



ELLEN SCHUTT

STATE REPRESENTATIVE • 31ST ASSEMBLY DISTRICT

Testimony in Support of Assembly Bill 688 and 900

Assembly Committee on Education

February 7, 2024

Thank you Chairman Kitchens and committee members for hearing Assembly Bills 688 and 900 today. I introduced Assembly Substitute Amendment 1 to Assembly Bill 900, which combines provisions of Assembly Bills 688 and 900. These bills “decouple” funding for school choice students and independent charter schools from local property taxes to general-purpose revenue (GPR).

By the fiscal year 2025, GPR funding will entirely cover the payments to private schools in the Milwaukee Parental Choice Program. Yet, the Racine and statewide programs will still be funded by GPR covered by aid reductions from the resident school district:

Similarly, the 2021-22 biennial budget eliminated reductions to equalization aid for payments made to independent charter schools authorized by the City of Milwaukee, the chancellor of UW-Milwaukee, the chancellor of UW-Parkside, or the Milwaukee Area Technical College district board, who are all referred to as legacy charter school authorizers. Legacy charter schools receive funding directly from GPR, while new independent charter schools are funded by a deduction from the resident school district in state aid. This creates confusion for our public schools and makes it harder for them to set their budgets.

By decoupling the funding of new student vouchers from local district finances, new students would no longer count in the resident district membership to levy local property taxes or the distribution of equalized aid. Funding for these students would change from the local property tax bill to GPR. This means that the Wisconsin Parental Choice Program, Racine Parental Choice Program, and Special Needs Scholarship Program would be funded the same way as the Milwaukee Parental Choice Program, and new independent charter schools would be funded the same as existing legacy charter schools.

Decoupling does not increase local property taxes in any way. The amendment provides a revenue limit adjustment for school districts that is equal to 25% of the impact on a school district's levy that occurs due to the changes in the bill. Taxpayer dollars should be allocated more efficiently and this bill does just that to ensure all programs are funded the same.

According to a memo from the non-partisan Legislative Fiscal Bureau, if we were to decouple choice, independent charter, and the special needs scholarship program in the 2023-24 school year, we would experience a reduction of \$293 million from local property taxes while allowing public schools to keep more money in their school districts by not having aid subtracted from resident districts like it is under current law.

This legislation will save schools and the Department of Public Instruction time and administrative costs and provide property tax relief to local districts.

Thank you for your consideration. I am happy to answer any questions you may have.



DAVE MAXEY

STATE REPRESENTATIVE • 15TH ASSEMBLY DISTRICT

Testimony for Assembly Bill 900

Public Hearing

Assembly Committee on Education

February 7, 2024

Chairman Kitchens and members of The Assembly Committee on Education, thank you for allowing me to testify on Assembly Bill 900. I spent nine years serving on the board of education for the School District of New Berlin, six of which I served as board president.

During my tenure on the board of education, we focused on providing the students of New Berlin with a quality education while maintaining fiscal responsibility. I am pleased to say that we achieved both. However, creating a school district's budget is challenging due to the complex school aid formula that is typically released in October; the preliminary budget passed in August is based on estimates. While we remain fiscally responsible, many districts across the state often have issues crafting their budgets, leading to levy increases on property taxes.

Assembly Bill 900 would simplify this process by having the money follow the student rather than playing the shell game we currently do.

Thank you for hearing my testimony; I hope you all can join me in supporting Assembly Bill 900, as it will finally allow the money to follow the student. I look forward to your support and the Governor's swift enactment of this bill.



JOHN JAGLER

STATE SENATOR • 13th SENATE DISTRICT

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Room 131 South
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AB 900 and AB 688 Testimony

Thank you Chairman Kitchens and members of the committee for hearing our bills today.

Wisconsin is known as a proactive leader when it comes to school choice. Since leading the way with the Milwaukee Parental Choice Program over 30 years ago, 32 other states have followed Wisconsin's example and have choice programs of their own. As of today, nearly 55,000 students are enrolled in one of the 4 private school programs Wisconsin has to offer, with several thousand more enrolled in independent charter schools.

Currently, the system that funds all four school choice programs is a complicated mix of formulas. By the fiscal year 2025, General Purpose Revenue (GPR) funding will entirely cover the payments to private schools in the Milwaukee Parental Choice Program. While the Racine, Statewide and Special Needs Scholarship programs will still be funded by GPR covered by aid reductions from the resident school district.

AB 688 and 900 aim to "decouple" the Racine, Statewide, Special Needs Scholarship and independent charter programs from the aid reduction formula and fund them entirely by GPR just like the MPCP and legacy charter schools will be.

By decoupling the funding of new student vouchers from local district finances, those new students would no longer count in the resident district membership for the purposes of levying local property taxes nor the distribution of equalized aid.

The changes this bill makes will simplify funding and will help ensure both choice and public schools can coexist in the future.

AB 688 deals with the same issue, but for independent charter schools. Currently there are about 12,000 students enrolled in one of the 35 independent charter schools across the state.

According to DPI - "*Charter schools are public schools created through a business-like contract or "charter" between the charter governance board and the*



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sponsoring school board or other chartering authority. The Wisconsin charter school law gives charter schools freedom from most state rules and regulations in exchange for greater accountability for results.”

Charter schools are either classified as legacy (2r) or independent (2x). Current (2r) authorizers (Legacy) include UW-Milwaukee, the City of Milwaukee, UW-Parkside, and the Milwaukee Area Technical College.

Current 2x authorizers (New) include the Waukesha County Executive, College of Menominee Nation, Lac Courte Oreilles Ojibwe University, Office of Educational Opportunity, and any technical college district board (except MATC).

