

**Basic Education Program
Review Committee
Annual Report**

November 1, 2007

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WORK OF THE COMMITTEE

Tennessee Code Annotated 49-1-302(4)(a) specifies that the State Board of Education shall establish a review committee for the Tennessee basic education program (BEP). This committee is directed to meet at least four times a year and regularly review the BEP components including the preparation of an annual report on or before November 1 of each year.

This report includes “recommendations on needed revisions, additions, and deletions to the formula, as well as, an analysis of instructional salary disparity among local education agencies”. This report considers “total instructional salary disparity among local education agencies, differences in benefits and other compensation among local education agencies, inflation, and instructional salaries in the southeast and other regions”.

Recommendations of the November 1, 2006 report were considered by the 105th General Assembly, a portion of are adopted in Public Chapter 369. The enclosed report builds on the continued phase-in of BEP 2.0.

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EXECUTIVE SUMMARY

In the effort to improve essential components of the Basic Education Program (BEP)¹, the BEP Review Committee has performed a comprehensive review of the funding formula related to the following areas:

- BEP 2.0, Public Chapter 369 of the 105th General Assembly
- BEP Salary Equity Analysis
- Instructional Positions Outside the BEP
- Teacher professional development and mentoring
- School administrative positions and salaries and SACS accreditation standards
- Nurses, reduced funding ratio
- Technology Coordinators, reduced funding ratio
- Teacher materials and supplies
- Capital Outlay

Each year, on or before November 1, this committee submits a report to the Governor, the Select Oversight Committee on Education, and the State Board of Education identifying funding formula needs. This fourth edition of the report summarizes the findings of the committee and presents the immediate and extended priorities identified by the committee.

Recommendations of the Committee

The committee recommends the following priorities:

Immediate Priorities

- Continue phase-in of Public Chapter 369 of the 105th General Assembly.
- Reduce, by at least 2 to 3 students, the class size ratios used to generate instructional positions (including vocational positions) in grades 7 – 12. This reduction in class size ratios should apply only to the method used to generate funds in the BEP and should not impact existing minimum class size ratios as defined by the Education Improvement Act of 1992.
- Incorporate current SACS accreditation ratios in the method used to generate Assistant Principal positions in the BEP.
- Establish new BEP components for professional development and mentoring. It is recommended that teacher professional development be funded at 1 percent of instructional salaries. It is recommended that mentoring for new teachers and principals be funded at a ratio of 1 mentor per 12 professionals, assuming at least 1 mentor per school system.

¹Tennessee Code Annotated 49-1-302 (4)(a)

- Reduce funding ratios for Nurses from 1:3,000 towards 1:1,500.
- Reduce funding ratios for Technology Coordinators from 1:6,400 towards 1:2,500.
- Increase funding for teacher materials and supplies from \$200 to \$300.

Extended Priorities

- Reduce instructional positions generated outside the BEP in grades K – 6.
- Increase pay for teachers, principals, and assistant principals to a level that is reasonably comparable to the Southeastern average for each respective position type.
- Convene a committee to examine general and instructional technology support for the classroom (to be reviewed and considered in next year's report).
- Review and consider issues related to capital outlay after TACIR issues its report.
- Review and consider expenditures associated with central office positions, including salaries, benefits, and other administrative costs.

Maintenance of Effort

The committee recommends that issues related to maintenance of effort that potentially diminish the impact of statewide increases in dollars for education should be reviewed and considered in the context of the Committee's ongoing study of the implementation of BEP 2.0.

Review of Salary Disparity

Total teacher compensation is the measure of salary disparity by which the BEP Review Committee analyzes and reviews issues of salary disparity. Total teacher compensation is a procedure that compares instructional salary and health insurance benefit differences *independent* of variation in local teacher training and experience. This method of analysis controls for variation in local health plans selected by teachers.

Based on an analysis of total teacher compensation, the statewide measure of salary disparity for 2006-07 is statistically similar to the measure observed in the previous year. Although a slight increase in total disparity was observed, it remains well below the pre-salary equity plan level.

A regional analysis of statewide disparity, based on total teacher compensation data, reveals a three-year trend, summarized as follows: (1) there has been an improvement (decrease) in salary disparity in three county regions (Nashville, Knoxville, and

Franklin); (2) there is a mixed trend related to salary disparity in three county regions (Clarksville, Memphis, Tri-Cities); and (3) there has been an increase in salary disparity in five county regions (Dyersburg, Greenville, Chattanooga, Jackson, and Cookeville). These trends are based on the three years following the initial infusion of salary equity dollars in 2004.

BEP 2.0, PUBLIC CHAPTER 369

Background

Recommendations of the November 1, 2006 report were considered by the 105th General Assembly, a portion of which were adopted in Public Chapter 369. Following submission of the November 1, 2006 report, the Review Committee reconvened on January 25, 2007, arriving at consensus on the following language:

The BEP committee recommends that the administration should propose and the General Assembly should enact a program of public education that funds public school districts equitably and adequately so that Tennessee's system of public schools shall provide appropriate educational outcomes for every student in Tennessee.

