

**2002**

**TENNESSEE**

**DELTA**

**DEVELOPMENT**

**PLAN**

**Submitted by  
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State of Tennessee  
To the Delta Regional Authority  
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# 2002 TENNESSEE DELTA DEVELOPMENT PLAN

## SECTION I INTRODUCTION

### Purpose

The Act which created the Delta Regional Authority (hereinafter referred to as the DRA, the Delta, or the Authority) requires the preparation of a state delta development plan to guide investments of the DRA and other resources for the development of the Delta region of the state. Tennessee's plan will perform three interrelated functions as follows:

1. Describe the state organization and continuous process for Delta development planning including the procedures established by the state for the participation of local development districts in such process, and the means by which such process is related to overall statewide planning and budgeting processes;
2. Set forth the goals, objectives, and priorities of the state for the region, as determined by the governor, and identify the needs on which such goals, objectives, and priorities are based; and
3. Describe the development programs for achieving such goals, objectives, and priorities, including funding sources, and recommendations for specific projects to receive assistance.

Planning is vitally important to the development of the Delta region. The DRA will prepare a regional plan which will define the goals, objectives, and development strategies for the development of the eight-state Delta region. The Delta states will participate as equals with the federal government in the preparation of the regional plan to ensure it reflects goals, objectives, and development opportunities in the states, and provides a structure that is useful and effective in meeting the needs of the residents of the region.

It is important to contrast the regional plan with plans and regulations which are prepared in traditional federal agencies. The DRA is one of only three agencies where those who receive the benefits of the program are involved in program planning. This feature of the Delta program ensures that the program remains relevant to the needs of the region, and is developed with an understanding of the requirements of program implementation.

Working within the structure imposed by the regional plan, each Delta state prepares a state plan which defines the goals, objectives, priorities, and

development strategies of the governor of that state. State plans provide individual states with the opportunity to determine their own methods of achieving the overall goals established in the regional plan, and to strategically target resources provided by the DRA and other sources of assistance to meet the sometimes unique needs of individual states.

The DRA also encourages the preparation of sub-state development plans prepared by local development districts (LDDs). LDDs bring the planning process even closer to the people the Authority serves, and ensures the investments which are made are effective in meeting the needs of the region and encouraging development.

### Plan Scope

While this plan has been written to meet the requirement in the Delta legislation, it also serves as a guide for the investment of other federal and state funds which may be available for use in the Delta region of Tennessee. Clearly, rules and regulations of other programs often have a major influence on how such funds may be used, but the basic principles enunciated in this plan are for the development of the region and not just for the expenditure of DRA funds, and will be used, where possible, as a guide for the investment of other funds.

The preparation of this plan is related to, and coordinated with, other planning activities in the state. This relationship is particularly strong with functional planning in several state agencies whose activities impact economic development.

Several specific program plans exist in state government. Commonly known as functional plans, the Departments of Transportation, Education, Environment and Conservation and others prepare specific plans to guide investments in particular program areas. The Delta plan is different in that its concerns relate to development in general and, to a great extent, cuts across functional lines.

### Policy Plan

This plan is designed to be a policy plan, not a blueprint for the development of the Delta region of Tennessee. A policy plan analyzes the development potential of the state for the near future, establishes a sense of the preferred future direction of state growth, and identifies guidelines, criteria, and performance standards to be used when making funding and program decisions impacting state development. There is not enough information or insight available to identify every opportunity and problem that may be encountered. Therefore, it is futile to attempt to prescribe specific methods for dealing with each opportunity or problem that may occur.

**This policy plan is designed to present major principles of development that will be used in guiding investments in Tennessee's Delta region, and the programs and projects that will be brought forth to implement the plan will be evaluated against the development policies that form its foundation. As conditions warrant, these basic development policies will be modified to meet changing conditions, but the policies in affect at any time will guide the investment of state and federal funds in the Tennessee Delta region.**

### **Plan Modification**

**The Tennessee Delta Development Plan is designed to be a dynamic as opposed to a static instrument, and will be modified over time as necessitated by changing conditions. There are three types of situations which necessitate modification of the plan. These are 1) internal changes in the state which result in the obsolescence of all or part of the plan, 2) changes external to the state which necessitate a modification of the plan, and 3) the accomplishment of the goals of the plan.**

#### **Internal Chances**

**There are three changes internal to the state which will result in a modification of the plan. The first of these is the election of a new governor. As the Delta program is so closely tied to the development policies and programs of the member governors, it is necessary upon the election of a new governor to develop a new plan based upon his or her development philosophy. At the very minimum, the existing plan of record should be closely scrutinized by a new governor to ensure its conformance with the goals of the new administration.**

**Second, from time-to-time development policies within one administration may change. When such policy changes occur they should be reflected in the plan, and the necessary modifications made therein.**

**Third, changes in growth potential, locational determinants, resource availability, or other conditions within the state may necessitate modifications of the plan.**

#### **External Changes**

**There are two types of changes external to Tennessee that may necessitate changes in the plan. The first would be changes in national conditions such as development policies or legislation that would impact the development of the Tennessee Delta. The second would be changes at the DRA, primarily program changes or changes in the funding available to the state.**

## **Goal Accomplishment**

**Finally, accomplishment of the development goals will necessitate a modification of the plan. As the Delta plan is primarily an economic development plan, the indicators of goal accomplishment would be economic variables. The following are the types of development indicators which may be used to measure goal accomplishment: per capita income; median family income; employment (total and by sector); employment / population ratios; unemployment rates; poverty levels.**

## **SECTION II**

### **STATE AND REGIONAL ECONOMIES**

**A plan for the economic and social development of the Tennessee Delta must be based on an understanding of trends that have taken place in the region in recent years, and changes which are expected to occur in the future. Section II, therefore, is a description and explanation of these trends in order to provide a foundation or base of information on which policies, programs, and priorities are presented in later sections.**

**The Tennessee economy, and its social implications, is driven by forces that are not easily defined based on the designation of Delta versus non-Delta Tennessee. The conditions that have resulted in areas of the Tennessee Delta being among the most economically depressed area of the state have also resulted in similar conditions in other areas. Consequently, much of the information presented in Section II will pertain to the state as a whole. Where appropriate, specific reference will be made to the Delta counties.**

#### **Tennessee In A National Economy**

**Conditions in the Delta are not as they were 50 years or so ago. While there are still major areas of the region that significantly lag behind national averages, by and large the Delta is becoming more like the United States as a whole relative to economic conditions, economic composition, and resulting social conditions.**

**The same is true for Tennessee. Prior to World War II, Tennessee was predominantly rural. While the manufacturing sector was growing, agriculture and extractive industries were the dominant sectors of Tennessee's economy. Unemployment was high, income levels were low, and Tennessee, in general, was considered to be economically disadvantaged.**

**Following the war, and particularly during the decades of the 1950s, 1960s, and most of the 1970s, Tennessee grew rapidly as an industrial state, primarily due to its location, abundant and low cost labor, low labor union activity, and low energy costs resulting from Tennessee Valley Authority (TVA) power facilities. Ultimately, manufacturing replaced agriculture as the dominant sector of the economy.**

**From the middle of the 1970s to the present, which is the period most relevant for consideration in this plan, Tennessee's economic conditions have become increasingly similar to those of the United States. Expansions and contractions of the national economy have been mirrored by similar changes in the economy of Tennessee. Gross state product and gross national product track closely. Employment growth and unemployment rates follow the same swings, although they are somewhat more exaggerated in Tennessee because of the somewhat heavier concentration of manufacturing production which is more cyclical than**

other sectors of the economy. Per capita income has grown from 71 percent of the national average in 1960 to 89 percent in 1999. With increasing emphasis on vocational training of the labor force, and with increasingly sophisticated machinery and equipment that has been installed by Tennessee manufacturers, productivity has increased from 80 percent of the national average in the 1960s to over 90 percent in the late 1990s.

### Structural Changes In The Tennessee Economy

Like the nation, Tennessee has evolved from an agricultural and extractive based economy to an economy based on manufacturing. It is now transitioning into an economy based on the service sector. This section will focus the structural changes which have occurred in the Tennessee economy, and the changes which appear to be on the horizon for the future.

#### **Agriculture**

In the early 1900s, Tennessee's economy was based primarily on agriculture, and over 80 percent of its population resided in rural areas. Prior to World War I, Tennessee's economy was stimulated by the demands for agricultural products in European markets. Following the war, however, increased agricultural production in foreign countries and increased inflation in the United States, forced many small farms to close, and a significant number of farm workers moved to northern industrial states where work was plentiful and wages higher.

The depression years of the 1930s were also hard on agriculture in Tennessee. Prices for farm commodities decreased, and the total value of farm products dropped. As the depression wore on, it became clear that agriculture in Tennessee, as in most other Southern states, would not come back to its former level without special assistance. Many of the New Deal programs were instrumental in stemming further declines in the agricultural economy, and in some cases reversing what had been a decade or more of decline.

World War II spawned another increase in demand for agricultural products, and improvements in the agricultural economy. Increased mechanization, improved fertilizers, and improved agricultural techniques all resulted in vast improvements in agricultural productivity to the point that farm production actually increased while the number of farm workers declined.

This trend continues. The number of workers engaged in agricultural production continues to decline, as does the amount of land devoted to agriculture. The total value of agricultural production remains steady, and agriculture remains an important part of Tennessee's economy, and in some areas of the state it is the dominant industry. Among the three "grand divisions" in Tennessee (East, Middle, and West), agriculture remains relatively more important in the Delta counties of West Tennessee than in other regions of the state.

## **Manufacturing**

**At the beginning of the twentieth century, Tennessee's economy was dominated by the agricultural sector. Tennessee's industrial growth began at approximately the turn of the century. Between 1904 and 1909 the number of manufacturing businesses grew by almost 45 percent. At the time of the depression in the 1930, Tennessee's manufacturing economy was continuing to grow and diversify.**

**While still predominantly rural at the time of the depression, many of the programs initiated in the New Deal had a profound impact on the future growth of the manufacturing sector in Tennessee. Agricultural programs, road building and other public works projects created a base for future expansion. None of these, however, were more important for manufacturing growth than was the creation of the Tennessee Valley Authority in 1933. Hydroelectric and coal-fired power generating facilities were constructed throughout the state providing jobs in construction, but more importantly providing low cost and abundant electrical power for the growing manufacturing industry.**

**World War II was another milestone for manufacturing in Tennessee. The war brought an increased demand for war materials, most based on manufacturing. With the labor being released from farming through gains in agricultural productivity, and through the new electrical power resources offered by TVA, Tennessee was very well positioned to capitalize on the demands of a war-time economy. Existing factories converted to war materials production, and new factories sprang up to meet the needs of the military. One of the more significant of these was the development of the research and manufacturing complex in Oak Ridge initiated to produce nuclear armaments. Oak Ridge continues to this day to be an important research and development center, not only for defense purposes but as an ally of the growing high-technology industry in the nation.**

**Following the war, state and local officials in Tennessee, as in most other Southern states, continued their efforts to develop new manufacturing business, no longer for war time production, but to meet the needs of a population with increasing purchasing power and a desire for the amenities of modern living. Between 1939 and 1947, the number of manufacturing establishments increased by over 50 percent. Most of this production was concentrated in five counties (Shelby, Davidson, Hamilton, Sullivan, and Knox) with 49 percent of the manufacturing employees, and 39 percent of the establishments.**

**In the 1950s, 60s, and 70s, Tennessee enjoyed its greatest period of industrial growth, diversifying the type and number of manufactured products and spreading this production out from the dominant urban centers. This was a record breaking period of growth in Tennessee. The number of new firms locating in Tennessee increased, and employment, income, and value added grew steadily.**

**Tennessee has enjoyed a number of advantages which have resulted in the rapid growth of manufacturing, particularly after World War II. Geographically, Tennessee has a location central to the major markets of the Eastern United**

**States. With the construction of the interstate system in the 1960s and 1970s, Tennessee found itself in the enviable position as a transition state between the industrial North and the rapidly growing South. Additionally, because of its east/west dimensions and its central location, Tennessee has been fortunate to have a disproportionate number of interstate miles within its borders.**

**In the 1950s, Tennessee had abundant and low cost labor. In 1958, Tennessee's average wage per worker was less than 82 percent of the nation's. Currently, Tennessee wage rates are approximately 90 percent of the national average. Rising productivity of the Tennessee work force, however, has offset the increasing wage levels, and labor costs remain an advantage for Tennessee.**

**The attitude of government at all levels in Tennessee has been very important to economic growth. Tennessee maintains right-work legislation, with no indication this will be modified in the near future. Elected officials at all levels find ways to cooperate with economic development and to encourage the growth of new jobs through start-ups, new locations, and expansions.**

**The 1980s and 1990s saw a continuation of the growth in manufacturing. Although employment in manufacturing is declining in terms of a percent of total employment, absolute manufacturing employment continues to increase. Through gains in productivity and output, manufacturing as a share of the gross state product is holding steady at approximately 25 percent. This is expected to increase slightly during the next decade.**

**No discussion of the growth in manufacturing would be complete with a discussion of the importance of the transportation industry. There has probably been no manufacturing sector which has had a greater impact on the state's economy than transportation.**

**Automobile production in the United States began in the late 1800's, with most of this production being concentrated in Michigan. As the population and markets for automobiles increased, it became obvious to the auto makers that significant transportation costs were being incurred in the transportation of automobiles to other parts of the nation, and in the early 1900s regional assembly plants began to be constructed in order to reduce shipping costs.**

**Throughout this transition, the manufacturing of parts was dispersed, as parts could be packed more compactly and transported to the assembly plants fairly inexpensively. Tennessee's growth in manufacturing, starting in the late 1940s and early 1950s and continuing today, was influenced tremendously by the manufacture of automobile parts which were shipped to assembly plants in the North and to regional assembly plants throughout the nation.**

**Tennessee first became involved in the assembly of automobiles with the location of the Nissan plant in Smyrna in 1980. This was followed shortly thereafter by the location of the Saturn assembly plant in Spring Hill in 1985. These assembly plants not only had a significant impact on Tennessee's manufacturing base, but because of the just-in-time manufacturing processes**

adopted by both firms they have had a major impact on the location of new parts plants which provide components to the assembly plants. At the present time, Tennessee ranks fourth among the 50 states in the production of automobiles, and 15<sup>th</sup> in the production of light trucks.

