

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0290-04  
Bill No.: SCS for SB 133  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department; Boards, Commissions, Committees  
Type: Original  
Date: April 5, 2013

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 a district-operated early childhood education program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	\$0	\$0 or (\$71,303,868 to \$285,215,472)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (\$71,303,868 to \$285,215,472)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
State School Moneys*	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\*Offsetting Transfers In and Out for FY 2016 are \$0 or \$71,303,868 to \$285,215,472.**

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 2014</b>	<b>FY 2015</b>	<b>FY 2016</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 2014</b>	<b>FY 2015</b>	<b>FY 2016</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 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Offsetting Transfers In and Costs for FY 2106 are \$0 or \$71,303,868 to \$285,215,472

**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, (139,742) assuming half of these would be eligible for free and reduced lunch	69,871
Estimate of payment - Weighted Average Daily Attendance (WADA)	75,291
Payment estimate at 94%	70,773
Current average payment amount per WADA	\$4,030
Estimated cost of all 3 & 4 year-olds participating	\$285,215,472
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	\$142,607,736
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	\$71,303,868

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

Subsection 2 indicates that the provisions of the section shall become applicable in any school year subsequent to a school year in which the formula is fully funded. DESE does not believe the formula can be fully funded within the scope of the fiscal note; therefore, DESE assumes the impact of this proposal appears to be zero for the term presented in the fiscal note.

ASSUMPTION

**Oversight** assumes the provisions of this proposal only go into effect the school year after a school year of full funding of the foundation formula. The formula was not fully funded in FY 13; therefore, funding for the program would not be available for FY 14. According to information provided by the Office of Administration - Division of Budget and Planning, the shortfall for full formula funding is anticipated to be \$620,192,726 in FY 14, so Oversight assumes funding for the program would not be available in FY 15. Not knowing when or if the formula will be fully funded during the scope of this fiscal note, Oversight will show fiscal impact of \$0 or (\$71,303,868 to \$285,215,472) for FY 2016 in the event the formula is fully funded in FY 15.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<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 (\$71,303,868 to <u>\$285,215,472</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>\$0 or (\$71,303,868 to <u>\$285,215,472</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 \$71,303,868 to \$285,215,472
<u>Transfer Out</u> - School districts - State aid for early childhood education programs	<u>\$0</u>	<u>\$0</u>	\$0 or (\$71,303,868 to <u>\$285,215,472</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 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In</u> - School Districts - State aid for early childhood education programs	\$0	\$0	\$0 or \$71,303,868 to \$285,215,472
<u>Costs</u> - School Districts - Education expenses	<u>\$0</u>	<u>\$0</u>	\$0 or (\$71,303,868 to <u>\$285,215,472</u> )
<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 act 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 act 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 act 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.

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SOURCES OF INFORMATION

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



Ross Strobe  
Acting Director  
April 5, 2013

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