

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/CS/HB 3 Home Book Delivery for Elementary Students

**SPONSOR(S):** Education & Employment Committee, PreK-12 Appropriations Subcommittee, Trabulsy and others

**TIED BILLS:** None **IDEN./SIM. BILLS:** SB 1372

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Early Learning & Elementary Education Subcommittee	18 Y, 0 N	Wolff	Brink
2) PreK-12 Appropriations Subcommittee	14 Y, 0 N, As CS	Bailey	Potvin
3) Education & Employment Committee	20 Y, 0 N, As CS	Wolff	Hassell

### SUMMARY ANALYSIS

Research shows that providing books to students both empowers parents to engage with their child's reading activities and improves students' reading skills. The bill creates the New Worlds Reading Initiative, Florida's first statewide book distribution program, to provide at-home literacy supports for elementary school students reading below grade level. Under the initiative, a hardcopy book is delivered on a monthly basis to eligible students enrolled in a participating school district. Their parents are provided with resources to help improve the student's reading skills and instill a love of reading.

The Department of Education (DOE) must designate a state university, registered as an eligible nonprofit scholarship-funding organization and that meets certain criteria, to administer the initiative. The statewide administrator must curate the books to be distributed and coordinate book delivery either directly or through a book distribution company. The statewide administrator must also develop a suite of digital tools parents may use to help their children improve their reading skills.

School districts and nonprofit, community organization partners are responsible for identifying eligible students and raising awareness of the initiative. Eligible students include those having a substantial reading deficiency or reading below grade level based on statewide, standardized assessments. Students remain in the initiative until they are promoted to 6<sup>th</sup> grade or their parent opts out.

Beginning September 30, 2022, and annually thereafter, the DOE must report on its website the number of students participating in the initiative in each school district and the academic achievement and learning gains, as applicable, of participating students based on data provided by school districts. The department must establish a date by which each school district must annually provide the data necessary to complete the report.

The bill requires that books be provided at no cost to families. Based on the most recent statewide, standardized English Language Arts assessment results, it is estimated that, at a minimum, over 557,344 kindergarten through grade 5 students would be eligible to participate in the initiative. The bill establishes the funding mechanism for the payment and delivery of these books through eligible tax credit contributions. Any necessary start-up costs associated with the implementation of the New Worlds Reading Initiative will be dependent upon an appropriation provided by the Legislature in the Fiscal Year 2021-2022 General Appropriations Act.

The bill takes effect upon becoming law.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### **Present Situation**

The National Assessment of Educational Progress (NAEP) demonstrates that Florida 4<sup>th</sup> grade students' reading skills increased annually, and have been higher than the national average, since 2003. However, after a 12-year period of steady improvement, 6 years ago, Florida's literacy rates for elementary school children stagnated. Since then, 4<sup>th</sup> grade NAEP reading scores have regressed to where they were from 2007 to 2009.<sup>1</sup>

Results from the 2018-2019 Florida statewide, standardized English Language Arts (ELA) assessments, the most recent academic year in which the assessments were administered, shows that 43 percent of 3<sup>rd</sup> grade students are reading below grade level.<sup>2</sup> The statewide, standardized grade 3 ELA assessment is a critical indicator of academic performance, as 88% of children who did not graduate from high school struggled with reading in 3<sup>rd</sup> grade.<sup>3</sup>

Moreover, results from the Fall 2019 Florida Kindergarten Readiness Screener indicate that nearly half of Florida's kindergarten-age students are not "ready" for kindergarten based on their literacy skills.<sup>4</sup>

#### **Identification and Intervention**

Florida law requires each school district to produce a K-12 Comprehensive Evidence-Based Reading Plan and include the criteria it uses to determine whether a student has a substantial reading deficiency.<sup>5</sup> Students in kindergarten through 3<sup>rd</sup> grade who exhibit a substantial reading deficiency, based on locally collected data, statewide assessments, or through teacher observations, must be given intensive reading instruction immediately following the identification of the deficiency.<sup>6</sup> Students who do not achieve a Level 3 or above on the statewide, standardized ELA assessment must be evaluated to determine the nature of the student's difficulty, the areas of academic need, and strategies for providing academic supports to improve the student's performance.<sup>7</sup> District school boards are required to prioritize remedial and supplemental instruction resources first to students in kindergarten through 3<sup>rd</sup> grade who have a substantial reading deficiency and then to students who fail to meet performance levels required for promotion under the district's student progression plan.<sup>8</sup>

School districts have a variety of intervention and progress monitoring options available to help students improve their academic performance. The law requires districts to develop and implement a multi-tiered system of supports, which utilizes a problem-solving process to identify and support student needs based upon available data, including attendance, behavior and discipline, statewide assessment,

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<sup>1</sup> Kymyona Burk, Ed.D, Foundation for Excellence in Education, *How the Science of Reading is Transforming Education and Opportunities for All Students*, presentation before the Early Learning & Elementary Education Subcommittee, (Jan. 14, 2021).

