

EDUCATION FUND



FY16 PROPOSED BUDGET

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. However, the County remains committed to providing excellent educational opportunities for every child.

School Consolidation Background

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. A Transition Planning Commission (TPC) was created by state law in October of 2011 to develop a comprehensive transition plan to guide the consolidation into one unified school system. The TPC plan for consolidation was based on community input and extensive research of local and national practices, and was completed in June 2012.



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.

Annual Budget Development

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.

County Funding for Education

The amount appropriated in the Education Fund is the total amount that will be paid to the school systems for the fiscal year. Proposed funding of \$381,288,000 for FY16 represents almost 33% of total countywide expenditures.

EDUCATION FUND

Overview

Education currently receives 60% of all current and delinquent **Property Taxes** collected by Shelby County, based on proposed FY16 allocations of the total tax rate of \$4.37:

	<u>Tax Rate</u>	<u>Percent</u>
School Operations	\$ 2.14	49%
School Debt	\$ 0.47	11%
Total Education	\$ 2.61	60%

In addition to property taxes, 100% of the **Wheel Tax** is designated for school operating costs and repayment of the County's bonded indebtedness for schools. Other funding sources include **In Lieu of Taxes** collected from MLG&W and for other exempt properties and the **Marriage License Privilege Tax**. The first one-half of the \$.0225 collected for the **Local Sales Tax** has also been designated for education. This revenue is paid by the Trustee directly to the schools and is not reflected in the Education Fund budget.

Average Daily Attendance (ADA) Allocations

"Average Daily Attendance" or "ADA" is a calculation of the aggregate days of attendance at a given school during a specified reporting period, divided by the number of days that school is in session during this period, as provided in the rules and regulations of the State Board of Education.

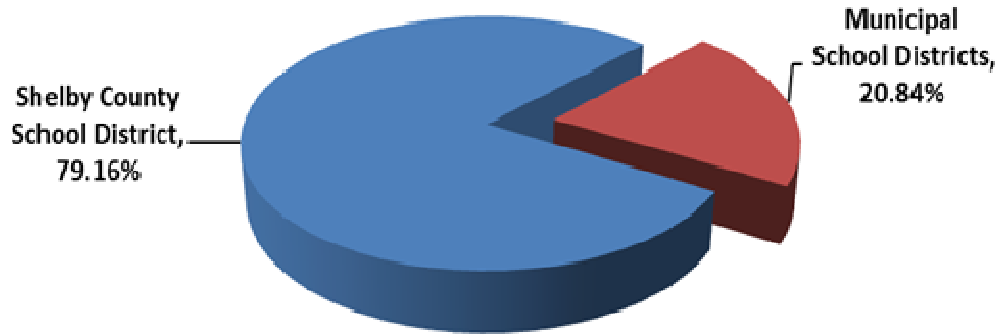
Prior to the merger effective in FY14, the total amount budgeted for education by Shelby County was distributed only between the City and County school systems based upon the weighted full-time equivalency (WFTE) Average Daily Attendance (ADA) ratio. Beginning with FY15, county education funds are now distributed to seven independent school districts based on attendance. The attendance ratios are reviewed annually each spring and certified by the Tennessee State Department of Education. The budgeted allocation to each school system is based on the rate in effect at the time of proposed budget development. Actual payments are pro-rated to July 1 of the current year when the revised rate is determined to equalize appropriations between the schools.

Historical ADA data for the past 10 years is provided in the following table, with SCS receiving 100% of all education funds in FY14:

Average Daily Attendance Ratios 2005-2014

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City Schools</u>	<u>County Schools</u>	<u>Total</u>
2014	2013	0.00%	100.00%	100.00%
2013	2012	68.00%	32.00%	100.00%
2012	2011	69.24%	30.76%	100.00%
2011	2010	69.06%	30.94%	100.00%
2010	2009	68.67%	31.33%	100.00%
2009	2008	69.22%	30.78%	100.00%
2008	2007	69.57%	30.43%	100.00%
2007	2006	70.82%	29.18%	100.00%
2006	2005	71.51%	28.49%	100.00%
2005	2004	72.10%	27.90%	100.00%

Beginning with FY15, ADA distributions are calculated for the seven independent school districts on the basis of attendance. Estimated distributions for FY15 and FY16 are shown below:



