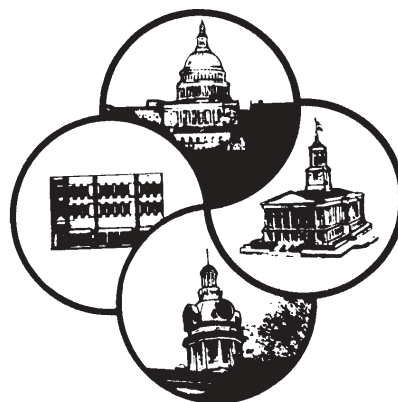




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# Intergovernmental Challenges and Achievements

Biennial Report of TACIR  
FY 2001 and FY 2002



Commission Report  
December 2003

Tennessee Advisory Commission  
on Intergovernmental Relations



# TACIR Publication Policy

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Staff Information Reports, Staff Briefs, Staff Technical Reports and Staff Working Papers and TACIR Fast Facts are issued to promote the mission and objectives of the Commission. These reports are intended to share information and research findings relevant to important public policy issues in an attempt to promote wider understanding.

Only reports clearly labeled as “Commission Reports” represent the official position of the Commission. Others are informational.

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# Intergovernmental Challenges and Achievements

## Biennial Report of the Tennessee Advisory Commission on Intergovernmental Relations Fiscal Years 2001 and 2002

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Chairman



Mayor Tom Rowland  
Vice Chairman

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**December 2003**

# Biennial Report of TACIR

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## Message from the Chairman

The Tennessee Advisory Commission on Intergovernmental Relations (TACIR) works tirelessly to uphold the principles set forth in its mission:

*“Serve as a forum for the discussion and resolution of intergovernmental problems; provide high quality research support to state and local government officials 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.”*



Representative Randy Rinks  
Chairman, TACIR

Throughout the 2001 and 2002 fiscal years, the TACIR staff continued to consistently perform the tasks necessary to provide the needed support to the Commission and the General Assembly. Their contributions have proved vital to the decision-making process, as well as to the success of the Commission.

Because we live in an ever-evolving society, it is imperative that public officials at all levels of government stay abreast of the changing needs of citizens. Issues such as taxation, infrastructure, education and population growth affect us all and demand the attention of law and policymakers. Over the years, TACIR initiatives have kept legislators conversant on important topics and aided in the creation and revision of legislation that benefits citizens. Public Chapter 424 passed during the 101st legislative session increasing tort liability limits and forming a commission to assist in creating a catastrophic injuries fund is an example of such legislation.

During these years, much of the Commission's work was focused on fiscal affairs and the various types of taxation at the local level, changes and improvements in Tennessee's growth policy, and advancements in education and education spending. TACIR's legacy of dedicated service to the betterment of governmental processes blazes the trail for a successful future.



## Message from the Executive Director, TACIR

This Biennial Report of the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) offers a synopsis of the main activities and achievements of the Commission during fiscal years 2001 and 2002. This report exhibits the results of hard work and much effort put forth by TACIR that will also lay the groundwork for future projects.

TACIR continues to maintain its record of exemplary service and commitment to aiding local governments, the Tennessee General Assembly, and the State of Tennessee. Because of TACIR's proven proficiency in providing accurate and timely information with regard to intergovernmental issues, the General Assembly chooses to rely upon TACIR as a source of expertise. During these fiscal years, much of TACIR's efforts were focused on providing technical support in the form of research and analysis in the areas of tax structure reformation and educational advancement. In addition, TACIR recommendations led to the approval and adoption of legislation that increases local government tort liability limits and provides for a commission to be formed to create a catastrophic injuries fund to pay certain costs above the tort liability limits. Furthermore, TACIR also began releasing a new series of publications called *TACIR Fast Facts*, which is aimed at promoting citizen awareness on matters of significant importance in state government.

The tax structure information in this report conveys the findings regarding the local option sales tax, the local property tax and miscellaneous other taxes. This section also outlines a report released by TACIR staff designed to educate citizens about the state budget. The educational advancement information relates statistics about the current state of Tennessee's education system in comparison to other states and draws conclusions based on this information about how improvements can be made. The section dedicated to *TACIR Fast Facts* highlights certain facts about Tennessee government that may not be widely known by the public.

The remainder of the report contains information summarizing advancements made during commission meetings, highlighting staff achievements, and describing the on-going activities in which members engage. These sections emphasize the role TACIR plays in impacting and contributing to effective government decisions.



Harry A. Green, Ph.D.  
Executive Director, TACIR



# Intergovernmental Challenges and Achievements

## Understanding Fiscal Capacity

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### Background

Prior to the 1960s, little attention was given to the concepts of local *fiscal capacity* and local tax-paying ability. While it has always been recognized that some taxing jurisdictions are “wealthy”, and others are “poor,” attempts to measure these differences are actually a fairly modern phenomenon. The issue of fiscal capacity in education has become increasingly contentious primarily because the study and measurement of school fiscal capacity necessitates considerations of equity and adequacy in per pupil spending and sources of funding.

Many people have contributed to the evolution of the concepts and the methodology to measure fiscal capacity. The U.S. Advisory Commission on Intergovernmental Relations (ACIR) first brought national attention to the tax capacity differences among state and local governments with its pioneering work entitled *Measuring the Fiscal Capacity and Effort of State and Local Areas* (1971). The work by the U.S. ACIR encouraged many other researchers to focus on this issue and extend it to intrastate comparisons of local fiscal capacity.

With the advent of President Reagan’s “New Federalism,” the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) recognized that state and local finance would become a major policy frontier. The issue of fiscal capacity was expected to assume a leading role within that movement. Consequently, the Commission issued its first examination of the concept in May of 1982 with a report entitled Measuring Fiscal Capacity and Effort in Tennessee.

In 1989, TACIR began work on a measurement model of fiscal capacity for Tennessee schools. The State Board of Education, in consultation with the Department of Education and the Department of Finance and Administration, first adopted and implemented the TACIR design for the measurement of fiscal capacity in 1993. Specifically, the model represented Tennessee’s fulfillment for fiscal equalization as outlined in the Basic Education Program (BEP), set forth in Tennessee’s Education Improvement Act of 1992.

The TACIR Fiscal Capacity Model has since proven exemplary, having been presented during conferences held by such highly-regarded organizations as The National Center on Education



# Intergovernmental Challenges and Achievements



## Steps Involved in the Development of the TACIR Fiscal Capacity Model

1. Collect data from agencies
2. Input data
3. Compare each data set to prior year data
4. Troubleshoot incongruities
5. Prepare three year average for each data set
6. Calculate fiscal capacity variables using data set three year averages
7. Compare each variable to prior year variables
8. Troubleshoot incongruities
9. Input variables to model
10. Perform multiple regression on variables
11. Analyze statistical significance of regression results
12. Use regression results to calculate Fiscal Capacity Index
13. Compare index to previous year indices
14. Compare fiscal capacity indicators and results to previous year models for each county area
15. Transmit the final fiscal capacity model to the Department of Education
16. Present fiscal capacity model results to the TACIR Commissioners
17. TACIR publishes fiscal capacity model results

Statistics and the American Education Finance Association. TACIR continues to devote considerable attention to the measurement of fiscal capacity. Each year, TACIR calculates current measures of the fiscal capacity of Tennessee schools by incorporating updated data as well as a three-year moving average.

## Explanation and Methodology of the TACIR Fiscal Capacity Model

Fiscal capacity is the potential ability of local governments to fund education from their own taxable sources, relative to the cost of their service responsibility. The actual outcome measurement of this is called the fiscal capacity index. The index amount denotes that proportion of total fiscal capacity for which each county has responsibility. If county A has an index of 3.09% in FY 2004, then county A is responsible for 3.09% of the total local share of the Basic Education Program.

It is likely that there will be some change in fiscal capacity each year. However, experience shows that for most counties the changes are insignificant. The influence of a change in the tax base in a specific county will be related to similar tax changes in other counties. A change in any specific fiscal capacity factor will not necessarily mean a change in fiscal capacity.

The TACIR model uses a modified representative tax system (RTS) method for determining local fiscal capacity. The RTS theory is based on the notion that uniform tax rates should be applied to a set number of tax sources that are representative of all local governments considered. In this case, the representative tax sources are the property tax base and taxable sales.

The TACIR model also includes factors to measure local ability to pay, service responsibility, and the relative real tax burden. These factors represent important equity considerations relating to: (a) the ability to pay taxes; (b) differences in tax burdens; and (c) differences in responsibility to provide tax revenue for education.

Variables representing each of these factors are collected and fiscal capacity is estimated using a statistical method known as multiple regression analysis. Because of volatility in the values from year-to-year, a three-year moving average is used. The most current three years for which data are available are used each year; therefore, the most current year is added and the oldest year is dropped each year.

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**Table 1. Fiscal Capacity Variables and Data**

<b>Fiscal Capacity Variables</b>	<b>Data Sets Used</b>	<b>Sources of Data Sets</b>
<b>Local Per Pupil Revenue</b> (Local Revenue for Schools divided by ADM)	<b>Local Revenue for Schools</b> Accounts designated: ----County Property Taxes ----County Local Option Taxes ----Statutory Local Taxes ----City/ Special School District Property Taxes ----Licenses And Permits ----Interest Earned ----City General Fund Transfers  <b>Average Daily Membership</b>	TN Dept. of Education, <i>Annual Public School Financial Report</i>  TN Dept. of Education, Division of Local Finance
<b>Per Pupil Property Assessment</b> (Equalized Property Assessment added to Tax Equivalency Payments, and divided by ADM)	<b>Equalized Property Assessment</b> (Total county property assessment divided by county appraisal ratio)  Tax Equivalency Payments  <b>Average Daily Membership</b>	TN Comptroller of the Treasury Division of Property Assessments  TN Comptroller of the Treasury Division of Local Finance TN Dept. of Education, Division of Local Finance
<b>Per Pupil Taxable Sales</b> (Local Taxable Sales divided by ADM)	<b>Local Taxable Sales</b>  <b>Average Daily Membership</b>	TN Dept. of Revenue, Research Division  TN Dept. of Education, Division of Local Finance
<b>Per Capita Income</b>	<b>Per Capita Income</b>	U.S. Dept. of Commerce Bureau of Economic Analysis
<b>Ratio of Residential and Farm Property Assessment to Total Property Assessment</b>	<b>Equalized Property Assessment</b> (Total county property assessment divided by county appraisal ratio) <b>Equalized Farm Property Assessment</b> (Total county farm property assessment divided by county appraisal ratio) <b>Equalized Residential Property Assessment</b> (Total county residential property assessment divided by county appraisal ratio)	TN Comptroller of the Treasury Division of Property Assessments  TN Comptroller of the Treasury Division of Property Assessments  TN Comptroller of the Treasury Division of Property Assessments
<b>Ratio of ADM to Population</b>	<b>Average Daily Membership</b>  <b>County Population</b>	TN Dept. of Education, Division of Local Finance U.S. Dept. of Commerce Bureau of the Census

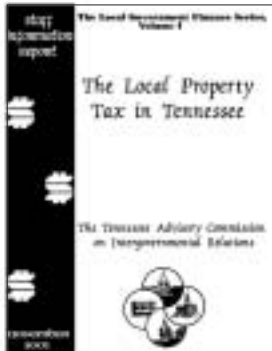
## Achievements in Fiscal Relations

The TACIR staff produced a number of Staff Information Reports during fiscal years 2001 and 2002 that aided the General Assembly in making important decisions about tax reform and educated the public about Tennessee's budget. These reports contained information about the various forms of local taxation within Tennessee.

### *The Local Government Finance Series Volume 1, The Local Property Tax in Tennessee*

In this report, the TACIR found that

- ◆ changes in the structure of the property tax over time have led to a gradual shift in the distribution of the tax burden;
- ◆ the burden on residential property has increased while that on utility and farm property has fallen;
- ◆ the inelasticity in tax collections is the result of both inelastic tax bases and Tennessee's "truth in taxation" statutes;
- ◆ while property tax collections are generally stable over the business cycle, local property tax bases fare poorly in standard statistical measures of stability;
- ◆ appraisal ratio studies show acceptable levels of uniformity within counties;
- ◆ households with similar incomes face widely varying property tax liabilities;
- ◆ the property tax is proportional over a wide range of incomes, but regressive at low income levels;
- ◆ there is some evidence that the property tax in Tennessee results in lower effective property tax rates for very expensive homes relative to lower-priced homes;
- ◆ the property tax base is very unevenly distributed across counties; and
- ◆ the property tax is likely to increase in importance in local government finance.



