Early Childhood Care & Education Commission Task Force

October 19, 2021

Agenda

I. Call to Order

II. Roll Call

III. Overview and Recap

IV. Presentations by Dr. Stephen Barnes, Director of the Blano Public Policy Center at the University of Louisiana at Lafayette

V. Adjournment

ECCE Commission
Overview

The Commission initially put forth a recommendation for the state to make a bold initial investment of $85.8 million to create LA B to 3 and to make an increased investment of nearly that amount annually over the next decade.

Those recommendations were based on a particular subsidy rate and the following data:

- **Many young children in need:** There are 173,000 children economically-in-need, birth to three years old, currently living in Louisiana.
- **Many working families:** Two out of three children under the age of five have both parents or their single parent working. Louisiana's economy loses an estimated $1.1 billion annually due to absences related to child care issues.
- **Few quality early care and education options:** A child's brain is 90 percent fully formed by age 5, yet fewer than 7 percent of in-need children birth to two years old and less than 33 percent of three year olds can access quality child care in Louisiana.
- **Early care and education works:** Significant research shows that for every $1 invested in high-quality early care, the state yields at least a $7.30 return on investment.

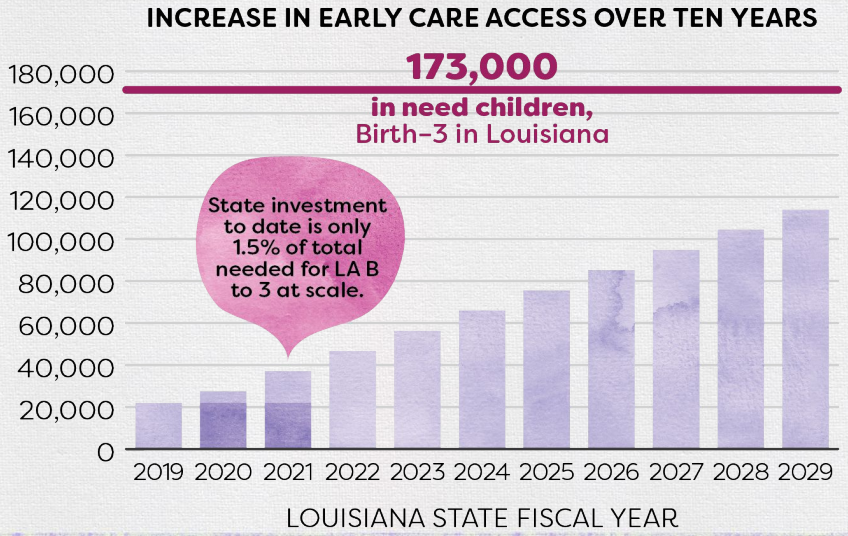
ECCE Commission
Overview

While the Louisiana Legislature has invested some state funding in early childhood, a bolder investment is needed to achieve the ambitious goals set forth by the Commission. Moreover, that original recommendation may no longer be sufficient to meet Louisiana's current need.

Prior to the work of the Commission in 2019, Louisiana was serving roughly 22,000 B-3 children.

The Louisiana Legislature invested $11.2 million additional state dollars in the budget for B-3 seats for the 2020 State Fiscal Year, and that amount has been sustained in the budget for the 2021 and 2022 State Fiscal Years, which only funds roughly 1,400 B-3 seats at a quality rate.

A greater investment is needed to keep on-pace with the Commission's recommendation to serve all B-3 children in need of care by year 10.



ECCE Commission
Recap of Year 3

Prior to the beginning of the 2021 Legislative Session, the ECCE Commission released a report with recommendations for the Louisiana Legislature.

- **RECOMMENDATION 1:** Make a bold investment of $85.8 million in early care and education this year, and an increase of nearly that amount annually over the next decade to fully fund LA B to 3.
- **RECOMMENDATION 2:** As part of the total investment, ensure that at least $4 million is appropriated to the Early Childhood Education Fund prior to the 2021-2022 school year to match current local investment, and identify a robust source of ongoing funding for the Fund as future local investment grows.
- **RECOMMENDATION 3**: Facilitate local investment in early childhood by removing barriers to local revenue generation.

ECCE Commission
Revenue Generation Options

The Commission report included specific recommendations on the revenue generation options that the Legislature could consider.

- Commit all revenue raised from sports betting, both in-person and online, to the Louisiana Early Childhood Education Fund.
- Prioritize early care and education for funding opportunities created during ongoing tax reform efforts.
- Prioritize early care and education for funding generated by future annual economic growth.
- Take advantage of settlements (e.g., opioid, tobacco), as they occur, to fund early care and education.
- Consider promising revenue-generation strategies used successfully by other states.

2021 Louisiana Legislative Session Recap: Wins for Early Care and Education

25% of sports betting revenues will go to the Louisiana Early Childhood Education Fund.

