

The **EDUCATION FUND** accounts for taxes collected and allocated for all public school operations within Shelby County. Education is clearly the number one priority for the County and its primary expenditure challenge. The current budget reflects the impact of significant changes to the structure and funding for education within Shelby County that have occurred over the past several years. The County remains committed to providing excellent educational opportunities for every child.

### **Background of Structural Changes to County Schools**



As a result of the Memphis City School Board's decision to surrender its charter in 2011, the Memphis City School (MCS) system merged with the Shelby County School (SCS) system effective July 1, 2013. On July 16, 2013, the six municipalities surrounding the City of Memphis within Shelby County voted to create independent school districts. Those districts began operations on July 1, 2014. The SCS consolidated district existed only for Fiscal 2014 and received 100% of all school funding from the County. Beginning with FY15, county education funds are allocated to all seven districts, as determined by the State of Tennessee attendance ratios.

### ***Achievement School District (ASD) and Charter Schools***

ASD and charter schools continue to shape the funding provided to Shelby County Schools. The **Achievement School District** is a State operated school district created to transform the bottom 5% of schools with continually low performance into the top 25% of schools within five years. **Charter Schools** are public schools operated by independent, non-profit governing bodies. Tennessee State law<sup>1</sup> requires that the per pupil funding amount follows the student as the student transfers to other districts or public charter schools. In addition, state law<sup>2</sup> has loosened restrictions related to family income and caps on the number of charter schools permitted in a district, leading to increased enrollment in charter schools over the past 10 years. As a result, Shelby County Schools has experienced a declining enrollment trend as the ASD and charter school enrollments have increased. Funding provided to SCS is effectively less than prior years as funding is diverted to ASD and charters.

### **Annual Budget Development and Approval**

The County has taxing authority for education funding and responsibility for approving the total amount of County funds provided for all public schools within Shelby County. The total funding level for education is included in the County's annual adopted operating budget. The School Board for each school district determines how the funds will be used to best accomplish their mission of educating students.

The annual budget for the Shelby County School system is developed, reviewed, and approved by the Shelby County Schools Board of Education, and then submitted to the Shelby County Commission for funding review and approval. The Shelby County government does not review or approve the individual budgets for the six municipal school districts; the governing body of each municipality provides budget reviews and approval for their respective school district.

<sup>1</sup> T.C.A. § 49-13-112 and T.C.A. § 49-1-614

<sup>2</sup> T.C.A. § 49-13-113

*Tennessee Code Annotated (T.C.A.) is the Code and Statutes of the State of Tennessee annotated with State and Federal cases and legal reviews and opinions of the Tennessee Attorney General.*

**Funding Sources for Education**

***State Funding***

The State of Tennessee contributes the majority of funding for the Shelby County Schools and municipal district budgets through the Basic Education Program (BEP). BEP is a Tennessee state funding formula used to calculate and distribute funding to the local education agency (LEA) for each school district on a per pupil amount based on prior year enrollment. Tennessee law [T.C.A. § 49-13-112 and T.C.A. § 49-1-614] requires LEAs to allocate a per pupil amount of all local, state, and federal funding received to charter schools and the Achievement School District, respectively. The distribution of state BEP funds to charter schools passes through SCS, except for their capital outlay. ASD receives BEP directly from the State.

***Local Funding***

The amount appropriated in the Education Fund is the total amount that will be paid to all school systems within Shelby County for operations during the fiscal year. Adopted FY20 funding of \$429,459,000, which includes a Maintenance of Effort of \$427,259,000, represents about 32% of total countywide expenditures.

Education currently receives 61% of all current **Property Taxes** collected by Shelby County, based on FY20 Adopted allocation of the total tax rate of \$4.05:

