



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

September 23, 2016

TO: Senator Duey Stroebel
Room 18 South, State Capitol

FROM: Russ Kava, Fiscal Analyst

SUBJECT: Potential Effects of the Elimination of the Private School Choice Programs on Requested School Districts

At your request, I am providing information on the potential revenue limit and general school aids effects on selected school districts if the private school choice programs were eliminated.

Background

Under the Milwaukee, Racine, and statewide private school choice programs, the state pays a statutorily-determined per pupil amount for children from eligible families to attend participating 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. The weighted average per pupil payment was equal to \$7,353.

Under the Milwaukee program, payments are made from a sum-sufficient GPR appropriation totaling \$196.4 million in 2015-16. To partially offset the cost of the program, the Department of Public Instruction is required by law to reduce the general aid for which the Milwaukee Public Schools (MPS) is eligible by a percentage of the total cost of the program. In 2015-16, the aid reduction was equal to 28.8% of the total cost of the program, or \$56.6 million. This percentage will be reduced by 3.2 percentage points in each year until no aid reduction is made beginning in 2024-25. Thus, the state share of the cost of the program in 2015-16 was equal to \$139.8 million.

Under revenue limits, MPS can levy to make up for the aid reduction. Under 2007 Act 20, a separate aid program was created to provide aid to districts with high poverty. By law, any high poverty aid MPS receives must be used to offset the choice levy attributable to the general aid

reduction. In 2015-16, MPS received \$5.3 million in high poverty aid. After consideration of high poverty aid, the effective aid reduction for MPS related to the choice program was \$51.3 million, which was 26.1% of the estimated cost of the program in 2015-16. The state thus funded 73.9% of the Milwaukee program, which is \$145.1 million in 2015-16. This is the sum of the \$139.8 million shown above plus the \$5.3 million of high poverty aid.

Under the Racine and statewide programs, payments for continuing pupils (those who participated in the programs in the 2014-15 school year or earlier) are fully funded through state GPR. Payments for incoming pupils (those who first participated 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 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 will be equal to the amount of the aid reduction. Other than the revenue limit adjustment, school districts are not permitted to levy to make up for the aid reductions attributable to the Racine or statewide choice programs. In 2015-16, the total cost of payments for continuing and incoming pupils in the Racine and statewide choice programs was equal to \$33.5 million, with the aid reduction for incoming pupils equal to \$16.1 million.

Elimination of the Private School Choice Programs

If the choice programs were eliminated, the state would no longer make payments for choice pupils in those programs. Net general fund expenditures related to the Milwaukee program would be reduced in an amount equal to 71.2% of the total cost of the program (\$139.8 million in 2015-16). The 28.8% net choice program reduction made to MPS general school aids (\$56.6 million in 2015-16) would also be eliminated. Net general fund expenditures related to the Racine and statewide programs would be reduced by the cost of payments for continuing pupils (\$17.4 million in 2015-16). Districts would also not receive the revenue limit adjustment for incoming pupils in the Racine and statewide programs. Because the state does not have a commitment to fund a specified percentage of partial school revenues, any increase in school district revenue limits that would result from choice pupils attending public schools would not automatically result in an increase in general school aids.

The fiscal effect of the elimination of the choice programs would depend in part on two factors. The first factor is how the total state share of those programs' costs (\$157.2 million) would be appropriated in the absence of the programs. One option would be to appropriate the funding for general school aids to account for the possible attendance of an unknown percentage of students at public schools. Another option would be to appropriate the funding to other programs or use it to improve the balance of the general fund. To illustrate the possible effects of the elimination of the programs, this memorandum will consider both options.

The second factor would be the number of pupils that would attend public schools rather than pursue other educational opportunities, such as private schools or home schooling, and it is unclear how many would do so. To illustrate the possible revenue limit and general school aid

effects of an alternative to eliminate the programs, Tables 1 and 2 present six hypothetical examples of the fiscal effect of the elimination of the programs using the alternative assumptions that 0, 25, 50, 75, 90, or 100 percent of choice pupils attend a public school in their district of residence.

Under revenue limits, one-third of the number of choice pupils that attend public schools would count immediately under the three-year rolling average of enrollment. The school district revenue limits would fully reflect the addition of choice pupils only in the third year. Because general school aids are calculated using prior year membership and shared cost data, the addition of choice pupils would not directly affect the amount of aid received by school districts until the next year. Once these pupils and their related shared costs would be fully included by school districts for general school aid purposes, there would be aid shifts. Table 1 shows the potential revenue limit, general school aid, and levy changes that would have occurred in 2015-16 for MPS, the Racine Unified School District (RUSD), and the other districts in the state, in total, if the indicated percentage of choice pupils attended a public school in their district of residence and no additional funding had been appropriated for general school aids. Table 1 is calculated as if the pupils and costs had been fully phased-in and affected 2015-16 general school aids.

