Tennessee Comptroller of the Treasury

Office of Research and Education Accountability

Capital spending for local school districts

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Introduction

Spending for public school capital projects by both local school districts and their county and city governments totaled an estimated $2 billion in fiscal year 2019-20, including all types of capital spending. The bulk of capital spending on K-12 schools is paid from local revenues, including revenues from bonds and notes issued by local governments, adequate facilities taxes, and dedicated property taxes. The state supports capital spending for schools primarily through the state's share of Basic Education Program (BEP) funding for several components related to capital needs. State dollars allocated in fiscal year 2019-20 totaled $503 million for the BEP's capital outlay, equipment, and technology components.

Major capital projects can require large, nonrecurring expenditures and are usually considered separately from schools' day-to-day spending on instruction, support services, student transportation, and the like. Capital expenditures, and related debt payments for capital projects, are commonly not included in measures of education spending per pupil at either the federal or state level due to their nonrecurring nature. For example, buying land and constructing a new school is generally not an activity repeated every year and does not have to be budgeted for annually the same way that salaries for teachers and gas for school buses do.

While some capital needs, such as school building additions or new construction, increase with a large or continuous influx of new students, other capital costs are unrelated to student numbers. For example, a leaking roof needs repair or replacement regardless of student enrollment numbers. Tennessee's maintenance of effort laws, which require local governments to at least maintain education funding at the prior year's level as a minimum, also exempt major capital and debt service budgets from consideration in maintenance of effort levels.

This brief reviews the amount and type of capital spending by Tennessee's local school districts and the districts' local government funding bodies. It summarizes the main drivers of capital spending, looking particularly at enrollment growth, and provides an overview of the methods districts and local governments use to pay for capital and debt spending.

What are capital expenditures?

In accounting terms, capital expenditures are payments for assets with a useful life longer than one year. For school districts, capital spending encompasses the construction and renovation of school facilities–the brick and mortar of school buildings, along with their roofs, plumbing, and heating and cooling systems. Adjacent facilities such as playgrounds, parking lots, and athletic fields are also part of capital spending for school districts. Expenditures to purchase land for school facilities, to make any site improvements needed prior to building, and to cover professional services such as architect fees are included under the capital spending umbrella as well.

Another category of capital spending encompasses equipment with a useful life of more than one year, such as desks, chairs, computers, office and playground equipment, and buses. Such equipment spending may be part of school districts' instructional programs, support services, cafeteria operations, or student transportation, among other school functions.

Often, capital expenditures are categorized by the method for funding them: that is, whether they are paid for directly out of school district operating funds or from government borrowing through loans or bond issues. In the latter case, borrowing by local governments provides revenue for school capital project spending and creates debt that must be repaid in subsequent years. School districts cannot borrow money themselves, as they are not taxing authorities. Instead, most districts must rely on their local funding body (such as county commissions and city councils). Special school districts, which do not have a direct local funding body, may issue debt with the approval of the General Assembly. In most cases, revenues from borrowing can be used only for capital expenditures. While any debt obligations on behalf of the districts are legally obligations of the county or city, many districts and local governments make arrangements for districts to share the debt burden.

Methodology

This report focuses on major capital spending for buildings and grounds, defined as regular capital outlay and education capital projects in Exhibit 1, and debt service for related spending in earlier years.

Financial data

In order to get a full picture of capital spending for schools, the Comptroller's Office of Research and Education Accountability (OREA) included not only spending by school districts, but also spending by local county and city governments on behalf of districts. One source used was the Tennessee Comptroller's Transparency and Accountability for Governments (TAG) financial reporting database, which contains audited financial data for 89 county school districts and for their county governments. Account spending codes allow education-specific spending data by the counties to be easily compiled. For the remaining 52 districts (33 municipal districts, 14 special school districts, and five county districts not included in TAG), OREA reviewed districts' financial expenditure reports made to the Tennessee Department of Education (TDOE) and summarized in TDOE's *Annual Statistical Report*, and reviewed districts' and their related local governments' financial audit reports.[A] Because the audit reports do not include data by account codes and do not necessarily identify capital and debt spending specifically for education, total spending calculations are based on a combination of both the financial reports districts make to TDOE and the audit reports of the districts and local governments.[1] As such, total spending is reported as a dollar range, rather than a single figure. Capital equipment data is an exception; only districts' financial reports to TDOE were used, and total spending is reported as a single dollar figure.

District growth data

In focusing on capital spending triggered by student enrollment growth, OREA identified 35 districts that had experienced growth of 2 percent or more from school year 2014-15 through school year 2019-20, encompassing five year-to-year changes, mostly prior to the coronavirus (COVID-19). Growth figures were based on districts' average daily membership (ADM) reported in TDOE's *Annual Statistical Report*.

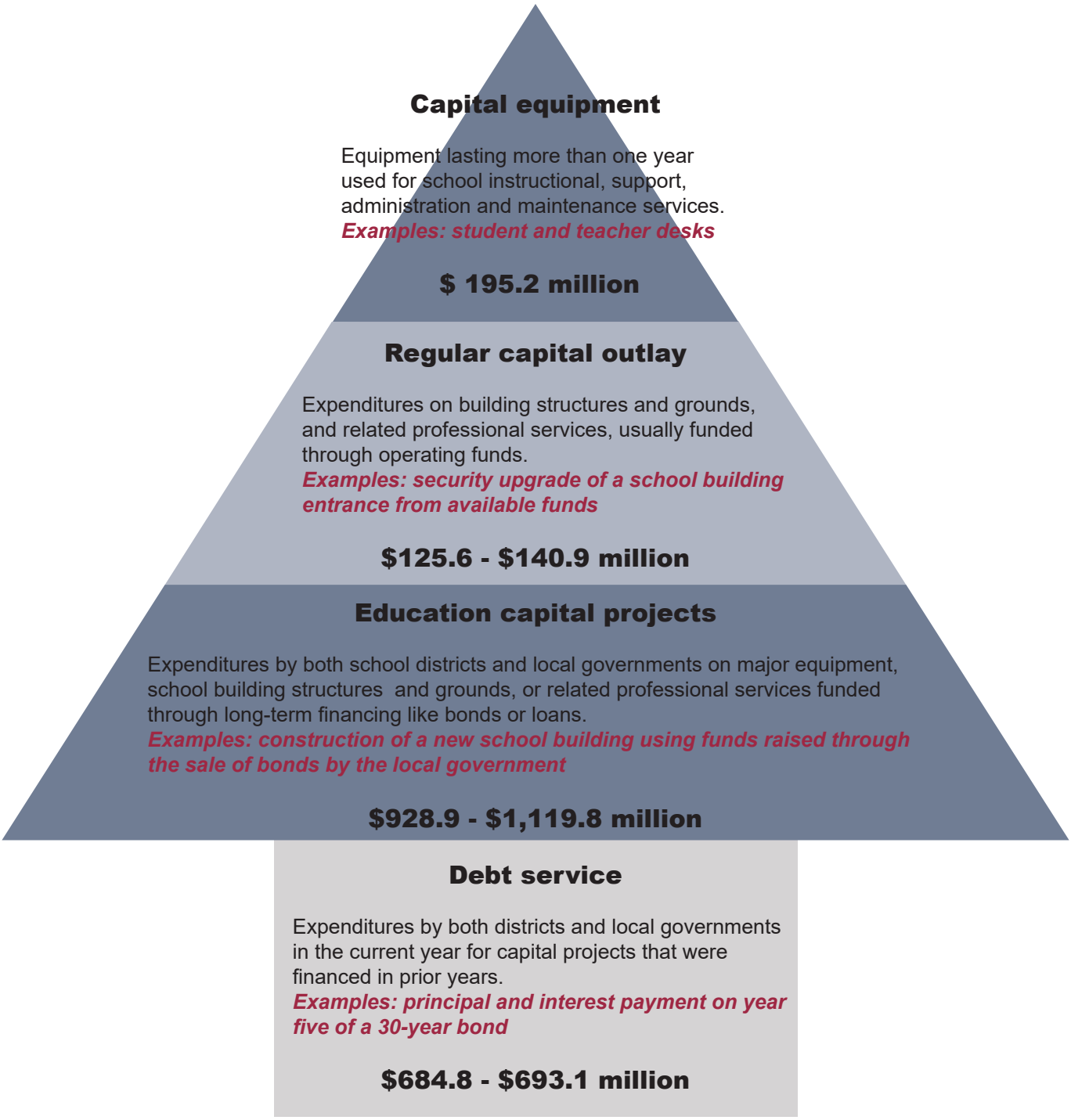
Interviews and reports

OREA reviewed general information about types of revenue sources and methods for funding school capital costs from a variety of sources including the Comptroller's Division of Local Government Finance, the University of Tennessee's Municipal and County Technical Advisory Service, and the Tennessee Advisory Commission on Intergovernmental Relations (TACIR). OREA also reviewed TACIR's annual reports on public infrastructure needs. OREA interviewed school district officials in 11 districts, representing all three Grand Divisions of the state, and all three types of districts (county, municipal, and special).[2] Interviews included chief financial officers and, in some cases, chief operations officers and directors of schools.

[A] The Achievement School district and the State Board of Education district were not included in OREA's analysis. Both are comprised primarily or wholly of charter schools, which are not addressed in this report.

Types of capital spending

Exhibit 1: All school-related capital and debt spending for Tennessee public schools | FY 2019-20



Note: Ranges are reported for capital outlay, capital projects, and debt service because for some districts, differences in how data was reported in the two different data sets used did not allow certain education expenditures to be identified. (See endnote 1 for a more detailed explanation.)
Sources: Districts' financial expenditure reports submitted to and compiled by TDOE, Comptroller TAG data, district and local government financial audit reports.

Capital equipment

Capital equipment is used across almost every area of K-12 education. Total spending in 2019-20 for equipment purchased with districts' general operating funds was $195,167,722.[3] Almost one-third (31 percent) of that spending was on regular instruction, which could include items like desks and whiteboards in classrooms, as well as laptops, Wi-Fi hotspots, and other devices used for instruction as classrooms pivoted to remote learning due to the COVID-19 pandemic. Technology and transportation were the next largest equipment categories based on 2019-20 statewide spending data, accounting for 16 percent each of total capital equipment spending. Technology in this category includes infrastructure components to support districtwide networks, ensuring sufficient connectivity, security, sharing, bandwidth, and storage. Transportation equipment can include office equipment used in the student transportation program (computers and desks, for example) as well as buses or other vehicles used for transporting students in districts that do not contract out their bus service. General operations and maintenance of district buildings and food service are the other main areas of spending for capital equipment and accounted for another 16 percent of total capital equipment spending in 2019-20. Any capital equipment financed through bonds or other debt, rather than operating funds, is accounted for in the education capital projects category. Equipment needs for a new school are generally included in the financing package for building the new school, but districts are usually replacing some portion of existing equipment in any given year due to normal wear and tear.

Regular capital outlay

Regular capital outlay includes expenditures on buildings and grounds that are not funded through debt. Such expenditures may include land purchases and improvements; building acquisition, construction, or improvements; and any related professional services, such as those contracted with architects, engineers, or consultants. These expenditures are typically made from districts' general operating funds. In 2019-20 reporting to TDOE, about 60 percent of district spending in this category was for building construction and improvements and another 33 percent was for other capital outlay.[4] Spending on contracted professional services was just under 5 percent and spending on land acquisition and development was about 2 percent.

Education capital projects

Education capital projects can include the same types of expenditures as reported in regular capital outlay – land purchases and improvements; building acquisition, construction, or improvements; and professional contracted services – and the same types of capital equipment as reported in the capital equipment category, but education capital projects expenditures are funded with revenues raised through long-term financing. In 2019-20 reporting to TDOE, districts' education capital project spending alone (without local government spending) was primarily for building construction and improvements, about 80 percent of total dollars in this category.[5] Other spending included professional contracted services (8 percent), capital equipment (6 percent), land acquisition and development (2 percent), and other capital outlay (4 percent).

School districts and their local governments may both invest in education capital projects

In one city school district, the school district is directly funding an addition to a middle school, while a new elementary school will be primarily funded by the local government. The local government borrowed funds on the district's behalf for a new administrative building, and the district will transfer its funds to the city to cover debt service over 12 years.

Source: Dec. 2021 interview with district officials.

Since school districts cannot borrow, they are dependent on local governments, such as their county commission or city council, to borrow funds on their behalf. Districts and local governments work out various arrangements as to how those capital funds are spent and reported. In some cases, the funds will be transferred to the district's accounts and will be reported as a school district expenditure. In other cases, the local government may record the funds in one of its accounts (a general capital funds account or a separate capital education fund account, for example) and record spending for school capital projects as a local government expenditure.

In the 89 county school districts that are part of the Comptroller's TAG database, a total of $678,450,066 in education capital projects spending was reported in 2019-20.[6] Of that total, about 56 percent ($378.6 million) were school district expenditures, and the other 44 percent ($299.8 million) were local government expenditures on school capital projects. Note that beyond this spending on specific education capital projects, local governments spent an additional $45.9 million in 2019-20 on capital projects that were then donated to the school districts. These expenditures might be for general government projects like a road or sewer line that was on school property. Transferring the project to the school district would incorporate it as part of the district's assets going forward.

Another perspective on the involvement of local governments in education capital projects is gained by comparing all 141 school districts' capital project spending reported to TDOE to the estimated totals OREA calculated for local government spending on education projects. In 2019-20, districts reported $509.5 million in education capital project spending.[7] Including local government spending brings that total to between $928.9 million and $1.1 billion, increasing the districts' spending figure by 82 percent to 120 percent.[8]

Charter schools

Unlike traditional public schools, which are the property of the local board of education, most charter schools in Tennessee are responsible for securing their own facilities and either lease or own them. Charters may lease available space from their authorizing district.

The situation differs, however, for charter schools in the Achievement School District (ASD). An ASD charter school does not typically lease or own their facility, which is a school formerly operated by the local school district. ASD charter schools are usually given free access to the school, though the local district retains ownership of the school.

Charter schools are funded through a per pupil allocation of state and local funds received by the authorizing district, but local revenues raised from debt obligations (like bond issues) and revenues earmarked for the associated debt service are excluded. In 2017, the state established a charter school facilities grant fund to assist charters in leasing, purchasing, or repaying capital debt for facilities, which has been expanded in succeeding years.

Sources: *TCA* 49-13-112 and state appropriation acts, 2019-2021.

Debt service

Debt service is a close cousin of education capital projects. When funds are borrowed for capital projects, a debt is created that must be paid back over a number of years. Debt service expenditures, which include principal and interest payments plus fees related to issuing the bonds and trustee commissions if applicable, are paid by districts and/or their local government funding body for buildings constructed in earlier years. Even if school districts have no current capital projects, they will likely have debt service expenditures in a given year for past projects.

While debt obligations are legally only the responsibility of the local governments that incurred them, the payments on debt service can come from school districts, their local governments, or both. Arrangements vary across districts and from one debt to another within districts as to the level of contributions each entity (i.e., school district or local government) makes toward a debt payment. School districts may transfer funds to their local government for some or all of a particular debt, while other debts may be paid from a city's or county's funds.

In 2019-20, TAG data for 89 counties showed that a total of $487,475,603 was paid for school debt service.[9] Of that total, school districts paid $67.8 million (13.9 percent), while their local governments paid $419.7 million (86.1 percent of total school debt service). Using a different data set, districts' financial reports to TDOE show all 141 districts spent a combined total of $266.3 million on debt service in 2019-20.[10] When local government payments on debt service are added in, the total expenditures are more than double, increasing by an estimated 157 percent to 160 percent.[11]

What factors can increase capital spending?

