

K

AGENCY: DPI -- Categorical Aids

ISSUE: SAGE (Paper 741)

ALTERNATIVE: A1, B2, C3 and D2

GOP motions

SUMMARY:

[These are prime candidates for Burke sponsorship]

A1 approves govs recommendation to allow renewal of SAGE contracts -- without any sunset.

B2 is the big one, maintaining the state's commitment to a comprehensive program through grade 3.

For all the talk of improving education, this goes beyond the theoretical; it works. Everybody in each party supports smaller class sizes. We even hear it mentioned as a "core-four" priority. Here is where the rhetoric gets a reality check.

SAGE works -- are we prepared to keep it working?

Fallback is getting as much GPR above base as possible. The leader's office prefers getting the GPR now, even if it allows face-saving votes for the less committed.

Prevent the governor's plots to mess around with SAGE evaluation by taking no action under sections C and D (C2 and D2).

BY: Bob

A-~~2~~

B-2

C-3

D-2

AK



Legislative Fiscal Bureau

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May 29, 2001

Joint Committee on Finance

Paper #741

Student Achievement Guarantee in Education (DPI -- Categorical Aids)

[LFB 2001-03 Budget Summary: Page 537, #4 and Page 538, #6]

CURRENT LAW

A total of \$58,754,600 GPR is provided in 2000-01 for the student achievement guarantee in education (SAGE) program. The SAGE program awards five-year grants to eligible school districts for the purpose of lowering class sizes in grades kindergarten to third. Since its creation, three rounds of contracts have been authorized.

The original SAGE contracts, which apply to school years 1996-97 through 2000-01, covered kindergarten and first grade in 1996-97, with the addition of grade two in 1997-98 and grade three in 1998-99. These contracts expire on June 30, 2001. Under 1997 Act 27 (the 1997-99 state budget), a second round of contracts was permitted for additional schools and school districts, to cover school years 1998-99 through 2002-03 with kindergarten and first grade in 1998-99 and the addition of grade two in 1999-00 and grade three in 2000-01. These contracts expire on June 30, 2003.

To be eligible for funding under the first or second round of contracts, school districts had to have at least one school with an enrollment made up of at least 50% low-income pupils in the previous school year. Eligible school districts could then enter into a contract with the Department of Public Instruction (DPI) on behalf of one school in the district if in the previous school year, the school had an enrollment that was made up of at least 30% low-income pupils, and the school board was not receiving a preschool through grade five (P-5) grant on behalf of the school.

School districts must do all of the following in each SAGE school: (a) reduce each class size in the applicable grades to 15 pupils; (b) keep the school open every day for extended hours and collaborate with community organizations to make educational and recreational opportunities as well as community and social services available in the school to all district

residents; (c) provide rigorous academic curriculum designed to improve academic achievement; and (d) create staff development and accountability programs that provide training for new staff members, encourage employee collaboration, and require professional development plans and performance evaluations.

Under the provisions of 1999 Act 9, a third round of five-year contracts are created, which will apply to school years 2000-01 through 2004-05 and cover kindergarten and first grade in 2000-01, with the addition of grade two in 2001-02 and grade three in 2002-03. These contracts expire on June 30, 2005.

Under the third round of contracts, all school districts are eligible to apply for funding, regardless of the district or school's poverty rate, except: (a) schools participating in the P-5 program; (b) schools that were eligible but declined to participate in the program under the first two rounds of contracts; and (c) current participating SAGE schools. Actual participation in the program, however, is limited to available funding.

DPI is required to fund contracts at \$2,000 per low-income pupil. If after funding schools with existing contracts at \$2,000 per pupil, there is insufficient funding remaining in the SAGE appropriations to fund all of the districts that apply under the third round of contracts, DPI is required to prioritize funding for new applicants and fund only those schools with the highest poverty rates to the extent funding is available.

Additionally, DPI is required to arrange for an evaluation of the SAGE program and must allocate \$250,000 annually for this purpose. The Department has contracted with the University of Wisconsin-Milwaukee (UWM) for this evaluation.

In order to continue to receive funding under the SAGE program, school districts must pass an annual review. At the end of each school year, a committee consisting of the State Superintendent, the Chairpersons of the Education Committees in the Senate and Assembly and the head of the UWM evaluation team must review the progress of each SAGE school and may recommend that DPI terminate a contract if a school has made insufficient progress or has violated the requirements of SAGE. The Department may terminate the contract if it agrees with the committee's recommendation.

GOVERNOR

Provide \$6,588,000 GPR in 2001-02 and \$15,551,000 GPR in 2002-03 for the SAGE program to fund schools that began contracts in 1996-97, 1998-99, and 2000-01, with the following modifications.

Delete the sunset provision that prohibits DPI from entering into SAGE contracts after June 30, 2001, as well as the provision prohibiting the encumbrance of funds from the SAGE supplement appropriation after June 30, 2003, and from the primary SAGE appropriation after June 30, 2005.

Allow DPI to enter into renewal contracts for one or more terms of five school years for any current SAGE school. As a condition of receiving payments under a renewal of a SAGE contract, a school board would be required to maintain the reduction of class size achieved for the specified grades during the last school year of the original SAGE contract.

For SAGE contracts that begin in 2000-01 on behalf of schools whose low-income pupil enrollment is less than 50% in 2000-01, the current requirement that class size be reduced for second and then third grade, and the aid associated with those low-income pupils, would be eliminated. Instead, the reduced class size achieved during 2000-01 for kindergarten and grade one would be maintained for 2001-02 through 2004-05.

For SAGE contracts that begin in 2000-01 on behalf of schools whose low-income pupil enrollment was at least 50% in 2000-01, the reduction in class size requirement would remain unchanged from current law.

Reduce funding for SAGE evaluation by \$125,000 GPR annually and require DPI to select an evaluator by using a competitive process to ensure an impartial evaluation.

DISCUSSION POINTS

1. The SAGE program was established under 1995 Act 27 (the 1995-97 budget) based on recommendations from the Urban Initiative study completed by DPI in order to identify methods for improving pupil achievement in low-income school districts. SAGE was initiated as a five-year program and included a provision for a program evaluation, which would determine the effectiveness of the components of SAGE. As part of 1997 Act 27 (the 1997-99 budget), the Legislature recommended providing additional funding in order to fund a second round of contracts that would expire on June 30, 2003. As part of 1999 Act 9 (the 1999-01 budget), the Legislature recommended providing additional funding in order to expand the program statewide and fund a third round of contracts that would expire on June 30, 2005.

2. In 2000-01, 246 school districts have SAGE contracts with DPI on behalf of 577 individual schools and approximately 28,000 FTE kindergarten through third grade low-income pupils. School districts receive \$2,000 for each eligible pupil. The Department estimates that approximately 37,900 FTE low-income pupils will be attending 577 SAGE schools in 2001-02 and 47,500 FTE low-income pupils in 2002-03. Based on these pupil counts, the SAGE program would need an additional \$17,300,000 GPR in 2001-02 and \$36,400,000 GPR in 2002-03 to fund each eligible pupil at \$2,000 each as well as the ongoing \$250,000 per year evaluation costs.

