



❖ **Hamblen County Board of Education**

❖	FY 25-26 Maintenance of Effort	\$27,356,092
❖	State Calculated MOE	<u>\$22,897,578</u>
❖	Difference	\$4,458,514

❖	Funding Request from County:	
❖	1.5% Pay Increase	\$1,125,600
❖	CDC Teacher Assistant	\$43,000
❖	Communication Director/Grant Writer	\$99,663
❖	Tech Refresh	<u>\$97,438</u>
		\$1,365,701

Draft 1 Estimated Ending Fund Balance	\$ 11,446,018
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Changes for Draft 2:

Recognize transfer from General Fund to Special Project Fund to cover our share of SHVFD fire engine FY 24-25	(166,024)
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IT Consultant Fees 101-52600-312	(30,000)
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Correction of error on repair of maintenance & equip for Jail 101-54210-336	(13,500)
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Tablets and Equip for Commission	(14,607)
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Request Removed for General Sessions Assistant	62,963
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Juvenile Court - Medical Coverage Update	(5,600)
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Draft 2 Estimated Ending Fund Balance	\$ 11,279,250
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Changes for Draft 3:

COLAS 10% HCSD, 5% Other General Fund Emp	\$ (1,290,159)
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Ambulance (\$75,000 from Fund 101, \$133,608 from Opioid Funding)	\$ 133,608
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Morristown Parks & Rec Reduced contribution by \$150,000	\$ 150,000
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HC Substance Abuse Coalition No Funding	\$ 5,000
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Estimated new growth revenue	\$ 1,000,000
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Draft 3 Estimated Ending Fund Balance	\$ 11,277,699
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ESTIMATED DEFICIT	\$ 4,597,189
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Capital Items

Humane Society	(200,000)
Library Capital Requests	(30,000)
Property Assessor Vehicle	(40,000)
HVAC Units	(40,000)
Reg of Deed Flooring	(32,000)
HCSD Vehicles	(114,000)
Cherokee Park Vehicle	(30,000)
HWY 160 J Turn	(85,000)
MHEMS Ambulance	(75,000)

Total	\$ (646,000)
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FUND 101 NON-CAPITAL DEFICIT	\$ 3,951,189
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Draft 1 Estimated Ending Fund Balance	\$	1,354,398
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Draft 2 Changes:	\$	-
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Draft 3 Changes:

COLAS	\$	(56,070)
5%		

Draft 3 Estimated Ending Fund Balance	\$	1,298,328
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ESTIMATED DEFICIT	\$	572,986
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Capital Items

Garbage Truck		(470,000)
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FUND 116 NON-CAPITAL DEFICIT	\$	102,986
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Draft 1 Estimated Ending Fund Balance	\$	1,072,338
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Draft 2 Changes:	\$	-
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Draft 3 Changes:

COLAS	\$	(69,580)
5%		

Draft 3 Estimated Ending Fund Balance	\$	1,002,758
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ESTIMATED DEFICIT	\$	163,369
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Capital Items

FUND 131 NON-CAPITAL DEFICIT	\$	163,369
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ADOPTING THE BUDGET DURING A REAPPRAISAL YEAR

At specified intervals, counties in Tennessee must revalue land and buildings for property tax purposes. This is referred to as a reappraisal year. In a reappraisal year, the Tennessee State Board of Equalization gives each taxing jurisdiction a Certified Tax Rate (CTR) as prescribed by Tenn. Code Ann. Title 67, Chapter 5, Part 17. The CTR is designed to ensure to the taxpayers that there is no tax increase hidden in the reappraisal, accordingly, the CTR will generate property tax revenue consistent with the prior year. Although newly taxable real and personal property are backed out of the CTR calculation, the property will be taxed and generate additional property tax revenue. This document examines the impact of the CTR on the annual budget adoption process.

Budgets for counties and municipalities should be adopted on or before June 30 of each year. When the CTR will not be available at the time of budget adoption, local officials should proceed to adopt the budget in a timely manner and then follow the steps provided by the State Board of Equalization for adoption of the tax rate when the CTR is available.

DEFINED TERMS

County Assessor—an elected official whose role is to accurately identify, list, appraise, and classify all taxable properties in preparation of the annual assessment roll. The county assessor plays an important role in calculating the certified tax rate.

Certified Tax Rate (CTR)—the rate that is calculated during a reappraisal year by the county assessor and chief executive of the tax jurisdiction and reviewed by the Tennessee State Board of Equalization, that represents the tax rate needed to generate property tax revenues consistent with the prior year. Because there are specific statutory requirements and exclusions that impact the CTR, CTAS and MTAS often assist local officials in the initial calculation. The CTR can only be exceeded after the notification of and the holding of a public hearing.

Certified Tax Rate (CTR) Law—requires local governments to conduct public hearings before adopting a property tax rate that generates more taxes overall in a reappraisal year than were billed the year before at the previous year's lower values. The CTR law is codified in Tenn. Code Ann. § 67-5-1701 and sometimes referred to as the truth-in-taxation law. The law requires counties and cities to determine a tax neutral rate using the new reappraisal values after adjusting for either new properties or properties removed from the tax base since the prior year. Truth-in-taxation is intended to make sure higher reappraisal values do not automatically result in a tax increase.

Once a certified rate is calculated by the assessor and chief executive of the tax jurisdiction, and reviewed by the State Board of Equalization, it is submitted to the jurisdiction's governing body for formal determination, usually for consideration with the budget. If the budget requires an increase above the certified rate, the governing body must publish notice of a public hearing on whether to exceed the certified rate and then may proceed to adopt an actual tax rate after the hearing. If the certified tax rate is exceeded, the jurisdiction must send the State Board of Equalization an affidavit of publication for the hearing notice, and a certified copy of the final tax rate ordinance or resolution. State Board of Equalization's website: <https://comptroller.tn.gov/boards/state-board-of-equalization.html>.

