



THE SYCAMORE INSTITUTE

BUILDING A STRONGER TENNESSEE THROUGH DATA AND RESEARCH

TENNESSEE'S STATE BUDGET

April 19, 2021



@SycamoreTN

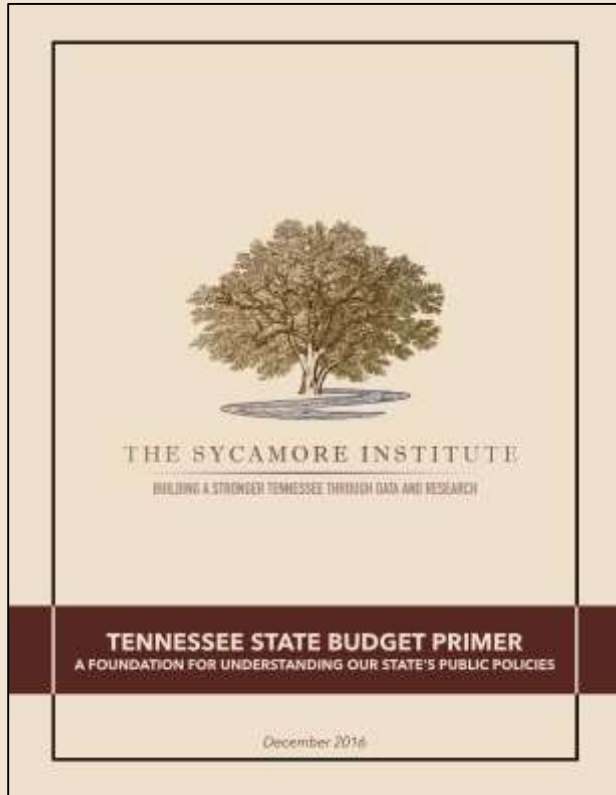


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TODAY'S ROADMAP

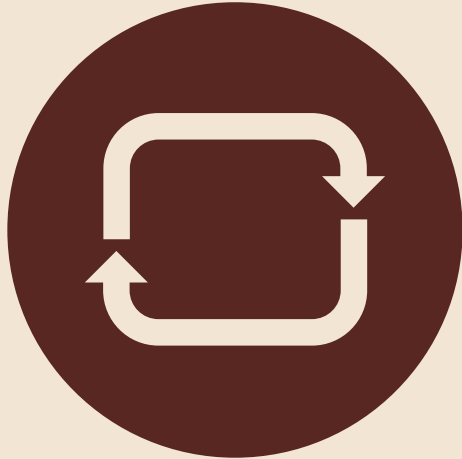
- 1. Themes**
- 2. The Budget Process**
- 3. Budget Basics**



- **PROCESS**
- **BUDGET OVERVIEW**
- **DEEPER DIVES**
- **HISTORICAL CONTEXT**
- **NATIONAL CONTEXT**
- **BEST PRACTICES**



