

**Basic Education Program
Review Committee
Annual Report**

November 1, 2008

**State Board of Education
9th Floor Andrew Johnson Tower
710 James Robertson Parkway
Nashville, TN 37243
615-741-2966
www.state.tn.us/sbe**

2008-09 BEP Review Committee Members

Tommy Bragg

Mayor, City of Murfreesboro
Tennessee Municipal League

David Connor

Executive Director
Tennessee County Commissioners
Association

M. D. Goetz

Commissioner
Dept. of Finance and Administration

Harry Green

Executive Director
Tennessee Advisory Commission on
Intergovernmental Relations (TACIR)

Melissa Brown

Research & Information
Tennessee Education Association

Denise Brown

Director of Schools
Unicoi County Schools

David Thurman

Office of Legislative Budget Analysis

Vincent Harvell

Director of Business Operations
Haywood County Schools

Chris Henson

Assistant Superintendent
Metro Nashville Public Schools

Kriner Cash

Director of Schools
Memphis City Schools

Karen King

Director of Finance
Sevier County Schools

Richard Kitzmiller

Director of Schools
Kingsport City Schools

John Morgan

Comptroller of the Treasury

Gary Nixon

Executive Director
Tennessee State Board of Education

Keith Brewer

Executive Director
Tennessee Organization of School
Superintendents

Larry Ridings

Tennessee School Systems for Equity

Fielding Rolston

Chairman
State Board of Education

Tim Webb

Commissioner
Department of Education

Rebecca Sharber

Director of Schools
Williamson County Schools

Stephen Smith

Tennessee School Boards Association

Bobby Webb

Director of Schools
Shelby County Schools

Les Winningham

Chair, House Education Committee

Jamie Woodson

Chair, Senate Education Committee

WORK OF THE COMMITTEE

Tennessee Code Annotated 49-1-302(4)(a) specifies that the State Board of Education shall establish a review committee for the Tennessee basic education program (BEP). This committee is directed to meet at least four times a year and regularly review the BEP components including the preparation of an annual report on or before November 1 of each year.

This report includes analysis and a recommendation, based on Senate Joint Resolution 1180 of the 105th General Assembly, which resolved the following:

“that the Basic Education Program Review Committee shall conduct a thorough study of the funding policies of counties and municipalities across Tennessee in response to the passage of BEP 2.0 as well as the existing statutes and Tennessee Department of Education regulations governing local maintenance of effort funding requirements and what steps should be taken to update such requirements.”

This report includes “recommendations on needed revisions, additions, and deletions to the formula, as well as, an analysis of instructional salary disparity among local education agencies”. This report considers “total instructional salary disparity among local education agencies, differences in benefits and other compensation among local education agencies, inflation, and instructional salaries in the southeast and other regions”.

Table of Contents

I.	Work of the Committee	3
II.	Executive Summary	5
III.	BEP Technology Recommendations	8
IV.	Senate Joint Resolution 1180	10
V.	BEP Salary Equity Analysis	14
VI.	BEP Immediate Priorities	16
VII.	BEP Extended Priorities	17
VIII.	Appendices	18

All appendices are hyperlinked and can be found at
<http://www.state.tn.us/sbe/bep.html>

- A. Salary Disparity
 - 1. [Total Teacher Compensation Methodology](#)
 - 2. [Total Teach Compensation Summary](#)
 - 3. [PowerPoint Presentation](#)
 - 4. [Salary Equity Analysis Exhibits 1 – 9](#)
 - 5. [Regional Disparity Methodology](#)
 - 6. [Regional Disparity Summary](#)
 - 7. [Regional Disparity Analysis](#)
 - 8. [Regional Disparity Regions Defined](#)

- B. BEP Administrative and Instructional Technology
 - 1. [Members of the Sub-Committee](#)
 - 2. [Cost to Reach the U.S. Average for Computers](#)
 - 3. [Cost of Immediate Priority Recommendations](#)
 - 4. [Extended Priorities](#)

- C. Senate Joint Resolution 1180 & BEP 2.0
 - 1. [Local Budget Survey](#)
 - 2. [Discussion Points](#)
 - 3. [Fiscal Scenarios](#)
 - 4. [Maintenance of Effort Options](#)
 - 5. [Roll Call Vote](#)
 - 6. [Amendment to Option 2](#)

EXECUTIVE SUMMARY

In the effort to improve essential components of the Basic Education Program (BEP)¹, the BEP Review Committee has performed a comprehensive review of the funding formula related to the following areas:

- Senate Joint Resolution 1180 of the 105th General Assembly
- BEP 2.0, Public Chapter 369 of the 105th General Assembly
- BEP Administrative and Instructional Technology
- BEP Salary Equity Analysis

Each year, on or before November 1, this committee submits a report to the Governor, the Select Oversight Committee on Education, and the State Board of Education identifying funding formula needs. This fifth edition of the report summarizes the findings of the committee and presents the immediate and extended priorities identified by the committee.

