

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1319
Ways and Means

(Delegate Hucker, *et al.*)

Expanded Early Childhood Education

This bill expands eligibility for publicly funded prekindergarten programs to the children of active duty members of the armed forces and the children of armed forces members who were injured or killed while serving on active duty. A child who is eligible for publicly funded prekindergarten under the bill remains eligible for the program if the child's parent or guardian leaves the armed forces or is no longer on active duty some time after the child began prekindergarten.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: None. The State does not provide funding based on enrollments of prekindergarten students.

Local Effect: Local school expenditures could increase by an estimated \$5.7 million in FY 2009 to expand existing prekindergarten programs. Beginning in FY 2010, additional federal funds may be available to help school systems support the effort. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Current Law: Local school systems must make publicly funded prekindergarten available to all economically disadvantaged four-year-old children. Economically

disadvantaged is defined as a student who would be eligible for free or reduced price meals if the student was in school. For the 2007-2008 school year, a student from a family of four with an annual income of \$38,203 or less is eligible for subsidized meals.

Background: Chapter 498 of 2006 established the Task Force on Universal Preschool Education, which submitted its final report, *Preschool for All in Maryland*, in December 2007. The task force report notes that 38 of the 50 states have state-funded prekindergarten programs, the majority of which are similar to Maryland in that they serve four-year-old children from disadvantaged backgrounds. The task force listed several educational benefits for children who attend high quality preschool programs, including greater academic achievement, lower rates of grade retention, and higher rates of high school graduation. Lower rates of teen pregnancy and criminal justice involvement, higher rates of employment, and better overall health were mentioned as societal benefits associated with quality preschool opportunities.

To help in its development of recommendations, the task force enlisted the aid of the Regional Economic Studies Institute (RESI) at Towson University to do a cost-benefit analysis of prekindergarten programs. RESI concluded that expanding preschool to all four-year-olds in the State would result in \$4.85 in net benefits for every \$1 invested in prekindergarten programs.

The State does not provide any funding on the basis of prekindergarten enrollments. Instead, because the State requirement for prekindergarten only applies to economically disadvantaged children, State funding is provided through the compensatory education formula. That formula is calculated each year using local wealth and local enrollments of students eligible for free and reduced price meals. The proposed fiscal 2009 State budget includes \$914.2 million for the compensatory education formula, all of which is distributed to local school systems.

Local Fiscal Effect: Local school expenditures to cover the costs of expanded prekindergarten programs could increase by an estimated \$5.7 million in fiscal 2009. This estimate was calculated using the information and assumptions stated below.

- A 2005 Department of Defense demographics report counts 2,100 four-year-old children from active duty and reserve military families in Maryland. It is assumed that only four-year-olds would qualify for the prekindergarten expansion and that this number has been relatively stable since 2005.
- It is estimated that 30% of the 2,100 children from military families would already be eligible for publicly funded prekindergarten under current law. This leaves

1,470 children who would qualify for the programs due to their status as children in military families.

- It is assumed that approximately 80% of newly eligible military families would enroll their children in prekindergarten programs supported by local school systems. This would result in an estimated 1,180 military children in publicly funded prekindergarten programs each year. The other 20% of eligible military families would utilize child care that is provided and subsidized by the U.S. Department of Defense, or would have their children in other situations.
- In its analysis for the Task Force on Universal Preschool Education, RESI estimates the cost per prekindergarten student at \$5,054 in fiscal 2009. Adjusting RESI's benefits assumptions, the cost per student is estimated at \$4,800. Total costs, therefore, would sum to \$5.7 million.

To the extent that local school systems are able to make use of available prekindergarten slots to accommodate military children, costs would be reduced from the \$5.7 million estimate. In addition, the Maryland State Department of Education advises that some federal funds may be available to help pay for prekindergarten programs for military families. For example, federal impact aid, which is provided to school districts with concentrations of children from military families, allows school systems to include prekindergarten students from military families in their student enrollment counts. In fiscal 2006, the most recent year for which actual data are available, 14 Maryland systems received a total \$8.2 million in federal impact aid. If additional military children are served by public school systems in fiscal 2009, additional impact aid would be provided in fiscal 2010. The federal aid per student, however, would only cover a portion of the added costs.

In future years, the additional costs for local school systems could also be affected by the Base Realignment and Closure (BRAC) process, which will bring more military families to Maryland. In particular, Anne Arundel and Harford counties are expected to experience more significant population growth from BRAC.

Small Business Effect: With the expansion of required prekindergarten programs, local school systems may need to contract with more small community providers of the services, particularly in those areas with concentrations of military families. Local school systems currently have the authority to contract with qualified community providers to offer prekindergarten services.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Department of Education, Regional Economic Studies Institute, National Association of Federally Impacted Schools, Department of Legislative Services

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