

Fiscal Estimate Narratives

DPI 10/2/2019

LRB Number	19-4056/1	Introduction Number	SB-408	Estimate Type	Original
Description counting pupils enrolled in four-year-old kindergarten					

Assumptions Used in Arriving at Fiscal Estimate

This bill changes how a pupil enrolled in a four-year-old kindergarten (4K) that provides a full-day/full-week program is counted by a school district for purposes of state aid and revenue limits. The bill does not mandate that all 4K program be full-day/full-week.

There are 421 school districts in the state, of which 10 are Union High School (UHS) districts that serve pupils in grades 9 through 12, only. Of the 411 school districts that provide elementary programming (K-8 and K-12 school districts), only five districts do not offer a 4K program. The number of districts that are starting new 4K programs decreases each year, as there are so few school district without a 4K program remaining; the Franklin School District just started operating its 4K program in the 2019-20 school year. According to program staff in the department, the five remaining districts without a 4K program have so far not expressed interest in offering a 4K program.

Under current law, a pupil enrolled in a 4K program is counted as 0.5 full time equivalent (FTE) pupil, unless the program provides at least 87.5 additional hours of outreach activities, in which case the pupil is counted as 0.6 FTE pupil. The FTE pupil counts are the basis for the calculations of revenue limit membership and general aid membership. Thus, even if a district does offer a full-day/full-week 4K program, under current law, a district is only allowed a maximum student count of 0.6 FTE per pupil.

Under the bill, if the district operates a full-day/full week (five days a week) 4K program, a pupil enrolled in the program is counted as 1.0 FTE pupil. The bill defines "full-day" attendance as the length of the school day for pupils in the first grade of the school district operating the 4K program. If a school district operates a 4K program for less than full-day attendance for five days per week (i.e., half days, full days for fewer than five days per week), the district would continue to count those 4K pupils as either 0.50 FTE or 0.60 FTE (with additional hours of outreach activities), as under current law.

The change proposed under this bill would first be effective for a district revenue limit calculations for the 2020-21 school year (FY21), and for state general aid distributed in FY21 (using prior year data, from 2019-20).

Local Fiscal Impact

According to the data reported to the department by school districts, for the 2017-18 school year, 32 of the school districts operating a 4K program have a full-day/full-week program. In theory, counting 4K pupils in full-day/full-week programs as 1.0 FTE each (rather than 0.50/0.60 FTE) could have the effect of incentivizing school districts to expand their existing 4K programs. However, other factors would have to be considered, such as available space and the wishes of the local community to expand the 4K program. The department does not have information to estimate how many districts would expand their current 4K programs to full-day/full-week as a result of the bill.

REVENUE LIMIT (for an overview of the revenue limit calculation, see the Attachment to this fiscal estimate) With respect to a school district's revenue limit, counting 4K pupils enrolled in a full-day/full-week program as 1.0 FTE would increase the district's revenue limit membership compared to current law: each 4K pupil would count for 0.4 to 0.5 FTE more, under the bill, compared to current law. Additional revenue limit membership generally results in a higher revenue limit for a school district, as revenue limit membership is a major driver of each districts' revenue limit. However, the revenue limit calculation utilizes a three-year rolling average (3YRA) for membership; thus, the impact of this bill for districts already operating a full-day/full-week 4k program would first be fully realized in the third year of implementation, the 2022-23 school year.

For districts with declining enrollment, the impact of this bill would be to initially reduce the amount of the decline in enrollment, and thus, the amount the district is eligible for under the declining enrollment revenue limit exemption (additional revenue raising authority). Depending on the size of the district's enrollment decline, the impact of this bill - relative to current law - could be: 1) a higher controlled revenue amount (from higher 4K counts), and 2) a lower base hold-harmless adjustment amount; but when combined, the same revenue limit prior to application of any other revenue limit adjustments (e.g., for declining enrollment). The smaller decline in enrollment, producing a smaller declining enrollment exemption, would produce a lower total revenue limit, relative to current law (and all other things being equal). But the higher 4K count would benefit the school district in the long run, because the revenue authority generated by the pupil counts stays in a district's base revenue, whereas the revenue generated by the declining enrollment exemption is removed from district's base revenue the following year.

