TENNESSEE STATE FUNDING BOARD
November 20, 2017
12:30 p.m./W.R. Snodgrass TN Tower – (Nashville Room-3rd Floor)

AGENDA

1. Call Meeting to order

2. Approval of State Funding Board Minutes from September 8, 2017.

3. Presentation of Report for October Revenues: Commissioner Larry Martin, Finance and Administration

4. Revenue Estimating Presentations:

   Presenters:

   Mr. Lee Jones, Vice President and Regional Executive
   Federal Reserve Bank of Atlanta, Nashville Office

   Dr. William Fox, Professor of Economics
   Boyd Center for Business and Economic Research, UT

   Dr. Jon L. Smith, Director
   Bureau of Business and Economic Research, ETSU
   Dr. Joseph Newhard, Assistant Professor of Economics, ETSU

   Commissioner David Gerregano, Department of Revenue, State of
   Tennessee Mr. Kirk Johnson, Director of Research
   Dr. Michael House, Staff Economist

   Ms. Krista Lee, Director, Fiscal Review Committee, State of Tennessee Mr.
   Bojan Savic, Chief Economist

5. Lottery Revenue Estimating Presentations:

   Ms. Krista Lee, Director, Fiscal Review Committee, State of Tennessee
   Mr. Bojan Savic, Chief Economist

   Tennessee State Lottery Corporation:
   Ms. Rebecca Hargrove, President & CEO
   Mr. Andy Davis, Chief Financial and Technology Officer

   Mr. Tim Phelps, Associate Executive Director for Grant and Scholarship
   Programs, Tennessee Student Assistance Corporation (TSAC)

6. Request to the Board for consideration for program funding for the fiscal year 2017-2018 from Net Lottery Proceeds pursuant to Tennessee Code Annotated Section 4-51-111(c)(2)(B)

7. Report from the Department of Economic and Community Development (ECD) for approval of funding for the following projects:

   - **American Lebanese Syrian Associated Charities ("ALSAC") and St. Jude Children's Research Hospital ("St. Jude") – Memphis (Shelby County)**
     FastTrack Economic Development Grant $24,000,000

   - **Nokian Tyres U.S. Operations LLC – Dayton (Rhea County)**
     FastTrack Job Training Grant $ 6,435,000

   - **Gränges Americas Inc. – Huntingdon (Carroll County)**
     FastTrack Economic Development Grant $ 1,375,000

   - **Gränges Americas Inc. – Huntingdon (Carroll County)**
     FastTrack Economic Development Grant $ 1,500,000

   - **Volkswagen Group of America Chattanooga Operations, LLC – Chattanooga (Hamilton County)**
     FastTrack Job Training Grant $12,000,000

   - **Amazon dedc, LLC – Memphis (Shelby County)**
     FastTrack Economic Development Grant $ 3,000,000

   - **Shaw Industries Group, Inc. – Decatur (Meigs County)**
     FastTrack Economic Development Grant $ 1,500,000

Recess (To Reconvene November 27, 2017, at 1:00 p.m./W.R. Snodgrass TN Tower – Nashville Room-3rd Floor)

TENNESSEE STATE FUNDING BOARD
September 8, 2017

The Tennessee State Funding Board (the "Board") met on Friday, September 8, 2017, at 2:00 p.m., in the Tennessee State Capitol, Ground Floor, Executive Conference Room, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
The Honorable David Lillard, State Treasurer

The following members were absent:

The Honorable Bill Haslam, Governor
Commissioner Larry Martin, Department of Finance and Administration

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the August 17, 2017 meeting. Mr. Lillard made a motion to approve the minutes. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Bob Rolfe, Commissioner of Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Senior Advisor for Fiscal Policy, ECD, to present the "FastTrack Report to State Funding Board" (the "Report"). Mr. VanderMeer reported that, as of the date of the last Board meeting on August 17, 2017, the FastTrack balance was $244,893,387.42. Since that time, $2,131,173.00 in new grants had been approved and $142,113.45 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of $242,620,100.97 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of $195,160,870.93, resulting in an uncommitted FastTrack balance of $47,459,230.04. Mr. VanderMeer reported that the projects to be considered at this meeting totaled $5,520,000.00, and if these projects were approved, the uncommitted balance would be $41,939,230.04 and the total commitments would be $200,680,870.93, which represented 82.7% of the FastTrack balance.

Mr. Rolfe stated that the projects were being presented to the Board because state law required that FastTrack projects in amounts exceeding $750,000.00 per eligible business within any three-year period be reviewed and approved by the Board. Mr. Rolfe then presented the following FastTrack projects:

- **Tyson Farms, Inc. – Union City (Obion County)**
  FastTrack Economic Development Grant $3,000,000.00

- **Monogram Refrigeration, LLC – Selmer (McNairy County)**
  FastTrack Economic Development Grant $2,520,000.00

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms signed by Mr. Rolfe. Mr. Wilson inquired if the information provided in the ECD packets was true and correct and Mr. Rolfe responded affirmatively. Mr. Wilson also inquired if the companies that have signed the incentive acceptance forms fully understood the agreements and Mr. Rolfe responded affirmatively. Treasurer Lillard made a motion to approve the FastTrack projects that were presented. Mr. Hargett seconded the motion, and it was unanimously approved.

After requesting other business and hearing none, Mr. Wilson adjourned the meeting.

Approved on this _____ day of ____________________ 2017.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

FOR IMMEDIATE RELEASE
Thursday, November 16, 2017

CONTACT: Lola Potter
OFFICE: 615-532-8560

OCTOBER REVENUES

NASHVILLE, Tenn. – Tennessee revenues for October exceeded revenues from the same month a year ago, but were marginally less than the budgeted estimate. Finance and Administration Commissioner Larry Martin reported today that October revenues were $1.0 billion, which is $31.1 million more than October of last year and $1.3 million less than the budgeted estimate. The growth rate for October was 3.16%.

"All in all, October revenue results were mixed. Sales taxes, our best economic indicator, grew at a relatively modest rate while corporate revenues, realized from our franchise and excise taxes, recorded negative growth," Martin said. "This is not alarming and is a normal occurrence in Tennessee's business tax cycle. October is the month when corporate calendar year filers that filed a six month due date extension are allowed to request a refund. It is also the month in which corporations reconcile their books relative to their actual tax obligation.

"While our revenue trends continue to reflect moderate growth, we must proceed cautiously, and closely monitor our revenue and expenditure patterns for the balance of this fiscal year. We are committed to keeping Tennessee's budget balanced."

On an accrual basis, October is the third month in the 2017-2018 fiscal year.

General fund revenues for October were $8.7 million less than the budgeted estimate, and the four other funds that share in state tax revenues were $7.4 million more than the budgeted estimates.

Sales tax revenues were $4.2 million more than the estimate for October. The October growth rate was 2.62%. The year-to-date growth rate was positive 3.51%.

Franchise and excise combined revenues for October were $48.6 million which is $13.8 million less than the budgeted estimate of $62.4 million. The growth rate for October was negative 26.58%. The year-to-date growth rate was negative 6.03%.

Gasoline and motor fuel revenues increased by 36.82% and they were $7.9 million more than the budgeted estimate of $90.3 million.

Motor Vehicle Registration revenues increased by 7.93% and they were $0.5 million less than the October estimate.

Tobacco tax revenues for the month were comparative to the budgeted estimate.

– MORE –

Privilege tax revenues were $2.0 million more than the budgeted estimate of $29.6 million.

Inheritance and Estate taxes were $1.2 million more than the October estimate.

Business tax revenues were $0.1 million less than the October estimate.

Hall income taxes were $2.7 million less than the October estimate.

All other tax revenues exceeded estimates by a net of $0.5 million.

Year-to-date revenues for three months were $42.7 million more than the budgeted estimate. The general fund exceeded estimates by $21.4 million and the four other funds that share in state tax revenues exceeded estimates by $21.3 million.

The budgeted revenue estimates for 2017-2018 are based on the State Funding Board's consensus recommendation of November 29, 2016 and adopted by the first session of the 110th General Assembly in May 2017. Also incorporated in the estimates are any changes in revenue enacted during the 2017 session of the General Assembly. These estimates are available on the state's website at http://www.tn.gov/finance/article/fa-budget-rev.

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Table 1
Revenue Collections by Fund
October
2017-2018

Fund	2017 Actual	2017 Budgeted	2017 B/(W)	2017 Percent	2016 Actual	2017 B/(W)	2017 Percent
General Fund	$804,024,000	$812,765,000	($8,741,000)	-1.08%	$818,924,000	($14,900,000)	-1.82%
Highway Fund	77,182,000	72,823,000	4,359,000	5.99%	56,598,000	20,584,000	36.37%
Sinking Fund	30,333,000	30,334,000	(1,000)	0.00%	34,201,000	(3,868,000)	-11.31%
City & County Fund	82,543,000	79,453,000	3,090,000	3.89%	70,007,000	12,536,000	17.91%
Earmarked Fund	20,333,000	20,333,000	0	0.00%	3,582,000	16,751,000	467.64%
Total	**$1,014,415,000**	**$1,015,708,000**	**($1,293,000)**	**-0.13%**	**$983,312,000**	**$31,103,000**	**3.16%**

Revenue Collections by Tax
October
2017-2018

Tax Source	2017 Actual	2017 Budgeted	2017 B/(W)	2017 Percent	2016 Actual	2017 B/(W)	2017 Percent
Franchise & Excise	$48,622,000	$62,445,000	($13,823,000)	-22.14%	$66,226,000	($17,604,000)	-26.58%
Income	1,326,000	3,982,000	(2,656,000)	-66.70%	4,655,000	(3,329,000)	-71.51%
Inheritance & Estate	1,501,000	266,000	1,235,000	464.29%	(485,000)	1,986,000	-409.48%
Gasoline	72,266,000	63,819,000	8,447,000	13.24%	49,470,000	22,796,000	46.08%
Petroleum Special	5,932,000	5,490,000	442,000	8.05%	5,262,000	670,000	12.73%
Tobacco	22,751,000	22,756,000	(5,000)	-0.02%	22,686,000	65,000	0.29%
Beer	1,405,000	1,514,000	(109,000)	-7.20%	1,540,000	(135,000)	-8.77%
Motor Vehicle Registration	23,802,000	24,332,000	(530,000)	-2.18%	22,054,000	1,748,000	7.93%
Motor Vehicle Title	1,849,000	2,088,000	(239,000)	-11.45%	2,022,000	(173,000)	-8.56%
Mixed Drink	9,721,000	8,773,000	948,000	10.81%	8,371,000	1,350,000	16.13%
Business	6,009,000	6,062,000	(53,000)	-0.87%	5,207,000	802,000	15.40%
Privilege	31,574,000	29,613,000	1,961,000	6.62%	30,766,000	808,000	2.63%
Gross Receipts	115,000	14,000	101,000	721.43%	17,000	98,000	576.47%
TVA - In Lieu of Tax Payments	28,084,000	28,164,000	(80,000)	-0.28%	27,827,000	257,000	0.92%
Alcoholic Beverage	5,372,000	5,600,000	(228,000)	-4.07%	5,383,000	(11,000)	-0.20%
Sales and Use	733,842,000	729,626,000	4,216,000	0.58%	715,111,000	18,731,000	2.62%
Motor Vehicle Fuel	20,070,000	21,030,000	(960,000)	-4.56%	17,093,000	2,977,000	17.42%
Severance	170,000	128,000	42,000	32.81%	104,000	66,000	63.46%
Coin-operated Amusement	4,000	6,000	(2,000)	-33.33%	3,000	1,000	33.33%
Unauthorized Substance	0	0	0	NA	0	0	NA
Total	**$1,014,415,000**	**$1,015,708,000**	**($1,293,000)**	**-0.13%**	**$983,312,000**	**$31,103,000**	**3.16%**

Table 2
Revenue Collections by Fund
Year-to-Date
August - October
2017-2018

	2017 - 2018				2016-2017	2017-2018	
Fund	**Actual**	**Budgeted**	**B/(W)**	**Percent**	**Actual**	**B/(W)**	**Percent**
General Fund	$2,659,890,000	$2,638,518,000	$21,372,000	0.81%	$2,671,751,000	($11,861,000)	-0.44%
Highway Fund	232,572,000	218,364,000	14,208,000	6.51%	179,121,000	53,451,000	29.84%
Sinking Fund	90,952,000	90,905,000	47,000	0.05%	102,290,000	(11,338,000)	-11.08%
City & County Fund	324,451,000	317,420,000	7,031,000	2.22%	279,656,000	44,795,000	16.02%
Earmarked Fund	47,666,000	47,666,000	0	0.00%	10,749,000	36,917,000	343.45%
Total	**$3,355,531,000**	**$3,312,873,000**	**$42,658,000**	**1.29%**	**$3,243,567,000**	**$111,964,000**	**3.45%**

Revenue Collections by Tax
Year-to-Date
August - October
2017-2018

	2017 - 2018				2016-2017	2017-2018	
Tax Source	**Actual**	**Budgeted**	**B/(W)**	**Percent**	**Actual**	**B/(W)**	**Percent**
Franchise & Excise	$482,188,000	$472,226,000	$9,962,000	2.11%	$513,139,000	($30,951,000)	-6.03%
Income	3,120,000	6,358,000	(3,238,000)	-50.93%	4,006,000	(886,000)	-22.12%
Inheritance & Estate	2,187,000	1,065,000	1,122,000	105.35%	8,142,000	(5,955,000)	-73.14%
Gasoline	217,044,000	200,674,000	16,370,000	8.16%	164,944,000	52,100,000	31.59%
Petroleum Special	18,041,000	17,112,000	929,000	5.43%	16,975,000	1,066,000	6.28%
Tobacco	68,093,000	66,627,000	1,466,000	2.20%	66,705,000	1,388,000	2.08%
Beer	4,600,000	4,630,000	(30,000)	-0.65%	4,746,000	(146,000)	-3.08%
Motor Vehicle Registration	75,272,000	73,133,000	2,139,000	2.92%	66,003,000	9,269,000	14.04%
Motor Vehicle Title	5,831,000	6,095,000	(264,000)	-4.33%	6,115,000	(284,000)	-4.64%
Mixed Drink	28,057,000	26,477,000	1,580,000	5.97%	25,183,000	2,874,000	11.41%
Business	15,616,000	15,131,000	485,000	3.21%	17,306,000	(1,690,000)	-9.77%
Privilege	84,973,000	82,074,000	2,899,000	3.53%	79,330,000	5,643,000	7.11%
Gross Receipts	10,033,000	13,026,000	(2,993,000)	-22.98%	14,374,000	(4,341,000)	-30.20%
TVA - In Lieu of Tax Payments	90,545,000	91,526,000	(981,000)	-1.07%	91,739,000	(1,194,000)	-1.30%
Alcoholic Beverage	15,517,000	16,117,000	(600,000)	-3.72%	15,320,000	197,000	1.29%
Sales and Use	2,177,493,000	2,164,796,000	12,697,000	0.59%	2,103,627,000	73,866,000	3.51%
Motor Vehicle Fuel	56,577,000	55,372,000	1,205,000	2.18%	45,556,000	11,021,000	24.19%
Severance	303,000	387,000	(84,000)	-21.71%	332,000	(29,000)	-8.73%
Coin-operated Amusement	41,000	47,000	(6,000)	-12.77%	25,000	16,000	64.00%
Unauthorized Substance	0	0	0	NA	0	0	NA
Total	**$3,355,531,000**	**$3,312,873,000**	**$42,658,000**	**1.29%**	**$3,243,567,000**	**$111,964,000**	**3.45%**

