

**A COMPARATIVE STUDY OF DIFFERENT  
METHODS OF FORMULA FUNDING FOR  
THE CLARKSVILLE - MONTGOMERY  
COUNTY SCHOOL SYSTEM**

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A COMPARATIVE STUDY  
OF DIFFERENT METHODS OF FORMULA FUNDING  
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An Abstract  
Presented to  
the Graduate Council of  
Austin Peay State University

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In Partial Fulfillment  
of the Requirements for the Degree  
Specialist in Education

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by  
Peter L. Kyriakos  
November 1979



## ABSTRACT

This case study involves the analysis of sources of revenues of two budgets compared across time to indicate any change which may have some future impact on the Clarksville-Montgomery County School System (Tennessee). Due to the availability of both current and historical data, the years chosen for comparative purpose were the budgetary years of 1968-69 and 1977-78. The study also provides a detailed description of sources of funding at the local, state and federal levels for the Clarksville-Montgomery County School System. When comparisons were made of the source of funding accounting the most of the differences was the increase of local funds. The decrease in state funds suggests that the change in funding formulas may not prove advantageous for the Clarksville-Montgomery County School System. The study points out the decrease in federal financial support which is of some interest in light of the new legislation which require and expansion of programs and the introduction of new expensive programs. In summary, the case study seems to indicate that local governments may have to carry more responsibility in the future.

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November 1979



To the Graduate Council:

I am submitting herewith a study written by Peter L. Kyriakos entitled, "A Comparative Study of Different Methods of Formula Funding for the Clarksville-Montgomery County School System." I recommend it be accepted in partial fulfillment for the Specialist in Education degree.

Alan G. Williams  
Major Professor

We have read this study and  
recommend its acceptance:

Donald B. Lambert  
Second Committee Member

Richard C. Jacobs  
Third Committee Member

Accepted for the Graduate Council:

William H. Elin  
Dean of Graduate School

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## Chapter I

### INTRODUCTION

It can hardly be argued that for a school administrator to successfully carry out his role within the organization, a thorough understanding of school financing is necessary. In order to understand the financing of a public educational school system, the legal structure should be understood. The United States does not have a national system of public education in which power over schools is concentrated at the national level of government. According to the Constitution of the United States, there is no legal basis for a national system of education. However, the Constitution of the United States includes the Tenth Amendment which states, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively or to the people." Therefore, if the power and authority are not enumerated nationally in scope within the Constitution and not forbidden therein, they become state concerns. Courts have consistently held education is a state function. Thereby, the American educational structure consists of fifty American systems of education, one for each state rather than one national system.

Each state legislature has complete power in providing a school administrative structure to provide for the

educational needs of its populous, subject to the limitations of the state and federal constitutions. The state, for example, may create or abolish school systems at will either with or without the consent of the people living within the area of the system. State legislatures have chosen to delegate educational authority for the operation of schools to local governmental bodies. The relationship of a state and its local school systems can be determined to a degree by the extent of financial support provided by the respective government.

The financing of public schools in Tennessee is a cooperative endeavor involving state, federal and local funds. The amount of money supplied by each is dependent upon a number of factors such as the full-time equivalent average daily attendance, level of training and experience of teachers, involvement of matching federal funds, participation in federal programs, local economic ability, and desire for improved educational opportunities.

Over the years, states have sought a method by which distribution of funds to local school systems may be accomplished on an equitable basis. Recently, the Tennessee State's funding formula has undergone some change. The present formula used in allocating dollars to local educational agencies, specifically identifies classifications and level of funding. The effect, if any, the present formula will have upon the level of support as the Minimum Foundation of years past is of some degree of

uncertainty. A comparative study whereby the conversion of dollar amounts to percentage amount may give insight to the effect on the overall financial support/structure to the local school system. In order to make the comparison between the present formula funding and the form of funding of the past, the financial documents of an eight-year interval have been selected for this study. Percentage allocations to budget categories may be compared to determine if there are any affects on a current financial situation.

#### A. THE PROBLEM

##### Statement of the Problem

The purpose of this study was to compare the effects of the new formula funding of public education in the Clarksville-Montgomery County School System. More specifically, answers were sought to the following questions:

- (1) What are the differences in the percentage of sources and amounts of revenue for schools in Montgomery County?
- (2) What percentage of the estimated educational revenues are derived from state, local and federal sources now as compared to those derived in 1968-69?

##### Delimitations

This study was limited to the Clarksville-Montgomery County School System. The study also was limited to the 1968-69 school budget and the 1977-78 school budget. This study was limited to the following sources of data: State Department of Education, Clarksville-Montgomery County



School System and professional journals.