<sup>2</sup> Florida Department of Education, 2018-2019 ELA Assessment Results, on file with the committee.

<sup>3</sup> Donald J. Hernandez, *Double Jeopardy: How Third-Grade Reading Skills and Poverty Influence High School Graduation* (2012), The Annie E. Casey Foundation, <https://www.aecf.org/m/resource/doc/AECF-DoubleJeopardy-2012-Full.pdf>.

<sup>4</sup> Florida Department of Education, Fall 2018 Compared to Fall 2019 Florida Kindergarten Readiness Screener (FLKRS) District Results, FLKRS Statewide Results, <http://www.fldoe.org/accountability/assessments/k-12-student-assessment/flkrs/flkrs-sw-results.stml> (last visited April 12, 2021).

<sup>5</sup> Rule 6A-6.053(9)(c)3., F.A.C. The State Board of Education amended the rule on January 13, 2021. The new rule specifies criteria for the determination that a student has a substantial deficiency in reading, including scoring the lowest level or benchmark on any assessment approved by the district, scoring the lowest achievement level during a progress monitoring assessment approved by the district, or demonstrating minimum skill levels in one or more areas of phonological awareness; phonics; vocabulary, including oral language skills; reading fluency; and reading comprehension.

<sup>6</sup> Section 1008.25(5)(a), F.S. Students in kindergarten through grade 2 do not participate in statewide, standardized assessments.

<sup>7</sup> Section 1008.25(4)(a), F.S.

<sup>8</sup> Section 1008.25(3), F.S.

and progress monitoring data.<sup>9</sup> Retention is mandatory for 3<sup>rd</sup> grade students who score at Level 1 on the statewide, standardized ELA assessment.<sup>10</sup> Any student retained in 3<sup>rd</sup> grade because of his or her statewide, standardized ELA assessment score must receive intensive interventions and be taught by a “highly-effective” teacher with a reading endorsement or certification.<sup>11</sup> This intervention process must include parent involvement, student observation, review of data, vision and hearing screening to rule out sensory deficits, and evidence-based interventions implemented in the general education environment.<sup>12</sup>

## Parental Engagement in Children’s Reading

A literacy-rich home environment is an important component in improving a child’s literacy skills,<sup>13</sup> because it offers access to literacy materials, such as books in the home and trips to the library, as well as regular opportunities to engage with adults in literacy activities, including shared book reading and teaching letters and sounds.<sup>14</sup> These activities are especially effective when based in the “Science of Reading,” an established method of improving children’s literacy skills through the systematic introduction of phonics (the connection of sounds with letters) and knowledge that aids in the development of literacy skills.<sup>15</sup> Parental engagement in these literacy activities at home plays a vital role in a child’s learning and development of literacy skills.

When a student is identified with a substantial reading deficiency, Florida law requires the student’s school to notify his or her parent.<sup>16</sup> The school must provide an explanation of the child’s particular difficulty in reading as well as descriptions of the services available and proposed interventions designed to address the child’s reading deficiency.<sup>17</sup> These parents are also provided with a “read-at-home plan,” which outlines strategies that parents can use to help their children improve in reading.<sup>18</sup> In addition, parents must receive their child’s performance results on the statewide, standardized ELA assessment in an easy to understand format within 1 week after the school district receives results from the department.<sup>19</sup> Among other requirements, the results report must outline specific actions and available resources for parents to assist their child based on identified strengths and weaknesses.<sup>20</sup>

## Book Distribution Programs

Book distribution programs seek to enhance home literacy environments by supplying free books to families to encourage early reading.<sup>21</sup> Book distribution programs are particularly effective when they provide parents with supports such as demonstrating book-reading, information sessions about literacy, and facilitating multiple personal contacts with families.<sup>22</sup> As research has shown book distribution programs to be effective and relatively low cost,<sup>23</sup> states, like Tennessee and Connecticut, have

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<sup>9</sup> See Rules 6A-6.0331(1) and 6A-1.099811(2)(r), F.A.C.

