



Legislative Fiscal Bureau

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February 6, 2017

TO: Senator Kathleen Vinehout
Room 108 South, State Capitol

FROM: Christa Pugh and Russ Kava

SUBJECT: Effect of Increasing Choice and Charter School Payments in 2015-16 and 2016-17

At your request, we are providing information about the effect that would have occurred if per pupil payments for pupils attending a private school choice program or an independent charter school had equaled \$9,950 in 2015-16 and \$10,000 in 2016-17.

Private School Choice Programs

Under the private school choice programs, state funds are used to pay for the cost of eligible children to attend private schools. In 2015-16, the per pupil payment was equal to \$7,214 for a pupil in grades K-8 and \$7,860 for a pupil in grades 9-12. In 2016-17, the payment is equal to \$7,323 for a pupil in grades K-8 and \$7,969 for a pupil in grades 9-12.

For the Milwaukee private school choice program, Department of Public Instruction (DPI) is required by law to reduce the general aid for which the Milwaukee Public Schools (MPS) is eligible in each year by a percentage of the estimated total cost of the program. In 2015-16, the percentage was 28.8%, and the percentage was equal to 25.6% in 2016-17. This percentage will be reduced by 3.2 percentage points each year until no aid reduction is made beginning in 2024-25.

For the statewide and Racine programs, payments for continuing pupils (those who first participated in the programs prior to the 2015-16 school year) are fully funded through state GPR. Payments for incoming pupils (those who began participating in the programs in the 2015-16 school year or later) are fully offset by a reduction in the general aid that would otherwise be paid to those pupils' school districts of residence. To make up for the aid reduction, school districts can count incoming choice pupils for general aids on a prior year basis, and receive a revenue limit adjustment for each pupil in the current year. In 2015-16, the revenue limit adjustment for each pupil was equal to the district's base revenue per pupil. Beginning in 2016-17, the revenue limit adjustment is equal to the amount of the aid reduction.

You asked for the GPR and property tax impact if the per pupil payments had equaled \$9,950 in 2015-16 and \$10,000 in 2016-17. Under the proposal, the GPR cost and aid reduction attributable to the Milwaukee private school choice program would have increased in each year. Because MPS can levy to backfill the aid reduction, the increased aid reduction could have resulted in an increased property levy equal to the amount of the aid reduction. For the statewide and Racine programs, the GPR cost for continuing pupils and the aid reduction for incoming pupils would have increased. In 2015-16, there would not have been an effect on local property taxes because by law, the revenue limit adjustment was equal to each district's base revenue per pupil in that year. In 2016-17, levies could have increased by an amount equal to the increase in the amount of the aid reduction.

Attachment 1 shows the total GPR, aid reduction, and net GPR for each of the three programs and the revenue limit increase for the Racine and statewide programs under current law and under the proposal.

Independent Charter School Program

Under the independent charter school program, the City of Milwaukee, UW-Milwaukee, and UW-Parkside currently operate or contract to operate independent charter schools. DPI pays the operators of these charter schools a statutorily-determined per pupil amount each year (\$8,079 in 2015-16 and \$8,188 in 2016-17). By law, DPI is required to proportionally reduce the general aid for which each school district is eligible by an amount totaling the estimated payments for charter school authorized by these entities. Based on the October 15 general school aids estimates, general aid statewide was reduced by a total of \$71.9 million in 2015-16 and \$62.2 million in 2016-17 for these charter schools. Each district's general aid was reduced proportionately by 1.6% in 2015-16 and 1.4% in 2016-17 to generate the total statewide amounts in each year. Under revenue limits, school districts may levy property taxes to make up for the amount of revenue lost due to these aid reductions.

Attachment 2 summarizes the total GPR, aid reduction, and net GPR for the independent charter school program under current law and the proposal under which the per pupil payments had equaled \$9,950 in 2015-16 and \$10,000 in 2016-17. Under the proposal, the GPR cost and aid reduction attributable to the charter program would have increased in each year. Because school districts can levy to backfill the charter program aid reduction, the proposal could have resulted in an increased property tax levy equal to the increase in the aid reduction.

