



# TACIR

The Tennessee Advisory Commission  
on Intergovernmental Relations



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## **MEMORANDUM**

**TO:** Commission Members

**FROM:** Cliff Lippard *Cliff*  
Executive Director

**DATE:** 9 June 2021

**SUBJECT:** Fiscal Year 2020-21 Accomplishments

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The following list of the Commission's major accomplishments for fiscal year 2020-21 will be incorporated into the Commission's biennial report for fiscal years 2020-21 and 2021-22.

**Published nine official commission reports further described below:**

- *Collaborating to Improve Community Resiliency to Natural Disasters*, September 2020
- *Intergovernmental Challenges and Achievements-Biennial Report Fiscal Years 2018-19 and 2019-20*, September 2020
- *Services Provided by Local Governments and the Sources of Revenue to Fund Them*, December 2020
- *Effects of Sharing of Resources among School Systems in Counties with More than One School System*, December 2020
- *Cost Savings of Right to Shop Programs*, December 2020
- *Small Cell Wireless Facilities and Public Rights-of-Way: Assessing the Effects of Public Chapter 819, Acts of 2018*, December 2020
- *Broadband Internet Deployment, Availability, and Adoption in Tennessee Four Years After the Broadband Accessibility Act (Public Chapter 228, Acts of 2017)*, January 2021
- *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs*, January 2021

- *Tennessee Valley Authority's Payments in Lieu of Taxes: Annual Report to the General Assembly, January 2021*

**Responded to studies referred by the General Assembly:**

- Completed a report on collaborating to improve community resiliency to natural disasters.
  - The report was prepared in response to Senate Bill 1114 by Senator Jeff Yarbro and House Bill 1120 by Representative Bob Freeman in the 111<sup>th</sup> General Assembly, which was referred by the House State Committee. The bill sponsors requested that the Commission specifically
    - identify risks for extreme weather events and earthquakes across the state,
    - document the current status of planning to reduce the effects of these specific natural disasters and build community resilience in Tennessee at the state and local level,
    - identify best practices for building community resilience, and
    - determine the cost of action and inaction.
  - The report noted that, because Tennessee local governments and state agencies are implementing strategies to prepare for, withstand, and rapidly recover from disruptions to everyday life, and because interagency collaboration is already occurring, the state should ensure that ongoing resilience efforts continue—including collaboration among state agencies and local governments. The Commission took no position on the exact structure of these collaborative efforts, but said they should include, in addition to hazard mitigation strategies, a focus on community resilience-planning features such as assessing social and economic vulnerabilities and engaging community members in the decision-making process.
  - A copy of the final report was sent to both Speakers.
- Completed a report on services provided by local governments and the sources of revenue to fund them.
  - The report was requested by the House Finance, Ways and Means Committee during its discussion of House Bill 971 by Representative Sargent in the 110<sup>th</sup> General Assembly and directed the commission to

address the duties of counties and cities mandated by law and the funds that go from the state to counties and cities to comply with the law.

- This, the third and final report of the Commission’s comprehensive study of the revenue sources of counties and cities in Tennessee and the services counties and cities provide, made no specific recommendations but instead was intended to provide policy makers with the information needed for further discussion and policy consideration.

The first interim report, published in February 2019, addressed online sales tax collection and distribution, and included recommendations to expand sales tax collection requirements to more out-of-state sellers. The second interim report, published in January 2020, focused on K-12 education services and funding and included a recommendation that a comprehensive review of the components be made by the Basic Education Program Review Committee or other designated state and local officials and other stakeholders. In addition to the Commission’s report on counties with more than one school system, these reports form a foundation for further work by a task force of stakeholders to develop specific legislative proposals for consideration by the Governor and the General Assembly.

- A copy of the final report was sent to both Speakers, Chair of House Finance, Ways and Means Committee, and members of the General Assembly.
- Completed a report on the effects of sharing resources among school systems in counties with more than one school system.
  - The report was prepared in response to Senate Joint Resolution 593 (110<sup>th</sup> General Assembly), sponsored by Senator Haile, which directs the Commission to study the overall effect on public K-12 education in Tennessee of the laws and regulations related to the sharing of resources among and operation of multiple school systems located in the same county. The SJR also notes that “the creation of new school districts has in the past created conflict regarding the ownership of existing school buildings and facilities.” In response, the report also considers options for the transfer of school property to new city school systems.
  - The report recommended that, because countywide property taxes and countywide local option sales taxes apply to property and sales within cities and special school districts, the General Assembly could require

counties to share this revenue when they use it for education capital expenditures as is required when they use it for education operations and maintenance. But, if the state does so, it should consider adopting other alternatives that would improve student equity in counties with multiple school systems while adhering to principles of taxpayer equity. Any such change should be prospective only so as not to create problems with revenues committed to repayment of existing debt or with state or federal maintenance of effort requirements.

