

POLICY PILLARS

SUPPORTING WHAT WORKS

Tennessee Investment in Student Achievement: Prioritizing Student-Centered Funding

The Tennessee Investment in Student Achievement modernized the state's K-12 education funding formula to focus on individual student need and established a foundation of education finance that supports all students to succeed in school, careers, and life.

Understanding the Policy

The Tennessee Investment in Student Achievement (TISA) is the formula the state uses to calculate K-12 education funding for school districts. The historic passage of the TISA legislation in 2022 ushered in a recurring \$1 billion additional investment in Tennessee's K-12 public education system and

a new student-based funding model. Under TISA, each student generates funding based on their unique characteristics across four categories: **base, weights, direct funding, and outcome bonuses.**

Understanding TISA: A Student-Driven Formula

OUTCOME BONUSES

A weighted bonus (10%) awarded to districts when students achieve specific success targets, with larger bonuses (20%) for English learners, economically disadvantaged students, and students with disabilities who achieve those targets.

Outcome bonuses incentivize district performance.

DIRECT FUNDING

A set dollar amount generated for students in grades K-3, rising fourth graders not proficient on third-grade English language arts (ELA) TCAP, charter school students, students in career and technical education (CTE) programs, and high schoolers taking the ACT.

Direct funding reflects key state and district priorities.

WEIGHTS

Weights for the following student groups: economically disadvantaged (25%), concentrated poverty (5%), residing in a sparse district (5%), residing in a small district (5%), special education (15-150%), characteristics of dyslexia (20%), and English learners (20-70%).

Weights are a multiplier on the base to account for unique student needs.

BASE FUNDING

All students generate a base funding amount. The General Assembly is authorized to restrict a portion of the base each year to be used for existing educator salary increases.

Base funding is generated by all students to ensure a baseline across the state.

Notes: Average Daily Membership (ADM) is the basis by which TISA funds are generated through the base, weights, and some direct funding components. ADM considers a student's enrollment and daily class assignment throughout the year, rather than using a raw number of students. Raw student counts are used to generate some direct funding components and outcome bonuses. TISA funding is subject to General Assembly appropriations and is specified in the TISA guide each year.

Source: Tennessee Department of Education (TDOE) TISA Guide: 2024-25 School Year

TISA in Action: Students Generate Funding According to Their Unique Characteristics



Student A is in eighth grade, economically disadvantaged (ED), enrolled full time in a small district, and demonstrates characteristics of dyslexia.

Base Funding	\$7,075
Small District Weight	\$353.75 (5%)
ED Weight	\$1,768.75 (25%)
Characteristics of Dyslexia Weight	\$1,415 (20%)
Total Student A TISA-Generated Funding	\$10,612.50



Student B is in fourth grade, was not proficient on the English language arts section of the third-grade TCAP assessment, and is enrolled full time in a Title I eligible school.

Base Funding	\$7,075
Concentrated Poverty Weight	\$353.75 (5%)
Direct Funding for Not Scoring Proficient on Grade 3 ELA TCAP	\$500
Total Student B TISA-Generated Funding	\$7,928.75

Note: Base and direct funding amounts are subject to General Assembly appropriations and may vary year to year. These examples were calculated using the TISA guide amounts for the 2024-25 school year. Funding amounts in this table do not include local funding beyond the required local contribution.

Source: TDOE TISA Guide: 2024-25 School Year

State and local communities share the responsibility for funding two of TISA's components, the base and weights. The state covers 70% of the total funding and locals cover the remaining 30%, collectively. The exact split of state and local funding differs by district, with each county's fiscal capacity, or ability to pay, determining its required local

contribution. Local communities can, and often do, provide additional funding beyond the required local contribution. Local communities are also required to maintain their overall level of education funding year to year (a requirement known as "maintenance of effort"). The state covers 100% of direct funding and outcome bonus components.