FEDERAL RESERVE BANK *of* ATLANTA

Tennessee State Funding Board

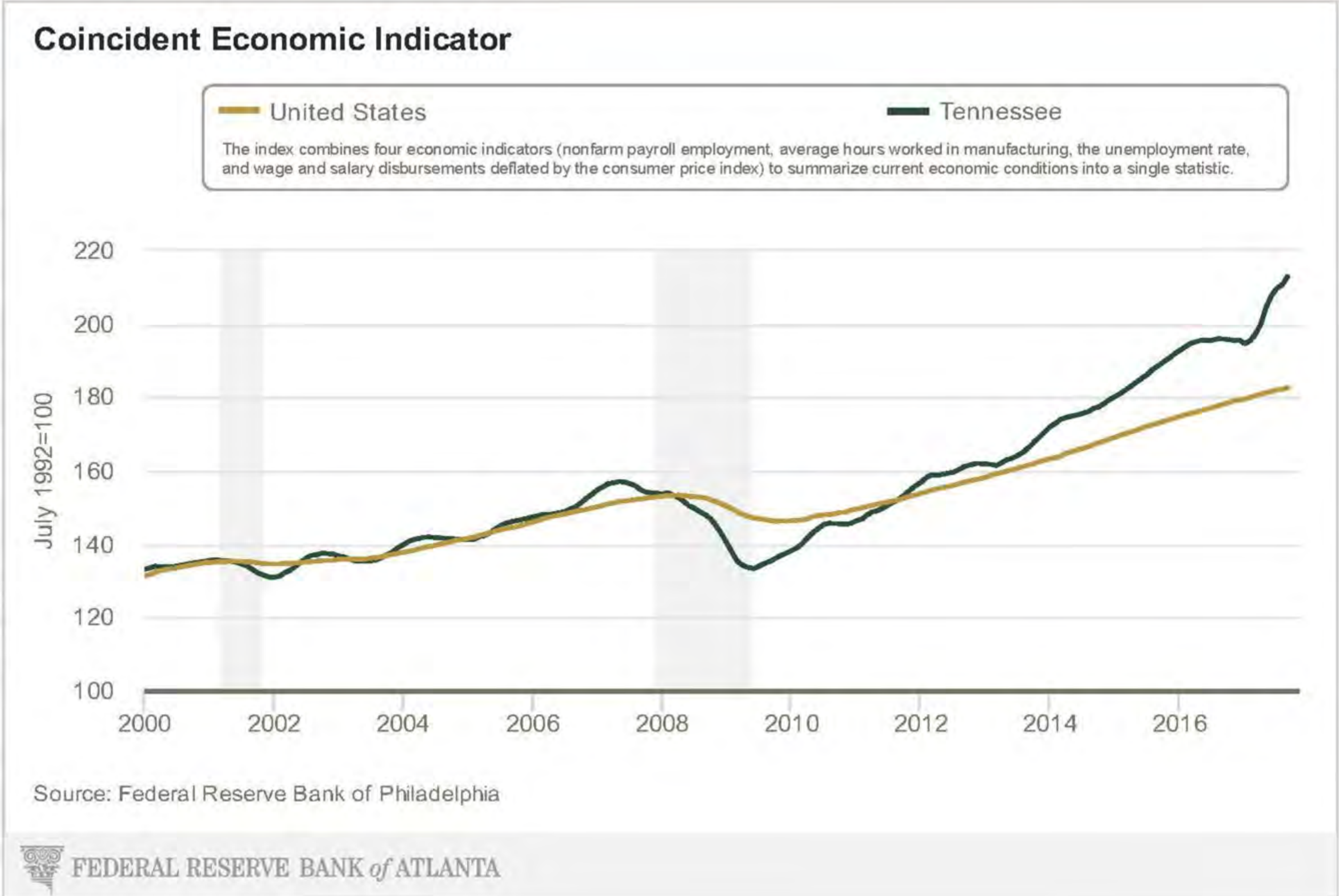
November 20, 2017

Lee Jones
Regional Executive - Tennessee

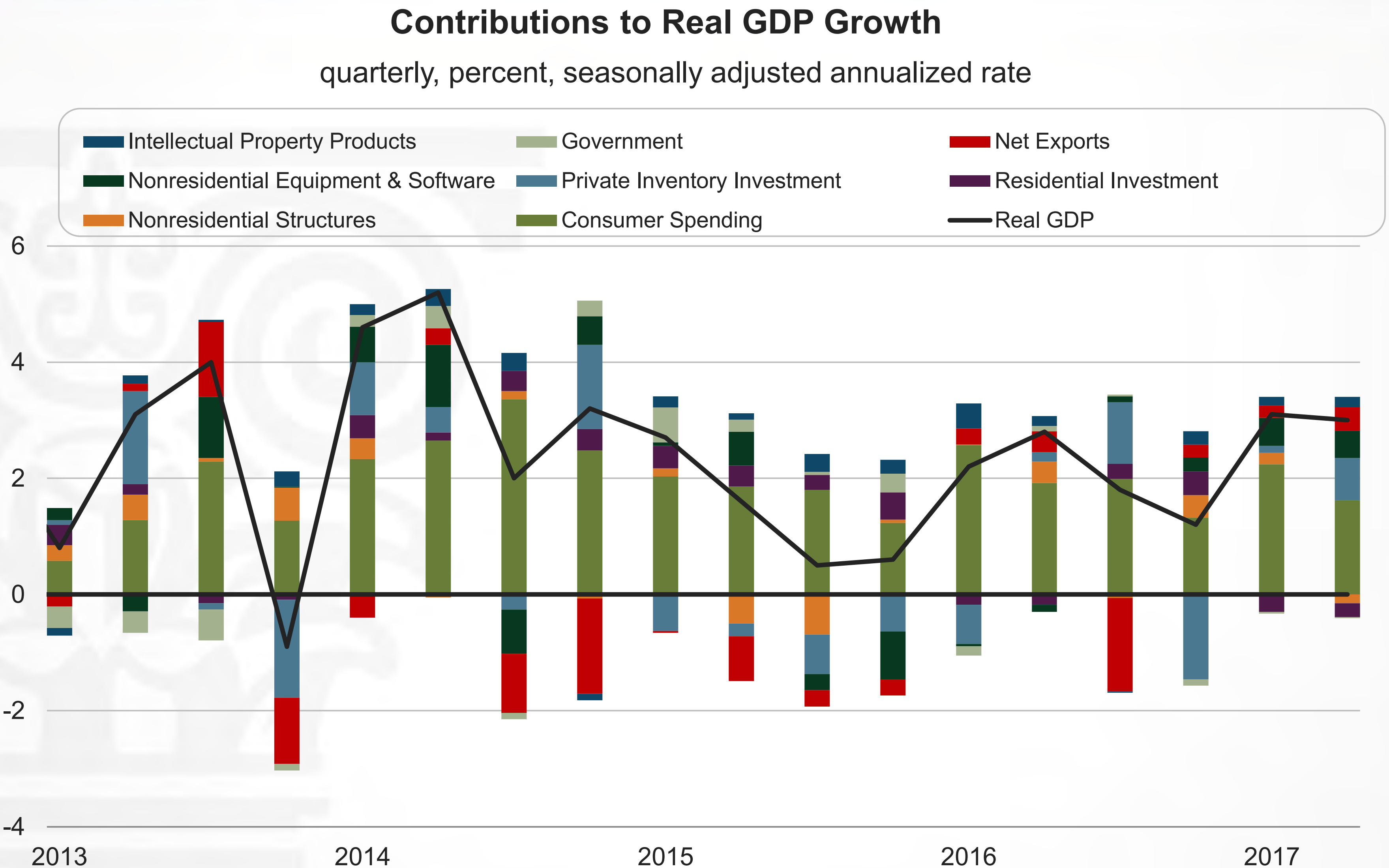
The Economy

An Overview

Tennessee's economic performance continues to closely mirror, and since 2012 outperform, that of the United States.

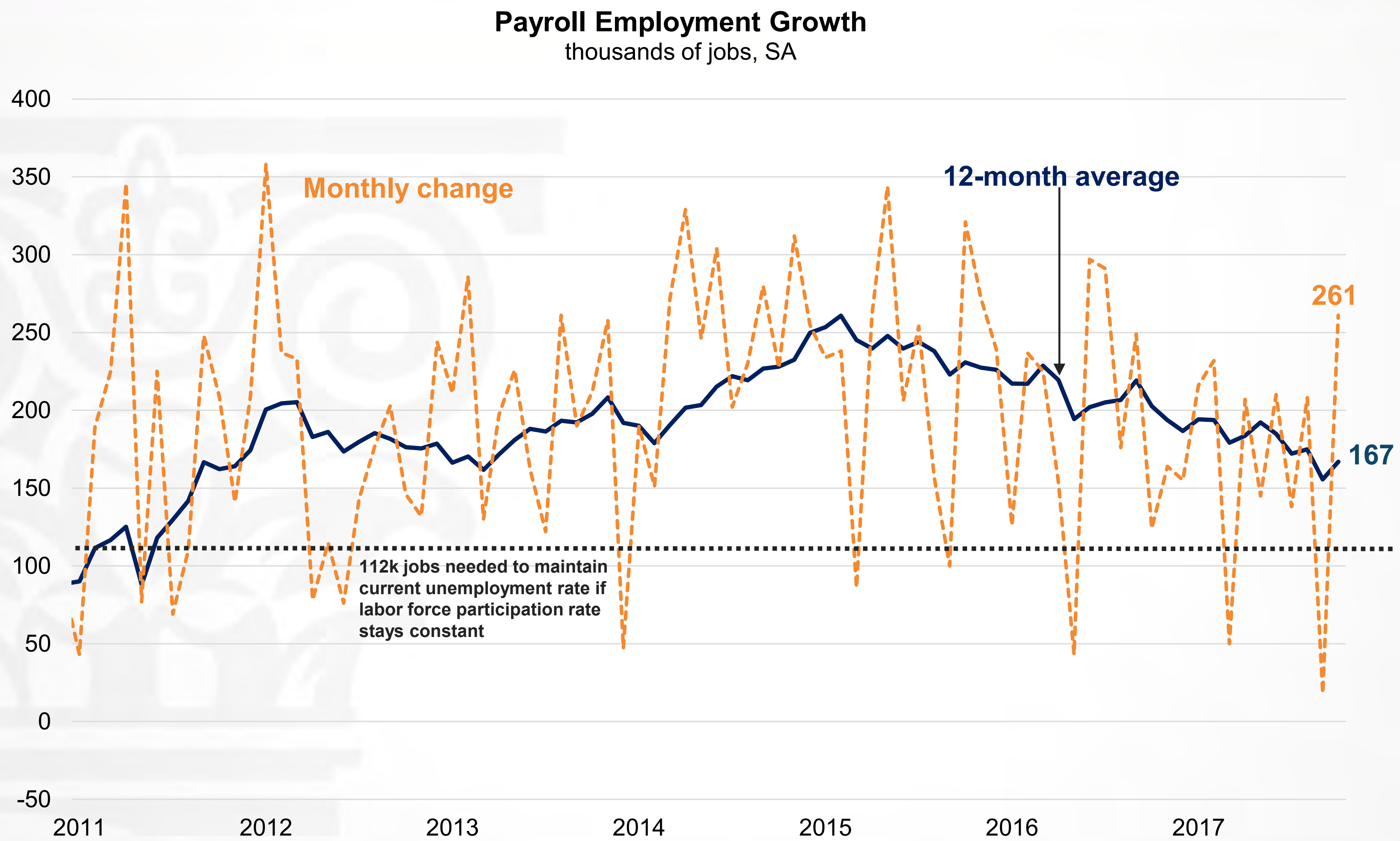


After several lackluster quarters, Real Gross Domestic Product grew 3.0% in Q3 2017, following a 3.1% increase in Q2. Consumer spending (green) continues to be key to GDP growth.



Labor Markets

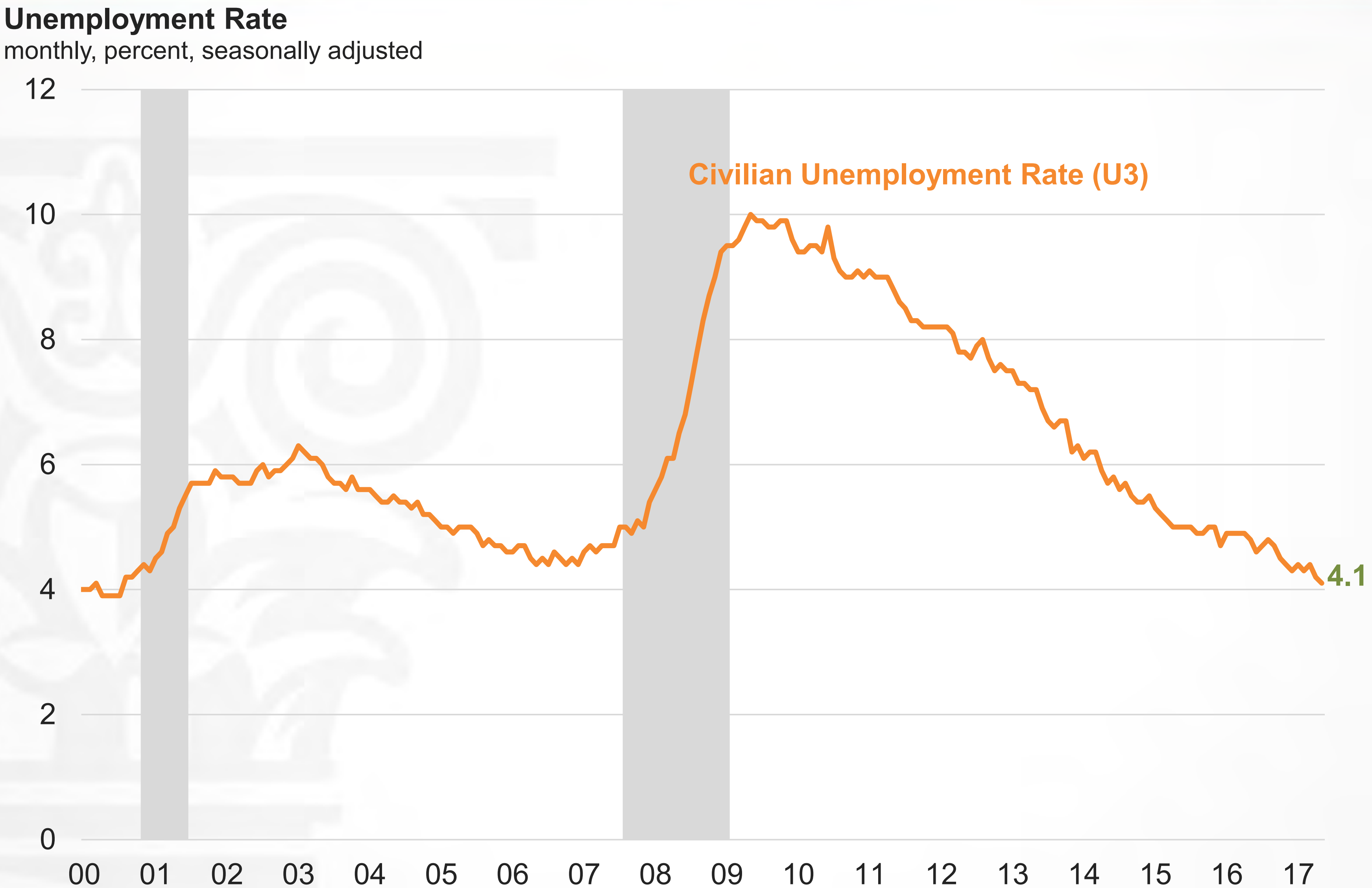
The U.S. economy added a net 261,000 new jobs in October, well above the threshold needed to continue to make progress in the labor market.



