

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** SB 301

**52nd Legislature, 1st Session, 2015**

**Tracking Number:** .198587.2

**Short Title:** Create Early Childhood Funds

**Sponsor(s):** Senator Michael Padilla

**Analyst:** Ian Kleats

**Date:** February 26, 2015

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**Bill Summary:**

Effective July 1, 2015, SB 301:

- creates the Early Education Endowment Fund and the Early Childhood Education and Home Visitation Fund;
- transfers to the Early Childhood Endowment Fund the balance of all agency (see “Technical Issues,” below) General Fund appropriations that would otherwise revert;
- transfers the following monies to the Early Childhood Education and Home Visitation Fund at the end of each fiscal year:
  - fifty percent of the amount deposited in the Early Childhood Endowment Fund for that fiscal year; and
  - any investment income from the Early Childhood Endowment Fund;
- appropriates money in the Early Childhood Education and Home Visitation Fund to the Children, Youth, and Families Department (CYFD) for nonsectarian early childhood education services (see “Technical Issues,” below) for children who are prenatal to five years old.

**Fiscal Impact:**

Money in the Early Childhood Education and Home Visitation Fund is appropriated to CYFD for nonsectarian early childhood education services for children who are prenatal to five years old.

**Fiscal Issues:**

According to the Legislative Finance Committee (LFC) FY 2016 Budget Recommendations, Volume 3, state agencies reverted:

- approximately \$65.76 million for FY 13;
- approximately \$96.54 million for FY 14; and
- an average of approximately \$81.15 million reverted during those years.

Based on this average, approximately \$40.5 million would be transferred to both the Early Education Endowment Fund and the Early Childhood Education and Home Visitation Fund.

According to the CYFD bill analysis and the LFC FY 2016 Budget Recommendations:

- the FY 15 General Fund appropriation to the CYFD Early Childhood Services Program is \$60.59 million;
- CYFD requested \$59.90 million for FY 16 General Fund program funding, a decrease of approximately \$690,000; and
- the LFC FY 16 budget recommendation for that program is \$61.67 million, an increase of over \$1.0 million.

Based on these appropriation amounts and assuming an average of \$81.5 million in reversions each year:

- the initial distribution to the Early Childhood Education and Home Visitation Fund would be less than current General Fund appropriations to the CYFD Early Childhood Services Program;
- the distributions from the Early Childhood Education and Home Visitation Fund would increase to more than the current General Fund appropriation by FY 22 assuming a 7.5 percent annual rate of investment returns; and
- at some point, appropriations from the Early Childhood Education and Home Visitation Fund might exceed the resource needs for the CYFD Early Childhood Services Program.

### **Technical Issues:**

On page 2, line 16, SB 301 makes reference to “all agency general fund appropriations.” Unless it is the sponsor’s intent, the sponsor may wish to use the term “state agency,” which is well-established in statute, instead of “agency” in order to provide additional clarity.

On page 2, line 8, SB 301 refers to “early childhood education services.” Without a definition, it is unclear which services might fall under this heading. The sponsor may wish to include a definition for this term, with an inclusive list of intended services.

### **Substantive Issues:**

It is unclear what interaction programs funded out of the Early Childhood Education and Home Visitation Fund might have with programs funded through the Early Childhood Care and Education Fund, which is created in the *Early Childhood Care and Education Act* (ECCEA), and whether these two funds might be redundant.

### **Background:**

#### ***Early Childhood Care and Education Act***

Enacted in 2011, the ECCEA has as its purpose “to establish a comprehensive early childhood care and education system through an aligned continuum of state and private programs, including home visitation, early intervention, child-care, early head start, head start, early childhood special education, family support, and pre-kindergarten, and to maintain or establish the infrastructure necessary to support quality in the system’s programs.” Provisions in the ECCEA:

- create the 15-member Early Learning Advisory Council (ELAC) that is attached to the CYFD;
- designate ELAC as the required Head Start program council<sup>1</sup>;
- create the Early Childhood Care and Education Fund, a non-reverting fund administered by CYFD for carrying out the provisions of the act;
- allow ELAC to apply for grants and funds from any source, and to contract with any federal or state agency or private organization, to further the purposes of the act;
- require ELAC to make recommendations to CYFD and the Legislature on the most efficient and effective way to leverage state and federal early childhood program funds, including grant applications by CYFD;
- require ELAC to terminate on July 1, 2017 pursuant to the provisions of the *Sunset Act*; and
- require ELAC to make recommendations to CYFD and the Legislature on the coordination and alignment of an early childhood care and education system – recommendations that take a number of factors into consideration, among them:
  - the consolidation and coordination of funding streams;
  - a seamless transition from prenatal to early childhood programs to kindergarten;
  - the parent’s “decisive role in planning, operation and evaluation of programs that aid families in the care and education of children”;
  - the development and management of effective data collection systems;
  - the diversity and cultural heritage of families and communities;
  - professional development for providers; and
  - the establishment of an effective administrative framework.

