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|--|
| FY2011   |
| A  |
| Grade based on<br>% of Weighted<br>Funding Disparity |

# Tennessee

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## Introduction

This chapter compares district and charter school revenues statewide and for Davidson and Shelby Counties for fiscal year 2011 (FY11)<sup>1</sup>. This is the first year Tennessee has been included in this series

of studies and therefore no longitudinal data and analyses are included in this chapter.

Funding disparities between districts and charter schools for the same geographic area are explored. The weighted values in the analysis match comparative per pupil funding assuming districts had the same urban vs. suburban proportion of enrollment as charter schools (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. The monograph also includes a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

## Highlights of the FY11 Analysis

- Tennessee's 28 charter schools received 15.3 percent more funding than district schools: \$10,635 vs. \$9,223 per pupil (Figures 1 & 3).
- Tennessee charter schools received \$10,635 per pupil, but district schools would have received an estimated \$10,621 to educate the same students – a difference of \$15 or 0.1 percent. Weighting the district per pupil revenue for charter enrollment therefore decreases the funding disparity by \$1,398 from the statewide difference above (Figure 3).
- Davidson County's four charter schools received 14.9 percent less funding than district schools: \$11,248 vs. \$13,219 per pupil, a difference of \$1,971 per pupil (Figure 3).
- Shelby County's 21 charter schools received 1.1 percent less funding than district schools: \$10,179 vs. \$10,315 per pupil, a difference of \$118 per pupil (Figure 3).
- Charter schools in Tennessee educate 0.7 percent of total public school enrollment but receive 0.8 percent of total revenues (Figures 2 & 3).
- Magnitude of Disparity: In Tennessee, if districts statewide received the same level of per pupil funding as charter schools in FY11, they would have received \$1,331,669,384 more in funding.

## Probable Causes of the Disparities

- Tennessee's charter schools rely more heavily on Other revenue than the state's districts. For FY11, school districts in Tennessee generated 3.3 percent of their total revenue from Other sources, while the state's charter schools generated 14.6 percent of their total revenue from Other sources. The influx of Other revenue to charter schools, therefore, is responsible for almost all the disparity in funding.
- Charter schools in Tennessee serve students primarily located in major urban areas where costs will be higher when compared to the costs for districts located in a predominantly rural state. In Tennessee, nearly 93 percent of charter school pupils attend a charter school in an urban area.

