

**RULES
OF
THE STATE BOARD OF EDUCATION**

**CHAPTER 0520-14-01
CHARTER SCHOOLS**

0520-14-01-.03 ALLOCATION OF STATE AND LOCAL FUNDS.

- (1) Until the 2023-24 school year, public charter school funding shall be governed by the following:
 - (a) A local board of education shall allocate to each public charter school an amount equal to the per student state and local funds received by the LEA and all appropriate allocations under federal laws or regulations.
 - (b) Student enrollments used in per pupil calculations shall be based on current year average daily membership (ADM) for the LEA in which the school resides (inclusive of all public charter school enrollment). The public charter school's allocation shall be calculated by multiplying the per pupil amount by the public charter school's current year ADM.
 - (c) Allocations to public charter schools shall be based on one hundred percent (100%) of state and local funds received by the authorizer, including any current year growth funds received by the authorizer and the required local match for the state funds generated under the Basic Education Program (BEP) for capital outlay (excluding the proceeds of debt obligations and associated debt service).
 - (d) The Department of Education shall calculate and report the amount of state funding required under the BEP for capital outlay that each public charter school should receive in a fiscal year. The LEA in which a public charter school resides shall include in the per pupil funding amount required under paragraph (1)(a) and state law, all state and local funds generated under the BEP for capital outlay that are due to public charter schools operating in the LEA.
 - (e) Allocations to a public charter school shall not be reduced by the authorizer for any category of cost(s) except for the annual authorizer fee. If the charter agreement includes a provision whereby the authorizer will provide for employee benefits or retirement, then the authorizer may withhold funds to cover the costs of those services. Any services the public charter school chooses to purchase from the authorizer may also exist in a separate services contract between the public charter school and the authorizer. However, approval of a separate services contract shall not be a condition of approval of the charter agreement. If a services contract is executed with the authorizer, then the authorizer may withhold funds to cover the costs of those services.
 - (f) Each authorizer shall include as part of its budget submitted pursuant to T.C.A. § 49-2-203, the per pupil amount of local money it will pass through to public charter schools during the upcoming school year. Allocations to the public charter schools during that year shall be based on that figure. The authorizer shall distribute the portion of local funds it expects to receive in no fewer than nine (9) equal installments to public charter schools in the same manner as state funds are distributed. The initial per pupil amount of funding shall be calculated using the number of BEP funded ADMs for the first payments. An authorizer shall adjust payments to its public charter schools, at a minimum, in October, February and June, based on changes in revenue, student enrollment, or student services. Beginning with the first such adjustment, and continuing for the remainder of the school year, the authorizer shall use current year enrollment to calculate the adjusted per pupil amount.

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- (g) New public charter schools or public charter schools adding a new grade shall be funded based on anticipated enrollment in the charter agreement. Those figures shall be subsequently adjusted to reflect the actual number of students enrolled.
 - (h) Pursuant to T.C.A. § 49-13-124, the authorizer may endorse the submission of the qualified zone academy bond application to the local taxing authority. The authorizer may endorse such a bond application submitted by the public charter school governing body, or the authorizer may include the public charter school's project as part of the authorizer's bond application.
 - (i) If public charter schools provide school nutrition programs, they may provide their own programs in compliance with United States Department of Agriculture regulations and State law or they may contract with the authorizer for the provision of school nutrition programs.
 - (j) Public charter schools that provide transportation in accordance with the provisions of T.C.A. §§ 49-6-2101, et seq., other than through an agreement with the charter authorizer, shall receive the State and local funds generated through the BEP for such transportation.
- (2) Beginning in the 2023-24 school year and thereafter, public charter school funding shall be governed by the following:
- (a) For the purpose of implementing this rule in calculating, allocating, and disbursing public charter school funding pursuant to T.C.A. § 49-13-112(a),
 - 1. The Department of Education ("Department") shall be responsible for calculating required funding and reporting the calculations to both authorizers and public charter schools.
 - 2. The local board of education shall be responsible for allocating the required funding to public charter schools in the local budget. Each authorizer shall include, as part of its budget submitted pursuant to T.C.A. § 49-2-203, the per student amount of local funds it will pass through to public charter schools during the upcoming school year. Allocations to the public charter schools during the budgeted school year shall be based on that figure until such time as updated interim and final allocations are run pursuant to Paragraph (2)(e) below. The authorizer shall distribute funding in no fewer than nine (9) equal installments to public charter schools in the same manner as state funds are distributed.
 - 3. The LEA's fiscal agent shall be responsible for disbursement of required funding to public charter schools.
 - 4. The LEA shall be responsible for the timely and accurate submission of data and other reporting requirements to the Department.
 - 5. The public charter school shall be responsible for the timely and accurate submission of data and other reporting requirements to the authorizer.
 - 6. The authorizer and public charter school shall be responsible for collaborating to resolve any data or reporting discrepancies prior to Department reporting deadlines.
 - (b) Allocations are based on one hundred percent (100%) of state and local funds received by the LEA, including current funds allocated for capital outlay purposes and funds generated under the fast-growth stipends detailed in T.C.A. § 49-3-107, excluding the proceeds of debt obligations and associated debt services.

