



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #742

Tuition Payments (DPI -- Categorical Aids)

[LFB 2001-03 Budget Summary: Page 538, #7]

CURRENT LAW

Base funding of \$8,373,600 GPR is appropriated for state tuition payments and certain full-time open enrollment transfer payments.

State tuition payments. The state reimburses the cost of educating children who live in properties for which there is no parental property tax base support. Specifically, school districts and county children with disabilities education boards (CCDEBs) are eligible for tuition payments for the following:

- a. Children in children's homes (nonprofit organizations licensed by the Department of Health and Family Services) who have usually been placed in the home by the state or by county social services departments.
- b. Children whose parents are employed at, and reside on the grounds of, a state or federal military camp, federal veteran hospital or state charitable or penal institution.
- c. Children who live in foster or group homes if the home is outside the district in which the pupil's parent or guardian resides and is exempt from the property tax.

The state payment is calculated on the basis of the school district's average daily cost per pupil and the number of school days the child is enrolled in school.

Full-time open enrollment payments. If a school district loses pupils under the full-time open enrollment program, its state aid is reduced by a per pupil transfer amount. If the amount of equalization aid and other state aid received by a school district is insufficient to cover the net transfer payments, then the balance is paid from the state tuition appropriation.

GOVERNOR

Provide \$430,100 GPR in 2001-02 and \$1,367,400 GPR in 2002-03 for state tuition payments. Of this funding, \$430,100 in 2001-02 and \$1,064,000 in 2002-03 would be for anticipated increases in current law tuition payments. The additional \$303,400 in 2002-03 would fund the cost of expanding the required payments under the appropriation, beginning in 2002-03, to include tuition payments for pupils with a disability who live in a foster home, treatment foster home or group home, if at least 4% of the pupils enrolled in the school district reside in foster homes, treatment foster homes or group homes that are not exempt from property taxes. Specify that the annual payments for these pupils would be the special annual tuition rate only, which is the sum of instructional and specified services costs unique to that program divided by the average daily membership of all pupils enrolled in the program, including those for whom tuition is paid.

DISCUSSION POINTS

Current Law Tuition Payments

1. The state makes tuition payments to schools for three main reasons. First, there is no property tax base support for these children although the district is required to educate any child who resides in the district. Second, many of these children have been placed in residential facilities as a result of a decision by a court or a public agency. Third, some of these children can represent a financial burden to school districts because they require special education or related services or may change schools frequently as a result of placement decisions by the juvenile justice system.

2. It is argued that tuition payments should be fully-funded for the following reasons: (a) the statutes provide for full reimbursement; (b) if tuition payments are not fully-funded, it can be difficult for districts to absorb the costs; (c) the burden does not fall evenly across school districts (41 school districts and one CCDEB are anticipated to receive tuition payments in 2000-01); and (d) the failure of the state to fully fund payments may make it more difficult to site future group homes.

3. Between 1995-96 and 2000-01, tuition payments increased by an average of 7.2% annually. The Governor's recommendation would provide the funding necessary to fully fund estimated tuition payments at that rate of growth.

Expansion of Tuition Payments Appropriation

4. Under the 1993-95 biennial budget (1993 Act 16), DPI was required to study the issue of financing the educational costs related to children residing in foster and group homes that are not exempt from property taxation. The study found that: (a) a majority of children in taxable foster and group homes are served in a minority of school districts; (b) the prevalence of these children tended to be relatively larger in smaller and poorer districts; (c) regular education students can be absorbed into a district with little net fiscal effect; and (d) the higher the cost per student, such as for special education and related services, the more difficult it is for a district to absorb the

cost of the student in its budget.

5. Based on the data contained in that report, which is the most recent comprehensive data available on the topic, one school district (LaFarge) would likely be eligible for tuition payments under the proposed expansion, while another (Lake Holcombe) was very close to the 4% threshold. In determining the amount of funding to appropriate, administration staff indicate that they assumed tuition payments would be made for 37 pupils, which is the number identified in the report, at a rate of \$8,200 per pupil. The Governor's proposal would thus provide some additional aid targeted to those districts with the most responsibility for providing relatively high-cost services to students in taxable foster and group homes.

