

TACIR

**The Tennessee Advisory Commission
on Intergovernmental Relations**



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**MINUTES OF THE
TENNESSEE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS
June 30, 2009**

MEETING CALLED TO ORDER

The Tennessee Advisory Commission on Intergovernmental Relations met in Room 30 of the Legislative Plaza at 1:06 p.m., Chairman Senator Mark Norris presiding.

Present 22

Mayor Rogers Anderson
Mayor Tommy Bragg
Mr. Charles Cardwell
Ms. Paula Davis
Representative Craig Fitzhugh
Mayor Brent Greer
Senator Douglas Henry
County Executive Jeff Huffman
Mr. John Johnson
Alderman Bob Kirk
Mayor Kenny McBride
Mayor Keith McDonald
Senator Randy McNally
Ms. Leslie Newman
Senator Mark Norris
Representative Gary Odom
Mayor Tom Rowland
Mr. Tommy Schumpert
Representative Curry Todd
Senator Jim Tracy
Mayor Larry Waters
Comptroller Justin Wilson

Absent 3

Senator James Kyle
Representative Jason Mumpower
Speaker Emeritus Jimmy Naifeh

1. Call to Order and Approval of January 2009 Minutes

Chairman Mark NORRIS called the meeting to order at 1:06 p.m. and asked for approval of the minutes. Alderman KIRK made a motion to adopt the minutes. The motion was seconded by Vice Chairman ROWLAND. The minutes were approved.

2. Presentation by Ms. Lynnisse ROEHRICH-PATRICK, Associate Executive Director, TACIR, on TACIR's Sunset Review

Ms. ROEHRICH-PATRICK made a presentation on TACIR's sunset hearing. She commented on the difference between a performance audit and a sunset review. She noted that TACIR is a relatively small, highly regarded agency and had not had a financial audit finding in close to a decade. She said that TACIR goes through a sunset review process that involves responding to a list of standard questions and then TACIR goes before the Joint Government Operations Committee to present the information and respond to any questions. Larger agencies typically have a full-blown performance audit. This involves the staff of the Comptroller's Office spending time with the agency looking through its records, interviewing people and working to determine the effectiveness and efficiency of the agency. Smaller agencies like TACIR do not typically go through the process. TACIR went through an abbreviated sunset review process.

Ms. ROEHRICH-PATRICK said there was one issue that was raised which was not related to the quality of TACIR's work. TACIR consistently gets great feedback on the quality of its work. The TACIR staff was able to deal with the one issue related to staff diversity to the satisfaction of both the House and Senate Government Operations Committees. She said that TACIR staff was able to get a longer extension than what was in the original bill. TACIR was extended through June 30, 2013.

3. Presentation by Dr. Harry GREEN, Executive Director, TACIR, on TACIR's Work Program for FY 2010

Dr. GREEN presented TACIR's 2010 work program for Commission approval. He reviewed TACIR's recurring projects, which include four Commission meetings each year, producing the fiscal capacity model for the Basic Education Program (BEP), public infrastructure needs inventory (PINI), and monitoring implementation of PC 1101, Tennessee's Growth Policy Act. A number of new bills were assigned to TACIR staff by the General Assembly this year, including

(1) The Electric Generation and Transmission Cooperatives Act and its effect on the TVA payment in lieu of taxes (PILOT) system with the state of Tennessee. This bill was sponsored by the chairs of the House and Senate Finance Committees, who are also members of the TACIR Commission. Representative FITZHUGH stated that this bill is of particular importance because it is related to

the ability to fund TACIR and other similar projects throughout the state. Staff has just begun to explore this topic.

(2) An appropriations bill that directs TACIR staff to conduct a regional jail study. The following counties have been identified for this study: Clay, Fentress, Pickett and Overton. Dr. GREEN will provide an update on this project at the September Commission meeting.

Representative FITZHUGH said the regional jail study was supposed to be appropriated a year ago and those four counties (Clay, Fentress, Pickett, and Overton) have expressed an interest in this study. The appropriation was made this year, which is why there is an urgency to complete it. Dr. GREEN said TACIR staff has initiated talks with CTAS, with whom TACIR will work on the project. Senator TRACY asked staff to consider the use of technology to minimize prisoner transport.

