes but had few impacts in third grade. These reports highlight quality differences across Head Start programs, spurring effort to improve the quality of Head Start programs. In 2013, the U.S. Department of Health and Human services initiated a process that will require some Head Start grantees to re-compete for federal funding and improve quality. Agencies are selected at random and evaluated by federal officials on seven elements of quality including analysis of data, scores on observational instruments, and other risk criteria. No New Mexican Head Start agencies were selected to re-apply during the first reapplication round, but three New Mexico agencies will be required to reapply during the second phase:

- Las Cruces School District
- New Mexico State University Education Research
- Region IX Education Cooperative

Improving Head Start is one element of federal efforts to better prepare children for school success. Improvement efforts include: raising performance standards, including teacher qualifications and professional development, implementing a Classroom Assessment Scoring System (CLASS), and strengthening relationships with state early childhood systems. Additional potential efforts are reflected in the federal "Preschool for All" proposal. According to a White House press release, President Obama's "Preschool for All" proposal would provide every four-year-old child with access to high-quality preschool. The \$24.5 million initial allocation to New Mexico plus the 10 percent state match would serve an estimated three thousand four-year-olds during the first year of the program.

Poor coordination and bifurcated funding hampers Head Start accountability and complicates NM Prek expansion. Head Start providers receive funding directly from the federal government, which monitors programs, and the state lacks Head Start oversight. Program information available to the state is limited to annual reports published by the ACF, which includes aggregated input and participation data but excludes student-level participation and outcome information. The state lacks such information, in part, because no accountability provisions in state or federal law require that Head Start providers report to the state. As a result, uniquely-identifying PED STAR IDs are not assigned to Head Start participants, and New Mexico has no way of knowing which students received Head Start services.

Other states, such as Oregon, have developed state accountability measures by participating in the review of Head Start applications and requiring programs that receive PreK funds to report Head Start outcomes and participant information to the state.

Start and PreK providers is necessary. Whereas early childhood interventions produce lifelong benefits, lack of coordination and information sharing may hinder the effectiveness of state and federally-funded programs. A 2012 needs assessment of New Mexico Head Start grantees shows a high need for improved communication with other early childhood providers. The needs assessment, conducted by the New Mexico Head Start Collaboration Office is required by the Head Start Act (as amended December 2007). New Mexico's Head Start Collaboration Office is located within CYFD.

Head Start provider respondents in the survey noted that they maintain better relationships with CYFD PreK than PED PreK programs. Fifty percent of Head Start grantees found it extremely difficult to align curricula and assessment practices with school districts.

Head Start grantees have little collaboration with local childcare providers. Approximately two-thirds of respondents gave the two lowest ratings possible to describe collaboration with childcare providers in their area during the last year. Only 34 percent of children are enrolled for a full day of Head Start, yet only 79 children, or 1 percent of New Mexico's Head Start population, receives childcare subsidies.

Table 14. Rate the extent of your involvement with each of the following service providers/organizations during the past 12 months

Service Providers/Organizations	(1) No Working	(2) Cooperation	(3) Coordination	(4) Collaboration
A. State agency for child care	36%	29%	21%	14%
B. Child care resource & referral agencies C. Local childcare programs for full-year,	43%	21%	29%	7%
full-day services	43%	21%	21%	14%
D. State or regional policy/planning committees that address child care issues	39%	31%	23%	8%

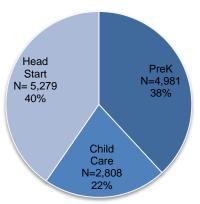
Source: Soulful Presence

Unnecessary competition and lack of collaboration exists between Head Start and PreK, potentially crowding out students and programs. Providers indicate that PreK contracts prohibit monies from being spent on children already receiving high-quality care, though neither statute nor regulation explicitly prohibit this practice. The perception of this forced selection exists despite funded PreK slots going unfilled at some sites.

Failed collaboration between PreK and Head Start has resulted in the loss of almost \$1 million in federal Head Start funds and fewer Head Start slots available to students in New Mexico in recent years. Several Head Start agencies operating in areas with limited populations of three and four-year-olds report that Head Start programs contracted

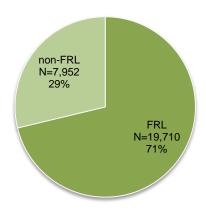
as state-funded PreK programs expanded in the past (See **Appendix D**). The New Mexico Prekindergarten Act suggests that PreK programs should not supplant existing early childhood programs, including Head Start. Without effective collaboration, PreK and Head Start programs may compete for students within communities, preventing the maximum number of students possible from receiving early childhood services. Despite the fact that PreK provides only a few hours of services and two-thirds of Head Start participants attend part-time, LFC analysis and reports from the ACF suggest fewer than five percent of children receive a combination of PreK, child care, and/or Head Start.

Chart 21. Four Year Olds
Participating in Publicly-Funded
Early Childhood Programs, FY12
N=13,068



^{*}Based on cohort estimate, <5% receive a combination of services
Source: LFC analysis

Chart 22. FY13 Kindergarteners N= 27,662



Source: PED

Many Head Start agencies also receive large grants and contracts from the state, some of which are under investigation for Medicaid fraud. Every non-tribal agency that provides Head Start services in New Mexico receives state funds in some form. Several agencies receive funding from multiple streams to provide Head Start, PreK, child care, and home visiting services.

Table 15. Non-Tribal Early Childhood Providers

	Head Start and/or Early Head Start	CYFD PreK	PED PreK	Child Care
Las Cruces Public Schools	Х		Х	
Hatch Valley Public Schools	Χ		X	
HELP - New Mexico, Inc.	Χ	Χ		Χ
Doña Ana County/NMSU Head Start	Χ	Χ		Х
Presbyterian Medical Services	Χ	Χ		Х
Region IX Head Start	Χ			Χ
Youth Development, Inc.	Χ	Χ		Χ
Child & Family Services, Inc. of Lea County	Χ			Χ
Mora Independent Schools	Χ		X	
Southeast NM Community Action Corporation	Χ			Х
Eastern Plains Community Action Association, Inc.	Χ	Χ		Х
Mid-West New Mexico Community Action Program	Χ			Х
El Grito, Inc.	Χ			Х
West Las Vegas Public Schools	Χ		X	
City of Albuquerque	Χ	Χ		Х

Source: LFC analysis

Thirty-seven percent (\$2.4 million) of CYFD's \$6.6 million allocation for state PreK in FY12 was awarded to Head Start and Early Head Start providers. Of the 35 PreK providers funded by CYFD in FY12, six agencies (17 percent) also provide Head Start or Early Head Start services. CYFD childcare licensing records suggest that 124 licensed childcare providers in New Mexico also provide Head Start services.

New Mexico could explore linking the award of state early childhood funds to Head Start agencies that provide information about Head Start programs and participation. Similarly, New Mexico could statutorily require that Head Start agencies seeking childcare licenses provide information about Head Start participation.

Head Start program measures show New Mexico falling behind in instructional education requirements, and some providers turn down state assistance that would help to reach these goals. Most Head Start programs do not meet the federal regulation that 50 percent of Head Start teachers have a bachelor's degree (BA) or higher in early childhood education. The 2007 re-authorization of the Head Start Act sets a statutory requirement that by the fall of 2013, at least 50 percent of Head Start teachers in the nation must have a bachelor's degree or higher in early childhood education or a related field. At the national level, this goal has been met; 61.8 percent of Head Start classroom teachers meet the requirement. In New Mexico, only 32 percent of Head Start classroom teachers meet this requirement.

Table 16. Non-Tribal Head Start Teacher Educational Attainment

Program Location (Federal Requirement=50%)	Percentage of Head Start classroom teachers with a BA or higher ECE/related
National Level	61.8%
New Mexico	32.0%
Las Cruces Public Schools	100%
Hatch Valley Public Schools	100%
Region IX Head Start	75.0%
West Las Vegas Head Start	60.0%
Mora Independent Schools	44.4%
Youth Development, Inc.	42.9%
El Grito, Inc.	40.0%
Presbyterian Medical Services (PMS)	34.6%
Mid-West New Mexico Community Action Program	26.2%
HELP New Mexico, Inc	16.7%
Eastern Plains C.A.A., Inc.	16.7%
Dona Ana County	11.1%
Child & Family Services, Inc. of Lea County	9.1%
Southeast NM Community Action Corporation	9.1%
Loving Municipal Schools	0.0%

Source: U.S. HHS ACF

The 11 non-tribal Head Start providers that do not meet teacher education requirements include the state's four largest providers. These four Head Start agencies served over 4 thousand children in 2012.

One of the largest Head Start providers elects not to participate in the New Mexico TEACH® program, which provides early childhood teachers with opportunities to attain college degrees in early childhood education while continuing to work in the field. Upon completion of each contract, TEACH® provides scholars with a bonus and encourages employers to increase employee pay. According to a letter issued to TEACH® New Mexico, one of the state's largest Head Start providers does not allow Head Start teachers to participate in the program during the regular school term because the organization does not grant its employees release time. Employees are only able to pursue TEACH® scholarships if they participate during the summer, when Head Start is not in session. This provider also fails to meet the federal regulation that 50 percent of Head Start teachers have a BA or higher in early childhood education.

Three New Mexico Head Start grantees have been evaluated using the federal teacher-child observation instrument CLASS, and all scored below national means. The Classroom Assessment Scoring System (CLASS) is an observational instrument that assesses the quality of teacher-child interactions in center-based preschool classrooms. CLASS is based on developmental theory and research that suggests that interactions between children and adults influence early childhood educational outcomes. The Office of Head Start began using the CLASS in 2007 as part of its effort to improve program quality, and the agency plans to evaluate programs using the CLASS every three years. Grantees that score below a certain threshold on the CLASS are required to re-compete for Head Start awards. The Office of Head Start has just started using CLASS as part of the monitoring system, so three CLASS scores represent the first wave of review in New Mexico. The three evaluated Head Start programs scored below national averages on all three CLASS domains of teacher-child interactions, with the worst performance coming in the instructional support category.

One of the New Mexico grantees received a CLASS instructional support score that is among the lowest 10 percent in the nation. The instructional support measure assesses the ways teachers implement curriculum to effectively promote cognitive and language development. Although all three evaluated providers scored below the national mean and median on the instructional support measure, one provider scored in the lowest 10 percent nationally.

Table 17. Head Start CLASS Score From Instructional Support, 2012

	New Mexico Head Start Provider	National Lowest 10%	National Median	National Highest 10%
Instructional Support	2.1	2.2	3.0	3.8

Source: US DHHS

The state lacks information on Head Start's impact on school readiness and other outcomes; most providers refused to provide data for this evaluation upon LFC request. Collaboration between Head Start programs and state-funded early childhood programs is further hindered by an absence of vital data about which children are receiving Head Start services and how Head Start participation impacts the school-readiness of the roughly seven thousand students enrolled in New Mexico.

During the course of this evaluation, LFC staff requested that Head Start agencies provide lists of students who received Head Start services between 2004 and 2008. Despite communication from both the regional and national Head Start offices indicating that providers were not barred from providing the LFC with information (see Appendix E), only three Head Start agencies provided data during the evaluation. Head Start providers either chose not to respond to requests or cited different reasons for not providing data, including missing information for the years requested, staffing and resource limitations, and the belief that federal Head Start regulations barred the sharing of data, despite clarification to the contrary. Because the LFC obtained data from only a few Head Start providers, analysis regarding the impact of Head Start participation in New Mexico could not be included in this evaluation.

Chart 23. CLASS Domain Scores National and Three NM Head Start Providers, 2012 6.0 5.5 5.0 4.5 4.0 3.5 3.0 2.5 2.0 Emotional Classroom Organization Support Support National New Mexico

Source: US HHS

Table 18. Head Start Data Collection

Head Starts that Provided Data	Head Starts that Did Not Provide Data
El Grito Head Start	Child and Family Services Inc. of Lea
Las Cruces Public Schools	County
Region IX Education Cooperative Center	Dona Ana Head Start
	Eastern Plains CAA
	HELP New Mexico
	MidWest New Mexico CAP
	Mora/Colfax Head Start
	Presbyterian Medical Services
	Southeast New Mexico CAC
	West Las Vegas School District
	Youth Development Inc.

Source: LFC

Implementation of the state's Race-to-the-Top Early Learning Challenge (RTT-ELC) grant depends on collaboration among state and federally-funded early childhood programs. One of the four primary goals of the state's RTT-ELC grant is to expand and align data systems to measure early learning outcomes and inform policy. Additionally, the grant is intended to assist New Mexico in developing a data system that tracks young children's development and progress as they prepare for school and measures the quality and improvement in the state's early learning programs. Ultimately, an integrated data system will ensure that the state directs investments in early childhood education effectively.

