

# Understanding County Budgets

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## **INTRODUCTION**

County Governments are the essential service provider for many of the basic services enjoyed by citizens in Tennessee. Counties play an important role in K-12 education, the judicial system, the correctional system, and the basic transportation network of the state. Counties do not have the discretion to choose whether or not to perform these services. County commissions are bound by either the Tennessee Constitution or by state statute to levy taxes to generate sufficient local revenue to provide these basic governmental services.

## **EDUCATION**

Counties must meet multiple mandates with regard to K-12 education funding. Counties must provide a calculated “local match” in order to draw down the state funds generated through the Basic Education Program (BEP) funding formula. For most counties, this requirement means little as they generally greatly exceed the required local match for education. Statewide, city and county governments provide more than \$1 billion more for education funding than is required to meet the local match. As a practical matter, the “non-supplanting” test (sometimes referred to as the maintenance of effort test) is more significant to counties. Basically this requirement means that a local government may not reduce funding for K-12 education over the previous year’s budgeted amount unless it can demonstrate that the system had fewer students and that the reduction in funding still provides at least the same amount of funding per student. Additionally, counties must provide capital investment and sufficient classroom space to meet the maximum class size requirements of the BEP.

## **JAILS AND CORRECTIONAL SERVICES**

Counties are required to provide a local jail sufficient to house prisoners sentenced thereto by the courts. These facilities must meet minimum standards of the Tennessee Corrections Institute and must also pass muster under both the state and federal constitutions. Counties risk state and federal lawsuits if jail conditions result in overcrowding or other conditions found to violate inmates rights. As an element of funding jail operations, counties are responsible for insuring that prisoners in a county jail or workhouse receive adequate medical care. Counties are also required to provide funding for the law enforcement responsibilities of the sheriff’s office. If the county does not do so, the sheriff is authorized to sue the county and a court may compel the county to provide revenue necessary to fund the operations of the office. In addition, county commissions are prohibited by state law from reducing the personnel budget of a sheriff’s department without the consent of the elected sheriff.

## **JUDICIAL SYSTEM**

Counties provide many essential elements necessary for the operation of the trial court system in Tennessee. Counties must provide and maintain courtroom space for both state and county trial courts. This includes the provision of adequate security. Counties are also responsible for providing all necessary staffing and resources for the offices of the Circuit Court Clerk and the Clerk and Master. If adequate funding is not provided, these officers are authorized to sue the county to fund the operations of their office.

## **HIGHWAY AND TRANSPORTATION FUNDING**

Counties are required to maintain public roads and bridges that are not part of the state highway or interstate system or included within the city limits of a municipality. While counties receive significant revenue from the gas tax to assist in providing these services, counties are required to provide a level of funding from local revenue sources at least equal to the average level of local funding for a five year period in order to continue drawing down the full allotment of gas tax funds. A reduction in local funding below this amount results in a corresponding reduction in gas tax revenues.

## **CONSTITUTIONAL OFFICES**

In addition to the sheriff, counties are required to fund the operations of the other “constitutional offices.” These include the various court clerks, the county clerk, register of deeds, assessor of property and trustee. These officials are authorized to bring a suit to compel the county commission to provide a level of staffing that is sufficient to conduct the business of the office properly and efficiently. For the assessor, state law also establishes a minimum staffing requirement based on the number of parcels of property in the county.

## **ELECTIONS**

Counties are required by law to fund the necessary operations of the county election commission. This includes providing sufficient funding for voter registration services and for conducting federal, state and county elections. The state provides a portion of the salary of the administrator of elections, but otherwise the county funds the costs of elections except for special elections for vacancies in the General Assembly, presidential preference primaries, and costs related solely to municipal elections. As with the county constitutional offices, election commissions are authorized to sue counties to compel the level of funding to perform the services of the office.

## **CONCLUSION**

In addition to these core services, there are numerous other statutory mandates and contractual provisions that prevent a county commission from reducing appropriations for a diverse array of services, including solid waste management, emergency management, emergency communications, health departments, regional library services and various mandated boards and commissions. For many counties, a significant portion of the county budget is also obligated to pay interest and principal costs related to capital expenditures related to these services. **An evaluation of county budgets in Tennessee has revealed that nearly 90% of the expenditures in a typical county budget are “non-discretionary,” meaning that these expenditures may not be reduced without violating constitutional, statutory or contractual obligations.** As a result, when faced with a revenue shortfall or additional mandates from state or federal government, the county commission has few options for managing its budget. Local option sales taxes and wheel taxes usually cannot be increased without approval by the voters in a referendum. Therefore, without the ability to cut much of its budget and with restrictions on increasing other taxes, county commissions can generally only spend down reserves or raise property tax rates.