

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0147	Date: January 15, 2014
Prime Sponsor(s): Rep. Peniston; Duran Sen. Zenzinger	Bill Status: House Education
	Fiscal Analyst: Josh Abram (303-866-3561)

SHORT TITLE: EARLY CHILDHOOD QUALITY INCENTIVE PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	\$11,947,118	\$97,705
State Education Fund	\$11,933,624	\$83,593
Centrally Appropriated Costs**	\$13,494	\$14,112
FTE Position Change	1.0 FTE	1.0 FTE
Appropriation Required: \$11,934,838 - Colorado Department of Education - (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

This fiscal note is provided pursuant to preliminary data and will be revised as additional information becomes available. Please see Technical and Mechanical Defects section.

Summary of Legislation

This bill, as recommended by ***the Early Childhood and School Readiness Legislative Commission***, creates the Early Childhood Quality Incentive grant program in the Colorado Preschool Program (CPP) at the Colorado Department of Education (CDE). The State Board of Education (SBE) must adopt rules for the new grant program. School districts with a CPP-authorized preschool program are eligible to participate in the program.

The CDE will establish the program on a two-year budget cycle. An eligible school district may apply to receive an initial grant to pay the cost of obtaining a school-readiness quality rating. Based on the quality rating the preschool program achieves, the district may also receive a quality improvement grant to be used to enhance the program's service quality.

If a school district receives a quality rating of 1, 2, or 3, it is eligible to receive a quality improvement grant in an amount equal to \$3,000 per preschool classroom at the site. District programs that receive a quality rating of 4 are eligible to receive an additional per child reimbursement equal to 10 percent of the base per pupil revenue established for the CPP. A district program that receives a quality rating of 5 is eligible to receive an additional per child reimbursement equal to 20 percent of the base per pupil revenue established for the CPP.

If the school district contracts out all or any portion of their preschool program to a head start agency, or to one or more child care agencies, the school district must allow the contracted agency to participate in the program through the school district. If they choose to participate, the contractor must receive 100 percent of the allowable grant each program year.

At the conclusion of the second budget year in which a district receives a quality improvement grant, the district must report to the CDE specific information about the preschool program and how grant money was used. The CDE is also required to provide details of the grant program when presenting year-end reports on the CPP to the Colorado General Assembly.

Background

Currently, the CPP provides funding for approximately 2,400 classrooms in 172 school districts. The preschool programs are administered on-site by school districts, and by community and head start agencies. There are approximately 29,450 preschool students receiving services through the program, including students with special education needs.

The CDE employs 5.25 FTE to assist districts in implementing the program, manage pupil counts, and provide technical assistance to CPP advisory councils and site coordinators. The CPP receives a per pupil allocation via the annual School Finance Act. For FY 2014-15, the per pupil funding for CPP eligible sites is assumed to be \$3,326, or one half of the average statewide base per pupil revenue under the current school finance act ($\$6,652 / 2 = \$3,326$).

State Expenditures

This bill increases state expenditures by \$11.9 million and 1.0 FTE in FY 2014-15, and by \$97,705 and 1.0 FTE in FY 2015-16. Increased costs are for program administration and operational expenses, and for grant awards. These costs are detailed below and displayed in Table 1.

Table 1. Expenditures Under HB 14-1076		
Cost Components	FY 2014-15	FY 2015-16
Personal Services and Operating	\$88,296	\$83,593
FTE	1.0	1.0
Early Childhood Education Grants	11,845,328	
Centrally Appropriated Costs*	13,494	14,112
TOTAL	\$11,947,118	\$97,705

** Centrally appropriated costs are not included in the bill's appropriation.*

Program Administration. The bill creates a new grant program at the CDE. The department will establish program rules, create application procedures, develop criteria for evaluating applications, award grants, track and evaluate grant recipients, and assure accountability. Program staff will also provide technical assistance for advisory councils and CPP coordinators during the application development phase, and provide ongoing support to grant recipients, which include expenses for staff travel statewide. Finally, the department will expend internal resources in human resources, accounting, budgeting, and management in support of the new program.

Enhancing Early Childhood Education Grants. It is anticipated that grant award moneys will comprise the largest cost component of the bill. The CDE must create a two-year budget cycle to allocate grant funding; however, since the timing of grant applications, program eligibility, and actual awards is unknown, this fiscal note assumes the full amount of grant funding for the two year cycle will be appropriated in FY 2014-15, with total spend out occurring in FY 2015-16. Table 2 shows the component costs of the early childhood grants.

Table 2. Enhancing Early Childhood Education Grants Two-year Budget	
Grant Components	FY 2014-15 and FY 2015-16
School Readiness Quality Rating Grant	\$900,000
Quality Improvement Grant Levels 1, 2, and 3	3,600,000
Quality Improvement Grant Level 4	2,448,933
Quality Improvement Grant Level 5	4,896,395
TOTAL	\$11,845,328

Data and Assumptions.

- Out of 2,400 classrooms, one half will request and receive a School Readiness Quality Rating Grant (1,200 X \$750 = \$900,000).
- Out of 2,400 classrooms, one half are anticipated to qualify as Level 1, 2, or 3 and be eligible for and receive a per classroom grant of \$3,000 (1,200 X \$3,000 = \$3,600,000).
- Of the approximately 29,450 preschool students, 25 percent are in classrooms that are anticipated to qualify as Level 4 and be eligible for additional funding equal to 10 percent of the assumed CPP per pupil funding amount (7,363 students X \$332.6 = \$2,448,933).
- Of the approximately 29,450 preschool students, 25 percent are in classrooms that are anticipated to qualify as Level 5 and be eligible for additional funding equal to 20 percent of the assumed CPP per pupil funding amount (7,363 students X \$665 = \$4,896,395).

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 3.

Table 3. Centrally Appropriated Costs Under HB 14-1076*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,572	\$4,572
Supplemental Employee Retirement Payments	\$5,322	\$5,940
Leased Space	3,600	3,600
TOTAL	\$13,494	\$14,112

*More information is available at: <http://colorado.gov/fiscalnotes>

School District Impact

Districts with CPP programs will be eligible to receive early childhood quality improvement grants, increasing revenue for those districts that participate in the grant program and/or improve their current quality rating.

Pursuant to Section 22-32-143, C.R.S., school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>.

Technical or Mechanical Defects

The bill defines "per pupil revenue" as the school district per pupil funding rate established under the "Public School Finance Act of 1994" for children eligible to participate in the Colorado preschool program or preschool special education services. It is unclear what amount is being defined by this section. This fiscal note has calculated the anticipated increase in expenditures by assuming the rate is one half the current statewide average base per-pupil funding amount. Further clarification may change the estimates above.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, this bill requires an appropriation of \$11,933,624 and 1.0 FTE from the State Education Fund to the Colorado Department of Education

State and Local Government Contacts

Education

Human Services

Law