

**Report 18-6**  
**July 2018**

# **Special Needs Scholarship Program**

*Department of Public Instruction*

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **Special Needs Scholarship Program**

*Department of Public Instruction*

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# CONTENTS

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<b>Letter of Transmittal</b>	1
<b>Introduction</b>	3
<b>Program Information</b>	7
Participating Students	7
Participating Private Schools	10
<b>Fiscal Effects of the Program</b>	13
Participating Private Schools	13
Resident School Districts	15
Revenue Limits	19
Other School Districts	21
State of Wisconsin	21
Future Fiscal Effects	23
<b>Participant Satisfaction</b>	25
Schools Students Attended Before Entering the Program	25
Satisfaction with Schools	26
<b>Appendices</b>	
Appendix 1—Participating Students, by Resident School District	
Appendix 2—Private Schools Intending to Participate in the 2018-19 School Year	
Appendix 3—Total Program Scholarships Provided to Participating Private Schools	
<b>Response</b>	
From the Department of Public Instruction	





# STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman  
State Auditor

July 20, 2018

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

Dear Senator Cowles and Representative Kerkman:

As required by s. 115.7915 (9), Wis. Stats., we have completed an evaluation of the Special Needs Scholarship Program, which provides scholarships for students with disabilities in kindergarten through 12<sup>th</sup> grade who attend participating private schools. The Department of Public Instruction (DPI) administers the program, which began in the 2016-17 school year.

From the 2016-17 school year through the 2017-18 school year, the numbers of participating students and participating private schools increased. Approximately one-fourth of the 306 students who participated at some point during these two school years had attended a public school in the school year before participating, and most of the remaining students had attended private schools. In the 2017-18 school year, participating students attended 26 participating private schools. In the 2018-19 school year, 84 private schools intend to participate.

Program scholarships were paid to participating private schools in the amount of \$12,207 per full-time equivalent student in the 2017-18 school year. During the 2016-17 and 2017-18 school years, participating private schools received a total of \$5.6 million in program scholarships. To fund program scholarships, statutes require DPI to reduce state aid to the resident school districts of participating students. We found that two statutory provisions for funding the program were not followed, and we recommend that DPI seek a statutory change that allows all funding provisions for the program to be followed.

We surveyed the parents of all 306 participating students. Survey respondents indicated increased levels of satisfaction, as well as decreased levels of behavioral problems and negative experiences, when their children attended participating private schools, compared to when their children had previously attended public schools.

We appreciate the courtesy and cooperation extended to us by DPI, resident school districts, participating private schools, and parents of participating students. A response from DPI follows the appendices.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Joe Chrisman".

Joe Chrisman  
State Auditor

JC/DS/ss





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## Introduction ■

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***The program provides scholarships for students with disabilities who are in kindergarten through 12<sup>th</sup> grade and meet eligibility requirements.***

The Special Needs Scholarship Program provides scholarships for students with disabilities who are in kindergarten through 12<sup>th</sup> grade and meet eligibility requirements. The program, which is administered by the Department of Public Instruction (DPI), was created by 2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act. The program scholarships are paid to private schools that participate in the program and enroll the participating students.

Before a student is allowed to participate in the program, a parent must submit a DPI-created application to a participating private school. The application requires basic demographic and other information about the student, such as whether the student has an individualized education program (IEP) or services plan. Development of an IEP is coordinated by a student's local education agency, which is typically the public school district where the student resides or the independent charter school the student attends. An IEP describes the educational services that will be provided by the local education agency to a student with disabilities. A services plan describes the specific special educational services to be provided by the local education agency to a student with disabilities who attends a private school. As required by statutes, the application also summarizes the legal rights of students with disabilities while enrolled in public schools and while participating in the program. Students may apply and enter at any time during a school year. Students determined eligible to participate are automatically eligible to participate in subsequent school years.

Section 115.7915 (2) (b), Wis. Stats., requires private schools to notify DPI of their intent to accept students into the program. In order to participate, a private school must either offer an educational program that meets certain statutorily specified criteria and be approved as a private school by the State Superintendent, or be accredited by certain statutorily specified organizations. A private school must notify DPI of the number of available spaces for participating students. If a participating private school receives more program applications than available spaces, it must accept students in the order that they apply, but it may give preference to siblings of students who already attend the participating private school.

In the 2017-18 school year, a student was eligible to participate if all of the following criteria were met:

- an IEP or services plan was in effect for the student;
- the student unsuccessfully applied to the public school open enrollment program for the 2017-18 school year; and
- the student was enrolled in a Wisconsin public school during the entire 2016-17 school year.

***The statutorily specified eligibility requirements for students to participate in the program have changed each year.***

The statutorily specified eligibility requirements for students to participate in the program have changed each year, as shown in Table 1. In the 2018-19 school year, statutes will no longer require students to have been previously enrolled in a public school or require students to have unsuccessfully attempted to enter the public school open enrollment program.

Table 1

**Eligibility Requirements for Students to Participate, by School Year**

Eligibility Requirement	School Year	
	2017-18	2018-19
An IEP or services plan was in effect for a student	✓	✓
A student unsuccessfully applied to the public school open enrollment program in the <i>current</i> school year	✓	
A student was enrolled in a public school the entire prior school year	✓	

Statutes require a participating private school to determine whether a student meets the eligibility requirements of the program. To do so, a participating private school must request the IEP or services plan for a student from the local education agency that developed the IEP or services plan. A participating private school must notify DPI after it has verified that an IEP or services plan is in effect and has accepted a student under the program. A participating private school must implement an IEP or services plan, as modified by agreement between it and the parent of a student.

***A participating private school was provided \$12,000 per FTE participating student in the 2016-17 school year and \$12,207 in the 2017-18 school year.***

DPI provides participating private schools a program scholarship for each participating student. As required by statutes, this scholarship was \$12,000 for a full-time equivalent (FTE) participating student in the 2016-17 school year and \$12,207 in the 2017-18 school year. To fund these scholarships, statutes require DPI to reduce the equalization aid, which is a type of state aid for educating students, to the resident school district of a participating student by an amount equal to the scholarship. DPI must lapse the amount of this reduction to the General Fund.

Statutes require the Legislative Audit Bureau to study the program by January 9, 2019, and evaluate:

- the average sizes of classes at the resident school districts of participating students and at participating private schools;
- the fiscal impact of the program on resident school districts and the State;
- the level of satisfaction with the program of participating students and their parents;
- the percentage of participating students victimized because of their special needs at their resident school districts and the percentage victimized because of their special needs at their participating private schools; and
- the percentage of participating students who exhibited behavioral problems at their resident school districts and the percentage who exhibited behavioral problems at participating private schools.

Data that would be needed to evaluate certain aspects of the program in the 2018-19 school year, including the fiscal effect of the program, will not become available until summer 2019. Therefore, we completed this evaluation after data for the 2017-18 school year

became available. Although we collected some information about the average sizes of classes at resident school districts and participating private schools, the available information did not allow us to evaluate class size in a meaningful and consistent manner.

To complete this evaluation, we interviewed DPI, and we contacted all 26 private schools that participated in the 2016-17 or the 2017-18 school years, 3 resident school districts, and 7 organizations involved with education issues. We reviewed program and school finance data compiled by DPI. In addition, we surveyed the parents of all 306 students who participated at some point during the 2016-17 or the 2017-18 school year.

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## Program Information ■

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From the 2016-17 school year through the 2017-18 school year, the numbers of participating students and participating private schools increased. Approximately one-fourth of the 306 students who participated at some point during these two school years had attended a public school in the school year before participating, and most of the remaining students had attended private schools. Approximately three-fourths of participating students lived in the boundaries of Milwaukee Public Schools. In the 2017-18 school year, participating students attended 26 participating private schools and were from 25 resident school districts. In the 2018-19 school year, 84 private schools intend to participate.

### Participating Students

***A total of 306 students participated at some point during the 2016-17 and 2017-18 school years.***

DPI annually requires each participating private school to report the number of its students participating in the program on the third Friday in September and the second Friday of January. Based on these reports, 306 students participated at some point during the 2016-17 and 2017-18 school years. As shown in Table 2, the number of participating students steadily increased from 205 in September 2016 to 252 in January 2018.

