



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 8.

Agenda Date: 6/4/2020

In Control: City Council A Session

DEPARTMENT: Pre-K 4 SA

DEPARTMENT HEAD: Sarah Baray, Ph.D.

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Pre-K 4 SA FY 2021 Budget

SUMMARY:

Ordinance considering approval of the Pre-K 4 SA program FY 2021 Budget for the fiscal year beginning July 1, 2020 and ending on June 30, 2021, and personnel complement as adopted by the Pre-K 4 SA Board of Directors on May 19, 2020.

BACKGROUND INFORMATION:

In August 2012, City Council authorized the creation of the San Antonio Early Childhood Education Municipal Development Corporation for the purposes of developing early childhood literacy and educational programs in accordance with Chapter 379A of the Texas Local Government Code, known as the Better Jobs Act. In November 2012, San Antonio voters approved a 1/8th of a cent sales tax for the benefit of the Corporation to fund the Pre-K 4 SA Initiative for an initial eight-year period. The program increases the quality of early learning in San Antonio using a four-pronged approach: education centers, professional learning, family engagement, and competitive grants. Each year, 2,000 children are served directly at the four education centers and the program additionally supports more than 56,000 children through professional learning and competitive grants.

Pre-K 4 SA is governed by an eleven-member Board of Directors appointed by City Council. Board Members serve two-year staggered terms. The program is self-supported with the 1/8 cent sales tax approved by voters in 2012 and does not receive any revenue from the City's General Fund. The program's business model is to

partner with independent school districts to leverage state funding for Pre-K. Under terms of the memorandum of understanding (MOU) between Pre-K 4 SA and partner school districts, eligible children who are enrolled at a Pre-K 4 SA Education Center are dually enrolled in their school district. In exchange for providing full-day prekindergarten services, Pre-K 4 SA receives the majority of the state funding from the districts. Current partner school districts include East Central ISD, Edgewood ISD, Harlandale ISD, Northside ISD, North East ISD, San Antonio ISD, Southside ISD, Southwest ISD, and New Frontiers Public Schools.

Independent evaluations demonstrate that San Antonio's investment in quality early learning has had a positive effect even beyond children enrolled in the four Education Centers. Pre-K 4 SA closes the gap in kinder readiness and has lasting effects including better attendance, decreased need for special education services, and better 3rd grade math and reading scores. A recent cost-benefit study by researchers from Westat, University of Pennsylvania, and Teacher's College at Columbia University calculated that after subtracting the costs of the program, Pre-K 4 SA will have returned over \$59 million in benefits to the San Antonio community in its first eight years.

In 2019, the Texas legislature passed HB 3, which provides funding to incentivize school districts to offer full day Pre-K to eligible children. However, HB3 does not expand the number of children eligible for public Pre-K and does not require districts to meet quality standards identified by the National Institute for Early Education Research. Even after the passage of HB3, 40% of San Antonio's 25,000 four-year-olds are not eligible for public Pre-K. Of those families who are not eligible, between 3,000 and 5,000 of those families are unable to afford high quality Pre-K in the private sector.

In preparation for possible reauthorization, Pre-K 4 SA developed and presented its value proposition to City Council on January 16, 2020. The value proposition accounted for implementation of HB3 and consisted of the following elements:

- Continue to serve San Antonio's children and families with the greatest educational need at four best-in-class demonstration sites
- Over an 8-year period, create 3,000+ additional free seats annually for children from middle-class families (household incomes between \$45K-\$65K)
- Offer free Professional Learning to strengthen San Antonio's early learning teaching corps
- Support and strengthen families as advocates for their children and increase access to the workforce and higher education through Family Engagement
- Award grants to support quality early learning infrastructure across the city

City Council voted on February 13, 2020 to order a sales and use tax election to be held on May 2, 2020 to reauthorize the current 1/8th of a cent sales and use tax for a period of eight years for the benefit of the San Antonio Early Childhood Municipal Development Corporation's (the "Corporation") Pre-K 4 SA Program, in accordance with Chapter 379A of the Texas Local Government Code.

In response to COVID-19, Governor Greg Abbott issued a proclamation on March 18, 2020 suspending provisions of the Texas Election Code to allow political subdivisions to postpone their May 2, 2020 elections until the next uniform date, occurring on November 3, 2020. City Council voted on April 9, 2020 to move the special election from May 2, 2020 to November 3, 2020.

The Pre-K 4 SA Board of Directors bylaws, which were approved by City Council, require the Annual Budget to be adopted by the Board before May 1 each year and approved by City Council prior to the start of the new program year on July 1. Due to impacts of the COVID-19 pandemic, the timeline for budget adoption was adjusted to allow for remote Board meetings. The FY 2021 Annual Budget was adopted by the Board on May 19, 2020.

ISSUE:

Pre-K 4 SA is a comprehensive initiative with four components designed to improve the quality of early childhood education throughout San Antonio: 1) four model Education Centers serving 2,000 children annually; 2) family outreach and engagement; 3) free, best-in-class professional development for early childhood educators; and 4) competitive grants providing support of Pre-K 4 SA programming in public, private, charter, and parochial schools and child development centers. Pre-K 4 SA operates in partnership with eight independent school districts.

