



March 2, 2020

SUMMARY OF BILL: Deletes the School Improvement Fund created in the Tennessee Education Savings Account Act Pilot Program to disburse school improvement grants to certain local education agencies (LEAs). Establishes the Teacher Salaries Fund to be administered by the Department of Education (DOE), subject to appropriation, to disburse an annual grant to each LEA to be used for teacher salaries in an amount equal to the Education Savings Account (ESA) amount for participating students under the program meeting certain conditions. Requires any balance in the fund remaining unexpended on the program at the end of any fiscal year to not revert to the general fund, but to be carried forward for expenditure in subsequent years.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures –

Up to \$6,795,600/FY20-21 and Subsequent Years*

Other Fiscal Impact – There will be a shift in state funding from the School Improvement Fund to the Teacher Salary Fund in an amount up to \$37,858,600; the net impact on state expenditures is not significant.

Assumptions:

- Under current law, districts that are eligible to participate in the ESA program will receive the same amount of funding slated for the first three years of implementation.
- However, current law permits non-participating districts with priority schools to be eligible for the remaining funds through additional school improvement grants.
- The proposed legislation would eliminate these additional school improvement grants in all years of implementation.
- It is assumed that ongoing funding support for the fully permissible number of ESAs under current law, which is 5,000, and the statewide per pupil average is \$7,571.72.
- The total cost is estimated to be \$37,858,600 ($\$7,571.72 \times 5,000$).
- This full amount of funding would be redirected to the Teacher Salaries Fund. It is important to note that this redirection would mean the funds would not necessarily go to the same LEAs or in the same amount as under current law.
- The precise amount of any such shift is dependent on the number of students in the ESA program and subject to appropriation; however, the total amount of any such shift will be up to \$37,858,600.

- If a district's participation in the ESA program declines, the district will incur increased costs for any increased salaries under the higher enrolled year as districts are not permitted to lower teacher salaries.
- The proposed legislation specifically funds teacher salaries, implying districts will be responsible for teacher benefits at a rate of 17.95 percent.
- It is estimated that the recurring increase in local expenditures is estimated to be up to \$6,795,619 ($\$37,858,600 \times 17.95\%$) in FY20-21 and subsequent years.

**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 Lee Carsner, Executive Director

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