3. The Governor's proposal would provide \$6,588,000 GPR in 2001-02 and \$15,426,000 GPR in 2002-03, but modify the program to exclude grades two and three in SAGE schools with less than 50% low-income enrollment. This modification would affect only those schools with contracts that began in 2000-01. These SAGE schools were required to reduce class size in grades kindergarten and one in 2000-01, and would continue to receive funding for those grades. SAGE schools with contracts that began in either 1996-97 or 1998-99 would not be affected

by the modification and would continue to receive full funding for grades kindergarten through third grade.

4. The Governor's proposal also allows all current SAGE schools to renew their contracts for one or more five-year terms. The Governor's budget proposal includes the \$9.0 million GPR annually that would be necessary to fund contract renewals for the 30 original SAGE schools, whose contracts began in 1996-97 and expire June 30, 2001. Of these 30 schools, seven are in MPS, all have low-income enrollment rates over 30%, and all but six have low-income rates over 50%. According to DPI, these schools wish to continue the program, but may not be able to do so on their own under revenue limits.

5. According to the data reported to DPI for the 2000-01 school year, out of the 508 SAGE schools with contracts beginning in 2000-01, approximately 368 schools have low-income enrollments in kindergarten and grade one of less than 50%, 125 schools have low-income enrollments of at least 50%, and there is no poverty rate data currently available for 15 schools. Approximately 9,490 low-income pupils were served in 2000-01 in these 368 schools. Of the 368 schools with K-1 low-income enrollments of less than 50%, eight schools or 2.2% are in MPS. Of the 125 schools with K-1 low-income enrollments of at least 50%, 66 schools or 52.8% are in MPS. The following table shows the number and percent of MPS third-round schools and the number of other third-round schools at various low-income rates.

Low-Income K-1 Enrollment Rates of MPS and Non MPS Third-Round SAGE Schools*

K-1 Low-Income Enrollment Rates	MPS Schools	MPS % of Total	Non MPS Schools	Non MPS % of Total	Total	Cumulative Total	Cumulative MPS %
More than 80%	23	85.2%	4	14.8%	27	27	85.2%
70% to 79.9%	17	85.0	3	15.0	20	47	85.1
60% to 69.9%	12	52.2	11	47.8	23	70	74.3
50% to 59.9%	14	25.5	41	74.5	55	125	52.8
40% to 49.9%	6	9.4	58	90.6	64	189	38.1
30% to 39.9%	2	1.5	128	98.5	130	319	23.2
20% to 29.9%	0	0.0	96	100.0	96	415	17.8
Less than 20%	0	0.0	78	100.0	78	493	15.0

*Based on information reported to DPI by school districts for the 2000-01 school year. For 15 third-round schools, no low-income K-1 enrollment rate data was available.

6. Some have argued that a commitment was made in Act 9 to fund statewide expansion of the program and class size reduction in grades kindergarten through three for all contracts. The schools that have signed contracts with DPI have also hired additional staff and set aside classroom space to accommodate the program. Concerns have been raised that the Governor's proposal would not fulfill the expectations created under 1999 Act 9 for these schools.

7. The Committee could consider whether renewal of all current contracts should be authorized at this time, or if it might be desirable to renew only the contracts for the SAGE schools

that expire June 30, 2001. When created, the SAGE program was to be funded for five years and if the program proved successful in improving the performance of low-income K-3 pupils, the program could be funded beyond the June 30, 2001, sunset date. The most recent SAGE program evaluation, from December 2000, indicates that second and third grade achievement gains were significantly higher for SAGE pupils than their comparison counterparts. While SAGE students appeared to retain the gains made in first grade in second and third grades, the advantage did not appear to have increased. Teachers in the program reported greater individualization and more time spent teaching as compared to classroom management. In addition, SAGE schools reported a two-fold increase in the use of weekly progress reports requiring a parent signature, as well as an increase in the extended day activities offered and participation in those activities in 1999-00. However, the Committee may wish to wait until the next budget cycle, which will be just prior to the expiration of the second round of contracts, to determine whether additional contracts should be renewed.

8. On the other hand, some argue that SAGE should be maintained in grades kindergarten through three in order to realize long-term benefits from the program. Results from the 1999 Project STAR study, a follow-up study to a class-size reduction experiment in Tennessee conducted in the late 1980s, indicate that pupils who attended small size classes (13 to 17) in kindergarten through grade three continued to outperform pupils who attended large size classes (22 to 25), after they entered grades with larger class sizes. Academic gains made by the K-3 small-class students over their regular class counterparts were statistically significant and continued to grow in later grades, even after the students were placed in regular classes following grade three. The study reports that students who were in the small-class environment for at least four years completed more advanced courses in high school, were more likely to take college entrance exams, were less likely to be retained and were less likely to drop out of high school than those who attended regular classes or regular classes with a teacher's aide.

9. Alternatively, one could argue that exposure to the small-class environment, even only in kindergarten and grade one, provides more opportunities for pupil improvement than no exposure to such an environment. The Committee could modify the Governor's proposal to continue to fund third round SAGE schools in grades kindergarten through three if the school has a low-income enrollment of at least 30% in kindergarten and grade one in 2000-01. Schools with low-income enrollments below 30% would continue to receive funding for reduced class size in kindergarten and grade one, but would not be required or funded to do so in grades two and three. According to data reported to DPI for 2000-01, approximately 176 third round SAGE schools do not meet the 30% low-income threshold. Modifying the program from current law in this manner would eliminate the need for \$3,178,800 GPR in 2001-02 and \$6,357,600 GPR in 2002-03 compared to fully funding the program.

10. There is federal funding provided for class-size reduction. Under the federal class size reduction initiative, \$1.3 billion is appropriated for 2000-01, with each state receiving a formula allocation based on the greater of the state's share of Elementary and Secondary Education Act Title I or Title II funding. In 2000-01, \$21.8 million in federal class size reduction funds are available to Wisconsin and an estimated \$27.2 million will be in 2001-02. Each state is required to distribute all

of the federal funding to local educational agencies as follows: (a) 80% of the funding must be allocated in proportion to the number of children, based on federal census numbers, in low-income families; and (b) the remaining 20% is distributed based on school enrollments within each agency.

11. School districts may use the federal funds to recruit, hire and train teachers. In addition, up to 25% of the funds may be used to: (a) test new teachers for academic knowledge; and (b) provide professional development. If an agency has already reduced class size in the early grades to 18 or fewer students, the district may use the funds to: (a) further reduce class size in grades K-3; (b) reduce class size in other grades; or (c) improve teacher quality, including professional development. If a state or local class-size reduction goal was in effect prior to the enactment of the federal class-size reduction statute, an agency may substitute that goal instead of the federal goal, as long as it is 20 or fewer children per class.

12. Federal funding provided under this initiative may not supplant state and local funds provided to reduce class size. In addition, the funding may not be used to increase the salaries or provide benefits, except professional development and enrichment programs, to teachers currently employed by the school district. Further, no more than three percent of the funding received by the agency may be used for administrative costs. In addition, in December, 2000, Congress appropriated an additional \$1.6 billion for this purpose for the 2001-02 school year.

13. Under the two-thirds funding calculation, if funding for a categorical aid such as SAGE is increased, there is a reduction in general school aids equal to one-third of the increase. This reduction is made so that total state aid does not exceed the two-thirds funding goal. Similarly, if categorical aids are decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aid in order to maintain two-thirds funding of partial school revenues.

