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**Fiscal Capacity Formula Review and Approval Rule 0520-01-02-.33**

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**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 and that the State Board shall establish a process and timeline for approval of the formulas.

This item proposes a new rule titled Fiscal Capacity Formula Review and Approval setting forth the timeline for how often the Comptroller of the Treasury will undertake a review of the Fiscal Capacity formula, the process for how the State Board will consider and approve any recommended changes or considerations noted by the Comptroller in their evaluation of the formula, and a process for how requests for changes to the formula can be evaluated by the State Board and the Comptroller's office outside of the established review cycle.

In development of this rule, State Board staff consulted with staff at the Comptroller of the Treasury and Department of Education and incorporated their feedback.

A rulemaking hearing was held on July 13, 2023. No comments were submitted.

Since first reading, edits were made to clarify that the regular five (5) year review cycle does not reset when changes are approved as a part of a request for an off-cycle review. Additional minor typographical edits were made.

**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 SBE staff recommends approval of this item on final reading.