

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2612 – SB 2506

March 21, 2016

**SUMMARY OF ORIGINAL BILL:** Creates a pilot competitive grant program for rural and public charter schools. Defines a rural school as a school operated in a local education agency (LEA) that has less than 8,000 students.

Sets forth requirements for the usage of grants. Requires schools that wish to receive a grant to submit an application to the Department of Education (DOE). Schools on the priority or focus list in the preceding school year shall not be eligible to receive a grant. Sets forth guidelines that the DOE shall use when determining which schools will be awarded grants. Requires the public school to provide a matching amount from donations or from local government funding; this match will be set by the DOE and may vary from school to school. Authorizes the DOE to waive or reduce the amount of local match funding as it determines appropriate. Schools that do not use all of their state grant funding must return the unused portion back to the state.

Creates a fund to be known as the Charter and Rural Schools Facility Assistance Fund (CRSFAF) to be administered by the State Treasurer. Funds in this account shall be used for the rural and charter school grant program. Prohibits more than \$25,000,000 from being appropriated by the General Assembly in FY16-17. If funds are appropriated by the General Assembly in FY16-17, the pilot program shall begin and shall continue until the funds appropriated in FY16-17 are disbursed, unless the General Assembly chooses to appropriate additional funds in FY17-18 and subsequent years.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Exceeds \$1,000,000/Charter and Rural Schools  
Facility Assistance Fund

Increase State Expenditures – Exceeds \$1,075,000/General Fund  
Exceeds \$1,000,000/Charter and Rural Schools  
Facility Assistance Fund

**SUMMARY OF AMENDMENT (014652):** Deletes and rewrites the bill such that the only substantive changes are (1) to redefine “rural school” as a local education agency that has an average daily membership of 12,500 or fewer students; (2) to require the DOE to give preference in grant awards to public schools that require funding assistance for capital facilities projects that will solve imminent safety and student welfare concerns or to LEAs whose fiscal

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capacity to raise capital facilities' funding is limited; (3) to remove the cap on funding that may be appropriated by the General Assembly in FY16-17; (4) to prohibit the DOE from making a grant that is larger than the amount of funds in the Charter and Rural Schools Facility Assistance Fund (CRSFAF); and (5) to require the DOE to pay for any administrative costs from the CRSFAF.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue – Exceeds \$1,000,000/Charter and Rural Schools  
Facility Assistance Fund**

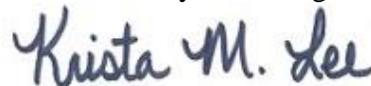
**Increase State Expenditures – Exceeds \$1,000,000/General Fund  
Exceeds \$1,000,000/Charter and Rural Schools  
Facility Assistance Fund**

Assumptions for the bill as amended:

- Given there is no termination date established for the proposed pilot program, it is assumed the pilot program will exist into perpetuity.
- The DOE will require one additional education consultant position to oversee the pilot grant program. This position will require a recurring increase in state expenditures of \$75,000 for salary and benefits.
- The DOE will pay for new personnel from monies appropriated by the General Assembly to the CRSFAF.
- The General Assembly would need to appropriate an amount of funding, estimated to be at least \$1,000,000 each year, in order to fulfill the purpose of providing and administering grants for rural and public charter schools as specified by the legislation.
- There will be a recurring increase in revenue of at least \$1,000,000 and a corresponding increase in expenditures of at least \$1,000,000 to the Charter and Rural Schools Facility Assistance Fund.

**CERTIFICATION:**

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



Krista M. Lee, Executive Director

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