14. The Governor's proposal reduces funding for the SAGE evaluation from \$250,000 to \$125,000 annually and requires DPI to use a competitive process to choose an evaluator. DOA officials have argued that the funding level was more than adequate for the type of research being conducted, and suggested that a competitive process might result in a less expensive evaluation and ensure that the results of the evaluation are accurate and objective. DPI has contracted with the University of Wisconsin at Milwaukee (UWM) since 1996-97 for this evaluation, and even at the current funding level, UWM has covered some of the costs of the evaluation in past years with University funds. According to DPI staff, to continue the same type of evaluation model, the current level of funding is the minimum amount necessary, but a less extensive study could be conducted with a lower level of funding. Additionally, the current research design was developed over the course of a year with input from both DPI and UWM staff, and if the evaluation were to be moved to another research team, it is possible that a loss of up to a year of the study would occur. The results of the study have been widely reported, and the raw data is available to other researchers for independent verification of the conclusions.

15. UWM's evaluation of the SAGE program is well-known and cited as a significant contribution to the body of academic and public policy research on class-size reduction, school reform and minority pupil achievement. The evaluation has provided not only quantifiable data such

as pupil scores on standardized tests, but also qualitative comparisons of different teaching strategies and their relative effectiveness at raising test scores. Additionally, UWM researchers indicate that future evaluations would measure the ancillary impacts of the program as SAGE pupils progress through the education system, examining whether such indicators as graduation rates and contacts with the legal system are affected by pupils' participation in SAGE. This type of longitudinal study would represent a cost-benefit analysis of the program arguably more accurate and meaningful than any short-term comparison of test scores could provide.

ALTERNATIVES TO BASE

A. Sunset Provision

1. Approve the Governor's recommendation to allow DPI to renew contracts with all current SAGE schools for one or more terms of five years.
2. Allow DPI to renew contracts with only first round SAGE schools for one or more terms of five years. This would retain a June 30, 2003 sunset for second round SAGE schools and a June 30, 2005, sunset for third round SAGE schools as well as related sunset provisions on the SAGE appropriations.
3. Take no action. This would retain a June 30, 2001, sunset for the first round of SAGE schools.

B. Funding for Third Round of SAGE Contracts

1. Approve the Governor's recommendation to provide an additional \$6,588,000 in 2001-02 and \$15,551,000 in 2002-03 above base level funding of \$58,754,600 to fund reduced class size in grades two and three in current third round SAGE schools with at least 50% K-1 low-income enrollment. Require current third round SAGE schools with less than 50% K-1 low-income enrollment to maintain reduced class size in grades kindergarten and one, but delete the requirement that these schools further reduce class size in grades two and three. Of this funding, \$125,000 annually is attributable to the annual SAGE evaluation. Reduce general school aids by \$2,196,000 in 2001-02 and \$5,183,700 in 2002-03 in order to adjust two-thirds funding of partial school revenues.

Alternative B1	GPR
2001-03 FUNDING (Change to Base)	\$14,759,300
[Change to Bill]	\$0]

2. Provide \$17,050,000 in 2001-02 and \$36,150,000 in 2002-03 to fully fund class size reduction in all current SAGE schools in kindergarten through grade three. Reduce general school aids by \$5,683,300 in 2001-02 and \$12,050,000 in 2002-03 to adjust two-thirds funding of partial

school revenues.

<u>Alternative B2</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$35,466,700
[Change to Bill]	\$20,707,400]

3. Provide \$13,481,000 in 2001-02 and \$29,005,000 in 2002-03 to fund reduced class size in grades two and three in current third round SAGE schools with at least 30% K-1 low-income enrollment. Require current third round SAGE schools with less than 30% K-1 low-income enrollment to maintain reduced class size in grades kindergarten and one, but delete the requirement that these schools further reduce class size in grades two and three. Reduce general school aids by \$4,493,700 in 2001-02 and \$9,668,300 in 2002-03 to adjust two-thirds funding of partial school revenues.

<u>Alternative B3</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$28,324,000
[Change to Bill]	\$13,564,700]

4. Take no action. Depending on whether the current law sunset provision relating to the first round of contracts is retained, the SAGE program would be underfunded in the 2001-03 biennium by an estimated \$35.2 million if the sunset were retained or \$53.2 million if the sunset were eliminated.

<u>Alternative B4</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$14,759,300]

C. Funding for the SAGE Evaluation

1. Approve the Governor's recommendation to reduce the current allocation for the SAGE evaluation by \$125,000 from its base level of \$250,000.

<u>Alternative C1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	-\$250,000
[Change to Bill]	\$0]

2. Delete \$250,000 annually and the requirement that DPI contract for an evaluation of the SAGE program.

Alternative C2	GPR
2001-03 FUNDING (Change to Base)	- \$500,000
[Change to Bill]	- \$250,000]

3. Take no action, which would retain the current allocation of \$250,000 for the SAGE evaluation.

Alternative C3	GPR
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	\$250,000]

D. Competitive Process for the SAGE Evaluation

1. Approve the Governor's recommendation to require DPI to select an evaluator by using a competitive process to ensure an impartial evaluation.

2. Take no action. To date, DPI has contracted with UW-Milwaukee to perform the annual evaluation.

MO# A-1, B-2

BURKE	<input checked="" type="radio"/>	N	A
2 DECKER	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
WIRCH	<input checked="" type="radio"/>	N	A
DARLING	<input checked="" type="radio"/>	N	A
WELCH	<input checked="" type="radio"/>	N	A ld
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUEBSCH	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS _____

PUBLIC INSTRUCTION -- CATEGORICAL AIDS

Removal of Community Service Levies from Revenue Limits and SAGE Funding

[LFB Paper #741]

Motion:

Move to exclude community service levies from the limited levy under revenue limits. Specify that the community service levy would be excluded from a district's prior year base revenues and from a district's current year revenue limit beginning with revenue limits calculated for the 2001-02 school year. Exclude these levies from the definition of partial school revenues. Delete \$11,333,900 GPR annually in general school aids to adjust two-thirds funding.

Also, adopt Alternative A1 of LFB Paper #741, which would approve the Governor's recommendation to allow DPI to renew contracts with all current SAGE schools for one or more terms of five years. Further adopt Alternative B2 of LFB Paper #741, which would provide \$17,050,000 in 2001-02 and \$36,150,000 in 2002-03 to fully fund class size reduction in all current SAGE schools in kindergarten through grade three. Reduce general school aids by \$5,683,300 in 2001-02 and \$12,050,000 in 2002-03 to adjust two-thirds funding of partial school revenues.

Note:

Under the Wisconsin Elementary and Secondary School Accounting System, school districts can establish a separate fund for community service activities. The fund is used to account for activities such as adult education, community recreation programs such as evening swimming pool operation and softball leagues, elderly food service programs, non-special education preschool or day care services and other programs which are not elementary and secondary educational programs but have the primary function of serving the community. School districts are allowed to adopt a separate tax levy for this fund. If a district does so, that levy is part of the limited levy under revenue limits. The major component of the limited levy is for general operations, but non-referendum approved debt service and capital expansion levies are

also counted toward the revenue limit. In 2000-01, it is estimated that 119 school districts will levy over \$17.0 million for community service activities.

