

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 1

**PRINTER'S NO.** 1031

**AMOUNT**

FY 2011-12 -- \$41,407,062  
FY 2012-13 -- \$89,123,632  
FY 2013-14 -- \$328,121,037  
FY 2014-15 -- \$276,296,041

**FUND**

General

**DATE INTRODUCED**

January 26, 2011

**PRIME SPONSOR**

Senator Piccola

**HISTORY OF BILL**

Referred to EDUCATION, Jan. 26, 2011

Reported as amended, March 1, 2011

First consideration, March 1, 2011

Second consideration, March 7, 2011

Re-referred to APPROPRIATIONS, March 7, 2011

Re-reported as amended, April 11, 2011

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 1 establishes a new Article XXV-B (Opportunity Scholarships and Educational Improvement Tax Credit) to provide for public to public and nonpublic school choice programs and reestablishes the Educational Improvement Tax Credit Program with amendments in the Public School Code of 1949.

**OPPORTUNITY SCHOLARSHIPS**

Establishes the Opportunity Scholarship Program for low-income students to attend nonresident public schools and nonpublic schools. A low-income student is defined as a student with household income not greater than 130% of the Federal poverty level, the same amount as eligibility for the Federal Free Lunch Program.

Provides for the opportunity scholarship amount to be equivalent to the lesser of a student's resident school district's per pupil share of state revenue, minus transportation reimbursements, for the prior year or the actual tuition at the nonresident public school or nonpublic school the student attends.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

Provides for the Commonwealth to make payment for opportunity scholarships for all eligible students who in the previous year were enrolled in their resident school district, a charter school or a cyber charter school. In the second consecutive year the student is enrolled in a nonresident public school or nonpublic school, the Commonwealth deducts the funds from the student's resident school district. For the purpose of receiving future state subsidies, the bill allows these students to continue to be counted in their resident school district's average daily membership.

Allows school districts the option to provide for local scholarships for low-income students to attend a nonresident public school in addition to the opportunity scholarship amount. The local scholarship is to be an amount equivalent to at least 35% of the school district's share of per pupil revenue.

For students who already attend a nonpublic school and are eligible for a scholarship, the Commonwealth is responsible to provide funding for the opportunity scholarships.

Students apply directly to the Education Opportunity Board for opportunity scholarships. Payments for scholarships for students enrolling in a nonresident public school are made directly by the Commonwealth. Payments for scholarships for students enrolling in or already enrolled in a nonpublic school are made through the Education Opportunity Board to parents by check endorsable only to the nonpublic school.

Any opportunity scholarship funds remaining in excess of the of a student's actual tuition charge are placed in the Excess Scholarship Fund to be used in subsequent years.

Tuition charged by nonresident public schools for scholarship recipients is limited to the sum of the opportunity scholarship amount and the local scholarship amount, if provided. Nonresident public schools and nonpublic schools are prohibited from charging opportunity scholarship recipients higher tuition rates than other students.

For students with disabilities attending a nonresident public school, costs in excess of the opportunity scholarship and local scholarship amounts are to be deducted from the resident school district's special education subsidy, provided that the amount does not exceed the current year costs of the services if they were to be provided in the resident school district.

Funding available for opportunity scholarships is limited to the amount of monies appropriated by the General Assembly and monies in the Excess Scholarship Fund. In the event insufficient monies are available for opportunity scholarships, the Education Opportunity Board shall make pro rata reductions in the amount received by each scholarship recipient.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### **Opportunity Scholarship Program Implementation**

Beginning in FY 2011-12, low-income students currently attending one of the Commonwealth's 144 persistently lowest achieving schools will be eligible to receive an opportunity scholarship.

A persistently low achieving school is defined as a public school that has scored in the lowest 5% of schools on the most recent state assessment, which has not made adequate yearly progress or made progress in one of the last two years or has not been measured for adequate yearly progress in one of the last two years.

Beginning in FY 2012-13, all low-income students residing within the attendance boundaries of one of the persistently lowest achieving schools, including students attending nonpublic schools, will be eligible to receive an opportunity scholarship.

Beginning in FY 2013-14, all low-income students statewide, regardless of the school they attend, will be eligible for an opportunity scholarship. The aggregated total of scholarships available to students who do not reside within the attendance boundaries of one of the persistently lowest achieving schools is capped at \$250 million annually.

### **Optional Local Tuition Grant Program**

Provides that a school district may use state funds it receives to establish its own tuition grant program to allow resident students attend a nonresident public school or nonpublic school.

### **Public School Choice Demonstration Grants**

Establishes the Public School Choice Demonstration Grant Program beginning in FY 2014-15. Grants of up to \$500,000 would be awarded to school districts to provide tuition for students to attend a nonresident public school regardless of income. The school district would be required to provide a \$3-\$1 match. Twenty-five percent (25%) of the money in the Excess Scholarship Fund would be utilized to fund the grants.

