

Tennessee

Funding Basics

Formula Type

The Tennessee General Assembly voted in 2022 to change from a resource-based formula to a student-based approach, known as Tennessee Investment in Student Achievement (TISA). The new formula, which took effect in the 2023-24 school years, updated the way Tennessee funds public education for the first time in over 30 years. TISA. It provides additional funding for students from low-income families or attend schools with concentrated poverty, English Learners, students with disabilities, or those living in sparsely populated or small communities. TISA also include direct funding to support such priorities as early literacy, career and technical education, and postsecondary readiness. And it includes incentive funding based on student outcomes.

Tennessee expects school districts to contribute to the funding of their public schools, with the amount of the local share based on districts' property values and the proceeds from local sales taxes and the incomes of residents, with rates set to satisfy a statewide expected local contribution share. Districts in Tennessee are permitted to raise and keep additional local revenues for regular district operations.

Students from low-income households generate supplemental funding in Tennessee. The state considers specific grade levels, populations of ELLs, students with disabilities, students identified as gifted, and students enrolled in career and technical education programs in the allocation of funding for staff costs. Supplemental funding for sparse school districts is provided through a program-specific allocation.

Base Amount

The base funding amount is subject to annual appropriations by the Tennessee General Assembly. For the 2023-24 TISA allocations, the base funding amount is $6,860 per average daily membership, based on the previous year's membership.

Local Revenue

Expected Local Share

For funding generated by the base and weights in the TISA formula, the state pays 70% of the statewide total. The remaining 30% is the collective responsibility of local funding entities. Each LEA contributes a proportion of the statewide local share of 30% based on their fiscal capacity, or their ability to contribute financially. This amount, called the required local contribution or local match, makes up a portion of the funds generated by TISA, and must be included in local budgets.

In addition to the required local contribution, many local governments contribute additional funds towards K-12 education. To ensure that additional state education dollars are not used to supplant these local funds, local governments must continue to provide the same amount of local funding from year to year. This total, called the maintenance of effort, may be higher than the required local contribution. Local governments are required to meet the maintenance of effort every year. This legal requirement was not altered in the passage of the TISA Act.

The combined measure of fiscal capacity is applied at the county level. Therefore, the state and local shares for a county-level school system would be the same as the state and local shares for a city-level school system within the same county. Once a district's local capacity percentage is calculated, this figure is multiplied by the district's resource costs in each category and then by the statewide average local share for that category (such as 70% for classroom components) to determine the dollar amount of the district's expected local contribution. However, school districts in Tennessee that choose to do so may raise more money locally.

Property Tax Floors and Ceilings

Tennessee sets a floor for local property tax rates. All counties must raise revenues sufficient to fund school districts' expected local share of the formula amount. Additionally, property tax rates in certain school districts require legislative approval.

In Tennessee, very few school districts directly impose local property taxes; counties and municipalities impose property taxes. Revenue from county property taxes is distributed to school districts in proportion with the student count of each district. Counties must raise revenues sufficient to fund their local school districts' local shares of the formula amount (see "Expected Local Share" for more information). Separately, certain school districts may levy their own local property taxes, but the rate must be approved by the state general assembly.

Other Local Taxes for Education

School districts in Tennessee receive revenue from local property taxes, sales taxes, and other local taxes. Very few school districts directly impose local property taxes. School districts receive revenue from property taxes imposed by counties and municipalities and may also receive a portion of other taxes imposed by counties or municipalities, including sales taxes; taxes on electricity, gases, and other fuels; and motor vehicle taxes.

Both counties and municipalities in Tennessee may impose an optional local sales tax as long as the combination of the county and municipality rates do not exceed 2.75%. If a municipality within a county that imposes a local sales tax also imposes a local sales tax, it may impose only the difference between the county tax rate and 2.75%. Local sales taxes must be approved by voters in the relevant jurisdiction. Half of the revenue from local sales taxes is designated for schools. Revenue from a county sales tax is distributed to the school districts within the county in proportion with the student count of each district. Unlike Tennessee's state sales tax, the local sales tax is applied only to the first $1,600 of any purchase.

