

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-4713/1	Introduction Number SB-974
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Description
 Eliminating income limits for parental choice programs; eliminating pupil participation limits for the statewide parental choice program; private school tuition charged to a pupil participating in a parental choice program; and creating an education expense reimbursement program for the 2022-23 school year and the summer of 2023

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input checked="" type="checkbox"/> 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
	<input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Property taxpayers</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input 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 2/15/2022
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Fiscal Estimate Narratives

DPI 2/15/2022

LRB Number	21-4713/1	Introduction Number	SB-974	Estimate Type	Original
Description Eliminating income limits for parental choice programs; eliminating pupil participation limits for the statewide parental choice program; private school tuition charged to a pupil participating in a parental choice program; and creating an education expense reimbursement program for the 2022-23 school year and the summer of 2023					

Assumptions Used in Arriving at Fiscal Estimate

This bill includes several provisions related to the private school parent choice programs:

- 1) eliminates the income limits in the Milwaukee, Racine, and Wisconsin private school parent choice programs (MPCP, RPCP, and WPCP – referred to collectively as private school parent choice programs);
- 2) eliminates the pupil participation limits in the WPCP; and
- 3) increases the family income threshold amount that determines whether a private school may charge additional tuition to a pupil attending the private school under a parental choice program.

The bill also creates a temporary education expense reimbursement program for public school pupils.

Based on the number of pupils enrolled in private schools in the 2020-21 school year (most recent year for which enrollment data is certified) who did not participate in a private school parent choice program, DPI estimates the following potential fiscal impacts. These estimates likely represent the upper limit of impacts (for the first year the bill would be in effect).

SEE ATTACHMENT TO THIS FISCAL ESTIMATE FOR ASSUMPTIONS

Local Fiscal Impact:

For the MPCP, the impact on MPS property taxpayers could be as high as \$2.15 million for the 2022-23 school year, assuming 3,813 additional voucher pupils.

For the RPCP and WPCP, the impact on property taxpayers in applicable school districts could be as high as \$577.3 million for the 2022-23 school year, assuming 67,869 additional voucher pupils.

State Fiscal Impact:

For the MPCP, the impact on the state could be as high as \$31.42 million for the 2022-23 school year, assuming 3,813 additional voucher pupils.

For the RPCP and WPCP, the impact on the state would be \$0 (costs of additional pupils are ultimately borne 100 % by local taxpayers).

Additional impact on the state: the increase in net GPR outlays related to the MPCP could create an issue with the Maintenance of Effort requirement (MOE) related to the Higher Education Emergency Relief funds authorized by federal stimulus bills (CRRSA, ARPA). To the extent that total state expenditures (GPR outlays) increase, but state expenditures for higher education do not increase, the measure for MOE (higher education expenditures as a proportion of state total expenditures) could be compromised.

Education expense reimbursement program

Under the bill, in the 2022-23 school year and in the summer semester or session in 2023, a pupil enrolled in a public school, including a charter school, may attend a course or purchase educational materials, and DPI must reimburse up to \$1,000 of the cost of attendance or purchase price for up to two courses or purchases of educational materials.

State Impact: Indeterminate. The bill does not appropriate additional funding to DPI for this purpose, nor does it modify an existing DPI appropriation to authorize DPI to make these payments; thus, it is not clear from which appropriation DPI could make the payments.

Background and Assumptions – Private School Parent Choice Programs

Under current law, the state makes a payment to private schools participating in a private school parent choice program, for enrolled pupils who meet the eligibility criteria for the applicable choice program (a combination of student residence, income, and prior year attendance). These payments are sometimes referred to as private school vouchers. The family income limit for the MPCP and the RPCP is 300%; for the WPCP, it is 220%.

Current law imposes a limit on the number of pupils from a given school district that can enroll in a private school under the RPCP and WPCP, expressed as a percent of the district's membership. The limit started at one percent in 2016-17 and increases by one percentage point each year, to ten percent in the 2025-26 school year. Beginning in 2026-27 there will be no limit on the number of pupils who can receive a voucher under the RPCP and WPCP.