A lack of Head Start participation compromises the state's ability to fully implement RTT grant activities. If Head Start agencies are unable or unwilling to provide the state with information about program participants, RTT recipient agencies will be unable to assign unique identifiers to program participants, and New Mexico will continue to have a fragmented early childhood data system.

New Mexico should consider examples of better integrated Head Start and state systems. Maryland publishes an annual accountability report detailing kindergarten readiness of students who participated in various state-funded early childhood programs (see Appendix J). In Georgia and Oregon, state PreK and Head Start Collaboration offices are housed together. Oregon braids early childhood funds, as the state provides funding to Head Start agencies and community-based programs to provide the same services as Head Start, and the Oregon Department of Education and Region X Head Start Office conduct joint monitoring. Oregon also requires that other Head Start and PreK programs operating within an applicant's service area approve the applicant's request for additional funds. While such strategies may be promising, rigorous evaluation of the impact of these early childhood systems is lacking. Without a willingness to share data and outcomes, and without collaboration with other early childhood providers, emulating the Head Start collaboration models of other states may not be feasible or responsible.

Finally, the state may consider requesting its congressional delegation to advocate for the flow of Head Start monies through the state, to enable better coordination and oversight, or open the competition for Head Start grants at a more rapid pace.

Educare

Educare is a state-of-the-art school open all day and year-round serving at-risk children from birth to five years old. Educare Schools provide high-quality instruction and stimulating learning environments to help students arrive at kindergarten ready to learn at the level of the average five-year-old in the U.S.

Is it Working? Yes. Data from 12 Educare Schools (Central Maine, Chicago, Denver, Kansas City, Miami, Milwaukee, Oklahoma City, Omaha at Indian Hill, Omaha at Kellom, Seattle, Tulsa at Hawthorne, and Tulsa at Kendall Whittier) are demonstrating results in preparing at-risk children from birth to five for later academic achievement. Evaluation data show that more years of Educare attendance are associated with better school readiness and vocabulary skills.

-UNC FPG Educare Implementation Study Findings

Early Childhood Collaboration Models

Stacking- PreK and federal Head Start programs are stacked together to provide 9 hours of early care for children. Children may participate in PreK in the morning and Head Start in the afternoon (or vice versa). Each program may be staffed by the same or different teachers, but both services are provided in the same location, enabling a full day of care.

Wrap-Around Model- involves more than one program working together to provide both core and either before-or-after school services, or both. Often, PreK program or Head Start provider operates in a childcare center for part of the day, and the childcare program provides child care before and/ or after. This kind of model compliments combinations of PreK, Head Start, and child care.

Braiding- refers to using multiple funding streams to support a single early childhood program, expanding services. For example, state PreK may fund additional Head Start slots so that additional children may receive comprehensive early childhood services.

Recommendations:

The Legislature should:

Consider asking New Mexican congressional delegation to support the federal government providing Head Start grants to the state for administration.

Examine the possibility of creating a state point of contact (SPOC) pursuant to Executive Order 12372, which allows New Mexico's elected officials to review and coordinate federal financial assistance, directing federal development within the state.

Establish requirements in statute to improve head start through a head start accountability act, including requirements for licensed agencies offering head start to participate in New Mexico early learning standards and reporting requirements to facilitate outcomes reporting to the Legislature and public.

The RTT-ELC agencies should:

Establish data sharing requirements with Head Start agencies by December 2013 to begin collecting data on participation, including requirements to provide historical information on participants to facilitate baseline performance calculations.

NEW MEXICO NEEDS TO BETTER TARGET RESOURCES TO CHILDREN WHO NEED THEM MOST AND IMPROVE ACCESS TO HIGH-QUALITY EARLY CHILDHOOD SERVICES

Low-income children lack sufficient access to higher-rated childcare providers. Statewide, seventy-five percent of the children receive subsidized care in licensed childcare centers. Of the 16 thousand children in licensed care, 52 percent attend 2-star providers and 24 percent attend 5-star facilities. However, patterns of licensed care participation vary across the state.

Table 19. Star Rating of Children in Child Care, October 2012 N=19,500

Registered Home	2-star	3-star	4-star	5-star
19%	43%	10%	7%	20%

Source: LFC analysis

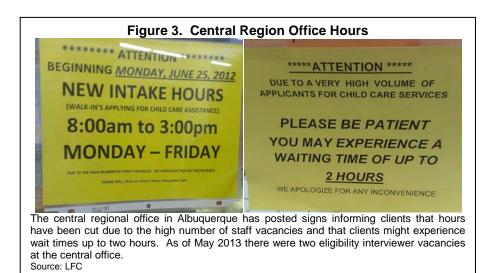
Children living in rural counties and the southern part of the state are more likely to receive care in registered home settings than children in urban areas and northern counties. While 93 percent of children in Bernalillo and 97 percent of children in Santa Fe receive subsidized child care in a licensed setting, only 66 percent of children in Dona Ana County and often less than 50 percent of children in the state's most rural counties receive child care in licensed care settings (see **Appendix B**). In several counties around the state, including De Baca, Guadalupe, Hidalgo, Los Alamos, and Union, no children receiving child care subsidy receive care from a 4 or 5-star provider.

GIS mapping conducted the University of New Mexico Center for Education Policy Research (CEPR) suggests that high-quality early childhood programs, including child care, PreK, and Head Start, are not always located in areas with the highest concentrations of risk factors. While registered homes provide lower-quality care, they provide critical services for parents who may not work conventional hours or lack access to licensed childcare centers.

Head Start, Pre-Kindergarten and Child Care sites in New Mexico. Combined Risk Factor Index Teen Birth Rate, % Late Pre-Natal Care, % Low Birth Weight, % Families in Poverty △ **4**44 Highest Risk (1st - 6th) Above Average Risk (7th - 12th) Average Risk (13th - 19th) Below Average Risk (20th - 26th) Lowest Risk (27th - 33rd) Pre-Kindergarten Sites State Head Start Centers 4 & 5 Star Licensed Child Care Facilities New Mexico Counties NEW MEXICO COMMUNITY DATA COLLABORATIVE Analysis contributed by: NMDOH-CYFD

Figure 2. CEPR Map of Early Childhood Programs

Source: UNM CEPR



Reduced office hours at the CYFD central regional office should be extended. To apply for childcare assistance, families must meet with a CYFD eligibility interviewer, but the central regional office reports cutting back the hours during which eligibility workers conduct interviews, citing eligibility worker vacancies as the reason to reduce office hours. Shortened office hours impact access to assistance, particularly because clients often request time off from work to complete eligibility interviews at a CYFD office.

Table 20. CYFD Childcare Assistance Regional Office Hours

Regional Office	Walk-In Interviews Available	By Appointment	Eligibility Interviewer Vacancies (May 2013)
Central	8am to 3 pm,	8am to 3pm,	
Region	Monday	Monday	
(Albuquerque)	through Friday	through Friday	2

Source: Regional Offices and SPO reports

Parent access to information regarding provider quality and program violations is incomplete and inadequate. Fewer than half of clients receiving childcare subsidy have access to online resources for selecting quality child care or reviewing licensing surveys. For clients to qualify for subsidy they must meet federal poverty level criteria. On average, the majority of Americans access the internet, however according to the U.S. Census Bureau, less than half of Americans with household incomes below \$25 thousand access the internet. If this trend holds true for New Mexicans, fewer than half of clients receiving childcare subsidy have access to online information regarding quality of childcare facilities or licensing surveys.

Infractions resulting in sanctions are not always made public via the licensing survey report database. Less than half of infractions resulting in sanctions are made public via the database. The CYFD licensing website intends to make the last two years of surveys performed on licensed childcare providers available to the public. Parents can access these surveys online to inform their child care provider choice. Of 38 provider incidents resulting in sanctions that CYFD provided LFC, only 15 of these incidents were represented in the online database.

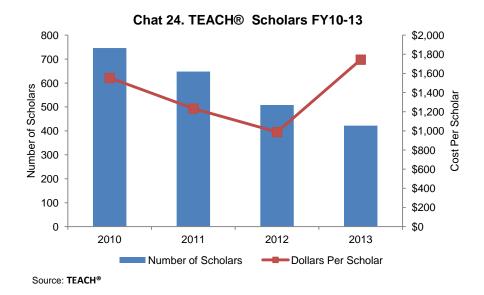
Serious infractions not listed in the public database include a substantiated case of physical abuse and a child being duct taped to a chair. Additionally, LFC staff found several providers for which no reports are available online.

CYFD does not publicly post complaint information about registered homes. In the first six months of 2013, CYFD documented 57 complaint referrals for registered homes, including substantiated cases of abuse and neglect. Registered homes receive childcare subsidy payments but are not subject to the same enforcement procedures or regulations as licensed family providers. Regulations do not require CYFD to conduct unannounced site visits, and registered home incident reports are not publicly reported. New regulations proposed by the U.S. DHHS will require states to publicly post information about the health, safety, and licensing history of all providers receiving CCDF funds on a user-friendly website. To comply with this proposed rule, CYFD should include registered homes in the provider information the Department shares with the public online.

<u>Provider access to technical assistance and educational resources needs improvement.</u> One of the goals of the new FOCUS system described in the state's FY14 CCDF state plan is to enhance teacher quality. The new system will require childcare teachers to complete more professional development to move up within the tiered rating system than was required under AIM HIGH. However, in recent years resources to provide training and professional development have been reduced, resulting in waiting lists for training and fewer professional development opportunities.

Current quality efforts with the Training and Technical Assistance Program (TTAP) need improvement. The purpose of TTAP is to provide on-site support, training and technical assistance to interested programs. Based on the 2013-2014 CCDF plan developed by CYFD, the department plans to set aside the same amount for the TTAPs in FY14 as in FY13. However, TTAP responsibilities have declined as the state transitions to FOCUS; TTAPs are no longer verifying 2-star providers, are not verifying FOCUS providers, and are only sampling classrooms from providers rather than inspecting all classrooms. Additionally, toy lending libraries have been closed. While all of the TTAP sites visited by LFC staff anecdotally reported waiting lists for training, only the Carino Early Childhood TTAP at the University of New Mexico, which serves the Albuquerque area, reported formally tracking this information. In FY13, the Carino TTAP reported maintaining a waiting list for 90 percent of its early care courses. Each course generally accommodates 40 to 45 participants, with waiting lists of five to ten providers for each course.

As state funding has declined for TEACH® since 2010, so have scholars. The purpose of the TEACH® program is to increase the education levels of early childhood teachers and professionals by providing scholarships to attend higher education and obtain early childhood certificates or degrees. The program also advocates for higher compensation and benefits for early childhood professionals. Though the state does not collect data about the educational attainment of childcare providers, national data suggests that nearly half of all childcare workers have a high school diploma or less (GAO, 2010). The TEACH® Scholarship Program helps early childhood teachers to attain college degrees in early childhood education while continuing to work in the field. According to the FY12 TEACH® Annual Report, scholars experience an 8 percent pay increase upon completion of the program, and only 2 percent of completers turn over. While these results are promising, the early childhood system lacks expectations and strategies for long-term teacher retention. The state's RTT phase II application allocates \$1.2 million to TEACH® scholarships for providers participating in FOCUS.



Recommendations:

CYFD should:

Publicly post registered home health, safety, and registration information in compliance with proposed ACF rules regarding provider-specific information about the quality of all providers receiving CCDF subsidies.

Expand the hours that staff members are available to childcare clients at the ECS central office to better meet client needs.

Make information available to parents regarding childcare quality and licensing reports on paper in addition to referring parents to online resources.

Allow licensing surveyors to complete registered home visits to redistribute workloads among licensing surveyors and child care specialists.

CURRENT CHILD CARE PROGRAM INTEGRITY THREATENS THE EFFECTIVE ALLOCATION OF RESOURCES AND POTENTIALLY ENDANGERS CHILDREN

Basic regulatory oversight and program integrity efforts help ensure children attend safe child care and that taxpayer dollars are protected. All childcare providers who receive childcare assistance reimbursement are required to be licensed or registered by CYFD to receive payment for childcare services. To become a registered home, an individual needs to meet very basic safety requirements. Licensed providers meet minimal safety and program standards outlined in regulation. Childcare licensing staff conducts site visits to licensed childcare providers to ensure compliance with state statute and regulation. Registered homes only receive sporadic site visits from CYFD, though the department will assume responsibility for registration visits in October 2013.