Counties may also levy taxes on the sale, purchase, or use of electricity, natural or artificial gases, or other heating fuels. These taxes are fixed at a rate of 0.5%. Counties in Tennessee may also impose other local taxes that can be used to support education, including motor vehicle taxes, called "wheel taxes."

Student Characteristics

Grade Level

Tennessee's formula includes direct funding for any student in grades kindergarten through 3rd grade intended to support early literacy instruction in support of the goal of ensuring all students read at grade level by third grade. This funding is subject to annual appropriations by the legislature. For the 2023-34 TISA allocations, the K-3 student direct funding amount is $500 per average daily membership.

TISA also includes direct funding for rising 4th grade students who need additional supports in literacy based on their performance on the 3rd grade English Language Arts scores. These funds provide resources to support students with additional instructional opportunities, including tutoring. For the 2023-34 TISA allocations, the funding amount is $500 per student.

English-Language Learner

Tennessee sets three tiers of English learners, placing students in each tier based on their EL status, years of English as a Second Language services, and scores on the WIDA proficiency assessment. To be eligible, a student must be initially identified for services through a home language survey and entry screener, and progress must be monitored using the WIDA assessment. The student must also have an Individual Learning Plan.

The state has developed a detailed scale of funding weights for student with Unique Learning Needs, with extra funding for English learners ranging from 20% to 70% depending on the tier of services.

Poverty

Tennessee provides additional funding for economically disadvantaged students, which includes homeless, migrant and runaway students, as well as those in foster care. The weighted allocation for these students is 25% of the base amount.

Special Education

Tennessee students with disabilities qualify for additional weighted funding based on the services and hours determined in their Individualized Education Program (IEP). The state has developed a detailed scale of funding weights for student with Unique Learning Needs, with extra funding ranging from 15% to 150% depending on the support required. Students with characteristics of dyslexia are considered separately with a weighted allocation of 20% of the base amount.

Gifted

Tennessee provides increased funding for gifted and talented students as part of special education funding.

Tennessee includes gifted and talented students in the count of special needs students for funding purposes. This means that gifted students are counted along with students with disabilities for the purposes of allocating funds for special education teachers and other personnel, materials and supplies, instructional equipment, and travel. See "Special Education" for a description of this allocation.

Career and Technical Education

Tennessee provides direct funding for student participation in career and technical education (CTE) programs to drive college and career readiness outcomes. The direct funding is further structured to incentivize LEAs to align offerings with careers that are in-demand and produce strong living wage potential.

The funding will vary by students' progression and program of study level. But for the 2023-24 TISA allocations, all progression years and study levels are funded at $5,000 per average daily membership in CTE.

TISA also includes direct funding for students who take the ACT in their 11th or 12th grade year. The state will pay for an initial test opportunity and one retake, at a cost of $93 for each test in the 2023-24 school year.

District Characteristics

Concentrated Poverty

Tennessee does not provide increased funding for districts based on the concentrations of students from low-income households. However, Tennessee does provide funding for individual students from low-income households (see "Poverty" for more information).

Sparsity and/or Small Size

Tennessee law defines a "small district" as one with a student membership of 1,000 or fewer students and a "sparse district" as a county LEA located in a county with fewer than 25 students per square mile.

A student enrolled in a small or sparse district generates a weighted allocation of 5% of the base amount.

Charter Funding

TISA includes direct funding for students enrolled in public charter schools, reflecting funding previously provided outside the state's funding formula through the Charter School Facilities Fund. These funds continue to support the facilities needs of public charter schools.

Funding for public charter schools is generated in the geographic LEA in which the school operates, and funding is transferred from the geographic LEA to the public charter schools. Charter schools do not receive direct TISA allocations.

Charter schools in Tennessee receive a share of local tax revenue. Charter schools receive the total per-student funding in the district, including tax revenue raised by local school districts.

For a complete list of primary sources, please see the appropriate state page at funded.edbuild.org