

The New Mexico Early Childhood Education and Care Department

Four-Year Finance Plan 2023-2026

November 2021



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Dear Governor Lujan Grisham and New Mexico Legislators,

I want to thank you for your steadfast commitment and dedication to improving the lives of New Mexico's families and young children. This is evidenced through your substantial and critical investments in our prenatal to five early childhood system, the creation of the new department, and your visionary decision to establish the Early Childhood Trust Fund to ensure the new department would have the resources needed to improve outcomes for all families, children, and communities.

As the first cabinet secretary for New Mexico's Early Childhood Education and Care Department (ECECD), it is my honor and privilege to present to the New Mexico legislature and Governor Michelle Lujan Grisham ECECD's first Four-Year Finance Plan. As required, this plan includes demographic information on at-risk children, data on the efficacy of early childhood education and care programs and recommendations for financing the prenatal to five early childhood system (NMSA 1978, §9-29-12 (2000)).

Into the pages of this report are woven the stories of every New Mexican family and young child. In sharing these stories, we acknowledge the land upon which these stories were and will continue to be created. This plan is a present, living document that acknowledges our past, sheds light upon our current experience, and, above all, embraces our envisioned future - a future in which all New Mexican families and young children are thriving. Our intent with this plan is not to motivate us into action - we have already begun this most imperative work.

ECECD will not allow this plan to collect dust - we will use it to hold ourselves and others accountable and to ensure that our strategies and actions yield the results we intend - a cohesive, equitable and effective prenatal to age five early childhood system that supports families, cares for and educates our youngest residents, and builds strong communities. We are grateful for and humbled by this monumental opportunity, which we cannot and will not squander.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Groginsky".

ELIZABETH GROGINSKY
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Section I The Need for a Systemic Approach to Financing the Prenatal to Five System

Nationally, the prenatal to age five field of programs and services is facing a critical juncture. All the discrete sectors and programs for children and families in this age group are confronted with the realities of capacity failing to meet demand, funding that lacks stability, and a historical disconnect in understanding the real costs and funding needs. Additionally, the current funding structures force prenatal to age five programs and services to deal with multiple entities who often have disconnected and conflicting approaches and administration requirements. These funding structures drive siloed practices in the development and delivery of programming and often result in complex and onerous management structures which discourage the collaboration and business practices necessary to create a cohesive, equitable and effective prenatal to five system in states and communities.

The COVID-19 pandemic has only exacerbated these issues across the country, destabilizing child care programs and increasing the needs of families and children. The federal relief dollars to help programs rebound offer an exciting opportunity to rebuild a better system, but it is critical that the mistakes of the past are not replicated and that this new funding is deployed

in a strategic way, that maximizes impact and minimizes burden on providers and families.

Increasingly, states and communities are acknowledging that programs for young children too often work in isolation and face capacity and resource limitations that hinder their ability to meet the ever-growing and diverse needs of families and young children. These programs' attempts to address complex social problems – such as ensuring the best outcomes for children and families, increasing positive indicators of child health and well-being, eliminating disparities related to socio-economic status, providing culturally relevant practices, and increasing indicators of school readiness - are hampered by the lack of a well-funded and robust system that aligns and integrates investments from the prenatal period to five years old. As a result, the sectors and organizations across the early learning, family support, and health systems have been forced into practices that lean toward isolated impact – inventing independent solutions to broadly sweeping social issues and often competing for funding to sustain these solutions.¹

¹ Kania, J. and Kramer, M. (2011) Collective Impact. Stanford Social Innovation Review, Winter 2011. www.ssireview.org

The Fragmented Fiscal System

One of the most complex challenges raised in the National Academies of Sciences, Engineering, and Medicine 2018 report *Transforming the Financing of Early Care and Education* is the patchwork of different funding sources and financing mechanisms, which reinforces how issues of isolated impact and siloed approaches stem in large part from how programming and systems are funded. The report underscores the issues that result from an uncoordinated patchwork, or non-functioning system, including inequities in access, quality, affordability, cultural responsiveness, and accountability, critical issues that are most acutely felt by the children and families early childhood programs are designed to serve². Funding sources and mechanisms vary in their implementation requirements and contract approach, based on the funding entity, and have their own standards, and reporting requirements. These variances and the lack of common understanding of them across the birth to five system puts stakeholders at a disadvantage when attempting to develop policies, develop funding mechanisms, and implement systemic changes which will result in efficiencies and economies to benefit family access and program quality.

The process for funding the services and programs in the prenatal to five period represent a fragmented and broken model, funding that has never met the reality of the cost of the services. Additionally, staff make accommodations (e.g. use of personal funds for materials, working nights and weekends, management staff working in classrooms to maintain coverage etc.) to maintain the work and attempt to meet family needs that

are untenable, at best. Many of the different programs across the prenatal to five system, including child care, home visiting, parent support, and early intervention experience these accommodations making it extremely difficult to sustain the system, provide fair compensation for the workforce and the quality programming families and young children need. These accommodations include:

- *low wages, poverty level in most communities and limited benefits for staff;*
- *reliance on women, particularly woman of color, who are undervalued for their role in child rearing and domestic efforts; and*
- *funding mechanisms linked to available funding, not actual cost of service; silos across state sectors that are all seeking to serve and impact the prenatal to five period.*

Identifying the true cost of providing programming for young children and families is critical to addressing the underfunding of the system. In the early care and education space, public funding amounts have been determined based on the market price of child care, which in turn is constrained by what families can afford to pay. The result is an inequitable system, where providers who operate in higher-income neighborhoods can set tuition rates closer to the actual cost of programming, which in turn generates a higher subsidy reimbursement rate, while those in low-income communities have to set tuition rates lower in order to be accessible to their community, resulting in a lower subsidy reimbursement rate. This approach also acts as a disincentive for programs to serve children where the gap between what it costs to provide care and the amount families can afford to pay is greatest.

² National Academies of Sciences, Engineering and Medicine, “Transforming the Financing of Early Care and Education” (Washington: National Academies Press, 2018) available at http://www.nas.edu/Finance_ECE

Providers also face a disincentive to invest in quality because the current funding approach fails to compensate providers for the higher costs of operating at higher quality levels. Not only does this approach impact the availability of quality early care and education opportunities for young children but it also places a heavy burden on the workforce. Despite increases in public funding over the past decade, child care wages have remained largely stagnant, with educator compensation constrained by the lack of funding to cover the true cost of education and care. With the move to alternative methodology for rate setting, New Mexico is leading the country in using the actual cost of care and quality to inform subsidy.

Much of this is also true for other prenatal to five programs where a contract or grant approach dictates how much revenue is available to a program, irrespective of the cost of delivering the service. For example, early intervention programming relies on rates paid out by contracts - true costs of services are not the driver in making these contract decisions. In addition, costs increase year after year often without an increase in the payment rate. Therefore, the payment rate does not cover the cost of the service. Early intervention programs are faced with heavy caseloads and staffing shortages due to low compensation and high workload.

Home visiting and parent education programs often see the same challenges that exist in the early intervention sector. Contracts to these programs are often competitively offered, which forces smaller, community-based organizations - which may be more reflective of the community the services are designed for - to compete with large entities, who typically win the grant due to their infrastructure and organizational capacity. These larger entities may not serve communities that have the greatest need for the services, or the ability to truly engage the hardest to reach families, yet

they win in a competition for the funding due to their organizational acumen. This demonstrates that families with the greatest need are not necessarily receiving the services they can most benefit from nor receive services from the program and staff which best reflects their linguistic and cultural diversity. Home visitors are professionals who take on an enormous amount of stress as they work with many families with varying needs. However, they are not compensated anywhere near the level they should be for the amount and type of work they do for families of young children. At no point was this more apparent than during the pandemic as home visitors took on even more to best support the families they work with.

Each program that is part of the prenatal to five system can benefit from robust quality supports that enhance professional development and increase the quality of services offered. Many of these supports are embedded in contracts, and are a small piece of the overall budget. Quality supports for child care, home visiting, parent education, and early intervention are not resourced at the level truly needed to provide the professional training, capacity building and access to staff mental health that is needed for the type of emotionally and trauma-responsive work this relationship-based service presents. Providers are burnt out and frustrated; leading to high turn-over which in turn affects families and young children. The work providers undertake is valuable and essential - yet they are not compensated or supported in the way they should be. While contracting for services removes the market from the determination of rates, if that contract is based on available resources rather than an accurate accounting of what it actually costs to provide all of the services needed, programs still face significant gaps between these costs and revenue available to cover that cost. Across the prenatal to five system, the impact of these gaps often falls heaviest on the workforce.

