

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>17-3903/1</b>	<b>Introduction Number</b> <b>AB-0968</b>
<b>Description</b> attendance at a private school under a parental choice program and phasing out parental choice programs	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues  <input type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <input type="checkbox"/> Yes      <input type="checkbox"/> No  <input type="checkbox"/> Decrease Costs                 </div> </div>	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">                     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                 </div> <div style="width: 30%;">                     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                 </div> <div style="width: 30%;">                     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                 </div> </div>	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</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>Agency/Prepared By</b> DPI/ Carl Bryan (608) 267-9127	<b>Authorized Signature</b> Erin Fath (608) 266-2804
<b>Date</b> 2/28/2018	

## Fiscal Estimate Narratives

DPI 2/28/2018

LRB Number	17-3903/1	Introduction Number	AB-0968	Estimate Type	Original
<b>Description</b> attendance at a private school under a parental choice program and phasing out parental choice programs					

### Assumptions Used in Arriving at Fiscal Estimate

This bill prohibits a pupil who has attended a private school under the Milwaukee Parental Choice Program, the Racine Parental Choice Program, or the statewide parental choice program (parental choice program) or the Special Needs Scholarship Program (SNSP) and who has completed the highest grade level at that private school from attending any other private school under a parental choice program or the SNSP.

Also under this bill, beginning in the 2020-21 school year, no private school may participate in a parental choice program unless the school was participating in the program in the 2019-20 school year. Also under the bill, no pupil may attend a private school under a parental choice program unless the pupil was attending that private school under the program in the 2019-20 school year.

Finally, under this bill, beginning in the 2020-21 school year, no private school may accept pupils under the SNSP unless the school was participating in the program in the 2019-20 school year, and no pupil may attend a private school under the SNSP unless the pupil was attending that private school under the program in the 2019-20 school year. Under current law, a child with a disability who meets certain eligibility criteria may receive a scholarship to attend a private school participating in the SNSP.

This limitation will therefore end the state's private school choice programs and the SNSP after all pupils enrolled in any of programs have exited from participation.

### Relevant Background Regarding Funding:

The Milwaukee private school choice program is funded through a combination of state GPR and local funding. Under the program, payments to private schools are made from a sum-sufficient GPR appropriation. To partially offset the cost of the program, an aid reduction is made to the aid that would otherwise be paid to MPS equal to a percentage of the total cost of the program. The aid reduction equals 22.4% in 2017-18, and will continue to decrease by 3.2 percentage points in each year until the program is fully state funded in 2024-25. MPS can levy property taxes to make up for the aid reduction. As of September 2017, there were 126 private schools participating in the Milwaukee private school choice program.

For the statewide and Racine private school choice programs, per pupil payments for pupils who first participated in the 2014-15 school year or prior (which are classified as "continuing pupils") are fully funded through state GPR. Payments for pupils who first participated in the 2015-16 school year or later (which are classified as "incoming pupils") are funded through a reduction in the state aid that would otherwise be paid to those pupils' school districts of residence. To make up for the aid reduction for incoming pupils, school districts receive a revenue limit adjustment for each pupil in the current year equal to the aid reduction. School districts also include incoming pupils in their pupil count for membership in calculating state general aid in the following aid year. As of September 2017, there were 154 private schools participating in the Wisconsin private school choice program and 23 private schools participating in the Racine private school choice program.

In the 2017-18 school year, payments made to private schools on behalf of pupils participating in the statewide, Racine and Milwaukee private school choice programs total \$7,530 per choice pupil enrolled in grades K-8 and \$8,176 per choice pupil enrolled in grades 9-12.

Finally, students participating in the SNSP are counted and funded in the same manner as incoming pupils in the statewide and Racine private school choice programs. Under the SNSP, the student receiving a scholarship is counted for general aid purposes (but not revenue limits); the school district of residence incurs an aid reduction equal to the per pupil payment, but also receives a revenue limit exemption to

make up for the aid reduction. In the 2017-18 school year, payments made to private schools on behalf of pupils participating in the SNSP total \$12,207 per pupil. However, 2017 Wisconsin Act 59, the 2017-19 biennial budget, created a mechanism by which the payment to a private school for a pupil participating in the SNSP could be adjusted based on actual costs documented by the private school to the Department. If an appropriate financial statement is submitted, the pupil's school district of residence would incur a state aid reduction equal to the actual cost, up to 150 percent of the statutory per pupil payment amount. Additionally, the budget provides state aid to the private school for the actual costs above that threshold, at a rate of 90 percent (this change in the payment would be first effective in the 2019-20 school year). As of September 2017, there were 28 private schools participating in the SNSP.

