



TACIR



Fiscal Capacity 101

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www.tn.gov/tacir



Fiscal Capacity

- Answers the question how much each local government must contribute
- Used to determine the local contribution of the base and weighted funding components in TISA
- Calculated by averaging the TACIR and CBER models.
- A county-level model; all school systems within a county are treated as if they have the same fiscal capacity
- Direct and outcomes funding are not equalized



TACIR Model Method

- A set of averages drawn from actual tax bases, income, etc. is compared with actual revenue.
- The amount of weight to give each factor is determined by estimating the statistical relationship between them.
- Multiple regression analysis
 - a common statistical method used to understand relationships among factors for a wide range of issues
 - simultaneously compares all variables for all counties to determine how much weight to give each factor
- Weights are multiplied by the factors for each county to estimate potential local revenue for each of the 95 counties.
- Actual revenue is used as a control.



Factors Used in TACIR's Fiscal Capacity Regression

- **Own-Source Revenue Per Student:** The actual amount of money local governments raise to fund their schools divided by enrollment (average daily membership (ADM)), the control factor that keeps the estimates within the bounds of what local governments actually do.
- **Sales Tax Base Per Student:** The locally taxable sales for the county-area divided by ADM. This is a measure of the local ability to raise revenue.
- **Equalized Property Assessment Per Student:** The total assessed property value for the county-area, equalized across counties using appraisal-to-sales ratios, and then divided by ADM. This is also a measure of the local ability to raise revenue.



Factors Used in TACIR's Fiscal Capacity Regression (cont.)

- **Equalized Residential and Farm Assessment Divided by Total Equalized Assessment (Tax Burden):** The measure of the resident tax burden is the total taxable value of all residential and farm property divided by the total taxable value of all property in the county. A proxy for a county's potential ability to export taxes through business activity—the higher this number, the lower the level of business activity and the higher the risk of heavy tax burdens on county residents.
- **Per Capita Income:** A proxy for county residents' ability to pay for education and for all other local revenue not accounted for by property or sales taxes.
- **Service Responsibility:** It's measured by dividing the number of students in public schools by the entire population as reported by the US Census Bureau to use as a reflection of spending needs. The larger the number of public school students per 100 residents, the greater the fiscal burden for each taxpayer.



Effect of Changes in Fiscal Capacity Factors

The relationship between fiscal capacity and specific variables (other things being equal)		
Factor Increases	Expected Effect on Fiscal Capacity	
Property Tax Base Increases	Fiscal Capacity Increases	↑
Sales Tax Base Increases	Fiscal Capacity Increases	↑
Per Capita Income Increases	Fiscal Capacity Increases	↑
Residential/Farm Share of Property Increases	Fiscal Capacity Decreases	↓
Service Responsibility Increases	Fiscal Capacity Decreases	↓



County Trends in Share of Statewide Fiscal Capacity

- The change in a county's share of statewide fiscal capacity depends on its growth in fiscal capacity relative to the state's growth in fiscal capacity.



CBER Model

- The other half of the fiscal capacity index used for equalization in TISA
- Calculates statewide average sales tax and property tax rates
- Applies rates to each county's sales and property tax base
 - Property base includes equalized, assessed values for real property, personal property, and public utilities
 - Property base also includes estimated value of industrial development board (IDB) property
- Sums hypothetical sales and property tax bases for each county
- County fiscal capacity value divided by statewide total to produce index



Potential Refinements

- Replace 1993-1995 Tax Equivalent Payments (TEPs) with Industrial Development Board Assessments (IDBs) or simply eliminate TEPs from the model
- Eliminate the service responsibility factor
- Adjust or eliminate virtual student count in ADM



For More Information

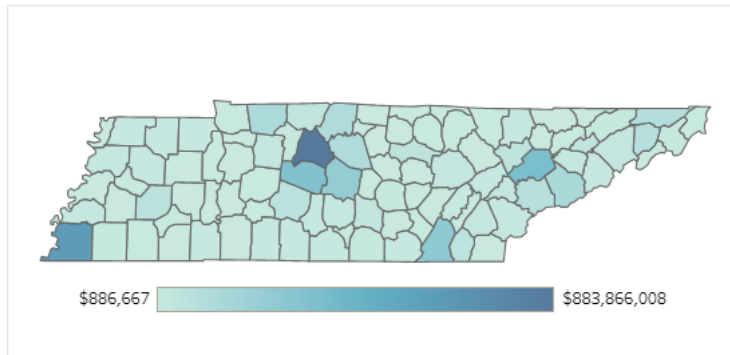
Fiscal capacity program link on our website at tn.gov/tacir

- FAQs
- County-level info
- Resource tab

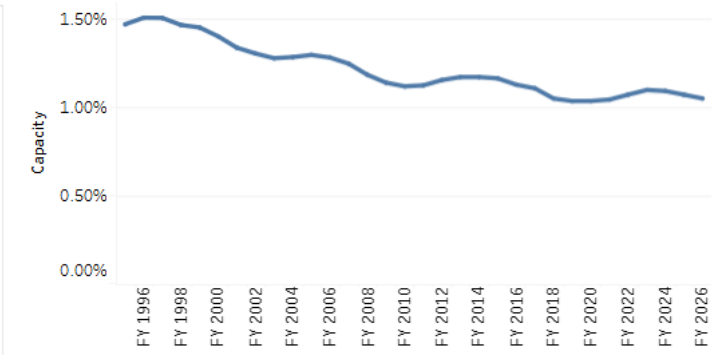
Resources

- Fiscal Capacity Home
- Overview
- Aggregate
- Variables
- Trends

Total Fiscal Capacity for Fiscal Year 2026



Fiscal Capacity Index



Fiscal Capacity Indicators for Fiscal Year 2026

County	Fiscal Capacity Per Pupil	Fiscal Capacity Per Pupil Rank	Total Fiscal Capacity	Fiscal Capacity Index Rank	Fiscal Capacity Index
Anderson	\$4,303	18	\$49,796,862	18	1.05%
Bedford	\$2,760	55	\$24,056,108	28	0.51%
Benton	\$2,887	49	\$5,882,829	68	0.12%
Bledsoe	\$1,339	91	\$2,051,028	89	0.04%
Blount	\$4,764	12	\$84,021,454	12	1.77%
Bradley	\$3,816	27	\$59,071,565	16	1.24%
Campbell	\$3,104	43	\$15,298,909	44	0.32%