## *The Local Government Finance Series Volume II, The Local Option Sales Tax in Tennessee*

The local option sales tax generated \$1.45 billion for Tennessee counties and municipalities during fiscal year 2000, second only to the property tax in generating own-source tax revenue for Tennessee local governments. The local option sales tax will continue to play a significant, yet declining role in local government finance in Tennessee. Some reasons offered for this decline are listed below.

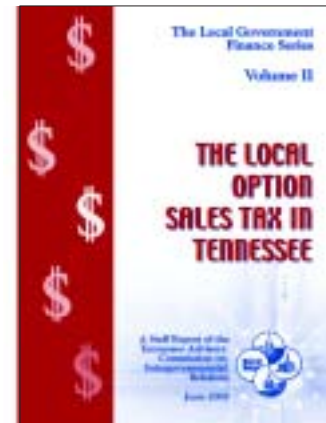
- ◆ The sales tax rate has been growing at a slower rate than both the economy and total household spending.
- ◆ Cross-border shopping continues to be a problem for Tennessee, decreasing the state's sales tax collections.
- ◆ Remote sales continue to grow and further erode the sales tax base.
- ◆ Increased global competition places limits on Tennessee's ability to shift its state and local sales tax problems onto the business sector.
- ◆ The federal government is not likely to come to the rescue of state and local governments in their battle to protect the sales tax base from untaxed remote sales.

## *The Local Government Finance Series Volume III, Miscellaneous Local Taxes and Fees*

During fiscal years 1997 and 1998, local property taxes accounted for fifty-nine percent of total local government tax collections, and the local option sales tax, accounted for twenty-nine percent. Miscellaneous taxes and fees comprised the remaining twelve percent, which was approximately \$542 million.

Miscellaneous taxes and fees include

- ◆ Local Business Tax
- ◆ Hotel/Motel Tax
- ◆ Severance Taxes
- ◆ Alcoholic Beverage Taxes
- ◆ Local Cigarette Taxes
- ◆ Wheel Tax/Motor Vehicle Privilege Tax
- ◆ Local Gasoline Taxes



# Intergovernmental Challenges and Achievements

- ◆ Payments-in-Lieu-of-Taxes
- ◆ Franchise Fees/Taxes
- ◆ Development Fees/Taxes
- ◆ Litigation Fees/Taxes

The report presented five key findings:

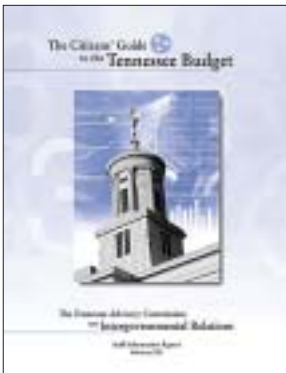
- ◆ The local business tax represents a significant source of revenue to only a few local governments across the state.
- ◆ Combined county and municipal collections were over \$90 million in fiscal year 1999, and in excess of \$140 million in fiscal year 2002.
- ◆ The tax base is unevenly distributed across the state, making the local business tax useful only in a few locations.
- ◆ Wheel tax collections in 1999 generated more revenue for county governments than the local business tax.
- ◆ The importance of wheel tax collections varies widely among the counties that levy the tax.

## ***The Citizens Guide to the Tennessee Budget***

This report provides insight to the public on the importance of understanding government budgets as well as explaining why governments prepare budgets. It also provides information on how budgets are organized and how they work. Furthermore, it

- ◆ describes the process of creating the budget;
- ◆ explains how the executive and legislative branches interact to resolve differences before the budget is signed into law;
- ◆ relays how the budget is funded;
- ◆ discusses some of the constraints the state faces in cutting the budget; and
- ◆ illustrates how and why the budget grows.

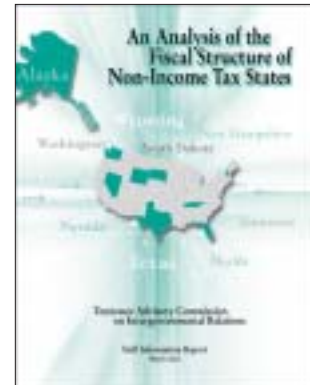
***The Citizens Guide to the Tennessee Budget* received the Certificate of Merit for Effective Citizen Education from the Governmental Research Association.**



## *An Analysis of the Fiscal Structure of Non-Income Tax States*

This staff information report investigates how other non-income tax states (NITS) handle their fiscal obligations in the absence of a personal income tax and analyzes spending patterns of non-income tax states and income tax states (ITS) to determine whether the presence or absence of a broad-based income tax contributes to structural deficits and what impact an income tax has on combined state and local spending.

Nine states have state and local revenue systems that exclude a broad-based personal income tax. They are Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming. Alaska, Nevada and Wyoming have unique tax sources that make a broad-based personal income tax unnecessary. The remaining states without a broad-based income tax rely heavily on sales and property taxes to support state and local governments. This report summarizes the structural differences.







## Achievements in Education

### *RAND Reports—Money Matters in Education: Depending on How It's Spent*

In July 2000, the RAND Corporation of Santa Monica, California released a report based on data from the National Assessment of Educational Progress entitled *Improving Student Achievement: What State NAEP Test Scores Tell Us*. The purpose of the report was to identify the educational policies that are most cost effective in terms of improving students' performance on the NAEP tests. The researchers compared differences in policies and student test scores for the forty-four states participating in the NAEP program between 1990 and 1996. During that period, Tennessee ranked thirty-fifth out of forty-four states for achievement in education. This rank remained the same before and after adjustments were made for differences across states in student demographics and test participation rates.

The RAND researchers analyzed the effect of family and demographic characteristics on student test scores and found that those characteristics explain as much as seventy-five percent of the variation in test scores across states. Failure to control for these effects would make it impossible to determine the effects of education policies. To avoid this pitfall, the RAND staff developed multiple methods to factor those effects out and more accurately assess the cost effectiveness of the education policies of interest. The most cost-effective policies according to their analysis were

- ♦ decreasing pupil-teacher ratios, particularly in the lower grades and in states with higher percentages of students with lower socio-economic status;
- ♦ increasing the percent of students participating in public pre-kindergarten; and
- ♦ decreasing the percent of teachers reporting that they do not have the resources they need.

Other policies that were effective, but more costly, were decreasing the pupil-teacher ratio for all grades and increasing expenditures in general. Increasing teachers' salaries was found to be the most costly in relation to its effect on student achievement. These findings are especially useful given the fiscal constraints under which state and local governments are currently operating. Tennessee has already made great strides in decreasing pupil-

teacher ratios. New standards went into effect in fall 2001, but schools had been moving toward them since the early 1990s. Tennessee has also had a small pilot program to implement pre-kindergarten, but has not had the funding to take the program statewide.

Finally, while the focus of RAND's work was education policies, its findings related to the effects of family characteristics are worthy of attention in relation to public policy in general. They were

- ♦ *most significant and positive*—non-minority race or ethnicity; higher parental education and higher family income;
- ♦ *highly significant and negative*—larger family size, younger mother at child's birth, single parent status; and
- ♦ *not significant*—mothers' work status.

### ***Why Pre-K?***

Staff of the Comptroller's Office of Education Accountability and the Tennessee Advisory Commission on Intergovernmental Relations prepared this briefing paper, *Why Pre-K*, jointly. The report

- ♦ cites research findings on the individual benefits of pre-kindergarten;
- ♦ provides information from selected states that have pre-k programs;
- ♦ describes the success of Tennessee's pilot pre-k programs, which began in 1998-99.

The research shows that

- ♦ Tennessee ranks low in education, income and productivity and, therefore, stands to benefit greatly from public pre-kindergarten programs;
- ♦ pre-kindergarten programs have a significant positive effect on children's future school performance and other life experiences;
- ♦ early childhood programs must be of high quality to have a long-term impact; and

## Intergovernmental Challenges and Achievements

- ◆ pre-kindergarten programs seem to have the best results when they are supplemented by high intensity family support activities.

It was concluded from the findings that Tennessee would benefit greatly from improved pre-kindergarten programs because

- ◆ Tennessee has a disproportionately large number of lower socioeconomic status students who could benefit from early childhood education;
- ◆ public pre-kindergarten programs have a measurable, statistically significant positive effect on math and reading proficiency;
- ◆ public pre-kindergarten programs are one of the most cost-effective strategies for improving math and reading proficiency; and
- ◆ participation in child-focused programs benefits students by reducing the likelihood of placement in special education programs, retention in grade, and dropping out of high school.

## Understanding Growth Policy and Planning

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Another important project area for TACIR is growth planning and growth policy. In 1998, the Tennessee General Assembly established a comprehensive growth policy for the state of Tennessee by passing Tennessee Public Chapter 1101 of 1998 (PC 1101) (T.C.A. § 6-58-106). This legislation included the requirements for the development of countywide growth plans across the state over a twenty-year planning horizon. This legislation also called for the establishment of countywide Joint Economic and Community Development Boards (JECDBs) intended to foster ongoing communication and cooperation between county and municipal governments. This landmark statute established a new set of requirements for municipal annexations and incorporations in Tennessee, as well as for the consolidation of local governments. This legislation was considered by many, both here in Tennessee and across the country, as a major accomplishment in modernizing the range of tools available to local governments for dealing with the demands of new growth and development.

Tennessee's previously existing planning enabling legislation, codified under T.C.A. Title 13, had not been significantly changed since the original adoption in the 1930s. While Title 13 did create a framework for local county and municipal governments to establish planning commissions and adopt land use regulations and controls, its provisions were largely voluntary and consequently unevenly utilized across the state. PC 1101 created the first set of mandatory requirements for local governments in Tennessee to deliberately plan for the future growth in their communities. Additionally, the local municipal and county governments in each county were required to come together and work cooperatively in adopting a comprehensive growth plan for each county, rather than each community acting independently. The statute also called for the creation of Joint Economic and Community Development Boards (JECDBs) in each county to provide a forum for ongoing cooperation and long-term planning among local governments, businesses and private citizens.

PC 1101 provides for Tennessee's counties and their municipal governments to develop countywide growth plans. These plans are to establish Urban Growth Boundaries (UGBs) for municipalities, as well as Planned Growth Areas (PGAs) and Rural Areas (RAs) for counties. They are intended to guide the future growth and development within each county over the next twenty



## Intergovernmental Challenges and Achievements

years. Once approved, all land use decisions made by the municipal or county legislative bodies or planning commissions are required to be consistent with the approved growth plan.

These plans are to be developed by coordinating committees made up of representatives from all of the affected local governments in that county. The recommended growth plans developed by these coordinating committees are then to be submitted to the county commissions and the governing bodies of the municipalities within the county for their approval. The legislative bodies of the counties and their municipalities may then either reject or ratify those plans. Ratified plans are submitted to the Local Governmental Planning Advisory Committee (LGPAC) for approval. A mediation and arbitration process administered through the Office of the Secretary of State was also established for those counties unable to reach agreement with their municipal governments independently. Counties with metropolitan governments were exempted from these requirements.

Counties across the state were given until July 1, 2001 to have a growth plan approved by LGPAC in order to remain eligible to receive certain state grants. These include:

- ◆ Tennessee Housing Development Agency grant programs,
- ◆ Community Development Block Grants,
- ◆ Tennessee Industrial Infrastructure Program Grants,
- ◆ Industrial Training Service Grants,
- ◆ Intermodal Surface Transportation Efficiency Act (ISTEA) funds or any subsequent federal authorization for transportation funds, and,
- ◆ Tourism Development Grants.

Once approved, these growth plans were to remain in effect for a minimum of three years before being eligible for amendment. Table 1 summarizes a number of important milestones for the first five years of PC 1101 implementation.

