

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 Third Reader

House Bill 668  
 Appropriations

(Delegates Rosenberg and Platt)

Budget and Taxation

**Preschool Development Grants - Expansion Grants - Required State Funding**

This bill requires the Governor, in each fiscal year in which the Maryland State Department of Education (MSDE) receives an expansion grant through the federal Preschool Development Grant Program, to include an appropriation of State funds equal to the amount that the State committed to fund as the state match in its application to the U.S. Department of Education. The appropriation is in addition to the amount required under current law for the State Prekindergarten Expansion Grant Program.

The bill takes effect July 1, 2016.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$3.7 million in FY 2018 and \$7.3 million in FY 2019, which reflects the matching fund commitment in the State’s federal grant application, with corresponding increases in special fund revenues and expenditures. **This bill establishes a mandated appropriation in FY 2018 and 2019.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	\$0	\$3.7	\$7.3	\$0	\$0
GF Expenditure	\$0	\$3.7	\$7.3	\$0	\$0
SF Expenditure	\$0	\$3.7	\$7.3	\$0	\$0
Net Effect	\$0.0	(\$3.7)	(\$7.3)	\$0.0	\$0.0

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

**Local Effect:** Local school system revenues for prekindergarten programs may increase due to the increase in State funds available for the program. Expenditures for prekindergarten programs increase proportionately.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law/Background:** Pursuant to Chapter 288 of 2002, each local school system must 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.

Chapter 2 of 2014 expanded prekindergarten services 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. Pursuant to Chapter 2, if funds are provided for the Prekindergarten Expansion Grant Program in the State budget, then at least the same amount must be provided in subsequent years. The fiscal 2015 budget included \$4.3 million for the expansion program, thus, at least \$4.3 million must be provided annually. The bill also established the Prekindergarten Expansion Fund, which is administered by MSDE. The fund consists of money appropriated to the fund in the State budget and any other money accepted for the benefit of the fund from any other source. The fund may only be used for grants made by MSDE for the program.

In 2014, Maryland was also awarded a federal grant that provides \$15 million annually through fiscal 2019 to continue the expansion of public prekindergarten. In its grant application, the State committed to matching funds of \$3,672,000 in fiscal 2018 and \$7,344,000 in fiscal 2019 to provide access to high-quality prekindergarten to families with incomes between 200 and 300% of federal poverty guidelines. The application further indicated that the funds would serve approximately 500 four-year-olds in fiscal 2018 and approximately 1,000 four-year-olds in fiscal 2019.

To ensure that funding is used to advance high-quality programs, in order to be eligible for grants, a program must be (1) a prekindergarten program operated by a local education agency; (2) a licensed program that is MSDE-certified as a nursery school; (3) a program with State or national accreditation; or (4) a licensed program that is published at Level 5, the highest level on MD EXCELS (the State's tiered Quality Rating Improvement System for licensed child care centers, family child care providers, and public prekindergarten programs).

## *Preschool in Maryland*

According to MSDE, 52,908 four-year-old children were enrolled in prekindergarten during the 2014-2015 school year. Baltimore, Montgomery, and Prince George's counties have the highest enrollments, along with Baltimore City. Approximately half of the children are in public prekindergarten programs, with the remainder in private child care centers (40.9%) or family child care homes (8.8%).

## *School Readiness*

Publicly funded prekindergarten is part of the State's initiative that all children enter kindergarten ready to learn. Based on the Kindergarten Readiness Assessment, (KRA) administered to all kindergarteners entering public school during the 2014-2015 school year, 47% of all Maryland public school children displayed the foundational skills indicating they were fully ready for kindergarten. Of children enrolled in state prekindergarten programs, 46% demonstrated readiness. The KRA used in this school year builds on the prior statewide kindergarten assessment tool and is part of the new Ready for Kindergarten: Maryland's Early Childhood Comprehensive Assessment System that was developed to align with Maryland's more rigorous PreK-12 College- and Career-Ready Standards.

**State Expenditures:** General fund expenditures increase by \$3,672,000 in fiscal 2018 and by \$7,344,000 in fiscal 2019. These numbers reflect the matching funds that were pledged as part of the State's application to the U.S. Department of Education. For purposes of this estimate, it is assumed that the funds will be distributed to grantees pursuant to the Prekindergarten Expansion Fund, as created by Chapter 2 of 2014. Accordingly, special fund revenues and expenditures increase correspondingly.

**Small Business Effect:** Potential meaningful to the extent that private prekindergarten programs are awarded grants due to the expanded State funding available for qualified prekindergarten providers.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 584 (Senator King, *et al.*) - Budget and Taxation.

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

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