Both Legacy and New Independent Charter Schools receive payment from a sum sufficient appropriation. However, Legacy schools receive funding directly from general purpose revenue (GPR) while new independent charter schools are funded by a deduction from the students' resident district in state aid. This bill would allow for independent charters to be funded the same as legacy charter schools.

The Substitute Amendment on AB 900, combines the two bills into one and increases a school district's limit for the 2024-25 school year by 25 percent of the levy impact for decoupling in each school district.

This bill will help streamline funding and provide consistency for the program.

Thank you for your time today, I will be happy to answer any of your questions.

WMC

Wisconsin's Chamber

TO: Members, Assembly Committee on Education

FROM: Rachel Ver Velde, Senior Director of Workforce, Education and Employment Policy

DATE: February 7, 2024

RE: Support for Assembly Bill 900 & Assembly Bill 688, "decoupling" remaining parental choice programs and independent charters from the school funding formula

Wisconsin Manufacturers & Commerce (WMC) appreciates the opportunity to submit testimony in support of Assembly Bill 900 and Assembly Bill 688. I want to thank the authors of the bills, Representative Schutt and Senator Jagler for crafting these important pieces of legislation. These bills will reduce the complexity of funding for choice and independent charter schools and provide property tax relief for taxpayers throughout Wisconsin.

WMC is the largest general business association in Wisconsin, representing approximately 3,800 member companies of all sizes, and from every sector of the economy. Since 1911, our mission has been to make Wisconsin the most competitive state in the nation to do business. That mission includes making sure Wisconsin's youth have educational opportunities to be prepared for the workforce.

WMC supports decoupling the funding of students that attend choice and independent charter schools from local district finances, shifting the funding away from local property taxes to General Purpose Revenue (GPR). This policy stance is widely supported and already has precedent. In 2015-17 state budget, the legislature passed phased in decoupling for the Milwaukee Parental Choice Program (MPCP). By the 2024-25 school year, MPCP will be completely funded directly by the state through GPR dollars. Support for this policy was bipartisan with then Superintendent of the Department of Public Instruction (DPI) Tony Evers supporting full decoupling of MPCP in his 2014 budget request for the 2015-17 state budget.¹

WMC believes that decoupling the remaining choice and independent charter schools will be a benefit for students throughout Wisconsin. Not only will decoupling significantly reduce the complexity of the current system that has been problematic for public schools, but it also will ensure that local property tax dollars are funding local public-school students. Another substantial benefit of these two pieces of legislation is the significant property tax savings that will be realized throughout Wisconsin. This will be a benefit not only for employers, but also hardworking Wisconsin families.

¹Wisconsin Department of Public Instruction 2015-17 Biennial Budget Request (page 120): <https://doa.wi.gov/budget/SBO/2015-17%20255%20DPI%20Budget%20Request.pdf>

Legislative Fiscal Bureau has confirmed that 404 of the 421 school districts in Wisconsin will receive more state aid, have lower property taxes and have more spending authority under these two bills. The additional 17 districts would see no impact, due to the lack of choice or charter students in their districts.

WMC supports this important change in policy because it creates a less complicated and more student-focused educational system. It funds state programs with state dollars and local public schools with local tax dollars and state aid. It does all this while also providing significant property tax savings throughout the state.

WMC urges members of the Assembly Committee on Education to support Assembly Bill 900 and Assembly Bill 688. Additionally, WMC is supportive of the substitute amendment that was recently introduced for Assembly Bill 900 and encourages its passage. Simplifying the funding formula for choice and independent charter schools will provide desired property tax relief and ensure that all students have access to a great education.

Testimony in Support of Assembly Bill 900

February 7, 2024

Chairman Kitchens and Members of the Assembly Committee on Education,

Thank you for the opportunity to testify today in support of Assembly Bill 900 as presented with Assembly Substitute Amendment 1. My name is Kyle Koenen and I am the Policy Director for the Wisconsin Institute for Law & Liberty, a non-partisan, non-profit law and policy center based out of Milwaukee. It is our belief that this legislation is a win for everyone, including taxpayers, public schools, choice schools and charter schools.

When Wisconsin became the first state to implement a voucher program in 1990, everything that was tried was new because there were simply no other models out there to replicate. Over time, that original Milwaukee program has grown dramatically, and new programs in Racine and statewide have been implemented. But the financing system that was originally put in place in Milwaukee has not been updated to keep up with changing circumstances in other parts of the state. While intuitively it makes sense for school districts to have their aid reduced for students they are no longer educating, the implementation of this provision has become problematic for both public schools and schools in choice programs.

No other state that has implemented a school choice program funds their program in this way. With a few exceptions for school choice programs funded by private philanthropy, most school choice programs around the nation are funded through a state-level appropriation. While there may be reductions to the school district due to the disenrollment of choice students, there are not flat reductions that, in some instances, exceed the state aid that students generated for the district.

We already have a model within Wisconsin for moving away from the current funding system: the Milwaukee Parental Choice Program. After years of debate on what was known as the “funding flaw,” legislators have put a phase-out of local funding into law that will see the MPCP fully funded by GPR by the upcoming 2024-25 school year. There is little reason to deny taxpayers in other parts of the state the same benefit that has already been provided in Milwaukee.

Decoupling public school funding from choice funding is a win-win from the perspective of both public-school districts and choice/charter schools. School districts will no longer face the uncertainty of voucher enrollment numbers when crafting their budgets for the upcoming school year. In an era of declining enrollment across Wisconsin, this additional stability is important. In most cases, school districts will have access to more state aid than they did before—essentially offering a modest budget boost at a time when many districts are worried about their fiscal reality. And a recent memo from the Legislative Fiscal Bureau confirms that *no* school district will be left with less funding under this legislation.

