

### Fiscal Estimate - 2015 Session

- Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> <b>15-3963/1</b>	<b>Introduction Number</b> <b>SB-615</b>
<b>Description</b> Special needs scholarship program	
<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 type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="text-align: right;"><input type="checkbox"/> Yes    <input type="checkbox"/> No</div> <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 <input type="checkbox"/> Permissive <input checked="" 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 checked="" 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>	
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<b>Date</b>	
1/29/2016	

## Fiscal Estimate Narratives

DPI 1/29/2016

LRB Number	15-3963/1	Introduction Number	SB-615	Estimate Type	Original
<b>Description</b> Special needs scholarship program					

### Assumptions Used in Arriving at Fiscal Estimate

Local: Indeterminate

The cost to some school districts will increase. Local property taxes will increase for some taxpayers. The amount of the increase is dependent upon the number of students in private schools (or who are home schooled) in 2015-16 who then participate in the Special Needs Scholarship program in 2016-17; the student's district of residence will also be a factor. The Department does not have information to predict the change; therefore, the amount of the increase is indeterminate.

2015 Senate Bill 615 Section 21 removes the requirement that a student attend a Wisconsin public school in this state for the 2015-16 school year by repealing 2015 Wisconsin Act 55 Section 9134 Nonstatutory provisions; Public Instruction Section 9134 (6q) (c). The bill makes several other changes, however, this is the change with a fiscal impact.

This change would allow all students who attend a private school (including students attending a private school on a Parental Choice Program (PCP) voucher), who are home schooled or not attending school in 2015-16 who meet the other eligibility requirements, to be eligible to attend a private school on a \$12,000 Special Needs Scholarship in the 2016-17 school year. To the extent that the change results in additional students participating in the Special Needs Scholarship program in 2016-17, there will be a fiscal impact on school districts and taxpayers.

The impact of the bill would depend on whether or not a student was attending a private school as private-pay student or as a participant in one of the state's three PCPs; and, which PCP the student participated in (Milwaukee or Racine/Statewide).

#### Non PCP Private School Students

For a student who attend a private school as a private pay student (or who was home schooled or not in school) in 2015-16, the impact of this change will be that:

- The school district of the student's residence will be able to include this student in its pupil count for revenue limits, thereby generating revenue authority on behalf of the student;
- The school district of residence will lose state general aid in the amount of \$12,000 to pay for the Special Needs Scholarship; and
- Beginning the following year, the student would also be reflected in the district of residence's pupil count for general aid membership purposes.

Because revenue limits are calculated using a three-year rolling average, the resident school district would capture just 1/3 of the revenue raising capacity for that student in the first year, then 2/3 in the second year, and finally, the full 1.0 FTE for the student by the third year. Assuming an average revenue limit of \$10,000 per pupil, the resident school district would be able to raise revenues by approximately \$3,333, then \$6,666 and then \$10,000 for this student. The exact amount will depend on a the district specific revenue limit per pupil and would be impacted by future per pupil adjustments as specified in state law; at this time, state law specifies that there will be no per pupil adjustment to the revenue limit in FY17 or years thereafter, though a future Legislature could make changes. While the resident district may levy taxes as a result of counting these students, they are not permitted to levy back for the \$12,000 aid reduction related to the Special Needs Scholarship. Simply stated, the impact on the resident school district would be the difference between the additional revenue authority generated by counting the student and the loss of \$12,000 in state general aid, a net loss for the first two years and for most districts, a net loss in the third and future years (assuming the revenue limit per pupil is less than the scholarship amount).

The student would also be reflected in the district of residence's pupil count for general aid membership purposes beginning the year after the student begins with the Special Need Scholarship (general aid is

calculated on prior year data). To the extent that additional members increases a district's general aid (not always the case), the mix of state aid property tax levy under revenue limits would be modified. However, the impact of adding a student to the resident district's membership for general aid purposes in a future year cannot be estimated.

#### PCP Private School Students

For a student who attend a private school as a participant in one of the state's three PCPs in 2015-16, the impact of this change will depend on whether the student was in the Racine/statewide, or the Milwaukee, PCP.