The Disproportionate Impact on the Prenatal to Five Workforce

The prenatal to five workforce performs a critical service, providing care and education to young children and support to families at a critical time in their lives. This support not only includes child care and preschool, but also family support services such as parent education, home visiting, and early intervention programs. Unfortunately, this work has long been undervalued, with most providers and staff in the field barely making a livable wage. Child care workers are paid an average of \$12.34 an hour nationally and only \$10.26 per hour in New Mexico, and PreK teachers make only marginally more.³ These poverty level wages across the different sectors of the workforce lead to high-turnover, which can harm child development given research showing the benefits of stable caregiving arrangements during a critical time in brain development.⁴

In addition to low pay, child care providers are often unable to provide health insurance and other benefits to educators and staff, leaving the workforce relying on public assistance or other family members to survive.⁵ Many family support programs report hiring staff at part time in order to avoid the expense of having to include health insurance in compensation, as the revenue streams do not cover the full cost to deliver the service. For the home-based child care providers this reality is magnified, with most providers realizing actual hourly wages far below minimum wage when accounting for the

long hours they work, and the minimal revenue remaining at the end of the month once all expenses are paid. Similar financial challenges are seen within the family support sector, as staff are often times paid the bare minimum and they too rely on public assistance and additional income provided by family members.

Building a cohesive, equitable, and effective prenatal to five system that can meet the needs of all families and young children will require a stable professional workforce and a pipeline of future talent. This in turn requires investments in professional compensation for early childhood professionals (e.g. early interventionists, teachers, home visitors etc.), improvements in the early childhood preparation programs, and ongoing professional development. As such, workforce compensation must be at the heart of any initiatives intended to support the prenatal to five system. Without professional compensation (i.e salary, paid time off, and benefits), the system will never meet the full spectrum of needs faced by families and young children.

New Mexico has taken steps to address this need by moving to paying child care subsidy rates based on a cost estimation model rather than market price. This cost estimation model includes a \$12.10 minimum wage for low-skilled staff working in facilities licensed at the basic level, sets rates for family child care home providers comparable to lead teachers in child care settings, and includes the cost of health insurance. While state leaders acknowledge that salaries need to increase beyond this minimum wage, the cost model reflects that the high proportion of total cost is compensation (60–70 percent), New Mexico has laid the groundwork for sustained and future investments in professional compensation by using the model for rate setting.

³ Bureau of Labor Statistics “Occupational Employment Statistics, May 2020” available at https://www.bls.gov/oes/current/oes_nm.htm

⁴ Daphna Bassok, Anna J. Markowitz, Laura Bellows, and Katharine Sadowski, “New Evidence on Teacher Turnover in Early Childhood” Educational Evaluation and Policy Analysis, March 2021, Vol. 43, Issue 1, pp 172-180. Available at: <https://journals.sagepub.com/doi/10.3102/0162373720985340> <https://www.nap.edu/read/19401/chapter/11>

⁵ Caitlin McLean, Lea J.E. Austin, Marcy Whitebook and Krista Olson, “Early Childhood Workforce Index – 2020” (Berkeley, CA: Center for the Study of Child Care Employment, University of California, Berkeley, 2021). Available at: <https://cscce.berkeley.edu/workforce-index-2020/wp-content/uploads/sites/2/2021/02/Early-Childhood-Workforce-Index-2020.pdf>

Identifying Strategies to Address the Fragmented Market

To meet the needs of families and young children and address the inequities within the prenatal to five system will require a significant increase in public funding. However, it is also necessary to alleviate the silos and barriers that add excessive complexity and cost to the system and ensure that increased public funding is coupled with a more efficient system. At the systems level it is important to align program requirements, eligibility, and reporting as much as possible to remove the burden from providers and families when accessing multiple programs and funding streams. Payment practices should also reflect the reality of how providers and families operate within the system and start from a point of positive support rather than compliance and accountability. New Mexico already moved to paying child care assistance based on enrollment rather than attendance, which provides for some stability in providers' finances. States also have the option to further align child care assistance payment policies with tuition payment policies by providing payment in advance rather than after the service has been delivered. This ensures that providers with minimal reserves have funds available to cover their expenses as they are incurred, rather than carrying debt until the child care assistance payment is received. States can also move to purchasing child care slots through contracts rather than the individual voucher-system that currently exists. Not only can these slot purchase contracts be set at the cost of quality, rather than market rate, but they can also promote stability by guaranteeing a set amount of income over the course of the contract. Strategies such as these are an important part of rebuilding the prenatal to five system in a way that better aligns with the goals of funding streams and promotes efficiency. Understanding the impact of such policies and identifying additional strategies to support the system and address inequities is a critical part of the fiscal analysis that is necessary to achieve system goals.

ECECD is also re-designing the state's home visiting system. An initial fiscal analysis and data collection of the current New Mexico system, suggests that the current system is not fiscally efficient and does not meet the true needs of the communities across the state. Limited number of models are available; therefore, providing expensive services to families that may not need highly intensive services, but then not providing intense-enough services to families with higher needs. Since families present with a continuum of needs, coordinating and implementing different models with varying service intensity has been identified as a strategy that will improve service coordination and outcomes for families and young children and efficiently maximize funds.

New Mexico's Vision for the Prenatal to Five System

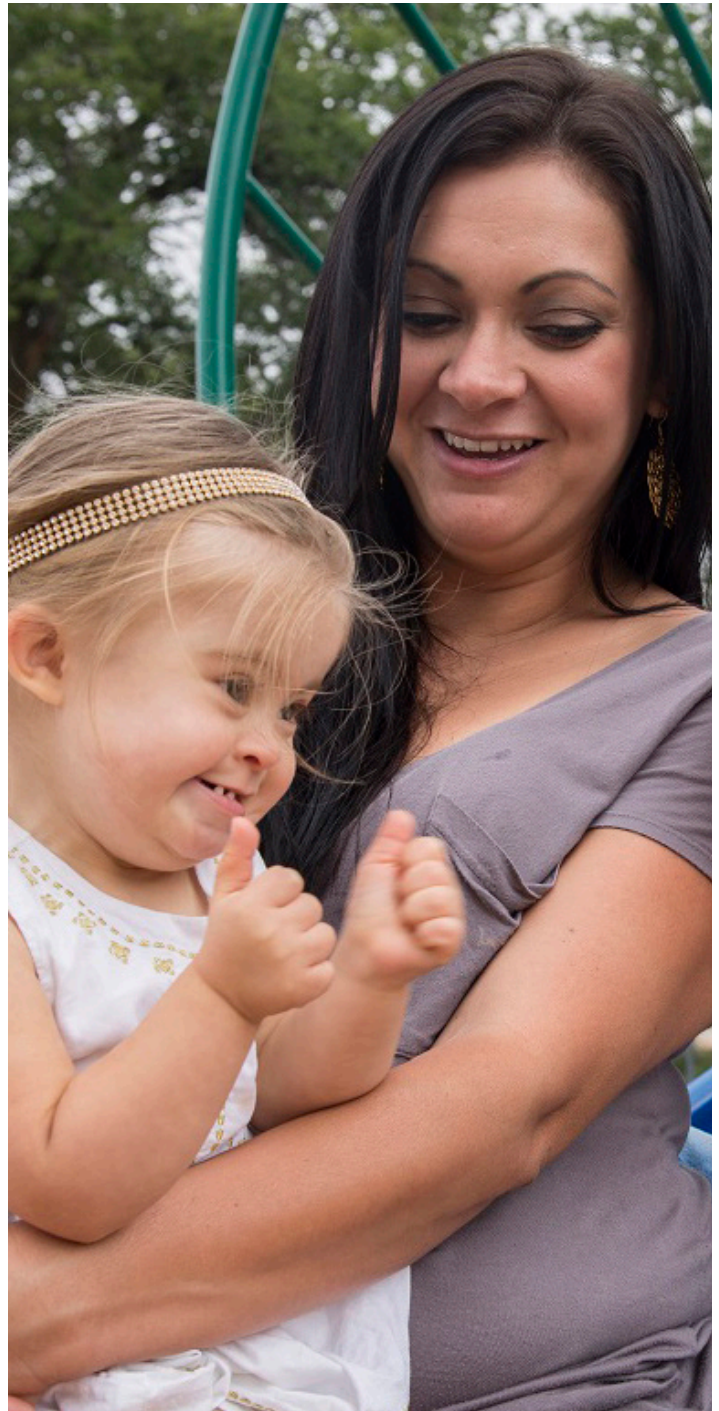
To address the complexity of the needs of children and families and the non-system in which those needs exist, requires states to set a vision for how to increase investments, better align current investments, and develop funding and governance structures that maximize efficiency and minimize burden. Through this comprehensive approach to the Early Childhood Education and Care Department's Four-Year Finance Plan, New Mexico is thinking strategically about the best way to fund the prenatal to five system, how partners at all different levels can best collaborate, and what role communities, sovereign nations, the federal government, business, and philanthropy should play. New Mexico's fiscal vision for the prenatal to five system is in service of the statewide vision for young children:

A prenatal to five system that meets the needs of every child and family and is supported by sufficient and stable funding streams that provide maximum flexibility for families, efficient administration and infrastructure, and minimum burden for program providers.

