

Summary and Recommendations: Effects of Sharing of Resources among School Systems in Counties with More than One School System

Public K-12 education in Tennessee is provided through school systems that in general are operated locally, either by counties, municipalities, or special school districts. State law requires each county to operate a K-12 school system, either individually or in partnership with another county, unless all students in the county are served by municipal school systems and special school districts, as is currently the case only in Gibson County. Currently, 30 of the state's 95 counties have more than one school system. There are 94 county school systems, 33 municipal school systems, and 14 special school districts.

State law requires counties to share local revenue with city school systems and special school districts in the same counties, but there are no sharing requirements for cities and special school districts. Representatives of county officials in Tennessee have expressed concern that education revenue sharing requirements in Tennessee favor city school systems and special school districts at the expense of county school systems. Responding to these concerns, Senate Joint Resolution 593 directs the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to study the overall effects on public K-12 education of the laws and regulations related to the sharing of resources between multiple school systems in the same county and the effect of the operation of additional municipal or special school districts within a county.

Senate Joint Resolution 593 also notes that “the creation of new school districts has in the past created conflict regarding the ownership of existing school buildings and facilities.” In response, this report considers options for the transfer of school property to new city school systems. In the 110th General Assembly, Senate Bill 1755 by Senator Gardenhire, House Bill 1757 by Representative Harry Brooks, as amended, would have created “a process for determining the amount that a city must pay to fairly compensate the county for the school property the city seeks to obtain.”

Local revenue sharing requirements vary for counties, cities, and special school districts under state law.

Local revenue accounts for \$3.7 billion of the \$11.0 billion spent on K-12 education funding in fiscal year 2017-18 in Tennessee. Almost all of it comes from local property and sales taxes. In counties with multiple school systems, whether local revenue must

be shared among all systems in the county varies under state law depending on its source, how the revenue is spent, and whether it is earmarked for specific purposes. For instance, state law excludes from sharing requirements all revenue that is used for a “student transportation system” that serves all school systems in the county. Whenever sharing is required, revenue is distributed based on the weighted full-time equivalent average daily attendance for each school system in the county. This provides additional weight for students at different grade levels, career and technical students, and special education students so that the school systems they attend will receive more local revenue to meet their needs.

Property Taxes

Property taxes are used by county, city, and special school districts to fund education, though only some of this property tax revenue must be shared. In counties with multiple school systems, countywide property taxes budgeted for education operations and maintenance expenses must be shared with all school systems in the county. In contrast, property taxes levied by cities do not have to be shared. No similar requirement is imposed on special school districts.

Local Option Sales Taxes

State law requires that 50% of revenue generated by the countywide local option sales tax rate be shared with all school systems in the county. The other 50% is not earmarked, and is distributed either to a city if the situs (location) of the sale is within the city or to a county if the situs of the sale is within the unincorporated part of the county. Cities may use any of their revenue to fund their city school systems without sharing with other school systems in the county. But, if counties use their revenue for operations and maintenance of their county school systems, the revenue must be shared with all school systems in the county. Special school districts cannot impose sales taxes.

Mixed Drink Tax

Half of mixed drink tax revenue is earmarked for education purposes, and is distributed to school systems in the county where it was generated. State law requires a portion of the half distributed to local governments to be distributed to school systems, and this distribution has been the subject of litigation in counties with more than one school system. Cities that operate their own school systems had a longstanding practice of keeping its share of the revenue for its schools based on Attorney General Opinions interpreting the distribution statute. In 2014, five counties filed lawsuits to require cities to distribute some of their mixed-drink tax revenue to county school systems, claiming that the wording of the statute at that time required the cities to distribute its revenue to all school systems in the county based on weighted full time equivalent average daily

attendance. The statute was amended later that year to provide a clearer but temporary method, now set to expire June 30, 2020, for determining the distribution of mixed drink tax proceeds while the lawsuits were ongoing. Although the Tennessee Supreme Court resolved the lawsuits when it ruled in favor of the cities in 2019, and the statute is consistent with the Court's ruling, it will revert to the pre-2014 version unless the General Assembly acts.

Requirements for Capital Expenditures and Transportation

Counties often issue bonds for capital expenditures—including new schools, renovations, and buses. According to the University of Tennessee, County Technical Assistance Service,

the law requires counties containing city schools or special school districts to distribute the proceeds from a bond issue for school capital purposes on an average daily attendance basis, unless a tax district outside the city or special school district is established. If a tax district is not established, city systems and special school districts are entitled to a proportional share of the proceeds of a school bond issue, or they may waive their rights to such a share. If a tax district is established so that the school bonds are payable only from funds collected outside the city or special district, then the city or special school districts do not share in the proceeds. (citations omitted)

Only five of 30 multisystem counties have chosen to establish tax districts outside the city or special school district to fund their school debt—also referred to as rural debt service districts. Because commercial and industrial property is concentrated in cities, a given tax rate applied countywide usually generates more revenue for the county school system, even after sharing with the city school system or special school district, than a property tax for a rural debt service fund would.

Bond proceeds are exempt from sharing requirements if they are used for capital expenditures for grade levels not served by the city or special school districts in a multisystem county. Moreover, when capital expenditures are funded from revenue that is not from note or bond proceeds, the Tennessee Court of Appeals has held that “a county may levy a special tax designated for a capital projects fund such as ‘for the building, repair, and equipment of rural schools,’ or a ‘Rural School Building and Repair Fund,’” without having to share the revenue with other school systems in the county.

Disparity in Local Revenue and Increase in County Indebtedness

In fiscal year 2017-18, cities and special school districts in the 28 multisystem counties with county school systems¹ raised \$139.4 million for city school districts and special districts that they did not have to share. This amounts to approximately \$1,237 per student. The 32 city systems in these counties received \$112.2 million in revenue that did not have to be shared—\$84.0 million in city general fund transfers, \$17.9 million in city property tax, and \$10.3 million in cities' share of local option sales tax revenue. The five special school districts in these counties received \$27.2 million in special school district property tax revenue that they didn't have to share.

As a result, city school systems and special school districts in 26 of the multisystem counties received more local revenue per student than the county school system in fiscal year 2017-18. City school systems and special school districts in these counties received \$1,193 more per student in local revenue than the county school system. The additional revenue city school systems and special school districts have access to can be used to pay higher teacher salaries, build and maintain facilities and provide additional programs, tutoring, and advanced classes, thus creating intra-county disparities in student services. It would take an additional \$413.3 million for those county school systems to equal the per student revenue of the city and special school districts in them. In two of the multisystem counties, the county school systems received more local revenue on a per-student basis. Crockett County Schools received more local revenue per student (\$1,272) than Alamo and Bells city school systems (\$958 and \$1,139), and Rhea County Schools received more local revenue per student (\$2,161) than Dayton's city school system (\$1,771).

Because counties with multiple school systems are required to share bond proceeds with all school systems in the county in most circumstances, these counties appear to be taking on more debt for education capital projects than would otherwise be necessary. Overall school debt per student of in the 141 school systems in Tennessee was more (\$6,049) in fiscal year 2015-16 than single-system counties (\$5,653) and city school systems (\$4,406), but less than special school districts (\$8,213). Debt per student carried on behalf of county school systems in multisystem counties (\$6,964) was second only to debt for special school districts.

¹ Excludes Gibson and Carroll counties. Gibson County does not have a county school system, and Carroll County's county school system is not comparable to other school systems.

Ensuring equity for students and taxpayers.

According to some representatives of counties, disparities that result from the state's current education revenue sharing requirements raise equity concerns. State courts, including Tennessee's highest court, have taken the position that equity for students necessitates neither equal funding nor sameness, but rather equal opportunity. Equality of opportunity has been a longstanding issue in education. As noted by the US Advisory Commission on Intergovernmental Relations in a 1975 report on education,

equality of educational opportunity is of critical importance in a democratic society dedicated to the proposition that all persons should have an equal chance to develop their potentialities to the fullest. This objective takes on particular urgency as technological advancement causes employment opportunities to become increasingly restricted to persons with professional and technical skills.

That reasoning led to passage of the Education Improvement Act of 1992 and adoption of the Basic Education Program (BEP) funding formula. The formula is structured specifically to ensure "vertical" equity—treating different students differently—by providing additional funds for early-elementary and high school students, career and technical students, special education students, at-risk students, etc. "Horizontal" equity—treating similar students similarly—is achieved by equalizing funding across school systems through a process that assumes local governments are imposing comparable tax rates and then using state funds to make up the difference in the amount of local education revenue those rates produce. The state's education funding formula computes the amount each Tennessee school system needs to fund the defined BEP, determines the amount of education each county can fairly be required to raise, and then makes up the difference with state funds. This process is described in the Blue Book produced by the State Board of Education and periodically evaluated by Commission staff in reports on student equity.

Another longstanding point of discussion in education finance is that of taxpayer equity. In a 1999 report, the National Research Council, part of the non-profit National Academy of Sciences, said,

From a school finance perspective, a system would be judged fair to taxpayers if every taxpayer was assured that a given tax rate would translate into the same amount of spending per pupil regardless of where the taxpayer lived.

In order to ensure that similarly situated taxpayers are treated similarly, the state imposes the same taxes on the same things regardless of location. To the extent that

local governments do not, residents control those decisions through the electoral process. They choose those who set tax rates and so can be said to have chosen whatever differences exist locally. Of course, that's not the case with respect to nonresident taxpayers, but they at least have some ability to choose where they procure goods and services and thus have some control over the rates they pay and whom they pay them to.

If public school funds were raised solely from residential property taxes, the problem could be easily solved. Residents who pay those taxes would be funding their own schools wherever counties, cities, and special school districts operate K-12 systems, and where cities or special school districts do not, something similar to the current structure for sharing county revenue for schools could be utilized to fund the grades that those cities or districts do not offer.

But that's not how public schools are funded. The challenge is devising a way to ensure that taxpayers derive similar benefit from the taxes they pay regardless of whether they live in or receive services from the taxing jurisdiction. Consequently, Tennessee has several examples of taxpayer inequities.

A county's ability to use countywide revenue in lieu of bonds to fund education capital expenditures without sharing this revenue is an example that improves spending equity at the expense of taxpayer equity. Stakeholders acknowledged that this may be unfair to taxpayers living in city school systems or special school districts, but it's one of only a few ways counties can address spending equity under current law. **Because countywide property taxes and countywide local option sales taxes apply to property and sales within cities and special school districts, the General Assembly could require that counties share this revenue when it is used for education capital expenditures just as counties already have to share it when it is used for education operations and maintenance. But if the state does so, it should consider adopting other alternatives that would improve spending equity in counties with multiple school systems while adhering to principles of taxpayer equity.**

One alternative that could improve both student and taxpayer equity is to remove the requirement that counties share their portion of the un earmarked half of local option sales tax when it is budgeted for education operations and maintenance. Because this revenue is distributed based on situs (location) of the sale, none of it is generated within cities. And cities are not required to share their portion of the un earmarked half of local option sales tax revenue. If counties were to use all of the \$59.8 million in local option sales tax revenue generated in unincorporated areas to fund county school systems, it would still be far less than the \$413.3 million needed to eliminate funding intra-county disparities.

Another alternative that would decrease disparities for students as well as taxpayers would be to transition from calculating fiscal capacity at the county level to calculating it at the system level. Fiscal capacity is the ability of local governments to raise revenue for education from local sources relative to other local governments. The state uses two capacity models to equalize funding through the BEP funding formula. Starting in school year 2007-08, a tax capacity model produced by the Center for Business and Economic Research (CBER) at the University of Tennessee has been used in combination with the county-level fiscal capacity model produced by TACIR and used since the inception of the BEP funding formula in 1992-93. Both models are calculated at the county level and don't take into account several factors that drive intra-county disparities, most particularly counties' relative lack of access to unshared tax bases and the concentration of commercial and industrial tax bases within cities, both of which leave counties with less ability to raise local revenue for county school systems when compared with city school systems and special school districts in the same county. A system-level fiscal capacity model would account for these intra-county differences.

Regardless of any changes that the state makes, it is important to provide local governments a degree of certainty about how local revenue for education is required to be shared. **Because changes in the law governing the distribution of the mixed drink tax is temporary and because this method appears to adhere to principles of spending equity and taxpayer equity, the General Assembly should remove the expiration on the current method in state law for distributing mixed-drink tax proceeds.** This would provide certainty for school systems developing budgets for the upcoming school year.

Transfer of Property to New City School Systems

Creating new school systems can lead to conflicts over buildings and facilities. Forming new school systems was prohibited in state law in 1982 for special school districts and in 1998 for city school systems. Forming new special school districts remains prohibited, but state law was changed in 2012. Since that time, six new city school systems formed in Shelby County; other cities have also considered forming municipal school systems. But state law does not require counties to transfer school property to new school systems.

Other states' laws provide guidance for transferring real and personal property to new school systems either explicitly or by requiring the formation of a committee to create a plan for the transfer. These laws address transferring title of school property between school systems and the settlement of outstanding debt for the property. Although Tennessee does not prescribe a method for transferring property when a city school

system is formed, it does, however, authorize the creation of a planning commission for the consolidation of school systems and sets out considerations for those commissions. These considerations may be helpful in developing a method for transferring property to new city school systems. And by providing a method in state law, Tennessee can provide greater predictability and fairness for school systems and taxpayers and may reduce the likelihood of litigation. **The General Assembly should provide a method in state law for transferring school property (real and personal) to new city school systems. An ad hoc committee could be created to determine what property should be transferred and what the city should pay for it. Whoever determines what the city should pay should consider past and future contributions of the city and the county to procure and maintain the property in question. Relevant unit costs in the BEP could be used to calculate the value of real and personal property subject to transfer. For instance, textbook unit costs are based on the actual cost of text books that will be purchased for the upcoming school year.**

Currently, city residents vote in the referendum on whether to form a new city school system before they know what it will cost the city, and by extension the city's taxpayers, to acquire all of the property it will need to operate a school system. **The General Assembly should require that the purchase price of the property be determined before the city referendum on the creation of a city school system.**

Other concerns about local revenue and services in Tennessee warrant further study.

In addition to this report, work is ongoing on TACIR's series on local revenue and services, and a draft version of the second interim report on education funding is planned for the December 2019 meeting followed by a final report in January 2020. Its more holistic treatment of revenue will provide a helpful context for evaluating other potential sources of education funding, for instance, state-shared taxes. During its discussion of House Bill 971 by Representative Sargent, Senate Bill 1075 by Senator Watson, the House Finance, Ways and Means Committee asked TACIR to study the revenue sources of cities and counties in Tennessee and the services cities and counties provide. In February 2019, TACIR published the first interim report in this series on Internet Sales Tax in Tennessee. A comprehensive study of local government revenue and services is planned following the second interim report on education funding.

Analysis: Effects of Sharing of Resources among School Systems in Counties with More than One School System

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Senate Joint Resolution 593 also notes that “the creation of new school districts has in the past created conflict regarding the ownership of existing school buildings and facilities.” In response, this report considers options for the transfer of school property to new city school systems. In the 110th General Assembly, Senate Bill 1755 by Senator Gardenhire, House Bill 1757 by Representative Harry Brooks, as amended, would have created “a process for determining the amount that a city must pay to fairly compensate the county for the school property the city seeks to obtain.” See appendixes B and C.

Background

State law requires each county to operate a K-12 school system, either individually or in partnership with another county, unless all students in the county are served by city school systems and special school districts.¹ Tennessee has 141 school systems, and of the 95 counties in Tennessee, 30 have more than one school system (the multisystem counties). Only one county in Tennessee, Gibson, does not have a county school

¹ Tennessee Code Annotated, Section 41-1-102

system--its county school system converted to a special school district in 1981.² Though Carroll County has a county school system, it only provides a technical center, adult education, a health program, and transportation for all public school systems in the county – there are five special school districts within the county. Carroll county has been excluded from the analysis of multisystem counties because it does not have a comparable county school system.³ See map 1 and table 1.

Map 1: Type of School Systems in Tennessee by County



Source: Tennessee Advisory Commission on Intergovernmental Relations; Tennessee Department of Education, 2017-18 School Year; US Census Bureau, American Community Survey 5-year Estimates
 *Carroll County has five special school districts. Carroll County Schools is a countywide system that provides a technical training center, a special learning center, an alternative school, and transportation services to all public school systems in the county.
 **Gibson County has no county school system, one city school system, and four special school districts.

Table 1. Tennessee Public School Systems by Type of System.

Types of School System			
County Only	County + City	County + SSD	City + SSD
Bedford County	Anderson County	Carroll County	Gibson County*
Benton County	Clinton	Hollow Rock-Bruceton SSD	Humboldt
Bledsoe County	Oak Ridge	Huntingdon SSD	Milan SSD
Campbell County	Blount County	McKenzie SSD	Trenton SSD
Cannon County	Alcoa	South Carroll SSD	Bradford SSD
Cheatham County	Maryville	West Carroll SSD	Gibson County SSD
Chester County	Bradley County	Henry County	
Claiborne County	Cleveland	Paris SSD	
Clay County	Carter County	Marion County	

² Private Acts of 1981, Chapter 62.