In the current fiscal year, Public Chapter 369 infused approximately \$206 million new dollars to improve student achievement

Funding improvements included:

- 100 percent funding for at-risk students in grades K-12,
- Funding for English Language Learners at a ratio of one to thirty (1:30) teachers and one to three hundred (1:300) translators, moving toward a one to twenty (1:20) and one to two hundred ratio (2:00) for teachers and translators respectively,
- A phase in of 70 percent of state funds for instructional positions in the classroom component, moving toward a 75 percent state share for instructional positions,
- A 50 percent reduction of the Cost Differential Factor, moving toward eventual elimination of the CDF,
- A 50% phase in for equalization purposes of the ability of local jurisdictions to raise local revenues by measuring the ability to generate local revenues from property tax and local option sales tax. This phase in ensures that no school system's measurement of ability to raise local revenue is adjusted by more than 40 percent within a single year.

In addition to Public Chapter 369, the 105th General Assembly also approved accountability provisions related to the implementation of BEP 2.0 funding, found in Public Chapter 376 (See Appendices).

Discussion

The BEP Review Committee reviewed the provisions of Public Chapters 369 and 376 as well as new funding provided by BEP 2.0. In addition, the committee reviewed issues related to fiscal capacity and maintenance of effort.

Fiscal Capacity

Dr. Bill Fox reviewed the new method for equalization which considers two major sources of revenue: local options sales tax and property for purposes of determining fiscal capacity. Together these sources raise 95 percent of revenue for education.

The applied statewide average sales tax rate is 1.56 percent and the applied statewide average property tax rate is 1.30 percent. The property tax base is comprised of the equalized assessed tax base, equalized assessed public utility property, and the estimated assessed value of industrial development property.

The BEP Review Committee discussed whether a change in a county's tax rate for education would affect fiscal capacity. Dr. Fox noted that, even if a very large county changed its tax rate, this would have a very minimal effect on fiscal capacity, because even large counties are still a very small proportion of the overall statewide total.

In the discussion related to measures of fiscal capacity in cities vs. counties, Dr. Fox stated that the perceived city/county school system problem arises from the way revenues are distributed in Tennessee and cannot be solved by manipulating the fiscal capacity formula.

There was discussion regarding use of an average sales tax rate of 1.56, which is more than the 1.375 required by law to be used for education. Dr. Fox noted the issue of how to raise funds for education is a local decision. Further, beyond the statewide average, the use of other established values would be arbitrary.

The committee discussed removal of per capita income from the equalization model. Dr. Fox noted that this factor was considered; however, there is no actual revenue generated from this factor and counties do not have the ability to tax such income.

Maintenance of Effort

The committee reviewed several examples in which local decisions related to maintenance of effort appeared to be inconsistent with the intended impact of increased state funding through BEP 2.0.

A number of scenarios were discussed including instances in which counties appeared to lower property tax rates, following the receipt of new BEP 2.0 funds. Additionally, instances were reviewed in which taxes originally allocated for education were shifted to general purpose funds.

The committee considered the rationale for such decisions, including both the perspective of local governments and local school systems. In some instances, the net impact of local decisions to freeze expenditures for education appears to have diffused the intended educational benefits of Public Chapter 369 of 105th General Assembly.

SALARY EQUITY ANALYSIS

Background

The committee determined in its first annual report (November 1, 2004) that the most appropriate measure for calculating salary disparity is total teacher compensation, based on “salary schedule strength” and “health insurance package strength”, with the goal of representing a disparity baseline independent of regional and local variations in teacher training and experience and which health plan a teacher selects.

Total teacher compensation is a procedure that compares instructional salary and health benefit differences *independent* of variation in local teacher training and experience. Total teacher compensation analysis also controls for variation in the local health plans selected by teachers.

The central tenets of this methodology include (Appendix A):

- 1) a statewide, weighted average salary for each cell, applied to the local salary schedule of each system;
- 2) a weighted average local health insurance benefit.

Discussion

The committee reviewed the four-year trend in weighted average disparity (2003 – 2007). Analysis reveals that the infusion of salary equity funds in 2004 resulted in a substantial decrease in total compensation disparity. Since then, there has been a slight increase each year, based on two primary measures.

Maximum versus Minimum

When comparing the maximum versus the minimum weighted average, in 2003 the disparity for total teacher compensation was 45.28% decreasing to 36.94% in 2004, the year in which salary equity dollars were introduced. Since 2004, the maximum versus minimum disparity has increased slightly from 36.94% to 37.98%. In 2004, there was a one-year increase in the weighted average disparity of insurance paid by school systems followed by decreases in subsequent years.

Maximum vs. Minimum	Weighted Average Salary	Weighted Average Insurance Paid	Total Compensation
2003	45.75%	155.79%	45.28%
2004	35.07%	185.64%	36.94%
2005	35.60%	155.79%	37.82%
2006	35.49%	138.76%	37.93%
2007	35.36%	127.42%	37.98%

Coefficient of Variation

The Coefficient of Variation (CoV) is a representation of how closely values are clustered around the average. In 2003, before the infusion of salary equity funds, the CoV for total teacher compensation was 0.0787. The value of the CoV decreased in 2004 from 0.0787 to 0.0691, signifying a decrease in disparity. Since 2004, the value of the CoV has increased from 0.0691 to 0.0726 over the following three years, a level well below the pre-salary equity plan level.

