



Legislative Fiscal Bureau

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September 21, 2005

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: SSA 1 to SB 68 and ASA 1 to AB 123: SAGE Program Modifications and Supplemental Special Education Funding

Senate Bill 68 was introduced February 17, 2005 and referred to the Senate Committee on Education. On March 8, 2005, Senate Substitute Amendment 1 was offered, on March 30, 2005, the Committee recommended adoption of the substitute amendment by a vote of 4 to 3, and recommended the bill for passage by a vote of 4 to 3. On April 5, 2005, Senate Substitute Amendment 1 was adopted by the Senate, and the bill was passed by a vote of 19 to 14 and ordered to be immediately messaged. On April 12, 2005, the bill was referred to the Assembly Committee on Education. On April 19, 2005, Assembly Amendment 1 was offered, which was adopted by the Committee by a vote of 7 to 4, on May 17, 2005. The Committee also recommended concurrence as amended by a vote of 7 to 4, and the bill was referred to the Joint Committee on Finance.

Assembly Bill 123 was introduced February 22, 2005 and referred to the Assembly Committee on Education. On April 15, 2005, Assembly Substitute Amendment 1 was offered, and the Committee recommended adoption of the substitute amendment by a vote of 7 to 4 and recommended the bill for passage by a vote of 7 to 4 on May 17, 2005. Also on May 17, 2005, the bill was referred to the Joint Committee on Finance.

The bills, as amended, are identical.

CURRENT LAW

SAGE. Under current law, the student achievement guarantee in education (SAGE) program provides five-year grants to eligible school districts for the purposes of: (a) lowering class sizes to 15 pupils to one teacher in grades kindergarten through third; (b) keeping the school open every day for extended hours and collaborating with community organizations to make educational and

recreational opportunities, and community and social services, available in the school to all district residents; (c) providing a rigorous academic curriculum designed to improve academic achievement; and (d) creating staff development and accountability programs that provide training for new staff members, encourage employee collaboration, and require professional development plans and performance evaluations.

Since its creation, three rounds of five-year contracts have been authorized. Under 2001 Act 16, the Department of Public Instruction (DPI) was authorized to enter into renewal contracts for additional five-year terms for any currently participating SAGE school. As a condition of receiving payments under a renewal of a SAGE contract, a school board is required to maintain the reduction in class size achieved under the original contract, in grades kindergarten through third.

DPI is required to fund contracts at \$2,000 per low-income pupil enrolled in the eligible grades. Additionally, DPI is required to arrange for an evaluation of the SAGE program and must allocate \$250,000 annually for this purpose. The Department has contracted with the University of Wisconsin-Madison for this evaluation. Under 2005 Act 25, \$97,614,000 GPR in 2005-06 and \$98,588,000 in 2006-07 is provided to fund the SAGE program.

In general, for any sum certain GPR appropriation, any amount left unexpended at the end of the fiscal year lapses to the general fund and is added to the state's carryover balance for the following year.

Special Education. Both state and federal law require that local school districts provide special education and related services for children with disabilities ages 3 through 21 who reside in the district. Under state law, a child with a disability is defined as a child who, by reason of any of the following, needs special education and related services: cognitive disabilities, hearing impairments, speech or language impairments, visual impairments, emotional disturbance, orthopedic impairments, autism, traumatic brain injury, other health impairments, or learning disabilities. In addition, a school district may include a child with significant developmental delay who needs special education services, if consistent with DPI rules.

Special education is provided by school districts, either on their own or through cooperative arrangements with other districts, cooperative educational service agencies (CESAs), and county children with disabilities education boards (CCDEBs). The state reimburses a portion of the costs for educating and transporting pupils enrolled in special education, including school age parent programs, through a categorical aid appropriation. Independent charter schools that operate special education programs and that are determined by the State Superintendent to be in compliance with federal special education law are eligible for aid.