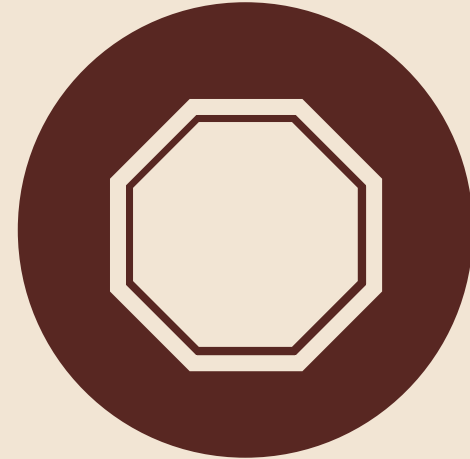
OFTEN CHANGING AND
DYNAMIC



FULL OF CONSTANT
TRADE-OFFS



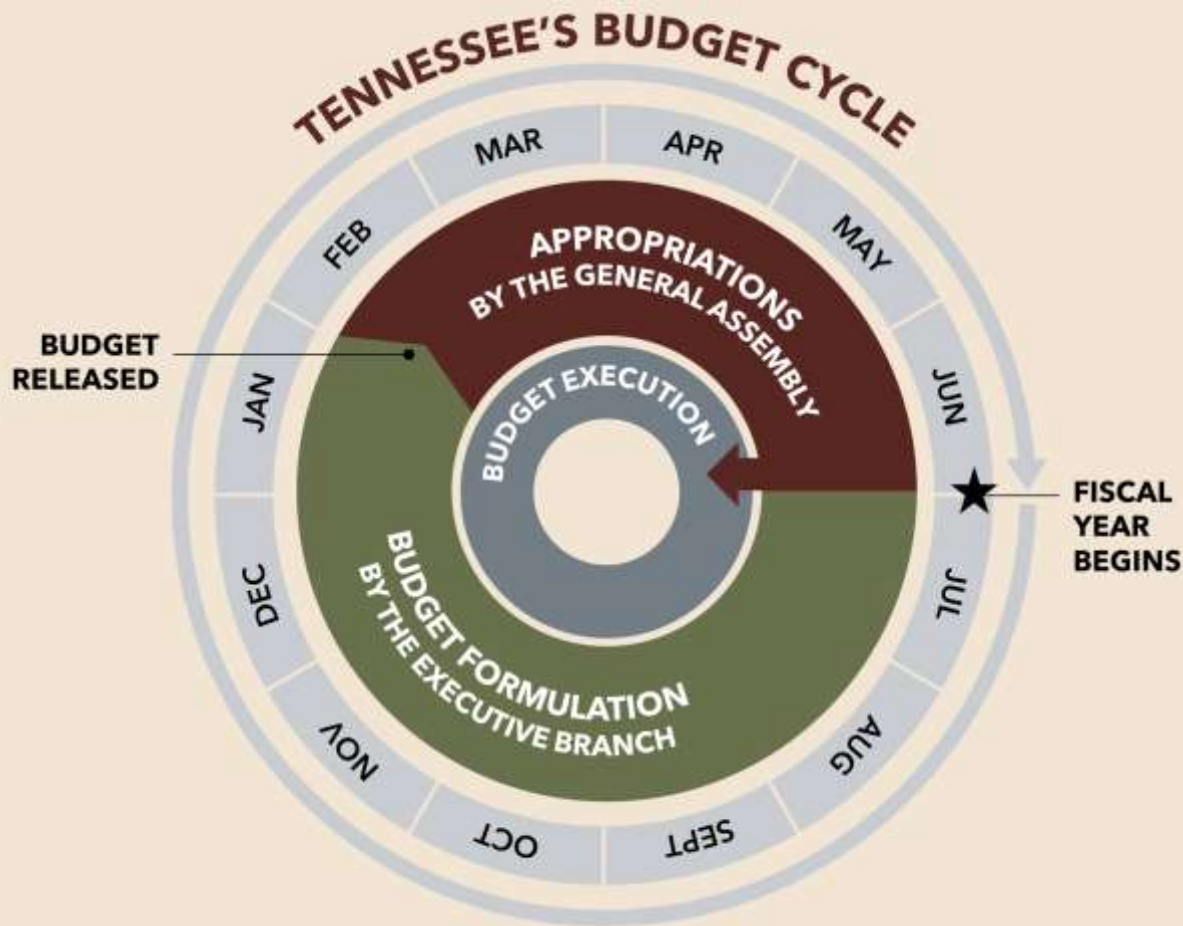
SUBJECT TO A NUMBER OF
LIMITATIONS

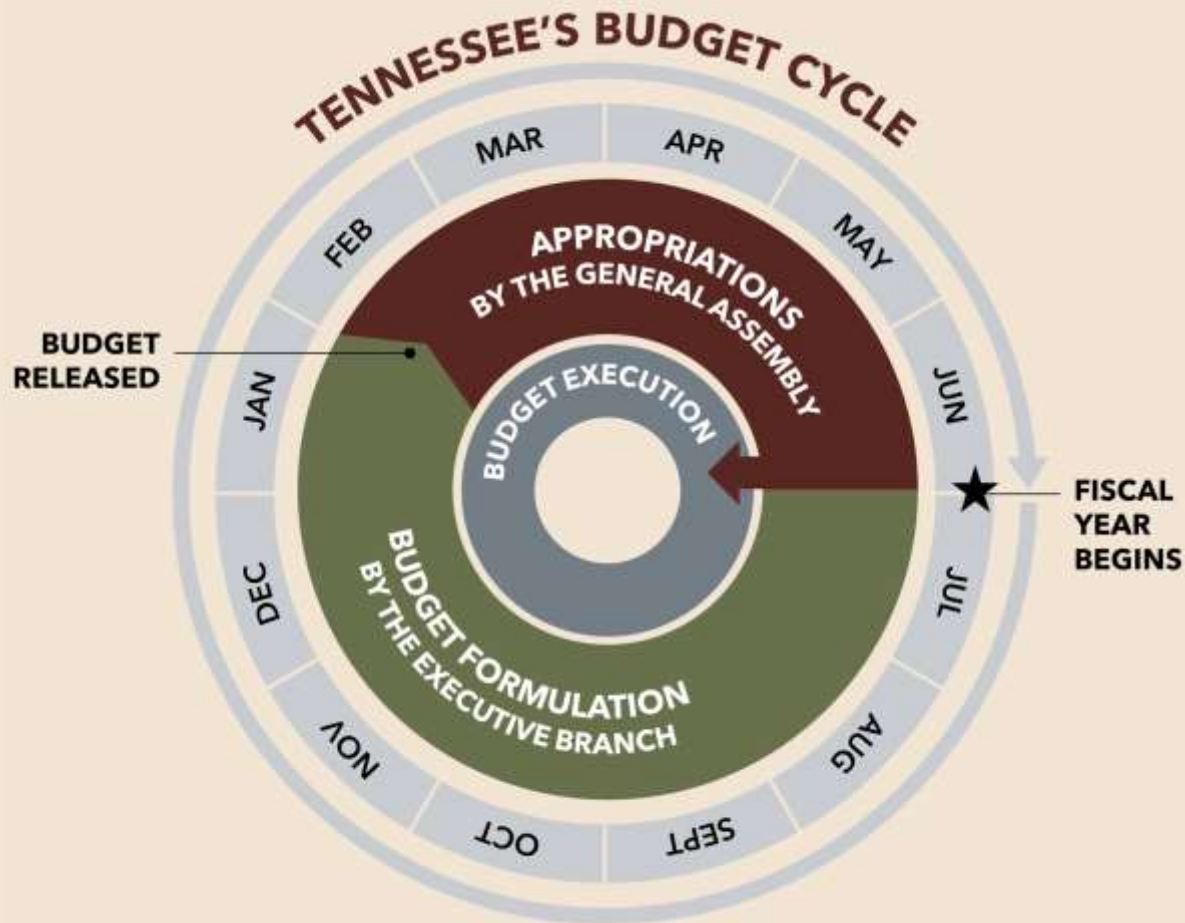


**CONSTITUTIONAL
BALANCED BUDGET REQUIREMENT**



BUDGET PROCESS





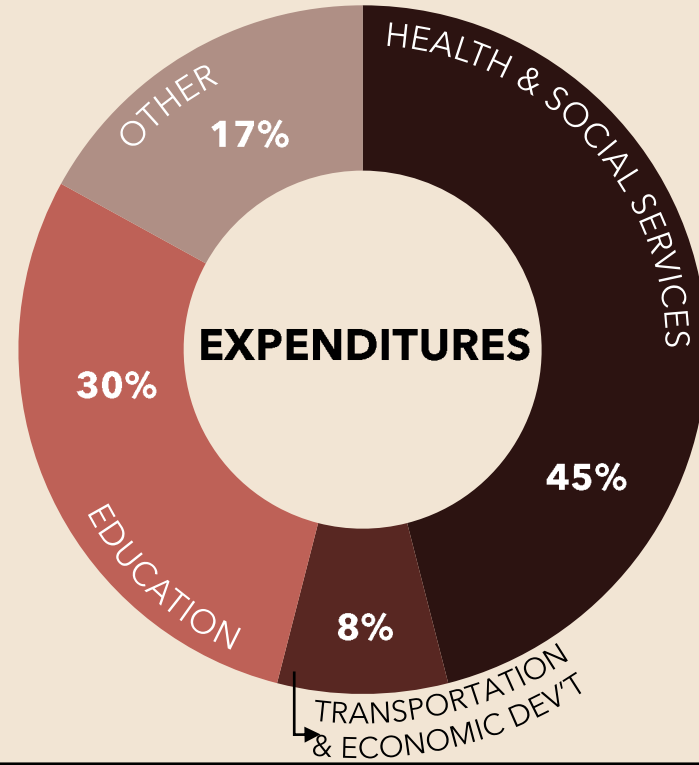
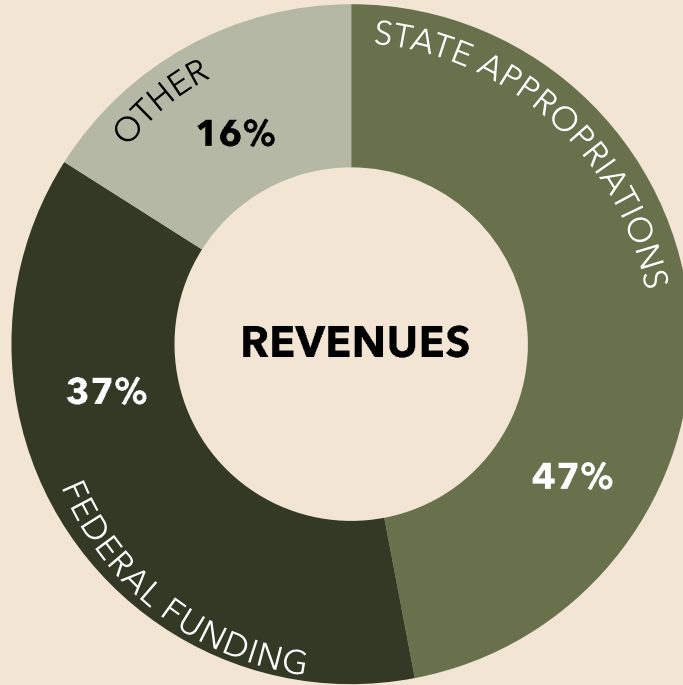
- **Recurring Base Budget**
- **Revenue Estimation**
- **Appropriations Bill**
- **Budget Management**



BUDGET BASICS

FY 2020 Budget

\$38.1 Billion

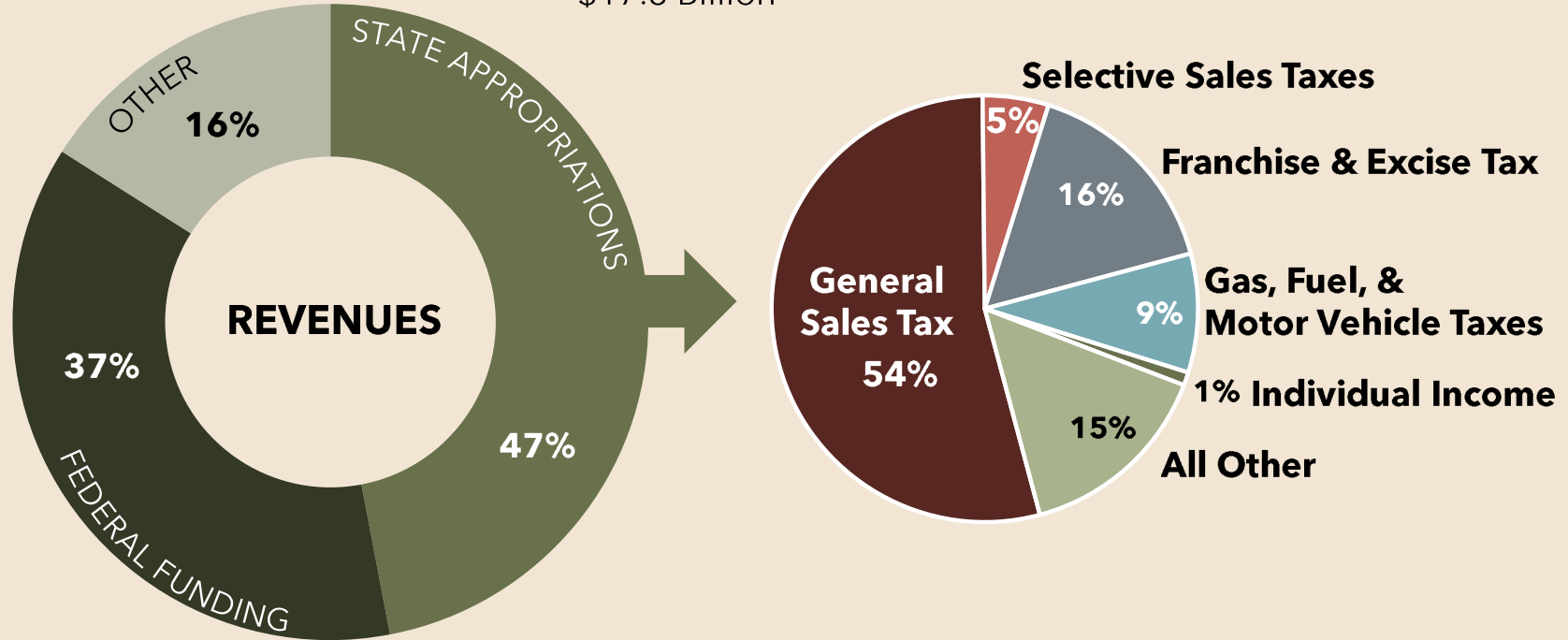




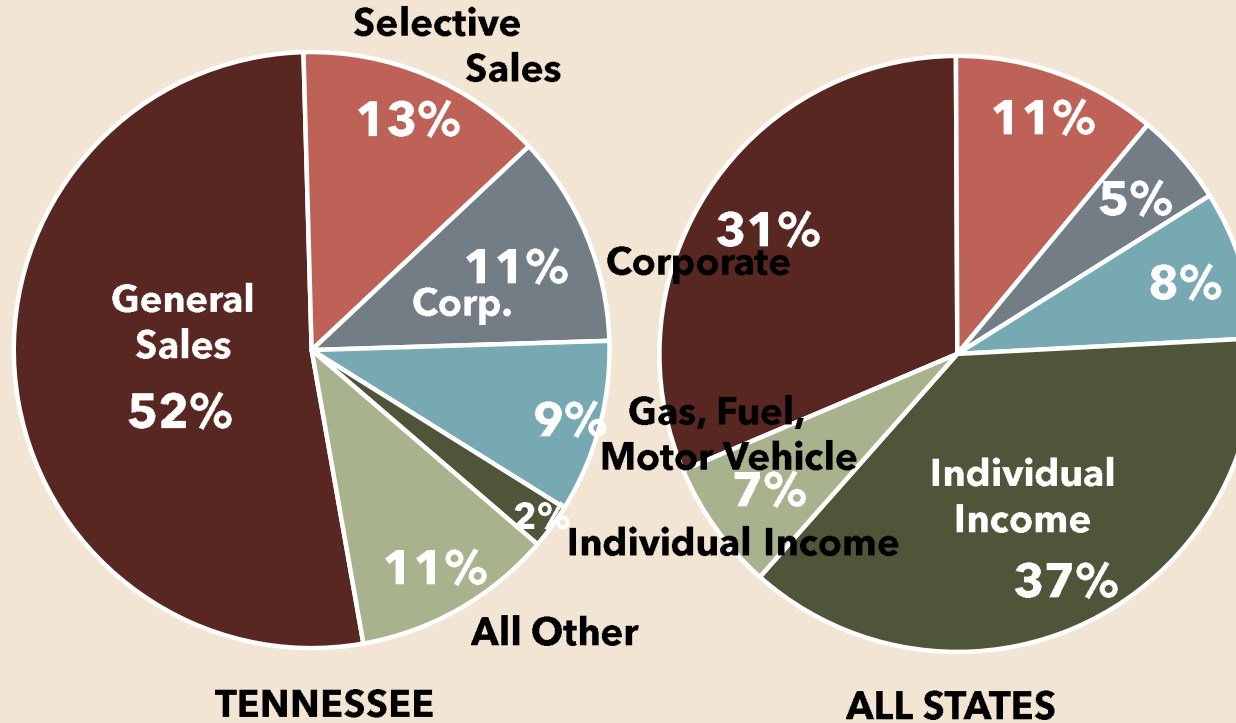
State Tax Collections by Revenue Stream

FY 2020 Budget

\$17.8 Billion

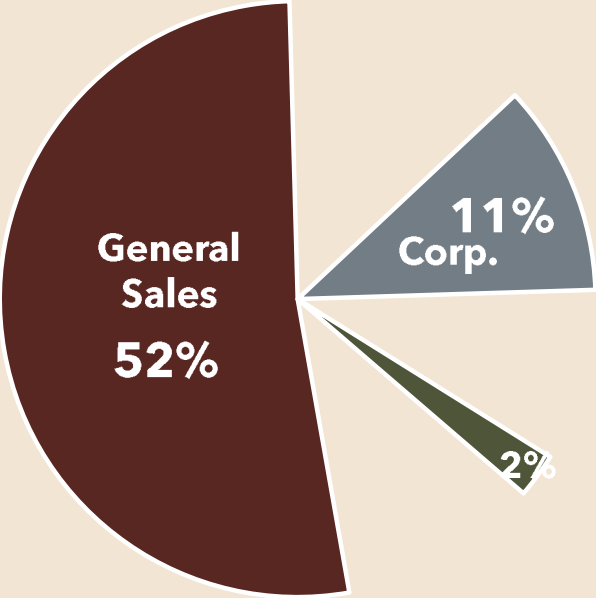


State Tax Collections (2016)

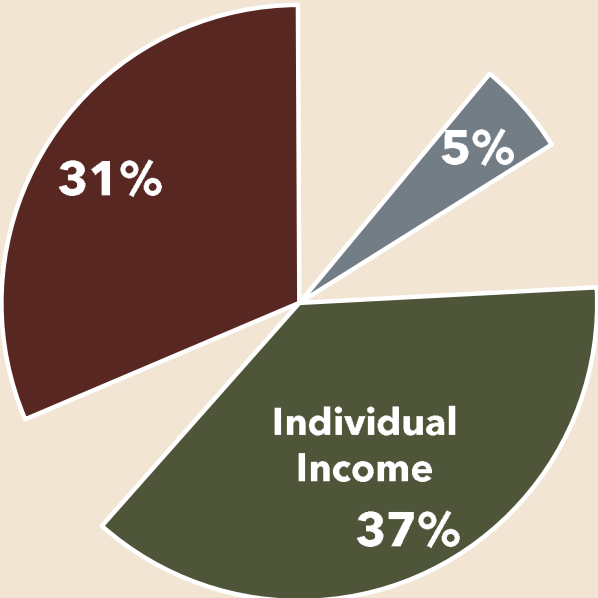


Data are for comparative purposes only. Due to the format of the national dataset, taxes may be categorized differently than analyses based on state-level data. For example, TN's tax on certain health insurance premiums are categorized as a selective sales tax in the Census data but are categorized as "other" taxes in state-level analyses. Source: The Sycamore Institute's analysis of U.S. Census Bureau data

State Tax Collections (2016)