### Significance of the Study

This study was designed to provide a frame of reference for school administrators, school board members, and other persons interested in the financing of the Clarksville-Montgomery County Schools. This study will be deemed important because a sound program for financing education in Clarksville-Montgomery County requires current factual knowledge of all sources of income for Clarksville-Montgomery County Schools. A facsimile of the Clarksville-Montgomery County budget for the years 1968-69 and 1977-78 will be included for comparative purposes, general information and reference.

### B. BASIC ASSUMPTIONS

This study is based on these assumptions:

- (1) Budget-making is the most concrete of educational planning and should be accomplished through participation of instructional, non-instructional, school board, administrative and lay personnel.
- (2) Relationships exist among the factors of income, school age population, school enrollment, full-time equivalent average daily attendance, school revenue, and expenditure of funds.
- (3) Changes in any of the factors of income, school age population, school enrollment, average daily attendance,

school revenue, and expenditure of funds have significance for decision-making.

### C. ORGANIZATION OF THE STUDY

The first chapter includes a statement of the nature and significance of the study, the problem, limitations, and the organization of the study. Chapter two is devoted to describing the revenues derived from Tennessee State Support Programs for the financing of public education in the Clarksville-Montgomery County Schools. Chapter three describes the educational tax revenues supporting education in the Clarksville-Montgomery County Schools. Chapter four describes the revenues derived from federal programs giving support to education in Clarksville-Montgomery County. The final chapter will include any changes in the percentages appropriated by the new method of formula funding.

### D. LITERATURE

The bibliography as listed in the case study provided the author with historical data pertinent to the study. The authors are widely known to be experts in the area of school finance. The books and major emphases used for the background study are annotated below.

Cubberly, Ellwood P., State School Funds and Their Apportionment, New York: Bureau of Publications, Teachers College, Columbia University, 1905.

The author was an early advocate of the flat grant, a plan for apportioning revenues by the state to local school districts based on the number of pupils enrolled and/or the number of personnel employed.

Garvue, Robert J., Modern Public School Finance, Florida: Florida State University, The Macmillan Company, 1969.

A description of local, state and federal systems of financing public education and ways in which current educational government develops educational as well as financial policy is discussed in Chapters 3, 5, and 6.

Keppel, Francis, The Necessary Revolution in American Education, New York: Harper and Row, 1966.

An analysis of federal expenditures, listed by states, for local school systems in support of national educational policy is described in Chapter 5 of the text.

Morrison, Fred W., Equalization of the Financial Burden of Education Among Counties of North Carolina, New York: Bureau of Publications, Teachers College, Columbia University, 1925.

The author believed that local people pursued local interests and therefore proposed full state funding, this is similar to flat grants except it does not allow localities to spend any extra funds for education above the state mandated amount.

Mort, Paul R., Reusser, Walter C., Public School Finance, New York: McGraw-Hill Book Company, 1951, 1960.

The authors reputation in school finance is nationwide. The special reference of interest in this text was the weighted-pupil unit method as a measuring stick in determining educational need.

Strayer, George D. and Robert M. Haig, The Financing of Education in the State of New York, The Educational Finance Inquiry Commission, New York: The Macmillan Company, 1924.

The authors developed a Minimum Foundation Plan which considered the local school district's ability to pay. Such a plan was to make all districts equally able to support a level of education expenditure.



## Chapter 2

### AN ANALYSIS OF THE EDUCATIONAL INCOME FOR CLARKSVILLE-MONTGOMERY COUNTY SCHOOLS-- TENNESSEE STATE SUPPORT PROGRAM

Each state is individually responsible for the development, adoption, and support of its own financial program for the support of public education. The methods by which each state attempts to meet the financial requirements necessary to support the educational needs of the state have been categorical described as flat grants, equalization grants, and nonequalizing mating grants. While such categorization is obviously an over simplification, some basic understanding of these methods are necessary in order to fully understand and appreciate the current Tennessee Foundation Program and the programs effect on the financing of the Clarksville-Montgomery County School System.

Those states which adhere to the flat grant generally follow one of two methods for fund allocation. Method one has generally been referred to as the "uniform flat grant procedure." The uniform flat grant procedure is a method whereby the state revenues are allocated on the basis of a flat amount per child or per teacher. Method two is often referred to as a "variable flat grant." This procedure is more sophisticated in that weight is given to factors beyond the control of the boards of education.

Thus, various programs or different educational levels would receive more funds than other programs or grade levels.

The equalization type grants differ from the preceding mentioned flat grants, in that the equalization type of funding take into consideration the variations in the tax paying ability of the local districts. Equalization grants may also differ from the flat grant, in that consideration may not be given to the variations of needs for the student population. However, if the equalization program under consideration does, in fact, take in consideration the variations in needs, this task is usually accomplished by measures of needs such as unweighted, weighted, percentage, or guaranteed valuation method.

