

# The Tennessee Journal

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## Comptroller proposes total state funding of public schools

Comptroller John Morgan is calling for the state to assume complete responsibility for funding public schools.

Under his proposal, the state would seize half of the current maximum 2.75% local option sales tax and make it a state tax, as well as levy a new state property tax.

Morgan, who for years has expressed concerns about the inadequacies of Tennessee's education system, contends that the current funding scheme — in which the state's contribution level varies by county depending on the local tax capacity — leads to too much finger-pointing and buck-passing and in effect precludes a unified vision among state and local leaders for advancing education.

Citing the state's low ranking in college graduations, he argues that the current system "will not prepare our children for the new global workplace."

**First step.** Obviously, neither Gov. Phil Bredesen nor the leadership of the General Assembly is rushing to enact the Morgan proposal. It is a political minefield. But the comptroller is trying to get a discussion started that he hopes will lead to consideration of a state takeover.

He pitched the idea in a PowerPoint presentation last Wednesday to the Tennessee Advisory Commission on Intergovernmental Relations. His presentation followed a report by Gary Nixon, chairman of the state Board of Education, on the BEP Review Committee's recently adopted recommendation to revise the Basic Education Program funding equalization formula at a cost of \$164 million. Bredesen has rejected the proposal already, though he is trying to find money to enhance a couple of BEP components — at-risk children and English language learners — with the aim of providing some help to fiscally strapped urban school systems.

Morgan's proposal includes adoption of the recommended BEP changes, except that local governments would no longer share in the costs. Under the BEP, the state pays for 50% of non-classroom school costs, with local governments bearing the remainder. But the local share, while 50% in the aggregate, varies tremendously based on relative capacity, so that a poor system might be paying only 20% while a wealthy one is paying 65%. Classroom costs are funded the same way, with the state's

aggregate share now 65%. The BEP Review Committee has recommended raising that share back to 75%, where it was until 2004.

**Origins.** The BEP was created in 1992 and phased in over six years, largely in response to a lawsuit by small school systems — which they won in the Tennessee Supreme Court in 1993 — charging that the old method of funding schools put so much emphasis on local funding that it unconstitutionally disadvantaged students in poor counties. The BEP has had a positive impact on rural schools, but urban school systems, which face difficult problems of their own, have grown increasingly resentful amid financial struggles.

Further, fiscal capacity is measured county by county even though some counties have multiple school systems. So, a county with average resources but with one wealthy city that has its own school system might receive less state money — and the city system more — than would be the case if fiscal capacity were determined system by system. That's one of the changes recommended by the review committee that the governor has dismissed for now.

Morgan contends that under the present system leaders can't agree on what needs to be done to improve education because there is too much arguing about who's getting or not getting a fair share of funding.

**The plan.** He does not propose for the state to take over capital construction. But the state would fund the entire BEP, at an enhanced level from the present one.

In 2004-05 the BEP, counting state and local shares, provided \$5,108 per pupil, figured by average daily attendance. But total funding per pupil in the state came to \$6,564 because of local supplements beyond the BEP. The average per-pupil spending among all states was \$9,456, while the average among the 16 Southern Regional Education Board states was \$8,319.

Under the Morgan plan, the BEP would increase from \$4.38 billion to \$6.2 billion, with per pupil spending jumping from \$5,108 to \$7,218. A local system would not be prohibited from supplementing the enhanced BEP funding. But half of local option sales tax revenues — the half that by law is now dedicated to education — would

be seized by the state. And actually, in most locales, the seizure would amount to more than half of the existing tax, since under the plan the state would take half of the maximum local option sales tax rate.

The maximum rate is 2.75%, but only 33 counties currently impose it. The largest number, 39, including the four biggest counties, have a 2.25% rate. Fourteen tax at 2.5% and six at 2%, while Cannon County levies a 1.75% tax and DeKalb and Johnson counties 1.5%. The proposed action likely would force all to go to the maximum rate.

Morgan also proposes a state property tax of \$1.92 per \$100 of assessed valuation, intended to cover additional costs of enhanced BEP funding. Of course, without responsibility for school operating budgets, counties could greatly reduce local property taxes.

**Outlook.** What Morgan suggests is along the lines of what many education leaders and legislators have privately said for years needs to happen. On the other hand, a lot of legislators privately said the state needed an income tax, but when an effort was mounted in Gov. Don Sundquist's second term, it didn't come to pass.

Every crusade must start somewhere. And Morgan, who isn't popularly elected but is chosen by the legislature, feels strongly enough about the matter to be the catalyst. A plan of this nature stands no chance, though, until Bredesen or some future governor decides to get behind it.

## Ford shakes up consulting team, gets boost from Clinton in NYC

Democratic senatorial candidate Harold Ford Jr. of Memphis has replaced his media consultant and pollster, becoming the second candidate in the last two months to make a major change. Republican candidate Bob Corker of Chattanooga replaced media consultant Scott Howell with Paul Curcio in October.