The Legislature passed SB 142, which commits 25% of sports betting revenues up to $20 million to the Louisiana Early Childhood Education Fund (Fund). The Fund offers local entities a dollar-for-dollar state match on local investments in early care and education. Sports betting will provide significant recurring revenue to the Fund and incentivize local governments across Louisiana to make investments in early care and education that are eligible for a 100% match with state dollars. Special thanks to Senator Rick Ward who authored the bill.

Source: LPIC, *2021 Louisiana Legislative Session Recap*

2021 Louisiana Legislative Session Recap: Wins for Early Care and Education

50% of NBA Pelicans specialty license plate revenues will go to the Louisiana Early Childhood Education Fund.

The Legislature also passed HB 601, which commits 50% of revenue generated from the Pelicans specialty license plate to the Louisiana Early Childhood Education Fund. Special thanks to Representative Jonathan Goudeau who authored the bill.

Source: LPIC, *2021 Louisiana Legislative Session Recap*

2021 Louisiana Legislative Session Recap: Wins for Early Care and Education

Diapers and menstrual hygiene products will no longer be taxed in the state of Louisiana.

The Legislature passed HB 7, which removes the sales tax on diapers for children and adults and menstrual hygiene products and makes these essential items more affordable for everyone in our state, including parents, families, and child care providers. Special thanks to Representative Aimee Adatto Freeman who authored the bill.

Source: LPIC, *2021 Louisiana Legislative Session Recap*

2021 Louisiana Legislative Session Recap: Wins for Early Care and Education

A new post-secondary community college grant program for adults will explore child care benefits for award recipients.

The Legislature passed SB 148, which creates the M.J. Foster Promise Program that offers grants to adults seeking education and training in high-demand careers through the Louisiana Community and Technical College System. The program will explore options to provide potential benefits such as child care supplements to support award recipients who have young children. Special thanks to Senator Page Cortez who authored the bill.

Source: LPIC, *2021 Louisiana Legislative Session Recap*

Louisiana's Plan to Support Child Care
Overview

Based on feedback from the statewide survey and listening sessions with stakeholders, the Department plans to focus on the following priorities to support more families to access high-quality child care for their children.

- **Priority 1:** Louisiana develops and implements a long-term strategy to **build a better child care system** that meets the needs of all families and supports the stabilization of the child care sector.
- **Priority 2:** Louisiana **empowers communities to expand supply and access** to high-quality early childhood options for families and to identify opportunities to sustain that expansion long-term.
- **Priority 3:** Louisiana ensures that **teachers are prepared and supported** to lead classrooms and provide **high-quality interactions** that meet the developmental needs of children every day.
- **Priority 4:** Louisiana establishes a **statewide family engagement framework and empowers families** to access tools and resources to support their children's development.

Louisiana's Plan to Support Child Care
Matched Local Funding for B-3 Seats

Ready Start Network	Local Funds Raised	ECE Match Funds	Total for ECE
Orleans	$3,458,000	$3,458,000	$6,916,000
Caddo	$1,029,587	$1,029,587	$2,059,174
Jefferson	$225,000	$225,000	$450,000

Other networks, including these, anticipate securing additional local funds in the coming months.

Use of state funding awarded from the ECE Fund:

- At least 70% of any funding awarded to the applicant will be used to fund B-3 children in Type III early learning centers rated "Proficient"
- Funding is to support children meeting Child Care Assistance Program (CCAP) eligibility criteria, otherwise defined as *economically disadvantaged*
- Remaining funds can be used to administer the program, improve quality offered (e.g., professional development, curriculum, enrollment initiatives, etc.), and cover other costs

ECCE Commission
Goals for 2021-2022

The Early Childhood Care and Education Commission will continue to explore sustained funding for early childhood.

- Engage the taskforce in a deep dive on local funding, identifying barriers, if any, and opportunities to increase local revenue generation.
- Discuss the need to sustain emergency funding for continued expanding access and economic recovery and potential opportunities to do so with both additional state and federal funding.
- Provide a report of its findings and recommendations no less than fourteen days (February 28, 2022) prior to the first day of the regular session (March 14, 2022).

Goals and Objectives for the 2021-2022 ECCE Commission Task Force

ECCE Commission Task Force
2020-2021 Activities

In 2020-2021 Task Force members opted to participate in workgroups focused on the economic impact of investing in early childhood as well as opportunities for revenue generation to support it.

The economic impact workgroup convened to discuss salient information on the economic impact of ECE and recommended pulling together a one pager on compelling statistics to accompany the Commission's report to address:

- The impact of child care on Louisiana's workforce from the *Losing Ground* report from the Louisiana Policy Institute for Children.
- Return on investment data from the Heckman Institute.

The revenue generation workgroup convened to discuss the revenue generation options for early childhood in Louisiana compiled by Lisa Gee from Institute on Taxation and Economic Policy (ITEP).

