EIGHTY-FIFTH GENERAL ASSEMBLY
2014 REGULAR SESSION
DAILY

SENATE CLIP SHEET

April 14, 2014

No amendments filed — see attached Fiscal Note.

Fiscal Note

Fiscal Services Division

SF 2351 – Preschool Expansion Incentives (LSB 5796SZ)
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.iowa.gov)
Fiscal Note Version – New

Description

Senate File 2351 creates an expansion incentive to increase enrollment in the Statewide Preschool Program for four-year-olds (SWPP). Districts that have an increase in Program enrollment above the base incentive enrollment (defined as the average actual enrollments between 2011-2012 through 2013-2014) will receive incentive State aid equal to the increase in enrollment times 20.0% of the State cost per pupil for FY 2016, FY 2017, and FY 2018.

Background

The SWPP 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 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, including the estimate for FY 2015. Program funding for the initial year of school district participation totaled $57.6 million, while formula funding is estimated to total $353.3 million through FY 2015.

Legislative Services Agency: Statewide Preschool Program for Four-Year-Olds (SWPP) 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	9,633	3,075.6
FY 2010	11.5	33.3	44.9	13,666	5,805.6
FY 2011	16.2	48.3	64.5	19,800	8,199.6
FY 2012	N.A.	58.4	58.4	19,900	9,900.0
FY 2013	N.A.	60.4	60.4	21,381	9,950.0
Est. FY 2014	N.A.	66.1	66.1	21,926	10,690.5
Est. FY 2015	N.A.	69.8	69.8		10,963.0
Total for FY's	**$ 57.6**	**$ 353.3**	**$ 410.9**		

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 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.

Totals may not sum due to rounding.
Estimates as of February 10, 2014.

Assumptions

Assumptions for the estimate include:

- Current Legislative Services Agency (LSA) preschool formula funding estimates assume enrollment growth is 5.0% each year. Incentive State aid, at a minimum, will include this projected growth in FY 2016 through FY 2018.
- 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 SWPP.
- Based on census population estimates there are 41,034 four-year-olds in Iowa (2012 estimates). That population estimate is assumed to be static in future years for this estimate.
- The current estimated enrollment for other existing preschool programs noted in this Bill (Shared Visions, special education programs, School Ready Children Grant, Head Start, and Title I of the ESEA) totals 8,223 and is assumed to remain static. The fiscal impact noted in the tables below does not include enrollment counts for these students. This Bill allows these students to be included in the SWPP enrollment count if participation in the SWPP enhances the existing Program. The inclusion of these students in SWPP enrollment count will increase both incentive funding and total Program funding amounts.
- Based on assumed projected growth and current enrollments in existing preschool programs, the estimate assumes that beginning in the 2014-2015 school year, there will be approximately 9,800 students not attending any of the existing preschool programs or the SWPP for four-year-olds.
- 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 2018. Any State percent of growth above 0.0% will increase the total fiscal impact.
- The fiscal impact estimate assumes full enrollment in the SWPP is approximately 32,800 students.
- The Department will require up to an additional 3.0 FTE positions to implement and administer the Program expansion.

Fiscal Impact

Fiscal Impact to the Department of Education: The Department of Education will require $300,000 and an additional 3.0 FTE positions beginning in FY 2015 to administer and implement the expansion of the Program.

Fiscal Impact To Preschool Formula Funding: Based on current LSA school aid estimates and SWPP for four-year-old growth, the minimum State aid increase resulting from the incentive State aid provision will be at least $2.5 million in FY 2016, $4.0 million in FY 2017, and $5.5 million in FY 2018. This fiscal impact is noted as Part I in the following tables.

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. This issue will impact the total preschool aid and incentive aid (noted as Part II and Part III in the following tables).

The total fiscal impact is provided in three scenarios. Scenario 1 assumes full enrollment by FY 2016; Scenario 2 assumes full enrollment by FY 2017; and Scenario 3 assumes full enrollment by FY 2018. Assuming full enrollment, although the cost will vary in FY 2016 and FY 2017, the cost in FY 2018 will be an additional $38.6 million compared to the current law estimate under all scenarios.

The estimates in the following scenarios do not include enrollment counts of students attending Shared Visions, special education programs, School Ready Children Grant, Head Start, and Title I of the ESEA preschool programs. If those students are included in the enrollment count for the SWPP, the added cost for the SWPP may be up to an additional $36.7 million ($10.5 million in incentive aid and $26.2 million for the SWPP) each fiscal year. Totals may not sum due to rounding.

Scenario 1 - Full Enrollment by FY 2016 (dollars in millions)			
	FY 2016	**FY 2017**	**FY 2018**
Current Law Estimates	**$ 73.3**	**$ 76.9**	**$ 80.8**
Part I - Incentive Aid (Based On Current Law Projections)	$ 2.5	$ 4.0	$ 5.5
Part II - New Enrollments Impact on Cost of Preschool Aid	31.2	27.5	23.6
Part III - New Enrollments Impact on Cost for Incentive Aid	12.5	11.0	9.5
Estimated Total Preschool Funding with Bill	**$ 119.4**	**$ 119.4**	**$ 119.4**
Estimated Impact of Proposal	**$ 46.1**	**$ 42.4**	**$ 38.6**

Scenario 2 - Full Enrollment By FY 2017 (dollars in millions)			
	FY 2016	**FY 2017**	**FY 2018**
Current Law Estimates	**$ 73.3**	**$ 76.9**	**$ 80.8**
Part I - Incentive Aid (Based On Current Law Projections)	$ 2.5	$ 4.0	$ 5.5
Part II - New Enrollments Impact on Cost of Preschool Aid	15.6	27.5	23.6
Part III - New Enrollments Impact on Cost for Incentive Aid	6.2	11.0	9.5
Total Preschool Funding with Bill	**$ 97.6**	**$ 119.4**	**$ 119.4**
Estimated Impact of Proposal	**$ 24.3**	**$ 42.4**	**$ 38.6**

Scenario 3 - Full Enrollment By FY 2018 (dollars in millions)			
	FY 2016	**FY 2017**	**FY 2018**
Current Law Estimates	**$ 73.3**	**$ 76.9**	**$ 80.8**
Part I - Incentive Aid (Based On Current Law Projections)	$ 2.5	$ 4.0	$ 5.5
Part II - New Enrollments Impact on Cost of Preschool Aid	10.4	17.1	23.6
Part III - New Enrollments Impact on Cost for Incentive Aid	4.2	6.8	9.5
Total Preschool Funding with Bill	**$ 90.3**	**$ 104.8**	**$ 119.4**
Estimated Impact of Proposal	**$ 17.0**	**$ 27.9**	**$ 38.6**

Sources

Iowa Department of Education
Iowa Department of Management, School Aid file
LSA analysis and calculations

/s/ Holly M. Lyons

April 10, 2014

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.