



## Tennessee's New Education Funding Formula: What's in Law and What's Left to Decide?

July 7, 2022

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### Key Takeaways

- The Tennessee Investment in Student Achievement (TISA) funding formula officially replaces the Basic Education Program (BEP) beginning with the 2023-2024 school year.
  - The TISA law defines many of the basic funding parameters, but additional details and actual funding amounts will be determined by future decisions.
  - On June 6, 2022, the Department of Education proposed rules for filling in many of these details, and the public will have several opportunities to provide input.
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The Tennessee Investment in Student Achievement (TISA) is now law and officially replaces the Basic Education Program (BEP) beginning with the 2023-2024 school year. TISA reinvents school funding in Tennessee by moving from resource-based funding to student-based funding. Our prior work on TISA provides additional context for [the new formula's basic structure](#) and [how local funding requirements are expected to change](#). This analysis summarizes what's baked into the law, what it defers to other policymaking processes, and how the public can weigh in.

**The law defines many basic funding parameters, but other details and actual funding levels will depend on future regulatory, [budget](#), and policy decisions.** Table 1 below summarizes the key financing pieces defined in the law and those that remain undecided. (1) (2)

**The public can formally weigh in on some of these decisions.** For the details that depend on regulatory decisions, the state's rulemaking process (discussed below) calls for public input when a state agency proposes a new rule or changes to an existing one. This input often includes public comment periods and/or public hearings. Meanwhile, the public can engage their elected representatives to influence the [annual budget process](#), which will ultimately determine how much funding goes into the new formula. Many other details will be decided by annual calculations and reviews that offer no formal opportunities for public input.

**Table 1. K-12 Education Finance Policies Defined by the Tennessee Investment in Student Achievement (TISA) Law vs. Details Determined in Other Ways**

	What does the new TISA law define? (1)	What details will or could be decided outside the TISA law?
<b>Formula Base + Weights</b>		
<b>Base</b>	<p>Each student generates a single, uniform amount of funding.</p> <p>The TISA base subsumes the BEP’s classroom, non-classroom, and instructional components, as well as grants currently funded outside the BEP for coordinated school health, family resource centers, and safety.</p> <p>The General Assembly has the authority to require that a portion of any increase in base funding be used to increase the salaries for existing teachers and those providing direct services to students.</p>	Each year, the Tennessee Dept. of Education (TDOE) will establish the actual base dollar amount that each student generates based on funding available through the annual budget process. (1)
<b>Small Districts</b>	+5% of the base amount for each student in a district with 1,000 or fewer students	n/a
<b>Sparse Districts</b>	+5% of the base amount for each student in a district whose county has less than 25 students per square mile	n/a
<b>Economically Disadvantaged</b>	<p>+25% of the base amount for each student who:</p> <ul style="list-style-type: none"> <li>• Meets the criteria laid out in Tennessee’s federal Every Student Succeeds Act (ESSA) plan,</li> <li>• Is homeless, in foster care, a runaway, or a migrant, or</li> <li>• Is eligible for free or reduced-price school meals through direct certification guidelines established in federal rules.</li> </ul>	Tennessee’s federal ESSA plan was finalized in 2019, but the state can seek to amend it in the future. (3)
<b>Concentrated Poverty</b>	+5% of the base for each student at a school eligible for Title I schoolwide designation	The federal government designates Title I schoolwide eligibility each year for schools in which at least 40% students are from low-income families – based on eligibility for free/reduced-price lunch, Temporary Assistance for Needy Families (TANF), or Medicaid. (4)

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<p><b>Unique Learning Needs (ULN)</b></p>	<p>+15-150% of the base amount for students in need of individualized services, interventions, accommodations, or modifications to meet the student’s need or those that speak English as a second language – which includes those with dyslexia, giftedness, and limited English proficiency.</p> <p>Must be categorized into 10 levels based the level of additional resources needed to manage the unique need.</p> <p>A student may have multiple unique learning needs and qualify for multiple weights.</p>	<p>The specific student criteria for each of the 10 levels of unique learning needs will be established through rulemaking. (1) On June 6, 2022, TDOE proposed specific ULN criteria for each weight based on its previously-released frameworks:</p> <ol style="list-style-type: none"> <li>1: +15% for special education consultation services</li> <li>2: +20% for minimal special education direct services, characteristics of dyslexia, and/or English learner tier 1 services</li> <li>3: +40% for a student receiving limited special education direct services</li> <li>4: +60% for English learner tier 2 services</li> <li>5: +70% for English learner tier 3 services</li> <li>6: +75% for moderate special education direct support</li> <li>7: +80% for high-support special education direct services</li> <li>8: +100% for ancillary special education direct support services</li> <li>9: +125% for the most intensive special education support services</li> <li>10: +150% for special education residential, homebound, and hospital services (2)</li> </ol> <p>The services attached to each criterion are defined elsewhere – by state and/or federal law or the State Board of Education. (2)</p> <p>TDOE also proposed 1) specific criteria for meeting the definition and receiving additional funding for a student “having characteristics of dyslexia” and 2) the steps a district must take to establish dyslexia-related learning, notify parents, and provide oversight. (2)</p> <p>Finally, TDOE proposes monitoring districts to ensure that students are receiving services in the least restrictive environment possible – as required by separate state and federal laws. (2)</p>

