

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2099-01
Bill No.: HB 1105
Subject: Children and Minors; Elementary and Secondary Education Department
Type: Original
Date: March 30, 2015

Bill Summary: This proposal requires quality rating systems for early childhood education to be in compliance with criteria established by the Department of Elementary and Secondary Education through rules promulgated under chapter 536.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
General Revenue	(\$396,189)	(\$716,580)	(\$1,117,746)	(\$61,313,314)
Total Estimated Net Effect on General Revenue	(\$396,189)	(\$716,580)	(\$1,117,746)	(\$61,313,314)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
General Revenue	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE	2 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume they would work in collaboration with the Department of Health and Senior Services, the Department of Social Services, the Department of Mental Health and the Missouri Head Start State Collaboration Office to develop a voluntary quality rating system (QRS) and a training quality assurance system for early childhood education.

Implementing these two systems would require additional staffing. This would include but not be limited to development of the systems in conjunction with the agencies named above, contract development, bid process, monitoring, reviewing reporting and outcome requirements and statistical data, liaison between DESE and the grantee, providing technical assistance to the grantee, and payment of invoicing. Two FTE supervisors would be needed to manage the quality rating system and the training quality assurance system.

The Department of Health and Senior Services, Section for Child Care Regulation, currently has 3,242 child care facilities licensed. A review of thirty eight states (which currently have quality rating systems) revealed administrative costs ranging from \$248 to \$94,000 annually, per early childhood program. For Missouri, a six-year projection of the quality rating system administrative costs is listed in the table below:

Fiscal Year	Percentage of Early Childhood Programs rated in QRS	Number of Early Childhood Programs within the percentage	Administrative Costs for QRS \$248-\$94,000 per Early Childhood Program
2016	Planning Year	Planning Year	\$50,000 - \$150,000
2017	Development Year	Development Year	\$50,000 - \$300,000
2018	Pilot Year	Pilot Year	\$300,000 - \$500,000
2019	10%	324	\$80,352 - \$30,456,000
2020	15%	486	\$120,528 - \$45,684,000
2021	20%	648	\$160,704 - \$60,912,000

ASSUMPTION (continued)

The planning year would include contributions from stakeholders affected by a quality rating system to include but not be limited to early childhood programs, professional development and technical assistance providers, trainer registry, practitioner registry, workshop calendar, higher education institutions, the Department of Health and Senior Services, the Department of Social Services, the Department of Mental Health, the Missouri Head Start State Collaboration Office, and the Coordinating Board for Early Childhood. Methods of information gathering would include but not be limited to electronic surveys, regionally held roundtable discussions, and opportunities for public comments.

The development year would include incorporation of information provided by early childhood programs, professional development and technical assistance providers, trainer registry, practitioner registry, workshop calendar, higher education institutions, the Department of Health and Senior Services, the Department of Social Services, the Department of Mental Health, the Missouri Head Start State Collaboration Office, and the Coordinating Board for Early Childhood. The draft documents would be available for public review and public comment. After feedback is gathered, a request for bids would be developed and opened to find an appropriate entity with the capacity to accomplish all aspects of the system.

The pilot year would be to conduct reliability and validity studies on the instruments developed that will inform the quality rating system process. Based on the number of programs currently licensed in Missouri 50 to 100 programs would be identified for this study.

Additional costs would include funding for professional development and technical assistance to assist the early childhood programs as they implement a continuous quality improvement process and strive to increase their quality of service.

Businesses affected by the system include but are not limited to early childhood programs, professional development and technical assistance providers, trainer registry, practitioner registry, workshop calendar, and higher education institutions.

Early childhood programs may have increased costs in professional development, college credit courses for staff, and upgrades to facilities and outdoor space.

