

HOUSE BILL 1

By Lamberth

AN ACT to amend Tennessee Code Annotated, Title 4,
Chapter 49 and Title 49, relative to the Education
Freedom Act of 2025.

WHEREAS, publicly supported educational freedom has a long history in Tennessee, with the Hope Scholarship providing funding that follows students to the public or private institution of their choice; and

WHEREAS, parents should be free to choose the school that best fits the educational needs of their specific child; and

WHEREAS, Tennessee has worked to expand choice through the successful education savings account pilot program that is now helping primarily underserved, minority students in three of the State's largest school districts with 99% parent satisfaction with the program; and

WHEREAS, over the past six years, Tennessee has invested a record \$2 billion annually in additional state dollars for public education; and

WHEREAS, high-quality educational facilities and high-performing teachers are vital ingredients for a child's success; and

WHEREAS, the "Education Freedom Scholarship Act" will empower parents with the freedom to choose the right education for their child and provide parents a say in where their taxpayer dollars are spent; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act is known and may be cited as the "Education Freedom Act of 2025."

SECTION 2. Tennessee Code Annotated, Title 49, Chapter 6, is amended by adding the following as a new part:

49-6-3501. Short title.

This part is known and may be cited as the "Education Freedom Scholarship Act."

49-6-3502. Part definitions.

As used in this part, unless the context otherwise requires:

- (1) "Department" means the department of education;
- (2) "Eligible student" means a resident of this state who is entitled to attend a public school, except for a student enrolled in a home school, as defined in § 49-6-3050, or in a church-related school, as defined in § 49-50-801, with which the student's parent is associated, registered, or is participating as a parent-teacher for purposes of § 49-6-3050(a)(2) or (a)(3);
- (3) "Parent" means the parent, guardian, person who has custody of the child, or individual who has caregiving authority for the child under § 49-6-3001;
- (4) "Private school" means a school that is:
 - (A) Located in this state; and
 - (B) A private school, as defined in § 49-6-3001(c)(3)(A), that is a category I, II, or III school approved by the commissioner of education in accordance with rules promulgated by the state board of education;
- (5) "Program" means the education freedom scholarship program created by this part;
- (6) "Public school" means a public charter school, a school operated by an LEA, or a school operated by this state with public funds that serves students in any of the grades kindergarten through twelve (K-12);
- (7) "Recipient" means an eligible student who enrolls in a private school and receives a scholarship for a given school year; and

(8) "Scholarship" means an education freedom scholarship provided pursuant to this part.

49-6-3503. Creation.

(a) There is created an education freedom scholarship program to be administered by the department.

(b) Subject to appropriations and other available funds, the program must provide a scholarship to an eligible student who applies for the 2025-2026 school year or any subsequent school year, subject to the limitations of this part.

49-6-3504. Scholarship availability – prioritization of awards.

(a) For the 2025-2026 school year, the department shall award a maximum of twenty thousand (20,000) scholarships, to be awarded as follows, in the order in which the department receives completed scholarship applications:

(1) Ten thousand (10,000) scholarships are available for eligible students who meet one (1) of the following criteria:

(A) The student's annual household income does not exceed three hundred percent (300%) of the amount required for the student to qualify for free or reduced price lunch, as provided in the income eligibility guidelines published by the United States department of agriculture's food and nutrition service; or

(B) The student is an eligible student as defined in § 49-6-2602 or § 49-10-1402; and

(2) Ten thousand (10,000) scholarships are available for eligible students, regardless of whether the eligible student meets one (1) of the criteria listed in subdivision (a)(1).

(b)

(1) Beginning with the 2026-2027 school year, the number of scholarships available for the respective school year is determined by the funds appropriated for scholarships, together with any available funds returned to the state treasurer pursuant to § 49-6-3506.

(2) Subject to subdivision (b)(1), if the number of applications received by the department during a program application period exceeds seventy-five percent (75%) of the total number of scholarships available for the respective school year, then the number of scholarships available for the next school year must be increased by an additional five thousand (5,000) scholarships.