Program integrity includes efforts that ensure effective internal controls over the administration of funds, including program violations, payment error, and suspected fraud. Specific activities to meet these ends are identified by CCDF and include background checks cross referencing sex offender registries, review of attendance and billing records, audits of provider records, and on-site visits to providers to review attendance or enrollment documents. CYFD ECS currently does not perform any of these tasks.

CYFD child care funding is at high risk for fraud, waste and abuse due to weak program integrity efforts that could lead to a potential \$11 million dollars unrecovered annually. In 2008, three Grant county residents were convicted in the largest fraud scheme ever encountered by CFYD. The accused charged ECS for childcare

services that were never provided having stolen an estimated \$600 thousand from the state. In FY14 the CYFD is expected to spend \$95 million on childcare assistance.

The CYFD is currently relying on childcare assistance eligibility interviewers with large caseloads to identify and report suspected assistance overpayments and fraud. Eligibility workers determine the eligibility of clients for assistance and conduct recertification determinations roughly every six months. Eligibility workers interview clients, review proof of income documentation, and are responsible for reporting suspected instances of overpayment or fraud. When eligibility workers identify an overpayment, they may issue an overpayment statement to a client or provider and report the overpayment to CYFD for collection.

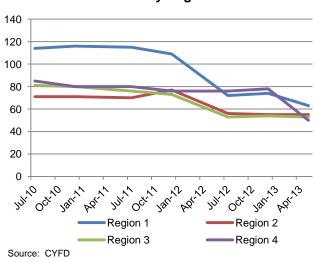
Childcare assistance supervisors report that caseloads between 200 and 230 are manageable, but caseloads in the central and north/east region exceed this workload. CYFD reports that eligibility worker caseloads will increase by 9 percent in FY14 as funding for child care assistance has increased, allowing the department to serve more families.

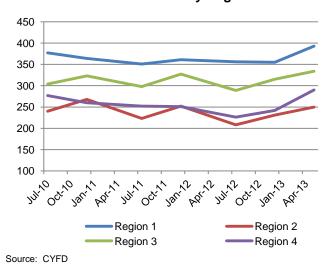
The Need to Look for Fraud, Waste & Abuse

In October 1980, LFC Vice-Chairman John J. Mershon asked why the Attorney General's Medicaid fraud unit had been discontinued. Lawrence Ingram of the Human Services Department said that the unit had only prosecuted one case of fraud with no conviction. The Medicaid fraud unit was reinstated to the Attorney General's Office and in 2012 obtained eight fraud convictions and recovered approximately \$3 million dollars. Nevertheless, New Mexico finds itself in jeopardy of fraudulent behavior disrupting service delivery as is evident from the recent Human Services Department Behavioral Health audit.



Chart 26. Child Care Assistance Eligibility Caseloads by Region





Based on US DHHS figures, New Mexico is identifying only a small percent of estimated improper payments made each year for child care. DHHS provides as estimate that 11.9 percent of child care funds go to improper payments annually. Based on this DHHS estimate, CYFD will make \$11.3 million in improper payments in FY14. This amount could provide child care for an additional 2,720 children based on FY13 costs. In 2012, the total number of overpayments identified by CYFD was \$828 thousand, a small percentage of the estimated \$11.3 million. Program integrity for oversight of these resources is of critical importance given the increases in resources dedicated to child care and the thousands of children on a waiting list to receive child care.

According to the Government Accountability Office (GAO), a fraud prevention model should have a number of preventative controls, further detection, and monitoring to identify potential fraud, waste, and abuse. Specific activities to meet these ends are identified by CCDF and include review of attendance and billing records, audits of provider records, and on-site visits to providers to review attendance or enrollment documents. The CYFD ECS currently does not perform any of these tasks.

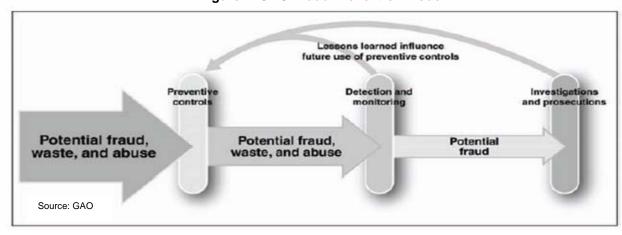


Figure 4. GAO Fraud Prevention Model

CYFD does not review attendance or billing records, conduct audits of provider records, or conduct on-site visits to providers to review attendance or enrollment documents. Federal guidelines recommend such reviews and audits to protect the integrity of childcare fund distribution. CYFD does not have a unit designated to investigate and collect improper payments. An independent audit from 2012 filed with the state auditor recommends that CYFD conduct ongoing internal audits. Additionally, the federal government suggests that childcare agencies have staff dedicated to program integrity efforts, and these staff should partner with law enforcement as appropriate to address suspected fraud. CYFD's program integrity staff consists of one inspector general position in the office of the secretary. According to the 2014-2015 CCDF plan, CYFD indicates that limited program funds are the reason provider audits have not been implemented. CYFD currently completes nine of 22 program integrity practices recommended by the Office of Child Care.

Table 21. CYFD ECS Participation in Program Integrity Activities

Type of Activity	Identify Program Violation	Identify Administrative Error
Share/match data from other programs (e.g. TANF, Child and Adult Food Care Program (CACFP), Medicaid))		√
Share match data from other databases (e.g. State Directory of New Hires, Social Security Administration, Public Assistance Reporting Information System (PARIS)		√
Run system reports that flag errors	$\sqrt{}$	
Review of attendance or billing records		
Audit provider records		
Conduct quality control or quality assurance reviews		√*
Conduct on-site visits to providers or sub-recipients to review attendance or enrollment		
Conduct supervisory staff reviews		$\sqrt{}$
Conduct data mining to identify trends	V	
Train staff on policy and/or audits		V
Other. Mechanisms within the payment system prohibit staff from making administrative errors and program violations	√	√

^{*} The CYFD Improper Payments Unit (IPU), consisting of 3.5 FTE, conducts at least 276 reviews per year, in accordance with Federal Regulation.

Source: CYFD 2014-2015 CCDF plan

CYFD does not participate in the Public Assistance Reporting Information System (PARIS) and does not crosscheck data in most available databases. CYFD does not participate in PARIS, a project that crosschecks childcare data with other benefit programs to detect unauthorized payments and potential fraud. The Human Services Department (HSD) participates in PARIS and saved over \$2 million in the first quarter of FY10. HSD estimates annual savings of \$3.7 million as a result of PARIS participation. Although CYFD does have access to TANF data, CYFD does not crosscheck childcare assistance data with SNAP, Food and Nutrition Services, or Medicaid databases as recommended by the OCC.

CYFD rules do not provide for suspension of payment in cases of suspected fraud. Part of Wisconsin and New York's overhaul of childcare fraud rules included suspending payments to childcare providers suspected of fraud. New Mexico does not have a rule that allows for suspension of payments when fraud is suspected, only in cases where existing overpayments are not recovered.

New Mexico should consider policy options pursued by other states to reduce potential fraud. New York and Wisconsin recently found widespread fraud in their childcare programs and have since implemented new policies to address potential fraud. In 2009, an investigative expose published by the Milwaukee Journal-Sentinel entitled Cashing in on Kids found Wisconsin had overpaid childcare providers at least \$13.7 million in previous years. The report uncovered how individuals were defrauding the system by submitting fake employment records and caring for their own children. Between 2007 and 2011, 14 individuals from Rockland County, New York allegedly falsified applications for childcare subsidies, taking over \$229 thousand. Additionally, New York City discovered fraud that included collusion between child care bureau employees and child care providers. Both Wisconsin and New York have implemented laws and procedures that may serve as guides for fraud reduction (see Appendix G).

Proposed U.S. HHS childcare regulations will require states to establish procedures to identify fraud and other program violations. Proposed requirements include, but are not limited to, record matching and database linkages, review of attendance and billing records, quality control and quality assurance reviews, and staff training on monitoring and audit processes. Additionally, the U.S. Office of Child Care has proposed requiring that childcare administration agencies have processes in place to investigate and recover fraudulent payments and impose sanctions on clients or providers responsible for fraud.

No childcare overpayment collections were pursued for several months because CYFD terminated the contract of its previous collection agency, CreditWatch. The termination of the collection agency contract followed recommendations from the internal audit of overpayments conducted by the CYFD inspector general. LFC staff was denied access to the report that the inspector general produced for regarding the collection agency by the CYFD General Counsel. However, CYFD provided LFC staff with a memo summarizing the report's findings. The inspector general found that that CreditWatch was:

- Accruing interest on balances, sometimes doubling what was owed over time
- Not creating summary or reconciliation reports on payments, interest, or on commissions earned
- Using a law group they retained to make collection calls. The attorneys from the group were threatening debtors
- Charging the wrong commission rates on payments received for several years

CYFD reports that a new service vendor is now in place to pursue child care overpayments.

The CYFD Office of Inspector General has been reduced from 4 FTE to 1 FTE and does not have a written work plan. The CYFD Office of Inspector General (IG) had four vacant positions earlier this year. Upon filling the inspector general position, the number of FTE in this office was reduced from four to one. Additionally, the IG does not currently have a written work plan. Other states require their IG report directly to the cabinet secretary responsible for childcare assistance and place all program integrity function in the IG's office. This management structure allows the IG to autonomously organize work priorities and maintain the flexibility required to address high-risk issues as they arise.

LFC staff found clear examples of potential fraud and overpayments that go unreported. Childcare licensing staff conducts site visits to licensed childcare providers to ensure compliance with state statute and regulation. Providers are required to maintain records of attendance, including time a child arrived and left the facility initialed by a person authorized to pick up the child. Licensing staff indicate that existing attendance records are used as a safety tool to account for children who are present, rather than an auditing tool.

Examples of potential documented fraud come from licensing survey documents and include a 2-star provider where more children were signed in than were present during the survey visit. The resulting corrective action required the provider to inform parents to sign in and out each day and monitor sign-in procedures for completion.

In another example of potential fraud, a CYFD licensing survey documented suspicious sign-in documentation during a 2-star licensing visit;

"Of the 16 children's records reviewed, 16 there was no record of each child's arrival and departure time and dates of attendance initialed by a parent, guardian, or person authorized to pick up the child. The last set of sign in/out records were done July 13th, and all forms had the same handwriting for the parents signature."

This report documents a clear sign of potentially fraudulent behavior according to CYFD internal procedure. However, the action plan for this incident required the provider to advise parents to sign in and out each day and monitor for completion given that attendance sheets at providers are currently used for safety purposes to account for children, rather than used as an auditing tool.

Figure 5. CYFD Internal Procedure Regarding Fraud

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If fra	aud or collusion to defraud the Department is verified, recoupment will be sought from the person(s) responsible for	defrauding the
Dep	partment. Recoupment will be sought from a provider who supplies fraudulent information such as, but not limited to:	
	Falsified sign-in sheets	
	Falsified self-certifications	
	Excluding household members on the client's application	
	Submitting fraudulent class schedules	
	5	Source: CYFI

Over the last three years, 270 providers have violated regulations which require providers to keep records of child arrival and pick-up times. In reviewing a sample of CYFD reports licensing surveyors conduct during site visits, LFC staff found several instances involving no record of each child's arrival and departure. Out of ten sampled provider reports in which providers were in violation of recording attendance, the majority had no record of attendance for any child attending, yet only one site had an attendance-related overpayment associated with the same timeframe.

In 2012, CYFD recorded 54 occurrences of non-compliance with regulations which require providers to keep records of attendance in childcare centers where approximately \$4.3 million was spent by taxpayers on subsidized care. While not all instances of attendance non-compliance attendance necessarily involve the non-attendance of children who receive childcare assistance subsidies, CYFD may conduct provider or parent audits to assess whether approved service units are consistent with childcare utilization. Instances of attendance record non-compliance are examples of instances in which CYFD could improve program integrity efforts. Additionally, CYFD documented more than 100 occurrences of non-compliance with other program integrity issues, including the absences of records documenting of first and last dates children attended provider care and missing enrollment agreement forms.

The most common reason for childcare assistance overpayments is the failure of the provider to report non-attendance of children. A 2004 LFC audit of child care found that the most commonly cited reason for overpayment is the failure to report non-attendance, and this failure remains the reason for the majority of overpayments. An analysis of overpayments between 2008 and 2012 revealed the same trend.

