

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. The current budget reflects the impact of significant changes to the structure and funding for education that have occurred over the past decade. 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 FY14 and received 100% of all school funding from the County. Since FY15, County education funds have been allocated to all seven districts, as determined by the State of Tennessee attendance ratios.

Achievement School District (ASD) and Charter Schools

The ASD is a State-operated school district created to transform the bottom 5% of schools with continually low performance into the top 25% of schools. Charter schools are public schools operated by independent, non-profit governing bodies. The ASD and charter schools continue to shape the funding provided to SCS because Tennessee State law¹ requires that the per pupil funding amount follows the student as the student transfers to another district or charter school. In addition, State law² has loosened restrictions related to family income and caps on the number of charter schools permitted in a district, leading to more charter schools. As a result, SCS has experienced a declining enrollment trend as charter school enrollment has increased. Funding provided to SCS is effectively less than prior years because funding is diverted to ASD and charter schools.

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. Each school district's school board determines how the funds will be used to best accomplish that district's mission of educating students.

For the SCS system, SCS develops its annual budget, which the Shelby County Schools Board of Education reviews and approves. Then, SCS submits its budget to the Shelby County Commission for funding review and approval. For the six municipal school districts, the governing body of each municipality provides budget reviews and final budget approval for the respective school district; the Shelby County Commission does not review or approve the individual municipal school district budgets.

¹ T.C.A. § 49-13-112 and T.C.A. § 49-1-614

² 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’s funding for education is based on its Basic Education Program (BEP) funding formula. The BEP is used to calculate and distribute State 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] also requires LEAs to allocate a per pupil amount of all local, State, and Federal funding to charter schools and the ASD. The distribution of State BEP operating funds to charter schools passes through SCS, while the ASD receives BEP funding directly from the State.

Local Funding

The amount appropriated in the Education Fund is the total amount that the County will pay to all school systems within Shelby County for operations during the fiscal year. Adopted FY22 funding of \$427,259,000 represents about 27% of total County operating expenditures.

Education currently receives 59.9% of all current **Property Taxes** collected by Shelby County, based on the FY22 allocation of the total tax rate of \$3.45.

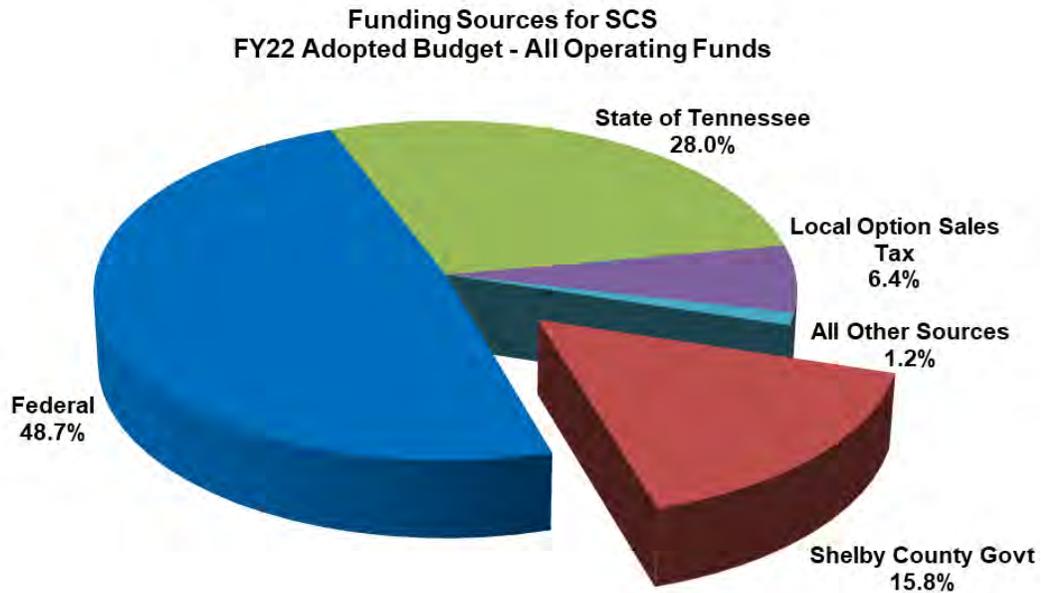
Property Taxes Allocated to Schools

	<u>Tax Rate</u>	<u>% of Total</u>
School Operations	\$1.64	47.5%
School Debt	0.43	12.4%
Total School Funding	<u>\$2.07</u>	<u>59.9%</u>

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

- **Wheel Tax** - 100% of the Wheel Tax has been designated for school operating costs for FY22. Prior to FY17, up to 50% was designated for school operations with the remainder used for repayment of school debt.
- **Payment In Lieu of Taxes (PILOT)** – These payments are collected from MLG&W and other property tax exempt entities. 50% of the 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** – This fee is collected for the 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 County 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** – This is 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. This revenue is not reflected in the Education Fund budget.

