

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 332 (The President, *et al.*) (By Request - Administration)
Budget and Taxation and Education, Health, and Environmental Affairs Ways and Means

Prekindergarten Expansion Act of 2014

This Administration bill expands prekindergarten services to four-year-old children from families whose income is no more than 300% of the federal poverty guidelines (FPG) by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers. If funds are provided for the Prekindergarten Expansion Grant Program in the State budget, then at least the same amount must be provided in subsequent years.

The bill takes effect June 1, 2014.

Fiscal Summary

State Effect: General fund expenditures for the prekindergarten expansion program increase by \$4.3 million in FY 2015, due to that amount of funding being included in the FY 2015 State budget. Special fund revenues and expenditures increase by corresponding amounts. Future year expenditures must total at least the amount of funding appropriated in the prior fiscal year for the program. The Maryland State Department of Education (MSDE) can administer the program at the FY 2015 budgeted amount with existing budgeted resources. **This bill establishes a mandated appropriation beginning in FY 2016.**

(\$ in millions)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SF Revenue	\$4.3	\$4.3	\$4.3	\$4.3	\$4.3
GF Expenditure	\$4.3	\$4.3	\$4.3	\$4.3	\$4.3
SF Expenditure	\$4.3	\$4.3	\$4.3	\$4.3	\$4.3
Net Effect	(\$4.3)	(\$4.3)	(\$4.3)	(\$4.3)	(\$4.3)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local school system revenues for prekindergarten programs may increase due to the increase in State funds available for the program. Expenditures for prekindergarten programs increase proportionately.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services disagrees with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Prekindergarten Expansion Grant

The bill establishes a new grant program known as the Prekindergarten Expansion Grant Program to broaden the availability of prekindergarten and school readiness services throughout the State for children and their families, in coordination with the existing publicly funded prekindergarten program and the Judith P. Hoyer Early Childhood Education Enhancement Program. MSDE must administer the program. The program must be a competitive grant program to provide funds to qualified vendors, which includes local school systems, private providers who have agreements with local school systems, and Judy Centers. MSDE must take measures to achieve geographic diversity among participating qualified vendors. Priority for participation in the program must be given to qualified vendors that meet the following qualifications: (1) are located in areas of the State that have an unmet need for prekindergarten or comprehensive early childhood education services; (2) include a plan for long-term sustainability, including community and business partnerships and matching funds to the extent possible; and (3) incorporate parental engagement and the benefits of educational activities beyond the classroom into the vendors' programs.

Prekindergarten Expansion Grants may be used to expand prekindergarten services, including (1) establishing or expanding existing half-day prekindergarten for *additional* eligible children (*i.e.*, whose family income is at or below 300% of FPG); (2) establishing or expanding existing full-day prekindergarten for eligible children (*i.e.*, whose family income is at or below 185% of FPG) or additional eligible children; (3) establishing or expanding existing Judy Centers for the families of eligible children or additional eligible children who are located in Title I school attendance areas; and (4) expanding existing half-day prekindergarten programs into full-day prekindergarten programs for eligible children or additional eligible children.

MSDE may establish (1) additional eligibility criteria for the selection of qualified vendors; (2) application and award processes including the submission date for applications, renewal procedures, and application review processes for making awards under the program; and (3) any other policies and procedures necessary to implement the program.

Before approving qualified vendors for prekindergarten services to receive a grant, a qualified vendor must certify to MSDE that for each classroom funded by the grant the vendor will meet specified conditions. The vendor must maintain a student-to-teacher ratio of no more than 10 to 1 with an average of 20 children per classroom. Each classroom must have at least one teacher certified in early childhood education and at least one teacher's aide who has at least a high school degree. The educational program must operate for five days per week and 180 days per year, in accordance with the public school calendar established by the local school board. Half-day programs must operate for at least 2.5 hours per day, and full-day programs must operate for at least 6.5 hours per day.

A qualified vendor that has received a Prekindergarten Expansion Grant in the current year must be awarded a grant in the next year if the qualified vendor continues to satisfy the established requirements.

Funds for the program are as provided in the State budget. The amount of State funds provided for the program each fiscal year must be at least as much as was appropriated in the prior fiscal year. The Governor may provide funds to MSDE to administer the program.

Grants awarded under this bill may not be used to supplant existing funding for prekindergarten services or for capital improvements.