ECCE Commission Task Force
2021-2022 Goals

2020 Legislation required the Commission to establish and appoint members to a task force charged with identifying and recommending alternative state and local funding strategies for quality early childhood care and education.

As in 2020-2021, the Commission will incorporate the Task Force's findings and recommendations into the report that the Commission produces.

This year topics the Task Force will examine may include:

- Analysis of the true cost of care
- Potential taxing structures
- Opportunities and barriers for both urban and rural communities
- Implications of the additional potential federal funds currently under consideration

ECCE Commission & Task Force
Calendar of Meetings

Date	Time	Attendees	Venue
October 5	12 - 2 p.m.	Full Commission	Zoom
October 19	12:30 - 2:30 p.m.	Task Force	Zoom
November 16	12 - 2 p.m.	Task Force	Zoom
December 8	12 - 2 p.m.	Task Force	Zoom
December 17	10 a.m. - 12 p.m.	Full Commission	in-person
January 13	10 a.m. - 12 p.m.	Task Force	in-person
February 17	10 a.m. - 12 p.m.	Full Commission	in-person

Next 4 – 5 months
Making sense of federal relief funds

Next 12 months
Fiscal mapping and cost modeling

1 – 2 years
Strategic finance planning

3 – 4 years
Generate sustainable revenue

What's the plan?

We've been helping communities map out things they can do in the next four years to:

1. support equitable recovery in their community,
2. increase opportunities for children and youth,
3. increase stability and sustainability, and
4. avoid…

"What are we going to do when the relief dollars run out?"

ADVOCATE FOR STATE AND LOCAL POLICYMAKERS TO USE COVID RELIEF $ TO…

Invest in administering infrastructure

Use funds as a down-payment to set a long-term precedent

Collaborate and coordinate across systems

Document & communicate

CHILDREN'$ FUNDING PROJECT

Next 4 – 5 months
Making sense of federal relief funds

Next 12 months
Fiscal mapping and cost modeling

1 – 2 years
Strategic finance planning

3 – 4 years
Generate sustainable revenue

Strategic Finance Planning

A strategic financing plan picks up where strategic plans often leave off.

It identifies

Current Investments
How much money, if any, is currently invested in key parts of the strategic plan?

Fiscal mapping

Actual Cost of Services
What will it cost to scale currently funded activities? What will it cost to fund activities that do not currently exist or are not yet funded?

Cost modeling

New Revenue Sources to Fill the Gap
What revenue streams can we use to pay for identified costs? (What revenue streams can we use to continue investments we make now with ARPA $?)

Revenue and innovative financing options

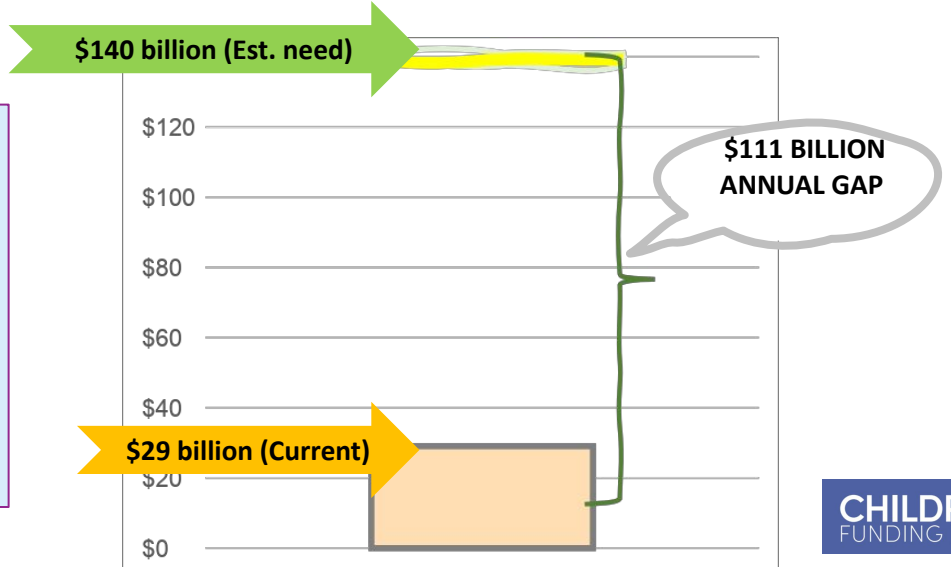
What about new federal funding?

Federal funding for child care from the American Rescue Plan, Coronavirus Response and Relief Supplementary Appropriations Act, and CARES Act (~$54 billion overall)

Potential new federal investments in the Build Back Better Act (universal pre-K and more affordable child care)

In 2018, the National Academy of Sciences Consensus Study Report estimated a more than four-fold gap between existing annual investment levels of approximately $29 billion and the $140 billion needed yearly to fully fund an equitable, sustainable early childhood education system.

Even with new federal investments, the need is still great!



