

Fiscal Estimate Narratives

DPI 11/24/2015

LRB Number	15-3161/1	Introduction Number	AB-0423	Estimate Type	Original
Description Accountability provisions for private schools participating in a parental choice program, requiring the exercise of rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The fiscal impact as a result of 2015 Assembly Bill 423, relating to accountability provisions for private schools participating in a parental choice program, is separated by each provision of the bill as described below.

THE FOLLOWING PROVISIONS WOULD IMPACT VOUCHER PAYMENTS TO PRIVATE SCHOOLS PARTICIPATING IN A PARENTAL CHOICE PROGRAM. While the bill does not alter existing state appropriations, if enacted, the bill would impact the amount of state expenditure from the appropriations under s.20.255(2)(fr) [Parental choice program for eligible districts (Racine) and other districts (statewide)] and 20.255(2)(fu) [Milwaukee parental choice program].

1. Family income for pupil eligibility (reduce from 3.0 to 1.85 times the federal poverty limit)

Under this bill, beginning in the 2016–17 school year, no pupil whose family income exceeds 1.85 times the federal poverty level may attend a participating private school under any of the parental choice programs.

Local: To the extent that the change in threshold would reduce the number of pupils participating in the programs, private schools participating in the Milwaukee or Racine programs would generate less revenue from state voucher payments. However, the Department does not collect data on family incomes; thus, the percentage of pupils applying to the existing Milwaukee and Racine parental choice programs whose family incomes fall between 1.85 and 3.0 times the federal poverty level is unknown. Therefore, the impact on private schools participating in the MPCP or RPCP is indeterminate.

Additionally, for the RPCP (and WPCP), state expenditures on vouchers for incoming pupils (those who are new to the program in the 2015-16 school year or thereafter) are completely offset via a reduction to the state general aid payment of the voucher pupils' school district of residence. To the extent that this provision in the bill has the effect of limiting participation in the RPCP, the Racine school district would have a lower voucher pupil aid reduction, compared to current law; however, this impact is indeterminate. (Note: WPCP eligibility is already 1.85 times the federal poverty limit).

State: To the extent that the change in threshold would reduce the number of pupils participating in the programs, the state would expend less on vouchers. However, the Department does not collect data on family incomes; thus, the percentage of pupils applying to the existing Milwaukee and Racine parental choice programs whose family incomes fall between 1.85 and 3.0 times the federal poverty level is unknown. Therefore, the impact on the state is indeterminate.

2. Per pupil payments

The bill would change the per pupil payment under all three parental choice programs to the lesser of certain calculations or \$6,442 for all pupils, regardless of grade level (this analysis will assume \$6,442 per pupil). Under current law, participating private schools are paid \$7,214 for each Full Time Equivalent (FTE) pupil in grades K-8; and \$7,860 for each FTE pupil in grades 9-12. However, the cost to the state of the voucher payments is offset as described below.

1)For the MPCP, the cost is shared between the state and the Milwaukee Public Schools (MPS) district; in FY16 and FY17, MPS will bear 28.8% and 25.6%, respectively.

2)For the incoming pupils into the WPCP and RPCP (those first participating in 2015-16 or thereafter), the costs is born entirely by the voucher pupils' school district of residence, via a reduction to those districts'

state general aid payment.

MPCP

For the MPCP, the total cost of vouchers is estimated at \$197.9 M in FY16 and \$208.0 M in FY17 (assumes enrollment of 27,905 in FY17). If, beginning in FY17, payments were \$6,442 per pupil instead of the current law amounts, the state would expend an estimated \$177.9 M on the MPCP, a cost reduction of \$30.1 M in FY17. However, the cost reduction ("savings") would accrue in part to the state and in part to MPS: the state's net expenditure, after consideration of the reduction to MPS's general aid, would be reduced by an estimated \$22.4 M in FY17; the savings to MPS, in the form of a lower reduction to its state general aid, would be an estimated \$7.7 M in FY17. Note that because MPS would retain more of its state general aid, the taxpayers of the MPS district would see lower property tax bills, because MPS has the authority to levy for the MPCP related aid reduction (MPS captures this aid reduction in full on the levy, as MPS typically levies to the maximum allowed under state law).

RPCP/WPCP

With respect to the RPCP and the WPCP, if the per pupil payments were capped at \$6,442, the state's costs related to continuing voucher pupils would decrease. The cost reduction associated with the "incoming" pupils would accrue to school districts in the form of a lower reduction to districts' state general aid payments.

