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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/18
SPONSOR Padilla **LAST UPDATED** _____ **HB** _____

SHORT TITLE Early Childhood Education Dept., CA **SJR** 3

ANALYST Klundt

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
			(\$60,371.8)	(\$60,371.8)	Recurring	General Fund, CYFD Transfer
			(\$53,127.5)	(\$53,127.5)	Recurring	Other Transfer, CYFD Transfer
			(\$121,665.0)	(\$121,665.0)	Recurring	Federal Funds, CYFD Transfer
			(\$1,684.8)	(\$1,684.8)	Recurring	Fund Balance, CYFD Transfer
			(\$43,700.0)	(\$43,700.0)	Recurring	All revenue sources, DOH Transfer
			(\$24,500.0)	(\$24,500.0)	Recurring	All revenue sources, PED Transfer

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 74

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)

Attorney General's Office (AGO)

State Land Office (SLO)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 3 (SJR 3) proposes an amendment to Article 12 of the New Mexico Constitution to create an Early Childhood Education Department to provide for voluntary early childhood education services for children up to age five, including prenatal education and referral services.

The joint resolution would further propose to amend Article 12, Section 3 of the New Mexico Constitution, which currently states, among other things, that state educational institutions “shall forever remain under the exclusive control of the state.” The proposed amendment would provide that funds appropriated, levied or collected for educational purposes, may be used by the early childhood education department to contract for the provision of nonsectarian, nondenominational early childhood education services, except for proceeds arising from the sale or disposal of any lands granted to the state by congress

FISCAL IMPLICATIONS

The table reflects estimated revenue transfers to the new agency; however, this list is incomplete as several agencies who may be affected have not yet responded. In addition, it is unclear which early childhood programs currently administered by the Department of Health, Public Education Department, and Children, Youth and Families Department would be transferred to an Early Childhood Education Department.

There is no appropriation included in this bill, CYFD believes there may be a significant impact to the Early Childhood Services program operating budget in order to establish an Early Childhood Services Department. The agency also believes that the cost of separating, merging, and/or establishing data systems may be significant.

SIGNIFICANT ISSUES

SJR 3, if approved by voters, would amend the Constitution to allow for State aid of private institutions; however, by amending Article 12, Section 3 SJR 3 would not violate the anti-donation clause of Article IX, Section 14 of the Constitution.

Family relationships and a child’s earliest experiences influence development from birth through adulthood, research shows. Early childhood initiatives have the potential for widespread economic and social benefits for both children and families. Starting prenatally and extending in a continuum of services, with priority for children and areas of the state most at-risk, early childhood programs may help break the cycle of poverty and reduce the need for more costly remediation in adulthood. Families living in poverty are exposed to risk factors that can impair a child’s development. More than half the academic achievement gap found between children from economically advantaged and disadvantaged families in later school years is already present when children enter kindergarten.

Currently, early childhood programs are administered under several state agencies: Public Education Department (Prekindergarten, Even Start, and Preschool Special Education); Children, Youth, and Families Department (Child Care, Prekindergarten, Home Visiting, Head Start Collaboration office, Infant and Early Childhood Mental Health); and the Department of Health

(Family Infant Toddler Program and Families First).

The 2017 Legislative Finance Committee Early Childhood report states that the amount of funding for early childhood services across both state and federal funding sources is more than \$269 million.

Although federal and state laws specify the need for coordination among early childhood programs, including the New Mexico Early Childhood Care and Education Act, the LFC Program Evaluation Unit has found a lack of coordination among early childhood service providers. In a 2013 program evaluation examining early childhood programs the LFC found evidence that lack of coordination led to duplication of services and loss of \$1 million in federal funding for early childhood programming.

This bill focuses on the governance of these programs, as early childhood programs grow in size and funding nationally, the focus on governance is becoming increasingly significant. According to the National Conference of State Legislatures (NCSL), several states have considered similar legislation including Nevada, Florida, Georgia, Minnesota, and New York. Several LFC reports have highlighted significant issues which may be a result of administering the early childhood system through several agencies including possibility of duplicating efforts.