TISA Generated Over \$8.6 Billion in K-12 Education Funding in the 2023-24 School Year

TISA Funding Categories	State	Local
Base	\$4.54 billion	\$1.95 billion
Weights	\$1.16 billion	\$498 million
Direct Funding	\$432 million	N/A
Outcome Bonuses	\$80 million	N/A
Total	\$6.21 billion	\$2.45 billion

Source: Tennessee Comptroller of the Treasury, TISA Funding 2023-2024 Overview

Other important components of TISA include:

- **Support for educator salaries:** Authority for the General Assembly to set aside a portion of base funding increases for improving existing educator salaries.
- **Expenditure reporting:** District reporting requirements to increase transparency and allow policymakers, voters, and families to better understand education investments and subsequent student impacts.
- **Professional development:** Access to training for school, district, and state leaders to increase understanding of TISA and share strategies for leveraging investments to increase student achievement.
- **Streamlined funding:** Clearer parameters for pass-through of funds from districts to public charter schools.
- **Safety net:** A provision to ensure no district experiences a decline of more than 5% in total TISA allocations between fiscal years.

TISA increased funding for students with the state's recurring \$1 billion additional investment, ensured that resources are targeted based on student need through weights and direct funding, and prioritized career and postsecondary readiness with CTE direct funding and incentives for student outcomes.¹

With these funding strategies, TISA ensures that Tennessee's education finance system reflects the state's students and its educational priorities.

Why Is the Policy Needed?

Prior to the adoption of TISA, the basic structure of Tennessee's K-12 funding formula had been in place for 30 years, leaving the state with an outdated formula. That formula, known as the Basic Education Program (BEP), generated education funding for districts based primarily on a long list of specific resources and their estimated costs — not on student needs. The BEP created an array of challenges for education finance in Tennessee.

1. **The BEP formula was complex and lacked transparency.** The BEP's calculation was based on 46 formula components, making it difficult to understand how state and local funding was generated or how that funding aligned to student need.² Tennessee needed a transparent funding formula so stakeholders could better connect how investments translate to student outcomes.
2. **Student need was not a central focus.** The BEP failed to capture individual student needs. Students in historically underserved groups experienced a range of

challenges, reflected through the state's persistent gaps in achievement.³ Tennessee needed a funding formula that acknowledged the diverse set of needs that must be addressed to advance student growth and achievement.

3. **Tennessee was trailing the nation in education funding.** Despite routine increases, in the final years of the BEP Tennessee ranked in the bottom 10 states nationally and the third lowest in the Southeast in education finance spending.⁴ The results of a 2021 poll conducted by the State Collaborative on Reforming Education (SCORE) were clear — an overwhelming majority of Tennessee voters and parents wanted more funding for public schools.⁵ Tennessee needed a greater investment in its K-12 system to advance student outcomes.
4. **The BEP formula did not reflect current Tennessee context.** The BEP was created at a time when only one-fifth of U.S. jobs required a college degree.⁶ Today, more than half of jobs in Tennessee require some type of postsecondary credential beyond a high school diploma.⁷ Tennessee needed explicit funding for college and career readiness to reflect the demands and realities of the state's education system and economy.

The BEP's challenges needed to be addressed. It was time to reimagine Tennessee's K-12 education finance system and learn from the research demonstrating that increased education funding can significantly improve academic achievement and life outcomes, particularly for students from low-income backgrounds.¹⁰ Guided by this research, as well as community feedback gathered through a robust stakeholder engagement process led by the Tennessee Department of Education (TDOE), **Tennessee made a recurring \$1 billion additional investment in state K-12 funding and passed the TISA legislation with bipartisan support in May of 2022.**⁹

TISA marked a historic shift in how Tennessee funds its public education system. The formula is not only more transparent and aligned to student need with its weights and direct funding structures, but it also improves funding overall. Further, TISA directly supports practices linked to improving student outcomes and career readiness through its direct funding and outcome bonus components. **TISA modernized education finance in Tennessee, setting students up to receive the support they need to realize success in school, career, and life.**

What Is the Impact?

