



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #519

### **Independent "2r" Charter School Per Pupil Payment Amount (DPI -- Choice, Charter, and Open Enrollment)**

[LFB 2013-15 Budget Summary: Page 380, #8]

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#### **CURRENT LAW**

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 2012-13, 20 charter schools (11 from UW-M and nine from the City) are operating in Milwaukee, with an enrollment of 6,989 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 2012-13, 469 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. In 2012-13, the per pupil payment amount is \$7,775. 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, 2012, general school aids estimate prepared by DPI, using estimated charter school enrollment figures, the charter school program aid reduction will total \$59.84 million in 2012-13. Each district's general school aids will be reduced proportionally by 1.39% to generate the \$59.84 million.

Pupils attending schools participating in the Milwaukee and Racine charter school

program (often called the "2r" charter school program after its statutory citation in section 118.40(2r) of the statutes) 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.

Appropriated base level funding for the program is \$62,172,500 GPR.

## **GOVERNOR**

Provide \$662,200 in 2013-14 and \$1,497,600 in 2014-15 and specify that Milwaukee/Racine independent charter school per pupil payment amount would be \$7,852 in 2013-14 and \$7,931 in 2014-15 and thereafter. These amounts represent a 1% increase in each year above the current law \$7,775 per pupil payment amount. This estimate assumes that 8,600 pupils will be enrolled in the current law program in 2013-14 and 9,600 will be enrolled in 2014-15.

Delete provisions of current law that specify that, beginning in 2013-14, per pupil payments would equal the prior year's payment plus the per pupil adjustment allowed under revenue limits. Delete provisions of current law referencing a separate payment to Racine Unified School District related to the UW-Parkside charter school. Under current law, this payment sunsets at the end of 2012-13.

## **DISCUSSION POINTS**

1. The method used to determine the per pupil payment for independent charter schools has been changed several times. The program was created under 1997 Act 27 (the 1997-99 budget), and the per pupil payment was originally set to equal the shared cost per member of MPS in the previous school year. The payment amount over the 1999-01 and 2001-03 biennia was equal to the prior year's payment plus the per pupil adjustment amount allowable under revenue limits in the current year. Under 2003 Act 33 (the 2003-05 budget), the method was changed, so that payments were equal to the sum of the amount paid per pupil in the prior year and the increase in the per pupil amount paid to private schools under the Milwaukee parental choice program (MPCP), which was based on the percentage increase in general school aids funding. Under 2009 Act 28 (the 2009-11 budget), the payment amount was set in statute at \$7,775 per pupil. From 2009-10 through 2012-13, the payment remained at \$7,775 per pupil. 2011 Act 32 provided that beginning in 2013-14 (the first year of the next biennium), independent charter schools would receive a per pupil payment equal to the prior year's payment plus the per pupil adjustment allowable under revenue limits in the current year.

2. The effect of the changes under the 2009-11 and the 2011-13 budget acts was to keep the per pupil payment amount for "2r" charter schools flat at \$7,775 for four years. Under current law provisions established under Act 32, the \$7,775 per pupil would again remain

unchanged in 2013-14 and 2014-15, because the Governor has recommended no per pupil adjustment under revenue limits for the biennium.

3. In considering the issue, one could examine comparisons of public funding provided for independent "2r" charter schools and public school revenue limit authority. Charter schools and traditional public schools are both subject to federal education laws, including the Elementary and Secondary Education Act and the Individuals with Disabilities Education Act. Charter schools, like traditional public schools, are responsible for providing a free and appropriate public education for students with disabilities.

4. On the other hand, except where specifically noted, charter schools are not subject to the provisions of Chapters 115 to 121 of the Wisconsin Statutes, which are generally the provisions that govern public elementary and secondary education. Independent "2r" charter schools, for example, are not responsible for providing transportation for students, and are not required to meet specific curriculum requirements or days and hours of instruction minimums, unlike traditional public schools. Statutes that are specifically applied to charter schools include the requirement to administer the state standardized pupil assessments in 3<sup>rd</sup> through 8<sup>th</sup> grades, and in 10<sup>th</sup> grade, and to adopt pupil academic standards in certain subjects. Charter schools are also required to ensure that all instructional staff hold a teaching license or permit issued by DPI. However, charter schools, unlike traditional public schools, are also permitted to set a specific capacity, and are not required to admit pupils beyond that capacity. Public school districts are responsible for enrolling and educating every school age child residing in the district.

5. Funding streams likewise differ for each type of school. School districts have access to the property tax levy, in addition to state general aid, state categorical aid, and federal funding. However, "2r" charter schools are prohibited from charging tuition, and do not have access to property tax revenues. Independent "2r" charter schools serving special needs students are eligible to receive state and federal special education funding, as well as Title I funding and school nutrition categorical aid programs.

