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FISCAL IMPACT REPORT

SPONSOR SEC **ORIGINAL DATE** 02/28/11
LAST UPDATED 03/12/11 **HB** _____

SHORT TITLE Expand Eligible Pre-K Providers **SB** CS/605/aSFL#1

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act. The GAA includes \$14.3 million for prekindergarten services.

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Education Department (PED)

Responses Not Received
Children, Youth & Families (CYFD)

SUMMARY

Synopsis of SFL Amendment #1

Senate Floor Amendment #1 makes several technical corrections.

Synopsis of Original Bill

Senate Education Committee substitute for Senate Bill 605 amends the Children’s Code to expand the number of providers eligible for prekindergarten services. Changes in the bill will allow prekindergarten to be provided in public schools and by eligible providers in communities with Title 1 elementary schools. The bill clarifies that CYFD will be responsible for publishing a request for proposal for prekindergarten services and that PED will be responsible for publishing a request for applications for prekindergarten services. For funding purposes, applications and proposals will be evaluated and priority given to programs in communities with public elementary schools that are designated Title 1 schools that have at least 66 percent of the children served living within the attendance zone of a Title 1 elementary school.

FISCAL IMPLICATIONS

The bill does not have any direct fiscal impact.

Prekindergarten funding is limited and has been decreasing over the past several years. The appropriation for prekindergarten services for FY11 is \$14.4 million. These funds are currently distributed to public schools and eligible providers in communities with the highest percentage of public elementary schools that are designated as Title 1 schools and that serve the highest percentage of public elementary students who are not meeting the proficiency component required for calculating adequate yearly progress (AYP).

House Bill 2 currently includes \$14.3 million for prekindergarten services.

SIGNIFICANT ISSUES

Where funding for universal kindergarten is not available, kindergarten programs are targeted to offer services to 4 year old children with particular characteristics, or risk factors, associated with high rates of school failure. How states prioritized limited prekindergarten funding varies across the U.S., and is based on any number of different risk factors. Some states target services to all children in a geographic region where there is a high percentage of children with particular risk factor. Other states define multiple risk factors but let local governments or school districts determine which ones to prioritize for services. Examples of risk factors used by states include that the child: 1) is eligible for the federal free or reduced-price lunch program (indicating they are low income); 2) has a developmental delay (participates in an Individualized Educational Program or IEP); 3) is an English language learner, or a language other than English is the primary language spoken at home; and 4) scores below a certain level of proficiency; is the child of a single parent; 4) is the child of a teen parent. Risk factors may be used to guarantee service or prioritize eligibility based on available resources.

Prekindergarten funding in New Mexico has been limited and has therefore been targeted to those children in greatest need. Funding has been targeted to communities with high percentages of low-income students and schools within those communities that serve the highest percentage of elementary students who are not meeting annual proficiency standards established by AYP. Results from a 4 year study completed by the National Institute for Early Education Research (NIEER) show that New Mexico PreK produces consistent benefits for children who participated in PreK, compared to those who did not.

The economic impact analysis conducted as part of this evaluation suggests that there are good economic reasons to invest in New Mexico PreK and the children it serves. PreK can improve educational outcomes by reducing the numbers of children retained in grade, lowering the number of children eligible for special education, and increasing graduation rates. The economic impact analysis found that an estimated \$5.00 in benefits are generated in New Mexico for every dollar invested in New Mexico PreK. It is estimated that New Mexico PreK participants will have better educational outcomes that produce higher earnings. They will be less likely to engage in criminal behavior, to be victims of abuse and neglect, and to use welfare services. The real rate of return to New Mexico's state-funded prekindergarten program is an estimated 18.1 percent to New Mexico and an estimated 22.3 percent as a whole.

According to *Early Childhood Interventions: Proven Results, Future Promise*, published by Rand, “The economic benefits of early childhood interventions are likely to be greater for programs that effectively serve targeted, disadvantaged children than for programs that serve lower-risk children. There is some evidence that the economic returns from investing in early intervention programs are larger when programs are effectively targeted. In the Nurse-Family Partnership home visiting program, the effects were larger for a higher-risk sample of mothers. Consequently, the return for each dollar invested was \$5.70 for the higher-risk population served but only \$1.26 for the lower-risk population. This finding indicates that it is not reasonable to expect the returns we report for specific programs serving specific disadvantaged populations to apply when the same program serves a different population.”

PED provided the following analysis:

The requirement in Sections 32A-23-5 to serve communities with the highest percentage of public elementary schools who are meeting the proficiency component required for calculating adequate yearly progress (AYP) unfairly penalized schools that have made significant academic progress toward meeting AYP. A significant number of these schools that have made progress toward meeting AYP currently have Pre-kindergarten programs and would no longer be eligible for funding. This requirement also penalizes private providers in the attendance area of schools that have made academic progress. This provision also limited the ability of Title 1 schools or private providers in a community that has a small percentage of Title 1 elementary schools to qualify for Pre-kindergarten programs, even though that elementary school or private provider may be in a very low socio-economic area.

Section 32A-23-6, the Pre-kindergarten Act, requires the Children, Youth and Families Department (CYFD) and the PED to publish a request for proposals for Pre-kindergarten services, resulting in professional services contracts to private providers and public schools. This is an accepted process for dealing with private providers. However, this is not a normal process used to fund public schools, as both the PED and public schools are state entities.

The PED should use a request for application process and the flow-through system to allocate the Pre-kindergarten funds in public schools. The current contract process is cumbersome and time-consuming, resulting in delay of funds to the school districts. The large number of professional services contracts with school districts for PED Pre-kindergarten services impedes the normal processing of other contracts. In FY11, PED Pre-kindergarten, fiscal and legal staff processed 25 Pre-kindergarten contracts with districts.

PED also indicated that the current process is cumbersome, resulting in delayed funding for prekindergarten services. For some districts, this process delays staff hiring and the start of Pre-kindergarten program services.

ADMINISTRATIVE IMPLICATIONS

PED and CYFD will need to revise department rules and procedures to accommodate these changes.

OTHER SUBSTANTIVE ISSUES

Title 1 of the Elementary and Secondary Education Act (ESEA) was enacted to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education, and reach, at a minimum, proficiency on challenging state academic achievement standards and state academic assessments. The federal government has set up a number of programs to distribute more than \$12 billion annually to districts and schools with a high numbers and percentages of economically disadvantaged students. In order to qualify for Title 1 funds, at least 40 percent of the students come from low-income families.

Adequate yearly progress (AYP) is the primary measure under the federal No Child Left Behind Act (NCLB) used to determine whether schools and districts are making progress toward gradually increasing goals of student participation and academic proficiency on statewide assessments and other academic indicators. Under NCLB, student proficiency and high school graduation rate targets reach 100 percent by 2014. However, these targets are generally unachievable and are expected to result in all but a few schools nationally being designated as schools in need of improvement.

ALTERNATIVES

Target PreK funding to schools that serve children who are most at risk for school failure. To do this, strike the line through on page 1, line 22 to continue to distribute the limited amount of PreK funding to communities with **the highest percentage** of Title 1 elementary schools. This could also be done by limiting eligibility to schools with high percentages of free and reduced lunch eligibility, or schools that show little academic growth year over year.

Additionally, PED notes that the requirement in Sections 32A-23-5 to serve communities with the highest percentage of public elementary schools who are meeting the proficiency component required for calculating adequate yearly progress (AYP) unfairly penalized schools that have made significant academic progress toward meeting AYP. The addition of a grandfather clause contingent upon available funding would allow a provider to continue providing prekindergarten services despite significant academic progress.

RSG/svb