



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: TACIR Commission Members

FROM: Harry A. Green
Executive Director

DATE: June 30, 2010

SUBJECT: Building Tennessee's Tomorrow: 2010

As part of TACIR's continuing responsibility to inventory and report the state's infrastructure needs, staff members prepare an annual report to the General Assembly. Included in this section is the executive summary from the draft 2010 report. The draft report in its entirety will be sent via email prior to the meeting. The draft report includes the summary, a general overview of information from the July 1, 2008, inventory which projects that need to be in some stage of development during the five year period of July 2008 through June 2013. The report also includes

- statewide information by type of project and by level of government,
- information about the availability of funding to meet reported needs,
- a comparison of county-area needs, and
- information on the condition and needs of our public schools.

Appendices include county-area information about each type of need collected for the inventory, as well as relevant legislation, inventory forms and a glossary of terms.

Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs *July 2008 through June 2013*

Executive Summary

This report is the eighth in a series on infrastructure that began in the late 1990s. These reports to the General Assembly present Tennessee's public infrastructure needs as reported by local officials, those submitted by state departments and agencies as part of their budget requests to the Governor, and those compiled by the Tennessee Department of Transportation. It covers the five-year period of July 2008 through June 2013 and provides two types of information: (1) needed infrastructure improvements and (2) the condition of existing elementary and secondary (K-12) public schools. Needs fall into the six broad categories shown below.

Reported Infrastructure Needs	
Transportation and Utilities \$18.9 billion	Education \$7.7 billion
Health, Safety and Welfare \$7.1 billion	Recreation and Culture \$1.8 billion
Economic Development \$1.0 billion	General Government \$649 million
Grand Total \$37.3 billion	

A number of conclusions may be drawn from the information compiled in the inventory:

- The total need for public infrastructure improvements is estimated at \$37.3 billion for 2008 through 2013—a one-year increase of \$3.1 billion—including the cost of upgrading existing public schools to good condition. The \$23.6 billion increase since the 1999 report represents both increased need for infrastructure and increased coverage by the inventory.
- Transportation and Utilities needs increased \$1.2 billion since the last inventory and \$13.6 billion since the first report. This category now makes up 51% of the total infrastructure need in the inventory.
- For only the second time in inventory history, needs in all six categories increased from the previous report. In fact, of the 22 specific types of infrastructure needs included in the inventory, only 8 decreased and only one decreased more than 10%. The

Adequate infrastructure is as essential to economic growth as economic growth is to individual prosperity.

The Tennessee General Assembly charged the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) with developing and maintaining an inventory of infrastructure needs “in order for the state, municipal, and county governments of Tennessee to develop goals, strategies, and programs which would

- improve the quality of life of its citizens,
- support livable communities, and
- enhance and encourage the overall economic development of the state.”

[Public Chapter 817, Acts of 1996.]

category with the most significant change is Economic Development; its total is \$424 million more than the estimate in last year's report—a 69% increase. This is a large increase for any category, but considering the small size of Economic Development the dollar amount is even more significant. Most of the increased need is for a \$455 million convention center in downtown Nashville.

- Local officials are confident of funding for only \$9.1 billion of the \$29.2 billion identified as local needs. (These figures do not include needs at existing schools or those taken from state agencies' capital budget requests.) Most of that amount, \$8.6 billion, is for needs that are fully funded; another \$500 million is for needs that are partially funded. That leaves another \$20.1 billion of needs for which funding is not yet available. It is likely that more of the need will be met from existing funding sources as projects move through planning and design and into the construction phase, but it is impossible to know in advance how much. Some projects are expected to receive funding from the American Recovery and Reinvestment Act (ARRA); however, the amount of ARRA funds that will be used to meet these needs is as yet unknown. The next inventory should provide more information about the use of ARRA funds.
- The category with the greatest unfunded need is Education, with funding sources known for only a quarter of the needs reported there. This figure does not include needs at existing schools because they are reported in such detail that breaking the funding apart by source is impossible. Nor does it include the needs of the state's higher education institutions because they are drawn from state capital budget requests, which propose funding sources, but typically do not indicate their availability. The availability of funds for local education needs may be understated because school systems in Tennessee are not fiscally independent, which may hamper school officials' ability to project funding.
- The overall condition of Tennessee's public school buildings has stabilized with 91% of them in good or excellent condition. This is the same level reported by local officials since July 2004 and a considerable improvement over the 59% reported in 1999. The estimated cost of infrastructure improvements reported in the inventory also seems to have stabilized, hovering in the \$3.5 to \$3.7 billion range since 2001. The new total of \$3.6 billion is \$110 million less than the amount in last year's report. (These figures do not include the needs of the state's special schools.)

School systems have an additional incentive to fully report their infrastructure needs for the next inventory, which is already in progress. Information about the condition of public schools and facilities needs reported in the inventory was used by school systems as an indicator of need in applications to participate in the Qualified School Construction Bonds authorized by ARRA. The QSCB program was administered by the Tennessee State School Bond Authority, which issued the bonds on behalf of Tennessee school systems in order to ensure the best possible loan terms. The TSSBA is in the process of determining which school systems will be awarded QSCB proceeds in 2010, and needs reported in the inventory will be used in this process again.

- State or federal mandates affect about 5% of all projects in the current inventory, the same as the last three years, and the number of projects affected by mandates continues to decline. About 15% of projects reported in 2001 were mandate related,

but that percentage declined each year through 2004 when it fell below 5% for the first time. The decline is largely because of the waning effect of the Education Improvement Act, which was completely phased in by fall 2001. Even so, public elementary and secondary schools account for 60% of the total number of projects affected by facilities mandates.

- Consistent with analyses of previous inventories, at the county level, tax base factors and income correspond more closely to reported needs than population factors do, although total population and population density are good predictors of infrastructure needs as well. Indicators of ability to fund infrastructure may strongly influence local officials as they respond to the inventory, or they may simply reflect the common sense inference that tax base and income tend to concentrate where population concentrates. The weakest predictors of those considered by TACIR staff are land area and population growth rates.