Table 2

**Participating Students, by Grade Level**

Grade Level	2016-17 School Year		2017-18 School Year	
	September 2016	January 2017	September 2017	January 2018
4-Year-Old Kindergarten	9	16	4	6
5-Year-Old Kindergarten	10	13	15	15
1	13	16	12	13
2	14	20	15	16
3	13	13	20	20
4	9	12	17	18
5	17	20	17	19
6	18	17	26	28
7	23	25	21	21
8	12	12	25	24
9	22	25	11	12
10	23	24	23	23
11	14	14	24	22
12	8	8	16	15
<b>Total</b>	<b>205</b>	<b>235</b>	<b>246</b>	<b>252</b>

As shown in Table 3, most of the 306 participating students were male, most were African-American, and most were economically disadvantaged. The most-common primary disability of participating students was “specific learning disability,” which is a language disorder that may result in an imperfect ability to listen, think, speak, read, write, spell, or perform mathematical calculations. The second-most common primary disability was “other health impairment,” which results in limited strength, vitality, or alertness because of chronic or acute health problems.

Table 3

**Demographics of Participating Students<sup>1</sup>**

Description	Number	Percentage of Total	Description	Number	Percentage of Total
<b>Gender</b>			<b>Primary Disability</b>		
Male	191	62.4%	Specific Learning Disability	63	20.6%
Female	115	37.6	Other Health Impairment	60	19.6
<b>Total</b>	<b>306</b>	<b>100.0%</b>	Speech or Language Impairment	56	18.3
<b>Race</b>			Autism	18	5.9
African American	172	56.2%	Significant Developmental Delay	13	4.2
White	108	35.3	Intellectual Disability	12	3.9
Multiracial	13	4.2	Emotional Behavioral Disability	6	2.0
Unknown	7	2.3	Other <sup>2</sup>	7	2.3
Asian	4	1.3	Unknown <sup>3</sup>	71	23.2
American Indian/Alaskan Native	2	0.7	<b>Total</b>	<b>306</b>	<b>100.0%</b>
<b>Total</b>	<b>306</b>	<b>100.0%</b>	<b>Economically Disadvantaged<sup>4</sup></b>		
<b>Ethnicity</b>			Yes	164	53.6%
Not Hispanic/Latino	251	82.0%	No	116	37.9
Hispanic/Latino	42	13.7	Unknown	26	8.5
Unknown	13	4.2	<b>Total</b>	<b>306</b>	<b>100.0%</b>
<b>Total</b>	<b>306</b>	<b>100.0%</b>			

<sup>1</sup> Gender, race, and ethnicity information was provided by parents at program application, while primary disability and economically disadvantaged information was provided by DPI.

<sup>2</sup> Includes visual, hearing, and orthopedic impairments.

<sup>3</sup> Resident school districts and participating private schools did not consistently report the primary disability to DPI.

<sup>4</sup> As defined by factors such as household income and whether a student was eligible to participate in the free and reduced-price lunch program.

***Approximately one-fourth of the 306 participating students attended a public school in the school year before participating.***

As shown in Table 4, approximately one-fourth of the 306 participating students attended a public school in the school year before participating, and most of the remaining participating students attended private schools.

Table 4

**Education Setting of Students in the School Year Before They Participated in the Program**

Education Setting	Number of Students	Percentage of Total
Milwaukee Parental Choice Program	100	32.7%
Resident Public School District	76	24.8
Non-Choice Private Education	47	15.4
Independent Charter School	6	2.0
Wisconsin Parental Choice Program	2	0.7
Public School Open Enrollment Program	1	0.3
Racine Parental Choice Program	1	0.3
Unknown <sup>1</sup>	73	23.9
<b>Total</b>	<b>306</b>	<b>100.0%</b>

<sup>1</sup> DPI did not have information on the education setting of participating students who had previously attended some private schools, been homeschooled, or attended out-of-state schools, or who were too young to have attended kindergarten.

Students who participated in the 2016-17 school year lived in 24 resident school districts, and students who participated in the 2017-18 school year lived in 25 resident school districts. Approximately three-fourths of participating students lived in the boundaries of Milwaukee Public Schools. Appendix 1 lists the resident school districts for participating students in each of these two school years.

A total of 53 participating students left the program during the 2016-17 and 2017-18 school years, including 22 who subsequently enrolled in public schools, 12 who subsequently enrolled in private schools, and 7 who last participated in 12<sup>th</sup> grade. Information was unavailable for the remaining 12 students.

**Participating Private Schools**

***The number of participating private schools increased from 24 in the 2016-17 school year to 26 in the 2017-18 school year.***

The number of participating private schools increased from 24 in the 2016-17 school year to 26 in the 2017-18 school year. Every private school that participated in the 2016-17 school year participated in the following school year. Two private schools participated in the 2016-17 school year but did not enroll any participating students, and two private schools participated in the 2017-18 school year but did not enroll any participating students. We excluded from our analyses private schools that participated but did not enroll any students. The 84 private schools that intend to participate in the 2018-19 school year are identified in Appendix 2.



In January 2018, participating students represented 252 of the 7,202 total enrollment (3.5 percent) at the 26 participating private schools, as shown in Table 5. Participating students represented less than 10.0 percent of the total enrollment at 23 participating private schools, but they represented nearly all of the students at 1 participating private school. We contacted all 26 private schools that participated in the 2017-18 school year. A total of 19 of the 22 participating private schools that responded to us indicated that they provided a religious curriculum.

Table 5  
**Participating Private Schools, by Number of Participating Students**  
 January 2018

Participating Private School	Municipality	Grade Levels <sup>1</sup>	Participating Students	Total Enrollment
Saint Marcus Lutheran School	Milwaukee	K4 – 8 <sup>th</sup>	70	849
Milwaukee Lutheran High School	Milwaukee	8 <sup>th</sup> – 12 <sup>th</sup>	27	773
Saint Coletta Day School	Milwaukee	3 <sup>rd</sup> – 12 <sup>th</sup>	25	27
Lutheran Special School & Education Services	Hales Corners	1 <sup>st</sup> – 8 <sup>th</sup>	15	46
Concordia Lutheran School	Sturtevant	K4 – 8 <sup>th</sup>	14	215
Pius XI Catholic High School	Milwaukee	9 <sup>th</sup> – 12 <sup>th</sup>	12	789
Lighthouse Christian School	Madison	K4 – 7 <sup>th</sup>	11	148
Tamarack Waldorf School	Milwaukee	K4 – 12 <sup>th</sup>	10	294
Lake Country Lutheran High School	Hartland	9 <sup>th</sup> – 12 <sup>th</sup>	9	330
Martin Luther High School	Greendale	9 <sup>th</sup> – 12 <sup>th</sup>	8	513
Wells Street Academy	Milwaukee	K4 – 12 <sup>th</sup>	7	19
Divine Redeemer Lutheran School	Hartland	K4 – 8 <sup>th</sup>	5	294
Granville Lutheran School	Milwaukee	K4 – 8 <sup>th</sup>	5	246
Heritage Christian Schools	New Berlin	K4 – 12 <sup>th</sup>	4	551
Holy Family Parish School	Whitefish Bay	K4 – 8 <sup>th</sup>	4	176
Montessori School of Waukesha	Waukesha	K4 – 8 <sup>th</sup>	4	57
Mount Olive Lutheran School	Milwaukee	K4 – 8 <sup>th</sup>	4	177
Renaissance School	Racine	K4 – 8 <sup>th</sup>	4	318
Immanuel Lutheran School	Brookfield	K4 – 8 <sup>th</sup>	3	306
Northwest Lutheran School	Milwaukee	K4 – 8 <sup>th</sup>	3	230
Saint Paul Lutheran	Sheboygan	K4 – 8 <sup>th</sup>	3	57
Holy Rosary Catholic School	Medford	K4 – 6 <sup>th</sup>	1	64
Pilgrim Lutheran School	Wauwatosa	K4 – 8 <sup>th</sup>	1	199
Saint Martini Lutheran School	Milwaukee	K4 – 8 <sup>th</sup>	1	218
Sherman Park Lutheran School	Milwaukee	K4 – 8 <sup>th</sup>	1	213
Zion Lutheran School	Menomonee Falls	K4 – 8 <sup>th</sup>	1	93
<b>Total</b>			<b>252</b>	<b>7,202</b>

<sup>1</sup> Represents all grade levels offered at a given school, not just the grade levels of participating students.

***Under state and federal law, participating private schools have educational obligations that differ from those of public schools.***

Under state and federal law, participating private schools have educational obligations that differ from those of public schools. For example, public schools must provide special education and related services at no cost to parents, but participating private schools may charge tuition and fees. A total of 3 of the 22 participating private schools that responded to us indicated that they charged tuition for participating students.

A participating private school is not statutorily required to implement the most-recent IEP or services plan completed for a student who had previously attended a public school, but a participating private school and a student's parents are required to create an agreement that modifies the IEP or services plan and details the services the participating private school will provide. A total of 12 of the 22 participating private schools that responded to us indicated that they did not have the ability to educate students with certain disabilities, including 8 participating private schools that indicated they had encouraged parents to enroll students with certain disabilities elsewhere. DPI's data indicated that at least 20 students received services from public schools while participating in the 2016-17 school year, but the available information did not indicate the specific services they received or the reasons why they did not receive these services from participating private schools.

