



OFFICE OF RESEARCH AND EDUCATION ACCOUNTABILITY

COMPARING TISA TO BEP: WHAT'S CHANGING AND WHAT'S NOT



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BEP	TISA
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History	
K-12 Funding Formula – Passed 1992	K-12 Funding Formula – Passed 2022
Fully implemented to distribute funds to districts – 1997-98	Fully implemented to distribute funds to districts – beginning 2023-24

Local match and fiscal capacity (no change)	
Total BEP allocation is split between state funding and required local funding	Total TISA allocation is split between state funding and required local funding
<ul style="list-style-type: none"> County-level fiscal capacity determines each district's required local funding match. Fiscal capacity formula = 50% Tennessee Advisory Commission on Intergovernmental Relations and 50% Boyd Center for Business and Economic Research. 	<ul style="list-style-type: none"> County-level fiscal capacity determines each district's required local funding match. Fiscal capacity formula = 50% Tennessee Advisory Commission on Intergovernmental Relations and 50% Boyd Center for Business and Economic Research.
Maintenance of effort (no change, support added)	
Local government must maintain same funding level as budgeted the previous year.	Local government must maintain same funding level as budgeted the previous year. Districts in economically distressed counties may qualify for assistance.
Funding formula, not a spending plan (no change)	
Formula is to calculate state and local funding allocations. Districts, for the most part, have discretion on how they spend funds.	Formula is to calculate state and local funding allocations. Districts, for the most part, have discretion on how they spend funds.

Formula basics	
Resource-based formula that applies set unit costs to total student counts or to ratios of student counts	Student-based formula that applies set dollar amounts to total student counts
<ul style="list-style-type: none"> <u>Teacher salary example</u>: One 4th grade teacher position is funded for every 25 4th-grade students in the district. Apply the salary unit cost of \$52,294 to each position. Actual numbers of teachers employed and actual salaries paid are determined by the district within its budget parameters. <u>Textbook example</u>: Textbooks are funded at \$85.00 per student, based on a 3-year average of textbook costs, including inflation. Actual spending for textbooks is determined by the district within its budget parameters. 	<ul style="list-style-type: none"> <u>Teacher salary example</u>: Funding for teacher salaries may come from base funding per student, weighted funding (e.g., special education teachers), or direct funding (e.g., career and technical education teachers). Actual numbers of teachers employed and actual salaries paid are determined by the district within its budget parameters. <u>Textbook example</u>: Funding for student textbooks may come from base funding per student, weighted funding (e.g., English learner textbooks), or direct funding (e.g., career and technical education textbooks). Actual spending for textbooks is determined by the district within its budget parameters.
Students are counted using a weighted average daily membership (ADM) from the prior school year, with weights for months 2 (12.5%), 3 (17.5%), 6 (35%), and 7 (35%).	Students are counted using an unweighted average daily membership (ADM) from all months of the prior school year.

