

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0336H.01I
Bill No.: HB 973
Subject: Education, Elementary and Secondary
Type: Original
Date: February 8, 2021

Bill Summary: This proposal modifies the calculation of average daily attendance for early childhood education programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
General Revenue	\$0	(\$16,926,613)	(\$35,057,693)	(\$53,722,334)
Total Estimated Net Effect on General Revenue	\$0	(\$16,926,613)	(\$35,057,693)	(\$53,722,334)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Total Estimated Net Effect on FTE	0	0	0	\$0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
School Districts	\$0	\$16,926,613	\$35,057,693	\$53,722,334

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** state the proposal has the following fiscal impact:

Section 163.018.2(1)(b)

Modifying the percentage of PK students allowed to be claimed for state aid to 6% for FY 2022-2023 increases the foundation formula call by \$16,926,613.45.

Modifying the percentage of PK students allowed to be claimed for state aid to 8% for FY 2023-2024 increases the foundation formula call by \$35,057,692.60.

Modifying the percentage of PK students allowed to be claimed for state aid to 10% for FY 2024-2025 increases the foundation formula call by \$53,722,334.46.

FY2020 data was used to project these amounts.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimates provided by DESE for fiscal note purposes.

Oversight notes while the foundation formula has been fully funded in recent years, we are unable to predict whether it will be fully funded in future fiscal years. Oversight notes that if the foundation formula is fully funded there would be an additional cost to General Revenue for this increase.

If the foundation formula is not fully funded, there would not be necessarily be an additional cost to General Revenue.

Oversight will reflect this estimated impact as an additional cost to the state and funding to school districts.

Officials from **High Point R-III School District** assume the proposal would not fiscally impact their schools.

Oversight received a limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2025)
GENERAL REVENUE				
DESE – increase to the foundation formula call	<u>\$0</u>	<u>(\$16,926,613)</u>	<u>(\$35,057,693)</u>	<u>(\$53,722,334)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$16,926,613)</u>	<u>(\$35,057,693)</u>	<u>(\$53,722,334)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2025)
SCHOOL DISTRICTS				
Additional funding call from §163.018	<u>\$0</u>	<u>\$16,926,613</u>	<u>\$35,057,693</u>	<u>\$53,722,334</u>
ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	<u>\$0</u>	<u>\$16,926,613</u>	<u>\$35,057,693</u>	<u>\$53,722,334</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning with the 2021-2022 school year, this bill will change the total number of qualifying pupils, defined as ages three through five, and eligible for free or reduced price lunch, that are included in the calculation of average daily attendance. Currently that number shall not exceed 4% of the total number of non-qualifying pupils ages five through 18 who are eligible for free and reduced price lunch and who are included in the calculation of average daily attendance.

For the 2022-2023 school year, the percentage increases to 6%.

For the 2023-2024 school year, the percentage increases to 8%.

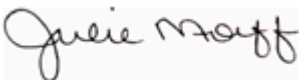
For the 2025-2026 school year, and for each school year thereafter, the percentage shall be 10%.

The bill expands the definition of "eligible program" to include and early childhood programs in full-day kindergarten districts or a recognized local education agency charter school, or a contracted entity.

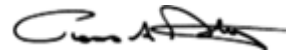
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
High Point R-III School District



Julie Morff
Director
February 8, 2021



Ross Strobe
Assistant Director
February 8, 2021