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Details: Committee (general information)

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on ... Children and Families (AC-CF)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (May 2012)



Christian Science Committee on Publication for Wisconsin

February 2005

Representative Steve Kestell
Room 17 West
State Capitol
P.O. Box 8952
Madison 53708

Dear Representative Kestell:

Please permit me to introduce myself. My name is Connie Coddington, and I am the representative for Christian Science in Wisconsin. Part of my job is to help the public understand how the spiritual healing practiced in Christian Science can benefit individuals and society, and to support legislative initiatives that protect and advance religious freedom for all citizens of Wisconsin.

In the past, the Committees on Children and Families, as well as Family Law have worked on issues regarding the rights of religious and spiritual seekers. In the current session, if your Committees address these rights, I would be grateful if you would contact me so I could share my experience and perspectives during the drafting stages of such legislation.

It might be helpful to keep this letter on file in case you need input from me on religious freedom or accommodation issues as they relate to health, children, and families. I can provide you with background information and expert opinion, and can also try to answer any questions and concerns you may have.

With this letter comes a complimentary copy of *The Christian Science Monitor*—our Pulitzer-Prize-winning, international, daily newspaper. I have also included a *Christian Science Sentinel*, which explicitly addresses the Iraq situation from a healing perspective. I hope these publications give you and your staff needed information and inspiration. If you are interested in a complimentary subscription to *The Sentinel*, or *The Monitor*, or both, please contact my office. The State Ethics Board has approved these educational gifts.

I sincerely look forward to working with you and your staff in the best interests of our fellow citizens.

Warm regards,



**Christian Science Committee
on Publication for Wisconsin**

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To: Members of the State Legislature

From: Charity Eleson, Executive Director Wisconsin Council on Children and Families

Re: Refund Anticipated Loans in Wisconsin Report

RECEIVED

FEB - 4 2005

ASSEMBLY CHIEF CLERK

The Wisconsin Council on Children and Families recently released a new report identifying serious concerns with Refund Anticipated Loans and the impact on low-income workers, their families and local economies. We are eager to share this important information with you particularly at tax time and have attached a copy of that report for your review.

A Refund Anticipated Loan (RAL) is a short-term loan secured by a tax-filer's expected refund and aggressively marketed to low-income filers by many paid tax preparation firms. The report, written by Council research analyst John Keckhaver, focuses on the high costs of RALs for the working poor, their families and the communities where they live.

Those taking out a RAL pay an average fee of \$130 in order to receive their tax refund a few days to a couple weeks early. This results in effective annualized interest rates anywhere from 70 to 700 percent, depending on the size of the refund. These costs can rise even higher if an individual is paying for tax preparation and check cashing.

It is particularly troubling that of the nearly 114,000 RALs taken out in Wisconsin last year, over half were taken out by recipients of the federal Earned Income Tax Credit (EITC). As you know, Wisconsin invests in this tax credit aimed at lifting the working poor out of poverty. However, when EITC dollars are siphoned off to pay RAL fees, this very effective public investment in low-income workers is not returning what it could. Local economies are also shortchanged when federal EITC recipients' dollars are diverted to RAL fees rather than flowing into their local neighborhood businesses.

We hope you use the information we've provided to encourage credit unions and community banks within your legislative districts to participate in efforts to increase savings/checking accounts among low-income residents. Many EITC recipients do not have accounts into which they can have their refunds directly deposited thereby allowing them to receive the refund more quickly and making RALs less attractive. The Wisconsin Department of Revenue is currently working with the Wisconsin Credit Union League to have staff at their Volunteer Income Tax Assistance (VITA) sites where they can help low-income families open accounts.

Additionally, feel free to use this information to help increase the awareness of your constituents about the high cost and low benefits of RALs. Tax preparation storefronts are springing up in poor neighborhoods throughout the state, and RALs have become a significant source of revenue for professional tax preparers at the expense of poor families and local economies. Efforts to stem the proliferation of RALs will benefit thousands of low-income workers and the state economy.

If you have any questions, please contact John Keckhaver at 284-0580 ext 305.



“Refund Anticipation Loans” in Wisconsin

Little Gained and Much Lost for Low-Income Workers and Local Economies

Executive Summary

In 2003, nearly eleven percent (277,951) of tax filers in Wisconsin claimed the Earned Income Tax Credit (EITC) – a federal tax credit aimed at lifting the working poor out of poverty.ⁱ Of those, 22.1 percent (61,356) received their refunds through what is known as a refund anticipation loan (RAL) – a short-term loan secured by a tax filer’s expected refund and aggressively marketed to the poor by many paid tax preparation firms. Many more RALs were taken out in Wisconsin in all, but this report focuses specifically on the impacts RAL proliferation is having on the EITC and those who receive it.

The costs of RALs for the working poor and their families are significant. Those taking out RALs paid an average of \$130 in fees to be able to receive their tax refunds anywhere from a few days to a couple of weeks earlier than they would have otherwise – resulting in effective annualized interest rates of anywhere from 70 to 700 percent, depending on the size of the refund.ⁱⁱ Costs rise even further for those paying for tax preparation and check cashing.

Using only the RAL fee results in an estimated eight million dollars being siphoned off from EITC recipients’ tax refunds in Wisconsin in 2003 alone. In the process, the effectiveness of the EITC, one of the federal government’s largest and most successful anti-poverty investments in history has been diminished.

Local economies are also shortchanged when RAL fees divert EITC dollars. Money flowing into low and middle-income neighborhoods can have a multiplier effect of 1.5 to 2 per dollar. In other words, the estimated \$3 million paid in RAL fees by federal EITC recipients in Milwaukee actually had the effect of denying that city between \$4.5 and \$6 million in total economic activity.

The reasons for RAL use are several, including tax code complexity, heavy marketing by tax preparation firms in poor communities, a desire on the part of tax filers to receive their refunds more quickly, and the fact that many EITC recipients do not have bank accounts into which they could have their refunds directly deposited.

For this report we examined recently released data from the Brookings Institution’s Metropolitan Policy Program relating to federal EITC and RAL usage in and across Wisconsin. Recognizing that federal, state, and local governments, as well as financial institutions and community organizations alike have a role to play, we recommend the following steps be taken to shore up the benefits provided by the federal and state earned income tax credits, both for the low-income workers and their families, and also for their local economies:

- ❖ Increase tax preparation assistance for low-income tax filers.
- ❖ Expand current efforts to increase bank accounts among low-income residents.
- ❖ Simplify the EITC tax forms and instructions.

EITC and RAL Use in Wisconsin

The EITC is a federal refundable tax credit available to low-income workers throughout the country. Over 277,000 Wisconsinites received the EITC in 2003 (for the 2002 tax year), representing 10.9 percent of all tax filers in the state. Federal EITC credits statewide totaled over \$440 million. Wisconsin has its own EITC, in addition to the federal credit, which brings the total state and federal investment in the EITC in Wisconsin to over \$500 million.

Eligibility for the federal EITC – and the size of the refund – depends on household income and family size. For instance, for the 2004 tax year, workers raising one child and with income below \$30,338 (or \$31,338 for married workers) qualify for an EITC refund of up to \$2,604. Those with more than one child and with income below \$34,458 (or \$35,458 for married workers) qualify for an EITC refund of up to \$4,300. Workers not raising children and with income below \$11,490 (\$12,490 for married workers) may receive up to \$390 for tax year 2004.

