

N.C. GENERAL ASSEMBLY LEGISLATIVE FISCAL NOTE

Fiscal Research
733-4910

Prepared By: Jim Johnson	Date Prepared: May 10, 1989	Bill No. SB 455	Edition: 1
Approved By: Tom Covington TOMC	MAY 25, 1989		Sponsor: Sen. Helen Marvin
Short Title: Special Needs Age Change			

TYPE OF FISCAL IMPACT		FUNDS AFFECTED:		() Other:		
		(X) General	() Highway	(X) Local		
	County/					
	State Gov't	Local Gov't	State Fiscal Impact	FY 89-90	FY 90-91	FY 91-92
No Fiscal Impact	()	()		(In Millions)		
Increase Expenditure	(X)	()	State Tot. Req'ments	*\$39.5-\$49.5	\$42.1-\$52.	\$43.9-\$54.8
Decrease Expenditure	()	()	Net State Expend./Rev.	No. of Positions		
Increase Revenue	()	()	Local Fiscal Impact	FY 90-91	FY 91-92	
Decrease Revenue	()	()	Local Total Req'ments	*15M-\$30M	\$15M-\$30M	
No Estimate Avail.	()	()	Receipts/Revenues			
			Net Local Expend./Rev.			
			No. of Positions			

*Range of cost estimates reflects the variation in number of children served for Table II.

Description of Legislation

1. Summary of Legislation:

Senate Bill 455

To amend the law regarding the age of children with special needs. Amends G.S. 115C-109 to define "children with special needs" as academically gifted children from 5 through 20 and handicapped children from 3 through 20. (now, both categories limited to children 5 through 20.)

Special Education services may commence prior to the child's third birthday, if the child reaches age 3 by December 1 of the year he starts school. For a child

starting school at age 5, the birthday must be prior to October 16 of the year he starts school.

Provides permissive language for local education agencies to commence special education and related services for children birth through 2. Current statutes allow schools to operate programs for children aged birth through 4, and 19 through 21 inclusive.

SUMMARY OF PL99-457, THE EDUCATION OF THE HANDICAPPED AMENDMENTS OF 1986

Requires that states, as a condition of receiving certain federal education grants, provide education and related services to handicapped children ages 3 through 5.

This extends the requirements for educational services for handicapped children originally established under PL94-142.

In order for a state to meet the requirements of the federal state plans and statutes must cover handicapped children ages 3-5 by Federal Fiscal Year (FFY) 1989-90.

There is an exception, however, to this requirement. If total federal appropriations for this program in FFY1989-90 are less than \$306,000,000, then the compliance requirements are waived until FFY 1990-91. Federal appropriations for this program below the level \$306,000,000 would move the date for mandatory state compliance to the federal fiscal year beginning October 1, 1990.

There is no provision in the law that allows the Secretary of Education to waive compliance with the federal statutes after FFY1990-91.

Based on the best information available to the Fiscal Research Division, at the time this fiscal note was prepared, President Bush has requested only \$247 million in funding for the FFY 1989-90, but congressional action on this portion of the budget is still not complete. Therefore, it is not known if appropriations will reach the \$306 million dollar level in the next federal fiscal year.

The penalty for non compliance by a state is the loss of certain federal funds. These funds are identified in Table I of this fiscal note, and total \$15.1 million in FY 89-90 and \$19.7 million in FY 90.91.

2. Effective Date:

July 1, 1990

3. Fund or Tax Affected

General Fund

4. Principal Department/Program Affected

Department of Public Education

Department of Human Resources

Cost or Revenue Impact on State

	FY 88-89	FY 89-90	FY 90-91
1. Non-Recurring Costs/Revenues			
2. Recurring Costs/Revenues	\$39.5-\$49.5M	\$42.1-\$51.7M	
3. Fiscal/Revenue Assumptions			

Cost/Revenue Impact on County or Local Government

	FY 89-90	FY 90-91	FY 91-92
1. Non-Recurring Costs/Revenues	\$15-\$30M	\$15-\$30M	
2. Recurring Costs/Revenues			
3. Fiscal/Revenue Assumptions			

Sources of Data for Fiscal Note

Department of Public Education

Office of State Budget and Management

Department of Human Resources

Technical Considerations/Comments

This fiscal note is prepared under the requirements for legislative fiscal notes and GS 120-30.41, Local Government Fiscal Information Act.