Because school districts have the ability to raise property taxes to make up for lost revenue from school choice, this legislation will also result in property tax cuts for most Wisconsin families.

Full implementation of decoupling has been estimated by LFB to lead to a property tax cut up to \$293 million. The substitute amendment creates a one-time recurring revenue limit adjustment in 2024-25 based on 25% of the levy impact of decoupling for each school district. If all districts fully utilized this adjustment, net property tax savings would still be nearly \$220 million. This will be helpful to participating schools because routinely, we see school districts casting the blame for budget shortfalls on what is often a small number of choice students. Because fiscal policy is complex, it is challenging for the average taxpayer to understand the truth. Under this bill, districts will no longer be able to make such claims with any legitimacy. Simplifying school choice funding would have benefits for transparency as well. The general public will have a far easier time understanding the funding that goes to school choice and the funding that goes to public schools.

Because of the benefits across the board, decoupling has historically been a bipartisan idea. While serving as State Superintendent of DPI, Governor Evers once said, "It's a state program. If we're going to have vouchers, it should be paid for by the state." Just this legislative session, Democratic lawmakers proposed a similar bill that would decouple school funding while allowing local taxpayers to vote on whether they wanted to finance school choice through the old system. This is the rare bill that ought to satisfy all but the most ardent opponents of giving families educational options.

I thank you again for the opportunity to speak today. I ask that you support Assembly Bill 900, as amended and would welcome any questions.



To: Members of the Assembly Committee on Education

From: Megan Novak, State Director, Americans for Prosperity - Wisconsin

Date: February 7, 2024

Subject: Support for Substitute Amendment 1 to Assembly Bill 900

Thank you, Chairman Kitchens and committee members for the opportunity to provide testimony today in support of Substitute Amendment 1 to Assembly Bill 900. On behalf of activists across the state, Americans for Prosperity – Wisconsin supports this effort to ‘decouple’ funding for independent charter and choice schools in Wisconsin. This policy is a win for property taxpayers, students and for public, charter and choice schools.

The current funding mechanism for choice and independent charter students is unnecessarily complicated and makes budgeting more difficult for public school districts. SA 1 to AB 900 will simplify this process by instead funding these students with General Purpose Revenue. The state already does this for Milwaukee Parental Choice Program (MPCP). MPCP schools will be fully decoupled next school year, after a phase in began in the 2015-17 budget, and 2r charter students are already funded through GPR. It is time to move the remaining parental choice programs and 2x (independent) charters to the same funding mechanism.

Decoupling will not only simplify how choice and charter schools are funded, but will provide needed property tax relief for Wisconsinites across the state. Depending on how many districts utilize the 25% revenue limit adjustment, property taxpayers will see between \$220 and \$293 million in savings.

As amended, AB 900 is sound public policy that benefits nearly all Wisconsinites. The bill benefits property taxpayers with savings of up to \$293 million. It benefits public school districts by providing certainty in budgeting and in most cases providing access to more state aid than prior, according to Legislative Fiscal Bureau. And it helps choice and charter schools by ensuring all choice programs and both 2x and 2r charters are funding the same – through GPR.

On behalf of AFP-Wisconsin, thank you for the opportunity to provide testimony in support of Assembly Bill 900, as amended, and we respectfully ask the committee to support this needed legislation.

February 7, 2024



Dear Members of the Assembly Committee of Education,

Thank you to Chairman Joel Kitchens for scheduling a public hearing on Assembly Bill 900 and co-authoring the substitute amendment ASA 1 to AB 900 alongside your colleagues, Representative Schutt, and Representative Dave Maxey.

My name is Dr. Charles Moore, and I am the Executive Director of Impact Christian Schools. I help oversee and manage several private Christian schools in and around Dane County. We proudly educate students residing in the school district boundaries of Baraboo, Dodgeville, Madison, Monona Grove, Middleton, Mount Horeb, and Fitchburg to name a few.

Approximately 61% of our students (570/1,064) qualify for a tuition scholarship thanks to the Wisconsin Parental Choice Program (WPCP) and the Special Needs Scholarship Program (SNSP). The WPCP scholarship is available to income-eligible households with an income of 220% of the federal poverty level or below. Participation in the SNSP is not limited by income.

As a resident of Dane County and a person who regularly works with families struggling with housing affordability, I encourage you to consider the following:

Housing costs rise as property taxes rise for homeowners and renters. Please keep that in mind, as housing affordability is a challenge in Dane County and many Wisconsin communities, particularly for low-income families with school-age children and families with a disabled child. These are the WPCP and SNSP families we serve.

I have reviewed the fiscal bureau memo (dated February 5, 2024) showing the combined effect of the property tax reduction that full "decoupling" would provide under AB 900, as amended, and the increased revenue limit authority it would provide to public schools. The combined property tax benefits for Dane County residents are significant, as are the revenue limit increases provided to area public schools.

Let me be clear: this bill will not provide one dollar of new funding for private choice schools in Wisconsin. The potential beneficiaries of this bill are public schools and local property taxpayers. AB 900, as amended, is a good bill, and I sincerely hope that legislators will see the property tax relief and statewide benefits it could provide.

Thank you for considering my testimony and for your distinguished service. I encourage you to support AB 900, as amended by ASA1.