³ <http://www.carrollschools.com/>

Cumberland County	Elizabethton	Richard City SSD
Davidson County	Cocke County	Scott County
Decatur County	Newport	Oneida SSD
DeKalb County	Coffee County	Williamson County
Dickson County	Manchester	Franklin SSD
Fayette County	Tullahoma	Wilson County
Fentress County	Crockett County	Lebanon SSD
Giles County	Alamo	
Grainger County	Bells	
Grundy County	Dyer County	
Hamblen County	Dyersburg	
Hamilton County	Greene County	
Hancock County	Greeneville	
Hardeman County	Franklin County	
Hardin County	Hawkins County	
Haywood County	Rogersville	
Hickman County	Henderson County	
Houston County	Lexington	
Humphreys County	Lincoln County	
Jackson County	Fayetteville	
Jefferson County	Loudon County	
Johnson County	Lenoir City	
Knox County	McMinn County	
Lake County	Athens	
Lauderdale County	Etowah	
Lawrence County	Monroe County	
Lewis County	Sweetwater	
McNairy County	Obion County	
Macon County	Union City	
Madison County	Rhea County	
Marshall County	Dayton	
Maury County	Roane County	
Meigs County	Rutherford County	
Montgomery County	Murfreesboro	
Moore County	Shelby County	
Morgan County	Arlington	
Overton County	Bartlett	
Perry County	Collierville	
Pickett County	Germantown	
Polk County	Lakeland	
Putnam County	Millington	

Robertson County	Sullivan County		
Sequatchie County	Bristol		
Sevier County	Kingsport		
Smith County	Washington County		
Stewart County	Johnson City		
Sumner County			
Tipton County			
Trousdale County			
Unicoi County			
Union County			
Van Buren County			
Warren County			
Wayne County			
Weakley County			
White County			
Total Number of Counties			
65	23	6	1

*Gibson County does not have a county school system

Local Revenue

School systems in Tennessee received \$11.0 billion in revenue in fiscal year 2017-18, including \$4.9 billion in state revenue, \$3.7 billion in local revenue, \$1.2 billion in federal revenue, \$421.0 million in other revenue, and \$790 million in non-revenue receipts.⁴ Of the \$3.7 billion in local revenue, more than half (\$2.0 billion) is from county property taxes. Most of the rest is from \$1.3 billion in local option sales tax revenue. Countywide property taxes, and any other county revenue including counties' local option sales tax revenue, budgeted for education operations and maintenance expenses must be shared with all school systems in the county.⁵ Property taxes levied by cities or special school districts are not required to be shared. Cities may use any of their revenue to fund their city school systems without sharing with other school systems in the county. Special school districts cannot impose sales taxes. State law earmarks half of the revenue generated by the countywide local option sales tax rate for local school systems,⁶ distributing the revenue to the county where the sale was made and requiring the county to share the revenue with school systems in the county

⁴ Tennessee Department of Education, Annual Statistical Report.

⁵ Tennessee Code Annotated, Section 49-3-315.

⁶ Tennessee Code Annotated, Section 67-6-712.

according to the weighted full time equivalent average daily attendance (WFTEADA) in each school system.⁷ State law also earmarks half of the local share of mixed drink tax revenue, which totaled \$29.4 million in 2017-18 for K-12 education. Another earmark is for coal severance tax revenue, of which half goes to the school system in the county where it was collected. Coal severance tax revenue totaled \$162,101 in fiscal year 2017-18, almost all of which was from Claiborne County. See table 2.

Table 2. Statutory Earmarks of Local Revenue for K-12 Education, Fiscal Year 2017-18.

Tax	Amount	Percent Earmarked	Total	Tennessee Code Annotated
Counties to School Systems				
Local Option Sales	\$ 2,644,048,246	50%	\$ 1,294,067,811*	67-6-712
Mixed Drink	\$ 4,548,992	50%	\$ 2,273,936	57-4-306
Coal Severance	\$ 324,201	50%	\$ 162,101	67-7-110(b)
Sub Total	\$ 2,646,647,503	50%	\$ 1,295,367,440	
Cities to School Systems				
Mixed Drink	\$ 113,187,526	50%	\$ 56,579,831	57-4-306
TOTAL	\$ 2,759,835,029	50%	\$ 1,351,947,271	

Sources: Tennessee Department of Revenue, 2017-18 Annual Report and Tennessee Code Annotated.

Mixed Drink Tax

State law imposes a 15% tax on liquor-by-the-drink sales, otherwise known as the mixed drink tax, in counties and cities that have approved those sales by referendum.⁸ Currently, the mixed drink tax distribution statute requires half of the proceeds to go to school systems for general education purposes (\$58.9 million in fiscal year 2017-18), and the other half to the city (\$56.6 million) or county (\$2.3 million) in which the revenue was generated.⁹ Of the half distributed to local governments, state law, before it was amended in 2014, required half of the revenue to be distributed “in the same manner as the county property tax for schools is expected to be distributed,”¹⁰ that is, to each

⁷ Tennessee Code Annotated, Section 49-3-315. See also *Harriman v. Roane County*, 553 S.W.2d 904 (Tenn. 1977).

⁸ Tennessee Code Annotated, Section 57-4-301(c).

⁹ Tennessee Code Annotated, Section 57-4-306(a).

¹⁰ Tennessee Code Annotated, Section 57-4-306(a)(2)(A) (2013 version).

school system in the county based on weighted full time equivalent average daily attendance. Relying on three separate Attorney General Opinions issued in the early 1980s explaining that the distribution of this portion of mixed-drink tax revenue depends on whether a city operates its own school system;¹¹ cities had a longstanding practice of retaining its revenue for its city schools. In 2014, five counties filed lawsuits against the cities saying that, although the cities had been keeping the proceeds for their city school systems for more than 30 years, the wording of the statute at that time required the cities to share those proceeds with county schools.

But in May 2019, the Tennessee Supreme Court ruled that cities that have approved liquor-by-the-drink sales and have their own city school systems are not required to share these proceeds with the county school system.¹² The Court based its decision on the mixed drink tax distribution statute as written at the time the lawsuits were filed, but the statute was amended in 2014, providing a temporary method for determining the distribution of the half of the local government share of mixed drink tax proceeds, which has been extended each year since its adoption, that more clearly directs the proceeds to school systems based on where the revenue was generated:

- If the county school system is the only school system in the county, all proceeds (both city and county) go to the county trustee to be distributed to the county school system.
- Counties are not required to share proceeds collected outside the boundaries of cities that have school systems and a mixed drink tax.
- If the city where the revenues are collected does not operate schools, all of the city's revenues go to the county school system and the revenues do not have to be shared. If the city lies in two or more counties, the proceeds are allocated to the county in which they are collected according to the location of the business collecting them.

¹¹ Tenn. Op. Att'y Gen. 83-36, 1983 Tenn. AG LEXIS 381 (Jan. 18, 1983); Tenn. Op. Att'y Gen. 81-270, 10 Op. Att'y Gen. Tenn. 711 (Apr. 27, 1981); Tenn. Op. Att'y Gen. 80-457, 10 Op. Att'y Gen. Tenn. 231 (Sept. 19, 1980).

¹² Blount County Board of Education v. City of Maryville, 574 S.W.3d 849 (Tenn. 2019); Bradley County School System v. City of Cleveland, 575 S.W.3d 515 (Tenn. 2019); Coffee County Board of Education v. City of Tullahoma, 574 S.W.3d 832 (Tenn. 2019); Sullivan County v. City of Bristol, 575 S.W.3d 316 (Tenn. 2019); and Washington County School System v. City of Johnson City, 575 S.W.3d 324 (Tenn. 2019).

- If a special school district is located in the city where the revenues are collected, the revenues are allocated by weighted full time equivalent average daily attendance (WFTEADA) to the SSD and to the county school system.
- If the city where the revenues are collected operates a K-12 school system the city keeps all for its schools.
- If the city where the revenues are collected operates less than K-12 schools, the proceeds are to be distributed to the school systems where the city's students attend school according to formulas based on WFTEADA calculations.

This provision is consistent with the Court's ruling in that both direct cities that operate their own school systems to keep its mixed drink tax revenue for its schools. The temporary provision further clarifies the proper distribution of mixed drink tax revenue in other scenarios, but this provision is set to expire on June 30, 2020, and unless the General Assembly acts, the language will revert to what it was when the counties sued the cities in 2014.

Revenue per student by type of school system

Although county school systems in multisystem counties receive less local revenue per student than city school systems and special school districts, they receive more revenue per student than county school systems in single-system counties. An analysis of whether multi-system or single-system county school systems receive more local revenue depends on the inclusion of Williamson County, which is a multi-system county and is the wealthiest county in the state. Overall local revenue per student of county school systems in multi-system counties excluding Williamson County is less than in single-system counties. Adding Basic Education Program (BEP) funding formula revenue to local revenue, county systems in multisystem counties (including Williamson County) still have less revenue per student than city school systems and special school districts but more than county systems in single-system counties. See table 3.

Table 3. Local Revenue per Student* by School System Type, Fiscal Year 2017-18.

School System Type	BEP Revenue per Student*	Local Revenue per Student*	BEP + Local
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Special school districts	\$5,309	\$4,467	\$9,776
City school systems	\$4,732	\$4,870	\$9,602
County systems in multi-system counties	\$4,787	\$4,222	\$9,009
County systems in single-system counties	\$4,654	\$4,114	\$8,768
County systems in multi-system counties (excluding Williamson)	\$4,961	\$3,701	\$8,662
Statewide average	\$4,725	\$4,242	\$8,967

Source: Tennessee Department of Education, Annual Statistical Report.

*Average Daily Membership.

Intra-county Disparity

In fiscal year 2017-18, cities and special school districts in the 28 multisystem counties with county school systems¹⁴ raised \$139.4 million for city school districts and special districts that they did not have to share. This amounts to approximately \$1,237 per student. The 32 city systems¹⁵ in these counties received \$112.2 million in revenue that did not have to be shared—\$84.0 million in city general fund transfers, \$17.9 million in city property tax, and \$10.3 million in cities’ share of local option sales tax revenue. The five special school districts in these counties received \$27.2 million in special school district property tax revenue that they didn’t have to share.

As a result, city school systems and special school districts in 26 of the multisystem counties received more local revenue per student (weighted average) than the county school system in fiscal year 2017-18. On average,¹⁶ city school systems and special school districts in these counties received \$1,193 more per student in local revenue than the county school system. The additional revenue city school systems and special school districts have access to can be used to pay higher teacher salaries, build and maintain facilities and provide additional programs, tutoring, and advanced classes,

¹⁴ Excludes Gibson and Carroll counties. Gibson County does not have a county school system, and Carroll County’s county school system is not comparable to other school systems.

¹⁵ Excludes Humboldt, which is in Gibson County.

¹⁶ Weighted by number of students (average daily membership).

thus creating intra-county disparities in student services. It would take an additional \$413.3 million for those county school systems to equal the per student revenue of the city and special school districts in them. In two of the multisystem counties, the county school systems received more local revenue on a per-student basis than the city school systems in the county.

When comparing local revenue per student for multi-system counties (\$4,222) and single-system counties (\$4,114) there is little difference. Analyzing intra-county disparity between all school systems with a given county, as shown on table 4, all but two county school systems (Crockett and Rhea) receive less local revenue per student than the weighted average local revenue per student of the city school systems and special school districts in the same county in fiscal year 2017-18 (\$1,272 for Crockett versus \$1,032 weighted average for Alamo and Bells and \$2,161 for Rhea and \$1,771 for Dayton).

Comparing system to system within a county, Crockett County school system received more revenue per student (\$1,272) than both Alamo’s (\$958) and Bell’s (\$1,139) city school systems. Rhea County school system received more revenue per student (\$2,161) than Dayton’s city school system (\$1,771). Shelby County Schools received more revenue per student (\$4,462) than Lakeland’s city school system (\$4,126) but less than the other five city school systems in Shelby County (\$4,597 to \$5,676).

All other county systems in counties with city school systems (20 of 23) received less revenue per student than all of the city school systems in the same county. Similarly, all 5 county school systems in counties with special school districts received less local revenue than the special school district in the same county. Although BEP funding decreases these funding gaps in 17 counties, it actually increases the gaps in 11 counties, and the amount that counties would need to overcome the disparity in revenue actually increases slightly when BEP revenue is included, going from \$413.3 million to \$414.3 million. See table 4.

Table 4. Actual Local and Basic Education Program Revenue per Student¹ by School Systems in Multi-system Counties,² Fiscal Year 2017-18.

County System	BEP	Local	BEP + Local	City System	BEP	Local	BEP + Local
Anderson	\$ 5,046	\$ 4,036	\$ 9,081	Clinton	\$ 5,056	\$ 4,433	\$ 9,489
				Oak Ridge	\$ 4,871	\$ 7,420	\$ 12,291

weighted averages					\$ 4,904	\$ 6,893	\$ 11,797
Blount	\$ 4,493	\$ 4,255	\$ 8,748	Alcoa	\$ 4,311	\$ 5,831	\$ 10,142
				Maryville	\$ 4,155	\$ 6,116	\$ 10,271
weighted averages					\$ 4,197	\$ 6,038	\$ 10,236
Bradley	\$ 4,835	\$ 2,698	\$ 7,533	Cleveland	\$ 5,036	\$ 3,387	\$ 8,423
Carter	\$ 6,094	\$ 2,365	\$ 8,459	Elizabethton	\$ 5,450	\$ 3,509	\$ 8,959
Cocke	\$ 5,532	\$ 2,292	\$ 7,824	Newport	\$ 5,414	\$ 3,136	\$ 8,550
Coffee	\$ 5,043	\$ 3,391	\$ 8,434	Manchester	\$ 5,399	\$ 5,084	\$ 10,483
				Tullahoma	\$ 4,839	\$ 5,472	\$ 10,311
weighted averages					\$ 4,999	\$ 5,361	\$ 10,360
Crockett	\$ 6,277	\$ 1,272	\$ 7,549	Alamo	\$ 7,211	\$ 958	\$ 8,168
				Bells	\$ 6,572	\$ 1,139	\$ 7,711
weighted averages					\$ 6,948	\$ 1,032	\$ 7,981
Dyer	\$ 5,258	\$ 2,884	\$ 8,142	Dyersburg	\$ 5,376	\$ 3,582	\$ 8,958
Franklin	\$ 5,127	\$ 3,322	\$ 8,449	Tullahoma	\$ 4,839	\$ 5,472	\$ 10,311
Greene	\$ 5,292	\$ 2,482	\$ 7,775	Greeneville	\$ 5,174	\$ 5,420	\$ 10,594
Hawkins	\$ 5,614	\$ 2,665	\$ 8,279	Rogersville	\$ 5,499	\$ 3,230	\$ 8,729
				Kingsport	\$ 4,031	\$ 6,117	\$ 10,148
weighted averages					\$ 5,499	\$ 3,230	\$ 8,729
Henderson	\$ 5,770	\$ 2,058	\$ 7,828	Lexington	\$ 5,944	\$ 2,977	\$ 8,921
Lincoln	\$ 5,536	\$ 2,372	\$ 7,907	Fayetteville	\$ 5,508	\$ 2,580	\$ 8,087
Loudon	\$ 4,471	\$ 4,316	\$ 8,786	Lenoir City	\$ 4,467	\$ 5,082	\$ 9,549
McMinn	\$ 4,851	\$ 2,207	\$ 7,058	Athens	\$ 4,911	\$ 3,906	\$ 8,817
				Etowah	\$ 5,127	\$ 2,488	\$ 7,615
weighted averages					\$ 4,952	\$ 3,638	\$ 8,590
Monroe	\$ 5,440	\$ 2,019	\$ 7,460	Sweetwater	\$ 5,603	\$ 2,340	\$ 7,943
Obion	\$ 5,482	\$ 2,707	\$ 8,189	Union City	\$ 5,139	\$ 3,501	\$ 8,640
Rhea	\$ 5,573	\$ 2,161	\$ 7,733	Dayton	\$ 5,487	\$ 1,771	\$ 7,259
Roane	\$ 4,749	\$ 3,782	\$ 8,532	Oak Ridge	\$ 4,871	\$ 7,420	\$ 12,291
Rutherford	\$ 4,714	\$ 3,598	\$ 8,312	Murfreesboro	\$ 5,088	\$ 4,344	\$ 9,432
Shelby	\$ 5,049	\$ 4,462	\$ 9,512	Arlington	\$ 4,557	\$ 4,710	\$ 9,267
				Bartlett	\$ 4,618	\$ 4,674	\$ 9,292
				Collierville	\$ 4,613	\$ 4,713	\$ 9,326
				Germantown	\$ 4,504	\$ 5,676	\$ 10,179
				Lakeland	\$ 4,660	\$ 4,126	\$ 8,786
				Millington	\$ 5,206	\$ 4,597	\$ 9,803
weighted averages					\$ 4,634	\$ 4,843	\$ 9,477
Sullivan	\$ 4,205	\$ 4,326	\$ 8,531	Bristol	\$ 3,994	\$ 5,639	\$ 9,632
				Kingsport	\$ 4,031	\$ 6,117	\$ 10,148

weighted averages					\$ 4,018	\$ 5,950	\$ 9,968
Washington	\$ 4,066	\$ 3,691	\$ 7,757	Johnson City	\$ 4,016	\$ 5,852	\$ 9,868
County System	BEP	Local	BEP + Local	SSD	BEP	Local	BEP + Local
Henry	\$ 5,333	\$ 3,461	\$ 8,794	Paris	\$ 5,211	\$ 4,000	\$ 9,211
Marion	\$ 5,075	\$ 2,501	\$ 7,576	Richard City	\$ 5,693	\$ 2,824	\$ 8,517
Scott	\$ 6,055	\$ 1,329	\$ 7,384	Oneida	\$ 5,967	\$ 2,173	\$ 8,140
Williamson	\$ 3,408	\$ 8,342	\$ 11,750	Franklin SSD	\$ 4,149	\$ 11,887	\$ 16,036
Wilson	\$ 4,373	\$ 3,618	\$ 7,991	Lebanon	\$ 4,681	\$ 4,719	\$ 9,400

Source: Tennessee Department of Education, Annual Statistical Report.

¹Average Daily Membership.

²Excluding Carroll and Gibson counties.

Ensuring equity for students and taxpayers

According to some representatives of counties, disparities that result from the state’s current education revenue sharing requirements raise equity concerns. State courts, including Tennessee’s highest court, have taken the position that equity for students necessitates neither equal funding nor sameness, but rather equal opportunity.¹⁷

Equality of opportunity has been a longstanding issue in education. As noted by the US Advisory Commission on Intergovernmental Relations in a 1975 report on education,

equality of educational opportunity is of critical importance in a democratic society dedicated to the proposition that all persons should have an equal chance to develop their potentialities to the fullest. This objective takes on particular urgency as technological advancement causes employment opportunities to become increasingly restricted to persons with professional and technical skills.

