Intergovernmental Challenges and Achievements:


Commission Report

January 2001

Tennessee Advisory Commission on Intergovernmental Relations
Intergovernmental Challenges and Achievements:

Biennial Report of the Tennessee Advisory Commission on Intergovernmental Relations

Fiscal Years 1997 and 1998

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January 2001
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Message from the Chairman, TACIR

Now, more than ever, there is a need for proactivity on the part of state and local policymakers. The TACIR, with its mission “to serve as a forum for the discussion and resolution of intergovernmental problems,” is well suited to address salient policy matters at the forefront of state and local policy agendas.

During 1997 and 1998 fiscal years, the TACIR, on its own initiative and through special requests, assumed more responsibilities than ever before. In particular, the TACIR is increasingly relied upon by the General Assembly as a source of expertise. This is seen very clearly in the role that the Commission played in the development of solutions to complex problems associated with the reform of the E-911 system and in the analysis of the state’s tax problems.

Though matters of federal-state relations appear frequently on the agenda, the TACIR principally focuses on problems that are largely internal to Tennessee. In FY 1997 and FY 1998, the Commission gave considerable attention to issues such as accountability and capacity for the funding of elementary and secondary education, reform of the state-wide E-911 system and the need for the establishment of a framework for growth planning in the state. In addition, it participated in vitally important research and analysis concerning the state’s outmoded tax system.
Message from the Executive Director, TACIR

This Biennial Report of the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) presents an overview of the major activities and accomplishments of the Commission during the Fiscal Years 1997 and 1998. This report provides ample evidence that this has been a productive and complex two years.

Two major aspects of Commission activity to address and resolve major intergovernmental issues are described in this report. The first consists of the efforts of the Commission as a producer and distributor of reports addressing key policy and programmatic areas. As was the case with the report for Fiscal Years 1995 and 1996, this report offers summaries of TACIR actions to contribute to progress in policy and program areas before the General Assembly or active in state government. The tax system summary demonstrates the Commission’s role as analyst of a complex technical subject about which the General Assembly is vitally concerned. The education finance summary highlights the Commission’s ability to make specific technical contributions to an important ongoing program. The growth planning summary illustrates the Commission’s role in direct support of the efforts of the General Assembly to address highly contentious issues of intergovernmental relations. The infrastructure discussion illuminates the role that the Commission staff can play in compiling critical information to support broad state objectives. The E-911 discussion demonstrates that the Commission’s persistent efforts to facilitate major reform of an existing state-wide program can bear legislative fruit.

The second major aspect of the Commission’s activities centers around its role as a deliberative body charged with responsibility for examining current and future developments impacting on intergovernmental relations. Much of this deliberation occurred in the context of formal commission meetings. In order to provide perspective on this activity, this report contains modified minutes of the meetings of the Commission over the two year period under consideration.
During the two fiscal years covered by this report, the Commission has been remarkably active and productive, though resources were stretched to their fullest in the process. Although great strides have been made in the past two years, the Commission has before it as much as ever, with new areas of responsibility added upon the core issues revisited year after year, and an increasing role in service to the state legislature.
I. Program Areas in Focus

Five key program areas, or issues, were addressed by the Commission in Fiscal Years 1997 and 1998:

- the state’s tax system;
- education finance;
- growth planning and Public Chapter 1101;
- infrastructure needs; and
- Emergency Communications Districts and their E-911 services.

The highlights of the Commission’s contributions to each of these program areas are summarized in the following pages.
In March 1998, the TACIR published “Understanding Tennessee’s Tax System: Problems and Issues.” This report reflected the findings of its ongoing research on the state’s tax system across the full range of issues. In this report the TACIR demonstrated that the characteristics of the state’s tax system in FY 98 closely paralleled the characteristics of the system described by the Special Joint Task Force on State and Local Tax Structure, in the last major tax system study conducted during the 1983-85 time frame. It made it very clear that current problems in the state arise from the nature of the tax system itself and are not due to temporary or cyclical variations in the economy of the state.

TACIR identified several basic problems with the state’s tax system, including:

- The tax system is inadequate in that it does not normally produce, without tax increases, an amount of revenue equal to the cost of public services as defined by the political process.

- This basic inadequacy is due to the fact that the tax system is inelastic, meaning that it does not produce increases in revenue commensurate with increases in personal income. The system is inelastic because it relies very heavily on the state sales tax, which does not bring in revenue commensurate with increases in economic activities in the state.

- The state’s tax system has been and remains one of the most income regressive systems in the nation, meaning that it imposes a higher burden on lower income families than on higher income families in the state.

1 Senate Joint Resolution 139 on differential tax rates and revenue loss and P.C. 301 on the structural budget deficit.
2 The publications resulting from this research are listed on page 13 of this report.
• The state imposes a **low tax burden on households**. The state’s tax system ranks 47th among the states in its total tax burden, across all income groups. This means that only three other states tax their families less than does Tennessee.\(^3\)

• Tennessee has a **structural budget deficit**, meaning that it is built into the tax system and spending patterns of the state. It is a deficit structure because revenues do not keep pace with required expenditures.

Overall, TACIR’s work during Fiscal Years 1997 and 1998 provided a medium through which complex tax information was made available to policy makers and governmental officials. TACIR analysis of technical studies by various research bodies increased the intellectual capital available to the public policy process in Tennessee.

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\(^3\) A detailed analysis of this situation was provided in a July 1996 publication *Family Tax Burdens in Tennessee: A Comparative Analysis.*
Program Areas in Focus: Education Finance

Since 1992, with the passage of the Education Improvement Act (EIA), the state has implemented an education improvement program and a fiscal equalization effort designed to increase and to equalize the state’s financial contributions to school systems across the state. The major funding for this effort has been provided through the framework of policies and programs of the Basic Education Program (BEP). Concurrently, the General Assembly has sought assurances that implementation of the BEP was supported by a consistent allocation of education funds for education purposes. The TACIR has been a key player in this overall effort. It made significant contributions in the area of education finance in FY 1997 and FY 1998.

Report on Education Finance

In October 1997, the TACIR published a staff information report entitled Education Finance Reform in Tennessee. This paper provided background on the BEP and the effort to promote both adequacy and equity in educational funding across the state. This report described the efforts to move to full funding under the BEP, the various funding sources for education in the state, and the impact of fiscal equalization on equity. Among its major findings were:

- by the end of FY 1996, school systems in the state at both ends of the spectrum, i.e. those closest to full funding and those farthest away at the start of the program, have made substantial progress toward the goal of attaining full funding;
- the state’s relative contribution to local education funding has been increasing in terms of both the amounts provided (up 15% for 1992-96) and as a percentage of combined federal, state and local funds;
- this increased spending altered Tennessee’s relative position on spending slightly by moving it from 45th to 43rd among all states;
- the state relies on the sales tax as a source of revenue for its share of overall education funding while local governments use both the property tax and the local sales tax option;
- the state’s reliance on sales tax revenues introduces an element of funding instability; and
- the state’s employment of funding mechanisms succeeded in attaining greater degrees of equity on each of the measures commonly used to measure equity, including the TACIR Equity Index.

