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FISCAL IMPACT REPORT

SPONSOR Maez ORIGINAL DATE 3/3/15
LAST UPDATED _____ HB 547
SHORT TITLE Create Early Learning Dept. SB _____
ANALYST Klundt

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		TBA	TBA			

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 547

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)

State Personnel Office (SPO)

Department of Health (DOH)

Public Education Department (PED)

Department of Finance and Administration (DFA)

SUMMARY

House Bill 547 creates a Department of Early Learning that focuses on young children birth to five to include: child care, pre-kindergarten and home visiting. HB 547 makes amendments to a number of statutes to include language regarding an Early Learning Department and Early Learning Secretary.

HB 547 states the Early Learning Department shall:

- develop priorities for department resources;
- strengthen collaboration and coordination in child care, home visitation and early learning services;
- develop and maintain a statewide database;
- develop service standards focusing on prevention, monitoring and outcomes;
- analyze policies of other departments that affect children to encourage common contracting procedures and service definitions and a uniform system of access;
- develop reimbursement criteria for the Children, Youth and Families Department (CYFD) licensee child care centers and home child care providers;

- conduct biennial assessments of child care or early learning service gaps and needs and establish outcome measurements to address the gaps and needs; and
- fingerprint and conduct nationwide background checks on all department employees, staff and volunteers whose jobs involve direct contact with department clients.

The Secretary of Early Learning will sit on the Governor's Children's Cabinet.

Section 27 transfers all functions, personnel, appropriations, money, records, furniture, equipment, supplies and other property belonging to CYFD and pertaining to early childhood care and education to the Department of Early Learning, including contractual obligations and references in law, except for Child Care Licensing at CYFD and the NM Pre-K and Even Start Family Literacy Programs from the Public Education Department (PED).

FISCAL IMPLICATIONS

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 the Department of Early Learning. The agency also believes that the cost of separating, merging, and/or establishing data systems may be significant. Currently, the data system under development is integrated with other agency programs.

SIGNIFICANT ISSUES

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, CYFD includes the Early Childhood Services program (ECS) which administers several initiatives focused on early learning, safety, health, and development for children ages prenatal to 14 years old. A few of these programs include home visiting, prekindergarten, and child care assistance. However, several other early learning programs exist in other agencies, including the Family, Infant, and Toddler program at the Department of Health, and prekindergarten at the Public Education Department. All together these programs serve more than 67 thousand clients for more than \$200 million. (See attachment A for a diagram of the early childhood system)

Program	Current Agency	Description	Annual Number Clients Served*	Appropriation in FY15 (in millions)
Home Visiting	CYFD	Voluntary for families with children prenatal to 3 and provides family support, coaching of parenting skills, and referral for other services	2,788	\$10.6
Child Care Assistance	CYFD	6 week to 12 year olds children whose families are at or below 200 percent of the federal poverty level that are working and/or in school	35,000	\$97.7
PreK	CYFD/PED	Early school readiness program for 4 year olds in communities with Title I public schools	8,980	\$39.6
FIT	DOH	Birth to children age three with or at risk for developmental delays and disabilities based on comprehensive multidisciplinary evaluation.	13,067	\$39.7
Head Start/Early Head Start	n/a federal direct funding	Children birth to five years of age whose family income meets the federal poverty guidelines	7,489	\$58.4

(This table is not intended as a comprehensive list of all early childhood programs operated by the State of New Mexico)

*estimated

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](#)), five other states are considering similar bills at this time, including neighboring Nevada, as well as 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.

It should be noted that CYFD is concerned this bill dissects the population currently served by ECS since this bill creates a department to serve children ages 0 to 5 years old, however childcare assistance is available up to the age of 13. Additionally, HB 547 does not include child care licensing which is located within the CYFD as an integral component of the early learning system. Child care licensing ensures the health and safety of children and is now closely tied to the state’s quality improvement and rating initiative. The quality rating of each program is now indicated on each program’s facility license. The federal Child Care and Development Fund (CCDF) regulations and funding address the three components of Child Care: Licensing, Subsidy and Quality, so all the planning, reporting and initiatives must include the three components as part of the system.

