

A Little Less Conversation... A Lot More Spending

**TRENDS IN TENNESSEE
EDUCATION SPENDING**

In the final days of 2020,

Governor Bill Lee called a special legislative session to focus solely on education issues the state faced stemming from the pandemic.¹ The four-day special session concluded on January 21, 2021 with lawmakers passing \$160 million in additional education funding, including \$43 million for teacher pay raises.² Although millions more were put into the public education system at a time when many schools were still closed, some Democratic lawmakers and the public were calling for even more investment in education.³ Despite constant calls for more money, research shows the amount of actual funding spent on public education is rarely known.

A 2013 survey of the public's views and opinions of K-12 education found that 70 percent of Americans either underestimated school spending or could not even venture a guess about the amount of tax dollars spent per student annually.⁴ Unfortunately, the public's understanding of how much is spent on public education has failed to improve. The results of EdChoice's updated 2020 survey revealed that Americans' understanding of public education spending had fallen even further, with 80 percent of the general public underestimating education spending. Perhaps more surprising is that 82 percent of parents with school-age children severely underestimated school spending.⁵

It is easy to understand why the general public is so unaware of how much public education costs when school districts routinely argue they are underfunded and that they need more money from taxpayers.⁶ Yet funding has been increasing every year, with K-12 public school funding being the largest appropriation of state dollars in the budget, receiving nearly one third of every state tax dollar.⁷ If the claim that our public schools are underfunded is true, then it begs the question: "Where is the money going?"

The Beacon Center previously analyzed K-12 education spending in two different reports: 2013's "Following the Money: A Tennessee Education Spending Primer" and 2018's "Counting Dollars and Cents: Where Does the Money Go?" Both found the average per-pupil expenditures have been significantly underreported for years. This feature has not changed with the 2020 Annual Statistical Report

1 Marta W. Aldrich, "Tennessee governor calls for special legislative session focused on education." *Chalkbeat Tennessee*. December 29, 2020. <https://tn.chalkbeat.org/2020/12/29/22205138/tennessee-governor-calls-special-session-focused-on-education>.

2 Meghan Mangrum, "What to know about Tennessee education bills passed during the special legislative session." *The Tennessean*. January 23, 2021. <https://www.tennessean.com/story/news/education/2021/01/23/tennessee-education-bills-passed-during-special-legislative-session/6674770002/>.

3 Dulce Torres Guzman, "Metro Nashville Schools get ultimatum from parent group on reopening." *Tennessee Lookout*. January 26, 2021. <https://tennesseelookout.com/briefs/metro-nashville-schools-get-ultimatum-from-parent-group-on-reopening>.

4 "2013 Schooling in America Survey." EdChoice. May 8, 2013. <http://www.edchoice.org/wp-content/uploads/2015/07/Schooling-in-America-Survey.pdf>.

5 "2020 Schooling in America Survey." EdChoice. June 2, 2020. <https://files.eric.ed.gov/fulltext/ED609687.pdf>.

6 Meghan Mangrum, "Tennessee Democrats propose overhaul to how the state funds public education." *The Tennessean*. February 18, 2021. <https://www.tennessean.com/story/news/education/2021/02/18/tennessee-democrats-propose-overhaul-state-public-education-funding/4490928001/>.

7 "The Budget, Fiscal Year 2021-2022". State of Tennessee. February 8, 2021. <https://www.tn.gov/content/dam/tn/finance/budget/documents/2022BudgetDocumentVol1.pdf>.

published by the Tennessee Department of Education (TDOE), showing the Per Pupil Expenditure (PPE) - the average spent per student - was \$9,998 for the 2019-2020 school year. This amount is more than double what the general public believes per pupil spending to be—and nearly five times the median response from school parents in the 2020 national survey, where parents assumed the PPE to be just \$2,000 a year. However, this figure still does not take into account other educational spending that is not directly related to classroom operations. The calculation provided by TDOE excludes spending categories like community services, capital outlay, debt service, capital projects, and student body education. While these costs do not count as instruction (salaries, textbooks, materials, etc.) or day-to-day expenditures, they are taxpayer funded and should be included in any calculation to find the true PPE. With these adjustments, minus expenditures for student populations not covered by Average Daily Attendance (such as early childhood education and adult education), the true operating expenditures for the fiscal year ending in 2020 was over \$10.8 billion. That equals a true PPE of \$11,391—nearly 14 percent greater than what is publicly reported. In fact, since 2012, official government numbers have on average underreported PPE by over nine percent per year.

