

LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: May 18, 2021	2:22 PM	Author: DEVILLIER
Dept./Agy.: Education		
Subject: Education Savings Account Program		Analyst: Garrett Ordner

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 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, and 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 roll 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	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<u>\$0</u>
Annual Total						
REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	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	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<u>\$0</u>
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There will be an increase in state expenditures to develop and fund the Education Savings Accounts (ESA) Program. The Department of Education (LDE) anticipates program planning will cost \$769,400 in FY 22, and program implementation will cost \$1,081,600 annually beginning in FY 23. There will be reduced MFP costs and increased costs to the ESA program by an equivalent amount for students that leave public schools to participate in the program. State costs will increase to the extent a student participates in the ESA program who would otherwise not have attended public school, however this is indeterminable. Local school systems may experience reduced costs due to reduced enrollment.

Participants will receive funding equal to the state's per-pupil allocation as provided in the Minimum Foundation Program (MFP) formula, considering all student characteristics. According to the LDE, the current MFP average state per pupil allocation is \$5,545; however, amounts will vary by district.

The LDE assumes that 2,000 accounts will be opened in the first year of operation. Eligible students must be enrolled in a public school or eligible to enroll in Kindergarten and meet one of three criteria: (1) the student has a parent or guardian in active duty military service; (2) the student's parent submitted an inter-district or intra-district transfer request during the most recent transfer request period and was denied, or (3) the student is residing with a prospective or permanent placement through foster care.

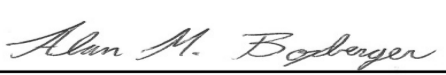
Outside of program administrative costs, there will be no additional costs to the state for students that participate in the ESA program if they are already enrolled in public school. The LDE would reduce the MFP state per-pupil allocation and allocate an equivalent amount per student to the ESA program. For illustrative purposes, if 2,000 students participate in the ESA program, MFP costs will decrease by \$11.1 M and deposits into ESAs will increase by \$11.1 M. Local school systems may experience reduced instructional costs due to a decrease in enrollment, however this is indeterminable.

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

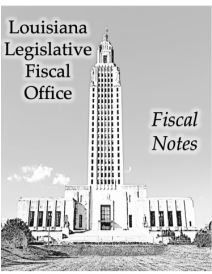
REVENUE EXPLANATION

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 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.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


Alan M. Boxberger
 Staff Director

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CONTINUED EXPLANATION from page one:

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EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

There will be increased state costs to the extent a student participates in the ESA program who would otherwise not have attended public school; the number of such students is indeterminable. For illustrative purposes, there are an estimated 1,040 children 5 years of age whose parents are active-duty military members in Louisiana. According to the Military Child Education Coalition's Military Kids Now 2020 Survey, 18% of military children are homeschooled or attend private school. If 18% of the estimated 1,040 military children choose to participate in the ESA program, those 187 students would produce an estimated state cost of \$1 M (187 students x \$5,545).

The proposed law allows LDE to administer the program directly or to contract with a non-profit organization for the administration of the program or parts of the program. A similar program in Arizona, the Empowerment Scholarship Account (ESA), employs 25 staff members to perform administrative functions such as the review and approval of applications, program finance, and auditing. The Arizona ESA program serves approximately 9,700 students as of January 2021.

According to the LDE, program planning will cost \$769,400 in FY 22, and program implementation will cost \$1,081,600 annually beginning in FY 23. FY 22 expenses total \$769,400, including funding for 8 positions (\$520,300 in salaries and \$208,100 in related benefits), and \$16,000 in operating expenses. LDE plans to contract with a vendor to process ESA payments to providers. Based on the Arizona ESA program, this is anticipated to cost \$25,000 in FY 22. Because the vendor charges educational service providers a transaction fee, the LDE does not expect costs beyond the first year. FY 23 expenses total \$1,081,600, including funding for 12 positions (\$755,400 in salaries and \$302,200 in related benefits), and \$24,000 in operating expenses. Finally, LDE anticipates that as the number of participants grows, additional staff will be needed for purposes of quality assurance and proper internal controls over public funds.

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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