



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

September 15, 2014

TO: Members  
Study Committee on the Student Achievement  
Guarantee in Education (SAGE) Program

FROM: Christa Pugh, Fiscal Analyst

SUBJECT: Local District Expenditures by SAGE Aid Recipients and Fiscal Estimates of Changes to the SAGE Program

This memorandum provides information about local district expenditures reported by SAGE districts as necessary to fully fund SAGE program implementation, as well as fiscal estimates of possible changes to the SAGE program as discussed at the Committee's August 14 meeting.

### **Current Local District Expenditures**

Attachment 1 provides information compiled by the Department of Public Instruction (DPI), showing state aid and local district expenditures used to fund instructional and support functions of local SAGE programs as reported by districts completing their annual SAGE Financial Reports between 2011-12 and 2013-14. In 2011-12, districts reported expenditures of state aid equal to \$110.0 million and local match expenditures equal to \$41.1 million. In 2012-13, districts reported expenditures of state aid equal to \$108.1 million and local funds equal to \$46.7 million. In 2013-14, districts reported expenditures of state funds equal to \$108.3 million and local match funds equal to \$60.7 million. It is important to note that these figures are self-reported and have not been audited. Additionally, while districts are required to enter information regarding state aid expenditures, entering expenditures of local funds is optional. According to DPI, over half of SAGE aid recipients entered data in the District Match section in 2013-14, about half of recipients entered local match data in 2012-13, and fewer than half of recipients entered local match data in 2011-12. Because many SAGE aid recipients did not include information about local funds spent on the SAGE program, the figure reported for local match is likely lower than actual expenditures.

### **Current Contracts**

The most recent round of SAGE contracts began in the 2010-11 school year. In that year, school districts were permitted to enter into SAGE contracts on behalf of one or more schools in

the district if each school had an enrollment of at least 30% low income pupils (in general, defined as pupils eligible for free or reduced-price school lunch) in the previous school year. While no schools are currently permitted to enter into new SAGE contracts, current SAGE schools are eligible to renew their contracts every five years.

In 2013-14, 205 school districts and 425 schools participated in SAGE. A total of 83,001 pupils, 53,735 of whom were low-income, studied in SAGE classrooms. While current law establishes a maximum per-pupil payment of \$2,250 for each low-income SAGE pupil, the current appropriation of \$108.9 million was not sufficient to provide the full per-pupil payment and therefore payments were prorated at 90.1%, resulting in a per-pupil payment of \$2,027.25.

### **New SAGE Contracts**

One proposed change discussed by the Committee is authorization by the Legislature for a new round of SAGE contracts for schools that are not currently participating in SAGE but meet certain criteria based on the percentage of their pupils receiving free and reduced-price lunch (FRL).

*New Contracts for Schools With 50% FRL.* Under one proposal, the Legislature would authorize a new round of contracts for schools at which at least 50% of pupils meet FRL criteria. This proposal would result in an additional 74 school districts and 185 schools qualifying for SAGE, increasing the number of low-income SAGE pupils by approximately 25,265 compared to current participation, to a total of 79,000 pupils. Full funding of this proposal would require \$68.9 million GPR annually above the current appropriation. At the current per-pupil payment of \$2,027.25, the estimated cost of the proposal would total \$51.3 million GPR annually above the current appropriation. Alternatively, if no new funding were provided, the additional pupils would reduce the prorated per pupil payment to approximately \$1,379 per pupil.

*New Contracts for Schools With 64% FRL.* Under another proposal, the Legislature would authorize a new round of contracts for schools at which at least 64% of pupils meet FRL criteria, based on the overall percentage of FRL pupils in current SAGE schools. As a result of this proposal, an additional 30 school districts and 96 schools would qualify for the program, increasing the number of low-income pupils in the program by 16,165 to a total of 69,900 pupils. Full funding of this proposal would require \$48.4 million GPR annually above the current appropriation. At the current per-pupil payment of \$2,027.25, the estimated cost of the proposal would total \$32.8 million GPR annually above the current appropriation. Alternatively, if no new funding were provided, the additional pupils would reduce the prorated per pupil payment to approximately \$1,558 per pupil.

### **Including Four-Year-Old Kindergarten in SAGE**

Under another proposed change discussed by the Committee, no new contracts would be authorized by the Legislature, but schools with current SAGE contracts would be able to include their four-year-old kindergarten (4K) classrooms in the SAGE program and receive reimbursement for low-income 4K pupils. Current SAGE schools enrolled an estimated 8,525 low-income 4K

pupils in 2013-14; however, because 4K pupils typically do not attend school full-time, they are counted as a maximum 0.6 full-time equivalent (FTE) pupil for calculations of revenue limits and general school aids and therefore are counted as 0.6 FTE pupils in the following estimates.

*Adding 4K to Current SAGE Grades.* Under this proposal, current SAGE schools could operate SAGE classrooms in grades 4K through 3. As a result of this proposal, the number of SAGE districts and schools would not change, while the number of low-income pupils in the program would increase by an estimated 5,115 to a total of 58,850. Full funding of this proposal would require \$23.5 million GPR annually above the current appropriation. At the current per-pupil payment of \$2,027.25, the estimated cost of the change would total \$10.4 million GPR annually over the current appropriation. Alternatively, if no new funding were provided, the additional pupils would reduce the estimated prorated per pupil payment to \$1,851 per pupil.

