

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-0898/2	Introduction Number AB-0001	
Description School review system, providing an exemption from emergency rule procedures, providing an exemption from rule-making procedures, granting rule-making authority, and making an appropriation		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 2. <input checked="" type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" 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		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By DPI/ Erin Fath (608) 266-2804	Authorized Signature Erin Fath (608) 266-2804	Date 1/15/2015

Fiscal Estimate Narratives

DPI 1/15/2015

LRB Number	15-0898/2	Introduction Number	AB-0001	Estimate Type	Original
Description School review system, providing an exemption from emergency rule procedures, providing an exemption from rule-making procedures, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Current Law - Accountability:

Current law [s. 118.385] directs DPI, annually by September 1, to publish a school and school district accountability report that includes multiple measures to determine a school's performance or a school district's improvement, including all of the following components: 1. Pupil achievement in reading and mathematics; 2. Measures of college and career readiness for high school pupils and measures indicative of being on track for college and career readiness in the elementary grades; 3. Gap in pupil achievement and rates of graduation, categorized by race English language proficiency, disability, and income level.

Current law requires the report to include an index system to identify a school's level of performance and annually place each school into one of five performance categories. The performance categories developed by the Department are: 1) significantly exceeds expectations; 2) exceeds expectations; 3) meets expectations; 4) meets few expectations; and 5) fails to meet expectations.

Current law also provides that one year after an ICS or a private school participating in a Parental Choice Program (PCP) begins using the Student Information System (SIS) under s. 115.383, or a system that is interoperable with the SIS, DPI must include the school in its school accountability report. Further, the State Superintendent is required to ensure that beginning in the 2015-16, all ICSs and PCP schools are using the SIS under s. 115.383, or a student information system that is interoperable with it.

Current law provides that if the state superintendent of public instruction determines that a school is in need of improvement for five consecutive school years or that a school district is in need of improvement for four consecutive school years, the state superintendent may direct the school board to take certain actions relate to improving the school's performance. Current law also authorizes the state superintendent to withhold state aid from any school district that fails to comply to the state superintendent's satisfaction with any of the above directives.

Current Law - Pupil Assessments:

Current law requires public schools, including ICSs, and private schools participating in a PCP to administer examinations adopted or approved by the state superintendent in the 4th, 8th, 9th, 10th, and 11th grade (in addition to federally required assessments).

Proposed AB-01

The bill requires the Department of Public Instruction to inform the parents or guardians of all children between the ages 3 and 18 of all educational options available to families on an annual basis. The bill creates the Academic Review Board (ARB), which would have the authority to implement and oversee the Academic Review System (ARS), which itself would replace the current law school and school district accountability system.

The ARS would apply to all public schools, ICSs and private schools participating in one of the state's Parental Choice Programs (PCP). The bill requires certain components in the ARS, among them, replacing the school performance categories under current law with letter grades. The bill provides for use of alternative assessments by schools, but requires the Department to contract with the Value-Added Research Center (VARC) at the University of Wisconsin-Madison to determine acceptable alternative assessments.

The bill requires the Department to annually issue report reviews for each school and specifies the required data components to be included in the report reviews. The bill further directs the Department to impose a Step I Sanction on a school receiving grades of "D" or "F" (in the third year) and specifies the mechanism for corrective action (improvement plans).

The bill requires that if the ARB determines a school fails to make adequate progress towards goals in an improvement plan, the school would be subject to a Step II Sanction, including action that ultimately could result in the ARB taking action to convert an existing public school to an ICS (established, or contracted for, by the ARB), or if no proposal to convert the public school to an ICS is accepted by the ARB, conversion to a district-authorized charter school; or in termination of payments from the state to an independent charter, or PCP private, school. The bill provides for a mechanism to exit sanction status.

Local Fiscal Impact:

The bill requires a public school, ICS (ICS) or a private school participating in a PCP (if it has at least 20 pupils enrolled under the PCP) that has received a grade of "D" or "F" on its review report in the third year of three consecutive years to comply with certain requirements under the terms of a Step I Sanction, including formulating a reform/improvement plan as well complying with the requirements of a focus school ("D" grade) or a priority school ("F" grade), as required under federal law.

It is unknown how many schools will meet the criteria under this bill to be subject to the Step I Sanctions, including compliance with requirements of a focus or priority school under federal law. The cost of reform/improvement/compliance activities will vary by school, based on the exact challenges each school faces. Therefore, the overall cost to schools resulting from Step I Sanctions is indeterminate, but it is likely to cause an increase in costs.