Recommendations of the Committee

The following priorities were recommended in the 2007 report and continue to remain an immediate priority:

- A continued phase-in of Public Chapter 369 of the 105th General Assembly.
- A reduction in instructional positions outside the BEP
- The use of current SACS accreditation ratios for Assistant Principals
- Establishing new BEP Components for Professional Development and Mentoring
- A reduction in the funding ratio for Nurses from 1:3,000 to 1:1,500
- A reduction in the funding ratio for Technology Coordinators from 1:6,400 to 1:2,500
- An increase in funding for teacher materials and supplies by \$100 above the existing \$200 allocation

This year the following technology recommendations are also adopted as immediate priorities:

- In order to account for inflationary increases in the BEP formula, the existing \$20 million allocation for technology should be applied to the reduction of technology coordinator ratios per ADM.
- The BEP formula should incorporate funding for a new position in each local education agency, the instructional technology coordinator, to support the districtwide implementation of technology in three key areas:

¹Tennessee Code Annotated 49-1-302 (4)(a)

- Improved student academic achievement through the use of instructional technology in elementary and secondary schools
 - Information, media, and ICT literacy of administrators, teachers and students
 - Effective integration of technology resources and systems through professional development and teacher training to establish research-based instructional models
- Create a new component for instructional technology within the classroom category.

Extended Priorities

- Reduce instructional positions generated outside the BEP in grades K – 6.
- Increase pay for teachers, principals, and assistant principals to a level that is reasonably comparable to the Southeastern average for each respective position type.
- Review and consider expenditures associated with central office positions, including salaries, benefits, and other administrative costs.
- Create a separate component within the BEP formula for administrative positions.
- Incorporation of the BEP Technology working group recommendation ([Appendix B.4](#)) related to:
 - E-learning Course Content
 - Technology Support Personnel
 - Technology Hardware
 - Technology Infrastructure (additional study)

Maintenance of Effort

In response to Senate Joint Resolution 1180 of the 105th General Assembly, the committee arrived at the following recommendation, by a vote of 11 in favor, 3 against, 1 abstain, and 8 absent ([Appendix C.5](#))

- Amending TCA, Section, 49-3-314(c)(1), deleting the first sentence and replacing it with the following:
 - Excluding capital outlay and debt service, no LEA shall use state funds to supplant total local current operating funds nor shall such LEA receive less funds from a local legislative body than it received in the previous fiscal year as adjusted for inflation based on the local government price deflator, which is an index used to adjust the Basic Education Program. However, if such index reflects an inflation rate of less than zero such decline shall be treated as no change in the inflation rate. A reduction of

funds based on fewer students in the system rather than actual fund cuts, shall not be considered a reduction of funds for purposes of this provision.

- Amending TCA, Section, 49-2-203(a)(10)(A)(ii), deleting the language in its entirety and replacing it with the following:
 - Excluding capital outlay and debt service, no LEA shall submit a budget to the local legislative body that directly or indirectly supplants or proposes to use state funds to supplant any local operating funds nor shall such budget include funds from the local legislative body that are less than the funds received by the LEA from the local legislative body in the previous fiscal year as adjusted for inflation based on the local government price deflator, which is an index used to adjust the Basic Education Program. However, if such index reflects an inflation rate of less than zero such decline shall be treated as no change in the inflation rate. A proposed reduction in funds based on fewer students in the system rather than actual fund cuts, shall not be considered a reduction in funds for purposes of this provision.

Review of Salary Disparity

Coefficient of Variation

The Coefficient of Variation (CoV) is a representation of how closely values are clustered around the average. In comparison to the previous year (2007), the CoV decreased from 0.0726 to 0.0712.

This represents a decrease in salary disparity since 2007. (See [Appendix A.4, Exhibit #4, page 13](#)).

