



COUNTING DOLLARS AND CENTS: WHERE DOES THE MONEY GO?

by the Beacon Center of Tennessee
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INTRODUCTION

In order to know if our state needs to invest more in education, knowing how much our state is already spending is the first step.

In 2018, the nation saw a wave of teacher strikes, once again bringing education spending back to the national spotlight. Since West Virginia's public school teachers went on strike to protest in February, teachers from Oklahoma, Kentucky, Arizona, and Colorado joined their ranks. Their cause? Teacher pay, and it sure has paid off. Even though public workers going on strike is illegal in West Virginia, public school teachers initially went on strike to protest the one and two percent salary increases originally scheduled over the next several years. Just over a week later, the West Virginia legislature approved a five percent raise.¹ Encouraged by the results in West Virginia and elsewhere, 50,000 teachers and supporters in Arizona marched to their state capitol, eventually earning a near 20 percent raise. These strikes have mostly been aimed at state lawmakers, criticizing them for inadequate investments in public education, and particularly, teacher pay.

This, however, raises an important question. In order to know if our state needs to invest more in education, knowing how much our state is already spending is the first step. More importantly, how is the money spent on education being used? This brief seeks to answer these questions for Tennesseans.

¹ Emily Stewart, "All of West Virginia's teachers have been on strike for over a week." Vox. March 4, 2018. <https://www.vox.com/policy-and-politics/2018/3/3/17074824/west-virginia-teachers-strike-justice-union>.





HIDDEN DOLLARS

The True Cost of Education Spending

Every family across Tennessee knows, in order to get a better grasp of your finances, you first have to figure out how much you're spending. The same goes for the state's education spending. To calculate education spending and other analyses, the Beacon Center utilized figures provided by the Tennessee Department of Education, going back to 2012, which coincides with our previous report, "Following the Money: A Tennessee Education Spending Primer." For the 2017 fiscal year, the Tennessee Department of Education cited total operating expenditures of \$9,122,039,068. This number is divided by Average Daily Attendance (ADA) to calculate a Per Pupil Expenditure (PPE) of \$9,958. The department's calculation excludes educational spending not directly related to day-to-day operations such as community services, capital outlay, debt service, capital projects, and student body education. However, these expenditures do constitute taxpayer expenditures for educational services and thus should be included to represent any true PPE. With these adjustments, minus expenditures for student populations not covered by ADA (such as early childhood education and adult education), the true operating expenditures for

the fiscal year ending in 2017 was \$10,016,068,043. This equates to a more accurate \$10,952 of taxpayer money per pupil, nearly 10 percent more than what is publicly reported. In fact, since 2012, official government numbers have underreported PPE by nearly eight percent per year.

As shown in Figure 1, Tennessee spends significantly more than officially reported. This disparity between actual and reported expenditures highlights that any criticisms that Tennessee does not adequately invest in public education are based, at least in part, on inaccurate numbers.

Tennessee Per Pupil Expenditures (In Dollars)

