

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1374
Ways and Means

(Delegate Ghrist, *et al.*)

Prekindergarten - 3-Year-Olds - Private Providers (Parental Choice for
Prekindergarten Act)

This bill shifts priority in expanding prekindergarten slots from specified three- and four-year-olds to specified four-year-olds only. Repealed is the requirement that the proportion of enrolled Tier I children who are three years old must increase annually until all such children are enrolled in a full-day prekindergarten program. The bill alters the definition of “Tier I child” for purposes of the full-day prekindergarten funding formula to specify that eligible three-year-olds are those who, among other current law specifications, reside in a county in which an eligible private provider elects to enroll three-year-olds in its prekindergarten program and whose family elects to enroll the child in full-day prekindergarten with an eligible private provider. Accordingly, public providers may no longer serve three-year-olds; however, eligible private providers who enter into a memorandum of understanding (MOU), as specified, are authorized to enroll a Tier I child who is three years old and receive formula aid funding equivalent to other private and public providers that serve four-year-olds. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: State expenditures are not significantly affected, as overall prekindergarten enrollment is not expected to change substantially. Revenues are not affected.

Local Effect: Impacts on overall enrollment of prekindergartners in public schools are assumed to be minimal, and to vary somewhat by school system. Thus, State and county funding for public schools is not significantly affected. Administrative costs for some school systems may increase minimally.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: Tier I three-year-olds who enroll with private providers under the bill count toward the current law targets for the minimum percentage of full-day prekindergarten slots that are filled by private providers.

The Maryland State Department of Education (MSDE) must notify local health departments and local departments of social services if eligible private providers in a county have elected to enroll Tier I three-year-olds to enable these local entities to provide notice of this to parents of children who will be three years old by September 1 of the next academic year.

Eligible private providers serving Tier I three-year-old children must meet general requirements of the full-day prekindergarten program and enter into an MOU that governs the responsibilities of the private provider, MSDE, and the local board toward these children. The MOU must cover (1) distribution of funds consistent with current formula aid law and (2) notification to MSDE and the local board by the private provider about the number of Tier I three-year-old slots used by the provider and the time period relevant to the enrollment of these children.

The bill does not apply to a child who is three years old and either is already enrolled in publicly provided prekindergarten with an eligible public provider or is scheduled, on or before June 30, 2025, to be enrolled in publicly provided prekindergarten with an eligible public provider for the 2025-2026 school year.

Current Law: The full-day prekindergarten funding formula provides State and local funding for voluntary full-day prekindergarten for (1) children who are three or four years old from low-income families and homeless youths and whose family income is less than or equal to 300% of the federal poverty level (FPL) (Tier I children) and (2) four-year-olds from families whose income is – for fiscal 2026 funding – between 300% and 360% of FPL, and beginning fiscal 2027 between 300% and 600% of FPL (Tier II students).

There is no family share for Tier I students. For Tier II students, a sliding scale developed by MSDE determines the family share. For four-year-olds from families with income above 600% (Tier III), the family share covers the full cost of full-day prekindergarten. However, a local board may provide up to 100% of the family share on behalf of the family. Local governments are required to fund the local share of the full-day prekindergarten program. The funding formula for full-day prekindergarten is based in part on the per pupil amount. The per pupil amount is \$14,473 for fiscal 2026, escalates to \$19,950 in fiscal 2027 and 2028, and increases annually by inflation beginning in fiscal 2029.

Beginning in the 2024-2025 school year, prekindergarten slots provided by eligible private providers must account for at least 10% of the total prekindergarten slots provided by eligible prekindergarten providers in each county. The proportion of eligible private provider prekindergarten slots in each county increases by 10 percentage points every school year, until, in the 2028-2029 school year, and each subsequent school year, eligible private provider prekindergarten slots account for at least 50% of eligible prekindergarten provider prekindergarten slots in each county.

Priority in expanding full-day prekindergarten slots is given to three- and four-year-olds who are Tier I children, children with disabilities regardless of family income, and children living in homes where English is not the primary spoken language. The proportion of enrolled Tier I children who are three- and four-year-olds must increase annually until all such children are enrolled in a full-day prekindergarten program.

A local department of social services or a local health department must provide a parent or guardian with notice that their child may be eligible for publicly funded prekindergarten programs if the parent or guardian (1) applied for economic services with the local department of social services or the local health department and (2) has a child who will be three or four years old by September 1 of the next academic year.

Public and private providers must meet specified requirements to be eligible to participate in the publicly funded full-day program. Each local board of education must enter into an MOU with MSDE, each eligible private provider participating in publicly funded prekindergarten in the county, and other applicable government agencies.

State Expenditures: MSDE assumes that the bill does not have a significant impact on full-day prekindergarten enrollment in the State. The Department of Legislative Services (DLS) concurs. DLS is not aware of any aspect of current law that would prevent a qualified private provider from focusing on Tier I three-year-olds and, thus, qualifying for funding through the full-day prekindergarten aid program. (Data provided by MSDE on prekindergarten in the State, generally, indicates that, even though a greater *number* of three-year-old students are served by public providers than by private providers, three-year-olds comprise a considerably greater share of total students served by private providers (about 44%) than by public providers (about 15%.) Further, it is assumed that an increased priority placed on four-year-olds under the bill for the full-day program as a whole does not substantially alter the overall numbers of students to be funded statewide.

Local Fiscal Effect: The impact of the bill on the local (county government) share of full-day prekindergarten is assumed to be minimal and cannot be precisely estimated. Increased prioritization of specified four-year-olds for the full-day prekindergarten program as a whole is assumed to be offset, in terms of public provider slots, with the shifting of their prekindergarten slots for Tier I three-year-olds to eligible private providers.

Thus, while some local school systems may experience increased administrative costs associated with a shift in staffing to serve only four-year-old students, the net impact on local school systems under the bill is assumed to be minimal. Moreover, as any Tier I three-year-olds already enrolled or scheduled to be enrolled by June 30, 2025, may continue to be served in the 2025-2026 school year, such costs may be delayed by a year or spread out over two years.

It is assumed that the bill does not significantly alter the number of parents who must be provided with certain notice by local health departments and local departments of social services. It is, therefore, assumed that costs for these entities are not significantly affected.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 780 (Senator Gallion, *et al.*) - Education, Energy, and the Environment.

Information Source(s): Baltimore City Public Schools; Anne Arundel County Public Schools; Baltimore County Public Schools; Frederick County Public Schools; Prince George's County Public Schools; Department of Budget and Management; Department of Human Services; Maryland State Department of Education; Department of Legislative Services

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