Figure 1

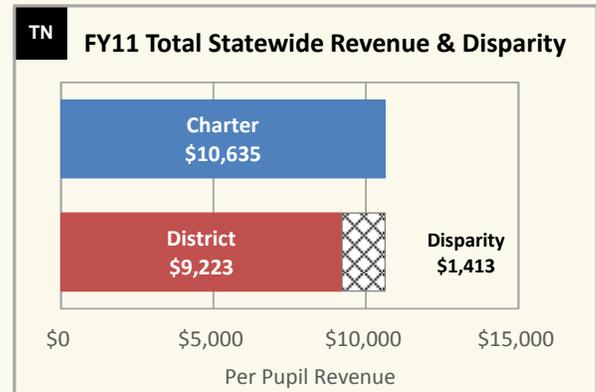


Figure 2

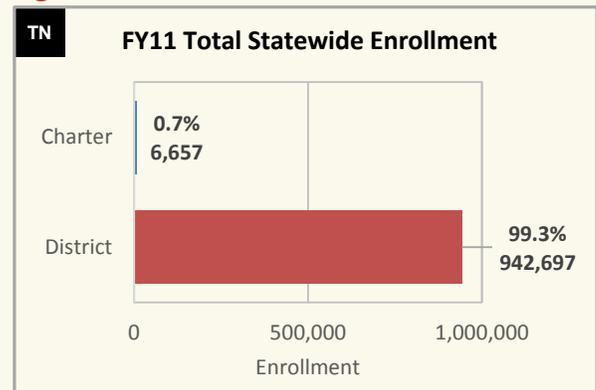


Figure 4

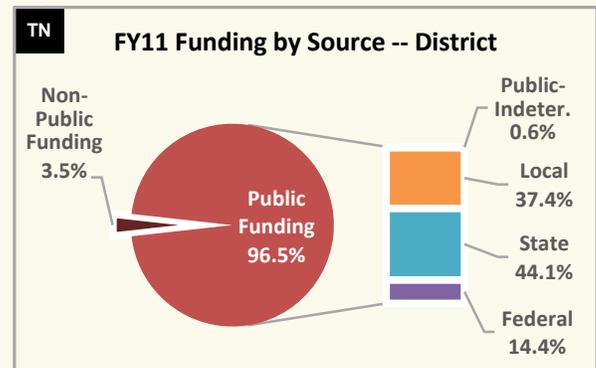


Figure 5

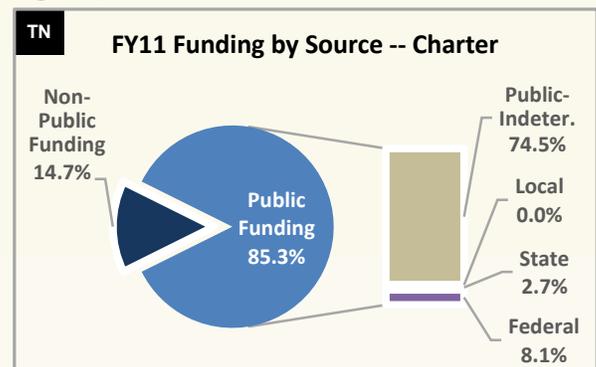


Figure 3

| TN Summary Data Table  |                          |          |  |          |                        |          |                          |          |
|--|--------------------------|----------|--|----------|------------------------|----------|--------------------------|----------|
| FY2010-11  | Statewide                |          | Statewide Weighted by Charter Enrollment                   |          | Davidson               |          | Shelby                   |          |
| <b>Per Pupil Revenue</b>   |                          |          |  |          |                        |          |                          |          |
| District   | \$9,223                  |          | \$10,621   |          | \$13,219               |          | \$10,315                 |          |
| Charter  | \$10,635                 |          | \$10,635   |          | \$11,248               |          | \$10,197                 |          |
| Difference   | \$1,413                  |          | \$15   |          | (\$1,971)              |          | (\$118)                  |          |
| % of District  | 15.3%                    |          | 0.1%   |          | (14.9%)                |          | (1.1%)                   |          |
| <b>Per Pupil Revenue by Source</b>   |                          |          |  |          |                        |          |                          |          |
|  | District                 | Charter  | District   | Charter  | District               | Charter  | District                 | Charter  |
| Federal  | \$1,342                  | \$866    | \$1,771  | \$866    | \$1,761                | \$1,003  | \$1,825                  | \$798    |
| State  | \$4,118                  | \$287    | \$4,128  | \$287    | \$3,081                | \$312    | \$4,320                  | \$296    |
| Local  | \$3,488                  | \$0      | \$4,553  | \$0      | \$8,328                | \$0      | \$3,991                  | \$0      |
| Other  | \$309                    | \$1,548  | \$383  | \$1,548  | \$155                  | \$1,472  | \$433                    | \$1,290  |
| Public-Indeter.  | (\$54)                   | \$7,919  | (\$224)  | \$7,919  | (\$113)                | \$8,461  | (\$265)                  | \$7,795  |
| Indeterminate  | \$19                     | \$15     | \$10   | \$15     | \$6                    | \$0      | \$10                     | \$19     |
| Total  | \$9,223                  | \$10,635 | \$10,621   | \$10,635 | \$13,219               | \$11,248 | \$10,315                 | \$10,197 |
| <b>Enrollment</b>  |                          |          |  |          |                        |          |                          |          |
| District   | 942,697<br>99.3%         |          | Focus Area Districts educate<br>23.4% of district students |          | 73,849<br>98.7%        |          | 146,495<br>96.6%         |          |
| Charter  | 6,657<br>0.7%            |          | Focus Area Charters educate<br>92.8% of charter students   |          | 983<br>1.3%            |          | 5,198<br>3.4%            |          |
| Total Enrollment   | 949,354                  |          | N/A  |          | 74,832                 |          | 151,693                  |          |
| Charter Schools*   | 28                       |          | N/A<br>N/A   |          | 4                      |          | 21                       |          |
| <b>Revenue</b>   |                          |          |  |          |                        |          |                          |          |
| District   | \$8,694,048,078<br>99.2% |          | N/A<br>N/A   |          | \$976,204,682<br>98.9% |          | \$1,511,097,554<br>96.6% |          |
| Charter  | \$70,798,141<br>0.8%     |          | N/A<br>N/A   |          | \$11,056,409<br>1.1%   |          | \$53,005,902<br>3.4%     |          |
| Total Revenue  | \$8,764,846,219          |          | N/A  |          | \$987,261,091          |          | \$1,564,103,456          |          |
| <b>Percentage of Revenue by Source</b>   |                          |          |  |          |                        |          |                          |          |
|  | District                 | Charter  | District   | Charter  | District               | Charter  | District                 | Charter  |
| Federal  | 14.5%                    | 8.1%     | 16.7%  | 8.1%     | 13.3%                  | 8.9%     | 17.7%                    | 7.8%     |
| State  | 44.7%                    | 2.7%     | 38.9%  | 2.7%     | 23.3%                  | 2.8%     | 41.9%                    | 2.9%     |
| Local  | 37.8%                    | 0.0%     | 42.9%  | 0.0%     | 63.0%                  | 0.0%     | 38.7%                    | 0.0%     |
| Other  | 3.3%                     | 14.6%    | 3.6%   | 14.6%    | 1.2%                   | 13.1%    | 4.2%                     | 12.6%    |
| Public-Indeter.  | -0.6%                    | 74.5%    | -2.1%  | 74.5%    | -0.9%                  | 75.2%    | -2.6%                    | 76.4%    |
| Indeterminate  | 0.2%                     | 0.1%     | 0.1%   | 0.1%     | 0.0%                   | 0.0%     | 0.1%                     | 0.2%     |
| <b>Magnitude of Disparity = Total Funding Difference x District Enrollment (see above)</b> |                          |          |  |          |                        |          |                          |          |
|  | \$ 1,331,669,384         |          |  |          | \$ (145,574,225)       |          | \$ (17,234,872)          |          |

