



# State of Tennessee

## PUBLIC CHAPTER NO. 1020

### HOUSE BILL NO. 2574

By Representatives McCormick, Kevin Brooks, Smith, Rogers, Mark White

Substituted for: Senate Bill No. 2565

By Senators Norris, Gardenhire, Gresham, Haile, Bailey, Jackson

AN ACT to amend Tennessee Code Annotated, Title 49, Chapter 3, Part 3, relative to education finances.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 49-3-307, is amended by deleting the section in its entirety and substituting instead:

(a) Notwithstanding § 49-1-302, § 49-3-351, or any other law or rule to the contrary, effective with fiscal year 2016-2017, the Tennessee basic education program (BEP) shall be calculated using the following criteria:

(1)

(A)

(i) BEP appropriations to LEAs for the 2015-2016 school year, plus appropriations to LEAs generated for increases in the dollar value of instructional components based on the 2015-2016 school year shall constitute a minimum level of funding; however, any LEA on stability funding during the 2015-2016 school year shall have its minimum level of funding adjusted to reflect decreases in enrollment experienced in the 2014-2015 school year; and

(ii) Beginning with the 2017-2018 school year, the minimum level of funding identified pursuant to subdivision (a)(1)(A)(i) shall be adjusted to reflect decreases in enrollment;

(B) The department of education shall utilize enrollment numbers from an attendance month or months that maximize LEA budget planning and best represent yearly enrollment numbers to determine BEP funding allocations. Students graduating during the school year but prior to the identified attendance periods shall be included for funding purposes;

(2)

(A) The BEP shall include the following four (4) categories of components:

(i) Instructional salaries and wages;

(ii) Instructional benefits;

(iii) Classroom; and

(iv) Nonclassroom;

(B) The state shall provide seventy percent (70%) of the funds generated for components within the instructional salaries and wages category; seventy percent (70%) of the funds generated for components

within the instructional benefits category; seventy-five percent (75%) of the funds generated for components within the classroom category; and fifty percent (50%) of the funds generated for components within the nonclassroom category;

(3) The dollar value of the BEP instructional salaries and wages position component shall be forty-four thousand four hundred thirty dollars (\$44,430) for fiscal year 2016-2017 and may be adjusted in subsequent fiscal years in accordance with the general appropriations act;

(4) The cost differential factor (CDF) shall be funded at twenty-five percent (25%) in fiscal year 2016-2017 and eliminated from the formula in subsequent years as increases are made to the instructional salary and wages component;

(5) The funds generated for medical insurance in the BEP shall be based on twelve (12) months of employment;

(6) The formula shall provide one hundred percent (100%) funding for at-risk students in kindergarten through grade twelve (K-12). "At-risk" funding allocations shall be determined by the department of education using appropriated funding and applicable direct certification eligibility guidelines pursuant to 42 U.S.C. §§ 1751-1769; however, at a minimum, the amount of funds representative of the at-risk component and generated statewide shall equal the amount generated statewide in the 2015-2016 school year with adjustments made for decreased enrollment;

(7) The formula shall provide funding for English language learner students at a ratio of one to twenty (1:20) and one to two hundred (1:200) for teachers and translators, respectively;

(8) The formula shall provide funding for special education personnel based on the level and extent of services provided and related to the student's individualized education program (IEP). The state board of education shall address the special education options and caseload allocations within the formula in a manner that provides a child with a disability a free and appropriate public education according to the unique needs of the child, as described in the child's IEP. To ensure the formula does not create a disincentive to placing the child in the least restrictive environment according to the individual student's needs, the 2015-2016 school year options and caseload allocations shall be condensed as follows with future revisions made pursuant to § 49-3-351:

(A) Option 1 (Option 1 in the 2015-2016 school year) = 91;

(B) Option 2 (Options 2 and 3 in the 2015-2016 school year) = 58.5;

(C) Option 3 (Options 4-6 in the 2015-2016 school year) = 16.5;  
and

(D) Option 4 (Options 7-10 in the 2015-2016 school year) = 8.5;