District	FY15 Allocations		FY16 Allocations	
	Amount	ADA %	Amount	ADA %
Shelby	\$ 301,827,581	79.16%	\$ 301,827,581	79.16%
Arlington	13,230,694	3.47%	12,887,534	3.38%
Bartlett	23,106,053	6.06%	21,580,901	5.66%
Collierville	19,560,074	5.13%	20,475,166	5.37%
Germantown	14,069,527	3.69%	15,289,649	4.01%
Lakeland	2,135,213	0.56%	2,135,213	0.56%
Millington	7,358,858	1.93%	7,091,957	1.86%
TOTAL	\$ 381,288,000	100.00%	\$ 381,288,000	100.00%

Maintenance of Effort

As specified by Tennessee Code Annotated (TCA) Section 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 - either in total budget or on a per pupil basis. However, a period of three years is allowed for a post-merger funding level re-set of this "Maintenance of Effort" (MOE) requirement. The baseline year for MOE funding will be FY2015.

**County Funding for Education
FY2005 - 2016**

FY2005	\$325,859,655
FY2006 - FY2007	\$360,019,604
FY2008 - FY2013	\$361,288,000
FY2014	\$384,764,432 *
FY2015	\$381,288,000
FY2016	\$381,288,000

*Note: The Shelby County Government Adopted Budget for FY2014 provided total funding of \$381,288,000 for the consolidated Shelby County School (SCS) system. This amount included a \$20 million dollar increase over the Maintenance of Effort (MOE) funding level of the prior six years. An additional \$3,476,432 was approved by the County Commission during FY14 as a one-time appropriation for life safety expenditures that did not qualify for capital project funding.

**Shelby County Funding for Education
ADA Per Pupil Basis 2005-2015**

<u>Year</u>	<u>ADA Attendance</u>	<u>% change from prior</u>	<u>Shelby County Funding</u>	<u>Per pupil Funding</u>	<u>% change from prior</u>
2005	151,469		\$ 325,859,655	\$ 2,151	
2006	151,602	0.1%	\$ 360,019,604	\$ 2,375	10.4%
2007	149,767	-1.2%	\$ 360,019,604	\$ 2,404	1.2%
2008	146,690	-2.1%	\$ 361,288,000	\$ 2,463	2.5%
2009	144,597	-1.4%	\$ 361,288,000	\$ 2,499	1.4%
2010	143,922	-0.5%	\$ 361,288,000	\$ 2,510	0.5%
2011	142,225	-1.2%	\$ 361,288,000	\$ 2,540	1.2%
2012	140,652	-1.1%	\$ 361,288,000	\$ 2,569	1.1%
2013	138,558	-1.5%	\$ 361,288,000	\$ 2,607	1.5%
* 2014	136,150	-1.7%	\$ 381,288,000	\$ 2,800	7.4%
% change over 10 yrs		-10.1%			30.2%

Notes:

* **2014 County funding:** *Removed one time funding of \$3,476,432 appropriated for life safety equipment expenditures*

ADA Attendance: *Declined by 10% over a ten year period*

Per Pupil funding: *Increased by 30% over a ten year period*

Capital Improvement (CIP) Funding

Funding for Capital Improvement Projects was deferred for FY12 and FY13, pending an evaluation of capital needs after the consolidation transition process was complete. Although CIP funds were also initially deferred again for FY14, a request submitted by the SCS for capital improvements was later approved by the County Commission in the amount of \$52,161,500. An additional \$55 million for schools was included in the FY15 Adopted budget, although specific projects have not yet been identified or approved. The FY16 CIP budget does not include a specified amount for school capital funding, pending the results of a facilities assessment being conducted by the Shelby County School district.

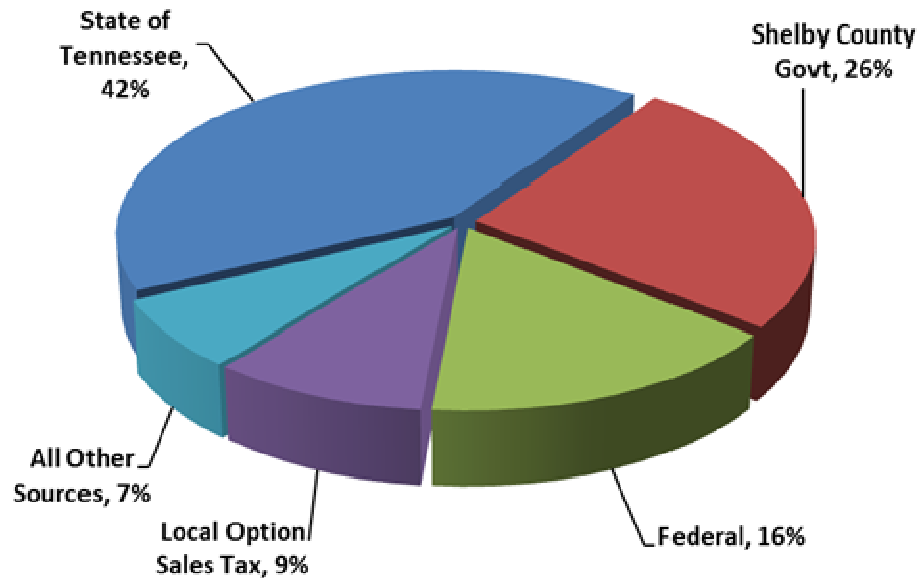
Shelby County issues debt for capital improvements for schools. The majority of the County's current long term debt obligations are related to school construction required to accommodate growth in eastern Shelby County during the 1990s. For FY16 the County expects to spend about \$110 million for debt related to schools – an amount that represents 12.4% of the total tax rate.