<sup>10</sup> Section 1008.25(5)(b), F.S. A student may be promoted if he or she meets a “good cause” exception as provided in s. 1008.25(6)(b), F.S.

<sup>11</sup> See ss. 1008.25(5)(b) and (7) and 1012.34(2)(e), F.S.

<sup>12</sup> Rule 6A-6.0331(1), F.A.C.

<sup>13</sup> Eileen T. Rodriguez & Catherine S. Tamis-LeMonda, *Trajectories of the Home Learning Environment Across the First 5 Years: Associations with Children’s Vocabulary and Literacy Prekindergarten*, 82 CHILD DEVELOPMENT 1058, 1059 (2011).

<sup>14</sup> *Id.*

<sup>15</sup> The “Science of Reading” is an interdisciplinary body of research, incorporating developmental psychology, educational psychology, cognitive science, and cognitive neuroscience, focusing on reading as a complex human behavior. This research-based method informs effective instruction of children learning to read. Mark Seidenberg, *Connecting the Science of Reading and Educational Practices*, <https://seidenbergreading.net/science-of-reading/> (last visited April 12, 2021).

<sup>16</sup> Section 1008.25(5)(c), F.S.

<sup>17</sup> Section 1008.25(5)(c)1-3., F.S.

<sup>18</sup> Section 1008.25(5)(c)5., F.S.

<sup>19</sup> Section 1008.22(7)(h), F.S.

<sup>20</sup> Section 1008.22(7)(h)2-3., F.S.

<sup>21</sup> Merel de Bondt et al., *Do Book Giveaway Programs Promote Home Literacy Environment and Children’s Literacy-Related Behavior and Skills?*, 90 REVIEW OF EDUCATION RESEARCH 349, 349 (2020). [hereinafter *Book Giveaway Programs*]

<sup>22</sup> *Id.* at 366.

<sup>23</sup> *Id.* at 350.

implemented book distribution programs to students.<sup>24</sup> Tennessee’s program, K-3 School Year Book Delivery Program, partners with a book publisher to deliver, free to families, “book packs,” consisting of ten, grade-appropriate books with guided activities and tips for parental engagement, to students’ homes.<sup>25</sup>

Community-based book distribution programs also support families as they work to improve their children’s reading skills. Two prominent book distribution programs include Dolly Parton’s Imagination Library and Reach Out and Read. Imagination Library is a book distribution program that partners with local organizations to distribute a free book each month to participating children from birth until they begin school.<sup>26</sup> Reach Out and Read distributes books to families during their visits to pediatric clinics.<sup>27</sup> In this program, in addition to physically providing books, effective book-reading strategies may be modeled for parents while medical professionals explain the importance of shared book-reading for a child’s development.<sup>28</sup>

### **Effect of Proposed Changes**

The bill creates the New Worlds Reading Initiative, Florida’s first statewide book distribution program, to provide at-home literacy supports for students reading below grade level. Under the initiative, a high-quality, hardcopy book is delivered on a monthly basis to eligible students. Their parents are provided resources to help improve their student’s reading skills and instill a love of reading. The Department of Education (DOE) must designate a state university to administer the initiative. The designated state university must be a registered eligible nonprofit scholarship-funding organization (SFO)<sup>29</sup> and host an academic innovation institution with extensive experience in:

- Conducting academic research in early literacy instruction.
- Implementing online delivery of early learning and literacy training for educators nationally.
- Developing online support materials that assist parents and caregivers in developing early literacy skills.
- Conducting fundraising and public awareness campaigns associated with the development and growth of evidence-based educational initiatives that support learning at home and in schools.

The bill establishes responsibilities for the state-level administrator to include:

- developing, in conjunction with the Just Read, Florida! Office, a selection of books, from a variety of genres and covering a range of topics, appropriate for each grade level;
- facilitating book distribution directly or through an agreement with a book distribution company;
- developing and distributing marketing materials to help school districts and any local partners raise awareness of the initiative;
- helping school districts identify potential nonprofit partners by maintaining a list of national, state, and local organizations that have experience supporting efforts to distribute books to children;
- developing training materials, including video and text resources, to assist families as they engage in reading and improve literacy skills;
- periodically distributing to participating families helpful tips and hyperlinks to video modules via text message and e-mail;

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<sup>24</sup> Governor’s Early Literacy Foundation, *Governor’s Early Literacy Foundation, Scholastic and TN Department of Education to Provide 580,000 Books to K-3 Students and Teachers in Tennessee*, <https://governorsfoundation.org/governors-early-literacy-foundation-scholastic-and-tn-department-of-education-to-provide-580000-books-to-k-3-students-and-teachers-in-tennessee/> (last visited on April 12, 2021); Connecticut Department of Education, *Scholastic Book Packs*, <https://portal.ct.gov/SDE/COVID19/BookPackInformation> (last visited April 12, 2021).

