



Legislative Fiscal Bureau

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TO: Senator Jennifer Shilling
Room 206 South, State Capitol

FROM: Christa Pugh, Fiscal Analyst

SUBJECT: Estimated Cost of the Private School Choice Programs and Tax Deduction for Private School Tuition

At your request, I am providing information about the estimated cost of the Milwaukee, Racine, and statewide private school choice programs from 2011-12 to 2016-17, as well as the cost of the tax deduction for private school tuition.

Estimated Cost of the Private School Choice Programs

Under the Milwaukee, Racine, and statewide private school choice programs, the state pays a statutorily-determined per pupil amount for children from eligible families to attend participating private schools. Payments are made from two separate GPR sum sufficient appropriations established for that purpose.

To partially offset the cost of the Milwaukee program to the state, the Department of Public Instruction (DPI) is required by law to reduce the general aid for which the Milwaukee Public Schools (MPS) is eligible by a percentage of the estimated total cost of the program. However, beginning in the 2013-14 school year, the MPS aid reduction will be reduced by 3.2 percentage points in each year until no aid reduction is made beginning in 2024-25. The reduction was equal to 32% in 2014-15. MPS can levy to make up for the aid reduction, less the amount of any high poverty aid MPS receives.

For the Racine program, DPI was required to reduce the general aid for which the Racine Unified School District (RUSD) was eligible by 38.4% of the estimated total cost of the Racine program in the 2011-12 and 2012-13 school years. RUSD was permitted to levy to make up for the aid reduction. No aid reduction applied for the Racine or statewide choice programs in the 2013-14 or 2014-15 school years. Under the provisions of 2015 Act 55 (the 2015-17 biennial budget), the cost of per pupil payments for pupils who begin participating in the Racine or statewide choice programs in 2015-16 or later will be fully offset by a reduction in the general aids of those pupils'

school districts of residence. School districts will not be permitted to levy to make up the aid reduction, but will be able to count incoming choice pupils for general aid and revenue limit purposes.

The following table shows the estimated cost of the Milwaukee, Racine, and statewide private school choice programs in each year from 2011-12 to 2016-17. The table includes the total GPR appropriated for the programs, the associated aid reduction, and the net GPR cost of the programs in each year.

**Estimated Cost of the Milwaukee, Racine, and Statewide
Private School Choice Programs, 2011-12 to 2016-17
(\$ in Millions)**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Milwaukee Private School Choice Program						
Total GPR	\$144.3	\$154.6	\$161.1	\$191.0	\$197.9	\$207.9
Aid Reduction	<u>55.4</u>	<u>59.4</u>	<u>56.7</u>	<u>61.1</u>	<u>57.0</u>	<u>53.2</u>
Net GPR	\$88.9	\$95.2	\$104.4	\$129.9	\$140.9	\$154.7
Racine and Statewide Private School Choice Programs						
Total GPR	\$1.6	\$3.2	\$10.8	\$22.0	\$38.3	\$49.9
Aid Reduction	<u>0.6</u>	<u>1.2</u>	<u>0.0</u>	<u>0.0</u>	<u>18.4</u>	<u>29.8</u>
Net GPR	\$1.0	\$2.0	\$10.8	\$22.0	\$19.9	\$20.1
Total						
Total GPR	\$145.9	\$157.8	\$171.9	\$213.0	\$236.2	\$257.8
Aid Reduction	<u>56.0</u>	<u>60.6</u>	<u>56.7</u>	<u>61.1</u>	<u>75.4</u>	<u>83.0</u>
Net GPR	\$89.9	\$97.2	\$115.2	\$151.9	\$160.8	\$174.8

Estimated Cost of the Deduction for Private School Tuition

The 2013-15 biennial budget act, 2013 Wisconsin Act 20, created a deduction from the individual income tax for amounts paid for tuition to a private school, beginning in tax year 2014. The deduction was limited to tuition expenses of up to \$4,000 per year per pupil enrolled in kindergarten through grade eight and \$10,000 per year per pupil enrolled in grades nine through twelve. The pupil who is the subject of the deduction must be a dependent, for federal income tax purposes, of the individual claiming the deduction. It is estimated that individual income tax collections will be decreased by \$30 million annually under this provision beginning in tax year 2014. To date, final data on the amount of deductions claimed in tax year 2014 is not available, but should become available later this year. At that time, the fiscal effect of the deduction may be revised.

I hope this information is helpful. Please let me know if you have additional questions.

CP/sas