

Committee Name:
Joint Committee – Finance
(JC–Fi)

Appointments

99hr_JC–Fi_Appt_pt00

Committee Hearings

99hr_JC–Fi_CH_pt00

Committee Reports

99hr_JC–Fi_CR_pt00

Clearinghouse Rules

99hr_JC–Fi_CRule_99–

Executive Session

99hr_JC–Fi_ES_pt00

Hearing Records

99hr_ab0000

99hr_sb0000

Misc.

99hr_JC–Fi__Misc__s.13.10_pt14b1

Record of Committee Proceedings

99hr_JC–Fi_RCP_pt00

S. 13. 10 September 26, 2000

WPS Neighborhood Schools



MILWAUKEE NEIGHBORHOOD SCHOOLS INITIATIVE REPORT

Annual Expenditure Reporting

Motion:

Move to require MPS to report annually to the Committee beginning in December, 2001, on the expenditure and revenue changes under the plan using similar categories and level of detail as shown in Appendix I in the companion document to the Neighborhood Schools Plan.

MO#				
	BURKE	Y	<input checked="" type="radio"/> N	A
	DECKER	<input checked="" type="radio"/> Y	N	A
	JAUCH ROSSAN	<input checked="" type="radio"/> Y	N	A
	MOORE	<input checked="" type="radio"/> Y	N	A
	SHIBILSKI	<input checked="" type="radio"/> Y	N	A
	PLACHE	<input checked="" type="radio"/> Y	N	A
1	COWLES	<input checked="" type="radio"/> Y	N	A
	DARLING	<input checked="" type="radio"/> Y	N	A
2	GARD	<input checked="" type="radio"/> Y	N	A
	PORTER	<input checked="" type="radio"/> Y	N	A
	KAUFERT	<input checked="" type="radio"/> Y	N	A
	ALBERS STONE	<input checked="" type="radio"/> Y	N	A
	DUFF	Y	<input checked="" type="radio"/> N	A
	WARD	<input checked="" type="radio"/> Y	N	A
	HUBER	<input checked="" type="radio"/> Y	N	A
	RILEY	Y	<input checked="" type="radio"/> N	A

AYE 13 NO 3 ABS 0

MILWAUKEE NEIGHBORHOOD SCHOOLS INITIATIVE REPORT

Approval with JFC Review of Bonding in Excess of \$100 Million

Motion:

~~Move to approve the Milwaukee neighborhood schools initiative report in accordance with Section 9158(7tw)(b) of 1999 Act 9, subject to the limitation that no more than \$100 million of bonding, except bonds issued to make a deposit into a debt service reserve fund, or for a capitalized interest fund, an original issuance discount, the costs of credit assurance, or to pay issuance costs, may be issued without subsequent Committee approval under a 14-day passive review process, where the Committee has 14 business days after the receipt of a request for additional bonding to decide whether to schedule a meeting. If the Committee decides not to schedule a meeting, the request for additional bonding is approved. If the Committee schedules a meeting, no additional bonds can be issued until the Committee meets to approve, modify or disapprove the request. In approving the report, the Committee recognizes that those aspects of the plan that involve educational programming and the location of school buildings are decisions, which like other school districts in the state, are the responsibility of the local school board.~~

Direct MPS to provide written quarterly status reports to Joint Finance and to the Education standing committees of the Legislature on the facilities component of the plan being financing with bond proceeds or on a pay-as-you-go basis. Request the Joint Committee on Audit to direct the Legislative Audit Bureau to review the capital facilities expenditures and activity by MPS in the fall of 2002.

Note:

Under the motion, no more than \$100 million of bonds could be issued without subsequent Committee approval, except for bonds issued for a debt service reserve fund or to pay issuance costs. Although the exact amounts would differ depending on the specific structure of any bond issues, costs of issuance may be around \$1 million and a debt service reserve fund, if used, could equal one year's worth of debt service, or an estimated \$13 million.

MILWAUKEE NEIGHBORHOOD SCHOOLS INITIATIVE REPORT

Statement of Intent of No State Impact

Motion:

Move to specify that it is the Joint Finance Committee's intention that implementation of the Milwaukee neighborhood schools initiative will neither involve additional state funding nor involve any reduction in state aid received by other school districts in the state.

MO#			
	BURKE	Y	N A
1	DECKER	Y	N A
2	JAUCH ROSS	Y	N A
	MOORE	Y	N A
	SHIBILSKI	Y	N A
	PLACHE	Y	N A
	COWLES	Y	N A
	DARLING	Y	N A
	GARD	Y	N A
	PORTER	Y	N A
	KAUFERT	Y	N A
	ALBERS STONE	Y	N A
	DUFF	Y	N A
	WARD	Y	N A
	HUBER	Y	N A
	RILEY	Y	N A

AYE 11 NO 5 ABS 0

MILWAUKEE NEIGHBORHOOD SCHOOLS INITIATIVE REPORT

Subsequent JFC Approval of Bonding over \$100 Million, K-4 and Mobility Concerns

Motion:

Move to modify the Milwaukee neighborhood schools initiative report to specify that no more than \$100 million of bonding, except bonds issued to make a deposit into a debt service reserve fund, or for a capitalized interest fund, an original issuance discount, the costs of credit assurance, or to pay issuance costs, may be issued without subsequent review and approval by the Committee at a meeting under s. 13.10. In addition, find that: (a) in considering the proposed MPS change in K4 allocation policy from allocating a full per-pupil allotment to a full-time equivalent allotment to individual schools for each K4 student, the Committee recommends that MPS endeavor to ensure that the change will not affect the educational programming provided to K4 students; and (b) with regard to the impact of pupil mobility on educational achievement in MPS, the Committee recommends that MPS address the issue of pupil mobility and its effects on the education of pupils who move frequently.

Require MPS to report on its actions with regard to K-4 students and the issue of pupil mobility to the Committee by December, 2001.

Note:

Under the motion, no more than \$100 million of bonds could be issued without subsequent Committee approval, except for bonds issued for a debt service reserve fund or to pay issuance costs. Although the exact amounts would differ depending on the specific structure of any bond issues, costs of issuance may be around \$1 million and a debt service reserve fund, if used, could equal one year's worth of debt service, or an estimated \$13 million.

14-2

MILWAUKEE NEIGHBORHOOD SCHOOLS INITIATIVE REPORT

Motion:

Move to approve the Milwaukee neighborhood schools initiative report, as amended, in accordance with Section 9158(7tw)(b) of 1999 Act 9. In approving the report, the Committee recognizes that those aspects of the plan that involve educational programming and the location of school buildings are decisions which, as in other school districts in the state, are the responsibility of the local school board.

MO#			
1	BURKE	(Y)	N A
	DECKER	Y	(N) A
	JAUGH ROSSON	(Y)	N A
	MOORE	Y	(N) A
	SHIBILSKI	Y	(N) A
	PLACHE	(Y)	N A
	COWLES	(Y)	N A
	DARLING	(Y)	N A
2	GARD	(Y)	N A
	PORTER	(Y)	N A
	KAUFERT	(Y)	N A
	ALBERS STONE	(Y)	N A
	DUFF	(Y)	N A
	WARD	(Y)	N A
	HUBER	(Y)	N A
	RILEY	(Y)	N A

AYE 13 NO 3 ABS



BOARD OF SCHOOL DIRECTORS

Administration Building
5225 West Vliet Street
P.O. Drawer 10K
Milwaukee, Wisconsin 53201

August 14, 2000

The Honorable Brian Burke, State Senator, District 3
The Honorable John Gard, State Representative, 89th Assembly District
Wisconsin State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Re: MPS Neighborhood Schools Plan

In accordance with the requirements of the Neighborhood Schools Initiative passed by the Legislature in October 1999, the Milwaukee Public Schools has developed a Neighborhood Schools Plan. Enclosed is a copy of the plan along with an executive summary and media release, which highlight its key components. The plan is being released at a news conference this afternoon.

The Neighborhood Schools Plan was developed after 10 months of extensive parent and community outreach. The results of this broad outreach produced the guiding principles for the plan and the recommendations for programs and services parents said they want and need in their neighborhood schools.

A series of *neighborhood question and answer sessions* on the plan are scheduled for *Monday, August 21, 2000*. Members of the Milwaukee Board of School Directors will host four different comment sessions in neighborhoods throughout the city. At the meetings, Board members and MPS staff will answer questions about the plan and take public comments. *The meetings begin at 6:30 p.m., and will be held at the following sites:*

*North Division High School, 1011 W. Center Street
South Division High School, 1515 W. Lapham Street
Sherman Elementary School, 5110 W. Locust Street
New Hope Baptist Church, 2464 W. Atkinson Avenue*

The plan is scheduled for discussion and action by the Milwaukee Board of School Directors at a meeting on Thursday, August 24, 2000, at 6:30 p.m. The final MPS Neighborhood Schools Plan will be officially transmitted to you by September 1, 2000, following its approval by the School Board.

We look forward to further review and discussion of the plan at the upcoming neighborhood sessions and with members of the Wisconsin Legislature.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'SM Lundin'.

Suzanne M. Lundin, Ph.D.
Director / Board Clerk
Office of Board Governance

A handwritten signature in cursive script, appearing to read 'Bruce R. Thompson'.