Operationalizing this fiscal vision is supported by a set of guiding principles. These principles drive the important work of a cohesive, equitable, and effective prenatal to five system to best support families and young children. These principles focus on a system that:

- works for all children and ensures that programming reaches and positively impacts those children farthest from opportunity.
- is fair to providers and supports their developing capacity for quality implementation.
- compensates the workforce at a level that allows for financial stability and acknowledges their significant impact on child development.
- uses public resources wisely and efficiently, augmenting private resources from those families who can afford services.
- acknowledges embedded societal inequities and implements changes to remediate inequity.
- supports the entirety of a child's experiences before entering kindergarten, including prenatal supports for expectant mothers.

This system brings together family support, education, maternal health, and child health sectors to coordinate funding efforts and goals needed to create an equitable and accessible system for families. Families of young children benefit most when investments are made in a systemic manner to truly meet the unique needs of their community, and are based on intentional and meaningful funding practices across the state and community levels.





Section II **Towards a Comprehensive Early Childhood System in New Mexico**

Under the leadership of Governor Michelle Lujan Grisham and her Children’s Cabinet, New Mexico has taken significant steps in recent years demonstrating the state’s commitment to a systemic approach to early childhood education and care. In 2019, the Governor signed the Early Childhood Education and Care Act into law, which created the New Mexico Early Childhood Education and Care Department (ECECD). The Act also created the position of Assistant Secretary for Native American Early Education and Care and required ECECD to prepare and update a four-year finance plan with recommendations for financing the early childhood education and care (ECEC) system.

In 2020, the Governor enacted, with bipartisan legislative support, the Early Childhood Trust Fund (ECTF) that distributes funds annually to ECECD, and in 2021, the NM Legislature approved House Joint Resolution 1 allowing voters to decide whether a portion of the state’s Permanent Land Grant can fund ECEC. These activities represent NM’s intentions to address

the fractured governance of and limited funding for programming for families and young children.

The creation of ECECD brought together programs that previously resided within several other agencies of state government. As of July 2020, the NM ECECD administers child care licensing and assistance, Child and Adult Care Food Program, Families FIRST, a perinatal case management program, Part C of the Individuals with Disabilities Education Act, Head Start State Collaboration, federal and state home visiting, NM PreK (public and private), quality initiatives, and early childhood workforce development.

As New Mexico works to build a more cohesive, equitable, and effective prenatal to five early childhood system, ECECD uses a rich tapestry of recommendations, plans, and priorities from key stakeholders and communities with clear next steps for necessary governance and fiscal strategies. These include the ECECD Transition Committee’s strategic priorities and action plans, the ECECD Advisory Council

recommendations, the New Mexico Early Childhood Strategic Plan, and the Pritzker Children’s Initiative Prenatal to Three Policy Implementation Plan. The comprehensive nature of ECECD’s approach is further solidified by not only working across the various sectors, early care and education, maternal and child health and development, family support, but also engaging in work across all system components. The comprehensive system work embedded in New Mexico’s approach includes the following components:

- **Governance and Shared Leadership**
- **Financing and Fiscal Strategies**
- **Assessment and Planning**
- **Continuous Quality Improvement and Implementation**
- **Professional Development and Technical Assistance**
- **Monitoring and Accountability**

With this Finance Plan, ECECD is working deeply on fiscal strategies and funding mechanisms. Changes in response to the finance plan, along with the new Department’s infrastructure, will encompass analysis and improvements in governance and accountability mechanisms. As part of creating the ECECD Four Year Finance Plan, the newly formed department has built an action plan to support implementation; this action plan underscores how necessary each of these components of the system is to the system wide change and the clear intersection of fiscal strategies with all aspects of prenatal to five programming. For the scale of work discussed, which is designed to encompass meeting all children’s needs, a system-wide lens to not just the financing but also the full functioning of all elements of the direct service, quality support and infrastructure is needed to achieve this work.





Section III **New Mexico Early Childhood Education and Care Four-Year Finance Plan**

As evidenced above, New Mexico’s commitment to improvement of the overall early childhood system is steadfast. Part of the work in executing New Mexico’s vision is a deep understanding of both the need and the cost of the services provided across child care, PreK, home visiting, and Family, Infant, Toddler (FIT) programming. The Four-Year Finance Plan highlights important data for both identifying needs and justifying costs across the four different programs from FY23 through FY26.

Understanding the Need for Services

The number of young children and families that need access to child care, PreK, home visiting, and FIT is estimated based on birth rate projections, provided by the University of New Mexico Geospatial and Population Studies unit. For the purposes of this Finance Plan, ECECD is using the ‘low birth rate projection’ provided by UNM which assumes that fertility rates will

continue their current downward trend. Table 1 provides the estimated number of children in each age cohort from 2022 to 2026. The number in the 0–1-years row indicates the projected births in that year. Numbers for older children are drawn from prior year projections, or actual births where available. As shown in the table, births are estimated to decrease each year at a rate of around two to three percent. Each program funded and administered by ECECD is intended to support a specific need and as such each program applies its own methodology to the data in Table 1 to estimate the number of children and families to be served.

Table 1: Birth cohort projections, by age, by year

	2022	2023	2024	2025	2026
0-1 years	21,110	20,535	19,961	19,385	18,793
1-2 years	21,550	21,110	20,535	19,961	19,386
2-3 years	21,820	21,550	21,110	20,535	19,961
3-4 years	22,966	21,820	21,550	21,110	20,535
4-5 years	23,038	22,966	21,820	21,550	21,110
5-6 years	23,708	23,038	22,966	21,820	21,550
TOTAL UNDER 6	134,192	131,019	124,362	124,362	121,335
6-13 years	184,498	180,411	176,198	172,172	167,750
TOTAL 0-13	318,690	311,430	304,140	296,534	289,085

Child Care Assistance

In 2021 New Mexico expanded access to subsidized child care to families earning up to 350 percent of the federal poverty level, which is just over \$92,750 per year for a family of four.⁶ To estimate how many families and children qualify for subsidized child care at this level, ECECD used the birth cohort projections provided in Table 1 as a starting point. Based on income eligibility thresholds, it is estimated that 85 percent of New Mexico families would meet the eligibility requirements for child care assistance, so the total eligible population was estimated at 85 percent of each age cohort. From this, the numbers were further adjusted to account for the fact that not all families need care.

According to the American Community Survey census data, approximately 63 percent of young children in New Mexico have all available parents in the workforce as of 2021.⁷ Therefore,

the projections were further reduced by this percentage, to reflect the population who will need care. Research has shown that there is a strong link between parental employment and access to affordable child care; when families have access to affordable child care and preschool they are more likely to work, work longer hours, or attend school.⁸ As New Mexico continues to invest in child care assistance over the period of this Finance Plan, it is assumed that parental employment will increase, which in turn will increase the need for child care. This increase is reflected in the estimates for how many children will need child care each year, increasing from 63 percent in FY22 to 67 percent in FY26. Table 2 summarizes the total potential need for child care assistance for FY23 through FY26.

⁶ New Mexico Early Childhood Education and Care Department, “Child Care Assistance Income Guidelines, April 2021-March 2022” available at: <https://www.nmececd.org/wp-content/uploads/2021/07/Poverty-Guidelines-2021-to-include-400-FPL.pdf>

⁷ The Hunt Institute, “New Mexico Early Childhood Education and Care Department Transition Committee, Final Report and 18-Month Action Plan,” November 2020, available at: <https://hunt-institute.org/wp-content/uploads/2021/01/New-Mexico-ECE-CD-Transition-Committee-Final-Report-18-Month-Action-Plan.pdf>

⁸ U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, “The Effects of Child Care Subsidies on Maternal Labor Force Participation in the United States” (Washington, 2016) available at: <https://aspe.hhs.gov/effects-child-care-subsidies-maternal-labor-force-participation-united-states>; Rasheed Malik, “The Effects of Universal Preschool in Washington, D.C.” (Washington: Center for American Progress, 2018) available at: <https://www.americanprogress.org/>

Table 2: Child Care Assistance estimated need, FY23-26

	FY23	FY24	FY25	FY26
0-1 years	11,346	11,198	11,040	10,702
1-2 years	11,663	11,520	11,368	11,040
2-3 years	11,906	11,843	11,695	11,368
3-4 years	12,056	12,090	12,022	11,695
4-5 years	12,689	12,241	12,273	12,022
TOTAL UNDER 5	59,660	58,892	58,398	56,827
5-6 years	12,728	12,884	12,426	12,273
6-13 years	99,677	98,847	98,052	95,534
TOTAL 0-13	72,388	71,776	70,824	69,100

PreK

Estimating the projected need for PreK requires accounting not only for the number of three- and four-year olds residing in the state each year, but also an understanding of the other settings in which children might be served. For this age group, children can also be served by Head Start, including Tribal settings, so the projected need is adjusted accordingly (Table 3). In this Plan, ECECD uses birth cohorts, instead of public school kindergarten enrollment cohorts, for two fundamental reasons. First, this ensures a consistent methodological approach across all early childhood programs. Second, by using the birth cohort all children are counted. The department’s previous methodology only took into account those students that enrolled in the K-12 public school system, which did not

represent an accurate measure of PreK need. In projecting PreK need, kindergarten enrollment data is sometimes used in the field, despite its aforementioned limitations. In Section III, the Plan does note the percentage of children served using kindergarten enrollment cohorts to compare the difference in the percentage of need when using the two different methodological approaches. The birth cohort projections from Table 1 were used as a starting point, and then the number of children served by Head Start was deducted from this total to calculate an estimate of the number of three- and four-year-olds potentially in need of services through NM PreK.