CHILDREN'S FUNDING PROJECT

Revenue Raising Options: Common Tax Mechanisms

Common Tax Mechanisms

Estate and Inheritance Taxes.

Personal Income Taxes.

Sales Taxes.

Property Taxes.

Corporate and Business Taxes.

Sin Taxes.

Special District Government Taxes.

For greater detail on these mechanisms, read: Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education

CHILDREN'S FUNDING PROJECT

Evaluating the Options For Raising Revenue

GUIDING QUESTION 1
What jurisdiction will levy the tax?

GUIDING QUESTION 2
Is the tax legally feasible?

GUIDING QUESTION 3
Can the tax be dedicated to children & youth?

GUIDING QUESTION 4
Is the tax politically feasible?

GUIDING QUESTION 5
Is the tax progressive or regressive?

GUIDING QUESTION 6
Does the tax have communication power related to children & youth?

GUIDING QUESTION 7
Who pays for the tax? Who benefits from the tax?

GUIDING QUESTION 8
Is the tax timely?

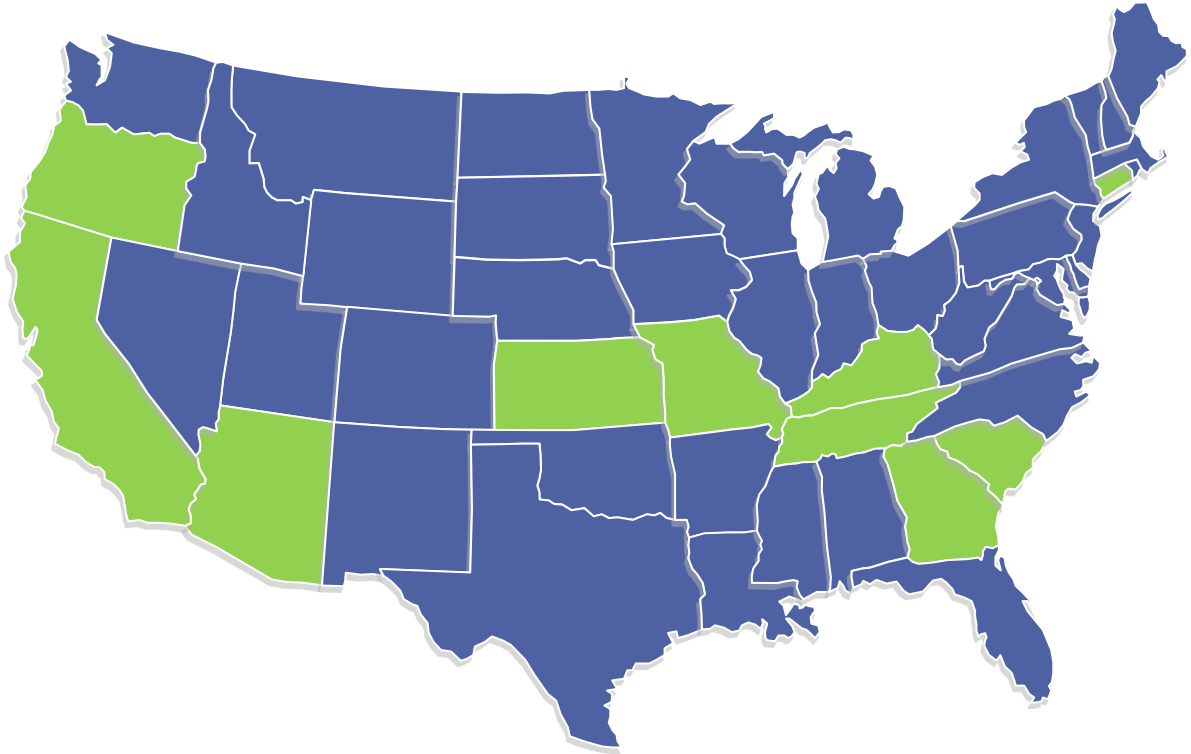
GUIDING QUESTION 9
How does the projected generated revenue fit into the near- and long-term strategy for meeting the need for quality children's services?

FUNDING OUR FUTURE:
Generating State and Local Tax Revenue for Quality Early Care and Education

Build Initiative · Center for American Progress · Children's Funding Project · ITEP · University of Maryland

CHILDREN'S FUNDING PROJECT

State dedicated funding streams for early childhood prior to 2020



Tobacco Settlement Agreement (transfer or expansion)

- Connecticut (2014)
- Missouri (2013)
- Kentucky (2000)
- Kansas (1999)

Tobacco Excise Tax

- Arizona (2006)
- California (1998)

Corporate Activity Tax

- Oregon (2019)

Lottery

- Tennessee (2004)
- Georgia (1993)

Sales Tax

- South Carolina (1984)

CHILDREN'S FUNDING PROJECT

Colorado Children's Campaign – November 2020

PROPOSITION EE: An incremental tax increase on cigarettes and tobacco products, and a new tax on liquid nicotine (vaping).

