

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: HB1164

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

2. Patron: Scott, P.A.

3. Committee: Education

4. Title: Education Excellence for All Program established.

5. Summary: Permits the parents of qualified students, defined in the bill, to apply for a one-year, renewable Education Excellence for All Savings Account, defined in the bill, 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 school division in which the qualified student resides, including the per pupil share of state sales tax funding in basic aid and any per pupil share of state special education funding for which the qualified student is eligible. The bill permits the parent of the qualified student to use the moneys in such account for certain qualified expenses of the qualified student, including tuition, deposits, fees, and required textbooks at a private elementary school or secondary school that is located in the Commonwealth. The bill also contains provisions relating to program and account administration by the Department of the Treasury and a third party that serves as program administrator pursuant to a contract with the Department.

6. Budget Amendment Necessary: Yes, Item 3-2.01 to support a working capital advance, and language amendment in Item 125.

7. Fiscal Impact Estimates: Preliminary, see item 8.

8. Fiscal Implications: The cost for the Department of the Treasury to implement the provisions of this bill is currently indeterminate. The start-up costs of the Education Excellence for All Program established by this bill may be supported by a working capital advance in fiscal year 2025 to be repaid by administrative fees generated by the program once operational.

This bill imparts several new responsibilities on the Department of the Treasury for the development, management, and dissemination of information to the public for the program. Program start-up expenses include the agency hiring program staff and procuring a contract with a program administrator. Depending on actual program participation and the capabilities of the contracted entity, Treasury anticipates there could be a need for at least three positions

to support this program at an estimated cost of \$398,798 for salary, benefits, and technology. Additional positions may be needed depending on enrollment in the program.

The bill establishes a number of requirements of the contracted program administrator, including day-to-day financial management of accounts, provision of automated systems, technical support, and reporting. Without issuing a request for information (RFI) or request for proposal (RFP), Treasury can only produce a highly speculative estimate of vendor costs based on similar legislation and data from states that have implemented similar programs. Based on the available estimates and contracts for vendors in other states, Treasury estimates an annual vendor cost of between \$3 million and \$5 million per year, with more spent to implement the program in the first year. At this time, the actual state cost to support this contract is indeterminate.

In total, Treasury anticipates that a working capital advance of a minimum of \$3,398,798 in fiscal year 2025 may be required to initiate the program, to be repaid by administrative fees generated by the program once operational. The advance amount required would depend on actual amounts negotiated with a contracted administrator. The bill allows Treasury to withhold up to five percent of applicable per pupil state funds for administration costs of the program. Additional state support may be required in outgoing years, depending on the number of students who participate and actual administrative charges versus expenses.

The definition of a “qualified student” in this bill should include students currently included in Average Daily Membership (ADM) if the student was enrolled at and attended a public elementary or secondary school in the Commonwealth during the two semesters immediately preceding the semester or term for which the student initially applies for a savings account. Additionally, DOE currently accounts for incoming public kindergarten students in its ADM projections; however, the additional state cost resulting from incoming kindergarten and first grade students who otherwise may have been home-schooled or private-schooled is indeterminate. Under current regulations, students who transfer out of the public school system to be private-schooled are removed from ADM, which would reduce state cost; 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. These increases in ADM could result in an increase in state cost. Any actual impact is indeterminate at this time.

This bill directs that students shall be counted in a local school division’s March 31 ADM or fall membership for the purpose of the calculation of the state share of funding. This would drive appropriation under Direct Aid to Public Education, and budget language would be necessary directing the Department of Education to transfer this appropriation to Treasury to be distributed to savings accounts and for administrative expenses. Additionally, sales tax distributions are made by the Department of Accounts directly to local school divisions, and a mechanism would need to be established to transfer that funding to Treasury to distribute to these accounts.

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. DOE indicates that these amounts could range from approximately \$3,371 to \$11,140.

9. Specific Agency or Political Subdivisions Affected: Department of Education, Department of the Treasury, Department of Accounts, local school divisions

10. Technical Amendment Necessary: No

11. Other Comments: This bill is similar to HB667, HB1296, and SB558.