

Building Tennessee's Tomorrow:

Anticipating the State's Infrastructure Needs

July 2004 through June 2009

Funding the State's Infrastructure Needs

Less Than Half of All Infrastructure Needs in the Current Inventory Are Fully Funded.

Consistent with the previous report, information about the availability of funding to meet Tennessee's public infrastructure needs indicates that more than half has not yet been identified. The inventory does not include funding information for needs at existing schools or for needs drawn from the capital budget requests submitted by state agencies. Excluding those needs from the total of \$28.3 billion reported for the period covered by the inventory leaves \$23.2 billion in needs. Local officials are confident of only \$9.0 billion of that amount which is 11% less than in the previous inventory. The decrease is attributable to a decline in local funding. Most of it, \$7.8 billion, is for needs that are fully funded; another \$1.2 billion is for needs that are partially funded. That leaves another \$14.2 billion of needs for which funding has not yet been identified. (See Table 12.) It is likely that more of the need will be filled from existing funding sources as these needs move through the planning and design and into the construction process, but it is impossible to know in advance how much.

**Table 12. Summary of Funding Availability
Five-year Period July 2004 through June 2009**

	Funding Available [in billions]	Funding Needed [in billions]	Total [in billions]
Fully Funded Needs	\$ 7.8	\$ 0.0	\$ 7.8
Partially Funded Needs	1.2	2.1	3.3
Unfunded Needs	0.0	12.1	12.1
Total*	\$ 9.0	\$ 14.2	\$ 23.2

*Excluding needs for which availability of funds is unknown.

As shown in Table 13 on the following page, Health, Safety, and Welfare, Recreation and Culture, and General Government needs reported in the current inventory were the most likely to be fully funded, and Economic Development needs were the least likely to be fully funded. About 40% of needs were fully funded for Health, Safety, and Welfare, Recreation and Culture, and General Government needs. Approximately 30% of Transportation and Utilities, and Education needs were fully funded. The percentage of Economic Development needs that are fully funded decreased from 21% in the last report. The stark difference between the Economic Development category and all other categories is difficult to interpret.

Local officials were asked to report whether each need submitted in the inventory was funded, and if so, from what source or sources: state, local, federal or other. Funding gaps can be identified by comparing total estimated costs to the funding reported for each of these sources.

- *If the funding by source equals the total estimated cost, then the need is fully funded.*
- *If no funding is reported by source, then the need is unfunded.*
- *If the funding by source does not equal the total estimated cost, then the need is only partially funded.*

**Table 13. Percent of Needs Fully Funded by Type of Need
Five-year Period July 2004 through June 2009**

Category and Project Type	Total Needs³⁰ [in millions]	Fully Funded Needs [in millions]	Percent of Total Needs Fully Funded
Transportation and Utilities	\$ 14,550.2	\$ 4,618.5	31.7%
Transportation	13,644.0	4,539.3	33.3%
Other Utilities	558.0	69.0	12.4%
Navigation	318.4	0.2	0.1%
Telecommunications	29.8	10.0	33.5%
Health, Safety and Welfare	\$ 4,496.0	\$ 1,862.6	41.4%
Water and Wastewater	3,199.0	1,316.0	41.1%
Law Enforcement	641.2	308.5	48.1%
Stormwater	258.5	78.5	30.4%
Solid Waste	69.1	22.8	32.9%
Fire Protection	176.0	63.5	36.1%
Public Health Facilities	51.8	15.2	29.4%
Housing	100.5	58.2	57.9%
Education	\$ 1,515.9	\$ 402.5	26.6%
K-12 New School Construction	1,497.2	398.9	26.6%
Non K-12 Education ³¹	2.0	1.8	87.6%
School System-wide Need*	16.6	1.9	11.1%
Recreation and Culture	\$ 1,602.5	\$ 643.9	40.2%
Recreation	1,058.0	346.7	32.8%
Community Development	386.4	221.8	57.4%
Libraries, Museums, and Historic Sites	158.1	75.3	47.6%
Economic Development	\$ 668.5	\$ 78.8	11.8%
Business District Development	397.7	21.9	5.5%
Industrial Sites and Parks	270.8	57.0	21.0%
General Government	\$ 373.7	\$ 155.3	41.5%
Public Buildings	363.7	146.1	40.2%
Other Facilities	4.6	4.6	100.0%
Property Acquisition	5.4	4.6	83.9%
Grand Total	\$ 23,206.8	\$ 7,761.6	33.4%

*These figures include the needs of the state's special schools.