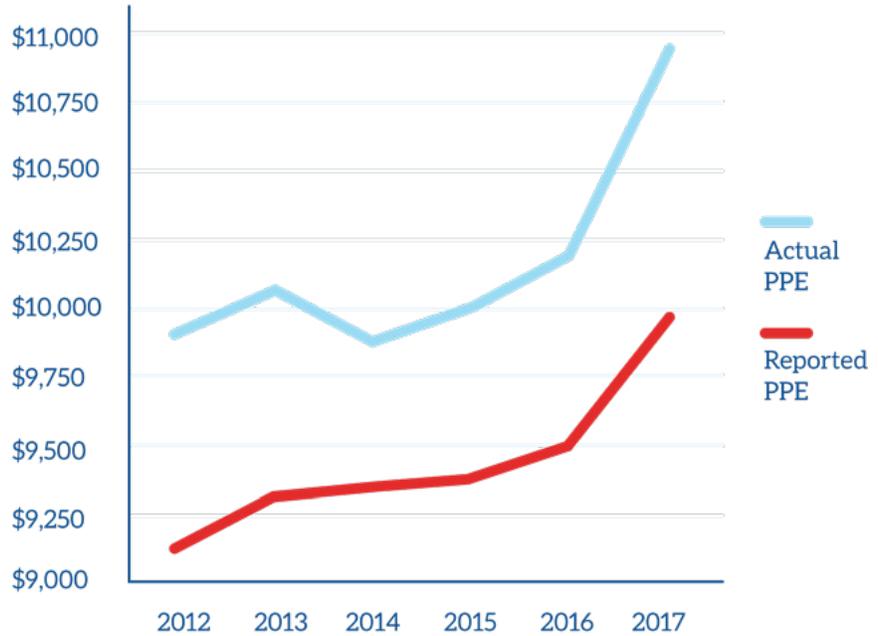


Figure 1: Statewide PPE continues to be grossly underreported.

CUTS TO THE CLASSROOM



Regardless of which PPE one utilizes, Tennessee has increased spending by roughly \$1,000 per student in recent years. Ideally, the majority of this additional money would make its way into the classroom—the nexus of the education system—split between increased teacher salaries and supplies and materials to improve students’ experience in the classroom (such as textbooks, materials, and technology). However, that is not how the money is actually spent. Instead, just \$5.3 billion or 52.6 percent of the \$10 billion spent statewide in fiscal year 2017 actually went to instructional expenditures, which consists of teacher and classroom

compensation and other classroom expenditures. Tennessee's percentage of education spending making it into the classroom is well below the national average of 60 percent according to United States Census Bureau's most recent report on public education finances.² This gap represents an additional \$741.2 million that could have gone to support students and teachers, but was allocated elsewhere. Unfortunately, this disparity is not new, and in fact has increased in recent years. After peaking in 2014, as a percentage of total expenditures, instructional expenditures have been decreasing precipitously in recent years.

Percent of Total Operating Expenditures Spent in the Classroom

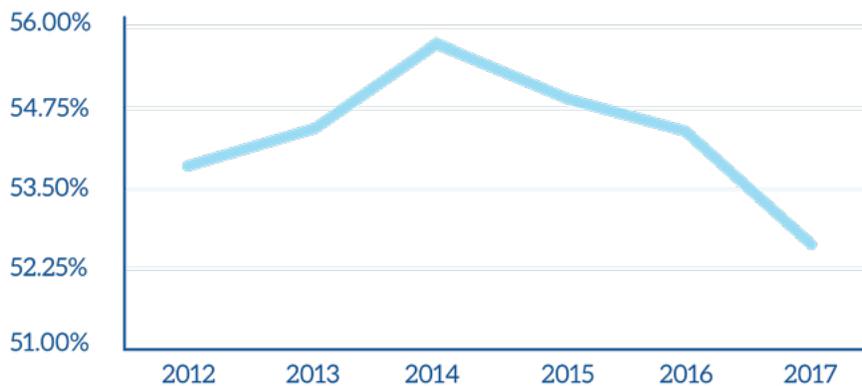


Figure 2: Despite already lagging behind national standards, Tennessee public education continues to invest less into the classroom on a percentage basis.

Perhaps more concerning is the large decline of funds meant for student classroom experience. Despite growing enrollment, funding for the student's classroom experience has seen a decline of over 17 percent in relative spending and a near nine percent decline in actual spending in recent years.

