

Important Notice: This fiscal note is Classified as Nonpublic Data under Minn. Stat. 13.64 Subd. 3(b)

Important Notice: This fiscal note on unofficial draft legislation was requested by or on behalf of a member of the legislature who directed that it be classified under Minn. Stat. 13.64 Subd. 3 (b). Until the conditions outlined in this statute have been met, the existence and contents of this fiscal note remain classified as Nonpublic data.

Consolidated Fiscal Note

2021-2022 Legislative Session

SF9085 - 0 - Education Savings Accounts for Students Act

Chief Author: **Unknown Author**
 Committee: **Unknown Committee**
 Date Completed: **2/18/2022 2:05:21 PM**
 Lead Agency: **Education Department**
 Other Agencies:
 District Courts

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Education Department						
General Fund	-	-	7,392	(1,085)	1,862	
State Total						
General Fund	-	-	7,392	(1,085)	1,862	
Total	-	-	7,392	(1,085)	1,862	
Biennial Total			7,392		777	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Education Department					
General Fund	-	-	7.5	15	15
Total	-	-	7.5	15	15

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures. This is a classified unofficial fiscal note request. If identical language to that which the classified fiscal note was based upon is made available for consideration by the legislature, the fiscal note is considered public data. The LBO will process requests for copies of the classified fiscal note if the note is considered public data, and/or will process new requests for a regular fiscal note on the introduced language. If the language is offered for consideration by the legislature, it is recommended that a new request for a regular fiscal note be made so that the most updated and complete information on the fiscal effect can be made available.

LBO Signature: Alyssa Holterman Rosas **Date:** 2/18/2022 2:05:21 PM
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State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
Education Department						
General Fund	-	-	7,392	(1,085)	1,862	
Total	-	-	7,392	(1,085)	1,862	
Biennial Total			7,392		777	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Education Department						
General Fund	-	-	7,392	(1,085)	1,862	
Total	-	-	7,392	(1,085)	1,862	
Biennial Total			7,392		777	
2 - Revenues, Transfers In*						
Education Department						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-		-	

Fiscal Note

2021-2022 Legislative Session

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LBO Signature: Alyssa Holterman Rosas **Date:** 2/18/2022 9:40:31 AM
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Total	-	-	7,392	(1,085)	1,862
Biennial Total			7,392		777
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

Section 1

Beginning with the 2023-24 school year, this bill creates an Education Savings Account (ESA) for any student that resides in Minnesota, attended a public school or public charter school during the semester preceding participation in the program and resides in a household with income that does not exceed three times the income standard used to qualify for free and reduced-price lunch (the current threshold would be roughly \$147,000 for a family of four).

Subd.1 establishes the title for the program, the Education Savings Accounts for Students Act.

Subd. 2 provides various definitions including eligible service providers, eligible schools and eligible students.

Subd. 3 outlines parent/guardian rights and obligations:

- Sign an agreement stating s/he will arrange organized, appropriate educational services for their child(ren) in at least the subjects of reading, writing, math, social studies and science;
- Not enroll their student in a public school or charter school;
- Agree to use the ESA funds for stated allowable uses, including tuition and fees at an eligible school, tutoring services, purchase of curriculum, transportation fees for a fee-for-service transportation provider, tuition and fees for online learning programs and courses, fees for norm-referenced testing, services or therapies from licensed practitioners including certified paraprofessionals, services provided by a public school, supplies and computer hardware and software;
- Agree that no cash or cash-equivalent items such as gift cards or store credit will be allowed to accrue to the student or anyone on the student’s behalf;
- Acknowledge that receipt of ESA funds does not preclude the parent(s) from paying for educational services using non-ESA funds.
- Acknowledge that eligibility for ESA payments will remain in place until the student(s) return to public school, graduate from high school or complete the school year in which the student reaches the age of 21;
- Acknowledge that any funds that remain upon graduation from high school may be used to take courses from a postsecondary institution;

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- Acknowledge that a student's ESA count will be closed upon graduation from a postsecondary institution or any period of four consecutive years that the student is not enrolled in a postsecondary institution. Any remaining funds shall be returned to the state general fund.
- Acknowledge the ESA recipients may return to the resident district at any time after enrolling in the program. Upon return, the ESA will be closed and any remaining funds returned to the state general fund.

