

### Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>11-1359/1</b>	<b>Introduction Number</b> <b>AB-0051</b>	
<b>Description</b> Creating a Charter School Authorizing Board, providing additional charter school authorizers, eliminating the limit on the number of pupils who may attend virtual charter schools, modifying teacher licensure requirements, eliminating the limit on the reduction in general school aid used to fund independent charter schools, covering certain charter school employees under the Group Insurance Board health coverage plan for local government employees, allowing a charter school to elect to participate in the Wisconsin Retirement System, granting rule-making authority, and making an appropriation		
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs                  3. <input checked="" type="checkbox"/> Increase Revenue                  5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs                  4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.255 (2) (fm), 20.255 (2) (ac)		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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## Fiscal Estimate Narratives

DPI 3/29/2011

LRB Number	11-1359/1	Introduction Number	AB-0051	Estimate Type	Original
<b>Description</b> Creating a Charter School Authorizing Board, providing additional charter school authorizers, eliminating the limit on the number of pupils who may attend virtual charter schools, modifying teacher licensure requirements, eliminating the limit on the reduction in general school aid used to fund independent charter schools, covering certain charter school employees under the Group Insurance Board health coverage plan for local government employees, allowing a charter school to elect to participate in the Wisconsin Retirement System, granting rule-making authority, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

State:

Under current law payments to independent charter schools through the 2009-11 biennium are offset by a proportional reduction in general equalization aid payments for each school district. Beginning in the 2011-12 school year the amount of the reduction in general equalization aid payments is capped at the amount of reduction in the 2010-11 school year. Payments above the cap are to be funded 100 percent from the general fund. The appropriation funding independent charter schools is sum sufficient; therefore regardless of total cost, the appropriation must pay the full amount. This bill removes the cap on general aid reductions set to begin in 2011-12. Thus, the bill is estimated to reduce general fund costs by between \$21,000,000 and \$23,000,000 in the 2011-13 biennium. The higher estimate is based on per pupil payments and enrollment estimates under current law. The lower estimate is based on per pupil payments and enrollment estimates under the Governor's proposed budget. This amount would instead be paid from a lapse from 20.255 (2)(ac), general equalization aids. As proposed, this reduction could be made up for at the local level by property tax levy increases.

Any additional pupils attending independent charter schools under this bill over and above existing estimates would further increase the amount of general equalization aid withheld from all school districts. This amount is indeterminate because it is not certain how many pupils would attend these independent charter schools. This reduction could be made up for at the local level by property tax levy increases.

The state fiscal effect of the Charter School Advisory Board (CSAB) is indeterminate. An executive director and staff would be hired to operate the CSAB at an undetermined cost. The CSAB would charge fees to governing boards it contracts with dependent on the total number of pupils enrolled in these schools. The formula as defined in statute would generate a small fee for independent charter schools. The fees would likely not cover the cost of an executive director and staff. An example of the calculation is below. The net total of the CSAB's expense and revenue is indeterminate.

{Total Operational Costs} / {Number of pupils enrolled} \* 0.02

For a school with 500 pupils spending \$8,000 per pupil the annual fee would be only \$160.

$\$4,000,000 / 500 * 0.02 = \$160$

The Department of Public Instruction would need to develop a mechanism to track and review annual reports submitted by school boards and authorizing entities. It is estimated that a 0.5 FTE School Financial Auditor would be required to review and track reporting. The cost of this staff position would likely be \$47,900 GPR (salary \$26,800; fringe \$12,700; fixed costs \$4,300; IT costs \$3,100; administrative costs \$1,000) annually.

Under the bill, the payment to the Racine unified school district for the existing independent charter school operated under contract with UW-Parkside will decrease each year. The payment will no longer be made when all of the pupils enrolled in the independent charter school in the 2010-11 school year have aged out of the school. The projected payment for the 2010-11 school year is \$1,500,000.

The Department would be required to promulgate administrative rules for charter teaching licenses. The cost to promulgate these rules could be absorbed within the Department's current budget.

This bill eliminates the cap on virtual charter school enrollment. This may increase the number of pupils using open enrollment to attend virtual charter schools. Additional open enrollment pupils would cause a redistribution of general equalization aids due to additional open enrollment transfer payments. The fiscal effect of this is indeterminate.

#### Local:

There is a projected decrease in general equalization aids paid to school districts during the 2011-13 biennium of between \$21,000,000 and \$23,000,000 due to the removal of the cap on general aid reductions in the bill. School districts would be able to levy property taxes to recapture the funds to maintain existing funding levels.

The local fiscal effect of new independent charter schools authorized by CESAs or the CSAB is indeterminate. An increase in the number of independent charter schools would have several fiscal effects on local school districts. For every additional pupil who enrolls in an independent charter school there would be a reduction in general equalization aid. This reduction would be shared by all districts proportionately to the percent of overall aid received. A district would still be able to levy property taxes up to the revenue limit to recapture the reduction in aid, representing no change in total funds available for the school district but an increase in local property taxes.

Individual districts with currently enrolled pupils who leave the district to enroll in an independent charter school would have a reduction in FTEs enrolled. This could result in a reduction in general equalization aid received, a reduction in the overall revenue limit, and a reduction in property taxes levied to reach the overall revenue limit. However, school districts may not see a reduction in costs, because pupils leaving could be spread across multiple grades and buildings. Districts would not necessarily be able to remove a teacher or space to actually reduce costs. In addition, a reduction in a district's FTE count causes an increase in property value per FTE. For individual districts this could push a district's general equalization aid per FTE to a lower amount, resulting in a possible increase in property taxes.

Pupils enrolling in independent charter schools who are currently attending a private school or are home schooled would also cause a reduction in general equalization aid paid to all school districts. Districts would be able to levy additional property taxes to recover lost aid.

The net effect of all of these factors on any individual district is indeterminate and would be based on the total statewide number of pupils attending independent charter schools, individual districts' existing pupil counts, individual districts' property values, and the number of pupils in each individual district that leave the district to attend an independent charter school. However on a statewide basis, more pupils enrolling in independent charter schools may drive increased property taxes and lower revenue limits in districts.

Charter schools would also be eligible to apply for Title I funds. This could increase the size of the applicant pool, making it more difficult for existing schools to receive Title I funds or reduce schools' existing Title I allocations.

School boards and governing boards would need to develop a reporting mechanism to meet the requirement in the bill to submit annual reports to the legislature and the state superintendent. The cost of developing this mechanism is indeterminate.

This bill eliminates the cap on virtual charter school enrollment. This may increase the number of pupils using open enrollment to attend virtual charter schools. Additional open enrollment pupils would cause a redistribution of general equalization aids due to additional open enrollment transfer payments. The fiscal effect of this is indeterminate.

#### **Long-Range Fiscal Implications**

The payment to the Racine unified school district for the existing independent charter school operated under contract with UW-Parkside will decrease each year. The payment will no longer be made when all of the pupils enrolled in the independent charter school in the 2010-11 school year have aged out of the school. The projected payment for the 2010-11 school year is \$1,500,000.