



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Executive Director

DATE: 23 May 2017

SUBJECT: Fiscal Year 2016-17 Accomplishments

The following list of the Commission's major accomplishments for fiscal year 2016-17 will be incorporated into the Commission's biennial report for fiscal years 2016-17 and 2017-18.

Published seven official commission reports, further described below:

- 📖 *Intergovernmental Challenges and Achievements: Biennial Report Fiscal Years 2014-15 and 2015-16*—Commission Report, August 2016
- 📖 *Professional Privilege Tax in Tennessee: Taxing Professionals Fairly*—Commission Report, December 2016
- 📖 *Legislative Compensation: Comparing Tennessee to Contiguous and Peer States*—Commission Report, December 2016
- 📖 *Tennessee's Court Fees and Taxes: Funding the Courts Fairly*—Commission Report, January 2017
- 📖 *Broadband Internet Deployment, Availability, and Adoption in Tennessee*—Commission Report, January 2017
- 📖 *Tennessee Valley Authority's Payments in Lieu of Taxes*—Annual Report to the Tennessee General Assembly—Commission Report, January 2017
- 📖 *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs*—Commission Report, May 2017

Responded to Studies Referred by the General Assembly:

- Completed a report on the professional privilege tax in Tennessee.
 - The report responded to Public Chapter 1024, Acts of 2016, directing the Commission to study the history of the professional privilege tax in this state, the intent of the professional privilege tax, other states' laws imposing a professional privilege tax or similar tax, and alternatives for eliminating or phasing out the professional privilege tax. The Act also directed the Commission to study the original language of Senate Bill 556 and House Bill 678, which would have phased out the tax over five years, Senate Bill 1919 by Bowling, House Bill 1951 by Hazelwood, which would have exempted some out-of-state professionals from the tax, and Senate Bill 167 by Bowling, House Bill 601 by Durham, which would have exempted audiologists and speech pathologists from the tax. The report noted that phasing out the privilege tax over five years would decrease state revenue by \$17.6 million in the first year and by \$264 million over five years. Of the reduced revenue, only about a third (\$95 million) would be to the benefit of Tennessee professionals. Senate Bill 1919, House Bill 1951, which would have exempted 705 of 141,048 out-of-state professionals, would have cost the state \$282,000 per year. Senate Bill 167, House Bill 601 would have exempted 350 audiologists and 1,954 speech pathologists subject to the tax and would have cost the state \$930,000 in lost revenue per year. The report discussed the concern by some professionals that organize their businesses as limited liability corporations, limited partnerships, or limited liability partnerships and also pay the privilege tax that they have been double-taxed since the General Assembly passed legislation in 2000 extending franchise and excise taxes to limited liability entities. The report noted that a common approach in such instances with other taxes is to provide a credit for one of the taxes against the other.
 - A copy of the final report was sent to both speakers.
- Completed a report on the legislative compensation of members of the Tennessee General Assembly by comparing Tennessee to contiguous and peer states.
 - The report responded to Senate Joint Resolution 463, by Beavers, which passed in 2016. The resolution directed the Commission to conduct a survey of Tennessee's surrounding states and compare their 2015-16 legislative compensation to that of Tennessee's General Assembly to determine whether Tennessee legislators are adequately compensated and fully reimbursed for expenses. The report noted that, on most aspects of legislative compensation, Tennessee is similar to its comparison states and falls close to the middle. The

report recommended allowing legislators to decline all or part of their travel reimbursement so they do not incur a tax liability for reimbursements they do not wish to receive, paying larger office expenses to legislators serving geographically large districts, using Metropolitan Nashville-Davidson County's boundary as the delineating factor for travel reimbursement instead of a 50-mile criterion, and compensating legislators for intra-district travel. The report provided the option of creating an independent legislative compensation commission that would recommend or determine fair and appropriate compensation.

- A copy of the final report was sent to both speakers.
- Completed a report on court fees after concerns were expressed about the recurring practice of fee increases.
 - The report responded to a request by Senator Lundberg, former chair of the House Civil Justice Committee in his letter of April 13, 2015. The Commission was asked to review all bills passed in the last 10 years that increased any type of court fee, describe the fees and how they are being used, and make recommendations. The report suggested that Tennessee could provide more thorough analysis of court costs, how they accumulate, and related earmarks through the use of a judicial committee that reviews and makes recommendations on bills proposing to add or increase court costs, reviews existing statewide fees, taxes, and earmarks to determine if any changes should be made, and examine the effect required driver's license revocations have on the ability of people to pay these fees and taxes. The Commission agreed with the recommendation of the Tennessee Fiscal Review Committee in 2008 that the Administrative Office of the Courts (AOC) be required to report annually on uncollected criminal case assessments from each county and that the AOC use this data to examine the relationship between increasing costs and collection rates.
 - A copy of the completed report was sent to the House Civil Justice Committee.