(9) The dollar value of the classroom technology component shall be forty million dollars (\$40,000,000), and may be adjusted in accordance with the general appropriations act;

(10)

(A) The formula shall recognize the ability of local jurisdictions to raise local revenues by measuring the ability to generate local revenues from property tax and local option sales tax. This calculation shall be based on applying the statewide average property tax rate for education and the statewide average local option sales tax rate for education to the respective tax bases of each local jurisdiction. No reduction shall be

made in any calculation of a local jurisdiction's ability to raise local revenues from property taxes for agreements entered into by the local jurisdiction that result in payments in lieu of taxes being made to the local jurisdiction;

(B) The formula shall also recognize the ability of local jurisdictions to raise local revenues as determined by the multiple regression analysis model developed by the Tennessee advisory commission on intergovernmental relations pursuant to § 4-10-104(10); and

(C) The formula shall equally weight the provisions of subdivisions (a)(10)(A) and (B);

(11) The formula shall be student-based such that each student entering or exiting an LEA shall impact generated funding; and

(12) Each LEA shall receive no less than a twenty-five percent (25%) state share in the nonclassroom components;

(b) Notwithstanding §§ 49-1-302, 49-3-351, and any other law to the contrary, the changes in components or factors of the BEP implemented by this act shall be implemented in accordance with funding as made available through the general appropriations act.

SECTION 2. Tennessee Code Annotated, Section 49-3-306(a)(2), is amended by deleting the subdivision in its entirety.

SECTION 3. Tennessee Code Annotated, Section 49-3-306(b)(4), is amended by deleting subdivisions (B) and (C) in their entireties and substituting instead:

(B)

(i) When funds are appropriated through the basic education program (BEP) funding formula for instructional salaries and wages, all such funds must be expended by an LEA on instructional salaries and wages; however, if an LEA's average licensed salary exceeds the statewide average salary, such funds may also be expended on instructional benefits.

(ii) The department of education shall make adjustments to each LEA's required expenditure pursuant to subdivision (b)(4)(B)(i) to account for any unfunded growth in the prior year and the loss of any instructional funding appropriated for the 2015-2016 school year.

(iii) For the purposes of subdivision (b)(4)(B)(i), the salary figure recognized by the BEP review committee to analyze salary disparity pursuant to § 49-1-302(a)(4)(B) shall be utilized.

(C) An LEA shall maintain its budgeted level of local funding for salaries and wages from the prior year, with exceptions made for loss of enrollment, and shall not utilize increases in state funding for instructional salaries and wages to offset local expenditures in these categories.

SECTION 4. Tennessee Code Annotated, Section 49-3-316, is amended by adding the following language as a new appropriately designated subsection:

As part of the requirements of subsection (a), the commissioner shall develop a standardized system of financial accounting and reporting whereby LEAs shall report revenue allocations at the school level, including schools authorized pursuant to the Tennessee Public Charter Schools Act of 2002, compiled in chapter 13 of this title.

SECTION 5. Tennessee Code Annotated, Section 49-3-366, is amended by deleting the section in its entirety.

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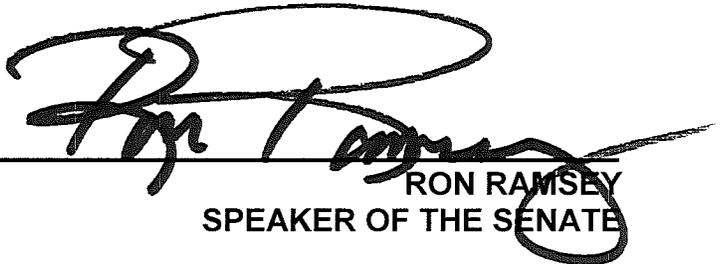
SECTION 6. This act shall take effect upon becoming a law, the public welfare requiring it.

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PASSED: April 18, 2016



BETH HARWELL, SPEAKER  
HOUSE OF REPRESENTATIVES



RON RAMSEY  
SPEAKER OF THE SENATE

APPROVED this 28<sup>th</sup> day of April 2016



BILL HASLAM, GOVERNOR