

Modernizing Education Funding To Support Every Tennessee Student

Over the last decade, Tennessee leaders have implemented strategies grounded in the conviction that setting high expectations for all students, measuring progress, and holding adults accountable can improve student success.¹ Indeed, Tennessee has made great strides in student achievement, rising from one of the lowest-performing states on the National Assessment of Educational Progress to reach the national average in less than a decade, with high standards, assessment, and accountability.²

Yet, the achievement measures from state assessment paint a grim picture, where almost three-fourths of students are not well prepared for success after high school in colleges and careers. For every student who meets the state's grade-level expectations (28 percent), there are nearly three who do not (72 percent).³ The state is doing a particularly poor job for long underserved student groups – economically disadvantaged students, students who are Black or Hispanic, students learning English, and students with disabilities – whose proficiency rates are less than half the statewide average of 28 percent. When Tennessee introduced its school funding scheme 30 years ago, only 20 percent of jobs required more than a high school diploma, but the state economy can no longer thrive with a low-skills workforce.

Tennessee urgently needs to accelerate learning and close longstanding achievement gaps for students, and the state must modernize its K-12 education funding formula to drive faster academic growth and better student preparedness.

After more than a year of research that examined the history of Tennessee's Basic Education Program (BEP) and its impact on student learning, analyzed education finance policies in other states, and engaged with state stakeholders and national experts, SCORE offers four recommendations for creating a stronger funding formula with individual student needs at the center:

Student weighted: Create a new funding formula that funds students, not a list of school resources. To better meet student learning needs, the funding should be weighted to provide more support to the students who most need it. There should be weights to provide additional funds to educate students who are economically disadvantaged, in special education (including gifted programs), learning English, or who live in communities with sparse population or concentrated poverty. These weights should be used to distribute funding to all public schools, including charter schools.

More transparent: Require greater transparency on expenditures at the school and district level so that policymakers, voters, and parents can better understand – and hold local and state leaders responsible for – education investment decisions.

Larger investment: Increase recurring state investment in Tennessee public schools, with substantially more funding directed to students with significant needs.

Clearer local contributions: Solve longstanding questions and concerns regarding local fiscal capacity, or the local ability to support education. The local fiscal capacity approach should be more transparent, calculate capacity at the district (not county) level, and move to an absolute fiscal capacity approach.

These recommendations build on the four funding reform principles outlined in *Funding For Learning*, our companion 2021 report: driven by student need, flexibility and responsibility, transparency and predictability, and modernization. If Tennessee provides more education resources and uses them more effectively, there's no end to what our students can achieve. If Tennessee can double proficiency rates in math and English language arts, our students will rank among the best in the nation and the state's economic future will be secure.

Recommendations For Tennessee Education Funding Reform

RECOMMENDATION 1: Create a new funding formula that funds students, not a list of school resources. To better meet student learning needs, the funding should be weighted to provide more support to the students who most need it. There should be weights to provide additional funds to educate students who are economically disadvantaged, in special education (including gifted programs), learning English, or who live in communities with sparse population or concentrated poverty. These weights should be used to distribute funding to all public schools, including charter schools.

Tennessee's BEP is a resource-based funding formula that specifies the things needed for a basic education and distributes state money to local school districts based on enrollment. A SCORE analysis finds that just 15 percent of the BEP formula would be considered driven by student needs.⁴ Tennessee is one of only eight states still using this model. By contrast, a student-weighted funding formula provides state dollars based on individual student needs that includes a base funding amount plus additional funding based on student characteristics.⁵ A student-weighted formula is a simpler and fairer way to distribute funds according to students' unique learning needs and does not rely on a list of resources that becomes quickly outdated as education, technology, and the economy continually evolve. These weights should be grounded in research and Tennessee's unique context.

