

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-3426/1	Introduction Number SB-0330	
Description increasing the per pupil payments in parental choice programs and the Special Needs Scholarship program and the per pupil payments made to independent charter schools and increasing the revenue ceiling for school districts		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" 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) (az), (fm), (fp), (fr), (fu)		
Agency/Prepared By DPI/ Erin Fath (608) 266-2804	Authorized Signature Erin Fath (608) 266-2804	Date 6/13/2023

Fiscal Estimate Narratives

DPI 6/13/2023

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Description increasing the per pupil payments in parental choice programs and the Special Needs Scholarship program and the per pupil payments made to independent charter schools and increasing the revenue ceiling for school districts					

Assumptions Used in Arriving at Fiscal Estimate

Increase to Per Pupil Payments for Independent Charter Schools, Private School Parental Choice Program, and the Special Needs Scholarship Program

The estimated impact resulting from the additional increase to the per pupil payment under this bill for pupils enrolled in an independent charter school, a private school under the Milwaukee, the Racine, or the Wisconsin private school choice program, or a Special Needs Scholarship Program (SNSP) is:

-Increase of net expenditures from the state general fund (GPR): \$60.1 million (FY24).

-Increase in the statewide school property tax levy (via reduction to state general aid & increase in levy authority): \$42.9 million

Total impact of \$103 million in FY24.

The details of this fiscal estimate are attached.

Low Revenue Adjustment

Under current law, the school district revenue limit formula determines the total amount of state general aid, state exempt computer aid, and property taxes that a school board is allowed to levy for the district's general school operations (controlled revenue). The formula is based on the district's prior year controlled revenue, its revenue limit membership (pupils), and certain adjustment allowed in state law (revenue limit exemptions). Each school year, a school board may levy taxes for general school operations by an amount equal to the district's total controlled revenue authority minus the general state aids received by the school district for that year. This the maximum controlled levy.

The revenue limit formula calculates each districts' base revenue per member amount and applies a uniform per pupil adjustment for the current year. The per pupil adjustment was at one time indexed to inflation; presently, it is an amount set every two years during the state biennial budget process (the per pupil adjustment for 2022-23 was \$0).

The formula also provides for an automatic adjustment to a school district's revenue limit per pupil amount if, after application of the per pupil adjustment and before application of other revenue limit adjustments (recurring and nonrecurring exemptions), the district's revenue limit per pupil amount is less than the low revenue threshold amount specified in state law. This threshold is typically referred to as the low revenue ceiling (LRC). Under current law, the LRC is \$10,000 per pupil for the 2022-23 school year and will continue at that amount, unless modified by the Legislature. If a school district held a referendum to raise revenue authority for school operating costs and the electors reject that referendum, the LRC to which the school district is subject remains at the level for three years following the referendum.

This bill increases the LRC from \$10,000 to \$11,000 effective with the 2023-24 school year. Under the bill, the LRC would remain at \$11,000 for the 2024-25 school year and thereafter, unless modified in the future by the Legislature. This bill does not remove the current law provisions that freeze the LRC threshold for school districts that have failed to pass a referendum for school operating costs.

A school district that is eligible for the low revenue adjustment is not required to levy for the additional amount that the adjustment provides; that is, a school board may opt to levy less than its allowed maximum controlled levy. If a school board does make use of the LRC adjustment, that revenue authority becomes part of the district's base revenue for the following school year. In the initial year, the revenue authority resulting from the low revenue adjustment is effectively picked up entirely via the tax levy. Thereafter, when it is incorporated into the district's revenue base, that revenue authority becomes part of the mix of general state aids and property tax.

The number of school district that would be eligible for the low revenue adjustment if it is raised to \$11,000 will depend on the base revenue per pupil amount going into the 2023-24 school year, which in turn will depend on the per pupil adjustment amount provided for school districts for the 2023-24 school year, which has not yet been established (this bill does not include a revenue limit per pupil adjustment). Further, the total amount of revenue authority resulting from a LRC of \$11,000 would depend on how far below the LRC a district is, as well the district's revenue limit membership for 2023-24, which will be determined in Fall 2023.