<sup>25</sup> Governor’s Early Literacy Foundation, *Governor’s Early Literacy Foundation, Scholastic and TN Department of Education to Provide 580,000 Books to K-3 Students and Teachers in Tennessee*, <https://governorsfoundation.org/governors-early-literacy-foundation-scholastic-and-tn-department-of-education-to-provide-580000-books-to-k-3-students-and-teachers-in-tennessee/> (last visited on April 12, 2021).

<sup>26</sup> *Book Giveaway Programs*, *supra* note 21 at 350.

<sup>27</sup> Reach Out & Read, *About*, <https://reachoutandread.org/about/> (last visited April 12, 2021).

<sup>28</sup> *Book Giveaway Programs*, *supra* note 21 at 352.

<sup>29</sup> See section 1002.395, F.S., and rule 6A-6.0960, F.A.C. For additional information, see discussion, *infra*, regarding the tax credit program established by the bill.

- annually submitting a financial report on initiative-related activities to the DOE;
- maintaining separate accounts for operating funds and funds for the purchase and delivery of books;
- expending eligible contributions received only to fund the required activities under the initiative, and up to 2 percent of such contributions for administration expenses; and
- providing taxpayers that make eligible contributions with a certificate of contribution.

The bill authorizes the administrator to carry forward up to 25 percent of eligible contributions to the next fiscal year in order to fund required activities under the initiative, such as book delivery and developing training materials. Any remaining contributions in excess of the carry forward amount must be used to provide additional books to students, otherwise they will revert to the state treasury.

A student in kindergarten through 5<sup>th</sup> grade must be provided books through the initiative if he or she is identified as having a substantial reading deficiency or scored below a level 3 on the prior year's statewide, standardized ELA assessment. The bill requires school districts to notify the parents of eligible students that they are eligible to receive books through the initiative at no cost and to provide parents with an application, developed by the administrator, that allows the selection of specific book topics or genres for the student. Eligible students must have the opportunity to identify preferred topics or genres at the beginning of each school year in order to maximize their interest in reading.

The bill requires that monthly book delivery begin no later than October and last through at least June. The bill requires school districts to coordinate with the administrator to initiate book delivery once a qualified student is identified. In the 2021-2022 school year, book delivery may begin no later than December 31, 2021, provided that nine books are provided to eligible students prior to the beginning of distribution of books for the 2022-2023 school year. Students remain eligible for the initiative until they are promoted to 6<sup>th</sup> grade or their parent opts out.

The bill requires school districts to partner with a local nonprofit organization for the purposes of raising awareness of the initiative, coordinating book delivery, and identifying eligible students and providing the required notification to the parents of eligible students. The school district must work with the charter schools they sponsor to identify eligible students, notify parents, provide the option to designate genres and topics of interest to the students, and raise awareness of the initiative. The school district and local partner organizations must raise awareness of the initiative through:

- the student handbook;
- the read-at-home plan provided to students identified with a substantial reading deficiency;
- curriculum or parent nights at each elementary school; and
- events held jointly with the local public library; the bill specifies that library events should coincide with similar family engagement initiatives such as library card drives.

The bill requires that books be delivered at no cost to families. The bill establishes a tax credit program to provide funding for the initiative, as explained below.

Beginning September 30, 2022, and annually thereafter, the DOE must report on its website the number of students participating in the initiative in each school district and the academic achievement and learning gains, as applicable, of participating students based on data provided by school districts as well as the administrator's annual financial report. The department must establish a date by which each school district must annually provide the data necessary to complete the report.

## **Present Situation**

### **State Revenue Sources**

Described below are select taxes imposed by Florida on certain businesses and products within the state.