Coefficient of Variation	Weighted Average Salary	Weighted Average Insurance Paid	Total Compensation
2003	0.0791	0.1890	0.0787
2004	0.0688	0.1894	0.0691
2005	0.0696	0.1890	0.0703
2006	0.0703	0.1863	0.0717
2007	0.0722	0.1792	0.0726

Regional Salary Disparity

A regional analysis of total teacher compensation within 11 regions reveals that since the original infusion of salary equity funds (1) there has been an improvement (decrease) in salary disparity in three county regions (Nashville, Knoxville, and Franklin); (2) there is a mixed trend related to salary disparity in three county regions (Clarksville, Memphis, Tri-Cities); and (3) there has been an increase in salary disparity in five county regions (Dyersburg, Greenville, Chattanooga, Jackson, and Cookeville).

See Appendices D - E for a complete regional summary.

Statewide Weighted Average Salary

Using the total teacher compensation methodology, the statewide weighted average salary for Tennessee is \$40,091.33, an increase of \$3,062.12 from the baseline year of 2004. When weighted average insurance paid by school districts is included, the average increases to \$45,703.58, an increase of \$4,005.46 from the baseline year of 2004 (Appendix B).

BEP IMMEDIATE PRIORITIES

Background

Tennessee Code Annotated 49-1-302(4)(a) authorizes the BEP Review Committee to recommend funding formula improvements to the Basic Education Program. Reports from the previous three years have recommended a substantial increase in BEP funding for at-risk students and English language learners. These recommendations are adopted in Public Chapter 369. The committee recommends the following as immediate priorities:

Continue phase-in of Public Chapter 369 of the 105th General Assembly

The committee supports the full phase in of Public Chapter 369 of the 105th General Assembly and would like to draw immediate attention to continued funding support for English Language Learners (ELL) and the continued phase in of funding for 75 percent of the instructional salaries generated by the BEP. The state currently funds 70 percent of instructional salaries.

The committee recommends a full phase in of BEP 2.0 funding for English Language Learners. The estimated cost for a complete phase in of this provision is \$16.67 million. English language learners are currently funded at a ratio of 1/30 teachers and 1/300 translators.

Additional Funding of ELL Teachers, Translators	
1/20, 1/200	\$16,665,000
1/25, 1/250	\$6,620,000

The committee recommends a continued phase in of state funding of 75 percent of instructional salaries generated by the BEP. The estimated cost for a complete phase in of this provision is \$132.98 million.

State Funding	
75% Instructional	\$132,982,000
72% Instructional	\$53,012,000

Reduce instructional positions outside the BEP

The committee recommends a reduction, by at least 2 to 3 students, in the class size ratios used to generate instructional and vocational positions in grades 7 – 12. This reduction in class size ratios should apply only to the means in which funds are generated in the BEP and should not impact existing minimum class size ratios as defined by the Education Improvement Act of 1992.

The committee passed the following motion at its January 25, 2007 meeting: “The committee requests the State Board of Education to study school system expenditures by category to determine how much is being expended above BEP funding and where the BEP is falling short.”

A review of instructional positions outside the BEP reveals the following:

Grades	Positions Outside BEP	Total Salary Dollars Above BEP (FY07)
7-12	2,140	\$232,748,660
<i>Does not include vocational or special education positions.</i>		

Grades	Positions Outside BEP	Total Salary Dollars Above BEP (FY07)
4-6	1,240	\$119,156,576
<i>Does not include Art, Music, P.E., or Special Education.</i>		

Grades	Positions Outside BEP	Total Salary Dollars Above BEP (FY07)
K-3	781	\$149,807,928
<i>Does not include Art, Music, P.E., or Special Education</i>		

Based on these findings, the committee established funding of positions outside the BEP, grades 7–12, as an immediate priority. An estimate of the fiscal impact of the recommended class size ratios in grades 7–12 follows; the estimate is based on applying the current \$38,000 BEP 2.0 allocation for salaries.

BEP reductions in class size (Grades 7 - 12).	Positions Generated	Estimate of Total New BEP 2.0 Dollars	Estimated 70% State Share
1 Student	694	26,384,730	18,469,311
2 Students	1,454	55,252,352	38,676,647
3 Students	2,288	86,940,294	60,858,206
4 Students	3,208	121,885,520	85,319,864

Use current SACS accreditation ratios for Assistant Principals

The committee recommends that the current SACS accreditation ratios be incorporated into the method used to generate Assistant Principal positions in the BEP.

In addition to instructional positions outside the BEP, a sub-committee was formed to review a gap analysis of other positions funded outside the BEP. This sub-committee reviewed positions generated for each of the following positions: Art, Music, Physical Education, ELL teachers and translators, Librarians, School Counselors, Psychologists, Social Workers, Nurses, Assistant Principals, Principals and Supervisors.

