We will set all students on a path to success.

Maryanne Durski
Senior Director
Office of Local Finance

October 7, 2020
BEST FOR ALL
We will set all students on a path to success.

ACADEMICS
ALL TENNESSEE STUDENTS WILL HAVE ACCESS TO A HIGH-QUALITY EDUCATION, NO MATTER WHERE THEY LIVE

WHOLE CHILD
TENNESSEE PUBLIC SCHOOLS WILL BE EQUIPPED TO SERVE THE ACADEMIC AND NON-ACADEMIC NEEDS OF ALL STUDENTS

EDUCATORS
TENNESSEE WILL SET A NEW PATH FOR THE EDUCATION PROFESSION AND BE THE TOP STATE TO BECOME AND REMAIN A TEACHER AND LEADER
Best for All

- Finance and operations are the foundation for the work of our districts
- Our work supports our students and educators
  - Provides funding in a timely, accurate manner
  - Informs and supports decisions on how to best use those funds so that students succeed in attaining their goals
- Per pupil by school expenditure reporting now provides additional, school specific information that may be used to better allocate district resources
Agenda
The BEP for Non-Educators

- Brief Overview of BEP formula
- Required local match
- Maintenance of effort
- Three percent (3%) fund balance
- Per pupil expenditures by school
- Helpful resources
- Questions
Brief overview of the BEP formula
BEP formula

• Provides a basic level of funding for education
• 47 components used to calculate funding
• Key feature is the local share – education is a shared responsibility between state government and the local governing body
BEP formula

- Two critical inputs to the formula
  - Average daily membership (ADM)
    - Funding is based on membership (enrollment) and not on attendance
    - Weighted average of the ADM for months 2, 3, 6 and 7 is used in the formula
    - ADM determines positions and funding

- Fiscal capacity
  - Based on a county’s ability to raise local taxes for education
  - Used to determine the state and local share of BEP funding for each school district
BEP formula – how it works

• First calculation is the total amount of BEP funding for each school district
  • Based on the 47 inputs and their associated unit costs
  • ADM is most critical component
    • Positions determined by ratios of students to positions
      • 20 K-3 ADM generate 1 classroom position
      • 525 K-6 ADM generate 1 music position
      • Positions are translated into dollars by applying the unit cost per position to the total number of positions generated
  • Benefits are included for all BEP funded positions
BEP formula – how it works

• First calculation (cont’d)
  • Funding is generated for other components by applying a unit cost per ADM
    • Instructional supplies and materials funded at $89.75 per ADM
    • Textbooks funded at $79.00 per ADM
    • Maintenance, operations and capital outlay funded based on average number of square feet per ADM
    • Transportation funding determined by a regression formula

• Total of all the individual components added together is the total amount of BEP funding for a district
BEP formula – how it works

• Second calculation is the determination of the state and local shares
  • Determined by county’s fiscal capacity
  • BEP formula looks at each county’s ability to raise funds for education relative to all the other counties in the state
  • State and local shares are determined for each of four main categories of the BEP (instructional salaries, instructional benefits, classroom and non-classroom)
  • The local share determined here becomes the *required local match* – the minimum amount that local governments must provide to the school district
Required local match
Required local match

- Determined by calculation of the BEP
- Minimum amount that must be provided by the local government to the school district
- Estimates of the match amount are given in April, May and June with the BEP estimates
- Final required local match determined with the July Final BEP allocation
Required local match

• As state funding increases, the local match amount may increase
• Needs to be monitored by school districts and their funding bodies
• In recent years, several districts had to have local funding increased to meet the local match requirement
• Start discussions in April when first estimate comes out to avoid a surprise later in the budget process
Required local match

• Required local match is monitored annually by Local Finance
• Required local match test is found in ePlan on the Maintenance of Effort test page
• ePlan compares budgeted local revenue to the required local match and determines if the test is met
• If test is not met, additional local revenue will be required to meet the test – this can delay budget approval by the state
# Required local match

## Maintenance of Effort Test

**FY 2021 - State Funds - Rev 0 - 141 - General Purpose**

<table>
<thead>
<tr>
<th>Account</th>
<th>Account Description</th>
<th>Budget 2020-2021</th>
<th>Amended Budget 2019-2020</th>
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<tr>
<td>40110</td>
<td>Current Property Taxes</td>
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<td>Trustee's Collections - Prior Year</td>
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<td>Local Option Sales Tax</td>
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<td>Mixed Drink Tax</td>
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<td>40320</td>
<td>Bank Excise Tax</td>
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<td>Marriage Licenses</td>
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<td>41120</td>
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<td><strong>Total Local Revenue per School Records</strong></td>
<td><strong>$11,282,205.06</strong></td>
<td><strong>$11,258,364.83</strong></td>
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<tr>
<td>Capital Outlay</td>
<td>(Loss) Local revenue increase for Capital Outlay</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Debt Service</td>
<td>(Loss) Local revenue increase for Debt Service</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td></td>
<td><strong>Total Adjusted Local Revenue</strong></td>
<td><strong>$11,282,205.06</strong></td>
<td><strong>$11,258,364.83</strong></td>
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<tr>
<td>Local Match Adjustment</td>
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<td>0.00</td>
<td>0.00</td>
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<tr>
<td></td>
<td><strong>Revised Total Adjusted Local Revenue</strong></td>
<td><strong>$11,282,205.06</strong></td>
<td><strong>$11,258,364.83</strong></td>
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<tr>
<td></td>
<td><strong>Required Local Match</strong></td>
<td><strong>$7,401,000.00</strong></td>
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</tbody>
</table>