Table 22. ECS Overpayments FY08-FY12

Overpayment Reason	Total (FY08-FY12)
Provider Failed to Report Non-Attendance	\$3,129,696
Client Did Not Meet "Need for Care"	\$972,053
Worker Error	\$562,476
Suspected Fraudulent Information was Provided (Client and	
Provider combined)	\$160,254
Reason Not Provided	\$33,170
Total	\$4,857,649

Source: CYFD

Ten childcare providers account for 12 percent overpayments during the last five years, and six of these sites are run by the same company. The ten childcare provider sites with the largest reported overpayments during the last five years account for \$584 thousand of the \$4.8 million reported overpayments. Six of these provider sites are owned by the same company. Larger overpayments might be expected if this childcare provider served the most children in the state. However, of the ten sites identified as having the largest overpayments, only one ranked in the top ten of provider capacity.

New Mexico should implement an automated attendance system for child care as originally proposed through RTT. New Mexico's initial RTT application included an automated attendance system, home visiting data collection, and a licensed provider regulatory oversight system. The phase II application of RTT cut these projects out of the IT system because the grant award was cut to 50 percent. Now that the state has received 75 percent of its original grant request, plans to implement the attendance system should be reinstated.

CYFD implemented background checks do not include sex offender registries, and as a result LFC staff found three active registered homes where sex offenders reside. A cross-reference between addresses listed in the sex offender registry and current childcare provider addresses conducted by LFC staff revealed three childcare locations that registered sex offenders had listed as their primary current address in the sex offender registry. The findings were immediately shared with the CYFD. The agency suspended the registrations of the three providers.

New Mexico does not include sex offender registries in their background checks of providers. According to a 2013 report by Child Care of America (CCA), a weakness of the New Mexico child care system is that background checks do not require a check of the sex offender registry. The CYFD indicated on their FY2013-2014 draft CCDF plan that they do not include sex offender registries in background checks of providers. According to the Office of Child Care (OCC), 31 states currently include sex offender registries in their background checks for centers and homes. The OCC recommends that agencies such as CYFD check the National Sex Offender Registry as well as the specific State and local jurisdictions where a provider resides and has previously resided.

Some sex offenders live next door to childcare providers with no requirement for notification. New Mexico is one of 19 states that does not restrict where sex offenders can reside. The remaining 31 states place restrictions on sex offender proximity to schools and/or childcare facilities. In New Mexico, such restrictions do not exist. As a result, the LFC found several examples during a crosscheck of the sex offender registry and childcare provider addresses that show sex offenders living next door to a childcare provider either in a house, trailer, or apartment building.

Provider background checks are only conducted upon initial entrance into the system or after a break in employment of 180 days or more. Recently, proposed legislation before Congress would require background checks to reoccur no less frequently than once every five years after the initial background check. Currently, the OCC recommends that agencies, such as CYFD, identify a reasonable frequency for conducting periodic provider background checks. Performing background checks after initial entrance would ensure providers continue to remain eligible to provide services and improve safety for children.

In some situations childcare employees are allowed access to children before a background check is complete, and volunteers do not require a background check. The OCC recommends that staff or other adults with regular unsupervised access to children receive a comprehensive criminal background check prior to being authorized to provide services. However, CYFD administrative code allows for exceptions for background checks being conducted prior to providing services as long as the employee or volunteer is under direct physical supervision and background check applications have been filed (8.8.3.11 NMAC). Additionally, although the majority of states require volunteers at childcare centers to undergo background checks, New Mexico does not require background checks at licensed or registered facilities if the volunteer spends less than six hours per week at the facility and is under direct supervision.

Sanctions involving monetary penalties, reductions in star levels, or licensure revocation are infrequently and inconsistently applied. Early Childhood Services collects inconsistent amounts in civil monetary penalties for similar offenses. In 2011 and 2012, two childcare centers in Bernalillo and Sandoval counties falsified background check letters for their employees. One childcare center was administered a civil monetary penalty of \$1,500 and the other a \$3,000 penalty. CYFD revoked the license of another provider in Curry County for not having background checks conducted on two adults in the home. This infraction is commonly seen in licensure reviews, and CYFD typically asks providers to obtain the checks. CYFD licensing site visits discovered 672 instances of personnel working in licensed child care lacking documentation of a background check and employment history verification from 2010-2012.

Similarly, three incidents involving lost or missing children resulted in different civil monetary penalties:

Table 23. Different Civil Monetary Penalties for Similar Incidents

Sanction Date	Name of Facility	County	Reason for Sanction	Amount of Sanction
5/7/0044	Out and the said	Las Alamas	Lost , Missing Child, Inappropriate	#0.000
5/7/2011	Quemazon Montessori	Los Alamos	Guidance	\$3,800
			Lost , Missing Child,	
	Las Cumbres / Conjunto		Inappropriate	
11/6/2012	Preschool	Rio Arriba	Guidance	\$1,500
			Lost, Missing Child,	
			Inappropriate	
11/28/2012	Loving Arms Too! East	Santa Fe	Guidance	\$2,300

Source: CYFD

Civil monetary penalties may not serve as an effective disincentive for infractions that endanger children in licensed care facilities.

- In 2013, ECS inspectors at Kid's Kountry Too in Dona Ana County found a child duct taped to a chair. The civil monetary penalty assessed by ECS was \$500;
- In 2010, Wee Care of Grant County allowed children to go to a private residence which resulted in an injury to a child. The civil monetary penalty assessed by ECS was \$500.
- In 2011, Governor Bent Child Day Care in Bernalillo County failed to report an incident where multiple children were poked by a syringe found in donated items that had not been checked for hazards. No civil monetary penalty was assessed by ECS.

Civil monetary penalties for healthcare facilities, which use the same definitions for deficiencies, are stricter than those for child care. The Department of Health (DOH) and CYFD use the same definitions for deficiencies, which focus on the treatment of clients and patients, and they are able to issue civil monetary penalties for the same amounts of money. However, DOH has added provisions allowing the agency to administer more stringent monetary penalties in certain cases. For example, civil monetary penalties can be doubled for repeat class A, B and C deficiencies committed within 24 months of each other (7.1.8.13 NMAC). (See Appendix H)

Three of the five licensed providers that have had their licenses revoked have reopened as either registered homes or licensed centers. CYFD does not impose lifetime bans for providers that have had their licenses revoked. Since 2006, five providers have had their licenses revoked. LFC staff found two instances of providers with revoked licenses reopening as registered homes. These providers were allowed to reopen as registered homes despite infractions leading to revocation and closure described by CYFD as including, "major health and safety risks, caregiver without criminal background check, repeat violations, etc". One of these providers is currently a 2-star licensed home. A third provider, a licensed center in Rio Arriba County that had its license revoked for false statements with intent to deceive, is currently a 2-star provider. Since license revocation, the center has been cited for multiple safety violations, failure to obtain staff background checks on two separate inspections, failure to provide CYFD with a written statement concerning the circumstances and disposition of the arrest or substantiated referral of two staff members, and failure to notify parents of an accident involving a child. None of these most recent violations have resulted in sanctions.

New Mexico is one of only ten states that does not have any requirements related to accounting for children in childcare center vehicles. Evaluators found three documented occasions of children being left in cars by New Mexico childcare providers since 2007 and two other examples of a child being left behind at a park after a field trip. One provider is responsible for both leaving a child in a van and leaving a child behind on separate occasions and is still in operation. According to a 2013 report by Child Care of America, many states specifically require counting children in vehicles or prohibit children from being left unattended in vehicles. The PED has requirements in regulation for the maintenance of student rosters and requires that adults take roll each time students disembark and return to the vehicle. New Mexico has no requirements related to children being left in, or accounted for in childcare vehicle, despite repeated instances of children being forgotten.

Recommendations

The Legislature should:

Amend statute to prohibit licensed childcare centers from leaving a child unattended in a motor vehicle given certain conditions.

Consider legislation that would restrict offenders guilty of sex crimes against minors can reside in reference to schools and childcare providers.

Establish a CYFD OIG function in statute with requirements for independence, duties, and reporting to the Legislature and executive.

CYFD should:

Cross-reference sex offender registries when conducting background checks of childcare providers.

Establish staff to be dedicated to on-site internal audits as recommended in the most recent independent audit of CYFD conducted through the State Auditor. These staff should be funded by vacant positions in CYFD.

Require attendance of children to be recorded for audit and payment purposes.

Move the Improper Payment Unit to the Office of the Inspector General.

Link waste, fraud, and abuse to the state's QRIS to prevent significant offenders from participating in the state's rating system.

Follow federal best practices for preventing and finding fraud, waste, and abuse including:

- Expand cross-checks of other data systems including joining the Public Assistance Reporting Information System (PARIS) project to crosscheck child care data with other benefit programs.
- Reviewing attendance and billing records of child care providers.
- Audit provider records.
- Conduct on-site visits to review enrollment and attendance records for audit purposes.

Through regulation, enable lifetime bans for childcare providers who are found guilty of child endangerment or fraud by tracking these occurrences internally and incorporating into background checks.

State of New Mexico CHILDREN, YOUTH and FAMILIES DEPARTMENT

SUSANA MARTINEZ GOVERNOR

JOHN SANCHEZ
LIEUTENANT GOVERNOR



YOLANDA BERUMEN-DEINES
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DEPUTY CABINET SECRETARY

September 23, 2013

Representative Luciano "Lucky" Varela, Chairman Legislative Finance Committee State Capital Building, Suite 101 Santa Fe, New Mexico 87501

Dear Representative Varela,

The Children, Youth and Families Department (CYFD) received a preliminary copy of the *Report to the Legislative Finance Committee, Children, Youth and Families Department, Impact of Child Care and Head Start on Student Achievement, Report #13-08* dated September 26, 2013. The report describes the results of the program evaluation conducted by the Legislative Finance Committee Program Evaluation Team. The program evaluation had the following objectives:

- Program effectiveness. Review and compare best practices to those used in New Mexico along with program collaboration and alignment particularly among child care and Head Start.
- Performance oversight. Assess the performance, effectiveness, and outcomes of child care and Head Start including how these services affect performance in the public education system.
- Resource allocation and accessibility. Analyze resource allocation, program integrity and accessibility of quality services for children of all backgrounds. Cost benefit analysis of programs will be conducted when possible.

The timing of the evaluation presented some challenges given that it was initiated during the preparation of the FY14 operating budget and continued thru FY 2013 close-out, opening of FY14 (which includes the managing of multiple Request for Proposals and Request for Agreements), and preparation of budget requests for Fiscal Year (FY) 2015. Additionally, during this time, the Early Childhood staff were preparing and issuing contracts and agreements for all NM PreK and Home Visiting providers, as well as implementation of efforts as laid out in the Race To the Top (RTT) application. Regardless, staff made a concerted effort to provide the requested information to the evaluators in a timely manner.

After reviewing this report, we note that the evaluation did not consider important program accomplishments, such as the recognition of NM child care programs' development over the past ten years. There is significant research, some of it is quoted throughout the document itself, (e.g. the highlighting of the Educare program) that quality child care can, indeed, positively impacts a child's success in school. The LFC program evaluation even goes so far as to list the indicators or principle elements of quality that "have consistently produced positive impacts" (Harvard University, page 15).

This evaluation report fails to acknowledge the emerging body of research that identifies the "tipping point" of quality. For example, research is suggesting that programs demonstrating ECERS criteria below a score of 5 may not significantly impact children's school success. However, programs that demonstrate higher levels of quality and score 5, 6, and 7, do impact children's later success in school. So, it is increasingly important to acknowledge how child care programs are progressing toward this "tipping point" of quality.

This evaluation does not acknowledge child care programs' developmental progression toward that "tipping point" of quality. Data confirms that New Mexico's AIM HIGH, CYFD's previous Tiered Quality Rating and Improvement System (TQRIS), has accomplished a tremendous amount in that regard. This evaluation report makes no mention of the fact that because of this developmental progression, CYFD has incorporated the criteria of the two basic levels of AIM HIGH into child care regulation. Additionally, the evaluation report does not recognize the percentage of programs that have gone from Level Zero in 2000 to Levels 3, 4 and 5 today. There should be some acknowledgement of where the child care system has been – and is today – as programs struggle to offer quality care despite the obstacles. Child care programs in New Mexico (and in most states) are working toward, but haven't yet reached, the "tipping point" of quality. This is, indeed, the purpose for a Tiered Quality Rating and Improvement System.

This evaluation report does, however, acknowledge the impact of NM PreK on children's school success. But, the document fails to recognize that FOCUS, the state's new TQRIS is based entirely on replication of NM PreK on a larger scale within the child care system. In fact, child care programs at FOCUS Star Level 5 will essentially be implementing "NM PreK", at a higher level of quality than the current NM PreK Program Standards require.