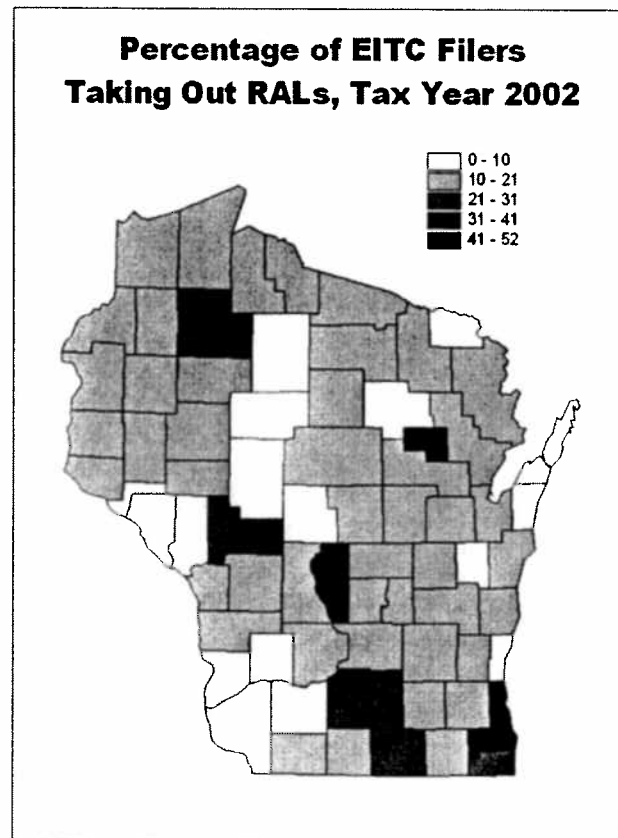
RALs are a high-cost financial product sold by most professional tax preparers. The loans are secured by the tax filer's expected refund, which is then assigned to a bank partnering with the tax preparation firm. A temporary account is set up at that bank to receive the refund from the government. The loan is paid to the tax filer within a day or two, and the refund arrives at the bank within a week or two.

Of those claiming the federal EITC, 22.1 percent statewide received their refund through the use of an RAL in 2003. EITC recipients constitute slightly more than a tenth of tax filers in Wisconsin, but account for well over half of the approximately 113,000 RALs in the state in 2004.

RAL usage rates differ greatly from one county to another. Of the state's seventy-two counties, only nine had a higher percentage of EITC filers taking out RALs than the statewide average. The map to the right

County	% of EITC Returns w/RAL
Menominee	51.8
Milwaukee	35.0
Racine	31.7
Sawyer	31.0
Kenosha	28.0
Rock	27.7
Adams	25.6
Jackson	25.2
Dane	22.4

illustrates RAL usage as a percentage of EITC filers around the state, with the table showing those counties with above average RAL usage rates.



When examining the geographic distribution of EITC and RAL use at the zip code level we found that those areas with a high level of RAL use are also areas with above average EITC claimants, as seen in the table on the next page. Twenty-one of the 25 top zip codes of RAL use were areas which had above average numbers of EITC claimants.

Of the 61,356 RALs taken out in Wisconsin by federal EITC recipients in 2003, 23,758 (38.7 percent) were taken out in the City of Milwaukee.

Other urban areas of the state with concentrations of low-income workers also exhibited high RAL numbers, including Beloit, Janesville, Kenosha, Madison, and Racine. Although a high percentage of the RALs taken out statewide were taken out in a relatively small number of zip codes in the City of Milwaukee, RAL proliferation exists wherever low-income workers reside.

Another specific issue to note is the high levels of RAL use in several communities within or bordering several of the state's Indian reservations, including in the municipalities of Neopit, Couderay, Odanah, Keshena, Hertel, and Lac Du Flambeau.

Heavy RAL use in communities with concentrations of the working poor should come as no surprise as tax preparation firms that offer RALs, check cashing, electronic filing, and other products specifically – and by their own admission – target poor communities.

Earlier research by the Brookings Institution showed that zip codes with high EITC use have fifty percent more electronic tax preparations service storefronts per filer than low EITC use zip codes.ⁱⁱⁱ

Table 2. Wisconsin's Zip Codes (25) with Highest Percentage of EITC Filers Taking Out RALs, Tax Year 2002

Zip Code	City	County	% of Returns w/EITC	% of EITC Returns w/RALs
54150	Neopit	Menominee	46.1	56.4
54828	Couderay	Sawyer	25.3	52.8
54861	Odanah	Ashland	45.6	52.8
54135	Keshena	Menominee	36.9	50.2
53744	Madison	Dane	16.7	50.0
53206	Milwaukee	Milwaukee	51.8	49.2
53205	Milwaukee	Milwaukee	55.8	47.8
53141	Kenosha	Kenosha	27.8	46.5
53404	Racine	Racine	25.9	46.0
54845	Hertel	Burnett	18.8	45.5
53208	Milwaukee	Milwaukee	32.1	45.4
54538	Lac Du Flambeau	Vilas	29.0	44.3
53725	Madison	Dane	33.1	44.2
53233	Milwaukee	Milwaukee	30.0	43.1
53210	Milwaukee	Milwaukee	38.0	42.8
53212	Milwaukee	Milwaukee	35.0	42.3
53403	Racine	Racine	20.5	42.3
53204	Milwaukee	Milwaukee	36.3	41.7
53548	Janesville	Rock	25.5	41.5
53708	Madison	Dane	20.5	41.5
53224	Milwaukee	Milwaukee	23.5	41.1
53209	Milwaukee	Milwaukee	29.0	39.7
53225	Milwaukee	Milwaukee	23.7	39.5
53216	Milwaukee	Milwaukee	30.6	38.5
53218	Milwaukee	Milwaukee	32.3	38.0
53234	Milwaukee	Milwaukee	26.7	37.9

RAL Costs Paid by the Consumer and the Local Economy

Typical RAL costs are about \$130 according to research by the National Consumer Law Center and the Consumer Federation of America. Additional fees exist for filing returns electronically, for check cashing, and other services offered by these firms. The money spent on tax preparation and loan fees can equal that paid for several weeks of groceries for some poor families. The benefit of the RAL

itself is minimal, with the loan recipient receiving their refund just a few days to a couple of weeks earlier than they otherwise would. The short duration of the loan and the high fees relative to the amount of the loan combine to produce astronomical annual interest rates, into the hundreds of percent in some instances.

The high costs associated with RALs are certainly born by the low-income workers and their families, and are also born by the local economy to which those funds would otherwise have flowed. Nearly \$8 million were siphoned off from Wisconsin federal EITC claimants' refunds in 2003 through RAL fees alone (using the \$130 estimate) – \$3 million in the City of Milwaukee.

The total economic impact of a transfusion of funds into a community is known as an “economic multiplier.” Quite simply, total economic output will increase by more than just the amount of money invested because the money invested (spent) spurs other economic activity. If, for example, \$100 is spent in a community, in addition to the first \$100 that has traded hands there is the added effect of supporting whatever jobs revolve around those products bought or services paid for with that \$100 – transporting the product, advertising, and so on.

The exact multiplier in any community is based on a number of factors. Research has been conducted, however, which has shown that funds flowing into a low or middle-income community can produce an economic multiplier of between 1.5 and 2, meaning that for every \$100 spent, between \$150 and \$200 of total economic activity will occur. Using that range means that between \$4.5 million and \$6 million of potential economic activity was foregone when RAL fees siphoned off \$3 million from the refunds of Milwaukee's federal EITC claimants in 2003 – assuming nearly all of the fee charges leave the local community.

Effect of the EITC is Diluted

The federal government spent over \$36 billion in EITC refunds for more than 20 million families in 2003 – representing a significant investment in helping the working poor raise themselves and their families out of poverty. Wisconsin, like fourteen other states and a small number of municipalities, has its own earned income tax credit program in addition to the federal EITC. In fact, Wisconsin spent over \$78 million in state EITC refunds in fiscal year 2004-05. When EITC dollars are siphoned off to pay RAL and other tax preparation fees, this public investment in low-income workers is not “returning” what it could.

What Drives the Market for RALs?

Despite the high costs associated with RALs, over sixty thousand Wisconsin federal EITC claimants took out RALs in 2003. The reasons for this are not difficult to understand.

RALs are aggressively marketed to the poor. Tax preparation storefronts have become a common site in poor neighborhoods throughout the state, along with rent-to-own and check cashing outfits. By their own admission, the large tax preparation chains target poor communities because of the likelihood of the residents there being eligible for the EITC. The result is that RALs have become a significant source of revenue for professional tax preparers. In fact, revenue from “fast cash” products like RALs raised by the nation's largest tax preparation firms rose from \$138 million in 1998 to \$357 million in fiscal year 2001.^{iv}

Secondly, the prospect of receiving a tax refund quickly is no doubt especially attractive when the amount of money expected is a significant amount for the filer and immediate expenses are looming. If a tax filer has a bank account, he or she could receive their refund rather quickly by having it directly deposited. The fact is, however, that many of those seeking the EITC do not have bank accounts, making the RAL especially attractive to them. Furthermore, the fees for tax preparation and filing and an RAL are often deducted automatically from the refund, with nothing owed by the consumer "upfront."

