

## Department of Planning and Budget

### 2023 Fiscal Impact Statement

**1. Bill Number:** SB823

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Chase

**3. Committee:** Education and Health

**4. Title:** Parental Choice Education Savings Accounts.

**5. Summary:** Permits the parent of a public preschool, elementary, or secondary school student who meets certain criteria to apply to the school division in which the student resides for a one-year, renewable Parental Choice Education Savings Account that consists of an 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 student resides, including the per pupil share of state sales tax funding in basic aid and any state per pupil share of special education funding to which the student is eligible. The bill permits the parent to use the moneys in such account for certain education-related expenses of the student, including tuition, deposits, fees, and required textbook sat a private, sectarian or nonsectarian elementary or secondary school or preschool that is located in the Commonwealth and does not discriminate on the basis of race, color, or national origin. The bill also contains provisions relating to auditing, rescinding, and reviewing expenses made from such 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 Parental 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 a program administrator to implement this bill 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 requires DOE to collect and store additional data on the program in quarterly reports from school divisions. The additional data storage may lead to increased costs. If the retained

savings are not sufficient to cover these additional costs, then additional state funding would be required.

Based on interpretation of the bill and the definition of a “qualified student,” the state per pupil funding provided to participating students would be generated from the existing average daily membership (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 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. The bill excludes all qualified students from a locality’s required local effort calculation and does not require localities to transfer any local funding to education savings accounts to support qualified students. 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. Local school divisions with qualified students should experience a decrease in required local effort for any such students currently included in the division’s ADM, which should result in local savings. However, the bill does not exclude specifically qualified students in a local school division’s student count to meet actual need for any other initiative supported by the Commonwealth that requires local matching funds. Required local match is any additional funding that a locality must provide to support optional Incentive and Lottery-funded programs in which it elects to participate. Based on bill language, it is possible that qualified students could be included in required local match calculations for the school division, though the bill does not require such students to be counted in the state share of any optional Incentive and Lottery-funded program payments to local school divisions that would be included in the savings accounts. 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:** Department of Education, local school divisions

**10. Technical Amendment Necessary:** No

**11. Other Comments:** This bill is similar to SB1290.