Subd. 4 outlines the funding available for the ESAs. The Commissioner is required to determine the amount of money to be deposited in each student's ESA on a first-come, first-served basis. The commissioner must calculate the following to determine the amount: The statewide average general education aid per adjusted pupil unit. Participation is capped at one percent of public school ADM for FY 2024, 1.5 percent for FY 2025 and two percent for FY 2026 and beyond.

Subd. 5 directs the commissioner to make a onetime adjustment to a serving school district's general education aid in the fiscal year following a student's withdrawal from the district.

Subd. 6 outlines state administrative responsibilities, including:

- MDE required to create a standard application form that is posted to the agency's website;
- MDE required to annually notify all students who are eligible to participate of the existence of the program and ensure lower-income families are made aware of their potential eligibility;
- MDE may retain up to 3% from appropriations to cover the costs of overseeing and administering the program;
- MDE must make payments to ESAs on a monthly basis;
- MDE must make eligibility determinations within 45 business days of receiving an application;

Subd.7 further identifies responsibilities of the commissioner. The commissioner must:

- adopt rules and policies necessary to administer the program;
- randomly audit ESAs, either in-house or by contract;
- issue ESA cards to parents/guardians;
- use merchant category classification (MCC) codes or similar, to identify categories of providers or services that qualify for funding;
- compile a list of blocked and unblocked MCC codes that is publicly available;
- adopt a process for removing educational service providers that defraud parents;
- adopt a process for referring cases of fraud to law enforcement;
- establish or contract for the establishment of an anonymous fraud reporting service and/or hotline;
- adopt rules that address misuse of ESA funds;
- temporarily suspend ESA cards for spending on non-allowable categories;
- suspend ESA card for chronic misuse, subject to judicial review;
- refer misuse cases to law enforcement if there is evidence of fraudulent intent.

Subd.8 establishes that state agencies including MDE may not regulate the educational programs of a nonpublic school or an educational service provider that accepts ESA funds. Establishes that no eligible school or service provider may be compelled to alter its creed, practices admission policies or curriculum in order to accept participating students.

Subd. 9 addresses severability. If any provision(s) in the law are found to be unconstitutional or void, the remaining provisions remain valid.

Assumptions

MDE assumes that current language under Sec 1, Subd 2 (f) means that current shared time students would not qualify as currently attending a public school or charter.

In absence of a clear definition of the time span intended for public school attendance prior to ESA eligibility (lines 1.21 to 2.1), it is assumed that a nonpublic school student must transfer to and attend a public school for the full preceding semester or semester equivalent, e.g., 0.50 average daily membership (ADM).

It is assumed that 10% of currently enrolled kindergarten nonpublic school students and 1% of grade 1-12 nonpublic school students in the first year, and 0.5% in subsequent years, will enroll in public school for at least one semester in order become eligible for an ESA in the following school year.

MDE assumes students can only start this program at the beginning of a new school year.

MDE assumes that the nonpublic schools accepting ESA participants are responsible to notify MDE when a student withdraws or otherwise is dropped from the rolls.

Florida and Georgia have similar programs but are limited to just special education students. The average first and second year participation in Florida and Georgia was 0.09% and 0.16% respectively. Currently Georgia's participation rate is 0.29%. This is about 15 years into their program. Georgia requires students to have been reported as attending a public school the year before and been served over their statewide October and March counts.

It is assumed that 1.00% of public school ADM will participate in FY 2024 (8,729 students), and 1.50% will participate in FY 2025 (13,301 students). These participation rates are based on analysis of participation levels in the early years of similar programs in Florida and Georgia. It is increased beyond both state's participation level due to caps outlined in the bill (lines 4.10 to 4.13).

MDE does not believe inclusion of household income caps will change participation estimates in a quantifiable way since the number of students who would qualify under the income eligibility guidelines would still exceed the income cap.

Each year it is assumed that 80% of ESAs will go to general education students, 20% of ESAs will go to special education students. The 20% of ESAs going to special education students equates to 1,746 students, or roughly 1.2% of all special education students that may be served by public schools for FY2024. The 80% of general education students receiving ESA equates to about 6,983 students, or roughly 1.0% of all general education students projected to be served for FY2024.

