



School Readiness: A Budget Update Cyd Oppenheimer, J.D.

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What Is School Readiness?

The School Readiness initiative helps families in Connecticut's poorest towns afford quality preschool. School readiness funds go to priority school districts (the most economically and educationally needy districts in the state) and districts with "priority schools" (schools that draw students from low-income areas of non-priority districts). Priority school districts receive a grant allocation for spaces for eligible students based on a formula. Districts with priority schools (also known as "competitive school districts") must apply for grants through the competitive grant program, and each of these districts currently may receive no more than \$107,000 in grant aid, regardless of how many eligible children live in the district.

What Did the Biennial Budget Do For School Readiness?

In Governor Rell's 2007 budget address, she proclaimed her commitment to high-quality preschool for all three- and four-year-olds.¹ The biennial budget appropriated approximately \$5 million more to School Readiness programs in priority school districts in FY 08 than it did in FY 07 and an additional \$15 million to School Readiness in FY 09 over the FY 08 budget.² Reimbursement rates were not raised in FY 08, remaining at a level of \$8,025 per child, despite a stated commitment by the Early Childhood Education Cabinet to raise rates 3% in FY 08 (to a level of \$8,266) and another 3% in FY 09 (to a level of \$8,514).

What Would the Governor's Proposed FY 09 Budget Revisions Do For School Readiness?

The Governor's proposal would cut \$1.8 million from the State Department of Education's (SDE's) School Readiness budget in FY 09 by reducing funding for school readiness in the Priority School District budget line in SDE's budget.

The Governor's proposal would also cut approximately \$392,000 from the Department of Social Services's (DSS's) School Readiness budget.³ DSS transfers approximately one-quarter of its School Readiness funds to SDE to be used for quality enhancement grants in priority school districts. The remainder of these funds are used to support Connecticut Charts A Course, the Accreditation Facilitation Program, 211 Child Care, Care4Kids background checks, and the statewide newsletter.

What Would the Appropriations Committee's Proposed FY 09 Budget Revisions Do For School Readiness?

The Appropriations Committee's proposed FY 09 budget revisions would impact School Readiness in three major ways:

1) It would restore \$900,000 of the Governor's proposed \$1.8 million cut to school readiness programs generally, but earmark the \$900,000 specifically for school readiness programs in the competitive school districts (by adding \$900,000 to the SDE budget line for "Early Childhood Programs" and reducing the SDE budget line for school readiness programs in the "Priority School Districts" by \$1.8 million). This would result in a *net* reduction in funding for school readiness programs in SDE's FY 09 budget, as approved last session, of \$900,000 (rather than the \$1.8 million reduction proposed by the Governor).

2) It would provide an additional \$950,000 to DSS's Child Care Centers. The stated purpose of this funding is "to provide a 3% increase for state funded child care centers, in order to maintain rate equity with slots funded under the Department of Education."

3) It would restore the \$392,000 to DSS's School Readiness budget.⁴ It would also add an additional \$150,000 to DSS's School Readiness budget, which appears to be earmarked specifically for Our Piece of the Pie, a youth development program in Hartford.⁵

What Questions and Concerns Do We Have About the Appropriation Committee's Budget?

The Appropriations Committee's budget raised three major questions/concerns regarding School Readiness:

1) *Would the cap for competitive districts be raised and would such an increase help or hurt Connecticut's young children living in poverty?*

The restoration of \$900,000 to SDE's School Readiness budget is a positive change. However, because it is earmarked for competitive districts only, there has been some question as to how it would be spent. There are two possibilities. One possibility is that this additional money would be distributed solely to the eight new towns that will be eligible for competitive grant funds in FY 09. But the other possibility is that the cap for the competitive grants would be raised, so that districts that have the capacity to serve more children -- but are currently receiving the maximum amount -- will be able to apply for additional funds.

The Education Committee's amendment of HB 5592 (An Act Concerning Early Childhood Education), later endorsed unanimously by the Appropriations Committee, seems to remove the cap altogether. It not only *raises* the cap from \$107,000 to \$225,000 per competitive school district, it extends the discretion of the Commissioner of the Department of Education to provide a grant that exceeds the cap to "*any* town eligible for a competitive grant" (emphasis added).⁶ Previously, the Commissioner could exceed the cap only for the benefit of a competitive school district that had "two or more priority schools" in the district. In other words, if sHB 5592 as amended is adopted, there would be no more cap.

There are positive aspects to raising the cap. Poor children do not live exclusively in priority school districts. Raising the cap would allow additional funds to support poor children in competitive school districts. If one believes that children in poverty deserve the opportunity to access high-quality preschool programs regardless of where they live, then raising the cap makes sense.