#### Racine/Statewide:

- a) Rather than include the student fully (as 1.0 whole FTE) in a revenue limit exemption, the resident district will count the student directly in its revenue limit membership;
- b) The school district of residence will lose state general aid in the amount of \$12,000 to pay for the Special Needs Scholarship; and
- c) Beginning the following year, the student will also be reflected in the district of residence's pupil count for general aid membership purposes.

The impact of this bill on the resident school district will be on two fronts: less revenue raising authority in years one and two (due to three year rolling average) and a larger deduction from state aid, as the Special Needs Scholarship amount (\$12,000) exceeds the aid reduction for a PCP. For Racine/Statewide PCP voucher students, the increased cost to the resident district is the difference between the \$12,000 Special Needs Scholarship and the PCP voucher. PCP FY17 voucher payments are estimated to be \$7,323 for pupils in grades K-8 and \$7,969 for pupils in grades 9-12. Therefore, there is an estimated per pupil cost increase of \$4,677 for pupils in grades K-8 and \$4,031 for pupils in grades 9-12. The resident district cannot levy to back fill this aid reduction. If the resident district did not receive an equalization aid payment sufficient to cover the aid reduction, the balance would be reduced from other state aid received by the district.

#### Milwaukee:

Under the Milwaukee PCP, the Milwaukee Public Schools (MPS) district does not count the pupils or receive and revenue limit exemption for them. Rather, the cost of the MPCP is shared between the state and MPS, with MPS paying 25.6% of the cost in FY17 (decreasing share in future years) via an aid reduction. However, MPS has the authority to levy back for that loss of aid. Under the bill:

- a) MPS would count the student directly in its revenue limit membership;
- b) MPS would lose state general aid in the amount of \$12,000 to pay for the Special Needs Scholarship; and
- c) Beginning the following year, the student would also be reflected in the MPS pupil count for general aid membership purposes.

The impact of the bill is that MPS would gain revenue raising authority for these students (1/3, then 2/3 and 1.0 FTE by the third year) and would lose state aid in the amount of \$12,000 per student in the Special Needs Scholarship program, for which it could not levy back. On the cost side, MPS would be paying 25.6% of the per pupil PCP voucher amount, that is, \$1,851 for K-8 students and \$2,040 for pupils in grades 9-12 (in FY17). Thus, paying 100% of the \$12,000 Special Needs Scholarship program would cost MPS \$10,149 more for PCP students in grades K-8 and \$9,960 more for PCP students in grades 9-12. The net impact on MPS would be the result of netting the additional revenue limit authority for MPS against the costs. The change in state general aid that MPS could garner by including an additional student in its general aid membership is indeterminate for future years.

Without knowing the number of students who would participate in a Special Needs Scholarship in FY17, or the mix of students who had been enrolled in a private school as either a PCP student or private pay student (or home schooled or not in school), it is not possible to estimate the total impact of this bill on school districts.

#### State: Indeterminate

For the "incoming pupils" into the Racine/Statewide PCP (those first participating in 2015-16 or thereafter), the cost is born entirely by the PCP pupils' school district of residence, via a reduction to those districts' state general aid payment. For "continuing pupils" (those who have participated prior to 2015-16), the cost of payments for continuing choice pupils are borne directly by the state's general fund. If the bill results in additional "incoming" PCP students receiving a Special Needs Scholarship in FY17, there will be no net cost to the state. If the bill results in additional "continuing" PCP students receiving a Special Needs

Scholarship in FY17, there will be a net decrease in costs to the state.

To the extent that the bill results in additional MPCP students receiving a Special Needs Scholarship in FY17, there will be an impact to the state: whereas currently, the state pays for a portion of the MPCP students – for FY17, \$5,448 for students in grades K-8 and \$5,929 for students in grades 9-12 – if the student were instead receiving a Special Needs Scholarship, the state would make the initial expenditures of \$12,000, but it would be entirely offset by the aid reduction to MPS' general aid.

Without knowing the number of students who would participate in a Special Needs Scholarship in FY17, or the mix of students who had been enrolled in a private school as either a PCP student or private pay student (or home schooled or not in school), it is not possible to estimate the total impact of this bill on the state.

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