

August 5, 2016

To: Dr. John Simpson, Superintendent

From: Bruce Ellerman, CFO

Re: Analysis of Full Day Kindergarten

Executive Summary

A financial analysis based on current information indicates conversion from a tuition based to a tuition-free Full Day Kindergarten (FDK) in the Webster Groves School District (WGSD) would result in a net benefit of approximately \$600,000 per year. In fact, because attendance and school calendar reporting is still open for the 2015/16 school year, it may still be possible to implement such a change retroactively to include last year and capture this additional state funding for both the past 2015/16 school year as well as the upcoming 2016/17 school year.

Background

For the past several years, it has been a formal goal of the Webster Groves School District Board of Education and district leadership to move toward a district-wide tuition-free FDK program. While past analyses have indicated conversion to such a program was not financially feasible, an analysis based on current state funding, enrollment and staffing levels indicates a tuition-free FDK program would actually result in a significant net financial benefit to the district.

Because state law only requires school districts to offer a half day kindergarten program, the Missouri Department of Elementary and Secondary Education (DESE) allows districts that choose to offer FDK the option to either charge tuition to parents for the extra half day OR to claim the extra half day attendance for state aid purposes. In past years, WGSD was viewed by the state funding formula as a locally wealthy district (i.e. having a high local property tax base). As a result, WGSD was classified as a "Hold Harmless" school district--meaning its level of state funding was essentially frozen. Consequently, relatively little state aid could be generated by claiming additional student attendance. This funding collar changed, however, when WGSD exited "Hold Harmless" standing. In fact, it resulted in a situation where claiming student attendance would generate roughly \$1.1 million in additional state aid compared to annual tuition collections of \$425-450,000....a net financial benefit of around \$650,000 annually based on 2015/16 kindergarten enrollments of 337 (305 of which were in the FDK program anyway) and current state funding levels*.

Furthermore, while many program expansions are accompanied by cost increases due to additional staffing, space and other considerations, no such increases will be necessary to implement FDK. This is because WGSD's staffing model already comingled FDK students and half-day kindergarten students in existing classrooms.

This financial dynamic was also present last year (2015/16), although to a somewhat lesser extent due to the simple timing of the Prop C aspect of state funding, which lags one year behind attendance. However, the more significant Foundation Formula aspect of state funding for FDK is still available for 2015/16 (roughly \$930,000) provided that the district revises its official district calendar filed with DESE for kindergarten to reflect FDK AND provided that the district refund to parents all tuition monies received for 2015/16 (approx. \$426,000). This would result in a net financial impact of roughly \$500,000 for 2015/16, which would actually be paid by DESE to WGSD during 2016/17 as a routine "prior year correction".

Recommendation

We would therefore recommend Board approval of:

- 1) Immediate implementation of a tuition-free FDK program for the upcoming 2016-17 school year;
- 2) Retroactively amend the 2015/16 official WGSD calendar to reflect a tuition-free FDK program;
- 3) Refunding 2015/16 FDK tuition payments (as well as 2016-17 FDK deposits received to date) to parents, provided that additional state funding is received by the district for the 2015/16 school year.

Footnotes

*Current state funding levels are:

Foundation Formula: State Adequacy Target of \$6110 per student, a Dollar Value Multiplier of 1.092. These two factors are then multiplied by the district Weighted Average Daily Attendance (WADA) to derive the overall state funding amount. Therefore, each WADA generates about \$6700 in additional Foundation Formula funding.

Prop C: Funding of \$940-\$950 per Average Daily Attendance (ADA)