

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 572 (Senators Ferguson and Madaleno)

Budget and Taxation and Education, Health,
and Environmental Affairs

Maryland Early Learning Challenge and School Readiness Act (Race to the Tots)

This bill establishes an Early Learning Challenge and School Readiness Grant Program and Fund in the Maryland State Department of Education (MSDE). The purpose of the program is to increase the number of children in high-quality early learning programs through specified locally determined enhancement projects. MSDE's Division of Early Childhood Development (DECD) will solicit grant proposals from local early childhood advisory councils (ECACs). The Governor must appropriate \$10 million to the fund from the Education Trust Fund (ETF) in the State budget for both fiscal 2015 and 2016.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: General fund expenditures increase by \$10 million in FY 2015 and by \$10 million in FY 2016. The use of gaming proceeds credited to ETF for grants under the bill will require general fund expenditures to increase by an equal amount. Currently all proceeds credited to ETF are budgeted for the Bridge to Excellence foundation formula and programs, including the Geographic Cost of Education Index (GCEI). Special fund revenues and expenditures increase by a commensurate amount each year, including as much as \$1.4 million over multiple years beginning in FY 2015 to cover MSDE administrative costs. **This bill establishes a mandated appropriation in FY 2015 and 2016.**

Local Effect: Local revenues and expenditures increase in equal amounts. Under one scenario, the increase amounts to \$3.1 million in FY 2015, \$6.2 million in FY 2016 and 2017, and \$3.1 million in FY 2018.

Small Business Effect: It is assumed that nonprofit organizations will receive much of the funding through the program, but some small business childcare and training centers may also benefit.

Analysis

Bill Summary: Enhancement projects to be supported by the program include the operation of:

- *Preschool for All* sites at which prekindergarten programs are integrated in child care or Head Start settings with a focus on (1) promoting accountability for school readiness and specific developmental and learner outcomes for children; (2) development of a prekindergarten through grade 3 alignment of standards and practices; and (3) promoting early learning standards in all early childhood education programs;
- community hubs to provide and coordinate existing services in the community for families with children from birth through age 5 with a focus on (1) engaging and supporting families and (2) identifying and addressing the health, behavioral, and developmental needs of children with high needs; and
- professional development activities to increase the number of child care providers attaining check levels 4 and 5 in the *MarylandEXCELS* program with the focus on promoting a competent workforce in early childhood education.

The Early Learning Challenge and School Readiness Grant Program Fund is a special, nonlapsing fund in MSDE. The bill states that it is the intent of the General Assembly that the costs of administering the fund not exceed 7% of the total funds appropriated to it in any fiscal year. Money expended from the fund is supplemental to, and may not take the place of, funding that would be appropriated to MSDE, agencies, or providers for programs relating to early childhood education.

MSDE must submit to the General Assembly an annual report on the status of the fund and to the Governor and the General Assembly an annual report on grants that are requested and funded, and on outcomes achieved as a result of the grants. The annual report on the fund must include the gross amount of gifts and grants credited to the fund, the costs of administering the fund, and a detailed accounting of the use of the fund.

Grant proposals from local ECACs must identify the goals to be achieved and propose criteria for measuring success in achieving each goal. DECD may require a local ECAC to include different or additional criteria for measuring success. DECD must give priority to grant proposals that target specified areas of high need and that propose the establishment of public-private partnerships that match private funding with public grant

funding. MSDE must adopt regulations to implement the program, including regulations on fiscal administration of the program.

Current Law/Background:

RTTT-ELC and MarylandEXCELS

In December 2011, MSDE received a federal Race to the Top Early Learning Challenge (RTTT-ELC) grant of \$50 million over four years. The program is designed to narrow the school readiness gap for children in poverty, English language learners, and those with disabilities. The Governor’s State Advisory Council on Early Care and Education advises MSDE on the implementation of the RTTT-ELC State Plan. Participating State agencies, including the Department of Health and Mental Hygiene, the Department of Human Resources, and the Governor’s Office for Children, collaborate with MSDE in support of the State plan. Ten innovative projects address the scope of Maryland’s RTTT-ELC State Plan. Project 1 is the creation of local ECACs in each county with the goal of developing local plans for implementation of Maryland’s RTTT-ELC State Plan.

