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FISCAL IMPACT REPORT

SPONSOR HJC DATE TYPED 03/18/05 HB 337/HJCS

SHORT TITLE Pre-Kindergarten Act SB _____

ANALYST Chabot

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	See Narrative				

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	See Narrative			Pre Kindergarten Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SB 190, SB 360
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received on the Original Bill From
 Children, Youth and Families Department (CYFD)
 Department of Finance and Administration (DFA)
 Department of Indian Affairs (DIA)
 Human Services Department (HSD)
 Public Education Department (PED)

SUMMARY

The House Judiciary Committee substitute for House Bill 337 amends the Children's Code to establish the Pre-Kindergarten Act.

Section 2: Findings and Purpose: states special needs are present among the state's four-year old children warranting pre-kindergarten programs because participation in quality programs has a positive effect on intellectual, emotional, social and physical development. There is a governmental interest in furthering a readiness to learn before entering instructional environments.

Section 3: Definitions: includes definitions for community, departments (CYFD and PED), early childhood development specialist, eligible provider, pre-kindergarten and tribe.

Section 4. Voluntary Pre-Kindergarten—Interagency Cooperation—Contracts—Contract Monitoring—Research: Requires PED and CYFD to cooperate in the development and implementation of pre-kindergarten services addressing the total developmental needs of preschool children. The departments will collaborate in rule making, contract awards and monitoring of contracts. The staffs of both departments shall provide technical assistance to eligible providers and provide an annual report to the Governor and Legislature.

Section 5. Pre-Kindergarten--Eligibility: Pre-kindergarten services may be provided by public schools or eligible providers on a per child reimbursement rate in communities with the highest percentage of public elementary schools that are designated as Title 1 schools and are not meeting the proficiency component required for calculating adequate yearly progress (AYP).

Section 6. Request for Proposals—Contracts for Services: Both CYFD and PED will solicit requests for proposals for pre-kindergarten services, CYFD from eligible providers and PED from school districts. The proposals shall include the following:

- How proposed services meet department standards;
- The number of children to be served;
- Site and floor plans;
- Revenue sources and amounts other than from state sources;
- Qualifications and experience of staff;
- Communications plan to involve parents of the children;
- How the services meet the continuum of services to children; and
- Any other relevant information requested by the department.

The proposals shall be evaluated on the percentage and number of public elementary schools in the community not meeting the proficiency component required for AYP and having at least 66 percent of children living in the attendance zone of a Title 1 elementary school. Additional funding criteria are the following:

- Number of 4-year olds in the community and the number to be served;
- Adequacy and capacity of pre-kindergarten facilities;
- Language and literacy services;
- The cultural, historic and linguistic responsiveness to the community;
- Parent education services available;
- Qualifications of eligible providers;
- Staff professional development plans;
- Capacity of local organizations to commit and participate in programs and services related to the pre-kindergarten program;
- Extent of local support for the pre-kindergarten program; and
- Other relevant criteria specified by joint rule of the departments.

The contract with an eligible provider shall specify and ensure state funds are not used for any religious, sectarian or denominational purposes, instruction or material.

Section 7. Program Funding: CYFD shall reimburse eligible providers not in public schools; PED shall reimburse public school programs.

Section 8. Funds Created—Administration: Creates the Public Pre-kindergarten Fund, a non-reverting fund consisting of appropriations, income, gifts, grants and donations administered by PED. The fund is appropriated to PED which may use up to ten percent of the fund for administrative expenses. In addition, the bill creates the CYFD Pre-kindergarten Fund, a non-reverting fund consisting of appropriations, income, gifts, grants and donations administered by CYFD. The fund is appropriated to CYFD which may use up to ten percent of the fund for administrative expenses.

Section 9. Temporary Provision--Appropriations: Any funds appropriated for pre-kindergarten programs in fiscal years 2005 through 2007 shall be divided equally between CYFD and PED.

Significant Issues

LFC assesses the dual responsibility for Pre-kindergarten established by this bill could result in program inequities, different staff qualifications and programs depending on where the service is provided. Public schools would be required to have licensed, early childhood teachers in classrooms as is done with the 3 and 4-year old developmentally disabled programs. The bill does not provide for qualifications for providers under CYFD except they will be licensed by the department. Presumably, CYFD will establish these qualifications through administrative rule. Similar issues can be raised regarding facilities and curricula.

CYFD administers the child care program and has an Aim High feature to provide differing reimbursement rates based upon the training and experience of the staff and services provided. The Office of Child Development oversees the technical aspects of Aim High and assists child care providers in improving their programs. The program could be expanded to provide the pre-kindergarten program for the state.

CYFD states this program will result in cost savings in the future. "The federal government estimates that every \$1 invested in early education and development programs results in \$7 million savings in special education, repeated academic years, and juvenile justice costs. Further, children receiving such early education support are more likely to make greater advances into higher education." However, no direct source data was cited. CYFD states it is prepared to absorb the administrative processes related to issuing as many as the 50 additional contracts expected.

DFA express the same value of the program as did CYFD but states "various studies have established a return of investment that range for \$3 to \$17 for every public dollar invested in high quality pre-school."

