

FISCAL EFFORT, FISCAL CAPACITY, AND FISCAL NEED: SEPARATE CONCEPTS, SEPARATE PROBLEMS

by Stanley Chervin, Ph.D.

During Tennessee's recent deliberations over state-shared taxes, development taxes and education finance policies, various parties raised the topic of local fiscal effort. This is not uncommon. It is appropriate for public officials to raise the question of whether local governments, or certain local governments, are making a satisfactory local effort during discussions of new state aid or increased local revenue authority. Also appropriate is the consideration of fiscal need and fiscal capacity; discussions of fiscal effort are premature without more detailed discussions of what all three fiscal concepts mean and how they relate to one another.

FISCAL EFFORT

Fiscal effort refers to the relative extent to which a local government actually utilizes the revenue sources available to it – its fiscal or revenue capacity. It is most often used to evaluate or describe the intensity of the attempt of one local government to raise revenue relative to other comparable local governments. High, average, or low fiscal effort findings, measures, or indexes do not, however, by themselves convey meaningful information and must be interpreted carefully.

High tax effort can be the result of mandatory or basic spending requirements in a relatively tax-poor location. In such a situation, high tax rates are the only solution for raising the necessary revenue. On the other hand, relatively high tax effort can reflect a deliberate decision by local residents and their elected officials to provide a higher quality or larger basket of local services than provided by other governmental units. This is the case in many major metropolitan areas, where a more enhanced menu of public services is demanded and expected than in rural locations. High relative tax effort can also reflect higher relative prices for local goods and services, such as higher labor costs in major metropolitan areas versus rural areas of the state. Because of the varying reasons that might explain both high and low relative tax effort and tax rates, correlations (statistical relationships) between per capita tax bases and tax rates and tax capacity and tax effort in general are generally very low.

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TACIR



Tennessee Advisory Commission
on Intergovernmental Relations

Representative Randy Rinks, Chairman
Harry A. Green, Executive Director

226 Capitol Boulevard, Suite 508
Nashville, TN 37243
Phone: 615.741.3012
Fax: 615.532.2443
E-Mail: tacir@state.tn.us

www.state.tn.us/tacir

Fiscal vs. Revenue vs. Tax

The fiscal policy literature generally uses the words fiscal, revenue and tax interchangeably when describing measures of effort, capacity and need. This lack of precision is not much of a problem in most states, where the state and local fiscal structures are simple and fiscal, revenue and tax measures are nearly synonymous, particularly in terms of funding education. Most of the 50 states have only one type of local jurisdiction operating school systems, typically independent school districts that all have the same taxing authority. Most of the remaining states rely solely on property taxes for local revenue (see TACIR. 2006. *Searching for a Fiscal Capacity Model: Why No Other State is Comparable to Tennessee*).

With Tennessee's unique and complex funding structure, it is important to make the distinction between fiscal, revenue, and tax measures. The three can be described in a simplified hierarchy:

- **Tax.** These measures include only tax revenue, usually limited to what is available from local, own-source tax collections.
- **Revenue.** These measures include additional revenue sources, such as intergovernmental transfers, along with the tax revenue.
- **Fiscal.** These measures attempt to measure the comprehensive ability to pay for services, including such factors as average income and the level of service required in addition to tax or revenue collections.

The current county-level fiscal capacity model used to equalize education funding in Tennessee, as part of the Basic Education Program, is an example of a fiscal capacity model. TACIR developed the current model in the early 1990s. TACIR has also done extensive research on variations of tax capacity models (see TACIR. 2005. *A Prototype Model for School-System-Level Fiscal Capacity in Tennessee: Why & How*).

Low tax effort by itself is not a negative characteristic or finding; many tax-base-rich communities, those with high per capita levels of property, especially business property or taxable sales, have a relatively low tax effort for the simple reason that a low tax effort is all that's required to generate needed revenues. A low tax effort may also merely reflect the realities of a poor community where average or median household income is low and an average effort is not possible.

Low tax effort may occur in part because of existing state aid programs that are based partly or wholly on fiscal capacity. Such programs may reduce local effort in jurisdictions that have low fiscal capacity. A major reason for many state financial assistance programs in support of local education (equalization programs) is recognition of the significant variation in local government tax bases and the impact of such variation on local government ability to self-finance education. Measures of tax effort, in addition to measures of tax capacity, are used or considered in the intergovernmental aid programs of several states.¹

Tax effort comparisons are of questionable value when used to compare governmental units with different fiscal needs (expenditure responsibilities) or different taxing authority.² The tax effort of cities that provide fire and police services cannot directly be compared with the tax effort of cities that do not themselves provide such services, but instead utilize county security services. Comparing the tax effort of such cities is comparing apples and oranges. Tax effort as generally measured does not imply anything about tax burdens. The same tax effort in different communities may result in very different tax burdens on the average or median household.

MEASURING FISCAL CAPACITY

Tax effort is a relative measure and cannot be determined without some concept or measure to

¹Tax capacity is a more common element of state-aid programs than tax effort. In several states, both capacity and effort are jointly considered through aid programs that require or expect a minimum level of local tax effort be applied to local tax bases as a condition for state aid. In several states, state aid is not provided to local governments that possess high local tax capacity on their own.

²The Legislature has over the years authorized selective jurisdictions, by private acts, to impose selective local taxes or fees not generally available to all jurisdictions.

which to relate it. Effort is generally measured as the ratio of actual revenues raised per capita to some measure of a jurisdiction's per capita revenue or fiscal capacity. Thus, understanding and interpreting measures of effort require a discussion of the concepts, methods, and problems associated with measuring capacity. There are two general approaches to measuring tax capacity. The export-adjusted income approach is conceptually more appealing, while the representative tax system approach is more easily implemented and therefore more commonly utilized in practice.

