

REVENUE ESTIMATING CONFERENCE

TAX: Sales/Corporate/Beverage/Insurance Premium

ISSUE: Scholarship credit

BILL NUMBER(S): CS/CS/CS/HB 859

SPONSOR(S): Representative Corcoran

MONTH/YEAR COLLECTION IMPACT BEGINS: FY 2012-13

DATE OF ANALYSIS: March 16, 2012

SECTION 1: NARRATIVE

1. **Current Law:** Tax credit cap amount is \$218.8 million in state FY 2012-13, with a 25% increase in the cap in each subsequent year if actual credits reach 90% of the cap for the prior year.
2. **Proposed Change:** Tax credit cap amount is increased to \$229.0 million in FY2012-13, with changes in eligibility criteria.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

1. REC estimates – Current law Scholarship credit impacts – January 2012
2. DOR – Monthly SFO report (March 05, 2012)
3. Impact conference- January 13, 2012

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

1. Assumed scholarship credit cap is reached in every year till end of forecast horizon, therefore cap increases by 25% in each year.
2. Corporate income tax credit is assumed a ceiling at FY 2012-13 level of \$54.6 million.
3. Other sources (Beverage, Sales and IPT) are expected to be claimed at FY 2011-12 percentage shares, apportioned to reach the cap.
4. No soft ceiling is assumed based on December 16, 2011 impact conference.
5. For FEFP impact and net impact, refer to the FEFP analysis.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High	-10.2	-25.0	-12.8	-16.0	-20.0
Middle					
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/16/12) The conference adopted the proposed estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue:					
Beverage	(6.3)	(15.2)	(7.9)	(9.8)	(12.2)
Sales	(1.4)	(3.7)	(1.8)	(2.3)	(2.9)
Insurance Premium	(2.2)	(5.8)	(2.8)	(3.6)	(4.6)
Corporate	(0.3)	(0.3)	(0.3)	(0.3)	(.3)
State Trust	0	0	0	0	0
Total State Impact	(10.2)	(25.0)	(12.8)	(16.0)	(20.0)
Total Local Impact	0	0	0	0	0
Total Impact	(10.2)	(25.0)	(12.8)	(16.0)	(20.0)

Credits approved as of March 1, 2012, for fiscal tax year July 1, 2011, to June 30, 2012										
Month	Approved Dollar Amount									Cummulative
	Corporate	Insurance	Malt	Wine	Liquor	Sales Tax Direct Pay	Oil	Gas	Total	
Jan-11	\$85,000	\$715,000							\$800,000	\$800,000
Feb-11	4,075,000	50,000							\$4,125,000	\$4,925,000
Mar-11	1,295,000	3,500,000							\$4,795,000	\$9,720,000
Apr-11	2,691,000	1,976,678	3,600,000		10,000,000	2,000,000			\$20,267,678	\$29,987,678
May-11	6,825,000	3,250,000	1,080,000	500,000	500,000				\$12,155,000	\$42,142,678
Jun-11	12,500,000	705,000	38,550,000	4,685,000	8,781,000	1,000,000			\$66,221,000	\$108,363,678
Jul-11	2,975,000	10,525,000	20,000,000			500			\$33,500,500	\$141,864,178
Aug-11	15,320,000	1,715,000	3,939,826			10,000			\$20,984,826	\$162,849,004
Sep-11	8,583,000	(6,175,000)				5,020,000			\$7,428,000	\$170,277,004
Oct-11**	4,650,000	1,315,996							\$5,965,996	\$176,243,000
Nov-11									\$0	\$176,243,000
Dec-11	(4,425,000)	(539,232)							(\$4,964,232)	\$171,278,768
Jan-12			1,000,000			650,000			\$1,650,000	\$172,928,768
Feb-12									\$0	\$172,928,768
Mar-12									\$0	\$172,928,768
Apr-12									\$0	\$172,928,768
May-12									\$0	\$172,928,768
Jun-12									\$0	\$172,928,768
Jul-12									\$0	\$172,928,768
Aug-12									\$0	\$172,928,768
Sep-12									\$0	\$172,928,768
Oct-12									\$0	\$172,928,768
Nov-12									\$0	\$172,928,768
Dec-12									\$0	\$172,928,768
Totals	\$54,574,000	\$17,038,442	\$68,169,826	\$5,185,000	\$19,281,000	\$8,680,500	\$0	\$0	\$172,928,768	

** Additional applications submitted in October 2011 approved after rescindments approved in December 2011.

* Applications submitted for credit against more than one tax; so approved applications by tax is greater than total applications reported for mo

