

Understanding the BEP

House Education Committee

February 15, 2011



Overview

- ◆ 1992 - General Assembly passed the Education Improvement Act, which increased funding for K-12 education and created the Basic Education Program (BEP) as a means of allocating funding to school districts
- ◆ BEP formula consists of 45 cost components organized across three main categories
- ◆ BEP formula is complex and relies on many inputs derived from numerous sources

Major Changes: BEP 2.0 (2007)

- ◆ Increased state percentage share of funding
- ◆ Cost differential factor eliminated from formula
- ◆ Required 100% funding for at-risk students in K-12
- ◆ Student per teacher ratio adjusted in some categories
- ◆ Fiscal capacity index changed

Categories and Components

◆ Three Main Categories

- Instructional (70% state share)
- Classroom (75% state share)
- Non-classroom (50% state share)

BEP Components by Category

Instructional	Classroom	Non-classroom
Regular Education Vocational 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 Vocational Education Supervisors Special Education Assessment Personnel Social Workers Psychologists Staff Benefits and Insurance	K-12 At-risk Class Size Reduction Duty-free Lunch Textbooks Classroom Materials and Supplies Instructional Equipment Classroom Related Travel Vocational Center Transportation Technology Nurses Instructional Assistants Special Education Assistants Library Assistants Staff Benefits and Insurance Substitute Teachers Alternative schools Exit Exams	Superintendent System Secretarial Support Technology Coordinators School Secretaries Maintenance and Operations Custodians Non-instructional Equipment Pupil Transportation Staff Benefits and Insurance Capital Outlay

Average Daily Membership

◆ What is ADM?

- Defined by T.C.A. as the “sum of total number of days enrolled divided by the number of days school is in session during this period”

◆ Why is ADM important?

- Main driver for BEP funding



Cost Differential Factor (CDF)

◆ What is CDF?

- A cost of living adjustment used to adjust BEP funding in systems where the cost of living is greater than the statewide average
- Adjusts salary components only
- BEP 2.0 eliminated CDF adjustments
 - ◆ BEP 2.0 has not been fully implemented; LEAs are receiving 50% of the total calculated CDF adjustment

◆ Who receives CDF?

- 16 systems received CDF adjustments in fiscal year 2010-11

Fiscal Capacity Index

◆ What is fiscal capacity?

- A statistical estimate of a county's relative ability to raise revenue

◆ Why is fiscal capacity important?

- Primary equalization instrument in the BEP

◆ How is fiscal capacity calculated?

- Calculated using a 50/50 blend of two statistical models that consider different criteria (TACIR Model and CBER Model)



Insurance

◆ How is insurance calculated?

- Calculated based on number of positions generated by the BEP formula for each position classification in the three categories

◆ What is the state share of employee insurance?

- State pays 45%, on average, of the total premium for all personnel in the instructional component, classroom component, and two classifications in the non-classroom component (superintendents and technology coordinators)
- State pays 30%, on average, of the total premium for system and school support staff located in the non-classroom component

Inflation Indices

- ◆ Unit costs are inflated each year based on the Consumer Price Deflator for government purchases as reported by CBER
- ◆ Inflation index includes compensation, non-compensation, and combined categories with each applied to the appropriate unit cost

Complexity of Calculations

Example: Predicting transportation costs

$$f_Y(y) = \int_{-\infty}^{\infty} \int_{-\infty}^{\infty} \dots \int_{-\infty}^{\infty} f_{X_1}(x_1) f_{X_2}(x_2) \dots f_{X_n}(x_n) \delta(y - G(x_1, x_2, \dots, x_n)) dx_1 dx_2 \dots dx_n$$

Complexity of Calculations

Transportation funding is calculated using a three-year average of actual expenditures, inflationary adjustments, and a multiple linear regression formula that accounts for four other factors to predict costs.

Transportation Cost		Average Actual				Predicted
School System	ADT	Miles	ADM	SpEd ADT	Cost	Cost
Anderson County	5,620.3	2,818.0	7,762	14	2,492,943	2,509,154
Clinton City	0.0	0.0		0	1,202	-
Oak Ridge City	2,105.0	1,422.0	4,402	19	969,767	918,741
Bedford County	4,807.7	1,467.3	7,616	119	1,904,750	2,152,162
Benton County	1,879.4	854.0	2,462	29	879,076	808,958
Bledsoe County	1,654.7	884.3	1,874	37	836,597	690,902



Questions?

Thank you.