As a result of excluding the community service levy from the limited levy, partial school revenues will decrease by the statewide \$17.0 million 2000-01 community service levy. Thus, the amount of state funding needed to meet the two-thirds funding goal will decreased by approximately \$11.3 million annually.

Under this motion, community service levies would have no limit placed on them. Allowing school districts to set these levies irrespective of any type of limit could lead to increases in local property taxes, which would depend on the future decisions of school boards to fund community service activities through the levy.

[Change to Base: \$12,798,900 GPR]

[Change to Bill: -\$1,960,400 GPR]

MO# _____

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	Y	<input checked="" type="radio"/> N	A
DARLING	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
WELCH	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
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KAUFERT	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
ALBERS	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
DUFF	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
WARD	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
HUEBSCH	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 8 NO 8 ABS _____

AGENCY: DPI -- Categorical Aids

ISSUE: Tuition Payments (Paper 742)

ALTERNATIVE: A1 and B1

Card - A2

SUMMARY:

These alternatives reflect the DPI request and provide funding for children in residential facilities and foster homes.

MPS prefers no action, says A1 would slightly reduce their equalized aid.

BY: Bob

A-1

B-1

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May 29, 2001 Joint Committee on Finance Paper #742

Tuition Payments (DPI -- Categorical Aids)

[LFB 2001-03 Budget Summary: Page 538, #7]

CURRENT LAW

Base funding of \$8,373,600 GPR is appropriated for state tuition payments and certain full-time open enrollment transfer payments.

State tuition payments. The state reimburses the cost of educating children who live in properties for which there is no parental property tax base support. Specifically, school districts and county children with disabilities education boards (CCDEBs) are eligible for tuition payments for the following:

- a. Children in children's homes (nonprofit organizations licensed by the Department of Health and Family Services) who have usually been placed in the home by the state or by county social services departments.
- b. Children whose parents are employed at, and reside on the grounds of, a state or federal military camp, federal veteran hospital or state charitable or penal institution.
- c. Children who live in foster or group homes if the home is outside the district in which the pupil's parent or guardian resides and is exempt from the property tax.

The state payment is calculated on the basis of the school district's average daily cost per pupil and the number of school days the child is enrolled in school.

Full-time open enrollment payments. If a school district loses pupils under the full-time open enrollment program, its state aid is reduced by a per pupil transfer amount. If the amount of equalization aid and other state aid received by a school district is insufficient to cover the net transfer payments, then the balance is paid from the state tuition appropriation.

GOVERNOR

Provide \$430,100 GPR in 2001-02 and \$1,367,400 GPR in 2002-03 for state tuition payments. Of this funding, \$430,100 in 2001-02 and \$1,064,000 in 2002-03 would be for anticipated increases in current law tuition payments. The additional \$303,400 in 2002-03 would fund the cost of expanding the required payments under the appropriation, beginning in 2002-03, to include tuition payments for pupils with a disability who live in a foster home, treatment foster home or group home, if at least 4% of the pupils enrolled in the school district reside in foster homes, treatment foster homes or group homes that are not exempt from property taxes. Specify that the annual payments for these pupils would be the special annual tuition rate only, which is the sum of instructional and specified services costs unique to that program divided by the average daily membership of all pupils enrolled in the program, including those for whom tuition is paid.

DISCUSSION POINTS

Current Law Tuition Payments

1. The state makes tuition payments to schools for three main reasons. First, there is no property tax base support for these children although the district is required to educate any child who resides in the district. Second, many of these children have been placed in residential facilities as a result of a decision by a court or a public agency. Third, some of these children can represent a financial burden to school districts because they require special education or related services or may change schools frequently as a result of placement decisions by the juvenile justice system.

2. It is argued that tuition payments should be fully-funded for the following reasons: (a) the statutes provide for full reimbursement; (b) if tuition payments are not fully-funded, it can be difficult for districts to absorb the costs; (c) the burden does not fall evenly across school districts (41 school districts and one CCDEB are anticipated to receive tuition payments in 2000-01); and (d) the failure of the state to fully fund payments may make it more difficult to site future group homes.

3. Between 1995-96 and 2000-01, tuition payments increased by an average of 7.2% annually. The Governor's recommendation would provide the funding necessary to fully fund estimated tuition payments at that rate of growth.

Expansion of Tuition Payments Appropriation

4. Under the 1993-95 biennial budget (1993 Act 16), DPI was required to study the issue of financing the educational costs related to children residing in foster and group homes that are not exempt from property taxation. The study found that: (a) a majority of children in taxable foster and group homes are served in a minority of school districts; (b) the prevalence of these children tended to be relatively larger in smaller and poorer districts; (c) regular education students can be absorbed into a district with little net fiscal effect; and (d) the higher the cost per student, such as for special education and related services, the more difficult it is for a district to absorb the

cost of the student in its budget.

5. Based on the data contained in that report, which is the most recent comprehensive data available on the topic, one school district (LaFarge) would likely be eligible for tuition payments under the proposed expansion, while another (Lake Holcombe) was very close to the 4% threshold. In determining the amount of funding to appropriate, administration staff indicate that they assumed tuition payments would be made for 37 pupils, which is the number identified in the report, at a rate of \$8,200 per pupil. The Governor's proposal would thus provide some additional aid targeted to those districts with the most responsibility for providing relatively high-cost services to students in taxable foster and group homes.

6. Under current law, there are mechanisms available to mitigate the effect on a district of students in taxable foster and group homes, which may reduce the need to provide additional categorical aid funding as proposed by the Governor.

7. First, local school property taxes would be paid to the school district on the value of the foster or group home. Unlike tax-exempt foster and group homes, which do not contribute property tax revenue to a district, some contribution is being made.

8. Second, school districts are generally eligible for transfer of service adjustments to their revenue limit. These transfers involve increases or decreases to a district's revenue limit for the transfers of responsibilities between the district and another governmental unit, including another school district. The approval and determination of these adjustments based on the increase or decrease in costs is made by DPI. If a school district assumes responsibility for a child with a disability, its revenue limits are increased by the estimated cost of providing services less the estimated amount of categorical aid that the district will receive for the pupil in the following school year, as determined by DPI.

9. Third, to allow school districts to account for highly-mobile pupils in taxable foster or group homes that might not otherwise be accounted for in its membership counts, statutes provide that districts may submit a report to DPI, by June 30 of each year, indicating the full-time equivalent number of pupils residing in such homes who were provided educational services by the district during the current school year but were not included in the September or January membership. DPI then adjusts the district's membership based on the report and makes proportional adjustments to the memberships of the districts in which the pupil was previously enrolled during that school year. In 1999-00, a total of 43 FTE pupils in the statewide membership of 869,628 were added as a result of this provision.

10. Under the Governor's proposal, both the current law and the proposed tuition payments, as well as certain payments under the full-time open enrollment program, would all be paid from the current tuition payments appropriation, with no provision as to which payments would have priority for the funding. DOA staff indicate that the intent was not to favor either the current law or the proposed payments. Thus, the administration's intent is that if funding were insufficient to cover eligible payments, all of the payments would be prorated equally.