Of the positions reviewed, the most noticeable gap was observed for Assistant Principals, a shortfall of 747 positions.

Assistant Principals	Positions
Actual (FY07)	1,400
BEP Generated (FY07)	653
Gap in Assistant Principal Positions	747

An additional review of current SACS accreditation standards revealed a number of areas in which existing Assistant Principal to student ratios have changed since adoption of Assistant Principal ratios in the BEP (1992).

It is estimated that incorporating current SACS accreditation ratios for Assistant Principals would generate 356 of the 747 positions generated outside the BEP.

Assistant Principals (SACS Comparison)	Positions		Existing BEP 2.0	New SACS Ratios
New SACS Standards	1,020	Elementary	209	403
BEP Generated (BEP 2.0)	664	Secondary	455	617
Gap	356			
	x			
	<u>\$38,000</u>			

Estimate of Additional Salary \$13,528,000

Estimate of 70% State Salary Share \$9,469,600

Establish new BEP Components for Professional Development and Mentoring

The committee recommends the creation of new BEP components for professional development and mentoring. It is recommended that teacher professional development be funded at 1 percent of instructional salaries. It is recommended that mentoring for new teachers and principals be funded at a ratio of 1 mentor per 12 professionals, assuming at least 1 mentor per school system.

Professional Development 1% of Instructional Salaries	\$21,053,000
Mentoring for Teachers Estimated to generate 591 teacher mentors, based on 6,892 new teacher hires in 2006-07	\$22,458,000
Mentoring for School Leaders Two estimates were performed based on general projections of 500 and 750 new school leaders hired annually, \$38,000 salary applied.	\$1,583,000 (based on 500) \$2,375,000 (based on 750)

In order to achieve improvements in teaching and learning outcomes, the funding formula should recognize the need and generate funds to support high quality teacher professional development and teacher mentoring. Public Chapter 376 of the 105th General Assembly also recognizes this need by outlining specific areas in which new BEP 2.0 funds should be incorporated in district school improvement plans. School-level and content-based professional development along with teacher induction programs are included in the list of twelve authorized areas. Implementing a standards-based curriculum and associated instructional strategies is also authorized within the list. Georgia, for example, funds professional development at a rate of 1 ½ percent of instructional salaries.

In addition to teacher mentoring, school leaders also need mentoring by successful and experienced school leaders. The State Board of Education, in collaboration with the Southern Regional Education Board (SREB), is in the process of adopting policies requiring a redesign of educational leadership programs. These policies will require strong and effective leadership mentoring for all newly licensed school administrators.

Reduce funding ratio for Nurses from 1:3,000 to 1:1,500.

The committee recommends a reduction in the funding ratio for Nurses to 1:1,500.

A review of positions outside the BEP reveals that 818 nurses are employed or contracted for by school systems. Since only 342 nurses are generated by the BEP, there is a gap of 476 positions.

The committee determined that the component for school nurses should be based upon a ratio of at least 1 nurse for every 1,500 students. Such a level of funding would still exceed the ratio of 750 recommended by the National Association of School Nurses. The component is currently funded at a ratio of 1 school nurse per 3,000 students.

The committee also recommended that the spending mandate for school nurses be removed from Tennessee code.

The cost to reduce the ratio to 1:1,500 would be \$10.77 million.

Nurses	
1:750	\$33,313,000
1:1,000	\$21,977,000
1:1,500	\$10,776,000
1:2,000	\$5,264,000
1:2,500	\$2,102,000

Reduce funding ratio for Technology Coordinators from 1:6,400 to 1:2,500

The committee recommends a reduction in the funding ratio for Technology Coordinators to 1:2,500.

The committee identified the need for a greater recognition of support for technology in the formula. The original allocation of 1 technology coordinator for every 6,400 students in 1992 does not reflect the exponential growth in technology demand and requirements for technology support experienced by school districts in 2007. The cost to reduce the ratio to 1:2,500 students is \$5.35 million.

Technology Coordinator	
1:2,500	\$5,352,000
1:3,000	\$4,088,000
1:4,000	\$1,951,000

Increase funding for teacher materials and supplies from \$200 to \$300.

The committee recommends an increase in funding for teacher materials and supplies from \$200 to \$300.

The Comptroller’s Office presented information to the committee regarding research about what resources have been shown to improve educational outcomes. A study by Rand found that providing more teacher resources was one cost effective strategy for improving student achievement for all groups (Rand, Improving Student Achievement: What State NAEP Scores Tell Us, 2000). According to teacher responses in a national study, teachers on average spend approximately \$473 of their own money each year on classroom materials and supplies (Quality Education Data, Teacher Buying Behavior Report, 2007). In addition, the committee discussed the need to make it easier for teachers to access funds for materials and supplies.

The committee agreed that the materials and supply allocation for classroom teachers should be based upon a rate of no less than \$300 per teacher. This funding level would be \$100 above the existing \$200 allocation. In order to ensure an appropriate delineation between shared pool and direct teacher resources, TCA 49-3-359(a) should be updated to reflect an increase of \$100 to be provided directly to classroom teachers. The cost would be \$3.9 million.

