

## Department of Planning and Budget 2017 Fiscal Impact Statement

**1. Bill Number:** HB1963

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

**2. Patron:** Massie

**3. Committee:** Finance

**4. Title:** Educational Improvement Scholarships tax credit; pre-kindergarten eligibility.

**5. Summary:** Expands the educational improvement scholarships tax credit program by including as eligible scholarship recipients children enrolled in or attending nonpublic pre-kindergarten programs. The maximum annual scholarship that a child enrolled in or attending a nonpublic pre-kindergarten program will receive is the lesser of the child's 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:** Under this proposal, scholarship foundations may be able to solicit additional donations that would qualify for the tax credit due to their ability to offer scholarships to eligible pre-kindergarten children. Given the history to-date of this program, it is likely that enough additional tax credits will be generated to negatively impact the estimated general fund revenues for FY 2018. Such amount is indeterminate.

This bill expands the pool of eligible children to include pre-kindergarten students who are not currently included in Average Daily Membership (ADM). Adding pre-kindergarten students to the list of eligible scholarship recipients does not create any reduction in the general fund state cost to support students in ADM under Direct Aid to Public Education. Furthermore, this bill modifies the existing definition of student. Under current provisions, a student includes a child who is eligible to enter kindergarten or first grade. This bill changes that definition to include a child who is enrolled in or attending kindergarten but exclude a child eligible to attend kindergarten. The intent of this change is unclear; however, with the modified definition, it is anticipated that home school or private school kindergarten students could meet the definition of student. Because such children currently are not included in ADM, additional scholarships for these students would not create any reduction in the general fund state cost to support students in ADM under Direct Aid to Public Education.

The Department of Taxation and the Department of Education consider implementation of this bill as routine and can absorb any resulting costs.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Education, Department of Taxation

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** The Department of Education issued \$5.5 million in tax credits for FY 2017 (as of January 12, 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. The total amount of tax credits available in any given fiscal year is capped at \$25 million.

This bill is identical to SB 1427.