

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 243 (Delegate Hubbard. *et al.*)

Appropriations

Program for Targeted Incentive Grants for Family Supported Early Childhood Education - Establishment

This bill establishes the Program for Targeted Incentive Grants for Family Supported Early Childhood Education. The Office for Children, Youth, and Families (OCYF) is to monitor and supervise the program, which is for “low income families” with children from birth to age six. Local management boards (the local portion of the interagency service delivery system for children) are to evaluate proposals for program grants and recommend the most effective ones to OCYF, which will make the selections. Grant programs are to include a “home visiting arrangement” and the development of language and reading skills and promote long-term family involvement in a child’s education. The bill prohibits program grants from supplanting existing funding for compensatory education programs and requires the Governor to include at least \$6 million in the budget for the program. OCYF is to report to the Governor and the General Assembly by January 1 of each year on the grant programs and by January 1, 2002 on program evaluation.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: General fund expenditures increase by at least \$6.0 million in FY 1999, of which \$35,400 is administrative expenses and the balance is grant awards. Future year expenditures increase with inflation. Revenues would not be affected.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	6.0	6.1	6.2	6.2	6.3
Net Effect	(\$6.0)	(\$6.1)	(\$6.2)	(\$6.2)	(\$6.3)

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

Local Effect: Local government revenues could increase by a significant amount. Any additional workload could be handled with existing budgeted resources.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Expenditures:

Grants

The bill requires the Governor to include at least \$6 million in the budget for the Program for Targeted Incentive Grants for Family Supported Early Childhood Education. It is assumed that these funds would be placed either in the OCYF budget or in the Subcabinet for Children, Youth, and Families interagency fund. Therefore, general fund expenditures could increase by at least \$6.0 million in fiscal 1999, which reflects the bill's July 1, 1998 effective date. Future year expenditures reflect 1% annual inflationary increases.

The bill could result in lower future year educational costs to the extent that fewer remedial and special education services are needed for the children who participate in the Program for Targeted Incentive Grants for Family Supported Early Childhood Education. Any such impact cannot be reliably estimated at this time.

Administrative Expenditures

General fund expenditures in OCYF could increase by an estimated \$35,400 in fiscal 1999, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one Fiscal Specialist to manage the process of sending out requests for proposals, reviewing the proposals, and managing the awarded grants. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Local Revenues: Applicants for the program are defined as a local government agency, local management board, school, nonprofit organization, or other qualified party. Local revenues could increase to the extent that a jurisdiction's proposal is selected to participate in the program.

Local Expenditures: It is assumed that local management boards could handle any additional workload resulting from evaluating program proposals with existing budgeted

resources. Monies from the Subcabinet for Children, Youth, and Families fund are distributed to local management boards to address the service needs of children at risk. Local management boards use these funds to coordinate direct child services at the local level between education, social services, juvenile services, and mental hygiene service agencies. The proposed fiscal 1999 budget for the subcabinet fund includes \$55.8 million for local management boards.

Small Business Effect: Applicants for the program are defined as a local government agency, local management board, school, nonprofit organization, or other qualified party. Small business early childhood education organizations could be favorably affected to the extent that the proposals of non-governmental organizations are selected to participate in the program.

Additional Comments: There were an estimated 182,000 children from birth to age six in Maryland in 1997 who were in families with income at or below 185% of the federal poverty level.

The following programs in the Maryland State Department of Education (MSDE), the Department of Human Resources (DHR), or the subcabinet fund provide funds for preschool services. The bill is silent as to whether the Program for Targeted Incentive Grants for Family Supported Early Childhood Education is a stand-alone program or whether program funds could be used to expand existing preschool service programs that incorporate the same criteria, i.e., serve low-income families with children from birth to age six and provide a home visiting arrangement.

The Infants and Toddlers program coordinates prevention and early intervention services for special needs children and issues formula-based grants to local agencies that administer the program statewide. It was transferred by Chapters 385 and 386 of 1997 from OCYF to MSDE. The program served 6,000 children (from birth to age three) and families in fiscal 1997. Its proposed fiscal 1999 budget totals \$6.2 million (\$5.8 million federal funds and \$0.4 million general funds). There is also \$121,000 (of which \$100,000 is federal funds and \$21,000 is general funds) for the Head Start program.

The Extended Elementary Education Program (MSDE) supports public school prekindergarten for four-year old children who live in low-income areas. The fiscal 1999 budget includes \$19.3 million in general funds for an estimated 273 sites and 10,700 students served.

The Home Instruction Program for Preschool Youngsters (HIPPY) is a home-based early intervention program that helps parents provide education enrichments for their preschool children and stresses the role that parents play in their children's early education. DHR is

required by the Welfare Innovation Act of 1996 to develop a HIPPIY pilot program for a period of three years. DHR's proposed fiscal 1999 budget includes \$30,000 for the third year for the Wicomico County pilot site.

MSDE's compensatory aid formula does not serve preschool children. It distributes aid to local school boards based on the number of students from economically disadvantaged environments. The primary factor in the formula is the number of children ages 5-17 living in poverty. The proposed fiscal 1999 budget includes \$101.7 million in general funds for compensatory education grants that serve an estimated 40,000 children.

Information Source(s): Office of Children, Youth, and Families; Department of Legislative Services; Maryland State Department of Education; U.S. Bureau of the Census/Office of Planning *Estimates of the Population of the U.S. and States by Single Year of Age and Sex*; Department of Budget and Management; Johns Hopkins School of Hygiene and Public Health

Fiscal Note History: First Reader - February 11, 1998

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