



SF 2296 – Preschool Expansion (LSB6000SZ)

Analyst: John Parker (Phone: 515-725-2249) (john.parker@legis.iowa.gov)

Fiscal Note Version – New

Description

Senate File 2296 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 2013, fall 2014, and fall 2015) will receive incentive state aid equal to the increase in enrollment times 10.0% of the state cost per pupil for FY 2018, FY 2019, and FY 2020.

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 \$501.4 million through FY 2017.

**Legislative Services Agency: Statewide Voluntary Preschool Program for Four-Year-Olds (SWVPP)
Funding Levels (Dollars in Millions)**

	<u>Appropriation Amount for Initial Year</u>	<u>Preschool Formula Funding</u>	<u>Total State Funding for Statewide Voluntary Preschool Program</u>	<u>Estimated Number of Preschool Students Enrolled in Program*</u>	<u>Preschool Formula Weighting</u>
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
FY 2016	N.A.	73.3	73.3	22,690	11,345.0
Est. FY 2017	N.A.	74.6	74.6	23,141	11,570.5
Total	\$ 57.6	\$ 501.4	\$ 558.9		

Notes:

FY 2011 appropriation amount for initial year includes \$12.2 million from the 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 2017 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 fiscal year.

The estimated FY 2017 amount is based on the state cost per pupil of \$6,446. The amount will increase if the General Assembly enacts a state percent of growth for FY 2017.

Estimates as of February 19, 2016.

Totals may not add due to rounding.

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 2.0% to the preschool weightings for FY 2018, FY 2019, and FY 2020. This will add a total of 1,416 four-year-olds to the SWVPP through FY 2020.
- Enrollment totaled 29,001 for preschool for the 2015-2016 school year.
- There are 23,141 four-year-olds that will be funded through the SWVPP for FY 2017.
- There are 3,639 three-year-old and 2,221 four-year-old students in preschool currently funded and will continue to be funded through Shared Visions, special education programs, the School Ready Children Grant Program through the Early Childhood Iowa Initiative, Head Start, and Title I of the federal ESEA (Elementary and Secondary Education Act).
- There are an estimated 39,880¹ four-year-olds in Iowa.
- The maximum number of new four-year-olds that will be served by the SWVPP in FY 2020 is 14,518. The average number of four-year olds that will be served is 7,967. The 25th percentile of four-year olds that will be served is 4,962. The 75th percentile of four-year olds that will be served is 11,243.
- The new four-year-olds enrolled in the SWVPP will be evenly split and counted in the certified enrollment counts for FY 2018, FY 2019, and FY 2020.
- 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. 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 2017 through FY 2020. 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 \$0.7 million in FY 2018, \$1.0 million in FY 2019, and \$1.3 million in FY 2020.

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 tables include the fiscal impact (in millions) of each provision and the total increase compared to current estimates based on the following enrollment scenarios:

1. average number of enrollments
2. 25th percentile of enrollments
3. 75th percentile of enrollments
4. maximum number of enrollments.

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, 2014.

Totals may not add in the following tables due to rounding.

Table 1: Average Enrollment

Current Law Estimates (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Incentive Period State Aid Payments (Current Law)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
LSA Projected Enrollments	23,604	24,076	24,557
Incentive Enrollment	1,018	1,490	1,972
Current Law Incentive State Aid	\$ 0.7	\$ 1.0	\$ 1.3
Incentive Period State Aid Payments (New Enrollments)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Average Enrollment by FY 2020	25,325	27,508	29,692
Incentive Enrollment	1,721	3,432	5,134
New Incentive State Aid	\$ 1.1	\$ 2.2	\$ 3.3
Preschool Foundation Aid Increase			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Average Enrollment by FY 2020	25,325	27,508	29,692
New Preschool Students	1,721	3,432	5,134
Increase to Preschool Formula	\$ 5.5	\$ 11.1	\$ 16.5
Estimated Impact (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Current Law Incentive State Aid	0.7	1.0	1.3
New Incentive State Aid	1.1	2.2	3.3
Increase to Preschool Formula	5.5	11.1	16.5
Total Preschool Funding with Bill	\$ 83.4	\$ 91.8	\$ 100.3
Estimated General Fund Increase	\$ 7.3	\$ 14.2	\$ 21.1