The LFC evaluation report states "Using some of the state's child care assistance funding to enroll 4 year olds in NM PreK would be a more cost-effective approach to boost student achievement." Rather than take children out of child care and put them in NM PreK, CYFD has incorporated and expanded upon the most successful elements of NM PreK as well as current research regarding program leadership and continuous quality improvement to create the new FOCUS quality criteria.

This report also fails to recognize the work CYFD has done to identify high risk, high need communities of the state and target resources for those communities (investment zones). CYFD is working with investment zone communities to help build capacity so families can have access to quality early childhood services.

CYFD concurs with some of the recommendations made in the report. However, there are other recommendations with which we do not concur. Reasons we do not concur include the reliance on questionable research, insufficient information being considered, and inaccurate conclusions being drawn. The following provides a high level response to the findings and recommendations contained in the report.

DESPITE SIGNIFICANT INVESTMENTS, CHILD CARE ASSISTANCE FOR LOW INCOME CHILDREN FAILS TO IMPROVE SCHOOL READINESS AND EARLY LITERACY.

Use the provision of Federal regulation that up to 30 percent of the funds for State match be used for PreK funding thereby freeing up more state funding for PreK and these CCDF funds should count toward the statutory requirement that equally divides monies appropriated for PreK programs.

RESPONSE: While CYFD appreciates the recommendation for additional NM PreK funding, this recommendation has a negative impact on private child care providers. The current State Match for CCDF funding is \$5.4 million. If 30% of this funding (or \$1.6 million) were to be used for NM PreK and no longer used for child care assistance, the program would no longer be able to serve approximately 391 children. These children could be infants or toddlers, our most vulnerable population. While the \$1.6 million could be used to serve approximately 540 NM PreK children, half of the funding would have to be transferred to PED (or the current CYFD NM PreK allocation would have to be reduced) in order to comply with legislation requiring parity for NM PreK funding. Private providers would lose 391 child care assistance clients and only serve 270 NM PreK children. Additionally, these NM PreK children may still need child care assistance when they are not being served by NM PreK. If this is the case, there will still be a child care cost to serve these NM PreK children after their NM PreK day ends. Lastly, the new TQRIS, FOCUS, when rolled out statewide in child care settings will have the same impact and results that we have seen from NM PreK. FOCUS is an expansion of NM PreK and uses the same criteria and core elements (but age appropriate) that NM PreK uses. The child care dollars need to stay with child care to support FOCUS. We may even see greater results with FOCUS since we will be using the same approach with children beginning in the earliest years – not just when they are four.

Implement quality indicators in FOCUS consistently across star levels to align with national best practices.

RESPONSE: Child Trends has completed an extensive literature review regarding FOCUS criteria and has found that the FOCUS criteria meets and even exceeds current national best practices.

"New Mexico's FOCUS TQRIS standards are comprehensive, progressive and inclusive. The criteria has a solid basis in the early childhood research literature and best practice. For some standards – in particular the standards related to cultural competence and continuous improvement – there are no examples of other state TQRIS that are using similar standards, so New Mexico is developing unique criteria and rating requirements." (New Mexico FOCUS TQRIS: Essential Elements of Quality, Initial Evidence Review and Recommendations, August 2013, Child Trends).

<u>Plan on implementing FOCUS as intended in the original RTT grant to enroll all providers by 2016 and more rapidly verify the quality of 5 Star providers.</u>

RESPONSE: CYFD is committed to the success of our providers and ultimately the success of our children. CYFD does not concur with this recommendation and in order to assure success of our providers and children, will continue with the plan to enroll all 3, 4 and 5 STAR providers who wish to participate before January 2018. Please note that in our Round Two RTT application, NM was encouraged by successful Round One states to significantly lower target numbers to ensure the state's ability to meet identified goals.

Offer a certificate to non-licensed providers to ensure they are in substantial compliance with registration regulation and additional training. This is similar to what was proposed in the original RTT application. Any increases in subsidy offered to registered homes should be tied to the awarding of this certificate.

RESPONSE: We have recently added additional FTEs and created a Registered Home Oversight Unit. This staff will ensure compliance with registered home regulations. Currently a self-certification is issued (to document health and safety compliance and to ensure compliance with registered home regulations). With the new Registered Home Oversight initiative, CYFD is creating a certificate of compliance similar to the current child care license. The quality level of any registered home participating in FOCUS will be indicated on the certificate of compliance for registered homes.

Develop performance measures that track provider transitions to FOCUS

RESPONSE: CYFD is keeping extensive data on all programs transitioning to FOCUS to provide the number and types of programs transitioning from AIM HIGH to FOCUS.

<u>Develop performance measures that track kindergarten-readiness rates of student who participate in child care, as measured by the state's universal kindergarten readiness assessment</u>

RESPONSE: We can replicate the current PreK measure (Percent of children in state funded PreK showing measurable progress on the preschool readiness for kindergarten tool) and apply it to child care programs participating in FOCUS. Both CYFD and PED use the "accomplished" indicators within the Early Learning Guidelines rubric to serve as the kindergarten readiness criteria in seven different domains.

A LACK OF HEAD START COOPERATION AND COORDINATION RESULTS IN INEFFICIENT RESOURCE ALLOCATION AND POTENTIALLY HINDERS SCHOOL READINESS

The RTT-ELC agencies should work with Head Start agencies to create a data sharing agreement with the state to support RTT-ELC objectives.

RESPONSE: FOCUS criteria requires that all FOCUS programs participate in the state's FOCUS data system. Therefore, any Head Start program that participates in FOCUS will be included in the WELS/FOCUS data system and all children in that program will have a PED unique identifier. There are already Head Start programs participating in the FOCUS pilot.

NEW MEXICO NEEDS TO BETTER TARGET RESOURCES TO CHILDREN WHO NEED THEM MOST AND IMPROVE ACCESS TO HIGH QUALITY EARLY CHILDHOOD SERVICES

Publicly post registered home health, safety, and registration information in compliance with proposed ACF rules regarding provider-specific information about the quality of all providers receiving CCDF subsidies.

RESPONSE: The Registered Home Oversight Unit child care specialists will function similarly as our licensing surveyors. On site visits will be conducted two times per year and additional visits and technical assistance will be provided to ensure health and safety compliance. Additionally, all complaints made against a registered home child care provider are investigated. Child care specialists will utilize the same equipment to conduct site visits and as soon as all child care specialists are trained, site visit reports will be posted online (same website utilized to post child care license surveys).

<u>Expand the hours that staff members are available to child care clients at ECS regional offices to better</u> meet client needs.

RESPONSE: CYFD does not feel this is appropriate for every field office. Every field office has a different caseload and different full time employee (FTE) count. Each child care field office has different hours and days to see a "walk in" client. "Walk-in" clients are clients who are applying for services for the first time. In addition, to serving "walk in" clients, child care assistance staff have scheduled appointments for existing clients. Please note a "walk in" client may also request an appointment rather than wait to see a caseworker. Additionally, child care caseworkers need time during the day to enter new and existing placements as well as conduct necessary research. For example, the case worker will cross reference the work force solutions website to review a client's work history or verify TANF and child support through HSD, etc. If placements are not entered timely, providers are not paid timely and the child is not counted as being served until the placement is entered. CYFD recently conducted a very thorough analysis of the eligibility interviewer workforce and the client need per office. Positions were moved to offices with higher caseloads and several positions were reclassified to support the need in child care licensing. Adjustments will be made as the need arises.

Make information available to parents regarding child care quality and licensing reports on paper in addition to referring parents to online resources.

Information is currently made available to families who come into child care field offices ("Look for the Stars", "Guide to Quality Child Care"....which CYFD is currently updating). Additionally parents have access to Child Care Resource and Referral information thru a 1-800 number (1-800-691-9067). Parents can request hard copies of site visit reports via Public Records Request.

CURRENT CHILD CARE PROGRAM INTEGRITY THREATENS THE EFFECTIVE ALLOCATION OF RESOURCES AND POTENTIALLY ENDANGERS CHILDREN.

The Legislature should:

Amend statute to prohibit licensed child care centers to leave a child unattended in a motor vehicle given certain conditions.

RESPONSE: Current licensing regulations require child care providers to attend to children at all times including times when they would be in a vehicle. 8.16.2.23(9) NMAC states "A program will maintain staff/child ratios at all times. Children must never be left unattended whether inside or outside the facility. Staff will be onsite, available and responsive to children during all hours of operation." Under 8.16.2.7(PPP) NMAC ""unattended" means an educator is not physically present with a child or children under care". Centers who violate these regulations, especially when a child is left unattended in a vehicle for any amount of time are sanctioned heavily.

<u>Consider legislation that would restrict where sex offenders can reside in reference to schools and child</u> care providers.

RESPONSE: NMSA 29-11A -5.1. (D) cites: "Within seven days of receiving registration information from a sex offender described in Subsection A of this section, the county sheriff shall contact every licensed daycare center, elementary school, middle school and high school within a one-mile radius of the sex offender's residence and provide them with the sex offender's registration information, with the exception of the sex offender's social security number and DNA information."

Per Department of Public Safety, the New Mexico Department of Corrections provides offenders with "Special Conditions" restricting where they can live while on supervision (identified as protected sites).

Additionally, the NM Sentencing Commission developed a position paper regarding sex offender residential restrictions (dated November 2008).

<u>Establish a CYFD OIG function in statute with requirements for independence, duties, and reporting to the Legislature and Executive.</u>

RESPONSE: A similar request was proposed during the 2013 legislative session. Senate Bill 227 was not approved during this session. Please refer to CYFD's bill analysis submitted to LFC.

Cross reference sex offender registries when conducting background checks of child care providers.

Over the last year, the Federal Government has been encouraging states to utilize State's sex offender registries. The Federal Government has indicated the possibility of this being added as a federal requirement. Currently, child care licensing surveyors and child care specialists conduct a review of new home applications and cross reference the NM sex offender registry. Additionally, CYFD has been working with the Department of Public Safety (DPS) to develop an automated solution to cross check the sex offender registry with CYFD's list of home provider addresses. By the end of this calendar year, CYFD will have an automated program operational. CYFD will have access to the NM sex offender registry data and will have the ability to generate monthly/weekly reports to identify any matches. This allows CYFD to locate those individuals who were not listed on the initial application. This will also allow CYFD to find out quickly if any sex offender moves into the home after initial application. Additionally, CYFD is making the list of child care home provider addresses available to the DPS quarterly. The addresses are provided to the DPS contractor who is managing the NM sex offender registry and these addresses have been added as "protected sites". Sex offenders who are on probation are already prohibited by law from residing within a two mile radius of a protected site. CYFD has been working on this project over the last year and appreciates the support of LFC.

<u>Establish</u> staff to be dedicated to on-site internal audits as recommended in the most recent independent audit of CYFD conducted through the State Auditor. These staff should be funded by the use of vacant positions in CYFD.

RESPONSE: CYFD is not opposed to conducting on-site internal audits, however, CYFD does not have the resources to commit to this effort. CYFD is opposed to using current vacant positions. Current vacant positions are needed to fulfill existing needs of ensuring the health, safety and well-being of New Mexico's children. If additional resources are made available, CYFD is willing to conduct on-site internal audits. However, CYFD is not willing to conduct on-site internal audits at the expense of the health, safety and well-being of our children.

Require attendance of children to be recorded for audit and payment purposes.

RESPONSE: The Child Care Licensing Regulations (8.16.2 NMAC) currently requires providers to document all children's attendance. This information can, and has been used for audit purposes when needed and applicable. CYFD acknowledges this is not a perfect system. While CYFD would embrace automated time and attendance tracking functionality, we must note that the current infrastructure does not exist to support this type of technology. That considered, CYFD does not have the resources available at this time to implement an audit process to retrieve and review all child attendance information. CYFD will continue to audit as concerns are brought to our attention.

As part of the original RTT application, CYFD had included an automated time and attendance tracking module within the new Enterprise Provider Information and Constituent Services (EPICS) system.

However, when funding was reduced for the second round of applications, this was eliminated from the RTT commitment. CYFD remains committed to exploring options with respect to time and attendance tracking. As mentioned, CYFD is currently developing the EPICS system. When complete, EPICS will replace the FACTS system as CYFD's information and service delivery system. EPICS will be a web enabled system and will provide CYFD with the foundational infrastructure to develop and implement time and attendance functionality. The child care assistance program is currently being developed in EPICS and is projected to go live in 2017. As soon as the child care assistance program goes live in EPICS, CYFD will have the opportunity and capability to explore time and attendance options.

Move the Improper Payment (IP) Unit to the Office of the Inspector General.

