



Legislative  
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HB 19-1262

# FINAL FISCAL NOTE

**Drafting Number:** LLS 19-0970  
**Prime Sponsors:** Rep. Wilson; McLachlan  
Sen. Bridges; Fields  
**Date:** June 18, 2019  
**Bill Status:** Signed into Law  
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**Bill Topic:** STATE FUNDING FOR FULL-DAY KINDERGARTEN

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School District
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill provides funding for full-day kindergarten educational programs through the school finance formula. The bill will result in an annual increase in state expenditures related to school finance for school districts and charter schools.

**Appropriation Summary:** For FY 2019-20, the bill includes General Fund appropriations of \$182,936,793 and a cash fund appropriation reduction of \$8,933,443 from the State Education Fund.

**Fiscal Note Status:** This fiscal note reflects the enacted bill.

**Table 1**  
**State Fiscal Impacts Under House Bill 19-1262**

		FY 2019-20	FY 2020-21
<b>Revenue</b>		\$4,800	\$9,000
	<b>Total</b>	<b>\$4,800</b>	<b>\$9,000</b>
<b>Expenditures</b>	General Fund	\$182,936,793	\$192,752,764
	Cash Funds - State Ed Fund	\$ (8,933,443)	\$ (8,933,443)
	Centrally Appropriated	\$4,321	\$8,298
	<b>Total</b>	<b>\$174,007,671</b>	<b>\$183,827,619</b>
	<b>Total FTE</b>	<b>0.3 FTE</b>	<b>0.6 FTE</b>
<b>Transfers</b>		-	-
<b>TABOR Refund</b>		-	-

## **Summary of Legislation**

Under current law, the school finance formula provides funding for half-day kindergarten programs plus an additional amount of supplemental kindergarten funding. Beginning with FY 2019-20, this bill provides funding through the school finance formula for full-day kindergarten (FDK) educational programs. Students that choose to stay enrolled in FDK programs will be funded at the same amount (1.0 FTE) as students enrolled full-time in other grades. Students enrolled in half-day kindergarten programs will continue to be funded as a half-day student (0.5 FTE) plus the existing amount of supplemental kindergarten funding (0.08 FTE), for a total of 0.58 FTE.

**Current FDK hold-harmless funding.** Under current law, 60 school districts get supplemental funding under a separate line item for FDK hold-harmless funding. This bill repeals this line item and supplemental funding.

**Prohibition of FDK fees.** Under current law, many school districts charge fees for students enrolled in FDK to supplement program funding. This bill prohibits school districts and charter schools providing FDK from charging any fees for attending kindergarten that are not routinely charged for students enrolled in other grades.

**Prohibition of ECARE slots for kindergarten.** Under current law, a school district may use a half-day preschool (ECARE) slot to enroll a child in FDK. This bill prohibits using a preschool position to enroll a child in FDK. School districts that used preschool slots in this manner in FY 2018-19 will retain those slots in FY 2019-20 and thereafter, as long as the district fills the slots with preschool students.

**Phase-in plan for FDK.** While the bill does not require school districts to offer FDK programs, it directs any district not offering such a program by FY 2019-20 to submit a plan to the CDE addressing how it could phase-in a FDK program.

**Expansion of charter school programs.** If a charter school seeks to expand an existing half-day kindergarten educational program to full day, it must notify its authorizer and amend its charter contract, if necessary. If the authorizer objects to program expansion, the school and authorizer must negotiate a change to the charter contract. If the parties cannot agree, the school may appeal the issue to the State Board of Education (SBE) for a determination. Any renegotiation of the school's contract is limited to the expansion of the kindergarten program.

## **State Revenue**

The bill is expected to increase cash fund revenue to the Department of Human Services (DHS) by \$4,800 in FY 2019-20 and \$9,000 in FY 2020-21 and following years due to a projected increase in the number of preschool facilities as a result of the repurposed ECARE slots. The Office of Early Childhood (OEC) in the DHS is responsible for licensing and inspecting preschools throughout the state. According to OEC, in FY 2019-20, the annual licensing fee will be \$150 per facility and increase to \$200 per facility beginning in FY 2020-21. Assuming an average size of 30 students per classroom and 2 classrooms per facility, the repurposed ECARE slots are expected to result in 32 new facilities in FY 2019-20 and 45 new facilities in FY 2020-21 and beyond.

## State Expenditures

The bill is expected to increase state expenditures by \$174.0 million in FY 2019-20 and \$183.8 million in FY 2020-21.

**Total Program Funding.** By funding kindergarten students at 1.0 FTE instead of the current 0.58 FTE funding level, House Bill 19-1262 increases the statewide funded pupil count. It should be noted that the bill does not require students to enroll in FDK, only that funding be increased for those students that choose to enroll in FDK. Thus, the actual funding increases will depend on the increase in funded pupil count, which in turn will depend on the utilization rate of the FDK option. In FY 2018-19, about 81 percent of kindergarten students statewide are enrolled in FDK programs. Table 2 presents estimates of increases in funded pupil count, total program funding, and required state aid for FY 2019-20 for four different utilization rates above the current 81 percent, assuming the budget stabilization factor remains at its current level of \$672.4 million.

**Table 2**  
**Changes in Pupil Count, Total Program, and State Aid Under House Bill 19-1262**

Utilization Rate	Funded Pupil Count	Total Program (in millions)	State Aid* (in millions)
100%	25,896	\$220.6	\$213.2
95%	24,702	\$210.3	\$202.9
90%	23,508	\$200.0	\$192.7
85%	22,367	\$190.2	\$182.9

\* Assumes a residential assessment rate of 7.15 percent.