Tennessee Per Pupil Expenditure

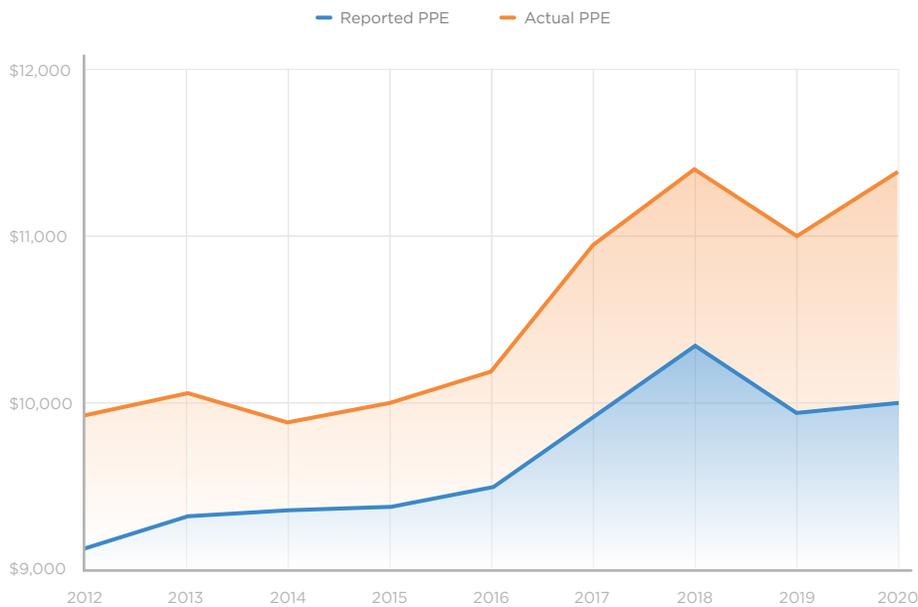


Figure 1: Statewide PPE continues to be significantly underreported.

School Spending Is All Shook Up

Since our initial report on education spending,

Tennessee taxpayers' investment in education has grown 30.5 percent, while student enrollment has increased by just five percent. Even after adjusting for inflation, the state's education funding has increased three times that of enrollment. These additional funds should ideally make their way into the classroom, whether for teacher salaries or supplies and materials to improve the learning and retention of Tennessee students who have struggled year over year (the most recent testing shows only 32 percent of eight graders are proficient

in reading).⁸ Unfortunately, this additional spending has not made it into the classrooms to assist students and teachers. Instead, of the nearly \$11 billion spent statewide on operating expenditures in fiscal year 2020, only 53 percent, or \$5.8 billion, was actually spent on instruction, which includes teacher salaries and other learning and material costs. According to the most recent report on public education finances by the United States Census Bureau, the national average of education expenditures that make it to the classroom is 60 percent, significantly higher than Tennessee's expenditures.⁹ By using the national average percentage of classroom expenditures, Tennessee school districts siphoned nearly \$700 million elsewhere, much of which should have gone to the classroom to support students and teachers.

Surprisingly, there is one area of school spending that has witnessed a positive upswing since our previous reports. The Beacon Center has continually called for directing education funds to the classroom, and the data shows that funds being spent for the classroom experience have begun to increase in the last few years. Classroom experience funding, which includes things like technology and textbooks, witnessed a nearly nine percent decline in our previous report in 2018. Since then, this funding has rebounded over 33 percent from its low in 2017, reaching its highest level in nine years.

Despite the fact that funds specifically for students' classroom experience have rebounded, total classroom expenditures continue to decrease. To get a sense of where some of these funds are being diverted, we can look at the dramatic increases in administrative spending.

8 Jason Gonzales, "Tennessee academic progress stalls, nation's new education report card shows." *The Tennessean*. October 29, 2019. <https://www.tennessean.com/story/news/education/2019/10/29/tennessee-schools-report-card-national-assessment-of-educational-progress/2490435001/>.

9 "Annual Survey of School System Finances - FY 2019." U.S. Census Bureau. May 18, 2021. <https://www.census.gov/programs-surveys/school-finances.html>.

Percent of Total Operating Expenditures Spent in the Classroom



Figure 2: Despite increased education funding, the percentage of dollars making it into Tennessee classrooms is shrinking.

Percent of Total Expenditures Spent on Student's Classroom Experience



Figure 3: Funds allocated for students' classroom experience have increased in recent years.

It's Now or Never: Addressing Administration

Year over year,

the Tennessee public education system has seen an upswing in administrative costs—and 2020 was no different, with 9.25 percent of all spending, nearly \$1 billion, going to administrative overhead. This number has risen dramatically in recent years. In fact, administrative spending per pupil has increased 13.45

percent since our last report in 2018 alone, versus a roughly three percent increase in total operating expenditures during the same time period. Since 2012, administrative spending per student has seen a nearly 33 percent increase, far outpacing additional funding, enrollment, and inflation.

