FISCAL CAPACITY

Calculating the Basic Education Program

TENNESSEE COMPTROLLER OF THE TREASURY

JUNE 2017

fiscal capacity: a statistical estimate of a county's relative ability to raise revenue

A change for one county means a change for all counties.

Holding all other factors constant, if one county's BEP state share increases, every other county's decreases.

Property value differs from county to county, as does economic activity in general; therefore, fiscal capacity varies by county.

EXAMPLE:

A large manufacturing plant in Volunteer County moves out of state, significantly decreasing the county's property tax base. As a result, Volunteer County's fiscal capacity decreases – the county has less calculated ability to raise local revenue and pay for education. Consequently, Volunteer County's state share of funding for the Instructional categories increases from 72 percent to 75 percent.

When this data is put into the BEP formula, the end result will be a zero sum adjustment: Volunteer County will receive an additional 3 percent in the Instructional categories, and, overall, all other counties' state Instructional funding will decrease by that same 3 percent.

This infographic is one in a series of infographics explaining fundamental concepts of the BEP. Please see the other infographics in the series to learn more about the four categories of the BEP and how the BEP is a funding formula, not a spending plan.