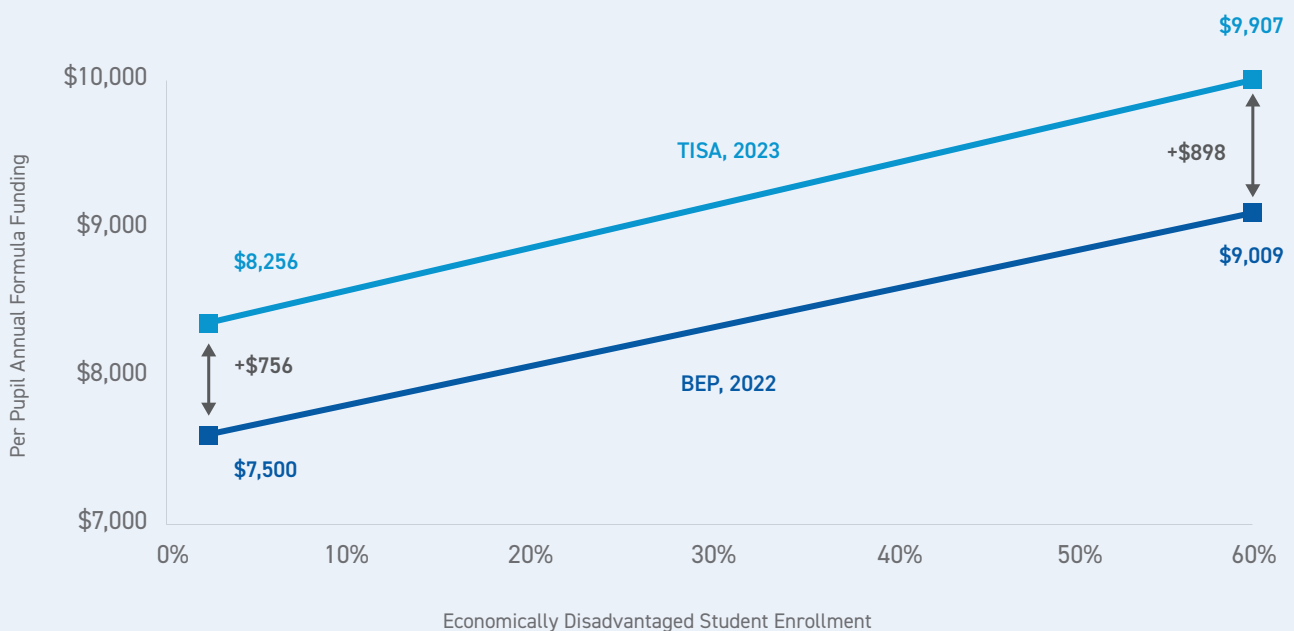
Education finance is the foundational policy that provides districts and schools with the resources for instruction, intervention, and strategic staffing. As such, a key impact of TISA is ensuring the foundation of Tennessee's K-12 education finance system is student need, thereby establishing a student-centered mindset that can permeate all other work in districts and schools.

While it is too early to draw explicit ties between TISA and shifts in student outcomes (TISA's first year of allocations was the 2023-24 school year), it is possible to examine funding data and stakeholder perceptions of TISA implementation to understand its initial impact.

Funding Levels

TISA advances school finance in Tennessee in two key ways: Increasing the overall amount of funding and making funding more driven by student need. On average, data projections estimate that districts received nearly \$900 more per pupil under TISA than under the BEP, and districts serving a higher proportion of economically disadvantaged students experienced the largest gains.¹⁰ As such, TISA increased the portion of state funding allocations driven by student need.

TISA Increased Overall Funding and Made Dollars More Driven by Student Need



Tennessee per pupil annual district funding under BEP 2022-2023 and TISA 2023-2024 (projected) by 2022-2023 economically disadvantaged student enrollment.

Note: This analysis is not inclusive of the Achievement School District, the Tennessee Public Charter School Commission, the Department of Children's Services Education Division, Carroll County, the Alvin C. York Institute, the Tennessee School for the Deaf, the West Tennessee School for the Deaf, and the Tennessee School for the Blind.

Source: TDOE district-level profile data downloads, 2023; Sycamore Institute, 2022.

Implementation Perceptions

To better understand the perceptions of TISA implementation, SCORE spoke with several state and district leaders — including both urban and rural perspectives — across the

state's three grand divisions. These conversations elevated the positive impact of TISA, as well as opportunities to advance its impact in the future.

Reflections on TISA Impact	
Highlights	Opportunities for Advancement
A culture of data-driven decision-making developed.	Additional support for data inputs and systems is needed.
K-12 education funding became more transparent and straightforward.	Expenditure reporting remains a work in progress.
COVID-era initiatives that showed a positive impact could be sustained.	Innovative TISA components have unmet potential.
Local empowerment and accountability increased.	Rethinking local budgeting strategies is a next step to advance student outcomes.