Sources: Bureau of Labor Statistics, FRB staff calculations; Haver Analytics

through October 2017

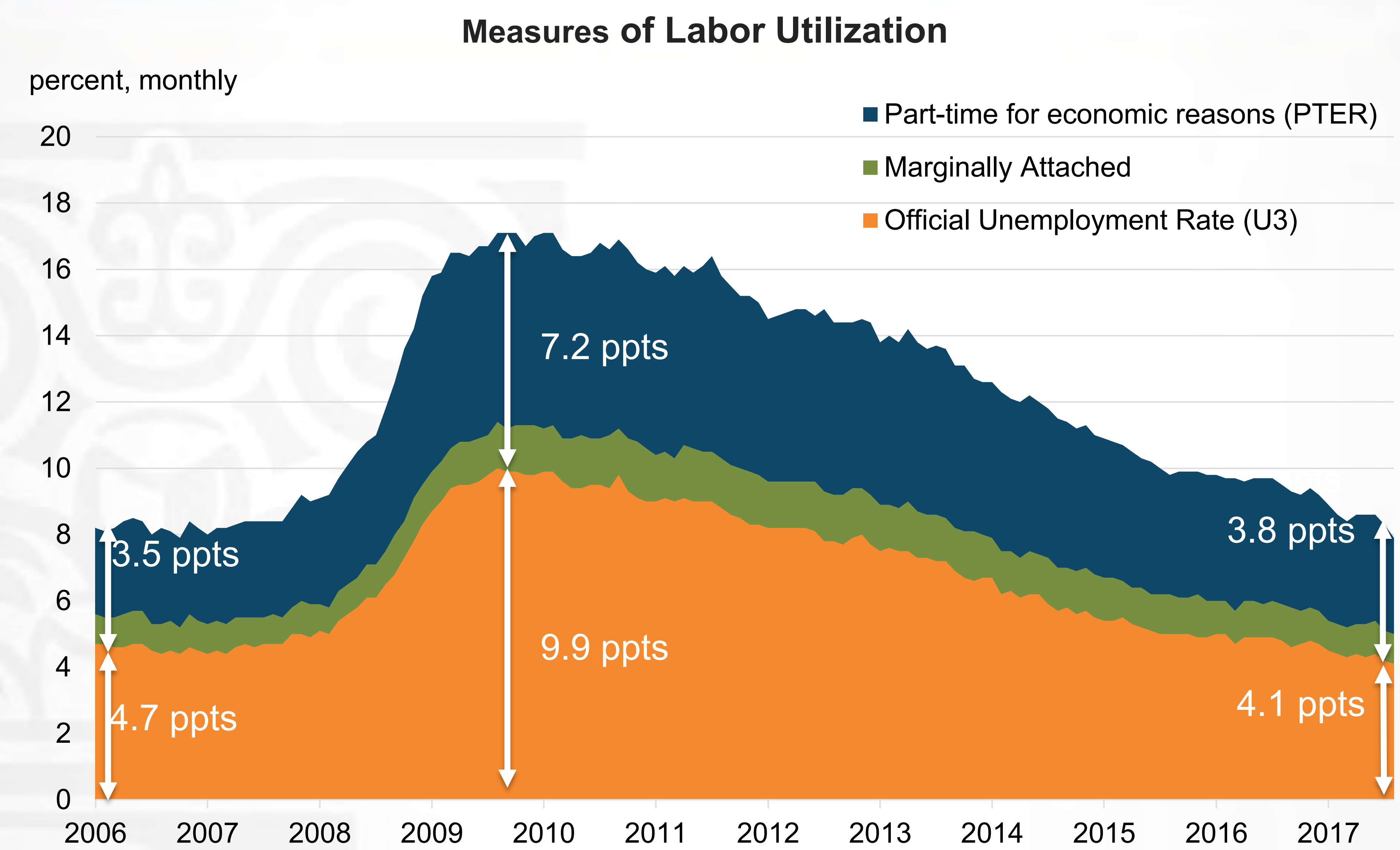
The U3 civilian unemployment rate fell to a 17-year low of 4.1% in October



Source: Bureau of Labor Statistics, Haver Analytics

through October 2017

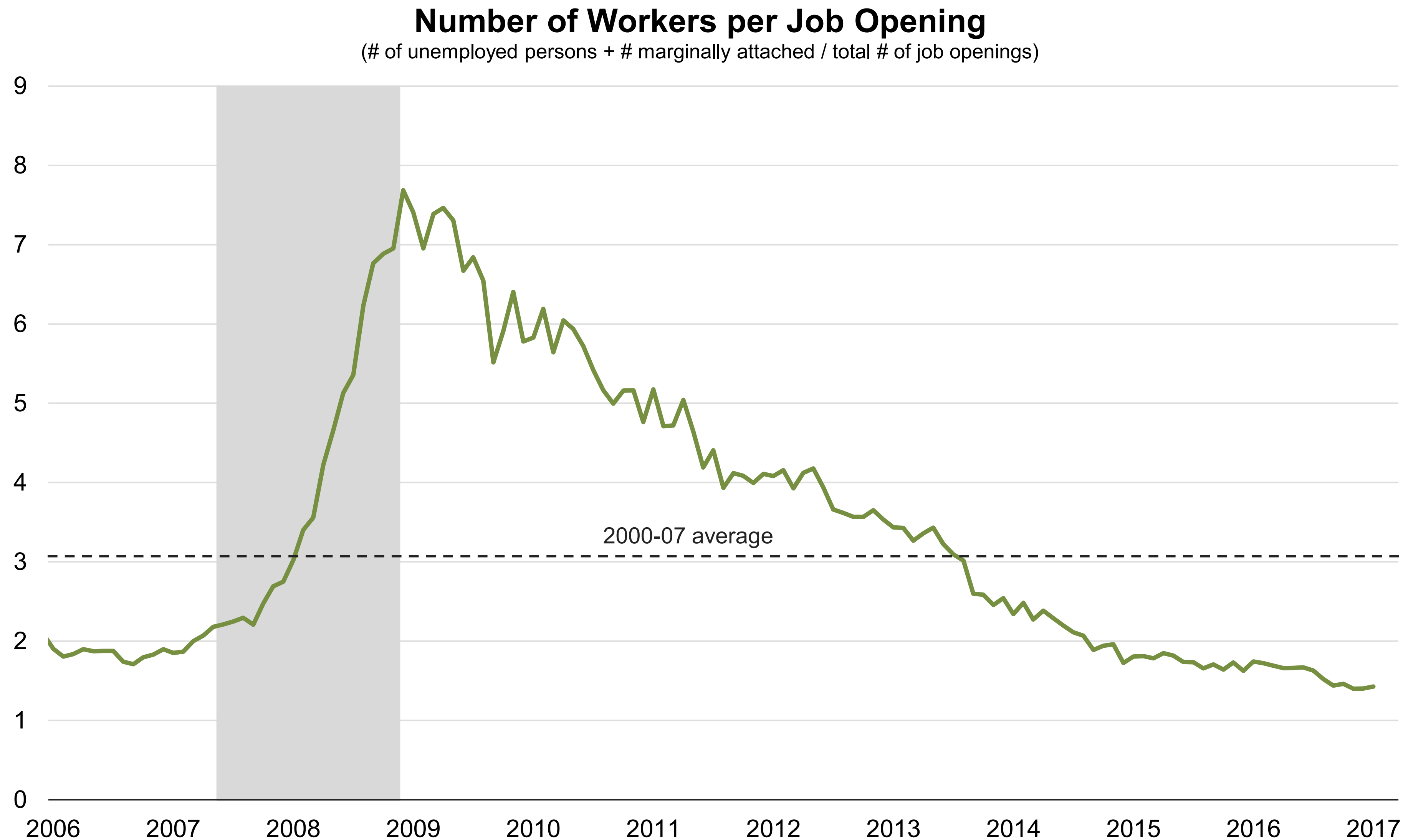
Broader measures of labor utilization also indicate that the labor market continues to improve



Source: Bureau of Labor Statistics, Haver Analytics

through October 2017

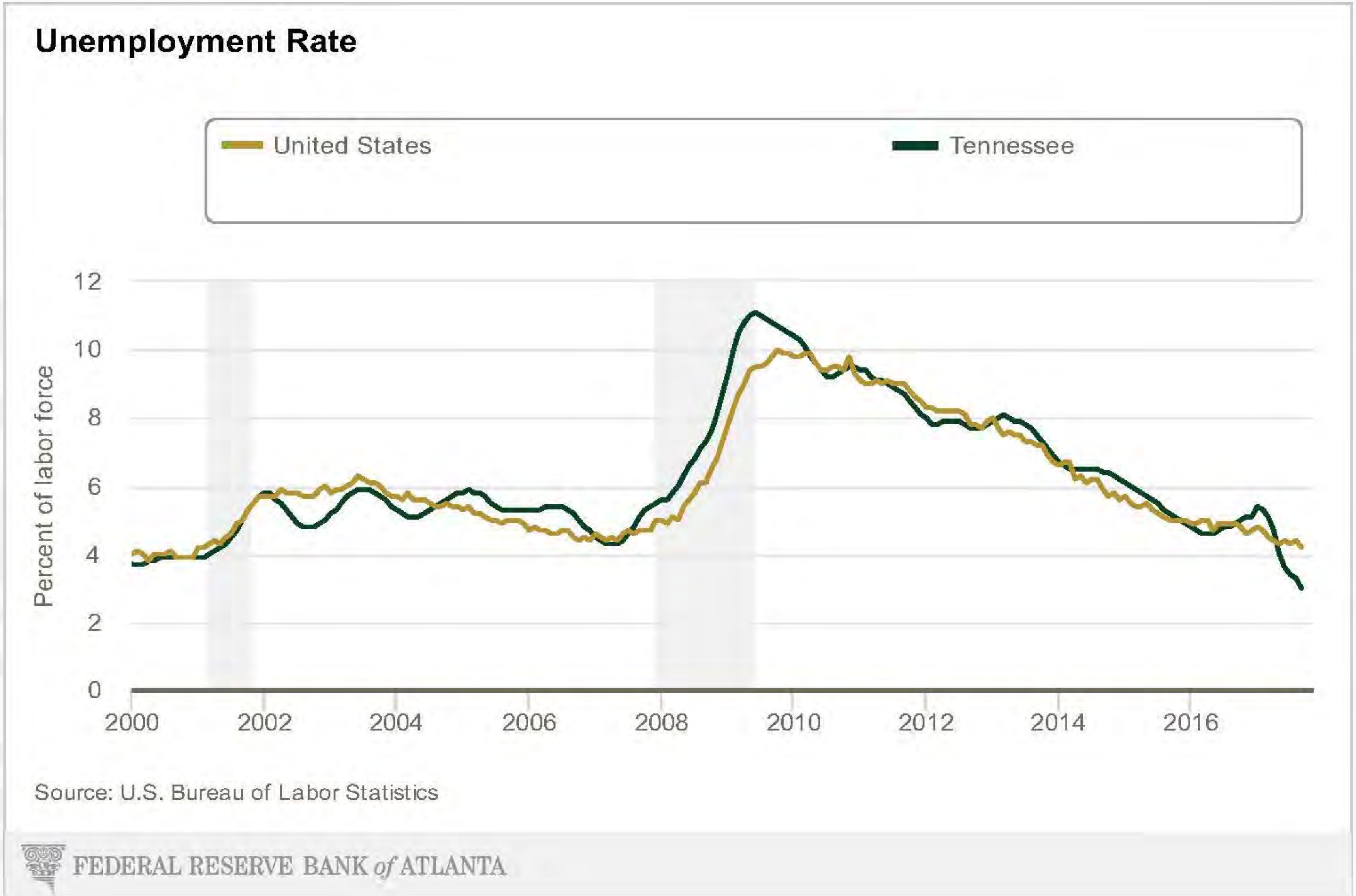
The number of workers per job opening has fallen well below its pre-crises average, suggesting that the economy may be nearing "full employment."