TACIR’s Determination of Fiscal Capacity

As noted above, the attainment of education finance equity is one of the more important objectives of the BEP. In order to move toward equity, the state has taken into account both the needs of school systems and the capacity of local governments to meet those needs through their own taxable resources - a capacity known technically as local fiscal capacity. The TACIR has made direct and major contributions to the BEP via implementation of the estimation of such capacity.

"It is the intent of the general assembly to provide funding on a fair and equitable basis by recognizing the differences in the ability of local jurisdictions to raise local revenues."
During both FY 97 and FY 98, the TACIR calculated fiscal capacity indices for each of Tennessee’s ninety-five counties. TACIR employed multiple regression analysis to predict each system’s per pupil fiscal capacity. The independent variables used to measure local education revenue capacity included:

1. per pupil property tax base;
2. per pupil taxable sales;
3. per capita income;
4. ratio of residential property to commercial property; and
5. ratio of county student population to total county population.

The dependent variable used was per pupil local revenue. Specific information regarding TACIR findings is presented in *Fiscal Capacity for Funding K-12 Education: Fiscal Year 1996* and *Fiscal Capacity for Funding K-12 Education: Fiscal Year 1998*.

Use of the results of the TACIR fiscal capacity methodology by the Department of Education has resulted in an overall trend toward greater education funding equity in Tennessee. These positive TACIR fiscal capacity efforts directly support the goals of the General Assembly to provide equitable education funding and to recognize the ability of local jurisdictions to raise local revenues for education.

**Accountability for Education Funds**

In HJR 191 of 1993, the General Assembly expressed concern over the use of funds earmarked for education and directed the TACIR to report to it annually on accountability for receipts into and expenditures from the dedicated education trust fund. Specifically, the General Assembly wanted assurances that all funds raised in the name of education are in fact used for education and that funds allocated to local education agencies are expended in compliance with state and federal law.

To accomplish this task, in FY 1998, the TACIR reviewed the funding structures and processes developed pursuant to the Education Improvement Act and the Basic Education Program and analyzed the workings of accountability measures built into Tennessee’s system of education finance. In particular, it examined the system of budgeting, appropriation, collection, and disbursement of the half-cent tax dedicated for education.

In its Fiscal Year 1998 report, the TACIR determined that funds raised through the dedicated half-cent sales tax were expended for the intended educational purposes. Furthermore, it determined that the system of accountability established in the Education Improvement Act provides all reasonable assurances that revenues earmarked for education are not used for other purposes.

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4 *Accountability for Funding Education in Tennessee: A Report to the 100th General Assembly Pursuant to HJR 191 (Fourth Annual Report)*, January 1998
With this chapter, the general assembly intends to establish a comprehensive growth policy for this state that:

1. Eliminates annexation or incorporation out of fear;
2. Establishes incentives to annex or incorporate where appropriate;
3. More closely matches the timing of development and the provision of public service;
4. Stabilizes each county’s education funding base and establishes an incentive for each county legislative body to be more interested in education matters; and
5. Minimizes urban sprawl.

In FY 1997, the TACIR became a key player in the overall legislative effort that led to the passage of Public Chapter 1101 in May 1998.

During 1997, Lt. Governor Wilder and Speaker Naifeh realized that the General Assembly needed to find a comprehensive solution to long standing political and legal controversies in the state concerning both annexation and incorporation, many of which had been exacerbated by rapid growth in many counties of the state and the absence of effective growth planning in most of the counties. Based upon this realization, they appointed an Ad Hoc Study Committee on Annexation and charged it to examine a full range of issues surrounding annexation, local government consolidation and growth planning for cities.

Under the leadership of its co-chairs, Senator Robert Rochelle (the TACIR Chair) and Representative Matt Kisber (a TACIR Commissioner) the Ad Hoc Committee vigorously pursued a comprehensive solution to long standing problems which would balance the needs of the state’s counties and cities while promoting the interests of its citizens. The TACIR Executive Director and staff participated actively in this process and made major contributions. The most significant of these dealt with the history of annexations in the state and the establishment of the fact that none of the subjects under consideration could be addressed adequately without a comprehensive approach to growth planning.

The Ad Hoc Study Committee developed a growth planning framework which centered around the development of county-wide growth plans. Within this framework, the Ad Hoc committee developed specific proposals dealing with:

- municipal annexations within urban growth boundaries, and the planning of services in annexed areas;
- incorporations within planned growth areas;
- the allocation of situs-based taxes between municipalities and counties in areas annexed by municipalities;
- the development of plans for the provision of urban-type services as a precondition for annexation; and
- the establishment of Joint Economic and Community Development Boards in each of the counties.
The general concepts embraced by the Ad Hoc Committee found substantial support in the House and Senate. Differences between the two bodies were resolved in a conference committee, and the House and Senate approved the conference committee report by an overwhelming margin. Public Chapter 1101 became law on May 19, 1998 with the signature of Governor Don Sundquist.

In the Act, the General Assembly stated that it intended to establish a comprehensive growth policy for this state that:

1. eliminates annexation or incorporation out of fear;
2. establishes incentives to annex or incorporate where appropriate;
3. more closely matches the timing of development and the provision of public service;
4. stabilizes each county’s education funding base and establishes an incentive for each county legislative body to be more interested in education matters; and
5. minimizes urban sprawl.

In recognition of the key role that TACIR had played in the development of the proposals that were incorporated into the Act, it stipulated that:

“Until December 31, 2002, the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) shall monitor implementation of this act and shall periodically report its findings and recommendations to the General Assembly.”

Upon passage of PC 1101, an “Implementation Steering Committee” was created to ensure that a proactive and cooperative approach is taken to implement this important growth policy act. Among its members is the TACIR Executive Director, Dr. Harry Green, who assumed an active leadership role from the committee’s first days. The current Implementation Steering Committee members are:

- Tom Ballard – Associate Vice President for Public Service, IPS (Chair);
- J. Rodney Carmical – Executive Director, CTAS;
- Sam Edwards – Planning Advisor;
- Harry A. Green - Executive Director, TACIR;
- John Morgan – State Comptroller;
- Maynard Pate – Secretary/Treasurer, TDDA;
- Robert E. Schettler – Training Administrator, Center for CGT;
- Robert P. Schwartz – Executive Director, MTAS;
- Bill Terry - Planning Advisor; and
- Don Waller - Director, Local Planning Office.

As FY 1998 drew to a close, the TACIR was developing a system that would enable it to monitor the implementation of the act and to participate fully in the activities of the Implementation Steering Committee.
Program Areas in Focus: Infrastructure

In FY 1997 and 1998, the TACIR made substantial progress toward the completion of the data gathering and analysis for the Infrastructure Needs Inventory, as required by Public Chapter 817 of 1996\(^5\) to:

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

To meet these requirements, TACIR worked cooperatively with the state’s nine development districts to determine the infrastructure needs identified by:

- county executives;
- mayors;
- local planning commissions;
- local education agencies;
- utility districts; and
- county road superintendents.

The development districts administered infrastructure inventory surveys to these officials and agencies within their district boundaries. These surveys were used to ascertain existing planned and anticipated infrastructure needs over the next five-year period.