The graph below shows Federal, State and other funding sources for SCS based on SCS's FY22 Adopted Budget.



WEIGHTED FULL-TIME EQUIVALENT AVERAGE DAILY ATTENDANCE ALLOCATION

Weighted full-time equivalent average daily attendance (WFTEADA) 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 Tennessee Department of Education.

Prior to the schools' merger that was effective in FY14, the total amount budgeted for education by the County was distributed only between the City and County school systems based upon the WFTEADA ratio. Since FY15, County education funds are now distributed to the seven school districts based on the WFTEADA ratios. 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 budget adoption. When the exact WFTEADA ratios are determined near the end of the school year, payments are adjusted to July 1 of the current fiscal year based on the revised rate.

The historical WFTEADA allocation data for the past four years is provided in the following table.

WFTEADA Allocations

Fiscal Year	WFTEADA Year	County Schools	Municipal Schools	Total
2022	2019-2020 *	77.00%	23.00%	100.00%
2021	2019-2020	77.00%	23.00%	100.00%
2020	2018-2019	77.17%	22.83%	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%

* FY22 Budget is based on 2019-2020 WFTEADA and will be amended with the release of the 2020-2021 figures.

WFTEADA distributions are calculated for the seven independent school districts on the basis of attendance. Distributions since FY20 are shown below.

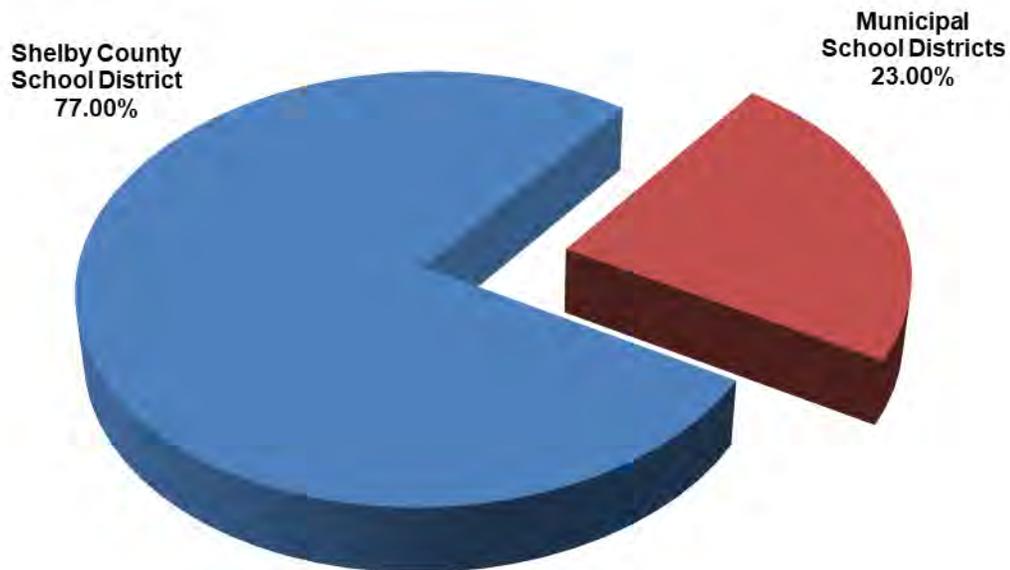
WFTEADA Allocations to School Districts within Shelby County ⁽¹⁾

District:	FY20 Actual		FY21 Actual		FY22 Budget ⁽²⁾	
	Amount	ADA %	Amount	ADA %	Amount	ADA %
Shelby	329,715,770	77.17%	328,989,430	77.00%	328,989,430	77.00%
Arlington	14,313,177	3.35%	14,825,887	3.47%	14,825,887	3.47%
Bartlett	26,148,251	6.12%	25,891,895	6.06%	25,891,895	6.06%
Collierville	26,746,413	6.26%	26,874,591	6.29%	26,874,591	6.29%
Germantown	17,944,878	4.20%	17,987,604	4.21%	17,987,604	4.21%
Lakeland	5,084,382	1.19%	5,340,738	1.25%	5,340,738	1.25%
Millington	7,306,128	1.71%	7,348,855	1.72%	7,348,855	1.72%
TOTAL	427,259,000	100.00%	427,259,000	100.00%	427,259,000	100.00%

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

(2) FY21 Final WFTEADA is the basis for the FY22 budget estimates. Actual FY22 payments will be based on WFTEADA rates as certified by the State in the spring of 2022.