For districts with smaller declines in enrollment, the additional FTE gained by counting full-day/full-week 4K pupils as 1.0 FTE might bring the district out of declining enrollment status for a time. Then, depending on demographic patterns in the district, student enrollments might begin to show decline again after the full-day/full-week 4K pupils are fully rolled into the district's 3YRA revenue limit membership. However, the district would still have a higher revenue limit membership under the bill, relative to current law, due to counting 4K pupils as 1.0 FTE.

While the bill can be said to impact the revenue limit for a district that expands to a full-day/full-week 4K program, the precise impact cannot be predicted.

GENERAL AID

The bill would impact the pupil count for general/equalization aid purposes. A district's general aid is calculated using three district-specific factors: general aid membership (FTE), shared costs, and equalized property value. The amount of equalization aid generated by the aid formula depends on a district's shared costs per member and its equalized property value per member, and the district's "position" in the formula (i.e., low-cost/low-property values, low-cost/high-property values, etc.).

The bill would increase the 4K pupil counts – and thus general aid membership – for districts that operate a full-day/full-week 4K program. The changes to general aid membership resulting from the bill would impact the district's shared costs/member and property value/member, and the district's position in the formula, relative to other districts. There is not a one-to-one relationship between the change in a district's membership and the impact on general aid eligibility. While the bill can be said to result in a redistribution of state aid among school districts, the precise impact on individual districts cannot be predicted.

State: No Impact

The bill does not change the appropriation for general/equalization aid; thus the bill would have no direct fiscal impact on the state's general fund, or on the department's operating budget.

Long-Range Fiscal Implications

Attachment to Fiscal Estimate

SB 408 / AB 465 – relating to counting pupils enrolled in four-year-old kindergarten.

Prepared by Erin Fath, DPI

608-266-2804

Current Law Revenue Limit - Overview

School district revenue limits control the total amount of revenue that a school district may raise in a given school year between the state general aid received that year, per the October 15th general aid certification, and property tax levies for general operations. The revenue limit does not control a district's community programs and services levy, or the district's levy related to borrowing for construction/building projects that are approved via referendum. Revenue limits exclude state categorical aids, federal grants, and any other local, non-property tax revenues.

School district revenue limits are calculated each year in the fall, in preparation for setting/certifying the school tax levy (November). Each district's state general aid and controlled property tax levy from the prior year (with some adjustments as prescribed in law) comprise the district's base revenue for the current year revenue limit calculation. The base revenue is divided by the district's prior year three-year rolling average (3YRA) membership to produce a base revenue/member. The per-member adjustment prescribed in state law (\$175 for FY20) is added to the base revenue/member to produce a current year revenue/member amount, which is multiplied by the district's current year 3YRA membership to produce the initial controlled revenue limit for the district. Current law provides for an automatic increase to a specified per-member amount for districts below the specified threshold (the "low revenue ceiling"), and also for a "base hold-harmless" adjustment for districts that have an initial controlled revenue limit that is lower than its total base revenue coming into the current school year.

Additionally, current law provides for an adjustment to the revenue limit for a school district with declining enrollment, which is measured by comparing a district's current three year rolling average membership with its prior year revenue limit membership. If a school district's enrollment declines, its revenue limit is increased in the year of the decline by the amount of additional revenue that would have been allowed had there been no decline in enrollment. This is referred to as the "declining enrollment exemption".

Current law also provides for other base-building ("recurring") and temporary ("non-recurring") exemptions (adjustments) to the revenue limit, based on passage of referendum by voters in the school district, or other, very specific criteria laid out in state law. This bill does not impact any of these other revenue limit "exemptions".