

Legislative Fiscal Bureau

Robert Wm. Lang, Director

One East Main, Suite 301 • Madison, WI 53703
Email: Fiscal.Bureau@legis.state.wi.us
Telephone: (608) 266-3847 • Fax: (608) 267-6873



State of Wisconsin

January 23, 2006

The Honorable Tom Barrett
Mayor, City of Milwaukee
City Hall
200 East Wells Street
Milwaukee, WI 53202

Dear Mayor Barrett:

In response to your January 23, 2006, letter, I am providing information on the Milwaukee parental choice program and the Milwaukee Public Schools (MPS). Specifically, you asked three questions, as follows:

1. What would be the impact on the Milwaukee property tax levy if the 14,500 students currently enrolled in the Milwaukee Parental Choice Program [MPCP] were enrolled in the Milwaukee Public School System [MPS]?
2. What would be the impact on the state's general school aid funds if the 14,500 students currently enrolled in the MPCP program were enrolled in MPS?

If the Milwaukee parental choice program were eliminated, the state would no longer make payments to the parents of choice pupils. General fund expenditures related to the choice program would be reduced in an amount equal to 55% of the total cost of the choice program (\$51.5 million in 2005-06). The 45% choice program reduction made to MPS general school aids (\$42.2 million in 2005-06) would also be eliminated. Because the state no longer has a commitment to fund two-thirds of partial school revenues, any increase in the MPS revenue limit that would result from choice pupils returning to MPS would no longer result in an increase in general school aids by an amount equal to two-thirds of the revenue limit increase.

The fiscal effect of the elimination of the choice program would depend in part on two factors. The first factor is how the 55% state share of program costs would be appropriated in the absence of the program. One option would be to appropriate the funding for general school aids to account for the possible return of an unknown percentage of students to MPS. 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 choice program, this letter will consider both options.

The second factor would be the number of pupils that would attend MPS 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 aids effects of an alternative to eliminate the choice program, this letter presents five hypothetical examples of the fiscal effect of the elimination of the program using the alternative assumptions that 0, 25, 50, 75 or 100 percent of choice pupils attend MPS.

Once these pupils and their related shared costs would be fully included by MPS for revenue limit and general school aid purposes, there would be aid shifts. Table 1 shows the revenue limit, general school aids, and potential levy changes that would have occurred in 2005-06 for MPS and the other districts in the state, in total, if the indicated percentage of pupils attended MPS and no additional funding had been appropriated for general school aids. Table 1 is calculated as if the pupils and costs would be fully phased-in for purposes of revenue limits and general school aids.

TABLE 1
2005-06 Revenue Limit, General School Aid and Levy Changes if Various Percentages of Pupils Attended MPS and No Additional Funding was Appropriated for General School Aids

(\$ in Millions)

Percent Attending MPS	MPS			Other Districts		
	Revenue Limit	General Aid	Levy	Revenue Limit	General Aid	Levy
0%	\$0.0	\$42.2	-\$42.2	\$0.0	\$0.0	\$0.0
25	34.5	72.3	-37.8	0.0	-30.2	30.2
50	68.9	102.6	-33.7	0.0	-60.5	60.5
75	103.4	133.0	-29.6	0.0	-90.9	90.9
100	137.9	163.5	-25.6	0.0	-121.4	121.4

** \$121 million to all other districts*
\$ 25 million reduction in our levy.

Table 2 shows the revenue limit, general school aids and potential levy changes that would have occurred in 2005-06 for MPS and the other districts in the state, in total, if the indicated percentage of pupils attended MPS and the \$51.5 million state share of the choice program had been appropriated for general school aids. The same assumption used in Table 1 relating to fully phased-in cost is used in Table 2.

TABLE 2
2005-06 Revenue Limit, General School Aid and Levy Changes if Various Percentages of Pupils Attended MPS and \$51.5 Million of Additional Funding was Appropriated for General School Aids
 (\$ in Millions)

Percent Attending MPS	MPS			Other Districts		
	Revenue Limit	General Aid	Levy	Revenue Limit	General Aid	Levy
0%	\$0.0	\$45.9	-\$45.9	\$0.0	\$47.4	-\$47.4
25	34.5	76.1	-41.6	0.0	17.3	-17.3
50	68.9	106.4	-37.5	0.0	-13.0	13.0
75	103.4	136.8	-33.4	0.0	-43.4	43.4
100	137.9	167.3	-29.4	0.0	-73.9	73.9

It should be noted that, while MPS would gain both revenue limit authority and general school aids as a result of choice pupils attending MPS when fully-phased in, in the first year after elimination of the choice program, MPS 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, MPS would not receive aid for any additional pupils or shared costs in the first year after elimination of the choice program.

Finally, it must be emphasized that these examples are speculative. Assumptions have been made on the effects on MPS membership and shared costs and the examples are calculated as if all of these factors had been fully effective in 2005-06. 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 program.

3. For the 2005-06 school year, what is the Milwaukee property tax levy for each MPS student? For the 2005-06 school year, what is the Milwaukee property tax levy for each MPCP student? How much more or less do Milwaukee property taxpayers pay for a student enrolled in MPCP vis-à-vis each student enrolled in MPS?

For 2005-06, the MPS levy is \$226,360,163. The aid reduction related to the choice program is \$42,157,620. With 14,751 choice pupils, the choice levy is \$2,858 per pupil. Excluding the choice levy and the community service levy of \$8,077,455, the remainder of the 2005-06 MPS levy is \$176,125,088. With a current year three-year average enrollment of 96,978 under revenue limits, the MPS levy is \$1,816 per pupil. The difference between the two figures is \$1,042 per pupil.

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

Sincerely,



Robert Wm. Lang
Director

RWL/bh