



Legislative Fiscal Bureau

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

May 5, 2009

Joint Committee on Finance

Paper #631

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

[LFB 2009-11 Budget Summary: Page 523, #2]

CURRENT LAW

Base level funding of \$3,000,000 GPR is appropriated for two-year grants to school districts that implement a new four-year-old kindergarten (K4) program. In the first year of a K4 grant, the Department of Public Instruction (DPI) pays each eligible district up to \$3,000 for each K4 pupil enrolled in the district. In the following year, DPI pays each eligible district up to \$1,500 for each K4 pupil enrolled. If the appropriation amount is insufficient to fully fund the maximum payments, DPI is required to prorate the payment amounts. As administered by DPI, a two-year grant, districts continuing in the program in their second year would have priority for funding from the K4 grants appropriation over districts new to the program in their first year.

In awarding the grants, DPI is required to give preference to districts that use community approaches to early education. These approaches integrate the programs and funding sources for districts and other community-based providers such as Head Start agencies and family and group child care centers.

Under the current school finance system, there is no separate appropriation to provide ongoing funds for K4 programming. 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 (\$4.8 billion in 2008-09). 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 \$1,000,000 GPR annually to increase funding for K4 grants.

DISCUSSION POINTS

1. Under the three-year rolling average of pupil enrollment used under revenue limits, a district implementing a new K4 program 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. K4 grants were intended to provide categorical aid outside of revenue limits to districts to cover the approximate portion of revenue limit authority for a K4 pupil that would not be realized by the district in the first two years of the K4 program under the three-year rolling average. In the first year of a new K4 program, the district would get one-third of the revenue from revenue limits and up to two-thirds from categorical aid. In the second year, the district would get two-thirds of the revenue from revenue limits and up to one-third from categorical aid. In the third year, all of the revenue would be from revenue limits.

Funding Level

3. Funding for K4 grants was first provided in 2008-09, with 31 districts eligible for grants. Unaudited data indicates that those districts enrolled nearly 4,300 K4 pupils, resulting a first-year grant of \$698 per K4 pupil. This represents 23% of the \$3,000 maximum per pupil payment for a first-year grant.

4. DOA staff indicate that the intent of providing the additional K4 funding was to reduce the proration of the grant awards. If the additional funding in the bill is provided, these 31 districts would be eligible for a second-year grant of \$931 per pupil.

5. The following table shows the K4 pupil headcount and membership and the number of districts in the state that provided K4 programming since 2001-02. The 2008-09 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
2007-08	27,759	16,302	283
2008-09	33,976	20,032	319

6. The largest annual growth in the number of districts offering K4 programs and in the

headcount of pupils in K4 programs occurred in 2008-09, the first year K4 grants were available. While the decision to offer K4 programming is at the discretion of local school boards and involves a number of factors, the relatively large increase in K4 programming could be indicative of a greater willingness of districts to implement new programs with additional state resources available, and that the funding under the bill could help achieve this outcome (Alternative A1).

7. From 2001-02 through 2007-08, prior to the state providing K4 grants, the headcount of pupils in K4 programs grew at an average annual rate of 11.5% and the number of districts with K4 programs grew at an average annual rate of 9.3%. Based on that experience, one could argue that, in spite of the revenue limit implications involved in starting a K4 program, districts had shown a willingness to begin such programs without the benefit of state categorical aid, and that the additional funding under the bill would not be necessary (Alternative A2).

Funding Distribution

8. The intent of the K4 grant program is to provide categorical aid outside of revenue limits to districts to cover the approximate portion of revenue limit authority for a K4 pupil that would not be realized by a district in the first two years of the K4 program. That portion of revenue limit authority is greatest in the first year of a new K4 program, when only one-third of K4 pupils are included in a district's revenue limit.

9. Districts that implemented a K4 program in 2008-09 were the only districts eligible for funding in that year, and these districts would have first priority for funding in 2009-10 for their second-year grants. Districts that begin a new program in 2009-10 would not receive grants for the first year of their programs, even with the increase in funding under the bill. These districts would, however, have first priority for 2010-11 funding in the second year of their programs. Preliminary information from DPI indicates that 16 districts starting K4 programs in 2009-10 (12 using community approaches) have applied for grant funding.

10. The pattern of favoring the \$1,500 second-year grants over the \$3,000 first-year grants is arguably counter to the intent of the program. Depending on the funding appropriated and the number of eligible districts, this funding pattern could continue in the near future.

11. To address this issue, the Committee could modify the statutory prorate provision for the distribution of K4 grants to weight the funding toward first-year districts. One option would be to have DPI calculate the full aid entitlement for all eligible first-year and second-year districts that utilize community approaches. If funding is not available to fully fund all these entitlements, a prorate percentage could be determined by comparing total aid entitlements to available funding. This prorate would be applied to both the \$3,000 and \$1,500 per pupil grant amounts. First- and second-year districts would both receive some funding, with first-year districts receiving twice as much per pupil as second-year districts. Any remaining funding could be distributed to districts that do not utilize community approaches using the same method.

12. This alternative could be implemented in one of two ways. First, it could be made effective for the 2009-10 distribution of aid (Alternative B1). This would provide funding to districts with new programs in 2009-10, who otherwise would receive no first-year grant funding. It

would, however, also reduce funding to districts that began programs in 2008-09 that would be eligible for second-year funding in 2009-10.

13. This alternative could also be made effective for the 2010-11 distribution of aid (Alternative B2). This would be consistent with current DPI administration of the program and the guidance the Department has provided to eligible districts. However, this would provide no first-year funding in 2009-10 to districts with new programs in that year. These districts would then potentially have their second-year funding reduced to provide first-year grants to districts with new programs in 2010-11.

ALTERNATIVES

A. Funding Level

1. Approve the Governor's recommendation to provide \$1,000,000 annually to increase funding for K4 grants.
2. Delete provision.

ALT A2	Change to Bill Funding
GPR	-\$2,000,000

B. Funding Distribution

1. Modify the distribution for K4 grants, beginning with aid paid in 2009-10, to specify that DPI: (a) determine the total aid entitlement for eligible districts using community approaches based on the \$3,000 and \$1,500 per K4 pupil aid amounts; (b) determine a prorate percentage, if any, for these districts by dividing the appropriation amount by the total of aid entitlements; and (c) distribute any remaining funding to districts that do not utilize community approaches using the same method.
2. Modify the distribution for K4 grants as specified in B1 beginning with aid paid in 2010-11.
3. Maintain current law.

Prepared by: Russ Kava