

FISCAL NOTE

H.B. 96

SHORT TITLE: Utah School Readiness Initiative - As Amended

SPONSOR: Hughes, G.

2014 GENERAL SESSION

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill appropriates \$3.0 million ongoing from the General Fund to the General Fund Restricted (GFR) - School Readiness Restricted Account. This bill also appropriates \$3.0 million ongoing from the restricted account to the Governor's Office of Management and Budget, with \$2.8 million supporting the School Readiness Initiative outlined in the bill and \$200,000 for program administration.

The State Office of Education reports an estimated annual cost of \$45,000, presumably from the new restricted account. The Governor's Office of Management and Budget (GOMB) reports the bill could cost \$200,000 for staffing, current expenses, and contract services beginning in FY 2015. Assuming the GOMB costs are partially covered by the balance of the restricted account appropriation in this bill, the bill could cost an additional \$45,000 from the General Fund for GOMB administration.

The bill further establishes a program under which the state could be obligated for up to \$15.0 million in contracts for an undefined term. These contracts would guarantee an undefined "return of investment" and allow payment of a performance-based "additional return on investment." This "additional return on investment" is defined as interest earned on a 10-year AAA rated general obligation bond at the time the contract is issued plus 5 percent.

Assuming the initial "return of investment" includes the contracted amount plus interest (currently 2.52 percent on a 10-year AAA bond), a contract term of one year, and the "additional return on investment" of up to 7.52 percent, the ongoing cost of the program could be as much as \$16.5 million per year in FY 2017 - \$15 million for the programs and services themselves plus \$1.5 million (10%) in payments to investors (interest).

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STATE BUDGET DETAIL TABLE

	FY 2014	FY 2015	FY 2016
Revenue:			
General Fund Restricted	\$0	\$3,000,000	\$3,000,000
Total Revenue	\$0	\$3,000,000	\$3,000,000
Expenditure:			
General Fund	\$0	\$45,000	\$45,000
General Fund	\$0	\$1,506,000	\$1,506,000
General Fund	\$0	\$15,000,000	\$15,000,000
General Fund, One-Time	\$0	(\$11,506,000)	(\$11,506,000)
General Fund Restricted	\$0	\$3,000,000	\$3,000,000
Total Expenditure	\$0	\$8,045,000	\$8,045,000
Net Impact, All Funds (Rev.-Exp.)	\$0	(\$5,045,000)	(\$5,045,000)
Net Impact, General/Education Funds	\$0	(\$5,045,000)	(\$5,045,000)

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Individuals may pay an undefined sliding scale fee as allowed under provisions of this bill.

PERFORMANCE NOTE (JR 4-2-404): Required from Governor's Office by 2/10/2014