

**TESTIMONY OF SOUMYA BHAT, EDUCATION FINANCE AND POLICY ANALYST
DC FISCAL POLICY INSTITUTE**

**At the FY 2017 Budget Oversight Hearing for the
Office of the State Superintendent of Education
April 18, 2016**

Chairman Grosso and members of the Committee on Education, thank you for the opportunity to speak today. My name is Soumya Bhat, and I am the Education Finance and Policy Analyst at the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes opportunity and widespread prosperity for all residents of the District of Columbia through thoughtful policy solutions.

DCFPI is glad to see significant investments in education in the proposed fiscal year (FY) 2017 budget, including additional resources to help all DC schools meet the costs of rising enrollment and an increase in per-pupil funding. However, more could be done to improve education in the District, especially through access to quality early care and education, services to identify and address young children with developmental delays, and improvements to adult education and training. I'd like to focus my testimony today on the following areas within the Office of the State Superintendent of Education (OSSE):

- **Early Care and Education** – Increase child care subsidy reimbursement rates to sufficiently cover the cost of care for infants and toddlers.
- **DC Early Intervention Program/Strong Start** – Fund the eligibility expansion of early intervention services.
- **Adult Education and Training** – More funding is needed in OSSE's Postsecondary and Career Education office to begin implementing the fundamental reforms mandated by WIOA.

Early Care and Education

The proposed FY 2017 budget provides \$3.6 million in new funding to improve the quality of child care in the District, with the majority going to help early care and education centers and homes that are rated "bronze" or "silver" in the District's quality rating system to take steps to reach the highest quality "gold" rating. Each center's rating level determines the reimbursement rate it will receive for children in the city's child care subsidy program.

The \$3.6 million investment in child care includes:

- \$2,100,000 to support Bronze and Silver-rated centers in achieving Gold status, through grants and the development of shared services frameworks, expanding access to quality care for families by improving the quality of existing centers;

- \$500,000 to support Gold-rated centers in expanding facilities, expanding access to quality care for families by increasing the number of children who can be served in high-quality centers;
- \$800,000 to contract with a third party vendor to conduct background checks for child care providers within the District and provide electronic results to OSSE; and
- \$200,000 to contract with a third party vendor to develop a consumer friendly website that provides information on licensed child development facilities including results of annual inspections, formal complaint data and quality ratings.

Beyond these important investments, the FY 2017 budget does not include funding to increase reimbursement rates paid to early care and education providers, even though rates are well below market rate. A recent report by the DC Fiscal Policy Institute and DC Appleseed¹ found a 30-34 percent gap between the median cost of providing care to infants and toddlers and the subsidy program’s payments to high-quality providers. We also found that providers in many neighborhoods rely heavily on the subsidy program, as families in their neighborhood cannot pay market rate tuition.

As a result, many centers that serve mostly low-income children, and rely mostly on the child care subsidy program, struggle to provide quality care and make ends meet due to low reimbursement rates. Nearly half of the providers in our study’s sample operated at a loss in the year we studied, with deficits ranging from 4 percent to 63 percent of their total revenue. Many reported making sacrifices to maintain their level of quality, including paying staff low wages or going into debt to float their center’s operations.

The research shows a real need to invest strategically in the city’s early care and education centers and homes to build more sustainable business models for delivering high quality care. DCFPI recommends an increase to the subsidy payment rates for infants and toddlers in gold centers by 43 percent, or \$38 million, to help cover this gap between subsidy payments and the true cost of serving infants and toddlers. This increased investment could be phased in over a four-year period to align with changes currently being made to the Quality Rating and Improvement System which may affect the cost of care. We also recommend the District implement differentiated subsidy rates to help meet the need – for example, higher rates of reimbursement for operating programs in neighborhoods with the highest poverty rates or for serving children with special needs.

DC Early Intervention Program/Strong Start

The District recently expanded eligibility for early intervention services for infants and toddlers with developmental delays, to allow services to be provided before delays become severe. *The Enhanced Special Education Services Act of 2014* expanded eligibility criteria to include children demonstrating a developmental delay of 25 percent in at least one area (rather than a 50 percent developmental delay in one area or 25 percent in two areas). This expansion could make 1,200 more children eligible for services, based on the percentage of population that Maryland serves with 25 percent delay eligibility criteria, according to the bill’s Fiscal Impact Statement (FIS).

¹ Judy Berman, Soumya Bhat, and Amber Rieke, “Solid Footing: Reinforcing the Early Care and Education Economy for Infants and Toddlers in DC,” DC Appleseed and DC Fiscal Policy Institute, March 2016. <http://www.dcfpi.org/solid-footing-reinforcing-the-early-care-and-education-economy-for-infants-and-toddlers-in-dc>

Unfortunately, this expansion is not yet funded. The proposed FY 2017 budget adds \$2.3 million more towards early intervention services, to restore a cut made last year, but is not sufficient to fund the expanded services. An additional \$3-5 million is needed to fund the expansion of the DC Early Intervention Program/Strong Start next year.

Research and logic tell us that early identification of disabilities in children can lead to better academic and behavioral outcomes and also lessen future costs to the city and society. The earlier that a child is evaluated and a disability or developmental delay is identified, the sooner they are able to receive the services they require. Low-income children may have the most to gain from early identification. Children living at or below the poverty line are more than twice as likely to be at high risk for developmental delays (19 percent) as their peers living at more than twice the poverty line (seven percent).²

High quality special education services at an early age can change a child's developmental trajectory, reducing educational costs in the future by minimizing the need for subsequent special education services. According to a RAND study on the benefits of early childhood interventions, the returns to society for each dollar invested are estimated anywhere from \$1.80 to \$17.07, with savings coming from grade retention, special education placement, high school graduation rates, and labor market outcomes.³

Adult Education and Training

OSSE also oversees adult education and training programs through its Postsecondary and Career Education (PCE) office. The proposed FY 2017 budget includes modest increases to two major PCE programs: the Adult and Family Education (AFE) program and the Career and Technical Education (CTE) program.

These increases are welcome; however, funding is still unlikely to be adequate to meet the city's needs. For example, OSSE's AFE programs served about 3,000 participants in 2015, and DC Public Schools and Adult Public Charter Schools served an additional 6,000 residents. Meanwhile, there are currently some 60,000 District residents who lack a high school credential.

Also, per the federal Workforce Innovation and Opportunity Act (WIOA), adult education costs per participant are likely to increase, as AFE programs will be required to integrate education with job training. This means that without additional funding, the number of residents that can be served will decline.

Thus, additional funding should be allocated to OSSE's PCE office in order to accommodate these growing needs and to begin implementing the fundamental reforms mandated by WIOA.

Thank you again for the opportunity to testify. I am happy to answer any questions.

² Child Trends, "Screening and Risk of Developmental Delay," <http://www.childtrends.org/?indicators=screening-and-risk-for-developmental-delay>.

³ Lynn A. Karoly, M. Rebecca Kilburn, Jill Cannon, RAND, "Proven Benefits of Early Childhood Interventions," http://www.rand.org/pubs/research_briefs/RB9145.html.