

**Report 15-15
October 2015**

Read to Lead Development Fund

STATE OF WISCONSIN



Legislative Audit Bureau ■

Read to Lead Development Fund

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STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
State Auditor

October 21, 2015

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As required by s. 13.94 (1) (dL), Wis. Stats., we have completed a financial audit of the Read to Lead Development Fund for fiscal year (FY) 2014-15. The Fund and a related general purpose revenue (GPR) appropriation provide grants to school boards and other persons in support of literacy and early childhood development programs. The Read to Lead Development Council is responsible for recommending potential recipients of these grants.

From the Fund's creation in April 2012 through FY 2014-15, grants totaling \$336,926 were awarded, including \$291,751 in grants funded by segregated revenue in the Fund and \$45,175 in grants funded by the related GPR appropriation. The State expended \$138,247 for these grants in FY 2014-15.

As of the end of FY 2014-15, the Fund had a balance of \$283,303. Of this balance, \$173,895 was committed for grants awarded but not yet expended by the State and the remaining \$109,408 was available for future grant awards. Except for minimal interest earnings, the Fund has received no additional state funding nor any private funding through FY 2014-15. At this time, if the Fund is fully committed, only the \$23,600 annually appropriated to the related GPR appropriation will be available to be awarded.

2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, included provisions that transferred the Governor's responsibilities related to the Fund to the Secretary of the Department of Children and Families (DCF) and transferred to DCF the grant funding sources that were previously part of the Governor's Office. We recommend that DCF work with the Read to Lead Development Council to include information in the Council's next annual report to the Legislature on the Council's plans for awarding grants in the future and for raising private funds.

We appreciate the courtesy and cooperation extended to us by the staff in the Office of the Governor, and the departments of Public Instruction, Administration, and Children and Families during our audit.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/KE/ss

Introduction ■

The Read to Lead Development Fund and a related GPR appropriation fund grants in support of literacy and early childhood development programs.

Created in April 2012 by the enactment of 2011 Wisconsin Act 166, the Read to Lead Development Fund provides grants to school boards and other persons in support of literacy and early childhood development programs. The Fund includes two segregated revenue (SEG) appropriations. In addition to the Fund, a related general purpose revenue (GPR) appropriation, which existed prior to Act 166, is statutorily designated to fund these grants. The Read to Lead Development Council, which was also created by Act 166, is statutorily responsible for recommending the grants to be awarded from both the Fund and the related GPR appropriation.

The amount of grant awards that the Council may recommend is limited by the amount available in the Fund and the amount appropriated to the related GPR appropriation. As specified in s. 25.79, Wis. Stats., the Fund consists of all gifts, grants, bequests, and other contributions made to the Fund. At the end of fiscal year (FY) 2011-12, the Fund received \$400,000 in initial funding through a transfer from the General Fund, but subsequently received only minimal interest earnings through FY 2014-15. In FY 2011-12, and in each subsequent fiscal year, the related GPR appropriation has been appropriated \$23,600 annually.

The Read to Lead Development Council recommended the grants to be awarded.

As shown in the Appendix, the Council consists of 22 members, including 16 appointed members and 6 state officials. Except for the state officials, members are appointed for three-year terms. As of October 1, 2015, five appointed positions on the Council were vacant, including one position that had never been filled. During FY 2014-15, the Council met four times and recommended the grants

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to be awarded. The Council also discussed potential fundraising to obtain funds from private sources for future grants.

As required by s. 13.94 (1) (dL), Wis. Stats., we have completed a financial audit of the Fund by reviewing the expenditures of the Fund and the grants awarded during FY 2014-15. Because the GPR appropriation and the Fund are closely related, and because we noted no differences in grant requirements or award processes based on the funding source, we also considered grants funded by the related GPR appropriation in our review.

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Financial Activity and Condition ■

As we discussed in report 14-12, the Council engaged in its initial applicant selection process during FY 2013-14. In June 2014, the Governor and the State Superintendent of Public Instruction approved awarding grants totaling \$204,926 to the seven applicants recommended by the Council. During FY 2014-15, the Council completed its second applicant selection process, which was refined by certain improvements. In May 2015, the Governor and State Superintendent approved awarding grants totaling \$132,000 to an additional six applicants recommended by the Council.

From the creation of the Fund in April 2012 through FY 2014-15, 13 grant recipients were awarded a total of \$336,926.

From the creation of the Fund in April 2012 through FY 2014-15, grants totaling \$336,926 were awarded to 13 grant recipients, as shown in Table 1. Of the total amount awarded, \$291,751 was funded by segregated revenue in the Fund and \$45,175 was funded by the related GPR appropriation.

Table 1
Grants Awarded and Expended, by Funding Source
 From April 2012 through FY 2014-15

	Amount Awarded	Amount Expended in FY 2014-15 ¹
Segregated Revenue (SEG)²		
<i>Awarded in FY 2013-14:</i>		
Children's Hospital of Wisconsin	\$ 45,000	\$ 21,934
Cooperative Educational Service Agency (CESA) 8	44,974	44,974
Wausau School District Elementary Schools	44,761	44,761
Central City Cyberschool of Milwaukee	40,516	0
Winnebago County Literacy Council	7,500	6,187
<i>Awarded in FY 2014-15:</i>		
Children's Dyslexia Center of Upper Wisconsin	30,000	0
Northern Waters Literacy	30,000	0
Sparta Area School District	30,000	0
St. Catherine School	19,000	0
Subtotal	291,751	117,856
General Purpose Revenue (GPR)		
<i>Awarded in FY 2013-14:</i>		
Northeast Wisconsin Technical College	18,675	17,911
Schreiner Memorial Library	3,500	2,480
<i>Awarded in FY 2014-15:</i>		
Marquette University	20,000	0
Kettle Moraine Correctional Institution	3,000	0
Subtotal	45,175	20,391
Total	\$336,926	\$138,247

¹ Prior to FY 2014-15, no amounts were expended by the State to reimburse grant recipients for grant-related costs.