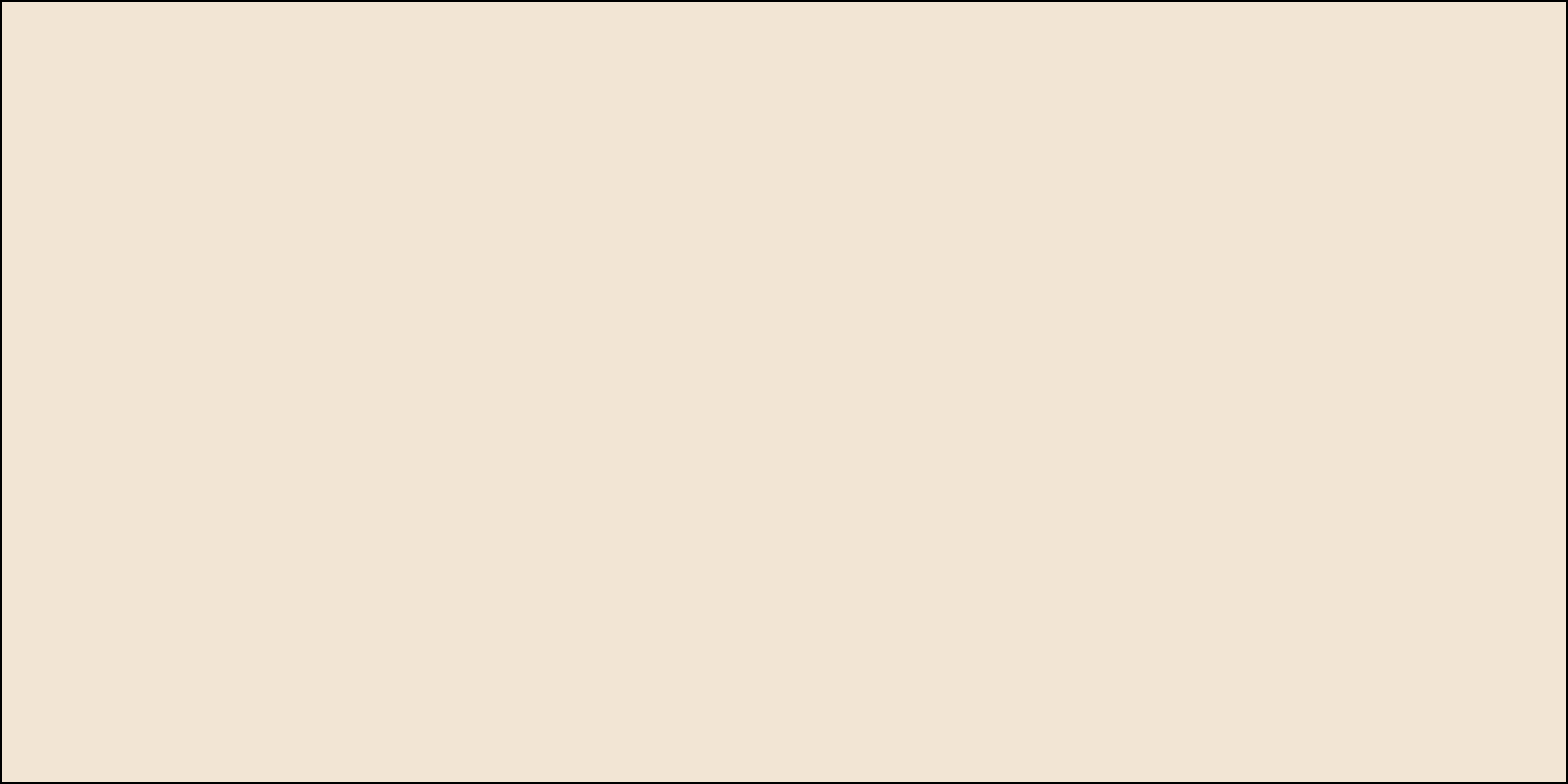


TENNESSEE

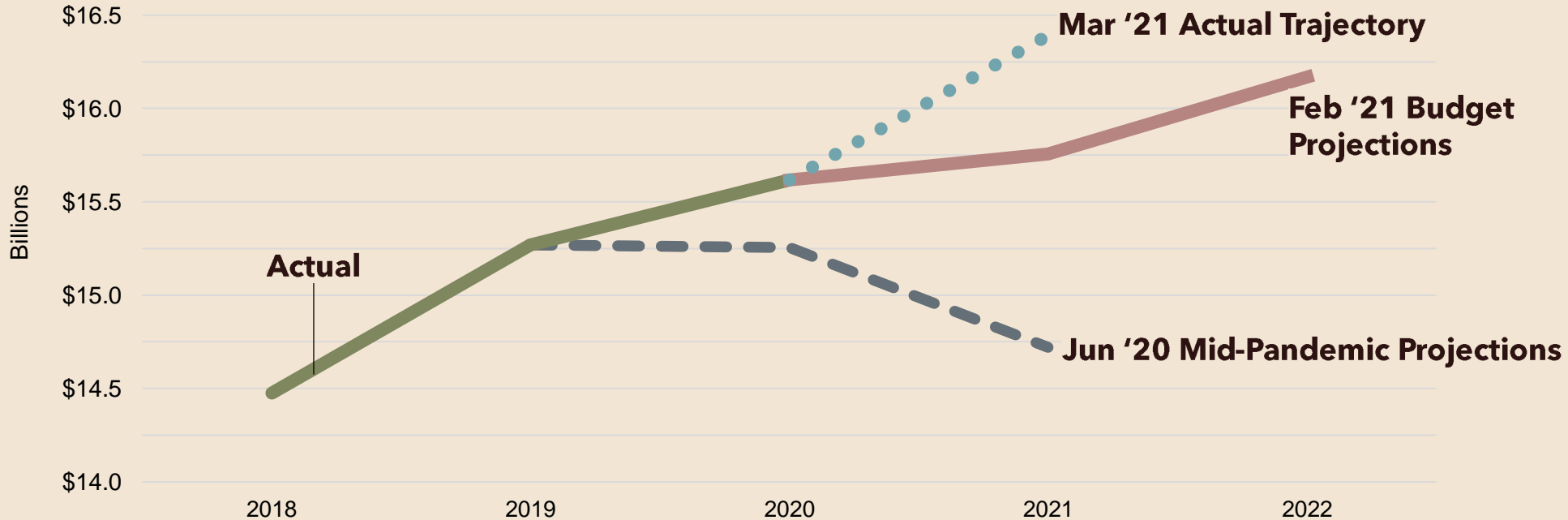


ALL STATES

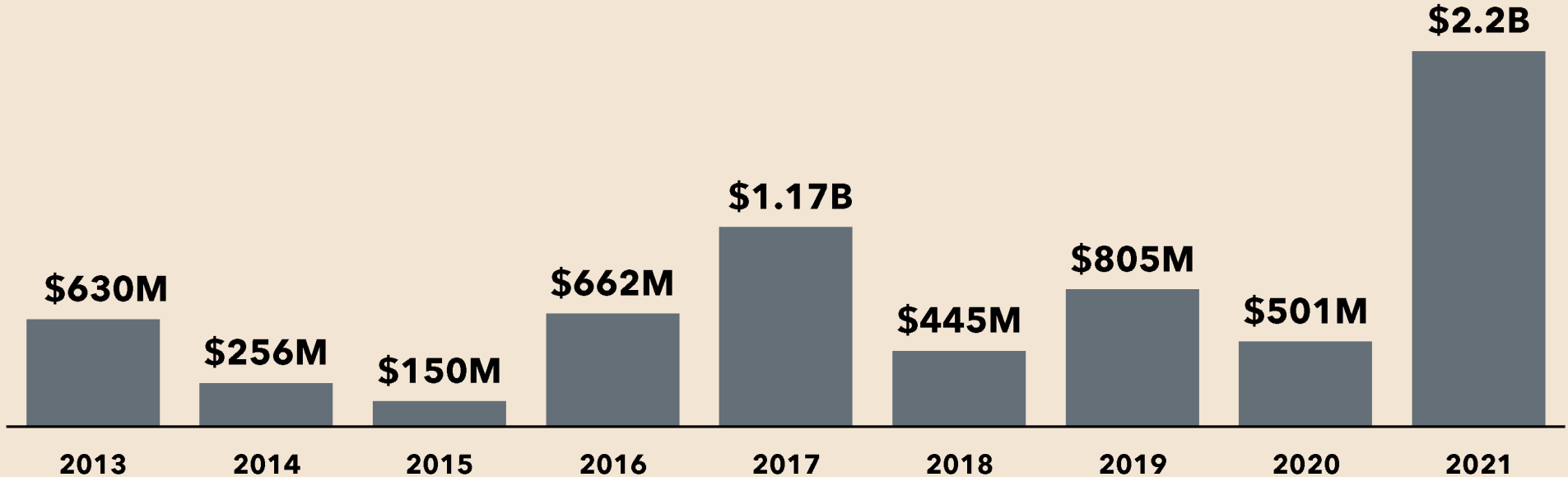
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TN Dept. of Revenue Tax Collections



Expected Year-End Balances

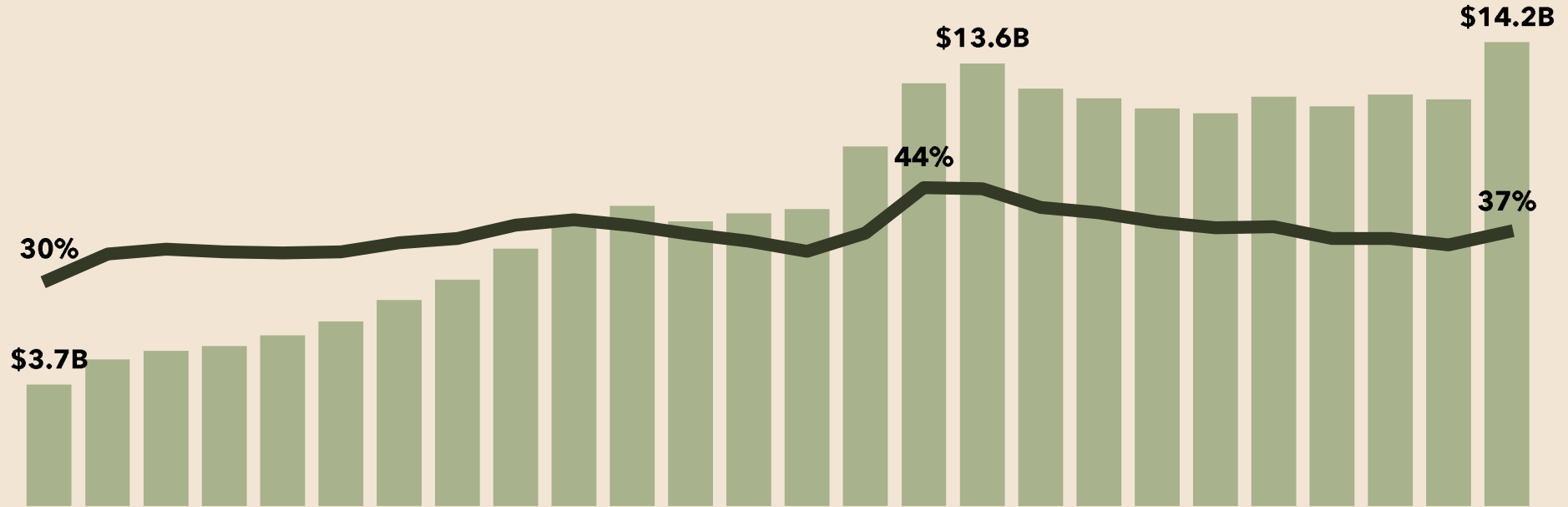


Note: "2013" represents the mid-year anticipated balance at June 30, 2013 as proposed in the FY 2014 budget. FYs 2014-2019 follow suit. FY 2020 is a June 2020 estimate, and FY 2021 is an April 2021 estimate.