Of course, another factor is that the tax code is complicated. The 2003 EITC instruction book, for instance, was 56 pages long and included 6 separate worksheets. So even for tax filers with no complicated investments or other involved financial transactions to disclose, filling out tax forms is difficult. Paid tax preparers represent an easy and potentially quick way to receive a refund.

Poor disclosure is often cited as a reason for the proliferation of RALs despite the high costs. This may be the case in some states. Currently, Wisconsin state regulation of RALs is considered relatively robust. Wisconsin statutes require that professional tax preparers have those requesting RALs sign a form in which the tax preparer discloses the following information: the RAL fee, any fee for electronically filing the tax return, total dollar amount of all charges and fees, length of time until the RAL is received, length of time it would take to electronically file and receive the refund without the RAL, that the customer is responsible for repayment of the RAL if the income tax refund does not arrive or is lower than expected, and the annual percentage rate of the loan.

An area of future research, however, could be an examination into how these relatively strong state regulations are actually being implemented by professional tax preparers.

Recommendations for Decreasing Reliance on RALs

Several states and municipalities around the country have taken steps to control the spread of RALs in their communities.

We recommend the following steps be taken to help curb their use in Wisconsin.

1. Increase Tax Preparation Assistance for Low-Income Tax Filers

The Internal Revenue Service trains VITA volunteers (Volunteer Income Tax Assistance). Less than one in ten EITC recipients take advantage of this service, however, with about two-thirds of EITC recipients choosing to pay a professional tax preparer. Even a small expansion in the VITA program, if coupled with increased outreach concerning the service, could reach many more low-income workers throughout the state.

Likewise, many Low-Income Taxpayer Clinics (LITCs) exist around the country, at law schools, accounting schools, technical colleges and so on. Community organizations can take the lead in sponsoring a VITA or LITC site, or in spreading the word of their availability through an outreach campaign. Local governments could also play a role by dispersing information regarding these free tax preparation services available in their respective communities.

2. *Expand Current Efforts to Increase Bank Accounts Among Low-Income Residents*

One of the primary reasons low-income workers turn to RALs is their lack of a bank account. If a tax filer has a bank account he or she can have their refund directly deposited and receive it in a matter of days instead of weeks. There are several barriers, however, to possessing a bank account including poor – or nonexistent – credit history and lack of understanding of the usefulness in having an account. Distrust of financial institutions such as banks also runs strong in many communities.

Not only does having a bank account make RALs less attractive, they bring about other benefits as well, including the building of credit history and making it easier for account holders to save money over time.

One option would be to use VITA and other tax assistance sites as an opportunity to communicate the importance of obtaining an account. It would also present an opportunity to have individuals actually apply for accounts right at the VITA sites.

The Wisconsin Department of Revenue is currently working with the Wisconsin Credit Union League on a project aimed at reaching out to low-income workers and immigrants and helping them establish bank accounts into which they can have their tax refunds deposited. While this project is at an early stage, it is just the kind of effort that could pay real dividends for low-income workers and their local communities as well. The Department and the Wisconsin Credit Union League are to be applauded for their efforts.

Local governments and credit unions around the state should be notified of the program and play a role in increasing awareness of its benefits for consumers. Since time and resources, both at state agencies and private organizations are always limited, those communities with the highest concentrations of EITC recipients and RAL users should be targeted.

3. *Simplify Tax Forms and Instructions*

The federal EITC and child tax credit forms could be simplified to allow more low-income workers to fill out and submit their own taxes. While this is a role played by the IRS, state and local officials as well as interested organizations and individuals can raise the issue of tax form complexity with their federal representatives in an effort to influence IRS action.

Conclusion

The EITC – perhaps the most significant effort to move low-income workers out of poverty – has by many counts been successful. High-cost financial products such as refund anticipation loans diminish the credit's impact, however. A concerted effort to increase free and low-cost tax preparation assistance for the poor, to “bank the unbanked”, to increase the consumer's awareness of less expensive options, and to streamline tax forms and instructions, would shore up the benefits of the federal EITC and similar state credits, and would benefit thousands of low-income workers throughout the state of Wisconsin.

John Keckhaver
Wisconsin Council on Children & Families
February 2, 2005

Footnotes:

ⁱ All EITC and RAL data presented in this report are from tax returns filed in 2003 (tax year 2002) unless otherwise noted, and can be found on the Brookings Institution website at www.brookings.edu/metro/eitc. This interactive website contains a database from which tables can be created for all states and by zip code, municipality, county, and metropolitan area.

ⁱⁱ According to the January 2004 report *All Drain, No Gain: Refund Anticipation Loans Continue to Sap the Hard-Earned Tax Dollars of Low-Income Americans*, by the National Consumer Law Center and the Consumer Federation of America, the likely prices for RALs in 2004 (for someone getting the average \$2,100 refund) were expected to be around \$132 (a loan fee of \$100 which includes a \$25 fee to set up a bank account used to receive the consumer's tax refund from the IRS to repay the RAL and a system administration fee averaging \$32).

ⁱⁱⁱ *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC*, by Berube, Kim, Forman, and Burns, May 2002, available at <http://www.brookings.edu/metro/publications/berubekimeitcexsum.htm>. The IRS maintains a searchable database of commercial electronic return originators (EROs), including addresses.

^{iv} This total is derived from those revenues raised for such products by H&R Block, Household International (which during that time period acted as the lending partner for all of the RALs for H&R Block), and Pacific Capital Bancorp (which played the same role for Jackson Hewitt, one of the nation's largest tax preparation firms). See the Brookings Institution's May 2002 report, *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC*, by Berube, Kim, Forman, and Burns, for this and more information involving revenues raised by the companies involved in RAL lending.

WisKids Journal

Volume 24/Number 1

January/February 2005

Early Childhood Initiatives, Giraffe Awards Highlight 2004 WCCF Annual Meeting

by Julie Landrie

A celebration of the past and a look ahead at the early childhood initiatives of the future marked the Annual Meeting of the

Wisconsin Council on Children and Families. The luncheon, with keynote speaker Wisconsin State Superintendent of Public Instruction Elizabeth Burmaster, brought together advocates from across Wisconsin to hear about early education in the proposed Department of Public Instruction budget and to celebrate those who have "stuck their necks out" for children and families in Wisconsin (see sidebar).

Superintendent Burmaster offered a glimpse of the next biennium as she talked about early childhood education initiatives. Burmaster relayed to the group her excitement about a new study that determined that every dollar spent on quality early childhood education and child care saves 17 dollars in future costs for intervention. This is ten dollars more than previously thought based on the Perry Preschool Study, offering further statistical proof that efforts to improve early childhood education make a difference, and are wise investments.

Burmaster relayed her plans to fulfill the New Wisconsin Promise – a promise to ensure the opportunity of a quality education for every child. "We are working first and foremost striving to close the achievement gap between children of color, economically disadvantaged children, and their peers," she said. "The best strategy to close the achievement gap is to invest in early education



opportunities through four-year-old kindergarten, Preschool to Grade 5, and SAGE class size reduction programs."

"Take a four-year-old child of poverty from either rural Augusta, Wisconsin or inner city Milwaukee and imagine the school experience if that child enters kindergarten or first grade already years behind in cognitive, social, and emotional skills needed for school readiness," Burmaster said.

Burmaster continued by expressing how proud she is that the number of four-year-old kindergarten programs has grown from 138 in 2001 to 208 this year, but cautioned that we still have a long way to go. "Several districts have expressed an interest in four-year-old

kindergarten, including Madison and Green Bay, but they have not been able to move forward because it takes three years to get full funding for the program."

"To support the expansion of four-year-old kindergarten—one component of our early childhood education efforts—my state education budget proposes start-up grants for districts in their initial two years of implementation, and will reward those that work with communities for the best solutions," Burmaster said. Burmaster stated that the Department of Public Instruction is encouraging school districts to work with their communities for the expansion of four-year-old kindergarten,

(continued inside on page 2)

WCCF's 2004 Annual Meeting *(continued from page 1)*

and those partnerships will be awarded with funding incentives for collaboration.

Start up grants, collaboration incentives and full funding for four-year-old kindergarten are key items on WCCF's advocacy agenda.

Burmester continued to outline her 2005-2007 budget proposal, which includes mentors for teachers, school breakfast, SAGE, special education, bilingual-bicultural education, revenue flexibility, and aid for our rural schools. "These budget proposals are all fiscally responsible and will go a long way in ensuring quality education in Wisconsin," Burmester said.