- One alternative that could improve both student and taxpayer equity, is to remove the requirement that counties share their portion of the unearmarked half of local option sales tax when it is budgeted for education operations and maintenance—this would be prospective only so as not to create problems with revenues committed by cities to debt repayment or maintenance of effort requirements;
- Another alternative that would decrease disparities for students as well as taxpayers would be to transition from calculating fiscal capacity at the county level to calculating it at the system level when equalizing funding through the Basic Education Program funding formula.

The report also said that the General Assembly should establish a method for transferring school property, both real and personal, to new school systems formed by existing cities. A local committee could be created to determine what property should be transferred and what the city should pay for it. Whoever determines the city's liability should consider past and future contributions of the city and the county to procure and maintain the property in question. Relevant unit costs in the BEP could be used to calculate the value of new real and personal property subject to transfer.

Finally, report said that the General Assembly should require that the purchase price of the property be determined before the city referendum on the creation of a city school system.

- A copy of the final report was sent to both Speakers and members of the General Assembly.
- Completed a study of cost savings of right to shop programs

- The report responded to Public Chapter 407, Acts of 2019, which directed the Commission to study any cost savings realized by enrollees of health insurance plans in other states that have adopted incentive program legislation or incentive programs that encourage enrollees to shop for and use lower-price healthcare services. The study was to include cost savings resulting from programs offered by both private health plans and state employee health plans.
- While no specific recommendations were made, the report did find that shopping for healthcare services can result in some savings for consumers and insurers, and when price tools are combined with incentive programs, they have the potential to save more. But usage for both the tools and the incentive programs varies widely. A few states have implemented incentive programs for state employee health plans or have required private plans to implement them. During interviews with Commission staff, stakeholders emphasized the importance of education consumers about healthcare and promoting the tools to encourage their use. The data show the programs produce cost savings, but there is not yet enough data to determine whether the savings are significant over the long term.
- A copy of the final report was sent to both Speakers, chair of the House Insurance Committee, chair of the Senate Government Operations Committee, and members of the General Assembly.
- Completed a study of small cell wireless facilities and public rights of way in Tennessee.
  - The report was prepared in response to Public Chapter 819, Acts of 2018, which created a framework governing the regulation of small cell wireless facilities in public rights-of-way and directed the Commission to study the effects of the Act, including
    - the effect on deployment of broadband;
    - the fiscal effect on local governments and the state resulting from the administrative process required by the Act;
    - best practices both from the perspective of small cell applicants, local governments, and the state and from a review of other states; and
    - opportunities to advance the quality of transportation in the state by utilizing technological applications, sometimes referred to as

“smart transportation applications,” that are supported by small cells.

The Commission was further directed to make recommendations for any changes to the Act based on the study’s findings.

- The Commission’s findings include:
  - Initial small cell deployments have been located primarily in urban and suburban areas in need of added wireless capacity. Because broadband is more likely to exist in these areas already, the Act’s effect on broadband deployment in unserved areas has been minimal, though the wireless industry reports it has facilitated investment in Tennessee.
  - Although several new or enhanced applications in transportation and other sectors likely could be supported by small cells, there is uncertainty about how soon advances in wireless service can fuel new products consumers are willing to pay for.
  - Commission staff did not attempt to quantify the Act’s fiscal effect given the limited number of local governments that had received more than a dozen small cell applications at the time of their interviews. While some local officials raised concerns about the maximum fees authorized under the Act, a few said that the cost of complying with the Act has been minimal.
  - The effect of small cells on community aesthetics is the most widespread concern among local officials interviewed. Although local governments already have authority under the Act to require that small cells conform to locally adopted aesthetic standards, this authority likely won’t fully address concerns that the installation of numerous, new poles to support small cells in public rights-of-way could create visual clutter, because aesthetic standards must comply with provisions in the Act that—among others—prevent local governments from requiring small cells to be colocated on existing poles. Local governments are currently authorized to propose design alternatives—which could include collocation on existing poles—during the application review process, offering an opportunity for applicants to collaborate on solutions acceptable to both parties.

