

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 9** HLS 23RS 63

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 10, 2023	2:21 PM	<b>Author:</b> BUTLER
<b>Dept./Agy.:</b> Education		<b>Analyst:</b> Julie Silva
<b>Subject:</b> Education Scholarship Account Program		

SCHOOLS/CHOICE RE INCREASE GF EX See Note Page 1 of 2  
Creates and provides for a program to provide state funding for the education of students with exceptionalities not enrolled in public school

Proposed law creates an Education Scholarship Account (ESA) Program to be administered by the Department of Education (LDE) in accordance with Board of Elementary and Secondary Education (BESE) rules. Requires LDE to allocate, from funds appropriated or otherwise made available, the state base amount per pupil plus the special education weight, which is calculated at 150% times the state's base per pupil amount and to develop a system for parents to direct account funds to participating providers. Provides that funds must be used for qualifying educational expenses. Funds deposited into the account in a school year may roll over if unused; funds may be returned to the state general fund under certain circumstances. Provides that up to 5% of appropriated funds may be withheld by LDE for administrative expenses. Provides that account funds do not constitute taxable income and shall not be claimed as a credit, deduction, exemption, or rebate.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There will be an increase in state expenditures to develop and fund the Education Scholarship Account (ESA) Program. The Department of Education (LDE) anticipates program planning and administration will cost the department \$239,043, beginning in FY 24. Up to 5% of funding allocated to accounts may be withheld for administrative expenses. Local school systems may experience reduced costs due to reduced enrollment. The LFO interprets language in the proposed legislation to mean the Level 1 base allocation per pupil plus the special education weight, which is calculated at 150% times the base allocation per pupil. Because the MFP is calculated in such a way that the state and local school districts share responsibility for Level 1 funding (with that amount varying by district), and the state will be responsible for funding the entirety of the ESA accounts, the cost of ESA awards will not equal the amount saved through reduced MFP funding.

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**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 extent of such losses is indeterminable. The ESA shall be closed and funds in the account shall be returned to the state general fund if the student is determined to be no longer eligible, if a parent fails to comply with the provisions of proposed law or Board of Elementary and Secondary Education (BESE) rules and regulations pertaining to the program, or if an account has been inactive for two consecutive years, unless the legislature has failed to appropriate funds for the program for those two years, in which case the account will remain open.

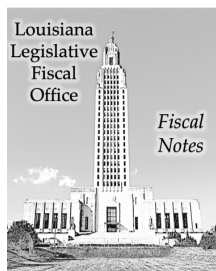
Proposed legislation states that account funds do not constitute taxable income and shall not be claimed as a credit, deduction, exemption, or rebate and thus will have no impact on state tax revenues.

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}

*Evan Brasseaux*  
**Evan Brasseaux**  
**Interim Deputy Fiscal Officer**

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**CONTINUED EXPLANATION from page one:**

Beginning in FY 24, the LDE reports that it will require \$223,954 to create one (1) Education Program Consultant 4 position (\$82,441 base salary and \$37,098 related benefits) and one (1) Budget Analyst 4 or Budget Manager position (\$72,010 base salary and \$32,405 related benefits). The Education Program Consultant 4 will be responsible for the implementation of the program, policy and guidance development, partner/vendor management, and public outreach. The Budget Analyst 4 will manage the fiscal portion of the program and, in collaboration with other Education Finance staff and/or the external vendor, ensure that the program has appropriate fiduciary accountability. LDE reports that it will require \$15,089 in FY 24 for operating expenses. The LDE assumes an annual increase of 4% for staff salaries and benefits and a 5% increase for operating expenses.

Eligible students, among other criteria, must be enrolled in kindergarten or have been enrolled in a Louisiana public school during the previous year and be a student with an exceptionality other than being gifted or talented. Participants will receive funding equal to the state's base per-pupil amount as provided in the MFP, plus the special education weight as provided in the MFP for the purposes of this fiscal note, the LFO interprets this language to mean the Level 1 base allocation of \$4,015 per pupil. The special education weight is 150% times the state's base per pupil amount. Based on this, a student could expect to receive an ESA account deposit of \$10,038 minus administrative fees.

The program will require a separate, new appropriation of SGF dollars. Based on the figures included above, if 2,000 public school students participate in the ESA program, accounts would be eligible for deposits totaling \$20.1 M and the LDE could withhold \$1 M (5%) for administrative expenses. This would result in the ESA awards equaling an estimated \$9,536 each.

Proposed legislation requires the program begin enrolling students at the start of the 2024-2025 school year. In order meet this requirement, LDE reports needing a planning year to research contracting with an external vendor for services to administer the program, including an electronic system to manage the accounts and a data collection component on spending categories. To obtain a vendor/contractor, LDE would require an RFP to identify vendors through a competitive process. The RFP process, according to the Office of State Procurement, could take up to 12 months to complete in order to meet all the requirements of law. If a vendor cannot be procured to begin implementation until the RFP process is concluded, the planning phase could take over 12 months, inclusive of hiring the leadership team preceding the RFP process. Proposed legislation allows LDE to withhold 5% from each account for administrative costs. This 5% could cover a portion or all of the annual ongoing operating costs to support services, maintenance, and updates by the contracted vendor depending on the outcomes of the RFP

To the extent local school districts see reduced enrollment due to program participation, local governments would see a decrease in expenditures associated with the local portion of MFP funding. This impact is indeterminable, will vary by school district, and is not likely to be significant.

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}

*Evan Brasseaux*

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