MarylandEXCELS, supported by the RTTT-ELC grant, is a voluntary program that awards ratings to child care providers that meet increasingly higher standards in different areas of early care and education such as staff, and professional development, learning environments, and developmentally appropriate learning and practice. The three main goals of *MarylandEXCELS* are to:

- recognize early care and school age education programs that provide quality care;
- encourage providers to increase the level of quality of their programs; and
- provide parents with information and choices about quality child care.

Check levels 4 and 5 are the highest levels for staffing and professional development at child care centers in the State. At check levels 4 and 5, the director and at least 60% of lead staff hold a current Maryland Child Care Credential at, respectively, level 4 and level 4+. Check levels 4 and 5 are also the highest *MarylandEXCELS* levels for public prekindergarten programs and for family child care. The Maryland Child Care Credential recognizes child care providers who go beyond the requirements of State licensing and registration regulations. There are six credential levels and four administrator levels, each one recognizing a child care provider’s achievement of a specified number of training hours, years of experience, and professional activities which lead to quality child care.

Preschool for All Pilot Sites

In December 2007, Maryland's Task Force on Universal Preschool Education submitted a report to the Governor recommending the expansion of prekindergarten to all four year olds. The delivery of educational services could be both public and private, provided that the same standards which currently define the program in public prekindergarten are maintained. The task force called the program *Preschool for All*. RTTT-ELC funds and Judith P. Hoyer Program (discussed further below) funds have combined to establish 13 *Preschool for All* pilot sites across the State. There are three pilot sites in Montgomery County, two in both Howard and Washington counties, and there is one site in Baltimore City, and one site each in Carroll, Cecil, Frederick, Prince George's, and Wicomico counties. The *Preschool for All* pilot sites must meet 10 standard quality benchmarks adopted by the Task Force on Universal Preschool Education and recommended by the National Institute for Early Education Research at Rutgers University. Four of the 10 benchmarks have to do with teacher credentials and professional development.

Education Trust Fund

ETF was established during the 2007 special session as part of the video lottery terminal (VLT) legislation, to receive approximately half of the gross VLT proceeds, after payouts to bettors. Chapter 1 of the 2012 second special session (SB 1) made numerous changes to the State's gaming program including authorizing a sixth license in Prince George's County, table games at VLT facilities, and 24-hour per day gaming, all subject to voter approval (Question 7). On November 6, 2012, the voters of Maryland approved Question 7 by a 52% to 48% margin. Due to the legislation, ETF special fund revenues were estimated to increase by approximately \$199 million by fiscal 2019 (including savings from the licensees purchasing or leasing the VLTs rather than the State). A portion of table game revenues is also distributed to ETF.

The legislation also altered the distribution of VLT proceeds and broadened the authorized uses of ETF to encompass funding that expands public early childhood education programs in Maryland. (Authorized uses of ETF also include funding of public elementary and secondary education, public school construction, and capital projects at community colleges and public senior higher education institutions.) The estimated ETF revenues for fiscal 2014-2018 are shown in **Exhibit 1**. The exhibit shows that the projected ETF revenues are less than the annual \$3 billion in Bridge to Excellence foundation program expenditures.

Exhibit 1
Estimated Education Trust Fund Revenues
Fiscal 2014-2018
(\$ in Millions)

<u>Education Trust Fund</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>
Video Lottery Terminals	\$296.9	\$ 477.7	\$484.0	\$534.3	\$561.1
Table Games	25.4	44.2	47.6	48.0	50.3
Prince George’s License Fee	18.0	0	0	0	0
Total ETF Revenues	\$340.3	\$521.9	\$531.6	\$582.3	\$611.4

State Aid for Early Childhood Programs

Chapter 680 of 2000 (HB 1249) established the Judith P. Hoyer Early Child Care and Education Enhancement Program to provide grants to local school systems for initiatives that promote school readiness through the development and expansion of high-quality, comprehensive, full-day early child care and education programs, and family support services. State aid for the program is not mandated but has been steady at \$10.6 million annually.

The State provides aid to local agencies to help support the Maryland Infants and Toddlers Program, a community-based interagency system of comprehensive early intervention services for children who have developmental delays or disabilities. A discretionary formula for the distribution of infants and toddlers funding was established in 2002; however, the formula has never been fully funded. The annual funding level for the program was increased from \$5.8 million to \$10.4 million in fiscal 2009, and the allocation of the funding among the 24 local lead agencies has been constant since then. The annual budget proposal submitted by the Governor must include at least as much funding for the Maryland Infants and Toddlers Program as was provided the previous fiscal year.