### **Services**

As manufacturing continues to be the dominant sector of the Tennessee economy, the service sector is the most rapidly growing. Studies indicate that the decline in manufacturing employment is being taken up by employment in service industries. Between 1947 and 1998, employment in services increased by almost 400 percent. By 2003, the service sector is expected to employ almost 30 percent of the work force in Tennessee.

Hidden in the data on Tennessee's transition from a manufacturing based economy to one based on services are relative wage rates among these two sectors. While many service businesses pay extremely well, often exceeding manufacturing wages, in general services tend to provide low wage employment. The challenge to the state in the years ahead is to recruit and develop service businesses that require greater levels of education, training, and technology, and thus pay higher wages.

Also hidden in the data on the growing service sector is the urban and rural differentials. The data indicate that the service sector is growing much more rapidly in the urban and suburban areas than it is in the rural areas. Since, with the exception of Shelby County and Madison County, West Tennessee is substantially rural, one might not expect the rapidly growing service sector to have a significant impact on the economic growth of the Delta counties.

### **Distribution**

One can not conclude a discussion of the Tennessee economy, especially when the focus is on West Tennessee, without a discussion of the importance of distribution. Memphis and Shelby County are arguably one of the premier distribution centers of the nation. River transportation on the Mississippi River probably initiated the distribution based economy of Memphis decades ago. The concentration of distribution deepened in the intervening years with the development of rail and highway transportation. In recent years, the location and growth of FedEx in Memphis further identified Memphis as the distribution center of the South.

Today, while manufacturing is a major economic sector in Shelby County, it is distribution which gives the county its distinct economic culture over the rest of Tennessee. One has only to visit Memphis to be aware of the concentration the distribution activities. In Shelby County, over 37,000 people are employed in the distribution sector. This is the largest concentration of any county in Tennessee, and is four times larger than the rest of the Tennessee Delta combined. The largest distribution firm is FedEx, but within Shelby County there are a large number of other distribution companies as well.

## Differential Growth Within Tennessee

Tennessee's economic development has been enhanced by the geographic distribution of its metropolitan areas which have served as magnets for industrial and commercial growth. The interstate system, and new state highways which have connected them, have exerted a major influence on regional growth and economic development in the state.

Metropolitan areas have many advantages which cause them to be engines of economic growth. Their population bases are larger and their income levels higher which result in significantly greater levels of purchasing power. They have a higher concentration of standard business services, as well as being centers for more technical services, giving them an advantage in business development. Transportation services are highly developed. Educational expenditures have traditionally been greater in metropolitan areas resulting in these areas having a more highly skilled work force. Metropolitan areas are the focus of most of the retail trade within the state, and because Tennessee relies heavily on sales taxes as a source of revenue these areas have had greater ability to fund those programs that have a positive affect on community and economic development.

Rural areas have fewer of the attributes which give the metropolitan areas their advantage in economic development. Population and income levels are lower. Business services are fewer. Many of them are or have been distant from major sources of transportation, although this is being improved in many instances because of the major road building which has gone on in the state. Retail spending and sales tax collections are less, and consequently there is less ability to fund the community and economic development projects and programs which are the foundation of economic growth.

Suburban counties stand in the middle. They are neither urban nor rural. They are frequently close enough to the metropolitan areas to enjoy the advantage of urbanization. This is especially true for those counties that have interstate connectivity. As the metropolitan areas continue to grow, much of this growth spills over into the suburban counties. Additionally, as the state's transportation system improves, the disadvantage of distance decreases, and the suburban counties take on more of the advantages of their urban neighbors.

Recent growth trends in metropolitan, suburban, and rural growth are presented in Table 1. These are data on announced locations and expansions. Not all of them will occur, but this slippage is expected to be uniform throughout the state and, consequently, these data can be used to analyze spatial growth patterns.

The growth in the metropolitan and suburban counties, and the distinct lack of growth in the rural areas is readily apparent. Metropolitan counties are getting a disproportionate amount of the manufacturing and non-manufacturing projects and investments compared to suburban and rural counties. If non-manufacturing

businesses, including services, is where the growth of the future will occur as some believe, it would appear that the suburban and especially rural counties will become farther behind. Since, with the exception of Shelby and Madison Counties, the Tennessee Delta counties are largely rural, this issue will need to be watch in the years ahead.

For those who know Tennessee, it is clearly misleading to paint with such a broad brush. There are many anomalies associated with this analysis. Clearly, many counties that would be classified as rural have experienced significant growth based on factors other than proximity to metropolitan areas. Dynamic local leadership, for example, can occur anywhere and is frequently the basis for the growth that occurs. Nevertheless, the classification of counties based upon their relationship to metropolitan areas is useful for showing the impact of urbanization and the advantages this brings to economic development in Tennessee.

### Current Economic Conditions<sup>1</sup>

A plan for the development of the Tennessee Delta must take into consideration existing economic conditions found in the state. An understanding of where economic distress and economic affluence exist provides foundation information for development programs and policies that will be presented in later Sections. Unemployment rates, poverty rates and income levels are commonly accepted ways of showing economic conditions. The maps on the next three pages show, respectively, average annual rates of unemployment for Tennessee counties for the three year period 1998 through 2000, per capita market income for 1999, and the percent of the population at or below the poverty level in the 1990 census (at this writing, the poverty data from the 2000 census are not available).

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<sup>1</sup> Because of the large number of tables in this plan, all are presented in Appendix I.

**A three year average unemployment rate is felt to be a better indicator of economic conditions than is the most current unemployment rate. Unemployment rates change over time, fluctuating as the national economy grows and contracts and as economic conditions change in Tennessee. However, a long-term unemployment rate is indicative of chronic unemployment and a better indicator of economic problems.**

**Market income excludes transfer payments (social security, unemployment compensation, etc.). Market income is basically a measure of earned income, and is a somewhat better measure of economic vitality than is per capita income.**

**The conclusions to be drawn from this information are inescapable. Economic conditions in Tennessee are improving. With improved economic conditions come improved social conditions, and a greater ability of local governments to provide for the needs of their own citizens. However, this economic prosperity is not spread evenly throughout the state. There are large areas which are economically depressed, and even larger areas that have been economically depressed in the recent past. These areas are especially vulnerable to achieving this dubious distinction again if economic conditions worsen. The challenge to the state is to maintain the growth momentum that is occurring in most areas of Tennessee, and especially in the metropolitan areas, while being proactive in the rural areas to afford them the same opportunities. This plan will help the state meet this challenge.**

### **Regional Economies<sup>2</sup>**

**This section on regional economies presents an overview of the economic and social conditions of the Tennessee Delta at the present time. It is a snapshot designed to give those unfamiliar with the 21 counties in the Delta Regional Authority area an understanding of the disparity of conditions within these areas. Certain of these conditions will be amplified in subsequent sections.**

#### **Population**

**Table 2 shows population change and the percent of population change for Tennessee's Delta counties between 1990 and 2000. All twenty-one Delta counties increased in population during this period. Tipton had the highest percent growth at 36.5 percent while Haywood County (1.9 percent) and Lake County (2.3 percent) had the smallest rate of growth. The majority of the region experienced growth rates similar to those of the nation and the state of Tennessee. In addition to Haywood and Lake, Carroll, Crockett, Dyer, Gibson, Shelby and Weakley had relatively slow rates of growth.**

**Ethnicity is an important element in the Delta. However, because of changes in the definition of race by the U.S. Bureau of the Census, it is not possible to**

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<sup>2</sup> This section was written by the professional staffs of the Northwest Tennessee Development District, the Southwest Tennessee Development District, and the Memphis Area Association of Governments. Changes have been made in the formatting to conform to the rest of this plan.

compare changes in racial composition of Delta counties between 1990 and 2000.

Table 3 details the 2000 population by race categories White, Black/African American, and Other. The category “Other” refers to relatively insignificant numbers of minor populations which have been combined. These include American Indian and Alaska Native, Asian, Native Hawaiian and Other Pacific Islander.

Of the 21 Tennessee Delta counties, 12 had rates of African American populations in excess of both the state and national averages. Almost 60 percent of Tennessee’s African American population lived in the Delta counties. The majority of the Tennessee Delta’s African American population resides in Shelby County and in the counties adjacent to Shelby County.

### **Economic Conditions**

Economic conditions in the Delta can be analyzed by examining the traditional indicators of unemployment, income, and poverty.

#### **Unemployment**

Unemployment rates for the U.S., Tennessee, and the Delta counties for 1991 through 2001 are shown in Table 4. For each year during this 10 year period, about half of the Delta counties had unemployment rates in excess of the national averages. Consistently, the higher rates of unemployment were in Lauderdale, Decatur, Haywood, Henderson, and Lake Counties. While varying from year to year, Shelby, Madison, Obion, and Weakley Counties have commonly had unemployment rates significantly lower than national averages.

#### **Income**

Tables 5 and 6 respectively show per capita income of the Delta counties for 1995 through 1999, and as a percent of the national average for that same period. The region’s two urban counties, Shelby and Madison, were the highest in terms of income. Shelby’s per capita income was higher than that of the nation each year between 1995 and 1999. Madison’s income was closer to the level of the state for each of those years. Obion County’s income exceeded 80 percent of the nation’s income for all five years.

On the other extreme, Lake County’s income levels were less than 50 percent of the state and national levels. The remainder of the counties were below the 80 percent threshold of the nation’s income for the last two years examined. Most of them were beneath that threshold for all of the years studied.

## Poverty

Table 7 shows poverty rates for 1990 and 1995. From 1990 to 1995, poverty rates decreased for nineteen of the twenty-one counties. Shelby and Lake were the only two that increased.

In the latest period, only three counties had poverty rates lower than the U.S. average, and these were lower by less than one half of one percent. Four counties (Lauderdale, Hardeman, Haywood, and Lake) have poverty rates that were above 20 percent in both periods. Lowest poverty rates in the Tennessee Delta have been in Henderson, Carroll, Obion, and Weakley Counties.

## Social Conditions

This discussion will limit social conditions to education, health, and housing. There are obviously other social conditions which could be analyzed, but education and health especially can act as surrogates for other social conditions, and are both related to the basic objective of the Tennessee Delta plan and the Delta Regional Authority.

## Education

Table 8 shows educational attainment for the nation, Tennessee, and the Tennessee Delta counties. These are 1990 data from the 1990 Census of Population. It is very clear from these data that the Tennessee Delta lags far behind not only the national attainment levels, but the for the state as well. Not much elaboration is required for these data. If the Tennessee Delta counties are to participate in the increasingly technology based economy of the 21<sup>st</sup> century, improvements in levels of educational attainment must be a major priority.

## Health

Unfortunately, there is not one “health index” which can provide an understanding of health conditions on a county-by-county basis. However, mortality rates can be used as a surrogate for overall health conditions, since one may assume that when death occurs more frequently in certain places there are underlying health conditions which are contributing factors.

Mortality rates from all causes are shown in Table 9. As can be seen, all counties except two had mortality rates higher than either the state or the nation. These data indicate that proximity to large and diverse medical services had a major influence on mortality rates. Fayette and Tipton Counties border Shelby County which is home to Memphis’ large medical community. Shelby and Tipton had lower mortality rates than the state for all years studied, and Fayette County was relatively close.. The remaining counties were grouped together in the middle with a range of 1,000 to 1,400 deaths per 100,000 deaths. Madison County has a more highly developed medical system than the other, more rural, counties, and thus has a somewhat lower mortality rate.

## **SECTION III**

### **BUILDING BLOCKS FOR DEVELOPMENT**

Tennessee has identified five “building blocks” for development. These are 1) education and work force training, 2) improving the region’s physical infrastructure, 3) building local and regional leadership and civic capacity, 4) developing a dynamic and growing economic base, 5) ensuring healthy people. While not a “building block” per se, housing is very important to community and economic development.

Section III is a systematic presentation of each of the building blocks (plus housing). The first will be a general discussion of the importance of that factor to economic and community development. Second will be a situational assessment of each area to indicate Tennessee’s strengths and weaknesses. Third will be a discussion of the state’s goals and objectives in each area. Fourth will be a presentation of existing state programs.

#### **Section IIIA**

##### **Education and Training**

Economic growth and an enhanced quality of life depend on an educated population and a trained work force. A region may be deficient in many of the physical attributes normally correlated with economic growth and job development, but if the population of that region is well educated and with skills which are needed by manufacturers and other businesses, not only will the businesses in that region be more likely to be successful, but the population in general will have a higher quality of life.

Many areas of the Delta, and many areas of the Delta region in Tennessee, have educational systems which are among the best in the United States. Other areas, largely because of a lack of financial resources and a legacy of undervaluing the role of education in human development, have school systems which fail to prepare their students for higher education and for a place in the work force of tomorrow which demands ever higher levels of education and skill development.

Education and training encompass many different focuses. It includes not only the traditional K-12 education, but it includes employment training programs as well as higher education. It encourages students to complete at least their high school education, and to seek higher education or technical training. It includes the expansion and modernization of curriculums at all levels. It includes adult education which encourages those who may have terminated their formal education to return to school.

## Situation Assessment

Education and training are very important elements of Tennessee's development program. However, while Tennessee continues to improve, most assessments of the state's education situation are mediocre at best.

Prior to the 1900s, education in Tennessee was very much a local responsibility. The state had little direct control over education. Instead, each county was responsible for its own school system. For many, an adequate education consisted of a basic reading ability and some arithmetic, and any education beyond the eighth-grade level was considered unnecessary. This was a direct reflection of the state's economy which was based on agriculture and manual labor.

