



Legislative Fiscal Bureau

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June 24, 2008

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Public Instruction: Section 13.10 Request for Release of Funding for the Wisconsin Knowledge and Concepts Examinations -- Agenda Item II

REQUEST

The Department of Public Instruction (DPI) requests the transfer of \$1,400,000 GPR in 2007-08 from the Committee's appropriation to the pupil assessment appropriation.

BACKGROUND

State law requires that the Wisconsin knowledge and concepts exam (WKCE) be administered in the 4th, 8th, and 10th grades in all public and charter schools in the state, to evaluate the level of proficiency attained by pupils in the areas of reading, language arts/writing, mathematics, science, and social studies. State law also requires a 3rd grade reading assessment, which is also tested with the WKCE.

Beginning in 2005-06, federal law under the reauthorized Elementary and Secondary Education Act, commonly referred to as "No Child Left Behind" (NCLB), requires states to administer exams in reading and mathematics in 3rd through 8th grades, and once in high school. Beginning in 2007-08, federal law also requires states to assess science proficiency once each in the elementary, middle, and high school grades. These requirements are likewise met by the WKCE.

ANALYSIS

Beginning with the 2005-06 school year, a new version of the WKCE has been administered to approximately 500,000 students annually. Prior to the advent of the NCLB requirements, approximately 190,000 students had been tested annually in the state. NCLB requires that states

select and design their own assessments, but the tests must be aligned with the state's academic standards. The new WKCE is a criterion-referenced test, customized to align with state model academic standards and designed to measure how well pupils have learned specific curricular material. The WKCE was developed and is administered by DPI and CTB/McGraw-Hill under a 10-year contract. The first two years of the contract covered test development, and beginning in 2005-06, the contract covers printing, scoring, and reporting the exams, as well as continuing development of test questions. DPI has indicated that customized tests such as the WKCE need to be continually evaluated for standards alignment, scoring of constructed responses, and bias.

In addition to the WKCE contract, DPI is responsible for determining adequate yearly progress for each district and school, which is determined to a large extent by WKCE scores. DPI must also report summaries of that data and make it available to the public, as well as maintain an individual student enrollment tracking system, all required by federal law. DPI is likewise responsible for the development of Hmong and Spanish translations of the WKCE for pupils with limited English proficiency. Finally, NCLB requires that DPI develop and administer a standardized test for severely disabled pupils who are unable to participate in the regular exams, and who were previously evaluated with local assessments. Federal funding is provided to help meet the cost of these NCLB requirements.

In developing its 2007-09 agency budget request, DPI requested that CTB provide an estimate of costs for the state-mandated portions of the WKCE. CTB estimated at that time that these costs would total \$4,500,000 annually of the total \$8,000,000 contract, although CTB did not provide documentation of their estimate. The annual state appropriation for pupil assessment was \$3,110,700 GPR in 2006-07, so DPI requested an increase of \$1,400,000 GPR annually for the 2007-09 biennium. The Governor's budget recommendations for 2007-09 included \$1,400,000 GPR annually above base level funding for administering, scoring, and reporting those components of the WKCE that are required by state law.

Cost estimates by CTB for the total state contract had fluctuated between \$7.6 million and \$15.0 million, on an annual basis, while the new WKCE was in development. DPI negotiated a contract payment of \$10.0 million in 2005-06, and of \$8.0 million in 2006-07. During the Legislature's consideration of the 2007-09 biennial budget, DPI was in the process of negotiating with CTB to determine the contract payment amount for 2007-08. DPI indicated at the time that its goal would be to maintain the contract payment at \$8.0 million annually for the remaining years of the contract.

In April, 2007, CTB was asked to provide documentation itemizing its earlier cost estimates for the state-mandated portions of the WKCE. Itemized costs attributed \$5,321,400 of the \$8,000,000 total contract to the tests required by state law. Due to the ongoing negotiations between DPI and CTB, and uncertainty regarding costs attributable to the state, the Committee chose to place the \$1,400,000 GPR provided in each year under the Governor's version of the budget in reserve in the Committee's appropriation, in order to allow time for negotiations to be resolved.