That reasoning led to passage of the Education Improvement Act of 1992 and adoption of the Basic Education Program (BEP) funding formula.¹⁸ The formula is structured specifically to ensure “vertical” equity—treating different students differently—by providing additional funds for early-elementary and high school students, career and technical students, special education students, at-risk students, etc.¹⁹ “Horizontal” equity—treating similar students similarly—is achieved by equalizing funding across school systems through a process that assumes local governments are imposing

¹⁷ Tennessee Small School Systems v. McWherter, 851 S.W.2d 139 (Tenn. 1993).

¹⁸ Public Chapter 535, Acts of 1992 (Education Improvement Act)

¹⁹ Mankiw 2004.

comparable tax rates and then using state funds to make up the difference in the amount of local education revenue those rates produce.²⁰ The state's education funding formula computes the amount each Tennessee school system needs to fund the defined BEP, determines the amount of education each county can fairly be required to raise, and then makes up the difference with state funds. This process is described in the Blue Book produced by the State Board of Education and periodically evaluated by Commission staff in reports on student equity.²¹

Another longstanding point of discussion in education finance is that of taxpayer equity. In a 1999 report, the National Research Council, part of the non-profit National Academy of Sciences, said,

From a school finance perspective, a system would be judged fair to taxpayers if every taxpayer was assured that a given tax rate would translate into the same amount of spending per pupil regardless of where the taxpayer lived.

In order to ensure that similarly situated taxpayers are treated similarly, the state imposes the same taxes on the same things regardless of location. To the extent that local governments do not, residents control those decisions through the electoral process. They choose those who set tax rates and so can be said to have chosen whatever differences exist locally. Of course, that's not the case with respect to nonresident taxpayers, but they at least have some ability to choose where they procure goods and services and thus have some control over the rates they pay and whom they pay them to.

If public school funds were raised solely from residential property taxes, the problem could be easily solved. Residents who pay those taxes would be funding their own schools wherever counties, cities, and special school districts operate K-12 systems, and where cities or special school districts do not, something similar to the current structure for sharing county revenue for schools could be utilized to fund the grades that those cities or districts do not offer.

But that's not how public schools are funded. The challenge is devising a way to ensure that taxpayers derive similar benefit from the taxes they pay regardless of whether they

²⁰ Roehrich-Patrick et al. 2016.

²¹ Tennessee State Board of Education 2018-2019.

live in or receive services from the taxing jurisdiction. Consequently, Tennessee has several examples of taxpayer inequities.

Fiscal Capacity

Calculating fiscal capacity at the county level instead of at the system level to equalize state education funding (the Basic Education Program funding formula) does not effectively reduce funding gaps within counties. According to a 2003 Comptroller report, “the use of a county fiscal capacity model in a system-level funding formula results in ‘funding inequalities among [school systems] within multi-[school system] counties.’”²² Fiscal capacity is the ability to raise revenue for education from local sources, and counties’ relative lack of access to unshared tax bases, coupled with revenue sharing requirements, leaves counties with less ability to raise local revenue for county school systems when compared with city school systems and special school districts in the same county. The TACIR and the University of Tennessee Center for Business and Economic Research (CBER) county-level fiscal capacity models used to equalize funding²³ in the BEP assign each school system its share of the state’s total fiscal capacity, ignoring the fact that some counties have more than one school system. System-level fiscal capacity models recognize those school systems and assign different fiscal capacity percentages to each system according to the varying ability to raise local revenue for those systems. See appendix D. Using a system-level fiscal capacity model developed by TACIR and Comptroller staff in 2004 and reviewed by outside experts at Middle Tennessee State University, Tennessee State University, and Vanderbilt University²⁴ that takes into account sharing requirements, county school systems in multi-system counties have less fiscal capacity than city school systems, special school districts, and county school systems in single-system counties. See table 5.

²² Tennessee Comptroller of the Treasury 2003.

²³ Tennessee Code Annotated, Section 49-3-307(a)(10)(A) and (B).

²⁴ Tennessee Advisory Commission on Intergovernmental Relations 2006.

Table 5. System-level Fiscal Capacity per Student by School System Type, Fiscal Year 2017-18.

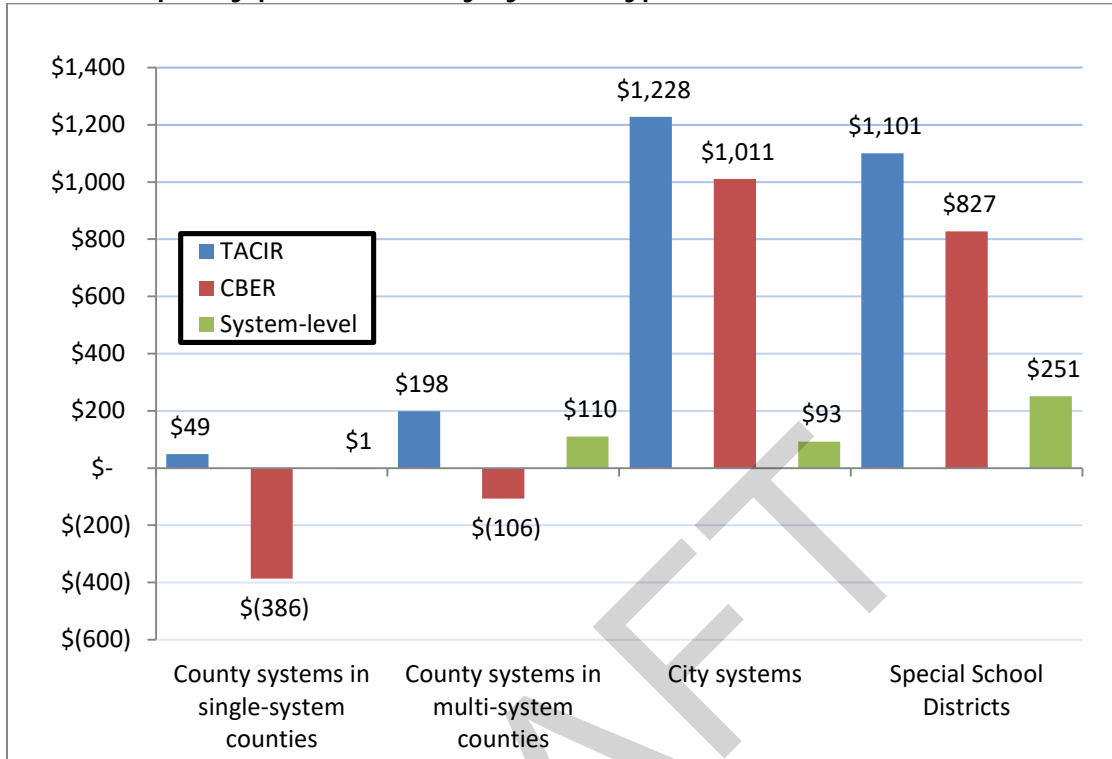
School System Type	System-level Fiscal Capacity per Student*
City school systems	\$ 4,275
Counties systems in single-system counties	\$ 3,720
Special school districts	\$ 3,692
County systems in multi-system counties	\$ 3,226
Statewide average	\$ 3,603

*Average Daily Membership

Fiscal capacity, as calculated for the BEP, has been calculated at the county-level, rather than at the system-level, since the state began using the BEP funding formula in the 1992-93 school year. This means that school systems within a county are assigned the same state-share and local-share percentages. For instance, the state-share percentage in the BEP for Anderson County Schools, Clinton City School District, and Oak Ridge Schools is exactly the same (74.09% for fiscal year 2019-20). In other words, fiscal capacity, as currently calculated for the BEP, treats all school systems within multi-system counties as if they have the same ability to raise revenue for education from local sources while ignoring sharing requirements. But counties' have less access to unshared tax bases, and commercial and industrial tax bases are concentrated within cities, both of which leave counties with less ability to raise local revenue for county school systems when compared with city school systems and special school districts in the same county. Although city school systems and special school districts are able to (and actually do²⁵) raise more revenue per student from local sources than county school systems, county-level fiscal capacity models are not designed to account for it, and fiscal capacity per student in both the TACIR and CBER models are, on average, lower than actual revenue per student for city school systems and special school districts and higher for county school systems. The system-level fiscal capacity model developed by TACIR and Comptroller staff in 2004 assigns fiscal capacities to city school systems and special school districts that are much closer, on average, to their actual local revenue per student. See figure 1.

²⁵ See table 3.

Figure 1. Difference between Actual Local Revenue per Student and Fiscal Capacity per Student by System Type, Fiscal Year 2019-20.



Source: Tennessee Advisory Commission on Intergovernmental Relations, Tennessee Department of Education, Tennessee Department of Revenue, University of Tennessee Boyd Center for Business and Economic Research.

In 2003, the Governor’s Task Force on Teacher Pay recommended that the state adopt a system-level fiscal capacity model in order to provide a fairer method of determining local contribution,²⁶ and in 2004, the General Assembly asked the BEP Review Committee to give special consideration to “the development and implementation of a system-level fiscal capacity model.”²⁷ The committee endorsed the concept of a system-level fiscal capacity model and voted to recommend in its November 2005 report that the county-level model be replaced with a system-level model. Instead, the General Assembly passed Public Chapter 1020, Acts of 2016, which, along with other changes to the BEP, included another county-level fiscal capacity model (the CBER model).²⁸

²⁶ Green and Roehrich-Patrick 2005.

²⁷ Public Chapter 670, Acts of 2004.

²⁸ Public Chapter 369, Acts of 2007.

Adding BEP revenue to local revenue, it would take \$414.3 million for the 26 of 28 county school systems that received less revenue per student to equalize the revenue. The two counties with greater revenue per student would have to reduce their revenue by \$5.9 million to equalize for a net disparity of \$408.3 million. If the two county-level models currently in use are replaced with a system-level model, the net disparity decreases to \$35.3 million, a 91.4% decrease. See table 6.

Table 6. System-level Fiscal Capacity Local and Basic Education Program Revenue per Student* by School Systems in Multisystem Counties, Fiscal Year 2017-18.**

County System	BEP	Local	BEP + Local	City System	BEP	Local	BEP + Local
Anderson	\$ 5,288	\$ 4,036	\$ 9,324	Clinton	\$ 3,820	\$ 4,433	\$ 8,253
				Oak Ridge	\$ 4,049	\$ 7,420	\$ 11,469
weighted averages					\$ 3,959	\$ 6,893	\$ 10,852
Blount	\$ 4,556	\$ 4,255	\$ 8,811	Alcoa	\$ 3,266	\$ 5,831	\$ 9,097
				Maryville	\$ 3,285	\$ 6,116	\$ 9,401
weighted averages					\$ 3,223	\$ 6,038	\$ 9,261
Bradley	\$ 5,038	\$ 2,698	\$ 7,736	Cleveland	\$ 4,213	\$ 3,387	\$ 7,600
Carter	\$ 6,111	\$ 2,365	\$ 8,476	Elizabethton	\$ 5,059	\$ 3,509	\$ 8,568
Cocke	\$ 5,794	\$ 2,292	\$ 8,085	Newport	\$ 4,728	\$ 3,136	\$ 7,864
Coffee	\$ 5,216	\$ 3,391	\$ 8,607	Manchester	\$ 4,865	\$ 5,084	\$ 9,948
				Tullahoma	\$ 4,068	\$ 5,472	\$ 9,540
weighted averages					\$ 4,307	\$ 5,361	\$ 9,668
Crockett	\$ 6,489	\$ 1,272	\$ 7,761	Alamo	\$ 6,676	\$ 958	\$ 7,634
				Bells	\$ 6,457	\$ 1,139	\$ 7,596
Dyer	\$ 5,352	\$ 2,884	\$ 8,236	Dyersburg	\$ 4,602	\$ 3,582	\$ 8,184
Franklin	\$ 5,148	\$ 3,322	\$ 8,470	Tullahoma	\$ 4,068	\$ 5,472	\$ 9,540
Greene	\$ 5,428	\$ 2,482	\$ 7,911	Greeneville	\$ 4,703	\$ 5,420	\$ 10,123
Hawkins	\$ 5,758	\$ 2,665	\$ 8,423	Rogersville	\$ 4,939	\$ 3,230	\$ 8,169
				Kingsport	\$ 3,213	\$ 6,117	\$ 9,330
weighted averages					\$ 5,028	\$ 3,230	\$ 8,258
Henderson	\$ 5,777	\$ 2,058	\$ 7,835	Lexington	\$ 4,724	\$ 2,977	\$ 7,700
Lincoln	\$ 5,687	\$ 2,372	\$ 8,059	Fayetteville	\$ 5,131	\$ 2,580	\$ 7,711
Loudon	\$ 4,293	\$ 4,316	\$ 8,609	Lenoir City	\$ 4,242	\$ 5,082	\$ 9,324
McMinn	\$ 5,001	\$ 2,207	\$ 7,209	Athens	\$ 4,122	\$ 3,906	\$ 8,028
				Etowah	\$ 4,769	\$ 2,653	\$ 7,421
weighted averages					\$ 4,128	\$ 3,638	\$ 7,767
Monroe	\$ 5,433	\$ 2,019	\$ 7,453	Sweetwater	\$ 5,226	\$ 2,340	\$ 7,566
Obion	\$ 5,398	\$ 2,707	\$ 8,105	Union City	\$ 4,687	\$ 3,501	\$ 8,188

Rhea	\$ 5,764	\$ 2,161	\$ 7,925	Dayton	\$ 4,826	\$ 2,224	\$ 7,049
Roane	\$ 4,986	\$ 3,782	\$ 8,768	Oak Ridge	\$ 4,049	\$ 7,420	\$ 11,469
Rutherford	\$ 4,434	\$ 3,598	\$ 8,032	Murfreesboro	\$ 3,494	\$ 4,344	\$ 7,838
Shelby	\$ 5,477	\$ 4,462	\$ 9,939	Arlington	\$ 3,997	\$ 4,710	\$ 8,708
				Bartlett	\$ 4,055	\$ 4,674	\$ 8,729
				Collierville	\$ 3,854	\$ 4,713	\$ 8,567
				Germantown	\$ 3,541	\$ 5,676	\$ 9,217
				Lakeland	\$ 4,412	\$ 4,126	\$ 8,538
				Millington	\$ 4,913	\$ 4,597	\$ 9,510
weighted averages					\$ 3,888	\$ 4,843	\$ 8,731
Sullivan	\$ 4,485	\$ 4,326	\$ 8,812	Bristol	\$ 3,455	\$ 5,639	\$ 9,094
				Kingsport	\$ 3,213	\$ 6,117	\$ 9,330
weighted averages					\$ 3,322	\$ 5,950	\$ 9,272
Washington	\$ 4,354	\$ 3,691	\$ 8,045	Johnson City	\$ 3,080	\$ 5,852	\$ 8,932
County System	BEP	Local	BEP + Local	SSD	BEP	Local	BEP + Local
Henry	\$ 5,382	\$ 3,461	\$ 8,843	Paris	\$ 4,891	\$ 4,000	\$ 8,891
Marion	\$ 5,148	\$ 2,501	\$ 7,648	Richard City	\$ 5,152	\$ 2,824	\$ 7,977
Scott	\$ 6,289	\$ 1,329	\$ 7,618	Oneida	\$ 5,897	\$ 2,173	\$ 8,070
Williamson	\$ 2,977	\$ 8,342	\$ 11,319	Franklin SSD	\$ 2,454	\$ 11,887	\$ 14,341
Wilson	\$ 4,158	\$ 3,618	\$ 7,776	Lebanon	\$ 3,524	\$ 4,719	\$ 8,243

Source: Tennessee Department of Education, Annual Statistical Report, fiscal year 2017-18.

*Average Daily Membership.

**Excluding Carroll and Gibson counties. Carroll County has five special school districts. Carroll County Schools is a countywide system that provides a technical training center, a special learning center, an alternative school, and transportation services to all students in the county. Gibson County has no county school system, one city school system, and four special school districts.

Independent versus Dependent School Systems

The US Census Bureau, in its periodic Census of Governments, classifies public school systems as either dependent school districts, which are agencies of other state or local government entities, or independent school districts, which are fiscally and administratively independent of other government entities. See Table 7.

Table 7. Indicators of School System Fiscal and Administrative Independence

School System Powers Indicative of Fiscal Independence	School System Characteristics Indicative of Administrative Independence
<ul style="list-style-type: none"> determine its budget without review and detailed modification by other local officials or governments 	<ul style="list-style-type: none"> a popularly elected governing body a governing body representing two or more state or local governments, and even if its governing body is

<ul style="list-style-type: none"> • determine taxes to be levied for its support • fix and collect charges for services, and • issue debt without review by another local government 	<p>appointed, the entity performs functions that are essentially different from those of its creating government</p>
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Source: US Census Bureau, 2017 Census of Governments.

Of the 14,059 school districts in the United States, 12,754 (91%) have independent taxing authority.³⁰ See appendix E. County and city school systems, which make up 127 of the 141 school systems in Tennessee (90%), have no taxing authority and are dependent on local governments for tax revenue. Stakeholders say that dependent school boards are held accountable for meeting state standards without the ability to raise funds necessary to do so. While giving school boards taxing authority would provide school systems with greater autonomy in the budgeting process, this would be a fundamental change in the operation of most school systems in the state. The 14 special school districts in Tennessee are authorized by the General Assembly through private acts to levy a property tax within their boundaries. The last time a special school district was formed in Tennessee was in 1981 when the county school system in Gibson County became a special school district,³¹ but forming new special school districts was prohibited in 1982.³² See table 8.

Table 8. Types of School Systems in Tennessee.

School System Type	Number	Ind./Dep.*
County	94	Dependent
City	33	Dependent
Special School District	14	Independent

*Independent school systems have their own taxing authority.

Sharing Requirements

Sharing requirements in state law contribute to the disparities in local revenue among city school systems, special school districts, and county school systems in multi-system counties. State law requires that some local revenue in counties with more than one school system be shared with all school systems in the county, but whether local

³⁰ US Census Bureau. 2017 Census of Governments: Organization Component Estimates.