\* The 28 charter schools in the state noted in Figure 3 are the number of charter schools that can be separately identified for purposes of revenue and enrollment analysis, and were analyzed. For FY11, audits could be found for all charter schools in the state except one; therefore, neither that location nor its enrollment are included in this report.

## Analysis of Revenues by Funding Source

\*Note ~ Tennessee has been added to this series of studies for the FY 2011 analysis. Therefore, no longitudinal data are available and Figures 6-9 will not appear in this chapter.

### Total Funding

Figure 3 above indicates Davidson County's districts receiving \$13,219 per pupil, while charters within the county received \$11,248 per pupil for a variance of 14.9 percent, or \$1,971 per pupil. In Shelby County, the districts received \$10,315 per pupil in total revenue, while the charter schools received \$10,197 per pupil, resulting in a variance favoring the district of 1.1 percent, or \$118 per pupil.

Figure 10

| TN Disparity as Percent of District -- Over Time            |        |        |        |
|---|--------|--------|--------|
| Negative Disparities Mean Districts Receive More (red text) |        |        |        |
| Focus Area  | FY2003 | FY2007 | FY2011 |
| Statewide   | N/A    | N/A    | 15.3%  |
| Davidson  | N/A    | N/A    | -14.9% |
| Shelby  | N/A    | N/A    | -1.1%  |

### Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. Other is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Public funding includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate. In Figures 4 and 5 above, Other revenues – or Non-Public dollars – are broken out to determine if funding from public sources is distributed equitably to districts and to charter schools.

Public revenues accounted for a higher percentage of funding in the state's charter schools than in its districts. Statewide, total public funding for districts reached \$8,914 per pupil, or 96.6 percent of total revenues. For the state's charter schools, public funding accounted for 85.4 percent of total funding, or \$9,087 per pupil.