The Build Initiatives Early Childhood Governance Report (2013) which is titled “A Framework for Choosing a State-Level Early Childhood Governance System” recommends that “careful and deliberate assessment of a state’s early childhood governance structure is an integral step in reducing fragmentation, uneven quality, and inequity in programs and services. The report reviews different models of governance that states might consider in order to promote coordination, alignment, sustainability, efficiency and accountability. These models of governance include: “Coordinated Governance” with administration of early learning across state agencies; “consolidated governance” where programs are administered through one state agency; and “creation of a new agency” with a comprehensive set of activities associated with early childhood be situated with the created entity. The report states that generally, these activities would include Head Start collaboration office, child care, and prekindergarten, and also include home visitation and oversight for Parts B and C of the Individuals with Disabilities Education Act (IDEA as referenced above). According to the Build report, only 3 states (Massachusetts, Washington and Georgia) have created a separate state agency for early learning programs.

In addition, a recent early childhood governance analysis of national and local early childhood education structures by the New Mexico Early Childhood Development Partnership (NMEDCP) found:

“The needs of children and their families are complex and diverse. When programs work in silos, they negatively affect the impact they can have on the development of a child.

New Mexico needs better communication, coordination, and for a comprehensive vision to align these efforts. There is a need for stronger evaluation, the development of public-private partnerships, and increased funding to expand services.

Given these opportunities, NM should:

Create a Department of Early Learning to house all early childhood services, including:

Senate Joint Resolution 3 – Page 4

- PreK for three-and four-year-olds
- Child Care
- Home Visiting
- Early Head Start and Head Start

Research and state interviews point to an array of benefits for states moving to a consolidation or creation model:

- Coherence among policies and services
- Coordination and alignment
- Clear accountability with governance authority
- Streamlined efforts with greater efficiency.”

CYFD’s response to the bill was:

“The requirement that the new department provide services for children to age 5, including prenatal education and referral services, is vague and will lead to confusion about what services are intended to be under the control of the Early Childhood Education Department. This vagueness may not withstand a legal challenge. Existing divisions serving this population serve a broader population of children, and the age-limitations established by the joint resolution for the Early Childhood Education Department is likely to substantially limit their service population and fragment existing services. As an example, the CYFD Child Care Assistance Program serves children up to age 12. Additionally, establishment of this limitation by constitutional amendment restricts the new department’s flexibility to adapt to the needs of this subset of the state’s population.

In addition, the CYFD Early Childhood Services also serves as the primary abuse and neglect prevention arm of CYFD. While early education is of utmost importance, the Early Childhood Services at CYFD are multi-dimensional and therefore provide other benefits to children and families in addition to early education programs. Keeping children alive, healthy and safe is CYFD’s primary goal as these are pre-requisite requirements to functional and successful early education. attributes cannot be minimized. Assuming CYFD Early Childhood Services would be moved to the Early Childhood Education Department, protective services child care and at-risk child care would be compromised. That unintended consequence would negatively impact foster children and at-risk families and children that rely on child care assistance.

At this time, there is no preponderant evidence that a new department is necessary to serve this limited subset of the state’s children. Prior to putting forth a constitutional amendment for a new department to the public for a vote, consider convening a group to study the issues surrounding the governance of New Mexico’s early childhood services, including the possibility of maintaining the current infrastructure but co-locating all early childhood educational services to an existing department.”

In a similar bill considered in previous legislative sessions DOH responded:

“DOH reported the following information regarding the FIT program:

“The budget for the FIT Program is approximately \$51.3 million, which includes State General Funds \$19.4 million, federal IDEA Part C grant \$1.8 million, private insurance \$1.6 million and federal Medicaid \$28.5 million (FY16 expenditures).

The FIT Program is responsible for the administration of a statewide system of early intervention services in accordance with the Individuals with Disabilities Education Act (IDEA) Part C. The FIT program services children birth to age three who are either at risk for developmental delays and disabilities, or who have developmental delays and disabilities. In FY16, FIT served more than 14,000 infants, toddlers and their families.

