



TACIR INSIGHT

TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

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K-12 PUBLIC EDUCATION FUNDING AND SERVICES

Background and Findings

Education affects everything from economic development to the health of citizens. Therefore, it is not surprising that K-12 public education consumed 16% of state expenditures in fiscal year 2017-18 and a larger share of local government expenditures—an average of 65% for counties and 54% for those cities with school systems. Funding for these expenditures totaled \$10.2 billion, including \$1.2 billion from the federal government, \$4.9 billion from the state, and \$4.1 billion from local governments. Approximately 95% of all state revenue school systems receive is provided through the Basic Education Program (BEP) formula, which funds a number of components to provide a basic level of state and required local matching funds for each of Tennessee’s 141 public school systems.

As education needs and requirements have changed, some components have been added to the BEP formula, while other components have been enhanced. The meaning of the word “basic” for purposes of the BEP is not defined in law but rather through a robust stakeholder-driven process laid out by the Education Improvement Act (EIA) of 1992, which not only established the BEP formula but also created the Basic Education Program Review Committee (BEPRC) to make recommendations “on needed revisions, additions, and deletions to the formula.” While many of the BEPRC’s recommendations have been implemented, others have not.

Although the changes made in 1992 and since have resulted in substantial increases in funding to support the BEP, meeting local needs and the requirements imposed by the state and federal governments often requires more resources than the BEP funding formula alone provides. Consequently, state and local funding in fiscal year 2017-18 totaled \$2.1 billion over and above what was required by the BEP formula, including a total of \$1.7 billion in local revenue.

Recommendation

Given the ever evolving needs of communities in Tennessee and the likelihood that the BEP funding formula could better account for these needs, **the Commission recommends that a comprehensive review of the components be made by the BEPRC or other designated state and local officials and other stakeholders to ensure that the BEP funding formula supports a commonly accepted basic level of education for Tennessee students.**