The following issues have been raised at interim legislative committee hearings:

1. If the program is done within a public school, teachers with early childhood licenses will be required and subject to three-tiered minimum salaries and the school district benefit package. If the program is through a private setting, early childhood development specialists can be used without the same academic qualifications of licensed teachers or

- compensation.
2. No curriculum has been developed identifying minimum requirements.
 3. Transportation to and from pre-kindergarten locations should be a requirement because it is to be a voluntary half-day program, and it may be very inconvenient for parents to arrange transportation in the middle of the day.
 4. Child care providers may lose 4-year children resulting in loss of revenue and force them to close.
 5. PED needs to do a cost-benefit analysis and prove pre-kindergarten will lead to higher student outcomes than increasing the appropriation to the state equalization guarantee by the same amount.
 6. The effectiveness of full-day kindergarten was not assessed during the five year roll-out, and there needs to be assurances that the situation will not be repeated for a pre-kindergarten program. The evaluation program needs to be developed and coordinated with agencies and the permanent legislative committees before funding and initiating the program.
 7. Some Native American groups fear the program while initially voluntary will become mandatory removing children from homes at the time they should be learning native customs and language.
 8. There is concern public schools are not sufficiently funded and the additional funds for pre-kindergarten would be better spent by appropriating the funding for this initiative to public school support.

PERFORMANCE IMPLICATIONS

PED and CYFD are to monitor, assess and evaluate the program with an annual report to the Governor and Legislature. However, the bill does not provide details on the nature of the evaluation or specifics of what will be contained in the report.

FISCAL IMPLICATIONS

The bill contains no appropriation; however, House Bill 2 contains a \$4 million, multi-year non-recurring appropriation through fiscal year 2007 and Senate Bill 190 contains a \$1 million, non-recurring appropriation. Both appropriations are contingent upon enacting House Bill 337.

Initial estimates discussed at interim hearings to totally implement the program were as high as \$70 million assuming a full day program at 1.4 unit/MEM for the estimated 26,000 to 28,000 children eligible to participate. However, the Public Education Department now estimates the cost of full implementation at \$22.9 million assuming 13,000 eligible children at an 80 percent participation rate and a 2.5 hour per day at \$2,290 per participant. This would be a “gap” type program and assumes that half of the children would remain in Head Start or private programs. Still, over time one might expect participation to rise above 13,000 as parents seek higher quality or free pre-K services.

The bill creates the Public Pre-kindergarten Fund administered by PED and the Children, Youth and Families Pre-kindergarten Fund administered by CYFD. The funds are appropriated to PED and CYFD for the purpose administering the program. The unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert.

This bill creates new funds and provides for continuing appropriations. The LFC objects to in-

cluding continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the Legislature to establish spending priorities.

HSD states “state general fund expenditures for this purpose and for families either receiving TANF cash assistance and/or TANF eligible families at 100 percent of the federal poverty level could be certified toward the TANF maintenance of effort calculation.”

ADMINISTRATIVE IMPLICATIONS

Working arrangements and responsibilities will have to be agreed to among PED and CYFD probably through a Joint Powers Agreement.

TECHNICAL ISSUES

Page 4, line 7, add following “report” “by October 1 each year beginning in 2006”.

Page 7, line 24, strike “to the department” and insert in lieu thereof “by the legislature”.

Page 8, line 12 strike “to the department” and insert in lieu thereof “by the legislature”.

OTHER SUBSTANTIVE ISSUES

DIA raises the need to integrate “language and culture into ... curriculum and program goals.”

ALTERNATIVES

The program could be directed solely to CYFD for expansion of the Child Care Aim High program to include a pre-kindergarten for reimbursement at the highest level. The Office of Child Development could establish the standards, goals and benchmarks for evaluating successful programs. This would make one agency responsible for the program outcomes. PED would continue to oversee school district programs for developmentally disabled 3 and 4-year olds.

POSSIBLE QUESTIONS

1. Based upon the advertised out-year savings, in what year could the Legislature expect to see reductions in agency budget requests if this program is enacted?
2. What is the role of school boards overseeing and reviewing pre-kindergarten programs found in public elementary schools?
3. Will PED contracts be with school districts or individual schools?
4. What if the program is started but out-year revenues are not available to expand it to all areas of the state?
5. How will reimbursement rates be determined?
6. How will the program be evaluated and how will a successful program be defined?
7. What coordination will be required with tribal entities in establishing pre-kindergarten programs?
8. Based upon research literature, which would be more effective and lead to better student outcomes, investing in a pre-kindergarten program or increasing revenue for public schools by the same amount?
9. Will funding to school districts be through the state equalization guarantee using the factor for 3 and 4-year old developmentally disabled or categorically based upon the number

- of pre-kindergarten students except those funded by the DD program?
10. How will providers be licensed? Will the same standards apply to both PED and CYFD licensed providers?
 11. How will facility requirements be established? Will there be different standards for PED and CYFD administered programs?
 12. How will funding be divided after the temporary provision expires after fiscal year 2007?
 13. Should there be a third-party evaluation of the program?
 14. How will the Pre-kindergarten program be integrated with existing federal Head Start programs?
 15. Will children in existing CYFD subsidized child care programs be excluded from participating in the Pre-kindergarten program?

GAC/lg