

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 191** HLS 24RS 538

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 17, 2024 4:08 PM	Author: FREIBERG
Dept./Agy.: EDUCATION	Analyst: Julie Silva
Subject: Education Savings 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 certain students who have been victims of bullying and are not enrolled in public school

Proposed law creates an Education Savings 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, an amount equal to the state's average per-pupil allocation as provided in the Minimum Foundation Program (MFP) formula considering all weighted student characteristics, and to develop a system for parents to direct account funds to participating providers. 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 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 for program administration. Provides for student, school, and service provider eligibility, specifically requires participants be a reported victim of bullying. Requires the use of a nationally norm-referenced test or statewide assessment in participating schools. Provides for reporting requirements by the LDOE. Effective upon governor's signature.

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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	

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

EXPENDITURE EXPLANATION

There will be an increase in state expenditures to develop and fund the Education Savings 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 average per pupil allocation as provided in the Minimum Foundation Program (MFP) formula, considering all weighted student characteristics. Because the state's portion of such per-pupil allocations varies by district, the cost of awards will not necessarily be equal to the amount saved through reduced MFP funding.

Page two of this note includes detailed estimates of anticipated yearly costs to implement and operate an ESA program, as contemplated in this measure, through FY 29. Additional information is also provided on how an ESA deposit amount is calculated, and an example illustrating the impact of ESA deposits on SGF expenditures. Due to the limited eligibility requirements, an estimate 2,500 students is used in the first year of implementation (FY 26), with an estimated growth of an additional 500 participants in each subsequent year.

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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. The ESA shall be closed and the funds in the account 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.

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 funds from the ESA be used to pay for only qualified education expenses such as tuition, fees, and textbooks, etc. The expenditures made with ESA funds may be deductible under the school expense deductions provided for in R.S. 47:297.10, which could cause an indeterminable reduction in state tax revenues. Students participating in the ESA program are prohibited from concurrently participating in other state programs including: any other ESA program provided for in Title 17, 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
 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 - \$1.5 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**. The LDOE estimates the following based on enrollment of 2,500 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 **\$75,000** (\$30 x 2,500) 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 **\$600,000** (\$20 x 12 x 2,500). 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 **\$250,000** in FY 26.

FY 27 Estimated Administration Costs - \$1.7 M

Employee costs in FY 27 are estimated to increase to **\$283,773**. Communications costs remain the same at **\$250,000**. Vendor related costs assume an increase in participation in year two to 3,000 families. License fees are also anticipated to increase by 10%. As a result, licensing fees are estimated to cost **\$99,000** (\$33 x 3,000) in FY 27. Transaction fees, estimated to remain the same at \$20, will cost **\$720,000**, and vendor fees, also remaining flat at \$100/ per account, per year will increase to **\$300,000**.

FY 28 Estimated Administration Costs - \$1.9 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 3,500 families. License fees are also anticipated to increase by 10%. As a result, licensing fees are estimated to cost **\$127,050** (\$36.30 x 3,500) in FY 27. Transaction fees, estimated to remain the same at \$20, will cost **\$840,000**, and vendor fees, also remaining flat at \$100/ per account, per year will increase to **\$350,000**.

FY 29 Estimated Administration Costs - \$2.1 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 4,000 families. License fees are also anticipated to increase by 10%. As a result, licensing fees are estimated to cost **\$159,720** (\$39.93 x 4,000) in FY 29. Transaction fees, estimated to remain the same at \$20, will cost **\$960,000**, and vendor fees, also remaining flat at \$100/ per account, per year will increase to **\$400,000**.

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 are likely to result in a further net 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 must be enrolled in kindergarten or have been enrolled in a Louisiana public school during the previous school year. Additionally, eligibility requires that either: (1) the child's parent, legal guardian, teacher, or other school official has made two or more reports of separate instances of bullying and either no investigation has occurred or no resolution acceptable to the parent or guardian has been reached, or (2) the student has been the victim of bullying that involved sexual assault as defined where the perpetrator is a student at the victim's school. The LDOE reports that 915 bullying incidents were reported in the 2018-19 school year. The number of students reported to have been victims of bullying more than once is indeterminable. The U.S. Department of Education estimates that six sexual assaults occurred in Louisiana public schools in the 2020-21 school year, based upon data from its Civil Rights Data Collection survey.

Participants will receive funding equal to the state's average per-pupil allocation in the MFP formula, considering all student characteristics. For the purposes of this fiscal note, the LFO interprets this language to mean the per pupil average funding for which the state is responsible in Levels 1-3, as calculated in the MFP formula, including all weighted funds based on student characteristics. Assuming this, a student could expect to receive an ESA deposit of \$5,462. **The program will require a separate, new appropriation of SGF dollars.** If 2,500 public school students participate in the program, accounts would be eligible for deposits totaling \$13.7 M and the LDOE could withhold \$682,750 (5%) for administrative costs. This would result in estimated ESA balances of \$5,189 that would be available for use by each participant. The state will experience either costs or savings to fund ESA accounts, depending on the resident school district of program participants. For example, in November 2023, the projected 2023-24 state portion of the Levels 1-3 MFP Levels 1-3 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 \$5,462, resulting in a **savings** to the state of \$2,770. Alternatively, the projected state MFP Levels 1-3 per pupil allocation to the St. Charles Parish School District is \$3,152; a participating student from this district would also receive a pre-administrative fee deposit of \$5,462, resulting in a **cost** to the state of \$2,310.

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}

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