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April 14, 2016  
(Amended on April 15, 2016)

In accordance with Milwaukee ordinance 330-15-4, this report describes a general and estimated calculation of the possible affects to Milwaukee Public Schools as a result of the Common Council authorizing the Next Door Foundation's application for a charter school.

The Next Door Foundation currently has two locations that serve K3, K4, and K5 students. Its location at 2545 North 29<sup>th</sup> Street, Milwaukee, WI 53210 is currently authorized by Milwaukee Public Schools. For the purposes of this report, a 135 FTE count, as reported by the Next Door Foundation and confirmed in its contract with MPS will be used in assessing financial effects. Next Door has a second location at 5310 West Capitol Drive, Milwaukee, WI 53216. For purposes of this report, a 160 FTE count, as reported by the Next Door Foundation will be used in assessing financial effects. The Next Door Foundation is not receiving any funds from Milwaukee Public Schools for these current 160 K4 students.

This report attempts to address financial affects in two scenarios, (1) 135 students currently enrolled in MPS enroll in a Common Council authorized school, and (2) a loss of potential revenue from new (160) MPS students. Scenario 1 is a rough projection of the impact of 135 students currently enrolled in a MPS non-instrumentality to a 2r charter. These estimates were arrived at using the revenue limit and general fund calculation sheets available on the DPI website. A number of assumptions have to be made in this analysis. Scenario 2 is a rough projection of the impact of 160 students otherwise likely to enroll in MPS if Next Door shifts status to a 2r charter. These estimates were arrived at using the revenue limit and general fund calculation sheets available on the DPI website. Note that, because these are projections of future revenue, MPS incurs no *actual* revenue loss from this change, only a loss of potential revenue given certain assumptions.

Figures in this report are not fixed and subject to numerous changes. A three-year projection is reflective of the three-year average revenue limits. Assumptions in this report are not the only assumptions that could be made. As a result, this document should not be used to represent anything more than what is in accordance with the responsibilities of the Charter School Review Committee.<sup>1</sup>

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<sup>1</sup> Information from the Wisconsin Department of Public Instruction (DPI) website, employees of DPI, employees of Milwaukee Public Schools, representatives of the Next Door Foundation, and the Next Door Foundation charter contract. (As requested by CSRC Member Glenn Steinbrecher in the meeting on April 14, 2016 numbers in this report have been rounded to the nearest thousand).

**Scenario 1: Effect 135 students currently enrolled in MPS switch to a 2r Charter**

The following assumptions were made in executing this rough calculation:

1. No change in the tax revenue of the district.
2. No change in the cost ceiling per member at the primary, secondary or tertiary level.
3. The only enrollment change in MPS is the shift in students from the instrumentality charter to the 2r charter.
4. Students enrolled remain at the 2r charter the entire academic year.
5. No change in Computer Aid to MPS.
6. No change in the per-pupil allotment for independent charter schools (\$8,000 for the purpose of this analysis).
7. No change in DPI calculations.
8. No change in the adjustment for refunded or rescinded taxes.
9. No change in federal policies affecting school funding.
10. Students return to MPS after the K5 year.
11. MPS nets revenue from non-instrumentality charter students by retaining the difference in the amount of per-pupil funding (~\$10,000) provided by the state and the amount of the allotment for tuition at non-instrumentality charters (~\$8,000 in future years).

As such, the information here should be considered a very rough estimate.

- MPS realizes a gain in year 1 resulting from the use of three-year enrollment averages uses to calculate school funding. This gain is approximately \$125,000.
- MPS incurs a loss in years 2 and 3 resulting chiefly from a loss of the ability to retain funds for K4 and K5 students in year 2. The year 2 and year 3 losses total \$997,000.
  - The loss of the retained revenue accounts for \$535,000 of the total loss.
- The net loss from MPS revenue limit over three years is \$875,000.
- Despite the aggregate reduction in revenue limit, the per-enrolled student revenue is *higher* for MPS in each year if Next Door changes to a 2r charter.<sup>2</sup>

ND as 2r	ND as MPS	Difference	Difference w/ "keep"
\$828,281,000	\$827,823,000	\$458,000	\$124,000
\$823,009,000	\$823,522,000	-\$513,000	-\$714,000
\$815,629,000	\$815,914,000	-\$285,000	-\$285,000
<b>Total</b>		<b>-\$340,000</b>	<b>-\$875,000</b>

<sup>2</sup> The \$340,282 loss is approximately .04% of the Milwaukee Public Schools total budget as represented in the above calculations. The \$875,481 loss is approximately .1% of the Milwaukee Public Schools total budget as represented in the above calculations.

## Scenario 2: Effect of Potential Revenue from 160 new MPS students

The following assumptions were made in executing this rough calculation:

1. No change in the tax revenue of the district.
2. No change in the cost ceiling per member at the primary, secondary or tertiary level.
3. The only enrollment change in MPS is the shift in students from the instrumentality charter to the 2r charter.
4. Students enrolled remain at the 2r charter the entire academic year.
5. No change in Computer Aid to MPS.
6. No change in the per-pupil allotment for 2r charter schools (\$8,000 for this analysis).
7. No change in the adjustment for refunded or rescinded taxes.
8. No change in DPI calculations.
9. No change in federal policies affecting school funding.
10. Students return to MPS after the K5 year.
11. MPS retains revenue from non-instrumentality charter students by keeping the difference in the amount of per-pupil funding (~\$10,000) provided by the state and the amount of the allotment for tuition at non-instrumentality charters (~\$8,000 in future years).

As such, the information here should be considered a very rough estimate.

- MPS incurs a loss in year 1 resulting from two sources: the loss of students from Next Door K5 who would have been counted in student counts if Next Door had remained an instrumentality charter, and the loss of the ability to “keep” the excess funding provided in revenue limits for charter school students. A year one reduction in the revenue limit of \$468,000.
  - The loss of the retained funds accounts for approximately \$403,000 of the total revenue loss.
- MPS gains revenue in years 2 and 3 as these students return to MPS classrooms. This “increase” results from the inclusion of the one-year of lower per-pupil counts resulting from the not counting Next Door students for one year. This difference leads to an increase in the revenue limit of \$243,000 over these years.
- The net decrease in the potential revenue limit if these students were enrolled in MPS over three years is of \$213,000.
- Despite the aggregate reduction in revenue limit, the per-enrolled student revenue is *higher* for MPS in each year if Next Door changes to a 2r charter.
- Note: Because these are projections of future revenue, MPS incurs no *actual* revenue loss, only a loss of potential revenue given certain assumptions.<sup>3</sup>

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<sup>3</sup> The \$179,384 potential revenue increase represents .02% of the total budget of Milwaukee Public Schools as represented in this report. The \$213,236 loss is approximately .02% of the Milwaukee Public Schools total budget as represented in the above calculations.

**Scenario 1: Effect 135 students currently enrolled in MPS switch to a 2r Charter**

ND as 2r	ND as MPS	Difference	Difference w/ "keep"
\$827,823,000	\$827,887,000	-\$64,000	-\$456,000
\$823,647,000	\$823,570,000	\$77,000	\$77,000
\$817,167,000	\$817,000,000	\$167,000	\$167,000
<b>Total</b>		\$180,000	-\$212,000