DPI indicates that the CTB contract payment will be approximately \$8,000,000 for 2007-08. Going forward, DPI expects the base contract payment to remain between \$8.0 million and \$9.0 million for each year remaining on the contract. However, staff from DPI indicate that additional costs are being incurred for the alternative assessment for disabled pupils, and that individual change orders to the contract in future years need to be negotiated from year to year. DPI's request to the Committee indicates that the final contract cost attributable to the tests required by state law is \$5,434,900 in 2007-08, or \$2,324,200 more than the GPR pupil assessment appropriation. Staff from DPI indicate that costs above the \$3,110,700 GPR appropriated that are attributable to state requirements have been paid with federal funding. If the Committee would approve the request, \$1.4 million in federal funding would be backed out and carried over to 2008-09, to be applied to overall assessment costs in 2008-09, including staff salaries, contract costs, the alternative assessment, and any change orders to the contract. This carryover amount would supplement available federal funding for 2008-09, which is otherwise expected to be flat-funded. The difference between total GPR funding and total state assessment contract costs in 2007-08, \$924,200 if the request would be approved, would still be paid with federal dollars.

Staff from DPI estimate that overall pupil assessment expenditures will total approximately \$12.9 million in 2007-08. This figure includes the CTB contract payment, change order requests, costs related to developing the alternative assessment for disabled pupils, supplies and services, and staff salaries and fringe benefits. Additional change order charges requested by the vendor totaling \$1.3 million are under negotiation, which could be paid in 2007-08 or delayed until 2008-09. In 2007-08, pupil assessment funding totals \$7,276,700 FED, \$3,110,700 GPR, and an additional \$4.9 million in federal pupil assessment carryover funds, for a total of \$15.3 million, which is approximately \$1.1 million to \$2.4 million above overall current year costs, depending on the resolution of the \$1.3 million of pending change order costs. Thus, if the request is denied, the Department has sufficient amounts to fund the program in 2007-08.

If the current DPI request is denied, in 2008-09, DPI's federal carryover amount would be from \$1.1 million to \$2.4 million. With the federal and state allocations of approximately \$10.4 million for 2008-09 and \$1.1 to \$2.4 million of FED carryover, available funding would total \$11.5 million to \$12.8 million in 2008-09. DPI anticipates that testing costs could increase in 2008-09, related to the additional science assessment, as well as change order requests and testing costs for disabled pupils and English language learners. It is estimated that overall pupil assessment costs could total \$14.2 million in 2008-09. Therefore, DPI could experience a funding shortfall of approximately \$1.4 to \$2.7 million next year. In that case, the Department could submit another request to the Committee for the release of \$1.4 million GPR budgeted in the Committee's appropriation for 2008-09. Because the Committee has a biennial appropriation, \$1.4 million budgeted for 2007-08 for pupil assessment costs would carry forward to 2008-09 and be available for release if costs are at the high end of the anticipated range. If this \$1.4 million remains unused at the end of 2008-09, it would lapse and increase the closing balance in the general fund.

On the other hand, the Department indicates that it would prefer to maximize the amount of federal carryover dollars available for these purposes in 2008-09, and use GPR to fund testing

required by state law. Assuming that pupil assessment costs in future years continue at \$13 million to \$14 million annually, and federal assessment funding remains static, it is likely that DPI will require additional funding from the state if required to utilize its federal carryover funds in the 2007-09 biennium. However, it appears that this issue could be addressed during deliberations on the 2009-11 state budget without jeopardizing the state's pupil assessment system.

ALTERNATIVES

1. Approve the request to transfer \$1,400,000 GPR in 2007-08 from the Committee's appropriation [s. 20.865(4)(a)] to the pupil assessment appropriation [s. 20.255(1)(dw)]. Under this alternative, pupil assessment funding would equal \$4,510,700 GPR in 2007-08 and \$3,110,700 GPR in 2008-09. The Department could submit another request to the Committee for the release of the remaining \$1,400,000 in 2008-09.

2. Deny the request.

Prepared by: Layla Merrifield