Tennessee's renaissance in education began in the early 1920s, largely in recognition of the importance of improved education to economic development. Ironically, one of the first education initiatives was a massive road building program started in 1923 which brought modern society and expanded educational opportunities to the rural parts of the state.

In 1925 the state legislature passed the General Educational Law of 1925. This legislation provided state funds for an eight month school year, established a state salary schedule for teachers, standardized the licensing of teachers, and funded several four-year teacher colleges.

This legislation significantly improved the quality of education in Tennessee. The extension of the school year allowed more material to be taught, and the improved licensing requirements and the creation of educational programs for teachers improved the overall quality of teachers in Tennessee classrooms.

Over the years, as people realized the value of education to employment opportunities and to overall quality of life, public support for education increased. In 1947 the first general sales tax was enacted, with most of the revenue going to public education. Not only did per pupil expenditures increase, but teacher salaries improved, attracting more qualified teachers to the classroom.

The commitment to public education in Tennessee continued to increase, but did not keep pace with the advances in education in many of the other Southern states. Graduation rates, achievements on standardized tests, per pupil expenditures, and teacher salaries were all substandard. This was especially true in the rural parts of the state where local school systems did not have the additional resources to invest in education as did the school systems in the urbanized areas.

This discrepancy between urban and rural school systems became so great that in 1988 a group of 75 small and mid-sized school systems challenged the constitutionality of the state's educational funding program, known as the Tennessee Foundation Program. These smaller systems contended that the

method of distributing state educational funding placed them at a disadvantage and unconstitutionally impaired the educational opportunities of their students.

The small school systems won the law suit but this decision was overruled on appeal, and it was obvious that the issue of the adequacy of state was headed to the state Supreme Court. In 1992, in anticipation of a Supreme Court ruling in favor of the small schools, the General Assembly enacted the Basic Education Program (known as the BEP). The BEP will be described more fully later in this section.

Despite these advancements, in 2002 Tennessee continues to lag behind national norms in most measures of educational attainment. These include performance on standardized tests, graduation rates, educational expenditures per student, and teacher salaries. Despite the results of the BEP program, there continues to be substantial differences between rural and urban schools. Many of the Delta counties, particularly the more distressed, do not have the resources which will allow them to close the gap in the foreseeable future with the more affluent counties.

### **State Goals and Objectives**

Tennessee has adopted the goals of the National Education Goals Panel to guide the development of the state's education programs. These goals are the following:

- 1. All Children will start school ready to learn.**

This goal recognizes that education starts in the home and in preschool programs, and that this experience is vitally important to success in school. It focuses on high quality and developmentally appropriate preschool programs, and on educating parents about the importance of early learning. It also focuses on early childhood health so that early learning is not handicapped by physical or emotional problems.

- 2. High school graduation rates will increase.**

Graduation from high school provides students with the minimum of skills which are necessary for future employment and an acceptable quality of life. Students will be encouraged to at least finish 12 years of public education, and those who leave school early will be encouraged to return to school to complete their GED.

- 3. Students will demonstrate competency over challenging subject matter, and learn to use their minds so they may become responsible citizens, further their learning, and become productive citizens in the nation's modern economy.**

This goal requires performance. Not only will students take classes in mathematics, sciences, and social sciences, but they will establish mastery

of such subjects. Additionally, students will be able to apply the skills mastered in the classroom to solving problems in their everyday lives, and be able to function as productive citizens in modern society.

4. Teachers will have access to programs for their continuing education and improvement of their teaching skills so they can more effectively instruct and prepare students for life in the 21<sup>st</sup> century.

Goal 4 is wide ranging. It includes continuing education in teachers' areas of competency. It includes improvements in the methods of instruction. It includes the development of networks and partnerships among diverse elements of the community to encourage and support programs for the professional development of educators.

5. Students will be world class achievers in mathematics and science.

Math and science are increasingly important not only in manufacturing, but in a broad spectrum of business activity. This goal recognizes this, and encourages a higher level of achievement in these areas than has been the case.

6. Every adult will have the ability to read, and have the knowledge and skills necessary to compete in a world economy and to be good citizens in this nation.

This goal involves not only adult literacy, but life-long learning. Not only must adults develop basic competencies in reading, comprehension, and the ability to perform basic mathematical functions, but they must also embrace this as a life-long endeavor. In the changing world of work, skills quickly become outdated, and the workforce must be constantly improved if the region is to maintain its competitive position.

7. Schools will be free of drugs, violence, and the threat of violence, and will offer students a disciplined environment conducive to learning.

Students can not learn effectively when their school environment not only detracts from learning, but poses danger to them. Goal seven provides that education administrators, teachers, parents, local governments, and communities at large ensure that students have a risk-free environment in which to study. This goal includes not only the school campus, but education regarding the dangers of drugs, alcohol, firearms, and other situations in the home and community at large.

8. Schools will involve parents in the social, emotional, and academic growth of children.

This final goal may be the most basic of all. There is probably no one who exerts more influence on the growth of children than their parents. The efforts of the educational systems will be significantly more effective if

parents become active partners with the schools in the education and social maturation of the students. Not only will parental participation in the educational process ensure more attention to learning by students, it will also assist in holding teachers and administrators to a higher level of accountability for the education process.

## **Development Programs**

### **Foundation Building**

The “modern era” of education in Tennessee began in the mid 1980s. The Comprehensive Education Reform Act of 1984 focused, among other things, on improving teacher quality, developing basic skills and computer skills for its students, strengthening the knowledge and skills of local administrators and school board members, providing extended contracts for teachers to provide remediation and enrichment for students, and developing a clear, rigorous core curriculum. In the late 80s state institutions of higher education raised standards for admission by establishing a set of core academic requirements including two years of foreign language study and one year of fine arts in addition to higher levels of mathematics and science.

In 1992, a second round of reform was launched with the Education Improvement Act, popularly known as the “Basic Education Program” or the BEP. This legislation created a new formula that helped to equalize the funding for school systems which lacked the tax base needed to fund education adequately. Along with this funding, however, a strong assessment program was added as well as a requirement for the development of academic and technical paths for high school students to prepare all students for some form of additional schooling or training after high school graduation.

Another element of this legislation was the required reduction of class sizes to go into effect in the 2001-2002 school year. Also in 2001-2002, new tests aimed at greater accountability at the high school level along with higher standards for students went into effect. Ten end-of-course tests in core academic subjects are administered along with a writing assessment at the eleventh grade. Three of these tests (Algebra I, English 10, and Biology) are also tied to graduation for the students (which replaces an existing competency test in language arts and mathematics given in the ninth grade).

Since 1984, the areas in which the state has made the most improvement are teacher quality, higher standards, and comprehensive assessment.

Tennessee now requires all teacher candidates to have an academic major. Teachers no longer can major in “education.” All teacher candidates must have passing scores on Praxis tests. In addition, a thorough local evaluation process for teachers and administrators is in place. This exemplary evaluation model is now being extended upward into higher education and laterally into beginning teacher support.

Tennessee's standards for a high school diploma require a rigorous core for all students along with a four-unit technical focus (technical path) or additional courses that fulfill the entrance requirements for state institutions of higher education (academic path). In addition to these course requirements, all students have to pass the higher standards tests mentioned earlier.

In the area of assessment, all students in grades three through eight are tested every year, providing a tremendous amount of longitudinal student data for analysis. Combined with the high school end-of-course tests and the writing assessments given in grades four, seven, and eleven, these tests give Tennessee one of the most comprehensive assessments programs in the nation.

The areas needing greatest attention now are the clarification of core standards at the elementary level, improving recruitment and mentoring of new teachers, the expansion of public school choice, and the strengthening of accountability by intervening in low performing schools. These are the areas that will be addressed in the next few years.

### **Raising Academic Standards**

Educators have felt for some time that academic standards in core subjects for grades 1-8 have been too general. Consequently, the state has developed, and will keep current, an addendum of "performance indicators" to make the standards more specific, and to define appropriate methods of assessment.

### **Improving Educator Quality**

There is probably nothing more important to education than quality teachers. Consequently, Tennessee is making every effort to improve the quality of its public school teachers.

Tennessee has in place alternative pathways for teacher licensure. The first requires a degree in a teaching field, additional course work and/or intensive summer programs and seminars. Candidates must meet certain testing requirements, and have successful teaching experiences under the interim license which substitutes for student teaching. The second allows a degree in any area subject to testing and the completion of coursework in education and successful teaching experience.

Unfortunately, the tax structure in Tennessee does not allow for the kind of salary structures that would attract and retain the most qualified teachers. This is an area of great concern, especially in light of teacher shortages in key areas, and the competition for teachers from neighboring states. Continued efforts to reform the tax structure will allow additional funding for education are being made, but no relief is seen for the immediate future (see Section IV: Fiscal Capacity).

## **Strengthening Accountability**

Tennessee is moving toward an accountability system for schools and school systems which will provide rewards for performance, and penalties, including state take-over of non-performing schools. The measures of accountability include academic attainment, academic value added, and non-academic data. Data on school and school system performance will be released to the public in order to focus more attention on accountability.

### **Section IIIB Physical Infrastructure**

Adequate public infrastructure is important for economic development as well as quality of life. Economic growth, particularly the growth of manufacturing, depends on a public infrastructure base which can support this expanded production. Maintaining a high quality of life, and ensuring the health and safety of the citizens of the region, requires the provision of municipal water supplies which are free from contaminants, and the safe and sanitary disposal of wastes.

Many areas of the Tennessee Delta, particularly those in the rural areas, do not have public infrastructures which can meet these needs. This is true of basic water and sewer services, but it includes in some cases electrical power and natural gas service. An emerging infrastructure which is increasingly important to economic development is telecommunication.

The public infrastructure block has several goals. Maintain water and wastewater treatment facilities which are capable of meeting the current and future needs for residential, commercial, and industrial growth. Extend water and wastewater service lines to areas of the region where they do not exist. Ensure that growth areas of the region have access to adequate electrical power and natural gas service. Make sure that the region has access to modern telecommunications services, and the knowledge of how to utilize them.

### **Situation Assessment**

#### **Infrastructure Needs In General**

As might be expected because of Tennessee's traditionally large infrastructure investments, there is ample information available to document the situation facing the state in public infrastructure. Most recently, the Tennessee Advisory Commission on Intergovernmental Relations (TACIR), as mandated by the Tennessee General Assembly, conducted a state-wide inventory of infrastructure needs. This inventory was completed in 2001, and identified infrastructure needs for the entire state through 2004.

While the survey was managed by the TACIR, each development district in the state was the entity which actually conducted the inventory. The districts worked with each county and municipality within the district to collect information on infrastructure needs perceived by the local governments. Care was taken to

determine infrastructure needs, not infrastructure wants. Only infrastructure which could be documented to be in planning, contracting, or construction were included in the survey. Additionally, to be included in the inventory, infrastructure projects must not be considered normal or routine maintenance, and must have a capital cost of at least \$50,000.

Data on infrastructure needs were collected for the following categories of infrastructure:

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

The total infrastructure needs reported for Tennessee as a whole in these categories was \$18,200,000,000. For the Tennessee Delta, the total was \$4,111,659,964. Although unsubstantiated by the data, TACIR feels that counties and municipalities with very limited financial ability may have failed to identify needs because of their obvious inability to ever fund them, and the true infrastructure needs could be as much as \$21,000,000,000.

Delta funding in Tennessee will probably be concentrated in only a few of the above categories. Indicated in Table 10 are the commonly funded projects in Tennessee, and the TACIR-estimated infrastructure needs through 2004 for the Delta counties.

The TACIR made several relevant observations from the infrastructure needs inventory that are worth repeating here.

Federal, and to some extent, state mandates account for 16 percent of the infrastructure needs. This is particularly true in education, solid waste, water, and wastewater needs.

Counties with high infrastructure needs are also those which have high population, population density, and population growth.

Projects in capital improvement plans are far more likely to be under construction than are projects not included in these plans.

The construction of public infrastructure in the future in Tennessee may be impacted by a Growth Policy Act (Public Chapter 1101) enacted by the General

Assembly in 1998. This legislation requires counties and municipalities to prepare “county growth plans” which identify urban growth boundaries, planned growth areas, and rural areas. Urban growth boundaries include municipalities and contiguous territory where high density residential, commercial, and industrial growth is expected. Planned growth areas exist outside municipalities where high or moderate growth is expected. Rural areas are to be preserved for agricultural land, forests, recreational areas, wildlife management areas, or for uses other than high density development.

Public infrastructure investments by local government are expected to be in conformance with county growth plans. Consequently, infrastructure investments planned for rural areas which are inconsistent with growth plans may not be implemented.

### **Water and Wastewater Needs**

Because of Tennessee’s ARC and CDBG experience, and knowing the priority of local elected officials, it is anticipated that most of the requests for funding in the Delta program will be for water and wastewater projects. Consequently, this section of physical infrastructure will focus primarily on these two types of projects.

Water and wastewater projects can be classified in different ways. A useful classification is to distinguish between system projects and distribution or collection projects. System projects include treatment plants, intake structure, major transmission lines and other projects that enhance the entire system. System projects do not provide direct service to users, but are necessary for the utility to operate. Distribution and collection project are those that provide direct service to residential, commercial, or industrial users.

System projects may be constructed with no immediate increase in the number of customers. The primary reason for distribution and collection projects is to expand the number of people to be served.

One may also classify the types of needs which communities face in the provision of water and wastewater services. For convenience these may be classified as 1) required for normal community growth, 2) rehabilitation or replacement of worn-out utilities, 3) necessitated by sudden and unexpected industrial or commercial growth. Each of these types of needs present their own unique problems.

Expansion of water and wastewater systems are required to accommodate growth. More distribution or collection lines may be required. New sources of water may need to be developed, new treatment plants constructed, and other improvements made to the system to accommodate an expansion of the customer base. Unlike rehabilitation or replacement projects, projects required for growth have an expanded customer base to help finance them, although these costs normally fall on current users as well as the new customers.

