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Issue Paper

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The Michigan School Readiness Program And Factors Affecting School Districts' Allocations

by

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INTRODUCTION

The Michigan School Readiness Program (MSRP) is a preschool program designed to improve the readiness and subsequent achievement of educationally disadvantaged children who are at least four, but less than five years old, as of December 1 of the year the child is enrolled in the program, and who show evidence of two or more risk factors (defined in Table 1). The program began in Fiscal Year (FY) 1985-86 with a $1.0 million appropriation, and served 694 children. Since that time, the appropriation to school districts (including charter schools) and intermediate school districts (ISDs) has grown to $78.6 million, with another $12.25 million allocated for entities other than local schools or ISDs.

In any given year, even with no change in State funding or change in requested slots, the amount of a school readiness grant to a school district or charter school may increase or decrease. The reason this happens is because each grantee is ranked against all others based on its percentage of elementary children eligible for free lunch; when districts' percentages change relative to others, their final grant allocations may change accordingly.

While this phenomenon may result in a few districts (previously fully-funded) not receiving their requested funding amounts, for FY 2006-07, a much larger number of grantees will experience reduced funding. This *Issue Paper*, in addition to exploring the history of the program, its funding over the last 21 years, the formula in place for determining eligible districts' funding, and recent changes enacted impacting districts' allocations, explains why, even with an increase in State funding, many grantees will receive a smaller grant than anticipated.

HISTORY OF MSRP: PROGRAM PURPOSES, TEACHER QUALIFICATIONS, AND CHILDREN ELIGIBLE TO BE SERVED

The MSRP began with $1.0 million appropriations in FYs 1985-86 and 1986-87 to support the operation of preschool pilot projects. The three categories for grant models were at-risk, collaborative, and teaching training and staff development. After the pilot projects were completed, dollars were appropriated in FY 1987-88 and subsequent years to fund preschool programs for four-year-old children who are at risk of becoming educationally disadvantaged and who may have extraordinary need of special assistance. The MSRP is a two-pronged program: formula-driven grants using School Aid Fund dollars appropriated for use by local school districts and charter schools (public school academies); and competitive grants using General Fund dollars appropriated for use by public or private nonprofit entities or agencies, other than school districts or ISDs. Although ISDs may operate programs for local education agencies and academies, ISDs may not apply directly.

Currently, the MSRP provides per-pupil funding of $3,300 to eligible districts, ISDs, or competitive grant recipients to operate a program to improve the readiness and subsequent achievement of at-risk four-year-olds. A comprehensive compensatory education program funded by the MSRP may include an age-appropriate educational curriculum, and must include nutritional services, health screening for participating children, a plan for parent and legal guardian involvement, and provision of referral services for families eligible for community social services. Classroom and home-based models are allowed. Less than 1.0% of the children are served in home-based models.

A local school district, academy, or ISD managing a classroom-based MSRP itself must employ teachers with a valid teaching certificate and an early childhood endorsement. In a situation where a district subcontracts with an eligible child development program, the teachers employed must satisfy one of the following: 1) have a valid teaching certificate with an early childhood endorsement; 2) have a valid teaching certificate with a Child Development Associate (CDA) credential; or, 3) have a bachelor's degree in child development with specialization in preschool teaching. A competitive grantee managing a classroom-based MSRP itself must employ teachers meeting the same criteria.

In subcontracted programs, if a district or an agency is unable to find teachers meeting one of the three requirements above, the law allows the employment of teachers working toward compliance while following an approved plan, and recognizes teachers with 90 credit hours and at least four years' teaching experience in a qualified preschool program as meeting the requirements.

Children eligible to be in an MSRP program must show evidence of at least two risk factors, defined in the State Board of Education report adopted April 5, 1988, and entitled, "Children At Risk: Examination of Courses and Exploration of Alternatives". This report highlighted factors that place children "at risk" of becoming educationally disadvantaged and who may have extraordinary need of special assistance. This list is by no means exhaustive, but is offered to assist in defining, identifying, and selecting eligible participants for the Michigan School Readiness Program for four-year-olds. Table 1 provides a list of the risk factors included in this report.