Bruce Thompson
President
Milwaukee Board of School Directors

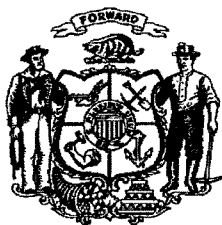
Enclosure

cc: Governor Tommy Thompson
Joint Committee on Finance
State and Assembly Education Committees
State Superintendent John Benson

THE STATE OF WISCONSIN

**SENATE CHAIR
BRIAN BURKE**

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



**ASSEMBLY CHAIR
JOHN GARD**

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

To: Members, Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard
Co-Chairs, Joint Committee on Finance

Date: August 17, 2000

Re: Milwaukee Public Schools Neighborhood Schools Initiative

Attached is a copy of a letter you recently received from Suzanne Lundin and Bruce Thompson of Milwaukee Public Schools (MPS) regarding their recently released Neighborhood Schools Plan. The plan was developed in accordance with 1999 Wisconsin Act 9, section 9158(7tw). Pursuant to provisions in 1999 Wisconsin Act 9, the Joint Committee on Finance must review and approve the report by the end of September.

As you may be aware, MPS held a number of public hearings as they worked to develop the plan. On August 21, MPS is hosting one more series of public hearings to allow input on the final proposal at various locations throughout Milwaukee. Specific locations and times are outlined in the attached letter.

We encourage members of the Committee to attend any of these hearings to hear citizen comments. MPS officials will be on hand to discuss specifics of the proposal and answer questions from citizens.

We anticipate the Committee will consider the final plan at an upcoming s. 13.10 meeting, tentatively scheduled for September 14.

Should you have any questions, please feel free to contact us.

BB/JG/js



WISCONSIN LEGISLATURE

P.O. BOX 8952 · MADISON, WI 53708

Sept. 12, 2000

Sen. Brian Burke
Senate Co-Chair
Jt. Finance Committee
316 South
State Capitol
Madison, WI

Rep. John Gard
Assembly Co-Chair
Jt. Finance Committee
315 North
State Capitol
Madison, WI

Hand delivered

Dear Sen. Burke and Rep. Gard:

We are writing as concerned residents and elected representatives of the community affected by the proposed Neighborhood Schools Plan recently put forth by the Milwaukee Public School System.

We feel that continuing and newly developing concerns about the plan warrant further scrutiny that can only be addressed by additional public participation and legislative review. These concerns include, but are not confined to:

- Attendance area busing mobility and how the costs for these services will be assessed to individual schools and/or parents
- The impact of the plan on special education students
- Consideration of high schools in the cluster system
- The lack of minority instructional staff
- The changes the district proposes to make to current K4 funding allocation policies
- Determining whether there is sufficient funding to pay off the bonds without jeopardizing funding for teachers, supplies, and other general operating costs
- The amount of bonding to be spent on leasing rather than construction and expansion and curriculum changes

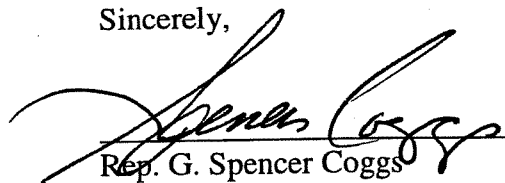
As you know, this lengthy and complex plan was released only a week before five simultaneous question and answer sessions were held on the plan. The Milwaukee School Board was given only three days to discuss input from the public and make changes before taking its final action Aug. 24.

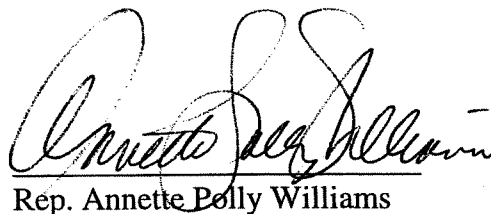
In fact, the non-partisan Legislative Fiscal Bureau has not yet rendered its analysis. Through closer examination, the Legislature will be better equipped to define the proposal's scope and methods for attaining its goals.

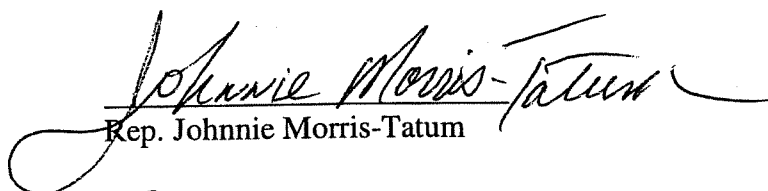
Unfortunately, an atmosphere of haste undermines the credibility of the process, which subsequently risks the full understanding and confidence of the public. If the public feels it has no authorship of the product it will not take ownership, thereby jeopardizing the success of the plan.

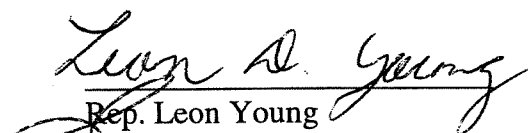
It is our understanding that the co-chairs have scheduled the Neighborhood Schools Plan for executive session on Sept. 26. It is clear from the Aug. 24th Legislative Fiscal Bureau memorandum that there are no penalties for delaying the vote on the plan by the Joint Committee on Finance past September. In light of the many concerns listed in the body of this letter and articulated at the public hearing on Sept. 8, we respectfully request that the co-chairs delay executive action on this proposal until this most comprehensive initiative is given the scrutiny it warrants.

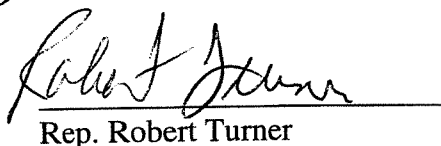
Sincerely,

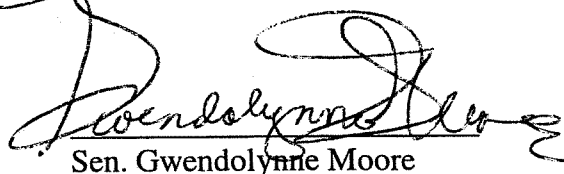

Rep. G. Spencer Coggs


Rep. Annette Polly Williams


Rep. Johnnie Morris-Tatum


Rep. Leon Young


Rep. Robert Turner


Sen. Gwendolynne Moore

Cc: Members of the Joint Committee on Finance
Spence Korte, Superintendent, MPS



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

September 22, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Paper for the Committee's Meeting of September 26, 2000

Attached is a paper, prepared by this office, on the Milwaukee Public Schools -- Neighborhood Schools Initiative Report.

This item is scheduled for the Committee's meeting of Tuesday, September 26, 2000. The meeting is to begin at 10:30 a.m. in Room 411 South, State Capitol.

BL/lah
Attachment



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

September 26, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Milwaukee Public Schools: Neighborhood Schools Initiative Report

INTRODUCTION

The state's 1999-01 biennial budget (1999 Act 9) contains provisions which are designed to assist Milwaukee Public Schools (MPS) in the renovation and construction of school facilities and in the delivery of educational services for children in that district. The proposal, termed the "neighborhood schools initiative" requires the MPS Board to develop a plan to implement the initiative and submit it to the Legislature's education committees and the Joint Committee on Finance for its review and approval.

MPS submitted an interim report on its plan to the Joint Committee on Finance in May, 2000. On August 24, 2000, the MPS Board approved the final report on a vote of 8-0, with one member absent, and forwarded the report to the Joint Committee on Finance. The MPS Board now seeks approval of its report, by the Finance Committee, pursuant to Section 9158(7tw)(b) of 1999 Act 9.

The statutory provisions regarding the MPS neighborhood schools initiative begins with a declaration of legislative intent which states:

"The legislature determines that the development of new public schools will help alleviate the substandard conditions...and will promote the sound growth and economic development of cities and enhance the education of youth in neighborhood settings. The legislature determines that the social and economic problems sought to be addressed are particularly acute in more densely populated areas. The legislature desires to make certain financing and economic tools available in 1st class cities with the view that there are likely to be positive statewide

benefits in light of the impact that 1st class cities have on the economy and welfare of the entire state."

The major statutory components of the initiative include:

- Authorization for the Milwaukee Redevelopment Authority to issue up to \$170,000,000 in bonds to finance the construction or renovation public schools in Milwaukee.
- Waiver of the local referenda requirement for issuance of the bonds.
- Pledge of the state's moral obligation, if deemed necessary and appropriate, for issuance of the bonds.
- A guarantee that the amount of state aid that Milwaukee receives under the intradistrict integration program will not drop below \$32.9 million (the amount received in 1998-99) until the debt on the Authority bonds is retired or, if no bonds are issued, for five years.
- That the MPS Board be responsible for the development of a report that identifies specific plans for "establishing neighborhood schools and replacing or relocating specialty schools in order to increase the number of pupils attending neighborhood schools."
- A requirement for MPS to seek public input and hold hearings on the development of its plan.
- That the Joint Committee on Finance review the report and approve it, with any modifications. Until approved by the Committee, the Department of Public Instruction (DPI) may not distribute intradistrict transfer aid to MPS for 2000-01.