Published one report requested by the Commission:

- Completed a report on broadband deployment, availability, and adoption in Tennessee.
 - The report responded to a request by Chairman Mark Norris who asked the Commission to study the current status of broadband deployment, availability and adoption in the state, assess where there are gaps in coverage, evaluate best

practices in other states for encouraging deployment and adoption, and recommend ways that Tennessee can increase broadband availability and adoption in the future. The Commission’s research found there are already several government and private initiatives to address both access and adoption, supporting the recommendation that Tennessee should focus its efforts on supporting and coordinating these existing initiatives and on addressing any remaining coverage and adoption gaps. Any government response should focus on working with the private sector—both for-profit and non-profit—to fill these gaps in the manner least costly to taxpayers without expanding the role of government. The report includes several supplemental recommendations for encouraging broadband adoption, expanding coverage, and facilitating coordination and planning.

- A copy of the final report was sent to both speakers.

Published one staff report:

📖 *Just How Rural or Urban are Tennessee’s 95 Counties?*—Staff Report, August 2016

Published one report provided by grant contract:

📖 *The Economic Impact of Open Space on Residential Property Values in Tennessee*—University of Tennessee Howard H. Baker Jr. Center for Public Policy, September 2016

Provided four presentations:

“Building Tennessee Tomorrow: Anticipating the State’s Infrastructure Needs” to the Tennessee County Services Association (October 13, 2016)

“Research meets reality: Studying interjurisdictional collaboration in partnership with intergovernmental institutions and local officials” to the American Society of Public Administration (March 17, 2017)

“Building Tennessee Tomorrow: Anticipating the State’s Infrastructure Needs” to the Tennessee Development District Association Training Conference (March 21, 2017)

“Broadband Deployment, Availability, and Adoption” to Dickson County Chamber of Commerce (April 27, 2017)

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 eleven contracts:

- Nine development districts—support the public infrastructure needs inventory
- Middle Tennessee State University—economic indicators website
- University of Tennessee—economic value of open spaces in Tennessee

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 Commission's report to the legislature on Public Chapter 1024, Acts of 2016, which directed the Commission to study the history of the professional privilege tax in this state, the intent of the professional privilege tax, other states' laws imposing a professional privilege tax or similar tax, and alternatives for eliminating or phasing out the professional privilege tax.
- Completed Commission' report to the House Civil Justice Committee on court fees after concerns were expressed about the recurring practice of fee increases.

Education Finance:

- Completed the fiscal year 2017-18 fiscal capacity model.

Land Use, Transportation, and Growth Policy:

- Continued to monitor implementation of Public Chapter 1101, Acts of 1998, Tennessee's growth policy law.
- Contracted report completed providing estimates of the effect of open space on nearby property values.

Infrastructure

- Continued the annual public infrastructure needs inventory. Collected information from 141 school systems, 95 counties, 345 municipalities, and 255 other entities.
- Completed Commission's annual report to the legislature on Tennessee's public infrastructure needs.

Other Research

- Completed Commission' report to the legislature on Senate Joint Resolution 463, by Beavers, which directed the Commission to conduct a survey of Tennessee's surrounding states and compare their 2015-16 legislative compensation to that of Tennessee's General Assembly to determine whether Tennessee legislators are adequately compensated and fully reimbursed for expenses.
- Completed Commission's report on broadband deployment, availability, and adoption in Tennessee.
- Completed staff report on defining counties as rural or urban for public policy purposes.
- 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 (<http://www.tn.gov/tacir/section/tacir-publications>).
- 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 (<http://ctasdata.utk.tennessee.edu/statedashboard2/>).
- Continued to update and enhance the profiles of Tennessee's counties, providing easy public access to detailed demographic, financial, and other information for each (<http://www.tn.gov/tacir/section/tacir-county-profiles>).
- Published timely information Tracking Tennessee's Economy in partnership with Middle Tennessee State University <http://capone.mtsu.edu/berc/tacir/tacir.html>).
- Published county growth plans required by Public Chapter 1101, Acts of 1998, on TACIR's website (<http://www.tn.gov/tacir/section/growth-plans>).

- 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 (<https://www.facebook.com/TN.ACIR>).
- Began preparation of a fiscal federalism information page for the TACIR website.
- Increased functionality of the agency's website. (<http://www.tn.gov/tacir/>).