

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 624 - HB 945

March 18, 2015

SUMMARY OF BILL: Defines “HiSET®” to mean the high school equivalency test credential awarded by a state-approved institution or organization. Authorizes recipients of the HiSET® high school equivalence test credential to be eligible for a Tennessee HOPE scholarship. Establishes a minimum HiSET® score for scholarship eligibility of 15. Revises the required GED® score under the HOPE scholarship eligibility requirements to conform to the scale used for the new version of the GED®, and establishes the minimum GED® average score of 170 to qualify for the scholarship. Authorizes a student who, after January 1, 2014, met the GED®, HiSET®, ACT and SAT test score requirements, to be awarded a HOPE scholarship in the 2014-2015 academic year for the 2013-2014 academic year; provided that the student: met the general eligibility requirements in the 2013-2014 academic year while enrolled at an eligible institution; did not receive the scholarship in the 2013-2014 academic year; and is enrolled in the 2014-2015 academic year in an eligible postsecondary institution. Authorizes a student who met the GED®, HiSET®, ACT and SAT test score requirements to be awarded a HOPE scholarship in the 2014-2015 academic year for the 2013-2014 academic year; provided that the student is not otherwise ineligible for the scholarship and is enrolled in the 2014-2015 academic year in an eligible postsecondary institution.

ESTIMATED FISCAL IMPACT:

On March 3, 2015, a fiscal note was issued estimating a fiscal impact as follows:

*Increase State Expenditures – \$353,500/FY15-16/Lottery for Education Account
\$220,000/FY16-17/Lottery for Education Account
Exceeds \$220,000/FY17-18 and Subsequent Years/
Lottery for Education Account*

This funding will not be included in the annual statutory transfer of excess lottery funding from the Lottery for Education Account to the Tennessee Promise scholarship endowment fund.

Based on additional information provided by the Tennessee Student Assistance Corporation, the fiscal note is being corrected to reflect the revised assumptions. The estimated fiscal impact is:

(CORRECTED)

**Increase State Expenditures – \$346,000/FY14-15/Lottery for Education Account
\$123,500/FY15-16/Lottery for Education Account**

SB 624 - HB 945 (CORRECTED)

**Exceeds \$123,500/FY16-17 and Subsequent Years/
Lottery for Education Account**

This funding will not be included in the annual statutory transfer of excess lottery funding from the Lottery for Education Account to the Tennessee Promise Scholarship Reserve Account.

Corrected Assumptions:

- Pursuant to this bill, students who, from January 1, 2014, would have qualified for a HOPE scholarship with the revised GED and HiSET scores will receive the scholarship for one semester for the 2013-2014 academic year in the current academic year, provided they are enrolled in the 2014-2015 academic year and they meet all other established requirements in the current academic year.
- The Tennessee Student Assistance Corporation (TSAC) estimates that there would be twenty such students from a four-year institution that will receive a \$2,000 scholarship for one semester, and fifty students from a two-year institution that will receive a \$1,000 scholarship for one semester, for a total of \$90,000 $[(\$2,000 \times 20) + (\$1,000 \times 50)]$.
- These students will also be awarded a scholarship in the 2014-2015 academic year, for an increase in state expenditures of \$180,000 $[(\$4,000 \times 20) + (\$2,000 \times 50)]$.
- There will be an additional 25 students receiving HOPE scholarships in FY14-15 (13 attending a four-year institution and 12 attending a two-year institution), for an increase in state expenditures of \$76,000 $[(\$4,000 \times 13) + (\$2,000 \times 12)]$. The total increase in expenditures from the Lottery for Education Account (LFEA) is estimated to be \$346,000 $(\$90,000 + \$180,000 + \$76,000)$. TSAC informs that it is the intent to expend these funds from the FY14-15 budget, and this fiscal note reflects that intent.
- There will be an additional 25 students receiving HOPE scholarships in FY15-16. Of these students, 13 will attend a four-year institution and receive a \$3,500 scholarship and 12 will attend a two-year institution and receive a \$3,000 scholarship.
- In FY15-16, the increase in state expenditures from the LFEA will be \$45,500 for students receiving a \$3,500 scholarship $(\$3,500 \times 13)$, and \$36,000 for students receiving a \$3,000 scholarship $(\$3,000 \times 12)$, for a total of \$81,500 $(\$45,500 + \$36,000)$.
- TSAC confirmed the retention rate for HOPE scholarship recipients is 55 percent from the student's first year to the second year.
- Fourteen students $(25 \times 55\%)$ from the FY14-15 class will retain their award; seven students at a four-year institution and seven students at a two-year institution. The increase in state expenditures from the LFEA for returning students is estimated to be \$42,000 $[(\$4,000 \times 7) + (\$2,000 \times 7)]$ in FY15-16.
- The total increase in state expenditures from the LFEA in FY15-16 is estimated to be \$123,500 $(\$81,500 \text{ new FY15-16 students} + \$42,000 \text{ for returning FY15-16 students})$.
- In FY16-17 and subsequent years, the recurring increase in state expenditures from the LFEA will exceed \$123,500.

CERTIFICATION:

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

A handwritten signature in black ink, reading "Jeffrey L. Spalding". The signature is written in a cursive style with a large, prominent initial "J".

Jeffrey L. Spalding, Executive Director

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