(c) Beginning with the 2026-2027 school year, if the number of applications received by the department exceeds the number of scholarships available for the respective school year, then the department shall award scholarships in the following order:

(1) An eligible student who received a scholarship in the immediately preceding school year;

(2) An eligible student whose annual household income does not exceed one hundred percent (100%) of the amount required for the student to qualify for free or reduced price lunch, as provided in the income eligibility guidelines published by the United States department of agriculture's food and nutrition service, or an eligible student who is an eligible student as defined in § 49-6-2602 or § 49-10-1402, in the order in which the department receives completed scholarship applications;

(3) An eligible student whose annual household income does not exceed three hundred percent (300%) of the amount required for the student to qualify for free or reduced price lunch, as provided in the income eligibility guidelines

published by the United States department of agriculture's food and nutrition service, in the order in which the department receives completed scholarship applications;

(4) An eligible student who, at the time of submitting a completed application, is currently enrolled in a public school, or who is eligible to enroll in kindergarten in a public school for the respective school year, in the order in which the department receives completed scholarship applications; and

(5) An eligible student, in the order in which the department receives completed scholarship applications.

(d) In order to receive a scholarship under this part, an eligible student, or the eligible student's parent, must:

(1) Submit a completed scholarship application to the department;

(2) Ensure the provision of an education for the eligible student that satisfies the compulsory school attendance requirement provided in § 49-6-3001(c)(1) through enrollment in a private school; and

(3) Not enroll the eligible student in a kindergarten through grade twelve (K-12) public school in any school year for which the eligible student receives a scholarship.

(e) The department may award a scholarship to an eligible student in an order that does not comply with the order prescribed in subsection (a) or subsection (c), as applicable, if awarding the scholarship out of order is consistent with the outcome of an administrative appeal adjudicating the denial of the student's scholarship application.

49-6-3505. Scholarship amounts – allowable uses.

(a) A scholarship equals the base funding amount, as defined in § 49-3-104(2), and is solely state funded.

(b) Scholarship funds must first be used to pay the recipient's tuition and fees, as described in subdivision (c)(1). Any outstanding scholarship funds available to the recipient after payment of tuition and fees may be used for one (1) or more of the educational expenses described in subdivisions (c)(2) – (c)(8).

(c) Scholarship funds may only be used for the following educational expenses:

(1) Tuition and fees required by the private school in which the recipient is enrolled;

(2) Textbooks, curricula, instructional materials, and uniforms required by the private school in which the recipient is enrolled;

(3) Tutoring services provided by a tutor or tutoring facility that meets the requirements established by the department;

(4) Fees for transportation to and from the private school in which the recipient is enrolled, paid to a fee-for-service transportation provider that meets the requirements established by the department;

(5) Computer hardware, technological devices, and other technology fees that meet the requirements established by the department and that are used for the recipient's educational needs;

(6) Tuition, fees, textbooks, curricula, and instructional materials for summer academic programs and specialized afterschool academic programs that meet the requirements established by the department. This subdivision (c)(6) does not include afterschool childcare;

(7) Fees for early postsecondary opportunity courses or examinations, entrance examinations required for postsecondary admission, and industry credentials as approved by the department; and

(8) Educational therapy services provided by therapists who meet the requirements established by the department.

49-6-3506. Unspent funds – account closure.

(a) A recipient's scholarship account remains open, and all available scholarship funds remain in the recipient's scholarship account, from one (1) school year to another unless one (1) of the events described in subsection (b) occurs.

(b) A recipient's scholarship account must be closed, and all remaining scholarship funds returned to the state treasurer to be used to award scholarships to eligible students in future years pursuant to this part, upon the earlier of:

(1) The recipient's graduation from high school or obtainment of a high school equivalency credential approved by the state board of education;

(2) The recipient's enrollment in a kindergarten through grade twelve (K-12) public school;

(3) The recipient's completion of thirteen (13) school years as a kindergarten through grade twelve (K-12) student;

(4) The recipient's voluntary withdrawal from the scholarship program; or

(5) The department disqualifying the recipient from participating in the program due to the recipient's noncompliance with program requirements.

49-6-3507. Administration of assessments for recipients.

(a) As a condition of receiving a scholarship pursuant to this part, recipients in grades three through eleven (3-11) must be annually administered:

(1) A nationally standardized achievement test that is aligned to the respective private school's instructional plan, as determined by rules promulgated by the state board of education; or

(2) The Tennessee comprehensive assessment program test required for the grade in which the recipient is enrolled.

(b) Each private school that enrolls recipients shall annually administer the test required pursuant to subsection (a) to the recipients enrolled in the school. Each private school shall provide the results of the test administered to a recipient pursuant to subsection (a) to the recipient's parents.

(c) Each private school shall provide the results of the tests administered to recipients pursuant to subsection (a) to the office of research and education accountability in the office of the comptroller of the treasury. A private school may provide the test results required pursuant to this subsection (c) using aggregated, deidentified data; provided, that the data must be provided in a manner that allows the office of research and educational accountability to group and analyze the results by recipient grade level, household income level, sex, and race. The office of research and education accountability shall submit an annual report to the education committees of the senate and house of representatives detailing the results of the tests administered to recipients pursuant to subsection (a).

