



## Fiscal Estimate Narratives

DPI 1/24/2018

LRB Number	<b>17-5152/1</b>	Introduction Number	<b>AB-0830</b>	Estimate Type	<b>Original</b>
<b>Description</b> Education savings account program for gifted and talented pupils, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates an educational savings account program for gifted and talented pupils. Beginning in the 2018-19 school year, the bill requires the Department of Public Instruction to award scholarships in the amount of \$1,000 to gifted and talented pupils who are economically disadvantaged and to credit the scholarships to individual accounts established and maintained by DPI. Under the bill, DPI may award no more than 2,000 scholarships in any school year.

Under the bill, a pupil is eligible for a gifted and talented scholarship if the pupil satisfies all of the following criteria:

1. The pupil is enrolled in a public school, including an independent charter school, or a private school participating in a parental choice program or the Special Needs Scholarship Program.
2. The pupil is identified as a gifted and talented pupil because the pupil demonstrates evidence of high performance capability in an intellectual, creative, artistic, leadership, or a specific academic area; or, because the pupil scored in the top 5 percent on a pupil assessment required to be administered under state law.
3. The pupil satisfies the income eligibility criteria under federal law for a free or reduced-price lunch.

In order to receive a scholarship under the program, an eligible pupil must apply to DPI and the pupil's parent or guardian must agree to: 1) comply with compulsory attendance requirements, 2) not accept a payment, refund, or rebate from a person who provides a service or product that is purchased with a scholarship; and 3) use the scholarship only for eligible expenses.

The bill provides that an eligible expense is any of the following incurred to educate the gifted and talented pupil at an eligible educational provider: tuition and fees, textbooks, payments to a licensed or accredited tutor, payments to purchase a curriculum, tuition and fees for a private online learning program, fees for Advanced Placement exams, private music or art lessons, and any other expenses approved by DPI.

The bill defines an eligible educational provider as a public school, including an independent charter school, a private school participating in a parental choice program or the SNSP, any nonprofit organization approved by DPI, a licensed or accredited tutor, and any other provider approved by DPI.

The bill directs DPI to establish and maintain an individual account for each pupil awarded a scholarship under the program. The bill specifies that an account is a record of the scholarships awarded to and disbursements made on behalf of a pupil. The bill directs DPI to develop, by rule, a system to promptly disburse money from a pupil's account for eligible expenses. The system developed by DPI may include direct payments to providers and reimbursements to parents and guardians for eligible expenses.

Under the bill, any scholarship credited to a pupil's account remains in his or her account until it is disbursed for an eligible expense or until the account is closed. A pupil's account is closed when the pupil graduates high school, reaches age 21, is no longer eligible to participate in the program, or is suspended or barred from the program. DPI deposits any amount remaining in a pupil's account when the account is closed in the state's general fund.

This bill allows DPI to contract with a private, nonprofit entity to administer the education savings account program for gifted and talented pupils. However, DPI may not execute a contract for the administration of the program unless the contract is approved by the Joint Committee on Finance through a 14-day passive review process. The bill creates a sum sufficient appropriation [under s. 20.255 (3) (fs)] to pay the costs of

a contract to administer the education savings account program.

Finally, the bill requires the Legislative Audit Bureau to conduct a performance audit of the first year of the educational savings account program and file its report with the legislature by January 31, 2020.

## FISCAL IMPACT

### State

Under the bill, the department is authorized (but not required) to contract with a private, nonprofit entity to administer the ESA program, including making direct payments to eligible educational providers and reimbursements to parents or guardians for eligible expenses. The bill requires the department to obtain approval from the joint committee on finance, via the 14-day passive review process, to execute a contract for administration of the ESA program, and provides a GPR sum-sufficient appropriation from which the costs of the contract would be paid.

Whether or not the department contracts for the administrative functions, the department would be responsible for general administration of the ESA program, including: approval of education providers under the program; establishing other purposes for which the scholarship may be used (beyond the eight purposes specified in the bill); establishing forms and processes for the scholarship application and awarding of scholarships; maintaining a waiting list of eligible pupils for whom scholarships were not awarded; maintaining agreements with parents/guardians of pupils who were awarded a scholarship; ensuring ongoing eligibility of pupils; auditing functions to identify fraud, misrepresentation, or failure to comply with requirements of the program; and, creation of multiple appeals processes, for: 1) educational providers not approved by the department, 2) pupils' parents/guardians if a pupil is not identified as gifted and talented, and 3) parents/guardians and for educational providers, if the department determines to suspend or bar them from the program.

If the department were not able to pursue a contract for administration of the ESA program, the department would have to fulfill all the functions noted above; even if the department were able to contract for the processing of claims and payments under the program, the department would still have to dedicate resources to general administration of the ESA program. The department estimates that the functions associated with implementing the proposed ESA program would require a total of 4.0 FTE positions:

Education Consultant (general program administration)\*  
Auditor-Senior (audit functions)\*  
Financial Specialist-Senior (claims/payment processing, customer service)  
Business Automation Specialist (development and maintenance of IT infrastructure)

The department projects that the total personnel costs associated with the four positions would be \$419,600 on an annual basis (based on average hourly rates of current department employees in those classifications, and the associated fringe benefit, allocated fixed costs, travel, and supplies/services costs). See attached worksheet for a breakdown of the personnel costs.

\*Even if the work related to claims/payments processing (and associated IT development/maintenance) were provided under contract, the department would require internal staff to conduct general program administration and audit functions associated with the proposed ESA program.

The department does not have expertise in the management of an ESA type of program to estimate the cost of a contract with a third party to administer the program. The bill provides for a sum sufficient appropriation to cover the costs of such a contract.

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Education savings account program for gifted and talented pupils, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$352,900		\$
(FTE Position Changes)	(4.0 FTE)		
State Operations - Other Costs	66,700		
Local Assistance			
Aids to Individuals or Organizations	2,000,000		
<b>TOTAL State Costs by Category</b>	<b>\$2,419,600</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	2,419,600		
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$2,419,600	\$	
NET CHANGE IN REVENUE	\$	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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