Funding equal to \$320,771,600 GPR in 2005-06 and \$332,771,600 GPR in 2006-07 is provided in a sum certain appropriation for categorical special education aid. By statute, the cost of special education for children in hospitals and convalescent homes for orthopedically disabled children is fully funded as a first draw from the special education aids appropriation. The

following costs are also eligible for reimbursement from the appropriation but are subject to proration if total eligible costs exceed the remaining funding available:

- Salary and fringe benefit costs for special education teachers, special education coordinators, school social workers, school psychologists, school nurses, school counselors, paraprofessionals and consulting teachers;
- The salary portion of any authorized contract for physical and occupational therapy services;
- The cost of transportation for pupils enrolled in special education programs;
- The cost of board, lodging, and transportation of nonresident children enrolled in a district's special education program;
- Salary and travel expenses for special education outside the school district of employment;
- Expenditures for the salaries of teachers and instructional aides, special transportation, and other expenses approved by the State Superintendent for a school age parents program; and
- Any other expenditures approved by the State Superintendent as eligible for reimbursement.

SUMMARY OF BILLS

The bills would modify the current SAGE program to allow eligible school districts to choose not to comply with the SAGE contract requirement that class sizes be reduced to 15, for grade 2, 3, or both, in any school, beginning July 1, 2005, or the day after the publication of the 2005-07 biennial budget act, whichever is later.

The bills would provide that in 2005-06 and any subsequent school year, aid would be in an amount equal to \$2,000 multiplied by the number of low-income pupils enrolled in grades eligible for funding in each school in the school district covered by renewals of SAGE contracts. Grades eligible for funding would be those grades in which the school district chooses to comply with the requirement to reduce class sizes to 15.

Also, the bills would create a sum sufficient special education aid supplement appropriation. The appropriation amount would be equal to the amounts lapsed to the general fund in the previous fiscal year from the SAGE appropriation, for the purpose of payment of aids for special education and school age parents programs, to be distributed in the same manner as under current law.

A technical modification would be necessary to delete references in the bills to a SAGE supplement appropriation that was eliminated under 2005 Act 25.

ASSEMBLY AMENDMENT 1

The amendment would specify that the SAGE provisions of the bill would not apply to a school district with more than 50 percent of its enrollment comprised of pupils who are eligible for free or reduced-price lunch under the federal school lunch program.

FISCAL EFFECT

The bill would allow certain school districts that choose not to comply with the class size reduction contract requirement, for grade 2 or 3 or both, to continue to participate in the SAGE program. The bill could have the effect of reducing the amount of aid paid under the program, if school districts would forego aid for certain grade levels. The state's cost for funding these grade levels would decrease by an amount equal to number of low-income pupils enrolled in those grades multiplied by the per pupil payment amount.

However, any amount that lapsed to the general fund from the SAGE appropriation, for any reason, would be fully offset in the following fiscal year by an equivalent increase in the supplement appropriation for special education aid. Therefore, there would be no net effect for the general fund. Special education aid is distributed as a cost reimbursement. In 2004-05, a total of 418 school districts, four charter schools, 12 CESAs, and four CCDEBs received aid under the program, at a prorate of 29.95%.

In 2004-05, 524 schools in 227 districts participated in SAGE. It is not possible to predict school districts' decisions regarding class size reduction, if the bills would become law. Similarly, it is unknown to what extent low-income enrollment, on which SAGE aid is based, will fluctuate in future years. In 2004-05, low-income pupils enrolled in grades eligible for funding totaled 48,353, and of those pupils, 11,893 were enrolled in grade 2, and 11,929 were enrolled in grade 3. Aid for these second and third grade pupils would total \$47,644,000. If the bill had been law in 2004-05, and all SAGE districts chose to forego aid for grades 2 and 3, then the maximum lapse amount would have been \$47,644,000. This aid would then have been distributed among the entities qualifying for special education aid in 2005-06. As an example, each \$12 million of additional special education aid would increase the prorate by approximately one percentage point.

Prepared by: Layla Merrifield