

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE

House Bill 1003 (Delegate Shriver)

Ways and Means

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**Education - Full Day Kindergarten and Prekindergarten Programs - Establishment**

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This bill requires local boards of education to establish full-day kindergarten programs. In addition, local boards must provide full-day prekindergarten programs at no charge to all children who are at least four years old and under the age of five on or before December 31 of each year, by the 2004-2005 school year. Beginning in fiscal 2002, the Governor must include in the State budget \$1,750 for every student who is voluntarily enrolled in a full-day prekindergarten program.

The bill also alters the definition of full-time equivalent student for the purpose of calculating State education aid by basing the enrollment count on the total number of students enrolled in kindergarten programs.

The bill takes effect July 1, 2000.

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**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$82 million in FY 2001. Future year expenditures reflect student enrollment growth, phase-in of prekindergarten grants, and teachers' retirement payments. Revenues would not be affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	82.0	94.4	121.9	137.4	153.0
Net Effect	(\$82.0)	(\$94.4)	(\$121.9)	(\$137.4)	(\$153.0)

Note: ( ) = decrease; GF = general funds

**Local Effect:** Local school operating expenditures could increase by at least \$147.8 million

in FY 2001, which is based on establishing full-day kindergarten programs in all schools and the phase-in of full-day prekindergarten programs. State aid to local school systems could increase by approximately \$82 million in FY 2001. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Meaningful impact on small businesses.

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## Analysis

**Current Law:** State education aid under the basic current expense formula distributes funding on the basis of enrollment and wealth. The student enrollment count includes one-half of the number of students enrolled in kindergarten programs, except in Garrett County where the student count includes the full number. In addition, prekindergarten students are not included in the enrollment count.

**Background:** Approximately 56,500 children attend public school kindergarten programs. Most local school systems operate half-day kindergarten programs. For the 1998-1999 school year, 9,335 students attended full-day kindergarten programs. Most of these students were in Baltimore, Calvert, Caroline, Garrett, and Prince George's counties. All kindergarten students in Caroline and Garrett counties attend a full-day program.

Approximately 19,300 children attend public school prekindergarten programs. Maryland's Extended Elementary Education Program (EEEP) provides \$19.3 million in State funding to pay for 11,000 spaces in public prekindergarten programs. Title 1 funding provides an additional \$6.2 million for these programs.

**State Fiscal Effect:** General fund expenditures increase by \$82 million in fiscal 2001. Future year expenditures increase to \$153 million in fiscal 2005.

### *Full-Day Kindergarten Program*

State aid to local boards of education under the basic current expense formula would increase by \$57.5 million in fiscal 2001. This estimate is based on an additional 28,288 students being added to the FTE enrollment count and an average per pupil State grant under the current expense formula in fiscal 2001 of \$2,034. Future year expenditures, as shown in **Exhibit 1**, reflect increases in student enrollment and the basic current expense foundation amount.

**Exhibit 1**  
**Increase in State Aid Under Basic Current Expense Formula**  
**(\$ in millions)**

Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
\$57.5	\$60.0	\$62.9	\$65.8	\$68.6

*Prekindergarten Programs*

Based on federal census data, there are approximately 63,800 four-year old children who would be eligible to attend a public school prekindergarten program. Currently, 19,300 (30%) of these children attend public school prekindergarten programs. By the fiscal 2004-2005 school year, local boards must provide full-day prekindergarten programs to all eligible children at no charge. Assuming 75% of eligible children would attend public prekindergarten programs, an additional 28,550 children would be served by these programs for a total of 47,850 students.

The State is required to provide local school systems with \$1,750 per student enrolled in a full-day prekindergarten program, which would total \$83.7 million when the prekindergarten programs are fully implemented in fiscal 2005. Since the State already provides \$19.3 million under EEEP, general fund expenditures would increase by \$64.4 million annually beginning in fiscal 2005. **Exhibit 2** shows the projected increase in State expenditures based on a five-year phase-in.

