

TENNESSEE

Overall Market Rating: Growth possible in Chattanooga, Memphis and Nashville

Tennessee's Education Savings Account statutory structure and funding levels are strong. However, only students in Chattanooga, Memphis or Nashville are eligible to receive ESAs.

Market Overview

Tennessee became a promising growth opportunity for new schools when the legislature passed a broad-eligibility ESA in 2020. A legal challenge delayed implementation until 2022-23, when just 700 students participated. Applications are expected to increase substantially for 2024-25, as a new online application portal is set to launch in February 2024.

Eligibility to the main ESA is limited to students in four districts: Hamilton County (Chattanooga), Shelby County (Memphis), Metro Nashville Public Schools and the Achievement School District. The initial participant cap is 5,000 students, which can grow by 2,500 per year to a maximum cap of 15,000. Should applications exceed available ESAs, priority first goes to siblings of ESA students, then to students assigned to low-achieving public schools, followed by students eligible for SNAP benefits. The Individualized Education Account program, for students with special education needs, is statewide but also small.

The dollar value for the ESA is pegged to per-pupil basic education funding (BEF) in the student's home district but cannot exceed the state average BEF amount for a given year. Students can use the ESA funds for a variety of education-related expenses, including some higher education costs. The value of an IEA is determined by base funding in the student's home district plus the necessary cost to meet the terms of the student's Individualized Education Plan (IEP).

Schools wishing to accept students receiving ESAs must apply to the state education department. Accreditation, however, is not required. New schools are eligible immediately—but they must demonstrate the ability to repay ESA funds, should such repayment be necessary. A surety bond is one way to satisfy this requirement. Finally, participating schools must agree to assess ESA students by administering the TCAP state exams.

Enrollment

TENNESSEE 2021-22			
Total PK-12	Public District	Public Charter	Private
1,065,826	923,834 (87%)	43,540 (4%)	98,452 (9%)

Choice Programs

Program	Eligibility	Participants (2022-23)	Amount
Education Savings Account	HH income below 200% of federal free-lunch threshold and zoned to attend a public school in Chattanooga, Memphis, Nashville or the Achievement School District	700 students	\$8,192 max (amount varies by home district but can't be more than \$8,192)
Individualized Education Account	Students with IEPs and a diagnosis of one of several learning disabilities	338 students	\$6,968 average in 2022-23

Funding

Assessment: ESA values are comparable with districts in the targeted geographies

ESA funds are deposited into holders' accounts at least four times per year; account holders then pay schools for tuition directly. Families are allowed to pay additional tuition above the value of the ESA if necessary. A student may not stack an ESA and IEA.

Policy & Regulatory Environment

Assessment: Favorable for new schools in theory, but parent awareness of the ESA is low.

Human Capital

Assessment: Manageable talent pipeline

There is a decent talent pipeline in Memphis and Nashville, given development of the charter and reform sectors in both cities.

Local Champions & Climate

Assessment: Advocacy partners are present, and they are prioritizing the ESA

If the courts had struck down the program, advocates were ready to relegislate it in the 2023 legislative session.

Facilities

Assessment: Real estate and properties are affordable, but no facility support infrastructure exists

As in most other states, there is little policy or ecosystem support for private-school facilities attainment or financing.