In addition to this introduction, this paper contains three sections. First, the "Background" section discusses current financing mechanisms for Milwaukee Public Schools and highlights the provisions of Act 9 which address the MPS neighborhood schools initiative. The second section of the paper, "Summary of Report" provides a description of the MPS report, including a review of its proposed revenues and expenditures. The final section provides a description of the potential role of the Joint Committee on Finance during its review of the report. The paper concludes with an attachment which explains and displays the calculation of revenue limits and state aid payments for MPS.

BACKGROUND

MPS 1999-00 Budgeted Expenditures and State Aid Amounts

MPS had a fiscal year 1999-00 adopted budget of \$950.3 million in expenditures from all funds. In that year, MPS received \$522.2 million of state general school aids, \$35.0 million in

state intradistrict (Chapter 220) aid, \$47.4 million in state categorical aids and \$6.9 million of other state aids. The state-imposed revenue limit for MPS, which restricts the amount of revenue that can be obtained through the combination of general school aids, integration aid and the property tax levy, was \$724.5 million in 1999-00. After consideration of state aid, the maximum allowable property tax levy for MPS under revenue limits was \$160.1 million, although the total reported MPS levy was \$169.3 million when other levy amounts are included. The attachment provides a more detailed description of revenue limits and general school aids, as well as the calculations relevant to MPS in 1999-00.

Integration (Chapter 220) Aid

The integration pupil transfer program consists of two components, *interdistrict* (pupils transfer between school districts) and *intradistrict* (pupils transfer within one school district). Funding for the program is distributed as a first draw from the general school aids appropriation. For the purposes of the neighborhood schools initiative report, the intradistrict transfer program is most relevant to the discussion.

In order to qualify for intradistrict integration aid, a school district must transfer pupils between school attendance areas with certain concentrations of minority or non-minority pupil populations. The statutes define attendance area as the geographical area within a school district established by the school board for the purpose of designating the elementary, middle, high or other school which pupils residing in the area would normally attend. A minority group pupil is defined under state law as a Black American, a Native American, a Spanish-surnamed American or an Oriental American.

State aid is provided for each minority pupil who is transferred from an attendance area where minority pupils comprise 30% or more of the population to an attendance area that has less than a 30% minority pupil population. In addition, aid is paid for each non-minority pupil who transfers from a non-minority attendance area (less than 30% minority) to a minority attendance area (30% or more minority). In order to be eligible for state aid, pupils must be four years old on or before September 1 of the year they enter school.

Under current law, several provisions apply to varying attendance areas: (1) pupils attending schools serving the entire school district are aided to recognize the existence of magnet or specialty schools that have citywide attendance areas; (2) school districts with merged attendance area plans are aided, where the attendance area for two or more schools are combined and all the pupils enrolled in certain grade levels attend only one of these schools; and (3) any desegregation plan established prior to enactment of Chapter 220, Laws of 1975, is eligible for integration aid if the plan is approved by the State Superintendent.

State aid for intradistrict transfers is based on the aid per pupil received by the district under the equalization aid formula. Intradistrict transfer aid is calculated by multiplying the number of eligible transfer pupils by 0.25 and, then multiplying this product by the district's current year equalization aid payment per pupil. Stated another way, a school district receives an

additional one-quarter of its equalization aid per pupil for each intradistrict transfer. In part, this weighting factor is used to address the school district's transportation costs associated with the program.

School districts receive state aid based on the number of pupils transferred in the prior school year. For example, integration aid paid in 1999-00 reflected pupil transfers in the 1998-99 school year. State aid for merged attendance area plans is calculated according to the same formula as intradistrict transfer aid. Currently, five school districts are eligible for intradistrict transfer payments (MPS, Beloit, Madison, Racine and Wausau). In 1999-00, MPS received \$35.0 million out of the total of \$41.3 million provided for intradistrict aid to these five school districts.

MPS Neighborhood Schools Initiative

The MPS neighborhood schools initiative is intended to provide funding for neighborhood schools in under-served areas of MPS and to reduce the number of pupils who are transported outside of their neighborhood under the intradistrict transfer program. Act 9 authorizes the issuance of \$170 million of bonding by the Redevelopment Authority of the City of Milwaukee for MPS to finance the construction, development or renovation of sites and facilities to be used as MPS public school facilities. Unlike other school districts in the state, this bonding can be issued without referendum approval. In addition, portions of the intradistrict transfer program are restructured for MPS only.

Requirements for pupil transfers and neighborhood schools. Under the Act 9 provisions, MPS is required to obtain the written consent of a pupil's parent or guardian to transfer the pupil under the intradistrict transfer program. Approximately 26,000 pupils were transferred under the program in MPS in 1999-00. Certain percentage thresholds are established for the number of pupils for which MPS is required to receive written consent as a condition of the receipt of aid. MPS's intradistrict transfer aid will be reduced by the amount of aid generated for pupils who exceed the following percentage thresholds for each school year: (a) 75% in 2000-01; (b) 80% in 2001-02; (c) 90% in 2002-03; (d) 95% in 2003-04; and (e) 100% in 2004-05 and each year thereafter. MPS may not receive state categorical transportation aid or state equalization aid for the transportation costs relating to those pupils short of the thresholds. Annually, by May 1, MPS is required to collect and report to the Legislature the number and percentage of pupils transferred outside of their attendance area without their parents' or guardians' written consent. MPS is required to report this data on the basis of pupil attendance area, race, sex and grade level.

MPS was required to submit a report to Joint Committee on Finance by May, 2000, on the following:

1. A strategy for achieving the parental consent percentages;

2. A facility plan specifying the neighborhood schools that are needed, the location of specialty schools and the estimated cost of the facility plan;
3. Other means by which the pupil capacity of neighborhood schools will be expanded, which could include remodeling and use of nontraditional facilities;
4. Specific plans for establishing neighborhood schools and replicating or relocating specialty schools in order to increase the number of pupils attending neighborhood schools; and
5. A description of the alternative settings, which are in compliance with school building code, that will be used for educating pupils.

Prior to its submission, MPS was required to hold public hearings on the report. The report is subject to review and approval by Joint Finance no later than September, 2000. The Committee may approve or modify the report and DPI may not release any MPS intradistrict transfer aid for 2000-01 until Joint Finance has acted. MPS submitted an interim report to Joint Finance in May, 2000, and its final report at the end of August, 2000.

Beginning in school year 2000-01, MPS is required to provide spaces in each school for pupils who reside outside the attendance area for the school, but is required fill any unused spaces with pupils who reside in the attendance area. A pupil who attends a school may continue to attend that school until he or she graduates from the school and each sibling of that pupil would be given priority over other pupils in the admission process for the school.

Financing for the initiative. The City of Milwaukee Redevelopment Authority may issue up to \$170 million in bonds, which may be backed by the moral obligation of the state if certain criteria are met. These bonds can only be issued at the request of MPS to implement the report once it is approved by Joint Finance. In addition, the Authority can only issue the bonds if it determines that the purposes of the financing are consistent with the City's master plan.

Bond revenue will be utilized to finance the construction or renovation of school facilities under the neighborhood schools initiative. The MPS Board and the Redevelopment Authority must reach an agreement outlining the financing arrangements for the plan, which may include a leasing or loan payment agreement. MPS may utilize its intradistrict transfer aid to make lease or loan payments to the Authority. While MPS could utilize other non-designated revenues, such as equalization aid, or property taxes levied within MPS's revenue limits, MPS officials intend to utilize intradistrict transfer aid for these payments.

Act 9 establishes a hold harmless on the amount of intradistrict aid MPS receives in order to ensure sufficient funding to make payments to the Authority and to pay the costs related to the continued busing of intradistrict transfer pupils. Annually, the MPS intradistrict aid will be the greater of: (a) the 1998-99 aid amount (\$32.9 million), less any aid reduced due to a failure to reach the percentage thresholds described above; or (b) the actual aid entitlement under the intradistrict aid program, less any aid reduced due to a failure to reach the percentage thresholds described

above. MPS's intradistrict aid will continue to be reduced to fund the choice and charter school programs. This hold harmless provision will apply until the Authority bonds are paid off, or if no bonds are ever issued, for five years.

SUMMARY OF REPORT

The report submitted by MPS is a document of 327 pages, with a companion document providing additional fiscal and background information. In devising the report, MPS chose to focus attention on the 28 most overcrowded elementary attendance areas and the six most overcrowded middle school areas in the District, as well as the surrounding attendance areas. MPS identified working groupings of schools that could serve as more areawide groups or clusters for the purpose of analyzing data, gathering feedback and making recommendations. To this end, MPS determined a set of eight informal clusters to serve as a basis for its work in preparing the neighborhood schools initiative report. Maps of each of these clusters are presented at the end of the report submitted by MPS.

Table 1 presents the cashflow summary of the initiative through 2006-07 included in the report. This table is drawn from the projections MPS prepared through the life of the bonds, from 2000-01 through 2023-24. Table 1 shows the first seven years of the plan, which illustrates the phase-in periods of the various changes proposed in the report. By 2006-07, the full effect of the changes should be reflected in the numbers, since pupils who were in kindergarten in 2000-01 will enter sixth grade in 2006-07. As shown in Table 1, the report shows a neutral fiscal impact of the various factors of the plan. In projecting cashflow under the report, MPS structured the debt service and pay-as-you-go line to bring expenditures and revenues into balance each year.

