



Legislative Fiscal Bureau

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Joint Committee on Finance

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Milwaukee Parental Choice Program and Milwaukee and Racine Charter School Program Payment Amounts (DPI -- Choice and Charter)

[LFB 2005-07 Budget Summary: Page 408, #1 and 2]

CURRENT LAW

Under the Milwaukee parental choice program, state funds are used to pay for the cost of children from low-income families in the City of Milwaukee to attend, at no charge, private schools located in the City of Milwaukee. For each pupil attending a choice school, the Department of Public Instruction (DPI) pays the parent or guardian an amount that is equal to the lesser of: (a) the private school's operating and debt service cost per pupil related to educational programming; or (b) the amount paid per pupil in the previous school year adjusted by the percent change, if non-negative, in the general school aids appropriations from the previous school year to the current school year. The estimated cost of the payments from the choice program appropriation is partially offset by a reduction in the general school aids otherwise paid to the Milwaukee Public Schools (MPS) by an amount equal to 45% of the total cost of the choice program. Under revenue limits, MPS may levy property taxes to make up for the amount of aid lost due to this reduction. As a result, the general fund pays for 55% of the choice program and MPS for 45%.

The Common Council of the City of Milwaukee, the Chancellor of the University of Wisconsin-Milwaukee, and the Milwaukee Area Technical College Board are authorized to operate or contract to operate charter schools located within MPS. The Chancellor of the University of Wisconsin-Parkside is authorized to operate or contract to operate one charter school located within the Racine Unified School District (RUSD). DPI 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 amount of increase in the maximum per pupil payment under the Milwaukee parental choice program, multiplied by the number of pupils attending the charter school. Payments to these charter schools are fully offset by a proportionate reduction in the general school aids of all 426 public school districts. Under revenue limits,

school districts may levy property taxes to make up for the amount of revenue lost due to these aid reductions.

GOVERNOR

Make no changes to the annual payment adjustment provisions for the Milwaukee parental choice program and the Milwaukee and Racine charter school program.

With annual general school aids increases proposed in the bill of 6.6% and 2.8%, respectively, the maximum per pupil choice payment under current law would increase from \$5,943 in 2004-05 to \$6,335 in 2005-06 and \$6,514 in 2006-07. Thus, the payment would increase by \$392 in 2005-06 and \$179 in 2006-07. The administration estimates that 14,800 students will participate in the program in 2005-06 and 2006-07. Total program funding would be \$93,758,000 in 2005-06 and \$96,407,200 in 2006-07. The 45% MPS choice reduction would be \$42,191,100 in 2005-06 and \$43,383,200 in 2006-07. The state 55% share of choice program expenditures would be \$51,566,900 in 2005-06 and \$53,024,000 in 2006-07.

Based on the increase in the choice payment, the per pupil charter payment under the bill would increase from \$7,111 in 2004-05 to \$7,503 in 2005-06 and \$7,682 in 2006-07. The administration estimates that 4,500 students will enroll in the program in 2005-06 and that 4,900 pupils will enroll in 2006-07. Charter schools would receive \$33,763,500 in 2005-06 and \$37,641,800 in 2006-07. General school aids for all 426 public school districts would be reduced proportionately by those amounts in those years.

DISCUSSION POINTS

1. When the choice program was created in 1989 Act 336, the maximum per pupil payment amount was set equal to the equalization aid per member received by MPS. This provision was changed in 1999 Act 9, under which the maximum per pupil payment for the choice program was set at the sum of the previous year's payment plus the amount of revenue limit increase per pupil allowed in the current school year. The current law adjustment based on the percent increase in general school aids was enacted in 2003 Act 33.

2. The charter school program was created under 1997 Act 27. Originally, the charter school payment amount was based on the shared cost per member for MPS in the previous school year. However, this provision was also changed in 1999 Act 9, so that the per pupil payment amount for these charter schools equaled the sum of the previous year's payment plus the amount of revenue limit increase per pupil allowed in the current school year, similar to the choice program payment. The current law adjustment based on the choice program increase was enacted in 2003 Act 33.