On a county-by-county basis, each development district surveyed the infrastructure needs within each of the following broad categories of infrastructure:

- Education (K-12 and other facilities);
- transportation (i.e., roads, bridges, airports, etc.);
- water and wastewater;
- industrial sites;
- solid waste;
- recreation;
- low and moderate income housing;
- telecommunications;
- public health buildings; and
- public buildings.

Through this instrument, they collected information on several aspects of each infrastructure project, including stage of development, location, funding

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\(^5\) Tennessee Code Annotated §4-10-109 (a).
availability and ownership.

The TACIR compiled the results from each development district survey effort into a master inventory which provides the base document for the annual report to the General Assembly. The work, accomplished in FY 1998, paved the way for the first official report of this effort which was published by TACIR in FY 1999 as *Tennessee Public Infrastructure Needs Inventory Assessment of FY 1998*. 

Program Areas in Focus: E-911

During the period covered by this Biennial Report, the TACIR continued efforts to promote the discussion, deliberation, and resolution of several major issues related to Emergency Communications Districts (ECDs) and their E-911 systems. These efforts resulted in the passage of HB 3190, sponsored by House Majority Leader and TACIR Commissioner Jere Hargrove, and SB 3308, sponsored by Senator and TACIR Chair Robert Rochelle.

The passage of this legislation was the final step in a sustained TACIR effort that began in 1994 with the passage of House Joint Resolution 499. The TACIR study of E-911 systems combined extensive surveys, in-depth interviews, a public hearing, and analysis of other states’ E-911 policies.

The E-911 legislation:

• established a state Emergency Communications Board to:
  — implement state-wide wireless, enhanced 911 service;
  — establish standards for landline and wireless E-911 systems;
  — provide technical assistance to Emergency Communications Districts (ECDs); and
  — provide financial oversight to “financially distressed ECDs.”

• directed the Comptroller of the Treasury to develop a uniform financial accounting system to be used by each ECD; and

• imposed a charge on all commercial radio stations in order to generate revenue sufficient to fund the Board and state-wide wireless enhanced service.

...which directed the TACIR to conduct a study on the funding, creation, and management of Emergency Communications Districts in Tennessee.

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6 For detailed information, see TACIR’s January 1995 publication Funding, Creation, and Management of E-911 Districts. This report won an award for Special Achievement from the Governmental Research Association.
II. TACIR Achievements

Activities in Pursuit of Four Basic Goals

In pursuit of its mission, the TACIR pursues four goals. It seeks to:

• forge common ground between competing but equally legitimate values, goals, and interests;
• advance discussion and deliberation of critical and sensitive intergovernmental policy matters;
• promote actions to resolve intergovernmental problems and improve the quality of government; and
• provide information and analysis to facilitate decision making by the general assembly and other policy makers.

In this section, we highlight the actions taken to accomplish these goals.

Forge Common Ground Between Competing but Equally Legitimate Values, Goals, and Interests

In regard to the issues surrounding both the E-911 system and the development of proposals leading to PC 1101, the TACIR made major contributions to the development of legislation designed to forge common ground among contending stakeholders. As described above, the TACIR approached both issues with the explicit purpose of giving all the various stakeholders opportunities to have their perspectives fully and fairly presented. The fact that both of these efforts led to comprehensive legislative proposals provide ample testimony to the effectiveness and importance of this role.

Advance Discussion and Deliberation of Critical and Sensitive Intergovernmental Policy Matters

Many matters come to the TACIR for advance deliberation and discussion well before they need to be addressed in the General Assembly. Four such matters came before TACIR for advance discussion in FY 1997-98:

• future of TVA in the event of deregulation and the prospect of changes in its non-power producing mission;
• impact of the Telecommunications Act of 1996;
• changing nature of the Tennessee economy; and
• impact of demographic changes on the state’s budget, especially expenditures for TennCare.

7 See page 10 for a discussion of the role that TACIR played in the E-911 effort. See pages 6-7 for a discussion of its role in the growth policy act.
Provision of Information and Analysis to Facilitate Decision Making by the General Assembly and Other Policy Makers

In FY 1997-98, the TACIR provided timely and relevant information to the General Assembly and other policy makers on a variety of subjects. It did so primarily through the publication of reports. The full list of these is presented on page 13. While the distribution of reports varies across subject matters, collectively they have gone to members of the General Assembly, key executive branch offices, associations, county executives, mayors, development districts, city managers, libraries and various media outlets.

In addition, TACIR staff made several presentations throughout the state on various topics under consideration by the Commission. A complete list of these is presented on page 14. The TACIR commissioners and staff also participated in several annual conferences of major associations of state and local officials, including the Tennessee Municipal League and the Tennessee County Services Association.

Resolve Intergovernmental Problems and Improve the Quality of Government

In FY 1997-98, the TACIR promoted several actions to resolve intergovernmental problems and to improve the quality of government. It made major contributions to the development and passage of legislation designed to improve the operations of the state-wide E-911 system and to bring order to growth planning and municipal-county relations in the contentious area of annexation. These efforts are described under the headings of E-911 Reform (see page 10) and Growth Planning respectively (see pages 6-7).

In addition, the TACIR sought to influence federal policy on both federal mandates on state and local governments and on the provision of block grants via the passage of resolutions transmitted to the state’s congressional delegation.

PUBLICATIONS

Measuring Fiscal Capacity: Tennessee Compared to the Southeastern States, December 1997
Education Finance Reform in Tennessee, October 1997
Accountability for Funding Education in Tennessee: A Report to the 100th General Assembly Pursuant to HJR No. 191 (Fourth Annual Report), January 1998
Understanding Tennessee’s Tax Systems: Problems and Issues, March 1998
The Evolution of Tennessee’s Economy and its Relationship to the State Revenue System, March 1998
National Perspectives on Tennessee’s Taxes, April 1998

LIMITED DISTRIBUTIONS

Economic and Fiscal Analysis of a Lottery-Funded College Scholarship Program in Tennessee, February 1997

BRIEFS AND OTHER PUBLICATIONS

Safety Belt Use and Policy: Options for Tennessee, July 1996 (Research Brief)
Family Tax Burden: A Comparative Analysis, July 1996 (Research Brief)
Much Ado About Something: Gains in Education Spending Equity, July 1996 (Research Brief)
Corporate Taxes and the Business Climate in Tennessee, March 1997 (Tax Brief)
Staff Presentations FY 1997 & 1998

E-911/Cellular Telephone Issues
October 1996. Presented to Committee created pursuant to SJR 447 and SJR 462.

Tennessee’s Infrastructure Needs Survey

Estimates of Infrastructure Needs in Tennessee

The Public Infrastructure Needs Inventory Act of 1996

Rutherford County, Population, Income, and Fiscal Indicators
February 1997. Presented to Leadership Rutherford

Overview of Tennessee State Government
February 1997.

Twelve Major 21st Century Challenges to Tennessee and State and local Government
February 1997.

Understanding Tennessee’s Tax System and Revenue System

Current Issues in Tennessee Education Finance
June 1997. Presented to Tennessee County Services Association Post Legislative Conference.