Current (FY16) levels of participation these two programs are as follows (unaudited data, from 3rd Friday in September 2015 pupil counts):

- 1)RPCP: 2,056 FTE pupils, of which 1,410 are continuing and 646 are incoming
- 2)WPCP: 2,473 FTE pupils, of which 833 are continuing and 1,640 are incoming

The voucher payments for FY16 are \$7,214 per K-8 pupil and \$7,860 per pupil in grades 9-12. Using a weighted average of \$7,362 per pupil across pupils in all grades and in both programs, voucher payments are estimated to be approximately \$33.3 M in FY16, of which \$16.5 M would be borne directly by the state (for continuing pupils) and \$16.8 would be borne by school districts, as reductions to general aid payments for incoming choice pupils.

This bill would become effective in FY17, for which year the voucher payments are estimated to increase by \$109, to \$7,323 for pupils in grades K-8 and to \$7,969 for pupils in grades 9-12, per the current law indexing method. Projecting growth in these programs is difficult, particularly for the WPCP, which is coming out of participation limits; however, reasonable figures for new, incoming pupils, for the purpose of this analysis, would be 500 for the RPCP and 1,000 for the WPCP. This analysis assumes that the number of continuing pupils in both programs decreases by 7% in FY17 as participants graduate or leave the program. With these assumptions, FY17 participation would be:

- 1)RPCP: 2,457 FTE pupils, of which 1,311 would be continuing and 1,146 would be incoming
- 2)WPCP: 3,415 FTE pupils, of which 775 would be continuing and 2,640 would be incoming

To estimate the FY17 costs based on current law, this analysis uses a weighted average voucher payment of \$7,471 per pupil across pupils in all grades and in both programs; under these assumptions, voucher payments are estimated to be approximately \$43.8 M in FY17 under current law, of which \$15.6 M would be borne directly by the state (for continuing pupils) and \$28.3 would be borne by school districts, as reductions to general aid payments for incoming choice pupils.

If payments were reduced to \$6,442 per pupil, as provided for under this bill, total expenditures for these two programs would decrease, to \$37.8 M. The \$6.0 M reduction in costs would accrue in part to the state: \$2.1 M in reduced direct expenditures for continuing pupils; and in part to school districts: \$3.9 M less in state general aid reductions. Note that while school district can levy "up front" for incoming choice pupils by means of a revenue limit exemption, they are not permitted to "backfill" on the levy directly for the aid loss. Therefore, under this bill, which does not alter the payment mechanism for incoming choice pupils, the change in the amount of the per pupil voucher payment would not directly affect a district's levy.

Local:

School Districts

The estimated impact of reducing per pupil payments to \$6,442 on school districts is that school districts would bear a smaller reduction in their state general aid payment related to the state's parental choice program programs:

MPS: It is estimated that the local share of the cost of the MPCP would result in MPS retaining

approximately \$7.7 M more in state general aid, thereby reducing the MPS school tax levy by \$7.7 M.

RUSD and other school districts: It is estimated that the cost (aid reduction) to school districts of the RPCP or WPCP, related to incoming choice pupils, would be reduced compared to current law, by approximately \$3.9 M; that is, districts would retain \$3.9 million more in state general aid. There would be no offsetting tax levy reduction as a result, because the bill does not change the current law provision of a revenue limit exemption for each incoming choice pupil (for which district levy "up front" rather than as a "backfill" to offset the aid reduction).

Private Schools Participating in Parental Choice Programs

For private schools participating in one of the state's parental choice programs, the impact of this change would be to reduce the amount of revenue received from the state in the form of voucher payments, equal (in total) to the reduction in costs for the programs as outlined above. For FY17, the bill would reduce payments for voucher pupils enrolled grades K-8 by an estimated \$881 per pupil; and for pupils enrolled in grades 9-12, by \$1,527 per pupil. The impact on each private school would depend on the number of voucher pupils enrolled and the mix of those pupils enrolled in grades K-8 and in grades 9-12.

State: It is estimated that if per pupil voucher payment is reduced to \$6,442 beginning in FY17, the state's net expenditure, after consideration of the reduction to MPS's general aid, would be reduced by an estimated \$22.4 M in FY17 for the MPCP. For the RPCP and the WPCP, the state's direct expenditures for continuing voucher pupils is estimated to decrease by \$2.1 M in FY17.

3. Percentage enrollment of voucher pupils in private schools

The bill also provides that no more than 49 percent of a private school's enrollment may consist of pupils attending the private school under a parental choice program.

Local: If this provision had been in effect during the current 2015-16 school year, it would have impacted 94 private schools in the MPCP and six private schools in the RPCP. In total, 100 private schools that are participating in the MPCP or the RPCP in the current year would have had to either reduce the number of pupils enrolled through the parental choice program to get below the 49 percent threshold, or close entirely. This would result in up to 27,796 fewer pupils who were enrolled in a parental choice program being displaced from their school of choice (25,829 in the MPCP and 1,967 in the RPCP). For purposes of counting to calculate voucher payments, this results in an impact of 24,996.4 FTE in the MPCP and 1,897.1 FTE in the RPCP.