(3) A study of the Underground Utility Damage Prevent Program sponsored by TACIR members Senator NORRIS and Representative ODOM. Work on this study has not yet begun. Dr. GREEN invited the sponsors to discuss.

Chairman NORRIS said this bill came about because he and Representative ODOM were made aware there have been serious injuries related to underground utility damage. Chairman NORRIS said they did not want to get into the surrounding issues this past legislative session because there were several valid concerns raised. They also wanted the topic to be studied thoroughly first. Representative ODOM commented that this issue needs to be looked at closely because it involves many stakeholders. Chairman NORRIS reported there were concerns that various constituent groups would not be included and that is the opposite of the study's intent. He invited all stakeholders to give their input and assured them it will be factored in to the study.

Dr. GREEN explained that this bill was given to TACIR at the end of session and therefore, staff members have not done any planning. He said the staff will take the comments of the members into full consideration and involve all stakeholders.

(4) A bill related to non-emergency Public Service Answering Points (PSAPs) with a due date of December 2011. Dr. GREEN requested that this topic be moved to the heel of TACIR's study priorities in order to study more urgent issues.

Mayor MCDONALD asked for an example of a non-affiliated PSAP. Mr. Cliff LIPPARD answered it is a PSAP not affiliated with an emergency communication district but is probably connected to a sheriff's department or another emergency provider.

Commissioner NEWMAN made an additional comment about PSAPs, noting that they are outside the jurisdiction of E911 boards. The Department of Commerce and Insurance has little information about their training and equipment, which is why it is necessary to understand them.

(5) TACIR staff was also directed to study an emergency communications district funding bill. Dr. GREEN remarked that TACIR has had a significant and historic role in studying emergency communications. He hopes to complete these studies at the beginning of the legislative session, and in time for legislative action if necessary. Representative TODD explained this bill would generate funds by fees and then be given to low population districts. He asked that TACIR complete the study by March 2010.

In addition to these mandated projects, TACIR was also asked to assist the Comptroller's office with the ARRA Qualified School Construction Bond Program. Comptroller WILSON explained that \$181 million was allocated for school construction in the state (\$20 million in Davidson County, \$40 million in Shelby County/Memphis, and the remainder for the state in general). The difficulty is in who gets the money. The Comptroller's office has asked TACIR to help with the application and evaluation process and Comptroller WILSON hopes to have the applications out to districts in August 2009. County Executive HUFFMAN asked if that money is to be used for new construction or additions to existing schools. Comptroller WILSON said it could be used for either.

Dr. GREEN then reviewed continuing mandated projects, including the county revenue partnership fund, purchases by water and waste water treatment authorities, and efficiency of water and waste water treatment authorities. Dr. GREEN noted that the latter two projects will be moved to the bottom of TACIR's priority list due to two staff vacancies that are not likely to be filled.

Senator HENRY asked why this issue was not assigned to the Board of Standards rather than TACIR. Chairman NORRIS asked about the TACIR initiated projects. Dr. GREEN said these are ongoing projects. He remarked that the school site and land use planning is being done by the University of Memphis and he hopes it will not only be a study, but create a method to be used in site planning in the future. The remaining ongoing projects include sharing information with other state agencies.

Chairman NORRIS asked about the two staff vacancies and how many are currently on staff. Dr. GREEN said there is a total staff of 15 in addition to consultants who contribute on a part-time basis.

Mayor BRAGG made a motion to adopt the work program. The motion was seconded by Representative TODD. The work program was approved.

Representative ODOM asked to speak before the Commissioners moved to the next tab. He discussed a bill from the last legislative session that would have put

off implementation of the Tennessee Voter Confidence Act until 2011. He said that he understood that much of the opposition to implementing the Act was from local governments about costs. He had some questions about the local cost estimates that had been provided to the legislature and wanted to know if costs had been included in TACIR's study. Dr. Rose NACCARATO responded that only a few cost studies had been available at the time of the report and that this limited data had been included. There was some discussion of the issue and whether or not to revisit it, but no decisions were made.