### Corporate Income Tax

Florida imposes a 5.5 percent tax on the taxable income of certain corporations and financial institutions doing business in Florida.<sup>30</sup> Corporate income tax is remitted to the Department of Revenue (DOR) and distributed to General Revenue. Net collections of corporate income tax in FY 2020-21 are forecast to be \$2.81 billion.<sup>31</sup>

### Insurance Premium Tax

Florida imposes a 1.75 percent tax on most Florida insurance premiums.<sup>32</sup> Insurance premium taxes are paid by insurance companies under ch. 624, F.S., and are remitted to the DOR. These revenues are distributed to General Revenue with additional distributions to the Insurance Regulatory Trust Fund, the Police & Firefighters Premium Tax Trust Fund, and the Emergency Management Preparedness & Assistance Trust Fund. Net collections of insurance premium taxes are forecast to be \$930.1 million in FY 2020-21 with distributions to General Revenue of \$681 million.<sup>33</sup>

### Severance Taxes on Oil and Gas Production

Oil and gas production severance taxes are imposed on persons who sever oil or gas in Florida for sale, transport, storage, profit, or commercial use.<sup>34</sup> These taxes are remitted to the DOR and distributed to General Revenue with additional distributions to the Minerals Trust Fund and to the counties where production occurred. Receipts from the severance taxes on oil and gas are estimated to be \$1.3 million in FY 2020-2021 with distributions to General Revenue of \$9.3 million.<sup>35</sup>

### Sales Taxes Paid by Direct Pay Permit Holders

Section 212.183, F.S., authorizes the DOR to establish a process for the self-accrual of sales taxes due under ch. 212, F.S. The process involves the DOR granting a direct pay permit to a taxpayer, who then pays the taxes directly to the DOR.<sup>36</sup>

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<sup>30</sup> Sections 220.11(2) and 220.63(2), F.S.

<sup>31</sup> *General Revenue Consensus Estimating Conference Comparison Report*, p. 27, available at <http://edr.state.fl.us/Content/conferences/generalrevenue/grpackage.pdf>.

<sup>32</sup> Section 624.509, F.S. (Different tax rates apply to wet marine and transportation insurance, self-insurance, and annuity premiums.)

<sup>33</sup> *General Revenue Consensus Estimating Conference Comparison Report*, p. 34, available at <http://edr.state.fl.us/Content/conferences/generalrevenue/grpackage.pdf>.

<sup>34</sup> Sections 211.02(1) and 211.025, F.S.

<sup>35</sup> *General Revenue Consensus Estimating Conference Comparison Report*, p. 38, available at <http://edr.state.fl.us/Content/conferences/generalrevenue/grpackage.pdf>.

<sup>36</sup> Section 212.183, F.S., and rule 12A-1.0911, F.A.C. Direct pay permit holders include: dealers who annually make purchases in excess of \$10 million per year in any county; dealers who annually purchase at least \$100,000 of tangible personal property, including maintenance and repairs for their own use; dealers who purchase promotional materials whose ultimate use is unknown at purchase; eligible air carriers, vessels, railroads, and motor vehicles engaged in interstate and foreign commerce; and dealers who lease realty from a number of independent property owners.

## Alcoholic Beverage Taxes

Florida imposes excise taxes on malt beverages, wines, and other beverages.<sup>37</sup> The taxes are due from manufacturers, distributors and vendors of malt beverages, and from manufacturers and distributors of wine, liquor, and other specified alcoholic beverages. Taxes are remitted to the Division of Alcoholic Beverages and Tobacco (Division) in the Department of Business and Professional Regulation (DBPR).

The Division is responsible for supervising the conduct, management, and operation of the manufacturing, packaging, distribution, and sale of all alcoholic beverages in Florida.<sup>38</sup> Distributions of the excise taxes on alcoholic beverages are made to the General Revenue Fund, the Alcoholic Beverage and Tobacco Trust Fund, and Viticulture Trust Fund. Collections of alcoholic beverage taxes are forecast to be \$757.1 million in FY 2020-21 with distributions to General Revenue of \$297.5 million.<sup>39</sup>

## **Florida Tax Credit Scholarship Program**

### Background

The Florida Tax Credit Scholarship Program (FTC) was created in 2001<sup>40</sup> and allows taxpayers to make private, voluntary contributions to scholarship-funding organizations (SFOs) that can then be awarded as scholarships to eligible low-income students for private school tuition and fees. Taxpayers can receive a tax credit for use against their liability for corporate income tax, insurance premium tax, severance taxes on oil and gas production, self-accrued sales tax liabilities of direct pay permit holders or alcoholic beverage taxes on beer, wine, and spirits.<sup>41</sup> The tax credit is equal to 100.0 percent of the eligible contributions made.<sup>42</sup> To receive a tax credit the taxpayer must submit an application to the Department of Revenue and specify each tax for which the taxpayer requests a credit and the applicable taxable or state fiscal year for the credit.<sup>43</sup> Taxpayers can rescind tax credits, which will become available to another eligible taxpayer in that fiscal year.<sup>44</sup>

