

## Department of Planning and Budget 2009 Fiscal Impact Statement

**1. Bill Number:** SB 1325

|                 |              |              |             |            |             |           |
|-----------------|--------------|--------------|-------------|------------|-------------|-----------|
| House of Origin | <u>  X  </u> | Introduced   | <u>    </u> | Substitute | <u>    </u> | Engrossed |
| Second House    | <u>    </u>  | In Committee | <u>    </u> | Substitute | <u>    </u> | Enrolled  |

**2. Patron:** Stosch, Walter A.

**3. Committee:** Finance

**4. Title:** Neighborhood Assistance Act Tax Credit; changes administration of and eligibility for an allocation

**5. Summary:** Changes the administration of the Neighborhood Assistance Act Tax Credit and the eligibility for an allocation of tax credits. The bill would provide that nonprofit organizations that serve individuals with family annual income not in excess of 180 percent of the federal poverty guidelines would be eligible for an allocation of neighborhood assistance tax credits. Current Department of Social Services regulations (22 VAC 40-41-10) sets eligibility for tax credits for programs that serve individuals with family annual income not in excess of 150 percent of the federal poverty guidelines. The bill would provide that programs that offer counseling or supportive services to students or their parents in developing a postsecondary academic or vocational education plan would be eligible for tax credits. The bill would establish a \$0.5 million annual limit in tax credits for each neighborhood organization or a grouping of neighborhood organization affiliates.

The bill would require the Department of Education to allocate up to \$6.75 million in tax credits each year for education programs and for the State Department of Social Services to allocate up to \$5.25 million in tax credits each year for all other programs. The general appropriation act currently in effect provides for the Department of Education to award up to \$3.0 million in grants to schools for students with disabilities pursuant to the Neighborhood Assistance Act and for the Department of Social Services to allocate up to \$9.0 million in tax credits pursuant to the Act.

The bill extends the sunset date of the Neighborhood Assistance Act program from July 1, 2009, to July 1, 2011.

**6. Fiscal Impact is Preliminary (see item 8)**

**7. Budget Amendment Necessary:** Yes. The current 2008-2010 biennium budget increased the annual cap for Neighborhood Assistance Act credits from \$8.0 million to \$12.0 million. The budget allocates \$1.0 million of the increase to education programs, and the remaining \$3.0 million to providing grants to private schools for students with disabilities.

This bill, however, would reallocate this money. According to this bill, \$5.25 million would be used for other qualified Neighborhood Assistance Act programs and \$6.75 million would be allocated to tax credits for approved education programs.

Existing budget language regarding the allocation of Neighborhood Assistance Act credits would conflict with language in this legislation. Therefore, in addition to the appropriation needed by the Department of Education for administration, a budget language amendment is required to reconcile these differences.

## **8. Fiscal Implications:**

### Revenue Impact

Under the provisions of the budget for the 2008-2010 biennium, the Neighborhood Assistance Act Tax Credit is capped at \$12.0 million. According to the Department of Social Services, this amount has consistently been allocated in its entirety. As this bill would not affect the current cap, this bill would have no revenue impact.

### Department of Education

This legislation would require the Department of Education to administer tax credit for education programs (\$6.75 million). The department maintains that this legislation would add a significant number of administrative tasks to ensure that the credits are properly allocated to eligible recipients. The department estimates that, given the parameters of the new activities, the implementation of this bill would require an additional position at a cost of \$109,595 (salary, benefits and support costs) per year and an additional position.

### Department of Taxation

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as “routine,” and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not “routine.” Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

### Department of Social Services

Under this legislation, the amount of available tax credits administered by the Department of Social Services would be reduced to \$5.25 million, but not eliminated. The department has an annual appropriation of \$37,462 for the administration of this program, which would be continued through 2011 if this bill is enacted.

## **9. Specific Agency or Political Subdivisions Affected:**

Department of Education

Department of Taxation

Department of Social Services

**10. Technical Amendment Necessary:** Yes.

In order to avoid any retroactive impact of this bill, and to allow credits that have been approved since the beginning of FY 2009 to remain valid, the following technical amendment is suggested: Page 4, Line 229, after January 1, Strike: 2009 Insert: 2010

**11. Other Comments:** None

**Date:** 1/23/2009

**Document:** G:\2009 Fiscal Year\EFIS\SB1325.Doc

cc: Secretary of Health and Human Resources