In addition, DOH is also concerned this bill fragments the early childhood system by not including other significant programs. HB 547 does not address two early learning programs in New Mexico that serve young children with, and at risk for, developmental delays and disabilities. The two programs that provide services under the Individuals with Disabilities Education Act (IDEA) to the birth to five population are: the Family Infant Toddler Program (FIT) Program at the Department of Health (DOH), that provides early intervention services to approximately 13,000 children birth to age 3, and the Early Childhood Special Education program at the Public Education Department (PED), that serves approximately 4,300 preschoolers (age 3 and 4) with disabilities.

PED also notes that this bill does not include the USDA Child Care Food Program as an essential component of New Mexico’s early learning system impacting the PED, the CYFD, and the DOH early learning programs. Not only does the program provide funding for nutritious meals in early learning centers, over 60,000 children each day benefit from meals provided by the Summer Food Program. These nutritious meals and the associated training are critical to children’s health and learning.

As highlighted by several agencies, this bill does not transfer all early childhood programs to the Department of Early Learning, however, the examination of the state early childhood system and its governance structure is increasingly important to ensuring the continued focus on improving quality and services. An interim group may be considered to develop a comprehensive inventory

of programs and study the state structure versus national best practices.

RELATIONSHIP

Senate Bill 607 also creates a Department of Early Learning.

ADMINISTRATION

The Department of Finance and Administration (DFA) reports significant administrative effort from the Financial Control Division would be required in order to create the new department. The administrative tasks associated with the creation of the new department would require DFA to coordinate with staff from PED, CYFD, SPO, STO, and DOIT. Assistance from non-employee contractors may be required in order to complete the necessary tasks by July 1, 2015.

TECHNICAL ISSUES

HB 547 includes the federal Even Start Family Literacy Program within the PED which has not been funded since 2011.

HB 547 provides an amendment to the definition of “pre-kindergarten” in the Early Childhood Care and Education Act (Section 23.E) referring to three-year-olds that contradicts the HB 547 amendment to the definition of “pre-kindergarten” in the NM Pre-school Act (Section 17.E.) referring to four-year-olds.

HB 547 provides that all the CYFD functions, personnel, appropriations, money, records, furniture, equipment, supplies and other property pertaining to early childhood care and education including the PreK program shall be transferred to the Early Learning Department. HB 547 does not include the PED personnel, records, etc. transferring to the Early Learning Department. This would impact the ability to continue aligned support to public school PreK programs.