Percent of Total Expenditures Spent on Students' Classroom Experience

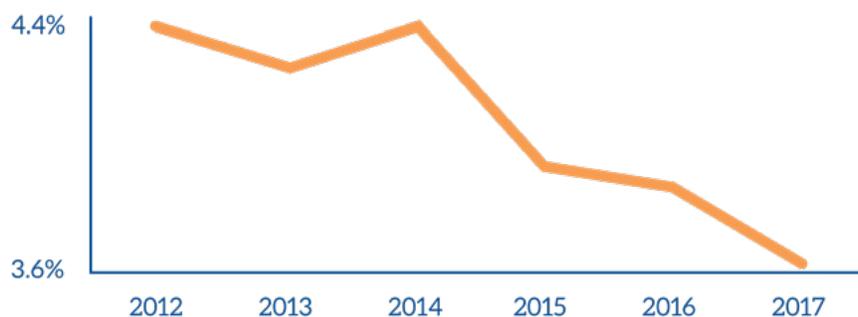
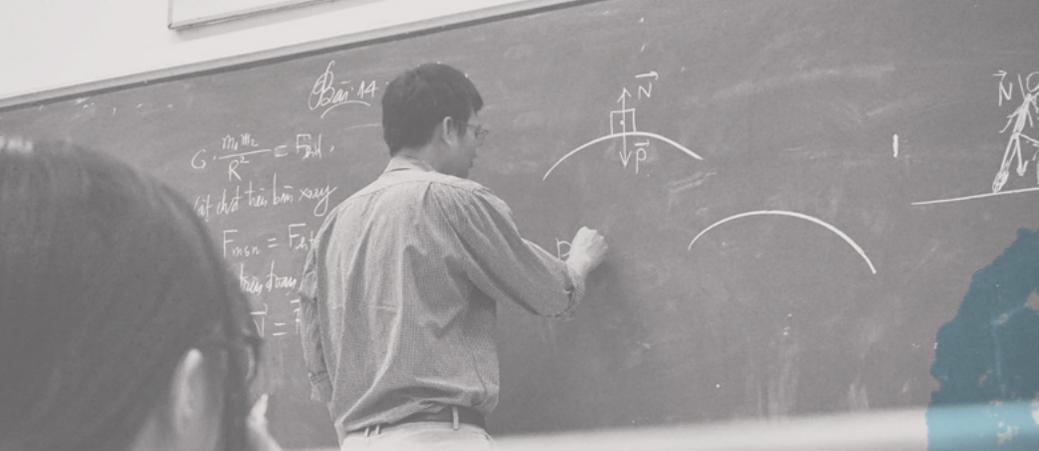


Figure 3: Funds allocated for students' classroom experience declined dramatically in recent years.

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² "Public Education Finances 2015" U.S. Census Bureau, Education Finance Branch. June 2017. <https://www.census.gov/content/dam/Census/library/publications/2017/econ/g15-aspef.pdf>.



BLOATED BUREAUCRACY

If Tennesseans are spending an additional \$1,000 per student per year, and it is clear these funds are not being directed to the classroom, it begs the question, “Where is this additional funding going?”

One clear destination is administrative spending. Overall, 8.5 percent of all expenditures were reported as “Support Services - Administration” in 2017, totaling nearly \$850 million. This number rose dramatically in recent years: 17 percent since 2012 versus a 12 percent increase for total operating expenditures during the same time period. Meanwhile, inflation does not account for the increase; nor does enrollment, with ADA increasing by only a meager 1.4 percent during the same time period. This equates to a dramatic \$136 increase in administrative expenditures per child in Tennessee in the past five years alone.