Source: The Sycamore Institute's analysis of the FYs 2014-2020 Tennessee State Budgets and materials

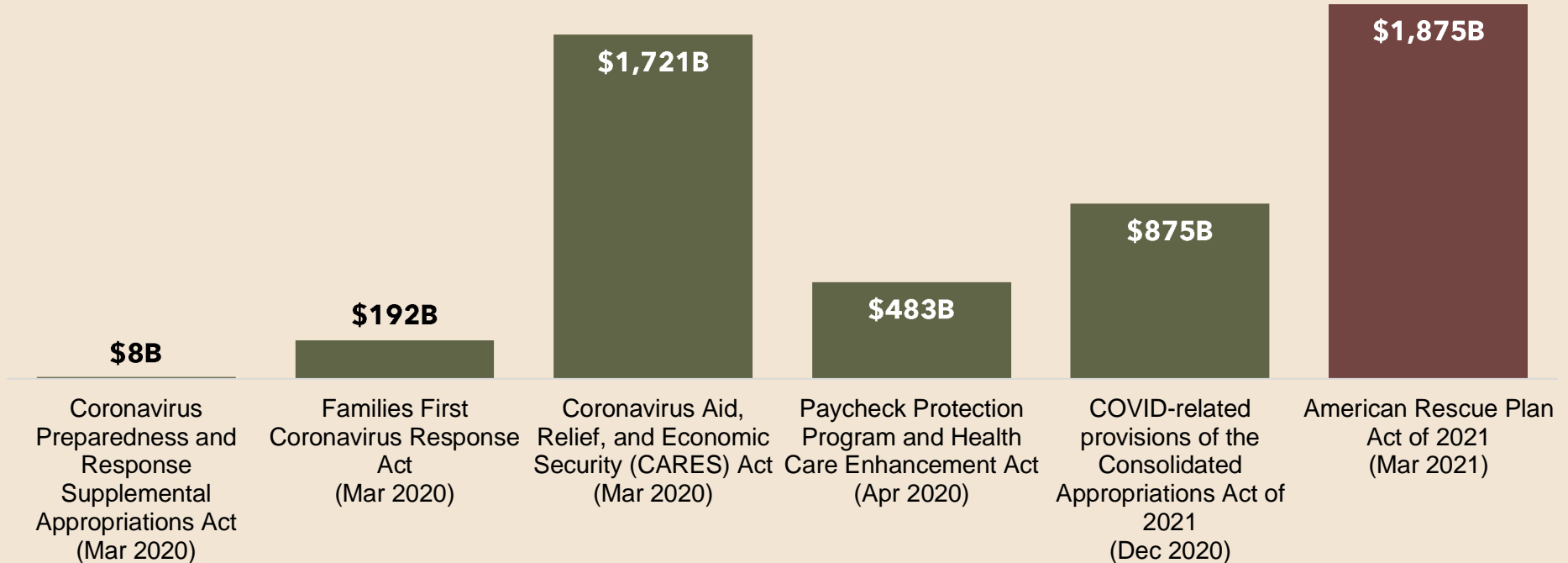


Federal Funding in Tennessee's Budget





\$5.2T in New Federal Funding Since the Beginning of the Pandemic



Federal Funds Have Strings Attached.



LIMITS ON PURPOSE

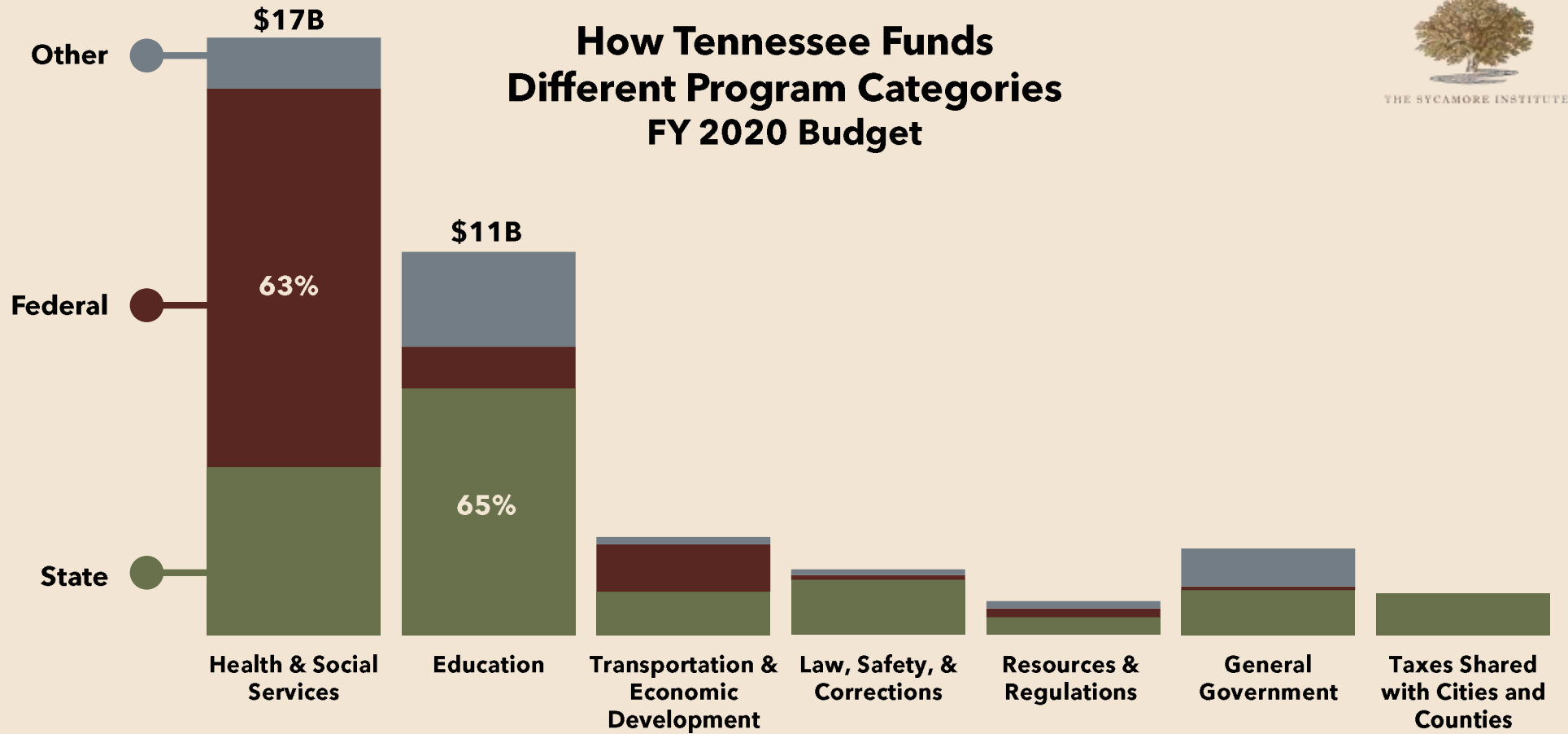


LIMITS ON STATE FUNDING DECISIONS



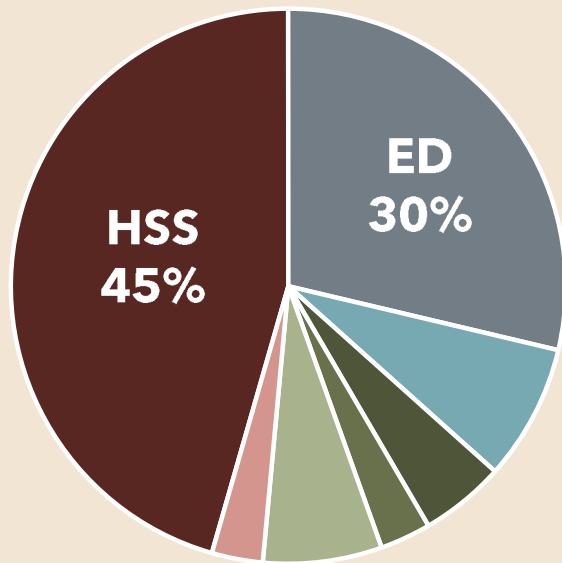
LIMITS ON NON-BUDGETARY POLICY

How Tennessee Funds Different Program Categories FY 2020 Budget

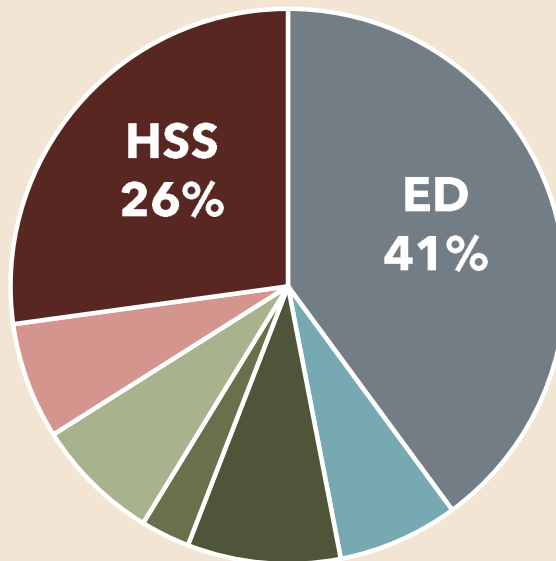


FY 2020 actual budget by functional area and revenue source
Sources: The Sycamore Institute's analysis of the FY 2022 Tennessee State Budget

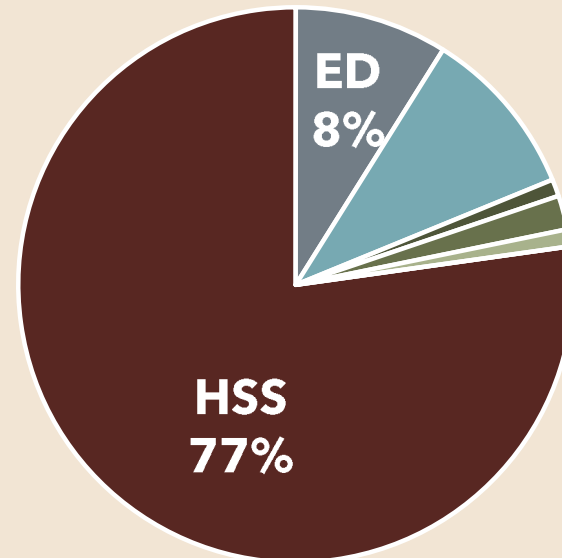
How Tennessee Spends State and Federal Revenues FY 2020 Budget