### **Middle Income Scholarship Program**

Establishes the Middle Income Scholarship Program beginning in FY 2014-15 to provide scholarships to students with household income not greater than 300% of the Federal poverty level. Twenty-five percent (25%) of the money in the Excess Scholarship Fund would be utilized to fund the scholarships and any funding not spent through the Public School Choice Demonstration Grant Program.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### **Education Opportunity Board**

Establishes the Education Opportunity Board to administer the opportunity scholarship, middle income scholarship and public schools choice demonstration grant programs. The board is to be comprised of three members appointed by the Governor with consent from the Senate. Members are prohibited from receiving compensation but may be reimbursed for expenses. The bill requires the board to hire an executive director to serve as the secretary and chief operating officer. The board may hire additional staff as necessary and the Department of Education is required to provide adequate funding and space to facilitate the activities of the board.

### **Educational Improvement Tax Credit (EITC)**

Increases tax credits available under the EITC program from \$75 million to \$100 million beginning in FY 2011-12. As drafted, \$92 million in credits would be made available to scholarship organizations (SOs) and educational improvement organizations (EIOs) and \$8 million would be made available to prekindergarten scholarship organizations. Of the \$92 million available to the SOs and EIOs, 75% will be reserved for the SOs and 25% for the EIOs. Beginning in FY 2014-15, in any year when the amount of credits for the prior year exceeds 90% of the amount available, the amount of credits available will increase by 5%.

Provides for applications for tax credits to be filed beginning on May 15 for tax credits available for the fiscal year beginning July 1 and provides for the applications to be approved in the following priority: 1) Any business firm entering the second year of a two-year commitment; 2) any business firm renewing a two-year commitment; and, 3) any other firm making a new application. If applications for credits exceed the amount of credits available, the credits are to be prorated. It also sets aside 20% of the tax credits available for EIOs, for the EIOs specifically related to school foundations. Nonschool foundation EIOs may access the remaining credits and the set-aside amount if it is not fully utilized.

### **FISCAL IMPACT:**

#### **Fiscal Year 2011-12 -- \$41,470,062**

Using information obtained by the Department of Education related to the Free Lunch Program enrollment, there are approximately 72,798 eligible low-income students attending the 144 persistently lowest achieving schools in the Commonwealth. Assuming that 3% (2,184) of the eligible students apply for and receive opportunity scholarships, the cost to the Commonwealth is estimated to be \$15,379,245.

The Commonwealth will incur \$840,817 in additional costs to reimburse school districts for transportation of nonpublic school pupils.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

Administrative costs related to the Education Opportunity Scholarship Board for staff and operating costs is estimated to be \$250,000.

The increase to the EITC will reduce state revenue by \$25 million.

### **Fiscal Year 2012-13 -- \$89,123,632**

Assuming that 5% (3,640) of the population of eligible students attending the 144 persistently lowest achieving schools and all low-income students (7,488) residing within the attendance boundaries of the persistently lowest achieving schools that already attend nonpublic schools apply for and receive opportunity scholarships, the cost to the Commonwealth is estimated to be \$80,715,215.

The Commonwealth will incur \$1,401,362 in additional costs to reimburse school districts for transportation of nonpublic school pupils.

Administrative costs related to the Education Opportunity Scholarship Board for staff, operating and the implementation of a computer system with specialized software to process applications beginning in FY 2013-14 is estimated to cost \$1,750,000.

The increase to the EITC will reduce state revenue by \$25 million.

The deduction of school district subsidies for costs of opportunity scholarship recipients enrolled for the second consecutive year (\$15,379,245) and funds accumulated in the Excess Scholarship Fund (\$4,363,700) will offset costs by \$19,742,944.

### **Fiscal Year 2013-14 -- \$328,121,037**

Assuming that 7% (5,096) of the population of eligible students attending the 144 persistently lowest achieving schools and all low-income students (7,488) residing within the attendance boundaries of the persistently lowest achieving schools that already attend nonpublic schools apply for and receive opportunity scholarships, the cost to the Commonwealth is estimated to be \$94,013,899.

There are approximately 471,720 eligible low-income students currently enrolled in public schools and 48,523 eligible low-income students already attending nonpublic schools who do not reside within the attendance boundaries of one of the 144 lowest achieving schools and become eligible for an opportunity scholarship in FY 2013-14. Assuming that 3% (14,152) of the eligible students currently attending one of these public schools and all eligible students that already attend nonpublic schools will apply and receive opportunity scholarships, the cost to the Commonwealth is estimated to be \$250,000,000, because actual scholarship costs will exceed the limit.

The Commonwealth would incur \$7,410,272 in additional costs to reimburse school districts for transportation of nonpublic school pupils.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

Administrative costs related to the Education Opportunity Scholarship Board for staff and operating costs is estimated to be \$1,000,000.

The increase to the EITC will reduce state revenue by \$25 million.

The deduction of school district subsidies for costs of opportunity scholarship recipients (\$26,401,037) and funds accumulated in the Excess Scholarship Fund (\$22,902,097) will offset costs by \$49,303,134.

### **Fiscal Year 2014-15 -- \$276,296,041**

Assuming that 9% (6,552) of the population of eligible students attending the 144 persistently lowest achieving schools and all low-income students (7,488) residing within the attendance boundaries of the persistently lowest achieving schools that already attend nonpublic schools apply for and receive opportunity scholarships, the cost to the Commonwealth is estimated to be \$108,037,806.