Yet still another method under the general rubric of finance is the nonequalizing matching grants. Those states which adhere to the nonequalizing matching grants require the local systems to match funds received on a dollar-for-dollar basis or same proportion thereof in financing the systems. The nonequalizing grants do not take into consideration the variations in tax paying ability at the local level. Thus, since no tax paying ability is considered, the districts remain at some relative status hence comes the term nonequalizing.

Since 1955, Tennessee has used a Minimum Foundation Program whereby they supported current expenditures, capital outlays and support programs for special purposes. Theoretically, the equalization plan was calculated by determining

the educational need of each school system on a uniform basis up to the level provided in the Foundation Program, translating this into a dollar cost for the program, determining each school district's total program cost and finding the difference between total cost and local share based upon tax paying ability. In actuality, the cost of the minimum program was computed by adding allotments for the following:

1. Superintendent's salary
2. Salary for system-wide positions
3. Salaries for teachers and principals
4. Travel expense
5. Instructional materials
6. Pupil transportation
7. Operation and maintenance
8. Special programs

Allotments were carefully delineated as to numbers and amounts.

As a result of complications within the Minimum Foundation Program, in May 1977, the Tennessee General Assembly enacted "The Tennessee Education Finance Act of 1977" establishing a new procedure for the funding of education for the public schools, grades kindergarten through twelve. This act provided for the funding of educational purposes other than current operation of student transportation. In a separate act, the General Assembly also enacted a new formula outside the State



equalization plan, The Tennessee Foundation Program, for allocating state funds for student transportation services. The Tennessee Education Finance Act of 1977 utilized a weighted pupil approach to distribute state funds. Cost differentials were used for academic, vocational and special education. All calculations were based upon the number of Full Time Equivalent (FTE) students who were multiplied by an appropriate weighting factor. Such a procedure gives more money for the length of time that students spend in more expensive programs. Handicapped students' costs were calculated with other students and separately as their programs are more expensive. Weighted Full Time Equivalent Average Daily Attendance (W/FTE/ADA) is changed to a dollar value when it is multiplied to each district's base figure. This dollar figure is expanded by a factor based upon the average experience and training of certified personnel with the district. The instructional programs, cost differentials (FTEADA Weightings) for the various programs, the training and experience factor and the estimated funding base allocation per WFTEADA included in the foundation program for 1977-78 are as follows:

ProgramCost Differentials1977-78

## Regular Academic

Grades K-3	1.20
Grades 4-6	1.00
Grades 7-8	1.10
Grade 9	1.20
Grades 10-12	1.30

## Vocational Education

Agriculture (12 months)	2.62
Vocational Home Economics	2.10
Health Occupations	2.10
Trade & Industrial	2.48
Related Trade & Industrial	1.84
Office Occupations	2.04
Distributive Education	2.04

## Special Education

Add on Weighting per Handicapped Pupil Identified and Served	1.07
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In 1977-78 the base support level was \$318 per WFTEADA.

Tennessee applies the principle of the Foundation

Program to the distribution of state support for capital outlay purposes on an equalizing basis, that is, proportionately larger amounts per pupil are distributed to school districts in counties with the least local tax paying ability than in counties with highest local tax paying ability. The procedure is as follows:

- (1) The cost of the foundation program for capital outlay for each county, including the cities and special school districts therein, and for the state as a whole is computed on the basis of per capita amount per pupil Average Daily Attendance (ADA) during the preceding year.

- (2) It is assumed but not required that forty-two and one half percent of the aggregate cost of the program for the state will be available locally in support of the foundation program for capital outlay.
- (3) The amount of funds which each county, including the cities and special school districts therein, shall be assumed to have available locally for the support of the program is calculated by applying to forty-two and one half percent of the program the county's percent of the total assessed property valuations in the state. The amount thus determined is subtracted from the cost of the capital outlay program from the county and the remainder is the amount of state capital outlay funds which the county including all local educational agencies therein is to receive.
- (4) The law provides, however, that no county or school district shall receive less state capital outlay funds than is received during the 1950-51 school year. An additional amount of monies in supplemental aid will be distributed to counties because of this "guarantee" in the law. This results in certain inequities in the per pupil distribution of these funds. However, a special provision of the 1967 Tennessee General Assembly provides that no county shall receive more state capital outlay funds annually per pupil in average daily attendance than was received in fiscal year 1960-61.



Capital outlay revenue provides for expenditures that result in the acquisition of fixed assets or additions to fixed assets. An example of this may be an expenditure for land or existing building, improvement of grounds, construction of buildings, additions to buildings, remodeling buildings, for the purchase of initial equipment or the purchase of student transportation equipment. Capital outlay expenditures may include installment or lease payments on property which have a terminal date and result in the acquisition of property.

