



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #652

Milwaukee Residential Charter School (DPI -- Choice and Charter)

Bill Agency

[LFB 2007-09 Budget Summary: Page 473, #5]

CURRENT LAW

Under current law, charter schools are funded through one of two mechanisms. Under the first method, schools chartered by school districts throughout the state negotiate with the district the level of funding, which must be specified in the charter school contract for each school year covered by the contract. The pupils enrolled in the charter school are included in the district's membership for purposes of both revenue limits and equalization aid and the contract costs are eligible for state cost sharing under the equalization aid formula.

Under the second mechanism, certain charter schools in Milwaukee and Racine receive direct state funding. Under the Milwaukee and Racine 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 are authorized to operate or contract to operate charter schools located within the boundaries of the Milwaukee Public Schools (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 2006-07, 14 schools (five from the City and nine from UW-M) are operating in Milwaukee with an estimated enrollment of 5,000 students. Pupils are eligible to attend if they reside in MPS, except for special provisions created for pupils of Woodlands School, a former private school.

In addition, the Chancellor of the University of Wisconsin-Parkside is authorized to operate or contract to operate one charter school operating grades kindergarten through eight and enrolling a maximum of 480 pupils, located within the Racine Unified School District (RUSD). Only pupils who reside in RUSD may attend the charter school. In 2006-07, an estimated 430 students are attending the school.

The Department of Public Instruction (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 increase in the per pupil amount paid to private schools under the choice program, multiplied by the number of pupils attending the charter school. This payment is made from a separate, sum sufficient general program revenue (GPR) appropriation created for this purpose. There is an additional aid payment to RUSD related to the Racine charter school, for pupils who were previously enrolled in RUSD, which is also made from this separate appropriation. Payments for these charter schools are fully offset by a proportionate reduction in the GPR expenditures for general school aids of all public school districts. In 2006-07, the per pupil payment amount is \$7,669 and it is estimated that a total of approximately \$39.6 million will be paid to these charter schools. The additional payment to RUSD is estimated to total \$1.5 million. It is projected that the 2006-07 charter school aid reduction will represent a 0.84% decrease in the general school aids received by all school districts.

Pupils attending Milwaukee and Racine charter schools are not counted by any school district for purposes of revenue limits and equalization aid, 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 aid reduction. Therefore a school district may levy property taxes to offset the amount of revenue lost due to the aid reduction.

GOVERNOR

Provide that the Common Council of the City of Milwaukee may establish or contract for the establishment of one residential charter school under the current law Milwaukee and Racine charter school program. If the City establishes such a school, require that the school may not accommodate more than 300 pupils, and the pupils would reside at the school for at least nine months each school year. Also, require that DPI would pay to the operator of the school an amount equal to twice the per pupil payment calculated for other independent charter schools under current law.

Under the Governor's recommendations, it is estimated that the per pupil payment under the charter school program would be \$7,778 in 2007-08 and \$7,884 in 2008-09. Under this provision, the residential school per pupil payment would be an estimated \$15,556 in 2007-08 and \$15,768 in 2008-09, if a residential charter school would be established.

DISCUSSION POINTS

1. Under 1999 Act 9, DPI was required to reallocate \$100,000 GPR in 1999-00 from funding for the children-at-risk program, which would otherwise have been provided to MPS. The allocation was to fund a planning grant to the non-profit Schools for Educational Evolution and Development (SEED) Foundation, for the purpose of planning a public residential school in southeastern Wisconsin. MPS received \$2.0 million under children-at-risk in 1999-00, after the \$100,000 deduction for SEED.

2. The SEED Foundation developed its school model and opened its first boarding school, the SEED Public Charter School, in Washington, D.C., in 1998. The school's mission is to provide disadvantaged inner-city students with a college preparatory education in a boarding school setting. The Foundation has since sought to establish additional inner-city boarding schools in California, Maryland, and Wisconsin. In 2002, SEED published "Feasibility of a Milwaukee Inner-City Boarding School," which is the final report funded by the 1999 state grant.

