

Fiscal Estimate Narratives

DPI 6/8/2017

LRB Number	17-2608/1	Introduction Number	SB-293	Estimate Type	Original
Description parental choice programs, the Special Needs Scholarship Program, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes changes to the Milwaukee Parental Choice Program (MPCP), the Racine (RPCP), the Wisconsin or statewide (WPCP) – collectively, the choice programs – and the Special Needs Scholarship Program (SNSP). The provisions of this bill fall into three main categories: program changes, administrative efficiencies, and technical changes.

This fiscal estimate will focus on the changes that may have a direct impact on private schools participating in a choice program or the SNSP, or on school districts (local impacts); or that have a state fiscal impact. A comprehensive description of all the changes included in the bill is included as an attachment to this fiscal estimate.

Provisions that may have a direct fiscal impact:

SNSP Payments – the bill funds SNSP pupils in a manner similar to incoming pupils participating in the RPCP and WPCP (incoming refers to those who first enrolled as a choice pupil in 2015-16 or later). Under the bill, resident school districts would receive a revenue limit exemption identical to the amount of the state general aid reduction for pupils participating in the SNSP, rather than counting the resident SNSP pupils in their membership counts for revenue limit purposes.

Based on the unaudited data from the 3rd Friday in September 2016 pupil counts, in the 2016-17 school year, aid reductions were applied to 22 school districts for resident pupils who attended a private school under the SNSP. Total payments to private schools were \$2,428,800, made on behalf of 202.40 FTE pupils. Of the 22 school districts, 15 had just one resident pupil attend a private school under the SNSP. As for the other 7 districts, Milwaukee Public Schools (MPS) had 151.6 FTE pupils participate in the SNSP, and SNSP participation in the remaining 6 school districts ranged from 2 to 13 pupils.

All but one of the 22 school districts had a 2016-17 revenue limit per member less than \$12,000, meaning that the general aid reduction exceeded the additional levy authority associated with the SNSP pupils who were included in the district's count for revenue limit. To the extent that a given SNSP pupil was not "fully counted" in a district's the revenue limit membership (a 3-year average count), the difference between the general aid reduction and the additional levy authority associated with the SNSP pupil was even larger. The amount by which the general aid reduction exceeds the levy authority for a SNSP pupil must be absorbed within the schools districts' resources for educating the pupils enrolled in the public schools.

Under the bill, the school district would receive a revenue limit exemption that is equal to the SNSP general aid reduction incurred by the school district. To the extent that the school district levies in full for the SNSP revenue limit exemption, the district fully recovers the aid reduction.

Allowable Fees – the bill allows private schools to charge choice students for room and board. Currently, schools are allowed to charge choice students certain fees, mostly for personal use items such as uniforms, meals, and before and after school care.

Background Checks – beginning in 2018-19, the bill requires choice schools to conduct criminal background checks of its employees and exclude from employment anyone not permitted to hold a teaching license as a result of an offense or anyone believed to pose a threat to the safety of others. This language models the background check requirements for the SNSP. Currently, only private schools participating in the SNSP are statutorily required to complete background checks. The Governor included background check language in the budget bill for the voucher programs, but the provisions were removed from the budget as non-fiscal policy items.

Other Program changes – the bills makes several changes to various aspects of the parental choice programs and the SNSP, including changes related to financial requirements for new choice schools and annual financial requirements for continuing schools; modifications to the WPCP and RPCP entry point requirements; permitting up to 140 hours of work based instruction (as defined by statute) to be counted as hours of instruction; excluding choice schools with fewer than 20 pupils in the MPCP or in the RPCP and WPCP in tested grades (grades 3 to 12) from the requirement to administer the state pupil assessments; circumstances under which the Department may terminate a school from the SNSP or a choice programs; several administrative changes that address how the applications will be processed for students that move during the year (administrative changes); and finally, technical changes.

Local Fiscal Impact

SNSP Payments: the bill would not change how much a private choice school receives as payment from the state (no impact on private schools, relative to current law). The bill would have the effect of allowing school districts to completely offset the general aid reduction for SNSP pupils, via the levy.

Allowable Fees: the bill could result in additional revenues for private schools related to room and board. The Department is not in a position to project whether any of the private schools in the choice programs will charge fees for room and board.

Background Checks: private schools participating in a choice program would incur costs in fulfilling the bill's requirement to conduct criminal background checks of its employees. The Department is not in a position to project the costs to private schools related to this requirement.

Other Program changes: the changes included in the bill may have fiscal impacts on private schools participating in a choice program or in the SNSP. However, those impacts cannot be projected.

Because the bill contains multiple changes, some of which may produce savings for a private school, and others that may require additional expenditures, the net impact of all the changes on a private school participating in a choice program, or the SNSP, cannot be estimated. The local fiscal impact of the bill is indeterminate.

State Fiscal Impact

SNSP Payments: because the bill does not change the payment amounts to private schools with SNSP pupils, or the general aid reduction that is applied to school districts, the bill would have no impact on the state's general fund, compared to current law.

Some of the other provisions in the bill may produce modest efficiencies for the Department, but the bill does not have a direct impact on revenues or expenditures, for either the Department or the state's general fund.

Long-Range Fiscal Implications

The SB 293 includes the following program requirement modifications [section numbers refer to sections in the bill].

Financial Requirements for New Choice Schools

- Allow schools first participating in a choice program to provide, by May 1, a surety bond equal to 25% of the school's estimated annual choice program payments instead of providing a budget. Surety bonds must be maintained until the school submits an audit and evidence of sound fiscal and internal control practices with no indicators of nonfinancial viability.
- Delete the requirement for first time participating schools to submit to department the school's budget on November 1. Schools would still be required to annually complete a budget and retain it for review by the school's external auditors.

[Sections 32, 58, 60, 63, 72, 73, 92, 95]

Annual Financial Requirements:

- Specify that SNSP and Choice schools receiving less than \$100,000 in state voucher payments must submit a modified GAAP audit to the department. This ensures schools' voucher payments are audited but should result in a lower auditing costs for schools receiving less than \$100,000 in voucher funding.
- Provide that if a school does not maintain a cash and investment balance that is at least equal to its reserve balance, the private school shall refund the reserve balance to the department. Under current law, schools must maintain a reserve fund of unexpended but available choice and SNSP funding to use for choice eligible expenses. Current law provides that future state funding can be withheld if a school does not maintain a cash and investment balance that is at least as much as its reserve fund. This bill requires the school to return the reserve balance to the state if this situation were to occur.

[Sections 1, 2, 12, 56, 57, 89, 90]

Allowable Fees:

Allow schools to charge choice students for room and board. Currently, schools are allowed to charge choice students certain fees, mostly for personal use items such as uniforms, meals, and before and after school care.

[Sections 46, 79]

Background Checks:

Beginning in 2018-19, require choice schools to conduct criminal background checks of its employees and exclude from employment anyone not permitted to hold a teaching license as a result of an offense or anyone believed to pose a threat to the safety of others. This language models the background check requirements for the SNSP. Currently, only private schools participating in the SNSP are statutorily required to complete background checks. The Governor

included background check language in the budget bill for the voucher programs, but the provisions were removed from the budget as policy items.

[Sections 62, 94]

WPCP and RPCP Entry Point Requirements:

Modify the student entry point requirements for the WPCP and RPCP to be consistent across programs and allow the following students to be eligible under these requirements:

- Students that participated in the MPCP in the prior year.
- Students that attended a school in another state. This was included in the Governor's budget for WPCP. This bill includes the provision for the RPCP.
- Students on a choice program waiting list.

Under current law, in order to be eligible for the WPCP or RPCP a student must have attended a (1) public school in the prior year; (2) participated in the WPCP or RPCP in the prior year; (3) was not enrolled in school in the prior year; or (4) is entering kindergarten, first or ninth grade.

[Sections 26, 27, 28, 29, 30, 31]

Hours of Instruction:

Specify that up to 140 hours of work based instruction (as defined by statute) may counted as hours of instruction. Under current law, these hours are not counted as instruction for choice schools.