6. Under current law, there are mechanisms available to mitigate the effect on a district of students in taxable foster and group homes, which may reduce the need to provide additional categorical aid funding as proposed by the Governor.

7. First, local school property taxes would be paid to the school district on the value of the foster or group home. Unlike tax-exempt foster and group homes, which do not contribute property tax revenue to a district, some contribution is being made.

8. Second, school districts are generally eligible for transfer of service adjustments to their revenue limit. These transfers involve increases or decreases to a district's revenue limit for the transfers of responsibilities between the district and another governmental unit, including another school district. The approval and determination of these adjustments based on the increase or decrease in costs is made by DPI. If a school district assumes responsibility for a child with a disability, its revenue limits are increased by the estimated cost of providing services less the estimated amount of categorical aid that the district will receive for the pupil in the following school year, as determined by DPI.

9. Third, to allow school districts to account for highly-mobile pupils in taxable foster or group homes that might not otherwise be accounted for in its membership counts, statutes provide that districts may submit a report to DPI, by June 30 of each year, indicating the full-time equivalent number of pupils residing in such homes who were provided educational services by the district during the current school year but were not included in the September or January membership. DPI then adjusts the district's membership based on the report and makes proportional adjustments to the memberships of the districts in which the pupil was previously enrolled during that school year. In 1999-00, a total of 43 FTE pupils in the statewide membership of 869,628 were added as a result of this provision.

10. Under the Governor's proposal, both the current law and the proposed tuition payments, as well as certain payments under the full-time open enrollment program, would all be paid from the current tuition payments appropriation, with no provision as to which payments would have priority for the funding. DOA staff indicate that the intent was not to favor either the current law or the proposed payments. Thus, the administration's intent is that if funding were insufficient to cover eligible payments, all of the payments would be prorated equally.

11. The Committee could choose to clarify that the current law tuition payments for pupils for which there is no parental property tax base support are the first draw from the tuition payments appropriation, given that the provision of those payments was the original intent of the appropriation. The proposed tuition payments could be a second draw, with the open enrollment payments being the third draw, given that no payments have been made to date for this purpose and that it is relatively unlikely that a payment would need to be made for this purpose.

12. Under the two-thirds funding calculation, if funding for categorical aids such as tuition payments are increased, there is a reduction in general school aids equal to one-third of the increase. This reduction is made so that total state aid does not exceed the two-thirds funding goal. Similarly, if categorical aids are decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aid in order to maintain two-thirds funding of partial school revenues.

ALTERNATIVES TO BASE

A. Current Law Tuition Payments

1. Approve the Governor’s recommendation to provide \$430,100 in 2001-02 and \$1,064,000 in 2002-03 for anticipated increases in current law tuition payments. Delete \$143,400 in 2001-02 and \$354,700 in 2002-03 for general school aids to adjust two-thirds funding

Alternative A1	GPR
2001-03 FUNDING (Change to Base)	\$996,000
<i>[Change to Bill]</i>	<i>\$0</i>

2. Take no action. To maintain two-thirds funding, general school aids would increase by \$143,400 in 2001-02 and \$354,700 in 2002-03 compared to the bill.

Alternative A2	GPR
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>- \$996,000</i>

B. Expansion of Tuition Payments Appropriation

1. Approve the Governor’s recommendation to provide \$303,400 in 2002-03 in the state tuition payment appropriation to fund tuition payments at the special annual tuition rate for pupils with a disability who live in a foster home, treatment foster home or group home, if at least 4% of the pupils enrolled in the school district reside in such facilities that are not exempt from property taxes. Delete \$101,100 in 2002-03 for general school aids to adjust two-thirds funding.

Alternative B1	GPR
2001-03 FUNDING (Change to Base)	\$202,300
<i>[Change to Bill]</i>	<i>[\$0]</i>

2. Adopt the Governor's recommendation. In addition, specify that payments be funded from the appropriation in the following order: (a) tuition payments for pupils for which there is no parental property tax base support; (b) tuition payments for children with disabilities in taxable foster or group homes; and (c) full-time open enrollment payments.

3. Take no action. To maintain two-thirds funding, general school aids would increase by \$101,100 in 2002-03 compared to the bill.

Alternative B3	GPR
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>-\$202,300]</i>

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