

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1476 (Delegate Valentino-Smith, *et al.*)  
 Ways and Means

Education - Supplemental Prekindergarten Grant - Eligibility

This bill establishes a second tier of grant funding under the existing supplemental prekindergarten grant, which terminates after fiscal 2020. Local boards of education that make full-day public prekindergarten available for at least 50% of four-year-olds whose parents enroll them in public prekindergarten (eligible children) receive specified grants in fiscal 2019 and 2020. **The bill takes effect July 1, 2018.**

Fiscal Summary

**State Effect:** General fund expenditures increase by \$13.1 million in FY 2019 and by \$15.7 million in FY 2020. FY 2019 funding is at the discretion of the Governor. **This bill establishes a mandated appropriation for FY 2020.**

| (\$ in millions) | FY 2019  | FY 2020  | FY 2021 | FY 2022 | FY 2023 |
|------------------|----------|----------|---------|---------|---------|
| Revenues         | \$0      | \$0      | \$0     | \$0     | \$0     |
| GF Expenditure   | 13.1     | 15.7     | 0       | 0       | 0       |
| Net Effect       | (\$13.1) | (\$15.7) | \$0.0   | \$0.0   | \$0.0   |

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

**Local Effect:** Dorchester, Prince George’s, Washington, and Wicomico counties receive additional State aid totaling \$13.1 million in FY 2019 and \$15.7 million in FY 2020.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** For each of fiscal 2019 and 2020, the supplemental prekindergarten grant for a Tier II eligible local board equals (1) the State share of the per pupil foundation amount multiplied by the number of full-time equivalent (FTE) eligible children enrolled in a public full-day prekindergarten program on September 30 of the previous school year, multiplied by (2) the percentage of eligible children enrolled in a public full-day prekindergarten program (*i.e.*, the ratio of enrollees in a full-day prekindergarten program to enrollees in a less-than-full-day prekindergarten program).

A local board is eligible for a Tier I supplemental prekindergarten grant if the local board offers a full-day program for *all* four-year-olds who are enrolled in public prekindergarten, as provided in current law.

**Current Law:** Chapters 6 and 607 of 2017 established prekindergarten supplemental grants to eligible local boards of education for fiscal 2018 through 2020. These grants are renamed to be Tier I grants under the bill.

For each of fiscal 2018 through 2020, the supplemental prekindergarten grant for each eligible local board equals the State share of the per pupil foundation amount multiplied by the number of FTE eligible children enrolled in a public full-day prekindergarten program on September 30 of the previous school year. However, the grant program phases in, beginning with a 50% supplemental grant in fiscal 2018, a 75% supplemental grant in fiscal 2019, and a 100% supplemental grant in fiscal 2020. “State share of the per pupil foundation amount” is the State share of the foundation program for a county divided by the county’s FTE (not including prekindergarten FTE).

In order for Baltimore City Public Schools to receive additional State funds, Baltimore City was required to increase its local contribution by specified amounts each year, among other requirements on the Baltimore City Board of School Commissioners and Baltimore City.

### *Publicly Funded Prekindergarten*

Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act, required each local school system to make publicly funded prekindergarten available to economically disadvantaged four-year-old children in the State. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of federal poverty guidelines. If vacancies remain after economically disadvantaged children have been enrolled, local school systems may make prekindergarten available to other children that exhibit a lack of readiness for school. The State provides funding to school systems to support the program through the State compensatory education formula.

Chapter 2 of 2014 expanded prekindergarten services to full day and to additional eligible four-year-old children from families whose income is at or below 300% of federal poverty guidelines by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers.

The State budget has included \$4.3 million for the expansion program in fiscal 2015 through 2017. In 2014, Maryland was also awarded a federal grant that provides \$15.0 million annually through fiscal 2019 to continue the expansion of public prekindergarten. In its grant application, the State committed to matching funds of \$3.7 million in fiscal 2018 and \$7.3 million in fiscal 2019 to provide access to high-quality prekindergarten to families with incomes between 200% and 300% of federal poverty guidelines. Pursuant to Chapters 683 and 684 of 2016, the Governor must include an appropriation in the budget for the amount that the State committed to fund as the State match to the federal grant in addition to the amount required under preexisting law for the State Prekindergarten Expansion Grant Program. Thus, State funding totaled \$8.0 million in fiscal 2018 and totals \$11.6 million in the proposed fiscal 2019 budget.