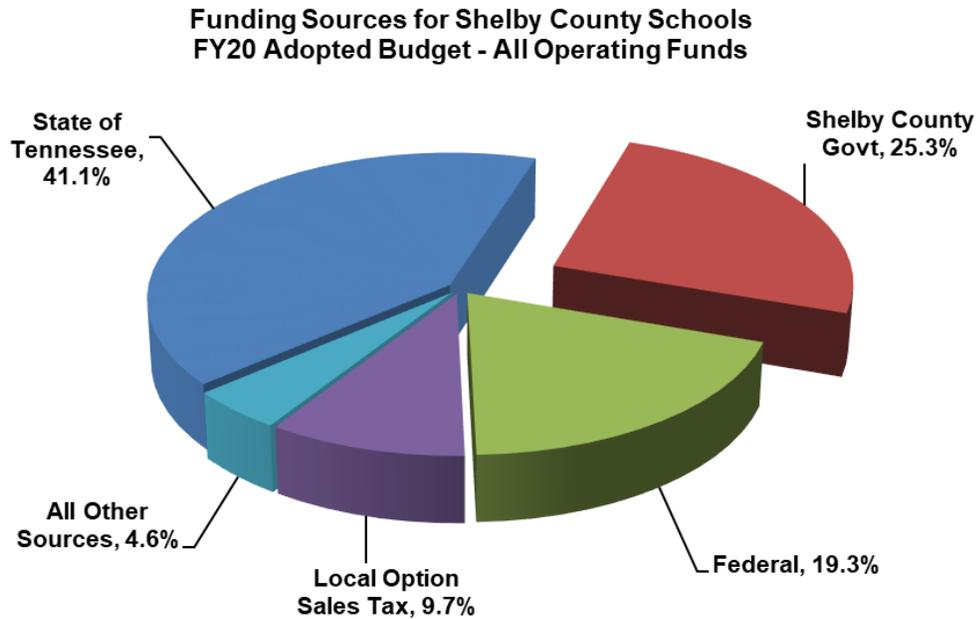
**Property Taxes Allocated to Schools**

	<u>Tax Rate</u>	<u>% of Total</u>
School Operations	\$1.96	48.4%
School Debt	0.51	12.6%
Total School Funding	<u>\$2.47</u>	<u>61.0%</u>

In addition to property taxes, the schools receive the following Shelby County funding:

- **General Fund Transfer** - Tax projections for FY20 do not support the Maintenance of Effort established in FY19. The shortfall is covered with a transfer from the General Fund in the amount of \$153 thousand. An additional \$2.2 million transfer from the General Fund has been budgeted for non-recurring funding to SCS for the Enhancing 21<sup>st</sup> Century Education Pilot Program.
- **Wheel Tax** - 100% of the Wheel Tax has been designated for school operating costs for FY20. Prior to FY17, up to 50% was designated for operations with the remainder used for repayment of school debt.
- **Payment In Lieu of Taxes (PILOT)** - collected from MLG&W and other property tax exempt entities. 50% of payments received from MLG&W are allocated to education operations. Other PILOTS are allocated on the same basis as property taxes or entirely for school debt per contractual agreement.
- **Marriage License Privilege Tax** - fee collected for issuance of marriage licenses; 100% is allocated to education.
- **County Local Option Sales Tax** - the first one-half of the 2.25% rate collected is designated for Education, as required by State law. This revenue is received by the Trustee and paid directly to the schools net of Trustee and State collection fees; it is not reflected in the Education Fund budget.
- **Mixed Drink Tax** – a tax on the sale of alcohol for on-premise consumption. 100% of mixed drink taxes are received by the County Trustee and paid directly to the schools net of collection fees. These revenues are not reflected in the Education Fund budget.

The graph below shows state and other funding sources for SCS based on the FY20 Adopted Budget:



**Weighted Full-time Equivalency Average Daily Attendance (WFTEADA) Allocation**

Weighted full-time equivalency average daily attendance, serves as the basis for allocation of education funds within the county. This is a calculation of the average of the highest two months of the first three months of attendance for grades K-12, multiplied times a unique weight for each grade level as provided by the State Department of Education.

Prior to the merger effective in FY14, the total amount budgeted for education by Shelby County was distributed only between the City and County school systems based upon the weighted ADA ratio. Beginning with FY15, county education funds are now distributed to seven independent school districts based on weighted attendance. These ratios are reviewed annually each spring and certified by the Tennessee Department of Education. The budgeted allocation to each school system is based on the rate in effect at the time of proposed budget development. When the exact weighted ADA ratios are determined near the end of the school year, payments are adjusted to July 1 of the current year based on the revised rate.