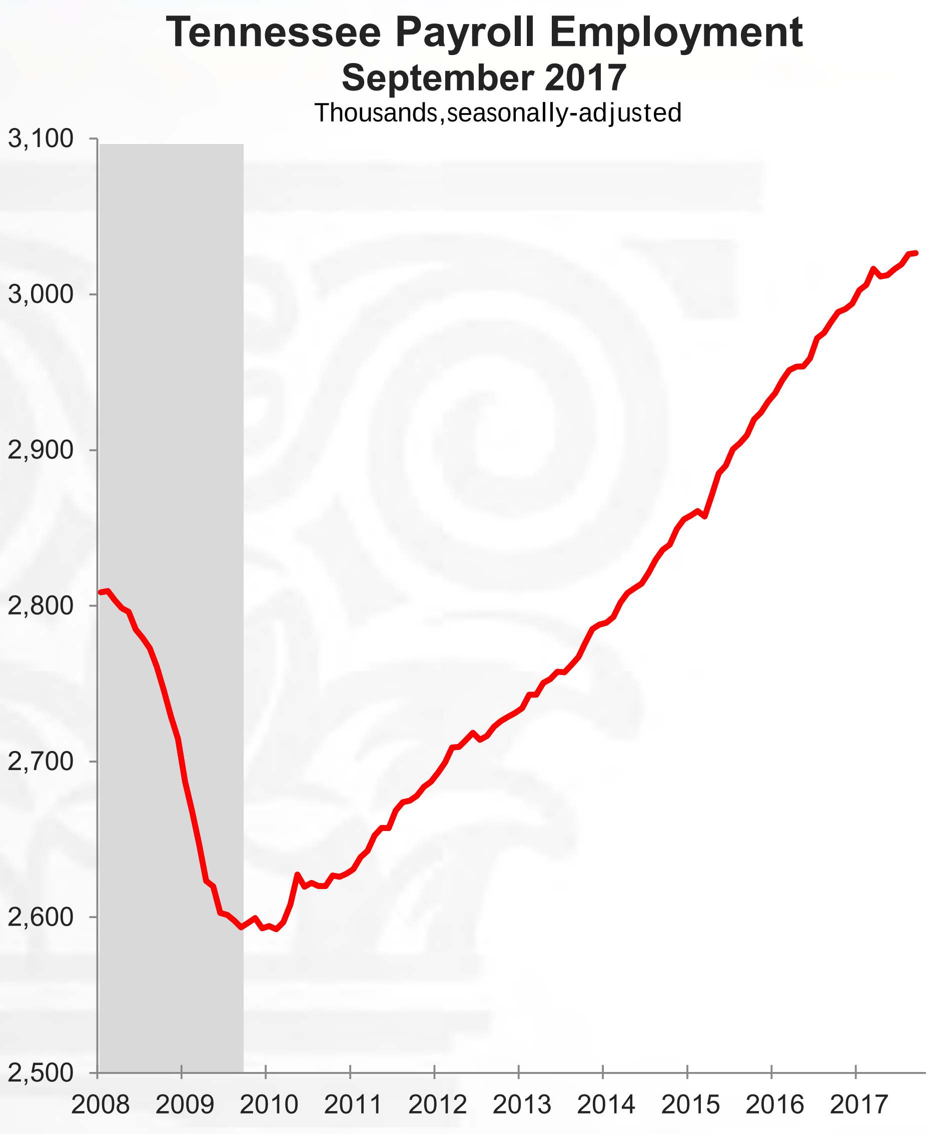
Sources: Job Openings and Labor Turnover Survey, BLS; Haver Analytics

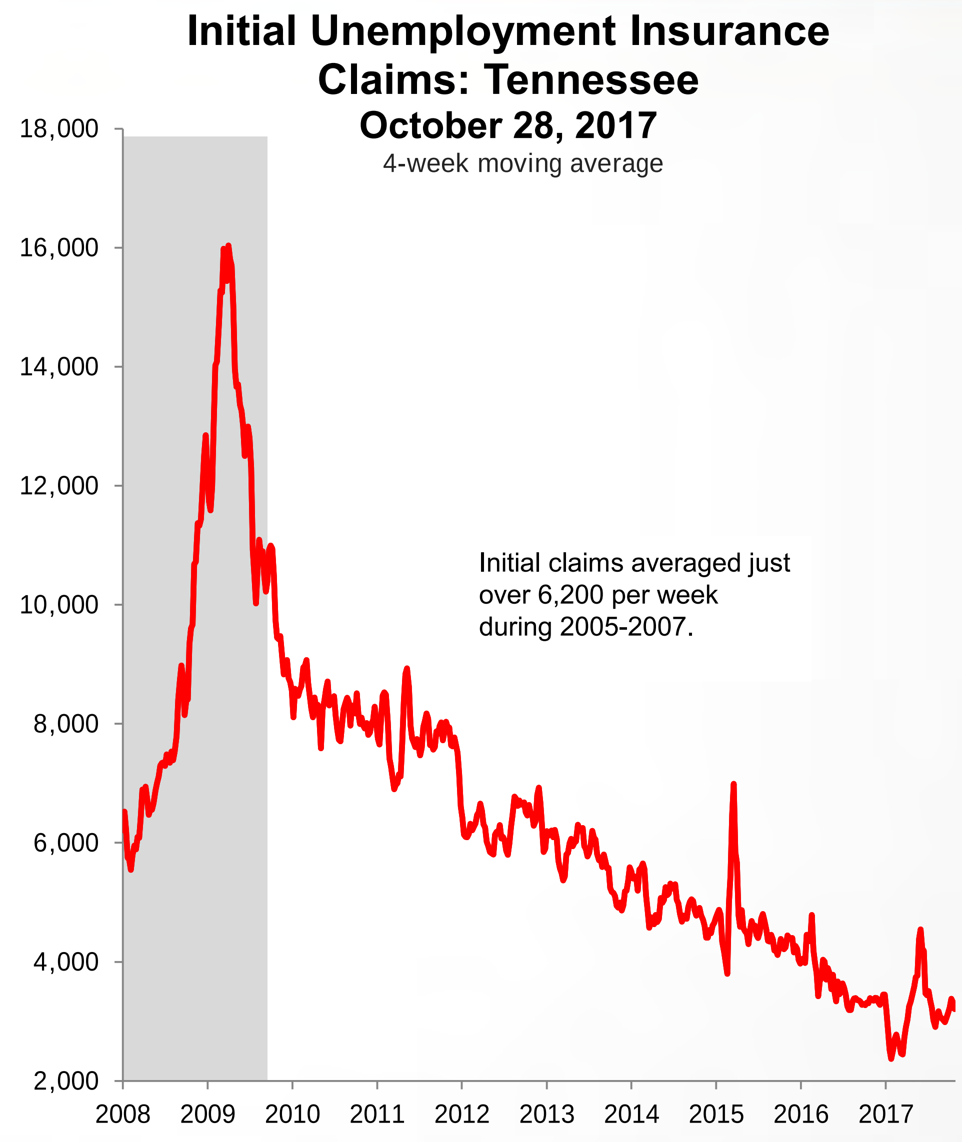
through August 2017

Turning to Tennessee, September saw the state's unemployment rate decline to 3 percent, a full percentage point below the national rate and well below that of the other states in the Atlanta Fed's six-state region.



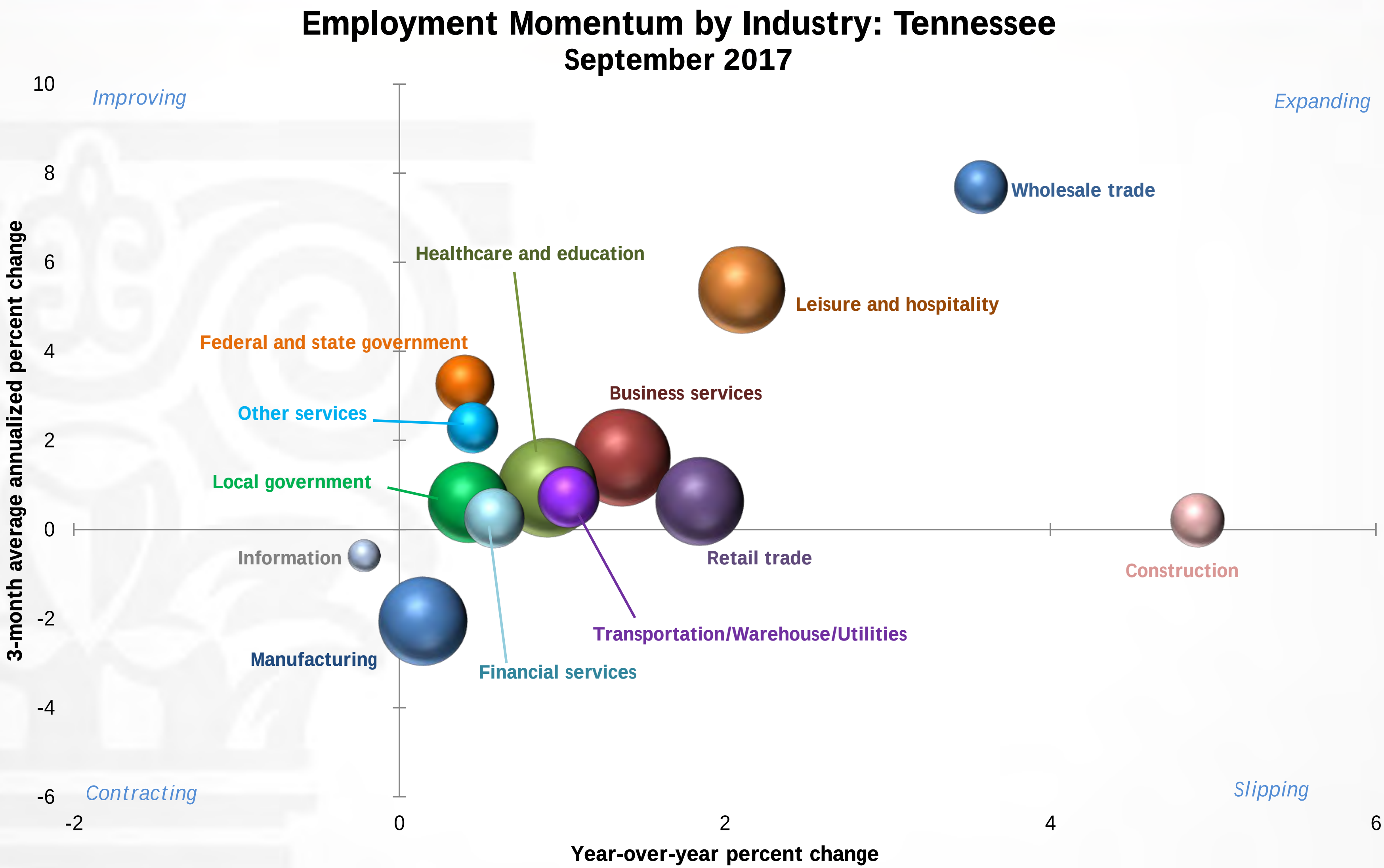
In Tennessee, both payroll employment and initial unemployment insurance claims have improved to surpass pre-recession levels.





Source: U.S. Bureau of Labor Statistics; Haver Analytics

Employment growth momentum in Tennessee continues to be positive, with employment in most sectors expanding over both the past 3 months (vertical axis) and 12 months (horizontal axis).



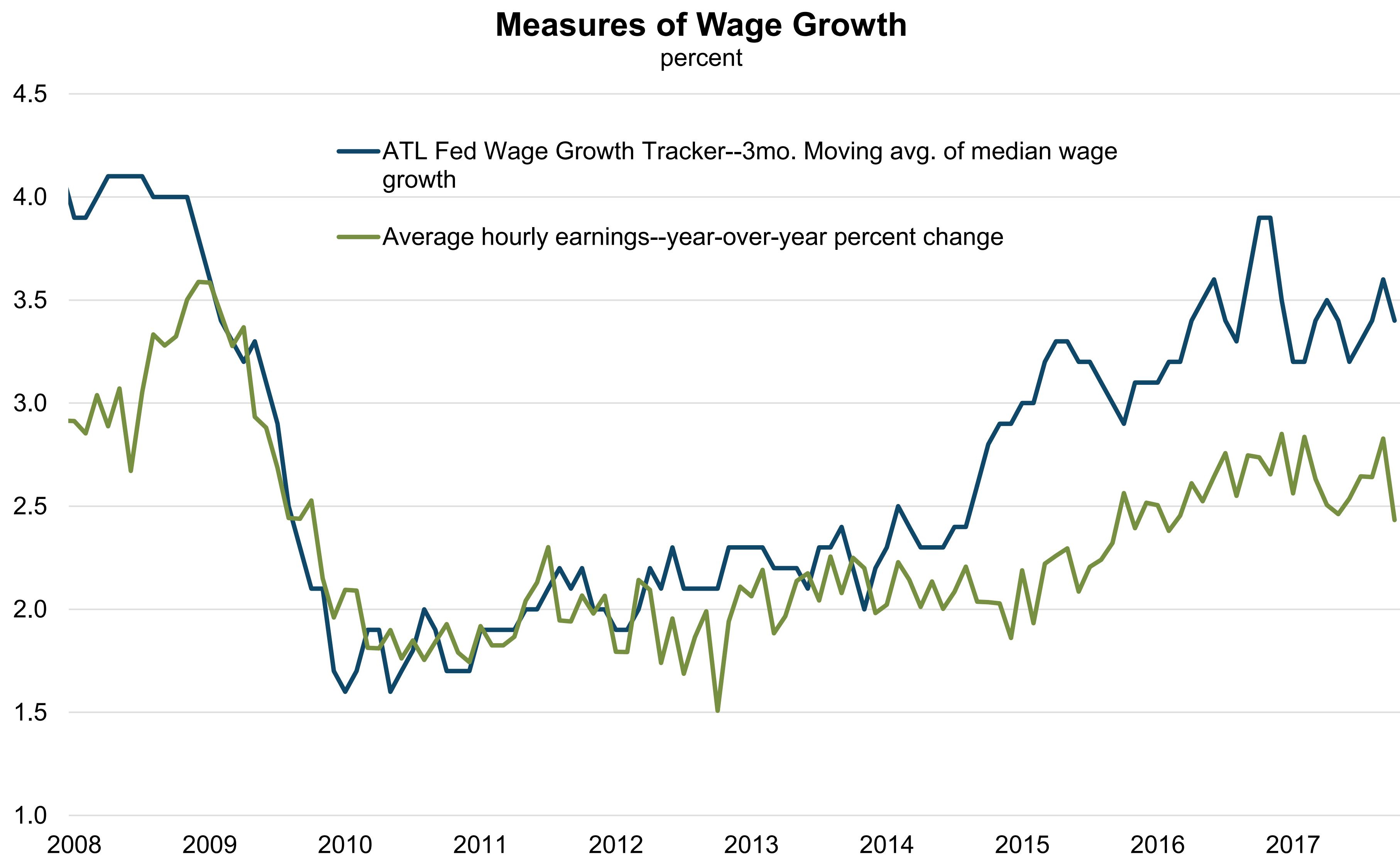
Source: U.S. Bureau of Labor Statistics; Haver Analytics

Wage growth over the past few years has accelerated moderately, perhaps another sign that labor market conditions may be tightening.

Sources: Bureau of Labor Statistics, Atlanta Fed; Haver Analytics

through October 2017

The wage acceleration is more pronounced when we look at pay for individuals in the same positions over time.



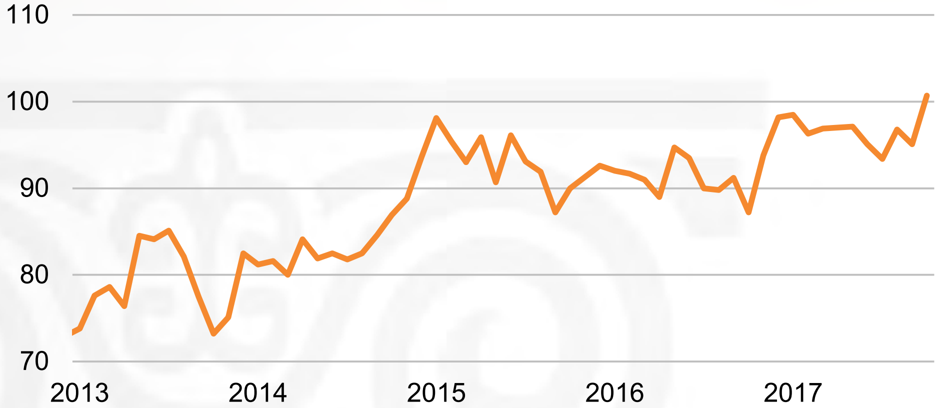
Sources: Bureau of Labor Statistics, Atlanta Fed; Haver Analytics

Through October 2017

Consumer Activity

Looking at a variety of indicators, the fundamentals for consumer spending appear favorable overall.