In conclusion, Burmester stated "Powerless children need powerful friends. By continuing to focus on our shared vision and responsibility to put our children first, we can be the powerful voice that supports parents and families in lifting the hope-filled hearts of their children up to their dreams. Thank you for all that you do." ■

The Wisconsin Council on Children and Families, Inc.

The Wisconsin Council on Children and Families, Inc. is a non-profit organization that has been on the cutting edge of social change in Wisconsin since its inception in 1881. It has worked through the years to improve the delivery of health and human services in the state.

WCCF has a statewide, volunteer board of directors which guides its work. Staff serves Council members by monitoring legislation, providing information on issues through newsletters, forums and conferences, and providing technical assistance and research on issues affecting children and families.

The Council is funded by memberships, contributions, and grants, in addition to an allocation from Community Shares of Wisconsin.

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Capitol Comments is published six times per year by Wisconsin Council on Children and Families, Inc., 16 N. Carroll Street, Suite 600, Madison, WI 53703, (608) 284-0580, FAX: (608) 284-0583.

 WISCONSIN COUNCIL ON
**CHILDREN
& FAMILIES**
Voices For Wisconsin's Children

2004 Giraffe Awards

by Julie Laundrie

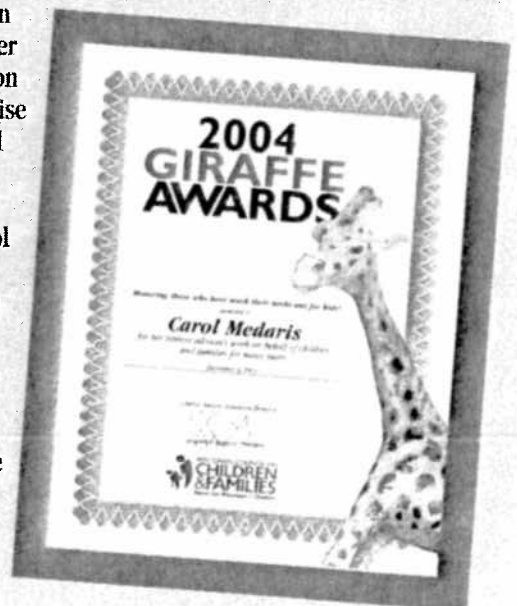
Known for their long necks and gentle social and family skills, giraffes were chosen as the symbol and name for the WCCF awards. The Giraffe Awards recognize those who have truly stuck their necks out to improve kids' lives. When a group or individual sticks their neck out for children, it is often without gain and recognition. These acts are the inspiration for the WCCF Giraffe Awards. 2004 recipients are Governor Jim Doyle, the Eau Claire Brain Team, and a surprise award for Carol Medaris.

Governor Jim Doyle received a 2004 Giraffe Award from WCCF for his advocacy for Wisconsin's children through such initiatives as his children's agenda, KidsFirst. The Governor's KidsFirst agenda is the most comprehensive commitment to improving conditions for children made by a state policy maker in the past 15 years. KidsFirst addresses improvements in policies contributing to early care and education, health care, children's safety and family strength. Accepting the award for Governor Doyle was Department of Workforce Development Secretary Roberta Gassman.

The Eau Claire Brain Team received the second Giraffe Award. The Wisconsin State Brain Team has worked since 1997 to increase public awareness of the importance of early childhood as an influence on human brain development. In 1999, the State team developed comprehensive trainings to be held throughout the state. Those who were trained formed local "Brain Teams" to implement the best practices related to the available research. The Eau Claire Brain Team is a committed group of individuals who have worked to implement those practices. The Eau Claire team was the first and only local brain team to seek outside funding to hire a coordinator to manage the team and oversee their work. The efforts of the Eau Claire team are seen in an increased awareness throughout their community of the importance of the early years. Accepting the Giraffe Award for the Eau Claire Brain Team were team members Paulette Magur, Debra Nutting, and Sandy Stanton. Additional active members unable to attend were Ann Kaiser, Betsy McDougall-Gibbs, Dianne Weber, Erin Morrison, Heidi Winegarden, Jody Walentzki, Julie Ann Larson, Karen Frank, and Nan Olson.

Carol Medaris retired from WCCF at the end of 2004, leaving a legacy of tenacity, careful, detailed work and a dedication to families struggling in poverty. For her eight years of hard work and dedication at the Council, WCCF decided to surprise Carol with a Giraffe Award as a symbol of its appreciation for her work. The award was presented by former WCCF executive director Anne Arneson. Carol has worked tirelessly, examining the intricacies of the W-2 program, and is known statewide as a leading W-2 expert. "Carol truly has earned this battle scarred Giraffe. We thank her for her long neck and many years of service to Wisconsin's children," Anne said.

We will miss you Carol Medaris.
Thank you again. ■



Education Priorities Battle Fiscal Realities

by Jon Peacock

In our continuing series of articles about the 2005-07 biennial budget, we look in this issue at the \$643 million budget increase proposed by the Department of Instruction (DPI). Superintendent Burmaster's recommendations are being reviewed by Governor Doyle and the Department of Administration, and we will see the Governor's version of the budget in February.

Battling for Scarce Budget Dollars

The 2005-07 budget deliberations will involve a series of battles over limited fiscal resources. Although one might hope that state-funded programs would not be pitted against each other, such conflicts are inevitable in 2005. Neither the governor nor state legislators have shown any inclination to raise any taxes that would help avoid heated struggles over the limited funding.

Yet even as candidates in the last elections were pledging not to raise taxes, they often voiced their support for state and local programs, and they avoided discussion of the potentially painful consequences of not raising state and local revenue. As a result, we are no closer to a political consensus about how to deal with the extremely difficult budget choices that await the state in the coming biennium.

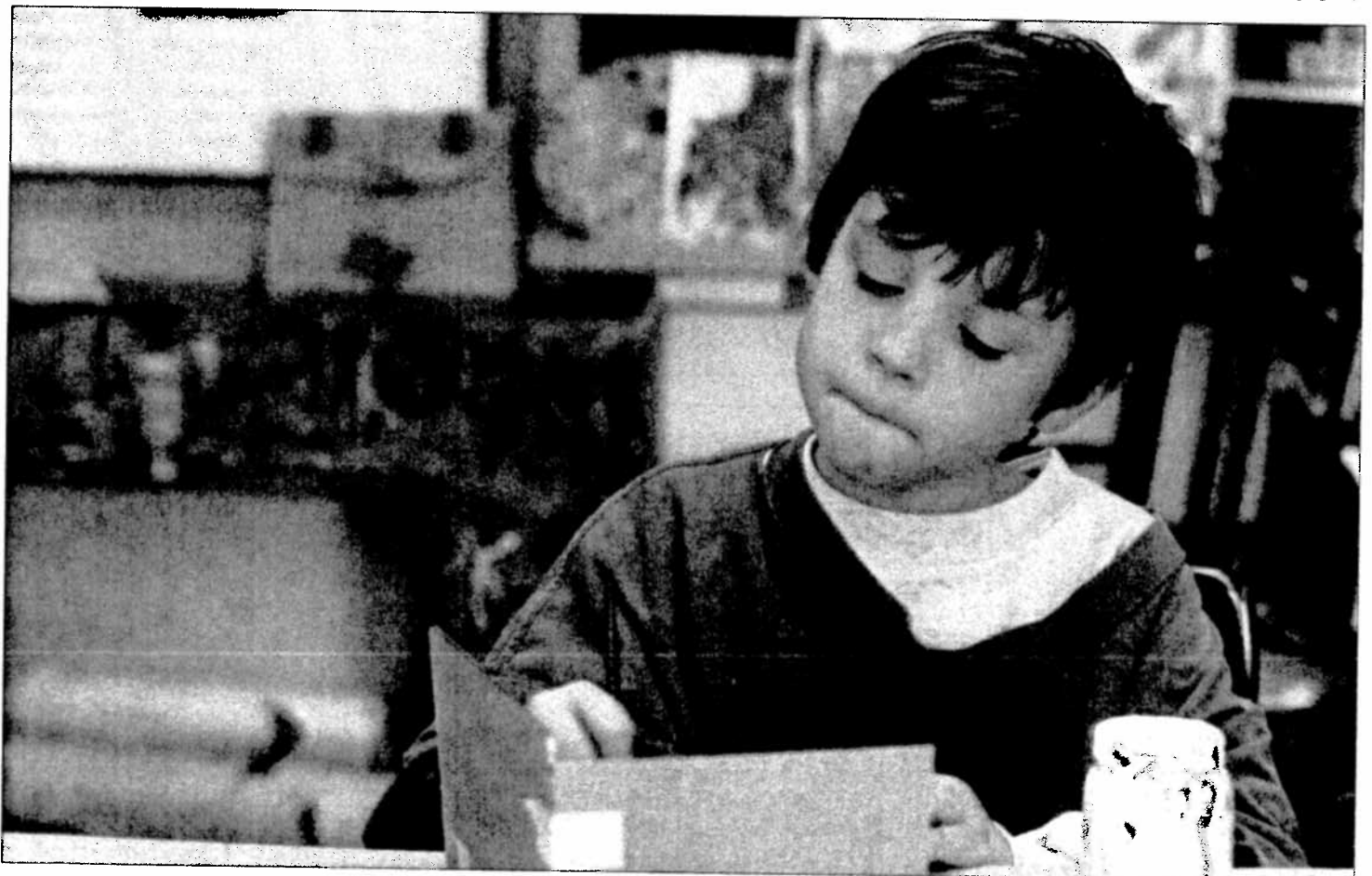
Although there will be many budget battles in the first half of 2005, the fight over financing for K-12 education will be one of the most critical. A number of factors make it an especially important part of the state's fiscal deliberations – not the least of which is the fact that the DPI budget is by far the largest draw upon state tax dollars (41.3% of the general fund base budget).

