



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 25** SLS 22RS 145
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 11, 2022 8:25 AM	Author: FOIL
Dept./Agy.: LOSFA/START	
Subject: START (K-12) earnings enhancements	Analyst: Tim Mathis

STUDENTS OR INCREASE GF EX See Note Page 1 of 1
 Provides for earnings enhancements for the START K12 Program. (8/1/22)

Present law provides for the LA Student Tuition Assistance and Revenue Trust Kindergarten Through Grade Twelve (START K-12) Program, an education savings program for certain expenses associated with elementary or secondary school.

Proposed law provides for the calculation and payment of an earnings enhancement on deposits made into START K-12 education savings account, with rates based on the account owner's adjusted gross income. Establishes the "Savings Enhancement Fund" as a special permanent sub-account within the START Program account and provides that the legislature shall annually appropriate state general funds to be deposited by the treasurer into the fund. Provides that this fund shall be used to pay earnings enhancements in both the START and START K-12 programs.

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

There will be an indeterminable increase in state expenditures for the payment of earnings enhancement on deposits to START K-12 accounts, as well as a one-time increase of \$3,312 for the Office of Student Financial Assistance (OSFA) related to rule promulgation and programming costs. If the growth in number of START K-12 accounts becomes significant, OSFA will experience workload increases that may require additional staff positions to process the additional transactions.

Proposed law would provide for the payment of an earnings enhancement on deposits made into a START K-12 account. Earnings enhancement rates are determined by the account owner's adjusted gross income, and range from 2% to 14%. Payment of earnings enhancements are funded through a SGF appropriation to the statutorily dedicated Savings Enhancement Fund. In 2021, 1,616 START K-12 accounts received deposits totaling \$6.8 M, for an average annual deposit of \$4,215. Assuming these trends continue in the first full year of implementation, the earnings enhancement will cost \$227,770.

While it is unlikely that a START K-12 account will be created for every nonpublic school student, the new incentives will likely increase the number of START K-12 accounts as well as the associated assets. According to Department of Education data, there are currently 96,943 students enrolled in nonpublic schools. For illustrative purposes, if *all* nonpublic school students have an account, potential state costs would be \$13.7 M annually. It is unlikely that all will utilize this option, but if only 5% (or 4,847) of nonpublic school students have accounts and deposit an average of \$4,215 annually, earnings enhancement obligations from SGF would increase to \$683,191.

REVENUE EXPLANATION

To the extent the proposed law results in an increase in START K-12 accounts, there will be a decrease in general fund revenues due to the deduction of deposits from a filer's taxable income. Act 52 of the 2021 Regular Session provided for a tax deduction of deposits into a START K-12 account for a maximum \$1,200 per beneficiary per year for account owners filing single and a maximum \$2,400 per beneficiary per year for account owners filing jointly, beginning in the 2022 tax year.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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