Private schools participating in parental choice programs would receive less funding due to this provision. The fiscal impact would depend on the number of pupils no longer attending the private school as a voucher pupil resulting from the 49 percent threshold. The number of voucher pupils no longer attending would be affected by a private school's decision to either enroll fewer voucher pupils, or, close altogether.

It is unknown how many of the pupils no longer receiving a voucher would return to the public school system, stay in the private school but pay tuition, or choose another option (e.g., independent charter school, home school). For each pupil returning to the public school system, the membership count for state general aid and revenue limit purposes would increase (in the pupil's school district of residence). These increases in membership would impact school districts' total and per-member shared costs, as well as decrease a district's per-member property value, which would result in a redistribution of general equalization aids statewide. Additionally, school tax levies would be impacted by a district's ability to count more members and as a result of shifts in state general aid. Finally, confounding factors would be in play: rather than school districts claiming a revenue limit exemption for an incoming choice pupil, that pupil, if they attended the school district's public school, would now be included in the district's revenue limit membership on a three year rolling average basis. It is not possible to estimate the impact on school districts' general equalization aid or revenue limit authority that would result from this provision of the bill.

Under current law Milwaukee Public School District (MPS) has its general equalization aid reduced to fund a portion of the cost of the MPCP (28.8 percent in FY16, 25.6 percent in FY17). As a result of this provision under the bill, the aid reduction would decrease, because the number of pupils receiving a voucher would decrease. It is not possible to quantify the impact without data on the number of pupils who would no longer receive a voucher due to this provision in the bill.

A similar dynamic would apply to the RUSD, because under Act 55, the costs of incoming choice pupils is borne directly by the district via a reduction to its state general (equalization) aid. Because the number of pupils affected by the 49 percent threshold provision is not known, it is not possible to quantify the impact

on this provision on the RUSD. While other school districts will also bear the costs of incoming choice pupils in the WPCP, at this time, there are no WPCP private schools with greater than 49 percent of its pupils enrolled as WPCP participants.

State: This provision of bill could result in significantly fewer pupils participating in a parental choice program and thus fewer state expenditures for voucher payments. However, the exact impact would depend on the mix of pupils coming from the MPCP versus the RPCP/WPCP, as well as the number of RPCP/WPCP pupils who would have been paid for directly by the state as a continuing pupil, versus being paid for by the school district of residence, via an aid reduction, as an incoming choice pupil.

THE FOLLOWING PROVISIONS WOULD NOT AFFECT THE STATE'S VOUCHER PAYMENTS TO PRIVATE SCHOOLS PARTICIPATING IN A PARENTAL CHOICE PROGRAM.

4. Teacher licensure

This bill requires that all instructional staff of private schools participating in a parental choice program hold a license or permit issued by the Department.

Local: It is unknown how many licensed teachers are currently employed in private schools participating in a parental choice program. Private schools may have a reduced supply of teachers that are properly licensed to teach. They may also have to pay more to individuals now that those individuals need to complete an education program. However, it is unknown how many licensed teachers are available relative to demand or whether private schools would pay more to employ fully licensed teachers, compared to what is paid to teachers currently employed in private schools. Thus, the impact on private schools is indeterminate.

State: The Department will have to absorb the costs of licensing additional instructional staff. It is unknown how many new private school instructional staff would need to be licensed, and would have to pay the required licensing fee. Thus, costs and revenue to the Department are indeterminate.

5. Reading readiness assessments of participating pupils

The bill requires private schools participating in a parental choice program to administer a reading readiness assessment to all pupils in grades 4k through grade 2, and makes the schools eligible to claim reimbursement for the costs of administering the reading readiness assessment (as current law does for public school districts and independent charter schools). The bill does not provide additional expenditure authority beyond the appropriation provided for under Act 55 (\$2.1 million annually) to the Department for this purpose. The reimbursement claim model for this reading readiness assessment will begin with FY17; thus, there is no current estimate of the amount that school districts will be reimbursed, in total or on a per pupil basis, for eligible costs related to administering this assessment. Adding more schools to the pool of eligible claimants would have the effect of diluting the amount available for all school districts, independent charter, and private parental choice schools.

Local: Private schools participating in a choice program would incur staff cost for training and for administering the reading assessments. The cost is indeterminate. It is not possible to estimate at this time the amount of aid for which a private school would be eligible, beginning in FY17, under the claim reimbursement mechanism provided for under Act 55.

