

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 857 (Delegate Carter, *et al.*)
 Ways and Means

Education - Bridge to Excellence in Education Act - Compensatory Education Grants Program - Additional Funding for Infants and Toddlers Programs

This bill requires local boards of education to make publicly-funded infants and toddlers programs available to all economically disadvantaged children under the age of four by the 2007-2008 school year. Local boards must develop infants and toddlers service plans in consultation with the providers of infants and toddlers services in the county. To help local school systems pay for the programs, the compensatory education formula per pupil State aid amount is enhanced from 97% to 109% of the annual per pupil foundation amount.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$43.4 million in FY 2004 to provide additional State aid through the compensatory education formula. Future year expenditure increases reflect enhanced per pupil aid amounts funded through the formula. Revenues would not be affected.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	43.4	58.7	73.6	89.7	106.9
Net Effect	(\$43.4)	(\$58.7)	(\$73.6)	(\$89.7)	(\$106.9)

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

Local Effect: Local school expenditures would increase by an estimated \$220.8 million in FY 2008 to provide the required programs for infants and toddlers. The increase would be partially offset by an estimated \$106.9 million increase in State aid for local school systems in FY 2008. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

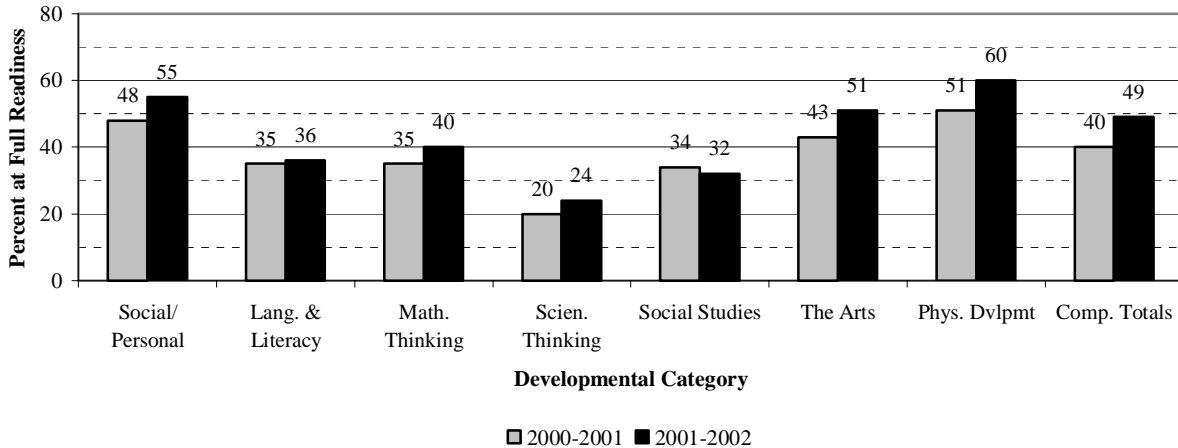
Current Law: Local school systems are required to make publicly-funded prekindergarten programs available to economically disadvantaged four-year old children by the 2007-2008 school year. The compensatory education formula provides State aid to school systems based on the number of students eligible for free and reduced price meals enrolled in the system. The 97% “weight” for the formula includes funding for expenses associated with the required prekindergarten programs.

The State provides aid for several early childhood intervention programs, including the extended elementary education program (\$19.3 million in the proposed fiscal 2004 State budget), the infants and toddlers program (\$5.2 million), Headstart (\$3 million), and the Judith P. Hoyer Program (\$10.6 million).

Background: One of the recommendations of the Thornton Commission was to require local school systems to provide prekindergarten programs for economically disadvantaged families. The recommendation was made with an appreciation of the growing body of research that demonstrates the importance of quality early childhood educational experiences. In addition, education experts who contributed to the professional judgement adequacy study that was conducted for the commission emphasized early educational programs in designing programs that would adequately serve Maryland’s students. The commission’s prekindergarten recommendation was enacted in the Bridge to Excellence in Public Schools Act of 2002 (Senate Bill 856/Chapter 288), which requires local school systems to make publicly-funded prekindergarten programs available to economically disadvantaged four-year old children by the 2007-2008 school year.