Table 3: NM PreK estimated need, FY23-26

	FY23	FY24	FY25	FY26
3-4 years	18,170	19,325	17,888	17,904
4-5 years	19,316	18,170	20,785	20,808
TOTAL	37,486	37,495	38,673	38,712

Home Visiting

Research demonstrates that all families of young children may benefit from home visiting services, yet not all types of home visiting will meet the need of every family.⁹ In this service area, there is a continuum of types of programs and intensity in services, which have different costs per child served.

To understand need for home visiting, the population of families of young children needs to be broken down according to strata driven by high need or at-risk characteristics, reflective of the populations in the state. As a rule, population-wide stratification of need seeks to sort the population in to high, moderate and low risk, according to characteristics present in the population. As part of this process for New Mexico, several characteristics that put families of young children farther from equal opportunities, and their associated incidence data for New Mexico, were reviewed, including:

- *Births covered by Medicaid*
- *Poverty level/deep poverty*
- *Child Welfare involvement*
- *Pregnant women in, leaving or within one year of prison or jail release or detention*
- *Women affected by substance use disorder*
- *Women affected by social emotional disorders or mental health conditions*
- *Birth disparities/health disparities by race/ethnicity that are prevalent in NM*
- *Women with high-risk chronic conditions (physical or cognitive)*
- *Preterm birth (0-1) or major child chronic condition (1-5)*
- *Women in abusive relationships*
- *Women experiencing homelessness*

- *Children with mild or moderate or well-managed chronic conditions (physical, cognitive, social/emotional)*
- *Families receiving TANF benefits*

New Mexico has a high proportion of the population who are covered by Medicaid during pregnancy and through the birth of the baby; 74 percent of all pregnant women in New Mexico are covered by Medicaid. Access to Medicaid is an income driven eligibility, therefore nearly three-quarters of all pregnant women in New Mexico fall at or below 250 percent of the federal poverty line. Many of the other at-risk factors considered as part of the home visiting need stratification process overlap with the population of Medicaid eligible and served families. Medicaid covered births was established as the population of the high need category with the acknowledgement of the need to further stratify this high need population in to tier 1, greatest need, those families in deep poverty (50 percent or less of poverty and child protective services involved) and tier 2, high need families falling between 50 percent of the poverty level and 250 percent of poverty.

The next stratification of need is the families at moderate need, which make up 21 percent of the birth cohort. The population in this category include families eligible for TANF and WIC benefits, families with well managed or moderate chronic health conditions, mother or children, and maternal mental health risk factors. For New Mexico, the low-risk category is established at approximately 5 percent of the birth cohort and represents the general population with no known factors related to high or moderate risk. Table 4 summarizes the stratification of need by these three levels, with tier 1 and 2 in high need, for the birth cohort projections from FY23-FY26.

⁹ Geary, C., Capito, J., and Duggan, J. (2020) *Home Visiting Provides Essential Services: Home Visiting Programs Require Additional Funding to Support More Families*. Georgetown Center on Poverty and Inequality, Washington DC.

Table 4: Home Visiting estimated need, FY23-26

	FY23	FY24	FY25	FY26
Highest Need Strata (74% of births, Medicaid eligible)	15,093	14,671	14,249	13,813
<i>Tier 1: Births under 50% FPL (59%) and CPS involvement (5%)</i>	9,660	9,390	9,119	8,840
<i>Tier 2: 50% FPL to all Medicaid eligible births</i>	6,188	6,015	5,842	5,663
Moderate Need Strata (21% of births)	4,312	4,192	4,071	3,946
Low Need Strata (5% of births)	1,027	998	969	940

Family Infant and Toddler

The determination of eligibility for the Individuals with Disabilities Education Act (IDEA) Part C program is administered through ECECD's Family Infant and Toddler (FIT) program. FIT differs from other services, as it is dictated by a developmental delay or disability. IDEA is a state and federally funded entitlement program for children and adults with delays or disabilities. Part C of this act is specific to services to children and families from birth to three years of age. Eligibility criteria for FIT services relates to a percentage delay in the child's development, or one of several diagnoses or risk criteria within the family unit. ECECD works in partnership with local vendors in required Child Find activities to ensure that children and families who may qualify for services under FIT are identified, screened, and assessed and enrolled in the appropriate therapeutic services. As such, New Mexico has a strong history of finding and serving FIT eligible children and families. Using year over year data from the last five years of services, the population eligible for FIT was projected forward to FY26. In the case of FIT, it is a requirement that those eligible are served therefore projections on eligibility match with the service projections for the FIT program (Table 5).



Table 5: Family Infant Toddler estimated need, FY23-26

	FY23	FY24	FY25	FY26
FIT Eligibility	24%	25%	26%	28%
0-3 years	15,167	15,402	15,569	16,279
TOTAL UNDER 3	15,167	15,402	15,569	16,279

Cost of Services

ECECD has developed projections estimating the cost to provide the services detailed above to New Mexico children and families. These costs fall into two categories: 1) the cost of the direct service, and 2) the cost of infrastructure and quality supports.

Direct Service

Child Care Assistance

To estimate the cost of providing child care assistance to all families who need it, ECECD used the cost estimation model developed in 2021 to inform child care assistance rate setting. This model was informed by a cost study that identified what it costs to meet state licensing standards, with age, region and program level variations, and the additional costs related to increasing quality and workforce compensation. FY23 projections use the child care assistance rates established as of July 1, 2021, informed by the cost estimation model. These rates provide for a \$12.10 minimum wage in both child care centers and family child care homes, which was the highest minimum wage in the state at the time the model was developed. This minimum wage floor applies to the lowest paid members of the workforce for a program at the licensed level, with other salaries adjusted proportionally; Lead teachers and family child care providers are compensated at \$13.19 per hour under this model. As providers increase their rating in the state's Tiered Quality Rating and Improvement System (TQRIS), wages increase; for the FY23 estimates, lead teachers are compensated at

\$16.73 per hour in a 3 Star program, \$18.40 in a 4 Star program, and \$20.07 in a 5 Star rated program.

For FY24 and FY25, the rates are increased to ensure they are sufficient to provide a \$15 minimum wage to the child care workforce in a program meeting minimum licensing standards, which increases lead teacher wages to \$20.74 per hour. In FY26 the rates increase to cover an \$18 minimum wage, which increases lead teacher wages to \$24.89 per hour. In addition, rates were increased to account for inflation. The estimates use data from the Social Security Administration which uses a 2.4% annual increase as its benchmark. The estimated baseline child care assistance rates under these scenarios are detailed in Tables 6-9 below. These rates are used for programs meeting minimum health and safety licensing regulations; quality differentials are paid on top of these rates based on a program's level in the state's TQRIS.

Estimating the overall cost of child care assistance in each year required developing a system-wide model that accounts for the distribution of children across settings and quality levels. ECECD used data on the current distribution of children across settings, and the distribution of program quality level across these settings to inform these estimates. Table 10 illustrates the distribution of total capacity across settings and quality levels. Further, given the significant difference in the cost of child care for children at different ages, it is

Table 6: Monthly cost per child estimates, child care center, FY23-26

	Infant	Toddler	Preschooler	School-age
FY23	\$880	\$635	\$575	\$441
FY24	\$1,090	\$774	\$697	\$510
FY25	\$1,113	\$791	\$712	\$521
FY26	\$1,264	\$890	\$799	\$577

Table 7: Monthly cost per child estimates, small family child care, FY23-26

	Infant	Toddler	Preschooler	School-age
FY23	\$875	\$850	\$700	\$412
FY24	\$1,112	\$1,080	\$889	\$560
FY25	\$1,122	\$1,090	\$898	\$565
FY26	\$1,377	\$1,377	\$1,101	\$648

Table 8: Monthly cost per child estimates, group home, FY23-26

	Infant	Toddler	Preschooler	School-age
FY23	\$855	\$830	\$680	\$428
FY24	\$1,092	\$1,060	\$869	\$546
FY25	\$1,102	\$1,070	\$877	\$551
FY26	\$1,263	\$1,226	\$1,005	\$632

Table 9: Monthly cost per child estimates, registered home, FY23-26

	Infant	Toddler	Preschooler	School-age
FY23	\$375	\$375	\$325	\$300
FY24	\$464	\$464	\$403	\$373
FY25	\$464	\$464	\$403	\$373
FY26	\$556	\$556	\$484	\$447

important to also estimate the distribution of children across settings by age. Based on the number of children in each age cohort needing care, ECECD estimates that 40 percent of the total capacity needed is for children under two, 21 percent for children two to three, 13 percent for three- to five-year-olds and 26 percent by

school age children. This distribution was used to inform estimates of the cost of providing sufficient capacity to meet the need. Combining data on the cost per child - with variations by setting, program quality level, and child age - with the distribution of capacity by setting, program quality level, and child age, allowed for

Table 10: Distribution of Capacity across Program setting, TQRIS level

	Center	Family Child Care	Group Home	Registered Homes
% of total capacity	85%	6.5%	2%	6.5%
Licensed	5%	29%	26%	
2 Star	6%	30%	26%	
2+ Star	11%	26%	8%	
3 Star	17%	3%	9%	
4 Star	11%	5%	8%	
5 Star	50%	7%	23%	

an estimate of the total cost of providing child care assistance to all who need it. Currently, New Mexico serves approximately 45 percent of all eligible children under six, and 6 percent of eligible school-age children.