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<b>Additional Allocations, Incentives, and Grants</b>	
<b>Direct Allocations</b>	<p>Students will generate an additional flat dollar amount if they are in:</p> <ul style="list-style-type: none"> <li>• A public charter school</li> <li>• Grades K-3 (intended to support literacy)</li> <li>• Grades 11-12 and have taken a postsecondary reading assessment one or fewer times</li> <li>• Years 1-4 of a level 1-3 career and technical education (CTE) program with levels based on resource needs and earning potential</li> <li>• 4<sup>th</sup> grade rising to 5<sup>th</sup> and scored “below” or “approaching” on the English language arts portion of the state assessment</li> </ul>
<b>Outcome Incentives</b>	<p>Districts may receive additional available funding if they achieve certain student outcomes. At the end of a fiscal year, TDOE may roll over any unspent funds allocated for this purpose to use for outcome incentives in the future.</p> <p>Through the annual budget process, the governor and General Assembly will decide the amount of money available for outcome incentives each year. (1)</p> <p>Rulemaking, which must be informed by an advisory group, will establish the criteria for receiving outcome incentives. (1)</p> <p>On June 6, 2022, TDOE proposed thresholds in the following categories that districts would have to meet to be eligible for outcome incentive grants:</p> <ul style="list-style-type: none"> <li>• 3<sup>rd</sup> grade ELA TCAP scores</li> <li>• 4<sup>th</sup> grade growth on ELA TCAP</li> <li>• 8<sup>th</sup> grade math and ELA TCAP scores</li> <li>• ACT scores</li> <li>• High school industry credentials</li> <li>• High school students with a disability graduating</li> <li>• Ready grad Indicator (2)</li> </ul>

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<b>Fast-Growth Stipends</b>	<p>Subject to available dollars, additional funding may be awarded to LEAs whose enrollment growth exceeds:</p> <ul style="list-style-type: none"> <li>• 1.25% in a single year, and/or</li> <li>• 2% in each of three consecutive years</li> </ul>	TDOE will determine the stipend amounts based on any available dollars allocated for this purpose in the annual budget process. (1)
<b>Grants</b>	<p>Additional grants may be available for districts in economically distressed or at-risk counties facing a <u>local maintenance of effort</u> (MOE) increase and those in a county meeting specific tourism criteria.</p>	<p>TDOE will determine the stipend amounts based on any available dollars allocated for this purpose in the annual budget process. (1)</p> <p>On June 6, 2022, TDOE proposed \$1.8M for the tourism grant. The distressed county grants would be equal to the amount of the TISA-required increase in a district’s local contribution. (2)</p> <p>Each year, the Appalachian Regional Commission (ARC) designates distressed/at-risk counties using a three-year average of unemployment rate, per capita market income, and poverty rate. “Distressed” counties are those in the bottom 10% of all counties nationally, and “at-risk” are the bottom 10-25% of counties. (5) (6)</p>
<b>Cost Differential Grants</b>	<p>Additional grants may be available for counties with a cost-of-living greater than the statewide average – defined as having non-governmental wages higher than the statewide average.</p>	<p>TDOE will determine the grant amounts based on any available dollars allocated for this purpose in the annual budget process. (1)</p> <p>The University of Tennessee’s Center for Business and Economic Research (CBER) will conduct the wage calculation. (1)</p>
<b>Hold Harmless</b>	<p>If a district’s TISA-calculated allocation is less than the funding they received in 2022-2023 from the BEP and the grants included in the TISA base, the state will fully fund the difference in year 1, 75% of the difference in year 2, 50% of the difference in year 3, and 25% of the difference in year 4.</p> <p>State funding will also be provided to ensure that any TISA-calculated funding reductions from one year to the next are limited to 5%.</p>	n/a