Ford, the 9th district congressman, has hired Jim Margolis of Washington-based GMMB as his media consultant. Margolis, who did some early ads for presidential candidate John Kerry last year, impressed Ford with his work on successful Democratic Senate campaigns in the Republican-leaning states of Virginia, North Carolina, and Montana. The pollster Ford selected is Pete Brodnitz of the Benenson Strategy Group. Brodnitz polled for the successful campaign of Gov.-elect Tim Kaine, who won the Virginia election last month.

They replace consultant Marius Penczner, a veteran of Ford's congressional campaigns, and pollster Harrison Hickman, who has extensive Tennessee experience, having worked for Ned McWherter, John Tanner, Jim Cooper, and others. Hickman conducted an in-depth survey of 1,500 registered voters for Ford in October.

**Clinton.** Meanwhile, Ford raised about \$350,000 Monday night in an event at New York City's Core Club, where former President Bill Clinton spoke. Clinton — who two years ago in a speech in Memphis said he hoped he lived long enough to vote for Ford on a national ticket — stayed at the event for three hours. Later in the week, the Corker campaign issued a press release noting that the

former Chattanooga mayor had a fund-raiser the same night in his hometown and that according to Political Money Line, 42% of Ford's individual donors through the third quarter were from out of state. Of course, the odds are pretty good that if Corker — or any of the other candidates — could also raise \$350,000 in New York, he'd hop on a plane without protest.

**Republicans.** Corker, who had \$3.17 million on hand as of Sept. 30, compared with Van Hilleary's \$841,842 and Ed Bryant's \$713,984, has had another strong quarter of fund-raising, which will be reflected on his disclosure statement next month. He will be in a position to begin airing positive TV ads, at a modest level, as early as March to build his public image before inevitable attack ads are launched by one or both of his GOP opponents.

All three Republican contenders appeared before the Republican State Executive Committee Dec. 10 to provide updates on their campaigns. Bryant cited his recent endorsement by Tennessee Right to Life as evidence that his campaign is catching fire.

**Free Enterprise Fund.** The most promising development for Hilleary could be his endorsement Dec. 6 by the Free Enterprise Fund Political Action Committee. It's hard to know how much money this will produce for the candidate because this is the first election cycle for the fund. It split off from the Club for Growth, whose national list of conservative donors has sometimes generated hundreds of thousands of dollars in bundled contributions for its favored candidates. After the split, the old organization and the new one have the same list. The Free Enterprise Fund has endorsed a couple of congressional candidates; Hilleary is its first senatorial endorsement.

In other developments:

- Democratic candidate Rosalind Kurita, a state senator from Clarksville, pushed the idea of making committee votes quickly available online in a meeting of the Senate Rules Committee — and earlier in a press conference.
- The Corker campaign announced it had accepted an invitation to take part in a candidate forum Feb. 9 at the Tennessee Press Association winter meeting, and the Hilleary camp charged this was an attempt "to detract attention" from his unwillingness to commit to a GOP primary debate set for Memphis Jan. 31.
- Ford is opening a state headquarters at Cummins Station in Nashville this week.

## Split TACIR backs expanded tax power

After perhaps its first roll call vote ever, the Tennessee Advisory Commission on Intergovernmental Relations recommended last week that the state legislature enact general legislation empowering local governments to impose taxes on development.

Currently, private acts of the legislature are necessary for cities and counties to establish such levies. And for the past decade — since both parties began attacking incumbents in election campaigns over every vote for a tax or fee increase, even local enabling bills — passage often has been difficult. Among those whose taxation requests

- The Tennessee Supreme Court picked state Personnel Commissioner Randy Camp to succeed new Justice Connie Clark as director of the Administrative Office of the Courts. Camp, 53, will assume the post next month. He was awarded the job over fellow finalists Sue Cain, the Metro deputy law director, and Circuit Judge Steve Daniel of Murfreesboro.
- NashvillePost.com, the online business news service that suspended operations Aug. 31, returned last week and featured an interview with Tim Willis, a Memphis political operative

who worked as an FBI informer in Operation Tennessee Waltz. Willis asserted that the \$1,000 in cash he gave to Rep. Ulysses Jones (D-Memphis) was supposed to be a bribe. Jones disclosed the gift to the Registry of Election Finance as a campaign contribution. The two gave differing accounts of how the transaction occurred, each calling the other a liar.

- Senate Transportation Committee Chairman Mark Norris (R-Collierville), occasionally mentioned as a potential GOP gubernatorial candidate, said last week he definitely will not run. He

was questioned about the matter after chairing a hearing on problems in the Department of Safety in which he had some testy exchanges with Finance Commissioner Dave Goetz.

