TACIR

Annual Report on Fiscal Capacity

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TISA Funding – Base and Weight Components

Base Funding

- A fixed dollar amount of funding per student
- For fiscal year 2026-27 is set to $7,530 per student

Weighted Funding

- TISA provides funding based on student needs
- Weights are calculated as a percentage of the base funding amount as specified in Tennessee Code Annotated, Section 49-3-105

Local Contribution (Fiscal Capacity)

- Fiscal capacity, as used to determine the local contribution of the base and weighted funding components in TISA
- Calculated by averaging the TACIR and CBER models

TISA Funding – Direct and Outcomes Components

Direct Funding

- TISA provides direct funding allocations for students enrolled in public charter schools and certain students participating in high-impact, strategic programming.

Outcomes Funding

- TISA provides funding based on student outcomes (e.g., 3rd and 4th grade literacy, 8th grade math, ELA TCAP scores, ACT scores, and high school industry credentials).

State Contribution

- Direct and outcomes funding are not equalized and are 100% funded by the state.

Fiscal Capacity

- Fiscal capacity answers the question how much each local government must contribute.
- Measures the potential ability of local governments to fund education from their own taxable sources, relative to their cost of providing services.
- It's a county level model, which means all school systems within a county are treated as if they have the same fiscal capacity.

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Method

- A set of averages drawn from actual tax bases, income, etc. is compared with actual revenue.
- The amount of weight to give each variable is determined by estimating the statistical relationship between them.
- Actual revenue is used as a control.

Multiple Regression Analysis

- Common statistical method used to understand relationships among variables.
- Simultaneously compares all variables for all counties to determine how much weight to give each variable.
- Weights are multiplied by the variables for each county to estimate potential local revenue for each of the 95 counties.

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Fiscal Capacity Variables and Effect of Changes

The relationship between fiscal capacity and specific variables (other things being equal)

Variable 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 ↓

Variables Used in TACIR's Fiscal Capacity Regression (1 of 3)

- **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 variable that keeps the estimates within the bounds of what local governments actually do.
- **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.

Variables Used in TACIR’s Fiscal Capacity Regression (2 of 3)

- **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.

Variables Used in TACIR’s Fiscal Capacity Regression (3 of 3)

- **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.
- **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.

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.

Long Term Fiscal Capacity Trends by County

5-year average compared with 15-year average