Historical weighted ADA allocation data for the past four years is provided in the following table, reflecting the structural changes since 2016:

***Weighted Average Daily Attendance Allocations***

Fiscal Year	WFTEADA Year	County Schools	Municipal Schools	Total
2020	2017-2018 *	77.09%	22.91%	100.00%
2019	2017-2018	77.09%	22.91%	100.00%
2018	2016-2017	77.65%	22.35%	100.00%
2017	2015-2016	77.92%	22.08%	100.00%
2016	2014-2015	78.62%	21.38%	100.00%

\* FY20 Budget is based on 2017-2018 WFTEADA and will be amended with the release of the 2018-2019 figures.

Weighted ADA distributions are calculated for the seven independent school districts on the basis of attendance. Distributions since FY18 are shown below:

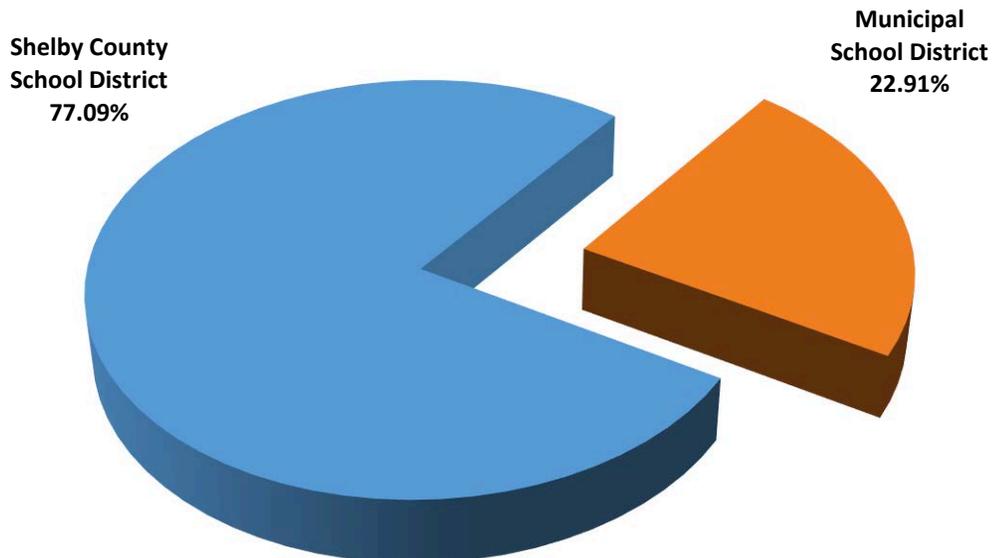
**Weighted ADA Allocations to School Districts within Shelby County** <sup>(1)</sup>

<b>District:</b>	<b>FY18 Actual</b>		<b>FY19 Actual</b>		<b>FY20 Budget</b> <sup>(2)</sup>	
	<b>Amount</b>	<b>ADA %</b>	<b>Amount</b>	<b>ADA %</b>	<b>Amount</b>	<b>ADA %</b>
Shelby	325,719,232	77.65%	329,373,963	77.09%	329,373,963	77.09%
Arlington	13,590,860	3.24%	14,142,273	3.31%	14,142,273	3.31%
Bartlett	25,965,255	6.19%	26,490,058	6.20%	26,490,058	6.20%
Collierville	24,874,630	5.93%	26,874,591	6.29%	26,874,591	6.29%
Germantown	17,449,994	4.16%	18,115,782	4.24%	18,115,782	4.24%
Lakeland	4,530,287	1.08%	4,913,479	1.15%	4,913,479	1.15%
Millington	7,340,742	1.75%	7,348,854	1.72%	7,348,854	1.72%
<b>TOTAL</b>	<b>419,471,000</b>	<b>100.00%</b>	<b>427,259,000</b>	<b>100.00%</b>	<b>427,259,000</b>	<b>100.00%</b>

(1) Weighted full-time equivalency of average daily attendance as certified by State.

(2) FY19 Final WFTEADA is the basis for the FY20 budget estimates. Actual FY20 payments will be based on ADA rates as certified by the State in the spring of 2020.

**WFTEADA Allocation  
Shelby County Schools vs. Municipal Schools**



**Maintenance of Effort (MOE)**

As specified by T.C.A. § 49-3-314, the County is required to maintain a level of funding to schools that is at least equal to the amount provided in the prior year’s budget – on either a total budget or per pupil basis. FY20 maintains the MOE level set in FY19. The FY20 tax revenue projections show a shortfall of the MOE set in FY19. To cover this difference, the General Fund will transfer \$153 thousand to the Education Fund in FY20.

