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CHALLENGING MINDS, CHANGING LIVES

Commentary

Challenges in securing financial resources on aging infrastructure in Jackson, Mississippi

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Infrastructure is defined as the basic physical and organizational structures and facilities (e.g., buildings, roads, water systems and power supplies) needed for the operation of a society or enterprise. These structures are the foundational framework needed for the residents' daily living and vitality of communities. Municipal infrastructure is essential to the economic, social, and economical activities of the cities. Cities need to build and maintain their infrastructure and to deliver the municipal services that will attract skilled individuals and firms. Cities are required to provide roads, transit, water, sewers, and other hard services, and they also have to provide services that enhance the quality of life such as park, libraries, social housing, and recreational facilities. Cities need to secure appropriate financial tools for the needed infrastructure investments. The following is a list of common problems exposed to municipalities for proper infrastructure management at communities:

- Revenue sufficiency
- Building capital to fund improvements
- No sustainable funding source for drainage and roadway improvements
- Limited engineering and technical staff
- Limited number of in-house crews and operations staff
- Rapidly deteriorating infrastructure and deferred maintenance
- Regulatory programs (Powell, 2014)

The major funding methods available for communities are city income tax, property tax increases, sales tax, municipal bonds, bank loans, private-public partnerships, contracting public services, public procurements and state and federal block grants. Among them, property tax is an important source of revenue to municipalities. However, the property tax is an inelastic source of revenue; it does not increase automatically over time as the economy grows. Calgary Mayor Naheed Nenshi recently decried property taxes as "regressive and medieval," (Cowan, 2013). The high pace of institutional and political decentralization such as unfunded mandates has been causing high level of financial stresses to state and local governments. The National League of Cities and the Water **Infrastructure** Network argued that federal assistance is essential in **financing municipal** drinking water **infrastructure** in the US (Kocheisen, 2002).

A Short Snapshot of the Current Situation

In shrinking communities like Jackson, Mississippi, there lies a common problem of aging infrastructure in addition to meeting other local budgetary needs. The following is a snapshot of the current situation of the City of Jackson, Mississippi:

- Jackson had a population of 184,256 in 2000, which is a drop of over 12,000, or 7%, compared with the1990 Census count of 196,637, continuing a 20-year trend of overall population decline in Jackson (Census, 2000).

- Presently, Jackson has a 171,155 citizen within it radius of 113 square miles (Census, QuickFacts).

- Unincorporated Hinds County experienced a decline in population of over 4,000 people between 1990 and 2000. The portion of Hinds County residents residing in Jackson has been between 70% and 80% since 1970. In 2000, 73% of Hinds County residents resided in Jackson. This is down from a peak of 80% in 1980. In 2014, the population was estimated as 243,729 (Census, QuickFacts).

- The racial composition of the City has been changing in recent years. Between 1990 and 2000 the Afro-American population grew by over 21,000 residents. Over the same ten-year period the number of White residents decreased by almost 35,000. In 2000, the racial composition of Jackson was 70% Black, 28% White, 1 % Asian, and 1 % Other (Census, 2000). In 2010, the portion of Black was reported as 79.4 %, White as 18.4%, Asian as 0.4% and the others as 1.8% (Census, QuickFacts).

- Total estimated needed infrastructure spending in Jackson exceeds $743 million between now and 2031 of which $664 million is not budgeted. Water and wastewater infrastructure improvements are estimated at $658.3 million. Drainage improvement is currently estimated at $40.1 million. Roadway resurfacing (milling and overlay) is estimated at $44.5 million. In addition, MS DOT State Aid has evaluated the City's 200+ bridge structures and assigned 60% of the structures a sufficiency rating of 50 or less (Powell, 2014).

During election campaigns, politicians run for their political offices, promising that their foremost priorities are on municipal infrastructure improvement such as road and tap water maintenance. Formal Mayor Lumumba took the issue to the people for a vote, expressing the dire need of the crisis. He stressed the need for Jacksonians not to depend on the state but to take on the burden themselves. The current mayor, Tony Yarber, has committed to continue in the same vein. He has pledged the infrastructure issue to be his number one priority. He stated they he would not seek any quick plan to fix to repair roads and streets.

However, it is quite rare that they develop effective plans for infrastructure improvement. Prioritizing budgeting on the part of city administration is essential to assure that public funds are being use in the most discretionary ways possible. There seems to be no quick and easy answer to these lingering problems. Jackson is in desperate need to finds funds in order to offset these growing expenditures. There is not a quick fix. In order to tackle the water infrastructure issue, residents of Jackson voted on a one percent sales tax increase on January 2014 to be levied over a twenty-year period.

Public infrastructure assets are in significant need of repairs and upgrades just to maintain current service levels but there is a severe shortage of capital. The city is inundated with infrastructure problems on how to pay for many of its outdated structures when its budgets are already stretched to the limit. What do we do about it? How do we pay for it when municipal government is operating in deficit? This commentary focuses on financing on aging infrastructure in the City of Jackson.

Jackson One Percent Sales Tax Increase

In order to tackle the water infrastructure issue, Jackson voted on a one percent tax increase on January 2014 to be levied over a twenty-year period. The one percent sales tax has generated $5,645,715 from April 1, 2014 to September 2014, and the one percent sales tax is estimated to generate additional revenue, $232,000,000, over a 20-year period (Coates, 2015). When 90 percent of the voters approved the additional tax in January, 2014, they understood that the estimated $15 million would go toward the city's infrastructure which has been a thorn in Jackson's side for years.

The tax originally applied to all business in the state making sales, delivery, or installations of property or services within the city of Jackson. However, House Bill 787, which passed in April, 2014, allowed tax exemptions for certain items (Barnes, 2014). The original sales taxes included some exemptions: food and beverages at restaurants, lodging from hotel and motel rooms, retail sales of food not purchased with food stamps, and subscription television and Internet services. However, the amendments (House Bill 787) imposed increased the number of exempted goods and services. The items to be exempted from the tax include wholesale sales of food and drink for human consumption sold to full-service vending machine operators and the wholesale sales of light wine, beer and alcoholic beverages. This increase in exemptions could cut the estimated tax revenue down to $8 million or $9 million (Ward 4 Councilman De'Keither Stamps).

Conclusions & policy recommendations

It is quite clear that the additional financial revenue coming from the one percent sales tax increase alone is not sufficient enough to support the needed infrastructure management for the City of Jackson. The infrastructure financing issue is not unique to City of Jackson. Other cities in the region also have been experiencing the same issue and they have been solving the issue using their own ways. For example, the city of Mobile, Alabama levied a one percent tax on sales in order to generate revenue to pay for its infrastructure needs. The City of Baton Rouge, Louisiana levied a hotel/motel tax in order to fund various programs and projects (Baton Rouge, 2014). Additionally, several municipalities use income tax on city employees in order to finance funding for capital improvements, but no cities in this study had an income tax. However, most cities depend on issuing bonds to finance long term investment in order to improve in downtown infrastructure. These options are available for the City of Jackson. In addition, due to the unique situation of the City of Jackson, we can consider more options. The following is the list of policy agendas should be explored:

- The Legislature should reapply House Bill 787 originally tax levies on all businesses making sales in the City of Jackson.
- A new tax on all guns sold in the city limits for sustainable revenue to cover bond issues.
- Increasing gasoline tax would generate more revenues for infrastructure building.
- Consider issuing revenue bonds to pay for large capital projects.

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