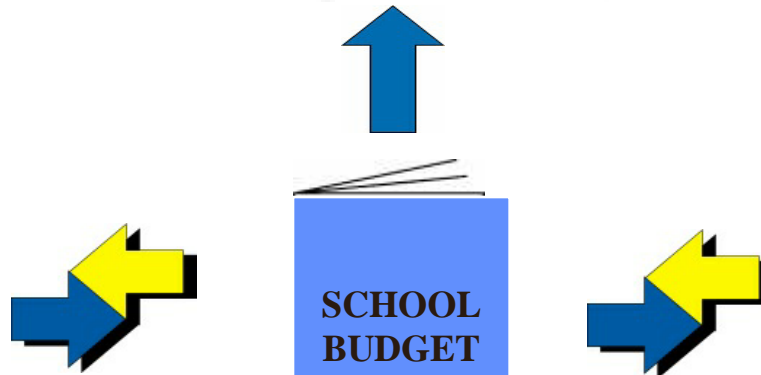
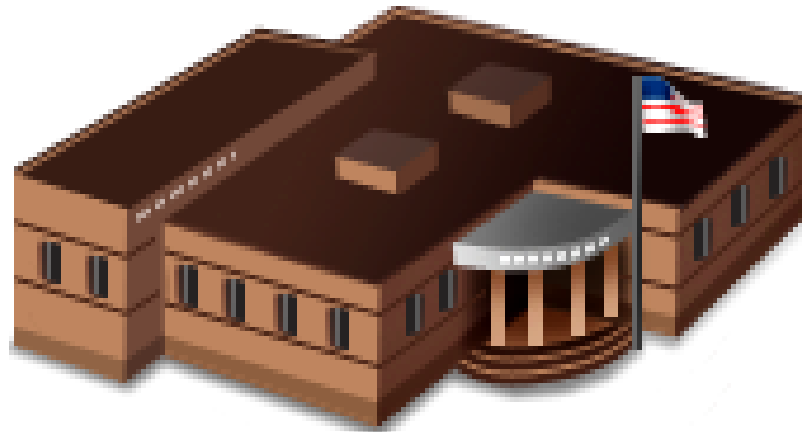


SCHOOL FINANCE



I. School District Total Revenue Sources

(state-wide average for 2009-2010 per State Report Card)

- a) State = 47.4%
- b) Local = 39.0%
- c) Federal = 13.6%



State Funding

Where does it come from?



- **Sales Tax**
- **Mixed Drink Tax**
- *Cigarette Tax (beginning July 1, 2007)*

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 scheme unconstitutional
- "Funding formula, not a spending plan"

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

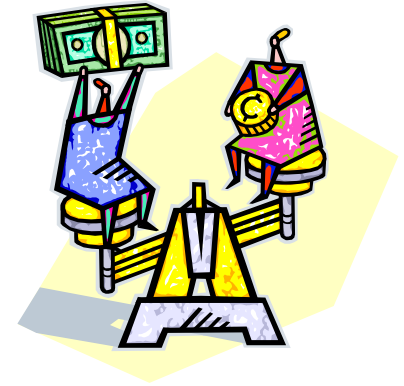
BEP Funding Formula

Comprehensive

Formula contains a number of components (45 Total) that the legislature has deemed necessary for schools to succeed.



BEP Funding Formula



Equalization

Formula determines actual state share of education funding by each county's relative ability to pay or its

“FISCAL CAPACITY”

FISCAL CAPACITY

➤ County's "ability to pay" based on

- ✓ Tax base (sales, property)
- ✓ *Per capita income*
- ✓ *Resident tax burden*
- ✓ *Students relative to total population*