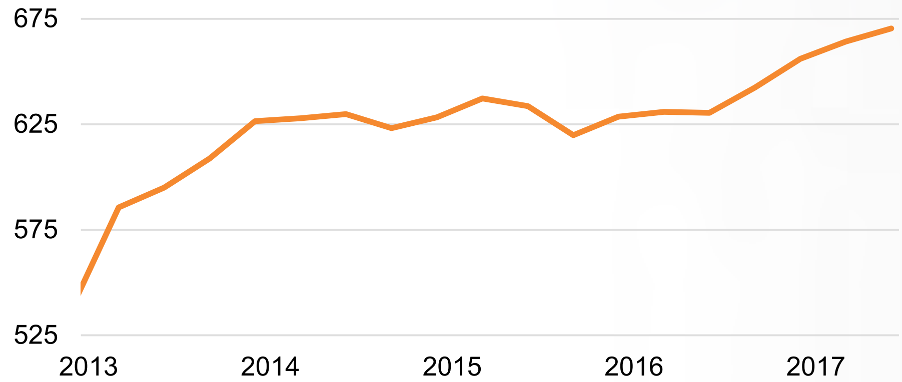
University of Michigan Consumer Sentiment Index
Q1 1966=100



Source: University of Michigan Survey of Consumers; Haver Analytics

through October 2017

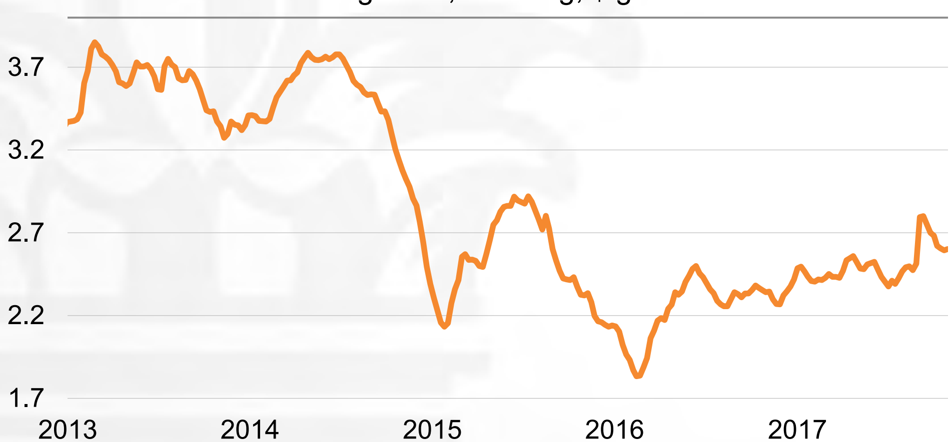
Household Wealth as a Percent of Disposable Personal Income



Source: Federal Reserve Board; Haver Analytics

through Q2, 2017

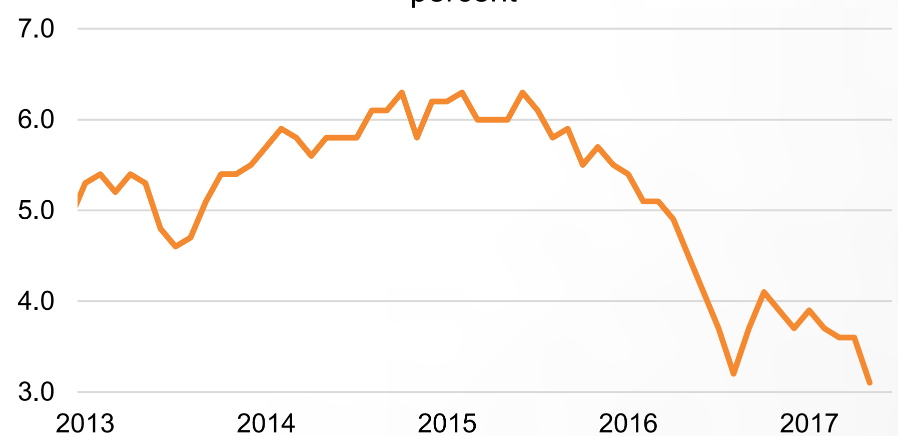
Retail Gasoline Price
all grades, U.S. avg, $/gallon



Source: Energy Information Administration; Haver Analytics

through October 30, 2017

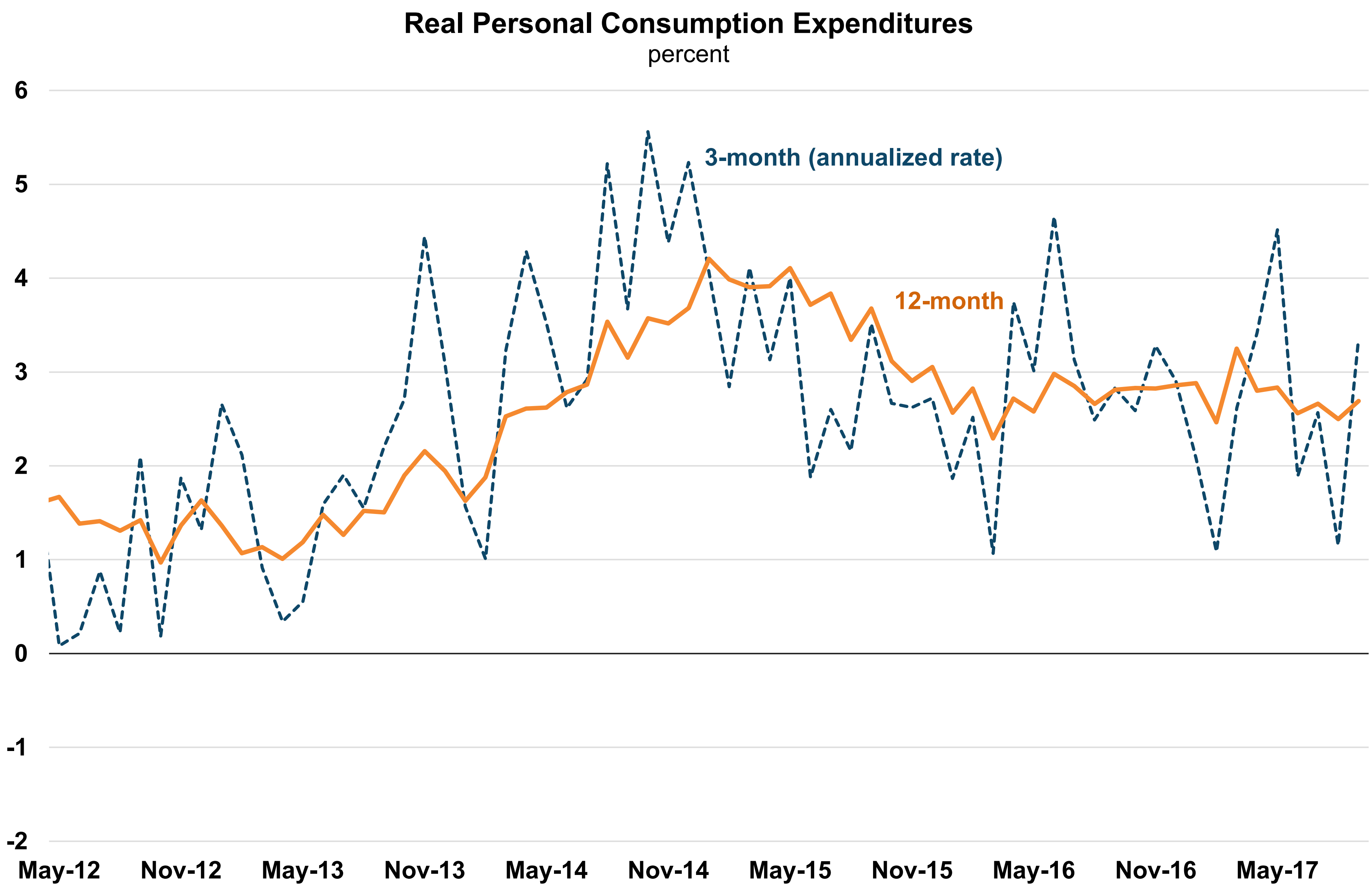
Personal Savings Rate
percent



Source: Bureau of Economic Analysis; Haver

through September 2017

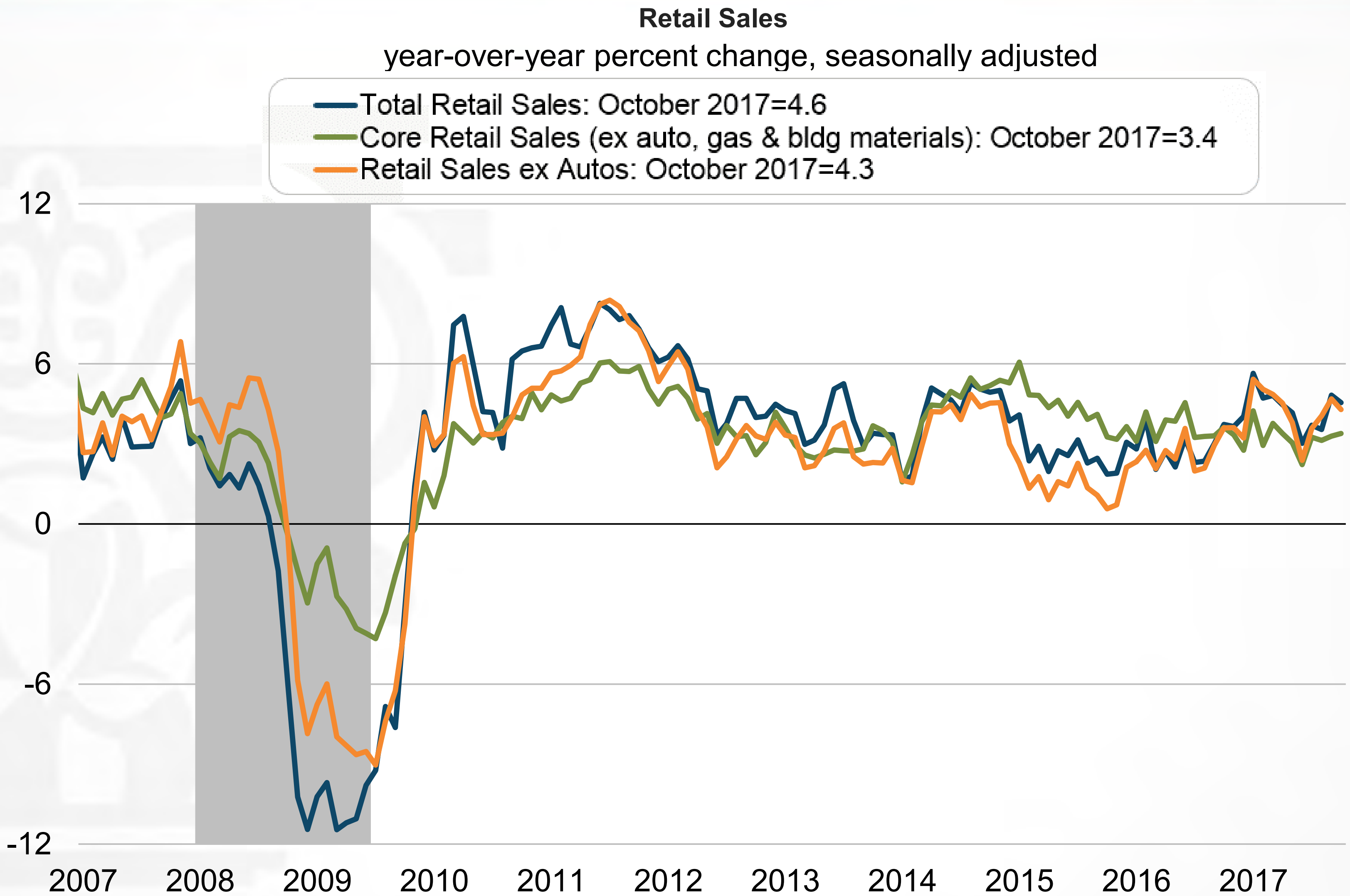
Consumer spending on goods and services has softened a bit in recent months, partially reflecting the impact of the recent storms. That said, spending surged in September as the rebuilding process began. All told, real personal consumption is on track to post around a 2.5 percent increase in 2017.



Source: Bureau of Economic Analysis; Haver Analytics

through Sept 2017

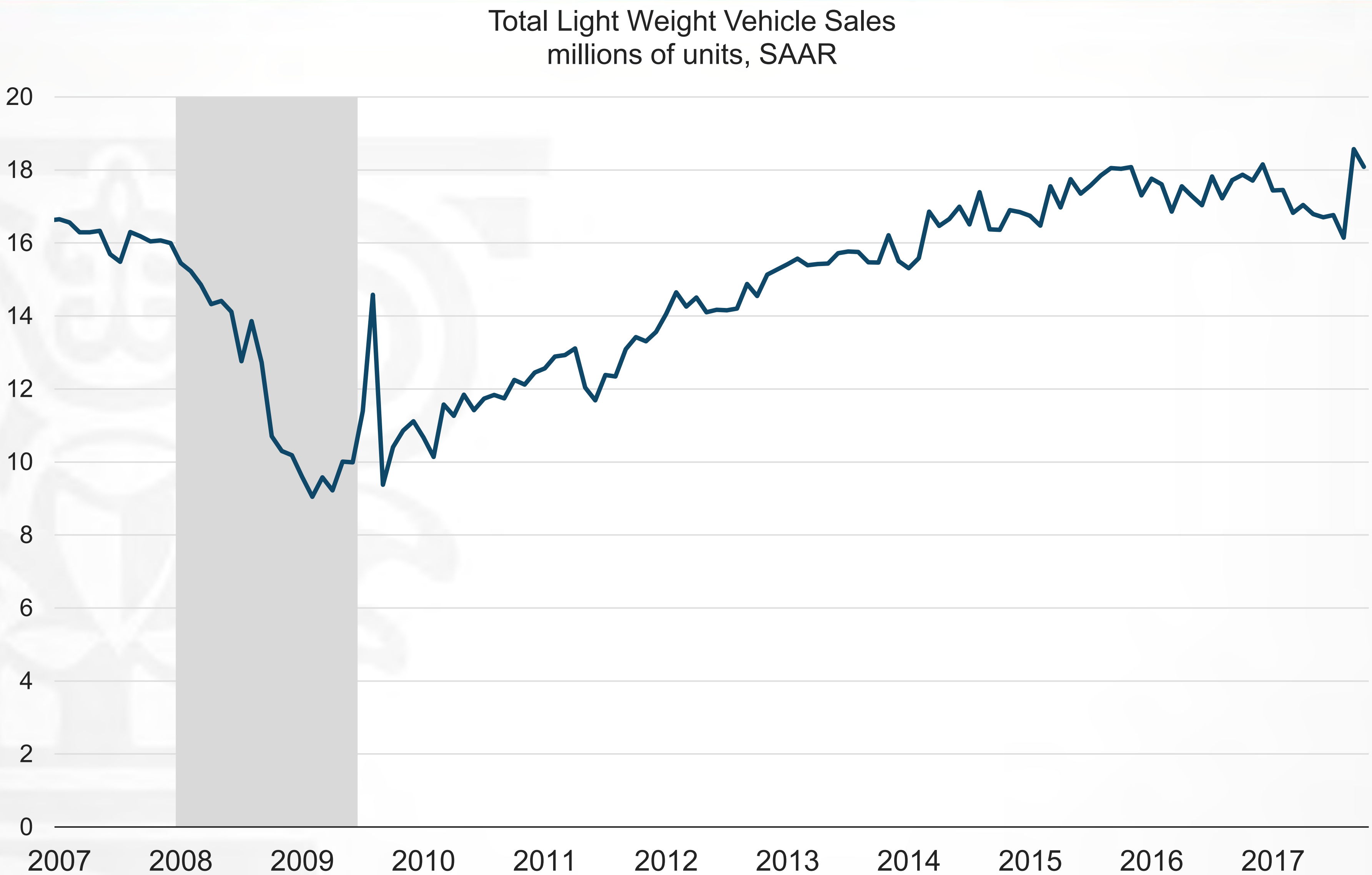
Over the past year, monthly total retail sales have been increasing at an average year-over-year rate of just over 4 percent , although about 1 percent less when auto and gas prices are excluded. Looking ahead to upcoming holiday sales, some analysts are projecting strong increases of around 4 percent over 2016 holiday spending levels.