3. Table 1 shows the history of the per pupil payments under the choice and charter programs since the start of each program. As shown in Table 1, the largest percentage increases in the choice payments came in 1995-96 and 1996-97, as the state moved to provide two-thirds of K-12 partial school revenues. This resulted in a relatively large increase in the per pupil equalization

aid payment for MPS, and thus the per pupil payment under the choice program. Between 1998-99 and 2002-03, choice payments increased by slightly over 4% each year. The increases were much smaller in the 2003-05 biennium. Until 2002-03, per pupil payments under the charter program increased by approximately 3.5% each year. As with the choice program, the increases in the charter payments were smaller in the 2003-05 biennium.

TABLE 1

Per Pupil Payments Under Choice and Charter Programs

	Choice Program			Charter Program		
	Per Pupil Payment	Change to Prior Year Amount	Percent	Per Pupil Payment	Change to Prior Year Amount	Percent
1990-91	\$2,446					
1991-92	2,643	\$197	8.1%			
1992-93	2,745	102	3.9			
1993-94	2,985	240	8.7			
1994-95	3,209	224	7.5			
1995-96	3,667	458	14.3			
1996-97	4,373	706	19.3			
1997-98	4,696	323	7.4			
1998-99	4,894	198	4.2	\$6,062		
1999-00	5,106	212	4.3	6,272	\$210	3.5%
2000-01	5,326	220	4.3	6,494	222	3.5
2001-02	5,553	227	4.3	6,721	227	3.5
2002-03	5,783	230	4.1	6,951	230	3.4
2003-04	5,882	99	1.7	7,050	99	1.4
2004-05	5,943	61	1.0	7,111	61	0.9
2005-06 (AB 100)	6,335	392	6.6	7,503	392	5.5
2006-07 (AB 100)	6,514	179	2.8	7,682	179	2.4

4. Under current law, the policy of the state is to provide equivalent percentage increases in aid to public schools, choice schools, and charter schools. In the 2003-05 biennium, when the two-thirds commitment was repealed, the increases in aid provided to public schools was relatively lower. As a result, the increases in aid provided to choice and charter schools were relatively lower as well. As shown in the table above, the increases to the choice and charter payments in the 2003-05 biennium were the lowest, in both dollar and percentage terms, in the history of both programs.

5. Under the bill, in the 2005-07 biennium, the state would provide larger increases in general school aids than were provided in the 2003-05 biennium. As such, it could be argued that it is appropriate to provide relatively larger increases in the choice and charter payments as well. The \$392 per pupil increase in 2005-06 under the bill would be the largest in dollar terms for the choice program since the state went to two-thirds funding in 1996-97, and it would be the largest increase since the beginning of the charter program. Because general aids would not increase as much in 2006-07, the per pupil payment increases for the choice and charter programs would be relatively

smaller.

6. While current law treats the various types of schools similarly with respect to aid, it could be argued that it does not treat them similarly with respect to state-authorized resources. Under revenue limits, public school districts are allowed to increase their per pupil revenues from the combination of general aid, computer aid, and property taxes by a certain amount. Under the bill, it is estimated that the per pupil adjustment will be \$248 in 2005-06 and \$252 in 2006-07. Other revenue sources, such as fees and federal aid, are outside revenue limits.

7. Under current law, which is maintained under AB 100, choice and charter schools would receive more in 2005-06 in financial resources from the \$392 per pupil payment increase than school districts would receive from the estimated \$248 per pupil adjustment. The \$392 increase for choice and charter schools would also exceed the proposed \$300 increase in the low-revenue ceiling under the bill, which allows school districts with relatively low revenue to increase their revenues to a statutorily-designated amount.