Adopted Estimates - Scholarship Credit Forecast from GR Conference Jan, 2012

	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
Beverage	\$(47.3)	\$(95.6)	\$(130.2)	\$(173.5)	\$(227.6)	\$(295.2)	\$(379.7)
Sales		\$(8.4)	\$(11.4)	\$(15.2)	\$(19.9)	\$(25.9)	\$(33.3)
IPT	\$(21.9)	\$(16.8)	\$(22.9)	\$(30.5)	\$(40.0)	\$(51.9)	\$(66.8)
CIT	\$(70.8)	\$(54.2)	\$(54.2)	\$(54.2)	\$(54.2)	\$(54.2)	\$(54.2)
Totals	\$(140.0)	\$(175.0)	\$(218.8)	\$(273.4)	\$(341.8)	\$(427.2)	\$(534.1)

Proposed Estimates - Scholarship Credit Impacts Mar 2012 w/Jan 2012 adopted numbers and HB859 cap Increase and new expected numbers from FY2012-13 forward

	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
Beverage	\$(47.3)	\$(95.6)	\$(136.5)	\$(181.3)	\$(237.3)	\$(307.4)	\$(394.9)
Sales		\$(8.4)	\$(12.8)	\$(17.0)	\$(22.2)	\$(28.8)	\$(37.0)
IPT	\$(21.9)	\$(16.8)	\$(25.1)	\$(33.4)	\$(43.7)	\$(56.5)	\$(72.6)
CIT	\$(70.8)	\$(54.2)	\$(54.6)	\$(54.6)	\$(54.6)	\$(54.6)	\$(54.6)
Totals	\$(140.0)	\$(175.0)	\$(229.0)	\$(286.3)	\$(357.8)	\$(447.3)	\$(559.1)
Difference	\$0.0	\$0.0	\$(10.2)	\$(12.8)	\$(16.0)	\$(20.0)	\$(25.0)

Difference by Source

Beverage	\$0.0	\$0.0	\$(6.3)	\$(7.9)	\$(9.8)	\$(12.2)	\$(15.2)
Sales	\$0.0	\$0.0	\$(1.4)	\$(1.8)	\$(2.3)	\$(2.9)	\$(3.7)
IPT	\$0.0	\$0.0	\$(2.2)	\$(2.8)	\$(3.6)	\$(4.6)	\$(5.8)
CIT	\$0.0	\$0.0	\$(0.3)	\$(0.3)	\$(0.3)	\$(0.3)	\$(0.3)
Totals	\$0.0	\$0.0	\$(10.2)	\$(12.8)	\$(16.0)	\$(20.0)	\$(25.0)

FEFP Cost Savings Assumptions For HB 859 ON TAX CREDIT PROVISIONS

16-Mar-12

Assumptions	Current Law	Under Bill
Remittances	Flow through from Revenue spreadsheet for baselines	Flow through from Revenue spreadsheet for change
Scholarship Distribution	Each cap year over 2 fiscal years	Same
Credits from Corporate All other sources	80% FY 1; 20% FY 2 100% FY 1	Same Same
Administrative Costs	3%	Same
Maximum Scholarship Award	Percentage of FTE dollars per student 60% in 2010-11 64% in 2010-12 68% in 2012-13 72% in 2013-14 76% in 2014-15 80% in 2015-16 and thereafter	Same
Distribution of Children by Family Income <=200% of poverty level <200%, but <= 215% of poverty level <215% but <= 230% of poverty level	Phased in so that in 2013-14 the distribution is 90% 8% 2% 2010-11 distribution is based on actual data%	Same
Reduction in Scholarship Award <=200% of poverty level <200%, but <= 215% of poverty level <215% but <= 230% of poverty level	3% 25% 50%	Same
Average Scholarship Award per Slot	Weighted average of scholarship award by income distribution.	Same
% of students who would have been in public schools otherwise	Varies by grade	Varies by grade and eligibility
FEFP Savings per slot	\$6,000 for 2010-11; \$5,500 for 2011-12 and beyond	Same

Students entering kindergarten and grade 1 have no change in eligibility.

**I. Estimates for students filling occupied slots.
These are grades 2-5 private school students now eligible under bill.**

Section 1: Students in Private School 2005-2009; Source for total students is U.S. Census Bureau, 2005-2006 American Community Survey, Source for students with family income less than 185% of the poverty level comes from the American Community Survey 2005-2009 estimates, public use microdata sample. Data may also include some home school students.