Many utilities in Tennessee were constructed several years ago and have deteriorated to the point where they no longer provide adequate service or are incapable of meeting current environmental or health standards. These utilities may need to be rehabilitated or replaced in order to serve the existing customer base. In many cases there will be no appreciable increase in the number of customers, and the costs for improvements must be spread over the current customer base.

Normal growth and rehabilitation and replacement projects can be anticipated and plans made to meet these needs. Large and unexpected industrial and commercial projects, on the other hand, can not be projected and may place a sudden and severe impact on the utility system, necessitating major expenditures to meet these needs. These problems are more acute when the demands that are placed on the utility are large and the existing community or utility is small.

The exact magnitude of water and wastewater needs in Tennessee is unknown. Several estimates, however, provide a realistic approximation of the problem facing the State. An estimate of wastewater needs eligible for funding under the Environmental Protection Agency (EPA) program indicates that almost \$1.5 billion would be required to solve these problems.

### **Goals and Objectives**

The state establishes the following goals in the areas of physical infrastructure. Infrastructure goals in education have been discussed in that section. Infrastructure needs for public health will be discussed in the section on health goals, and goals for industrial sites/parks will be discussed in the section on business development.

#### **1. Transportation**

Continue to expand and maintain the state's transportation resources to serve economic development and to maintain safe and efficient transportation for its citizens. This includes navigation, interstate and primary roads, and air transportation. This goal is implemented by efficient utilization of federal funds which are available to the state and administered by the Department of Transportation, and by state funds which are appropriated by the General Assembly.

#### **2. Telecommunications**

Tennessee is fortunate that Bell South has already constructed a basic structure of telecommunications infrastructure in Tennessee. Tennessee's challenge and goal is to expand the use of this resource by business, government, education, and the public in general. It is particularly important to ensure that the benefits of telecommunications extend to the rural parts of the state, and are not restricted to the metropolitan areas.

### **3. Water and Wastewater**

The water and wastewater goal is three fold. First, to ensure that municipal water and wastewater systems have sufficient capacity to meet the needs of industrial, commercial, and residential growth. Second, to ensure that when privately owned systems (springs and wells for water supply, and septic tank systems for waste disposal) are not functioning adequately, that municipal services are extended to these areas. This is probably more critical in water supply than in waste disposal. There are probably few privately owned water sources in Tennessee that are completely free of contaminants. Well functioning septic tank systems are acceptable methods of waste disposal. However, when soils are not suitable for drain fields or development exceeds the capacity of the drain field to absorb the waste, septic tank failures can occur with environmental and public health consequences. The third goal is to encourage the development of regional water and wastewater systems where this is appropriate and possible. It is sometimes more cost effective, both in construction and in operation for systems to be developed which serve more than one municipality. When this can be done, regional systems will be encouraged.

### **4. Fire Protection**

Fire protection is inadequate in much of rural Tennessee. Adequate fire protection achieves two objectives. The first and most obvious is protection of life and property. Second, however, is a reduction in insurance premiums, and in some cases the ability to purchase fire insurance at all. Fire protection will never be as accessible in rural areas as it is in urban areas. The goal, however, is that every resident in the Tennessee Delta will have a fire station with equipment adequate to the area in question within 5 miles of every residence.

### **5. Solid Waste**

The efficient disposal of solid waste is necessary to protect public health and to maintain the beauty of the Tennessee landscape. Several years ago, the Tennessee General Assembly mandated that each county prepare a solid waste disposal plan which identified and developed areas for waste disposal. Most communities are in compliance with the requirement, either by themselves or in concert with other counties in regional solid waste systems. The solid waste goal, therefore, is to help counties maintain compliance. In most cases this will involve solid waste equipment. In some cases it could involve transportation improvements.

## **Development Programs For Water And Sewer Construction**

Financing public infrastructure is increasingly a problem for local governments in Tennessee. Demands are placed on county and municipal governments and utility districts as a result of normal community growth, unexpected economic

**growth, and the deterioration of infrastructure which has been operating for several years, and which needs to be replaced.**

**The pressure for infrastructure improvements is being compounded by events outside the control of those governmental units which provide the required services. Federal grant monies, which have traditionally been relied upon for major shares of the cost of these improvements, have been reduced. Federal environmental requirements have been strengthened which require increasingly expensive infrastructure improvements.**

### **Structure of Financing Alternatives**

**There are three basic sources of financing for public water and wastewater systems. These are 1) systems revenues, 2) grants, and 3) long-term debt. These funds are directed toward two types of costs: 1) operating and maintenance costs, and 2) capital costs for system rehabilitation, replacement, or expansion.**

**This plan is concerned about capital projects. Therefore, operating and maintenance costs will not be discussed. Additionally, while system revenues are used to finance small capital costs, major construction projects, which are the primary concern of this paper, normally require the acquisition of grants and/or the issuance of debt. Therefore, this discussion of financing alternatives will focus on the development of capital projects which can not be funded by system revenues and which require the use of grants and/or borrowed money.**

**Grants are obviously the most sought after source of financing for water and wastewater projects because they do not have to be repaid and, therefore, reduce the amount of money which must be borrowed and the resulting user fees paid to service this debt. This is particularly true for large projects with high costs in areas with few users and, therefore, limited ability to pay for water or wastewater services.**

**Grants have become difficult to obtain making the competition for them intense. For the past twenty years the federal government has been the primary source of grants for water and wastewater projects. In recent years, however, the total amount of federal funds available for water and wastewater projects has declined, and much of the remaining funds are available only for loans. Additionally, grant funds that are available are generally encumbered by federal regulations to the extent that their usefulness is compromised.**

**Those communities which are unable to secure grant assistance to help finance water and wastewater projects must borrow the necessary funds. There are three basic ways in which money can be borrowed. Communities may issue their own bonds. They may borrow money from a bond pool. They may borrow money from agencies which provide loan funds.**

**Communities may issue two basic types of bonds, revenue bonds and general obligation bonds. Revenue bonds are repaid by the revenues produced by the system. Principal and interest payments are made from user fees received from those who receive water or wastewater service. General obligation bonds are**

paid from local taxes. Principal and interest payments on general obligation bonds are derived directly from the general tax base of the community.

There are administrative costs associated with the issuance of revenue bonds and general obligation bonds. In order to minimize administrative costs, public and private organizations offer bond pooling programs. Bond pools are the agglomeration of individual bond issues into one large issue. The proceeds of the larger issue are then loaned to the communities which would have financed separate bond issues.

There are several advantages to bond pools. First, administrative costs are shared among the individual borrowers. For relatively small bond issues, administrative costs will be a higher proportion of the total cost than for larger issues. Bond pools help keep the costs of issuance to a more reasonable level. Second, the risks associated with potential defaults are shared among all the participants in the pool. This may make it easier for borrowers to arrange financing at a more reasonable rate of interest.

In addition to individual bonds and bond pools there is one additional source of financing for water and sewer projects. This is loans, normally made by a federal or state agency. Loan programs are similar to bond pools in that there is one source of loan capitalization (a bond issue or an appropriation of tax revenue) to which individual borrowers apply for project financing. Loans are different from bond pools in a number of ways. Loan programs are normally established by an agency to achieve a particular purpose(s). To be eligible to participate in the loan program the applicant must meet the program objectives of the lending agency. The interest rates, terms, repayment provisions, and security on the loans are set by the lending agency. Individual loans must conform to these standard provisions.

### Available Programs

Tennessee relies on and uses both state and federal programs for the development of public physical infrastructure. Consequently, this section will include both federal and state programs. The DRA program is included for completeness even though its form and function are not fully defined.

### **Delta Regional Authority**

Public infrastructure, especially water and sewer, will play a major role in the DRA program. Not only is this a priority among the local governments in the Tennessee Delta, it is required in the enabling legislation. Congress mandated that at least 50 percent of the DRA funds must be used for transportation improvements and basic public infrastructure. Basic public infrastructure certainly includes water and sewer project. Tennessee is also interpreting it to include fire protection, health care, and other types of basic public infrastructure which are required for an acceptable quality of life.

Since the DRA program is so new, there is not a lot of information about this program to be provided beyond what is in the legislation. This information will be developed as the DRA program is implemented in the eight states.

### **Community Development Block Grant Program**

The state receives CDBG funds in two ways. There are eight cities and three counties (entitlement areas) which receive CDBG funds directly from the federal government. The remaining cities and counties participate in the state administered "small cities" CDBG program. The state has no authority over the entitlement areas, but both entitlement areas and the other cities and counties must meet basically the same program requirements.

All CDBG grants must meet one of three national objectives. These are 1) principally benefit persons of low and moderate income (LMI), 2) elimination and prevention of slums and blight, or 3) elimination of conditions detrimental to health, safety, or public welfare. Because of the requirements imposed by the federal government to meet the test for objective 2 and 3, most CDBG projects are approved based on principally benefiting LMI persons. LMI is based upon total family income and is computed on a county-by-county basis. "Principally benefit" means that 51 percent or more of those who benefit from a CDBG grant must be LMI.

CDBG grants may be made for economic development or for general community development. For economic development the LMI calculation is based on the employees of the company being served by the water or wastewater project. For community development projects the LMI calculation is based upon residential users.

Tennessee's CDBG allocation has been holding relatively steady at about \$30 million for the last several years.

### **Economic Development Administration**

EDA grants for water and wastewater service must, by statute, be related to economic development. The agency does not develop infrastructure for general community development purposes or quality of life considerations alone. Funds are not protected just for water and wastewater; water and wastewater projects are funded from a general category called "public works." Other types of projects compete for these public works funds. Unlike CDBG, EDA has limited authority to fund capacity building projects without the grant being tied to a firm commitment for business location, expansion, or retention. However, because of reductions in appropriation levels the agency normally limits grants to situations where there is a firm commitment for new jobs. In areas of particular economic distress the agency may fund more speculative projects in order to stimulate growth, but such areas must evidence chronic and severe economic distress, and most areas of the state are eligible for grants only for job creating projects.

**There is no ceiling on the grant amount, but reduced appropriation levels have necessitated reduced grant levels. For extraordinary projects EDA may grant as much as \$1,500,000, but in practical terms a grant of far less is more realistic.**

**Unlike many other programs, there is no allocation of EDA funds to Tennessee. There is an allocation to Region 4 (Southeast) and local governments and other eligible applicants, with the assistance of the EDA representative for Tennessee, apply against the regional allocation. The amount of grant assistance received in Tennessee in any year will depend upon the number and quality of grant applications submitted in the region. There is a "fair share" concept that operates within the region, but Tennessee has been able to exceed its proportionate share in most years. In FY2001 there were approximately \$10 million in EDA grants approved in Tennessee. Statutorily, EDA grants can not exceed 80 percent of the cost of the project. In practice, grants amounts rarely reach 80 percent and most range between 40 percent and 70 percent.**

### **Tennessee Industrial Infrastructure Program**

**In 1988, the General Assembly initiated the Tennessee Industrial Infrastructure Program (TIIP) program with an appropriation of \$55,000,000. Since then, an additional \$129,000,000 has been appropriated. These funds are administered by the Department of Economic and Community Development. The purpose of the TIIP program is to assist local governments in the development of public infrastructure, primarily water and wastewater service, to support economic growth. TIIP is a "bird-in-hand" program; funds may not be used for "speculative" projects but are restricted to situations where there is a commitment by private sector businesses (primarily manufacturing) to locate or expand in the state and create jobs for Tennesseans. Preliminary engineering reports for TIIP applications are submitted to the Department of Health and Environment for a technical review and approval. DHE is asked to identify any portion of the project that is not required for economic development. These portions are eliminated from the TIIP project funding but may be included in the overall project if funded locally.**

**The maximum TIIP grant is \$750,000, but most grants are for substantially lesser amounts. The department utilizes an ability-to-pay index to calculate grant rates. Grant rates for TIIP projects range from 60 percent to 100 percent.**

**At this writing, the future of the TIIP program is in question. Because of budget problems, and an apparent unwillingness to increase revenues, it is possible there will be no additional funds appropriated for the TIIP program.**

### **Rural Development**

**Rural Development has three grant and loan programs that are available for financing water and wastewater projects. However, only one of these should be considered a significant resource. The other two are not well funded and the program priorities are not in water and wastewater even though these projects are technically eligible.**

The primary RD program is the Water and Waste Disposal Program. This program can fund projects for water and wastewater construction and rehabilitation. The program is available only in municipalities of less than 10,000 population (with a priority in municipalities of less than 5,500) and in the rural parts of counties. Utility districts are eligible grantees, but there is a priority on municipal governments. The emphasis of this program is rural residential users. Commercial and industrial users have a much lesser priority.

RD assistance may be in the form of a grant and/or a loan. The amount of grant funds that will be placed in a project will be determined by three factors. First, a grant may not exceed 75 percent of the project cost. Second, the debt service portion of a residential bill must exceed 1 /2 of 1 percent of the median household income of the service area to be grant eligible. Third, the grant amount can not reduce the rate structure below that of similar systems (based on population, income, unemployment, etc.).

The other two RD programs are much less significant in addressing water and wastewater problems in Tennessee. The community facilities loan program funds primarily public facilities such as courthouses, city halls, fire stations, etc. It is possible to use these funds for water and sewer services to an industrial park, but the national priority is on projects with a health or safety objective.

The final program is an industrial development grant. These funds can be used for a variety of purposes including water and wastewater, but with the limited funds available the priority is in other areas.

#### **State Revolving Fund (SRF)**

The SRF, administered by the Department of Environment and Conservation, consists of EPA funds as well as state funds appropriated for the purpose of assisting local governments in constructing needed wastewater facilities. These funds are used together for the purpose of making loans through the SRF. Additionally, the department has state funds that may be used for grants in conjunction with SRF loans.

The EPA program started as a grant program. In 1987 a transition to a loan program was initiated. This transition has been completed, and all EPA assistance is now in the form of loans.

