



February 18, 2019

SUMMARY OF BILL: Authorizes a local education agency (LEA), with a minimum average growth of two percent in average daily membership (ADM) over the immediately preceding five fiscal years, to elect to be a “Tennessee rapid growth school district” (RGSD). Requires ADM growth be calculated by the Department of Education on an annual basis to determine initial and continuing eligibility.

An RGSD with 20 percent or greater ADM growth shall receive two percent of its proportionate share of the tax collected and remitted by dealers within the respective county. A RGSD 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 respective county equal to 10 percent of the respective LEA’s ADM growth. Caps the total amount distributed to each LEA at \$7,000,000. Requires that any revenue received pursuant to this legislation be used exclusively for either public school-related debt service or public school-related capital improvements.

Requires that the revenue distributed pursuant to this legislation be based on the tax collected and remitted by dealers within the boundaries of the entire county and not the tax collected and remitted within the boundaries of the electing entity. In the case of multiple school districts within the same county electing RGSD status, each electing entity shall be entitled only to a proportionate share of the tax collected and remitted by dealers within the boundaries of the entire county based on the proportion of the electing entity’s weighted full-time equivalent average daily attendance (WFTEADA), as defined in Tenn. Code Ann. § 49-3-302, bears to the total WFTEADA in all school systems within the county.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$32,872,500/FY19-20
Exceeds \$30,000,000/FY20-21 and Subsequent Years

Increase Local Revenue – \$32,872,500/FY19-20
Exceeds \$30,000,000/FY20-21 and Subsequent Years

Assumptions:

- This legislation will result in state sales tax revenue being reallocated from state government to local government. Local government will be required to use any such

funds received as a result of this legislation on either debt service for or capital improvement to public schools.

- According to the Department of Revenue (DOR), there are currently 39 county or municipal school districts that have ADM growth of two percent or greater over the preceding five fiscal years, and thus, would be eligible to seek RGSD status.
- It is assumed that all school districts eligible for RGSD status will seek and successfully achieve RSGD status.
- The DOR determined the state sales tax revenue remitted by dealers in the respective counties in which the 39 RGSD-electing districts reside, applied the respective LEA's ADM growth and WFTEADA, as required by the legislation, and concluded that this legislation will result in a decrease in state revenue of \$32,872,464.
- The decrease in state revenue in FY19-20 is estimated to be \$32,872,464.
- The increase in local revenue in FY19-20 is estimated to be \$32,872,464.
- 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, an existing RGSD's ADM growth and WFTEADA fluctuates, as existing RGSDs have their RGSD status revoked, and as sales tax collections from within any RGSD fluctuates.
- The recurring decrease in state revenue is estimated to exceed \$30,000,000 in FY20-21 and subsequent years.
- The recurring increase in local revenue is estimated to exceed \$30,000,000 in FY20-21 and subsequent years

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb