



Legislative Fiscal Bureau

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May 7, 2024

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Department of Transportation: Section 13.10 SEG Funding Request for the Driver Education Grants Program -- Agenda Item II

REQUEST

The Department of Transportation (DOT) requests \$6,000,000 SEG in 2023-24 from the Joint Committee on Finance supplemental appropriation for the Department's newly-created driver education grants program, which would provide grants to cover the full cost of a driver education course for teenagers who satisfy the family income eligibility criteria for the federal free or reduced-price school lunch program.

BACKGROUND

Current Law

Under current law, DOT cannot issue a driver's license to a person under the age of 18 unless the person has satisfactorily completed a course in driver education that meets one of the following requirements: (a) is offered by a public school approved by the Department of Public Instruction (DPI); (b) is offered by a technical college approved by the Wisconsin Technical College System (WTCS) Board; (c) is offered by a nonpublic, private, or tribal school that meets the minimum standards set by DPI; (d) is a substantially equivalent course in driver training that meets the requirements to be approved and licensed by DOT; or (e) is a substantially equivalent course in driver education or training approved by another state if the person has attained the age of 16. Beginning at age 15, teenagers in the state can apply for an instruction permit and enroll in a driver's education course. Upon completing a driver education course and passing knowledge and road tests, persons age 16 and 17 become eligible to apply for a probationary driver's license. Adults age 18 and older are not required to complete a driver education program before applying for a driver's license.

2023 Act 19 (the 2023-25 budget act) created a continuing appropriation for a new DOT driver education grants program, and provided \$6,000,000 in 2024-25 to the Joint Committee on Finance supplemental SEG appropriation to be released for the program upon approval by the Committee. Subsequently, 2023 Act 86, enacted on December 6, 2023, specified rules and requirements for the program. Act 86 allows DOT to provide grants to cover the cost of a driver education course for eligible persons who are enrolled or seeking to be enrolled in a driver education course provided by any of the following: (a) a public school approved by DOT or DPI; (b) a technical college approved by the WTCS Board; (c) a nonpublic, private, or tribal school that meets the minimum standards set by DPI; or (d) a driver school licensed by DOT. Program grants must be provided solely to individuals who satisfy the income eligibility under the federal free or reduced-price lunch (FRL) program. The amount provided from a grant cannot exceed the cost that the individual would have paid to enroll in the driver education course, and grants must be provided solely for courses in driver education that are designed to result in the individual obtaining a driver's license for "Class D" vehicles (automobiles, light trucks, and mopeds).

In the 2021-22 school year, DPI reported that out of 378 school districts offering high school grades in the state, 113 districts (29.9%) offered driver education courses. In addition, approximately 180 private driver education schools currently operate in 54 counties throughout the state. Owners and managers of driver education schools, whether school-based or privately owned, must complete a legal certification process outlined in state law and administrative code before they can become licensed to operate in the state. Requirements include passing a driver training school manager exam, submitting proof of business liability insurance, vehicle insurance, and bond, and obtaining classroom certification.

DPI 2023-25 Budget Request

The state has not operated a program to provide financial assistance to students for driver education since 2004-05. Prior to 2004-05, DPI administered a driver education aid program that offered payments of \$100 per student to school districts that provided driver education courses to high school pupils. The program was discontinued under 2003 Act 33 (the 2003-05 biennial budget act), due in part to declining claims by school districts.

In its 2023-25 budget request, DPI included a recommendation to create a new driver education aid program. However, the recommendation was not included in the final budget. In its request, DPI reported that the number of school districts offering driver education courses has declined from 328 in 2002-2003 to 113 in 2021-22. DPI indicates that 41 school districts stopped offering driver education in 2004-05, the year following the elimination of the previous driver education aid program, and that an additional 60 districts stopped offering the courses over the following three years. Because many school districts do not offer driver education, some students, including those in more sparsely populated areas of the state, may have limited access to driver education.

Proposed DOT Program

DOT states that the purpose of the program is to: (a) provide financial support for lower-income young people in Wisconsin to enroll in driver education courses, and attain learner's permits and probationary licenses; and (b) reduce the number of teenagers who operate vehicles without a license. In addition, DPI indicated in its 2023-25 budget request that a driver's license can be an important tool for high school students to transition to the world of post-secondary education, work, and community engagement by enabling them to hold jobs, get to and from school, and assist with their families' transportation needs.