Revenue:
$176M in total revenue 2020-21, increasing to $275M in 2027-28
Revenue will initially go to k-12 public schools, affordable housing, and tobacco education, prevention, and cessation, but starting in 2024 will be used to fund pre-k - $168M in first year, growing to $242M when fully implemented

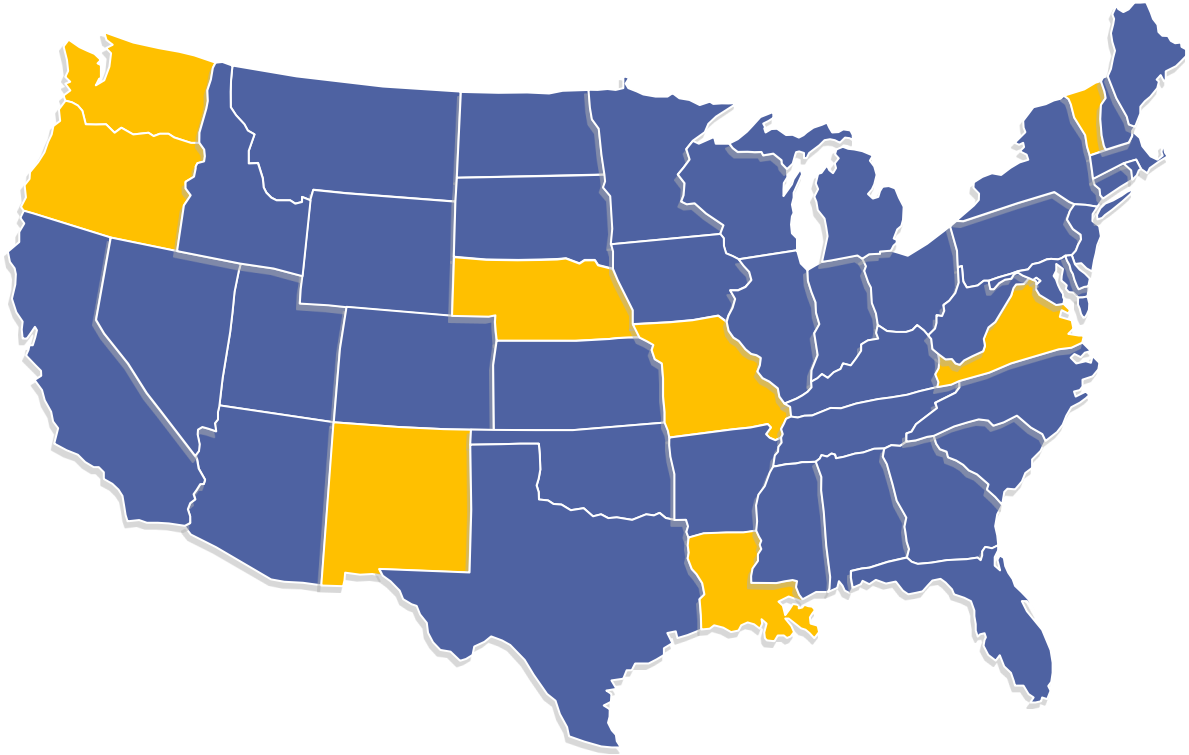
Key messages:

1. **Save lives by reducing tobacco and vape** use through higher product prices & funding tobacco prevention & cessation programs.
2. Shield K-12 schools from deep budget cuts caused by COVID and provide **universal, free preschool in fall of 2023.**

COLORADO CHILDREN'S CAMPAIGN
Every Chance for Every Child

CHILDREN'S FUNDING PROJECT

What's in the works now?



New Mexico – HJR1
Legislation to place a constitutional amendment measure on the Nov. 2022 ballot that will dedicate a portion of the Land Grant Permanent Fund to pre-K.

Washington – SB5096
Capital gains tax for and education legacy trust fund with an emphasis on early childhood. *Passed!*

Oregon – SB299
State-enabling legislation for local early childhood special taxing districts.

Missouri – HB865
State-enabling legislation for a local early childhood dedicated tax.

Louisiana – Act 435
Established tax structure for legalized sports betting, with 25% of revenue from taxes and fees going to the Louisiana Early Childhood Education Fund.

Others: Vermont, Virginia, Nebraska

CHILDREN'S FUNDING PROJECT

Managing (and Maximizing) Federal Relief Funding

Strategic Finance Planning

- Fiscal mapping
- Cost modeling

Pursuing New Public Revenue

Generate Sustainable Revenue

Local dedicated funds

Local funding

- Nimble & flexible
- Responsive to local context
- Missing piece of the public funding landscape
- Enables innovation

Additional benefits

- Builds a grassroots children's constituency
- Provides models that build trust

Local, public, dedicated funding for early childhood.

