

## Early Education Funding in the 2003-2005 Budget Bill

(updated December 29, 2003)

The table below shows the major early education appropriations in the 2003-05 budget bill, including the funding for child care in the DWD budget, state Head Start appropriations, and the state funding for four-year-old kindergarten programs. (The latter amount is not a separate appropriation; it is an estimate of the amount of 4K spending that comes from equalization aid for schools.) The table compares the 2002-03 base appropriation level with the amounts recommended for the following two fiscal years by the Governor, by the Joint Finance Committee (JFC) and full Legislature, and the final amount in Act 33 as vetoed.

**Table 1 – Major Early Education Appropriations (\$ millions)**

Program	Base Level	Governor Doyle's Request		JFC & Legislature		Act 33	
	02-03	03-04	04-05	03-04	04-05	03-04	04-05
<b>Wisconsin Shares</b>							
-- Base level *	\$305.55	\$300.19	\$305.97	\$298.64	\$308.04	\$298.64	\$308.04
-- Adjustment for caretaker of infant policy change	0.00	(6.55)	(14.58)	0.00	0.00	0.00	0.00
-- WI Shares total	305.55	293.63	291.39	298.64	308.04	298.64	308.04
<b>Head Start</b>	7.42	7.21	7.21	7.21	7.21	7.21	7.21
<b>Quality Improvement Activities</b> (see Table 2) **	15.46	6.86	6.93	9.56	9.63	9.56	9.63
<b>Centers of Excellence</b>	2.75	2.50	2.50	2.50	2.50	2.50	2.50
<b>Local Pass-Through Grants</b>	17.25	4.40	4.40	2.48	2.48	2.48	2.48
<b>4-Year-Old Kindergarten</b> ***	48.00	48.00	48.00	25.00	25.00	48.00	48.00
<b>TOTAL</b>	<b>395.89</b>	<b>362.60</b>	<b>360.42</b>	<b>345.39</b>	<b>354.86</b>	<b>368.39</b>	<b>377.86</b>
<b>BIENNIAL TOTAL</b>		<b>\$723.02</b>		<b>\$700.25</b>		<b>\$746.25</b>	

*Footnotes:*

\* *Wisconsin Shares Base* – The 2002-03 Wisconsin Shares appropriation was about \$305.5 million, but the Leg. Fiscal Bureau projected in May 2003 that the actual spending would be about \$290.3 million.

\*\* *Quality Improvement Activities* – Although the Governor's bill contained no funding for the Scholarship and Bonus programs, in March he recommended restoring \$2.3 million annually for the TEACH and REWARD programs and adding \$500,000 per year for the CCR&R Agencies. Those amounts are not shown in the table.

\*\*\* *Four-Year-Old Kindergarten* – An estimated \$48 million of school equalization aid in 2002-03 was attributable to 4K programs. Although the amount of school aid used for 4K programs would almost certainly grow under the Governor's budget and in Act 33, I have not assumed any such growth in the table. The Legislature's version of the budget would have cut 4K funding by about \$23 million per year, and could have indirectly reduced 4K spending much more than that. (see text)

**Wisconsin Shares** – Funding for the Wisconsin Shares child care subsidy program declines in 2003-04 compared to the \$305.5 million appropriation level for 2002-03. That reduction reflects the fact that the Legislative Fiscal Bureau projected that actual spending would be at least \$15 million less in 2002-03 (the base year) compared to the amount appropriated.

The budget for Wisconsin Shares approved by the JFC and Legislature provides almost \$22 million more over the biennium than the Governor’s bill. The primary reason for that difference is that the Legislature rejected a proposal by the Governor that would have allowed mothers of newborns in the W-2 program to stay at home until their infants are six months old. Under the Governor’s proposal, the resulting increase in W-2 benefits would have been more than offset by a reduction in the need for child care subsidies. The Legislature’s bill restores those child care funds and, unlike the Governor’s bill, was initially expected to fully fund the demand for child care subsidies. (However, that might have changed if the Legislature’s proposed cut in support for 4-year-old kindergarten had been enacted, because it would have increased the need for subsidies and might reduce the matching funds the state uses to draw down federal child care block grant funding.)

**Head Start** – The vast majority of the funding for Head Start goes directly from the federal government to the programs and is not part of the state budget. However, the state does appropriate some supplemental funding for Head Start – amounting in 2002-03 to \$3,712,500 in state general purpose revenue (GPR) allocated to the Department of Public Instruction, and a like amount of federal welfare block grant (TANF) funds that are part of the Department of Workforce Development’s budget (DWD). The TANF portion of the funding for Head Start is cut to \$3.5 million in both the Governor’s budget and the Legislature’s version, but the GPR portion is not reduced.

