



## **Early Learning Scholarships Program Evaluation Report**

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**Fiscal Year 2016**

**Report**

**To the**

**Legislature**

**As required by**

**Minnesota Statutes,**

**section 124D.165**

**COMMISSIONER:**

**Brenda Cassellius, Ed. D.**

**Early Learning Scholarships Program  
Evaluation Report**

**January 15, 2016**

**Fiscal Year 2016**

**Report to the Legislature**

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**Minnesota**

**Statutes**

**124D.165**

## **Cost of Report Preparation**

The total cost for the Minnesota Department of Education (MDE) to prepare this report was approximately \$307,538.68. Per statute, MDE contracted with two external contractors to evaluate the Early Learning Scholarships Program, which represents the majority of the cost the report. We have included all costs of involved staff time in coordinating and cleaning data in order for evaluator analysis as applicable. Incidental costs include paper, copying and other office supplies.

Estimated costs are provided in accordance with Minnesota Statutes 2011, section 3.197, which requires that at the beginning of a report to the Legislature, the cost of preparing the report must be provided.

## Introduction

The Early Learning Scholarships Program was created in July 2013 following an initial \$2 million pilot in 2011. The purpose of the Early Learning Scholarships Program, as defined in statute 124D.165 (Minnesota Legislature), is to increase access to high-quality early childhood programs for children ages three to five. Scholarships are provided to families at or below 185 percent of the federal poverty level to support their children in attending a high-quality early care and education program as determined by the Parent Aware, Minnesota's Tiered Quality Rating and Improvement System. It is estimated that in fiscal year 2016 (dates July 1, 2015 to June 30, 2016) the program will serve approximately 5,700 children, which represents 11 percent of eligible three- and four-year-old children in Minnesota.

The Early Learning Scholarships Program was initially allocated \$23 million per year and was available in 44 counties. The maximum scholarship award amount was set at \$5,000 per child for a 12-month period. In 2015, the legislature appropriated \$104 million for the 2016-2017 biennium for the program. In July 2015, scholarships became available statewide and the maximum award amount per child was increased to \$7,500. Scholarships can be used in combination with other early childhood funding, including the Child Care Assistance Program (CCAP).

There are two pathways for allocating early learning scholarship funds. Pathway I funds are awarded directly to families who meet eligibility requirements through nine regional administrators in the 13 Economic Development Regions of the state. Pathway I funds are currently available to all Parent Aware Star Rating levels. Pathway II funds are awarded to eligible families through a designated Four-Star Parent Aware Rated program. Pathway II funds are allocated to Four-Star Parent Aware Rated programs through a competitive application process. More children receive Pathway II funds (59 percent) than Pathway I funds (41 percent), though each pathway has the same funding allocation. Both Pathway I and Pathway II funds are used in multiple early care and education settings, including Head Start, school districts, child care centers and family child care.

As outlined in the legislative charge, this report includes recommendations about appropriate scholarship amount, efficiency and effectiveness of administration, and impact on kindergarten readiness. The recommendations on appropriate scholarship amount as well as efficiency and effectiveness of administration were informed by a Management Analysis & Development (MAD) evaluation. An evaluation by SRI International provides information on the impact of scholarships on kindergarten readiness.

MDE reviewed MAD's analysis of the historic use of scholarships in mixed delivery settings alongside the results of the Department of Human Services' 2014 Child Care Market Rate Survey. The current maximum award of \$7,500 does not cover the cost of full-day, full-week programming in every setting, though it is an adequate scholarship maximum when layered with other funding sources to expand access.

The evaluation of efficiency and effectiveness of administration finds that the scholarships are reaching eligible families and connecting those families with the program of their choice. Recommendations focus on logistical considerations for scholarship implementation.

The evaluation of kindergarten readiness was completed on scholarship recipients who were four years old on September 1 and attending Three- or Four-Star Parent Aware Rated programs and similar non-scholarship children in One- or Two-Star Rated programs. The evaluation finds that all children attending Parent Aware Rated programs had growth through the pre-kindergarten year. The report also finds that awarded children in higher rated programs moderately exceed a similar group of children in lower rated programs on two components of early literacy skills.

## **Legislative Charge**

MDE contracted with MAD and SRI International to conduct evaluations of the scholarships program in response to the statute 124D.165, Chapter 312, Article 20, Section 11, Subdivision 51, which states:

*The commissioner shall contract with an independent contractor to evaluate the early learning scholarship program. The evaluation must include recommendations regarding the appropriate scholarship amount, efficiency, and effectiveness of the administration, and impact on kindergarten readiness. By January 15, 2016, the commissioner shall submit a written copy of the evaluation to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over kindergarten through grade 12 education. (Minnesota Legislature).*

## **Analysis**

The analysis includes recommendations about appropriate scholarship amount, efficiency and effectiveness of administration, and impact on kindergarten readiness as determined from evaluations conducted by Management Analysis & Development (Management Analysis & Development, December 15, 2015) and SRI International (SRI Education, 2015). The reports should be referenced for further detail.

