

## Who's Affected by Pre-Kindergarten Cuts?

The Legislature's version of the biennial budget bill would substantially reduce financial support for four -year-old kindergarten (4K) programs. The bill is now in the Governor's hands and he must decide whether to accept or veto the 4K changes.

This paper explores the issue of which schools would be affected by the changes to 4K funding, and also the potential indirect effects for the state's child care subsidy program.

### The Pending Changes

Analyzing the impact of changes relating to 4K financing is complicated by several factors – not the least of which is the fact that there is not a distinct appropriation for four-year-old kindergarten (4K) programs. Instead, schools receive increased equalization aid because the four-year-old kindergarteners are counted in the aid formula. It is estimated that schools spent about \$72 million for 4K programs in 2002-03, and the state share was \$48 million.

As approved by the Legislature, the budget bill (SB 44) would make two significant changes relating to the financing of 4K programs:

- *Equalization aid* – The bill reduces the weighting of 4K pupils in the aid formula and cuts \$23 million per year to reflect that change. Whereas current law counts 4K pupils as 0.5 or 0.6 of a full-time student (depending on the district's outreach efforts), the bill would count them as just 0.25 of a student, with the exception of 4K students with disabilities. Aid would be cut in each year of the biennium, but

the formula change would first redistribute aid in 2004-05.

- *Revenue caps* – The final bill also changes the 4K pupil count for revenue cap purposes, which reduces spending limits by about \$38 million statewide. Each school with a 4K program would be required to reduce its spending by the amount of lost equalization aid and also by about half the current amount of property tax spending for the 4K program.

Most of the discussion of the 4K changes has focused on the reduced equalization aid for schools with 4K programs. However, the second change is at least as important. If enacted, that change in the spending caps, coupled with other changes in the bill, would make it very difficult for schools to continue their 4K programs.

### Analyzing the Data

The available data relating to 4K programs is not sufficiently complete to enable the Legislative Fiscal Bureau (LFB) or Department of Public Instruction (DPI) to do a computer run showing the precise effect of either of the 4K changes for specific districts. Nevertheless, we can tell generally how different districts will be affected.

For this analysis we used the 2002-03 student counts for each school, and we compared the number of 4K students to the total number of students. We sorted the 426 school districts by size into five approximately equal groups (quintiles) and analyzed the use of 4K programs for each of those groups (see Table 1).

**Table 1. – Four-Year-Old Kindergarten Programs by School Size**

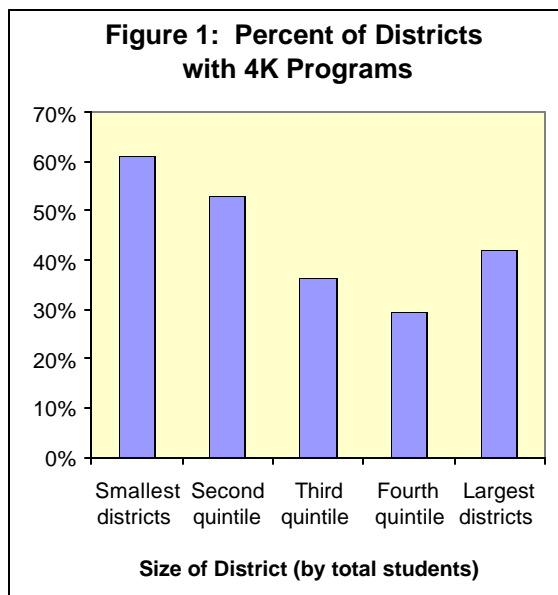
District Size (by total # of students)	# of Districts with 4K Programs	% of Districts with 4K Programs	Average % of Students in 4K *
Smallest districts (90-491 students)	52 (of 85)	61.2%	3.7%
Second quintile (492-781)	45 (of 85)	52.9%	2.8%
Third quintile (782-1200)	31 (of 85)	36.5%	2.0%
Fourth quintile (1201-2560)	25 (of 85)	29.4%	1.2%
Largest districts (more than 2560)	36 (of 86)	41.9%	1.2%
<b>Totals</b>	189 (of 426)	44.4%	2.2%

\* Note: The averages include schools with and without 4K programs and are not weighted.

### Disproportionately Affecting Small Districts

The table on the previous page and the chart below illustrate that four-year-old kindergarten programs are more commonly offered by the smaller school districts, which are often (but not always) rural districts.