Along with its funding request, DOT has submitted a plan for administering the driver education grants program. The Department has created an online application portal for students to apply for program grants. Students are eligible for the federal FRL program, and thus driver education grants, if their household income level is under 185% of the federal poverty level (\$47,767 for a family of three in 2024). The online application will require a student's parent or guardian to certify that they are FRL-eligible and agree to provide documented evidence of their eligibility if requested. Upon being accepted, the online portal will provide students with an electronic voucher, which the student can use to enroll in a driver education course with a licensed provider. Providers then use voucher information to receive reimbursement for course fees from the Department.

The Department states that it will conduct regular audits of the program. In some instances, DOT will verify selected students' FRL eligibility with DPI, which is the agency that processes students' FRL applications. In other instances, the Department will ask pupils to directly verify their FRL eligibility. Households should possess, or be able to obtain, written verification of students' FRL status, as DPI is required to notify households in writing, email, or verbally when it approves an application for the FRL program. DOT's regular program audits may also include verification of financial information, follow-up surveys to driver education providers, and comparison of program reimbursements with the fees that providers charge to other students. DOT will also track and report data on program grant awards and student enrollment.

ANALYSIS

Funding Level

DPI's 2023-25 budget request would have provided payments to school boards, charter schools, or cooperative educational service agencies to waive driver education course fees for pupils that are FRL-eligible. The Act 86 DOT program can provide grants to these entities, but also allows licensed privately-owned driver schools to receive funding. Any funding approved for the DOT driver education grants program would be provided from the transportation fund. Under 2023 Act 19, the projected closing balance of the transportation fund was estimated at \$16.2 million at the end of 2023-24 and \$66.6 million at the end of 2024-25. The \$6,000,000 in funding in the Joint Finance Committee's SEG appropriation in 2024-25 is included in that estimate. Further, since that estimate, 2022-23 actual revenues and expenditures resulted in a 2023-24 opening balance that was \$21 million higher than anticipated. Also, investment earnings in each year of the 2023-25 biennium are now expected to be stronger than what was projected. Thus, the transportation fund continues to

have sufficient funding available for the driver education grants program in the 2023-25 biennium.

Varying estimates exist related to the cost of public school-based and privately-operated driver education schools. In its funding request to the Committee, DOT states that public school-based driver education courses typically cost approximately \$300, while private driver training schools are generally more expensive. Conversely, in its 2023-25 budget request, DPI estimated the average fee for a school-based driver education course to be \$440. Also, in its November, 2023, fiscal estimate for Act 86, DOT estimated that fees for private driver education schools generally range from \$450 to \$600. Using an assumption that the average cost of a driver education course is \$450 because the program will provide grants to both school-based and private providers, the \$6,000,000 SEG set aside in the JFC appropriation that is being requested by DOT would fund the full cost of a driver education course for approximately 13,300 pupils in the state. Neither Act 19 or Act 86 provided DOT with any funding to administer the grant program.

The table below shows DPI data on the number of students in the state that were enrolled in 10th and 11th grades in the 2023-24 school year, and how many of these students meet federal FRL family income eligibility guidelines. Since most students enrolled in 10th through 11th grades are between the ages of 15 and 17, Table 4 can provide an approximation of the number of students that may be eligible for grants under the new DOT driver education grants program.

TABLE

2023-24 Statewide Enrollment for Grades 10 and 11

| <u>Grade</u> | <u>Total Enrollment</u> | <u>FRL-Eligible Enrollment</u> | <u>% of Total</u> |
|--------------|-------------------------|--------------------------------|-------------------|
| 10 | 65,302 | 26,186 | 40.1% |
| 11 | <u>65,582</u> | <u>24,859</u> | <u>37.9</u> |
| Total | 130,884 | 51,045 | 39.0% |

The table shows that 130,884 students were enrolled in 10th and 11th grades in the 2023-24 school year. Meanwhile, DOT reports that an average of 62,282 teenagers age 16 and 17 attained instruction permits annually in the five years before the COVID-19 pandemic (2015-2019). Using these two data points together would suggest that approximately 47.6% (62,282/130,884) of 10th and 11th graders in the state obtained instruction permits annually during this period. If the 51,045 FRL-eligible students statewide in grades 10-11 obtained instruction permits at the same rate as the broader student population, approximately 24,300 (51,045 x 47.6%) students would have been eligible for driver education grants in 2023. Providing grants to these students at an average cost of \$450 would require approximately \$10.9 million in annual funding.