In addition to the broad program of state support for current operating and capital outlay purposes, Tennessee provides several special aids to local school system. Special aids are provided for textbooks, hiring substitutes for teachers who are absent because of illness, the development of vocational education, a state-wide educational television network, adult educational program, student transportation services, school food services, and driver education.

#### The Textbook Program

Tennessee appropriates revenue for purchasing and repairing textbooks for Clarksville-Montgomery County School System. This amount is determined on the basis of \$7.50 per pupil in average daily attendance the preceding school year plus approximately \$12.50 per pupil increase, if any, in average daily attendance for the immediate past school year over that of the school year preceding.

## Vocational and Technical Education

In addition to the Tennessee Foundation Program allocations, a special state appropriation is made for vocational education as defined by the State Board of Vocational Education pursuant to the Federal Acts. This special state appropriation, along with a federal contribution to Tennessee for vocational education, is used to stimulate the development of vocational comprehensive education programs and to help pay the higher per pupil costs incurred for certain types of vocational education.

### Area Vocational - Technical Schools

The General Assembly of Tennessee authorized the State Board for Vocational Education to locate, establish, construct, and operate a state-wide system of area vocational-technical schools, and regional technical schools. The area vocational-technical schools provide occupational training of less-than-college grade primarily for out of school youth and adults. However, secondary students have attended these schools for high school credit.

### Sick and Professional Leave for Teachers

The state provides revenue to partially reimburse local school systems for salaries paid to substitute teachers. Under the state supported sick, personal, or professional leave plan, a local school system is required to pay the full contracted salary to a teacher who is absent because of illness or authorized leave for a limited number of days.

The state constitution is limited to one-half of the salaries paid to substitute teachers but not to exceed greater than half of the total amount expended for salaries of all substitute teachers.

#### Educational Television

The Tennessee Educational Television Act, passed by the 1963 Legislature, authorized the State Board of Education, through its executive officer, the Commissioner of Education, to locate, establish, construct, and operate a state-wide educational television network.

#### Student Transportation Services

An allowance for the cost of pupil transportation to local educational agencies provided students in grades K-12 who live one and one-half ( $1\frac{1}{2}$ ) miles or more from the school to which they are assigned. All public local education agencies operating an approved transportation system are eligible for state assistance. The exception to distance of home to school is for physically handicapped children. All 95 county school systems participate plus 20 city and special school districts. Local educational agencies are not required by state law to furnish transportation services.

#### School Food Services

Funds are provided to lower the cost of meals for all students, to provide free or reduced-price meals for some students, to provide free milk, and to improve food services



through the purchase of equipment for storage, transportation and preparation of food. Public Law 91-248 provides funds to states on a matching basis annually. The federal share is approximately ninety-four percent (94%) of the total state/federal funds for school food services.

### Driver Education

An allowance is provided for local educational agencies to offer driver education as an elective one-half unit course to students, age 15 and above. The program designed and coordinated by the State Departments of Education and Safety is funded through fines for moving traffic violations and additional appropriations from the general fund. Local educational agency participation in this program is optional.

## Chapter 3

### AN ANALYSIS OF THE EDUCATIONAL INCOME FOR CLARKSVILLE-MONTGOMERY COUNTY SCHOOLS

As previously stated, the cost of the basic program is shared between the state and the local school systems. During the 1977-78 school year, it was estimated state support for financing schools in Montgomery County is 52.2 percent of the total budget. Montgomery County's financial support to the educational program for the school year 1977-78 is estimated to be slightly more than \$7,459,335, which represents 39.5 percent of the total general purpose fund budget.

Under the major heading, County Revenues, some eleven categories are listed. Of these eleven, only six are revenue-producing categories. Taxation at the local level has continued to be largely synonymous with property and sales taxation. The property tax is a productive source of revenue in local tax structure. In 1977, property in Montgomery County was assessed at \$123,128,420. The tax rate per \$100 is \$3.00. Of this amount, \$1.43 has been designated arbitrarily for support to financing the educational program in Montgomery County.

It is estimated during the 1977-78 school year that county property tax collections will amount to \$2,003,850. This amount represents the payment of taxes to the trustee, late tax collections, circuit court clerk tax collections,

pick up taxes, and interest and penalties on delinquent taxes. The \$2,003,850 represents 28.7 percent of the total revenues collected for public education in Montgomery County.

The most productive source of revenue in the local tax structure is the sales tax. In recent years, the public has become aware that property taxes can no longer suffice as the total means for financial support to public schools. Therefore, other sources of taxation have been introduced from time to time to adequately finance public schools. In Montgomery County it is estimated the local sales tax will produce \$4,500,000 during the school year of 1977-78. An indication of our rising economy would be to compare the 1968-69 estimate which was \$900,510 to the 1977-78 estimate which resulted in an increase of \$3,599,490. These two revenue producing taxes comprise 94.5 percent of the total local effort in financing public schools in Montgomery County.

