



ELLEN SCHUTT

STATE REPRESENTATIVE • 31ST ASSEMBLY DISTRICT

Testimony in Support of Assembly Bill 688 and 900

Assembly Committee on Education

February 7, 2024

Thank you Chairman Kitchens and committee members for hearing Assembly Bills 688 and 900 today. I introduced Assembly Substitute Amendment 1 to Assembly Bill 900, which combines provisions of Assembly Bills 688 and 900. These bills “decouple” funding for school choice students and independent charter schools from local property taxes to general-purpose revenue (GPR).

By the fiscal year 2025, GPR funding will entirely cover the payments to private schools in the Milwaukee Parental Choice Program. Yet, the Racine and statewide programs will still be funded by GPR covered by aid reductions from the resident school district.

Similarly, the 2021-22 biennial budget eliminated reductions to equalization aid for payments made to independent charter schools authorized by the City of Milwaukee, the chancellor of UW-Milwaukee, the chancellor of UW-Parkside, or the Milwaukee Area Technical College district board, who are all referred to as legacy charter school authorizers. Legacy charter schools receive funding directly from GPR, while new independent charter schools are funded by a deduction from the resident school district in state aid. This creates confusion for our public schools and makes it harder for them to set their budgets.

By decoupling the funding of new student vouchers from local district finances, new students would no longer count in the resident district membership to levy local property taxes or the distribution of equalized aid. Funding for these students would change from the local property tax bill to GPR. This means that the Wisconsin Parental Choice Program, Racine Parental Choice Program, and Special Needs Scholarship Program would be funded the same way as the Milwaukee Parental Choice Program, and new independent charter schools would be funded the same as existing legacy charter schools.

Decoupling does not increase local property taxes in any way. The amendment provides a revenue limit adjustment for school districts that is equal to 25% of the impact on a school district's levy that occurs due to the changes in the bill. Taxpayer dollars should be allocated more efficiently and this bill does just that to ensure all programs are funded the same.

According to a memo from the non-partisan Legislative Fiscal Bureau, if we were to decouple choice, independent charter, and the special needs scholarship program in the 2023-24 school year, we would experience a reduction of \$293 million from local property taxes while allowing public schools to keep more money in their school districts by not having aid subtracted from resident districts like it is under current law.

This legislation will save schools and the Department of Public Instruction time and administrative costs and provide property tax relief to local districts.

Thank you for your consideration. I am happy to answer any questions you may have.



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AB 900 and AB 688 Testimony

Thank you Chairman Kitchens and members of the committee for hearing our bills today.

Wisconsin is known as a proactive leader when it comes to school choice. Since leading the way with the Milwaukee Parental Choice Program over 30 years ago, 32 other states have followed Wisconsin's example and have choice programs of their own. As of today, nearly 55,000 students are enrolled in one of the 4 private school programs Wisconsin has to offer, with several thousand more enrolled in independent charter schools.

Currently, the system that funds all four school choice programs is a complicated mix of formulas. By the fiscal year 2025, General Purpose Revenue (GPR) funding will entirely cover the payments to private schools in the Milwaukee Parental Choice Program. While the Racine, Statewide and Special Needs Scholarship programs will still be funded by GPR covered by aid reductions from the resident school district.

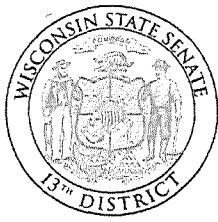
AB 688 and 900 aim to "decouple" the Racine, Statewide, Special Needs Scholarship and independent charter programs from the aid reduction formula and fund them entirely by GPR just like the MPCP and legacy charter schools will be.

By decoupling the funding of new student vouchers from local district finances, those new students would no longer count in the resident district membership for the purposes of levying local property taxes nor the distribution of equalized aid.

The changes this bill makes will simplify funding and will help ensure both choice and public schools can coexist in the future.

AB 688 deals with the same issue, but for independent charter schools. Currently there are about 12,000 students enrolled in one of the 35 independent charter schools across the state.

According to DPI - *"Charter schools are public schools created through a business-like contract or "charter" between the charter governance board and the*



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sponsoring school board or other chartering authority. The Wisconsin charter school law gives charter schools freedom from most state rules and regulations in exchange for greater accountability for results.”

