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**Research Plan: Senate Bill 1935, Alteration of School System Administrative Budget Proposals**

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Deputy Executive Director Approval: Initial: Date:

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**Purpose:**

The Senate State and Local Government Committee referred **Senate Bill 1935** by Johnson (**House Bill 2250** by Casada), giving local legislative bodies authority to alter administrative spending proposals in school systems' budgets when that spending exceeds 10% of the total budget, to the Commission for study.

Currently, when local boards of education in Tennessee propose their budgets to the local legislative body, such as the county commission or city council, the legislative body can direct the school board to reduce the budget by some amount but cannot specify what within the budget will be reduced. The referred legislation would alter this relationship by granting the legislative body power to "alter or revise" the administrative portions of the budget when administrative spending exceeds 10% of the total proposed budget. Administrative spending as defined by the bill includes but is not limited to board of education services, the office of the superintendent, office of the principal, and human resources support services. Debt service requirements and other expenditures required by law would be excluded from the calculation of the 10% threshold.

**Step 1. Define the Problem**

How best to balance the interest of county commissions and city councils in ensuring that budget reductions are made in administrative expenditures rather than in other areas of school budgets against the interest of elected school boards in managing school systems to meet state and federal accountability and other requirements. The stated purpose of the legislation was to provide a check on excess administrative spending by school systems. Opponents said the bill could upset the historical autonomy school boards have had to oversee their own budgets, that one elected body should not have such specific authority over another elected body, and that administrative costs vary as a percentage of the total budget from district to district for legitimate reasons such as size, federal requirements, or other specific circumstances.

## Step 2. Assemble Some Evidence

- Review Senate Bill 1935 and related statutes to determine what the bill does.
- Review committee hearings on the bill and summarize comments and concerns of committee members, the bill sponsors, and others speaking for or against the bill. Based on the results of the review, interview key legislators, bill proponents, and other stakeholders to determine what is driving the issue.
- Review the fiscal note. Consult with Fiscal Review Committee staff and follow up with agencies submitting support forms to determine the estimated cost and the method and rationale for the estimates.
- Review the history of Tennessee’s present school-budget approval process as it relates to the ability of local legislative bodies to control specific items within the school budget.
  - Review constitutional and statutory requirements governing the authority of local legislative bodies, school boards, and directors of schools. Include counties, municipalities, metropolitan governments, and special school districts.
  - Determine how various local governments and school systems would be affected, whether county, city, or special district.
  - Determine how various budget laws (1957, 1981, 1993, private acts) affect the ways school budgets are developed and approved in relation to the ability of local legislative bodies to control specific items within the school budget including how it varies with type of school system.
  - Determine what state and local checks and balances are already in place for school budgets.
  - Review CTAS and MTAS manuals regarding budget approval.
- Collect information on other states on whether local legislative bodies have the power to alter administrative spending proposals in school systems’ budgets.
  - What, if any, powers do local legislative bodies have to alter or revise school budgets?
  - Are these powers restricted to specific categories or items within the budget, or can the legislative body alter or revise any proposed expenditure.
  - How often do local legislative bodies alter or revise proposed school budgets?
- Determine what expenditures are included in school systems’ administrative costs.
  - Interview appropriate staff in the Department of Education, State Board of Education, Comptroller’s Office, local governments, and school systems.
  - Review accounting manuals and publications from the Department of Education.

- Gather data from the Department of Education’s Annual Statistical Report for the period 2008-09 through 2012-13. Calculate administrative costs for all systems, statewide administrative costs, and percent administrative costs are of total operating expenditures, total current expenditures, and grand total expenditures.
- Review literature on administrative costs and legislative control of specific items within school budgets and seek opinions of subject matter experts.

**Step 3. Construct Alternatives**

Alternatives will be based on

- current law: leave current system unchanged;
- proposed change in the current law; and
- any additional alternatives drawn from the research and analysis in Step 2.

Describe each alternative specifically enough to project outcomes in Step 5.

**Step 4. Select Criteria**

- Administrative operability: difficulty of implementation by
  - school boards,
  - local governments, and
  - the Department of Education
- Estimate receptiveness of
  - school boards,
  - local governments, and
  - others
- Constitutionality

**Step 5. Project Outcomes**

- estimate administrative operability
- estimate receptiveness
- evaluate constitutionality

**Step 6. Confront Trade-offs**

- How will the differences between the current law and the other alternatives affect the public?

- What are the pros and cons of the potential solutions?

### **Step 7. Decide which alternatives to present to the Commission**

Based on the results of Step 6, choose the alternatives that most practically and realistically resolve the problem

### **Step 8. Produce the Draft Report**

Develop and present a draft for review and comment to the Commission

### **Revisit Steps 5-8.**

- Respond to feedback from Commission regarding outcome projections, trade-offs, and selection of alternatives
- Revise and edit the draft to reflect comments of the Commission
- Submit final report to the Commission for approval