Representative Tax System (RTS): This approach or method for measuring relative tax capacity was initially developed by the U.S. Advisory Commission on Intergovernmental Relations (ACIR) in 1962 to measure and compare the tax capacity (and tax effort) of state and local governments.³ It is based on calculations of the per capita tax amounts that jurisdictions could raise if each jurisdiction imposed taxes at average tax rates, computed as statewide averages, on all tax bases that could be taxed regardless of whether they actually are taxed. Variations and elements of this RTS approach are used in many states to measure school system fiscal capacity.⁴ The use of the RTS approach or elements of this approach are less commonly used to distribute unrestricted state aid to local governments.

While the RTS methodology has some intuitive and practical appeal, it also is subject to various criticisms:

- The methodology assumes that local jurisdictions can increase or decrease local taxes without affecting local tax bases. The assumption is not true in Tennessee, or elsewhere where cities and counties often compete with one another to attract certain types of residents and businesses. Local governments always must consider the response of existing residents and businesses

to rising tax rates and be aware that rising rates may cause some existing residents or businesses to relocate elsewhere, resulting in some tax base losses.⁵

- The method does not directly consider differences in tax burdens imposed on average residents in applying RTS tax rates to local tax bases.⁶
- The procedure does not directly consider differences in the degree to which jurisdictions can export taxes to non-residents.

Potential Revenue Per Capita from a Standard Tax Burden, a.k.a. "Export-Adjusted Income Approach:"

This method for calculating local tax capacity requires a little more effort to understand than the RTS approach. It approaches the issue of tax capacity by considering how much per capita tax revenue a jurisdiction could raise using its available tax sources if it imposed a standard tax burden on its residents. A standard tax burden means that the amount of taxes paid by local residents as a percentage of their income is the same in all jurisdictions.

If local governments could only tax local resident income, and a reasonable standard tax burden was considered to be 2%, then a 2% local income tax levied by all jurisdictions on resident income would produce the same standard tax burden (2% of local income) but vastly different levels of per capita taxes. Richer communities, populated with higher income households, would have a higher per capita tax capacity than poorer communities, for the simple reason that they have a higher level of per capita income. If taxing resident income directly were the situation in Tennessee, measuring the per capita tax capacity of each county and city would be as simple as calculating per capita income of each county and city.

³While most of the original ACIR report was concerned with developing measures for state governments, the usefulness of the method for local governments was also recognized. See The Advisory Commission on Intergovernmental Relations (1962) p. iii and pp. 3-4 and ACIR (1990), p. v. and Appendix D.

⁴In many states, school system fiscal capacity is often measured by the relative amount of per capita or per student property wealth, or by the amount an average tax rate would raise per capita (or per student) if applied to each jurisdiction's property tax base. Property taxes account for the majority of local education revenue raised by local school systems.

⁵Thus raising tax rates (in low-tax jurisdictions) to the average may lower existing tax bases.

⁶Jurisdictions that contain poor residents may not be able to make an average tax effort based on a calculated average statewide tax rate.

However, calculating tax capacity in Tennessee and in most other locations using this approach is not straightforward. Local governments in Tennessee can't tax resident incomes directly. Thus, despite the intuitive attractiveness of this approach's focus on tax capacity under similar tax burdens, practical problems quickly arise in real world taxing situations.

The key local tax sources available to cities and counties in Tennessee are the property tax and the local option sales tax. In Tennessee, total local property taxes produce about twice as much as total local option sales taxes. Once we consider the actual types of taxes available to local jurisdictions for raising revenue, we can begin to appreciate the problems that emerge when applying the standard burden approach to measure tax capacity.

Property taxes and sales taxes are indirect methods for taxing the income of local residents, but they also indirectly tax the income of non-residents to varying degrees. They do this in the process of taxing the business and personal property of non-residents and taxable sales to non-residents. Politicians constantly try to attract new investment and tourists into their jurisdictions for this very reason; exporting taxes onto non-resident, non-voting persons reduces the cost of local government to local voters. Taxes paid by non-residents are not a burden on local residents and do not represent a claim or burden on local resident income.

Unfortunately, to apply the standard burden approach for measuring tax capacity, one must be able to estimate the degree to which both local property taxes and local sales taxes are exported to non-residents. The higher the percentage of local taxable property owned by non-residents and the higher the percentage of local taxable sales sold to non-residents, the higher the local jurisdictions per capita tax capacity, assuming the jurisdiction imposes a standard burden.

This clearly does not mean that a jurisdiction with a high percent of its taxable property or sales accounted for by non-residents would actually impose a standard tax burden. In fact, most would

not, because they would not have to. A low tax burden in such a jurisdiction would raise more than enough revenue to fund a reasonable level of local services.