SRF funds are primarily intended to address environmental problems and public health problems. The TDEC maintains a priority list that primarily reflects these two objectives. Projects related to growth and development have a lower ranking on the priority list, but may receive an SRF loan provided funds are available.

During the first quarter of the state fiscal year, TDEC is required to adhere to the priority list and to fund projects in priority order that are ready to go. After the first quarter the department may fund projects that are ready to go irrespective of

their place on the priority list, although an attempt is made to fund higher ranking projects first.

The General Assembly annually appropriates state funds to address health and water quality problems. The amount of appropriation can vary from year to year. The use of the state funds is governed by a six-tiered priority structure. First priority is to provide the required 20 percent state match on federal funds for SRF. Priority two is to provide grant assistance to communities of less than 3,500 with limited ability to pay which have received an SRF loan. The maximum grant is the lesser of 20 percent of the EPA construction cost or \$500,000. Priority three is to provide cost overrun funding on previously approved supplemental and basic grants. Priority four is to subsidize SRF interest rates to below market rate. This, in essence, is a form of a grant although it is delivered as an interest subsidy. Priorities five and six are for supplemental and basic grants. These programs are still authorized, but the magnitude of the demands for the first four priorities make it highly unlikely that priorities five and six will ever be reached.

The interest rates charged on SRF loans are based on ability-to-pay. Rates may range from zero percent to market rate. Most communities qualify for interest rates from 40 percent to 70 percent of market rate.

### **Health Loan Program**

A Health Loan Program operates out of the Bond Finance Section of the Comptroller's Office under the authority of the Tennessee Local Development Authority. The TDEC performs technical reviews of water and wastewater applications submitted to this funding source.

The source of funding for the Health Loan Program are bonds which are issued by the State and loaned to municipal and county governments for water and wastewater projects (other uses are also eligible). State shared taxes must be pledged as collateral on the loan and, therefore, since utility districts are non-taxing entities, only municipal governments and county governments are eligible to apply. The debt services on loans through the Health Loan Program may not exceed 200 percent of the borrower's state shared taxes.

### **Utility Relocation Program**

The Utility Relocation Program (URP) is a loan program that may be used to relocate utility lines which are on a Tennessee Department of Transportation right-of-way and must be moved because of impending road construction. The maximum term on URP loans is ten years. If the loan is repaid within five years no interest is paid on the loan. Interest paid on outstanding balances at the end of five years is equivalent to the rate of return on state investments.

Utility districts are eligible to participate in the URP Program. No collateral is required, but the utility district must be reviewed and be in good standing with the Utility Management Review Board.

## **Local Bonding**

**Some communities, primarily the larger cities, enter the private bond market on their own. Such bonds are normally both revenue bonds and general obligation bonds; system revenues are pledged as the first method of debt services, but the local tax base is pledged as a second, or back-up, security on the bonds.**

**Smaller communities, and communities with limited revenues and tax bases, are at a disadvantage in the private bond market. Smaller communities are limited in the size of their issues to their real or perceived ability to handle the principal and interest payments on the bonds. Additionally, many smaller communities are, or are perceived to be, greater risks, and the resulting interest rates on their bonds may be prohibitively high, if they can secure financing at all. Poor credit ratings and issuing costs make private financing impossible for many Tennessee communities.**

## **Bond Pools**

**Bond pooling mechanisms have been developed in recent years as a way of overcoming the disadvantages to smaller communities, and those with weak credit ratings, of entering the private bond market on their own. The concept is simple. Several projects that would normally be funded separately are "pooled" together and are sold as one issue. The proceeds of this issue are then loaned to the individual borrowers that comprise the pool.**

**There are several bond pools available in Tennessee that may be used to finance water and wastewater projects. The Tennessee Municipal League (TML) and the County Services Association (CSA) operate bond pools for cities and counties. The Tennessee Association of Utility Districts (TAUD) operates a bond pool for their member utility districts. In addition to governmental or quasi-governmental pools, there are bond pool programs that operate solely in the private financial community.**

## **Other Infrastructure Programs**

**This section on physical infrastructure would not be complete without a brief explanation of surface transportation programs. Transportation programs in Tennessee are all administered by the Department of Transportation. This includes federal TEA 21 funds, as well as state funds appropriated by the General Assembly. These funds are used for a variety of purposes including the maintenance of the interstate highway system, construction and maintenance of state highways, and a small programs for rail and port development.**

**Of special importance to the state's economic development programs is the State Industrial Access Road program. The SIA is used to provide road access to locating and expanding industries in the state, primarily manufacturers. It is used in conjunction with the programs which provide water and wastewater service to ensure that industries in Tennessee have the transportation services which they need to be successful.**

## **SECTION IIIC**

### **LEADERSHIP AND CIVIC CAPACITY BUILDING**

Every state can cite examples of communities which have been successful when their location vis-a-vis transportation arteries and urban centers would suggest failure or at least a lesser level of accomplishment. In most cases this success can be directly traced to one or a few individuals who had the vision to imagine something different for their citizens, and the aggressiveness to help their community overcome obstacles.

The leadership and civic capacity building block is directed to stimulating this kind of aggressive attitude toward the future of community and economic development at the local level. It encourages a community visioning process which includes broad participation by all aspects of the community (elected officials, local business men and women, the educational community, health providers, and citizens in general). It includes planning and strategy development to chart the course of the development of the community. It includes the nurturing of leaders for the future. Since development occurs in a regional setting, it encourages a broader perspective than just the municipality or county borders.

#### **Situation Assessment**

Tennessee is very active, and may be among the leading states in the nation, in leadership development. There are numerous federal, state, and local programs available to citizens and local governments which are there to develop leaders of the future and to improve the governing capabilities of cities and counties.

Of the 21 counties in West Tennessee, only three do not have local leadership programs. These programs are focused on educating the leadership classes about the issues which are confronting their communities, and what is being done about them. By and large, the participants in the leadership programs are businessmen, educational leaders, and young professionals who desire to become more active in the affairs of their communities. One might classify them as "leaders in waiting", and it is from their ranks that elected officials and community leaders of the future will come.

WestStar is a regional leadership program which operates throughout the Delta region in Tennessee. Its members consist of exemplary graduates of local leadership programs. As one might imagine, there is a significant amount of interaction between WestStar and local leadership programs, with WestStar being instrumental in fostering and keeping going local programs. WestStar focuses on regional issues. Such issues may be important at the community level, but they are truly issues which impact all of West Tennessee.

There are a number of institutions in Tennessee which are involved in civic capacity building (defined as strengthening the capabilities of local elected officials). Housed in the University of Tennessee, the Institute for Public Service

**(IPS) is one of the leaders in this area. Within IPS are the Municipal Technical Advisory Service (MTAS), the County Technical Assistance Service (CTAS), and the Center for Government Training (CTG).**

**MTAS and CTAS have staff regional located in Tennessee to be of service to city and county governmental officials. In the Tennessee Delta, those staffs are located in Jackson which is somewhat central to the region. These staffs offer training programs and technical assistance in such diverse areas as accounting, personnel management, procurement, public safety, etc. Staff are also available to provide general technical assistance. Each agency employs attorneys who can advise local officials on the legal implications of operating local government. The CGT serves as a training unit for local governments, and offers packaged training programs which are offered periodically to newly elected and appointed officials. Special programs are also offered on an as-needed basis. Increasingly, as a means of expanding the amount of assistance provided, and to reduce costs both to the states and local governments, many standard courses are being offered on the internet. Local officials can stay at home and complete the course work as their schedules permit.**

**The Department of Economic and Community Development's Office of Local Planning offers urban planning services to small towns and counties in primarily the rural parts of the state. Master planning and special functional planning services are offered, as are the implementing mechanisms of subdivision regulations and zoning. There is a Local Planning Office in Jackson which serves all of West Tennessee. The state's planners work under contract with local planning commissions, with the support of the office being paid by the state (65 percent) and by the local grantee (35 percent).**

**Also within the Department of Economic and Community Development is the Governor's Three Star Program For Economic Preparedness. The Three Star staff works with local governments and local industrial boards in helping them prepare for economic development. The program was conceived as a way to help Tennessee communities, primarily those in rural areas, sell themselves as desirable locations for industries. It grew out of a recognition that many small communities did not know how to market themselves to industrial prospects, or even what information they needed to provide. While industrial recruiting is still an important part of the Three Star Program, the program has evolved to emphasize community development as a whole, its philosophy being that helping a community become a desirable place to live and work is a worthwhile goal in its own right. At the present time, Tennessee has 64 certified Three Star communities, with 20 being in the Tennessee Delta.**

**Tennessee has a strong system of local development districts (LDDs) which operate state-wide. In the Delta region of Tennessee, LDDs are located in Memphis, Jackson, and Martin. The districts provide planning and technical assistance services to their member governments, and are especially valuable to their member governments in the preparation of grant applications and in the administration of grants after they have been approved. The are funded by their member governments, by the state, and by several federal agencies.**

If there is one area where Tennessee appears to be on par or above most other states it would be in the area of leadership development and civic capacity building. Consequently, Tennessee would not expect to spend a significant amount of Delta money in these areas

### **Goals and Objectives**

As presented in the previous section, Tennessee has well-grounded programs in leadership and civic capacity building. The overall goal is to ensure that these programs continue, and that gaps in leadership programs are filled.

Local leadership programs must be strengthened, and leadership programs must be created where none exist today. These must be supported by the state and local governments financially and through actions which recognize their importance to local economic and community development, thus providing the local stimulus to maintain them. Specialized leadership programs, such as youth leadership programs, should be encouraged. Today's youth are tomorrow's leaders. This is a tremendous resources not only for the local community, but for the state as a whole, and this resource must be developed.

The WestStar leadership program should be maintained and strengthened as well. Other areas of the state have developed regional leadership programs patterned after West Star. WestStar should continue to be the model for such programs state-wide.

Civic capacity programs should likewise be maintained and expanded. The use of telecommunications and the world wide web should be expanded so that a greater number of training programs can be offered to a greater number of people.

### **Development Programs**

State programs for leadership and civic capacity building are adequately explained in a previous section. Consequently, this information will not be duplicated in Section III.

### **Section IIID Business Development**

Business development is probably the most important of the five building blocks. In fact, the other four areas, while important in their own right, are significant contributors to business development and overall economic growth.

Business development provides jobs for the residents of the region. Business development provides enhanced tax bases for the communities in the region which allows them to provide services to their citizens. Business development and a health local economy are infectious, and create attitudes within the community which become the spawning ground for even more growth.

The Tennessee Delta contains both advantages and disadvantages for business development. The isolation of many areas from centers of population and business activity is a problem. Many areas lack the tools for business development, including supporting businesses and available capital. Also, the emerging infrastructure of telecommunications is not as fully developed in much of the Delta as it is in other regions of the nation.

On the other hand, there are opportunities. There is a growing diversity in the type of industries in the region. As agriculture, mining, and some basic industries have declined, other businesses have emerged generating more high technology jobs. Many areas of the region are exporters, and profit from the growing internationalization of the region's economy. Many areas have been able to take advantage of technology transfer, and have created high value added jobs to take the place of traditional manufacturing.

### **Situation Assessment**

There are two sources of information which may be used to analyze the situation in West Tennessee regarding business development. The first is information through the Department of Labor and Workforce Development on businesses whose employees are covered by unemployment compensation. This does not cover all businesses in the state, but does cover more than 95 percent. The second is information provided by the Department of Economic and Community Development regarding announced business locations and expansions. Announced locations and expansions have not happened, and all that have been announced may not happen, but the slippage between announced and actual is thought to be uniform throughout the state and, consequently, can be used to analyze growth patterns in the Tennessee Delta.

### **Actual Business Development**

Table 11 shows the number of firms and average employment for all businesses participating in unemployment compensation for 1993 and 2000. These data are shown for the state as a whole, and for the three Grand Divisions. The Western Grand Division is synonymous with the Tennessee Delta Counties.

During this seven year period, the number of firms in Tennessee as a whole increased by 13 percent, while in the Delta the increase was only 5 percent. However, when one looks at the number of employees reported, the rate of growth was almost identical at 19 percent and 18 percent respectively.

Table 12 shows the sub-regional growth in firms in the Tennessee Delta. The dominance of Madison and Shelby Counties are apparent. In 2000, these two counties accounted for 71 percent of the firms and 79 percent of the employment in the Tennessee Delta.

## **Announced Business Development**

**Announced business development projects for the 10 year period between 1992 and 2001 for the three Grand Divisions of Tennessee and for the state as a whole are shown in Table 13. The Western Division is synonymous with the Tennessee Delta.**

**These data are inclusive of manufacturing, warehousing and distribution, research and development, and selected services. They do not include retail or local service businesses.**

**Several observations are apparent in these data. First, as a comparison, the Tennessee Delta has 22 percent of the total counties in Tennessee. During the 10 years represented in the data, the Delta counties had 28 percent of the announced projects, 32 percent of the jobs, and 35 percent of the private investment. The number of new locations exceeded expansions of existing industries by almost 10 percentage points. Additionally, the Delta exceeded the rest of the state in new jobs per project, and by average private investment by project.**

**The conclusion which must be drawn from these data is that, as a region, the Tennessee Delta counties are achieving business development at least as much as the rest of the state, and probably above the state average. It is when one looks sub-regionally, at the county level, that disparities within the Delta become obvious.**

**Table 14 shows the number of business development projects by county in the Tennessee Delta, and gives an entirely different view of the Tennessee Delta. While the region as a whole is doing as well or better than the state, that is clearly not the case within the Delta. Two counties, Shelby and Madison, account for over 52 percent of the business development projects during this ten year period. On the other hand, the lowest 10 counties account for only 14 percent. Two counties, Lake and Crockett, account for slightly over 1 percent of the total compared to 52 percent for Shelby and Madison.**

**While the calculations have not been done for the number of jobs and private investment within the Delta counties, it is obvious that this same disparity would prevail.**

## **Goals and Objectives**

**The goals and objectives of business development are relatively simple. The first is the creation of new employment opportunities in the Tennessee Delta. This will be done by encouraging the expansion of firms which are already located in Tennessee, by recruiting industries to Tennessee from other parts of the nation, and internationally, and by fostering the growth of “home-grown” industries. Second is to focus on industries which pay above average wages so that the income levels of Tennesseans will be raised. Third, to ensure that as much of**

this growth and development as possible occurs in the more economically depressed parts of the region.