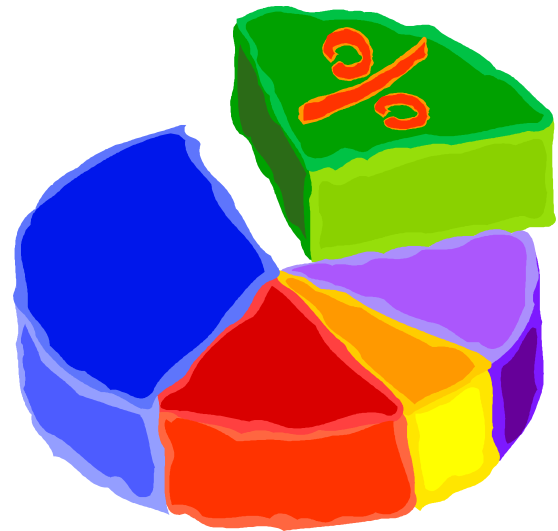


➤ Expressed as an index measure, which is a proportion of the total fiscal capacity for all counties

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 positions funded to meet class-size mandates
- High cost of educating at-risk students and English Learners (EL) not recognized adequately
- Capital costs under-funded, especially for growing systems

BEP Funding Formula

Inadequacies



- **Teacher salaries still not adequately addressed**
- **School nurse ratio inadequate**
- **Professional development for teachers not included**
- **Technology not adequately funded**

BEP 2.0 Reforms (2007)

Overall Concepts (phased-in)

- **New Fiscal Capacity model (county)**
 - Assessed property values
 - Sales taxes

- **Eliminate Cost Differential Factor (CDF)**
 - Affects 17 systems
 - Not replaced to measure cost-of-living differences



BEP 2.0 Reforms

Overall Concepts (phased-in)



- **State returns to 75% share of teacher pay**
 - **Currently 70%**
 - **Also increases teacher salary amount (used in the formula)**

BEP 2.0 Reforms

Structural Changes



- **“100% funding” for at-risk students**
- **1:20 EL ratio (phased-in, currently 1:30)**
- **\$40,000 teacher salary unit cost (phased-in, currently \$38,700)**
- **100% student enrollment growth (current year enrollment)**

Local Funding

Where does it come from?

➤ Property Taxes

- Assessed property values
(Assessor of Property)
- Tax rate allocated for Schools
- Collection rate
- Value of penny on property tax rate



Local Funding

Where does it come from?



- **Local Option Sales Tax**
 - **Half of revenue must be appropriated to education**
- **Other sources (wheel tax, etc.)**

Local Funding

➤ Maintenance of Effort

No local government can reduce its budgeted amount of local funding for schools unless there is a decrease in student enrollment.



Local Funding



➤ Fund Balance

Any accumulated fund balance in excess of 3% of budgeted operating expenditures may be budgeted and expended for any purpose, but must be recommended by the Board of Education.

II. Budget Process

1. Planning
2. Approach
3. Calendar



Planning

➤ Strategic Plan

- District goals & objectives (TCSP)
- Individual schools' SIP

➤ Revenue Plan

➤ Expenditure Plan



Required Additional Expenditures

➤ **Labor (salaries & benefits) = 85% of operating budget**

- **Health insurance**
- **Pension**
- **Salary steps**
- **Required state teacher raise**



Required Additional Expenditures

➤ Opening New Schools

- Staff
- Utilities
- Materials & Equipment



Required Additional Expenditures

➤ Inflation

- Fuel
- Utilities
- Materials & Supplies
- Multi-Year Contracts



Calendar



- **Develop/review goals, objectives and needs assessment (Jan, Feb)**
- **Develop draft budget, allow public input (March, April) – post on district website**
- **Make any necessary revisions (May)**
- **Vote on revised budget, present to governing body (June, July)**
- **Send final certified copy of budget to State by August 1**

Statistical Data



➤ District data (size of operation)

- # Employees (certificated / classified)
- # Years experience (25 yrs / 30 yrs)
- # Buildings (square footage / acreage / number of portables)
- # Buses (regular ed / special ed)
- # Students (ADM / ADA)

Statistical Data

➤ State Report Card

- District
- Individual schools

➤ State Data

- Expenditure per pupil calculation
- Other data (Annual Statistical Report)



SCHOOL FINANCE



THANK YOU!