The third revenue producing tax which is significant to financial support of local schools is the wheel tax. This tax produces income through the sale of a ten dollar sticker to motorists residing in Montgomery County. A private act levying a privilege tax upon motor driven vehicles in Montgomery County was enacted by the General Assembly in the State of Tennessee in May of 1967, to become effective in March of 1968. This act was designated in the House Bill to be specifically for public education.



It is estimated this source of tax revenue will produce \$385,000 annually which is 5.5 percent of the total financial support for public education.

The fourth revenue producing category is the privilege tax, licenses, fines, and fees. Revenues from these categories are collected through the county court clerk's office. Examples are Ad Valorem tax, licenses for the privilege of maintaining and operating businesses in Montgomery County, fines which are levied due to non-payment, or failure to comply with local laws, and fees which are collected for the purpose of offsetting the expenses incurred by the office of the county court clerk in providing public services. It is estimated this category will produce \$65,000 during the 1978-79 school year. This figure represents .09 percent of the total local financial support for schools in Montgomery County.

The fifth category is the state income tax. It is estimated this tax will produce approximately \$17,310 for public education. As compared to the total budget, this is not a significant source of revenue and, therefore, does not warrant further explanation.

The sixth category, entitled in mobile home tax, is also considered to be insignificant as a revenue producing item, therefore, revenue estimates were deleted in the 1978-79 budget. This category does not warrant further explanation.

## Chapter 4

### AN ANALYSIS OF FEDERAL SUPPORT FOR THE CLARKSVILLE-MONTGOMERY COUNTY SCHOOLS

The history of public school finance in the United States began with the adoption of the Ordinance of 1787, implemented by the Ohio Act of 1802. This federal aid to education provided grants of land for public schools. The use of the income from the land was unrestricted as long as it went to public schools. Federal aid to education has never been argumentative and is nothing new, although aid is frequently discussed as an encroachment upon states' rights in the administration of public education.

The Constitution of the United States does not mention education specifically. The federal government has taken the position, however, that the general welfare clause provides a legal basis for a vested interest in education by the national government.

The Smith-Hughes Act of 1917 was the first federal fiscal support for local schools. This act provided funds to establish programs for the training of students in vocational fields. It also provided for the preparation of teachers in agriculture, industrial subjects and home economics. Since the Smith-Hughes Act of 1917, many other acts have been enacted for the support of public education.

Probably, the most significant step taken in federal support to education was that of the adoption of the National Defense Education Act of 1958. The act contained ten titles, each of which provided specific support for education. Originally, one billion dollars was appropriated for a period of four years to be used at all levels of education. Since that time, federal aid to education has been expanding.

With the passage of the federal Elementary and Secondary Education Act of 1965, a breakthrough toward a general-type of assistance to both public and private schools, it appears that the state and local educational governments have gained a full-fledged partner committed to public education.

It is estimated that federal financial support made direct or indirect to the Clarksville-Montgomery County Schools is 8.3 percent of the general purpose school fund.

Under the major heading, Federal Revenue Through State, funds are designated by specific titles which in turn regulate and specify the purpose for which the funds were appropriated. Contrary to some beliefs, federal funds cannot be manipulated to supplant local or state effort.

The Elementary and Secondary Education Act, Title I, P. L. 89-10 and P. L. 93-380 provisions of this act focuses upon compensatory education. The act provides financial assistance to school districts for programs to meet special educational needs of the educationally deprived children in low-income areas. Funds may be used for instructional equipment and materials, salaries, portable classrooms and



for the administration of the programs. Equipment and materials must be suitable for education of the educationally deprived children. It was estimated during 1977-78 an amount of \$695,732 was allocated to this category.

Title VI-B of the Elementary and Secondary Education Act, P. L. 93-380 captioned Library/Learning Resources provides funds to local educational agencies to be used for guidance counseling, testing, instructional materials and books for libraries. Distribution to school systems is based upon three criteria: (1) local tax effort participation of 15 percent available funds; (2) high cost children requiring 20 percent of funds; (3) total enrollment in public and private schools - 65 percent of funds.

Elementary and Secondary Education Act, Title VI, captioned Education of the Handicapped, P. L. 93-380 and P. L. 94-142 provides funds to be distributed to local educational agencies to support special education programs and related services for the handicapped. To receive such funds, school systems must have ongoing programs designed to locate, identify and serve handicapped children. The 1977-78 allocation was \$21,000 used to reinforce ongoing programs for the handicapped.

The Food Service Program, P. L. 91-248 commonly known as the school lunch program, provides funds to local education agencies to lower the cost of meals for all students. It also provides free or reduced-price meals for some students,

and provides free milk according to certain provisions as outlined by a federal agency. Funds derived from this program may be used to purchase equipment for food storage, provide transportation food products and in the preparation of food. In general the financial assistance to the school lunch program is to improve food services. Funds are distributed according to rules and regulations of the U.S. Department of Agriculture, as approved by the State Commissioner of Education.