The State provides funding to supplement federal funding for the Head Start program, a federal program that promotes the school readiness of children ages birth to five from low-income families by enhancing their cognitive, social, and emotional development. State funding is generally used to support summer programs and before- and after-school programs for children enrolled in Head Start. In response to additional Head Start funding from the federal government through the American Recovery and Reinvestment Act of 2009, the General Assembly reduced Head Start funding to \$1.8 million in

fiscal 2010 from its historical annual funding level of \$3.0 million. Annual funding has remained at \$1.8 million.

Chapter 288 of 2002 (SB 856) the Bridge to Excellence in Public Schools Act required every local school system to make publicly funded prekindergarten programs available to disadvantaged children in the year before they start kindergarten. State funding for prekindergarten was built into the State education aid structure established in Chapter 288. Specifically, the compensatory aid formula uses a per pupil cost that is 0.97 times the per pupil funding level established in the foundation program; approximately .04 points of that 0.97 may be attributable to prekindergarten. This estimate accounts for regulations that require local school systems to provide prekindergarten for a minimum 2.5 hours per day. (As the language of the bill indicates, some local school systems have integrated some half-day prekindergarten programs with half-day Head Start programs, resulting in a full day of services for children enrolled at these sites.)

In September 2012, 29,576 students were enrolled in prekindergarten programs funded by the local school systems. Enrollments are displayed by local school system in **Exhibit 1**. Prince George’s County (5,571 students) and Baltimore City (4,884 students) have the highest prekindergarten enrollments in the State.

Exhibit 1
Number of Prekindergarten Students in Publicly Funded Programs
September 30, 2012

Allegany	520	Harford	760
Anne Arundel	2,182	Howard	1,084
Baltimore City	4,884	Kent	119
Baltimore	3,641	Montgomery	3,777
Calvert	400	Prince George’s	5,571
Caroline	365	Queen Anne’s	249
Carroll	363	St. Mary’s	741
Cecil	627	Somerset	214
Charles	911	Talbot	293
Dorchester	270	Washington	489
Frederick	1,063	Wicomico	577
Garrett	86	Worcester	390
Total State		29,576	

State Fiscal Effect: The use of gaming proceeds credited to ETF to fund grants under the bill will require general fund expenditures to increase by an equal amount. Therefore, general fund expenditures increase by \$10 million in both fiscal 2015 and 2016. Currently all proceeds credited to ETF are budgeted for the Bridge to Excellence foundation formula and programs, including GCEI. The Governor's proposed fiscal 2014 budget includes \$340.3 million in ETF revenues, all of which are directed toward the \$3.0 billion in Bridge to Excellence foundation formulas, including GCEI. The remaining \$2.7 billion in foundation formula funding is general funds. Thus, using any gaming proceeds credited to ETF for additional prekindergarten will necessitate an equal increase in general fund expenditures. Thus, special fund revenues and expenditures to the new fund increase by \$10 million in each of fiscal 2015 and 2016.

Given that expenditures to administer the fund may not exceed 7% of the total funds that are appropriated, MSDE administrative expenditures, which would cover costs associated with reviewing grant proposals, providing a detailed account of the use of the fund, and ascertaining and reporting outcomes achieved due to grants provided under the bill, may increase by as much as \$1.4 million over multiple years, beginning in fiscal 2015.

Local Fiscal Effect: Local revenues and expenditures will increase by approximately \$18.6 million (or more, depending on actual MSDE administrative costs) over the course of two or more years, beginning in fiscal 2015. MSDE advises that grants may be awarded for use over a three-year period. Assuming that both the first appropriation in fiscal 2015 and the second appropriation in fiscal 2016 are each evenly distributed in the form of three-year grants, then local revenues and expenditures increase by \$3.1 million in fiscal 2015, by \$6.2 million in both fiscal 2016 and 2017, and by \$3.1 million in fiscal 2018.

Additional Information

Prior Introductions: None.

Cross File: HB 925 (Delegate Rosenberg, *et al.*) - Ways and Means.

Information Source(s): Maryland State Department of Education, Maryland Association of Boards of Education, Department of Legislative Services

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