

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 18

January 25, 2019

SUMMARY OF BILL: Expands qualifying eligibility for participation in an Individualized Education Account (IEA) program to include students that attend Tennessee nonpublic and home schools.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$24,300/FY20-21/Department of Education

\$48,700/FY21-22/Department of Education

\$73,500/FY22-23/Department of Education

Exceeds \$97,800/FY23-24 and Subsequent Years/Department of Education

Increase State Expenditures –

Exceeds \$24,000/FY20-21 and Subsequent Years/Department of Education

Other Fiscal Impact – For local education agencies with students that opt to participate in the IEA program, the net shift of state and required local BEP funding from these local education agencies (LEAs) to the participating entities is estimated as follows: \$405,700 in FY20-21; \$811,400 in FY21-22; \$1,224,500 in FY22-23; and amounts exceeding \$1,630,100 in FY23-24 and subsequent years.

Assumptions relative to State Revenue:

- The IEA program application period for the 2019-20 school year closes on April 15, 2019; students made eligible by this legislation would be able to enroll in the program during the 2020-21 school year.
- Based on information from the Department of Education (DOE), it is estimated that approximately 5,522 additional students will be eligible to enroll in the IEA program for the 2020-21 school year and that one percent will participate in 2020-21 with one percent growth each year for three additional years (reaching a minimum of four percent for the fourth and subsequent years). The table below illustrates the projected number of additional students that will enroll in the IEA program each fiscal year.

Fiscal Year	FY 20-21	FY 21-22	FY 22-23	FY 23-24*
Number of Projected Students	55	110	166	Exceeds 221

*and Subsequent Years

- Pursuant to Tenn. Code Ann. 49-10-1405(b), DOE collects a six percent administrative fee from every IEA award to cover the administrative costs incurred for administering the program. The most current BEP figure for the 2018-2019 school year is \$7,376.23, with an admin fee of \$442.57 per student ($\$7,376.23 \times 6\%$). These numbers are assumed to remain constant into perpetuity.
- The total increases in state revenue to DOE is estimated as follows:

Fiscal Year	FY 20-21	FY 21-22	FY 22-23	FY 23-24*
Administrative Fees Generated	\$24,341	\$48,683	\$73,467	Exceeds \$97,808

*and Subsequent Years

Assumption relative to State Expenditures:

- The DOE will incur additional recurring administrative expenditures including but not limited to programming, mailings, translation and interpretation, and appeals. The recurring increase in state expenditures by DOE is estimated to exceed \$24,000 per year beginning in FY20-21.

Assumptions relative to LEAs and Basic Education Program (BEP) funding transfers:

- The proposed legislation would create a shift in BEP funding from LEAs to IEA account holders; based on information provided by DOE, the cost per pupil is estimated to be \$7,376.23.
- The total BEP funding shifts are estimated as follows:

Fiscal Year	FY 20-21	FY 21-22	FY 22-23	FY 23-24*
BEP Shift from LEA (\$7,376 per pupil)	\$405,692	\$811,385	\$1,224,454	Exceeds \$1,630,147

*and Subsequent Years

Assumptions relative to other local government impacts:

- Under the proposed legislation, some students who would have otherwise enrolled in a public school to establish an IEA, will no longer be required to enroll for a full school year; this will create some cost savings for LEAs for they will no longer incur costs associated with educating this cohort of students for the entire school year.

- However, some new students currently in nonpublic schools will be incentivized to enroll in a Tennessee public school for at least one-fourth of the school year for the purpose of obtaining an IEA. The respective LEAs will incur costs to educate these newly enrolled students.
- It is assumed that the effects of greater numbers of students not enrolling in a public school for an entire year, due to the changing qualifications for an IEA program under the proposed legislation, will be offset by an increase in new students enrolling in public schools that would not have occurred otherwise.
- Based on the projected effects of enrollment created by the proposed legislation, the net impact on local government is estimated to be not significant.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/alh