The Four-Year Finance Plan builds towards a goal of serving 100 percent of eligible children under age six by FY26. The saturation of eligible children served increases each year to reach this goal. The number of three- and four-year-old children who need to be served by child care assistance is adjusted to account for the parallel increase in the number of children in

these age groups receiving access to NM PreK. While a portion of these children will still require care beyond the 6-hour PreK day, this is anticipated to be aligned with the estimated need of school age children rather than the need of infants and toddlers. Table 11 details the increase in eligible children served each year, broken out by age. The total cost to provide service at these saturation levels is detailed in table 12.



Table 11: Estimated number of children to be served by Child Care Assistance FY23-FY26

	FY23	FY24	FY25	FY26
Service Saturation – 0-5 years	47%	75%	85%	100%
0-1	5,332	8,399	9,384	10,702
1-2 years	5,482	8,640	9,663	11,040
2-3 years	5,596	8,882	9,940	11,368
3-4 years	1,700	1,700	1,700	1,700
4-5 years	1,500	1,500	1,500	1,500
TOTAL UNDER 5	19,610	29,121	32,187	36,310
Service Saturation – School age	7%	8%	9%	10%
5-6 years	891	1,031	1,118	1,227
6-13 years	6,977	7,908	8,825	9,553
TOTAL 0-12	27,478	38,060	42,130	47,090

Table 12: Estimated cost of child care assistance program FY23-26

	FY23	FY24	FY25	FY26
Child Care Assistance	\$213,092,489	\$373,951,403	\$416,304,137	\$533,509,927

NM PreK

New Mexico PreK supports access to high-quality prekindergarten programming for three- and four-year-olds in public school or community-based sites. ECECD sets half-day and full-day rates for NM PreK, with different rates for 4-year-olds, 3-year-olds, and mixed age classrooms.

To estimate the cost of expanding access to PreK through FY26, the current rates are used, but adjusted for inflation/cost of living from FY24 through FY26 at a rate of 2.4% per year, in line with Social Security Trustee estimates.¹⁰ The rates used in the modeling are shown in Table 13.

Table 13: NM PreK Rates

		FY23	FY24	FY25	FY26
3-4 years	Part day	\$4,375	\$4,480	\$4,585	\$4,690
	Full day	\$8,750	\$8,960	\$9,170	\$9,380
4-5 years	Part day	\$3,500	\$3,584	\$3,668	\$3,752
	Full day	\$7,000	\$7,168	\$7,336	\$7,504

¹⁰ Social Security Administration, “COLA Estimates Under the 2021 Trustees Report”, available at <https://www.ssa.gov/oact/TR/TRassum.html>

New Mexico pays the same rate regardless of setting, so adjustments are not made in the cost estimates based on setting. However, the estimates do make assumptions about how many children participate in half-day PreK compared to full day PreK.

In the finance plan projections, the number of children served by full day programming is increased each year.

New Mexico has a goal of providing universal PreK to all families who want it. This four-year-plan builds on the states progress to reach this goal in FY26. To accurately estimate the potential need for PreK, the data in Table 3 was adjusted to account for the experience from states that have implemented universal preschool who have found that around 75-85 percent of preschool-age children enroll in PreK.

The estimates are further adjusted to account for children served through Title I. Table 14 illustrates the results of this analysis, identifying the number of 3- and 4-year-olds estimated to be served by NM PreK from FY23-26.

Currently in FY22, 50 percent of 4-year-olds are estimated to be served by NM PreK. A further 17 percent are served by Head Start, and 5 percent by Title I. As a result, across Head Start, Title I and NM PreK, 72 percent of the birth cohort will be served. This is the equivalent of 80 percent of the estimated kindergarten cohort.¹¹

In FY26, 61 percent of 4-year-olds are estimated to be served by NM PreK. A further 11 percent are served by Head Start, and 4 percent by Title I. As a result, by FY26, across Head Start, Title I and NM PreK, 76 percent of the birth cohort will be served. This is the equivalent of 85 percent of the estimated kindergarten cohort.¹²

By FY26, 17 percent of 3-year-olds are estimated to be served by NM Early PreK. A further 25 percent are served by Head Start and 3 percent by Title I. As a result, by FY26, across Head Start, Title I and NM Early PreK, 45 percent of the 3-year-old birth cohort will be served. This is the equivalent of 50 percent of the estimated kindergarten cohort.¹³ The total cost to provide service at these saturation levels is detailed in table 15.

Table 14: Number and percentage of 3 and 4-year olds served by NM PreK

	FY23	FY24	FY25	FY26
3-year-olds	2,896	3,462	3,334	3,515
<i>Percent of birth cohort</i>	13%	16%	16%	17%
4-year-olds	11,737	12,060	12,895	12,904
<i>Percent of birth cohort</i>	51%	55%	60%	61%

	FY23	FY24	FY25	FY26
NM PreK	\$107,500,540	\$112,419,370	\$120,667,566	\$125,622,136

¹¹ Based on authors analysis of data from LFC estimating kindergarten cohort, based on 90% of 2018 birth cohort.

¹² Based on authors analysis of data from LFC estimating kindergarten cohort, based on 90% of 2022 birth cohort.

¹³ Based on authors analysis of data from LFC estimating kindergarten cohort, based on 90% of 2023 birth cohort.

Home Visiting

New Mexico has home visiting programming for families from the prenatal period to five years of age. In the delivery of home visiting, the most positive impacts on child development and family well-being are achieved when the program model is matched up with the needs or risk factors of the children and families served. A continuum of home visiting programs is necessary to meet the various needs of the children, families and communities served. One home visiting model will not meet the needs of all families or have the same impact on all families. Home visiting programs are developed with research on their service model used with populations of families; from there an evidence base for the impact of a given home visiting model is developed. In order to maximize investment in home visiting, states use an understanding of need, such as the need stratification completed for New Mexico (see *Table 4*), to support selecting and implementing home visiting models that are designed and proven to have the desired positive impact on child and family outcomes.

Home visiting models are not the same in their delivery elements or intensity, and therefore have different program costs. Models with proven impact on the highest risk populations are typically the most intense service models

and this intensity has a higher cost per child family served annually. These are the models designed to serve families in the highest need strata. Services for families in the moderate risk category are less intense, with fewer touchpoints between the family and home visitor and thus a lower cost per child/family annually, and services for the low risk strata are the lightest touch, least intense and typically cost the least annually per child/family served.

With this need stratification process, combined with analysis of current program model implementation, ECECD is actively engaged in a process to ensure the home visiting services delivered to families are matched to the family need and that program funding is commensurate with the cost of the service. For the purpose of planning, the cost per family needs to be increased for the services to families in the highest need strata and more discernment of the cost per family for the models used to serve families in the moderate and low risk strata. Currently all home visiting programs are paid between \$4,500 and \$6,000 annually per family served, *Table 16* demonstrates the approach to funding rates through to FY26, which distinguishes among need strata, increasing that rate and adds services for the low risk category in future years.

Table 16: Annual Cost Per Family, by fiscal year

	FY23	FY24	FY25	FY26
High Need, Tier 1	\$6,000	\$8,000	\$8,000	\$8,000
High Need, Tier 2	\$6,000	\$6,500	\$6,500	\$6,500
Moderate Need	\$4,500	\$4,500	\$4,500	\$4,500
Low Need	N/A	\$1,000	\$1,000	\$1,000

Additionally, in fiscal year 2022, ECECD, in partnership with the Department of Health, launched a universal touch home visiting model in Bernalillo County; through Family Connects every family receives a connection with a home visitor at the birth of their baby. Families may receive one to three more visits after this newborn connection, based on need and families are linked to additional resources through this process, including an intensive, ongoing home visiting program, as appropriate. This universal touch model is estimated to have an annual cost per family of \$500 and is included in the finance plan modeling.

In order to project the costs of expanding access to home visiting year over year, across the different need levels, saturation amounts were established, linked to each level of need. It is a goal of ECECD to envision that the highest need families are served with home visiting aligned to their needs and funded at the actual cost per child/family. In Table 17, the percentage of the birth cohort aligned to each need level that is projected to be served is delineated, along with the number of children.

