



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #636

Student Achievement Guarantee in Education Program -- Per Pupil Payment Amount (DPI -- Categorical Aids)

Bill Agency

[LFB 2007-09 Budget Summary: Page 464, #2]

CURRENT LAW

The student achievement guarantee in education (SAGE) program awards five-year grants to participating school districts for the purpose of lowering class sizes to 15 in grades kindergarten to third. Since its creation, three rounds of contracts have been authorized.

School districts must do all of the following in each SAGE school: (a) reduce each class size in the applicable grades to 15 pupils; (b) keep the school open every day for extended hours and collaborate with community organizations to make educational and recreational opportunities as well as community and social services available in the school to all district residents; (c) provide rigorous academic curriculum designed to improve academic achievement; and (d) create staff development and accountability programs that provide training for new staff members, encourage employee collaboration, and require professional development plans and performance evaluations.

The Department of Public Instruction (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. In 2006-07, a total of \$98,588,000 GPR is provided for the program.

In order to continue to receive funding under the SAGE program, school districts must pass an annual review. At the end of each school year, a committee consisting of the State

Superintendent, the chairpersons of the Education Committees in the Senate and Assembly, and the head of the UW-Madison evaluation team must review the progress of each SAGE school and may recommend that DPI terminate a contract if a school has made insufficient progress or has violated the requirements of SAGE. The Department may terminate a contract if it agrees with the committee's recommendation.

GOVERNOR

Provide \$10,366,900 GPR annually above annual base funding of \$98,588,000 GPR for SAGE. This funding would allow the per pupil payment amount to increase from \$2,000 per low-income pupil to \$2,250, the statutory payment amount established under 2005 Act 125.

DISCUSSION POINTS

1. Since 1996-97, the SAGE program has provided \$2,000 per low-income pupil enrolled in kindergarten through third grade to participating schools. The per pupil payment level has not changed since that time. Under 2005 Act 125, in the 2007-08 school year and thereafter, participating SAGE districts will be paid \$2,250 multiplied by the number of low-income pupils enrolled in the eligible grades.

2. Act 125 also increased the limit on the number of pupils who can participate in the Milwaukee parental choice program from 15% of Milwaukee Public Schools (MPS) membership to 22,500, beginning in 2006-07. The act allowed choice pupils to continue in the program if their family income is below 220% of the federal poverty level, rather than 175%, as is required in order to qualify for the program initially. Prior-year participation requirements for choice pupils (that they must have been enrolled in MPS, the choice program, or grades K-3 in private schools located in the City, or not enrolled in school, in the school year prior to their initial enrollment in a choice school) were deleted, beginning in 2006-07. Finally, the act contained provisions requiring that participating private schools be accredited, and that they administer a nationally-normed, standardized test in reading, mathematics, and science to pupils attending the schools under the choice program in the 4th, 8th, and 10th grades.

3. The per pupil payment for SAGE has not changed since the program began in 1996-97. Some have argued that the per pupil payment amount under SAGE should be increased in order to offset the effect of inflation over the 10-year life of the program. Adjusting the per pupil amount using the Consumer Price Index, \$2,000 in 1997 would equal \$2,536 in 2007.

4. The most recent decision by the State Supreme Court on the constitutionality of the school aid formula was issued in July, 2000, in the case of Vincent v. Voight. In that decision, the Court concluded that the current state school finance system did not violate either the uniformity clause or the equal protection clause of the Wisconsin Constitution.

5. In the Vincent decision, the Court indicated that Wisconsin students have the right

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

6. In the three most recent school funding decisions, the Court recognized that the Legislature is entitled to deference in fiscal and educational policy decisions. While the Court did not specify a particular funding level that would provide an equal opportunity for a sound basic education for low-income students, the Court stated in Vincent that "so long as the Legislature is providing sufficient resources so that school districts offer students the equal opportunity for the sound basic education as required by the Constitution, the state school finance system will pass constitutional muster." SAGE is the largest state program that provides additional resources for low-income K-12 students.

7. For its agency budget request, DPI estimated the cost of the \$250 per pupil increase based upon the 2005-06 participation figures, 48,313.1 FTE pupils enrolled in 495 schools, which was the most recent information available at the time. The Department assumed no increase in low-income enrollment. The Governor's funding recommendation was based on these estimates. However, although 15 fewer schools are participating in SAGE in 2006-07, low-income enrollment in the program has increased by 1,346.5 pupils, to 49,659.6, based on January, 2007, pupil counts. Under administrative rules promulgated by DPI, schools may receive prorated payments for pupils reported after the fall count date. As a result, payments on behalf of 1,146 pupils will equal \$1,149 in 2006-07. These figures would suggest that schools remaining in the program tend to have higher concentrations of low-income pupils.

8. Using the 2006-07 low-income enrollment in SAGE schools, aid would equal \$99,319,200 at the current \$2,000 payment amount and would total \$111,734,100 at the \$2,250 statutory amount. Including funds for the ongoing SAGE evaluation, full funding for the \$250 per pupil increase would equal \$13,396,100 over the base. This amount would increase funding under the bill by \$3,029,200 annually, or a total of \$111,984,100 annually for SAGE.

9. On the other hand, if the Committee would not approve a funding increase or modify the statutory per pupil amount, SAGE payments would be prorated in the coming biennium. Using the most recent 2006-07 pupil count, the current SAGE appropriation would be prorated at approximately 88%. At that rate, assuming no change in the low-income pupil count, payments would equal \$1,980 per pupil.