Table 1

FACTORS THAT PLACE CHILDREN "AT RISK"	
Low birth weight	Family history of delinquency
Developmentally immature*	Family history of diagnosed family problems
Physical and/or sexual abuse and neglect	Low parent/sibling educational attainment or illiteracy
Nutritionally deficient	Single parent
Long-term or chronic illness	Unemployed parent/parents
Diagnosed handicapping condition (mainstreamed)	Low family income
Lack of stable support system of residence	Family density
Destructive or violent temperament	Parental/sibling loss by death or parental loss by divorce
Substance abuse or addiction	Teenage parent
Language deficiency or immaturity	Chronically ill parent/sibling (physical, mental or emotional)
Non-English or limited English speaking household	Incarcerated parent
Family history of low school achievement or dropout	Housing in rural or segregated area

Other – A child may be eligible for services in the MSRP with documentation of one risk factor and the informed clinical opinion of a multi-disciplinary team of professionals and parent(s)/primary caregiver(s) that the child has a factor placing him or her at risk of school failure not included in the "Children at Risk" report. This can apply only to 10% of the enrolled children.

*This risk factor must be used in conjunction with another factor if a standardized test score is being used as the sole factor in meeting this risk.

Source: Michigan Department of Education

The State School Aid Act historically has appropriated School Aid Fund money for the school district/ISD portion of the MSRP, and in FY 2005-06, the portion of the MSRP dedicated to other entities was transferred from the Department of Education budget into the School Aid Act, funded with General Fund dollars. Sections 32d, 37, 38, and 39 of the State School Aid Act (MCL 388.1632d, 388.1637, 388.1638, and 388.1639) contain the provisions for the school district/ISD portion of the MSRP, and Section 32l (MCL 388.1632l) provides for the competitive funding to entities other than school districts or ISDs.

MSRP FUNDING HISTORY

As mentioned earlier, the MSRP began with pilot project funding in FYs 1985-86 and 1986-87 of $1.0 million each year. In FY 1987-88, the appropriation doubled to $2.0 million for the State Aid program and $297,000 for the Competitive program. Again, the State Aid program is restricted to funding for school districts and academies, while the competitive program, providing the same type of preschool program for at-risk four-year-olds, is operated by any public or private nonprofit entity or agency, other than a school district or academy. Funding appropriated in FY 1988-89 was combined with funding from FY 1987-88 to provide grants of $2,000 per-child. Table 2 illustrates the history of funding, children served, and the per-child grant amount.

Table 2

MSRP History of Funding *for half-day, alternate-day or home-based programming unless otherwise indicated*				
Fiscal Year	**Funding**		**Number of Children**	**Clarification**
1985-1986	$1,000,000		694	Excluding Teacher Training Models
1986-1987	$1,000,000		914	Excluding Teacher Training Models
1987-1988	$2,000,000	State Aid	7,718	
	$297,000	Competitive	State Aid	Figures cannot be separated by fiscal year since
1988-1989	$12,000,000	State Aid	1,648	funding for these two years was combined
	$3,000,000	Competitive	Grants	
1989-1990	$17,200,000	State Aid	9,550	
	$4,300,000	Competitive		
1990-1991	$24,800,000	State Aid	12,353	Funding based on $2,500/child
	$6,082,700	Competitive		
1991-1992	$27,564,700	State Aid	13,094	Funding based on $2,500/child
	$5,353,000	Competitive		
1992-1993	$27,564,700	State Aid	11,023	Funding based on $2,500/child
	$5,353,000	Competitive	2,141	
1993-1994	$27,564,700	State Aid	11,023	Funding based on $2,500/child
	$5,353,000	Competitive	2,141	
1994-1995	$42,564,700	State Aid	12,726	Funding based on $3,000/child
	$10,528,000	Competitive	3,444	
1995-1996	$52,730,500	State Aid	17,576	Funding based on $3,000/child
	$10,528,000	Competitive	3,509	
1996-1997	$52,730,500	State Aid	17,576	Funding based on $3,000/child
	$10,503,000	Competitive	3,501	
1997-1998	$55,000,000	State Aid	17,741	Funding based on $3,100/child
	$12,083,000	Competitive	3,897	
1998-1999	$55,000,000	State Aid	17,741	Funding based on $3,100/child
	$12,083,000	Competitive	3,897	
1999-2000	$55,000,000	State Aid	17,741	Funding based on $3,100/child
	$12,083,000	Competitive	3,897	
	$5,000,000	Full Day		
2000-2001	$72,600,000	State Aid	22,000	Funding based on $3,300/child
	$12,900,000	Competitive	3,909	
	$20,000,000	Full Day		
2001-2002	$72,600,000	State Aid	22,000	Funding based on $3,300/child
	$12,250,000	Competitive	3,712	
2002-2003	$72,600,000	State Aid	22,000	Funding based on $3,300/child
	$12,250,000	Competitive	3,712	
2003-2004	$72,600,000	State Aid	22,000	Funding based on $3,300/child
	$12,250,000	Competitive	3,712	State Aid – PIE option included
2004-2005	$72,600,000	State Aid	22,000	Funding based on $3,300/child
	$12,250,000	Competitive	3,712	State Aid – PIE option included
2005-2006	$72,600,000	State Aid	22,000	Funding based on $3,300/child
	$12,250,000	Competitive	3,712	State Aid – PIE and Full-Day option included
2006-2007	$78,600,000	State Aid	23,818	Funding based on $3,300/child
	$12,250,000	Competitive	3,712	State Aid – PIE and Full-Day option included
				Competitive – Full-Day option included