TABLE 1
Cashflow Summary of Neighborhood Schools Initiative
(\$ in Millions)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
EXPENDITURES						
New Capacity (Transitional and Conversion Costs)	\$3.22	\$18.20	\$45.45	\$64.62	\$80.84	\$82.87
Start-up Costs for New Seats	0.09	0.77	1.53	0.97	0.56	0.00
Parent Center	0.00	0.00	0.19	0.20	0.20	0.21
Provide Full Day K4 and K5	-0.04	-0.08	-0.12	-0.12	-0.13	-0.13
Provide Before- and After- School Programs	1.68	1.79	2.50	2.56	2.63	2.69
Establish Safety Plan	0.04	0.03	0.03	0.03	0.03	0.03
Specialty, K-8, and Bilingual Transition Fund	0.60	0.30	0.00	0.00	0.00	0.00
Reduce Student-Teacher Ratios	0.34	0.38	0.39	0.40	0.41	0.42
Professional Services, Administration, & Monitoring	0.22	0.22	0.22	0.22	0.22	0.00
Informational Campaign	0.10	0.08	0.05	0.03	0.03	0.00
Debt Service/Pay-as-you-go Payment Stream	<u>8.58</u>	<u>7.29</u>	<u>1.76</u>	<u>3.25</u>	<u>1.61</u>	<u>6.89</u>
Total Expenditures	\$14.83	\$28.98	\$52.00	\$72.16	\$86.40	\$92.98
REVENUES OR EXPENDITURE REDUCTIONS						
Transportation Cost Savings	\$2.00	\$4.62	\$7.83	\$10.75	\$13.46	\$15.27
Reduction in Intradistrict Transportation Revenue	0.00	-1.31	-2.69	-4.14	-5.66	-7.25
Continue subsidy for Extended Day	0.29	0.30	0.31	0.32	0.32	0.33
Continue subsidy for SAGE	0.34	0.35	0.36	0.36	0.37	0.38
Revise Half-day K4 Allocation Policy	8.76	7.34	6.07	4.73	3.69	3.78
Incorporate Outreach in K4 Curriculum	0.18	0.51	0.99	1.47	1.92	2.23
Technology Infrastructure Cost Savings	2.05	4.20	4.31	4.42	4.53	4.64
Reduction in Maintenance Expenses	0.00	2.21	2.26	2.32	2.38	2.44
Reduction in Transitional Costs	<u>1.20</u>	<u>10.77</u>	<u>32.58</u>	<u>51.94</u>	<u>65.40</u>	<u>71.22</u>
Total Revenue	\$14.82	\$28.99	\$52.02	\$72.17	\$86.41	\$93.04
Net Fiscal Impact	-0.01	0.01	0.02	0.01	0.01	0.06

The following sections of the memorandum describe each of the expenditure and revenue items in Table 1.

Neighborhood Schools Initiative Expenditures

New capacity (transitional and conversion costs). Under the neighborhood schools initiative report, the following facilities or additions will be built or leases arranged.

- Three new K-5 schools, two in conjunction with a community organization
- Three new K-8 schools, one in conjunction with a community organization
- One satellite structure, designed with a community organization, to expand one school from K-5 to K-8
- Additions to 15 existing K-5 schools to allow them to expand to K-8 facilities

- Additions to three schools to expand their existing capacity to serve K-5 students
- Addition to one school to expand its existing capacity to serve K-8 students
- Renovations to 13 schools to enable them to offer K-8 programming
- Leasing space in eight locations for off-site early childhood centers
- Renovation of the MPS Senior Center for early childhood classes at one school
- Leasing space in three locations to provide off-site classroom space for grade 6-8 children in three schools
- Renovation of two schools to accommodate additional educational programming
- Conversion of five citywide schools to neighborhood schools

The overall transition costs as a result of the various changes occurring are included in this line of Table 1.

Currently, 10 MPS schools offer K-8 programs, with an additional five schools anticipated to be phasing in K-8 programs between 2001-02 and 2005-06. In response to community input gathered during the neighborhood schools initiative planning process, 33 additional schools would offer K-8 programming, either as a result of building a new facility or adding on to or renovating a current K-5 school to allow K-8 programming.

The shift to K-8 schools will also result in a reallocation of operational funding to individual schools. MPS allocates district funds to individual schools at differing levels to reflect the costs disparities between operating K-8, K-5 and middle school facilities. In 2000-01, the average per-pupil allocation to middle schools is \$150 higher than that for K-8 schools, and the allocation for K-8 schools is on average \$650 higher per pupil than the allocation to K-5 schools.

In addition to building or renovating facilities, a number of programmatic changes will also be made that affect individual school facilities. For example, bilingual and English as a second language (ESL) programs will be relocated to those neighborhoods in Milwaukee where greater numbers of participating students live. These programs provide academic instruction to students whose native language is not English. While both bilingual and ESL programs provide instruction to allow these students to become fluent and literate in English, bilingual programs are generally designed for Hispanic students and provide academic programming in Spanish, while ESL programs generally provide academic programming in English. MPS anticipates providing full-day bilingual K4 programs in eight schools in the targeted attendance areas by the 2002-03 school year. Current bilingual programs will be phased out in three schools and newly-established in four other schools in the targeted attendance areas. Current programs will also be expanded at three schools. ESL programs will be phased out of three schools, expanded in five schools, and newly-created in one school. Table 2 lists the facilities at which these changes would be implemented under the initiative.

TABLE 2

Bilingual/English as a Second Language Programming Changes

New full-day bilingual K4 programs offered

Doerfler Elementary
Greenfield School
Kagel Elementary
Lincoln Avenue Elementary
Longfellow Elementary
Mitchell Elementary
New facility (Mitchell cluster)
Riley Elementary

Current bilingual programs phased out

Holmes Elementary
27th Street Elementary
Wisconsin Avenue Elementary

New bilingual programs offered

Doerfler Elementary
Greenfield School
Lincoln Avenue Elementary
New facility (Mitchell cluster)

Current bilingual programs expanded

Kagel Elementary
Longfellow Elementary
Mitchell Elementary

Current ESL programs phased out

Edison Middle
Humboldt Park Elementary
38th Street Elementary

Current ESL programs expanded

Grand Avenue Middle
Kluge Elementary
Neeskara Elementary
Story Elementary
Wisconsin Avenue Elementary

New ESL programs offered

Stuart Elementary

Also, four schools would be converted from citywide schools to neighborhood schools and one school would be converted from a Montessori school to a neighborhood school. Fifteen neighborhood specialty schools would be established. The report indicates that an enrollment preference would be given to students within a defined radius of these schools, and any remaining seats would be filled using citywide enrollment procedures and transportation guidelines. This policy would apply to entry-level openings only and would not affect current assignments. Two additional Montessori schools would also be phased in, and it is anticipated that the Board would establish transportation regions for the four Montessori schools in MPS, with students residing in a designated Montessori region able to be transported only to the school for that region. The facilities at which these changes would be implemented under the initiative are listed in Table 3.

TABLE 3

Specialty and Montessori School Programming Changes

Schools converted from citywide to neighborhood

38th Street Elementary
Thurston Woods Campus
Townsend Street Elementary
21st Street School

School converted from Montessori to neighborhood

Greenfield School

Schools converted to Montessori

Fernwood
Maryland Avenue

Neighborhood specialty schools established

Allen Field
Brown Street Academy
Garfield Avenue
Garland
Hawthorne
Hartford Avenue University School
Hawley Road
Lloyd Street
River Trail
68th Street Early Childhood Center
Starms Discovery
Starms Early Childhood
Tippecanoe School for the Arts and Humanities
Urban Waldorf
Victory

Start-up costs for new seats. In addition to the ongoing costs resulting from the various facility conversions taking place under the initiative, the report also anticipates budgeting an additional \$500 per newly-created seat as one-time funding in the first five years of the initiative for the initial costs of equipping the seats with books and other supplies. The amounts would be budgeted in the first year the seat would be available.

Parent center. The MPS report proposes to convert an existing school facility (Browning Elementary) into a parent service center, which would be the second in MPS. This parent center would offer an additional location where parents could register their children and obtain assistance and information relating to MPS schools and education options. While MPS indicates that the programmatic costs of the center would be funded within the base budget, approximately \$200,000 in additional funding would need to be allocated for building maintenance.

Provide full-day K4 and K5. Under the report, MPS would establish or maintain full day four-year-old kindergarten (K4) and five-year-old kindergarten (K5) in each of the 28 targeted elementary attendance areas. MPS currently has full-day K5 programs in all but two attendance area schools in the targeted areas. MPS uses four models of K4 programming: (a) full-day K4; (b) half-day K4/half-day Head Start; (c) half-day K4/half-day child care; and (d) half-day Head Start/half-day child care. MPS estimates that by increasing membership in K5 programs, MPS would realize an additional \$120,000 in revenue limit authority.

Provide before- and after-school programs. Extended-day programming would also be required for each of the 28 elementary schools in the targeted attendance areas. This programming, generally provided with a community-based organization could take the form of community learning centers (integrating school day activities with before- and after-school activities), safe

places (providing child care services and additional time for tutoring) or child care camps (fee-supported programs that provide child care and other activities). Currently, 20 schools in the targeted attendance areas offer one of these forms of extended-day programming.

