



Our Response: Principles for a Strong Education Funding Formula

Tennessee's current funding formula, the Basic Education Program (BEP), is overly complex and inflexible to students' ever changing needs. That is why since 2016, TennesseeCAN has advocated for the state to adopt a student-based formula. Tennessee's Funding for Student Success, released by the Tennessee Department of Education on January 11th, 2022, is a positive step in the right direction. Governor Lee has shown great leadership on this issue. Likewise, Commissioner Schwinn and the Department of Education have worked hard to get community input and use that feedback to inform the framework.

This memo provides our initial analysis of the framework and how well it aligns to TennesseeCAN's four principles for a strong education funding formula: adaptability, fairness, flexibility with transparency, and simplicity and predictability:

- **Adaptability.** Education has changed quite a bit since the 1990s, when the BEP locked educators into a cookie-cutter approach that was designed for calculating school revenue, not for encouraging schools to meet the needs of their students in real-time. A formula must be automatically responsive to changes in demographics and costs.
- **Fairness.** Funding should be targeted to districts in accordance with student needs, and district spending decisions should also be guided by students' different levels of need. If one district is given more funds than another district with similar student needs, or conversely if one district is given the same funds as its neighbor yet has greater student needs, then district and school leaders will naturally view the system that finances them as inequitable. If they do not receive equitable resources, then they will struggle to believe in the accountability standards that they share with a similar but better-funded district.
- **Flexibility with Transparency.** While district and school leaders must be empowered with the flexibility to operate and educate in the way that meets the needs of their students and communities, if districts receive adequate funding for all students and for each category of students, then their spending should reflect students' needs. Expenditure reporting should therefore be aligned with student need categories to hold districts accountable for supporting students commensurate with their needs and to hold legislators accountable for funding districts based on the students they serve.
- **Simplicity and Predictability.** A statewide formula dependent on the cost estimate of 45+ different resources leads to an inability for districts to plan long-term. Additionally, the way the BEP calculates local contribution, a change for one county means a change for all counties. The only changes that should predict revenue are changes in student demographics and characteristics. A strong formula will force districts to think of their students first when they submit funding requests.

Measuring Up

Does the framework encourage adaptability? For starters, this framework is not a student-based formula, but a hybrid of a student-based formula and a program-based formula, and directing funding towards programs takes away the adaptability of a funding formula. For example, the Department proposes programmatic funding for the TN ALL Corps to provide tutoring to 4th grade students reading below grade level. We know that fourth grade is too late to target interventions for these students, but under the proposed framework, the funding must reach students for that programmatic purpose, even if it is too late or not effective. In a student-based formula, we can be certain that students with special needs, ELL students, etc. will always need to be served, which is why a truly

student-based formula is superior to a hybrid student/program-based formula, therefore we answer the question “does the framework encourage adaptability?” with a “Not quite.”

Does the framework encourage fairness? We are glad to see that the framework seeks to target funding to districts in accordance with student needs with the Unique Learning Needs weight, and the Poverty and Concentrated Poverty weights. While we hope that the definition of rurality for purposes of the Rural weight changes (i.e. the number of students per square mile is more reliable and meaningful than the federal definition), we are also encouraged by the desire to support rural schools. Yet we are concerned with the College, Career and Technical Education programmatic funding. We know that high schools in general cost much more to operate (i.e., staffing for smaller Advanced Placement classes, opportunities for partnerships at postsecondary institutions, CTE staffing and materials, liability associated with increased after-school opportunities, college-prep experiences and assessments, more demanding graduation requirements, accreditation requirements, etc.), yet the proposed programmatic funding for CTE only does not support these additional costs. In fact, the 14 Tennessee school districts that do not serve students in grades 9-12 will have more dollars to spend on their students considering they are not responsible for those increased costs associated with serving high school students. This leads to an unfair formula that creates inequitable funding between districts that do serve students in grades 9-12 and those who do not. Therefore we answer the question “does the framework encourage fairness?” with a strong “with the exception of high schools, yes.”

Does the framework encourage flexibility with transparency? We are encouraged that the Department will establish a consistent fiscal accountability report, especially as it relates to school-specific spending. The devil will be in the implementation details, but the framework is encouraging in that it keeps the flexibility of BEP but has preliminary plans to ensure spending decisions will be made publicly available. As of now, we can answer the question “does the framework encourage flexibility with transparency?” with a “Yes!”

Does the framework encourage simplicity and predictability? Once again, we are concerned with the program-based growth component. A student-based formula should be simple and predictable enough to true-up in real-time the dollars each district needs to serve students well, without waiting on the legislature to provide those funds one-year later. If a school district is fast-growing, under the BEP they must wait until the following year to receive dollars to support their students. We are unable to answer the question “does the framework encourage simplicity and predictability?” because the fast-growing programmatic funding component leads us to believe that the formula may not be so simple or predictable that the problem associated with fast-growing districts cannot be amended with a simple administrative adjustment or “true-up” by the Department each month.

Our Recommendations

We recommend that Tennessee adopt a truly student-based formula that is adaptable and does not need to change in 20 years even though the needs of our students will most certainly change radically. The framework’s direct-funding, or programmatic funding, should not be a part of the proposed formula because it is not adaptable and because its purposes can be funded in weights.

- The tutoring programmatic funding is proposed to target fourth grade students who leave third grade reading below grade level. Yet fourth grade may be too late for these interventions considering the student should have received intensive, high-dosage, low-ratio tutoring well before third grade. Therefore to change the decision-making behavior of our school leaders we should adopt a weight for students in grades kindergarten through third. It may be a light weight, but nonetheless it is critical that every Tennessee student arrive at their 4th grade desk ready and able to read on (or above!) grade-level. It makes sense for the state to invest in early literacy knowing that we will always have students who need those supports, but it does not make sense for the state to invest in a program that targets supports too late and may look entirely different in 10 years.
- The CTE direct/programmatic funding should be in a high-school weight. It is entirely possible that in 10 years, every high school student will not only require a college-prep course but also a career exploration course that has been refined by a robust CTE program. In fact, the definition of “CTE” may change in 10

years. At that point, unless Tennessee's new formula is truly student-based with no programmatic funding, the legislature will have to change the formula once again.

- The goal of the fast-growing component is admirable, especially considering many districts that are receiving more students each day are struggling to fund services and supports to those students. The solution, though, is not so much direct funding as it is the timing of the funding. The Department should, under a true student-based funding formula, be able to true-up those dollars in real-time so fast-growing districts can serve students in real-time.

We hope that lawmakers and policymakers will keep in mind that there is no perfect formula, only a funding formula that encourages positive change in human decision-making. In other words, the way we currently fund public schools in Tennessee may be the cause that leads to the effects we do not like. It is not just about how much schools are/are not given but also about the mechanism that we use to get dollars to students based on what they need. TennesseeCAN believes that the only formula that will serve our students well is one that is based on their needs, is adaptable, fair, flexible yet transparent, and simple and predictable.