

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 557 (Delegate Gordon, *et al.*)
 Ways and Means

Education - Admission of Students to Kindergarten - Age Requirements

This bill requires students entering kindergarten:

- in 2001 to be five years old by November 30, 2001;
- in 2002 to be five years old by October 31, 2002;
- in 2003 to be five years old by September 30, 2003; and
- in 2004 and each year thereafter to be five years old by the first day of school.

The bill also provides for a hold harmless grant in fiscal 2003 through 2015 to offset the decrease in State aid under the current expense formula resulting from declines in student enrollment associated with the changes in kindergarten eligibility.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: General fund expenditures would decrease by \$194,300 in FY 2003 and by \$29.6 million in FY 2006. No effect on revenues.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	(.19)	(5.81)	(17.34)	(29.63)
Net Effect	\$0	\$.19	\$5.81	\$17.34	\$29.63

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

Local Effect: State education aid would decrease by \$194,300 in FY 2003 and by \$29.6 million in FY 2006. Local school expenditures could decrease due to the declines in student enrollment.

Small Business Effect: Meaningful.

Analysis

Current Law: Children admitted to kindergarten must be five years old by December 31 of the year in which they apply for entrance (COMAR 13A.01.01.02). A local board of education may adopt regulations permitting a four-year-old child, upon request by the parent or guardian, to be admitted to kindergarten if the local superintendent determines that the child demonstrates capabilities warranting early admission.

State Expenditures: General fund expenditures would decrease due to the decline in student enrollment. Several State education programs, most notably the current expense formula, provide aid to local school systems based on enrollment. Lower enrollments would result in reduced State funding for education. The hold harmless grant provided under this bill would offset some of the decreases in State education aid.

Current Expense Formula

The current expense formula ensures a minimum level of per pupil funding, \$4,124 in fiscal 2002, to be shared by the State and local school systems. In total, the State pays just over 50% of the per pupil foundation amount (\$2,093 in fiscal 2002), with local school systems contributing the remainder. Student enrollment from September 30 of the prior fiscal year is used to determine grant amounts for a given fiscal year; therefore, the bill has no effect in fiscal 2002. **Exhibit 1** shows the projected full-time equivalent (FTE) enrollment reductions resulting from the bill and the corresponding decreases in State funding.

Exhibit 1
Estimated Enrollment and State Expenditure Reductions Resulting from HB 557
FY 2002 to FY 2007

School Year	Affected Fiscal Year	<u>Estimated Enrollment Change</u>					FTE Change	Per Pupil State Aid	State Expenditures
		K	Grade 1	Grade 2	Grade 3	Grade 4			
2000-01	2002	0	0	0	0	0 =	0	\$2,093	\$0
2001-02	2003	-4,695	0	0	0	0 =	-2,362	\$2,166	(\$5.1 million)
2002-03	2004	-4,705	-4,695	0	0	0 =	-7,062	\$2,278	(\$16.1 million)
2003-04	2005	-4,719	-4,705	-4,695	0	0 =	-11,775	\$2,388	(\$28.1 million)
2004-05	2006	-4,715	-4,719	-4,705	-4,695	0 =	-16,492	\$2,474	(\$40.8 million)
2005-06	2007	0	-4,715	-4,719	-4,705	-4,695 =	-18,835	\$2,530	(\$47.7 million)

Note: Kindergarten Students are counted as 0.5 FTE except in Garret County where they are counted as 1.0 FTE. Students in all other grades are counted as 1.0 FTE.

As shown in Exhibit 1, the bill would send a four-year “ripple” through school enrollments, with each of the four affected classes, those that enter kindergarten in calendar 2001 through 2004, containing students with birthdays over an 11-month period rather than a full 12-month period. At the beginning of the 2005-2006 school year, kindergarten classes would again contain students born during a 12-month period. The enrollment ripple would work itself out of the school system by June 2017, when the last 11-month class would be due to graduate. Until then, total enrollments would be less than enrollments under current law.

Hold Harmless Grant

The fiscal 2003 hold harmless grants provide local school systems with the State share of the basic current expenses in the system times half of the decrease in kindergarten students from September 2000 to September 2001. In fiscal 2004 and beyond, local school systems would receive the State share of the basic current expenses times the full decrease in kindergarten students from September 2000 to September 2001. **Exhibit 2** shows the combined State effect of the decreases in expenditures for the State share of the basic current expenses and increases in expenditures for the hold harmless grant.

