# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 203** SLS 22RS 218
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

| | | | |
|---|---|---|---|
| **Date:** | April 27, 2022 3:57 PM | **Author:** | HEWITT |
| **Dept./Agy.:** | Education | | |
| **Subject:** | Education Savings Account Program | **Analyst:** | Garrett Ordner |

FUNDS/FUNDING EG INCREASE GF EX See Note 

Creates an education savings account for certain students reading below grade level. (gov sig)

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 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 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 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. 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
- [x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House
- [x] 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**

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **SB 203** SLS 22RS 218

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

**Date:** April 27, 2022 3:57 PM

**Author:** HEWITT

**Dept./Agy.:** Education

**Subject:** Education Savings Account Program

**Analyst:** Garrett Ordner



**CONTINUED EXPLANATION from page one:**

**EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE**

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 proposed 2022-23 MFP average state per pupil allocation is $5,436. Eligible students must be enrolled, or have completed in the prior school year, the second or third grade in a Louisiana public school. Additionally, eligibility requires that the student is not reading on grade level, as determined by the results of a literacy assessment provided during the current school year pursuant to R.S. 17:24.9, and that the student has been tested for a learning disability and the results have been provided to the parent of the student and to the school in which the student is enrolled. According to the 2021 Fall Reading Report, 24,006 second-graders and 22,915 third-graders were found to be reading below grade level.

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 average state MFP per-pupil allocation equals $5,436, deposits into ESAs will total $10.3 M and the LDE could withhold $543,600 (or 5%) for administrative expenses. This would result in the ESA awards equaling $5,164 each.

The state will experience either costs or savings depending on the resident school district of the participants. For example, the projected 2022-23 state MFP per-pupil allocation to the St. Helena Parish School District is $8,295; a participating student from this district would receive an award of $5,164, resulting in a net savings to the state of $3,131. However, the projected state MFP per-pupil allocation to the St. Charles Parish School District is $2,873; a participating student from this district would also receive an award of $5,164, resulting in a net cost to the state of $2,291.

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

Senate Dual Referral Rules

- [x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House

- [x] 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**