Because of its length the fiscal note is divided into the following parts:

- o Table I Federal Funds Linked to State Compliance with the Requirements of Public Law 99-457.
- o Table II Projected North Carolina Population, Handicapped Children: Ages 3-4
- o Table III Projected State Cost Per Child, Handicapped Children Ages 3-4 at Current Expenditure Levels
- o Table IV Projected State Cost Per Child, Handicapped Children Ages 3-4, FY 1989-90 through FY 1993-94
- o Table V Total Projected State Cost, Handicapped Children Ages 3-4
- o Table VI Projected Classroom Need, Handicapped Children: Ages 3-4
- o Table VII Projected Cost for Additional Classroom Space, Handicapped Children Ages 3-4

TABLE I
FEDERAL FUNDS LINKED TO STATE COMPLIANCE
WITH THE REQUIREMENTS OF PUBLIC LAW 99-457

	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94
Federal Programs					
P.L. 94-142, Title VI					
Part B, Ages 3-5	\$2.6M	\$3.7M	\$5M	\$2.9M - \$3.6M	\$3.1M - \$3.8M
P.L. 99-457, Preschool					
Handicapped, Ages 3-5	6.7M	10.1M	12.5M	6.8M - 8.5M	6.8M - 8.5M
ECIA, Chapter 1,	.01	.01	.01		
Handicapped, Ages 3-5	.014	.014	.018	3.4M - 4.3M	3.5M - 4.4M
Total Department of					
Public Education	9.31M	13.8M	17.51M	13.1M - 16.4M	13.4M - 16.7M

Frank Porter Graham Center Preschool Research Grants	3.4M	3.4M	3.4M	3.4M	3.4M
Other Preschool Research Grants to Other Institutions of Higher Education and State Agencies	2M	2M	2M	2M	2M
P.L. 91-230, Part D, Training Grants (Colleges & SEA)	.4M	.5,	.6M	.6M	.6M
Total Higher Education	\$.58M	\$5.9M	\$.9M	\$6M	\$6M
GRAND TOTAL	\$15.11M	\$19.71M	\$23.41M	\$19.1M - \$22.4M	\$19.4M - \$22.7M

Assumptions:

1. PL 94-142, Title VI
 - FY 92-93 - \$425 per child
 - FY 93-94 - \$450 per child
2. PL 99-457
 - FY 92-93 - \$1,000 per child
 - FY 93-94 - \$1,000 per child
3. Population Projections Table II
4. Source of current funding level information, Department of Public Instruction

TABLE II
PROJECTED NORTH CAROLINA POPULATION
HANDICAPPED CHILDREN: AGES 3-4

	Projected Total Population		Projected Handicapped Population	
	Age 3	Age 4	Low 4%	High 5%
FY 89-90	85,132	84,872	6,800	8,500
FY 90-91	85,670	85,402	6,843	8,554

FY 91-92	85,498	85,238	6,829	8,537
FY 92-93	85,340	85,073	6,817	8,520
FY 93-94	85,178	84,920	6,804	8,505

Sources: Population projection of 3 and 4 year olds: Office of State Budget and Management

Incidence levels of handicapped children ages 3 and 4:
Department of Public Instruction

Table II Population Projections: Technical Considerations Fiscal Year 1989-90

The projected population of handicapped children ages 3-4 is probably overstated for FY 1989-90 because there is no way to estimate how quickly local school units will begin to serve all eligible children, especially if the effective date of the state mandate is July 1, 1990. In the December 1, 1988 headcount of 3 and 4 year old handicapped children currently served from federal funds, 50 school units reported to the Department of Public Instruction that they were serving no children in this age range. Thus it is reasonable to expect that the numbers will increase if a state mandate is adopted and state funds become available for service.

The Department of Public Instruction population estimates, prepared for the State Board of Education, project a total of 7,000 3 and 4 year old handicapped children to be served in FY 1990-91. This is above the Fiscal Research Division's low estimate for that year, and provides some confirmation for the projection in Table II of the total number of children that local school units might be expected to serve in FY 1990-91.

The incidence level estimates of 4% to 5% of the total population of 3 and 4 year olds were provided by the Department of Public Instruction and are based on state and national incidence rates for handicapped children. In researching this issue, the Fiscal Research Division could find no reasons to either increase or decrease the incidence estimate provided by the department.

TABLE III

PROJECTED STATE COST PER CHILD
HANDICAPPED CHILDREN: AGES 3-4
(1988-89 CURRENT EXPENDITURE LEVELS)

	Regular ADM Funds	Handicapped Add-On	Related Services	Transportation Cost	TOTAL COST
FY 89-90	\$2,406	\$1,598.66	\$151.46	\$1,484	\$5,640.12
FY 90-91	2,406	1,598.66	151.46	2,484	5,640.12

Assumptions:

1. Current state expenditure levels for ADM; Handicapped Add-on; Related Services; and Contract Transportation Costs for handicapped children.

Table III Projection State Cost: Technical Considerations

The cost per child identified in Table III are based on current state expenditures in FY 1988-89 for handicapped children. The term "Add-on-Dollars" refers to those state funds allocated to school districts specifically to assist in providing "appropriate educational services" to children with special needs.

TABLE IV
PROJECTED STATE COST PER CHILD
HANDICAPPED CHILDREN AGES 3-4
FISCAL YEAR FY 89-90 THROUGH FY 93-94

	Regular ADM Funds	Handicapped Add-On	Related Services	Transportation Cost	TOTAL COST
FY 89-90	\$2,545	\$1,694	\$159	\$1,484	\$5,882
FY 90-91	2,685	1,789	168	1,514	6,156
FY 91-92	2,824	1,884	176	1,544	6,428
FY 92-92	2,940	1,963	182	1,575	6,660
FY 93-94	3,056	2,043	189	\$1,606	\$6,894

Assumptions:

1. Regular ADM funds, Handicapped Funds, and Related Services funds are adjusted for an average of a 6% increase for FY 89-90 through FY 91-92.

