SUMMARY OF BILL: Enacts the Opportunity Scholarship Pilot Program. Limits the program to eligible students in all local education agencies (LEAs) that have at least 30 schools in the bottom five percent of overall achievement. Authorizes eligible students to apply for and receive scholarships to attend participating non-public schools. Requires students to meet certain eligibility requirements including, but not limited to, being zoned for or currently attending a school that is identified as being in the bottom five percent of schools in overall achievement data and meeting certain age and income requirements. Requires non-public schools to provide annual notice to the Department of Education (DOE) of their intent to participate and to comply with all other participation requirements.

Requires the DOE to administer the program, and sets forth specific departmental administrative tasks including, but not limited to, providing annual notice of students’ eligibility to parents; determining and approving initial and continuing eligibility for participating schools; and remitting scholarship payments to participating schools. Authorizes scholarship students to enroll in another participating school without loss of eligibility, if a participating school is deemed ineligible. Sets forth the procedures that shall be followed if the number of eligible students exceeds the number of scholarships awarded at a specific school for a specific grade level, and if there are scholarships available after all possible matches have been made between participating schools and eligible students.

Requires the annual scholarship amount to be the lesser of the participating school’s annual tuition and fees or the amount of the required state and local Basic Education Program (BEP) funding per pupil. Requires students receiving the scholarship to continue to be counted toward the average daily membership (ADM) of the local education agency (LEA). Requires LEAs to continue to fund their portion of the required BEP per pupil expenditure (PPE) for participating students. Authorizes LEAs to retain any local funding above and beyond the BEP local match requirement. Requires any remaining funds to be retained by the DOE and the LEA, with specific amounts based on the LEA’s state and local BEP funding share division, if a participating school’s tuition and fees are less than the required state and local BEP per pupil expenditure (PPE).

Requires the DOE to apply for use of federal funds in accordance with federal law in the event that funds are made available.

Caps the statewide scholarship program for LEAs with a school that is in the bottom five percent of achievement at 5,000 scholarships for FY17-18; 7,500 scholarships in FY18-19; and 10,000 scholarships in FY19-20; and 20,000 scholarships in FY20-21 and subsequent fiscal years.
ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $330,400/FY17-18
$230,400/FY18-19 and Subsequent Years

Other Fiscal Impact – For local education agencies that have schools in the bottom five percent of achievement and are mandated to participate in the statewide scholarship program, the shift of state and required local BEP funding from these local education agencies to the non-public participating schools is estimated as follows: $8,867,500 in FY17-18; $13,633,100 in FY18-19; $18,632,500 in FY19-20; and an amount exceeding $18,632,500 in FY18-19 and subsequent years.

Assumptions relative to state expenditures:

• The DOE will require two new positions to administer the program beginning in FY17-18. One position will require a salary of $80,124 with benefits of $20,219; a total of $100,343. One position will require a salary of $67,008 with benefits of $18,043; a total of $85,051.
• The total recurring increase in state expenditures for personnel is estimated to be $185,394 ($100,343 + $85,051).
• Pursuant to § 49-1-1205 of the proposed bill, the DOE shall notify parents of student eligibility and participating schools. Though the exact number of eligible students is unknown; based on information from the DOE, it is estimated that the Department will notify at least 65,000 students annually of the pilot program.
• Based on information from DOE, the recurring increase in state expenditures to notify eligible students and participating schools through mailings and brochures is estimated to be $45,000.
• Based on information from the DOE, the Department will require a new online portal system for receiving and processing student applications. The Department confirms a third-party contract vendor will be required to develop the new portal system. Though the exact cost for developing such system is unknown; the one-time increase in state expenditures for software development is estimated to exceed $100,000. Such expenses will be incurred in FY17-18.
• The total increase in state expenditures in FY17-18 is estimated to exceed $330,394 ($185,394 + $45,000 + $100,000).
• The total recurring increase in state expenditures beginning in FY18-19 is estimated to be $230,394 ($185,394 + $45,000).

Assumptions relative to enrollment, scholarship amounts, and program estimates:

• The scholarship pilot program will begin in the fall of 2017.
• Based on information from DOE, Shelby County Schools will be the sole location of the pilot program based on the achievement scores of all LEAs in FY15-16.
Though the exact number of annually participating students is unknown, it is reasonably estimated that a minimum of 25 percent of the cap for the pilot program will be filled each year beginning in FY17-18.

For the purposes of this fiscal note, the required state and local BEP expenditures are utilized as the scholarship amount with an estimated scholarship growth of 2.5 percent annually.

**Statewide Program Student Enrollment Estimates:**
- In FY17-18, an estimated 1,250 students will participate.
- In FY18-19, an estimated 1,875 students will participate.
- In FY19-20, an estimated 2,500 students will participate.
- In FY20-21 and subsequent years, over 2,500 students will participate.

**Statewide Program Scholarship Estimates:**
- In FY17-18, the scholarship is estimated to be $7,094 (the average 2016-2017 per pupil expenditure).
- In FY18-19, the scholarship is estimated to be $7,271 ($7,094 x 1.025%) per pupil.
- In FY19-20, the scholarship is estimated to be $7,453 ($7,271 x 1.025%) per pupil.
- In FY20-21 and subsequent years, the scholarship is estimated to exceed $7,453 per pupil.

**Total Statewide Program Estimates:**
- In FY17-18, an estimated $8,867,500 ($7,094 x 1,250 students) will shift from LEAs to participating schools.
- In FY18-19, an estimated $13,633,125 ($7,271 x 1,875 students) will shift from LEAs to participating schools.
- In FY19-20, an estimated $18,632,500 ($7,453 x 2,500 students) will shift from LEAs to participating schools.
- In FY20-21 and subsequent years, an amount estimated to exceed $18,632,500 will shift from LEAs to participating schools.

Assumptions relative to LEA fund retention:

- The BEP maintenance of effort requires that local government continue to fund their LEA at the same level year-to-year unless there is a decrease in enrollment.
- Participating students will continue to be counted in LEA enrollment numbers, and LEAs will be required to continue providing funding based on the enrollment numbers that include participating students.
- A majority of LEAs are currently funding their students above and beyond the BEP local match requirement. This amount varies widely by LEA, but according to DOE, the average amount that LEAs will retain in FY17-18 is $1,279 per pupil. This amount is estimated to increase at an average growth rate of 2.5 percent annually in each subsequent year.
- Each year, students leave and enter LEAs. As a result, LEAs adjust expenditures, teachers, facilities, and other items to meet the change in student population.
- LEAs will be able to use retained funding to offset any increase in local government expenditures or to use at their discretion for some other purpose.
CERTIFICATION:

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

Krista M. Lee, Executive Director

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