Funding categories – all districts

Four categories of resource components	Three categories of per-student components
<p>1. Instructional salaries – State funds 70%</p> <p>2. Instructional benefits – State funds 70% Both categories include all instructional positions (regular, special education, career & technical education (CTE), English learner): teacher, counselor, librarian, translator, principal, assistant principal, instructional supervisor, Response to Instruction & Intervention (RTI²) specialist, social worker, and psychologist.</p> <p>3. Classroom – State funds 75% Includes funding for at-risk (disadvantaged) students; regular and special education assistants; substitute teachers; alternative school; nurse; textbooks; all instructional materials; supplies, equipment, and travel; CTE center transportation; college ready and CTE exams; and technology.</p> <p>4. Non-classrooms – State funds 50% Includes funding for superintendent, technology coordinators, district and school secretaries, maintenance and operations, non-instructional equipment, student transportation, and capital outlay.</p>	<p>1. Base funding – State funds 70% Uniform dollar amount for each student. These funds may be used to cover resources previously funded in any of the four BEP categories, such as salaries and benefits for regular classroom teachers, instructional supervisors, counselors, librarians, principals, assistant principals, RTI2 specialists, social workers, and psychologists.</p> <p>Funds may also cover regular classroom assistants, substitutes, alternative schools, nurses, textbooks, and regular classroom materials, supplies, equipment, and travel.</p> <p>Funds may also cover superintendents, technology coordinators, district and school secretaries, maintenance and operations, non-instructional equipment, student transportation, and capital outlay.</p> <p>Finally, grants not part of BEP are also included in TISA base funding: coordinated school health, family resource center, and school safety.</p> <p>2. Weighted funding – State funds 70% Additional funds (set as percentages of the base amount) for economically disadvantaged students (at-risk) and those at schools with concentrated poverty; students at small districts and sparse districts; special education students; English Learner students. These funds may be used to cover additional resources and supports these students need (e.g., teachers, technology, classroom materials, etc.).</p> <p>3. Direct funding – State funds 100% Additional funds (set as flat dollar amounts) for all K-3 students; charter school students; rising 4th grade students with low TCAP reading scores; students enrolled in CTE programs; students taking college ready exams (first ACT exam and one retake). These funds may be used to cover additional resources and supports these students need (e.g., teachers, technology, classroom materials, etc.).</p>

Funding categories – selected districts

<p>Incentive grants are outside of the main formula, for schools that exceed performance standard. Amount to be set by commissioner. Passed in 1992, but no data to indicate these were ever funded.</p>	<p>Outcome bonuses are defined as part of the TISA formula but are subject to available appropriations. Rules set bonuses based on 3rd and 8th grade Tennessee Comprehensive Assessment Program (TCAP) scores, high school ACT scores, CTE credentials earned, and several measures for students with disabilities, among other bonus criteria.</p> <p style="text-align: right;">State funds 100%</p>
<p>Growth funds are outside of the main formula, subject to separate appropriations. Funds are initially awarded to districts with current year enrollment that exceeds prior year enrollment by 2.0%.</p>	<p>Growth funds are outside of the main formula, subject to separate appropriations. Funds are initially awarded to districts with current year enrollment that exceed prior year enrollment by 1.25%. Virtual schools are not included. If additional funds are available after growth funds are awarded, infrastructure grants can be awarded to districts with three consecutive years of more than 2% enrollment increases.</p>
<p>Cost differential factor (CDF) is part of the main formula and subject to a state/local funding split.</p>	<p>Cost differential factor (CDF) is a 100% state-funded grant outside of the main formula made to qualifying districts as appropriations allow.</p>

Safety net provisions

<p>A district shall receive, at minimum, state BEP funds equal to those received in 2015-16 (including the value of state increases to the instructional salary and benefits components), with adjustments for declining enrollment. (See also <i>Transition funding</i>.)</p> <p>Prior to the 2016 BEP revisions, a "stability funding" provision allowed districts a one-year grace period before funding was reduced in cases where current year allocations were less than the prior year's – usually due to enrollment declines. Minimum funding with the baseline year of 2006-07 was also in place during stability funding.</p>	<p>A district's allocation of funds will not decrease more than 5% from one year to the next.</p>
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Transition funding

<p>Districts were not to receive less funding under the BEP than they did under the Tennessee Foundation Program (TFP) for the 1990-91 school year. There was no cut-off for this transition funding from the TFP to the BEP; it served as the "<u>baseline</u>" or "<u>minimum funding</u>" level for districts in successive versions of the BEP. The baseline year was updated to 2006-07 and to 2015-16, coinciding with updates of the BEP formula.</p>	<p>TISA provides a <u>four-year transition period</u> from the BEP. If a district is allocated less under the first year of TISA than it was allocated under the BEP in 2022-23 (with adjustments for related state-funded grants), then it receives 100% of the BEP-to-TISA difference. In the second year of TISA, the district would receive 75% of the BEP-to-TISA difference. Similarly, in year 3, districts receive 50% of the difference and in year 4, 25% of the difference.</p>
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Transparency

BEP Blue Book – A short reference guide to BEP components, updated annually to include staffing ratios and funding levels for each component. Compiled by Tennessee Department of Education (TDOE) and publicly available on the State Board of Education’s (SBE’s) website.

