



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #772

### **Distribution of Federal Aid (DPI -- Administrative and Other Funding)**

[LFB 2001-03 Budget Summary: Page 566, #20]

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#### **CURRENT LAW**

Under current law the State Superintendent is directed to accept federal funds for any function over which the State Superintendent has jurisdiction and act as the agent for the receipt and disbursement of the funds.

#### **GOVERNOR**

Require the State Superintendent to distribute to school districts the maximum amount of federal aids allowed under federal law except those funds received for administrative purposes, from those federal aids for which the State Superintendent acts as the agent of receipt and disbursement.

#### **DISCUSSION POINTS**

1. Wisconsin received approximately \$600.2 million in federal education aids in 2000-01. Of the total, DPI acted as agent of receipt for \$445.2 million in 2000-01. Although it is difficult to determine future federal revenues until the federal budget is passed, it is estimated that DPI will receive \$477.7 million in 2001-02 and \$476.3 million in 2002-03. DPI receives and distributes entitlement, discretionary, and contract grant awards from the federal government for a variety of purposes, including special education, bilingual education, school reform, charter schools, class size reduction, child nutrition and several smaller programs.

2. Of the totals for federal education aids received by DPI, approximately 2.8%, or \$12.5 million, was retained by DPI for administrative purposes in 2000-01. Within DPI, 243.06

FTE positions were supported with federal administrative funds in 2000-01. Approximately 1.0%, or \$4.3 million, was retained for program operations costs to implement the grants that are determined and submitted for approval with the state plan when applying for the federal grant. In addition, of the total federal aid received in 2000-01, approximately 4.4%, or \$19.6 million, was awarded to DPI for discretionary activities, including statewide initiatives, technical assistance, and demonstration projects. DPI expects that approximately \$18.1 million of that total would be affected by this proposal for next year.

3. Of those discretionary funds, approximately \$11.5 million in 2000-01 supported activities of the 12 cooperative educational service agencies (CESA) throughout the state, which provide a variety of services to school districts. Programming offered by CESAs included reading instruction enhancement, early intervention for students at risk for special education referral, development and implementation of assistive technology for students with disabilities, behavioral assessment and intervention, and a statewide parent-educator partnership initiative.

4. The Governor's proposal directs the State Superintendent to distribute to school districts the maximum amount of federal funding allowed, to the exclusion of other local educational agencies. The Department would be prohibited from distributing federal monies over which DPI has discretion to CESAs, the Wisconsin Center for the Blind and Visually Impaired (WCBVI), or the Wisconsin School for the Deaf, or for programs developed and implemented by DPI. DPI indicates that federal discretionary funds of approximately \$2.5 million support 25 positions annually at the WCBVI. In addition, the School for the Deaf receives approximately \$1.8 million to support 14 positions. DOA submitted a budget errata report that indicates it was not the Governor's intent to prohibit funds from being distributed to the residential schools. A modification to the language provided in the bill would be necessary to allow DPI to continue to provide funds to the residential schools.

5. Proponents of the proposal argue that DPI should be directed to distribute the full amount of all federal dollars to school districts, so that the districts could then choose programs to implement or expand, based on what is most appropriate for their local needs. One could argue that local school boards are better equipped to assess their programmatic and funding needs than is a state agency. One could also argue that DPI's use of federal funds for region-specific programs unfairly denies to other districts access to those funds and the benefits derived from them. Additionally, it could be argued that school districts would choose to use additional federal dollars to continue to support programs operated by CESAs if those programs were useful and the best use of funds for the districts.

6. Concerns have also been raised over federal funding retained by DPI for administrative purposes. However, most federal education aids collected by the Department are already distributed by DPI to school districts. In addition, administrative costs, which the Governor's proposal would allow DPI to continue to retain, are often built into the amount of the federal award. When the state applies for a federal grant, program operation costs to implement the grant are often determined and submitted for approval with the state plan, because the funding necessary to implement the program is often significant. Therefore, it is the Department's belief that these monies

would continue to be retained by DPI even under the Governor's modification of the statutory language.

7. The State Superintendent has jurisdiction over and acts as the agent of receipt and disbursement for the funds. While the Governor's proposal modifies the State Superintendent's statutory duties to require maximum distribution to school districts of federal funds allowed, some have argued that it is left to the State Superintendent's discretion, even under the proposal, to determine whether maximum distribution is accomplished. Therefore, the State Superintendent would still have authority to determine what percentage of funds the Department should retain for administration and program operation and submit those costs with the federal applications for monies. It is possible that the Governor's proposal would have little effect on current DPI practices regarding the handling of federal funds, except to exclude CESAs from the local educational agencies that could receive discretionary monies from DPI.

8. With 426 school districts in the state, it may be more cost effective for programs to be coordinated centrally, either by a CESA or DPI. Also, an individual district might be unable to implement a program without combining resources with other districts to cover the costs. In order to coordinate and implement inter-district programs, staff would need access to a large amount of data on regional or statewide issues. Concerns have been raised that DPI and CESAs are more adequately equipped to perform research and implement regional programs than are school districts. Many districts might lack the staff resources necessary to research, implement and administer the types of programs that can be offered by CESA and DPI staffs.

9. Many school districts would likely allocate discretionary federal monies to their CESAs for cooperative initiatives and shared services. Allowing school districts to make this choice would enhance local control over the use of these funds. If school districts have differing priorities than CESAs, the school district could utilize the monies to accomplish its needs.

10. Some have argued that DPI should retain the level of discretion currently enjoyed over some federal monies. According to DPI staff, public education research and development, such as many of the projects coordinated by CESAs, is funded almost exclusively with federal discretionary money. Use of discretionary funds for statewide activities of this nature is consistent with Congress's intent in allocating the monies to state educational agencies, rather than to school districts.

## **ALTERNATIVES TO BASE**

1. Approve the Governor's recommendation to require the State Superintendent to distribute to school districts the maximum amount of federal aids allowed under federal law except those funds received for administrative purposes, from those federal aids for which the State Superintendent acts as the agent of receipt and disbursement. Modify the bill to accomplish the Governor's intent to include the state operated residential schools, the Wisconsin School for the Deaf and Wisconsin Center for the Blind and Visually Impaired, among the local educational

agencies to which federal funding can be distributed.

2. Maintain current law.

Prepared by: Layla Merrifield