Urbanization and Urban Policy in Tennessee
October 1997. Presented to the Joint Legislative Ad Hoc Committee on Annexation.

Understanding Tennessee’s Tax and Revenue System

Understanding Tennessee’s Tax and Revenue System

Annexation and Consolidation Issues

Local Government Tort Liability
Conferences/Meetings Attended by TACIR Staff

• National Conference of State Legislatures
• Tennessee Emergency Number Association
• Tennessee County Services Association Annual Conference
• Rebuild Tennessee Coalition Conference
• American Education Finance Association
• Tennessee Municipal League Annual Conference
• Southern Growth Policy Board: Future of the South Conference
• Federation of Tax Administrators Conference
• Tennessee Association of Utility Districts Annual Meeting
• Intergovernmental Technology Forum
• State and Local Tax Seminar
• TACIR Tax Hearing
• Education Accountability Meeting
Commission Meeting Minutes

FY 1997 Scheduled Commission Meetings

Aug. 26-27, 1996

Speakers: Jane Walters, Department of Education
          John Morgan, Comptroller’s Office
          Karen McVey, Congressional Budget Office

Sen. Robert Rochelle is elected as the new TACIR chairman. Rep. John Bragg is honored for his years of dedicated service to the Commission and to the state. “I am looking forward to seeing how TACIR grows and how it becomes more and more important to the structure of federalism in Tennessee,” Rep. Bragg says upon adjourning his final meeting. Vice Chairman Truman Clark is re-elected to that position.

Education
Education Commissioner Jane Walters talks to the TACIR about school attendance and student performance, expressing hope for school-to-career programs. She speculates that 35 to 40 school systems will fail to meet the requirements of the state’s Basic Education Program.

Coordination of Community Action Agencies
TACIR Research Associate Frith Sellers presents proposed legislation designed to improve the coordination and operation of community action agencies and human resources agencies. A question regarding sunset review delays action.

Local Government Consolidation
Ms. Sellers presents proposed legislation regarding city-county consolidation. The TACIR adopts the proposal to change the funding of a charter commission from a minimum of $35,000 and a maximum of $50,000 to a proscribed minimum of $25,000 with no maximum amount prescribed. Another proposal regarding a petition for creation of a Metropolitan Government Charter Commission is delayed until the next meeting because of questions from commissioners.

Drug Funds
John Morgan, then Executive Assistant to the Comptroller and since appointed Comptroller of the Treasury, reviews the issue of asset forfeiture and local government drug funds — a topic of much consternation among law enforcement and government officials. Mr. Morgan distributes draft legislation that ensures accountability through establishment of a special revenue fund. The Commission agrees to follow the issue closely.

Private School Enrollment
TACIR Senior Research Associate Lynne Holliday presents the results of a staff study on private school enrollment in Tennessee and college-bound high school graduates. She presents an
analysis that shows the state-wide cost of absorbing private school students into public school systems to be about $360 million and borne almost exclusively by state and local government.

**Infrastructure**
Dr. Harry Green updates the Commission on the infrastructure project approved by the General Assembly last session. The TACIR staff is proceeding to meet the directive of the Legislature to coordinate the project.

**Unfunded Mandates**
Karen McVey with the Congressional Budget Office (CBO) explains the contents of the new federal law regulating unfunded mandates. The CBO must produce mandate cost statements on all bills reporting from U.S. House and Senate committees that meet specific criteria. These statements must note whether a mandate exceeds the threshold of the bill. Thresholds are set at $100 million per year for private sector costs and $50 million for state, local and tribal governments. The previous threshold was $200 million.

As follow-up, Ms. Sellers then presents a summary of a TACIR staff report on mandates. She discusses a handout from the Budget Office concerning the marginal and cumulative costs to the general fund from federal mandates. *The Commission votes to forward this information to Tennessee’s congressional delegation.*

Nov. 25-26, 1996

**Speakers:**
- Richard Norment, Division of County Audit
- Bradley Dugger, Office of Information Resources
- Bob Wormsley, Tennessee County Services Association
- Jeff Huffman, Tipton County
- Joe Barker, Hardin County
- Doug Goddard, Tennessee County Commissioners Association
- Joseph Sweat, Tennessee Municipal League

**Consolidation of Local Governments**
TACIR Research Associate Frith Sellers explains a new proposal for creation of a Metropolitan Government Charter Commission by petition. This staff proposal allows a consolidation resolution by petition of 20 percent of the registered voters in the county who voted in the last gubernatorial election. Dr. Harry Green explains that this petition empowers citizens to initiate the process. *The Commission approves two amendments to the staff’s proposal.*

*The TACIR adopts the proposal regarding sunset review of community action agencies (CAAs) and human resource agencies (HRAs). Yet, there is still concern and the Commission appoints a subcommittee to review the issue and make a recommendation.*

**Drug Funds**
Richard Norment, Director of County Audit in the Comptroller’s Office, reports to the TACIR on the accomplishments of local officials negotiating procedures for the use of drug fund money.
The group has reached consensus that the money would be handled through a special revenue fund, with funds expended for three reasons: drug enforcement programs, drug education programs and nonrecurring general law enforcement expenditures. After much discussion, the Commission thanks Mr. Norment for his update.

**Home Schooling**
TACIR Senior Research Associate Lynne Holliday presents the results of staff research on children who are home-schooled in Tennessee.

**E-911**
TACIR Research Associate Frith Sellers updates commissioners on E-911 issues. She notes that issues facing emergency communication districts are the same as they were when the TACIR released its E-911 report in 1995. **Mayor Victor Ashe moves that the TACIR recommend that local governments be represented on the study committee.** The TACIR passes the motion. **Also at the urging of Mayor Ashe, the TACIR staff will draft a resolution regarding the usurping of right-of-way authority from local governments by telecommunications entities.**

**Tennessee Information Infrastructure**
Bradley Dugger, Director of the State Office of Information Resources (OIR), updates the TACIR on implementation of the Tennessee Information Infrastructure, an effort to streamline information connections and networks. He explains that the OIR will propose legislation on local government participation in the state network. The TACIR asks Mr. Dugger to return at a future meeting with an update on the status of the telecommunication small business loan program.

**Infrastructure Inventory**
TACIR Assistant Director John Norman reports that the TACIR has signed contracts with the nine development districts to survey local governments about infrastructure needs. Mr. Norman says that the infrastructure team has developed a survey form for general infrastructure items and a special form for K-12 education, which will go to every public school in the state. TACIR staff has developed a computer database for compiling the information.

Dr. Harry Green reports results of a school infrastructure needs study conducted by the federal General Accounting Office. He says the study results reveal that the cost to repair and upgrade Tennessee school facilities is about $1.7 billion for 1994-97. The report also says the estimated impact of unfunded federal mandates is between $147.4 million and $172.5 million for that three-year period. **The TACIR votes to communicate its concern about these unfunded mandates with Tennessee’s congressional delegation.**

**Local Government Issues**
The TACIR hears from several local government officials about issues confronting local governments. Speakers include:

- Bob Wormsley, Executive Director of the Tennessee County Services Association;
- Jeff Huffman, Tipton County Executive;
• Joe Barker, Hardin County Executive;
• Doug Goddard, Executive Director of the Tennessee County Commissioners Association; and
• Joseph Sweat, Executive Director of the Tennessee Municipal League.