Charter schools are either classified as legacy (2r) or independent (2x). Current (2r) authorizers (Legacy) include UW-Milwaukee, the City of Milwaukee, UW-Parkside, and the Milwaukee Area Technical College.

Current 2x authorizers (New) include the Waukesha County Executive, College of Menominee Nation, Lac Courte Oreilles Ojibwe University, Office of Educational Opportunity, and any technical college district board (except MATC).

Both Legacy and New Independent Charter Schools receive payment from a sum sufficient appropriation. However, Legacy schools receive funding directly from general purpose revenue (GPR) while new independent charter schools are funded by a deduction from the students' resident district in state aid. This bill would allow for independent charters to be funded the same as legacy charter schools.

The Substitute Amendment on AB 900, combines the two bills into one and increases a school district's limit for the 2024-25 school year by 25 percent of the levy impact for decoupling in each school district.

This bill will help streamline funding and provide consistency for the program.

Thank you for your time today, I will be happy to answer any of your questions.



TO: Members, Assembly Committee on Education

FROM: Rachel Ver Velde, Senior Director of Workforce, Education and Employment Policy

DATE: February 7, 2024

RE: Support for Assembly Bill 900 & Assembly Bill 688, "decoupling" remaining parental choice programs and independent charters from the school funding formula

Wisconsin Manufacturers & Commerce (WMC) appreciates the opportunity to submit testimony in support of Assembly Bill 900 and Assembly Bill 688. I want to thank the authors of the bills, Representative Schutt and Senator Jagler for crafting these important pieces of legislation. These bills will reduce the complexity of funding for choice and independent charter schools and provide property tax relief for taxpayers throughout Wisconsin.

WMC is the largest general business association in Wisconsin, representing approximately 3,800 member companies of all sizes, and from every sector of the economy. Since 1911, our mission has been to make Wisconsin the most competitive state in the nation to do business. That mission includes making sure Wisconsin's youth have educational opportunities to be prepared for the workforce.

WMC supports decoupling the funding of students that attend choice and independent charter schools from local district finances, shifting the funding away from local property taxes to General Purpose Revenue (GPR). This policy stance is widely supported and already has precedent. In 2015-17 state budget, the legislature passed phased in decoupling for the Milwaukee Parental Choice Program (MPCP). By the 2024-25 school year, MPCP will be completely funded directly by the state through GPR dollars. Support for this policy was bipartisan with then Superintendent of the Department of Public Instruction (DPI) Tony Evers supporting full decoupling of MPCP in his 2014 budget request for the 2015-17 state budget.¹

WMC believes that decoupling the remaining choice and independent charter schools will be a benefit for students throughout Wisconsin. Not only will decoupling significantly reduce the complexity of the current system that has been problematic for public schools, but it also will ensure that local property tax dollars are funding local public-school students. Another substantial benefit of these two pieces of legislation is the significant property tax savings that will be realized throughout Wisconsin. This will be a benefit not only for employers, but also hardworking Wisconsin families.

¹Wisconsin Department of Public Instruction 2015-17 Biennial Budget Request (page 120): <https://doa.wi.gov/budget/SBO/2015-17%20255%20DPI%20Budget%20Request.pdf>

Legislative Fiscal Bureau has confirmed that 404 of the 421 school districts in Wisconsin will receive more state aid, have lower property taxes and have more spending authority under these two bills. The additional 17 districts would see no impact, due to the lack of choice or charter students in their districts.

WMC supports this important change in policy because it creates a less complicated and more student-focused educational system. It funds state programs with state dollars and local public schools with local tax dollars and state aid. It does all this while also providing significant property tax savings throughout the state.

WMC urges members of the Assembly Committee on Education to support Assembly Bill 900 and Assembly Bill 688. Additionally, WMC is supportive of the substitute amendment that was recently introduced for Assembly Bill 900 and encourages its passage. Simplifying the funding formula for choice and independent charter schools will provide desired property tax relief and ensure that all students have access to a great education.

