

FundEd: Tennessee Report

A Detailed Look at Tennessee's Funding Policies



Tennessee

Funding Basics

Formula Type

Tennessee has a primarily resource-based formula. It determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.

Low-income students generate supplemental funding in Tennessee. The state does not provide supplemental funding to cover the additional cost of educating other specific categories of students. However, Tennessee considers specific grade levels, populations of English-language learners, services for students with disabilities, 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 state of Tennessee uses a resource-based funding formula and therefore does not use a base per-student amount as the basis for its funding.

Local Revenue

Expected Local Share

Tennessee expects school districts to contribute revenue to their public schools. The amount each district is expected to raise is based on a combination of its property values, its residents' income, and an estimate of its revenue from local sales taxes, with rates set to satisfy a statewide expected local contribution share.

Tennessee's resource-based formula considers three categories of resources: instructional components, funded 70% by the state; classroom components, funded 75% by the state; and non-classroom components, funded 50% by the state. These contribution levels hold true on average across the state. However, each district is expected to contribute a different amount locally, depending on its ability to pay, as measured equally by two difference indices. The first index considers only the county's ability to raise education funding through property and sales taxes. The second considers property values, taxable sales, student enrollment, and per capita income.

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. In FY2017, districts' measured fiscal capacity ranged from 0.04% to 15.26%. 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 less or more money locally than the expected amount.

Property Tax Floors and Ceilings

Tennessee does not set a floor or a ceiling for local property tax rates, or a level above which voter approval is required. However, 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 the county property taxes is distributed to school districts in proportion with the student count of each district. Separately, certain school districts may levy their own local property taxes, but the rate must be approved by the General Assembly.

Other Local Taxes for Education

School districts in Tennessee receive revenue from local property taxes, sales taxes, and other local taxes. In Tennessee, 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 taxes imposed by counties or municipalities, including sales taxes and motor vehicle taxes.

Both counties and municipalities in Tennessee may impose an optional local sales tax so long as the combination of both 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 only impose 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 only applied to the first \$1,600 of any purchase.

Counties in Tennessee may also impose other local taxes to support education, including motor vehicle taxes, called "wheel taxes."

District Characteristics

Grade Level

Tennessee provides different levels of funding for students in different grade levels. It does so through its resource-based formula by specifying different student-to-teacher ratios for four different grade spans and providing funding for teacher positions accordingly.

The state assigns a student-to-teacher ratio of 20 to 1 for grades K-3; 25 to 1 for grades 4-6; 25 to 1 for grades 7-9; and 22.08 to 1 for grades 10-12. These ratios determine the number of teaching units to which a district is entitled. Specialists, principals, assistant principals, and guidance counselors are also assigned to elementary schools in accordance with different student-to-staff ratios than they are to secondary schools. Once all staff units are calculated for a district, with grade-level variation taken into account, the district receives a flat amount per unit that was \$46,225 in FY2018. These calculations form the basis of districts' state education funding.

English-Language Learner

Tennessee provides increased funding for English-language learners (ELLs). It does so through its resource-based formula by specifying student-to-staff ratios for ELLs and providing funding for staff positions accordingly.

The state assigns a student-to-teacher ratio of 20 to 1 for ELLs. This ratio determines the number of ELL teacher units to which a district is entitled. The state also allocates funds for ELL translator units based on a student-to-translator ratio of 200 to 1.

Once all staff units are calculated for a district, the district receives a flat amount per unit that was \$46,225 in FY2018. These calculations form the basis of districts' state education funding.

Poverty

Tennessee provides increased funding for students from low-income households. It does so in the form of a flat allocation for each low-income student, which was \$863.25 in FY2018. This figure is adjusted for inflation annually.

Students are eligible for this supplemental funding if they qualify for free or reduced-price lunch under the National School Lunch Program. This funding is intended to allow for reduced class sizes.

Special Education

Tennessee funds special education using a resource-based system, determining the cost of delivering special education services in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.

For staff costs, there are student-to-teacher ratios defined for various levels of special education service provision. The number of students receiving services at each level is converted into teacher units, which are each funded at a standard level. There are also student-to-staff ratios specified for special education assistants. For classroom costs, the state provides funding for special education materials and supplies (\$36.50 per special education student in FY2018), instructional equipment (\$13.25 per special education student), and travel (\$17.25 per special education student) based on average costs from the three most recent years.

Gifted

Tennessee provides increased funding for gifted and talented students. It does so 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 disabled students for the purposes of allocating funds for special education teachers, assistants, materials and supplies, instructional equipment, and travel. (See "Special Education" for a description of this allocation.)

Career and Technical Education

Tennessee provides increased funding for career and technical education (CTE) programs. It does so through its resource-based formula by specifying student-to-staff ratios for CTE programs and providing funding for staff positions accordingly.

The state assigns a ratio of 16.67 full-time-equivalent students for each teacher for CTE programs. This ratio determines the number of CTE teacher units to which a district is entitled. The state also allocates funds for Vocational Education Supervisor units based on a student-to-supervisor ratio of 1000 to 1.

Once all staff units are calculated for a district, the district receives a flat amount per unit that was \$46,225 in FY2018. These calculations form the basis of districts' state education funding. Separate from staff funding, the state also provides funding for the transportation of students who attend CTE centers for part of the school day.

Sparsity and/or Small Size

Tennessee provides increased funding for sparse school districts. It does so through its transportation funding system.

Transportation funding is distributed according to a formula set by the Commissioner of Education that considers miles transported and density of pupils per mile traveled.

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

