

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 751 (First Edition)

SHORT TITLE: Every Child Ready to Learn.

SPONSOR(S): Senator Dannelly

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:					
EXPENDITURES					
(millions):					
State Public School Fund	N/A	N/A	\$(78.5)	\$(82.4)	\$(86.5)
County Governments	N/A	N/A	\$(25.1)	\$(26.4)	\$(27.7)
More at Four	N/A	N/A	*See Assumptions & Methodology*		
POSITIONS					
(cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: State Board of Education (State Board), Local Education Agencies (LEAs), More at Four					
EFFECTIVE DATE: The bill is effective when it becomes law and applies beginning with the 2009-10 school year.					

BILL SUMMARY: Under current statute,¹ a child must reach the age of five on or before October 16th of a given school year to be eligible for initial enrollment in public school in that year. The bill amends statute to require that a child reach the age of five on or before August 31st of that school year in order to be eligible to enroll in public school. The bill maintains the exceptions to the age requirement for i) a child who has attended school in another state in accordance with the laws and rules of that state prior to becoming a resident of North Carolina, and ii) a child who reaches the age of four on or before April 16th and is deemed “gifted” and sufficiently mature to enter kindergarten.

Source: Bill Digest H.B. 150 (02/12/0200).

¹ GS 115C-364(a) and(b)

ASSUMPTIONS AND METHODOLOGY:

Kindergarten Date

Changing the date by which children must have reached the age of five years in order to enter kindergarten in the 2009-10 school year from October 16, 2009 to August 31, 2009 will render ineligible those children whose birthdays fall between September 1 and October 16, 2009. Based on birth rates and other historical data regarding kindergarten enrollment, this group is estimated to contain 15,360 children statewide.² Statewide average daily membership (ADM) for kindergarten in FY 2009-10 will thus be lower by 15,360 than it would have been prior to the bill. Assuming all other factors influencing ADM are held constant, this cohort will be smaller at each subsequent grade level by the same number. Reduced State General Fund (GF) expenditures associated with this reduced public schools ADM are estimated as follows:

**Reduced State GF Expenditures
associated with FY 2009-10 Kindergarten Cohort
being Smaller by 15,360 in ADM**

Grade	FY 2009-10	FY 2010-11	FY 2011-12
Kindergarten	\$ (78,489,600)	n/a	n/a
1st	n/a	\$ (82,414,080)	n/a
2nd	n/a	n/a	\$ (86,534,784)

Est. Avg. \$/ADM: \$5,110 \$5,366 \$5,634

Note: Each reduction is non-recurring, as subsequent cohorts in each grade would be greater by approximately 15,360.

The reduced size of the 2009-10 kindergarten cohort will also reduce expenditures by county governments. Estimates of these reduced expenditures are as follows:

**Reduced County Government Expenditures
associated with FY 2009-10 Kindergarten Cohort**

Grade	FY 2009-10	FY 2010-11	FY 2011-12
Kindergarten	\$ (25,113,600)	n/a	n/a
1st	n/a	\$ (26,369,280)	n/a
2nd	n/a	n/a	\$ (27,687,744)

Est. Avg. \$/ADM: \$1,635 \$1,717 \$1,803

Note: Each reduction is non-recurring, as subsequent cohorts in each grade would be greater by approximately 15,360.

² Total projected ineligible of 16,000 net of 640 (or 4%; based on historical data) who may enroll in kindergarten anyway under the criteria specified in G.S. 115C-364(d), which allows “gifted” four year-olds who are judged to be sufficiently mature to enter kindergarten prior to reaching five years of age.

While the scope of this analysis limits estimates of the bill's effects to the five-year period noted on page one, the bill creates significant fiscal impact for a total of thirteen years. The impact in each of the first twelve years will be reduced total ADM, which translates into reduced State GF and county expenditures, per the charts on the previous page. In the thirteenth year, however, expenditures will return to "normal" (assuming all else held constant) as total ADM will no longer be lower by 15,360. The General Assembly would need to take this into account when budgeting for FY 2022-23.

More at Four

The group of children made newly ineligible for kindergarten entry in the 2009-10 school year would instead be potentially eligible for participation in the More at Four program in that year. Assuming that 48% of all four year olds statewide would be eligible for participation,³ the bill could create an additional demand for 7,372 More at Four preschool slots. Unlike for the public schools, funding for increased enrollment in More at Four is not built into the State continuation budget. Expansion dollars are required to fund additional slots. The increase in demand for More at Four slots therefore will not necessarily translate into additional State expenditures in FY 2009-10. As one cannot predict the behavior of the General Assembly in regards to expansion decisions for the FY 2009-10 budget, this analysis does not assume that the bill creates additional expenditures for More at Four. If, however, the General Assembly were to approve and fund additional slots to accommodate the additional demand, the bill could increase expenditures for More at Four by up to \$32,149,292 (\$4,361 per slot⁴ x 7,372 slots) in FY 2009-10.

State funding for More at Four covers approximately 50% of the cost of each slot in a preschool program. State, federal, and county governments, and other entities, provide the remainder of the funding for the slots in the form of a "match." The bill therefore also could increase expenditures required in 2009-10 from these sources by approximately \$32,149,292.

SOURCES OF DATA: Department of Public Instruction

TECHNICAL CONSIDERATIONS: None

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³ Based on 2005-06 NC Office of School Readiness estimate of four year-olds deemed to be "at-risk" as a result of family income level.

⁴ FY 2006-07 average State expenditure per slot of \$4,050, increased by 2.5% annually.