Highlights

A culture of data-driven decision-making developed. The student-level inputs that drive TISA funding mean that data play a more consistent role in day-to-day work than ever before. For example, district leaders reported that, across their staff, TISA spurred the development of better processes for inputting student data. Additionally, district leaders emphasized that outcome bonuses explicitly link student performance to funding, driving academic investments to improve learning and motivating educators and school leaders to monitor student outcomes even more closely. All these shifts create a culture of data-driven decision-making with consistent conversations about student-level data across teams.

“Our goal is to never meet without an action step to come out of the data. The district is asking: ‘How can we invest and see the impact?’”
— District Leader

“We’ve seen historic engagement from district leaders with their data as it relates to school funding, which is a huge win for all students to make sure we’re meeting their needs.”
— State Leader

K-12 education funding became more transparent and straightforward. State and district leaders elevated simplicity and transparency as positive characteristics of

TISA. Understanding state allocations, local contributions, and the inputs that inform those amounts is much easier to grasp under TISA. Further, district leaders noted that allocation estimates are coming earlier with TISA than they did under the BEP, which facilitates advanced planning.

“On the funding side, TISA is a lot easier to understand. BEP was more complex, and TISA simplified it.”
— District Leader

COVID-era initiatives that showed a positive impact could be sustained. District leaders noted the timing of TISA's investment allows them to sustain initiatives that worked, many of which were originally piloted using federal ESSER COVID-19 recovery funds. As the ESSER funds wind down, districts across the country are preparing to adjust to a significantly different budget outlook. TISA's historic investment means that districts in Tennessee can strategically choose to continue supporting the ESSER-funded initiatives that had the biggest positive impact for students.

“We were able to sustain those ESSER initiatives we thought were most worthwhile. [TISA] allowed us to embed these initiatives into a sustainable model.”
— District Leader

Local empowerment and accountability increased. The state's K-12 funding formula has never been a prescriptive spending plan. However, state and district leaders expressed that shifting from the resource-centered BEP to the student-centered TISA formula gives local communities more freedom to allocate dollars strategically based on student need. For many districts, this freedom led to an increased investment in people through coaching and professional development. Simultaneously, the new district reporting requirements introduce a mechanism to evaluate how budgeting choices impact students and a common foundation for discussions about return on investment across districts. With increased resources to enable change, flexibility on how to spend those resources, and mechanisms to evaluate the result of those decisions, TISA has many of the components in place needed for strong leaders to drive meaningful improvement.

“TISA provides additional local flexibilities on how to spend funding, a great emphasis on connecting dollars directly to data, and transparency for the public to see how the money is being used.”

— State Leader

“The one thing that has been really beneficial is that we can really look at what we need and spend money there. We’re trying to be strategic about the data we’re looking at and making funding decisions based off of it.”

— District Leader

Opportunities for Advancement

Additional support for data inputs and systems is needed.

Though there were many trainings, conferences, and meetings to discuss TISA, there remained a steep learning curve for the data coding and systems that feed into TISA. Districts, schools, and staff experienced several rounds of trial and error while adjusting to how student-level data feeds into TISA. Additionally, district leaders noted that the introduction of a new data management system (TN PULSE) during TISA implementation created another learning hurdle. These challenges were especially prominent in smaller districts without dedicated staff for data-specific roles. Streamlined data procedures and additional training on data systems would allow TISA processes that rely on data inputs to unfold more smoothly.

“We had such a hard time at the beginning understanding where our data was coming from. We need better procedures. We know the weights, but where do I go to make sure these students are being coded correctly?”

— District Leader

“Make sure you have the folks in place to make sure the data is correct.”

— District Leader

Expenditure reporting remains a work in progress. State leaders expressed that an important next step with TISA implementation is norming on how districts should track and categorize expenditures for reporting requirements, which will begin in the 2024-25 school year. Districts also reflected on how expenditure reporting for TISA emphasizes the importance of understanding how investments drive student improvement and learning from each other's successes to scale effective practices. Moving forward, clear communication about processes for expenditure reporting will be critical so that reported information is actionable for the state and its districts.

“You have to be willing and ready to talk about where the successes come from. We’ve tried hard to make sure our community’s voices are heard and to show our community where we are being successful.”