SEPARATE PROBLEM OF FISCAL NEED

One key concern about the use and interpretation of measures of fiscal capacity or fiscal effort is the possible misuse of these measures when comparing apples and oranges . . . **jurisdictions that are not comparable**. Understanding this problem requires a discussion of the Representative Expenditure System (RES). This approach was also developed by the U.S. Advisory Commission on Intergovernmental Relations (1990). It was intended to broaden or complement the RTS methodology by considering the per capita fiscal needs or expenditures of government jurisdictions for a standard or common level of services for which each is responsible. It recognizes that local jurisdictions face varying cost differences in providing local services as a result of variations in

- the range and types of services that must, by law, be provided;
- the prices of the inputs used to produce public services, such as wages and salaries, gasoline prices, and the cost of asphalt; and
- factors that determine the scope of the services provided, such as traffic and the miles of highways that must be maintained.⁷

The first consideration is an extremely important factor in measuring the fiscal need of cities in Tennessee. State law in Tennessee does not require most cities to provide any particular type or level of public services. The default level of government in Tennessee is county government, and it is that jurisdiction's responsibility to provide basic public services throughout the county. As a result, comparing the fiscal capacity or effort of one city to another (or a city to a county) is meaningless unless both provide the same menu of services. This is generally not the case.

⁷ACIR (1990), p. iii. This report was primarily concerned with estimating the expenditure side of the fiscal equation (needs versus capacity).

The second consideration applies equally to county and city governments. While measuring cost differences among jurisdictions for various public services involves many difficulties, such differences are real and should be considered in developing measures of per capita fiscal needs.

The final consideration relates to the estimating workload factors for the various services that local governments provide. Workloads can vary significantly among counties and cities, and frequently are not properly measured by using a proxy measure such as population.⁸ This is especially true for county governments in Tennessee, where a county's workload for various programs (especially police and fire protection) can be dramatically reduced by the presence of city governments within the county who provide some or many public services to their own residents. While the addition of the RES offers a more balanced approach to evaluating needs per capita versus capacity per capita, it requires a significant amount of additional data for implementation.

CAPACITY AND EFFORT MEASURES FOR TENNESSEE COUNTIES

Despite the problems implicit in measuring and interpreting fiscal effort, capacity, and need, most state and some local governments persist in producing measures of such concepts. Because of the difficulties involved in measuring the degree to which property and sales taxes are exported from within each county,⁹ and bypassing the warnings associated with invalid local government comparisons, the RTS approach is currently the most practical approach for estimating local tax capacity and tax effort.¹⁰ The TACIR staff has completed work in this area, and the results are presented in the following tables. The four major metropolitan

counties (Davidson, Knox, Hamilton, and Shelby) have been removed from the analysis to reduce the impact of these relatively high service demand and high service cost areas from the analysis. Fiscal year 2002 data was used in the analysis.¹¹

The average property tax rate used in the analysis was \$2.3696 per \$100 of value. The average local option sales tax rate was 2.4880%. These average rates, calculated from actual revenue, were applied respectively to each county's assessed property value and sales tax base to produce county tax capacity. Tax effort was then calculated as the ratio of actual county tax collections from these two tax sources to estimated county tax capacity expressed as a percentage. The last two columns in Table 1 show each county's tax effort (ratio of actual to potential) and the tax effort ranking for the 91 counties. Table 2 is based on data in Table 1 and presents per capita figures and the various separate index measures often used in discussions of tax capacity and tax effort.

Calculated tax effort ranged from a low of 56% in DeKalb County to a high of 133% in Morgan County. While interpretation of the rankings is subject to the warnings already discussed, some of the resulting measures of tax effort are predictable. Morgan County's high calculated tax effort index (133%) is not remarkable, given Morgan County's distinction for having both the lowest per capita property assessments¹² and the smallest per capita local option sales tax base in the state. However, the same logic doesn't apply to Giles County, the second highest ranking county in tax effort. Giles County has both an average level of taxable assessments per student and local option sales tax base per student. So while the RTS methodology can be easily implemented, interpreting the results remains problematic.

⁸This is already reflected in Tennessee's Basic Education Program, where weighted student counts are used as a measure of the workload 'need.'

⁹While tax capacity and tax effort measures can also be developed for cities, the analysis faces two significant problems: (1) many cities in Tennessee do not impose a property tax and as a result there is no data on property assessments for such cities; and as already mentioned, (2) cities do not provide a standard menu of services to their residents, so measures of fiscal capacity and fiscal effort must be interpreted carefully since there is a significant variation in the level of fiscal services provided from city to city.

¹⁰Other statistics, such as effective property tax rates, TACIR fiscal capacity estimates, ratio of estimated RTS taxes to median income, are also available to gauge specific types of tax effort, or the combination of capacity and effort.

¹¹A full description of the methodology used can be obtained by contacting TACIR.

¹²Lake County's lower per capita assessment figure is underestimated as a result of its large group quarter population. The group quarter population in Lake County (primarily prisoners) accounts for almost 30% of the official county population.