Establish safety plan. As part of the neighborhood schools initiative, MPS has advanced a number of measures related to school and neighborhood safety. MPS has proposed the creation of operation helping hands to encourage parents and adults who live near a neighborhood school to become more actively involved in school safety, including creating volunteer patrols to walk areas immediately surrounding schools and encouraging residents who live near a school to report safety concerns. MPS also proposes the creation of special assignment teams to provide security for students arriving and departing from schools in the targeted attendance areas, expansion of the school safety and advisory committee, creation of a school safety hotline number and creation of an investigator position on the MPS staff. MPS indicates that most of these initiatives can be funded from MPS's base budget, but that additional funding would need to be allocated for additional crossing guards and safety vests under the initiative.

Transition fund. MPS indicates that schools undergoing a conversion from K-5 to K-8, monolingual to bilingual and general to specialty programming as part of the neighborhood schools initiative would be eligible to apply for a one-time block grant to subsidize a portion of the start-up costs that may result from these programmatic changes. The report indicates that MPS would budget \$600,000 in 2001-02 and \$300,000 in 2002-03 for this fund.

Reduce student-teacher ratios. As part of the initiative, MPS anticipates continuing efforts using federal class size reduction (CSR) funding and state funding under the student achievement guarantee in education (SAGE) and preschool to grade 5 (P5) programs to maintain lower student-teacher ratios in the schools in the targeted attendance areas. Currently, 17 of the 28 targeted elementary schools participate in the SAGE program, while the remaining schools receive P5 funding. The plan also recommends that the new schools planned for the targeted attendance areas will apply for either SAGE or P5 funding for the 2001-02 school year or as soon as possible thereafter.

Professional services, administration and monitoring. The MPS report indicates that \$220,000 annually in the first five years of the initiative would be needed for implementing the plan, monitoring contracts and historically underutilized business compliance and providing other professional services. MPS staff indicate that this estimate was calculated to equal approximately 1.1% of the overall \$98.4 million capital budget for the initiative, divided equally over the five years during which the capital expenditures would be made.

Informational campaign. The neighborhood schools initiative report also includes strategies to communicate with current and potential MPS students and parents regarding neighborhood schools. This would include setting up an information hotline number and web site to allow parents to receive customized information on school options in their neighborhoods, establishing a second parent service center, undertaking media advertising efforts, creating a speakers' bureau and other items for each school. The report indicates that spending on the

informational campaign would be limited to a maximum of \$100,000 in 2001-02 with reduced amounts allocated in the subsequent four years of the initiative.

Debt service payments. The MPS report indicates that in structuring the financing for capital projects under the report, debt service and other costs will be aligned with projected net revenues. A total of \$98.4 million of capital projects would be financed under the report.

Table 4 lists the capital improvements to specific facilities proposed by MPS under the neighborhood schools initiative. The report anticipates that the capital improvements would be completed by 2003-04. While most of the capital expenditures have been identified by facility, MPS has budgeted \$4 million for capital expenditures that have not yet been allocated to a particular building.

TABLE 4
Proposed Capital Improvements under Neighborhood School Initiative

New K-5 school facilities		Additions to expand existing K-5 capacity	
New facility (Engelburg cluster)	\$5,189,100	35th Street Elementary	\$2,118,700
New facility (Metcalf cluster)	11,389,400	53rd Street Elementary	1,780,600
New facility (Mitchell cluster)	4,176,900	Lincoln Avenue Elementary	1,008,900
New K-8 school facilities		Addition to expand existing K-8 capacity	
New facility (Auer cluster)	\$11,524,100	Westside Academy	\$3,833,800
New facility (Carleton cluster)	5,744,300		
New facility (Sherman cluster)	11,524,100	Leasing space for off-site early childhood centers	
New satellite structure for new K-8 program		Doerfler Elementary	\$839,500
Hi-Mount Community Elementary	\$4,604,900	Emerson Elementary	294,000
Additions for new K-8 programs		Garden Homes Elementary	573,700
Auer Avenue Elementary	\$1,569,100	Hi-Mount Community Elementary	279,800
Burbank Elementary	1,588,700	Kluge Elementary	850,100
Clarke Street Elementary	2,359,900	21st Street School	279,800
Dr. King Elementary	2,938,500	Renovation for early childhood center	
Grant Elementary	2,221,400	Mitchell Elementary	\$123,000
Grantosa Drive Elementary	1,059,200	Renovations for Montessori programming	
Greenfield Montessori	256,300	Fernwood	\$259,200
Lancaster Elementary	1,059,200	Maryland Avenue	316,000
Longfellow Elementary	3,113,400	Leasing seats for grade 6-8 classroom space	
McNair Academy	2,866,800	Douglass Elementary	\$412,100
Mitchell Elementary	358,800	Kagel Elementary	834,600
Sherman Multicultural Arts Elementary	2,883,900	Unallocated capital expenditures	<u>\$4,000,000</u>
65th Street Elementary	1,588,700		
Thurston Woods Ungraded Primary	2,171,300	TOTAL	\$98,383,800
Urban Waldorf	392,000		

MPS has worked with non-MPS entities, such as other City departments and neighborhood community organizations, to coordinate facility acquisition. Among the options considered are: (a) having the non-MPS entity own and develop a facility which is leased to MPS; (b) having the non-MPS entity own a facility and lease it to MPS, while MPS develops the site using bond proceeds; (c) having the non-MPS entity lease a facility to MPS with leasehold improvements recaptured through reduced rent; and (d) entering into a joint venture with a nonprofit community development corporation to construct or renovate a facility. While MPS has reached final or near-final agreement with some organizations (Community Baptist Church, Journey House and Trinity Presbyterian are noted in the report), MPS continues to work on agreements with other possible partner organizations. As a result of these partnerships, the estimated cost of certain projects has been reduced.

Based on current estimates, the \$98.4 million would be funded from bond proceeds and cash. The bond proceeds would derive from two bond issues with a par amount of \$81.2 million, to be issued in 2001 and in 2003. A total of \$18.3 million of cash would be contributed by MPS (\$17.6 million from its operating budget and \$0.7 million from interest earnings). After deduction of the costs of bond issuance and surety bonds (-\$1.1 million), \$98.4 million would be available to fund capital projects.

One measure used in the bond market to indicate the security of a revenue obligation or bond, which can impact the marketability of a bond, is the debt service coverage ratio. The calculation of a debt service coverage ratio would specify that the annual revenues supporting the bond must cover future maximum annual debt service by a set percentage at the time of the bond issue. That is, if the maximum projected annual debt service associated with outstanding bonds is \$5.0 million, a coverage ratio of 1.5 times would require current revenues of \$7.5 million. Standard and Poors, a bond rating agency, indicates that many coverage ratios are in the 1.25 to 1.5 range, but can reach three times annual debt service for less stable revenue sources.

The debt service coverage ratio may provide an indication as to whether or not the state may have to appropriate any funds in the future due to the state moral obligation pledge. Based on the information in the report, projected debt service on the bonds would reach a maximum of \$12.9 million in 2022-23. Even at this maximum, the hold harmless level of intradistrict aid (\$32.9 million) would provide a coverage ratio of 2.55.

Several factors could affect this coverage ratio. With regard to revenues, MPS will receive the greater of its aid entitlement or the hold harmless level for intradistrict aid. Depending on the number of pupils who continue to be bused under the intradistrict program, MPS could receive more than the hold harmless amount. This is the projection made in the report, which indicates that MPS will receive more than the hold harmless in each year of the initiative. Absent the initiative, MPS projects that intradistrict aid will increase from the estimated amount of \$36 million in 2000-01 to \$43 million in 2006-07. Under the initiative, this aid is projected to decline to \$34.7 million in 2006-07, before starting to grow again. In each year, however, the estimated intradistrict aid entitlement exceeds the \$32.9 million hold harmless amount. However, the amount of intradistrict aid received by MPS will be reduced if MPS does not obtain the required percentage of written

consent from parents of pupils being bused under the program. The plan projects that MPS will receive written consent from the required percentage of parents in each year of the initiative, and that no aid reduction will occur. Finally, estimated debt service will vary depending on the amount and structure of bond issues as well as interest rates and market conditions at the time of issuance.

Although there are a number of factors that will affect the debt service coverage ratio, it appears unlikely that the state would incur future obligations associated with the moral obligation pledge on bonds issued under the initiative if the maximum annual debt service remains at the level identified in the report. Further, the law requires that as part of the state's moral obligation pledge as security for these bonds, the DOA Secretary must consider whether an understanding exists with the Authority that provides that the state would be repaid if any funds were ever appropriated under the pledge.

