

  
*Colorado Legislative Council Staff Fiscal Note*  
**FINAL**  
**FISCAL NOTE**

**Drafting Number:** LLS 10-0408  
**Prime Sponsor(s):** Sen. Shaffer B.  
 Rep. Solano

**Date:** July 2, 2010  
**Bill Status:** Postponed Indefinitely  
**Fiscal Analyst:** David Porter (303-866-4375)

**TITLE:** CONCERNING FUNDING INCENTIVES TO ENCOURAGE SCHOOL DISTRICTS TO PROVIDE HIGH-QUALITY FULL-DAY KINDERGARTEN PROGRAMS, AND REQUIRING A POST-ENACTMENT REVIEW OF THE IMPLEMENTATION OF THIS ACT.

<b>Fiscal Impact Summary</b>	<b>FY 2010-2011</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue</b>			
<b>State Expenditures</b>			
General Fund	\$ 86,507	\$ 168,225	\$ 249,942
General Fund - School Finance Act*	32,828,660	57,446,773	112,099,677
<b>FTE Position Change</b>	1.0 FTE	2.0 FTE	3.0 FTE
<b>Effective Date:</b> The bill was postponed indefinitely by the Senate Education Committee on February 25, 2010.			
<b>Appropriation Summary for FY 2010-2011:</b> See State Appropriations section.			
<b>School District Impact:</b> See School District Impact section.			

*\* This expenditure could also be paid from the State Education Fund.*

**Summary of Legislation**

This bill provides incentives to school districts that offer full-day kindergarten to all students in the district. Currently, the state reimburses districts for full-day kindergarten students at a rate of 0.58 of the district's per pupil revenue (PPR) amount. Under this bill, school districts are eligible to receive a rate of 1.30 of the district's PPR amount. To qualify for this funding, the district must meet the following criteria:

- P full-day kindergarten must be offered to all students in the district without payment of tuition;
- P class size shall not exceed 15 students per teacher and each class must include an instructional assistant;
- P teachers must hold a valid teacher's license that is endorsed for early childhood education and receive professional development opportunities that focus on early childhood education; and

- P program structure must include appropriate activities and material and must focus on social development and play-based activities, but it must be flexible enough to accommodate a wide range of student levels.

The Colorado Department of Education (CDE) may audit the school districts to certify that the kindergarten program meets the program criteria.

The bill requires the legislative service agencies to conduct a post-enactment review 2 years after becoming law. In addition, the bill exempts school districts that qualify for the incentive funding from receiving hold-harmless full-day kindergarten funding.

### State Expenditures

Total state expenditures are **\$32.9 million and 1.0 FTE in FY 2010-11, \$57.6 million and 2.0 FTE in FY 2011-12, and \$112.3 million and 3.0 FTE in FY 2012-13**. Expenditures are for school finance costs associated with increasing the kindergarten reimbursement for participating programs and for CDE personnel to audit the programs. Cost components are detailed in Table 1 and the discussion that follows.

<b>Cost Components</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Personal Services	\$74,767	\$149,535	\$224,302
<i>FTE</i>	<i>1.0</i>	<i>2.0</i>	<i>3.0</i>
Operating Expenses and Capital Outlay	5,740	6,690	7,640
Travel	6,000	12,000	18,000
School Finance	32,828,660	57,446,773	112,099,677
<b>TOTAL</b>	<b>\$32,915,167</b>	<b>\$57,614,998</b>	<b>\$112,349,619</b>

**School Finance Costs.** The bill is expected to increase state expenditures under the school finance act by \$32.8 million in FY 2010-11, \$57.4 million in FY 2011-12, and \$112.1 million in FY 2012-13. These additional expenses result from the bill's provision to provide incentive funding for school districts that provide full-day kindergarten. In most school districts, the additional funding more than compensates districts for the additional costs of hiring kindergarten teachers and instructional assistants. However, some districts are expected to have capacity constraints that prevent them from being able to provide additional kindergarten classes without building new classrooms.

The fiscal note assumes districts will qualify for full-day kindergarten incentive funding if:

- P districts can accommodate the reduced class sizes within existing elementary school facilities;

- P licensed kindergarten teachers who do not have an early childhood education endorsement will be able to receive the endorsement in 4-5 months by completing a one semester course and taking the early childhood education content exam with the Department of Education; and
- P districts that choose to participate in the program will meet the other educational quality criteria specified in the bill.

