

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL  
REVISED FISCAL IMPACT**

(replaces fiscal note dated January 15, 2014)

**Drafting Number:** LLS 14-0147 **Date:** March 11, 2014  
**Prime Sponsor(s):** Rep. Peniston; Duran **Bill Status:** House Appropriations  
 Sen. Zenzinger **Fiscal Analyst:** Josh Abram (303-866-3561)

**SHORT TITLE:** EARLY CHILDHOOD QUALITY INCENTIVE PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>		
<b>State Expenditures</b>	<b>\$12,478,836</b>	<b>\$97,705</b>
State Education Fund	\$12,465,342	\$83,593
Centrally Appropriated Costs**	\$13,494	\$14,112
<b>FTE Position Change</b>	1.0 FTE	1.0 FTE
<b>Appropriation Required:</b> \$12,465,342 - Colorado Department of Education - (FY 2014-15)		

\* This summary shows changes from current law under the bill for each fiscal year.

\*\* These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

**Summary of Legislation**

This bill, **as amended by the House Education Committee**, creates the Early Childhood Quality Incentive grant program in the Colorado Preschool Program (CPP) at the Colorado Department of Education (CDE). The State Board of Education (SBE) must adopt rules for the new grant program. School districts with a CPP-authorized preschool program are eligible to participate in the program.

The CDE will establish the program on a two-year budget cycle. An eligible school district may apply to receive an initial grant to pay the cost of obtaining a school-readiness quality rating. Based on the quality rating the preschool program achieves, the district may also receive a quality improvement grant to be used to enhance the program's service quality.

If a school district receives a quality rating of 1, 2, or 3, it is eligible to receive a quality improvement grant in an amount equal to \$3,000 per preschool classroom at the site. District programs that receive a quality rating of 4 are eligible to receive an additional per child reimbursement equal to 10 percent of the per pupil revenue that a district receives for each preschool student participating in the district's CPP. A district program that receives a quality rating of 5 is eligible to receive an additional per child reimbursement equal to 20 percent of the per pupil revenue the district receives for the CPP.

If the school district contracts out all or any portion of their preschool program to a head start agency, or to one or more child care agencies, the school district must allow the contracted agency to participate in the program through the school district. If they choose to participate, the contractor must receive 100 percent of the allowable grant each program year.

At the conclusion of the second budget year in which a district receives a quality improvement grant, the district must report to the CDE specific information about the preschool program and how grant money was used. The CDE is also required to provide details of the grant program when presenting year-end reports on the CPP to the Colorado General Assembly.

**Background**

Currently, the CPP provides funding for approximately 2,400 classrooms in 172 school districts. The preschool programs are administered on-site by school districts, and by community and head start agencies. There are approximately 29,450 preschool students receiving services through the program, including students with special education needs.

The CDE employs 5.25 FTE to assist districts in implementing the program, manage pupil counts, and provide technical assistance to CPP advisory councils and site coordinators. Each school district and the state Charter School Institute receives a per pupil allocation via the annual School Finance Act for students participating in the district's CPP.

**State Expenditures**

***This bill increases state expenditures by \$12.4 million and 1.0 FTE in FY 2014-15, and by \$97,705 and 1.0 FTE in FY 2015-16.*** Increased costs are for program administration and operational expenses, and for grant awards. These costs are detailed below and displayed in Table 1.

<b>Table 1. Expenditures Under HB 14-1076</b>		
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Personal Services and Operating	\$88,296	\$83,593
FTE	1.0	1.0
Early Childhood Education Grants	12,377,046	
Centrally Appropriated Costs*	13,494	14,112
<b>TOTAL</b>	<b>\$12,478,836</b>	<b>\$97,705</b>

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

**Program Administration.** The bill creates a new grant program at the CDE. The department will establish program rules, create application procedures, develop criteria for evaluating applications, award grants, track and evaluate grant recipients, and assure accountability. Program staff will also provide technical assistance for advisory councils and CPP coordinators during the application development phase, and provide ongoing support to grant recipients, which include expenses for staff travel statewide. Finally, the department will expend internal resources in human resources, accounting, budgeting, and management in support of the new program.

**Enhancing Early Childhood Education Grants.** It is anticipated that grant awards will comprise the largest cost component of the bill. The CDE must create a two-year budget cycle to allocate grant funding; however, since the timing of grant applications, program eligibility, and actual awards is unknown, this fiscal note assumes the full amount of grant funding for the two year cycle will be appropriated in FY 2014-15, with total spend out occurring in FY 2015-16. Table 2 shows the component costs of the early childhood grants.

<b>Grant Components</b>	<b>FY 2014-15 and FY 2015-16</b>
School Readiness Quality Rating Grant	\$900,000
Quality Improvement Grant Levels 1, 2, and 3	3,600,000
Quality Improvement Grant Level 4	2,625,682
Quality Improvement Grant Level 5	5,251,364
<b>TOTAL</b>	<b>\$12,377,046</b>

**Data and Assumptions.**

- Out of 2,400 classrooms, one half will request and receive a School Readiness Quality Rating Grant (1,200 X \$750 = \$900,000).
- Out of 2,400 classrooms, one half are anticipated to qualify as Level 1, 2, or 3 and be eligible for and receive a per classroom grant of \$3,000 (1,200 X \$3,000 = \$3,600,000).
- Of the approximately 29,450 preschool students, 25 percent are in classrooms that are anticipated to qualify as Level 4 and be eligible for additional funding equal to 10 percent of a district's CPP per pupil funding amount.
- Of the approximately 29,450 preschool students, 25 percent are in classrooms that are anticipated to qualify as Level 5 and be eligible for additional funding equal to 20 percent of a district's CPP per pupil funding amount.

**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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,572	\$4,572
Supplemental Employee Retirement Payments	\$5,322	\$5,940
Leased Space	3,600	3,600
<b>TOTAL</b>	<b>\$13,494</b>	<b>\$14,112</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

**School District Impact**

Districts with CPP programs will be eligible to receive early childhood quality improvement grants, increasing revenue for those districts that participate in the grant program and/or improve their current quality rating.

Pursuant to Section 22-32-143, C.R.S., school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State Appropriations**

For FY 2014-15, this bill requires an appropriation of \$12,465,342 from the State Education Fund and an allocation of 1.0 FTE to the Colorado Department of Education.

**State and Local Government Contacts**

Education

Human Services

Law