Material and Supplies \$300 per Classroom Teacher	\$3,930,000
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BEP EXTENDED PRIORITIES

The BEP Review Committee identified the following areas to be priorities as funding becomes available. Costs are based on FY08 funding levels. A description of extended priorities of the committee follows:

Reduce instructional positions generated outside the BEP in grades K – 6.

School systems currently provide 1,240 positions in grades 4-6 and 781 positions in grades K-3 beyond those generated by the BEP. These include regular classroom positions only and do not include positions in art, music, physical education or special education. The estimated fiscal impact of position reductions for grade K-6 are as follows:

BEP reductions in class size (Grades 4 - 6).	Positions Generated	Estimate of Total New BEP 2.0 Dollars	Estimated 70% State Share
1 Student	356	13,520,099	9,464,070
2 Students	739	28,077,886	19,654,520
3 Students	1,157	43,959,108	30,771,376
4 Students	1,615	61,352,828	42,946,979
5 Students	2,118	80,485,919	56,340,143

BEP reductions in class size (Grades K - 3).	Positions Generated	Estimate of Total New BEP 2.0 Dollars	Estimated 70% State Share
1 Student	773	29,391,293	20,573,905
2 Students	1,634	62,083,865	43,458,705
3 Students	2,595	98,622,621	69,035,835
4 Students	3,677	139,728,723	97,810,106
5 Students	4,903	186,315,638	130,420,946

Increase pay for teachers, principals, and assistant principals to a level that is reasonably comparable to the Southeastern average for each respective position type.

The committee agreed that the formula should reflect a level of funding that was at least reasonably comparable for the Southeastern states. A comparison of Tennessee to respective Southeastern averages follows, for each respective position.

Teachers Salaries: The BEP currently funds teacher positions at \$38,000.

Teachers Salaries for School Years 2005-2006	Beginning Salary	Average Salary
Arkansas	\$29,725	\$42,093
Alabama	\$31,310	\$40,347
Florida	\$30,997	\$43,302
Georgia	\$30,441	\$48,300
Kentucky	\$28,793	\$41,903
Louisiana	\$29,150	\$40,253
Mississippi	\$30,000	\$37,924
North Carolina	\$27,392	\$43,922
South Carolina	\$26,289	\$43,242
Tennessee	\$30,304	\$42,537
Texas	\$33,775	\$41,744
Virginia	\$33,815	\$43,823
West Virginia	\$28,604	\$38,604
Median	\$30,000	\$42,093
Average	\$30,046	\$42,153

Currently funded at \$38,000 in the BEP

Source

NEA Research Estimates Database 2005-2006

<http://www.nea.org>

Principal Salaries: The BEP currently funds Principal positions at \$38,000.

<u>Southeast Average for</u> <u>Principals</u>	
\$82,308	

<u>Southeast Averages</u>	
High School	\$88,209
Middle School	\$81,501
Elementary	\$77,214
Sources NAESP, NASSP	\$82,308

Assistant Principal Salaries: The BEP currently funds Assistant Principal positions at \$38,000.

<u>Southeast Average</u>	
\$65,883	

<u>Southeast Averages</u>	
High School	\$67,171
Middle School	\$64,595
Elementary	-
Sources NAESP, NASSP	\$65,883

Convene a committee to examine general and instructional technology support for the classroom, to be reviewed and considered in next year's report.

In conjunction with the committee's discussion of increased funding for technology coordinators as an immediate priority, the committee discussed the need to take a comprehensive look at the administrative and instructional technology support needed to prepare students for success in a knowledge-based economy.

The BEP Review Committee approved unanimously a motion stating that the Board, Department and Comptroller's Office would convene a working group to determine needs and develop and operational plan related to technology.

Review and consider the forthcoming report on capital outlay to be published by TACIR.

The committee reviewed several reports related to issues of capital outlay including the TACIR Public Needs Inventory Report (2005), the Department (Annual Statistical Report), and the Comptroller’s office (2002 report and current research).

The committee discussed the lack of incentives within the BEP formula for districts to build schools. Specifically, school districts are required to pay for the full costs of a new school in year one, although the building might not reach full capacity for several years. This reinforces a greater incentive for districts to add on portable classrooms, as opposed to constructing a facility that is less than full capacity in year one.

A review of component improvements for capital outlay revealed an additional state cost of \$131,853,000 in order to achieve the recommended guidelines for capital outlay as contained in the School Planning & Management, 12th Annual Conference Report of 2007.

Capital Outlay - Reduction to Square Footage per Student	
Elem - 120.2 sq. ft. per student, (100 sq. ft. per student)	\$131,853,000
Middle - 146.2 sq. ft. per student, (110 sq. ft. per student)	
High - 162.5 sq. ft. per student, (130 sq. ft. per student)	
* Based on School Planning & Management - 11th Annual Construction Report 2006	

Review and consider expenditures associated with central office positions, including salaries, benefits, and other administrative costs.

