



TENNESSEE

Description of the Formula

Funding for Tennessee elementary and secondary public schools is calculated via the Basic Education Program 2.0 (BEP 2.0). BEP 2.0 is the funding formula utilized to ensure the adequate and equitable distribution of educational dollars sufficient to provide the basic level of education required for student success.

This legislatively mandated mechanism revises the original BEP. Public Chapter Number 369 enacted in 2007, to be phased into full implementation, amends Tennessee Code Annotated Title 49 Chapter 3. As of July 1, 2014 BEP 2.0 remains partially implemented due to funding constraints.

Revisions (when fully implemented) include:

- 75% state funding for instructional positions within the classroom component
- \$38,000 dollar value of BEP instructional positions to be adjusted in subsequent years
- Eliminates the cost differential factor from BEP formula
- Formula provides 100% funding for at-risk students (those receiving free or reduced lunch)
- provides for a 1:20 teacher/student and a 1:200 translator/student ratio for English language learner students
- Recognizes local government's ability to generate supporting educational revenue by local sales and property taxes, with a yearly adjustment not to exceed 40%
- Local Education Agencies (LEAs) to receive at least a 25% state contribution for the non-classroom components
- Provide 50% funding for medical insurance for instructional positions.

The Average Daily membership (ADM) of the LEA is the primary determinant of the BEP 2.0 funding amount. This amount is based on the previous academic year's ADM, the number of students qualified for Special Education Services and the number of students enrolled in Career and Technical Education (CTE) courses.

The BEP 2.0 consists of three categories: instructional, classroom, and non-classroom. The state's average categorical yearly contribution, distributed to each school system, is currently

70%, 75%, and 50% respectively. Consequently, local government provides 30%, 25%, and 50% respectively. Although state revenue for LEAs is generated categorically by formula, school districts have the option of using these funds in other categories of expenditure.

The following table reflects components funded within each category:

Instructional	Classroom	Non-Classroom
Regular Education	K-12 At-Risk Class Size Reduction	Superintendent
CTE Education	Duty-free Lunch	System Secretarial Support
Special Education	Textbooks	Technology Coordinators
Elementary Guidance	Classroom Materials and Supplies	School Secretaries
Secondary Guidance	Instructional Equipment	Maintenance and Operations
Elementary Art	Classroom Related Travel	Custodians
Elementary Music	CTE Center Transportation	Non-Instructional Equipment
Elementary Physical Education	Technology	Pupil Transportation
Elementary Librarians (K-8)	Nurses	Staff Benefits and Insurance
Secondary Librarians (9-12)	Instructional Assistants	Capital Outlay
ELL Instructors	Library Assistants	
ELL Translators	Staff Benefits and Insurance	
Principals	Substitute Teachers	
Assistant Principals Elementary	Alternative Schools	
Assistant Principals Secondary	Exit Exams	
System-Wide Instructional Supervisors		
Special Education Supervisors		
CTE Education Supervisors		
Special Education Assessment Personnel		
Social Workers		
Psychologists		
Staff Benefits and Insurance		

The Fiscal Capacity Index is the formulaic representation of a county's ability to generate local revenue. It is used to determine state and local funding contributions to support local education. In BEP 2.0 fiscal capacity is calculated by multiplying a county's local sales and property tax base times the average tax rate for each base across the state. Pending full implementation of BEP 2.0 an average of the former and new fiscal capacity indices is used in the formula.

As BEP 2.0 is fully implemented, the cost of living adjustment calculated by the cost differential factor is being phased out. The cost differential factor adjusts the salary components of BEP funding in systems where the cost of living exceeds the state's average.

District-Based Components

Density/Sparsity of Small Schools

Does not apply.

Grade Level Differences

ADM determines instructional positions allotted to each Local Education Agency (LEA) by grade level. With 70% funding currently provided by the state, the levels are:

Grade	Teacher Positions
Level	Regular Education

K-3	1 to 20 ADM
4-6	1 to 25 ADM
7-9	1 to 25 ADM
10-12	1 to 22.08 ADM

Declining Enrollment or growth

High growth districts are given additional funding based on percentage of growth in the current year. Growth funding is mandated for LEAs with ADM growth greater than 2%.

Capital Outlay and/or Debt Service

Funding based on the cost of capital outlay is included in the non-classroom component. The state's share of support for the non-classroom category is 50%.

