



## Fiscal Estimate Narratives

DPI 11/7/2023

LRB Number	23-4373/1	Introduction Number	AB-0518	Estimate Type	Original
<b>Description</b> phasing out parental choice programs and the Special Needs Scholarship Program, repealing the achievement gap reduction program and the student achievement guarantee program, creating a new student achievement guarantee program, granting rule-making authority, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill repeals the Achievement Gap Reduction program created in 2015 Wisconsin Act 53, reinstates an expanded Student Achievement Guarantee in Education program, and phases out the Milwaukee, Racine, and statewide parental choice programs (together, parental choice programs) and the Special Needs Scholarship Program.

Both the AGR and SAGE programs are categorical aid programs that provide funding to participating schools for low-income pupils enrolled in participating grades if the participating school complies with a five-year contract entered into between a school board, on behalf of the participating school, and the Department of Public Instruction. Under the AGR program repealed in this bill, a participating grade is a grade from kindergarten to third grade that is subject to an AGR contract. The expanded SAGE program established under this bill would be phased in to applies to all grades taught in the school.

Under the AGR program repealed in this bill, DPI must pay to a school board under an AGR contract a per pupil amount determined by dividing the amount appropriated to the AGR program by the total number of pupils enrolled in a participating class. Under the expanded SAGE program created in this bill, DPI would pay \$2,250 for each pupil in a participating class, and would be required to annually adjust the per pupil payment to reflect the percentage change in the consumer price index, if that change is positive. The bill changes the current appropriation from a sum-certain to a sum-sufficient appropriation, meaning all eligible claims would be paid in full (no proration). The repeal of the AGR takes effect immediately; the bill permits school boards to enter into contracts under the expanded SAGE program beginning in the 2024-25 school year.

Also under this bill, beginning in the 2024-25 school year, no private school may participate in a parental choice program or the SNSP unless the school was participating in the program in the 2023-24 school year, and no pupil may attend a private school under a parental choice program or the SNSP unless the pupil was attending that private school under the program in the 2023-24 school year. Under current law, a child with a disability who meets certain eligibility criteria receive a scholarship of \$15,065 (2023-24 amount) to attend a private school participating in the SNSP.

Local Fiscal Impact : Indeterminate

#### "Continuing Pupils" under Parental Choice Programs

For the statewide and Racine private school choice programs, per pupil payments for continuing pupils (pupils who first participated in the 2014-15 school year or prior) are fully funded through state GPR. Because the costs of payments for continuing choice pupils are borne directly by the state's general fund, there would be no fiscal impact on a school district as the continuing pupils exit the program.

For the Milwaukee Parental Choice Program (MPCP), the per pupil payments for all participating pupils has been paid for in part with a deduction to the general aid payment for MPS (for which MPS can levy back) and in part from the state's general fund. However, under current law, the MPS share decreases each year, by 3.2%, until it is 0% of the payments in 2024-25 – at which point, the state would then fully pay for the MPCP). For the 2023-24 school year, the MPS share (aid deduction) is \$9,434,000 (DPI, MPCP Facts and Figures for 2023-24, as of October 2023).

Under current law, as the deduction to MPS's state general aid reaches zero (2024-25 school year), so also will the resulting MPS tax levy attributable to the MPCP. Under the bill, enrollments in the MPCP would decrease, as no new students would be admitted after 2023-24, leading eventually to no payments under the MPCP. Assuming that there are pupils enrolled in the MPCP as a 4-year old Kindergarten (4k) pupil in 2023-24 and they continue in the program through 12th grade, there would be payments for those pupils made through the 2036-37 school year. Because the MPS share is scheduled to be reduced to \$0 by the 2024-25 school year,

the bill's impact would simply be to reduce the state's expenditures for the MPCP over time, as a result of reduced enrollments.

"Incoming Pupils" under Parental Choice Programs and Pupils participating in the Special Needs Scholarship Program

As a result of 2015 Wisconsin Act 55, payments for incoming pupils (pupils who first participated in the 2015-16 school year or later) are funded through a reduction in the state aid that would otherwise be paid to those pupils' school districts of residence. As of the 2021-22 school year, per pupil payments were equal to \$9,893 for a pupil enrolled in a grade from kindergarten to eight and \$12,387 for a pupil enrolled in a grade from nine to 12. In future years, payments will increase by the revenue limit per pupil adjustment, if positive, provided to school districts in the current year plus the change in total categorical aid funding per pupil, if positive, from the prior year to the current year. 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. 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. School districts also include incoming pupils in their pupil count for membership in calculating state general aid in the following aid year.