Neighborhood Schools Initiative Revenues or Expenditure Reductions

Transportation cost savings. MPS assumes that the primary cost savings resulting from the neighborhood schools initiative would be from a reduction in busing. MPS indicates that 15,000 to 20,000 fewer children will be bused to school once the initiative is fully implemented, of whom approximately 4,500 would have otherwise been bused under the intradistrict program. Currently, approximately 70,000 MPS students are bused, of whom approximately 25,900 are bused under the intradistrict program. As noted in Table 1, the transportation savings under the neighborhood schools initiative would total nearly \$15.3 million in 2006-07 (the first year of full implementation of the transportation modifications). This savings results from a number of policy changes, as estimated in the companion document to the report, including:

- establishing a new attendance area policy under which students from outside a transportation region would not be bused into attendance area schools identified as overcrowded (\$2.2 million);
- establishing transportation regions for Montessori schools (\$0.4 million);
- reducing mid-day busing as a result of the establishment of full-day K4 and K5 (\$0.9 million);
- establishing radius attendance preference at neighborhood specialty schools (\$0.8 million);
- increasing vehicle utilization and load efficiency as a result of the changes (\$4.3 million);
- providing seats in neighborhood schools for special education students (\$2.1 million); and
- reducing the rate of busing in newly-constructed neighborhood schools (\$4.6 million).

Reduction in intradistrict transfer revenue. MPS assumes that, in the absence of the neighborhood schools initiative, MPS would continue to receive intradistrict aid from the state at current levels, adjusted annually for inflation. As a result of reducing busing under the initiative, however, MPS anticipates that it will qualify for less intradistrict aid from the state than would otherwise have been the case. Rather than increasing by an assumed 2.5% annually from \$36

million in 2000-01 to \$43 million in 2006-07, aid would decline from \$36 million in 2000-01 to \$34.7 million in 2006-07, which would be \$7.3 million less than the aid amount with no initiative. While intradistrict transfer revenue may be reduced, this would not impact MPS's revenue limit and MPS could choose to levy to replace any lost intradistrict aid.

Continuation of categorical funding sources. MPS assumes that federal class size reduction funding for extended-day programming and state funding for SAGE and P5 for reduced class sizes will be maintained and continue to be allocated for these purposes during the initial years of the initiative. These funds are assumed to increase at 2.5% annually, consistent with the district's overall assumption of a 2.5% annual inflationary increase for all revenue and expenditures under the initiative.

Revise half-day K4 allocation policy. In connection with the neighborhood schools initiative, MPS anticipates revising district policy with respect to the allocation of funding to individual schools for K4 programming. Currently, MPS schools that offer academic programming for four-year-olds receive a full per-pupil allotment from MPS funds for each student, regardless of whether the program is full-day or half-day. This allotment is then reduced by the amount of categorical funding received by the school for similar purposes. In the neighborhood schools initiative plan, MPS proposes to reimburse schools based on the actual FTE participating in a K4 program. In other words, students that participate in a full-day K4 or a half-day K4/head start program would be reimbursed at the full per-pupil weight, while students that participate in only a half-day of Head Start or K4 would be reimbursed for one-half of this amount. MPS will thus realize savings from schools that continue to offer half-day K4 programming of an estimated \$2,800 per pupil.

MPS assumes more schools would offer full-day programs under this policy (specifically, that 75% of half-day programs would shift to full-day within five years). On an MPS-wide level, the estimated funding derived from this policy change would peak at almost \$8.8 million in 2001-02 and gradually decline to approximately \$3.8 million by 2006-07. If K4 enrollment at an individual school currently offering half-day K4 remains constant, the school would likely experience a net fiscal loss regardless of whether its K4 program remained half-day or converted to full-day. If K4 enrollment increases at an individual school that converts to a full-day program, however, it is possible the school could experience a net fiscal gain, depending on the magnitude of the enrollment increase and the marginal cost of converting the program to full-day.

Incorporate outreach in K4 curriculum. Under state law, a four-year-old kindergarten pupil is counted as 0.5 member for the purposes of calculating membership for equalization aids and revenue limits regardless of the length of time in school, unless the program provides at least 87.5 additional hours of outreach activities each year, in which case the pupil is counted as 0.6. MPS anticipates that as more full-day K4 programming is done in the district, MPS will be able to meet the requirements for the additional programming to increase membership, resulting in an additional \$2.2 million in revenue limit authority in 2006-07.

Technology infrastructure cost-savings. MPS indicates that the wiring of district schools for technology purposes would be completed in 2001-02, allowing MPS to reallocate approximately \$4 million annually in subsequent years to defray some of the costs of the neighborhood schools initiative.

Reduction in maintenance expenses. Previously, MPS has used funding from its capital fund for certain technology operating costs. The report indicates that the repayment of funds borrowed for this purpose will be completed in 2002-03, allowing MPS to reallocate approximately \$2 million annually beginning in that year to defray some of the costs of the neighborhood schools initiative.

Reduction in transitional costs. As approved by the MPS Board, the neighborhood schools initiative plan would increase district capacity by over 7,500 seats. While MPS anticipates a slight decline in overall enrollment during the initial years of the initiative, the plan assumes constant enrollment, which would mean that the effect of the initiative would be to attract additional students to MPS schools. As a result of the initiative, the student population in MPS would be spread across an increased number of school sites. To minimize the cost of operating excess school capacity, the plan indicates that MPS will work to maintain the necessary number of seats consistent with district-wide and neighborhood needs. MPS anticipates that this process will require several years, meaning that, in the interim, MPS would operate more seats than considered optimal. Once this transition is completed, however, the net effect of the initiative leaves the number of seats in MPS unchanged.

The report indicates that, as a result of implementing the initiative, there may be a need to close existing seats or find alternative uses for facilities to make optimal use of MPS resources. The extent of any school closures, however, would likely depend on actual MPS enrollment. The report lists possible criteria to determine which schools could be closed, including schools that have relatively high per-pupil costs to operate the school's physical plant, schools that have relatively high per-pupil capital maintenance costs in present value terms over the next 40 years, and schools that were not located in one of the 28 targeted elementary attendance areas identified in the neighborhood schools initiative plan. MPS indicates that a school undergoing capacity or program expansion or conversion under the neighborhood schools initiative would not be considered for closure in the first five years of implementation of the report. The report states that MPS would generate an annual list of school buildings that would be potential candidates for closure, with MPS basing any closure decisions on the overall financial need of the district and also considering extenuating circumstances in determining which schools to close. No specific schools are cited for possible closure in the report.

Currently, MPS allocates 70% of Board-controlled funds to schools on a direct per-pupil basis. The remaining 30% of funding is allocated to schools as a block grant. Under the plan, MPS assumes that the 70% per-pupil allocation will continue to directly follow the students. The block grant funding, however, would be divided into variable and fixed components. The variable block grant (approximately 24% of funding) would include special education, ESL and transportation costs, and would be reallocated to schools on a one-year lag to account for the shifting of such costs

among multiple MPS schools during which time it may be difficult for schools that lose enrollment in these categories to reduce costs immediately. The fixed block grant (approximately 6% of funding) would include building operation, capital maintenance and lease costs, with the transition period for any funding shifts for the fixed block grant taking multiple years.

Other Items

Parental consent requirements. To meet the statutory requirements set out in Act 9, MPS indicates that it has notified the parents or guardians of nearly 43,000 transported students of the consent requirements. To date, over 20,000 parents or guardians have returned a written permission form for the 2000-01 school year indicating their wishes with respect to transportation of their children. Of that total, approximately 17,000 parents and guardians (85%) granted permission for their child to attend a school outside the neighborhood attendance area and to receive bus transportation. Over 2,300 parents or guardians (11.5%) gave permission for their children to be bused, but would prefer a school within walking distance of their home. Over 900 parents (4.5%) indicated their children do not have permission to ride a bus to school. These parents have been offered a seat in their neighborhood school for their child if space permits. MPS has included a field in the student database to track compliance with the requirement, and copies of the forms will be retained for audit purposes. MPS staff indicate that another mailing will be done to parents or guardians who have not returned consent forms and that the district will also be working with individual schools to devise additional strategies to satisfy the consent requirements. MPS staff indicate that they do not anticipate that any reduction in the district's intradistrict aid will be made as a result of not meeting the consent requirements.

For the 2001-02 school year, MPS will ask a parent or guardian who selects a school other than the neighborhood school for their child to sign a transportation consent form as part of the school selection process. Should a student change schools during the school year and need transportation, parental consent will be obtained at the time of assignment before transporting the student. If a parental signature is not on file for a transported student, MPS will work with local schools to obtain the necessary consent. Parental permission will be recorded in the MPS student database and reported annually as required.

Student mobility. The report notes that concerns were raised in the planning process for the neighborhood schools initiative relating to student mobility. For the 1998-99 school year, the average mobility rate (the number of students entering and leaving a school, not including promotional transfers) for MPS was 24% for elementary schools, 21% for middle schools and 27% for high schools. The mobility rate varied from 2% to 50% for individual schools. In that same year, the average stability rate (the number of students who remain in a school from one year to the next) for MPS was 70% for elementary schools, 76% for middle schools and 67% for high schools, ranging from over 90% to less than 50%.

To address the issue of student mobility, MPS has formed a student mobility task force to include representatives from MPS and from community, government and social service agencies. The task force is being charged with defining and studying the student mobility problem, identifying strategies to reduce unnecessary student mobility and to lessen the impact of student

mobility and making policy recommendations to the MPS Superintendent and Board. The report indicates that the work of the task force will be completed for consideration by the MPS Board for implementation in the fall of 2001.