Adjusted for a 5% increase for FY 92-93 through FY 93-94.

2. Transportation costs are adjusted by 2% per year for FY 90-91 through FY 93-94.
3. Impact of salary increases were calculated at FY 88-89 costs.

Table IV Projected Cost Per Child FY 1989-90 through FY 1990-91:
Technical Considerations

This projects future state costs, by considering the impact of salary increases on the ADM allocations to local school units, and the impact of salary increases on the add-on dollars for the handicapped. A 6% per year increase was used for the first three fiscal years, and 5% for the last two years. Since Table IV does not consider the impact of increases in non salary items on ADM funds, the cost projections are probably somewhat understated.

A key consideration in Table IV is whether handicapped 3-4 year olds are eligible to be counted in the average daily membership (ADM) of a district, thus increasing the overall dollars that a school unit receives. After consulting with legislative legal staff and the Attorney General's Office, it appears that SB 455 could be construed by local school units as a basis for inclusion of 3 and 4 year olds in their count of average daily membership. Whether other parts of the General Statutes might allow the State Board of Education, by regulation, to exclude 3 and 4 year olds from the ADM count is still a subject for discussion.

The issue of whether these children are to be counted for ADM purposes is critical because these dollars constitute almost 44% of the cost per child in any given year as shown in Table IV. For example, in FY 89-90, the total cost with ADM funds added is \$5,882 and \$3,337 without.

TABLE V

DEPARTMENT OF PUBLIC EDUCATION
 TOTAL PROJECTED STATE COST
 HANDICAPPED CHILDREN: AGES 3-4

	LOW	HIGH
FY 89-90	\$39,589,600	\$49,487,000
FY 90-91	42,125,508	51,658,424
FY 91-92	43,896,812	54,875,836
FY 92-93	45,401,220	56,743,200
FY 93-94	46,906,776	58,633,470

Assumptions:

1. Projected ranges of handicapped children, aged 3-4 from Table II.
2. Projected cost per child from Table IV.

TOTAL PROJECTED STATE COST
 DEPARTMENT OF HUMAN RESOURCES
 HANDICAPPED CHILDREN: AGES 3-4

FY 89-90	\$1,100,000
FY 90-91	\$1,100,000

Assumptions:

1. 200 pre-school visually impaired children
2. \$5,500 cost per child

Table V Department of Public Education: Total Projected Cost

Because of the uncertainty over the number of children that would be served in FY 89-90 (see Technical Considerations on population estimates) the actual cost to the state is likely to fall below the projected \$39.6 million.

TABLE VI

PROJECTED LOCAL GOVERNMENT COST
CLASSROOM SPACE
HANDICAPPED CHILDREN AGES: 3-4

	Number of Classrooms	Projected Cost
100% Renovated Space	850 - 1062	\$30.6M - \$38.2M
100% New Construction	850 - 1062	\$66.3M - \$82.8M

Assumptions:

1. Assumes cost per class of \$30 - \$50 per square foot for renovation to \$65 per square foot per class for new construction. 1200 square feet per classroom. 1,200 square feet is the current State Board of Education recommended minimum for K-1 classroom for exceptional children.
2. All handicapped children ages 3-4 will be served by the public schools.
3. Assumes all 3-4 handicapped will be in self-contained classrooms. Ratio of 1:8.

Table VI: Projected Classroom Needs: Technical Considerations

In order to project classroom need for 3 and 4 handicapped children, a critical assumption was made that these children would be served in the public schools and that no existing classroom space was available. If the public schools elected to contract for these services through Headstart Programs, day care centers, or provided some services in the child's home then the number of classrooms needed would decline. Since, however, many school units are not providing services to these children, it is very difficult to project the

number that might choose to deliver services outside of a traditional classroom setting.

Where a school system has vacant classroom space in the proper location, the need for new renovations and construction could be eliminated.

If the State Board of Education were to adopt classroom size and equipment standards for 3 and 4 year old handicapped children that differed those for kindergarten classrooms , the assumptions used for Table VI would not be valid.

Legal Considerations

Beginning School Age for Handicapped Children

SB 455 provides that the obligation to provide special education commences at the beginning of the school year in which the handicapped child reaches the age of 3, provided the child's birthday occurs on or before December 1 of that year. For children who begin school at age 5, the cutoff date for their birthday is October 16. By moving the date to December 1, school units, depending on when their school year begins, will be serving some handicapped children prior to their third birthday.

Ending School Age for Handicapped Children

Under current law as reflected on page 1, lines 8 and 9 of SB 455, the state is obligated to provide educational to a handicapped through the school year in which he reaches his 20th birthday. Therefore under current law some children may be 21 prior to end of the school year. Lines 1 and 2 on page 2 may change that policy by providing that the obligation to provide education continues through the school year that the child turns 21.



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