

Fiscal Estimate Narratives

DPI 10/14/2021

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|--|-----------|---------------------|---------|---------------|----------|
| LRB Number | 21-4451/1 | Introduction Number | AB-0600 | Estimate Type | Original |
| Description state aid payments for pupils in grades kindergarten to 12 who transfer schools due to the existence or absence of mandates regarding pupil face coverings or COVID-19 vaccines; school district membership in an interscholastic athletic association in the 2021-22 school year; and making an appropriation | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a mechanism for a specific set of circumstances under which parents could apply for their child(ren) to transfer to a different public school, Independent Charter School (ICS), private school, including a private school participating in one of the state's three private school parental choice program (choice programs) or the Special Needs Scholarship Program (SNSP). An application for this type of transfer could be submitted at any point during the 2021-22 or 2022-23 school years (but a student could transfer only once per year), outside the current law processes, eligibility criteria, and timelines for those programs. The permissible circumstances for the transfers authorized under the bill include the presence OR absence of a masking requirement OR a COVID vaccination requirement in the school in which the student is enrolled – i.e., the purpose of the transfer is to either avoid a masking/vaccination mandate or go to a school that has the mandate(s).

The bill establishes the payments made to a school district, ICS, private Choice/SNSP school if a child is enrolled as a result of an application made under an application allowed under the bill (prorated if transfer occurs after the third Friday in September pupil count date):

1. For each pupil who transfer to a public school or an ICS: the payment would be equal to the full time OE transfer amount (\$8,161/FTE for child without a disability, and \$13,013/FTE for a child with a disability/IEP).
2. For each pupil who transfers to a private choice or SNSP school: the payments would be equal to current law payments for these programs (choice schools: \$8,336 for K-8 and \$8,982 for 9-12; SNSP schools: \$13,013).

The bill creates a sum sufficient appropriation for the costs of the transfers and directs DPI to reduce state general aid payments to school districts, and state per pupil payments to ICS or private choice/SNSP schools, for each student who transfers to a different school under the provisions of this bill.

Finally, the bill also reintroduces a provision from prior legislation that prohibits a school district from belonging to interscholastic athletic association (i.e., the WIAA) in the 2021-22 school year, unless it recognizes, as an extenuating circumstance (i.e., an exception to the general rule), the mode of instruction (i.e., virtual, in-person, or hybrid) in the 2020-21 or the 2021-22 school year. A student who is permitted to play athletics at a school to which they transferred under this provision may play at any level, including varsity.

State: Indeterminate

State general aid for school districts is paid from a GPR sum-certain appropriation; the bill does not modify that appropriation. The state per pupil payments made to ICS and to private choice/SNSP schools are made from sum-sufficient appropriations (all payments are paid in full, regardless of the appropriation amount).

The bill creates a new, sum-sufficient appropriation to pay the costs of the transfers and sets up a mechanism whereby the payments made to the district or school to which a pupil transfers (the "transferee" school) are offset by a reduction to state aid payments to school districts and/or state per pupil payments to ICS and private choice/SNSP schools (the "transferor" school). For transfers between school district, ICS, and private choice/SNSP schools, state resources would simply be redistributed among school districts, ICS, and private choice/SNSP schools; thus, the bill would have no net impact on the state's general fund.

However, because the state does not make payments to private schools that do not participate in a parent choice program or the SNSP, no funds can be withheld to offset the transfer payments made on behalf of tuition-paying students in a private school who transfer to a school district, ICS, or private choice/SNSP school under the bill. The bill creates a sum sufficient GPR appropriation to pay the costs associated with this type of

transfer.

The responsibility for managing applications for the transfers permitted under the bill would fall on school districts, ICS, and private choice/SNSP schools directly. However, DPI would have to develop a mechanism for districts and schools to report to DPI to track the transfers described in the bill, for purposes of reconciling state aid and per pupil payments. Additionally, because the transfers between school districts, ICS, and private choice/SNSP schools would occur outside of current law parameters and eligibility criteria for each of those programs, DPI would likely experience an increased in the volume of inquiries from school districts, ICS, and private schools, as well as from parents, which DPI staff would have to manage within existing resources.

The provisions of the bill related to school district membership in an interscholastic athletic association would have no fiscal impact on the state general fund or on DPI operations.

Local: Indeterminate

The impact of the bill on individual school districts, ICS, and private choice/SNSP schools would depend on the number of students choosing to transfer to and from each district, ICS, or private school, which DPI cannot estimate. However, for a student transferring to an ICS under the bill, the ICS would receive an amount equal to the OE transfers amount (\$8,161 in FY22) which is lower than the per-pupil payment made to ICS (\$9,201 in FY22 for most ICS).

For private choice/SNSP schools, the bill's impact would be relatively straightforward: students transferring out would result in reduced payments from the state and students transferring in would result in higher payments from the state.

For school districts, the potential impacts of transfers under the bill are more complicated, due to the interaction with the school district revenue limits and allowable tax levy, particularly with respect to students attending an ICS or a private choice/SNSP school. See attachment to this fiscal estimate for an explanation of current law funding for the ICS and private school choice programs.

The administrative effort and associated costs of processing and managing applications for transfers described in the bill would fall on school districts, ICS, and private schools (the costs of which DPI cannot estimate).

The provisions of the bill related to school district membership in an interscholastic athletic association would have no direct fiscal impact on school district revenues/expenditures, but it would impact the ability of a school district to be a member of the WIAA, with consequences for student participation.