General Education Aid for ESAs

The general education aid portion of the ESA is 91 percent of total general education revenue. The general education revenue definition in MS 126C.10, subd. 1, does not include referendum revenue. Clarification is needed on whether the author intended to include referendum revenue as part of the state average general education revenue definition. This fiscal note assumes that referendum revenue is *not* included.

MDE believes the intent of lines 4.14 to 4.19 is that the onetime general education aid adjustment (10% of prior year state average general education revenue) would be paid to the last serving public school prior to the student enrolling in the ESA program.

Special Education Impacts to the State:

This program would not be cost neutral for state special education funding. If a special education student leaves a public school it doesn't mean their share of the special ed costs (and state aid generated) is automatically reduced. To illustrate, say a district with 5,000 kids has 100 SPED students leave. These SPED students are presumably served at upwards of 10 different school sites within the district. The economies of scale do not allow for the impact to be centralized because they don't know where each of the kids will come from. Special education teachers have an average of 15-20 students on

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their case load. Losing one student would not provide a direct line to savings as the other students on a teacher's case load would still need to be served. The only time there could be an appreciable savings to a district (and state special education aid savings) is if a student with a 1:1 paraprofessional were to leave with an ESA. Since we do not know how many students, if any, at this high support level would leave, the scale of the savings is not quantifiable at a statewide level.

Assumptions:

- The district where the nonpublic is located is responsible for FAPE
- Districts where the nonpublic is located would continue to be responsible for child find
- The district/IEP teams get to determine where IEP services are provided (whether at the nonpublic, a separate site or back at the local district)
- Not all families accept IEP services now and so this would continue if not increase for families choosing to send their student to a nonpublic SpEd school
- There were 2,639 shared-time students reported in SFY 20 and for SFY 21 they reported 2,860.
- Shared-time would continue to not count towards being enrolled in a public school
- Shared-time counts only include students whom the district brings back to the district site for providing services; it does not count students served at the nonpublic or at a separate site.
- We have no way of knowing these counts since nonpublic schools do not report this report this data to MDE. However, based on the number of total nonpublic students MDE estimates there to be around 12,000 being served by the local district.
- Participation for Special education students would be around 20% of the total students participating in the ESA program. Families whom currently decline services from the local district would still participate because the general education funds would help to reduce their total tuition paid out of pocket

§ There will be a savings to the state for districts funded off the hold harmless since they would see a reduction in total ADM. There are 129 districts projected to be funded off the Hold Harmless in SFY 24. The average ADM loss/gain will change the Hold Harmless by \$1,000/ADM. District funded under the hold harmless represent 27% of the total district ADM. (see line 54 of the expenditures table).

- Some parents of students currently enrolled in nonpublics would be willing to move their child back to a district for the required time only to then move them back to the nonpublic. When this would happen we would have a student (currently enrolled in a district) transferring to the nonpublic in the same year a nonpublic student would transfer to the resident district. Therefore, this would be a wash to SpEd (for purposes of calculating since we don't know specific students to be able to lay out each's cost). For SFY 24 MDE estimates 20% of the 1,746 students to have a student moving back to a district. Followed by 10% in SFY 25.

§ Costs to districts would increase and therefore so would state special education aid. The increase would be due to increased transportation costs with having to run additional vans/buses to transport students along with additional costs for staffing/contracted services for LEAs whom provide on-site services at the nonpublic or separate site. Districts would either see an increase in transportation when transporting students to be served in the district or an increase in staffing/contracted costs when serving the student in the nonpublic/separate site. To forecast this increase we first calculate the number of new/additional special education students served each year. We then multiple them by the average cost to serve an LEA. This total cost is multiplied by 5% to estimate the increased cost to serve a nonpublic student vs a district student. Once we have total new/additional cost for each year we estimate state aid by taking 61% of the prior year cost increase. State special education aid is based on data for the prior fiscal year; therefore, the first year of state costs would be FY 2025. (See line 55 of the expenditures table below).