Table 1. RTS Tax Effort Measures

County	Total Assessments(\$)	Property Taxes at Av. Rate of \$2.3696 per \$100	Estimated Property Tax Liabilities (\$)	Local Sales Tax Base FY 2002 (\$)	Sales Tax At Average Rate of 2.4880%	Sales Taxes Actually Collected (\$)	Total Sales & Property Tax Potential (\$)	Total Sales and Property Tax Collected (\$)	Ratio of Actual to Potential	Rank
ANDERSON	974,980,330	23,103,442	32,369,347	659,392,034	16,405,670	15,678,215	39,509,113	48,047,562	121.611%	5
BEDFORD	544,677,473	12,906,850	12,146,308	237,328,545	5,904,733	6,203,665	18,811,583	18,349,973	97.546%	47
BENTON	166,388,145	3,942,786	4,026,593	96,726,011	2,406,543	2,704,275	6,349,329	6,730,868	106.009%	30
BLEDSoE	122,819,830	2,910,378	2,468,679	32,394,367	805,972	785,465	3,716,349	3,254,144	87.563%	75
BLOUNT	1,882,892,163	44,617,608	40,482,182	1,012,755,518	25,197,352	23,087,902	69,814,960	63,570,084	91.055%	67
BRADLEY	1,304,015,003	30,900,352	28,427,527	738,458,283	18,372,838	16,971,289	49,273,190	45,398,816	92.137%	64
CAMPBELL	430,390,921	10,198,679	10,071,148	241,187,086	6,000,733	5,498,353	16,199,413	15,569,500	96.112%	54
CANNON	145,153,216	3,439,597	2,975,641	39,798,310	990,182	733,990	4,429,778	3,709,631	83.743%	77
CARROLL	261,371,862	6,193,550	7,420,870	131,840,057	3,280,180	3,671,135	9,473,730	11,092,005	117.082%	8
CARTER	487,284,376	11,546,845	10,817,713	252,098,784	6,272,216	5,938,767	17,819,061	16,756,481	94.037%	59
CHEATHAM	481,608,950	11,412,358	14,881,717	137,681,710	3,425,520	3,671,655	14,837,878	18,553,372	125.041%	3
CHESTER	148,489,315	3,518,650	3,103,427	68,747,014	1,710,425	1,946,706	5,229,075	5,050,133	96.578%	53
CLAIBORNE	342,058,826	8,105,534	7,285,853	121,059,206	3,011,952	2,830,009	11,117,487	10,115,862	90.991%	68
CLAY	76,748,652	1,818,660	2,225,711	31,425,248	781,860	889,624	2,600,520	3,115,335	119.797%	7
COCKE	333,568,773	7,904,351	9,006,357	213,683,978	5,315,959	5,892,733	13,220,310	14,899,090	112.698%	14
COFFEE	649,765,720	15,397,054	19,622,925	526,567,469	13,100,996	10,985,412	28,498,050	30,608,337	107.405%	25
CROCKETT	168,217,802	3,986,142	4,373,663	41,849,402	1,041,213	1,194,918	5,027,355	5,568,580	110.766%	17
CUMBERLAND	836,283,323	19,816,834	12,042,480	442,867,952	11,018,552	12,426,825	30,835,386	24,469,305	79.355%	87
DECATUR	133,830,635	3,171,293	2,087,758	73,693,748	1,833,500	1,889,797	5,004,793	3,977,555	79.475%	86
DEKALB	297,647,698	7,053,154	3,780,126	92,531,850	2,302,192	1,455,756	9,355,346	5,235,882	55.967%	91
DICKSON	704,815,879	16,701,540	20,157,734	403,589,478	10,041,304	10,624,724	26,742,844	30,782,458	115.105%	9
DYER	498,909,530	11,822,318	12,871,866	309,299,595	7,695,372	8,642,678	19,517,690	21,514,544	110.231%	19
FAYETTE	486,207,997	11,521,338	8,970,538	102,497,638	2,550,141	2,462,440	14,071,479	11,432,977	81.249%	82
FENTRESS	159,131,991	3,770,842	2,991,681	86,801,486	2,159,621	2,249,380	5,930,463	5,241,062	88.375%	74
FRANKLIN	550,596,639	13,047,112	13,599,737	236,246,637	5,877,815	5,291,747	18,924,927	18,891,484	99.823%	42
GIBSON	545,454,334	12,925,258	13,857,813	261,350,048	6,502,388	7,084,642	19,427,646	20,942,454	107.797%	22
GILES	345,656,942	8,190,796	11,302,982	182,881,357	4,549,341	4,736,657	12,740,137	16,039,639	125.898%	2
GRAINGER	175,425,030	4,156,927	3,578,671	50,631,917	1,259,722	1,443,751	5,416,649	5,022,422	92.722%	63
GREENE	776,707,494	18,405,106	16,388,528	433,232,654	10,778,826	12,243,110	29,183,933	28,631,638	98.108%	46
GRUNDY	130,763,686	3,098,618	3,674,460	45,521,337	1,132,571	1,050,877	4,231,188	4,725,337	111.679%	15

Table 1. RTS Tax Effort Measures (continued)