Public funding

- Significant investment
- Accountable infrastructure
- Community-driven
- Drives provider equity

Dedicated funding

- Sustainable
- Builds & addresses a stable system
- Coordinated, consistent, long-term data
- Reduces siloes

CHILDREN'S FUNDING PROJECT

Managing (and Maximizing) Federal Relief Funding

Strategic Finance Planning

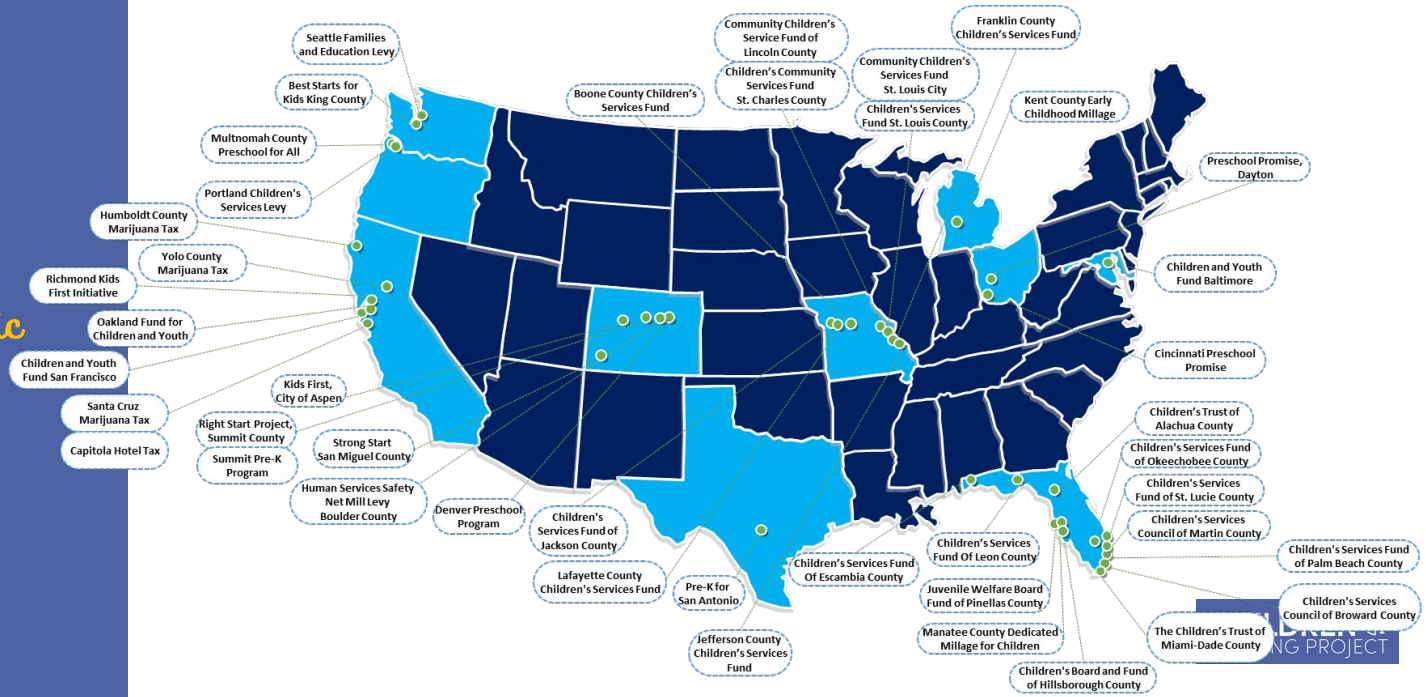
- Comprehensive Fiscal Analysis

Pursuing New Public Revenue

Generate Sustainable Revenue

Local dedicated funds

A specific source of local revenue–generally a new tax, tax increase, or percent set-aside of the general fund–dedicated to a special purpose (child and youth development, early childhood, etc.) for multiple years.



CHILDREN'S FUNDING PROJECT

FM3 RESEARCH | FAIRBANK, MASLIN, MAULLIN, METZ & ASSOCIATES

And the public is supportive.

- Voters view creating opportunities for children as one of the very top priorities for state and local government to address.
- There is relatively low awareness of new federal funding for children's services – and a strong belief that additional local resources will still be needed.
- Three in five voters back a modest local tax increase to fund children's services.
- A solid majority of voters is willing to pay as much as $150 per year in additional taxes.
- Voters offer the strongest support for sin taxes (with sports betting a clear standout), and explicitly progressive tax structures.
- Mental health services for children stand out as a clear top priority for voters.
- Voters draw few distinctions between funding services for young children and children of all ages.

CHILDREN'S FUNDING PROJECT

VI. Child Care Assistance Program Narrow Cost Analysis Presentation

Outline

I. Introduction
II. Three Ways of Looking at the Data
   A. Provider Weighting
   B. Provider Weighting and Center Size
   C. Regression Analysis
III. Averaging the Results
IV. Impact of Rate Changes on Child Care Assistance Program (CCAP) Budget

TYPES OF PROVIDERS

Type III Provider: An early learning center that directly or indirectly receives state or federal funds other than the food program.

