



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 #753

Funding Mechanism for the Milwaukee Parental Choice and Milwaukee Charter School Programs (DPI -- Choice, Charter and Open Enrollment)

On May 8, 2001, the Legislative Fiscal Bureau distributed a memorandum to the members of the Wisconsin Legislature providing information on the Milwaukee parental choice program. The memorandum: (a) presents an overview of general school aids; (b) describes the choice program; (c) explains the current law funding provisions related to the choice program; (d) discusses the fiscal effect of alternative funding scenarios for the choice program; and (e) considers the hypothetical effect of the elimination of the choice program. A copy of the memorandum is attached to this paper.

The Governor's budget bill would maintain the current law funding mechanism for the Milwaukee parental choice program. The state will expend an estimated \$58.7 million in 2001-02 and \$68.3 million in 2002-03 from the appropriation for payments under the choice program. These expenditures will be offset by an equivalent reduction from the general school aids appropriation, with the general schools aids for which MPS is eligible reduced by half of the total choice reduction amount and the general school aids for which the other 425 school districts are eligible reduced proportionately in an amount totaling the other half.

The Governor's budget bill also maintains the current law funding mechanism for the Milwaukee charter school program. The state will expend an estimated \$13.4 million in 2001-02 and \$18.7 million in 2002-03 from the appropriation for payments under the charter program. These expenditures will be offset by an equivalent reduction from the general school aids appropriation, with the general schools aids for which all school districts are eligible, including MPS, being reduced proportionately in an amount equal to the total charter reduction.

The May 8 memorandum presented six alternative funding mechanisms for the choice program, and discussed the fiscal effect of each alternative had it been in effect in 2000-01. The following section presents each of the six alternatives and shows the general fund fiscal effect of each. Because the funding for the Milwaukee charter school program presents similar issues as

funding for the choice program, the alternatives have been structured to include both the choice and charter programs.

To facilitate comparison, information on certain elements of each alternative is presented in the following pages. In each case, estimates of partial school revenues, funding for general school aids, direct aid reductions attributable to the choice and charter programs for MPS and other school districts, net general school aids, payments for the choice and charter programs and the net change to the bill/base are shown.

It should be noted that the general school aids amounts shown in the tables are the amounts needed to maintain two-thirds funding under estimates of projected K-12 partial school revenues in the 2001-03 biennium under current law revenue limit provisions and base funding of categorical aids. In addition, while it is impossible to project the charter reduction for any district in the 2001-03 biennium since the reduction depends on aid eligibility in a future year, the amount shown in the tables for the MPS charter reduction for illustrative purposes assume that the proportion of the charter reduction taken by MPS in 2000-01 (15%) would apply in each year of the 2001-03 biennium. Current law calculations are shown in the table under Alternative 7.

ALTERNATIVE 1

Restore Prior Law (to Base)

Modify current law to: (a) include choice and charter pupils in MPS membership for general school aids purposes, including a component of pupils who would be counted on a current year basis; (b) include choice and charter pupils in the three-year rolling averages used under revenue limits, but delete them on a prior year basis; and (c) specify that the equalization aid received by MPS would be reduced by an amount equal to the estimated cost of the choice and charter programs. *[As a result of MPS being able to include some choice and charter students in its membership for revenue limit purposes, statewide total maximum allowable revenues would increase by nearly \$4.0 million in 2001-02 and nearly \$9.9 million in 2002-03 with \$2.7 million in 2001-02 and \$6.6 million in 2002-03 needed to maintain two-thirds funding.]*

Alternative 1	GPR
2001-03 FUNDING (Change to Base)	\$9,300,000
[Change to Bill]	\$9,300,000]

Alternative 1 (\$ in Millions)	<u>2001-02</u>	<u>2002-03</u>
Partial School Revenues	\$7,671.2	\$7,956.4
s.20.255(2)(ac) -- General School Aids*	\$4,113.5	\$4,303.5
Choice Reduction - MPS	58.7	68.3
Charter Reduction - MPS	13.4	18.7
Choice Reduction - Other Districts	0.0	0.0
Charter Reduction - Other Districts	<u>0.0</u>	<u>0.0</u>
Net General School Aids	\$4,041.4	\$4,216.5
s.20.255(2)(fm) -- Charter Program	\$13.4	\$18.7
s.20.255(2)(fu) -- Choice Program	58.7	68.3
Net GPR Change to Base/Bill	\$2.7	\$6.6

*Of the amounts shown, \$48.1 million in 2001-02 and \$58.0 million in 2002-03 in general school aids funding would be attributable to the choice and charter aid reduction and levy offset provisions.

