



Legislative Fiscal Bureau

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October 15, 2003

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 261 and Senate Bill 220: Proposed Changes to the Milwaukee and Racine Charter School Program

Assembly Bill 261 was referred to the Assembly Committee on Education Reform, which recommended the bill for passage on a 9 to 4 vote on September 24, 2003. The Assembly passed the bill on a 63 to 35 vote on October 1, 2003, and the bill was immediately messaged to the Senate. The Senate referred the bill to the Joint Committee on Finance on October 2, 2003.

Senate Bill 220 was referred to the Senate Committee on Education, Ethics and Elections, which recommended the bill for passage on a 4 to 3 vote on September 17, 2003. The Senate referred the bill to the Joint Committee on Finance on September 30, 2003.

The two bills are similar, with a minor difference in wording in the bill provisions relating to pupil transportation.

BACKGROUND

Under the 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 Board are authorized to operate or contract to operate charter schools located within 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 2003-04, 10 charter schools (five each from the City and UW-M) are operating with an estimated enrollment of 4,640 students. 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 enrolling a maximum of 400 pupils, located within the Racine Unified School District (RUSD). Only pupils who reside in

RUSD may attend the charter school. Pupils are eligible to attend Milwaukee charter schools if they reside in MPS and in the previous school year were either enrolled in MPS, enrolled in a charter school, enrolled in a choice school, enrolled in a private, non-choice school in the City in grades kindergarten to three, or were not enrolled in school.

The Department of Public Instruction 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 pupils attending the charter school. There is an additional aid payment to RUSD related to the Racine charter school, for pupils who were previously enrolled in RUSD. Payments for these charter schools are fully offset by a proportionate reduction in the general school aids of all 426 public school districts. In 2004-05, the per pupil payment amount is \$7,111 and it is estimated that a total of approximately \$40.2 million will be paid to these charter schools under current law. It is estimated that these schools will enroll a total of 5,600 pupils in 2004-05.

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 revenue lost due to these aid reductions.

Under AB 261 and SB 220, MPS is not required to transport Milwaukee charter school pupils. However, the bills specify that MPS would be allowed to collect state transportation aids for Milwaukee charter school pupils if the district chooses to transport them.

SUMMARY OF BILLS

Under the bills, pupils who reside outside MPS would be permitted to attend Milwaukee charter schools. In addition, the bills would delete the requirements relating to the pupil's enrollment status in the previous school year. Finally, the bills would specify that school districts, including MPS, could transport pupils to and from the charter school that they attend.

FISCAL EFFECT

The bills would expand eligibility for the charter program to students who are currently ineligible to participate in the program. It is not possible to estimate the number of additional students that would participate in the program, because it would depend on the decisions of those families that would become eligible under the bills. The potential fiscal effect of the bill can be discussed in more general terms.

Potential Effects on the General Fund. An increase in charter school enrollment, and thus the payments made to charter schools, would be offset by an equal reduction in general school aids

for all 426 districts. Because funding for general school aids is provided on a sum certain basis, there would be no net cost to the general fund. Expenditures from the sum sufficient appropriation for charter schools would increase, but the cost of these additional expenditures would be offset by a corresponding aid reduction from general school aids.

Potential Effects of Revenue Limits. Under the provisions of the bills, if additional pupils enroll in the charter program that otherwise would have enrolled in MPS or other school districts, the revenue limit for MPS or other school districts would be lower than it would have been. Under revenue limits, one-third of the number of charter pupils that leaves a school district would be reflected immediately under the three-year rolling average of enrollment. Revenue limits for a school district would fully reflect the loss of additional charter pupils only in the third year.

Potential Effects on the Distribution of General School Aids. Because general school aids are calculated using prior year membership and shared cost data, the loss of additional pupils from MPS or other school districts to the charter program would not directly affect the amount of equalization aid received by MPS or other school districts until the next year. Once these pupils and their related shared costs would be fully excluded from MPS or other school districts for general school aid purposes, there would be aid shifts under the equalization aid formula. Because pupils could attend charter schools under the bills that otherwise would have attended MPS or other school districts under current law, a redistribution of general school aids from these affected school districts to other school districts in the state would occur. However, since a number of school districts could be affected under the bills, it is difficult to present examples because of interaction effects under the formula.

Regardless of the source of any additional pupils, the proportional reduction that is made from each school district's general aids would increase so that the total reduction would offset any additional charter program payments under the bills.

Potential Effects on Statewide School Property Tax Levies. As under current law, school districts could increase school property taxes to replace any increase in aid reductions from general school aids. These aid reductions would occur under the bills to offset increased state expenditures on the charter program, and there would also be aid shifts due to changes in shared costs and membership.

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