

Appendix B: Tennessee's Allocation Formula

The TVA Act of 1933 (TVA Act) specifically directs that 5% of the Authority'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 USC. § 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 more than 60% of the total each year since federal fiscal year 2010-11.

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.

Tennessee Valley Authority (Tennessee State Revenue Sharing Act)
Title 67, Chapter 9, Part 1
From the Allocation of TVA Payments in Lieu of Taxes in Tennessee
(after direct payments to counties and 1977-78 base payment to state, counties, and cities)

	Basis of Apportionment (\$67-9-101)	Proration to Counties and Municipalities (\$67-9-102)
Paid to areas with TVA construction (remainder allocated to CTAS, TACIR and Tennessee Central Economic Authority)	3%	
Retained by the State	48.5%	
Paid to Local Governments	48.5%	
<i>Counties—70% of Local Share</i>		
· 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)
<i>Municipalities—30% of Local Share Based on Percent of State Population</i>		30% (14.55% of total)
Total Allocated by State	100%	