The FIT program has contracts and provider agreements with 34 community early intervention agencies, the NM School for the Deaf, and the NM School for the Blind that would need to be addressed in any transition prior to July 1, 2017 if SB106 is enacted. Additionally, there are also contracts that would need to be transitioned including: the University of New Mexico; fiscal agent; data base hosting and support; family support and training. The FIT Program currently has eight (8) FTE in the Developmental Disabilities Supports Division. A new agreement with the Human Services Department regarding Medicaid funding for FIT services would need to be developed.

The FIT Program currently receives administrative support from the Developmental Disabilities Supports Division and Department of Health for contracts, budget and finance, payments, and human resources that would need to be provided through the proposed Early Childhood Services Department.”

RELATIONSHIP

Senate Bill 74 (SB 74) proposes to create the Early Childhood Services Department Act. SB 74 also creates an Early Childhood Education Department, but otherwise does not appear to conflict with SJR 3.

KK/jle

Early Childhood Program Appropriations

(in millions of dollars)

	FY12 Actuals	FY13 Actuals	FY14 Actuals	FY15 Actuals	FY16 Actuals	FY17 Actuals	FY18 OpBud	FY19 Request.	FY19 LFC Rec.
Children, Youth and Families Department - Early Childhood Services Programs									
Childcare Assistance									
General Fund	\$ 26.8	\$ 29.8	\$ 33.3	\$ 30.3	\$ 30.0	\$ 30.6	\$ 30.6	\$ 55.6	\$ 50.6
Federal Funds	\$ 30.4	\$ 31.6	\$ 15.1	\$ 23.9	\$ 36.0	\$ 51.4	\$ 54.9	\$ 47.2	\$ 47.2
OSF	\$ 0.8	\$ 1.4	\$ 0.8	\$ -	\$ -	\$ -	\$ -	\$ 0.9	\$ 0.9
USDA E&T	\$ 0.6	\$ 0.6	\$ 0.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TANF	\$ 24.3	\$ 23.8	\$ 23.2	\$ 30.5	\$ 30.5	\$ 30.5	\$ 30.5	\$ 30.5	\$ 30.5
Total Childcare Assistance	\$ 82.9	\$ 87.2	\$ 73.0	\$ 84.7	\$ 96.5	\$ 112.5	\$ 116.0	\$ 134.2	\$ 129.2
Home Visiting									
General Fund	\$ 2.3	\$ 3.2	\$ 4.5	\$ 6.3	\$ 7.3	\$ 3.2	\$ 8.6	\$ 8.6	\$ 10.1
Federal Funds	\$ -	\$ 2.7	\$ 2.5	\$ 3.3	\$ 3.7	\$ 5.3	\$ 5.1	\$ 5.1	\$ 5.1
TANF	\$ -	\$ -	\$ -	\$ 2.0	\$ 4.5	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0
Tobacco Settlement Fund	\$ -	\$ -	\$ 1.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Home Visiting	\$ 2.3	\$ 5.9	\$ 8.1	\$ 11.6	\$ 15.5	\$ 13.5	\$ 18.7	\$ 18.7	\$ 20.2
Early Childhood Professional Development									
General Fund	\$ 0.5	\$ 0.5	\$ 0.5	\$ 1.0	\$ 1.3	\$ 0.9	\$ 1.3	\$ 1.3	\$ 1.3
Prekindergarten: Four Year Old Basic Services									
General Fund	\$ 8.2	\$ 9.2	\$ 8.5	\$ 6.4	\$ 4.2	\$ 1.8	\$ 2.1	\$ 2.1	\$ 2.1