The elimination of the family income criteria for eligibility would allow any/all families to receive a voucher for their child to attend a private school participating in a private school parent choice program, regardless of family income, provided the pupil meets the criteria for residence and for prior year attendance). This includes pupils already enrolled in a private school who currently are not eligible to receive a state voucher (i.e., private pay). Attached to this document is a table showing enrollments in private schools located in Milwaukee and in the rest of the state, by grade band, for the 2020-21 school year (most recent year for which enrollment data is certified).

The general impact of the bill's provisions is to allow for expansion of the private school parent choice programs, with the potential for significant increases in the number of pupils eligible for a voucher. Increased participation by pupils using a voucher would depend on the number of private schools entering a choice program (i.e., those schools that presently do not participate in a choice program). Private schools must meet several requirements to participate in a choice program, and be willing to comply with certain state laws to remain eligible to participate in a choice program. It is possible that some private schools would not choose to participate in a private school choice – in which case, no student attending the private school would be eligible to receive a voucher.

The per-pupil payments (voucher) under the private school choice programs are determined via statutory formula; they are uniform across the three programs but differ based on the pupil's grade level. For the 2021-22 school year, the voucher for pupils in grades K-8 is \$8,336 and \$8,982 for pupils in grades 9-12. The voucher amounts for the 2022-23 school year will be \$8,399 for pupils in grades K-8 and \$9,045 for pupils in grades 9-12.

Estimating the fiscal impact of the bill is complicated by the different funding models for the choice programs:

For the MPCP, the state makes payments to private choice schools from a sum sufficient, GPR appropriation. Those payments are partially offset by a reduction the general state aid amount receive by the Milwaukee Public Schools (MPS) district (MPS has the authority to levy taxes for that aid reduction, and thereby the cost is shifted to property taxpayers in the district). That MPS aid reduction amount lapses back to the state's general fund, thereby partially offsetting the cost to the state. The state's share of the MPCP is 90.4% in 2021-22; however, under current law, the state share increases by 3.2% each year, until the state will be paying 100% of the costs of MPCP vouchers in 2024-25. Thus, an increase in participation in the MPCP will translate directly into increased outlays from the state's general fund (increased costs to the state), and by 2024-25, none of the costs of the MPCP will be borne by property taxpayers in MPS.

For incoming pupils in the RPCP & WPCP (pupils who began participating in 2015-16 or later), the state makes the payments for vouchers to the participating private schools from a sum sufficient, GPR appropriation. The full cost of payments for incoming pupils are fully offset with a reduction to the general state aid payment to the school districts in which voucher pupils reside. The aid reductions lapse to the state's general fund, negating the fiscal impact to the state. Under the current law mechanism, there will be no fiscal impact to the state associated with an expansion for these choice programs, regardless of the magnitude of the expansion. However, there would be an increase to costs borne by property taxpayers in school districts in which the voucher pupils reside, because under current law, a school district is eligible to claim an adjustment on its revenue limit to offset the voucher related reduction to state general aid. Thus, an expansion of the RPCP/WPCP will directly impact property taxpayers for school districts in which RPCP & RPCP voucher pupils reside.

Voucher pupils enrolled in a MPCP private school are NOT included in the MPS pupil count used for calculating state general aid. However, incoming voucher pupils enrolled in the RPCP/WPCP ARE included in the pupil count for the district in which the pupil resides, regardless of where the private school that they attend is located (prior year pupil counts are used for state general aid). While adding pupils to a district's pupil count may have an impact on that district's general aid amount, it is NOT a one to one relationship – that is, the cost of the aid reduction borne by the school district for those voucher pupils does not translate into an equal increase in state general aid. The state general aid formula reimburses districts for prior year shared costs on the basis of relative costs per pupil and relative property wealth per pupil; some districts have sufficiently high per pupil property wealth that adding pupils to the count does not net much (or sometimes any) additional state aid.