The Comprehensive Education Training Act makes provisions for training and skill development. Under this act, occupational training can be provided for unemployed youth and adults who need training to obtain full-time employment. The training programs are conducted in schools also on-the-job-facilities of cooperating agencies or organizations. This program is a cooperative venture with the Tennessee Security Employment Department and the Vocational Department, State of Tennessee. The 1977-78 allocation to this program was in the amount of \$65,000.

The Adult Basic Education Program provides funds to initiate programs of instruction for all individuals who have attained age sixteen and whose inability to read and write the English language. The purpose of this act is to make an effort to eliminate the causes of poverty of which illiteracy is a chief cause. The program purpose is to raise the level of education to such individuals with a view of making them less likely to become dependent upon

others. The program is another step forward to making these individuals better able to meet their adult responsibilities. The 1977-78 budget allocation to this category was \$26,510.

Under the major heading, Federal Revenue Direct, funds are designated by specific programs and titles which, in turn, regulate and specify the purpose for which the monies were appropriated.

Federally Impacted Areas receive funds directly from the federal agency to local education agencies through P. L. 874 to supplement education. This financial assistance is a result of Federal acquisition of real property which results in the reduction of a tax base. Funds are available to eligible school systems when communities experience sudden and sustained growth in school population as a result of parents employed on non-taxable federal property. The 1977-78 budget allocation to this category was \$984,085.

Revenue Sharing funds are in lieu of property tax allocation. These federal funds assist local governmental agencies in financing and providing public services. The amount allocated to the 1977-78 school budget, \$587,663 represents approximately \$.61 cents of the \$3.00 tax rate per \$100. This in turn suggests a \$2.04 share of the tax rate for the support to financing the educational program in Montgomery County.



SUMMARY OF FINDINGS

The previous chapters detailed a breakdown of the various sources of funding for the Clarksville-Montgomery County Schools. While those dollar amounts presented would give the reader some insight in respect to the actual cost of operating the schools, they would not be sensitive to any changes which might have occurred as the result of the change in the method of funding or a differential impact of the funding sources on the total budget. Even though both questions (formula funding and source impact) are pertinent to the practicing administrator, only the latter will be addressed in detail while the former will be discussed more briefly.

In order to assess the source impact of the two methods for funding, a comparison could be made by taking each method and figuring the amount allocated for any given year. However, an alternate method of assessing the source impact would be to compare budgets which are separated by time. The first method of comparison has the advantage of assessing an immediate effect but is not sensitive to changes in the sources across time. The second method of comparison, however, is sensitive to changes across time but is confounded in reference to immediate effects. While the optimal solution rests with making both comparisons, such a procedure would be

beyond the scope of the paper.

In view of the above limitations the scope of this chapter will be limited to the method of comparison (second) which would reflect trends over time. This information would be important in terms of planning, budget projections and programming in the future. Without the knowledge of any trends of funding sources, the administrator might well plan programs that exceed the fiscal capabilities of the district or either fail to capitalize on revenue that may become available. In either event, the administrator may move the operating policy of the district from one of reacting to one of acting base on the knowledge of the funding sources.

When an effort is made to compare budgets from separate years one problem often encountered is that of inflation. Even though there are several indexes developed annually which estimate the rate of inflation, the validity of such indexes are often questionable. Furthermore, these indexes differ among themselves on the content with which each address. Some indexes address only services such as transportation, recreation and medical cost. Other indexes address goods such as housing, clothes, and food. While still others attempt to integrate both services and goods. Thus, if an inflation rate was employed to equalize the budgets any comparison made between the budgets would be specific to that index.

In order to eliminate the restriction placed on a comparison between budgets by the inflationary estimation, all dollar amounts within a budget could be defined relative to the total budget. Such an operational procedure would allow for comparison to be made between the relative percentages of each funding source. Thus, the relative percentage that was allocated by a funding source in one year could be compared to the relative percentage allocated by that same source in another specific year.

Due to availability of both current and historical budgetary data, the years chosen for comparative purpose of this study were the budgetary years of 1968-69 and 1977-78. An inspection of Table 5.0 indicates the total amount allocated for each of the respective years. Although the actual dollar amount is quite different, the point of interest is the relative percentage of the local, state, and federal allocation that is of interest.

TABLE 5.0 Budget Allocation

1968-69	1977-78
\$6,872,269	\$18,886,430

The local allocation for each budget was derived by summing the budget categories of Tuition, Other local Revenues, County Revenues (Budget Categories I, II, III, VIII, IX, and X; see Appendix). The total local allocation from the local funds for the 1968-69 and 1977-78 years were \$2,588,440 and \$7,459,335 respectively (see Table 5.1). While the actual dollar difference between the two



budget years was great (\$4,870,835) comparatively, the actual percentage represented an increase of approximately 188 percent. However, the relative percentage of local contribution for the budget years of 1968-69 and 1977-78 was 37.60 percent and 39.50 percent respectively.