6. For the primary per pupil payment amounts, historically the "2r" charter payment has been higher than the parental choice program payment, but lower than the statewide average revenue limit authority available to school districts. In 1998-99, the first year of the "2r" program, the payment of \$6,062 represented approximately 87.8% of the average per pupil amount available to school districts under revenue limits, which was \$6,906 in that year. The percentage was similar, 87.6%, five years later in 2002-03. However, by 2007-08, that ratio had decreased to 80.7% and in 2012-13, the "2r" per pupil payment (\$7,775) represents 78.7% of the average per pupil amount allowable under revenue limits (\$9,884). Under AB 40, with no per pupil adjustment under revenue limits (except from recurring referenda or other adjustments affecting individual districts) and 1% increases for "2r" charters, the ratio would increase slightly, so that the charter payment would equal an estimated 78.8% of average revenue limit authority in 2013-14, and 79.3% in 2014-15. If the "2r" payment were increased sufficiently to equal 87% of estimated revenue limit authority per pupil, the charter payment would equal \$8,673 in 2013-14 and \$8,703 in 2014-15. Using the estimated pupil enrollment figures included in the bill, total funding for "2r" charter schools would equal \$74,587,800 in 2013-14 and \$83,548,800 in 2014-15, which would represent increases of

\$7,060,600 in 2013-14 and \$7,441,200 in 2014-15 compared to AB 40.

7. However, some would argue that, although "2r" charter schools have much greater flexibility under state law, they have not significantly outperformed traditional public schools on average. Using the 2011-12 school report cards published by DPI, the statewide average overall accountability score was 70.3 for public schools (including school district-sponsored charter schools) compared with 64.4 for "2r" charter schools. On the other hand, scores for Milwaukee "2r" charter schools were, on average, higher than the 54.4 average score for Milwaukee Public Schools. Some have argued that the school report cards are relatively new and untested as an accountability measure. The report cards are also designed to be used to demonstrate areas of strength and to improve areas of weakness in schools, as opposed to making high stakes funding decisions.

8. Additionally, due to the current law funding structure for "2r" charter schools, increases in the per pupil payment amount likewise increase the general aid reduction applied to all school districts, which under revenue limits, can be back filled with property taxes. This potential increase in property taxes might be more likely to occur given that school districts would not be provided a per pupil adjustment over the biennium, thus constraining overall revenues. If a school district would not increase property taxes to make up for the reduction in general aid, then that district would have less resources overall.

9. The Governor's recommendation would provide 1% annual increases in the "2r" charter school per pupil payment amount. However, the bill would also delete the current law provision linking the "2r" charter school payment to the per pupil revenue limit adjustment. While such a provision could again be changed by the Legislature under the next biennial budget, the Committee could also choose to restore the provision under this year's budget, modifying the effective date to begin with the 2015-16 fiscal year. Under this alternative, the linkage between the per pupil revenue limit adjustment amount and "2r" charter schools would be in place for the next biennium, absent action by the Legislature to change the law.

10. The Committee could also choose to delete the Governor's recommendation for increased funding for "2r" charter schools, given that school districts would not be provided a per pupil revenue limit adjustment and saw reductions in revenue limit authority in the 2011-13 biennium compared to 2010-11. Funding for independent "2r" charter schools was not reduced last biennium. In addition, deleting the 1% increase in the per pupil funding amount would somewhat mitigate the increase in property taxes that results from projected increases in enrollments in "2r" charter schools, as well as increased per pupil funding.

## **ALTERNATIVES**

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to provide that, beginning in 2015-16, the independent "2r" charter school per pupil payment amount would equal the sum of the prior year's payment amount plus the allowable per pupil adjustment under revenue limits in the current year.

3. Modify the Governor's recommendation to provide that the independent "2r" charter school per pupil payment would equal \$8,673 in 2013-14 and \$8,703 in 2014-15. Funding for charter schools would increase \$7,060,600 in 2013-14 and \$7,411,200 in 2014-15 compared to the bill.

<b>ALT 3</b>	<b>Change to Bill</b>
Funding	
GPR	\$14,471,800
Aid Reduction	<u>14,471,800</u>
Net GPR	\$0

4. Delete provision. Under current law, the \$7,775 per pupil would remain unchanged in 2013-14 and 2014-15, because the Governor has recommended a per pupil adjustment under revenue limits of zero in each year of the biennium.

<b>ALT 4</b>	<b>Change to Bill</b>
Funding	
GPR	- \$2,159,800
Aid Reduction	<u>-2,159,800</u>
Net GPR	\$0

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