**Maintenance of Effort Test Met**

**Required Local Match Test Met**

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Maintenance of effort
Maintenance of effort

• Second local funding requirement
• Budgeted local revenue must be equal to or greater than the previous year’s budgeted amount

• **Note**: this is a budget-to-budget test and does not consider the actual revenues collected
• Governed by TCA 49-2-203 and TCA 49-3-314
Maintenance of effort

• Maintenance of effort test is found in ePlan on the Maintenance of Effort page
• Preliminary budget may be entered into ePlan in order to check compliance with maintenance of effort prior to passing a budget
• Early indication of a possible MOE issue allows more time for school district and funding body to work together towards a resolution
## Maintenance of Effort Test

- **FY 2021 - State Funds - Rev 1 - 141 - General Purpose**

### Show Unbudgeted Accounts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>40110</td>
<td>Current Property Taxes</td>
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<td>$5,238,500.00</td>
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<td>Current CLK/CLK &amp; Master Coll - Prior Yrs</td>
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<td>40163</td>
<td>Payments in Lieu of Taxes - Other</td>
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<td>40210</td>
<td>Local Option Sales Tax</td>
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<td>40275</td>
<td>Mixed Drink Tax</td>
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<td>40290</td>
<td>Other County Local Option Taxes</td>
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<td>Total County Taxes</td>
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<td>41110</td>
<td>Marriage Licenses</td>
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<td>44120</td>
<td>Lease/Rentals</td>
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<td>Total Local Revenue per School Records</td>
<td>$8,027,504.00</td>
<td>$8,012,500.00</td>
<td>$8,012,500.00</td>
<td>$8,354,721.00</td>
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<tr>
<td>Capital Outlay</td>
<td>(Less) Local revenue increases for Capital Outlay</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Debt Service</td>
<td>(Less) Local revenue increases for Debt Service</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Adjusted Local Revenue</strong></td>
<td><strong>$8,027,504.00</strong></td>
<td><strong>$8,012,500.00</strong></td>
<td><strong>$8,012,500.00</strong></td>
<td><strong>$8,354,721.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Maintenance of Effort Test Met
- Required Local Match Test Met
Maintenance of effort

• In districts that experience a decrease in ADM, the MOE test may be performed at a second level, on a per pupil basis

• The per pupil amount of budgeted local revenue must be at least equal to the per pupil amount of budgeted local revenue from the prior year

• Level 2 test is in ePlan, but must be performed by the Office of Local Finance

• Level 2 test is used only when there is a decrease in ADM
### Maintenance of effort

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Adjusted Local Revenue</td>
<td>$37,503,718.00</td>
<td>$37,637,583.00</td>
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<tr>
<td>ADM (From BEP Allocation Sheet)</td>
<td>8942.54</td>
<td>9128.97</td>
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<tr>
<td>Per Pupil Revenue</td>
<td><strong>$4,193.86</strong></td>
<td><strong>$4,122.87</strong></td>
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<tr>
<td>Local Match Adjustment</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Revised Total Adjusted Local Revenue</td>
<td>$37,503,718.00</td>
<td></td>
</tr>
<tr>
<td>Required Local Match</td>
<td>$26,441,000.00</td>
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</tr>
</tbody>
</table>

- Maintenance of Effort Test Met
- Required Local Match Test Met
Maintenance of effort

• Caution – if local revenue budget is amended upwards during the year, this increases the maintenance of effort level

• Best practice is to over-collect revenue and leave budget at original level

• Expenditures from additional local revenue may be made from fund balance, which is then replenished by the additional revenues collected
Maintenance of effort

• Exclusions from maintenance of effort
  • Local funds appropriated for debt service
  • Local funds appropriated for one-time capital outlay expenditures
    • Must be approved by joint resolution between school board and county commission / city council and department of education
Three percent fund balance
Three percent fund balance

- Fund balance, or reserves, act as a safety net for districts.
- If budgeted expenditures exceed budgeted revenues, the school district must set aside a portion of the unassigned fund balance equal to a minimum of three percent (3%) of operating expenditures.
- Fund balance above the 3% may be budgeted for any educational purpose.
- This test must be met for the state to approve the school district budget.
Three percent fund balance

• Governed by TCA 49-3-352 (c)
• The accumulated fund balance in excess of three percent (3%) of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for any education purposes, but must be recommended by the board of education prior to appropriation by the local legislative body.
Three percent fund balance

• Uses of fund balance
  • Provisions applicable *after* the operating budget is adopted and approved
    • Available to offset shortfalls of budgeted revenues
    • Available to meet unforeseen increases in operating expenditures

• Fund balance may fall below the 3% level during the year, but must be restored to the minimum 3% level at the beginning of the following year
Three percent fund balance

• In other words, there is no requirement to have 3% of operating expenditures in fund balance – BUT districts cannot use fund balance unless the it exceeds 3% of operating expenditures.

