

Fiscal Estimate Narratives

DPI 5/4/01

LRB Number	01-2884/1	Introduction Number	SB-154	Estimate Type	Original
Subject					
Funding for Milwaukee parental choice program					

Assumptions Used in Arriving at Fiscal Estimate

State fiscal effect:

This bill would change the manner in which general school aids are lapsed from school districts in order to fund the Milwaukee Parental Choice Program (MPCP). However, the bill would not affect the total amount of general school aid distributed in the funding formula because it would not change any school district's revenue limit authority. Thus, the bill would have no state fiscal effect.

Local fiscal effect:

Under current law, the state increased general school aid by approximately \$32.7 million ($\frac{2}{3} \times \49 million), or two-thirds of the cost of the MPCP, in order to maintain its commitment to provide two-thirds funding of partial school revenues in 2000-01. This additional general school aid resulted in an approximately \$2.4 million increase to MPS' aid and a \$30.3 million increase to most of the state's other 425 school districts. Under current law, MPS' general school aid was reduced by \$24.5 million (one-half the cost of the MPCP) and all other school districts' general school aid was also reduced by \$24.5 million.

Under current law, in the 2000-01 school year, the net effect of the above provisions on MPS was a reduction of approximately \$22.1 million in general school aids (\$2.4 million in increased general school aids less a \$24.5 million MPCP general school aids reduction). The cumulative net effect of the above provisions on all other school districts resulted in a total increase of approximately \$5.8 million in general school aids (\$30.3 million in increased general school aids less a \$24.5 million MPCP general school aids reduction). Subsequently, MPS' local school property tax levy was increased by approximately \$22.1 million, while all other school districts' local tax levies decreased by \$5.8 million on a statewide basis.

Overall, under current law, local school property taxes on a statewide basis were increased by \$16.3 million (\$22.1 million MPS levy increase less a \$5.8 million reduction in all other districts). In summary, in the 2000-01 school year, the state paid approximately two-thirds (\$32.7 million) of the MPCP's cost while local school property taxpayers paid one-third (\$16.3 million).

If the provisions of this bill had been in effect in the 2000-01 school year, the amount of additional general school aid to maintain the two-thirds funding commitment due to the MPCP would remain the same and be distributed in the same manner as current law (a \$2.4 million increase to MPS' general aid and a \$30.3 million increase to most other school districts). Under this bill, local taxpayers would still fund one-third the cost of the MPCP (\$16.3 million); however, under this bill the entire cost of the MPCP would be drawn from general school aids paid to MPS.

If this bill were in effect in the 2000-01 school year, it is estimated the net effect of this bill's provisions on MPS would have been a \$46.6 million total reduction of general school aids (MPS would have still received an estimated \$2.4 million in additional aid but would have had a \$49 million MPCP general school aids reduction). The cumulative net effect of this bill's provisions on all other school districts is estimated to have resulted in a total increase of \$30.3 million in general school aids (all other districts would have still received \$30.3 million in increased aid with no MPCP aid reduction under this bill). Subsequently, for MPS, the loss of \$24.5 million in aid compared to current law would have resulted in a corresponding increase in its local school property tax levy assuming it would have levied to offset the loss in state aid. Finally, under the bill, all other school districts' local school property tax levies would have decreased by \$24.5 million compared to current law to reflect the increased general aid they would have received.

Since this bill would not impact any school district's revenue limit authority, it would not provide any school district with the ability to spend more or less than it is able to do now under current law.

Long-Range Fiscal Implications