With the help of funds provided by the State through the extended elementary education program, local school systems already provide prekindergarten to a significant number of economically disadvantaged children. There is some evidence that this has begun to benefit students as they enter kindergarten. **Exhibit 1** displays data from the first two years of school readiness assessments conducted in public kindergarten programs. The chart shows that the percentage of students at full readiness increased in six of the seven developmental categories from the 2000-2001 school year to the 2001-2002 school year. The composite score also showed an increase, from 40% to 49% of kindergarten students at full readiness. Kindergarten students will continue to take the assessments in coming years.

Exhibit 1
Percentage of Kindergarten Students Scoring at the Full Readiness Level
2000-2001 and 2001-2002 School Years



Source: Maryland State Department of Education

The new compensatory education formula enacted by the Bridge to Excellence in Public Schools Act will begin distributing aid in fiscal 2004, and the State budget includes \$350.8 million for the program.

State Expenditures: General fund expenditures for State aid to local school systems would increase by an estimated \$43.4 million in FY 2004 due to the increase in the “weight” used for the compensatory education formula. The increase in expenditures would escalate to an estimated \$106.9 million by fiscal 2008, when the phase-in of the new formula is complete.

The State impact includes the estimated effect on compensatory education grants to local school systems as well as teachers’ retirement payments that are paid by the State on behalf of local school systems. Retirement payments are calculated from salary bases in the second prior fiscal year. Assuming a portion of the increased compensatory education aid will pay for teachers’ salaries, State paid retirement costs would increase beginning in fiscal 2006. The estimated impacts on compensatory education aid and on teachers’ retirement payments are shown in **Exhibit 2**.

Exhibit 2
State Aid Increases Under House Bill 857
Fiscal 2004 to 2008
(\$ in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Comp. Education Increase	\$43.4	\$58.7	\$71.0	\$86.2	\$102.7
Teachers' Retirement Increase	<u>0.0</u>	<u>0.0</u>	<u>2.6</u>	<u>3.5</u>	<u>4.2</u>
Total Cost	\$43.4	\$58.7	\$73.6	\$89.7	\$106.9

Local Revenues: Local school revenues would increase in every county due to enhanced State aid distributed through the compensatory education formula. The increases are estimated at \$43.4 million in fiscal 2004 and \$106.9 million in fiscal 2008, when the compensatory education formula is scheduled for full implementation. The estimated county-by-county fiscal 2004 to 2008 impact of the bill is shown in **Exhibit 3**. The projected increases shown in the exhibit include direct aid to local school systems, which makes up the majority of the effect, as well as increases to teachers' retirement payments.

Local Expenditures: Local school expenditures would increase by an estimated \$220.8 million in fiscal 2008 if all children from eligible families entered publicly-funded infants and toddlers programs. Costs could be incurred earlier if local school systems begin to phase in programs for infants and toddlers prior to the mandated schedule. The increased local expenditures would be partially offset by increased revenues collected from the State. The estimated differences between the increased State aid amounts and increased local expenses are shown in **Exhibit 4**. The estimates were calculated using the following information and assumptions.

- The number of eligible children for each county was estimated using 2000 census data and the estimated fiscal 2008 percentage of public school students eligible for free and reduced price meals.
- The cost per eligible child was estimated using the average weekly cost of family child care for children birth to age two of \$115.70. Assuming that programs would be mandated for 42 weeks per year (during the normal school year) and that only half-day programs would be required, the cost per child was estimated at \$2,430 annually.

To the extent that some families opt to care for their children at home or through other means, costs would be reduced. However, it is unlikely that the increases in State aid provided by this bill would cover all costs associated with programs for infants and

toddlers. Local costs could be paid with increased local school board appropriations or reduced allocations for other school initiatives.

