

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 19 – HB 241

April 3, 2013

**SUMMARY OF ORIGINAL BILL:** Creates a stipend program for postsecondary education students who are majoring in a field of science, technology, engineering or math, or a health-related field. Requires program to begin in the 2013-14 academic year. Requires applicable students to be defined as “STEM majors”. To be eligible for a STEM stipend at an eligible four-year postsecondary institution, a student must be a Tennessee Hope scholarship recipient; have completed 60 semester hours; and be a STEM major. To be eligible for a STEM stipend at an eligible two-year postsecondary institution, a student shall be a recipient of a Tennessee HOPE scholarship and a STEM major. A student who becomes ineligible for a HOPE scholarship shall also become ineligible for a STEM stipend.

Requires the STEM stipend to be a loan that bears no interest. Requires any student who changes from a STEM major to a non-STEM major to repay the STEM stipend. Authorizes a student to receive both the General Assembly Merit scholarship and a STEM stipend. Authorizes a student to receive both the ASPIRE award and the STEM stipend.

Requires stipends to be funded from net lottery proceeds. Requires the STEM stipend to be \$1,000 in the 2013-14 academic year. For the 2014-15 and subsequent academic years, the amount of the stipend shall be determined in accordance with Tenn. Code Ann. § 4-51-111 and set in the general appropriations act.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Net Impact –

\$7,474,500/FY13-14/Lottery for Education Account  
\$7,387,000/FY14-15/Lottery for Education Account  
Exceeds \$7,387,000/FY15-16 and Subsequent Fiscal Years/  
Lottery for Education Account

**SUMMARY OF AMENDMENTS (004405, 004647, 006366):** Amendment 004405 deletes and rewrites the bill such that the only substantive changes are to specify that the STEM stipend program shall be a five-year pilot project beginning in FY13-14; to limit the total amount of STEM stipends awarded by the Tennessee Student Assistance Corporation (TSAC) to \$500,000 annually in each year of the pilot program; and requires the Tennessee Higher Education Commission (THEC) to study the pilot program and make an annual report on its effectiveness and in the fourth year to recommend whether or not the pilot program should be continued as a regular part of the lottery scholarship program. Amendment 004647 requires the cumulative amount of STEM stipend awards to be limited to \$250,000 per year from net lottery proceeds and shall not be paid out until at least \$250,000 has been donated by private industry or other non-state entities for this purpose. Donated funds shall be used to match net lottery proceeds on a one-to-one ratio. Amendment 006366 requires THEC, with input from the University of Tennessee, the Tennessee Board of Regents, and eligible independent postsecondary institutions, to determine which majors qualify as STEM majors for the purposes of this program and to publish this list on its website. Requires TSAC to publish the list of STEM majors as its website with information on the STEM stipend.

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

**Other Fiscal Impact – To the extent TSAC receives \$250,000 in annual matching funds from private donations, state expenditures from the Lottery for Education Account will increase by \$250,000 each year FY13-14 through FY17-18. To the extent matching funds are not received, the fiscal impact of this bill as amended will not be significant. Students receiving funding as a result of this program who subsequently change academic programs to a non-STEM academic program will be required to repay the funding to the state. Any subsequent increase in state revenue as a result of repayment is dependent upon several unknown factors and cannot be quantified. Any such increases would likely not occur until FY17-18.**

Assumptions for the bill as amended:

- The STEM stipend pilot program will begin in FY13-14 and end in FY17-18.
- TSAC will be prohibited from spending funding from the Lottery for Education Account (LFEA) until matching funds in the amount of \$250,000 are received each year.
- If matching funds are received, the increase in state expenditures from the LFEA will be \$250,000 annually beginning in FY13-14 and ending in FY17-18.
- TSAC estimates a small percentage of students will change majors each semester, but TSAC will replace students who drop out of the program with additional STEM or health-related students; therefore, the total award amount will remain \$250,000 annually.

- TSAC will recoup STEM stipends from students who change majors; however, TSAC estimates that students will not enter repayment status until after graduation or ceasing to be enrolled in a higher education institution. An estimate of how much funding will be paid back by students cannot be reasonably quantified by TSAC.
- Any increase in state expenditures for THEC to determine which majors qualify as STEM majors and to post this information on its website is estimated to be not significant. Any increase in state expenditures for TSAC to post this information on its website with information about the program is estimated to be not significant.

**CERTIFICATION:**

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



Lucian D. Geise, Executive Director

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