The number of additional pupils enrolling in a private school with voucher as a result of the bill will be affected by the willingness of private schools that do not currently participate in a parent choice program to meet the requirements for participation. The prospect of state payments may be an incentive for all private schools in the state to participate, thereby making all non-voucher pupils in private schools (private pay) eligible for a voucher, though it may take several years to reach that point.

Additionally, students currently attending public schools or who are homeschoolers who are not eligible under current law may seek to enroll in a private school with a voucher. Increases in enrollments due to an influx of public school or homeschool pupils will depend on private schools' building and staffing capacity to manage additional pupils.

One approach to estimating the impacts of the bill is to assume that the total number of additional voucher pupils will be roughly equal to the number of non-voucher pupils currently enrolled in private schools. DPI modeled the impact of the bill using this assumption, based on the 2020-21 enrollment in private schools (last year for which certified enrollment data is available), by grade bands (K-8 and 9-12), and for private schools located in Milwaukee as one group and private schools located outside of Milwaukee as another group. The enrollment data is attached to this fiscal estimate.

Long-Range Fiscal Implications

As the per-pupil payment for pupils receiving a voucher increase each year, the total cost to the state and to local taxpayers will increase.

Fiscal Estimate for AB 970 (LRB-5987/1) and SB 974 (LRB-4713/1)
 Prepared by Erin Fath, Department of Public Instruction (608-266-2804)
 February 15, 2022

Private School Enrollments, 2020-21

Enrollment	Total Private School Pupils (Headcount)			Pupils w/ Voucher (MPCP/RPCP/WPCP) - HC			Pupils w/ no voucher (full private pay)		
	PK/4K/5K	Grades 1-8	Grades 9-12	PK/4K/5K	Grades 1-8	Grades 9-12	PK/4K/5K	Grades 1-8	Grades 9-12
(2020-21 school year)									
Private Schools in Milwaukee (MPCP)	4,448	19,054	8,948	3,937	18,033	6,565	511	1,021	2,383
Private Schools Balance of State (RPCP & WPCP)	17,042	54,528	14,842	2,457	9,922	3,553	14,585	44,606	11,289
Statewide Total - grade band	17,042	54,528	14,842	2,457	9,922	3,553	14,585	44,606	11,289
Statewide Total - all grades			86,412			15,932			70,480

Per Pupil (Voucher) Amounts, 2021-22 and 2022-23

2021 Act 58 [2021-2023 Biennial Budget]

Private School Parent Choice Programs	FY21 Base	FY22	FY23
Grades K to 8	\$ 8,300	\$ 8,336	\$ 8,399
Grades 9 to 12	\$ 8,946	\$ 8,982	\$ 9,045

Potential Cost of Increasing Enrollment in Private School Parent Choice Programs

Private Schools in Milwaukee

Non-Voucher Pupils Enrolled in Private School

Milwaukee						
	Pupils (FTE)	Voucher (2022-23)	Payments to Private Schools (2022-23)	State Share: 93.6% (2022-23)	Local (MPS) Share: 6.4% (2022-23)	
4K/5K	409.24	\$ 8,399	\$ 3,437,218	\$ 3,217,236	\$	219,982
Grades 1-8	1,021.00	\$ 8,399	\$ 8,575,379	\$ 8,026,555	\$	548,824
Grades 9-12	2,383.00	\$ 9,045	\$ 21,554,235	\$ 20,174,764	\$	1,379,471
TOTAL	3,813.24		\$ 33,566,832	\$ 31,418,554	\$	2,148,277

Private Schools outside Milwaukee

Non-Voucher Pupils Enrolled in Private School

Balance of State						
	Pupils (FTE)	Voucher (2022-23)	Payments to Private Schools (2022-23)	State Share: 0% (2022-23)	Local Share: 100% (2022-23)	
4K/5K	11,973.71	\$ 8,399	\$ 100,567,184	\$	\$	100,567,184
Grades 1-8	44,606.00	\$ 8,399	\$ 374,645,794	\$	\$	374,645,794
Grades 9-12	11,289.00	\$ 9,045	\$ 102,109,005	\$	\$	102,109,005
TOTAL	67,868.71		\$ 577,321,983	\$	\$	577,321,983