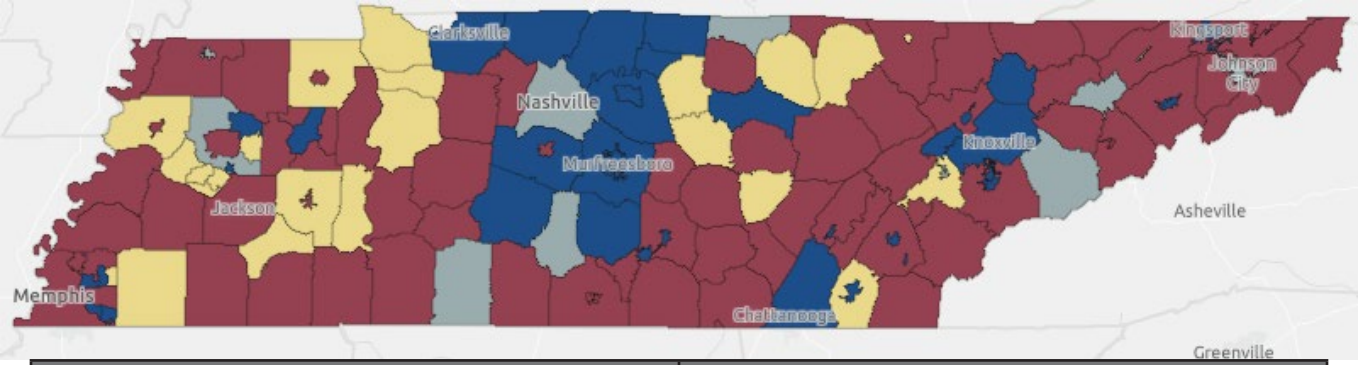
Major factors that drive increases in school capital spending include both educational needs, like more students enrolling in a district or changes in how education is provided, and external factors, like the natural aging of buildings, changing building standards, and construction costs.

Student enrollment growth

Student enrollment growth of sufficient size can create the need for more classrooms or larger core spaces like cafeterias and gyms. Student enrollment, as measured by average daily membership (ADM), grew in Tennessee by 1.5 percent during the five years from 2014-15 through 2019-20.[12] Starting with a baseline of 959,536 ADM in 2014-15, student enrollment increased to 973,632 by 2019-20, with the largest increase – almost 7,400 ADM – coming in the last year of that period. Growth has not been even across all school districts, however. (See Exhibit 2.) Enrollment grew in about one-third of the state's 141 county, city, and special school districts between school years 2014-15 and 2019-20.[B] The other two-thirds of districts experienced enrollment declines. While a few districts (e.g., Alcoa City and Williamson County school districts) experienced growing enrollments throughout the entire five-year period (2014-15 through 2019-20, mostly pre-COVID-19), most growing districts had some fluctuation. (See Appendix A for the ADM growth rates for all Tennessee districts.)

Of the districts with growing enrollment, 35 were determined to have had 2 percent or more growth over five years. These "high growth" districts were most likely to be in Middle Tennessee (43 percent) or to be city or special school districts (60 percent). Challenges facing high-growth districts are discussed later in this brief. (See "Strategies and challenges in growing districts.")

Exhibit 2: Five-year enrollment change in school districts | 2014-15 to 2019-20



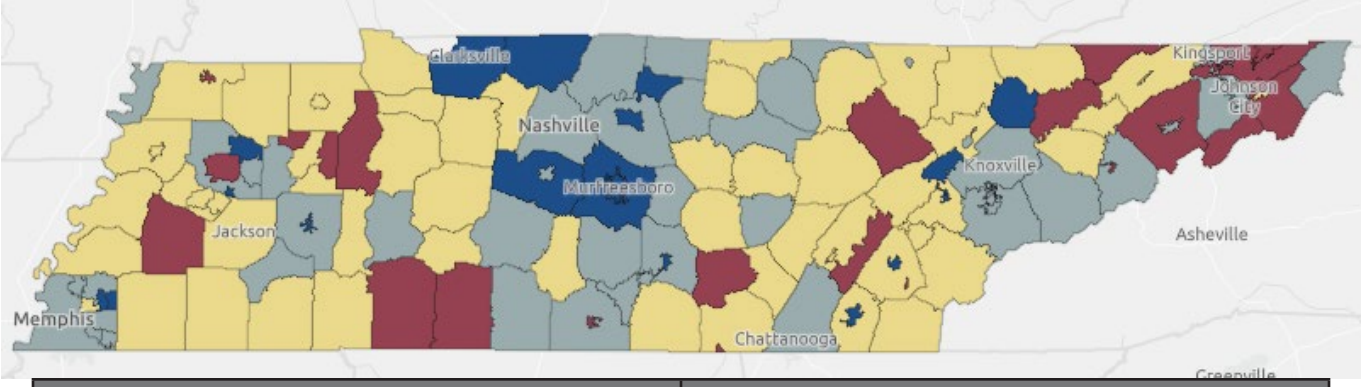
Growth		Decline	
2% or more	Between 0.01 and 1.99%	Between 0 and 1.99%	2% or more

Note: Because the map reflects enrollment changes over five years, trends up or down are intensified. Thus, more districts are shown as having enrollment increases or decreases exceeding 2 percent. Compare to Exhibit 3, showing enrollment changes over only one year.
Source: OREA mapping of ADM data, reported in Tennessee Department of Education's *Annual Statistical Report*, 2014-15 through 2019-20.

The map in Exhibit 3 shows fewer districts with large enrollment increases or decreases since this map reflects only a single year of change, in contrast to the five-year change shown in Exhibit 2. It is still clear, however, that some Middle Tennessee county districts, as well as some municipal and special school districts, experienced strong growth within a single year.

[B] Enrollment growth calculated from ADM totals reported in TDOE's *Annual Statistical Report*. Enrollment was not weighted by types of students, such as those taking CTE classes or those with disabilities, or weighted by ADM membership month, as it is for BEP calculations.

Exhibit 3: One-year enrollment change in school districts | 2018-19 to 2019-20



Growth		Decline	
2% or more	Between 0.01 and 1.99%	Between 0 and 1.99%	2% or more

Classroom size limits

Changes in how education is provided, such as the state limits on the number of students per classroom teacher, can also trigger increases in capital spending. In Tennessee, the 1992 Education Improvement Act set new limits on the number of students per classroom teacher, which led to the need for more teachers and more classrooms.[13] Districts had nine years, until 2001, to achieve compliance with the new standards. There have been no changes to classroom size limits in Tennessee since then. Recently, however, the COVID-19 pandemic has generated more attention to class size, both as a physical health concern to maximize space between people and as an educational concern, especially in lower grades and key subjects, to address lags in learning that occurred during remote learning periods. A 2021 review of class size limits by the National Council on Teacher Quality found that, in a sampling of 148 large districts nationwide, class size limits had not changed much in the previous five years.[14] The state's *maximum* class size limits set for Tennessee districts were above the average maximum limit of the other districts in the 2021 review, but Tennessee's *average* class size limits – which apply to each grade band within a school – were at, or lower than, other districts' limits.[C]

Age and quality of school buildings

The age and quality of existing school buildings can drive the need for increased capital spending on a variety of renovations or even whole building replacements. Upgraded standards for technology and security systems, health concerns related to asbestos, mold, or lead in water pipes, and decades of normal wear and tear on buildings can all impact capital spending.

School buildings typically have a useful life of 30 to 50 years[D]

Capital spending on building updates occur throughout a building's life cycle as some components need repair or replacement before an entire building is replaced. Roofs, heating and ventilation systems, and boilers for hot water are some common examples of these capital expenditures.

A TDOE official noted during a meeting with school and county finance officials in Dec. of 2021 that "we have a lot of aging school buildings in this state," and that it costs money to keep them in shape where students can come into them each day.

- A 2019-20 Shelby County Schools audit reports the average age of the school district's buildings is 50 years old.
- District officials in Hamilton County Schools and the Clarksville-Montgomery County School System report the average age of their school buildings is over 40 years old.

Sources: Tennessee Department of Education Local Match Town Hall (Dec. 2021), Shelby County Board of Education 2020 audit, 2021 interviews with district officials.

[C] Districts may only have to meet maximum class limits, may use average class size to comply with the maximum limits, may be subject to recommended maximums, or may not have any class limits. Tennessee requires its districts to meet average class size limits across a grade band, although individual classes only need to comply with the higher maximum limits.

[D] The useful life of a school building depends on the quality of building materials, design, construction, and preventive maintenance, among other issues. The state's Basic Education Program (BEP) formula uses 40 years as its estimate of a school's useful life.

As buildings age, maintenance tends to become more expensive. Old buildings need major renovations or full replacement when repairs became more costly and reach a point where they are no longer cost-efficient.

Prompt attention to maintenance can help maximize building life, but when faced with limited resources, districts are more likely to direct funding to classroom needs and defer maintenance in order to stretch their resources. The state's Basic Education Program (BEP) funding for districts reflects the priority placed on classroom spending: state funds from the instructional categories of the BEP calculation can be spent by districts only on instructional components (primarily educators' salaries and benefits); funds from the BEP classroom category can be spent on instructional or classroom needs; and funds from the non-classroom category, which includes school maintenance and operations and capital outlay, can be spent on any district need. (See more about BEP funding on page 16.)

Natural disasters, such as tornadoes, can also trigger the need for new buildings; two schools in Wilson County were destroyed and one school in Hamilton County sustained significant damage from tornadoes in 2020. In these cases, insurance and disaster funds can cover much of the cost for major repairs or a new building.

Changing building standards can also trigger capital spending on schools

Increased security concerns may require redesigned school entrances to control and monitor people entering the building, as well as security cameras, locks on classroom doors, and other additions. The federal Americans with Disabilities Act (ADA), passed in 1990, included requirements for public schools to be more accessible to persons with disabilities.[15] In 2020, 26 districts reported needed upgrades of $46.6 million to comply with the ADA.[16] School facility modifications to comply with the ADA can include playground upgrades, ramps, curb cuts, and wider door openings to make entrances more accessible. In 2020, 14 school districts reported needing to make capital improvements to ensure compliance with State Fire Marshal regulations or local fire codes. One district in 2020 reported needing to make capital improvements to comply with the Tennessee underground oil storage tank law.

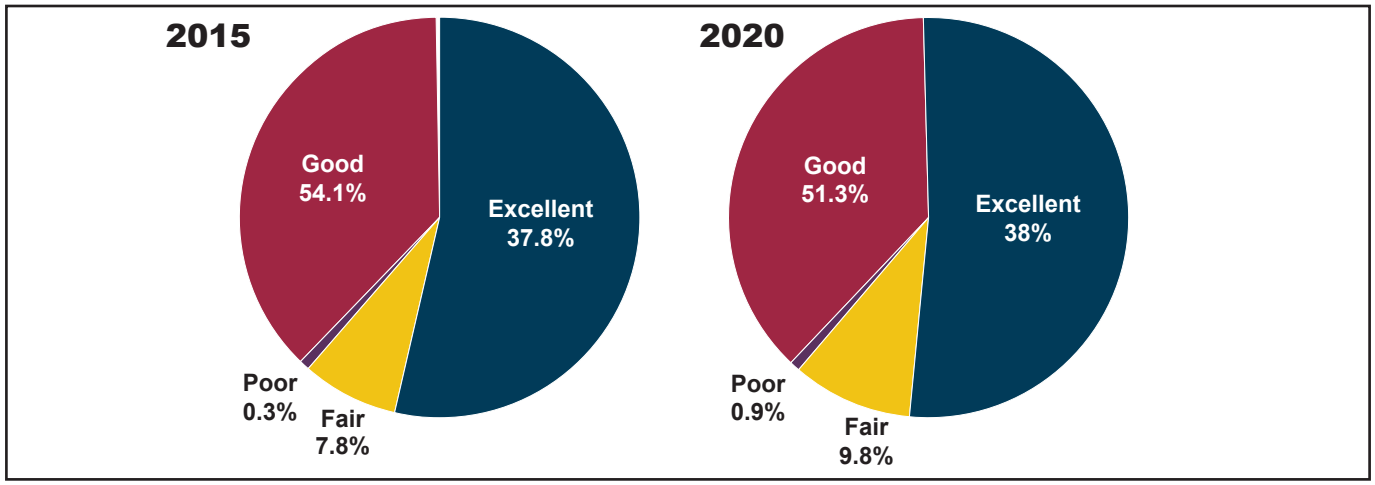
Health concerns about lead in paint, lead in water pipes, and asbestos used in general construction materials have led to federal and state regulations that can require districts to take corrective or preventive actions, which may lead to increases in capital spending. For example, in 2020, 19 districts reported $19.4 million of improvements needed to address asbestos issues in their buildings.[17] Capital spending may also be triggered by efforts to address air quality in buildings (e.g., mold or poor ventilation) or the safety of gym floor surfaces or playground surfaces.

Technology upgrades, such as ensuring adequate bandwidth and wireless computing access, may require capital spending. One district finance director noted that as more instruction depends on student and teacher internet access, keeping districts' technology up to date has become a greater need. Purchasing servers, routers, and backup generators and paying for technology-related renovations in older buildings are other examples of capital spending.

Inventory of school conditions and needs conducted annually by TACIR

A review of the annual inventory of public infrastructure needs conducted by the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) shows that the overall condition of all of Tennessee's public school buildings declined between July 2015 and July 2020. The percentage of schools in excellent condition slightly increased over this period, but a decline occurred in the percentage of schools in good condition. During the same period, schools in fair and poor condition increased.

Exhibit 4: Condition of public school buildings | as of July 1, 2015, and July 1, 2020



Note: The condition of existing public school buildings is rated by local school district officials as part of TACIR's annual inventory of public infrastructure needs. For definitions of school conditions, see endnotes.[18]
Source: TACIR infrastructure needs reports, 2017 (covering 2015-2020) and 2022 (covering 2020-2025).

As of July 1, 2020, local district officials indicated that about 92 percent of schools in fair or poor condition would need renovations to their existing space within the next five years, at an average cost of $14.1 million per school. About 58 percent of schools in good or excellent condition were projected to need improvements to existing space within the same period, at an average cost of $3 million per school.[19]

TACIR's annual inventories collect estimated costs of new school space needed (either additions to existing buildings or new schools) and costs of needed improvements to existing schools (including renovations, whole-building replacements, technology infrastructure, and mandated facility upgrades).[E] The graph in Exhibit 5 shows that the estimated costs for renovations have exceeded costs for new school space in recent years. "School systems with growing enrollment face the challenge of providing enough space for students, while other school systems need to renovate or replace their schools because of age, condition, or issues concerning school restructuring or consolidation, all while costs increase."[20]

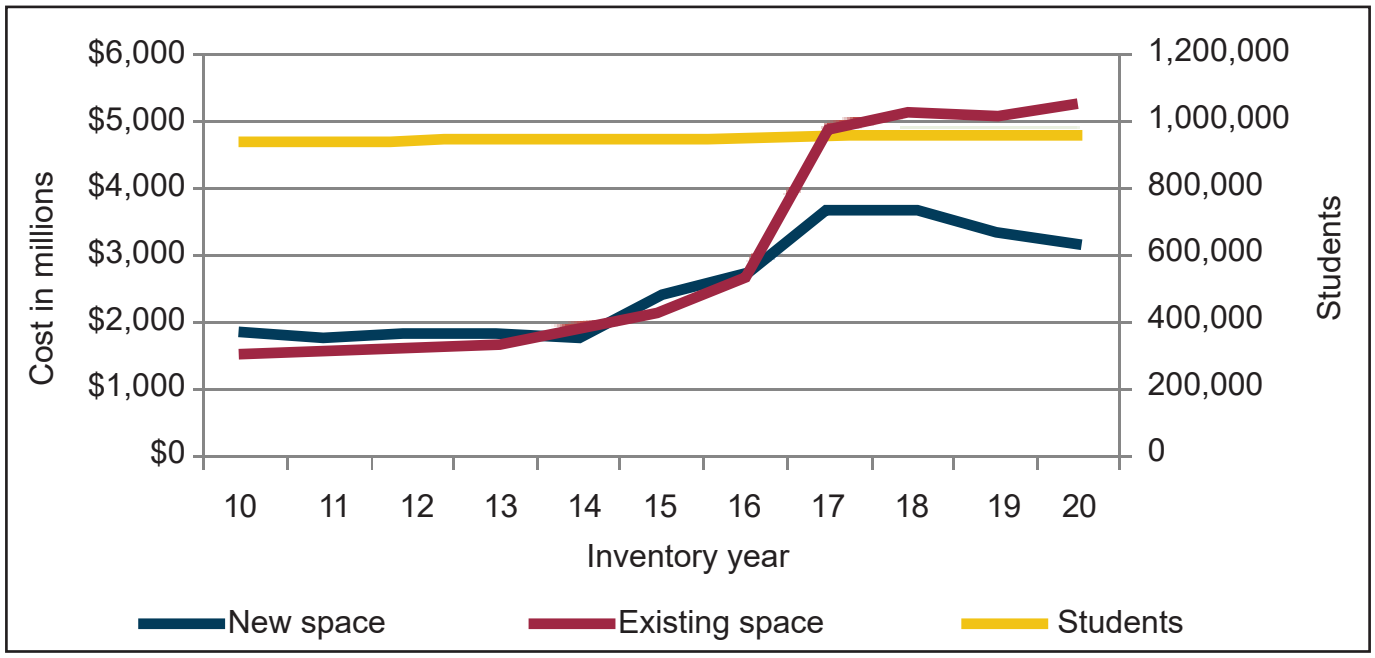
The estimated costs for school capital projects are a function of both the number and types of projects, as well as construction costs. For example, in the 2015 inventory, TACIR reported that the need for new school space was the main factor in increases for K-12 school projects. The 2016 and 2017 inventories cited increased need for renovations, new space for enrollment growth, and rising construction material costs as the key drivers behind increased estimates. Renovation increases in the 2018 report were driven primarily by a large increase for Metro Nashville Public Schools after a change in design guidelines, education specifications, and better estimating practices, as well as the district's building conditions and rising construction costs.