**Exhibit 2**  
**Projected Increase in State Expenditures for Prekindergarten Programs**  
**(\$ in millions)**

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Students	25,000	30,700	36,400	42,100	47,850
\$1,750 Grant	\$43.8	\$53.7	\$63.7	\$73.7	\$83.7
Existing EEEP Aid	(\$19.3)	(\$19.3)	(\$19.3)	(\$19.3)	(\$19.3)
Increased State Aid	\$24.5	\$34.4	\$44.4	\$54.4	\$64.4

*Retirement Payment*

The State is responsible for paying the teachers' retirement costs for certain school employees. Since the State payments for teachers' retirement costs are based on the teacher's salary base in the second prior year, State expenditures would not increase until fiscal 2003. Based on an increased teacher salary base of \$133 million and a 10.95% contribution rate, State expenditures would increase by \$14.6 million beginning in fiscal 2003.

*Summary of State Expenditures*

**Exhibit 3** shows the projected increase in State expenditures for fiscal 2001 through fiscal 2005.

**Exhibit 3**  
**Projected Increase in Total State Expenditures**  
**(\$ in millions)**

	<b>Fiscal 2001</b>	<b>Fiscal 2002</b>	<b>Fiscal 2003</b>	<b>Fiscal 2004</b>	<b>Fiscal 2005</b>
Current Expense Aid	\$57.5	\$60.0	\$62.9	\$65.8	\$68.6
Pre-K Grants	\$24.5	\$34.4	\$44.4	\$54.4	\$64.4
Retirement	\$0.0	\$0.0	\$14.6	\$17.2	\$20.0
<b>Total</b>	<b>\$82.0</b>	<b>\$94.4</b>	<b>\$121.9</b>	<b>\$137.4</b>	<b>\$153.0</b>

**Local Fiscal Effect:** State aid to local school systems could increase by approximately \$82 million in 2001 and \$133 million in fiscal 2005. The increased State aid would offset a portion of the local school expenditures.

Local school operating expenditures could increase by at least \$147.8 million in fiscal 2001, which is based on establishing full-day kindergarten programs in all schools and the phase-in of full-day prekindergarten programs. By fiscal 2005, local school operating expenditures could total approximately \$264.8 million. This estimate is based on a projected \$3,790 local average per pupil instructional cost in fiscal 2001. **Exhibit 4** shows the projected cost for full-day kindergarten programs and the phase-in cost for prekindergarten programs and estimated increases in State education aid.

**Exhibit 4**

**Increased Local Cost for Kindergarten and Prekindergarten Programs  
(\$ in millions)**

<b><u>FY</u></b>	<b>Cost of Full-day Kindergarten Programs</b>	<b>Cost of Full-Day Pre-K Programs</b>	<b>Total Expenditure Increase</b>	<b>Increase in State Aid</b>	<b>Net Increase on Local School Expenditures</b>
2001	\$89.6	\$58.2	\$147.8	\$82.0	\$65.8
2002	\$93.0	\$81.9	\$174.9	\$94.4	\$80.5
2003	\$96.4	\$106.9	\$203.3	\$107.3	\$96.0
2004	\$100.0	\$133.2	\$233.2	\$120.2	\$113.0
2005	\$103.8	\$161.0	\$264.8	\$133.0	\$131.8

To accommodate the additional kindergarten and prekindergarten programs, local school systems may have to construct additional classrooms. The cost to construct an additional classroom totals approximately \$180,000. This cost could be lower if local boards purchased a portable classroom.

**Small Business Effect:** Approximately 41,000 children attend nonpublic prekindergarten programs, which accounts for 70% of children in prekindergarten programs. This bill would reduce the demand for nonpublic prekindergarten programs by providing universal free public prekindergarten programs by the 2004-2005 school year. Currently, public schools enroll approximately 75% of children that are in kindergarten programs and private schools enroll about 25%. By providing for free universal full-day public prekindergarten programs, many parents would begin to enroll their children in public programs. It is estimated that about 28,500 children would withdraw from nonpublic programs and enroll in public programs, resulting in a 70% decrease in nonpublic enrollment.

There are about 12,100 family child care providers serving 81,000 children and 2,300 licensed child care group centers serving 120,000 children in Maryland. A preschool program costs about \$100 a week or \$3,600 per child for the duration of the school year (36 weeks). On average, the annual salary for a family child care provider totals \$16,100.

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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