The Joint Committee on Finance is deliberating the 2023-25 state biennial budget, including K-12 school aids and revenue limit provisions, concurrently with this bill. Recent communications suggest the JCF may take up a school aid package that would provide a revenue limit per pupil adjustment \$325 in FY24 (and another \$325 in FY25). A \$325 per pupil adjustment would mitigate the impact of the increased LRC.

Long-Range Fiscal Implications

Fiscal Estimate for SB-330
LRB draft 23-3426/1
Detailed Estimate
Prepared by Erin Fath (DPI)
608-266-2804

Per Pupil Payments for Independent Charter Schools & Private Parental Choice School

Under current law, DPI makes payments to independent charter schools (ICS), private school participating in the Milwaukee, Racine, or Wisconsin parental choice programs (“choice programs”), and private schools participating in the special needs scholarship program (SNSP). For the 2022-23 school year, the per pupil payment amounts are: \$9,264 for ICS; \$8,399 for students enrolled in kindergarten through grade 8 in private choice schools; \$9,045 for students enrolled in grades 9 through 12 in private choice schools; and \$13,076 for students enrolled in a private school participating in the SNSP.

The per pupil payment amount is determined by a formula set in state law, equal to the prior year’s per pupil payment amount plus the revenue limit per pupil adjustment for school districts, plus an additional amount equal to the change in school categorical aids appropriations (from the prior year) divided by the prior year total revenue limit membership (i.e., a measure of the increase in state categorical aids available to school districts).

Under this bill, the per pupil payment for ICS, private choice schools, and SNSP schools would be modified to include an additional amount equal to a specified percentage of the LRC in effect for the 2023-24 school year (\$11,000 under the bill); and, beginning in the 2024-25 school year and thereafter, a specified percentage of the change from prior year (if positive) in the LRC amount. Since the LRC would remain at \$11,000 in 2024-25 and thereafter under the bill, there would be no LRC increase, and therefore no additional adjustment to the per pupil payments for these programs, for the 2024-25 school year (and thereafter, unless changed by the Legislature in future legislation).

The percentages specified in the bill and the resulting amount to be added to the per pupil payments are:

- 15.7 percent for ICS (\$1,727);
- 10.0 percent for choice programs, grades K-8 (\$1,100);
- 26.8 percent for choice programs, grades 9-12 (\$2,948); and
- 14.5 percent for SNSP (\$1,595).

The bill will increase the amount paid per pupil under each of these programs. The fiscal impact at the local level (property tax) and state level (state’s general fund) will depend on a few factors: for the ICS program, it will depend on the authorizing entity; for the Wisconsin and the Racine choice programs, it will depend on whether the pupil was participating before the 2015-16 school year; for the Milwaukee choice program, the

impact will be primarily to the state's general fund; and for the SNSP, the impact will be borne 100% on the tax levy.

Independent Charter Schools – New Authorizers

For ICS authorized by "new" authorizing entities (per 2015 Act 55 and 2017 Act 59), the school district of residence counts the ICS pupil for revenue limit and general aid purposes (thus, they generate revenue limit authority). The school district incurs an aid deduction. The estimated enrollment in new authorizer ICS for 2023-24 is approximately 2,815 FTE; payments to these ICS would be approximately \$4.86 million higher under this bill compared to current law ($\$1,727 \times 3,390$). The impact on the local levy due to this additional amount would be district specific, depending on each district's actual revenue limit authority per pupil and adjustments to revenue limits for FY24/FY25 (i.e., per pupil adjustment, low revenue threshold).

Independent Charter Schools – Legacy Authorizers

For ICS authorized by the entities in the original legislation ("legacy" authorizers located in Milwaukee, and UW-Parkside), the per pupil payments are made by the state and there are no longer offsets to the state's cost (formerly, school district's incurred a reduction in general state aid to pay for these ICS payments, and in effect, were allowed to levy for the difference). Thus, the impact for these ICS would be borne fully by the state's general fund. The estimated enrollment in legacy authorizer ICS for 2023-24 is approximately 9,000 FTE; under the bill, payments to these ICS would be approximately \$15.5 million higher than under current law ($\$1,727 \times 9,000$); 100% of that additional amount would be borne by the state's general fund (GPR).