Source: Michigan Department of Education

After five years of stagnant funding for the State Aid component of the MSRP, the Legislature adopted and the Governor enacted a $6.0 million increase for FY 2006-07, bringing the total appropriation to $78.6 million. The competitive portion of the MSRP remains at the FY 2005-06 level of $12.25 million. The per-child funding also remains at $3,300 for both components, the level first seen in FY 2000-01.

HOW THE FORMULA WORKS

Districts receive MSRP funds in up to three potential funding rounds. The first round is driven entirely by formula, *not* by a district's request for funding (unless the slots determined by formula exceed a district's request or capacity). All districts in FY 2006-07 will receive at least formulaic funding (unless a district requested less), described below. The second round, described in more detail below, allocates any funds remaining after the award of grants in the first round, with districts ranked from highest to lowest in grades 1-5 free-lunch percentage eligible and funding based on districts' requests. The third round of funding occurs if slots or funding are returned by districts (i.e., if funding was provided but slots are unused); the returned funds are then redistributed, again based on the grades 1-5 free-lunch percentage ranking order, picking up where second round funding ran out.

Section 38 of the State School Aid Act provides the formula for calculating the number of prekindergarten children in need of special readiness assistance. This formula sums the number of children in a district's grades 1-5 who are eligible for free lunch, and divides that number by the sum of the district's enrollment in grades 1-5. This "free lunch percentage" is then multiplied by the district's average kindergarten count from the prior two years, and the result is multiplied by 0.5.

If a district's result from this formula is greater than 316, then the formula result is multiplied by 65% and the adjusted number is the district's first-round slots total (unless *that* result is less than 316, in which case 315 becomes the district's first-round result).

Table 3 provides hypothetical examples of three districts, with identical grade K-5 populations but differing free-lunch eligible pupils, and illustrates how the MSRP formula provides differing first-round funding results. From one year to the next, even if State funding remains constant, changes in each district's free-lunch eligible, kindergarten, and grade 1-5 counts will affect how each district is ranked against all others. In this manner, a district's funding can change (increase or decrease) from year to year, even if State funding remains constant.

Table 3

HYPOTHETICAL FIRST-ROUND FORMULA FUNDING

	Grades 1-5 Free Lunch	Grades 1-5 Enrollment	Free Lunch Percent	Kindergarten Count Two Years Ago	Kindergarten Count One Year Ago	Average Kindergarten Count	1st Round Formula Slots
District 1	20	100	20%	18	24	0.5	2
District 2	50	100	50%	18	24	0.5	5
District 3	90	100	90%	18	24	0.5	9

Source: Senate Fiscal Agency calculations

Once the data for all eligible applicant districts have been processed through the formula, the districts are rank-ordered, with higher funding priority given to districts with higher percentages of free-lunch eligible students in grades 1-5. Funding is awarded in the first round based on this rank-order, with formula slots funded at the per-child amount (currently $3,300). For FY 2006-07, the tentative first-round allocations fund all 17,044 slots determined by the formula (or districts' requests, if slots requested are fewer than the numbers determined by the formula). The cost to fund all formula slots is $56,245,200, leaving $22,354,800 as the balance to fund as many slots as possible in the second round.