### **TACIR Monitoring Responsibility**

TACIR was specifically named in PC 1101 as being responsible for monitoring the implementation of this landmark legislation. TACIR is required under Section 14 of PC 1101 to monitor the implementation of this act across the state and to periodically

# Biennial Report of TACIR

**Table 1. Important Milestones for the First Five Years of PC 110 Implementation**

<b>Important Milestones 1998 Public Chapter 1101</b>	
July 20, 1998	Municipalities must adopt a plan of services for any annexations not final on November 25, 1997.
September 1, 1998	A coordinating committee, composed of members specified in the statute, is created within each county.
January 1, 1999	A new municipality may be incorporated only within a county's PGA and in accordance with other requirements in the act.
Before January 1, 2000	Counties and municipalities may propose UGBs, PGAs, and RAs to coordinating committees for inclusion in the growth plan.
January 1, 2000	By this date, the coordinating committee of each county is required to develop a recommended growth plan and submit it to the governing bodies of the county and each municipality for ratification.
May 2000 (approximate) – Within 120 days after counties and cities receive growth plan from coordinating committee	Counties and cities must ratify or reject the proposed growth plan. Failure to act within 120 days constitutes ratification.
July 1, 2000	Point incentives for grant programs become available for counties and municipalities that have adopted a growth plan.
July 1, 2001	By this date the growth plan must be submitted to the Local Government Planning Advisory Committee (LGPAC).
July 1, 2001	Sanctions are imposed upon those cities and counties without an approved growth plan.
July 1, 2002	Delayed sanctions are imposed upon counties and cities that formed a metropolitan charter commission but did not adopt a metro charter, if they have no approved growth plan by this date.
July 2003 (approximate) – Three years after growth plan approval.	A growth plan may be amended 3 years after approval, barring extraordinary circumstances.

report its findings to the General Assembly. To this end, TACIR has initiated a variety of work activities directed towards monitoring the ongoing implementation of this legislation across the state. These include:

- ♦ Tracking of the development and adoption of local growth plans across the state.
- ♦ Tracking approval and creation of the required Joint Economic Community Development Boards (JECDB) across the state.
- ♦ Monitoring the mediation and arbitration process for those counties unable to reach agreement in developing growth plans.

## Intergovernmental Challenges and Achievements

- ♦ Monitoring local government consolidation efforts (Metropolitan Government).
- ♦ Monitoring activities of Local Government Planning Advisory Committee (LGPAC) related to PC 1101, plan approval JECDB approval, and related issues such as the granting of extra-territorial planning authority.
- ♦ Monitoring lawsuits related to PC 1101 growth plans and growth plan implementation across the state.
- ♦ Monitoring local government conflicts related to PC 1101 growth plan provisions, such as infrastructure development, annexations, etc.

### **Internet Web-Portal - University of Tennessee Department of Urban and Regional Planning Internet Web-Portal**

TACIR has recently launched a unique and innovative Internet website highlighting growth policy issues and challenges in Tennessee. This website was developed at TACIR's request by the University of Tennessee's Department of Urban and Regional Planning. One key element of the website is a discussion forum, maintained by U.T., that will provide policy makers and concerned citizens from across the state with a readily accessible venue for discussing growth policy and related issues. TACIR will obtain periodic reports from U.T. based on the comments posted to the forum and the related Listserv. This website also includes material taken from various TACIR reports on PC 1101, growth policy, as well as a wide array of links to other websites with information about growth policy issues across the country.

### **National Governors Association Policy Academy Integration Transportation and Land Use**

The National Governors Association Center for Best Practices conducted a Policy Academy for State Officials under the topic heading of "Integrating State Transportation and Land Use Goals to Promote Economic Development" during summer and fall of 2002. Tennessee was one of six states chosen on a competitive basis from across the country to participate in this academy. The five other states are Illinois, Missouri, New Hampshire, Pennsylvania, and Utah.

The purpose of the academy is to help states develop action plans that include strategies directed towards integrating land use and transportation goals to support economic development

and quality growth objectives. Each state participating is working to develop an action plan supported by the governor's office aimed at improving the level of coordination between land use planning practices and investments in transportation facilities. This was an excellent opportunity for Tennessee to examine potential opportunities for linking transportation infrastructure spending with locally adopted growth and land use plans. TDOT is also currently in the process of developing a new 25-year master plan for state transportation spending, and the policy academy may serve as a catalyst for identifying new ways of prioritizing transportation project prioritization.

The Tennessee proposal specifically calls for using the five county area from the Nashville Metropolitan Planning Organization (MPO) including Nashville-Davidson, Rutherford, Sumner, Williamson and Wilson Counties as a pilot project and attempt to identify the best ways to develop future transportation plans in coordination with future land use and growth plans. These counties were chosen because they are the five counties currently defined as being in non-attainment status for ground level ozone by the Environmental Protection Agency (EPA). A major goal is to work towards an MPO policy whereby any transportation projects included in the short-term Transportation Improvement Plan (TIP) or long range transportation plan must support local land use and growth plans, and must be consistent with local land use and growth policy goals.

A project team containing representatives from the Governor's office, the Nashville MPO, the Department of Environment and Conservation (TDEC), Department of Transportation (TDOT), Cumberland Region Tomorrow (CRT), and TACIR was assembled for this academy. The team has been working to identify the means for 1) measuring or evaluating techniques for assessing the quality of integration between transportation plans and land use and growth plans, and 2) developing analytical systems for assessing alternative transportation and land use scenarios, including modeling software options that may be available. A key to this effort is defining how this would be measured and what type of information would the participating local governments provide in the decision-making process of funding transportation projects handled by the MPO. The staff from the MPO is also working with the MPO Technical Coordinating Committee. As part of this process, it is recommended that the MPO select a "pilot study" using jurisdictions that are willing to go further with a land use/transportation analysis. Some possible





## Intergovernmental Challenges and Achievements

project candidates would be using a corridor-wide approach, such as the proposed east or southeast commuter railway corridors. Ideally this project would involve an area including urban, suburban and rural areas to come up with some sample evaluation criteria. These could include projects with costs or safety benefits such as Music Row Roundabout, new Wilson Pike project, etc. It would probably also be beneficial at some point to work with the media to publicize these efforts in an attempt to maximize public support.

## Achievements in Growth Planning

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The need for continued growth planning by policymakers in Tennessee is fueled by the rapid growth experienced in the past several years and the lack of resources to accommodate this growth. Farmland and air and water quality among other things are being sacrificed in an attempt to compensate for accelerated growth. Several steps have been taken by the General Assembly under the advisement of TACIR to help remedy this problem and allow for better preparation in the future.

Public Chapter 1101 (PC1101), the Growth Policy Act created by the Tennessee General Assembly, required local officials within each of the ninety-three non-metropolitan counties to work together to shape growth policy through the development of 20-year growth plans. The Act did not impose a single, statewide solution. It did, however, include five statements of legislative intent:

1. To eliminate annexation or incorporation out of fear.
2. To establish incentives to annex or incorporate where appropriate.
3. To more closely match the timing of development to the provision of public services.
4. To stabilize each county's education funding base and establish an incentive for each county legislative body to be more interested in education matters.
5. To minimize urban sprawl.

The General Assembly assigned responsibility for monitoring the implementation of PC1101 to TACIR. The following is a summarization of publications produced by TACIR to lay the groundwork for the implementation of such a policy as well as to report on its progress.

### ***Planning for Rural Areas in Tennessee Under PC 1101***

This report was prepared for TACIR by researchers at the University of Tennessee Knoxville's Energy, Environment and Resources Center (EERC). The purpose of the report is to "suggest guidelines for assessing the adequacy of the rural areas component of growth plans, as the plans developed by the coordinating committees are reviewed by local governments, citizens, dispute resolution panels, and the Local Government Planning Advisory Committee. A related purpose is to suggest sources of data and other assistance that counties can use in identifying rural areas, as well as techniques for protecting the



natural assets of rural areas." Furthermore, this report reflects recommendations to include information on the rural areas natural assets and development pressures.

### ***Implementation of Tennessee's Growth Policy Act in CY 2000: A Year of Progress***

This Commission Report is the third in a series of reports prepared to provide information on the progress made by Tennessee's counties and municipalities in implementing Public Chapter 1101. The first report entitled *Implementation of Tennessee's Growth Policy Act: The History of PC 1101 and the Early Stages of its Implementation* was released in March 1999 while the second report, *Tennessee's Growth Policy Act: A Vision for the Future* was released in April 2000.

Some of the significant implementation developments for Public Chapter 1101 in calendar year 2000 are listed below.

- ◆ Seventy-five of the ninety-three counties required to develop growth plans have received approval of their plans by the Local Government Planning Advisory Committee (LGPAC).
- ◆ Substantial progress toward approved growth plans has been made in the eighteen remaining counties.
- ◆ Two state agencies have proposed policies for the imposition of sanctions against counties and municipalities without approved growth plans, beginning in FY 2002.
- ◆ The Attorney General issued several important opinions on different facets of the act.

### ***Paying for Growth: General Assembly Authorizations for Development Taxes and Impact Fees***

This staff research brief gives background on the types of growth levies in Tennessee by first defining development taxes and impact fees and outlining their differences and then discussing local government authorizations and characteristics of authorized levies.

Development taxes are defined as privilege taxes on the development industry that are intended to raise revenue for general government purposes. Impact fees are user charges that must be reasonably related to the actual additional costs of serving a new development. Other key points highlighted in this publication are as follows:

## Biennial Report of TACIR

- ◆ Growth pressures local governments to provide additional public services and infrastructure that cannot be adequately met by the local sales tax and property tax.
- ◆ Development taxes are primarily a tool for raising revenue instead of financing facilities for specific developments.
- ◆ Development tax revenues are intended to supplement, not replace, revenues from other taxes such as the property tax and sales tax.
- ◆ Local officials report that development tax and impact fee revenues are significant in enabling them to cope with the costs of growth.

### *Tennessee's Growth Policy in 2001: Promises and Progress*

At the time this Commission Report was published, ninety of the ninety-three Tennessee counties required to develop growth plans had received approval of their plans by the Local Government Planning Advisory Committee (LGPAC). Two counties and their municipal governments (Fayette and Polk) failed to reach agreement on countywide growth plans by the June 30, 2001 deadline and became ineligible to receive selected state grants. These counties then entered the arbitration process administered by the Office of the Secretary of State.

Other major implementation developments for Public Chapter 1101 in calendar year 2001 are listed below.

- ◆ Sullivan County, Blount County and Shelby County dealt with lawsuits that challenged their growth plans and a lawsuit was initiated challenging annexations in Knoxville.
- ◆ Four state agencies announced policies for the imposition of sanctions against counties and municipalities without approved growth plans beginning in fiscal year 2002; these are the Department of Transportation, the Department of Tourism, the Department of Economic and Community Development and the Tennessee Housing Development Agency.
- ◆ The Attorney General issued two opinions on various aspects of the act: LGPAC is not required to approve the expansion of a municipality's planning region to encompass all of its urban growth boundary, and the impact of a growth plan on a decision to extend sewer service for development into an area designated as part of a rural area under a county growth plan could only be determined by a court of competent jurisdiction after considering all of the relevant facts.



Adequate infrastructure is as essential to economic growth as economic growth is to individual prosperity.

## Understanding Infrastructure

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In 1996, the Tennessee General Assembly charged the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) with developing and maintaining an inventory of infrastructure needs “in order for the state, municipal and county governments of Tennessee to develop goals, strategies and programs which would

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

[Public Chapter 817, Acts of 1996.]

Although many local governments have maintained capital improvement programs for some time and Tennessee’s nine development districts compiled similar information to support planning efforts and grant applications on behalf of local governments, prior to this legislation, there was no statewide initiative to assess the state’s public infrastructure needs. Furthermore, many local governments did not maintain this kind of information.

Attention was brought to this information gap in part by the Rebuild Tennessee Coalition, which was founded in 1992 as a chapter of the national Rebuild America Coalition. Support also came directly from the Tennessee Development District Association, which comprises the state’s nine development districts that provide planning and development assistance to local governments. The legislation establishing the inventory was sponsored by Senator Robert Rochelle and Representative Shelby Rhinehart and included a funding mechanism based on the state-shared portion of Tennessee Valley Authority payments in lieu of taxes.

During the two years immediately following enactment of Public Chapter 817, TACIR staff developed a format for the inventory and directed its implementation through the state’s nine development districts as required by the law. Recognizing the significance of the needs at existing public schools, especially with the stricter class size limits soon to be imposed by the Education Improvement Act of 1992, TACIR included a review of

# Biennial Report of TACIR

the condition and needs of Tennessee's public school facilities from the outset. The information gathered for schools was designed to be consistent with surveys developed by the U.S. General Accounting Office for its 1996 reports on school building conditions across the country. TACIR's first report on the Public Infrastructure Needs Inventory was published in 1999.

It was clear from the beginning, that the inventory would provide a wealth of information for policy makers, but that it would also take time and experience with the data and the process to develop the information into a body of knowledge that was comprehensive and reliable. Each year the data and the process for gathering it are reviewed and improved. In 2000, a major effort was launched to improve the coverage and quality of information about public schools. TACIR and development district staff attended the Tennessee Department of Education's *Spring Fiscal Workshops* to explain the inventory and solicit the support of local school officials. Staff enlisted the support of all state education officials to raise awareness of the inventory program and increase support for it. The result was a forty-five percent increase in needs reported for public schools, and specific needs for new schools and system-wide improvements more than doubled.