8. One can argue that the larger increases proposed in AB 100 for 2005-07 would compensate for the smaller amounts provided in the 2003-05 biennium. However, the cumulative increase provided in the per pupil payment under the choice program since 1992-93 is \$3,198, which exceeds the cumulative per pupil adjustment of \$2,573 provided under revenue limits since 1992-93. For charter schools, the cumulative increase in the per pupil payment since 1998-99 is \$1,049, which is less than the cumulative per pupil adjustment of \$1,368 provided under revenue limits since 1998-99.

9. One alternative to address the question of resources would be to cap the per pupil payment increase for the choice and charter at the per pupil adjustment allowed under revenue limits in a given school year. Under this option, the choice and charter per pupil payment increases would be \$248 in 2005-06 and \$179 in 2006-07.

10. Under this alternative, the maximum per pupil payment under the choice program would be \$6,191 in 2005-06 and \$6,370 in 2006-07. This would be an increase of 4.2% and 2.9% respectively, in the payment. Based on estimated participation, the choice program appropriation would be \$91,626,800 in 2005-06 and \$94,276,000 in 2006-07, a decrease of \$2,131,200 annually compared to the bill. The net effect on the general fund (the 55% share of program costs) would be a decrease in expenditures of \$1,172,200 annually compared to the bill. The 45% MPS aid reduction would decrease by \$959,000 annually. Under revenue limits, the MPS levy would decrease by a corresponding amount.

11. Because the increase in the charter school program per pupil payment is set equal to the amount provided to the choice program, this alternative would also affect the charter school program appropriation. The per pupil payment under the charter school program would be \$7,359 in 2005-06 and \$7,538 in 2006-07, an increase of 3.5% and 2.4%. Based on estimated participation, charter school program expenditures would be \$33,115,500 in 2005-06 and \$36,936,200 in 2006-07, a decrease of \$648,000 in 2005-06 and \$705,600 in 2006-07 compared to the bill. While this would represent a decrease in GPR expenditures compared to the bill, there would be a smaller reduction from the general school aids of all school districts, resulting in no net effect on the general

fund. However, with a smaller reduction from general school aids, there would be a corresponding decrease in the statewide school property tax levy.

12. Under the bill, choice and charter schools would receive more than the per pupil adjustment in 2005-06 under revenue limits, but in 2006-07 they would receive a lower per pupil payment increase (\$179) than the estimated per pupil adjustment under revenue limits (\$252). To provide public schools, choice schools, and charter schools with the same increase in resources, the link between the choice and charter school payment increases and the per pupil adjustment under revenue limits could be restored. Under this option, the choice and charter school per pupil payment increases would be \$248 in 2005-06 and \$252 in 2006-07.

13. Under an alternative to restore the link to the per pupil adjustment under revenue limits, the maximum per pupil payment under the choice program would be \$6,191 in 2005-06 and \$6,443 in 2006-07, an increase of 4.2% and 4.0%. Choice program funding would be \$91,626,800 GPR in 2005-06 and \$95,356,400 GPR in 2006-07, a decrease of \$2,131,200 in 2005-06 and \$1,050,800 in 2006-07 compared to the bill. The net effect on the general fund (the 55% share of program costs) would be a decrease in expenditures of \$1,172,200 in 2005-06 and \$577,900 in 2006-07 compared to the bill. The 45% MPS aid reduction would be smaller by \$959,000 in 2005-06 and \$472,900 in 2006-07, which would reduce the MPS levy by corresponding amounts.

14. Under an alternative to restore the link to the per pupil adjustment under revenue limits, the per pupil payment for the charter school program would be \$7,359 in 2005-06 and \$7,611 in 2006-07, an increase of 3.5% and 3.4%. Charter school program funding would be \$33,115,500 GPR in 2005-06 and \$37,293,900 GPR in 2006-07, a decrease of \$648,000 in 2005-06 and \$347,900 in 2006-07 compared to the bill. These reductions would result in smaller reductions from the general school aids of all school districts. With a smaller reduction from general school aids, there would be a corresponding decrease in the statewide school property tax levy.

