



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0342

Title: Generally revise laws related to preschool programs

Primary Sponsor: O'Brien, Shannon

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$9,554,561	\$12,834,938	\$13,445,258	\$13,878,992
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$9,554,561)</u>	<u>(\$12,834,938)</u>	<u>(\$13,445,258)</u>	<u>(\$13,878,992)</u>

Description of fiscal impact: SB 342 revises the definition of pupil to allow pre-school pupils to be included in the calculation of average number belonging (ANB) and provides that equalization funds as well as other funding may be used for support of pre-school programs. The state general fund cost would be \$22.4 million in the 2023 biennium.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction

- SB 342 modifies section 20-1-101, MCA, to define a pupil as an individual who is admitted by the board of trustees and is enrolled at a public school.
- Section 20-1-301, MCA, is modified to include pre-school students for inclusion of either half or full-time aggregate hours as provided for in 20-7-117, MCA.
- Section 20-5-101, MCA, is modified to include pre-school and special education program students established under 20-7-411, MCA students for admittance to school.

4. Section 20-7-117, MCA, is modified allowing trustees of an elementary district to establish and operate a free preschool program for children 3 to 5 years of age for either half or full-time pre-school at the discretion of the district board of trustees.
5. Section 20-9-311, MCA, is modified to include pre-school programs under 20-7-117, MCA, and special education programs under 20-7-411(3), MCA, to be included in the calculation for ANB so long as the enrolled student is at least 4 years of age on or before September 10th of the year in which the child is to enroll.
6. For the purposes of this fiscal note, it is assumed that 40% of eligible 4-year-old children (11,940 X 40% = 4776) would enroll in a halftime pre-school program in FY 2022. This is equal to 2,388 enrolled full-time pre-school students. It would be estimated that 50% of eligible 4-year-old children would enroll in a halftime pre-school program in FY 2023. This fiscal note assumes the number of preschool students would remain at 50% of eligible 4-year old children ongoing.
7. For purposes of this fiscal note, it is assumed that enrolled pre-school students would generate 2,481 additional current year ANB in FY 2022 and an additional 2,985 current year ANB in FY 2023.
8. School district budgets are determined on whichever ANB, current year or three-year average, generates the highest budget for the district. This budget determining ANB is termed budget limitation ANB. The increase to budget limitation ANB is estimated to increase by 2,285 in FY 2022 and 2,948 in FY 2023 with the implementation of the pre-school programs defined in SB 342.
9. This fiscal note assumes an estimated 111 additional FTE (licensed professionals) would be added statewide in FY 2022 and would be included in the calculation for the quality educator payment in FY 2023.
10. It is also assumed that 310 pre-school students would self-identify as American Indian students and would be added in FY 2022 to be included in the calculation for the American Indian achievement gap payment in FY 2023.
11. Enrolled pupils of preschool programs are eligible for ridership for purposes of pupil transportation. This fiscal note assumes 4,776 pre-school enrollments in FY 2022 and 5,747 in FY 2023. Current pre-kindergarten ridership on preexisting routes totals 2,371 in FY 2018 servicing 93 school systems. Although current ridership would not increase costs to the state it is assumed that mid-day and additional routes may be put in place to accommodate pre-school programs. The transportation appropriation would need to be increased by \$500,000 for the 2023 biennium to accommodate students attending these preschool programs.

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assist (Direct State Aid)	\$5,907,096	\$7,658,581	\$8,080,244	\$8,294,920
Local Assist (Guaranteed Tax Base Aid)	\$2,859,767	\$3,751,100	\$3,889,108	\$4,075,079
Local Assist (Indian Ed for All)	\$52,189	\$68,629	\$71,242	\$73,023
Local Assist (Achivement Gap Payment)	\$0	\$70,990	\$72,230	\$73,470
Local Assist (Quality Educator)	\$0	\$385,361	\$392,243	\$399,457
Local Assist (Data for Achievement)	\$49,973	\$65,711	\$68,206	\$69,908
Local Assist (Retirment GTB)	\$435,535	\$584,564	\$621,986	\$643,135
Local Assist (Pupil Transportation)	\$250,000	\$250,000	\$250,000	\$250,000
TOTAL Expenditures	\$9,554,561	\$12,834,938	\$13,445,258	\$13,878,992
<u>Funding of Expenditures:</u>				
General Fund (01)	\$9,554,561	\$12,834,938	\$13,445,258	\$13,878,992
TOTAL Funding of Exp.	\$9,554,561	\$12,834,938	\$13,445,258	\$13,878,992
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$9,554,561)	(\$12,834,938)	(\$13,445,258)	(\$13,878,992)

Effect on County or Other Local Revenues or Expenditures:

1. Local property taxes could increase by \$1.8 million in FY 2022 and \$2.3 million in FY 2023 and beyond.
2. An increase in transportation costs for preschool students would also increase the county on schedule transportation property taxes by \$500,000 and the local over schedule property taxes could increase by an unknown amount in the 2023 biennium and ongoing.

Mann
Sponsor's Initials

2/26/21
Date

KA
Budget Director's Initials

2/25/21
Date