



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **SB 313** SLS 24RS 491  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 26, 2024 9:19 AM	<b>Author:</b> EDMONDS
<b>Dept./Agy.:</b> EDUCATION	<b>Analyst:</b> Julie Silva
<b>Subject:</b> Education Scholarship Account Program	

EDUCATION DEPARTMENT EG INCREASE GF EX See Note  
 Relative to Educational Saving Accounts for schools. (gov sig) Page 1 of 2

Proposed legislation creates the Louisiana Giving All True Opportunity to Rise (LA GATOR) Scholarship Program, a universal education scholarship account (ESA) program for students in grades K-12. Provides the program is administered either directly by the Louisiana Department of Education (LDOE) or by a program manager selected by LDOE in accordance with Board of Elementary and Secondary Education (BESE) rules. Provides for a three-year phase-in of select student participants, beginning in the 2025-26 school year, until the program opens to all students in the 2027-28 school year. Provides for three tiers of account funding, based on a student's characteristics and allows unused funds to remain in the account from year to year. Defines qualified education expenses that account funds may be used to purchase. Provides criteria that a participating school or service provider must meet to accept students under the program. Terminates the Student Scholarships for Excellence Program (SSEEP), effective 6/30/25 and provides for the transition of SSEEP participants to the LA GATOR program. **Program implementation is contingent upon the appropriation of funds by the legislature for its purpose. Accounts will only be funded with state dollars.**

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	
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	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0
Local Funds	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

The creation and implementation of the LA GATOR program will result in a significant increase in state governmental expenditures. Total impacts are situational and difficult to project as a result of the many variables involved. Based on data provided by LDOE, expenditures are expected to total \$1.8 M in FY 25 to support system development, increase to \$45.9 M in FY 26 as student enrollment begins, and continue to increase in proportion to program participation and reach an estimated minimum of \$276.8 M by FY 29. This fiscal note provides a broad overview of how the program may impact governmental expenditures, but all numbers and costs should be considered illustrative rather than a definitive projection of potential costs. All LA GATOR program **deposits are calculated based on the state and local per pupil average allocation referenced in the MFP formula**. As of the June 2023 MFP calculation, this base amount is **\$9,437**. Students will fall within one of three tiers, dependent on specific characteristics, with per pupil deposits at each tier calculated by applying a weighted percentage to the annually determined base amount. Additional details about this methodology are provided on the bottom of page two of this note. **The local allocation referenced above is solely for the calculation of annual account deposits. All local funds raised for public education purposes will remain at the local level.**

Program expenditures will depend on the number of nonpublic, charter, and public schools that opt to participate to the extent they are permitted within proposed legislation and capacity levels. Enrollment, due to phase-in limiting eligibility in years one (FY 26) and two (FY 27), will be gradual. In year three (FY 28), when the program opens to all K-12 students with no contingencies, enrollment is expected to expand significantly. The estimates below are intended to be illustrative of how a universal ESA program may impact SGF expenditures. **Impacts could be more significant than those provided.** The most substantial cost to the state will result from students currently enrolled in nonpublic schools who are not included in MFP formula calculations. Once these students are eligible and opt to enroll in the LA GATOR program, they will represent a new education cost to the state.

**ESA Account Cost Projections**

**FY 26 - \$41.7 M (\$50.6 M ESAs - \$9 M MFP Reduction; Transfer of SSEEP Students \$37.3 M)**

In year one of the program LA GATOR deposits are estimated to total \$50.6 M for 7,260 participants. The majority of participants in the first year of implementation will be those currently enrolled in SSEEP (5,634). Assuming a 100% utilization rate for this group, their deposits will average \$6,624 and total \$37.3 M. The remaining students represent 0.25% of each group of public school students that fall within the three funding formulas: 235 under formula one (\$3.6 M), 1,015 under formula two (\$7.7 M), and 376 under formula three (\$2 M). State allocations to the MFP will be reduced by an estimated \$9 M as a result of these students leaving the public school system.

**CONTINUED ON PAGE TWO**

**REVENUE EXPLANATION**

SGF revenues may shift depending on how ESAs impact the annual amount of tax credits claimed for nonpublic school tuition expenses. This tax credit permits parents to annually claim up to \$6,000 of nonpublic school tuition costs. LEAs may see a **reduction in the amount of state MFP allocations** they receive, though this impact is not anticipated to be significant within the five-year projection timeframe. LEAs may also experience increased revenues to the extent students who are part-time or taking specific courses opt to use LA GATOR funding for that purpose. Federal revenues based on student enrollment may also be impacted as a result of proposed legislation.

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}

**Patrice Thomas**  
 Deputy Fiscal Officer



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Table with 2 columns: Information and Author/Analyst. Row 1: Date: March 26, 2024 9:19 AM, Author: EDMONDS. Row 2: Dept./Agy.: EDUCATION, Analyst: Julie Silva. Row 3: Subject: Education Scholarship Account Program.

CONTINUED EXPLANATION from page one:

FY 27 - \$45.2 M (\$69 M ESA Deposits - \$24 M MFP Reduction; Transfer of SSEEPP Students \$33.6 M)

Due to expansion of the program in year two, ESA deposits are anticipated to increase to a total of \$69 M for 9,363 students. Former SSEEPP students are assumed to decrease by 10% annually until all current participants have matriculated out of the program. As a result, funding for this group decreases to \$33.6 M for an estimated 5,071 students. Alternatively, the utilization rates for the three LA GATOR formulas are expected to increase to 0.66% over the base: 621 students under formula one (\$9.6 M), 2,680 under formula two (\$20.6 M), and 991 under formula three (\$5.2 M). These students represent an estimated \$23.9 M reduction to the state's MFP funding obligation.