[Sections 21, 33, 74]

Assessment Provisions:

Specify that schools with fewer than 20 pupils in the MPCP or in the RPCP and WPCP in tested grades (grades 3 to 12) are not required to administer the state assessments. Current law provides that schools with fewer than 20 pupils in the choice program are not required to administer the state assessments.

[Sections 16, 18]

SNSP Payments:

Fund SNSP pupils in a manner similar to pupils participating in the RPCP and WPCP. Under the bill resident school districts would receive a revenue limit exemption identical to the amount of the state general aid reduction for pupil participating in the SNSP rather than counting the resident SNSP pupils in their membership counts for revenue limit purposes.

[Sections 101, 102, 103]

Termination from Program:

Specify that DPI may terminate a school's participation in the SNSP and Choice programs if the school intentionally or negligently misrepresents information. Specify that DPI may terminate school's participation in the Choice programs if the school fails to provide the required financial information or fails to conduct background checks as required under the program.

[Sections 14, 64, 67, 68, 96, 99, 100]

The following administrative changes are included in the bill. A number of these provisions were included in the 2017-19 budget request submitted by the Department of Public Instruction, and/or the Governor's 2017-19 budget bill, but were subsequently removed as non-fiscal policy. These provisions create efficiencies for schools and the department and address how the applications will be processed for students that move during the year.

- Allow private schools participating in the SNSP to verify IEPs directly with the LEA or independent charter school rather than working through DPI. [Sections 5, 7, 8, 9, 10]
- Allow SNSP reevaluations to be conducted by the district where student attends private school. [Section 6]
- Allow parents to check income eligibility directly with DOR as part of the application process rather than having to go into the school. [Sections 24, 70]
- Require first time participating schools to provide certain policies and information prior to participation and continuing schools to provide it upon request. Under current law, all schools must provide this information annually. [Sections 34, 49, 50, 51, 52, 53, 54, 66, 75, 82, 83, 84, 85, 86, 87, 98]
- Delete the requirement to annually submit a report showing the school met attendance, advancement, or parental involvement criteria. Report cards now provide annual accountability data for choice schools. [Sections 35, 55, 65, 76, 88, 97]
- Change the due date for the summer school report from October 1 to September 15 to provide the department with time to process the reports and make timely payments. [Sections 47, 80]
- Modify the due date for annual submission of proof of accreditation from January 15 to August 1. This change aligns the due date for this information across all programs and ensures the documentation is received prior to the start of school. [Sections 61, 93]
- Clarify that an SNSP private school must administer the state assessments to SNSP pupils upon request by the parent if the school administers the assessment to other students. [Sections 11 and 13]
- Clarify that schools must notify parents if their application was accepted or not within 60 days after the end of the application period rather than within 60 day of receipt of the application. This will assist schools in processing applications. [Sections 36, 77]
- Clarify a student on the WPCP waiting list does not have to provide income in the following year similar to the MPCP and RPCP. [Section 45]
- Provide that all continuing choice students that attended the same private school under any choice program in prior year may receive preference in the random draw. Under current law,

the students would only receive preference if they applied to the same choice program at the school. [Sections 37, 78]

- Provide that if an eligible WPCP student moves after the application period and requests to transfer his or her application before the 3rd Friday in August to another participating WPCP school, the department may transfer the application if there is space at the school and the student participation limit is not exceeded. [Section 44]
- Provide that the department may transfer an accepted application from the WPCP to the RPCP or MPCP program at the same school if the student moves to Racine or Milwaukee and the school participates in the applicable program. [Sections 48, 81]
- Specify an applicant does not have to provide income documentation if they participated in MPCP or RPCP in prior year and are applying to MPCP or RPCP. The income requirements are the same for both programs. [Sections 23, 25, 71]

The following items are technical changes to the statutory language:

- Update references to Wisconsin North Central Association with AdvancED due to a name change. [Sections 4, 22, 69]
- Clarify the DPI random selection provisions for WPCP only apply while the percent limit is in effect. Once the limit is removed, the schools will administer their only random selection. [Sections 38, 39, 40, 41, 42, 43]