10. To address a potential issue if there would be excess funding for the program, the Committee could allow DPI to increase SAGE payments proportionately in order to expend the entire appropriation in a given year. Currently, DPI may only reduce payments when the appropriation is insufficient to cover all aid claims by districts. This provision would allow DPI to fully expend the appropriation for SAGE by increasing per pupil payments, rather than lapse unexpended amounts to the general fund when fluctuations occur in the number of eligible low-income pupils.

11. The Committee could also consider a one-year delay before providing funding for the full \$2,250 statutory payment. Under this alternative, \$10,366,900 could be deleted from the bill for 2007-08, and \$3,029,200 added in 2008-09 to fully fund the estimated cost in that year. This alternative would preserve scarce state tax dollars in 2007-08. Full funding would then be provided in 2008-09 and incorporated into the program's base budget.

12. Under current law, DPI is permitted to waive any school board or school district requirement in Chapters 115 to 121 of the statutes, the elementary and secondary education laws, or in the administrative rules promulgated by DPI. Certain requirements cannot be waived, including: (a) the health or safety of pupils; (b) pupil discrimination; (c) standardized pupil assessments; (d) pupil records; (e) collection of data by DPI; (f) uniform financial accounting and audits of school district accounts; (g) personnel licensure and certification, other than of the school district administrator or business manager; and (h) commencement of the school term. DPI has granted nine school districts formal waivers related to SAGE requirements since August, 2006.

13. Some have argued that, because the primary goal of the program is to lower class sizes, districts should not be provided class size waivers. According to DPI, limited staff resources are focused on those schools with persistently high class sizes, while small deviations from 15 to one have been permitted. In some cases, districts have been allowed to implement SAGE for half days, only in core academic subjects, or using an additional teacher or an aide in classes of 30. If the problem persists, schools are asked to apply for a formal waiver, or leave the program. The Committee could choose to limit DPI's waiver authority, and add the SAGE class size requirement to those requirements that cannot be waived.

14. However, some have argued that school districts struggle to meet the requirements of SAGE primarily due to inadequate funding. In 2000-01, the year with the largest school district participation in SAGE, 244 school districts had contracts on behalf of 576 schools. In 2006-07, there are 220 school districts with SAGE contracts on behalf of 480 schools. Given the additional \$250 per pupil, school districts would have more resources to fund small class size and perhaps would be less likely to deviate from the program requirements or leave the program.

15. On the other hand, one could argue that the SAGE per pupil payment was not intended to cover the full cost of staffing grades kindergarten through three. General school aids, funded at \$4.72 billion in 2006-07, are a more significant resource than SAGE aid in the overall context of the state's efforts to equalize the tax base among school districts and provide an equal opportunity for a sound basic education under the state school finance system. Further, any staffing costs not reimbursed by state categorical aids are included in shared costs under general equalization aids. On average, general school aids in 2006-07 equaled 58.2% of shared costs. An individual district's equalization aid depends upon the district's relative property wealth and costs, and how the district competes under the equalization aid formula. Any remaining costs would be paid with local funding sources, primarily from property taxes. Given these alternate sources of revenue and state budget constraints, the Committee could choose to retain the current funding level.

16. SAGE aid provides an additional resource for school districts outside of revenue

limits. If a smaller portion of funding subject to revenue limits would be needed for incremental costs related to SAGE, then more funding is available for instructional purposes. Those resources can be very important to districts with a high proportion of low-income pupils. For these reasons, the Committee could choose to approve the payment increase to provide districts with additional resources.

ALTERNATIVES TO BILL

A. Funding

1. Approve the Governor's recommendation to provide \$10,366,900 annually above base funding of \$98,588,400 for the SAGE program. This funding increase would allow the per pupil payment amount to increase from \$2,000 per low-income pupil to \$2,250, the payment amount currently authorized in statute, based on low-income enrollment figures for 2005-06.

ALT A1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$20,733,800

2. Modify the Governor's recommendation to provide an additional \$3,029,200 annually, for a total of \$13,396,100 annually over base funding, for the SAGE program. This funding increase would provide a reestimate of the amount needed for full funding for the \$2,250 per pupil payment amount, based on low-income enrollment figures for 2006-07.

ALT A2	Change to Bill Funding	Change to Base Funding
GPR	\$6,058,400	\$26,792,200

3. Modify the Governor's recommendation to delete \$10,366,900 in 2007-08, but provide an additional \$3,029,200 in 2008-09. This would delay funding the \$2,250 per low-income pupil payment until 2008-09.

ALT A3	Change to Bill Funding	Change to Base Funding
GPR	-\$7,337,700	\$13,396,100

4. Delete provision.

ALT A4	Change to Bill Funding	Change to Base Funding
GPR	-\$20,733,800	\$0

B. Up or Down Prorate Provision

1. Allow DPI to proportionately increase SAGE per pupil payments if, in any given year, such a prorate is necessary in order to expend the entire SAGE appropriation, beginning in 2007-08. Under current law, DPI can only reduce payments when the appropriation is insufficient.

2. Maintain current law.

C. Waiver Authority

1. Prohibit DPI from granting waivers for the requirements of the SAGE program. Under current law, DPI is generally permitted to waive any school board or school district state requirement, with certain exceptions specified in statute.

2. Maintain current law.

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