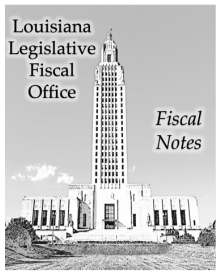


LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 66** HLS 24RS 36

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 5, 2024	11:21 AM	Author: BUTLER
Dept./Agy.: EDUCATION		Analyst: Julie Silva
Subject: Education Scholarship Account Program		

SCHOOLS/CHOICE OR 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 (LDOE) in accordance with Board of Elementary and Secondary Education (BESE) rules. Requires LDOE to allocate, from funds appropriated or otherwise made available, the state base per pupil amount 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; and under certain circumstances, funds may be returned to the state general fund. Provides that up to 5% of appropriated funds may be withheld by LDOE for administrative expenses. Proposed law is effective upon governor's signature and would allow student enrollment to begin in the 2025-2026 school year.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	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	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
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	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There will be an increase in state expenditures to develop and fund the Education Scholarship Account (ESA) Program. Local school systems may experience reduced costs due to potential reduced enrollment.

The Department of Education (LDOE) anticipates program planning and administration costs will begin in FY 25. Up to 5% of funding allocated to ESA accounts may be withheld for administrative expenses, but this funding would not be available until the ESA program is implemented in FY 26. Proposed legislation requires LDOE to make annual allocations to each account, using funds appropriated or otherwise made available for the program, in an amount equal to the state's base per pupil amount as provided in the Minimum Foundation Program (MFP) formula, plus the special education weight as provided in the MFP times the state's base per pupil amount. The LFO interprets this 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 formula 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 participation.

Page two of this note includes estimates of anticipated yearly costs to implement and operate an ESA program through FY 29, as well as information on how an ESA deposit amount is calculated, and an example illustrating the impact of ESA deposits on SGF expenditures.

CONTINUED ON PAGE 2

REVENUE EXPLANATION

There may be a decrease in MFP allocations to local school districts to the extent the proposed legislation causes students to attend nonpublic schools in lieu of public schools. The total impact of such losses is indeterminable; however, to the extent students previously enrolled in public school leave the system to enroll in the ESA program, there would eventually be a corresponding reduction to MFP funding. An ESA shall be closed and funds in the account returned to the state general fund if a 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.

The Louisiana Department of Revenue reports that ESA funds may or may not be taxable as income based upon the Internal Revenue Service's scholarship provisions.

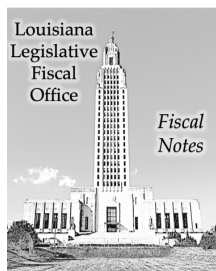
Proposed legislation allows that funds from the ESA can be used to pay for certain, qualified education expenses such as tuition, fees, and textbooks, etc. Expenditures made with ESA funds may be deductible under the school expense deductions provided for in R.S. 47:297.10, which can cause an indeterminable reduction in state tax revenues. Students participating in the ESA program are prohibited from concurrently participating in the Course Choice Program, the Student Scholarships for Educational Excellence Program, the School Choice Program for Certain Students with Exceptionalities, or the Tuition Donation Credit 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}


Patrice Thomas
Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

FY 25 Estimated Administration Costs - \$1.8 M

Beginning in FY 25, LDOE reports that it will require **\$261,726** to create one (1) Education Program Consultant (EPC) 4 (\$84,989 base salary, \$37,098 related benefits, and \$16,500 operating expenses) and one (1) Budget Analyst (BA) 4 (\$74,235 base salary, \$32,404 related benefits, and \$16,500 operating expenses). The EPC 4 will be responsible for the implementation of the program, policy and guidance development, partner/vendor management, and public outreach. The BA 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. Proposed legislation requires the program begin enrolling students at the start of the 2025-2026 school year and that "the department shall develop a system for parents to direct account funds to participating schools and service providers by electronic funds transfer, clearing house transfer, or another system. The department may contract with a vendor or provider to manage the payment system." Based on previously implemented systems, the LDOE estimates a one-time setup cost of **\$1 M** in FY 25. Setup includes working with a vendor to design a process for review and approval of expenditures, a payment process, and to develop program reports. The department reports an additional **\$500,000** will be required to cover communications costs. These communications, targeted to inform eligible families of the new program, will include newspaper, TV, radio, and social media announcements statewide. This is an estimated cost based on the level of communications outreach anticipated.

