



Legislative Fiscal Bureau

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

May 19, 2009

Joint Committee on Finance

Paper #644

Milwaukee and Racine Charter School Program Reestimate (DPI -- Choice and Charter)

[LFB 2009-11 Budget Summary: Page 534, #11]

CURRENT LAW

Milwaukee and Racine Charter School Program

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 the level of funding with the district, 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 independent charter schools in Milwaukee and Racine receive direct state funding, with an offsetting reduction to general school aids. 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 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 be enrolled. In 2008-09, 15 charter schools (10 from UW-M and five from the City) are operating in Milwaukee, with an estimated enrollment of 4,817 full-time equivalent (FTE) students. In general only pupils who reside in MPS are eligible to attend these charter schools. In addition, the Chancellor of the University of Wisconsin-Parkside is authorized to establish 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 within RUSD may attend the school. In 2008-09, 479 FTE pupils are attending the school.

The Department of Public Instruction (DPI) is required to pay the operators of Milwaukee and Racine charter schools a statutorily-determined amount per pupil each year. There is an additional aid payment to RUSD related to the Racine charter school, which is estimated to total \$1.7 million in 2008-09, and is calculated by multiplying RUSD's gross equalization aid per pupil by the number of pupils attending the charter school who were previously enrolled in RUSD. In 2008-09, the per pupil payment amount is \$7,775, and it was estimated that \$41.8 million would be paid to these charter schools. These payments are made from a separate GPR sum sufficient appropriation. By law DPI is required to proportionally reduce the general school aids for which each school district is eligible by an amount totaling the estimated payments under the charter school program. Based on the October 15, 2008, general school aids estimate prepared by DPI, the charter school program aid reduction will total \$43.5 million in 2008-09. Each district's general school aids will be reduced proportionally by 0.9% to generate the \$43.5 million.

Pupils attending schools participating in the Milwaukee and Racine charter school program 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 reduction in general school aid, so that a school district may levy property taxes to offset the amount of revenue lost due to the reduction.

Base level funding for the program is \$48,927,500 GPR.

GOVERNOR

Reestimate funding at \$48,350,000 in 2009-10 and \$56,125,000 in 2010-11 for the Milwaukee and Racine charter school program, representing a change to base level funding of -\$577,500 GPR in 2009-10 and \$7,197,500 GPR in 2010-11. The statewide charter reduction would increase by a corresponding amount, resulting in no net effect on the general fund.

DISCUSSION POINTS

1. Staff from the Department of Administration (DOA) indicate that the estimates for charter school funding included in the budget bill were based on enrollments totaling 6,000 students in 2009-10 and 7,000 students in 2010-11 with a per pupil payment amount of \$7,775 annually, and payments to RUSD of \$1,700,000 in each year.

2. DPI indicates that in 2009-10, the Bruce Guadalupe Community School will switch its charter from MPS to UW-Milwaukee. In 2008-09, the school has an enrollment of approximately 780 students. Based on actual charter school enrollment of 5,300 in 2008-09, it is anticipated that the addition of this school will increase Milwaukee charter school enrollment to approximately 6,080 in 2009-10, which would represent an increase of 80 pupils to the estimate included in AB 75. Adjusting for this increase compared to the estimates under the bill, charter school payments would

increase by \$622,000 in 2009-10 compared to the bill.

3. In a memorandum to the Co-Chairs of the Joint Finance Committee dated March 19, 2009, the Secretary of Administration requested a number of changes to AB 75, including one relating to the choice and charter school payments. In this memorandum, Secretary Morgan requested that the adjustment in the maximum per pupil choice payments be calculated using the sum of the state general fund appropriation and federal appropriation for general school aids. This change would apply to the general school aids appropriations for 2009-10 and 2010-11, and would result in a smaller per pupil increase for charter schools in 2010-11.

4. The change requested by DOA would use total general aid funding from all sources to determine the change in the maximum per pupil choice payment. If the requested modification would not be made, the choice and charter payments would receive a further increase in 2011-12, since the GPR appropriation for general school aids would increase by 4.8%, assuming the \$221 million of federal stimulus funding is replaced with GPR in 2011-12.

5. The per pupil payment under the charter school program in a given year is equal to the sum of the per pupil amount in the previous school year and the amount of increase per pupil allowed under the choice program. The estimate for total charter school program funding in the bill does not account for the increase in the per pupil adjustment in 2010-11.

6. Under the bill as drafted, the charter school payment would be unchanged in 2009-10, and would be \$7,887 in 2010-11. Total charter school program funding would be \$56,909,000 in 2010-11, while the bill provides only \$56,125,000. To fund estimated program expenditures under the bill as drafted, an additional \$784,000 would need to be provided in the charter school program appropriation. The statewide charter lapse would increase by an equal amount, resulting in no net GPR fiscal effect (Alternative 1).

7. For 2010-11, it is estimated that enrollments would increase to 7,000 pupils. The change requested by DOA would result in a smaller per pupil adjustment, so that the charter school payment would increase by \$30, to \$7,805 in 2010-11. Adjusting the per pupil payment amount to account for the DOA request, charter school payments would increase by \$210,000 in 2010-11 (Alternative 2).

ALTERNATIVES

1. Approve the Governor's recommendation in the bill, as reestimated for higher enrollments in 2009-10 and a higher per pupil amount in 2010-11, and provide \$622,000 in 2009-10 and \$784,000 in 2010-11 in the appropriation for payments for the Milwaukee and Racine charter school program. The statewide charter school reduction would increase by a corresponding amount, resulting in no net effect on the general fund. Under this alternative, the per pupil payment under the charter school program would increase by \$112 in 2010-11 (from \$7,775 in 2009-10 to \$7,887 in 2010-11).

ALT 1	Change to Bill
	Funding
GPR	\$1,406,000
Statewide Aid	
Reduction	<u>1,406,000</u>
Net GPR	\$0

2. Reestimate payments under the charter school program to adjust for higher enrollments in 2009-10 and the per pupil payment amount as requested by DOA in its letter to the Committee in 2010-11. Adjust funding by \$622,000 in 2009-10 and \$210,000 in 2010-11. The increases in charter school payments would be offset by a corresponding reduction from the general school aids appropriation, resulting in no net effect on the general fund. Under this alternative, the per pupil payment under the charter school program would increase by \$30 in 2010-11 (from \$7,775 in 2009-10 to \$7,805 in 2010-11).

ALT 2	Change to Bill
	Funding
GPR	\$832,000
Statewide Aid	
Reduction	<u>832,000</u>
Net GPR	\$0

Prepared by: Layla Merrifield