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<b>State + Local Funding Requirements</b>		
<b>Aggregate State and Local Contributions</b>	<p>The state will cover 70% of the statewide total generated by the base and weights. Local governments will collectively fund 30% of that aggregate amount.</p> <p>The state will cover 100% of all other funding in TISA.</p>	The overall amounts will be determined by each year's formula calculation and the budget process. (1)
<b>District-Specific Local Contributions and Fiscal Capacity</b>	<p>Local contributions required for each specific district are determined by a calculation of local fiscal capacity – defined as the average of estimates generated by CBER and the Tennessee Advisory Commission on Intergovernmental Relations (TACIR).</p> <p>Each county's portion of the aggregate 30% funded by local governments will match its share of all 95 counties' combined fiscal capacity. In multi-district counties, the overall county numbers are split across each district based on student enrollment.</p> <p>Unless districts submit a budget that includes their required local contribution, state TISA funds will not be released to the district, and the comptroller will not approve the local budget.</p> <p>A longstanding <u><a href="#">maintenance-of-effort requirement</a></u> (MOE) elsewhere in state law still applies.</p> <p>Local governments may spend more than their TISA calculation or MOE require.</p>	<p>Each county's fiscal capacity and the underlying data will be determined by May 1 before each school year and made public. These amounts are based on annual calculations and evaluation by the comptroller and approval by the State Board of Education. (1)</p> <p>See our <u><a href="#">previous brief</a></u> for how these calculations are currently made by CBER/TACIR.</p>

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<b>Formula Administration and Review</b>		
<b>Student Counts</b>	Average daily membership (ADM) equals the total days each student is enrolled divided by school days.	n/a
<b>Data Source</b>	Base, weights, and direct funding allocations are based on data collected from school districts in the immediately preceding fiscal year.	n/a
<b>Funds Distribution</b>	State funds are to be distributed to each local school district.  If money is not available to fully fund the TISA calculation, TDOE must do a pro-rated, across-the-board reduction to keep expenses in line with available funds. In this situation, TDOE would also have the authority to waive certain local requirements with the State Board of Education's approval.	TDOE and the Department of Finance and Administration will establish the schedule of funds distribution. (1) On June 6, 2022, TDOE proposed to distribute about 10% of state funding on the 15 <sup>th</sup> of each month from August through April and to reconcile any additional funds due to a district in June. (2)
<b>Local Funding Distributions to Charter Schools</b>	School districts must provide charter schools with the total state + local funding generated by the TISA formula based on prior year enrollment along with additional funds for any increases in current year enrollment. When there is more local funding than required by the formula, school districts must provide the same per-pupil amount to charter schools as they do to the rest of the district.	The distribution of funds to charter schools will be based on rules established by the State Board of Education. (2)
<b>Calculation Transparency</b>	Each year by July 1, TDOE must publish a guide to outline the department's procedures for administering TISA.	n/a
<b>Formula Review Process</b>	A committee must review each piece of the formula and make recommendations for needed revisions.	The State Board of Education must establish the review committee by January 1, 2026 using membership requirements laid out in TISA. (1)

Source: State of Tennessee (1) (6), Tennessee Department of Education (2), U.S. Department of Education (3), U.S. Congress (4), Appalachian Regional Commission (5)

## The Rulemaking Process

Most of the details to be determined by regulation are subject to both longstanding state rulemaking standards and additional requirements laid out in TISA. (1) Here's how the TISA rules have and are expected to fulfill those requirements.

- **Proposal and Public Comment:** On June 6, 2022, TDOE posted draft rules and invited public comment submissions through August 2. (7) (2)
- **Board of Education Review:** Under TISA, the State Board of Education must also review these rules and provide a positive, neutral, or negative recommendation before they are finalized. (1) The State Board is expected to release its recommendation in a special meeting scheduled for August 11. (8)
- **Public Hearing:** On July 28<sup>th</sup>, TDOE plans to hold a public hearing on the rules. (9) (7) (11)
- **Final Rule Publication:** After a review by the state Attorney General, rules are filed with the Secretary of State's office, which typically publishes them online within seven days. In most circumstances, rules must summarize and respond to the feedback shared in the public hearing. (9)
- **Legislative Review:** All published rules can be reviewed by the General Assembly's Joint Government Operations Committee, which may choose to hold public hearings. The committee may also express its disapproval of the rule and ask that it be changed or withdrawn. (9)
- **Effective Date:** Rules take effect 90 days after the Secretary of State publishes them online. (9) (10)
- **Additional Changes:** Any policies or details established through rulemaking can also be modified under the same process.

## Parting Words

The Tennessee Investment in Student Achievement is now law and represents a fundamental shift in how Tennessee allocates its education dollars. However, many important details and the actual dollars attached to the new funding formula are not set in stone. We hope this information helps stakeholders understand when and how they can stay engaged as policymakers finalize these specifics.



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