- Because aesthetic concerns are unlikely to diminish as the number of small cells increases, the Commission made two recommendations:
  - As already authorized under the Act, local governments are encouraged to both update existing ordinances that set aesthetic standards for their communities to ensure their requirements apply to small cells and include small cells in any new standards they adopt.
  - The General Assembly could consider authorizing local governments to require colocation of small cells in areas with existing poles. Care would need to be taken to ensure this authority could not be used to block the deployment of small cells in situations where applicants can demonstrate that colocation is not feasible either for technical reasons or because of added costs, similar to limitations on colocation requirements adopted in Georgia. Regardless, some new poles will be necessary to improve wireless service given the limited distance traveled by some of the wireless signals used by providers. And because colocation will likely involve the use of electric utility poles, any colocation requirements should also ensure the continued authority of local power companies to protect the safety and reliability of the electric grid.
- A copy of the final report was sent to the chair of the Senate Commerce and Labor Committee and the vice-chair of the House Commerce Committee.
- Completed a report updating the Commission’s 2017 report on broadband internet deployment, availability, and adoption in Tennessee.
  - The report was prepared in response to Public Chapter 228, Acts of 2017, which directed the update.
  - The report recommended that
    - The state and local governments should continue to identify opportunities to increase funding for libraries and schools to assist their efforts to facilitate broadband adoption and short-term access in their communities—including support for digital literacy classes, devices, hotspots, and other efforts to make broadband available to those who either don’t have or cannot afford service. For libraries, in particular, the state should continue to provide funding for

broadband adoption efforts through the state's broadband grant program.

- The state should keep supporting efforts to expand broadband access in Tennessee by continuing to fund the broadband grant program and could consider increasing its annual appropriations to accelerate broadband expansion to more unserved areas.
  - The Department of Economic and Community Development should develop its own broadband coverage maps for the state, updated annually based on address-level data reported to it under agreements with broadband providers. As is done in Georgia, to encourage providers to report this data, the General Assembly should mandate that data reported to ECD for the state's broadband coverage map is protected and cannot be publicly shared in ways that would reveal business-sensitive information.
  - State and local governments should consider tying any new incentives for broadband providers directly to coverage expansions, while limiting the overall share of project costs that those incentives pay for.
  - The state should consider eliminating or easing existing territorial restrictions on electric cooperatives and municipal electric systems, and in doing so, the state should also consider ways it can protect electric ratepayers, for example, by prohibiting these cooperatives and utilities from pledging, loaning, or otherwise using electric system assets or revenues to finance broadband projects outside their electric service areas.
- A copy of the final report was sent to both Speakers and members of the General Assembly.

### **Published one staff update of a previous report**

- *Gains in Education Spending Equity Continue 20 Years After Fully Funding the Basic Education Program*, February 2021.
  - To measure spending equity improvement, staff of TACIR have issued a series of reports on spending equity beginning in fiscal year 1994-95—the midpoint of the six-year phase-in of the Basic Education Program funding formula. A second report described the effect of fully funding the formula in school year 1997-98. Since then, TACIR staff has produced reports on

spending equity every five years. This is the latest report in the series. A third report looked at the 2001-02 school year when the class-size reduction mandate of the Education Improvement Act went into effect, a fourth examined equity 10 years after fully funding the BEP formula, and a fifth looked at equity 15 years later. This updated analysis examines data since the implementation of the formula and uses various statistics to measure the effect of the full funded formula on equity in education spending through school year 2017-18—20 years after full funding.

***Provided three presentations:***

- “Broadband Access and Adoption in Tennessee: Four Years After the Broadband Accessibility Act of 2017,” to the Tennessee State Board of Education, February 4, 2021.
- “Findings and Recommendations of TACIR’s Update to its 2017 Report on Broadband Deployment, Availability, and Adoption in Tennessee” to the Appropriations Subcommittee of the Tennessee House of Representatives, March 1, 2021.
- “TACIR, Policy Analysis, and Employment Opportunities for PhDs outside of Academia” to the Vanderbilt Graduate Department of History, April 8, 2021.

***Responded to requests for information:***

- Responded to requests for information and assistance from members of the General Assembly and legislative committees.
- Responded to requests for information and assistance from local government officials, state agencies lobbyists, the public, and the media.

