Intergovernmental Finance in Tennessee Part I
The BEP and the Financing of K-12 Education

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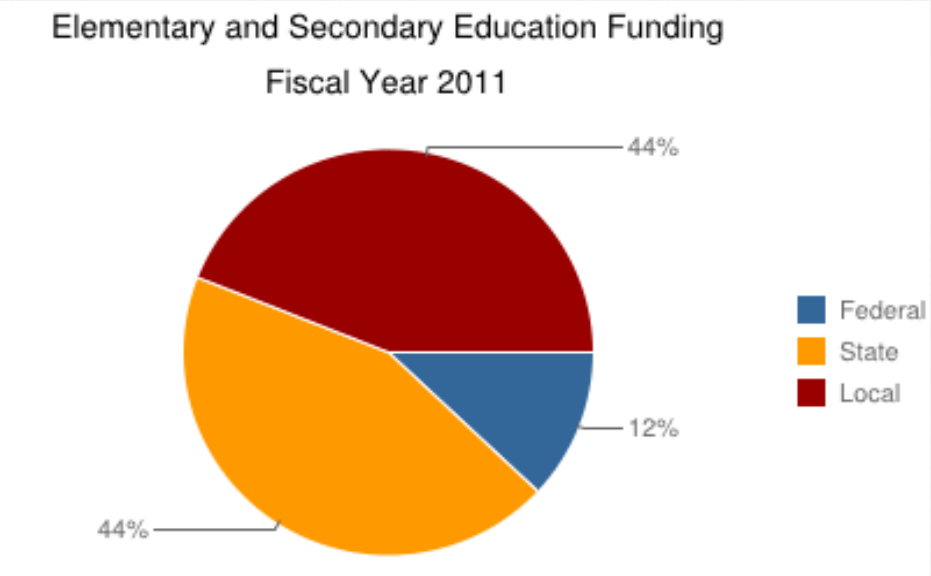
Annual Spending on Elementary and Secondary Education

Nationally	In Tennessee
$550 billion	***Close to $9 billion***
$10,658 per student.	***$8,484 per student***