- Tennessee's November unemployment rate was 5.8%, up from 5.6% in October. The national rate for both months was 5%.
- Political consultant Mark Riddle, previously a vice president of Fletcher Rowley Chao, has been named a partner in the Nashville-based firm, which will now be called Fletcher Rowley Chao Riddle (FRCR Inc.).

were waylaid this year were Columbia, Oakland, Rutherford County, Shelby County, Williamson County, Jefferson County, and Bedford County. Most of the proposals, opposed by Realtors and home builders, were for adequate facilities taxes or impact fees. Shelby County wanted authority to impose a local real estate transfer tax.

City and county members of TACIR in the main strongly favored general enabling legislation, arguing it was particularly needed in fast-growing counties strapped by the cost of building and operating new schools. State legislators weren't as eager to act. Sen. Douglas Henry (D-Nashville) suggested that a subcommittee be appointed to study some of the complexities, but in a roll call vote his motion failed 7-9.

The group discussed the possibility of tying the tax authorization to various "triggers" — such as a certain rate of growth in school enrollment, a debt ranking, and usage of other available taxes. That idea was not adopted. However, the discussion led Henry to observe that not all the taxes cited as already available can be implemented solely by local governing bodies. The local option sales tax, he noted, requires approval by voters in a referendum. On his motion, the commission voted to recommend that the legislature remove the referendum requirement. That will be a contentious proposition, since Republicans are pushing a Taxpayer Bill of Rights that is favorable to referendums on tax questions.

**Development.** The sales tax proposal is a side issue, though. The big fight in the 2006 regular session will be over development taxes. Proponents have a chance because House Speaker Jimmy Naifeh has agreed to sponsor the legislation. But developers and builders — big political contributors — are a powerful force.

Triggers such as those discussed last week could eventually constitute the basis of a compromise. But for now, a legislative war appears in the works.

## **Political roundup**

### **Special Senate election investigated**

Shelby County District Attorney Bill Gibbons last week asked the TBI to investigate possible criminal activity in the Sept. 15 special election in Senate district 29 after it was found that at least two dead persons were listed as having cast ballots. Republican candidate Terry Roland, who lost to Democrat Ophelia Ford by 13 votes, is contesting the election. A special Senate committee that has

been looking into the issue will meet Wednesday to consider a recommendation to the full Senate.

The panel isn't likely to call for awarding the election to Roland, since it can't be known for whom any improper votes may have been cast. The Senate will either seat Ford or call for a new election. State Election Coordinator Brook Thompson submitted his second report to the committee last week and has now concluded that at least six votes were improperly or illegally cast.

Ophelia Ford is the sister of John Ford, who resigned from the district 29 seat after he was indicted for bribery.

**Safety.** In a letter Wednesday to Safety Department employees, interim Commissioner Gerald Nicely promised to put in place a "structure" to ensure that hirings and promotions are based on "professional qualifications and merit." Nicely, the commissioner of transportation, was assigned by Gov. Phil Bredesen to run the Safety Department for 60 days in the wake of Fred Phillips' forced resignation. Phillips quit and Deputy Commissioner Tom Moore abruptly retired at the end of the day on Friday, Dec. 9, amid newspaper reports of political favoritism in the department and criminal records of some state troopers.

Administration officials told legislators Tuesday that Kroll, a security consulting firm that has served as compliance monitor for court orders involving the Los Angeles and Detroit police departments, had been retained — in a quick, no-bid deal — to help the state clean up the Tennessee Highway Patrol. Kroll is a sister company of Mercer, a consulting firm the state has used for TennCare.

**Special session.** Gov. Phil Bredesen plans to call the legislature into a special session on ethics starting at 11 a.m. Jan. 10, an hour before the regular session would begin. The regular session now will start when the extraordinary session is over.

The Senate Rules Committee didn't take a formal vote last week, but four of five members, including Majority Leader Ron Ramsey (R-Blountville) and Minority Leader Jim Kyle (D-Memphis), indicated they favor a special rule creating a 33-member committee for the special session to hear all bills. Lt. Gov. John Wilder would chair the committee and appoint subcommittees should the need arise.

**TSEA.** The Tennessee State Employees Association has hired contract lobbyist Theo Morrison to serve as its chief lobbyist and advise its political action committee. Morrison will represent several other clients also.

## Tennessee Notes & Quotes

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■ Former congressman **Harold Ford Sr.**, brother of newly elected Democratic state Sen. **Ophelia Ford** (D-Memphis), was upset by reports in *The Commercial Appeal* that two dead people voted in the Sept. 15 special election that she won by 13 votes. He called the newspaper Wednesday to report that neither of the dead voters had been buried by N.J. Ford & Sons Funeral Home, the family business. And on Thursday he said he had begun his own investigation into the matter, suggesting that any evidence of wrongdoing likely would lead to the Republicans, not the Democrats.

