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HB 455 2nd Substitute: Utah Fits All Scholarship Program Amendments

The Utah Fits All Scholarship Program (UFA), created in 2022 and currently in its first year of operation, provides up to \$8,000 a year for K-12 students enrolled in the program. Families use the money for educational expenses, like private school tuition, tutoring services, and curricular materials, among others.

Key Changes in HB 455 2nd Substitute

- Scholarship amounts: Private school, \$8,000; Home-based, ages 5-12 \$4,000 and 13-18 \$6,000.
- Adjusts enrollment priority: Household income of 300% of federal poverty level and adds a lottery.
- Requires the Department of Operations at USBE to report to Executive Appropriations Committee (EAC) after serving as temporary program manager.
- Creates a prorated award; no new awards allowed during the fourth quarter of a school year.
- Allows students to rent, not purchase, musical instruments.

Key Provisions in HB 455

- Prohibits some expenses, like season tickets, ski passes, furniture, or apparel, among others.
- Limits physical education and extracurricular expenses to 20% each of the scholarship.
- Requires combined household income for income verification and primary residency in the state.
- Creates new scholarship application dates.
- Allows families to rollover up to \$2,000 of unused funds to the next year.
- Requires USBE's Department of Operations to contract with entities to administer program functions, including a program manager and financial administrator.
- Defines private schools. Directs local education agencies (LEAs) providing services to UFA students to treat them equally and to establish a transparent fee structure.
- Requires coordination with the Carson Smith Opportunity Scholarship Program to prevent duplication.

Overview of Changes to UFA

Household Income and Primary Residence Eligibility and Verification

- Families must maintain primary residency in Utah.
- Uses combined income of all parents in the household for income verification; requires families to verify income through a process established by the State Tax Commission.

Expenses

- **Allowed expenses:** Materials and equipment directly related to subjects with core standards established by the state board, including arts and music education.

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- **Prohibited expenses:** Season tickets to entertainment venues, ski passes or lift tickets, recreational equipment, apparel, musical instrument purchases, and furniture, among others. The program manager has discretion to prohibit non-educational expenses not listed in statute.
- **Other expenses:** Limits extracurricular expenses to 20% of the scholarship and physical education expenses to 20% of the scholarship. These limits do not apply to rollover funds.

Application Dates and Award Notification

Establishes an application window and creates dates by which the program manager must notify families about their scholarship and families must accept scholarship awards.

Application Dates
<u>Current students:</u> March 1–May 1
<u>New students:</u> April 1–May 1

Enrollment Preference

Updates the student enrollment order. If the number of applications within any preference tier exceeds available space, the program manager awards spots by lottery.

1. Current scholarship students (must submit their portfolio or assessment results).
2. Income at or below 300% of federal poverty level (currently 200%).
3. Siblings of current students.
4. Lottery for remaining spots (new).

Scholarship Funds, Enrollment Preference, and Award Proration

- **Scholarship award and frequency:** Provides different scholarship amounts for home-based and private school students; payments twice per year.
- **Unused funds:** Students may rollover two of every three unused scholarship dollars to the next school year, up to \$2,000. The program manager places remaining unused scholarship money in an investment account, with proceeds funding future scholarships.
- **Mid-year scholarship students:** Creates prorated scholarship awards for students joining mid-year. No new scholarship students may enroll during the fourth quarter of a school year.

Yearly Awards
<u>Private school students:</u> \$8,000
<u>Home-based students:</u>
Ages 5-12, \$4,000
Ages 13-18, \$6,000

Program Administration

- **Department of Operations, USBE:** Facilitate program administration and provide oversight of contracts with contracted entities; will not directly run the program except during a transition. Requires the department to report to EAC after serving as temporary program manager.
- **Contracted entities:** The state board contracts with organizations to administer program functions, including (1) a program manager and (2) a financial administrator to distribute scholarship funds.
- **Transition process:** This bill establishes a process for transitioning between contracted entities, including program managers. The Department of Operations may serve as a temporary program manager during a transition period.

Program Manager Requirements

- Verify eligibility before issuing a scholarship.
- Create an orientation for providers.
- Create a process to dispute eligibility determinations and denied expenses
- Coordinate program operations entities.
- Contract for annual, random audits on scholarship accounts.

Provider Requirements

- Defines private schools.
- Creates new conditions for LEAs providing services to scholarship students:
 - Treat scholarship students equally.
 - Establish a transparent and fair fee structure for services offered to scholarship students.
 - Use a distinct identifier in the LEA's student information system for scholarship students.