

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 987 – HB 1109

April 18, 2018

SUMMARY OF ORIGINAL BILL: Deletes the existing requirement for a student to meet one of the following in order to qualify for the Individualized Education Account (IEA) Program: (1) was previously enrolled in a Tennessee public school during the previous two semesters; (2) is attending a Tennessee school for the first time; or (3) received an IEA in the previous academic year.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$77,800/FY18-19/Department of Education

\$81,700/FY19-20/Department of Education

\$85,800/FY20-21/Department of Education

Exceeds \$85,800 /FY21-22 and Subsequent Years/Department of Education

Increase Local Expenditures – Exceeds \$583,500/FY18-19*

Other Fiscal Impact – For local education agencies (LEAs) 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 to the participating entities is estimated as follows: \$1,867,300 in FY18-19; \$1,961,600 in FY19-20; \$2,059,400 in FY20-21; and amounts exceeding \$2,059,400 in FY21-22 and subsequent years.

SUMMARY OF AMENDMENTS (016572, 017486, 017529): Amendment 016572 deletes all language after the enacting clause. Requires the Office of Research and Education Accountability in the Office of the Comptroller of the Treasury (COT) to study and report on the use of funding provided by the state share of funds generated for components within the instructional salaries and wages category of the basic education program (BEP).

Amendment 017486 requires student growth evaluation composites generated by assessments administered in the 2017-2018 school year to be excluded from the student growth measure as if such exclusion results in a higher evaluation score for the teacher or principal for school years 2018-19 through 2019-20. Increases the qualitative portion of the evaluation to account for any necessary reduction to the student growth measure.

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Amendment 017529 adds language to the legislation to prohibit TNReady assessments from being administered in computerized formats, and requires them to be administered in paper formats beginning in the 2018-2019 school year unless the LEA opts to administer them in a computerized format.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures – Exceeds \$150,000/FY17-18

Exceeds \$11,857,900/Each Year FY18-19 and FY19-20

Exceeds \$11,707,900/FY20-21 and Subsequent Years

Other Fiscal Impact - Passage of this legislation would result in a mandatory increase in local government expenditures. The extent and timing of any mandatory local impacts cannot be determined for they are dependent upon future unknown events.*

Assumptions for the bill as amended:


- The COT will be able to create the report in accordance with the provisions of this legislation during the normal course of business; therefore, any fiscal impact related to the COT report is estimated to be not significant.
- No change in Basic Education Program funding formula.
- Based on information provided by the Department of Education (DOE) the cost per test for paper tests is \$15.55.
- The cost per test online exam over the four subject areas is estimated to be \$1.92 (\$0.48 per subject x 4 subjects) for students in grades 3-8 and \$0.48 per end of course test given to students in grades 9-12.
- An estimated 253,067 exams will be administered to students in grades 3-8 and 548,018 end of course exams will be administered to students in grades 9-12.
- The cost per test, per the contract, will increase in subsequent years.
- The number of tests administered will increase in subsequent years.
- Requiring paper formats will result in an increase in state government expenditures of \$11,707,934 {253,067 x (\$15.55 - \$1.92) + [548,018 x (\$15.55 - \$0.48)]} in FY18-19 and exceeding \$11,707,934 in FY19-20 and subsequent years.
- Based on information from the Department of Education, there will be an increase in state expenditures of at least \$150,000 to generate multiple different score possibilities not currently covered in the state's contract for FY17-18 through FY19-20.
- This will result in an increase in state expenditures exceeding \$150,000 in FY17-18, exceeding \$11,857,934 (\$11,707,934 + \$150,000) in FY18-19 and FY19-20, and exceeding \$11,707,934 in FY20-21 and subsequent years.
- Excluding assessment data will increase some educators' evaluation scores.

- Evaluation scores as well as individual and school-wide TVAAS data are used in varying ways in the differentiated pay plans for various LEAs.
- Excluding assessment data from educator evaluations for whom the data would not help the educator's score will result in a net increase in local government expenditures to varying degrees depending on the extent to which the increased evaluation scores will affect LEA differentiated pay plans; due to unknown factors, the increase in local expenditures cannot reasonably be determined; however, any such impact is considered a mandatory impact.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

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



Krista M. Lee, Executive Director

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