### Creation of Employment Opportunities

Year in and year out, most jobs and private investments in Tennessee are created through the expansion of firms which are already located in the state. Often this growth goes unheralded; it is more exciting to cut ribbons on new locations than it is to be proud of internal growth. Existing industries are already established in the community. They are comfortable with the work-force. They understand the political structure within which they must operate. The business leaders are members of the community, and participate in various civic organizations. While there is sometimes competition for the location of the expansion (i.e. in another community where that industry also has a location), it is common that an industry's first priority is to expand where it is already located. Consequently, it makes sense to cultivate existing industries as a major source for new jobs and capital investment in the region.

Industrial recruitment has been and will remain an important approach to creating employment opportunities. For an industry to be able to "expand" it must be located in the region. Many existing industries were first recruited to the region from elsewhere in the nation, and even from foreign countries. While "relocations" can be controversial, and will not be supported by DRA funds, in fact most of the industries which are recruited to the region stem from the expansions rather than from relocations. Perhaps the labor market where they are located is saturated. Perhaps they need to be closer to companies which use their output in an end product. Perhaps they are market driven, and need to be in the center of the market of the Southeast. For whatever reason, recruitment is an important strategy of business development, and will be so in the Delta program in Tennessee.

The creation of "home-grown" industries is the third approach to developing employment opportunities in the Tennessee Delta. Individuals start business in their basement or garage, and this business grows to be successful. Perhaps an entrepreneur is working for another business and determines there is a way to go into business producing a competing or supporting product. Many of these new companies are "high-tech" firms, while others produce more traditional products for national and international markets. If one looks just at start-ups as a source of employment opportunities, the numbers pale in comparison with recruited jobs and with expansions. However, in the long run, start-up firms may become major employers. Perhaps one of the best examples is FedEx which was a start-up in Memphis which has grown into an international corporation.

### Increasing Wage Levels

Whether through expansions, recruitment, or start-ups, the goal of increasing wage levels is very important. Tennessee, like many of the Southern states, has had a tradition of low-paying jobs (often called cut-and-sew to cover a number of low-wage businesses). In fact, much of the early industrial growth in Tennessee

was based on low-tech firms from the North and Northeast locating in Tennessee to take advantage of the relatively unskilled workforce and the low wages accepted by these individuals.

While low-wage businesses are common in many parts of the Tennessee Delta, the goal is that the new businesses which are developed will pay above average wages, and raise family incomes. Many social problems can be addressed by individuals making above average wages. Tax bases are enhanced, as is the ability to provide public services. And the purchasing power of the region is increased, which itself encourages additional growth.

### Dispersal of Growth

It is very important that the growth which is hoped for in the region is dispersed as much as possible. There are centers which traditionally receive the bulk of the growth which occurs in the Tennessee. Memphis, Jackson, and Dyersburg are examples of such growth areas. Many parts of the region, however, have not enjoyed the fruits of this growth. Lake County is probably the best example of this, although slow growth has occurred in many other rural counties.

Consequently, one of the major goals of the Delta program in Tennessee will be to encourage growth in many of the counties which have not experienced the same levels of development as have others. This will not be easy to accomplish. There are reasons why certain counties have grown more than others. Sometimes it is geography and physical assets. Sometimes it is an early start, with the accompanying benefits of agglomeration. For whatever the reason, however, the Delta program in Tennessee accepts the challenge of dispersing future growth through the 21 counties of the region to ensure that no county is left behind.

### Development Programs

Many agencies and departments in state government contribute to job creation and economic development. This includes the General Assembly which authorizes and funds development programs, and it includes a number of agencies whose missions, while not focused on development, create an environment where development can flourish. This section, however, will focus on three sectors of the economy which everyone in Tennessee understands are the primary engines of economic development.

Tennessee's development programs are focused on the traditional basic economic activities of manufacturing, agriculture, and tourism. These are sectors which bring new money into the state through the exporting of products or services or, in the case of tourism, by consumers coming to the state and spending their money.

Very little attention is paid to the retail and local service sectors. This is based on the belief that if the basic economic sectors are healthy, individuals will have money to spend, and the retail and local service businesses will prosper as well.

**This should in no way be interpreted as retail and local service businesses being unimportant. They are indeed a very important element of the state's economy. It is just that there is not much the state needs to do to ensure their well being beyond ensuring a strong and vibrant basic economy.**

### **Manufacturing**

**This section is significantly broader than just manufacturing. It includes warehousing and distribution, research and development, certain types of (basic) service industries, and corporate headquarters. The other types of businesses are included under manufacturing for two reasons. First, manufacturing accounts for a significant majority of the activity in this category. Second, the responsibility for encouraging growth in these sectors lies primarily with the Department of Economic and Community Development (ECD).**

### **Marketing and Recruiting**

**ECD's marketing and recruiting mission is to create high-paying, high-quality jobs by marketing the state as a premier business locating, attracting capital investment, and expanding the states diversifying business and industry base. Marketing offices in Nashville, and in Jackson and Memphis in the Tennessee Delta, are actively involved in identifying and recruiting companies to locate in the region from other parts of the nation and from other countries.**

**Within this function, there are separate staffs which focus on domestic marketing and recruiting, and on overseas activities. International offices are maintained in Canada, England (which serves Europe), and Japan (which serves the Far East).**

**ECD's offices in Nashville, Jackson, and Memphis work very closely with a regional economic development program affiliated with TVA's power distributors known as the West Tennessee Industrial Development Agency (WTIDA). WTIDA is located in Jackson, and serves all of the Tennessee Delta.**

**Federal funds will not be used in the recruiting process. However, once the location decision is made by a company being recruited by the state, federal (and state) funds will be used to assist the city or county in which the business is locating to provide the necessary public infrastructure for successful operation. In no case, however, will federal funds be used to assist in the relocation of a company from elsewhere in the United States to the Tennessee Delta.**

**The marketing and recruiting function is perhaps the most visible part of ECD's development programs, and is considered by many to be the most crucial to the state's long-term economic development. While most of the jobs created year in and year out are from expansions of existing industries, these companies will not be existing in Tennessee unless they first locate here.**

## **Business Services**

**The business services function basically serves existing industries, those which currently operate in Tennessee, helping them to grow and expand. Within the business services section, there are three activities: manufacturing services; small business services; and minority business services.**

**Manufacturing services assists existing industries in becoming more productive, efficient, and profitable. Through the “manufacturing means jobs” initiative, ideas and technology are made available to Tennessee manufacturers to help them solve problems and become more competitive. MMJ is a cooperative effort among ECD, the Oak Ridge Centers for Manufacturing Technology, the University of Tennessee Center for Industrial Services, and the Tennessee Board of Regents. The Tennessee Manufacturing Extension Partnership is a cooperative effort with the University of Tennessee Center for Industrial Services to provide help with engineering, training, and technical issues.**

**Small business services provides similar services, focusing on smaller firms, by facilitating an exchange of ideas and improved communications between small business and state government. It also serves as a clearinghouse of public and private sector programs and projects that benefit small business. The small business services is also a prime source of information for individuals who desire to create a new business. Information is provided on organizational issues, tax issues, how to prepare business plans and other information which is require to start and run a successful business.**

**The Office of Minority Business Affairs provides special consulting for prospective and existing minority business, assistance in financial counseling and packaging of loan proposals. The mission of this office is to increase the share of minority business with corporations and government agencies.**

## **Agriculture**

**Despite the growth of manufacturing, warehousing and distribution, corporate headquarters, and service industries, agriculture remains an important part of the Tennessee economy, and the focus of the Tennessee Department of Agriculture. State-wide, there are over 91,000 operating farms, comprising about 12 million acres (approximately half the state). Livestock accounts for about 40 percent of farm receipts, while 60 percent is attributed to crops of various kinds.**

**Agriculture is especially important in the Tennessee Delta. Over millions of years, the Mississippi River has created a fertile agriculture region in West Tennessee, and Memphis has long been known as a major commodity transportation point.**

**The Department of Agriculture provides a number of services to farmers and the agriculture sector. Many of these are directed to the farm itself, helping the farm producer to become more efficient.**

The program which is perhaps the most directly related to the production of agriculture products for sale in national and international markets is that of market development. The purpose of the market development initiative is to maximize opportunities for Tennessee agriculture through marketing programs and promotional services. There is both a domestic initiative (increasing sales of agricultural produces in the United States) and an international program (increasing sales overseas).

Coupled with the marketing initiative, in an effort to increase agribusiness activities in Tennessee. This activity is often conducted in cooperation with Economic and Community Development's marketing and recruiting function.

### Tourism

Often unheralded, tourism is a major industry in the state, with over \$8.5 billion a year in tourism expenditures. The Tennessee Delta is a major tourism destination, with attractions as diverse as Graceland and Beale Street, and Reelfoot and Kentucky Lakes. Other less known tourist destinations are scattered through West Tennessee.

The Department of Tourist Development is largely responsible for encouraging the growth of the tourism industry. They do this through their Travel Promotion and Communications Divisions. One of the state's most significant marketing activities is national television advertising. Commercials promoting Tennessee as a travel destination reach television viewers across the United States. The Department also reaches into the international travel market with promotions aimed at Canada, Great Britain, and Germany. Much of the advertising which occurs is in cooperation with local and regional tourism programs.

### Section III E Health Care

Adequate and affordable health care is important in the Tennessee Delta for two reasons. First, healthy people are more productive. Fewer days of work are missed, and employees are more efficient when they are at work. Second, health is a basic quality of life issue. Delta residents, regardless of their place of residence, should have access to affordable health care as a basic right.

Today, except in the more rural parts of the region, most residents have access to health care facilities. Consequently, the focus of health care programs, while not neglecting the construction of needed health care facilities, is focusing more on networking of other available resources, and making maximum use of available resources.

Despite the advances made in health facility construction and in making maximum use of health care resources, some areas of the Tennessee Delta remain deficient in health care opportunities. This may be because isolation from metropolitan areas and inadequate transportation make it physically difficult to

travel to medical care. Because of salary and wage differentials, and because of the lack of professional stimulation and opportunities for professional advancement, medical personal and often reluctant to practice in rural areas. This problem is exacerbated when income levels prevent people from purchasing health care.

### Situation Assessment

The status of health conditions among the population of the Delta region of Tennessee is not as bad as it could be, but it is not as good as it should be. While the Delta region, with the exception of Shelby and Madison Counties, is primarily rural, there are enough moderate size communities and health services to allow the region to avoid much of the health and medical problems which prevail in some of the more remote and low income areas of the Delta.

There are, however, several indicators which show there is still a significant amount of work to be done before the Delta region and the residents of the Delta have acceptable levels of health care. The following information about health conditions in the Tennessee Delta point to typical problems which plague rural areas throughout the United States.

The average life expectancy in the nation of 75.4 years. All counties in the Tennessee Delta had life expectancies lower than the national average.

Nationally, there are 923.2 deaths per 100,000 population. Only Chester County had a death rate lower than the United States average.

If one looks at the leading causes of death (cancer, heart disease, and stroke), the Tennessee Delta counties are well above the national averages in all causes. This is especially true of lung cancer and heart disease, both of which can be substantially decreased by voluntary actions of the population.

When asked to rate their health status as fair or poor, almost 94 percent of reporting counties reported more health problems than the national average, and over 75 percent reported more unhealthy days.

Many health problems begin at a very early age, and are the result of the lack of or inadequate prenatal and neonatal care. Of the 20 counties reporting, 75 percent reported birth rates lower than national norms, and almost 80 percent indicated above average rates of infant mortality.

The causes of much of the health problems in the Tennessee Delta can be attributed to a number factors including, but not limited to, inadequate information about diet, unhealthy behaviors, unhealthy life styles, low levels of income which make it difficult or impossible to purchase adequate health care, and in some cases the lack of inaccessibility to health care resources (eight Tennessee Delta counties were classified as health professional shortage areas).

## **State Goals and Objectives**

**In Tennessee, the responsibility for ensuring public and individual health rests with the Department of Health. There are obviously other departments which have certain functions which are directly related to health and safety (Environment and Conservation addresses the quality of drinking water), but the bulk of the responsibility, and the agency to whom the public and the Governor look for health matters is the Department of Health.**

**The mission of the Department of Health is to “provide the leadership and support necessary to promote, protect, and improve the physical and mental health and well being of Tennesseans.” In doing this, they have two types of clientele. The first of these is the public in general when they are involved in “public health” issues. The second is the indigent population which does not have the financial capabilities to purchase adequate health care on the open market.**

**The Department of Health has, as have other agencies of state government, recently prepared a Strategic Plan. The Department of Health’s Strategic Plan has six program goals, 36 objectives, and 136 strategies. Obviously, this is too detailed for the purpose of this plan. Looked at as a whole, however, it is possible to identify four over-riding goals which cover most of the department’s Strategic Plan.**

### **Screening / Monitoring**

**It is the department’s goal to maintain an active screening and monitoring system to ensure they are fully informed about the status of public health as well as the status of any individual health problems which may occur. Norms have been established for many health measures, and it is the deviation from the norms which become flash points of concern. Screening and monitoring can take place directly with individuals and with the community at large, it can occur through monitoring the incidence of problems through statistical analysis, or it can occur through networking with the Center for Disease Control or other organizations which review the conditions of health and wellness.**

### **Public Education**

**Public education about health related issues has been and is today a major goal of the Department of Health. Educational programs cover a broad spectrum from information disseminated through the news media, to one-on-one counseling sessions with individuals and small groups. It may involve a variety of subjects including diet, drugs, alcohol, teen age pregnancy, and aids prevention. It may be addressed to any age groups from pre- and post-natal information to teenage mothers, to breast cancer screening for women, to information on working with Alzheimer patients. Public education may be the more important functions of the department since it is much less costly to prevent health problems from occurring as opposed to treating them after they do.**

## **Prevention**

Someone once said “an ounce of prevention is worth a pound of cure.” The Department of Health has incorporated this into their goals and objectives, and works aggressively to help prevent problems from occurring so they do not have to be corrected. To a great extent this is part of the public education program; educating the populous in general and specific at-risk groups about activities and behaviors which make them vulnerable to health problems. It also involves direct intervention in the health process through immunizations, weight control programs, and other activities designed to prevent the occurrence of health problems.