³¹ Private Acts of 1981, Chapter 62.

³² Public Chapter 908, Acts of 1982.

revenue is required to be shared depends on how the local revenue is spent, its source, and whether it is earmarked or not. Whenever sharing is required, it's based on weighted full-time equivalent average daily attendance. See appendix F. This provides additional weight for different grade levels, career and technical students, and special education students so that the school systems they attend will receive more local revenue to meet their needs.

Sharing is required for revenue spent on schools' operation and maintenance for revenue from state and local sources. Specifically, it requires that "each [school system] shall place in one (1) separate school fund all school revenues for current school operation purposes received from the state, county and other political subdivisions, if any," and that "all school funds for current operation and maintenance purposes collected by any county . . . shall be apportioned by the county trustee among the [school systems]³⁴ in the county on the basis of the [weighted number of students]³⁵ maintained by each, during the current school year." This applies to all state and local revenue, but most importantly, it applies to counties' property tax revenue, which is by far counties' largest source of local revenue. In fiscal year 2017-18, county property tax was \$2.0 billion of \$3.7 billion in local revenue for K-12 education in Tennessee.³⁶

Regarding the proceeds of county school bonds, state law requires that "the trustee of the county shall pay over to the treasurer of the city that amount of the funds that bear the same ratio to the entire amount arising from this part as the [weighted full time equivalent] average daily attendance" . . . "bears to the entire [weighted full time equivalent] average daily attendance."³⁷ Similarly, "proceeds from the sale of bonds or notes . . . for school capital outlay purposes shall be shared with any municipal or special school district system within the county or metropolitan government."³⁸ More than \$500 million was spent on capital outlay for Tennessee schools in 2017-18,³⁹ primarily financed with bond proceeds.⁴⁰

³⁴ Local education agencies.

³⁵ Weighted Full-time Equivalent Average Daily Attendance.

³⁶ Tennessee Department of Education Annual Statistical Report, Fiscal Year 2017-18.

³⁷ Tennessee Code Annotated, Section 49-3-1003(b)(1).

³⁸ Tennessee Code Annotated, Section 9-21-129(a).

³⁹ Tennessee Department of Education Annual Statistical Report.

⁴⁰ Electronic Municipal Market Access, <https://emma.msrb.org/> (Downloaded on May 7, 2019).

State law earmarks 50% of the \$2.6 billion (fiscal year 2017-18) in countywide local option sales tax revenue for school systems.⁴¹ The revenue is distributed to counties based on the situs (location) of the sales, and the county trustee distributes 50% of the county's revenue to school systems in the county based on the weighted number of students in each school system in the county. The other 50% goes either to a city or a county based on the situs of the sale, but only 9.6% of sales were in the unincorporated parts of counties in fiscal year 2017-18.⁴³ Cities that decide to spend this revenue on a city school system may do so without sharing, but counties that decide to spend this revenue, which amounted to \$59.8 million in fiscal year 2017-18, on a county school system is required by state law to share with every school system in the county based on the weighted number of students in each school system.⁴⁴

Exceptions to Sharing Requirements

Rural Debt Service Funds

State law requires counties with city school systems or special school districts to share bond proceeds from the sale of bonds for school purposes with those systems according to the number of students in each system.⁴⁵ However, the Tennessee Court of Appeals has held that "a county may levy a special tax designated for a capital projects fund such as 'for the building, repair, and equipment of rural schools,' or a 'Rural School Building and Repair Fund,'" without having to share the revenue with other school systems in the county.⁴⁶ According to the University of Tennessee, County Technical Assistance Service,

the law requires counties containing city schools or special school districts to distribute the proceeds from a bond issue for school capital purposes on an average daily attendance basis, unless a tax district outside the city or special school district is established. If a tax district is not established, city systems and special school districts are entitled to a proportional share of the proceeds of a school bond issue, or they may waive their rights to such

⁴¹ Tennessee Code Annotated, Section 67-6-712. Tennessee Department of Revenue Annual Report, 2017-18.

⁴³ TACIR staff calculations based on data from the Tennessee Department of Revenue.

⁴⁴ Tennessee Code Annotated, Section 49-3-315.

⁴⁵ Tennessee Code Annotated, Section 49-3-1003 and 9-21-129.

⁴⁶ *City of Athens Board of Education v. McMinn County*, 467 S.W.3d 458 (Tenn. Ct. App. 2014). See also Tennessee Code Annotated, Section 49-3-1005(b).

a share. If a tax district is established so that the school bonds are payable only from funds collected outside the city or special district, then the city or special school districts do not share in the proceeds. (citations omitted)⁴⁷

Of the 95 counties in Tennessee, 11 have rural debt service funds,⁴⁹ and 10 of them are in multi-system counties. Hardin County is not a multi-system county, but the city of Savannah contributes a portion of its sales tax for principal and interest on school improvement projects, and the rural debt service fund prevents double taxation of city residents.⁵⁰

Although rural debt service funds have been used in some counties, county officials in other counties say that the disparity in funding between their county school systems and city school systems or special school districts in the same county cannot be fixed by increasing taxes on rural property owners.⁵¹ Because commercial and industrial property is concentrated in cities, a given tax rate applied countywide usually generates more revenue for the county school system, even after sharing with the city school system or special school district, than a property tax for a rural debt service fund would. County school systems in multisystem counties have \$152,049 in property tax base per student versus \$210,507 for city school systems and \$230,625 for special school districts. Similarly, county school systems have \$63,504 in local option sales tax base per student versus \$159,416 for city school systems (special school districts do not tax sales). See appendix G. Sharing increases local revenue for the city school systems and special school districts in the county, maintaining the same funding gap. In 21 of 28 counties, the amount of revenue that can be raised for a county school system from a property tax is greater when the tax is applied countywide and then distributed to school systems in the county according to weighted full time equivalent average daily attendance than when the tax is applied to the part of the county outside of any city school system or special school system in the county.⁵³ The seven counties in which a rural education property tax generates more than a countywide tax at the same rate for

⁴⁷ County Technical Assistance Service.

⁴⁹ County Technical Assistance Service, Tennessee County Tax Statistics, Fiscal Year 2018-19.

⁵⁰ 2018 Annual Financial Report of Harding County.

⁵¹ Gray 2016.

⁵³ The other seven counties are Blount, Coffee, Crockett, Loudon, Monroe, Obion, and Scott.

the county school system are Blount, Coffee, Crockett, Loudon, Monroe, Obion, and Scott. See table 9.

Table 9. Comparison of Rural Tax District Revenue to Actual Property Tax Revenue after Sharing, Fiscal Year 2017-18.

Multi-system County	Rural Property Assessment (Outside City/SSD) ¹	School Property Tax Rate ²	Rural Tax District Revenue	County Share of Actual Property Tax Revenue for Schools After Sharing ³	Difference
Anderson	\$ 628,176,798	1.61050	\$ 10,116,787	\$ 15,639,387	\$ (5,522,600)
Blount	\$ 2,127,762,019	1.07000	\$ 22,767,054	\$ 22,492,980	\$ 274,074
Bradley	\$ 1,101,526,753	0.75020	\$ 8,263,654	\$ 12,757,563	\$ (4,493,909)
Carter	\$ 574,761,060	1.12100	\$ 6,443,071	\$ 6,551,104	\$ (108,033)
Cocke	\$ 449,980,753	0.57700	\$ 2,596,389	\$ 3,128,658	\$ (532,269)
Coffee	\$ 752,179,776	1.64960	\$ 12,407,958	\$ 8,943,714	\$ 3,464,244
Crockett	\$ 175,104,933	0.67470	\$ 1,181,433	\$ 1,155,505	\$ 25,928
Dyer	\$ 369,393,381	0.91400	\$ 3,376,256	\$ 3,643,019	\$ (266,763)
Franklin	\$ 991,429,212	1.04110	\$ 10,321,770	\$ 10,491,342	\$ (169,572)
Greene	\$ 932,950,030	0.77530	\$ 7,233,162	\$ 7,316,524	\$ (83,362)
Hawkins	\$ 882,308,101	0.64000	\$ 5,646,772	\$ 7,907,998	\$ (2,261,226)
Henderson	\$ 252,686,529	0.64000	\$ 1,617,194	\$ 2,356,361	\$ (739,167)
Henry	\$ 42,688,087	0.78790	\$ 3,487,939	\$ 5,118,328	\$ (1,630,389)
Lincoln	\$ 435,034,035	0.78830	\$ 3,429,373	\$ 3,510,640	\$ (81,267)
Loudon	\$ 1,543,409,469	0.86200	\$ 13,304,190	\$ 10,885,791	\$ 2,418,399
Marion	\$ 680,774,664	0.78770	\$ 5,362,462	\$ 5,399,161	\$ (36,699)
McMinn	\$ 727,466,584	0.74690	\$ 5,433,448	\$ 6,733,573	\$ (1,300,125)
Monroe	\$ 992,225,302	0.63400	\$ 6,290,708	\$ 5,217,809	\$ 1,072,899
Obion	\$ 428,950,406	1.12000	\$ 4,804,245	\$ 4,531,072	\$ 273,173
Rhea	\$ 475,112,964	0.42220	\$ 2,005,927	\$ 2,388,757	\$ (382,830)
Roane	\$ 1,110,205,527	1.22500	\$ 13,600,018	\$ 14,855,694	\$ (1,255,676)
Rutherford	\$ 4,990,470,143	1.28350	\$ 64,052,684	\$ 79,385,101	\$ (15,332,417)
Scott	\$ 278,304,771	0.85300	\$ 2,373,940	\$ 2,049,428	\$ 324,512
Shelby	\$ 14,574,956,899	1.99000	\$ 290,041,642	\$ 385,464,792	\$ (93,423,150)
Sullivan	\$ 1,407,595,768	1.35300	\$ 19,044,771	\$ 25,068,490	\$ (6,023,719)
Washington	\$ 1,209,139,096	0.82560	\$ 9,982,652	\$ 13,183,011	\$ (3,200,359)
Williamson	\$ 9,948,066,932	1.21000	\$ 120,371,610	\$ 137,041,726	\$ (16,670,116)
Wilson	\$ 3,146,847,723	1.17450	\$ 36,959,727	\$ 39,638,126	\$ (2,678,399)

Sources: TACIR Staff Calculations based on data from the Comptroller of the Treasury, the University of Tennessee County Technical Assistance Service, and County comprehensive annual financial reports.

¹2018 Tax Aggregate Report of Tennessee, Division of Property Assessments, Comptroller of the Treasury. Table 1 Summary of 2018 Assessments for Counties and Municipalities in Tennessee.

²Tennessee County Tax Statistics FY 2018, University of Tennessee County Technical Assistance Service

³County comprehensive annual financial reports.

Of those counties, only Coffee and Scott actually levy a property tax for its rural debt service fund. Another three counties (Anderson, Marion, and Williamson) levy property taxes for their rural debt service funds even though a countywide property tax at the same rate would generate more revenue for the county school system. See table 10. The remaining six counties with rural debt service funds contribute to them from their general purpose school funds and not from a property tax on the rural area.

Table 10. Property Tax Revenue for Rural Debt Service Funds by County, Fiscal Year 2017-18.

County	Property Tax Revenue for Rural Debt Service Funds
Williamson	\$ 19,968,574
Marion	1,300,000
Scott	690,000
Coffee	589,845
Anderson	173,000
TOTAL	\$ 22,721,419

Source: TACIR Staff calculations based on rural debt service property tax rates and assessments.

Capital Outlay Other Than Bond Proceeds

When capital expenditures are funded from revenue that is not from bond proceeds, the Tennessee Court of Appeals has held that a county is not required to share the revenue with other school systems in the county. McMinn County began apportioning funds from countywide property tax collections to an “educational capital project fund” in 1996, and in 2014 the City of Athens Board of Education sued for its proportionate share of the revenue.⁵⁴ But the Court sided with the county citing a state law, which says “all school funds for current operation and maintenance purposes collected by any county . . . shall be apportioned by the county trustee among the [local education agencies] on

⁵⁴ City of Athens Board of Education v. McMinn County, 467 S.W.3d 458 (Tenn. Ct. App. 2014).

the basis of [weighted full-time equivalent average daily attendance].”⁵⁵ The Court agreed with the county that funds collected for future capital costs are not for “current operation and maintenance,” and are therefore not required to be apportioned to the city school systems in McMinn County.⁵⁶ All seven of the counties in Tennessee that have education projects in their general capital projects funds are counties with more than one school system (Coffee, Lincoln, McMinn, Rutherford, Sullivan, Washington, and Williamson counties). A bill was filed in 2019 that would have expanded the application of the sharing requirement to funds raised for capital projects, but the bill has not passed.⁵⁷

Although city school systems and special school districts are able to use their share of bond proceeds, it can be difficult to plan for because their capital needs may not correspond to bonds issued for the county school system in timing or in cost. City school systems in Shelby County reported difficulty knowing “when—or if—capital improvements funding will come their way if the projects are done by [Shelby County Schools] get behind schedule.”⁵⁸ Another possibility is that the city school system or special school district does not have any capital outlay needs when it receives its share of bond proceeds. Of the 37 city and special school districts in counties with a county school system, three (Manchester, Richard City, and Dayton) reported having no infrastructure needs in 2017.⁵⁹ In the absence of any capital outlay need, the stated purpose of the bond when the bond was issued may be broad enough to allow city school systems and special school districts to use their share of bond proceeds for any non-recurring education expense, for instance, computers. State law permits school systems “to purchase property for school purposes, to purchase sites for school buildings, to erect or repair school buildings, to furnish and equip school buildings and to refund,” and “call or make principal and interest payments on bonds or other obligations previously issued for the same purposes.”⁶⁰ But it seems unlikely that short lived personal property, like computers, would be financed using long term bonds if

⁵⁵ Tennessee Code Annotated, Section 49-3-315.

⁵⁶ *City of Athens Board of Education v. McMinn County*, 467 S.W.3d 458 (Tenn. Ct. App. 2014).

⁵⁷ Senate Bill 1216 by Crowe, House Bill 1352 by Hill M.

⁵⁸ Kennedy 2019.

⁵⁹ Building Tennessee’s Tomorrow: Anticipating the States Infrastructure Needs.” 2019, Tennessee Advisory Commission on Intergovernmental Relations.

⁶⁰ Tennessee Code Annotated, Section 49-3-1004(a).

not for the sharing requirement. Any bond proceeds that are not spent within three years of when the bond was issued must be applied toward paying down the principal.

Bond Proceeds for Grades Not Served by Other Systems

State law requires counties to share proceeds from bonds issued for its county school system with city school systems and special school districts in the same county in proportion with the (weighted) number of students⁶¹ attending each school system,⁶² but Tennessee courts have ruled that this sharing requirement does not apply when the city school system or special school district does not serve the grade levels for which the bond was issued.⁶³ For instance, Newport City Schools operates a K-8 school system, and when Cocke County issued a bond for high school improvements, the City of Newport sued for its proportionate share of the bond proceeds, asserting that the new facilities were sometimes used by K-8 students attending Cocke County Schools. But the court ruled that the bonds main purpose was to improve high school facilities, and “a city or special school district which operates no high schools is not entitled to the pro rata distribution of the proceeds of bonds issued by a county for high school purposes.”⁶⁴ This situation is only possible in counties where one or more of the city school systems or special school districts are not K-12 systems. All 94 county school systems in Tennessee are K-12. Of the 33 city school systems, 20 are K-12, 9 are K-8, 3 are K-6, and one is K-5. Of the 14 special school districts, 11 are K-12 and 3 are K-8. See appendix H.

Tennessee Valley Authority Payments-in-lieu-of-tax

Tennessee courts have ruled that counties are not required to share Tennessee Valley Authority payments-in-lieu-of-taxes (TVA PILOTs) with city school systems or special school districts in the county.⁶⁵ Although sharing requirements in state law apply to “funds received from the state, county and other political subdivisions, if any,”⁶⁶ and

⁶¹ Weighted full-time equivalent average daily attendance.

⁶² Tennessee Code Annotated, Section 49-3-1003(b)(1).

⁶³ *Newport v. Cocke County*, 703 S.W.2d 626 (Tenn. Ct. App. 1985) and *Moody v. Williamson County*, 212 Tenn. 666, 371 S.W.2d 454 1963).

⁶⁴ *Newport v. Cocke County*, 703 S.W.2d 626 (Tenn. Ct. App. 1985).

⁶⁵ *State ex rel. Conger v. Madison County*, 581 S.W.2d 632 (Tenn. 1979); *Oak Ridge City Schools v. Anderson County*, 677 S.W.2d 468 (Tenn. Ct. App. 1984); *Crider v. Henry County*, 295 S.W.3d 269 (Tenn. Ct. App. 2008) .

⁶⁶ Tennessee Code Annotated, Section 49-3-315.

TVA makes the payments to the state of Tennessee, which then distributes part of the revenue to cities and counties in Tennessee, the courts ruled that state sharing requirements do not apply to TVA PILOT funds because these funds are received from the federal government. The revenue is not earmarked and may be used for any local government purpose, including education. For fiscal year 2017-18, the state distributed \$99.9 million in TVA PILOTs to county governments in Tennessee,⁶⁷ of which counties with more than one school system received \$36.7 million and used \$22.8 million (62.1%) to fund county school systems.⁶⁸ For example, Shelby County's \$7.0 million (fiscal year 2017-18) in TVA PILOT revenue is not used to fund schools. Although sharing is not required, Monroe County shares \$100,000 of its TVA PILOT revenue per year with the Sweetwater City School System.⁶⁹ As with other revenue budgeted for school systems, TVA PILOT revenue would be subject to maintenance of effort requirements if used for education. If TVA PILOT revenue decreases, revenue from other local taxes and fees could be needed to ensure that maintenance of effort requirements continue to be met.

