Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **05-1444/1**	Introduction Number **SB-6**

Subject

Number of pupils eligible to participate in the MPCP

Fiscal Effect

State:

- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☒ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ 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
- ☐ Indeterminate
  - 1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
  - 2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
  - 3. ☒ Increase Revenue ☒ Permissive ☐ Mandatory
  - 4. ☒ Decrease Revenue ☐ Permissive ☒ Mandatory
  - 5. Types of Local Government Units Affected
    - ☐ Towns ☐ Village ☐ Cities
    - ☐ Counties ☐ Others
    - ☒ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS 20.255(2)(fu)

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DPI 1/18/2005

LRB Number **05-1444/1**	Introduction Number **SB-6**	Estimate Type **Original**
Subject		
Number of pupils eligible to participate in the MPCP		

Assumptions Used in Arriving at Fiscal Estimate

Current law student eligibility for the Milwaukee Parental Choice Program (MPCP) is based on three criteria: (1) residency in the city of Milwaukee; (2) household income that does not exceed 175% of the federal poverty level; and (3) prior year school enrollment. Specifically, s. 119.23(2)(a)2. Stat., provides that in the prior school year the student must have either been enrolled in: (a) the Milwaukee Public Schools (MPS); (b) participated in the MPCP; (c) enrolled in one of grades kindergarten through 3 in a private school in the city of Milwaukee but not in the MPCP; or (d) not enrolled in school anywhere. Current law also limits student participation in the MPCP to 15% of MPS membership (approximately 14,750 students for the 2005-06 school year).

This bill would eliminate the enrollment cap for the 2005-06 school year only.

The following assumptions would be made to estimate the state and local fiscal impact of this bill in the 2005-06 fiscal year:

1. The per pupil payment for the 2005-06 school year would remain at the 2004-05 level since the amount of state general equalization aid that will be appropriated in the 2005-07 biennial budget bill is unknown at this time.

2. The 2005-06 MPCP membership cap would be 14,751 FTE.

3. The 2004-05 MPCP membership estimate would be 14,700 FTE.

Under current law, aid for the MPCP is paid on a sum sufficient basis from appropriation s. 20.255 (2)(fu), Wis. Stats. The MPCP has two funding sources:

• The general equalization aid otherwise received by the Milwaukee Public schools (MPS) is reduced by an amount equal to 45 percent of the estimated cost of the MPCP. MPS is allowed to increase their property tax levy under their revenue limit to replace the loss of this state aid.

• The remaining 55 percent of the estimated cost of the MPCP is funded directly from the state's general fund (general purpose revenue [GPR]).

Per Student MPCP Cost

First, if the bill were effective for the 2005-06 school year only, it is assumed the cost of one additional student to participate in the program would be as follows:

2005-06 MPCP State Aid Amount $5,943*
55% funded by GPR $3,269
45% funded by MPS $2,674

The $3,269 is funded from a sum sufficient GPR appropriation. The remaining $2,674 is funded by reducing MPS general aid. MPS is allowed to replace the $2,674 reduction in state general aid with an increase in its property tax levy.

* May be less if a school's per pupil cost as determined in the school's financial information report is lower than the state aid amount, but would not be known until 2006-07.

State Fiscal Effect

Over the past two years, MPCP enrollment has increased by 1,500 to 1,800 pupils per year or approximately 14% annually. Using this assumption, it could be expected that the MPCP would increase by between 1,500 to 2,000 pupils if no enrollment cap were in place in 2005-06. However, since it is not possible to estimate the exact number of new pupils that may enroll in the MPCP in 2005-06 if this bill were enacted, the following are a range of possible enrollment scenarios and associated fiscal effects:

1,000 Additional Pupils:

Total Fiscal Effect: $5,943,000
55% State GPR Effect: $3,268,650
45% MPS Aid Reduction and Amount of Permissive Property Tax Increase: $2,674,350

1,500 Additional Pupils:

Total Fiscal Effect: $8,914,500
55% State GPR Effect: $4,902,975
45% MPS Aid Reduction and Amount of Permissive Property Tax Increase: $4,011,525

2,000 Additional Pupils:

Total Fiscal Effect: $11,886,000
55% State GPR Effect: $6,537,300
45% MPS Aid Reduction and Amount of Permissive Property Tax Increase: $5,348,700

Also, additional pupils will result in increased agency program administrative costs (more applications and checks to process). It is assumed these costs can be absorbed.

Local Fiscal Effect

The bill would likely result in a reduction of the MPS' general equalization aid in 2005-06 compared to what it would otherwise receive under current law. The MPS school board would have to determine whether it would increase its property tax levy to replace the additional reduction in state aid.

Long-Range Fiscal Implications

To the extent that the increased pupils allowed to participate in the MPCP as a result of this bill would otherwise attend MPS, MPS' revenue limit would be decreased under current law.