Statutes permit DPI to withhold payments to participating private schools that violate the program's statutory requirements and to bar a private school from participating if it commits certain statutorily specified actions, including using a student's scholarship for any purpose other than educational purposes or providing a portion of a scholarship to a student or a student's parent. To help ensure that such actions do not occur, statutes require participating private schools to annually provide DPI with an independent financial audit completed by an independent certified public accountant. DPI indicated that it has never withheld a payment or barred a private school from participating.

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## Fiscal Effects of the Program ■

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The program had fiscal effects on participating private schools, resident school districts, other school districts throughout the state, and the State of Wisconsin. The 26 participating private schools received a total of \$5.6 million in program scholarships, and the 25 resident school districts received an estimated total of \$4.1 million less in state aid because of the program during the 2016-17 and 2017-18 school years. The 398 school districts other than the resident school districts experienced an estimated \$3,400 reduction in equalization aid, on average, because of the program in the 2017-18 school year. We found that two statutory provisions for funding the program were not followed, and we recommend that DPI seek a statutory change that allows all funding provisions for the program to be followed.

### **Participating Private Schools**

As noted, a participating private school was provided \$12,000 per FTE participating student in the 2016-17 school year and \$12,207 in the 2017-18 school year. Participating private schools were provided these annual amounts if a given student was counted as participating in the program on both the third Friday in September and the second Friday in January, which are the two days for which schools report their enrollment to DPI. If a student was counted as participating on only one of those two days, a participating private school was provided half the annual amount. If a student was not counted as participating on either of those two days, a participating private school was provided no program funds, even if the student

was enrolled at other times of the school year. Table 6 summarizes the program scholarship amounts that DPI provided to participating private schools for each FTE participating student.

Table 6

**Program Scholarship Amounts Provided by DPI to Participating Private Schools, per FTE Participating Student**

A Student Was Counted as Participating on:	School Year	
	2016-17	2017-18
<i>Both</i> the 3 <sup>rd</sup> Friday in September <i>and</i> the 2 <sup>nd</sup> Friday in January	\$12,000	\$12,207
<i>Either</i> the 3 <sup>rd</sup> Friday in September <i>or</i> the 2 <sup>nd</sup> Friday in January	6,000	6,104
<i>Neither</i> the 3 <sup>rd</sup> Friday in September <i>nor</i> the 2 <sup>nd</sup> Friday in January	0	0

***Participating private schools received a total of \$5.6 million in program scholarships in the 2016-17 and 2017-18 school years.***

Participating private schools received a total of \$5.6 million in program scholarships in the 2016-17 and 2017-18 school years, including:

- \$2.6 million in the 2016-17 school year; and
- \$3.0 million in the 2017-18 school year.

Table 7 shows the ten participating private schools that received the most in program scholarships over that two-year period. Appendix 3 shows the amounts that each participating private school received in each of these two school years. Administrative rules required participating private schools to annually conduct two enrollment audits and submit the results to DPI. These audits helped ensure that DPI provided participating private schools with the correct amounts in program scholarships. Participating private schools submitted all required enrollment audits during the first two school years of the program.

Table 7

**Participating Private Schools That Received the Most in Program Scholarships**

Participating Private School	School Year		Total
	2016-17	2017-18	
Saint Marcus Lutheran School	\$661,200	\$825,300	\$1,486,500
Milwaukee Lutheran High School	336,000	335,700	671,700
Saint Coletta Day School	264,000	300,500	564,500
Lutheran Special School & Education Services	144,000	177,000	321,000
Concordia Lutheran School	150,000	154,000	304,000
Pius XI Catholic High School	120,000	146,500	266,500
Lake Country Lutheran High School	108,000	109,900	217,900
Lighthouse Christian School	81,600	134,300	215,900
Tamarack Waldorf School	84,000	116,000	200,000
Martin Luther High School	96,000	97,700	193,700

Statutes required a parent to allow a participating student to be reevaluated not more than once every three years by the student's IEP team, which includes the student's parent and various education officials and staff. If an IEP team determined that a participating student no longer had a disability, and the student continued to attend the participating private school, statutes stipulated that beginning in the following school year the participating private school would not receive the full scholarship amount. Instead, statutes required the participating private school to receive the amount that would have been paid if the student had attended a private school under a parental choice program and required the appropriation for the Special Needs Scholarship Program to cover this amount. In the 2017-18 school year, this amount was \$7,530 for students in kindergarten through 8<sup>th</sup> grade and \$8,176 for students in 9<sup>th</sup> through 12<sup>th</sup> grades. In the 2017-18 school year, participating private schools received reduced payments for four students who no longer had disabilities.

**Resident School Districts**

School districts are funded primarily by local property tax revenue and state aid. Most state aid is provided as equalization aid, which DPI distributes through a complex formula based on several factors, including:

- a school district's membership, which is the FTE number of students enrolled in the school district on specific dates in the prior school year;

- a school district's shared costs, which are education-related costs covered by equalization aid and local property tax revenue; and
- the value of taxable property within a school district's boundaries.

Equalization aid reduces the reliance of school districts on property tax and allows school districts to provide students with a basic educational opportunity, regardless of the local property tax base of a school district. School districts with a lower per student property valuation receive equalization aid that pays for a larger percentage of their shared costs, while school districts with a higher per student property valuation receive equalization aid that pays for a smaller percentage of their shared costs.

***As required by statutes, equalization aid to resident school districts was reduced because of the program.***

In the 2016-17 and 2017-18 school years, statutes required DPI to reduce the amount of equalization aid provided to a resident school district by the total amount of program scholarships associated with students who resided in that resident school district and participated in the program. As noted, the program scholarship was \$12,000 in the 2016-17 school year and \$12,207 in the 2017-18 school year. Equalization aid to resident school districts was reduced because of the program. However, the statutorily specified manner in which equalization aid was calculated resulted in nine resident school districts being provided with additional equalization aid that partially offset these reductions in the 2017-18 school year.

DPI also provides school districts with per-pupil aid based on the average membership of a given school district over a three-year period that includes the current school year and the two prior school years. Participating students were not considered part of a resident school district's membership when determining the amount of per pupil aid to provide. Resident school districts received \$250 per student in the 2016-17 school year and \$450 per student in the 2017-18 school year.

Determining the precise extent to which the program affected the amounts of state aid provided to resident school districts is challenging, in part, because the formula for distributing state aid is complex. In addition, to complete our analyses we relied on information that school districts reported to DPI about individual students, and some of this reported information may contain errors and inconsistencies.

***The 25 resident school districts received an estimated total of \$4.1 million less in state aid in the 2016-17 and 2017-18 school years because of the program.***

As shown in Table 8, the 25 resident school districts received an estimated total of \$4.1 million less in state aid in the 2016-17 and 2017-18 school years because of the program. In the 2017-18 school year, state aid reductions to resident school districts were less than in the prior school year, even though the number of participating students increased in the 2017-18 school year, because of the statutorily specified manner in which equalization aid was calculated for individual resident school districts.

Table 8

**Estimated Reduction in State Aid that Resident School Districts Received Because of the Program**

Resident School District	School Year		Total
	2016-17	2017-18 <sup>1</sup>	
Milwaukee Public Schools	\$(1,821,200)	\$ (800,300)	\$(2,621,500)
Racine Unified	(156,500)	(145,900)	(302,400)
Madison Metropolitan	(81,800)	(181,500)	(263,300)
Waukesha	(48,200)	(102,600)	(150,800)
Arrowhead UHS	(84,200)	(46,600)	(130,800)
Wauwatosa	(36,100)	(57,800)	(93,900)
West Allis-West Milwaukee	(24,100)	(40,100)	(64,200)
Sheboygan Area	0	(45,000)	(45,000)
Oak Creek-Franklin Joint	(12,000)	(27,700)	(39,700)
Germantown	(12,100)	(24,000)	(36,100)
Greendale	(12,100)	(18,200)	(30,300)
Whitefish Bay	(12,000)	(18,200)	(30,200)
Hamilton	(12,000)	(17,200)	(29,200)
Muskego-Norway	(12,000)	(16,100)	(28,100)
Pewaukee	(12,000)	(14,000)	(26,000)
Medford Area	(12,100)	(13,800)	(25,900)
North Lake	(12,000)	(12,200)	(24,200)
Swallow	(12,000)	(12,200)	(24,200)
Elmbrook	(12,000)	(11,200)	(23,200)
Greenfield	(12,000)	(10,500)	(22,500)
Watertown Unified	(12,000)	(9,700)	(21,700)
Cudahy	(12,000)	(5,100)	(17,100)
Brown Deer	(12,000)	(4,400)	(16,400)
Lake Country	0	(12,200)	(12,200)
Verona Area <sup>2</sup>	-	(12,200)	(12,200)
<b>Total</b>	<b>\$(2,432,200)</b>	<b>\$(1,658,700)</b>	<b>\$(4,090,900)</b>

<sup>1</sup> As determined with DPI's assistance.

