



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #637

Student Achievement Guarantee in Education Program -- Program Expansion (DPI -- Categorical Aids)

Bill Agency

[LFB 2007-09 Budget Summary: Page 465, #3]

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 that the SAGE program would be opened to new schools in 2008-09. Provide \$540,000 in 2008-09 to fund approximately five new schools, although there would not be a statutory limit on the number of schools that could join the SAGE program. Require that, for contracts beginning in 2008-09, schools reduce class size to 15 in at least grades kindergarten and first in 2008-09; grades kindergarten to second in 2009-10; and grades kindergarten to third in 2010-11. Require that DPI give priority in accepting new schools into the program to the schools that have the highest percentage of low-income enrollment.

Under a current law provision governing school district eligibility for the program, only school districts in which a school in the previous year had an enrollment that was at least 50% low-income could participate in this new expansion.

DISCUSSION POINTS

1. The original five-year SAGE contracts covered kindergarten and first grade in 1996-97, with the addition of second grade in 1997-98, and third grade in 1998-99. A school district was eligible to enter a contract on behalf of one school in the district, if in the previous year the district had at least one school with an enrollment made up of at least 50% low-income pupils. The school receiving the grant was required to have an enrollment of at least 30% low-income pupils, and could not already be participating in the preschool to grade 5 (P-5) program. Milwaukee Public Schools (MPS) could enter contracts on behalf of up to 10 schools. If other districts had more than one eligible school, they were required to contract for the school with the largest number of low-income pupils in kindergarten and first grade. These contracts were subject to renewal on June 30, 2001.

2. Under 1997 Act 27, a second round of five-year contracts was authorized for additional schools and school districts. MPS could enter into contracts on behalf of up to an additional 10 schools under the second round. The low-income enrollment requirements remained the same, as did the requirement that a school could not already be participating in the P-5 program. These contracts were subject to renewal on June 30, 2003.

3. Under the provisions of 1999 Act 9, a third round of five-year contracts was created, which covered kindergarten and first grade in 2000-01, with the addition of second grade in 2001-02 and third grade in 2002-03. These contracts were subject to renewal on June 30, 2005. Under the provisions governing this round of contracts, all school districts were allowed to participate in the program, regardless of low-income enrollment. Third round schools were required to meet the

following conditions: (a) the school board was not already receiving a grant on behalf of the school under the P-5 program; (b) if eligible in the 1996-97 and 1998-99 school years, the school board participated in the program in either year; and (c) the school was not already the beneficiary of a SAGE contract. No school district was limited in the number of third round contracts it could enter into on behalf of eligible schools. Approximately 500 new schools joined the program under this round of contracts.

4. DPI has not been permitted to enter into any new SAGE contracts since 2000-01. Under 2001 Act 16, 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 of class size achieved under the original contract, in grades kindergarten through third.

5. In recent years, the number of schools and districts participating in SAGE has declined steadily. Nevertheless, low-income enrollment in SAGE schools has continued to increase. In 2002-03, there were 47,526 low-income pupils enrolled in 548 participating schools in 231 districts. For 2006-07, there are 48,510.6 eligible low-income pupils enrolled in 220 school districts with SAGE contracts on behalf of 480 schools. Because low-income pupils drive aid payments, the cost to the state to fully fund the program has likewise continued to increase. SAGE expenditures for the past five years are shown in the table below.

SAGE Expenditures

2002-03	\$94,848,600
2003-04	95,568,200
2004-05	96,353,300
2005-06	96,825,100
2006-07	98,588,000 (Budgeted)

6. One could argue that, because 68 schools have left the program over the last five years, a fourth round of contracts should be authorized in order to allow other schools to replace those that left the program. On the other hand, the third round of contracts that began in 2000-01 was open to nearly every school in the state that wished to reduce class size. It could be argued that school districts that are inclined to participate in the program are likely already doing so.

7. Proponents of the proposal have argued that some schools may have missed the initial opportunity to join SAGE, or may be newly interested in the program due to changing circumstances. It is possible that in the intervening years, some schools may have experienced growing poverty rates, or attendance areas might have changed to include high-poverty areas.

8. SB 40 would provide an additional \$540,000 in 2008-09 to allow an estimated five new schools to join the program in 2008-09. Although funding was included in the bill for five new schools, no limit on the number of schools that may join the program is specified in statute under

the bill. If the Committee approves this provision, it might be desirable to establish a limit on the number of schools eligible for a fourth round of SAGE contracts.

9. Under the bill, a current law provision governing school district eligibility for the program that applied to the first and second rounds of contracts would apply to the proposed fourth round of contracts. As a result, only school districts in which at least one school had an enrollment that was at least 50% low-income could participate in this new expansion. In 2006-07, 84 school districts had at least one school with a low-income enrollment of at least 50%. If the Committee wishes to open the SAGE program to as many districts as possible with the proposed fourth round of contracts, then it could eliminate this restriction.

10. Researchers for the SAGE evaluation study have consistently found a positive and statistically significant effect of the SAGE program for pupils through grades one, two, and three compared to control groups. However, the 2004 evaluation found no cumulative effect for the SAGE program on the grade four knowledge and concepts exam, which conflicts with earlier results. According to the report, it is possible that the program has a more positive effect on minority pupils than on other pupils. High rates of student mobility, a relatively small sample of pupils, and wide variations in effectiveness in individual schools have led to inconclusive results.

11. It could be argued that further expansion of the program should be delayed until more research can be conducted to determine whether the program positively impacts pupil achievement. The design of the current study is meant to measure the ancillary impacts of the program as SAGE pupils continue to progress through the education system, examining whether such indicators as graduation rates and grade retention are affected by pupils' participation in SAGE. In addition, the study will identify the teaching methods, professional development, and other school initiatives that, in conjunction with small class sizes, produce the biggest achievement gains. This type of longitudinal study would represent an analysis of the program potentially more accurate and meaningful than any short-term test score comparison can provide.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$540,000 in 2008-09 and allow new schools to join the SAGE program. It is estimated that this funding level would be sufficient for approximately five new schools, although there would not be a statutory limit on the number of schools that could join the SAGE program.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$540,000

2. Modify the Governor's recommendation to specify that:
 - a. a maximum of five new schools would be permitted to join the SAGE program;

and/or

- b. any school district would be eligible for the fourth round of contracts.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$540,000

3. Delete provision.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	-\$540,000	\$0

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