Funding Quick Guide: Charter Schools

Pursuant to T.C.A. § 49-13-112(a) and State Board of Education rule 0520-14-01-.03, funding for public charter schools is generated in the **geographic local education agency (LEA)** where the school operates. Both the Tennessee Department of Education (department) and the authorizing LEA distribute funding to charter schools. In most cases, the geographic LEA also serves as the charter authorizer; however, some schools are authorized by the Tennessee Public Charter School Commission (TPCSC) or the Achievement School District (ASD).

Definitions

Charter Authorizer: The entity that makes decisions regarding approval, renewal, and revocation of a public charter school application or agreement (T.C.A. § 49-13-104). In Tennessee, authorizers can be a LEA, the Tennessee Public Charter School Commission (TPCSC), or the Achievement School District (ASD).

Geographic LEA: The geographic region of a local education agency (LEA) where the charter school is located.

Local Board of Education: The board of education that manages and controls the local public school system.

Local Education Agency (LEA): Any county school system, city school system, special school district, unified school system, metropolitan school system or any other local public school system or school district created or authorized by the general assembly.

Public Charter Schools: A public school in this state that is established and operating under the terms of a charter agreement and in accordance with the Tennessee Public Charter School Act of 2002, T.C.A. 49-13-101 et. Seq.

Charter School Funding Step-by-Step Overview

Charter School funding is outlined using three steps. The first step is the TISA calculation based on prior year data. The second step is the additional local funding per pupil beyond the local required funds from TISA. The third step is a true-up to current year student membership and revenue. The step-by-step overview section goes into more detail about these three steps.

Step 1: TISA Calculation

- The department calculates TISA funding (base, weights, and direct funding) based on prior year ADM as reported by the charter authorizer.
    - Charter school student ADM from the prior school year is used to determine funding for the current fiscal year.
- The department determines the full amount of **required state and local funds**.

Step 2: Additional Local Per Pupil

- If an LEA invests **more local funds** than required by TISA in the current year, charter school funding includes a **proportional share** of the additional funds **from their geographic LEA**.
- These funds are calculated using the charter school's **ADM,** calculated from Step 1.
    - Calculation Steps:
        - Subtract geographic LEA's required local match from their total local revenues in the current year.

    - Divide the excess funds by geographic LEA's **current year ADM** inclusive of charter ADM to get per pupil additional local funds.
    - Multiply by charter school's **prior year** ADM to determine allocation.
- Final revenues used to calculate additional local per pupil are pulled from the geographic LEA's Final Expenditure Report (FER). Interim calculations are based on the LEA's current approved budget. If a budget is not yet approved for the current year, the prior year approved FER or budget is used per State Board of Education rule.

Step 3: Current Year Membership and Revenue Adjustments

- If charter school ADM **increases or decreases** during the current school year, funding is adjusted accordingly by using current year charter school ADM and their geographic LEA's overall per-pupil funding.
- The average per-pupil funding includes **all state and local funds** and is calculated by summing Geographic LEA TISA Total (excluding ACT and Charter direct funding) and LEA actual revenue to district and dividing by geographic LEA current year ADM.
- Charters receive (or return) funds equal to the **average per-pupil funds** multiplied by the change in school-level ADM.
    - This may result in either an increase or decrease to the public charter school's funding in alignment with the change in ADM.

How Are Payments Disbursed?

TISA State Funding- Direct Payment

- The department will disburse the **state share** of TISA **to charter schools directly**.
    - For charter schools authorized by the **Tennessee Public Charter School Commission (TPCSC)** or the **Achievement School District (ASD)**, the department disburses **both state and local funds** directly to the authorizer.
    - Direct funding for ACT is held at the state level and used to pay for the tests via a statewide contract, eliminating the administrative burden on LEAs and charter schools.
- To account for the direct disbursement of the state share of TISA funds to public charter schools, the department will adjust district TISA payments by the amount disbursed to the charter schools.

Local Funding- Payments and Adjustments

- The geographic LEA is responsible for providing payments to charter schools for the required local contribution of the school's generated TISA funds, the additional local per pupil funds, and current year enrollment adjustments. This includes average per-pupil state and local funds for new and expanding charter schools.

When Do Adjustments Happen?

- The department provides updated revenue and ADM data in **October, December, February, April, and June** to adjust payments, along with a letter outlining the updates.
- Final payment amounts are shared **after the district's final expenditure report (FER)** is completed.
    - Any amounts owed **by** the charter school or **to** the charter school are settled between the geographic LEA and the charter school.

Important Notes:

- Final payments must be processed **within 30 calendar days** after the department shares final amounts.
- Expect data to **change during the year** as new information is submitted.
- The June TISA payment is 75% of the regular payment. The remaining balance will be distributed on or before July 15, 2027.