County	Total Assessments(\$)	Property Taxes at Av. Rate of \$2.3696 per \$100	Estimated Property Tax Liabilities (\$)	Local Sales Tax Base FY 2002 (\$)	Sales Tax At Average Rate of 2.4880%	Sales Taxes Actually Collected (\$)	Total Sales & Property Tax Potential (\$)	Total Sales and Property Tax Collected (\$)	Ratio of Actual to Potential	Rank
HAMBLEN	947,828,856	22,460,052	20,378,320	608,000,591	15,127,052	15,442,473	37,587,104	35,820,793	95.301%	57
HANCOCK	68,539,524	1,624,134	1,213,150	14,288,028	355,486	291,224	1,979,620	1,504,374	75.993%	90
HARDEMAN	269,820,848	6,393,760	5,801,148	120,813,591	3,005,842	2,514,578	9,399,602	8,315,726	88.469%	73
HARDIN	395,101,104	9,362,441	6,953,779	174,894,733	4,351,380	4,527,819	13,713,821	11,481,599	83.723%	78
HAWKINS	678,373,304	16,074,948	16,348,797	226,795,053	5,642,660	6,464,768	21,717,608	22,813,565	105.046%	31
HAYWOOD	289,051,508	6,849,456	6,098,987	95,502,343	2,376,098	2,690,830	9,225,554	8,789,816	95.277%	58
HENDERSON	273,832,691	6,488,826	5,832,636	166,188,275	4,134,763	4,634,231	10,623,589	10,466,868	98.525%	45
HENRY	410,797,845	9,734,396	9,530,510	259,438,488	6,454,828	6,005,130	16,189,224	15,535,640	95.963%	55
HICKMAN	211,528,159	5,012,438	5,584,343	79,623,581	1,981,034	1,838,584	6,993,472	7,422,927	106.141%	29
HOUSTON	89,351,313	2,117,297	2,591,188	28,795,221	716,425	804,630	2,833,722	3,395,818	119.836%	6
HUMPHREYS	295,289,570	6,997,275	6,525,899	102,655,569	2,554,070	2,622,992	9,551,345	9,148,891	95.786%	56
JACKSON	104,722,631	2,481,541	2,722,788	26,397,562	656,771	762,707	3,138,312	3,485,495	111.063%	16
JEFFERSON	633,024,111	15,000,340	11,900,853	248,308,874	6,177,924	5,784,657	21,178,263	17,685,510	83.508%	79
JOHNSON	176,843,648	4,190,543	4,244,248	64,806,990	1,612,398	1,011,658	5,802,941	5,255,906	90.573%	69
LAKE	54,545,913	1,292,537	1,472,740	24,182,133	601,651	678,989	1,894,189	2,151,729	113.596%	12
LAUDERDALE	256,797,256	6,085,149	5,418,422	117,141,111	2,914,470	3,289,830	8,999,619	8,708,252	96.762%	51
LAWRENCE	445,112,436	10,547,525	11,684,201	264,895,856	6,590,608	7,296,900	17,138,133	18,981,101	110.754%	18
LEWIS	124,242,495	2,944,089	2,310,910	54,547,749	1,357,148	1,433,773	4,301,237	3,744,683	87.061%	76
LINCOLN	359,360,024	8,515,509	7,295,008	193,892,501	4,824,044	5,084,927	13,339,553	12,379,935	92.806%	62
LOUDON	860,623,636	20,393,610	15,491,225	275,680,171	6,858,921	5,758,197	27,252,531	21,249,423	77.972%	89
MCMINN	717,812,430	17,009,510	16,007,217	367,433,487	9,141,743	7,410,587	26,151,254	23,417,804	89.548%	71
MCGAIRY	244,508,397	5,793,948	5,379,185	121,662,310	3,026,958	2,849,728	8,820,906	8,228,913	93.289%	61
MACON	209,909,163	4,974,074	5,436,647	107,649,453	2,678,318	2,531,164	7,652,392	7,967,811	104.122%	36
MADISON	1,406,322,625	33,324,666	34,595,537	1,272,313,873	31,655,163	35,267,198	64,979,828	69,862,735	107.514%	24
MARION	379,943,295	9,003,256	6,573,019	205,859,208	5,121,776	4,766,331	14,125,033	11,339,350	80.278%	83
MARSHALL	433,206,354	10,265,395	12,389,702	177,082,191	4,405,306	4,145,910	14,670,701	16,535,611	112.712%	13
MAURY	1,041,008,039	24,668,056	25,816,999	615,010,857	15,301,467	14,087,281	39,969,523	39,904,281	99.837%	41
MEIGS	134,493,552	3,187,002	2,461,232	33,425,065	831,615	697,026	4,018,617	3,158,258	78.591%	88
MONROE	588,428,749	13,943,594	10,650,560	260,831,950	6,489,498	5,960,079	20,433,091	16,610,639	81.293%	81
MONTGOMERY	1,517,380,427	35,956,326	50,073,554	1,178,282,285	29,315,657	29,817,198	65,271,984	79,890,752	122.397%	4