OTHER SUBSTANTIVE ISSUES

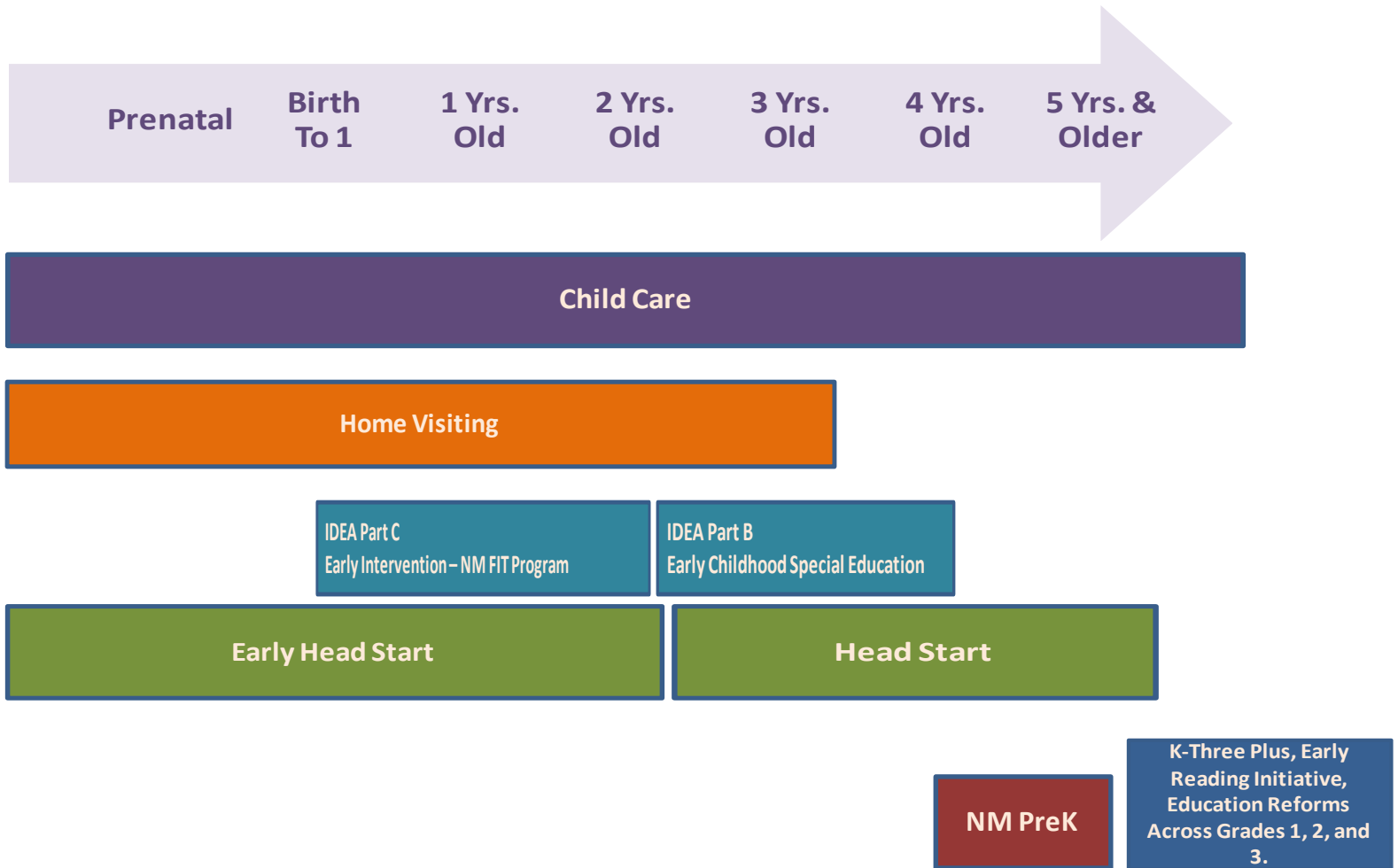
The Race To the Top – Early Learning Challenge (RTT-ELC) grant is in effect through December 2016 and includes the current administrative structure for early childhood with the three state agencies PED, CYFD and DOH. An amendment to the grant would be needed.

One of the projects under the RTT-ELC is the development of an Early Childhood Integrated Data System, with work underway at PED, CYFD, and DOH. The creation of a Department of Early Learning would require reconfiguring the data infrastructure across the Departments.

ALTERNATIVES

Create a taskforce to inventory programs to which should be included in a Department of Early Learning and study New Mexico’s current structure versus national best practices.

New Mexico's Early Childhood Development System



Early Childhood Program Appropriations

(in millions of dollars)