The committee discussed the need for the formula to reflect salaries, benefits and administrative costs associated with the central office support required to maintain basic operations.

APPENDICES

APPENDIX A: Total Teacher Compensation Methodology

The calculation of total teacher compensation uses personnel and salary schedule information data provided by the Department of Education and TEA.

1. **Calculation of statewide average teacher training and experience demographic.** A statewide average teacher training and experience demographic is generated based on the percentage of teachers in each cell, from a Bachelors degree with 0 years experience to a PhD degree with 30+ years experience.
2. **Calculation of weighted average teacher salary for each system.** This statewide average teaching demographic is applied to each individual system's salary schedule resulting in an average weighted teacher salary schedule for each system. Meaning, the percentage of teachers in each cell is multiplied by the salary value for the corresponding cell. These values are subsequently added together to result in a weighted average salary.
3. **Calculation of weighted average teacher insurance for each system.** In developing the weighted average insurance, a statewide analysis of PPO, HMO, and POS health plans was researched and applied, including individual and family coverage. Each school system may choose any combination of plans to offer their employees. Some systems offer all three, while some may only offer a PPO and POS or only a PPO. The weighted average cost of the insurance package is calculated by creating a grid that placed the percent of teachers statewide that chose each type of plan and then applying that to the amount that each system paid.
4. **Calculation of total teacher compensation.** The total teacher compensation for each system is determined by adding the weighted average teacher salary for each system to the weighted average insurance for each system

APPENDIX B: Total Teacher Compensation Summary

	WEIGHTED AVERAGE SALARY	WEIGHTED AVERAGE INSURANCE PAID	SALARIES PLUS INSURANCE PAID
Max versus Min	35.36%	127.42%	38.09%
Range Ratio 95-5	25.48%	91.02%	26.68%
Range Ratio 90-10	18.29%	70.23%	21.41%
Range Ratio 75-25	9.42%	31.50%	9.05%
Top 10 / Bottom 10	1.16	1.80	1.17
Coefficient of Variation	0.0722	0.1792	0.0726
Max Salary vs. Min Salary		67.15%	38.09%
Range Ratio 95-5 by Salary		-19.25%	19.05%
Range Ratio 90-10 by Salary		22.24%	18.84%
Range Ratio 75-25 by Salary		-26.91%	5.09%
Top 10 / Bottom 10 by Salary		1.05	1.14

Review of 2004 Disparity Findings*

	WEIGHTED AVERAGE SALARY	WEIGHTED AVERAGE INSURANCE PAID	SALARIES PLUS INSURANCE PAID
Max versus Min	35.28%	155.79%	37.33%
Range Ratio 95-5	24.36%	95.78%	24.55%
Range Ratio 90-10	15.12%	67.92%	17.67%
Range Ratio 75-25	5.63%	33.98%	7.03%
Top 10 / Bottom 10	1.26	2.02	1.28
Coefficient of Variation	0.0688	0.1894	0.0691
Max Salary vs. Min Salary		-3.70%	30.08%
Range Ratio 95-5 by Salary		3.83%	21.63%
Range Ratio 90-10 by Salary		1.07%	13.37%
Range Ratio 75-25 by Salary		20.00%	7.04%
Top 10 / Bottom 10 by Salary		1.17	1.25

* - Post 2004 revisions occurred on certain school systems

All materials reviewed by the committee related to Total Teacher Compensation can be found at the following link:

<http://www.state.tn.us/sbe/bep.html>

- 1) Salary and Benefits Cover Page
- 2) Salary Schedule Averages By System
- 3) Salary Schedule Factors
- 4) Insurance Packages By System
- 5) Statewide Disparity Summary
- 6) Graphs
 - a) Ranked Weighted Average Salary
 - b) Ranked Weighted Average Salary and Insurance
 - c) Weighted Average Salary Ranked by Insurance
 - d) Weighted Average Salary Plus Health Insurance
(Ranked by Health Insurance Paid)
 - e) Weighted Average Salary Plus Health Insurance (Ranked by Sum)
- 7) Regional Salary Disparity

APPENDIX C: Regional Disparity Methodology

All Calculations are Based on Total Teacher Compensation Data

Calculation of Dollar Disparity:

1. All dollar disparity values are compared to the system with the maximum total teacher compensation, within each fiscal year.
2. The ranked dollar value for each system is subtracted from the maximum, within each fiscal year.

Calculation of Percentage Disparity:

1. All percentage disparity values are compared to the system with the maximum total teacher compensation, within each fiscal year.
2. The dollar value for each ranked system is divided by the maximum. This percentage values is then subtracted from the number 1 or 100%.

Calculation of Change in Dollar Disparity:

1. Within each ranked position (e.g. rank #2 – rank #10), the dollar disparity value of FY04 is subtracted from FY05. The calculation of the dollar disparity value is described above.
2. The calculation of change in dollar disparity should always be interpreted in comparison to the system with the maximum total teacher compensation.