According to the Department's most recent unaudited data based on the third Friday count in September 2017, pupil membership in each of the state's private choice programs and SNSP for the 2017-18 school year are as follows:

Milwaukee Parental Choice Program: 27,856.8 full-time equivalent (FTE)

Racine Parental Choice Program\*: 2,915.4 FTE

Wisconsin Parental Choice Program\*\*: 4,403.8 FTE

Special Needs Scholarship Program: 244.2 FTE

\* Of the 2,915.4 FTE enrolled in the Racine Parental Choice Program, 1,834.4 FTE are counted as "incoming pupils."

\*\* Of the 4,403.8 FTE enrolled in the Wisconsin Parental Choice Program, 3,737.8 FTE are counted as "incoming pupils."

Local:

Pupils Enrolled in the MPCP

Because the bill does not directly impact the mechanism by which pupils enrolled in the Milwaukee private school choice program are funded, there is no local fiscal impact as a result of this bill, since the MPS share of funding choice pupils enrolled in the MPCP will continue to decline until the state fully covers the cost of those pupils until they exit the program.

"Continuing Pupils" Enrolled in the WPCP and RPCP

Because the costs of payments for continuing choice pupils are borne directly by the state's general fund, there would be no fiscal impact on school districts as the continuing pupils exit the program.

"Incoming Pupils" Enrolled in the WPCP and RPCP and Pupils Enrolled in the SNSP

The bill does not alter the funding mechanism for incoming choice pupils or pupils enrolled in the SNSP (revenue limit exemption, general aid reduction). Thus, under the bill, school districts would experience a gradual decrease in the reduction to their general aid payments, as the "incoming" choice and SNSP pupils exit the program. School districts' general aid payments may be further affected by the "loss" of membership, because the incoming pupils would no longer be included in the districts' pupil counts for general aid. Additionally, the amount a school district would receive in the form of a non-recurring revenue limit exemption that can be used in setting the tax levy will also decrease, eventually to zero. In terms of total controlled revenues, the net impact locally would be zero: the loss of revenue limit exemption for incoming choice pupils would be offset by the elimination of the school district's aid reduction. What could change is the mix of general aid and levy authority under the school district's revenue limit. This change cannot be projected for future years.

State:

Pupils Enrolled in the MPCP

Because current law provides that the state's share of pupils enrolled in the Milwaukee private school choice program is set to increase until the program is fully funded with state GPR in 2024-25, the exit of the continuing pupils from the choice program would offset the increase in costs to the state over time. The rate at which pupils exit the Milwaukee school choice program is unknown; thus, the rate at which the state's expenditures will decrease is indeterminate.

"Continuing Pupils" Enrolled in the WPCP and RPCP

Because continuing pupils would continue to be funded through a separate general purpose revenue appropriation, the exit of the continuing pupils from the choice program will result in lower costs to the state over time. The rate at which continuing choice pupils exit the statewide choice program is unknown; thus,

the rate at which the state's expenditures will decrease is indeterminate.

**"Incoming Pupils" Enrolled in the WPCP and RPCP and Pupils Enrolled in the SNSP**

The cost to the state for incoming pupils and pupils enrolled in the SNSP is completely offset by a reduction to the general aid payment of the public school districts in which the incoming choice pupils reside. Therefore, the exit of incoming choice pupils enrolled in the WPCP and RPCP will have no net effect on the state's general fund. Incoming pupils with a non-recurring revenue limit exemption is borne completely by the local tax levy, resulting in no impact on the state.

However, that for SNSP pupils that are partially funded by state aid (beginning in 2019-20) for the actual costs above the threshold of 150 percent of the statutory per pupil payment amount (at a rate of 90 percent), some costs to the state will likely remain, but will decrease as those pupils exist the program. The rate at which these pupils will exit the SNSP program is unknown; thus, the rate at which the state's expenditures will decrease is indeterminate.

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