Implementation of a FDK program that increases funding levels from 0.58 to 1.0 per student will likely increase participation in FDK. This fiscal note assumes a utilization rate of 85 percent in FY 2019-20, rising to a rate of 90 percent in FY 2020-21 and beyond. Based on an increase in the funded pupil count of 22,367 students, the fiscal note estimates total program funding will increase by \$190.2 million in FY 2019-20 compared with current law. State expenditures for school finance and local funding will increase by \$182.9 million and \$7.3 million, respectively assuming the budget stabilization factor remains at its current level of \$672.4 million, and a residential assessment rate of 7.15 percent. Table 3 shows the estimate of school finance funding in FY 2019-20 under House Bill 19-1262, relative to current law. Appendix A details the funding changes that occur at the school district level as a result of this bill.

**Table 3**  
**Funding Changes Under House Bill 19-1262**

	Pupil Count	Per Pupil Funding	Total Program Funding	State Aid	Local Share
FY 19-20 (Current Law)	872,202	\$8,362	\$7,293,027,118	\$4,334,334,569	\$2,958,692,549
FY 19-20 (HB19-1262)	894,569	\$8,365	\$7,483,199,086	\$4,517,246,268	\$2,965,952,817
Percent Change	2.56%	0.04%	2.61%	4.22%	0.25%
Increase	22,367	\$3	\$190,171,968	\$182,911,699	\$7,260,268

\* Assumes a residential assessment rate of 7.15 percent.

In FY 2020-21, total program funding is expected to increase by about \$200.0 million compared with current law. State expenditures for school finance and local funding will increase by \$192.7 million and \$7.3 million, respectively assuming the budget stabilization factor remains at its current level of \$672.4 million.

**Hold-harmless FDK funding.** Under current law, 60 school districts receive supplemental funding under a line item for hold-harmless FDK funding. In FY 2019-20 and FY 2020-21, funding for this line item is expected to total \$8,933,443. With passage of this bill, these districts will no longer receive this funding, but instead will receive funding through the FDK program.

**ECARE slots.** The bill prohibits school districts from using preschool (ECARE) slots for children enrolled in a FDK program, but allows districts to retain the number of slots they used in FY 2018-19, as long as they are fully utilized for preschool enrollment. In FY 2018-19, 5,380 ECARE slots were used for FDK students. These slots will now be repurposed to expand preschool enrollment.

**Department of Human Services (DHS).** The OEC will incur additional expenses of \$25,094 in FY 2019-20 and \$35,973 in FY 2020-21 to license and inspect additional preschool facilities associated with the repurposed ECARE slots.

It is assumed that 5,380 ECARE slots will be repurposed for preschool students, with half of these slots resulting in the need for preschool facilities that will need to be licensed and inspected by the OEC. It is further assumed that 70 percent of these facilities will require licensing in FY 2019-20 and 100 percent in FY 2020-21. This translates to 63 and 90 new classrooms in FY 2019-20 and FY 2020-21 respectively. Assuming two classrooms per facility, OEC will require 0.4 FTE in FY 2019-20 and 0.6 FTE in FY 2020-21. Currently the caseload for licensing facilities is about 75 facilities per specialist. Table 4 summarizes these costs.

**Table 4**  
**Office of Early Childhood Expenses Under HB 19-1262**

<b>Cost Components</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Department of Human Services</b>		
Personal Services	\$18,791	\$33,823
Operating Expenses and Capital Outlay Costs	\$5,083	\$570
Travel Reimbursement/Professional Development	\$1,220	\$1,580
Centrally Appropriated Costs*	\$4,321	\$8,298
FTE – Personal Services	0.3 FTE	0.6 FTE
<b>Total</b>	<b>\$29,415</b>	<b>\$44,271</b>
<b>Total FTE</b>	<b>0.3 FTE</b>	<b>0.6 FTE</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$4,321 in FY 2019-20 and \$8,298 in FY 2020-21.

## School District Impact

Table 3 compares estimated FY 2019-20 school finance funding levels under House Bill 19-1262 with funding levels under current law. In FY 2019-20, the bill increases total program funding to school districts by \$190.2 million. State aid increases by \$182.9 million and the local share by \$7.3 million, assuming the budget stabilization factor remains at \$672.4 million. The increase in local share is primarily from the four school districts that are subject to the TABOR property tax limit, which increases when enrollment increases.

Appendix A to this fiscal note contains a district-by-district overview of the impacts on funded pupil count, total program after application of the budget stabilization factor, and per pupil funding, relative to current law.

**Hold-harmless FDK funding.** The 60 districts that would have received \$8,933,443 in hold-harmless FDK funding in FY 2019-20 and FY 2020-21 will no longer receive this funding, but instead will receive funding through the FDK program under the bill.

**Reporting requirements.** While the bill does not require school districts to offer FDK programs, it does require any district not offering such a program by FY 2019-20 to submit a plan to the CDE addressing how it could phase-in a FDK program. These districts will incur additional costs in developing and reporting on FDK phase-in plans.

## Effective Date

The bill was signed into law by the Governor and took effect on May 21, 2019.

## State Appropriations

For FY 2019-20, the bill contains the following appropriations:

- a General Fund appropriation of \$182,911,699 for the state's share of total program;
- a General Fund appropriation of \$25,094 and allocation of 0.3 FTE to the Department of Human Services; and
- a cash funds appropriation reduction of \$8,933,443 from the State Education Fund for hold-harmless full-day kindergarten funding.

## State and Local Government Contacts

Education	Human Services	Legislative Council Staff	School Districts
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