

### Fiscal Estimate - 2013 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>13-1409/1</b>	<b>Introduction Number</b> <b>AB-0748</b>
<b>Description</b> Requirements for new private schools seeking to participate in a parental choice program and requiring a private school participating in a parental choice program to maintain accreditation	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>
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<b>Date</b>	
2/27/2014	

## Fiscal Estimate Narratives

DPI 2/27/2014

LRB Number	13-1409/1	Introduction Number	AB-0748	Estimate Type	Original
<b>Description</b> Requirements for new private schools seeking to participate in a parental choice program and requiring a private school participating in a parental choice program to maintain accreditation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill makes several changes to the Milwaukee, Racine, and state-wide parental choice programs (PCPs), under which an eligible pupil may attend a participating private school with financial assistance from the state. Among these changes are the following:

Additional requirements for "new private schools"

Under current law, a private school may participate in one or more PCPs if it satisfies certain criteria and fulfills specified requirements by specified deadlines. For example, the private school must notify the Department of Public Instruction (DPI) by February 1 of its intent to participate in a PCP in the upcoming school year. Under current law, school year is defined to mean the time commencing with July 1 and ending with the next succeeding June 30. Current law also requires a private school to be accredited by one in a list of approved accrediting organizations. If, prior to its first year of participation in a PCP, the private school is not accredited, the private school must, with limited exceptions, obtain preaccreditation by August 1 of its first school term of participation in a PCP. Current law defines school term to mean the time commencing with the first school day and ending with the last school day that the schools of a school district are in operation for attendance of pupils in a school year, other than for the operation of summer classes. Private schools seeking to participate in – or continue to participate in – a PCP must also provide a minimum number of hours of direct pupil instruction to pupils attending the school and meet all health and safety codes applicable to public schools. A private school that has participated in a PCP in any school year must also submit to DPI by September 1 of the following school year an independent financial audit of the private school and evidence of sound fiscal practices.

This bill imposes additional requirements upon a "new private school" seeking to participate in a PCP and defines a "new private school" as a private school that, with certain exceptions, satisfies either of the following: 1) the private school has been in continuous operation in the state for less than 12 consecutive months, or 2) the private school provides education to fewer than 40 pupils divided into two or fewer grades. A private school that is operated by a governing body that also operates or manages a participating private school is not considered to be a new private school if that governing body has not been barred from participating in a PCP or had any payment withheld by DPI in the three immediately preceding school years. The bill defines "governing body of a private school" and "governing body of a new private school" as a board elected or appointed to govern the private school or, if no board is appointed or elected to govern the school, any other person having direct charge of the private school.

Under the bill, a new private school must comply with the following additional requirements prior to being able to participate in a PCP:

1. By August 1 of the school year preceding the school year in which the private school first intends to participate, the private school must: notify DPI of its intent to participate and pay a nonrefundable fee; submit a complete budget for the first fiscal period of participation in a PCP that shows, among other things, that the private school will have a positive cash flow in each month of the fiscal period and no operating deficit; and provide certain information about the governing body of and policies that will govern the private school.
2. By December 15 of the school year immediately preceding the school year in which the private school first intends to participate, the private school must obtain preaccreditation from an approved preaccrediting entity.
3. By August 1 of the first school year in which the private school intends to participate, the private school must demonstrate to the satisfaction of DPI that the private school has contracted with a third-party payroll service.

The bill requires DPI to notify a new private school whether it has fulfilled specified requirements by

December 31 of the school year immediately preceding the school year in which the private school first intends to participate. A new private school that does not fulfill the requirements may not participate in a PCP in the following school year, but may reinstate the process for participating for the next following school year.

The additional requirements for new private schools first apply to a new private school seeking to participate in a PCP in the 2015–16 school year.

#### Preaccreditation and accreditation requirements

2013 Wisconsin Act 20 (Act 20, the biennial budget bill) requires a private school participating in a PCP to continuously maintain accreditation with one of a list of approved accrediting organizations for as long as the private school continues to participate in the PCP. Act 20 also requires participating private schools to annually, by January 15, submit evidence to DPI demonstrating that the private school remains accredited for the current school year. Finally, Act 20 requires DPI to bar from the PCP a private school that fails to provide evidence of accreditation, at the end of the school year and until the private school satisfies the accreditation requirement.

This bill creates formal definitions for “accrediting entity” and “preaccrediting entity”; these defined terms replace duplicated lists of approved preaccrediting and accrediting organizations to simplify the statutes. The bill clarifies that each private school that begins participation in a PCP after the effective date of the bill and that is not already accredited by an accrediting entity must obtain preaccreditation from a preaccrediting entity by August 1 before the first school term of participation in the PCP. The bill specifies that each private school that participates in a PCP and that is not already accredited by an accrediting entity must apply for accreditation by December 31 of the first school year in which the private school participates in the PCP, and must obtain accreditation by December 31 of its fourth school year of participation in the PCP. The bill also requires a private school that is accredited to offer instruction in certain specified grades, such as kindergarten through 8th grade or the high school grades, but intends to offer instruction in additional grades to obtain and continuously maintain accreditation for those additional grades in the same manner as it was required to obtain and maintain accreditation in the original grades. Finally, the bill provides that, if a participating private school learns that the organization with which it is accredited is a “disqualified organization,” the private school must obtain accreditation from an accrediting entity no later than three years from the date the private school learned the accrediting organization is a disqualified organization. The bill defines “disqualified organization” as an accrediting organization that is not an accrediting entity or a member of or otherwise sanctioned by an accrediting entity.