	FY12 Actuals	FY13 Actuals	FY14 Revised* Operating	FY14 Actuals	FY15 Operating
Children, Youth and Families Department - Early Childhood Services Programs					
Childcare Assistance					
General Fund	\$ 26.8	\$ 29.8	\$ 33.3	\$ 33.3	\$ 30.3
Federal Funds	\$ 30.4	\$ 31.6	\$ 31.6	\$ 15.1	\$ 36.4
OSF	\$ 0.8	\$ 1.4	\$ 0.8	\$ 0.8	\$ 0.8
USDA E&T	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ -
TANF	\$ 24.3	\$ 23.8	\$ 29.3	\$ 23.2	\$ 30.5
Total Childcare Assistance	\$ 82.9	\$ 87.2	\$ 95.6	\$ 73.0	\$ 97.9
Home Visiting					
General Fund	\$ 2.3	\$ 3.2	\$ 5.0	\$ 4.5	\$ 7.5
Federal Funds	\$ -	\$ 2.7	\$ 1.1	\$ 2.5	\$ 2.5
TANF	\$ -	\$ -	\$ 2.0	\$ -	\$ 2.0
Tobacco Settlement Fund	\$ -	\$ -	\$ -	\$ 1.1	\$ -
Total Home Visiting	\$ 2.3	\$ 5.9	\$ 8.1	\$ 8.1	\$ 12.0
Early Childhood Professional Development					
General Fund	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 1.1
Prekindergarten: Four Year Old Basic Services					
General Fund	\$ 8.2	\$ 9.2	\$ 9.2	\$ 8.5	\$ 4.6
TANF	\$ -	\$ -	\$ 5.8	\$ -	\$ 6.1
Tobacco Settlement Fund	\$ -	\$ -	\$ -	\$ 3.1	\$ -
Prekindergarten: Four Year Old Extended Day Services					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 8.4
TANF	\$ -	\$ -	\$ -	\$ -	\$ -
Prekindergarten: Three Year Old Services					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1.3
TANF	\$ -	\$ -	\$ -	\$ -	\$ -
Total CYFD PreK	\$ 8.2	\$ 9.2	\$ 15.0	\$ 11.6	\$ 20.4
Planning Grant: High Quality Early Childhood Development Centers					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 0.5
TOTAL CYFD	\$ 93.9	\$ 102.8	\$ 119.2	\$ 93.1	\$ 131.9
Public Education Department - Special Appropriations *					
Prekindergarten: Four Year Old Basic Services					
General Fund	\$ 6.3	\$ 10.0	\$ 15.0	\$ 15.0	\$ 17.7
Fund Balance ¹					
TANF	\$ -	\$ -	\$ -	\$ -	\$ -
Prekindergarten: Four Year Old Extended Day Services					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1.5
Total	\$ -	\$ -	\$ -	\$ -	\$ 1.5
Prekindergarten: Three Year Old Services					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Total PED PreK	\$ 6.3	\$ 10.0	\$ 15.0	\$ 15.0	\$ 19.2
K-3 Plus					
General Fund	\$ 5.3	\$ 11.0	\$ 16.0	\$ 16.0	\$ 21.2
Total	\$ 5.3	\$ 11.0	\$ 16.0	\$ 16.0	\$ 21.2
Early Literacy					
General Fund	\$ -	\$ 8.5	\$ 11.5	\$ 11.5	\$ 14.5
TOTAL PED	\$ 12.1	\$ 29.5	\$ 42.5	\$ 42.5	\$ 54.9
Department of Health					
FIT (birth to 3)					
General Fund	\$ 14.5	\$ 14.0	\$ 14.5	\$ 14.5	\$ 20.1
all other funds	\$ 16.5	\$ 19.6	\$ 19.6	\$ 19.6	\$ 19.6
Total FIT	\$ 31.0	\$ 33.6	\$ 34.1	\$ 34.1	\$ 39.7
Human Services Department					
Evidenced-Based Home Visiting (prenatal to 3)					
General Fund	\$ -	\$ -	\$ 0.5	\$ 0.5	\$ 0.5
Federal Funds	\$ -	\$ -	\$ -	\$ -	\$ 1.1
TOTAL HSD	\$ -	\$ -	\$ -	\$ -	\$ -
Race to the Top- Early Learning Challenge					
Federal Funds	\$ -	\$ -	\$ 9.4	\$ 9.4	\$ 9.4
Early Childhood Programs Grand Total	\$ 137.0	\$ 165.9	\$ 205.1	\$ 179.1	\$ 236.0

*FY14 reflects replacement of Laws 2013 Chapter 228 (Senate Bill 113) tobacco settlement funds with TANF funds.

¹For FY16, the LFC recommendaiton for prekindergarten includes \$500 thousand in teacher professional development fund balance.

