



February 27, 2022

**SUMMARY OF BILL:** Redirects the sports wagering privilege tax collections from the Lottery for Education Account to an account administered by the Department of Education (DOE) to provide supplemental funding to local education agencies (LEAs) operating a voluntary pre-kindergarten (VPK) program. Requires DOE to develop and implement a grant program to provide supplemental funding to LEAs operating a VPK program. Establishes grant application and award requirements. Applies to grants awarded in the 2022-23 school year.

**FISCAL IMPACT:**

**Increase State Revenue – \$32,552,300/FY22-23 and Subsequent Years/  
VPK Grant Fund**  
**Decrease State Revenue – \$32,552,300/FY22-23 and Subsequent Years/  
Lottery for Education Account**

**Increase State Expenditures –  
Exceeds \$11,846,300/FY22-23 and Subsequent Years/  
VPK Grant Fund  
\$105,300/FY22-23 and Subsequent Years/  
General Fund**

**Increase Local Expenditures –  
Exceeds \$3,948,800/FY22-23 and Subsequent Years/Permissive**

Assumptions:

- Tennessee Code Annotated §4-49-104(e) requires 80 percent of the sports wagering privilege tax collections to be deposited into the Lottery for Education Account.
- The proposed legislation redirects those collections to an account established by DOE to fund a grant program to support VPK programs.
- According to the Sports Wagering Advisory Council, the cumulative privilege tax collections totaled \$40,690,433 in calendar year 2021.
- It is estimated that \$32,552,346 will be available for the VPK grant program in FY22-23 and subsequent years ( $\$40,690,433 \times .80$ ). LEAs with existing VPK programs and LEAs choosing to begin a VPK program are eligible to receive grant funds.

- Since December 1, 2021, over 75 percent of LEAs have reported a combined VPK waitlist of 5,400 eligible children.
- Based on the availability of new VPK funding, with 20 eligible students per VPK classroom, 270 extra classrooms will be needed to provide an additional 5,400 seats across the state.
- Not all LEAs will have facilities or the funds to run new or additional VPK programs. It is assumed that at least half this number or 135 grants (270 x 50%) will be applied for and awarded.
- Based on current VPK funding at \$117,000 per classroom, the state share is \$87,750, or 75 percent, and the local match is \$29,250, or 25 percent.
- The increase in state expenditures from the VPK Grant Fund is estimated to exceed \$11,846,250 in FY22-23 and subsequent years (135 classrooms x \$87,750).
- An LEA is prohibited from using funding received under this section to satisfy the LEA's match requirement for other state funds appropriated to the LEA for purposes of funding the LEA's VPK program.
- It is unknown how many LEAs are currently contributing local funds in excess of the minimum required local match. Depending on the current contribution levels of an LEA receiving VPK grants funds, a permissive increase in local match requirements for certain LEAs may occur.
- Grant funds received by an LEA must supplement, not supplant, any other existing federal, state, or local funds for the LEA's VPK program. Therefore, the permissive increase in local expenditures is estimated to exceed \$3,948,750 in FY22-23 and subsequent years (135 classrooms x \$29,250).
- Tennessee Code Annotated §§ 49-1-1101 through 49-1-1108 requires the state to monitor all VPK classrooms. DOE will require two Child Care Program Evaluator 2 positions to monitor additional VPK classrooms in FY22-23 and subsequent years.
- There will be a recurring increase in state expenditures of \$105,256 [(\$39,192 salary + \$13,436 benefits) x 2 Child Care Program Evaluator 2 positions] in FY22-23 subsequent years.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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