

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 98** HLS 23RS 341

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 21, 2023	11:34 AM	Author: HARRIS, LANCE
Dept./Agy.: Education		Analyst: Julie Silva
Subject: Sunshine Scholarship 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 not enrolled in public school and expands the ability of parents to enroll children in the public school of their choice

Proposed legislation creates the Sunshine Scholarship Program to provide state funding for qualified education expenses for students in grades kindergarten through twelve who are not enrolled in a public school, beginning in the 2024-2025 school year. Legislation provides for a four-year, phased-in expansion of eligibility starting with students that attended a public school in the previous year leading to all students regardless of whether they attended a public school in the previous year. Proposed legislation also expands the ability of a parent or legal guardian to enroll children in the public school of their choice, removing conditions pertaining to school letter grades.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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	\$0
Annual Total						
REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	\$0
Annual Total						

EXPENDITURE EXPLANATION

There will be an increase in state expenditures to develop and fund the Sunshine Scholarship Program. The Department of Education (LDE) anticipates program planning and administration will cost the department \$239,043, beginning in FY 24. Up to 5% of funding allocated to accounts may be withheld for administrative expenses. Local school systems may experience reduced costs due to reduced enrollment. The LFO interprets language in the proposed legislation to mean accounts will be funded based on the average portion of the state's cost allocation of the MFP per-pupil base plus any additional per-pupil weighted allocations. Because the state's portion of such per-pupil allocations varies by district, the cost of awards will not necessarily equal the amount saved through reduced MFP funding.

LDE reports that the expansion of public school choice, which removes conditions pertaining to school letter grades, will have no significant impact on the expenditures of state or local governmental units.

CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Local school systems may experience a change in their MFP allocation based on the extent to which students participate in expanded public school choice. These changes would be captured in LDE's Mid-Year MFP adjustments. There may also 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 reduction is indeterminable. The scholarship account shall be closed and 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 Board of Elementary and Secondary Education (BESE) rules and regulations pertaining to the program.

Proposed legislation states that account funds do not constitute taxable income and shall not be claimed as a credit, deduction, exemption, or rebate and thus will have no impact on state tax revenues.

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}

Evan Brasseaux

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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

To meet initial eligibility, a student must have attended a Louisiana public school in the previous year. Eligibility in subsequent years gradually reduces the criteria until in the fourth year, the program is open to any student regardless of where they attended school. There are no restrictions on the number of students that may apply to the program in any given year, thus total participation and associated costs are indeterminable.

Beginning in FY 24, the LDE reports that it will require \$223,954 to create one (1) Education Program Consultant 4 position (\$82,441 base salary and \$37,098 related benefits) and one (1) Budget Analyst 4 or Budget Manager position (\$72,010 base salary and \$32,405 related benefits). The Education Program Consultant 4 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. LDE reports that it will require \$15,089 in FY 24 for operating expenses. The LDE assumes an annual increase of 4% for staff salaries and benefits and a 5% increase for operating expenses.

Participants will receive funding equal to the state's base per-pupil allocation as provided in the MFP, plus any applicable weighted funds based on student characteristics. Current language in the proposed legislation does not appear to include per pupil amounts included in the MFP formula for Level 2 Local Reward or Level 3 Prior Legislative Allocations ; therefore, for the purposes of this fiscal note, the LFO interprets this language to mean the state's portion of the Level 1 base allocation of \$4,015 per pupil used in the MFP formula. This allocation varies from district to district, but the projected average across all districts in the 2023-2024 MFP formula is \$2,608 per pupil. Similarly, the state portion of allocations for weighted characteristics varies district to district, but in the projected MFP formula, the average state portions for weighted characteristics are as follows: the Students with Disabilities Weight is \$3,935, the Economically Disadvantaged Weight is \$571, the Gifted and Talented Weight is \$1,533, and the Career and Technical Education Weight is \$159. Based on this, a student in Louisiana who qualifies for all of these weights could expect to receive an account deposit of \$8,806 minus administrative fees. Each student's account allocation will vary depending on the weights for which they qualify. It is important to note that this example is illustrative only, and if the intent of the legislation is to allocate funds based on the state portion of MFP allocations where the student resides rather than the state average, account deposits will vary across districts.

The program will require a new appropriation of SGF dollars, separate from the MFP. Based on the average state allocation figures included above, if 2,000 public school students meeting the qualifications for all weights participate in the program, Accounts would be eligible for deposits totaling \$17.6 M and the LDE could withhold \$880,600 (5%) for administrative expenses. This would result in the scholarships equaling an estimated \$8,365 each.

Proposed legislation requires the program begin enrolling students at the start of the 2024-2025 school year. In order meet this requirement, LDE reports needing a planning year to research contracting with an external vendor for services to administer the program, including an electronic system to manage the accounts and a data collection component on spending categories. To obtain a vendor/contractor, LDE would require an RFP to identify vendors through a competitive process. The RFP process, according to the Office of State Procurement, could take up to 12 months to complete in order to meet all the requirements of law. If a vendor cannot be procured to begin implementation until the RFP process is concluded, the planning phase could take over 12 months, inclusive of hiring the leadership team preceding the RFP process. Proposed legislation allows LDE to withhold 5% from each account for administrative costs. This 5% could cover a portion or all of the annual ongoing operating costs to support services, maintenance, and updates by the contracted vendor depending on the outcomes of the RFP.

The state and local school systems will experience either costs or savings depending on the resident school district of the participants; however, those costs are indeterminable and will vary year to year

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}

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