Rising costs of construction materials and labor continued to be a driving factor in the most recent renovation cost estimates. The estimated costs for new schools or additions have declined somewhat from their peak in 2017, in part due to completions of 33 new schools from 2017 to 2020. The 2019 estimated costs for improvements to existing schools showed a slight decline for the first time in several years but rose again in the 2020 estimate. While in 2010 the average cost of a completed new school in Tennessee was $18 million, the average completed cost of new schools in 2020 was $31 million per school.[21]

Combining the TACIR infrastructure needs data with OREA's map of districts' one-year enrollment growth provides a fuller picture of how capital needs interact with student growth trends in districts. (See the interactive map of capital needs and student growth on the OREA website.)

[E] A whole school replacement occurs when an existing building—due to age and condition—is replaced with a new building, but the number of schools does not increase. A new school means an additional building is added to the district's inventory. Mandated facility upgrades include state or federal requirements that affect the cost of capital projects and include those related to the Americans with Disabilities Act, asbestos, lead, and underground storage tanks.

Exhibit 5: TACIR Infrastructure Inventory: estimated costs of new school space needed versus existing school improvements needed and student enrollment growth | Inventory years 2010 – 2020



Notes: (a) New space and new school space includes new schools and additions to existing buildings. Improvements to existing school space are renovations to existing buildings that do not add space for more students.
(b) Each inventory year, school officials project school facility infrastructure needs and estimated costs for the next five years. In the 2020 inventory year, for example, projected school improvements to existing space were estimated at $5.3 billion through 2025; projected new schools and additions to existing schools were estimated at $3.2 billion through 2025.

Source: Tennessee Advisory Commission on Intergovernmental Relations, *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs, July 2020 through June 2025*, January 2022.

Cost of building materials and labor

Even if the number and size of school construction projects has not increased, capital spending can rise due to increases in building materials and labor costs, especially during periods when rising construction costs outpace cost increases in other sectors of the economy. The challenge of increasing costs can be compounded in areas experiencing growth and more demand. In interviews with local finance officials in high-growth school districts during fall 2021, OREA found that some of those districts were struggling to buy land and contract for new construction given rapidly rising construction costs.

Who pays for capital spending?

Local revenues cover the majority of capital expenditures

Historically and nationally, the funding of school capital improvements, renovations, or new building projects has been a local responsibility. This holds true in Tennessee as well. Local funding sources pay for the largest share of capital costs, using either district or local government regular operational funds or, more commonly, the borrowed revenues raised by local governments from issuing bonds or notes or qualifying for a loan.

State funds that can be used for capital or debt expenditures includes revenues allocated to school districts by the BEP formula and extra funding appropriated for fast-growing districts. Newly available federal COVID-19 relief funds have provided districts with a large, one-time infusion of federal funds, some of which can also be used for capital projects.

Bonds and notes

One of the most common methods to fund school capital projects is for local governments to issue bonds. General obligation bonds, a type of long-term borrowing with repayment periods of 20 years or more, are issued by school district funding bodies (local county or city governments) rather than school districts themselves because only taxing authorities can create debt obligations. Special school districts may issue bonds with the approval of the General Assembly, which gives its approval through passing amendments to the private acts of the local government. Bonds can be issued for a variety of school capital projects, including purchasing property, constructing or repairing buildings, furnishing and equipping those buildings, and purchasing buses or other major equipment.

Counties can issue bonds for school projects by a majority vote of the county commission and state law does not require a voter referendum.[22]

Cities can issue initial bond resolutions for school projects that are then subject to a voter petition.[23] If enough voters petition, the city must hold a referendum and receive majority voter approval to issue the bond. The referendum requirement for school bonds appears to have been implemented very rarely in the past decade.
Special school districts are unique in that their taxing authority and debt issuance must be approved by the state legislature since they do not have another funding body. Special school districts, like counties, can issue bonds without a voter referendum.

Payments on debt service often shared between districts and local governments

- A county school district would make payments on two energy efficiency loans from the general purpose school fund and the county would make payments on one energy efficiency loan for the schools from the county's general debt service fund.
- A municipal school district budgets $1 million annually for debt service on a bond for a new high school, while the city uses a designated portion of its property tax revenues to pay $3.6 million on the same bond's debt service.
- A county school district would make payments on $3.6 million of lease-purchase agreements made from 2017 through 2020 for student and teacher laptops and other computers. The county would make payments on $19.6 million of lease-purchase agreements for student laptops and school system IT equipment.
- A municipal school district makes payments of $700,000 per year from its fund balance to the city for four years to help cover part of a school construction loan. The city is also making payments. After four years, projections are that the city's growth will provide enough in property taxes to cover the remaining portion of the debt.

Sources: Local audits for fiscal year 2019-20, 2021 interviews with district officials.

For smaller or short-term projects, local governments may issue notes, a form of short-term borrowing, typically repaid in one year or less. Bond anticipation notes may be used to generate funds to pay for the construction or acquisition phase of a building project. Once a project is finished, long-term bonds are issued, with the bond proceeds used to pay off the bond anticipation notes. Capital outlay notes are an intermediate-term form of borrowing, which can have a pay-off period as long as 12 years. Similar to other notes, they may be used to fund the construction phase of a building project or to purchase smaller assets, such as vehicles or equipment.

Revenues raised through bonds or notes may be held and spent by the local funding body or transferred to the school board to be applied toward approved capital projects. Local governments may issue bonds earmarked for schools or for a specific school construction project, or they may issue more general bonds to cover multiple local projects, including school-related projects.

As the issuers of bonds or notes, counties and cities are legally liable for debt issued on behalf of school districts, but districts often contribute a portion of their operating funds to either partially or fully pay back the debt incurred (referred to as debt service). Counties and cities, as the districts' funding bodies, can provide funds outside of dedicated education tax revenues to help pay school debt. Counties and cities vary in how

they handle school debt, both across jurisdictions and within one jurisdiction, over time and for different debt obligations. Each local government and school district works out separate agreements as to whose funds are used, and in what proportion, for various capital projects and other debt obligations.

Public building authorities can issue bonds for schools

Some bonds issued by public building authorities (PBAs), authorized under *TCA* 12-10-101, have also been used to provide funds for school capital projects, but this does not appear to be a widely used approach. PBAs are public, non-profit corporations that can build and operate buildings for public use or for private businesses to lease. The PBA can issue revenue bonds following the same procedures as local governments, and counties or cities can enter into a lease or loan agreement with a public building authority. A few county PBAs have issued bonds for school capital needs in other counties. For example, in 2004, the Public Building Authority of Sevier County issued a bond to provide a $10 million loan to the City of Oak Ridge to construct a new high school and to renovate other school facilities.[24]

Washington County and town of Jonesborough

The town of Jonesborough in Washington County used a federal rural development loan from the U.S. Department of Agriculture to build a school, which the town then leased to the county and used the county lease payments to pay back the loan. If Washington County had issued school bonds for this project, a portion of the bond proceeds would have had to be shared with the Johnson City School District, a municipal district within Washington County. To avoid being sued by the Johnson City Schools over whether sharing was required for the revenues generated by the federal loan, Washington County agreed to pay the city school district $500,000 per year for capital needs for the next 25 years.

Sources: Dec. 2021 interview with Johnson City Schools official, Jan. 13, 2020, Interlocal Agreement between Johnson City and Washington County.

Counties must share bond revenues, but have revenue options that do not require sharing

Counties with multiple school districts (30 counties encompass 76 districts) are required by state law to share school bond revenues with all city and special school districts within the county's borders unless the city or special school districts waive their right to their share. The bond revenue sharing requirement is similar to the required sharing of local taxes allocated for school operations and maintenance. Cities that issue bonds for their school districts, and special school districts that issue bonds, are not required to share bond revenues with other districts within the county.

Counties do have some capital revenue options that do not require sharing with other school districts in their boundaries. Counties can create a rural debt service district, which excludes any city or special school districts included in the county; bonds issued by a county and paid for by tax collections only from these rural debt service districts are not subject to sharing requirements. A 2020 TACIR study found that six of the state's 30 multi-district counties had established such rural debt service districts.[25]

Some counties have chosen not to issue bonds and instead allocate other revenues to a capital funds account, which they do not have to share with any city or special school districts within their borders. (For an in-depth review of sharing requirements of revenues for capital needs in multi-district counties, see TACIR's 2020 report, *Effects of Sharing of Resources among School Systems in Counties with More than One School System*.)

Adequate facilities taxes

Adequate facilities taxes are specifically designed and authorized in law for growing counties to raise revenues for education capital projects and debt service. In 2006, the General Assembly passed the County Powers Relief Act (*TCA* 67-4-2901). The act authorizes counties and metropolitan governments to levy a privilege tax on residential development to provide additional funding for school capital expenditures and debt service related to population growth. Some counties had previously established similar privilege taxes on development

(also known as adequate facilities taxes or impact or development fees) through private acts, although they were not always limited to education expenditures.[F] The 2006 law prohibited counties from adopting any new adequate facilities taxes under private acts and, further, prohibited them from adopting any development/impact fees or real estate transfer taxes by either public or private acts. Counties that had established adequate facilities taxes or impact fees prior to the 2006 law were allowed to continue to levy and collect those taxes.

A total of 18 counties were identified by the University of Tennessee County Technical Assistance Service (CTAS) as having an adequate facilities tax or a development/impact fee as of early 2021 and confirmed through the Comptroller's TAG system as having revenues from these taxes in fiscal year 2019-20.[26] Ten of the 18 counties had an adequate facilities tax dedicated to education spending, primarily for capital projects and/or debt service. (Montgomery County's private acts specify that its adequate facilities tax can also fund recurring education costs.)[27] In the 10 counties where adequate facilities taxes for education were identified, combined revenues collected in 2019-20 totaled $15.2 million, ranging from $2,700 to $5.9 million.[28] Five of the 10 counties included a county school district identified by OREA as a high-growth district. Four other counties in this group of 10 included a county school district identified as high growth, but revenues from adequate facilities taxes in these four counties were not earmarked for education capital projects or debt service.

Adequate facilities tax rates, adopted under either the general state law or under private acts, ranged from 50 cents to one dollar per residential square foot, with generally lower rates per industrial or commercial foot. One county charged $500 per lot and $500 per dwelling unit, rather than by square footage, and another revised their tax rates in March 2020 to set amounts for ranges of residential square footage ($3,374 per dwelling unit for 1,399 square feet or less and up to $12,237 for 3,400 square feet or more).

In order to be eligible to levy an adequate facilities tax since the 2006 law, counties must meet the population growth criteria set in law and adopt a capital improvement plan. The law sets the initial tax rate and limits how often counties can increase the rate.

Some municipalities adopted adequate facilities taxes prior to the 2006 County Powers Relief Act, and some municipalities have specific authority under their city charters to levy impact fees under general state statutes.[29] However, out of approximately a dozen cities and towns identified as having adequate facilities taxes or impact fees, none operated city school systems.[30]

Dedicated taxes and other sources

County tax structures vary, but often certain portions of property tax revenues are dedicated or earmarked for certain funds. Every county that operates a school district allocates a portion of the property tax for general education operating expenses.[31] Additionally, eight counties had specific property tax allocations for school capital projects, and 10 had specific allocations for education debt service in 2019-20. More counties earmark funds for general county capital projects (34 counties) or general debt service (84 counties), from which school projects and school debt can also be paid. For example, Blount County designated 0.14 percent of property taxes to a school capital projects fund out of its total 2.47 percent tax rate, and Lawrence County designated 0.06 percent tax allocation to an education debt service fund out of its total 2.96 percent tax rate.

Counties may designate portions of other taxes specifically for education capital or debt service needs, such as a hotel/motel tax or a wheel tax, or set aside a portion of the sales tax collections that are already directed toward education. For example, Williamson County voters approved a sales tax hike in 2018 to pay down school construction debt. After three years, the revenues from the increase were to shift from debt to school operational funds and city needs.

[F] Although a development tax or fee, impact fee, and adequate facilities tax can refer to different types of local methods for generating revenue from development or regulating the financial burdens of new growth, some sources use these terms interchangeably. For purposes of this report, they were considered as variations of one type of tax and the term adequate facilities tax was used to refer to all the variations.

Cities with school districts are likely to fund their districts as one of their city departments but may also earmark certain taxes for school capital needs or debt service. Special school districts have limited taxing authority to raise funds specifically for their districts.

School districts use funds from their general operating budgets and cash reserves for the capital and debt service obligations agreed to with their local governments. Other school district sources for capital project spending can include funds raised by parent-teacher organizations (PTOs) and booster clubs, other private donations, and grants.

State revenues are provided primarily through the BEP and district growth funds

Basic Education Program (BEP)

Tennessee's BEP formula includes 46 different funding components in four categories: Instructional Salaries, Instructional Benefits, Classroom, and Non-classroom. There are multiple BEP components related to capital expenditures found in the latter two categories. All BEP components – including those related to capital needs – are calculated to provide equitable funding to districts and are generally not required to be spent on the same components for which they are calculated. The BEP is a funding formula, not a spending plan. There are, however, a few restrictions by category: funding in Instructional Salaries and Instructional Benefits can be spent only on instructional personnel, and Classroom funding must be spent on either Classroom components or instructional personnel. Non-classroom funding can be spent in any area.

BEP capital outlay component

The largest BEP component for capital spending is the "capital outlay" component. In fiscal year 2019-20, the state funding for this component totaled $406 million.[32] Because this component is in the non-classroom category of the BEP formula, the state splits the funding of this component 50:50 with local districts as a whole. This ratio of state to local funding can vary significantly, however, for individual districts based on their fiscal capacity, which is the local ability to raise education funds in each county relative to other counties'

abilities.[G] If districts are in growing counties that are increasing their education funding abilities (through expanding their property and sales tax bases) at a pace faster than other counties, their increased fiscal capacity will reduce their state share of BEP funding. In 2019-20, districts' state share of non-classroom funding ranged from 25 percent to 87 percent; local funding must cover the balance, 75 percent to 13 percent.[33]

Although referred to as the "capital outlay" component, the actual BEP calculation of this component is an annualized, projected cost to finance a new school based on the allowable square footage for all students currently enrolled.[34] Because it includes a debt repayment cost for a long-term bond with interest, it is essentially an estimated debt service cost. See Appendix B for an example of the calculation for the BEP capital outlay component. Because there are no restrictions on how funding from the capital outlay component is spent, districts are free to use these funds for any school need. That means the dollars calculated for the capital outlay component can be spent on teacher salaries, special education classroom aides, or textbooks, if district and school management determine those are higher priority needs than building improvements. Because of the restrictions on the other categories of BEP allocations, funds in the non-classroom category are the only BEP dollars that can be spent on capital projects and debt service.

Looking at only district-level spending on major capital needs and debt service (without local government expenditures), Exhibit 6 shows districts' spending was more than double the state's 2019-20 BEP funding at the statewide level.

[G] The BEP formula calculates fiscal capacity at a county level. All school districts within a county get the same fiscal capacity rating.

Exhibit 6: Comparison of BEP capital funding component to district capital expenditures and debt service | FY 2019-20

Category of district expenditures	Combined district expenditures reported to TDOE
Regular capital outlay *spending on buildings, grounds, and related professional services; usually paid with operating funds*	$117,316,790
Capital projects *spending on major equipment, buildings, grounds, and related professional services; typically funded through debt instruments, like bonds, notes, and loans*	$509,501,847
Debt service *spending in the current year for capital projects financed in prior years*	$266,292,753
Total of districts' capital-related expenditures (regular capital outlay + capital projects + debt service)	**$893,111,390**
State-funded share of BEP capital outlay component	**$406,346,485**
State BEP capital outlay funding as a percentage of districts' capital-related expenditures	**45.50%**

Sources: District expenditures reported to Tennessee Department of Education (TDOE) from TDOE's *Annual Statistical Report*, 2020. State-funded share of BEP capital outlay component from OREA BEP Calculator, Fiscal Year 2020.