TABLE 1

Potential 2015-16 Revenue Limit, General Aid, and Levy Changes if Various Percentages of Choice Pupils Attended Public Schools and No Additional Funding was Appropriated for General School Aids

(\$ in Millions)

Percent Attending Public Schools	MPS			RUSD			Other Districts		
	Revenue Limit	General Aid	Levy	Revenue Limit	General Aid	Levy	Revenue Limit	General Aid	Levy
0%	\$0.0	\$56.6	-\$56.6	-\$5.6	\$0.0	-\$5.6	-\$15.8	\$0.0	-\$15.8
25	59.2	110.6	-51.4	-4.2	2.0	-6.2	-12.6	-56.0	43.4
50	118.3	168.4	-50.1	-1.9	4.1	-6.0	-9.4	-115.9	106.5
75	177.4	225.6	-48.2	2.1	6.1	-4.0	-6.2	-175.1	168.9
90	212.8	259.6	-46.8	4.5	7.2	-2.7	-4.2	-210.3	206.1
100	236.4	282.2	-45.8	6.1	8.0	-1.9	-2.9	-233.6	230.7

Table 2 shows the potential revenue limit, general school aid, and levy changes that would have occurred in 2015-16 for MPS, RUSD, and the other districts in the state, in total, if the indicated percentage of choice pupils attended a public school in their district of residence and the \$157.2 million state share of the choice programs had been appropriated for general school aids. The same assumption used in Table 1 relating to fully phased-in pupils and costs is used in Table 2.

TABLE 2

Potential 2015-16 Revenue Limit, General Aid, and Levy Changes if Various Percentages of Choice Pupils Attended Public Schools and \$157.2 Million of Additional Funding was Appropriated for General School Aids

(\$ in Millions)

Percent Attending Public Schools	MPS			RUSD			Other Districts		
	Revenue Limit	General Aid	Levy	Revenue Limit	General Aid	Levy	Revenue Limit	General Aid	Levy
0%	\$0.0	\$67.5	-\$67.5	-\$5.6	\$3.3	-\$8.9	-\$15.8	\$143.0	-\$158.8
25	59.2	121.7	-62.5	-4.2	5.3	-9.5	-12.6	86.8	-99.4
50	118.3	180.0	-61.7	-1.9	7.6	-9.5	-9.4	26.2	-35.6
75	177.4	238.0	-60.6	2.1	9.8	-7.7	-6.2	-34.0	27.8
90	212.8	272.6	-59.8	4.5	11.1	-6.6	-4.2	-70.0	65.8
100	236.4	295.5	-59.1	6.1	11.9	-5.8	-2.9	-93.7	90.8

The attachments to this memorandum provide additional detail for selected school districts on the information presented in the tables. Attachment 1 shows the net general school aid payments received by the indicated school districts in 2015-16 under current law as well as the estimated payments these districts might have received under each of the alternative assumptions that 25, 50, 75, or 90 percent of choice pupils attended a public school in their district of residence and no additional general school aids funding had been appropriated. Attachment 2 shows the same information for the scenario under which an additional \$157.2 million of general school aids funding had been appropriated. Under revenue limits, those school districts shown with an increase in aid would have decreased levies in an amount equal to the increase, while districts with an aid decrease would have the option of increasing their levies up to an amount equal to the decrease.

Because of the relatively large size of the Milwaukee program, its elimination would have the greatest effect on the potential distribution of general school aids. While participation in the Racine program was capped during the 2011-13 biennium, participation has since increased to the point where, while RUSD would also be affected by the elimination of the Milwaukee program, it would also display some of the same aid characteristics as MPS if the Racine program were eliminated. Participation in the statewide program was limited to 500 pupils in 2013-14, 1,000 pupils in 2014-15, and to 1% of a district's prior year pupil membership in 2015-16. The resulting aid effects related to the elimination of the statewide program are relatively minor at this point.

The aid changes shown in the tables and the attachments would reflect the effects of three factors. First, the elimination of the choice program reduction to MPS general school aids would have benefited MPS, with \$56.6 million of the increase in general school aids for MPS in each scenario attributable to this factor. Second, for those scenarios under which some percentage of pupils would attend a public school in their district of residence, statewide membership would have been increased and the tertiary guarantee would have been slightly lower, which would have

reduced the tertiary aid received by most districts with tertiary costs. Third, under the same scenarios, membership and shared costs for school districts with choice pupils would have been increased, which would have resulted in those districts receiving more aid under the equalization aid formula, and a lower secondary guarantee would have resulted to fully distribute the amount appropriated for general school aids. However, under the scenarios under which additional aid would have been appropriated, the reduction in the secondary guarantee would not have been as great, resulting in additional aid for most districts compared to the scenarios under which additional aid would not have been appropriated.

