

# FISCAL NOTE

June 15, 2018

<b>Bill No:</b>	SB 2	<b>Printer's No:</b>	1776	<b>Sponsor:</b>	DiSanto
-----------------	------	----------------------	------	-----------------	---------

### COST / (SAVINGS)

<b>Fund (s)</b>	<b>2017-18</b>	<b>2018-19</b>
General Fund – Department of Education	\$0	\$740,000
Loss of Revenue for Public School Districts	\$0	\$500,000,000

**SUMMARY:** Senate Bill 2 PN 1776 amends the Public School Code of 1949 to establish education savings accounts, as well as powers and duties of the Department of Education and State Treasury.

**ANALYSIS:** The bill provides for education savings accounts for students in low-achieving schools.

A parent of an eligible student may apply for an education savings account through an application developed by the Department of Education. The department is responsible for approving the application. A child is eligible if he or she resides within the attendance area of a low-achieving public school and has been enrolled in a public school in this commonwealth for not less than one full semester immediately preceding the establishment of an education savings account or is entering kindergarten or the first grade or is a prior year participant who renews his or her program agreement.

The agreement and/or renewal must be valid for one school year. The bill specifies renewal and approval timeframes. The agreement can be terminated early by either the parent or the department, in either case, any remaining funds in the education savings account must be returned to the resident school district. An agreement will be automatically terminated if the child no longer resides in the commonwealth.

For a child who has an education savings account, the bill requires that funds be deposited by the Secretary of Education. The bill establishes and categorizes deposit amounts based on special vs. nonspecial education students.

The bill requires the school district to include a student receiving an education savings account when calculating average daily membership as it relates to calculating school subsidies. The amount of basic education funding and other subsidies paid by the department to the resident school district must be reduced by the grant amount paid into the student educational savings account.

The bill also requires a resident school district to provide a participating entity with a complete copy of the student's disciplinary record within 10 days after receipt of the request.

The bill requires Treasury to do the following:

## FISCAL NOTE

June 15, 2018

- Develop a schedule of quarterly payments to be made to an education savings account.
  - Any money remaining in the education savings account may be forwarded to the following school year if the agreement is renewed for the subsequent school year. **Money remaining when an agreement is not renewed is reverted back to the General Fund.**
- Establish an electronic payment system in which a parent may use to make payments for qualified educational expenses and prohibits Treasury from adopting an out-of-pocket reimbursement system.

The bill allows Treasury to provide for audits as deemed necessary and allows Treasury to determine continued eligibility if the audit finds that an education savings account has been used for expenses other than for a qualified educational expense.

The Department of Education and the Treasury Department must promulgate regulations within 60 days of the effective date.

**FISCAL IMPACT:** The bill would have a total fiscal impact on the Department of Education of \$740,000 due to administrative costs.

**However, this bill diverts state funds, \$500 million, from resident school districts which would impact the solvency of the affected school districts.** Section 2004-H (a)(4) of the bill allows for a resident school district to include the grant recipient in their average daily membership when calculating school subsidies which would amount to additional costs to the commonwealth's General Fund.

Activity	Costs
Application and web-based system development	\$463,000
Application review and approval for participating entity and child	\$277,000
<b>TOTAL COSTS</b>	<b>\$740,000</b>

PDE estimates that they would need to hire three new positions to meet the provisions of the bill.

Position	Number of Hires	Salary (including benefits)
Basic Education Associate 2	1	\$137,000
Fiscal Management Specialist 2	1	\$105,000
Part-time Clerical Support	1	\$35,000
<b>TOTAL SALARY &amp; BENEFIT COSTS FOR NEW HIRES</b>		<b>\$277,000</b>