Administrative Expenditures per Student

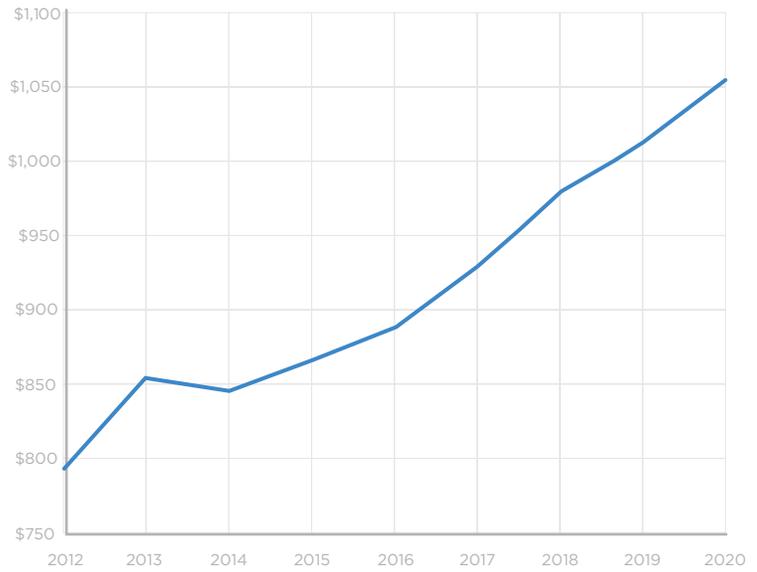


Figure 4: Increased funding for public education continually gets siphoned off for rising administrative spending.

One reason for this skyrocketing administrative cost is the growth in administrative staff. Since our initial report, the number of classroom teachers across the state has actually fallen nearly three percent, even though student enrollment has increased by five percent. Meanwhile, positions for vice principals have exploded, rising 24 percent during the same time period.

Change in Classroom Teachers, Principals, and Student Enrollment

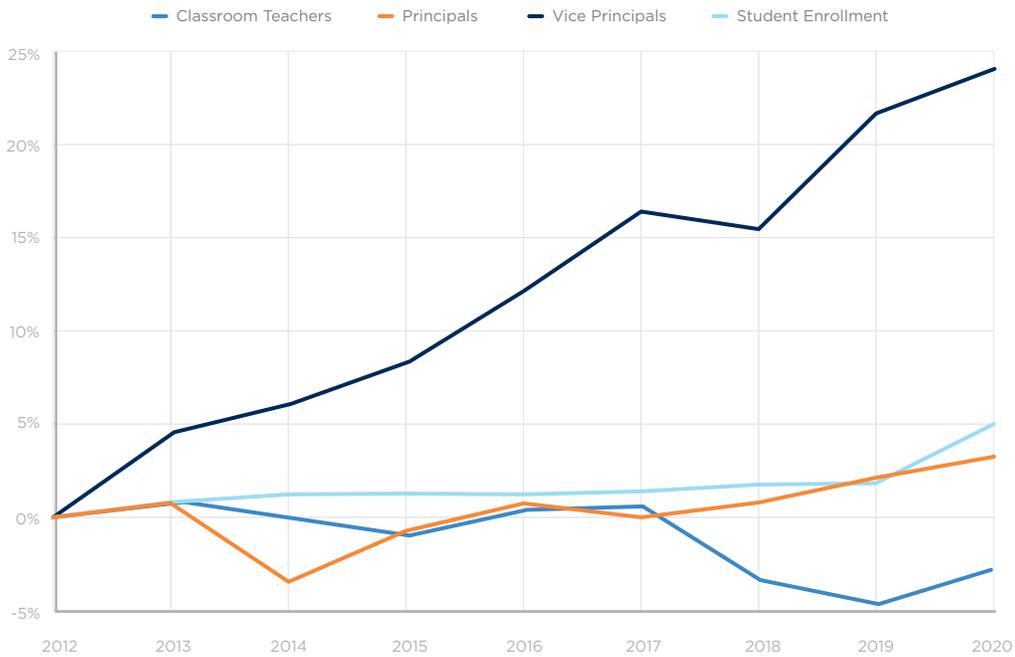


Figure 5: Positions for vice principal have exploded while the ratio of classroom teachers has decreased.