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MOORE	114,273,207	2,707,854	2,491,156	12,781,179	317,996	337,855	3,025,850	2,829,011	93.495%	60
MORGAN	162,831,362	3,858,503	5,438,567	38,602,161	960,422	976,805	4,818,925	6,415,373	133.129%	1
OBION	420,989,638	9,975,904	9,261,772	264,175,880	6,572,695	7,288,462	16,548,598	16,550,234	100.010%	40
OVERTON	214,242,813	5,076,765	3,620,704	90,006,577	2,239,363	2,340,891	7,316,129	5,961,595	81.486%	80
PERRY	94,501,027	2,239,326	2,627,129	26,670,732	663,568	692,521	2,902,894	3,319,650	114.357%	11
PICKETT	64,084,397	1,518,564	1,358,589	22,769,870	566,514	658,445	2,085,078	2,017,034	96.737%	52
POLK	163,971,773	3,885,527	4,230,472	52,992,093	1,318,443	1,224,248	5,203,970	5,454,719	104.818%	32
PUTNAM	949,680,537	22,503,930	23,077,237	741,595,856	18,450,901	20,671,053	40,954,831	43,748,290	106.821%	28
RHEA	331,911,635	7,865,083	6,970,144	146,933,727	3,655,710	3,421,696	11,520,793	10,391,840	90.201%	70
ROANE	665,430,984	15,768,263	17,500,835	353,565,901	8,796,718	8,857,386	24,564,981	26,358,221	107.300%	26
ROBERTSON	837,669,162	19,849,673	21,528,097	328,015,697	8,161,029	7,768,817	28,010,702	29,296,915	104.592%	34
RUTHERFORD	3,184,681,672	75,465,224	79,935,510	1,817,102,661	45,209,505	50,328,148	120,674,729	130,263,658	107.946%	21
SCOTT	223,758,625	5,302,255	5,370,207	127,010,061	3,160,010	2,968,824	8,462,265	8,339,031	98.544%	44
SEQUATCHIE	140,225,214	3,322,821	3,729,991	54,418,603	1,353,935	1,301,543	4,676,756	5,031,534	107.586%	23
SEVIER	2,175,734,073	51,556,883	31,548,144	1,901,665,671	47,313,432	47,739,719	98,870,315	79,287,863	80.194%	84
SMITH	227,275,686	5,385,597	4,295,510	95,659,289	2,380,003	2,644,042	7,765,599	6,939,553	89.363%	72
STEWART	135,597,061	3,213,151	3,376,367	43,685,645	1,086,899	1,124,172	4,300,049	4,500,539	104.662%	33
SULLIVAN	2,492,370,460	59,059,999	58,570,706	1,576,366,831	39,219,999	39,041,803	98,279,997	97,612,509	99.321%	43
SUMMER	2,062,657,721	48,877,390	52,391,506	801,026,824	19,929,543	18,365,517	68,806,933	70,757,023	102.834%	39
TIPTON	588,625,644	14,185,223	15,803,717	211,342,077	5,258,190	5,038,651	19,443,412	20,842,368	107.195%	27
TROUSDALE	80,303,767	1,902,903	1,999,564	26,573,997	661,161	662,502	2,564,064	2,662,066	103.822%	37
UNICOI	208,942,201	4,951,160	4,951,930	66,377,573	1,651,474	1,881,313	6,602,634	6,833,243	103.493%	38
UNION	182,380,667	4,321,750	3,282,852	45,296,349	1,126,973	1,066,816	5,448,723	4,349,668	79.829%	85
VAN BUREN	60,089,374	1,423,897	1,315,957	14,486,536	360,425	414,903	1,784,322	1,730,861	97.004%	50
WARREN	472,701,876	11,201,293	11,959,357	285,124,758	7,093,903	5,814,112	18,295,196	17,773,470	97.148%	48
WASHINGTON	1,644,270,099	38,963,144	31,734,413	1,303,700,439	32,436,060	33,278,941	71,399,205	65,013,354	91.056%	66
WAYNE	139,514,497	3,305,980	3,585,523	54,987,852	1,368,097	1,565,759	4,674,077	5,151,282	110.210%	20
WEAKLEY	368,517,256	8,732,501	7,775,714	176,527,839	4,392,012	4,972,146	13,124,513	12,747,860	97.130%	49
WHITE	266,264,966	6,309,499	5,724,697	117,632,329	2,926,692	2,717,292	9,236,191	8,441,989	91.401%	65
WILLIAMSON	4,077,245,090	96,615,689	106,823,821	1,954,066,230	48,617,158	44,593,622	145,232,847	151,417,444	104.258%	35
WILSON	1,590,422,135	37,687,146	47,235,537	701,417,168	17,451,256	16,170,944	55,138,401	63,406,481	114.995%	10
TOTAL	52,130,827,057	1,235,308,564	1,235,308,564	28,243,046,223	702,686,847	702,686,847	1,937,995,411	1,937,995,411	100.000%	

Sources: Property tax from annual "Tax Aggregate Report"; local option sales tax data from Department of Revenue; population data from Department of Economic and Community Development.

