



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #752

Open Enrollment and Tuition Payment Amount (DPI -- Choice, Charter and Open Enrollment)

[LFB 2001-03 Budget Summary: Page 547, #8]

CURRENT LAW

Since the 1998-99 school year, a pupil has been able to attend any public school located outside his or her school district of residence under the full-time open enrollment program, if the pupil's parent or guardian complies with certain application dates and procedures. The Department of Public Instruction (DPI) is required to annually determine a per pupil transfer amount under the program equal to the statewide average per pupil school district cost for regular instruction, co-curricular activities, instructional support services and pupil support services in the previous school year. A school district's equalization aid is increased or decreased by an amount equal to the per pupil transfer amount multiplied by the school district's net gain or loss of pupils under the open enrollment program.

State aid adjustments made under the open enrollment program are not considered in determining a school district's revenue limit. Thus, the increase in state aid payments to a school district that has a net gain in pupils is not included in that school district's revenues that are subject to its revenue limit. A school district that experiences a net decrease in equalization aid may not increase its property tax levy to compensate for the state aid loss.

The resident school district counts the pupil in its membership and includes the costs for state aid purposes. In other words, the resident district receives state aid as though the pupil were enrolled in that school district. DPI is required to ensure that the aid adjustment between school districts does not affect the amount of equalization aid determined to be received by the school for any other purposes.

Generally, if a pupil does not participate in the open enrollment program but still attends a public school outside the school district in which he or she resides, the pupil's parent or

guardian pays tuition. This amount is calculated in the same manner as the per pupil payment under the full-time open enrollment program.

GOVERNOR

Specify that the per pupil transfer amount for state aid adjustment purposes under the full-time open enrollment program and for tuition payments for parents equal two-thirds of the statewide average per pupil school district cost in the previous year. Specify that this provision first applies to state aid adjustments in the 2001-02 school year as it relates to the open enrollment program and that it first applies to tuition payments made by parents in the 2002-03 school year.

DISCUSSION POINTS

1. Under current law, the estimated 2000-01 per pupil transfer amount is \$4,858. It is estimated that this amount would have been approximately \$5,700 in 2000-01 had this budget provision been in effect in that year. This would have been a 17.3% increase in the per pupil transfer amount.

2. Administration staff indicate that this provision was included in the budget bill to more accurately reflect the costs incurred by districts that accept open enrollment students and the cost reduction experienced by districts that lose pupils under the program. Specifically, DOA staff indicate that some costs for administration and transportation, which would arguably vary with the number of pupils served, should be reflected in the transfer amount. Rather than include additional categories in the calculation, however, the administration indicates that it chose to move to the two-thirds of total district cost per pupil measure given the difficulty of trying to determine an appropriate average marginal cost per pupil measure for the state.

3. The per pupil transfer amount under the open enrollment program was initially recommended by the Joint Legislative Council Special Committee on Public School Open Enrollment and enacted in 1997 Act 27 as part of the original program. In its recommendations, the Special Committee recognized that no funding mechanism would accurately reflect the fiscal effect on each school district of gaining or losing a pupil under open enrollment. The Special Committee attempted to recognize the incremental cost to the school district of gaining or losing a pupil by basing its funding proposal on costs which are most likely to vary with the number of pupils served, such as the four categories included under current law, and excluding fixed costs which are less likely to vary with the number of pupils served, such as building operations and maintenance, administration and debt service costs.

4. DOA staff also indicate that increasing the per pupil transfer amount could encourage growth in the program. By increasing the financial incentives for districts under the program, districts may be encouraged to better utilize existing facilities to create additional spaces for nonresident pupils who want the opportunity to attend school in the district.

5. Some would argue, however, that districts would be unlikely to expand or be able to utilize their physical plants in such a way as to be able to accommodate significant numbers of additional students. Parental preferences also play a role in determining participation under the program, which would likely be independent of district capacity. Also, the statutes provide that districts may, if authorized under board resolution, reject applications only if there is no space available in the schools, programs, classes or grades within the nonresident district. Thus, changes in the per pupil transfer amount may not have a relatively large impact on program participation.

6. Increasing the per pupil transfer amount could also provide additional incentives for districts to improve their educational programs. Proponents of open enrollment argue that if a school district is faced with the possibility of losing students, and thus a larger amount of aid, under the program, it would have an incentive to improve its education programming to be more responsive to the concerns of parents and students. By increasing the per pupil transfer amount under the program, it could increase the marginal pressure on districts to improve programming and be more responsive to the needs of parents and students, possibly in ways that do not involve funding.

7. Those opposed to changing the per pupil transfer amount argue that transferring more aid from those districts experiencing a net loss of students under the program would leave those districts with even fewer resources with which to improve their programs. As a result, districts with a relatively large net transfer of students out of the district would be less able to improve programming and would be further hampered in their ability to retain students. In addition, as a result of having even less aid under the Governor's provision, programming for those students whose parents choose to have them remain in such a district could be hurt as well.