² Consists of appropriations in the Read to Lead Development Fund.

In FY 2014-15, the State expended \$138,247 to reimburse grant recipients for their grant-related costs.

Table 1 also shows the amount expended from the Fund and the related GPR appropriation. Grant recipients request reimbursement from the State after incurring grant-related costs. In FY 2014-15, which was the first year in which the State incurred expenditures related to these grants, the State expended \$138,247 to reimburse grant recipients for their grant-related costs. Our review of the amounts expended by the State for these reimbursements did not identify instances in which the amounts expended were inappropriate.

As of the end of FY 2014-15, \$109,408 was available in the Fund for future grant awards.

Of the \$138,247 the State expended for grant-related costs in FY 2014-15, \$117,856, or 85.3 percent, was funded by segregated revenue in the Fund. The balance in the Fund decreased to \$283,303 as of the end of FY 2014-15 because minimal interest was earned, no additional state funding was received, and no private funding was obtained. Of this balance, \$173,895 was committed for grant awards for which the State had not yet incurred related expenditures. Consequently, as of the end of FY 2014-15, \$109,408 was available in the Fund for future grant awards, as shown in Table 2.

Table 2

Read to Lead Development Fund Activity¹
FY 2014-15

	Amount
Beginning Fund Balance	\$400,796
Interest Earnings	363
Expenditures	(117,856)
Ending Fund Balance	283,303
Committed Fund Balance ²	(173,895)
Available Fund Balance³	\$109,408

¹ Excludes grants funded by the related GPR appropriation.

² Committed for grants awarded but not expended as of the end of FY 2014-15.

³ Available for future grant awards.

At this time, if the Fund is fully committed, only amounts annually appropriated to the related GPR appropriation will be available to be awarded.

In addition to the \$109,408 available in the Fund as of the end of FY 2014-15, future interest earnings on the balance in the Fund and the \$23,600 annually appropriated to the related GPR appropriation in each year of the 2015-17 biennium are also available to fund future grant awards. If, as a result of the next applicant selection process, grants are awarded in an amount comparable to the amount awarded in FY 2014-15, the balance in the Fund may be fully committed. At this time, if the Fund is fully committed, only amounts annually appropriated to the related GPR appropriation will remain available for future grant awards.



Statutory Changes and Reporting

Provisions of Act 55 transferred responsibilities related to the Fund and grant funding sources from the Governor's Office to DCF.

2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, included provisions that transferred the Governor's responsibilities for serving as the chair of the Council and approving grant awards to the Department of Children and Families (DCF). In addition, provisions of Act 55 transferred one of the two segregated revenue appropriations in the Fund and the related GPR appropriation from the Governor's Office to DCF. The other segregated revenue appropriation in the Fund remains at the Department of Public Instruction. Provisions of Act 55 also expanded the recipients of GPR-funded grants to include school boards in addition to persons other than school boards, which enables funding of any literacy and early childhood development program grant by the Fund or the related GPR appropriation.

Section 48.53 (2), Wis. Stats., requires the Council to annually submit to the appropriate standing committees of the Legislature a report on its operations. In January 2015, the Governor's Office submitted the 2014 annual report on behalf of the Council. We anticipate that DCF will work with the Council to submit the next annual report in early 2016. Including additional information in the next annual report on the Council's plans for awarding grants in the future and for raising private funds would further communicate the condition of the Fund to the Legislature.

Recommendation

We recommend the Department of Children and Families work with the Read to Lead Development Council to:

- *include in the Council's next annual report required under s. 48.53 (2), Wis. Stats., information on the Council's plans for awarding grants in the future and for raising private funds; and*
- *submit a copy of the report to the Joint Legislative Audit Committee by February 1, 2016.*

■ ■ ■ ■

Appendix ■

Appendix

Members, Read to Lead Development Council¹

October 1, 2015

Secretary of the Department of Children and Families²

Eloise Anderson

Designee of the State Superintendent of Public Instruction

Barbara Novak

Chair, Senate Committee on Education

Senator Luther Olsen

Chair, Assembly Committee on Education

Representative Jeremy Thiesfeldt

Ranking Minority Member, Senate Committee on Education

Senator Chris Larson

Ranking Minority Member, Assembly Committee on Education

Representative Sondy Pope

Practicing Educators

Donna Hejtmanek

Jill Riley

Vacant

Philanthropic Community Representatives

Steven Sorenson

Vacant

Vacant

Business Community Representatives

Jeff Roepsch

Vacant

Vacant

Literacy Organization Representatives and Others

Kathryn Champeau

Steven Dykstra

Michele Erikson

Ann Hardginski

Pamela Heyde

Rachel Lander

Janis Serak

¹ Except for the Secretary of the Department of Children and Families, State Superintendent, and legislators, members are appointed by the Secretary of the Department of Children and Families for three-year terms.

² Provisions of 2015 Wisconsin Act 55 changed this member from the Governor, or his or her designee, to the Secretary of the Department of Children and Families, or his or her designee.