FISCAL NOTE

Senate Bill 202

Committee: Education Policy | Sponsor: Senator Larry Stutts

Analyst: John Friedenreich | Date: 04/26/2023

Senate Bill 202 as introduced establishes the Parental Rights in Children's Education (PRICE) Act to fund education savings accounts (ESA) to cover qualifying educational expenses of participating students phased in over a three-year period. This bill creates the PRICE ESA Fund in which funds appropriated by the Legislature from the Education Trust Fund (ETF), shall be deposited into the each participating student's ESA account, on an annual basis. This bill provides that the annual ESA amount per student for 2024-2025 school year (Year 1) shall be $6,900 per student and further provides that this amount shall be adjusted annually by an amount equal to the percentage change of the ETF's share of the Foundation Program from the prior year.

Based upon this amount and the estimated number of eligible nonpublic school students for the 2019-2020 school year and assuming that 5% of eligible public school students enrolled for the 2022-2023 school year would participate in the program, the estimated minimum cost to the Education Trust Fund in to fund deposits into participating students ESA accounts is $288.2 million in fiscal year 2025 and $576.1 million in fiscal year 2026. This amount does not include the cost of any siblings of the nonpublic school students or estimated participating public school students who would also be eligible for an ESA in school year 2024-2025 and 2025-2026 pursuant to the provisions of this bill. This bill provides that funds deposited into an ESA do not constitute taxable income, and that any unexpended funds shall be reappropriated annually to the PRICE ESA Fund.

In addition, this bill establishes the PRICE Administration Fund to be used by the Department of Revenue to administer the program and to reimburse members of the Parent Advisory Board, established pursuant to the provisions of this bill, for all reasonable and necessary expenses incurred in the same manner as state employees. This bill also requires: (1) an annual appropriation from the ETF in an amount equal to the lesser of $2 million or 3% of the amount appropriated each year to the PRICE ESA Fund; and (2) that any funds remaining in the PRICE Administration Fund at the end of the fiscal year shall revert to the PRICE ESA Fund. This bill will further increase the obligations of the Education Trust Fund by an undetermined amount in the event that the number of participating students increases significantly in any fiscal year and, the Commissioner has to request an appropriation from the Legislature to the PRICE Administration Fund to cover the increased administrative costs.

However, the net impact to the Education Trust Fund would be dependent on: (1) the degree to which parents decide to apply for and are accepted into the PRICE program; (2) the degree to which the Legislature makes future adjustments to components of the Foundation Program impacting the percentage change of the ETF's share of the Foundation Program; (3) the degree to which appropriations increase to the PRICE ESA Fund for deposit in ESA's and to the Price Administration Fund, for increases resulting from an increase in the number of students becoming eligible to participate in the program.

In addition, this bill would increase the administrative obligations of the Department of Revenue to: (1) adopt rules, in consultation with the Board, to establish a process for students who opt to stop receiving payments into their ESA and return to public school and for students who wish to receive some services provided by a public school; (2) provide verification to the Board regarding public school students with ESAs; (3) set up a system to periodically audit ESAs and education service providers to ensure compliance with the provisions of this bill; (4) implement a commercially viable, cost effective, and parent friendly portal for payment for services from education savings accounts to participating schools or education service providers and to publicly rate, review, and share information about participating schools and education service providers; and (5) ensure that public schools and school districts providing services to a participating student receive the appropriate pro rata share of the students' ESA based on the percentage of total instruction provided to the student.