

Department of Planning and Budget 2023 Fiscal Impact Statement

1. Bill Number: SB1290

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: DeSteph

3. Committee: Education and Health

4. Title: School Choice Educational Savings Accounts.

5. Summary: Permits the parents of qualified students to apply to the local school division in which the qualified student resides for a one-year, renewable School Choice Educational Savings Account that consists of a monetary amount that is equivalent to a certain percentage of all applicable annual Standards of Quality per pupil state funds appropriated for public school purposes and apportioned to the resident school division in which the qualified student resides. The bill sets out the education-related qualifying expenditures for which the parent of a qualified student may use the funds in the savings account, including tuition, deposits, fees, and required textbooks and instructional materials at (i) a private elementary or secondary school located in the Commonwealth, (ii) certain nonpublic online learning programs, and (iii) institutions of higher education and requires the Department of Education to establish certain policies, procedures, and processes relating to the savings accounts.

6. Budget Amendment Necessary: Yes, Item 135.

7. Fiscal Impact Estimates: Preliminary, see item 8.

8. Fiscal Implications: This bill imparts several new responsibilities on the Department of Education (DOE) for the development, administration, review, and reporting of the School Choice Savings Accounts Programs. DOE does not have existing staff available to administer this program. Based on the estimated population of students eligible for these accounts, DOE would require funding for one to three additional positions to support administration of this program, depending on program demand, which may be covered by the retained savings transferred to DOE depending on actual program participation. The bill does not indicate when the savings accounts will become effective; however, DOE likely will require state funding for this position in advance of the first school year of implementation.

This bill does not speak to if students who participate in the savings account program should be counted in their local school division's March 31 Average Daily Membership (ADM) or fall membership for the purpose of calculation of the state share of funding. If students are not included in ADM, then they will not generate state funding and localities would be

responsible for all required transfers. The bill also does not speak to if qualified students should be excluded from a locality's required local effort calculation. Required local effort is the amount that a locality must spend to provide an educational program meeting the prescribed SOQs, as required by state statute.

Based on interpretation of the bill and the definition of a "qualified student," if students are counted in ADM, the state per pupil funding provided to participating students would be generated from the existing ADM enrollment base, with the exception of incoming kindergarten students who otherwise may have been home-schooled or private-schooled. DOE currently accounts for incoming public kindergarten students in its ADM projections. The additional state cost resulting from incoming kindergarten students who otherwise may have been home-schooled or private-schooled is indeterminate. Also, under current regulations, students who transfer out of the public school system to be private-schooled are removed from ADM; however, as a result of this bill, such students would likely remain in ADM. Additionally, students currently enrolled in private schools may temporarily transfer to the public school system to satisfy the eligibility requirements for a savings account, which could increase ADM and, consequently, state costs. Any actual fiscal impact is indeterminate at this time.

This bill also imparts a number of new responsibilities on local school divisions, which likely would increase administrative costs at the local level and is not covered by retained savings. Any actual fiscal impact to local school divisions is indeterminate.

There will be large variances in the state share amounts transferred into savings accounts across school divisions based on each locality's local composite index of ability to pay. Based on HB1400/SB800, DOE indicates that these amounts could range from approximately \$3,251 to \$9,078.

9. Specific Agency or Political Subdivisions Affected: Local school divisions, Department of Education

10. Technical Amendment Necessary: No

11. Other Comments: This bill is similar to SB823.