Beginning in 2001, TACIR staff incorporated capital improvement requests submitted by state officials to the Governor's Office into the inventory and published the first report to the General Assembly with that information in 2002. Information reported in the inventory is based on the judgment of state and local officials. In many cases, information is found in the capital improvement programs of local governments. In order to be included in the inventory, projects reported by local officials must be recorded on the forms provided by TACIR.

Then in 2002, TACIR staff began working with state highway officials to ensure that all of the state's transportation needs were included in the inventory. Staff of the Tennessee Department of Transportation provided TACIR with lists of all types of transportation needs, both those reported by local officials to the state and those identified by state staff. Many of the needs included on these lists had already been reported in the inventory. This duplication required considerable work on the part of development district staff and review by TACIR staff to resolve. The first report to benefit from this new process will be published in 2003.

## Public Infrastructure

- Transportation
  - Navigation
  - Telecommunications
- Water and Wastewater
  - Other Utilities
  - Storm Water
  - Solid Waste
- Existing School Improvements
- New Public School Construction
- School System-wide Needs
  - Non K-12 Education
- Libraries and Museums
- Law Enforcement
- Fire Protection
- Public Health Facilities
  - Housing
  - Recreation
- Community Development
- Business District Development
- Industrial Sites and Parks
  - Public Buildings
  - Other Facilities
- Property Acquisition

## Intergovernmental Challenges and Achievements

Each year's inventory indicates that state and federal facilities mandates affect less than nine percent of all reported projects, but account for more than twenty percent of the total estimated cost of needs reported for public school facilities—nearly all of that is related to the EIA.

Each report begins with an executive summary and a lengthier overview. The basic design of the annual report offers readers with different needs a quicker read or a more in depth review of the inventory. The executive summary is a two-page recap of major points, including all of the highlights from the current inventory. The overview expands those highlights and explains why the inventory is important and the basics of what's included. The heart of the reports comprises three chapters: First is a statewide look at public infrastructure needs by type of need, by level of government, and by stage of development. The statewide look is followed by a chapter comparing needs reported by each county to its population and land area in order to identify patterns and anomalies. Finally, attention is given to the facility needs of Tennessee's public school systems, including detailed information about the condition of those facilities and the cost to put them all in good condition.

Infrastructure needs reported in the inventory can be conceptual, in planning and design, or under the construction phase at any time during the five-year period covered by the report, but must have a beginning or ending date sometime during that period. Because the source of information from state agencies is their capital budget requests, all of those projects are recorded as conceptual. In addition, consistent with the State Building Commission's definition of capital projects, each reported need must have an estimated capital cost of at least \$50,000.

TACIR's public infrastructure needs inventory also identifies projects that are affected by state or federal mandates. The term mandate is defined for the inventory as *any rule, regulation, or law originating from the federal or state government that affects the cost of a project*. Except in the case of existing public schools, the inventory does not include estimates of the cost to comply with mandates, only whether the need was the result of a mandate. Unless the need is strictly to comply with a mandate, it is difficult, and perhaps impossible, to separate out that cost. Therefore, the only information available is the number of projects affected by mandates. The most commonly reported mandates relate to the Americans with Disabilities Act (ADA), asbestos, lead, radon, underground storage tanks and the Education Improvement Act (EIA).

The EIA mandate was to reduce the number of students in each public school classroom by an overall average of about 4½ by fall 2001. Tennessee public schools had been working toward that

requirement since the passage of the EIA in 1992, but may still not have sufficient classroom space to house the number of new teachers and classes required. That information is reported by TACIR each year. Aside from the EIA, the mandate costs reported to TACIR as part of the public infrastructure needs inventory is relatively small at less than two percent of the total.

Each report is jam packed with tables of information summarizing the state's public infrastructure needs in different ways: by type of project, by level of government, by county, by stage of development, etc. In addition, the reports include a voluminous appendix with all of the same information broken down by county and by school system. The inventory remains the most massive undertaking by the TACIR and requires more staff and fiscal resources than any other TACIR program.

## Achievements in Infrastructure

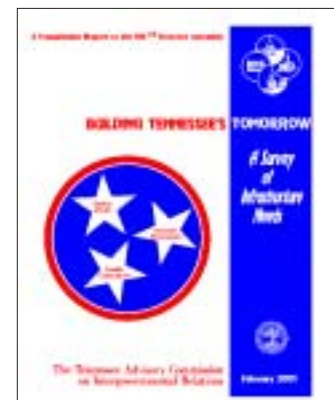
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Since 1997, TACIR has worked diligently to carry out the responsibilities assigned to it with respect to Public Chapter 817, the Public Infrastructure Needs Inventory Act. During the years this report covers, TACIR staff compiled and maintained an inventory of infrastructure needs within the state of Tennessee and published three detailed reports and briefs highlighting project changes, improvements and progress.

### ***Building Tennessee's Tomorrow: A Survey of Public Infrastructure Needs***

The Public Infrastructure Needs Inventory on which this report was based is the result of efforts by staff of the nine development districts of Tennessee to survey local officials to determine the needs of their constituents. Major efforts have been made over the last year to improve the quality and coverage of the inventory, which can be seen in a comparison of the 2001 report to the 1999 report.

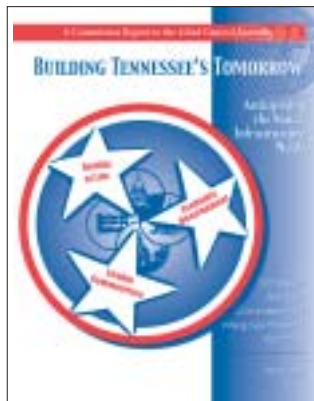
The 2001 report noted that needs increased \$4.5 billion or 33 percent over the two-year period since the previous report was published. TACIR staff attributed the increase in part to better reporting by local school officials resulting from a joint effort by TACIR, the State Board and Department of Education, the Tennessee School Board Association and the Tennessee Organization of School Superintendents. Other improvements over the first inventory are as follows:





## Intergovernmental Challenges and Achievements

- ◆ Communication and partnership among stakeholders improved.
- ◆ Standardized procedures were clarified to enhance reporting consistency.
- ◆ Quality control was implemented through statistical analysis and cross-referencing data.
- ◆ A dedicated effort was made to better capture new school construction needs.
- ◆ The survey forms were redesigned to facilitate more efficient data management.
- ◆ The format of the report was updated to include a more analytical perspective by standardized cost estimates on a per capita basis and investigating the relationship between reported need and funding-based variables as well as need-based variables.



### ***Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs***

This report was the third in a series of reports that presented Tennessee's public infrastructure needs as reported by local officials. This was the first needs inventory report to include needs submitted by state agencies as part of their budget requests to the Governor. *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs* provided information about needed infrastructure improvements and the condition of existing elementary and secondary (K-12) public schools. It also related several important conclusions drawn from the information included in the inventory:

- ◆ The total need for public infrastructure improvements for 2001 through 2006 is nearly \$20.5 billion, which includes upgrading existing public schools to good condition.
- ◆ Transportation and utilities remained the single largest category and had the second largest increase in estimated costs since the previous report.
- ◆ Education, the second largest category, had the largest increase in estimated costs from \$3.8 billion to \$4.8 billion, which is more than 24 percent since previous reporting.
- ◆ All Tennessee schools met the required class-size standards for the 2001-2002 school year. Due to the employment of new teachers to sufficiently meet these requirements, it

is expected that more than \$1.3 billion will be needed statewide to provide adequate classrooms for all of those teachers.

- ◆ The total estimated cost for infrastructure projects needed between fiscal years 2001 and 2006 is approximately \$3.6 billion. This figure includes new school construction, system-wide needs, mandate compliance, facility upgrades and technology infrastructure needs for K-12 education.
- ◆ The lower class sizes required by the Education Improvement Act (EIA) of 1992 may be responsible for about 38 percent of the infrastructure improvement costs reported by all local school officials based on specific cost information for existing public schools gathered as part of the inventory and estimates by TACIR staff.

### ***Infrastructure Finance Brief: Local Financing Techniques for Capital Projects***

This staff research brief simply delineates the forms of revenue currently used to finance infrastructure projects. It also highlights innovative financing techniques employed by other states and lists other new financing methods used by Tennessee.

Resources currently used by Tennessee:

- ◆ Local Taxes
- ◆ State-shared Taxes
- ◆ Grants
- ◆ Loans
- ◆ Utilities
- ◆ Municipal Bonds
- ◆ Notes

Examples of financing Techniques of other states:

- ◆ Texas has used special road districts to allow local governments to finance new road construction and then transfer the roads to the state for maintenance.
- ◆ In Pleasanton, California, Special Assessment Districts (SADs) are used to finance infrastructure needs caused by rapid growth. SADs are areas in which additional fees or taxes are levied to finance specific projects.

## Intergovernmental Challenges and Achievements

- ◆ Missoula County, Montana uses Rural Special Improvement Districts (RSIDs) to finance new capital improvement and capital maintenance.
- ◆ Fort Collins, Colorado landowners may petition to create a voluntary special improvement district.
- ◆ In Davenport, Iowa, Tax Increment Financing Districts (TIFs) were initiated to repay state loans for highway improvement. TIFs are areas in which tax revenue growth is designated to support a particular project.
- ◆ In Orlando, Florida, proceeds from serial revenue bonds on property tax growth in TIF districts were used to improve infrastructure, housing and pedestrian access.
- ◆ Corpus Christi, Texas created trust funds to pay for water and sewer systems. Developers make contributions to the funds based on characteristics of the lots developed and are reimbursed if their use is lower than anticipated.
- ◆ Babylon, New York issued tax-exempt bonds to finance the construction of a solid-waste disposal plant on town-owned land.

In addition to the previously mentioned forms of finance utilized by Tennessee, other methods are also used. They include Special Assessment Districts, Tax Increment Financing Districts, Certificates of Participation and investments.

## Achievements in Tort Liability

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TACIR began a study on the issue of tort liability limits in 1999 at the direction of the General Assembly. The recommendations from their findings laid the foundation for a major act of legislation to be passed. The recommendations were as follows:

- ◆ Local government tort liability limits should be increased based upon Consumer Price Index increases since the limits were last increased.
- ◆ A commission should be formed to examine the proposal of creating a catastrophic injuries fund to pay certain tangible costs above the tort liability limits. Information gathered by the state treasurer under Public Chapter 964, Acts of 2000, will be used to determine the feasibility of such a fund.

A list of the revisions follows.

- ◆ The liability limit for bodily injury or death of any one person will increase from \$130,000 to \$250,000 per person and from \$350,000 to \$600,000 per occurrence for accidents occurring on or after July 1, 2002 but before July 1, 2007.
- ◆ The liability limit for injury or destruction of property of others will increase from \$50,000 to \$85,000 per accident occurring on or after July 1, 2002 but before July 1, 2007.
- ◆ The liability limit for bodily injury or death of any one person will increase from \$250,000 to \$300,000 per person and from \$600,000 to \$700,000 per occurrence for accidents occurring on or after July 1, 2007.
- ◆ The liability limit for injury or destruction of property of others will increase from \$85,000 to \$100,000 per accident occurring on or after July 1, 2007.

Furthermore, it was recommended that a commission be created to “design, develop and propose legislation” to the General Assembly to enact and implement a Catastrophic Injuries Fund.

The following persons will compose the commission:

- ◆ Four members appointed jointly by the speaker of the Senate and speaker of the House of Representatives from

## Intergovernmental Challenges and Achievements

a list of eight names submitted jointly by the Tennessee Municipal League, the Tennessee County Services Association, the Tennessee School Board Association, county owned hospitals, self-insured municipalities, Tennessee public utilities and the Tennessee Municipal League Risk Management Pool;

- ◆ Four members appointed jointly by the speaker of the Senate and speaker of the House of Representatives from a list of eight names submitted by the Tennessee Trial Lawyers Association;
- ◆ The Comptroller of the Treasury or the comptroller's designee;
- ◆ The State Treasurer or the treasurer's designee;
- ◆ The Secretary of State or the secretary's designee; and
- ◆ The chair of the Senate and House of Representatives state and local government committees, judiciary committees and finance ways and means committees, or such chair's designees.

TACIR was instrumental in providing timely, accurate research and analysis about tort liability to the General Assembly. Through consultation from outside sources, TACIR devised ways to construct a catastrophic events fund since there were no such funds already in existence in which to model. It was TACIR's initial study that formed the framework for legislation revision to be seriously considered. TACIR will continue to play a key role in making specific recommendations and reviewing and assisting with the work of this commission and the General Assembly as they continue to look at this issue.

## TACIR Fast Facts

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In March of 2002, the staff of TACIR began releasing an innovative new series of publications entitled *TACIR Fast Facts*. These publications are brief documents intended to educate the public on key topics in Tennessee state government and highlight issues of rising importance.

