



FISCAL NOTE

Senate Bill 263

Committee: Finance and Taxation Education Sponsor: Senator Donnie Chesteen

Analyst: John Friedenreich

Date: 05/10/2023

Senate Bill 263 as reported by the Committee on Finance and Taxation Education would reduce income tax receipts to the Education Trust Fund by increasing the cumulative amount of tax credits that may be claimed by taxpayers annually pursuant to the Alabama Accountability Act (AAA) from \$30 million to \$40 million, beginning in fiscal year 2025 and assuming that the maximum amount of tax credits that could be claimed annually would be claimed. This bill further provides that the cap would automatically increase by \$10 million annually, if the cumulative amount of tax credits issued exceed 90% of the cap in three out of four years, until reaching a cumulative cap amount of \$60 million annually.

Additionally, this bill amends the AAA as follows: (1) caps the amount of the educational scholarship that may be awarded to an eligible student for an academic year by \$10,000, which could decrease the amount of scholarship funding a system receives for an out-of-system elementary or middle school student by a minimum of \$2,000 per year and up to a maximum of \$4,000 per year; (2) raises the income threshold for a family of an eligible student from 185% to 250% of the federal poverty level, and increases the maximum family income threshold from 275% of the federal poverty level to 350% of the federal poverty level, which could increase the number of students eligible to participate in the program by an undetermined amount. For the 2022-2023 school year over 450,000 students met the current 185% threshold; (3) changes the definition of a "failing" school to a "priority" school which would be further defined as a school receiving a grade of "D" or "F" on the most recent state report card; (4) provides that a local school system be reimbursed by a Scholarship Granting Organization (SGO) for contracted services provided to a student with unique needs; (5) requires SGO's to maintain a 10% reserve in available funds; and (6) requires the Alabama Department of Revenue to bar any school or educational service provider that fails to comply with the accountability standards of the AAA.



Pursuant to the provisions of the ETF Rolling Reserve Act contained in Section 29-9-3(b)(3), Code of Alabama 1975, the provisions of this act would reduce the ETF fiscal year appropriation cap for fiscal year 2025 by \$10 million.