	A.	B.	C.
	All students enrolled in private schools	Students enrolled in private schools with family income less than 185% of the poverty level	% of all students with family income less than 185% of poverty level
Total Grades 1-12	317,689	58,940	18.6%
Grades 1-4	106,964	19,124	17.9%
Grades 5-8	112,826	20,109	17.8%
Grades 9-12	97,899	19,707	20.1%

Section 2: Students in private school 2010-11. Source: Florida's Private Schools Annual Report 2010-11, DOE Website.

	A.	B.
	Students enrolled in private schools	Estimate of students enrolled in private schools with family income less than 185% of the poverty level
Total Grades 2-5	77,042	13,771
Grades 2-4	57,910	10,366
Grades 5	19,132	3,405

Section 3: Estimated breakdown of students in Section 2 column B by who receive a scholarship in 2011-12 and who do not receive a scholarship in 2011-12 but would be eligible under the bill.

	A.	B.
	Students receiving tax-credit scholarship	Students not receiving tax-credit scholarship
Total Grades 2-12	13,303	736
Grades 2-4	10,634	-
Grades 5	2,669	736

All of the students in section 3 are considered in the population of students in occupied slots who might receive a tax-credit scholarship. From the June 2010 Quarterly Report on this program, 83.6 % of all students receiving a tax credit scholarship are enrolled in religious schools. It is assumed that the percentage of students in religious schools with family income less than 185% of poverty level is higher than in all private schools. This population is considered available beginning in 2012-13 and the population is reduced as these students receive scholarships. These students contribute to the FEFP Savings at 0% rate. It is estimated that about 27% of this population would enter each year until the pool of students is exhausted. To get the percentage estimate, the total occupied slots newly eligible (736) was divided by the sum of 736 and the number of eligible students in grade five who entered public schools in grade 5 from public schools in 2010-11 (1991). $736/(736+1991) = 27\%$.

II. Students filling empty slots in grades 2-12.

Types of students who might fill empty slots: Students in this category under current law consists of eligible students leaving public schools. Students in this category under the bill would be the former in addition to grades 2-5 income eligible students who would have had to leave private school to enter public school for financial reasons, income eligible students entering from home education, and income eligible students moving into the state from other areas. These four groups compete for the same slots, called empty slots in this analysis. The first two groups contribute 100% to the FEFP savings; the home education students contribute to FEFP savings at rate of 0%; the students from other areas contribute at an indeterminate rate. The number of income eligible home education students who would choose to enter a private school with a scholarship is indeterminate. Thus, this analysis fills the empty slots at 100% contribution to FEFP savings.

Estimate of empty slots: Total slots to be filled minus the occupied slots filled.

Student Tracking

	Total Enrollment					Total Slots	
	2009-10 Final	2010-11 Final	2011-12 Est (Nov)	2010-11		2011-12 Est.	
KG	4,745	5,611	6,100	Enrollments from	5,537	6,119	Slots total estimated by school year outlays divided by average scholarship award
G1	4,231	4,830	5,522	Florida DOE website	4,767	5,539	
G2	3,400	4,073	4,494	Quarterly Reports	4,019	4,508	
G3	2,965	3,502	3,822	For the	3,456	3,834	Slots by grade prorated by enrollment distribution
G4	2,585	3,059	3,345	Tax Credit	3,019	3,355	
G5	2,227	2,669	2,976	Scholarship	2,634	2,985	
G6	2,151	2,665	2,763	Program	2,630	2,772	
G7	1,989	2,244	2,394		2,215	2,401	
G8	1,677	1,941	1,978		1,915	1,984	
G9	1,140	1,464	1,488		1,445	1,493	
G10	906	1,057	1,207		1,043	1,211	
G11	720	839	845		828	848	
G12	497	596	644		588	646	
Total	29,233	34,550	37,578		34,096	37,695	

Slots broken down into:
 Group A --- slots needed for cohort movement of 2011-12 students and for new entries in kindergarten and grade 1
 Group B --- slots needed for new scholarships in grades 2-12

The eligibility changes for HB 859 affect only Group B. KG and kindergarten slots and slots for continuing students are not affected by the eligibility changes.
 The cap increase affects all grade levels

