

SB 802 - HB 841

FISCAL NOTE



Fiscal Review Committee
Tennessee General Assembly

February 22, 2025

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SUMMARY OF BILL: Creates a fund in the State Treasury to be known as the Promising Futures Early Learning Fund (Fund) which consists of excess lottery revenues and monies obtained from any other sources for the purpose of providing Promising Futures Early Learning Scholarships. Beginning July 1, 2025, and each July 1 thereafter, requires the Tennessee Student Assistance Corporation (TSAC) to transfer 100 percent of net lottery proceeds that are not used to fund scholarships other than the Promising Futures Early Learning Scholarship, early learning programs and after school programs, or capital outlay projects for grades kindergarten through twelve (K-12) educational facilities, to the Fund.

Establishes that monies in the Fund must: (1) be invested by the State Treasurer (Treasurer) for the sole benefit of the Fund; 2) be used to provide Promising Futures Early Learning Scholarships; and 3) not be used to displace, replace, or supplant state funding for child care or other early learning programs. Requires the Department of Education (DOE) to designate a date by which the Treasurer is required to annually make a distribution from the Fund to the DOE for the purpose of paying for the scholarships.

Requires the DOE to implement the Promising Futures Early Learning Scholarship Program by July 1, 2026, and to establish an online portal for making eligibility determinations and applying for federal funds for which the applicant meets the eligibility criteria before making state dollars available. Authorizes the DOE to award up to 5,000 scholarships of up to \$4,500 each in the first year, and as many scholarships and in such amount as funding permits in the second and subsequent years of the program. Requires the DOE to establish qualifications for high-quality instruction in high-quality early learning programs and measurement methods and instruments for high-quality instruction.

Authorizes the DOE to use monies in the Fund for expenses incurred by the DOE related to administration of the scholarship program. Prohibits expenses from exceeding 10 percent of the balance of the scholarship program in any fiscal year. Requires the DOE to submit a report on the implementation and outcomes of the scholarship program to certain committees of the General Assembly by December 31, 2027, and by December 31 each subsequent year.

FISCAL IMPACT:

STATE GOVERNMENT		
REVENUE	Tennessee Promise Endowment	Promising Futures Early Learning Fund
FY25-26	(\$22,500,000)	\$22,500,000
FY26-27 & Subsequent Years	(\$22,500,000)	\$22,500,000

EXPENDITURES	General Fund	Promising Futures Early Learning Fund
FY25-26	NET \$19,909,100	\$22,500,000
FY26-27 & Subsequent Years	NET \$6,863,700	\$22,500,000
Total Positions Required: 9		

Assumptions:

Promising Futures Early Learning Fund

- The proposed legislation requires TSAC to transfer 100 percent of net lottery proceeds that are not used to fund scholarships other than the Promising Futures Early Learning Scholarship, early learning programs and after school programs, or capital outlay projects for grades K-12 educational facilities to the Fund.
- Net lottery proceeds in excess of lottery scholarship expenses in any fiscal year are currently transferred to the Tennessee Promise Endowment. The proposed legislation will divert those funds to the Promising Futures Early Learning Scholarship Program.
- A decrease in funding to the Tennessee Promise Endowment will occur in years when there is an excess of lottery revenues.
- The proposed legislation further requires the DOE to implement the Promising Futures Early Learning Scholarship Program by July 1, 2026, so that children may attend a high-quality early learning program.
- A “high-quality early learning program” is defined as a program with quality ratings, as determined by the DOE utilizing measurement methods and instruments indicating that the program delivers high-quality, teacher-child interaction and instruction predictive of child outcomes.
- The DOE is authorized to award 5,000 scholarships in year one and as many scholarships as funding will permit in year two and subsequent years.
- To be eligible to receive a scholarship, a child must:
 - Be at least six weeks of age and not eligible to attend a public school;
 - Be a member of a household with an annual income for the previous year that does not exceed 150 percent of the state median income;
 - Reside with a primary parent or legal guardian who is employed and works an average of 30 hours or more per week or is enrolled in and attending full-time an eligible postsecondary education program; or reside in a household with two parents or legal guardians who are each either employed and work an average of 30 hours or more per week or are enrolled in and attending full time an eligible postsecondary education program;

