



January 23, 2025

County School Budget

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Anne Dallas Dudley Boulevard, Suite 400
Nashville, Tennessee 37219
615.532.3555 phone
615.532.3699 fax
www.ctas.tennessee.edu

Table of Contents

County School Budget 3
School Budget-Maintenance of Effort 3
School Budget Fund Balance 3
School Continuing Budget 4

County School Budget

Reference Number: CTAS-95

The budget for the county school system is developed by the director of schools and board chair and presented to the full board for its consideration. The budget developed by the director and board chair must be prepared according to the revenue estimates and revenue determinations made by the county legislative body as required in T.C.A. § 49-2-101. When the school budget has been approved by the board, it must be submitted to the county legislative body not later than 45 days prior to the July meeting of the county legislative body or 45 days prior to the actual date the budget is to be adopted, if such adoption is scheduled prior to July 1. T.C.A. § 49-2-203(a)(10). Local option budgeting laws and private acts that may be in effect in a particular county will affect the budgeting process and must be consulted.

Under most circumstances, the legislative body either accepts the school budget as submitted by the school board or rejects it, in which case the budget is sent back to the school board with a specified amount of total funding. The school board then revises the specific items to conform with the total appropriated amount. In counties operating under the County Financial Management System of 1981, T.C.A. § 5-21-101 *et seq.*, the county legislative body may alter or revise the total amount of expenditures proposed by the school board in its budget as long as it is in compliance with state law and regulations, and then the director of schools is required to submit a revised budget with the total expenditures approved by the county legislative body within 10 days. The Local Option Budgeting Law of 1993, T.C.A. § 5-12-201 *et seq.*, contains provisions that allow the county legislative body to revise the school budget under specified circumstances, but this law applies only in counties that have adopted its provisions. Regardless of the procedure used to adopt the budget, once a school budget has passed, amendments must be approved by the school board and by the county legislative body. T.C.A. §§ 5-9-407, 49-2-301(b)(1)(W).

School Budget-Maintenance of Effort

Reference Number: CTAS-96

Of particular interest to local governments is the statutory limitation that prohibits local school boards from submitting a budget that reduces local educational funds, excluding capital outlay and debt service, and then replaces them with money from the state. See T.C.A. §§ 49-2-203(a)(10) and 49-3-314(c). This is commonly known as the "maintenance of effort" requirement or the "supplanting test." These statutes have been consistently interpreted to mean that an LEA cannot use local funds as part of its operating budget and then discontinue this funding and use state funding to fill the gap. See Op. Tenn. Att'y Gen. 09-70 (5/4/09).

There are four exceptions to this rule. First, if the school system has a reduction in student population total funding may be calculated on a per pupil level. Second, if there is a reduction in state funding, then local funds used to offset these funding reductions are not subject to the maintenance of local funding requirement. Third, this restriction does not apply for three years after a city and county system have consolidated into one. Fourth, if in any fiscal year the governing body and the school board enter into a written agreement establishing the non-recurring nature of an appropriation, the appropriation may be excluded from maintenance of effort (and from any applicable apportionment requirements). T.C.A. §§ 49-2-203(a)(10), 49-3-314(c). See also, Op. Tenn. Att'y Gen. 13-107 (12/20/13).

If a school budget violates the maintenance of effort requirement, then the Commissioner of Education may, at his or her discretion, withhold state education funds from the LEA under T.C.A. § 49-3-314(c). See Op. Tenn. Att'y Gen. 09-70 (5/4/09).

More information on Maintenance of Effort can be found under Operating Budgets under Accounting/Budget/Finance.

School Budget Fund Balance

Reference Number: CTAS-97

Unexpended education funds remaining at the end of a fiscal year are carried forward in the education fund balance. The fund balance may be used to offset shortfalls of budgeted revenue or, with the approval of the school board and the county legislative body, to meet unforeseen increases in operating expenses. Any accumulated fund balance in excess of three percent of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for any education purposes, but must be recommended by the board of education prior to appropriation by the county legislative body. In any fiscal year in which state-shared revenues distributed to counties are reduced below the levels distributed to

counties in the 2002-2003 fiscal year, any or all of the accumulated fund balance may be used for education purposes without restrictions. T.C.A. § 49-3-352.

School Continuing Budget

Reference Number: CTAS-98

If the county legislative body has not adopted a budget for the operation of the public schools by July 1 of any year, the school budget for the year just ended continues in effect until a new school budget has been approved. Any continuing budget (the previous year's budget as temporary authority to expend funds until new annual budget is adopted) is not valid beyond October 1 of the current fiscal year for purposes of the local education agency's ability to receive state funds. T.C.A. § 49-3-316(d). Therefore, if a budget has not been adopted by October 1, the state may discontinue the county's funding.

Source URL: <https://www.ctas.tennessee.edu/eli/county-school-budget>