On one side of the struggle we have public and political support for a quality education system that must provide the foundation

for Wisconsin's economic growth in the decades ahead. On the other side we have a team of powerful fiscal realities: the large state budget deficit, under-funded federal mandates, and competing budget needs from a host of other programs, especially the burgeoning state cost of Medicaid.

These competing forces must compete for the support of the Governor and the Republican legislators who will write and re-write the next state budget. Although Governor Doyle has frequently indicated his commitment to K-12 education, and to measures that would relax some of the school spending and revenue constraints, he is also a strong defender of the Medicaid program and many other state and local services that need additional funding. As a result, the Governor must balance his support for education against the needs of many important programs.

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Invest Wisely: Making the Case for Early Education

by Charity Eleson

Investments. It's a popular new buzzword in public sector circles these days. More and more policy makers and voters want to know if the tax dollars going into public services are paying off and if decisions to spend public dollars on certain programs will produce their desired effects.

As child advocates, we use data to show that public investments in children's services will pay off during childhood and into adulthood. Whether it's investments in education, health care or social services, we try to show that these services will result in improved well-being for children and stable, contributing adults.

It's not often, however, that we have proof that investments in children's services yield high returns over the long term. Vows that policymakers make to study the effectiveness of services can get sidestepped when administrations change, funding for studies is cut, or new policy interests emerge. We often have to satisfy our need to know about service effectiveness with service and fiscal audits that determine whether money is being appropriately spent and services are reaching their intended target, but with little information on what actually works and what doesn't over time.

That's just one of the reasons the study released in November of 2004 on the long-term returns on investments in high quality pre-school education delivered to a group of high risk children in Ypsilanti, Michigan in the 1960s is so remarkable. Researchers at the High/Scope Educational Research Foundation have followed these children over time, collecting data over the participants' lifetimes and comparing it to data collected from a control group, producing eight reports on the results since the 1960s. The subjects of the most recently released study are now 40 years old.

WCCF featured this study, amongst other findings, in its most recent policy brief—part of its 2004 WisKids series—“*Ready or Not, Here They Come.*” making the case

for the high quality early care and education. (You can find this issue brief on our website at www.wccf.org.) Chiefly notable in the findings of the study is the return on the initial investment made to provide preschool to high-risk children. That return is \$17 for every \$1 invested, up from a \$7 return found when the participants were 27 years old.

This return is made up of both public savings and increased tax revenue as a result of higher earnings. The savings in public dollars was a result of improved educational outcomes, reduced need for welfare supports and savings in the criminal justice system as a result of reduced criminal activity.

These findings have particular relevance for Wisconsin as communities, educators, policymakers and families face the challenge of closing the achievement gap and the income gap for children of color. Children of color are far more likely to grow up to be poor and have lower educational achievement levels than white children in our state. Poor children of color in our state are worse off than are children of color in many other states in most categories, including education, income, and health. We urgently need to commit resources to addressing this issue; if we do not, we will leave a generation of children behind, harming them and the communities in which they live and forgoing a rich opportunity to invest wisely now.

The Perry Preschool study gives us a powerful tool to show that if we invest in high quality early education, we can make great strides in closing the achievement gap, and substantially improve the quality of life for these children—children who will otherwise be at high risk for educational failure, incarceration and low lifetime earnings.

In the upcoming 2005-2007 biennial budget, the Governor and the Legislature will have an opportunity to expand early learning experiences for young children in the state. Currently only 23 percent of Wisconsin's

four-year-olds attend four-year-old kindergarten, which is one of the most significant ways to give at-risk children universal access to a high quality early education experience. DPI Superintendent Elizabeth Burmaster has included provisions in her

budget request that would make it easier for districts to provide kindergarten to four-year-olds, including a provision to help school districts fund the program in the first year and an increase in the funding formula for districts who collaborate with child care providers to provide community-based 4-K.

Unfortunately, some legislators have vowed to target 4-K for funding cuts—not new investments—in the upcoming budget. We believe this would be unwise given Wisconsin's current challenges with helping at-risk children of color achieve and the compelling research from High/Scope that provides proof positive that we can not only help at-risk children succeed in life—a strong motivator in and of itself—but we can also reap tremendous returns on investments over time. This is a message that should resonate strongly in these budget-strapped times. ■

Investments
is the popular new buzzword in public sector circles these days.



Eloisa Gomez

Local Site Coordinator, Making Connections, Milwaukee

an Interview by Bob Jacobson

BJ: What is Making Connections? Who are you trying to connect with what?

EG: Making Connections is an initiative of the Annie E. Casey Foundation in partnership with ten local communities around the county. The thinking behind the initiative is that poverty is place-based. The idea is to influence a community within a particular geographic area in order to bring about actual changes for low-income families in that community, resulting in better outcomes for children and families. Casey kind of sums it up by saying kids do well when families do well, and families do well when they are in supportive communities. And that's sort of the mantra, which I like a lot. The focus of the Casey Foundation is getting kids out of poverty, improving their life chances by impacting the things that are barriers to them. It's a tiered approach of focusing in on kids, but in order to get to the kids you have to get to the parents, and that parents, especially in low-income families, do better when they live in supportive communities. If you're well-off, who cares what kind of community you live in. You have the resources you need.

BJ: You can just buy yourself a community.

EG: Right. But in low-income communities, families are often in isolation, and that works against them.

BJ: When did the Making Connections project start?

EG: Well, Casey would probably say 1999, and Milwaukee would say 2000. They did some of what they call "reconnaissance" work in 1999, checking out which cities they were going to select. I think it first went down to 22 cities, and then there was that final cut to 10, one of which is Milwaukee

BJ: Making Connections has a number of different components do it. Can you briefly run down what they are?

EG: There are three major areas for the Making Connections initiative. One is Family Economic Success, and that would include things like jobs, asset-building opportunities, asset maintenance, homeownership. The second area is called Social Networks. This gets at that problem of isolated families in poor communities, trying to build social networks that would be between; between people and the local institutions; and between people, institutions and the larger institutions like public systems. That kind of relationship building can benefit families if people are working together on it. The third area is Service and Support, which involves bringing traditional resources into the community. For example the Making Connections area has only one health care clinic in it. You need services to respond to the needs of residents. Or you might have some services in the area but the quality needs to improve. The strategies that MC is working on in Milwaukee fall within those three areas.

checking accounts, going through financial literacy programs to strengthen knowledge about what works for us, what works against us. The second area under asset building is the EITC [Earned income tax credit] campaign, to make sure people get access to the public benefits to which they are entitled. EITC is one of those benefits. We've been working with the Milwaukee asset building coalition to increase the number of eligible people who actually apply for the EITC.