4. Presentation by Ms. Catherine CORLEY, Senior Research Associate, TACIR, on *Building Tennessee's Tomorrow: TACIR's Infrastructure Report*

Ms. CORLEY brought attention to Table 4: Comparison of Estimated Cost of Needed Infrastructure Improvements, on page 13 of the current public infrastructure report. The table shows the estimated cost of infrastructure needs in comparison to the estimated cost of total infrastructure needs from the previous report. She stated that the cost for the five year period from July 2007 to June 30, 2012 totaled \$34.2 billion, an increase of \$5.9 billion since the last report. She said that the last report was based on inventory two years older than the one on which this report is based. She also said that the current report includes additional bridge improvement needs not captured by the last inventory. Needs at Tennessee public schools including new school construction totaled \$3.7 billion, an increase of \$225 million from the last report. She stated that this increase is attributable to the increase in new school construction.

Ms. CORLEY stated that in March of this year, TACIR sent a survey to the nine development districts staff to determine how the data TACIR collects is being used, by whom, and for what purposes. The main objective was to see if TACIR was getting the most use out of the application and if there were additional measures that TACIR could take to make the data more accessible to the development districts and to the communities they serve.

Ms. CORLEY stated that the development districts use the data differently depending on the needs of their communities. She gave examples of how the development districts use the public infrastructure data. She said that all the development districts indicated that they use the public infrastructure data as a tool for small communities to plan for the future and to look ahead to what their needs will be. She also said that most development districts are utilizing the data for their comprehensive economic development strategic program. Some development districts use the data to help them determine if any of the communities they serve have needs that could qualify for grants. She said that this process is especially important for smaller towns, cities, and new officials because they may not be aware that grants are available to them for projects that they need.

Ms. CORLEY stated that the development districts expressed the need for additional reporting capabilities for the online system and that TACIR has plans to improve those capabilities in the future.

Mayor MCDONALD asked if he could see the appendices before the report is approved. Ms. CORLEY mentioned that the appendices would be available in the full report. She added that she would provide the appendices before the next meeting. The infrastructure report was not approved at this time. It was agreed that the report would be approved at the September Commission meeting once the members had time to review the appendices.

Chairman NORRIS asked if TACIR was taking into account the stimulus funds in its reporting. Ms. CORLEY said that as TACIR is collecting the new inventory data from the development districts, she has seen information and notes related to the stimulus funds, however, a clear picture of projects funded by the stimulus package would be available in the next few years.

Chairman NORRIS mentioned that the states are reporting back their take on expenditures; therefore, he suggested that the Commission might need to discuss this in the next meeting.

5. Presentation by Dr. Harry GREEN, Executive Director, TACIR, on Fiscal Capacity for 2010

Dr. GREEN briefly reviewed the history of TACIR's involvement in figuring fiscal capacity for the Basic Education Program (BEP). TACIR had developed a model a few years before the BEP program began, which is the main reason it was adopted for use in the BEP. It has worked well, but not perfectly (data and estimation problems will keep any model from working perfectly) for the past 15 years. The TACIR model relies on a statistical model. In the past few years the Center for Business and Economic Research (CBER) at UT Knoxville has also produced a model that is being used for the BEP. The CBER model uses just the property and sales tax bases in an algebraic model. At present, both models are being used, each estimating half of fiscal capacity for all 95 counties.

Dr. GREEN referred to the map included in the packet that compares the fiscal capacity differences for counties between the two models. He also briefly discussed the map that was handed out that showed changes in the fiscal capacity index over time. The growth has mostly been in the metropolitan and tourist-heavy areas.

Mayor WATERS said he preferred the TACIR model, as it includes a personal income measure.

Mayor BRAGG asked if Sevier County had an additional gross receipts tax that would affect the formula. Mayor WATERS replied that the gross receipts and tourist sales tax refunds are city revenue and the county does not get any part of

that for the county school system. He also said that some of the tourism zones are structured so that the county does not get any increases in sales tax revenues. He said these exclusions need a review and that while the Sevier County property tax is below average it has increased quickly recently.