ALL REVENUES

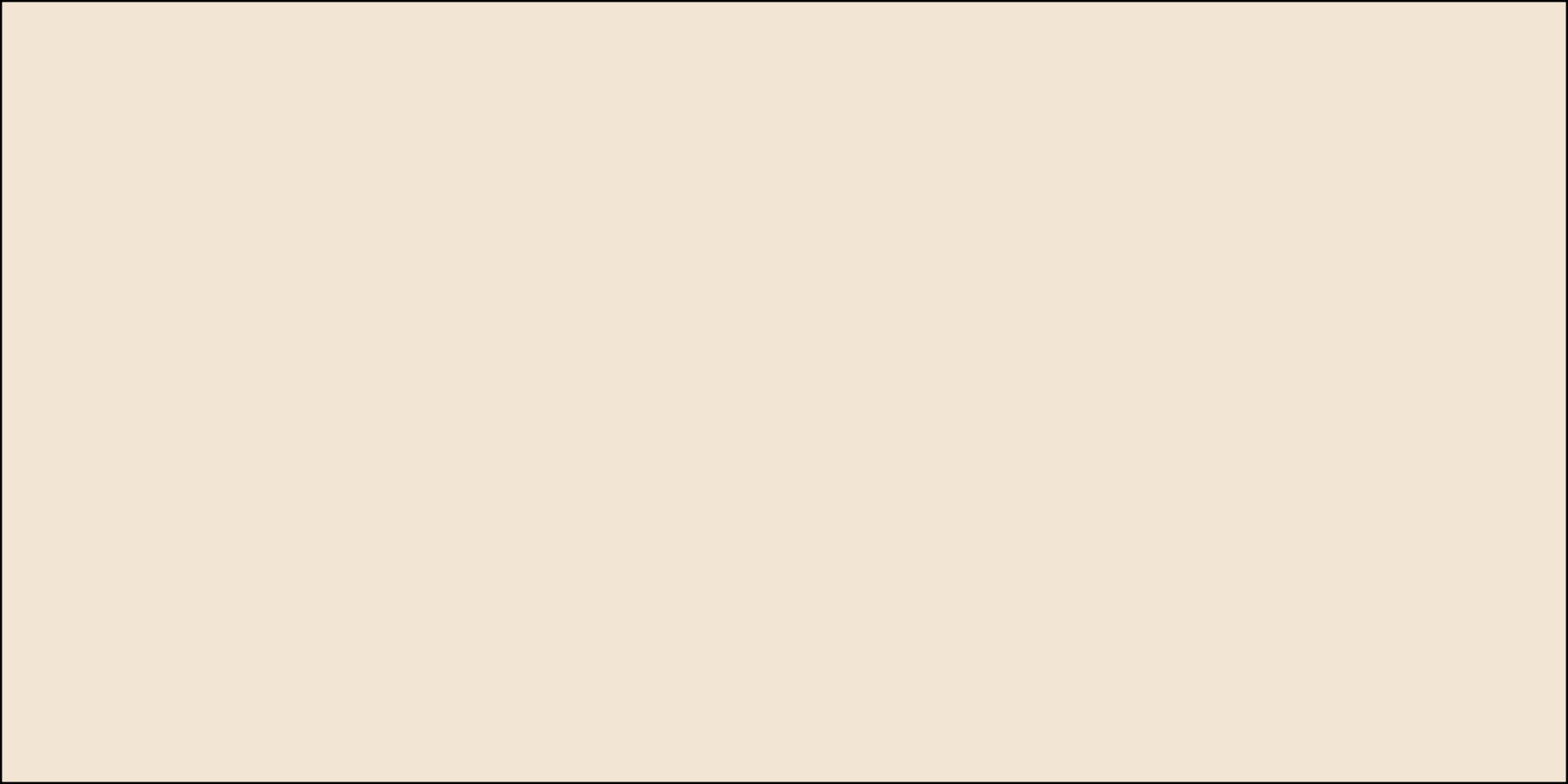


STATE DOLLARS

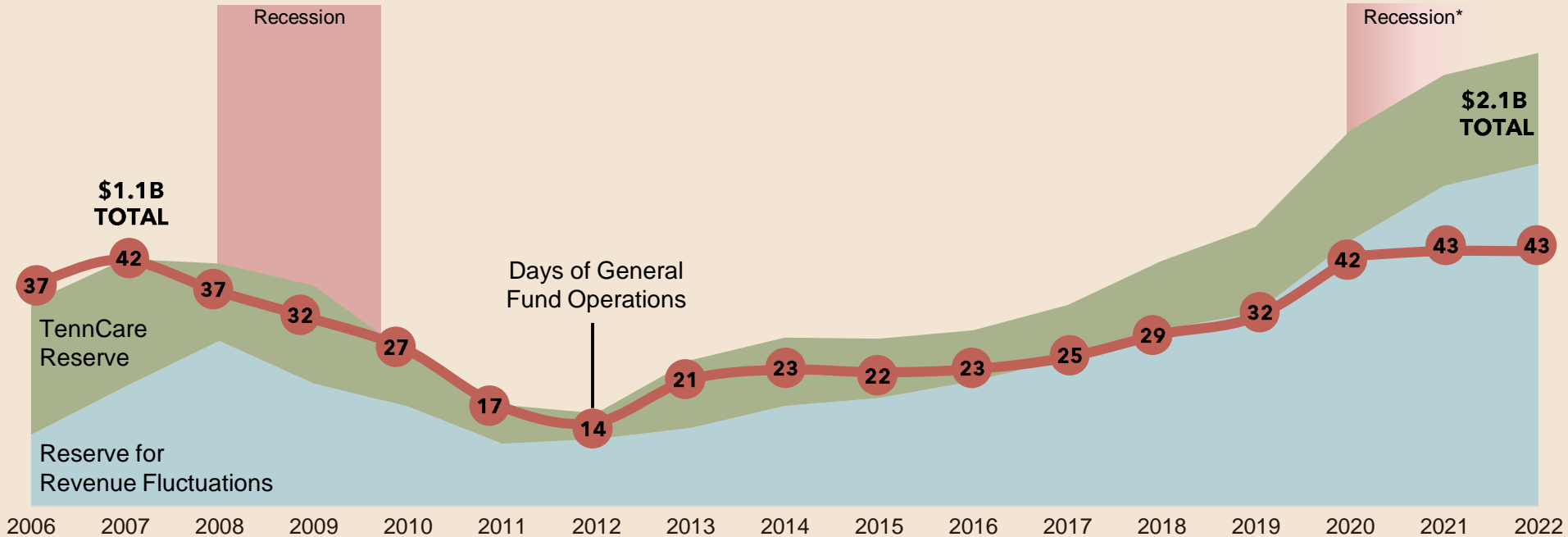


FEDERAL DOLLARS

Numbers may not add up to 100% due to rounding. Expenditures are categorized differently than those shown in the budget (e.g. capital outlays have been categorized in this figure as "General Government."). Source: The Sycamore Institute's analysis of the FY 2022 Tennessee State Budget



Tennessee's Rainy Day Reserves

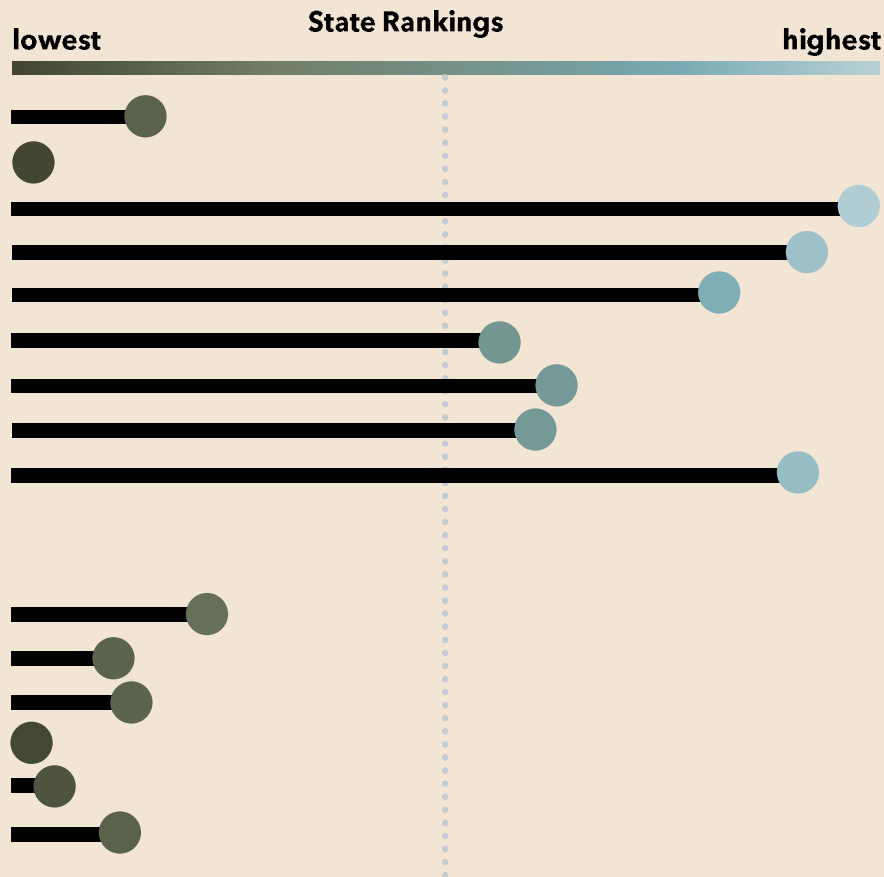


Note: FYs 2020-2021 "Days of General Fund Operations" are based on estimates of expenditures under the April 2021 Administration Amendment to the FY 2022 Recommendation. Prior years are based on actual expenditures. *The NBER has not yet declared an official end date for the recession that began in February 2020.

Source: The Sycamore Institute's analysis of the Tennessee State Budget

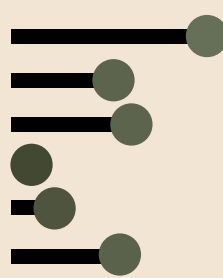
STATE REVENUES

Total State Taxes Per Capita
Individual Income Tax
Avg. State/Local Sales Tax Rate
State Grocery Sales Tax Rate
Corporate Taxes Per Capita
State Gas Taxes & Fees
State Diesel Tax & Fees
Federal Funding Per Capita
Reliance on Federal Funding



STATE EXPENDITURES

Total State Budget Per Capita (state + federal + other)
Total State Spending Per Capita (state only)
Total Education Spending Per Pupil (state + federal + local)
Total Transportation Spending Per Capita (state + federal)
State Transportation Spending Per Capita (state only)
TennCare Spending Per Enrollee (state + federal)



Sources: The Sycamore Institute's analysis of the FY 2018 Tennessee State Budget, the Bureau of Economic Analysis' state population estimates, and the Tax Foundation's Facts & Figures: How Does Your State Compare? 2017.



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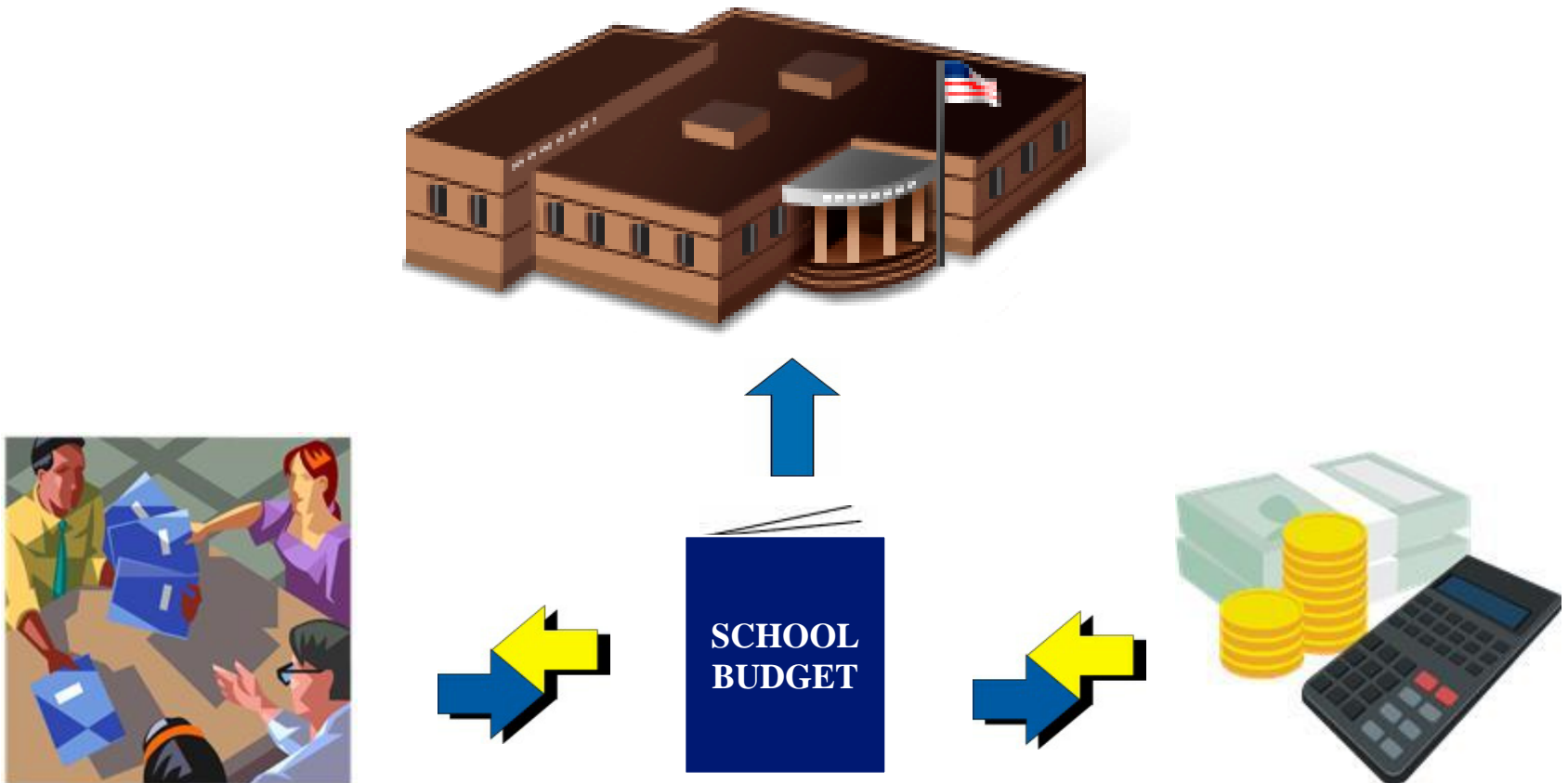
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SCHOOL FINANCE



State Funding

Where does it come from?



- **Sales Tax**
- **Mixed Drink Tax**
- **Cigarette Tax – BEP 2.0**

State Funding

How is it determined?



Basic Education Program (BEP)

Formula that determines the funding level required for each school system to provide a common, basic level of service for all students.

