

## Department of Planning and Budget 2019 Fiscal Impact Statement

**1. Bill Number:** HB2459

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

**2. Patron:** Landes

**3. Committee:** Finance

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

**5. Summary:** Expands the Education Improvement Scholarships tax credits program by including, as eligible scholarship recipients, children enrolled in, eligible to attend, or attending nonpublic pre-kindergarten programs. The maximum annual scholarship that a child 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.

Under current law, tax credits are awarded to individuals and businesses making donations to nonprofit scholarship foundations that use the donated funds to award scholarships to certain students in grades K-12 attending nonpublic schools. Eligible scholarship recipients are students in grades K-12 with a finalized individualized education program (IEP) in place or whose annual household income is not in excess of 300 percent of the federal poverty guidelines.

The bill defines an eligible pre-kindergarten child and a nonpublic pre-kindergarten program and includes 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, the Virginia Early Childhood Foundation, or the Virginia Department of Social Services will certify nonpublic pre-kindergarten programs meeting such curriculum and administrative requirements.

**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 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. Additionally, such impact would reflect the reduction to any penalty amounts paid by scholarship foundations; however, actual penalties paid to-date by scholarship foundations are minimal.

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 2020 is \$5,216 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:** 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 (DOE) issued \$11.5 million in tax credits for FY 2018, \$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, \$1.5 million in tax credits for FY 2014, and \$102,325 in tax credits in FY 2013.

Senate Bill 1015 is substantially similar to this bill, except that it would set forth a separate definition for eligible pre-kindergarten child and would have other technical differences.

House Bill 2351 and Senate Bill 1365 would broaden the eligibility criteria for students with a disability and would increase the aggregate amount of scholarships that may be provided to a student with a disability.

Senate Bill 1160 would make changes to what the Superintendent of Public Instruction is required to consider when making an allocation of Neighborhood Assistance Act Tax Credits to a neighborhood organization, and permit certain scholastic assistance organizations to be eligible to receive an allocation of Education Improvement Scholarships Tax Credits.