

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 115 - HB 364

February 17, 2017

SUMMARY OF BILL: Authorizes a student who was not admitted to the Individualized Education Program (IEA) for the FY16-17 academic year, because the student was not previously enrolled in a Tennessee public school during the two semesters preceding the semester in which the student receives an IEA, to enroll in the IEA program, provided the student: (1) has a qualifying disability, as referenced in Tenn. Code Annotated § 49-10-1402(3)(A); and (2) had an Individual Education Program (IEP) in effect during the 2015-2016 academic year in a Tennessee public school.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$4,700/Department of Education/FY17-18

\$2,300/Department of Education/Each Year FY18-19 through FY30-31

Increase State Expenditures –

\$38,600/Each Year FY18-19 through FY30-31/BEP

Decrease Local Revenue - \$117,000/FY17-18/BEP

Increase Local Expenditure –

\$19,200/Each Year FY18-19 through FY30-31/BEP

Assumptions Relative to Individualized Education Act and the BEP formula:

- The Individualized Education Act (IEA) program provides eligible special education students a scholarship to attend an eligible participating non-public school of their choice.
- Pursuant to Tenn. Code Ann. § 49-10-1402(3)(A – B), an eligible student is defined as a resident of Tennessee with certain disabilities who has an IEP in effect at the time the Department of Education (DOE) receives the request for participation in the program and meets at least one of the following requirements: (a) the student was previously enrolled in a Tennessee public school during the two semesters immediately preceding the semester in which the student receives an IEA; (b) the student is attending a Tennessee school for the first time; or (c) the student received an IEA in the previous school year.

- Pursuant to Tenn. Code Ann. § 49-10-1405, the IEA program is funded from the state and required local match funds from the Basic Education Program (BEP funding formula), including any required special education BEP funding.
- Pursuant to Tenn. Code Annotated § 49-10-1405(b), the DOE retains four percent of the total funds allocated to the IEA for administering the program.
- Pursuant to Tenn. Code Ann. § 49-10-1403(f), students in the IEA program may remain in the program until a participating student returns to a public school; graduates from high school; or reaches the age of 22 by August 15 of the next academic year.
- State and local BEP per pupil expenditures will increase incrementally each year.
- State BEP funding that is received by LEAs is considered local revenue.

Assumptions Relative to Changes in the IEA Program:

- Based on information provided by the DOE, there is a single cohort of 17 students, in 11 local education agencies (LEAs), at various grade levels, who will qualify for the IEA program beginning in FY17-18 as a result of this bill.
- There will not be any additional cohorts of students impacted by the bill because students must have applied for an IEA for the 2016-2017 academic year and were denied.
- In FY18-19 and subsequent years, until matriculation or the students age out of the IEA program, the 17 additional students participating in the IEA program as a result of this bill will be counted for the generation of state and local BEP funding.
- In FY17-18, the state will subtract the total amount of the 2017-18 IEA payment from the state BEP allocations of the respective LEAs in which the newly-enrolling students reside since the 17 additional students were not enrolled in their regular LEA in FY15-16, and therefore, were not counted for purposes of calculating BEP funding for FY16-17.
- The DOE has provided detailed information regarding the impact of this bill and the impacts on each LEA affected by this bill. Based on this information, the total one-time decrease to local government revenue occurring as a result of state BEP allocations being reduced in FY17-18 is estimated to be \$116,982.
- The DOE will retain additional administrative funding as a result of additional students participating in the IEA program beginning in FY17-18. The increase in revenue to DOE pursuant to Tenn. Code Ann. § 49-10-1405(b) for IEA administration in FY17-18 is estimated to be \$4,679 (\$116,982 x 4.0%). The table below shows the estimated amounts of revenue that will be retained each year by the DOE beginning in FY18-19 and running through FY30-31, at which time it is estimated that the last student will have graduated or aged out of the program.

| Year | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 4% DOE Admin | \$ 4,679.30 | \$ 4,679.30 | \$ 3,810.63 | \$ 3,266.25 | \$ 2,994.07 | \$ 2,721.88 | \$ 1,360.94 |

| Year | 2025-2026 | 2026-2027 | 2027-2028 | 2028-2029 | 2029-2030 | 2030-2031 | Grand Total |
|--------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|
| 4% DOE Admin | \$ 1,360.94 | \$ 1,088.75 | \$ 1,088.75 | \$ 1,088.75 | \$ 1,088.75 | \$ 272.19 | \$29,500.50 |

- The cumulative amount of administrative funding retained by the DOE over the entire 13-year period is estimated to be \$29,500. Annualized, the increase in state revenue to DOE is estimated to be \$2,269 ($\$29,500 / 13$ years) for each year beginning in FY18-19 and running through FY30-31.
- The DOE has provided detailed information on the state and local BEP impact for each affected LEA. By counting the 17 additional students for the purposes of the BEP funding formula, there will be an increase in state and local BEP funding, beginning in FY18-19, and ending when the entire single cohort of affected students graduate from high school or are otherwise no longer are enrolled in the IEA program, which is estimated to be FY30-31. The extent of these increases will diminish over time as the students move through the system. The amounts of such expenditure increases for each year FY18-19 through FY30-31 are estimated in the table below.

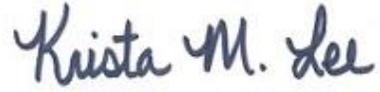
| Year | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 |
|-------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| State | \$ 77,985.04 | \$ 77,985.04 | \$ 65,351.35 | \$ 56,015.44 | \$ 51,347.49 | \$ 46,679.54 | \$ 23,339.77 |
| Local | \$ 38,997.47 | \$ 38,997.47 | \$ 29,914.40 | \$ 25,640.91 | \$ 23,504.17 | \$ 21,367.43 | \$ 10,683.71 |

| Year | 2025-2026 | 2026-2027 | 2027-2028 | 2028-2029 | 2029-2030 | 2030-2031 | Grand Total |
|-------|--------------|--------------|--------------|--------------|--------------|-------------|---------------|
| State | \$ 23,339.77 | \$ 18,671.81 | \$ 18,671.81 | \$ 18,671.81 | \$ 18,671.81 | \$ 4,667.95 | \$ 501,398.66 |
| Local | \$ 10,683.71 | \$ 8,546.97 | \$ 8,546.97 | \$ 8,546.97 | \$ 8,546.97 | \$ 2,136.74 | \$ 236,113.90 |

- The cumulative increase in state BEP expenditures over the entire 13-year period is estimated to be \$501,399. Annualized, the increase in state BEP expenditures is estimated to be \$38,569 ($\$501,399 / 13$ years) for each year beginning in FY18-19 and running through FY30-31.
- The cumulative increase in local BEP expenditures over the entire 13-year period is estimated to be \$236,114. Annualized, the increase in local BEP expenditures is estimated to be \$19,163 ($\$236,114 / 13$ years) for each year beginning in FY18-19 and running through FY30-31.
- The estimated split between state and local funding levels are based on the grade level of the requisite students impacted by the proposed legislation and from information provided by the Department of Education for each LEA; as well as the average proportion of the BEP state and local funding levels in the requisite LEAs impacted by the proposed legislation.
- Some calculations used in this fiscal note have been omitted for the purpose of brevity. However, these calculations are on file with the Fiscal Review Committee staff and can be provided upon request.

CERTIFICATION:

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

A handwritten signature in cursive script that reads "Krista M. Lee".

Krista M. Lee, Executive Director

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