However, there are also dangers to raising or removing the cap. If the cap is raised or removed, money *could* be diverted from priority school districts and given to competitive districts instead. The current language in HB 5592 does not limit the additional funding for competitive districts to the \$900,000 specifically earmarked for them in the Appropriations Committee's budget (HB 5021). Yet, taking money away from children in the most concentrated areas of poverty to serve poor children living in less concentrated areas of poverty does not ultimately get us to our goal of high-quality pre-school for *all* three- and four-year-olds. Sending money to districts that currently have excess capacity avoids -- but does nothing to resolve -- the problem of lack of capacity in the priority school districts. It does nothing to encourage providers in priority school districts to expand capacity so that the needs of the many eligible children living there who are not now being served can be met.

2) *Will School Readiness rates be raised and by how much?*

Neither the Governor's nor the Appropriations Committee's proposed SDE budget revisions make any mention of raising School Readiness rates.⁷ The only hint that School Readiness rates *may* be raised is in the Appropriations Committee's commentary to its DSS budget revisions, where it states that the purpose of the additional \$950,000 to DSS's Child Care Centers budget is "to provide a 3% increase for state funded child care centers, in order to maintain rate equity with slots funded under the Department of Education." Since state funded child care center rates are currently at equity with School Readiness slots, logic dictates that, to remain at equity, a 3% increase in one mandates a 3% increase in the other. In other words, it is our understanding, based on conversations with several

state agency staff, that it is the legislature's intent to increase rates 3% for both School Readiness and state funded child care centers, from the current rate of \$8,025 to a new rate of \$8,266. Unless current law is amended, however, there is no *requirement* that school readiness rates be raised.

While any increase in rates should be applauded, there are real concerns here as well.

First of all, this 3% increase, to \$8,266, was promised in FY 08. An *additional* 3% increase, to \$8,514, was promised for FY 09. The majority of School Readiness programs, especially those in priority school districts, are already at or near capacity. To meet the needs of the 12,000 children who are currently eligible for School Readiness but who are not being served, programs need to expand by adding additional staff and enlarging their physical facilities. The Preschool Expansion report issued by the Early Childhood Education Cabinet in January 2008 suggests that an increase only to \$8,266 will be insufficient to incentivize the needed expansion.⁸ That report, which estimated that an additional 2,000 children could be served in FY 09, based its estimate of expanded capacity on the premise that rates would be increased to \$8,514.

Second, and relatedly, this limited increase is particularly worrisome in light of the possibility that the cap on competitive grants may be raised. If the cap is raised (or eliminated), funds could be redistributed from priority school districts to competitive school districts. If the rate increase is insufficient to incentivize expansion in programs in priority school districts, money likely *will* be redistributed to competitive school districts, where more slots are currently available. This sidesteps, but does nothing to address, the problem of insufficient capacity in the priority school districts.

Finally, the fact that this rate increase, if it does occur, is likely to be enacted through language in the budget implementer is also worrisome, particularly in light of what occurred in FY 08. There is general consensus that the legislature *intended* to enact a rate increase in FY 08 but that the language in the budget implementer was unclear. In January 2008, the Office of Policy and Management clarified that no increase had been enacted. To prevent a recurrence, the state budget and/or one of its budget implementer bills should include the following language:

As of July 1, 2008, the full day/full year reimbursement rate for School Readiness programs shall be raised to \$8,514, with proportionate increases for school day, part day, and extended day rates.

3) Will the final budget for DSS's School Readiness include the 3% COLA?

The Governor's FY 09 proposal for DSS's School Readiness budget recommended: (1) cutting \$391,624 from the program; and (2) reallocating \$55,821 from the budget of the Office of Policy and Management (OPM) to reflect the FY 08 3% cost of living adjustment (COLA). These two changes resulted in a *net* reduction of \$335,803 in this budget line.

The Appropriations Committee's proposal for DSS's School Readiness budget: (1) rejected the Governor's proposed cut of \$391,624 from the program; (2) accepted the reallocation of \$55,821 from OPM to reflect a 3% COLA; and (3) added an additional \$150,000 that appears to be earmarked to go to the Hartford-based youth development program Our Piece of the Pie. Thus, the Appropriations Committee's proposed appropriation for School Readiness within the DSS budget should be \$597,445 *more* than the Governor's appropriation for that same line item (\$391,624 + \$55,821 + \$150,000).