BEP Handbook – A detailed explanation of BEP components and their calculation methodologies. It also included district listings of fiscal capacity ratings, cost differential ratings, and transportation allocations. It was not updated after 2018.

TISA professional development series – Required in law to include:

- in-depth explanation and guide,
- budget strategies to increase student achievement,
- instruction on connecting student achievement with investments to education, and
- instruction on holding decisionmakers accountable for funding decisions.

The materials are to be made available to district and school leaders and staff upon their request by January 1, 2023. All materials of the professional development series are to be posted to Tennessee Department of Education’s (TDOE’s) website.

The fiscal capacity calculation, including the underlying data and the determination for each county, is required by TISA to be reported publicly each year.

Input from stakeholders

BEP Review Committee – Created by statute to review and recommend revisions to the formula, the committee included legislative education chairs and budget office representatives, state government officials, education interest groups, and school districts.

TISA Review Committee – Created by statute to begin in 2026, this committee has the same membership as the previous BEP Review Committee. Its function is similar: to review base funding, weighted allocations, direct allocations, and outcome bonuses and to make recommendations for any revisions in an annual report.

Advisory group on student outcome bonuses – The TDOE commissioner must convene a panel to annually advise on the criteria for outcome bonus dollars and goals. The group is to include directors of schools, a teacher, a parent, a resident, a business leader, a local school board member, the SBE chair, and chairs of the House and Senate Education Committees.

District feedback – The TISA law provides that each district must have the opportunity to provide feedback and recommendations to TDOE and the Comptroller by November 1, 2024, and each November following.

Expert review – TDOE must report to the General Assembly each year on expert reviews of the TISA, including the experts’ cost review and recommendations.

Academic Accountability

The 1992 Education Improvement Act (EIA), which created the BEP, included multiple accountability measures related to measuring and reporting student performance: adoption of the Tennessee Value Added Assessment System (TVAAS) as a method of measuring teacher, school, and district effects on student's academic growth, creation of high school subject matter exams, and setting of exam pass requirements to earn a diploma.

The EIA also created the Comptroller's Office of Education Accountability (which later became the Office of Research and Education Accountability (OREA)) to monitor school system performance, directed the State Board of Education to establish school and district performance goals, strengthened the annual state reporting of school performance, and established provisions for schools and districts to be placed on probation. Later measures required schools to be put "on notice" before being placed on probation and adoption of school improvement plans (1997) and aligned accountability procedures with the federal No Child Left Behind Act (2002) and the Every Student Succeeds Act (2015).

OREA produced a 2004 report on the 1992 EIA at the request of the Senate Education Committee. Academic outcomes were generally positive but hard to attribute directly to the EIA and the switch to the BEP funding formula. The lead attorney for the Small Schools Lawsuits, which were a key driver in the development of the BEP, noted in 2003 that small, rural districts had made significant improvements to their academic offerings due to the BEP.

TDOE is to report to the General Assembly each year with an academic analysis of each district, and each district's report card, beginning January 15, 2025.

Local school districts must submit an accountability report to TDOE, after public comment, on how they plan to meet the overall goal of achieving 70 percent of 3rd grade students scoring proficient on TCAP's English language arts tests within their existing budget and how the previous year's expenditures helped them make progress toward student achievement goals. (See Progress Review Board for how districts' yearly goals are set.)

Districts with low-performing schools and low-performing charter schools may face additional accountability steps, such as reporting in a hearing before the State Board of Education and possible TDOE corrective actions.

OREA is required to conduct a review and determine the effectiveness of K-12 state expenditures under TISA and report to General Assembly leaders by December 31, 2024.

