Scaling Up Early Childhood Programs in New Mexico

Two of the fundamental questions raised by state policymakers and others regarding the possibility of substantial increases in funding for early childhood programs in New Mexico are: How can/would the state agencies that administer early childhood programs scale up to appropriately and adequately use a sudden and significant increase in funding? And how would such funding be used to build a comprehensive system? Before they agree to appropriate or commit a significant amount of revenue for “scaling up” a comprehensive early childhood system, legislative leaders have asked for a plan for how such a system would be implemented.1

The analysis in this policy brief is based on recent estimates of the costs related to, and the critical elements of, expanding and/or building out a comprehensive early childhood system that includes home visitation programs, childcare assistance, and pre-K in New Mexico.1 Other state programs that have scaled up in the past 15-20 years are also examined for potential lessons. Interviews with ten experts involved in one or more of the programs scaled up over the past two decades are included throughout the report and provide insights into, and recommendations for potential early childhood expansion.2

To help identify some of the common challenges in scaling up a new system or program, this report looks at how early childhood program expansion has already been done within the state, (in the case of PreK) and how other new programs and systems, such as charter schools, and more recently, the rapid expansion of Medicaid enrollment under the Affordable Care Act (ACA), have been implemented or ramped up.

Scaling Up Early Childhood: How Much and How Many? 3

The first question when discussing scaling up early childhood programs in New Mexico is: “How much?” Not just how much will it cost, but also how many children could, or should, be served? Given that it is not possible or realistic to serve every one of the roughly 138,000 children aged zero to five in New Mexico, what then would be a reasonable target?

As Table 1 shows (below), currently about 35,191 (26%) of the state’s 138,7244 children ages zero to five are receiving either home visiting, Head Start/Early Head Start, child care

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1 For this report, other state early childhood programs such as K-3 plus and FIT, while vital to the state’s children, are not included in the analysis.
2 The source of the revenue for an early childhood system expansion is discussed in more detail in another paper published by the Center of Health Policy entitled “Funding A Comprehensive Early Childhood System In New Mexico: Options and Estimates.” A 50-State comparison of early childhood systems is also discussed in another Center paper entitled “XX”.
3 This section is based in large part on a report by Dr. Kelly O’Donnell “Early Childhood Comprehensive Needs and Cost Analysis.” December 2014. NM Early Childhood Development Partnership.
assistance or PreK services. For example, if the target coverage or participation rate for all children 0-5 in New Mexico was 50% overall, the state would have to roughly double current funding. However, this is a crude estimate, which does not take into account possible capacity and infrastructure needs and associated costs discussed later.

**TABLE 1: Early Childhood Program Funding in New Mexico 2014**

<table>
<thead>
<tr>
<th>Program</th>
<th>Funding (millions)</th>
<th>Number Served</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NM Pre-K</td>
<td>$37</td>
<td>8,980</td>
<td>32% of all 4 year olds</td>
</tr>
<tr>
<td>Head Start/Early Head Start</td>
<td>$58.4</td>
<td>7,437</td>
<td>5% of all children 0-5</td>
</tr>
<tr>
<td>Home Visiting</td>
<td>$10.6</td>
<td>1949</td>
<td>7% of all 0-1 year olds</td>
</tr>
<tr>
<td>Child Care Assistance</td>
<td>$97.8</td>
<td>16,825</td>
<td>12% of all children 0-5</td>
</tr>
<tr>
<td>Totals</td>
<td>$203.8</td>
<td>35,191</td>
<td>26% of all children 0-5</td>
</tr>
</tbody>
</table>

Source: NM Legislative Finance Committee

A recent comprehensive analysis of scaling up early childhood is laid out in a 2014 report released by the New Mexico Early Childhood Development Partnership (NMECDP) entitled “Early Childhood Comprehensive Needs and Cost Analysis.” The proposed system expansion described in the NMECDP report does not create any new programs or policies, but instead only assumes expansion of current state policies and programs and the expansion focuses on three major components of the state’s current early childhood system: home visiting, child care assistance, and PreK. Their analysis proposes an expansion to serve an additional 49,390 total children, birth to age five, phased-in over five years – roughly 9,878 new children per year. This represents a 7% increase in coverage