State Aid Impact for Nonpublic Students Temporarily Enrolling in a Public School

State aid will be generated for the small percentage of nonpublic students who we assume will enroll in public school for one semester, in order to be made eligible for an ESA. MDE assumes 10 percent of families of kindergarten students will enroll for one semester in order to qualify for an ESA. This is the most likely time for a families to make such a decision since kindergarten is not compulsory and would be least disruptive to the child. MDE assumes 1 percent of families with children in grades 1-12 will enroll temporarily in the first year of the program. In subsequent years, it is assumed that 0.5% of families with students in grades 1-12 will enroll temporarily to receive an ESA.

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The state average revenue per pupil is assumed, based on November 2021 forecast estimates.

There would be a savings to the state for students who receive ESAs, in the form of other pupil driven aid that ESA students will no longer generate. This will be a loss to districts/charters, and a savings in state aid. (See lines 111-114) on the expenditures table below).

Vendor for ESA Funds Management

MDE will contract with a third party vendor for issuing and servicing the ESA funds.

MDE will work with the vendor to set up eligible merchants via the merchant category classification codes. MDE will have access to all accounts to verify expenditures and to be able to respond quickly if fraud is discovered. This is something that Arizona uses in their program to be able to react quickly to fraudulent activity and for audit purposes.

Note: Other states that have ESA programs do not issue ESA cards. They instead have the families do all transactions through the third party vendor. MDE did a fiscal note last session that provided distance learning aid to families. This fiscal note required contracting with a vendor to disburse the funds. MDE would use the same vendor and pricing mechanism for distribution of ESA funds (0.5% of funds administered) as the previous fiscal note. This assumption is further substantiated by the fact that other states use this same vendor to administer their ESAs.

MNIT @ MDE Costs

MDE will need to coordinate with MNIT on many IT needs including creation of an online application system, application integration between the ESA vendor management and MDE data systems, which could include MDE-ORG, Student ID System and MARSS; and capacity to audit of ESA accounts to detect fraud and remove education service providers that are out of compliance with ESA provisions. MNIT will need a temporary project team of 4 FTE for one year to carry out the programming requirements of this bill. At a blended rate of \$110 per hour, this equals \$915,200 for FY 2024 and then a technical support percentage of 20% ongoing starting in FY 2025 (\$183,040 per year). This is the 2021 cost estimate.

MDE Administration of ESAs

1. It is assumed the monthly payments for ESAs will all be made during the current fiscal year (100% current funding).
1. MDE believes the intent of lines 3.23 to 3.25 is that a student would be free to enroll in any MN public school upon exiting this ESA program.
3. All information and forms will be made available on the department's website. At this time, MDE has no means of annually notifying all eligible students of the program since MDE does not have student home addresses. MDE would need to work with the local school districts to provide student names for those districts to notify about eligibility.
4. MDE will require 15 additional FTEs to implement, monitor and support the ESA program. This is based on staffing increase for other states' implementations.
 - § 2 FTE Education Finance Specialist I's will be required to review, determine eligibility and approve all applications. They will also handle telephone and online questions about eligibility of both students and expenditures.
 - § 2 FTE Education Finance Specialist II, for data analytics, modeling and reporting.
 - § 2 FTE Education Finance Specialist II to work as an online and phone fraud investigations. This person will be responsible for handling and reporting all fraud cases, in addition to the new audit staff.
 - § 1 FTE Education Finance Specialist II to provide funding and make monthly payments to accounts based on approved applications and information from the auditors. They will also roll funding forward and recover any unspent funds.

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§ 1 FTE Office & Administrative Specialist to provide general administrative support to the ESA team.

§ 1 FTE Program Supervisor to oversee program ESA administration.

§ 6 FTE Auditor Principals for reviewing transactions and accounts. They would also be responsible for conducting routine account checks of all accounts to prevent fraud. Additional staffing would be required as participation rates increase.

5. MDE assumes the 3 percent allowed for oversight and administration of the ESA program is deducted from each ESA award (see lines 45-47 on the expenditures table).

6. For SFY 23, MDE will have upfront start-up costs of \$1.92 million not covered by the 3 percent oversight and admin dollars that are allowed in the bill, which begin in SFY 24. These start-up costs are added to the cost of the fiscal note. For the SFY 24, the agency identified admin costs exceeds the 3% allowance by \$274,000. Therefore, these costs are included in this fiscal note (see lines 127 through 133 on the expenditures table below).