***Administered ten contracts:***

- Nine development districts—support the public infrastructure needs inventory
- Middle Tennessee State University—economic indicators website

***Accomplishments by policy area:***

**Fiscal and Tax Policy Research:**

- Continued to monitor and published a report on the Tennessee Valley Authority’s payments in lieu of taxes and the effect of the Electric Generation and Transmission Cooperative Act of 2009 as amended in 2010 (Public Chapter 1035, Acts of 2010).

- Completed the third and final report of the Commission’s comprehensive study of the revenue sources of counties and cities in Tennessee and the services counties and cities provide. The first interim report, published in February 2019, addressed online sales tax collection and distribution, and included recommendations to expand sales tax collection requirements to more out-of-state sellers. The second interim report, published in January 2020, focused on K-12 education services and funding and services. The House Finance, Ways and Means Committee requested this comprehensive study during its discussion of House Bill 971 by Representative Sargent in the 110<sup>th</sup> General Assembly and directed TACIR to address the duties of counties and cities mandated by law and the funds that go from the state to counties and cities to comply with the law.

**Education Finance:**

- Completed the fiscal year 2021-22 fiscal capacity model.
- Completed the Commission’s report to the legislature on Senate Joint Resolution 593 (110<sup>th</sup> General Assembly), sponsored by Senator Haile, which directs the Commission to study the overall effect on public K-12 education in Tennessee of the laws and regulations related to the sharing of resources among and operation of multiple school systems located in the same county. Senate Joint Resolution 593 further noted that “the creation of new school districts has in the past created conflict regarding the ownership of existing school buildings and facilities.” In response, this report also considers options for the transfer of school property to new city school systems.

**Land Use, Transportation, and Growth Policy:**

- Continued to monitor implementation of Public Chapter 1101, Acts of 1998, Tennessee’s growth policy law.

**Infrastructure:**

- Continued the annual public infrastructure needs inventory. Collected information from 141 school systems, 95 counties, 344 municipalities, and 263 other entities.
- Completed Commission’s annual report to the legislature on Tennessee’s public infrastructure needs.

**Other Research:**

- Completed the Commission’s report to the legislature in response to Senate Bill 1114 by Senator Jeff Yarbrow and House Bill 1120 by Representative Bob Freeman

in the 111<sup>th</sup> General Assembly, which was referred to the Commission for study by the House State Committee. The sponsors requested that the Commission specifically

- Identify risks for extreme weather events and earthquakes across the state,
  - Document the current status of planning to reduce the effects of these specific natural disasters and build community resilience in Tennessee at the state and local level,
  - Identify best practices for building community resilience, and
  - Determine the cost of action and inaction.
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    - The effect on deployment of broadband;
    - The fiscal effect on local governments and the state resulting from the administrative process required by the Act;
    - Best practices both from the perspective of small cell applicants, local governments, and the state and from a review of other states; and
    - Opportunities to advance the quality of transportation in the state by utilizing technological applications, sometimes referred to as “smart transportation applications,” that are supported by small cells. The Commission was further directed to make recommendations for any changes to the Act based on the study’s findings.
  - Completed the Commission’s report to the legislature on Public Chapter 228, Acts of 2017, which directed the Commission to update its 2017 report on broadband deployment, availability, and adoption in Tennessee.
  - Monitored intergovernmental tax, fiscal, and education legislation.

### **Using Technology for Public Information:**

- Disseminated all reports electronically and maintained detailed focus section about continuing research on TACIR's web page
- Further disseminated information from the annual public infrastructure needs inventory through a partnership with the University of Tennessee to include the data on their state data explorer website
- Developed data visualization and interactive analysis tools for infrastructure reporting.
- Continued to update and enhance the profiles of Tennessee's counties, providing easy public access to detailed demographic, financial, and other information for each
- Published timely information Tracking Tennessee's Economy in partnership with Middle Tennessee State University
- Posted timely information to the agency's Facebook page notifying the public of new reports, elaborating on topics of interest, and pointing out relevant research by other organizations.
- Began a collaboration with Tennessee Customer Focused Government to share and link to TACIR data, resources, and publications on the Transparent Tennessee website (<https://www.tn.gov/content/tn/transparenttn.html>).

### **Update on Previous Report:**

- Commission report *Improving Management of Government-Owned Real Property in Tennessee*, January 2019 recommendations continue to be implemented.
  - Department of General Services Deputy Commissioner testified to the Senate State and Local Government Committee on March 23, 2021 that the State of Tennessee Excess Property Strategy was developed in consultation with TACIR and relied on the report's recommendations.