Source: U.S. Census Bureau/Haver Analytics

through October 2017

While light vehicle sales spiked up in the months following the recent hurricanes and related flooding, some analysts expect sales levels to ease back to average around 17 million units going forward in 2018.



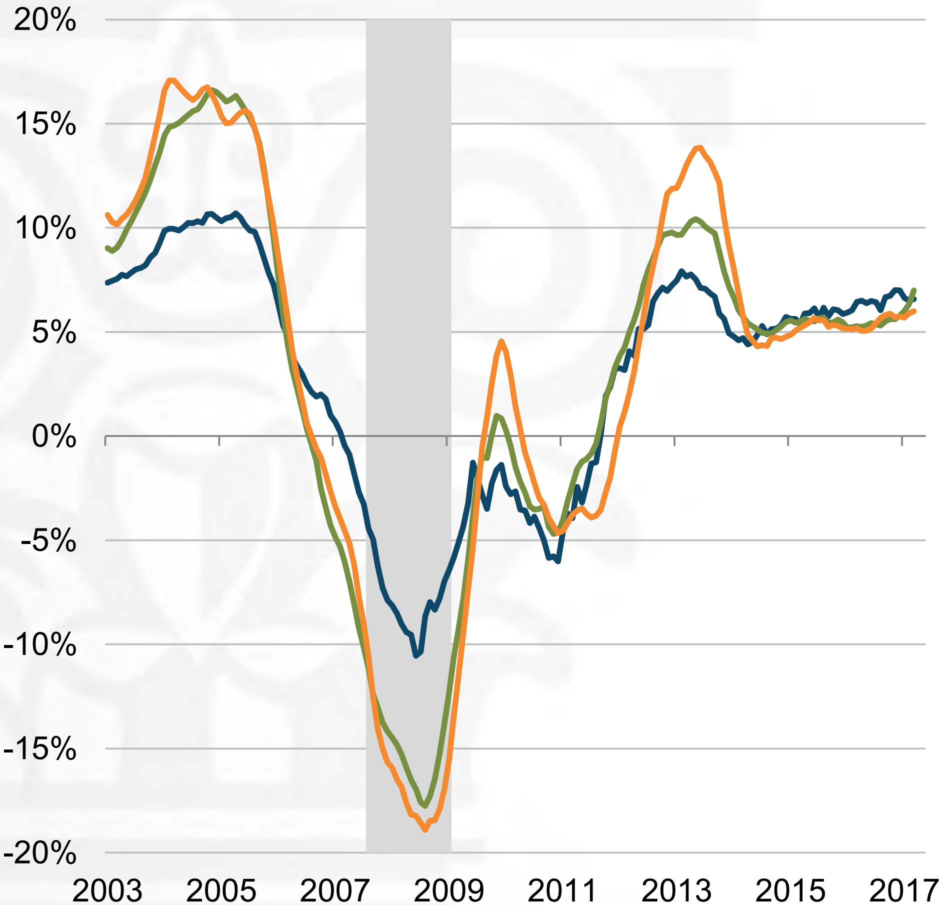
Source: Autodata Corporation/Haver Analytics

through October 2017

The housing market continues to expand, with home prices besting inflation and with sales of both new and existing homes continuing to grow at a slow, steady pace.

U.S. House Prices

monthly index, year-over-year percent change

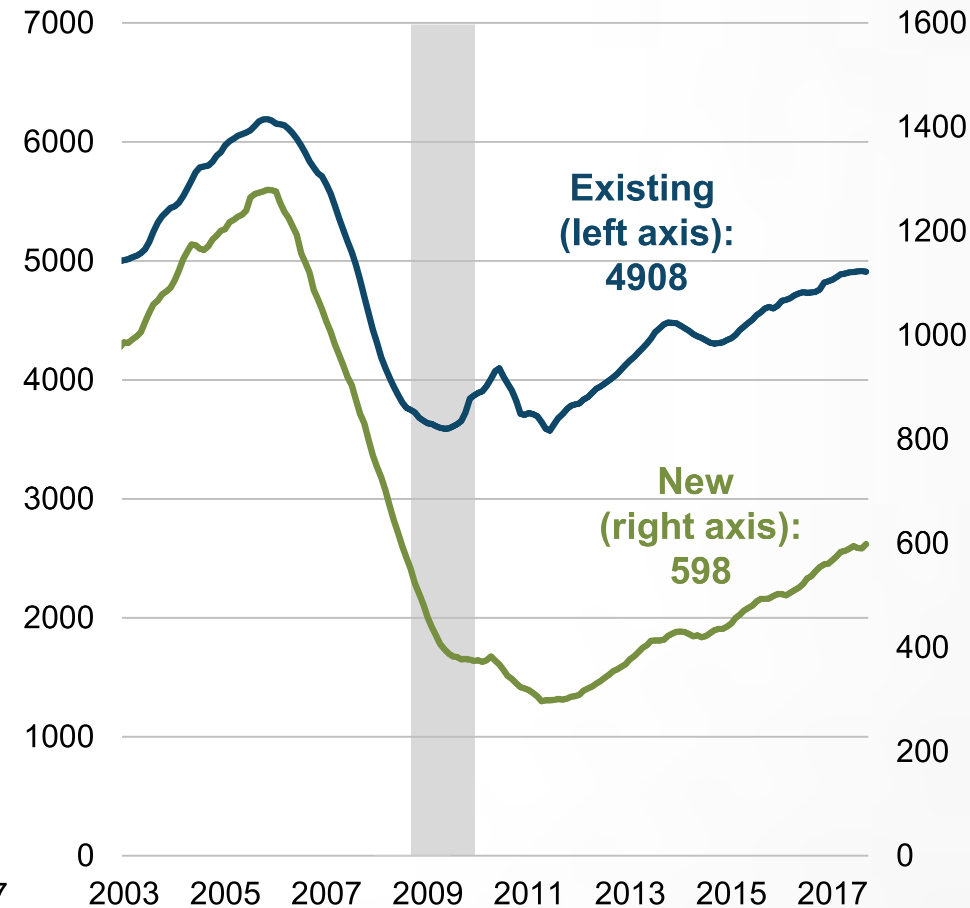


Source: FHFA, S&P/Case-Shiller, CoreLogic; Haver Analytics

through August 2017

U.S. Single Family Homes Sales

12-month moving average, thousands SAAR



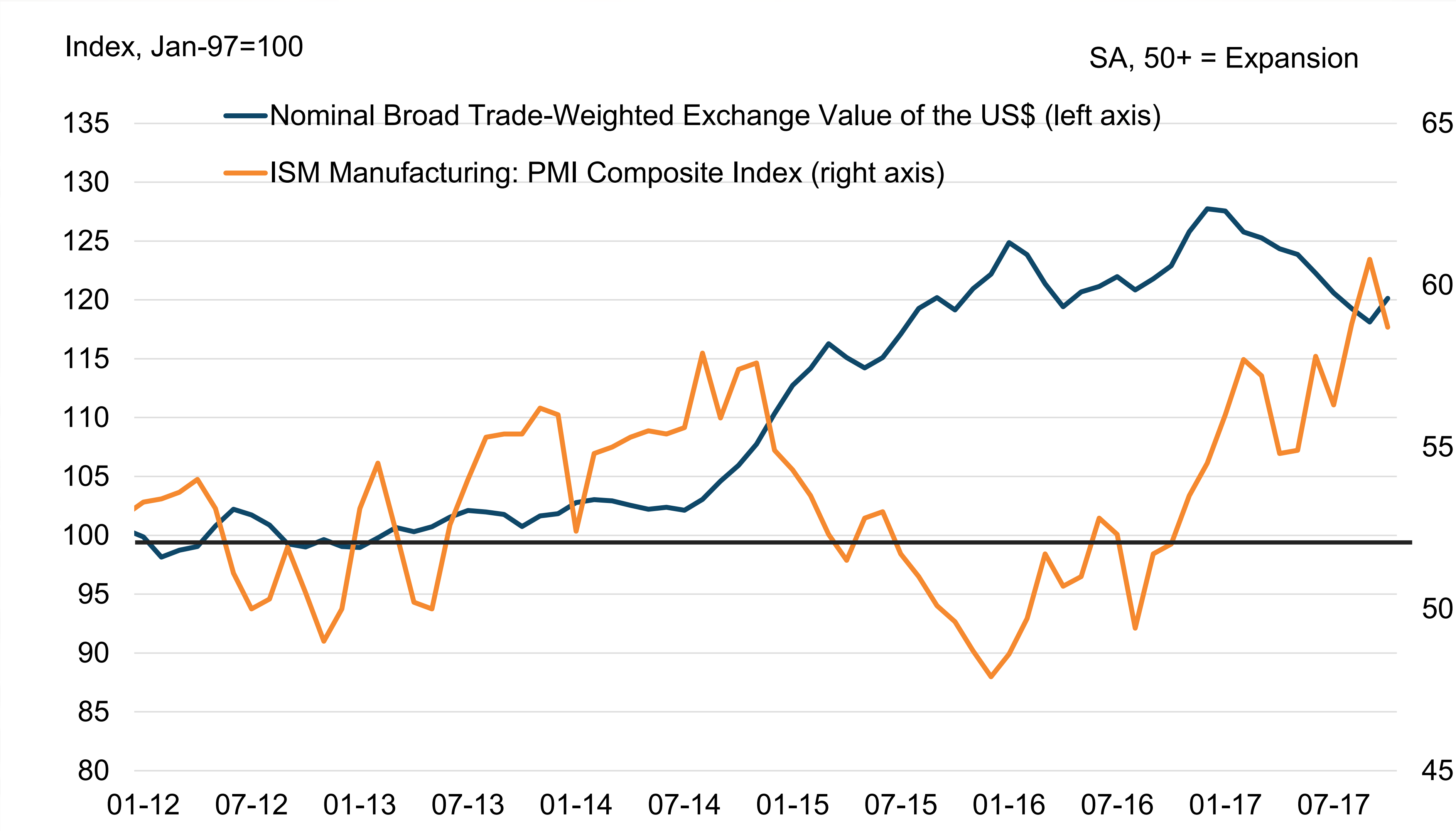
Sources: National Association of Realtors, U.S. Census Bureau; Haver Analytics

through September 2017

Business Activity

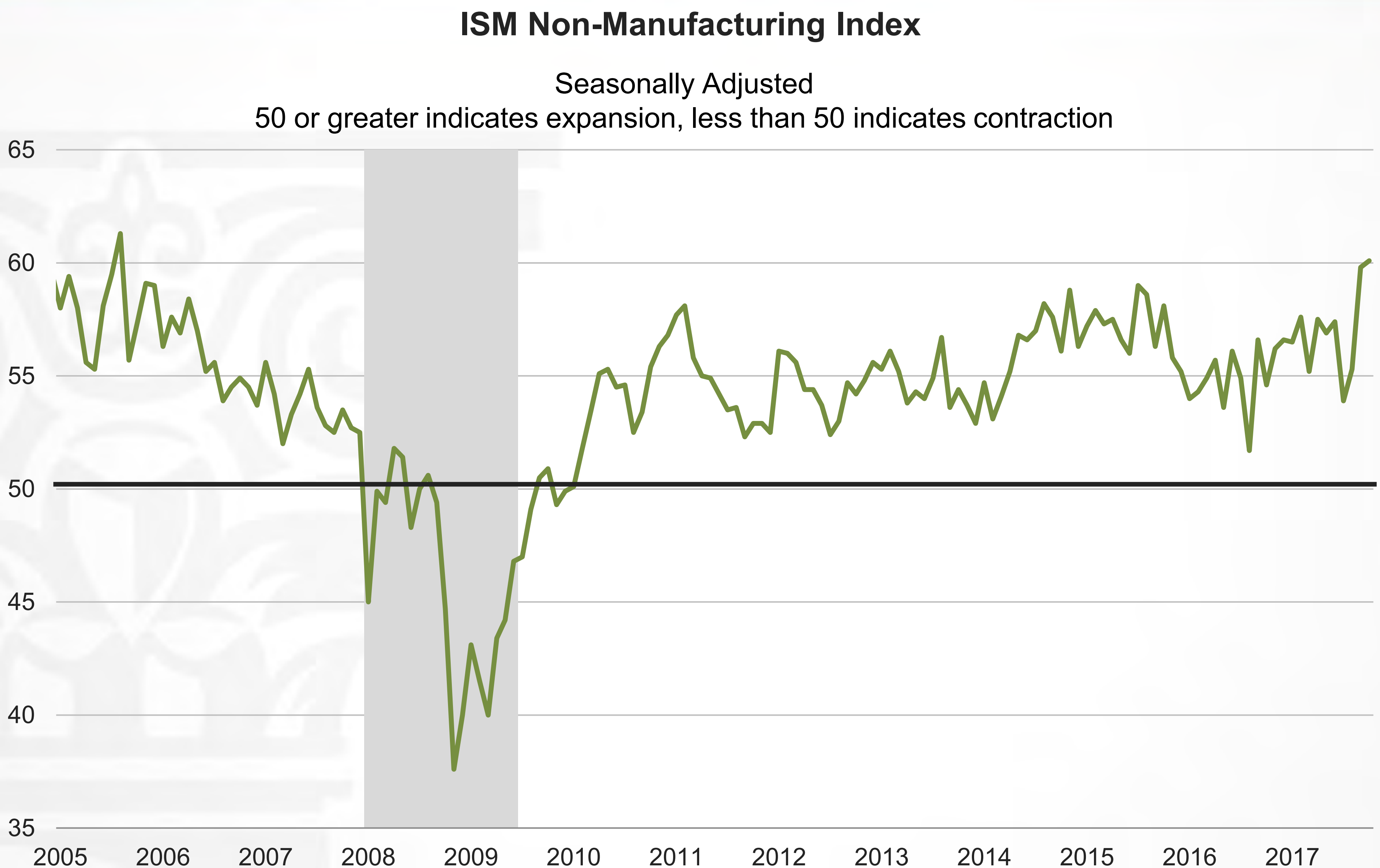
A recent run-up in the ISM's manufacturing index appears to coincide with some stabilization and reversal of the dollar's appreciation.

