

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected		2. Date 9/9/2019
3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable) PI 48, Racine and Wisconsin Parental Choice Programs		
4. Subject Changes to rules governing the Parental Choice Programs as a result of 2017 Wisconsin Acts 36 and 59 and other changes		
5. Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S		6. Chapter 20, Stats. Appropriations Affected
7. Fiscal Effect of Implementing the Rule <input type="checkbox"/> No Fiscal Effect <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs <input type="checkbox"/> Decrease Costs <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Could Absorb Within Agency's Budget		
8. The Rule Will Impact the Following (Check All That Apply) <input type="checkbox"/> State's Economy <input type="checkbox"/> Specific Businesses/Sectors <input checked="" type="checkbox"/> Local Government Units <input type="checkbox"/> Public Utility Rate Payers <input type="checkbox"/> Small Businesses (if checked, complete Attachment A)		
9. Estimate of Implementation and Compliance to Businesses, Local Governmental Units and Individuals, per s. 227.137 (3) (b) 1., Stats. \$0		
10. Would Implementation and Compliance Costs Businesses, Local Governmental Units and Individuals Be \$10 Million or more Over Any 2-year Period, per s. 227.137 (3) (b) 2., Stats.? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
11. Policy Problem Addressed by the Rule 2017 Wisconsin Acts 36 and 59 made several changes to the statutes governing the state's parental choice programs, which include the Racine and Wisconsin parental choice programs. The Department is required by statute to promulgate rules in order to administer each program. Unless these modifications are in place, the Department may be prevented from efficiently implementing and administering the programs and schools and applicants may not have clear guidance on program requirements. The promulgation of emergency rules will help ensure implementation of each program remains consistent through the completion of the permanent rule making process. Key aspects of the rule include the following: <ul style="list-style-type: none"><li>• Specifies the requirements for the modified financial audit and the standard financial audit.</li><li>• Specifies the background check requirements, including how the background check must be completed.</li><li>• Modifies certain due dates so the dates will not fall on a weekend.</li><li>• Specifies that the budgets required for the program must include the anticipated beginning and ending reserve balance.</li><li>• Clarifies that the financial audit used to ensure schools meet choice program financial requirements includes the financial audit under s. 115.7915, Stats. Also specifies the non financial viability indicators include the school having a net loss or negative change in net assets in the financial audit or the budget and cash flow.</li><li>• Modifies the full time equivalent determination so that it is based on the required number of hours for first grade pupils in the private school rather than first grade pupils in the public school district.</li><li>• Removes the requirement to use original classroom records when completing the procedures for choice program pupils for the enrollment audit. The procedures ensure the submitted pupil counts are accurate by comparing the school submitted pupil count reports to the official attendance records.</li><li>• Specifies that the identification of choice program pupils may be in a different report than the official attendance records.</li><li>• Removes summer school provisions already included in statute and modifies course eligibility provisions for</li></ul>		

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summer school.

- Clarifies the requirements for including fixed assets in the financial audit.
- Specifies that leased right of use assets, which will be required in financial audits due to a change in generally accepted accounting principles, are not included in the required cash and investment balance calculation.
- Specifies how net eligible education expenses are calculated if the school is not eligible for all choice program payments.
- Specifies what is considered a management letter.
- Clarifies the school's responsibility for the financial requirements.
- Specifies the impact of the statement of actual cost on the reserve balance schedule calculations.
- Specifies the requirements for the governing body agreements.
- Modifies the hours of instruction requirement for continuing schools.
- Removes continuing eligibility requirements since they were removed from s. 118.60, Stats..
- Clarifies which schools are new private schools.
- Modifies the disclosure of information requirement based on changes in s. 118.60, Stats.
- Specifies the requirements for a school to indicate it would like an all student accountability report card.
- Modifies the auditor fee payment to allow for the amount to be paid using another guaranteed manner permitted by the department.
- Modifies the continuing pupil definition and who can complete a department of revenue income determination so that the requirements are consistent with changes in s. 118.60, Stats.
- Specifies the pupil count reports must include the waiting list pupils for the Racine parental choice program.
- Specifies that the Choice waiting lists and waiting list applications must be audited by the independent auditor as part of the enrollment audit.
- Clarifies that the preliminary enrollment report may not include a pupil that has withdrawn from the school.
- Clarifies the employee compensation documentation requirements, including specifying the requirements when schools notify employees of changes in compensation.
- Removes the requirement for the risk management and insurance evaluation requirement. All schools participating in the program are required to have a minimum amount of insurance unless a different amount is recommended by a risk or insurance consultant.
- Removes the requirements and audit procedures for teacher waivers since they are no longer permitted under s. 118.60, Stats.
- Specifies the surety bond requirements for schools that are new to the program.
- Specifies that schools new to the program must provide evidence that the school has the required insurance and fidelity bond.
- Revised the Wisconsin income limit to match the revised income limit in s. 118.60, Stats.

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12. Summary of the Businesses, Business Sectors, Associations Representing Business, Local Governmental Units, and Individuals that may be Affected by the Proposed Rule that were Contacted for Comments

The Department engaged and reached out to several stakeholders in the school choice community during the development of this rule, including School Choice Wisconsin, the Wisconsin Catholic Conference, and the Wisconsin Council of Religious and Independent Schools.

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13. Identify the Local Governmental Units that Participated in the Development of this EIA

None.

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14. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

Local:

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2015 Wisconsin Act 55, the 2015-17 biennial budget, significantly modified the Parental Choice Program for

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eligible school districts and eligible school districts under s. 118.60, Stats., (Racine and Wisconsin Parental Choice Programs), which was further modified as a result of 2017 Wisconsin Acts 36 and 59 (the 2017-19 biennial budget). The Racine and Wisconsin Parental Choice Programs affect local education agencies and private schools. There is no economic impact on local education agencies or private schools with respect to the rule because the rule implements statutory changes and is intended to clarify wording and improve procedures for schools and the Department.

State:

No fiscal effect.

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15. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

Modifications to the rule will align the rule chapter to statutory changes as a result of 2017 Wisconsin Acts 36 and 59, as well as better assist schools and the Department in the administration of the program. Without a rule change, statute and rule will not be consistent and the Department may be prevented from efficiently administering the program.

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16. Long-Range Implications of Implementing the Rule

The proposed rule will better assist schools and the Department in the administration of the program. In addition, rule and agency practice will be consistent with the statutes as modified by 2017 Wisconsin Acts 36 and 59.

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17. Compare With Approaches Being Used by Federal Government

N/A

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18. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

- **Illinois:** Under the Invest in Kids Program, students are eligible to receive a scholarship to attend qualified, nonpublic schools in Illinois if their family is below 300% of the federal poverty level. Student scholarships cannot exceed the state's average operational expense per pupil, with exceptions and a \$75 million credit cap for scholarship awards.
- **Iowa:** The School Tuition Organization Tax Credit provides that individuals, corporations, LLCs and other partnerships that donate to School Tuition Organizations (STOs) may receive a 65% tax credit, and STOs in turn give out funds as tuition grants to lower-income students to attend an accredited, nonpublic school.
- **Michigan:** There are no rules governing private school choice in Michigan.
- **Minnesota:** There are no rules governing private school choice in Minnesota.

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19. Contact Name

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20. Contact Phone Number

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