Assuming that 5% (23,586) of the original population of eligible students currently attending a public school and all eligible students that already attend a nonpublic school that do not reside in one of the 144 persistently lowest achieving schools will apply and receive opportunity scholarships, the cost to the Commonwealth is estimated to be \$250,000,000, because actual scholarship costs will exceed the limit.

The Commonwealth would incur \$11,603,061 in additional costs to reimburse school districts for transportation of nonpublic school pupils.

Funding amounting to \$5,725,524 will be made available from the Excess Scholarship Fund for Public School Choice Demonstration Grants and \$5,725,524 will be made available for the Middle Income Scholarship Program.

Administrative costs related to the Education Opportunity Scholarship Board for staff and operating costs is estimated to be \$1,000,000.

The increase to the EITC will reduce state revenue by \$30 million.

The deduction of school district subsidies for costs of opportunity scholarship recipients enrolled (\$122,458,199) and remaining funds accumulated in the Excess Scholarship Fund (\$13,337,730) will offset costs by \$135,795,928.

Senate Bill 1 -- Cost Summary

|   | Year 1 (FY 2011-12) | Year 2 (FY 2012-13) | Year 3 (FY 2013-14) | Year 4 (FY 2014-15) |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Persistently Lowest Achieving Schools</b>                                    |                     |                     |                     |                     |
| Scholarships Former Public School Students (est. 3% of eligible students)       | \$ 15,379,245       | \$ 26,401,037       | \$ 38,070,295       | \$ 50,413,948       |
| Scholarships - Existing Nonpublic Students                                      | \$ 840,817          | \$ 54,314,178       | \$ 55,943,604       | \$ 57,621,912       |
| Nonpublic Transportation  | \$ 16,220,062       | \$ 1,401,362        | \$ 1,961,906        | \$ 2,522,451        |
| <b>Subtotal</b>   | \$ 16,220,062       | \$ 82,116,577       | \$ 95,975,805       | \$ 110,560,311      |
| <b>Statewide</b>  |                     |                     |                     |                     |
| Scholarships - Former Public School Students (5%) and Nonpublic School Students | \$ 250,000,000      | \$ 250,000,000      | \$ 250,000,000      | \$ 250,000,000      |
| Nonpublic Transportation  | \$ 250,000,000      | \$ 5,448,366        | \$ 5,448,366        | \$ 9,080,610        |
| <b>Subtotal</b>   | \$ 250,000,000      | \$ 255,448,366      | \$ 255,448,366      | \$ 259,080,610      |
| <b>Education Improvement Tax Credit (ETC)</b>                                   | \$ 25,000,000       | \$ 25,000,000       | \$ 25,000,000       | \$ 30,000,000       |
| <b>Administration</b>   | \$ 250,000          | \$ 1,750,000        | \$ 1,000,000        | \$ 1,000,000        |
| <b>Public School Choice Demo Grants</b>   |                     |                     |                     | \$ 5,725,524        |
| <b>Middle Income Scholarships</b>   |                     |                     |                     | \$ 5,725,524        |
| School District Deductions  | \$ (15,379,245)     | \$ (15,379,245)     | \$ (26,401,037)     | \$ (122,458,199)    |
| Excess Tuition Fund   | \$ (4,363,700)      | \$ (4,363,700)      | \$ (22,902,097)     | \$ (13,337,730)     |
| <b>Subtotal Deductions</b>  | \$ (19,742,944)     | \$ (19,742,944)     | \$ (49,303,134)     | \$ (135,795,928)    |
| <b>Total State Costs (Program Costs minus Deductions)</b>                       | \$ 41,470,062       | \$ 89,123,632       | \$ 328,121,037      | \$ 276,296,041      |
| <b>Estimated Tuition Cost Excess Fund (Est. Tuition Less Scholarships)</b>      | \$ 11,015,545       | \$ 57,813,118       | \$ 317,338,439      | \$ 329,649,914      |
| \$ 4,363,700  | \$ 22,902,097       | \$ 26,675,460       | \$ 28,387,946       |                     |
| <b>Student Participation</b>  |                     |                     |                     |                     |
| # Public Eligible Students  | 72,798              | 72,798              | 72,798              | 72,798              |
| Est. Public Participation (3%)  | 2,184               | 3,640               | 5,096               | 6,552               |
| <b>Est. Total Participation</b>   | 2,184               | 7,488               | 7,488               | 7,488               |
| Est. Nonpublic Participation  | 7,488               | 7,488               | 7,488               | 7,488               |
| <b>Est. Total Participation</b>   | 11,128              | 14,152              | 471,720             | 471,720             |
| # Public Participation (5%)   | 3,640               | 14,152              | 14,152              | 23,586              |
| # Nonpublic Eligible Students - Low Performing                                  | 7,488               | 48,523              | 48,523              | 48,523              |
| Est. Nonpublic Participation - Statewide  | 7,488               | 48,523              | 48,523              | 48,523              |
| <b>Est. Total Participation Public &amp; Nonpublic</b>                          | 86,149              | 75,259              | 75,259              | 86,149              |