



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	SB0123	<b>Title:</b>	Full-time kindergarten
<b>Primary Sponsor:</b>	Williams, C.	<b>Status:</b>	As Introduced

- |                                                                      |                                                                   |                                                          |
|----------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|
| <input type="checkbox"/> Significant Local Gov Impact                | <input type="checkbox"/> Needs to be included in HB 2             | <input type="checkbox"/> Technical Concerns              |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$12,855,867	\$14,881,346	\$17,027,966	\$17,737,542
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance</b>	<u><u>(\$12,855,867)</u></u>	<u><u>(\$14,881,346)</u></u>	<u><u>(\$17,027,966)</u></u>	<u><u>(\$17,737,542)</u></u>

**Description of fiscal Impact:** SB 123 allows quality K-12 school districts to receive full-time per ANB entitlement funding for students attending kindergarten full-time in the district. Currently, quality K-12 school districts only receive one half of the per ANB entitlement for kindergarten students.

### FISCAL ANALYSIS

**Assumptions:**

- The present law inflation applied to the basic and per-ANB entitlements is 2.76% in FY2008 and 3% annually in FY2009 and beyond.

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Elementary Per ANB Entitlements	\$4,579	\$4,715	\$4,857	\$5,003

- The maximum potential elementary average number belonging (student count) used to calculate K-12 general fund budgets will increase as a result of SB 123 as indicated in the chart below.

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
EL ANB (Current Law)	71,998	71,952	72,368	73,136
Maximum EL ANB (SB 123)	<u>77,381</u>	<u>77,348</u>	<u>77,795</u>	<u>78,618</u>
Increase	5,383	5,396	5,427	5,482

3. Offering full-time kindergarten in a quality K-12 school district is the choice of the local school board.
4. For the purpose of preparing this cost estimate, it is assumed that only 80% of all potential kindergarten students will be enrolled in full-time kindergarten in FY 2008, 90% in FY 2009, and 100% in FY 2010 and beyond.

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Maximum increase (from 1. above)	5,383	5,396	5,427	5,482
Percent enrolled full-time	80%	90%	100%	100%
ANB net increase	4,306	4,856	5,427	5,482

5. The maximum Direct State Aid, GTB, Retirement, and other components of the school funding formula are proportionally reduced from the maximum levels by the percentages shown in 4. above.
6. Direct State Aid, GTB and other general fund components are computed with the school funding model used by the Office of Public Instruction, the Legislative Fiscal Division and the Office of Budget and Program Planning using current statutory entitlements, enrollment estimates and estimated property tax values.
7. The middle school entitlement of \$60,275, defined in SB 123 for the school funding formula replaces the current proration between the high school and elementary school basic entitlement. This will be effective for districts that adopt a full-time kindergarten program and those that do not adopt a full-time kindergarten program. The amount of the middle school entitlement in order to break even with the number of kindergarten students is \$55,500. The increased cost per school budget unit will be \$4,775.
8. The increased maximum budgets resulting from the new middle school entitlement will be \$1.604 million for 206 school budget units. As defined in statute, the BASE budget increase from this amount will be 80% of this amount or \$1.284 million. The state share of the BASE amount will be the same proportion of the BASE budget funded by the state in FY 2007 or 75%. The increase in state costs will be \$0.963 million.
9. The increased retirement expense is estimated by determining the amount of increase in the BASE budget, multiplying times the percentage of the general fund budget that is typically salaries (75% salaries) to get the increased salaries associated with SB 123.
10. Estimated benefit rate is 15% based upon FY 2006 employer contribution rates:

	<b>Certified Staff</b>	<b>Classified Staff</b>
TRS	7.47%	
PERS		6.90%
FICA	6.20%	6.20%
Medicare	1.45%	1.45%
Unemployment	<u>0.02%</u>	<u>0.02%</u>
<b>Totals</b>	<b>15.14%</b>	<b>14.57%</b>