Responsibilities

Tennessee Department of Education

- Calculate and share required TISA funding calculations to both authorizers and public charter schools.
- Provide updated ADM and calculations for Charter True-Up in October, December, February, April, June, and a final calculation following the approval of each district's FER.
- Distribute TISA state funding directly to charter schools (or ASD/TPCSC, if applicable).
- Provide monthly TISA projections for the upcoming school year (starting in winter of the current school year) to help charter schools ensure data accuracy with their authorizers.

Local Board of Education

- Allocate the required funding to public charter schools, as outlined above.

Charter Authorizer[1]

- Distribute funding in no fewer than nine installments to public charter schools.
- Distribute other funding that charter schools are entitled to, including but not limited to, a proportional share of any fast-growth funding received by the district or outcomes funding generated by the school.
- Adjust payments to public charter schools based on department provided interim calculations.
- Submit timely and accurate data to the department.
- Collaborate with public charters to resolve any data or reporting discrepancies.
- Process final payments **within 30 calendar days** after the department shares final amounts.
- LEAs must include in their annual budgets the per-pupil amount of state and local funds to be passed through to public charter schools.
- All funds—federal, state, and local—generated or received by an LEA must be properly accounted for in the LEA's official financial records, including funds provided to public charter schools.
- Payments made by the state on behalf of an LEA to a public charter school must be recorded in the appropriate revenue and expenditure categories within the LEA's financial records. The department will continue to provide the information for these calculations to support districts in properly accounting for all revenues.

Charter Schools

- Submit timely and accurate data and other reporting requirements to their authorizer.
- Collaborate with their authorizer to resolve any data or reporting discrepancies.
- Process final payments **within 30 calendar days** after the department shares final amounts. This may entail returning funds to your authorizer. All funds received by public charter schools must be expended in accordance with the school's submitted budget and must comply with applicable state and federal laws.

[1] See additional considerations for the geographic LEAs who have schools authorized by the Tennessee Public Charter School Commission (TPCSC) in the section below.

Special Considerations

New and Expanding Public Charter Schools

New charter schools or charter schools adding new grade(s) are funded based on the anticipated enrollment in the charter agreement unless the authorizer and charter school mutually agree on a projection of enrollment, not to exceed any enrollment maximums or caps set forth in the charter agreement. The funding allocation for the new grade(s) and schools shall be based on the per-student average of all state and local funds received by the LEA. All funds for new and expanding charter schools are disbursed by the geographic LEA. As with all charter schools, new and expanding charter school funding will be adjusted based on changes in current-year ADM and local revenue throughout the school year.

Public Charter School Direct Funding

The charter school direct funding amount included in TISA each year is subject to an annual appropriation by the Tennessee General Assembly and is calculated by dividing the amount of the appropriation by the statewide charter school ADM of the prior year. This funding is included in the charter school's TISA allocation.

Fast-Growth and Infrastructure Stipends

If an LEA receives a fast-growth stipend or infrastructure stipend, charter schools geographically located within that LEA receive a proportional share of the funds. To calculate the percentage of fast-growth stipends received by a charter school, divide a charter school's current year TISA funding for base funding, weighted allocations, and direct allocations by the TISA funding for these same components for the LEA as a whole. To calculate the percentage of infrastructure stipends received by a charter school, divide a charter school's current year ADM by the total geographic district ADM and multiply by the total infrastructure stipend. If applicable, the department will calculate the proportional share of fast-growth and/or infrastructure stipends that a charter school should receive and include it in the LEA's final fast-growth and/or infrastructure stipend calculations. The LEA is then responsible for distributing the appropriate portion to each charter school following the final payment.

Educator Salary Increases

If the Tennessee General Assembly restricts an amount of an annual increase to the TISA base funding amount for the purpose of providing salary increases to existing educators, the state will determine the proportional share of funds received by each public charter school driven by the restricted fund and report that amount to each authorizer and to each charter school. Charter schools must use these funds to provide salary increases to existing educators and report on the usage of these funds to the state annually.

Outcomes Funding

If a charter school generates outcome bonus funding as a result of students enrolled in the charter school in the prior year, then the charter school shall receive the earned amount of outcome bonus funds from the authorizer. The Department will report the amount of outcome bonus funds due to each charter school to the authorizer and to each charter school.

Tennessee Public Charter School Commission (TPCSC)

The TPCSC shall receive funding for each public charter school within their respective LEAs from the LEAs in which the public charter school is geographically located. All state and local funds generated by charter schools authorized by TPCSC will flow through these entities, rather than being directly paid to the charter schools.