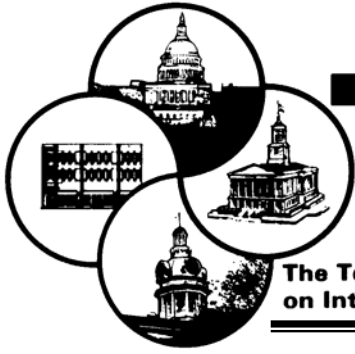
Mayor BRAGG asked if the portion of the property tax that goes to schools is the same in Sevier County as in other counties. Mayor WATERS said he thought it was probably comparable.

Senator HENRY asked why Cumberland County showed up as so prosperous. He mentioned retirees and a winery but was curious why they were showing such high fiscal capacity increases. Dr. GREEN said he thought the retirees might have higher than average incomes, but that staff would need to look at the underlying data to be certain of what was causing the high capacity number there.

County Executive HUFFMAN asked what the effects would be on one or both models when the sales tax collections are decreasing and property tax bases are stagnant. Dr. GREEN said that the model makes use of appraisal ratios to keep all counties' property tax bases current. He also said that it is a relative model, so one county would have to see a tax base go down precipitously for it to have an effect. County Executive HUFFMAN asked if the model uses a multi-year average to smooth changes. Dr. GREEN said it uses three-year averages, as does the CBER model.

Dr. GREEN pointed out that the results had already been sent to the Department of Education and that TACIR has not heard any feedback on them.

Chairman NORRIS adjourned the meeting at 2:24 p.m.



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**MINUTES OF THE
TENNESSEE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS
July 1, 2009**

MEETING CALLED TO ORDER

The Tennessee Advisory Commission on Intergovernmental Relations met in Room 30 of the Legislative Plaza at 8:34 a.m., Chairman Senator Mark Norris presiding.

Present 20

Mayor Rogers Anderson
Mayor Tommy Bragg
Ms. Paula Davis
Representative Craig Fitzhugh
Mayor Brent Greer
Senator Douglas Henry
County Executive Jeff Huffman
Mr. John Johnson
Alderman Bob Kirk
Mayor Kenny McBride
Mayor Keith McDonald
Senator Randy McNally
Ms. Leslie Newman
Senator Mark Norris
Representative Gary Odom
Mayor Tom Rowland
Mr. Tommy Schumpert
Representative Curry Todd
Senator Jim Tracy
Mayor Larry Waters

Absent 5

Mr. Charles Cardwell
Senator James Kyle
Representative Jason Mumpower
Speaker Emeritus Jimmy Naifeh
Comptroller Justin Wilson

1. Call to Order

Chairman NORRIS called the meeting to order at 8:34 a.m.

2. Presentation by Mr. Mike MORROW, Special Assistant to the Governor for Recovery Act Administration, on the Federal Stimulus and Tennessee

Mr. MORROW stated that his office provides oversight and guidance to state agencies receiving funds through the American Recovery and Reinvestment Act (ARRA). Fund disbursement will be implemented through tax changes, individual assistance, formula grants, and discretionary competitive grants. Funds will be distributed via federal, state, and local governments, some funds will be distributed to nonprofit and community organizations.

Mr. MORROW reviewed the tax changes implemented by the ARRA including impact on take home pay, first-time homebuyer tax credits, money back for new vehicle purchases, the Earned Income Tax Credit, additional child tax credits, and the American Opportunity Credit. In terms of individual assistance, impacts include a 13% increase in monthly food stamps, a \$250 one-time payment to social security and supplemental security income (SSI), a \$25 per week increase in unemployment benefits, an increase in COBRA subsidies, and higher education financial assistance.

Mr. MORROW reviewed formula grants. These include grants for nutrition for seniors, access to health care, low income weatherization program, and jobs and trainings. Mr. MORROW made a few comments about the weatherization program. He stated that the federal government has not yet approved Tennessee's plan. Additionally, he noted that the household income limit for assistance has increased to 200% of the poverty level.

Chairman NORRIS noted that this has increased eligible income quite a bit and that the program will be broadly applicable. Chairman NORRIS asked Mr. MORROW to tell Commissioners how one could gain further information about the weatherization program. Mr. MORROW said the program is administered through the Department of Human Services (DHS) and he said that DHS's website lists phone numbers.