A few types of needs within the six general categories in Table 13 stand out, but generally, they are the smaller ones. For example, navigation needs are the least likely to be fully funded, but few needs of those types are reported, making it difficult to draw general inferences. The three types of needs most likely to be fully funded are: property acquisition, housing, and community development

Table 14 is almost the mirror image of Table 13 except that Economic Development needs do not stand out. As expected, General Government needs are the least likely to have no funding reported, but the Health, Safety, and Welfare category comes close, and Recreation and Culture is not far behind. Comparing the two tables indicates that a substantial portion of Economic Development needs (46%) are partially funded, rather than either fully funded or completely unfunded.

The category with the greatest unfunded need is Education. Funding has not yet been identified for 70% of needs reported in this category, not counting needs at existing schools and higher education's facilities needs. This is up from 48% in the last report. Almost all of the \$1.5 billion Education need is a result of K-12 new school construction

³⁰ Excludes needs for which availability of funds is unknown.

³¹ Excludes needs reported for the state's colleges and universities.

needs, for which \$398 million is fully funded and \$1 billion has no funding identified. School systems are not fiscally independent, and this may hamper school officials' ability to project funding. Even special school districts, which can tax property directly with the approval of the state legislature, are largely dependent on counties for most of their funds. The percentage of non K-12 education needs that are fully funded decreased because more fully-funded projects were completed or canceled than were newly reported. These included a canceled \$20 million Job Corps project in Humphreys County.

**Table 14. Percent of Needs with No Funding Reported by Type of Need
Five-year Period July 2004 through June 2009**

Category and Project Type	Total Needs ³² [in millions]	Needs With No Funding [in millions]	Percent of Total Needs With No Funding
Transportation and Utilities	\$ 14,550.2	\$ 7,955.3	54.7%
Transportation	13,644.0	7,554.4	55.4%
Other Utilities	558.0	80.9	14.5%
Navigation	318.4	318.2	99.9%
Telecommunications	29.8	1.8	6.0%
Health, Safety and Welfare	\$ 4,496.0	\$ 1,920.2	42.7%
Water and Wastewater	3,199.0	1,372.2	42.9%
Law Enforcement	641.2	267.2	41.7%
Stormwater	258.5	116.5	45.1%
Fire Protection	176.0	84.1	47.8%
Housing	100.5	7.3	7.2%
Solid Waste	69.1	42.4	61.3%
Public Health Facilities	51.8	30.5	59.0%
Education	\$ 1,515.9	\$ 1,058.4	69.8%
K-12 New School Construction	1,497.2	1,044.2	69.7%
Non K-12 Education ³³	2.0	0.3	12.4%
School System-wide Need *	16.6	13.9	83.5%
Recreation and Culture	\$ 1,602.5	\$ 748.9	46.7%
Recreation	1,058.0	536.5	50.7%
Community Development	386.4	144.1	37.3%
Libraries, Museums, and Historic	158.1	68.3	43.2%
Economic Development	\$ 668.5	\$ 283.0	42.3%
Business District Development	397.7	193.2	48.6%
Industrial Sites and Parks	270.8	89.8	33.2%
General Government	\$ 373.7	\$ 149.9	40.1%
Public Buildings	363.7	149.3	41.1%
Other Facilities	4.6	0.0	0.0%
Property Acquisition	5.4	0.6	11.4%
Grand Total	\$ 23,206.8	\$ 12,115.8	52.2%

*These figures include the needs of the state's special schools.

³² Excludes needs for which availability of funds unknown.

³³ Excludes needs reported for the state's colleges and universities.

Just as with Table 13 on the opposite page, a few types of needs stand out within their categories in Table 14, and again, they are relatively small. Most of navigation is unfunded, but comparing the two tables indicates that other utilities are most likely to be neither fully funded nor completely unfunded—three-fourths of those needs are partially funded.