*Adding 4K and Removing Grade 3 From SAGE Grades.* Another proposal would include 4K classrooms in the SAGE program while excluding 3<sup>rd</sup> grade classrooms. As a result of this proposal, the number of SAGE districts would remain the same while the number of SAGE schools would decrease to 422 because three current SAGE schools do not offer grades lower than 3<sup>rd</sup> grade. The number of low-income pupils in the program would decrease by 7,035 to a total of 46,700. Full funding of this proposal would require \$3.8 million GPR annually less than the current appropriation. At the current per-pupil payment of \$2,027.25, the proposal would reduce program costs by \$14.2 million GPR annually from the current funding level.

### **Increasing Minimum Low-Income Threshold**

Another proposed change to the existing SAGE program would increase the FRL eligibility threshold for schools that currently participate in the program and choose to renew their contracts. Under these proposals, no new contracts would be authorized by the Legislature. However, schools with current SAGE contracts would be required to meet additional guidelines at the time of their five-year contract renewal.

*Minimum Threshold of 40% FRL.* Under one proposal, only current SAGE schools at which at least 40% of pupils meet FRL criteria would be able to renew their SAGE contracts. As a result of this proposal, the number of qualifying school districts would decrease by 31 and the number of qualifying schools would decrease by 54, while the number of low-income pupils in the program would decrease by 5,335 to a total of 48,400. Full funding of this proposal would require an estimated appropriation of \$108.9 million, or approximately equal to the current appropriation. At the current per-pupil payment of \$2,027.25, the proposal would reduce program cost by \$10.8 million GPR annually.

*Minimum Threshold of 42% FRL.* Under another proposal, only schools at which at least 42% of pupils meet FRL criteria would be permitted to renew their contracts. This percentage was selected to reflect the overall percentage of FRL pupils in Wisconsin: DPI indicates that across the state, 41.4% of pupils are economically disadvantaged, based on FRL data. As a result of this proposal, 34 fewer districts and 60 fewer schools would qualify for the program, decreasing the number of low-income SAGE pupils by 5,935 to a total of 47,800. Full funding of this proposal

would require an estimated appropriation of \$107.6 million, or \$1.3 million GPR annually less than the current appropriation. At the current per-pupil payment of \$2,027.25, the proposal would reduce program cost by \$12.0 million GPR annually.

*Minimum Threshold of 50% FRL.* Another proposal would permit only current SAGE schools at which at least 50% of pupils meet FRL criteria to renew their contracts. As a result of this proposal, 75 fewer school districts and 134 fewer schools would qualify for the program, decreasing the number of low-income pupils in the program by an estimated 12,735 to a total of 41,000. Full funding of this proposal would require an appropriation of approximately \$92.3 million, or \$16.6 million GPR annually below the current appropriation. At the current per-pupil payment of \$2,027.25, the proposal would reduce the cost of the program by \$25.8 million GPR annually.

*Minimum Threshold of 64% FRL.* Under this proposal, only current SAGE schools at which at least 64% of pupils meet FRL criteria, based on the overall percentage of FRL pupils in current SAGE schools, would be able to renew their contracts. This proposal would decrease the number of qualifying school districts by 145 and the number of qualifying schools by 252, decreasing the number of low-income pupils in the program by an estimated 24,935 to a total of 28,800. Full funding of this proposal would require an estimated appropriation of \$64.8 million, or \$44.1 million GPR annually from the current appropriation. At the current per-pupil payment of \$2,027.25, the cost of the proposal would reduce the cost of the program by \$50.5 million GPR annually from the current appropriation.

Attachment 2 compares these proposals based on the number of districts, schools, and pupils that would be included and the estimated cost of the SAGE per-pupil payments after the changes. All estimates are based on DPI enrollment and FRL data from 2013-14. Because information on the number of FRL pupils is not published by grade level, the calculations assume that the percentage of FRL pupils in each grade is equal to the school's total FRL percentage. Additionally, because participation in grades 2 and 3 is optional for schools participating in the program, it is not possible to know how many grade levels each school will choose to include in the program in future years. The estimates give an approximate maximum cost of proposed changes by assuming that any school that is newly added to the SAGE program or modifies its contract will choose to include all allowed grades.

I hope that this information is helpful. Please contact me if you have questions.