Table 17: Percentage and number of families served, by need stratification and fiscal year

Service Saturation by Strata	FY23	FY24	FY25	FY26
High Tier 1 served	2,898 (30%)	3,756 (40%)	4,104 (45%)	4,420 (50%)
High Tier 2 served	1,547 (25%)	2,406 (40%)	2,629 (45%)	2,832 (50%)
# Moderate Need served	647 (15%)	1,866 (45%)	1,832 (45%)	1,973 (50%)
# Low Need served	0	599 (60%)	775 (80%)	940 (100%)

Table 18 outlines the service projections for the universal touch model, which has launched in FY22 and will increase in services each year.

Table 18: Universal touch model service numbers by fiscal year

	FY23	FY24	FY25	FY26
Percentage of birth cohort	7%	30%	40%	50%
Annual Universal Service Numbers	1,437	5,988	7,754	9,396

The total numbers of children/families to be served by home visiting, across all the need levels and service types, and the associated costs through FY26 is covered in Table 19.

Table 19: Total home visiting service numbers and estimated cost by fiscal year

	FY23	FY24	FY25	FY26
Total Served	9,839	20,256	23,165	26,168
Estimated HV cost	\$49,526,657	\$92,585,705	\$100,276,042	\$108,713,168

Family Infant and Toddler

New Mexico Family Infant and Toddler program has demonstrated high levels of accessing and engaging the eligible population into Part C funded services. While the state performs better than many other states in this area, there is some room for growth; however, estimates of cost increases year over year are not driven by a goal to saturate increasing amounts of the birth cohort but instead to ensure eligible children and families are served.

The payment rate for FIT providers was increased in FY20 and FY21 to meet the rates established in the 2017 rate study. A rate study is planned for this year. An estimate of what the increase would be, using the percentage of previous rate increases as a basis, was completed in order to project cost for the FIT program through to FY26 (Table 21).

Table 20: Service projections in FIT program, by fiscal year

	FY23	FY24	FY25	FY26
FIT Eligibility	24%	25%	26%	28%
0-3 years	13,903	15,402	15,569	16,279

Table 21: Annual cost per child for FIT services and total annual costs based on service projections

	FY23	FY24	FY25	FY26
Cost per child	\$4,535	\$4,762	\$5,000	\$5,250
Estimated FIT cost	\$63,049,652	\$73,338,093	\$77,844,070	\$85,463,022

Quality Supports And ECECD Infrastructure

Quality supports for programs and providers/professionals are necessary to the delivery of quality direct services to children and families. These quality supports exist within an overall system or infrastructure which must be adequately funded to meet the size and capacity of the system, ensuring coordination across the system, access to services and resources, and continually implementing improvements and evaluation in order to ensure the high-quality services are available. New Mexico has pieces of these quality supports and overall infrastructure in place for each of the program areas analyzed and projected out in the four years of the finance plan. While some of the areas of growth in quality supports and infrastructure are clear,

there is a great need to focus on the concepts of what quality supports are invested in, whether these meet the program, professional and system needs, and adjust the activities and investments accordingly. This work is further described in the Narrative Action Plan section of this report and detailed in ECECD's System Action Plan, created in July 2021.

Growth in both quality supports and ECECD infrastructure is projected, (see tables 22-26) as the numbers of children and families served year over year will increase. Additional refinement of the scale and types of investments will occur as ECECD focuses on these components of their system growth.

Table 22: Child Care Quality Support and Infrastructure Expenses, FY23-26

	FY23	FY24	FY25	FY26
Child care slots	27,479	38,059	42,130	47,091
Licensed child care providers	850	900	950	1000
Families Served	16,164	22,388	24,783	27,701
Professional Development/ Training	\$399,607	\$510,654	\$654,529	\$810,563
QRIS Consultation, Child Care Resource and Referral and Statewide Training Registry	\$4,670,000	\$4,926,176	\$5,182,353	\$5,438,529
Child Care Data Management and Payment System	\$2,800,100	\$3,000,000	\$3,200,000	\$3,400,000
Higher Education Grants	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Call Center	\$2,121,218	\$2,121,218	\$2,121,218	\$2,121,218
Supply Building	\$0	\$2,500,000	\$2,500,000	\$2,500,000
Other	\$56,702	\$56,702	\$56,702	\$56,702
Child Care Regulatory Staff (Salaries and Benefits)	\$2,600,500	\$2,819,554	\$3,047,624	\$3,285,018
Child Care Assistance Staff (Salaries and Benefits)	\$4,698,112	\$4,810,864	\$4,926,327	\$5,044,559
TOTAL	\$20,846,239	\$24,245,168	\$25,188,753	\$26,156,589
Child care grants, capacity, and business (CRRSA)	\$7,000,000			
Accelerated AA cohort (CRRSA)	\$840,000			
CC information system (CRSSA)	\$200,000			
TOTAL Relief Funding	\$8,040,000			

Table 23: NM PreK Quality Support and Infrastructure Expenses, FY23-26

	FY23	FY24	FY25	FY26
PreK slots	14,633	15,522	16,229	16,418
<i>Private PreK (community)</i>	6,965	7,388	7,725	7,815
<i>Public PreK</i>	7,668	8,134	8,504	8,603
PreK Classrooms	813	862	902	912
PreK Parity Wage Supplement	\$4,000,000	\$4,242,921	\$4,436,207	\$4,487,966
Quality coaching and supports	\$6,296,265	\$6,678,639	\$6,982,885	\$7,064,357
Early childhood observation tool	\$150,000	\$150,000	\$150,000	\$150,000
LETR-S, Literacy coaching	\$750,000	\$750,000	\$750,000	\$750,000
NM PreK PSEB Staffing	\$965,210	\$1,023,828	\$1,070,468	\$1,082,958
Total	\$12,161,475	\$12,845,388	\$13,389,560	\$13,535,281

Table 24: Home Visiting Quality Support and Infrastructure Expenses, FY23-26

	FY23	FY24	FY25	FY26
Families Served	9,839	20,256	23,165	26,168
Home Visitors	430	753	822	901
Administrative Services (Falling Colors)	\$1,386,746	\$2,592,400	\$2,807,729	\$3,043,969
Centralized Intake and Referral	\$0	\$500,000	\$500,000	\$500,000
Reflective Supervision, Continuous Quality Improvement, Data Management, Parent Education	\$2,459,132	\$2,435,749	\$2,435,749	\$2,435,749
Infant Mental Health Endorsement	\$105,000	\$105,000	\$105,000	\$105,000
Curriculum Support	\$9,990	\$9,990	\$9,990	\$9,990
Home Visiting Staff (Salaries and Benefits)	\$551,671	\$967,233	\$1,055,740	\$1,157,146
Total	\$4,512,539	\$6,610,372	\$6,914,208	\$7,251,854

Table 25: FIT Quality Support and Infrastructure Expenses, FY23-26

	FY23	FY24	FY25	FY26
Children Served	13,903	15,402	15,569	16,279
Data System	\$199,053	\$220,509	\$222,912	\$233,076
Third Party Medicaid Biller	\$153,766	\$170,341	\$172,197	\$180,048
Family Resource Centers	\$302,800	\$280,461	\$283,517	\$296,444
Continuous Quality Improvement	\$491,946	\$571,396	\$577,622	\$603,958
Interagency Coordinating Council	\$64,475	\$64,475	\$64,475	\$64,475
FIT Staff (Salaries and Benefits)	\$815,280	\$957,267	\$957,267	\$1,000,913
Total	\$2,027,320	\$2,264,449	\$2,277,990	\$2,378,914
System Infrastructure (ARPA funded)	\$624,252			



Table 26: ECECD Quality Support and Infrastructure Expenses, FY23-26

	FY23	FY24	FY25	FY26
Research and Evaluation	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Annual Outcomes Reports	\$195,646	\$202,920	\$202,920	\$202,920
Higher Education Scholarships	\$2,978,403	\$2,978,403	\$2,978,403	\$2,978,403
Wage Supplement Program	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Mentor Network	\$732,913	\$200,000	\$200,000	\$200,000
Dolly Parton Imagination Library	\$275,000	\$275,000	\$275,000	\$275,000
ECECD Staff (Salaries and Benefits)	\$10,071,659	\$10,071,659	\$10,071,659	\$10,071,659
Other	\$569,400	\$277,000	\$277,000	\$277,000
New Initiatives:				
<i>Infant Early Childhood Mental Health Consultation (IECHMHC)</i>	\$1,000,000	\$2,000,000	\$6,000,000	\$8,000,000
<i>Child Care Health Consultation</i>	\$0	\$2,000,000	\$3,000,000	\$4,000,000
<i>Food, Farm, and Hunger Initiative</i>	\$70,000	\$1,000,000	\$1,500,000	\$2,000,000
<i>Tribal Investments</i>	\$1,575,000	\$3,100,000	\$4,100,000	\$6,100,000
<i>Local Early Childhood System Building</i>	\$2,700,000	\$3,000,000	\$3,000,000	\$3,000,000
<i>Comprehensive Addiction and Recovery Act (CARA)</i>	\$690,980	\$690,980	\$690,980	\$690,980
TOTAL	\$22,859,001	\$28,295,962	\$35,007,395	\$40,723,057
Total Relief Funding	\$2,268,007			



Understanding Current Revenue and the Total Funding Need

The next step in finance planning is to compare current revenues to funding needed to underscore gaps and places where needed expenses are covered by funding. For New Mexico and ECECD, this work builds on the need and cost data gathered and analyzed across all direct services and the current quality support and infrastructure elements.

