



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #591

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

[LFB 2019-21 Budget Summary: Page 350, #18]

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 each 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 statewide change in funding per pupil for statutorily-specified categorical school aid appropriations (including per pupil aid) between the previous year and the current year, if positive.

GOVERNOR

Modify the indexing mechanism for the payments for the various programs to specify that the payments would increase by an amount equal to the per pupil revenue limit adjustment for the current year, if positive, plus the change in the per pupil aid payment amount between the previous year and the current year, if positive.

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 the per adjustment under revenue limits, per pupil aid, and all other categorical aids.

2. Under the bill, there is no increase in the per pupil aid payment amount compared to prior years, but increases to the revenue limit per pupil adjustments would result in an increase of \$200 per pupil in 2019-20 and a further \$204 per pupil in 2020-21 as a change to the prior year in the various program payments.

3. If all of the increases to categorical aid appropriations and the per pupil revenue limit adjustment under the bill were included in the indexing calculation, as under current law, it is estimated that the indexing provision would increase the various program payments by an estimated \$358 per pupil in 2019-20 and a further \$799 per pupil in 2020-21 as a change to the prior year. The various per pupil payments under the bill and under the bill's funding levels but with the current law indexing provision are shown.

Per Pupil Payments Under Bill and Bill's Funding Level with Current Law Indexing

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Bill			
Choice Programs -- K-8	\$7,754	\$7,954	\$8,158
Choice Programs -- 9-12	8,400	8,600	8,804
Special Needs Scholarship	12,431	12,631	12,835
Independent Charter	8,619	8,819	9,023
Open Enrollment -- Regular Ed.*	7,379	7,679	7,983
Open Enrollment -- Special Ed.	12,431	12,631	12,835
Bill's Funding Level with Current Indexing			
Choice Programs -- K-8	\$7,754	\$8,112	\$8,911
Choice Programs -- 9-12	8,400	8,758	9,557
Special Needs Scholarship	12,431	12,789	13,588
Independent Charter	8,619	8,977	9,776
Open Enrollment -- Regular Ed.*	7,379	7,837	8,736
Open Enrollment -- Special Ed.	12,431	12,789	13,588

* Under a separate provision of current law, the open enrollment transfer amount for regular education pupils is increased by an additional \$100 above the amount generated by the indexing mechanism in each year through 2020-21. This provision would not be affected by the bill.

4. The bill provision affecting indexing would significantly simplify the calculation of the indexing mechanism. Also, had the bill provision been in place since the creation of the current law per pupil aid appropriation, it would have captured nearly all of the increases in categorical aid funding over that time. Funding for per pupil aid increased by \$485.6 million from 2013-14 to 2018-19, while overall categorical aid funding increased by \$545.3 million over that same time. Per pupil aid thus represents nearly 90% of that overall increase.

5. Under the bill, however, the per pupil aid payment would be maintained at the 2018-19 amount (\$654 per pupil) and significant increases would be made to other categorical aid programs. To the extent that the current law indexing mechanism is viewed as an appropriate proxy for overall

increases to K-12 public school resources, the modification to the indexing mechanism under the bill would not reflect those categorical aid increases.

6. The general fund appropriations, associated aid reductions, and net GPR effect for the private school choice programs, the special needs scholarship program, and the independent charter school program will need to be adjusted based on the Committee's decisions regarding the indexing mechanism, the per pupil adjustment under revenue limits, and categorical aid funding levels. (The aid transfer amounts under the open enrollment program are done within the general school aids appropriation and would not have a general fund fiscal effect.)

ALTERNATIVES

1. Approve the Governor's recommendation to specify that the payments for the private school choice programs, the special needs scholarship program, the independent charter school program, and the open enrollment program would increase annually by an amount equal to the per pupil revenue limit adjustment for the current year, if positive, plus the change in the per pupil aid payment amount between the previous year and the current year, if positive. *[The fiscal impact of this provision would depend on decisions made regarding the per pupil adjustment under revenue limits and the per pupil categorical aid payment.]*

2. Take no action. *[The fiscal impact of this provision would depend on decisions made regarding the per pupil adjustment under revenue limits and funding for the various categorical aid programs.]*

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