## **Appropriate Scholarship Amount**

MDE reviewed the results of the 2014 Child Care Market Rate Survey and the MAD memo regarding their analysis of invoices for early learning scholarships in fiscal year 2015 (July 1, 2014 to June 30, 2015) to determine the appropriate scholarship amount.

The Minnesota Department of Human Services (DHS) conducts a statewide survey of prices charged for child care by licensed family child care and licensed center child care providers. After analyzing the data, DHS groups counties with similar prices together and refers to these groups as “price clusters.” Average costs are reported by price cluster. Price data is reported separately for licensed family child care and licensed center-based child care. The results of the 2014 Child Care Market Rate Survey indicate that the average cost of care at the 50<sup>th</sup> and 75<sup>th</sup> percentiles for preschool age children are:

**2014 Child Care Market Rates at 50<sup>th</sup> Percentile:**

Price Cluster	Weekly Rate at 50 <sup>th</sup> Percentile for Child Care Centers	Annual Rate (52 weeks) at 50 <sup>th</sup> Percentile for Child Care Centers	Weekly Rate at 50 <sup>th</sup> Percentile for Family Child Care	Annual Rate (52 weeks) at 50 <sup>th</sup> Percentile for Family Child Care
1	\$125.00	\$6,500.00	\$100.00	\$5,200.00
2	\$145.00	\$7,540.00	\$115.00	\$5,980.00
3	\$170.00	\$8,840.00	\$130.00	\$6,760.00
4	\$248.00	\$12,896.00	\$150.00	\$7,800.00

**2014 Child Care Market Rate Survey at 75<sup>th</sup> Percentile:**

Price Cluster	Weekly Rate at 75 <sup>th</sup> Percentile for Child Care Centers	Annual Rate (52 weeks) at 75 <sup>th</sup> Percentile for Child Care Centers	Weekly Rate at 75 <sup>th</sup> Percentile for Family Child Care	Annual Rate (52 weeks) at 75 <sup>th</sup> Percentile for Family Child Care
1	\$142.00	\$7,384.00	\$110.00	\$5,720.00
2	\$160.00	\$8,320.00	\$125.00	\$6,500.00
3	\$182.00	\$9,464.00	\$145.00	\$7,540.00
4	\$267.00	\$13,884.00	\$170.00	\$8,840.00

(Department of Human Services, 2014)

MAD analyzed invoices for a 12-month period from a representative sample of 300 scholarships during fiscal year 2015 (July 1, 2014 to June 30, 2015). The maximum scholarship award during fiscal year 2015 was \$5,000 for Three- and Four-Star Rated programs. In fiscal year 2016 (July 1, 2015 to June 30, 2016) the maximum scholarship award increased to \$7,500.

According to the MAD analysis, only thirteen percent of children used the full scholarship amount allowable in fiscal year 2015. Variation among geography, program type and Parent Aware Star Rating is included in the below tables:

**Average Scholarship Expenditure:**

	Statewide	Greater MN	Metro
Mean	\$ 2,439	\$ 2,564	\$ 2,308
Median	\$ 2,051	\$ 2,272	\$ 1,720

**Mean Scholarship Expenditure by Program Type:**

	Head Start	Family Child Care	School Based	Child Care Center
Mean	\$ 3,423	\$ 3,190	\$ 2,312	\$ 2,292

**Mean Scholarship Expenditure by Parent Aware Star Rating:**

	One-Star	Two-Star	Three-Star	Four-Star
Mean	\$ 2,740	\$ 2,951	\$ 3,368	\$ 2,376

The current maximum scholarship award is \$7,500 per child per 12-month period. Based on the historic use of scholarships in mixed delivery settings and the results of the 2014 Child Care Market Rate Survey, a \$7,500 scholarship, while does not cover the full cost of full-day, full-week programming in every setting, is an adequate scholarship amount when layered with other funding sources to expand access to high-quality early education programming (Department of Human Services, 2014).

Detailed information is available on the Management Analysis & Development memo re: Early Learning Scholarships Invoice Analysis (Management Analysis & Development, 2015), attached as Appendix A.

## **Efficiency and Effectiveness of Administration**

The Minnesota Department of Education (MDE) contracted with Management Analysis & Development (MAD) to evaluate the Early Learning Scholarships Program on the efficiency and effectiveness of the administration of the program. The report finds that the scholarships are reaching eligible families and connecting those families with high-quality programs. Generally, improvements are seen in the program and recommendations focus on logistical considerations for scholarship implementation.

