

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1823S.02I
 Bill No.: SB 495
 Subject: Department of Elementary and Secondary Education
 Type: Original
 Date: April 17, 2023

Bill Summary: This proposal modifies provisions relating to state funding for certain early childhood education programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	Up to (\$56,254,125)	Up to (\$56,098,701)	Up to (\$56,103,674)
Total Estimated Net Effect on General Revenue	Up to (\$56,254,125)	Up to (\$56,098,701)	Up to (\$56,103,674)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	Up to \$55,830,843	Up to \$55,830,843	Up to \$55,830,843

FISCAL ANALYSIS

ASSUMPTION

Section 163.018 – Pre-Kindergarten Funding

Officials from the **Department of Elementary and Secondary Education (DESE)** state the window from birth to age five is critical in a child's development, with 90% of brain development occurring during this time. High-quality early childhood services not only lead to gains in early reading and math, but longitudinal studies also illustrate reduced grade retention, reduced placement in special education, increased likelihood of attending a four-year university, and better earnings. This program assumes that approximately 50 percent of pre-k students are eligible for Free and Reduced Lunch (FRL) and that maximum enrollment in pre-K would be approximately 70 percent of the average cohort size of students outside of those served in early childhood special education.

Total estimated program distribution for an expanded pre-kindergarten program is \$55,830,843. This funding amount assumes it will take approximately six years for participation growth to reach full capacity of serving all eligible students the year prior to kindergarten.

In order to meet the provisions of this legislation and oversee the expansion of pre-kindergarten services DESE estimates two (2) new FTE, a director and an assistant director, will need to be added to the Office of Childhood to support the expansion of district and charter school preschool programs. The determination for additional FTE is based on the Department's experience with preschool programming. In the past three FTE were responsible for overseeing approximately 230 preschool programs. The Department currently has one FTE dedicated to preschool programming and expects the number of schools participating in preschool to require two additional FTE to support preschool guidance, training, and monitoring activities.

Officials from the **Office of Administration – Information Technology** state it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. This project would have to be prioritized by DESE to be worked among DESE's other projects. The early childhood/preschool funding (Universal PreK) is paid out through the foundation formula for a small population currently. ITSD assumes there will be programming changes needed to the formula for the change in eligible population; age, and the addition of 163.018.3. Foundation Formula, an app maintained by ITSD, is used to calculate school funding based on many rules and regulations.

It's assumed the Foundation Formula is making these calculations today and will be provided any additional data elements needed to ensure proper calculations based on the proposal detailed in the bill. It's assumed the current Foundation Formula application/processes can withstand such

changes - it's an older application being targeted for replacement or redevelopment by DESE and jointly by ITSD if/when funding can be acquired. It's assumed a vendor/contractor will have to do this work in the application/code in order to ensure DESE continues to get the support, maintenance, and attention their apps, processes, data, and demands require of ITSD. ITSD estimates the project would take 2,462.40 hours at a contract rate of \$95 for a total cost of \$233,928 with on-going support costs.

Oversight will show the costs as estimated by DESE and ITSD.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Costs – DESE - §163.018</u>			
Personnel Service	(\$98,494)	(\$120,557)	(\$122,968)
Fringe Benefits	(\$62,823)	(\$76,272)	(\$77,174)
Expense & Equipment	(\$28,037)	(\$23,073)	(\$23,535)
<u>Total Costs -</u>	(\$189,354)	(\$219,903)	(\$223,677)
FTE Change	2 FTE	2 FTE	2 FTE
<u>Costs – DESE/ITSD – foundation formula modifications - §163.018</u>	(\$233,928)	(\$47,954)	(\$49,154)
<u>Costs – DESE - expanded pre- kindergarten funding - §163.018</u>	Up to (\$55,830,843)	Up to (\$55,830,843)	Up to (\$55,830,843)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Up to (\$56,254,125)	Up to (\$56,098,701)	Up to (\$56,103,674)
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL EDUCATIONAL AGENCIES			
<u>Revenue Gain</u> – for expanded pre-kindergarten funding - §163.018	Up to <u>\$55,830,843</u>	Up to <u>\$55,830,843</u>	Up to <u>\$55,830,843</u>
ESTIMATED NET EFFECT ON LOCAL EDUCATIONAL AGENCIES	Up to <u>\$55,830,843</u>	Up to <u>\$55,830,843</u>	Up to <u>\$55,830,843</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Currently, children between three and five years old who are eligible for free and reduced price lunch and attend an early childhood education program operated by a school district or a charter school may be included in such district's or charter school's calculation of average daily attendance. The total number of such pupils shall not exceed four percent of the total number of pupils between five and eighteen years old who are eligible for free and reduced price lunch and who are included in such districts or charter school's calculation of average daily attendance.

This act provides that the Department of Elementary and Secondary Education (DESE) shall remit to school districts and charter schools an amount equal to the product of the state adequacy target, the dollar-value modifier, and the average daily attendance of pupils who are eligible for free and reduced price lunch and who attend, in the year prior to their kindergarten enrollment eligibility, an early childhood education program that is operated by a school district or a charter school. Three-year-old pupils and other pupils who are more than one year prior to kindergarten enrollment eligibility, who are eligible for free and reduced price lunch, and who attend such early childhood education programs shall be included in a district's or charter school's calculation of average daily attendance under existing law.

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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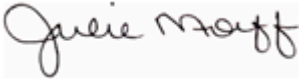
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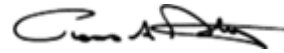
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SOURCES OF INFORMATION

Department of Elementary and Secondary Education



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April 17, 2023



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April 17, 2023