For each area of programming the current revenues were mapped, projecting out on potential revenues through FY26. Tables 27 through 35 detail the projected revenues for each service area. The revenue needed was compared to these revenue projections, based on the need and cost information specific to each type of programming.



Direct Service

Table 27: Child Care Assistance Funding Sources and Revenue projections for direct services by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund	\$49,498,300	\$49,498,300	\$49,498,300	\$49,498,300
TANF (Federal)	\$31,527,500	\$32,000,000	\$32,000,000	\$32,000,000
Other State Funds	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
CCDF (Federal)	\$70,688,700	\$73,512,000	\$73,512,000	\$73,512,000
CRRSA (ends 9/30/23)	\$7,000,000	\$0	\$0	\$0
ARPA Discretionary (ends 9/30/24)	\$61,970,798	\$0	\$0	\$0
Total Revenue	\$221,785,298	\$156,110,300	\$156,110,300	\$156,110,300
Projections, Children served	27,479	38,059	42,130	47,091
Projected Expenses amounts	\$213,092,489	\$373,951,403	\$416,304,137	\$533,509,927

Table 28: NM PreK Funding Sources and Revenue projections for direct services by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund - public preK	\$43,145,100	\$43,145,100	\$43,145,100	\$43,145,100
General Fund - private preK	\$32,712,300	\$32,712,300	\$32,712,300	\$32,712,300
TANF - public preK	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
TANF - private preK	\$14,100,000	\$14,100,000	\$14,100,000	\$14,100,000
Early Childhood Education Trust Fund- public	\$4,834,600	\$2,834,600	\$2,834,600	\$2,834,600
Early Childhood Education Trust Fund- private	\$10,869,500	\$7,765,400	\$7,765,400	\$7,765,400
Total Revenue	\$109,161,500	\$104,057,400	\$104,057,400	\$104,057,400
Projections, Children served	14,633	15,522	16,229	16,418
Projected Expenses amounts	\$107,500,540	\$112,419,370	\$120,667,566	\$125,622,136

Table 29: Home Visiting Funding Sources and Revenue projections for direct services by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund	\$15,276,694	\$14,970,900	\$14,970,900	\$14,970,900
Title IV-E (Federal)	\$0	\$0	\$0	\$0
TANF (TRANSFERS)	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Federal MIECHV	\$5,145,700	\$5,146,000	\$5,146,000	\$5,146,000
Medicaid Centennial	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Medicaid Match	\$0	\$0	\$0	\$0
Early Childhood Education Trust Fund	\$5,000,000	\$0	\$0	\$0
Total Revenue	\$50,422,394	\$45,116,900	\$45,116,900	\$45,116,900
Projections, Children served	9,839	20,256	23,165	26,168
Projected Expenses amounts	\$49,526,657	\$92,585,705	\$100,276,042	\$108,713,168

Table 30: FIT Program Funding Sources and Revenue projections for direct services by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund	\$19,099,000	\$20,000,000	\$20,000,000	\$20,000,000
DOE, Office of Special Education Programs	\$2,229,793	\$2,229,793	\$2,229,793	\$2,229,793
Medicaid	\$37,829,791	\$44,002,856	\$46,706,442	\$51,277,813
Private Insurance	\$1,056,000	\$1,056,000	\$1,056,000	\$1,056,000
Early Childhood Education Trust Fund	\$600,000	\$600,000	\$600,000	\$600,000
Total Revenue	\$60,814,584	\$67,888,649	\$70,592,235	\$75,163,606
Projections, Children served	13,903	15,402	15,569	16,279
Projected Expenses amounts	\$63,049,652	\$73,338,093	\$77,844,070	\$85,463,022



Quality and Organizational Infrastructure Revenues and Total Revenue Needed

Table 31: Child Care Assistance Funding Sources and Revenue projections for quality supports by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund	\$8,758,000	\$8,758,000	\$8,758,000	\$8,758,000
CCDF (Federal)	\$12,381,300	\$12,381,300	\$12,381,300	\$12,381,300
CRRSA (ends 9/30/23)	\$1,000,000	\$0	\$0	\$0
ARPA Discretionary (ends 9/30/24)	\$10,000,000	\$0	\$0	\$0
Total Revenue	\$32,139,300	\$21,139,300	\$21,139,300	\$21,139,300
Projected Expenses amounts	\$28,886,239	\$28,245,171	\$25,188,754	\$26,156,590

Table 32: NM PreK Funding Sources and Revenue projections for quality supports by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund - public preK	\$3,540,600	\$3,540,600	\$3,540,600	\$3,540,600
General Fund - private preK	\$9,277,927	\$4,677,927	\$4,677,927	\$4,677,927
Early Childhood Education Trust Fund - private	\$4,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Total Revenue	\$16,818,527	\$11,218,527	\$11,218,527	\$11,218,527
Projected Expenses amounts	\$12,161,475	\$12,845,388	\$13,389,560	\$13,535,281

Table 33: Home Visiting Funding Sources and Revenue projections for quality supports by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund	\$2,540,545	\$2,540,545	\$2,540,545	\$2,540,545
TANF (Transfers)	\$69,453	\$69,453	\$69,453	\$69,453
Federal MIECHV	\$817,006	\$817,006	\$817,006	\$817,006
Early Childhood Education Trust Fund	\$73,669	\$0	\$0	\$0
Total Revenue	\$3,500,673	\$3,427,004	\$3,427,004	\$3,427,004
Projected Expenses amounts	\$4,512,539	\$6,610,371	\$6,914,208	\$7,251,854

Table 34: FIT Program Funding Sources and Revenue projections for quality supports by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
DOE, Office of Special Education Programs	\$1,949,605	\$1,949,605	\$1,949,605	\$1,949,605
Total Revenue	\$1,949,605	\$1,949,605	\$1,949,605	\$1,949,605
Projected Expenses amounts	\$2,027,320	\$2,264,449	\$2,313,515	\$2,314,439

Table 35: ECECD Overall Infrastructure and Organizational Funding Sources and Revenue projections by fiscal year

Sources	FY23 Operating Budget Request (9/1/21)	FY24 Projection	FY25 Projection	FY26 Projection
General Fund	\$18,084,001	\$18,695,962	\$19,407,395	\$20,123,057
Federal Relief dollars	\$5,968,007	\$0	\$0	\$0
Total Revenue	\$24,052,008	\$18,695,962	\$19,407,395	\$20,123,057
Projected Expenses amounts	\$25,127,008	\$28,295,962	\$35,007,395	\$40,723,057

Revenue and Expense Gap Analysis

The following tables provide projected expenses and revenue projections across the four different programs and the quality infrastructure by fiscal year. Table 36 shows the expense

projections, rising from \$505.8 million in FY23 to \$943.2 million in FY26. Table 37 provides a summary of the revenue projections, with Table 38 demonstrating the gap between the expenses and revenues.

Table 36: Summary of Expense Projections by fiscal year

	FY23	FY24	FY25	FY26
Child Care	\$213,092,489	\$373,951,403	\$416,304,137	\$533,509,927
PreK	\$107,500,540	\$112,419	\$120,667,566	\$125,622,136
Home Visiting	\$49,526,657	\$92,585,705	\$100,276,042	\$108,713,168
FIT	\$63,049,652	\$73,338,093	\$77,844,070	\$85,463,022
Quality Supports and Infrastructure	\$72,714,582	\$74,261,341	\$82,713,432	\$89,981,220
TOTAL	\$505,883,920	\$726,555,912	\$797,805,247	\$943,289,473

Table 37: Summary Revenue Projections by fiscal year

	FY23	FY24	FY25	FY26
Child Care	\$221,785,298	\$156,110,300	\$156,110,300	\$156,110,300
PreK	\$109,161,500	\$104,057,400	\$104,057,400	\$104,057,400
Home Visiting	\$50,422,394	\$45,116,900	\$45,116,900	\$45,116,900
FIT	\$60,814,584	\$67,888,649	\$70,592,235	\$75,163,606
Quality Supports and Infrastructure	\$78,460,113	\$56,430,398	\$57,141,831	\$57,857,493
TOTAL	\$520,643,889	\$429,603,647	\$433,018,666	\$438,305,699

Table 38: Gap between expenses and revenues, all programs by fiscal year

	FY23	FY24	FY25	FY26
Revenue Needed	-\$14,759,969	\$296,952,265	\$364,786,581	\$504,983,775

As can be seen in Table 37, in FY23 revenues are higher because of federal COVID-19 relief dollars, but the gaps in Table 38 show significant increases in the additional funding needed in subsequent years. While additional federal funds may be on the horizon to support some of this programming, to promote stability of the sector New Mexico will need to identify a strategy to address these projected financial gaps with or without these federal funds.