If money is left over after each district or charter school has received the formula number of slots, then funds are awarded in descending free-lunch percentage rank-order until all remaining dollars have been disbursed. Each district or charter school receives the difference between its requested number of slots and the formula slots, determined and funded in the first round. Again, because districts are ranked in descending order of free-lunch percentage eligible, districts whose grade 1-5 population is mostly eligible for free lunch are ranked higher than those where the grade 1-5 population is not mostly eligible for free lunch; the higher ranking means more likelihood that *requested* slots will be funded, as opposed to only the formula result being funded. In Table 3 above, District 3 would be ranked first, District 2 would be second, and District 1 would be ranked third, with District 3 being the first entity to receive any available second-round funding to support requested slots, if the requested slots exceeded formula slots.

One exception to prioritizing second-round funding based only on free-lunch percentages revolves around comprehensive child care. If a district or charter school in the first year of a three-year funding cycle does not offer or collaborate to offer comprehensive child care to allow full-day, full-week, and full-year care to children who need it, that district or charter school is not eligible to receive any second-round funding.

Throughout the year, slots and funding often are returned by districts and charter schools, when, after commencement of an MSRP, the district or charter school finds that enrollment is less than predicted. When the slots and funding are returned, the funding is redistributed, again using the free-lunch percentage ranking order, picking up where second-round funding ran out. In FY 2006-07 and beyond, fewer slots and funding may be returned throughout the year than in previous years due to the full-day provision explained below. Essentially, instead of returning unused half-day slots, a district or charter school may use those funds to expand its enrolled half-day slots into a full-day program.

In a typical year, six or seven districts do not request continued funding, and perhaps eight or nine new applicants do request funding, balancing each other out, and not affecting the vast majority of districts. However, for FY 2006-07, there were 23 new applicants, requesting 344 new slots, which translates to $1,135,200 in new funds requested. Only one previously funded district chose not to request funding for FY 2006-07. Combining this phenomenon with the recent changes in MSRP discussed below will have a negative on impact many districts' initial allocations in a manner unseen over the previous few years.

RECENT CHANGES IN MSRP

Parent Involvement and Education (PIE) Diversion

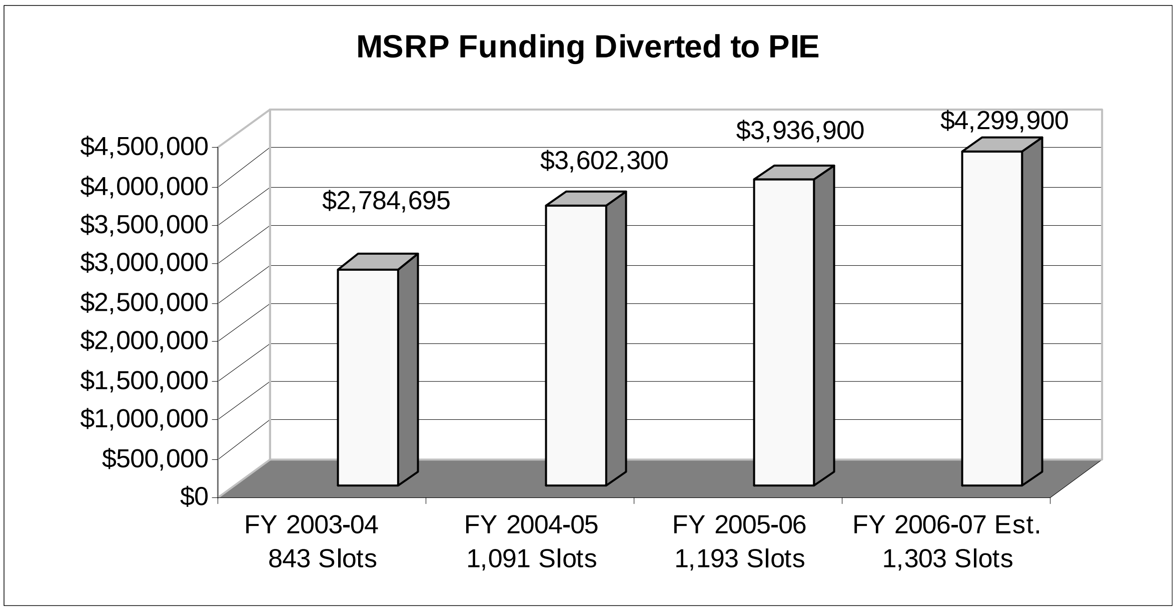
As noted above, the School Aid Act historically has appropriated School Aid Fund dollars for the school district portion of the MSRP, and in FY 2005-06, the portion of the program dedicated to other entities was transferred from the Department of Education budget into the School Aid Act, funded with General Fund money.