3. The Wisconsin feasibility study researchers gathered documentation, conducted interviews, and visited schools, in an effort to evaluate the availability of an appropriate site, operational funding, capital funding, funds for start-up costs, community support, and administrative staffing in Milwaukee. The study identified five potential sites within Milwaukee, all of which would likely require renovation and new construction in order to accommodate a boarding school. The feasibility study indicates that the school would likely require temporary facilities, while a permanent campus is being acquired and renovated. However, financing for these capital projects has yet to be determined. The SEED school in Washington, D.C., acquired its facilities with assistance from the federal and city governments, and funded its construction and renovation projects largely with private donations.

4. A Milwaukee public boarding school would also require ongoing operational funding. In Washington, federal legislation was modified in order to provide funding to the SEED Foundation in an amount equal to approximately 2.7 multiplied by the standard per pupil allocation to other D.C. public schools. As an example, the Milwaukee Public Schools revenue limit is equal to \$9,024 per pupil in 2006-07. If a multiplier similar to the D.C. model would have applied, funding would have totaled \$24,365 per pupil for the proposed school for this school year. For the SEED School of Maryland, expected to open in 2008, state payments are expected to total \$25,000 per pupil. An additional \$7,000 will be paid by each pupil's resident school district, and \$1,000 will come from private donations, for total operating cost of \$33,000 per pupil. The feasibility study cites the Milwaukee and Racine independent charter school program as a possible funding source for the school, although other possibilities, including a separate appropriation or contracting with the public school system, are also mentioned.

5. The feasibility study indicates that supplemental funding for the school would likely be necessary during the first years of operation. The SEED school in D.C. began with 50 seventh grade pupils, and added one grade per year, up to 12th grade. Because the school was relatively small and inefficient during the initial years of operation, the SEED Foundation secured short-term funding from additional private donors and foundations for these costs. Proponents of a Milwaukee boarding school indicate that it would be desirable to establish an endowment fund for the school, using one-time donations or state funds, in order to partially offset the high per pupil operating cost with interest earned from the fund.

6. Proponents of a Milwaukee public boarding school have indicated that the independent Milwaukee and Racine charter program under current law would not be suitable for such a school. The type of school operated by the SEED Foundation in Washington would likely require more revenue than the proposal under the bill would provide. Proponents have also

indicated that such a school would ideally be funded in a manner somewhat similar to the state residential schools, the Center for the Blind and Visually Impaired in Janesville and the Program for the Deaf and Hard of Hearing in Delavan, which are funded with separate GPR appropriation established for that purpose. In addition, the current residential schools are operated under the authority of DPI, which proponents indicate would be preferable to the independent charter school model. Also, pupils from all over the state are eligible to attend the current residential schools, as opposed to the residency restrictions that apply to most pupils in the Milwaukee and Racine charter school program. Proponents argue that the boarding school should also be open to disadvantaged pupils across the state.

7. The feasibility study also addresses the need for qualified administrative and educational staff for the proposed school. The study indicates that a national search would be conducted for the head of the school. Teachers would be recruited from Teach for America, as well as area public and private schools. Finally, the study indicates that residential staff for the school's dormitories would be recruited from the large pool of local university students and recent graduates, including those from Marquette University, the University of Wisconsin-Milwaukee, the Milwaukee School of Engineering, and other area campuses.

8. The Committee could choose to delete this provision, as requested by the administration as an errata to SB 40. According to the administration, this provision was not intended to appear in the bill. It could be argued that the issue requires further study by the Legislature to determine whether such a school is desirable for Milwaukee or the Milwaukee area, whether the state would provide funding for such a school, and how the school would be addressed by the state's school finance system. Given the constraints of the budget process and the lead time needed to establish such a school, the issue might be more appropriately addressed as separate legislation, to be reviewed by the standing committees of the Legislature.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to authorize the City of Milwaukee to establish a residential charter school, which would receive payments equal to twice the current law per pupil payment amount under the Milwaukee Racine charter school program.

2. Delete provision.

Prepared by: Layla Merrifield