

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION
AMENDED**

MEASURE

2017 BR NUMBER **0182**

SENATE BILL NUMBER **102**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to opportunities in education.**

SPONSOR **Senator R. Alvarado**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			(Substantial Negative Impact) See Explanation below
EXPENDITURES			
NET EFFECT			(Substantial Negative Impact) See Explanation below

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this proposed legislation is to provide resources to students through educational scholarships which provide more choices in education for students:

1. From families whose annual household income is not more than 200% of poverty;
2. Who have an active individualized education program (IEP) approved by the Kentucky Board of Education; or
3. Have received a diagnosis from a licensed physician or psychologist for one or more of the following: aphasia, autism, cerebral palsy, down syndrome, dyscalculia, dysgraphia, dyslexia, muscular dystrophy, or spina bifida.

Scholarships shall be awarded only to eligible students to attend a certified nonpublic school, a nonpublic school actively seeking certification by the Kentucky Board of Education, or to students to receive qualified special services. Scholarships may not be awarded for any costs or fees associated with athletics or extracurricular activities.

PROVISIONS/MECHANICS: If enacted, the bill would create a nonrefundable tax credit for taxable years beginning January 1, 2018, but before January 1, 2024, against the individual income tax, corporation income tax, limited liability income tax, and the bank franchise tax for contributions made to qualified nonprofit scholarship granting organizations.

The credit per taxpayer per taxable year is equal to the lesser of: 90% of the contributions made during the taxable year or \$1,000,000. The credit may be carried forward for up to five succeeding taxable years until the credit has been utilized. Only contributions to qualified scholarship-granting organizations on the list maintained by the Department of Revenue for each calendar year shall be recognized for tax credits under this proposal. Prior to making a contribution to a qualified scholarship-granting organization, the taxpayer or qualified scholarship-granting organization acting on behalf of the taxpayer is required to apply to the Department of Revenue for preapproval. The department is required to notify the taxpayer within 30 days of its approval or denial.

The aggregate value of the tax credit awarded in fiscal year 2018-2019 shall not exceed \$25,000,000. The aggregate value of the tax credit in subsequent fiscal years is increased by 25% if 90% of the annual credit cap is reached in the immediately preceding fiscal year.

The Department of Revenue is required to create forms, educational materials, publish a list of qualified scholarship-granting organizations and a list of organizations that have been approved to evaluate the financial aid needs of students seeking scholarships based upon annual household income, and a create a website to track pending tax credits, tax credits allocated to date and the amount of credit available to taxpayers making contributions.

A nonpublic school that desires to become a participant in a scholarship program provided by a scholarship-granting organization is required to register with the Department of Education and notify the department of its intent to become a certified nonpublic school. The Department of Education is required to maintain a list of certified nonpublic schools and those seeking certification.

FISCAL EXPLANATION: Based upon the preliminary work that must be done to implement this tax credit program and the preapproval required prior to making a contribution subject to the tax credit, it is estimated that a negative impact to the General Fund will not occur until FY 2018-2019 at which time the estimated negative impact to the General Fund will be (\$25,000,000). Assuming that the credit cap trigger is utilized in each subsequent fiscal year and that no action is taken by the General Assembly to extend the credits, the estimated negative impact to the General Fund will be as follows:

FY 2018-2019 – (\$25 million)
FY 2019-2020 – (\$31.25 million)
FY 2020-2021 – (\$39.06 million)
FY 2021-2022 – (\$48.83 million)
FY 2022-2023 – (\$61 million)
FY 2023-2024 – (\$76.25 million)

The negative impacts listed above are the maximum reductions to the General Fund. There may be other impacts which would produce savings, thereby reducing the maximum amount each fiscal year. Those savings are indeterminable.

DATA SOURCE(S): LRC

PREPARER: Charlotte Quarles **NOTE NUMBER:** 27 **REVIEW:** JRS **DATE:** 1/13/2017