



## Legislative Fiscal Bureau

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TO: Members  
Special Committee on Charter Schools

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SUBJECT: Milwaukee and Racine Charter School Program Funding

Under current law, charter schools are funded through one of two mechanisms. Under the first method, school boards throughout the state may establish or contract with an individual to establish a charter school. These schools negotiate the level of funding with the chartering school districts. This funding level must be specified in the contract for each school year covered by the contract. The pupils attending these charter schools are included in the school district's membership for state equalization aid and revenue limits. The contract costs are eligible for state cost sharing under the equalization aid formula. A charter school is exempt from most elementary and secondary school statutory requirements.

Under the second mechanism, certain charter schools in Milwaukee and Racine receive direct state funding, with an offsetting reduction to general school aids, described below. Under this independent charter school program, the Common Council of the City of Milwaukee, the Chancellor of the University of Wisconsin-Milwaukee (UW-M), and the Milwaukee Area Technical College (MATC) are authorized to operate or contract to operate charter schools located within the boundaries of the Milwaukee Public Schools (MPS). There is no limit on the number of charter schools that may be established by these entities, nor on the number of pupils that may attend. In general, only pupils who reside in MPS may attend these charter schools, although special provisions apply for pupils enrolled in the Woodlands School prior to its conversion to a charter school. These schools are sometimes referred to as "2r" charters, after the statutory subsection [s. 118.40(2r)] that authorizes their creation.

In 2005-06, 14 charter schools (five from the City and nine from UW-M) operated with an enrollment of approximately 4,100 FTE pupils. In addition, the Chancellor of the University of Wisconsin-Parkside is authorized to operate or contract to operate one charter school operating grades kindergarten through eight and, under the provisions of 2005 Act 111, enrolling a maximum of 480 pupils. The charter school is located within the Racine Unified School District (RUSD), and

only pupils who reside in RUSD may attend the charter school. In 2005-06, the Racine charter school had an enrollment of approximately 390 pupils.

The Department of Public Instruction (DPI) is required to pay the operators of Milwaukee and Racine charter schools an amount equal to the sum of the amount paid per pupil in the previous school year and the increase in the per pupil amount paid to private schools under the Milwaukee parental choice program, multiplied by the number of FTE pupils attending the charter school. Aid is paid in four installments throughout the year, adjusted to reflect actual FTE enrollment on the two membership count dates used by all school districts, in September and January. There is an additional aid payment to RUSD related to the Racine charter school, for pupils who were previously enrolled in RUSD. This additional payment is outside of the District's revenue limit.

Charter school aid payments, including the additional payment to Racine, are made from a separate general purpose revenue (GPR) sum sufficient appropriation established for this purpose. Payments for these charter schools are fully offset by a proportionate reduction in the general school aids of all public school districts. In 2005-06, the per pupil payment amount was \$7,519. In 2005-06, the reduction in school aids totaled approximately \$34.2 million. An additional \$1.25 million was attributable to the additional payment to RUSD. Because the reduction to school aid is based on early estimates of charter enrollment, the actual aid paid sometimes differs from the reduction amount.

For 2006-07, the per pupil payment amount is \$7,669, and it is estimated that payments will total \$37.9 million.

Pupils attending these independent charter schools are not counted by any school district for purposes of revenue limits and general school aids, and costs associated with the program are excluded from cost sharing under equalization aid. However, school district revenue limits are not affected by the charter school program reduction in aid. Thus, a school district may levy property taxes to offset the amount of state aid lost due to these aid reductions.

The current method of funding the Milwaukee and Racine charter school program was enacted in the 1999-01 budget. Prior to that act, the Milwaukee charter school program was funded by generally allowing MPS to count the pupils in the programs in membership and making a reduction to MPS' general aid to offset the cost of the program. Because of concerns over the growth in the program, the aid reduction was modified in the 1999-01 budget to become statewide, with the general aids for all districts reduced to offset the cost of the program.

Since the passage of the 1999-01 budget, at times concerns have been raised relating to the funding mechanism for these charter schools. One such concern relates to the statewide aid reduction that is imposed on all school districts to offset the state cost of funding charter schools in the Milwaukee and Racine areas.

During consideration of the 2005-07 budget, the Joint Finance Committee recommended a

modification to the funding mechanism for the charter school program. Under that alternative, MPS and RUSD would have been allowed to include the cost and membership of the charter school program in the data used to determine revenue limits and general school aids. The general school aids that otherwise would be paid to MPS and RUSD would have been reduced, in total, by the estimated cost of the charter school program, with each district's reduction based proportionately on the estimated number of pupils enrolled in the charter schools in the respective districts in the given school year. The districts would have been prohibited from levying to replace the aid reduction. These provisions were deleted from the final act through the Governor's partial veto.

LM/sas