TABLE 5.1 Budget Categories for Local Input

	1968-69	1977-78
I. Tuition	\$ 17,300	\$ 6,000
II. Other Revenue from Local Sources	1,100	175,000
III. County Revenues	2,538,540	6,971,235
VIII. Sale of School Property	6,500	21,500
IX. Miscellaneous	5,000	-0-
X. Internal Transfers and Refunds	<u>20,000</u>	<u>285,600</u>
	\$2,588,440	\$7,459,335

The state allocation for each of the budget years was derived by summing the budget categories of State Revenues, State Capital Outlay Revenues and Surplus (budget categories, IV, V, and XII, see Appendix). The total state allocation received for 1968-69 and 1977-78 budget years was \$3,311,569 and \$8,173,286 respectively (see Table 5.2). The actual dollar improvement was \$4,861,717 or 147 percent improvement. The relative percentage of state input for the 1968-69 and 1977-78 budget years was 52.5 percent and 52.2 percent respectively.

TABLE 5.2 Budget Categories for State Input

	1968-69	1977-78
IV. State Revenues	\$3,141,081	\$7,948,913
V. State Capital Outlay	170,488	224,373
XII. Reserves & Surplus	<u>-0-</u>	<u>160,366</u>
	\$3,311,569	\$8,336,652

The federal allocation for each of the budget years was also derived by summing the appropriate budget categories. The categories appropriate for the federal allocation are Federal Revenues Through the State, Federal Revenues Direct, and Reserves and Surplus (Budget Categories VI, VII, and XII, see Appendix). The total federal allocation for the budget years 1968-69 and 1977-78 was \$972,260 and \$2,433,258 respectively, (see Table 5.3). The actual dollar difference was \$1,460,998 or 150 percent increase. The relative percentage of federal funding for the 1968-69 and 1977-78 school years was 9.8 and 8.3 respectively.

TABLE 5.3 Budget Categories for Federal Sources

	1968-69	1977-78
VI. Federal Revenue Through State	\$296,248	\$ 861,510
VII. Federal Revenue Direct	<u>676,012</u>	<u>1,571,748</u>
	\$972,260	\$2,433,258

An examination of Table 5.4 will indicate the relative percentages within each budget by source of funding and the net difference between the percentages for each category of funding. These data indicate an increase in the percentage

of local effort relative to the overall budget for 1977-78 school year. Conversely a decrease was noted in both state and federal effort.

TABLE 5.4 Comparison of Between/Within Budget Categories by Budget Years

	1968-69	1977-78	Difference
Local	37.7 %	39.5 %	+ 1.8
State	52.5 %	52.2 %	- .2
Federal	9.8 %	8.3 %	- 1.5

The source of funding accounting for most of the differences was the increase of local funds. Such an increase would suggest that local governmental units are now financing relatively more of the cost of education than years in the past. The obvious decrease in state funds would suggest that the modification of the old formula funding was not advantageous for the Clarksville-Montgomery County School System. The above statement seems especially true in light of the stability of enrollment between the two budget years contrasted. It is also of interest to note the Federal Government is paying relatively less by the standards set forth in this paper for comparison. This funding is also particularly interesting in light of the new federal legislation which require more expensive programs.

If a summary is made of the previous fundings, some overall patterns emerge. It seems that the modification of the formula for state funding is more restrictive for the Clarksville-Montgomery County School System. This is an



obvious result of an attempt to better equalize the state allocation over all the school systems within the state. Thus some systems may well reap the windfall of the attempted equalization.

The increase noted in respect to local input indicates that local governmental agencies will have to carry more responsibility in the future. In order to better meet this responsibility, the local governmental agencies may well have to reevaluate the existing revenue generating source of property tax and devise better methods for local financing. This proposition seems highly likely, in that, the structure of the educational system is not likely to become less complex and therefore less expensive.