Sincerely,

Charles Moore, Ph.D.
Executive Director



Shoreland Lutheran High School
Paul Scriver
9026 12th Street
Kenosha, WI 53143

February 7, 2024

Chairman Kitchens and members of the Assembly Education Committee, my name is Paul Scriver. I am the President of Shoreland Lutheran High School in Kenosha, Wisconsin. We are ranked as Wisconsin's #1 private choice high school in Racine and Kenosha Counties and beyond based on the state's accountability report card. In addition, we rank in the top 3% of all public and private choice high schools when it comes to student growth.

I also serve on the board of School Choice Wisconsin Action, a 501(c)(4) organization that advocates for the nearly 400 private choice schools participating in Wisconsin's parental choice programs.

SCWA strongly supports eliminating the impact of private school choice enrollment on local property taxes for taxpayers outside Milwaukee. Those property tax increases are the result of the way pupils outside of Milwaukee are treated in the state funding formula. We call this priority "decoupling". SCWA has a record of early engagement on this issue.

The legislation before you today, Assembly Bill 900 as amended by ASA1, "decouples" private choice students from the school funding formula and from local property taxes. The bill removes the complexity of current law and allows state GPR funding to follow the student, with no offsetting aid reduction to the local school district where the pupil resides.

To illustrate, 273 of Shoreland Lutheran's 425 students participate in Wisconsin's parental choice programs. To recover the cost of the GPR funding that Shoreland Lutheran receives, nearly \$3.4 million is deducted by the Department of Public Instruction from the general aid each pupil's resident school district receives. If the resident school district wishes to recover that funding, they must raise local property taxes.

School Choice Wisconsin Action would like to remove that local aid reduction and offsetting property tax increase. This will benefit both our local public schools and our local property taxpayers. Assembly Bill 900 won't provide any additional funding to Shoreland Lutheran High School, but it will put extra money in the pockets of local property taxpayers.

Thank you for allowing me to share this important information and for your service and leadership on important education policies in Wisconsin. **Please support Assembly Bill 900 as amended by ASA 1.**

Paul Scriver
President



Good Afternoon, Chairman Kitchens and distinguished members of the Assembly Committee on Education.

My name is Donna Bembenek. I am the President of Catholic Memorial High School (CMH), a private high school located in Waukesha, Wisconsin.

Founded in 1949, CMH is a college-preparatory high school emphasizing value-based education that strengthens the character of the whole student intellectually and spiritually. We have earned many accolades, including six straight years as a school of Distinction in STEM and an academic excellence award bestowed upon us last year.

CMH is pleased to be able to educate more than 100 income-eligible choice students as part of our student population of 570. We also offer full and partial private scholarships to many tuition-paying students whose family income exceeds 220% of the federal poverty level but for whom the cost of full tuition would be a challenge.

The payment we receive from the Department of Public Instruction (DPI) for educating CMH pupils in the Wisconsin Parental Choice Program (WPCP) was approximately \$1.3 million last year. I did not realize until recently that the state's general purpose revenue (GPR) expenditure to CMH was passed on entirely to property taxpayers in their school district of residence. This is in contrast to Milwaukee where the state will pay the full cost of students in the Milwaukee Parental Choice Program by 2025-2026,

This is unfair. Why should pupils in Milwaukee be funded differently than elsewhere in the state? Why should property taxpayers in my community be responsible for this entire expense, while the state pays full freight for students in Milwaukee.

It's time to fix the "funding flaw" just like the legislature did for Milwaukee about 10 years ago. Wisconsin should fund all choice pupils in the same way. AB 900, as amended 838 will put us on a path to doing just that. I encourage your support of this legislation.

Sincerely,

Donna Bembenek
President



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Mission: We, the Christian Community of Mary Queen of Saints Catholic Academy, in collaboration with the Catholic parishes of West Allis and West Milwaukee, are called to integrate the Teachings of Jesus Christ into the spiritual, academic, and social development of each individual.

Justice Joy Service Transformation All In Community

Nick Lee- MQSCA testimony

February 7, 2024

Dear Chairman Kitchens and members of the Assembly Education Committee,

My name is Nick Lee and I am the Principal at Mary Queen of Saints Catholic Academy (MQSCA), the highest rated elementary school in West Allis, Wisconsin. MQSCA is one of the twelve Seton Catholic Schools that are an outreach of the Archdiocese of Milwaukee.

Rising property taxes are top of mind for Wisconsin families. According to the Wisconsin Policy Forum (Focus #23, Property Taxes Shoot Up, but Tax Credits Cushion the Blow, 12-2023), school districts will levy \$297.8 million more in property taxes on the bills now being sent to homeowners compared to last year.

Reducing the statewide property tax burden via the school levy tax credit, the first dollar tax credit and the lottery credit are tools that lawmakers may use to direct available state General Purpose Revenue (GPR) to property tax relief. In Milwaukee, state GPR further lowers property taxes by funding more than 95% of payments on behalf of parents in the Milwaukee Parental Choice Program (MPCP). GPR payments will fully fund MPCP students in FY 2025.

In contrast, local property taxpayers outside Milwaukee pay the full cost of students in the Racine (RPCP), statewide (WPCP), and Special Needs Scholarship (SNSP) programs via a process that requires a reduction in general aid while allowing districts to make up the difference in tax levy. If all Wisconsin's parental choice programs were fully funded like Milwaukee, property taxes would be reduced significantly.

Assembly Bill 900, as amended, "decouples" funding for school choice students outside Milwaukee from local property taxes by funding new choice students with GPR while continuing the current funding formula for current students as they progress through the system.