11. The Committee could choose to clarify that the current law tuition payments for pupils for which there is no parental property tax base support are the first draw from the tuition payments appropriation, given that the provision of those payments was the original intent of the appropriation. The proposed tuition payments could be a second draw, with the open enrollment payments being the third draw, given that no payments have been made to date for this purpose and that it is relatively unlikely that a payment would need to be made for this purpose.

12. Under the two-thirds funding calculation, if funding for categorical aids such as tuition payments are increased, there is a reduction in general school aids equal to one-third of the increase. This reduction is made so that total state aid does not exceed the two-thirds funding goal. Similarly, if categorical aids are decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aid in order to maintain two-thirds funding of partial school revenues.

ALTERNATIVES TO BASE

A. Current Law Tuition Payments

1. Approve the Governor's recommendation to provide \$430,100 in 2001-02 and \$1,064,000 in 2002-03 for anticipated increases in current law tuition payments. Delete \$143,400 in 2001-02 and \$354,700 in 2002-03 for general school aids to adjust two-thirds funding

<u>Alternative A1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$996,000
[Change to Bill]	\$0]

2. Take no action. To maintain two-thirds funding, general school aids would increase by \$143,400 in 2001-02 and \$354,700 in 2002-03 compared to the bill.

<u>Alternative A2</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$996,000]

B. Expansion of Tuition Payments Appropriation

1. Approve the Governor's recommendation to provide \$303,400 in 2002-03 in the state tuition payment appropriation to fund tuition payments at the special annual tuition rate for pupils with a disability who live in a foster home, treatment foster home or group home, if at least 4% of the pupils enrolled in the school district reside in such facilities that are not exempt from property taxes. Delete \$101,100 in 2002-03 for general school aids to adjust two-thirds funding.

<u>Alternative B1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$202,300
[Change to Bill]	\$0

2. Adopt the Governor's recommendation. In addition, specify that payments be funded from the appropriation in the following order: (a) tuition payments for pupils for which there is no parental property tax base support; (b) tuition payments for children with disabilities in taxable foster or group homes; and (c) full-time open enrollment payments.

3. Take no action. To maintain two-thirds funding, general school aids would increase by \$101,100 in 2002-03 compared to the bill.

<u>Alternative B3</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$202,300

Prepared by: Russ Kava

MO# B-1

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
WIRCH	<input checked="" type="radio"/>	N	A
DARLING	<input checked="" type="radio"/>	N	A
WELCH	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
WARD	<input checked="" type="radio"/>	N	A
HUEBSCH	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS _____

AGENCY: DPI -- Categorical Aids

ISSUE: Bilingual-Bicultural Aids (Paper 743)

ALTERNATIVE: ~~A~~2

Card 3

SUMMARY:

This maintains support for this aid at previous budget level, as requested by DPI.

BY: Bob

Alt. 2 ok



Legislative Fiscal Bureau

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May 29, 2001

Joint Committee on Finance

Paper #743

Bilingual-Bicultural Educational Aids (DPI -- Categorical Aids)

[LFB 2001-03 Budget Summary: Page 539, #8]

CURRENT LAW

In certain cases, school districts are required by state law to provide special classes to pupils of limited-English proficiency (LEP). These classes are required at schools which enroll 10 or more LEP pupils in a language group in grades K-3, or 20 or more in grades 4-8 or 9-12. These school districts are eligible for categorical aid. Annual base funding of \$8,291,400 GPR is currently appropriated for bilingual-bicultural educational aids. Costs not reimbursed under the categorical appropriation are aided as shared costs under the equalization aid formula.

State aid payments are generally based on the ratio of the categorical aid appropriation to the total aidable costs of the eligible districts in the prior year. Aidable costs are defined as the districts' prior year costs for salaries, special books, equipment and other expenses approved by DPI which are attributable only to programs for LEP pupils. Under 1999 Act 9, DPI is required to provide \$250,000 as a first draw from the bilingual-bicultural education aids appropriation, to be divided proportionately based on reported costs, among school districts whose enrollment in the previous school year were at least 15% LEP pupils.

GOVERNOR

Provide an additional \$500,000 GPR in 2001-02 and \$1,000,000 GPR in 2002-03 for bilingual-bicultural educational aids.

DISCUSSION POINTS

1. The most recent decision by the State Supreme Court on the constitutionality of the

school aid formula was issued in July, 2000, in the case of Vincent v. Voight. In that decision, the Court concluded that the current state school finance system did not violate either the uniformity clause or the equal protection clause of the Wisconsin Constitution. The Court also held that the current school aid system more effectively equalizes the tax base among districts than the system upheld as constitutional in the last school finance decision of the Court in 1989 (Kukor v. Grover).

2. In the Vincent decision, the Court also held that Wisconsin students have the right to an equal opportunity for a sound basic education that "will equip them for their roles as citizens and enable them to succeed economically and personally." The decision also noted that this standard must take into account districts with disproportionate numbers of disabled students, economically-disadvantaged students and students with limited-English proficiency.

3. In the three most recent school funding decisions, the Court recognized that the Legislature is entitled to deference in fiscal and educational policy decisions. While the Court did not specify a particular funding level that would provide an equal opportunity for a sound basic education for LEP students, the Court did hold in Vincent that "so long as the Legislature is providing sufficient resources so that school districts offer students the equal opportunity for the sound basic education as required by the Constitution, the state school finance system will pass constitutional muster."

4. The appropriation for bilingual-bicultural educational aids has been funded at \$8,291,400 since 1991-92. The following table provides information on the level of aidable bilingual-bicultural costs and state reimbursement under the categorical appropriation since 1991-92.

Bilingual-Bicultural Program Aidable Costs and State Reimbursement

<u>Fiscal Year</u>	<u>Aidable Costs (\$ in Millions)</u>		
	<u>Amount</u>	<u>Change</u>	<u>Proration</u>
1991-92	\$17.0		48.9%
1992-93	19.5	14.7%	42.6
1993-94	25.0	28.2	33.2
1994-95	27.5	10.0	30.2
1995-96	29.6	7.6	28.0
1996-97	32.7	10.5	25.3
1997-98	36.0	10.1	23.0
1998-99	39.0	8.3	21.3
1999-00	41.7	6.9	19.9
2000-01*	45.6	9.4	18.2

*Estimated.

5. Between 1993-94 and 1999-00, aidable bilingual-bicultural costs increased by an average of 8.9% annually. Assuming that rate of growth continues from the 2000-01 cost estimate,

projected aidable costs would be approximately \$49.6 million in 2001-02 and \$54.0 million in 2002-03.

6. It could be argued that general school aids, funded at \$3.9 billion in 2000-01, are more important than the bilingual-bicultural categorical aid appropriation in the overall context of the state's efforts to equalize the tax base between school districts and provide an equal opportunity for a sound basic education under the state school finance system. In addition, the proration of bilingual-bicultural aid declined in every year between the Kukor decision in 1989 and the Vincent decision in 2000, yet the Court still found the overall system constitutional in Vincent. Accordingly, the Committee could choose to maintain bilingual-bicultural education aid at base funding. Under this alternative, the estimated proration would decrease from 18.2% in 2000-01 to 16.7% in 2001-02 to 15.3% in 2002-03.