HOW TO ADOPT A TIMELY BUDGET WHEN THE CTR IS NOT YET AVAILABLE

Adopting the Certified Tax Rate (CTR)

Local officials adopt the CTR when they need a property tax rate that will generate revenue consistent with the prior year. Once a CTR is calculated and reviewed by the assessor and chief executive of the tax jurisdiction, and reviewed by the State Board of Equalization, it is submitted to the jurisdiction's governing body for formal determination, usually for consideration with the budget. Although newly taxable real and personal property are backed out of the CTR calculation, the property will be taxed and generate additional property tax revenue.

Budget Impact:

- The property tax revenue estimate will be the sum of: (1) last year's property tax revenue estimate *and* (2) estimated property tax revenue generated from new growth in the area (the county assessor will have the growth value). Contact MTAS or CTAS for assistance.
- Include the dollar amount of the estimated property tax revenue in the budget and proceed with the remainder of the budget preparation process.
- It is important not to include an estimated rate in the legal budget document or to separately adopt an estimated property tax rate. Instead, local officials should adopt the property tax rate after obtaining the CTR from the State Board of Equalization (SBOE).
- We recommend that the legal budget document include language stating that the governing body plans to adopt the CTR when it is available and a brief description of how the property tax revenue estimate was determined.
- Once the CTR is available, officials should follow the steps outlined by the SBOE and submit the tax levy adoption resolution or ordinance to LGF@cot.tn.gov.

Exceeding the Certified Tax Rate (CTR)

Local officials adopt a rate that is higher than the CTR when they need a property tax rate that will generate more revenue than the prior year. Once a CTR is calculated and reviewed by the assessor and chief executive of the tax jurisdiction, and reviewed by the State Board of Equalization, it is submitted to the jurisdiction's governing body for formal determination, usually for consideration with the budget. Although newly taxable real and personal property are backed out of the CTR calculation, the property will be taxed and generate additional property tax revenue. State law requires a public hearing with specific public notice of intent to exceed the CTR before a rate higher than the CTR is adopted by the governing body.

Budget Impact:

- The property tax revenue estimate will be the sum of: (1) last year's revenue *and* (2) the planned increase (penny rate times the number of pennies increased) *and* (3) estimated property tax revenue generated from new growth in the area (the county assessor will have the growth value). Contact MTAS or CTAS for assistance.
- Include the dollar amount of the estimated property tax revenue in the budget and proceed with the remainder of the budget preparation process.
- It is important **not** to include an estimated **rate** in the legal budget document or to separately adopt an estimated property tax rate. Instead, local officials should adopt the property tax rate **after** obtaining the CTR from the State Board of Equalization (SBOE).

- We recommend language in the legal budget document stating that the governing body plans to adopt a rate that exceeds the CTR when it is available and a brief description of how the property tax revenue estimate was determined.
- Once the CTR is available, a public hearing must be held to notify the public of the governing body's intention to exceed the CTR.
- After the public hearing, follow the steps outlined by the SBOE and submit the tax levy adoption resolution or ordinance to both the SBOE and LGF@cot.tn.gov.

What if the governing body fails to adopt a rate that exceeds the CTR?

After the public hearing, the governing body may ultimately decide to vote against a property tax rate that exceeds the CTR.

Budget Impact:

- The initial property tax revenue estimate will need to be decreased by a budget amendment to the sum of: (1) last year's property tax revenue estimate *and* (2) estimated property tax revenue generated from new growth in the area (the county assessor will have the growth value). Contact MTAS or CTAS for assistance.
- If the tax increase that failed would have funded new spending, then expenditures must also be reduced by budget amendment, or fund balance used to balance the budget. Use of fund balance is appropriate when there are adequate reserves, and the proposed use complies with the local government's fund balance policy. See the Comptroller's publication "Seven Keys to a Fiscally Well-Managed Budget" ([7-Keys](#)).
- Once the CTR is available, follow the steps outlined by the State Board of Equalization (SBOE) and submit the tax levy resolution or ordinance to both the SBOE and LGF@cot.tn.gov.

Municipalities Located in More Than One County

A municipality located in more than one county may have counties with different reappraisal cycles. When this happens, local officials will need to apply the steps above for the impacted tax rate.

How the CTR Affects Taxpayers

When a county undergoes a reappraisal process the CTR is meant to ensure the local government must take an action to increase taxes, otherwise the local government will collect the same revenues as last year plus any new growth in the tax base. Remember, the CTR ensures tax collections remain constant in **total**; however, individual taxpayers may pay either more, the same, or less in a reappraisal year. This is because individual taxpayers may experience an increase or decrease in their taxes based on the amount of growth in property value they experience compared to the overall growth of the county. If the value of a property grows at a rate higher than the average of the whole county then that property tax bill may increase. The opposite is true if the property grows less than the average growth in the county.

CONCLUSION

Timely budget adoption is key to good financial management and this publication is meant to facilitate timely budget adoption in reappraisal years when the CTR is delayed beyond June 30. The budget should be adopted before the start of the fiscal year and submitted to the Comptroller's Division of Local Government Finance within 15 days of adoption. In a reappraisal year, the property tax **rate** should be adopted as soon as possible **after** receiving the CTR from the State Board of Equalization. This may result in local governments submitting the tax rate adoption separately from and later than the initial budget submission. Please note that this will not adversely impact local governments that pursue the Comptroller's Annual Budget Certificate.