**Background:** Chapters 6 and 607 of 2017 resulted in prekindergarten supplemental grants to Baltimore City, and Garrett, Kent, and Somerset counties totaling \$10.9 million in fiscal 2018, including \$10.1 million for Baltimore City, \$234,000 for Garrett County, \$73,000 for Kent County, and \$449,000 for Somerset County. Largely due to the phase-in provision, total State funding increases to nearly \$16.0 million in fiscal 2019. These grants are not affected by the bill.

Chapter 288 of 2002 required the State to contract with a consultant to conduct a follow-up study of the adequacy of education funding in the State approximately 10 years after its enactment. Legislation in 2011 and 2012 delayed the beginning of the study and required additional reports to be included in the study, such as a cost-benefit analysis of prekindergarten expansion. Work on the adequacy study began in June 2014, when a contract was awarded to Augenblick, Palaich, and Associates (APA) and its team of researchers that included Picus Odden and Associates and the Maryland Equity Project.

APA's report on prekindergarten expansion in the State was finalized in January 2016. The report recommended that the State offer universal, full-day prekindergarten for four-year-olds in Maryland, by providing funding for 80% of Maryland's four-year-olds to attend either a public prekindergarten program or a private program that has received a rating of Level 5 in Maryland EXCELS (the State's tiered Quality Rating Improvement System for licensed child care centers, family child care providers, and public prekindergarten programs) or has national or State accreditation. The report noted that the 80% target is at the higher end of what is considered "universal," when comparing with other states that have implemented universal prekindergarten. However, after considering the importance of prekindergarten, as evidenced by the literature review included in the

report, and an analysis of the return on investment, the report concluded that increased investment in quality prekindergarten is justified.

Chapter 701 of 2016 established the Commission on Innovation and Excellence in Education to review APA's adequacy study and related reports and, among other charges, make recommendations on expanding prekindergarten, including special education prekindergarten. The commission has requested an additional year in order to fully respond to its charge. In a [preliminary report](#) completed in January 2018, the commission submitted its preliminary policy recommendations (59 in total), including a recommendation to assure that all four-year-olds, regardless of income, have an opportunity to enroll in a full-day program, as well as other recommendations on early childhood education. The commission also stated its intention to work during the 2018 interim to develop greater specificity for each recommendation in order to "cost out" their fiscal impact, thereby allowing the commission to make recommendations for adequate funding in its final 2018 report. For more information on the commission, see the [commission's web page](#).

**State Expenditures:** General fund expenditures for Tier II prekindergarten supplemental grants total \$13.1 million in fiscal 2019, increasing to \$15.7 million by fiscal 2020 based on those counties that qualify for funding and assumed enrollment growth and projected per pupil foundation amounts (as defined by the bill) for qualifying counties. As discussed further below, during the 2017-2018 school year, Dorchester, Prince George's, Washington, and Wicomico counties served less than 100%, but above 50%, of eligible children in full-day prekindergarten. Thus, these counties receive additional State funding under the bill. State funding to local school systems varies considerably by county, due to variation in the State share of the per pupil foundation amount and in the number of four-year-olds enrolled in prekindergarten.

Given the limited two-year time period for Tier II grants, and that most other school systems offer far less than 100% of their prekindergarten program slots as full day, it is assumed that few if any additional school systems will qualify for Tier II grants in fiscal 2020. (The short-term gain in supplemental grants is not expected to incentivize what would amount to long-term investment in universal prekindergarten.)

**Local Fiscal Effect:** Dorchester, Prince George's, Washington, and Wicomico counties receive additional funding in fiscal 2019 and 2020, in the form of Tier II prekindergarten supplemental grants. **Exhibit 1** shows the percentage of prekindergarten students served in a full-day program for each eligible county, as well as the estimated funding received under the bill.

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**Exhibit 1**  
**Tier II Prekindergarten Supplemental Grants**  
**(\$ in Thousands)**

|                 | <b>% Full-day PreK Students</b>     |                       |                       |
|-----------------|-------------------------------------|-----------------------|-----------------------|
|                 | <b><u>2017-2018 School Year</u></b> | <b><u>FY 2019</u></b> | <b><u>FY 2020</u></b> |
| Dorchester      | 81.2%                               | \$712                 | \$750                 |
| Prince George's | 69.6%                               | 9,361                 | 11,011                |
| Washington      | 78.6%                               | 1,891                 | 2,656                 |
| Wicomico        | 58.6%                               | 1,097                 | 1,245                 |
| <b>Total</b>    |                                     | <b>\$13,061</b>       | <b>\$15,662</b>       |

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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