Administrative Expenditures Per Student

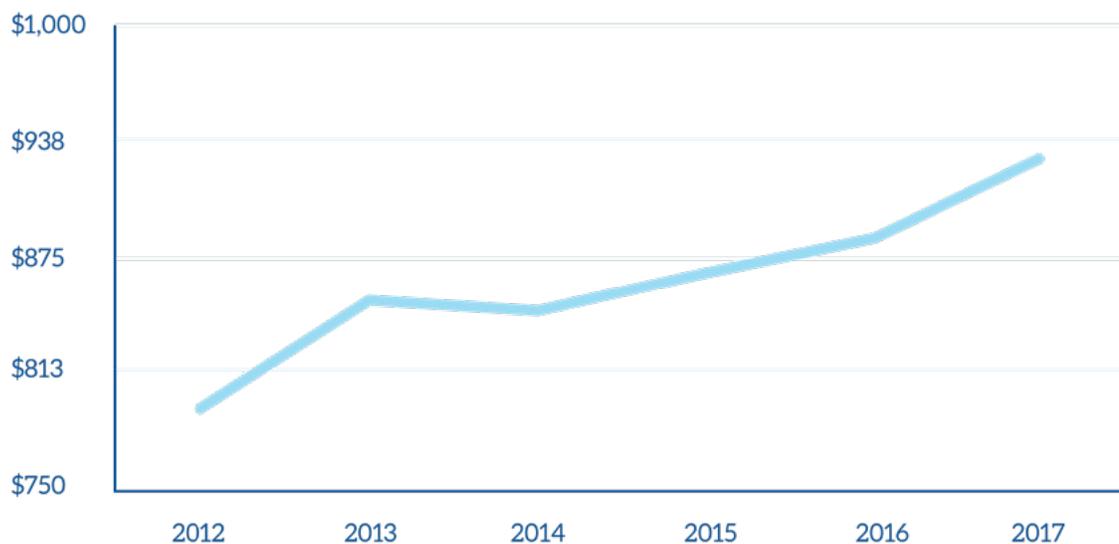


Figure 4: Increases in education spending continue to be syphoned off to cover increasing administrative costs.

GROWING SALARIES

...But Only For Some

Average Tennessee Educational Salaries

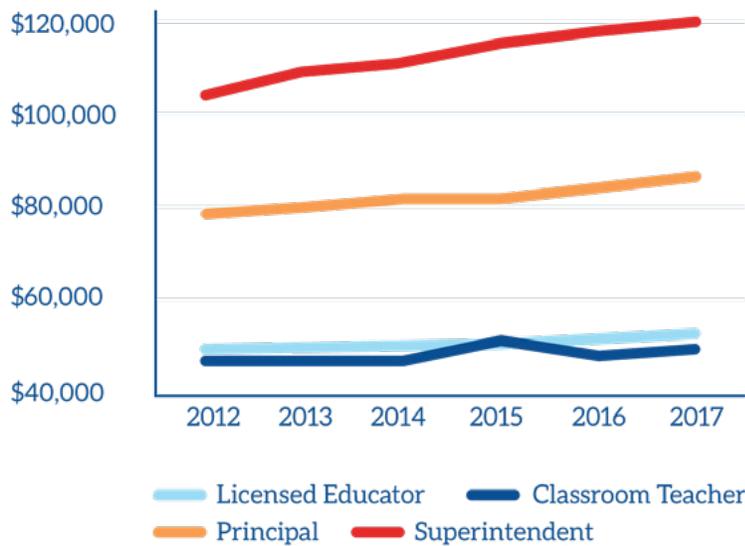


Figure 5: Department of Education defines classroom teachers as Vocational Teachers, Home/Hospital Instruction, Special Education Related Services, and K-12 Teachers.

CONCLUSION

falling by one full percent.

Tennessee's educational system is the second largest expenditure in the state budget. Despite this already large investment, more is actually spent on education than officially reported; yet simultaneously fewer dollars make it into Tennessee classrooms than the national average. Despite relatively flat enrollment rates, Tennessee taxpayers continue to invest more into education every year. Unfortunately, the percentage of money spent "in the classroom" continues to decline as those additional dollars are mainly syphoned off for different non-educational expenses, notably school administrators and administrative services. Therefore, Tennessee educators, stakeholders, and parents should look not just to their state legislators, but also to their local school districts for accountability and the lack of adequate educational investment in the classroom.

Another destination of the increased funding per pupil is a boost in salaries for leadership staff. As society has called for higher teacher standards and accountability, teacher salaries have remained flat compared to the salaries of school and district leadership who are not even in the classroom.

Since 2012, while traditional classroom and specialty teachers have received just over a six percent salary increase, principals and school superintendents have received double-digit salary increases (10 percent and 15.4 percent, respectively). After adjusting for inflation, these inequalities grow considerably, with principals receiving a modest 2.5 percent increase, superintendents a larger 7.5 percent raise, with licensed educators and classroom teachers salaries actually





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