

### Fiscal Estimate - 2021 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>21-0633/1</b>	<b>Introduction Number</b> <b>AB-1042</b>
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**Description**  
 state aid to the resident school district of a pupil attending a private school under the Racine or statewide parental choice program

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 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 <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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**Local:**

No Local Government Costs  
 Indeterminate

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	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	<b>5. Types of Local Government Units Affected</b> <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
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<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<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	

<b>Agency/Prepared By</b> DPI/ Erin Fath (608) 266-2804	<b>Authorized Signature</b> Erin Fath (608) 266-2804	<b>Date</b> 2/28/2022
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## Fiscal Estimate Narratives

DPI 2/28/2022

LRB Number	21-0633/1	Introduction Number	AB-1042	Estimate Type	Original
<b>Description</b> state aid to the resident school district of a pupil attending a private school under the Racine or statewide parental choice program					

### Assumptions Used in Arriving at Fiscal Estimate

Current law requires the Department of Public Instruction (DPI) to reduce the state aid paid to a school district in a school year by the amount paid in that school year to a private school participating in the Racine Parental Choice Program (RPCP) or the Wisconsin Parental Choice Program (WPCP) for each pupil who resides in that school district but who attends a private school under the RPCP/WPCP. This bill prohibits DPI from making reductions in state aid paid to a school district related to incoming pupils in the RPCP/WPCP, until the electors of a school district have approved the reduction in state aid by a referendum vote. The bill would first be effective for state general aid payments in the 2023-24 school year (FY24).

Under current law, DPI is required to pay the private school in which a pupil is enrolled, on behalf of the pupil's parent or guardian, from a GPR appropriation for the RPCP and WPCP. In the 2021-22 school year, per pupil payments are equal to \$8,336 for a pupil enrolled in a grade K-8 and \$8,982 for a pupil enrolled in a grade 9-12. Under current law, the per pupil payment amount under the RPCP and WPCP is adjusted annually according to a statutory formula. The per-pupil payment is estimated to increase by \$63 for payments in the 2022-23 school year, raising the per-pupil payments to \$8,399 and \$9,045 for grades K-8 and 9-12, respectively.

Under current law, for both the RPCP and WPCP, the per-pupil payments for pupils who first participated in the 2014-15 school year or prior (continuing/legacy pupils) are fully funded directly through the GPR appropriation, with no state aid reduction or offsetting revenue limit adjustment for school districts.

While the payments for pupils who first participated in the 2015-16 school year or later ("incoming pupils") are made from the same GPR appropriation, the state's costs for incoming choice pupils are completely offset via a reduction applied to the general aid payments (and categorical aid, if necessary) to the school districts of residence of the incoming choice pupils. These aid reductions lapse to the state's general fund, thereby offsetting the state's cost of making payments to private schools participating in the RPCP and WPCP on behalf of incoming choice pupils.

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). If a school district chooses to levy to the maximum, its total resources are unaffected by the choice aid reduction, because it replaced the aid reduction with local levy (i.e., the cost is shifted from state aids to local property tax levies).

Under the bill, DPI is prohibited from making the reductions in state general aid related to the incoming choice pupils who are residents of the school district, until the electors of a school district have approved the reduction in state aid by a referendum vote (the bill uses the term "qualified" to describe a district meeting this condition).

If this bill were to become law, there would be an impact on the state's general fund beginning in FY24, in that the payments for incoming choice pupils would no longer be offset by aid reductions to resident school districts, unless any school district were to take action via referendum to approved aid reductions, as specified in the bill, prior to that school year.

If the electors of a school district deny the reduction in state aid by referendum vote, DPI may not reduce the school district's state aid, and the district would not be able to claim the nonrecurring exemption to its revenue limit. In the absence of the offsetting reduction to school districts' general aid payments, the state's general fund would continue to absorb the cost of the payments to the private school.

If the electors of a school district approve the reduction in state aid by referendum vote, the district would be deemed "qualified". Under the bill, beginning in the first school year after the date on which the question was approved by electors (via referendum), DPI would be required to reduce the school district's state general aid

for incoming choice pupils. The district would then be allowed to offset the aid reduction with an increase in local property taxes, up to the amount of the aid reduction, through its applicable revenue limit adjustment (the nonrecurring exemption).

The bill specifies that a school district that approves the aid reduction via referendum is qualified and “remains qualified”. The bill does not specify that a district may or may not put the question to voters again at a subsequent referendum. If the term “remains qualified” is interpreted to mean qualified into perpetuity (or until the statute is changed), the bill then has the effect of making permanent the outcome of a referendum on the question of general aid reduction for incoming choice pupils.

**State:**

If this bill became law, the total cost associated with payments made to private parental choice schools on behalf of incoming choice pupils would be borne directly by the state, immediately. The default position under the bill is that the state would pay the full cost of payments for incoming choice pupils under the RCPC and WPCP, until such time as the electors vote to change to the funding mechanism under current law. The total payments for incoming choice pupils for FY22 was \$144,067,221 (October 15th, 2021, general aid certification).

**Local:**

Under the bill, the electors have responsibility for initiation action to bring to vote (via referendum) the question of approving reductions in state general aid to pay for resident pupils to attend a private school in the RPCP and WPCP. If the bill were to pass, the immediate impact would be that school districts would no longer have the general aid reductions applied, but would also no longer claim the revenue limit adjustment (nonrecurring exemption). There would be no change in total spending capacity for the school district. However, the district’s general aid would be greater (no reductions, as under current law) and the resulting tax levy would be less, by an equal amount (no revenue limit adjustment). The bill therefore would have the impact of reducing the local tax levy, at least until such time as the electors choose to have the funding mechanism for incoming choice pupils change back to the current law mechanism.

If the electors of a school district were to initiate a petition, bring the question to referendum, and approve such a referendum, the school district’s state general aid would be reduced, but would be offset by an equal increase in allowable revenue authority (local property taxes) through its applicable revenue limit adjustment (the revenue limit exemption for incoming choice pupils) – as under current law. DPI cannot predict whether or how many school districts would be likely to hold a referendum for this purpose, or to what extent electors would approve the referendum.

**Long-Range Fiscal Implications**