Progress Review Board - Created to set districts' minimum goals toward increasing 3rd grade performance on TCAP's English language arts tests, starting with the 2022-23 TCAP results. The board (comprising the TDOE commissioner, the State Board chair, two appointees each of the House and Senate speakers) reviews districts' accountability reports submitted to TDOE and monitors their progress toward the goals set. The minimum three-year goal is 15 percent of the gap between existing score levels and a 70 percent proficiency score level.

Teacher salary increase provision

To hold districts more accountable for spending decisions of state increases intended for teacher salaries, a law passed in 2019 required districts to report to TDOE how they spent any increases in state funds intended for salary increases (passed in the annual appropriations act). TDOE, in turn, was to share the information with the BEP Review Committee, which was to include it in the committee's annual report. This section of law is eliminated with the adoption of TISA. In 2021, a new law required the budget and appropriations act to distinguish between teachers and other licensed school personnel for purposes of state salary increases.

These steps were taken because appropriation act increases to the salary unit cost figure, central to BEP formula calculations for salaries, often did not translate to desired increases for teachers because the districts had more teachers than the BEP positions calculated, paid them more than the unit cost used in the BEP formula, and received state funding for, on average, 70 percent of the final salary total that the BEP calculated.

A portion of any increase in the base funding intended by legislators for the sole purpose of providing salary increases to existing educators may be restricted; districts would only be allowed to use the restricted funds for salary increases to existing educators.

Other than this single provision, the TISA law does not set funding for teachers' salaries, although districts must still abide by the State Board of Education's minimum salary schedule.

Increasing the state minimum salary schedule

State Board of Education must increase the minimum salary on the state salary schedule by the same percentage as any increase in funds appropriated to the instructional salaries and wages component of the BEP.

State Board of Education must increase the minimum salary on the state salary schedule to reflect the amount of funds restricted for any salary increases.

Salary equity or disparity funding - outside the formula (no change)

In the early years of implementing the BEP, before an instructional salary component was added to the BEP formula, state appropriations were made for "salary equalization," to provide more financial support for small districts that could not afford to pay teachers' salaries that were on par with larger, better-funded districts. The general statute, passed in 1995, required funds for "teachers' salary equity." In 2004-05, appropriations transitioned from salary equalization to the new instructional salary component in the BEP.

In 2014, a separate \$8.5 million appropriation was made for "teacher compensation disparity" between higher- and lower-paying school districts. Increased to \$14.5 million in 2015, the separate appropriation outside the BEP has continued each year since.

TDOE expects separate appropriations, outside of the TISA formula, to continue for teacher compensation disparity (salary equity), as they did under the BEP.

Funding-related provisions – outside the formula (no major changes)

Teacher minimum salary schedule

Districts' local salary schedules must reflect at least the minimum salary levels for licensed staff established by the State Board of Education.

The same provision remains in effect under TISA.

Funds for teachers to buy instructional supplies

The BEP includes funds sufficient to make \$200 available for every K-12 teacher to use for instructional supplies.

(Note that there was not a specified component in the BEP formula to calculate this funding; it was presumed to be available through the funding of existing components.)

Each district and charter school must make \$200 available for each K-12 teacher to use for instructional supplies.

Class size requirements

Schools cannot exceed the statutory average pupil-teacher ratios for any grade band level and classrooms cannot exceed the maximum pupil-teacher ratio.

The same provision remains in effect under TISA.

Allotment of local funds among multiple districts in one county

If multiple school districts exist within a county, all local tax funds for school operations (with the exception of special student transportation levies) are apportioned by the county trustee among the school districts on the basis of weighted, full-time equivalent, average daily attendance.

The same provision remains in effect under TISA.

County trustee commission on state school funds

State funds available to any school district that exceed the state funding received by each district in 1991-92 are exempt from the state-authorized commission that the county trustee collects in compensation, which is 1% on state school funds.

The same provision remains in effect under TISA.

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