



To: Board of Education  
From: Daniel A. Nerad, Superintendent  
Date: October 20, 2010  
Subject: Four Year Old Kindergarten Funding Scenarios

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It has been requested of Administration to put together possible scenarios for funding four year old kindergarten (4-k) through the use of Education Jobs Bill funding, Equity Reserves, Property Taxes, and any other sources of funding. What you will find below are three distinct scenarios looking at how we may fund 4-k over the first 4 years. The focus is on the first 4 years, because the original projections put together by administration and subsequently by PMA through the forecasting model looked at the program beginning in the 2010-11 school year as year one, so we consequently only have projections going through the 2014-15 school year. These projections will be updated as part of our work with the 5 year budget model ad hoc committee of the Board in the coming months.

All of the following scenarios we believe to be very conservative in terms of the number of students to be enrolled, and especially on projections for funding from the State of Wisconsin. These original projections from earlier this year, assumed MMSD would be losing 15% funding from the State of Wisconsin for the 2010-11, 2011-12, and 2012-13 budget years. As we have seen recently, we have lost less than the maximum state law allows (2010-11 reduction of approximately 8.4%). The funding scenarios are as follows:

#### **Scenario #1 – WRS Re-Financing Option**

This scenario outlines the original funding concept the board approved earlier this calendar year for implementation of 4-k in 2011-12. This option uses the increase in tax levy authority in the first year (projected to be \$3,738,927) and funds borrowed (projected to be \$4,029,349) to cover the first year implementation costs for this program.

During the second year (2012-13) the funds borrowed are no longer available, as these are one time funds, so the assumption would be that property taxes would be utilized to support the program. This would mean an increase in property taxes of approximately \$4.3 million in year two of the program, on top of the original increase in year one of approximately \$3.7 million.

For the third year (2013-14) the projections for the first time show MMSD receiving an increase in State Equalization Aid funding, which will help to offset the property tax levy. This projected increase is \$4.7 million and allows the property tax levy to go from \$8,052,804 in year two of the program, to \$4,088,922 in year three of the program.

Finally in year four (2014-15) of the program, State Equalization Aid is set to increase even further to approximately \$10,153,077. This increase in State Funding, is actually projected to support the entire cost of the program going forward under this scenario.

**FOUR YEAR OLD KINDERGARTEN FUNDING ANALYSIS  
SCENARIO #1**

	2011-12	2012-13	2013-14	2014-15
<b>Enrollment</b>	<b>1,573</b>	<b>1,733</b>	<b>1,092</b>	<b>1,941</b>
<b>Within MMSD</b>	<b>1,022</b>	<b>1,126</b>	<b>1,183</b>	<b>1,262</b>
<b>Attending Daycare</b>	<b>551</b>	<b>607</b>	<b>637</b>	<b>679</b>
<b>Cost of Program</b>	<b>\$12,235,615</b>	<b>\$12,983,007</b>	<b>\$13,743,237</b>	<b>\$14,674,439</b>
<b>Revenue Sources</b>				
Existing Budget Funds	\$4,392,339	\$4,554,307	\$4,722,754	\$4,897,938
Property Tax Levy	\$3,738,927	\$8,052,804	\$4,088,922	\$0
Equalization Aid	\$0	\$0	\$4,786,550	\$10,153,077
Categorical Aid	\$0	\$141,137	\$145,011	\$148,473
Title 1 Grant	\$75,000	\$78,000	\$0	\$0
WRS Funded Borrowing	\$4,029,349	\$0	\$0	\$0
Federal Ed Jobs funds	\$0	\$0	\$0	\$0
Fund Equity/Balance	\$0	\$0	\$0	\$0
<b>Balance of Cost vs. Revenue</b>	<b>\$0</b>	<b>(\$156,759)</b>	<b>\$0</b>	<b>\$525,049</b>

**Scenario #2 – Federal Education Jobs Funds Option**

This scenario is very similar to Scenario #1, which takes into account the original funding concept the board approved earlier this calendar year for implementation of 4-k in 2011-12, with the change to Federal Education Jobs Funds instead of the WRS borrowing. This option uses the increase in tax levy authority in the first year (projected to be \$3,738,927) but uses funds from the Federal Education Jobs Funds allocation (projected to be \$4,029,349) to cover the first year implementation costs for this program.

During the second year (2012-13) the Federal Education Jobs funds are no longer available, as these are one time funds, so the assumption would be that property taxes would be utilized to support the program. This would mean an increase in property taxes of approximately \$4.3 million in year two of the program, on top of the original increase in year one of \$3.7 million.

For the third year (2013-14) the projections for the first time show MMSD receiving an increase in State Equalization Aid funding, which will help to offset the property tax levy. This projected increase is \$4.7 million and allows the property tax levy to go from \$8,052,804 in year two of the program, to \$4,088,922 in year three of the program.

Finally in year four (2014-15) of the program, State Equalization Aid is set to increase even further to approximately \$10,153,077. This increase in State Funding, is actually projected to support the entire cost of the program going forward under this scenario.