From FY 1985-86 through FY 2002-03, the dollars appropriated in the School Aid Act for the MSRP were dedicated solely for the purpose of providing half-day preschool programs to at-risk four-year-olds (or similar home-based programs). However, beginning in FY 2003-04, the Legislature included a new use for the funds allocated in the MSRP section: providing preschool and parenting education programs similar to those under former Section 32b, as that section was in effect in the School Aid Act for FY 2001-02.

Former Section 32b in the School Aid Act appropriated $45.0 million in FY 2001-02 for parent involvement and education programs that served all children ages 0-5 in a grantee's boundaries, providing home visits by parent educators, group meetings of participating families, periodic developmental screening, a community resource network providing referrals to other agencies as appropriate, and connection with quality preschool programs. All grantees were ISDs, not local districts. Due to budgetary cutbacks, the program was eliminated in FY 2002-03, but some of the districts awarded funds in FY 2001-02 carried those funds forward into FY 2002-03 and beyond to maintain the program. In FY 2003-04, the Legislature included a new allowable use to divert MSRP funds away from serving at-risk four-year-olds in half-day preschool programs and into the development of parenting and education programs. (Note: Some ISD grantees are still carrying over PIE funds. The PIE-like activities funded by MSRP funds go to local districts, not ISDs. Most districts using PIE funds are *not* forwarding these funds to ISDs; they are developing new, even competing programs.)

Table 4 shows the diversion of traditional MSRP funds into the PIE option. In the first year of this allowable use, $2,784,695 was used for PIE, which equated to 843 fewer at-risk four-year-olds being served by the classroom program. This diversion of funds increased to $3,602,300 (or 1,091 slots) in FY 2004-05, and to $3,936,900 (or 1,193 slots) in FY 2005-06. If use of the PIE diversion in FY 2006-07 remains at the rate of increase observed in FY 2005-06, the funds will total an estimated $4,302,600, or 1,303 eligible at-risk four-year-olds not served in the classroom-based MSRP.

Table 4



Source: Michigan Department of Education

If a district chooses to use the PIE option for its MSRP funds, there is no requirement in statute that the district report on the actual numbers of children served or activities funded. The original purpose of PIE was to serve all children in an ISD grantee's boundaries who choose to participate. However, this clearly is impossible for some districts that choose the PIE option, due to the small amount of funds awarded. For example, in FY 2005-06, two districts received $3,300 each for PIE funding, another two districts received $6,600 each, and another received $9,900. From there, PIE awards ranged from $13,200 to $716,100.

Full-Day Programs

In the School Aid budget enacted for FY 2005-06, a provision was added to allow districts and academies to operate a full-day program, rather than the traditional half-day program. Each full-day allocation is counted as two half-day slots, generating $6,600 per pupil enrolled in a full-day MSRP. A "full-day program" is defined as operating for at least the same length of day as the district's first grade program for a minimum of four days per week, 30 weeks per year. A classroom that offers a full-day program must enroll all children for the full day to be considered a full-day program.