Total local spending on capital outlay, capital projects, and debt service is significantly higher than district-level spending alone, as described earlier, and is not captured in Exhibit 6. When local government spending by cities and counties, particularly for education capital projects and education debt service, is added to the district-level spending, the total spending is estimated to be at least $1.739 billion – or about 95 percent more than district-level spending alone.[35] (See Exhibit 1.)

Local government expenditures are negotiated between the districts and their local government funders. School districts experience varying levels of support from their local governments, depending on multiple factors, such as the size of the local tax base, rates of population growth and business development, existing debt, and support for increased education spending among voters and elected officials. (See further discussion in "Funding and relationships with local government".)

BEP capital equipment components

The BEP also provides funding for instructional equipment (regular, alternative, special education, and vocational) and for non-instructional equipment (other student support, principal and central office, finance and personnel, maintenance and operations, and transportation). In 2019-20, the state provided $66.6 million in funding for school equipment through the BEP.

These equipment components are based on a district's average equipment expenditures per student for the three prior years. The average per-student expenditure is then inflated up by two years. The BEP equipment components do not distinguish between capital equipment (having a useful life of more than one year) and other equipment.

In the BEP, the instructional equipment component is within the classroom category and is funded 75 percent by the state across all districts. The non-instructional equipment is within the non-classroom category and is funded 50 percent by the state across all districts, although individual districts receive more or less state funding percentages according to their fiscal capacity.

Exhibit 7: BEP equipment funding components | FY 2019-20

Equipment components	Unit funding*	ADM or other student units used	Total BEP allocation	State share of BEP allocation
Regular and alternative instructional equipment	$69.50	Per regular and alternative ADM	$64,568,958	$48,426,719
Special education instructional equipment	$17.00	Per special education students identified and served	$3,167,689	$2,375,767
Vocational/CTE instructional equipment	$99.75	Per CTE full-time-equivalent ADM	$3,943,060	$2,957,295
Non-instructional equipment	$26.50	Per total ADM	$25,667,404	$12,833,702
Total				**$66,593,483**

*Note: Not all equipment funding is spent on capital equipment.
Sources: State Board of Education, *Tennessee Basic Education Program (BEP) Blue Book*, 2019-20; OREA BEP Calculator, Fiscal Year 2020.

BEP technology component

Finally, the BEP provides technology funding, which is a flat amount set by the General Assembly that is allocated to districts based on student enrollment. In fiscal year 2019-20, the total dollar amount for technology in the BEP was $40 million, which was allocated to districts based at $41.30 per student.[36] As a classroom component, the technology allocations were funded by the state at 75 percent, resulting in $30 million total of state funds distributed to local school districts.

State growth funds

Outside of the BEP, the state provides additional funding to growing districts that meet certain criteria. The amount of growth funds and the criteria districts must meet to receive a portion vary based on the General Assembly's annual appropriation. The growth fund appropriations have ranged from between $10 million to $37 million over the past 10 years (See Exhibit 8.) Districts may use growth funds as they choose, whether for capital or general operating expenses, as rising student enrollment can drive increases in both capital spending for more learning space and spending for day-to-day operations on such things as additional teachers, textbooks, and cafeteria food. In the five years from 2016-17 through 2020-21, 85 districts received growth funds at least once, and 60 percent (51 districts) received growth funds for multiple years.[37] A third of the districts (30) received growth funds in at least three years of the five-year period reviewed. (Preliminary data for 2021-22 is reported but was not included in the analysis.)

The needs of growing districts were recognized in the 1992 Education Improvement Act that established the BEP.[38] For most districts, BEP funding would be calculated based on prior year student enrollment (average daily membership, or ADM, and similar prior year counts for subgroups of vocational and special education students); but for districts with more than 2 percent growth, the BEP would be calculated using current year student numbers. Thus, growth funds would provide districts the additional funding they would have been allocated if *current year* enrollments were substituted into the BEP formula in place of the *prior year* enrollments that are the basis for BEP calculations. A 1998 revision specified that any increases in districts' funding using current year rather than prior year enrollment numbers would be provided "to the extent funds are appropriated for that specific purpose" and clarified that only additional funding linked to growth above 2 percent would be provided.[39] A 1999 revision provided that if the appropriated funds exceeded the amount needed to fund growth of more than 2 percent, the percentage could be lowered so that all appropriated funds could be distributed to school districts with student growth.[40]

Current law still indicates that any growth funding based on current year enrollments is intended for districts with student growth that exceeds 2 percent over the previous year,[41] with the provision that funds distribution

to districts can be adjusted based on available appropriations. From 2016-17 through 2020-21, the amount of funding appropriated by the General Assembly has exceeded the amount needed to fund growth of more than 2 percent. (See Exhibit 8.) In some years, the General Assembly's appropriations exceeded the growth funds distributed to districts, even when all district growth was funded (rather than just the portion above 2 percent). This is at least partly because estimates of growth and the passage of the appropriations act occur months before the next school year begins and districts can collect current year enrollment data. The Department of Education, in explaining why significantly fewer funds than appropriated were actually distributed to districts, noted that while there was an enrollment increase statewide in 2018-19, it was lower than it had been in previous years, and that in 2020-21, the pandemic drove enrollment declines in many districts.

Exhibit 8: State funding for growth districts based on current year enrollment, by school year

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total appropriation	$19 million	$37 million	$37 million	$23 million	$23 million	$23 million
Total distributed	$19,000,003	$35,820,000	$26,392,000	$22,692,000	$15,787,000	$11,500,000*
Threshold percentage of growth funded	100.89% (growth above .89% funded)	100% (all growth funded)	100% (all growth funded)	101.35% (growth above 1.35% funded)	100% (all growth funded)	> 102%* (growth above 2.0% was prorated)
Number of districts funded	30	52	55	26	14	12

* Note: As of April 25, 2022, $11.5 million had been distributed to qualifying districts based on prorated payments for estimated growth over 2 percent. Initial estimates for all growth over 2 percent would have exceeded the appropriated growth funds by $1.6 million. Final growth payments will be made in June 2022, and the Department of Education expects the full $23 million to be distributed at that time.
Source: Tennessee Department of Education.

Energy Efficient Schools Loan Program

The Energy Efficient Schools Initiative (EESI) Loan Program was initially established by the General Assembly in 2008 to provide low-interest loans and grants to local school districts for capital projects that improve energy efficiency.[42] Since its inception, the program has disbursed about $20 million in grants and more than $106 million in loans. Loans to districts can cover renovation and repair projects, as well as new construction projects, not exceeding $5 million. Types of eligible projects include interior and exterior lighting system upgrades, electrical systems, pumps and motors, energy management systems and equipment controls, building insulation, and HVAC equipment. Projects must show that energy savings, or other available funds, are sufficient to retire the loans within the time period set, not to exceed 16 years.

The program is administered by the 12-member Energy Efficient Schools Council, comprising three state agency commissioners and appointees of the Governor and the speakers of the House and Senate, representing school systems, local government, the energy industry, and others. A technical advisory committee is to set energy efficient design and technology guidelines for schools as well as guidelines for monitoring and verifying energy efficiency achieved from capital projects.

Originally started with $90 million from lottery reserves, the General Assembly made an additional appropriation of $11 million in 2018.[43] The loan program uses a low-interest revolving loan mechanism through which repayments of previously approved loans replenish the fund balance to make new loans. As of June 30, 2021, 80 loans totaling $67.5 million were outstanding.[44]

Other state funds

Occasionally, the state provides one-time funding for specific purposes, which may include capital items. For example, in 2018, the state provided $35 million in safety grants to improve aging school buildings with upgrades like security cameras, strengthening the security at front entrances, and fixing or replacing broken locks or outdated doors.

Recent legislative proposals for increased state funding

In recent years, several legislative proposals have been introduced to supplement state funding of capital needs in high-growth districts.

2021 | House Bill 1174/Senate Bill 1131

This bill would create a rapid growth school district fund from a one-time $30 million appropriation from the general fund. Districts with a minimum of 2 percent growth over the preceding five fiscal years would be eligible to apply for a grant to cover school-related capital improvements or debt service, not to exceed $7 million. The Department of Education would develop the process for awarding grants, and any undistributed funds would revert to the general fund. The department had indicated 39 districts were eligible in 2021. The bill was approved by the Senate Education Committee and a House subcommittee but was rolled to 2022 by the House Education Administration Committee due to the influx of federal money from the Elementary and Secondary School Emergency Relief (ESSER) Fund and due to concerns about whether smaller, rural districts would benefit under the bill. (See more about ESSER funds in the following section on federal funding.) When the Education Administration Committee returned on January 19, 2022, it voted to defer further consideration of this bill to a final education funding calendar in light of the Governor's proposed new funding formula for K-12 education.

Change to TISA funding formula

The Tennessee Investment in Student Achievement Act, passed by the General Assembly in April 2022, will replace the BEP funding formula for school districts starting in 2023-24. It incorporates the BEP capital outlay funding component into the base per-student funding of TISA. Funding for instructional equipment used for students with disabilities will be allocated through weighted funding, and instructional equipment for career technical programs will be allocated through direct funding. Other equipment and technology funding will be incorporated into the base funding. TISA also authorizes a state-funded growth stipend for districts experiencing growth over 1.25 percent and an infrastructure stipend for districts with more than 2 percent growth for three consecutive years.

2021 | Senate Bill 1130/House Bill 1173

The proposed *Tennessee Local Education Capital Investment Act* was to create a new allocation of state sales tax revenue for local school districts meeting the definition of a "rapid growth school district." Districts with enrollment growth of at least 2 percent total over the preceding five years would qualify for the rapid growth designation and apply to receive additional state sales tax funds from taxes collected within the county, which could be used only for school-related debt service or capital improvements. The highest growth districts (with 20 percent or more enrollment growth) would be eligible to receive additional state funds, up to a maximum amount. The bill's fiscal note cited TDOE calculations that 35 districts would qualify, and the decrease in state revenue – and the resulting increase in districts' revenue – would total $21.4 million. After passing in the House Government Operations Committee, the bill did not receive a vote in either the House or Senate finance committees it was referred to. (The bill was not assigned to be heard by the education committees.)

2020 | House Bill 2122/Senate Bill 2370

The proposed bill was to create a rapid growth school district fund from $30 million of the state's general appropriations funds for fiscal year 2020-21. TDOE would administer the fund and award grants for school-related debt service or capital improvements to districts that had at least 10 percent growth over five years. The fiscal note for the bill cited TDOE figures that six districts met the 10 percent growth threshold; thus, an average grant amount was calculated at $5 million. The bill was voted down in the House K-12 Education Subcommittee and not voted on by the Senate Education Committee.

2019 | Senate Bill 197/House Bill 239

The proposed *Tennessee Local Education Capital Investment Act* had provisions similar to those in the 2021 version (see SB 1130/HB1173 above), except the rapid growth district threshold was determined in numbers of students (250 additional students, on average, each year) rather than percentages of students (2 percent enrollment growth). The allocation of state funds to a qualifying district would be an amount equal to 2 percent of state sales taxes collected and remitted from within the boundaries of the district but would be in lieu of the existing 4.6 percent of existing state allocations to municipalities. The fiscal note cited Department of Revenue calculations that four counties would qualify as rapid growth districts and that, since none of the four were municipal districts, they would opt to receive the additional state funding. The fiscal note estimated the bill would result in an $18.3 million transfer of funds from the state to the qualifying local districts. The bill, introduced in 2019, was rolled into the 2020 session, but it was not heard in full committees.

2019 | House Bill 124/SB 198

Also known as the *Tennessee Local Education Capital Investment Act*, this bill is similar to the others, providing districts additional state funds up to a maximum amount.[H] Qualifying districts would have to meet the growth threshold of at least a 2 percent increase in enrollment over the previous five years. The bill would result in a $32.9 million transfer of funds from the state to the qualifying local districts in 2019-20. This bill was also rolled from the 2019 to the 2020 session but was not heard in full committees.

Federal funding options available in the wake of COVID

ESSER funds

In March 2020, at the beginning of the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included the creation of the Elementary and Secondary School Emergency Relief Fund (ESSER Fund). Since the creation of the ESSER Fund, Tennessee local school districts have been allocated approximately $3.37 billion in federal funds. (See Appendix C.)

The initial ESSER Fund was to provide funds to state educational departments to help local districts address the impact of COVID-19, including purchasing educational technology, providing mental health services, implementing summer and after-school learning programs, maintaining district operations, continuing to employ existing staff, and offering any activities already authorized under a host of existing federal programs (Elementary and Secondary Education Act, IDEA, McKinney-Vento, and others), plus training and coordinating activities around health preparedness and response to the coronavirus, including cleaning and sanitizing facilities.

Supplemental funds were added through ESSER 2.0 in December 2020 and ESSER 3.0 in March 2021. The ESSER 2.0 and 3.0 funds can be used for most of the same purposes as the original ESSER funds but can also be used to address learning loss, safely reopen and operate schools, and make certain school facility repairs and improvements. Specifically, funds can be used for school facility repairs and improvements that reduce the risk of virus transmission and exposure to environmental health hazards during school operation, support student health needs, and improve the indoor air quality in schools (e.g., by replacing or upgrading HVAC systems, air filters, fans, windows, doors, etc.).

All Tennessee school districts received ESSER funds, and funds in the ESSER 2.0 and 3.0 allotments can be used, in part, for facility needs. Exhibit 9 highlights how some growing districts are using, or plan to use, these federal funds.

[H] The maximum amount would be equal to 2 percent of the district's share of the state sales tax revenues collected from within the county, capped at a maximum of $7 million.

Exhibit 9: Examples of school facility projects using federal ESSER funds | Selected districts

District	ESSER-funded facility project
Alcoa City	Roof repairs, security cameras in buildings and on buses, perennial termite issue at an elementary school
Bradford Special	Addition of a special education office and classroom
Clarksville-Montgomery County	Replacement of HVAC units and addition to one school
Germantown Municipal	Addition to a middle school and technology equipment
Hamilton County	School building replacement
Knox County	Elementary school addition, HVAC replacements, renovations to a school serving students with special needs, upgrades of computer devices and classroom technology infrastructure
Lakeland City	Revision of new high school plans to include more space, upgrades of some HVAC units
Manchester City	Upgrades or replacements of HVAC units
Rutherford County	Infrastructure improvements such as HVAC replacement and technology for distance learning
Williamson County	Purchase of Chromebook laptops
Wilson County	Purchase of backup generators and technology infrastructure upgrades

Source: 2021 interviews with district officials.

USDA Rural Development Loans are an option for some districts

A few communities have qualified to use U.S. Department of Agriculture (USDA) Rural Development loans to build schools. The USDA's Community Facilities Direct Loan and Grant Program provides "affordable funding to develop essential community facilities in rural areas."[45] The program sets priorities to fund projects in small and lower income communities, and projects must demonstrate substantial community support.

Through this USDA loan program, the city of Lakeland was approved for a loan to build a new high school as well as to refinance an existing capital outlay note used to fund construction of a middle school. Lakeland School System officials commented that the USDA loan was a more economical way to finance their school construction than for the city to try to issue bonds. In addition, there is no citizen referendum requirement for USDA loans as there is for city bond issues.

USDA loans also differ from county bond issues in that there is no explicit requirement that the loan proceeds be shared with any non-county districts. With bond issues, state law requires that counties with multiple school districts share the revenues generated with all school districts within the county's borders.