State: Under 2015 Wisconsin Act 55, beginning in FY17, each school district or charter school may select their own type of reading readiness assessment; the Department is required to reimburse each school district or charter school that submits a claim for the cost of administering the reading readiness assessment (reimbursements will be prorated if claims exceed the appropriated amount). The bill does not increase the appropriation for this purpose; therefore, there is no fiscal impact to the state.

6. Criteria for awarding a high school diploma to participating pupils

Beginning in the 2016–17 school year, this bill requires a private school participating in a parental choice program to include in its policy the requirements for granting a high school diploma applicable to public school pupils.

Local: It is unknown what percentage of existing private schools participating in a parental choice program already meets the criteria established in this bill. A private school that does not meet the criteria may incur some costs in updating their graduation requirements. A private school may also need to hire additional

staff or staff with different expertise to meet the requirements. The overall fiscal impact on private schools is indeterminate.

State: There is no fiscal impact on the Department.

7. Corporal punishment of pupils enrolled in a participating private school

This bill extends these provisions regarding corporal punishment to private schools participating in a parental choice program, and permits the state superintendent to issue an order barring the private school from participating in a parental choice program for the current school year if the private school fails to comply with these provisions.

Local: Private schools would be required to establish a policy to outline the circumstances in which a school employee may use reasonable and necessary force. The cost for private schools to establish a policy is indeterminate.

State: There is no fiscal impact on the Department.

8. Expulsion of pupils from participating private schools

This bill directs the Department to promulgate rules establishing a procedure for the expulsion of pupils attending a private school under a parental choice program by the governing body of the private school. The rules must adhere as closely as feasible to the statutory provisions governing the expulsion of pupils from public schools.

Local: It is unknown how many private schools participating in a parental choice program already have an expulsion policy that will meet any requirements established under this bill. Therefore it is unknown how many private schools participating in a parental choice program will need to change their expulsion policy under this bill. Further, it is unknown how many pupils would be expelled under policies established in compliance with this bill, and of those pupils, how many would request a hearing. The potential cost for legal services related to any hearings is indeterminate.

State: The Department is required to promulgate rules under this bill. The cost to promulgate these rules is indeterminate and is expected to be absorbed within the Department's existing budget.

9. Regular building inspection of certain participating private schools

This bill requires a private school located in a municipality that does not issue certificates to annually obtain a building inspection of the school building.

Local: It is unknown how many private schools currently or prospectively participating in a parental choice program are located in a municipality that does not issue occupancy certificates. It is also unknown the cost of an annual inspection in the communities that private schools are physically located. The overall cost to private schools participating in a parental choice program of this provision is indeterminate.

State: There is no fiscal impact on the state.

10. Release of private school data by the Department

Under current law, the Department may only release data related to enrollment of, standardized test results for, and other information related to pupils participating in a parental choice program all at the same time, uniformly, and completely. This bill eliminates this requirement.

Local: There is no fiscal impact to private schools.

State: All costs to release information regarding private schools participating in a parental choice program will be absorbed within the Department's existing budget under both current law and this bill. Thus, there is no fiscal impact on the Department.

11. Public inspection of records

This bill requires a private school participating in a parental choice program to permit public inspection and copying of any record of the private school that relates to pupils attending the private school under the

program to the same extent as required of, and subject to the same terms and enforcement provisions that apply to, a school board.

Local: Private schools participating in parental choice programs would be required to make certain records accessible for public review. Private schools participating in a parental choice program may experience additional staff tasks around providing this access. The overall fiscal impact to private schools participating in a parental choice program is indeterminate.

State: There is no fiscal impact on the Department.

12. Physical location of private schools participating in a parental choice program

This bill requires that a private school be located in this state in order to participate in a parental choice program.

Local: There is no local fiscal impact as a result of this provision.

State: To the extent that this provision reduces the number of available seats in private schools participating in the parental choice program than would be available under current law, it could reduce state per pupil payments to eligible schools. However, this effect is indeterminate. Currently, there are no private schools located out of the state that participate in a parental choice program.

13. Requirements for public meetings by private schools participating in a parental choice program

This bill requires a private school participating in a parental choice program to hold at least one such meeting each month, that the meetings be open to the public and that the private school provide public notice of the meetings in the same manner as notice of meetings of governmental bodies is required to be provided.

Local: Boards of private schools participating in the parental choice program would be required to have 12 public meetings per year, an increase of 10 meetings over the current requirement. Because the bill requires these meetings to be held in public, the boards of private schools would have to comply with the cost of noticing public meetings as is required for other public bodies. Because the cost of posting meetings varies by location, the cost to private schools participating in parental choice programs is indeterminate.

State: There is no fiscal impact on the Department.

Long-Range Fiscal Implications