Family Home Provider: The child care provider cares for children in the provider's home.

In- Home Provider: The child care provider cares for the children in the children's home (i.e., nanny).

RESEARCH AND ANALYTICAL SUPPORT

Robyn Stiles, PhD
Manager, Emergent Method

EMERGENT METHOD

Stephen R. Barnes, PhD
Blanco Public Policy Center Director
Associate Professor of Economics

UNIVERSITY of LOUISIANA LAFAYETTE
Kathleen Babineaux Blanco Public Policy Center

METHODS OF ANALYSIS

In an effort to arrive at the most true cost of care, several methods of data analysis were used. With each analysis method utilized there were outliers (or data points that varied significantly from the rest of the data). Therefore, it was impossible to find one well defined definitive way to look at the data.

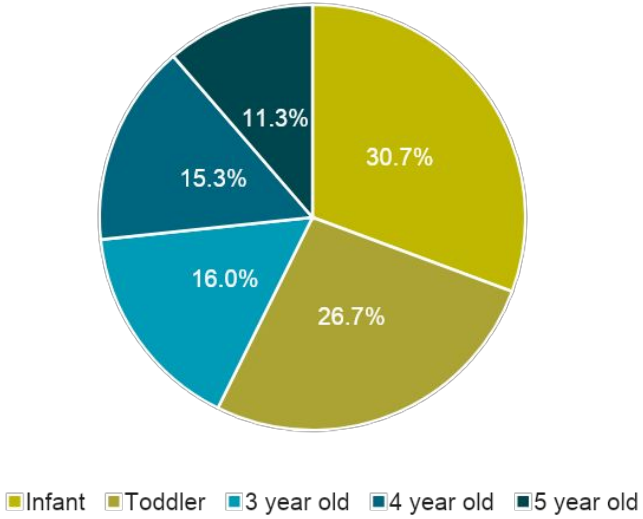
Provider Weighting: This method accounts for input from providers about how costs are allocated across ages.

Provider Weighting and Center Size: We see strong patterns, but the results are "noisy" and may not capture how centers balance costs across ages.

Regression Analysis: This analysis draws patterns from the data using a defined cost structure. It smooths the patterns seen in the other two approaches.

PROVIDER WEIGHTING

PROVIDER WEIGHTING
Questions Asked and Answers



How are monthly operating expenses distributed across different child ages?

- Ratios and general staffing requirements
- Fixed vs. variable costs
- Loss-leader categories
- Other cost- and quality-related factors

PROVIDER AND CENTER SIZE FACTOR
Calculations

Total Monthly Expenses	/	Total Children Enrolled	=	**Monthly Cost per Child**
Monthly Cost per Child	/	22 Days	=	**Daily Cost per Child**
Daily Cost per Child	*	Provider Weighting	=	**Provider Weighted Cost Per Child, by Age**

Total monthly expenses and current children enrolled supplied by providers via ARPA survey. Twenty-two days represents the number of work days in a month.

PROVIDER WEIGHTING

Results - Average Cost by Provider Type

Type III

Age	Average
Infant	$57.38
Toddler	$61.17
3 year old	$29.94
4 year old	$28.69
5 year old	$21.20

Family Home

Age	Average
Infant	$83.32
Toddler	$61.17
3 year old	$43.47
4 year old	$41.66
5 year old	$30.79

In-Home

Age	Average
Infant	$53.77
Toddler	$46.76
3 year old	$28.06
4 year old	$26.89
5 year old	$19.87

PROVIDER WEIGHTING AND CENTER SIZE FACTOR

PROVIDER AND CENTER SIZE FACTOR
Calculations

Total Monthly Expenses	*	Provider Weighting for Each Age Group	=	**Total Monthly Expenses for Each Age Group**
Total Monthly Expenses for Each Age Group	/	Children Enrolled by Age (Size of Center)	=	**Provider Weighted and Center Factor Monthly Cost**
Provider Weighted and Center Factor Monthly Cost	/	22 Days	=	**Provider Weighted and Center Factor Daily Cost**

PROVIDER WEIGHTING WITH SIZE OF CENTER FACTOR

Results - Average Cost by Provider Type

Type III

Age	Average
Infant	$101.67
Toddler	$35.11
3 year old	$31.79
4 year old	$45.60
5 year old	$28.82

Family Home

Age	Average
Infant	$53.97
Toddler	$35.11
3 year old	$26.76
4 year old	$30.82
5 year old	$16.15

In-Home

Age	Average
Infant	$40.47
Toddler	$17.60
3 year old	$15.17
4 year old	n/a
5 year old	$3.64

REGRESSION ANALYSIS

REGRESSION ANALYSIS

What is a regression and how is it helpful?