**TESTIMONY IN SUPPORT OF ASSEMBLY BILL 688
ASSEMBLY COMMITTEE ON EDUCATION
WEDNESDAY, FEBRUARY 7, 2024
KALEEM CAIRE, FOUNDER AND CEO
ONE CITY SCHOOLS**

Good Morning, Chairman Kitchens and Assembly Education Committee Members, my name is Kaleem Caire, the founder and CEO of One City Schools, and a native of Madison whose family has called Wisconsin home since 1907. I am testifying today in support of AB 688, which if supported by our legislature and Governor, would decouple independent public charter schools from the public-school funding formula. This will be fair to our children and their families, Wisconsin taxpayers, and our traditional public and independent charter schools.

One City Schools is currently the operator of three One City Schools: a tuition-based preschool serving children from 3 months old to 3 years old, and two independent public charter schools that together enroll nearly 400 children ages 4-years-old through 7th grade. As we add one grade level each year, we will eventually enroll nearly 1,000 children in grades 4K through 12. My team and I are working to transform and improve early childhood and K-12 education in Wisconsin and the United States, starting in Dane County. Prior to One City Schools, I was the President and CEO of the Urban League of Greater Madison and Chairman of the National Urban League's Education Committee.

This bill enables a massive and fair property tax cut, providing needed relief to families in the Badger State who continue to struggle with inflation and rising costs. Legislative Fiscal Bureau estimates show AB688 will provide approximately \$300 million in a fair property tax cut for Wisconsin families. It also shows that districts without independent charter school students will see a fair property tax decrease and no district sees a property tax increase. School districts will no longer be able to claim that independent public charter schools increase property taxes for your constituents due to those districts current ability to raise property taxes to make up for lost state aid. Additionally, Independent public charter schools will no longer live under a cloud of suspicion, leaving communities to believe that their schools are taking funding from communities traditional public schools. Lastly, charter schools are state programs and should be funded fairly with state dollars.

By supporting AB688, the legislature and Governor will fix a problem that local school districts have raised. This will make it easier for school districts to predict a fair and accurate student count, and to have clearer and tighter budget plans each year. The bill gives districts additional state aid to backfill for the loss of independent public-school students instead of the district having to levy for that revenue each year. Furthermore, this bill provides no additional funding for independent public charter schools.

I want to thank the committee for their time in hearing this fair bill today. I am happy to answer your questions.

Submitted by:

Kaleem Caire, Founder and CEO
One City Schools



February 7, 2024

Assembly Committee on Education

**Department of Public Instruction Testimony
2023 Assembly Bills 688 and 900**

Thank you, Chairman Kitchens and members of the committee, for the opportunity to testify on Assembly Bills 688 (AB 688) and 900 (AB 900). My name is Tom McCarthy, I am the Associate Deputy Superintendent. The Department of Public Instruction (DPI) is presenting testimony for information only today regarding both bills, including the substitute amendment to AB 900.

A Brief History

How we fund the various choice programs has changed significantly over time. The original Milwaukee School Choice Demonstration Project (MPCP) was funded entirely by general purpose revenue (GPR). As the program grew, the state began deducting aid from the Milwaukee Public School District (MPS) to pay for the costs of Milwaukee choice students. Initially, MPS was allowed to count these students for the purposes of state aid and revenue limits. As the program grew, and the impact of increased enrollment meant more pressure on the state's public school funding system, the legislature stopped allowing MPS to count its choice pupils, and instead moved to a cost sharing model. The state moved a portion of the cost back onto GPR, required an aid deduction from MPS, and allowed MPS to recoup the lost aid by levying local property taxes. The state share changed over time, culminating in a complete buy-out of local costs through the 2011-13 biennial budget (2013 Act 20) which reduces the MPS cost share by 3.2% a year until it reaches zero in the 2025-26 school year.

Independent charter schools (ICS) were originally funded by a first draw deduction from general aid, which all districts received uniformly. The deduction amount was calculated by multiplying the number of students enrolled in ICS by the per pupil payment set by state law. School districts were allowed to recoup the lost aid by increasing property taxes.