• If fund balance is in excess of 3% of operating expenditures, then the excess can be used for any education purpose, as long as the use is first approved by the board of education and appropriated by the local legislative body.
Per pupil expenditures by school
Per pupil expenditures by school

- FY2018-19 was the first year to report per pupil expenditures at the school level
- School level data collected from school districts
- District level data compiled from annual financial reports submitted by school districts in ePlan
- Published on the FY2018-19 report card
Per pupil expenditures by school

• Specific expenditures reported at school level
  • Salaries and benefits of school personnel
  • Instructional materials and supplies
  • Utilities
  • School nutrition

• All other expenditures considered system level
  • Central office
  • Maintenance and operations
  • Transportation
  • All other expenditures not able to be assigned to a specific school
Per pupil expenditures by school

• Expenditures (school and system level) broken down by source of funds – state/local, federal, school nutrition

• Per pupil average also calculated for district as a whole
### Per pupil expenditures by school

<table>
<thead>
<tr>
<th>School Name</th>
<th>2018-19 Enrollment</th>
<th>School Level PPE Federal</th>
<th>School Level PPE State and Local</th>
<th>School Level PPE School Nutrition</th>
<th>Total School Level PPE</th>
<th>System Level PPE Federal</th>
<th>System Level PPE State and Local</th>
<th>System Level PPE School Nutrition</th>
<th>Total System Level PPE</th>
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<td>School #1</td>
<td>521</td>
<td>$296.75</td>
<td>$5,528.40</td>
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<td>$6,263.99</td>
<td>$272.31</td>
<td>$2,460.76</td>
<td>$17.58</td>
<td>$2,750.65</td>
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<td>School #2</td>
<td>144</td>
<td>$467.11</td>
<td>$6,680.73</td>
<td>$1,219.47</td>
<td>$11,367.31</td>
<td>$272.31</td>
<td>$2,460.76</td>
<td>$17.58</td>
<td>$2,750.65</td>
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<td>School #3</td>
<td>252</td>
<td>$355.31</td>
<td>$6,409.24</td>
<td>$288.43</td>
<td>$7,052.98</td>
<td>$272.31</td>
<td>$2,460.76</td>
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<td>TOTAL / AVERAGE</td>
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<td>$339.60</td>
<td>$6,422.52</td>
<td>$520.09</td>
<td>$7,282.21</td>
<td>$272.31</td>
<td>$2,460.76</td>
<td>$17.58</td>
<td>$10,032.86</td>
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</table>
ePlan

• ePlan is Tennessee’s grant management system
  • Grant applications
  • District and school plans
  • All district budgets
  • Reimbursements and payments
  • End-of-year financial reporting

• Tool for administrators, board members, finance offices

• Public access many areas
Resources

• Grants team and local finance contacts
  • Maryanne.Durski@tn.gov
  • Karen.Justice@tn.gov (TNCompass, per pupil expenditure reporting, federal reporting)
  • Spencer.Yonce@tn.gov (payments)
  • Tracey Hawk@tn.gov (ESSA grants management)
  • George.Amin@tn.gov (ESSA grants management)
  • Brett.Printz@tn.gov (IDEA grants management)
  • Terry.Wallis@tn.gov (IDEA grants management)
  • Olga.Williams@tn.gov (CTE grants management)
Resources

• Regional finance consultants

  - Robert.W.Gill2@tn.gov – First Tennessee
  - Brad.Davis@tn.gov – Northwest
  - Robert.Mynhier@tn.gov – Mid-Cumberland / Upper Cumberland
  - Brian.Runion@tn.gov – South Central, Southeast
  - Cindy.Smith@tn.gov - Southwest
  - Dustin.Winstead@tn.gov – East Tennessee
BEP Resources

• State Board of Education
  • https://www.tn.gov/sbe/committees-and-initiatives/the-basic-education-program.html
  • BEP Blue Book – up to date data on BEP components
  • Recommendations of BEP Review Committee

• Comptroller
  • https://comptroller.tn.gov/office-functions/research-and-education-accountability.html
Report card

- TN State Report Card

- Per pupil information available in Data Download
Questions
Citizens and agencies are encouraged to report fraud, waste or abuse in State and Local government.

NOTICE: This agency is a recipient of taxpayer funding. If you observe an agency director or employee engaging in any activity which you consider to be illegal, improper or wasteful, please call the state Comptroller’s toll-free Hotline:

1-800-232-5454

Notifications can also be submitted electronically at:

http://www.comptroller.tn.gov/hotline