However, the Appropriations Committee's budget for School Readiness within DSS is written as only \$541,624 (\$391,624 + \$150,000) more than the Governor's appropriation for that same line item, suggesting that the COLA amount was not included. Since the Appropriations Committee specifically accepted the COLA adjustment, it appears that this omission was inadvertent. Nevertheless, if it is not corrected, DSS will be short by \$55,821 for School Readiness in FY 09.

Also, while more money for School Readiness is surely a good thing, the sudden addition of \$150,000 for one particular program needs explanation. Why this sudden influx of money to Our Piece of the Pie? How, specifically, will it be used? Is it the best use of our resources?

What Would Happen to School Readiness If The Legislature Decides to Adopt the Original FY 09 Budget, with No Revisions?

There has recently been speculation that, due to the economic downturn, the legislature and the Governor may agree to simply adopt the original FY 09 budget without any revisions. If this does turn out to be the case, the \$1.8 million for School Readiness, which the Governor had proposed cutting, would remain in the budget – a boon for the program. However, there are still two important points to keep in mind:

1) The cap for competitive school districts could still be raised or removed. The cap for competitive school districts could be raised or removed regardless of the budget adopted. All the concerns associated with the cap's increase or removal, described above, continue to exist independent of the budget.

2) School Readiness rates could still be raised. The economic downturn does *not* mean that School Readiness rates cannot go up. The Early Childhood Education Cabinet's January 2008 Preschool Expansion Report suggested that rates be increased to \$8,514 *based on the original FY 09 budget*. For all the reasons described above, legislation ought to be passed codifying this rate increase. Ultimately, this rate increase will encourage expansion of School Readiness programs and allow more eligible children to be served.

Conclusion

If the legislature favors the Appropriations Committee's budget, CT Voices urges the General Assembly to correct the \$55,821 error in the its proposed DSS School Readiness line item. *Regardless* of which budget is adopted, CT Voices urges the General Assembly to:

- Specify that if the cap on funding for competitive districts is raised or eliminated then: (1) transfers of *existing* school readiness funds from priority districts to competitive districts shall not be made, either in FY 09 or in future fiscal years; and (2) if \$900,000 remains specifically earmarked for competitive school districts in FY 09, that no funds beyond that \$900,000 shall be distributed to these districts in FY 09;
- Add language either to the budget itself or to the budget implementer that clarifies that reimbursement rates shall be raised in FY 09 to (ideally) \$8,514 (or, at a minimum, \$8,266).

¹ See Governor's Budget Address, available at <http://www.ct.gov/governorrell/cwp/view.asp?A=2791&Q=332098>.

² See PA 07-3 (June Special Session), An Act Concerning Education Implementer Provisions, Sec. 51, available at <http://www.cga.ct.gov/2007/ACT/PA/2007PA-00003-R00HB-08003SS1-PA.htm>.

³ Specifically, the Governor's proposed budget revisions would eliminate \$391,624 from new funding provided in the last legislative session, but reallocate \$55,821 from the Office of Policy and Management (OPM) to reflect the FY 08 3% cost of living adjustment (COLA), for a *net* reduction of \$335,803.

⁴ The Appropriations budget also accepts the Governor's proposed reallocation of \$55,821 from OPM to reflect the 3% COLA. However, as discussed *infra*, its total School Readiness allocation does not include this additional \$55,821, despite the fact that the budget does remove this amount from OPM and thus ought to account for it here. As is, the DSS budget will be short by this amount unless this is corrected.

⁵ The Appropriations Committee's budget narrative does not explicitly state that the \$150,000 of new School Readiness Funds are to go to Our Piece of the Pie, but lists a number of "community groups" that are to receive additional funding, and the \$150,000 earmarked for OPP is equal to the amount listed as new funds in the School Readiness line in this budget entry; no other organization named in the narrative is said to receive \$150,000.

⁶ See sHB5592 (File No. 669), An Act Concerning Early Childhood Education, available at <http://www.cga.ct.gov/2008/FC/2008HB-05592-R000669-FC.htm>.

⁷ Curiously, sH.B. 5026, An Act Concerning Interdistrict Magnet Schools and School Readiness, appears to raise the reimbursement rate from \$6,925 to \$8,025. However, in practice the reimbursement rate has been set at \$8025 since FY 07 (and never, since the time of the program's inception, was as low as \$6,925). So this apparent "amendment" does not, in reality, change the rate structure at all. sH.B. 5026 also maintains existing law which *allows* a rate increase to \$8,266 but *does not mandate* any increase.

⁸ Connecticut Early Childhood Education Cabinet & the Bureau of Early Childhood Education, State Department of Education, *Preschool Expansion in SFY 08, Scenarios for Expansion in SFY 09* (January 2008) at 3.