## APPENDIX

ANALYSIS OF GENERAL PURPOSE SCHOOL FUND INCOME  
SHOWING SOURCE OF FUNDS FOR THE YEARS 1968-69 AND 1977-78

Description	1968-69 Income	1977-78 Income
I. <u>Tuition</u>		
(1) Day School Tuition	1,500	-0-
(2) Adult Education	800	-0-
(3) Summer School	15,000	6,000
(4) Total Tuition	<u>17,300</u>	<u>6,000</u>
II. <u>Other Revenue from Local Sources</u>		
(1) Investments Earnings	1,000	175,000
(2) Rent from School Property	100	-0-
(3) Total Other Local Sources	<u>1,100</u>	<u>175,000</u>
III. <u>County Revenues</u>		
(1) County Property Taxes	1,346,171	1,896,850
(2) County Trustee Late Collection	29,000	46,500
(3) Circuit Court Clerk	17,000	53,000
(4) Pick-up Taxes	1,500	1,500
(5) Interest & Penalties on Delinquent Taxes	3,500	6,000
(6) In Lieu Payments Fed. Property	109	-0-
(7) Privilege Taxes, Licenses, Fines and Fees	30,000	65,000
(8) Wheel Tax	210,000	385,000
(9) Mobile Home Tax	750	75
(10) Local Sales Tax	900,510	4,500,000
(11) State Income Tax	-0-	17,310
(12) Total County Revenues	<u>2,538,540</u>	<u>6,971,235</u>



<u>Description</u>		1968-69 Income	1977-78 Income	
IV.	<u>State Revenues</u>			
(1)	Equalizing Funds	2,869,158	7,230,800	
(2)	Textbooks	62,098	112,464	
(3)	Special Education	12,350	-0-	Included TFP
(4)	Sick Leave Funds	13,500	70,000	
(5)	Regular Vocational Salaries	48,180	-0-	
(6)	Area Vocational Contracts	115,795	-0-	
(7)	Adult Basic Education	15,000	-0-	
(8)	Driver Education	-0-	8,557	
(9)	Vocational Part B	-0-	152,040	
(10)	Vocational Work Study	-0-	1,150	
(11)	Vocational Adult Coop	-0-	22,437	
(12)	School Food Service	-0-	47,658	
(13)	Pupil Transportation	-0-	303,807	
(14)	Reimbursable Vocational Travel	5,000	7,948,913	
		<u>3,141,081</u>		
V.	<u>State Capital Outlay</u>	<u>170,488</u>	<u>224,373</u>	
VI.	<u>Federal Revenue Through State</u>			
(1)	Funds for Purchase of Equipment	30,000	-0-	
(2)	NDEA Title III	30,000	-0-	
(3)	NDEA Title V	14,000	-0-	
(4)	MDTA	62,248	-0-	
(5)	CETA	-0-	65,000	
(6)	Adult Basic Education	-0-	26,510	
(7)	Milk Program	45,000	55,000	
(8)	School Lunch	115,000	635,000	
(9)	Breakfast	-0-	80,000	
(10)	ESEA Title I	-0-	695,732	
(11)	ESEA Title IV	-0-	69,944	
(12)	ESEA Title VI	-0-	21,000	
(13)	P. L. 874	-0-	33,875	low rent housing
		<u>296,248</u>	<u>1,682,061</u>	Title I Program

<u>Description</u>		1968-69 Income	1977-78 Income
VII.	<u>Federal Revenue Direct</u>		
	(1) P. L. 874 Federal Connected	465,966	984,085
	(2) P. L. 815 Construction	115,046	-0-
	(3) Project Transition	19,000	-0-
	(4) Headstart Program	76,000	-0-
	(5) Revenue Sharing-Federal	-0-	587,663
		<u>676,012</u>	<u>1,571,748</u>
VIII.	<u>Sale of School Property</u>		
	(1) Real Property	2,000	7,500
	(2) Equipment	4,000	10,000
	(3) Insurance Recovery	500	3,000
	(4) Damages Recovered from Individuals	-0-	1,000
	(5) Total Sale of School Property	<u>6,500</u>	<u>21,500</u>
IX.	<u>Miscellaneous</u>	<u>5,000</u>	<u>-0-</u>
X.	<u>Internal Transfers and Refunds</u>		
	(1) Indirect Costs	-0-	30,000
	(2) Refunds	10,000	119,600
	(3) Sale of Materials	10,000	100,000
	(4) Other-Gas for Other County Agencies	-0-	36,000
	(5) Total Internal Transfers & Refunds	<u>20,000</u>	<u>285,600</u>
XI.	<u>Total Revenues</u>	<u>6,872,269</u>	<u>18,886,430</u>

XII.	<u>Reserves and Surplus</u>		
	(1) Unappropriated Surplus	205,743	1,523,334
	(2) Reserve for P. L. 815	43,383	-0-
	(3) Reserve for Headstart	23,600	-0-
	(4) CHS House Project	-0-	13,186
	(5) MCHS House Project	-0-	31,503
	(6) Textbooks	-0-	29,206
	(7) State Food Service Reserve	-0-	8,402
	(8) State Driver Education	-0-	21,949
	(9) Insurance Deductible	-0-	60,000
	(10) P. L. 839 Project	-0-	100,809
	(11) Total Reserves and Surplus	<u>272,726</u>	<u>1,788,389</u>
XIII.	<u>Total Available Funds</u>	<u>7,144,995</u>	<u>20,674,819</u>



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