**County Funding for Education Operations  
FY2008 - 2020**

Fiscal Years	Funding Amount	Increase Over Prior Year	%	Other Funding
FY2008 - FY2013	\$ 361,288,000	\$ 1,268,396	0.4%	
FY2014	\$ 381,288,000	\$ 20,000,000	5.5%	\$ 3,476,432 <sup>1</sup>
FY2015	\$ 381,288,000	\$ -	0.0%	\$ 1,800,000 <sup>2</sup>
FY2016	\$ 391,288,000	\$ 10,000,000	2.6%	
FY2017	\$ 419,471,000	\$ 28,183,000	7.2%	
FY2018	\$ 419,471,000	\$ -	0.0%	
FY2019	\$ 427,259,000	\$ 7,788,000	1.9%	\$ 6,459,319 <sup>3</sup>
FY2020	\$ 427,259,000	\$ -	0.0%	\$ 2,200,000 <sup>4</sup>

<sup>1</sup> Non-recurring appropriation for "Life Safety" capital expenditures from MLG&W settlement funds. ADA distribution not applicable for FY14 (single school district).

<sup>2</sup> Non-recurring appropriation for a Facilities Study from General Fund Balance. ADA distribution applied for all seven districts.

<sup>3</sup> Non-recurring appropriation for a Science Textbooks from Education Fund Balance. ADA distribution not applicable for one-time appropriations for specific purposes.

<sup>4</sup> Non-recurring appropriation for Pilot Project supporting Enhancing 21st Century Education from General Fund Balance. ADA distribution not applicable for one-time appropriations for specific purposes.



**Shelby County MOE Funding for Education  
ADA Per Pupil Basis 2016-2020**

Fiscal Year	ADA* Attendance	% change from prior	Shelby County Funding	Per pupil Funding	% change from prior
2016	129,817	-2.5%	\$ 391,288,000	\$ 3,014	5.3%
2017	128,163	-1.3%	\$ 419,471,000	\$ 3,273	8.6%
2018	130,664	2.0%	\$ 419,471,000	\$ 3,210	-1.9%
<sup>1,2</sup> 2019 Estimated	131,084	0.3%	\$ 427,259,000	\$ 3,259	1.5%
<sup>3</sup> 2020 Projected	131,503	0.3%	\$ 427,259,000	\$ 3,249	-0.3%
<b>Avg annual % change over 5 yrs</b>		<b>-0.2%</b>			<b>2.6%</b>
<b>Total change over 5 yrs</b>		<b>1.3%</b>	<b>\$ 35,971,000</b>	<b>\$ 234</b>	<b>7.8%</b>

<sup>1</sup> Excludes non-recurring appropriation for Science Textbooks from Education Fund Balance.

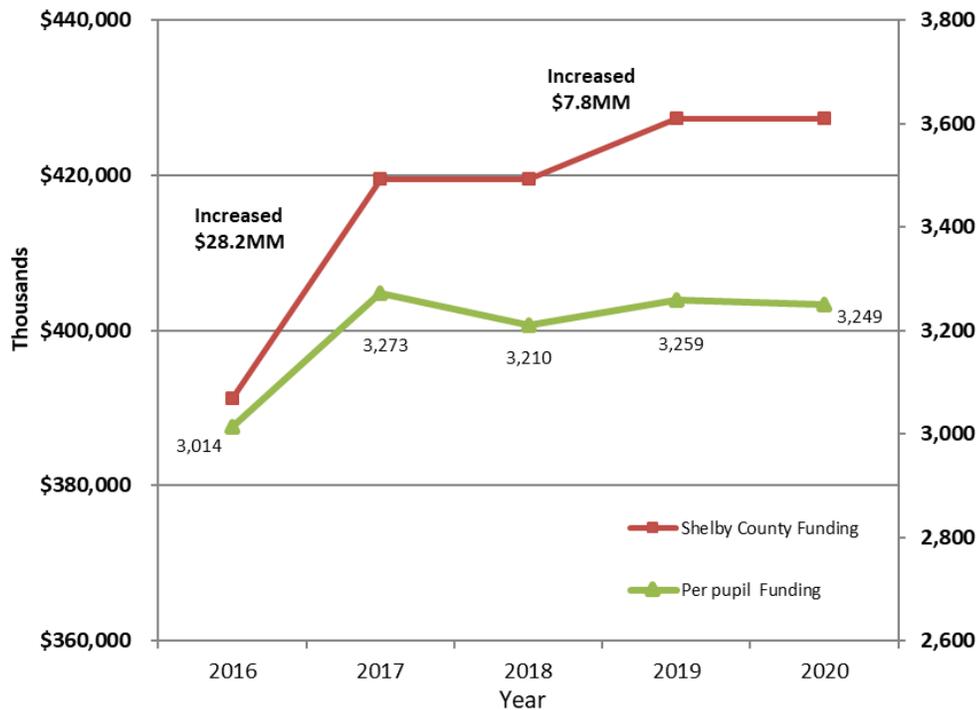
<sup>2</sup> ADA figures unavailable at time of publication. Estimated based on trend.