Formula grants for education include fiscal stabilization funds and K-12 funds. Formula grants for energy independence fall under two main categories: energy efficiency and conservation block grants and grants for state energy programs. There are formula grants for transportation for roads, transit, and aviation. Senator TRACY asked about the possibility of getting further transportation funds—those of states who were not adequately prepared and who could not spend the money in the allotted time period. Mr. MORROW stated that Commissioner NICELY had said that Tennessee would be ready to take any additional funds, and that we would know in October if there were extra funds.

Senator HENRY asked how much of the ARRA money is being spent for public relations. Mr. MORROW said he was not aware of any spending in Tennessee or nationally. Senator HENRY asked who pays for the signs noting highway projects completed with ARRA funds. Mr. MORROW said the money is most likely coming out of the stimulus funds. Senator TRACY said the signs are about \$350 each. Chairman NORRIS stated that while in Washington recently, he learned that there would most likely be no surplus funds as a result of other states not allocating all of their dollars.

Mr. MORROW went on to discuss environment formula grants. These include funds for clean water, drinking water, underground storage tank cleaning, and clean diesel. Mr. MORROW then discussed criminal justice programs. Grant funds are available for the Byrne Justice Assistance Program, crime victim assistance and compensation, internet crimes against children, and violence against women. There are grants for homeless individuals including education, FEMA emergency food and shelter, and homelessness prevention.

Mr. MORROW stated that competitive grants are a component of the ARRA. Applicants apply directly to the federal government. Programs include education, research, technology, training and national service, energy and natural resources, criminal justice, and infrastructure and economic development. Mr. MORROW emphasized that these grants are competitive and that Tennessee could get multiple grants, or no grants. Chairman NORRIS asked who a person would call if they wanted to apply for broadband funds. Mr. MORROW said that all contact information is listed on www.tn.recovery.gov and that his office has specialists that can help.

Mr. MORROW stated that his office provides information to liaisons in each department receiving ARRA funds. He stated that on June 22 the Office of Management and Budget (OMB) released guidance to states and that Tennessee's first reporting is due in October.

Senator MCNALLY stated that he was concerned about Tennessee's risk in future years as a result of ARRA expenditures. Mr. MORROW stated that his office is working with the Division of State Audit, which is assisting local governments and LEAs with reporting. Senator MCNALLY said that ultimately the state is responsible and that the state has to oversee the administration of the grants. He asked whether the state would be on the hook for misuse of money by a local government. He is also concerned about the rules changing in future years, as happened with TennCare, and he worries about Tennessee being stuck with a big bill later. Mr. MORROW said that historically, the state is the recipient and locals are sub-recipients and that the state is ultimately responsible.

Mayor MCDONALD said that locals have been told they were on the line. Mr. MORROW said that from the state's perspective, this is true. Mayor

MCDONALD asked about guidance for local governments. Mr. MORROW said OMB has provided the guidance, and it can be viewed online at www.tn.recovery.gov and www.recovery.gov. The websites provide instructions on reporting. Mayor MCDONALD said that they are currently operating on the basis that there will be further guidance and rules.

Senator HENRY asked Mr. MORROW who was in charge of instructing locals about the intricacies of the regulations. Mr. MORROW said that his office participates, but that the state departments are responsible for this. He said his office is not yet aware of the requirements of each department. Senator HENRY asked whether the funds are already being disbursed to local governments. Mr. MORROW said that some departments are not moving ahead until they get further guidance, while other departments do feel comfortable with the guidance and have moved forward.

Representative TODD asked about local exposure after the funds are disbursed, citing schools as an example. Mr. MORROW said that one form of exposure is risk and another is recurring costs. He said the way local governments spend the funds will determine their risk. He said that his office has warned them about spending the dollars on recurring cost items, but that it is LEAs' choice about how to spend the funds. Representative TODD asked about first time homebuyers and the vehicle tax. He wanted to know the criteria for these tax changes. Mr. MORROW said he did not know but that it would be on the IRS website. Representative FITZHUGH commented that he has confidence in state offices, local officials, and the monitoring system.