FY 26 Estimated Administration Costs - \$2.4 M

LDOE assumes an annual 4% increase in salaries and related benefits, and an annual 5% increase in operating expenses. As a result, employee costs in FY 26 will total **\$272,525**. The department reports the cost of communications outreach will lessen as the program becomes more widely known, and accordingly reduces estimated expenditures for this purpose in FY 26 and beyond to **\$250,000**. LDOE estimates the following based on enrollment of 5,000 families in year one of program implementation. Licenses for similar programs usually cost between \$15 to \$50, per user. Assuming a cost of \$30 per license, total associated costs are estimated to be **\$150,000** (\$30 x 5,000) in FY 26. Similar systems typically charge a transaction fee for each transaction made on an account. These transaction rates or amounts vary, but for the purposes of this fiscal note, \$20 per transaction is assumed. Based on this, and the assumption each account will have, at a minimum, one transaction per month, it is estimated total transaction fees in FY 26 will equal **\$1.2 M** (\$20 x 12 x 5,000). Finally, the vendor charges a fee for account management/ customer service, and provides such services for eight hours a day, five days a week. Costs for this are estimated, based on similar systems, to be \$100/ per account, per year or **\$500,000** in FY 26.

FY 27 Estimated Administration Costs - \$2.8 M

Employee costs in FY 27 are estimated to increase to **\$283,772**. Communications costs remain the same at **\$250,000**. Vendor related costs assume an increase in participation in year two to 6,000 families. License fees are also anticipated to increase by 10%. As a result, licensing fees are estimated to cost **\$198,000** (\$33 x 6,000) in FY 27. Transaction fees, estimated to remain the same at \$20, will cost **\$1.4 M**, and vendor fees, also remaining flat at \$100/ per account, per year will increase to **\$600,000**.

FY 28 Estimated Administration Costs - \$3.2 M

Employee costs in FY 28 are estimated to increase to **\$295,487**. Communications costs remain the same at **\$250,000**. Vendor related costs assume an increase in participation in year three to 7,000 families. License fees are also anticipated to increase by 10%. As a result, licensing fees are estimated to cost **\$254,100** (\$36.30 x 7,000) in FY 27. Transaction fees, estimated to remain the same at \$20, will cost **\$1.7 M**, and vendor fees, also remaining flat at \$100/ per account, per year will increase to **\$700,000**.

FY 29 Estimated Administration Costs - \$3.6 M

Employee costs in FY 29 are estimated to increase to **\$307,689**. Communications costs remain the same at **\$250,000**. Vendor related costs assume an increase in participation in year four to 8,000 families. License fees are also anticipated to increase by 10%. As a result, licensing fees are estimated to cost **\$319,440** (\$39.93 x 8,000) in FY 29. Transaction fees, estimated to remain the same at \$20, will cost **\$1.9 M**, and vendor fees, also remaining flat at \$100/ per account, per year will increase to **\$800,000**.

Proposed legislation permits LDOE to withhold 5% of ESA deposits for administrative costs. These funds would be used to provide ongoing support for vendor system costs beginning in FY 26, but will not be available to support initial implementation costs incurred in FY 25.

In addition to the above costs, actual ESA deposits will result in a further increase in SGF expenditures. The explanation below provides information on how an ESA deposit amount is calculated and an example illustrating impacts to SGF expenditures.

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 (\$6,023). Based on this, a student could expect to receive an ESA 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 5,000 public school students participate in the ESA program in FY 26, accounts would be eligible for deposits totaling \$50.2 M and the LDOE could withhold \$2.5 M (5%) for administrative expenses. This would result in estimated ESA deposits of \$9,536 each.

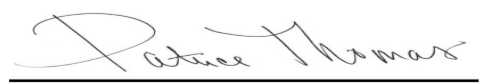
The state will experience an overall increase in costs to fund ESA accounts compared to the costs for those same participants should they have been funded in the MFP formula allocation. This increase will vary depending on the number of students who participate in the program and on the resident school district of the participants. For example, in November 2023, the projected 2023-24 state MFP per-pupil allocation to the St. Helena Parish School District is \$8,232; a participating student from this district would receive a pre-administrative fee award of \$10,038, resulting in an increase in cost to the state of \$1,806. The projected state MFP per-pupil allocation to the St. Charles Parish School District is \$3,152; a participating student from this district would also receive pre-administrative fee award of \$10,038, resulting in an increase in cost to the state of \$6,886.

Local Funds Expenditures:

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

- Senate
- 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}


Patrice Thomas
 Deputy Fiscal Officer