Local Revenues Remain the Principal Source of Funding for Fully Funded Infrastructure Needs But Have Declined Substantially.

Of the total \$7.8 billion expected to be available for fully funded projects, 46% is expected to come from local sources, 31% from state sources, 22% from federal agencies, and about 1% from donations or public-private partnerships. The overall fully funded amount fell nearly \$2 billion. The state and federal fully funded amounts available for projects remained about the same, while the local amount declined \$2 billion, causing those percentages to shift away from local sources and toward greater contributions from state and federal sources. The locally funded percentage had been holding at close to 60%. The two biggest contributors to the decline are transportation and K-12 education.

Table 15. Project Funding Sources for Fully Funded Projects
Five-year Period July 2004 through June 2009
Compared to Two Previous Inventory Periods

Funding Source	2001-2006 Inventory		2002-2007 Inventory		2003-2008 Inventory		2004-2009 Inventory	
	Amount [in billions]	Percent						
Local	\$ 4.3	56.6%	\$ 5.1	60.1%	\$ 5.6	59.2%	\$ 3.6	46.4%
State	1.9	25.0%	2.3	27.4%	2.4	25.7%	2.4	31.0%
Federal	0.9	11.8%	0.8	9.4%	1.4	14.2%	1.7	21.9%
Other	0.5	6.6%	0.3	3.1%	0.1	1.0%	0.1	0.7%
Total	\$ 7.6	100.0%	\$ 8.5	100.0%	\$ 9.5	100.0%	\$ 7.8	100.0%

When focusing on specific type of needs, local governments expect to provide more than 90% of the funding for 8 of the 22 types of infrastructure projects included in Table 16 and more than 60% of the funding for 11 of the remaining 14. Almost all funding for other utilities, telecommunications, law enforcement, solid waste facilities, fire protection infrastructure, new elementary and secondary schools, and property acquisition are expected to come from local sources. Local sources make up less than half of the funding in only three areas of need: transportation, navigation, and other facilities.

Transportation and navigation are the only types of need for which the state is expected to provide more than half the funding. Local governments expect to provide about 20% of the funds for transportation and to receive 50% from the state, 29% from the federal government, and less than 1% from other sources. The federal government is expected to provide about 78% of the funding for other facilities needs, but a single motor vehicle inspection station in Memphis accounts for all of that. About 29% of housing and transportation needs and about a quarter of recreation and community development needs are expected to be federally funded.

Table 16. Funding Source by Project Category for Fully Funded Projects
Five-year Period July 2004 through June 2009