Mayor WATERS said his county is applying for energy grants, but was dismayed to find that they had to have an assessment done before replacing a courthouse and that the assessment would use up most of the funds. He said the consultants are telling them this, but he would like to have an authority explain the process. Mr. MORROW told Mayor WATERS of a contact at the Department of Economic and Community Development. Representative TODD requested a list of contact persons at each department. Mr. MORROW said that will be available on the website soon.

Mr. MORROW referred Commissioners to the spreadsheet in their materials. The spreadsheet showed the allotments and awards, and the current status of each. For some categories, the federal award has not yet been received, for others it has. Mayor MCDONALD asked about reimbursable funds, and asked whether one must spend the money to receive the disbursement. Mr. MORROW said yes, in general that is true.

Senator TRACY asked if in the case of road projects, for example, if the projects come in under bid, could the department use the allocated money for other projects. Senator TRACY said that the road money would come through the state. Mr. MORROW agreed.

Chairman NORRIS said there was some money that went to Metropolitan Planning Organizations (MPOs). Chairman NORRIS also asked about money for Rural Planning Organizations (RPOs). County Executive HUFFMAN said no stimulus money is going through RPOs. Chairman NORRIS said there may be grants available and that it was worth pursuing.

Mr. MORROW ended his presentation and welcomed further questions. Chairman NORRIS said the Commission would most likely want to have Mr. MORROW back in September.

3. Presentation by Dr. Matt MURRAY, Associate Director, Center for Business & Economic Research, on Tennessee's Economic and Population Outlook: 2010 and Beyond

Dr. MURRAY described the current economic conditions for both the nation and Tennessee, focusing on the short- and long-term forecast. He pointed out that it would be the longest recession since the Great Depression. He also indicated that the recession might be over in the third or fourth quarter of the year. He stated that the level of economic activity will take several years to recover, which has important impacts on revenues.

Dr. MURRAY discussed the real GDP from 2005 to 2012. Senator MCNALLY questioned how many quarters were reviewed in order to determine a turning point. Senator MCNALLY also asked what the real GDP graph would look like without the stimulus money. Dr. MURRAY responded.

Senator TRACY commented that the stimulus money was one-time money that had been put in for recurring expenses. He was concerned what would happen if the economy was still not growing by the end of next year when the stimulus money cuts off.

Dr. MURRAY discussed the U.S. residential fixed investment and nonresidential fixed investment in equipment and software and structures; light vehicle sales; Tennessee building permits; and FHFA housing price index. Dr. Green inquired about the influence of this downturn on the sales tax. Representative FITZHUGH noted that Tennessee is a sales tax state.

Vice Chairman ROWLAND asked if there is any indication at all that the American people are spending the stimulus money they received. Dr. MURRAY responded that the experience we have from previous tax cuts, rebates, and so on, is that the taxpayers save as much as 50%.

Senator HENRY pointed out that Dr. Bill FOX used to emphasize the reliance of the sales tax on electronic equipment. He asked whether the reliance on the sales tax was tilting more toward housing materials as opposed to big ticket

items. Dr. MURRAY replied that he was not sure, but he would not expect to see a significant shift. He said that the recession may cause that shift.

Dr. MURRAY discussed the \$561 billion stimulus injections in 2009 and 2010. Mayor WATERS questioned what Dr. MURRAY's projections were for interest rates and inflation because of the massive deficit. Dr. MURRAY answered that it is a growing concern for economists, policy makers, taxpayers and everyone. He stated that he does not see a problem with interest rates and inflation in the short run. However, he said he would expect to see interest rates begin to rise by 2010.

Senator HENRY asked if Dr. MURRAY disagreed with the opinion that the stimulus would not raise the GDP. Dr. MURRAY responded that he did disagree.

Dr. MURRAY continued his presentation discussing the U.S. payroll employment and U.S. and Tennessee non-farm employment. Senator HENRY asked if Dr. MURRAY was saying that rural manufacturing would not return. Dr. MURRAY responded that it was never going to return and he was looking at this recession as a major structure change in the economy. He stated that he simply does not see that the manufacturing sector is growing.

Senator TRACY agreed with Dr. MURRAY that the manufacturing sector would not return. He expressed concern about whether it would be more important for technology centers to re-train workers in different classifications of work now. Dr. MURRAY said that he agreed with that. He said he thinks we are going to find that the lower-educated and poorly-skilled workers are going to be very distraught.