Table 2. Per Capita Measures of Tax Capacity and Tax Effort

County	RTS Per Capita Property Tax Capacity	Index	RTS Per Capita Local Sales Tax Capacity	Index	RTS Per Capita Total Sales & Property Tax Capacity	Index	Actual Per Capita Total Sales and Property Tax Collected	Index	Relative Effort Index (Ratio of Actual to Capacity)	Rank
ANDERSON	\$322.55	94.6	\$229.04	118.1	\$551.60	103.1	\$670.80	125.4	121.6	5
BEDFORD	\$327.52	96.0	\$149.84	77.2	\$477.35	89.2	\$465.64	87.0	97.5	47
BENTON	\$239.20	70.1	\$146.00	75.3	\$385.20	72.0	\$408.35	76.3	106.0	30
BLEDSON	\$233.24	68.4	\$64.59	33.3	\$297.83	55.7	\$260.79	48.7	87.6	75
BLOUNT	\$406.17	119.1	\$229.38	118.2	\$635.55	118.8	\$578.70	108.2	91.1	67
BRADLEY	\$344.57	101.0	\$204.88	105.6	\$549.45	102.7	\$506.25	94.6	92.1	64
CAMPBELL	\$254.88	74.7	\$149.97	77.3	\$404.85	75.7	\$389.11	72.7	96.1	54
CANNON	\$263.37	77.2	\$75.82	39.1	\$339.19	63.4	\$284.05	53.1	83.7	77
CARROLL	\$211.24	61.9	\$111.88	57.7	\$323.11	60.4	\$378.31	70.7	117.1	8
CARTER	\$203.48	59.7	\$110.53	57.0	\$314.01	58.7	\$295.29	55.2	94.0	59
CHEATHAM	\$308.56	90.5	\$92.62	47.7	\$401.18	75.0	\$501.63	93.8	125.0	3
CHESTER	\$220.98	64.8	\$107.42	55.4	\$328.40	61.4	\$317.16	59.3	96.6	53
CLAIBORNE	\$268.72	78.8	\$99.86	51.5	\$368.58	68.9	\$335.37	62.7	91.0	68
CLAY	\$226.74	66.5	\$97.48	50.2	\$324.21	60.6	\$388.40	72.6	119.8	7
COCKE	\$231.70	67.9	\$155.82	80.3	\$387.52	72.4	\$436.73	81.6	112.7	14
COFFEE	\$311.63	91.4	\$265.16	136.7	\$576.79	107.8	\$619.50	115.8	107.4	25
CROCKETT	\$274.49	80.5	\$71.70	37.0	\$346.19	64.7	\$383.46	71.7	110.8	17
CUMBERLAND	\$407.72	119.6	\$226.70	116.9	\$634.42	118.6	\$503.44	94.1	79.4	87
DECATUR	\$272.71	80.0	\$157.67	81.3	\$430.37	80.4	\$342.04	63.9	79.5	86
DEKALB	\$398.48	116.8	\$130.07	67.0	\$528.55	98.8	\$295.81	55.3	56.0	91
DICKSON	\$377.60	110.7	\$227.02	117.0	\$604.62	113.0	\$695.95	130.1	115.1	9
DYER	\$319.66	93.7	\$208.07	107.3	\$527.73	98.6	\$581.73	108.7	110.2	19
FAYETTE	\$369.25	108.3	\$81.73	42.1	\$450.98	84.3	\$366.42	68.5	81.2	82
FENTRESS	\$223.55	65.5	\$128.03	66.0	\$351.58	65.7	\$310.71	58.1	88.4	74
FRANKLIN	\$326.19	95.6	\$146.95	75.8	\$473.15	88.4	\$472.31	88.3	99.8	42
GIBSON	\$267.75	78.5	\$134.70	69.4	\$402.45	75.2	\$433.82	81.1	107.8	22
GILES	\$279.03	81.8	\$154.98	79.9	\$434.00	81.1	\$546.40	102.1	125.9	2
GRAINGER	\$196.93	57.7	\$59.68	30.8	\$256.60	48.0	\$237.93	44.5	92.7	63
GREENE	\$288.65	84.6	\$169.05	87.1	\$457.69	85.5	\$449.03	83.9	98.1	46
GRUNDY	\$216.16	63.4	\$79.01	40.7	\$295.16	55.2	\$329.64	61.6	111.7	15
HAMLEN	\$383.13	112.3	\$258.04	133.0	\$641.17	119.8	\$611.04	114.2	95.3	57
HANCOCK	\$239.09	70.1	\$52.33	27.0	\$291.42	54.5	\$221.46	41.4	76.0	90
HARDEMAN	\$214.47	62.9	\$100.83	52.0	\$315.30	58.9	\$278.94	52.1	88.5	73
HARDIN	\$362.53	106.3	\$168.49	86.9	\$531.03	99.3	\$444.59	83.1	83.7	78
HAWKINS	\$293.38	86.0	\$102.98	53.1	\$396.36	74.1	\$416.36	77.8	105.0	31
HAYWOOD	\$348.48	102.2	\$120.89	62.3	\$469.37	87.7	\$447.21	83.6	95.3	58
HENDERSON	\$252.16	73.9	\$160.68	82.8	\$412.84	77.2	\$406.75	76.0	98.5	45
HENRY	\$312.08	91.5	\$206.94	106.7	\$519.02	97.0	\$498.06	93.1	96.0	55
HICKMAN	\$216.75	63.6	\$85.67	44.2	\$302.42	56.5	\$320.99	60.0	106.1	29
HOUSTON	\$266.39	78.1	\$90.14	46.5	\$356.53	66.6	\$427.25	79.9	119.8	6
HUMPHREYS	\$387.00	113.5	\$141.26	72.8	\$528.25	98.7	\$505.99	94.6	95.8	56
JACKSON	\$222.80	65.3	\$58.97	30.4	\$281.77	52.7	\$312.94	58.5	111.1	16
JEFFERSON	\$327.51	96.0	\$134.89	69.5	\$462.40	86.4	\$386.14	72.2	83.5	79
JOHNSON	\$233.78	68.5	\$89.95	46.4	\$323.73	60.5	\$293.22	54.8	90.6	69
LAKE	\$165.86	48.6	\$77.20	39.8	\$243.06	45.4	\$276.11	51.6	113.6	12
LAUDERDALE	\$217.27	63.7	\$104.06	53.6	\$321.33	60.1	\$310.93	58.1	96.8	51
LAWRENCE	\$260.67	76.4	\$162.88	84.0	\$423.55	79.2	\$469.10	87.7	110.8	18
LEWIS	\$256.83	75.3	\$118.39	61.0	\$375.23	70.1	\$326.68	61.1	87.1	76

Table 2. Per Capita Measures of Tax Capacity and Tax Effort (continued)

