

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 573 – HB 715

March 2, 2017

**SUMMARY OF BILL:** Authorizes students with an Individualized Education Plan (IEP) as well as a disability, or has been diagnosed with a disability from a physician or licensed psychologist, or received an individualized education account (IEA) in the previous school year to be eligible for an IEA.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**\$170,800/FY17-18/Department of Education**

**\$176,800/FY18-19/Department of Education**

**\$183,000/FY19-20/Department of Education**

**Exceeds \$183,000/FY20-21 and Subsequent Years/Department of Education**

**Increase State Expenditures – \$237,900/FY17-18**

**\$234,900/FY18-19 and Subsequent Years**

**Other Fiscal Impact – For LEAs with students that opt to participate in the IEA program, the net shift of state and required local BEP funding from these LEAs to the participating entities, is estimated as follows: \$4,100,000 in FY17-18; \$4,243,400 in FY18-19; \$4,391,100 in FY19-20; and amounts exceeding \$4,391,100 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. The salary and benefits for these employees are detailed in the table below.

NEW STUDENTS ELIGIBLE	TOTAL PARTICIPANTS	NEW DOE EMPLOYEES	SALARY PER EMPLOYEE	BENEFITS PER EMPLOYEE
61,739	617	2	\$67,008	\$18,043

- In addition to salary and benefits, the DOE will incur one-time costs for computers as well as recurring costs for equipment, printing, and other miscellaneous expenses. These expenses are detailed in the table below.

EQUIPMENT (RECURRING)	ONBOARDING (COMPUTERS, ONE-TIME)	2017-2018	2018-2019
\$24,000	\$3,000	\$27,000	\$24,000

- The DOE must notify 61,739 eligible students.
- The DOE will notify eligible students by mail with a printing and mailing cost of \$0.66 per brochure.
- The DOE will incur a printing and mailing costs of \$40,748 (61,739 x \$0.66) to notify eligible students of the program.
- The increase in state expenditures for FY17-18 is estimated to be \$237,850  $\{[(\$67,008 + \$18,043) \times 2] + \$27,000 + \$40,748\}$ ; and the recurring increase in state expenditures beginning in FY18-19 is estimated to be \$234,850  $\{[(\$67,008 + \$18,043) \times 2] + \$24,000 + \$40,748\}$ .

Assumptions relative to BEP Transfer and State Revenue:

- Though the exact number of annually participating students is unknown, it is reasonably estimated that a minimum of one percent of the 61,739 eligible students will participate beginning in FY17-18.
- For the purposes of this fiscal note, the number of participating students is estimated to increase by one percent per year.
- The state and local Per Pupil Expenditures (PPE), which make up the scholarships for each student is currently \$6,922.
- 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 617 students will participate.
  - In FY18-19, an estimated 623 students will participate.
  - In FY19-20, an estimated 629 students will participate.
  - In FY20-21 and subsequent years, more than 629 students will participate.
- Total Statewide Program Estimates (Gross):
  - In FY17-18, an estimated \$4,270,874 ( $\$6,922 \times 617$  students) will shift from LEAs to participating schools.
  - In FY18-19, an estimated \$4,420,185 ( $\$7,095 \times 623$  students) will shift from LEAs to participating schools.
  - In FY19-20, an estimated \$4,574,088 ( $\$7,272 \times 629$  students) will shift from LEAs to participating schools.
  - In FY20-21 and subsequent years, an amount estimated to exceed \$4,574,088 will shift from LEAs to participating schools.
- Pursuant to Tenn. Code Ann. § 49-10-1405(b), the DOE will retain a four percent administrative fee from BEP funds shifting to participating schools as a result of additional students participating in the IEA program beginning in FY17-18.
- The increase in state revenue to DOE for IEA administration is estimated to be: \$170,835 ( $\$4,270,874 \times 4.0\%$ ) in FY17-18; \$176,807 ( $\$4,420,185 \times 4.0\%$ ) in FY18-19; \$182,964

(\$4,574,088 x 4.0%) in FY19-20; and is estimated to exceed \$182,964 in FY20-21 and subsequent years.

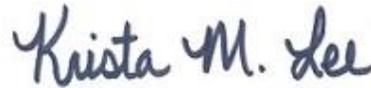
- Total Statewide Program Estimates (Net):
  - In FY17-18, a net amount estimated to be \$4,100,039 (\$4,270,874 - \$170,835) will shift from LEAs to participating schools.
  - In FY18-19, a net amount estimated to be \$4,243,378 (\$4,420,185 - \$176,807) will shift from LEAs to participating schools.
  - In FY19-20, a net amount estimated to be \$4,391,124 (\$4,574,088 - \$182,964) will shift from LEAs to participating schools.
  - In FY20-21 and subsequent years, net amounts estimated to exceed \$4,391,124 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 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.
- LEAs adjust expenditures, teachers, facilities, and other items to meet the change in student population each year.
- 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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