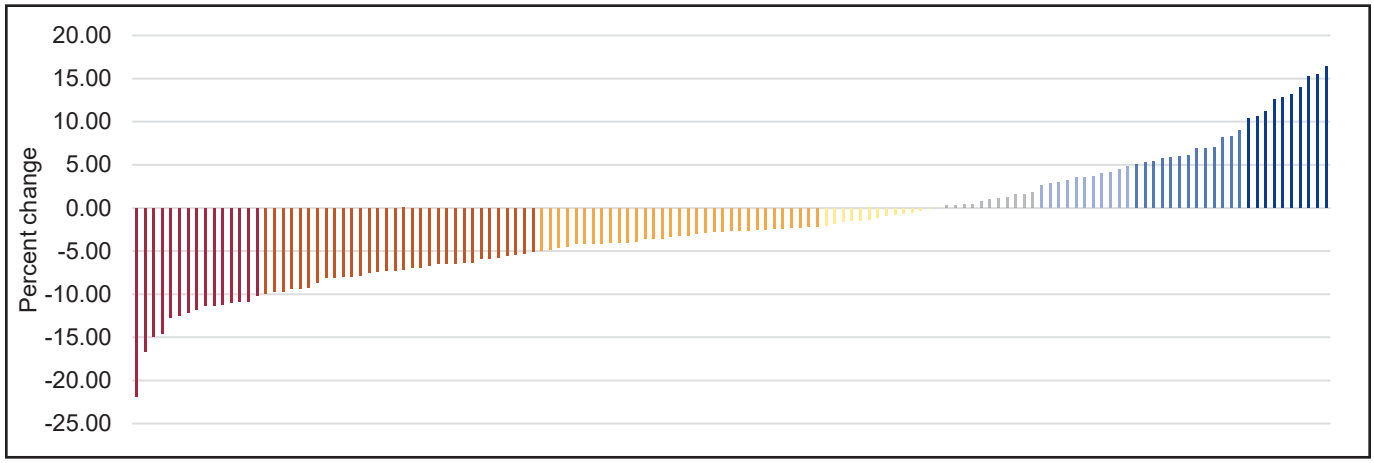
The town of Jonesborough, in Washington County, was also approved for a USDA loan to build a school, which it is leasing back to the county school district. (See previous box "Washington County and Town of Jonesborough.") The Bradford Special School District (Gibson County) is developing plans to borrow through the USDA loan program for a school addition.

Strategies and challenges in growing districts

OREA identified 35 districts that experienced total enrollment growth of 2 percent or more across a five-year period, from 2014-15 through 2019-20 (reflecting mostly pre-COVID average daily membership data), for further research. Several recent legislative proposals have used total enrollment growth of 2 percent or more across a five-year period as criteria for additional funding.

The earlier map presented in Exhibit 2 showed where enrollment growth was occurring. Exhibit 10 shows the amount of enrollment change over the five-year period 2014-15 to 2019-20. In Exhibit 11, the 35 districts shown comprise 14 county school districts, 18 municipal districts, and three special school districts.[1]

Exhibit 10: Total five-year change in enrollment (ADM) by district | 2014-15 through 2019-20



Note: Lakeland School System had 117 percent ADM growth over the five years reviewed and is omitted from this graph in order to see the rest of Tennessee's districts more clearly. Students from Lakeland attended other districts during construction of a new school building and were not counted as Lakeland students at that time.
Source: Tennessee Department of Education *Annual Statistical Report*, fiscal years 2015 and 2020, Table 7.

Exhibit 11: School districts with at least 2 percent total growth in ADM | 2014-15 through 2019-20

2.00 – 4.99 percent growth		5.00 – 9.99 percent growth		10.00 or more percent growth	
Clinton City (Anderson County)	2.56	Alcoa City (Blount County)	9.02	Manchester City (Coffee County)	10.59
Oak Ridge City (Anderson County)	3.67	Maryville City (Blount County)	5.90	Bradford Special (Gibson County)	12.56
Bedford County	4.42	Cleveland City (Bradley County)	6.00	Etowah City (McMinn County)	12.82
Tullahoma City (Coffee County)	3.59	Huntingdon Special (Carroll County)	5.30	Montgomery County	14.03
Greeneville City (Greene County)	3.48	Humboldt City (Gibson County)	5.69	Robertson County	10.35
Hamilton County	3.24	Macon County	5.08	Rutherford County	13.17
Knox County	2.96	Maury County	6.96	Murfreesboro City (Rutherford County)	15.43
Athens City (McMinn County)	4.04	Putnam County	6.09	Collierville City (Shelby County)	15.28
Dayton City (Rhea County)	2.80	Bartlett City (Shelby County)	6.88	Lakeland City (Shelby County)	116.98
Kingsport City (Sullivan County)	4.12	Germantown City (Shelby County)	7.06	Williamson County	16.42

[1] Final ADM numbers for fiscal year 2020-21 show that total public school enrollment in Tennessee dropped about 2.47 percent from 2019-20, a national trend due to in-person schooling disruptions from COVID-19. Not all Tennessee districts saw declines, but the majority did.

Sumner County	4.84	Trousdale County	8.22	Wilson County	11.18
		Union County	8.26		
		Lebanon Special (Wilson County)	5.38		

Source: OREA calculations based on Tennessee Department of Education *Annual Statistical Report*, fiscal years 2015 and 2020, Table 7.

Districts in the highest growth tier (10 percent or more ADM growth) are either Middle Tennessee county districts or city and special school districts. Some of these districts emphasized that their rapid student increases mean they are continually planning for another new school. The second highest growth tier (at least 5 percent but below 10 percent ADM growth) is also made up of county districts in Middle Tennessee and city and special school districts, with Union County Schools in East Tennessee as the only exception.

Districts may experience enrollment growth in certain grade bands, typically in early elementary grades as young families buy their first houses, or across the board when general population growth follows new jobs and new development. Growth may be uneven across a school district, causing districts to consider rezoning solutions as well as expanding existing schools or constructing new schools. At least one district has developed magnet programs in schools that have additional capacity to encourage more students from overcrowded schools to move.

Serving students in crowded schools

One of the most immediate issues facing growing districts is how to physically fit more students and their teachers into existing buildings.

One common solution is the use of portable classrooms to provide additional classroom space. In TACIR's 2020 public infrastructure inventory, it reported a total of 1,912 portable classrooms in use statewide.[46] The 35 districts identified as high-growth districts in this report were using 769 (40 percent) of those portables. At least one district is using larger modular units, which include six to eight classrooms, bathrooms, and a central hallway. District officials note that larger modular units look nicer than individual portables. The units also provide more security than portables since students have less need to leave the unit to attend a class in the main building.

> *Our district has ordered more portables in the last eight years than in the last 20 years combined.*
>
> *The challenge at one school is that they had more kids in portables than they had in actual building classrooms.*
>
> Source: 2021 interviews with two county district officials.

Other districts have tried to avoid using portables by repurposing some larger spaces, such as gymnasiums, and through creative scheduling. One district converted a former breakroom for teachers to a classroom while another subdivided the space for a single classroom to create two classrooms. Some districts may try to avoid using portables in order to save the costs of leasing the portable units and preparing the sites where they would be installed.

Another common strategy, mentioned by several districts, is to eliminate the need for some classrooms by shifting non-academic subjects (often called "specials" that elementary students may have only once or twice per week) out of classroom space. An art or music teacher may have their curriculum supplies on a cart, which they transport as they rotate among different classrooms, rather than have a fixed art or music space. This method may limit the kind of lessons that can be offered. In high schools, where students have more options to choose certain elective classes, limited space may lead to the elimination of less popular elective options. A crowded school may not have room to offer classes that are not filled.

In some cases, a grade level has been shifted from an overcrowded building to one with more space. Alcoa City Schools shifted two of its intermediate school (grades 3-5) classrooms to the middle school, which had more space. Bradford Special School District moved their 6th grade up to the high school.

Adding school capacity

School districts may target a certain capacity for school buildings. One county district indicated their target is about 80 percent, which allows flexibility for instructional needs and the ability to absorb some enrollment growth. According to officials in this district, once a school exceeds 80 percent capacity, it is less than ideal. All the district's schools were over 80 percent capacity: elementary schools were above 91 percent, middle schools were above 100 percent, and the high school was at 94 percent. Another county district made a distinction between capacity for building code compliance and capacity for educational programs, which may change as instructional needs change. For example, seven students with special needs may need to be together in one classroom, while 25 students might occupy the same classroom if it were used for general education purposes.

As building costs continue to rise, districts recognize that delays in obtaining financing and construction approval can increase the final cost. In the most recent inventory of public school needs, TACIR reported that local officials across the state projected a need for 69 new schools in the next five years at an average cost of $39 million each.[47] One district noted that construction costs had increased significantly, but interest rates were low, so the costs evened out. Others disagreed. A county district official noted, "cost per square foot has gotten very expensive – off the charts – and not as predictable as it used to be." Officials stated that rising prices and supply chain issues have impacted their ability to get project bids and resulted in less predictable prices for new construction. Others noted significant increases; for example, in 2017-18, one district built a school for 900 students that cost $20 million. In 2021, the same size school might cost $30 million.

New school costs

When Germantown Municipal School District opened a new elementary school in 2020, 30 new full-time equivalent certified staff were hired. The additional costs for other new positions totaled $800,000.

Source: City of Germantown, Tennessee: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, pdf. p.28.

Acquiring land for a new facility is another cost factor. Two districts mentioned acquiring land for new schools through a property trade with their local governments, using land next to an existing school. Officials from one of those districts noted that basic infrastructure may not be adequate for a school in areas where growth is occurring. In addition to the property purchase and school construction costs, there may be costs for widening roads to accommodate buses and extending sewer and water connections. The county and the school district in one case were splitting the infrastructure support costs for a new school. Another district commented that it is cheaper to add on to or rebuild within an existing school campus footprint because no additional land purchase is necessary. A disadvantage of this approach is the logistics of continuing to operate the existing school while adding on to it or constructing a new facility.

Adding on to or making major renovations to an existing building can require all the older parts of the building to be brought into compliance with building and safety codes, adding to the costs. One county district reported that it was more economical to replace an 80-year-old school than to bring the whole building up to compliance with modern codes. Sometimes maintenance costs on an older building reach a point where it becomes cheaper to replace the whole building.

When a district builds a new school, it not only incurs one-time capital costs for the building and equipment but will also increase some of its recurring operating costs. Additional building-level staff are required, such as principals, assistant principals, librarians, and school secretaries. More teachers may be needed, depending on how well student-teacher ratios are preserved as students and teachers at overcrowded schools move to a new building when students are re-zoned. More custodial or maintenance staff may be necessary to manage more square footage.

Keeping up with basic maintenance

In OREA's interviews with selected districts during fall 2021, district officials stressed the need for constant planning given student enrollment growth trends. Planning must encompass maintenance of existing buildings as well as any new construction. Officials often juggle how much limited funding to allocate to major construction projects, like new buildings and additions, and how much to allocate to more predictable maintenance, like replacing heating, ventilation, and cooling (HVAC) units and roofs that can no longer be patched.

A county district noted that half of its schools are over 40 years old, and there are higher costs associated with maintaining older buildings. If schools are crowded, they get used more – every space is in use all day – so there is more wear and tear on buildings. Another county district prioritizes the biggest maintenance issues, but such priorities can be derailed by urgent issues that arise in the district's older buildings, like water flooding classrooms or an HVAC unit going out.

The pressure to increase capacity with new construction can mean that other building upgrades that do not add space are delayed. One county district official noted that a new school serving students in one portion of the district can highlight the lack of equity for students elsewhere in the district who may be in a much older school building needing upgrades.

Funding and relationships with local governments

The district officials interviewed by OREA in late fall of 2021 had mixed judgments on their relationships with their local government funders. District officials who received funding for capital projects through bond and tax revenues were more positive about their relationships, while those who had not received funding for projects were more negative.

District officials were nearly unanimous in recognizing that most local governments do not want to raise taxes. They also recognized that local governments have practical limits to how much debt in the form of bonds and notes they can issue. The state does not set a debt limit for local governments, but good fiscal management dictates that local governments limit the amount of debt taken on relative to expected tax revenues. A county may set debt limits, such as a set percentage of the assessed or appraised value of the properties in its property tax base, that impact how many capital projects it can finance. Several district officials mentioned the goal of their local governments to maintain strong bond ratings as another factor.

When cities and counties are experiencing growth, they may be able to avoid raising taxes and instead raise capital funds or cover their debt service through the rising property and sales taxes generated by growing populations and the increase in the property tax base. Such revenue growth also allows the local government to take on more debt. A city district noted that their local government has not had to raise taxes because increased tax revenues generated from growth have been sufficient to service the debt from new bonds and notes issued.

Officials also noted some pitfalls that can come with growth. One district official noted that revenue increases from property tax collections can lag a year or two behind the actual population growth and the resulting capital spending required for schools to accommodate more students. When increases in revenues are realized from expansion of a county's property and sales tax base, the resulting increase in the county's fiscal capacity will reduce the district's share of state BEP funding. A city district noted that as its enrollment grows, its share of the countywide taxes gets larger and its state BEP funding grows from the higher student numbers, but its costs also increase at a similar pace to the funding.

Tensions may arise between what districts think their government funders can afford and what their government funders believe they can afford. Disagreements may center on:

- whether a proposed tax increase is needed;
- whether a proposed tax increase is sufficient to meet capital needs;
- whether bonds should be issued;
- the timeline for issuing bonds relative to the growth rate in the tax base;
- school zoning decisions and existing capacity in a district's schools; and
- the sharing of bond revenues in counties with multiple school districts.

Conclusions

Spending for public school capital projects totaled an estimated $1.7 billion in fiscal year 2019-20, including spending on current projects that year and the debt payments due for previous years' projects.[J] This spending is primarily for building education facilities, including any necessary land purchases and major additions and renovations. The projects are typically financed through long-term debt, like bonds. The payment of principal and interest due on those debts is the bulk of the debt service spending.

The bulk of capital education costs are paid from local dollars, and city and county governments are major funders, as well as the school districts themselves. Education capital project expenditures for fiscal year 2019-20 increase from the $509.5 million reported by districts alone to a range of $929 million to $1.12 billion when local government expenditures are included. Debt service spending increases from the $266 million reported by districts to between $685 million and $693 million when local government spending is added.

The majority of funding for this capital spending comes from local sources, including bonds and notes, adequate facilities taxes, and dedicated property taxes. The state provides revenues for capital spending primarily through the capital outlay component of the Basic Education Program (BEP). In fiscal year 2019-20, when district-level capital spending and debt service totaled $776 million, the state share of the BEP capital component was $406 million, or about 52 percent of those district expenditures.[K]

In 2019-20, the BEP formula also provided $67 million in state funding for equipment and $30 million in state funding for technology, both of which could be considered funding for capital spending. Outside of the BEP, the state provided $23 million in additional funds for high-growth districts in 2019-20 that could be used for capital projects.

In Tennessee, most school districts are not allowed to issue debt or borrow money; they must work with their local governments to initiate and complete major capital projects.[L] OREA's review of funding and payment arrangements between districts and their local governments found a variety of ways that districts and local governments split the costs of capital projects and debt payments. For example, a district may contribute a portion of its operating funds to its local government each year to cover some or all of the government's payment on education-related debt. In another case, a local government may use some general local revenues to cover a specific capital need of the school district. Because these arrangements may change from project to project, reviewing only a school district's capital spending does not necessarily provide a full picture of total education capital spending.

[J] When additional spending for capital equipment (having a useful life of more than one year) and facility spending from operating funds (regular capital outlay, without debt financing) is added, total capital spending on public schools in 2019-20 was an estimated $2 billion.
[K] When district spending from operating funds for regular capital outlay was included, the state BEP funding totaled about 45 percent of district-level spending.
[L] Special school districts' debt issuance must be approved by the General Assembly since these 14 districts do not have a local government equivalent to county and municipal (city) school districts.

Challenges for growing districts include developing strategies to serve students in crowded schools, meeting the costs of adding school capacity while keeping up with existing maintenance needs and negotiating with local government funders. Growing districts have adopted a variety of strategies to add space, including using portable classrooms, repurposing of gymnasiums and other larger spaces, and shifting classes such as music and art out of fixed classrooms. In 2020, districts reported 1,900 portable classrooms in use; the 35 high-growth districts identified in this report were using about 40 percent of those portables. Districts seeking to permanently increase school capacity identified rising construction costs as a concern. Some district officials noted that the pressure to increase building capacity in a fast-growing district through new buildings or additions can cause funding delays for needed maintenance of existing facilities. Local factors that impact districts' abilities to serve growing student enrollments include whether tax revenues are keeping pace with infrastructure and service needs triggered by growing populations and local governments' ability and desire to seek additional revenues through taxes, fees, new debt, or some combination.