Special Student Transportation Tax Funds

State law authorizes counties to levy one tax for the purpose of supporting schools within the district, which are required to place revenues into a school fund separate from the funds generated through state, county, and other sources. Counties that have at least one city or special school district within their borders that operate public schools and operate a single pupil transportation system for public schools are permitted to levy a special tax to cover the portion of the total cost of the public school transportation system that is in excess of the state funds generated for student transportation for the county. State law excludes revenue used for the student transportation system that serves all school systems in the county from sharing requirements. Proceeds of the special transportation tax levy are reflected in the public school pupil transportation fund and may only be disbursed for public school transportation services.⁷¹

Outstanding Debt and Infrastructure Improvements

As enrollment increases or buildings age in a school system, issuing bonds often becomes necessary for counties, cities, and special school districts responsible for

⁶⁷ Tennessee Department of Revenue.

⁶⁸ Tennessee Department of Education.

⁶⁹ Annual Financial Report of Monroe County, Tennessee, Fiscal Year 2017-18.

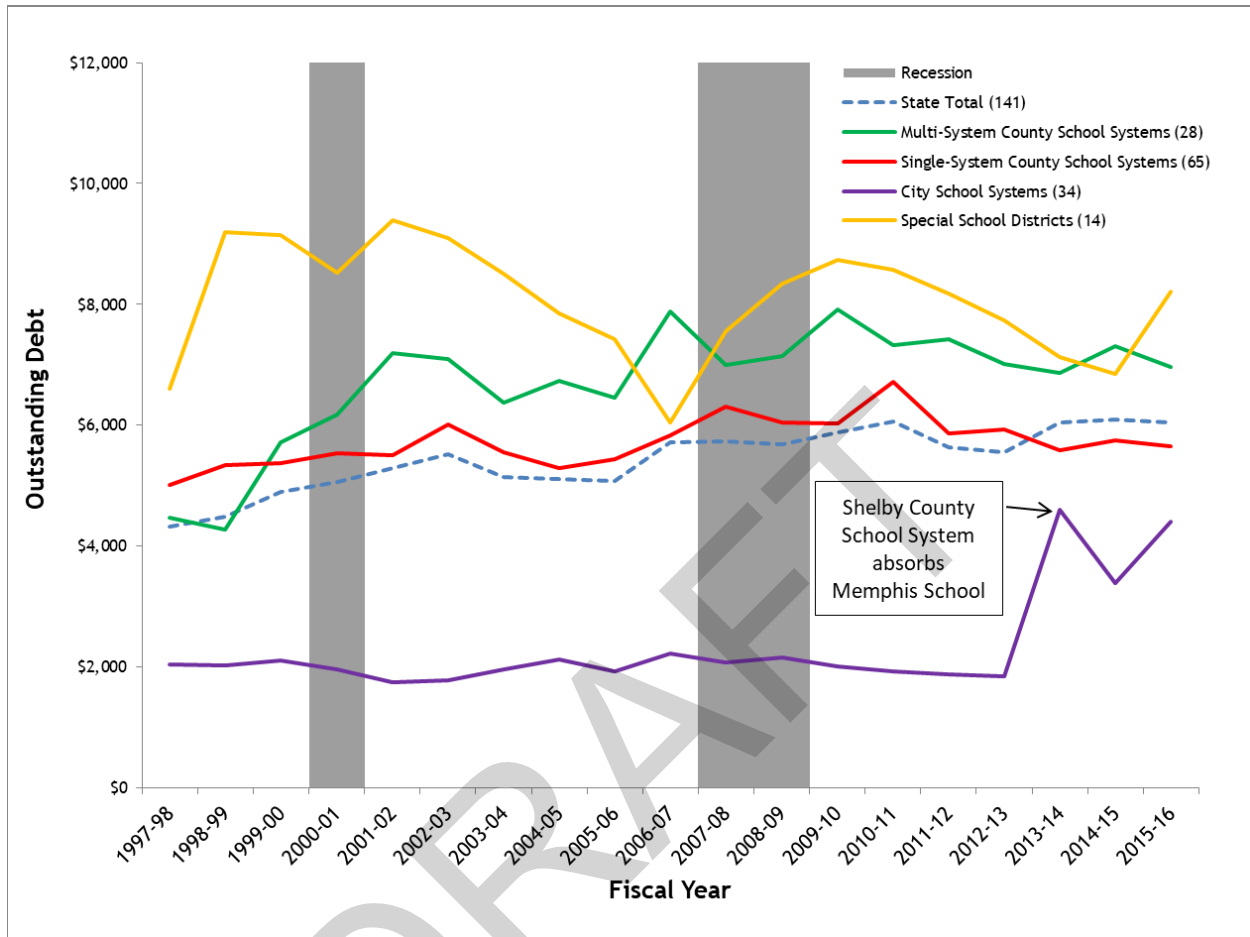
⁷¹ Tennessee Code Annotated, Section 49-3-315.

funding the schools. Because of bond sharing requirements, a county with a county school system with half the students and capital outlay needs \$100 million would need to borrow \$200 million and share \$100 million with the other school systems in the county, regardless of whether they have a need or not. Even if the county were able to borrow the \$200 million, it might not want to, considering the possible negative effect on its credit rating.⁷²

Although it's not clear how much of the difference is attributable to sharing requirements, overall school debt per student of the 141 school systems in Tennessee was more (\$6,049) in fiscal year 2015-16 than single-system counties (\$5,653) and city school systems (\$4,406) but less debt than special school districts (\$8,213). Debt per student carried on behalf of county school systems in multi-system counties (\$6,964) was second only to debt for special school districts. See appendix H. From 1997-98 to 2015-16 inflation-adjusted outstanding debt per student increased 55.8% in county systems that are in multi-system counties but only 12.8% for county school systems in single-system counties. Inflation-adjusted per-student debt peaked for county school systems in multi-system counties in 2009-10 at \$7,906 per-student, and at \$6,717 per student in 2010-11 for county school systems in single-system-counties and has since leveled off for both types of school systems. Outstanding debt-per-student for cities increased when Memphis City Schools was absorbed by Shelby County School in 2013-14 but remains lower for other types of school systems at \$4,406 per student. See figure 2.

⁷² Tennessee Code Annotated, Sections 12-9-101 et seq. and 49-3-1003(b)(2) and (c)(2).

Figure 2. Long-term Debt per Student for Tennessee Public School Systems (2016 Dollars)



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Local Education Agency (School District) Universe Survey"; Tennessee Department of Education Annual Statistical Report, Average Daily Membership (ADM); Federal Reserve Bank of St. Louis, Government Consumption Price Index.

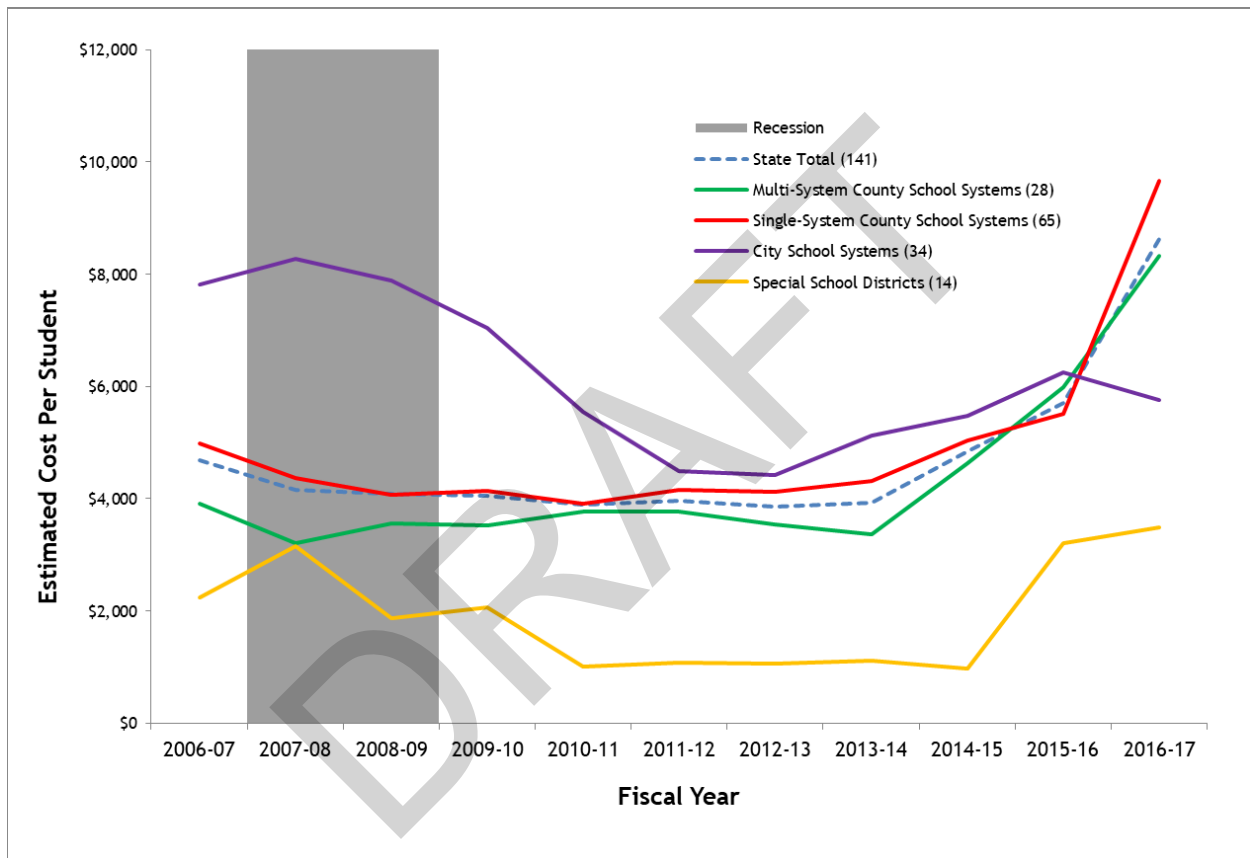
Note: The number of school systems is small and can skew data (e.g. data for the 14 special school districts is more volatile because one project at one school system in a given year can dramatically move the line in the graph.) Carroll County was excluded from the analysis because of its uniqueness.

Carrying a lot of outstanding debt is a concern when faced with needed infrastructure improvements at public schools, especially as the estimated cost for needed improvements continues to increase.⁷³ As of July 1, 2017, counties with multiple school systems have \$8,583 per student in needed improvements while city systems have

⁷³ Pew Charitable Trusts 2013.

\$5,933 and special school districts have \$3,596. In fact, 14 of the 28 multi-system counties have more needed infrastructure improvements than the city systems and special school districts within them. At the same time, counties with only a county school system have \$9,946 in per student infrastructure needs. See figure 3 and appendix H.

Figure 3. Estimated Cost of Needed Infrastructure Improvements per Student for Tennessee Public Schools (2016 Dollars)



Source: Tennessee Advisory Commission on Intergovernmental Relations (TACIR), Public Infrastructure Needs Inventory (PINI); Tennessee Department of Education, Average Daily Membership (ADM); Federal Reserve Bank of St. Louis, Government Consumption Price Index

Note: Memphis enrollment data was combined with Shelby County so infrastructure data from PINI could be analyzed over multiple years. Carroll County was excluded from the analysis because its county school system is not comparable to other school systems in the state.

New City School Systems

Forming new school systems was prohibited in state law in 1982 for special school districts⁷⁵ and in 1998 for city school districts.⁷⁶ Forming new special school districts remains prohibited, but state law changed in 2013 to enable the formation of new city school systems.⁷⁷ Since that time, six new city school systems formed in Shelby County, and other cities, including Signal Mountain in Hamilton County and Brentwood in Williamson County, have considered forming new city school systems as well.

Signal Mountain

In February 2017, the Signal Mountain Town Council appointed a committee to study the viability of forming a new city-school system. One of the obstacles to forming the new school system they identified was the reluctance of Hamilton County Schools to transfer the school buildings in Signal Mountain to the new school system:

The attorney representing [Hamilton County Schools] wrote to the attorney who represents the Town of Signal Mountain in an email stating: “If the County Board [of Education] no longer needed these schools because the students residing within the town limits were going to their own district, then the board could sell these properties or reallocate them as it saw fit,” thereby implying that if a municipal school district should be created, [Hamilton County Schools] would refuse to cede the use of the three school buildings to the new district. Obviously, without those buildings a new school district would not be able to function.⁷⁸

The Hamilton County school board voted 7-1 for a resolution pledging that it would not sell or transfer ownership of its school buildings in Signal Mountain.⁷⁹

State law does not establish a specific method for transferring schools to new city school systems,⁸⁰ but simply requires that the “initial [city] board of education shall plan and manage the formation of the new city school system” and that “the system [

⁷⁵ Public Chapter 907, Acts of 1982.

⁷⁶ Public Chapter 1101, Acts of 1998.

⁷⁷ Public Chapter 1, Acts of 2011; Public Chapter 256, Acts of 2013.

⁷⁸ Signal Mountain School System Viability Committee 2017.

⁷⁹ Hughes 2017.

⁸⁰ Southern Educational Strategies 2012.

demonstrate], to the commissioner's satisfaction, its general readiness to commence student instruction.”⁸¹ In other words, it’s up to the city to acquire facilities for its new school system. The only recent example of this comes from the six new city school systems that were formed in Shelby County in 2014-15. According to the Signal Mountain School System Viability Committee, “the municipalities [in Shelby County] agreed to pay for the unfunded liability for health insurance coverage for retirees who had worked in the schools within those districts.”⁸² That agreement was then reviewed and approved in Federal Court.⁸³ Hamilton County Schools, by contrast, had no unfunded liability comparable to Shelby County and indicated that it would fight to retain its property, making it unclear how the transfer of school buildings to the new city school system might be achieved or whether the county school system might be able to prevent it.

In response to these concerns, Senate Bill 1755 by Gardenhire and House Bill 1757 by Harry Brooks would have required that when a new city school system is formed that “all real and personal property that is located within the boundaries of the municipality and is owned by the county school system shall be declared surplus property by the county school system and transferred to the municipal school system.”⁸⁴ The bill was amended, describing “a process for determining the amount that a city must pay to fairly compensate the county for the school property the city seeks to obtain.”⁸⁵ That process involved,

- the city identifying all school property within the city that it seeks acquire,
- an agreement on the appraised value by the city and county (or binding arbitration if no agreement can be reached), and
- a calculation of the amount the city is to pay for the school property that considers the contributions of the city and its taxpayers and school support organizations to the acquisition and construction of the properties in question and to “[pre-K-12] education in general throughout the county,” in the 15 years preceding the city’s proposed acquisition.

⁸¹ Tennessee Code Annotated, Section 49-2-127.

⁸² Signal Mountain School System Viability Committee 2017.

⁸³ Dries 2014.

⁸⁴ Senate Bill 1755 by Gardenhire, House Bill 1757 by Brooks (2018).

⁸⁵ Senate Bill 1755 by Gardenhire, Amendment 1 (2018).

Deciding what property to transfer to the new city school system may not be clear cut in some circumstances. The new system might need property that is outside the boundaries of the city, or it might not make sense to transfer all of the property that is inside the city. In Shelby County, for instance, Germantown High School was not transferred to the Germantown Municipal School District because a majority of its students were not residents of Germantown (Houston High School was transferred).⁸⁶

Appraising a school building is difficult because they have little to no commercial value other than their “highest and best” use as a school,⁸⁷ and some older buildings may even have deferred maintenance costs in excess of the total value of the building. Charter schools have acquired fully-depreciated buildings for little cost, and the county was willing to sell because it relieved the county of a liability. Relevant unit costs in the BEP could be used to calculate the value of real and personal property subject to transfer. For instance, textbook unit costs are based on the actual cost of text books that will be purchased for the upcoming school year.⁸⁸

Senate Bill 1755, Amendment 1, describes what should be considered “contributions of the city” but not the exact method for calculating those contributions. For instance, in-kind contributions by the city, including student resource officers, maintenance workers, police and fire protection, and the city’s contribution toward roads used by the schools might all be included in the calculation. Including contributions of school support organizations would be particularly relevant to Signal Mountain because of the Mountain Education Fund, which contributed \$343,991 to Signal Mountain Schools in fiscal year 2015-16 alone.⁸⁹ Moreover, wealthier cities with larger tax bases will have contributed more than a poorer city would have, and nothing in the bill precludes a purchase price of \$0, which may be possible once all of the contributions over 15 years have been considered, especially in the case of older buildings that have depreciated for a number of years.

Brentwood

⁸⁶ Baker 2013.

⁸⁷ The Appraisal of Real Estate, 14th Edition, Appraisal Institute.

⁸⁸ According to the BEP Blue Book for the 2018-19 School Year, the funding level for textbooks was \$77.50 per student (average daily membership).

⁸⁹ Signal Mountain School System Viability Committee 2017.

The City of Brentwood discussed commissioning a feasibility study on forming a city school system, but the city council rejected the feasibility study on a 3-3 vote.⁹⁰ Even after conducting the feasibility study, uncertainty would have remained on how the new city school system would acquire school properties from Williamson County Schools. The desire for a new city school system arose from a sense that the county school system was not prioritizing Brentwood students' needs, and Brentwood residents said that they "paid more into the school system than they got out of it, a problem they claimed would only increase in the coming years as different parts of the county experienced more rapid growth."⁹² Interest in forming a new city school system grew when the Williamson County Commission did not appropriate funding for expansion of Brentwood's middle and high schools, and Williamson County Schools planned to rezone some Brentwood students to schools outside of Brentwood. But Brentwood's City Commission voted to approve a \$2.4 million gift to Williamson County Schools to stave off the rezoning plan, and the county approved the \$17.2 million request from the Williamson County School Board to fund the expansions.

Other states have methods for transferring school property to a new school system.

Most states only have one type of school system, making comparisons to Tennessee's public school systems difficult.⁹³ Thirteen states, including Tennessee, have more than one type of school system with some combination of county, city, and independent school systems.⁹⁴ Laws in at least seven of these multi-system states provide guidance on the transfer of school property and payments associated with that transfer when a new school system is formed.