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- (c) A local board of education shall allocate to each public charter school an amount equal to the state and local funds as calculated in paragraphs (2)(d) and (2)(e) below for each student member enrolled in a public charter school and all appropriate allocations under federal laws or regulations, including, but not limited to, IDEA and ESEA funds.
1. Pursuant to T.C.A. § 49-13-112(a), federal funds received by the LEA must be disbursed to public charter schools authorized by the LEA by either joint agreement on shared services by individual public charter schools or sub-grants to public charter schools for the charter's equitable share of the federal grant based on eligible students. The allocation must be made in accordance with the policies and procedures developed by the Department.
- (d) Initial Allocations.
1. The initial allocation shall be set forth in the local board of education's budget for the upcoming school year and represent the state and local funds to be allocated to each public charter school based on prior year ADM and student counts (as required by TISA) before such time as current year data and revenues are available.
 2. Pursuant to T.C.A. § 49-13-112(a)(1)(A), the initial allocation from the local board of education to a public charter school shall be based on the total of the state and local student-generated funds for member students in a public charter school during the prior school year for the base funding amount, weighted allocation, and direct funding allocations in accordance with the Tennessee Investment in Student Achievement Act (TISA), and any rules promulgated by the Department pursuant to the TISA, including Chapter 0520-12-05.
 3. Pursuant to T.C.A. § 49-13-112(a)(1)(B), if the local funds received by the LEA are greater than the local contribution required by TISA as set forth in T.C.A. § 49-3-109, the local board of education shall also allocate the average per pupil local funds received by the LEA in the budgeted school year above those required by the TISA for each member student in the public charter school in the prior year. The initial average per pupil local funding amount shall be determined by dividing the budgeted additional local funds by the LEA's prior year ADM (inclusive of all member students of public charter schools geographically located within the LEA).
- (e) Interim Funding Adjustments and Final Allocations.
1. After the initial allocation is made as set forth in paragraph (2)(d), an authorizer shall adjust payments to its public charter schools on an interim basis during the school year, at a minimum, in October, February and June, with final allocations occurring with the completion of the authorizer's final expenditure reports. Pursuant to T.C.A. § 49-13-112(a)(1) and § 49-13-112(a)(3), these adjustments shall update allocations to reflect current year data, including changes in revenue, student enrollment, or student services.
 2. To calculate interim and final allocations, the Department shall calculate current year ADM on the timeline in Paragraph (2)(e)(1) above for all LEAs with public charter schools geographically located within the LEA's boundaries. The Department shall publish or otherwise make available to each authorizer and each public charter school the outputs and, if requested, the underlying data from each instance in which the Department runs the ADM calculations for purposes of calculating initial, interim, and final allocations. Authorizers may opt to run the adjustments more frequently in alignment with respective charter agreements.

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3. Interim and final allocations to each public charter school shall include:
 - (i) Pursuant to T.C.A. § 49-13-112(a)(1)(A), the interim and final allocations from the local board of education to a public charter school shall be based on the total of the state and local student-generated funds for member students in a public charter school during the prior school year for the base funding amount, weighted allocation, and direct funding allocations in accordance with the TISA, and any rules promulgated by the Department pursuant to the TISA, including Chapter 0520.12.05.
 - (ii) Pursuant to T.C.A. § 49-13-112(a)(1)(B), if the local funds received by the LEA are greater than the local contribution required by TISA as set forth in T.C.A. § 49-3-109, the local board of education shall also allocate the average per pupil local funds received by the LEA in the budgeted school year above those required by the TISA for each member student in the public charter school in the prior year. The interim and final average per pupil local funding amount shall be determined by dividing the additional local funds by the LEA's current year ADM (inclusive of all member students of public charter schools geographically located within the LEA).
 - (iii) Pursuant to T.C.A. § 49-13-112(a)(1)(C) and § 49-13-112(a)(3), a local board of education shall allocate to the public charter school an amount equal to the per student state and local funds received by the LEA for member students in the public charter school in the current school year beyond the prior year's membership. For each required interim and final allocation adjustment, the Department shall calculate the ADMs for each public charter school and the difference from the prior year ADM as used in the base funding calculation in the TISA formula. For any difference in overall ADM counts, the local board of education shall adjust the public charter school's allocation by an amount equal to multiplying the average per student state and local funds received by the LEA in the current year by the difference in ADM for each public charter school, which may result in an increase or decrease to the overall allocation. In calculating the average per student state and local funds, the total funding will exclude grants awarded on behalf of specific schools and the charter direct funding component of the TISA.
- (f) Special Considerations
 1. New and Expanding Public Charter Schools: Notwithstanding paragraph (2)(d)(2), for the purpose of initial allocations, new public charter schools or public charter schools adding a new grade(s) shall be funded based on the anticipated enrollment in the charter agreement unless the authorizer and public charter school mutually agree on a projection of enrollment not to exceed any enrollment maximums or caps set forth in the charter agreement. The initial funding allocation for the new grade(s) shall be based on a per-student average of all state and local funds received by the LEA. Allocations shall be subsequently adjusted in accordance with paragraph (2)(e).
 2. Public Charter School Direct Funding: In accordance with T.C.A. § 49-3-105, the charter school direct funding amount 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 public charter school ADM of the prior year. Pursuant to T.C.A. § 49-13-112(a)(1)(A), the authorizer shall distribute the charter school direct funding to each public charter school as generated by prior year ADM with their other TISA payments. This direct funding amount shall

