

## ADMINISTRATIVE RULES FISCAL ESTIMATE AND ECONOMIC IMPACT ANALYSIS

Type of Estimate and Analysis

Original     Updated     Corrected

Administrative Rule Chapter, Title and Number

Chapters PI 2 (School District Boundary Appeals); PI 9 (Pupil Nondiscrimination); and PI 14 (School Finance)

Subject

Red Tape Review of rules governing school district boundary appeals, pupil nondiscrimination, and school finance

Fund Sources Affected

Chapter 20 , Stats. Appropriations Affected

GPR    FED    PRO    PRS    SEG SEG-S

Fiscal Effect of Implementing the Rule

No Fiscal Effect  
 Indeterminate

Increase Existing Revenues  
 Decrease Existing Revenues

Increase Costs  
 Could Absorb Within Agency's Budget  
 Decrease Costs

The Rule Will Impact the Following (Check All That Apply)

State's Economy  
 Local Government Units

Specific Businesses/Sectors  
 Public Utility Rate Payers

Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes     No

Policy Problem Addressed by the Rule

As a result of the Assembly Education Committee's Red Tape Review of administrative rules held on May 18, 2017, the Department proposes to address the requested rule changes:

**PI 02:** The requested changes is a technical change that removes past dates from rules governing school district boundary appeals under PI 2 of the Wisconsin Administrative Code.

**PI 09:** The requested change adds information related to school technology in the school board's evaluation of the status of nondiscrimination and equality of educational opportunity.

Additionally, the requested change makes technical changes to 1) update the references to federal law under s. PI 9.04 (2); and 2) add religion to the list of characteristics for which a person may not be denied admission or participation in a public school.

**PI 14:** The requested change revises the rule provisions governing minimum standards for audits and school district audit contracts to conform the rule with changes in federal guidance, generally accepted accounting principles, and current practice. The requested change will also update the sample contract for two or more school boards (contained in the PI 14 appendix), in accordance with these changes.

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)

Local: The Department's changes to rules governing school district boundary appeals have no fiscal impact. With respect to pupil nondiscrimination, school districts may be expected to adjust their practices in evaluating technology, which includes electronic communications by school district staff, in the school board's evaluation of the status of nondiscrimination and equality of educational opportunity. Finally, school district auditors may have to adjust their practices with respect to the scope of annual audits conducted on school district premises. However, because the proposed

rule aligns rule with current practice, it is assumed that there will be no fiscal impact to local entities or individuals as a result of this rule.

State: Changes to rules governing school district boundary appeals have no fiscal impact, since the changes are technical and intended to eliminate requirements related to past dates which are no longer relevant to implementation of the rule. However, in addition to reporting current policies, practices, and trends by school districts in evaluating the status of nondiscrimination and equality of educational opportunity, the Department may also be expected to review each school board report with respect to technology, including communications by school district staff, in determining compliance with rule and statute. It is expected that any additional staff time required to review such information is minimal and can be absorbed by the Department; other changes to rules governing pupil nondiscrimination are technical and have no fiscal impact to the state or Department. Finally, changes to school district auditing procedures will have no fiscal impact on the Department or state because the proposed rule conforms the rule with changes in statute and agency practice.

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

**PI 02:** Chapter PI 2 describes the procedures for those wishing to appeal a boundary change due to school district reorganization as a result of consolidation, creation, or dissolution of school districts or the transfer of large territory. The rule, which has not been amended since 1990, contains references to requests for reviews by a school district boundary appeal board (or “SDBAB”) under s. 121.78 (1) (c), Stats., which is now obsolete. Additionally, PI 2 provides that members of the SDBAB who were regular and alternate members on January 1, 1990 shall be appointed regular members to serve the remainder of their terms, and that by May 1, 1990, the State Superintendent shall appoint four new members, with two members appointed to terms which expire on May 1, 1990 and two members appointed to terms which expire on May 1, 1992. Finally, PI 2 provides that the chapter applies to all petitions or resolutions for reorganization filed on or after January 1, 1990, which is the effective date of 1989 Wisconsin Act 114. The proposed technical change will eliminate requirements related to past dates which are no longer relevant to the implementation of the rule. Without a rule change, the Department will continue to administer the rule as it exists in PI 2.