## **Treatment**

Finally, the Department of Health is directly involved in providing treatment to individuals with health problems. This occurs in a number of ways.

County owned health clinics are staffed with medical personnel employed by the Department of Health. This includes primary care physicians, dentists, nurse practitioners, nurses, and nurses aides. These individuals provide direct medical care to primarily indigent individuals who can not otherwise afford health care.

The department also attempts to recruit medical personnel into medically underserved areas in order to increase the number of medical professionals available in rural areas. This includes working with the J-1 visa programs that allows foreign medical personnel to stay in the United States and practice medicine.

The department is also a major advocate for the TennCare program. TennCare is Tennessee’s substitute for Medicaid. There have been problems in securing adequate funding for the TennCare program, and the Department of Health is a major advocate for increased funding. As physicians drop out of the TennCare program, much of the burden for health care has fallen to the county health clinics.

## **State Development Programs**

The Department of Health operates the following programs which are directly related to achieving their mission of ensuring the physical and mental health of those living in Tennessee. The department operates other programs which are less related to the objectives of the DRA, and these will not be discussed.

## **Assessment and Planning**

The department collects and analyzes information for the entire Tennessee population relative to health status indicators. This information is used to shape the health care delivery system in the state, making it more responsive to identified needs. The department uses a process called “community diagnosis”

to assist communities in identifying local health problems, and in the development of plans to overcome these problems.

### **Alcohol and Drug Abuse Services**

Substance abuse and chemical dependence impact the health and welfare of all whose lives are touched by this important public health concern. Alcohol and drug abuse services fund treatment, intervention and rehabilitation through community based outpatient and residential treatment facilities across the state. The program also funds prevention activities designed to prevent alcohol and other drug abuses among youth and adults through targeted education, early intervention, and outreach.

### **Communicable and Environmental Disease Services**

Communicable and environmental diseases continue to pose significant health threats in Tennessee. Local health departments provide testing, counseling, treatment, and contact tracing to control the spread of these diseases. The Department of Health provides immunizations, tracks immunization rates through the Tennessee Immunization Registry, provides outreach to encourage parents to immunize their children, and is involved in coordinating the distribution of vaccine to private providers. The Department is also involved in the investigation of disease outbreaks, contact tracing to control the spread of communicable diseases, and activities to assess the risk of exposure to occupational and environmental hazards.

### **Dental Services**

Health department staff provides oral disease prevention services in schools through the state. These services include oral health education, the application of dental sealants, dental screening and referral, school-based fluoride programs, and daily tooth brushing programs. Clinical dental services are provided in selected local health departments and in community initiative sites to complement needs of underserved areas.

### **Maternal and Child Health**

The maternal and child health population has long been a focal point of public health programs. Local health departments provide a wide variety of services aimed at reducing the infant mortality rate, lowering the adolescent pregnancy rate, encouraging early entry into prenatal care, and reducing childhood morbidity. Services include well-child check-ups, outreach, intensive case management, family planning, prenatal care, mammography screening, and the development of comprehensive school health programs.

### **Minority Health**

The Office of Minority Health advocates development of policies, programs, and services to respond to the health care needs of minority Tennesseans who may

be marginalized from traditional customary services due to age, culture, ethnicity, gender, geography, poverty, or age.

### Primary Care

Local health departments in all 21 Delta counties offer a variety of preventative services. Clinics are staffed with physicians or mid-level practitioners working under supervision and protocol. Local health departments participate in TennCare and other insurance programs.

## **Section III F** **Housing**

Housing is not necessarily a building block for development as are the other five categories mentioned. It is, nevertheless, important for an acceptable quality of life, and is a direct indicator of economic wellbeing. This section, therefore, will be a brief presentation of the housing situation in the Tennessee Delta following the format of the other sections. It will not go into as much depth, however, as the other sections, and interested readers are recommended to consult with the Tennessee Housing Development Agency (THDA) for additional information on housing needs and housing programs in Tennessee.

### **Situation Assessment**

There is not one measure of “substandard” housing which can be used to assess the housing situation in the Delta. There are, however, surrogate measures which can be used to provide information regarding the status of housing. For this analysis, the surrogates of owner occupied housing units lacking kitchen and plumbing facilities, and those built prior to 1950 will be used.

Table 15 shows the two housing conditions selected for analysis for the three Grand Divisions of Tennessee, East, Middle, and West (the Delta). It is apparent from these data that the housing conditions in the Tennessee Delta are not substantially different than they are for the state as a whole. The Delta counties have fewer housing units without kitchens and plumbing facilities than either of the other two regions. In age of housing, the Delta counties are very much like East Tennessee.

Table 16 shows these same data for the Delta Counties. These data do not indicate any unusual patterns about the distribution of housing conditions or age of housing among the counties. In both cases, slightly less than half of the counties had worse housing than the region as a whole. Interestingly, there is very little correlation between counties without kitchens or plumbing and age of housing.

## **Goals and Objectives**

The housing goals as expressed by THDA are three-fold. First, to increase the stock of affordable housing in the state which meets minimum standards of health and safety, primarily for low and moderate income families. Second, to promote home ownership by developing financing mechanisms which low income families can afford. Third, to provide housing opportunities for special needs individuals with special housing requirements.

## **Development Programs**

THDA operates four programs designed to address the housing needs of the state, and achieve the goals discussed above.

### **Homeownership Program**

The purpose of the Homeownership Program is to provide reduced, fixed rate mortgages to very low, low-and moderate income, first-time homebuyers. Funds are made available through the issuance of tax exempt mortgage revenue bonds. Limitations on eligibility are based on household income and acquisition costs.

THDA is not the direct lender to borrowers, but works with approximately 130 approved mortgage lenders across the state or originate the loans. THDA either provides funds to approved mortgage lenders to close pre-approved THDA loans, or purchases pre-approved loans from the lenders after the loans are closed.

### **Low Income Housing Tax Credit Program**

This program offers owners of and investors in rental housing a credit against federal income tax over a period of ten years, provided the owner and/or investor agrees to rent to low-income persons. Developers of multifamily housing for low-income households may apply also for THDA bond authority to be allocated to local issuers for specific development.

### **HOME Grant Program**

The HOME Program is funded by the U.S. Department of Housing and Urban Development, and is designed to promote the production, preservation, and rehabilitation of housing for low and very low income households. This grant program is available to counties, municipalities, and non-profit organizations. Memphis and Jackson in the Delta are excluded from this THDA administered program, but they receive funds for housing directly from HUD.

### **Section 8 Tenant-Based and Project-Based Assistance Programs**

This is a rental assistance program funded by HUD and administered by THDA. The purpose of the program is to enable eligible families or individuals to obtain decent, safe, and sanitary housing by paying a portion of the rental costs for the families directly to their landlord.

## **Role of Tax Exempt Private Activity Bonds**

**Under the provisions of the Tax Reform Act of 1986, each state receives an allocation of tax exempt bond authority for various activities including, but not limited to, single- and multifamily housing, manufacturing, and student loans. This bond authority is managed by the Tennessee Department of Economic and Community Development. In 2001 the state set-aside \$75 million for housing at the beginning of the calendar year, and then allocated an additional \$96 million at the end of the year. Beginning in 2003, the state will increase the housing allocation to \$150 million for THDA, and THDA will remain eligible for additional allocations in December. This represents a substantial commitment to housing in Tennessee.**

## **SECTION IV FISCAL CAPACITY**

With the reductions in federal funding for domestic assistance programs which began approximately 20 years ago, local governments have been forced to rely on state programs and on their local abilities to fund development projects. SECTION IV will discuss the abilities of state government and local governments in Tennessee to finance projects on their own before turning to federal programs.

### **State Fiscal Capacity**

The final section on state fiscal capacity can not be written at this time. Tennessee state government is in the middle of a continuing debate regarding the state's budget, both from the revenue side and the expenditure side. After considerable effort, a budget was finally approved for fiscal year 2003. The debate, however, is far from over. Until true tax reform is achieved, this will be a perennial problem which will have to be addressed.

A large part of Tennessee's revenue comes from a sales tax. Over the years, the sales tax has proven to be both regressive and inelastic, and periodic increases in the sales tax have been necessary to meet the financial needs of the state. Beginning about four years ago, Governor Sundquist attempted to convince the Tennessee General Assembly to modify the state's tax structure to ensure that the state has sufficient resources to meet its needs into the foreseeable future. Despite these efforts, for fiscal year 2003 the General Assembly did not make significant improvements to the state's tax structure. The sales tax was increased, as were various other minor taxes. So-called "sin taxes" were increased, as were some business taxes, and some minor sales tax exemptions were revoked. The bottom line, however, is that a budget for fiscal year 2003 was cobbled together which may be sufficient for a year or two at the most. The long-term financial future of the state, however, is not secure. The state will be unable to initiate few if any new initiatives focused on community and economic development, and within a couple of years, the next Governor and General Assembly will once again be forced to address Tennessee's financial problems/

### **Local Fiscal Capacity**

While the DRA legislation will permit grants to be made for 100 percent of the project costs, Tennessee has elected to base grant rates on the ability to pay of the grantee. There are three reasons for not wanting to make 100 percent grants. First, if the project is important to an applicant, that applicant should be willing to invest some of its own money in the project. Without that degree of local commitment, it is probable that frivolous applications would be submitted based on the attitude "nothing ventured, nothing gained." Second, by making less than 100 percent grants, the funding which is available from the DRA will go farther and more people will be able to be served. Finally, it is only right that those with the greater ability to help themselves be required to do so. For the very poorest cities and counties, those with very little ability, grant rates will approach 100

percent. However, for those with higher incomes and with more established tax bases which can afford to fund projects on their own, grant rates may be as low as 70 percent. Local governments in Tennessee are used to using the ability-to-pay grant rates as they are used in the state-administered “small cities” CDBG program and in the state-funded TIIP program in the Department of Economic and Community Development, and in grant and loan programs in other state departments.

The ability-to-pay index is computed for the state by the Center for Business and Economic Research at the University of Tennessee in Knoxville. It is updated periodically, normally every three years. The current index, however, was developed in 1998 and it is in need of updating. The decision has been made, however, to delay updating until the Tennessee General Assembly achieves significant and meaningful tax reform. Some of the tax measures proposed in the General Assembly include a state property tax (which for decades has been the domain of local governments), rescinding state taxes which are shared with local governments, and increasing the state sales tax which could impact the level of sales taxes levied at the local level.

There are really two ability-to-pay indices depending upon the type of project being funded. For projects which are normally funded through user fees (water and wastewater projects are prime examples), ability-to-pay is based on per capita incomes, with communities with higher incomes paying a greater percentage of the total cost of the project. For projects which are normally funded from the general tax base of the community, ability-to-pay will be based on the amount of taxable sales, the amount of taxable property values, and per capita income.

Within each of these indices, there are three individual grant rates which are determined by the location of the project beneficiaries. These are (a) individual municipalities, (b) the rural part of the county, excluding the municipal governments within that county, and (c) county-wide. The state will select the appropriate grant rate depending upon the characteristic of the project being funded.

Grant amounts will be based on the ability-to-pay indices applied to the total cost of the project, not to exceed \$500,000 in most cases. However, for very large and complex projects, with large total costs, a \$500,000 maximum grant may place an inordinate burden of funding on the local government. Therefore, projects which reach the \$500,000 ceiling will be individually evaluated against the financial ability of the potential grantee, and grants in excess of \$500,000 will be recommended if this is warranted.

While the state fully intends to implement the above policies as stated, there may be instances where unusual conditions will warrant exceptions. Each situation which warrants an exemption to the state's base policies will be fully explained when the application is submitted. Included as an appendix to this plan is the ability to pay index for the entire state, with the index for the Delta region in bold letters.

**SECTION V**  
**DELTA REGIONAL DEVELOPMENT PROGRAM**

In Tennessee, the Delta development program will be defined by two very important parameters. The first is obviously the authorizing legislation. The DRA legislation establishes a clear sense of purpose, goals/objectives, project priorities, and targeting mandates. The legislative requirements will, obviously, be met. The second is how the DRA program should be used to achieve the goals established for the development of the Tennessee Delta.

**Legislative Mandates**

Legislative mandates for the DRA program are contained in various sections of the authorizing legislation. These are presented here, and will form the guiding principles for the use of DRA funds.

Section 382C states that the DRA may approve grants to states and public and non-profit entities for projects for the following purposes:

1. To develop the transportation infrastructure of the region for the purpose of facilitating economic development in the region.
2. To assist the region in obtaining job training, employment-related education, and business development (with an emphasis on entrepreneurship) that are needed to build and maintain strong local economies.
3. To provide assistance to severely distressed and underdeveloped areas that lack financial resources for improving basic public services.
4. To provide assistance to severely distressed and underdeveloped areas that lack financial resource for equipping industrial parks and related facilities.
5. To otherwise achieve the purpose of this subtitle.

Items 1 through 4 are fairly specific. Item 5, however, is very general. Item 5 will be interpreted by Tennessee as establishing eligibility for any projects which contributed to the general social and economic development of the Tennessee Delta which is the purpose of the DRA legislation and program.

Section 382C further establishes an order of priority for DRA investments in order to build the foundations for long-term economic development and to complement other federal and state resources available in the Delta. 382C provides that funds shall be focused on the following activities in the order or priority provided.