California, New Hampshire, New Jersey, and New York direct a newly created school system to take possession of school property—the buildings, equipment, and other personal property—located in the area transferred from the original school system to the new school system. To determine how much a new system is required to compensate the original system for that property, these states provide for the

⁹⁰ City of Brentwood 2018.

⁹² Woodroof 2018.

⁹³ Thirty-four states have only independent school systems, school systems in Maryland (with the exception of the City of Baltimore that operates a school district independent of any county) and North Carolina are dependent on county governments, and Hawaii has a single state school system.

⁹⁴ U.S. Census Bureau 2019.

consideration of the value of the property being transferred,⁹⁵ contributions made by the original and new school systems for capital costs associated with the property that is being transferred,⁹⁶ the new system's proportionate share of outstanding debt incurred for those capital costs,⁹⁷ and the assessed valuation of the transferring territory and the original district.⁹⁸ However, each state differs in its level of specificity and particular methodology for calculating the amount a new school system owes using those considerations. An analysis of how school property is transferred to new school system in other states is further limited because, of these four states, California is the only state that has formed a new school system since 2000.⁹⁹ No school facilities were transferred to the newly formed system in California because none of the original system's schools were located in the new system's boundaries.¹⁰⁰

While specifying in state law processes for transferring school property may provide more guidance to cities seeking to form a new school system, it may also limit the ability of local governments and school boards to decide on other arrangements unless the law provides flexibility for school systems to do so. For example, California authorizes school systems to agree to a method for dividing bonded indebtedness that considers the "assessed valuation, number of pupils, property values, and other matters" the systems find relevant as an alternative to the method specified in state law.¹⁰¹ Similar to Senator Gardenhire's Senate Bill 1755, Amendment 1, California provides for the arbitration of disputes arising "between the governing boards of [] districts concerning the division of funds, property, or obligations."¹⁰²

Tennessee could instead consider requiring an ad hoc committee to determine what property should be transferred to a city seeking to form a school system and what the city should pay for it. Three multi-system states, Connecticut,¹⁰³ Maine,¹⁰⁴ and

⁹⁵ California Education Code, Section 35738; New Jersey Annotated Statutes, Section 18A:13-61 and New York Education Law, Section 2218.

⁹⁶ New Hampshire Revised Statutes Annotated, Section 195:28.

⁹⁷ California Education Code, Section 35576; New Hampshire Revised Statutes Annotated, Section 195:27; New Jersey Revised Statutes, Section 18A:13-53; New York Education Law, Sections 1504 and 2218.

⁹⁸ California Education Code, Section 35576 and New York Education Law, Sections 1504 and 2218.

⁹⁹ EdBuild 2019. State secession counts indicate that Loch Arbour left the Ocean Township School District in New Jersey, but students were transferred to neighboring districts and no new school system was formed.

¹⁰⁰ Merl 2004.

¹⁰¹ California Education Code, Section 35738.

¹⁰² California Education Code, Section 35565.

¹⁰³ Connecticut Annotated Statutes, Section 10-63b.

¹⁰⁴ Maine Revised Statutes Annotated, Title 20-A, Section 1466.

Massachusetts,¹⁰⁵ require the creation of such a committee to develop a plan for resolving a variety of issues associated with a proposed new school system formation, including how to divide real and personal school property and settle financial obligations between the new and original school systems. While California and New Hampshire direct a new school system to take possession of property located in its territory, committees in these states develop plans that identify the new school system's liability for outstanding capital debt of the original school system.¹⁰⁶ These states do not prescribe a particular method a committee must use in determining how assets should be valued or how outstanding debt should be allocated, but Connecticut¹⁰⁷ requires a committee to consider the ratio of the new school district's average daily membership to that of the original school district in apportioning the original district's net assets.

Although Tennessee makes no specific provision for dividing property when new school systems are formed, it has established multiple processes for consolidating school systems. Similar to laws in other states that provide for the creation of committees to study new school formation, Tennessee law authorizes the creation of planning commissions to "study and consider the need for and problems in conjunction with the consolidation of all public schools within the county into a unified school system, and to make and file a written report."¹⁰⁸ The law further authorizes planning commissions to prepare a consolidation plan, and in doing so requires a commission to consider and provide for the following:

- the administrative organization of the proposed consolidated system;
- a method to ensure no diminution in the level of the educational service in the schools in any of the systems involved;
- appropriate means for the transfer of assets and liabilities of city and special school district systems;
- plans for disposition of existing bonded indebtedness that shall not impair the rights of any bondholder;
- plans for preserving the existing pension rights of all teachers and nonteaching personnel in the respective systems;
- plans for preserving the existing tenure rights, sick leave rights and salary schedule rights of all teachers and nonteaching personnel in the respective systems;

¹⁰⁵ Code of Massachusetts Regulations, Title 603, Section 41.02.

¹⁰⁶ California Education Code, Section 35738 and New Hampshire Revised Statutes Annotated, Sections 195:25-195:26.

¹⁰⁷ Connecticut Annotated Statutes, Section 10-63c.

¹⁰⁸ Tennessee Code Annotated, Section 49-2-1201.

- appropriate plans for contributions by cities or special school districts to the county for the operation of a unified system of schools during the period of transition following unification, which period shall not exceed three (3) years;
- appropriate plans for reapportionment after each federal decennial census of districts for election of members of the school board; and
- any other matters deemed by the planning commission to be pertinent.

Some of these considerations may provide guidance for developing processes for forming new school systems.

Referendum on New School Formation

Under current Tennessee law, the first step in the process of forming a new city school system is for a city’s governing body to request a referendum on the issue of “rais[ing] local funds to support the proposed city school system.”¹¹⁰ If the voters elect to do so, then an initial city board of education is created that plans and manages the school system formation. In at least five other multi-system states (California,¹¹² Connecticut,¹¹³ Maine,¹¹⁴ New Hampshire,¹¹⁵ and New Jersey¹¹⁶), an election is held on the issue of forming a new school system after a transition plan is created to make voters aware of the anticipated costs of forming the new school system before holding a referendum. New York also requires a transition plan to be created before an election may be held; however, an election is not required if at least two-thirds of the local governing body of the city seeking to form a new school system and of the existing school system’s board of education vote to approve the new school system.¹¹⁷

By creating a plan for transferring school property before holding a referendum, local governments may incur costs to study the issue before knowing whether its voters will approve the creation of a city school system. To address this issue, Maine first requires a vote on a petition to create a new school system and, if approved, then a committee develops an agreement that includes a plan for dividing school property. If the Maine Commissioner of Education approves the agreement, then another vote is held on the new city school system formation and implementation of the agreement.

Other Requirements for Forming a City School System

¹¹⁰ Tennessee Code Annotated, Section 49-2-127.

¹¹² California Education Code, Sections 35755-35756.

¹¹³ Connecticut Annotated Statutes, Section 10-63c.

¹¹⁴ Maine Revised Statutes Annotated, Title 20-A, Section 1466.

¹¹⁵ New Hampshire Revised Statutes Annotated, Section 195:29.

¹¹⁶ New Jersey Revised Statutes, Section 18A:13-54 and Section 18A:13-58.

¹¹⁷ New York Education Law, Section 2218.

A city wanting to create a new city school system would need to be authorized by its charter to do so. Tennessee cities have one of three different types of charters—home rule, general law, or private act—and the type of charter determines which laws apply to them. Cities with home rule charters may adopt and change their charters by local referendum, and the legislature may not pass private acts that apply to that city.¹¹⁸ General laws applying to all cities apply to home rule cities as well.¹¹⁹ All general law charters authorize the creation of city school systems,¹²⁰ along with some private act charters. A city with a private act charter that does not authorize the creation of a city school system would need the General Assembly to pass a private act amending its charter to include the authorization.

Tennessee prohibits a city from operating a school system “unless the school system is large enough to offer adequate educational opportunities” to its students.¹²¹ Tennessee State Board of Education rules require a city seeking to form a city school system to have a “scholastic population within its boundaries that will assure an enrollment of at least 1,500 pupils in its public schools, or at least 2,000 pupils presently enrolled in the proposed school system.”¹²² This prevents cities that are too small to provide needed courses and student activities¹²³ or that have too few students to spread administrative costs over from forming school systems.¹²⁴

Based on 2017, five-year population estimates from the Census’ American Community Survey, 37 cities that do not already operate a city school system have scholastic populations (ages 5-18) that meet the requirements for forming a new city-school system. Of these 37 cities, five have home rule charters, and each of these charters contain authorization for the formation of a school system. Ten of these 37 cities have adopted a general law charter, five of which have a city manager-commission general law charter and seven of which have a mayor-aldermanic general law charter. The remaining 20 cities were created through private acts, and eight of the 20 are already authorized through their private acts to form their own school system. The other 12

¹¹⁸ Tennessee Constitution, Article XI, Section 9.

¹¹⁹ University of Tennessee Municipal Technical Advisory Service 2018.

¹²⁰ Tennessee Code Annotated, Sections 6-2-201(29), 6-19-101(30), and 6-19-103.

¹²¹ Tennessee Code Annotated, Section 49-2-106.

¹²² Rules and Regulations of the State of Tennessee, Section 0520-01-08-.01.

¹²³ Association of Independent and Municipal Schools 2004.

¹²⁴ Tennessee Advisory Commission on Intergovernmental Relations 2015.

cities would have to take the additional step of amending their private acts to include authorization for forming their own school systems. See table 11.

Table 11: Charter Type of Cities with Scholastic Population of at Least 1,500

City	Scholastic Population	Type of Charter
Atoka	2,016	Private Act*
Brentwood	10,081	City Manager-Commission
Brownsville	1,846	Private Act
Chattanooga	25,309	Home Rule
Clarksville	26,727	Private Act
Columbia	6,669	Private Act*
Cookeville	3,950	Private Act
Crossville	1,992	Private Act
Dickson	2,600	Private Act
East Ridge	3,435	Home Rule
Fairview	1,669	City Manager-Commission
Farragut	4,555	Mayor-Aldermanic
Franklin	13,756	Private Act
Gallatin	5,792	Private Act
Goodlettsville	2,677	City Manager-Commission
Greenbrier	1,617	Private Act
Hendersonville	10,657	Mayor-Aldermanic
Jackson	11,213	Private Act
Knoxville	24,304	Home Rule
La Vergne	8,345	Mayor-Aldermanic
Lebanon	5,400	Private Act*
Lewisburg	2,164	Private Act*
McMinnville	2,313	Mayor-Aldermanic
Morristown	5,036	Private Act*
Mt. Juliet	6,857	Home Rule
Nolensville	2,180	Mayor-Aldermanic
Paris	1,782	City Manager-Commission
Portland	2,307	Private Act*
Ripley	1,738	Private Act
Sevierville	2,434	Home Rule
Shelbyville	4,052	Private Act
Signal Mountain	1,857	Private Act*
Smyrna	8,495	Private Act
Soddy-Daisy	2,000	City Manager-Commission
Spring Hill	9,671	Mayor-Aldermanic
Springfield	2,942	Private Act*

White House	2,154	Mayor-Aldermanic
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*These private act charters authorize the formation of a city school system

State law also requires that voters elect to raise local funds to support a proposed city school system,¹²⁵ and State Board of Education rules require the city to spend annually the equivalent of a \$0.15 tax on taxable property in the city for the operation of its public schools.¹²⁶ The purpose of these requirements is to demonstrate both the financial ability of a city to support a system of public schools that provides an adequate education to its students and the willingness of city residents to use tax dollars for that purpose.

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¹²⁵ Tennessee Code Annotated, Section 49-2-127.

¹²⁶ Rules and Regulations of the State of Tennessee, Section 0520-01-08-.01(5).

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Appendix A: Senate Joint Resolution 593

<BillNo> <Sponsor>

SENATE JOINT RESOLUTION 593

By Haile

A RESOLUTION to direct the Tennessee Advisory Commission on Intergovernmental Relations to study the overall effects on public education relative to having multiple school districts operating in the same county.

WHEREAS, in many counties across Tennessee, there are municipal or special school districts in operation in addition to the county-operated school district; and

WHEREAS, current law allows for the creation of additional municipal school districts and establishes requirements for sharing revenue—both operational expenses and bonded indebtedness for capital construction—among school districts within a county affecting the fiscal health and operations of the county school system; and

WHEREAS, these requirements may create structural disparities in the resources available to county and municipal or special school districts and may unnecessarily increase the level of local government indebtedness for capital projects; and

WHEREAS, the creation of new school districts has in the past created conflict regarding the ownership of existing school buildings and facilities; now, therefore,

BE IT RESOLVED BY THE SENATE OF THE ONE HUNDRED TENTH GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, THE HOUSE OF REPRESENTATIVES CONCURRING, that the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) is directed to perform a study of the overall effects on public education relative to the laws and regulations related to the sharing of resources among school districts located in the same county and the effect of the operation within a county of municipal or special school districts in addition to the county school system.

BE IT FURTHER RESOLVED, that it is the legislative intent that TACIR shall conduct this study using its existing resources.

BE IT FURTHER RESOLVED, that all appropriate state departments and agencies shall assist TACIR as requested.

BE IT FURTHER RESOLVED, that TACIR is requested to report its findings and recommendations, including any proposed legislation, upon conclusion of the study to the chairs of the Education Committees of the Senate and the House of Representatives.

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Appendix B: Senate Bill 1755

<BillNo> <Sponsor>

SENATE BILL 1755

By Gardenhire

AN ACT to amend Tennessee Code Annotated, Title 49, Chapter 6, relative to the sale or transfer of surplus property.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 49-6-2007(b), is amended by deleting the subdivision in its entirety and substituting instead:

(b) All local school systems that receive any state funds shall sell, within ninety (90) days of its being declared surplus, all surplus property to the highest bidder. The local board of education shall determine the method of advertisement, which may include advertisement in a newspaper of general circulation or advertisement on a website maintained by the LEA or the local government. The local board of education shall advertise at least seven (7) days prior to the sale of surplus property.

SECTION 2. Tennessee Code Annotated, Section 49-6-2007(c), is amended by deleting the subdivision in its entirety and substituting instead:

(c) As used in this section, "surplus property" is that personal or real property no longer having the original intended use by the school system or no longer capable of being used because of its condition.

SECTION 3. Tennessee Code Annotated, Section 49-6-2007, is amended by adding the following language as a new subsection:

(g) Notwithstanding subsections (b), (e), or (f), if a municipality creates or reactivates a city school system pursuant to §§ 49-2-106 and 49-2-127, all real and personal property that is located within the boundaries of the municipality and is owned

by the county school system shall be declared surplus property by the county school system and transferred to the municipal school system.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.

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Appendix C: Amendment No. I to Senate Bill 1755

Senate Education Committee 1

Amendment No. 1 to SB1755

Gresham
Signature of Sponsor

AMEND Senate Bill No. 1755*

House Bill No. 1757

by deleting all language after the enacting clause and substituting instead the following:

SECTION 1.

(a) As used in this section:

(1) "School personal property" means property that is:

(A) Personal property as defined in § 67-5-501;

(B) Owned by the county school system in a county in which a city proposes to open a new city school system pursuant to §§ 49-2-106 and 49-2-127 and the rules of the state board of education; and

(C) Located within the city proposing to open the new city school system;

(2) "School property" includes school personal property and school real property; and

(3) "School real property" means property that is:

(A) Real property as defined in § 67-5-501;

(B) Owned by the county school system in a county in which a city proposes to open a new city school system pursuant to §§ 49-2-106 and 49-2-127 and the rules of the state board of education; and

(C) Located within the city proposing to open the new city school system.

(b) The Tennessee advisory commission on intergovernmental relations (TACIR) is directed to perform a study on the constitutional and equitable transfer of school

Amendment No. 1 to SB1755

Gresham
Signature of Sponsor

AMEND Senate Bill No. 1755*

House Bill No. 1757

property to a proposed city school system and other issues associated with forming a new city school system. TACIR shall report its recommendations concerning the constitutional and equitable transfer of school property to the general assembly by the second Tuesday in January 2019. TACIR's recommendations shall include a process for determining the amount that a city must pay to fairly compensate the county for the school property the city seeks to obtain.

(c) In conducting the study under subsection (b), TACIR shall consider whether the following process for determining the amount that a city must pay for school property compensates the county equitably for the transfer of the school property:

(1) Before conducting a referendum under §§ 49-2-106 and 49-2-127 and the rules of the state board of education, the city shall identify all school property that the city seeks to acquire;

(2) The city legislative body shall hire a state-certified general appraiser to appraise each parcel of school real property that the city seeks to acquire;

(3) The county legislative body may hire, if it desires, a state-certified general appraiser to appraise each parcel of school real property that the city seeks to acquire;

(4) The city legislative body shall hire a certified public accountant or an appraiser with expertise in valuation of personal property to determine the value of the school personal property that the city seeks to acquire;

(5) The county legislative body may hire, if it desires, a certified public accountant or an appraiser with expertise in valuation of personal property to

determine the value of the school personal property that the city seeks to acquire;

(6)

(A) If the county legislative body does not hire an appraiser under subdivision (c)(3), then the appraised value set by the city's appraiser shall be considered the fair market value of the parcels of school real property; or

(B) If the county legislative body does not hire an accountant or appraiser under subdivision (c)(5), then the valuation of the city's accountant or appraiser shall be the fair market value of the school personal property;

(7)

(A) If both the city and county legislative bodies hire appraisers and the city and county legislative bodies cannot reach agreement on the fair market value of a parcel of school real property based on the fair market values set by their respective appraisers, then the city and county legislative bodies shall submit the parcel's valuation to binding arbitration; or

(B) If both the city and county legislative bodies hire accountants or appraisers and the city and county legislative bodies cannot reach agreement on an item of school personal property's fair market value based on the fair market values set by their respective accountants or appraisers, then the city and county legislative bodies shall submit the item's valuation to binding arbitration; and

(8) After the school property's total fair market value is obtained pursuant to subdivision (c)(6) or (c)(7), the amount the city is to pay for the school property

shall be calculated as the school property's total fair market value less the amount:

(A) The city and its taxpayers contributed to the county and the county school system toward the school property's acquisition or construction;

(B) The city and its taxpayers contributed for pre-kindergarten through grade twelve (pre-K-12) education in general throughout the county in the fifteen (15) years preceding the city's proposed acquisition; and

(C) School support organizations, as defined in § 49-2-603, for the schools that the city proposes to acquire, contributed to the county and county school system for school property in the fifteen (15) years preceding the city's proposed acquisition.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.

