

CS/SB 2126 — Florida Tax Credit Scholarship Program

by Finance and Tax Committee; and Senators Negrón, Altman, Storms, Peadar Kirby, Oelrich, Lawson, Gaetz, Lynn, Fasano, Siplin, Baker, Gardiner, Bennett, Thrasher, Wise, Haridopolos, Alexander, Crist, and Richter

The Florida Tax Credit Scholarship Program (FTC Program) provides a credit against corporate income and insurance premium taxes to taxpayers who make eligible contributions to nonprofit scholarship funding organizations (SFOs). SFOs award scholarships to students from families that meet specified income limitations, and the students use the scholarship to attend private school or to pay for transportation to public schools located outside of the students' districts of residence. The maximum tax credits that may be approved in a fiscal year are capped at \$118 million, and the maximum scholarship award per student is capped at \$3,950 per year. The bill revises numerous aspects of the FTC program, most significantly:

- Tax credit cap: The bill changes the current \$118 million fiscal year cap on tax credits authorized under the FTC program to \$140 million for fiscal year 2010-11. In fiscal year 2011-12 and thereafter, the cap will increase by 25% whenever tax credits approved in the prior fiscal year are equal to or greater than 90% of the tax credit cap amount for that year.
- Tax credits: The bill adds three new revenue sources for the FTC Program by allowing taxpayers to receive credits for eligible contributions against: (1) severance taxes on oil and gas production; (2) self-accrued sales tax liabilities of direct pay permit holders; and (3) alcoholic beverage taxes on beer, wine, and spirits.
- Scholarship amount: For fiscal year 2010-11, the bill replaces the current limit on the private school scholarship amount of \$3,950 with a variable amount stated as a percentage of the Florida Education Finance Program (FEFP) unweighted full-time equivalent (FTE) amount for that fiscal year. For fiscal year 2010-2011, the maximum scholarship amount will be 60% of the per FTE funding for that year. Beginning in fiscal year 2011-12, the percentage used to determine the maximum scholarship award will increase by 4% in any fiscal year when the tax credit cap also increases, until it reaches a maximum of 80%. In that fiscal year and thereafter, the scholarship limit will be equal to 80% of the per FTE funding amount.
- Eligibility for certain students: The bill increases the maximum household income threshold for renewing scholarship recipients and their siblings from 200% of the federal poverty level to 230% of that level, but reduces the maximum scholarship award available to the newly eligible scholarship recipients.
- Private school accountability: The bill adds new accountability measures that:
 - Require each private school receiving more than \$250,000 in scholarship payments in one year to submit a financial report, referred to as an agreed-upon procedures report. The report must be completed by an independent certified public accountant and must address the adequacy of the school's accounting system and financial controls.
 - Require student learning gains to be published for each private school that has at least 30 scholarship students with norm-referenced test scores for two consecutive years.

- Authorize the Commissioner of Education to deny, suspend, or revoke a private school's participation in the program if an owner or operator has operated an educational institution in a manner contrary to the public's health, safety, or welfare.

The Revenue Estimating Conference's estimated impact on General Revenue receipts of the additional tax credits authorized by the bill is -\$31.0 million in fiscal year 2010-11 with a recurring impact on General Revenue of -\$228.8 million. The bill is also expected to result in increased savings to the state as fewer students will require funding within the FEFP as the FTC program is expanded. The increased FEFP savings are expected to exceed the revenue impacts in each of the first four years under the legislation.

The effective date of the bill is July 1, 2010 unless otherwise expressly provided.

If approved by the Governor, these provisions take effect 7/1/2010
Vote: Senate 27-11; House 95-23