Speakers touch on topics such as eroding tax bases;

• loss of sales tax revenue to both state and local governments because of catalog, television and Internet sales;
• the flow and distribution of local sales tax dollars;
• education funding and requirements of the Basic Education Program;
• tensions between cities and counties regarding city contentions that municipal residents are double taxed;
• compliance with federal mandates such as the Americans with Disabilities Act and the Family and Medical Leave Act;
• continued state-granted exemptions to the sales tax; and
• erosion of local autonomy, particularly with regard to rights of way and telecommunications utilities.

Jan. 23-24, 1997

Speakers: Jim Finane, Municipal Technical Advisory Service
               Kelsie Jones, State Board of Equalization

Consolidation of Local Government
TACIR Assistant Director John Norman presents the revised proposed legislation regarding another method of creating a Metropolitan Government Charter Commission. The TACIR endorses the proposed legislation and requests its consideration by the Legislature.

The TACIR subcommittee considers the issue of sunset review of CAAs and HRAs. It recommends that the best use of state funds is to consolidate the two service organizations. Yet, after much discussion, the TACIR votes to have staff prepare a bill reflecting the belief of the TACIR that HRAs and CAAs should be consolidated and that both agencies be placed under the sunset review law.

Telecommunications Act
Jim Finane, with the University of Tennessee Municipal Technical Advisory Service, explains the impact on local governments of the Telecommunications Act of 1996. He outlines three major issues of concern: regulating direct broadcast satellite dishes, regulating tower siting and maintaining control over rights of way. Mr. Finane also discusses a bill introduced in 1996 by competitors of BellSouth regarding franchise fees. The TACIR adopts a resolution to be forwarded to Tennessee’s congressional delegation regarding telecommunications issues of concern, particularly relating to local government control.
Unfunded Mandates

The TACIR approves a resolution, to be forwarded to members of Tennessee’s congressional delegation, regarding unfunded mandates and their impact on public school systems.

Family Tax Burdens

Dr. Harry Green presents information on family tax burdens in Tennessee, noting that the family tax burden is very low in our state. This staff conclusion is based on an analysis of numerous tax studies. Dr. Green says TACIR staff has also looked at business tax burdens, and studies on this subject have come to the same conclusion — that Tennessee’s business tax burden is also relatively low.

Education Finance

TACIR Senior Research Associate Lynne Holliday reviews, for the commissioners, the TACIR staff’s work regarding the cost differential factor for the state’s Basic Education Program. While the TACIR was not mandated by the Legislature to assist with this project, the Department of Education requested help, based on the staff’s knowledge of the issue, and the TACIR complied.

Kelsie Jones, Executive Secretary of the State Board of Equalization, discusses at length with the TACIR the potential fiscal implications of federal lawsuits regarding equalization of public utility property tax assessments.

Local Sales Tax Option

As a follow-up to presentations by local government leaders at the last meeting, the TACIR decides to launch an extensive review of local option sales tax distribution and use, and to recommendations for change, if necessary. Commissioners agree that lawmakers need reliable figures on the issue.

FY 1998 Scheduled Commission Meetings

June 30-July 1, 1997

Speakers: Lynnisse Roehrich-Patrick, Department of Education
          Kathryn Jackson, Tennessee Valley Authority
          William Museler, Tennessee Valley Authority
          David Smith, Tennessee Valley Authority

Education Finance

Dr. Harry Green presents data on the TACIR fiscal capacity index for school systems across the state. He explains that the TACIR fiscal capacity model uses actual per pupil revenue amounts for local governments, along with various wealth and service burden measures, in order to compare the ability of county areas to provide education revenues. However, local governments do produce other revenues and have debt service issues for schools. Thus, local governments have expressed concerns that this effort is not captured in measures of local revenue. He adds that, in looking at fiscal capacity, the issue is not revenue actually raised, but the potential for funding education.
Lynnisse Roehrich-Patrick, Assistant Commissioner of the Department of Education, discusses TACIR’s fiscal capacity model. She makes two points: Only two counties have higher salaries than the rest of the systems within their boundaries, and only six county systems have higher operating expenditures per pupil than the systems within their boundaries. The commissioners accept the report to review.

*The TACIR approves the biennial report for Fiscal Years 1995 and 1996.*

**Legislative Developments**
Dr. Green reviews the 1997 session of the General Assembly. He reports that two new public chapters receive TACIR recommendations: P.C. 308, which subjects HRAs and CAAs to sunset review, and P.C. 261, which reduces the minimum appropriation pending for metropolitan government charter commission. Legislation to allow for the creation of a charter commission upon petition of 20 percent of voters failed in the House, yet passed in the Senate. The TACIR also takes on a big job based on legislative action — a comprehensive tax study that covers differential sales tax rates, structural deficiencies on Tennessee’s sales tax base, and job loss and revenue loss in relation to Tennessee border states.

**E-911**
TACIR Research Associate Frith Sellers updates commissioners on E-911 progress. TACIR staff has been working with the Tennessee Emergency Number Association to arrive at an acceptable compromise on the creation of a state E-911 management review board, implementation of a state-wide wireless E-911 system and network, and extension of the E-911 charge to all cellular and wireless users.

**Infrastructure Inventory**
TACIR Assistant Director John Norman discusses the Public Infrastructure Needs Inventory Act, coordinated by the TACIR, contracting with the state’s development districts. He then introduces Ben McClure of the TACIR staff, who has been working with the development districts to track and compile the information on K-12 facilities, transportation, industrial sites, solid waste, water and wastewater, recreation, low- and moderate-income housing, telecommunications, public health and other public buildings and facilities. The TACIR staff began the inventory during the fall of 1996 and will annually compile and maintain an inventory of infrastructure needs in the state. So far, staff has drafted original survey forms, designed a database and mapped a plan of action to comply with the statutory requirements. To date, it has received information from about 6,000 survey forms.

**TVA Mission**
Three representatives of the Tennessee Valley Authority update the TACIR on the changing mission of TVA: Dr. Kathryn Jackson, Executive Vice President of the TVA Resource Group; William Museler, Executive Vice President of the Transmission/Power Supply Group; and David Smith, Chief Financial Officer. Dr. Jackson explains that TVA is exploring whether there are better ways to provide nonpower services. Mr. Museler addresses deregulation’s future effects on TVA and supply reliability. Mr. Smith discusses TVA’s fiscal situation, including the utility’s debt level. TACIR commissioners express concerns regarding the future of the Chickamauga
Lock. *Upon a motion by Mayor Victor Ashe, the TACIR goes on record in support of maintaining appropriate funding levels for nonpower TVA functions.*

**Telecommunications**

Mayor Ashe presents to the TACIR a report on the Federal Communications Commission Local and State Government Committee, of which he is a member. The advisory group will deal with the authority of cities and counties over local rights of way, examine the FCC pro-competition stance impacting city zoning efforts and other critical matters of intergovernmental relations.

