Appendix A: Tennessee's Allocation Formula

The TVA Act of 1933 (TVA Act) specifically directs that 5% of the agency's "gross proceeds" be paid as payments in lieu of taxes (PILOTs) to states and local governments where the authority owns and operates property. (48 Stat. 58-59, 16 U.S.C. § 831.) TVA interprets "gross proceeds" as their operating revenues from the sale of power to municipalities, cooperatives, and industries. The TVA Act specifically excludes sales to federal agencies from the PILOT calculation. Payments to each state are based on the amount of TVA-owned property and sales in each state. Tennessee's share based on those two factors has been close to 60% of the total each year.

Each state determines its own method of distributing the payments. The following chart shows the formula used by the State of Tennessee in distributing the funds among the state government, its agencies, counties, and cities.

Figure 1. Tennessee Valley Authority (Tennessee State Revenue Sharing Act)
Title 67, Chapter 9, Part 1

From the Allocation of TVA Payments in Lieu of Taxes to Tennessee
(after direct payments to counties and 1977-78 base payment to state, counties, and cities)

	Basis of Apportion-ment *(§ 67-9-101)*	**Proration to Counties & Municipalities** *(§ 67-9-102)*
Paid to areas with TVA construction *(remainder allocated to CTAS, TACIR, and Four Lakes Regional Development Authority)*	3%	
Retained by the State	48.5%	
Paid to Local Governments	48.5%	
Counties—70% of Local Share		
• *Based on Percent of State Population*		*30% (14.55% of total)*
• *Based on Percent of State Land*		*30% (14.55% of total)*
• *Based on County's Percent of TVA Acreage in Tennessee*		*10% (4.85% of total)*
Municipalities—30% of Local Share Based on Percent of State Population		*30% (14.55% of total)*
Total Allocated by State	100%	