



Legislative Fiscal Bureau

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

May 10, 2001

Joint Committee on Finance

Paper #873

Eligibility for Charter Schools (TEACH)

[LFB 2001-03 Budget Summary: Page 631, #12]

CURRENT LAW

School districts are eligible to receive TEACH block grants, and school districts, private schools, CESAs, private and technical colleges, public library systems and boards and the state residential schools are eligible to receive telecommunications access funding. CESAs and consortia of school districts, CESAs, and public library boards are eligible to receive training and technical assistance grants. School districts and public libraries are eligible to receive infrastructure financial assistance.

In 2000-01, \$35,000,000 GPR is provided for block grants, and \$4,000,000 GPR is provided for educational technology training and technical assistance grants.

For telecommunications access, \$7,195,700 SEG is provided for school districts and CESAs, \$2,014,600 SEG is provided for libraries and technical colleges, \$1,003,100 SEG is provided for private K-12 schools, and \$55,200 SEG is provided for the state residential schools. The telecommunications access program is funded through the segregated universal service fund (USF). The USF receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers.

Under current law, for infrastructure financial assistance \$100 million of general obligation bonding is authorized for school districts and \$10 million for libraries. Fifty percent of the assistance is provided in loans, for which schools and libraries pay the debt service, and 50% is provided in grants, for which TEACH pays the debt service from a sum sufficient GPR appropriation.

Under current law, the City of Milwaukee, UW-Milwaukee (UWM), and Milwaukee Area Technical College District Board (MATC) are the only entities that would qualify as charter school sponsors that are not currently eligible for TEACH programs.

GOVERNOR

Extend eligibility for TEACH programs to Milwaukee charter school sponsors, including the City of Milwaukee, UWM and MATC, as follows:

a. Educational technology block grants. Require TEACH to calculate block grants for charter school sponsors by dividing the statewide average equalized valuation per member by the Milwaukee Public Schools' (MPS) equalized valuation per member and multiplying the result by the number of pupils attending the charter school on the third Friday of September. Specify that a charter school sponsor could use these monies for any purpose related to educational technology that benefits pupils attending the charter school, except to pay the salary or benefits of any charter school employee;

b. Infrastructure financial assistance. Require TEACH to include a condition requiring charter school sponsors to use any financial assistance under the program for wiring upgrading and installation that benefits pupils attending the charter school;

c. Telecommunications access. Require TEACH in establishing eligibility requirements to require that charter school sponsors use data lines or video links under the program to benefit pupils attending the charter school;

d. Training and technical assistance grants. Include charter school sponsors as eligible participants in consortia that apply for grants.

DISCUSSION POINTS

1. The Milwaukee charter school program (MCSP) is funded from a separate, GPR sum sufficient appropriation established for that purpose. The estimated direct cost to the general fund of the payments from the MCSP appropriation is offset by a reduction to the general school aids received by school districts in an amount equal to the estimated payments under the program. DPI is required to proportionately reduce the general school aids for which each of the 426 school districts, including MPS, is eligible to be paid by an amount totaling estimated MCSP payments. A school district's revenue limit calculation is not affected by these aid reductions. Thus, a school district can increase its property tax levy to offset any aid reduction made related to the charter program.

2. In an opinion by the office of legal counsel within DOA issued in March 2000, the TEACH Board was advised that it would not be unreasonable to assume that the absence of a reference to Milwaukee charter schools from statutes governing TEACH eligibility was a legislative

oversight. The opinion identified several changes in 1999 Act 9 in other aid programs (special education and special education transportation) and relating to standards, assessments and promotion requirements, where laws applicable to school districts were extended to apply to MCSP schools as well. The opinion concluded that the TEACH Board could choose to treat Milwaukee charter schools as functional equivalents of school districts for the purpose of administering the TEACH funding statutes. The DOA opinion further advised the Board to seek legislative action in the 2001-03 budget process to codify Milwaukee charter schools' participation in TEACH programs. This opinion replaced an earlier opinion, dated November 1999, that concluded that MCSP schools were not eligible to participate in TEACH programs.

3. The Governor's 2001-03 budget recommendations provide the opportunity for the Legislature to make clear its intentions as to the eligibility of MCSP schools for TEACH programs. From one point of view, these schools are part of the public K-12 school system, and could receive aid from the TEACH Board just like school districts. The state's per pupil payment amount of \$6,494 in 2000-01 is less than the per pupil partial school revenues (sum of state general aid, categorical aid and property tax levy) in 425 of the state's 426 school districts. Allowing MCSP schools to qualify for assistance under the TEACH Board would provide these schools with needed additional resources.

4. An argument against making MCSP schools eligible for TEACH Board programs is that the \$6,494 per pupil payment received by MCSP schools in 2000-01 exceeds per pupil general school aids in 421 out of the 426 school districts, and exceeds per pupil general and categorical aids in 399 school districts. From this point of view, the state already provides greater per pupil support to pupils in these schools than in the vast majority of the state's school districts, and authorizing the receipt of aids from the TEACH Board would exacerbate this difference. However, MCSP schools do not have access to local property taxes as an additional source of revenue, as do school districts.

5. Under the current law educational technology block grant program, TEACH first distributes \$5,000 to each eligible school district. The balance of the appropriation is then distributed to the districts in proportion to the weighted membership of each district. To determine that amount, the statewide average equalized value per member is divided by the district's equalized value per member, and the result is multiplied by the district's membership. This calculation of weighted membership is done so that lower value per member school districts, which are less able to generate revenues from the property tax, will receive more block grant monies from TEACH.

6. For the TEACH block grant program, the bill directs TEACH to calculate weighted membership for charter school sponsors using the equalized value per member of Milwaukee Public Schools (MPS). MPS's equalized value per member would be used because the MCSP schools are located there. However, the purpose of using weighted membership in the TEACH block grant program is to adjust the aid received by school districts based on their relative ability to generate revenue from the property tax. Because MCSP schools are fully funded with state aid and do not use the property tax to support their operations, MPS's equalized value per member is irrelevant in considering the revenues available to these schools. Instead, it may be desirable to direct TEACH to use the statewide average equalized value per member in calculating block grants for these schools.

This would apply a neutral weighting factor of 1.0 in the calculation of their block grants, rather than a higher weighting factor of 1.8 or 1.9 if MPS's equalized value per member is used. If the 1.0 weighting factor had been used for the MCSP grant calculations in 2000-01, then an aid shift of approximately \$40,000 from the Milwaukee charter schools to school districts would have resulted.

7. The budget bill as drafted would not require MCSP school sponsors to request block grants, as intended by the administration.

ALTERNATIVES TO BASE

A. MCSP Eligibility for TEACH Funding

1. Approve the Governor's recommendation to make Milwaukee charter school sponsors eligible for TEACH funding, which would codify current practice by the TEACH Board. Clarify that these school sponsors would be required to submit a board resolution or a written request to the TEACH Board in order to receive a technology block grant.

2. Specify that MCSP schools would be ineligible for TEACH funding, beginning in 2001-02.

B. Block Grant Weighting Factor for MCSP Schools

1. Approve the Governor's recommendation to calculate block grants for MCSP schools using membership weighted by the equalized value per member of Milwaukee Public Schools.

2. Modify the Governor's recommendation to, instead, calculate block grants for MCSP schools using membership weighted by the statewide average equalized value per member.

Prepared by: Layla Merrifield