*The TACIR approves the program of work for the upcoming Fiscal Year.*

Sept. 8-9, 1997

Speakers: John Bragg, former TACIR Chair, retired State Representative  
Albert DePrince, Middle Tennessee State University  
Reuben Kyle, Middle Tennessee State University  
Stan Chervin, Department of Revenue  
John Morgan, Comptroller’s Office  
Ron Snell, National Conference of State Legislatures

**Education Finance**

TACIR Research Associate Cliff Lippard presents, for approval, the TACIR report *Accountability for Funding Education: FY 1996.* Major findings of the report include:

- $2.55 billion was raised for the Education Trust Fund and $2.89 billion spent for education;
- the $302 million raised in half-cent collections was applied toward the $1.83 billion expended on the BEP;
- most BEP funds were spent in the classrooms and resulted in 1,512 additional teachers and 660 21st Century classrooms; and
- the spending gap among school systems is narrowing.

In response to an inquiry from Chairman Robert Rochelle, Mr. Lippard says the half-cent collections are indeed spent on education and a responsible accountability system exists to ensure this. *The report is approved by unanimous voice vote from the TACIR.*

**Tennessee Economy**

Drs. Albert DePrince and Reuben Kyle from the Business and Economic Research Center at Middle Tennessee State University compare Tennessee’s economy with that of the nation since 1980. Tennessee’s economy mirrors the U.S., with a few exceptions: a higher share of the economy is derived from manufacturing, a smaller share is derived from services, a higher share of employment is agricultural, and Tennessee exports are one of the healthiest and most rapidly growing sectors of the economy.
They also outline the following findings related to changes in personal income: average annual personal income growth in Tennessee was a little more than 6.5 percent from 1991 to 1996, yet growth slowed to 4.7 percent for 1996 and which demonstrates Tennessee’s cyclical sensitivity. The economists suggest that as Tennessee moves from a goods-producing economy to a service-producing economy, the tax base should be broadened to reflect this move.

**Tax System**

The TACIR is honored by the presence of former Rep. John Bragg, past TACIR Chairman, to provide an overview on the history of studies of Tennessee’s tax system and to review development of the sales tax in Tennessee. He notes there has been an increase in the sales tax every seven years on average since 1947. He says 24 studies on taxes have been completed to date. Rep. Bragg makes two strong points:

1. the state supports programs with rapidly increasing spending rates (particularly education, corrections, health and Families First), yet is saddled with a tax system that does not fully capture economic growth; and
2. previous tax rate increases were earmarked for specific purposes, such as education, and not necessarily to enhance general fund revenues.


Dr. Stan Chervin, Director of Research for the Tennessee Department of Revenue, presents a comprehensive analysis of the state’s tax situation. Business taxation is inconsistent, unfair and inequitable, he says. Meanwhile, the sales tax is failing Tennessee because of changing consumer expenditure patterns, particularly the increase in the purchase of services (most of which are not taxed). Dr. Chervin notes that Tennessee’s combined state and local sales tax rates are among the top three in the country. Dr. Chervin suggests that applying the sales tax to gasoline would raise nearly $200 million annually. He addresses border tax leakage, catalog and Internet sales, and tax incentives for purposes of economic development.

John Morgan, with the Comptroller’s Office, presents a report on Tennessee’s budget, including an informative review of its history. In 1978, the State Constitution was significantly changed, requiring that Tennessee balance its budget annually. Mr. Morgan explains the state’s budgeting strategy and procedures. He notes that while the state budget has increased 564 percent since 1975, the number of state employee positions has increased just 8.5 percent. He says the increased scope of state government is, in large measure, through contracts with private sector providers and nonprofit agencies. Mr. Morgan explains that for the last two budget cycles, revenues have not been sufficient to offset total expenses and result in a structural deficit. He says one-time moneys are being used to fill the gap.

Dr. Ron Snell, Director of Economic and Fiscal Programs at the National Conference of State Legislatures offers two presentations: a) the principles of a high-quality state tax system and Tennessee specific information, and b) information on changes in the federal budget and tax system and the implications of these changes for states. He says state and local government tax
systems must be compatible and based on a balanced variety of revenue sources. A tax system must be equitable and understandable.

Dr. Snell explains that Tennessee is probably the lowest taxing state in the nation when measured by taxes as a percent of income. He says Tennessee’s state and local tax structure has a very distinctive pattern, which can lead to very distinctive problems. He notes the long-term trend of declining goods consumption, which means sales tax increases have only stabilized, not enhanced, revenues. With regard to the federal budget, Dr. Snell says budget surpluses are forecast to be realized by 2002, yet Medicare, Medicaid and Social Security have major implications; thus, the federal budget may be in a precarious position. Finally, he says Tennessee’s difficult fiscal position is an exception, as nearly all other states are enjoying prosperity.

Dr. Green compares the growth in personal income in Tennessee over the past 26 years with the national average. Tennessee has grown from 78 percent of the national average to 90 percent in 1996. One effect paradox of this prosperity is that the state loses some federal funds as personal income grows; for example, the state lost $153 million in matching assistance for Medicaid because of the state’s prosperity.

*Chairman Rochelle appoints a subcommittee, which schedules a Chattanooga hearing Oct. 23-24 regarding border tax leakage.*

Dec. 8-9, 1997

**Speakers:**
- Albert DePrince, Middle Tennessee State University
- Reuben Kyle, Middle Tennessee State University
- Tony Eff, Middle Tennessee State University
- Hal Hovey, State Policy Research, Inc.
- Ruth Johnson, Department of Revenue
- Harley Duncan, Federation of Tax Administrators

**Tax System**

Drs. Albert DePrince, Reuben Kyle and Tony Eff from the Business and Economic Research Center at Middle Tennessee State University present their study of Tennessee’s economy and tax system. Dr. DePrince explains that, with a 1 percent increase in Tennessee’s income, there will be a 0.9 percent increase in state revenue — the state is losing ground. He says to minimize tax losses in a recession, certain changes in the tax system are necessary. He says broadening the base of the sales tax to include all services would have the same stabilizing effect as imposing an income tax.

Regarding tax leakage, Dr. Kyle notes that Tennessee has the largest number of border states, and that lost revenue can be accounted for in the tax differentials with some of these states. Mail order sales also impact state revenues; in 1996, Tennesseans ordered more than $1 billion in goods and services through the mail, resulting in an estimated tax loss of $77 million. He says,
by the year 2000, this could be $90 million. Also, he predicts that by 2002, Tennessee Internet sales will be $350 million, with potential sales tax revenue of about $21 million.

Dr. Eff explains the effects of demographic changes on Tennessee’s budget. For example, public welfare expenditures, mostly TennCare, will increase from 30 percent to 50 percent from 1996 to 2005.

Dr. Hal Hovey, a national tax policy expert who has been budget director for two states, notes that Tennessee’s structural budget deficit is worse than any of its neighbors and that the state’s system does a poor job of capturing economic growth. He says Tennessee cannot grow itself out of a structural deficit. Tennessee’s inelastic tax system ranks 46th in the nation, with an inelasticity index of 88.5 (the U.S. index is 96.2). For 1994, Tennessee had per capita taxes of $1,759, while the national average was $2,403. He says if Tennessee is losing jobs, retail sales or residents, the reason could be the mix of taxes rather than the rate. He explains that a balanced system uses three bases: property, consumption and income.

