
SB 2247 - HB 2532
FISCAL MEMORANDUM



Fiscal Review Committee
Tennessee General Assembly
April 15, 2026

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SUMMARY OF BILL AS AMENDED (017308, 017499, 017909, 018144):

Requires the Department of Education (DOE) to make a maximum of 35,000 Education Freedom Scholarships (EFS) available to eligible students for the 2026-2027 school year. Revises the order in which DOE awards scholarships for the EFS program.

Revises Tennessee Investment in Student Achievement (TISA) hold harmless provisions, for the 2026-2027 and 2027-2028 and 2028-2029 school years, by changing the calculation of additional funding due to disenrollment to a per-pupil amount based on prior-year average state funding for disenrolled students who provided a Social Security number to the local education agency (LEA) at the time of the student's registration or enrollment. Requires LEAs, as a condition to the receipt of additional funds, to report to the DOE, if any, the reason provided by each non-virtual student who disenrolled from the LEA in the immediately preceding school year, regardless of whether the student provided the LEA with their Social Security number at the time of the student's registration or enrollment in the LEA.

Establishes that, beginning with the 2029-2030 school year, if an LEA's TISA allocation for the current school year is less than the LEA's TISA allocation for the 2025-2026 school year, and the LEA experienced disenrollment, then the DOE shall allocate additional funds to the LEA in the amount of the average per pupil state funds received by the LEA in the immediately preceding school year for each student who disenrolled from the LEA for the immediately preceding school year and received, for the immediately preceding school year, an EFS.

Establishes that, beginning in FY27-28, the sum total of any additional funds received must not exceed the difference between the LEA's TISA allocation for the current year and the LEA's TISA allocation for the 2025-2026 school year.

Requires the DOE to annually report to the Education Committees of the House of Representatives and the Senate, beginning with the 2025-26 school year, non-identifying applicant data related to the EFS program. Establishes a deadline of June 1, 2026, for the first report, with October 1 as the annual due date thereafter.

Prohibits an eligible student from receiving an EFS scholarship if the student is enrolled in a private school that promotes or advocates for the support, adoption, or implementation of any foreign law, legal code, or system that would violate rights guaranteed by the Tennessee Constitution or the United States Constitution.

FISCAL IMPACT OF BILL AS AMENDED:

STATE GOVERNMENT	
EXPENDITURES	General Fund
FY26-27	\$112,950,000
FY27-28	\$116,520,000
FY28-29 & Subsequent Years	>\$116,520,000

OTHER FISCAL IMPACT
<p>If 5,000 additional scholarships are awarded in FY26-27 in the absence of this legislation, as is permitted under current law, the recurring increase in state expenditures as a direct result of this legislation is estimated to be \$75,300,000 in FY26-27, \$77,680,000 in FY27-28, and exceed \$77,680,000 in FY28-29 and subsequent years.</p> <p>The Governor’s proposed budget for FY26-27, on page B-90, recognizes a recurring appropriation of \$112,950,000 to fund 15,000 additional Education Freedom Scholarships. Further, it proposes \$42,350,000 in recurring funding to provide inflationary costs for the Education Freedom Scholarship program, as well as funding the 5,000 scholarships that are projected to be established due to scholarship applications reaching the statutory requirement.</p> <p>Beginning in FY27-28, LEAs may not realize certain future increases in TISA funding to the extent additional EFS scholarships increase student transfers from public to private schools. Although current law provides hold harmless protections that maintain an LEA’s prior-year funding level, such protections do not account for future increases that would otherwise occur due to growth in ADM or increases in TISA funding levels. No impact to TISA allocations in FY26-27. Beginning in FY27-28, because additional funding is limited to disenrolled students who meet specified criteria and the difference between the LEA's TISA allocation for the current year and the 2025-2026 school year, LEAs may receive less funding than under current law. Therefore, any additional foregone revenue growth to LEAs, state expenditure reductions, and corresponding decreases in local revenue are indeterminate.</p>

Assumptions for the bill as amended:

Education Freedom Scholarship

- The EFS program allows eligible students to use state funds toward education expenses while enrolled in an EFS-registered nonpublic school.
- The scholarship amount is equal to the base funding amount, or the dollar amount that each student generates towards the student's funding allocation in a given year, provided under the Tennessee Investment in Student Achievement (TISA) funding formula, and is solely state funded.
- The TISA funding formula was first implemented in FY23-24. Based on growth in the TISA base since implementation, it is estimated that the TISA weighted funding amount will increase each year by an average of 3.16 percent.