Long-Range Fiscal Implications

Open Enrollment Transfer Amount and Per Pupil Payment Amount for Independent Charter Schools, Private Choice Schools, and Private Special Needs Scholarship Program Schools

Amounts Authorized under Current Law (per 2021 Act 58)

| <u>PROGRAM</u> | <u>FY22</u> | <u>FY23 (estimate*)</u> |
|--|-------------|-------------------------|
| Open Enrollment (non-Special Education) | 8,161 | 8,224 |
| Open Enrollment - Special Education | 13,013 | 13,076 |
| Independent Charter Schools^ | 9,201 | 9,264 |
| Private School - Parental Choice (Grade K-8) | 8,336 | 8,399 |
| Private School - Parental Choice (Grade 9-12) | 8,982 | 9,045 |
| Private School - Special Needs Voucher Program | 13,013 | 13,076 |

*Actual amount will depend on the FY22 statewide revenue limit membership.

^Different formula is used for ICS authorized by a tribal college; amount is \$8,853 per FTE pupil for 2021-22.

Current Law Funding for Public School Open Enrollment

The school finance system in the State of Wisconsin makes use of pupil counts as a factor for general school aid and as a basis for revenue limit calculations. Generally speaking, pupils are counted in the district in which they reside. Under open enrollment (OE), a pupil may attend a school in a different school district (the “non-resident” district), at no cost to the pupil’s family, if the OE application is approved by both the resident and non-resident school districts.

Pupils who attend a non-resident district under OE are still included in their resident school district’s pupil count for both revenue limit and general school aid purposes. The resident school district incurs a loss of state aid equal to the applicable OE transfer amount for each OE pupil (the monies are transferred to the non-resident school district attended by the pupil). Because the pupil is included in the resident district’s revenue limit, the district generates revenue authority (combined state general aid and property tax levy) on the behalf of the OE pupil. Including the OE pupil in the count means that while the district “loses” state general aid for the OE pupil, it also has revenue capacity behind that pupil.

Current law also provides for a larger OE transfer amount for a pupil with a disability (with an individualized education program, or IEP). While there is an exception in the law that allows for an actual-cost basis for determining the OE transfer amount, the OE transfer payment generally work the same way for OE pupils with an IEP as it does for pupils who do not have an IEP (albeit, at a higher transfer amount).

Current Law Funding for Independent Charter School (ICS) Programs

For students attending an ICS that is governed by an entity authorized to create an ICS under 2015 Act 55 or under 2017 Act 59, the ICS students are included in the pupil count of the resident school district for both general aid and revenue limit purposes. The state payments to these ICS are offset by a reduction to the state general school aid payment that would otherwise be paid to the school districts in which the ICS students reside. In this way, the state's costs (i.e., per pupil payments to the ICS) are completely offset, because the aid reductions to school districts are returned to the state's general fund (essentially reimbursing the state for the payments made to these ICS).

Under 2021 Act 58, beginning with the 2021-22 school year, the state bears the full cost for "legacy" ICS - those ICS that are governed by authorizing entities specified in state law prior to 2015 Act 55 and 2017 Act 59 (City of Milwaukee, the Milwaukee Area Technical College, UW-Milwaukee, and UW-Parkside). Prior to this change under Act 58, DPI was required to reduce state general aid to all school districts for the costs of the legacy ICS, in proportion to each district's share of state general aid and school districts were authorized to backfill this reduction with tax levy. Thus, the change under Act 58 shifts the cost of the legacy ICS from property taxpayers to the state.

Current Law Funding for Private School Parental Choice and Special Needs Scholarship Program (SNSP)

RPCP/WPCP/SNSP: Students who began attending a private school under the Racine or the Wisconsin parental choice programs (RPCP and WPCP, respectively) as of 2015-16 or later are referred to as "incoming choice students." For incoming choice students enrolled in a RPCP or WPCP private school, and students who attend a private school under the SNSP, the per pupil payments (state funded) are offset by a reduction in the general school aid payment that would otherwise be paid to the school districts in which the students reside. In this way, the state's cost (i.e., per pupil payments to the private schools in the WPCP, RPCP, and SNSP) are completely offset, because the aid reductions to school districts are returned to the state's general fund (essentially reimbursing the state for the payments made to private schools under the WPCP, RPCP, and SNSP)*.

However, school districts are permitted to raise their school tax levy in an amount equal to their total general aid deductions for resident (incoming) students attending the WPCP/RPCP/SNSP, even though those students are not counted in the district's revenue limit membership. Thus, the cost of the programs is effectively shifted from the school district to the local taxpayers (assuming the school districts fully levies the allowable amount). Current law dictates that these students be added to a school district's pupil count for general aid purposes; however, to the extent that counting them impacts a school district's general aid payment, the difference has no real effect on the district's total controlled revenues, because state general aid is received under the district's revenue limit.

**There is no general aid reduction to offset payments for students who began attending under the WPCP/RPCP prior to 2015-16, so the costs for those students are fully borne by the state.*

MPCP: For students attending a private school under the Milwaukee parental choice program (MPCP), the per pupil payments (state funds) are offset by a partial reduction in the general school

aid payment to the Milwaukee Public Schools district (MPS). In this way, the state's cost for making payments to MPCP schools is partially offset, because the MPS aid reduction is returned to the state's general fund*. This reduction to MPS' general aid payment is applied such that the district has a higher allowable school levy (by the same amounts as the aid reduction); thus, that portion of MPCP cost is shifted from the district to the taxpayers in the MPS district*. MPS does not count any of the MPCP students in its pupil count for revenue limit or for general state aid purposes.

**Under current law, the amount by which MPS' general aid is reduced is decreasing at a set rate each year, until it will be zero percent (i.e., fully paid by the state) by the 2024-25 school year.*