



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2019 Biennium

<b>Bill #</b>	HB0563	<b>Title:</b>	Establishing Montana preschool grant program
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<b>Primary Sponsor:</b>	Kelker, Kathy	<b>Status:</b>	As Introduced
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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget        | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
<b>Expenditures:</b>				
General Fund	\$6,032,400	\$6,032,400	\$6,032,400	\$6,032,400
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$6,032,400)</u>	<u>(\$6,032,400)</u>	<u>(\$6,032,400)</u>	<u>(\$6,032,400)</u>

**Description of fiscal impact:** HB 563 establishes a preschool program for Montana public schools and appropriates \$12 million for the 2019 biennium to the Office of Public Instruction (OPI). The legislative intent is for the funding to be included in base funding going forward. The OPI has determined an additional cost of \$32,400 per year for transporting preschool pupils.

### FISCAL ANALYSIS

#### Assumptions:

1. HB 563, proposes to expand high-quality preschool options available to 4-year-old children throughout Montana.
2. Lead applicants are defined in the bill to be elementary school districts as defined in 20-6-101, MCA. Lead applicants can contract with other eligible providers in the community to provide preschool services. Eligible providers included in the definition are preschool providers that meet Board of Public Education (BPE) preschool education standards and include elementary school districts, head start programs, or nonsectarian private providers meeting identified standards.
3. The bill provides for a Bright Start for Montana Kids Board comprised of five members including the Superintendent of Public Instruction, the director of the Department of Public Health and Human Services, and three at-large members, appointed by the Governor. The board is to administer the preschool program and may adopt policies and procedures as necessary, provide oversight to the preschool program, and determine funding distribution.
4. Each member of the board created in the bill would be entitled to reimbursement of expenses as provided by statute for meals, lodging, and mileage. Assuming all board meetings would be held in Helena, the three at-

large members would be eligible for reimbursement for meals, lodging, and mileage. For purposes of this fiscal note, it is assumed two members would travel distances far enough from Helena to require two nights lodging and three days' meals; one member would require one night lodging and two days' meals. The approximate mileage cost for all members would be \$550. Assuming two board meetings per year, the annual cost of travel for the board would be \$1,800.

5. To be eligible for a preschool grant, pupils must reach the age of four by September 10 of the school year, be enrolled in an approved preschool program as defined by this bill with a minimum of 360 aggregate hours of instruction time, and have a family income that is at or below 200% of the federal poverty level.
6. HB 563 requires proper application and provides up to \$3,000 per year per eligible preschool pupil to be prorated if the appropriation is not sufficient to provide full funding of the grants of all lead applicants that have submitted proper application.
7. The preschool grant funding is to be distributed to the miscellaneous programs fund of the lead applicant elementary school district no later than August 15 of each year. Applications to be eligible for preschool grants must be submitted to the Bright Start for Montana Kids Board by April 1 of the year immediately preceding the school fiscal year to which the grant applies except for the school year beginning July 1, 2017 when applications are due no later than June 15, 2017.
8. The Administrative Rules of Montana (ARM) 10.63.107 set the maximum class size for preschoolers at 18 pupils regardless of the number of staff. The OPI estimates average class size across the state would be 15 pupils and one teacher. Given the \$12 million appropriation for the biennium, it is assumed for this fiscal note that each year \$6 million would be available for preschool funding. Approximately \$200,000 per year would be required for OPI costs and board travel. That would leave funding for approximately 1,933 preschool grants at \$3,000 each or a total of \$5.8 million. It is assumed there would be 129 new classes with more than 50 eligible providers.
9. The Office of Public Instruction (OPI) is currently administering a federal grant that provides funding for low income children to attend preschool programs that either meet or are working to meet the BPE standards referenced in HB 563. There are 21 preschool providers receiving funding from this grant. These providers have 1,119 pupils enrolled. The average total cost per pupil of these programs is \$5,347.
10. OPI currently supports an Early Childhood PK-3 endorsement for Class 1, 2, and 5 teacher licenses and has issued 83 of these endorsements. In the current fiscal year, 30 teachers with this endorsement are teaching at least one early childhood course at an accredited school. Therefore, there currently are not enough licensed teachers to conduct the required classes to support 1,933 preschool pupils. However, there are 152 people receiving financial assistance from the federal preschool grant OPI currently administers who are enrolled in university programs that would allow the individuals to apply for the Early Childhood PK-3 endorsement.
11. OPI would provide office space, personnel, equipment, and supplies for administration of the preschool program and estimates a need for 2.00 FTE to support this program at a cost of approximately \$195,000 per year.
12. OPI estimates that collecting the additional data required in Section 5 of HB 563 will require some reprogramming of the Achievement in Montana (AIM) information system at a one-time cost of \$3,000.
13. The appropriation in Section 7 of HB 563 specifically states that the appropriation is for the purposes of the preschool grant program under section 1 through 5 of the bill. This does not include funding for transportation of the preschool pupils as provided in Section 6.
14. The bill modifies statute defining eligibility for state reimbursement of bus transportation to and from school to include preschool pupils. The preschool programs are half day programs, so pupils would have to be transported mid-day creating the need for additional bus routes.
15. HB 563 modifies 20-10-101, MCA, to allow state and county reimbursement to school districts for pupils enrolled in this program. Since some of the providers will not be elementary schools, some additional bus routes could need to be added or existing routes extended. The average transportation cost reimbursement per pupil transported per school day has been calculated to be \$0.45. For purposes of estimating additional state reimbursement for transportation, OPI assumes 20% of the pupils will require some portion of new bus routes