DOT data show that the number of teenagers attaining instruction permits in the state may have declined over the past several years. DOT's request could assist additional teenagers in the state in obtaining driver's licenses, which could allow more Wisconsin teenagers to travel safely and

efficiently for school, work, and other commitments. DOT also indicates that the program will decrease the number of unlicensed teen drivers. Program grants could also reduce the financial burden of courses for low-income households, increase course demand, and counteract the decline in the number of driver education schools operating in the state. DOT states that it will award grants to students on a first-come-first-serve basis, and that the Department will stop approving grants if program funding is exhausted. If student demand for program grants exceeds \$6,000,000 in the biennium and sufficient transportation fund revenues are available, the Department could request additional funding from the Committee at that time. [Alternative A1]

The Committee could also provide \$10,900,000 SEG for the program. This would better ensure that all eligible students receive program grants in the biennium, and allow DOT to avoid having to submit an additional funding request to the Committee in 2024-25. If the additional funding is not needed, it would continue to be available in future years. [Alternative A2]

The observed decline in the number of teenagers obtaining instruction permits in recent years may be due to factors beyond access to driver education. Also, because program grants would cover students' full cost of attending a driver education course, the program may incentivize providers to charge higher prices to students, creating additional costs for the state, as well as students who are not eligible for program grants. If the Committee chose to deny DOT's request, the \$6,000,000 provided for the program under Act 19 would lapse back to the transportation fund at the end of the biennium. If the need for the program or additional funding is warranted, DOT could submit a 2025-27 budget request after completing further study on program need and costs. [Alternative A3]

Fiscal Year of Funding

The Department is requesting program funding in 2023-24, while Act 19 appropriated program funding to the Committee's supplemental appropriation in 2024-25. Providing funding in 2023-24 would allow the Department to immediately begin offering grants. Because Act 19 created a continuing appropriation for the program, DOT could also use any funds that remain unspent at the end of 2023-24 to award grants in 2024-25. As requested, no ongoing funding for the program would be provided, which could allow the Department to administer the program in 2023-25, then submit a request for ongoing funding in the 2025-27 budget based on the observed demand for program grants. If the funding is approved for 2023-24, the Committee would be providing funding from the transportation fund balance through the Committee's supplemental appropriation in that year for driver education grants. In addition, the Committee's supplemental SEG sum-sufficient appropriation would be reestimated to be \$0 in 2024-25. [Alternative B1]

The funding provided under Act 19 for driver education grants was appropriated to the Committee's supplemental appropriation in 2024-25. Given that the 2023-24 fiscal year is nearly complete, and to be consistent with legislative intent, the Committee could instead provide funding to the program in 2024-25 on a one-time basis. [Alternative B2] Alternatively, the Committee could provide funding to the program in 2024-25, and specify that this funding be provided an ongoing basis. This would establish a base level of SEG funding for the program during 2025-27 budget deliberations. DOT could still propose changes to the program's funding in its 2025-27 budget request. [Alternative B3]

ALTERNATIVES

A. Funding Level

1. Approve DOT's request to provide \$6,000,000 SEG for the driver education grants program.
2. Provide \$10,900,000 SEG for the driver education grants program.
3. Deny the request.

B. Fiscal Year of Funding

1. Approve DOT's request to provide funding for the driver education grants program in 2023-24 (unspent funds would continue to be available in 2024-25). Reestimate the Committee's SEG supplemental appropriation at \$0 for 2024-25.
2. Provide funding for the driver education grants program in 2024-25.
3. Provide funding for the driver education grants program in 2024-25, and specify that this funding be designated as base program funding in the 2025-27 biennium.

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