



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #751

State Aid for Summer Classes for Milwaukee Charter Schools (DPI -- Choice, Charter and Open Enrollment)

[LFB 2001-03 Budget Summary: Page 547, #7]

CURRENT LAW

State aid for summer classes is paid to school districts and county children with disabilities education boards (CCDEBs). Any school board may elect to offer summer classes or to permit pupils to attend summer classes operated by another school district on a tuition basis if the school district of operation will accept them. School districts may not charge tuition for summer classes for pupils who are residents of the school district if the school board receives state aid for the classes. The school board may establish and collect reasonable fees for social, recreational or extracurricular summer classes and programs that are neither credited toward graduation nor aided by the state. Aid is paid for those academic summer classes or laboratory periods that are for necessary academic purposes, as defined by the State Superintendent by rule. The summer average daily membership equivalent is added to a district's total membership for the purpose of calculating state aid.

Summer enrollment is also taken into account when calculating a district's revenue limit. A three-year rolling average enrollment is used to calculate a school district's revenue limit. For 2000-01, the summer average daily membership equivalent was included in the total enrollment at a rate of 20% in 1998 and 1999 and 40% in 2000 and thereafter. The summer average daily membership equivalent is the total number of minutes in which pupils are enrolled in academic summer classes or laboratory periods, as defined by the State Superintendent, divided by 48,600.

Beginning in the 1999-00 school year, state aid was also paid to private schools participating in the Milwaukee parental choice program (MPCP), in addition to the school term per pupil payments. Aid for summer classes is paid in an amount equal to the result of

multiplying the total school term payment received by the school by the summer average daily membership divided by total number of school term pupils.

State aid is not currently paid for summer school classes offered by schools under the Milwaukee charter school program (MCSP).

GOVERNOR

Require state aid to be paid to charter schools sponsored by the City of Milwaukee, UW-Milwaukee, and Milwaukee Area Technical College (MATC) be calculated to include payment for the summer average daily membership equivalent for the summer of the previous school year, beginning with payments made for summer classes held in 2001. Specify that these charter schools would receive payment for their membership, which would be defined as the sum of the number of pupils attending the charter school in the current school year and the summer average daily membership equivalent, as calculated under current law, for the summer of the previous school year.

Provide \$1,762,600 in 2001-02 and \$7,057,400 in 2002-03 over the base year funding of \$11,666,000 for the Milwaukee charter school program. Under the bill, \$13,428,600 in 2001-02 and \$18,723,400 in 2002-03 would be appropriated for the program. Of these amounts, an estimated \$416,100 in 2002-03 would be attributable to the proposal to pay aid for summer classes beginning in 2001.

DISCUSSION POINTS

1. Summer instruction provides pupils with remedial or additional instruction as needed. School districts, charter schools operated by school districts, and CCDEBs all receive state aid for summer instruction. Summer enrollment for charter schools operated by school districts is currently included the district's membership count for state aid purposes.

2. Prior to 1997 Act 27, summer school enrollment was not included in revenue limit calculations for school districts. Act 27 required that 20% of summer enrollment be included in the number of pupils enrolled used to calculate a district's revenue limit. Under 1999 Act 9, the percentage was changed to 40% beginning with 2000, although because revenue limits are calculated on a three-year rolling average, schools will not receive the full 40% rate for summer enrollment until 2002-03. Under a separate budget provision, the Governor's recommendations would reduce the rate at which summer school enrollment would be counted for revenue limits to 25% beginning with 2001.

3. Under 1997 Act 27, the City of Milwaukee, the UW-M and the MATC are authorized to establish by charter and operate, or contract with a group or individual to operate, a charter school. The first schools under this provision were established in 1998-99. Each school must be located within MPS and pupils residing within the MPS district may attend the charter

school. Currently four schools are operating under the City's chartering authority: (a) Downtown Montessori Academy; (b) Khamit Institute; (c) YW Global Career Academy; and (d) Central City Cyberschool. UW-M established one charter school (Milwaukee Academy of Science) beginning in 2000-01.

