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Schools and Jails
Roane County Investment in Capital Assets

Over the last five (5) to eight (8) years, Roane County Commission and School Board have explored various options on the building of two major capital projects. These projects being an Education Improvement Plan (consolidated schools) and Phase II of a jail expansion.

It is of much concern that we have to talk about these projects together but it seems that Roane County is not in this dilemma alone. The overcrowding of jails is happening everywhere with the ever expanding drug problem within our country. Education is always having an improvement discussion and frequently improvement means capital investments as existing facilities are becoming physically or due to change in purpose functionally obsolete.

The Commission started discussion of a Phase II Jail Project in May 2013 as the Tennessee Corrections Institute (TCI) inspector noted overcrowding of the current facility. Since 2013, the Commission has worked with the State and the University of Tennessee (UT) to address the overcrowding issue and to study a proposal for Phase II Jail Expansion. Detail reports of the State, Commission, and UT work can be found on the county website. The county recognizes that we will not be able to build our way out of overcrowding and is taking additional steps to rehabilitate the convicted by way of establishing a drug court, rehabilitation program within the jail, and streamlining jail population management. Investments are taking place impacting operational cost as well as the need for capital investment. If the operational cost investments are unsuccessful, the county will not only be expanding the jail in Phase II (additional 198 beds) but also Phase III (180 beds). After a Phase III, the county recognizes another location may be needed. We hope it is decades before Phase III is considered.

Schools consolidating have taken place since one room schools and transportation was just horse and buggy. Roane County has seen consolidation to improved effectiveness and efficiencies. Roane County has seen consolidation of city systems due to financial issues. The city schools of Rockwood and Harriman have both exited managing school systems due to cost of providing this needed government service. Just think if Roane County was not in the education business, our tax rate would be cut more than half.

Recognizing that schools assets become physically and to a lesser degree functionally obsolete plans must be put into place to replace the assets.

The need for additional facilities brings us to the financial discussion of what is the cost in tax rate and to taxpayers? There has been numerous articles about school debt retiring allowing the tax rates that are associate with old school debt to be used for new school debt and the same can be said for the debt being retired to help pay for the new jail. We have come to a time that we should end the discussion of what type of debt is being retired and could apply to a specific new project and now focus on which project or projects should be approved, when they should be approved, and at what cost.

Here is the cost of a project in property tax pennies. Each million dollars is at a cost of one half (1/2) of a tax penny. The Jail Project Phase II is estimated at $23,000,000 or eleven (11) to twelve (12) pennies. The Oliver Springs/Midway Project is approximately $10,000,000 (it starts out at $6,500,000) or five (5) pennies. The consolidated school plan is $68,000,000 or thirty-four (34) pennies.

In the 2022 Budget, sixteen (16) pennies are freed up from paying off old debt. In 2024 an additional six (6) pennies are freed up from additional payment of old debt. It's a few years out but twenty-two (22) pennies become available which could fund $44,000,000 in capital assets. What this also helps us understand is that there are not enough pennies to do all the projects even if the county leadership would want to. We also understand that borrowing for the county is similar to a personal home loan where you generally pay an interest payment during the construction phase allowing projects to start a few years earlier than the retirement of old debt.

The Commission decision is based on a number of factors: Is this project the right thing to do, how does the cost impact the financial picture, and if the project is to be done then when?

A million dollars of new debt cost ½ a penny and sometimes this cost to the taxpayer is offset by the retirement of existing debt.

This article deals with only the cost to service the debt and does not address any increase or decrease in operational cost of the new facilities or the cost if nothing is done.