

## Department of Planning and Budget 2018 Fiscal Impact Statement

1. **Bill Number:** HB395

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

2. **Patron:** Davis

3. **Committee:** Finance

4. **Title:** Education Improvement Scholarships tax credits; eligibility requirements and scholarship amounts.

5. **Summary:** Eliminates the requirement that a student must currently attend or have recently attended a public school in order to qualify for a scholarship from a scholarship foundation that provides tax-credit-derived scholarships. The bill increases the maximum annual scholarship amount from 100 percent of the per pupil amount distributed to the local school division as its share of standards of quality costs (i) for a student with a disability, to 400 percent of such amount, and (ii) for a student who has an autism spectrum disorder, to \$26,000. The bill adds to the definition of "qualified educational expenses" expenditures made in connection to summer education.

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 but likely minimal. 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 more students and in larger amounts.

Any additional students funded through this program who currently are included in Average Daily Membership (ADM) could reduce the general fund state cost to support students in ADM under Direct Aid to Public Education. Any dollar implications cannot be determined. However, this bill eliminates the existing definition of a student, which would expand scholarship eligibility to children not currently included in ADM. By altering the definition of student to remove existing eligibility requirements, current private school or home school students who currently are not included in ADM could qualify as scholarship recipients. For such students, there would not be any reduction in the general fund state cost to support students in ADM under Direct Aid to Public Education.

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

**10. Technical Amendment Necessary:** No

**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

**House Bill 221** would broaden the criteria for eligible students with a disability to include students with an Individualized Instructional Plan (IIP) attending a school for students with a disability licensed by the Department of Education and accredited by an agency approved by Virginia Council of Private Education. The bill would also increase the scholarship amount available for an eligible student with a disability from 100 percent to 300 percent of the per-pupil amount distributed to the local school division as the state's share of the standards of quality costs.

**Senate Bill 172 and House Bill 1078** would expand the Education Improvement Scholarships Tax Credit so that scholarship foundations would be permitted to award scholarships to eligible pre-kindergarten children for their qualified educational expenses. These bills are very similar to HB 1165, but have a higher poverty guideline than HB 1165.

**Senate Bill 553** would decrease the penalty on Scholarship Foundations for failing to disburse at least 90 percent of the value of the donations it receives for qualified educational expense through scholarships to eligible students to the difference between 90 percent of the value of the tax-credit-derived donation it received and the actual amount disbursed (decreased from 200 percent of this amount).

**House Bill 1165** would expand the Education Improvement Scholarships Tax Credit so that scholarship foundations would be permitted to award scholarships to eligible pre-kindergarten children for their qualified educational expenses. This bill is very similar to SB 172 and HB 1078, but has a lower poverty guideline than SB 172 and HB 1078.

**Senate Bill 579** would allocate 20 percent of any unissued credits in a fiscal year under the Education Improvement Scholarships Tax Credit program to the Neighborhood Assistance Act Tax Credit program during the next fiscal year to be allocated to education proposals.