11. Based on budget data from FY 2006, on the marginal, the state pays retirement guaranteed tax base aid (GTB) of approximately 28% of countywide retirement tax levy.
12. Estimated cost to the state and county:

<b>Fiscal Year</b>	<b>Estimated Additional Salaries</b>	<b>Estimated Benefit Rate</b>	<b>Retirement Cost</b>	<b>State Share</b>	<b>County Share</b>
2008	\$12,705,902	15%	\$1,905,886	\$533,648	\$1,372,238
2009	\$13,087,929	15%	\$1,963,189	\$549,693	\$1,413,496
2010	\$13,506,238	15%	\$2,025,936	\$567,262	\$1,458,674
2011	\$14,033,190	15%	\$2,104,979	\$589,394	\$1,515,585

13. An additional 1.0 FTE teacher will be added for every 12.6 additional ANB enrolled in full-time kindergarten. Statewide 341.7 FTE additional teachers will be hired to teach full-time kindergarten in FY 2008, 385.4 in FY 2009, 430.7 in FY 2010, and 435.1 in FY 2011. The Quality Educator payment in present law is \$2,000 per FTE.

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
FTE	341.7	385.4	430.7	435.1
Per Quality Educator	\$2,000	\$2,000	\$2,000	\$2,000
Additional Quality Educator Payment	683,492	770,794	861,429	870,159

14. The Indian Education for All payment of \$20.40/ANB will be paid on the additional ANB shown in the chart for Assumption #1.

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Indian Education for All Payment	\$87,842	\$99,062	\$110,711	\$111,833

	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>
	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Local Assistance (Direct State Aid)	\$8,363,297	\$9,727,171	\$11,194,561	\$11,679,584
Local Assistance (Guaranteed Tax Base Aid)	\$3,275,181	\$3,832,711	\$4,403,587	\$4,596,086
Local Assistance (Indian Education for All)	\$87,901	\$99,111	\$110,756	\$111,878
Local Assistance (Per Educator)	\$595,840	\$672,660	\$751,800	\$760,600
Local Assistance (Retirement)	\$533,648	\$549,693	\$567,262	\$589,394
Total Local Assistance	<u>\$12,855,867</u>	<u>\$14,881,346</u>	<u>\$17,027,966</u>	<u>\$17,737,542</u>

**Funding of Expenditures:**

General Fund (01)	\$12,855,867	\$14,881,346	\$17,027,966	\$17,737,542
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**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	(\$12,855,867)	(\$14,881,346)	(\$17,027,966)	(\$17,737,542)
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**Effect on County or Other Local Revenues or Expenditures:**

1. The cost of ANB funding is shared by the state and local taxpayers. A district's ANB increases when the school district implements full-time kindergarten, therefore, the BASE budget and the maximum general fund budget will also increase. Statewide, the local property taxes to fund the BASE budget will increase by \$3.24 million in FY 2008, \$3.74 million in FY 2009, \$4.3 million in FY 2010, and \$4.5 million in FY 2011.
2. In districts that have already implemented full-time kindergarten, the new state funding will be available to reduce local taxes, fund other priorities, or augment the existing kindergarten program.
3. Tax increases to fund the over-BASE portion of full-time kindergarten will need to be approved by the voters. These over-BASE property taxes are projected to range from \$1-2 million per year.

4. SB 123 allows a district to add the to the district’s adopted general fund budget for the previous year an amount equal to one-half of the kindergarten enrollment in the previous year times the sum of the maximum elementary per ANB rate plus the Indian education for all payment for an ANB for the previous year. This would potentially allow a district to adopt a budget over the over-maximum budget previously adopted. This may continue unequalized budgets that would have otherwise been equalized by this increase in ANB. The 1989 Supreme Court order required the state to equalize school district budgets.

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*Sponsor’s Initials*

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*Date*

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*Budget Director’s Initials*

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*Date*