

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4497-01  
Bill No.: SB 538  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education  
 Department; Boards, Commissions, Committees, Councils  
Type: Original  
Date: February 24, 2014

Bill Summary: This proposal allows school districts and charter schools to receive state aid for children ages three to five who are eligible for free and reduced lunch and are participating in the district's or charter schools' early childhood education program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	\$0	\$0 or (\$67,059,663 up to more than \$134,119,327)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (\$67,059,663 up to more than \$134,119,327)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
State School Moneys*	\$0	\$0	\$0*
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0*</b>

\*Offsetting Transfers In and Out for FY 2017 are \$0 or \$67,059,663 up to more than \$134,119,327.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0*</b>

**\* Offsetting Transfers In and Costs for FY 2017 are \$0 or \$67,059,663 up to more than \$134,119,327.**

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this legislation should not result in additional cost or savings to their agency.

BAP states this proposal will increase the cost of the education foundation formula and defers to the Department of Elementary and Secondary Education for the specific fiscal impact.

Officials from the **Department of Elementary and Secondary Education (DESE)** provided the following assumptions of fiscal impact:

Estimate of 3 & 4 year-olds based on FY12 kindergarten enrollment	141,618
Assume half of these would be eligible for free and reduced lunch - Average Daily Attendance (ADA)	70,809
Estimate of payment - Weighted Average Daily Attendance (WADA)	66,560
Current average payment amount per WADA	\$4,030
Estimated cost of all 3 & 4 year-olds participating	\$268,236,800
Cost of 3 year-olds attending 2 <u>full</u> days per week and 4 year-olds at 3 <u>full</u> days per week	\$134,119,327
Cost of 3 year-olds attending 2 <u>half</u> days per week and 4 year-olds at 3 <u>half</u> days per week	\$67,059,663

DESE states there is no way to know the number of students that would enroll in an early childhood education program under the terms of this proposal; however, these estimates depict a potential range. It should be noted that if school districts can count early childhood education for state aid, the numbers could increase significantly from those presented here.

Subsection 2 indicates that the provisions of the section shall become effective in any school year subsequent to a school year in which the formula is fully funded. The fiscal impact will remain \$0 per year until the time the formula is fully funded. If however, the formula is fully funded within three years, the impact of this proposal would reflect the amounts as calculated above.

ASSUMPTION (continued)

**Oversight** assumes the earliest the foundation formula could be fully funded would be in FY 2016 and will, for fiscal note purposes only, show fiscal impact for FY 2017 of \$0 (formula not fully funded) to a range of \$67,059,663 up to more than \$134,119,327 (formula fully funded).

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - State School Moneys Fund - State aid for early childhood education programs	<u>\$0</u>	<u>\$0</u>	\$0 or (\$67,059,663 up to more than <u>\$134,119,327</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0 or (\$67,059,663 up to more than \$134,119,327)</u></b>
<b>STATE SCHOOL MONEYS FUND</b>			
<u>Transfer In</u> - General Revenue - State aid for early childhood education programs	\$0	\$0	\$0 or \$67,059,663 up to more than \$134,119,327
<u>Transfer Out</u> - School districts - State aid for early childhood education programs	<u>\$0</u>	<u>\$0</u>	\$0 or (\$67,059,663 up to more than <u>\$134,119,327</u> )
<b>ESTIMATE NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In</u> - School Districts - State aid for early childhood education programs	\$0	\$0	\$0 or \$67,059,663 up to more than \$134,119,327
<u>Costs</u> - School Districts - Education expenses	\$0	\$0	\$0 or (\$67,059,663 up to more than \$134,119,327)
<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses providing day care could have a negative fiscal impact as a result of this proposal.

FISCAL DESCRIPTION

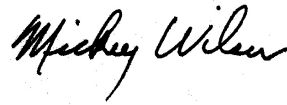
This bill would allow a school district or a charter school that has declared itself as a local educational agency that operates an early childhood education program to receive state funding through the foundation formula for students between the ages of three and five who are eligible for free and reduced lunch. The district or charter school must provide full-day kindergarten and meet standards established by the State Board of Education.

This proposal would become effective in the school year after the school year in which the foundation formula is fully funded and would remain in effect in any succeeding year. This bill does not require school attendance beyond what is required under the state's compulsory attendance law and does not change or modify the state's kindergarten attendance age statutes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Office of Administration  
Division of Budget and Planning



Mickey Wilson, CPA  
Director  
February 24, 2014

Ross Strobe  
Assistant Director  
February 24, 2014