



# TACIR

The Tennessee Advisory Commission  
on Intergovernmental Relations



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## **MEMORANDUM**

**TO:** Commission Members

**FROM:** Cliff Lippard   
Executive Director

**DATE:** 16 June 2022

**SUBJECT:** Fiscal Capacity for Fiscal Year 2022-23

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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). Both fiscal capacity models will also be used with the Tennessee Investment in Student Achievement (TISA) program that is replacing the BEP beginning in fiscal year 2023-2024.

This year's index includes shifts within data sources that appear to be generally attributable to the COVID-19 pandemic and the response to it. Examples include average daily membership, which decreased for many counties individually and for the state overall. Taxable sales increased for almost every county, the apparent result of pandemic-related spending patterns as individuals shopped more locally and online.

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 March 29, 2022 for use in the BEP formula for fiscal year 2022-23.

- Table 2 provides a historical comparison of county fiscal capacity indexes for fiscal year 2003-04 through fiscal year 2022-23.
- 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. Twenty-nine counties have fiscal capacity indexes trending up, eleven are steady, and fifty-five 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.