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4 American Community Survey 2013 population estimate.
5 Because of differences in program eligibility, usage and overlap, the 26% coverage number is a rough estimate.
6 Early Headstart/Headstart serves children 0-5, depending on program.
7 LFC report of families served with CYFD Home Visitation 2014. In addition, there were approximately 700 children served by private providers in 2014.
8 LFC estimate of average monthly enrollment in child care assistance in 2014
9 The NMECDP report uses several assumptions in their expansion model: Home Visiting: all families are offered home visiting services during the prenatal period, or immediately following delivery. Ten percent of parents decline the services outright, an additional 20 percent receive one home visit before terminating the services, and the remaining 70 percent of parents to whom home visiting services are offered receive a full year of services. The $37.4 million cost estimate assumes that home visiting services cost the state $4,326 per child per year and would serve and additional 8,654 over five years.
for all children in the state, raising the percent of children covered to 33% or one-third of all children 0-5. ¹⁰

In addition to the investment in direct services for children, the report suggests that New Mexico must invest an additional $61.8 million in workforce and other capacity building to support expansion of the current system. Most of the increases reflect investments in training and compensating an expanded early childhood workforce. According to the report, New Mexico’s current early childhood workforce consists of approximately 13,700 workers and estimates that an additional 9,277 early childhood workers would be required to expand home visitation, child care assistance, and PreK.

Table 3 of the NMEDP report shows the five-year phase-in of the direct services component of the systems expansion.

<table>
<thead>
<tr>
<th>Table 3: ECE Services: Annual Additional Cost and Children Served</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additional Expenditure</strong></td>
</tr>
<tr>
<td>Home Visiting</td>
</tr>
<tr>
<td>Child Care Assistance</td>
</tr>
<tr>
<td>PreK</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Cumulative Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Additional Families/Children</strong></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Visiting</td>
<td>1,731</td>
<td>1,731</td>
<td>1,731</td>
<td>1,731</td>
<td>1,731</td>
<td>8,654</td>
</tr>
<tr>
<td>Child Care Assistance</td>
<td>4317</td>
<td>4317</td>
<td>4317</td>
<td>4317</td>
<td>4317</td>
<td>21,583</td>
</tr>
<tr>
<td>PreK</td>
<td>3831</td>
<td>3831</td>
<td>3831</td>
<td>3831</td>
<td>3831</td>
<td>19,153</td>
</tr>
</tbody>
</table>

*Figures may not sum due to rounding.

**Child Care Assistance**: eligibility for child care assistance for families would increase from 125 percent to 200 percent of the Federal Poverty Level (FPL) and that families could remain in the program until their income exceeds 250 percent FPL; 55 percent of eligible families would enroll representing 21,583 new enrollees over the five-year phase in.

**PreK**: is expanded to provide universal access to half-day programs for three-year-olds and a full-day programs for four-year-olds with a 75 percent take up rate, or 19,153 new children served over the five year period.

¹⁰ Because of differences in program eligibility, usage and overlap, the 33% coverage number is a rough estimate.
In a 2015 report, the NM Legislative Finance Committee echoed some of the findings in the NMEDP report and recommended incremental funding increases for early childhood programs, using Medicaid funds to accelerate expansion of home visiting, prioritizing PreK expansion in communities with shortages, and developing accountability measures to ensure desired outcomes and positive returns on investment.11

**Successful New Mexico Models for Scaling Up Programs**

The proposed scaling up of early childhood programs discussed in the NMEDP and other reports has been undertaken to various degrees in related education and health program areas before. New programs within, and in addition to the current early childhood system in New Mexico have been built from scratch over the past two decades. To learn from similar recent initiatives, a general analysis of such analogous public start up, or expansion programs was conducted. The three programs analyzed here for comparison are: New Mexico PreK, which was started in 2005; charter schools, which began in the state in 1993; and Medicaid expansion under the Affordable Care Act (ACA), which was implemented in 2013.