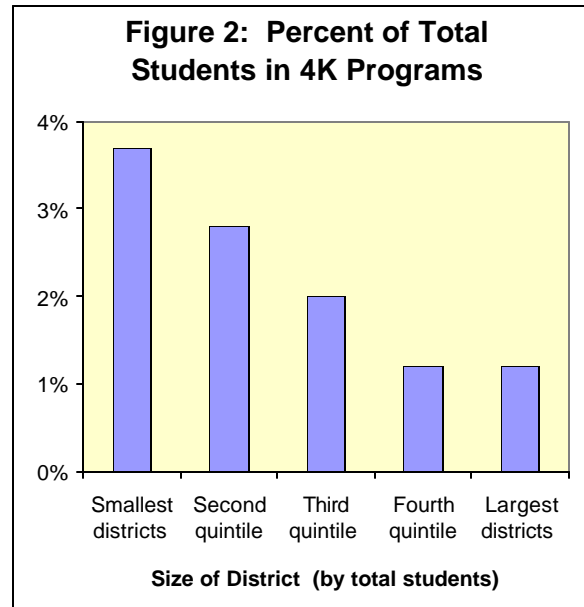
Among the state's smallest districts (the fifth of districts with less than 492 total students), 61 percent have 4K programs. That compares to 44 percent of all districts in the state, and only about 29 percent of districts in the quintile with the second highest total enrollments (those with between 1200 and 2560 students).



Smaller schools also tend to have a larger percentage of their students in 4K programs. Figure 2 illustrates that 4K pupils are 3.7 percent of total students in the smallest fifth of districts, compared to just 1.2 percent among the largest two fifths of school districts. (Figure 2 uses unweighted averages. In other words, it averages the percentages for all the districts in each quintile, rather than computing a single ratio for all the students in each group of districts.)

If we focus just on the 189 districts with 4K programs, the average portion of all students in 4K is 4.9 percent (and the median is 5.2 percent). Among the 20 districts with the highest portion of total students in 4K (ranging from 7.4 to 10.6 percent), none had more than

1,100 students, and 15 of the 20 were in the quintile of the smallest schools.



### Milwaukee and Other Large Districts

Although the changes relating to 4K financing would disproportionately affect smaller school districts, many large districts also have 4K programs. Among the fifth of districts with the largest total enrollments, nearly 42 percent offer four-year-old kindergarten. In addition, among the 15 largest districts, 11 have 4K programs. In the majority of those districts, the 4K program is relatively small (in 5 of the 11 the 4K students are less than 0.6% of total enrollment). However, there are several notable exceptions.

The state's largest district, Milwaukee Public Schools (MPS), would be hit especially hard by the proposed changes. MPS has more than 97,000 total students, or about 11 percent of all students in Wisconsin. It had 5,715 children in 4K programs last year – which amounted to about 5.9 percent of all MPS students (compared to the average of 4.9 percent for all districts with 4K programs). More notably, MPS has 35 percent of all Wisconsin children in 4K programs in the school districts.

Other large districts with sizeable 4K programs include:

- Sheboygan – 550 4K students (5.3% of all the district's students);

- Wauwatosa – 417 students (3.9%); and
- La Crosse – 341 students (4.5%).

### **The Aid Cut for a Typical District**

Among the districts with 4K programs, the typical portion of their total students in 4K is 5.2 percent (based on the state median). If such a district uses the current 0.6 pupil ratio in the equalization formula (for districts making sufficient outreach efforts), its 4K students would represent about 3.1 percent of the district's total pupil count.

The change approved by the Legislature would have the effect of making the 4K pupils just 1.3 percent of the district's pupil count (assuming that none of the children included in its 4K count are special education students). The effect of that change in the count would vary from district to district (depending on many variables in the aid formulas), but it would typically translate to an aid cut on the order of 1.8 percent.

A typical district receives about \$5 million in equalization aid, so a 1.8 percent cut for such a district would mean an aid loss of \$90,000. Assuming two-thirds of the district's costs are covered by state aid, its spending cap would be cut by roughly \$135,000.

### **The Effects for Wealthier Districts**

Some people seem to believe that the more affluent districts – those with higher property tax bases per student and less state aid – would not be adversely affected by the 4K changes in the budget. That perception is mistaken and reflects the failure of many people to understand the bill's change to the 4K pupil count in the revenue cap calculations.

In general, the effect of those changes is to reduce each district's revenue cap by the amount of equalization aid the district would lose and by roughly half the property tax spending for its 4K program. In other words, a district would have to cut spending by roughly half its spending for the 4K program.