APPENDIX D: Regional Disparity Summary

Region	Immediate Trend <i>FY 07 to FY 06</i>	General Trend (3 Years) <i>Comparison of FY07 to FY04</i>
Nashville	Mixed (Decrease)	Decrease Decrease in 9 surrounding systems
Dyersburg	Decrease	Increase Increase in 9 surrounding systems Decrease in 3 surrounding systems
Greenville	Increase	Increase Increase in 7 surrounding systems Decrease in 2 surrounding systems
Chattanooga	Increase	Increase Increase in 8 surrounding systems Decrease in 1 surrounding system
Knoxville	Mixed (Decrease)	Decrease Increase in 2 surrounding systems Decrease in 11 surrounding systems
Jackson	Mostly Decrease	Increase Increase in 17 surrounding systems Decrease in 3 surrounding systems
Clarksville	Mixed (Decrease)	Mixed (Increase) Increase in 3 surrounding systems Decrease in 2 surrounding systems
Memphis	Increase	Mixed (Decrease) Increase in 2 surrounding systems Decrease in 2 surrounding systems
Cookeville	Increase	Increase Increase in 6 surrounding systems Decrease in 1 surrounding system
Tri-Cities	Increase	Mixed (Increase) Increase in 6 surrounding systems Decrease in 5 surrounding systems
Franklin	Increase	Decrease Decrease in 9 surrounding systems

REGIONAL DOLLAR DISPARITY

General Trend over 3 years

General DECREASING Trend (3 Years)

3 Total County Regions

General MIXED Trend (3 Years)

3 Total County Regions

General INCREASING Trend (3 Years)

5 Total County Regions

APPENDIX E: Regions Defined (11 Total)

Nashville
Davidson County
Franklin SSD
Williamson County
Murfreesboro City
Rutherford County
Sumner County
Robertson County
Cheatham County
Lebanon SSD
Wilson County

Dyersburg
Dyersburg City
Union City
Dyer County
Bells City
Lake County
Obion County
Alamo City**
Gibson SSD
Milan SSD
Crockett County
Humboldt City
Trenton SSD
Bradford SSD

Chattanooga
Hamilton County
Cleveland City
Bradley County
Meigs County
Dayton City
Sequatchie County
Rhea County
Marion County
Richard City
Bledsoe County

Dyersburg
Dyersburg City
Union City
Dyer County
Bells City
Lake County
Obion County
Alamo City**
Gibson SSD
Milan SSD
Crockett County
Humboldt City
Trenton SSD
Bradford SSD

Greenville
Johnson City
Greeneville City
Hamblen County
Newport City
Washington County
Rogersville City
Hawkins County
Unicoi County
Greene County
Cocke County

Knoxville
Oak Ridge
Alcoa City
Maryville City
Blount County
Clinton City
Roane County
Lenoir City
Knox County
Loudon County
Sevier County
Anderson County
Jefferson County
Grainger County
Union County

APPENDIX E: Regions Defined (11 Total)

Jackson
Hardeman County
Madison County
Bells City
Haywood County
Lexington City
Chester County
Henderson County
Alamo City**
Gibson SSD
Milan SSD
Crockett County
McNairy County
McKenzie SSD
Hollow Rock-Bruceton SSD
Humboldt City
West Carroll SSD
Trenton SSD
South Carroll SSD
Bradford SSD
Huntingdon SSD
Carroll County

Clarksville
Montgomery County
Robertson County
Cheatham County
Stewart County
Dickson County
Houston County

Memphis
Memphis City
Shelby County
Tipton County
Haywood County
Fayette County

Franklin
Davidson County
Franklin SSD
Williamson County
Murfreesboro City
Rutherford County
Maury County
Marshall County
Cheatham County
Hickman County
Dickson County

Cookeville
Putnam County
Cumberland County
Smith County
Fentress County
DeKalb County
Jackson County
Overton County
White County

Tri-Cities
Kingsport City
Bristol City
Johnson City
Elizabethton City
Washington County
Rogersville City
Hawkins County
Unicoi County
Sullivan County
Carter County
Greene County
Johnson County

**Appendix F: Instructional Positions Outside the BEP
(Applying \$38,000 BEP Salary, FY07)**

Grades	Positions Outside BEP	Total Salary Dollars Above BEP (FY07)	
7-12	2,140	232,748,660	
<i>2,140 does not includes Special Education or Vocational.</i>			
BEP reductions in class size (Grades 7 - 12).	Positions Generated	Estimate of Total New BEP 2.0 Dollars	Estimated 70% State Share
1 Student	694	26,384,730	18,469,311
2 Students	1,454	55,252,352	38,676,647
3 Students	2,288	86,940,294	60,858,206
4 Students	3,208	121,885,520	85,319,864

Grades	Positions Outside BEP	Total Salary Dollars Above BEP (FY07)	
4-6	1,240	119,156,576	
<i>1,240 does not includes Art, Music, P.E., Special Education or Vocational.</i>			
BEP reductions in class size (Grades 4 - 6).	Positions Generated	Estimate of Total New BEP 2.0 Dollars	Estimated 70% State Share
1 Student	356	13,520,099	9,464,070
2 Students	739	28,077,886	19,654,520
3 Students	1,157	43,959,108	30,771,376
4 Students	1,615	61,352,828	42,946,979