**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. FY22 maintains the MOE level set in FY21.

**County Funding for Education Operations
FY17 - FY22**

Fiscal Years	Funding Amount	Increase Over Prior Year	%	Other Funding
FY17	\$ 419,471,000	\$ 28,183,000	7.2%	
FY18	\$ 419,471,000	\$ -	0.0%	
FY19	\$ 427,259,000	\$ 7,788,000	1.9%	\$ 6,459,319 ¹
FY20	\$ 427,259,000	\$ -	0.0%	\$ 2,200,000 ²
FY21	\$ 427,259,000	\$ -	0.0%	
FY22	\$ 427,259,000	\$ -	0.0%	

¹ Non-recurring appropriation for a Science Textbooks from Education Fund Balance.
ADA distribution not applicable for one-time appropriations for specific purposes.

² 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.



CAPITAL IMPROVEMENT PLAN (CIP) FUNDING

Background

Shelby County appropriates CIP funding for the seven school districts each fiscal year. Funds for CIP expenditures are allocated to the school districts according to prior year WFTEADA ratios.

Education CIP Funding Process

Annually, the County Commission must review and approve SCS’s capital budget; therefore, each spring, SCS presents a budget request to the County for its capital needs. The municipal school districts also present their capital plans to the County Commission, but it does not have authority over the capital budgets of the municipal school districts. Each district’s independent school board has the responsibility for reviewing and approving its capital budget.

In adopting the County’s annual Capital Improvement Budget and five-year CIP, the County considers SCS’s request and the corresponding WFTEADA allocation for the municipal school districts, as well as the County’s capacity to provide capital funds under its Debt Management Policy. With these considerations, the County incorporates capital funding for the schools in its annual Capital Improvement Budget and five-year CIP.

Upon the deconsolidation of the school districts, timing differences in the school districts’ capital spending resulted in several years of funding challenges, as County funds were provided on a reimbursement basis. In FY20, with the school districts’ input, the County developed a funding plan. This plan, which has also been utilized in FY21 and FY22, strives to maintain equity between the districts by distributing of up to 85% of the annual budgeted amount on an upfront monthly basis as requested by the school districts. The remaining 15% is disbursed after all districts have spent the initial amounts. This is to help ensure that all districts receive equitable funding based on their WFTEADA allocation.

Funding

For FY22, the County Commission approved total allocations in the amount of \$29,716,559 for capital funds for all school districts. It is allocated to all school districts within Shelby County based on the WFTEADA from 2019-2020.

**SCHOOLS CAPITAL IMPROVEMENT BUDGET: ORIGINAL APPROPRIATIONS
FY17-FY22**

FISCAL YEAR	SCS DISTRICT	% of TOTAL	MUNICIPAL SCHOOL DISTRICTS	% of TOTAL	TOTAL BUDGET
FY17	\$ 18,397,080	78.62%	\$ 5,002,920	21.38%	\$ 23,400,000
FY18	53,981,454	77.92%	15,296,593	22.08%	69,278,047
FY19	90,292,947	77.65%	25,989,020	22.35%	116,281,967
FY20	40,000,000	77.09%	11,887,404	22.91%	51,887,404
FY21	25,466,024	77.17%	7,533,126	22.83%	32,999,150
FY22	22,881,750	77.00%	6,834,809	23.00%	29,716,559
Total	\$ 251,019,255		\$ 72,543,872		\$ 323,563,127

Shelby County generally issues debt for capital improvements for schools, and the majority of the County’s current long-term debt obligations are related to school construction. For FY22, the County expects to spend about \$109.2 million for debt service related to schools, which is approximately 74% of the County’s total debt service costs and 7% of total County expenditures.

**Prime Accounts
91 - Education**

All Funds

Account - Description	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Amended	FY22 Adopted
40 - Property Taxes	385,464,791	381,149,261	381,462,480	381,439,579	384,762,903
41 - Other Local Taxes	40,479,116	41,795,170	39,842,407	42,303,178	42,348,815
TOTAL REVENUE	425,943,908	422,944,431	421,304,887	423,742,757	427,111,718
96 - Operating Transfers In	-	4,300,980	8,154,113	3,516,243	147,282
TOTAL OTHER SOURCES	-	4,300,980	8,154,113	3,516,243	147,282
TOTAL SOURCES	425,943,908	427,245,411	429,459,000	427,259,000	427,259,000
89 - Affiliated Organizations	419,471,000	433,718,319	429,459,000	427,259,000	427,259,000
TOTAL OTHER USES	419,471,000	433,718,319	429,459,000	427,259,000	427,259,000
TOTAL USES	419,471,000	433,718,319	429,459,000	427,259,000	427,259,000
ACTUAL FUND BALANCE CHANGE	6,472,908	(6,472,908)	-	-	-