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be fully state funded and not require additional local contribution funds. The public charter school direct funding amount is calculated the same as all other direct funding components of TISA as set forth in T.C.A. § 49-3-105.

3. **Fast-Growth Stipends:** Subject to annual appropriations by the Tennessee General Assembly and in accordance with T.C.A. § 49-3-107, if an LEA receives a fast-growth stipend or infrastructure stipend, then the LEA shall disburse to charter schools geographically located within that LEA a proportional share of funds received. The proportional share shall be equal to the percentage calculated by dividing a public charter school's TISA funding for base funding, weighted allocations, and direct allocations by the TISA funding for these same components of the LEA as a whole.
 4. **Educator Salary Increases:** Pursuant to T.C.A. § 49-3-105(e), 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, then the Department shall determine the proportional share of funds received by each public charter school driven by the restricted funds and report that amount to each authorizer and to each public charter school. Public charter schools shall use these funds to provide salary increases to existing educators pursuant to T.C.A. § 49-3-105(e).
 5. **Cost Differential Factor Grants:** Subject to annual appropriations by the Tennessee General Assembly and in accordance with T.C.A. § 49-3-108(d), if an LEA receives a Cost Differential Factor (CDF) grant, then the LEA shall disburse to public charter schools geographically located within that LEA a proportional share of the CDF grant. The proportional share shall be equal to the percentage calculated by dividing a public charter school's TISA funding for base funding, weighted allocations, and direct allocations by the TISA funding for these same components of the LEA as a whole.
 6. **Outcomes Funding:** If a public charter school generates outcome bonus funding as a result of students enrolled in the public charter school in the prior year, then the public charter school shall receive the earned amount of outcome bonus funds from the authorizer when such funds are awarded by the Department. The Department shall report the amount of outcome bonus funds due to each public charter school to the authorizer and to each public charter school.
 7. **Achievement School District (ASD) and Tennessee Public Charter School Commission (TPCSC):** Pursuant to T.C.A. § 49-1-614 and T.C.A. § 49-13-112, the ASD and TPCSC shall receive funding in alignment with this rule for each public charter school within their respective LEAs from the LEAs in which each public charter school is geographically located.
- (g) Allocations to a public charter school shall not be reduced by the authorizer except for the annual authorizer fee. If the charter agreement includes a provision whereby the authorizer will provide for employee benefits or retirement, then the authorizer may withhold funds to cover the costs of those services. Any services the public charter school chooses to purchase from the authorizer may also exist in a separate services contract between the public charter school and the authorizer. However, approval of a separate services contract shall not be a condition of approval of the charter agreement. If a services contract is executed with the authorizer, then the authorizer may withhold funds to cover the costs of those services.
- (h) Pursuant to T.C.A. § 49-13-124, the authorizer may endorse the submission of the qualified zone academy bond application to the local taxing authority. The authorizer

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may endorse such a bond application submitted by the public charter school governing body, or the authorizer may include the public charter school's project as part of the authorizer's bond application.

- (i) If public charter schools provide school nutrition programs, they may provide their own programs in compliance with United States Department of Agriculture regulations and State law or they may contract with the authorizer for the provision of school nutrition programs.

Authority: T.C.A. §§ 49-1-302; 49-2-203; 49-6-2101, et seq.; 49-13-112; 49-13-114; 49-13-124; 49-13-126 and Public Chapter 966 of 2022. **Administrative History:** Original rule filed March 25, 2010; effective August 29, 2010. Repeal and new rule filed March 21, 2012; effective August 29, 2012. Amendments filed September 22, 2017; effective December 21, 2017. Amendments filed September 29, 2020; effective December 28, 2020. Amendments filed November 30, 2020; effective February 28, 2021.