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School Budget-Maintenance of Effort

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,

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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.

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