The report highlights several areas of strength in efficiency and effectiveness of administration, and several recommendations in the areas of outreach, communications, and scholarship materials including application, invoicing, data, Parent Aware and Pathway II scholarships. The Early Learning Scholarships Program was created July 2013 and the evaluation began summer 2014. It is important to note that program implementation and growth happened concurrently with the evaluation. Because of this, several recommendations within the report have already been addressed and implemented by MDE.

One area where improvement has already been seen is in streamlining the parent application and Pathway II Award Form. MDE worked with stakeholders to reduce the application from ten pages to five pages and continues to work towards improvement to simplify the application process and identify children with multiple risk factors like homelessness and foster care.

Identified areas of strength in the report demonstrate that scholarships are meeting their intended outcomes, including:

- The scholarship program is reaching children from diverse families by race/ethnicity, economic background, and other risk factors.
- Providers generally report they have good relationships with their regional administrators.
- Families are either already attending their program of choice or find an eligible program quickly.
- Children are attending the program their parents wanted when they applied.
- Stakeholders indicated they saw improvements in the program implementation in the second year.

MDE has made intentional efforts to reach diverse and high-risk families. The application and all supplemental documents are available in four languages: English, Somali, Spanish and Hmong. In 2016, based on feedback, a second application was developed for children in foster care in order to simplify the application process for children in this unique situation. MDE also added questions to identify homeless families and required Regional Administrators to reserve scholarships for homeless applicants. Regional Administrators are charged by contract to reach diverse families and prioritize teen parents and children experiencing homelessness. As a result, MDE is proud that more children experiencing risk factors are accessing high-quality early childhood education and care experiences, including:

- Scholarships are serving a higher percentage of children of color and/or Hispanic compared to the same age children statewide.
- The racial breakdown of Pathway I and Pathway II scholarships was similar, but the majority of Hispanic children are in programs utilizing Pathway II funds.
- Eighteen percent of scholarships serve children from homes where English is not the primary language.
- Pathway II scholarships are more likely than to be awarded to children from non-English speaking homes than Pathway I scholarships.
- Forty-four percent of primary parents on the scholarship award had less than a college degree, and two-thirds of parents were employed part- or full-time.
- One percent of scholarship children are from teen parent households<sup>1</sup>.

Recommendations within the report include the improvement of data coordination across systems and increased data sharing capacity, particularly with Parent Aware and Child Care Assistance. Included within most recommendations was the need for increased effectiveness of communications and training. MDE is working on many of the recommendations in a continuous improvement process and updating the program manual on a biannual basis. MDE will be exploring the need for legislative changes in order to respond to the following recommendations, which will ensure a more efficient and streamlined system for implementation and administration:

- Continuously improve the Early Learning Scholarship Administration System (ELSA) in order to increase the functionality of the system to ease the burden of Regional Administrators; the ease of requesting and receiving payments and making adjustments; the capacity to forecast and overall user experience within the system.
- Increase capacity at the state and local level to monitor claims and ensure the financial integrity of the program.
- Investigate opportunities for data sharing between MDE and the Department of Human Services to increase efficiency.

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<sup>1</sup> With the exception of documenting a parent's age to determine priority award status, all child and parent demographics are optionally provided. Outside of teen parent households, demographic factors had no bearing on receiving a scholarship.

Detailed information is available on the Management Analysis & Development report, *Early Learning Scholarship Efficiency and Effectiveness Evaluation* (Management Analysis & Development, December 15, 2015), attached as Appendix B.

## **Impact on Kindergarten Readiness**

MDE contracted with SRI International to evaluate the impact of the Early Learning Scholarships Program on kindergarten readiness. The analysis compared children awarded scholarships in Three- or Four-Star Parent Aware Rated programs to a similar group of children in One- or Two-Star Parent Aware Rated programs who did not receive a scholarship. The analysis also determined the kindergarten readiness outcomes at the completion of the pre-kindergarten year for children awarded scholarships.

The report finds that all children attending Parent Aware Rated programs showed growth through the pre-kindergarten year. The report also finds that awarded children attending higher quality programs made gains that moderately exceed a similar group of children in lower rated programs as evaluated in a range of school readiness domains.

In particular, children receiving early learning scholarships who attended a Three- or Four-Star Rated program had significantly better outcomes on two components of the early literacy skills, print knowledge and phonological awareness, compared with the comparison group attending One- or Two-Star Rated programs. They also had higher teacher-rated anxiety, which is a negative finding. However, this finding is no higher than what's expected nationally. The difference between the two groups is statistically small. The two groups of children did not differ on any components of other school readiness measures, including: early math, social competence, approaches to learning and health.

