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2017

Joint Committee on Finance

Paper #517

Choice, Charter, and Open Enrollment Payment Indexing Mechanism (Public Instruction -- Choice, Charter, and Open Enrollment)

[LFB 2017-19 Budget Summary: Page 364, #24]

CURRENT LAW

The per pupil payments under the private school choice programs, the special needs scholarship program, and the independent charter school program, as well as the aid transfer amounts under the open enrollment program, are annually indexed using the same mechanism. In a given year, the payment under the respective program is equal to the sum of the payment amount for the program in the previous year plus the per pupil revenue limit adjustment for the current year, if positive, plus the change in the amount of statewide categorical aid per pupil between the previous year and the current year, if positive.

The statutory language for the calculation of statewide categorical aid per pupil specifies that all appropriations under s. 20.255(2), the program for aids for local educational programming under DPI, are included in the calculation unless specifically excluded. The appropriations for general school aids, high poverty aid, the choice programs, the independent charter program, federal aid, and program revenue funds transferred from other state agencies are specifically excluded.

GOVERNOR

Specify that the following appropriations would be excluded from the calculation of statewide categorical aid for the purpose of the indexing mechanism: (a) the current law appropriation for payments under the special needs scholarship program; (b) the appropriation created under the bill for performance funding for schools in the City of Milwaukee; (c) the appropriation created under the bill for performance improvement funding for schools in the City of Milwaukee; and (d) the appropriation created under the bill for the summer school grant

program for the Milwaukee Public Schools (MPS).

The indexing mechanism would also be affected by bill provisions under which telecommunications access funding for educational agencies would be consolidated into one appropriation, and under which a portion of per pupil aid funding would be linked to lapses to the general fund related to self-insurance for state employees. These items are addressed in separate issue papers.

DISCUSSION POINTS

1. A number of different payment indexing mechanisms have been used during the histories of the choice, charter, and open enrollment programs. The current mechanism is intended to provide the same increase in financial resources for pupils in each of those programs as the increase in financial resources provided for pupils in public schools, which are provided through the combination of revenue limits and categorical aids.

2. Under the bill, it is estimated that the indexing mechanism will result in increases to the various payments of \$217 in both 2017-18 and 2018-19 compared to the prior year.

3. The Governor's recommendation to exclude the current law appropriation for payments under the special needs scholarship program [s. 20.255(2)(az)] would be consistent with the intent of the current indexing mechanism and current practice. The appropriation for the special needs scholarship program was not excluded from the indexing mechanism when the program was created in 2015 Act 55, but at that time no dollar amounts were shown in the appropriation, so it did not affect any calculations.

4. The separate appropriation for the independent charter schools authorized by the Office of Educational Opportunity in the UW System [s. 20.255(2)(fp)] was also not excluded from the indexing mechanism when that chartering authority was granted under 2015 Act 55. The Committee could also choose to exclude that appropriation, consistent with the treatment of the main appropriation for independent charter schools and the intent of the Governor's recommendation (Alternative 3). Because there is no funding in the appropriation under the bill, there would be no effect on the program payments and appropriations.

5. The budget bill would exclude three categorical aid appropriations created under the bill from the statewide categorical aid per pupil calculation for the indexing mechanism. Administration staff indicate that this was done because the three appropriations would provide money to MPS or to schools in the city of Milwaukee and would thus not have a statewide effect.

6. It could be argued that the word "statewide," as it applies to the indexing mechanism, is more synonymous with "total," and that it is not necessary for every district to receive the categorical aid for it to be included in the calculation. In 2015-16 (the most recent year for which a complete categorical aid distribution is available), there were only two categorical aid appropriations under DPI that were received by every school district (per pupil aid and school library aid), and a number of them are received by less than half of the districts in the state. Further,

one appropriation (supplemental aid) which is included in the indexing calculation is received by only one district, similar to the three proposed Milwaukee appropriations.

7. If the Committee approves the Governor's recommendation to create the three new categorical aid appropriations for MPS and schools in Milwaukee, it could choose to include them in the calculation for the indexing mechanism (Alternative 2). This would increase the various payment amounts by \$219 in 2017-18 compared to the prior year (an increase of \$2 compared to the bill) and by \$222 in 2018-19 compared to the prior year (an increase of \$5 compared to the bill). The payments under each of the programs under the bill and under Alternative 2 are shown in Table 1.

