

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 388 - SB 485**

March 31, 2011

**SUMMARY OF BILL:** Creates an entitlement scholarship program for students who reside in a county with a population of 800,000 or more, or attend a Tennessee school district with an average daily membership (ADM) of 38,000 or more, and meet both of the following requirements: eligibility for the federal free or reduced price lunch program and eligibility to attend a public K-12 school in the preceding semester or starting school for the first time. The scholarship is to allow the student to attend a different eligible school. Eligible schools include another school within the same local education agency (LEA), a public charter school, or a private school. The scholarship amount shall be the lesser of a eligible school's per pupil expenditure including operational and capital costs, or 95 percent of the total per pupil expenditure that the student's resident LEA would have allocated from state and local resources for participating students. The resident school district is not required to provide transportation to participating students.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$403,100/FY11-12  
\$806,300/FY12-13  
\$1,209,400/FY13-14  
\$1,612,600/FY14-15  
Exceeds \$1,612,600/FY15-16 and Subsequent Years**

**Increase Local Expenditures – \$13,530,600/FY11-12  
\$38,535,800/FY12-13  
\$57,800,300/FY13-14  
\$77,068,200/FY14-15  
Exceeds \$77,068,200/FY15-16 and Subsequent Years\***

Assumptions:

- Students currently attending public school in the Davidson County, Hamilton County, Knox County, Rutherford County, Shelby County, and Memphis City LEAs will be eligible to participate.
- Students in these LEAs that on are free and reduced price lunch and currently attend a private school may also participate.

- The scholarship amount will be limited to 95 percent of the total BEP amount that is spent on each student annually. BEP funding will shift to the public charter school or private school of an eligible student's choosing. The five percent of the BEP amount that will not be used for scholarships will be kept by the resident LEA.
- The weighted average BEP per pupil amount of these specific LEAs exclusive of federal funds is \$8,083.
- The weighted average five percent of the BEP amount that will not be used for scholarships and kept by these LEAs is \$404.
- The weighted BEP amount exclusive of the five percent kept by the LEAs will be \$7,679 (\$8,083 - \$404).
- According to the state Department of Education (DOE), there are a total of 222,674 students currently attending public school who will be eligible to participate.
- Approximately 10 percent of eligible students (22,267) currently attending a public school will participate.
- Approximately 70 percent of participating students currently attending a public school (15,587) will transfer to a private or public charter school. Transferring students currently attending a public school will continue to be counted for the purposes of BEP ADM. The remaining eligible students currently attending a public school will transfer to a different public school within their resident district.
- It is assumed that in FY11-12, participation will start at 25 percent of the total and increase to full participation in four years (FY14-15).
- For the transfer in funding for the students currently attending public school, LEAs will be able to annually adjust for 50 percent of the total transfer of funding in FY11-12 and subsequent years.
- In FY11-12, 3,897 students currently attending public schools will participate. The transfer in funding to a private or public charter school in FY11-12 will be \$29,925,063 (3,897 x \$7,679). LEAs will retain \$1,574,388 (3,897 x \$404). LEAs will be able to adjust for 50 percent of the transfer in funding in FY11-12; adjustment will be \$14,962,532 (\$29,925,063 / 2). For this population of students, the net increase in LEA expenditures in FY11-12 will be \$13,388,143 [\$29,925,063 - (\$1,574,388 retention + \$14,962,532 LEA adjustment)].
- In FY12-13, 11,134 students currently attending public school will participate. The transfer in funding to a private or public charter school in FY12-13 will be \$85,497,986 (11,134 x \$7,679). In FY12-13, LEAs will retain \$4,498,136 (11,134 x \$404). In FY12-13, LEAs will adjust for 50 percent of the total transfer; adjustment will be \$42,748,993 (\$85,497,986 / 2). For this population of students, the net increase in LEA expenditures in FY12-13 will be \$38,250,857 [\$85,497,986 - (\$4,498,136 retention + \$42,748,993 adjustment)].
- In FY13-14, 16,700 students currently attending public schools will participate. The transfer in funding to a private or public charter school in FY13-14 will be \$128,239,300 (16,700 x \$7,679). In FY13-14, LEAs will retain \$6,746,800 (16,700 x \$404). LEAs will adjust for 50 percent of the total transfer; adjustment will be \$64,119,650 (\$128,239,300 / 2). For this population of students, the net increase in LEA expenditures in FY13-14 will be \$57,372,850 [\$128,239,300 - (\$6,746,800 retention + \$64,119,650 adjustment)].