Dr. Hovey expresses his concerns regarding a lottery or other form of legalized gambling. In summary, he says it lacks the economic significance it once had as more and more states get involved.

Dr. Hovey then discusses the tax systems of the seven other states that do not draw revenues from personal income: Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. Dr. Hovey offers possible Tennessee tax options:

1. an income tax, regardless of public opposition;
2. taxing noncorporate businesses such as attorneys, accountants and limited partnerships;
3. a value-added tax or a business activity tax; and
4. a local option wage-based tax as an alternative to a state income tax.

He encourages a business activity tax.

Revenue Commissioner Ruth Johnson presents an overview on developments in the management of Tennessee’s revenue system. She touts the state’s new integrated tax computing system as one of the nation’s best. She explains changes to the auditing process to ensure fairness and consistency.

Harley Duncan, Executive Director of the Federation of Tax Administrators, begins his remarks by cautioning that service taxation does not offer a panacea to the state’s budgetary woes, even though services as a component of gross domestic product have increased up to 70 percent over the last 30 years. The state’s sales tax systems enacted in the 1930s were not designed to capture this growth. Mr. Duncan suggests the following five service categories to consider for taxation purposes: business services; computer and information services, financial, real estate and insurance services, professional services, and selected other services such as storage. He also suggests that Tennessee look seriously at the taxation of electronic commerce — not only the sale of goods and services over the Internet, but also emerging digital products.
Sen. Ward Crutchfield reports on the special TACIR subcommittee’s October hearings in Chattanooga on border issues. He reports that Georgia has taken steps to remove the sales tax from food and to establish a higher education scholarship with lottery proceeds. He reviews the methods available for amending the state Constitution to allow a Tennessee lottery.

Dr. Green compares Tennessee’s fiscal capacity to its border states. He notes that the state operates at about 81 percent of its fiscal capacity, a measure that indicates inelasticity over a long time frame.

June 8-9, 1998

Speakers:  
John Gnuschke, University of Memphis  
John Morgan, Comptroller’s Office  
Stan Chervin, Department of Revenue  
Lynnisse Roehrich-Patrick, Department of Education  
Matthew Murray, University of Tennessee  
Kelsie Jones, State Board of Equalization

The TACIR approves the program of work for the upcoming Fiscal Year.

Infrastructure Inventory
TACIR Associate Executive Director John Norman shares the status of the Tennessee Infrastructure Needs Inventory Project. He notes that the information-gathering process is having as much impact as the product — the survey is the catalyst for capital improvement plans in many small communities and gives development district professionals the opportunity to work with a variety of local representatives. So far, the survey has collected information on 4,673 general infrastructure projects. Mr. Norman says the initial staff focus is the condition of nearly 1,600 schools. Preliminary results indicate that 35 percent of responding schools do not currently comply with the Education Improvement Act. They also reveal that the most costly mandate is the Americans with Disabilities Act.

Tax System
Dr. John Gnuschke, director of the Business and Economic Research Center at the University of Memphis, addresses the TACIR on how border leakage affects the Memphis area. He notes that Memphis has benefited, not suffered, from the development of Tunica County, Mississippi. Tunica has added to the entertainment draw of the Memphis market, he explains. He notes that the growth of Memphis suburbs is the natural outcome of the growth and expansion of Memphis.

Dr. Green updates the TACIR on the status of the tax study, which began in June 1997. The deadline is January 1999, and the first Commission meeting of the next fiscal year will be devoted to receiving testimony on the issue.

Dr. Matthew Murray, Associate Director of the Center for Business and Economic Research at the University of Tennessee, addresses the Commission on issues and problems regarding the state’s sales tax. He notes, as other TACIR speakers have, that an increase in consumption of
services as opposed to goods will drastically impact state revenues. He says Tennessee’s ability to tax its citizens through the sales tax is 92 percent of the national average, placing Tennessee 35th in the nation. He discusses the effects of a narrow tax base. He also explains that, while the sales tax is viewed primarily as a consumer tax, it’s actually Tennessee’s single-largest business tax. He concludes his presentation by examining the estimated loss to the state from selected untaxed services.

Kelsie Jones, Executive Secretary of the State Board of Equalization, addresses the TACIR regarding three current property tax issues: tangible personal property, exemptions and deferrals, and greenbelt property. He notes that Tennessee benefits from a well-administered property tax.

**E-911**

TACIR Senior Research Associate Frith Sellers updates the Commission on the new wireless enhanced E-911 law, a compromise between two competing bills. The legislation also embodies the recommendations made by the TACIR. The law allows local control over emergency communication districts while maintaining strong financial, operational and accounting standards.

**Growth Management**

John Morgan, Executive Assistant to the Comptroller, explains Tennessee’s new growth management act and compliments the TACIR and Executive Director Harry Green for their vital input on the issue and their future involvement. Mr. Morgan says a pivotal moment in the drafting of the legislation came when Dr. Green addressed the Ad Hoc Study Committee on Annexation and framed the issue as one of growth management rather than annexation and incorporation. The TACIR has the job of monitoring implementation of the new law, which Mr. Morgan stresses must be given a chance to work. Commissioners again express their support of incorporation where feasible.

**State Shared Taxes**

Dr. Stan Chervin, Research Director for the Tennessee Department of Revenue, addresses the Commission regarding intergovernmental financial aid to local governments. He identifies the largest categorical aid program in Tennessee as the Basic Education Program, while the largest direct tax-sharing program is the distribution of some gasoline tax collections to cities and counties. He notes that local governments in Tennessee are exposed to the instability of state revenue collections because of the state’s reliability on the sales tax.

**Education Finance**

Lynnisse Roehrich-Patrick, Assistant Commissioner of the Department of Education, notes significant improvements in equity among school systems statewide. Ms. Roehrich-Patrick answers commissioners’ questions regarding growth funding, school consolidations, BEP formula funding and class size requirements.
III. Appendices

Appendix A  TACIR Organization, Mission and Goals
Appendix B  What Does TACIR Do?
Appendix C  FY 1997 and FY 1998 Legislation Affecting TACIR
Appendix D  Issue Continuity for the TACIR: FY 1991- FY 1996
Appendix E  TACIR Membership FY 1997
Appendix F  TACIR Membership FY 1998
Appendix A

Organization, Mission and Goals

Organization

Consisting of public officials from state and local government and private citizen members, the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) "serves as a forum for the discussion and resolution of intergovernmental problems."

The 25 members of the TACIR capture the richness and diversity of perspectives of private citizens and officials representing different branches and levels of government. Of the 25 member Commission, 22 members are appointed to four-year terms, while three are statutory members, holding membership by virtue of their position.

Responsibility for appointment of four state senators and four state representatives rests with the Speaker of each respective chamber of the Tennessee General Assembly. Other appointments to the Commission include four elected county officials, one official nominated by the County Officials Association of Tennessee, four elected city officials, one development district nominee, two private citizens, and two executive branch officials.