MSDE must leverage Child Care Subsidy Program Funds when making grant awards to private providers that participate in the Child Care Subsidy Program, and encourage private providers that receive grants to pursue Level 5 in MSDE's voluntary quality rating and improvement system known as "Maryland EXCELS." MSDE must also supervise and monitor the use of grant funds distributed and evaluate whether grant recipients are meeting annual benchmarks established by MSDE.

The bill establishes the Prekindergarten Expansion Fund to be administered by MSDE. The fund is a special, nonlapsing fund that consists of money appropriated to the fund in the State budget and any other money accepted for the benefit of the fund from any other source. The fund may only be used for grants made by MSDE for the program.

Judith P. Hoyer Program

The bill also makes changes to the Judith P. Hoyer Early Childhood Education Enhancement program (renamed in the bill) and grants provided under the program. The Early Child Care and Education Enhancement Grant is restructured into the Early Childhood Education Enhancement Grant (renamed in the bill) and the Preschool Services Grant, which codifies current practice.

Preschool Services Grant

The Preschool Services Grant must be used to provide prekindergarten services for four-year-old children whose birthdays fall on or before September 1 of the school year during which services will be provided and whose family income is below a level set by MSDE. Private providers that have voluntarily obtained accreditation or have voluntarily initiated and are actively pursuing accreditation by the date of the grant application must obtain accreditation before receiving a grant award.

A private provider that has been selected for a Preschool Services Grant must (1) administer the grant; (2) submit fiscal and program reports as required by MSDE; and (3) coordinate the involvement of participating agencies and programs in any evaluation process conducted by MSDE.

Required Studies and Reports

When MSDE issues a contract to conduct a study of the adequacy of education funding in the State, as required by Chapter 288 of 2002, the study must include providing universal access to prekindergarten services for Maryland children from families at different income levels. The study must also examine removing funding of prekindergarten services for economically disadvantaged four-year-old children from the compensatory education funding formula and instead incorporating prekindergarten students into the enrollment-based education funding formulas originally enacted by Chapter 288 of 2002 that may be revised based on the finding of the adequacy study.

By September 1, 2014, MSDE, the Department of Health and Mental Hygiene, and the Maryland Department of Planning must report jointly on the estimated number of three-year-old and four-year-old children from an economically disadvantaged background (both in aggregate and by subcategory) in each county and Baltimore City for the current school year and the next five school years. In addition to the total number of three-year-old and four-year-old children in each jurisdiction, the report must include the estimated number of three-year-old and four-year-old children in each jurisdiction who (1) are from families eligible for free or reduced-price meals (*i.e.*, from families at or

below 185% of FPG) and (2) the estimated number of children who are from families at or below 300% of FPG.

MSDE must conduct a study on the best practices to engage parents and guardians in early education programs and services. MSDE must develop an outreach plan based on best practices identified by the study, in collaboration with existing programs for working families that promotes the benefits of early education programs and services, particularly in communities with low participation rates in early education. MSDE must report on the study and outreach plan by December 1, 2014.

MSDE must conduct an evaluation process to measure the effectiveness of Judy Centers; and early childhood education services and family support services that are purchased with funds from Preschool Services Grants and Early Childhood Education Enhancement Grants.

By January 1, 2016, MSDE must submit a report that includes an evaluation, based on objective performance criteria established by MSDE, of the effectiveness of the Judy Centers; and early childhood education services that are purchased with funds from Preschool Services Grants and Early Childhood Education Enhancement Grants.

Current Law: All children who are four years old on September 1 of that school year, who are eligible for free and reduced-price meals (FRPM) (*i.e.*, from families whose income is at or below 185% of FPG), whose parent or guardian seeks to enroll the child in a public prekindergarten program, must be admitted free of charge to publicly funded prekindergarten programs established by each of the local boards of education.

A Judy Center is a site where comprehensive early child care and education services are provided to young children and their families for the purpose of promoting school readiness through collaboration with participating agencies and programs. Judy Centers are supported through Judy Center grants.

MSDE may distribute an Early Child Care (renamed “Childhood”) Education Enhancement Grant to a private provider of early childhood education services to be used (1) to assist the provider in voluntarily obtaining accreditation or (2) for professional development activities leading to increased competency and appropriate credentialing that is related to early childhood education services.