BEP Funding Formula



History

- Adopted by the Legislature in 1992 as part of the Education Improvement Act (EIA)
- Developed in response to Small Schools I lawsuit, where TN Supreme Court ruled State's previous school funding formula was inequitable
- "Funding formula, not a spending plan"

BEP Funding Formula



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BEP Funding Formula

Highlights

1. Comprehensive
2. Attempts to equalize state and local funding (*fiscal capacity; cost differential factor*)
3. Provides flexibility
4. Attempts to keep up with increased costs



BEP Funding Formula

Comprehensive

Formula contains a number of components (47 total) that the Legislature has deemed necessary for schools to succeed.



Determining Need - ADMs

- **ADMs (student enrollment) drive the formula – funded on prior year's ADMs**
 - *Note: LEAs also receive growth funding based on current year growth. This is outside the BEP, but distributed based on the BEP formula*
- **ADMs generate:**
 - Positions – teachers, supervisors, assistants
 - Funding – ADMs are multiplied by a Unit Cost for supplies, equipment, textbooks, travel, capital outlay, etc.
- **Funding months and weighting**
 - Month 2 – 12.5% Month 6 – 35%
 - Month 3 – 17.5% Month 7 – 35%

BEP Funding Formula

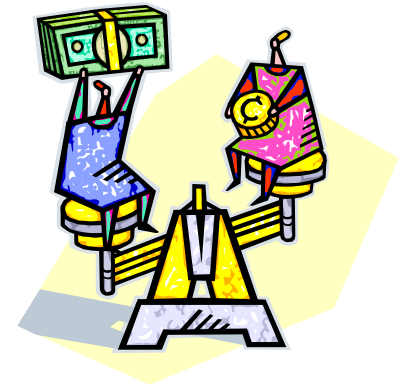
3 Categories



Formula contains instructional, classroom and non-classroom components:

- **Instructional Components (State = 70% / Local = 30%)**
 - **Example: Teaching Positions**
- **Classroom Components (State = 75% / Local = 25%)**
 - **Example: Textbooks, Instructional Equipment**
- **Non-Classroom Components (State = 50% / Local = 50%)**
 - **Example: Capital Outlay, Transportation**

BEP Funding Formula



Equalization

Formula determines actual state share of education funding by each county's relative ability to fund education from its own local sources:

“FISCAL CAPACITY”

Fiscal Capacity

➤ County's "ability to pay"

- Fiscal Capacity Indices provided by:

- Tennessee Advisory Commission on Intergovernmental Relations (TACIR)
- UT Center for Business and Economic Research (CBER)

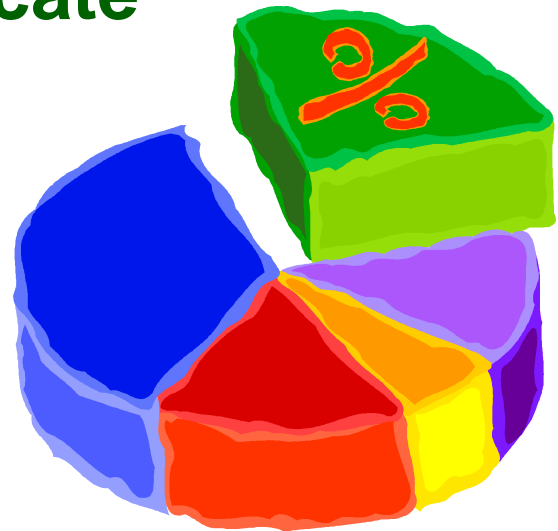
➤ Expressed as an index measure, which is a proportion of the total fiscal capacity for all counties



BEP Funding Formula

Flexibility

- School boards have broad flexibility in determining how to allocate state funds.



BEP Funding Formula

Cost evaluation

- BEP component costs are recalculated and updated for inflation each year.



BEP Funding Formula

Inadequacies



- Not enough teaching positions funded to meet class-size mandates as required by state law

BEP Funding Formula

Inadequacies



- Not enough teaching positions funded to meet class-size mandates as required by state law
- Teacher salaries still not adequately addressed

BEP Funding Formula

Inadequacies



- Not enough teaching positions funded to meet class-size mandates as required by state law
- Teacher salaries still not adequately addressed
- School nurse, counselor, social worker, and psychologist ratios are not adequate

BEP Funding Formula

Inadequacies



➤ Professional development for teachers not included

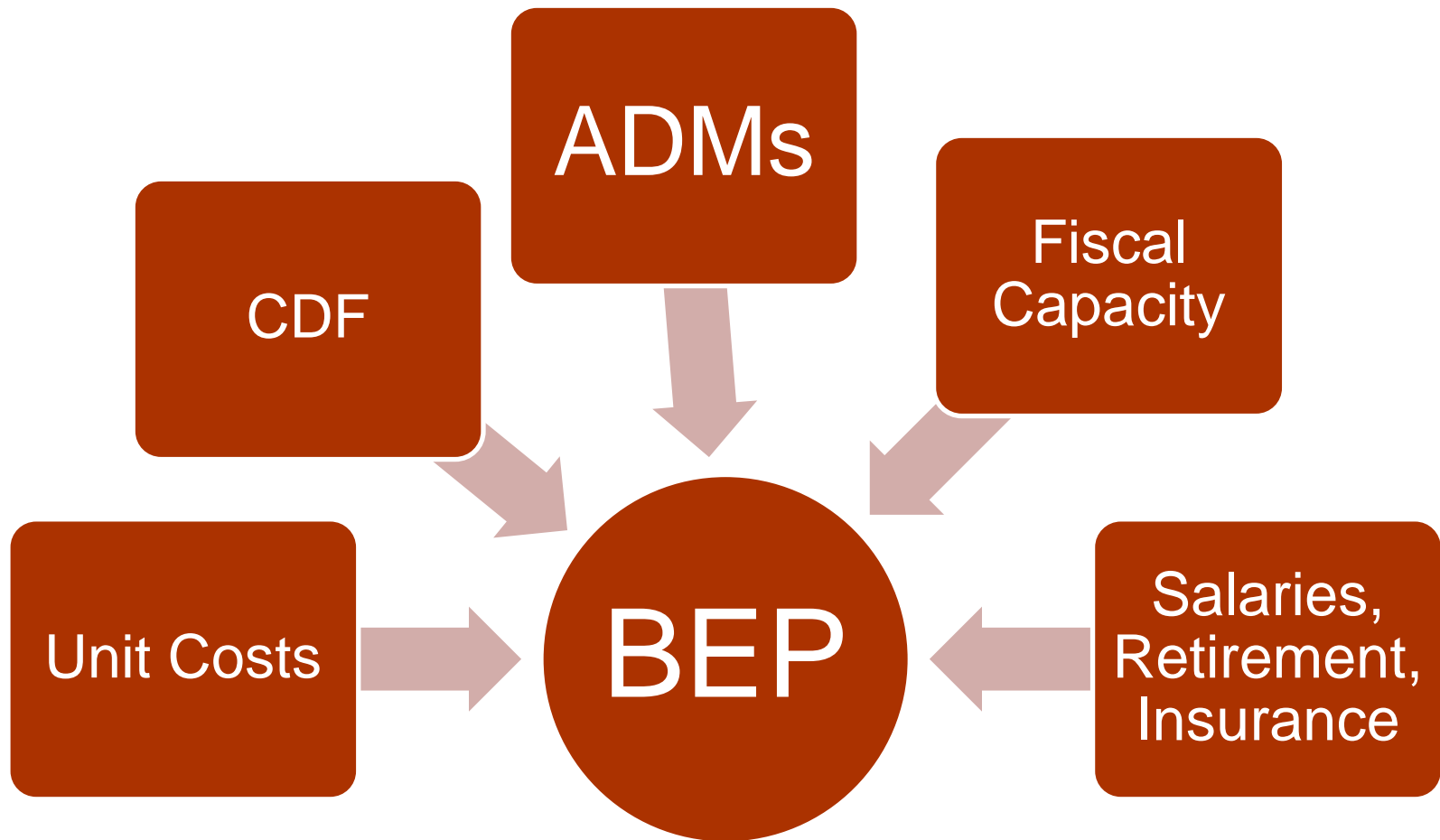
BEP Funding Formula

Inadequacies



- Professional development for teachers not included
- Technology not adequately funded

BEP – many inputs



BEP Components (47) by Category

Instructional	Classroom	Non-Classroom
<ul style="list-style-type: none"> Regular Education Career & Technical Education Special Education Elementary Guidance Secondary Guidance Elementary Art Elementary Music Elementary Physical Education Elementary Librarians (K-8) Secondary Librarians (9-12) ELL Instructors ELL Translators Principals Assistant Principals Elementary Assistant Principals Secondary System-wide Instructional Supervisors Special Education Supervisors Career and Technical Education Supervisors Special Education Assessment Social Workers Psychologists RTI Personnel Staff Benefits, Insurance, Retirement 	<ul style="list-style-type: none"> K-12 At-risk Duty-free Lunch Textbooks Classroom Materials and Supplies Instructional Equipment Classroom Related Travel CTE Center Transportation Technology Nurses Instructional Assistants Special Education Assistants Substitute Teachers Library Assistants Alternative schools Post Secondary Readiness Exams CTE Related Exams Staff Benefits, Insurance, Retirement 	<ul style="list-style-type: none"> Superintendent System Secretarial Support Technology Coordinators School Secretaries Maintenance and Operations Non-instructional Equipment Pupil Transportation Custodians Capital Outlay Staff Benefits, Insurance, Retirement

For further information...

➤ Tennessee Basic Education Program: An Analysis

<https://comptroller.tn.gov/office-functions/research-and-education-accountability/interactive-tools/bep.html>

➤ State Board of Education

<https://www.tn.gov/sbe>

❖ BEP Blue Book – up to date data on BEP components

<https://www.tn.gov/content/dam/tn/stateboardofeducation/documents/bepcommitteeactivities/2020/BEPBlueBookFY21.pdf>

❖ Recommendations of BEP Review Committee

https://www.tn.gov/content/dam/tn/stateboardofeducation/documents/bepcommitteeactivities/2020/2020BEPReport_final.pdf

❖ BEP Handbook – comprehensive guide on calculations

<https://www.tn.gov/content/dam/tn/stateboardofeducation/documents/bepcommitteeactivities/2019-bep/BEPHandbook%20revised%20September%202018.pdf>

SCHOOL FINANCE



THANK YOU!

School-Level Per-Pupil Spending in Tennessee

Exploratory Analysis

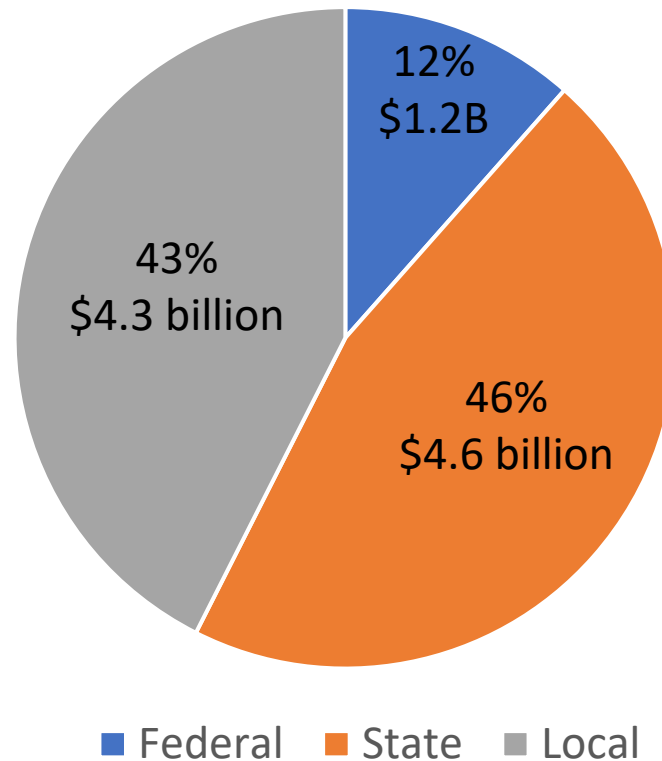
November 16, 2020

*** The analyses and findings in this presentation are all draft and subject to change ***

In 2016-17, about 12% of total school revenue was from federal sources, 46% was from state sources, and 43% was from local sources.