### Eligible Nonprofit Scholarship-funding Organizations

Under the FTC, a state university may register with the DOE to be recognized as an SFO.<sup>45</sup> The DOE adopted an administrative rule outlining the registration requirement and setting forth reporting requirements.<sup>46</sup> SFOs in compliance with state law and the applicable DOE rule are authorized to receive eligible contributions under the FTC and disburse funds to eligible individuals as set forth in the FTC statute.<sup>47</sup>

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<sup>37</sup> Sections 563.05, 564.06, and 565.12, F.S.

<sup>38</sup> Section 561.02, F.S.

<sup>39</sup> *General Revenue Consensus Estimating Conference Comparison Report*, p. 31, available at <http://edr.state.fl.us/Content/conferences/generalrevenue/grpackage.pdf>.

<sup>40</sup> Section 1002.395, F.S.

<sup>41</sup> Section 1002.395(1) and (5), F.S.

<sup>42</sup> Sections 220.1875 and 1002.395(5), F.S.

<sup>43</sup> Section 1002.395(5)(b), F.S.

<sup>44</sup> Section 1002.395(5)(e), F.S.

<sup>45</sup> Section 1002.395(15)(i), F.S.

<sup>46</sup> Rule 6A-6.0960, F.A.C.

<sup>47</sup> See section 1002.395, F.S., and rule 6A-6.0960, F.A.C.

## **Effect of Proposed Changes**

### **New Worlds Reading Initiative Tax Credit**

#### **Tax Credits for Contributions to the New Worlds Reading Initiative**

Under the New Worlds Reading Initiative established by the bill, businesses that make monetary donations to the administrator may receive a dollar-for-dollar credit against the following tax liabilities:

- Corporate income tax;
- Insurance premium tax;
- Severance taxes on oil and gas production;
- Alcoholic beverage tax on beer, wine, and spirits; or
- Self-accrued sales tax liability of direct pay permit holders.

New sections are created in each of the applicable tax chapters to create the credit authorized in s. 1003.485, F.S., as discussed further below.

#### **Certification and Responsibilities of the Designated Administrator**

The administrator must be a state university registered with the DOE as a SFO, pursuant to law and DOE rule, and must satisfy certain criteria established by the bill.<sup>48</sup> The administrator must comply with reporting and other requirements established by the DOE to maintain its status as a SFO.

#### **Responsibilities of the Department of Education**

The DOE is responsible for designating an administrator for the initiative that satisfies the requirements of the bill. Additionally, the DOE must publish information about the initiative and its associated tax credit program, including the process by which a taxpayer can select the administrator as the recipient of funding through a tax credit, on its website.

#### **Revenue Sources**

##### ***Corporate Income Tax***

The bill creates s. 220.1876, F.S., which, beginning January 1, 2022, authorizes a credit of 100% of an eligible contribution to the initiative against any tax due under ch. 220, F.S., for corporate income tax.

##### ***Insurance Premium Tax***

The bill creates s. 624.51056, F.S., which, beginning January 1, 2022, authorizes a credit of 100% of an eligible contribution to the initiative against any tax due under s. 624.509(1), F.S.

##### ***Severance Taxes on Oil and Gas Production***

The bill creates s. 211.0252, F.S., which, beginning July 1, 2022, authorizes a credit of 100% of an eligible contribution to the initiative against any tax due under ss. 211.02 or 211.025, F.S., for oil or gas production. However, the credit may not exceed 50% of the tax due on the return the credit is taken, and this credit may be used only after any credit under s. 211.0251, F.S., has been used, up to a total of 50% of the liability on the return. The bill directs DOR to disregard tax credits under this section for purposes of the distributions of tax revenue under s. 211.06, F.S., so that only amounts distributed to the General Revenue Fund are reduced.

##### ***Sales Taxes Paid by Direct Pay Permit Holders***

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<sup>48</sup> See text accompanying note 29, *supra*.



