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FISCAL IMPACT REPORT

SPONSOR <u>Dixon/Correa Hemphill/Gallegos/Jaramillo</u>	LAST UPDATED <u>3/10/23</u> ORIGINAL DATE <u>2/1/23</u>
SHORT TITLE <u>Increase Early Childhood Fund Transfer</u>	BILL NUMBER <u>House Bill 191/aHAFC/aSFC</u>
ANALYST <u>Klundt</u>	

REVENUE* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
	\$82.82		Recurring	Early Childhood Education and Care Program Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent version of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From

Early Childhood Education and Care Department (ECECD)

SUMMARY

Synopsis of SFC Amendment to House Bill 191

The Senate Finance Committee amendment to House Bill 191 raises the increase in the distribution to \$150 million.

Synopsis of HAFC Amendment to House Bill 191

The House Appropriations and Finance Committee amendment to House Bill 191 raises the increase in the distribution to \$125 million.

Synopsis of House Bill 191

House Bill 191 (HB191) increases the distribution of the early childhood education and care program fund from a projected \$68.18 million to \$100 million in FY24, or an increase of \$31.82 million.

Appropriations from the fund following FY24 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 \$100 million.

FISCAL IMPLICATIONS

As amended, HB191 increases the distribution of the early childhood education and care program fund to \$150 million in FY24.

The SFC substitute for House Bill 2 appropriates the increased distribution included in this bill. The funding includes increases for childcare assistance, tribal services, infant mental health, marketing for the parental education home-visiting program, and department administrative oversight.

The projected distribution from the fund increased to \$68.18 million in January 2023, an increase from \$46 million in fall 2022. Distributions from the fund are projected to grow to \$373 million in FY27.

Early Childhood Trust Fund Forecast - January 2023								
(in millions)								
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$300.0	\$314.1	\$3,470.6	\$5,458.3	\$7,889.4	\$9,284.4	\$9,973.3
Gains & Losses	\$6.1	\$34.1	\$2.2	\$138.8	\$218.3	\$315.6	\$371.4	\$398.9
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$1,917.1	\$1,113.5	\$612.9	\$220.9	\$ -
Excess OGAS School Tax*	\$0.0	\$0.0	\$1,682.8	\$0.0	\$1,253.2	\$746.9	\$473.9	\$231.0
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$68.2)	(\$154.1)	(\$280.3)	(\$377.2)	(\$452.5)
Ending Balance	\$306.1	\$314.1	\$3,470.6	\$5,458.3	\$7,889.4	\$9,284.4	\$9,973.3	\$10,150.8
*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
Distribution to ECE Program Fund		\$0.00	\$20.00	\$30.00	\$68.18	\$154.05	\$280.31	\$377.20
Source: December 2022 Consensus Revenue Forecast								

Houses Bill 191aa Estimated Projection								
Early Childhood Trust Fund Forecast - January 2023								
(in millions)								
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$300.0	\$314.1	\$3,470.6	\$5,376.5	\$7,805.6	\$9,200.1	\$9,889.8
Gains & Losses	\$6.1	\$34.1	\$2.2	\$138.8	\$215.1	\$312.2	\$368.0	\$395.6
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$1,917.1	\$1,113.5	\$612.9	\$220.9	\$ -
Excess OGAS School Tax*	\$0.0	\$0.0	\$1,682.8	\$0.0	\$1,253.2	\$746.9	\$473.9	\$231.0
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$150.0)	(\$152.7)	(\$277.5)	(\$373.0)	(\$448.3)
Ending Balance	\$306.1	\$314.1	\$3,470.6	\$5,376.5	\$7,805.6	\$9,200.1	\$9,889.8	\$10,068.2
*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
Distribution to ECE Program Fund		\$0.00	\$20.00	\$30.00	\$150.00	\$152.69	\$277.55	\$373.04

SIGNIFICANT ISSUES

In FY22, ECECD was appropriated \$20 million in revenue from the early care and education fund, increasing to \$30 million in FY23. The SFC substitute for House Bill 2 includes additional revenue for a total of \$150 million. The recommendation for additional revenue included \$12 million of department-requested administrative support, infant mental health, marketing, and tribal services and \$78 million for the Childcare Assistance program.

This bill increases the FY24 distribution to \$150 million. LFC projections indicate the fund is sufficient to increase the distribution to \$150 million in FY24. As the fund stands now, LFC projects distributions from the fund would increase to \$153 million in FY25, \$278 in FY26, and \$373 million in FY27.

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