

Fiscal Estimate Narratives

DPI 1/8/2014

LRB Number	13-3595/2	Introduction Number	AB-0549	Estimate Type	Original
Description Authorizing independent charter schools, eliminating noninstrumentality charter schools, establishing magnet schools, replication process for certain operators of charter schools, and utilizing an alternative process for educator effectiveness					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, school boards may enter into contracts with individuals, groups, businesses, or governmental bodies to establish charter schools, which operate with fewer constraints than traditional public schools. Current law also permits the University of Wisconsin (UW)–Milwaukee, UW–Parkside, Milwaukee Area Technical College, and the city of Milwaukee to establish charter schools directly or to contract for the operation of charter schools. This bill makes various changes to the manner in which charter schools are established, eliminates instrumentality charter schools, and authorizes school boards to establish magnet schools that also operate with fewer constraints than traditional public schools.

Charter schools; independent authorizers

A charter school established by an entity other than a school board is known as an independent charter school. Under current law, the only entities that may establish an independent charter school are UW–Milwaukee, UW–Parkside, Milwaukee Area Technical College district board, and the city of Milwaukee. This bill expands the entities that may establish independent charter schools (independent authorizers) to include all of the following:

1. All four–year UW institutions.
2. All two–year UW campuses.
3. Cooperative educational service agencies (CESA).
4. Technical college district boards.

Under current law, an independent authorizer may establish and operate a charter school or enter into a contract with an individual or group to operate a charter school. This bill eliminates the authority for an independent authorizer to directly establish and operate a charter school. The bill also prohibits an independent authorizer from contracting with a person to operate a charter school in a school district in which at least 80 percent of the number of public schools that received the highest level of performance on the latest school accountability report are located, unless the person first provides the school board of the school district an opportunity to contract to operate the proposed charter school.

Current law includes certain restrictions on where an independent authorizer may establish a charter school. For example, the city of Milwaukee and the Milwaukee Area Technical College are authorized to establish charter schools only in the Milwaukee Public School District. Under the bill, each of the following independent authorizers is restricted to establishing charter schools only in the following geographic locations:

1. A four–year UW institution in the county in which the institution is located or in an adjacent county.
2. A two–year UW campus in the county in which the campus is located or in an adjacent county.
3. A CESA within the boundaries of the CESA.
4. A technical college district board, including the Milwaukee Area Technical College district board, in the technical college district or in a county adjacent to the district.
5. The city of Milwaukee in the Milwaukee Public School District.

Finally, under current law, subject to certain exceptions, a pupil is only permitted to attend an independent charter school that is located in the school district where the pupil resides. Under the bill, a pupil may attend any independent charter school, regardless of the pupil's residence or the location of the charter school.

Independent charter schools; replication

The bill creates a new process by which a person who has a proven track record of success for each charter

school the person operates in this state may establish and operate additional independent charter schools. Under the bill, a person has a proven track record of success operating a charter school if during each of the two immediately preceding school years the total percentage of pupils attending the charter school who received a score of advanced or proficient on the state assessments for math and reading in all tested grades taught at the charter school is at least ten percentage points higher than the total percentage of pupils attending public schools in the school district where that charter school is located who received the same scores on the same assessments in the same grades. Under the bill, an independent authorizer who receives a letter of intent from a person with a proven track record of success with whom the independent authorizer has an existing contract must, at the person's request, contract with that person to operate up to two additional charter schools per school year. The bill specifies that the person must have a proven track record of success in each charter school the person operates in the state in order for the replication to be mandatory. The bill specifies that a charter school established under this process is not a satellite or subsidiary campus of an existing charter school.

Charter schools; school boards

Under current law, there are two processes for a school board to establish a charter school: one is initiated by the school board and one is initiated by a petition signed by either ten percent of the teachers employed by the school district or 50 percent of the teachers employed at one school located in the school district. Current law also requires that information that is required to be included in such a petition is included in a contract to operate a charter school, regardless of how the charter school is established.

This bill eliminates the petition process for a school board to establish a charter school and eliminates the requirement that a contract to operate a charter school include the petition information. The bill also eliminates the requirement under current law that, if a school board must hold a public hearing on a contract to establish a charter school, the school board must consider the level of employee support for the proposed charter school or the fiscal impact of the proposed charter school on the school district.

Under current law, subject to certain exceptions, a school board determines whether a charter school established by the school board is an instrumentality of the school district. If a charter school is an instrumentality of the school district, the school board must employ all personnel for the charter school. Under the bill, a charter school established by a school board is not an instrumentality of the school district and the school board is prohibited from employing any personnel for the charter school.

Magnet schools; school boards

This bill authorizes a school board to establish magnet schools tied to the federal definition of magnet schools, which are defined as schools that offer a special curriculum capable of attracting substantial numbers of students of different racial backgrounds. Under the bill, magnet schools are provided the same exemption from state education laws that charter schools are provided under current law. The processes to establish a magnet school are the same as the processes by which a school board may establish a charter school under current law. Additionally, a contract to operate a magnet school is subject to similar requirements and restrictions as a contract to operate a charter school, including that a contract to operate a magnet school may not be for a term that exceeds five school years. Finally, the bill requires that the school board employ all personnel for a magnet school.