RESPONSE: CYFD does not agree with this recommendation. The Improper Payment Unit consists of 3.5 case analysts and one manager. The IP Unit is organizationally located within the CYFD Early Childhood Services Director's Office. CYFD conducts child care case reviews within the parameters and very prescriptive methodology set by Federal oversight and remains in good standing with the Federal oversight agency, Administration for Children and Families.

It's important to note the case review process is an audit of the case file only, as prescribed by the federal government. The case analysts are not allowed any third party contact to conduct the audits. This means that if there is a question or suspected fraud, the case analyst may get clarification from the child care caseworker but is not authorized to contact the provider, client or employer. If fraud is suspected, the case is forwarded to the CYFD Inspector General for investigation. The current IP unit has been designed to identify training needs, ensure policy compliance and ensure compliance with federal requirements.

With the IP Unit in its current location, ECS management can address training needs, inconsistencies in program administration and caseworker error rates more timely and efficiently.

<u>Link waste, fraud, and abuse to the state's QRIS to prevent significant offenders from participating in the state's rating system.</u>

RESPONSE: CYFD does not agree with this recommendation. CYFD does not feel children should be punished for the acts committed by their child care provider. CYFD absolutely supports consequences for individual providers involved in waste, fraud and abuse. We will continue to research time and attendance system all well as funding options to capture waste, fraud and abuse for all licensed providers.

Follow federal best practices for preventing and finding fraud, waste and abuse including:

- Expand cross-checks of other data systems including joining the Public Assistance Reporting Information System (PARIS) project to crosscheck child care data with other benefit programs.
- Reviewing attendance and billing records of child care providers.
- Audit provider records.
- Conduct on-site visits to review enrollment and attendance records for audit purposes.

RESPONSE: CYFD will research and explore options with respect to PARIS. It's important to note that CYFD Child Care Assistance field staff do have access to the HSD service delivery system for TANF, Food Stamps and Child Support Enforcement and the Department of Labor's Workforce system. Access to the above mentioned systems enable cross reference of client information for child care eligibility determination purposes.

As previously stated, the Child Care Licensing Regulations (8.16.2 NMAC) currently requires providers to document all children's attendance. This information can, and has been used for audit purposes when needed and applicable. CYFD acknowledges this is not a perfect system. While CYFD would embrace automated time and attendance tracking functionality, we must note that the current infrastructure does not exist to support this type of technology. That considered, CYFD does not have the resources available at this time to implement an audit process to retrieve and review all child attendance information. CYFD will continue to audit as concerns are brought to our attention.

As part of the original RTT application, CYFD had included an automated time and attendance tracking module within the new Enterprise Provider Information and Constituent Services (EPICS) system. However, when funding was reduced for the second round of applications, this was eliminated from the RTT commitment. CYFD remains committed to exploring options with respect to time and attendance tracking. As mentioned, CYFD is currently developing the EPICS system. When complete, EPICS will replace the FACTS system as CYFD's information and service delivery system. EPICS will be a web enabled system and will provide CYFD with the foundational infrastructure to develop and implement time and attendance functionality. The child care assistance program is currently being developed in EPICS and is projected to go live in 2017. As soon as the child care assistance program goes live in EPICS, CYFD will have the opportunity and capability to explore time and attendance options.

CYFD child care licensing staff currently reviews provider records to include child enrollment and attendance records. CYFD does not have the resources to audit provider enrollment and attendance records on a monthly basis.

Through regulation, enable lifetime bans for child care providers in regulation who are found guilty of child endangerment or fraud by tracking these occurrences internally and incorporating into background checks.

RESPONSE: While lifetime bans for fraud do not currently exist within CYFD's regulation structure there are other convictions and certain referrals to Child Protective Services for abuse and/or neglect that may require lifetime bans. These convictions are listed in the background check regulations (NMAC 8.8.3).

Research regarding any lifetime ban is required to ensure compliance with the New Mexico Statutes - Article 2 — Criminal Offender Employment Act, 28-2-1 through 28-2-6.

<u>Plan on implementing FOCUS as intended in the original RTT grant to enroll all providers by 2016 and should more rapidly verify the quality of 5 Star providers.</u>

RESPONSE: CYFD is committed to the success of our providers and ultimately the success of our children. CYFD does not concur with this recommendation and in order to assure success of our providers and children, will continue with the plan to enroll all 3, 4 and 5 STAR providers who wish to participate before January 2018. Please note that in our Round Two RTT application, NM was encouraged by successful Round One states to significantly lower target numbers to ensure the state's ability to meet identified goals.

Allow licensing surveyors to complete registered home visits to redistribute workloads among licensing surveyors and child care specialists.

RESPONSE: Child care licensing surveyors already have a heavy caseload and in some regions are struggling to assure two visits per year in licensed facilities. The "bulk" of a licensing surveyor's workload is comprised of licensed centers. Licensing surveys of child care centers take longer to complete because of the size. A survey of a center will take an average of four-six hours to conduct and longer when a new center is opening. Registered home site visits may take up to one hour to inspect a home. Licensing surveyors are required to conduct two surveys per year per licensed facility along with any follow-up inspections. Licensing staff also receive calls to investigate any non-compliance concerns for licensed facilities or private child care who are not in compliance with state law. As the Registered Home Oversight initiative was planned, a caseload analysis was conducted. As this initiative is implemented effective October 1, 2013, CYFD will continually monitor caseloads of child care specialists. CYFD will make necessary changes as needed.

Thank you for the opportunity to comment and respond to the program evaluation. We welcome further dialogue and collaboration with LFC staff on the subject matter included in this document. It is

essential that all parties concerned with and involved in New Mexico's child care system have a clear understanding of the complexities of the system.

We look forward to our continued work together.

Sincerely,

Yolanda Berumen-Deines

Cabinet Secretary

Children, Youth and Families Department

APPENDIX A: Evaluation Objectives

EVALUATION OBJECTIVES

Objective 1: Program effectiveness. Review and compare best practices to those used in New Mexico along with program collaboration and alignment particularly among child care and Head Start.

Objective 2: Performance oversight. Assess the performance, effectiveness, and outcomes of childcare programs and Head Start in New Mexico.

Objective 3: **Resource allocation and accessibility.** Analyze resource allocation among New Mexico communities and accessibility of quality childcare for children of all backgrounds. Cost benefit analysis of programs will be conducted when possible.

Evaluation Procedures.

- Met with LFC fiscal analyst for CYFD, LFC director, and program evaluation staff management
- Prepared planning memorandum
- Completed engagement letter and evaluation work plan
- Reviewed:
 - o Applicable laws and regulations
 - Internal CYFD management reports, including subsidy payment records and reports
 - o LFC file documents, including all available project documents
 - Available performance reviews from other states relative to these types of projects
 - o Information obtained from outside sources, including Internet searches
 - Literature review of early learning center quality and outcomes
 - Literature review of Head Start participation and quality and outcomes.
 - HHS OIG Head Start Site
 - Analysis of day care location and those receiving assistance from state
 - ISR and city of ABQ evaluation
 - o Federal and ECS performance measures
- Interviewed agency management to gain a better understanding of the issues and needs pertaining to the project including staff from the Head Start Collaboration Office, interviewed NCSL child care policy experts.
- Prepared data request for information including requesting complete client data files to be matched with on-site provider records based on a risk assessment during the course of your field work
- Conducted entrance and exit conference with CYFD

Evaluation Team.

Jon R. Courtney, Lead Program Evaluator Rachel Mercer-Smith, Program Evaluator

<u>Authority for Evaluation</u>. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conferences. The contents of this report were discussed with CYFD on September 12, 2013.

Report Distribution. This report is intended for the information of the Office of the Governor; CYFD; Office of the State Auditor; and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Charles Sallee

Deputy Director for Program Evaluation

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Children, Youth, and Families Department #13-08 Federally Funded Early Childhood Education Programs September 25, 2013

APPENDIX B: Child Care Setting by County

October 2012

October 20	712
Registered Care	Licensed Care
7%	93%
9%	91%
34%	66%
15%	85%
19%	81%
17%	83%
34%	66%
15%	85%
23%	77%
45%	55%
57%	43%
4%	96%
5%	95%
0%	100%
52%	48%
62%	38%
57%	43%
8%	92%
55%	45%
24%	76%
5%	95%
8%	92%
22%	78%
10%	90%
3%	97%
23%	77%
38%	62%
17%	83%
9%	91%
86%	14%
14%	86%
	Registered Care 7% 9% 34% 15% 19% 17% 34% 15% 23% 45% 57% 4% 52% 62% 57% 8% 24% 5% 8% 22% 10% 3% 23% 17% 9% 86%

Source: LFC analysis of PED data

APPENDIX C: Percent of Children Receiving Assistance by Star Level and County

October 2012

	October 2012				
County	Total Children Receiving Assistance	2-star	3-star	4-star	5-star
Bernalillo	7039	44%	10%	7%	19%
Chavez	687	47%	9%	7%	21%
Cibola	275	47%	11%	6%	19%
Colfax	46	26%	20%	24%	30%
Curry	521	43%	10%	8%	21%
De Baca	12	50%	0%	0%	33%
Dona Ana	4922	41%	11%	8%	22%
Eddy	302	42%	12%	12%	23%
Grant	297	43%	12%	1%	20%
Guadalupe	22	64%	5%	0%	9%
Hidalgo	21	33%	10%	0%	43%
Lea	632	40%	11%	8%	18%
Lincoln	190	37%	45%	11%	16%
Los Alamos	8	25%	13%	0%	25%
Luna	227	41%	10%	5%	22%
McKinley	275	42%	6%	7%	25%
Mora	14	36%	7%	0%	21%
Otero	528	44%	12%	5%	19%
Quay	22	50%	5%	5%	9%
Rio Arriba	106	52%	17%	3%	10%
Roosevelt	173	38%	12%	6%	25%
San Juan	688	44%	7%	6%	19%
San Miguel	370	41%	10%	10%	20%
Sandoval	712	48%	8%	8%	17%
Santa Fe	446	43%	10%	1%	19%
Sierra	71	34%	15%	12%	18%
Socorro	58	57%	10%	2%	17%
Taos	112	44%	16%	5%	15%
Torrance	67	58%	11%	4%	14%
Union	7	43%	14%	0%	43%
Valencia	639	46%	9%	8%	19%

Source: LFC analysis of PED data

APPENDIX D: Letter From West Las Vegas Head Start Director



August 7th, 2013

Rachel Mercer-Smith Program Evaluator New Mexico Legislative Finance Committee 325 Don Gaspar Santa Fe, NM 87501

Re: Requested Information

Dear Mrs. Mercer-Smith,

The following information is being provided base on the New Mexico Legislative Finance Committee request:

- West Las Vegas Head Start Program has been in existence since 1965
- West Las Vegas Head Start Program serves San Miguel County
- Grantee is the West Las Vegas School District
- Currently serves 200 children and families
- Employees 30 staff members full time
- Annual operating budget of \$1,520,832.00
- Annual Training budget of \$21,680.00
- · Cost Per Child and Hours of Service Per Child
 - Overall cost per child
 Total Hours of Service per child
 Overall cost per child per hour
 \$9,640.70
 1,172.50
 \$8.22
- Last "Federal Review Audit" program was found to be operating at 100% compliance with all federal regulations
- Currently, holds the highest educational scores in the state under the CLASS evaluation tool as noted in the 2013 Federal Audit

In 2006, 2007 and 2008 the West Las Vegas Head Start program found itself making some dramatic changes to its serves area and a major adjustment in its budget. The changes that affected the program the greatest were those of the introduction of Pre-K:

- 1. Budget reduction from a \$2.6 million program to a \$1.5 million program
- 2. Funded enrollment of 300 student slots to 200 student slots
- 3. Three (3) classrooms in the Pecos Schools to zero (0)
- 4. One (1) classroom in the Valley Schools to zero (0)
- 5. Eleven (11) classrooms in Las Vegas to ten (10)

These changes that impacted our budget and serves areas were due to "Pre-K"... and cost a loss of federal funds for the state in the amount of roughly \$866,666.66 and the loss of 15 positions.

(505) 426-2821 (505) 426-2822 (fax) 179 Bridge St. Las Vegas, New Mexico 87701



Problems and/or Issues with Pre-K:

- Pre-K does not communicate with already existing early childhood program within the communities
- 2. Pre-K does not serve those children that Head Start cannot serve
- 3. Pre-K has come in as a competitor...rather than as a partner
- 4. Pre-K should be an extension of already existing program within communities
- 5. Pre-K should be a wrap around serves for those communities that already have existing early childhood programs
- 6. Pre-K should not be allowed to jeopardize federal funds of existing programs
- 7. Pre-K programs should be scrutinize thoroughly, so that it will not have an impact on existing program or jeopardize federal funds and ready in existence

In closing, Pre-K is needed! However, it should not be at the expense of losing federal funds or at the expense of programs that are fully funded. The LFC has a great opportunity to ensure that future program such as Head Start will not continue to lose funding. Furthermore, the West Las Vegas Head Start is not the only program in the state over the past years that have been impacted by "Pre-K". There are many programs throughout the state that have similar issues with "Pre-K".

