



SF 473 – Preschool Expansion (LSB1517SZ)

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Fiscal Note Version – New

Description

Senate File 473 creates an expansion incentive to increase enrollment in the Statewide Voluntary Preschool Program (SWVPP) for four-year-olds. Districts that have an increase in Program enrollment above the base incentive enrollment (defined as the average actual enrollments for Fall 2012, Fall 2013, and Fall 2014) will receive incentive State aid equal to the increase in enrollment times 20.0% of the State cost per pupil for FY 2017, FY 2018, and FY 2019.

Background

The SWVPP was originally established in FY 2008. The Program was implemented with a phase-in that provided funding to approved school districts in the initial year of start-up through a State General Fund appropriation. Following the initial year of Program implementation, the school district program received funding through the preschool formula, based on the previous year's enrollment. The following table provides the funding and enrollment history. Program funding for the initial year of school district participation totaled \$57.6 million, while formula funding is estimated to total \$425.7 million through FY 2016.

Legislative Services Agency: Statewide Voluntary Preschool Program for Four-Year-Olds (SWVPP) Funding Levels (Dollars in Millions)						
	Appropriation Amount for Initial Year	Preschool Formula Funding	Total State Funding for Statewide Voluntary Preschool Program	Estimated Number of Preschool Students Enrolled in Program*	Preschool Formula Weighting	
FY 2008	\$ 15.0	N.A.	\$ 15.0	5,126	N.A.	
FY 2009	14.8	\$ 17.1	31.8	9,676	3,075.6	
FY 2010	11.5	33.3	44.9	13,666	5,805.6	
FY 2011	16.2	48.3	64.5	19,799	8,199.6	
FY 2012	N.A.	58.4	58.4	19,800	9,900.0	
FY 2013	N.A.	60.4	60.4	19,900	9,950.0	
FY 2014	N.A.	66.1	66.1	21,381	10,690.5	
FY 2015	N.A.	70.0	70.0	21,926	10,963.0	
Est. FY 2016	N.A.	72.2	72.2	22,690	11,345.0	
Total	\$ 57.6	\$ 425.7	\$ 483.3			

Notes:
 FY 2011 appropriation amount for initial year includes \$12.2 million from the State General Fund and \$4.0 million from the Cash Reserve Fund.
 Beginning in FY 2012, the preschool formula weighting was reduced from 0.6 to 0.5.
 *Enrollment amounts for FY 2008 - FY 2011 are based on the June 2014 SWVPP Fact Sheet released by the Department of Education. Enrollment amounts for FY 2012 - FY 2016 are calculated based on the preschool formula weighting amounts. Preschool formula weighting is the amount of weighting that was used to generate funding for the Estimated FY 2016 is based on the State cost per pupil of \$6,366. The amount will increase if the General Assembly enacts a State percent of growth for FY 2016.
 Estimates as of February 20, 2015.

Sources:
 Iowa Department of Management, School Aid files.
 LSA Analysis and Calculations.

Assumptions

Assumptions include:

- Current Legislative Services Agency (LSA) preschool formula funding estimates assume an increase of 2.5% to the preschool weightings for FY 2017, FY 2018, and FY 2019.
- There are an estimated 39,959¹ four-year-olds in Iowa.
- There are an estimated 42,809² three- and four-year-olds in Iowa not enrolled in school, and of this total, 21,508 are four-year-olds.
- There are an estimated 25,587² (65.5%) three- and four-year-olds in Iowa enrolled in public school and 13,496² (34.5%) enrolled in private school.
- Based on the proportion of four-year-olds in Iowa not enrolled in school and the proportion of three- and four-year-olds in Iowa enrolled in public school, approximately 14,100 new four-year-olds will enroll in the SWVPP.
- The 14,100 new four-year-olds enrolled in the SWVPP are adjusted to include the already assumed increase of 2.5% to the preschool weightings for FY 2017, FY 2018, and FY 2019.
- The new four-year-olds enrolled in the SWVPP will be evenly split and counted in the certified enrollment counts for FY 2017, FY 2018, and FY 2019.
- Full enrollment for the SWVPP is 36,790 and will remain static through FY 2019.
- The current estimated enrollment for other existing preschool programs noted in this Bill (Shared Visions, special education programs, School Ready Children Grant Program through the Early Childhood Iowa Initiative, Head Start, and Title I of the ESEA) is assumed to remain static and included in U.S. Census Bureau estimates. The fiscal impact noted in the following table does not include enrollment counts for these students. This Bill allows these students to be included in the SWVPP enrollment count if participation in the SWVPP enhances the existing Program. The inclusion of these students in SWVPP enrollment count will increase both incentive funding and total Program funding amounts.
- In addition to the projected growth, the incentive Program may increase enrollments above the current assumed growth levels. This impact will include both the incentive State aid portion and an increase in overall funding levels for the SWVPP.
- The State percent of growth will impact future cost per pupil levels. This estimate assumes a 0.0% State percent of growth for FY 2016 through FY 2019. Any State percent of growth above 0.0% will increase the total fiscal impact.

Fiscal Impact

Based on current LSA school aid estimates and the SWVPP for four-year-old growth, the minimum State aid increase resulting from the incentive State aid provision will be at least \$1.6 million in FY 2017, \$2.3 million in FY 2018, and \$3.1 million in FY 2019.

There may be additional enrollments above current projected levels resulting from this Bill. Timing of the increased enrollments will factor into the overall impact, and the specific increased enrollments and designated fiscal year is unknown.

The following table includes the fiscal impact (in millions) of each provision and the total increase compared to current estimates.

¹ U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population by Single Year of Age and Sex for Iowa, April 1, 2010, to July 1, 2013.

² U.S. Census Bureau, 2009-2013 5-Year American Community Survey, Table B14003 - sex by school enrollment by type of school by age for the population three years and over.

Current Law Estimates (Dollars in Millions)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Current Law State Aid for Preschool	\$ 74.0	\$ 75.9	\$ 77.8
Incentive Period State Aid Payments (Current Law)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
LSA Projected Enrollments	23,257	23,839	24,435
Incentive Enrollment	1,258	1,840	2,436
Current Law Incentive State Aid	\$ 1.6	\$ 2.3	\$ 3.1
Incentive Period State Aid Payments (New Enrollments)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Full Enrollment in FY 2019	27,390	32,090	36,790
Incentive Enrollment	4,133	8,251	12,355
New Incentive State Aid	\$ 5.3	\$ 10.5	\$ 15.7
Preschool Foundation Aid Increase			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Full Enrollment in FY 2019	27,390	32,090	36,790
New Preschool Students	4,133	8,251	12,355
Increase to Preschool Formula	\$ 13.2	\$ 26.3	\$ 39.3
Estimated Impact (Dollars in Millions)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Current Law State Aid for Preschool	\$ 74.0	\$ 75.9	\$ 77.8
Current Law Incentive State Aid	1.6	2.3	3.1
New Incentive State Aid	5.3	10.5	15.7
Increase to Preschool Formula	13.2	26.3	39.3
Total Preschool Funding with Bill	\$ 94.0	\$ 115.0	\$ 135.9
Estimated General Fund Increase	\$ 20.0	\$ 39.1	\$ 58.2

Sources

U.S. Census Bureau
Iowa Department of Education
Iowa Department of Management, School Aid file
LSA analysis and calculations

/s/ Holly M. Lyons

March 23, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.