<sup>3</sup> Projected ADA based on stabilizing attendance figures and moderate trending rebound.

\*ADA is unweighted Average Daily Attendance; excludes ASD attendance.

\*Source: Annual Statistical Report issued by the Tennessee Department of Education, 2016-2018.

**Total and Per-Pupil Funding Trends**



**Over past five years attendance increased 1.3% while total funding increased \$36.0 million and funding per pupil increased 7.8%**

**Capital Improvement (CIP) Funding**

***Background***

Funding for Capital Improvement Projects was deferred during the transitional years of school consolidation and subsequent “de-merger” of the County school system into seven independent districts. A request by the consolidated Shelby County School District (SCS) for capital improvements was appropriated by the County Commission in FY14 in the amount of \$52,161,500 that included projects for schools that would later become part of the municipal districts. CIP funds were not appropriated for FY15, pending the results of a facilities assessment of all schools in the SCS district with a long term plan for repairs and potential school closures as requested by the Shelby County Commission. Upon the completion of the facilities assessment in FY16, the Shelby County Commission has appropriated CIP funding for each fiscal year.

***Education CIP Funding Process***

Funds for CIP expenditures are allocated to the school districts according to prior year ADA ratios. Those amounts are distributed directly to the municipal school districts without Shelby County Government project approval; the governing body of each municipality provides CIP project approval for that school district. SCS CIP funds are distributed on a reimbursement basis for projects approved by the Shelby County Commission.

***Funding***

For FY20, the County Commission approved total allocations in the amount of \$51,887,404 for capital funds for all school districts. Of this amount, \$40,000,000 is allocated to SCS with \$11,887,404 as the combined total provided to all other school districts within Shelby County based on the Weighted Full-time Average Daily Attendance, as required by law when providing funds to the Shelby County School District.

Shelby County generally issues debt for capital improvements for schools. The majority of the County’s current long term debt obligations are related to school construction required to accommodate growth in eastern Shelby County during the 1990s. For FY20 the County expects to spend about \$115.4 million for debt service related to schools – an amount that represents 8.6% of total County expenditures.

**CIP ORIGINAL APPROPRIATIONS - SHELBY COUNTY SCHOOLS  
FY14-FY20**

<b>FISCAL YEAR</b>	<b>SCS DISTRICT</b>	<b>% of TOTAL</b>	<b>MUNICIPAL SCHOOL DISTRICTS</b>	<b>% of TOTAL</b>	<b>TOTAL BUDGET</b>
<b>FY2014 *</b>	<b>\$ 52,161,500</b>	<b>100.00%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ 52,161,500</b>
<b>FY2016</b>	<b>26,163,306</b>	<b>79.25%</b>	<b>6,850,329</b>	<b>20.75%</b>	<b>33,013,635</b>
<b>FY2017</b>	<b>18,397,080</b>	<b>78.62%</b>	<b>5,002,920</b>	<b>21.38%</b>	<b>23,400,000</b>
<b>FY2018</b>	<b>53,981,454</b>	<b>77.92%</b>	<b>15,296,593</b>	<b>22.08%</b>	<b>69,278,047</b>
<b>FY2019</b>	<b>90,292,947</b>	<b>77.65%</b>	<b>25,989,020</b>	<b>22.35%</b>	<b>116,281,967</b>
<b>FY2020</b>	<b>40,000,000</b>	<b>77.09%</b>	<b>11,887,404</b>	<b>22.91%</b>	<b>51,887,404</b>
<b>Total</b>	<b>\$ 280,996,287</b>		<b>\$ 65,026,266</b>		<b>\$ 346,022,553</b>

\* Municipal school districts had not yet been created in FY14. However, \$4.8 million was allotted to facilities within those areas.

