



Legislative Fiscal Bureau

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February 17, 2004

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 746: Independent Charter Schools

Assembly Bill 746, relating to eligibility to attend independent charter schools, was introduced on January 9, 2004, and referred to the Assembly Committee on Education Reform. Assembly Substitute Amendment 1 to AB 746 was adopted and the bill, as amended, was recommended for passage by a vote of 8 to 4, on January 14, 2004. ASA 1 to AB 746 was passed by the Assembly by a vote of 62 to 33 on January 20, 2004, and ordered immediately messaged to the Senate. The bill was referred to the Joint Committee on Finance on February 3, 2004.

CURRENT LAW

Under current law, certain entities may establish or contract to establish independent charter schools not affiliated with any public school district. Under the Milwaukee 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 charter schools located within 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 attend. In 2003-04, 10 charter schools (five each from the City and UW-M) are operating with an estimated enrollment of 3,300 students. A similar program with one school is authorized to operate on a pilot basis by UW-Parkside within the Racine Unified School District (RUSD). In 2003-04, estimated enrollment is 300 pupils for this RUSD charter school.

Pupils are eligible to attend Milwaukee charter schools if they reside in MPS and in the previous school year were either enrolled in MPS, enrolled in a charter school, enrolled in a private school through the Milwaukee parental choice program, enrolled in a private, non-choice school in the City in grades kindergarten to three, or not enrolled in school. Pupils may attend the Racine charter school under this program only if they reside in the RUSD.

The Department of Public Instruction is required to pay the operators of Milwaukee and Racine charter schools an amount equal to the sum of the amount paid per pupil in the previous school year and the increase in the per pupil amount paid to private schools under the Milwaukee parental choice program, multiplied by the number of pupils attending the charter school. This payment is made from a separate general purpose revenue (GPR) sum sufficient appropriation established for this purpose. Payments for these charter schools are fully offset by a proportionate reduction in the GPR expenditures for general school aids of all 426 public school districts. In 2004-05, it is estimated that \$30.2 million will be paid to these charter schools under current law.

Pupils attending these independent charter schools 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. Thus, a school district may levy property taxes to offset the amount of revenue lost due to these aid reductions.

SUMMARY OF BILL

Under the bill as passed by the Assembly, current law eligibility rules for these independent charter schools would be modified. All private schools participating in the Milwaukee parental choice program that would choose to convert to independent charter schools under this program would be permitted to enroll pupils and their siblings who attended as private school pupils, even if the pupil or sibling resides outside the district in which the charter school is located. The bill would also allow any pupil who resides outside the district in which such a charter school is located to attend the charter school, provided there is space available after district residents and pupils attending choice schools that convert to the charter school program have been accommodated. The bill would also eliminate current law prior year eligibility requirements related to pupils residing in MPS.

The bill would require DPI to track those pupils who attend an independent charter school under this program, but reside in another school district. These pupils would be included in membership by the school district of residence for purposes of general school aids and revenue limits. DPI would then be required to reduce each resident school district's state equalization aid payment by the current year charter school payment multiplied by the number of pupils residing in that district but attending an independent charter school outside of that district. If the district's total state equalization aid payment would be insufficient to cover the reduction, then DPI would be required to reduce other state aid payments by the remaining amount. The aid reductions would then lapse to the general fund.

Under the bill, all school districts would be subject to the current law proportionate reduction in general school aids related to the charter school program. As a result, for nonresident pupils attending these charter schools, there would be a double aid reduction, once on a statewide basis and a second time targeted to the school district of residence. To avoid the possibility that the

reduction to general school aids could exceed total payments under the charter school program, the bill could be modified to reduce the statewide proportional aid reduction by the amount of any targeted reductions.

For any aid reduction, the district could, under revenue limits, increase its property tax levy by the amount of the reduction in general school aids.

The bill would first apply in the 2004-05 school year and would apply retroactively to private schools that converted to charter schools before the bill became effective.

FISCAL EFFECT

The bill as passed by the Assembly would increase the number of pupils who could attend independent charter schools, extending eligibility to any pupil residing in any district. The state's cost for funding these newly eligible pupils would increase by an amount equal to the number of new pupils multiplied by \$7,111 in 2004-05. However, that cost would be fully offset by a reduction in each school district's general school aids. Therefore, if school districts decide to increase property taxes to replace any loss in general school aids, statewide property taxes could increase by \$7,111 for each new charter school pupil under the bill. For each pupil participating in the Milwaukee parental choice program attending a school that converts to be an independent charter school under the bill, state spending on the choice program would be reduced by 55% of the choice payment amount (\$5,943 in 2004-05), and the related aid reduction for MPS would be decreased by 45% of that amount.

Under the bill, any pupil residing in another district but attending an independent charter school would generate an additional lapse in the amount of \$7,111 in 2004-05, which would represent a net gain for the general fund. It is not possible to determine how many newly eligible nonresident pupils will attend independent charter schools as a result of the bill, or which school districts might be affected by this provision, since that would depend on the decisions of individual families.

Under current law, there is a financial incentive for choice schools to convert to independent charter schools, because of the larger state payment per pupil. The bill would allow any pupils currently enrolled in these schools and their siblings to continue to attend the school after the conversion, which could remove a current impediment to conversion. The school would then receive \$7,111 per pupil in 2004-05, as compared to the choice per pupil payment of \$5,943 in 2004-05. However, it is unknown whether additional choice schools intend to convert to charters, or whether the sponsoring entities (UW-M, MATC, and the City of Milwaukee) would choose to grant additional charters. Also, charter schools must be nonsectarian and as public schools must participate in statewide pupil assessments, which could serve as disincentives for some choice schools.

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