

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 5717

STATE OF NEW JERSEY 221st LEGISLATURE

DATED: JULY 3, 2025

SUMMARY

- Synopsis:** Makes various changes to provision of preschool aid and facilities requirements; establishes Universal Preschool Implementation Steering Committee; requires full-day kindergarten in all school districts.
- Type of Impact:** Potential State and local cost increases; local revenue increase.
- Agencies Affected:** Department of Education; local school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
Local Expenditure Increase	Indeterminate and variable by school district
Local Revenue Increase	Indeterminate and variable by school district

- The Office of Legislative Services (OLS) finds that this bill would lead to indeterminate increases in State costs. Some provisions of the bill may result in marginal cost increases for the State and local school districts, to the extent that current resources are not sufficient to effectuate the purposes of the bill.
- The bill requires all school districts to provide for free, full-day kindergarten by the 2029-2030 school year, which would result in both local and State cost increases; however, the magnitude of the cost increase is unknown and would be spread across five years assuming this bill first takes effect in the 2025-2026 school year.
- The bill could also result in indeterminate revenue increases for local school districts that first receive preschool education aid in the 2025-2026, 2026-2027, or 2027-2028 school years because these districts would have the ability to exceed the two percent tax levy growth limitation in order to account for additional preschool costs. The allowable increase would be limited to the actual costs of implementing a preschool program, which would vary

significantly across districts based on the number of students enrolling and the availability of adequate facilities.

- The provisions of the bill that impact the calculation of preschool education aid would result in no cost increase to the State because the bill largely codifies the preschool funding methodology incorporated in the annual appropriations act in recent years.
- Additionally, the requirement that the State provide preschool expansion grants is not guaranteed to increase State costs, unless future appropriations acts increase the amount of funds available for the grants. The annual appropriations act in recent years has included appropriations for preschool expansion grants, and the bill largely codifies budget language governing the program.

BILL DESCRIPTION

The bill modifies various statutes governing early childhood education in an effort to codify and expand on requirements that the Department of Education has previously established for providing State-funded preschool to build and sustain universal access to high-quality programs.

The bill revises requirements for preschool education aid. The revisions include an update to the formula for determining each district's allocation of preschool education aid to eliminate the use of District Factor Groups and specify the use of projected FTE enrollment for the upcoming year.

The bill also requires the department to provide annual preschool expansion grants, defined as grants expanding free access to high-quality preschool for resident three- and four-year old children in districts that do not, at the time of application for a grant, provide State-funded, high-quality, free preschool programs.

Additionally, the bill establishes a three-year pilot program for a methodology for sharing preschool education costs between the State and participating school districts. A participating district is any district receiving preschool education aid for the first time in the 2025-2026, 2026-2027, or 2027-2028 school years. Under the pilot program, preschool education aid for participating school districts is to be calculated by multiplying the district's district aid percentage by the amount calculated under the preschool education aid formula applicable to districts that received preschool education aid in the 2024-2025 school year. District aid percentage for this purpose is to be equal to the greater of the district aid percentage as defined pursuant to the State school construction law or 40 percent.

The bill also establishes in the Department of Education a Universal Preschool Implementation Steering Committee composed of representatives of various State agencies and the New Jersey Legislature and requires numerous State agencies to publish guidance on a variety of topics related to expanding access to high-quality preschool education in areas of greatest need.

Finally, the bill requires each elementary-serving school district in the State to establish a full-day kindergarten program no later than the beginning of the 2029-2030 school year. Attendance at the kindergarten program shall be free. School districts not providing full-day kindergarten by the effective date of the amended bill may satisfy this requirement by entering into a sending-receiving relationship with an adjacent school district.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill would lead to indeterminate increases in State costs and local revenues, as described in detail below.

Preschool Education Aid

Under current law, school districts have different levels of requirement to provide free preschool based on the district's status as a universal preschool district or a targeted preschool district, which is determined by socioeconomic factors and the proportion of at-risk students in the district. The bill eliminates targeted preschool districts and instead provides that, for districts that received preschool education aid in the 2024-2025 school year, preschool education aid would be provided for all preschool aged students enrolled in the district. This change is a codification of policy that has been implemented in recent annual appropriations acts. Consequently, this provision of the bill is not expected to result in any increased State costs.

Preschool Expansion Aid

This bill also includes requirements that the Department of Education provide preschool expansion grants in each year for school districts to expand access to high-quality preschool for resident three- and four-year old children. The cost of these grants is conditional on the amount included in the annual appropriations acts, and the bill does not stipulate any requirements for determining the amounts, or increasing or decreasing the appropriation in successive years. For the purposes of illustration, the table below shows the portion of preschool education aid dedicated to preschool expansion grants in recent appropriations acts.