Regional Salary Disparity

A regional analysis of total teacher compensation within 11 regions reveals that since the original infusion of salary equity funds the following has occurred ([See Appendix A.5, page 2](#)):

1. there has been an improvement (decrease) in salary disparity in four county regions (Nashville, Knoxville, Clarksville, and Franklin);
2. there is a mixed trend related to salary disparity in four county regions (Dyersburg, Jackson, Memphis, Tri-Cities); and
3. there has been an increase in salary disparity in three county regions (Greenville, Chattanooga, and Cookeville).

BEP Technology Recommendations

Background

In its November 1, 2007 report, the BEP Review Committee approved unanimously a motion directing the Board of Education, Department of Education, and Comptroller's Office to convene a working group to determine needs and develop an operational plan related to technology. The committee discussed the need to take a comprehensive look at the administrative and instructional technology support needed to prepare students for success in a knowledge-based economy.

Discussion

A BEP technology subgroup was convened, examining issues related to instructional and administrative technology ([Appendix B.1](#)). The group reviewed research and analysis related to the following areas:

- E-Learning Policy (Nationwide)
- E⁴TN and virtual course content
- Instructional technology coordinators
- A statewide survey of the Tennessee Educational Technology Association
- Accountability systems and online assessments
- Guidelines for hardware, software, and networking
- Professional development using technology

The group also reviewed the fiscal impact of an inflationary increase for the existing \$20 million BEP technology allocation. This allocation has not been modified since 1992. The group reviewed the estimated cost of reaching the U.S. average of instructional computers per student based on research attained from the Technology Counts Report of 2008 by Educaton Week ([Appendix B.2](#)).

Recommendation of the Committee

The following recommendations were presented to the committee and approved by a vote of 16 in favor, 0 against, 3 abstain, and 4 absent. The total fiscal impact of the combined priorities is estimated at \$4.8 million ([Appendix B.3](#)).

Immediate Priorities

Inflationary Increases for Technology - In order to account for inflationary increases in the BEP formula, the existing \$20 million allocation for technology should be applied to the reduction of technology coordinator ratios per ADM.

Instructional Technology Coordinators - The BEP formula should incorporate funding for a new position in each local education agency, the instructional technology coordinator, to support the districtwide implementation of technology in three key areas:

- Improved student academic achievement through the use of instructional technology in elementary and secondary schools
- Information, media, and ICT literacy of administrators, teachers and students
- Effective integration of technology resources and systems through professional development and teacher training to establish research-based instructional models

Instructional Technology Classroom Component - Create a new component for instructional technology within the classroom category.

Extended Priorities

Extended priorities can be found in [Appendix B.4](#), and address the following areas:

- E-learning course content
- Technology Support Personnel
- Technology Hardware
- Technology Infrastructure (additional study)

Senate Joint Resolution 1180 and Implementation of BEP 2.0

Background

Senate Joint Resolution 1180 of the 105th General Assembly established “that the Basic Education Program Review Committee shall conduct a thorough study of the funding policies of counties and municipalities across Tennessee in response to the passage of BEP 2.0 as well as the existing statutes and Tennessee Department of Education regulations governing local maintenance of effort funding requirements and what steps should be taken to update such requirements.”

The resolution directed the BEP Review Committee to include the following elements:

- 1) A report detailing the steps taken by each county and municipality in Tennessee in which local education budgets or funding generation levels were amended;
- 2) A statement of the LEA funding lost throughout Tennessee as a result of such amendments to LEA budgets or funding generation levels;
- 3) A statement regarding current local maintenance of effort funding requirements upon counties and municipalities and whether those statutory and regulatory requirements should be amended to achieve the goals stated herein; and
- 4) Recommendations to the General Assembly and the Governor for legislative actions that should be taken to protect state-level funding increases for K-12 public education in Tennessee from redirection by counties and municipalities across that State.

A subgroup² was convened comprised of TSBA, TOSS, TCCA, the Comptroller’s Office, DOE, SBE, TEA, and the Legislative Budget Office. This subgroup presented its research, analysis and findings to the committee resulting in the following discussion points.

² Tennessee School Board Association, Tennessee Organization of School Superintendents, Tennessee County Commissioner’s Association, Comptroller’s Office, Department of Education, State Board of Education, Tennessee Education Association

Discussion of Maintenance of Effort and Implementation of BEP 2.0

Resolution, Part 1 – Amended Local Education Budgets

The committee reviewed analysis performed by the Office of the Comptroller detailing a budget survey of systems, comparing the budgeted and actual revenues of fiscal years 2007 and 2008, including differences in tax rates over this same period.

See [Appendix C.1](#).