While the analysis above focuses on the effect of the elimination of the choice programs on general school aids, there would also be smaller effects on two other state aid programs. As noted, high poverty aid to MPS (\$5.3 million in 2015-16) must be used to offset the choice levy attributable to the general aid reduction. In the absence of the Milwaukee program, the Legislature would have to make a decision as to whether to eliminate high poverty aid for MPS or specify that it be placed under revenue limits and used to reduce the MPS levy, as is the case for all other districts receiving high poverty aid under current law. In addition, the attendance of some percentage of choice pupils at a public school in their district of residence would result in a higher per pupil aid entitlement for those districts. In 2015-16, each district received a \$150 per pupil aid payment, paid on a one-time delayed basis, from a sum sufficient appropriation. If, for example, all choice pupils had attended a public school in their district of residence in 2015-16 and been fully phased-in for its revenue limit count for that year, MPS per pupil aid would have increased by \$3.9 million in that year, RUSD per pupil aid would have increased by nearly \$250,000, and per pupil aid to other districts, in total, would have increased by nearly \$200,000.

It should be noted that, while school districts would gain both revenue limit authority and general school aids as a result of choice pupils attending those districts when fully-phased in, in the first year after elimination of the choice programs, districts would be responsible for educating a given number of additional pupils, but only receive revenue limit authority for one-third of that amount, since revenue limits use a three-year rolling average. Also, since general school aids are calculated using prior year information, districts would not receive general aid for any additional pupils or shared costs in the first year after elimination of the choice programs.

It must be emphasized that these examples are speculative. Assumptions have been made on the effects on school district membership and shared costs and the examples are calculated as if all of these factors had been fully effective in 2015-16. Changes to the assumptions could significantly modify the results. These examples should be considered as an illustration of the potential range of effects of an alternative to eliminate the choice programs.

I hope this information is helpful. Please contact me if you have further questions.

RK/sas
Attachments

ATTACHMENT 1

2015-16 Net General School Aid Payments For Selected Districts Under Current Law and Various Scenarios Under Which Indicated Percentages of Choice Pupils Attend Public Schools and No Additional General School Aids Funding was Provided

School District	Current Law	25% Attending		50% Attending		75% Attending		90% Attending	
		Payment	Change to Current Law	Payment	Change to Current Law	Payment	Change to Current Law	Payment	Change to Current Law
Campbellsport	\$6,326,290	\$6,186,347	-\$139,943	\$6,023,695	-\$302,595	\$5,850,235	-\$476,055	\$5,740,792	-\$585,498
Cedar Grove-Belgium Area	5,861,198	5,773,698	-87,500	5,671,468	-189,730	5,562,225	-298,973	5,493,197	-368,001
Cedarburg	8,776,601	8,425,621	-350,980	8,015,985	-760,616	7,578,391	-1,198,210	7,301,975	-1,474,626
Chilton	6,956,496	6,873,377	-83,119	6,777,103	-179,393	6,674,573	-281,923	6,609,943	-346,553
Elkhart Lake-Glenbeulah	408,320	408,320	0	408,320	0	408,320	0	408,320	0
Friess Lake	191,283	191,283	0	191,283	0	191,283	0	191,283	0
Germantown	11,423,600	10,935,375	-488,225	10,366,010	-1,057,590	9,943,956	-1,479,644	9,943,956	-1,479,644
Grafton	6,394,090	6,138,361	-255,729	5,842,285	-551,805	5,527,001	-867,089	5,328,297	-1,065,793
Hartford J1	10,875,750	10,715,871	-159,879	10,529,573	-346,177	10,330,703	-545,047	10,205,135	-670,615
Hartford UHS	5,381,563	5,203,670	-177,893	4,997,768	-383,795	4,964,475	-417,088	4,964,476	-417,087
Kewaskum	8,265,572	8,080,336	-185,236	7,863,289	-402,283	7,631,084	-634,488	7,484,243	-781,329
Kiel Area	7,240,108	7,125,275	-114,833	6,992,003	-248,105	6,849,958	-390,150	6,760,373	-479,735
Mequon-Thiensville	2,186,310	2,186,310	0	2,186,310	0	2,186,310	0	2,186,310	0
New Holstein	5,297,261	5,188,400	-108,861	5,071,950	-225,311	4,936,331	-360,930	4,850,660	-446,601
Northern Ozaukee	3,003,318	2,904,324	-98,994	2,790,152	-213,166	2,668,758	-334,560	2,592,337	-410,981
Plymouth	10,773,884	10,597,872	-176,012	10,386,177	-387,707	10,157,560	-616,324	10,013,996	-759,888
Port Washington-Saukville	12,460,624	12,266,478	-194,146	12,016,793	-443,831	11,746,743	-713,881	11,576,039	-884,585
Random Lake	4,309,519	4,220,025	-89,494	4,116,065	-193,454	4,005,218	-304,301	3,935,292	-374,227
Richfield J1	1,278,553	1,229,540	-49,013	1,166,508	-112,045	1,133,207	-145,346	1,133,207	-145,346
Sheboygan Falls	9,272,661	9,124,055	-148,606	8,961,977	-310,684	8,779,143	-493,518	8,663,945	-608,716
Slinger	12,011,983	11,750,410	-261,573	11,444,927	-567,056	11,118,526	-893,457	10,912,310	-1,099,673
West Bend	<u>30,659,619</u>	<u>29,970,887</u>	<u>-688,732</u>	<u>29,177,760</u>	<u>-1,481,859</u>	<u>28,318,722</u>	<u>-2,340,897</u>	<u>27,776,019</u>	<u>-2,883,600</u>
Total	\$169,354,603	\$165,495,835	-\$3,858,768	\$160,997,401	-\$8,357,202	\$156,562,722	-\$12,791,881	\$154,072,105	-\$15,282,498

