



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Executive Director

DATE: 9 June 2021

SUBJECT: Fiscal Capacity for Fiscal Year 2021-22

TACIR staff continue to prepare annually a fiscal capacity index for the Tennessee Department of Education, which uses it in conjunction with the fiscal capacity model produced by the University of Tennessee's Center for Business and Economic Research to equalize the local match required to fund the Basic Education Program (BEP).

There is nothing out of the ordinary to note about this year's fiscal capacity calculation. As with previous years' updates, an excerpt from the 2004 staff report *A Users' Guide to Fiscal Capacity in the Basic Education Program* describing the concept of fiscal capacity and TACIR's model is attached. The excerpt includes information about how TACIR's fiscal capacity index is computed and how fiscal capacity is used in the BEP formula. The tables following the excerpt from the User's Guide provide information about the latest index plus historical comparisons.

- Table 1 includes the variables used to calculate fiscal capacity per pupil and the fiscal capacity index for each county area. This information was transmitted to Commissioner Penny Schwinn at the Tennessee Department of Education on April 12, 2021, for use in the BEP formula for fiscal year 2021-22.
- Table 2 provides a historical comparison of county fiscal capacity indexes for fiscal year 2001-02 through fiscal year 2021-22.
- Table 3 provides 5- and 15-year averages of the indexes for each county area.
- Table 4 compares the 5- and 15-year averages and indicates whether the trend based on a ratio between the two is up, stable, or down. Upward trends indicate growing capacities; downward trends indicate declines in capacity. Thirty-seven

counties have fiscal capacity indexes trending up, 8 are steady, and 50 are trending down. Because the fiscal capacity indexes used in the BEP formula are percentages that add to 100%, there is a zero-sum effect; changes up or down in any one county have to be offset by changes in the other counties. A map of the counties' trends follows the table.