The budget survey reflected all sources of revenue, not just property tax. Six to seven counties had a reappraisal resulting in a tax decrease. One to two counties had an off-cycle re-evaluation appraisal resulting in a tax decrease.

There was discussion among committee members related to the concept of normal growth, noting that *in this current year, normal growth was likely negative*. All amended local budgets complied with state law.

Resolution, Part 2 – Statement of LEA funding loss throughout Tennessee

Every system complied with existing law. However, the infusion of new BEP 2.0 dollars did not create the level of local funding as would have been expected.

The committee considered a number of discussion points, as presented by the Comptroller of the Treasury ([Appendix C.2](#)).

Highlights of the discussion included the following:

- Do nothing
- Recast maintenance of effort in regards to purchasing power
- Apply an inflationary index
- Recast maintenance of effort in regards to tax rates
- Apply some threshold or differential. LEAs not meeting this threshold would undergo a maintenance of effort test.

The committee reviewed several fiscal scenarios related to establishing a threshold for maintenance of effort, accounting for a full phase-in of BEP 2.0. ([See Appendix C.3](#)).

Resolution, Part 3 – Statement regarding current local maintenance of effort

The committee agreed that “at a minimum, the language related to the current application of maintenance of effort needs to be clarified in statute, clearly articulating current practice and expectations related to maintenance of effort as applied by the Department of Education.”

The committee also discussed maintenance of effort issues related to state mandated salary increases, adequacy of school funding, local school system fund balances, and accounting for instances where normal growth does not occur.

Resolution, Part 4 – Recommendation to the General Assembly and the Governor

The SJR 1180 subgroup presented three options which considered the following scenarios related to maintenance of effort ([Appendix C.4](#)).

- Option 1: Clarification of current language
- Option 2: Clarification of current language, including an inflationary adjustment
- Option 3: Clarification of current language, including an inflationary adjustment and adjustment for increases in average daily membership.

Option 2 was brought to a motion and the committee arrived at a vote of 10 in favor, 6 against, 3 abstain, and 4 absent ([Appendix C.5](#)).

Option 2 was later amended to the following language, by a vote of 11 in favor, 3 against, 1 abstain, and 8 absent ([Appendix C.6](#))

- Amending TCA, Section, 49-3-314(c)(1), deleting the first sentence and replacing it with the following:
 - Excluding capital outlay and debt service, no LEA shall use state funds to supplant total local current operating funds nor shall such LEA receive less funds from a local legislative body than it received in the previous fiscal year as adjusted for inflation based on the local government price deflator, which is an index used to adjust the Basic Education Program. However, if such index reflects an inflation rate of less than zero such decline shall be treated as no change in the inflation rate. A reduction of funds based on fewer students in the system rather than actual fund cuts, shall not be considered a reduction of funds for purposes of this provision.
- Amending TCA, Section, 49-2-203(a)(10)(A)(ii), deleting the language in its entirety and replacing it with the following:
 - Excluding capital outlay and debt service, no LEA shall submit a budget to the local legislative body that directly or indirectly supplants or proposes to use state funds to supplant any local operating funds nor shall such budget include funds from the local legislative body that are less

than the funds received by the LEA from the local legislative body in the previous fiscal year as adjusted for inflation based on the local government price deflator, which is an index used to adjust the Basic Education Program. However, if such index reflects an inflation rate of less than zero such decline shall be treated as no change in the inflation rate. A proposed reduction in funds based on fewer students in the system rather than actual fund cuts, shall not be considered a reduction in funds for purposes of this provision.

SALARY EQUITY ANALYSIS

Background

The committee determined in its first annual report (November 1, 2004) that the most appropriate measure for calculating salary disparity is total teacher compensation, based on “salary schedule strength” and “health insurance package strength”, with the goal of representing a disparity baseline independent of regional and local variations in teacher training and experience and which health plan a teacher selects.

Total teacher compensation is a procedure that compares instructional salary and health benefit differences *independent* of variation in local teacher training and experience. Total teacher compensation analysis also controls for variation in the local health plans selected by teachers.

The central tenets of this methodology include (Appendix A):

- 1) a statewide, weighted average salary for each cell, applied to the local salary schedule of each system;
- 2) a weighted average local health insurance benefit.

Discussion

The committee reviewed the following PowerPoint presentation ([Appendix A.3](#)) and salary disparity analysis ([Appendix A.4](#)) related to salary disparity presented by the Comptroller’s Office.

