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## FISCAL IMPACT REPORT

ORIGINAL DATE 03/10/17

SPONSOR Padilla LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Early Childhood Education Department SJR 17

ANALYST Klundt

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	(\$58,871.8)	(\$60,371.8)	-0-	(\$99,243.6)	Recurring	General Fund, CYFD Transfer
	(\$58,132.9)	(\$49,627.5)		(\$107,760.4)	Recurring	Other Transfer, CYFD Transfer
	(\$110,392.7)	(\$110,392.7)		(\$220,785.4)	Recurring	Federal Funds, CYFD Transfer
	(\$500.0)	(\$1,684.8)		(\$2,184.8)	Recurring	Fund Balance, CYFD Transfer
	(\$23,967.0)	(\$23,967.0)		(\$47,934.0)	Recurring	All revenue sources, DOH Transfer
	\$251,864.4	\$246,043.8		\$477,908.2		ECED Operating Budget, All revenue source

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Senate Bill 106

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Education Department (PED)

Department of Health (DOH)

### SUMMARY

Senate Joint Resolution 17 (SJR17) amends the State constitution to add a new section that would create an “Early Childhood Education Department.” It would also amend the constitution to allow public schools and this new Department to enter into contracts for nonreligious,

nonsectarian, and nondenominational early childhood educational services.

Synopsis:

- This bill amends Article 12 of the constitution to create a new cabinet level secretary and an “Early Childhood Education Department” to provide voluntary early childhood education including prenatal education and referral services for pregnant women and for children from birth to age five.
- This bill stipulates that the Cabinet Secretary have more than ten years experience studying, supervising, and administering early childhood education programs.
- This bill also amends Section 3 of the constitution to state that public schools and this new Department may enter into contracts for nonreligious, nonsectarian and nondenominational early childhood educational services.

**FISCAL IMPLICATIONS**

There is no appropriation included in this bill, CYFD noted on similar bills that it agency 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.

The table reflects approximate revenue transfers to the new agency.

**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, 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 2016 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 \$230 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:

- 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.”

The Public Education Department (PED) reported the following:

Creating a new Department will create a significant cost for the state. Costs include setting up a longitudinal data system. A longitudinal data system is currently being built through Race to the Top – Early Learning Challenge funds, and is housed at the Public Education Department. There would be significant costs in moving this to a new Department. Other costs include: identifying and leasing space for the department, salaries for staff, including executive salaries, and other transition costs. The total cost is unknown, but is estimated at \$700 thousand for transfer expenses and \$300 thousand in ongoing salary expenses.

New Mexico PreK is a voluntary preschool program created by the Pre-Kindergarten Act of 2005. The PreK program is jointly administered by the Public Education Department and the Children, Youth, and Families Department. Children who have reached their 4th birthday by September 1st are eligible to attend a PreK program. The purpose of PreK is to ensure each child in New Mexico has the opportunity to attend a high quality early childhood education program before kindergarten. This current approach to early childhood education is working.

Currently, PED and CYFD successfully coordinate on a number of projects and programs. This eliminates the necessity for a new department. Some examples include:

- Implementing the Race to the Top – Early Learning Challenge (RTT-ELC) grant. The Departments successfully received a competitive \$37.5 million grant designed to build out early learning infrastructure
- Implementing FOCUS, the new tiered quality rating information system (TQRIS)
- Building the Early Childhood Integrated Data System
- Developed and maintained the New Mexico PreK website:  
[www.newmexicoprek.org](http://www.newmexicoprek.org)
- Distributing early childhood resources in a way the most meaningfully serves New Mexicans:  
[http://ped.state.nm.us/ped/LiteracyDocs/PreK/2017/FY16\\_PREK\\_PED\\_CYF\\_D\\_Annual\\_Report\\_12-13-2016.pdf](http://ped.state.nm.us/ped/LiteracyDocs/PreK/2017/FY16_PREK_PED_CYF_D_Annual_Report_12-13-2016.pdf). (Pgs. 12-15 details where financial investments are being made and which areas of the state are served).
- Establishing the Kindergarten Observation Tool (KOT)—led by PED but utilized to assess the efficacy of both agencies efforts. It helps teachers better meet student’s needs and to help ensure all children enter 1<sup>st</sup> grade on track.
- Making a variety of services and supports available, so all children have access to—and can participate in—opportunities that are both respectful of and responsive to their family experiences, culture, beliefs, abilities, and circumstances and help to drive proper nutrition, school readiness, child development.

The creation of a new department raises the important concerns about the availability of wrap around services for PreK students as well as infants and toddlers.

The requirement for the new agency to, “Develop and maintain a statewide database” is already a requirement under the RTT-ELC grant and the Data System (ECIDS) is already being developed as a requirement within RTT-ELC and will be housed within the Public Education Department. Further, developing this longitudinal data system would cost millions of dollars; such funds are not provided for in SB106.

Race to the Top – Early Learning Challenge grant investments in a longitudinal data system linking information between CYFD, DOH and PED would be rendered useless. Over \$10 million of federal awards were granted to create this system. A reorganization of the departments would mean all work to date would be useless.

## **ADMINISTRATIVE IMPLICATIONS**

The Department of Health (DOH) noted that if the FIT Program were to move to a new department there would be an effect on administration during the transition period and, at least, through the first year.

It is unclear whether SJR17 requires that early childhood services be contracted through local school districts. If this is what is proposed it would be challenging for FIT provider agencies to contract with multiple school districts. Currently, FIT Provider agencies have only one contract with the state to provide FIT early intervention services. Administration of early childhood services is done centrally through the NMDOH Family Infant Toddler Program, including the accountability for monitoring for compliance with federal and state rules and standards, and for auditing billing and financial records. All these functions would need to be shifted to multiple school districts.

## **RELATIONSHIP**

Senate Bill 106 establishes the Early Childhood Services Department (ECSD), combining early childhood services from the Children, Youth, and Families Department (CYFD); Department of Health (DOH) Family Infant Toddler Program, Interagency Coordinating Council, and Family First Home Visiting program; Public Education Department (PED) Pre-Kindergarten and Even Start Family Literacy programs.

## **TECHNICAL ISSUES**

The Public Education Department noted the following technical issue:

IDEA part B would be fractured between 2 agencies outside of the proposed consolidated agency for 3-5 year olds.

Currently districts are able to braid funding between PreK, Special Education, and Title I to provide inclusive settings, purchase specialized equipment and materials, provide longer hours and serve more children. This would create difficulties for districts because they would have to work with two agencies to accomplish this (PED and Early Childhood Education Department) instead of one (PED).

Districts are currently able to provide preschool for birth through age 5 with Title I funds, it is unclear how this would work with the creation of a new agency.