

January 29, 2019

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Cowles and Representative Kerkman:

Thank you for your inquiry regarding the response by the Department of Public Instruction to the recommendations of the Legislative Audit Bureau (LAB) in its report on the Special Needs Scholarship Program (SNSP), issued in July 2018 (report 18-06). The report issued by the LAB contained an evaluation of the SNSP, as required under s. 115.7915 (9), Wis. Stats., as well as recommendations for the department, specifically, that the department seek a statutory change that allows all funding provisions for the program to be followed, and that the department report to the Joint Legislative Audit Committee (JLAC) on its efforts to comply with this recommendation. This letter comprises the department's report to the JLAC.

Under current law, s. 115.7915 (4m) (f), Wis. Stats., the department is required to reduce state general aid payments to school districts equal to the amount of state payments to private schools for students who are residents of the school district and who enroll in the SNSP. Those aid deductions to school districts must lapse to the state's general fund. Thus, the state's costs related to the SNSP are offset, via the deductions to school districts' state aid. School boards have the authority, under s. 121.91(4)(n)1., Wis. Stats., to utilize a revenue limit exemption (i.e., raise the district's revenue limit) to offset the SNSP deduction to the district's state general aid. Thus, a school board can offset the state aid deduction with an increase in the local property tax levy.

The school district's aid deduction and offsetting revenue limit adjustment associated with SNSP students are based on the current year SNSP enrollments, as reported by schools for the third Friday in September pupil count. Current law does not prescribe a closed application window period for the SNSP. Because there is no cutoff date for applications to, or enrollment in, the SNSP, it is possible for a student to enroll in the SNSP after the third Friday in September pupil count, and more importantly, after a school board has determined the district's revenue limit – including the adjustment for SNSP payments. After levies are set in the fall (by November 1), a school board has no authority to raise additional property taxes; thus, the district cannot offset the state aid deduction associated with those students who enroll in the SNSP after the district's levy has been set.

The timing of pupil counts and the setting of district levies, in combination with the year-long application period for the SNSP, gives rise to a conflict around late enrollees in the SNSP – namely, the treatment of the SNSP aid deductions and the corresponding financial impact on school districts. The question is: should the state penalize school districts financially by deducting aid for

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students who enroll in the SNSP after levies have been set by a school board, by including the late-enrolling SNSP students in the school district's state aid deduction? Or, should the sum-sufficient GPR appropriation for payments to private schools in the SNSP absorb the marginal costs of students enrolling after the September count date?

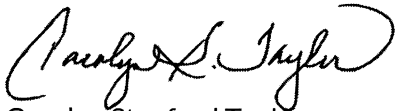
For the 2017-18 school year, the department resolved this conflict in favor of expressed legislative intent, by providing school districts with the opportunity to offset the state aid deduction associated with the SNSP with an exemption to the district's revenue limit, allowing the board to levy additional taxes to offset the aid deductions. In 2017-18, a small amount of the GPR funding from the sum-sufficient appropriation for payments to SNSP private schools was used to pay for students who enrolled in the SNSP after school boards had set their property tax levies.

As noted in the department's response to the LAB report, the department will continue with this current law policy in 2018-19, unless the department receives a written statement of intent from legislative leaders and the Governor directing the department to deduct the cost of late-enrolling SNSP students from school district's state aid payments, thereby penalizing school districts financially.

The department did include a provision in its 2019-21 biennial budget request to address this conflict. Specifically, the department's budget request proposes that private schools participating in the SNSP be required to accept student applications on a random basis rather than first come, first serve. With this statutory change, parents would apply to the program during application periods that would end in September, similar to the Racine Parental Choice Program. Because there would not be enrollments in the SNSP after September, there would not be any deductions applied for SNSP students who were not counted in the third Friday in September pupil counts. This provision will ensure school districts are not penalized financially in the future for events beyond their control.

I appreciate your review of the SNSP evaluation and our response to the LAB's recommendation. If you have additional questions pertaining to the funding for the SNSP, please contact Tricia Collins, Director of the School Management Service Team, [Tricia.Collins@dpi.wi.gov]; or Bob Soldner, Director of the School Financial Services Team [Robert.Soldner@dpi.wi.gov].

Sincerely,



Carolyn Stanford Taylor
State Superintendent

c: Mike Thompson, Deputy State Superintendent
Dee Pettack, Legislative Liaison
Tricia Collins, Director, School Management Services Team
Bob Soldner, Director, School Financial Services Team