

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1353 - HB 1288

March 14, 2013

SUMMARY OF BILL: Removes the prohibition for creating new municipal school districts codified in Tenn. Code Ann. § 6-58-112. Authorizes the creation of new municipal school systems provided that the student population is sufficient size and a majority of voters participating in a referendum vote in the affirmative to create such districts. Requires new city school systems to commence instruction no later than August 1st following the Commissioner of Education's finding that the rights and privileges set forth in Tenn. Code Ann. § 49-5-203 will not be impaired, interrupted, or diminished; there will be timely compliance with the state pertaining to the creation of municipal school systems; and the system has demonstrated general readiness to begin instruction.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent a municipality forms a new school district pursuant to the affirmative vote by referendum, the new municipal education agency will receive state Basic Education Program (BEP) funding and have a required local BEP match requirement. State BEP funding in an amount estimated to exceed \$4,000,000 will transfer from the county education agency to the newly-created municipal education agency. The increase in local expenditures for the newly-created municipal education agency (to fund the local BEP match requirement) is estimated to exceed \$2,000,000. This increase is considered permissive based on the municipality's decision to form the new school district. Expenditures for any county education agency from which students transfer will be reduced in an amount estimated to exceed \$1,000,000. To the extent new school districts are not created, the fiscal impact is not significant.

Assumptions:

- The referendum is to be held in conjunction with the next regularly-scheduled election; therefore, any additional cost associated with the referendum to local government will be not significant.
- Additional school systems that are created will have the financial responsibility to pay for transferring students through the BEP formula.

SB 1353 - HB 1288

- Funding within the Basic Education Program (BEP) may be reduced at the county level, as a result of a decrease in the average daily membership (ADM) of the county education agency.
- The municipality will be responsible for the required BEP local match. Any additional funding above the required local match will be at the discretion of the governing body.
- The current average BEP per pupil expenditure is \$6,182 with \$4,052 in state funding and \$2,130 in local match funding.
- The exact amount of any new local BEP match requirement is unknown and is dependent upon the number of students in the local education agency and the fiscal capacity of the new school district.
- It is reasonably estimated that there will be at least 1,000 new students in any new school district. The new district would be funded with at least \$4,052,000 (1,000 x \$4,052) in state BEP funding, and at least \$2,130,000 (\$2,130 x 1,000) in required local BEP match funding.
- County districts from which students transfer will be able to decrease expenditures in conjunction with the decrease in their enrollment. The precise decrease cannot be specifically determined, but is reasonably estimated to exceed \$1,000,000.

CERTIFICATION:

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



Lucian D. Geise, Executive Director

/msg