



## Fiscal Estimate Narratives

DPI 5/22/2019

LRB Number	19-1117/1	Introduction Number	AB-0188	Estimate Type	Original
<b>Description</b> facilities for holding juveniles in secure custody					

### Assumptions Used in Arriving at Fiscal Estimate

This bill makes several changes to the statutes pertaining to secured residential care centers for children and youth (SRCCCYs), as created under 2017 Wisconsin Act 185, including changes the closure date for the Lincoln Hills and Copper Lake Schools.

2017 Act 185 created SRCCCYs and added them to the eligible uses for the state tuition payment appropriation under s. 20.255 (2) (cg). The state tuition appropriation is in DPI's chapter 20 schedule of appropriations; it is appropriated for the purpose of reimbursing school districts that provide educational services to students residing in certain types of facilities as a result of action by a unit of local, state or federal government. School districts may apply for reimbursement for the eligible students they enrolled in the prior year.

Per Act 185, a school district in which an SRCCCY is located could apply for payment from the department's appropriation for state tuition to be reimbursed for educational services provided to the juveniles placed in the SRCCCY. This fiscal estimate will provide information on the fiscal impact of this bill on the department's appropriation for state tuition.

Act 185 specified that the Lincoln Hills School and the Copper Lake School are to be closed by January 1, 2021, the same date by which the new SRCCCYs are to be open and operational. If the placement of youth into SRCCCYs were to begin during 2020-21, the impact on the state tuition appropriation, in the form of claims, would occur in the following year (FY22), as tuition payments are based on prior year data.

This bill extends the timeline for closing Lincoln Hills and Copper Lake Schools and for constructing the new SRCCCYs and new state-run juvenile correctional facility by six months, to July 1, 2021. To the extent that youth would be transferred to an SRCCCY as of July 1, 2021 (FY22), the impact on the state tuition appropriation would be seen in the following year (FY23).

The precise impact of the SRCCCYs on the state tuition appropriation will depend on the number of youth who will reside in those facilities. According to information provided to the department, approximately seven counties may operate a program for juveniles currently, and approximately 100 youth would be eligible for tuition payments (based on youth currently in state run facilities).

The statutory tuition computation approximates shared costs for general aid purposes. FY18 shared costs used for FY19 general aid was \$10,800 per member. If the SRCCCYs had been in place in 2017-18, the approximate cost for state tuition payments in FY19 would have been \$10,800 per student. Assuming 100 additional youth placed in SRCCCY settings, the additional draw on the appropriation would have been \$1.08 million (in FY19).

The state tuition appropriation is an annual (sum certain) appropriation. If it is insufficient to fully fund all eligible claims, payments are prorated; however, any uncommitted funds lapse back to the state's general fund at the end of the fiscal year. Eligible claims for state tuition payments vary significantly from year to year; thus, so also does the level of proration or lapse.

From FY13 through FY19 (preliminary), the amount that has lapsed from the state tuition appropriation varied from a low of \$18,000 (FY16) to a high of \$1.66 million (FY18); the median lapse was \$338,000. The department's preliminary figures for state tuition payments in FY19 indicate that the appropriation will lapse about \$1.39 million. The last time payments were prorated was in FY12 (at 98.8%). Based on state tuition claims for FY18 and FY19 only, the amount estimated as the impact of the SRCCCYs (\$1.08 million) would have been absorbed by the appropriation without forcing proration of tuition payments.

As for the ability of the state tuition appropriation to absorb additional claims associated with youth places in SRCCCYs without forcing proration: because claims for tuition payments vary significantly from year to year, it is difficult to project with reasonable accuracy whether the appropriation will fully support all eligible claims. As school districts' shared costs generally rise over time, so too would the state tuition payment for youth in SRCCCYs. In an environment of level funding, the appropriation may become insufficient to fully fund eligible claims within a relatively short time.

Of importance is the fact that the state tuition appropriation is also used for situations in which a district's open enrollment transfer obligation exceeds the amount of state general and categorical aids received by the district. Thus far, the department has had to draw on the state tuition appropriation for that purpose two times: in FY14 (\$36,987) and in FY15 (\$20,575).

**Local Impact:**

The additional costs associated with providing educational services provided to youth residing in SRCCCYs located in a school district would likely be delayed as a result of this bill, from FY22 to FY23. [While the school districts that are impacted by the SRCCCYs will be able to claim state tuition aid for costs associated with provided educational services, the ability of the state to fully fund those claims will depend on other factors outside the control of the school district (e.g., claims resulting from youth in other, non-SRCCCY placement for which districts are eligible to claim state tuition).]

**State Impact:**

The bill does not appropriate additional amounts for youth placed in SRCCCYs for whom a state tuition payment could be made. However, additional claims would be paid from the appropriation for state tuition as a result of youth being placed in SRCCCYs, thereby reducing the amount that would otherwise lapse from the state tuition appropriation to the state's general fund (by approximately \$1.08 million on an annualized basis). The impact of this bill would be to delay the impact of the SRCCCYs on payments made from the state tuition appropriation (and the resulting lapse of unused authority within the state tuition appropriation to the state's general fund) by one year, from FY22 to F23.

**Long-Range Fiscal Implications**

This bill would delay the impact of new SRCCCYs on the state's tuition appropriation. The long term fiscal impact to the state tuition appropriation will result from the underlying changes included in 2017 Act 185, rather than this particular bill. Generally, the more youth that are placed in SRCCCYs for whom school districts will incur costs as a result of providing educational services, the greater the likelihood that state tuition payments would be prorated (unless the Legislature appropriates additional authority in the appropriation for state tuition).