**PI 09:** 1985 Wisconsin Act 29 repealed and recreated s. 118.13, Stats., which prohibits discrimination in public schools on the basis of sex, race, religion, national origin, ancestry, creed, pregnancy, marital or parental status, sexual orientation or physical, mental, emotional or learning disability. Section 118.13 (2), Stats., requires school boards to develop policies and procedures to implement the statute including a complaint procedure. Section 118.13 (3), Stats., requires the state superintendent to decide appeals of local school board decisions, requires the state superintendent to promulgate rules, and authorizes the state superintendent to review school district compliance and to provide technical assistance to school districts. Chapter PI 9 specifies the 20 areas in which the school board must have policies and procedures to achieve nondiscrimination. Additionally, school boards must submit an annual report to the state superintendent and must evaluate the status of nondiscrimination and equality of educational opportunity at least once every 5 years. The Assembly Education Committee requested that information related to school technology, including electronic communications by school district staff, be added to the rule as a part of the school board’s evaluation of the status of nondiscrimination and equality of educational opportunity.

Federal code governing complaints and appeals to the state superintendent relating to pupil nondiscrimination has since been updated and the rule contains references to US code which no longer exist. Further, the statutes were updated with 1991 Wisconsin Act 131, which prohibited discrimination in public schools on the basis of religion. Because the rule had not been revised since these changes took place, the proposed changes will add religion to the list of pupil characteristics for which a person may not be denied admission or participation in a public school. This rule change would reflect how the Department is currently required to administer the rule due to the statutory language referenced above. Without a rule change, the rule will not be consistent with statutes.

**PI 14:** Chapter PI 14 discusses school financial matters including determining the official pupil enrollment of each school, specifying how school districts can contract with each other for services, and the standards for auditing school district accounts. Recent federal guidance, generally accepted accounting principles, and regulations regarding minimum audit standards and standard contracts have changed in 2014 and the rule must be updated to reflect those recent changes. This rule change would align Department work to current requirements. Without a rule change, the rule will not be consistent with agency practice.

#### Long Range Implications of Implementing the Rule

This rule change will align PI 2, PI 9, and PI 14 of the Wisconsin Administrative Code with the Wisconsin Statutes. The change also eliminates various past dates and redundancies from the rule and ensures that statutes, rule, and agency practice are consistent.

Compare With Approaches Being Used by Federal Government

N/A

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

**School District Boundary Appeals (PI 2):**

- Illinois: Illinois School Code 105 ILCS 5/Article 7 governs the types of appeals to regional boards of school trustees in determining school district boundary disputes.
- Iowa: Iowa Code 275.15 governs hearings by local education agency boards in determining school district boundary disputes.
- Michigan: Michigan Statutes Section 380.971 governs appeals by resident owners of land to the state board of education in determining school district boundary disputes.
- Minnesota: Minnesota Statutes Section 123A.49 governs the types of appeals by any aggrieved person or school district to the relevant district court in determining school district boundary disputes.

**Pupil Nondiscrimination (PI 9):**

- Illinois: Illinois School Code 105 ILCS 5/22-19 governs the procedures for filing complaints with the State Board of Education concerning exclusion or segregation from school activities on account of the pupil's color, race, nationality, sex, religion or religious affiliation, or that any employee of or applicant for employment with any school district has been questioning concerning the person's color, race, nationality, sex, religion or religious affiliation or subjected to discrimination by reason thereof.
- Iowa: Iowa Code 216.9 provides that it is a discriminatory practice for any educational institution to discriminate on the basis of race, creed, color, sex, sexual orientation, gender identity, national origin, religion, or disability in any program or activity. Iowa Code 216.15 further provides the complaint and hearing procedures for any person claiming to be aggrieved by a discriminatory practice.
- Michigan: Section 2 of Article VIII of the Michigan State Constitution provides that every school district shall provide for the education of its pupils without discrimination as to religion, creed, race, color or national origin.
- Minnesota: Minnesota Statutes Section 121A.03-121A.0695 govern pupil discrimination and harassment and require school boards to adopt a written sexual, religious, and racial harassment and violence policy that conforms to statute.

**School Finance (PI 14):**

- Illinois: 23 Illinois Administrative Code Section 100.110 requires that annual audits be conducted in accordance with generally accepted governmental auditing standards, and each audit report shall state that the audit was performed in accordance with those standards. The scope of the annual audit shall depend on the class of school district subject to the rule.
- Iowa: Iowa Administrative Code Section 11.6 requires that school districts are audited annually and are conducted in accordance with generally accepted accounting principles and the standards applicable to financial audits contained in Governmental Accounting Standards, as issued by the Comptroller General of the United States.
- Michigan: Michigan Statutes Section 141.427 provides that the state treasurer shall prescribe minimum auditing procedures for local units of government and standards that shall conform as nearly as practicable to generally accepted governmental auditing standards.
- Minnesota: Minnesota Statutes Section 123B.77 Subd. 3 requires that the annual school district audit and financial statements included in the audit must be based on generally accepted governmental auditing standards, the federal Single Audit Act, and the Minnesota Legal Compliance Guide issued by the Office of the State Auditor.

Name and Phone Number of Contact Person

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