By November 1 of each year, MSDE must report on the implementation of the Judith P. Hoyer Early Childhood Education Enhancement Program and the participating agencies and programs, including a description of the program’s and the participating agencies’ and programs’ expenditures, enrollment, and statewide performance data, including school readiness data disaggregated by program and by jurisdiction.

Background:

Bridge to Excellence Mandate

The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) has required each local school system to make publicly funded prekindergarten available to all economically disadvantaged or homeless four-year-old children in the State since the 2007-2008 school year. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of FPG, which is the income eligibility criterion for the federal FRPM program. After the initial enrollment of eligible children, local school systems may fill any vacancies with children who lack certain skills or exhibit a lack of readiness for kindergarten. State regulations require local school systems to provide prekindergarten for a minimum of 2.5 hours per day using certified early education teachers.

In the 2012-2013 school year, 26,402 four-year-old children were enrolled in prekindergarten programs offered by local school systems. Prince George's County and Baltimore City have the highest prekindergarten enrollments in the State. Most school systems offer half-day prekindergarten, but about 25% of the students are enrolled in full-day prekindergarten. Baltimore City and Kent and Garrett counties offer full-day prekindergarten exclusively, while another seven counties offer both half- and full-day programs. MSDE estimates that approximately 9,700 additional four-year-olds may be eligible for prekindergarten under the bill.

Prekindergarten students are not included in the annual September 30 enrollment counts for State education aid. Instead, since the State mandates that local school systems make prekindergarten available only to disadvantaged four-year-old children, State funding is provided through the compensatory aid formula established in the Bridge to Excellence Act. 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 for each FRPM-eligible student. Of the 0.97 compensatory add-on or weight, approximately 0.07 is provided by the State to fund prekindergarten. In the Governor's proposed fiscal 2015 budget, this adjustment equates to \$87.6 million in State funds.

The fiscal 2015 State budget includes \$4.3 million in general funds for the Maryland Prekindergarten Expansion Program, contingent on the enactment of SB 332 or HB 297.

In addition to prekindergarten, there are a variety of publicly funded programs available to provide high-quality early education services to economically disadvantaged children from birth to age five. These programs include the Judith P. Hoyer Program, including Judy Centers and federally funded Head Start and Early Head Start programs. The

proposed fiscal 2015 budget includes \$10.6 million for the Hoyer Program and \$1.8 million for the Head Start program in State general funds.

School Readiness

Publicly funded prekindergarten is part of the State's initiative that all children enter kindergarten ready to learn. In 2012-2013, 82% of children entered kindergarten fully ready to learn, compared to only 49% of children when data was first collected in 2001-2002. Children enrolled in public prekindergarten programs the year prior to kindergarten outperform their peers at the same income level in school readiness. Specifically, 83% of children who were enrolled in public prekindergarten programs the year prior to starting kindergarten in the 2012-2013 school year were fully ready, compared to only 76% of all low-income kindergarteners. Children who were enrolled in publicly funded prekindergarten are also better prepared than children in home or informal care, Head Start, family child care, or a child care center.

Kindergarten readiness has been measured using the Maryland Model for School Readiness (MMSR) assessment, a standardized assessment with seven domains: personal and social development; language and literacy; mathematical thinking; scientific thinking; social studies; the arts; and physical development. Teachers evaluate and rate student performance during the first eight weeks of school according to a checklist of 30 indicators. If a student is rated "fully ready," it means that the skills, behaviors, and abilities needed to meet kindergarten expectations are consistently demonstrated. The MMSR assessment is being revised to align with the new Maryland College and Career Ready Standards. The revised assessment will also be able to be administered using a technology platform, with linkage to a reporting database and to online resources for teachers. The project is being done in collaboration with the state of Ohio.

Maryland EXCELS

Maryland EXcellence Counts in Early Learning and School-age Child Care (EXCELS) is a *voluntary* tiered quality rating and improvement system that recognizes the accomplishments of early childhood and "school-age only" programs and providers through a set of standards with five levels that offer a pathway to high quality. Maryland EXCELS provides information to families on choosing high-quality child care and education programs and articulates to the public the level of quality in early and school-age only child care and education programs. Maryland EXCELS pays differential payments to providers who meet quality standards and accept Child Care Subsidy vouchers. To be eligible for tiered reimbursement/subsidy differential payments, a program must have a published Maryland EXCELS rating at level three, four, or five. Differential payments range from 10% to 44%, depending upon the age of the child, the type of care, and the check level rating of the program.