Another reason for the growing administrative dead weight has been administrative salaries. Though the governor and legislators have allocated more tax dollars each year to the education system to boost teacher pay, the data shows those dollars often don't reach their intended destination. Not only have there been increasing numbers of administrative positions, but the salaries for those administrative personnel have risen at the expense of students and teachers. Since 2012, classroom teachers have received nearly a 12 percent salary increase, with principals and school superintendents receiving even larger salary increases (15 percent and 22.85 percent, respectively). When these increases are adjusted for inflation, the stark differences in compensation come to light. Since our initial report, principals have received a modest 1.4 percent pay increase after inflation, and the average salary for classroom teachers has actually decreased by 1.5 percent. Meanwhile, superintendents have received an 8.3 percent raise.

Average Tennessee Education Salaries

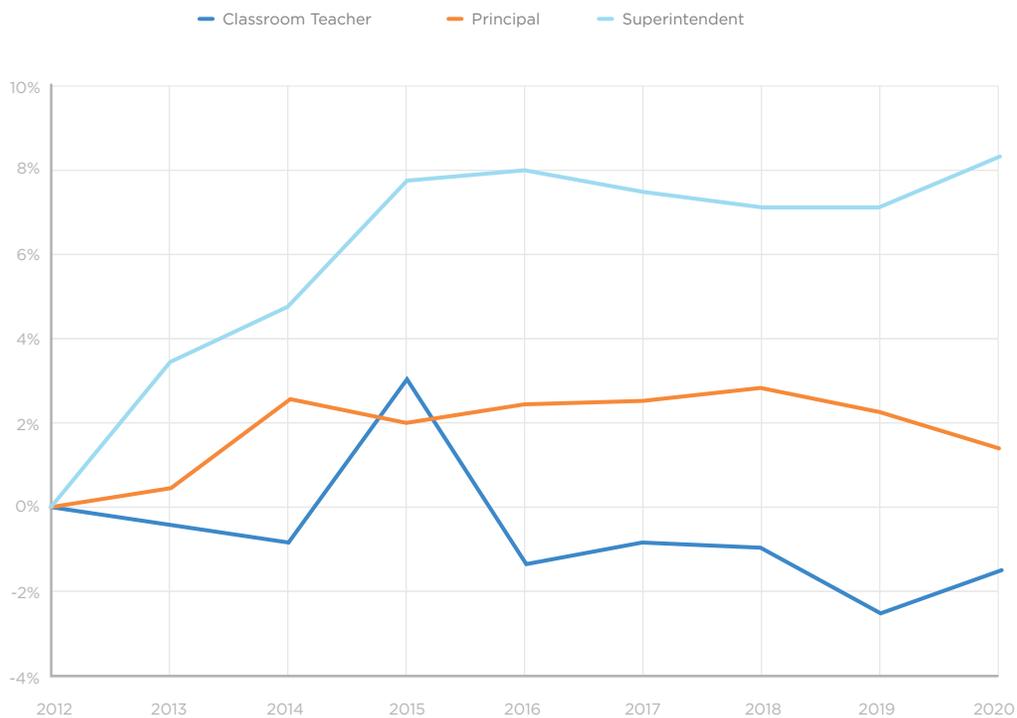


Figure 6: Inflation-adjusted salaries between 2012 and 2020 show teacher pay has declined while administrative salaries have risen.

With rising salaries for non-classroom personnel coupled with surging administrative positions, additional funding for Tennessee students and teachers has been siphoned from classrooms to administrative offices. Until the ever-expanding bureaucracies of public schools are addressed and funds actually reach their intended destination, increasing funding for education alone will unlikely make any meaningful impact for students and teachers.

Conclusion:

Education Spending Always on Legislators' Minds

It's clear that Tennessee policymakers have made public education a priority, with K-12 public schools being the largest line item of state tax dollars in the budget. This investment is even underreported as the state's reported Per Pupil Expenditure amount does not include all relevant categories of spending. Although student enrollment rates remain nearly flat, millions more dollars are funneled each year to public education. However, the data show a drop in teacher compensation and a decrease in the number of teachers due to ballooning administrative costs. This means that while calls for additional education funding have been answered, the destination of those funds has not met the needs of Tennessee students and teachers. Despite a growing public education system, relatively fewer and fewer dollars are making it into the classrooms of Tennessee schools. Though the Beacon Center has covered this alarming trend of expanding administration and bureaucracy since 2013, it sadly continues to take precedence over students and instruction. To reverse course and return funding to the classroom, actions must be taken at both the state and, more importantly, local levels. Parents, educators, and stakeholders statewide should demand accountability from local school districts and push for school boards to address the reasons why they have consistently chosen to fund their systems over their students.

About Beacon

The Beacon Center empowers Tennesseans to reclaim control of their lives, so that they can freely pursue their version of the American Dream. The Center is an independent, nonprofit, and nonpartisan research organization dedicated to providing expert empirical research and timely free market solutions to public policy issues in Tennessee.

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