In effect this bill creates a new category of school that mimics an existing charter school that is an instrumentality of a school district, but is not called a charter school.

Charter school governing boards

This bill requires that every charter school be operated by a governing board. The bill further provides that a charter school governing board has all powers necessary to carry out the terms of its contract to operate a charter school.

Educator effectiveness; alternative process

Current law directs the Department of Public Instruction (DPI) to develop a system to evaluate the effectiveness of teachers and principals in public schools, including independent charter schools. DPI must also promulgate rules establishing an equivalency process aligned with its evaluation system for a school district or independent charter school that wishes to use an alternative method of evaluating teachers and principals. This bill allows a charter school under contract with a school board that is not an instrumentality of the school district to use an alternative method of evaluating teachers and principals.

State:

Under current law payments to independent charter schools are offset by a proportional reduction in general equalization aid payments for each school district. The appropriation funding independent charter schools, s. 20.255(2)(fm), is sum sufficient; therefore regardless of total cost, the appropriation must pay the full amount. Payments to independent charter schools are offset from a lapse from s. 20.255 (2)(ac), general equalization aids. This reduction can be made up for at the local level by property tax levy increases under a district's revenue limit.

Any additional pupils attending independent charter schools under this bill over and above existing estimates would further increase the amount of general equalization aid withheld from all school districts. This amount is indeterminate because it is not certain how many independent charter schools would be opened and how many pupils would attend any new independent charter schools. Any additional reduction could be made up for at the local level by property tax levy increases.

This bill also creates a category of school titled "magnet school" tied to the federal definition, however defined in state statute to be substantively similar to an instrumentality charter school as defined in current law. It is unknown if this change or any resulting change in the number or type of charter schools in the state will have an impact on future federal grant applications for charter school funding. In the 2012-13 school year the department received \$14,135,570 in federal charter grant funding.

Currently the department supports charter schools in the state with 4.55 federal FTE funded by the charter school grant. These staff will not be able to support magnet schools with their current funding source. Therefore it is unclear if the department will be able to support school districts utilizing current staff and funding. The overall fiscal impact on the department is indeterminate.

Local:

This bill provides for the expansion of independent charter schools throughout the state. The local fiscal effect of new independent charter schools authorized by University of Wisconsin System Schools, CESAs, technical college boards, or existing independent charter authorizers is indeterminate. An increase in the number of independent charter schools would have several fiscal effects on local school districts. For every additional pupil who enrolls in an independent charter school there would be a reduction in general equalization aid. This reduction would be shared by all districts proportionately to the percent of overall aid received. A district would still be able to levy property taxes up to the revenue limit to recapture the reduction in aid, representing no change in total funds available for the school district but an increase in local property taxes.

Individual districts with currently enrolled pupils who leave the district to enroll in an independent charter school would have a reduction in FTEs enrolled. This could result in a reduction in general equalization aid received, a reduction in the overall revenue limit, and a reduction in property taxes levied to reach the overall revenue limit. However, school districts may not see a reduction in costs, because pupils leaving could be spread across multiple grades and buildings. Districts would not necessarily be able to remove a teacher or space to actually reduce costs. In addition, a reduction in a district's FTE count causes an increase in property value per FTE. For individual districts this could push a district's general equalization aid per FTE to a lower amount, resulting in a possible increase in property taxes.

Pupils enrolling in independent charter schools who are currently attending a private school or are home schooled would also cause a reduction in general equalization aid paid to all school districts. Districts would be able to levy additional property taxes to recover lost aid.

The net effect of all of these factors on any individual district is indeterminate and would be based on the total statewide number of pupils attending independent charter schools, individual districts' existing pupil counts, individual districts' property values, and the number of pupils in each individual district that leave the district to attend an independent charter school. However on a statewide basis, more pupils enrolling in independent charter schools may drive increased property taxes and lower revenue limits in districts.

This bill provides for the creation of magnet schools by school districts which are substantively similar to existing instrumentality charter schools, while eliminating the ability for school districts to contract for or operate instrumentality charter schools. School boards currently contract for the operation of 212 charter schools, 189 of those charter schools are instrumentality charter schools.

For each of the 189 existing instrumentality charter schools, the school board and instrumentality charter school governing board will have to make a change to their existing contract when it expires. The school

could close, the contract could be altered to make the school a non-instrumentality charter school, or the school could be "converted" to a magnet school by closing the existing charter school and contracting for a new magnet school. It is unknown what each individual school board and charter school governing board will agree to do when their existing contract expires. In addition it is unknown how many future innovative approaches will result in a non-instrumentality charter school, magnet school, or no school at all.

To the extent that school boards either contract for magnet schools or choose not to pursue innovative approaches, the school district will not have access to federal charter school grant funding that they currently can apply for. Funding for start-up grants is \$150,000 or more for the first three years of the school.

This bill authorizes a non-instrumentality charter school to utilize an educator effectiveness evaluation system as defined by the department in rule. However, the bill does not make such a non-instrumentality eligible to receive grants from the department under 115.415 (4). It is unclear if non-instrumentality charter schools that choose to utilize an alternate educator effectiveness system will receive reimbursement of their costs through another method such as agreement with the authorizing school district.

Long-Range Fiscal Implications