

NASHVILLE—According to a new report released by the Tennessee Advisory Commission on Intergovernmental Relations (TACIR), at least \$38 billion worth of public infrastructure improvements need to be in some stage of development during state fiscal years 2011 through 2015. This report provides two types of information: (1) needed infrastructure improvements and (2) the condition of existing elementary and secondary (K-12) public schools. To be included in the inventory, infrastructure projects must not be considered normal maintenance and must involve a capital cost of at least \$50,000.

Public infrastructure needs, as reported by state and local officials, increased \$1.2 billion (3.3%) since the June 2011 report, which covered the five-year period of 2010 through 2014. This year's increase is larger than last year's record low increase of less than one percent (0.7%) but smaller than all other years. Current infrastructure needs fall into six general categories, each of which has two or more specific project types:

- Transportation and Utilities: \$19.1 billion
- Education: \$8 billion
- Health, Safety, and Welfare: \$7.3 billion
- Recreation and Culture: \$1.9 billion
- Economic Development: \$1.2 billion
- General Government: \$457 million

The category with the largest increase since last year is Health, Safety, and Welfare, which is the third largest general category overall. Health, Safety, and Welfare needs increased \$434 million, from \$6.9 billion to \$7.3 billion, alone making up 19.3% of the total reported for all types of infrastructure.

The overall Transportation and Utilities general category increased by only \$291 million (1.5%) even though transportation needs increased by \$657 million. The increase in transportation needs was partially offset by a \$358 million (-59.2%) decrease in other utilities, stemming from the completion of one \$405 million electricity infrastructure project in Davidson County.

Of the \$29.5 billion reported for local infrastructure improvements, only \$11.1 billion in available funding has been identified. Most of that amount, \$10.7 billion, is for fully funded needs; another \$423 million is for partially funded needs. That leaves another \$18.4 billion worth of needs for which no funding was available at the time those needs were reported.

While state revenue sources for fully funded infrastructure increased since last year, local sources, which consist of city, county, and special district revenues, remained about the same

and continue to be the principal source of funding for fully funded infrastructure (these figures do not include improvements for public elementary and secondary schools or those in state agencies' capital budget requests). Officials are asked to report only those funds that are available at the time of the inventory and not to speculate about how a project could be funded.

Senator Mark Norris, TACIR's chairman, had this to say about the report: "Public infrastructure is one of the most important things government can provide to encourage economic development. This inventory is not just a catalog of infrastructure needs. It's a guide for improving quality of life in Tennessee."

This inventory is the only source of statewide information on the condition of public school buildings and what it would take to get them all in good or better condition, and the news here is good: According to local school officials, 93% of local public schools are now in good or excellent condition. However, they estimate the cost to put the remaining 7% in good or better condition at \$1.6 billion, a \$139 million increase from the previous report.

Infrastructure needs and the ability to meet them vary across Tennessee. Not surprisingly, the 13 counties with the largest populations, growth rates, and tax bases need the most infrastructure and are able to build the most. However, it is not clear what is driving infrastructure needs in the other 82 counties. To gain insight into these differences, TACIR staff looked at met and unmet infrastructure needs relative to population. They found that it is not clear that population is driving the differences. Because the state's counties vary so much in size, staff also divided needs and completed needs by square miles to make sure that land area did not distort the analysis.

Staff looked at two other likely candidates for explaining the variation in meet and unmet infrastructure needs across counties: population gain and wealth. Wealth in this instance means revenue sources for local governments and residents' ability to pay taxes based on their income. Analyzing these factors produced the following conclusions:

- Population still matters, but population gain matters more.
- When it comes to driving need, income matters most of all.
- And when it comes to meeting those needs, while population gain matters most, taxable sales come second.

#### Other Highlights from the Report

- Needs increased in all six categories, but there were decreases within all of those categories except Economic Development.
- Public health facilities needs continue to increase in this inventory (12.1%), but very few are being completed. General government needs increased by \$34 million (8.3%). Public building needs decreased \$32 million (-8.3%), but were offset by a \$66 million increase in other facilities needs.
- Economic development needs increased \$96 million from the previous inventory. Industrial Sites and Parks increased by \$66 million (34%).
- Total education infrastructure needs increased from \$7.7 billion to \$8 billion (4.3%) since the last report.
- Needs for school infrastructure improvements—including new schools and improvements or additions to existing schools increased for the first time since the 2006 inventory by \$264 million.

The full report is available on TACIR's web site at <http://www.tn.gov/tacir/infrastructure.html>. For more information, contact Dave Keiser, Project Manager, at [david.keiser@tn.gov](mailto:david.keiser@tn.gov) or 615.253.4237.

### **TACIR Mission**

TACIR's mission is to serve as a forum for the discussion and resolution of intergovernmental problems; provide high quality research support to state and local government officials in order to improve the overall quality of government in Tennessee; and to improve the effectiveness of the intergovernmental system to better serve the citizens of Tennessee.