■ “Tell **Harold Ford Sr.** that the folks at the Flat Earth Society say hello.” — *Shelby County Republican Chairman* **Bill Giannini**.

■ “What I’m saying to you is real simple: We’ve never had any flexibility on this before. We do now. If we don’t sit down and work out an agreement, we’re going to fight you worse than before. We’ve got instant email access to 30,000 Realtors across the state. We’ll be pulling out everything we’ve got to beat you. We’re ready to go.” — **Russ Farrar**, lobbyist for the Tennessee Association of Realtors, while huddled with county government lobbyists after the TACIR vote on development taxes. A reporter for *The Commercial Appeal* overheard the conversation.

■ It was a rough year at the North Pole. Nine elves were arrested on bribery charges in connection with a sting dubbed “Operation Here Comes Santa Claus.” So our usual sources were in a sour, uncooperative mood. Still, we finally managed to get our hands on Santa’s gift list for Tennessee political figures. Ho! Ho! Ho!

**John Ford** — A copy of Martha Stewart’s new book, *Decorating with Elegance in Confined Spaces*.

**Beth Harwell** — A 2006 Campaign Decision Kit featuring a daisy with petals to pull off, a coin to flip, and instructions for Eenie Meenie Minie Moe, Rock Paper Scissors, and One Potato Two Potato Three Potato Four.

**Lydia Lenker** — To make it easier for her to respond to daily inquiries and exposés by *The Tennessean*, a flexible prepared statement with only a few blanks to fill in: “Governor Bredesen has ordered an immediate investigation into \_\_\_\_\_. This \_\_\_\_\_ is unacceptable, and the governor will take firm, resolute action as necessary once the investigation is completed. The problem started under Governor \_\_\_\_\_, but Governor Bredesen will fix it.”

**Jim Kyle** — A new copy of the leadership manual “How to Run the Senate Without the Speaker or Majority Leader Knowing It,” by Bob Rochelle. To replace the old copy he’s worn out.

**Douglas Henry** — A new federal law to prohibit the FBI from naming any more operations after state songs — before they get all the way down to “Operation When It’s Iris Time in Tennessee.”

*Tennessean* editor **E.J. Mitchell** — An office in the state Capitol, so he can run the state more efficiently than from 1100 Broadway.

Lobbyist **John Lyell** — A brass desk plate with the inscription “J. Lyell — 1st Class Citizen.”

**Ward Crutchfield** and **Kathryn Bowers** — To help them pass the time pleasantly in court, portable CD players with ear buds and a limited edition CD: *Greatest Speeches of John Wilder*. With his FBI prayer as a bonus track.

**Jimmy Naifeh** — A gift certificate to get his Christmas tree trimmed by an expert. Bill Dunn.

**Harold Ford Jr.** — A DVD featuring Jeff Foxworthy on stage with new material: “If your uncle lives in two different houses with two different women but lists a funeral home as his official residence . . . if any family member has ever been charged with shooting at a trucker from the sunroof of his car . . . if your uncle gives up \$500,000 to save \$1,400 in child support . . . if your aunt gets elected by 13 votes, some of whom are dead . . . and if everybody far and wide calls you Junior . . . you too might be a redneck.”

**Lynn Pitts** — An audition for a new public service announcement to replace the one that got yanked after his sudden retirement. “If you’re a state trooper and you bid on a confiscated fishing boat in Tennessee, you *will* go to the unemployment office.”

**Bill Koch** — A laminated copy of a *Tennessee Bar Journal* article titled, “Judicial Appointments in Tennessee: It Pays to Know People Who Know People.” By Larry McMillan, Claudia Bonnyman, and Frank Clement.

**John Turnbull** — A laminated copy of the sidebar article, “No, It Doesn’t,” by Bob Cooper.

**Bill Frist** — Some props for his interview with federal investigators about his blind trust’s sale of HCA stock: dark glasses, a cane, and a seeing eye dog.

**Ron Ramsey** — A tutorial with a UT math prof to explain why 16 is greater than 17 when The Speaker is involved.

**Van Hilleary** — A campaign withdrawal statement signed by Ed Bryant.

**Ed Bryant** — A campaign withdrawal statement signed by Van Hilleary.

**Bob Corker** — He didn’t ask for anything. He just wants Hilleary and Bryant both to get their Christmas wishes.

**Phil Bredesen** — 12 TennCare protests,  
11 campaign millions,  
10 captain badges,  
9 tainted troopers,  
8 ethics scandals,  
7 files a-shredding,  
6 feuds with Cohen,  
5 TennCare drugs,  
4 consent decrees,  
3 court names,  
2 tickets fixed,  
and John Jay as his only challenger.

■ *The Tennessee Journal* will not publish a Dec. 26 issue because of the holiday. Our next edition will be dated Jan. 2, 2006. Merry Christmas!