### ***Minimizing Risk Factors Key to Kindergarten Success***

This publication relayed information gathered from a number of sources including the U.S. Department of Education's Early Childhood Longitudinal Study and the Education Reform Act of 2001. It was determined that

- ◆ kindergarten adds more to a child's math and reading ability than staying that equivalent year at home;
- ◆ all-day programs are more productive than partial day programs; and
- ◆ children with family risk factors start further behind other children; therefore, they need more in terms of early-childhood programs than just kindergarten.

### ***How Does Tennessee's Budget Work?***

The second issue of *TACIR Fast Facts* summarizes the high points of the TACIR informational report *The Citizens' Guide to the Tennessee Budget*.

Money is brought into the budget in several ways:

- ◆ General Tax Revenue
- ◆ Federal Revenue
- ◆ Current Services and Other Revenue
- ◆ Bonds

The publication also discusses the major expenditures in the budget, gubernatorial discretion and mandatory appropriations.

### ***Understanding Budget Growth***

This issue of *Fast Facts* provides a summary of *The Citizens' Guide to the Tennessee Budget's* discussion of why budgets grow and how much Tennessee's budget has grown.

## Intergovernmental Challenges and Achievements

State budgets grow for five main reasons:

- ◆ Inflation
- ◆ Population Growth
- ◆ New or Enhanced Services
- ◆ Past Neglect
- ◆ Changes in the way the Budget is Presented

*Understanding Budget Growth* provides background information on each of these individual topics. It also provides statistics on Tennessee's budget growth rate in recent years.

### ***Tennessee Should Close the Education Gap—Everyone's Financial Well-being Depends on It!***

The fourth issue of *TACIR Fast Facts* presented startling comparisons of Tennessee with other states in regard to education. Tennessee was found to have one of the lowest percentages of high school and college graduates in the country.

Experts say that more education means more money, for individuals and for the state's economy. It is important to make greater investments in education for greater returns.

### ***The Sales Tax "Bite" in Tennessee Approaches One and One-half Times the National Average***

Despite having a low overall tax burden, Tennessee imposes an extremely high sales tax. Tennessee's sales tax burden was among the five highest in the nation before the one-cent increase adopted in 2002. At the time this publication was released, state government officials were still deliberating on how to remedy the state's budget crisis. During the process of considering all the options, the question posed was "does a higher sales tax make sense for Tennessee?" Legislators considering any tax proposal are concerned with its effect on fairness, efficiency, stability and accountability in state government.

## Awards and Certificates of Merit

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During fiscal years 2001 and 2002, the Governmental Research Association (GRA) honored TACIR on three occasions with awards or certificates of merit commending the commission's extraordinary work. The GRA, founded in 1914, is a national organization of individuals professionally engaged in governmental research. The purpose of the Association is to encourage individuals and organizations to engage in governmental research in the general public interest. Government research involves the collection, analysis, and distribution of factual information on governmental activities to citizens and officials for the improvement of government and the reduction of its cost.

The purpose of these awards is to recognize exceptional research and educational efforts regarding state and local governmental issues performed by staff members of governmental research agencies. The GRA extends honors to governmental agencies that fulfill the competitive award criteria set forth by the Association. Honors are given for Most Distinguished Research, Outstanding Policy Achievement and Most Effective Education.

### **Most Distinguished Research**

This award recognizes an outstanding research effort by a government research agency. The award is based on the challenge of the subject matter, the degree to which the study is ground breaking, and how well the basic purpose of the report is carried out. Other criteria includes: the use of new and/or innovative research methods, or new and/or innovative uses of existing methods; usefulness of the study to other states and/or municipalities; whether or not the subject is one of critical national, regional, or local concern or costs.

### **Most Effective Education**

This award recognizes research and/or educational activities that are intended to educate the public and/or public officials on governmental matters, without necessarily embodying recommendations for change or improvement. The report and/or activities should increase or broaden awareness or understanding of an important government issue, thereby enabling more informed public discourse and decision-making. The award is based on the informational content of the report and/or activities, and on the manner in which the subject matter is communicated to achieve the agency's educational purposes. Consideration is also given to the methods used to ensure the



## Intergovernmental Challenges and Achievements

most effective and comprehensible communication, especially non-print and/or multimedia presentations.

*State-Shared Taxes in Tennessee* received the 2000 Award for Most Distinguished Research from the Governmental Research Association.

*Building Tennessee's Tomorrow: A Survey of Infrastructure Needs* received the 2001 Certificate of Merit for Most Distinguished Research from the Governmental Research Association.

*The Citizen's Guide to the Tennessee Budget* received the 2002 Certificate of Merit for Effective Education from the Governmental Research Association.

### Contracts

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During fiscal years 2001 and 2002, TACIR contracted out several research projects in various areas to a number of different individuals and organizations. A list of projects, vendors, and services procured follows.

#### Infrastructure

- ◆ **Identification of infrastructure needs**

- East Tennessee Development District*

- First Tennessee Development District*

- Greater Nashville Regional Council*

- Memphis Areas Association of Governments*

- Northwest Tennessee Development District*

- South Central Tennessee Development District*

- Southeast Tennessee Development District*

- Southwest Tennessee Development District*

- Upper Cumberland Development District*

#### Fiscal Affairs

- ◆ **Education, school districts, & Basic Education Program research**

- Middle Tennessee State University*

- ◆ **Research on impacts of electrical deregulation**

- University of Tennessee*

- ◆ **Research on tax system, reports & presentations**

- Stan Chervin*

- ◆ **Research on the structure of Tennessee's government finances**

- University of Tennessee*

## **Growth Planning**

- ♦ **Facilitation & assistance to County Coordinating Committees**

## **South Central Tennessee Development District**

- ♦ **Research on implementation of PC 1101**  
*University of Tennessee*
- ♦ **Construction of an internet-based system to facilitate exchange of information**  
*University of Tennessee*
- ♦ **Construction of a GIS-based system to compare growth patterns and growth boundaries**  
*University of Memphis*
- ♦ **Research on the economic significance of "brownfields"**  
*Tennessee State University*

## **Fiscal Affairs and Growth Planning**

- ♦ **Higher education & growth planning research**  
*Middle Tennessee State University*

## TACIR Publications and Limited Distribution Reports for Fiscal Years 2001 and 2002

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### **Publications**

*Gains in Education Finance Equity: How has the BEP Changed Things?* October 2000

*Implementation of Tennessee's Growth Policy Act in CY 2000: A Year of Progress*, January 2001

*Planning for Rural Areas in Tennessee Under PC 1101*, January 2001

*Intergovernmental Challenges and Achievements: Biennial Report of TACIR FY 1997 and FY 1998*, January 2001

*Building Tennessee's Tomorrow: A Survey of Infrastructure Needs*, February 2001

*Why pre-k? A Legislative Staff Briefing Paper by the Office of Education Accountability, Comptroller of the Treasury, and TACIR*, March 2001

*RAND Reports -Money Matters in Education: Depending on How It's Spent*, May 2001

## Intergovernmental Challenges and Achievements

*Tennessee and the Knowledge Economy*, May 2001

*Potential Impacts of Electric Utility Restructuring on Local Governments in Tennessee*, October 2001

*The Local Government Finance Series Volume 1, The Local Property Tax in Tennessee*, February 2002

*The Citizen's Guide to the Tennessee Budget*, February 2002

*Building Tennessee's Tomorrow-Anticipating the State's Infrastructure Needs*, March 2002

*An Analysis of the Fiscal Structure of Non-Income Tax States*, April 2002

*Paying for Growth: General Assembly Authorizations for Development Taxes and Impact Fees*, April 2002

*The Local Government Finance Series Volume 11, the Local Option Sales Tax in Tennessee*, June 2002

*Tennessee's Growth Policy in 2001: Promises and Progress*, June 2002

### **Limited Distribution Reports**

*An Analysis of the Chattanooga Free Press Sales and Service Tax Scenarios*, November 2000

*Considerations Regarding Sunsetting Tennessee's Tax Structure*, February 2001

Tennessee's Cross-Border Tax Leakage Problem: A Summary of Findings, September 2001

### Staff Presentations

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#### **Middle Tennessee Update**

Presented to Leadership Middle Tennessee (August 2000)

#### **Competitiveness: Is Tennessee Ready for its Future?**

Presented to the Tennessee Business Roundtable (August 2000)

#### **What does the TACIR do?**

Presented to Leadership Middle Tennessee (August 2000)

### **Financing Tennessee Government in the 21<sup>st</sup> Century: Revenue Options Update**

Presented to Tennessee Tomorrow, Inc. (November 2000)

### **Implementation of Tennessee's Growth Policy Act in CY 2000: A Year of Progress**

Presented to the Tennessee Chapter of the American Planning Association (January 2001)

### **Building Tennessee's Tomorrow**

Presented to the Senate State and Local Committee (February 2001)

### **Middle Tennessee Update**

Presented to Leadership Rutherford County (March 2001)

### **Forming a Metro Government**

Presented to Montgomery County-Community Meeting (March 2001)

### **What is TACIR? Major Responsibilities**

Presented to Leadership Rutherford County (March 2001)

### **A Survey of Infrastructure Needs: Building Tennessee's Tomorrow**

Presented to Rebuild Tennessee Coalition (April 2001)

### **Participation in panel discussion of the Governor's Education Initiative**

Presented to the Tennessee Commission on Education Quality (April 2001)

### **Tax Simulation and Analysis**

Presented to the Tennessee General Assembly (June 2001)

### **Impact of a Half Cent Sales Tax Increase on Tennessee Households**

Presented to House Finance, Ways and Means Committee (June 2001)

### Conferences/Meetings Attended by TACIR Staff

- ◆ Tennessee Municipal League Annual Conference
- ◆ Tennessee County Services Association Annual Conference
- ◆ Mid-South Planning and Zoning Institute Meeting
- ◆ Tennessee Planning Association Winter Meeting
- ◆ University of Memphis GIS Study Project Meeting
- ◆ American Planning Association Conference
- ◆ Tennessee Association of Utility Districts Meeting
- ◆ Tennessee Development District Association Annual Meeting
- ◆ Tennessee Geographic Information Council Conference
- ◆ American Society for Public Administrators Conference
- ◆ Conference on Education Economics
- ◆ Governor's Conference on Education Economics
- ◆ Governor's Conference on Community and Economic Development
- ◆ Tennessee Business Roundtable Meeting
- ◆ Governor's Research Association Conference
- ◆ National Conference of State Legislatures

## Future Projects

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In the upcoming years, TACIR staff will embark on a number of major studies at the request of the General Assembly. One of those studies will examine issues relating to the appointment of utility districts boards of commissioners. Another will look at the impact of property tax or payment in-lieu-of tax abatements on local public education. More elaborate descriptions of these projects follow.

### **Utility Districts Boards of Commissioners**

Public Chapter 838 and Public Chapter 848 were passed by the General Assembly in June 2002. These acts direct TACIR to perform a study of the size, composition and selection of boards of commissioners of utility districts. It also requires TACIR to study the current provisions of TCA § 7-82-307 and consider whether new mechanisms should be created which would permit changes concerning such boards to be handled locally rather than employing the present legislative method that requires amending the general bill by introducing general bills of local application directly affecting only one utility district. TACIR is also to consider whether alternative legislative methods should be developed and placed in the general law as options for local action as well as incorporating a petition method to allow the subscribers to trigger an election for a change to the board.

### **Payments in-lieu-of taxes (PILOTs)**

Public Chapter 815 of 2002 directs TACIR to perform a study of the overall effect on local public education when property taxes or in-lieu-of tax payments earmarked for education are abated or reduced, and whether the effect on local public education is offset by enhanced economic development. This study shall be conducted from TACIR's existing resources. TACIR shall report its findings and recommendations, including any proposed legislation or interim reports, upon conclusion of its study. TACIR will respond to this mandated study in two stages: Phase one is an initial analysis of the available data and general estimates of losses in funding to local education agencies resulting from property tax abatements and reductions or waivers of payments in lieu of taxes (PILOTs). Phase two will investigate the costs and benefits of tax abatements and attempt to determine whether their impact on education is offset by enhanced economic development.

## Commission Meeting Minutes

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### **FY 2001 Scheduled Commission Meetings**

#### **September 18-19, 2000**

##### **Effects of E-Commerce on Government Finance**

Dr. Bill FOX of the University of Tennessee Center for Business and Economic Research presented three reasons that e-commerce should be included in the tax base. First, the sales tax is a regressive form of taxation, meaning that the higher the income, the lower the percent of income that is spent on taxable goods; thus, the lower the tax burden. Second, not collecting taxes substantially reduces revenues. Third, not collecting taxes on e-commerce sales will distort the U.S. economy by encouraging businesses to go to great lengths to avoid establishing a physical presence in state simply to avoid collecting the sales tax.