Maximum versus Minimum

In comparison to 2007, the maximum versus minimum for total compensation decreased from 37.98% to 37.63%. A decrease in salary disparity was also observed for the weighted average salary and the weighted average insurance paid.

Maximum vs. Minimum	Weighted Average Salary	Weighted Average Insurance Paid	Total Compensation
2003	45.75%	155.79%	45.28%
2004	35.07%	185.64%	36.94%
2005	35.60%	155.79%	37.82%
2006	35.49%	138.76%	37.93%
2007	35.36%	127.42%	37.98%
2008	35.23%	126.44%	37.63%

Coefficient of Variation

The Coefficient of Variation (CoV) is a representation of how closely values are clustered around the average. In 2003, before the infusion of salary equity funds, the CoV for total teacher compensation was 0.0787. The value of the CoV decreased in 2004 from 0.0787 to 0.0691, signifying a decrease in disparity.

Since 2004, the average value of the CoV has fluctuated near 0.07145. For the immediate year, the CoV decreased from 0.0726 to 0.0712. This represents a decrease in salary disparity in comparison to 2007.

Coefficient of Variation	Weighted Average Salary	Weighted Average Insurance Paid	Total Compensation
2003	0.0791	0.1890	0.0787
2004	0.0688	0.1894	0.0691
2005	0.0696	0.1890	0.0703
2006	0.0703	0.1863	0.0717
2007	0.0722	0.1792	0.0726
2008	0.0715	0.1760	0.0712

Regional Salary Disparity

A regional analysis of total teacher compensation within 11 regions reveals that since the original infusion of salary equity funds (1) there has been an improvement (decrease) in salary disparity in four county regions (Nashville, Knoxville, Clarksville, and Franklin); (2) there is a mixed trend related to salary disparity in four county regions (Dyersburg, Jackson, Memphis, Tri-Cities); and (3) there has been an increase in salary disparity in three county regions (Greenville, Chattanooga, and Cookeville).

See Appendices [A.5](#), [A.6](#), and [A.7](#)

Statewide Weighted Average Salary

Using the total teacher compensation methodology, the statewide weighted average salary for Tennessee is \$41,441.05, an increase of \$4,411.84 from the baseline year of 2004. When weighted average insurance paid by school districts is included, the average increases to \$47,434.60, an increase of \$5,736.48 from the baseline year of 2004

[See Appendix A.4, Exhibit #1](#)

BEP IMMEDIATE PRIORITIES

Background

The following priorities were recommended in the 2007 report and continue to remain an immediate priority:

- A continued phase-in of Public Chapter 369 of the 105th General Assembly.
- A reduction in instructional positions outside the BEP
- The use of current SACS accreditation ratios for Assistant Principals
- Establishing new BEP Components for Professional Development and Mentoring
- A reduction in the funding ratio for Nurses from 1:3,000 to 1:1,500
- A reduction in the funding ratio for Technology Coordinators from 1:6,400 to 1:2,500
- An increase in funding for teacher materials and supplies by \$100 above the existing \$200 allocation

This year the following technology recommendations are also adopted as immediate priorities:

- In order to account for inflationary increases in the BEP formula, the existing \$20 million allocation for technology should be applied to the reduction of technology coordinator ratios per ADM.
- The BEP formula should incorporate funding for a new position in each local education agency, the instructional technology coordinator, to support the districtwide implementation of technology in three key areas:
 - Improved student academic achievement through the use of instructional technology in elementary and secondary schools
 - Information, media, and ICT literacy of administrators, teachers and students
 - Effective integration of technology resources and systems through professional development and teacher training to establish research-based instructional models
- Create a new component for instructional technology within the classroom category.

BEP EXTENDED PRIORITIES

The following priorities were recommended in the 2007 report and continue to remain an extended priority:

- Reduce instructional positions generated outside the BEP in grades K – 6.
- Increase pay for teachers, principals, and assistant principals to a level that is reasonably comparable to the Southeastern average for each respective position type.
- Review and consider expenditures associated with central office positions, including salaries, benefits, and other administrative costs.

This year the following recommendations are also adopted as extended priorities:

- Create a separate component within the BEP formula for administrative positions.
- Incorporation of the BEP Technology working group recommendation ([Appendix B.4](#)) related to
 - E-learning Course Content
 - Technology Support Personnel
 - Technology Hardware
 - Technology Infrastructure (additional study)

APPENDICES

See <http://www.state.tn.us/sbe/bep.html>