<sup>2</sup> No participating students were from this resident school district in the 2016-17 school year.

***In the 2016-17 school year, the estimated percentages of total state aid reduced for resident school districts because of the program were small.***

As shown in Table 9, the estimated percentages of total state aid reduced for resident school districts because of the program were small in the 2016-17 school year. A total of 16 resident school districts experienced reductions of 0.1 percent or less, and 2 resident school districts did not experience any reductions. However, even a small reduction in state aid may represent a considerable financial effect for resident school districts that receive relatively small amounts of state aid. Comparable information about total state aid that each resident school district received in the 2017-18 school year was unavailable at the time of our audit.

Table 9

**Estimated Percentages of Total State Aid Reduced for Resident School Districts Because of the Program**  
2016-17 School Year

Resident School District	Reduction	Total State Aid	Reduction as a Percentage of Total State Aid
Swallow	\$ (12,000)	\$ 768,100	(1.6)%
Arrowhead UHS	(84,200)	5,958,700	(1.4)
North Lake	(12,000)	875,300	(1.4)
Milwaukee Public Schools	(1,821,200)	658,587,900	(0.3)
Pewaukee	(12,000)	6,036,700	(0.2)
Wauwatosa	(36,100)	21,567,900	(0.2)
Brown Deer	(12,000)	9,474,400	(0.1)
Cudahy	(12,000)	20,316,200	(0.1)
Elmbrook	(12,000)	10,437,300	(0.1)
Germantown	(12,100)	14,898,100	(0.1)
Greendale	(12,100)	14,451,400	(0.1)
Greenfield	(12,000)	17,919,700	(0.1)
Hamilton	(12,000)	22,410,000	(0.1)
Madison Metropolitan	(81,800)	92,012,600	(0.1)
Medford Area	(12,100)	14,279,800	(0.1)
Muskego-Norway	(12,000)	23,646,800	(0.1)
Racine Unified	(156,500)	170,304,500	(0.1)
Waukesha	(48,200)	61,439,100	(0.1)
Whitefish Bay	(12,000)	12,838,300	(0.1)
Oak Creek-Franklin Joint	(12,000)	37,055,500	(<0.1)
Watertown Unified	(12,000)	26,542,500	(<0.1)
West Allis-West Milwaukee	(24,100)	59,289,000	(<0.1)
Lake Country	0	318,600	n/a
Sheboygan Area	0	85,612,800	n/a



In the 2016-17 school year, Milwaukee Public Schools experienced the highest reduction in state aid because of the program. However, in the 2015-16 school year, its state aid had already been reduced by \$163,200 because it was the resident school district for 82 students who had participated in the Milwaukee Parental Choice Program or the Public School Open Enrollment Program and subsequently participated in the Special Needs Scholarship Program in the 2016-17 school year.

### Revenue Limits

***The revenue limit is the maximum amount of funding available to a school district from property taxes and state aid.***

The revenue limit is the maximum amount of funding a school district may receive through property taxes and state aid and is used by school districts in setting their property tax levy amount. The revenue limit is based, in part, on student membership, which includes students who attend public schools. Typically, students who attend private schools, including through a parental choice program, or are homeschooled are excluded from these memberships. However, participating students were included in the memberships of their resident school districts in the 2016-17 school year.

It is not possible to determine the precise extent to which the program affected the revenue limits for resident school districts in the 2016-17 school year because factors other than program participation affect revenue limits, including state aid amounts. However, we estimated the effects based on the available information.

***In the 2016-17 school year, we estimate that the program increased the revenue limits for 3 of the 25 resident school districts and decreased them for 9 resident school districts.***

In the 2016-17 school year, we estimate that the program increased the revenue limits for 3 of the 25 resident school districts and decreased the revenue limits for 9 resident school districts, as shown in Table 10. The largest increase was \$23,000, and the largest decrease was \$435,300. We estimate that the program did not change the revenue limits for the other 13 resident school districts. However, it is not possible to know whether resident school districts would have levied different amounts of property taxes if the program had not changed their revenue limits.

Table 10

**Estimated Change to the Revenue Limits of Resident School Districts  
Because of the Program**  
2016-17 School Year

Resident School District	Estimated Change	Revenue Limit	Estimated Change as a Percentage of the Revenue Limit
Madison Metropolitan	\$ 23,000	\$323,457,800	<0.1%
Pewaukee	10,400	28,171,500	<0.1
Greenfield	10,200	34,259,300	<0.1
Cudahy	(10,400)	26,838,700	(<0.1)
Racine Unified	(29,600)	231,003,300	(<0.1)
Waukesha	(9,800)	130,148,900	(<0.1)
Wauwatosa	(10,300)	62,124,500	(<0.1)
West Allis-West Milwaukee	(10,000)	87,869,700	(<0.1)
Whitefish Bay	(11,200)	31,389,300	(<0.1)
Arrowhead UHS	(20,000)	22,039,300	(0.1)
Milwaukee Public Schools	(435,300)	823,960,600	(0.1)
Swallow	(10,300)	5,587,700	(0.2)

For the 2017-18 school year, statutes increased the revenue limit of a resident school district by an amount equal to the reduction in its equalization aid because of participating students. For example, a resident school district with 10 FTE participating students would have experienced a \$122,100 reduction in equalization aid and had its revenue limit increased by \$122,100. As a result, it could have increased the amount of property taxes it levied by up to \$122,100.

We did not attempt to determine how the educational costs of resident school districts were affected by students who had previously been educated in those resident school districts but subsequently participated in the program. The costs to educate a given student cannot be easily determined because the salary and fringe benefits costs of teachers and other staff, as well as the costs of equipment and other school resources, are associated with multiple students. In some instances, a student transferring to a participating private school may not reduce the costs of the residential school district, which may still need the same number of teachers, other staff, and equipment to educate the remaining students. In other instances, costs could decline, such as if a resident school district

had incurred significant costs to educate a student with considerable special needs but no longer needed to purchase certain resources to educate that student.

### Other School Districts

In the 2017-18 school year, the program affected the amounts of equalization aid that DPI provided to the 398 school districts other than the resident school districts. Using information provided by DPI, we found that, on average, the program resulted in an estimated \$3,400 reduction in equalization aid to a given school district. Because of how the formula for distributing equalization aid worked, the amounts of equalization aid provided to 62 school districts did not change because of the program. The largest reduction in equalization aid to a school district was \$38,600, while equalization aid provided to one school district increased by \$1.

### State of Wisconsin

As noted, statutes require DPI to reduce the equalization aid to resident school districts by amounts equal to the scholarships for participating students. If the total number of FTE participating students in a given resident school district increased from September to January, DPI did not reduce the resident school district's equalization aid to reflect this increase in FTE participating students. In addition, no additional lapse of equalization aid was made to the General Fund.

***In the 2016-17 school year, DPI did not reduce equalization aid by \$147,000 to five resident school districts, as it was statutorily required to do.***

As shown in Table 11, DPI did not reduce equalization aid by \$147,000 to five resident school districts in the 2016-17 school year, as it was statutorily required to do, and paid participating private schools that amount of GPR from the program's appropriation. DPI indicated that it intends to use GPR for the same purpose in the 2017-18 school year, and we determined that this amount will total \$37,800.

Table 11

**Estimated General Purpose Revenue that DPI Paid to Participating Private Schools, Instead of Reducing Equalization Aid to Resident School Districts**

Resident School District	School Year		Total
	2016-17	2017-18	
Milwaukee Public Schools	\$108,000	\$19,500	\$127,500
Racine Unified	18,000	6,100	24,100
Sheboygan Area	9,000	0	9,000
Wauwatosa	0	6,100	6,100
Whitefish Bay	0	6,100	6,100
Lake Country	6,000	0	6,000
Waukesha	6,000	0	6,000
<b>Total</b>	<b>\$147,000</b>	<b>\$37,800</b>	<b>\$184,800</b>

DPI explained why it did not reduce equalization aid by the statutorily required amounts. Each fall, school districts must determine the amounts of property tax to levy in the following calendar year, based on student enrollment information in September. In making these determinations, resident school districts calculate the amount of scholarships for FTE participating students that will result in equalization aid being reduced for them at the end of the school year. If the number of FTE participating students in a given resident school district subsequently increases in January, it is too late for the resident school district to consider increasing the amount of property tax to levy in order to compensate for the additional reduction in equalization aid that will occur at the end of the school year.