Commissioner Ruth JOHNSON explained that the simplification of taxes being considered by the states included the provision of collecting the tax at the source by a third party computer company. This third party company would have all the states' tax rates, and as part of the total purchase price of goods sold, would withhold the established sales tax on those items, based on where the items are shipped. It would then forward that withheld portion to the appropriate state. This would relieve the e-commerce companies of the burden of collecting and forwarding the taxes to the states. Realizing that this process is still very complicated, Commissioner JOHNSON informed the Commission and audience that there will be hearings on simplification issues in Chicago, and that she has additional information on these meetings for anyone interested.

##### **Discussion of Issues from Previous Commission Meetings**

###### **Ring Roads**

Dr. GREEN stated that the issue of ring roads was still being examined and that it was difficult to find someone with expertise in this area. However, with the assistance of Mr. Maynard PATE, Dr. GREEN expected that an expert could be found who could make a presentation to the Commission during some future meeting.

###### **Tort Liability**

State Treasurer, Steve ADAMS, reminded Commission members that legislation (Public Chapter 964) was passed last spring, which

requires various entities of local government to report to the State Treasurer annually on the results of their tort liability activities.

The first goal in gathering this information is to support the legislature's review of the impact of changes on tort liability limits. The second goal is to determine the impact of alternative programs, such as the catastrophic fund proposal that the Commission recommended to the General Assembly. A third goal would be to minimize the workload on local governments that will have to report this information.

### **Fairness in State-Shared Tax Distribution**

Dr. GREEN reminded the Commission that this issue had been raised but not addressed in the report on the distribution of state-shared taxes. Dr. GREEN said that the definition of fairness will have to be arrived at on the front end or that a menu of fairness alternatives will have to be presented.

### **The meeting of the Committee on the Uniform Development District Act of 2000**

Mayor ROWLAND informed members of the Commission that Mr. Nathan RIDLEY and Mr. Scott HAYNES of the law firm, Boulton, Cummings, Connor and Berry made the initial presentation of this proposal. The firm that they represent asked that this piece of legislation be introduced.

Richard BERNHARDT, Executive Director of the Metro Nashville/Davidson County Planning Office, relayed Florida's experience with this type of legislation. Having previously worked in Florida, Mr. BERNHARDT was familiar with Community Development Districts (CDD's). Mr. Robert WORMSLEY, Executive Director of the Tennessee County Services Association, and Mr. Ross LODER of the Tennessee Municipal League, provided testimony on behalf of their respective organizations.

### **Study of the Office of Property Assessor**

Dr. GREEN directed the Commission's attention to the section of the docket book dedicated to preliminary questions prepared for the study of the Office of Property Assessors. The initial point to be addressed would be whether to limit the study to a review of the efficiency of the Office of the Assessor or whether to start from the effectiveness of the property tax system that delivers revenue to local governments.



## Intergovernmental Challenges and Achievements

Senator HENRY asked whether, in light of the question regarding the respective role of state and local government in the administration of property assessment, the study could address any experiences other states have had with centralized assessment systems as opposed to a system of locally elected assessors. Dr. GREEN stated that in a July meeting of the International Assessing Officials Association in Chicago, he was told that as far as members of the organization knew, a comprehensive study of this topic had not been performed. He also stated that he expected that members of this organization would be invited to speak to the Commission on this issue in the future.

Chairman ROCHELLE then recognized and congratulated DR. GREEN and the TACIR staff for the Most Distinguished Research Award for the report of *State Shared Taxes in Tennessee* and stated that it was an honor for both the State and TACIR staff.

### **Debt Service and Fiscal Capacity**

Mr. Jim JONES with the Department of Education addressed the issue of debt service revenue as it relates to education and the local revenue codes that are used by the Commission to determine the fiscal capacity of each county government. Mr. JONES referred to the attachment in the docket book under tab six, and stated that it was his opinion that a majority of counties are paying for school bond debt service out of the General Service Fund or the Education Debt Service Fund maintained by the county executive. However, there are now more schools that are paying principal and interest on bonded debt out of the General Purpose School Fund as a result of the Basic Education Program (BEP).

### **TACIR Bylaw Amendments**

Amendment One, allowing members to continue to serve after their four-year term had expired until they are replaced or reappointed, as long as they continued to be members of the organization that they represented, was passed unanimously by voice vote.

Amendment Two would permit the Chair to submit issues to members via mail for a vote when it would be inexpedient to call a meeting for that purpose. The issue(s) submitted for such a mail vote must have been presented at a previous general or special meeting.

Mayor ASHE proposed an amendment requiring that the mail ballots be signed and made available for public inspection. Dr.

GREEN then restated the proposed amendment to the amendment by Mayor ASHE and it was approved by unanimous voice vote by Commission members. Amendment Two was then approved by voice vote, with the majority of Commission members supporting and two members voting against the amendment.

Dr. GREEN then explained Amendment Three, which would allow individual members to cast votes by mail when they were unable to attend a meeting, with those votes cast counting in the same pool as those cast in person. After some discussion, Chairman ROCHELLE asked that consideration of this amendment be postponed until further studies of mail-in votes, their impact on certain issues and their impact on establishing a quorum for meeting purposes are completed.

Dr. GREEN next presented Amendment Four, regarding the use of electronic means for the participation of Commission members when a physical quorum was already present at the meeting. Chairman ROCHELLE emphasized that it was the intention of the code that made this amendment possible, that this method be for occasional use only and that it could not substitute for in-person participation on a regular basis. A motion was made and seconded to approve, and by unanimous voice vote, the amendment was approved.

### **Growth Policy Update**

At the beginning of the presentation, Dr. GREEN stated that some problems had been encountered regarding aspects of the sanctions tied to grants eligibility. Another item that would be addressed was the use of administrative law judges in growth plan conflict resolution.

Dr. John ELEY continued the presentation by stating that there had been no change in the number of plans approved by the Local Government Planning Advisory Commission (LGPAC) since the June Commission meeting. Seventy-five counties have approved plans and eighteen counties do not have approved plans. Dr. ELEY stated that he is encouraged by the fact that in the case of the eighteen counties without plans, the parties are still engaged in working out their differences. It appears to be about a 50/50 mix of cities versus counties having problems with the recommended plans. This appears to show that the process is working as it should and that political negotiations are now occurring.

## Intergovernmental Challenges and Achievements

The staff is concerned that the plans being received are simply maps, with little documentation to indicate that the criteria in Section 7 of the Act are being addressed. The staff realizes that more detailed information will be available in the proposals for Growth Boundaries, Planned Growth Areas and Rural Areas. These proposals are now being collected and analyzed in relation to the Section 7 criteria and more on the analysis of these proposals will be presented at a later meeting.

Mr. Tom STOVALL from the Office of the Secretary of State introduced himself as an administrative law judge and Assistant Director of the Administrative Procedures Division that will be handling the resolution of growth plan disputes. Mr. STOVALL then introduced the dispute resolution notice form letter, the procedures outline, and the forms that those parties will complete agreeing to the terms of the resolution.

### **Bonded Indebtedness**

Dr. GREEN introduced Ms. Lynne HOLLIDAY with the County Technical Assistance Service (CTAS). Ms. HOLLIDAY began by introducing fellow CTAS staffer Mr. Steve WALKER, who would be able to address more specific debt questions and debt accounting related issues.

Ms. HOLLIDAY commented that although the agenda stated that she would address the topic of Local Government Bonded Indebtedness, the lack of usable budget information on cities would preclude her from addressing cities' debt at all. New accounting guidelines being adopted may further prevent a useful evaluation of debt because of the guidelines requiring counties to be audited by private firms rather than through the County Audit Division of the Comptroller's Office. The Division of Local Finance used to produce a report called County and Municipal Finances that contained revenue and expenditure data for every city and county. However, because of declining resources, the division is no longer able to produce this report. Ms. HOLLIDAY explained that she had tried to recreate the sorts of data contained in the Division's Finances report but had run into numerous problems in gathering any useful data. Mr. David COFFEY asked if the city data was on file with the Comptroller's Office. Ms. HOLLIDAY responded that it was, but in an even less standard format that would be more useful for a researcher than was the county data. Ms. HOLLIDAY said that the one piece of conclusive news from this data was that it appeared that the greatest increase in indebtedness was in those counties with the lowest fiscal ability.

Mr. Ronald QUEEN from the Division of Local Finance was recognized from the audience and was asked to comment on its role in the approval of debt for cities and counties. Mr. QUEEN stated that his agency approved the issuance of certain types of debt based upon the locality passing an appropriate ordinance or resolution. A review of the debt does not occur until the next year when the locality's budget is reviewed to determine whether there is sufficient revenue and any leftover appropriations from the prior year to pay for all expenditures, including debt service.

Dr. GREEN noted that many of the troubles highlighted in the discussion were illustrative of the problems that researchers had in providing good data for policy purposes. What is not known are the potential policy issues for which this data is needed. These issues need to be discussed among public policy groups and a proposal needs to be brought back to the Commission.

### **Equity Gains in School Financing**

Ms. Lynnis ROEHRICH-PATRICK summarized where the state is on the equity in education funding issue. Ms. ROEHRICH-PATRICK provided background on the lawsuit, brought by over 60 small school systems in 1988, which claimed that state education funds were not being distributed equitably. At the same time, a group of superintendents were working with the State Board of Education on what became the Basic Education Program (BEP) formula, while other superintendent groups worked on methods to determine local education funding capacity. The old formula (the Tennessee Foundation Program) required only a 7.5% local share that was allocated on the basis of local property tax bases. This formula was found to be unconstitutional by the Supreme Court, and the state adopted and funded the BEP. Each index of change listed in both the spending equity measurements table and the equity measurements applied to the state revenue table, was described as moving in the desired direction, with the gap in per-pupil spending closing and the variation in distribution of state revenue increasing to compensate for the differences in local ability to fund education.

Ms. ROEHRICH-PATRICK also reviewed an attachment from the Department of Education's Report Card, which reported 1991-92 and 1998-99 expenditures per student at the bottom, middle, and top of the state rankings for each time period. Included in this attachment were comparison figures based on dollar expenditure ranges from 1991-92 and 1998-99. The 1998-99 figures show a tighter distribution of expenditures than was the

case in 1991-92. Staff is working on an “apples to apples” comparison of this information that factors out the effect of inflation and makes the distributions more directly comparable. Figures on average teacher salary increases are also presented on page 181 of the report card hand out. Although this information shows a general increase in the number of systems with salaries in the middle range, this is not as great a difference as for expenditures per student. This data will also be reanalyzed to factor out the statewide increase, which will better highlight the real changes in these figures.

Dr. GREEN commented that these numbers significantly illustrate the success of the policy the General Assembly put in place with the Education Improvement Act to create a goal of equalization of funding across the state. There will always be differences, as there is no absolute standard, but this represents a big success story for the funding part of the education program.

### **Infrastructure Project Update**

Mr. Mark McADOO, TACIR staff member, reminded Commission members that the survey was divided into two parts: General Infrastructure (including new school construction) and Existing School Infrastructure. All of the original survey data was received by mid-July and a quality assurance follow-up was performed with six of the nine development districts returning verified data on general infrastructure and three of the nine returning verified existing school infrastructure data. Great efforts were made to close the gap in K-12 school data and these efforts appear to have been successful. TACIR staff is looking at resolving other systemic problems and expects to present the formal infrastructure report to the Legislature this coming session.

### **December 4-5, 2000**

### **Conclusions and Staff Recommendations Regarding the Uniform Community Development District Act (UCDDA) of 2000**

Dr. GREEN began by presenting a list of questions, together with answers, asked by members of the ad hoc UCDDA Committee members during their September 18 meeting. Dr. GREEN then reviewed for the members the summary report titled *TACIR Evaluation of the Uniform Community Development District Act of 2000*. It was the conclusion of staff, based on analysis of the Act and Florida's experience with a nearly identical bill, that action on the UCDDA be deferred due to the lack of any approaching

crisis in development-driven infrastructure construction and the need to allow the states growth planning law (PC 1101) to progress without the possible complications and negative impacts that the UCDDA could create. Chairman ROCHELLE proposed that the staff evaluation and recommendations become actions of the Commission. Mr. Truman CLARK seconded the proposal.