CP/sas  
Attachments

## ATTACHMENT 1

### SAGE State Aid and Local Match, 2011-12 to 2013-14

| <u>Category/Function</u> | <u>2011-12</u>       |                     | <u>2012-13</u>       |                     | <u>2013-14</u>       |                     |
|--------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
|                          | <u>State Aid</u>     | <u>Local Match</u>  | <u>State Aid</u>     | <u>Local Match</u>  | <u>State Aid</u>     | <u>Local Match</u>  |
| <b>Instructional</b>     |                      |                     |                      |                     |                      |                     |
| Salary and Fringe        | \$108,137,617        | \$40,656,211        | \$105,790,704        | \$46,317,899        | \$105,682,713        | \$59,379,495        |
| Purchased Services       | 188,739              | 68,949              | 139,038              | 7,351               | 134,004              | 6,333               |
| Non-Capital Objects      | 236,038              | 226,644             | 309,021              | 177,072             | 711,617              | 100,541             |
| Capital Objects          | 98,148               | 27,143              | 194,098              | 0                   | 84,870               | 11,728              |
| Other                    | 1,198,943            | 0                   | 1,358,357            | 0                   | 1,399,621            | 0                   |
| <b>Support</b>           |                      |                     |                      |                     |                      |                     |
| Salary and Fringe        | 72,288               | 121,594             | 190,093              | 165,610             | 146,957              | 1,208,843           |
| Purchased Services       | 40,914               | 2,296               | 27,704               | 292                 | 36,646               | 3,186               |
| Non-Capital Objects      | 16,079               | 0                   | 20,554               | 3,200               | 5,237                | 0                   |
| Capital Objects          | 12,539               | 0                   | 14,546               | 0                   | 11,661               | 0                   |
| Other                    | <u>2,646</u>         | <u>0</u>            | <u>2,532</u>         | <u>0</u>            | <u>6,528</u>         | <u>0</u>            |
| <b>Total</b>             | <b>\$110,003,951</b> | <b>\$41,102,837</b> | <b>\$108,046,647</b> | <b>\$46,671,424</b> | <b>\$108,219,854</b> | <b>\$60,710,126</b> |

Note: All data is self-reported by local districts. Districts are required to enter data in the State Aid section, but data is not required in the District Match section. Over half of SAGE aid recipients entered data in the District Match section in 2013-14; about half entered data in 2012-13; and less than half entered data in 2011-12.

## ATTACHMENT 2

### Fiscal Estimates of SAGE Program Changes

|  | <u>Total<br/>Districts</u> | <u>Total<br/>Schools</u> | <u>Total Pupils<br/>in SAGE<br/>Classrooms</u> | <u>Total<br/>Low-<br/>Income<br/>Pupils</u> | <u>Cost at \$2,250 Per<br/>Pupil (In Millions)</u> |   | <u>Cost at Current<br/>Per-Pupil Payment of<br/>\$2,027.25 (In Millions)</u> |   | <u>Prorated<br/>Per-Pupil<br/>Payment<br/>at Current<br/>Appropriation</u> |
|--|----------------------------|--------------------------|--|---|--|---|--|---|--|
|  |                            |                          |  |   | <u>Amount</u>                                      | <u>Chg from Current<br/>Appropriation</u> | <u>Amount</u>  | <u>Chg from Current<br/>Appropriation</u> |  |
| Current Contracts  | 205                        | 425                      | 83,001   | 53,735                                      | \$120.9  | \$12.0                                    | \$108.9  | \$0.0                                     | \$2,027.25   |
| <b>New Contracts</b>   |                            |                          |  |   |  |   |  |   |  |
| Current Contracts + Schools with 50% FRL                                 | 279                        | 610                      | 119,200  | 79,000                                      | \$177.8  | \$68.9                                    | \$160.2  | \$51.3                                    | \$1,379  |
| Current Contracts + Schools with 64% FRL                                 | 235                        | 521                      | 103,100  | 69,900                                      | 157.3  | 48.4                                      | 141.7  | 32.8                                      | 1,558  |
| <b>Including 4K in SAGE</b>  |                            |                          |  |   |  |   |  |   |  |
| Adding 4K Students at Current Schools                                    | 205                        | 425                      | 95,900   | 58,850*                                     | 132.4  | 23.5                                      | 119.3  | 10.4                                      | 1,851  |
| Adding 4K Students and Removing 3rd<br>Grade Students at Current Schools | 205                        | 422                      | 76,400   | 46,700*                                     | 105.1  | -3.8                                      | 94.7   | - 14.2                                    | N.A.   |
| <b>Increasing Low-Income Threshold for<br/>Renewing Contracts</b>        |                            |                          |  |   |  |   |  |   |  |
| Minimum 40% FRL Threshold for<br>Renewing Contracts                      | 174                        | 371                      | 72,800   | 48,400                                      | 108.9  | 0.0                                       | 98.1   | - 10.8                                    | N.A.   |
| Minimum 42% Threshold for<br>Renewing Contracts                          | 171                        | 365                      | 71,300   | 47,800                                      | 107.6  | - 1.3                                     | 96.9   | - 12.0                                    | N.A.   |
| Minimum 50% FRL Threshold for<br>Renewing Contracts                      | 130                        | 291                      | 56,400   | 41,000                                      | 92.3   | - 16.6                                    | 83.1   | - 25.8                                    | N.A.   |
| Minimum 64% FRL Threshold for<br>Renewing Contracts                      | 60                         | 173                      | 35,000   | 28,800                                      | 64.8   | - 44.1                                    | 58.4   | - 50.5                                    | N.A.   |

\*Includes 4K pupils as 0.6 FTE.