The Tennessee Advisory Commission on Intergovernmental Relations

226 Anne Dallas Dudley Blvd., Suite 508
Nashville, Tennessee 37243-0760
Phone: (615) 741-3012
Fax: (615) 532-2443
www.tn.gov/tacir

MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard
Executive Director

DATE: 16 September 2026

SUBJECT: Public Chapter 438, Acts of 2025 (Transportation Infrastructure Funding)—Final Report for Approval

---

The attached commission report is submitted for your approval. It was prepared in response to Public Chapter 438, Acts of 2025, which directs the commission to study and prepare a report with recommendations for establishing sustainable funding sources to meet the state's long-term transportation infrastructure needs. A draft report was presented for review and comment at the commission's last meeting.

In response to member feedback, staff added more information about the state's backlog of transportation projects and efforts to shorten the time it takes to complete them, more to describe taxes and fees paid by travelers and commercial vehicles registered outside Tennessee, more explanation of factors contributing to periods of rapid inflation and uncertainty about future construction costs, and additional information about the benefits of efficient transportation system management and demand reduction strategies. Staff also described some additional revenue alternatives discussed by commission members that were not previously included in the draft report.

The report's recommendations remain unchanged. Tennessee's transportation network is performing well in many ways, but continued growth is driving needs for additional long-term investment, while increased fuel efficiency and rising construction costs are reducing the ability of existing revenue streams to provide enough funding to both maintain existing infrastructure and keep up with demand for improvements. The state can choose to meet its needs by either continuing to make one-time transfers from the general fund or through a combination of new and existing recurring sources. To help guide policymakers as they make decisions, staff developed three scenarios as examples of how potential changes in revenue sources or the use of borrowing could affect the amount of funding available for transportation projects.

The commission is not recommending or endorsing any specific scenario or combination of revenue sources. **Rather, the commission finds that the General Assembly could increase funding for transportation using a mixture of revenue sources, including increases to existing sources and adoption of new revenue sources to ensure that any tax increases are not borne solely by one group of taxpayers. Additionally, to ensure continued state support for local transportation projects, the commission recommends that any increases in existing shared revenue sources continue to be shared in the same manner and that the state designate a portion of any other new transportation revenue sources to be shared with local governments for local transportation projects.**

The report describes how public-private partnerships are being used to finance large transportation projects. On August 19, Governor Lee announced the selection of a private-sector partner to deliver the I-24 Southeast Choice Lanes project. Given the potential benefits of accelerating delivery of strategically important projects and the possibility that Tennessee could take on debt without negatively affecting its credit rating, if done judiciously, **the commission also finds that Tennessee would likely benefit from using debt to help finance the construction of strategically important projects that aren't good candidates for public-private partnerships.**

In addition, in response to a request from Representative Howell in September 2025, the commission entered into a contract with the Center for Transportation Research at the University of Tennessee to develop an economic model that estimates the effects of congestion, as well as the economic impacts of current investment levels, minimum estimates to maintain the transportation network, and investment targets for future maintenance, expansion, and modernization of the network. That analysis will be completed by September 30, 2026, and will serve to refine and expand upon the commission's own research.