- Be accepted to a high-quality early learning program; and
- Be a resident of this state.
- It is unknown how many parents or legal guardians of eligible children may apply for and receive the scholarship. However, for purposes of this fiscal analysis it is assumed that all 5,000 scholarships will be awarded in year one and each following year, which is estimated to cost \$22,500,000 (5,000 x \$4,500) in FY25-26 and subsequent years.
- The proposed legislation authorizes the DOE to use up to 10 percent of the funds deposited in the Fund for expenses related to the administration of the program. It is estimated that the DOE will set aside \$2,250,000 (\$22,500,000 x 10%) for the administration of the program each year.
- It is estimated that after DOE sets aside 10 percent for administrative costs, there will be \$20,250,000 (\$22,500,000 - \$2,250,000) available for scholarships each year.

Administration & Personnel Costs

- The DOE will be required to develop an online portal for applying for scholarships, determining eligibility, and applying for federal funds for which the applicant meets the eligibility criteria before making state dollars available.
- The DOE will need to set up new technology that duplicates existing technology utilized by the Department of Human Services (DHS). The one-time cost to set up the portal is estimated to be \$15,900,000 in FY25-26 and the recurring maintenance costs are estimated to be \$7,879,600 in FY26-27 and subsequent years.
- There will also be a one-time cost to train DOE staff and external stakeholders, including participating childcare providers. Based on an estimate of the initial cost from DHS which has a similar portal, the cost is estimated to be \$4,800,000 in FY25-26.
- The DOE will require nine additional employees to oversee and administer the program. The recurring increase in state expenditures is estimated as follows:

Title	Salary	Benefits	# Positions	Total
Education Consultant 2	\$67,656	\$22,326	8	\$719,856
Education Consultant 4	\$87,036	\$28,722	1	\$115,758
			Total:	\$835,614

- The recurring overhead cost for equipment and supplies is estimated to be \$10,000 in FY25-26 and subsequent years.
- The total increase in state expenditure for administration and personnel is estimated to be:
 - \$21,545,614 (\$15,900,000 + \$4,800,000 + \$835,614 + \$10,000) in FY25-26; and
 - \$8,725,214 (\$7,879,600 + \$835,614 + \$10,000) in FY26-27 and subsequent years.

Training & Testing

- The DOE only certifies and oversees school-administered childcare programs and DHS licenses and oversees all private daycare providers. Currently, quality standards set forth by each agency are based on different criteria.

- The DOE will be required to use a specific measurement tool; the department currently uses the CLASS measurement tool which can meet the requirements outlined in the proposed legislation.
- DHS-approved childcare programs will have to agree to the use of observation and monitoring tools required by the proposed legislation to be eligible to receive scholarship funds. The DOE and the DHS will need to agree to approve childcare programs based on the DOE requirements, and therefore, DHS licensing consultants will need to be trained to monitor DHS regulated programs using criteria outlined by the DOE.
- The cost to train 130 DHS licensing consultants for pre-kindergarten is estimated as follows:
 - \$39,000 for CLASS training in FY25-26;
 - \$4,500 for ongoing monitoring of CLASS materials in FY25-26 and subsequent years; and
 - \$100,000 for travel costs including per diem, lodging, and mileage in FY25-26 and subsequent years.
- The cost to train the DOE and the DHS staff for the infant and toddler cohort is estimated as follows:
 - \$90,000 for 10 trainers and two training sessions in FY25-26;
 - \$96,000 for 160 licensing consultants and two training sessions in FY25-26; and
 - \$200,000 for travel costs including per diem, lodging, and mileage FY25-26 and subsequent years.
- The recurring cost for continuing professional development for licensing consultants is estimated to be \$84,000 (160 x \$175 per test) in FY25-26 and subsequent years.
- The total training and testing costs are estimated to be:
 - \$613,500 (\$39,000 + \$4,500 + \$100,000 + \$90,000 + \$96,000 + \$200,000 + \$84,000) in FY25-26; and
 - \$388,500 (\$4,500 + \$100,000 + \$200,000 + \$84,000) in FY26-27 and subsequent years.

Total Impact

- The total net increase in expenditures to the General Fund is estimated to be:
 - \$19,909,114 (\$21,545,614 + \$613,500 - \$2,250,000) in FY25-26; and
 - \$6,863,714 (\$8,725,214 + \$388,500 - \$2,250,000) FY26-27 and subsequent years.

CERTIFICATION:

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



Bojan Savic, Executive Director