» **Prioritized set of weights:** Because of the unique educational needs of Tennessee's students and their schools as well as the state's wide achievement gaps between student groups, a new student-weighted funding formula should focus additional investment on students who need more support in their public schools to meet the state's academic standards. SCORE's analysis of weights and weight strengths from state formulas across the country reveal a range of current practice and options.⁶ A limited and prioritized set of weights will improve transparency and structure the formula around proven student need.

» **Stronger weights:** To ensure that the formula truly is driven by student need, SCORE recommends Tennessee adopt six weights, with weight strengths

that meet or exceed the higher range of the benchmarks in the following table. The weights should be cumulative for students who belong to more than one category. While a base funding amount reflects resources that should be provided for all students, such as curriculum and classroom supplies, student weights direct additional funding beyond the base amount to adequately support the learning needs of particular student groups. As an example:

- » A weight of 0.5 would add 50 percent to the base funding amount to address the needs of students in that group.
- » With a base funding amount of \$8,000 and a weight of 0.5 for an economically disadvantaged student, the funding formula would provide \$12,000 for that student.
- » A student who is both rural and economically disadvantaged is funded at a higher level than a student who is just economically disadvantaged.

As Tennesseans continue to consider education funding reform, new proposals may seek to address other challenges with additional weights, but we would caution that each new weight will lessen the impact of these six priority weights. SCORE prioritized the six weights in the table with two considerations in mind:

- » The weight must enhance support for students with the greatest needs.
- » The weight must work with other elements of the funding formula, including local fiscal capacity, to ensure that more resources go to students with greater needs.

Tennessee should not consider weights that do not meet those guidelines.

WEIGHT	RATIONALE	BENCHMARKED WEIGHT STRENGTHS
STUDENT CHARACTERISTICS		
ECONOMIC DISADVANTAGE	Long-term state trends in academic achievement, graduation, and postsecondary credential attainment show that current funding levels are not meeting the learning needs of students with these characteristics. The economic disadvantage and English learner weights should use existing definitions in state policy. Special education funding should offer multiple tiers of support that reflect the broad range of needs, including for gifted students as outlined in state policy.	0.2–0.3
ENGLISH LEARNER		0.5–0.7
SPECIAL EDUCATION		0.15–4.0
SCHOOL AND DISTRICT CHARACTERISTICS		
POPULATION SPARSITY (RURAL COMMUNITY)	Rural students attend schools with unique challenges in teacher recruitment and retention, infrastructure gaps, and geographic isolation. Accounting for these unique needs through population sparsity weight – defined as the number of students per square mile in a district – focuses on long-established community characteristics unlikely to change rather than school or district enrollment.	0.2–0.5
CONCENTRATED POVERTY	Living in communities with high rates of poverty compounds student needs. Research shows that concentrated poverty results in fewer educational supports, limited economic opportunity, and poorer health. A concentrated poverty weight could support additional academic and nonacademic supports to help address these challenges to support students in meeting state expectations, such as tutoring, wraparound services, and college and career preparation. Additionally, the weight will help schools and districts surmount challenges that directly impact student achievement and are amplified by concentrated poverty, such as difficulty in attracting highly effective teachers. ⁷	0.5–1.0
CHARTER SCHOOLS	Public charter schools overwhelmingly serve economically disadvantaged students and students of color, including students with diverse learning needs, yet receive funding based on average enrollment of their home district instead of student need. They also receive less local support for capital needs, including facilities, than traditional public schools. Charter schools should receive funding that matches the students they serve and that accounts for facility needs.	Tennessee would lead the country in supporting students in this way.

RECOMMENDATION 2: Require greater transparency for school and district expenditures so that policymakers, voters, and parents can better understand education investment decisions – and better hold local and state leaders accountable for those decisions.