- Based on information provided by DOE, the projected TISA base funding amount is \$7,530 in FY26-27.
- The TISA base in FY27-28 is estimated to be \$7,768 ($\$7,530 \times 1.0316$).
- The maximum number of scholarships available in FY25-26 is 20,000.
- Pursuant to Tenn. Code Ann. § 49-6-3504(b)(1), if the number of applications received by DOE during the EFS application period exceeds 75 percent of the total number of scholarships available for that school year, then DOE may increase the maximum number of scholarships available for the next school year by up to 5,000.
- Since applications for FY25-26 exceeded 75 percent of 20,000, then DOE may increase the FY26-27 maximum to up to 25,000 scholarships, subject to appropriation.
- The proposed legislation increases the maximum number of scholarships available in FY26-27 to 35,000, which represents up to 15,000 ($35,000 - 20,000$) additional scholarships.
- Assuming all scholarships are awarded, the cost of 15,000 additional scholarships is estimated to be:
 - \$112,950,000 ($\$7,530 \times 15,000$) in FY26-27;
 - \$116,520,000 ($\$7,768 \times 15,000$) in FY27-28; and
 - Exceeding \$155,360,000 in FY28-29 and subsequent years.
- If 5,000 additional scholarships are awarded in FY26-27 in the absence of this legislation, as is permitted under current law, the recurring increase in state expenditures as a direct result of this legislation would be:
 - \$75,300,000 ($\$7,530 \times 10,000$) in FY26-27;
 - \$77,680,000 ($\$7,768 \times 10,000$) in FY27-28; and
 - Exceeding \$77,680,000 in FY28-29 and subsequent years.
- The department can administer the program with the additional scholarships within existing resources, without a significant increase in state expenditures.
- The Governor's proposed budget for FY26-27, on page B-90, recognizes a recurring appropriation of:
 - \$112,950,000 to fund 15,000 additional scholarships; and
 - \$42,350,000 to cover inflationary costs for the program and to fund the additional 5,000 scholarships that may be triggered if applications exceed the statutory threshold.
- The proposed legislation revises the prioritization of certain students.
- Any administrative changes required to implement the revised priority structure are expected to be completed within existing DOE resources. Therefore, any increase in state expenditures is estimated to be not significant.
- Any impact associated with ensuring compliance with the prohibition on promoting or advocating for the support, adoption, or implementation of certain foreign laws, legal codes, or systems would be borne by private entities, and it is assumed that private schools will comply in order to receive EFS recipients.

TISA Hold Harmless

- The *Education Freedom Act of 2025* established a state-funded hold harmless under the Tennessee Investment in Student Achievement formula for LEAs that experience non-virtual average daily membership (ADM) declines. Beginning in 2025-2026, eligible LEAs would receive additional funding to restore formula allocations to the prior-year level.

Beginning in 2026-2027, eligible LEAs that previously received such funding would receive additional funds based on the prior-year total, including any prior hold harmless funding.

- Beginning in the second year of the proposed legislation, or FY27-28, LEAs may not realize certain future increases in TISA funding to the extent additional EFS scholarships increase student transfers from public to private schools. Although current law provides hold harmless protections that maintain an LEA's prior-year funding level, such protections do not account for future increases that would otherwise occur due to growth in ADM or increases in TISA funding levels. Therefore, any additional foregone revenue growth to LEAs, and corresponding state expenditure reductions, is indeterminate.
- The proposed legislation revises hold harmless provisions by establishing the TISA allocation for 2025-2026 as the funding floor for future TISA allocations. This revision will not impact TISA allocations in FY26-27.
- For FY27-28 and FY28-29, if the TISA allocation is less than the allocation for FY25-26, and the LEA experienced disenrollment, then the DOE shall allocate additional funds to the LEA in the amount of the average per pupil state funds received by the LEA in the immediately preceding school year for each student who disenrolled from the LEA in the immediately preceding school year and who, at the time of the student's registration or enrollment in the LEA provided the LEA with the student's Social Security number. The sum total of any additional funds received by an LEA must not exceed the difference between the LEA's TISA allocation for the current year and the LEA's 2025-2026 TISA allocation.
- Beginning in the 2029-2030 school year, if an LEA's TISA allocation for the current school year is less than that of FY25-26, and the LEA experienced disenrollment, then the DOE shall allocate additional funds in the amount of the average per pupil state funds received by the LEA in the immediately preceding school year for each student who disenrolled from the LEA for the immediately preceding school year and received, for the immediately preceding school year, an EFS. The sum total of any additional funds received by an LEA must not exceed the difference between the LEA's TISA allocation for the current year and the LEA's 2025-2026 TISA allocation.
- Tennessee Code Annotated § 49-3-108(i)(3) provides that if an LEA is eligible for additional funds due to disenrollment and is also eligible for Five Percent Safety Net Funding or BEP Transition Funding, then such LEA may only receive additional funding due to disenrollment.
- The proposed legislation provides that if an LEA is eligible for additional funds under the proposed legislation and is also eligible for Five Percent Safety Net Funding or BEP Transition Funding, then such LEA may receive only the funding source that results in the greatest amount of additional funding.
- Because the proposed legislation no longer guarantees that LEAs will be restored to their prior-year funding level and instead ties additional funding to the number of qualifying students who disenroll and the difference between the LEA's TISA allocation for the current year and the LEA's 2025-2026 TISA allocation, the extent of any decrease in state expenditures and local revenue cannot be reasonably determined.
- For the 2027-2028 and 2028-2029 school years, LEAs will be able to report to the DOE the reason, if any, provided by each non-virtual student who disenrolled from the LEA in the immediately preceding school year by utilizing existing staff and resources; any impact to local operations or expenditures is estimated to be not significant.

Report

- The proposed legislation requires the DOE to report the number of eligible students that applied for an EFS, disaggregated by:
 - County of residence;
 - Public school enrollment status;
 - Kindergarten applicant status; and
 - Annual household income, as determined in accordance with income eligibility guidelines established by the United States Department of Agriculture's Food and Nutrition Service.
- DOE can collect information required by the proposed legislation by utilizing existing EFS program application data, and submit the report to relevant committees within existing resources.
- Any fiscal impact to the DOE is not significant.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, slightly slanted style.

Bojan Savic, Executive Director