TANF	\$ -	\$ -	\$ -	\$ 6.1	\$ 6.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Tobacco Settlement Fund	\$ -	\$ -	\$ 3.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 8.2	\$ 9.2	\$ 11.6	\$ 12.5	\$ 10.3	\$ 2.0	\$ 2.3	\$ 2.3	\$ 2.3
Prekindergarten: Four Year Old Extended Day Services									
General Fund	\$ -	\$ -	\$ -	\$ 7.8	\$ 6.8	\$ 6.7	\$ 7.8	\$ 7.8	\$ 7.8
TANF	\$ -	\$ -	\$ -	\$ -	\$ 5.5	\$ 11.5	\$ 11.5	\$ 11.5	\$ 11.5
Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4
Total	\$ -	\$ -	\$ -	\$ 7.8	\$ 12.3	\$ 18.6	\$ 19.7	\$ 19.7	\$ 19.7
Prekindergarten: Three Year Old Services									
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 2.0	\$ 4.7	\$ 3.3	\$ 3.8	\$ 5.8
TANF	\$ -	\$ -	\$ -	\$ -	\$ 2.0	\$ 2.0	\$ 2.5	\$ 2.0	\$ 2.5
Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.4	\$ 1.2	\$ 1.2	\$ 1.2
Total	\$ -	\$ -	\$ -	\$ -	\$ 4.0	\$ 7.1	\$ 7.0	\$ 7.0	\$ 9.5
Subtotal CYFD PreK \$ 8.2 \$ 9.2 \$ 11.6 \$ 20.4 \$ 26.6 \$ 27.8 \$ 29.0 \$ 29.0 \$ 31.5									
Planning Grant: High Quality Early Childhood Development Centers									
General Fund	\$ -	\$ -	\$ -	\$ 0.5	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CYFD	\$ 93.9	\$ 102.8	\$ 93.1	\$ 118.2	\$ 139.8	\$ 154.8	\$ 164.9	\$ 183.2	\$ 182.2
Public Education Department - Special Appropriations *									
Prekindergarten: Four Year Old Basic Services									
General Fund	\$ 6.3	\$ 10.0	\$ 15.0	\$ 17.7	\$ 21.0	\$ 21.0	\$ 21.0	\$ 21.0	\$ 27.5
TANF	\$ -	\$ -	\$ -	\$ -	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5
Total	\$ 6.3	\$ 10.0	\$ 15.0	\$ 17.7	\$ 24.5	\$ 24.5	\$ 24.5	\$ 24.5	\$ 31.0
Prekindergarten: Four Year Old Extended Day Services									
General Fund	\$ -	\$ -	\$ -	\$ 1.5	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal PED PreK \$ 6.3 \$ 10.0 \$ 15.0 \$ 19.2 \$ 24.5 \$ 24.5 \$ 24.5 \$ 24.5 \$ 31.0									
K-3 Plus									
General Fund	\$ 5.3	\$ 11.0	\$ 16.0	\$ 21.2	\$ 23.7	\$ 22.6	\$ 23.7	\$ 23.7	\$ 30.2
Early Literacy									
General Fund	\$ -	\$ 8.5	\$ 11.5	\$ 14.5	\$ 15.0	\$ 14.1	\$ 12.5	\$ 12.5	\$ 9.1
TOTAL PED	\$ 11.6	\$ 29.5	\$ 42.5	\$ 54.9	\$ 63.2	\$ 61.2	\$ 60.7	\$ 60.7	\$ 70.3
Department of Health									
Family, Infant and Toddlers Program (Birth to 3)²									
General Fund	\$ 14.5	\$ 14.0	\$ 14.5	\$ 20.1	\$ 19.7	\$ 19.4	\$ 19.4	\$ 19.4	\$ 19.4
All other funds	\$ 16.5	\$ 19.6	\$ 19.6	\$ 19.6	\$ 23.0	\$ 24.3	\$ 24.3	\$ 24.0	\$ 24.0
TOTAL DOH	\$ 31.0	\$ 33.6	\$ 34.1	\$ 39.7	\$ 42.7	\$ 43.7	\$ 43.7	\$ 43.4	\$ 43.4
TOTAL RECURRING EARLY CHILDHOOD PROGRAMS	\$ 136.5	\$ 165.9	\$ 169.7	\$ 212.8	\$ 245.7	\$ 259.7	\$ 269.3	\$ 287.3	\$ 295.9
Race to the Top- Early Learning Challenge									
Federal Funds	\$ -	\$ -	\$ 9.4	\$ 7.8	\$ 14.0	\$ 6.2	\$ -	\$ -	\$ -
GRAND TOTAL EARLY CHILDHOOD PROGRAMS	\$ 136.5	\$ 165.9	\$ 179.1	\$ 220.6	\$ 259.6	\$ 265.9	\$ 269.3	\$ 287.3	\$ 295.9

Source: CYFD, PED, HSD, DOH, and LFC Files