



## Legislative Fiscal Bureau

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June 13, 2023

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 330: Low Revenue Adjustment and Indexing Mechanism for the Choice and Charter Programs

Senate Bill 330 would increase the low revenue adjustment amount under revenue limits and modify the indexing mechanism for the per pupil payments under the private school choice, special need scholarship, and independent charter school programs. SB 330 was introduced on June 9, 2023, and was referred to the Senate Committee on Education. The Assembly companion bill, AB 305, was also introduced on June 9, 2023, and was referred to the Assembly Committee on Education.

### **BACKGROUND**

#### **Revenue Limits**

Under revenue limits, the amount of revenue a school district can raise from general school aids, property taxes, and exempt property aid is restricted. A district's base revenue in a given year is equal to the restricted revenues received in the prior school year. Base revenue is divided by the average of the district's enrollments in the prior three years to determine its base revenue per pupil. In 2022-23, and each year thereafter under current law, no per pupil adjustment is made to each district's base revenue per pupil to determine its current year revenue per pupil. Current year revenue per pupil is then multiplied by the average of the district's enrollments in the current and prior two years to determine the district's initial revenue limit. There are several adjustments that are made to the initial revenue limit, such as the declining enrollment adjustment and the low revenue adjustment. A district can also exceed its revenue limit by receiving voter approval at a referendum.

Under the low revenue adjustment, if the sum of the base revenue per pupil and the per pupil adjustment for a district is below a statutorily-specified amount (\$10,000 per pupil in 2022-23 and each year thereafter under current law), the district may increase its revenues up to that amount. However, if the voters in a district reject an operating referendum, the low revenue adjustment

amount for the district remains at the amount for the school year during which the referendum was held for the three following school years. If the voters in such a district subsequently approve an operating referendum during the three-year period, the district's low revenue adjustment amount is set at the amount that applies beginning in the school year after the referendum was held.

### **Choice and Charter Program Funding and Payment Indexing Mechanism**

*Private School Choice Programs.* Under the private school choice programs, the state pays a statutorily-determined per pupil amount for children from eligible families to attend participating private schools. The payment for 2022-23 is \$8,399 for a pupil in grades K-8 and \$9,045 for a pupil in grades 9-12.

For the Milwaukee program, the Department of Public Instruction (DPI) was required by law to reduce the general aid for which MPS was eligible in 2022-23 by a net amount of 6.4% of the estimated total cost of the Milwaukee program, after consideration of aid that is paid to the City of Milwaukee to reduce the levy it raises on behalf of MPS. (Under the provisions of 2013 Act 20, this percentage will be reduced by 3.2 percentage points each year, until no aid reduction is made beginning in 2024-25.) The October 15, 2022, general aid calculation used an estimate of \$240.9 million for the total cost of the Milwaukee program in 2022-23. Thus, MPS's general aid was reduced by a total of \$15.4 million. Under revenue limits, MPS can levy to make up for the aid reduction, less any high poverty aid received by MPS.

For the Racine and statewide private school choice programs, payments for pupils who first participated in the programs in the 2014-15 school year or earlier are fully funded from the state general fund. The cost of payments for pupils who first participated in the 2015-16 school year or later is offset by a reduction in the state aid that would otherwise be paid to the school district of residence of participating pupils. School districts count incoming choice pupils for general aids on a prior year basis, and receive a revenue limit adjustment for each pupil in the current year. The revenue limit adjustment is equal to the amount of the aid reduction. Other than the revenue limit adjustment, districts cannot levy to make up for these aid reductions. In 2022-23, the state aid reduction for incoming pupils totaled approximately \$168.4 million (\$28.9 million for the Racine program and \$139.5 million for the statewide program).