7. Given that the Court has specifically highlighted the needs of school districts with relatively high numbers of LEP students, it could be argued that the state should provide additional resources for bilingual-bicultural education aid and thus provide more resources to school districts with relatively high numbers of LEP students. The Governor's recommendation would provide additional funding for these districts. Based on projected aidable costs, the Governor's recommendation would provide an estimated proration of 17.7% in 2001-02 and 17.2% in 2002-03.

8. Another alternative would be to maintain the current reimbursement rate from the bilingual-bicultural aids appropriation. To maintain the estimated 18.2% proration rate in the 2001-03 biennium, the bilingual-bicultural aids appropriation would need to be funded at \$9,028,400 in 2001-02 and \$9,831,900 in 2002-03. This would represent an increase in categorical funding of \$737,000 in 2001-02 and \$1,540,500 in 2002-03 over base level funding.

9. Under the two-thirds funding calculation, if funding for categorical aids such as bilingual-bicultural aids are increased, there is a reduction in general school aids equal to one-third of the increase. This reduction is made so that total state aid does not exceed the two-thirds funding goal. Similarly, if categorical aids are decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aid in order to maintain two-thirds funding of partial school revenues.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$500,000 in 2001-02 and \$1,000,000 in 2002-03 for bilingual-bicultural educational aids. Delete \$166,700 in 2001-02 and \$333,300 in 2002-03 for general school aids to adjust two-thirds funding.

<u>Alternative 1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$1,000,000
[Change to Bill]	\$0]

2. Provide \$737,000 in 2001-02 and \$1,540,500 in 2002-03 for bilingual-bicultural educational aids, in order to maintain the estimated proration factor in the 2001-03 biennium at the 2000-01 level of 18.2%. Delete \$245,700 in 2001-02 and \$513,500 in 2002-03 from general school aids to adjust two-thirds funding.

Alternative 2	GPR
2001-03 FUNDING (Change to Base)	\$1,518,300
[Change to Bill]	\$518,300]

3. Take no action. To maintain two-thirds funding, general school aids would increase by \$166,700 in 2001-02 and \$333,300 in 2002-03 compared to the bill.

Alternative 3	GPR
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$1,000,000]

MO# Alt. 2

2 BURKE	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
DECKER	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
1 MOORE	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
SHIBILSKI	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
PLACHE	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
WIRCH	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
DARLING	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
WELCH	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
GARD	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
KAUFERT	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
ALBERS	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
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HUEBSCH	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
HUBER	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
COGGS	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

AYE 8 NO 8 ABS _____

MO# Alt. 1

BURKE	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
2 DECKER	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
MOORE	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
SHIBILSKI	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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GARD	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
KAUFERT	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
ALBERS	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
DUFF	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
WARD	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
HUEBSCH	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
HUBER	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
COGGS	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

AYE 8 NO 8 ABS _____

AGENCY: DPI -- Categorical Aids

ISSUE: Charter School Development Loans (Paper 744)

ALTERNATIVE: 4 (take no action)

Carol - 1

SUMMARY:

This is a big priority for the governor, but it could put a crimp on DPI's ability to use the federal money the state already receives for this purpose.

(Moore, and/or others may be looking at this money for other purposes).

BY: Bob

Alt. 4 (no action)
(Moore motion - 12-4)



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May 29, 2001

Joint Committee on Finance

Paper #744

School District Charter School Development Loans (DPI -- Categorical Aids)

[LFB 2001-03 Budget Summary: Page 539, #10]

CURRENT LAW

Under current law, no GPR funding is specifically provided for school district charter schools. Federal implementation grants are currently available; monies from this source were allocated by DPI to four areas of charter school development: (a) implementation grants for school districts or other chartering authorities that are ready to open a school; (b) renewal grants to existing charter schools to support a second year of operation; (c) planning grants to support activities for schools that will open in the next year; and (d) dissemination grants for charter schools that have been in operation three or more years to share their best practices with school districts planning or creating new charter schools. Approximately \$4.4 million is available in federal monies in 2000-01.

GOVERNOR

Provide \$1,000,000 GPR in 2002-03 for charter school development loans to school districts in a newly-created continuing appropriation.

Require the State Superintendent to allocate \$1,000,000 FED in 2002-03 for these loans.

Create a PR continuing appropriation for charter school development loan repayments that would receive repayments and loan them out again.

Authorize the loans to be used for capital expenditures, staff or curriculum development, or other costs of starting a charter school. Specify that the term of a loan under this program would be five years and require the State Superintendent to specify the annual repayment amount.

DISCUSSION POINTS

1. Charter schools were authorized under 1993 Act 16 (the 1993-95 state budget), and are exempt from most statutory requirements regarding public K-12 education, except federal laws governing education and civil rights policies and from school board policies unless negotiated in the district contract. A charter school cannot discriminate on the basis of a person's sex, race, religion, national origin, ancestry, pregnancy, marital or parental status, sexual orientation or physical, mental, emotional, or learning disability. The charter contract must describe how the school will achieve a racial and ethnic balance among its pupils that reflects the school district population. Charter schools are accountable in three major areas: student performance, fiscal management, and adherence to their contracts and the charter school law. Failure in any one of these areas may lead to revocation of the charter. Governance and administrative structure are at the discretion of the charter school. Under current law, all school districts, the city of Milwaukee, Milwaukee Area Technical College, and UW-Milwaukee are authorized to sponsor charter schools. In 2000-01, there are 92 charter schools operating in the state.

2. Charter schools established by school boards do not receive state funding directly. State aid and revenue limit authority are calculated for school districts based on the total number of students enrolled in the district's schools and related costs, including charter schools. Districts decide for themselves how to apportion this aid and local property tax revenues among all district schools, including charter schools, and districts are not required to provide charter schools with a specific amount of funding.

3. In addition to funding received from their school districts, charter schools can apply to receive funding from the federal charter school grant program. In 1999, a \$13.2 million federal implementation grant, for October, 1999, through September, 2002, was awarded to DPI on behalf of the state. Approximately \$4.2 million is available in each of the three years to schools after deducting administrative costs of approximately \$200,000 in each year. DPI will be eligible to apply for another three-year grant in 2002. Each state educational agency applies for its own grant under the program, then uses those funds to award "subgrants" to individual charter school leaders. When a state does not receive such a grant, individual charter schools from that state may apply directly to the U.S. Department of Education.

4. Under federal law, the state is allowed to determine the amount of money to provide, how to conduct the competition, and whether to establish its own priorities in the distribution of these implementation grants. Not more than five percent of the funds may be used by DPI for administrative costs, and not more than 10% of the grant funds may be used to support dissemination activities such as distributing information about the school. Separate grants specifically for dissemination activities are also available from the U.S. Department of Education. The grants may be used by charter schools for (a) planning and design of the educational program; (b) professional development; (c) informing the community about the school; (d) acquiring or developing necessary equipment and educational materials and supplies; and (e) other initial operational costs that cannot be met from state or local sources.

5. Eligible applicants for the grants are local educational agencies and private schools meeting the following requirements: (a) teachers must be licensed by DPI; (b) the charter school must participate in the Wisconsin student assessment system and in the annual school performance report produced by DPI; and (c) students must be counted for membership by the local school district. DPI awards \$10,000 planning grants prior to the opening of the charter school and up to \$100,000 per year for two years in implementation or start-up funds once the charter school is open and serving students.