Baseline: Under Current Law										
	2011-12	2012-13	2013-14	2014-15	2015-16	2011-12	2012-13	2013-14	2014-15	2015-16
Group A: Cohort Movement of 2011-12 slots and New Entries in KG and Grade 1						Ratios for Savings Group A				
KG	6,119	7,039	7,959	8,879	9,799	0.950	0.950	0.950	0.950	0.950
G1	5,539	6,199	7,119	8,039	8,959	0.950	0.950	0.950	0.950	0.950
G2	4,508	5,539	6,199	7,119	8,039	0.951	0.950	0.950	0.950	0.950
G3	3,834	4,508	5,539	6,199	7,119	0.952	0.951	0.950	0.950	0.950
G4	3,355	3,834	4,508	5,539	6,199	0.953	0.952	0.951	0.950	0.950
G5	2,985	3,355	3,834	4,508	5,539	0.954	0.953	0.952	0.951	0.950
G6	2,772	2,985	3,355	3,834	4,508	0.955	0.954	0.953	0.952	0.951
G7	2,401	2,772	2,985	3,355	3,834	0.956	0.955	0.954	0.953	0.952
G8	1,984	2,401	2,772	2,985	3,355	0.957	0.956	0.955	0.954	0.953
G9	1,493	1,984	2,401	2,772	2,985	0.958	0.957	0.956	0.955	0.954
G10	1,211	1,493	1,984	2,401	2,772	0.959	0.958	0.957	0.956	0.955
G11	848	1,211	1,493	1,984	2,401	0.960	0.959	0.958	0.957	0.956
G12	646	848	1,211	1,493	1,984	0.961	0.960	0.959	0.958	0.957
2011-12 base slots	37,695	37,049	36,201	34,990	33,497					
2011-12 base FEFP savings slots	35,925	35,304	34,490	33,329	31,899					
New entries in KG and G1		7,119	15,158	24,117	33,996					
New FEFP savings slots in KG & G1		6,763	14,400	22,911	32,296					
Total Slots	37,695	44,168	51,359	59,107	67,493					
Savings Slots	35,925	42,067	48,890	56,240	64,195					
Group B Baseline: New Scholarships in Grades 2-12										
Total Slots		8,005	10,976	14,717	20,161					
Savings slots		8,005	10,976	14,717	20,161					
Baseline Total Slots Grps A-B		52,173	62,335	73,824	87,654					
Baseline Savings Slots Grps A-B		50,072	59,866	70,957	84,356					
Under Bill: Cap and Eligibility Changes										
	2011-12	2012-13	2013-14	2014-15	2015-16					
Group A Under Change										
Group A baseline total slots	37,695	44,168	51,359	59,107	67,493					
Group A baseline FEFP Savings Slots	35,925	42,067	48,890	56,240	64,195					
Additional KG-G1 slots										
Increase in growth slots		49%	18%	14%	14%					
Cum. # of KG-G1 growth slots		490	670	810	950					
Additional Group A KG and G1 Savings Slots (at 95%)		466	637	770	903					
Total Group A Slots		44,658	52,029	59,917	68,443					
Total Group A FEFP Savings Slots		42,533	49,527	57,010	65,098					
Group B Under Change										
Total Slots for Group B		9,838	13,227	17,366	23,318					
Annual Slots for Group B		9,838	3,389	4,139	5,952					
Available for Annual Occupied Slots		736	537	392	286					
% of available occupied slots filled		27.0%	27.0%	27.0%	27.0%					
Filled Annual Empty Slots		9,639	3,244	4,033	5,875					
Filled Annual Occupied Slots		199	145	106	77					
Cumulative empty Slots filled		9,639	12,883	16,916	22,791					
Cumulative Occupied Slots filled		199	344	450	527					
Group B FEFP Savings Slots		9,639	12,883	16,916	22,791					
Change Total Slots Grps A-B		54,496	65,256	77,283	91,761					
Change Savings Slots Grps A-B		52,172	62,410	73,926	87,889					
Difference between Bill Changes and Baseline										
	2012-13	2013-14	2014-15	2015-16						
Total Slots	2,323	2,921	3,459	4,107						
FEFP Savings Slots	2,100	2,544	2,969	3,533						

FEFP Cost Savings Calculation WITH CAP LIMIT CHANGES and STUDENT ELIGIBILITY CHANGES

