

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2121 - SB 2371

June 10, 2020

SUMMARY OF ORIGINAL BILL: Creates the Tennessee Local Education Capital Investment Act. Grants eligibility to local education agencies (LEA) with two percent or more average daily membership (ADM) growth to be a “Tennessee rapid growth school district” (RGSD), which allows LEA’s with greater than 20 percent ADM growth to receive two percent of its proportionate share of the tax collected and remitted by dealers within the county. A Tennessee rapid growth school district with an ADM growth of less than 20 percent shall receive a percentage of its proportionate share of the tax collected and remitted by dealers within the county equal to 10 percent of the LEA's ADM growth. The total annual amount distributed to each LEA shall be capped at \$7,000,000. Requires 100 percent of the revenue received by a Tennessee rapid growth school district to be used exclusively for either public school-related debt service or public school-related capital improvements. Prior to adoption of Tennessee rapid growth school district status, the local municipality or special school district must have adopted a formal multiyear school capital improvement plan specifying the manner by which additional revenue distributed pursuant to an election is to be incorporated into the funding of the capital improvement plan.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$18,087,300/FY20-21 and Subsequent Years

Increase Local Revenue - \$18,087,300/FY20-21 and Subsequent Years

SUMMARY OF AMENDMENTS (018377, 018471): Amendment 018377 changes the effective date from July 1, 2020 to October 1, 2020.

Amendment 018471 deletes and replaces language of the original bill without making any substantive changes.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- According to the Department of Education, there are currently 33 school systems that would qualify for the tax revenue allocation.
- Based information regarding county collections, weighted full-time equivalent average daily attendance, and school's ADM, the average payable amount per school is estimated to be \$548,101.
- It is assumed that all local governing bodies who are eligible would take the necessary steps to ensure compliance with this legislation and qualify for the tax revenue allocation.
- The decrease in state revenue, and a corresponding increase in local revenue, in FY20-21 is estimated to be \$18,087,333 (\$548,101 x 33).
- The amount of decrease in state revenue and corresponding increase in local revenue will fluctuate from year to year as additional school districts become RGSDs, as existing RGSD's ADM growth and weighted full-time equivalent average daily attendance fluctuates, as existing RGSDs have their RGSD status revoked, and as sales tax collections from within any RGSD fluctuates.
- For the purposes of this fiscal analysis it is assumed that the estimated impact of FY20-21 will be experienced in all subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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