6. Additionally, under federal law, DPI may reserve up to 10% of the grant amount for the establishment of a revolving loan fund. In order to allocate funding for the revolving loan fund in state fiscal year 2002-03 from the current three-year federal grant cycle, DPI would need to allocate the funding before the end of the federal 2002 fiscal year, in October, 2002. Federal law specifies that such a revolving loan fund may be used to make loans to eligible applicants that have received grants under this program, under such terms as may be determined by DPI, for the initial operation of the charter school grant program until the school begins receiving ongoing operational support from state or local financing sources.

7. One question relating to this proposal is the amount of federal funding available for the loans. Based on information from staff at DPI, the amount available for a revolving loan fund must be calculated yearly; although the Department received a three-year grant initially, DPI must reapply for each grant each year, providing the Department of Education with certain updated performance and budget records. Since the total grant amount for federal fiscal year 2002 is expected to be approximately \$4.4 million, the maximum amount of funding that DPI would be allowed to allocate for a loan fund is approximately \$440,000.

8. The Governor's proposal would require DPI to allocate \$1.0 million FED in 2002-03 for a revolving loan fund for charter schools. According to DPI, the only federal grant authorized for such use is the above described federal charter school implementation grant. Although federal funding from two federal fiscal years could be combined to generate an estimated \$800,000 to \$900,000 FED in 2002-03, it may be desirable to reduce the required allocation to \$440,000 FED in 2002-03 in order to conform with the annual federal allocation.

9. Alternatively, the Committee could specify that DPI allocate 10% of the federal charter school implementation grant for a revolving loan fund, rather than a specific amount. While DPI expects to receive the full remainder of the grant, DPI will not receive official notice of the award to the state until the summer of 2001. Given the uncertain status of the monies at this point in time, the Committee could require the Department to allocate up to 10% of any federal charter school implementation grant monies received to a revolving loan fund, rather than specifying a dollar amount.

10. Proponents of the proposal argue that the establishment of a revolving loan fund would provide a continuing, sustainable source of funds to charter schools. The fund would potentially provide charter schools with a greater degree of financial independence from their sponsoring school districts. It would also establish an alternative to federal grant money, the receipt of which is not guaranteed from year to year. Charter school funding sources are somewhat limited at this time, especially for large capital expenditures such as facilities costs.

AGENCY: DPI -- Categorical Aids

ISSUE: Grants for CESAs (Paper 745)

ALTERNATIVE: A2 and B3 (take no action)

*Grant A-2
B-3*

SUMMARY:

This was not requested by CESAs or DPI. Incentives already exist for consolidation in the form of additional equalization aid outside the revenue limits.

BY: Bob

A-2

B-3

OK

Shibilski - CESA # for WASD1
program

(800,000)



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May 29, 2001

Joint Committee on Finance

Paper #745

Grants for Cooperative Educational Service Agencies and Grants for Consolidation and Coordination Studies (DPI -- Categorical Aids)

[LFB 2001-03 Budget Summary: Page 540, #11; Page 542, #14]

CURRENT LAW

Cooperative educational service agencies (CESAs). CESAs are statutorily-created agencies designed to serve as a vehicle for groups of school districts within a geographic area to contract for programs and educational services. The state currently provides \$25,000 in aid annually to each of the 12 CESAs for the administrative cost of the agencies. School districts must collectively match the state's contribution according to their percentage of average daily membership within the CESA.

School district consolidation. The school boards of two or more school districts may adopt resolutions stating that they will consider consolidating their school districts. In the first July after the adoption of those resolutions by the affected boards, the boards may order the affected districts consolidated by the adoption by August 1 of a subsequent resolution ordering the consolidation. If the board of each affected district adopts a resolution ordering the consolidation, the consolidation takes effect on the following July 1, unless a referendum is ordered by a school board or by petition of 10% of the electors of any affected school district. If a majority of the votes cast in each affected district favor consolidation, the districts are then consolidated on the following July 1.

If two or more districts consolidate, for the first five years after the consolidation takes effect, the guarantees and cost ceilings used to calculate equalization aid for the consolidated district are multiplied by 1.1, thus entitling the district to receive additional aid. This additional aid is excluded from the definition of general school aids for the purpose of revenue limits. In addition, in the five years after consolidation, the consolidated school district's general school

aids cannot be less than the aggregate school aids received by the consolidating school districts in the school year prior to the consolidation.

GOVERNOR

Provide \$850,000 GPR in 2002-03 for grants to CESAs to develop non-instructional educational services for school districts. Allow an individual CESA or a consortium of two or more CESAs to apply for these grants. Require that a CESA or consortium of CESAs provide matching funds equal to at least 50 percent of the grant amount. Specify that a grant may not exceed \$300,000. Require DPI to promulgate rules to implement and administer the grants.

Provide \$50,000 GPR in 2002-03 for grants to school districts to study consolidation or coordination. Specify that the grants be awarded to two or more school districts that are considering consolidating or coordinating the provision of educational services for the purpose of studying the feasibility of the consolidation or coordination. Require DPI to promulgate rules to implement and administer the grants.

DISCUSSION POINTS

1. The Governor's Blue Ribbon Task Force on State-Local Partnerships for the 21st Century, which issued its final report in January of 2001, recommended that Wisconsin encourage neighboring governments that wish to consolidate to do so and create incentives for governments to work collaboratively on cost-effective strategies for service delivery. Appropriating state resources to CESAs and school districts could be viewed as an incentive for consolidation or coordination of educational functions among regional or local governments in Wisconsin.

2. Administration staff indicate that the CESA grant program was proposed to provide financial support to those agencies to be able to provide administrative services to school districts. CESA services can be provided to school districts on a chargeback basis, but it could be argued that CESAs may need some start-up funding to be able to develop services and provide them in the first year of any arrangement. Administration staff indicate that the 50 percent match requirement would still require the CESA to have a significant degree of support and participation by districts to undertake a particular project.

3. CESAs already have the ability to provide administrative services on a contractual basis to school districts under current law if agreed to by the CESAs and the districts. Examples of services being provided by CESAs under such arrangements include cooperative purchasing, instructional technology purchasing, delivery service, equipment repair and data collection processing. It could be argued that it is unnecessary to provide state resources to allow CESAs and school districts to undertake activities that they already are doing or have the ability to do.

4. Currently, there are 426 school districts in Wisconsin. In the last 10 years, school districts have consolidated twice. In 1992, the Arkansaw and Durand School Districts consolidated into a newly-created Durand School District. In 1995, the West Grant and Bloomington School

Districts merged to become the River Ridge School District.

5. The State Superintendent's School Finance Task Force, which issued its final report in June of 2000, recommended the creation of a grant program, funded at \$50,000, to provide grants of up to \$5,000 to any school district to study the feasibility of consolidation. The Task Force report noted that some school districts operate with diseconomies of scale, and that the consolidation of school districts may provide cost savings as the result of sharing administrative and support services, for example. The Task Force noted that, since there have been only two school district consolidations since 1992, further incentives might be necessary to encourage consolidation.

6. Providing funding to school districts to study the possibility of consolidating or coordinating services could be seen as an effective way to provide districts the resources necessary to study the financial and programmatic implications of such actions before undertaking them. Since the funding would be provided as categorical aid, it would be outside of a district's revenue limit. Thus, a district would not have to expend general school aid or local school property tax revenue that might otherwise be used for direct instructional or operational purposes for such studies.

