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# Basic Education Program (BEP)

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Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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# Basic Education Program (BEP)

Reference Number: CTAS-739

The Basic Education Program (BEP) was passed into law by then Governor Ned McWhorter and the General Assembly in 1994. The funds generated by the BEP are what the state has defined as sufficient to provide a basic level of education for Tennessee students. This basic level of funding includes both a state share of the BEP and a local share of the BEP.

The BEP has three major categories: instruction, classroom, and non-classroom. Each category is made up of separate components related to the basic needs of students, teachers, and administrators within a school system. BEP funding allocation example

There are 45 BEP components, most of which are based on student enrollment, also known as average daily membership (ADM). An example of these components are students per teacher, assistant principals per school, or dollars per student for textbooks. They are explained in the State of Tennessee BEP 2.0 brochure.

Funds generated in the instructional component must be spent on instructional salaries and benefits. In total the state funds up to 70% or higher depending on your fiscal capacity of the instructional component, and the local funds 30%.

Funds generated in the classroom components must be spent in either classroom components or in instructional components. State funding is 75% and 25% local.

Funds generated in the non-classroom component must be spent on non-classroom, classroom component or instructional. The state funds 50% of the non-classroom with local funds at 50% also.

## **Fiscal Capacity**

Fiscal capacity is the ability of local governments to fund education from their own taxable sources. The state and local share for each school system is based on an equalization formula that is applied to the BEP. This equalization formula is the primary factor in determining how much of the BEP is supported by the state versus the local district.

There are 2 components in the formula for calculating fiscal capacity. One is TACIR (Tennessee Advisory Commission on Intergovernmental Relations); this is half (50%) of the equation. It uses local revenue, property tax, sales tax, per capita income, ratio of residential & farm to total assessment, and ratio of average daily membership to population.

The Fox model is based on the sum of property tax and sales tax. This new formula determines a county's capacity to raise local revenues for education from its property and sales tax base. This came out of the change of the BEP formula when the BEP 2.0 was implemented. When applied locally, the state and local equalization shares for County System A would be the exact same state and local shares for the cities.

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