It is unknown how many public schools would meet the criteria under this bill to be subject to the Step II Sanctions, or whether the Step II Sanctions will result in the public school being converted to an ICS under the authority of the ARB, or converted to a district-authorized charter school, under the authority of the school board. The cost of converting a public school to a charter school would likely vary and is unknown. Thus, the fiscal impact on a public school subject to Step II can't be determined at this time. If a public school district operates fewer schools as a result of one or more of its schools being converted to an ICS (and therefore not an expense of the school district), the district's costs would most likely decrease, as it would be staffing for a lower pupil population, operating fewer school buildings, etc.

Under current law, an ICS receives a per pupil payment from the state from a GPR, sum-sufficient appropriation. The costs of the ICS program are paid for by a proportionate reduction to the General Aid (GA) payment for every public school district that receives a GA payment (all but two districts in the state). Therefore, pupils enrolled in an ICS are not included in the pupil count of their resident school district as members for the purposes of calculating GA and Revenue Limits (the bill does not change this). That is, for a pupil enrolled in an ICS, the school district of residence does not generate Revenue Limit authority or state GA for that pupil.

If a public school were converted to an ICS as a result of the Step II Sanctions, the district to which the converted school belonged would lose members for the purpose of calculating the district's Revenue Limit (impacting total allowable revenues) as well as state GA, thereby impacting the school tax levy. Even though reduced membership will decrease a district's allowable revenues based on just membership alone, the current law declining enrollment exemption would have the effect of raising a district's allowable revenues. While the loss of membership for GA purposes would not impact the district's GA immediately (it would be felt a year after the loss, as GA is based on prior year data), the impact of losing membership could very likely affect the district's state GA negatively, for the long run. The GA deduction to all school districts related to the ICS program, however, would be impacted (increased) by the creation of a new ICS right away, in the first year in that the new ICS operates, because that aid deduction amount is based on the number of pupils enrolled in an ICS in the current year. It is quite possible, and likely for many districts in the state, that in losing one or more public school to be converted to an ICS, the decrease in the district's allowable revenues (as affected by the declining enrollment exemption) will be more than offset by a loss in GA in the long run (due to losing members), resulting in a school levy increase.

To the extent that implementation of the bill results in additional ICSs, assuming the current law mechanism for funding ICSs remains, the amount of the ICS aid reduction applied to public school districts would increase, very likely resulting in an increase in the statewide school tax levy. It is not possible to estimate at this time what that impact would be for future years. However, the current per pupil payment to an ICS is \$8,075. Using the current payment, increasing participation in the ICS program by 500 pupils \$4.037 million, all of which would be paid for as a reduction to the state GA payments to district across the state.

To the extent that a public school subject to Step II sanctions is converted to a district-authorized charter

school, pupils enrolled in those schools would remain members of the district for Revenue Limit and state GA purposes.

The bill also requires that for an ICS that is subject to Step II Sanctions, the state cease payments under the ICS program to that school. Assuming that the cessation of state aid to the ICS would result in the closure of the ICS, the practical effect is that pupils previously attending the closed ICS would have to attend school elsewhere - a different ICS, a PCP or a public school (or be home schooled). Any pupils that move into a public school as a result of Step II Sanctions on an ICS would then be included in the Revenue Limit and GA membership of the school district in which that pupil resides (even if open-enrolled to a different public school district, the pupil is counted in the resident district and the resident district makes an open-enrollment payment to the district of attendance). It is not possible to estimate how many ICSs and their pupils would be impacted by Step II Sanctions or how many of those pupils would enroll in another ICS, PCP or public school. To the extent that a public school enrolls more pupils as a result of a Step II sanction imposed on an ICS, the district's costs could increase.

The bill also requires that for a private school participating in one of the state's Parental Choice Programs (PCPs), a school that is subject to Step II Sanctions could choose to either cease accepting new PCP pupils for the next two years, but retain the PCP pupils that had been enrolled at the time of the Step II Sanction; or, to withdraw completely from the PCP for four years (a private school could then reapply to participate in the PCP after two or four years, respectively). In the case of a PCP school that withdraws completely from the PCP, the pupils formerly enrolled under the PCP may continue to be enrolled in that school (not as a PCP pupil), or enroll in a different PCP, ICS or public school (or be home schooled). The same would be true for pupils that would have chosen to attend a PCP school as a PCP pupil for a PCP school that chooses to not accept additional PCP pupils for two years as a result of the Step II Sanction.