Category and Project Type	Local		State		Federal		Other		Total
	Amount [in millions]	Percent	Amount [in millions]	Percent	Amount [in millions]	Percent	Amount [in millions]	Percent	Amount [in millions]
Transportation & Utilities	\$ 997.9	21.6%	\$ 2,277.2	49.3%	\$ 1,318.7	28.6%	24.7	0.5%	\$ 4,618.5
Transportation	921.5	20.3%	2,276.8	50.2%	1,316.5	29.0%	24.5	0.5%	4,539.3
Other Utilities	66.8	96.8%	0.0	0.0%	2.2	3.2%	0.0	0.0%	69.0
Navigation ³⁴	0.0	15.0%	0.2	85.0%	0.0	0.0%	0.0	0.0%	0.2
Telecommunications	9.6	96.2%	0.2	1.9%	0.0	0.0%	0.2	1.9%	10.0
Education	\$ 400.5	99.5%	\$ 1.5	0.4%	\$ 0.5	0.1%	0.0	0.0%	\$ 402.5
K-12 New School Construction	397.4	99.6%	1.5	0.4%	0.0	0.0%	0.0	0.0%	398.9
Non K-12 Education	1.3	74.0%	0.0	0.0%	0.5	26.0%	0.0	0.0%	1.8
School System-wide Need*	1.9	100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	1.9
Health, Safety and Welfare	\$ 1,582.1	84.9%	\$ 91.0	4.9%	\$ 180.1	9.7%	9.5	0.5%	\$ 1,862.6
Water and Wastewater	1,077.2	81.9%	86.3	6.6%	144.7	11.0%	7.8	0.6%	1,316.0
Law Enforcement	306.4	99.3%	0.1	0.0%	2.0	0.6%	0.0	0.0%	308.5
Stormwater	64.0	81.6%	0.9	1.1%	12.2	15.6%	1.4	1.7%	78.5
Solid Waste	21.4	93.9%	0.7	3.0%	0.5	2.0%	0.2	1.0%	22.8
Fire Protection	62.2	97.9%	0.9	1.4%	0.4	0.6%	0.1	0.2%	63.5
Public Health Facilities	10.0	65.8%	2.0	13.0%	3.2	21.2%	0.0	0.0%	15.2
Housing	40.8	70.1%	0.3	0.4%	17.2	29.5%	0.0	0.0%	58.2
Recreation and Culture	\$ 443.2	68.8%	\$ 27.3	4.2%	\$ 155.9	24.2%	17.5	2.7%	\$ 643.9
Recreation	233.0	67.2%	15.1	4.4%	88.9	25.6%	9.7	2.8%	346.7
Libraries, Museums, & Historic Sites	51.9	68.8%	0.6	0.8%	15.8	21.0%	7.1	9.4%	75.3
Community Development	158.3	71.4%	11.6	5.2%	51.2	23.1%	0.7	0.3%	221.8
Economic Development	\$ 53.3	67.6%	\$ 7.5	9.5%	\$ 14.4	18.3%	3.7	4.6%	\$ 78.8
Industrial Sites and Parks	36.5	64.1%	6.6	11.7%	10.7	18.8%	3.1	5.5%	57.0
Business District Development	16.8	76.7%	0.9	3.9%	3.7	17.0%	0.5	2.4%	21.9
General Government	\$ 122.5	78.9%	\$ 2.0	1.2%	\$ 30.7	19.8%	0.0	0.0%	\$ 155.3
Public Buildings	117.0	80.1%	2.0	1.4%	27.1	18.6%	0.0	0.0%	146.1
Other Facilities	1.0	21.9%	0.0	0.0%	3.6	78.1%	0.0	0.0%	4.6
Property Acquisition	4.6	100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	4.6
Grand Total	\$ 3,599.6	46.4%	\$ 2,406.5	31.0%	\$ 1,700.3	21.9%	55.3	0.7%	\$ 7,761.6

*These figures include the needs of the state's special schools.

³⁴Local officials reported only \$30,000 of local funding for navigation needs.

Other sources of funding include private funding, corporate gifts, and donations by civic clubs, foundations, and non-profit organizations. Almost all of these are one-time contributions for specific projects. While the overall impact of this funding source is relatively minor, "Other" funding can determine whether a project gets completed or not.

Local governments in Metropolitan Statistical Areas³⁵ are much more likely to fund infrastructure projects locally. As shown in Table 17, 61% of the cost of infrastructure projects in the thirty-eight Metropolitan Statistical Area (MSA) counties is expected to be funded from local sources, as contrasted with 10% in the other counties. Federal funding is also a larger share of expected funding in the MSA counties, at 23% of total funding. More than half (74%) of the infrastructure costs in the non-metropolitan counties is expected to be funded by the state. Other sources of funding are expected to account for 3% of costs for both metropolitan and other counties.

Table 17. Funding Sources In Metropolitan and Non-Metropolitan Counties For Fully Funded Projects
Five-year Period July 2004 through June 2009

	Type of County				Total (in millions)
	Metropolitan		Non-Metropolitan		
	Amount (in millions)	Percent	Amount (in millions)	Percent	
Local	\$ 3,076	61%	\$ 524	10%	\$ 3,600
State	768	15%	4,028	74%	4,796
Federal	1,157	23%	597	11%	1,754
Other	47	1%	271	5%	318
Total	\$ 5,048	100%	\$ 5,420	10%	\$ 10,467

³⁵The general concept of a metropolitan statistical area is that of a large population nucleus, together with adjacent communities having a high degree of social and economic integration with that core. Metropolitan statistical areas comprise one or more entire counties, except in New England, where cities and towns are the basic geographic units. The Office of Management and Budget (OMB) defines metropolitan statistical areas for purposes of collecting, tabulating, and publishing federal data. Metropolitan statistical area definitions result from applying published standards to Census Bureau data.