

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected	2. Date
3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable) PI 35, Milwaukee Parental Choice Program; PI 48, Racine And Wisconsin Parental Choice Programs; PI 49, Special Needs Scholarship Program	
4. Subject Parental Choice and Special Needs Scholarship Programs offsetting revenue, statements of actual cost, and affecting small business	
5. Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	6. Chapter 20, Stats. Appropriations Affected
7. Fiscal Effect of Implementing the Rule <input type="checkbox"/> No Fiscal Effect <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs <input type="checkbox"/> Decrease Costs <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Could Absorb Within Agency's Budget	
8. The Rule Will Impact the Following (Check All That Apply) <input type="checkbox"/> State's Economy <input checked="" type="checkbox"/> Specific Businesses/Sectors <input type="checkbox"/> Local Government Units <input type="checkbox"/> Public Utility Rate Payers <input checked="" type="checkbox"/> Small Businesses (if checked, complete Attachment A)	
9. Estimate of Implementation and Compliance to Businesses, Local Governmental Units and Individuals, per s. 227.137 (3) (b) 1., Stats. \$0	
10. Would Implementation and Compliance Costs Businesses, Local Governmental Units and Individuals Be \$10 Million or more Over Any 2-year Period, per s. 227.137 (3) (b) 2., Stats.? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
11. Policy Problem Addressed by the Rule This proposed rule will amend chs. PI 35, 48, and 49 of the Wisconsin Administrative Code to provide that loans under the Paycheck Protection Program (PPP), which are forgiven by the federal government, are not offsetting revenue in the financial audit supplemental schedule for any of the state's Parental Choice Programs or the Special Needs Scholarship Program.  Schools participating in the Special Needs Scholarship Program have the option to submit a statement of actual costs that specifies the special education expenses the school incurred for educating a Special Needs Scholarship Program pupil in the prior school year. If a school submits a statement of actual costs for a pupil, the payment amount for that pupil in the subsequent school year is based on the actual costs for the pupil in the statement. The proposed rule specifies that if an amount included in a Special Needs Scholarship Program statement of actual costs is part of a forgiven PPP loan, and the amount is forgiven on or before October 15 <sup>th</sup> following the school year, the costs in the statement of actual costs must be reduced by the forgiven amount. The proposed rule also specifies that any adjustments to a statement of actual costs due to forgiven PPP loans will be paid back through the Enrollment Audit certification process. Finally, it indicates that the payment amount for an actual cost pupil will not be below the Special Needs Scholarship Program payment rate for a pupil that did not submit a statement of actual costs.	
12. Summary of the Businesses, Business Sectors, Associations Representing Business, Local Governmental Units, and Individuals that may be Affected by the Proposed Rule that were Contacted for Comments School Choice Wisconsin, Bender Consulting, LLC., Wisconsin Council of Religious & Independent Schools, and Wisconsin Catholic Conference were contacted for comments on the fiscal estimate for this proposed rule.	
13. Identify the Local Governmental Units that Participated in the Development of this EIA None.	
14. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)	

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Sections 1, 2, and 4 of the proposed rule provide that the forgiven portion of loans under the PPP are not included as offsetting revenues in the financial audit supplemental schedule for schools participating in any of the state's Parental Choice Programs and the Special Needs Scholarship Program. It is the department's understanding that most schools participating in the Parental Choice Programs or the Special Needs Scholarship had a PPP loan. The effect on small businesses as a result of this rule is indeterminate because the department does not have: 1) the PPP loan amounts; 2) the amounts forgiven; and 3) when the amounts will be forgiven for each private school participating in the Parental Choice Programs or Special Needs Scholarship Program. According to the Small Business Administration, First Draw PPP loans made to eligible borrowers qualify for full loan forgiveness if during the 8- to 24-week covered period following loan disbursement:

- Employee and compensation levels are maintained;
- The loan proceeds are spent on payroll costs and other eligible expenses; and
- At least 60% of the proceeds are spent on payroll costs.

The department anticipates that schools participating in the Parental Choice Programs or Special Needs Scholarship Program will meet the above criteria and have their PPP loan forgiven in whole or part. Without this rule, the forgiven portion of a PPP loan that was used for eligible education expenses would be included in offsetting revenue and decrease a school's eligible education expenses, resulting in an increase in the school's Parental Choice Programs and/or Special Needs Scholarship reserve balance. The reserve balance is the remaining balance of Parental Choice Programs or Special Needs Scholarship revenue that hasn't been spent on eligible education expenses. Private schools participating in the Parental Choice Programs or Special Needs Scholarship Program are required to have a cash and investment balance that is at least as much as the reserve balances with certain adjustments. As a result, the increase in the reserve balances would result in schools being required to have a higher cash and investment balance.