Funding Elementary and Secondary Education

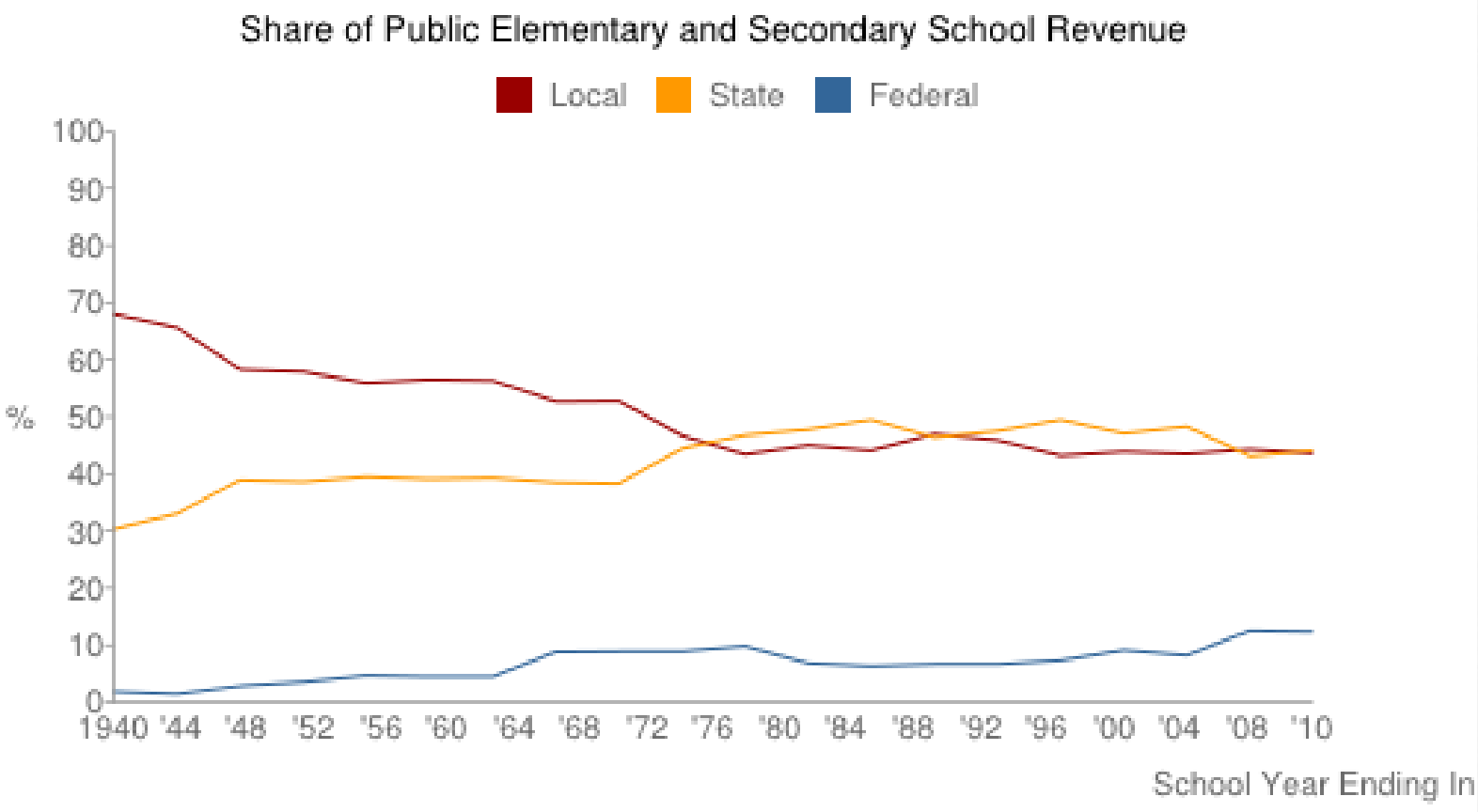
Nationally