Assembly Bill 900 is a property tax relief proposal. It provides no additional financial resources to private schools in the choice program. It would have the following benefits:

- Provide local property tax relief;
- Eliminate reporting complexities for DPI and public schools;
- Reduce uncertainty for public schools who are trying to set their budgets months before they receive information on what their general aid reduction will be; and

- Fund all choice students the same way, regardless of where they live.

Mary Queen of Saints is an example of how students in one school building are treated differently under current law. My school enrolls a total of 162 students. Approximately 53% of our students are "choice" pupils, of which there are 46 students in the MPCP, 38 in the WPCP, and 2 in the SNSP.

The 46 MPCP pupils are paid for with more than 95% state GPR. The other 38 WPCP and SNSP students are essentially paid for by local property taxpayers to offset the general aid reduction to the resident school district. That just seems unfair to the taxpayers. Our school would receive no financial benefit if AB 900 were to become law, but the schools and residents of West Allis and the surrounding area would benefit from the same preferential treatment and full state support currently provided to Milwaukee only.

I would like to thank you for the opportunity to provide this testimony and I encourage your support of AB 900, as amended.

In Christ



Nicholas Lee
Principal

Mary Queen of Saints Catholic Academy

"Do not conform yourselves to this age but be transformed by the renewal of your mind, that you may discern what is the will of God, what is good and pleasing and perfect." Romans 12:2

Every student learning, growing... succeeding.



February 7, 2024

Dear Chairman Kitchens, Vice Chair Dittrich, and Members of the Assembly Education Committee,

Thank you for the opportunity to provide written testimony on the impact of Assembly Bill 900 on Muskego-Norway Schools. My name is Julie Kelly, and I serve as the Assistant Superintendent of Business and Human Resources for Muskego-Norway Schools. We are a high performing school district in Southeastern Wisconsin that serves approximately 4,600 students at three elementary schools, two middle schools and one high school. At Muskego-Norway, our mission is Every Student Learning, Growing...Succeeding. We live our mission through the implementation of our 5-year strategic plan and annual Eye on the Goal plans. These plans require the purposeful alignment of financial resources. Financial stability and forecasting are key to ensuring our plans are adequately funded.

I want to provide detail on the positive impact this legislation would have on our School District. When preparing the annual school district budget, many of the factors needed to finalize the budget are unknown through mid-October, even though our fiscal year begins July 1. Two of the unknown factors are the number of students participating in the Wisconsin Parental Choice Program (WPCP) and those attending an Independent Charter School (ICS). This is impactful because under current state law, the ICS program has an impact on our operating budget and the WPCP program has an impact on our local property taxes.

Under current ICS law, we are able to count these students in our local revenue limit calculation. As the local revenue limit formula uses a three year average, an increase in student participation in the ICS program means that we get one-third of the funding in the first year, two-thirds of the funding in the second year, and full-funded in the third year. At the same time, we are responsible for the full cost of paying tuition to the ICS school (\$11,385) in the first year. This creates a situation where our costs increase faster than our new revenues, especially for declining enrollment districts, such as Muskego-Norway. This creates the need for potential budget reductions well into October, even though we are already three and a half months into our fiscal year.

Similarly, under current WPCP law, the system is designed to allow some state funding (via the State Equalization Aid formula) to cover some of the revenue limit impact of the WPCP. The challenge is that the State Equalization Aid formula uses prior year data when calculating State Equalization Aid, meaning that in the first year of any new student's participation in the program, the full cost of that WPCP voucher is borne by local property taxpayers.

The proposed decoupling bill would address both of these issues. Having the Wisconsin Parental Choice Program (WPCP) and the Independent Charter School (ICS) Program funded with State GPR would make the school district process of establishing our final budgets cleaner and more transparent.

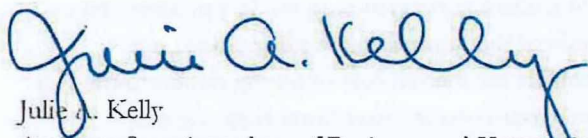
According to the recent analysis completed by the Wisconsin Legislative Fiscal Bureau, Muskego-Norway would not see an increase in State Equalization Aid under their calculations, but we would see a reduction in our Revenue Limit Authority with a similar reduction in our expenses paid out for the WPCP and ICS programs. The net result, according to the LFB, would be an immediate tax levy reduction of \$1,950,507 per year. As the Legislative Fiscal Bureau uses current variables that do not anticipate any changes in the current factors driving school funding or taxes, this is unlikely to be the exact impact, but it does conceptually establish the impact for our district.

Additionally, according to the Legislative Fiscal Bureau Analysis, Muskego-Norway would receive a \$487,627 recurring revenue limit exemption, effective with the 2024-25 school year. We are a school district that is experiencing declining enrollment due to a declining birth rate and the changing housing market as noted in our most recent enrollment forecast prepared by the UW Madison Applied Population Lab. The additional revenue would assist us in maintaining a balanced budget directly aligned to our 5-year strategic plan and annual Eye on the Goal plans.

While this legislation does not address all of the significant funding changes that are present for Wisconsin Public Schools such as achieving per pupil funding that keeps up with inflation, managing declining enrollment, and adequately funding Special Education, it does make meaningful progress and leaves our school district in a better place tomorrow than we are today.

Thank you for the opportunity to provide written testimony on this legislation. I would be happy to answer any questions you may have about the impact of the legislation on Muskego-Norway Schools. I can be reached at (262) 971-1806 or at julie.kelly@muskegonorway.org.

Sincerely,



Julie A. Kelly
Assistant Superintendent of Business and Human Resources
Muskego-Norway Schools

Testimony in Support of AB 900, as amended by ASA1

Assembly Committee on Education

February 7, 2024

Chairman Kitchens and members of the Wisconsin Assembly Education Committee, I am Nicholas Kelly, President of School Choice Wisconsin. I appreciate the opportunity to provide testimony today in support of Assembly Bill 900.