The core of our approach is to partner with entities that really have expertise in the strategy that we're pursuing. So MCM enters into contracts with a variety of different partners. We think if this is an area that you're more familiar with, you have ideas for innovation and creating changes in the lives of families. So let's agree on what the outcomes should be, on what the measures should be, and then were holding them responsible for the change. But we're very clear about what the changes we think should be and could be. We have a number of contracts with organizations to pursue areas like school

readiness, asset building, community school strategy and resident leadership. So we're not really the engines of change. Our engines of change are our local partners.

BJ: Who are some of these partners?

EG: One would be Local Initiatives Support Corporation (LISC). They manage another strategy that falls under

asset building, Washington Park Partners, which is a sub-targeted area within our area. What they're doing is working with residents and a variety of other

"The idea is to influence a community within a particular geographic in order to bring about actual changes for low-income families in that community, resulting in better outcomes for children and families."

Under asset building we have a strategy also called asset building, which would be to increase families' financial information and connection to resources, increase homeownership, getting

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Cruel and Unusual Punishment: Adolescent Brain Development and its Implications

"Two years after ruling 6 to 3 that the execution of mentally retarded offenders is categorically unconstitutional, the [Supreme] Court appeared deeply divided over whether the reasoning of that decision meant that the death penalty for acts committed while a juvenile should likewise be seen as 'cruel and unusual punishment' in violation of the Eighth Amendment."

The Missouri Supreme Court reached that conclusion by a 4-to-3 decision in August 2003, freeing Christopher Simmons from death row for a murder he committed in 1993 when he was 17. It resented him to life in prison without parole.

Missouri appealed to the United States Supreme Court, arguing that the state court lacked authority to reject the Supreme Court's last decision on the question, a 1989 ruling that upheld capital punishment for 16- and 17-year-olds. A 1988 decision barred the execution of those who killed when they were younger than 16.

Seth P. Waxman, representing Mr. Simmons, argued that not only the increasing rarity of juvenile executions since 1989, but also new medical and psychological understanding of teenage immaturity validated the step the Missouri court took last year.

'These developments change the constitutional calculus,' Mr. Waxman, a former United States solicitor general, told the justices. The new scientific evidence, described in briefs filed by the American Medical Association, the American Psychological Association and other professional groups, 'explains and validates the consensus that society has drawn,' he said."

*The New York Times,
October 14, 2004*

The Supreme Court decision referenced in the *Times* article will reflect the justices' opinions about the validity of the arguments presented regarding adolescent brain development. The exact definition of adolescence is difficult to pin down in a few words. Essentially it is marked by the onset of puberty and concludes when adult roles are assumed. In neuroscience, adolescence is considered to conclude when adult brain function is attained. This is generally thought to occur in the early 20s. However, as with most markers of brain development, there are individual differences.

"In adolescence, physical health is approaching its peak. Adolescents are not only bigger and stronger than children, but also show developmental increases in a wide range of mental and physical abilities, including reaction time, reasoning skills, problem solving, immune function, and capacity to cope with many kinds of stresses and challenges. Yet, during this period of

resilient health, burgeoning energy, and new-found capabilities, we witness a dramatic increase in death and disability: soaring rates of serious accidents, suicide, homicide, aggression and violence, use of alcohol and illegal drugs, emotional disorders, and health consequences of risky sexual behavior. Behind this paradox lies the complex story of adolescent development. To understand it, we must consider the maturing adolescent brain, as well as the impact of social context and experience on the development of biological systems."

Dr. Ron Dahl (emphasis added)

According to Dr. Ruben C. Gur, director of the Brain Behavior Laboratory at the University of Pennsylvania, the adolescent brain continues to mature in those regions that "govern control of impulsivity, judgment, planning for the future, foresight of consequences, and other characteristics that make people morally culpable. Indeed

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Cruel and Unusual Punishment (continued from page 6)

age 21 or 22 would be closer to the 'biological' age of maturity. If the neural substrates of these behaviors have not reached maturity before adulthood, it is unreasonable to expect the behaviors themselves to reflect mature thought processes."

Obviously, behaviors that are driven primarily by gut feelings, largely mediated by the limbic region of the brain, can place some teens at risk for negative outcomes.

What scientists do know is that the amygdala (limbic region) is particularly active during adolescence and the amygdala is closely linked to emotionally-laden responses. Male amygdala seem to be undergoing a growth spurt during adolescence that is more pronounced than in females. "One of the most robust differences found between males and females, from rats to humans, is the level of rough-and-tumble play. Males simply do more of it. And males running high on androgens [male hormones] engage in more rough play than males on the low side," according to Marc Breedlove of Michigan State University.

Brain changes that include a combination of a highly active limbic system, an underdeveloped prefrontal cortex, and changes in neurotransmitter levels is a prescription for volatility, at least for some youth.

As stated by Ron Dahl in *The Primal Teen*, "Changes in adolescent brain development that are specific to puberty have their primary effects on motivation and emotion. These changes manifest as mood swings, increased conflict with parents, a greater tendency for risk-taking and rule-breaking, an increased draw toward novel experiences and strong sensations, alterations in sleep/arousal regulation, and an increased risk of emotional disorders (particularly depression in adolescent girls). Last, but certainly not least, are the alteration in romantic and sexual interest, which are also more closely linked to puberty than to age."

Among the changes in the brain, those that occur on an age-related timeline (rather than with the onset of puberty) in the dorsolateral prefrontal cortex are among the most important. It is this part of the

brain that has been linked to the ability to call upon working memory to "put events in context, to make sense of the incoming reality, and hold a thought." Working memory is linked to impulse control. The brain becomes, among other things, an inhibition machine.

Dahl continues, "The world gets more complex, school gets harder, social relationships get more obtuse. Adolescents have bigger passions, too. 'They need to be independent from their parents; they want to be adults and they're exposed to a semiadult culture. But they don't have the prefrontal cortex to regulate those adult behaviors; they drink and they drive without seatbelts, all of that.' Or as Giedd puts it: 'They have the passion and the strength, but no brakes and they may not get good brakes until they are twenty-five.'"

Affect Regulation (AF)

Adult Affect Regulation includes a combination of cognitive skills (using learned rules, strategies, and plans in the pursuit of long-term goals) and emotional self-regulation (ability to navigate strong feelings, desires, and competing motivations) that fosters mature judgment, social skills, the attainment of one's goals, and behavioral/emotional health. This ability does not fully mature, according to the scientists, until the early 20s.

According to Dahl, early adolescence (early teens through age 18) is a time of "special opportunities/vulnerabilities." There are neurodevelopmental underpinnings for the mature skills involved in affect regulation. In particular, there is a late-developing dimension of AF "that includes cognitive-emotional integration... [a] combination of cognitive skills (e.g. using learned rules, strategies, and plans in the pursuit of long-term goals) and emotional self-regulation (e.g. abilities to navigate strong feelings, desires, and competing motivations) in the development of mature judgment, social skills, and behavioral/emotional health in adults. Early adolescence is clearly associated with new cognitive abilities, emotional and motivational changes as well as the need to self-regulate feelings while navigating increasingly complex social situations and may represent a sensitive period in

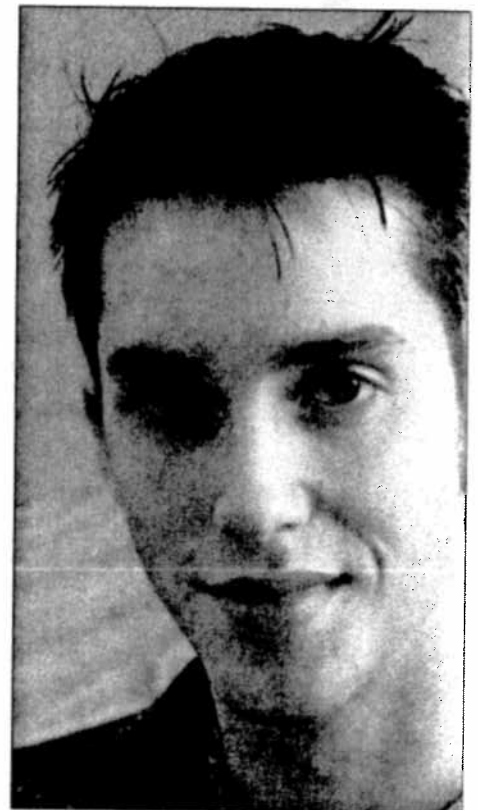
the development of cognitive-emotional integration."