**Table 2 – Child Care Quality & Access Improvement Projects (DWD budget)**

Program	Base	Governor Doyle’s Request		JFC and Legislature	
	02-03	03-04	04-05	03-04	04-05
Scholarship and Bonus	\$6,007,200	0	0	\$2,700,000	\$2,700,000
CCR&R Agencies	\$1,355,300	\$1,219,800	\$1,219,800	\$1,219,800	\$1,219,800
Technical Assistance	\$995,300	0	0	0	0
Licensing	\$4,733,700	\$4,440,600	\$4,507,900	\$4,440,600	\$4,507,900
Office of Child Care	\$786,500	\$1,199,000	\$1,199,000	\$1,199,000	\$1,199,000
Racine Demo Project	\$1,000,000	0	0	0	0
Safe Child	\$580,000	0	0	0	0
<b>TOTAL</b>	<b>\$15,458,000</b>	<b>\$6,859,400</b>	<b>\$6,926,700</b>	<b>\$9,559,400</b>	<b>\$9,626,700</b>
<b>BIENNIAL TOTAL</b>		<b>\$13,786,100</b>		<b>\$19,186,100</b>	

**Quality & Access Initiatives** – The child care quality and access initiatives that are part of the DWD budget are lumped together in Table 1, but are itemized in the table above. The amounts shown for the Governor are based on SB 44, but the Governor later proposed restoring \$2.3

million annually for the TEACH and REWARD programs and adding \$500,000 per year for the child care resource and referral (CCR&R) agencies. The various quality and access initiatives include the programs outlined below. With the exception of the scholarship and bonus funding, all of these programs were funded at the level contained in the Governor's initial version of the bill:

- *Scholarship and bonus programs* – The previous budget (for 2002-03) included slightly over \$6 million for several programs aimed at the severe shortage of qualified, experienced child care teachers: T.E.A.C.H. Early Childhood, R.E.W.A.R.D., and the mentoring program. The Legislature's budget provides \$2.7 million per year for these programs (maintaining 45 percent of the base funding).
- *Child Care Resource and Referral (CCR&R)* – Wisconsin's 17 Child Care Resource and Referral agencies assist parents in finding and selecting child care and help develop and support child care services. Their appropriation is cut by 10 percent, or about \$135,000 per year in both the Governor's budget and the Legislature's, which comes on top of a cut of about \$350,000 per year in the previous biennium. The Legislature did not include the additional \$500,000 per year that was recommended in a March 2003 letter from the Doyle Administration.
- *Office of Child Care* – Both the Governor's and Legislature's budget increase funding for the Office of Child Care by about \$413,000 per year. This does not represent an increase in staffing for the office; it results instead from a time study in DWD, which determined that more of the department's time should be allocated to federal funding for the child care office. Apart from that shift, which replaces state funding, the office's budget is cut by 10 percent.
- *Licensing* – In the 2003-05 biennium, the funding for child care licensing functions in the Department of Health and Family Services is by far the largest appropriation relating to child care quality and access. The bill provides \$4,440,600 for licensing in FY 04 and \$4,507,900 in FY 05. This would represent a cut of 6.2% in the first year, but some unspent FY 03 funding is being carried over to FY 04 and 05, which keeps licensing funding close to the base level. In addition, the bill shifts a portion of licensing position costs from child care block grant funds to license fee revenue.
- *Racine County demo project* – The budget would eliminate the \$1 million per year now earmarked for a high quality child care demonstration project in Racine County.
- *Technical assistance for early childhood programs* – The budget bill eliminates the \$995,300 annual appropriation for technical assistance provided to help child care programs improve quality and survive financially.
- *Safe child care* – The bill also eliminates the \$580,000 per year appropriation that has been used to strengthen county and tribal certification programs, which helped those programs increase on-site visits and to provide training, technical assistance, and materials to certified child care providers.

**Centers of Excellence** – Funding for the Early Childhood Excellence initiative is reduced \$250,000 (9.1%) to \$2.5 million.

**Pass-through Grants** –The grant program was initiated in 1999 as a means to avoid having federal child care block funds lapse back to the federal treasury, because Wisconsin was unwilling to appropriate matching funds. Under the pass-through grant program, the state allocated those funds to local governments who identified early education expenditures that could be counted as matching funds. The grants totaled \$17.25 million in 2002-03, and they are used for a broad range of purposes relating to child care.