Total Revenue by Source of Funds, 2016-17

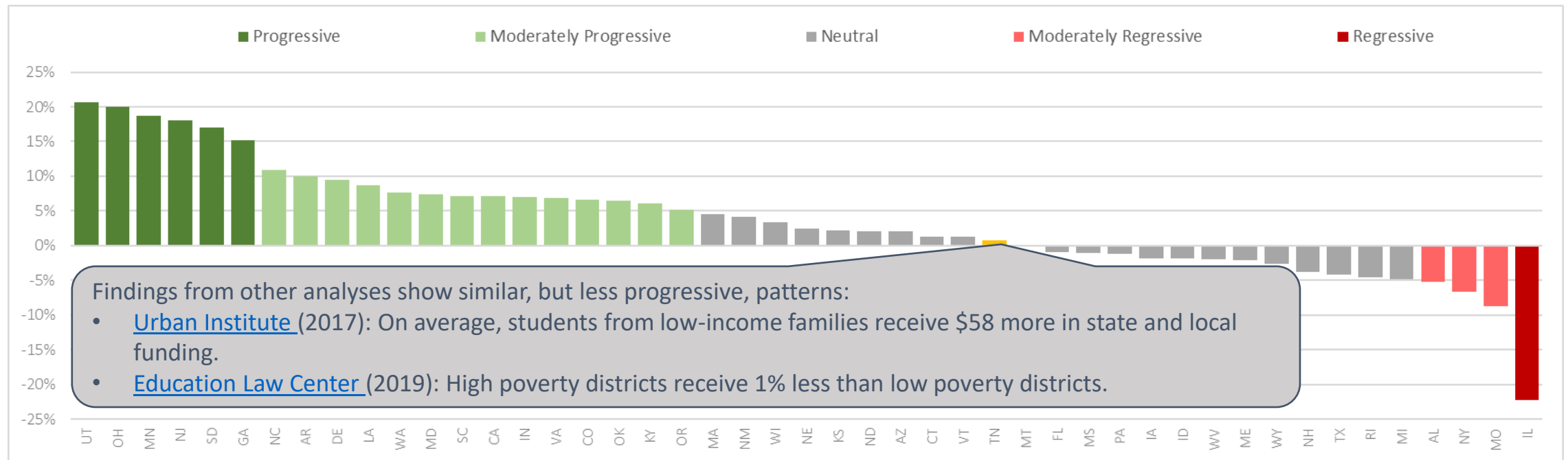
In total,
Tennessee
schools received
about **\$10 billion**
in total revenue.



Note: We're using national data because Tennessee's school-level data does not report state and local spending separately.

For decades, we have had good data that help us understand differences in funding between school districts

According to EdTrust's 2018 Funding Gaps report, Tennessee's districts serving the most students from low-income families receive just 1% more state and local funds than those serving the fewest.



A 2019 Analysis from the Education Law Center gives Tennessee poor marks on funding adequacy, distribution, and effort

Measure	TN's Grade	What it Means
Funding Level	F	At about \$10K per student, TN's per-pupil funding is about \$4,000 below the national average; it ranked 43 rd of all states.*
Funding Distribution	C	Across districts, funding is flat – high poverty districts receive about the same as low-poverty districts
Funding Effort	F	Tennessee spends about 2.85% of its state wealth on education – well below the national average of 3.79%

* Adjusted for regional cost/labor market differences

Whether inequities exist between schools within districts has been much less clear



ESSA's fiscal transparency requirement changes that

It required that:

- State and district report cards annually include **per-pupil expenditures** disaggregated by source of funds (federal, state, and local)
- Figures must include **actual** personnel and non-personnel expenditures
- Data must be reported for the LEA as a whole and **for each school**

Tennessee's data

Tennessee added the data to its report cards in June 2020. But there was room for improvement.

- ✓ Total per-pupil spending
- ✗ Spending by source
- ✓ Included on report card

The data have since disappeared

Other Indicators ▾



Coming soon

These data are coming in a future release.

Reporting goals

Reports that are meaningful, equity-oriented, and actionable should go beyond ESSA's requirements and:

- Provide total per-pupil spending as well as a breakdown by source and location of spending
- Provide contextual information to help interpret differences in spending
- Provide comparative data on spending and need across districts and schools
Include additional information on how well resources are used to impact students' experiences in schools
- Be clear and accessible

To understand whether inequities exist between schools within districts, we analyzed school-level per-pupil expenditure data with school-level enrollment data.

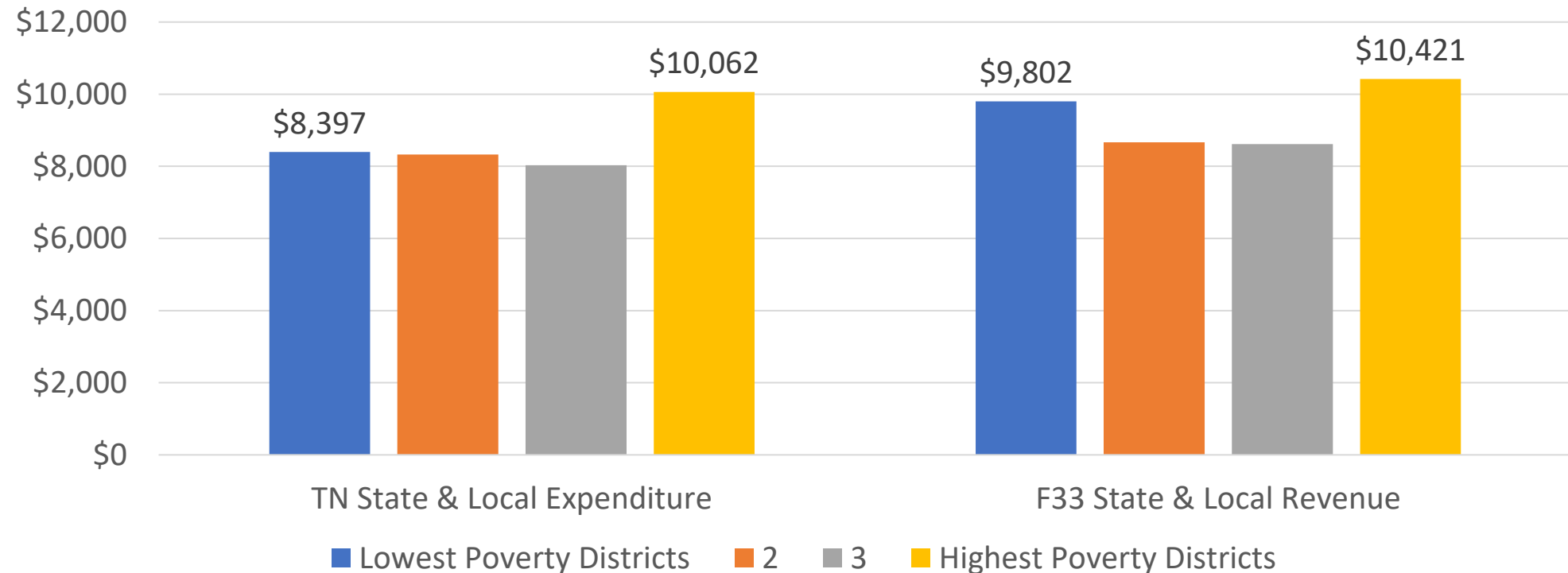
This Analysis

- We analyzed school-level data on per-pupil expenditures from the 2018-19 school year, obtained from the Tennessee Department of Education, as well as data on student characteristics in schools, downloaded from the state's website.
- This analysis examines the relationship between school funding levels and certain student characteristics – students from low income backgrounds, Black students, Latino students, English learners, and students with disabilities.

Limitations

- Our analysis focuses on expenditures at 'regular' schools and excludes early learning centers, juvenile justice facilities, alternative schools, virtual schools, and schools where a high percentage of students receive special education services.
- Charter schools in Nashville were excluded from the analysis because the per-pupil expenditure values were the same for most of them, which suggests a reporting error.
- **We do not have clear documentation of business rules that were used to calculate the per-pupil expenditure data; therefore, this analysis is based on many discretionary decisions and assumptions.**

Even though TN reported data to the federal government that show that **state and local** funding is about the same in high and low-poverty districts, the state's report card data show a very different – progressive – pattern.

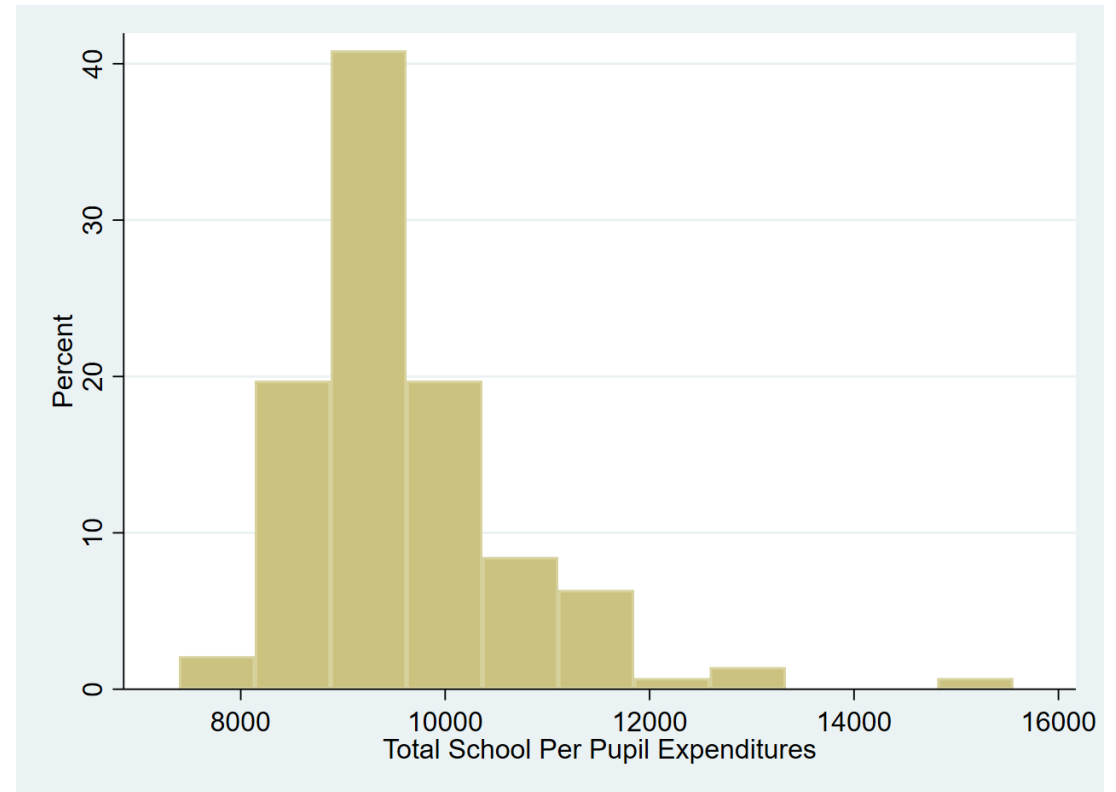


Findings: Analyses of Total Spending Data

On average, schools in Tennessee spend
\$9,953 per student.