More students, especially a large or continuous influx of new students, is a significant driver of increases in capital spending as the demand for more space prompts the construction of new schools and additions to existing buildings. Other drivers of capital spending are unrelated to the size of the student population, however. A leaking roof needs repair or replacement regardless of whether student enrollment is increasing. Technology upgrades, such as ensuring adequate wireless internet service, also require capital spending. School security concerns and changes to school buildings due to health concerns also drive capital spending.

Endnotes

[1] To calculate total regular capital outlay, education capital project, and debt service expenditures for the school districts not included in the Comptroller's TAG (Transparency and Accountability for Governments) system, OREA reviewed two data sources. One was the financial expenditure data spreadsheet, compiled from districts' financial reports to the Tennessee Department of Education. The department provided expenditure data from fiscal year 2019-20 to OREA. Summaries of the expenditure data can be found in the department's *Annual Statistical Report*, 2020, Tables 47, 48, and 49 (https://www.tn.gov/education/data/department-reports/2020-annual-statistical-report.html).

The second source used for school districts not included in the TAG system was fiscal year 2019-20 financial audit reports. (All financial audit reports are available through the Comptroller's report search webpage at https://www.comptroller.tn.gov/advanced-search.html.) In cases where the school district audit (usually titled *Board of Education* audit) was separate from the local city or county government audit, both the district and the local government audits were reviewed. Note that the City of Rogersville audit was not included in the audit review as it was not completed and available at the time of OREA's research. In most cases, the audit numbers matched the district expenditure reports compiled by the department, or the audit numbers were clearly for school related capital or debt service expenditures by either the district or the local government. It is not uncommon for audits to reclassify and/or correct certain figures initially reported by districts.

Where there was a significant discrepancy between the district expenditures reported to the department and the financial audit numbers that could not be confirmed as expected variation between district reporting and final audit numbers, OREA recorded both numbers and used them as a potential range for actual expenditures. In some cases, the discrepancies were due to local government capital or debt spending specifically for education not being separately identified from other government capital or debt spending. Some large dollar differences in the ranges result because one number of the range was zero where specific school expenditures could not be identified. Expenditure ranges in capital outlay resulted from variances in 14 districts; ranges in education capital projects resulted from variance in seven districts; ranges in debt service resulted from variances in 11 districts.

[2] OREA conducted telephone interviews from Oct. through Dec. of 2021 with the following school district officials:

- Alcoa City Schools – Director of Schools, Director of Finance
- Bradford Special School District – Director of Schools
- Clarksville-Montgomery County School System – Chief Financial Officer, Chief Operating Officer
- Germantown Municipal School District – Director of Schools, Chief Financial Officer, Deputy Superintendent and Chief of Operations
- Hamilton County School District – Chief Financial Officer
- Knox County Schools – Chief Operating Officer
- Lakeland School System – Director of Schools, Director of Finance
- Manchester City Schools – Chief Financial Officer
- Rutherford County Schools – Assistant Superintendent for Budget and Finance
- Williamson County Schools – Assistant Superintendent of Budget and Finance
- Wilson County School District – Deputy Director of Finance and Business Operations

[3] Tennessee Department of Education 2019-20 data provided for select capital equipment expenditure codes.

[4] Tennessee Department of Education, *Annual Statistical Report*, 2020, Table 47 – Capital Outlay, https://www.tn.gov/content/dam/tn/education/documents/asr/2020_ASR_PDFCombined_Upd.pdf (accessed March 8, 2021).

[5] Tennessee Department of Education, *Annual Statistical Report*, 2020, Table 49 – Capital Projects, https://www.tn.gov/content/dam/tn/education/documents/asr/2020_ASR_PDFCombined_Upd.pdf (accessed March 8, 2021).

[6] Tennessee Comptroller of the Treasury, Transparency and Accountability for Governments in Tennessee

(TAG), selected 2019-20 capital project expenditures, https://comptroller.tn.gov/office-functions/la/e-services/tag-tableau.html (data pulled and provided by Nathan Abbott, Senior Information Systems Specialist, Tennessee Comptroller's Division of Local Government Audit, May 13, 2021).

[7] Tennessee Department of Education, *Annual Statistical Report*, 2020, Table 49 – Capital Projects, https://www.tn.gov/content/dam/tn/education/documents/asr/2020_ASR_PDFCombined_Upd.pdf (accessed March 8, 2021).

[8] OREA calculations using Tennessee Comptroller TAG data, Tennessee Department of Education *Annual Statistical Report* data, and county, city, and board of education financial audit data, all for fiscal year 2019-20.

[9] Tennessee Comptroller of the Treasury, Transparency and Accountability for Governments in Tennessee (TAG), selected 2019-20 debt service expenditures, https://comptroller.tn.gov/office-functions/la/e-services/tag-tableau.html (data pulled and provided by Nathan Abbott, Senior Information Systems Specialist, Tennessee Comptroller's Division of Local Government Audit, May 13, 2021).

[10] Tennessee Department of Education, *Annual Statistical Report*, 2020 – Table 48 - Debt Service, https://www.tn.gov/content/dam/tn/education/documents/asr/2020_ASR_PDFCombined_Upd.pdf (accessed March 8, 2021).

[11] OREA calculations using Tennessee Comptroller TAG data, Tennessee Department of Education *Annual Statistical Report* data, and county, city, and board of education financial audit data, all for fiscal year 2019-20.

[12] Tennessee Department of Education, *Annual Statistical Report*, 2015-2020, Table 7 – Average Daily Membership Grades Kindergarten through Twelve, https://www.tn.gov/education/data/department-reports.html (accessed March 4, 2021).

[13] Public Chapter 535, 1992.

[14] Patricia Saenz-Armstrong, "Comparing school districts on class size policies," National Council on Teacher Quality, Oct. 14, 2021, p. 2, https://www.nctq.org/blog/Comparing-school-districts-on-class-size-policies (accessed Feb. 10, 2022).

[15] "Americans with Disabilities Act (ADA)," *U.S. Code 42*, 12101 *et seq*.

[16] Tyler Carpenter, Presley Powers, Mark McAdoo, *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs, July 2020 through June 2025*, Tennessee Advisory Commission on Intergovernmental Relations, Jan. 2022, pdf p. 262, https://www.tn.gov/tacir/infrastructure/infrastructure-reports-/building-tennessee-s-tomorrow-2020-2025.html (accessed Feb. 9, 2022).

[17] Ibid.

[18] The facility rating scale used by local officials to inventory school conditions as of July 2020 in TACIR's January 2022 report, *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs*, is as follows:

> **Excellent:** can be maintained in a "like new" condition and continually meet all building code and functional requirements with only minimal routine maintenance.
> **Good:** does not meet the definition of "excellent," but the structural integrity is sound, and the facility can meet building code and functional requirements with only routine or preventive maintenance or minor repairs that do not hinder its use.
> **Fair:** structural integrity is sound, but the maintenance or repairs required to ensure that it meets building code or functional requirements hinder – but do not disrupt – the facility's use.
> **Poor:** repairs required to keep the structural integrity sound or to ensure that it meets building code or functional requirements are costly and disrupt – or in the case of an individual component may prevent – the facility's use.

[19] Tyler Carpenter, Presley Powers, Mark McAdoo, *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs, July 2020 through June 2025*, Tennessee Advisory Commission on Intergovernmental Relations, Jan. 2022, pdf p. 23, https://www.tn.gov/tacir/infrastructure/

infrastructure-reports-/building-tennessee-s-tomorrow-2020-2025.html (accessed Feb. 9, 2022).

[20] Ibid., p.21.

[21] Ibid., p.23.

[22] *Tennessee Code Annotated* 49-3-1001 *et seq*.

[23] *Tennessee Code Annotated* 9-21-205, 9-21-207.

[24] Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access, "Official Statement for the $44,350,000 Local Government Improvement Bonds," Series VI-D, Dec. 15, 2004 (with the City of Oak Ridge's $10 million portion designated Series VI-D-3), https://emma.msrb.org/MS228954-MS204262-MD396862.pdf (accessed on Dec. 12, 2021).

[25] Michael Mount, David Keiser, Emma Johnson, Melissa Brown, *Effects of Sharing of Resources among School Systems in Counties with More than One School System*, Tennessee Advisory Commission on Intergovernmental Relations, Dec. 2020, pdf p. 16, https://www.tn.gov/content/dam/tn/tacir/2020publications/2020MultiSystemSchools.pdf (accessed Dec. 12, 2021).

[26] University of Tennessee County Technical Advisory Service, table of counties' adequate facilities tax information, Nov. 11, 2021; Tennessee Comptroller of the Treasury, Transparency and Accountability for Governments in Tennessee (TAG), selected 2019-20 adequate facilities/development tax revenues, https://comptroller.tn.gov/office-functions/la/e-services/tag-tableau.html (data pulled and provided by Nathan Abbott, Senior Information Systems Specialist, Tennessee Comptroller's Division of Local Government Audit, Feb. 18, 2022); Tennessee Comptroller's Division of Local Government Audit, *Annual Financial Report – Williamson County, Tennessee*, for the year ended June 30, 2020, pdf p. 24, https://comptroller.tn.gov/content/dam/cot/la/advanced-search/2020/county/FY20WilliamsonAFR.pdf (accessed Jan. 27, 2022).

[27] University of Tennessee County Technical Assistance Service, *Private Acts of 2004*, Chapter 90, https://www.ctas.tennessee.edu/private-acts/private-acts-2004-chapter-90 (accessed Jan. 24, 2022).

[28] Tennessee Comptroller of the Treasury, Transparency and Accountability for Governments in Tennessee (TAG), selected 2019-20 adequate facilities/development tax revenues, https://comptroller.tn.gov/office-functions/la/e-services/tag-tableau.html (data pulled and provided by Nathan Abbott, Senior Information Systems Specialist, Tennessee Comptroller's Division of Local Government Audit, Feb. 18, 2022).

[29] *Tennessee Code Annotated* 6-2-201(15), 6-33-101(a).

[30] University of Tennessee Municipal Technical Advisory Service, "Development and Impact Fees in Selected Tennessee Cities," Feb. 2019; Tennessee Comptroller's Office of Local Finance, email, Nov. 15, 2021; Tennessee Advisory Commission on Intergovernmental Relations, email, April 21, 2022.

[31] University of Tennessee County Technical Assistance Service, *Tennessee County Tax Statistics*, 2020, pdf pp. 4-7, https://www.ctas.tennessee.edu/sites/default/files/Tennessee%20County%20Tax%20Statistics%202020.pdf (accessed Jan. 25, 2022).

[32] Tennessee Comptroller's Office of Research and Education Accountability, OREA BEP calculator, Fiscal Year 2020, https://comptroller.tn.gov/content/dam/cot/orea/documents/bep/fy-20-calculator-spreadsheets/FY20OREABEPCalculator.xlsm (accessed Feb. 16, 2022).

[33] Tennessee Comptroller's Office of Research and Education Accountability, OREA BEP calculator, Fiscal Year 2020, https://comptroller.tn.gov/content/dam/cot/orea/documents/bep/fy-20-calculator-spreadsheets/FY20OREABEPCalculator.xlsm (accessed Feb. 16, 2022).

[34] In 2019-20, four county school districts (Hamilton, Knox, Metro Nashville, and Shelby) had authorized a total of 82 charter schools to operate in their districts. Like other BEP funds, those calculated for capital outlay are transferred to the charter schools on a per-pupil basis.

[35] OREA calculations using Tennessee Comptroller

TAG data, Tennessee Department of Education *Annual Statistical Report* data, and county, city, and board of education financial audit data, all for fiscal year 2019-20.

[36] Tennessee State Board of Education, *Tennessee Basic Education Program (BEP) Blue Book*, 2019-20, p. 6, https://www.tn.gov/content/dam/tn/stateboardofeducation/documents/bepcommitteeactivities/2019-bep/BEP_Blue_Book_FY20_FINAL.pdf (accessed Jan. 31, 2022).

[37] OREA analysis of Tennessee Department of Education growth fund distribution data, 2017 - 2021.

[38] Public Chapter 535, 1992.

[39] Public Chapter 936, 1998.

[40] Public Chapter 360, 1999.

[41] *Tennessee Code Annotated* 49-3-351.

[42] *Tennessee Code Annotated* 49-17-101 *et seq*.

[43] Tennessee Comptroller of the Treasury, *Department of Education, State Board of Education, Energy Efficient Schools Council, Tennessee Public Television Council Performance Audit Report*, Dec. 2018, pdf p. 130, https://www.capitol.tn.gov/Archives/Joint/committees/gov-opps/ed/Department%20of%20Education%20for%20Dec%2019.pdf (accessed Jan. 10, 2022).

[44] Sandi Thompson, Director, Tennessee Comptroller's Division of State Government Finance, internal training presentation, Jan. 6, 2022.

[45] U.S. Department of Agriculture-Rural Development, "Community Facilities Direct Loan & Grant Program" webpage, https://www.rd.usda.gov/programs-services/community-facilities/community-facilities-direct-loan-grant-program (accessed Jan. 30, 2022).

[46] Tyler Carpenter, Presley Powers, Mark McAdoo, *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs, July 2020 through June 2025*, Tennessee Advisory Commission on Intergovernmental Relations, Jan. 2022, pdf pp. 249-253, https://www.tn.gov/tacir/infrastructure/infrastructure-reports-/building-tennessee-s-tomorrow-2020-2025.html (accessed Feb. 9, 2022).

[47] Ibid., p.23.

Appendix A: District ADM changes over five years

	2015-16 growth (percent)	2016-17 growth (percent)	2017-18 growth (percent)	2018-19 growth (percent)	2019-20 growth (percent)	Average growth over five years	Total growth over five years
ANDERSON COUNTY	-0.43	-0.16	-1.08	-1.48	-0.88	-0.81	-3.97
CLINTON	-3.26	1.98	4.94	-2.77	1.88	0.55	2.56
OAK RIDGE	0.39	-0.67	0.12	1.63	2.17	0.73	3.67
BEDFORD COUNTY	1.24	0.54	0.87	0.77	0.91	0.87	4.42
BENTON COUNTY	-1.14	-0.7	0.16	0.02	-2.48	-0.83	-4.1
BLEDSOE COUNTY	-1.77	-2.23	-2.18	-2.72	-1.45	-2.07	-9.94
BLOUNT COUNTY	-1.74	-2.05	-0.5	-1.91	0.8	-1.08	-5.31
ALCOA	1.17	1.53	1.95	2.86	1.21	1.74	9.02
MARYVILLE	0.16	2.1	2.25	0.44	0.83	1.16	5.9
BRADLEY COUNTY	-0.74	-1.4	1.08	0.95	-0.39	-0.1	-0.52
CLEVELAND	2.48	1.54	0.63	-1.07	2.32	1.18	6
CAMPBELL COUNTY	-1.39	-0.57	-2.01	-3.19	-1.13	-1.66	-8.04
CANNON COUNTY	-1.88	-1.77	-2.4	2.13	1.04	-0.58	-2.93
CARROLL COUNTY	-36.95	49.53	26.92	45.39	-51.62	6.65	-15.83
*HOLLOW ROCK-BR	2.11	-1.11	-2.06	1.6	-3.1	-0.51	-2.64
*HUNTINGDON	-1.65	2.18	2.22	3.29	-0.76	1.06	5.3
*MCKENZIE	-1.08	-2.25	0.97	-4.73	-2.52	-1.92	-9.33
*S. CARROLL	-3.34	-0.01	-0.32	-1.78	-1.59	-1.41	-6.88
*W. CARROLL	-2.03	0.28	-4.18	0.53	1.42	-0.8	-4.02
CARTER COUNTY	0.04	0.21	-3.94	-2.04	-2.43	-1.63	-7.96
ELIZABETHTON	0.62	0.64	-0.14	0.17	-0.03	0.25	1.26
CHEATHAM COUNTY	-1.25	-0.29	-2.31	-3.4	-0.13	-1.47	-7.19
CHESTER COUNTY	0.81	1.28	-1.94	-1.62	0.11	-0.27	-1.4
CLAIBORNE COUNTY	-2.48	-1.86	-2.53	-2.79	-0.38	-2.01	-9.65
CLAY COUNTY	0.28	-0.93	2.08	1.36	-1.99	0.16	0.76
COCKE COUNTY	-1.19	-0.59	-1.32	-1.64	1.15	-0.72	-3.57
NEWPORT	-2.25	-6.77	0.99	0.23	-5.32	-2.63	-12.67
COFFEE COUNTY	-0.7	-0.5	-0.87	-0.73	0.06	-0.55	-2.72
MANCHESTER	4.85	-0.11	2.01	0.46	3.05	2.05	10.59
TULLAHOMA	1.92	0.82	-2.75	1.97	1.66	0.72	3.59
CROCKETT COUNTY	-0.81	2.17	0.08	-2.86	-0.11	-0.31	-1.59
ALAMO	0.45	-2.13	-7.23	8.52	-0.82	-0.24	-1.84
BELLS	1.65	-2.81	1.86	-0.66	-0.59	-0.11	-0.62
CUMBERLAND COUNTY	0.4	-0.57	-1.13	-0.45	-0.95	-0.54	-2.68
DAVIDSON COUNTY	1.04	0.35	-1.04	-0.23	0.22	0.07	0.32
DECATUR COUNTY	2.76	-0.91	-0.72	-3.12	-0.41	-0.48	-2.47
DEKALB COUNTY	-0.21	-0.53	-0.27	-0.6	-0.87	-0.49	-2.45
DICKSON COUNTY	-0.67	0.74	-1.19	-0.91	-1.15	-0.64	-3.16
DYER COUNTY	0.65	-1.67	1.54	-0.98	-1.82	-0.46	-2.31
DYERSBURG	0.39	0.44	-4.05	-0.89	-1.84	-1.19	-5.89
FAYETTE COUNTY	-1.01	0.71	1.21	-1.13	-1.26	-0.3	-1.5