Appendix D. Basic Education Program State share with System-level Fiscal Capacity, Difference from Actual, Fiscal Year 2017-18.

System	Actual BEP State Share	BEP State Share with System-level Fiscal Capacity	Difference
Anderson County	\$ 31,410,000	\$ 33,585,062	\$ 2,175,062
Clinton City	4,486,000	3,435,228	(1,050,772)
Oak Ridge City	21,085,000	17,699,797	(3,385,203)
Bedford County	47,624,000	48,321,924	697,924
Benton County	11,979,000	12,737,149	758,149
Bledsoe County	11,910,000	12,281,445	371,445
Blount County	46,070,000	48,120,303	2,050,303
Alcoa City	8,223,000	6,279,042	(1,943,958)
Maryville City	21,382,000	17,004,038	(4,377,962)
Bradley County	47,266,000	49,208,411	1,942,411
Cleveland City	27,666,000	23,155,888	(4,510,112)
Campbell County	29,050,000	30,857,187	1,807,187
Cannon County	11,285,000	11,573,631	288,631
Carroll County	1,777,000	2,268,828	491,828
H Rock-Bruceton SS	3,805,000	3,765,011	(39,989)
Huntingdon SSD	6,896,000	6,783,258	(112,742)
McKenzie SSD	7,244,000	7,026,403	(217,597)
South Carroll Co SS	1,966,000	1,891,887	(74,113)
West Carroll Co SSD	5,252,000	5,054,711	(197,289)
Carter County	29,993,000	32,018,878	2,025,878
Elizabethton City	13,303,000	12,489,222	(813,778)
Cheatham County	33,530,000	33,524,930	(5,070)
Chester County	17,078,000	17,447,509	369,509
Claiborne County	24,176,000	25,722,041	1,546,041
Clay County	6,409,000	6,852,734	443,734
Cocke County	23,996,000	25,815,565	1,819,565
Newport City	3,518,000	3,131,109	(386,891)
Coffee County	21,547,000	22,668,253	1,121,253
Manchester City	7,087,000	6,357,002	(729,998)
Tullahoma City	16,108,000	13,821,943	(2,286,057)
Crockett County	12,386,000	12,947,449	561,449
Alamo City	3,796,000	3,801,643	5,643
Bells City	2,391,000	2,344,191	(46,809)
Cumberland County	31,989,000	34,383,596	2,394,596

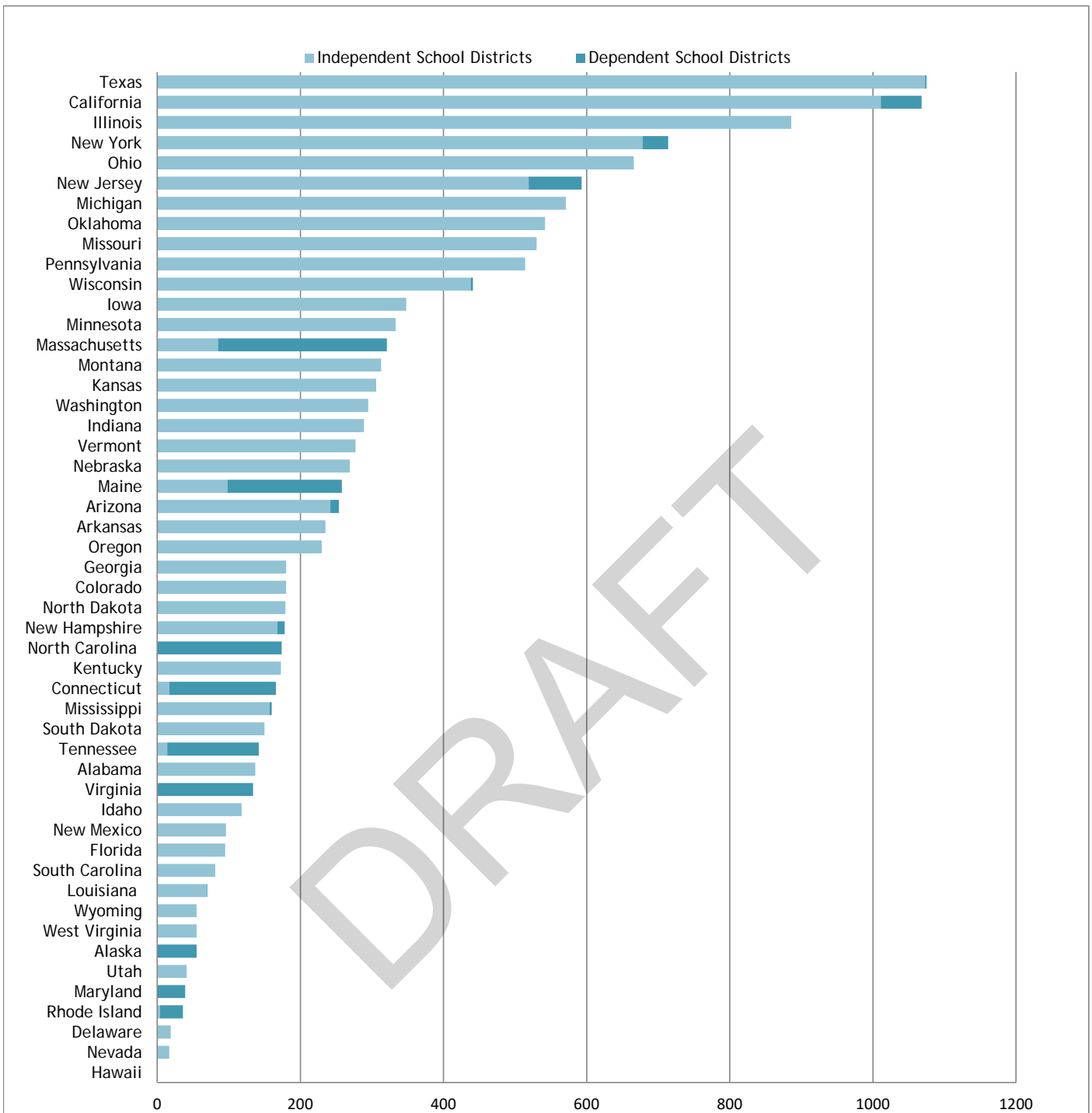
System	Actual BEP State Share	BEP State Share with System-level Fiscal Capacity	Difference
Davidson County	300,621,000	296,129,490	(4,491,510)
Decatur County	8,888,000	9,289,985	401,985
DeKalb County	15,902,000	16,882,266	980,266
Dickson County	41,261,000	40,831,686	(429,314)
Dyer County	19,613,000	20,182,113	569,113
Dyersburg City	13,442,000	12,107,900	(1,334,100)
Fayette County	13,094,000	14,123,903	1,029,903
Fentress County	11,771,000	12,678,111	907,111
Franklin County	25,807,000	27,092,540	1,285,540
Humboldt City	6,604,000	6,461,048	(142,952)
Milan SSD	11,310,000	11,103,111	(206,889)
Trenton SSD	7,396,000	7,262,471	(133,529)
Bradford SSD	3,252,000	3,254,218	2,218
Gibson County SSD	21,410,000	20,635,900	(774,100)
Giles County	18,836,000	19,639,304	803,304
Grainger County	21,513,000	22,242,445	729,445
Greene County	32,927,000	35,609,276	2,682,276
Greeneville City	14,050,000	12,936,113	(1,113,887)
Grundy County	13,103,000	13,932,501	829,501
Hamblen County	51,973,000	53,592,223	1,619,223
Hamilton County	154,728,000	161,769,778	7,041,778
Hancock County	6,785,000	7,200,416	415,416
Hardeman County	20,673,000	21,834,896	1,161,896
Hardin County	15,081,000	16,348,612	1,267,612
Hawkins County	36,192,000	38,576,949	2,384,949
Rogersville City	3,502,000	3,238,077	(263,923)
Haywood County	16,256,000	17,326,573	1,070,573
Henderson County	21,852,000	22,364,709	512,709
Lexington City	4,532,000	3,860,285	(671,715)
Henry County	15,382,000	15,863,745	481,745
Paris SSD	8,345,000	7,873,001	(471,999)
Hickman County	19,934,000	20,728,048	794,048
Houston County	8,410,000	8,734,421	324,421
Humphreys County	13,802,000	14,575,922	773,922
Jackson County	9,591,000	10,492,247	901,247
Jefferson County	36,102,000	37,599,262	1,497,262
Johnson County	11,451,000	12,397,871	946,871

System	Actual BEP State Share	BEP State Share with System-level Fiscal Capacity	Difference
Knox County	207,876,000	213,491,693	5,615,693
Lake County	5,027,000	5,365,332	338,332
Lauderdale County	24,672,000	25,885,852	1,213,852
Lawrence County	35,994,000	36,896,082	902,082
Lewis County	9,260,000	9,483,527	223,527
Lincoln County	20,279,000	21,413,777	1,134,777
Fayetteville City	7,471,000	7,060,563	(410,437)
Loudon County	19,375,000	19,882,656	507,656
Lenoir City	9,819,000	9,367,735	(451,265)
McMinn County	26,091,000	27,534,433	1,443,433
Athens City	7,702,000	6,373,546	(1,328,454)
Etowah City	1,826,000	1,688,620	(137,380)
McNairy County	23,837,000	24,999,231	1,162,231
Macon County	23,006,000	23,632,434	626,434
Madison County	48,849,000	51,512,260	2,663,260
Marion County	19,725,000	20,570,220	845,220
Richard City SSD	1,278,000	1,275,119	(2,881)
Marshall County	28,423,000	28,587,566	164,566
Mauzy County	57,221,000	56,519,504	(701,496)
Meigs County	10,248,000	10,859,594	611,594
Monroe County	27,006,000	28,671,966	1,665,966
Sweetwater City	8,054,000	7,914,792	(139,208)
Montgomery County	164,055,000	165,995,188	1,940,188
Moore County	3,869,000	4,063,963	194,963
Morgan County	19,389,000	20,063,787	674,787
Obion County	17,085,000	17,805,924	720,924
Union City	8,124,000	7,500,392	(623,608)
Overton County	16,787,000	17,464,127	677,127
Perry County	6,310,000	6,783,832	473,832
Pickett County	4,063,000	4,317,756	254,756
Polk County	12,928,000	13,619,389	691,389
Putnam County	49,279,000	51,483,884	2,204,884
Rhea County	23,065,000	24,295,936	1,230,936
Dayton City	4,524,000	4,001,199	(522,801)
Roane County	29,298,000	32,163,478	2,865,478
Robertson County	59,781,000	59,125,978	(655,022)
Rutherford County	205,168,000	194,037,317	(11,130,683)

System	Actual BEP State Share	BEP State Share with System-level Fiscal Capacity	Difference
Murfreesboro City	40,636,000	28,129,533	(12,506,467)
Scott County	16,684,000	17,453,770	769,770
Oneida SSD	7,170,000	7,291,002	121,002
Sequatchie County	12,439,000	12,779,658	340,658
Sevier County	39,031,000	38,340,777	(690,223)
Shelby County	594,460,000	629,097,024	34,637,024
Arlington City	20,558,000	18,334,076	(2,223,924)
Bartlett City	39,862,000	35,279,589	(4,582,411)
Collierville City	38,218,000	31,985,331	(6,232,669)
Germantown City	26,317,000	20,808,339	(5,508,661)
Lakeland City	6,881,000	6,419,742	(461,258)
Millington City	12,593,000	12,478,082	(114,918)
Smith County	16,778,000	17,237,394	459,394
Stewart County	11,399,000	12,164,489	765,489
Sullivan County	38,783,000	43,449,803	4,666,803
Bristol City	15,583,000	13,765,103	(1,817,897)
Kingsport City	29,395,000	23,774,932	(5,620,068)
Sumner County	141,290,000	138,785,748	(2,504,252)
Tipton County	61,412,000	61,393,040	(18,960)
Trousdale County	7,738,000	7,529,120	(208,880)
Unicoi County	12,454,000	13,160,820	706,820
Union County	22,755,000	23,464,539	709,539
Van Buren County	4,268,000	4,591,346	323,346
Warren County	35,102,000	37,068,707	1,966,707
Washington County	33,413,000	36,793,731	3,380,731
Johnson City	30,687,000	23,837,145	(6,849,855)
Wayne County	13,316,000	14,125,282	809,282
Weakley County	22,439,000	23,470,097	1,031,097
White County	21,848,000	22,780,971	932,971
Williamson County	125,538,000	112,175,071	(13,362,929)
Franklin SSD	13,387,000	8,643,307	(4,743,693)
Wilson County	77,781,000	73,753,179	(4,027,821)
Lebanon SSD	16,489,000	12,392,198	(4,096,802)
TOTAL	\$ 4,502,542,000	\$ 4,515,608,282	\$ 13,066,282
Hold-harmless			\$ (121,887,180)

Source: TACIR staff calculations and the Tennessee Department of Education.

Appendix E: Total Number of Public School Systems by State



Source: US Census Bureau, 2017 Census of Governments: Organization Component.

*The Census of Governments indicates that Louisiana, Mississippi, Texas, and Wisconsin have at least one dependent school system. However, closer inspection reveals that almost all K-12 public education in these states is provided by independent school districts, all with similar taxing authority. And while the federal data indicates that Alabama has only independent school districts, closer review shows that many of those school districts were created by cities or counties and are fiscally dependent on them.

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Appendix F: Weighted Full Time Equivalent Average Daily Attendance and Average Daily Membership Fiscal Year 2017-18

County System	Weighted Full Time Equivalent Average Daily Attendance	Percent of County	Average Daily Membership	Percent of County	City System	Weighted Full Time Equivalent Average Daily Attendance	Percent of County	Average Daily Membership	Percent of County
Anderson	7,624	56.3%	6,291	54.1%	Clinton	1,105	8.1%	942	17.6%
					Oak Ridge*	4,763	34.9%	4,396	37.8%
Blount	12,705	59.0%	10,474	59.2%	Alcoa	2,368	11.0%	1,956	27.1%
					Maryville	6,472	30.0%	5,269	29.8%
Bradley	11,917	64.2%	9,884	64.1%	Cleveland	6,659	35.8%	5,524	35.9%
Carter	5,955	65.7%	5,045	67.2%	Elizabethton	2,996	33.1%	2,460	32.8%
					Johnson City*	108	1.2%		
Cocke	5,315	87.4%	4,383	86.7%	Newport	769	12.6%	671	13.3%
Coffee	5,329	49.3%	4,291	47.8%	Manchester	1,559	14.4%	1,341	14.9%
					Tullahoma*	3,927	36.3%	3,343	37.2%
Crockett	2,508	70.4%	1,985	68.8%	Alamo	612	17.2%	529	18.4%
					Bells	440	12.4%	369	12.8%
Dyer	4,599	60.5%	3,827	60.3%	Dyersburg	3,006	39.5%	2,515	39.7%
Franklin	6,171	98.7%	5,092	100.0%	Tullahoma*	79	1.3%		
Greene	7,718	68.6%	6,421	70.1%	Greeneville	3,529	31.4%	2,739	29.9%
Hawkins	7,941	85.8%	6,509	91.0%	Rogersville	738	8.0%	644	9.0%
					Kingsport*	571	6.2%		
Henderson	4,660	83.4%	3,830	82.5%	Lexington	930	16.6%	811	17.5%
Lincoln	4,457	73.2%	3,695	73.0%	Fayetteville	1,630	26.8%	1,365	27.0%
Loudon	5,677	67.4%	4,737	63.3%	Lenoir City	2,742	32.6%	2,742	36.7%
McMinn	6,717	74.6%	5,420	73.5%	Athens	1,849	20.5%	1,584	21.5%
					Etowah	439	4.9%	369	5.0%
Monroe	5,903	77.9%	5,206	78.2%	Sweetwater	1,670	22.1%	1,450	21.8%
Obion	3,905	66.6%	3,208	66.7%	Union City	1,959	33.4%	1,600	33.3%
Rhea	5,085	84.1%	4,169	83.3%	Dayton	964	15.9%	835	16.7%
Roane	7,819	93.6%	6,396	100.0%	Oak Ridge*	537	6.4%		
Rutherford	54,687	85.0%	44,843	84.3%	Murfreesboro	9,676	15.0%	8,353	15.7%
Shelby	135,366	77.6%	114,783	78.1%	Arlington	5,643	3.2%	4,568	3.1%
					Bartlett	10,795	6.2%	8,964	6.1%

County System	Weighted Full Time Equivalent Average Daily Attendance	Percent of County	Average Daily Membership	Percent of County	City System	Weighted Full Time Equivalent Average Daily Attendance	Percent of County	Average Daily Membership	Percent of County
					Collierville	10,348	5.9%	8,590	5.8%
					Germantown	7,250	4.2%	6,005	4.1%
					Lakeland	1,882	1.1%	1,611	1.1%
					Millington	3,048	1.7%	2,494	1.7%
Sullivan	11,406	46.5%	9,367	45.3%	Bristol	4,841	19.7%	3,940	19.1%
					Kingsport*	8,228	33.5%	7,361	35.6%
					Johnson City*	60	0.2%		
Washington	10,076	52.4%	8,324	51.8%	Johnson City*	9,139	47.6%	7,738	48.2%
County System	Weighted Full Time Equivalent Average Daily Attendance	Percent of County	Average Daily Membership	Percent of County	Special School District	Weighted Full Time Equivalent Average Daily Attendance	Percent of County	Average Daily Membership	Percent of County
Carroll	110	2.04%	4	0.1%	Hollow Rock-Bruceton	759	14.06%	620	14.3%
					Huntingdon	1,463	27.10%	1,237	28.5%
					McKenzie	1,619	29.99%	1,289	29.7%
					South Carroll	407	7.54%	336	7.7%
					West Carroll	1,041	19.28%	858	19.8%
Henry	3,645	66.5%	2,904	64.3%	Paris	1,835	33.5%	1,612	35.7%
Marion	4,746	94.0%	3,959	94.1%	Richard City	305	6.0%	248	5.9%
Scott	3,370	69.6%	2,782	69.7%	Oneida	1,469	30.4%	1,210	30.3%
Williamson	46,627	92.0%	38,685	91.6%	Franklin SSD	4,076	8.0%	3,528	8.4%
Wilson	22,092	84.1%	18,051	83.3%	Lebanon	4,187	15.9%	3,627	16.7%

Gibson County School System	Weighted Full Time Equivalent Average Daily Attendance	Percent of County	Average Daily Membership	Percent of County
Humboldt City	1,174	11.2%	1,013	11.7%
Milan SSD	2,365	22.6%	1,924	22.3%
Trenton SSD	1,533	14.6%	1,269	14.7%
Bradford SSD	637	6.1%	519	6.0%
Gibson County SSD	4,763	45.5%	3,912	45.3%

*Average daily membership is listed once in the county with the most students for cities school systems with WFTEADA in more than one county.