The Current Mechanism

The current funding structure for both new independent charter school (ICS) pupils and the state's parental choice programs pupils began with the statutory changes made through the 2015-17 biennial budget (2015 Act 55). As new choice programs were added, and eligibility expanded, policymakers were challenged to find a way to fund growth of the various choice programs. Due to state fiscal pressures, the expanded Racine and Wisconsin Parental Choice programs were funded like the second phase of the MPCP when pupils were counted for revenue limit calculations and aid calculations. This time around, however, the Racine and Wisconsin Parental Choice pupils were counted for aid purposes, generating a

deduction amount that each district would be subject to. Districts were then provided with a non-recurring revenue limit exemption, allowing them to increase taxes by the exact amount lost in aid.

As the programs grew, so did the non-recurring revenue limit impact. In the most recent year of certified school finance data – the 2022-23 school year – the non-recurring revenue limit impact for choice accounted for 10% or more of the overall levy for 19 districts (with Racine Unified being the highest at 31.2%) and accounted for 5% or more of the overall levy in another 57 districts. In total, 345 of the 421 school districts are impacted by choice programs.

The costs generated by the non-recurring revenue limit are eligible for aid, meaning these added costs are causing a redistributive effect (both positive and negative) that is challenging to quantify because of the complexity of the state’s equalization aid formula. Further complicating the current funding formula for choice, while the students generating non-recurring authority and aid are calculated based on their home location, participation in choice programs is not limited to the geographic bounds of their district of residence. The state constitution, along with a line of case law that also included an evaluation of the state’s school funding formula (*Buse v. Smith*, 74 Wis. 2d 550 (1976)), holds “that local taxes be raised for the use and purpose of the body or district imposing the tax.”

Proposals to State Fund

Before you are two proposals that seek to eliminate the local system of funding ICS and the Racine and Wisconsin Parental Choice programs. Both proposals (AB 688 and AB 900 as amended) would end the aid deductions for districts, immediately. They diverge on how aid is calculated for districts when considering choice pupils (AB 688 allows them to be counted for one more year and under the substitute amendment to AB 900 that is eliminated immediately), and the amendment to AB 900 also creates a recurring revenue limit adjustment that allows districts to keep 25% of the previous non-recurring adjustment for choice pupils. These changes are being referred to by many as decoupling, including within the non-statutory provisions of the substitute amendment to AB 900.

Considerations for State Funding of Choice

The state picking up the full cost of the various choice programs will alleviate the property tax burden experienced both locally and statewide. As detailed in the Legislative Fiscal Bureau (LFB) memo produced on the substitute to AB 900, the impact of stopping the aid deduction and ramping down the non-recurring adjustment will reduce property taxes. What is less clear to all who study the funding formula is what will happen next.

Pulling shared costs out of the system will have a redistributive effect if all other formula factors stay constant. On a statewide basis, that should amount to a property tax reduction. On a local level, that is far less certain. Because the funding formula penalizes districts who spend significantly more than the state average, the effect of adding shared costs is not desirable as it shifts more cost to negative tertiary aid considerations. In other words, as these districts were forced to add costs to cover for the choice deductions, it cost them more aid than they received from the state. Finally, it is incredibly challenging to predict how enrollment and spending will fluctuate in the future. The considerations LFB provided are based on the most recent data available. As enrollment and spending are audited and fluctuate as they naturally do, all of this is likely to change again.

The considerations of aid described above also do not account for the newly introduced idea of allowing districts to keep a recurring adjustment equal to 25% of the non-recurring choice adjustment. That new spending – which does not impact districts based on the work they do to educate kids – will be eligible for aid in the future and will advantage districts with high dollar amounts (like Racine and Green Bay), and disadvantages districts who do not.

You all have undoubtedly heard from school districts about the frustration and challenges they face in handling the current choice funding mechanics. It does not allow for planning as districts are informed in October about their aid deduction and non-recurring revenue authority. It impacts the property tax calculations they work hard with their communities to explain. And it creates confusion for districts who receive deductions but have no private schools participating in a choice program exist within their boundaries. This proposal presents a real solution to those issues. But it does not begin to address the pressing issues they face around special education reimbursement, and it sets up a challenging scenario for budgeting going forward as choice programs benefit from a sum sufficient appropriation mechanism, and public schools do not.

The department appreciates the opportunity to engage members in this conversation.

If you have questions or want additional information, please contact Kevyn Radcliffe, Legislative Liaison, at kevyn.radcliffe@dpi.wi.gov or (608) 264-6716.