

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2461 – SB 2395

March 9, 2012

SUMMARY OF AMENDMENT (013164): Authorizes, beginning in the 2012-2013 academic year, a 25 percent reduction in tuition to any state-operated higher education institution for every child under the age of 24 whose parent is a retired teacher with 30 years of full-time service in the public schools or whose parent received disability retirement after a minimum of 25 years of full-time service in the public schools.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$117,500/FY12-13
\$125,800/FY13-14
Exceeds \$125,800/FY14-15 and Subsequent Years

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$118,200/FY12-13
\$126,400/FY13-14
Exceeds \$126,400/FY14-15 and Subsequent Years

Assumptions applied to amendment:

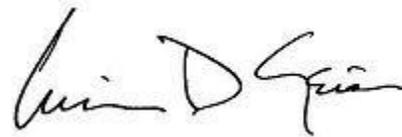
- Lost revenues to higher education institutions resulting from a tuition discount will be replaced with state funds rather than higher tuition and fees.
- Only retired teachers under the age of 59 will have dependents eligible to participate in the program. According to the Tennessee Consolidated Retirement System's 2011 annual report, there are 3,755 retired teachers under the age of 59. Of those, 55 percent (2,065) have at least 30 years of service. Based on information from this report, TBR and UT estimate that the dependents of 26 teachers who received disability retirement and who have a minimum of 25 years of service will also be eligible for the tuition discount.
- An estimated 2,091 (2,065 + 26) dependents will receive the tuition discount at either UT or TBR schools.
- According to the Tennessee Higher Education Commission, there are approximately 79,500 active certified public school teachers.

HB 2461 – SB 2395

- According to the Tennessee Board of Regents (TBR), 4,204 discounts were given to dependents of these teachers in FY10-11. This is one discount for every 19 teachers.
- An estimated 110 (2,091 / 19) new students will receive tuition waivers at TBR schools.
- TBR assumes a seven percent average increase in the tuition discount each year. The tuition waiver at TBR schools for FY10-11 was \$553 and increased to \$591 in FY11-12.
- The tuition discount will be \$633 in FY12-13 and \$677 in FY13-14.
- The increase in state expenditures for TBR in FY12-13 will be \$69,630 (\$633 x 110).
- The increase in state expenditures for TBR in FY13-14 will be \$74,470 (\$677 x 110).
- According to the University of Tennessee (UT), 2,216 tuition discounts were given to dependents of active teachers in FY10-11. This is one discount for every 35.9 teachers.
- An estimated 58 (2,091/ 35.9) new students will receive the tuition discount at UT schools each year.
- According to UT, the average tuition discount in FY10-11 was \$731 and increased to \$782 in FY11-12.
- UT assumes an average increase of seven percent in the tuition discount each year. The tuition discount will be \$837 in FY12-13 and \$896 in FY13-14.
- The increase in state expenditures for UT in FY12-13 will be \$48,546 (\$837 x 58).
- The increase in state expenditures for UT in FY13-14 will be \$51,968 (\$896 x 58).
- Total increase in state expenditures in FY12-13 will be \$118,176 (\$69,630 + \$48,546).
- Total increase in state expenditures in FY13-14 will be \$126,438 (\$74,470 + \$51,968).
- The average tuition discount will grow approximately seven percent each year, resulting in an increase in state expenditures exceeding \$126,438 in FY14-15 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/msg