

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL NOTE**

HB 3474 - SB 3365

May 27, 2010

SUMMARY OF BILL: Authorizes special school districts with boundaries contiguous with the city limits to specify by contract that funding transferred from the city to the local education agency (LEA) shall be used half for LEA operations and half for bond issue in relation to maintenance and construction at existing schools.

ESTIMATED FISCAL IMPACT:

On February 12, 2010, we issued a fiscal note for this bill indicating an *Other Fiscal Impact - LEAs may use up to one-half of their annual BEP local match for one-time bond issuance and recurring debt service and one-half of their annual BEP local match for instructional purposes. Money shifted from instructional purposes will be made up by a corresponding shift in funding to instructional purposes from other funding sources. The exact amount of one-half of the annual BEP local match and corresponding shift in other funding for instructional purposes for affected special and city schools is unknown but is expected to exceed an average of \$1,385,400 for special school districts annually.* On May 27, 2010, upon further consultation with the Office of Legal Services, the Comptroller, and the Department of Education to determine the bill's effect and its fiscal impact, we have determined that the summary and fiscal impact were in error and have been corrected.

(CORRECTED)

Other Fiscal Impact – According to the Department of Education, the City of Memphis owes Memphis City Schools approximately \$78,275,000. This amount is for their annual maintenance of effort requirement. Half of that amount is \$39,137,500. Approximately, \$39,137,500 could be used for bond issuance and \$39,137,500 could be used for operations. This will be a permissive use of the money.

Assumptions:

- The maintenance of effort (MOE) requirement is contingent upon the number of students that are in a school system each year. LEAs that chose to pay more than their

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required local BEP match become obligated to pay that same amount year to year under the MOE requirement. The MOE requirement can decrease if the number of students in a given school system decreases year to year. Otherwise the same amount must be paid.

- According to the Comptroller's Office, some portion of the MOE money may be used for bond issuance currently, therefore, any use of MOE for that purpose will not have to be made up by a transfer of funding into the operational funding stream from some other source.
- No impact on state expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

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