As mentioned earlier, the regression analysis draws patterns from the data using a defined cost structure and smooths patterns that were seen in direct analysis.

$$TotalCost_i = c + b_1 \cdot Infants_i + b_2 \cdot Toddler_i + b_3 \cdot 3YO_i + b_4 \cdot 4YO_i + b_5 \cdot 5YO_i + \epsilon_i$$

Each coefficient provides an estimate of how much total cost increases for an additional child in that age group.

REGRESSION ANALYSIS

Results - Average Cost by Provider Type

Type III	Age	Average Cost Per Day
	Infant	$44.67
	Toddler	$28.30
	3 year old	$48.73
	4 year old	$29.83
	5 year old	$16.98

Family Home	Age	Average Cost Per Day
	Infant	$44.67
	Toddler	$28.30
	3 year old	$48.73
	4 year old	$29.83
	5 year old	$16.98

In-Home: insufficient data to calculate

AVERAGING RESULTS

AVERAGE OF THE THREE METHODS

	Type III Average Cost	Family Home Average Cost	In-Home Average Cost
Infant	$67.91	$60.65	$47.12
Toddler	$41.53	$41.53	$32.18
3 year old	$36.82	$39.65	$21.61
4 year old	$34.71	$34.10	$26.89
5 year old	$22.33	$21.31	$11.76

PROPOSED CCAP RATES

	Type III		Family Home		In-Home	
	Average Cost	Proposed CCAP	Average Cost	Proposed CCAP	Average Cost	Proposed CCAP
Infant	$67.91	$68.00	$60.57	$61.00	$47.12	$26.65
Toddler	$41.53	$42.00	$41.53	$42.00	$32.18	$25.25
3 year old	$36.82	$31.50	$39.65	$29.00	$21.61	$25.00
4 year old	$34.71	$31.50	$34.10	$29.00	$26.89	$25.00
5 year old	$22.33	$31.50	$21.31	$29.00	$11.76	$25.00

CCAP RATE COMPARISON

	Type III		Family Home		In-Home	
	Current CCAP	Proposed CCAP	Current CCAP	Proposed CCAP	Current CCAP	Proposed CCAP
Infant	$35.65	**$68.00**	$29.65	**$61.00**	$26.65	$26.65
Toddler	$31.05	**$42.00**	$25.75	**$42.00**	$25.25	$25.25
3 year old	$30.00	**$31.50**	$25.00	**$29.00**	$25.00	$25.00
4 year old	$30.00	**$31.50**	$25.00	**$29.00**	$25.00	$25.00
5 year old	$30.00	**$31.50**	$25.00	**$29.00**	$25.00	$25.00

IMPACT OF RATE CHANGES ON THE CCAP BUDGET

POLICY CHANGES

Recent Changes:

- Reimbursement based on the State maximum rate
- Increase income eligibility threshold to 65% of the State Median Income (SMI)
- Reinstate underutilization review and move to monthly underutilization review
- Reinstate payment at part time rates

Future Changes Considered:

- Increase income eligibility threshold to 85% SMI
- Increase payment rates

CURRENT CCAP RATES

	Type III	Family Home	In-Home
Infant	$35.65	$29.65	$26.65
Toddler	$31.05	$25.75	$25.25
3 year old	$30.00	$25.00	$25.00
4 year old	$30.00	$25.00	$25.00
5 year old	$30.00	$25.00	$25.00
Program Average Payment	**$30.82**	**$25.73**	**$25.11**

Overall Program Average Daily Rate: $30.68

PROPOSED CCAP RATES

	Type III	Family Home	In-Home
Infant	$68.00	$61.00	$26.65
Toddler	$42.00	$42.00	$25.25
3 year old	$31.50	$29.00	$25.00
4 year old	$31.50	$29.00	$25.00
5 year old	$31.50	$29.00	$25.00
Program Average Payment	**$37.95**	**$36.20**	**$25.11**

Overall Program Average Daily Rate: $37.90

RATE CHANGE IMPACT
Average Cost

The average cost per month (February-April 2022) would increase from $16.4M to $19.9M.

RATE CHANGE IMPACT
Waitlist

	Old Rates	New Rates
Waitlist Start	August 2022	April 2022
Draw Down 200	Starting April 2023	Starting August 2023
Draw Down 100	Starting November 2022	Starting June 2023
Draw Down 50	Starting September 2022	Starting February 2023

RATE CHANGE IMPACT
Number of Children Served

The average number of children served through fiscal year 2024 would decrease from 17,457 children per month to 13,895 children per month (second scenario with 100 drawn from waitlist).

Expected waitlist at the end of 2024 increases from approximately 15,750 to 21,000 with the rate change.

Timeline

November 2021 - Advisory Council to review Bulletin 139 language changes for CCAP rate increase and increase eligibility from 65% to 85% State Median Income (SMI)

January 2022 - Bulletin 139 changes are presented to BESE for Emergency Rule approval

February 2022 - If revisions are approved by BESE changes will go into effect

Adjournment