



Legislative Fiscal Bureau

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May 19, 2009

Joint Committee on Finance

Paper #640

Milwaukee Parental Choice Program Reestimate (DPI -- Choice and Charter)

[LFB 2009-11 Budget Summary: Page 527, #1]

CURRENT LAW

Under the Milwaukee parental choice program, state funds are used to pay for the cost of children from low-income families to attend, at no charge, private schools located in the City of Milwaukee. For each pupil attending a school through the choice program, the state pays the parent or guardian an amount that is equal to the lesser of: (a) the private school's operating and debt service cost per pupil related to educational programming, as determined by the Department of Public Instruction (DPI); or (b) the amount paid per pupil in the previous school year adjusted by the percentage change, if positive, in the general school aids appropriation from the previous school year to the current school year. In 2008-09, it is estimated that 19,500 pupils will participate in the choice program and the maximum payment is \$6,607 per pupil.

The choice program is funded from a separate, GPR sum sufficient appropriation established for that purpose. The cost of the payments from the appropriation is partially offset by a reduction in the general school aids otherwise paid to the Milwaukee Public Schools (MPS) by an amount equal to 45% of the total cost of the choice program. Under revenue limits, MPS may levy property taxes to make up for the amount of aid lost due to this reduction, less the amount of high poverty aid paid to MPS.

GOVERNOR

Provide \$6,607,000 in 2009-10 and \$13,214,000 in 2010-11 over the base year funding of \$128,836,500 in the appropriation for payments for the choice program. Based on the funding in the bill, the MPS choice reduction would increase by \$2,973,200 in 2009-10 and \$5,946,300 in 2010-11. The net general fund fiscal effect of this item would be increased expenditures of \$3,633,800 in 2009-10 and \$7,267,700 in 2010-11.

DISCUSSION POINTS

1. The administration estimates that program participation will increase from an estimated 19,500 pupils in 2008-09 to 20,500 pupils in 2009-10 and 21,500 pupils in 2010-11. These are the pupil participation estimates that were used by DPI in the agency's 2009-11 biennial budget request, which are generally consistent with recent annual growth in program participation.

2. AB 75 would, however, place a number of additional requirements on schools that participate in the choice program, beginning in 2010-11. It is not known how this will affect the decision or the ability of schools to participate in the program, and, consequently, the number of pupils that participate. However, it seems reasonable to assume that participation would not increase in 2010-11 compared to 2009-10, and to use an estimate of pupil participation of 20,500 in each year of the biennium.

3. With respect to the general school aids funding level, a new federal appropriation would be created under the bill for moneys received from the state fiscal stabilization fund under the American Recovery and Reinvestment Act that are distributed to school districts as equalization aid. A total of \$789 million in federal revenue would be provided for general school aids from 2008-09 to 2010-11. Over those three years, the state general fund appropriation for general aid would be reduced by a total of \$767.1 million.

4. The state GPR appropriation for general aid would be \$4,799,501,900 in 2008-09 and \$4,522,501,900 in 2009-10 and \$4,600,447,600 in 2010-11 under the bill. This represents a decrease of 5.8% in 2009-10 and an increase of 1.7% in 2010-11 compared to the prior years. The bill as drafted does not change the current law provision specifying that the maximum per pupil choice payment be indexed to the state GPR general aid appropriation. Thus, under the bill there would be no change in the maximum choice per pupil payment in 2009-10 and an increase of 1.7% in 2010-11. As a result, the maximum choice payments would be \$6,607 per pupil in 2009-10 and \$6,719 per pupil in 2010-11.

5. Based on the estimated enrollments and per pupil payments used by the administration, total choice program funding would be \$135,443,500 in 2009-10 and \$144,458,500 in 2010-11. The estimate for total funding for 2010-11 in the bill, however, does not account for the increase in the per pupil payment in that year. Under the bill, only \$142,050,500 would be provided for the choice program in 2010-11.

6. To fund the estimated program expenditures under the bill as drafted and account for lower pupil participation in 2010-11, the choice program appropriation would be reduced by \$4,311,000. The MPS choice lapse would decrease by \$1,939,900, resulting in a net decrease in GPR expenditures of \$2,371,100 (Alternative 1).

7. In a memorandum to the Co-Chairs of the Joint Finance Committee dated March 19, 2009, the Secretary of Administration requested a number of changes to AB 75, including one relating to the choice and charter school payments. In this memorandum, Secretary Morgan requested that the adjustment in the maximum per pupil choice payments be calculated using the

sum of the state general fund appropriation and federal appropriation for general school aids. This change would apply to the general school aids appropriations for 2009-10 and 2010-11.

8. The change requested by DOA (Alternative 2) would use total general school aid funding from all sources to determine the change in the maximum per pupil choice payment. This would be consistent with state law as it applied in the 2003-05 biennium, when general school aid funding was appropriated from both the general fund and transportation fund. State law specified that the change in the maximum per pupil choice payment was determined using the sum of the general fund and transportation fund appropriations for general school aid. If the requested modification would not be made, the choice payment would receive a further increase in 2011-12, since the GPR appropriation for general school aids would increase by 4.8%, assuming the \$221 million of federal stimulus funding is replaced with GPR in 2011-12.

9. Under the bill, total funding for general aid, from both the state general fund and federal revenues, would be \$4,799,501,900 in 2008-09 and \$4,799,501,900 in 2009-10 and \$4,821,447,600 in 2010-11. Total funding would be unchanged in 2009-10 and increase by 0.46% in 2010-11 compared to the prior years. Under the change requested by DOA, the maximum choice payments would be \$6,607 per pupil in 2009-10 and \$6,637 per pupil in 2010-11.

10. Using these per pupil payments with the lower pupil participation, total choice program funding would be \$135,443,500 in 2009-10 and \$136,058,500 in 2010-11. Compared to the funding in the bill, this would represent a decrease of \$5,992,000 in 2010-11 in estimated choice program expenditures. The MPS choice lapse would decrease by \$2,696,400, resulting in a net decrease in GPR expenditures of \$3,295,600 in 2010-11.

ALTERNATIVES

1. Approve the Governor's recommendation in the bill, as reestimated for pupil participation, and delete \$4,311,000 in 2010-11 in the appropriation for payments the Milwaukee parental choice program. The MPS choice reduction would decrease by \$1,939,900, resulting in a net general fund decrease of \$2,371,100 in 2010-11. Under this alternative, the maximum per pupil payment under the choice program in 2010-11 would increase by 1.7% (from \$6,607 in 2009-10 to \$6,719 in 2010-11).

| ALT A1 | Change to Bill Funding |
|----------------------|---------------------------|
| GPR | - \$4,311,000 |
| MPS Aid Reduction | <u>- 1,939,900</u> |
| Net GPR | - \$2,371,100 |

2. Modify the bill, as requested by DOA in its letter to the Committee, to specify that the adjustment in the maximum per pupil choice payments be calculated using the sum of the state general fund appropriation and federal appropriation for general school aids for 2009-10 and 2010-11. Delete \$5,992,000 in 2010-11 from the choice program appropriation. The MPS choice

reduction would decrease by \$2,696,400, resulting in a net general fund decrease of \$3,295,600 in 2010-11. Under this alternative, the maximum per pupil payment under the choice program in 2010-11 would increase by 0.46% (from \$6,607 in 2009-10 to \$6,637 in 2010-11).

| ALT A2 | Change to Bill Funding |
|---------------|-----------------------------------|
| GPR | - \$5,992,000 |
| MPS Aid | |
| Reduction | <u>- 2,696,400</u> |
| Net GPR | - \$3,295,600 |

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