8. In 1999-00, a total of 4,859 students out of a total statewide membership of 868,274 students transferred to another school district under the open enrollment program. The district with the greatest number of transfers out under the program in 1999-00 (Milwaukee) lost 420 students, while the district with the greatest number of transfers in (Wauwatosa) gained 103 students. In total, 80% of all districts in the state had transfers under the program that ranged from a net loss of twelve students to a net gain of 15 students.

9. In percentage terms, nearly 0.6% of the total statewide membership in 1999-00 transferred to another district under open enrollment. The district with the largest percentage loss of students (Menominee Indian) lost a number of pupils equal to nearly 4.3% of its membership, while the district with the largest percentage gain of transfers (Linn J4) gained a number of pupils equal to over 24.6% of its membership. In total, 80% of all districts in the state had transfers under the program ranging from a loss of 1.2% to gain of 1.6% of their memberships.

10. In 1999-00, a total of over \$9.6 million in per pupil aid transfers were made between school districts under the program. Had the Governor's provision been in effect in 1999-00, a total of nearly \$11.4 million in transfers between districts would have been made, an increase of approximately \$1.8 million. The largest net loser under open enrollment would have lost an additional \$364,200 had the Governor's provision been in effect in 1999-00, while the largest net

gainer would have gained an additional \$89,300. In total, 80% of all districts in the state would have experienced a net aid effect of between -\$10,400 and \$13,000.

11. Another way to consider the fiscal effect of the higher per pupil transfer amount would be to look at the aid loss in the context of a district's revenue limit. The district that would have lost the largest percent of its revenue limit had the Governor's provision been in effect in 1999-00 would have lost an amount equal to -0.6% of its limit, while the district that would have gained the largest percent would have gained an amount equal to 1.9% of its limit. In total, 80% of all districts in the state would experience a net transfer of an amount equal to between -0.1% and 0.2% of its revenue limit.

Tuition Payments by Parents

12. In general, the full-time open enrollment program was designed to reduce the need for parents to pay tuition for their children to attend school in a nonresident school district. A nonresident school district must generally accept a pupil under open enrollment if there is space available, with exceptions made for students involved in disciplinary proceedings or students needing special education or related services that are not available in the district.

13. However, a parent who did not apply to have their child accepted under open enrollment could choose to pay tuition to a nonresident district if the district has space available. Also, if a school district has denied applications under open enrollment and later finds it has unanticipated space, the district may accept pupils whose parents are willing to pay tuition. In addition, if a resident district denies a pupil's transfer under open enrollment, the parent may still choose to pay tuition to a nonresident district. Finally, parents would have to pay tuition if they want their child to attend a prekindergarten, four-year-old kindergarten, early childhood or school-operated day care program outside his or her district of residence if the pupil's district of residence does not offer the same type of program that the pupil wishes to attend or the pupil is not eligible to attend that program in his or her school district of residence.

14. Prior to 1999 Act 117, tuition payments by parents were set equal to the full tuition rate under the state tuition formula. The statutory calculation is structured so a district can recover local and state revenues that the district does not collect when a student is not a resident of the district. This amount is determined by netting out costs of services and offsetting revenues, with adjustments made for pupils who need special education or related services and for pupils who do not receive transportation by the district.

15. In each of the last five school years, between 450 and 650 students attended schools outside of their district on a tuition-paying basis. The membership data collected by DPI does not differentiate between students that need special education or related services and those that do not. DPI estimates that tuition payments under the prior law calculation for 2000-01 for students not needing special education or related services would have ranged from approximately \$6,500 to \$8,800. Thus, the Governor's provision, had it been in effect in 2000-01 would have represented a higher cost for those pupils paying tuition than under current law, but a lower cost compared to the

law prior to 1999 Act 117.

16. Administration staff indicate that the increase in the tuition payment amount was linked to the increase in the open enrollment transfer amount to maintain the consistency between the two calculations that was established in 1999 Act 117. Using the same calculation for both amounts would also maintain the same marginal gain for a school district that accepts nonresident students, whether on an open enrollment basis or a tuition-paying basis.

17. However, given that 1999 Act 117 generally reduced the tuition payment amount, if the Committee chooses to increase the open enrollment per pupil transfer amount, the tuition payment amount could still be maintained at its current law level. This would recognize that parents generally have less resources to send a child to a nonresident district than a school district losing a pupil to another district.

ALTERNATIVES TO BASE

A. Open Enrollment

1. Approve the Governor's recommendation to set the per pupil transfer amount for state aid adjustment purposes under the full-time open enrollment program, beginning in the 2001-02 school year, equal two-thirds of the statewide average per pupil school district cost in the previous year.

2. Take no action.

B. Tuition Payments by Parents

1. Approve the Governor's recommendation to set tuition payment amount for parents, beginning in the 2002-03 school year, equal two-thirds of the statewide average per pupil school district cost in the previous year.

2. Take no action.

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