Exhibit 2
Effect on State Expenditures of HB 557, FY 2003 to FY 2006

<u>State Aid Program</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Current Expense Formula	(\$5.1 million)	(\$16.1 million)	(\$28.1 million)	(\$40.8 million)
Hold Harmless Grant	4.9 million	10.3 million	10.8 million	11.2 million
State Expenditures	(\$0.2 million)	(\$5.8 million)	(\$17.3 million)	(\$29.6 million)

Note: This estimate does not include the effect on expenditures for other State aid programs affected by enrollment reductions.

Reductions in Funding from Other State Education Grants

Other State education aid programs that would be impacted by decreases to student enrollment are the student transportation grants and the targeted improvement grants. The expenditure reductions for these grants cannot be reliably predicted but would be less significant than the reductions to the current expense formula.

Student Transportation

Student transportation grants provide additional State funding for local school systems with increasing enrollments (approximately \$147 for each additional FTE student in fiscal 2002). The grants do not decrease if enrollments decrease, but school systems with increasing enrollments would not receive the same level of State funding increases with the reduction in enrollments. State transportation aid also provides \$500 per disabled student transported over the number of disabled students transported in the 1980-1981 school year. State expenditures would decrease with a decrease to the number of disabled students transported.

Targeted Improvement Grants

Targeted improvement grants provide State funding based on the number of students eligible for free and reduced priced meals. This population would presumably decline with overall enrollment decreases, thereby lowering State expenditures.

Local Revenues: Local revenues from State education aid programs would decrease due to declines in student enrollment. The revenue losses would be partially offset by the hold harmless grant provided in the bill.

Local Expenditures: Local school expenditures could decrease due to decreases in enrollments. Any potential cost savings, however, could be diminished by a potential increase in the number of new students entering pre-kindergarten programs. Approximately 20,000 students attend public pre-kindergarten programs, and 40,000 children attend nonpublic pre-kindergarten programs. This bill could result in an increase in the number of students using public school pre-kindergarten programs. The School Accountability Funding for Excellence (SAFE) legislation provides \$19.3 million annually for the Extended Elementary Education Programs, a public school pre-kindergarten program for four-year-old children identified as having a high potential for failure in school. This funding sunsets following fiscal 2002. In addition, the proposed fiscal 2002 budget includes \$19 million for the Maryland State Department of Education (MSDE) for pre-kindergarten and early elementary education programs. All 24 school systems provide some public pre-kindergarten programs.

Additional Comments: In November 2000 a random sample of approximately 30% of kindergarten students from Maryland's 24 local school systems were assessed for their level of kindergarten readiness using the Work Sampling System, an assessment tool developed with the cooperation of MSDE to be used in conjunction with the Maryland Model for School Readiness. Students were tested in seven different developmental categories: social and personal, language and literacy, mathematical thinking, scientific

thinking, social studies, the arts, and physical development. The assessment scores will act as baseline data for future efforts to ensure that the State’s children enter school ready to learn. The percentages of students who were assessed at the “full readiness,” “approaching readiness,” and “developing” levels within each category are shown in **Exhibit 3**. MSDE has proposed that all kindergarten students be assessed in future years.

Exhibit 3
Work Sampling System Assessments, November 2000

Developmental Area	School Readiness		
	Full Readiness	Approaching Readiness	Developing
Social and Personal	48.3%	41.7%	10.0%
Language and Literacy	34.7%	48.0%	17.3%
Mathematical Thinking	34.7%	50.8%	14.5%
Scientific Thinking	20.5%	59.6%	19.9%
Social Studies	33.8%	57.3%	8.9%
The Arts	43.2%	50.5%	6.4%
Physical Development	50.9%	43.9%	5.2%
Composite Score	40.1%	50.3%	9.6%

Source: Maryland State Department of Education

Small Business Effect: 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 per week, or about \$4,000 per child for the duration of the school year. Unless local school systems expand current pre-kindergarten programs, about 4,700 additional children annually may require child care services. The aggregate cost for the additional child care programs would be about \$18.8 million a year. Increased demand may also drive up the cost for existing small business providers.

Additional Information

Prior Introductions: HB 124 of 2000 would have required a child to be five years old on or before the first day of school to attend kindergarten. The bill received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

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

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jm/jr

Analysis by: Mark W. Collins

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510