ASSUMPTION (continued)

The following chart depicts administrative costs to develop the training quality assurance system:

Fiscal Year		Administrative Costs for the training quality assurance system
2016	Planning Year	\$50,000 -\$150,000
2017	Development Year	\$50,000 - \$300,000
2018	Pilot Year	\$100,000 - \$500,000
2019	Initial year of Implementation	\$500,000 - \$1,000,000
2020	Revisions based on federal and state requirements	\$600,000 - \$1,000,000
2021	Implementation	\$500,000 - \$1,000,000

The planning year would include contributions from stakeholders affected by a quality rating system to include but not be limited to early childhood programs, professional development and technical assistance providers, trainer registry, practitioner registry, workshop calendar, higher education institutions, the Department of Health and Senior Services, the Department of Social Services, the Department of Mental Health, the Missouri Head Start State Collaboration Office, and the Coordinating Board for Early Childhood. Methods of information gathering would include but not be limited to electronic surveys, regionally held roundtable discussions, and opportunities for public comments.

The development year would include incorporation of information provided by early childhood programs, professional development and technical assistance providers, trainer registry, practitioner registry, workshop calendar, higher education institutions, the Department of Health and Senior Services, the Department of Social Services, the Department of Mental Health, the Missouri Head Start State Collaboration Office, and the Coordinating Board for Early Childhood. The draft documents would be available for public review and public comment. After feedback is gathered a request for bids would be developed and opened to find an appropriate entity with the capacity to accomplish all aspects of the system.

The pilot year would be to conduct reliability and validity studies on the instruments developed that will inform the training quality assurance system process.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, adjusted the salary and benefits of the Supervisor position to correspond with the salaries posted by DESE for a current job vacancies for a similar positions.

Officials at the **Department of Higher Education, Joint Committee on Administrative Rules, Department of Health and Senior Services** and the **Department of Social Services** each assume there is no fiscal impact to their respective organization from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2021)
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GENERAL REVENUE

Costs - DESE

Personal Service	(\$63,280)	(\$76,695)	(\$77,462)	(\$79,809)
Fringe Benefits	(\$32,909)	(\$39,885)	(\$40,284)	(\$41,505)
<u>Total Costs - DESE</u>	(\$96,189)	(\$116,580)	(\$117,746)	(\$121,314)
FTE Change - DESE	2 FTE	2 FTE	2 FTE	2 FTE

Costs - DESE - creation and administration of the quality rating system

(\$300,000)	(\$600,000)	(\$1,000,000)	(\$61,192,000)
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ESTIMATED NET EFFECT ON GENERAL REVENUE

<u>(\$396,189)</u>	<u>(\$716,580)</u>	<u>(\$1,117,746)</u>	<u>(\$61,313,314)</u>
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Estimated Net FTE Change on General Revenue

2 FTE	2 FTE	2 FTE	2 FTE
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FISCAL IMPACT - Local Government

FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2021)
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill requires quality rating systems for early childhood education to be in compliance with criteria established by the Department of Elementary and Secondary Education through rules established under Chapter 536 and repeals the current requirement that the authority to operate,

FISCAL DESCRIPTION (continued)

establish, or maintain such a system only occurs after enactment into law through a bill, initiative petition, or referendum.

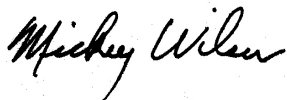
The bill repeals various provisions including:

- 1) Certain provisions prohibiting specified entities from promulgating or establishing rules, programs, policies, guidelines, or plans or making changes to quality rating systems for early childhood education unless receiving authority by enactment into law through a bill, initiative petition, or referendum;
- 2) Certain provisions specifying that any Missouri taxpayer or any member of the General Assembly has standing to bring suit against a specified entity which violated these provisions;
- 3) Provisions specifying that the section must not be construed to limit the content of early childhood education courses, research, or training carried out by any public institution of higher education; and
- 4) Provisions prohibiting a course on quality rating systems or training quality assurance systems from being a requirement for certification by the state as an individual child care provider or any licensing requirement that may be established for an individual child care provider.

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
Department of Higher Education
Department of Health and Senior Services
Department of Social Services
Joint Committee on Administrative Rules
Office of the Secretary of State



Mickey Wilson, CPA

Ross Strope

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Director
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Assistant Director
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