Wisconsin uses two systems to fund students in its four parental choice programs. In Milwaukee, effective next year, the state will pay 100% of the per pupil payment for students in the Milwaukee Parental Choice Program. In contrast, the method used for the other three programs effectively transfers financial responsibility to local property taxpayers.

We believe this disparate treatment between property taxpayers in Milwaukee and those elsewhere should end. AB 900, as amended by ASA1, would accomplish this by “decoupling” private school choice pupils from the school funding formula and local property taxes.

If full decoupling under ASA1 to AB 900 would have occurred in the current year, the Legislative Fiscal Bureau estimates the following impacts on local school districts:

First, state aid would have increased by about \$293 million.

Second, property taxes would have declined by \$220 million.

Third, net revenue to local districts would have increased by \$73 million.

These benefits would have been experienced by 404 of the state’s 421 districts. There would have been no effect in seventeen districts.

An additional benefit to districts and the Department of Public Instruction would result from simplified planning and budgeting.

Finally, please note that private schools in parental choice programs would not receive any additional funding under this bill,

Thank you for the opportunity to express the support of School Choice Wisconsin for ASA1 to AB 900.



To: Wisconsin Assembly Committee on Education
Date: 07 February 2024
From: Patrick Miller, Chief Financial and Operations Officer - School District of New Berlin
Re: Assembly Bill 900

Dear Chairman Kitchens, Vice Chair Dittrich, and Members of the Assembly Education Committee,

Thank you for taking the time to hear this testimony on the merits of Assembly Bill 900. My name is Patrick Miller, and I am proud to serve as the Chief Financial and Operations Officer of the School District of New Berlin for the past 5 years of my 14 years as a school finance professional. The School District of New Berlin is a high-performing school district in Southeastern Wisconsin that serves approximately 4,300 students at 4 elementary schools and 2 Middle/High schools.

We are proud to be a conservative-minded district. We have made many decisions in the past 15+ years to improve programs and facilities while controlling expenses. We have renovated every school in the District and built a new elementary school, to date, without the need for referenda. We continue to provide a competitive compensation and benefits program for our employees and are proud to boast a staff retention rate above 95%. The School District of New Berlin is a school district of choice; we provide an educational environment that emphasizes college, career and technical education, and life readiness.

Currently, the Wisconsin Parent Choice Program, the Special Needs Scholarship Program, and the Independent Charter School program are all funded through the general budget of the School District of New Berlin, resulting in a reduction of state equalization aid and a corresponding increase in property tax levy. The proposed bill, Assembly Bill 900, effectively changes the funding source of these programs from the equalization aid reduction and revenue limit exemption to funding through the Wisconsin general purpose revenue. This change would bring a direct reduction to property taxes in the City of New Berlin while preserving our current level of funding under revenue limits. Additionally, as included in this bill, the School District of New Berlin would receive an additional \$130 per student on their revenue limit on a recurring basis.

To quantify the positive impact of this bill on the School District, consider the following:

- 1 - Using a five-year financial forecast, the School District of New Berlin would receive an estimated \$3.0 million in additional total funding over a five-year period.
- 2 - Using that same five-year financial forecast, the School District of New Berlin's property tax levy would save taxpayers approximately \$9.0 million over a five-year period.
- 3 - Removing the funding of these three choice programs from the revenue limit calculation and the equalization aid calculation for the School District of New Berlin will insulate future revenue calculations from changes in the funding or eligibility criteria of the three choice programs. This



This would allow both education systems to exist without negatively impacting the financial support of school programming and property tax levies for the City of New Berlin.

To summarize, INCREASED FUNDING THROUGH A RECURRING REVENUE LIMIT ADJUSTMENT, REDUCTION OF LOCAL PROPERTY TAXES, and FINANCIAL SEPARATION BETWEEN K-12 PUBLIC EDUCATION AND THE WPCP, SNSP, AND ICS PROGRAMS.

Based on conservative analysis, the School District of New Berlin and the City of New Berlin would certainly benefit from the passage of Assembly Bill 900.

Make no mistake; there are challenges ahead of us with regard to funding K-12 public education in the state of Wisconsin. The School District of New Berlin stands ready to work with other Wisconsin school districts, state education support organizations, and the legislative and executive branches of Wisconsin to overcome these challenges.

Thank you for the opportunity to testify on this pending legislation. Should you have any further questions for me I can be reached via email at patrick.miller@nbexcellence.org or by phone at 262-789-6211.

Patrick Miller - Chief Financial and Operations Officer
School District of New Berlin



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John Stellmacher
Chief Financial Officer

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February 7, 2024

Dear Chairman Kitchens, Vice Chair Dittrich, and Members of the Assembly Education Committee,

Thank you for this opportunity to testify today on the impact of Assembly Bill 900. My name is John Stellmacher, and I serve as the Chief Financial Officer of Kettle Moraine. We are a high performing school district in Southeastern Wisconsin that serves approximately 3,400 students at 11 schools. Kettle Moraine is uniquely a school district of choice and we strive to provide an educational environment that helps every student in our community reach their full potential.

As the Kettle Moraine School District Board of Education has not yet taken a formal position on this legislation, I'm not testifying in support or opposition to this legislation, but I've been asked to share specifics on how this legislation would impact our school district. While I am a member of several statewide associations within the School Finance community, they have not taken a position on this legislation and I am speaking solely on behalf of my school district.