Dr. MURRAY discussed the unemployment rate and unemployment insurance claims and benefits. Vice Chairman ROWLAND said that he was assuming that unemployment was based on whether a person may apply for unemployment income. A county could have full employment and have someone apply for unemployment there. Dr. MURRAY answered that he was not sure, but he would expect the vast majority of individuals filing unemployment insurance are doing so in their home county. He stated that there certainly would be some exceptions.

County Executive HUFFMAN noted what really happened in unemployment offices. He said that some of the suburban unemployment offices were getting urban folks there because lines were shorter. He asked what numbers were for total labor, available labor, and total workforces in Tennessee. Dr. MURRAY replied that we have employment around 2.8 million, and we have about 130,000 unemployed right now. The labor force is about 60% of the population across the state.

County Executive HUFFMAN asked what the impact would be on the multi-billion dollar investments in Montgomery and Bradley Counties. Dr. MURRAY responded that he can speak to Volkswagen. It intends to create 2,000 jobs. In turn, the 2,000 jobs in the plant would create as many as 10,000 jobs in total statewide. In addition to the job impacts, Dr. MURRAY pointed out that this really signals to the outside world that Tennessee is an attractive place to do business. He reiterated that we need continue to push for jobs like those that Volkswagen will create.

Representative FITZHUGH commented that it looked like there were some counties in our state that were going to do pretty well no matter what. The rural counties in between will continue to struggle. He suggested that it would be appropriate to do research to see what rural areas should do. He asked whether Dr. MURRAY or Dr. GREEN had done such a study. Dr. MURRAY responded that his office had not done so. Dr. GREEN replied that he had not done that kind of study either. Dr. GREEN noted that we can look at fiscal capacity as an example. We can look at the education funding in these counties and see how well they do in education. He said that in his opinion this is a serious long-range problem that can be looked at harder.

Mayor BRAGG agreed that education is very important. He stated that Tennessee has done many things to improve that. However, jobs go where infrastructure is present, and rural counties will never have enough money to provide job ready certified sites. Dr. MURRAY responded that this may be true on an individual county basis, but he would encourage rural counties to try to pull their resources and work together to create industrialized parks. He thinks that combining resources is a very important strategy for these rural communities.

Mayor BRAGG raised a question related to health care spending. He said that he was under the impression that the increased percentage of salary funds over the last 20 years fueled a lot of health care expenditures and the growth in hospitals. He said that has reached a finite level. Now that the salaries are dipping, he asked whether we were going to see as much money available in health care. Dr. MURRAY expressed his opinion that people are going to continue to demand the best health care for themselves and their families. The health care sector was approaching about 10% of GDP back in the mid-1980s. Now it is about 16% of GDP. It means that one out of every five dollars in the economy is going to health care.

Senator MCNALLY asked what Dr. MURRAY would advise state and local officials to do in the coming year, referring to one of his slides showing Tennessee's long-term forecast for revenue collections. Dr. MURRAY replied that he thinks the big caution in the near-term is not to make financial commitments because when the stimulus money goes away in October 2012, the money is gone, and commitments to long-term recurring expenses may simply not be sustainable.

County Executive HUFFMAN asked Dr. MURRAY whether he was seeing a corresponding drop in rural population numbers as manufacturing leaves those areas. Dr. MURRAY answered yes. He further explained that there are roughly 20 counties in Tennessee which have lost population since the 2000 census. He said that there are about the same number of counties that were actually seeing net decline in the employment prior to start of the recession.

County Executive HUFFMAN asked whether the population in the state has increased. Dr. MURRAY responded that the overall population in the state continues to grow. The population is moving to be in the cities, and people want to live in large communities.

Chairman NORRIS thanked Dr. MURRAY for his presentation. Dr. GREEN expressed his appreciation and commended that no one explained economics better and with more enthusiasm than Dr. MURRAY.

4. Future Meeting Dates

Chairman NORRIS called for a vote on the dates for future meetings. After some discussion, Chairman NORRIS announced that the meeting would be scheduled for Wednesday and Thursday, September 16-17, 2009.

Chairman NORRIS adjourned the meeting at 10:31 a.m.