2017 Wisconsin Act 36, which was enacted in July 2017, modified s. 121.91 (4) (n) 1., Wis. Stats. Beginning in the 2017-18 school year, the revenue limits for resident school districts are to be increased by amounts equal to the reductions in equalization aid as a result of the program. These reductions are specified in s. 115.7915 (4m) (f), Wis. Stats. However, revenue limit determinations and equalization aid reductions are not performed simultaneously. Specifically, DPI determines the revenue limits in the fall but does not reduce equalization aid until the end of the school year.

DPI indicated that if it were to reduce equalization aid for a given resident school district at the end of the school year by more than

the amount indicated by the number of FTE students participating in September, the resident school district's revenue limit could not be increased by the statutorily required amount.

DPI indicated that decreasing a resident school district's equalization aid without a corresponding increase of the revenue limit for a resident school district would be inequitable.

DPI should seek a statutory change that allows all funding provisions for the program to be followed. If DPI believes that it should not fully reduce equalization aid for resident school districts when additional FTE students participate in the program in January, it could request that the Legislature modify statutes to permit it to pay participating private schools through an alternate funding mechanism.

#### **Recommendation**

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*We recommend the Department of Public Instruction:*

- *seek a statutory change that allows all funding provisions for the program to be followed; and*
- *report to the Joint Legislative Audit Committee by January 15, 2019, on its efforts to comply with this recommendation.*

## **Future Fiscal Effects**

***The program's fiscal effects will change in the future, based on statutory modifications made in 2017 Wisconsin Act 59.***

The program's fiscal effects will change in the future, based on statutory modifications made in 2017 Wisconsin Act 59. Beginning in summer 2018, statutes allow participating private schools that offer summer school consisting of at least 4.5 hours of daily instruction on at least 19 days to receive funding for participating students. If a participating student attends summer school for at least 15 days, statutes require that the participating private school receives an amount equal to 5.0 percent of the amount paid for each participating student in the previous school year. If a participating student attends summer school for less than 15 days, statutes require that the participating private school receives a prorated amount of the 5.0 percent. Statutes also require DPI to reduce equalization aid to resident school districts to fully cover these costs of summer school.

Beginning in the 2018-19 school year, a participating private school may, but is not required to, submit to DPI a financial statement and supporting documentation indicating the actual costs it incurred to

implement the modified IEP or services plan for a participating student. Beginning in the 2019-20 school year, statutes require DPI to pay all submitted actual costs for educating a given participating student in the previous school year, up to 150.0 percent of the amount it would have otherwise paid for that student, and reduce this amount from the equalization aid of the resident school district. DPI is required to reimburse the participating private school for 90.0 percent of actual costs that exceed 150.0 percent of the amount it would have otherwise paid for a given participating student, but it is not required to reduce this additional amount from the equalization aid of the resident school district. Instead, DPI is required to make these additional payments from the program's GPR appropriation.

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## Participant Satisfaction ■

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***We surveyed the parents of all 306 students who participated at some point during the 2016-17 or the 2017-18 school year.***

To determine the level of satisfaction with the program, we surveyed the parents of all 306 students who participated at some point during the 2016-17 or the 2017-18 school year. The parents of 95 of the 306 students (31.0 percent) responded to our survey, although not all parents responded to each survey question. Survey respondents indicated increased levels of satisfaction, as well as decreased levels of behavioral problems and negative experiences, when their children attended participating private schools, compared to when their children had previously attended public schools.

### **Schools Students Attended Before Entering the Program**

***A total of 53.6 percent of survey respondents indicated their children had attended the same private school in the school year before participating in the program.***

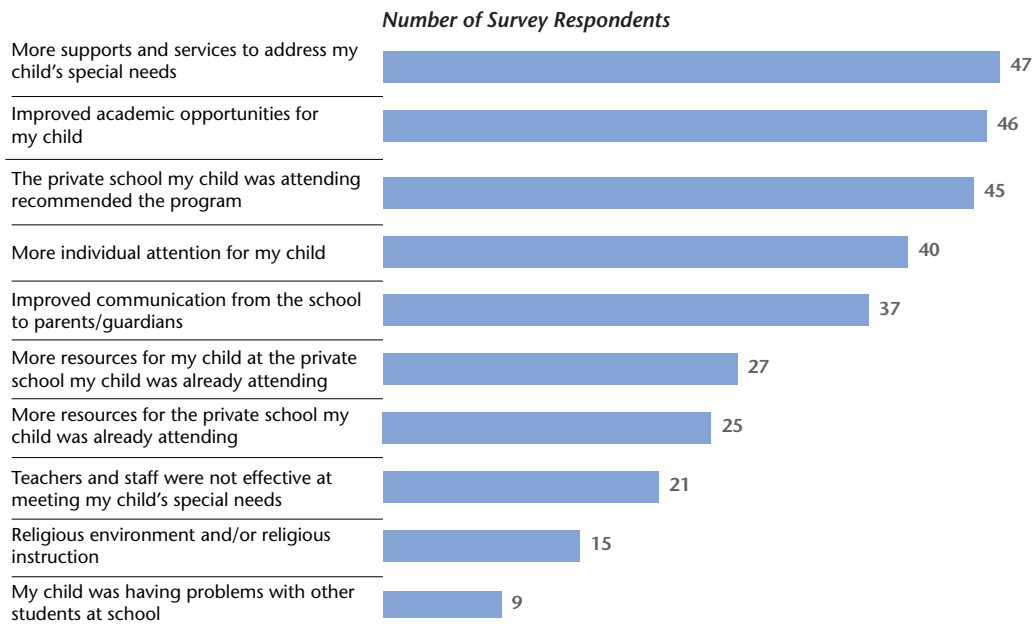
In response to our survey, 45 respondents (53.6 percent) indicated that their children had attended the same private school in the school year before participating in the program as they attended while participating in the program. In total, 62 respondents (69.7 percent) indicated that their children had attended a public school in Wisconsin at some point in the past, while 25 respondents (28.1 percent) indicated that their children had never attended a public school in Wisconsin.

Survey respondents indicated that a number of factors contributed to their decisions to apply for their children to attend the program. Figure 1 shows the ten most-common factors, including a desire for more supports and services to address the special needs of the

children and improved academic opportunities for the children. A total of 45 respondents (50.0 percent) indicated that the private schools their children were already attending had recommended the program.

Figure 1

**Most-Common Factors Contributing to the Decisions to Apply to the Program<sup>1</sup>**



<sup>1</sup> According to survey respondents, who could indicate multiple factors.

**Satisfaction with Schools**

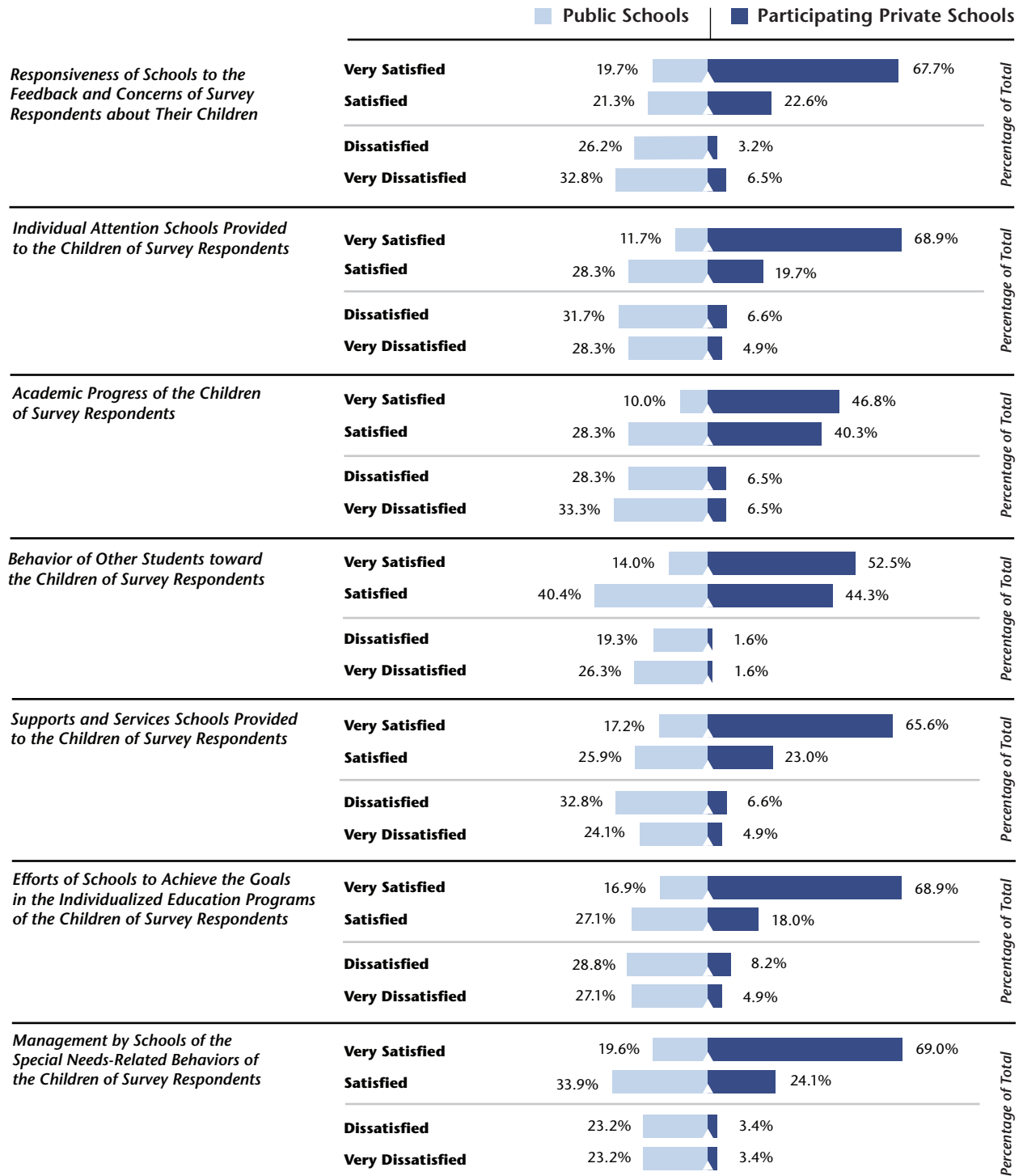
***Survey respondents overall indicated higher levels of satisfaction with participating private schools than with public schools.***