TISA & Charter School Funding Timeline

Date	Events
August	• TISA State Payment 1
September	• TISA State Payment 2
October	• TISA State Payment 3 • Current Year Charter True-Up Data Provided • Finalized Prior Year Charter True-Up Data Provided*
November	• TISA State Payment 4
December	• TISA State Payment 5 • Current Year Charter True-Up Data Provided • TISA Outcomes Payment made to LEAs, Distributed to Charter Schools • Preliminary TISA Data Provided
January	• TISA State Payment 6 • Preliminary TISA Data Provided
February	• TISA State Payment 7 • Current Year Charter True-Up Data Provided • Preliminary Funding Projection Data Provided
March	• TISA State Payment 8 • Preliminary Funding Projection Data Provided
April	• TISA State Payment 9 • Current Year Charter True-Up Data Provided • Preliminary Funding Projection Data Provided
May	• Preliminary Funding Projection Data Provided
June	• TISA State Payment 10 (75% of total) • Current Year Charter True-Up Data Provided
July	• Final Upcoming Year TISA Allocations Provided • Final Fast-Growth Payment made to LEAs (if applicable)** • TISA State Payment Remaining Portion

* Per State Board of Education rule, final prior year charter true-up data will be provided within 5 business days of the geographic LEA's prior year FER approval.

** If an LEA receives a fast-growth stipend or infrastructure stipend, charter schools geographically located within that LEA receive a proportional share of the funds.

For more detailed information, please refer to the department's TISA Resources Page.

Charter School Funding Example

Example Charter School TISA Calculations

STEP 1: TISA Calculation (TISA funding is calculated using prior year ADM data)			
Element	**Amount**	**Students/Services**	**Funding**
Base	$ 7,295.00	375.00	$ 2,572,500.00
WEIGHTS	**Weight**	**Students/Services**	**Funding**
Economically Disadvantaged	25%	200.00	$ 364,750.00
Concentrated Poverty	5%	375.00	$ 136,781.25
Small	5%	-	$ -
Sparse	5%	-	$ -
ULN 1	15%	15.00	$ 16,413.75
ULN 2	20%	70.00	$ 102,130.00
ULN 3	40%	15.00	$ 43,770.00
ULN 4	60%	40.00	$ 175,080.00
ULN 5	70%	5.00	$ 25,532.50
ULN 6	75%	20.00	$ 109,425.00
ULN 7	80%	1.00	$ 5,836.00
ULN 8	100%	2.00	$ 14,590.00
ULN 9	125%	1.00	$ 9,118.75
ULN 10	150%	-	$ -
DIRECT			
K-3 Literacy	$ 500.00	-	$ -
4th Grade Support	$ 500.00	-	$ -
CTE*	Varies	-	$ -
ACT (per test)	$ 43.00	-	$ -
Charter (estimated)	$ 500.47	375.00	$ 187,676.25
OUTCOMES			
TBD			
TOTAL			**$ 3,926,728.50**

State and Local Breakout*	**State**		**Local**		**Total**
Base	34.12%	$ 933,395.25	65.88%	$ 1,802,229.75	$ 2,274,540.47
Weights	52.26%	$ 524,391.08	47.74%	$ 479,036.17	$ 1,072,719.11
Direct	100.00%	$ 187,676.25	0.00%	$ -	$ 279,111.01
TOTAL (Excluding ACT)		$ 1,645,462.58		$ 2,281,265.92	**$ 3,926,728.50**

*The public charter school's generated TISA funds are split between state and local funding responsibilities based on the school's geographic LEA. The state's share of funding is calculated using the geographic LEA's state and local percentages

for base and weighted funding, separately. These same percentages are applied to the charter school's base and weighted amounts. The state fully funds the charter school's generated direct funding allocation.

STEP 2: Additional Local Per Pupil (Per-pupil additional local funding is determined and applied to the charter school's base ADM)			
Geographic LEA Actual Revenues to District		$	200,000,000.00
Local Required Match	-	$	150,000,000.00
Projected Additional Local Funds	=	$	50,000,000.00
Projected Additional Local Funds		$	50,000,000.00
Projected ADM (all schools within bounds)	/		45,000.00
Projected Additional Local Per Student	=	$	1,111.11
Projected Additional Local Per Student		$	1,111.11
Charter School ADM	x		375.00
Additional Local Funds for Prior Year Enrollment	**=**	**$**	**416,666.25**

STEP 3: Current Year Enrollment Adjustments (Average per-pupil funding is determined and applied to the charter school's change in ADM. In this example, the charter school has lost 20 ADM since the prior school year.)			
Geographic LEA Actual Revenues to District		$	200,000,000.00
Geographic LEA State Funds	+	$	200,000,000.00
Total Funding	=	$	400,000,000.00
Total Funding to District		$	400,000,000.00
Projected ADM (all schools within bounds)	/	$	50,000.00
Average Per Pupil Local and State Funds	=	$	8,000.00
Estimated Change (Positive/Negative) in ADM		$	(20.00)
Average Per Pupil Local and State Funds	x	$	8,000.00
Current Year Change in Enrollment Funding	**=**	**$**	**(160,000.00)**

Total Projected Funding		
Step 1	$	3,926,728.50
Step 2	$	416,666.25
Step 3	$	(160,000.00)
Total	**$**	**4,183,394.75**

* The direct funding for each CTE level and progression year is subject to annual appropriations by the Tennessee General Assembly. For the current year CTE allocations, refer to the TISA Guide.