FENTRESS COUNTY	-1.69	-0.99	-0.43	0.81	-0.07	-0.47	-2.35
FRANKLIN COUNTY	0.24	-2.3	-3.69	-0.48	-1.48	-1.54	-7.52
GIBSON COUNTY	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HUMBOLDT	-0.37	3.96	-6.88	2.99	6.4	1.22	5.69
*MILAN	-0.58	0.76	-1.48	-2.56	1.64	-0.44	-2.26
*TRENTON	-1.21	-2.42	0.91	1.38	-2.57	-0.78	-3.92
*BRADFORD	-0.1	4.12	-0.25	4.23	4.08	2.42	12.56
*GIBSON CO. SPEC.	1.5	-0.12	-0.53	-0.68	0.22	0.08	0.38
GILES COUNTY	0.8	-1.29	-2.93	-2.83	0.36	-1.18	-5.82
GRAINGER COUNTY	1.97	-3.88	-0.74	-2.21	-3.35	-1.64	-8.03
GREENE COUNTY	-2.95	-1.67	-2.14	-2.24	-2.54	-2.31	-11.02
GREENEVILLE	1.62	-1.07	0	2.24	0.68	0.69	3.48
GRUNDY COUNTY	-3.39	-0.85	-3.91	-3	-4.71	-3.17	-14.92
HAMBLEN COUNTY	0.39	0.79	0.61	-0.29	-0.55	0.19	0.95
HAMILTON COUNTY	1.01	0.24	0.82	0.41	0.72	0.64	3.24
HANCOCK COUNTY	2.52	-1.73	-0.45	-1.41	-5.21	-1.26	-6.27
HARDEMAN COUNTY	-4.18	-1.58	-1.25	-4.2	-1.47	-2.54	-12.1
HARDIN COUNTY	-1.88	-0.67	0.08	-0.61	-1.06	-0.83	-4.09
HAWKINS COUNTY	-0.9	-3.68	-2.06	-2.11	-0.99	-1.95	-9.39
ROGERSVILLE	2.39	2.71	-1.93	0.27	-1.77	0.33	1.57
HAYWOOD COUNTY	-2.05	-3.38	-1.69	-2.24	-2.03	-2.28	-10.89
HENDERSON COUNTY	0.97	-0.05	-1	-0.42	0.21	-0.06	-0.29
LEXINGTON	-5.75	-7.29	-0.72	-0.53	2.79	-2.3	-11.31
HENRY COUNTY	-1.39	-0.41	-1.39	0.77	-0.17	-0.52	-2.57
*PARIS	0.42	-4.46	-0.17	-2.35	-0.86	-1.48	-7.26
HICKMAN COUNTY	-4.27	-1.42	0.08	-0.66	-0.33	-1.32	-6.49
HOUSTON COUNTY	-0.25	0.37	-0.38	-0.63	-1.3	-0.44	-2.17
HUMPHREYS COUNTY	1.21	-1.86	-0.9	1.51	-0.76	-0.16	-0.84
JACKSON COUNTY	-3.43	-2.09	-1.37	-0.56	-0.74	-1.64	-7.95
JEFFERSON COUNTY	-1.02	-0.91	-1.51	-1.21	-0.06	-0.94	-4.63
JOHNSON COUNTY	-3.61	-2.43	0.11	-1.12	1.95	-1.02	-5.09
KNOX COUNTY	0.6	0.45	0.73	0.11	1.03	0.59	2.96
LAKE COUNTY	-2.98	-2.19	-3.04	-5.38	0.47	-2.62	-12.53
LAUDERDALE COUNTY	-4.3	-1.52	-3.52	-4.3	-1.8	-3.09	-14.55
LAWRENCE COUNTY	1.19	1.56	0.77	0.58	-3.67	0.09	0.34
LEWIS COUNTY	-2.21	-3.97	-1.94	-0.36	-0.48	-1.79	-8.68
LINCOLN COUNTY	-0.63	-1.95	-1.73	0.27	0.45	-0.72	-3.57
FAYETTEVILLE	0.13	-3.87	-0.95	-2.74	-2.12	-1.91	-9.24
LOUDON COUNTY	-1.06	-1.07	2.45	-1.66	-0.81	-0.43	-2.18
LENOIR CITY	-0.44	-2.62	-1.93	2.7	4.02	0.35	1.57
MCMINN COUNTY	-0.72	-0.21	-1.57	-2.12	-1.95	-1.32	-6.42
ATHENS	0.46	-1.18	2.09	-0.09	2.75	0.81	4.04
ETOWAH	12.55	-0.33	4.91	-1.72	-2.45	2.59	12.82
MCNAIRY COUNTY	-0.03	-1.42	-0.87	-2.82	-1.94	-1.41	-6.89

MACON COUNTY	-0.02	3.8	0.93	0.16	0.16	1.01	5.08
MADISON COUNTY	-0.41	-0.7	-1.35	-1.37	-0.73	-0.91	-4.48
MARION COUNTY	-1.17	-0.94	-0.82	-0.8	-1.78	-1.1	-5.39
*RICHARD CITY	2.06	-8.72	-1.26	-1.5	-13.8	-4.65	-21.9
MARSHALL COUNTY	0.87	1.01	0.15	-0.77	-0.21	0.21	1.05
MAURY COUNTY	1.49	2.91	1.31	0.57	0.51	1.36	6.96
MEIGS COUNTY	-1.74	-3	0.12	2.56	-2.69	-0.95	-4.77
MONROE COUNTY	-0.79	-0.17	-2.58	-0.89	-0.59	-1.01	-4.94
SWEETWATER	0.79	-1	-4.38	-1.41	-1.51	-1.5	-7.35
MONTGOMERY COUNTY	1.59	3.38	3.67	1.59	3.1	2.66	14.03
MOORE COUNTY	-4.37	-2.62	1.02	1.47	1.38	-0.62	-3.22
MORGAN COUNTY	-0.59	-2.17	-3.6	-3	-2.29	-2.33	-11.14
OBION COUNTY	-2.79	-3.28	-2.77	-2.02	-0.48	-2.27	-10.86
UNION CITY	2.23	2.75	-0.5	-2.2	-2.05	0.04	0.11
OVERTON COUNTY	-1.52	-3.06	0.75	0.18	1.27	-0.48	-2.43
PERRY COUNTY	-3.44	-0.21	-2.97	-1.07	0.84	-1.37	-6.73
PICKETT COUNTY	-2.45	-4.26	-6.59	-4.65	0.25	-3.54	-16.61
POLK COUNTY	-2.39	-3.83	-1.81	-2.97	-0.87	-2.37	-11.34
PUTNAM COUNTY	0.16	1.39	1.11	1.26	2.03	1.19	6.09
RHEA COUNTY	0.44	-0.78	-1.07	-0.09	-1.18	-0.54	-2.66
DAYTON	3.73	0.79	0.9	-1.38	-1.18	0.57	2.8
ROANE COUNTY	-1.85	-1.69	-1.18	-1.33	-0.46	-1.3	-6.35
ROBERTSON COUNTY	-1.5	0.99	-0.31	-0.82	12.2	2.11	10.35
RUTHERFORD COUNTY	2.96	2.67	2.41	2.33	2.16	2.51	13.17
MURFREESBORO	6.01	0.43	4.21	0.84	3.17	2.93	15.43
SCOTT COUNTY	-1.65	-2.57	0.52	0.02	-0.48	-0.83	-4.12
*ONEIDA	-0.84	1.51	-2.21	0.18	0.62	-0.15	-0.78
SEQUATCHIE COUNTY	-0.14	-2.38	-1.72	-0.75	-1.61	-1.32	-6.44
SEVIER COUNTY	0.08	0.32	-1.18	0.27	0.94	0.09	0.42
SHELBY COUNTY	-3.93	-2.58	0.78	0.37	1.4	-0.79	-4
ARLINGTON	2.78	2.06	-10.2	1.96	2.55	-0.17	-1.5
BARTLETT	2.01	2.24	3.14	0.13	-0.77	1.35	6.88
COLLIERVILLE	2.14	3.35	3.62	4.21	1.14	2.89	15.28
GERMANTOWN	0.91	2.62	2.17	0.32	0.87	1.38	7.06
LAKELAND	6.73	4.73	70.68	7.74	5.57	19.09	116.98
MILLINGTON	-4.32	0.22	-1.99	-1.06	1.39	-1.15	-5.73
SMITH COUNTY	0.42	-1.3	-0.21	-2.21	1.32	-0.39	-1.99
STEWART COUNTY	0.08	-1.31	0.63	0.18	-0.66	-0.22	-1.08
SULLIVAN COUNTY	-1.78	-2.52	-2.93	-3	-2.18	-2.48	-11.82
BRISTOL	-0.61	-0.25	-0.4	2.13	-3.71	-0.56	-2.88
KINGSPORT	1.61	2.54	0.39	-0.49	0.04	0.82	4.12
SUMNER COUNTY	1.48	0.56	0.64	0.27	1.81	0.95	4.84
TIPTON COUNTY	-1.9	-1.73	-0.73	-2.34	-1.38	-1.61	-7.82
TROUSDALE COUNTY	3.46	1.96	-1.54	1.06	3.11	1.61	8.22

UNICOI COUNTY	-3.87	-1.39	0.28	-1.82	-3.68	-2.1	-10.12
UNION COUNTY	-17.6	4.1	10.88	7.55	5.84	2.15	8.26
VAN BUREN COUNTY	-0.61	-2.27	-0.92	3.07	0.79	0.01	-0.02
WARREN COUNTY	-1.45	1.29	-2.57	-0.3	-0.3	-0.67	-3.33
WASHINGTON COUNTY	-0.82	-1.74	-1.45	-0.97	0.77	-0.84	-4.17
JOHNSON CITY	0.51	-0.62	0.19	0.9	0.82	0.36	1.8
WAYNE COUNTY	-0.61	-2.49	-0.15	-4.05	-2.69	-2	-9.64
WEAKLEY COUNTY	-1.16	-1.35	-2.49	-1.42	-1.04	-1.49	-7.25
WHITE COUNTY	-2.16	-0.8	-0.4	-2.1	-0.2	-1.13	-5.56
WILLIAMSON COUNTY	3.75	3.74	2.72	3.09	2.15	3.09	16.42
*FRANKLIN	-4.1	2.91	-0.3	-2.18	0.16	-0.7	-3.59
WILSON COUNTY	2.63	2.83	2.03	1.46	1.78	2.14	11.18
*LEBANON	-2.09	-0.42	2.53	2.76	2.58	1.07	5.38

Growth		Decline	
2% or more	Between 0.01 and 1.99%	Between 0 and 1.99%	2% or more

Appendix B: BEP Calculation of capital outlay component | 2019-20

A cost per square foot by type of school (elementary, middle, high) is calculated using a three-year average of school construction costs from a national construction cost service, adjusted for Tennessee cities' specific costs, and inflated up by one year using a non-compensation inflation factor.

In the FY 2019-20 BEP calculation, the cost per square foot for elementary (K-4) schools used was $139.41, for middle (5-8) schools used was $140.00, and for high (9-12) schools was $149.73.[A]

A set square-footage allowance per student, which remains constant in BEP calculations, allows 100 square feet per elementary student, 110 square feet per middle school student, and 130 square feet per high school student. Multiplying the costs per square foot by the allowable square feet per student, provides a standardized construction cost per student for all Tennessee districts.

School grade level	Square foot allowance per student	Cost per square foot (3-year average, inflation adjusted)	Cost per student (Square foot per student x cost per square foot)
Elementary (K-4)	100	$139.41	$13,941
Middle (5-8)	110	$140.00	$15,400
High School (9-12)	130	$149.73	$19,465

Those standardized construction costs per student are then applied to each district, multiplied by the number of enrolled students (average daily membership) in each grade band.

School grade level	Cost per student (standard for all districts)	District ADM (varies by district)	District base capital cost
Elementary (K-4)	$13,941	3,250	$45,308,250
Middle (5-8)	$15,400	2,831	$43,597,400
High School (9-12)	$19,465	2,478	$48,234,270
Total			$137,139,920

For each grade band total, a 7 percent addition for architects' fees and a 10 percent addition for equipment are calculated and added to the total construction cost.

School grade level	District base capital cost	Plus 17% for architect and equipment	District total capital cost
Elementary (K-4)	$45,308,250	$7,702,403	$53,010,652
Middle (5-8)	$43,597,400	$7,411,558	$51,008,958
High School (9-12)	$48,234,270	$8,199,826	$56,434,096
Total			$160,453,706

[A] Tennessee State Board of Education, *Tennessee Basic Education Program (BEP) Blue Book*, 2019-20, p. 6, https://www.tn.gov/content/dam/tn/stateboardofeducation/documents/bepcommitteeactivities/2019-bep/BEP_Blue_Book_FY20_FINAL.pdf (accessed Jan. 31, 2022).

Once the total construction cost for hypothetical new schools is calculated, the next part of the formula calculates the financing cost. The BEP formula assumes that a bond will be issued for the total construction cost, to be paid back over 20 years, at 6 percent interest with monthly payments.

Amount to be borrowed:	$160,453,706
at 6.0 percent interest and repaid over 20 years	
Generates total interest of:	$115,435,938
Total financed cost of:	$275,889,644

The total financed cost of construction is then divided by 40 years, considered to be the useful life of a school. The resulting figure is the total BEP capital outlay component.

Total financed cost:	$275,889,644
Divided into 40 payments to reflect expected useful life of a school	
Total BEP capital outlay amount:	$6,897,241

The state and local shares of the component are calculated using each district's fiscal capacity index. Overall, capital outlay components are funded 50 percent by the state, but that varies by district. Selecting a state share of 71.52 percent (such as Bedford County's fiscal capacity for capital outlay in 2019-20) would result in the state funding for this example at $4,932,907.

Total BEP capital outlay:	$6,897,241
At 71.52 percent state share based on fiscal capacity	
State BEP funded capital outlay:	$4,932,907

Districts are not required to use BEP capital outlay funds for capital expenditures. The BEP formula is to calculate funding, not to direct spending.

Note: Rounded numbers were used in calculations for simplicity.