#### State:

The bill establishes a second timeline and process for private schools participating in a parental choice program to obtain accreditation or preaccreditation. This may make it easier for some private schools to obtain accreditation or preaccreditation than under current law. To the extent that it becomes easier there may be an increase in the number of private schools applying to participate in a parental choice program.

Under current law there is still a cap on the number of pupils that may attend a private school participating in a parental choice program other than those schools participating in the Milwaukee and Racine parental choice programs. For private schools participating in the statewide parental choice program, an increase in the number of schools applying to participate would not change the number of pupils participating in the program and would have no fiscal effect. For the Milwaukee and Racine parental choice programs, an increase in the number of schools participating may result in an increase in the number of pupils enrolled in the program.

Any increase in the number of pupils from RUSD enrolling in schools participating in a parental choice program will result in an increase in the state’s payment to private schools participating in a parental choice program.

Any increase in the number of pupils from MPS enrolling in schools participating in a parental choice program will result in an increase in the state’s payment to private schools participating in a parental choice program. The percentage of the per pupil payment that the state is responsible for in the 2015-16 school year, the first year of applicability under the bill, is 71.2 percent. The percentage will increase by 3.2 percent in each subsequent school year until it reaches 100 percent.

It is estimated that a 1.0 FTE GPR School Financial Auditor would be required to review and track reporting. The cost of this staff position would likely be \$92,400 GPR (salary \$54,100; fringe \$21,500; fixed costs (including IT) \$14,813; administrative costs \$2,000) annually.

It is estimated that a 1.0 FTE GPR School Administration Consultant would be required to administer the new requirements. The cost of this staff position would likely be \$92,400 GPR (salary \$54,100; fringe \$21,500; fixed costs (including IT) \$14,813; administrative costs \$2,000) annually.

The total fiscal to the state is indeterminate.

Local:

Private Schools:

The bill establishes a second timeline and process for private schools participating in a parental choice program to obtain accreditation or preaccreditation. This may make it easier for some private schools to obtain accreditation or preaccreditation than under current law. To the extent that it becomes easier there may be an increase in the number of private schools applying to participate in a parental choice program. The fiscal impact of an increase in the number of private schools applying will depend on the location of those schools.

Under current law there is still a cap on the number of pupils that may attend a private school participating in a parental choice program other than those schools participating in the Milwaukee and Racine parental choice programs. For private schools participating in the statewide parental choice program, an increase in the number of schools applying to participate would not change the number of pupils participating in the program and would have no fiscal effect.

For the Milwaukee and Racine parental choice programs, an increase in the number of schools participating may result in an increase in the number of pupils enrolled in the program. This will result in an increase in enrollment in those schools and a corresponding increase in the amount of state aid received by those schools.

The bill requires new private schools participating in a parental choice program to utilize a third-party payroll service. The number of private schools currently participating in a parental choice program that utilize a third-party payroll service is unknown. It is also unknown whether the cost of a third-party payroll service is more or less than the cost of an internally-provided payroll function at each school. To the extent that schools currently utilize an internally-provided payroll function their costs to provide that function may change when switching to a third-party payroll service.

The overall local fiscal effect on private schools is indeterminate.

School Districts:

The bill establishes a second timeline and process for private schools participating in a parental choice program to obtain accreditation or preaccreditation. This may make it easier for some private schools to obtain accreditation or preaccreditation than under current law. To the extent that it becomes easier there may be an increase in the number of private schools applying to participate in a parental choice program.

Under current law there is still a cap on the number of pupils that may attend a private school participating in a parental choice program other than those schools participating in the Milwaukee and Racine parental choice programs. For private schools participating in the statewide parental choice program, an increase in the number of schools applying to participate would not change the number of pupils participating in the program and would have no fiscal effect.

For the Milwaukee and Racine parental choice programs, an increase in the number of schools participating may result in an increase in the number of pupils enrolled in the program.

Any increase in the number of pupils from the Milwaukee Public School District (MPS) and Racine Unified School District (RUSD) enrolling in schools participating in a parental choice program will result in a decrease in membership in those districts and a corresponding decrease in revenue limit authority. It will also cause an increase in the value per member in those districts, which may impact the distribution of general aid in the school aid formula.

Any increase in the number of pupils from MPS enrolling in schools participating in a parental choice program will result in an increase in the amount of aid withheld from MPS under state statute. The percentage of the per pupil payment that MPS is responsible for in the 2015-16 school year, the first year of applicability under the bill, is 28.8 percent. The percentage will decrease by 3.2 percent in each subsequent

school year until it reaches 0 percent. MPS is eligible to increase the property tax levy up to the amount of the aid withheld for this reason.

The increase in the number of schools and number of pupils in MPS and RUSD due to the changes in this bill is unknown. It is also unknown how much MPS would increase the property tax levy to recover the additional state aid withheld due to an increase in the number of pupils attending a private school as part of the parental choice program under this bill.

The net effect on school districts is indeterminate.

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