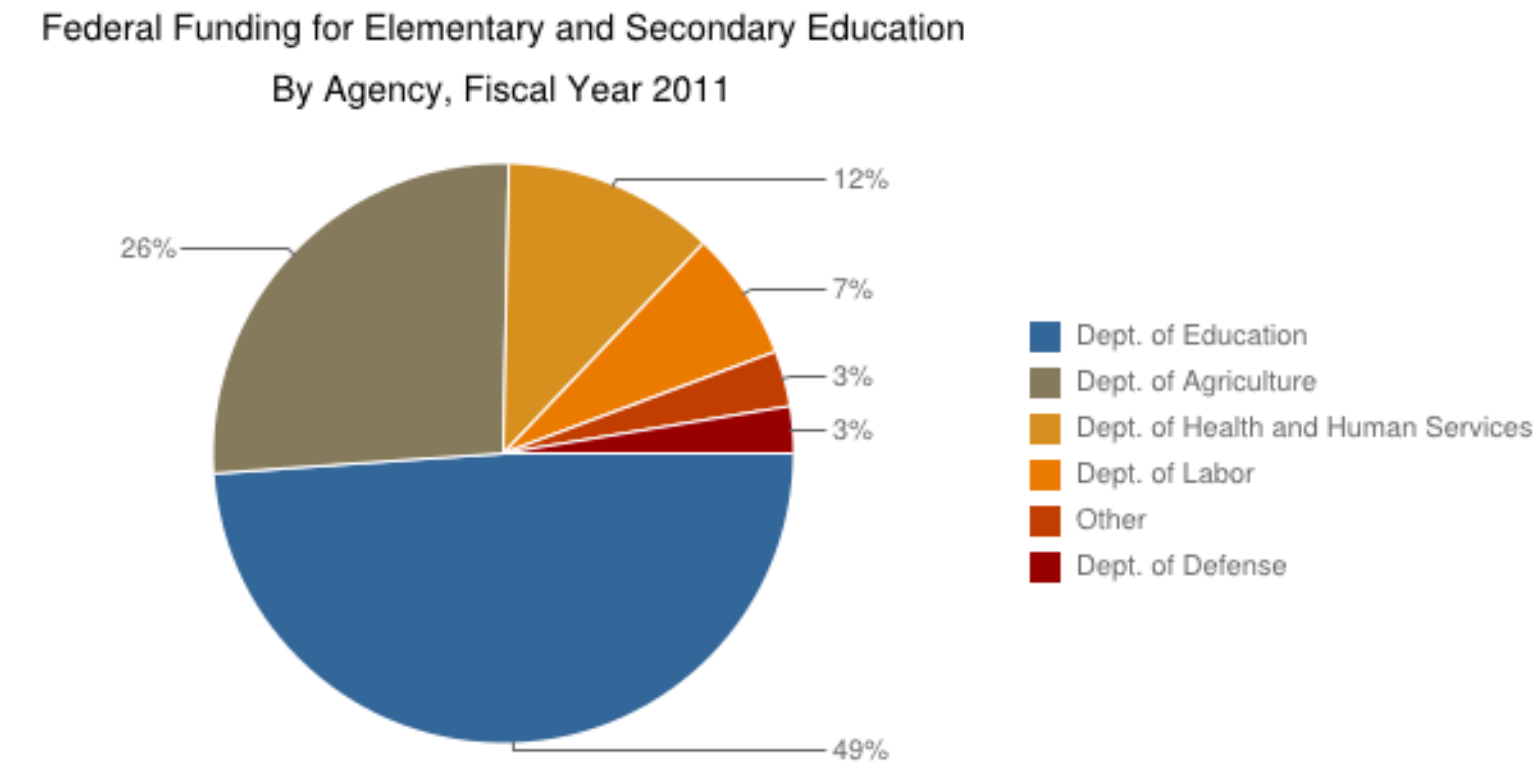
In Tennessee

- *13.6% Federal*
- *45.1% State*