- 100 sq ft per total K-4 ADM x \$136/sq ft
- 110 sq ft per total 5-8 ADM x \$138/sq ft
- 130 sq ft per total 9-12 ADM x \$136/sq ft
- Add equipment (10% of sq ft cost)
- Add architect's fee (5% of sq ft cost)
- Add debt service (20 yrs @ 6.00%)
- Divide total by 40 yrs = annual amount

Transportation

The BEP uses a multiple linear regression formula calculated that uses an average of expenditures from the three previous BEP funding years focusing on the following four factors: students transported per ADM; special education students transported per ADM; miles driven per ADM; and whether the district is county, city, or special school district. The model estimates the average, statewide effects (coefficients) of these factors on transportation expenditures and multiplies those estimated effects by each LEA's respective factors to calculate the estimated cost to the district for providing past transportation services. The BEP then adjusts these amounts by an inflation measure to calculate the actual dollar amount of transportation spending generated for each LEA.

Charter Schools

No response

Student-Based Components

Special Education

Currently supported by a 70% state share, identified and served special education students receive additional weighting in the instructional component of the BEP formula. Additional teaching positions are allocated based on the caseloads by option as follows:

Option 1	91
Option 2	73
Option 3	46
Option 4	25

Option 5	15
Option 6	2
Option 7	10
Option 8	6
Option 9	0
Option 10	10

Options are determined based on the number of hours and types of service a student receives.

Low Income / Comp Ed / At-Risk

Funding is generated in the classroom component of the BEP with a state share of 75%. Based on 1:15 class size reduction for grades K-12, estimated at \$530.19 (FY 2014-15) per identified at-risk ADM. BEP 2.0 provides 100% of this funding per identified at-risk student.

English Language Learners/Bilingual Education

LEAs receive a 70% state share with funding generated in the instructional component of the BEP.

ELL Teachers - 1 per 30 identified and served ELL Students

ELL Translators - 1 per 300 identified and served ELL Students

Gifted and Talented Education

Gifted and Talented students, identified and served under the special education umbrella, are offered accelerated courses or curricula when indicated by the student's IEP. Additionally, secondary students may apply as juniors and seniors for consideration to attend the state funded Governor's Schools held during the summer at institutions of higher education in Tennessee.

Career and Technical Education

CTE students are allocated additional funding in the instructional component, with a current state share of 70%. Additional teaching positions are allocated at a ratio of 1 teacher for every 16.67 full-time equivalent CTE ADM.

Preschool Education

Funding for pre-school education is not included in BEP

Other

Race to the Top: Supplemental Funding to LEAs

In 2010, Tennessee received approximately \$501 million from the competitive Race to the Top grant, of which \$250,700,000 was allocated directly to Local Education Agencies. The Race to the Top Fund was legislated in Tennessee by the First to the Top Act of 2010 and passed in a Special Session of the 106th Tennessee General Assembly. Monies were to be spent over a four-year period, school years 2010-2011 through 2013-2014, with objectives focusing on measurable student achievement and educator accountability. Selected projects at the state and LEA level received a no-cost extension through June 30, 2015.

Revenue and Expenditure Information

State Mandates Restricting Revenue or Expenditure Increases

Does not apply.

Property Assessment Ratios Used/Legal Standards for Property Assessment

Represented by the following:

Residential Property	25%
Farm Property	25%
Commercial and Industrial Property	40%
Public Utility Property	55%
Business Personal Property	30%

Measure of Local Ability to Support Schools

In the original BEP fiscal capacity index utilized a multiple regression to estimate the impact of five factors at the county level for their three year average per pupil own source revenue. The five factors include: three year average per pupil sales tax base; three year average per pupil property tax base; three year average per capita personal income; ratio of residential and farm property assessment to total assessment; and ratio of ADM to total county population. In BEP 2.0 fiscal capacity index is calculated by multiplying a county’s local sales and property tax base times the average tax rate for each base across the state.

School District Budget and Tax Rate Procedures/Sources of Local Revenue

All 142 LEA’s are fiscally dependent. They share in local property and sales tax revenue. Additionally, city systems can share in an appropriation from city government and Special School Districts have the exclusive ability to directly levy a property tax rate by virtue of a special act of the state legislature.

Voter approval is not required for budget or tax increases in county and city school districts. Special School Districts require a special act of the state legislature to enable them to increase the tax rate on property within the boundaries of their school districts.

The major sources of local revenue are sales and property tax. The amount of revenue derived from these taxes is dependent on the location of the school district.

State Support for Non-Public Schools

Does not apply.

Source: Tennessee Department of Education, Office of Local Finance