

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5829-02
Bill No.: SB 797
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department; Boards, Commissions, Committees, Councils; Children
Type: Original
Date: April 4, 2012

Bill Summary: This proposal requires the Department of Elementary and Secondary Education to establish a Voluntary Pre-kindergarten Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$9,504,250)	(\$20,244,377)	(\$35,965,265)
Total Estimated Net Effect on General Revenue Fund	(\$9,504,250)	(\$20,244,377)	(\$35,965,265)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Federal Funds*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

*Offsetting Savings and Cost

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	1 FTE	2 FTE	3 FTE
Total Estimated Net Effect on FTE	1 FTE	2 FTE	3 FTE

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services - Children's Division** state this proposal will have no fiscal impact on the Children's Division. The proposal would have cost savings realized through participation in the Voluntary Pre-Kindergarten Program, resulting in less child care expenditure.

To calculate costs, DOS-CD provided the following information:

- 1) Total childcare expenditures for 3-year-olds from September through May were examined. Total statewide expenditures for full-day daycare were \$ 11,861,614.
- 2) Total childcare expenditures for 4-year-olds from September through May were examined. Total statewide expenditures for full-day daycare were \$13,970,577.
- 3) Total childcare expenditures for 5-year-olds from September through May were examined. Total statewide expenditures for full-day daycare were \$6,077,945.
- 4) Total childcare expenditures for 6-year-olds from September through May were examined. Total statewide expenditures for full-day daycare were \$1,385,808.

In order to account for children who enroll in the Voluntary Pre-kindergarten Program and continue to receive part-time or half-time day care, costs of \$33,295,944 are reduced by 50%.

ASSUMPTION (continued)

Children in the Voluntarily Pre-kindergarten Program would presumably need partial day services (before and after school) but not full day services. Therefore, the maximum cost savings could be up to \$16,647,972 per State Fiscal Year for the state, due to the decrease in full day care for children. The savings is split between 64% Federal Funds and 36% General Revenue.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the program is to serve children one to two years from entry into kindergarten. The program will operate on a half school day. The program will be phased in over a period of seven years. DESE will require 1.0 FTE supervisor at the program's outset and will require 1.0 additional FTE supervisors per year through the phase-in to accommodate the increasing percentage of children to be served.

Given the assumptions provided above, the following chart depicts the program estimates to implement the pre-kindergarten program.

	<u>Percentage of children</u> <u>To be served</u>	<u>Cost</u>
FY13	6%	\$ 15,428,667
FY14	10%	\$ 26,098,082
FY15	16%	\$ 41,756,931
FY16	24%	\$ 61,714,666
FY17	32%	\$ 86,004,346
FY18	40%	\$109,086,185

The ECSE and Title I dollars that are currently being spent on children will continue to be spent on those children regardless of whether they participate in the Voluntary Pre-kindergarten Program. Therefore, the costs reflected in the fiscal note are general revenue dollars that will be necessary to support additional children being served as the pre-kindergarten program is phased in over a seven-year period.

Oversight, for fiscal note purposes only, has adjusted the starting salaries for the Supervisors to that of similar positions shown on the DESE web site.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Savings</u> - Department of Social Services (DOS) - Reduced child care reimbursement			
	\$5,976,622	\$5,976,622	\$5,976,622
<u>Cost</u> - Department of Elementary and Secondary Education - Program costs			
Personal Services	(\$31,648)	(\$76,716)	(\$116,224)
Fringe Benefits	(\$16,754)	(\$40,613)	(\$61,529)
Equipment and Expense	(\$3,803)	(\$5,588)	(\$7,203)
Education Costs	<u>(\$15,428,667)</u>	<u>(\$26,098,082)</u>	<u>(\$41,756,931)</u>
Total DESE Costs	(\$15,480,872)	(\$26,220,999)	(\$41,941,887)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$9,504,250)</u>	<u>(\$20,244,377)</u>	<u>(\$35,965,265)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FTE	1 FTE	2 FTE	3 FTE
FEDERAL FUNDS			
<u>Savings</u> - DOS - Reduced child care reimbursement			
	\$10,671,350	\$10,671,350	\$10,671,350
<u>Cost</u> - Reduced child care reimbursement			
	<u>(\$10,671,350)</u>	<u>(\$10,671,350)</u>	<u>(\$10,671,350)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact some child care providers who provide care for children enrolled in the Voluntary Pre-kindergarten Program for the other half of the parent's work day. Child care businesses would see a decrease in enrollment.

FISCAL DESCRIPTION

This proposal establishes the Voluntary Pre-kindergarten Education Program to provide an opportunity for each child, who has reached the age of three, to voluntarily enroll in a publicly-funded pre-kindergarten program. Children will remain eligible to enroll in the program until they enroll in kindergarten or attain the age of seven.

The Department of Elementary and Secondary Education (DESE) will be responsible for implementing and overseeing the program. Private, for-profit, non-profit, and public schools may enroll children in their pre-kindergarten programs and receive public funds for doing so. DESE must establish standards that providers must meet in order to participate in the program. DESE must also establish teacher-child ratios, class sizes, student learning standards, guidelines, and qualifications for teachers and staff, as described in the proposal.

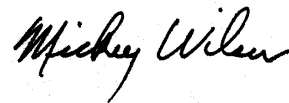
DESE must begin implementing the program by November 30, 2012 and complete the phase-in of the program by July 1, 2017. DESE must establish the rate of payment or reimbursement for providers. The program is subject to appropriations.

The provisions of this proposal will sunset after six years unless reauthorized.

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
Department of Social Services
 Children's Division
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division



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Director
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