Mr. Nathan RIDLEY stated that although he was not familiar with the document, that after the last meeting the recommendations came as no surprise and he had no position on the report or further comments to add. Representative KISBER, stated that as sponsor of both the UCDDA and PC 1101 in the House, he concurred with the staff recommendation, that the report was well executed and the process used was fair, and that he supported the motion to approve the report as a Commission action.

Chairman ROCHELLE asked for a voice vote on the motion, seconded by Mr. CLARK, to make the staff evaluation and recommendations an action of the Commission. The motion was passed unanimously with Senator HENRY abstaining.

### **Ring Roads: Implications for Growth**

Mr. Harry WEST, former Executive Director of the Atlanta Regional Commission presented information on the topic of ring roads, their implication for growth, and the Atlanta experience with I-285.

TACIR composed a list of questions whose answers can serve as a guide in the I-840 education process. Mr. WEST provided the following answers.

1. Do ring roads encourage congestion?  
Answer: Yes, but any new road will become congested. Traffic from one road is just moved to the new road. The road is not necessarily the cause; it just provides the opportunity for additional congestion.
2. What public policies tend to increase traffic congestion?  
Answer: Not providing alternatives.
3. Are alternative methods of transportation the answer to relieving traffic congestion?  
Answer: Yes, part of the answer. The only way to avoid congestion is to stop growing.
4. Should we adopt policies that encourage greater public transportation and less automobile usage?

Answer: Yes, again the more transportation alternatives that can be offered, the more attractive the community will be.

5. Will the rise of e-commerce and telecommuting affect congestion?

Answer: Yes, and they work to cancel each other out. Telecommuting reduces the number of trips, especially during the most congested times, while e-commerce adds to the number of trips. It has been determined that the greater the volume of e-commerce, the greater the number of trucks on the roads making package deliveries. It is estimated that by 2020, there will be no more room for cars on Los Angeles freeways due to increases in delivery truck traffic.

### **Growth Planning Report for the General Assembly**

DR. John ELEY briefly reviewed the report and indicated that this report, which was the third TACIR report on the implementation of PC 1101, had been prepared as an official TACIR report. He stated that little had changed since the last update to the Commission on the status of the implementation effort. He further stressed that the law was a political success in that it prompted many cities and counties to resolve long-standing controversies over annexation. He indicated that TACIR staff could not, however, determine the degree of success achieved in the planning realm. This must await additional study and evaluation that will be concluded in calendar year 2001.

With no questions from Commission members, Chairman ROCHELLE moved to make the staff report a report of the Commission. The motion was seconded by Mr. Truman CLARK and passed by a unanimous voice vote.

### **Draft Report on Property Taxes in Tennessee**

Dr. Stan CHERVIN began his presentation by introducing the draft property tax report as a near-final report. A report on the local option sales tax would be the next to be completed, followed by a summary report on all other local taxes. A summary of the key points in the report, using a format that will be used in other local government tax reports, included material on the following: History of the Tax; Utilization and Limitations; Elasticity; Stability and Volatility; Equity; Tax Base Disparities; and Outlook for the Tax into the 21<sup>st</sup> Century.

Dr. GREEN commented that the outlook information from the two upcoming reports would give a clearer picture of how local governments will be able to address needs in the future and how those needs are currently addressed.

### **Education and Competitiveness in the 21<sup>st</sup> Century**

Mr. George YOWELL of Tennessee Tomorrow, Inc. began his presentation by saying that reports on the subject of educational reform and economic competitiveness from both TACIR and Tennessee Tomorrow had been completed and the information widely distributed, but there had not been any action taken on the recommendations. There is no difference, in the view of Tennessee Tomorrow, between economic development, educational progress and workforce development. Mr. YOWELL then proceeded to explain Tennessee Tomorrow's three major goals: non-farm employment growth, average per capita income growth, and production growth.

### **RAND Report on Education Test Scores**

Dr. GREEN introduced Ms. Lynnis ROEHRICH-PATRICK, who summarized key elements of the staff information brief related to a RAND Corporation report released in July 2000. The significance of that study is that it not only confirmed the effects of family and demographic characteristics on student performance, but it also developed a means of controlling for those factors in order to determine the effects of state-level education spending policies. First, the study concluded that a difference of \$1,000 per student could change performance by as much as 1.4 to 3.3 percentile points on the National Assessment of Educational Progress (NAEP) tests. Then the study described three specific spending policies that would make a significant difference and are cost effective. These policies include providing teachers more discretionary resources, lowering class size—especially in the lower grades, and expanding public pre-kindergarten programs.

The latter two policies were most cost effective in states with higher percentages of students from families with lower socioeconomic status. The remainder of the presentation was centered on discussion about improvements and suggestions for improvements in Tennessee.



# Intergovernmental Challenges and Achievements

January 29, 2001

## **Utility Deregulation Implications for Local Governments**

Dr. GREEN discussed the background of this issue. It grew out of efforts by the General Assembly when they created a committee to study the effects of deregulation. The Comptroller's office was assigned the responsibility of producing a report. Dr. GREEN talked with the Comptroller's office about dovetailing it with research TACIR was doing on the impact there would be if deregulation took place and the potential fiscal impact on local governments in Tennessee. TACIR contracted with the University of Tennessee, Knoxville, Center for Business and Economic Research (UT CBER) to take a look at the issue.

Ms. Paula DOWELL, Research Associate with the UT CBER, gave a presentation that focused on the effects on municipal finance. The scope of the study documented the level of revenue contributions made by electric utilities to municipalities and provided an analysis of the significance of electric utility revenues and examined the potential consequences of the loss of revenue for local governments. Ms. DOWELL also presented facts and figures regarding the role of TVA in providing Tennessee's electricity and payments-in-lieu-of-taxes (PILOTS.)

## **Biennial Report**

Dr. John ELEY reported that the Biennial Report for Fiscal Years 1997 and 1998 was prepared with an eye toward establishing a consistent format that will allow TACIR staff to prepare all subsequent reports in an expeditious manner. The expected completion month for the report on the period fiscal years 1999 and 2000 is June. He also stated that it is important for the Commission to view this report as one of the major means through which we educate ourselves and others about the work of TACIR.

A motion was made and seconded to adopt the Biennial Report as a Commission Report. The report was approved by unanimous vote.

## **Infrastructure Inventory Report**

Mr. Mark MCADOO presented the public infrastructure report for approval by the Commission. He pointed out that this report is the second in a series that analyzes Tennessee's public infrastructure needs. It covers the five-year period of July 1999 through June 2004 and provides two basic types of information: (1) needed infrastructure improvements and (2) the condition of existing public schools.

Mr. MCADOO reminded everyone that the TACIR staff has relied entirely on local officials to determine the infrastructure needs of their constituents. He also expressed appreciation to the local government officials participating in the survey and to the development district staff for their contribution to the infrastructure project.

Dr. GREEN recommended that the report, subject to adding the necessary appendices and the final editing, be approved to send to the General Assembly. A motion was made and seconded to accept the Infrastructure Report as a Commission Report and was approved by unanimous vote.

### **Local Option Sales Tax**

Dr. Stan CHERVIN presented the local option sales tax report for approval by the Commission. He pointed out that it is part of an ongoing study that analyzes local government finances in Tennessee. His presentation covered (1) the history of the local option sales tax, (2) the differences between state and local sales tax bases, (3) elasticity issues, (4) equity issues, and (5) comments on the outlook for the local option sales tax in the future.

### **June 25-26, 2001**

### **Local Fiscal Flexibility**

Dr. Stan CHERVIN discussed local government own-source revenues. He stated that other taxes and fees, while representing a small share of total local tax collections, were important to some governments. Unfortunately, the distribution of other taxes and fees was as unequal as the distribution of the property tax base and the local option sale tax base. The most important other taxes and fees are the local business tax, local wheel taxes, development taxes, and the seventeen percent wholesale beer tax. As was true for the local property tax and the local option sales tax, most, if not all, of the other taxes and fees have limited growth potential in the future. Dr. CHERVIN went on to discuss the history of the local business tax, the hotel/motel tax and the litigation tax.

### **TACIR Strategic Plan and Work Program**

Dr. GREEN discussed how in June of each year the Commission reports on its achievements for the current year and its outlook for the work program for the next year. The work program looks at projected projects over a multi-year period. Last year, the

## Intergovernmental Challenges and Achievements

Commission adopted a more interactive strategic plan format, one that shows the relationship between our mission, goals, objectives, and achievements. Dr. GREEN referred the Commission to the Executive Branch's Strategic Business Plan, which is one of the documents on which the TACIR Strategic Plan is modeled. Dr. GREEN introduced TACIR Director of Fiscal Affairs, Cliff LIPPARD, to explain how staff developed the strategic plan and work program.

Mr. LIPPARD reminded the Commission that the fiscal year 2002 Strategic Plan and Work Program is primarily an annual update of the comprehensive plan developed for fiscal year 2001. He concluded by noting that all of the projects align with the six principal research areas TACIR supports

1. education finance, and accountability,
2. state, local, and federal fiscal issues,
3. government modernization,
4. growth policy,
5. infrastructure issues, or
6. other intergovernmental issues.

The Commission moved approval and adopted the Strategic Plan and Work Program.

### **Public Chapter 1101**

Dr. GREEN stated that in general terms the program had been very successful. He stated that there were seventy-nine counties with growth plans that have been approved by the local government planning advisory committee. He also noted that fifty-seven counties had created joint economic and community development boards. Dr. GREEN relayed that they had relatively more success with getting the growth plans approved than getting the joint economic and community development boards created. He then went on to discuss the remaining counties that had experienced problems with the program.

### **Tort Liability**

Mr. VARLAN noted that TACIR began a study on the issue of tort liability limits in 1999 at the direction of the General Assembly. As a point of reference, he noted that the current liability limits are \$130,000 per person, \$350,000 per occurrence and \$50,000 per property damage. The TACIR study provided the framework for the debate and discussion in the General Assembly over the last three years. The recommendations were twofold. First, TACIR

recommended that there should be inflationary adjustments to the current tort limits. This would mean that the limits could be as follows: \$130,000 would go to \$185,000 and \$350,000 would go to \$500,000. The \$50,000 for property damage would go to \$70,000.

Secondly, TACIR recommended that further work should be done to address what is known as a catastrophic events fund to deal with those catastrophic cases where damages far exceed the existing tort limits. These recommendations prompted discussion in the General Assembly about what the limits should be and what the catastrophic fund should look like. Mr. VARLAN stated that in the years since the report was released, there were a lot of tort liability limit bills introduced. They included those to implement in whole or in part the TACIR recommendations. He then noted that Senator ROCHELLE and Representative HARGROVE had introduced such recommendations.

### **BEP Fiscal Capacity Estimates for Fiscal Year 2002**

Dr. GREEN referred the Commission to the fiscal capacity estimates for fiscal year 2002 and noted that the Department of Education has already reviewed the fiscal capacity estimates in order to make their Basic Education Program (BEP) funding estimates. He then explained the variables used to calculate the index for each county area.

Dr. GREEN noted that the ratio of residential and farm property to total property is an "exportability" factor. TACIR excludes commercial property from the ratio because commercial property serves as a proxy for the county area's ability to export taxes (the higher the ratio of residential and farm property to total property, the lower the ability of the county area to export taxes). Dr. GREEN also noted that the ratio of average daily membership to total population serves as the "service burden" factor.

Dr. GREEN explained that the variables are used in a multiple regression analysis to estimate per pupil fiscal capacity, which in turn is used to calculate total fiscal capacity and the fiscal capacity index. Dr. GREEN commented that the fiscal capacity model is substantially the same model that has been used since the inception of the BEP.

### **Improving Property Assessment in Tennessee**

Members of the Commission heard from Mike STEIN, TACIR Senior Research Associate, who has been working on this study.

Mr. Kelsey JONES, Executive Secretary of the State Board of Equalization and Mr. Ralph COOPER of the Tennessee Association of Assessing Officers (TAAO) presented as well. Mr. STEIN gave a brief overview of the reasoning behind the recommended structure before giving his presentation. Mr. JONES presented a history of property taxation in Tennessee, prepared at the request of Senator HENRY, as a backdrop to remarks on the history and major accomplishments and progress in property appraisal and assessment functions. Mr. COOPER started his presentation by explaining his professional background and the purpose and mission of the TAAO. He then presented a short history of the changes that the local assessors have undergone and the evolution of the relationship between the assessors and the state Division of Property Assessments. The problem of sufficient staffing for local assessors was also addressed.