Obviously the intimation that adolescence may comprise yet another "sensitive period" in brain development brings home the need to provide a proper environment for teens to traverse this complex and dangerous period in life. The need for adult guidance is clear. Teens need boundaries as well as direction as they deal with contemporary adolescent social contexts filled with complex, ambiguous, and emotionally arousing situations.

"Was Simmons thinking and acting like an adult when he murdered Shirley Ann Crook? That's a question science can't answer. As the A.M.A. and the psychiatrists write in their brief, scientists can 'shed light on certain measurable attributes' related to teenagers' culpability. But 'science cannot, of course, gauge moral culpability.' That is what the Supreme Court must do."

The New York Times,
October 17, 2004

It is likely that the Court will announce its opinion sometime this spring. ■



Eloisa Gomez Interview *(continued from page 5)*

public and private stakeholders to change the physical and social structure of a particular neighborhood. They've been working on that for two years. They've increased homeownership, they've worked on commercial revitalization, and they've worked on some safety and social network efforts in the area. The second example would be school readiness, in which the Council on Children and Families is a partner. The other partner in school readiness is the Next Door Foundation. We look to partners who understand the area, who understand what a school readiness agenda should be, and are willing to work with residents and other stakeholders to create change in the lives of residents. In order to develop an agenda which is accepted by the local

community, they are finalizing a series of focus groups, or listening sessions, in which residents themselves are talking about what are the strengths and weaknesses around getting their kids ready for school. They're going to take that information and use it to create an agenda for change in the Making Connections area.

That's one of the key premises about who we are and what we're doing. You need to have an excellent organization like WCCF involved, but unless you get resident input, it's not significant to them. Resident leadership has to be involved in the planning of a strategy. We want to see that there's a strong network of residents taking a lead role, and believing that they can make the

changes that they need in their community. Without the resident leadership and vision, what we do is going to dissipate when this is over. We're really working hard at building capacity for residents to take the lead in all this.

BJ: What kinds of concrete outcomes would you hope to see come out of this initiative?

EG: Numerically we have to see the change happening. We're required by the Casey foundation to always project our outcomes, and we measure our progress against these projections. But aside from the numbers, the real objective is to help create meaningful change in people's lives. ■

Community Partnership for Protecting Children Explores Better Program Integration

by Carol Medaris

The Community Partnership for Protecting Children (CPPC) is a model program being developed in the Near West Side MCM neighborhood to integrate child welfare and W-2 along with other community support programs such as AODA and mental health services, the public schools, county economic support, housing, and health-related programs. The model recognizes the strong link between poverty and child welfare, with a primary goal of assisting families to increase their economic status as a child protection strategy. It also recognizes that child protection can be most effective if child welfare agencies work in partnership with neighborhood residents and other community agencies.

Residents and a few neighborhood providers have formed a Resident Leadership Council to provide oversight for planning, establishing and monitoring progress for a neighborhood service center (the "hub"), to make the community aware of the services that will be provided at the hub, and to advocate state policy changes that will make the work of the hub more responsive to families. Early in the process, the group visited another CPPC model program in Louisville, Kentucky. Residents and service providers as well as representatives of state agencies then attended a retreat to further hone the program's guiding principles, goals and objectives.

Last fall, CPPC was selected as one of eight National Governor's Association demonstration projects statewide. This selection should increase the community partnership's access to administrators in the Department of Workforce Development, the Department of Health and Family Services, and the Department of Public Instruction and enhance the possibility of obtaining waivers from state policies and procedures that present barriers to integrating services in the proposed hub. The work plan developed at the fall retreat anticipates the opening of the community partnership hub in October, 2005. ■

Education Priorities Battle Fiscal Realities (continued from page 3)

An Overview of the DPI Request

The DPI budget proposal seeks an additional \$643 million in state general purpose revenue (GPR) in 2005-07. As shown at the bottom of Table 1, total GPR spending in the DPI budget would increase from about \$4.9 billion in 2004-05 to more than \$5.13 billion in 2005-06, and to nearly \$5.31 billion in 2006-07. That represents GPR growth of 4.8 percent the first year and 3.4 percent the second year.

Slightly over half of the total increase would be used to raise general school aid by 2.5 percent in each of the next two fiscal years. The other 49 percent of the increased spending would be used almost exclusively for categorical school aids, which are earmarked for specific purposes. The proposed increases for categorical spending are discussed below.

One of the key questions in the upcoming budget deliberations will be whether the state can maintain the current ratio of state and local funding for schools. In the 2003-05 biennium, the state eliminated the statutory commitment to pay two-thirds of school costs. Even though the biennial budget increased state aid to schools by \$113 million, that amount fell about \$375 million short of the funding needed to maintain the two-thirds commitment. The Legislative Fiscal Bureau estimated that state support will drop to 63.75 percent in 2004-05.

The result of a that decrease is more rapid growth in school property taxes. School districts held spending growth to 3 percent in 2005, but thanks to the reduced state share, school property tax levies increased by an average of 7.2 percent. The growing political attention paid to property tax increases is likely to make school aids and school spending restraints hot topics in the coming session.

Categorical Aid Increases

The DPI budget request contains significant increases in 8 of the 25 existing categorical aid appropriations, and it would create 6 new types of categorical aid. Total categorical aid spending would increase by \$103.7

million, or 21 percent, in 2005-06, and by an addition \$54.5 million (9 percent) in 2006-07. Many of the categorical aid increases were recommended by the Governor's Task Force on Educational Excellence.

Table 1 shows the funding levels for all the categorical aid programs (as well as some other types of programs) that would receive GPR spending increases of at least \$500,000 over the biennium. Table 2 shows the relative allocation of DPI spending for the major appropriations, under current law and as recommended by the department.

The proposed increases in GPR categorical aid include the following:

- **Special education aid** – The department proposes a biennial increase of about \$74 million to raise reimbursement of districts' costs to 30 percent (from the current 29.3 percent). This appropriation would increase by 8 percent the first year and 6.5 percent in 2006-07. The department also proposes a new \$5 million per year appropriation for the education of children with high-cost special education needs.
- **Student Achievement Guarantee in Education (SAGE)** – DPI requests an additional \$56.3 million over the biennium to increase SAGE payments for low-income pupils and to add 10 additional schools to the program.

Table 1: DPI Budget Proposal for 2005-07

	2004-05 Base Funding	2005-06 Proposal	2006-07 Proposal	Biennial Increase
General school aid	\$4,317,545,900	\$4,425,484,500	\$4,536,121,700	\$326,514,400
Special education aid	320,771,600	346,459,800	369,061,600	73,978,200
High-cost special ed. aid	0	5,000,000	5,000,000	10,000,000
SAGE	95,029,600	122,030,000	124,362,500	56,333,300
Transportation aid	17,742,500	38,872,500	38,872,500	42,260,000
Bilingual-bicultural aid	8,291,400	28,124,500	30,366,100	41,907,800
Aid for small & rural districts	0	0	24,000,000	24,000,000
Public library system aid	12,084,800	22,140,000	23,110,100	21,080,500
Milwaukee parental choice	83,800,000	90,161,600	92,411,200	14,972,800
Charter schools	30,160,000	34,096,100	37,773,500	11,549,600
Mentoring grants	0	2,625,000	2,625,000	5,250,000
4-yr. old kindergarten start-up	0	0	3,000,000	3,000,000
Reduced price breakfasts	0	1,200,000	1,200,000	2,400,000
School breakfast	1,055,400	1,555,500	1,885,500	1,330,200
Preschool to grade 5	7,353,700	7,721,400	7,721,400	1,103,100
Advanced placement grants	0	266,300	286,700	553,000
Total DPI budget	\$4,899,544,300	\$5,134,826,300	\$5,307,485,600	\$643,223,300

Table 2: Relative Shares of the DPI Budget (GPR)

	2004-05	2005-06	2006-07
General school aid	88.1%	86.2%	85.5%
Special education aid	6.5%	6.8%	7.0%
SAGE	1.9%	2.4%	2.3%
Milwaukee parental choice	1.7%	1.8%	1.7%
All other DPI spending	1.7%	2.8%	3.4%

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Education Priorities Battle Fiscal Realities *(continued from page 9)*

