

Department of Planning and Budget 2018 Fiscal Impact Statement

1. **Bill Number:** HB1078

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Head

3. **Committee:** Finance

4. **Title:** Education Improvement Scholarships tax credits; pre-kindergarten eligibility.

5. **Summary:** Provides that, on and after June 30, 2018, eligibility for Education Improvement Scholarships shall be limited to children in nonpublic pre-kindergarten programs and those students who received scholarships for the 2017 school year and each year thereafter. Under current law, tax credits are awarded for donations to foundations that use the funds to award scholarships to certain students in grades K-12 who attend nonpublic schools.

The bill defines an eligible pre-kindergarten child and a nonpublic pre-kindergarten program and sets out several other curriculum and administrative requirements that must be met by a nonpublic pre-kindergarten program in order for children attending the program to be eligible to receive scholarships under the tax credit program. Under the bill, the Virginia Council for Private Education or the Virginia Early Childhood Foundation will certify nonpublic pre-kindergarten programs meeting such curriculum and administrative requirements.

The bill provides that the maximum annual scholarship a child will receive is the lesser of his actual educational expenses or the state share of the grant per child under the Virginia Preschool Initiative for the locality in which the child resides.

6. **Budget Amendment Necessary:** No

7. **Fiscal Impact Estimates:** Indeterminate. See Item 8.

8. **Fiscal Implications:** This bill could negatively impact general fund revenues. Any actual impact is indeterminate. Such impact would only exist to the extent that scholarship foundations are able to solicit additional donations that would qualify for the Education Improvement Scholarships tax credit due to their ability to offer scholarships to eligible pre-kindergarten children.

The value of a pre-kindergarten scholarship would be the lesser of the actual qualified educational expenses of the child or the state share of the grant per child under the Virginia Preschool Initiative (VPI) for the locality in which the eligible pre-kindergarten child resides. If funded as the state share per child under VPI, the maximum aggregate amount of

scholarships that a child enrolled in or attending a nonpublic pre-kindergarten program could receive in FY 2019 and FY 2020 is \$5,051 based on Lee County's local composite index of 0.1754 for the 2018-2020 biennium.

As stand-alone legislation, the Department of Taxation and the Department of Education consider implementation of this bill as routine and can absorb any resulting costs. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that these agencies will require additional resources.

9. Specific Agency or Political Subdivisions Affected: Department of Taxation, Department of Education, Department of Social Services

10. Technical Amendment Necessary: This bill changes the definition of "student," on and after June 30, 2018, to mean "a child who (a) received a scholarship foundation scholarship for the scholarship year beginning on June 30, 2017, and each year thereafter, and (b) otherwise meets the requirements of this definition." This provision appears to phase out "students" from scholarship eligibility and eventually limit scholarships to eligible pre-kindergarten children; however, it is not clear if this is the patron's intent. The patron may consider amending this provision to clarify which children are eligible for scholarships under the definition of "student".

11. Other Comments: The total amount of Education Improvement Scholarships tax credits available in any given fiscal year is capped at \$25 million. The Department of Education issued \$9.7 million in tax credits for FY 2017, \$6.8 million in tax credits for FY 2016, \$3.7 million in tax credits for FY 2015, and \$1.5 million in tax credits for FY 2014.

Similar Bills

Senate Bill 172 is substantially similar to this bill, except that it would allow disbursements to eligible pre-kindergarten children prior to June 30, 2018, would not limit the definition of student and would have other technical differences.

House Bill 1165 is substantially similar to this bill, except that it would set forth a separate definition for eligible pre-kindergarten child, would not limit the definition of student and would have other technical differences.

House Bill 221 and **Senate Bill 869** would broaden the eligibility criteria for students with a disability increase the aggregate amount of scholarships that may be provided to a student with a disability.

House Bill 395 would expand the credit by amending the definition of student and increasing the aggregate scholarship amounts for eligible students with a disability or an autism spectrum disorder.

Senate Bill 579 would allocate 20 percent of any unissued credits in a fiscal year to increase the cap on the Neighborhood Assistance Act Tax Credit program during the next fiscal year.