



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #614

Charter School and State Residential School Eligibility for State Lunch Aid (DPI -- Categorical Aids)

CURRENT LAW

Under current law, the state makes payments from the appropriation for aids for school lunches and nutritional improvement to partially match the federal contribution under the National School Lunch Program, which provides free or reduced-price meals to low-income children, and to support the cost of reduced price meals served to the elderly. School districts and private schools, including private schools participating in the Milwaukee parental choice program, are eligible for reimbursement. Independent charter schools in Milwaukee and Racine and the state residential schools in Janesville and Delavan are not eligible.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The National School Lunch Program assists schools in providing nutritionally balanced, low-cost or free lunches. The program reimburses schools based on the number of meals served, with higher payments provided for each meal served for free or at a reduced price. Children from families with incomes less than 130% of the federal poverty level are eligible for free lunches, and those with incomes less than 185% of poverty are eligible for reduced price lunches. For 2004-05 for a family of four, 130% of poverty is equal to \$24,505 in annual income, and 185% is equal to \$34,873. Federal payments equal \$0.21 per paid lunch, \$1.84 per reduced price lunch, and \$2.24 per free lunch. Payments are \$0.02 higher per meal for schools with high concentrations of poverty. Schools may charge no more than \$0.30 for reduced price meals, and must operate lunch programs on a nonprofit basis. The state received reimbursements totaling \$86,990,000 FED under this program in 2003-04.

2. In 2004-05, a total of \$4,371,100 GPR is provided for the state matching payments that are required under the National School Lunch Program. According to DPI, an average of 525,000 children, enrolled in 2,500 public schools, nonprofit private schools, and residential childcare centers, ate school lunch each school day in 2003-04. The state match is calculated using a variable percentage of the amount of federal basic reimbursement provided in 1980-81, which was \$14,384,400 FED. The rate is 30%, but is decreased in each year the state's per capita income falls below the national average. In 2004-05, the rate is 29.2%, for a required school lunch match total of \$4,198,308 GPR. The State Superintendent is required to make payments to school districts and private schools equal to the state's matching obligation, which is prorated based on the number of lunches served during the prior school year. Reimbursement is also provided to school districts that provide meals for the elderly, in an amount equal to 15% of the cost of the meal or \$0.50 per meal, whichever is less. Reimbursements for elderly meals served are paid from the same appropriation as school lunch.

3. Under 1997 Act 27, the Common Council of the City of Milwaukee, the Chancellor of the University of Wisconsin-Milwaukee (UWM), and the Milwaukee Area Technical College (MATC) were authorized to establish charter schools located within Milwaukee Public Schools. Under 2001 Act 16, the University of Wisconsin-Parkside was authorized to establish one charter school in Racine County. In 2004-05, seven schools are operating under UWM's authority, four schools are operating under the City of Milwaukee's authority, and one school operates under UW-Parkside's authority. MATC has not elected to establish a charter school.

4. Under current law, charter schools are not subject to the provisions of Chapters 115 through 121 of the statutes, except where explicitly provided. These chapters are generally the provisions that govern elementary and secondary education. Because of this provision, and because Milwaukee and Racine charter schools are independent of school districts, the law has been interpreted to exclude independent charter schools from participation in state categorical aids for public school districts. A charter school established by a school district, on the other hand, may participate in categorical school aid and grant programs, if such participation is included in the charter. If participating, a charter school must comply with all requirements associated with the program in which it participates.

5. DPI pays the operators of independent Milwaukee and Racine charter schools an amount equal to the sum of the amount paid per pupil under that program in the previous school year, plus the per pupil increase allowed under the Milwaukee parental choice program. The per pupil payment amount is \$7,111 in 2004-05, and payments will total approximately \$29.9 million GPR.

6. The Wisconsin Center for the Blind and Visually Impaired in Janesville and the Wisconsin Educational Services Program for the Deaf and Hard of Hearing in Delavan are state residential schools administered by DPI and funded directly by the state through a sum certain GPR appropriation. On average, the schools have a combined annual enrollment of approximately 200 pupils. In 2004-05, funding for the general program operations of the two state schools is \$9,076,800 GPR.

7. Although 11 of the 12 independent charter schools, as well as both state residential

schools, currently participate in the federal lunch program, neither type of school is currently eligible for the state matching payment. The state school lunch appropriation has been level funded at \$4,371,100 GPR since 2000-01, and has not been fully expended in any year since 1998-99. The appropriation lapsed \$69,700 at the end of 2003-04. In its 2005-07 agency budget request, DPI proposed expanding the program to include the Milwaukee and Racine independent charter schools and the state residential schools. DPI estimated that the cost of providing the GPR school lunch aid to the independent charter schools would be \$19,500, and for the state schools \$1,500, for a total of \$21,000 annually. Therefore, if the Committee chose to expand eligibility to include these schools, then it appears that aid could be provided from the existing appropriation amount, with no additional funding being needed.

8. Independent charter schools have previously been granted eligibility for state categorical aid programs. For example, under 1999 Act 9, independent charter schools were specifically added as entities eligible to receive aid on special education costs. Under 2001 Act 16, charter schools were made eligible for aid programs under the former Technology for Educational Achievement in Wisconsin (TEACH) Board.

9. Staff from DOA indicate that DPI's proposal was not included in the budget bill primarily because both the independent charter schools and the state residential schools currently receive direct state aid payments for their operations. Staff noted that the independent charter school per pupil payment amount, \$7,111 in 2004-05, is larger than the general school aids per pupil payments received by some school districts. It could be argued, then, that this state funding can be presumed adequate to fund program operations, including the school lunch programs currently operating.

10. However, unlike school districts, neither the independent charter schools nor the residential schools are supported with property tax revenue in addition to their state aid payments. Additionally, it may be desirable that schools participating in a federal program benefit from state matching funds required by that program.

11. On the other hand, one could argue that adding these schools to the program could lead to higher costs in future. The enrollments of independent charter schools have grown significantly in recent years, from 1,590 pupils in 2000-01 to 4,058 pupils in 2004-05. Further, there is no statutory limit on the number of such schools that may be established in Milwaukee.

ALTERNATIVES

1. Provide that independent charter schools in Milwaukee and Racine, as well as the state residential schools in Janesville and Delavan, be specified as eligible entities for state school lunch matching payments. These state matching payments would be made from funds currently budgeted for this purpose.

2. Maintain current law.

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