The significant growth of the Early Childhood Trust Fund will support these financial gaps. Additionally, if the voters of New Mexico support the use of the Land Grant Permanent Fund for early childhood, revenues can be used to fund the financial gaps. Continued investments will be essential to cover these gaps across programs and ensure that quality and accessibility remain a priority in best serving families and young children.



Section IV

Narrative Action Plan

New Mexico is ensuring that the transformation of the entire early childhood system, which began with creation of the new department, involves ongoing change at the state level to support local early childhood system development, including strengthening local governance structures and enhancing revenue sources and fiscal strategies. The system components are:

- *Shared Leadership (Governance) and Administration*
- *Financing Strategies and Funding Mechanisms*
- *Assessment and Planning*
- *Quality Improvement, Implementation and Evaluation*
- *Professional Development, Training and Technical Assistance*
- *Monitoring and Accountability*

The ECECD System Action Plan covers these system components and has identified more detailed and measurable strategies and action steps in each area. The workplan, finalized in 2021, demonstrates the interrelatedness of these system components to improve financing and governance for New Mexico's prenatal to five early childhood system along with how dependent this system growth is on many other state partners including the Children's Cabinet and the departments of Public Education,

Higher Education, Human Services, and Indian Affairs. Nearly every element of the System Action Plan workplan, and the significant system change New Mexico is engaged in, relies on sustainable funding and efficient mechanisms for administering the funds.

System Component: Shared Leadership and Administration

System governance requires leadership, oversight, and management of the system encompassing how the connection between state and local governance and administration occurs. The first activity is to refine and implement a governance structure which fully represents programs, funders, prenatal to five agencies, communities, and families, using a systems approach to support the multi-model, locally variable implementation approach which is flexible, and targets need, and ensure cross sector engagement within the system. Next, support for leadership, oversight, and management of the system, including funding, technical assistance and more, at both state- and local-levels must be developed to ensure these roles advance opportunities, fairness, and access to resources for those effected by racial inequity. The deep work on equity that has been a focus of ECECD is a critical step in supporting

leadership at the state, tribal and local levels and ensuring the resources exist to carry out the work.

Outcomes:

- *Establish common communication structures that are bidirectional in nature and cut across the many elements of the system*
- *Decrease the administrative burden faced by organizations in running publicly funded programs.*

System Component: Fiscal Strategies and Funding Mechanisms

Fiscal strategies activities include developing and implementing fiscal strategies and core system functions to allow NM stakeholders to utilize comprehensive information on funding of the programs (federal, state, and local), the role of aligning funding, and the funding needs of local programs and system-level supports as part of the system approach and in guiding decisions. The next step of this work is to implement strategies to further integrate funding sources, and address distribution and funding mechanisms, for both programs and system. The development of fiscal strategies focuses on a decrease in administrative burden for organizations, increase efficiency in using the funding, which could increase the reach of the dollars, and increased accountability of the public entities for their implementation of funding.

Administration of funding Programs and providers may be able to access several funding streams to support their services, but too often the administration of these funding streams is disconnected and cumbersome, placing an undue burden on programs and providers. This forces them to spend time and resources complying with funding stream requirements that may be contradictory or repetitive, attempting to layer different funding streams to fill gaps in their budgets. While efforts to address this have begun with the contracting approach for home visiting funding, improvements are still needed in the state’s administration of funding.

One way to address this challenge is through rate increases so that the amount providers receive from a funding stream is sufficient to cover the full cost of its intended use. New Mexico can also address this challenge by improving how different funding streams work together. The creation of a unified department covering all early childhood services in the state provides an opportunity to streamline funding mechanisms, increase efficiency and decrease administrative burden for programs and providers, thus maximizing the amount of money going to child and family services.

One funding mechanism that is already under development is contracting for child care slots. By using child care assistance funding to contract with providers, programs are provided with a stable and predictable source of funding to support operations. Contracts have the potential of remediating several inequities in the child care system as they guarantee payment for a specific number of children, may guarantee payments over several years, pay on enrollment, and may be paid prospectively, providing even more stability for a child care provider. Contracts can promote efficiency by being paid on the actual cost of delivering quality so that providers do not have to layer funding. States can also design accountability for contracts in a way that does not require the daily reporting required under the voucher system and align contract requirements and reporting with existing funding mechanisms.



System Component: Assessment and Planning

Assessment and planning are necessary to understand and implement a system that realizes the vision for children and families. In a collaborative approach to a system, planning that is built from an active needs assessment and data analysis approach is necessary to allow all partners to have a clear understanding of their roles and responsibilities and to detail out expectations, goals, and outcomes (at system, community, program, child, and family levels). To support this change, ECECD will develop technical assistance on using state-level needs assessment data sources and develop a community assessment process to guide a consistent, collaborative approach in communities, aligned with equity change levers, that is inclusive of community need, continuum of service possibilities, capacity of organizations, workforce and more. ECECD will facilitate disaggregation of state-level data, including service utilization and needs assessment data sources, in order to analyze data from perspective of equity change levers.

Outcomes:

- *A statewide expansion plan for early childhood including community driven assessment and planning*
- *Cross-system and interagency assessment and planning aligning with all equity change levers: personal, interpersonal, institutional and structural*
- *Organizations that intentionally contribute to racial equity and economic justice outcomes*

System Component: Quality Improvement, Implementation and Evaluation

To create the level of system change needed to support all programs and providers requires a deep understanding of program needs and consistency in the experience of programs and their ability to access quality and infrastructure supports. One key to achieving this is to build an integrated approach to quality, implementation, evaluation, and professional development across all programs. Building this approach relies on an analysis of current investments against the needs of programs and the system.

This work begins with mapping all ECECD programs and functions to understand program standards, regulations, and existing professional development infrastructure and supports. This information gathered can then allow the state to plan for an aligned approach to maintaining and growing these system supports.

Information gathered through this mapping analysis will help identify the needed changes in the system to support a long-range plan for addressing how to govern and fund an integrated approach to quality and implementation of services. With ECECD, New Mexico has set the stage for the governance and funding that will be necessary to achieve a truly integrated approach to quality supports, implementation science efforts, evaluation and professional development that grows and strengthens the workforce. The approach itself relies on strong governance and robust funding of the overall system, both for initial launch and ongoing maintenance.

Outcomes:

- *The quality and capacity of all types of programs will be supported by a coordinated, comprehensive, and fully accessible continuous quality improvement (CQI) system.*
- *Establish a fully accessible CQI process that includes data systems that support program- and system-level decision-making related to closing racial disparities.*



System Component: Professional Development, Training and Technical Assistance

Through a system, professional development activities coordinated at the state level (training and technical assistance) have the ability to be responsive to the results of evaluation and continuous quality improvement efforts. Racial equity will be addressed, in part, through efforts to recruit and support practitioners in developing competencies and enhancing practice to understand their own values and beliefs. This focus on professional development activities is aligned with all efforts to advance, recruit and retain a diverse and well-qualified and compensated workforce.

Outcomes:

- *Consistency and accessibility of programs and communities to professional development, training, and technical assistance supports.*
- *Alignment of workforce and professional development, training and technical assistance to increase retention of quality staff and improve organizational sustainability.*

System Component: Monitoring and Accountability

Monitoring and accountability activities are coordinated across all elements of the system, including agencies, funding streams and programs. The goal of system monitoring and accountability is to ensure the system carries out the roles it was intended for, which include positive impact on programs and their ability to meet the needs of families with high quality services. Coordination of monitoring and accountability efforts supports the implementation of multiple programs within communities, along with working to ensure the system includes all aspects necessary to support quality programming.

Outcomes:

- *Measures for monitoring and accountability of early childhood programs are aligned across funders and models and demonstrate linkage to statewide goals for the early childhood system.*
- *Shared leadership and collective power offering new and reconstituted systems of accountability.*
- *Policies and programs are developed and monitored for their impact and outcomes.*

Conclusion

New Mexico's success to the strengthening of the prenatal to five system relies on the strong foundation of fiscal support to ensure equity, efficiency, accountability, and accessibility. As expressed throughout this fiscal plan, fragmentation in funding streams and lack of coordination within the system leads to duplication, inefficiencies, and mismatches in services to families and children. New Mexico and ECECD have identified the importance of a strong system for its youngest residents, with equity and quality at the forefront. The fiscal strategies and plan outlined provides a comprehensive lens to the structure and approach to ensure a viable and sustainable system in New Mexico. As one of the first states in the nation to undertake such an important endeavor, New Mexico is demonstrating a commitment to ensuring the state is the best place to raise a child, providing opportunity for all.



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