
Fiscal Capacity Formula Approval

The Background:

Chapter 966 of the Public Acts of 2022, the Tennessee Investment in Student Achievement (TISA) Act, created a new student-based funding formula for K-12 public education. Part of the TISA funding formula is a fiscal capacity calculation used to determine the percentage of the local funding share that each county must contribute to public education. T.C.A. § 49-3-104 (13) requires the State Board of Education to approve the fiscal capacity calculation after its evaluation by the Comptroller of the Treasury. Furthermore, Department of Education TISA Rule 0520-12-05-.08(3) provides that the Comptroller may make recommendations to the State Board regarding any future changes to the fiscal capacity models.

The Comptroller's 2023 evaluation of the fiscal capacity calculation concluded that the fiscal capacity models established by the Boyd Center for Business and Economic Research at the University of Tennessee (Boyd Center) and the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) are reasonable methods for equalizing counties' fiscal capacity. The TISA Act defines the fiscal capacity calculation as the average of the fiscal capacity estimates generated by the formula established by the Boyd Center and TACIR.

The Comptroller's 2023 evaluation does not propose any recommended changes to the fiscal capacity models at this time, however, it does include policy considerations addressed to the State Board, TACIR, and the Department of Education.

Connection to the [Master Plan](#):

This item supports the State Board's strategic focus on Engagement and Accountability outlined in the Master Plan by ensuring that the board carries out its duties related to the K-12 funding formula as required by law.

The Recommendation:

The Office of the Comptroller of the Treasury recommends approval of this item on first and final reading. The SBE staff concurs with this recommendation.