### **FY 2002 Scheduled Commission Meetings**

#### **September 10, 2001**

##### **TACIR Twenty Years Ago**

Dr. GREEN highlighted the fact that the Commission was still looking at the same issues they were twenty years ago: fiscal flexibility for local governments; reforming and modernizing the state/local revenue structure; regionalism and growth policy. Federal devolution is not as high a priority anymore, but internet sales have become more of an issue. He commented that the Commission has had a lot of stability as far as membership over the years and that has contributed significantly to its effectiveness in the areas of public policy it has pursued.

##### **Fiscal Comparison of Non-Income Tax States**

Dr. CHERVIN made a presentation on the fiscal differences and peculiarities of the nine states that do not utilize a broad-based income tax in their combined state and local tax structure. The states analyzed included Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming. The analysis was intended to identify unique fiscal elements in these states that enabled them to provide basic state and local services without the advantage (or disadvantage) of the revenue flow from a broad-based income tax. All data used in the presentation related to combined state and local government finances.

### **Measuring Fiscal Capacity for the Basic Education Program: A Prototype Model for 138 School Systems**

Dr. GREEN began his presentation by noting that fiscal capacity is difficult to measure, and is often controversial. TACIR began with a measure of local government fiscal capacity and then moved on to develop a model for measuring the fiscal capacity of local governments to provide for education. The education fiscal capacity model was adopted by the State Board of Education to use in the Basic Education Program (BEP) model. Dr. Green went on to explain the intricacies of this model in relation to the goals they were seeking to accomplish.

### **December 3-4, 2001**

### **Structural Deficits and Spending Patterns Among Non-Income Tax States**

Dr. CHERVIN delivered the second part of a two-part presentation on non-income tax states. The first part of the presentation dealt with the significant differences in the state and local tax structures of non-income tax states. The second part of the presentation consisted of a discussion of two additional items as they relate to non-income tax states: (1) Do structural deficit problems affect non-income tax states differently than income-tax states and (2) does the presence of a broad-based income tax in a state and local tax structure impact relative spending? Dr. CHERVIN reviewed the meaning of a structural deficit and spent several minutes differentiating between a structural or long-run fiscal imbalance and those currently being experienced by most states such as short-run cyclical problems resulting from the recession.

### **Public Chapter 1101**

Senator ROCHELLE first reported on a newspaper story from Sullivan County quoting retiring County Executive Gil HODGES and stated he is proud of the new cooperation between the county and the cities in Sullivan County. He explained that the county and the four cities in Sullivan County are no longer suing each other over matters of annexation and sewer line extension. Senator ROCHELLE felt that this illustrated how PC 1101 has brought people together to work through their problems by setting up forums where they can find solutions in Sullivan County, and hopefully across Tennessee as well.

Dr. GREEN gave a brief report on the annual report that staff is in the process of preparing for the General Assembly on the implementation of PC 1101 in 2001. The full report is currently

being finalized and scheduled for completion in January 2002. Dr. GREEN briefly reviewed an outline of the report before the commission.

### **Growth Patterns in Tennessee**

Maynard PATE explained that there are a number of common regional programs and technical services provided by each of the state's nine development districts working in close cooperation with a number of state agencies and others. He noted that some differences do exist in some of the development districts' programs and services. Mr. PATE also compared and contrasted growth and demographic trends in the Metropolitan Nashville/Davidson County area with other geographic regions within Tennessee.

### **Status of Wireless E-911 in Tennessee**

Frith SELLERS, Executive Director of Tennessee's Emergency Communications Board (ECB), prefaced her presentation by giving a brief background of the wireless E-911 situation. The report included discussion of Phase 0 of the project, a Status Report on Phase 1, Discussion of Phase 1 Successes and Challenges, and a look ahead to Phase 2. She went on to say that the Tennessee General Assembly created the Tennessee Emergency Communications Board with two broad goals: (1) to implement and enhance state wireless 911, and (2) to develop a statewide wireless 911 plan for the state with standards established by the state board. The legislation was the result of a four-year initiative led by TACIR. The resulting legislation was probably the most comprehensive and innovative legislation and rewrites of 911 laws in the nation. The legislation gave the State Board broad authority over the 911 plans and gave the State Board oversight over the 911 districts to improve accountability.

### **Improving Property Assessment in Tennessee**

Mike STEIN, TACIR staff member and lead researcher on this study, gave preliminary remarks. Mr. STEIN stated that in addition to the immediate and terrifying losses of 9-11, there is now substantial economic fallout and official recognition that the country has entered a period of economic recession. This exacerbates existing state, and potentially local, revenue woes, which in turn may eventually elevate the importance of what types of, and how much, support state and local governments provide Tennessee's property assessors. In that case, this study may take on additional importance as it affects property taxation and its role as the primary financing mechanism of local governments and their many responsibilities. Additionally, Mr. Robert

CAVANAHA, Jefferson County Property Assessor, and Mr. Ronnie BOYD, Montgomery County Property Assessor, gave their views on what kinds of managerial, financial and implementation problems there are in the property assessment field.

### January 28-29, 2002

#### **Public Chapter 1101**

Ken BELLIVEAU from TACIR staff delivered a presentation covering the annual report prepared on the implementation activities of Public Chapter (PC 1101) in calendar year 2001. He stated that this year's report attempted to provide a summary of PC 1101 events in calendar year 2001 and relate those events to what has happened over the past couple of years.

Dr. Mary ENGLISH from the Energy, Environment, and Resources Center (EERC) at the University of Tennessee-Knoxville delivered a presentation on her ongoing research on issues related to PC 1101. Dr. ENGLISH stated she wanted to focus on other types of work that EERC has been doing in conjunction with TACIR on a multi-pronged project that deals with several different levels of planning. At the local level, EERC is looking at strategies for local growth management in Tennessee within the framework of PC 1101. At the state level, it is examining both the importance to state government missions of growth patterns, and conversely the impact of state programs on growth patterns. At the regional level, EERC has begun doing some work on both multi-county growth patterns and the need for inter-jurisdictional cooperation, and those issues that have regional impact.

#### **Public Infrastructure Needs Inventory**

TACIR staff member Lynnis ROEHRICH-PATRICK presented the draft report entitled *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs, 2001-2006*, for commission approval. Ms. ROEHRICH-PATRICK gave a brief overview of the legislative history of the infrastructure project, noting the statutory and policy relationship between this project and TACIR's obligation to monitor implementation of the Growth Policy Act (Public Chapter No. 1101 of 1998). She indicated that the inventory now includes twenty years of needs reported by local officials, including location in relation to the new growth boundaries. TACIR staff will evaluate that information as a baseline for monitoring the Act. The report was adopted as a Commission Report.



### Highway Finance

Dr. Stan CHERVIN presented a general overview of the subject of highway finance, including a short history of the highway program from both the federal and state perspectives.

He relayed the fact that total federal, state, and local highway-user revenues totaled almost \$102 billion during fiscal year 2000. Highway-user revenues refer to taxes and fees paid by vehicle owners and operators using public roads and highways. Federal highway-user taxes accounted for thirty-six percent of this amount, and state governments sixty-one percent. Many states also fund highway expenditures with additional sources of revenue, including funds from other taxes and fees, as well as borrowing. He then went on to discuss the problems associated with comparing state highway programs and provided information that detailed all existing state highway-user taxes and fees in use around the country.

Tennessee Department of Transportation and Highway Funding Mr. Mike SHINN of the Tennessee Department of Transportation (TDOT) addressed the Commission regarding TDOT's budget and what the department does. He also discussed its funding philosophy and how the budget is composed. In his presentation, he provided documentation explaining the various government accounting funds (the general fund, the highway fund, the sinking fund, the fund for cities and counties) and information about the state gas tax.

**The Commission will continue to “serve as a forum for the discussion and resolution of intergovernmental problems” in the years to come by addressing pressing issues such as equity in educational financing, tax reform, growth planning and infrastructure needs.**

# Biennial Report of TACIR

## Appendices

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- Appendix A      TACIR Organization, Mission and Goals
- Appendix B      What Does TACIR Do?
- Appendix C      2001 and 2002 Legislation Affecting TACIR
- Appendix D      TACIR Membership Fiscal Years 2001 and 2002

# Intergovernmental Challenges and Achievements

## APPENDIX A - TACIR Organization, Mission and Goals

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### 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 twenty-five 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 twenty-five member Commission, twenty-two members are appointed to four-year terms, while three are statutory members holding membership by virtue of their position.

Responsibility for the 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, ten members have local government as their primary affiliation; eleven 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 Public Acts of 1996, Chapter 840). This legislation 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 1970s, 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. In pursuit of this goal, the TACIR was created in 1978 (T.C.A. 4-10-101). 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; provide high quality research support to state and local government officials 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.”*

## 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. The TACIR strives to:

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.

# Intergovernmental Challenges and Achievements

## APPENDIX B - What Does the TACIR Do?

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### Objectives

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;
- ◆ study the fiscal relationships between the federal government and Tennessee's state and local governments; and
- ◆ study tax equivalent payments by municipally-owned electric operations to the various taxing jurisdictions within the state; and study laws relating to the assessment and taxation of property (summarized from T.C.A. 4-10-104).

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 its 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 address problems that were not anticipated in the work plan. Most such matters are addressed at the direction of the General Assembly.

## Biennial Report of TACIR

### APPENDIX C - 2001 and 2002 Legislation Affecting TACIR

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

- ◆ P.C. 502 of 2002 sunsets the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) on June 30, 2008.
- ◆ P.C. 815 of 2002 directed TACIR to perform a study of the overall effect on local public education when property taxes or in lieu of tax payments earmarked for education are abated or reduced and whether the effect on local public education is offset by enhanced economic development.
- ◆ P.C. 838 and P.C. 848 of 2002 directed TACIR to perform a study of the size, composition and selection of boards of commissioners of utility districts. TACIR was also required to study the current provisions of Tennessee Code Annotated, Section 7-82-307 and consider whether a new mechanism should be created which would permit changes concerning such boards to be handled locally rather than employing the present legislative method that requires amending the general bill by introducing general bills of local application directly affecting only one utility district. As part of its study, TACIR was to consider whether alternative legislative methods should be developed and placed in the general law as options for local action, as well as incorporating a petition method to allow the subscribers to trigger an election for a change to the board. This study was to be conducted using TACIR's existing resources.
- ◆ P.C. 594 of 2002 deleted the end date for the Tennessee Advisory Commission on Intergovernmental Relations to monitor the implementation of the comprehensive growth plan and to report to the General Assembly on its findings and recommendations.
- ◆ P.C. 825 of 2002 allowed the General Assembly to transfer funds from various reserve funds for use for other purposes. This bill authorized the transfer of TACIR's accumulated balances or carryover funds created or referenced in title 4, chapter 10, part 1, to the state general fund for the sole purpose of meeting the requirements of funding the operations of state government for the fiscal year ending June 30, 2002.

# Intergovernmental Challenges and Achievements

## APPENDIX D - TACIR Membership: Fiscal Years 2001 and 2002

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### **Legislative**

Senator Ward Crutchfield  
Senator Tommy Haun  
Senator Mark Norris  
Senator Robert Rochelle

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

### **County**

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

### **Municipal**

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

### **Other Local Government Officials**

Ms. Judy Medearis, County Officials Association of Tennessee  
Mr. 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  
Mr. John Morgan, Comptroller of the Treasury

### **Executive Branch**

Commissioner Ruth Johnson, Department of Revenue  
Ms. Lana Bowman Ball, Office of the Governor

### **Private Citizens**

Mr. Thomas Varlan

# TACIR Members

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Representative Randy Rinks, Chairman  
Mayor Tom Rowland, Vice Chairman  
Harry A Green, Executive Director

## Legislative

Senator Mae Beavers  
Senator Ward Crutchfield  
Senator Jo Ann Graves  
Senator Mark Norris  
Representative Tre Hargett  
Representative Kim McMillan  
Representative Randy Rinks  
Representative Larry Turner

## Statutory

Representative Tommy Head, Chairman, Finance Ways & Means Committee  
Senator Douglas Henry, Chairman, Finance Ways & Means Committee  
Comptroller John Morgan

## Executive Branch

Paula Davis, Department of Economic and Community Development  
Drew Kim, Governor's Office

## Municipal

Victor Ashe, Mayor of Knoxville  
Sharon Goldsworthy, Mayor of Germantown  
Bob Kirk, Alderman, City of Dyersburg  
Tom Rowland, Mayor of Cleveland

## County

Nancy Allen, Rutherford County Mayor  
Jeff Huffman, Tipton County Mayor  
Ken Yager, Roane County Mayor  
Richard Venable, Sullivan County Mayor

## Private Citizens

John Johnson, Morristown  
Vacant

## Other Local Officials

Brent Greer, TN Development District Association  
Charles Cardwell, County Officials Association Tennessee



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