For the charter schools located in focus areas, however, public funding does not surpass the funding of the districts in which they are located. In Davidson County, the district receives \$13,064 per pupil from public sources, while the charter schools receive \$9,776 per pupil, or \$3,288 less per pupil in public funding than the district (25.2%). In Shelby County, the districts receive \$9,882 per pupil, while the charter schools receive \$8,907 per pupil, or \$975 per pupil less than the districts. The variance in Shelby County means the charter schools receive 9.9 percent fewer public dollars than the districts in which they are located (Figure 3).

### Other Revenues

Other revenues encompass all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, food service charges and philanthropy. Historically, Other revenues have played a significant role in shoring-up funding gaps for charter schools. And, although we do not have longitudinal data to track Other revenues for Tennessee, the prominence of Other dollars meets the historical perception. In FY11, the state's charter schools received \$1,548 in Other funds compared to \$309 per pupil for the state's school districts, or 401 percent more than the districts. As a percentage of total revenue, Other accounts for 3.3 percent of total funding for the state's school districts, while Other accounts for 14.6 percent of total revenues for the state's charter schools.

Charters in Davidson and Shelby counties also generated significantly more Other funding than the districts in those counties. In Davidson, charter schools recorded \$1,472 per pupil in Other revenue, compared to \$155 for the districts. Similarly, Shelby County charter schools recorded \$1,290 per pupil in Other revenue, compared to \$433 per pupil for the districts in the county.

## Where the Money Comes From<sup>2</sup>

Tennessee generates funding for public education through a mix of city and county property taxes, as well as a local option sales tax. Other sources of Local revenue include taxes on licenses and permits. The state generates the majority of funding for public education through a state sales tax.

## How Tennessee Funds its Districts<sup>3</sup>

Tennessee implemented the Basic Education Program (BEP) in 1992 as a response to a law suit filed by rural school districts with the Tennessee State Supreme Court. Unlike many state funding formulas, Tennessee's BEP funds positions within schools and districts, and then assigns a certain number of students to the position. As an example, BEP provides funding for a full-time principal based on a school with 225 students, while funding for an instructional supervisor is based on 500 pupils. The formula also determines the share of that position that will be paid with state revenues. However, BEP does not determine how funds generated by the funding program should be spent.

In 2011, the state provided funding for 70 percent of the costs related to principals, assistant principals, instructional supervisors, special education supervisors, vocational education supervisors, special education assessment personnel, social workers, psychologists, special education early intervention personnel, as well as staff benefits and insurance. The state provided 75 percent of the funding for such items as at-risk class size reduction, food service, classroom materials and equipment, technology, and staff positions such as nurses, paraprofessionals, special education assistants and substitutes.

For staff considered instructional, the state funded 70 percent of staffing costs in FY11 with a certain number of students assigned to each teaching position. Kindergarten through third grade teachers have 20 students assigned to them (based on average daily membership), while teachers in grades four through nine have 25 students. Allotments for special education, vocational education and English Language Learners also are made with specific student allocations, as well. Finally, the BEP provides funds for a superintendent, transportation, maintenance of facilities and support staff at a state share of 50 percent.

## How Tennessee Funds Its Charter Schools<sup>4</sup>

Charter schools do not have LEA status in the state, so the majority of funding, including Federal revenue, flows from the district in which the charter school is located. Charter schools in Tennessee receive funding through the BEP program with the same formulas used for district funding, and state law requires that 100 percent of funding generated through BEP formulas be passed on to charter schools. There are some exceptions built within the BEP program for funding that a charter school might not receive. The first, any funding for district debt service provided by the state does not forward to charter schools. The second, transportation; charters must provide a transportation program to qualify for those funds.

## The Role of Facilities

The state provides capital outlay funds directly to charter schools, the amount of which is deducted from the authorizing district's BEP payments. In FY11, capital outlay ranged from \$121 to \$125 per pupil depending on the student's grade.

## Select Enrollment Characteristics <sup>5</sup>

Figure 11 below shows data for both charter and district school demographics. We include this data, if available, to look at possible differences in the types of students served to discern if high need student populations may be resulting in higher levels of funding for either charter or district schools.