Expenditure and/or Revenue Formula

1	Participation	FY23	FY24	FY25
2	Adjusted ADM Statewide	875,576	872,907	868,735
3	Participation Rates (as % of public school enrollment)		1%	2%
4	Number of ESA Scholarships awarded (line 2 * line 3)		8,729	13,031
5	New/Additonal ESAs per year		8,729	4,302
6				
7	Est. Percent of ESAs by student category			
8	General Education Students		80%	80%
9	Special Education Students		20%	20%
10				
11	Number of Gen Ed students (line 4 * line 8)		6,983	10,425
12	Number of Special Ed students (line 4 * line 9)		1,746	2,606
13	Total ESAs (line 11 + line 12)		8,729	13,031
14				
15	Nonpublic Students Enrolled in Public Schools for 1 Semester to Secure ESA Eligibility			
16	Total Nonpublic Kindergarten Students	6,910	6,310	6,310
17	10% NP Kindergarten attending public school (line 16 * 0.10)	691	631	631
18	0.50 ADM (line 17 * 0.50)	346	316	316
19				
20	Total Nonpublic Grade 1-12 Students	64,785	64,968	65,164
21	1% first year, 0.5% subsequent years (line 20 * 0.01, line 20 * 0.005)	648	325	326
22	0.50 ADM (line 21 * 0.50)	324	162	163
23				
24	Total Nonpublic Pupil ADM served for 1 semester (line 18 + line 22)	669	478	478
25				
26	Average State Aid Per ADM	9,089	9,220	9,317
27	Average Levy Per ADM	1,997	2,079	2,161

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28	Total Pupil Driven Revenue Per ADM	11,086	11,299	11,478
29				
30	Total Aid Entitlement (line 24 * line 26)	6,084,704	4,406,603	4,457,328
31	Total Levy (line 24 * line 27)	1,336,633	993,573	1,033,848
32	Total Aid/Levy for Temporarily Enrolled Nonpublic Students (line 30 + 31)	7,421,337	5,400,177	5,491,175
33				
34	General Education Revenue	FY23	FY24	FY25
35	November 2021 Forecast			
36	State Average Gen Ed Revenue per ADM excluding referendum		9,618	9,631
37	Aid % of Gen Ed		91.0%	90.8%
38	Levy % of Gen Ed		9.0%	9.2%
39				
40	Average Gen Ed Aid PerADM/ESA amt. per student (line 36 * line 37)		8,756	8,745
41	Less 3% Admin allowance per ADM (line 40 * -0.03)		(263)	(262)
42	Net Average Gen Ed Aid Per ADM/ ESA amt. per eligible student (line 40 + 41)		8,493	8,482
43	Average Gen Ed Levy perADM (line 36 * line 38)		862	887
44				
45	Total General Ed ESA Aid Entitlement (line 13 * line 40)		76,431,959	113,949,812
46	Total 3% Admin Allowance (line 4 * line 41)		(2,292,959)	(3,418,494)
47	Net, ESA Gen Ed Aid Entitlement (line 45 + line 55)		74,139,000	110,531,317
48				
49	10% of Statewide Average Gen Ed Revenue (line 36 * 0.10)	-	962	963
50	One-time 10% Gen Ed Revenue Entitlement Adjustment to Enrolling Districts (one year lag) (line 5 * line 49)		-	8,395,347
51				
52	Special Education Impacts	FY23	FY24	FY25
53	November 2021 Forecast			
54	Special Education savings due to ADM reduction (line 4 *-1000)*.27)		(2,356,849)	(3,518,377)
55	Special Education Costs for new ESA students			762,428
56	Total, Special Education Impacts (line 54 + line 55)		(2,356,849)	(2,755,949)
57				
58	Total ESA Scholarship Approp (line 45)		76,431,959	113,949,812
59	Total one-time Gen Ed Aid to Res District (line 50)		-	8,395,347
60	Total State Aid for ESA Scholarships (line 58 + line 59)		76,431,959	122,345,158
61				
62	Vendor Contract for ESA Funds Managed (0.5%) (line 58 * .005)		382,160	569,749
63				
64	MNIT Programming			
65	1st-year MNIT Integration project implementation cost	915,200		
66	Ongoing MNIT operational support & maintenance cost (line 65 * 20%)		183,040	183,040

