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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Correa Hemphill/Gallegos</u>	<b>LAST UPDATED</b> <u>2/1/24</u> <b>ORIGINAL DATE</b> <u>1/25/24</u>
<b>SHORT TITLE</b> <u>Increase Early Childhood Fund Transfer</u>	<b>BILL NUMBER</b> <u>Senate Bill 153</u>
	<b>ANALYST</b> <u>Klundt</u>

### REVENUE\* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
	\$95,000.0		Recurring	Early Childhood Education and Care Program Fund

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

#### Agency Analysis Received From

Early Childhood Education and Care Department (ECECD)

#### **Sources of Information**

LFC Files

## SUMMARY

### **Synopsis of Senate Bill 153**

Senate Bill 153 increases the distribution of the early childhood education and care program fund from a projected \$155 million to \$250 million in FY25, or an increase of \$95 million.

Appropriations from the fund following FY25 will be based on an amount equal to the greater of 5 percent of the average of the year-end market values of the fund for the immediately preceding three calendar years or \$250 million.

The bill also reverts unexpended revenue from the program fund to the trust fund at the end of each fiscal year.

The effective date of this bill is July 1, 2024

## FISCAL IMPLICATIONS

This bill increases the distribution of the early childhood education and care program fund to \$250 million in FY25. The funding includes increases for childcare assistance, child and maternal health, doula and lactation support home visiting, quality support for prekindergarten, and department administrative oversight. Distributions from the fund are projected to grow to \$443.75 million in FY28.

<b>Early Childhood Trust Fund Forecast - December 2023</b>									
(in millions)									
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$300.0	\$314.1	\$3,462.0	\$5,508.2	\$7,741.7	\$9,108.4	\$9,774.7	\$9,852.1
Gains & Losses	\$6.1	\$34.1	(\$6.4)	\$123.2	\$220.3	\$309.7	\$364.3	\$391.0	\$394.1
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$2,073.0	\$1,018.1	\$663.1	\$246.5	\$0.0	\$0.0
Excess OGAS School Tax*	\$0.0	\$0.0	\$1,682.8	\$0.0	\$1,149.8	\$672.4	\$428.1	\$130.2	\$0.0
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$150.0)	(\$154.7)	(\$278.5)	(\$372.6)	(\$443.7)	(\$478.9)
<b>Ending Balance</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$3,462.0</b>	<b>\$5,508.2</b>	<b>\$7,741.7</b>	<b>\$9,108.4</b>	<b>\$9,774.7</b>	<b>\$9,852.1</b>	<b>\$9,767.3</b>
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.									
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.									
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	
Distribution to ECE Program Fund	\$0.00	\$20.00	\$30.00	\$150.00	\$154.74	\$278.53	\$372.64	\$443.75	

Source: December 2023 Consensus Revenue Forecast

### Estimated Projection with Increased Distribution in FY25

<b>Early Childhood Trust Fund Forecast - December 2023</b>									
(in millions)									
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$300.0	\$314.1	\$3,462.0	\$5,508.2	\$7,646.4	\$9,010.8	\$9,676.4	\$9,754.8
Gains & Losses	\$6.1	\$34.1	(\$6.4)	\$123.2	\$220.3	\$305.9	\$360.4	\$387.1	\$390.2
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$2,073.0	\$1,018.1	\$663.1	\$246.5	\$0.0	\$0.0
Excess OGAS School Tax*	\$0.0	\$0.0	\$1,682.8	\$0.0	\$1,149.8	\$672.4	\$428.1	\$130.2	\$0.0
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$150.0)	(\$250.0)	(\$276.9)	(\$369.4)	(\$438.9)	(\$474.0)
<b>Ending Balance</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$3,462.0</b>	<b>\$5,508.2</b>	<b>\$7,646.4</b>	<b>\$9,010.8</b>	<b>\$9,676.4</b>	<b>\$9,754.8</b>	<b>\$9,671.0</b>
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.									
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.									
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	
Distribution to ECE Program Fund	\$0.00	\$20.00	\$30.00	\$150.00	\$250.00	\$276.94	\$369.42	\$438.90	

Source: LFC Analysis of December 2023 Consensus Revenue Forecast

If enacted, this bill will increase the distribution by \$95 million in January 2023. Increased distributions from the fund would still allow continued projected growth to the fund of \$438.9 million in FY28.

## SIGNIFICANT ISSUES

Increased distributions to the program fund are included in LFC recommendations for FY25 in the general appropriation action (GAA, House Bill 2), contingent on legislation. For the following:

**FY25 House Bill 2 Increased Distribution  
(in thousands)**

	<b>Early Care and Education Fund (Other State Funds)</b>
	<b>House Bill 2</b>
<b>FY24 OpBud</b>	<b>150,000.0</b>
Childcare Assistance Copayment Restructure	14,000.0
Childcare Assistance Rate and Eligibility	18,000.0
Childcare Assistance Infant and Toddler Contracts	43,000.0
Transfer HSD Infant and Maternal Health Services	5,000.0
Transfer HSD for Doulas and Lactation Support	5,800.0
IT System	500.0
Transfer HSD Medicaid Home visiting Rate Increase and Incentives Pilot	1,500.0
Program Support FTE	605.0
Home Visiting FTE	95.0
Prekindergarten Quality	6,000.0
Update TQRIS: Program Consultation	4,000.0
Update TQRIS: CLASS observation tool implementation	1,000.0
Early Childhood Education and Care Program FTE	500.0
<b>Total FY25</b>	<b>250,000.0</b>

Source: House Bill 2 as of 2/1/24

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