

# **SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE**

**BILL NO.** House Bill 1642

**PRINTER NO.** 2372

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

September 10, 2021

**PRIME SPONSOR**

Representative White

**DESCRIPTION**

House Bill 1642 amends Article XX-B (Educational Tax Credits) of the Public School Code to make the following changes:

The legislation moves the \$5 million supplemental scholarship program for students attending economically disadvantaged schools from the Opportunity Scholarship Tax Credit (OSTC) to the Education Improvement Tax Credit (EITC).

The legislation amends the definition of "economically disadvantaged school" to provide that an economically disadvantaged school is a school in which at least 51% of the students attending in the immediately preceding school year received an EITC scholarship of at least \$1,000. Presently, the definition provides that an economically disadvantaged school is a school in which at least 75% of the students attending received an EITC scholarship in the immediately preceding school year.

The legislation provides for the supplemental scholarship amount for a student attending an economically disadvantaged school to increase from up to \$1,000 to up to \$2,000 for a prekindergarten student or elementary student and up to \$4,000 for a secondary student.

The legislation limits the total combined amount of educational tax credit scholarship funds (EITC, OSTC and Prekindergarten) a student attending an economically disadvantaged school may receive to the lesser of \$8,500 or the school's tuition.

The legislation removes the annual limit for contributions by a business firm if all educational tax credits have not been awarded as of November 30 and provides for applications for remaining educational tax credits made from December 1 through the remainder of the fiscal year to be awarded on a first-come first-served basis. Presently, a temporary increase in contributions is allowed from October 1 through November 30.

The legislation amends the definition of "household income" to exclude payments received from a governmental agency to relieve the economic effects of the COVID 19 pandemic. It also adds definitions for "fiscal year" and "tax year."

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The legislation is scheduled to take effect July 1, 2022, or immediately, whichever occurs later.

**FISCAL IMPACT:**

The enactment of House Bill 1642 maintains the amount of educational tax credits available under current law at \$280 million and will have no fiscal impact on Commonwealth funds.

By moving the \$5 million set-aside for economically disadvantaged schools from the OSTC to the EITC, the amount of tax credits available from the EITC will increase from \$225 million to \$230 million and the amount available under the OSTC will decrease from \$55 million to \$50 million. A chart comparing the distribution of education tax credits under current law and under House Bill 1642 is included below.

| Educational Tax Credits                                      | Current               | HB 1642               |
|--|-----------------------|-----------------------|
| <b>EITC - Scholarship Organizations</b>                      | \$ 175,000,000        | \$ 180,000,000        |
| <b>EITC - Educational Improvement Organizations</b>          | \$ 37,500,000         | \$ 37,500,000         |
| <b>EITC - Prekindergarten Scholarship Organizations</b>      | \$ 12,500,000         | \$ 12,500,000         |
| <b>EITC - Subtotal (a)</b>                                   | \$ 225,000,000        | \$ 230,000,000        |
| <b>OSTC</b>  | \$ 50,000,000         | \$ 50,000,000         |
| <b>OSTC- Set-aside for Economically Disadvantage Schools</b> | \$ 5,000,000          | \$ -                  |
| <b>OSTC - Subtotal (b)</b>                                   | \$ 55,000,000         | \$ 50,000,000         |
| <b>Total (a+b)</b>   | <b>\$ 280,000,000</b> | <b>\$ 280,000,000</b> |

Additionally, the provisions that remove the annual limit on contributions by business firms when all tax credits have not been awarded as of November 30 will have no practical effect as the EITC and OSTC are oversubscribed, and all educational tax credits are awarded prior to the deadline.