ALTERNATIVE 2

Shifting the Choice and Charter Reductions to MPS (to Base)

Modify current law to: (a) delete the general school aid reductions for the choice and charter programs for non-MPS districts; and (b) specify that that the general school aids for which MPS is eligible would be reduced by 100% of the estimated cost of the choice and charter programs. *[This alternative would only change the incidence of the choice and charter reductions and thus have no effect on the general fund.]*

Alternative 2 (\$ in Millions)	<u>2001-02</u>	<u>2002-03</u>
Partial School Revenues	\$7,667.2	\$7,946.5
s.20.255(2)(ac) -- General School Aids*	\$4,110.8	\$4,296.9
Choice Reduction - MPS	58.7	68.3
Charter Reduction - MPS	13.4	18.7
Choice Reduction - Other Districts	0.0	0.0
Charter Reduction - Other Districts	<u>0.0</u>	<u>0.0</u>
Net General School Aids	\$4,038.7	\$4,209.9
s.20.255(2)(fm) -- Charter Program	\$13.4	\$18.7
s.20.255(2)(fu) -- Choice Program	58.7	68.3
Net GPR Change to Base/Bill	\$0.0	\$0.0

*Of the amounts shown, \$48.1 million in 2001-02 and \$58.0 million in 2002-03 in general school aids funding would be attributable to the choice and charter aid reduction and levy offset provisions.

ALTERNATIVE 3

Open Enrollment Model (to Base)

Modify current law to: (a) specify that MPS would include choice and charter pupils in membership for revenue limit and general school aids purposes and that these pupils would be counted in full under revenue limits as a nonrecurring annual adjustment beginning in 2001-02, rather than phasing-in through the three-year rolling average that usually applies. This adjustment would be calculated by taking the number of choice and charter pupils times the per pupil revenue amount that MPS otherwise would receive under revenue limits; (b) specify that MPS would include the cost of the choice and charter programs in shared costs for general school aids purposes; (c) require that the equalization aid received by MPS would be reduced by an amount equal to the estimated cost of the choice and charter programs; and (d) prohibit MPS from replacing the aid reduction with property taxes. *[Under this alternative, the choice and charter aid reduction and levy offset provisions would be eliminated. As a result, the cost to maintain two-thirds funding would decrease by two-thirds of the reduction amount. As a result of MPS being able to include choice and charter pupils as annual non-recurring adjustment for revenue limit purposes, statewide total maximum allowable revenues would increase by \$95.7 million in 2001-02 and by \$114.3 million in 2002-03 with \$63.8 million in 2001-02 and \$76.2 million in 2002-03 needed to maintain two-thirds funding.]*

Alternative 3	GPR
2001-03 FUNDING (Change to Base)	\$33,900,000
[Change to Bill]	\$33,900,000

Alternative 3 (\$ in Millions)	<u>2001-02</u>	<u>2002-03</u>
Partial School Revenues	\$7,762.9	\$8,060.8
s.20.255(2)(ac) -- General School Aids	\$4,174.6	\$4,373.1
Choice Reduction - MPS	58.7	68.3
Charter Reduction - MPS	13.4	18.7
Choice Reduction - Other Districts	0.0	0.0
Charter Reduction - Other Districts	<u>0.0</u>	<u>0.0</u>
Net General School Aids	\$4,102.5	\$4,286.1
s.20.255(2)(fm) -- Charter Program	\$13.4	\$18.7
s.20.255(2)(fu) -- Choice Program	58.7	68.3
Net GPR Change to Base/Bill	\$63.8	\$76.2

ALTERNATIVE 4

Full State Funding of the Choice and Charter Programs (to Base)

Modify current law to eliminate the reduction from the general school aids appropriation in an amount equal to the estimated total payments made for the choice and charter programs. *[Under this alternative, the choice and charter aid reduction and levy offset provisions would be eliminated. As a result, the cost to maintain two-thirds funding would decrease by two-thirds of the reduction amount. The net effect to the general fund would be an increase in expenditures equal to one-third of the cost of the programs, or \$24,036,100 in 2001-02 and \$29,018,300 in 2002-03. Funding for general school aids would be reduced by \$48,072,200 in 2001-02 and \$58,036,800 in 2002-03; the aid reduction attributable to the choice and charter programs would be reduced by \$72,108,300 in 2001-03 and \$87,055,100 in 2002-03.]*

<u>Alternative 4</u>	<u>GPR</u>	<u>GPR-Lapse</u>
2001-03 FUNDING (Change to Base)	- \$106,109,000	- \$159,163,400
<i>[Change to Bill]</i>	- \$106,109,000	- \$159,163,400

Alternative 4 (\$ in Millions)	<u>2001-02</u>	<u>2002-03</u>
Partial School Revenues	\$7,595.1	\$7,859.4
s.20.255(2)(ac) -- General School Aids	\$4,062.7	\$4,238.9
Choice Reduction - MPS	0.0	0.0
Charter Reduction - MPS	0.0	0.0
Choice Reduction - Other Districts	0.0	0.0
Charter Reduction - Other Districts	<u>0.0</u>	<u>0.0</u>
Net General School Aids	\$4,062.7	\$4,238.9
 s.20.255(2)(fm) -- Charter Program	 \$13.4	 \$18.7
s.20.255(2)(fu) -- Choice Program	58.7	68.3
 Net GPR Change to Base/Bill	 \$24.0	 \$29.0

ALTERNATIVE 5

Two-Thirds State Funding of the Choice and Charter Programs (to Base)