- *41.4% Local*

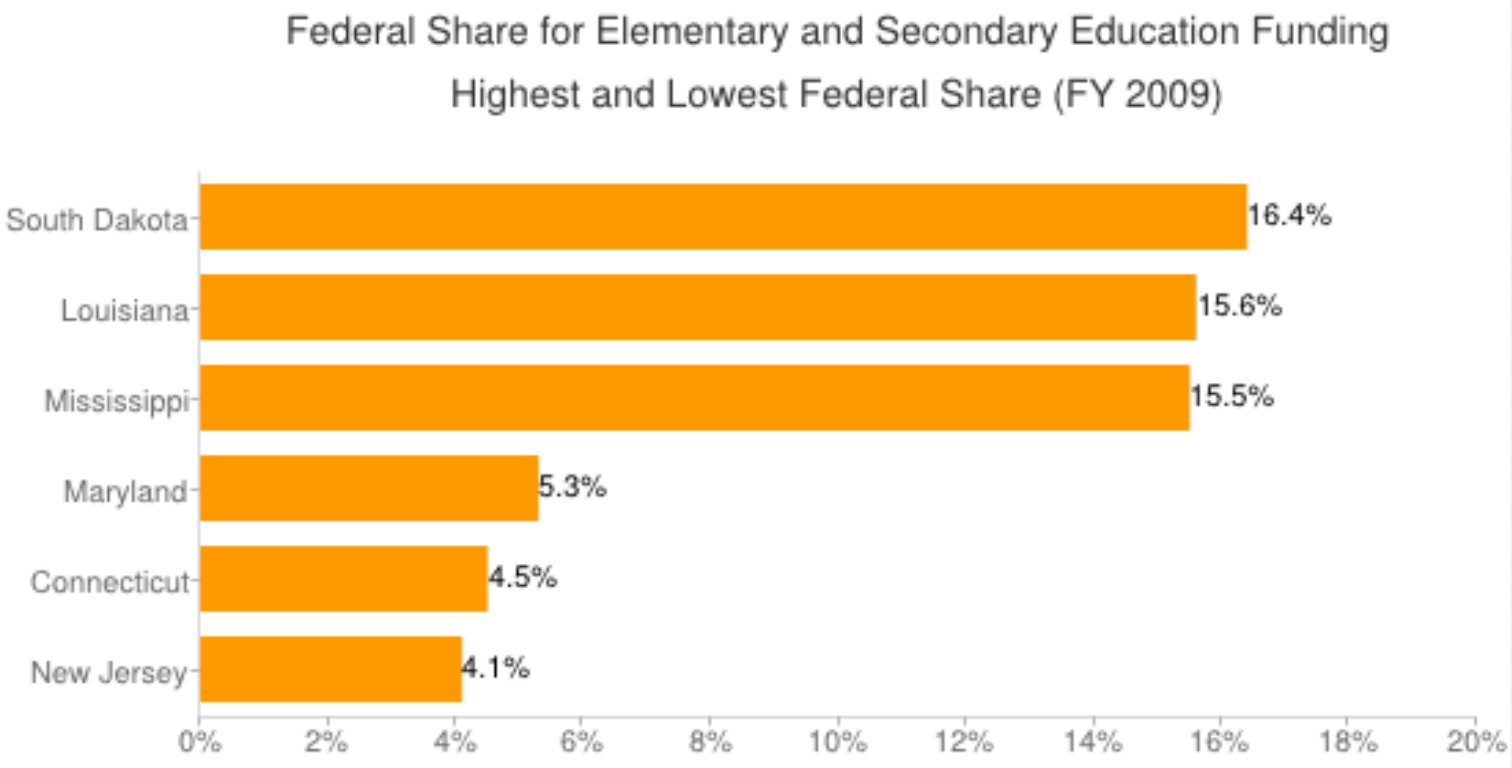
Funding Elementary and Secondary Education