Our survey asked parents of participating students to indicate their satisfaction with various aspects of the educational experiences of their children in Wisconsin public schools and participating private schools. As shown in Figure 2, survey respondents overall indicated higher levels of satisfaction with participating private schools than with public schools.



Figure 2

**Satisfaction with Public Schools and Participating Private Schools<sup>1</sup>**



<sup>1</sup> According to survey respondents.

Survey respondents provided comments that indicated their satisfaction with the educational experiences of their children in the program. For example:

- One respondent indicated that the program “has changed our lives tremendously for the better, especially my daughter, she’s happy. My experiences with her chosen school [are] amazing.”
- A second respondent indicated that the program “has made it financially possible for my child to receive the appropriate, individualized education to which he was entitled but not receiving in his public schools.”
- A third respondent indicated that “my son has been to numerous private schools that offer Special Ed and this school is by far the most caring, safest and healthiest environment for children that suffer from any range of issues. They treat each child as an individual and each child learns at their own pace. The teachers genuinely care for the children and are dedicated to their futures.”

Survey respondents also provided comments that indicated their dissatisfaction with the educational experiences of their children in the program. For example:

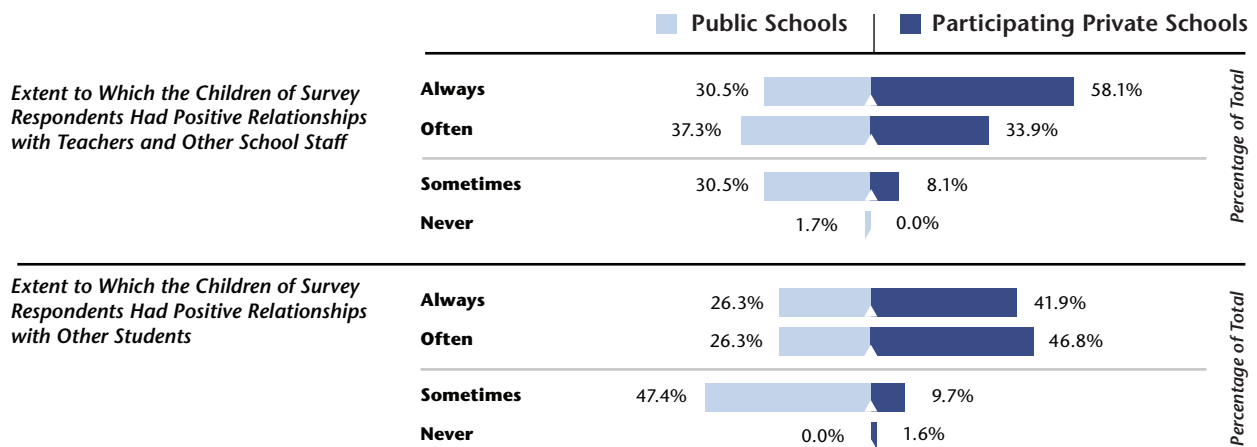
- One respondent indicated that as a result of her dissatisfaction with how a teacher and the school principal treated her son and interacted with her, “I probably should have pulled [my son] from the school but we didn’t have many choices... When I drive by the school, I can barely look at it.”
- A second respondent indicated that the participating private school “is in denial of their abilities to serve children with Special Needs and is doing many of them a disservice.”
- A third respondent indicated that the participating private school “received the money from the State for the services and did not provide services for the last 5 months of [the] year. We left the school.”

**Survey respondents indicated that their children more frequently had positive relationships with other individuals at participating private schools than at public schools.**

Our survey also asked parents of participating students to consider the extent to which their children had various experiences in public schools and participating private schools. As shown in Figure 3, survey respondents indicated that their children more frequently had positive relationships with other individuals at participating private schools than at public schools.

Figure 3

**Extent to Which the Children of Survey Respondents had Positive Relationships with Other Individuals at School<sup>1</sup>**



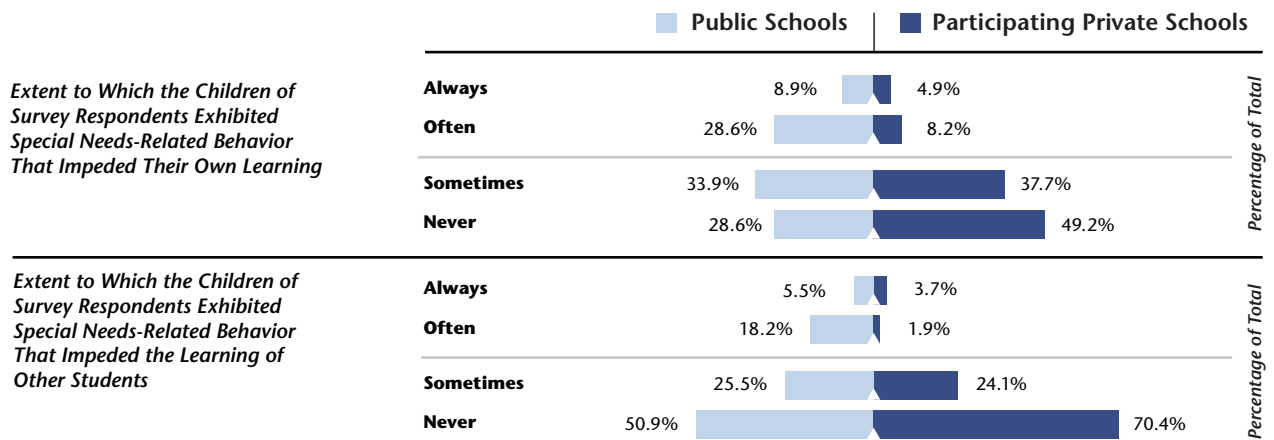
<sup>1</sup> As indicated by survey respondents.

**Survey respondents indicated that their children less frequently exhibited special needs-related behavior that impeded their own learning and the learning of other students in participating private schools than in public schools.**

As shown in Figure 4, survey respondents indicated that their children less frequently exhibited special needs-related behavior that impeded their own learning and the learning of other students in participating private schools than in public schools.