### ***2013 Implementation Update***

During the 2013 interim, the Legislative Education Study Committee (LESC) heard an update on the implementation of the ECCEA.

Testimony began with an LESG staff review of the history and provisions of the act, including:

- a review of seven core principles, arising out of collaborative efforts of the New Mexico Business Roundtable (NMBR) and the New Mexico Early Childhood Development Partnership;
- the establishment of the ELAC and its designation as the state’s official council for the Head Start program, as required by federal law;
- the membership of the council, comprising three *ex officio* members; three members appointed from, and by, the NMBR Board of Directors; and nine other members, from various other stakeholder groups, appointed for staggered terms by the Governor;
- the creation of the Early Childhood Care and Education Fund, a non-reverting fund administered by CYFD; and
- requirements that ELAC make recommendations to the Legislature and CYFD on the best manner of leveraging available program funds, as well as general recommendations regarding the coordination and alignment of an early childhood care and education system in New Mexico, with particular attention to several prescribed components.

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<sup>1</sup> The establishment of a body such as the ELAC was mandated through the federal *Improving Head Start for School Readiness Act of 2007*.

The Chair of ELAC (and Chief Executive Officer of the NMBR) testified about the council's efforts to implement the provisions of the act. Among the points raised were:

- the background and initial findings of the council;
- the council's mission statement: "To create a quality, sustainable, and seamless Early Care and Learning System, responsive to each child, from birth to age 5, and their family across New Mexico, by building partnerships, integrating systems, and making strategic, research-based and data-driven recommendations to policy makers and stakeholders";
- the council's vision statement: "To be the collective voice to move forward the Early Care and Learning System in New Mexico";
- the council's three long-term priorities:
  1. accessibility to high-quality early childhood programs, with particular attention to children with disabilities, children from diverse linguistic and cultural backgrounds, and children with challenging behaviors;
  2. improved school readiness (now and at third grade), through focus on children's progress across certain domains; and
  3. a high-quality early childhood workforce, with appropriate training, credentials, and range of competencies; and
- strategies and best practices to address the council's three priorities.

Additional testimony came from the respective chairs of committees that ELAC had formed:

- the Chair of the Access to Quality/Early Childhood Programs Committee testified that this committee is working to expand services, particularly high-quality childcare, into all identified early childhood investment zones (see "Race to the Top-Early Learning Challenge Grant," below);
- the Chair of the School Readiness Committee reviewed the aspects of that committee's work toward helping students enter school at or above age level;
- the Chair of the Workforce Development Committee testified that early childhood educator pay levels are not commensurate with the work that these educators do; and that help is needed not only to supplement their incomes, but also to help encourage highly qualified educators and caregivers to enter and remain in this field of work;
- the Chair of the Finance Committee described that committee's focus on all potential funding sources to create multiple pathways for families in need of services, as well as expanding current operations and improving services; and
- the Chair of the Public Policy Committee noted ELAC's interest in the multiple systems of early childhood development in New Mexico.

Testimony on this topic concluded as the Chair of ELAC noted that the council hopes to accomplish its goals before the provisions that created the council sunset in 2017.

### ***Federal Race to the Top-Early Learning Challenge (RTT-ELC) Grant***

As described by the US Department of Education (USDE), the purpose of the Early Learning Challenge Grant is "to improve the quality of early learning and development programs and services and close the achievement gap for children with high needs." USDE also notes that the overarching goal of the program is "to make sure that many more children, especially children with high needs, enter kindergarten ready to succeed."

In 2012, the USDE selected New Mexico for a \$25.0 million RTT-ELC grant that would be paid out over four years. In July 2013, the USDE awarded New Mexico an additional \$12.5 million as part of the RTT-ELC program, making New Mexico's total RTT-ELC award upwards of \$37.0 million.

**Committee Referrals:**

SEC/SFC

**Related Bills:**

SB 39 *Medicaid Infant Home Visiting Services*  
SB 86 *Child Care Teacher Retention*  
SB 224 *Early Learners Events*  
SB 304 *Early Childhood Books and Toys*  
SB 343 *Guadalupe County Early Childhood Programs*  
SB 344 *Northeastern NM Early Childhood Programs*  
SJM 10 *Reconvene J. Paul Taylor Childhood Task Force*  
SJR 5 *School Fund for Early Childhood, CA*  
HB 25 *Medicaid Infant Home Visiting Services*  
HB 56 *Child Care Teacher Retention*