Appendix C: ESSER allocations by Tennessee school district

Local Educational Agency	ESSER 1.0 Allocation*	ESSER 2.0 Allocation	ESSER 3.0 Allocation
ALAMO CITY SCHOOL DISTRICT	$90,590.34	$403,558.91	$906,335.98
ALCOA CITY SCHOOL DISTRICT	$249,118.71	$955,547.78	$2,146,024.57
ANDERSON COUNTY SCHOOL DISTRICT	$1,363,922.91	$5,211,798.01	$11,704,957.98
ARLINGTON CITY SCHOOLS	$861,928.81	$2,935,408.38	$6,592,510.24
ATHENS CITY ELEMENTARY SCHOOL DISTRICT	$579,168.59	$2,370,524.18	$5,323,860.58
BARTLETT CITY SCHOOLS	$2,140,221.88	$7,850,155.94	$17,630,335.11
BEDFORD COUNTY SCHOOL DISTRICT	$1,689,353.92	$7,091,905.34	$15,927,411.96
BELLS CITY SCHOOL DISTRICT	$85,413.87	$347,756.03	$781,010.64
BENTON COUNTY SCHOOL DISTRICT	$590,184.73	$2,651,824.82	$5,955,621.85
BLEDSOE COUNTY SCHOOL DISTRICT	$477,863.69	$2,238,873.52	$5,028,191.89
BLOUNT COUNTY SCHOOL DISTRICT	$1,961,847.05	$7,534,471.10	$16,921,351.81
BRADFORD SPECIAL SCHOOL DISTRICT	$89,758.42	$305,684.11	$686,523.08
BRADLEY COUNTY SCHOOL DISTRICT	$1,601,836.73	$6,994,966.43	$15,709,700.96
BRISTOL CITY SCHOOL DISTRICT	$784,372.33	$3,709,696.25	$8,331,450.81
CAMPBELL COUNTY SCHOOL DISTRICT	$1,953,048.13	$7,045,982.86	$15,824,276.61
CANNON COUNTY SCHOOL DISTRICT	$371,004.16	$1,601,092.95	$3,595,827.33
CARTER COUNTY SCHOOL DISTRICT	$1,592,960.01	$6,694,242.58	$15,034,317.91
CHEATHAM COUNTY SCHOOL DISTRICT	$769,981.28	$2,767,862.71	$6,216,226.47
CHESTER COUNTY SCHOOL DISTRICT	$535,860.30	$2,169,202.65	$4,871,721.01
CLAIBORNE COUNTY SCHOOL DISTRICT	$1,198,322.50	$5,163,117.98	$11,595,629.56
CLAY COUNTY SCHOOL DISTRICT	$352,997.11	$1,454,668.48	$3,266,978.76
CLEVELAND CITY SCHOOL DISTRICT	$1,304,557.71	$5,422,194.40	$12,177,478.39
CLINTON CITY ELEMENTARY SCHOOL DISTRICT	$158,763.95	$674,524.56	$1,514,886.35
COCKE COUNTY SCHOOL DISTRICT	$1,552,244.99	$6,764,454.93	$15,192,004.87
COFFEE COUNTY SCHOOL DISTRICT	$807,018.49	$3,727,220.93	$8,370,808.75
COLLIERVILLE CITY SCHOOLS	$2,093,807.58	$7,130,725.02	$16,014,595.45
CROCKETT COUNTY SCHOOL DISTRICT	$341,655.49	$1,439,623.93	$3,233,190.84
CUMBERLAND COUNTY SCHOOL DISTRICT	$1,697,532.71	$6,740,238.59	$15,137,618.41
DAVIDSON COUNTY SCHOOL DISTRICT	$26,007,292.76	$123,220,823.62	$276,736,466.07
DAYTON CITY ELEMENTARY SCHOOL DISTRICT	$256,588.01	$1,108,871.15	$2,490,367.08
DECATUR COUNTY SCHOOL DISTRICT	$397,053.03	$1,593,522.21	$3,578,824.52
DEKALB COUNTY SCHOOL DISTRICT	$782,053.27	$2,980,856.22	$6,694,579.64
DICKSON COUNTY SCHOOL DISTRICT	$1,422,463.35	$5,956,809.01	$13,378,146.86
DYER COUNTY SCHOOL DISTRICT	$710,169.25	$2,763,069.58	$6,205,461.78
DYERSBURG CITY SCHOOL DISTRICT	$860,883.13	$3,999,463.42	$8,982,226.71
ELIZABETHTON CITY SCHOOL DISTRICT	$631,129.02	$2,519,890.05	$5,659,315.09
ETOWAH CITY ELEMENTARY SCHOOL DISTRICT	$102,059.54	$422,607.76	$949,116.99
FAYETTE COUNTY SCHOOL DISTRICT	$967,476.44	$4,002,575.28	$8,989,215.50
FAYETTEVILLE CITY ELEMENTARY SCHOOL	$322,296.02	$1,212,555.20	$2,723,226.72
FENTRESS COUNTY SCHOOL DISTRICT	$736,879.11	$3,000,369.68	$6,738,404.09
FRANKLIN COUNTY SCHOOL DISTRICT	$1,003,928.14	$4,349,833.28	$9,769,107.64
FRANKLIN SPECIAL SCHOOL DISTRICT	$388,870.40	$1,324,348.13	$2,974,297.76
GERMANTOWN CITY SCHOOLS	$1,478,383.98	$5,034,823.18	$11,307,497.65
GIBSON SPECIAL DISTRICT	$418,445.07	$1,575,980.82	$3,539,429.05
GILES COUNTY SCHOOL DISTRICT	$801,985.65	$3,426,637.46	$7,695,740.98
GRAINGER COUNTY SCHOOL DISTRICT	$814,913.07	$3,293,689.91	$7,397,159.67

GREENE COUNTY SCHOOL DISTRICT	$1,562,629.09	$6,556,020.58	$14,723,890.93
GREENEVILLE CITY SCHOOL DISTRICT	$470,137.64	$2,038,638.30	$4,578,492.02
GRUNDY COUNTY SCHOOL DISTRICT	$654,905.68	$2,363,317.77	$5,307,676.01
HAMBLEN COUNTY SCHOOL DISTRICT	$2,311,033.57	$8,982,340.96	$20,173,061.82
HAMILTON COUNTY SCHOOL DISTRICT	$10,712,853.56	$40,530,274.94	$91,025,240.10
HANCOCK COUNTY SCHOOL DISTRICT	$436,109.51	$1,887,230.17	$4,238,450.88
HARDEMAN COUNTY SCHOOL DISTRICT	$1,004,653.26	$4,212,343.28	$9,460,324.64
HARDIN COUNTY SCHOOL DISTRICT	$1,012,277.60	$4,082,888.63	$9,169,587.89
HAWKINS COUNTY SCHOOL DISTRICT	$1,752,340.12	$7,302,816.47	$16,401,088.41
HAYWOOD COUNTY SCHOOL DISTRICT	$835,548.32	$3,293,753.42	$7,397,302.30
HENDERSON COUNTY SCHOOL DISTRICT	$678,116.96	$2,999,594.22	$6,736,662.52
HENRY COUNTY SCHOOL DISTRICT	$787,332.37	$3,501,495.88	$7,863,862.34
HICKMAN COUNTY SCHOOL DISTRICT	$879,730.25	$3,497,160.67	$7,854,126.08
HOLLOW ROCK-BRUCETON SCHOOL DISTRICT	$177,158.40	$796,354.99	$1,788,500.19
HOUSTON COUNTY SCHOOL DISTRICT	$298,211.14	$1,203,453.59	$2,702,785.82
HUMBOLDT CITY SCHOOL DISTRICT	$423,807.16	$1,974,873.61	$4,435,285.59
HUMPHREYS COUNTY SCHOOL DISTRICT	$561,245.22	$2,246,003.05	$5,044,203.80
HUNTINGDON SPECIAL SCHOOL DISTRICT	$291,214.58	$1,357,321.79	$3,048,351.93
JACKSON COUNTY SCHOOL DISTRICT	$438,448.18	$1,745,742.56	$3,920,689.80
JEFFERSON COUNTY SCHOOL DISTRICT	$1,528,635.20	$6,274,352.27	$14,091,303.91
JOHNSON CITY SCHOOL DISTRICT	$1,516,113.06	$6,181,120.19	$13,881,917.90
JOHNSON COUNTY SCHOOL DISTRICT	$706,241.21	$2,669,142.26	$5,994,514.37
KINGSPORT CITY SCHOOL DISTRICT	$1,685,794.98	$7,603,109.14	$17,075,503.09
KNOX COUNTY SCHOOL DISTRICT	$12,886,555.72	$50,810,033.58	$114,112,117.74
LAKE COUNTY SCHOOL DISTRICT	$371,342.17	$1,479,305.97	$3,322,311.08
LAKELAND CITY SCHOOLS	$373,183.59	$1,270,925.10	$2,854,317.24
LAUDERDALE COUNTY SCHOOL DISTRICT	$1,318,596.36	$5,961,909.65	$13,389,602.17
LAWRENCE COUNTY SCHOOL DISTRICT	$1,606,479.61	$6,975,456.32	$15,665,884.01
LEBANON SPECIAL SCHOOL DISTRICT	$543,677.70	$2,171,341.84	$4,876,525.34
LENOIR CITY SCHOOL DISTRICT	$331,075.02	$1,299,854.36	$2,919,288.24
LEWIS COUNTY SCHOOL DISTRICT	$464,313.20	$1,877,216.07	$4,215,960.63
LEXINGTON CITY ELEMENTARY SCHOOL DISTRICT	$205,467.92	$855,286.44	$1,920,851.84
LINCOLN COUNTY SCHOOL DISTRICT	$642,930.41	$2,604,689.02	$5,849,761.55
LOUDON COUNTY SCHOOL DISTRICT	$756,437.24	$3,021,183.37	$6,785,148.68
MACON COUNTY SCHOOL DISTRICT	$976,782.85	$3,944,586.41	$8,858,980.75
MADISON CONSOLIDATED SCHOOL	$3,897,423.21	$16,781,246.49	$37,688,295.80
MANCHESTER CITY SCHOOL DISTRICT	$296,115.87	$1,347,321.06	$3,025,891.71
MARION COUNTY SCHOOL DISTRICT	$905,594.73	$3,600,263.12	$8,085,679.54
MARSHALL COUNTY SCHOOL DISTRICT	$793,791.46	$3,635,556.48	$8,164,943.41
MARYVILLE CITY SCHOOL DISTRICT	$485,519.33	$1,824,291.08	$4,097,098.62
MAURY COUNTY SCHOOL DISTRICT	$2,101,141.04	$8,095,367.71	$18,181,045.91
MCKENZIE SPECIAL SCHOOL DISTRICT	$277,826.47	$1,113,420.28	$2,500,583.78
MCMINN COUNTY SCHOOL DISTRICT	$1,337,113.68	$4,998,734.31	$11,226,447.18
MCNAIRY COUNTY SCHOOL DISTRICT	$1,026,873.85	$4,168,041.92	$9,360,830.06
MEIGS COUNTY SCHOOL DISTRICT	$433,451.67	$1,790,996.53	$4,022,323.80
MILAN CITY SPECIAL SCHOOL DISTRICT	$405,972.26	$1,565,986.77	$3,516,983.84
MILLINGTON CITY SCHOOLS	$805,062.04	$3,175,529.54	$7,131,788.25
MONROE COUNTY SCHOOL DISTRICT	$1,219,872.51	$4,905,007.54	$11,015,950.17
MONTGOMERY COUNTY SCHOOL DISTRICT	$6,085,141.00	$26,035,378.70	$58,471,762.18
MOORE COUNTY SCHOOL DISTRICT	$119,030.04	$429,553.45	$964,716.03
MORGAN COUNTY SCHOOL DISTRICT	$722,846.81	$2,906,064.66	$6,526,608.41
MURFREESBORO CITY ELEMENTARY SCHOOL	$1,269,257.65	$5,642,066.76	$12,671,280.46

NEWPORT CITY ELEMENTARY SCHOOL DISTRICT	$481,269.85	$2,020,575.48	$4,537,925.50
OAK RIDGE CITY SCHOOL DISTRICT	$756,515.31	$3,120,709.36	$7,008,669.91
OBION COUNTY SCHOOL DISTRICT	$609,721.19	$2,599,575.01	$5,838,276.21
ONEIDA SPECIAL SCHOOL DISTRICT	$239,345.89	$1,056,651.42	$2,373,088.99
OVERTON COUNTY SCHOOL DISTRICT	$702,872.92	$2,767,127.37	$6,214,574.99
PARIS CITY SPECIAL SCHOOL DISTRICT	$424,272.39	$1,957,338.91	$4,395,905.14
PERRY COUNTY SCHOOL DISTRICT	$406,166.24	$1,478,306.57	$3,320,066.56
PICKETT COUNTY SCHOOL DISTRICT	$149,424.50	$604,790.19	$1,358,272.85
POLK COUNTY SCHOOL DISTRICT	$513,900.78	$2,109,622.76	$4,737,913.05
PUTNAM COUNTY SCHOOL DISTRICT	$2,413,382.03	$9,206,454.93	$20,676,389.97
RHEA COUNTY SCHOOL DISTRICT	$1,028,198.70	$4,332,305.26	$9,729,742.20
RICHARD CITY SPECIAL SCHOOL DISTRICT	$66,892.97	$257,665.89	$578,680.99
ROANE COUNTY SCHOOL DISTRICT	$1,395,189.85	$5,904,014.38	$13,259,577.61
ROBERTSON COUNTY SCHOOL DISTRICT	$1,673,761.85	$6,573,070.63	$14,762,182.91
ROGERSVILLE CITY ELEMENTARY SCHOOL DISTRICT	$168,052.74	$833,165.84	$1,871,172.12
RUTHERFORD COUNTY SCHOOL DISTRICT	$4,406,039.06	$19,491,250.70	$43,774,580.29
SCOTT COUNTY SCHOOL DISTRICT	$986,929.29	$3,556,493.21	$7,987,378.54
SEQUATCHIE COUNTY SCHOOL DISTRICT	$556,965.57	$2,217,130.62	$4,979,360.42
SEVIER COUNTY SCHOOL DISTRICT	$2,862,713.31	$12,255,157.02	$27,523,341.79
SHELBY COUNTY SCHOOL DISTRICT	$48,633,664.51	$224,032,803.64	$503,145,852.64
SMITH COUNTY SCHOOL DISTRICT	$546,292.57	$2,190,323.85	$4,919,156.22
SOUTH CARROLL SPECIAL SCHOOL DISTRICT	$90,753.94	$385,546.23	$865,882.05
STEWART COUNTY SCHOOL DISTRICT	$384,918.37	$1,624,543.86	$3,648,494.74
SULLIVAN COUNTY SCHOOL DISTRICT	$2,130,586.57	$9,176,960.79	$20,610,150.34
SUMNER COUNTY SCHOOL DISTRICT	$3,461,661.69	$14,009,559.97	$31,463,481.60
SWEETWATER CITY SCHOOL DISTRICT	$357,376.91	$1,351,078.02	$3,034,329.31
TIPTON COUNTY SCHOOL DISTRICT	$1,959,321.99	$7,944,180.19	$17,841,500.22
TRENTON SPECIAL SCHOOL DISTRICT	$276,323.04	$1,283,332.43	$2,882,182.33
TROUSDALE COUNTY SCHOOL DISTRICT	$238,609.19	$960,310.82	$2,156,721.70
TULLAHOMA CITY SCHOOL DISTRICT	$606,227.55	$3,151,299.83	$7,077,371.76
UNICOI SCHOOL DISTRICT	$515,334.92	$2,088,986.23	$4,691,566.32
UNION CITY SCHOOL DISTRICT	$613,465.68	$2,247,630.84	$5,047,859.59
UNION COUNTY SCHOOL DISTRICT	$915,449.31	$3,528,092.07	$7,923,593.62
VAN BUREN COUNTY SCHOOL DISTRICT	$210,360.06	$917,018.89	$2,059,494.16
WARREN COUNTY SCHOOL DISTRICT	$1,629,651.60	$8,338,012.45	$18,725,991.53
WASHINGTON COUNTY SCHOOL DISTRICT	$1,312,491.76	$5,326,779.68	$11,963,190.47
WAYNE COUNTY SCHOOL DISTRICT	$539,055.82	$2,138,612.18	$4,803,019.16
WEAKLEY COUNTY SCHOOL DISTRICT	$939,040.76	$3,871,148.56	$8,694,049.76
WEST CARROLL SPECIAL DISTRICT	$234,252.75	$1,038,244.33	$2,331,749.28
WHITE COUNTY SCHOOL DISTRICT	$928,876.18	$3,894,542.65	$8,746,589.56
WILLIAMSON COUNTY SCHOOL DISTRICT	$588,381.64	$2,325,327.03	$5,222,354.19
WILSON COUNTY SCHOOL DISTRICT	$1,332,270.83	$5,589,863.74	$12,554,039.91
TOTAL:	**$227,067,600.18**	**$968,525,616.43**	**$2,175,170,953.23**

* ESSER 1.0 funds are not eligible to be used for facility repairs or improvements. Figures are included here only for context of the full ESSER program.
Note: This table does not include ESSER allocations for the Achievement School District, the State Board of Education (a charter school authorizer when ESSER funds were allocated), or the four state special schools. No ESSER funds were reported for Carroll County School District, a limited-service district.

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