FISCAL ESTIMATE FORM

1999 Session

☒ ORIGINAL	☐ UPDATED
☐ CORRECTED	☐ SUPPLEMENTAL

LRB # 0993/6
Introduction # SB 73
Admin. Rule #

Subject
Relating to the Milwaukee Parental Choice Program, charter schools, and state aid to the Milwaukee Public Schools.

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☒ Increase Existing Appropriation
☐ Decrease Existing Appropriation
☐ Create New Appropriation
☐ Increase Existing Revenues
☐ Decrease Existing Revenues

☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☒ No
☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increases Revenues ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected:
☐ Towns ☐ Villages ☐ Cities
☐ Counties ☒ MPS
☒ School Districts ☐ WTCS Districts

Fund Sources Affected
☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations
s. 20.225 (2) (ac), (fu), (fm)

As under current law, this bill would provide state aid for children enrolled in the Milwaukee Parental Choice Program (MPCP) and the charter school program under s. 118.40(2r). However, the bill would repeal provisions that deduct an amount equivalent to the aid for these programs from the Milwaukee Public Schools' equalization aid allocation and require that the amount lapse to the state's general fund. It would also repeal the provision that permits MPS to count prior year choice and charter students for aid purposes but maintain a provision that allows MPS to count certain current year choice students for aid purposes.

Estimated 1998-99 Fiscal Impact on State General Fund

Under the bill, the aid payments for choice and charter schools would no longer count toward the state's commitment to pay two-thirds of partial school revenues. In the 1998-99 school year, the cost for choice and charter school aid payments was approximately $29 million. For purposes of this analysis, it is assumed that the appropriation for general aids (s. 20.255(2)(ac)) would have been set for the 1998-99 school year the previous May and the bill would have had no effect on partial school revenues or the state' s two-thirds commitment for 1998-99.

Assuming the bill had been in effect this year, therefore, the cost for choice and charter aid would have increased expenditures from the general fund by $29 million.

Estimated 1998-99 Fiscal Impact on MPS

This bill's fiscal impact on MPS is estimated to be as follows. Under current law, MPS generated approximately $551 million in general equalization aid in 1998-99; however, MPS' aid was then directly reduced by $29 million to pay for children to attend choice and charter schools. Thus, MPS' "net" general equalization aid was approximately $522 million in 1998-99.

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Under this bill, as a result of the exclusion of prior year choice and charter students from MPS' equalization aid count and the interplay of other formula factors, the department estimates MPS would have generated approximately $549 million in general equalization aid in 1998-99. Since the bill would repeal the provision that directly reduces MPS' general equalization aid to pay for choice and charter students, MPS' "net" general equalization aid under the bill would have been approximately $549 million. Thus, it is estimated that this bill would have provided MPS with approximately $27 million more in net state general equalization aid had it been in effect in 1998-99.

In addition, it is estimated that the bill would also distribute approximately $2 million in additional state aid to all other school districts. In 1998-99, MPS' maximum allowable property tax levy was approximately $179 million. It is estimated that under this bill, MPS' maximum allowable property tax levy would have been approximately $152 million, since (as explained previously) the district would have received an additional $27 million in state general equalization aid.

Estimated Future Impact on State General Fund and MPS

The $29 million in increased expenditures to the general fund would partially be offset by two-thirds of MPS' decreased levy authority of $27 million and two-thirds of the $2 million reduction in other school districts' levy authority (since levies count toward statewide partial school revenues)—or $19 million. This fiscal note assumes that state two-thirds funding would not be set again until May, 2000, so the $19 million offset to the increased expenditures from the general fund would not take effect until 2000-2001.

Therefore, the department estimates that under this bill in 1998-99, the net cost to the state general fund would have increased by $29 million. Beginning in the next year, the net estimated cost to the state general fund would increase approximately $10 million ($29 million less $19 million).

In addition, this fiscal estimate is based on the assumption that MPS and all other districts levy to the maximum allowed under their revenue limits, which may or may not be the case in future years. It should be noted that the net cost to the state general fund would increase or decrease under this bill from year to year depending on whether or how much the cost of the choice and charter school programs increases or decreases.