The program shrinks to a little less than \$2.5 million per year under the Legislature’s budget. The primary cause of that reduction is an \$8 million increase in state general fund spending for Wisconsin Shares that began in 2002-03. The increase can be used as state matching funds, and that has a delayed effect in reducing the remaining amount of block grant funds available for pass-through grants. A second cause of the decrease is a change the bill makes in the formula for using local match funds. Finally, the amount of pass-through grants is decreased in the Legislature’s bill, compared to the Governor’s, because \$1 million in state funding was shifted around in a way that generates additional state matching funds, thereby decreasing the amount of federal funds left for the local grant program.

**Four-Year-Old Kindergarten** – As noted previously, there is not a distinct appropriation for four-year-old kindergarten (4K) programs. Instead, schools get 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. State 4K spending would probably increase under the Governor’s budget, but because there is not a separate appropriation and because the two-thirds spending commitment is repealed, it is difficult to estimate the amount of equalization aid that should be attributed to 4K spending.

The Legislature’s bill would have reduced the weighting of 4K pupils in the equalization aid formula and cut \$23 million per year to reflect that change. If the Legislature’s changes had stopped there, school districts might have been able to continue 4K programs by increasing local spending for those programs. However, the final bill also changes the 4K pupil count for revenue cap purposes, reducing spending caps by about \$38 million statewide. As a result, 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. Had it not been vetoed, that change in the spending caps, coupled with other changes in the bill, would have made it extremely difficult for schools to continue their 4K programs.

If the 4K changes had been signed into law, they might have also affected child care – in a couple of unintended ways:

- *Child care block grant funds* – A portion of state 4K expenditures are counted as part of the state matching funds used to draw down federal child care block grant funds. A significant reduction in 4K spending could limit the state’s ability to use the federal funds for Wisconsin Shares and child care quality initiatives.
- *Increased demand for Wisconsin Shares* – In addition, a reduction in the number of 4K programs would increase the need for child care slots and subsidized care. That could potentially result in the imposition of waiting lists for the Wisconsin Shares program or other cost-cutting measures to keep the subsidy program within its budget.

**Total Spending** – We have attempted in this document to pull together the major appropriations for early education. However, we have limited it to the programs generally viewed as child care or pre-K education, and have not included other K-12 education programs, or programs that have more of a social service component, such as Birth to Three.

Total appropriations for the child care and early education programs were reduced from \$396.4 million in the 2002-03 base year, to an average of \$361.5 million per year in 2003-05 under the Governor's budget, and an average of \$350.1 million per year in the Legislature's budget. The major reasons for the decline in the Governor's bill are:

- cuts in the quality and access initiatives and the pass-through grant program;
- the proposed policy change to allow W-2 mothers with an infant to stay home until the baby is six months old; and
- slower growth in Wisconsin Shares spending this year, which was expected to keep the cost of the program about \$15 million lower in 2002-03 than the amount appropriated.

The total appropriations for child care and early education were smaller in the Legislature's version of the budget because of a significant cut in 4K spending, but that reduction was partially offset by the Legislature's rejection of the proposed W-2 change for mothers of infants (which would have cut child care spending by \$21 million over two years, while increasing expenditures for W-2 benefits by almost \$17 million). In addition, the Legislature's bill added a little more funding to fully meet the estimated cost of the Wisconsin Shares program, and it restored some of the funding that the Governor initially proposed cutting from the TEACH and REWARD programs. A veto by the Governor restored roughly \$23 million per year to 4K spending.

## **Conclusion**

The major appropriations for child care and early education total a little over \$746 million in 2003-05 in the final version of the biennial budget bill (Act 33), or an average of about \$373 million per year. That compares with a total of \$396 million for the 2002-03 base appropriations and an average of \$361.5 million per year in the Governor's 2003-05 budget.

One important reason for the reduced appropriations is that both the Governor's and the Legislature's versions of the budget significantly cut the spending for child care quality and access initiatives, and also for the pass-through grant program. A smaller factor is that the growth in spending for the Wisconsin Shares child care subsidy program has begun to slow, and the program was expected to cost about \$15 million less in 2002-03 than the amount appropriated.

The Legislature's bill would have provided less total funding for early education than the Governor's because of a \$23 million per year reduction in funding for four-year-old kindergarten, but the Governor vetoed that change. On the other hand, the Legislature added a little funding to the Wisconsin Shares program to meet the anticipated costs of the child care subsidies. The preservation of that program in a very tough budget is a significant achievement. The Legislature also heeded a request from the Governor to add funding to the bill restoring some of the funds he had initially proposed cutting from the scholarship and bonus programs that help retain qualified, experienced child care teachers.