CIP expenditures are distributed to the school districts according to the same ADA attendance ratios as operating funds.

Funding Sources for the Shelby County School District

The State of Tennessee contributes the majority of funding for the Shelby County Schools budget through the Basic Education Program (BEP) at about 42% of their total funds. Funding from the County, in the form of Property Taxes and the Local Option Sales Tax, accounts for about 35% of SCS funds. Federal funds provide an additional 16% and Other Sources, which include charges for services, provide the remaining 7% of total funding for the Shelby County Schools budget. At the time of the merger, the City of Memphis discontinued annual maintenance of effort payments previously made as a Local Education Agency (LEA).

Funding Sources for Shelby County Schools



Note: based on FY15 Adopted Budget; FY16 Budget not yet available

Account Detail

All Funds

Education

Acct	Description	FY 12 Actual	FY 13 Actual	FY 14 Actual	FY 15 Amended Budget	FY 16 Proposed Budget
4001 - Property Taxes-Current		(329,658,576)	(330,287,991)	(353,566,680)	(348,178,000)	(357,380,000)
4002 - Property Taxes-Delinquent		(11,626,977)	(11,045,412)	(10,288,629)	(13,712,000)	(12,732,000)
4016 - Uptown Redevelopment Incremental Taxes		(74,408)	(83,290)	(71,468)	0	(77,000)
40 - Property Taxes		(341,359,961)	(341,416,693)	(363,926,777)	(361,890,000)	(370,189,000)
4105 - MLG&W In Lieu Of Taxes		0	(2,511,104)	(6,187,158)	(2,644,000)	(3,085,000)
4108 - Exempt Property In Lieu Of Taxes		(3,550,006)	(3,337,350)	(3,515,262)	(3,575,000)	(4,652,000)
4130 - Marriage License Privilege Tax		0	0	(51,897)	(55,000)	(55,000)
4160 - Wheel Tax		(16,378,033)	(14,022,852)	(11,083,339)	(13,124,000)	(3,307,000)
41 - Other Local Taxes		(19,928,039)	(19,871,307)	(20,837,655)	(19,398,000)	(11,099,000)
Revenue		(361,288,000)	(361,288,000)	(384,764,432)	(381,288,000)	(381,288,000)
8943 - Arlington Municipal Schools		0	0	0	13,293,154	13,230,694
8944 - Bartlett Municipal Schools		0	0	0	23,215,133	23,106,053
8945 - Collierville Municipal Schools		0	0	0	19,652,414	19,560,074
8946 - Germantown Municipal Schools		0	0	0	14,135,947	14,069,527
8947 - Lakeland Municipal Schools		0	0	0	2,145,293	2,135,213
8948 - Millington Municipal Schools		0	0	0	7,393,598	7,358,858
8954 - Memphis City Schools		250,135,286	249,122,187	0	0	0
8955 - Shelby County Schools		111,152,714	112,165,813	384,764,432	303,252,461	301,827,581
89 - Affiliated Organizations		361,288,000	361,288,000	384,764,432	383,088,000	381,288,000
Affiliated Organizations		361,288,000	361,288,000	384,764,432	383,088,000	381,288,000
Expenditures		361,288,000	361,288,000	384,764,432	383,088,000	381,288,000
9601 - Transfer From General Fund		0	0	0	(1,800,000)	0
96 - Operating Transfers In		0	0	0	(1,800,000)	0
Operating Transfers In		0	0	0	(1,800,000)	0
Net Transfers		0	0	0	(1,800,000)	0
Education Total		0	0	0	0	0