Grades	Positions Outside BEP	Total Salary Dollars Above BEP (FY07)	
K-3	781	149,807,928	
<i>781 does not includes Art, Music, P.E. or Special Education.</i>			
BEP reductions in class size (Grades 4 - 6).	Positons Generated	Estimate of Total New BEP 2.0 Dollars	Estimated 70% State Share
1 Student	773	29,391,293	20,573,905
2 Students	1,634	62,083,865	43,458,705
3 Students	2,595	98,622,621	69,035,835
4 Students	3,677	139,728,723	97,810,106

Appendix G: Current SACS Accreditation Ratios for Assistant Principals

Assistant Principals (Elementary)	Existing BEP	Updated SACS Standards (2005)
0.5	660-879	500-749
1.0	880-1,099	750-999
1.5	1,100-1,319	1,000-1249
2.0	over 1320	1250-1499
1 Additional FTE for each 250 over 1500		1500 - up

Assistant Principals (Secondary)	Existing BEP	Updated SACS Standards (2005)
0.5	300-649	250-499
1.0	650-999	500-749
1.5	1,000-1,249	750-999
2.0	over 1250	1,000-1,249
2.5		1250-1,499
1 Additional FTE for each 250 over 1500		

PUBLIC CHAPTER NO. 369**HOUSE BILL NO. 2293**

By Representatives Winningham, Odom, Hackworth, Towns, Brown, Fincher, Curt Cobb, Coleman, Pitts, Vaughn, Dunn, Harry Brooks, Dean, Curtis Johnson, McCormick, Shaw, Bone, Favors, Briley, Moore, Bibb, Rinks, Sontany, Bass, Eldridge, Gilmore, Pruitt, Williams, Roach, McDaniel, Ford, Hood

Substituted for: Senate Bill No. 2177

By Senators Kyle, Woodson, Watson, Norris

AN ACT to amend Tennessee Code Annotated, Title 49, Chapter 3, relative to education.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 49-3-354, is amended by deleting the second sentence in subsection (b).

SECTION 2. Tennessee Code Annotated, Section 49-3-356, is amended by deleting the language and punctuation “, sixty-five percent (65%) in the instructional positions component” in the first sentence

SECTION 3. Tennessee Code Annotated, Title 49, Chapter 3, Part 3, is amended by adding the following language as a new, appropriately designated section:

§49-3-3__.

(a) Notwithstanding the provisions of §49-3-351, §49-1-302 or any other law or rule to the contrary, effective with fiscal year 2007-2008, the Tennessee BEP shall be calculated using the following criteria:

(1) BEP appropriations to LEAs for the 2006-2007 school year plus appropriations to LEAs generated for annual BEP component costs adjustments based on the 2006-2007 school year shall constitute a base amount of funding;

(2) The state shall provide seventy five percent (75%) of the funds generated for instructional positions within the classroom component;

(3) The dollar value of the BEP instructional positions component shall be thirty-eight thousand dollars (\$38,000) for fiscal year 2007-2008, and shall be adjusted in subsequent fiscal years in accordance with the provisions of the general appropriations act;

(4) The “cost differential factor” (CDF) shall be eliminated from the formula;

(5) The formula shall provide one hundred percent (100%) funding for at-risk students in grades K-12. “At-risk student” means a student who is eligible for free or reduced price lunch pursuant to 42 U.S.C. §§ 1751-1769;

(6) The formula shall provide funding for English language learner students at a ratio of one to twenty (1:20) and one to two hundred (1:200) for teachers and translators respectively;

(7) The formula shall recognize the ability of local jurisdictions to raise local revenues by measuring the ability to generate local revenues from property tax and local option sales tax. This calculation shall be based on applying the statewide average property tax rate for education and the state wide average local option sales tax rate for education to the respective tax bases of each local jurisdiction. No reduction shall be made in any calculation of a local jurisdiction’s ability to raise local revenues from property taxes for agreements entered into by such local jurisdiction that result in payments in lieu of taxes being made to the local jurisdiction;

(8) Each LEA shall receive no less than twenty-five percent (25%) state share in the nonclassroom components;

(9) No LEA’s measurement of ability to raise local revenue shall be adjusted more than forty percent (40%) within the BEP formula in any single year; and

(10) The formula shall provide fifty percent (50%) funding for medical insurance premiums for instructional positions.

(b) Notwithstanding the provisions of §49-3-351, §49-1-302 and any other law to the contrary, the changes in components or factors of the BEP implemented under the provisions of this act shall be phased in, in accordance with funding as made available each fiscal year through the general appropriations act.

SECTION 4. This act shall take effect July 1, 2007, the public welfare requiring it.

PASSED: May 31, 2007



JIMMY NAIFEH, SPEAKER
HOUSE OF REPRESENTATIVES



RON RAMSEY
SPEAKER OF THE SENATE

APPROVED this 7th day of June 2007



PHIL BREDEESEN, GOVERNOR

A copy of this report can be found at

<http://www.state.tn.us/sbe/bep.html>

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