TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 890 - HB 1338

March 13, 2023

SUMMARY OF BILL: Removes the interest rate for scholarship loans made payable to the Tennessee Student Assistance Corporation (TSAC) for fellowship awards received by an aspiring teacher through the Minority Teaching Fellows Program (MTFP).

FISCAL IMPACT:

Decrease State Revenue – $300/FY24-25
$500/FY25-26
$1,100/FY26-27
$1,600/FY27-28
$2,200/FY28-29
$2,700/FY29-30
$3,300/FY30-31
$3,800/FY31-32
$4,400/FY32-33
$4,900/FY33-34
$5,500/FY34-35
Exceeds $5,500/FY35-36 and Subsequent Years

Assumptions:

- Pursuant to Tenn. Code Ann § 49-4-706(b)(2), the MTFP requires recipients of the scholarship loan to make notes payable to TSAC that will bear nine percent interest beginning September 1 after completion of the program, or immediately after termination of the scholarship loan.
- According to TSAC, repayment includes the full amount of the loan funds received plus interest accrued from the date TSAC has determined the student is no longer enrolled in a teacher education program or other failure to comply with the terms of the agreement. Repayment may be made in whole or monthly installments over a period of not more than 10 years.
- Students may have one year of loan forgiveness for each year they serve as a teacher.
- Eliminating the nine percent interest rate will result in a decrease in state revenue from recipients who would have had to pay the loan as early as FY24-25.
- According to TSAC, approximately 55 percent of recipients fulfill the teaching requirements and have their loans forgiven.

- Because recipients may receive a loan for up to three years, and initial graduates that begin teaching will not be required to repay, it is assumed that half of recipients not fulfilling enrollment or teaching requirements will begin repayment in FY24-25.
- Based on information provided by TSAC, a total of $135,000 was paid to 29 recipients in FY21-22.
- Assuming repayment by those not fulfilling their obligation is made over a 10-year period, the decrease in state revenue from eliminating the interest is estimated to be $273 {[$135,000 x 9% x (100% - 55%)] x 50% / 10 years} in FY24-25.
- In FY25-26, as the number of program withdrawals continues and first payments become due, the total decrease in state revenue is estimated to be $547 {[$135,000 x 9% x (100% - 55%)] / 10 years}, this number is expected to increase by $547 for the remaining nine years as follows:
    - FY26-27: $1,094
    - FY27-28: $1,641
    - FY28-29: $2,188
    - FY29-30: $2,735
    - FY30-31: $3,282
    - FY31-32: $3,829
    - FY32-33: $4,376
    - FY33-34: $4,923
    - FY34-35: $5,470
- In FY35-36 and subsequent years, the total decrease in state revenue will exceed $5,470.

CERTIFICATION:

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

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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