



# TACIR INSIGHT

TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

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## EFFECTS OF SHARING OF RESOURCES AMONG SCHOOL SYSTEMS IN COUNTIES WITH MORE THAN ONE SCHOOL SYSTEM

### Background and Findings

Public K-12 education in Tennessee is provided through school systems that in general are operated locally, either by counties, cities, or special school districts. Sharing requirements for local revenue spent on public K-12 education in Tennessee vary based on the revenue's source, how it is spent, and whether it is earmarked for specific purposes. County representatives are concerned that these sharing requirements cause inequities, and city officials are concerned that the requirements incentivize counties to find ways to work around them. Moreover, building-ownership can become an issue when new city school systems are formed, and there is no process in state law for determining the disposition of school property following the creation of a new system.

### Recommendations

- The General Assembly could require that counties share countywide revenue when it is used for education capital expenditures as is required when they use it for education operations and maintenance. But if the state does so, it should consider adopting other alternatives that would improve student equity in counties with multiple school systems while adhering to principles of taxpayer equity. Any such change should be prospective only so as not to create problems with revenues committed to repayment of existing debt or with maintenance of effort requirements.
  - One alternative that could improve both student and taxpayer equity is to remove the requirement that counties share their portion of the unearmarked half of local option sales tax when it is budgeted for education operations and maintenance.
  - Another alternative that would decrease disparities for students and taxpayers is to transition from calculating fiscal capacity at the county level to calculating it at the system level.
- The General Assembly should remove the expiration on the current method in state law for distributing mixed-drink tax proceeds.
- The General Assembly should establish a method for transferring school property, both real and personal, to new school systems formed by existing cities. A local committee could be created to determine what property should be transferred and what the city should pay for it. Whoever determines the city's liability 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 new real and personal property subject to transfer.
- 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.
- In addition to this report, work continues on TACIR's local revenue and services series. This set of reports is designed to form a foundation for further work by a task force of stakeholders to develop a set of specific legislative proposals for consideration by the Governor and the General Assembly. Any such task force, to be successful, must include representatives of those affected by the changes as well as those with responsibility for adopting and implementing them.

See TACIR's full report at the following link for additional information: <https://www.tn.gov/tacir/tacir-publications/publications-by-date.html>.