

### Fiscal Estimate - 2013 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>13-0928/2</b>	<b>Introduction Number</b> <b>SB-318</b>
<b>Description</b> Authorizing the city of Milwaukee to sell eligible school facilities to eligible purchasers	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input checked="" type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>
DPI/ Donald Smith (608) 267-2003	Michael Bormett (608) 266-2804
	<b>Date</b>
	10/14/2013

## Fiscal Estimate Narratives

DPI 10/14/2013

LRB Number	13-0928/2	Introduction Number	SB-318	Estimate Type	Original
<b>Description</b> Authorizing the city of Milwaukee to sell eligible school facilities to eligible purchasers					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the city of Milwaukee (city) owns the school buildings and school grounds of the Milwaukee Public School (MPS) District. Generally, city-owned property used for school purposes may be sold only upon the written request of the MPS board and if the Milwaukee Common Council adopts a resolution approving the sale. However, if the common council finds that city-owned property used for school purposes has been unused or underutilized for at least 12 consecutive months, or if the MPS board has determined by resolution prior to January 1, 2011, that any city-owned property used for school purposes is surplus to the needs of the district, the common council may sell or lease that property if it adopts a resolution to do so. If the city sells or leases property identified as underutilized or surplus, the net proceeds must be deposited into the school operations fund, which is used to pay the principal, fees, and premiums due on bonds issued for school facilities.

This bill creates an additional mechanism for the sale of certain eligible, city-owned school buildings. The bill defines an eligible school building as an MPS school building that has been either 1) designated as surplus, underutilized, or vacant on any resolution adopted by the MPS board within the previous five years, provided the board is unable to demonstrate that the school building is no longer surplus, underutilized, or vacant; or 2) unused or satisfies any condition qualifying the building as underutilized for 12 consecutive months. The bill defines an underutilized school building as a school building that satisfies any of the following: a) less than 40 percent of the square footage of the school is used for the instruction of pupils on a daily, school day basis; b) with limited exceptions, the school is not staffed on a full-time basis by a principal and instructional staff assigned exclusively to the school; or c) the number of hours of pupil instruction offered in the school building in the previous school year was less than 80 percent of the number of hours of pupil instruction required to be offered by MPS. The bill requires the MPS board to annually prepare a detailed inventory of all school buildings in MPS and submit that inventory to the city clerk, the Department of Public Instruction, and the Joint Committee on Finance. The inventory must include the size and capacity of each school building and whether the building has ever been designated as surplus. The city clerk must publish information about eligible school buildings on the city's Web page.

Under the bill, once a school building has qualified as an eligible school building, only an education operator, with certain exceptions, may submit a letter of interest to the common council to purchase the building. The bill defines an education operator as any of the following: 1) the operator of a charter school established by the common council of the city, the chancellor of the University of Wisconsin-Milwaukee, the chancellor of the University of Wisconsin-Parkside, or the Milwaukee Area Technical College district board; 2) the operator of a private school; 3) the operator of a charter school that is not an instrumentality of MPS; 4) an individual or group that is pursuing a contract with an entity under item 1 to operate a school as a charter school; 5) a person that is pursuing a contract with MPS to operate a school as a charter school that is not an instrumentality of the school district; or 6) an entity or organization that has entered into a written agreement with any of the education operators identified in items 1 to 5 to purchase or lease a building within which that education operator will operate a school.

The bill requires the city to update its Web page when a letter of interest has been submitted and to solicit additional letters of intent for a period of 28 days. If more than one education operator submits a letter of interest, the common council must initiate a request-for-proposal process and select a committee to select the most suitable eligible buyer. If a building qualifies as an eligible school building for 48 consecutive months, any person may submit a letter of interest to the common council. Under the bill, the common council must, in a timely manner, negotiate a reasonable purchase price and terms for the purchase with the selected buyer. The bill specifies that a reasonable purchase price must be based upon the price paid for other comparable school buildings sold by the city within the previous five years or on an appraisal of the eligible school building in which comparable properties are compared.

Under current law, the city attorney also serves as the legal advisor for the board. Current law permits the board to retain a separate attorney to represent the board under specified circumstances: if the board

determines that the board requires specialized legal expertise; if the city attorney does not have sufficient staff to represent the interests of the board; or if a conflict of interest exists. This bill requires the board to retain a separate attorney if the mayor, the common council, the city attorney, or the board determines that any of the specified circumstances exist.

Local:

The bill restricts who is eligible to purchase a school building once it has been determined to meet the criteria in this bill. This may have the effect of artificially driving down the sale price by reducing the number of eligible buyers. If buildings are sold under the bill, it could reduce ongoing maintenance, utility and insurance costs for MPS for such buildings. It is unknown how many buildings meet the criteria in this bill. It is also unknown how many of those buildings would receive requests for purchase. The overall fiscal impact of this provision is indeterminate.

This bill could result in changing the overall usage of current MPS-controlled buildings. The number of buildings that would be altered in this way is unknown. The fiscal impact of any changes is indeterminate.

State:

There is no fiscal impact to the state.

**Long-Range Fiscal Implications**

If under the bill, buildings are sold by the City of Milwaukee to entities that operate schools under the parental choice program, and this results in more students being able to enroll in the choice program than would have under current law, the bill could increase GPR costs to the state for funding the parental choice program.