49-6-3508. Autonomy of schools that have recipients enrolled.

(a) A private school that enrolls recipients is autonomous and not an agent of this state.

(b) The creation of the education freedom scholarship program does not expand the regulatory authority of this state, the officers of this state, or the authority of any LEA to impose any additional rules, regulations, or requirements on private schools that enroll recipients beyond the rules narrowly tailored to enforce the requirements of the program.

(c) Private schools that enroll recipients must have the maximum freedom to provide for the educational needs of recipients without governmental control. A private

school that enrolls recipients is not required to alter its creed, practices, admission policies, hiring policies, or curriculum in order to accept recipients.

49-6-3509. Limitations on participation – connection to other education programs.

(a) Notwithstanding another law to the contrary, the department shall deny a scholarship to an eligible student for the same school year in which the student is participating in the Tennessee education savings account pilot program, compiled in part 26 of this chapter, or the individualized education account program, compiled in chapter 10, part 14 of this title.

(b) A recipient does not retain the right to receive special education and related services from the LEA in which the recipient resides, through an individualized education program. Recipients have the same rights under the Individuals with Disabilities Education Act (IDEA) (20 U.S.C. § 1414) to receive equitable services through an individualized service plan as all other students enrolled in non-public schools.

49-6-3510. Payment – state or local public benefit.

(a) A scholarship awarded under this part:

- (1) Shall not be paid directly to a recipient or recipient's parent; and
- (2) Is a state or local public benefit under § 4-58-102.

(b) Funds received pursuant to this part do not constitute income taxable to the parent of the recipient or to the recipient under title 67, chapter 2.

49-6-3511. Denial of scholarship application.

Notwithstanding § 49-6-3504 or another provision of this part to the contrary, the department shall deny the scholarship application of an eligible student who cannot establish the eligible student's lawful presence in the United States.

49-6-3512. Promulgation of rules.

The department shall promulgate rules to effectuate this part. The rules must include an administrative appeal procedure for the denial of scholarship applications. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

SECTION 3. Tennessee Code Annotated, Section 49-3-108, is amended by adding the following as a new subsection:

(i) Notwithstanding subsections (b) and (c), beginning with the TISA allocation for the 2025-2026 school year, an LEA's allocated education funding shall not decrease from one (1) year to the next year due to the disenrollment of students from the LEA. If an LEA's calculated TISA allocation decreases from the LEA's TISA allocation for the prior school year, then the department shall allocate additional funds to the LEA in an amount such that the LEA's TISA allocation for the current year is not less than the prior school year. For purposes of this subsection (i), "disenrollment" means that the LEA's non-virtual average daily membership for the current school year is lower than the LEA's non-virtual average daily membership for the prior school year.

SECTION 4.

(a) Subject to appropriation, the department of education shall award a one-time bonus in the amount of two thousand dollars (\$2,000) to each teacher employed in a kindergarten through grade twelve (K-12) public school in this state for the 2024-2025 school year.

(b)

(1) A bonus awarded pursuant to this section is solely state funded.

(2) Bonuses paid to teachers pursuant to this section are not part of the TISA, as defined in § 49-3-104, and must not be considered salary payments or supplements for purposes of § 49-3-306.

(c) For purposes of this section, "teacher" has the same meaning as "existing educator," as that term is defined in § 49-3-104.

SECTION 5. Tennessee Code Annotated, Section 4-49-104(e)(1), is amended by deleting the subdivision and substituting instead:

(1) Eighty percent (80%) of the privilege tax collected under this section must be distributed by the council to the state treasurer for deposit into an account administered by the state treasurer for use by local education agencies, as defined in § 49-1-103, for the construction and maintenance of public school buildings. When allocating funds for such purpose, the state treasurer shall consider:

(A) Whether the local education agency is located in a county that is designated as an economically distressed or at-risk county by the department of economic and community development;

(B) The occurrence of any emergency or natural disaster that has resulted in significant damage to an existing public school building or facility; and

(C) Other demonstrated need, as identified by the local education agency.

SECTION 6. If any provision of this act or its application to any person or circumstance is held invalid, then the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to that end, the provisions of this act are severable.

SECTION 7. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 8. Section 5 of this act takes effect July 1, 2025, the public welfare requiring it. All other sections of this act take effect upon becoming a law, the public welfare requiring it.