Table 2: 25th Percentile Enrollment

Current Law Estimates (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Incentive Period State Aid Payments (Current Law)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
LSA Projected Enrollments	23,604	24,076	24,557
Incentive Enrollment	1,018	1,490	1,972
Current Law Incentive State Aid	\$ 0.7	\$ 1.0	\$ 1.3
Incentive Period State Aid Payments (New Enrollments)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
25th Percentile Enrollment by FY 2020	24,233	25,325	26,416
Incentive Enrollment	629	1,249	1,859
New Incentive State Aid	\$ 0.4	\$ 0.8	\$ 1.2
Preschool Foundation Aid Increase			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
25th Percentile Enrollment by FY 2020	24,233	25,325	26,416
New Preschool Students	629	1,249	1,859
Increase to Preschool Formula	\$ 2.0	\$ 4.0	\$ 6.0
Estimated Impact (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Current Law Incentive State Aid	0.7	1.0	1.3
New Incentive State Aid	0.4	0.8	1.2
Increase to Preschool Formula	2.0	4.0	6.0
Total Preschool Funding with Bill	\$ 79.2	\$ 83.4	\$ 87.6
Estimated General Fund Increase	\$ 3.1	\$ 5.8	\$ 8.5

Table 3: 75th Percentile Enrollment

Current Law Estimates (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Incentive Period State Aid Payments (Current Law)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
LSA Projected Enrollments	23,604	24,076	24,557
Incentive Enrollment	1,018	1,490	1,972
Current Law Incentive State Aid	\$ 0.7	\$ 1.0	\$ 1.3
Incentive Period State Aid Payments (New Enrollments)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
75th Percentile Enrollment by FY 2020	26,416	29,692	32,967
Incentive Enrollment	2,813	5,616	8,410
New Incentive State Aid	\$ 1.8	\$ 3.6	\$ 5.4
Preschool Foundation Aid Increase			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
75th Percentile Enrollment by FY 2020	26,416	29,692	32,967
New Preschool Students	2,813	5,616	8,410
Increase to Preschool Formula	\$ 9.1	\$ 18.1	\$ 27.1
Estimated Impact (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Current Law Incentive State Aid	0.7	1.0	1.3
New Incentive State Aid	1.8	3.6	5.4
Increase to Preschool Formula	9.1	18.1	27.1
Total Preschool Funding with Bill	\$ 87.6	\$ 100.3	\$ 112.9
Estimated General Fund Increase	\$ 11.5	\$ 22.7	\$ 33.8

Table 4: Maximum Enrollment

Current Law Estimates (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Incentive Period State Aid Payments (Current Law)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
LSA Projected Enrollments	23,604	24,076	24,557
Incentive Enrollment	1,018	1,490	1,972
Current Law Incentive State Aid	\$ 0.7	\$ 1.0	\$ 1.3
Incentive Period State Aid Payments (New Enrollments)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Maximum Enrollment by FY 2020	27,508	31,875	36,243
Incentive Enrollment	3,904	7,799	11,685
New Incentive State Aid	\$ 2.5	\$ 5.0	\$ 7.5
Preschool Foundation Aid Increase			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Maximum Enrollment by FY 2020	27,508	31,875	36,243
New Preschool Students	3,904	7,799	11,685
Increase to Preschool Formula	\$ 12.6	\$ 25.1	\$ 37.7
Estimated Impact (Dollars in Millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Current Law State Aid for Preschool	\$ 76.1	\$ 77.6	\$ 79.1
Current Law Incentive State Aid	0.7	1.0	1.3
New Incentive State Aid	2.5	5.0	7.5
Increase to Preschool Formula	12.6	25.1	37.7
Total Preschool Funding with Bill	\$ 91.8	\$ 108.7	\$ 125.6
Estimated General Fund Increase	\$ 15.8	\$ 31.1	\$ 46.5

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 7, 2016

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 LSA upon request.