The three programs are at different stages of implementation. Charter schools are entering their third decade of existence in New Mexico, yet they are still experiencing robust growth. New Mexico PreK is now about a decade old and has experienced periods of growth and stagnation in terms of funding and enrollment since the program’s inception. Finally, implementation of the ACA and its associated Medicaid expansion just began in 2012 and faces many of the same challenges that an expansion of the early childhood system will likely face as the new system is implemented over the next decade, albeit on a much larger scale.

To learn from each of the three programs, each was examined on three criteria:

- **phase-in/scaling up period**
- **capacity/workforce challenges**
- **accountability/outcomes measures built in to the system**

The *phase-in or scaling up period* refers to how long each program took (or will take) to be fully implemented. This is an important consideration for expanding the current early childhood system, since funding and support for many policymakers is based on a phased implementation. In addition, an incremental approach to address the two other criteria – capacity and accountability—is warranted.

*Capacity/Workforce challenges* refers to how each program built, is building, or will build capacity in the areas of workforce development, technology and facilities.

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Given the variation in the current stage of development of each system, each faces different growth challenges as they ramp up enrollment.

*Accountability/Outcomes* is one of the concerns most often raised by policymakers in relation to scaling up the early childhood system. Previous proposals and legislation to increase funding for early childhood were criticized for not having a clear plan for ensuring accountability for the use of public money, and more importantly tangible, improved outcomes for the enrollees.

**New Mexico Pre-K**

*Pre-K Scale Up*

The New Mexico PreK program started in 2005 and was funded at $4.9 million and in its first year served approximately 1,540 4-year olds – or 5.8% of the total 4-year old population. By 2014, the program budget had expanded to $37 million and the program served approximately 9,000 4-year olds – or 32% of the total 4-year old population in the state. The ramping up approach followed by NM PreK over the first ten years allowed the program to adjust to accommodate more children each year. As the NMEDP and NIEER studies point out, this also allowed for capacity building, including training and developing an adequate workforce.

The original goal for the PreK program, according to those who helped establish the program, was to eventually phase-in full day PreK for 3- and 4-year olds. However, there was some reticence among policymakers about funding full day programs. Keeping participation in PreK voluntary and targeting Title I (low-income) schools were also among the early goals of the program. Currently, PreK is only 2.5 hours per day. For working parents, this requires additional child care and transportation. In the last two years a pilot program for an expanded day for 4-year olds was implemented.

If NM PreK were to continue along its current conservative growth trajectory (adding less than 1,000 new 4-year olds, on average, per year), it will take another 5 years of continued program expansion to provide coverage to 50% (14,000) of the 4-year olds in the state. To get to that number would require enrolling an additional 5,000 new 4 year olds per year. At an average cost of $4,500 per child, it would cost approximately $22.5 million per year.

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12 The national average participation rate in 2013 was 28%. The highest rate was Florida with 78% and several states had no state PreK program at all. Barnett, W.S., Carolan, M.E., Squires, J.H., Clarke Brown, K. (2013). *The state of preschool 2013: State preschool yearbook*. New Brunswick, NJ: National Institute for Early Education Research.

