

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-4979/1	Introduction Number AB-0688
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Description
 reductions to state aid paid to school districts for payments to certain independent charter schools

Fiscal Effect

State:

- | | | |
|--|--|---|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input checked="" 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 |
|--|--|---|

Local:

- | | | |
|---|--|--|
| <input type="checkbox"/> No Local Government Costs
<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 | 5. Types of Local Government Units Affected
<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 |
|---|--|--|

Fund Sources Affected	Affected Ch. 20 Appropriations
<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	20.255 (2)(fp) and (2)(fq)

Agency/Prepared By DPI/ Erin Fath (608) 266-2804	Authorized Signature Erin Fath (608) 266-2804	Date 11/27/2023
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Fiscal Estimate Narratives

DPI 11/27/2023

LRB Number	23-4979/1	Introduction Number	AB-0688	Estimate Type	Original
Description reductions to state aid paid to school districts for payments to certain independent charter schools					

Assumptions Used in Arriving at Fiscal Estimate

This bill repeals reductions to state aid paid to school districts, beginning in 2024-25, for per pupil payments to independent charter schools (ICS) authorized by certain authorizers of ICS, referred to as "new charter school authorizers" [new authorizers], which includes: the Office of Educational Opportunity in the UW System, the chancellor of an institution in the UW System other than the UW-Milwaukee or UW-Parkside, a technical college district board other than the Milwaukee area technical college district board, the county executive of Waukesha County, the college of Menominee Nation, or the Lac Courte Oreilles Ojibwa community college.

ICS that are authorized by UW-Milwaukee, Milwaukee Area Technical College, the City of Milwaukee, and UW-Parkside are referred to as "legacy authorizers", as they were the entities initially provided authority to create ICS under 1997 Act 27 and by 2001 Act 16. While the payments to legacy ICS formerly were offset by aid reductions to all school districts in the state, that aid reduction was repealed under 2021 Act 58; thus, the cost of payments to legacy ICS is borne fully by the state.

Under current law, DPI makes payments to new-authorizer ICS from sum sufficient appropriations, based on the per pupil payment for ICS and the number of pupils enrolled in the ICS. For pupils enrolled in a new authorizer ICS, the school district in which the pupil resides incurs a reduction its state general aid payment, equal to the amount of the payments made by the state to new authorizer, ICS for pupils residing in the school district. These reductions applied to school district aid payments translate into a balance in the appropriation for state general aid, which lapses to the state's general fund at the end of each fiscal year. Thus, the aid reductions applied to school districts directly offset the payments made by the state to the new authorizer ICS (i.e., there is a net expenditure of zero by the state for these new authorizer ICS).

Pupils who attend these new authorizer ICS are counted by their school district of residence as part of the district's revenue limit membership; this impacts the amount of revenue authority the school district generates under state-imposed revenue limits for school districts. Revenue authority per member varies by school district based on district specific factors. For the 2023-24 school year, district revenue authority per member

Finally, the new authorizer ICS are also counted by the district of residence for purposes of state general aid membership. Counting ICS pupils impacts the district level factors (shared costs per pupil, property value per pupil) and thus can have an impact of the amount of state general aid that is generated for those school districts. However, the impact depends on how the districts' state general aid formula factors compare to every other school district in the state and the total amount appropriated for state general aid.

This bill would eliminate the reduction to state general aid for new authorizer ICS pupils; it would also remove the FTE count of new authorizer ICS pupils who are added to school district revenue limit membership and state general aid membership under current law.

State impact: the bill does not directly increase the appropriation for new authorizer ICS; however, it would have the impact of eliminating the year end lapse from the appropriation for state general aid that is generated by the reductions to state general aid. Thus, there would be no offsetting lapse of budget authority back into the state general fund. In other words, the state would bear the full costs of the payments made to new authorizer ICS. For FY25, the payments for new authorizer ICS are estimated at \$37,837,800 (GPR). Under this bill, the state would expend that amount and not receive an offsetting amount via a lapse to the general fund. Thus, the impact to the state would be a net increase in outlays, of \$37,837,800.

Local impact: indeterminate - the general impact of these changes is to shift cost of the new authorizer ICS programs from taxpayers to the state.

From a school district's perspective, the impact of the bill is to allow a district to retain state general aid that it otherwise would not have received (i.e., under current law). On the other hand, removing the new authorizer ICS pupils from revenue limit members would likely impact the district's total revenue limit authority. There is

not a one-to-one relationship between the aid reduction for ICS pupils and the change in revenue authority that could occur when a school district's revenue limit is reduced; additionally, the impact on revenue limit membership (and revenue authority) is fully reflected only after three years, because the revenue limit membership uses a three-year rolling average (current and prior two years).

Removing ICS pupils from the FTE count for general aid membership could have an impact on state general aid generated for a school district. The impact cannot accurately be projected, because the general aid formula determines aid based on each districts' factors relative to all other school districts.

This bill would impact the district's total revenue authority as well as the mix of state general aid and property tax levy under the state-impose revenue limits, but the specific amounts cannot accurately be projected.

Long-Range Fiscal Implications

The state would continue to fully bear the cost of payments made to new authorizer ICS. The amount will depend on how many pupils enroll in the new authorizer ICS, and the per pupil payment, in future years.