<u>Fiscal Year</u>	<u>Preschool Expansion Grants</u>
2020	\$20,000,000
2021	\$10,000,000
2022	\$26,000,000
2023	\$40,000,000
2024	\$40,000,000
2025	\$20,000,000
2026 (Proposed)	\$10,000,000

Cost-Sharing Pilot Program

The bill establishes a pilot program in which school districts first receiving preschool education aid in the 2025-2026, 2026-2027, or 2027-2028 school years would receive a percentage of the amount of preschool education aid calculated for the district and be responsible for supporting the remaining costs with local funds. In order to do so, school districts would be permitted to increase their general fund tax levies beyond the two percent tax levy growth limitation, but only by the

amount of actual preschool costs less the amount of preschool education aid received. The OLS is unable to estimate the magnitude of this revenue increase for school districts because actual costs vary across districts and the districts that may receive preschool education aid for the first time have not yet been identified. However, for the purposes of illustration, the OLS notes that the average school district spends \$8,065 per preschool pupil and average enrollment in the first year of receiving preschool education aid is 17 students. Based on these numbers, the average first year costs for preschool programs is \$137,105.

In addition to the local revenue increase, the pilot program would decrease State costs by requiring the State to provide only a percentage of preschool education aid to participating districts. The magnitude of the savings is unknown, as the percentage for which the State is responsible is not static and depends on the district.

Full-Day Kindergarten

The OLS finds that the provision of the bill that requires all school districts to provide for free full-day kindergarten by the 2029-2030 school year would result in indeterminate cost increases for the State and local school districts. As of the 2024-2025 school year, only 10 school districts do not provide free full-day kindergarten, some of which have taken steps to begin implementing full-day kindergarten. The cost of implementing free full-day kindergarten differs substantially based on the districts. The most substantial cost appears to be obtaining adequate facilities, either through renovations or new construction, or the purchase or lease of buildings. Several districts have conducted bond referendums to obtain funds for facilities needs in order to implement full-day kindergarten. For the purposes of illustration, the table below details some of the estimates provided in these referendums.

School District	2024-2025 Half-Day Kindergarten Enrollment	Referendum Details
Westfield Public Schools	184	The district has estimated that \$37.2 million would be needed to address facilities needs associated with implementing full-day kindergarten.
Cranford Public School District	224	The district estimated \$75.0 million was needed for facilities improvements across the district, including renovations to accommodate full-day kindergarten.
Moorestown Township Public School District	243	The district proposed a referendum for \$112.6 million for district-wide facilities needs, of which \$17.1 million is intended for elementary schools in the district. The projects included in the cost for elementary school needs include renovations for kindergarten classrooms.
Haddonfield School District	149	The district passed a referendum for \$46.7 million for district-wide facilities needs. The project estimate for all renovations at the school providing kindergarten is \$3.8 million, including the addition of three new classrooms.

In addition to facilities needs, implementing free full-day kindergarten would likely result in districts hiring additional staff. The cost of this would be dependent on the number of students enrolled in the district and the ratio of students to staff. While these needs would increase local costs, school districts would also receive increased State aid for students enrolled in full-day

kindergarten compared to half-day kindergarten. The total amount of additional State aid is unknown because it would depend on each district's local share. The table below shows estimates from some school districts for the operational cost of implementing full-day kindergarten.

School District	2024-2025 Half-Day Kindergarten Enrollment	Estimated Operational Needs
Millstone Township School District	95	\$500,000
Westfield Public Schools	184	\$3.5 million
Cranford Public School District	224	\$1.3 million

It should also be noted that the bill requires school districts to implement free full-day kindergarten by the 2029-2030 school year, which means that cost increases to the State could be spread out across multiple fiscal years depending on when each of the districts began implementing full-day kindergarten.

Miscellaneous Costs

There may be other costs associated with the bill which would likely be marginal and dependent on existing resources.

The bill requires school districts that receive preschool education aid to submit annual program plans detailing the status of the district's preschool program and participate in a system of self-assessment that includes a visit by a State team once every three years. This may result in additional local costs to the extent that these plans and assessments are not already conducted by local school districts and would require additional resources to do so. The visits by State teams may also increase State costs to the extent that these visits are conducted separately from other State assessment processes.

The bill also establishes the Universal Preschool Implementation Steering Committee to evaluate and make recommendations concerning preschool funding and preschool requirements. There may be marginal costs for the State associated with convening local subcommittees to solicit input from local providers and compiling recommendations for the Governor and the Legislature.

Additionally, the bill requires the Department of Education, in consultation with the Department of Children and Families, to develop and periodically update a Mixed Delivery Model Preschool Handbook. There may be marginal costs for the State associated with the compilation of this handbook to the extent that existing resources are not sufficient to effectuate the provisions of the bill.

Section: Education

*Analyst: Abigail Chambers
Senior Fiscal Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).