The four Pre-K 4 SA Education Centers, located in the North, South, East and West quadrants of San Antonio, serve 500 students each in a full-day program with free extended hour learning for working families. Every Pre-K 4 SA classroom is staffed with a certified teacher and credentialed assistant teacher who have specialized training. For FY 2021, Pre-K 4 SA will have a total of 104 Certified Teachers, 101 Assistant Teachers, 65 Full-Time Teacher Assistants, and 31 Part-Time Teacher Assistants. The program will have a total of 431 authorized positions. Pre-K 4 SA has budgeted for full-day security coverage at all four education centers with security services that may include the use of SAPD officers for the 2020-2021 school year. The Education Centers meet national standards for high quality early childhood education and serve as demonstration sites to assist other pre-kindergarten programs improve quality. The Education Centers also serve as incubators of innovation to test new ideas that are shared with pre-kindergarten programs across the city.

The Professional Learning department at Pre-K 4 SA provides a comprehensive program that offers coaching services to educators from public, private, charter, and parochial schools and child development centers throughout the year to demonstrate best-practices in early childhood education.

Pre-K 4 SA will have distributed \$19.5 million in grants through the end of its 8-year referendum to school districts, charters, private and parochial schools, and child development centers throughout San Antonio. Pre-K 4 SA grant funding helps to increase the quality of programs and the number of full-day seats. Funds allow education partners to go from half-day to full-day service, decrease student-teacher ratio, increase teacher credentials, and implement high quality curriculum.

Through the various components of the program, Pre-K 4 SA reaches approximately 58,000 students annually. This includes children served at the four Education Centers, and through competitive grants and professional learning opportunities for educators.

Below is an overview of the Board of Director's Adopted Operating Budget for FY 2021 to include major program areas.

Revenues	Adopted Budget FY 2021
Dedicated Sales Tax	\$31,530,322
State/Local Match	4,309,248
Planned Use of Fund Balance	3,952,517
USDA (Food)	1,482,021
Sliding Scale Tuition	726,329
Interest/Misc. Revenue	11,745
<i>Total Revenues & Transfers</i>	\$42,012,182
Operating Expenses and Transfers	Adopted Budget FY 2021

Pre-K 4 SA Education Center Services	\$24,856,646
Facilities Leases & Maintenance	6,820,408
Competitive Grants	3,260,406
Professional Learning	1,232,214
Administration	1,445,947
Public Relations/Marketing	732,583
Transportation Services	500,000
Enrollment/Attendance Services	566,921
Program Assessment	200,000
Sales Tax Collection Fee	630,606
Municipal Election	900,000
Transfers to other Funds	866,451
<i>Total Budget</i>	\$42,012,182

The Pre-K 4 SA program utilizes 1/8 cent of a local sales tax levied within the City of San Antonio city limits. Sales tax makes up 75.1% of the Pre-K 4 SA total revenue.

The FY 2021 sales tax budget of \$31,530,322 assumes an 11.8% decrease in revenue as compared to the updated FY 2020 estimated sales tax revenue of \$35,748,177. The FY 2020 estimate has been revised compared to the estimate presented to City Council on April 9, 2020 during Pre-K 4 SA's A Session briefing, and reflects 10 months of actual sales tax revenue (July-April) combined with projected revenue for the remainder of the Pre-K 4 SA Fiscal Year (May-June), as well as reflects projected impacts of COVID-19.

The State/Local Match is revenue that Pre-K 4 SA receives from each of the participating school districts. The school districts receive state and local funds per student enrolled, and then send a portion to Pre-K 4 SA to offset the operating costs of educating the students. The USDA (Food) program is revenue from a US Department of Agriculture nutrition reimbursement program that allows Pre-K 4 SA to receive funds for a portion of each meal provided to the students. Also, Pre-K 4 SA offers sliding scale tuition for families that do not meet state eligibility requirements to attend prekindergarten, or reside in a non-participating school district.

The FY 2021 Board of Director's Adopted Annual Expenditure Budget reflects an 11.8% decrease from the FY 2020 Adopted Annual Budget. Pre-K 4 SA will accept a total of 2,000 students for the 2020-2021 school year. Appropriations are required for the hiring of Education Center staff, food service, and other expenses required for the daily operations of each Education Center.

The FY 2021 Adopted Annual Budget reflects 12 months of funding, and is contingent on the November election to re-authorize the 1/8 cent sales tax. If the sales tax is not reauthorized, the Board will return to Council with a revised 9-month budget.

ALTERNATIVES:

City Council could choose to not approve the FY 2021 Pre-K 4 SA Budget and request changes to the budget by Pre-K 4 SA. In this event, the Pre-K 4 SA Board of Directors would need to amend their adopted Budget and forward the budget to the City Council for approval.

FISCAL IMPACT:

This action will not impact the City's General Fund Budget. The FY 2021 Pre-K 4 SA program Budget, as adopted by the Board of Directors on May 19, 2020, is \$42,012,182. This action also will allow for any budget adjustments necessary to reflect internal services and indirect cost assessments originally authorized in the City's FY 2020 budget.

RECOMMENDATION:

Staff recommends that City Council approve the FY 2021 Annual Budget as recommended and adopted by the Pre-K 4 SA Board of Directors on May 19, 2020.