**Figure 11**

| TN Select Enrollment Characteristics |                                |      |       |         |      |        |                   |      |      |
|--------------------------------------|--------------------------------|------|-------|---------|------|--------|-------------------|------|------|
| Student Group >>>                    | Percentage of Total Enrollment |      |       |         |      |        |                   |      |      |
|                                      | Free & Reduced Lunch           |      |       | Title I |      |        | Special Education |      |      |
|                                      | Year >>>                       | FY03 | FY07  | FY11    | FY03 | FY07   | FY11              | FY03 | FY07 |
| Statewide District                   | N/A                            | N/A  | 55.3% | N/A     | N/A  | 84.9%  | N/A               | N/A  | N/A  |
| Statewide Charter                    | N/A                            | N/A  | 71.5% | N/A     | N/A  | 100.0% | N/A               | N/A  | N/A  |

Across the board, Tennessee charter schools serve a more at-risk population of students. All of the state’s charter schools qualify for school-wide Title I eligibility compared to 84.9 percent of the state’s school districts. Also, 71.5 percent of charter school students qualify for free or reduced price lunch, while 55.3 percent of district students qualify for the program. We could not locate special education data to determine its impact on funding.

## Funding Practices Summary

**Figure 12**

| TN Funding Practices Summary  |  |        |        |                |              |              |                   |     |
|---|--|--------|--------|----------------|--------------|--------------|-------------------|-----|
| PURPOSE   | GRADE  |        |        | FUNDING        |              |              |                   | REF |
|   | FY2003   | FY2007 | FY2011 | Federal Source | State Source | Local Source | Facilities Source |     |
| <i>This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.</i>    | N/A  | N/A    | A      |                |              |              |                   |     |
|   | Grade based on % of Weighted Funding Disparity |        |        |                |              |              |                   |     |
| ACCESS TO FUNDING SOURCES   |  |        |        |                |              |              |                   |     |
| Do charter schools have access to this funding source according to state statutes?  | Y  | Y      | Y      | Y              | Y            | Y            | Y                 |     |
| In practice, do charter schools have at least as much access to this funding source as districts have?                              | UK   | UK     | UK     | UK             | UK           | UK           | UK                |     |
| Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?                  | UK   | UK     | UK     | UK             | UK           | UK           | UK                |     |
| DATA AVAILABILITY   |  |        |        |                |              |              |                   |     |
| Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools? |  |        |        |                |              |              | Y                 |     |
| Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?  |  |        |        |                |              |              | N                 |     |
| FUNDING FORMULA   |  |        |        |                |              |              |                   |     |
| Are charter schools treated as LEAs for funding purposes?   |  |        |        |                |              |              | N                 |     |
| Does the state provide funding for charter schools and districts based primarily on student enrollment?                             |  |        |        |                |              |              | N                 |     |

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## Endnotes

- 1 FY2011 revenue and enrollment data for districts was provided by the Tennessee Department of Education. Enrollment data for the state's charter schools provided by the Tennessee Department of Education. Audits for the state's charter schools provided by the Tennessee Comptroller of the Treasury at [http://www.comptroller.tn.gov/RA\\_MA\\_Financial/Default.aspx](http://www.comptroller.tn.gov/RA_MA_Financial/Default.aspx). Revenue data for charter schools and school districts is collected and reported separately. Any non-tax source revenues that are classified as Local by the TN DOE were moved to Other for consistency across all states in this analysis and any PreK or adult education revenues, along with corresponding enrollments, were deducted from revenue totals.
- 2 Tennessee Charter School Center.
- 3 "Tennessee Basic Education Program BEP 2.0, 2010-11." Tennessee State Board of Education: <http://www.tn.gov/sbe/BEP/BEP%20Blue%20Book%202011.pdf>
- 4 Tennessee Charter School Center.
- 5 Title I and free or reduced price lunch data from: National Center for Educational Statistics (NCES). Common Core of Data, Table Generator, FY11: <http://nces.ed.gov/ccd/elsi/>.