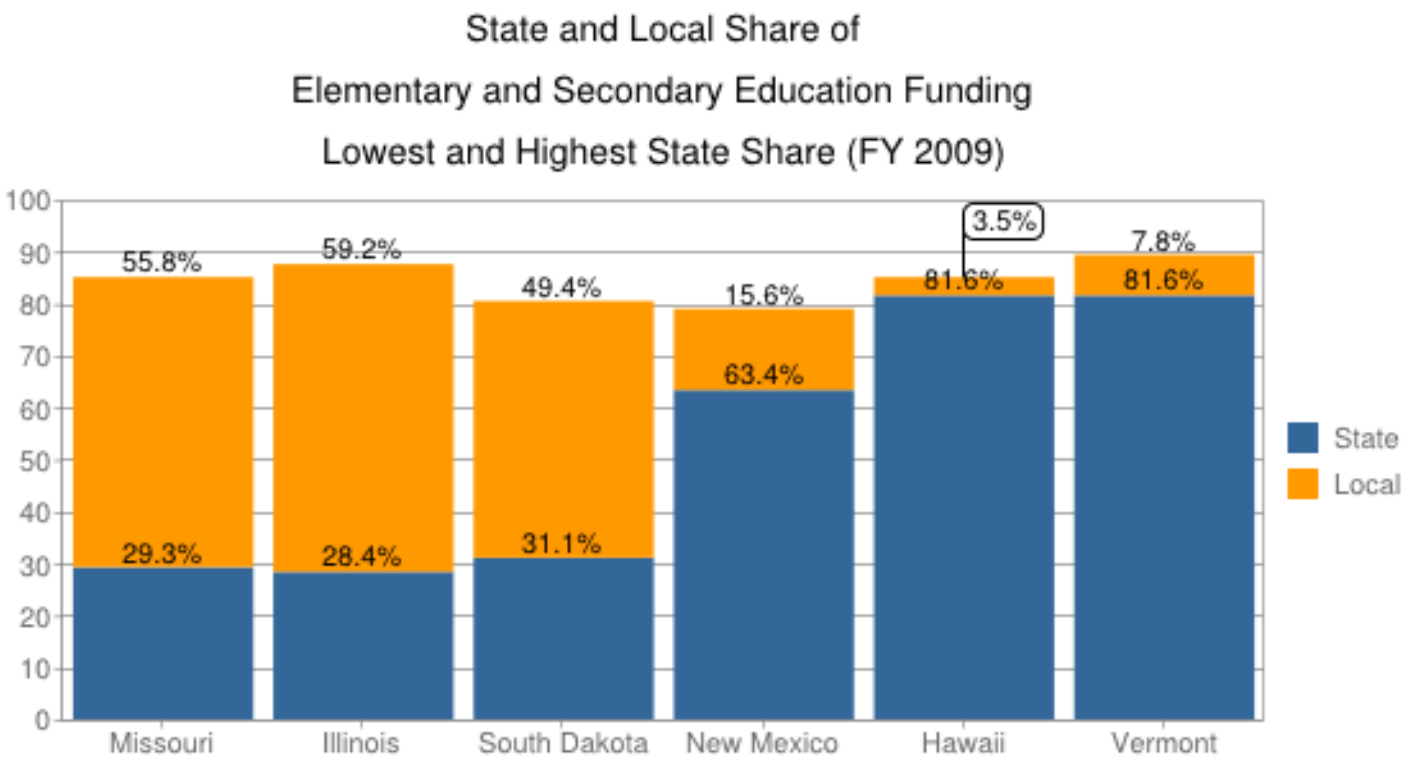
Federal Funding for Elementary and Secondary Education



Federal Funding for Elementary and Secondary Education



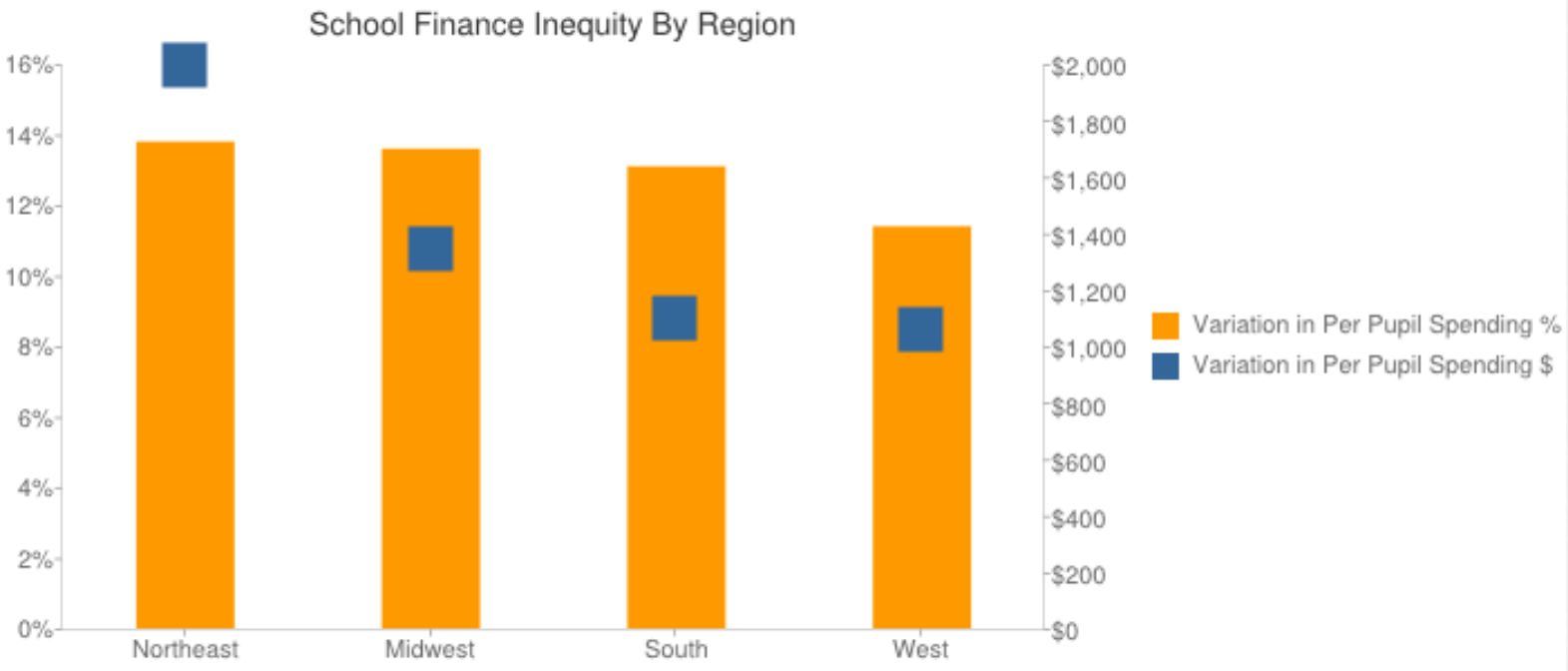
State and Local Funding for Elementary and Secondary Education