The Dollar and the Manufacturing Sector



Source: Federal Reserve Board; Institute for Supply Management; Haver Analytics   Data through October 2017

The services sector, which makes up a much larger share of the US economy (~80%), appears to be healthy and expanding.



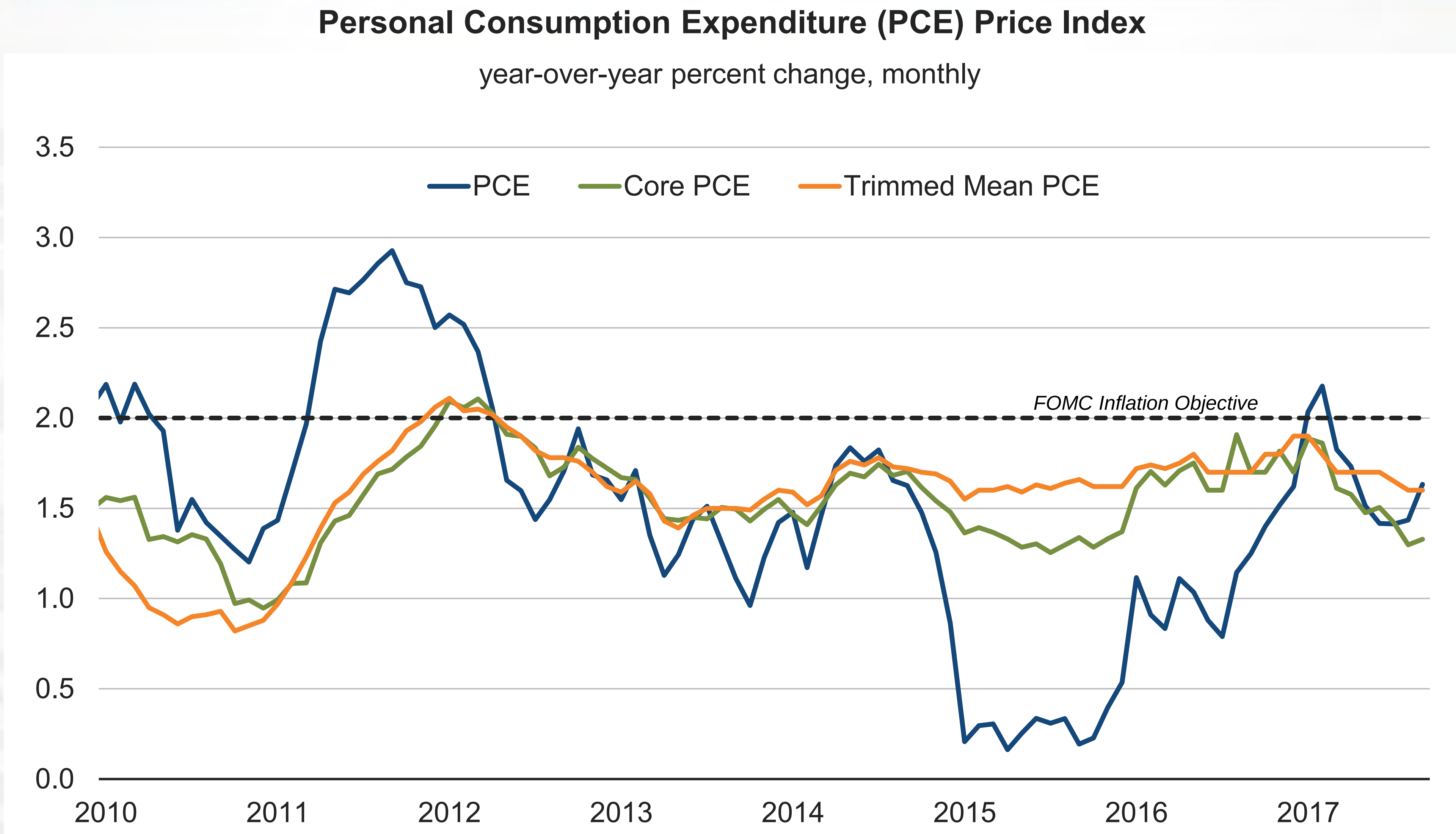
Source: Institute for Supply Management

through October 2017

Inflation

Interest Rates

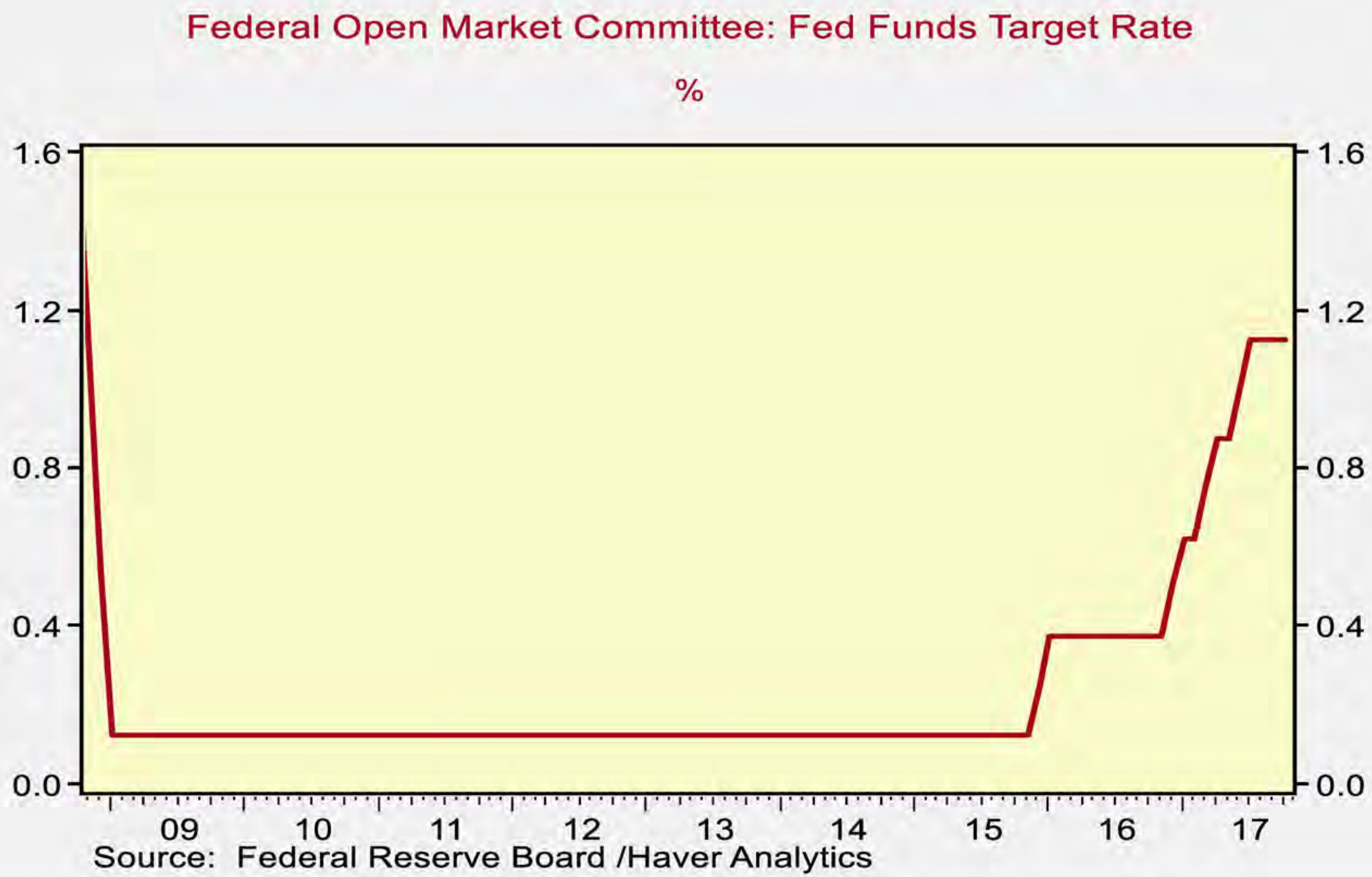
Aside from a headline increase due to a jump in gasoline prices, retail price pressures remain muted.



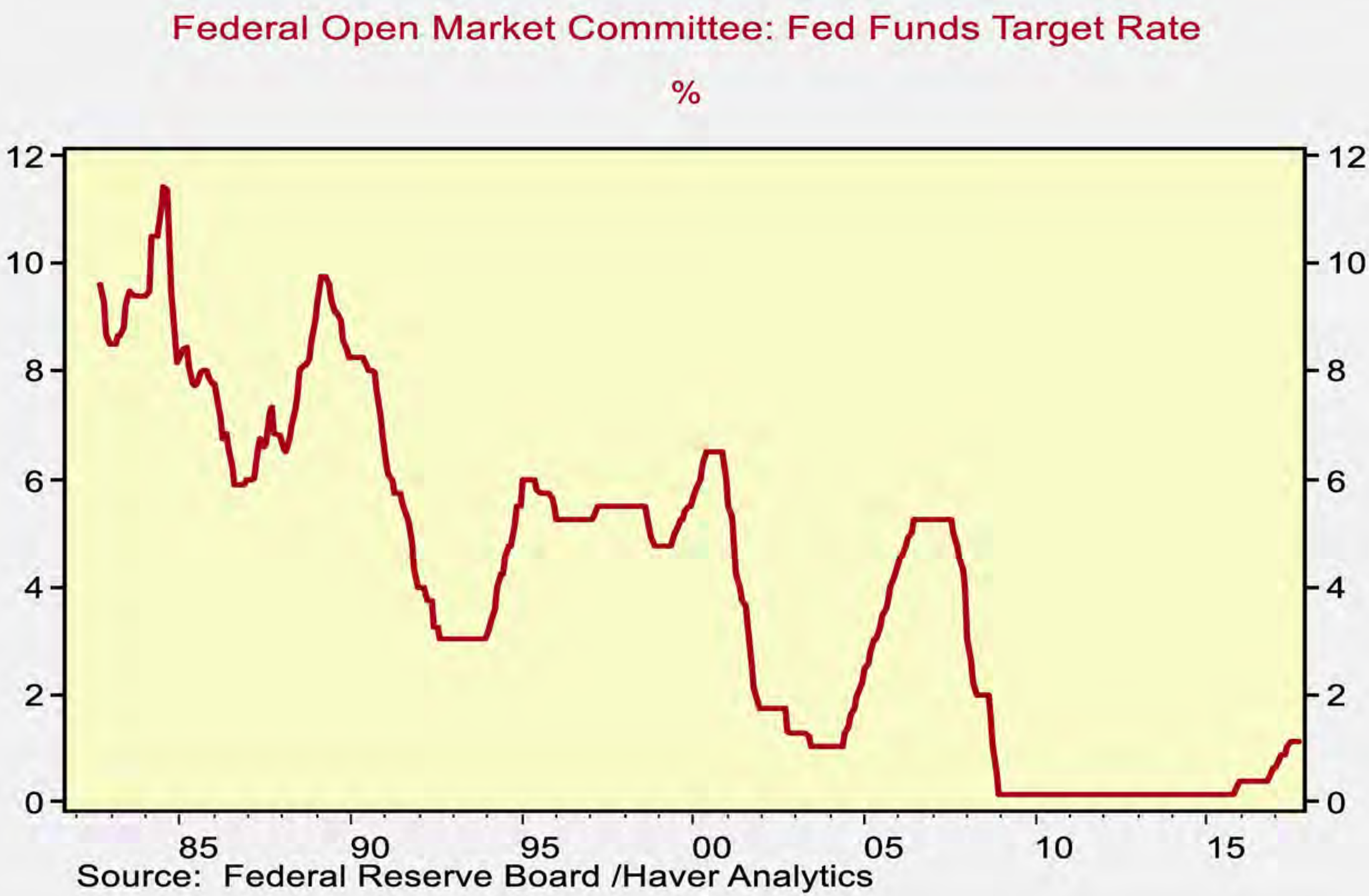
Sources: Bureau of Economic Analysis; Haver Analytics; Federal Reserve Bank of Dallas

through September 2017

In July, the FOMC raised the federal funds rate target to a range between 1 and 1¼ percent, the fourth such increase since June 2006.



Still, even in comparison with relatively recent history, the funds rate remains at unprecedented lows.



The Outlook

The future path of Fed policy will be data dependent.

- In determining the timing and size of future adjustments to the target range for the federal funds rate, the FOMC **will assess realized and expected economic conditions** relative to its objectives of maximum employment and 2 percent inflation.

- This assessment will take into account a wide range of information, including:
  - Labor market measures
  - Inflation pressures and expectations
  - Readings on financial and international developments

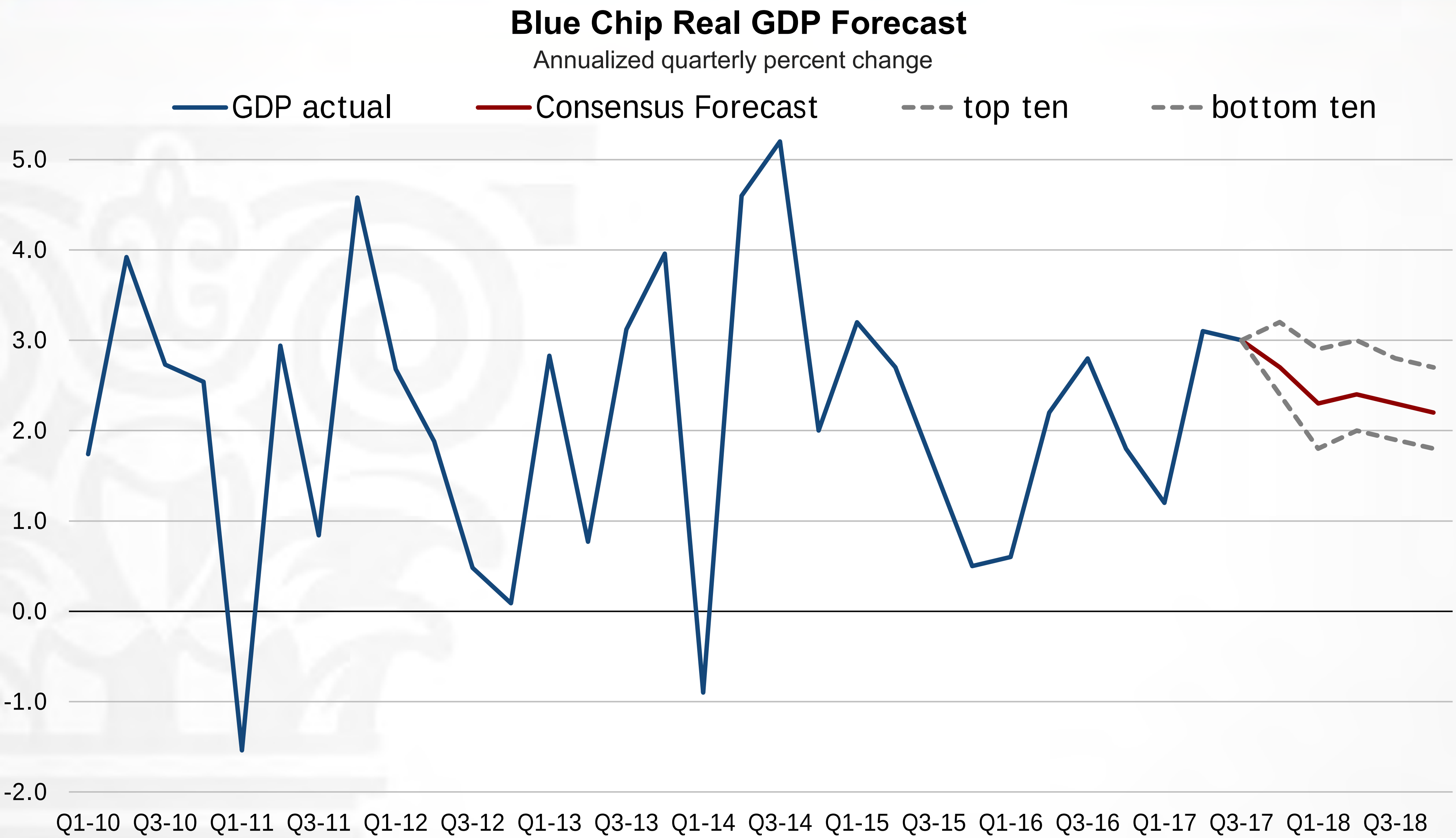
Raphael Bostic's Perspective

- "…a reasonable economic forecast for the foreseeable future is more of the same: GDP growth continuing a bit above 2 percent, the unemployment rate in the low 4s, and modest increases in real wage growth."