Over my nearly 20 year professional career, there are a handful of moments that stand out as impactful for the communities that I've served. As a school financial officer, there are two clear commitments that I hold dear in my professional work. First, and foremost, every financial and operational decision in my district is focused on kids, the impact on their learning, and how we can ensure that every student gets the educational experience they deserve. Second, and equally important, providing accountability, efficiency, and effectiveness for our taxpayers for the financial resources that they provide our school system.

I'd like to tell you briefly about one of those moments that legislation would help avoid. During the annual fiscal cycle in Wisconsin School Finance, we constantly are looking for budget certainty and consistency. One of the great unknowns in our budget preparation happens in mid-October of each year before we establish our final budget. Prior to the October 15th State Equalization Aid Certification, school districts have no advance knowledge of the budget impact nor the number of students participating in the Wisconsin Parental Choice Program (WPCP) nor attending an Independent Charter School (ICS). This is impactful because under current state law, the ICS program has a significant impact on our operating budget and the WPCP program has a significant impact on our local property taxes.

Under current ICS law, we are able to count these students in our local revenue limit calculation. As the local revenue limit formula uses a three year average, an increase in student participation in the ICS program means that we get one-third of the funding in the first year, two-thirds of the funding in the second year, and full-funded in the third year. At the same time, we are responsible for the full cost of paying tuition to the ICS school (\$11,385) in the first year. This creates a situation where our costs increase exponentially faster than our new revenues, especially for declining enrollment districts. At Kettle Moraine, in October, 2021, we faced a \$1.5 million budget adjustment only weeks before we needed to adopt the final budget.



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Similarly, under current WPCP law, the system is designed to allow some state funding (via the State Equalization Aid formula) to cover some of the revenue limit impact of the WPCP. The challenge is that the State Equalization Aid formula uses prior year data when calculating State Equalization Aid, meaning that in the first year of any new student's participation in the program, the full cost of that WPCP voucher is borne by local property taxpayers.

The proposed decoupling bill would address both of these issues. Our School District does not oppose educational choice for parents and families, but we do suffer the consequences of current state policy that leaves us responsible for the budget impact and property tax impact of the programs even if the school district is made whole in the long term. Having the Wisconsin Parental Choice Program (WPCP) and the Independent Charter School (ICS) Program funded with State GPR would make the school district process of establishing our final budgets cleaner, more transparent, and with greater stability for our students and our taxpayers.

According to the recent analysis completed by the Wisconsin Legislative Fiscal Bureau, Kettle Moraine would not see an increase in State Equalization Aid under their calculations, but we would see a reduction in our Revenue Limit Authority with a similar reduction in our expenses paid out for the WPCP and ICS programs. The net result, according to the LFB, would be an immediate tax levy reduction of \$2,495,435 per year. As the Legislative Fiscal Bureau uses current variables that do not anticipate any changes in the current factors driving school funding or taxes, this is unlikely to be the exact impact, but it does conceptually establish the impact for our district.

Additionally, according to the Legislative Fiscal Bureau Analysis, Kettle Moraine would receive a \$623,859 recurring revenue limit exemption, effective with the 2024-25 school year. Our school district enrollment has dropped in recent years due to a declining birth rate and changing local demographics. Nearly 600 non-resident students/families choose to enroll in our local schools based on the perceived quality of our instructional opportunities, but this net inflow of kids into our district has not been enough to offset the annual differential between the outgoing senior class and the incoming kindergarten class. The result has been difficult decisions and right sizing of our staff which are spread out over 83 square miles on six campuses. This additional revenue would likely allow us to maintain six teaching positions that would otherwise need to be eliminated as part of our right sizing.

I believe that public education has a fundamental importance within our democracy. I also hold a strong conviction of empowering parents to choose the educational environment that is best for their children and family. By decoupling the ICS/WPCP/SNSP funding from K-12 public school district funding removes conflict between these two systems and allows school finance officers to focus their attention on how to best facilitate discussions and strategy around the use of resources that make meaningful impacts on student learning rather than trying to explain a complex and nuanced system that funds the ICS/WPCP/SNSP programs through a combination of local property taxes and state resources.

In summary, while this legislation does not adequately address long term funding challenges that are present for the Kettle Moraine Schools such as achieving per pupil funding that keeps up with inflation, managing declining enrollment, or adequately funding Special Education, it does improve our district's



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financial position in our upcoming 2024-25 and subsequent budgets. It also allows the district to reduce local property taxes and leaves our school district in a better place tomorrow than we are today. Should this legislation become law it would address several key challenges that our district currently faces and would position the State Legislature and Governor to address some of K-12 public education's key priorities in the next 2025-27 biennial budget.

Thank you for the opportunity to testify on this legislation. I would be happy to answer any questions you may have about the impact of the legislation at Kettle Moraine. I can be reached at (262) 968-6300 or at stellmacherj@kmsd.edu

Sincerely,

John T Stellmacher
Chief Financial Officer
Kettle Moraine School District

CC: Mr. Carl Millard, Board President, Kettle Moraine
Dr. Stephen Plum, Superintendent, Kettle Moraine
Kettle Moraine School Board



February 7, 2024

Assembly Committee on Education

**Department of Public Instruction Testimony
2023 Assembly Bills 688 and 900**

Thank you, Chairman Kitchens and members of the committee, for the opportunity to testify on Assembly Bills 688 (AB 688) and 900 (AB 900). My name is Tom McCarthy, I am the Associate Deputy Superintendent. The Department of Public Instruction (DPI) is presenting testimony for information only today regarding both bills, including the substitute amendment to AB 900.