1. Basic public infrastructure in distressed counties and isolated areas of distress. This section does not define “basic public infrastructure” nor

how “isolated areas of distress” are to be identified. It will be Tennessee’s position that “basic public infrastructure” includes, but is not limited to, water and sewer services. It is the state’s position that it also includes other public services such as health care and fire protection services which are commonly considered to be minimum requirements for an acceptable quality of life. The Authority has adopted EDA’s definition of distressed counties which is based on income levels, poverty levels, and unemployment rates. All Tennessee Delta counties are classified as distressed except Shelby, Madison, and Obion. “Isolated areas of distressed” (also called pockets-of-poverty) will be defined on a case-by-base basis by the DRA as financial assistance is deemed necessary in these areas.

2. **Transportation infrastructure for the purpose of facilitating economic development in the region. Most transportation projects are very costly, and sufficient funding was not provided in the initial appropriations to adequately fund transportation infrastructure. However, Tennessee will place a high priority on the development of smaller, less costly, transportation infrastructures which may be required for local economic development programs.**
3. **Business development, with emphasis on entrepreneurship. Tennessee, as do most other states, have on-going business development programs. Tennessee will capitalize on opportunities to use DRA funds to supplement funding in these programs, and to accelerate the growth of private business in the region.**
4. **Job training or employment-related education, with emphasis on the use of existing educational institutions in the region. Again, Tennessee has established programs in job-related training. DRA assistance will be considered where gaps are seen in this assistance, and where a small amount of additional financing can have a significant impact.**

In the selection of projects to be funded, Section 382H requires the DRA to give consideration, to the maximum extent practicable, to the following items.

1. **The relationship of the project or class of project to overall economic development.**
2. **The per capita income and poverty and unemployment rates in the area.**
3. **The financial resources available to the applicants for assistance seeking to carry out the project, with emphasis on ensuring that projects are adequately financed to maximize the probability of successful economic development.**
4. **The importance of the project or class of projects in relation to other projects or classes of projects that may be in competition for the same funds.**

5. The prospects that the project for which assistance is being sought will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic development of the area served by the project.
6. The extent to which the project design provides for detailed outcome measurements for which grant expenditures and the results of the expenditures may be evaluated.

Tennessee has developed an application process which will ensure that these items are taken into consideration in the selection of projects to be funded. Further, these have been incorporated into project evaluation methodology developed by the Federal Co-Chairman, and this “point system” will be used in the actual grant approval process.

Section 382F establishes very specific targeting requirements in two areas.

1. At least 75 percent of DRA funds must serve the needs of distressed counties and isolated areas of distress.
2. At least 50 percent of DRA funds must be used for transportation and basic public services.

In the selection of projects to be assisted with DRA funds, Tennessee will ensure that these targeting requirements are met.

### Tennessee Delta Investment Priorities

The Tennessee Delta program is based on two very basic principles. First, all projects are intended to contribute to economic development. Some projects do this more directly than others, but all projects, even those addressing basic quality of life issues, are intended in one way or another to make the Delta region of Tennessee more competitive for new jobs and capital investment by the private sector.

Second, the DRA program is but one tool for the improvement of the Delta region of the state. Equally important are other federally funded programs and state funded programs. Depending on the type of project involved, the time schedule of the project, and the degree to which the project builds capacity for further development, the state may utilize funding from a single program, or from a variety of programs.

## **Public Participation**

**The State of Tennessee periodically conducts a public participation process to determine local priorities for the use of grant funds in Tennessee. The information obtained from this information is largely responsible for the structure and priorities of various programs.**

**The most valuable information is obtained from a questionnaire which is sent to every mayor and county executive in the state as well as being available for completion by organizations, special interest groups, and private citizens. Local elected officials were especially encouraged to participate in the survey because it was felt that they have the most balanced view of community needs of any probable responder. Housing officials can be expected to be housing advocates, economic developers can be expected to have a priority for economic development projects, parks and recreation people want recreation projects. Local officials, however, are elected by the population in general to represent their interests, and can be expected to have the most balanced understanding of local needs.**

**Local officials were requested to apportion 100 points among various types of projects which could be funded in order to determine the degree of importance placed on various projects. Using the 100 point approach allow local officials to not only express their priorities, but requires them to express how much more or less important one type of project is than another. The categories identified in the questionnaire were those revealed as most important based on the number of applications submitted under other grant programs, especially the ARC and CDBG program. Respondents were also given the opportunity to identify categories of projects not listed.**

**The last questionnaire was distributed in 1999 and was tabulated in 2000. This is the most current data available, as the questionnaire will not be reissued until 2004. State-wide, 445 questionnaires were returned, with 254 being received from local officials. Table 17 shows the results for the state as a whole, and for the Delta.**

**These data reveal two very important positions. First, by far, water, sewer, and economic development are the highest priority for the use of DRA funds. Second, there is not a great difference between the responses of local officials in the Delta and those in the balance of the state. For example, local officials state wide placed almost 51 percent of the points on water, sewer, and economic development, while in the Delta this was almost 53 percent for the same categories. In structuring the Delta program in Tennessee, every attempt will be made to conform the program to what is seen as the priorities at the local level.**

## **Program Priorities**

**Based on the results of the questionnaire, the following priorities are established for the use of DRA funds.**

**The highest priority is for “bird-in-hand” industrial infrastructure projects where DRA assistance is being provided to a community to help meet the infrastructure requirements of a company which is locating or expanding. DRA funds will not be used to cause a company to relocate, only to help the community provide the required infrastructure after the location decision has been made.**

**Every attempt will be made to structure industrial infrastructure projects so that they serve or have the capability of serving more than one company. This not only builds capacity for future economic growth, but avoids the charge of “corporate welfare” which frequently stems from a single beneficiary project. However, in areas of economic distress and high unemployment, single beneficiary projects may be necessary to begin to build a local economy.**

**Second priority will be to address problems related to health and safety. These may be water and wastewater projects where there are health and environmental problems. They may be primary health and dental care projects in medically underserved areas. They may involve the purchase of emergency equipment for areas which are distant from sources of emergency care.**

**Third priority will be to take advantage of “projects of opportunity” which advance other goals of the state Delta plan.**

## **Project Selection Criteria**

**Tennessee recognizes two basic types of projects, economic development projects that create or enhance employment opportunities for individuals, and community development projects which increase the quality of life in the community, and make the community more efficient. The criteria used to select projects for funding varies depending upon the type of project being considered.**

### **Economic Development**

**The purpose of the economic development program is to assist in the development of a diversified economic base which will produce a self-sustaining economy in order to increase employment opportunities and income levels. Specific objectives are the following:**

- 1. Encourage the creation, retention, and expansion of commercial, industrial, agricultural, forestry, tourism, and other basic enterprises.**
- 2. Assist in the development of infrastructure facilities and human resource and housing programs that will support the growth of private enterprise.**

3. Upgrade skills for regional jobs by initiating or improving training activities to make them more relevant to the current or future job market.
4. Develop and strengthen local governments through service to consolidations and other institutional arrangements that will help sustain a climate for economic growth and stability.

In considering the use of Delta and other resources to achieve the above objectives, a priority will be given to projects that will have the maximum and most immediate impact on economic development.

1. First priority will be for infrastructure projects whose Delta investment is directly related to a commitment to create, expand, or retain private sector employment, and where these infrastructure improvements are required to secure the private sector investment. Infrastructure improvements will include, but not be limited to, water and wastewater system improvements, access roads, improvements to rail, air, or water transportation, and improvements in telecommunications.

Businesses creating, expanding, or retaining employment resulting from the Delta investment must meet the following criteria;

- a. They must be basic businesses which sell a majority of their product or service in national or international markets (retail or local service businesses are specifically excluded), or
- b. They must be businesses that directly support and are critical to the success of a basic enterprise, or
- c. They must be businesses that produce products or services which are not currently being produced in Delta Tennessee.

The private sector businesses that benefit from Delta infrastructure investments must demonstrate the following conditions that, cumulatively, improve the likelihood of success and long-term employment opportunities in Delta Tennessee.

- a. The management personnel must be skilled and experienced in the operation of the type of business being proposed. If these skills and experience are missing, a commitment must be made by the company to acquire them.
- b. The business must have a sound business and marketing plan that evidences they have analyzed the structure of the industry they are entering, have a proven market for their product or service, and have anticipated the risks associated with a new business venture and have taken them into account.



assistance; b) the technical feasibility of implementing the project as designed; c) the severity of the need for the project compared to other problems that exist, not only in that community, but across the state; d) the cost-effectiveness of the project.

Other things being equal, a higher priority will be given to projects that are submitted from communities that have little ability to carry out the project without assistance from outside sources. A number of factors will be considered in arriving at the determination of financial ability. These include income levels of the community, short and long-term rates of unemployment, poverty rates, and the ability-to-pay index.

The technical feasibility of the project is an extremely important consideration, particularly in projects that involve the provision of water and wastewater service, transportation facilities, telecommunications, and similar projects that require engineering or other equally technical investigations. Only those projects that are found to be technically sound will be considered for funding.

The relative severity of the problem that the project is designed to address is difficult to determine because of the myriad of types of projects that must be considered. Listed below are the factors which will be taken into consideration in assessing the severity of need for projects that are commonly submitted for funding. The final category of projects, community livability, encompasses other types of projects.

For water line extensions, need will be measured by the following factors: a) water quantity problems as indicated by days of water shortage or days when the existing water source was incapable of meeting the needs of the community; b) water quality problems as measured by bacteria content in the water; c) water quality problems as indicated by mineral content in the water.

For water treatment plants, need will be based on the ability of the existing plant to provide the quantity and quality of water required to meet customer needs, and the standards of the Tennessee Department of Environment and Conservation (TDEC). Quantity problems are evaluated based on the percent of the existing capacity of the plant that is being utilized. Quality problems are evaluated by engineers in the TDEC.

For water distribution systems, need will be based on deficiencies in the existing distribution facilities as evidenced by lack of water storage, pressure problems, and water loss. The adequacy of storage is based on TDEC's requirement for storage capacity equal to 24 hours average usage. Pressure problems will be documented by pressure tests. Water loss is calculated based on the difference between water produced and water sold.

For water source development, need is based on the ability of the current source to produce sufficient water to meet the projected demands for the quantity and quality of water required by the community.

For sewer system projects, need will be based on the priority list maintained by the TDEC for the Environmental Protection Agency. Highest priority will be given to new treatment plants, small alternative wastewater systems (SAWS), and other innovative alternatives.

For sewer line extensions, need will be based on septic tank failure rates.

Other types of projects fall into a community livability category. Because of the large number of potential projects that may be submitted in this category, the funding criteria are necessarily more subjective. Highest priority is given to projects that relate to health and safety. Major consideration is given to the severity of the problems that are expressed in the application, and the adequacy of documentation to substantiate the nature and magnitude of the problem .

### Funding Plan

The allocation of Delta funds will be based on the following criteria: a) ineligible activities; b) funding limitations established in the Delta authorizing legislation, regulations, and guidelines, c) funding limits imposed by the state.

### Ineligible Activities

There are certain types of projects which are inappropriate for Delta funding. Except for very unusual circumstances, which will be fully documented and explained, the following types of activities will not be eligible for Delta funding in Tennessee:

1. Projects which would result in the relocation of business enterprises from another state to Tennessee.
2. Funding commitments that will influence the location of new industry or the expansion of existing business enterprises within the state. This restriction, however, will not extend to assisting a community in meeting the infrastructure or social demands that may be placed on it by a business that has already decided to locate or expand.
3. Projects that are related to the general operation of local governments. This would include the construction of city halls, courthouses, jails, etc., as well as salaries and operating costs related to these governmental functions. This restriction will not, however, extend to programs operated by local governments that provide direct service to the residents of Delta Tennessee such as education or health services.
4. Political activities of any kind at the local, state, or national level, will be ineligible for Delta funding.

## **State-Imposed Funding Limits**

**The state's ability-to-pay index determines the funding required from applicants regardless of the source of other funding which may be available. For example, if an applicant had an ability to pay of 15 percent, it would be expected to invest 15 percent of the project costs from local sources. The remaining 85 percent of funds may come from Delta funding, other federal sources, the State of Tennessee, or other funding sources not associated with the county or municipality responsible for financing the project.**

## **SECTION VI**

### **ORGANIZATIONAL STRUCTURE**

Implementation of the DRA program is complex because of the differing roles and functions of the various agencies which are involved. The purpose of Section VI is to describe the organizational structure of the DRA program in Tennessee, and how the various individuals and agencies which are involved in implementing the program work together.

#### **State Organization**

As provided in the DRA legislation, the Governor is the chief operating officer for the program in each state. Each Governor, however, may have an Alternate who will manage the program on a day-to-day basis, following the policies and priorities established by the Governor.

In recognition of the fact that the DRA program in Tennessee is first and foremost an economic development program, the management of the program is housed in the Department of Economic and Community Development (ECD). The Governor's Alternate to the DRA is the Director of Grants and Loans in ECD, and chairs ECD's Grant and Loan Committee which is composed of the Commissioner, Deputy Commissioner, and Assistant Commissioners. The Governor's Alternate has immediate access to the Commissioner of ECD and the Governor as required for administration of the DRA program in Tennessee.

Other state departments (Transportation, Health, and Education especially) are frequently involved in matters of relevance to the Tennessee Delta and to the administration of the DRA program. Programs are coordinated with these departments (and others) as warranted depending on the issues involved.

#### **Local Governments**

Local governments are the ultimate beneficiaries of the DRA program, whether as the providers of services to businesses in their communities or to the citizenry at large. As such, they are the principal spokespersons for community needs in the Delta. Local governments are involved in the DRA program directly and through local development districts.

#### **Local Development Districts**

Local development districts (LDDs) are an integral part of the DRA program in Tennessee. They represent sources of information about needs and priorities at the regional and local levels. LDDs prepare grant applications for their member governments, not only for DRA but for other programs that are utilized by local governments. Depending upon the nature of the project being implemented, development districts may be directly involved in the administration of DRA projects.