



Tennessee
State Board
of Education

Basic Education Program Review Committee Report

**Presented, January 12, 2006
to the Select Oversight Committee on Education**

Quick Review of the BEP



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State Funding Formula for Tennessee

Three Major Categories

- Instructional (65 state / 35 local)
- Classroom (75 state / 25 local)
- Non-Classroom (50 state / 50 local)

Factors that Influence Funding

- Average Daily Membership (ADM)
- Formula for Equalization
- Salary Equity Dollars
- Individual Unit Cost Adjustments
- Cost Differential Factor (Cost of Living and Employment)

Charge of the Committee



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- Analyze instructional salary disparity**

- Perform a regular review of BEP components**
 - recommend revisions,
 - additions, and
 - deletions to the formula

- Give special consideration to:**
 - the cost of educating at-risk students and English language learners
 - the development and implementation of a system level fiscal capacity index

- Submit a report annually on or before November 1**

Key Discussion Points



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- Salary disparity based on total teacher compensation**

- A comprehensive and simultaneous strategy**
 - System Level Fiscal Capacity**
 - Cost Differential Factor**
 - Instructional Salary Split**
 - At-Risk Students**
 - English Language Learners**
 - Phase In Options**

- Special Education Pre-K Counts**

Total Teacher Compensation



- Based on an analysis of total teacher compensation, the statewide measure of salary disparity for 2004-05 is very comparable to the measure of disparity observed in the previous year.

- Last year, the committee recommended that the measure for calculating salary disparity compare total teacher compensation, based on:
 - salary schedule strength
 - health insurance package strength

- The goal is to evaluate a measure of disparity independent of regional and local variations in teacher training and experience, or the health insurance plan a teacher may choose.
 - Calculations performed by the Office of the Comptroller.

Regional Disparity Analysis



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- ❑ A regional comparison of total teacher compensation demonstrates that the major metropolitan areas are experiencing a decrease in salary disparity.
- ❑ Regional comparisons (FY05 to FY04).
- ❑ County regions displaying a decrease in salary disparity
 - ❑ Davidson County
 - ❑ Hamilton County
 - ❑ Clarksville
 - ❑ Memphis
 - ❑ Williamson County
- ❑ County regions displaying a mixed trend in salary disparity
 - ❑ Knox County
 - ❑ Tri-Cities
 - ❑ Dyer County
 - ❑ Greeneville County
- ❑ County regions displaying an increase in salary disparity
 - ❑ Jackson-Madison County
 - ❑ Cookeville

Committee Recommendation



The Basic Education Program (BEP) Review Committee recommends studying and moving forward with comprehensive, simultaneous, and timely improvements to the BEP that include:

- the implementation of a system level fiscal capacity index (including consideration of the TACIR prototype or other alternatives),
- an increase in funding for at-risk and English language learners,
- the elimination of the Cost Differential Factor (CDF), and
- the increase of the BEP instructional salary state share to 75%.

The BEP Review Committee recommends that these changes take place in a gradual, but timely manner indemnifying districts that would otherwise be harmed by such revisions.

Indemnification



□ The committee discussed the continuation of hold harmless and stability provisions as currently implemented within the formula. Both of the existing methods are outlined in the report.

□ **Hold Harmless (Salary Equity):** Funds are provided to ensure that no system receives less state money currently than it did before the implementation of the salary equity unit cost revision.

□ Compares the 75 /25 state-local share before salary equity to the 65 / 35 state-local share after the infusion of salary equity dollars. Applied to the instructional salary component.

□ **Stability (Applies Primarily to Changes in ADM)**

□ A year-to-year comparison of total BEP funding. School systems cannot receive less state funding in the current year than the formula generated in the previous year.

System Level Fiscal Capacity Index



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Background

- The current model is based on equalization across 95 counties. There are currently 136 systems.
- TCA 49-3-356 specifies – “It is the intent of the general assembly to provide funding on a fair and equitable basis by recognizing the differences in the ability of local jurisdictions to raise local revenues.”
- Fiscal capacity is currently based on a county systems “ability to pay” in relationship to the collective state total for fiscal capacity.
- This means that changes in the fiscal capacity of one system will affect all other systems across the state, in some manner.
- Many of these relationships are not easy to explain and generally require the application of statistical modeling.

Impact of Fiscal Capacity Changes



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- This past year a property assessment correction was made between Williamson County and Franklin SSD.
- This change impacted all systems and caused 36 systems to either gain or lose over \$50 per student.
 - 30 districts lost
 - 6 districts gained
- **The Franklin SSD correction would also impact all systems within the current county model.**

| System Level Examples Franklin SSD Correction | |
|--|---------|
| Change in State Dollars Per Student | |
| Carroll County | \$122 |
| Clinton City | (\$130) |
| Franklin SSD | (\$640) |
| Lebanon SSD | (\$100) |
| Lenoir City | \$68 |
| Lexington City | (\$100) |
| Maury Co. | \$60 |
| Memphis SSD | \$23 |
| Murfreesboro City | (\$147) |
| Perry Co. | (\$84) |
| Williamson Co. | \$130 |
| Wilson Co. | \$73 |

Changes to the Equalization Formula



Question:

Must changes made to the formula adopted by the State Board of Education for equalization purposes, pursuant to Tenn. Code Ann. § 49-3-356, be submitted to the House and Senate Education committees for review and recommendation and approval by resolution of those bodies?

Attorney General's Opinion.

Yes.

Special Ed Pre-K Counts



Question:

For the purposes fo calculating BEP funding for LEAs under TCA 49-10-113(c)(1), should children with disabilities who are three (3) or four (4) years of age and who are served by the LEAs be counted in the average daily membership (ADM) of each Local Education Agency, rather than being funded only under the “special option” component of the BEP?

Attorney General’s Opinion

LEAs’ services for children with disabilities who are three (3) or four (4) years of age should be funded by counting such children as part of the ADM for BEP purposes, as well as pursuant to the “special option” portion of the BEP.

Review Committee Report



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Includes...

- Committee recommendations
- Specific detail of state progress related to salary equity
- Synopsis of committee discussion



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