SRI conducted a secondary analysis to look at within-group changes in mean scores from fall to spring for each group separately. The results showed that early learning scholarship children attending higher rated programs had significantly better spring scores on six of nine measures in comparison to fall scores. Those measures were: expressive language, executive functioning, phonological awareness and print knowledge, early math, and teacher-rated social competence. The comparison group attending lower rated programs had significantly better spring scores on three of nine measures in comparison to fall scores, including: expressive language, executive functioning, and phonological awareness. Neither group showed better spring scores compared to fall scores on three measures: attention-persistence, anxiety, or anger-aggression.

An analysis of child assessment data by pathway type showed no statistically significant differences in outcomes between children attending a Three- or Four-Star Rated program through Pathway I or Pathway II. The mean pretest scores of the Pathway I group were higher than those for the Pathway II group on most assessments. This indicates that the Pathway I group started the preschool year with higher skill levels and was most likely a lower-risk group of children.<sup>2</sup>

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<sup>2</sup> The evaluation had inherent limitations since the control group was receiving child care. The evaluation was based on outcomes of a Parent Aware rating with Early Learning Scholarships as a mechanism to receive access to programs.

Overall, these findings demonstrate that children's participation in Three- and Four-Star Rated programs resulted in improvements in measures of early literacy compared with participation in One- and Two-Star Rated programs, but no differences between the groups were found for other outcomes related to social competence and behavior. Within both groups, children are showing better scores in the spring on some of the domains, with scholarship children having better spring scores on more of the outcomes (six versus three outcomes). Whether scholarship children received their scholarship via Pathway I or Pathway II does not appear to make a significant difference in the results; the predominant difference in results comes from the quality of the program opposed to the funding mechanism to access that program.

It is important to note that there are several limitations to this study. First, because there were so few One- and Two-Star Rated programs in the Parent Aware Validation Study from which to sample children for the comparison group, SRI had to adapt their analysis techniques in order to create a well-matched comparison group. Second, because the samples had so few non-white and non-English speaking children, the study does not provide adequate information about the impact of the Three- and Four-Star Rated programs on more culturally and linguistically diverse populations.

While there were limited differentials in child outcomes between One-, Two-, Three- and Four-Star Rated programs, the SRI study gives evidence that quality early learning experiences are good for all children. While the trajectory seems promising, there is still work that needs to be done to improve quality of early childhood care and education experiences.

Detailed information is available on the SRI International report, *Minnesota State Early Learning Scholarships: Evaluation Report on Child Outcomes* (SRI Education, 2015), attached as Appendix C.

## **Conclusion**

Just two and a half years old, the Early Learning Scholarships Program is still relatively young. Despite the expedited timeline in which the program was constructed and administered, the scholarships appear to be serving children from diverse families and supporting children's access to high-quality programs as they were intended.

Since the program's inception, considerable adjustments have been made to improve the effectiveness and efficiency of scholarship implementation and administration. The improvements reflect significant and intentional stakeholder feedback solicited by the Minnesota Department of Education (MDE). MDE will continue to make additional program improvements within its statutory authority, but legislative action will be necessary if certain recommendations contained within the report are to be made.

Key Recommendations include:

- Maintain the \$7,500 scholarship cap.

The mean scholarship expenditure in fiscal year 2015 was \$2,439. While the current \$7,500 scholarship cap does not cover the full cost of programming in every setting, it is an adequate cap when layered with other funding sources to expand access. When underspending of the scholarship occurs, Regional Administrators and programs receiving Pathway II funds utilize the

funds to award additional scholarships. It is important to recognize that 1 in 8 scholarships were used at the maximum award.

- Continued improvements of the Early Learning Scholarship Administration System (ELSA).

System enhancements will increase the functionality of the system and ease the burden of Regional Administrators; make it easier to request and receive payments and make adjustments; and improve forecasting capacity and overall user experience.

- Implement risk management protocols.

Regional Administrators report being ill-prepared to identify fraud. Therefore, capacity must be increased at the state and local levels to monitor and ensure public funds are used in an allowable and intended way.

- Investigate data sharing opportunities.

Investigate opportunities for data sharing agreements between MDE and DHS to impact efficiency by avoiding duplication in determining eligibility and monitoring public funds.

- Prioritize children with the greatest risk factors within the scholarship program.

To ensure that children who are at greatest risk of not being kindergarten ready are supported in attending high-quality programs, MDE recommends explicitly prioritizing children who are homeless or in foster care to receive Early Learning Scholarships.

While academic and developmental gains were made by all children attending Parent Aware Rated programs, children attending higher rated programs showed gains in more areas. These findings that show that all children benefit from quality early childhood experiences, that additional work must be done to increase the quality of experiences offered to children, and that expanded opportunities for more children to access high-quality early care and education programs are needed. Scholarships are an important component of a comprehensive system of high-quality early care and education, and one way to provide opportunity for children from low-income families is to attend programs with a focus on high quality.

Please see attached reports for a more detailed analysis of the Early Learning Scholarships Program.

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