*Special Needs Scholarship Program.* Under the special needs scholarship program, a statutorily-determined per pupil amount (\$13,076 in 2022-23) is paid to private schools on behalf of most participating special needs pupils. The cost of payments under the program is offset by a reduction in the state aid that would otherwise be paid to the school district of residence of participating pupils. Districts count pupils in the program for general aids on a prior year basis, and receive a revenue limit adjustment for each pupil in the current year equal to the aid reduction. Other than the revenue limit adjustment, districts cannot levy to make up for these aid reductions. In 2022-23, aid reductions for the special needs scholarship program totaled an estimated \$27.7 million.

*Independent Charter School Program.* DPI pays the operators of independent charter schools a statutorily-determined per pupil amount each year, (\$9,264 per pupil in 2022-23). For pupils attending independent charter schools chartered by entities that were allowed to authorize charter schools prior to 2015 Act 55 (the City of Milwaukee, UW-Milwaukee, and UW-Parkside),

there is no offsetting aid reduction, and the general fund bears the full cost of the program. A pupil attending a school chartered by a post-2015 authorizer is counted by their district of residence for revenue limit and general aid purposes. DPI is required to reduce a district's general aid payment in an amount equal to the total of the payments made for pupils attending these schools and residing in the district. A district may not levy to backfill that aid reduction. In 2022-23, the aid reductions for these charters (which were authorized by either the Office of Educational Opportunity in the UW System or the Lac Courte Oreilles Ojibwe College) totaled an estimated \$19.0 million.

*Payment Indexing Mechanism.* The various per pupil payment amounts for the programs described above, as well as for the open enrollment program, are equal to the sum of the payment amount for the program in the previous year plus the per pupil revenue limit adjustment for the current year, if positive, plus the statewide change in funding per pupil for statutorily-specified categorical school aid appropriations between the previous year and the current year, if positive.

Table 1 shows the cost of the programs in 2022-23.

**TABLE 1**  
**Cost of the Choice, Special Needs Scholarship,**  
**and Independent Charter Programs in 2022-23**  
**(\$ in Millions)**

	<u>Total GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>
Milwaukee choice	\$240.9	\$15.4	\$225.5
Racine/statewide choice	174.7	168.4	6.3
Special needs scholarship	27.7	27.7	0.0
Independent charter school	<u>96.4</u>	<u>19.0</u>	<u>77.4</u>
Total	\$539.7	\$230.5	\$309.2

## **SUMMARY OF BILL**

### **Revenue Limits**

The bill would set the low revenue adjustment amount under revenue limits at \$11,000 per pupil in 2023-24 and each year thereafter.

### **Choice and Charter Program Funding and Payment Indexing Mechanism**

*2023-24 School Year.* The bill would add an additional adjustment amount to the indexing mechanism for each of the program payments for 2023-24, equal to a specified percentage of the \$11,000 per pupil low revenue adjustment amount under the bill. Table 2 shows, for each program, the percent of the low revenue adjustment amount and the dollar amount for the one-time adjustment.

**TABLE 2**

**Additional 2023-24 Per Pupil Payment Adjustment Amounts**

	Percent of 2023-24 low revenue <u>adjustment amount</u>	<u>Dollar amount</u>
Private school choice - K-8 pupil	10.0%	\$1,100
Private school choice - 9-12 pupil	26.8	2,948
Special needs scholarship	14.5	1,595
Independent charter school	15.7	1,727

Table 3 shows the payment amounts as modified under the bill, as well as the percent change from the 2022-23 amounts.

**TABLE 3**

**Changes to 2023-24 Payment Amounts Under SB 330**

	<u>2022-23 per pupil payment</u>	<u>Increase under SB 330</u>	<u>New total</u>	<u>Percent change</u>
Private school choice - K-8 pupil	\$8,399	\$1,100	\$9,499	13.1%
Private school choice - 9-12 pupil	9,045	2,948	11,993	32.6
Special needs scholarship	13,076	1,595	14,671	12.2
Independent charter school	9,264	1,727	10,991	18.6

*2024-25 School Year and Each Year Thereafter.* The bill would add an additional factor to the indexing mechanism for each of the program payments. For the private school choice program payment for pupils in grades 9-12, the special needs scholarship program, and the independent charter school program, the additional amount would equal the change in the low revenue adjustment amount between the previous school year and the current school year, if positive. For the private school choice program payment for pupils in grades K-8, the additional amount would equal 90% of the change in the low revenue adjustment amount between the previous school year and the current school year, if positive.

