

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 197 - HB 239

March 2, 2019

SUMMARY OF BILL: Authorizes a county or municipality with a local education agency (LEA), with an average daily membership (ADM) growth of 250 students per year, for each of the five school years during the period running from the 2014-2015 school year through the 2018-2019 school year, to elect by resolution or ordinance to become a “Tennessee Rapid Growth School District (RGSD)” for the purpose of receiving a special allocation of state sales tax revenue.

Authorizes a special allocation of state sales tax revenue to RGSDs equal to 2.0 percent of actual taxes remitted by dealers within the boundaries of the RGSD, in lieu of the current allocation of the 4.603 percent of collections which is based on the proportion of population of each municipality relative to the aggregate population of all municipalities within the state.

Caps the total amount distributed to each RGSD at \$7,000,000. Requires that 100 percent of the revenue received pursuant to the special election, less the amount that the respective district would have collected had it not made such special election, to be used exclusively for either public school-related debt service or public school-related capital improvements.

Establishes that RGSD status may be elected by both a county, and a municipality located within such county, if both the county and municipality school systems meet the ADM growth criteria. If both a county, and municipality located in such county, elect RGSD status, such allocation to the county and municipality shall be prorated between such county and municipality based on average daily growth sharing formula for local option sales tax for education purposes, pursuant to Tenn. Code Ann. § 49-3-315.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$18,282,900

Increase Local Revenue – \$18,282,900

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 four counties that would qualify to become a RGSD – Montgomery County, Rutherford County, Williamson County, and Wilson County.
- The current allocation of 4.603 percent, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A) is applicable only to municipalities. As a result, counties electing RGSD status would not choose between the current 4.603 percent allocation and the proposed 2.0 percent special allocation; they would simply be eligible to receive the 2.0 special allocation.
- It is assumed that all four of the aforementioned counties will adopt RGSD status in order to qualify for the proposed 2.0 percent special allocation; and thus, will receive a special allocation of state sales tax revenue beginning in FY19-20.
- Based on collection data provided by the Department of Revenue, relative to these four counties, the recurring decrease in state revenue is estimated to be \$18,282,911; therefore, the recurring increase in local revenue (to the four aforementioned counties) is estimated to be \$18,282,911.
- It is further estimated, that over time, there will be an average of four counties who will qualify for and elect RGSD status as a result of this legislation, with relatively comparable collection data from which any special allocations would be determined. Therefore, these numbers are assumed to remain constant into perpetuity.
- The DOR was consulted on the likelihood a municipality would elect to become an RGSD and subsequently elect to receive the 2.0 percent special allocation in lieu of the current 4.603 percent allocation. The DOR indicated that it would probably be in the best interest of municipal school districts not to elect RGSD status, as it is assumed that the current 4.603 percent allocation would result in greater revenue allocations to the municipalities as compared to what municipalities would receive as a RSGD. Therefore, it is assumed that no municipal school districts would elect to become a RGSD.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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