

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-5052/1	Introduction Number SB-0838
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Description
 reductions to state aid paid to school districts for payments made under parental choice programs and the Special Needs Scholarship Program

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**

GPR FED PRO PRS SEG SEGS 20.255 (2) (az), (fr), (fu)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DPI 1/5/2024

LRB Number	23-5052/1	Introduction Number	SB-0838	Estimate Type	Original
Description reductions to state aid paid to school districts for payments made under parental choice programs and the Special Needs Scholarship Program					

Assumptions Used in Arriving at Fiscal Estimate

This bill phases out the current law funding mechanism for certain pupils participating in the Racine and the Wisconsin private school parental choice programs (RPCP and WPCP / choice programs) and pupils participating in the Special Needs Scholarship Program (SNSP).

Beginning with newly participating pupils as of July 1, 2024 (the 2024-25 school year), this bill repeals the current law reductions that are applied to state aid payments to school districts associated with the per pupil payments to private schools participating in the RPCP and WPCP, and private schools participating in the SNSP. The bill also phases out the inclusion of pupils participating in these programs in general aid membership used to calculate state general aid to school districts.

While the bill does not directly appropriate additional funds in any appropriation, the net impact on the state's general fund will be to reduce the lapse of funds that revert to the general fund at the end of each fiscal year; thus, the bill has the impact of increasing the state's net expenditures.

Payments to Private Schools

Under current law, DPI makes payments to private schools in the RPCP, WPCP, and the SNSP, from sum sufficient appropriations, based on the per pupil payment amount and the number of pupils enrolled in these programs. Payments are supported with state General Purpose Revenue (GPR). The cost of these GPR payments is offset by reductions applied state (general) aid payments made to public schools (school districts). The aid reductions remain in the DPI's appropriation for state general aid until the end of the state's fiscal year, at which time the underlying funds lapse from the state general aid appropriation to the state's general fund. In this way, the aid reductions offset the cost to the state associated with the RPCP, WPCP, and SNSP.

Prior to the passage of 2015 Wisconsin Act 55, the costs of the payments to private schools in the RPCP and WPCP was borne fully by the state (GPR funded payments). However, under Act 55, the state payments for "incoming" pupils (pupils who first participated in the 2015-16 school year or later) in the RPCP and WPCP are offset through a reduction in state (general) aid that would otherwise be paid to those pupils' school districts of residence. There is no aid reduction for pupils who began participating in the RPCP and WPCP prior to the 2015-16 school year (some of whom are still participating the RPCP / WPCP); thus, payments to private schools for those pupils is borne fully by the state.

2015 Act 55 also authorized the SNSP, which provides scholarship payments that allow students with disabilities (students with an individualized education program) to attend a private school at no cost to the pupil's family. The funding mechanism for pupils in the SNSP is the same as for incoming RPCP and WPCP pupils – the state pays from a sum sufficient appropriation and the school district of residence incurs a reduction to their aid payment.

In the 2023-24 school year, per pupil payments under the RPCP and WPCP are 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. For the SNSP, the full scholarship payment is \$15,065 (students who no longer have an IEP may continue to attend the same private school, but the payment for those pupils is equal to that for pupils in the RPCP and WPCP).

In future years, the per pupil payment amount will be adjusted by a formula described in current law. For the 2024-25 school year, the estimated change to the per pupil payment for these programs is estimated to be \$344, based on the provisions of 2023 Wisconsin Act 19 (the 2023-25 biennial budget). Therefore, payments for the 2024-25 school year are estimated as follows: \$10,237 for pupils in grades K-8 and \$12,731 for pupils in grades 9-12 in the RPCP and WPCP; and \$15,409 for SNSP pupils (full scholarship amount).

For the current school year (2023-24), the total of the reductions applied to school districts' state aid payments is \$230,342,272 for incoming choice program pupils and \$38,692,451 for SNSP pupils. The combined total for all programs is \$269,034,722. The assumptions used for purposes of setting appropriations for the 2023-25 state biennium included, for the 2024-25 school year, \$239.4 million for incoming choice pupils and \$38.6 million for SNSP pupils.