7. However, the state already provides a financial incentive for school districts to consolidate in the form of additional equalization aid outside of revenue limits. Given that only one consolidated district has been formed since the imposition of revenue limits, it could be argued that they may be some larger intangible impediments to consolidation that might not be resolved through studies. Further, given that CESAs already exist as a vehicle for groups of school districts to contract for services, it could be argued that providing similar funding to individual school districts for these purposes is duplicative.

8. It may also be questionable that funding for studies, rather than provision of direct educational and instructional services, would be provided as part of the state's commitment to fund two-thirds of partial school revenues. The Committee could choose to specify that the proposed appropriation for grants for consolidation and coordination studies not be included in the definition of state aid or partial school revenues for purposes of calculating the state's two-thirds funding goal.

9. Under the two-thirds funding calculation, if funding for categorical aids such as the CESA grants or the consolidation and coordination studies grants are increased, there is a reduction in general school aids equal to one-third of the increase. This reduction is made so that total state aid does not exceed the two-thirds funding goal. Similarly, if categorical aids are decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aid in order to maintain two-thirds funding of partial school revenues.

ALTERNATIVES TO BASE

A. Grants to Cooperative Educational Service Agencies

1. Approve the Governor's recommendation to provide \$850,000 in 2002-03 for grants to CESAs to develop non-instructional educational services for school districts. Delete \$283,300 in

2002-03 for general school aids to adjust two-thirds funding.

<u>Alternative A1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$566,700
[Change to Bill]	\$0]

2. Take no action. To maintain two-thirds funding, general aids would increase by \$283,300 in 2002-03 compared to the bill.

<u>Alternative A2</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$566,700]

B. Grants for Consolidation and Coordination Studies

1. Approve the Governor's recommendation to provide \$50,000 in 2002-03 for grants to school districts to study consolidation or coordination. Specify that the grants be awarded to two or more school districts that are considering consolidating or coordinating the provision of educational services for the purpose of studying the feasibility of the consolidation or coordination. Delete \$16,700 in 2002-03 for general school aids to adjust two-thirds funding.

<u>Alternative B1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$33,300
[Change to Bill]	\$0]

2. Modify the Governor's recommendation to specify that the appropriation for grants for coordination and consolidation studies not be included in the definition of state aid or partial school revenues for purposes of calculating the state's two-thirds funding goal.

<u>Alternative B2</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$50,000
[Change to Bill]	\$16,700]

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

3. Take no action. To maintain two-thirds funding, general \$16,700 in 2002-03 compared to the bill.

<u>Alternative B3</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$33,300]

Prepared by: Russ Kava

PUBLIC INSTRUCTION -- CATEGORICAL AIDS

Provide Funding to WASDI and Delete CESA Grants

[LFB Paper #745]

Motion:

Move to provide \$425,000 GPR annually for the Wisconsin Academy Staff Development Initiative (WASDI) to fund costs related to teacher staff development. Take no action on the Governor's proposal to provide \$850,000 in 2002-03 for grants to CESAs, under "A" in LFB Paper #745. Delete \$141,700 GPR in 2001-02 and provide \$141,700 GPR in 2002-03 in general school aids to maintain two-thirds funding of partial school revenues.

Note:

WASDI is in its seventh year of providing teacher development services throughout the state, primarily in the areas of mathematics, science and technology education. WASDI develops teacher leaders who in turn provide training to fellow teachers in a variety of settings. WASDI has also developed a statewide series of summer academies for teachers, consisting of one-week workshops in fifteen sites throughout the state.

This motion would delete \$850,000 GPR provided by the bill for grants to CESAs to develop non-instructional educational services for school districts and provide the funding instead to WASDI.

[Change to Bill: \$0]

[Change to Base: \$566,600 GPR]

PUBLIC INSTRUCTION -- CATEGORICAL AIDS

Preschool to Grade 5 Program--\$2,000,000

Motion:

Move to provide \$1,000,000 GPR annually above base level funding of \$7,353,700 to fund grants for the preschool to grade 5 (P-5) program. Delete \$333,300 GPR annually from general school aids to adjust state two-thirds funding of partial school revenues.

Note:

The P-5 program was created in the 1985-87 budget. Urban elementary schools enrolling large numbers of economically disadvantaged pupils receive annual state grants averaging \$189,000 per school. Grant funds are used to develop innovative supplementary educational strategies such as parental involvement activities, reduced class size (no more than 25 pupils to one teacher), and staff development. Currently 39 elementary schools in four school districts, Milwaukee, Beloit, Kenosha, and Racine, participate in the program.

Under the two-thirds funding calculation, if funding for categorical aids is increased, there is a reduction in general school aids equal to one-third of the increase. This reduction is made so that total state aid does not exceed the goal of two-thirds funding of partial school revenues. The motion would therefore reduce general school aids by \$333,300 GPR annually.

[Change to Bill: \$1,333,400 GPR]

[Change to Base: \$1,333,400 GPR]

MO#

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS

PUBLIC INSTRUCTION -- CATEGORICAL AIDS

School Breakfast Program

Motion:

Move to provide \$163,300 GPR annually above base level funding of \$892,100 GPR for the school breakfast program. Delete \$54,400 GPR annually of general school aids funding to adjust two-thirds funding of partial school revenues.

Note:

The school breakfast program provides a per meal reimbursement of \$0.10 for each breakfast served under the federal school breakfast program. If there is insufficient funding to pay the full amount, payments are to be prorated.

[Change to Base: \$217,800 GPR]

[Change to Bill: \$217,800 GPR]

MO#			
2	BURKE	Y	N A
	DECKER	Y	N A
1	MOORE	Y	N A
	SHIBILSKI	Y	N A
	PLACHE	Y	N A
	WIRCH	Y	N A
	DARLING	Y	N A
	WELCH	Y	N A
	GARD	Y	N A
	KAUFERT	Y	N A
	ALBERS	Y	N A
	DUFF	Y	N A
	WARD	Y	N A
	HUEBSCH	Y	N A
	HUBER	Y	N A
	COGGS	Y	N A

AYE 8 NO 8 ABS _____

PUBLIC INSTRUCTION

Categorical Aids

Base Agency

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
5	SAGE Debt Service Aid
13	Driver's Education Aid
15	School Library Aid Reestimate
16	School Library Aid Notification
17	Alternative School for American Indian Language and Culture

LFB Summary Items for Introduction as Separate Legislation

Item #	Title	MO#			
2	Special Education Requirements	BURKE	Y	N	A
3	Special Education Rules	DECKER	Y	N	A
9	Bilingual-Bicultural Education Program Requirements	MOORE	Y	N	A
12	Expanded Flexibility for School Districts	SHIBILSKI	Y	N	A
18	Performance Improvement Awards for Schools	PLACHE	Y	N	A
		WIRCH	Y	N	A
		DARLING	Y	N	A
		WELCH	Y	N	A
		GARD	Y	N	A
		KAUFERT	Y	N	A
		ALBERS	Y	N	A
		DUFF	Y	N	A
		WARD	Y	N	A
		HUEBSCH	Y	N	A
		HUBER	Y	N	A
		COGGS	Y	N	A

AYE 16 NO 0 ABS 0