Modify current law to: (a) delete the general school aid reduction for the choice and charter programs for non-MPS districts; (b) specify that the equalization aid received by MPS would be reduced by an amount equal to one-third of the estimated cost of the choice and charter programs; and (c) specify that the amount levied by MPS to offset the choice and charter reductions would not be counted in partial school revenues. *[Under this alternative, the choice and charter aid reduction would be reduced from the full cost of the programs to one-third of the cost. The offsetting MPS levy would not affect partial school revenues. As a result, the cost to maintain two-thirds funding would decrease by two-thirds of the reduction amount. There would be no net effect to the general fund. Funding for general school aids would be reduced by \$48,072,200 in 2001-02 and \$58,036,800 in 2002-03; the aid reduction (GPR-Lapse) attributable to the choice and charter programs would be reduced correspondingly.]*

Alternative 5	GPR	GPR-Lapse
2001-03 FUNDING (Change to Base)	- \$106,109,000	- \$106,109,000
<i>[Change to Bill</i>	- \$106,109,000	- \$106,109,000

Alternative 5 (\$ in Millions)	<u>2001-02</u>	<u>2002-03</u>
Partial School Revenues	\$7,595.1	\$7,859.4
s.20.255(2)(ac) -- General School Aids	\$4,062.7	\$4,238.9
Choice Reduction - MPS	19.6	22.8
Charter Reduction - MPS	4.5	6.2
Choice Reduction - Other Districts	0.0	0.0
Charter Reduction - Other Districts	<u>0.0</u>	<u>0.0</u>
Net General School Aids	\$4,038.7	\$4,209.9
s.20.255(2)(fm) -- Charter Program	\$13.4	\$18.7
s.20.255(2)(fu) -- Choice Program	58.7	68.3
Net GPR Change to Base/Bill	\$0.0	\$0.0

ALTERNATIVE 6

One-Half State Funding of the Choice and Charter Programs (to Base)

Modify current law to: (a) delete the general school aid reduction for the choice and charter programs for non-MPS districts; (b) specify that the equalization aid received by MPS would be reduced by an amount equal to one-half of the estimated cost of the choice and charter programs; and (c) specify that the amount levied by MPS to offset the choice and charter reductions would not be counted in partial school revenues. *[Under this alternative, the choice and charter aid reduction would be reduced from the full cost of the programs to one-half of the cost. The offsetting MPS levy would not affect partial school revenues. As a result, the cost to maintain two-thirds funding would decrease by two-thirds of the reduction amount. The net effect to the general fund would be a reduction in expenditures equal to one-sixth of the program costs, or \$12,018,000 in 2001-02 and \$14,509,200 in 2002-03. Funding for general school aids would be reduced by \$48,072,200 in 2001-02 and \$58,036,800 in 2002-03; the aid reduction (GPR-Lapse) attributable to the choice and charter programs would be reduced by \$36,054,200 in 2001-02 and \$43,527,600 in 2002-03.]*

Alternative 6	GPR	GPR-Lapse
2001-03 FUNDING (Change to Base)	-\$106,109,000	-\$79,581,800
<i>[Change to Bill]</i>	-\$106,109,000	-\$79,581,800

Alternative 6 (\$ in Millions)	<u>2001-02</u>	<u>2002-03</u>
Partial School Revenues	\$7,595.1	\$7,859.4
s.20.255(2)(ac) -- General School Aids	\$4,062.7	\$4,238.9
Choice Reduction - MPS	29.3	34.2
Charter Reduction - MPS	6.7	9.4
Choice Reduction - Other Districts	0.0	0.0
Charter Reduction - Other Districts	<u>0.0</u>	<u>0.0</u>
Net General School Aids	\$4,026.7	\$4,195.4
s.20.255(2)(fm) -- Charter Program	\$13.4	\$18.7
s.20.255(2)(fu) -- Choice Program	58.7	68.3
Net GPR Change to Base/Bill	-\$12.0	-\$14.5

ALTERNATIVE 7

Take No Action (to Base)

Maintain current law.

Alternative 7 (\$ in Millions)	<u>2001-02</u>	<u>2002-03</u>
Partial School Revenues	\$7,667.2	\$7,946.5
s.20.255(2)(ac) -- General School Aids*	\$4,110.8	\$4,296.9
Choice Reduction - MPS	29.4	34.2
Charter Reduction - MPS	2.0	2.8
Choice Reduction - Other Districts	29.4	34.2
Charter Reduction - Other Districts	<u>11.4</u>	<u>15.9</u>
Net General School Aids	\$4,038.7	\$4,209.9
s.20.255(2)(fm) -- Charter Program	\$13.4	\$18.7
s.20.255(2)(fu) -- Choice Program	58.7	68.3
Base/Bill Expenditures	\$4,110.8	\$4,296.9

*Of the amounts shown, \$48.1 million in 2001-02 and \$58.0 million in 2002-03 in general school aids funding would be attributable to the choice and charter aid reduction and levy offset provisions.

Prepared by: Russ Kava
Attachment