Maryland's Preschool for All Business Plan

The Task Force on Universal Education (Chapter 498 of 2006) was established to develop a framework and specific recommendations on how to extend publicly funded prekindergarten to a greater number of children. In addition to setting goals relating to the implementation of a universal preschool program in the State, the task force charged MSDE with developing a business plan that would explain what the costs would be for expanding the existing prekindergarten program. The task force collectively called these goals and initiatives Preschool for All.

Submitted in December 2009, MSDE's "Maryland's Preschool for All Business Plan" proposed to gradually increase the number of four-year-old children who are eligible for publically funded prekindergarten in the State over a period of five years. The first phase would expand eligibility for prekindergarten to families whose income is at or below 300% of FPG. The second phase would expand eligibility for prekindergarten to families whose income is at or below the State median income. The last phase would expand eligibility to all four-year-old children in the State. According to the business plan, when fully phased in, Preschool for All would add approximately \$121 million to the State's current annual prekindergarten expenditure and would triple the current number of students. Additionally, under the business plan, local jurisdictions would be required to contribute 30% of the total cost of implementation. MSDE plans to update the business plan in the near future.

In order to pilot the Preschool for All proposal, MSDE used State funds for the Hoyer Program to establish Preschool Services Grants for eight pilot sites around the State to expand prekindergarten to full-day and eligibility to 300% of FPG. A portion of Maryland's \$50 million federal Race to the Top Early Learning Challenge (RTTT-ELC) grant is being used to support five additional Preschool for All sites in Title I attendance areas. MSDE provides \$100,000 to fund 20 full-day slots at each of the total of 13 sites. The grant funds expire in 2015 (fiscal 2016), after which funding must be identified to sustain the additional slots.

Recent Proposals to Expand Prekindergarten

The majority of states offer prekindergarten programs to targeted populations of children. The National Institute for Early Education Research reports that nine states and the District of Columbia have "universal" prekindergarten programs open to all four-year-old children. Legislation has been introduced in Maryland during the last several sessions proposing either to require the State to fund prekindergarten for all four-year-old children, regardless of income level, or to increase the number of children in high-quality early learning programs.

Most recently in 2013, President Obama, Maryland gubernatorial candidates, and others have suggested various proposals to expand publicly funded prekindergarten. Common themes of the proposals include increasing the income eligibility criteria and/or offering full-day prekindergarten (rather than half-day) to some or all eligible four-year-olds (and disadvantaged three-year-olds), as well as phasing in the program over several years. Many of the proposals suggest increasing the income eligibility criteria to children from families whose income is at or below 300% of FPG or to all four-year-old children regardless of income level.

The 2014 issue paper on this topic, which includes a discussion on additional issues related to the expansion of prekindergarten, can be found at the following link: (<http://mgaleg.maryland.gov/pubs/legislegal/2014rs-issue-papers.pdf>).

State Expenditures: General fund expenditures for the prekindergarten expansion program increase by \$4.3 million in fiscal 2015, due to that amount of funding being included in the fiscal 2015 State budget for the program contingent on the enactment of this bill or its cross file. Funds for the program are as provided in the State budget; however, the bill requires the Governor to include at least as much for the prekindergarten expansion grant as was appropriated in the prior fiscal year. Therefore, at least \$4.3 million will be mandated annually beginning in fiscal 2016.

In addition, the Governor may provide funds to MSDE to administer the program; however, no additional funds are provided in the fiscal 2015 State budget nor are these funds mandated. MSDE can administer the new grant at the budgeted \$4.3 million level with existing budgeted resources; however, additional State funds may be needed to administer a larger program or to replace RTTT-ELC grant funds after fiscal 2016.

Other changes made in the bill to the Hoyer Program and grant programs have no fiscal impact.

Small Business Effect: The bill expands the State funds available to private preschool providers, which are generally small businesses; thus, there may be a small business effect.

Additional Information

Prior Introductions: None.

Cross File: HB 297 (The Speaker, *et al.*) (By Request - Administration) - Ways and Means.

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

Fiscal Note History: First Reader - February 11, 2014
mc/rhh Revised - Senate Third Reader - March 17, 2014
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Prekindergarten Expansion Act of 2014

BILL NUMBER: Senate Bill 332/HB 297

PREPARED BY: Governor's Office

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.