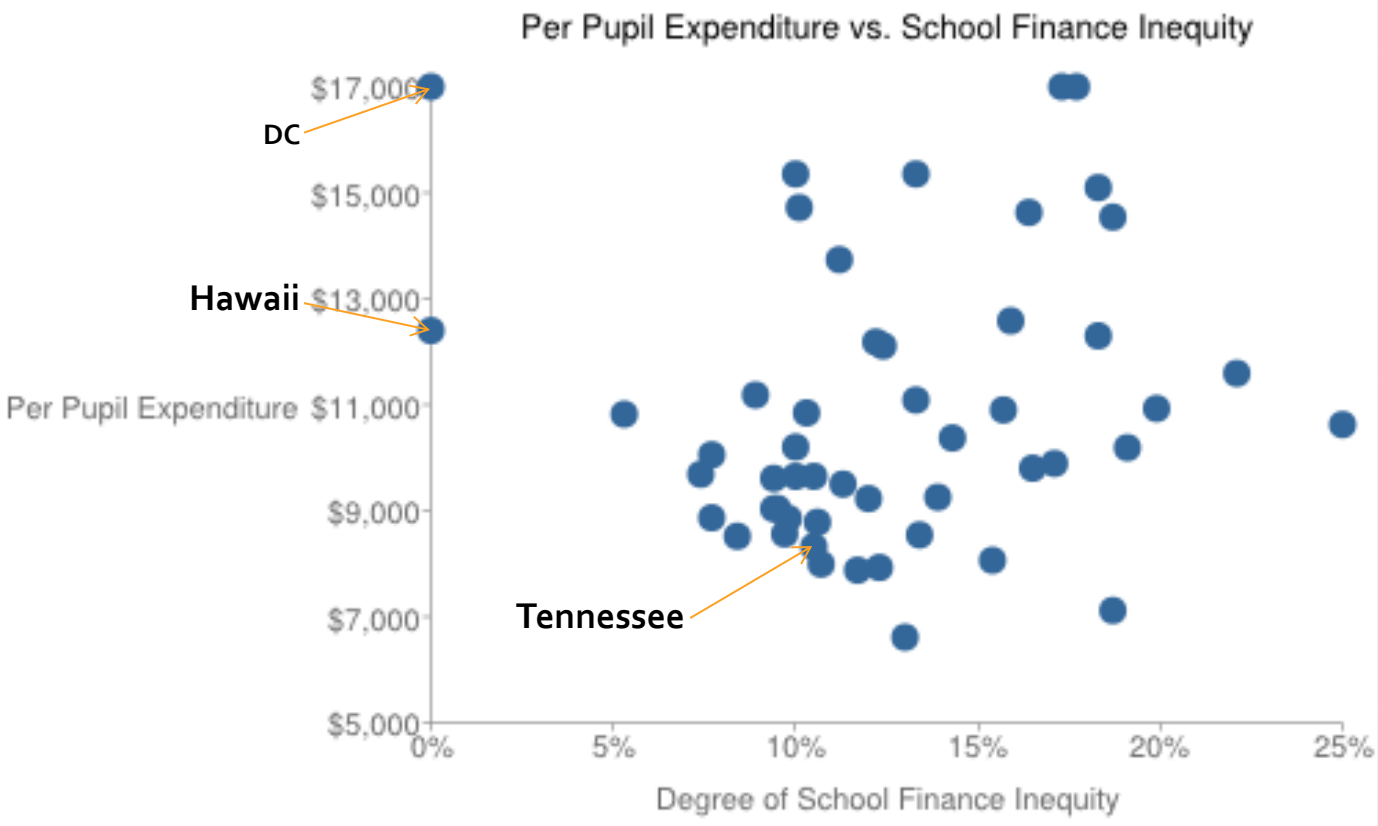
Local Funding for Elementary and Secondary Education