Figure 4

**Extent to Which the Children of Survey Respondents Exhibited Special Needs-Related Behavior that Impeded Learning at School<sup>1</sup>**



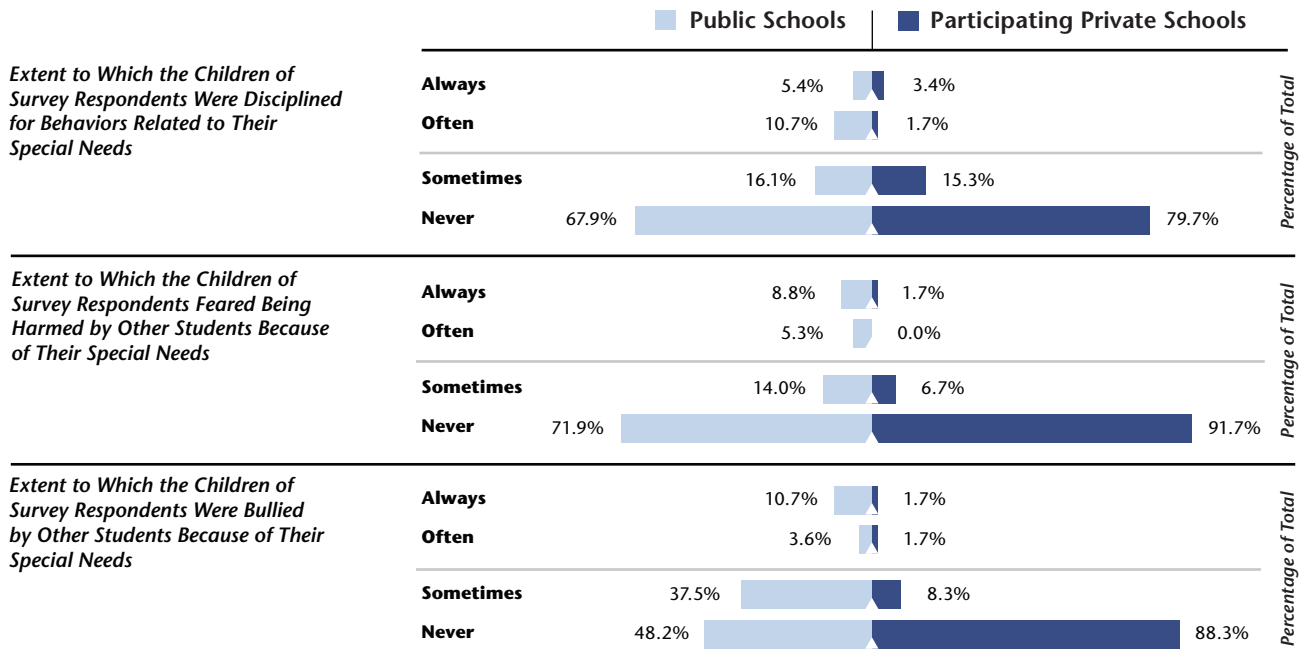
<sup>1</sup> As indicated by survey respondents.

***Survey respondents indicated that their children less frequently had three types of negative experiences in participating private schools than in public schools.***

As shown in Figure 5, survey respondents indicated that their children less frequently had three types of negative experiences in participating private schools than in public schools.

Figure 5

**Extent to Which the Children of Survey Respondents Had Negative Experiences at School<sup>1</sup>**



<sup>1</sup> As indicated by survey respondents.

Survey respondents provided suggestions for improving participating private schools. These suggestions included a desire for increased communication from the schools about the academic progress of their children, as well as for more staff to support teachers and provide individualized attention to children. Respondents also provided suggestions for improving the program. These suggestions included a desire for additional information about the program’s eligibility requirements and application process, as well as more oversight of participating private schools in order to ensure that appropriate educational services are provided.





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## **Appendices ■**

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Appendix 1

**Participating Students, by Resident School District**

Resident School District	County	School Year	
		2016-17	2017-18
Milwaukee Public Schools	Milwaukee	180	191
Racine Unified	Racine	16	18
Madison Metropolitan	Dane	8	10
Arrowhead UHS	Waukesha	7	7
Waukesha	Waukesha	5	7
Wauwatosa	Milwaukee	3	5
Sheboygan Area	Sheboygan	2	3
West Allis-West Milwaukee	Milwaukee	2	3
Hamilton	Waukesha	2	1
Whitefish Bay	Milwaukee	1	2
Brown Deer	Milwaukee	1	1
Cudahy	Milwaukee	1	1
Elmbrook	Waukesha	1	1
Germantown	Washington	1	1
Greendale	Milwaukee	1	1
Greenfield	Milwaukee	1	1
Lake Country	Waukesha	1	1
Medford Area	Taylor	1	1
Muskego-Norway	Waukesha	1	1
North Lake	Waukesha	1	1
Oak Creek-Franklin Joint	Milwaukee	1	1
Pewaukee	Waukesha	1	1
Swallow	Waukesha	1	1
Watertown Unified	Jefferson	1	1
Verona Area	Dane	0	1
<b>Total</b>		<b>240</b>	<b>262</b>



Appendix 2

**Private Schools Intending to Participate  
in the 2018-19 School Year<sup>1</sup>**

Participating Private School	Municipality
Aquinas High	La Crosse
Aquinas Middle	La Crosse
Beautiful Savior Lutheran	Waukesha
Bethlehem Evangelical Lutheran School	Menomonee Falls
Blessed Sacrament Elementary	La Crosse
Calvary's Christian Academy, School for the Arts	Greenfield
Cathedral Elementary	La Crosse
Catholic East Elementary	Milwaukee
Central Wisconsin Christian School	Waupun
Christ-St. Peter Lutheran School	Milwaukee
Community Christian School of Baraboo	Baraboo
Concordia Lutheran School	Sturtevant
Cross Trainers Academy	Milwaukee
Crown of Life Christian Academy, Inc.	Fort Atkinson
Divine Redeemer Lutheran School	Hartland
Divine Savior Catholic School	Kiel
Good Shepherd Lutheran School	West Bend
Granville Lutheran School	Milwaukee
Heritage Christian Schools	New Berlin
High Point Christian School	Madison
Hillel Academy	Fox Point
Holy Family Parish School	Whitefish Bay
Holy Ghost Elementary School	Chippewa Falls
Holy Rosary Catholic School	Medford
Immanuel Lutheran School	Brookfield
Kettle Moraine Lutheran High School	Jackson
Lake Country Lutheran High School	Hartland
Lighthouse Christian School	Madison
Lutheran Special School & Education Services	Hales Corners
Martin Luther High School	Greendale
Mary Queen of Saints Catholic Academy	West Allis
Messmer Catholic Schools	Milwaukee
Milwaukee Lutheran High School	Milwaukee

Participating Private School	Municipality
Montessori School of Waukesha	Waukesha
Mount Olive Lutheran School	Milwaukee
Newman Catholic Elementary School	Wausau
Newman Catholic Elementary School	Rothschild
Newman Catholic High	Wausau
Newman Catholic Middle	Wausau
Northwest Catholic School	Milwaukee
Northwest Lutheran School	Milwaukee
Notre Dame de la Baie Academy	Green Bay
Notre Dame School of Milwaukee	Milwaukee
Our Lady Queen of Peace School	Milwaukee
Pacelli Catholic Middle	Stevens Point
Pacelli High	Stevens Point
Pilgrim Lutheran School	Wauwatosa
Pius XI Catholic High School	Milwaukee
Prince of Peace	Milwaukee
Randolph Christian School Society, Inc.	Randolph
Renaissance School	Racine
Roncalli High School	Manitowoc
Saint Augustine Preparatory Academy	Milwaukee
Saint Bronislava Elementary	Plover
Saint Catherine School	Milwaukee
Saint Charles Borromeo Catholic School	Milwaukee
Saint Coletta Day School	Milwaukee
Saint John XXIII Catholic School	Port Washington
Saint Joseph Catholic Academy	Kenosha
Saint Joseph Catholic School	Boyd
Saint Lucas Lutheran School	Milwaukee
Saint Marcus Lutheran School	Milwaukee
Saint Martin of Tours Parish School	Franklin
Saint Martini Lutheran School	Milwaukee
Saint Mary School	Algoma
Saint Mary's Springs Academy	Fond du Lac
Saint Matthias Parish School	Milwaukee
Saint Patrick Elementary	Onalaska
Saint Paul Lutheran	Sheboygan
Saint Paul Lutheran School	Luxemburg
Saint Rafael the Archangel School	Milwaukee
Saint Roman Parish School	Milwaukee

Participating Private School	Municipality
Saint Stephen Elementary	Stevens Point
Saint Thomas Aquinas Academy	Milwaukee
Sherman Park Lutheran School	Milwaukee
Shining Star Christian Schools, Inc.	Milwaukee
Shoreland Lutheran High School	Somers
Stevens Point Christian Academy	Stevens Point
Tamarack Waldorf School	Milwaukee
Torah Academy of Milwaukee	Glendale
TransCenter For Youth/El Puente	Milwaukee
Wells Street Academy	Milwaukee
Winnebago Lutheran Academy	Fond du Lac
Zion Lutheran School	Menomonee Falls

<sup>1</sup> As of June 2018.