As a fiscally conservative state, Tennessee is reluctant to address any problem simply by throwing money at it. Until recently, there was mixed evidence that increased education spending was correlated to improved student achievement. But recent research shows that **increased spending that is targeted to support the learning of students with greater needs can improve their academic achievement.**⁸ That makes sense intuitively, as well, because we know that some students need more support to meet grade-level expectations and understand that extra support requires extra funding. Tennessee should do as it has previously and lean into evidence-supported strategies. But Tennessee also must, as it has previously, tie increased education investment to transparent reporting that tracks the use and impact of the additional resources and fosters greater accountability for the spending decision-makers.

Tennessee has made substantial progress to improve its accountability systems to highlight improvements and focus on gaps in key student outcomes – particularly for students from historically underserved groups. With the return to a reliable annual assessment of student learning, the state soon will again have student outcome data to help clearly evaluate the impact of its investments.

While the state collects some school and district expenditure information, it is not accessible to or easily understood by most stakeholders. Tennessee should develop nationally leading practices on expenditure reporting that improve public confidence in education investments through:

- » **Better information about school and district spending.** School-level per-pupil expenditure information should be published annually in a report that separates state, local, and federal funding as well as district and school funding per pupil. This reporting also should illustrate trends over time and provide the ability to compare similar schools and districts. The reporting should be modeled on the practices of national leaders in expenditure transparency, such as Illinois and Arkansas.⁹

- » **Details on spending for academic improvement.**

Information should be published regarding how districts and schools are investing in key resources to improve the student experience in categories such as teacher quality, rigorous content (college and career preparation coursework), curriculum, and instructional time and attention.¹⁰ Individuals should be able to access this information alongside per-pupil expenditure, student demographic, and student achievement data.

- » **Annual analysis of spending patterns, state investment impact.**

A rigorous, annual statewide analysis should report how well the state funding formula targets funds toward high-need districts and how schools use those funds to support students with greater needs. With state support and coordination, districts should invest in additional analytical and reporting capacity to better connect spending trends with their impact on student learning.

This increased transparency should be paired with additional improvements in financial management such as student- and school-based budgeting practices that empower school and district leaders to better target resources to students with greater learning needs.

RECOMMENDATION 3: Increase recurring state investment in Tennessee public schools, with substantially more funding directed to students with more significant needs.

Tennessee falls short not only in **how** it funds education but also in **how much** it funds students. Tennessee has steadily invested in education for three decades, yet the statewide average per-pupil expenditure (\$10,100) is among the lowest in the country and far below the national average (\$13,300).¹¹ The state also ranks low in pay for teachers even though great teaching is the greatest driver in schools of higher student achievement.¹² Key education priorities – such as the recruitment and retention of a highly effective and diverse teacher workforce – cannot be achieved without this additional support.

- » **Stronger investment for all:** Tennessee should develop a multiyear strategy that will bring per-pupil spending closer to the national average. The state should begin with an additional recurring

investment of at least \$1 billion. The state also must establish a limited, time-bound hold-harmless period to help districts transition to a new formula that allocates funding based on student need. Combining this investment with the two previous recommendations will ensure that new dollars are spent on the students who most need more investment and that appropriate transparency is in place regarding how the resources are used.

- » **Greater success for students with greater needs:** State policy on local education funding will interact with the design of the state's student-weighted funding formula – the included weights, weight strengths, and base student funding level. Tennessee should ensure that the funding reform policies and the new formula:
 - » **Alleviate the discrepancies driven by community differences in local ability to support education.**
 - » **Sustain funding level increases for Tennessee public schools – both for the overall system and for high-need student groups.**
 - » **Accelerate Tennessee toward an education finance system that is rated at least at the national average, matching the state's rating in student achievement.**

To ensure student funding gains do not erode over time, the formula should include appropriate annual inflation adjustments.

RECOMMENDATION 4: Solve longstanding questions and concerns regarding local ability to support education. Tennessee's local fiscal capacity approach should be more transparent, calculate capacity at the district rather than county level, and move to an absolute fiscal capacity approach.