ATTACHMENT 2

2015-16 Net General School Aid Payments For Selected Districts Under Current Law and Various Scenarios Under Which Indicated Percentages of Choice Pupils Attend Public Schools and \$157.2 Million of Additional General School Aids Funding was Provided

School District	Current Law	25% Attending		50% Attending		75% Attending		90% Attending	
		Payment	Change to Current Law	Payment	Change to Current Law	Payment	Change to Current Law	Payment	Change to Current Law
Campbellsport	\$6,326,290	\$6,523,988	\$197,698	\$6,377,328	\$51,038	\$6,228,729	-\$97,561	\$6,137,221	-\$189,069
Cedar Grove-Belgium Area	5,861,198	5,993,635	132,437	5,901,778	40,580	5,808,660	-52,538	5,751,264	-109,934
Cedarburg	8,776,601	9,293,788	517,187	8,925,471	148,870	8,552,117	-224,484	8,322,038	-454,563
Chilton	6,956,496	7,070,767	114,271	6,983,755	27,259	6,895,624	-60,872	6,841,382	-115,114
Elkhart Lake-Glenbeulah	408,320	408,547	227	408,547	227	408,547	227	408,547	227
Friess Lake	191,283	191,388	105	191,388	105	191,388	105	191,388	105
Germantown	11,423,600	12,135,824	712,224	11,623,608	200,008	11,104,435	-319,165	10,784,541	-639,059
Grafton	6,394,090	6,735,751	341,661	6,468,090	74,000	6,196,987	-197,103	6,030,154	-363,936
Hartford J1	10,875,750	11,110,537	234,787	10,942,841	67,091	10,772,890	-102,860	10,668,183	-207,567
Hartford UHS	5,381,563	5,618,879	237,316	5,432,702	51,139	5,244,137	-137,426	5,128,102	-253,461
Kewaskum	8,265,572	8,552,955	287,383	8,358,314	92,742	8,160,939	-104,633	8,039,221	-226,351
Kiel Area	7,240,108	7,400,578	160,470	7,280,290	40,182	7,158,431	-81,677	7,083,406	-156,702
Mequon-Thiensville	2,186,310	2,187,521	1,211	2,187,521	1,211	2,187,521	1,211	2,187,521	1,211
New Holstein	5,297,261	5,458,642	161,381	5,354,993	57,732	5,239,266	-57,995	5,167,942	-129,319
Northern Ozaukee	3,003,318	3,129,379	126,061	3,025,894	22,576	2,921,119	-82,199	2,856,686	-146,632
Plymouth	10,773,884	11,131,258	357,374	10,944,827	170,943	10,755,476	-18,408	10,640,236	-133,648
Port Washington-Saukville	12,460,624	12,855,276	394,652	12,634,192	173,568	12,408,211	-52,413	12,269,304	-191,320
Random Lake	4,309,519	4,435,276	125,757	4,341,503	31,984	4,246,494	-63,025	4,187,992	-121,527
Richfield J1	1,278,553	1,377,154	98,601	1,321,341	42,788	1,264,287	-14,266	1,229,220	-49,333
Sheboygan Falls	9,272,661	9,471,066	198,405	9,325,352	52,691	9,167,954	-104,707	9,071,105	-201,556
Slinger	12,011,983	12,403,163	391,180	12,128,606	116,623	11,850,284	-161,699	11,678,748	-333,235
West Bend	<u>30,659,619</u>	<u>31,685,916</u>	<u>1,026,297</u>	<u>30,974,071</u>	<u>314,452</u>	<u>30,241,389</u>	<u>-418,230</u>	<u>29,789,831</u>	<u>-869,788</u>
Total	\$169,354,603	\$175,171,288	\$5,816,685	\$171,132,412	\$1,777,809	\$167,004,885	-\$2,349,718	\$164,464,032	-\$4,890,571