Appendix 3

**Total Program Scholarships Provided to Participating Private Schools**

Participating Private School	School Year		Total
	2016-17	2017-18	
Saint Marcus Lutheran School	\$ 661,200	\$ 825,300	\$1,486,500
Milwaukee Lutheran High School	336,000	335,700	671,700
Saint Coletta Day School	264,000	300,500	564,500
Lutheran Special School & Education Services	144,000	177,000	321,000
Concordia Lutheran School	150,000	154,000	304,000
Pius XI Catholic High School	120,000	146,500	266,500
Lake Country Lutheran High School	108,000	109,900	217,900
Lighthouse Christian School	81,600	134,300	215,900
Tamarack Waldorf School	84,000	116,000	200,000
Martin Luther High School	96,000	97,700	193,700
Wells Street Academy	102,000	85,400	187,400
Mount Olive Lutheran School	72,000	48,800	120,800
Divine Redeemer Lutheran School	39,000	61,000	100,000
Heritage Christian Schools	36,000	48,800	84,800
Montessori School of Waukesha	36,000	48,800	84,800
Holy Family Parish School	36,000	42,700	78,700
Northwest Lutheran School	36,000	42,700	78,700
Granville Lutheran School	24,000	48,800	72,800
Immanuel Lutheran School	36,000	36,600	72,600
Renaissance School	24,000	42,700	66,700
Saint Martini Lutheran School	30,000	24,400	54,400
Pilgrim Lutheran School	42,000	6,100	48,100
Saint Paul Lutheran	9,000	31,900	40,900
Holy Rosary Catholic School	12,000	12,200	24,200
Zion Lutheran School	n/a	12,200	12,200
Sherman Park Lutheran School	n/a	6,100	6,100
<b>Total</b>	<b>\$2,578,800</b>	<b>\$2,996,300</b>	<b>\$5,575,100</b>





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## **Response ■**

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July 18, 2018

Joseph Chrisman, State Auditor  
Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53703

Dear Mr. Chrisman:

Thank you for providing us with the opportunity to respond to your audit of the state's Special Needs Scholarship Program (SNSP). Providing legislators and the public with valuable information regarding this recently-enacted program is crucial to an informed discussion.

Your findings confirm that the majority of participants in the SNSP (75%) came primarily from private schools immediately before entering the program. Unfortunately, the participation of students who came from private schools on survey questions related to public school experience may bias the survey results. In the future, I recommend only students previously enrolled in a given sector be able to answer questions about their involvement in those schools.

Your audit confirms that the SNSP suffers from statutory faults, specifically in its funding design. Despite those limitations, all schools enrolled in the program received their requisite funding under the law. The decisions our agency made follow the intent of the legislators who drafted this law. Penalizing school districts by imposing budget cuts or program reductions in the middle of the school year seems unreasonable, and is counter to how all other choice programs operate. It is also worth noting the SNSP has a direct impact on the amount of aid districts receive and has resulted in increased property tax levels statewide.

Below you will find technical details about the areas I have highlighted.

### **SNSP Aid Deduction**

We appreciate much of your report and concur that statutory modifications are necessary for the SNSP. However, we respectfully disagree with your conclusion that the SNSP required the Department to deduct general aid from school districts based on students enrolling in the SNSP after districts set their property tax levies. Doing so would conflict with state law intended to provide a corresponding revenue limit increase whenever SNSP enrollment reduced a school district's state aid payment.

The above-referenced conflict existed in both the 2016-17 and 2017-18 school years. In 2016-17, pupils enrolled in the SNSP were counted for purposes of modifying the revenue limit for school districts to offset state aid reductions. In 2017-18, the law changed so that the revenue limit increased by the applicable amount of SNSP scholarships awarded in each school district. See Wis. Stat. § 121.91(4)(n)1.

Under both the 2016-17 and 2017-18 structures, the applicable law required a commensurate revenue limit increase whenever the DPI decreased a school district's state aid payment under Wis. Stat. s. 115.7915(4m)(f). **Importantly, because the department sets the revenue limit increase as of the 3rd Friday of September, any SNSP-related decrease to a school district's state aid payment is similarly fixed as of that date.**

The statutory conflict forced the Department to either financially penalize districts by deducting aid from school districts after levies were fixed, or allow the sum-sufficient GPR appropriation to absorb the marginal impact of SNSP students enrolling after the September count date. Discussions with legislators made it clear they did not intend to harm districts financially. Instead, they meant to allow districts to offset state aid reductions for the SNSP fully. Therefore, the Department resolved this conflict in favor of expressed legislative intent by providing school districts with the opportunity to offset any decreased state aid by levying additional taxes via an increased revenue limit.

There are a few other items we would like to note regarding this point:

- The SNSP was created as part of a broader 29 page “omnibus” motion (#457) that included 51 separate items in the 2015-17 biennial budget bill (2015 Wisconsin Act 55) by the Joint Committee on Finance (JCF). To our knowledge, there was no background paper, memorandum, hearing or public discussion related to the details of the implementation of the SNSP’s state aid reduction by any of our state’s legislative service agencies before its enactment into law.
- We appreciate your report notes “...even a small reduction in state aid may represent a *considerable financial effect* (emphasis added) for resident school districts that received relatively small amounts of state aid.” This point mirrors my thoughts as well related to the intent of this legislation.
- Unlike most public school district state aids, the SNSP funding occurs on a current year basis with student applications allowed throughout the school year. As such, we have to identify the number of SNSP students enrolled on the 3<sup>rd</sup> Friday in September for each school district by mid-October as school districts must set their property tax levies annually by November 1 per Wis. Stats.120.12 (3).

Per current law, the Department will continue the current policy in 2018-19, unless we receive a written statement of intent from legislative leaders and the Governor directing us to penalize school districts financially.

We will include a provision for the 2019-21 biennial budget and provide it to the Joint Legislative Audit Committee, recommending the Legislature resolve the conflicting statutes related to this issue, ensuring school districts are not penalized financially in the future for events beyond their control.

### **SNSP Impact on State School Aids**

We commend your staff for describing the fiscal effects of the SNSP on school districts. Few are aware of the adverse financial impact of this program on both districts with resident SNSP students and those that do not have SNSP students. This information is especially salient since your report notes 75% of students in the SNSP in 2016-17 and 2017-18 did not attend a public school before participating in this program.

#### *State General Aid Impact-Districts with Resident SNSP Students*

Your detailed analysis noting the complexity of the state general aid formula is helpful in showing how the 25 school districts with resident SNSP students during the past two years received \$4.1 million less in state general aid even after accounting for those districts counting SNSP students in their membership the 2017-18 state aid formula.

Since they are now receiving less state general aid, districts with SNSP students residing within their boundaries must choose to either increase their property tax levies or cut their budgets for their existing students. As the SNSP continues to grow, we should expect this trend to continue.

#### *State General Aid Impact-Districts without SNSP Students*

As importantly, your audit states most school districts that did not have resident SNSP students collectively received over \$1.3 million less in state general aid in 2017-18 due to the SNSP's funding mechanism. They also had to either raise their property taxes to offset this lost state general aid or cut existing programming for their students last year.

Again, as the number of students enrolling in the SNSP increases, we should expect the amount of state general aid to be reduced from school districts without SNSP students to increase each year as well.

### **SNSP Impact on Revenue Limits**

Your review of the SNSP's impact on school district revenue limits in 2016-17 is also noteworthy. One of your tables shows the SNSP decreased revenue limit authority for 9 of the 25 (36%) resident school districts with an SNSP student in that year, while only 3 of the 25 (12%) districts with a resident SNSP student saw an increase in revenue limit authority.

In other words, over one-third of the districts with resident SNSP students not only had their state aid reduced in 2016-17 to pay for this program, they also had less funding available for their existing students by having their revenue limit cut due to the way this program's funding was designed.

Joseph Chrisman

Page 4

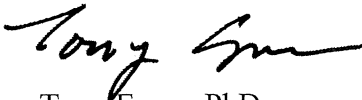
July 18, 2018

**Other Notable Conclusions:**

- We appreciate the work of your staff in taking the time to review where the 306 SNSP students went to school before enrolling in the SNSP and noting that 75% of them did not enroll in public schools before participating in the program.
- We found it informative to learn that 3 private schools told your office they charged tuition to SNSP students above and beyond any state aid they received for that student. Public schools are prohibited from charging tuition to any resident student for their education.
- Over half of the private schools in the SNSP that responded to your survey told your office they could not educate students with specific disabilities and that one-third of them told you they counseled parents of students with disabilities that may have been interested in them from not applying to their school. Public schools must enroll all students who reside within their boundaries, regardless of the cost of providing any student with a free and appropriate education.

I appreciate your work on this critical audit.

Sincerely,



Tony Evers, PhD  
State Superintendent

TE:bp