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67				
68	MDE Staffing			
69	Job Classification	FY23	FY24	FY25
70	Education Finance Specialist 2 (5 FTE)	360,000	720,000	720,000
71	Education Finance Specialist 1 (2 FTE)	120,000	240,000	240,000
72	Education Program Supervisor (1 FTE)	76,000	152,000	152,000
73	Management Analyst 4 (1 FTE)	45,500	91,000	91,000
74	Auditor Principal (6 FTE)	399,000	798,000	798,000
75	TOTAL MDE Administrative Salary Cost (lines 70 thru 74)	1,000,500	2,001,000	2,001,000
76	*FY23 assume FTEs hired at mid-point of year			
77				
78	Total Fiscal Note Impact:			
79				
80	General Education ESA Entitlement Total (line 45)	-	76,431,959	113,949,812
81	Appropriation Basis: 90% current		68,788,763	102,554,830
82	10% final			7,643,196
83	Appropriations Total for ESAs		68,788,763	110,198,026
84				
85	General Education State Aid Reduction to Districts - Ent basis (includes referendum aid loss)	-	(76,674,145)	(114,279,503)
86	Appropriations Basis: 90% current	-	(69,006,731)	(102,851,552)
87	10% final	-	-	(7,667,415)
88	Aid Reduction to Districts - Appropriations Basis	-	(69,006,731)	(110,518,967)
89				
90	One-time 10% Gen Ed Rev Adjust to Res Districts Entitlement (line 50)	-	-	8,395,347
91	Appropriations Basis: 90% current	-	-	7,555,812
92	10% final	-	-	-
93	One-time 10% Gen Ed Rev Adjust - Appropriations Basis	-	-	7,555,812
94				
95	TOTAL GENERAL EDUCATION FISCAL NOTE IMPACT (line 83 + line 88 + line 93)	-	(217,967)	7,234,871
96				
97	Special Education Impacts			
98	Special Education savings due to ADM reduction (line 54)	-	(2,356,849)	(3,518,377)
99	Special Education Costs for new ESA students (line 55)	-	-	762,428
100	Total, Special Education Entitlement Impacts (line 98 + line 99)	-	(2,356,849)	(2,755,949)
101	Appropriations Basis: 90% current *.974	-	(2,066,014)	(2,415,865)
102	10% final	-	-	(290,835)
103	TOTAL SPECIAL ED FISCAL NOTE IMPACT: (line 101 + line 102)	-	(2,066,014)	(2,706,700)

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104				
105	Other State Aid Impacts			
106	State Aid Entitlement for Temporarily Enrolled Nonpublic School Students (line 30)	6,084,704	4,406,603	4,457,328
107	Appropriations Basis: 90% current	5,476,234	3,965,943	4,011,595
108	10% final	-	608,470	440,660
109	State Aid for Temporarily Enrolled Nonpublic School Students - Approp. Basis	5,476,234	4,574,413	4,452,255
110				
111	Other Pupil-Driven Aid Impact Entitlement (line 26 - line 40 / line 13)		(4,053,372)	(7,459,756)
112	Appropriations Basis 90% current		(3,648,034)	(6,713,780)
113	10% final		-	(405,337)
114	Other Pupil-Driven Aid Impact: Appropriations Basis		(3,648,034)	(7,119,118)
115				
116	TOTAL OTHER STATE AID IMPACT: (line 109 + line 114)	5,476,234	926,379	(2,666,862)
117				
118	TOTAL STATE AID IMPACT (line 95 + line 103 + line 116)	5,476,234	(1,357,602)	1,861,309
119				
120	Levy Impacts			
121	Referendum levy impact	-	(8,690,390)	(14,058,932)
122	Other Pupil-Driven Levy Impact	-	(1,935,432)	(2,544,351)
123	Levy Impact to Temporary Enrolled Nonpublic Students (line 31)	1,336,633	993,573	1,033,848
124	TOTAL LEVY IMPACT (line 121 thru 123)*	1,336,633	(9,632,248)	(15,569,435)
125				
126				
127	Fiscal Note Identified Oversight and Admin Costs:			
128	Vendor Contract for ESA Funds Managed (line 62)	-	382,160	569,749
129	MNIT Integration Costs (lines 65 and 66)	915,200	183,040	183,040
130	MDE Staffing Costs (line 75)	1,000,500	2,001,000	2,001,000
131	Total, Actual Fiscal Note Oversight and Admin costs	1,915,700	2,566,200	2,753,789
132	3% Set Aside (line 46)	-	2,292,959	3,418,494
133	Additional Fiscal Note Admin, Above 3% set aside (if line 132 < line 133)	1,915,700	273,241	
134				
135	GRAND TOTAL STATE AID FISCAL NOTE COST (line 118 + line 133)	7,391,934	(1,084,361)	1,861,309
136				
137	* Levy impacts will not begin until Pay 2025 / Fiscal 2026			

