



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #642

Four-Year-Old Kindergarten Grants (DPI -- Categorical Aids)

Bill Agency

[LFB 2007-09 Budget Summary: Page 468, #10]

CURRENT LAW

Under the current school finance system, there is no separate appropriation to provide funds for four-year-old kindergarten (K4) programming. School districts count K4 pupils in their membership for revenue limit and general school aids purposes, with state K4 funding provided through the general school aids appropriation (\$4.723 billion in 2006-07). A four-year-old kindergarten pupil is counted as 0.5 member if the pupil attends for at least 437 hours, unless the program provides at least 87.5 additional hours of outreach activities, in which case the pupil is counted as 0.6 member.

GOVERNOR

Provide \$3,000,000 GPR in 2008-09 and create a categorical aid appropriation for grants to school districts to implement a K4 program. Authorize school boards to apply to DPI for a two-year grant. For the first year of the grant, require DPI to pay each eligible district up to \$3,000 for each K4 pupil enrolled in the district. For the second year of the grant, require DPI to pay each eligible district up to \$1,500 for each K4 pupil enrolled in the district. Require DPI to give preference in awarding grants to districts that use community approaches to early education, as defined in administrative rule. Require DPI to prorate payments if funding in the appropriation is insufficient to pay all school districts. Require DPI to award grants beginning in the 2008-09 school year, and to promulgate rules to implement the grant program. Add eligibility for the grant program to the list of statutory provisions that apply to the Milwaukee Public Schools as a first class city school district.

DISCUSSION POINTS

1. If a school district chooses to implement a new K4 program, it would receive full revenue limit authority for the pupils enrolled in the program only in the third year of the program. Under the three-year rolling average of pupil enrollment used under revenue limits, the district would receive one-third of the revenue limit authority for those pupils in the first year of the program's operation. In the second year of the K4 program, the district would have revenue limit authority for two-thirds of the pupils in the new program. Only in the third year of the program, when the pupils in the K4 program are counted in each year of the three-year rolling average, would the district have full revenue limit authority for the pupils.

2. To illustrate the effects of the three-year rolling average, a district that has the statewide average per pupil revenue, prior to adjustments, of \$8,977 in 2006-07 can be used. Based on the current law per pupil adjustment under revenue limits, this district would receive \$4,489 in revenue limit authority for a fully phased-in K4 pupil in a program with no additional outreach provided, which is counted as 0.5 pupil. Under the three-year rolling average, this district would have received one-third of that authority, or \$1,496, for that K4 pupil if a new K4 program had been implemented in 2006-07. In the second year, after consideration of the estimated per pupil adjustment, the district would have revenue limit authority for \$3,080 for a K4 pupil in the second year of the program. In the third year, after consideration of the estimated per pupil adjustment, the district would have full revenue limit authority of \$4,756 for a K4 pupil.

3. The Governor's proposal would provide categorical aid to school districts to cover the approximate portion of revenue limit authority for a K4 pupil that would not be realized by the school district in the first two years of the K4 program under the three-year rolling average. Categorical aid is provided outside of revenue limits, representing an additional financial resource for districts. Under this bill provision, a district starting a K4 program would receive the equivalent revenue for the K4 pupils from a combination of revenue limits and categorical aid. In the first year, the district would get one-third of the revenue from revenue limits and two-thirds from categorical aid. In the second year, the district would get two-thirds of the revenue from revenue limits and one-third from categorical aid. In the third year, all of the revenue would be from revenue limits.

4. Under the Governor's proposal, enough categorical aid funding would be provided in 2008-09 to fully fund some combination of districts offering K4 programming for up to 1,000 pupils. On an ongoing basis, the amount proposed would fully fund fewer students in new K4 programs each year, so as to provide the initial grants for new programs in the current year and the second grants for programs that started in the prior year. If the funding for which districts are eligible in any year under the program would exceed the amount appropriated, DPI would be authorized to prorate the payments.

5. The proposed grant program would be a way to help school districts attempting to implement K4 programs. Several districts around the state have expressed an interest in starting K4 programs, but have chosen not to do so because it takes three years to get full funding for the program under revenue limits.

6. The proposed grant program would also encourage the use of collaborative approaches to early child care and education. While the definition of "community approaches" for the program would be determined by DPI in administrative rule, these approaches typically integrate the efforts and funding sources for multiple types of early care providers so that more children can be served and so that the overall quality of each provider can be enhanced.

7. It has been noted by some proponents of the proposed grant program that funding of K4 programs under the Milwaukee parental choice program and the Milwaukee and Racine charter program differs from funding of K4 programs for public K-12 schools. Because funding under the choice and charter programs is provided on a current year basis, these schools would receive full funding for a new K4 program in the first year of its operation. The proposed grant program then would treat public schools more similarly to choice and charter schools in this respect within the framework of revenue limits.

8. The following table shows the K4 pupil headcount and membership and the number of school districts in the state that provided K4 programming over the last six school years. The 2006-07 data in the table is preliminary and could change based on further auditing by DPI.

Four-Year-Old Kindergarten Participation

	<u>Headcount</u>	<u>Membership</u>	<u>Number of Districts with K4 Programs</u>
2001-02	14,483	8,270	166
2002-03	16,051	9,260	180
2003-04	16,957	9,849	189
2004-05	18,652	10,854	208
2005-06	21,004	12,209	235
2006-07	24,076	14,128	257
Cumulative Change			
Amount	9,593	5,858	91
Percent	66.2%	70.8%	54.8%

9. As shown in the table, the headcount of pupils in K4 programs has increased 66% over the last six years, and the number of districts offering K4 programming has increased by 55% over that same time period. Based on this recent experience, one could argue that, in spite of the revenue limit implications involved in starting a K4 program, districts have shown a willingness to begin such programs without the benefit of state categorical aid in the first two years of the program.

10. In considering whether to create a categorical aid appropriation for this purpose, there may be other options available to school districts interested in starting a K4 program, besides providing new state aid funding for this purpose. Given the relatively short two-year time frame in which the district would not have full funding for the pupils, districts could make use of fund balances, if available, for implementation costs. School districts could also propose a nonrecurring

referendum for two years in the amount needed by the district for implementation costs. Pursuing a referendum would also ensure that there is local support for starting a K4 program in the district.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$3,000,000 in 2008-09 and create a categorical aid appropriation for grants to school districts to implement a K4 program.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$3,000,000

2. Delete provision.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	-\$3,000,000	\$0

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