Statutory members include the chairs of the House and Senate Finance, Ways and Means Committees; and the Comptroller of the Treasury. In total, 10 members have local government as their primary affiliation; 11 represent the legislature; two are drawn from the executive branch; and two are private citizens.

Recent legislation clarified certain aspects of the appointment process that had been a matter of some ambiguity (see Acts 1996, Chapter 840). The 1996 amendments also eliminated references to outdated functions, and clarified procedures for the issuance of reports of findings and recommendations. Though the legislation was important as a matter of housekeeping, it did not alter the basic organization or mission of the Commission.

Mission

In the late 1970’s, legislative findings indicated the need for a permanent intergovernmental body to study and take action on questions of organizational patterns, powers, functions, and relationships among federal, state, and local governments (T.C.A. §4-10-101). In pursuit of this goal, the TACIR was created in 1978. The TACIR’s enabling act established what has remained the Commission’s enduring mission (T.C.A. §4-10-104) to:

“Serve as a forum for the discussion and resolution of intergovernmental problems.”
Goals

Many specific duties and functions are required of the TACIR in its enabling act, and additional duties are often assigned by the General Assembly through legislation. From its broad set of statutory obligations and special charges, the purpose for TACIR’s existence can be summarized in four concise yet encompassing goals.

1. Advance discussion and deliberation of critical and sensitive intergovernmental policy matters.
2. Promote action to resolve intergovernmental problems and improve the quality of government.
3. Forge common ground between competing but equally legitimate values, goals, and interests.
4. Provide members of the General Assembly and other policymakers with accurate and timely information and analysis to facilitate reasoned decision making.
Appendix B

What Does the TACIR Do?

Objectives

Called a “think-tank” or “think and do-tank” by some, the TACIR provides a future-oriented perspective to public policy and intergovernmental relations, constantly attempting early identification and diagnosis of policy problems that loom on the horizon. To facilitate the achievement of its mission and goals, the TACIR is directed by statute to:

- engage in activities, studies, and investigations necessary for the accomplishment of the Commission’s mission and goals;
- consider, on its own initiative, ways of fostering better relations among local governments and state government;
- draft and disseminate legislative bills, constitutional amendments, and model ordinances necessary to implement the Commission’s recommendations;
- encourage, and, where appropriate, coordinate studies relating to intergovernmental relations conducted by universities, state, local, and federal agencies, and research and consulting organizations;
- review the recommendations of national Commissions studying federal, state, and local government relations and problems and assess their possible application to Tennessee; and
- study the fiscal relationships between the federal government and Tennessee’s state and local governments.

Additionally, the Commission is directed by statute to hold four meetings per year, and issue reports of its research and findings. Commission meetings, with invited guests and experts, and lively and thoughtful debate, form the core around which virtually all Commission activities are centered.

Given such a broad task environment, the Commission adopts an annual work plan to guide meetings and research. The work plan is designed to ensure the completion of objectives set forth in the Commission’s enabling act, as well as the achievement of the mission and goals.

From time to time throughout the year the Commissioners addresses problems that were not anticipated in the work plan. Most such matters are addressed at the direction of the General Assembly.
Appendix C

FY 1997 and FY 1998 Legislation Affecting TACIR

In the two-year period covered by this report, the General Assembly passed the following acts affecting TACIR.

- P.C. 301 directed TACIR to undertake study to determine the structural deficiencies of the state tax base, including those relating to differential sales tax rates.
- P.C. 241 increased the allocation to TACIR from State Revenue Sharing Act funds.
- PC 1101 directed TACIR to monitor implementation of the Act and report to the General Assembly periodically until December 31, 2002.
Appendix D

Issue Continuity for the TACIR: FY 1991-FY 1996

The TACIR has demonstrated a remarkable continuity from year-to-year with respect to the intergovernmental policy matters it has under consideration.

The issues before the TACIR in FY 1993 and FY 1994 included those dealing with:

- Education financing and accountability;
- Tax issues;
- State, local, and federal fiscal issues;
- Government modernization; and
- Other intergovernmental issues.

TACIR addressed issues in these five areas in FY 1995 and FY 1996 as well. A major new area of emergency communications was added to the list.

The TACIR also addressed issues in these six areas from FY-1995-1996 to FY 1997-1998.

Subject Areas Addressed by TACIR for at Least Two Biennial Periods FY-1993-1998

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Appendix E

TACIR Membership: Fiscal Year 1997

Legislative
Senator Ward Crutchfield
Senator Tommy Haun*
Senator Jeff Miller*
Senator Robert Rochelle

Representative Jere Hargrove*
Representative Steve McDaniel*
Representative Randy Rinks*
Representative Larry Turner

County
Nancy Allen, Rutherford County Executive
Truman Clark, Carter County Executive
Jeff Huffman, Tipton County Executive
Jim Rout; Mayor, Shelby County

Municipal
Victor Ashe; Mayor, City of Knoxville
Mary Jo Dozier; Councilwoman, City of Clarksville
Sharon Goldsworthy; Mayor, City of Germantown
Tom Rowland; Mayor, City of Cleveland

Other Local Government Officials
Judy Medearis, County Officials Association of Tennessee
Maynard Pate, Tennessee Development District Association

Statutory (ex-officio) Members
Senator Douglas Henry; Chairman, Senate Finance, Ways and Means Committee
Representative Matt Kisber; Chairman, House Finance, Ways and Means Committee**
William R. Snodgrass, Comptroller of the Treasury

Executive Branch
Ruth Johnson; Commissioner, Department of Revenue
Lana Bowman Ball, Office of the Governor

Private Citizens
Chaddy Baker
Dale Overton**
Thomas Varlan

* indicates service for a portion of the Fiscal Year by an incoming TACIR member.
** indicates services for a portion of the Fiscal Year by an outgoing TACIR member.
Appendix F

TACIR Membership: Fiscal Year 1998

Legislative
Senator Ward Crutchfield
Senator Tommy Haun
Senator Jeff Miller
Senator Robert Rochelle

Representative Jere Hargrove
Representative Steve McDaniel
Representative Randy Rinks
Representative Larry Turner

County
Nancy Allen, Rutherford County Executive
Truman Clark, Carter County Executive
Jeff Huffman, Tipton County Executive
Jim Rout; Mayor, Shelby County

Municipal
Victor Ashe; Mayor, City of Knoxville
Mary Jo Dozier; Councilwoman, City ofClarksville
Sharon Goldsworthy; Mayor, City of Germantown
Tom Rowland; Mayor, City of Cleveland

Other Local Government Officials
Judy Medearis, County Officials Association of Tennessee
Maynard Pate, Tennessee Development District Association

Statutory (ex-officio) Members
Senator Douglas Henry; Chairman, Senate Finance, Ways and Means Committee
Representative Matt Kiser; Chairman, House Finance, Ways and Means Committee
John Morgan, Comptroller of the Treasury*
William R. Snodgrass, Comptroller of the Treasury**

Executive Branch
Ruth Johnson; Commissioner, Department of Revenue
Lana Bowman Ball, Office of the Governor

Private Citizens
Chaddy Baker**
David Coffey*
Thomas Varlan

* indicates service for a portion of the Fiscal Year by an incoming TACIR member.
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