

# Equity wars over funding education

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The move to change the way Tennessee funds local school districts continues, although on a path that could yield devastating results for the majority of Tennessee communities. In the past, pressure for change has come primarily from small, rural systems; today, it is the state's largest metro areas pushing the hardest.

Among the reasons cited is that the largest cities have a greater number of students who cost more to educate – those who are poor, and those who speak languages other than English at home. Accordingly, these concerns were incorporated into proposed revisions to Tennessee's formula for education funding.

On Nov. 1, the BEP Review Committee issued the following recommendations in its 2005 report, several of which directly address urban concerns:

- Increase funding for English Language Learners (students for whom English is a second language);
- Increase funding for at-risk students (those who are economically disadvantaged)
- Eliminate the cost differential factor (average wages for a region);
- Increase the state's share of salary payments from 65 percent to 75 percent (although they do not pay 75 percent of all teacher salaries, just a minimum number); and
- Shift from a county-level fiscal capacity index to a system-level fiscal capacity index.

On the surface, most seem like positive recommendations, but the flaw is in how fiscal capacity is calculated. Included in the formula are such variables as shared and unshared property taxes, shared and unshared sales taxes, tax exportability for cities and counties, median household income, and child poverty rates. Shared vs. unshared revenue constitutes a particular problem for cities in this formula, as the additional taxes paid by city residents in cities that support a municipal school system count toward an increased ability to pay, rather than concluding that those residents are already paying more than most.

The most glaring problem with this formula, and the reason it harms many school districts, is that neither tax rates, nor the percentage of local property taxes devoted to education, are considered. Property tax rates – not just value – along with the percentage of such devoted to education, are key to evaluating the fairness of cost-sharing by the state, because they are the most accurate indicator of the burden borne by residents.

Thus, no credit is given local governments who are already shouldering local responsibility for quality education systems in their communities. Cities that support municipal school systems are hit doubly hard due to the shared/unshared revenue components of the formula.

Although the BEP Review Committee's recommendation includes a "hold harmless" clause, the phrase is grossly misleading. "Hold harmless" simply means that no school system would receive less than in the previous year, but without increases to accommodate growth in enrollment, salaries, benefits, heating, fuel, and other costs that continue to rise each year. As a result, local governments would have to absorb these costs through local taxes, or be forced to cut deeply from the schools' budgets.

For 20 years, Tennessee has struggled with measures to fairly fund school systems across the state, beginning with the Basic Education Program (BEP) formula implemented in 1992 through passage of the Educational Improvement Act. Changes have resulted over the years in response to lawsuits from the small school systems, most recently based on teacher pay equity.

This year, the state's largest school systems have joined forces to gain a greater share of education funding, and there have been rumors of a potential lawsuit from that sector. Sandwiched between the two are the midsize, mostly municipal school systems – not coincidentally, those who are consistently among the state's highest performers in every measure.

Education in Tennessee must improve in every district, but crippling the state's best performing districts will not achieve that goal. Penalizing the communities that voluntarily shoulder more responsibility serves only to undermine the objective of statewide improvement.

So long as Tennessee addresses education funding by simply moving dollars from one district to another (usually due to lawsuit or threat of such), the state will fail to make meaningful improvement as a whole.

By punishing communities that support education through higher rates of local investment and rewarding those that do not, Tennessee would indeed ensure failure going forward.