15. Another alternative would be to increase the choice and charter payments by the same percent that the per pupil adjustment under revenue limits provides, on average, for public schools. Under the bill, it is estimated that the \$248 per pupil adjustment in 2005-06 and \$252 per pupil adjustment in 2006-07 would provide a 2.9% increase in the average statewide per pupil revenue in each year.

16. Under this alternative, the maximum per pupil payment under the choice program would be \$6,115 in 2005-06 and \$6,292 in 2006-07. Choice program funding would be \$90,502,000 in 2005-06 and \$93,121,600 in 2006-07, a decrease of \$3,256,000 in 2005-06 and \$3,285,600 in 2006-07 compared to the bill. The net effect on the general fund (the 55% share of program costs) would be a decrease in expenditures of \$1,790,800 in 2005-06 and \$1,807,100 in 2006-07 compared to the bill. The 45% MPS aid reduction would be smaller by \$1,465,200 in 2005-06 and \$1,478,500 in 2006-07, which would reduce the MPS levy by corresponding amounts.

17. Under this alternative, the per pupil payment for the charter school program would be \$7,317 in 2005-06 and \$7,529 in 2006-07. Charter school program funding would be \$32,926,500 in 2005-06 and \$36,892,100 in 2006-07, a decrease of \$837,000 in 2005-06 and \$749,700 in 2006-07 compared to the bill. These reductions would result in smaller reductions

from the general school aids of all districts. With a smaller reduction from general school aids, there would be a corresponding decrease in the statewide school property tax levy.

ALTERNATIVES

1. Specify that the current maximum per pupil payment under the Milwaukee parental choice program could not exceed the per pupil adjustment under revenue limits in the current year. Delete \$2,131,200 GPR annually from the choice program appropriation, and reduce the 45% MPS choice general school aid reduction by \$959,000 annually, for a net GPR effect of -\$1,172,200 GPR annually. Delete \$648,000 GPR in 2005-06 and \$705,600 GPR in 2006-07 from the charter school program appropriation, and reestimate the statewide charter school program reduction correspondingly, for no net general fund fiscal effect.

<u>Alternative 1</u>	<u>GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>
2005-07 FUNDING (Change to Bill)	- \$5,616,000	- \$3,271,600	- \$2,344,400

2. Specify that the adjustment to the per pupil payments for the choice and charter programs would be set equal to the per pupil adjustment under revenue limits in the current year. Delete \$2,131,200 GPR in 2005-06 and \$1,050,800 GPR in 2006-07 from the choice program appropriation, and reduce the 45% MPS choice general school aids reduction by \$959,000 in 2005-06 and \$472,900 in 2006-07, for a net GPR effect of -\$1,172,200 in 2005-06 and -\$577,900 in 2006-07. Delete \$648,000 GPR in 2005-06 and \$347,900 GPR in 2006-07 in the charter school program appropriation, and reestimate the statewide charter reduction correspondingly, for no net general fund fiscal effect.

<u>Alternative 2</u>	<u>GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>
2005-07 FUNDING (Change to Bill)	- \$4,177,900	- \$2,427,800	- \$1,750,100

3. Specify that the adjustment to the per pupil payments for the choice and charter programs would be set equal to the percent increase that the per pupil adjustment under revenue limits provides to the statewide revenue per pupil under revenue limits in the current year. Delete \$3,256,000 GPR in 2005-06 and \$3,285,600 GPR in 2006-07 from the choice program appropriation, and reduce the 45% MPS choice general school aids reduction by \$1,465,200 in 2005-06 and \$1,478,500 in 2006-07, for a net GPR effect of -\$1,790,800 in 2005-06 and -\$1,807,100 in 2006-07. Delete \$837,000 GPR in 2005-06 and \$749,700 GPR in 2006-07 in the charter school program appropriation, and reestimate the statewide charter reduction correspondingly, for no net general fund fiscal effect.

<u>Alternative 3</u>	<u>GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>
2005-07 FUNDING (Change to Bill)	- \$8,128,300	- \$4,530,400	- \$3,597,900

4. Maintain current law, which would leave funding provided in AB 100 unchanged.

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