County	RTS Per Capita Property Tax Capacity	Index	RTS Per Capita Local Sales Tax Capacity	Index	RTS Per Capita Total Sales & Property Tax Capacity	Index	Actual Per Capita Total Sales and Property Tax Collected	Index	Relative Effort Index (Ratio of Actual to Capacity)	Rank
LINCOLN	\$267.98	78.6	\$151.81	78.3	\$419.79	78.5	\$389.59	72.8	92.8	62
LOUDON	\$501.92	147.2	\$168.81	87.0	\$670.73	125.4	\$522.99	97.7	78.0	89
MCMINN	\$339.84	99.6	\$182.65	94.2	\$522.49	97.7	\$467.88	87.4	89.5	71
MCNAIRY	\$234.42	68.7	\$122.47	63.1	\$356.89	66.7	\$332.94	62.2	93.3	61
MACON	\$238.45	69.9	\$128.39	66.2	\$366.85	68.6	\$381.97	71.4	104.1	36
MADISON	\$356.92	104.7	\$339.04	174.8	\$695.96	130.1	\$748.26	139.9	107.5	24
MARION	\$325.57	95.5	\$185.21	95.5	\$510.78	95.5	\$410.04	76.6	80.3	83
MARSHALL	\$375.06	110.0	\$160.95	83.0	\$536.01	100.2	\$604.15	112.9	112.7	13
MAURY	\$344.53	101.0	\$213.71	110.2	\$558.23	104.3	\$557.32	104.2	99.8	41
MEIGS	\$281.79	82.6	\$73.53	37.9	\$355.32	66.4	\$279.24	52.2	78.6	88
MONROE	\$347.21	101.8	\$161.60	83.3	\$508.80	95.1	\$413.62	77.3	81.3	81
MONTGOMERY	\$260.10	76.3	\$212.06	109.3	\$472.16	88.2	\$577.91	108.0	122.4	4
MOORE	\$456.79	133.9	\$53.64	27.7	\$510.43	95.4	\$477.23	89.2	93.5	60
MORGAN	\$194.41	57.0	\$48.39	24.9	\$242.80	45.4	\$323.24	60.4	133.1	1
OBION	\$307.96	90.3	\$202.90	104.6	\$510.85	95.5	\$510.90	95.5	100.0	40
OVERTON	\$250.38	73.4	\$110.44	56.9	\$360.83	67.4	\$294.02	55.0	81.5	80
PERRY	\$296.68	87.0	\$87.91	45.3	\$384.59	71.9	\$439.81	82.2	114.4	11
PICKETT	\$303.77	89.1	\$113.33	58.4	\$417.10	78.0	\$403.49	75.4	96.7	52
POLK	\$240.71	70.6	\$81.68	42.1	\$322.39	60.3	\$337.92	63.2	104.8	32
PUTNAM	\$349.98	102.6	\$286.95	147.9	\$636.93	119.0	\$680.38	127.2	106.8	28
RHEA	\$271.78	79.7	\$126.32	65.1	\$398.11	74.4	\$359.09	67.1	90.2	70
ROANE	\$301.40	88.4	\$168.15	86.7	\$469.55	87.8	\$503.83	94.2	107.3	26
ROBERTSON	\$345.54	101.3	\$142.06	73.2	\$487.60	91.1	\$509.99	95.3	104.6	34
RUTHERFORD	\$387.13	113.5	\$231.92	119.6	\$619.05	115.7	\$668.24	124.9	107.9	21
SCOTT	\$245.95	72.1	\$146.58	75.6	\$392.53	73.4	\$386.82	72.3	98.5	44
SEQUATCHIE	\$281.91	82.7	\$114.87	59.2	\$396.77	74.2	\$426.87	79.8	107.6	23
SEVIER	\$692.45	203.0	\$635.45	327.6	\$1,327.90	248.2	\$1,064.90	199.0	80.2	84
SMITH	\$296.29	86.9	\$130.93	67.5	\$427.22	79.8	\$381.78	71.4	89.4	72
STEWART	\$252.92	74.2	\$85.56	44.1	\$338.48	63.3	\$354.26	66.2	104.7	33
SULLIVAN	\$385.88	113.1	\$256.25	132.1	\$642.14	120.0	\$637.78	119.2	99.3	43
SUMNER	\$358.94	105.2	\$146.36	75.4	\$505.30	94.4	\$519.62	97.1	102.8	39
TIPTON	\$265.46	77.8	\$98.40	50.7	\$363.86	68.0	\$390.04	72.9	107.2	27
TROUSDALE	\$258.76	75.9	\$89.90	46.3	\$348.66	65.2	\$361.99	67.7	103.8	37
UNICOI	\$279.10	81.8	\$93.09	48.0	\$372.19	69.6	\$385.19	72.0	103.5	38
UNION	\$233.09	68.3	\$60.78	31.3	\$293.87	54.9	\$234.60	43.8	79.8	85
VAN BUREN	\$256.97	75.4	\$65.05	33.5	\$322.02	60.2	\$312.37	58.4	97.0	50
WARREN	\$287.98	84.4	\$182.38	94.0	\$470.36	87.9	\$456.95	85.4	97.1	48
WASHINGTON	\$357.40	104.8	\$297.53	153.4	\$654.92	122.4	\$596.35	111.5	91.1	66
WAYNE	\$190.96	56.0	\$79.03	40.7	\$269.99	50.5	\$297.56	55.6	110.2	20
WEAKLEY	\$255.28	74.9	\$128.39	66.2	\$383.67	71.7	\$372.66	69.7	97.1	49
WHITE	\$269.25	78.9	\$124.89	64.4	\$394.14	73.7	\$360.25	67.3	91.4	65
WILLIAMSON	\$705.80	207.0	\$355.16	183.1	\$1,060.95	198.3	\$1,106.13	206.7	104.3	35
WILSON	\$404.89	118.7	\$187.49	96.6	\$592.38	110.7	\$681.21	127.3	115.0	10
TOTAL	\$341.04	100.0	\$194.00	100.0	\$535.04	100.0	\$535.04	100.0	100.0	

Sources: Property tax from annual "Tax Aggregate Report"; local option sales tax data from Department of Revenue; population data from Department of Economic and Community Development.

Index values calculated by dividing respective column value by value for total for all counties (91 included), then multiplying by 100; an index value of 100 implies that county value is equal to average for all 91 counties included in analysis.

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The Tennessee Advisory Commission
on Intergovernmental Relations
226 Capitol Boulevard, Suite 508
Nashville, Tennessee 37243