



Legislative Fiscal Bureau

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February 17, 2004

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 747: Woodlands School

Assembly Bill 747, relating to eligibility to attend Woodlands School, was introduced January 9, 2004, and referred to the Assembly Committee on Education Reform. The Committee recommended the bill for passage, as amended by Assembly Amendment 1 to AB 747, by a vote of 10 to 2, on January 14, 2004. The Assembly passed the bill, as amended by AA 1, on a vote of 67 to 27 on January 20, 2004, and ordered the bill immediately messaged to the Senate. The bill was referred to the Joint Committee on Finance on February 3, 2004.

BACKGROUND

Woodlands School, Inc. is a private school in the City of Milwaukee enrolling approximately 200 students in preschool through eighth grade. Somewhat less than half of the students currently enrolled at Woodlands attend under the Milwaukee parental choice program. Woodlands has contracted with the University of Wisconsin-Milwaukee (UW-M) to operate as an independent charter school beginning with the 2004-05 school year. The school anticipates a maximum enrollment of 300 students.

CURRENT LAW

Under current law, certain entities may establish or contract to establish independent charter schools not affiliated with any public school district. Under the Milwaukee charter school program, the Common Council of the City of Milwaukee, the Chancellor of the University of Wisconsin-Milwaukee (UW-M), and the Milwaukee Area Technical College Board are authorized to charter schools located within MPS. There is no limit on the number of charter schools that may be established by these entities, nor on the number of pupils that may attend. In 2003-04, 10 charter schools (five each from the City and UW-M) are operating with an estimated enrollment of 3,300

pupils. Under a similar program, the University of Wisconsin-Parkside is authorized to operate a single charter school on a pilot basis within the Racine Unified School District (RUSD). In 2003-04, estimated enrollment at the charter school within RUSD is 300 pupils.

Pupils are eligible to attend Milwaukee charter schools if they reside in MPS and, in the previous school year, were enrolled in MPS, enrolled in a charter school, enrolled in a private school through the Milwaukee parental choice program, enrolled in a private, non-choice school in the City in grades kindergarten to three, or not enrolled in school.

The Department of Public Instruction is required to pay the operators of Milwaukee and Racine charter schools an amount equal to the sum of the amount paid per pupil in the previous school year and the increase in the per pupil amount paid to private schools under the Milwaukee parental choice program, multiplied by the number of pupils attending the charter school. This payment is made from a separate general purpose revenue (GPR) sum sufficient appropriation established for this purpose. Payments for these charter schools are fully offset by a proportionate reduction in the GPR expenditures for general school aids of all 426 public school districts. In 2004-05, it is estimated that a total of approximately \$30.2 million will be paid to these charter schools under current law. The per pupil payment for the Milwaukee charter school program will be \$7,111 in 2004-05, while the per pupil payment under the Milwaukee parental choice program will be \$5,943 in 2004-05.

Pupils attending independent charter schools are not counted by any school district for purposes of revenue limits and equalization aid, and costs associated with the program are excluded from cost sharing under equalization aid. However, school district revenue limits are not affected by the charter school program reduction in general school aid. Thus, a school district may levy property taxes to offset the amount of revenue lost due to these aid reductions.

Woodlands School's conversion from a Milwaukee parental choice school to a charter school will have the effect of decreasing total expenditures for the choice program by an estimated \$457,600 next year, based on 77 current Woodlands choice pupils, who are expected to convert to charter pupils, and an estimated choice payment of \$5,943 per pupil in 2004-05.

State expenditures total 55% of the cost of the choice program, so that choice expenditures will decrease by an estimated \$251,700 GPR attributable to the Woodlands conversion. The remaining 45% of the cost of choice is offset by a reduction in the general school aids otherwise paid to MPS, which would be an estimated \$205,900.

In addition, due to the conversion, it is expected that charter expenditures will increase by \$1,422,200 next year, based on total school enrollment of an estimated 200 pupils and an estimated charter payment of \$7,111 per pupil in 2004-05. As a result, the statewide aid reduction for the charter program will increase by \$1,422,200. The net change to general school aids statewide would depend on where these pupils otherwise have attended school. However, because Woodlands will convert to a charter school regardless of whether AB 747 becomes law, these potential effects are not considered fiscal effects of the bill.

SUMMARY OF BILL

Under the bill as amended, an exception would be created to the current law pupil eligibility requirements. While the current requirement that pupils must reside in MPS in order to attend schools participating in the Milwaukee charter school program would be retained, the bill would create an additional condition under which pupils could attend Woodlands School. A pupil could attend Woodlands School in 2004-05 regardless of the pupil's school district of residence, if any of the following applies: (a) the pupil attended Woodlands in 2003-04 and, beginning in the 2005-06 school year, in the previous school year; or (b) if a member of the pupil's family who resides in the same household as the pupil attended Woodlands School in the 2003-04 school year.

FISCAL EFFECT

According to Woodlands School, approximately 50 of the pupils enrolled in 2003-04 would not be eligible to attend the school after its conversion to a charter school in 2004-05. These pupils either reside outside the City of Milwaukee, or they are enrolled in grades four through eight and do not participate in the Milwaukee parental choice program.

The Woodlands pupils who would be ineligible to attend following its conversion to a charter school are not currently counted under any state funding program. Each of these pupils would represent an additional cost under the independent charter school program in an amount equal to \$7,111, the 2004-05 independent charter school per pupil payment that would be paid from the current sum sufficient GPR appropriation for this purpose. An offsetting proportionate reduction to general school aids would be made. Additional costs associated with pupils' other family members who would become eligible to attend Woodlands under the bill could be incurred in future years. However, it is not possible to estimate those costs at this time, since it would depend on the decisions of affected families.

The net effect of the bill on general school aids would also depend on where these pupils would choose to attend school, if the bill were not enacted. If these pupils would attend public schools in their school districts of residence, those districts would likely receive additional general school aids based on increased membership and shared costs attributable to these pupils. However, if these pupils would otherwise attend a private school or be home schooled, there would not be any impact on general school aids. As a result, even if the bill would not pass, Woodlands School's conversion to a charter school could affect the distribution of general school aids for other school districts in the state, due to potential changes in public school enrollment, depending on the decisions of the families involved.

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