



WISCONSIN POLICY FORUM

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Wisconsin Policy Forum Report Untangles MPS Funding of Charter Schools

Nonpartisan, Independent Group Explains Complex Web of Contracts, Reimbursements

MILWAUKEE—A new report from the Wisconsin Policy Forum examines charter school financing in Milwaukee, with particular emphasis on the funding arrangements between Milwaukee Public Schools (MPS) and the 11 private charter schools, known as non-instrumentality charter (NIC) schools, that operate under contract with the district.

The report, “A Teachable Moment: Understanding the Complexities of Charter School Financing in Milwaukee,” analyzes key state and local aid payments the district receives for its NIC school students, how it allocates dollars to those schools, and amounts retained for administration, overhead, and district-wide services. It also compares MPS’ policies and practices to those of the other charter authorizers in Milwaukee – the City of Milwaukee and UWM.

The report does not address broader questions over the merits of charter schools as a sector or of the educational performance of individual charter schools.

“We’ve observed considerable confusion about charter school financing during the often heated discussion surrounding MPS’ efforts to establish or expand those schools,” said WPF Senior Researcher Anne Chapman, the report’s lead author. “This report seeks to provide clarity and lend an objective voice to the facts surrounding the financial relationship between MPS and its charter schools.”

The report found that the NIC schools received a base per pupil payment to support their general operations of \$8,395 in 2017-18 (though three schools also have negotiated supplemental payments). This is the same baseline amount paid, per the current state budget, to independent charter schools that operate under other authorizers. The district subtracts a standard administrative fee of 3%, though again three schools have negotiated lower fee amounts.

Because the district received an average of \$10,572 per pupil in combined state aids and local property taxes for each traditional and charter school student in 2017-18, it was able to retain an average net gain, or balance, of \$2,243 per pupil in 2017-18 once the impact of supplemental payments and administrative fees are considered.

MPS uses this positive balance for district-wide costs. According to the report, this is essentially the same practice it uses for its traditional schools, which receive a base per pupil amount during the budget process that is less than the per-pupil allocation authorized by the state, with the remaining amount allocated for administration and centralized services and programming.

The report suggests this practice could be justified on the basis that NIC schools, which are considered MPS schools, should contribute to the district's overhead and centralized costs. On the other hand, the report notes that NIC schools could argue that as semi-independent entities that do not necessarily benefit from MPS centralized services to the same extent as traditional schools, they should not have to provide such a high level of support.

The report also addresses other complex elements of the MPS-NIC school funding relationship, including MPS' allocation of special purpose aids from state and federal sources, a portion of which also are allocated to NIC schools.

After considering how charter school financing works in four peer states, the report concludes by laying out a number of possible options for state policymakers, including:

- Guaranteeing a uniform basic minimum amount of operating funding to all school types, as some other states have done. Adopting such a policy in Wisconsin "might abate disagreements over how much MPS should be paying its charter schools," the report notes.
- Providing state assistance to ensure existing charter schools statewide operate in safe and functional school facilities. Other states have adopted provisions allowing charter schools to use state facilities or to access grants or capital financing for repairs, renovations, or purchase of school buildings.
- Increasing uniformity and transparency in financial reporting. The state already requires charter school authorizers to submit audited financial statements to the state itemizing operating costs and services provided. However, the state could require charter school authorizers to adopt a uniform method for assessing administrative costs and make related cost information more publicly available.
- Protecting school districts from the fiscal impacts of large enrollment drops toward charter schools. This could reduce some of the risk to districts currently considering expanding charter schools, the report suggests.

The report also lays out several considerations for Milwaukee policymakers, including:

- Making access to operating funds more equitable. The different per pupil payments negotiated among NIC operators "undermines a sense of fairness" in the way the district treats them.
- Providing more transparency by laying out the costs MPS realizes in serving NIC schools and posting the information online.

"Our intention in conducting this analysis was not to referee disputes over charter school financing, but simply to lay out verifiable facts," said Chapman. "However, our findings – as well as our analysis of charter school funding frameworks in other states – also raise some important policy questions. Moreover, we hope that by shedding light on issues surrounding the debates over financial aspects of chartering schools, we'll help ensure that policy discussions also focus on how and whether such schools produce outcomes that best serve Milwaukee's children."

The report can be found online at: <https://wispolicyforum.org/research/a-teachable-moment/>