The bill creates s. 212.1833, F.S., which, beginning July 1, 2022, authorizes a credit of 100% of an eligible contribution to the initiative against any state sales tax due from a direct pay permit holder as a result of the direct pay permit held pursuant to s. 212.183, F.S. The bill directs the DOR to disregard tax credits under this section for purposes of the distributions of tax revenue under s. 212.20, F.S., so that only amounts distributed to the General Revenue Fund are reduced.

#### *Alcoholic Beverage Taxes*

The bill creates s. 561.1212, F.S., which, beginning July 1, 2022, authorizes a credit of 100% of an eligible contribution to the initiative against tax due under ss. 563.05, 564.06, or 565.12, F.S., except for taxes imposed on domestic wine production. Further, the credit is limited to 90% of the tax due on the return the credit is taken. The Division must disregard tax credits under this section for purposes of the distributions of tax revenue under ss. 561.121 and 564.06(10), F.S., so that only amounts distributed to the General Revenue Fund are reduced.

#### *Application and Approval of Tax Credits by DOR*

Taxpayers that wish to participate in the program by making a donation to the initiative must apply to the DOR beginning October 1, 2021, for an allocation of tax credit. The taxpayer must specify in the application each tax for which the taxpayer requests a credit, the applicable taxable year for a credit under ss. 220.1876 or 624.51056, F.S., relating to the corporate income and insurance premium tax credits, and the applicable state fiscal year for a credit under ss. 211.0252, 212.1833, or 561.1212, F.S., relating to oil and gas production, direct pay permit sales, and alcoholic beverage tax credits, respectively. The DOR is required to approve the tax credits on a first-come, first-served basis and must obtain the approval of the Division prior to approving an alcoholic beverage tax credit under s. 561.1212, F.S.

Any unused credit may be carried forward up to ten years. The bill generally does not allow a taxpayer to convey, transfer, or assign the credit to another entity unless all of the assets of the taxpayer are conveyed, transferred, or assigned in the same transaction. Upon approval of the DOR, transfers may be made between members of an affiliated group of corporations if the credit transferred will be taken against the same type of tax.

#### *Rescinding Tax Credits*

A taxpayer may apply to the DOR to rescind all or part of an approved tax credit. The amount rescinded becomes available for that state fiscal year to another eligible taxpayer as approved by the DOR if the taxpayer receives notice that the rescindment has been accepted.

#### *Cap on Annual Tax Credit Approvals*

The annual tax credit cap for all credits under the initiative increases as follows:

- \$10 million for FY 2021-22.
- \$30 million for FY 2022-23.
- \$50 million for each following FY.

#### *Provisions Specific to Corporate Income Tax*

The bill amends two additional corporate income tax provisions related to the ordering and administration of tax credits to:

- specify the order that credits for contributions to eligible charitable organizations are to be claimed relative to other credits authorized under ch. 220, F.S.; and
- add tax credit amounts claimed under s. 220.1876, F.S., back to taxable income for the purpose of determining a taxpayer's "adjusted federal income."

The bill provides rulemaking authority to the DOR, the DOE, and the DBPR. In addition, the DOR is granted emergency rulemaking authority for purposes of implementing the act.

B. SECTION DIRECTORY:

**Section 1.** Provides legislative findings.

**Section 2.** Creates s. 211.0252, F.S., providing credit against oil and gas production taxes under the New Worlds Reading Initiative Tax Credit; specifying requirements and procedures for, and limitations on, the credit.

**Section 3.** Creates s. 212.1833, F.S., providing credit against sales taxes payable by direct pay permit holders under the New Worlds Reading Initiative Tax Credit; specifying requirements and procedures for, and limitations on, the credit.

**Section 4.** Amends s. 220.02, F.S., revising the order in which tax credits against the corporate income tax credit or the franchise tax are applied.

**Section 5.** Amends s. 220.13, F.S., revising the definition of the term "adjusted federal income."

**Section 6.** Amends s. 220.186, F.S., revising the calculation of the corporate income tax credit for the Florida alternative minimum tax.

**Section 7.** Creates s. 220.1876, F.S., providing a credit against the corporate income tax under the New Worlds Reading Initiative Tax Credit; specifying requirements and procedures for, and limitations on, the credit.

**Section 8.** Creates s. 561.1212, F.S., providing credit against excise taxes on certain alcoholic beverages under the New Worlds Reading Initiative Tax Credit; specifying requirements and procedures for, and limitations on, the credit.