4. Under provisions of 1999 Act 9, DPI is required to pay the operators of these charter schools an amount equal to the sum of the amount paid per pupil in the previous school year and the amount of revenue increase per pupil allowed under revenue limits, multiplied by the number of charter school pupils attending the school. The per pupil payment amount was \$6,494 in 2000-01 and these schools received an aggregate payment of approximately \$10.0 million in 2000-01. Total funding under the bill would be \$13.4 million in 2001-02 and \$18.7 million in 2002-03. These payments are made from a separate GPR sum sufficient appropriation established for that purpose, which is statutorily excluded from the definitions of state school aids and partial school revenues for purposes of calculating two-thirds funding. The cost of the payments from the appropriation is offset by a reduction in aid payments from the general school aid appropriation, with the savings deposited to the general fund in an amount equal to estimated payments under the program. A school district's revenue limit calculation is not affected by the MCSP reduction. Thus, a school district can increase its property tax levy to offset any aid reduction made related to the MCSP. Because this property tax is included in partial school revenues under the two-thirds funding calculation, total funding for general school aids is increased by two-thirds of the amount of the MCSP lapse, which partially offsets the statewide reduction amount.

5. Under current law, summer school membership is treated three different ways for school finance, depending on the type of school. For private schools participating in the Milwaukee parental choice program, summer school FTE membership receives 100% of the state per pupil payment for pupils at that school; in 2000-01, that payment is the lesser of \$5,326 or the private school's operating and debt service cost per pupil related to educational programming. For public school districts, 100% of summer school FTE membership is counted for aid purposes, but only 40% under revenue limits, which directly affect the resources available to the school district to operate summer school. On average, counting 40% of summer school FTE membership would have generated an estimated \$2,940 per pupil for purposes of revenue limits in 2000-01, if the 40% factor had been fully effective in that year. Finally, while MCSP schools receive a per pupil payment in 2000-01 of \$6,494, which exceeds the per pupil payment received by Milwaukee parental choice program schools by \$1,168, they currently receive nothing for summer school FTE membership.

6. Under the Governor's budget recommendations, summer school membership would be treated two different ways for school finance. For schools participating in the MCSP or in the Milwaukee parental choice program, summer school FTE membership would receive 100% of the state per pupil payment for pupils at that school. For public school districts, 100% of summer school FTE membership would be counted for aid purposes, but only 25% would be counted under revenue limits that directly affect the resources available to the school district to operate summer school.

7. Milwaukee charter schools have not yet provided summer classes for their pupils

because they would not receive state aid for those classes. According to DOA officials, because summer classes are not currently offered and due to the uncertainty over whether this provision will be included in the final budget, Milwaukee charter schools are not expected to offer summer classes in the summer of 2001. Therefore, payments for summer school aid would most likely need to be made in 2002-03, for the summer of 2002. Although it is difficult to estimate how many pupils might participate in summer school since no classes are currently offered, based on summer school participation rates under the Milwaukee parental choice program, it is estimated that if summer instruction were aided for 2002, approximately 60 FTE would likely be added to the total Milwaukee charter school membership. Under the Governor's budget recommendations, the per pupil payment amount would be \$6,935 in 2002-03, so the total Milwaukee charter school payment would be increased by an estimated \$416,100 by this proposal and a corresponding reduction in general school aids would occur. Because of this projected increase in MCSP payments and the associated general school aids reduction and school property tax increase, general school aids funding in the budget bill includes an additional \$277,400 in 2002-03 in order to maintain two-thirds funding of partial school revenues.

ALTERNATIVES TO BASE

1. Approve the Governor's proposal to pay state aid for summer classes to charter schools sponsored by the City of Milwaukee, UW-Milwaukee and the Milwaukee Area Technical College. Specify that these charter schools would receive payment for their membership, which would be defined as the sum of the number of pupils attending the charter school in the current school year and the summer average daily membership equivalent, as calculated under current law, for the summer of the previous school year, beginning with payments made for summer classes held in 2001. Provide \$416,100 in 2002-03 to fund the costs of this modification, which would result in an offsetting reduction in general school aids (GPR-Lapse) of \$416,100 and a corresponding increase in school property taxes. Provide \$277,400 in general school aids to maintain state two-thirds funding of partial school revenues.

<u>Alternative 1</u>	<u>GPR</u>	<u>GPR-Lapse</u>
2001-03 FUNDING (Change to Base)	\$693,500	\$416,100
<i>[Change to Bill]</i>	\$0	\$0

2. Maintain current law.

<u>Alternative 2</u>	<u>GPR</u>	<u>GPR-Lapse</u>
2001-03 FUNDING (Change to Base)	\$0	\$0
<i>[Change to Bill]</i>	-\$693,500	-\$416,100

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