Special education. During the 1999-00 school year, the MPS Board recommended increasing the frequency with which MPS placed students with disabilities in the schools they would attend if not qualified as students with disabilities and adopted facility standards directing that students with disabilities be accommodated in the neighborhood school wherever feasible. Currently, 19% of MPS students with disabilities attend their neighborhood school. Under the plan, MPS intends to provide appropriate special education and related services for students identified as having a disability at more neighborhood schools in the areas of the city where students reside. If the student's parents and individualized education program (IEP) team determine that the appropriate services cannot be made available at the neighborhood school, MPS intends to provide them as close to the child's home as possible. The plan assumes that all new seats created under the initiative will represent the same distribution of special needs students as the current MPS population, and the financial analysis is based on average costs associated with the existing student population, thus assuming the inclusion of special education students in overall costs.

MPS intradistrict open enrollment. In conjunction with the initiative, the report indicates that MPS will declare a policy of intradistrict open enrollment similar to the statewide open enrollment policy. Under the proposed policy, a student residing in Milwaukee would be permitted to attend any MPS school provided there is space available in that school and the parent provides the required transportation if the selected school is outside the transportation region.

Contracting. The report indicates that MPS will require that minority businesses receive at least 30% of contracts awarded for construction, professional services and development services related to the initiative, and that women-owned businesses receive 5% of contracts awarded in the same categories. The report also states that MPS intends to provide greater opportunity for small, minority and women-owned businesses to participate as prime contractors for projects related to the initiative rather than as subcontractors. The comparable percentages established in 1995 Act 56 for Miller Park were 25% and 5%.

DISCUSSION

In acting upon the MPS report, the Committee may first wish to determine the level of its review and possible approval. At one level, the Committee could determine that its obligation is fulfilled by reviewing the fiscal aspects of the plan, particularly as they regard the bonding authorization and the pledge of the state's moral obligation to any issue. At another level, the Committee could modify any aspects of the report including decisions which are typically left to individual school boards as they resolve facility questions, transportation issues and matters concerning the delivery of educational services.

Following is a discussion of several options that the Committee could consider in its review of the report.

One possibility is for the Committee to focus on the statewide fiscal implications of the report. From a statewide perspective, the primary fiscal concern relates to the state moral obligation pledge provided under Act 9 for the Authority bonds. Based on the report, approximately \$81 million of bonds would be issued. MPS has chosen to limit the amount of bonds issued in order to reduce the amount of revenue that must be allocated to pay debt service, which would mitigate the effect of these debt service payments on its budget for operations.

At that level of bond issuance, there would be a substantial coverage ratio of annual intradistrict aid compared to annual debt service. MPS projects that intradistrict aid will be in excess of the hold harmless amount established in Act 9 throughout the time period covered under the report. Even using the hold harmless level of aid, which will provide a minimum of \$32.9 million annually, annual debt service only reaches an estimated \$12.9 million in 2022-23 so that a coverage ratio of 2.55 applies in that year. Based on this level of coverage, it appears unlikely that the state moral obligation pledge would come into play, assuming that most parents give their consent for pupils bused under the intradistrict program. Even if the full \$170 million of bonds would be issued, the hold harmless for intradistrict aid under Act 9 provides sufficient revenue to pay the bondholders, again assuming that parents give their consent for pupils bused under the intradistrict program.

MPS indicates that the amount of bonds and the structure of the capital financing described in the report are subject to revision. In structuring the debt service payments in the report, MPS tried to match the payments to available revenues in each year, while still generating enough cash and bond proceeds to pay for the capital improvements incorporated in the report. Changes could be made depending on revised projections of annual MPS revenues and expenditures during the life of the bonds, market conditions at the time of bond issuance, as well as the exact amount of capital funding required.

A further consideration is that Act 9 established five specific reporting requirements for the report, which are summarized above, as well as the requirement that MPS hold public hearings on the report. MPS has submitted a very lengthy document under the provisions of Act 9 and has held public hearings on the report. While there are questions that members of the community have raised concerning the specifics of the report, it appears that the Committee could reasonably conclude that MPS has complied with the reporting requirements of Act 9.

Based on this review of the report from a statewide fiscal perspective, the Committee could approve the report as submitted.

Another option for the Committee would be to address the level of bonding authorization and determine whether to approve all or a part of the \$170 million which is contained in Act 9. The report, as presented, anticipates that \$81 million of bonds and \$18 million of cash will be used for capital projects and related issuance costs. It is possible, however that the mix of bonding and cash could be modified as MPS implements the plan.

Given that the Act 9 authorization of \$170 million of bonding and the MPS plan contemplates using only \$81 million of that authority, the Committee could address the disposition of the remaining \$89 million of bonding authorization. Or, to provide MPS with some flexibility if the cash component of the plan is not utilized, the Committee could approve the use of up to \$100 million of bonding authority by MPS and not release the remaining \$70 million.

A third possibility is for JFC to modify the report and approve the report as modified. At the Committee's public hearing held in Milwaukee on September 8, 2000, there were a number of concerns raised about the report. Testimony included issues relating to: (a) the proposed change in MPS's allocation of monies to schools offering half-day K4 programs; (b) excessive student mobility and whether the task force described in the report is an adequate response; (c) whether special education services could be provided appropriately in MPS at neighborhood schools; (d) the location of bilingual education programs; (e) the creation of neighborhood specialty schools; (f) the location of new Montessori schools such as Fernwood; and (g) the effects of any reduction in busing and MPS transportation policy on integration.

A fourth possibility is that the Committee could disapprove the report and direct MPS to hold additional public hearings and resubmit a modified report for consideration at the December quarterly s. 13.10 meeting. This would allow the MPS Board to make changes to the report affecting MPS operations, rather than Joint Finance. Since the intradistrict aid payment of an estimated \$36 million is scheduled to be made in June, 2001, a delay until December should not affect the payment of this aid.

However, other factors may make delay undesirable. It may be difficult for MPS to revise the report, hold public hearings on the changes and receive MPS Board approval by the December meeting. If the Committee made changes at a December meeting, it would be difficult for MPS to incorporate those modifications into its implementation of the report, since parents need to be informed of the range of attendance options by January.

Finally, the Committee should consider to the degree to which MPS can make changes during the implementation period to the plan laid out in the report. One can argue that the Committee's approval would be rendered meaningless if MPS could make significant changes to the plan. However, Act 9 is specific in referring to a one-time Committee approval tied to release of intradistrict aid for 2000-01, and it may be desirable for the MPS Board to retain flexibility in implementing the report.

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ATTACHMENT

Revenue Limit and Equalization Aid Calculation for the Milwaukee School District

This attachment provides additional information relating to the calculation of the revenue limit and equalization aid payment for the Milwaukee School District in 1999-00.

Revenue Limits

School district revenue limits restrict the amount of revenues that school districts can obtain through the combination of general school aids, Chapter 220 integration aid, and the property tax levy. On October 15 of each year, DPI provides school districts with an estimate of their general school aids for the current year. The difference between a school district's revenue limit and the October 15 general school aids estimate determines the maximum amount of revenue that the district is allowed to raise through the property tax levy. Actual general school aids and property tax revenues received in the prior school year are used to establish the base year amount in order to compute the allowable revenue increase for the current school year.

A three-year rolling average of a school district's pupil enrollment is used to determine allowable revenues under the limit. Specifically, the number of pupils is based on the average of a school district's membership count taken on the third Friday in September for the current and two preceding school years. For example, the average of the 1996, 1997 and 1998 September memberships was used to calculate the 1998-99 base year revenues per pupil. Then, the average of the 1997, 1998 and 1999 September memberships was used to determine the allowable revenue increase in 1999-00. In addition, beginning with revenue limits calculated for the 1998-99 school year, revenue limit enrollment includes 20% of summer school FTE enrollment for the 1998-99 school year and each school year thereafter. Beginning with revenue limits calculated for the 2000-01 school year, revenue limit enrollment will include 40% of summer school FTE enrollment for the 2000-01 school year and each school year thereafter.

A per pupil revenue increase is added to the base revenue per pupil to determine an allowable per pupil revenue increase. In 1999-00, the per pupil increase is \$212.43; it will be \$220.29 in 2000-01. The per pupil adjustment amount is indexed for inflation, by multiplying the prior year dollar amount by the percentage change in the consumer price index between the preceding March and the second preceding March.

Under current law, there are several adjustments that are made to school district revenue limits following the calculation presented above. These include adjustments for transfers of service and boundary changes, low-revenue districts, carryover of unused revenue authority, federal impact aid, school district reorganization, and declining enrollments. These adjustments generally increase a district's revenue limit, providing the district with more revenue authority within the calculated limit.

A school district may exceed its revenue limit by receiving voter approval at a referendum. The school board must approve a resolution supporting inclusion in the school district budget an amount that exceeds the revenue limit. The resolution must specify whether the proposed excess revenue is for a recurring or nonrecurring purpose, or both. If the resolution is approved by a majority of those voting on the question, the school board can exceed the limit by the amount approved. Only excess revenues approved for a recurring purpose can be included in a district's base for determining the revenue limit for the next school year.

