



# OHIO LEGISLATIVE SERVICE COMMISSION

Alexandra Vitale

---

## Fiscal Note & Local Impact Statement

**Bill:** H.J.R. 15 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Reps. Fedor and West

**Local Impact Statement Procedure Required:** No

**Subject:** Proposes a statewide ballot issue to establish a universal preschool program

---

### Fiscal Highlights

- The resolution proposes to submit for voter approval, at the November 6, 2018 general election, a constitutional amendment requiring the General Assembly to create and fund a voluntary universal preschool program that is available free of charge for four- and five-year-old children residing in Ohio.
- The state will incur ballot advertising costs related to this proposed ballot issue. These costs are paid for through the Statewide Ballot Advertising Fund (Fund 5FH0) under the Secretary of State's budget. Fund 5FH0 is supported by cash transfers from the Emergency Purposes/Contingencies Fund (Fund 5KM0) that are approved by the Controlling Board.

### Detailed Fiscal Analysis

The resolution proposes an amendment to the Ohio Constitution requiring the General Assembly to establish a free, voluntary preschool program for every four- and five-year-old child residing in Ohio who has not yet enrolled in kindergarten. The resolution requires the state to fund the program, which must start no later than the 2019-2020 school year.

#### Ballot advertising costs

If both houses of the General Assembly approve the resolution and the issue is placed on the statewide ballot, the Secretary of State will incur costs for ballot advertising under Section 1 of Article XVI of the Ohio Constitution. Section 1 requires that the ballot language, the explanations, and arguments, if any, be published once a week for three consecutive weeks preceding the election in at least one newspaper of general circulation in each county of the state where a newspaper is published. The Secretary of State is responsible for arranging this advertising.

The ballot advertising costs that the Secretary of State incurs are paid for on a reimbursement basis from the Emergency Purposes/Contingencies Fund (Fund 5KM0) under the purview of the Controlling Board. Once approved by the Controlling Board, the reimbursable amounts are transferred to the Statewide Ballot Advertising Fund

(Fund 5FH0) under the Secretary of State's budget. Ballot advertising expenses depend on the length of the ballot language. Most recently, the Controlling Board approved a transfer of \$420,650 to cover ballot advertising costs associated with State Issue 1, which appeared on the May 8, 2018 statewide ballot and proposed a new process for congressional redistricting.

### **Indirect fiscal effects**

If voters approve the constitutional amendment, the General Assembly must (1) enact implementing legislation that specifies the details of the program and (2) appropriate the funds it determines are necessary to comply with the amendment without diverting any existing funding for education, health, or development programs existing prior to the 2019-2020 school year. The potential cost to serve up to an additional 75,800 to 100,800 children who are not currently served by state or federally funded preschool programs or enrolled in kindergarten may reach between \$303.4 million and \$638.5 million per year depending on funding and participation levels. This range is only for operating costs, but there may be additional costs related to facilities or administration of such a program. Additional details are provided below.

#### **Overview of state or federally funded early childhood education program participants**

The U.S. Census Bureau's American Community Survey estimates there are approximately 278,000 children between the ages of four and five in Ohio. Of this number, about 77,200 (27.8%) currently are participating in a state or federally funded early childhood education program. The number of early childhood education funding recipients by program is summarized in the table below.

<b>Program</b>	<b>Funding Source</b>	<b>Participants</b>
Preschool special education grants	State and federal (Ohio Department of Education)	26,902
Head Start	Federal	18,468
Child Care Assistance	Federal and state (Ohio Department of Job and Family Services)	15,880
Early childhood education grants	State (Ohio Department of Education)	15,566
Autism scholarship	State (Ohio Department of Education)	460
<b>TOTAL</b>		<b>77,276</b>

The population of Ohio children age five who are eligible for preschool services under the proposed program (i.e., those not enrolled in kindergarten) is uncertain, as LSC is unaware of any reliable state-level data on this topic. However, the U.S. Census Bureau reports that roughly 72% of five-year-olds nationwide are enrolled in kindergarten and an additional 15% are enrolled in preschool. The data does not indicate whether the preschools are publicly or privately funded. As a result, the cost estimates provided below are based on several different eligibility scenarios for the percentage of children age five who are not enrolled in kindergarten – 10%, 20%, and 28%.

The state, therefore, will need to fund services for up to an additional 75,857 to 100,848 children ages four to five not participating in a state or federally funded preschool program or kindergarten.<sup>1</sup> A portion of those children may be obtaining services through a private source of funding. However, this analysis assumes all of those children will switch to a publicly funded program if such a program becomes available to all children.

### **Potential cost of providing universal preschool**

Ohio provides \$4,000 per pupil for the current early childhood education grant program that primarily serves low-income children. This funding amount is based on providers serving eligible children for a minimum of 12.5 hours per week, equating to a "half-day" education program. The proposed amendment does not specify if the program will fund services on a half-day or a full-day basis. A full-day preschool program would likely require a larger per-pupil subsidy to adequately fund services. The amount of the subsidy will likely depend on the extent of services providers must offer. Two options for the proposed per-pupil subsidy are based on the per-child funding for early childhood education grant recipients and the "formula amount" used to calculate foundation funding for students in grades K-12. The formula amount generally relates to the cost of providing basic education services to regular education students. The formula amount for FY 2019 is \$6,020 per pupil.

Usage of the program may start out relatively low and increase over time as more people become aware of the program. Depending on the different eligibility scenarios of children age five that would attend preschool under the proposed program, the additional annual cost to the state of providing services to all eligible children for universal preschool may reach between \$303.4 million and \$403.4 million if the program is funded at \$4,000 per pupil and between \$488.1 million and \$638.5 million per year if the program is funded at \$6,020 per pupil. Cost estimates for each scenario are provided in Table 2 below. The estimates at \$6,020 per pupil also assume a marginal increase in per-pupil funding of \$2,020 for the 15,566 children currently served by preschools funded through early childhood education grants. Note that net costs may actually be higher because current early childhood education programs may be subsidized by local tax revenue or tuition payments charged to families with incomes above 200% of the federal poverty guidelines.

---

<sup>1</sup> This range is based on the following calculations:

"10%" scenario: 278,089 children ages four to five - (77,276 children enrolled in preschool programs + an estimated 124,956 (90%) five-year-olds enrolled in kindergarten) = 75,857 children.

"28%" scenario: 278,089 children ages four to five - (77,276 children enrolled in preschool programs + an estimated 99,965 (72%) five-year-olds enrolled in kindergarten) = 100,848 children.

<b>Table 2. Estimated Maximum Cost of Universal Preschool Proposal Under Various Eligibility Scenarios for Five-Year-Olds</b>		
<b>Percentage of Five-Year-Olds not in Kindergarten or a State or Federally Funded Preschool Program</b>	<b>Funding of \$4,000 Per Pupil</b>	<b>Funding of \$6,020 Per Pupil</b>
10%	\$303.4 million	\$488.1 million
20%	\$359.0 million	\$571.7 million
28%	\$403.4 million	\$638.5 million