at a cost of \$32,400 (2000 pupils X 20% X 180 days X \$0.45/day). This funding would need to be included in HB 2.

	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$186,916	\$186,916	\$189,720	\$192,566
Operating Expenses	\$16,400	\$7,800	\$7,917	\$8,036
Local Assistance (Grants)	\$5,796,684	\$5,805,284	\$5,802,363	\$5,799,399
Local Assistance (Transportation)	\$32,400	\$32,400	\$32,400	\$32,400
<b>TOTAL Expenditures</b>	<u>\$6,032,400</u>	<u>\$6,032,400</u>	<u>\$6,032,400</u>	<u>\$6,032,400</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	<u>\$6,032,400</u>	<u>\$6,032,400</u>	<u>\$6,032,400</u>	<u>\$6,032,400</u>
<b>TOTAL Funding of Exp.</b>	<u>\$6,032,400</u>	<u>\$6,032,400</u>	<u>\$6,032,400</u>	<u>\$6,032,400</u>
<b><u>Revenues:</u></b>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$6,032,400)	(\$6,032,400)	(\$6,032,400)	(\$6,032,400)

**Effect on County or Other Local Revenues or Expenditures:**

1. Assuming the actual cost per pupil is \$5,347 based on the costs determined for the current federal preschool grant program being administered by OPI, local school districts could incur additional local costs of \$2,347 per pupil per year to fund this program totaling \$4.5 million. In the first years of this program, it is possible some of this cost could be mitigated by funding from the federal preschool grant.
2. County transportation costs could increase by \$32,400 per year for transporting additional preschool pupils.

**Technical Notes:**

1. This bill sets an eligibility requirement of “360 hours of aggregate instruction” and an eligibility requirement to comply with BPE standards. ARM 10.63.108 establishes minimum aggregate hours for a preschool program at 540 hours. The BPE standard allows “outdoor play, snack, and meal time” to be in the aggregate hours which may explain the difference, but including a definition of “aggregate instruction” would clarify this discrepancy.
2. It is unclear if a lead applicant elementary school district could count the certified teachers in this program as part of the district FTE count per 20-9-327, MCA, and receive the quality educator payment in the district general fund budget.

_____ <i>Sponsor's Initials</i>	_____ <i>Date</i>	_____ <i>Budget Director's Initials</i>	_____ <i>Date</i>
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