Generally, school boards must receive voter approval of such a resolution in order to construct a new school building. School construction projects usually require school districts to issue bonds, to be repaid over a 15- to 20-year period outside of a school district's revenue limit, to cover the construction costs. School districts may also receive voter approval through a referendum for purposes other than school construction projects, such as operating costs for a new building, maintenance costs, special projects or general purposes. A school district may also exceed its revenue limit to pay debt service costs for debt approved by a referendum or a school board resolution prior to August 12, 1993. This provision permits school districts to fund debt costs incurred prior to the implementation of revenue limits in the 1993-94 school year.

A final adjustment made to school district revenue limits is the subtraction of any computer aid that a school district will receive in that year. Under current law, computer property is exempt from property taxes. Computer aid is provided by the state as a replacement for levy revenues a school district would have received if the computer property in the district had been subject to property taxes. This aid is computed by multiplying the value of all computer property in the school district times the tax rate imposed by the school district. Computer aid is subtracted from a school district's revenue limit before determining the district's maximum allowable property tax levy.

Table 5 presents the revenue limit calculation for MPS for 1999-00. In 1999-00, MPS is eligible for a recurring revenue limit increase because it under-levied in 1998-99 and school districts are permitted to carryover 75% of any under-levy amount. MPS also receives a recurring transfer of service revenue limit increase for taking on responsibility for certain services not previously required of MPS.

TABLE 5

1999-00 Estimated Revenue Limit for the Milwaukee Public Schools

	September <u>1996</u>	September <u>1997</u>	September <u>1998</u>	September <u>1999</u>
Fall Enrollment	100,143	101,530	100,901	100,736
20% Summer Enrollment	<u>N.A.</u>	<u>N.A.</u>	<u>303</u>	<u>309</u>
Total Enrollment	100,143	101,530	101,204	101,045

1996 thru 1998 Average Enrollment = 100,959

1997 thru 1999 Average Enrollment = 101,260

1998-99 Base Revenue =	\$696,104,184	
1999-00 General School Aids =	560,446,941	(Equalization & Integration Aids)
1999-00 Revenue Limit Adjustments =	4,449,494	(75% Carryover)
	347,508	(Transfer of Service)

Step 1: Base Revenue ÷ 1996 thru 1998 Average Enrollment = Base Revenue Per Pupil
 $\$696,104,184 \div 100,959 = \$6,894.92$

Step 2: Base Revenue Per Pupil + Allowable Increase = 1999-00 Allowable Revenue Per Pupil
 $\$6,894.92 + \$212.43 = \$7,107.35$

Step 3: 1999-00 Allowable Revenue Per Pupil X 1997 thru 1999 Average Pupils = 1999-00 Controlled Maximum Revenue
 $\$7,107.35 \times 101,260 = \$719,690,261$

Step 4: 1999-00 Controlled Maximum Revenue Limit + All Adjustments = 1999-00 Final Maximum Revenue Limit
 $\$719,690,261 + \$4,797,002 = \$724,487,263$

Step 5: 1999-00 Final Maximum Revenue Limit - General School Aids - Computer Aid = Maximum Property Tax Levy under Revenue Limit
 $\$724,487,263 - \$560,446,941 - \$3,910,744 = \$160,129,578$

General School Aids

General school aids includes equalization and special adjustment aids, and integration aid is also paid from the equalization aid appropriation. In 1999-00, approximately \$3,767.9 million was provided for general school aids, including integration aid.

The current three-tiered cost sharing formula was enacted in 1995 Act 27 and first applied to equalization aid paid in 1996-97. The equalization aid formula is calculated using school district data (pupil membership, shared costs and equalized valuations) from the prior school year. There are three guaranteed valuations used in the equalization formula that are applied to three different shared cost levels. Each district receives a distinct aid amount and percentage of state support for each tier of the formula, based on its shared costs eligible for aid on that tier. Generally, a school district's total equalization aid is the sum of its aid at each tier of the formula, less required reductions for the Milwaukee choice and charter programs. The three tiers and the aid reductions are described below.

Primary Tier. The first tier is for shared costs up to the primary cost ceiling of \$1,000 per member. State aid on these primary shared costs is calculated using a statutory guaranteed valuation of \$2,000,000 per member, and is based on a comparison of the school district's equalized valuation per member to the \$2,000,000. State aid equals the amount of costs that would be funded by the missing portion of the guaranteed tax base. Every district receives at least the primary aid amount; primary aid cannot be reduced by negative aids generated at the secondary or tertiary aid levels.

Secondary Tier. The second tier is for shared costs that exceed \$1,000 per member but are less than the secondary cost ceiling, which is equal to \$6,430 per member in 1999-00. The secondary cost ceiling is adjusted for inflation annually. The state's sharing of secondary costs is calculated using the secondary guaranteed valuation. The secondary guarantee is not set statutorily, but is allowed to float to a level that fully distributes the available amount of funding for general school aids. In 1999-00, the secondary guaranteed valuation is \$765,441.

Tertiary Tier. The third tier is for shared costs that exceed the secondary cost ceiling of \$6,430 per member. State aid on these tertiary shared costs is calculated using the statewide average equalized valuation per member, which is \$280,880 in 1999-00. If a school district's tertiary aid is a negative number, this amount is deducted from its secondary aid. As noted above, if the sum of a district's secondary and tertiary aid is a negative number, this amount is not deducted from its primary aid amount.

The tertiary guarantee is tied to the average property tax base per member to reflect statewide changes in property value and enrollment. It is set at an amount lower than the secondary guarantee so that the state's share will be lower on costs above the secondary cost ceiling. The tertiary guarantee feature of the equalization aid formula is intended to serve two purposes. First, it acts as a disincentive for higher spending levels by causing districts to receive aid at much lower levels for costs incurred above the ceiling, or lose aid attributable to those costs if a district's per member equalized value is greater than the tertiary guarantee. Second, it attempts to narrow the per pupil

spending disparities among school districts by redistributing aid to districts that spend at lower levels.

Each school district's general aid amount is reduced proportionally in order to fund the Milwaukee parental choice (MPC) and the Milwaukee charter school (MCS) programs. For the MPC program, DPI is required to reduce the general school aids for which MPS is eligible by one-half of the amount required to fund MPC program. For the other half of the amount necessary to fund the MPC program, DPI is required to proportionally reduce the general school aids for which the other 425 school districts are eligible to be paid. To fund the MCS program, DPI is required to proportionally reduce the general school aids for which each of the 426 school districts is eligible, including MPS. The MCS program includes only those charter schools established by the City of Milwaukee, the University of Wisconsin-Milwaukee and the Milwaukee Area Technical College; the program does not cover charter schools established by MPS or other school districts. The Department is required to ensure that the gross amount of these aid reductions lapses to the general fund.

Table 6 shows the 1999-00 equalization aid calculation for MPS. MPS has shared costs of \$6,555 per member, which is above the secondary cost ceiling of \$6,430 per member; therefore, MPS's equalized value is compared to the primary, secondary and tertiary guaranteed valuations in calculating its equalization aid. Since MPS's valuation per member (\$156,343) is below the tertiary guarantee, MPS receives positive aid at each level of the equalization aid formula. After including prior year aid adjustments due to modifications in 1998-99 aid eligibility and reductions for the MPC and MCS programs, the final amount of 1999-00 equalization aid for the MPS is \$522,213,060, which represents 78.0% of its shared costs. An additional \$38.2 million in integration aid was also distributed to MPS, resulting in the \$560.4 million school aid payment indicated in Table 5.

TABLE 6

1999-00 Equalization Aid for Milwaukee Public Schools

DISTRICT FACTORS	<u>Total</u>	<u>Per Pupil</u>
Membership	102,104	N.A.
Value	\$15,963,220,101	\$156,343
Total Shared Cost	669,274,508	6,555
Primary Costs	102,104,000	1,000
Secondary Costs	554,424,720	5,430
Tertiary Costs	12,745,788	125

COMPUTATION

Primary Aid	= [1 -	<u>156,343</u>]	x	\$102,104,000
		2,000,000		
	[1 -	0.07817150]	x	\$102,104,000
		0.92182850	x	\$102,104,000
Primary Aid =	\$94,122,377			
Secondary Aid	= [1 -	<u>156,343</u>]	x	\$554,424,720
		765,441		
	[1 -	0.20425219]	x	\$554,424,720
		0.79574781	x	\$554,424,720
Secondary Aid =	\$441,182,257			
Tertiary Aid	= [1 -	<u>156,343</u>]	x	\$12,745,788
		280,880		
	[1 -	0.55661848]	x	\$12,745,788
		0.44338152	x	\$12,745,788
Tertiary Aid =	\$5,651,247			

SUMMARY TABLE

<u>Tier</u>	<u>Aid Amount</u>	<u>Shared Costs</u>	<u>Aid as % of Costs</u>
Primary	\$94,122,377	\$102,104,000	92.2%
Secondary	441,182,257	554,424,720	79.6%
Tertiary	<u>5,651,247</u>	<u>12,745,788</u>	44.3%
Subtotal	\$540,955,881	\$669,274,508	80.8%
Prior Year Aid Adjustment	-\$208,083		
Choice Reduction	-18,361,699		
Charter Reduction	<u>-173,039</u>		
TOTAL EQUALIZATION AID	\$522,213,060	\$669,274,508	78.0%