13 Costs based on average per child cost for programs in New Mexico over the past several years.
TABLE 4: Growth in Funding and Number of New Mexico PreK Students Budgeted 2005-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriation (millions)</th>
<th>Children Covered</th>
<th>Percentage of All 4 year olds.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$4.95</td>
<td>1,540</td>
<td>5.8</td>
</tr>
<tr>
<td>2006</td>
<td>$7.99</td>
<td>2,194</td>
<td>7.9</td>
</tr>
<tr>
<td>2007</td>
<td>$13.99</td>
<td>3,570</td>
<td>12.8</td>
</tr>
<tr>
<td>2008</td>
<td>$19.29</td>
<td>4,745</td>
<td>16.5</td>
</tr>
<tr>
<td>2009</td>
<td>$19.84</td>
<td>4,963</td>
<td>17.3</td>
</tr>
<tr>
<td>2012</td>
<td>$15</td>
<td>4981</td>
<td>17.8</td>
</tr>
<tr>
<td>2013</td>
<td>$18</td>
<td>5717</td>
<td>20.4</td>
</tr>
<tr>
<td>2014</td>
<td>$30</td>
<td>7454</td>
<td>26.7</td>
</tr>
<tr>
<td>2015</td>
<td>$36.6</td>
<td>8980</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: NM Legislative Finance Committee

PreK Capacity/Workforce Challenges
PreK programs face quality teacher shortages because the difference between early childhood, or PreK, teacher pay and that of K-3 teachers is significant. As the NMEDP report points out, a salary differential will be required to attract quality teachers to PreK. In addition, current PreK workers will need to get additional training to improve overall quality and to provide more of a career ladder for PreK and early childhood educators.

In addition to workforce challenges, PNM Public Education Department-administered PreK programs in public schools face less infrastructure challenges than those in community-based facilities like those experienced by the PreK programs administered by the NM Children, Youth and Families Department. Regulatory challenges, such as the need for certified kitchen facilities, makes it difficult to run these types of PreK programs unless additional resources for capital investment are realized.

PreK Accountability/Outcomes
While growing steadily over the past 10 years, the evaluation of the PreK has shown strong accountability and outcomes. Evaluations by the National Institute for Early Education Research (NIEER) in 2010 concluded that the program produced “meaningful and statistically significant positive impacts on children’s early language, literacy, and math skills, but fewer than 5,000 (roughly 17 percent) of the approximately 29,000 4-year-olds in New Mexico are currently enrolled.”

Charter Schools

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14 The New Mexico PreK Evaluation: Results from the Initial Four Years of a New State Preschool Initiative: FINAL REPORT. National Institute for Early Education Research. 2010.
Charter School Scale Up
The growth of charter schools in New Mexico over the past 20 years provides another interesting model to inform the potential scale-up of additional early childhood facilities and programs. The original New Mexico charter school law was passed in 1993, but with a change in the law in 1999, start-ups were allowed. Since then, charter schools have grown from just a handful to approximately 96 schools serving 22,088 students in 2014.

The growth of the charter school population is similar to the growth of the NM PreK enrollment (PreK grew to 9,000 children in its first 10 years, similar to the growth in charter school enrollment). Using the estimated per student funding number of approximately $11,000 per student in 2014, and the 2014 enrollment number of 22,088, the state spent more than $242 million on charter schools in 2014.

Charter School Capacity/Workforce Challenges
The lessons from the growth of the charter school movement in New Mexico are useful for proponents of expanding the early childhood system in the state. Oversight, capacity and accountability issues should be built into the system early to avoid some of the challenges new charter schools have faced.

Charter School Accountability/Outcomes
In 2010, the Legislative Finance Committee (LFC) published an evaluation of the state’s charter schools. The report was critical of the oversight, governance, and student performance, suggesting that given the amount of state money being spent on charter schools the state should be exercising more stringent oversight. A similar report in 2010 by the Center for Research on Education Outcomes (CREDO) at Stanford University entitled “Building Charter School Quality in New Mexico” made several recommendations to improve effectiveness and student outcomes. Most of them were about policy changes giving charter schools more tools to succeed.

Charter school supporters argue that the application and review process provides more accountability for charter schools than it does for other public schools. Charter schools are assessed annually by their state or local authorizers using three performance requirements: academic framework (student performance); organizational framework (compliance with laws); and financial framework (audits). The New Mexico legislature requires the NM Public Education Department (PED) to report annually on the implementation and status of charter schools. Despite many challenges, the PED and charter school advocates point to better outcomes for most students attending charter schools.