We hope this information is helpful. Please contact us if you have additional questions.

CP/RK/sas
Attachments

ATTACHMENT 1

Estimated Cost of the Milwaukee, Racine, and Statewide Private School Choice Programs Under Current Law and Proposal to Increase Per Pupil Payments (\$ in Millions)

	<u>Milwaukee Private School Choice Program</u>		<u>Racine Private School School Choice Program</u>		<u>Statewide Private School Choice Program</u>		<u>Total</u>	
	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>
Total GPR								
Proposal	\$263.4	\$273.0	\$20.5	\$24.7	\$24.6	\$30.0	\$308.5	\$327.7
Current Law	<u>196.4</u>	<u>203.7</u>	<u>15.1</u>	<u>18.3</u>	<u>18.4</u>	<u>22.6</u>	<u>229.9</u>	<u>244.6</u>
Difference from Current Law	\$67.0	\$69.3	\$5.4	\$6.4	\$6.2	\$7.4	\$78.6	\$83.1
Aid Reduction								
Proposal	\$75.9	\$69.9	\$5.7	\$11.8	\$16.0	\$22.3	\$97.6	\$104.0
Current Law	<u>56.6</u>	<u>52.1</u>	<u>4.2</u>	<u>8.8</u>	<u>11.9</u>	<u>16.7</u>	<u>72.7</u>	<u>77.6</u>
Difference from Current Law	\$19.3	\$17.8	\$1.5	\$3.0	\$4.1	\$5.6	\$24.9	\$26.4
Net GPR								
Proposal	\$187.5	\$203.1	\$14.8	\$12.9	\$8.6	\$7.7	\$210.9	\$223.7
Current Law	<u>139.8</u>	<u>151.6</u>	<u>10.9</u>	<u>9.5</u>	<u>6.5</u>	<u>5.9</u>	<u>157.2</u>	<u>167.0</u>
Difference from Current Law	\$47.7	\$51.5	\$3.9	\$3.4	\$2.1	\$1.8	\$53.7	\$56.7
Revenue Limit Increase								
Proposal	N.A.	N.A.	\$5.6	\$11.8	\$15.8	\$22.3	\$21.4	\$34.1
Current Law	N.A.	N.A.	<u>5.6</u>	<u>8.8</u>	<u>15.8</u>	<u>16.7</u>	<u>21.4</u>	<u>25.5</u>
Difference from Current Law	N.A.	N.A.	\$0.0	\$3.0	\$0.0	\$5.6	\$0.0	\$8.6
Summary								
Net Change to GPR	\$47.7	\$51.5	\$3.9	\$3.4	\$2.1	\$1.8	\$53.7	\$56.7
Net Change to Levy	\$19.3	\$17.8	\$0.0	\$3.0	\$0.0	\$5.6	\$19.3	\$26.4

ATTACHMENT 2

Estimated Cost of the Independent Charter School Program Under Current Law and Proposal to Increase Per Pupil Payments (\$ in Millions)

	<u>2015-16</u>	<u>2016-17</u>
Total GPR		
Proposal	\$88.6	\$76.0
Current Law	<u>71.9</u>	<u>62.2</u>
Proposal Change to Current Law	\$16.7	\$13.8
Aid Reduction		
Proposal	\$88.6	\$76.0
Current Law	<u>71.9</u>	<u>62.2</u>
Proposal Change to Current Law	\$16.7	\$13.8
Net GPR		
Proposal	\$0.0	\$0.0
Current Law	<u>0.0</u>	<u>0.0</u>
Proposal Change to Current Law	\$0.0	\$0.0
Revenue Limit Increase		
Proposal	N.A.	N.A.
Current Law	N.A.	N.A.
Proposal Change to Current Law	N.A.	N.A.
Summary		
Net Change to GPR	\$0.0	\$0.0
Net Change to Levy	\$16.7	\$13.8