- In FY14-15, 22,267 students currently attending public school will participate. The transfer in funding to a private or public charter school in FY14-15 will be \$170,988,293 (22,267 x \$7,679). In FY14-15, LEAs will retain \$8,995,868 (22,267 x \$404). LEAs will adjust for 50 percent of the total transfer; adjustment will be \$85,494,147 ( $\$170,988,293 / 2$ ). For this population of students, the net increase in LEA expenditures in FY14-15 will be \$76,498,278 [ $\$170,988,293 - (\$8,995,868 \text{ retention} + \$85,494,147 \text{ adjustment})$ ].
- Approximately 2,996 students that currently attend a private school will be eligible to participate. 10 percent (300) of eligible private school students will participate. It is assumed that participation will start at 25 percent in FY11-12 and grow to 100 percent in FY14-15.
- Private school students will be counted as new ADM and will generate new state and local dollars within the BEP. The BEP per pupil expenditure will be split with 70 percent being state and 30 percent in local match.
- In FY11-12, 75 private school students will participate. The increase in BEP expenditures will be \$575,925 (75 x \$7,679) with \$403,148 in state expenditures and \$172,778 in local expenditures. LEAs will retain \$30,300 (75 x \$404). In FY11-12, the net increase in local expenditures for this student population will be \$142,478 ( $\$172,778 - \$30,300$ ).
- In FY12-13, 150 private school students will participate. The increase in BEP expenditures will be \$1,151,850 (150 x \$7,679) with \$806,295 in state expenditures and \$345,555 in local expenditures. LEAs will retain \$60,600 (150 x \$404). In FY12-13, the net increase in local expenditures for this student population will be \$284,955 ( $\$345,555 - \$60,600$ ).
- In FY13-14, 225 private school students will participate. The increase in BEP expenditures will be \$1,727,775 (225 x \$7,679) with \$1,209,443 in state expenditures and \$518,333 in local expenditures. LEAs will retain \$90,900 (225 x \$404). In FY13-14, the net increase in local expenditures for this population of students will be \$427,433 ( $\$518,333 - \$90,900$ ).
- In FY14-15, 300 private school students will participate. The increase in BEP expenditures will be \$2,303,700 (300 x \$7,679) with \$1,612,590 in state expenditures and \$691,110 in local expenditures. LEAs will retain \$121,200 (300 x \$404). In FY14-15, the net increase in local expenditures for this population of students will be \$569,910 ( $\$691,110 - \$121,200$ ).
- The increase in state BEP expenditures will exceed \$1,612,590 beginning in FY15-16 and subsequent years.
- The total increase in net LEA expenditures in FY11-12 will be \$13,530,621 ( $\$13,388,143 \text{ public} + \$142,478 \text{ private}$ ).
- The total increase in net LEA expenditures in FY12-13 will be \$38,535,812 ( $\$38,250,857 + \$284,955$ ).
- The total increase in net LEA expenditures in FY13-14 will be \$57,800,283 ( $\$57,372,850 + \$427,433$ ).
- The total increase in net LEA expenditures in FY14-15 will be \$77,068,188 ( $\$76,498,278 + \$569,910$ ) and will exceed this amount in subsequent years.
- All students utilize the full 95 percent scholarship amount.
- No increase in state expenditures for administration of the scholarship program.

- Any increase in state or local expenditures to notify students of this program will not be significant.
- LEAs are not required to provide transportation; therefore, there will not be an increase in state or local expenditures for this purpose.
- All participating students will be counted in their resident school district for the purposes of ADM.

*\*Article II, Section 24 of the Tennessee Constitution provides that: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

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



James W. White, Executive Director

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