



Legislative Fiscal Bureau

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February 17, 2004

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 253: Charter Schools Sponsored by the University of Wisconsin

Senate Bill 253 was introduced September 17, 2003 and referred to the Senate Committee on Higher Education and Tourism. On October 23, 2003, SB 253 was withdrawn and referred to the Senate Committee on Education, Ethics and Elections. The Committee recommended the bill for passage on January 20, 2004, by a vote of 5 to 2. The bill was referred to the Joint Committee on Finance on February 3, 2004.

CURRENT LAW

Under current law, school boards may contract with an individual to establish a charter school. Pupils attending these charter schools are included in the school district's membership for state equalization aids and revenue limits. The school board then negotiates the amount to be paid in each year of the charter contract with the operator of the charter school. A charter school is exempt from most elementary and secondary school statutory requirements.

Also, under current law, certain entities may establish or contract to establish independent charter schools not affiliated with any public school district. Under the Milwaukee 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 (MATC) are authorized to charter schools located within the 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 3,300 students. A similar program with one school is authorized to operate on a pilot basis by UW-Parkside within the Racine Unified School District (RUSD). In 2003-04, estimated enrolment is 300 pupils for this RUSD 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 private school through the Milwaukee parental choice program, enrolled in a private school not in the choice program in the City in grades kindergarten through three, or not enrolled in school. Pupils may attend the Racine charter school under this program only if they reside in the RUSD.

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. This payment is 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 GPR expenditures for general school aids of all 426 public school districts. The per pupil amount for 2004-05 is \$7,111. In 2004-05, it is estimated that \$30.2 million will be paid to these charter schools under current law.

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 general school aid. Therefore, a school district may levy property taxes to offset the amount of revenue lost due to these aid reductions.

SUMMARY OF BILL

Under SB 253, current law authorizing UW-M, MATC, the City of Milwaukee, and UW-Parkside to establish charter schools would be expanded to allow the chancellors of all UW institutions and deans of all UW college campuses to establish or contract to establish independent charter schools. Thus, an additional 24 campuses of the UW System would be authorized to establish an unlimited number of independent schools. The chancellor of an institution, as well as the dean of a college campus, would be required to gain approval from the Board of Regents of the UW System before establishing or entering into a contract for the establishment of a charter school.

The bill would specify that a charter school established by an institution or college campus within the UW System, other than UW-Milwaukee and UW-Parkside, could begin operating no sooner than July 1, 2005.

FISCAL EFFECT

The bill would increase the number of entities that would be permitted to establish independent charter schools, and could have the effect of increasing both the number of independent charter schools operating as well as the number of pupils attending independent charter

schools. The state's cost for funding these newly eligible pupils would increase by an amount equal to the number of new pupils multiplied by the per pupil payment amount. In 2004-05, the per pupil payment is \$7,111. In future years, it will increase by the same percentage as funding for general school aids increases. However, that cost would be fully offset by a reduction in each school district's general school aids. Therefore, if school districts would decide to increase property taxes to replace any loss in general school aids, statewide property taxes could increase by the per pupil payment amount for each new charter pupil. Because the schools could not operate until July 1, 2005, under the bill, these costs could not be incurred until 2005-06 at the earliest.

The net effect of the bill would also depend on where potential pupils for these charter schools would have chosen to attend school, if the bill were not enacted. If these pupils would have attended public schools in their school districts of residence, those districts would have received additional general school aids based on membership and shared costs attributable to those pupils, as well as counting those pupils for purposes of revenue limits. These current law aid effects would interact with the aid reduction associated with additional independent charter schools, and counting the pupils for revenue limits would affect the school levy. However, if these pupils would otherwise have attended a private school or been home schooled, then they would not affect the distribution of aid or calculation of revenue limits under current law, and the only effect of attending a charter school authorized under the bill would be the aid reduction identified above.

It is unknown whether additional UW institutions and campuses will choose to charter additional independent schools. Thus, it is not possible to estimate how many new charter schools would open or how many new pupils would attend independent charter schools as a result of the bill, because these effects would depend on the decisions of the UW System and individual families.

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