



Distribution of Funds

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

The University of Tennessee
Municipal Technical Advisory Service
1610 University Avenue
Knoxville, TN 37921-6741
865-974-0411 phone
865-974-0423 fax
www.mtas.tennessee.edu

Table of Contents

Distribution of Funds	3
-----------------------------	---

Distribution of Funds

Reference Number: MTAS-47

Generally, a city school system is entitled to a pro rata share of funds from the issue of county school bonds (including capital outlay notes) financed by a countywide tax levy, based on average daily attendance in county and city schools. That is true whether the bonds are issued under T.C.A. §§ 49-3-1201, *et seq.*, or T.C.A. §§ 9-21-101, *et seq.* Cities are authorized to waive their right to a share of these funds. T.C.A. § 49-3-1003, T.C.A. § 9-21-129. However, if the county school project is financed by the county through a loan from the Tennessee State School Bond Authority for "qualified zone academy projects" under T.C.A. §§ 49-3-1201, *et seq.*, the county is not required to share the proceeds of the loan with the city school system. A "qualified zone academy project" means "buildings, structures, improvements and equipment for schools of any local government." T.C.A. § 49-3-1206(d)(2). The Office of State and Local Finance in the Comptroller's office serves as staff to the Tennessee State School Bond Authority and is available to assist with questions related to these projects.

T.C.A. § 12-10-115(c) requires counties receiving proceeds from a lease, loan agreement, sales contract, or operating contract with a public building authority for school capital outlay purposes to share those proceeds with city school systems in the county just as capital outlay note proceeds are shared. Proceeds need not be shared by the county until they are received. The requirements of T.C.A. § 12-10-115(c) do not apply in Shelby County.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

Source URL (retrieved on 05/25/2020 - 2:51pm): <https://www.mtas.tennessee.edu/reference/distribution-funds>



Municipal Technical Advisory Service
INSTITUTE for PUBLIC SERVICE