Additionally, sections 3 and 5 of the proposed rule specify that any amount forgiven for a PPP loan until October 15th in the following school year reduces the costs in the Special Needs Scholarship Program statement of actual costs for the current school year. The proposed rule provides if an amount is forgiven between the due date of the statement of actual costs and October 15th, the change in the per pupil payment will be made through the Enrollment Audit certification process. Finally, this rule change ensures that schools will not receive less than the standard payment rate for a pupil included in a statement of actual costs due to changes in the actual cost, such as costs that are subsequently forgiven.

Forgiven PPP loans will not be counted as government assistance revenue and will therefore not increase the cash and investment balance required for private schools participating in a Parental Choice Program or the Special Needs Scholarship Program as a result of this rule. There are no anticipated compliance costs associated with the proposed rule or anticipated additional costs to small businesses. The proposed rule helps small businesses by ensuring a private school does not receive a payment for a pupil below the standard payment rate due to costs in the statement of actual cost that are subsequently forgiven. The effect on small businesses as a result of the rule is indeterminate.

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#### 15. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

This rule change is designed to address the forgiveness of the PPP loans for private schools participating in the Parental Choice and Special Needs Scholarship programs. The proposed rule provides that the forgiven portion of loans under the PPP are not included as offsetting revenues in the financial audit supplemental schedule for schools participating in any of the state's Parental Choice Programs and/or the Special Needs Scholarship Program. Without a rule, the forgiven portion of the PPP loan will be treated inconsistently between the 2019-20 school year and future school years. If a rule is not in place, the loans that are forgiven after the 2019-20 school year will reduce each participating school's eligible education expenses in the financial audit supplemental schedule.

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Further, the rule change clarifies when expenses in the statement of actual costs need to be reduced because a portion of a PPP loan is forgiven. The rule change also provides that if an amount is forgiven between the due date of the statement of actual costs and October 15th, the change in the per pupil payment will be made through the Enrollment Audit certification process. Finally, this rule change ensures that schools will not receive less than the standard payment rate for a pupil included in a statement of actual costs due to costs that are subsequently forgiven. If these rule changes are not made, the forgiven portion of a PPP loan that was used for eligible education expenses would be included in offsetting revenue and decrease a school's eligible education expenses, resulting in an increase in the school's Parental Choice Programs and/or Special Needs Scholarship reserve balance.

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16. Long-Range Implications of Implementing the Rule

With these proposed rule changes, forgiven PPP loans will not be counted as government assistance revenue and will therefore not increase the cash and investment balance required for schools participating in a Parental Choice Program or the Special Needs Scholarship Program. The proposed rule helps small businesses by ensuring a private school does not receive a payment for a pupil below the standard payment rate due to costs in the statement of actual cost that are subsequently forgiven.

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17. Compare With Approaches Being Used by Federal Government

The PPP is a loan administered by the Small Business Administration designed to provide a direct incentive for small businesses to keep their workers on payroll. Borrowers may be eligible for PPP loan forgiveness. More information on the PPP may be found here: <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program>.

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18. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Illinois: Under the Invest in Kids Program, students are eligible to receive a scholarship to attend qualified, nonpublic schools in Illinois if their family is below 300% of the federal poverty level. Student scholarships cannot exceed the state's average operational expense per pupil, with exceptions and a \$75 million credit cap for scholarship awards. However, there are no comparable rules or statutes governing special needs scholarship programs in Illinois.

Iowa: The School Tuition Organization Tax Credit provides that individuals, corporations, LLCs and other partnerships that donate to School Tuition Organizations (STOs) may receive a 65% tax credit, and STOs in turn give out funds as tuition grants to lower-income students to attend an accredited, nonpublic school. However, there are no comparable rules or statutes governing special needs scholarship programs in Iowa.

Michigan: There are no rules governing private school choice or special needs scholarship programs in Michigan.

Minnesota: There are no rules governing private school choice or special needs scholarship programs in Minnesota.

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19. Contact Name

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20. Contact Phone Number

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