In either case, the potential impact depends on the path the PCP pupil takes. Using as an example the case of a PCP withdrawing from the program for four years, the PCP pupil that leaves could:

1. Enroll into the same private school, but not as a PCP (i.e., no state subsidy for tuition) – this would have no impact on public schools unless the private school subject to Step II Sanctions were a Milwaukee PCP school [effect would be to decrease the aid reduction to MPS for the Milwaukee PCP (reduce tax levy)].
2. Enroll into a different private school under the PCP as a PCP pupil – the impact would depend: if pupil continues to be enrolled into a statewide PCP school, no impact on public schools; if pupil moves from statewide to Milwaukee PCP, would increase the aid reduction to MPS for the Milwaukee PCP (raise tax levy) and vice versa.
3. Enroll into an ICS: additional cost of ICS program is born by all public school districts via the ICS reduction in GA, likely resulting in higher property taxes.
4. Enroll into a public school: the public school would now be able to count that pupil for Revenue Limit and GA purposes. The district would generate revenue limit authority and GA for that purposes. Depending on the volume of additional pupils, the district's costs may increase.

It is not possible to estimate how many PCP schools or PCP pupils would be impacted by Step II Sanctions, or how many of the PCP pupils would subsequently enroll into another PCP, ICS or public school (or be home schooled).

State Fiscal Impact:

Public School Districts Subject to Step II Sanctions - For a public school subject to conversion to an ICS under Step II sanctions as proposed in the bill, there would be no fiscal impact on the state's appropriation for state GA for public school districts. Rather, GA potentially could be re-distributed among public school districts based on each school district's factors in the GA formula (which is based on school district factor, including membership). While the state's expenditures on the ICS program (funded via a sum sufficient GPR appropriation) would increase due to making payments for the additional pupils enrolled in the new ICS, the cost would be offset by a commensurate increase in the total ICS aid reduction borne by public school districts. Thus there would be no impact on the state's general fund, with respect to converting a public school to an ICS; rather, there would be a redistribution of state funds between state GA to public school districts and state payments under the ICS program.

ICS and PCP Schools Subject to Step II Sanctions – To the extent that an ICS or a private school participating in a Parental Choice Program (PCP) is subject to Step II Sanctions as proposed in the bill, the

cessation of state payments to an ICS or a PCP schools would have varying impacts on the state's appropriations for those programs. The impact would depend on where the pupils who had formerly been served in an ICS or PCP school subsequently enroll.

To the extent that there is a net decrease in pupils attending a PCP program, the state's expenditures for PCP programs (funded via a GPR sum-sufficient appropriation) would decrease. The reduction in the number of pupils for whom the state makes a payment in the statewide PCP would reduce the state's GPR expenditures, dollar for dollar. The reduction in the number of pupils for whom the state makes a payment in the MILWAUKEE PCP would reduce the state's GPR expenditures, though not dollar for dollar, as the costs of the MILWAUKEE PCP are partially funded via a GA reduction to the Milwaukee Public Schools [MPS] district, under current law. Fewer pupils enrolled under the MILWAUKEE PCP would most likely result in a lower aid reduction to the MPS GA payment (but the aid reduction amount depends on remaining number of pupils and the per pupil payment amount under the MILWAUKEE PCP).

A net increase or decrease in the number of pupils for whom the state makes payments under the ICS program would have no net impact on the state's general fund (state payments are 100% offset by GA reductions to public school districts). Rather, there would be a redistribution of state funds between GA for public school districts and state payments under the ICS program.

State Operations - the bill provides no additional position authority or funding resources, either to the Academic Review Board or to the Department, to implement the Academic Review System proposed in the bill. To the extent that the Department would have to perform additional duties in order to implement the requirements under the bill, including any operational responsibilities related to the Board itself, the costs would have to be absorbed within the Department's existing budget.

Value-Added Research Center (VARC) - The bill creates a new appropriation in the Department's Chapter 20 Schedule, which is to be used to pay the VARC for the purposes specified in the bill (related to evaluating alternative tests for statistical comparison with examinations [pupil assessments] adopted or approved under current law). The bill contains zero dollars for this purpose. If a bill were to be enacted with zero dollars in the appropriation, the Department would have no authority to make payments to the VARC. At this time, the Department does not have an estimate of the costs involved for a contract with the VARC to perform the requirements under the bill.

Long-Range Fiscal Implications

As pupils move into and out of public school districts, independent charter and PCP schools as a result of being subject to the Step II Sanctions proposed in the bill, the potential long-range fiscal implications include:

1. Redistribution of state GA among public schools districts, and between public schools and independent charter schools;
2. Impacts on public school districts' allowable revenues; and
3. An increase (statewide) in school districts' property tax levies.

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-0898/2	Introduction Number AB-0001	
Description School review system, providing an exemption from emergency rule procedures, providing an exemption from rule-making procedures, granting rule-making authority, and making an appropriation		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
Annualized Fiscal Impact on funds from:		
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
DPI/ Erin Fath (608) 266-2804		1/15/2015
Erin Fath (608) 266-2804		