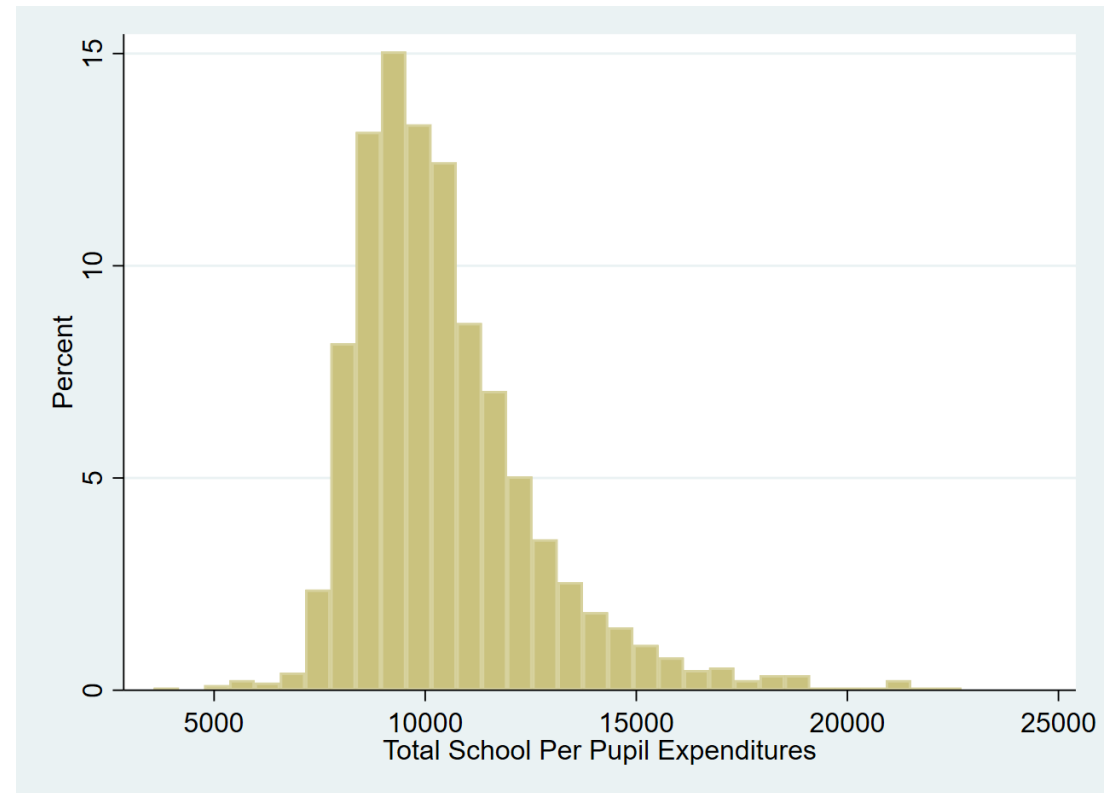
Spending per student does not vary widely across districts

Across districts, average spending per student ranges from \$7,400 to \$15,600

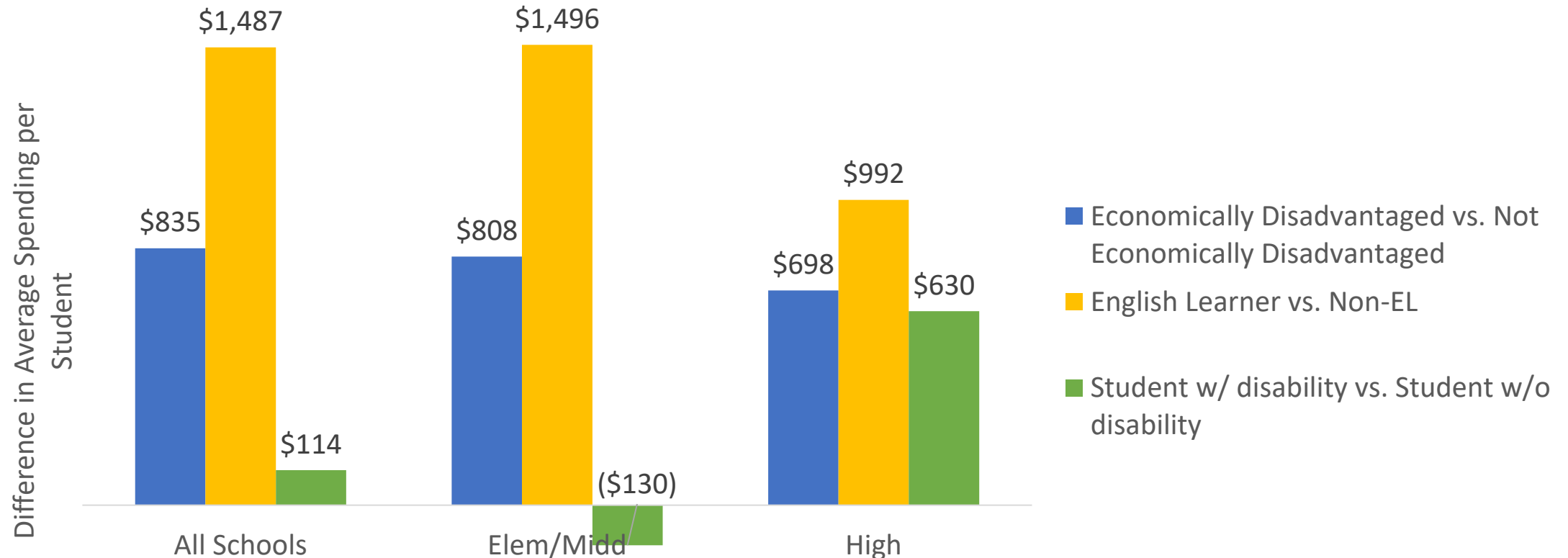


Per-pupil spending does vary widely across schools in the state, but are largely clustered in the \$8-13K range

According to the state's data, some schools spend as little as \$5,200 per student, while other schools spend more than \$30,000 per student.



Difference in average spending for different groups of students

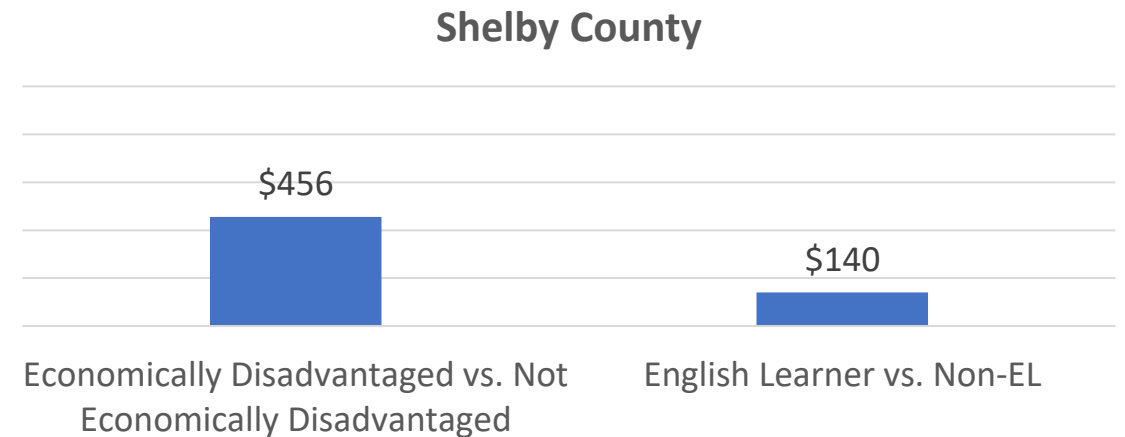
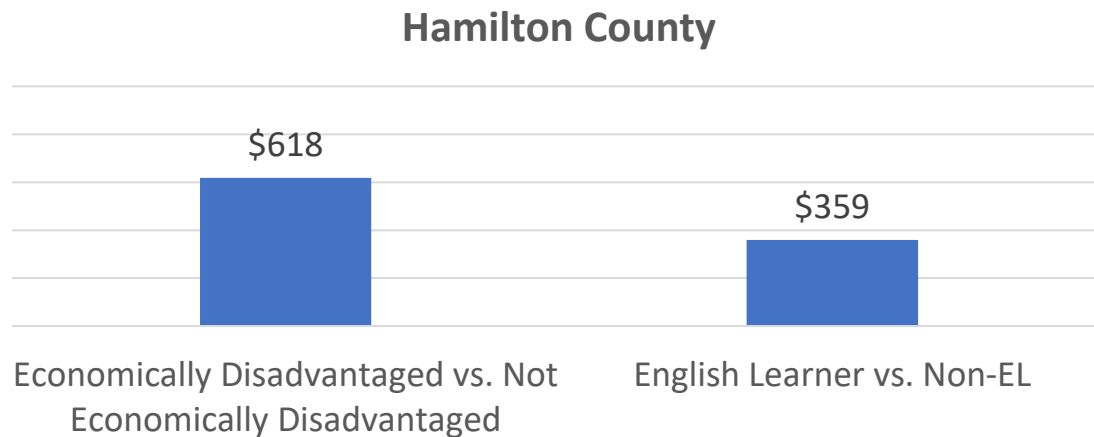
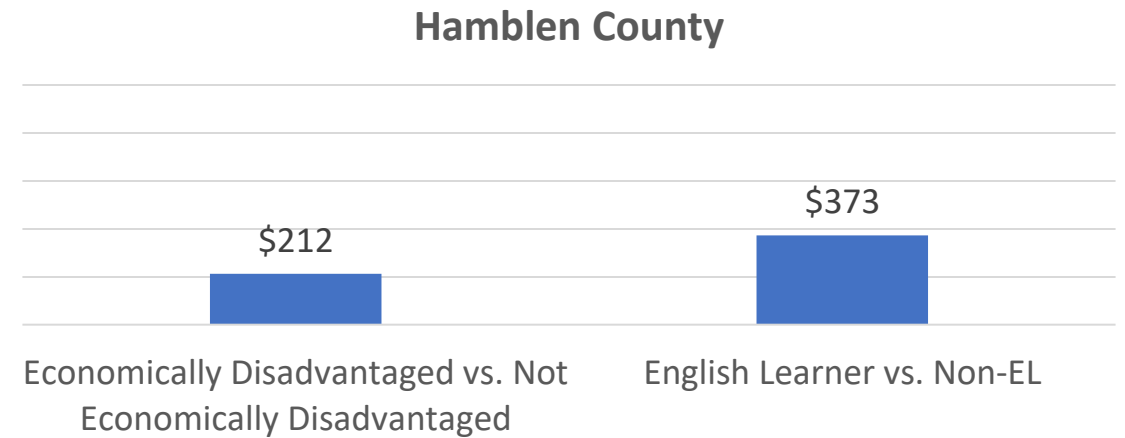
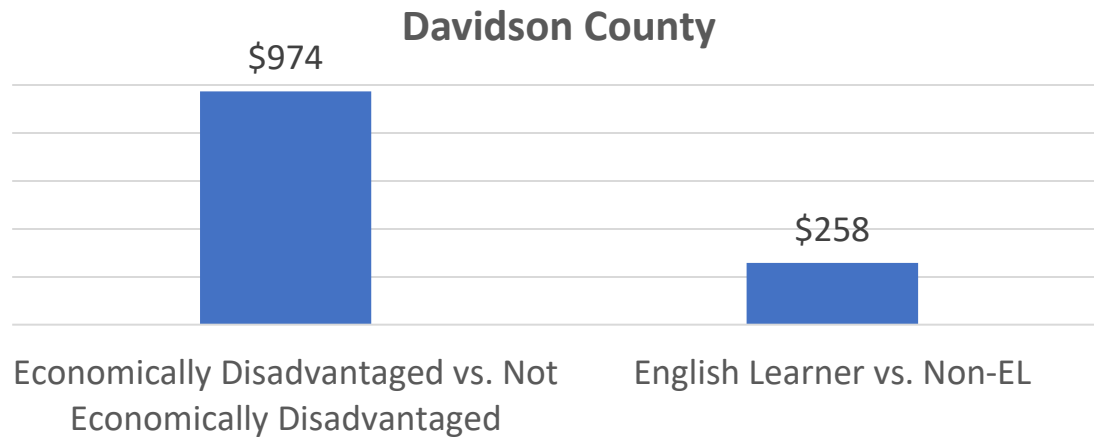


Reading this figure: On average, the state spends \$835 more for each student from a low-income background, compared to peers from higher-income backgrounds.

How does school spending vary by school characteristics?

- Statewide, state and local spending is:
 - 8% higher in elementary/middle schools vs. high schools
 - 10% higher in charter schools vs. non-charter schools
 - 16% higher in schools with the most English learners, compared to schools with the fewest
 - 19% higher in urban areas compared to other parts of the state
 - 27% higher in schools with the most students from low-income backgrounds, compared to schools with the fewest
 - 28% higher in small schools than large schools
- But these patterns vary widely across districts.

Difference in average spending for different groups of students



A tale of two schools

Stanford Elementary



305	Total Enrollment	317
21	% Low-Income	66
6.8	% English Learner	17
14	% Students with Disabilities	16.4
41	% Black & Latino	85
3 / 4	Academic Achievement	1.8 / 4
4 / 4	Student Growth	2.1 / 4
2.8 / 4	Progress on ELP	2.9 / 4

Chadwell Elementary