The estimated increases in local school expenditures do not include potential capital costs that could be incurred to provide programs for economically disadvantaged infants and toddlers. It is assumed, however, that local school systems would make use of existing day care programs to the extent that appropriate placements are available in the jurisdiction.

Small Business Effect: Small business daycare providers could benefit significantly from the legislation due to the requirement that local boards of education make infants and toddlers programs available to all economically disadvantaged children. It is assumed that local school boards would use a significant number of private providers and pay the tuition costs for eligible children in their district. Under current law, parents who cannot afford private daycare must find some other way to provide for young children's care. With local boards paying the costs, there could be a significant increase in the number of children enrolling in daycare programs.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 24, 2003
lc/hlb

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Exhibit 3
Increases in State Education Aid Under House Bill 857
Fiscal 2004 to 2008
(\$ in Thousands)

<u>County</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Allegany	\$981	\$1,259	\$1,562	\$1,863	\$2,172
Anne Arundel	1,252	1,747	2,323	3,037	3,806
Baltimore City	15,957	19,903	24,268	28,639	32,887
Baltimore	3,500	4,800	6,065	7,854	9,852
Calvert	326	437	532	619	713
Caroline	515	638	794	957	1,111
Carroll	373	496	607	714	822
Cecil	597	802	1,010	1,199	1,413
Charles	856	1,175	1,462	1,760	2,075
Dorchester	384	486	596	691	808
Frederick	721	957	1,175	1,384	1,617
Garrett	305	388	474	546	617
Harford	1,073	1,430	1,748	2,062	2,378
Howard	496	694	943	1,263	1,609
Kent	110	141	186	238	290
Montgomery	2,497	4,369	5,761	7,583	9,444
Prince George's	10,163	14,309	18,268	22,251	26,804
Queen Anne's	137	171	207	253	301
St. Mary's	548	711	865	993	1,122
Somerset	372	509	639	764	929
Talbot	109	192	254	335	419
Washington	949	1,266	1,562	1,842	2,152
Wicomico	1,015	1,456	1,873	2,317	2,873
Worcester	188	324	426	554	686
Total	\$43,425	\$58,662	\$73,600	\$89,720	\$106,901

Note: These estimates assume the Bridge to Excellence in Public Schools Act of 2002 (SB 856) is fully-funded by fiscal 2008.

Exhibit 4
Estimated Annual Local Costs to Provide Infants and Toddlers Services
(\$ in Thousands)

<u>County</u>	<u>Estimated Number of Eligible Children</u>	<u>Estimated Cost to Serve Children</u>	<u>Estimated FY08 Increases in State Funding</u>	<u>Estimated Local Cost</u>
Allegany	1,358	\$3,300	\$2,172	\$1,128
Anne Arundel	4,516	10,974	3,806	7,168
Baltimore City	22,433	54,512	32,887	21,625
Baltimore	11,370	27,629	9,852	17,777
Calvert	490	1,191	713	478
Caroline	658	1,599	1,111	488
Carroll	693	1,684	822	862
Cecil	1,088	2,644	1,413	1,231
Charles	1,536	3,732	2,075	1,658
Dorchester	642	1,560	808	752
Frederick	1,362	3,310	1,617	1,692
Garrett	597	1,451	617	834
Harford	2,299	5,587	2,378	3,208
Howard	1,572	3,820	1,609	2,211
Kent	287	697	290	407
Montgomery	10,527	25,581	9,444	16,136
Prince George's	22,503	54,682	26,804	27,879
Queen Anne's	254	617	301	317
St. Mary's	992	2,411	1,122	1,288
Somerset	640	1,555	929	626
Talbot	465	1,130	419	711
Washington	2,046	4,972	2,152	2,820
Wicomico	1,925	4,678	2,873	1,805
Worcester	599	1,456	686	770
Total	90,852	\$220,770	\$106,901	\$113,870