



April 17, 2024

Maintenance of Effort

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county 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 county 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 CTAS website material.

Sincerely,

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Maintenance of Effort

Reference Number: CTAS-722

Tennessee Code Annotated requires certain financial mandates for local governments. Financial mandates are often referred to as "maintenance of effort" requirements. These requirements are either on local revenues or on the expenditure budget. We see these mandates for education, public safety, highways, and election commission. Maintenance of effort requirements prevent local governments from substituting state (or federal) funds for local revenues as state (or federal) funding increases. The rationale is to ensure that the additional funds provided are used for improvements or inflation, not simply to maintain spending levels previously supported by local revenue.

While not technically a maintenance of effort requirement, another financial mandate that must be considered when budgeting is the statutory minimum staffing level for the assessor's office. For more information, see [Deputies and Assistants-Assessor of Property](#).

Education MOE

Reference Number: CTAS-723

For education, "maintenance of effort" requirements differ from matching requirements in that the former do not require a minimum amount of local funds in exchange for receipt of state or federal funds, but rather prohibit reductions in local funding from one year to the next. The maintenance of effort test is a supplanting test that ensures local governments do not use state dollars in place of local dollars. This is governed by T.C.A. § 49-2-203 and § 49-3-314.

The MOE is not a one-time pass/fail test. Once the budget has been approved, the only way the MOE can be affected is through budget amendments.

The MOE test is a comparison between the new/next budget and the amended/original budget. This is used to see if MOE has been met for the new/next budget. This is a bottom line total test and does not compare each line item as a means of passing the test. *If the school system receives less than has been budgeted, the county government is not responsible for making up the shortfall.*

There are several possible scenarios that will allow the county to reduce its MOE, which are discussed under [School Budget - Maintenance of Effort](#) under the Education topic in this library.

In cases where the MOE is not met in the current budget year, the state has the option of withholding funds until the test is met. During the budget process the school MOE should be reviewed prior to passage of local budget.

Education Maintenance of Effort Tests

Reference Number: CTAS-2469

First Level - Year to Year Revenue Comparison

	2018 - 2019 Budget	2017 - 2018 Amended	2017 - 2018 Original Budget	2017 - 2018 Actual Revenue	Budget to Budget Comparison	Budget to Actual Comparison
Total County Taxes	\$13,814,445	\$13,552,115	\$13,552,115	\$ -	\$262,330	\$(13,552,115)
Total City/Special School District Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Local and State Revenue	\$1,115,199	\$1,115,199	\$1,115,199	\$ -	\$ -	\$(1,115,199)
Total Revenue	\$14,929,644	\$14,667,314	\$14,667,314	\$ -	\$262,330	\$(14,667,314)
Less Local Revenue Increases for:						
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Adjusted Revenue	\$14,929,644	\$14,667,314	\$14,667,314	\$ -	\$262,330	\$(14,667,314)

If the Budget to Budget Comparison is greater than zero, the MOE test passes.

2018 - 2019 Budget	2017 - 2018 Amended	2017 - 2018 Original	2017 - 2018 Actual	Budget to Budget	Budget to Actual
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			Budget	Revenue	Comparison	Comparison
Total County Taxes	\$16,605,000	\$16,909,000	\$16,909,000	\$ -	\$(304,000)	\$(16,909,000)
Total City/Special School District Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Local and State Revenue	\$7,000	\$7,000	\$7,000	\$ -	\$ -	\$(7,000)
Total Revenue	\$16,612,000	\$16,916,000	\$16,916,000	\$ -	\$(304,000)	\$(16,916,000)
Less Local Revenue Increases for:						
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Adjusted Revenue	\$16,612,000	\$16,916,000	\$16,916,000	\$ -	\$(304,000)	\$(16,916,000)

If the Budget to Budget Comparison is negative, the MOE test fails at First Level.

Sheriff/Law Enforcement MOE

Reference Number: CTAS-724

The county legislative body is required by law to fund authorized expenses fixed by law for the operation of the sheriff's office, including the salary of all the sheriff's deputies. T.C.A. § 8-24-103(a)(1) *State ex rel. Ledbetter v. Duncan*, 702 S.W.2d 163, 165 (Tenn. 1985) (We hold that the provision requires the county legislative body to fully fund the salaries of all deputies as set by the circuit or criminal court pursuant to T.C.A. Chapter 20 of Title 8).

The county legislative body may not adopt a budget that reduces below current levels the salaries and number of employees in the sheriff's office without the sheriff's consent. In the event the county legislative body fails to budget any salary expenditure that is a necessity for the discharge of the statutorily mandated duties of the sheriff, the sheriff may seek a writ of mandamus to compel such appropriation. T.C.A. § 8-20-120.

Highways MOE

Reference Number: CTAS-725

County highway departments are also required to meet a "maintenance of effort" for local revenues according to T.C.A. § 67-3-901(d). It states a county shall be eligible to receive those revenues to be distributed directly to it from the tax increases imposed by Acts 1985, Ch. 419, Acts 1985, Ch. 454, effective 1985, and Acts 2017, Ch. 181, only if it appropriates and allocates funds for road purposes from local revenue sources in an amount not less than the average of the five preceding fiscal years, except bond issues and federal revenue sharing proceeds shall be excluded from the five year average computation. If a county fails to appropriate at least such average amount for road purposes, then the amount of "gas tax" revenue that would otherwise be allocable to a county would be reduced by the amount of the decrease below the five year average.

Highway certification form.

Election Commission MOE

Reference Number: CTAS-726

Pursuant to T.C.A. § 2-12-209, no county receiving payments from the state for having a certified administrator of elections shall reduce the total amount appropriated to the county election commission below the total amount appropriated to the election commission in previous comparable election or non-election years.

Source URL: <https://www.ctas.tennessee.edu/eli/maintenance-effort>