EARLY CHILDHOOD PROGRAMS: FY15 and FY16 ENROLLMENT AND ESTIMATED FUNDING NEEDED FOR STATEWIDE PROGRAMS

Criteria For Services	Home Visiting	Family, Infant, Toddler (FIT) Program	Childcare Assistance	Head Start/ Early Head Start (EHS)	Prekindergarten		Kindergarten Three Plus
					Basic (Half-Day)	Extended (Full-Day)	
	Priority eligibility for first time expectant mothers; first time parents of infants and toddlers zero to three; first time caregivers of infants and toddlers zero to three; adoptive parents of infants and toddlers zero to three, and teen parents.	Birth to children age three with or at risk for developmental delays and disabilities based on comprehensive multidisciplinary evaluation.	6 week to 12 year olds children whose families are at or below 200 percent of the federal poverty level that are working and/or in school.	Head Start/EHS is free for children birth to five years of age whose family income meets the federal poverty guidelines. The poverty guidelines are determined by the federal government each fiscal year.	Communities with Title I public schools (40 percent students eligible for free or reduced-fee lunch), priority where a minimum of 66 percent of the children served live within the attendance zone of a Title I school.		Public elementary schools with 80 percent or more of the enrolled students eligible for free or reduced-fee lunch at time of application or elementary schools receiving a D or F school grade.
FY15 Actuals							
FY15 Appropriation	\$10,600,000	\$39,700,000	\$97,700,000	\$58,442,526	\$29,736,600	\$9,900,000	\$21,223,000
Estimated Number of Clients Awarded Slots in FY15	2,788	13,067	20,248	7,489	7,155	1,825	18,056
LFC Estimated Average Cost Per Client FY15	\$3,801	\$3,038	\$4,308	\$7,804	\$3,450	\$6,450	\$1,231
FY16 LFC Recommendation							
FY16 LFC Recommendation	\$15,800,000	\$44,300,000	\$96,900,000	Programs are funded with federal revenue only and amount is currently unknown.	\$39,236,600	\$15,400,000	\$27,723,000
Estimated Number of Clients to be Served FY16	4,175	13,328	18,779	N/A	11,373	2,388	22,304
LFC Estimated Average Cost Per Client FY16	\$3,801	\$3,324	\$5,160	N/A	\$3,450	\$6,450	\$1,277
REMAINING STATEWIDE NEED							
LFC Estimate of Total Eligible Clients Statewide	10,800	13,328	29,000	n/a	12,762	12,762	70,343
LFC Estimate of Need After FY16 Based on FY16 LFC Recommendation (line 13- line 10)	6,643	0	10,221	N/A	1,389	10,374	48,039
Estimated Funding Needed to Serve Clients After FY16	\$25,250,043	\$0	\$52,740,000	N/A	\$4,792,300	\$27,678,300	\$61,346,275

Source: CYFD, PED, DOH, and LFC Files

Home Visiting Notes:

Estimate of total eligible clients statewide is based on a 20 percent uptake of all children birth to two years old ((27,000X2)x.80). Average cost per client of home visiting is per family. Costs of home visiting vary greatly depending on the model used.

Family, Infant, Toddler Notes:

The FIT appropriations and LFC recommendation above are total funds. Cost per child is based on total expenditures from all revenue sources: 1) SGF; 2) Private Insurance; 3) Federal IDEA Grant; 4) Federal Medicaid. The FY15 and FY16 estimate of total eligible clients statewide is based on 2 percent growth. The FIT Program is an entitlement and does not have a waiting list for services. The program is expected to continue to grow at a rate of 2 percent annually with 261 additional clients projected in FY16.

Childcare Assistance Notes:

Estimate of total eligible clients statewide assumes the number of children on the childcare assistance waitlist up to 200 percent of the federal poverty level estimated by CYFD.

Head Start and Early Head Start Notes:

The FY15 estimate of children served was provided by the NM Head Start Collaboration Director. Head Start (HS) and Early Head Start (EHS) are completely federally funded. According to CYFD, HS and EHS are expected to continue experiencing decreased funding in FY15. HS and EHS funding and provider counts do not include tribal government or consortium or migrant/seasonal programs.

Prekindergarten Notes

The estimate of total eligible clients statewide is based on an 80 percent uptake rate of the total number of 4-year-olds currently served by Title 1 schools (87 percent of 27,700) less 4-year-olds who attend Head Start programs (5,700) and special education prekindergarten (2,446). The LFC estimated number of clients to be served in FY15 is based on use of only 10 percent of the LFC recommended appropriation on administrative costs and program support and 90 percent on direct services for 4-year-olds, including \$3.5 million to fund approximately 540 slots for an extended day prekindergarten pilot. The estimated funding need to serve 4-year-olds in extended-day prekindergarten is in addition to funding recommended by the LFC for both half-day prekindergarten and the extended-day pilot in FY16.

Kindergarten-Three-Plus Notes:

K-3 Plus eligibility is based on the total number of students statewide attending schools with 80 percent or more of the students eligible for free or reduced-fee lunch (FRL) and schools with a D or F letter grade. For 2014 summer programs, PED used \$3.2 million in fund balance.