**Account Detail**

**All Funds**

**Education**

<b>Acct</b>	<b>Description</b>	<b>FY 16 Actual</b>	<b>FY 17 Actual</b>	<b>FY 18 Actual</b>	<b>FY 19 Amended Budget</b>	<b>FY 20 Adopted Budget</b>
4001 - Property Taxes-Current		(360,523,663)	(364,132,775)	(375,635,921)	(374,614,000)	(374,669,951)
4002 - Property Taxes-Delinquent		(9,883,043)	(10,107,701)	(9,828,871)	(10,059,000)	(10,167,884)
40 - Property Taxes		(370,406,706)	(374,240,476)	(385,464,791)	(384,673,000)	(384,837,835)
4105 - MLG&W In Lieu Of Taxes		(3,557,065)	(2,600,305)	(2,953,274)	(3,750,000)	(3,535,632)
4108 - Exempt Property In Lieu Of Taxes		(3,693,037)	(3,612,608)	(3,411,119)	(3,593,000)	(3,384,791)
4116 - Community Redevelopment TIFF		(100,861)	(130,502)	(405,727)	(188,000)	(462,000)
4130 - Marriage License Privilege Tax		(53,637)	(53,176)	(49,799)	(55,000)	(55,000)
4160 - Wheel Tax		(13,476,694)	(33,873,450)	(33,659,197)	(35,000,000)	(34,865,755)
41 - Other Local Taxes		(20,881,294)	(40,270,041)	(40,479,116)	(42,586,000)	(42,303,178)
<b>Revenue</b>		<b>(391,288,000)</b>	<b>(414,510,516)</b>	<b>(425,943,908)</b>	<b>(427,259,000)</b>	<b>(427,141,013)</b>
8943 - Arlington Municipal Schools		13,812,467	15,054,080	13,590,860	14,142,273	14,142,273
8944 - Bartlett Municipal Schools		22,890,348	25,312,538	25,965,255	26,490,058	26,490,058
8945 - Collierville Municipal Schools		21,559,969	24,186,610	24,874,630	26,874,591	26,874,591
8946 - Germantown Municipal Schools		15,964,550	17,305,936	17,449,994	18,115,782	18,115,782
8947 - Lakeland Municipal Schools		2,347,728	2,710,568	4,530,287	4,913,478	4,913,478
8948 - Millington Municipal Schools		7,082,313	7,506,189	7,340,742	7,348,855	7,348,855
8955 - Shelby County Schools		307,630,625	324,934,594	325,719,232	335,833,282	331,573,963
89 - Affiliated Organizations		391,288,000	417,010,516	419,471,000	433,718,319	429,459,000
<b>Affiliated Organizations</b>		<b>391,288,000</b>	<b>417,010,516</b>	<b>419,471,000</b>	<b>433,718,319</b>	<b>429,459,000</b>
<b>Expenditures</b>		<b>391,288,000</b>	<b>417,010,516</b>	<b>419,471,000</b>	<b>433,718,319</b>	<b>429,459,000</b>
9999 - Planned Fund Balance Decrease		0	0	0	(6,459,319)	0
99 - Planned Use of Fund Balances		0	0	0	(6,459,319)	0
<b>Planned Fund Balance Change</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,459,319)</b>	<b>0</b>
<b>Planned Fund Balance Change</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,459,319)</b>	<b>0</b>
9601 - Transfer From General Fund		0	(2,500,000)	0	0	(2,317,987)
96 - Operating Transfers In		0	(2,500,000)	0	0	(2,317,987)
<b>Operating Transfers In</b>		<b>0</b>	<b>(2,500,000)</b>	<b>0</b>	<b>0</b>	<b>(2,317,987)</b>
<b>Net Transfers</b>		<b>0</b>	<b>(2,500,000)</b>	<b>0</b>	<b>0</b>	<b>(2,317,987)</b>
<b>Education Total</b>		<b>0</b>	<b>0</b>	<b>(6,472,908)</b>	<b>0</b>	<b>0</b>