Additionally, recent changes to statutes under 2017 Wisconsin Act 36 have changed the funding mechanism in which pupils participating in the Special Needs Scholarship Program are counted and funded. As a result of the Act, pupils will be counted for general aid purposes similar to incoming parental choice program pupils and school districts will receive a revenue limit adjustment for each pupil in the current year equal to the aid reduction for each pupil attending a private school participating in the SNSP. Eligible pupils may receive a scholarship of \$15,065 (in 2023-24) to attend a private school participating in the SNSP. In 2023-24, the total aid reductions to school districts for the SNSP is \$38,692,451 (as of October 2023).

The bill does not alter the funding mechanism for incoming choice pupils or SNSP pupils (revenue limit exemption, general aid reduction). Thus, under the bill, school districts would experience a gradual decrease in the reduction to their general aid payments, as the "incoming" choice pupils and SNSP pupils exit the program. Additionally, the amount a school district would receive in the form of a non-recurring revenue limit exemption that can be used in setting the tax levy will also decrease, eventually to zero. In 2023-24, the total aid reduction to school districts for the RPCP and the WPCP is \$230,342,271. Because the rate at which the incoming pupils and SNSP pupils will exit the Wisconsin and Racine choice programs is unknown, the local fiscal impact as a result of this bill is indeterminate.

The Expanded SAGE Program/AGR Elimination

Under the expanded SAGE program created in this bill, DPI must pay \$2,250 for each pupil in a participating class. DPI must also annually adjust the per pupil payment to reflect the percentage change in the consumer price index, if that change is positive. Estimating the costs is difficult since it is unknown how many schools and eligible students would participate in the expanded SAGE program as well as the number of additional grade levels those schools would include in the program. Information regarding the percentage changes in the consumer price index in future years is also unknown. For those reasons the costs are indeterminate.

State Fiscal Impact: Indeterminate

"Continuing Pupils" under Parental Choice Programs

Because "continuing" pupils would continue to be funded through a separate general purpose revenue appropriation, the exit of the continuing pupils from the choice program will result in lower expenditures for the Parental Choice program over time. The rate at which continuing choice pupils exit the statewide choice program is unknown, thus, the rate at which the state's expenditures will decrease is indeterminate.

For the MPCP, the state will be paying 100% of the program costs as of the 2024-25 school year.

Under the bill, enrollments in the MPCP would decrease, as no new students would be admitted after 2023-24, leading eventually to no payments under the MPCP. Assuming that there are pupils enrolled in the MPCP as 4k pupils in 2023-24 and they continue in the program through 12th grade, there would be payments for those pupils made through the 2036-37 school year.

"Incoming Pupils" under Parental Choice Programs and Pupils participating in the Special Needs Scholarship Program

The cost to the state for incoming pupils who enrolled in the Wisconsin and Racine parental choice programs and SNSP pupils is completely offset by a reduction to the general aid payment of the public school districts in which the incoming choice pupils and SNSP pupils reside. Thus, the phase out and eventual elimination of the

choice programs and SNSP will not impact the state's general fund.

#### The Expanded SAGE Program/AGR Elimination

The bill would utilize savings derived by the phase-out of the state's three parental choice programs and redirect those funds to pay for an expanded SAGE program. The rate at which pupils would exit the parental choice programs, if this bill were to become law, is unknown. Further, the number of schools that would participate in an expanded SAGE program, and the number of pupils for whom payments would be made, is unknown. Thus, the net impact of repealing the state's parental choice programs and the AGR program, and expanding the SAGE program, is indeterminate.

#### **Long-Range Fiscal Implications**

Under the bill, DPI must annually adjust the per pupil payment under the SAGE program to reflect the percentage change in the consumer price index, if that change is positive. If the number of eligible pupils for whom aid is paid remains constant or increases, the state's costs will increase.