



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 556** HLS 21RS 1029
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 3, 2021	8:55 AM	Author: DEVILLIER
Dept./Agy.: Education		
Subject: Education Savings Account Program		Analyst: Garrett Ordner

SCHOOLS/CHOICE OR INCREASE GF EX See Note Page 1 of 1
 Creates and provides for a program to provide state funding for the education of students not enrolled in public school

Proposed law creates the Education Savings Account (ESA) Program to be administered by the Department of Education (LDE) in accordance with Board of Elementary and Secondary Education (BESE) rules. Rules must provide for eligibility, audits, LDE's authority to deem students ineligible and to contract with nonprofit organizations for administration. Requires LDE to allocate to each account annually the state's per-pupil allocation as provided in the Minimum Foundation Program (MFP) formula, and to develop a system for parents to direct account funds to participating schools. Provides that funds must be used for qualified educational expenses, up to 50% of total funds deposited into the account in a school year may rolled over if unused, and that under certain circumstances, funds are returned to the state general fund. Provides for student, school, and service provider eligibility. Requires the use of a nationally norm-referenced test or statewide assessment in participating schools. Provides for reporting requirements by the LDE. Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

There will be a potentially significant increase in expenditures to develop and fund the Education Savings Accounts (ESA); however, the Legislative Fiscal Office (LFO) has not yet received information from the Department of Education (LDE) regarding the expected fiscal impact of the proposed legislation. The LFO will update this fiscal note as additional information becomes available.

Parents or guardians must apply for an account with LDE within program timelines and sign an agreement to comply with program requirements. In addition, the student must meet one of three criteria: (1) have a parent or guardian in active duty military service, (2) have been enrolled in a school in the previous school year that did not offer a 100% in-person instruction option, or (3) be residing with a prospective or permanent placement through foster care. While the LFO does not have comprehensive data on school districts' instructional offerings, it is likely that many schools did not offer a 100% in-person instruction option for much of the 2020-2021 school year; thus, a significant number of students will likely be eligible for this program.

It is unclear whether the proposed legislation would prohibit students who currently attend nonpublic schools that did not offer an option for 100% in-person instruction, including online-only nonpublic schools, from becoming eligible for the ESA program. If this student population is eligible, there will likely be significant SGF costs to fund the educational expenses of current nonpublic school students. The proposed legislation would allocate an amount for Education Savings Accounts equal to the state Minimum Foundation Program (MFP) per pupil allocation, which averages \$5,500 under the BESE-adopted formula. For illustrative purposes, for every 100 students who do not currently attend public schools participate in the program, the state will incur an annual SGF cost of \$550,000. Actual state costs will vary by district and the number of students that participate in the program.

Finally, the proposed law requires LDE to administer the program. Although the Department would be allowed to contract with a nonprofit organization for administration of the program, or a portion of the program, it is expected to experience increased state costs. For illustrative purposes, it would cost \$82,900 for each position required (assuming an average LDE salary of \$65,300 and \$17,600 related benefits). LDE will likely need to develop a system to allow for electronic payments of funds from the account for qualified educational expenses, and LDE will likely experience audit costs similar to the Louisiana Scholarship Program, which exceeds \$450,000 per year. Note: LDE has not yet provided an estimate of the expected costs.

REVENUE EXPLANATION

There may be a decrease in MFP allocations to local school districts to the extent that the proposed legislation causes students to attend nonpublic schools in lieu of public schools; however, the Legislative Fiscal Office (LFO) has not yet received information from the Department of Education regarding the expected fiscal impact to local school districts. The account shall be closed and the funds in the account shall be returned to the state general fund if the student is determined to be no longer eligible, if an account has been inactive for two consecutive years, or if a parent fails to comply with the provisions of proposed law or state board rules pertaining to the program.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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