**FISCAL EFFECT**

**Revenue Limits**

On a statewide basis, the increase in the low revenue adjustment amount would generate estimated revenue limit authority of \$337 million in 2023-24 and \$366 million in 2024-25. If a per pupil adjustment were to be provided under the biennial budget bill, it would offset some of the revenue limit authority provided by the low revenue adjustment. If additional general school aids or school levy tax credit funding were provided in the budget bill, it would mitigate the levy impact of the additional revenue limit authority.

## Choice and Charter Program Funding and Payment Indexing Mechanism

Table 4 shows the fiscal effect of the additional adjustment amounts for 2023-24 for each of the programs under the bill. If any per pupil adjustment or categorical aid increases were to be provided under the biennial budget bill, the fiscal effect shown in the table would change. The amounts in the table are shown as a change to current law.

**TABLE 4**  
**Fiscal Effect of Additional 2023-24 Per Pupil Payment Adjustment Amounts**  
**(\$ in Millions)**

	2023-24			2024-25		
	Total GPR	Aid Reduction	Net GPR	Total GPR	Aid Reduction	Net GPR
Milwaukee choice	\$44,360,800	\$1,419,500	\$42,941,200	\$45,060,400	\$0	\$45,060,400
Racine/statewide choice	34,522,400	32,636,100	1,886,300	38,398,800	36,747,900	1,650,900
Special needs scholarship	3,991,200	3,991,200	0	4,624,600	4,624,600	0
Independent charter school	<u>20,409,700</u>	<u>4,861,500</u>	<u>15,548,200</u>	<u>21,551,200</u>	<u>5,571,300</u>	<u>15,979,900</u>
Total	\$103,284,100	\$42,908,300	\$60,375,700	\$109,635,000	\$46,943,900	\$62,691,200

It has been reported that provisions of the budget bill would set the per pupil adjustment under revenue limits at \$325 in 2023-24 and an additional \$325 in 2024-25 and provide additional special education aid funding to reimburse an estimated 33.3% of eligible costs in 2023-24 and 2024-25. Table 5 shows the per pupil payments for the programs that would result under that proposal and the bill. Table 6 shows the fiscal effect of the programs under those per pupil payments. Additional categorical aid funding would have further impacts on the payments and fiscal effects shown. The amounts in Table 6 are shown as a change to current law.

**TABLE 5**  
**Per Pupil Payments Under Bill and Proposal**

	2022-23	2023-24	2024-25	Total Change -- 2022-23 to 2024-25	
				Amount	Percent
Private school choice - K-8 pupil	\$8,399	\$9,874	\$10,271	\$1,872	22.3%
Private school choice - 9-12 pupil	9,045	12,368	12,765	3,720	41.1
Special needs scholarship	13,076	15,046	15,443	2,367	18.1
Independent charter school	9,264	11,366	11,763	2,499	27.0

**TABLE 6****Fiscal Effect of Per Pupil Payment Under Bill and Proposal  
(\$ in Millions)**

	<u>2023-24</u>			<u>2024-25</u>		
	<u>Total GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>	<u>Total GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>
Milwaukee choice	\$55,015,300	\$1,760,500	\$53,254,800	\$67,204,700	\$0	\$67,204,700
Racine/statewide choice	43,113,500	40,968,400	2,145,100	58,074,100	55,991,100	2,083,000
Special needs scholarship	4,950,100	4,950,100	0	6,913,100	6,913,100	0
Independent charter school	<u>24,843,200</u>	<u>5,917,500</u>	<u>18,925,700</u>	<u>31,179,800</u>	<u>8,060,400</u>	<u>23,119,400</u>
Total	\$127,922,000	\$53,596,400	\$74,325,600	\$163,371,800	\$70,964,700	\$92,407,100

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