15 LFC Charter schools evaluation 2010
16 NM Legislative Education Study Committee (LESC) 2015 Report to the 51st Legislature.
17 Funding for charter schools comes from the same formula as other public schools, except for a 2 percent administrative fee.
Medicaid Expansion Under the Affordable Care Act (ACA)

Medicaid Scale Up
Another useful model for comparison of proposed early childhood implementation is the implementation of the Affordable Care Act (ACA) in New Mexico. According to state estimates, New Mexico’s Medicaid enrollment is expected to increase up to 36 percent between 2014 and 2020. Current enrollment of approximately 550,000 could grow to 750,000 by 2020. These numbers are much larger than the additional estimates indicating that roughly 50,000 total new children would be served by proposed early childhood expansion in New Mexico in the NMECDP report.

In New Mexico, Medicaid currently serves primarily children, pregnant women, very low income single mothers, and people with disabilities. Beginning in January 2014, Medicaid will cover almost all nonelderly adults up to 138% of poverty, or about 300,000 uninsured. This is not the first expansion of Medicaid. Under the Children’s Health Insurance Program (CHIP), states previously expanded Medicaid eligibility for children up to 305% of poverty (about $71,800 for a family of four).

Medicaid Capacity/Workforce Issues
Like scaling up early childhood programs, the expansion of health care coverage under the ACA will mean significant challenges for the state’s workforce. Almost all of the state’s 33 counties have been designated medically underserved due to physician or other healthcare provider shortages. The need for an active, thoughtful workforce development strategy to make sure there is an adequate supply of professionals to meet the growing demand from new enrollees is vital.

The implementation of the ACA has also meant challenges to health care access given the state’s fairly consolidated health care system. Unlike early childhood providers, who are scattered throughout the state, there are only two large health care systems that dominate the state’s hospital and managed care markets. Few new providers are able to enter and compete in New Mexico’s health care sector. A problem shared by both early childhood and health care providers, is the state’s sparse population, which affects the number of providers able to serve small and rural communities.

Medicaid Accountability/Outcomes
Given that the Medicaid expansion under the ACA is just beginning, it is difficult to determine whether desired healthcare outcomes are being realized. Data on access and quality are being collected and will be used to track the success of the expansion.

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20 See NM PED annual report on charter schools comparing overall school grades.
21 Kaiser Family Foundation 2014.
TABLE 5: Comparison of PreK, Charters, ACA and Potential Early Childhood Expansion

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Increase in Individuals Served Since Program Inception</td>
<td>8980(^{22})</td>
<td>22,088(^{23})</td>
<td>300,000(^{24})</td>
<td>49,391(^{25})</td>
</tr>
<tr>
<td>Percent of Total Population</td>
<td>33% of 4 year olds</td>
<td>5% of K-12 enrollment</td>
<td>71% of uninsured individuals</td>
<td>35% of all children 0-5</td>
</tr>
<tr>
<td>Cost (thousands)</td>
<td>$37,000</td>
<td>$242,968(^{26})</td>
<td>$268,000(^{27})</td>
<td>$287,336</td>
</tr>
</tbody>
</table>

\(^{22}\) NM Legislative Finance Committee (LFC) 2015 Report to the Legislature
\(^{23}\) NM Legislative Educations Study Committee (LESC) 2014 Report to 51st Legislature
\(^{24}\) Kaiser Family Foundation, 2014.
\(^{26}\) Estimated cost bases on $11,000 per pupil spending.
\(^{27}\) John Holahan, et. al., *The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Results*, Urban Institute and Kaiser Family Foundation, November 2012. Among those uninsured newly eligible for Medicaid, participation is assumed to be 74 percent. Participation rates for others (those who are currently insured or who are currently eligible for Medicaid but not enrolled) generally are assumed to be lower.