Over the last three decades, Tennessee has attempted to address the issue of differing levels of local resources, but it remains a key barrier to ensuring that all Tennessee students have access to an excellent education. Wealthier communities can and do spend more to cover student needs for counseling and special education, reinforcing disparities that the BEP cannot overcome. While state funding has increased over the last decade and is more responsive to student need,

only some districts have been able to invest additional local resources to hire enough counselors, teachers, and special education teachers.

Tennessee's funding reform effort should focus on resolving some, if not all, key issues with current local funding policies by adopting:

- » **A single fiscal capacity measure.** The use of two fiscal capacity measures – one from the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) and one from the Boyd Center for Business and Economic Research (CBER) – is a rare practice across the country that adds complexity to an already complex formula.
- » **A district-level fiscal capacity measure.** Tennessee's two fiscal capacity measures calculate local ability to support education at the county level instead of the school district level. A district-level determination would better meet the needs of students in counties that have more than one school district.
- » **An absolute fiscal capacity approach.** Almost all districts spend more than the BEP requires, but there is significant variation in local effort. Tennessee should clarify local effort expectations with an absolute fiscal capacity approach that sets a minimum expectation on the percentage of local resources devoted to education with state resources covering the rest. This approach is used in nearly half the country and in most Southern states.¹³

Tennessee's past work to improve the education funding formula focused on local capacity, recognizing that the differences between lower and higher wealth communities to support education drove differences in student opportunity.¹⁴ Even as Tennessee moves toward a student-weighted funding formula that clarifies support for lower- and higher-need students, the state's fiscal capacity approach is the second critical influencer on student opportunity. Both must be addressed simultaneously – particularly when the state has the financial ability to make a wholesale change that is considered best practice around the country. Not doing both amounts to a short-term fix atop a long-term structural challenge.

Other Considerations

The Tennessee Department of Education has surfaced many additional potential ideas about education funding reform. Two suggestions that have generated discussion are:

- » **Performance funding.** Funding that factors in student outcomes has been in place for higher education in Tennessee since 2010 as a strategy to focus institutions on graduating students rather than enrolling them. And while there is no available research in the K-12 context on the effectiveness of performance funding, if Tennessee includes an outcome-based component in the new formula proposal, then the state should:
 - » Incentivize outcomes that indicate preparedness for postsecondary education and the workforce, such as the existing Ready Graduate measure.
 - » Rely on growth measures over time rather than proficiency to ensure schools and districts starting at a lower baseline are not disadvantaged.
 - » Prioritize closing achieving gaps by incentivizing the academic growth of higher-need students, just as the overall formula should focus on higher-need students.
 - » Design performance funding as “bonus” money so the base amount is not impacted.
 - » Create a formal stakeholder review group to examine performance funding each year, identify strengths and weaknesses, and make any necessary recommendations.
- » **Direct funding:** Another option to provide resources to districts is designating several categories of needs for direct funding. Appropriate direct funding investments could include existing funding streams such as career and technical education, consolidated health, and high-dosage tutoring, as a few examples. These direct funding streams should be clearly distinct from recurring funding in annual reporting so that stakeholders can see which investments are new and which investments are repurposed from the state.

Conclusion

If Tennessee provides more education resources and uses them more effectively, there's no end to what our students can achieve. If Tennessee commits to doubling student proficiency in math and English language arts, our students will rank among the best in the nation. A modernized and well-designed education funding formula that targets resources to address student needs will ensure:

- » Every student receives highly effective teaching.
- » Every student has a path to college and career.
- » Every community can support the education of its students.
- » Every Tennessean has confidence in our public schools and the education funding system supporting them.

About SCORE

The State Collaborative on Reforming Education (SCORE) is a nonpartisan nonprofit education policy and advocacy organization based in Nashville, Tennessee. SCORE was founded in 2009 by Senator Bill Frist, MD, former US Senate majority leader, and works to transform education in Tennessee so all students can achieve success in college, career, and life.

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