— District Leader

Innovative TISA components have unmet potential. District leaders elevated the CTE direct funding and outcome bonuses as innovative TISA components. District leaders recognize the potential of CTE funding levels to encourage more intentionality around the quality of offerings and their alignment to career pathways. Though there are state plans for CTE programs to be funded at different levels based on alignment to high-wage, in-demand, high-skill careers, those funding levels have not yet been released. Subsequently the potential impact has not been realized. For outcome bonuses, some districts shared their uncertainty of how much they would receive or the best strategy for spending those dollars once awarded. Districts could benefit from guidance on how to plan, develop strategies, and innovate for future improvement with outcome bonuses. More time, information, and support are needed for districts to realize the promise of these two components.

“Defining good CTE instruction will be an ultimate game changer.”

— District Leader

Rethinking local budgeting strategies is a next step to advance student outcomes.

The state's adoption of a student-centered funding formula is sparking some districts to consider new strategic budgeting plans that could help ensure investments meet the needs of their communities and students. For example, some larger districts are considering shifting budgeting practices for their schools

to be student-based (similar to the state’s formula) and preparing school leaders to make major expenditure decisions. Other districts are exploring new budgeting practices for staffing to innovate and meet school-specific needs, given that staffing is the largest category of school spending. These potential changes require districts to consider how to engage a broader range of stakeholders in budgeting conversations to ensure responsiveness to their unique contexts.

“Principals and school leaders are going to become bigger players in building their budgets at the school level.”

– District Leader

Looking Forward

TISA ensures that Tennessee is driving K-12 education finance based on what matters most: students. TISA increases overall funding and provides funding based on student need through its base and weights. The formula’s direct funding and outcome bonuses prioritize student preparation for success in K-12, postsecondary, and careers. With the foundation of a student-centered funding formula in place, the state is prepared to fund the strategies making a difference for student success.

Tennessee should remain committed to the TISA funding formula as a foundational policy that supports improved student success and ensures that investments contribute to the advancement of learning outcomes. In the years ahead, key next steps will be to maximize the potential of innovative TISA components (such as CTE direct funding and outcome bonuses), increase clarity and guidance around data systems and expenditure reporting, and engage more stakeholders to develop strategic budgeting approaches that respond to unique district and school needs. These strategies for supporting and strengthening TISA implementation will ensure the funding formula continues to further Tennessee’s goal of equipping students for lifelong success.

¹ Tennessee Public Chapter 966, 112th General Assembly (2022).

² Wesson, Linda. *Comparing TISA to BEP: What’s Changing and What’s Not*. Office of Research and Education Accountability, Tennessee Comptroller of the Treasury. (March 2023).

³ SCORE Report. *Funding For Learning: An Analysis Of K-12 Education Finance In Tennessee*. Tennessee SCORE. (2021).

⁴ Edweek Research Center. “State Grades on School Finance: 2021 Map and Rankings.” *EducationWeek*. (June 2021).

⁵ Blizzard, Robert, and Jamie Wadovick Gentle. *Tennessee Poll Data Memorandum*. Public Opinion Strategies. (September 2021).

⁶ Shelley, Kristina J. “The Future of Jobs for College Graduates.” *Monthly Labor Review*. (July 1992).

⁷ Carnevale, Anthony P, Nicole Smith, Martin Van Der Werf, and Michael C. Quinn. *After Everything: Projections of Jobs, Education, and Training Requirements through 2031*. Georgetown Center on Education and the Workforce. (November 2023).

⁸ Candelaria, Christopher A., and Kenneth Shores. *Court-Ordered Finance Reforms in the Adequacy Era: Heterogeneous Causal Effects and Sensitivity*. Education Finance and Policy (2019); Lafortune, Julien, Jesse Rothstein, and Diane Whitmore Schanzenbach. *School Finance Reform and the Distribution of Student Achievement*. American Economic Association (2018); Jackson, Kirabo C., Rucker C. Johnson, and Claudia Persico. “The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms.” *The Quarterly Journal of Economics* (2016); Rothstein, Jesse and Diane Whitmore Schanzenbach. “Does Money Still Matter? Attainment and Earnings Effects of Post 1990 School Finance Reforms.” *Journal of Labor Economics* (2022).

⁹ Tennessee Public Chapter 966, 112th General Assembly (2022).

¹⁰ *Data Downloads & Requests, Profile Data Files*. Tennessee Department of Education. (2023); Sycamore Institute. (2022).