I hope that I have answered all your questions and request...on the information for our program and the affects that Pre-K has had on our program. If you need further information please do not hesitate to contact me at your convenience.

Sincerely,

Joseph T. Griego,

WLV Head Start Director

cc. File

APPENDIX E: Letter from DHHS ACF OHS



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES

Office of Head Start

8th Floor Portal Building
1250 Maryland Avenue, SW

Washington, DC 20024

JUN 2 8 2013

Charles Sallee Deputy Director State of New Mexico Legislative Finance Committee 325 Don Gaspar, Suite 101 Santa Fe, NM 87501

Dear Mr. Sallee:

Thank you for your letter regarding clarification on the release of Head Start child data by Head Start grantees.

The Head Start regulations at 45 C.F.R. § 1304.41(a)(2) require grantees and delegate agencies to take affirmative steps to establish ongoing collaborative relationships with community organizations, including educational and cultural institutions, to respond to the needs of the children, families, and communities Early Head Start and Head Start programs serve. In addition, the Head Start Act supports collaboration with States' overall educational program and promotes an effective relationship between Head Start programs and publicly funded preschools and K-12 programs. These particular provisions in the Act can be found at sections 642(e)(5), 642A, and 636.

In a Program Instruction (PI) sent to Head Start and Early Head Start grantees and delegate agencies on July 20, 2011, the Office of Head Start explained the role of grantees in the Race to the Top-Early Learning Challenge (RTT-ELC). OHS expects grantees to take part in their State RTT-ELC application process and program to the maximum extent possible unless doing so would conflict with the Act or preclude a program from meeting the regulations. This is addressed in further detail in the attached PI Participation in Your State's Race to the Top Early Learning Challenge (ACF-PI-HS-11-03).

The Act does not specifically prohibit or require grantees to release child data. It does require grantees to respect the unique identity of each child and follow their own programs confidentiality policies concerning information about the children they serve per 45 C.F.R. § 1304.52(i)(1)(ii).

Page Two - Charles Sallee

I hope this information is helpful to you. Please feel free to contact me if I can be of further assistance.

Sincerely,

vette Sanchez Fuentes

Director

Office of Head Start

Cc: Kimberly Chalk, Regional Program Manager, Region VI

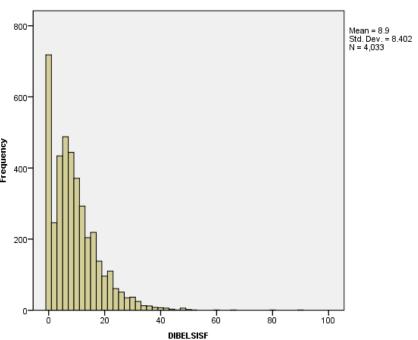
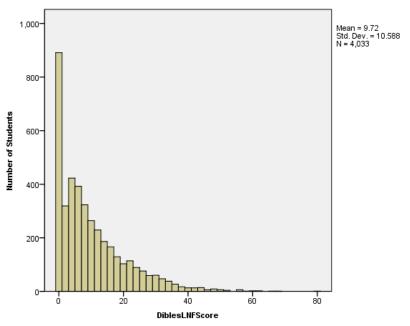


Table X. Distribution of SY08 and SY09 Kindergarten DIBELS Initial Sound Fluency Score





APPENDIX G: State Efforts To Reduce Fraud

In recognition of the potential risk for widespread fraud, both states assessed the adequacy of their internal controls, procedures and regulations and made changes to strengthen defenses against fraud. In response to fraud uncovered in Wisconsin, the state enacted new laws and procedures, and applied previous policies more stringently. The state:

- Passed a law implementing the "40 percent rule," which provides that the state cannot pay providers if more than 40 percent of the children authorized to the provider are the children of employees;
- Implemented an automated, electronic attendance recording system and established part-time subsidy rates for all age groups;
- Applied a regulation allowing the Wisconsin Department of Children and Families to refuse to pay a child care provider if the Department reasonably suspects the provider is violating any provision of the child care subsidy program.

New York similarly improved internal controls by:

- Creating new child care subsidy fraud regulations to make them more stringent, including the ability to refuse payment to providers suspected of fraud;
- Developing a team to uncover and investigate child care provider fraud;
- Identifying funding to implement an automated child care time and attendance system.

APPENDIX H: Deficiency and Class Definitions

Deficiency Type	Definition
Class A	 Any abuse or neglect of a patient, resident of client by a facility employee that results in death or serious physical or psychological harm Any exploitation of a patient resident of client by an employee in which the value exceeds \$1,500 A violation or group of violations of applicable regulations, which results in death, serious physical harm or serious psychological harm to a patient resident or client.
Class B	 Any abuse or neglect of a patient, resident or client by a facility employee or for which the facility is responsible Any exploitation of a patient, resident or client by a facility employee or for which the facility is responsible in which the value is between \$100-\$1,500 A violation or group of violations of applicable regulations which present a potential risk of injury or harm to any patient, resident or client
Class C	 A violation or group of violations of applicable regulations as cited by surveyors from the licensing authority which have the potential to cause injury or harm to any patient, resident or client if the violation is not corrected Any exploitation of a patient resident or client by a facility employee in which the value of the property was less than one hundred dollars

Source: 7.1.8.7 NMAC

APPENDIX I: CYFD Subsidy Rates Lower Than Market Rates

CYFD Subsidy Children Are Able to Access Less Than 20 Percent of Providers	CYFD Monthly Rate	50th Percentile Market Rate	Difference Between 50 th Percentile and CYFD Rate
Metro 2-star Family Home, Preschool	\$369	\$535	\$166
Metro 2-star Center, Preschool	\$440	\$563	\$123
Metro 2-star Centers, Toddler	\$471	\$606	\$135
Metro 2-star Family Homes, Infant	\$410	\$541	\$131
Metro 2-star Family Homes, School Age	\$364	\$455	\$90
Metro 2-star Family Homes, Toddler	\$370	\$541	\$171
Metro 2-star Group Homes, Infant	\$424	\$541	\$117
Metro 2-star Group Homes, Preschool	\$383	\$476	\$93
Metro 2-star Group Homes, Toddler	\$389	\$541	\$152
Metro Registered Family Home, Preschool	\$242	\$459	\$217
Metro Registered Family Homes, Infant	\$279	\$520	\$241
Metro Registered Family Homes, School Age	\$242	\$390	\$148
Metro Registered Family Homes, Toddler	\$264	\$520	\$256
Rural 2-star Family Homes, Preschool	\$362	\$476	\$114
Rural 2-star Family Homes, Toddler	\$365	\$517	\$152
Rural 2-star Group Home, Preschool	\$376	\$433	\$57
Rural Registered Family Homes, Preschool	\$220	\$325	\$105
Rural Registered Family Homes, Toddler	\$218	\$461	\$243

Source: CYFD 2013 Market Rate Survey, excludes categories with fewer than 5 respondents

APPENDIX J: SY12 Maryland School Readiness Report Excerpt

REALIZING THE BENEFITS OF EARLY LEARNING

Student performance has shown that children who have the benefit of high-quality early learning experiences, including public PreK, are better prepared to start kindergarten and are more successful thereafter in school. Research confirms that early care and education is one of the best ways to address the school-readiness gap and prepare children for academic and life success. In 2012-2013:

- 83% of children who were enrolled in public PreK programs the year prior to starting kindergarten are fully school-ready, up from 47% in 2001-2002 and on par with last year.
- Children enrolled in PreK programs the year prior to kindergarten exceed the statewide readiness average and show greater long-term improvements (a 36-point gain from 2001-2002, compared with the 33-point Statewide gain). Because public PreK programs serve a high percentage of children with academic risk factors (low income, ELL, and children with disabilities), the data are significant for addressing readiness gaps.
- Children enrolled in public PreK programs the year before kindergarten – a large portion of whom are from lowincome households as indicated by Free and Reduced Price Meal status – outperform their peers at the same income level (83% of children previously enrolled in PreK are fully ready compared with 76% of kindergarteners from lowincome households).
- Children enrolled in public PreK programs (83% fully ready) are better prepared for school than their peers who were at home or in informal care (71% fully ready).

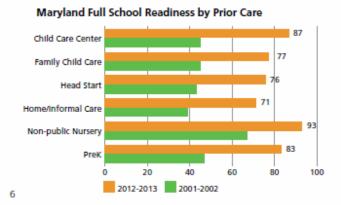


RACE TO THE TOP

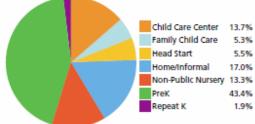
The Race to the Top Early Learning Challenge

With the \$50 million four-year federal Race to the Top Early Learning Challenge (RTT-ELC) grant, Maryland is making comprehensive improvements to our PreK and kindergarten curricula, assessments, and accountability systems. Our investments seek to advance:

- . State (and local level) governance structure
- . High-quality, accountable programs
- · Access to high-quality, early learning and development programs
- Early learning and development standards
- Alignment of standards with early learning curricula, activities, assessments, and professional development
- Comprehensive assessment systems
- Intervention and prevention programs
- · Family engagement
- · The early education workforce



Maryland Prior Care Enrollment* School Year 2011-2012



* Some prior care settings have enrollment criteria. For example, Head Start and public ProK almost exclusively serve children from low-income households and children with disabilities—two subgroups that have consistently had significantly lower school readiness than Maryland kindergarteners, as a whole, and are considered at risk.

Source: 2012-2013 Maryland School Readiness Report

APPENDIX K: Child Care Assistance Subsidy Rates

Licensed Child Care Centers

	Infant		Toddler		Pre School		School Age	
	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro
Base	\$521.37	\$463.75	\$470.72	\$434.63	\$440.01	\$408.02	\$390.64	\$377.96
3-star	\$591.37	\$533.75	\$540.72	\$504.63	\$510.01	\$478.02	\$460.64	\$447.96
4-star	\$625.87	\$568.25	\$575.22	\$539.13	\$544.51	\$512.52	\$495.14	\$482.46
5-star	\$653.37	\$595.75	\$602.72	\$566.63	\$572.01	\$540.02	\$522.64	\$509.96

Licensed Group Homes (capacity: 7-12)

	Infa	Infant Toddler		ler	Pre School		School Age	
	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro
Base	\$424.01	\$400.96	\$388.93	\$381.23	\$383.09	\$375.81	\$378.53	\$368.53
3-star	\$494.01	\$470.96	\$458.93	\$451.23	\$453.09	\$445.81	\$448.53	\$438.53
4-star	\$528.51	\$505.46	\$493.43	\$485.73	\$487.59	\$480.31	\$483.03	\$473.03
5-star	\$556.01	\$532.96	\$520.93	\$513.23	\$515.09	\$507.81	\$510.53	\$500.53

Licensed Family Homes (capacity: 6 or less)

	Infa	nt	Toddler		Pre School		School Age	
	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro
Base	\$ 410.20	\$ 387.60	\$ 370.08	\$ 365.04	\$ 369.17	\$ 362.09	\$ 364.28	\$ 354.64
3-star	\$480.20	\$457.60	\$440.08	\$435.04	\$439.17	\$432.09	\$434.28	\$424.64
4-star	\$514.70	\$492.10	\$474.58	\$469.54	\$473.67	\$466.59	\$468.78	\$459.14
5-star	\$542.20	\$519.60	\$502.08	\$497.04	\$501.17	\$494.09	\$496.28	\$486.64

Registered Homes and In-Home Child Care

	Infa	nt	Toddler		Pre School		School Age	
	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro	Metro	Non-metro
Base	\$278.74	\$258.00	\$264.00	\$217.69	\$242.00	\$220.00	\$242.00	\$198.00

Source: CYFD

Representative Luciano "Lucky" Varela Chairman

Representative William "Bill" J. Gray Representative Larry A. Larrañaga Representative Henry "Kiki" Saavedra Representative Nick L. Salazar Representative Edward C. Sandoval Representative Don L. Tripp Representative James P. White

State of New Mexico LEGISLATIVE FINANCE COMMITTEE

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October 4, 2013

MEMORANDUM

TO:

Charles Sallee, Deputy Director, LFC

FROM:

Jon R. Courtney, Ph.D., Program Evaluator III, LFC

SUBJECT:

Methodology supplement to evaluation on child care/Head Start

On September 25, 2013 the Legislative Finance Committee (LFC) presented a program evaluation on the Children, Youth, and Families Department (CYFD) regarding the impact of child care and Head Start on student achievement. During the evaluation committee members asked questions regarding the methodology of the data merging and data analysis of child care subsidy and Prekindergarten participants presented in the report. For the benefit of the LFC, the CYFD, and the public the LFC staff have created a methodology section to accompany the report which accompanies this memo and will be added as an appendix to the online version of the report.