SNSP and Incoming Pupils in the Racine and Wisconsin Choice Programs

For pupils enrolled in the SNSP, and pupils who began enrollment in the Wisconsin or the Racine choice program beginning in or after the 2015-16 school year ("incoming" pupils), the school district of residence incurs a reduction in general state aid equal to the per pupil payment for each district resident who is enrolled in private school under these programs. The school district does not count those pupils in the revenue limit membership; instead, the school district receives a revenue limit exemption (adjustment) for that year, equal to the reduction for the SNSP/choice program pupils. Assuming the districts levies the maximum permitted under the revenue limit, the effect is that the cost of those payments is borne by taxpayers, via the levy. While the school district does count these pupil in general aid membership, there is not a one to one relationship between the aid reduction and the amount of general aid associated with these pupils*.

SNSP Pupils

The estimated enrollment for SNSP pupils receiving a full scholarship payment** for 2023-24 is 2,320 FTE. For SNSP pupils receiving a partial scholarship, the FY 24

estimated enrollment is 250 FTE for K-8 pupils and 26 FTE for K-9 pupils. Payments to private schools for these pupils would be approximately \$4.05 million higher under this bill compared to current law (\$1,595 x 2,320; \$1,100 x 250; and \$2,948 x 26); 100% of that additional amount would be borne by local property tax levies.

Incoming RPCP & WPCP Pupils

The estimated enrollment of incoming pupils in the Wisconsin and Racine choice programs for 2023-24 is 17,770 FTE in grades K-8 and 4,410 in grades 9-12. Payments to private schools for these (incoming) pupils would be approximately \$32.55 million higher than under current law (\$1,100 x 17,770 + \$2,498 x 4,410); 100% of that additional amount would be borne by local property tax levies.

Legacy Pupils in the Racine and Wisconsin Choice Programs

For pupils enrolled in the Racine or Wisconsin Choice programs prior to 2015-16, there is no reduction applied to the general state aid payment of the school district of residence. Therefore, the costs for these legacy pupils is borne 100% by the state's general fund (though the amount is diminishing as pupils graduate from school). The estimated FY24 enrollments of legacy pupils in these choice programs is 2023-24 is 80 FTE in grades K-8 and 540 in grades 9-12. Payments to private schools for these (legacy) pupils would be approximately \$1.7 million higher than under current law (\$1,100 x 80 + \$2,498 x 540); 100% of that additional amount would be borne by the state's general fund (GPR).

Milwaukee Parental Choice Program

For pupils enrolled in the Milwaukee Parental Choice program, the cost is shared between the state and the local property tax levy. The split was formerly set in statute at 38.4% being picked up via the MPS school levy (reduction to state general aids for which MPS was permitted to levy back) and 61.6% via the state's general fund (GPR). Under 2013 WI Act 20, the split changes each year; beginning in 2013-14, the amount absorbed by the state is increasing by 3.2% (percentage points) each year, such that for FY24 the split will be 3.2% MPS-school levy and 96.8% state GPR, and by FY25, the costs of the MPCP will be borne 100% by the state's general fund (GPR). The estimated FY24 enrollment in the MPCP is 21,200 FTE in grades K-8 and 7,100 FTE in grades 9-12. Payments to private schools in the MPCP would be approximately \$44.25 million under the bill. Most of the additional cost (\$42.83 million) would be borne by the state; \$1.42 million would be borne by the MPS school levy.

**State general aids are made up largely of equalization aid, which essentially reimburses school districts for prior year shared costs and utilizes property value per member as the basis for distributing aid to school districts. Depending on the districts equalization aid formula factors, the district's position relative to other districts, and the*

number of residents enrolled in these programs, an individual district may not receive any additional aid by virtue of counting these pupils.

***Pupils who enroll in the SNSP must have an individual education program (IEP) plan. If at some point after enrolling in the SNP, the pupil is determined to no longer be eligible for an IEP, the pupil may continue attending the private school, but the payment for that pupil would be a "partial" scholarship, equal to the payments for pupils attending a private school under any of the state's three parent choice programs.*