Long-Term Fiscal Considerations

The ESA program will continue to grow in the years not included in the forecast based on the growth language in the

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legislation on lines 4.10-4.13. MDE administration costs will grow as participation in the program grows.

Special education savings to the state would continue to increase due to the cap on students raising from 1% in SFY 24 to 1.5% in SFY 25 and 2% in SFY 26 and later years. The additional loss ADM to districts who are funded under the Hold Harmless formula would reduce their state special education aid further saving the state overall when compared to the cost to serve the students.

Local Fiscal Impact

A public school that loses a couple or a few dozen special education students would most likely see minimal cost savings since they would still need to support their remaining students.

LEAs will incur more costs for ESA special ed students now attending a nonpublic school in their district. Costs include transporting nonpublic students who receive special ed services to and from their schools and increases in contracted services costs for LEAs who serve special education students at a nonpublic school.

Individualized Education Program (IEP) reevaluations would still be required for special education students in the program (Minn. R 3525.2710, Subp 2). Districts would still be required to spend a proportionate amount of their federal funds on nonpublic school students (34 CFR §§300.130-300.144).

References/Sources

N/A

Agency Contact: Terri Yetter, 651-582-8868

Agency Fiscal Note Coordinator Signature: Melissa Johnson

Phone: 651-582-8690

Date: 2/18/2022 9:37:53 AM

Email: melissa.r.johnson@state.mn.us

Fiscal Note

2021-2022 Legislative Session

SF9085 - 0 - Education Savings Accounts for Students Act

Chief Author: **Unknown Author**
 Committee: **Unknown Committee**
 Date Completed: **2/18/2022 2:05:21 PM**
 Agency: **District Courts**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This is a classified unofficial fiscal note request. If identical language to that which the classified fiscal note was based upon is made available for consideration by the legislature, the fiscal note is considered public data. The LBO will process requests for copies of the classified fiscal note if the note is considered public data, and/or will process new requests for a regular fiscal note on the introduced language. If the language is offered for consideration by the legislature, it is recommended that a new request for a regular fiscal note be made so that the most updated and complete information on the fiscal effect can be made available.

LBO Signature: Alyssa Holterman Rosas **Date:** 2/18/2022 2:04:52 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

SF 9085 creates an education savings accounts as a learning option for students. Section 1, subdivision 7 provides that the commissioner of education to commissioner shall adopt rules and policies necessary for the administration of the program. Subdivision 7 also provides that decision made by the Commissioner to enforce the rules and policies may be appealed to the Court of Appeals.

Assumptions

The number of appeals that might be filed is unknown. Therefore, it is not possible to estimate the impact on the Court of Appeals workload. Approximately 80% of all appeals filed with the Court of Appeals are briefed and assigned to a three judge panel. Two hundred and twenty-five (225) briefed cases per year require the time of one three judge court of appeals panel (three court of appeals judges). One additional staff attorney will be needed to process each increase of 225 briefed cases.

A court of appeals judge unit is comprised of an appellate court judge, 2.5 law clerks and judicial administrative assistant.

Expenditure and/or Revenue Formula

There is no data to estimate the impact on the Court of Appeals.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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