LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 194** HLS 22RS 285

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 27, 2022 10:04 AM

Author: BUTLER

Dept./Agy.: Education

Subject: Education Savings Account Program

Analyst: Garrett Ordner

SCHOOLS/CHOICE RE INCREASE GF EX See Note

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 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 authority to deem students ineligible and to contract with vendors for administration. Requires LDE to allocate, from funds appropriated or otherwise made available, an amount equal to the "state's base per-pupil allocation as provided in the Minimum Foundation Program (MFP) formula, plus any applicable weighted funds based on 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 administrative expenses. 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.

EXPENDITURES	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**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	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**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 likely be an increase in state expenditures to develop and fund the Education Savings Accounts (ESA) Program. The Department of Education (LDE) anticipates program planning and administration will cost the department $223,954 per year. All funding for awards must be appropriated by the legislature. Up to 5% of funding allocated to awards will be withheld for administrative expenses. 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. Because per-pupil allocations vary by district, the ESA award will not equal the amount saved through reduced MFP funding; this will result in costs or savings depending upon the student's resident school district.

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.

Subject to Louisiana Department of Revenue (LDR) interpretation, ESA funds may or may not be taxable as income based upon the Internal Revenue Service's (IRS) scholarship provisions. In addition, expenditures made with ESA funds may be deductible under the school expense deductions provided for in R.S. 47:297.10 and R.S. 47:297.11, potentially resulting in a reduction in state tax revenues.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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Interim Deputy Fiscal Officer

Louisiana Legislative Fiscal Office Fiscal Notes

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Participants will receive funding equal to the "state's base per-pupil allocation as provided in the Minimum Foundation Program (MFP) formula, plus any applicable weighted funds based on student characteristics." For the purposes of this fiscal note, the LFO interprets this language to mean the base cost per pupil used in the MFP formula. The proposed 2022-23 MFP base cost per pupil is $4,015. If a participant in the program qualifies for the Special Education Weight included in the MFP formula, that student is counted as 2.5 students when determining the base cost; therefore, the account allocation would be $10,038 ($4,015 x 2.5). Eligible students must be eligible to enroll in Kindergarten or have been enrolled in a Louisiana public school during the previous school year and be a student with an exceptionality other than being gifted or talented.

The LDE reports it will require $223,954 to create one (1) Education Program Consultant 4 position ($82,441 salary and $37,098 related benefits) and one (1) Budget Analyst 4 or Budget Manager position ($72,010 salary and $32,405 related benefits). The Education Program Consultant 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. The LDE anticipates that FY 23 will be a planning year in which the department will research the viability of contracting with an external vendor to carry out a portion of the program administration and conduct an RFP to identify potential vendors.

The LDE estimates that in addition to funding for the needed positions and ESA awards, approximately 5% of funds made available to the program will be needed to cover the cost of the vendor to administer the program, as well as administrative costs that include equipment, systems, and other potential operating costs.

For illustrative purposes, if 2,000 public school students participate in the ESA program and the account allocation equals $10,038, deposits into ESAs will total $20 M and the LDE could withhold $1 M (or 5%) for administrative expenses. This would result in the ESA awards equaling $9,536 each.

The state will experience either costs or savings depending on the resident school district of the participants. However, the reduction in MFP costs for each student who participates in the ESA program is indeterminable.

Local school systems may experience reduced instructional costs due to a decrease in enrollment; however, this is indeterminable.

There will be increased state costs to the extent a student participates in the ESA program who would otherwise not have attended public school. Kindergarten-eligible students with exceptionalities whose parents were planning to homeschool the students or place them in a nonpublic school will be eligible for this program, representing a net cost to the state. The number of such children is indeterminable.

Senate	Dual Referral Rules	House
[x]	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
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