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Appendix G: Tennessee Public School Systems in Multi-System Counties by Grades Served, Property Tax Base, and Sales Tax Base

School System	Grades Served	2016-17 Enrollment*	2018 Property Tax Base	Property Tax Base Per Student	2018 Sales Tax Base	Sales Tax Base Per Student
Anderson County	K-12	6,360	\$ 628,176,798	\$98,773	\$ 114,667,826	\$18,030
Clinton	K-6	898	387,896,363	\$432,018	229,640,334	\$255,761
Oak Ridge	K-12	4,391	661,531,423	\$150,670	709,808,499	\$161,666
Blount County	K-12	10,528	2,127,762,019	\$202,113	317,007,965	\$30,112
Alcoa	K-12	1,918	519,230,168	\$270,660	646,611,987	\$337,060
Maryville	K-12	5,153	949,416,858	\$184,250	691,783,203	\$134,252
Bradley County	K-12	9,778	1,101,526,753	\$112,652	144,253,141	\$14,753
Cleveland	K-12	5,489	1,285,184,363	\$234,131	1,013,609,836	\$184,656
Carroll County	K-12	3	3	\$1	173,892,255	\$39,925
Hollow Rock-Bruceton SSD	K-12	633	45,088,426	\$71,253		
Huntingdon SSD	K-12	1,210	121,868,091	\$100,712		
McKenzie SSD	K-12	1,276	102,742,921	\$80,496		
South Carroll SSD	K-12	338	35,229,899	\$104,361		
West Carroll SSD	K-12	895	95,585,862	\$106,751		
Carter County	K-12	5,252	596,907,740	\$113,655	0.0	\$0
Elizabethton	K-12	2,464	275,760,802	\$111,929	332,976,067	\$135,152
Cocke County	K-12	4,442	449,980,753	\$101,300	63,839,746	\$14,372
Newport	K-8	665	147,637,320	\$222,167	250,935,360	\$377,611
Coffee County	K-12	4,329	514,895,983	\$118,942	108,666,166	\$25,102
Manchester	K-8	1,315	237,283,793	\$180,442	283,948,798	\$215,928
Tullahoma	K-12	3,438	410,200,906	\$119,320	411,480,309	\$119,692
Crockett County	K-12	1,984	175,104,933	\$88,277	26,981,788	\$13,603
Alamo	K-6	571	37,089,603	\$64,999	17,944,540	\$31,447
Bells	K-5	362	37,768,053	\$104,261	15,564,145	\$42,966
Dyer County	K-12	3,769	369,393,381	\$98,009	45,229,354	\$12,000
Dyersburg	K-12	2,621	321,692,483	\$122,736	382,408,889	\$145,901
Franklin County**	K-12	5,287	991,429,212	\$187,528	346,747,999	\$45,246
Humboldt	K-12	1,088	130,907,614	\$120,343	108,957,260	\$100,164
Milan SSD	K-12	1,953	182,096,136	\$93,240		
Trenton SSD	K-12	1,258	120,134,772	\$95,495		
Bradford SSD	K-12	520	48,097,982	\$92,452		
Gibson County SSD	K-12	3,932	314,243,246	\$79,911		
Greene County	K-12	6,561	932,950,030	\$142,192	116,533,533	\$17,761
Greeneville	K-12	2,739	447,329,340	\$163,306	472,034,318	\$172,325
Hawkins County	K-12	6,646	955,070,432	\$143,717	168,986,160	\$25,429
Rogersville	K-8	657	128,807,511	\$196,177	136,374,424	\$207,702
Henderson County	K-12	3,868	252,686,529	\$65,324	45,065,421	\$11,650
Lexington	K-8	817	183,131,696	\$224,126	208,290,225	\$254,917
Henry County	K-12	2,945	442,688,087	\$150,343	363,894,397	\$79,816
Paris SSD	K-8	1,615	191,205,071	\$118,422		
Lincoln County	K-12	3,760	435,034,035	\$115,699	55,358,727	\$14,723
Fayetteville	K-12	1,378	174,114,478	\$126,329	202,116,256	\$146,646
Loudon County	K-12	4,624	1,543,409,469	\$333,804	183,784,328	\$39,748
Lenoir City	K-12	2,205	264,924,551	\$120,163	87,449,446	\$39,665
McMinn County	K-12	5,506	730,959,443	\$132,751	60,764,967	\$11,036
Athens	K-8	1,551	483,842,519	\$311,906	404,279,677	\$260,617
Etowah	K-8	352	74,469,122	\$211,588	41,466,638	\$117,819

School System	Grades Served	2016-17 Enrollment*	2018 Property Tax Base	Property Tax Base Per Student	2018 Sales Tax Base	Sales Tax Base Per Student
Marion County	K-12	3,992	680,774,664	\$170,549	324,432,811.0	\$76,466
Richard City SSD	K-12	251	12,139,670	\$48,329		
Monroe County	K-12	5,344	992,225,302	\$185,672	257,730,820	\$48,228
Sweetwater	K-8	1,517	139,761,588	\$92,143	132,324,139	\$87,239
Obion County	K-12	3,299	428,950,406	\$130,013	55,765,841	\$16,902
Union City	K-12	1,608	210,260,680	\$130,784	257,572,793	\$160,212
Rhea County	K-12	4,214	475,112,964	\$112,735	78,692,445	\$18,672
Dayton	K-8	827	178,279,713	\$215,520	197,140,910	\$238,321
Roane County**	K-12	6,472	1,110,205,527	\$171,531	413,945,811	\$63,956
Rutherford County	K-12	43,789	4,990,470,143	\$113,967	1,544,702,195	\$35,276
Murfreesboro	K-6	8,015	4,458,124,578	\$556,199	3,006,843,042	\$375,136
Scott County	K-12	2,767	278,304,771	\$100,572	165,228,253	\$41,256
Oneida SSD	K-12	1,238	63,259,604	\$51,111		
Shelby County	K-12	114,495	14,574,956,899	\$127,298	9,905,582,882.0	\$86,515
Arlington	K-12	5,087	386,158,169	\$75,903	110,445,475	\$21,709
Bartlett	K-12	8,691	1,326,830,977	\$152,673	722,752,920	\$83,164
Collierville	K-12	8,290	1,782,652,802	\$215,047	847,425,460	\$102,228
Germantown	K-12	5,877	1,654,930,652	\$281,596	556,783,461	\$94,740
Lakeland	K-8	944	356,618,730	\$377,817	54,395,449	\$57,629
Millington	K-12	2,544	197,157,034	\$77,494	284,429,326	\$111,797
Sullivan County	K-12	9,650	2,119,989,961	\$219,699	240,222,746	\$24,895
Bristol	K-12	3,956	31,379,322	\$7,932	509,635,857	\$128,827
Kingsport	K-12	7,333	1,846,680,105	\$251,848	1,352,806,022	\$184,494
Washington County	K-12	8,447	1,209,139,096	\$143,151	212,163,389	\$25,118
Johnson City	K-12	7,723	1,846,151,049	\$239,043	1,657,003,048	\$214,552
Williamson County	K-12	37,661	9,967,694,508	\$264,669	4,549,545,687	\$110,428
Franklin SSD	K-8	3,538	2,653,563,791	\$749,965		
Wilson County	K-12	17,693	3,146,847,723	\$177,863	1,901,233,087	\$89,556
Lebanon SSD	K-8	3,537	1,133,377,204	\$320,433		
County School Systems		343,460	\$ 52,222,647,561	\$ 152,049	\$ 21,811,027,485	\$ 63,504
City School Systems		102,482	\$ 21,573,204,365	\$ 210,507	\$ 16,337,238,113	\$ 159,416
Special School Districts		22,195	\$ 5,118,632,675	\$ 230,625		
Totals		468,140	\$ 78,914,484,604	\$168,570	\$ 38,322,157,853	\$81,860

Source: US Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Local Education Agency (School District) Universe Survey"; Tennessee Department of Education, Average Daily Membership (ADM); Federal Reserve Bank of St. Louis, Government Consumption Price Index.

Note: State law only authorizes Special School Districts to levy a property tax.

*Enrollment as a measure of Average Daily Membership (ADM)

**Franklin and Roane counties are considered multi-system counties because they contain city systems that cross county lines.

Appendix H: Tennessee Public School Systems in Multi-System Counties by Grades Served, Average Daily Membership, Long-Term Debt, and Needed Infrastructure Improvements

School System	Grades Served	2015-16 Enrollment*	2016-17 Enrollment*	2015-16 Long-Term Debt	Long-Term Debt Per Student	2016-17 Infrastructure Needs	Infrastructure Needs Per Student
Anderson County	K-12	6,370	6,360	\$ 34,706,000	\$5,449	\$ 14,533,188	\$2,285
Clinton	K-6	880	898	2,001,000	\$2,273	425,000	\$473
Oak Ridge	K-12	4,420	4,391	75,585,000	\$17,100	21,208,133	\$4,830
Blount County	K-12	10,748	10,528	1,396,000	\$130	28,639,163	\$2,720
Alcoa	K-12	1,890	1,918	38,562,000	\$20,408	12,510,999	\$6,522
Maryville	K-12	5,047	5,153	23,691,000	\$4,694	10,653,800	\$2,068
Bradley County	K-12	9,917	9,778	50,761,000	\$5,119	47,332,500	\$4,841
Cleveland	K-12	5,406	5,489	34,640,000	\$6,408	19,701,000	\$3,589
Carroll County	K-12	2	3	0.0	\$0	270,000	\$82,574
Hollow Rock-Bruceton SSD	K-12	640	633	2,150,000	\$3,360	0.0	\$0
Huntingdon SSD	K-12	1,184	1,210	4,945,000	\$4,176	0.0	\$0
McKenzie SSD	K-12	1,306	1,276	4,420,000	\$3,385	1,740,000	\$1,363
South Carroll SSD	K-12	338	338	3,166,000	\$9,377	50,000	\$148
West Carroll SSD	K-12	893	895	4,460,000	\$4,995	107,316	\$120
Carter County	K-12	5,241	5,252	3,783,000	\$722	16,502,135	\$3,142
Elizabethton	K-12	2,448	2,464	8,880,000	\$3,627	10,606,384	\$4,305
Cocke County	K-12	4,468	4,442	14,775,000	\$3,307	20,565,807	\$4,630
Newport	K-8	713	665	3,958,000	\$5,553	365,000	\$549
Coffee County	K-12	4,351	4,329	52,312,000	\$12,024	26,650,000	\$6,156
Manchester	K-8	1,317	1,315	11,650,000	\$8,849	0.0	\$0
Tullahoma	K-12	3,410	3,438	27,112,000	\$7,951	1,500,000	\$436
Crockett County	K-12	1,942	1,984	11,032,000	\$5,682	9,380,000	\$4,729
Alamo	K-6	583	571	270,000	\$463	8,910,000	\$15,615
Bells	K-5	373	362	0.0	\$0	115,000	\$317
Dyer County	K-12	3,833	3,769	33,424,000	\$8,720	2,866,000	\$760
Dyersburg	K-12	2,610	2,621	11,212,000	\$4,296	5,520,000	\$2,106
Franklin County**	K-12	5,411	5,287	10,913,000	\$2,017	5,668,500	\$1,072
Humboldt	K-12	1,046	1,088	510,000	\$487	460,000	\$423
Milan SSD	K-12	1,938	1,953	7,465,000	\$3,851	3,861,442	\$1,977
Trenton SSD	K-12	1,289	1,258	17,854,000	\$13,849	0.0	\$0
Bradford SSD	K-12	500	520	1,562,000	\$3,126	200,000	\$384
Gibson County SSD	K-12	3,937	3,932	49,485,000	\$12,569	17,800,000	\$4,527
Greene County	K-12	6,672	6,561	14,215,000	\$2,130	2,648,000	\$404
Greeneville	K-12	2,769	2,739	995,000	\$359	12,370,714	\$4,516
Hawkins County	K-12	6,899	6,646	70,504,000	\$10,219	11,432,585	\$1,720
Rogersville	K-8	639	657	2,225,000	\$3,481	100,000	\$152
Henderson County	K-12	3,870	3,868	3,569,000	\$922	2,796,995	\$723
Lexington	K-8	881	817	8,001,000	\$9,078	698,000	\$854
Henry County	K-12	2,957	2,945	11,557,000	\$3,909	5,441,654	\$1,848
Paris SSD	K-8	1,690	1,615	10,832,000	\$6,410	3,800,000	\$2,354
Lincoln County	K-12	3,835	3,760	6,005,000	\$1,566	10,000	\$3
Fayetteville	K-12	1,434	1,378	5,520,000	\$3,850	2,203,000	\$1,598
Loudon County	K-12	4,674	4,624	49,776,000	\$10,651	1,456,600	\$315
Lenoir City	K-12	2,264	2,205	10,094,000	\$4,458	4,080,000	\$1,851
McMinn County	K-12	5,518	5,506	0.0	\$0	8,618,340	\$1,565
Athens	K-8	1,570	1,551	0.0	\$0	16,507,000	\$10,641
Etowah	K-8	353	352	0.0	\$0	1,285,000	\$3,651
Marion County	K-12	4,030	3,992	36,399,000	\$9,033	43,905,813	\$10,999
Richard City SSD	K-12	275	251	2,812,000	\$10,218	0.0	\$0
Monroe County	K-12	5,353	5,344	55,300,000	\$10,331	66,725,853	\$12,486
Sweetwater	K-8	1,532	1,517	3,722,000	\$2,429	4,235,000	\$2,792

School System	Grades Served	2015-16 Enrollment*	2016-17 Enrollment*	2015-16 Long-Term Debt	Long-Term Debt Per Student	2016-17 Infrastructure Needs	Infrastructure Needs Per Student
Obion County	K-12	3,411	3,299	11,773,000	\$3,451	175,000	\$53
Union City	K-12	1,565	1,608	4,235,000	\$2,707	7,902,208	\$4,915
Rhea County	K-12	4,248	4,214	40,626,000	\$9,565	484,000	\$115
Dayton	K-8	821	827	1,200,000	\$1,462	0.0	\$0
Roane County**	K-12	6,583	6,472	11,442,000	\$1,738	58,467,099	\$9,033
Rutherford County	K-12	42,650	43,789	287,751,000	\$6,747	466,171,186	\$10,646
Murfreesboro	K-6	7,981	8,015	44,470,000	\$5,572	32,850,000	\$4,098
Scott County	K-12	2,840	2,767	25,307,000	\$8,910	5,860,000	\$2,118
Oneida SSD	K-12	1,219	1,238	1,952,000	\$1,601	75,000	\$61
Shelby County	K-12	115,579	114,495	824,452,000	\$7,133	523,010,383	\$4,568
Arlington	K-12	4,985	5,087	0.0	\$0	1,664,000	\$327
Bartlett	K-12	8,500	8,691	0.0	\$0	81,078,200	\$9,329
Collierville	K-12	8,021	8,290	93,485,000	\$11,655	109,256,750	\$13,180
Germantown	K-12	5,727	5,877	12,000,000	\$2,095	18,590,000	\$3,163
Lakeland	K-8	901	944	0.0	\$0	84,000	\$89
Millington	K-12	2,539	2,544	0.0	\$0	53,349,000	\$20,969
Sullivan County	K-12	9,899	9,650	36,521,000	\$3,689	154,648,900	\$16,027
Bristol	K-12	3,966	3,956	11,971,000	\$3,019	97,915,549	\$24,751
Kingsport	K-12	7,151	7,333	0.0	\$0	33,850,000	\$4,616
Washington County	K-12	8,596	8,447	72,953,000	\$8,486	66,942,500	\$7,925
Johnson City	K-12	7,772	7,723	11,280,000	\$1,451	38,016,000	\$4,922
Williamson County	K-12	36,303	37,661	396,291,000	\$10,916	523,197,000	\$13,892
Franklin SSD	K-8	3,438	3,538	46,142,000	\$13,421	27,174,943	\$7,680
Wilson County	K-12	17,206	17,693	223,995,000	\$13,018	833,728,500	\$47,123
Lebanon SSD	K-8	3,552	3,537	25,075,000	\$7,060	25,000,000	\$7,068
Totals		467,116	468,140	\$ 3,021,127,000	\$6,468	\$ 3,635,946,139	\$7,767

Source: US Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Local Education Agency (School District) Universe Survey"; Tennessee Department of Education, Average Daily Membership (ADM); Federal Reserve Bank of St. Louis, Government Consumption Price Index.

Note: The number of school systems is small and can skew data (e.g. data for the 14 special school districts is more volatile because one project at one school system in a given year can dramatically move the line in the graph. Carroll County was excluded from the analysis because of its uniqueness.

*Enrollment as a measure of Average Daily Membership (ADM)

**Franklin and Roane counties are considered multi-system counties because they contain city systems that cross county lines.