A Brief History

How we fund the various choice programs has changed significantly over time. The original Milwaukee School Choice Demonstration Project (MPCP) was funded entirely by general purpose revenue (GPR). As the program grew, the state began deducting aid from the Milwaukee Public School District (MPS) to pay for the costs of Milwaukee choice students. Initially, MPS was allowed to count these students for the purposes of state aid and revenue limits. As the program grew, and the impact of increased enrollment meant more pressure on the state's public school funding system, the legislature stopped allowing MPS to count its choice pupils, and instead moved to a cost sharing model. The state moved a portion of the cost back onto GPR, required an aid deduction from MPS, and allowed MPS to recoup the lost aid by levying local property taxes. The state share changed over time, culminating in a complete buy-out of local costs through the 2011-13 biennial budget (2013 Act 20) which reduces the MPS cost share by 3.2% a year until it reaches zero in the 2025-26 school year.

Independent charter schools (ICS) were originally funded by a first draw deduction from general aid, which all districts received uniformly. The deduction amount was calculated by multiplying the number of students enrolled in ICS by the per pupil payment set by state law. School districts were allowed to recoup the lost aid by increasing property taxes.

The Current Mechanism

The current funding structure for both new independent charter school (ICS) pupils and the state's parental choice programs pupils began with the statutory changes made through the 2015-17 biennial budget (2015 Act 55). As new choice programs were added, and eligibility expanded, policymakers were challenged to find a way to fund growth of the various choice programs. Due to state fiscal pressures, the expanded Racine and Wisconsin Parental Choice programs were funded like the second phase of the MPCP when pupils were counted for revenue limit calculations and aid calculations. This time around, however, the Racine and Wisconsin Parental Choice pupils were counted for aid purposes, generating a

deduction amount that each district would be subject to. Districts were then provided with a non-recurring revenue limit exemption, allowing them to increase taxes by the exact amount lost in aid.

As the programs grew, so did the non-recurring revenue limit impact. In the most recent year of certified school finance data – the 2022-23 school year – the non-recurring revenue limit impact for choice accounted for 10% or more of the overall levy for 19 districts (with Racine Unified being the highest at 31.2%) and accounted for 5% or more of the overall levy in another 57 districts. In total, 345 of the 421 school districts are impacted by choice programs.

The costs generated by the non-recurring revenue limit are eligible for aid, meaning these added costs are causing a redistributive effect (both positive and negative) that is challenging to quantify because of the complexity of the state’s equalization aid formula. Further complicating the current funding formula for choice, while the students generating non-recurring authority and aid are calculated based on their home location, participation in choice programs is not limited to the geographic bounds of their district of residence. The state constitution, along with a line of case law that also included an evaluation of the state’s school funding formula (*Buse v. Smith*, 74 Wis. 2d 550 (1976)), holds “that local taxes be raised for the use and purpose of the body or district imposing the tax.”

Proposals to State Fund

Before you are two proposals that seek to eliminate the local system of funding ICS and the Racine and Wisconsin Parental Choice programs. Both proposals (AB 688 and AB 900 as amended) would end the aid deductions for districts, immediately. They diverge on how aid is calculated for districts when considering choice pupils (AB 688 allows them to be counted for one more year and under the substitute amendment to AB 900 that is eliminated immediately), and the amendment to AB 900 also creates a recurring revenue limit adjustment that allows districts to keep 25% of the previous non-recurring adjustment for choice pupils. These changes are being referred to by many as decoupling, including within the non-statutory provisions of the substitute amendment to AB 900.

Considerations for State Funding of Choice

The state picking up the full cost of the various choice programs will alleviate the property tax burden experienced both locally and statewide. As detailed in the Legislative Fiscal Bureau (LFB) memo produced on the substitute to AB 900, the impact of stopping the aid deduction and ramping down the non-recurring adjustment will reduce property taxes. What is less clear to all who study the funding formula is what will happen next.

Pulling shared costs out of the system will have a redistributive effect if all other formula factors stay constant. On a statewide basis, that should amount to a property tax reduction. On a local level, that is far less certain. Because the funding formula penalizes districts who spend significantly more than the state average, the effect of adding shared costs is not desirable as it shifts more cost to negative tertiary aid considerations. In other words, as these districts were forced to add costs to cover for the choice deductions, it cost them more aid than they received from the state. Finally, it is incredibly challenging to predict how enrollment and spending will fluctuate in the future. The considerations LFB provided are based on the most recent data available. As enrollment and spending are audited and fluctuate as they naturally do, all of this is likely to change again.

The considerations of aid described above also do not account for the newly introduced idea of allowing districts to keep a recurring adjustment equal to 25% of the non-recurring choice adjustment. That new spending – which does not impact districts based on the work they do to educate kids – will be eligible for aid in the future and will advantage districts with high dollar amounts (like Racine and Green Bay), and disadvantages districts who do not.

You all have undoubtedly heard from school districts about the frustration and challenges they face in handling the current choice funding mechanics. It does not allow for planning as districts are informed in October about their aid deduction and non-recurring revenue authority. It impacts the property tax calculations they work hard with their communities to explain. And it creates confusion for districts who receive deductions but have no private schools participating in a choice program exist within their boundaries. This proposal presents a real solution to those issues. But it does not begin to address the pressing issues they face around special education reimbursement, and it sets up a challenging scenario for budgeting going forward as choice programs benefit from a sum sufficient appropriation mechanism, and public schools do not.

The department appreciates the opportunity to engage members in this conversation.

If you have questions or want additional information, please contact Kevyn Radcliffe, Legislative Liaison, at kevyn.radcliffe@dpi.wi.gov or (608) 264-6716.