Because this provision was enacted after each district already had submitted its plans to serve MSRP children for the upcoming year, and includes language that prevents a district's allocation from being increased solely on the basis of providing a full-day program, districts' allocations were not affected in FY 2005-06 by this change. In other words, if a district with a capacity for 200 half-day slots had indicated it could serve 100 children in a half-day program, and was awarded funding for those children (100 slots at $3,300, or $330,000 total), for FY 2005-06, the district was locked into serving either 100 half-day slots, 50 full-day slots, or any combination that resulted in spending not more than $330,000. Because the district's pre-application for MSRP slots already had been turned in, the district was not able to amend its request (if it so desired) to serve, for example, its capacity of 200 half-day slots (equivalent to 100 children for the full day) and generate a larger grant award.

For FY 2006-07, however, this provision is having an impact on MSRP grant allocations. The reason for this impact is that districts were able to assess whether they could serve more children in a full-day program, where in the past, eligible children might not have been able to participate in a half-day program due to challenges such as the lack of mid-day transportation or partial-day child care.

The number of full-day slots requested by districts for FY 2006-07 is 3,638; at $6,600 per full-day slot, this request totals a little over $24.0 million, representing more than 30% of the total appropriation for the MSRP, which stands at $78.6 million. Of the total full-day slots requested, Detroit Public Schools accounts for nearly two-thirds; the district requested 2,352 full-day slots, or the equivalent of 4,704 half-day slots. (The number of children unserved by other programs who qualify for the MSRP within the district's boundaries actually totals 4,863.) The district was funded for 2,884 half-day slots in FY 2005-06, but is tentatively scheduled to receive funding equivalent to the 4,704 half-day slots requested for FY 2006-07.

For the last several years, Detroit Public Schools (DPS) has had a large difference between the number of children actually enrolled and served by the MSRP and the number eligible and unserved by other programs. The district's eligible number of at-risk four-year-olds in FY 2004-05 was 4,837, but the adjusted funding request was for only 3,200 half-day slots. Similarly, in FY 2005-06, DPS's eligible cohort numbered 4,517, but the request for funding was 2,884. If the district had been able to enroll the number of children allowed by the formula, in both FYs 2004-05 and 2005-06, the DPS would have had additional MSRP funding of $5.4 million. Without the DPS fully using its available funding, slots requested by other districts and ISDs were funded. However, this is changing for FY 2006-07. As mentioned above, the DPS requested funding for the equivalent of 4,704 half-day slots, which translates to an increase in funding from FY 2005-06 to FY 2006-07 of over $6.0 million for the district.

Other large, urban districts also are using the full-day provision for FY 2006-07. Flint City Schools requested 352 full-day slots (or an increase of 64 slots equal to $211,200 above FY 2005-06 levels) and the Lansing Public School District requested 128 full-day slots in addition to its 192 half-day slots (or an increase of 192 slots equal to $633,600 above FY 2005-06 levels). Another 53 districts requested full-day slots, ranging from one to 36.

CONCLUSION: CUMULATIVE IMPACT ON DISTRICTS' ALLOCATIONS

Combining the impacts of new applicants, estimated PIE diversions, and full-day utilization, the cumulative cost is estimated at $12.6 million above the cost of maintaining FY 2005-06 allocations at the status quo. The Legislature adopted and the Governor signed into law a $6.0 million increase in funding for the Michigan School Readiness Program, but because the full impact is estimated at $12.6 million, many districts will not receive funding for all slots requested, and in fact, some districts will receive fewer dollars in FY 2006-07 than were received in FY 2005-06.

In FY 2005-06, a total appropriation of $72.6 million initially fully funded the requests of 285 districts. By contrast, a total appropriation of $78.6 million for FY 2006-07 initially will fully fund the requests of

183 out of 479 applicants, and will fund 94% of the request of the 184th district. If funding and slots are returned throughout the year, some of the districts ranked below the 184th district may become fully funded when those dollars are redistributed. If the $6.0 million in additional funding had not been appropriated, the requests of 100 applicants initially would have been fully funded, which is 84 applicants fewer than the actual initial allocations will fully fund.

Another estimated $6.6 million would be needed to maintain the status quo of districts whose requests were fully funded in FY 2005-06 by keeping them fully funded in FY 2006-07. In order to fully fund *all* requests for all applicants, a total of $14.9 million would be necessary in addition to the $78.6 million actually appropriated. Clearly, the demographics of districts' pupils, total MSRP funding, and the uses of it affect the allocations and pupils served year after year.