

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 22-E

SPONSOR: Senators Bennett and Lynn

SUBJECT: FEFP and Tax Credits for Contributions to Nonprofit Scholarship Funding Organizations

DATE: October 22, 2003 REVISED: \_\_\_\_\_

|    | ANALYST       | STAFF DIRECTOR | REFERENCE | ACTION           |
|----|---------------|----------------|-----------|------------------|
| 1. | <u>Newman</u> | <u>Coburn</u>  | <u>AP</u> | <u>Favorable</u> |
| 2. | _____         | _____          | _____     | _____            |
| 3. | _____         | _____          | _____     | _____            |
| 4. | _____         | _____          | _____     | _____            |
| 5. | _____         | _____          | _____     | _____            |
| 6. | _____         | _____          | _____     | _____            |

## I. Summary:

This bill reduces from \$88 million to \$50 million the maximum amount of corporate tax credits and carryforward tax credits for contributions to scholarship-funding organizations for fiscal year 2003-04. The reduction of the cap generates General Revenue in fiscal year 2003-04. The bill appropriates \$38 million of General Revenue to the Florida Education Finance Program for public schools.

## II. Present Situation:

The corporate income tax credit for contributions to scholarship-funding organizations was enacted in 2001 for initial implementation in 2002. The program provides 100 percent tax credits to corporations that make contributions to nonprofit scholarship funding organizations. These organizations give scholarships of up to \$3,500 to children whose families have limited financial resources to attend private schools. The total amount of tax credits is limited to \$88 million for any fiscal year. These tax credits were reserved from the revenue used in the 2003 General Appropriations Act.

In order to be eligible to receive these scholarships, students must meet the criteria for free or reduced-price school lunches under the National School Lunch Act. Additionally, income-eligible students must have been enrolled in a public school for the previous school year; must have received a scholarship from this program in the previous school year; or must be eligible to enter kindergarten or first grade.

Students who participate in the scholarship program are not counted for funding in the Florida Education Finance Program (FEFP) for public schools. For fiscal year 2003-04, \$32 million in scholarship tax credits have been approved, well short of the maximum \$88 million cap.

Therefore, additional students are likely to be enrolled in public schools above the student enrollment forecast used in the appropriation, which will cause a proration of the calculated state funds in the FEFP to the level of the 2003-04 appropriation.

### **III. Effect of Proposed Changes:**

For fiscal year 2003-04 only, the bill reduces the maximum level of the total tax credits and carryforward credits for the Corporate Income Tax Scholarship program from \$88 million to \$50 million. The bill then appropriates an additional \$38 million of General Revenue to the Florida Education Finance Program for public schools. The funds are to be placed in unbudgeted reserve to be used to reduce any proration of the FEFP which results from unexpected changes in student enrollment (such as the increase in public school enrollment caused by the reduction in the scholarship program) or the tax roll. These funds shall be used only as needed for the third and subsequent calculations of the FEFP.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

#### **D. Other Constitutional Issues:**

### **V. Economic Impact and Fiscal Note:**

#### **A. Tax/Fee Issues:**

This bill reduces the maximum amount of the total corporate tax credit or carryforward credits for contributions to Scholarship Funding Organizations that can be approved for fiscal year 2003-04 from \$88 to \$50 million.

#### **B. Private Sector Impact:**

This bill will likely have no effect on private schools because \$32 million in tax credits have been approved for Fiscal Year 2003-04, significantly below the reduced cap of \$50 million.

C. Government Sector Impact:

This bill increases the 2003-04 appropriation for public schools by \$38 million.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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