- **Transportation aid** – The DPI proposal includes an increase of more than \$21 million each year for transportation aid to school districts – a 119 percent increase.
 - **Bilingual-bicultural aids** – The current \$8.3 million appropriation would be increased to \$28.1 million in 2005-06 and to more than \$30 million the following year. This would allow DPI to reimburse 30 percent of projected costs for districts currently required to offer bilingual-bicultural programs, and it would provide \$11 million over two years to reimburse some of the costs of such programs offered by districts that are not statutorily required to do so.
 - **Increased funding for school breakfasts** – DPI proposes an additional \$1.3 million over the biennium to increase the per meal reimbursement to school districts from 10 cents to 15 cents for school breakfasts.
 - **Preschool to grade 5 program** – The bill includes a \$735,400 (5 percent) increase in funding for this grant program, which targets districts with high concentrations of low-income, low achieving students.
- The new categorical aids proposed by DPI add up to about \$36.7 million GPR over the biennium and include the following:
- **“Sparsity” aid for small, rural districts** – The largest new appropriation is \$24 million proposed for 2006-07, which would assist certain small, rural districts. It is estimated that between 160 and 180 districts would qualify.
 - **Mentoring grants** – The DPI request includes \$2,625,000 per year that would be provided to help districts provide mentors for “initial” educators, as required by the department’s licensing rules.
 - **Four-year-old kindergarten startup grants** – A new \$3 million per year grant program to help offset the initial costs of new 4-K programs is described in more detail in the next section.
 - **Reduced-price breakfasts** – A new

\$1.2 million per year categorical aid program would reimburse school districts for reduced-priced breakfasts, thus allowing those students to eat breakfast for free, affecting students from families between 130 percent and 185 percent of poverty.

- **Advanced placement grants** – DPI proposes a \$200,000 annual appropriation for grants to partially offset the costs for districts that initiate advanced placement courses. An additional \$153,000 over the biennium is requested for a consultant position to administer this grant program and a slightly smaller new grant program to develop advanced curriculum and assessments for gifted and talented middle school pupils.

Promoting 4-K Programs

The DPI request includes two initiatives relating to four-year-old kindergarten (4-K) that were recommended by the Governor’s Task Force on Educational Excellence and were also part of his Kids First Agenda.

- **4-K start-up grants** – As noted previously, one of the new categorical aid appropriations recommended by DPI is \$3 million in 2006-07 to help pay the initial costs for new 4-K programs. It would allow districts to receive \$3,000 for each 4-K pupil in the first year of a new program and \$1,500 per pupil in the second year. A WCCF survey of districts considering starting 4-K programs found that the first year of funding is one of the single largest impediments (because the pupil count for each school uses a 3-year average that only slowly captures the new 4-K pupils).
- **Increased 4-K aid for community approaches** – For districts that employ community approaches (to be defined in administrative rule), the department would increase by 0.1 the amount that districts can claim as FTE for 4-K pupils. This proposal does not have a GPR impact, but it would promote the use of collaborative 4-K programs by increasing the pupil count for those districts – thereby increasing their share of equalization aid and their revenue caps.

State support for early education could be a contentious part of the budget deliberations. Although both the Governor and Superintendent Burmaster have on many occasions indicated their strong support for kindergarten and 4-K programs, a number of legislators have argued for cutting back on state spending in this area, rather than expanding it.

Revenue and spending limits

The DPI recommendations include at least five items that would not directly increase state spending, but would nevertheless have important implications for the financing of public education. These proposals include the recommendation noted above to increase the FTE pupil count for districts that employ community approaches for 4-K programs. Other proposals relating to revenue and spending constraints include the following:

- **QEO** – The department proposes eliminating the statutes relating to the qualified economic offer (QEO), and to make school district employees subject to the same arbitration procedures that apply to represented municipal employees.
- **Low revenue ceiling adjustment** – DPI seeks to increase the per-pupil low revenue ceiling by \$400 annually in 2005-06 (to \$8,200) and 2006-07 (\$8,600), “to continue to provide the state’s lowest spending districts with the opportunity to narrow the disparity with the highest spending districts.” DPI estimates that this would allow low-spending districts to expend an additional \$25 to \$35 million in 2006-07.
- **Declining enrollment revenue limit adjustment** – This provision would make the current adjustment to the revenue cap for declining enrollment districts an ongoing change in a district’s base revenue, rather than just a one-time amendment to the revenue cap. DPI estimates that this would increase the statewide revenue limit authority by \$25 to \$30 million in 2006-07.
- **Unused revenue limit carryover** – Districts that spend less than the allowable

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Education Priorities Battle Fiscal Realities *(continued from page 10)*

amount would be allowed to carry forward all of the unused expenditure authority. Proponents argue that this could reduce spending, because it removes an incentive for districts to spend up to the maximum revenue limit each year. DPI estimates that this change would have increased the statewide revenue limit by about \$900,000 if it had been in effect in 2003-04.

Other provisions

Some of the other significant parts of the DPI budget proposal include the following:

- **Milwaukee parental choice program** – The department estimates that funding needed for the Milwaukee parental choice program will increase by \$6.3 million (7.6%) in 2005-06 and by an additional \$2.2 million (2.5%) in 2006-07. These reestimates are based on the proposed increase in general school aids and on the assumption that choice participation will grow to 14,800 students, reaching the statutory cap of 15 percent of MPS enrollment.
- **Milwaukee/Racine charter school program** – The proposed funding level for the Milwaukee and Racine charter school program would increase by about \$11.5 million over the biennium, including 13 percent in 2005-06 and nearly 11 percent in 2006-07. The increases assume that the number of pupils would grow from 4,100 in 2004-05 to 4,900 in 2006-07, and that the funding per pupil would increase at the 2.5 percent annual rate that is proposed for general school aids.
- **Library system aids** – DPI seeks a biennial increase of \$21 million to fund public library system aid at the level of 13 percent of local costs. The department is required by statute to use the 13 percent standard, although the actual percentage of costs covered in 2003-04 was estimated to be just 8.2 percent.
- **Minority precollege scholarships** – The request includes a \$350,000 (8 percent) biennial increase in this program to enhance the ability of minority students to pursue postsecondary education. The proposed increase would provide funds for about 350 additional scholarships annually.

- **Federal funding** – The department estimates that federal aids will increase by about \$41.6 million in 2005-06 and \$44.7 million in 2006-07, primarily from funding received under Title I of the No Child Left Behind Act and the Individuals with Disabilities Education Act.

Conclusion

The budget request submitted by Superintendent Burmaster contains a long and costly list of recommendations. It should be no surprise, however, that the proposed \$643 million GPR increase is nearly the largest sought by any agency – given the fact that current DPI budget uses more than two-fifths of total general fund

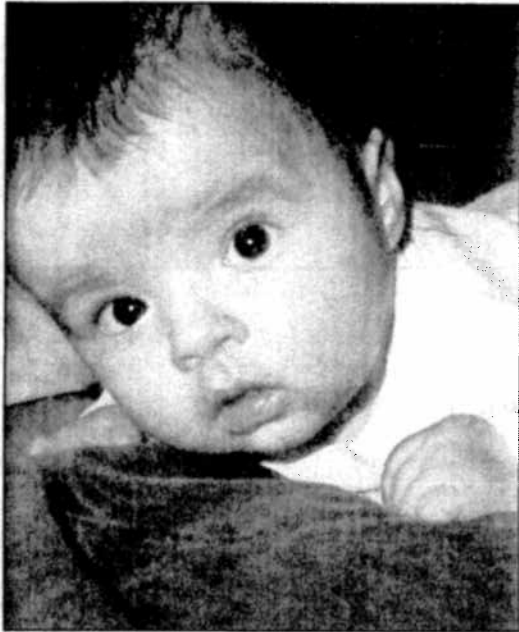
dollars, and also in light of concerns about widespread cuts in school programs. Nearly 51 percent of the GPR increase proposed by DPI is for general school aids, with another 13 for special education, and nearly 9 percent for SAGE.

Many of the proposals in the DPI budget were recommendations of the Governor's Task Force on Educational Excellence, and some are also part of his Kids First initiative. However, in light of the state's structural deficit and a projected slowing of revenue growth in the next biennium, the Governor will almost certainly have to cut back substantially on the proposals recommended by DPI. ■



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