Developing the Early Childhood Data Set.

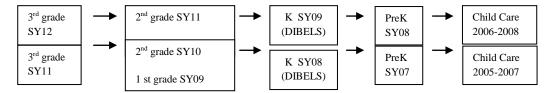
- 1. Merged CYFD ACF child care quarterly files 2004-2008, producing roughly 130 thousand individual children receiving child care during this period. Data set included rows for each unique child and tracks child care participation by quarter. A unique identifier was developed for each child in the data set.
- 2. Merged ACF child care file with PED student data sets for SY08-12, using the developed unique identifier.
- 3. Merged file with PreK data sets from UNM for SY06-09. Between 1,500 and 4,800 students were contained in the PreK data files for these years.
- 4. Merged file with kindergarten DIBELS data sets for SY06-12. Not all districts or schools use the DIBELS, and between 2,000 and 3,000 students were contained in each of the DIBELS files for these years.

Final data set includes the following information for 260 thousand students:

• Name, date of birth, child care participation, 3rd grade school and school district, demographic information (e.g. race, ethnicity, FRL level) program name and location, type, star level by quarter, PreK participation data, including location and administering agency, third grade SBA scores for math and reading, school-level data, DIBELS data, including sub-test scores, recommendation, location of administration

Cohort Development.

LFC staff developed the cohort from the described data set. Through the merging of data described above, LFC staff were able to identify a cohort of three and four-year old children who participated in child care between 2005 and 2008 and follow these students over a seven year period, including participating in childcare, PreK, DIBELS, and K through third grade.



The two identified cohorts of students of students were merged to ensure adequate N sizes for analysis among starlevels. Cohort analysis was limited to the following years because child care data prior to 2005 included providers under the old gold, silver, bronze QRIS system, preventing comparable analysis. Sixteen-thousand children with birthdates between September 2001 and 2003 participated in child care. Roughly 9 thousand of these children could be matched to SBA scores in SY11 and SY12. In all, the merged cohort included roughly 50 thousand third grade students, around 6,200 of which received child care and around 3,700 of which received PreK.

Standardized Based Assessment (SBA) Analysis. LFC staff analyzed this two-year cohort of New Mexico 3 and 4-year-old children who participated in CYFD childcare, participated in NM PreK, or had no record of participating in early childhood services and compared their third grade reading and math standardized based assessment (SBA) scores. A number of approaches were taken in analyzing the cohort data (i.e. stratified sampling, propensity score matching, and multilevel modeling) all yielding similar results. The procedure reported for 3rd grade SBA outcomes used in the report was considered by researchers to be the most rigorous of these approaches, multilevel modeling also known as hierarchical linear modeling (HLM). The description below outlines the building of models from null, through individual-level to group-level, and final results as reported in the program evaluation. Special education students were removed from the outcome SBA analysis as special education students take a different standardized test and the scores might not be comparable with non-special education students.

Null model. A null model was developed to examine variability in intercepts between schools for each individual i in school j where γ equals the average slope coefficient and ε_{ij} represents the variation in individual scores within schools. An initial null linear mixed model was run to determine the total variability in math and reading scores between child care providers. Intercepts between schools did not vary significantly in the model therefore the development of a multilevel model for child care providers is not warranted. Another linear mixed model was run excluding predictor variables to determine the total variability in math and reading scores between schools. The null model is summarized by equation 1.1.

$$Y_i, = \beta_{0i} + \varepsilon_{ii}$$

The intra class correlation suggests that about 12 percent of the total variability in reading scores lies between schools. Additionally intercepts vary significantly across schools (Wald Z=12.5, p<.001). There is also significant variance to be explained within groups (Wald Z=56.8, p<.001). Based on the variability existing due to school, a multilevel model was developed first to explain the variability in intercepts within and between schools. Individual-Level Random Intercept Model. A random intercept model was developed to examine variability in intercepts between schools for each individual i in school j where γ equals the average slope coefficient and u equals the individual school coefficients.

$$Y_{ij}=\gamma_{00i}+u_{0i}+\gamma_{10}FRL_{ii}+\varepsilon_{ii}$$

As expected FRL was significantly related to student scores (t (40,636)=-45.4, p>001). Additionally the addition of the within-group predictor, FRL, reduced the residual variability from 119.7 in the null model to 115.1 in the random intercept model with differences in within-school variability accounting for 7 percent of variance in the scores.

Group-Level Random Intercept Model. Using a group-level random based intercept model, group level and individual level variables were controlled for as covariates as measures of interest including type of care (registered home, 1-star, 2-star, 3-star, 4-star, 5-star) and PreK participation were entered as factors into the model. Based on exploratory data analysis and provided the thesis from previous research that school-level variables explains variability in intercepts across school, school context variables ((e.g. the composition of schools based on free/reduced price lunch participation (FRL), and percentage of minority children)) were included in the model, additionally individual level variables were included in the model (e.g. FRL status, English language learner (ELL) eligibility, and gifted status).

 $Y_{ij} = \gamma_{00j} + \gamma_{01} \ FRL_mean_{j} + \gamma_{02} \ MinorityStatus_mean_{j+} \ \gamma_{03} \ GiftedStatus_{ij+} \ \gamma_{04} \ Hispanic_{ij+} \ \gamma_{05} \ ChildCareType_{ij+} \ \gamma_{06} \ PreKParticipation_{ij+} \ \gamma_{10} \ FRL_{ij} + \gamma_{11} \ MinorityStatus_{ij+} \ u_{0j} + \varepsilon_{ij}$

Provided that a reasonable dose of early education programming might be needed to affect outcomes, students with one year or more of child care were put into the star level and registered home groups. If children received four quarters of different levels of child care the highest level was represented for that child. It should be noted that in other analysis performed with linear regression duration of care in star levels was not significantly related to better performance on SBA math or reading scores. However, a one year participation rate could be used as a baseline to examine cohort results in coming years and as the state transitions to a new quality ratings improvement system (QRIS). The resulting descriptive statistics for the analysis are listed below.

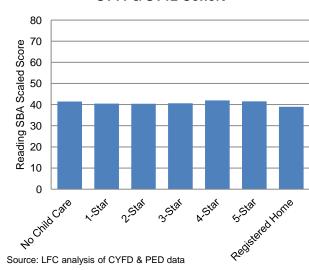
Child Care Cohort (Participating for 1 year or more) SBA Scaled Scores (SS) Descriptive Statistics

TypeOfCare		ReadSS	mathSS
	Mean	41.48	41.65
No Participation	N	38205	38215
	Std. Deviation	10.325	10.650
	Mean	40.47	40.40
1-Star	N	387	387
	Std. Deviation	9.118	9.799
	Mean	40.42	39.89
2-Star	N	599	599
	Std. Deviation	9.221	9.555
	Mean	40.61	39.82
3-Star	N	100	100
	Std. Deviation	9.085	9.651
	Mean	42.00	42.64
4-Star	N	84	84
	Std. Deviation	8.167	8.842
	Mean	41.53	41.18
5-Star	N	382	382
	Std. Deviation	9.383	9.311
	Mean	38.58	38.99
Registered Homes	N	810	809
	Std. Deviation	9.743	9.999
	Mean	41.40	41.56
Total	N	40567	40576
	Std. Deviation	10.281	10.605

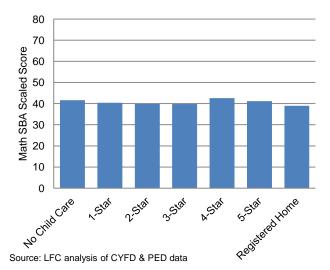
Findings from the final group level model showed that several factors affect how a child does on third grade reading and math SBA tests including differences in school composition (percentage of free/reduced price lunch (FRL) (p<.001) and minority children) (p<.001)) and individual differences (minority status (p<.001), FRL status (p<.001), participation in PreK (p<.001), ELL status (p<.001), gifted status (p<.001) and ethnicity (p<.001)).

Participating in child care is not associated with better outcomes on third grade reading or math scores compared with non-participant peers regardless of program star level and duration of attendance. Participation in PreK was a significant predictor of reading and math SBA scores when controlling for factors listed above (p<.001) with a mean difference of approximately 1 SBA point.

Average SBA Reading Scaled Scores SY11 & SY12 Cohort



Average SBA Math Scaled Scores SY11 & SY12 Cohort



Stratified Sample Analysis. In a separate analysis a stratified random sample of children without PreK or child care was developed such that the sample was demographically similar to cohort of child care participants (90 percent FRL, 13 percent ELL) who had received a minimum of a year of child care during the two years prior to kindergarten. An analysis of variance (ANOVA) revealed no significant differences between 3rd grade SBA scores among the two groups of students.

As previously mentioned, additional analyses were run using linear regression showing no significant relationship between star level and duration of attendance using reading and math SBA scores as the dependent variable.

The observed findings from all analyses converge with results from other recent research showing few associations of QRISs with better outcomes and overall mixed support for QRIS systems as measures of quality (Sabol et al, 2013; Zellman et al, 2008).

Special Education Analysis.

A chi-squared test was used to compare SPED participation rates among children who received child care and PreK and students who received no early childhood services. Participating in PreK is associated with a significantly lower special education participation in third grade among FRL students (p<0.001), whereas no significant different differences in special education participation were observed between child care participants and FRL students who did not participate in a state-funded early childhood program (p=0.326).

SPED Participation in Third Grade Among FRL Students

No Early Childhood	
Intervention (24,378)	14.90%
Childcare only (5,255)	14.80%
PreK only* (2,234)	8.20%

Among FRL students, receiving PreK is associated in a 43 percent reduction in special education participation, translating to 137 fewer FRL students identified as qualifying for special education services in SY11 and SY12 as a result of participation in PreK.

DIBELS Analysis.

The SY11-12 cohort was matched to available DIBELS data. A Chi-squared test was used to DIBELS intervention recommendations among student who received child care or PreK and children who did not receive early childhood intervention students. Since DIBELS is only used by a few districts and schools and comparison was among students exclusively within these schools, selection bias was not a concern. The DIBELS population has a greater proportion of FRL and ELL students than the general New Mexico student population. There were significant differences in recommendations for students who participated in PreK and children who did not receive early childhood interventions (p<0.001). At the α =0.1 level, there were significant differences between children who received child care and children who received no intervention (p=0.08), though these differences were small.

DIBELS Intervention Recommendation by Early Childhood Program

	Intensive	Strategic	Benchmark
No Intervention N=2,817	33%	40%	27%
Year of Childcare N=293	27%	44%	29%
PreK N=318	22%	36%	42%

Potential Limitations and Future Directions.

The study reported in the September 2013 program evaluation has several limitations. Group selection for the no intervention group was limited by the data available. For example, since Head Start data was not available, researchers were not able to determine potential impact of this program. Additionally, the only children tracked for child care are those receiving child care subsidy, meaning that the comparison group that did not have any record of early childhood services being delivered could have participated in either Head Start or private pay child care. Nevertheless, 70 percent of children not receiving any intervention were classified as children in poverty based on FRL participation, and it is possible that these children might have received another early childhood intervention aimed at children in poverty such as Head Start. The lack of early childhood service participation data represent potentially influential variables that could affect 3rd grade outcomes negatively or positively, along with other contextual and individual level variables that are not available to researchers. Upon completion, the P-20 data system which has been established in statute (NMSA 22-1-11) should address many of these problems as the system will connect student records from PreK through post-graduate education.

Selection bias is also of some concern, particularly for the 3rd grade outcome data, however controlling for school level and individual level variables through multilevel modeling alleviates this concern to some extent, as did other methods used by researchers including stratified sampling based on poverty level and propensity score matching, none of which showed a positive impact of child care on 3rd grade reading or math scores. Nevertheless, PreK participants tend to score significantly higher on SBA tests and have lower levels of special education participation and lower retention rates. These significant effects likely speak to the strength of the PreK program rather than the shortcomings of child care programs. Additionally, findings based on qualitative analysis presented in the study converge with the quantitative findings, particularly the finding that New Mexico PreK maintains higher and more consistent standards of quality than child care, potentially explaining higher student achievement.

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