The reorganization of existing school facilities to accommodate the new kindergarten classes will create a lagged fiscal impact for the bill. **In FY 2010-11**, 100 school districts are expected to participate in the program, at a cost of \$32.8 million, because they do not need to create additional classroom space and already meet the bill's requirement for the student-teacher ratio. While some of these districts will have to hire instructional assistants, these expenses are covered by the additional funding in the bill. For example, the Strasburg School District in Arapahoe County currently has 58 full-day kindergarten students at a 12.5 student-teacher ratio. Given the district's per pupil funding of \$7,399, they would receive incentive funding of about \$309,000, which more than covers the costs of hiring 3 to 4 instructional assistants.

**In FY 2011-12**, a total of 125 school districts are expected to qualify for the program, at a cost of \$57.4 million. The fiscal note assumes that an additional 25 districts will qualify by modestly reorganizing existing facilities to accommodate the additional kindergarten classes. For example, the Delta County School District needs to create 4 more kindergarten classrooms within 8 existing elementary schools. The district will receive incentive funding of \$1.9 million, which will cover the cost of hiring 4 full-time kindergarten teachers and up to 25 instructional assistants, assuming the latter are not currently hired.

**In FY 2012-13**, a total of 136 school districts are expected to qualify for the program, at a cost of \$112.1 million. An additional 11 school districts qualify from the previous year after making additional space for new kindergarten classes. The fiscal note assumes that these districts could reorganize existing elementary school facilities to qualify for the program if the number of new kindergarten classes is less than the number of elementary schools in the district. For example, the Moffat County School District is estimated to need 5 new kindergarten classrooms with 6 elementary schools. However, this reorganization would take two years to complete.

In subsequent years, these costs may increase further as additional kindergarten students are attracted to the full-day program and as other school districts with insufficient capacity find ways to expand their offerings of full-day kindergarten classes. For instance, the fiscal note assumes that the Jefferson County School District and Littleton School District will not participate because the required increase in kindergarten classrooms exceeds the threshold number of elementary schools. However, to the degree capacity becomes or is already available, those districts could qualify, which would increase the fiscal impact of the bill.

**Audit personnel.** Approximately 1.0 FTE is added for every \$30.0 million in funding through the bill. Staff is to audit districts to ensure compliance with the bill's requirements for full-day kindergarten funding. Staff may also provide technical assistance, when possible.

**Operating Expenses and Capital Outlay.** Costs are for standard items (i.e., telephone service and supplies) along with one-time capital purchases associated with new staff (i.e., furniture and computers).

**Travel.** Each staff member is expected to have 12 travel days at an average of \$500 each. Travel will be to visit and observe participating school kindergarten programs. Approximately 2 trips are expected to require overnight stays.

**Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

<b>Table 2. Expenditures Not Included Under SB10-131*</b>			
<b>Cost Components</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,846	\$13,692	\$20,538
Supplemental Employee Retirement Payments	2,780	6,767	11,557
Indirect Costs	12,976	25,234	37,491
Workers' Compensation and Risk Management Insurance	882	1,764	2,646
<b>TOTAL</b>	<b>\$23,484</b>	<b>\$47,457</b>	<b>\$72,232</b>

\*More information is available at: <http://www.colorado.gov/cs/Satellite/CGA-LegislativeCouncil/CLC/1200536133924>

**School District Impact**

School districts that choose to participate in the incentive program will receive additional state funding for full-day kindergarten instruction. Presently, 38,500 students are in full-day kindergarten programs in 169 school districts. Based on the most recent data from the CDE, 112 of these school districts have 100 percent of kindergarten students in full-day programs. Funding for these programs comes from school finance act sources, local mill levy overrides, tuition, or other sources. This bill will provide additional state funding for full-day kindergarten of \$32.8 million in FY 2010-11 and \$57.4 million in FY 2011-12. However, to the degree existing full-day kindergarten programs collect tuition, participating school districts will lose tuition revenue, which will partially offset the increase in state funding.

School districts will also incur additional training and professional development expenses. These costs will be covered by the new state funding.

**State Appropriations**

For FY 2010-11, the Department of Education will require a \$32,915,167 General Fund appropriation and 1.0 FTE.

**Departments Contacted**

Education