

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 785 - SB 750

February 26, 2023

SUMMARY OF BILL: Creates the “Promising Futures Account” in the State Treasury. Requires the State Treasurer to distribute privilege tax collections on sports wagering in various amounts to the Promising Futures Account and the Lottery for Education Account beginning in FY23-24. Requires the Department of Education (DOE) to create and implement the Promising Futures Program to provide scholarships to assist parents and legal guardians of children who are not school age to develop early language and literacy skills in high-quality early care and learning programs by July 1, 2024. Establishes Promising Futures Scholarship requirements. Requires DOE to appoint an advisory group that makes recommendations to the department on the implementation of the Promising Futures Program by July 1, 2023.

FISCAL IMPACT:

Increase State Revenue -

\$40,815,100/FY23-24/Promising Futures Account

\$47,617,600/FY24-25/Promising Futures Account

\$54,420,100/FY25-26 and Subsequent Years/Promising Futures Account

Decrease State Revenue –

\$40,815,100/FY23-24/Lottery for Education Account

\$47,617,600/FY24-25/Lottery for Education Account

\$54,420,100/FY25-26 and Subsequent Years/Lottery for Education Account

Increase State Expenditures –

\$40,815,100/FY23-24 /Promising Futures Account

\$47,617,600/FY24-25/ Promising Futures Account

\$54,420,100/FY25-26 and Subsequent Years/ Promising Futures Account

Assumptions:

- The proposed legislation creates a scholarship program for children to participate in high-quality early care and learning programs.
- The proposed legislation creates the Promising Futures Account with the State Treasury and requires amounts remaining in the account at the end of each fiscal year to not revert to the General Fund. It further requires funds in the account to be invested by the State Treasurer for the sole benefit of the account. All earnings attributable to such investments must be credited to the Promising Futures Account.

- Tennessee Code Annotated § 4-49-104(e) currently requires 80 percent of the privilege tax collected on sports wagering to be deposited into the Lottery for Education Account, 15 percent to the General Fund for local governments, and 5 percent to the Department of Mental Health and Substance Abuse Services.
- The State Treasurer will be required to distribute privilege tax collections on sports wagering in the state into the Promising Futures Account administered by DOE to provide funding for the Promising Futures Scholarship Program as follows:
 - 60 percent in FY23-24,
 - 70 percent in FY24-25, and
 - 80 percent in FY25-26 and subsequent years;
- The State Treasurer will be required to distribute privilege tax collections on sports wagering in the state into the Lottery for Education Account as follows:
 - 20 percent in FY23-24; and
 - 10 percent in FY24-25.
- According to the Sports Wagering Advisory Council, total privilege tax collections in calendar year 2022 were \$68,025,146; for the purposes of this analysis this number is assumed to remain constant.
- The decrease in state revenue to the Lottery for Educations Account and corresponding increase in state revenue to the Promising Futures Account is as follows \$40,815,088 (\$68,025,146 x 60%) in FY23-24, \$47,617,602 (\$68,025,146 x 70%) in FY24-25, and \$54,420,117 (\$68,025,146 x 80%) in FY25-26 and subsequent years.
- DOE will need to increase capacity for monitoring and budget oversight for the Early Learning Division to manage this program.
- Scholarship recipients must be at least six weeks of age and not yet old enough to attend free public school pursuant to Tenn. Code Ann. § 49-6-3001.
- DOE will require one Education Consultant 4 to serve as the scholarship grant manager.
- There will be a recurring increase in state expenditures of \$107,265 (\$85,704 salary + \$21,561 benefits) in FY23-24 and subsequent years.
- DOE will require an additional regional consultant to manage this caseload for West, Middle, and East Tennessee resulting in an additional three full-time employees.
- DOE will require three Field Supervisor 2 positions to serve as regional consultants.
- There will be a recurring increase in state expenditures of \$282,966 [(\$74,604 salary + \$19,718 benefits) x 3 positions] in FY23-24 and subsequent years.
- DOE will require 12 Childcare Program Evaluator 2 positions across the state to monitor for compliance.
- There will be a recurring increase in state expenditures of \$749,880 [(\$47,304 salary + \$15,186 benefits) x 12 positions] in FY23-24 and subsequent years.
- The total recurring increase in state expenditures for additional positions is \$1,140,111 (\$107,265 + \$282,966 + \$749,880) in FY23-24 and subsequent years.
- It is assumed that the additional positions for DOE will be funded through the Promising Futures Account. After salaries and benefits are paid for, the full remaining amounts will be spent on scholarships each year as follows:
 - \$39,674,977 in FY23-24 (\$40,815,088 - \$1,140,111).
 - \$46,477,491 in FY24-25 (\$47,617,602 - \$1,140,111).
 - \$53,280,006 in FY25-26 and subsequent years (\$54,420,117 - \$1,140,111).

CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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