**FOUR YEAR OLD KINDERGARTEN FUNDING ANALYSIS  
SCENARIO #2**

	2011-12	2012-13	2013-14	2014-15
<b>Enrollment</b>	<b>1,573</b>	<b>1,733</b>	<b>1,092</b>	<b>1,941</b>
<b>Within MMSD</b>	<b>1,022</b>	<b>1,126</b>	<b>1,183</b>	<b>1,262</b>
<b>Attending Daycare</b>	<b>551</b>	<b>607</b>	<b>637</b>	<b>679</b>
<b>Cost of Program</b>	<b>\$12,235,615</b>	<b>\$12,983,007</b>	<b>\$13,743,237</b>	<b>\$14,674,439</b>
<b>Revenue Sources</b>				
Existing Budget Funds	\$4,392,339	\$4,554,307	\$4,722,754	\$4,897,938
Property Tax Levy	\$3,738,927	\$8,052,804	\$4,088,922	\$0
Equalization Aid	\$0	\$0	\$4,786,550	\$10,153,077
Categorical Aid	\$0	\$141,137	\$145,011	\$148,473
Title 1 Grant	\$75,000	\$78,000	\$0	\$0
WRS Funded Borrowing	\$0	\$0	\$0	\$0
Federal Ed Jobs funds	\$4,029,349	\$0	\$0	\$0
Fund Equity/Balance	\$0	\$0	\$0	\$0
<b>Balance of Cost vs. Revenue</b>	<b>\$0</b>	<b>(\$156,759)</b>	<b>\$0</b>	<b>\$525,049</b>

**Scenario #3 – Federal Education Jobs Funds and Fund Equity/Balance Option**

This scenario is very similar to Scenario #2, which takes into account the original funding concept the board approved earlier this calendar year for implementation of 4-k in 2011-12, with the additional use of Fund Equity/Balance. This option uses the increase in tax levy authority in the first year (projected to be \$3,738,927) but uses funds from the Federal Education Jobs Funds allocation (projected to be \$4,029,349) to cover the first year implementation costs for this program.

During the second year (2012-13) the Federal Education Jobs funds are no longer available, as these are one time funds, so we would recommend using Fund Equity/Balance to provide the amount necessary to not raise property taxes above the amount approved in 2011-12. This would provide a bridge to the 2013-14 school year, where we are projecting for the first time MMSD will receive additional State Equalization Aid funding from the State of Wisconsin for 4-k. When those funds are received in the 2013-14 school year, they can be used to offset any levy increase necessary, and that is why we recommend the one time use of Fund Balance to avoid a property tax increase in year two of the program. This recommendation we believe also falls in line with the range of Fund Balance provided to the Board on October 19, 2010.

For the third year (2013-14) the projections for the first time show MMSD receiving an increase in State Equalization Aid funding. These funds will substitute for the need of a property tax levy, and will fit in perfectly to avoid the need to use Fund Equity/Balance for more than one year. This projected increase of \$4.7 million in Equalization Aid coupled with the use of Fund Equity/Balance in year two of the program allow the property tax levy to stay at approximately \$4 million for the first three years of the program.

Finally in year four (2014-15) of the program, State Equalization Aid is set to increase even further to approximately \$10,153,077. This increase in State Funding, is actually projected to support the entire cost of the program going forward under this scenario.

**FOUR YEAR OLD KINDERGARTEN FUNDING ANALYSIS  
SCENARIO #3**

	2011-12	2012-13	2013-14	2014-15
<b>Enrollment</b>	<b>1,573</b>	<b>1,733</b>	<b>1,092</b>	<b>1,941</b>
<b>Within MMSD</b>	<b>1,022</b>	<b>1,126</b>	<b>1,183</b>	<b>1,262</b>
<b>Attending Daycare</b>	<b>551</b>	<b>607</b>	<b>637</b>	<b>679</b>
<b>Cost of Program</b>	<b>\$12,235,615</b>	<b>\$12,983,007</b>	<b>\$13,743,237</b>	<b>\$14,674,439</b>
<b>Revenue Sources</b>				
Existing Budget Funds	\$4,392,339	\$4,554,307	\$4,722,754	\$4,897,938
Property Tax Levy	\$3,738,927	\$4,088,922	\$4,088,922	\$0
Equalization Aid	\$0	\$0	\$4,786,550	\$10,153,077
Categorical Aid	\$0	\$141,137	\$145,011	\$148,473
Title 1 Grant	\$75,000	\$78,000	\$0	\$0
WRS Funded Borrowing	\$0	\$0	\$0	\$0
Federal Ed Jobs funds	\$4,029,349	\$0	\$0	\$0
Fund Equity/Balance	\$0	\$4,120,641	\$0	\$0
<b>Balance of Cost vs. Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$525,049</b>

Administration will be recommending the approval of Scenario #3 - Federal Education Jobs Funds and Fund Equity/Balance Option at the appropriate time. We believe this option provides the funding necessary to start the four year old kindergarten program, while balancing the needs of property tax payers.