The impact of the bill would be spread out over several years; thus, the impact would not be as large as the amounts noted above in a single year).

Revenue Limit Impact

To offset the reduction applied to school district state aid associated with incoming choice program pupils and SNSP pupils, school districts receive a revenue limit adjustment for each pupil in the current year that is equal to the aid reduction associated with those pupils.

If a school district chooses to levy to the maximum amount authorized under the revenue limit calculation, the district's total controlled revenue resources (general aid and property tax) are unaffected by the aid reduction associated with incoming choice and SNSP pupils, because the aid reduction is effectively replaced with local tax levy.

In this way, the cost of payments made to private schools for incoming choice and SNSP pupils is shifted from the state's general fund to local property taxpayers. There is no revenue limit adjustment associated with pupils who were participating in the RPCP / WPCP prior to the 2015-16 school year.

Impacts on General Aid to School Districts

The incoming choice and SNSP pupils are included in the pupil count for general aid membership. These students are counted by the school district in which they reside, regardless of where the private school they attend is located.

Including the incoming choice pupils and SNSP pupils in school districts' general aid membership impacts the district level factors used in the general school aid formula (i.e., shared cost per pupil and equalized property value per pupil). Thus, removing the incoming choice and SNSP pupils will have an impact of the amount of state general aid that is generated for each school districts. However, the impact depends on how a school district's state general aid formula factors compare to every other school district in the state and the total amount appropriated for state general aid.

Local impact

The impact of reducing (eventually fully eliminating) the aid reduction amount associated with incoming choice and SNSP pupils would initially translate into lower allowable revenue authority for school districts with resident pupils who participate in the RPCP, WPCP, or SNSP – i.e., lower tax burden on local taxpayers, with all other things being equal. Other factors impact a school district's change in revenue authority and the tax levy: pupil count, the allowable per pupil revenue limit adjustment, the low revenue ceiling adjustment, other revenue limit exemptions (e.g., referenda, declining enrollment), and the district's general state aid amount for that year. Thus, the impact of the bill on an individual school district's revenue authority and tax levy is indeterminate. Further, the impact of this bill may not be immediately obvious when comparing the final tax levy in 2024-25 to that of 2023-24, due to multiple factors impacting each district's revenue authority and tax levy.

Removing incoming RPCP/WPCP and SNSP pupils from the FTE count for general aid membership would have an impact on the amount of state general aid generated for most school districts. The impact cannot accurately be projected, because the general aid formula determines aid based on each districts' factors relative to all other school districts. Rather than eliminating these pupils from school district pupil counts in one year, the bill phases out the inclusion of RPCP, WPCP, and SNSP pupils in the general aid membership, so the impact would take place over several years. From a school district's perspective, the impact of the bill is to change the mix of state general aid and tax revenue that a district is permitted to raise under their revenue limit.

State impact:

The bill has the impact of gradually reducing and eventually eliminating the year end lapse from the appropriation for state general aid that is generated by the reductions to state general aid. As a result, there would be a lower (and eventually no) offsetting lapse of funds back into the state general fund. In other words, the state would gradually bear a greater share (eventually the full share) of costs of making payments to private schools in the RPCP, WPCP, and SNSP.

Long-Range Fiscal Implications

Because the bill phases out the current law mechanism for funding incoming choice and SNSP pupils, the impact on the state's general fund and the impact on school district tax levies will be gradual, over several years. The pupil counts in Fall 2023 indicate there are 667.7 FTE pupils in four-year-old kindergarten (4k) enrolled in the RPCP and WPCP, and 53.7 FTE pupils in 4k enrolled in the SNSP. Assuming that at least some of those pupils continue to participate in those programs until graduation from high school, they will continue to be enrolled for 13 years (i.e., 2024-25 through 2036-37).

Similarly, the impact of no longer including RPCP, WPCP, and SNSP pupils in the general aid membership (beginning with new participants in 2024-25) will be spread over 13 years, resulting in a more gradual impact on general aid than those students were excluded in from general aid membership all at once.