FY 28 - \$258.1 M (\$297.2 M ESA Deposits - \$39.1 M MFP Reduction; Transfer of SSEEPP Students \$29.9 M)

Year three is expected to have the most significant fiscal impact as this is the first year of universal eligibility and all current nonpublic school students will have the option to participate. The total cost of deposits into LA GATOR accounts is projected to reach \$297.2 M for 41,425 students. This is based on a decrease in the utilization by former SSEEPP participants to 4,507 students (\$29.9 M), an increase in the utilization rate by public school students to 1.07% of the base (total of 6,959 students at a cost of \$58 M), and a first year 20% utilization rate for nonpublic students as follows: 3,646 under formula one (\$56.7 M), 4,894 under formula two (\$38.1 M), and 21,419 under formula three (\$114.5 M). The MFP is expected to see a reduction in state costs by \$39.1 M to account for the additional students expected to leave the public school system.

FY 29 - MINIMUM \$259.8 M (\$297.9 M ESA Deposits - \$39.1 M MFP Reduction; Transfer of SSEEPP Students \$26.1 M)

LDOE reports participation levels beyond FY 28 are too uncertain to develop an accurate projection, and therefore maintain FY 29 participation and costs at FY 28 levels. Based on participation increases in other states, the LFO expects nonpublic participation in the program will increase year over year, potentially to a significant degree, until capacity is reached.

All costs provided may be higher (or lower) depending on actual participation levels, the funding methodology students fall under, and whether opening up the program to include all students results in a significantly higher level of participation by current nonpublic school students than contemplated. The estimates also assume no current nonpublic students participate until year three. Based on the phase-in language requiring students meet only one of the criteria outside of the general eligibility requirements, the LFO assumes there will be some nonpublic students, particularly those entering Kindergarten and would attend a nonpublic school regardless of the LA GATOR program, who will qualify for an ESA as early as year one. NOTE: Funds reclaimed through student attrition from the MFP, calculated as the 2024-25 state average per pupil multiplied by the number of students, will be delayed until updated counts are provided each year, and may change depending on the flow of students that is likely to occur between the LA GATOR program and the public school system.

LA GATOR Program Administration (Proposed legislation allocates 5% of LA GATOR appropriations to LDOE for this purpose)

LDOE will incur additional SGF expenditures each year to administer the LA GATOR program. Below is an estimation of what these costs will be in FY 25 and how they will change during the first year of implementation.

FY 25 - \$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 LDOE finance staff and/or the external vendor, ensure that the program has appropriate fiduciary accountability. Proposed legislation requires the program begin enrolling students for the start of the 2025-26 school year and that the department may contract with a program manager for administration of the program. This would include development of a system for parents to direct account funds to participating schools and service providers by electronic or online funds transfer. Based on previously implemented systems, 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 to promote the program.

FY 26 - FY 29 - \$4.2 M + (Increases in these costs are expected to be proportionate to enrollment in each year of operation)

LDOE assumes an annual 4% increase in personal costs and a 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 reduces estimated expenditures for this purpose in FY 26 and beyond to \$250,000. Contracted auditing services are estimated to cost \$850,000 and the contracted program manager an additional \$150,000. LDOE estimates the following based on enrollment of 7,260 students in year one of program implementation. Software licenses for similar programs cost between \$15 to \$50, per user. Assuming a cost of \$30 per license, total costs are estimated to be \$217,800 (\$30 x 7,260) in FY 26. License fees are expected to increase by 10% year over year. Similar systems charge a fee for each transaction made on an account. These 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 \$1.7 M (\$20 x 12 x 7,260). 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 at \$100/ per account per year, or \$726,000, in FY 26.

Deposit Amount Formula One - \$9,437 x 160% = \$15,099

This amount is available only to students who meet the eligibility qualifications in R.S. 17:4031(B)(2) for the School Choice Program for Certain Students with Exceptionalities. While the total impact for these students will be proportionately higher than those under other methodologies, this population is also expected to remain relatively small as there are a limited number of seats in nonpublic schools that offer the highly specialized education services many of these students require. LDOE provides there are an estimated 94,066 students in public schools and 18,230 in nonpublic schools that could qualify for this amount.

Deposit Amount Formula Two - \$9,437 x 80% = \$7,550

This amount is available only to students who have a household income below 250% of the FPG. In year one of implementation, this would include the all 5,634 students in SSEEPP. Proposed legislation permits a student enrolled in SSEEPP in the year prior to its termination to continue receiving the amount allocated to them through that program (the full cost of tuition) until they leave the school in which they were enrolled while in SSEEPP, or upon graduation. Expenditures for this group are expected to lower each year until all students have matriculated out and this population is funded entirely under LA GATOR program. NOTE: The cost for SSEEPP students grandfathered in at their current award amount will be equivalent to the current cost to fund them through SSEEPP. LDOE reports 406,101 students in public schools and 24,471 in nonpublic schools would fall under 250% of federal poverty guidelines and could be eligible under this formula.

Deposit Amount Formula Three - \$9,437 x 55% = \$5,190

This amount is available to all students participating in the LA GATOR program, unless they qualify for one of the other formulas. This population is expected to have the largest participation rate, but will also receive the smallest account deposit, at 55% of the determined base amount. LDOE reports 150,202 public and 107,094 nonpublic students would fall under this funding category.

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}

Signature of Patrice Thomas
Patrice Thomas
Deputy Fiscal Officer