TABLE 1

Per Pupil Payments Under Bill and Alternative 2

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Bill			
Choice Programs -- K-8	\$7,323	\$7,540	\$7,757
Choice Programs -- 9-12	7,969	8,186	8,403
Special Needs Scholarship	12,000	12,217	12,434
Independent Charter	8,188	8,405	8,622
Open Enrollment -- Regular Ed.	6,748	6,965	7,182
Open Enrollment -- Special Ed.	12,000	12,217	12,434
Alternative 2			
Choice Programs -- K-8	\$7,323	\$7,542	\$7,764
Choice Programs -- 9-12	7,969	8,188	8,410
Special Needs Scholarship	12,000	12,219	12,441
Independent Charter	8,188	8,407	8,629
Open Enrollment -- Regular Ed.	6,748	6,967	7,189
Open Enrollment -- Special Ed.	12,000	12,219	12,441

8. Table 2 summarizes the GPR sum sufficient appropriations, the associated statutory aid reductions, and the net GPR funding for the Milwaukee and Racine/statewide choice programs, the special needs scholarship program, and the independent charter program under the bill (as reestimated based on more recent enrollment data and projections) and Alternative 2, as well as the change to the bill as reestimated under Alternative 2 for each program. In total, net GPR would increase by \$46,400 in 2017-18 and \$169,400 in 2018-19 under Alternative 2 compared to the bill. While Alternative 2 would also increase the open enrollment aid transfer amounts, these transfers between districts are done from within the general school aids appropriation and would not result in any change in funding.

TABLE 2

Program Appropriations Under Bill as Reestimated and Alternative 2

	2017-18			2018-19		
	<u>GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>	<u>GPR</u>	<u>Aid Reduction</u>	<u>Net GPR</u>
Bill (Reestimated)						
Milwaukee Choice	\$212,642,600	\$47,631,900	\$165,010,700	\$222,424,200	\$42,705,400	\$179,718,800
Racine/Statewide Choice	56,685,600	43,007,600	13,678,000	70,155,000	58,527,100	11,627,900
Special Needs Scholarship	4,276,000	4,276,000	0	6,217,000	6,217,000	0
Independent Charter	63,878,000	63,878,000	0	68,976,000	68,976,000	0
Alternative 2						
Milwaukee Choice	\$212,698,000	\$47,644,400	\$165,053,600	\$222,621,200	\$42,743,300	\$179,877,900
Racine/Statewide Choice	56,700,400	43,018,800	13,681,600	70,217,300	58,578,900	11,638,400
Special Needs Scholarship	4,276,700	4,276,700	0	6,220,500	6,220,500	0
Independent Charter	63,893,200	63,893,200	0	69,032,000	69,032,000	0
Alt. 2 Change to Bill						
Milwaukee Choice	\$55,400	\$12,500	\$42,900	\$197,000	\$37,900	\$159,100
Racine/Statewide Choice	14,800	11,200	3,600	62,300	51,800	10,500
Special Needs Scholarship	700	700	0	3,500	3,500	0
Independent Charter	<u>15,200</u>	<u>15,200</u>	<u>0</u>	<u>56,000</u>	<u>56,000</u>	<u>0</u>
Total	\$86,100	\$39,600	\$46,500	\$318,800	\$149,200	\$169,600

9. If the Committee makes any changes to the per pupil adjustment under revenue limits or to categorical aid funding levels, including any modifications to the provisions linking a portion of per pupil aid funding to self-insurance for state employees, the respective GPR appropriations, aid reductions, and net GPR for the programs shown in Table 2 would need to be adjusted as well.

ALTERNATIVES

1. Approve the Governor's recommendation to specify that the current law appropriation for payments under the special needs scholarship program and the three appropriations created under the bill for Milwaukee schools be excluded from the calculation of statewide categorical aid per pupil for the purpose of the indexing mechanism.

2. Modify the Governor's recommendation to include the three appropriations created under the bill for Milwaukee schools in the calculation of statewide categorical aid for the purpose of indexing the payments for the choice, charter, and open enrollment programs.

As outlined in Table 2, under this alternative, the appropriations for the private school choice, special needs scholarship, and independent charter school programs would increase, in total, by \$86,100 GPR in 2017-18 and \$318,800 GPR in 2018-19. The associated aid reductions for these programs would increase, in total, by 39,600 in 2017-18 and \$149,200 in 2018-19. The net general fund fiscal effect would be increased expenditures of \$46,500 in 2017-18 and \$169,600 in 2018-19.

ALT 2	Change to	
	Base	Bill
GPR	\$404,900	\$404,900
Aid Reduction	<u>188,800</u>	<u>188,800</u>
Net GPR	\$216,100	\$216,100

3. In addition to Alternatives 1 or 2, modify the Governor's recommendation to also exclude the appropriation for payments to independent charter schools authorized by the Office of Educational Opportunity in the UW System from the indexing mechanism.

4. Delete provision.

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