Under HB 859

Baseline		2011-12	2012-13	2013-14	2014-15	2015-16
1	Percentage Remittances in First FY	93.8%	95.0%	96.0%	96.8%	97.5%
2	Remittances					
3	CY 2010	\$140,000,000	\$14,160,000			
4	CY 2011	\$175,000,000	\$164,150,601	\$10,849,399		
5	CY 2012	\$218,750,000		\$207,900,601	\$10,849,399	
6	CY 2013	\$273,437,500		\$262,588,101	\$10,849,399	
7	CY 2014	\$341,796,875			\$330,947,476	\$10,849,399
8	CY 2015	\$427,246,094				\$416,396,695
9	FY Total Remittances	\$178,310,601	\$218,750,000	\$273,437,500	\$341,796,875	\$427,246,094
10	Remittances less Adm. Cost	\$172,961,283	\$212,187,500	\$265,234,375	\$331,542,969	\$414,428,711
11	FEFP dollars/UFTE	\$6,267	\$6,267	\$6,267	\$6,267	\$6,267
12	Scholarship Percentage of FEFP dollars/UFTE	64%	68%	72%	76%	80%
13	Max Scholarship award	\$4,011	\$4,262	\$4,512	\$4,763	\$5,014
14	Scholarship Award Factor	96%	95%	94%	94%	94%
15	Avg Scholarship award	\$3,854	\$4,067	\$4,255	\$4,491	\$4,728
16	Scholarships that can be funded with remittances ¹	37,695	52,173	62,335	73,824	87,654
17	Scholarships for FEFP savings	35,925	50,072	59,866	70,957	84,356
18	FEFP savings per student	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
19	FEFP savings	\$197,587,500	\$275,396,000	\$329,263,000	\$390,263,500	\$463,958,000
20	FEFP savings in millions	\$197.6	\$275.4	\$329.3	\$390.3	\$464.0
21	Revenue Impact in millions	(\$175.0)	(\$218.8)	(\$273.4)	(\$341.8)	(\$427.2)
22	Net Savings in Millions	\$22.6	\$56.6	\$55.8	\$48.5	\$36.7

Average Scholarship Award Factor

		2011-12	2012-13	2013-14	2014-15	2015-16
25						
26	Income <=200% of poverty level (pl)	97%	94%	90%	90%	90%
27	Distribution <200%, but <= 215% of pl	2%	5%	8%	8%	8%
28	Assumptions <215% but <= 230% of pl	1%	1%	2%	2%	2%
29	Factor	96%	95%	94%	94%	94%

With Change		2011-12	2012-13	2013-14	2014-15	2015-16
33	Percentage Remittances in First FY	93.8%	95.2%	96.2%	96.9%	97.6%
35	Remittances					
36	CY 2010	\$140,000,000	\$14,160,000			
37	CY 2011	\$175,000,000	\$164,150,601	\$10,849,399		
38	CY 2012	\$229,000,000		\$217,642,229	\$11,357,771	
39	CY 2013	\$286,250,000		\$274,892,229	\$11,357,771	
40	CY 2014	\$357,812,500			\$346,454,729	\$11,357,771
41	CY 2015	\$447,265,625				\$435,907,854
42	FY Total Remittances	\$178,310,601	\$228,491,628	\$286,250,000	\$357,812,500	\$447,265,625
43	Remittances less Adm. Cost	\$172,961,283	\$221,636,879	\$277,662,500	\$347,078,125	\$433,847,656
44	FEFP dollars/UFTE	\$6,267	\$6,267	\$6,267	\$6,267	\$6,267
45	Scholarship Percentage of FEFP dollars/UFTE	64%	68%	72%	76%	80%
46	Max Scholarship award	\$4,011	\$4,262	\$4,512	\$4,763	\$5,014
47	Scholarship Award Factor	96%	95%	94%	94%	94%
48	Avg Scholarship award	\$3,854	\$4,067	\$4,255	\$4,491	\$4,728
49	Scholarships that can be funded with remittances ¹	37,578	54,496	65,256	77,283	91,761
50	Scholarships for FEFP savings	35,925	52,172	62,410	73,926	87,889
51	FEFP savings per student	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
52	FEFP savings	\$197,587,500	\$286,946,000	\$343,255,000	\$406,593,000	\$483,389,500
53	FEFP savings in millions	\$197.6	\$286.9	\$343.3	\$406.6	\$483.4
54	Revenue Impact in millions	(\$175.0)	(\$229.0)	(\$286.3)	(\$357.8)	(\$447.3)
55	Net Savings in Millions	\$22.6	\$57.9	\$57.0	\$48.8	\$36.1

IMPACT --- Change - Baseline

58	FEFP savings in millions		\$11.6	\$14.0	\$16.3	\$19.4
59	Revenue Impact in millions		(\$10.3)	(\$12.8)	(\$16.0)	(\$20.0)
60	Net Savings in Millions		\$1.3	\$1.2	\$0.3	(\$0.6)

¹ Scholarships are projected from remittances except for 2011-12 which are estimated from actual and projected dollars used for scholarships.