

# Building Tennessee's Tomorrow:

## Anticipating the State's Infrastructure Needs

July 2004 through June 2009

### Executive Summary

This report is the sixth in a series on infrastructure that began in the late 1990s. These reports to the General Assembly present Tennessee's public infrastructure needs as reported by local officials, those submitted by state departments and agencies as part of their budget requests to the Governor, and those compiled by the Tennessee Department of Transportation. It covers the five-year period of July 2004 through June 2009 and provides two types of information: (1) needed infrastructure improvements and (2) the condition of existing elementary and secondary (K-12) public schools. Needs fall into the six broad categories shown in the block below. A number of conclusions may be drawn from the information compiled in the inventory:

- ✓ The total need for public infrastructure improvements is estimated at \$28.3 billion for 2004 through 2009—an increase of \$3.9 billion from the previous inventory—including the cost of upgrading existing public schools to good condition. The \$14.7 billion increase since the 1999 report represents both increased need for infrastructure and increased coverage by the inventory.
- ✓ Transportation and Utilities needs increased \$4.2 billion since the last inventory and \$9.3 billion since the first, which is more than half of the total increase since that report. The one-year increase in total public infrastructure needs is less than the increase in Transportation and Utilities needs because the decreases in two other categories of need exceeded the increases in the other three categories. The one-year increase

Reported Infrastructure Needs	
Transportation & Utilities \$14.6 billion	Education \$5.7 billion
Health, Safety & Welfare \$5.2 billion	Recreation & Culture \$1.8 billion
Economic Development \$669 million	General Government \$426 million
Grand Total \$28.3 billion	

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

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.]

in this category occurred because the Tennessee Department of Transportation provided TACIR additional data about transportation needs. The Transportation and Utilities category now makes up 51% of the total infrastructure need in the current inventory.

- ✓ The other two categories that increased since the last report are Education (7.4%) and General Government (3.6%). The increase in the Education category is the result of more needs reported by the state's higher education institutions. The three categories that decreased are Economic Development (39.8%), Health, Safety, and Welfare (3.1%), and Recreation and Culture (2.6%). More than half of the decrease in the Economic Development category is attributable to a reduction in the estimated cost of a business development project in Nashville.
- ✓ Consistent with the previous report, information about the availability of funding to meet Tennessee's public infrastructure needs indicates that more than half in dollar terms has not yet been identified. Local officials are confident of only \$9.0 billion of the \$23.2 billion identified as local needs. (These figures do not include needs at existing schools.) Most of it, \$7.8 billion, is for needs that are fully funded; another \$1.2 billion is for needs that are partially funded. That leaves \$14.2 billion of needs for which funding has not yet been identified. It is likely that more of the need will be met from existing funding sources as these needs move through the planning and design and into the construction process, but it is impossible to know in advance how much of the need will actually be funded.
- ✓ The category with the greatest unfunded need is Education. Funding has not yet been identified for 70% of needs reported in this category, not counting needs at existing schools and higher education facilities needs. (Existing schools and higher education needs are not included in the funding analysis.) School systems are not fiscally independent, and this may hamper school officials' ability to project funding.
- ✓ The overall condition of Tennessee's public school buildings continues to improve, and despite increased enrollment growth, the cost of school facility needs reported by local officials statewide is declining. According to local officials, 91% of schools were in good or excellent condition, up five percentage points since the last report. This is a considerable improvement over the 59% reported in 1999. Infrastructure improvements, including new schools as well as improvements and additions to existing schools, are estimated to cost nearly \$3.6 billion. This

total is \$149 million less than the estimate in last year's report and approximately \$144 million less than the estimate reported in 1999. (These figures do not include the needs of the state's special schools.)

- ✓ Almost 33% of projects included in a capital improvements program (CIP) were in the construction phase, but only 14% of projects not included in a CIP were in the construction phase. Slightly more than \$4.1 billion of needs included in CIPs were in the construction stage while \$1.8 billion of needs not included in CIPs were in the construction stage, a difference of just over \$2 billion. The relationship between inclusion in a CIP and being in the construction stage has been consistent through all six TACIR reports. It suggests that inclusion in a CIP is an indication of whether a project can and will be funded.
- ✓ State or federal mandates affect only about 5% of all projects in the current inventory, down from 6% last year and 8% the year before. TACIR does not ask the cost of mandates except for existing schools because of the difficulty of splitting those costs out of the total cost of new infrastructure. About 78% of all projects affected by mandates are needed for new and existing public schools and are estimated to cost \$137 million. A quarter of this amount is related to federal requirements, and three-quarters is related to state requirements.