**Section 9.** Creates s. 624.51056, F.S., providing credits against the insurance premium tax under the New Worlds Reading Initiative Tax Credit; specifying requirements and procedures for, and limitations on, the credit.

**Section 10.** Creates s. 1003.485, F.S., providing definitions; establishing the New Worlds Reading Initiative under the Department of Education; requiring the department to contract with a state university to administer the initiative; providing duties of the department and administrator; requiring the administrator, in consultation with a specified entity, to develop a selection of books; requiring the administrator to facilitate distribution of books; requiring the administrator to assist with local implementation of the initiative; requiring the administrator to maintain a clearinghouse of specified information; requiring the administrator to develop and disseminate certain training materials by specified means; requiring the administrator to annually submit an audit report; requiring the administrator to maintain specified accounts for program funds; providing spending requirements; requiring the administrator to provide a certificate of contribution in certain circumstances; establishing reporting requirements; establishing a tax credit cap amount; authorizing a taxpayer to apply for a tax credit; providing requirements for the application; specifying a limitation on, and application procedures for, the tax credit; specifying requirements and procedures for, and restrictions on, the carryforward, conveyance, transfer, assignment, and rescindment of credits; specifying requirements and procedures for the Department of Revenue; establishing student eligibility requirements; requiring school districts to identify eligible students and notify parents; requiring school districts to coordinate with the administrator to initiate book delivery; providing requirements for book delivery; requiring that students be offered certain options relating to books; specifying when student eligibility ends; requiring school districts raise awareness of the initiative; authorizing the Department of Revenue, the Division of Alcoholic Beverages and Tobacco of the Department of Business and Professional Regulation, and the Department of Education to develop a cooperative agreement and adopt rules..

**Section 11.** Amends s. 1008.25, F.S., requiring that a certain notification include information about the initiative.

**Section 12.** Authorizing the Department of Revenue to adopt emergency rules.

**Section 13.** Provides an effective date of upon becoming law.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

### **C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

### **D. FISCAL COMMENTS:**

The bill requires that books be provided at no cost to families. Based on the most recent statewide, standardized English Language Arts assessment results, it is estimated that, at a minimum, over 557,344 kindergarten through grade 5 students would be eligible to participate in the initiative. The bill establishes the funding mechanism for the payment and delivery of these books through eligible tax credit contributions. Any necessary start-up costs associated with the implementation of the New Worlds Reading Initiative will be dependent upon an appropriation provided by the Legislature in the Fiscal Year 2021-2022 General Appropriations Act.

## **III. COMMENTS**

### **A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

### **B. RULE-MAKING AUTHORITY:**

The bill authorizes the DOR, the DOE, and the DBPR to undertake rulemaking to implement the provisions of the bill. The bill also provides the DOR with emergency rulemaking authority to implement the tax credit provisions of the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

On March 2, 2021, the PreK-12 Appropriations Subcommittee adopted a proposed committee substitute (PCS) and reported the bill favorably as a committee substitute. The PCS differs from the bill as originally filed by:

- deleting the requirement that school districts apply to participate in the initiative, instead allowing all eligible students to participate regardless of where they are enrolled; and
- deleting the requirement that school districts provide 50 percent of funding to purchase and deliver books to their students and that funding be provided on a pro rata basis.

On April 15, 2021, the Education and Employment Committee adopted one amendment, as amended, and reported the bill favorably as a committee substitute. The amendment:

- Creates ss. 211.0252, 212.1833, 220.1876, 561.1212, and 624.51056, F.S., establishing eligible tax credits to provide funding for the New Worlds Reading Initiative.
- Amends corporate tax provisions relating to the ordering and administration of tax credits against corporate tax liability.
- Requires the DOE to designate an administrator for the initiative and provides eligibility criteria.
- Updates responsibilities of the administrator to include use of eligible contributions, carrying forward funds, appropriate management of funds received from taxpayers, and annual financial reporting.
- Requires school districts to coordinate implementation with charter schools.
- Provides flexibility in distributing books in the 2021-2022 school year, provided that the required number of books are still distributed to eligible students.
- Requires the DOE to publish information about the initiative on its website rather than in a report to the Governor, the President of the Senate and the Speaker of the House of Representatives.
- Authorizes DOR to perform emergency rulemaking to implement the tax credits created for the New Worlds Reading Initiative.

The analysis is drafted to the committee substitute as approved by the Education & Employment Committee.