This revenue cap change is on top of the general reduction in revenue caps contained in the

Legislature's version of the budget. Those changes hold allowable spending growth below the rate of inflation. If the specific 4K spending cap change is enacted and added to the broader reduction in those growth limits, it would be exceptionally difficult for any school district to continue a 4K program, without going to a public referendum.

There is, however, at least one significant difference in what the bill would mean for rich districts, versus the poorer ones. The districts that use significantly less equalization for their 4K programs would need smaller property tax increases to maintain those programs. They would probably have to go to a public referendum to preserve the program, but getting public approval is likely to be much easier than in a poor district, since a smaller percent increase would be necessary.

### **Indirect Effects for Child Care**

Cutting state funding for 4K programs is also likely to have a couple of negative consequences for the state's child care subsidy program, Wisconsin Shares:

- *Child care block grant funds* – Wisconsin currently uses \$6 million of state 4K spending each year as matching funds to draw down about \$8.6 million of federal child care block grant funds. Determining the effect of the pending 4K changes on those child care funds is complicated by several factors. The most important of those complications is the question of how many districts would decide to drop their 4K programs. Assuming many districts (especially poorer districts) would do so, equalization aid for 4K programs could drop much further, and the state might not be able to draw down as much of the block grant funds to use in the subsidy program.
- *Increased demand for Wisconsin Shares* – In addition, a significant reduction in the number of 4K programs would increase the need for child care and for the subsidy program. The Legislative Fiscal Bureau estimated that the demand for the Wisconsin Shares subsidies could increase by as much as \$4.8 million per year.

The combination of increased Wisconsin Shares demand and reduced block grant funds could necessitate the imposition of waiting lists or other cost-cutting measures to keep the subsidy program within its budget. Although some child care providers would welcome the increased demand for their services, other providers across the state would be affected negatively if waiting lists are imposed or reimbursement rates are cut.

### **Other 4K Programs**

Not all of the 4K programs in Wisconsin are offered by the state's 426 school districts. Parental choice and charter schools would also be adversely affected.

The Legislature's version of the budget cuts aid to parental choice schools because the 4K change would reduce their membership count by about 2.6 percent in 2003-04 and 2.4 percent in 2004-05.

Ten charter schools in Milwaukee served 283 4K students in 2002-03, which represented 7.8 percent of their total students. Cumulatively, their pupil count for aid purposes would be reduced by roughly 4 percent.

### **The Veto Option**

When the Legislature cut 4K funding in the 2001-03 budget bill, Governor McCallum vetoed the change. It appears that Governor Doyle is also leaning toward a veto of the 4K changes in the current budget bill. His decision was probably made a bit easier when other actions of the Legislature added more equalization aid to the bill. That additional aid makes it possible for the Governor to veto the proposed 4K funding without causing aid to be cut for districts that do not have 4K programs.

If the Governor vetoed both parts of the 4K financing changes – relating to the distribution of equalization aid and the calculation of revenue caps – his vetoes would have two effects:

- Schools would be able to continue their 4K programs without being forced to make deep cuts elsewhere in their budgets or to hold a public referendum.

- The distribution of equalization aid would be consistent with the numbers shown in the Legislative Fiscal Bureau's computer runs (since those printouts do not factor in the 4K changes). Without a veto, the change in the 4K count used in the revenue cap formula would cause a slight shift in aid in 2003-04, and the change in the pupil count for equalization aid purposes would cause a further shift in aid in 2004-05.

### **Conclusion**

The changes in the biennial budget bill relating to the financing of four-year-old kindergarten programs would have the following direct and indirect consequences:

- The revenue caps changes for districts with 4K programs would make it very difficult for them to maintain those programs.
- Small districts would be disproportionately affected, because more of them have 4K programs, and those programs constitute a larger portion of total pupils for the smaller districts.
- Some of the largest districts would also be hurt, particularly Milwaukee Public Schools.
- Districts with larger property tax bases will also be adversely affected, but they would generally have an easier time getting public approval to surpass the reduced revenue caps.
- Aid would also be reduced for a number of charter and parental choice schools.
- Cutting 4K spending could reduce the state's ability to tap federal funds for the child care subsidy program, at the same time that demand for the program is increased by those cuts.

Governor Doyle must now decide whether to accept or veto the changes. Vetoing them would allow schools to preserve their 4K programs and would ensure that equalization aid payments are consistent with the amounts contained in current Fiscal Bureau estimates.

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