- Nationally, property taxes support most of the funding that local government provides for education.
- The ability to raise revenue to fund local school districts varies dramatically from place to place.

School Finance Equity



School Finance Equity



Note: Most of this information to this point in the presentation and all of the preceding charts were drawn from the Federal Education Budget Project, a non-partisan source of information about federal education funding whose goal is to help heighten the quality of debate on federal education funding and to support development of fiscally responsible proposals to improve federal support for education. http://febp.newamerica.net/about

Tennessee's constitution makes funding public schools the General Assembly's responsibility.

"The state of Tennessee recognizes the inherent value of education and encourages its support. The General Assembly shall provide for the maintenance, support and eligibility standards of a system of free public schools."

Article IX, Section 12

"The constitution . . . imposes upon the General Assembly the obligation to maintain and support a system of free public schools that affords ***substantially equal educational opportunities to all students***."

Tennessee Small Sch. Sys. v. McWherter (1993)

Funding public schools in Tennessee is *the General Assembly's responsibility.*

- "The means whereby this obligation is accomplished, is a legislative prerogative.
- "The system may include the imposition of funding and management responsibilities upon counties, municipalities, and school districts, within their respective constitutional powers.
- "However, the constitution does not permit the indifference or inability of those state agencies to defeat the constitutional mandate of substantial equality of opportunity."

The BEP and the Financing of K-12 Education

The BEP Formula

- determines the amount required to fully fund the BEP based on more than forty components.
- divides responsibility for funding the formula:
  - Instructional costs: 70% state; 30% local
  - Other classroom costs: 75% state; 25% local
  - Non-classroom costs: 50% state; 50% local

The BEP Formula
State Funding Sources

- #1 Source: State Sales Tax

- Lesser Sources:
  - Cigarette Tax
  - Mixed Drink Tax
  - Litigation Privilege Tax

The BEP Formula
Local Funding Sources

- Property Taxes
- Sales Taxes
- Lesser Sources:
  - Wheel Taxes
  - Local Share of Mixed Drink Tax
  - Other State-shared Taxes
  - TVA Payments in Lieu of Taxes

The BEP Formula
Local Funding Sources

- Counties must share all local revenue raised for schools.
- Cities and special school districts must raise additional revenue and are not required to share it.

The Financing of K-12 Education

The General Assembly alone is responsible for meeting Tennessee's constitutional requirement to afford "substantially equal educational opportunities to all students," including ensuring equity between and among cities and counties.