- "Under my baseline scenario, I think it will be appropriate for interest rates to rise gradually over the next couple of years, as our policy position is still very accommodating rather than neutral. How gradual that pace will be depends on the strength of the incoming macroeconomic data and what it implies for the economic outlook."

Atlanta Fed President Raphael Bostic, November 14, 2017

With respect to the outlook for the economy going forward, private economists expect GDP to expand at roughly 2.3% through the end of next year.



Source: Blue Chip panel of economists, November 10, 2017

What we're hearing anecdotally from "Main Street" business contacts in Tennessee

- Tennessee contacts are mostly optimistic, with expectations for slow and steady growth over the coming year.
- Transportation contacts are citing strong activity with a rebound in freight demand from a two year slump.
- Tourism and hospitality contacts continue to cite robust activity.
- With historically low unemployment rates, we're increasingly hearing reports of a tightening labor market, especially from those in the construction industry.
- The business environment is very competitive, and most firms report having limited pricing power. As a result, businesses are continuing to focus on cost containment and efficiency enhancements to maintain and improve margins.

FEDERAL RESERVE BANK *of* ATLANTA

Tennessee State Funding Board

November 20, 2017

Lee Jones
Regional Executive - Tennessee

The views expressed are mine and not necessarily those of the Atlanta Fed or the Federal Reserve System.

Tennessee Economic Outlook and Tax Revenues

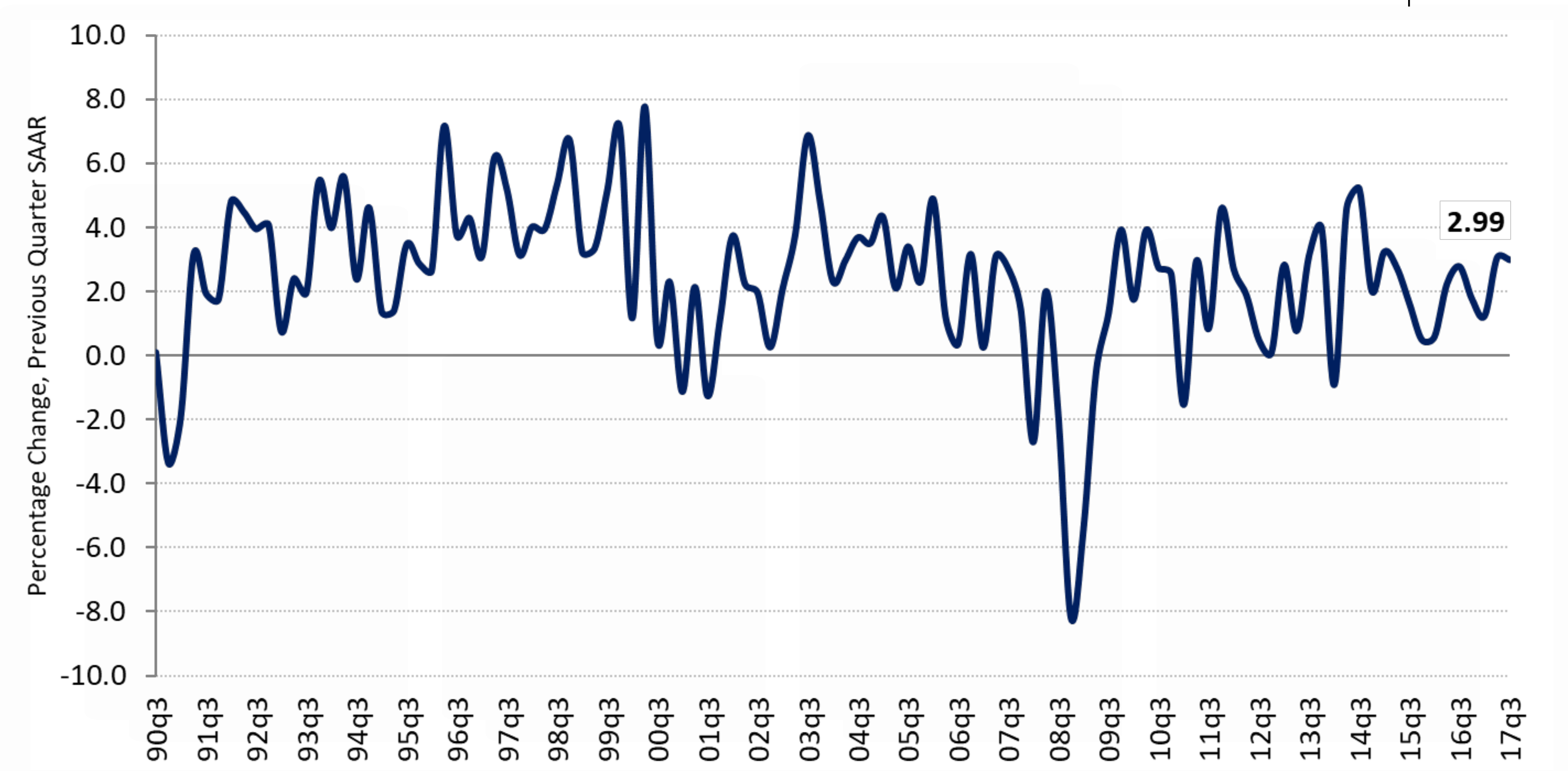
William F. Fox, Director

November 20, 2017

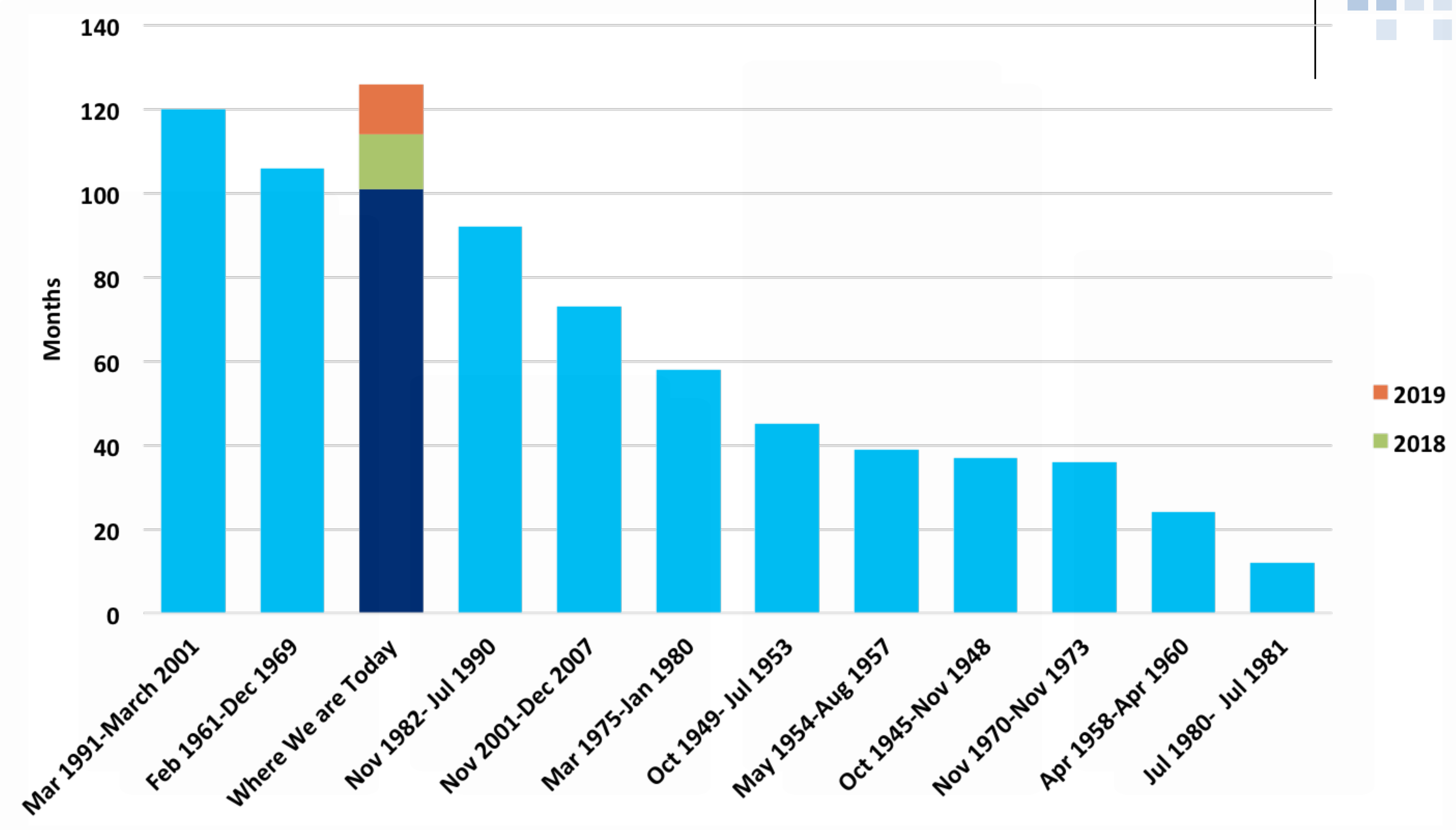
THE UNIVERSITY OF TENNESSEE KNOXVILLE

BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

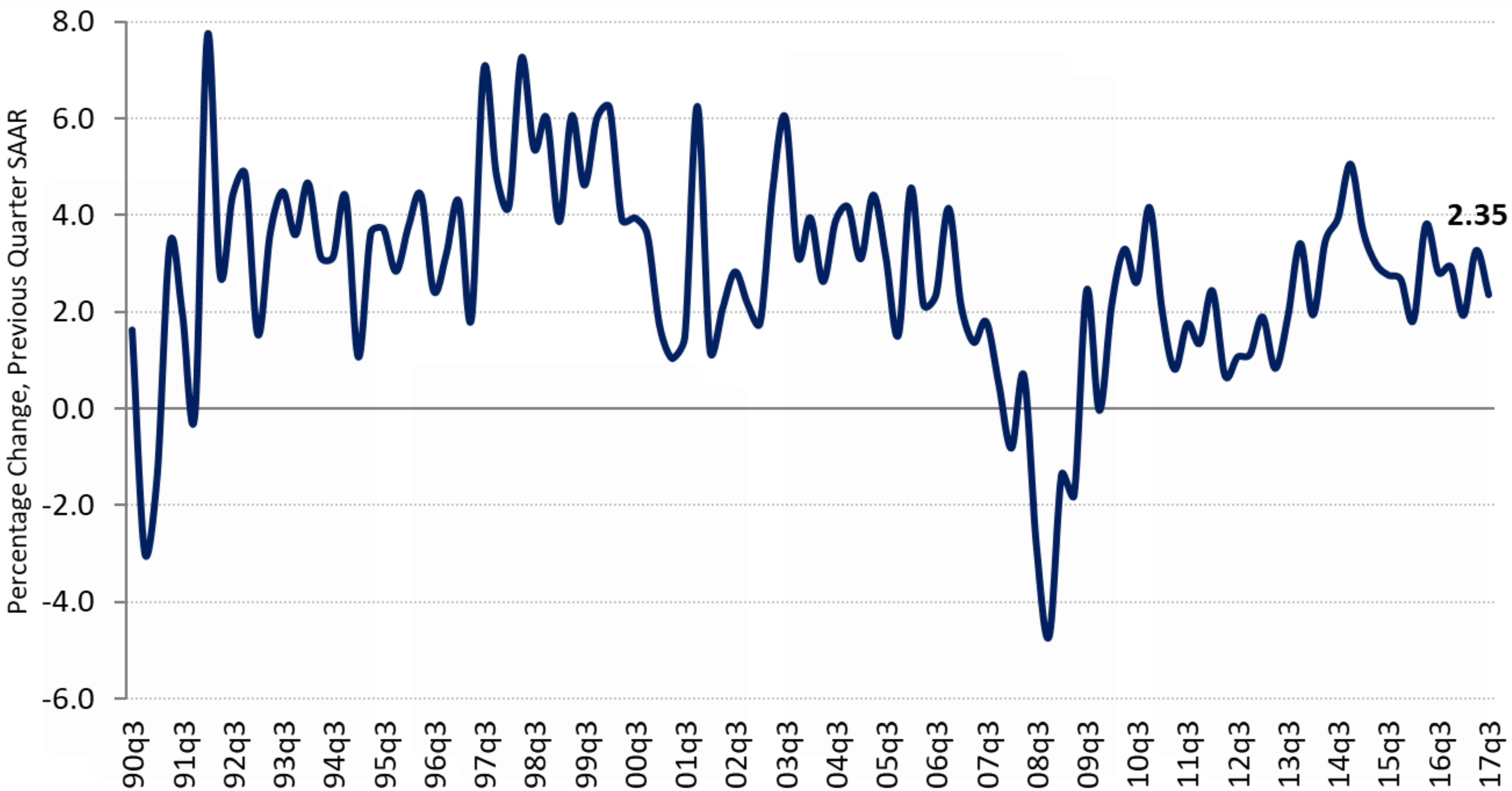
Growth in Quarterly Real Gross Domestic Product (chained 2009 dollars)



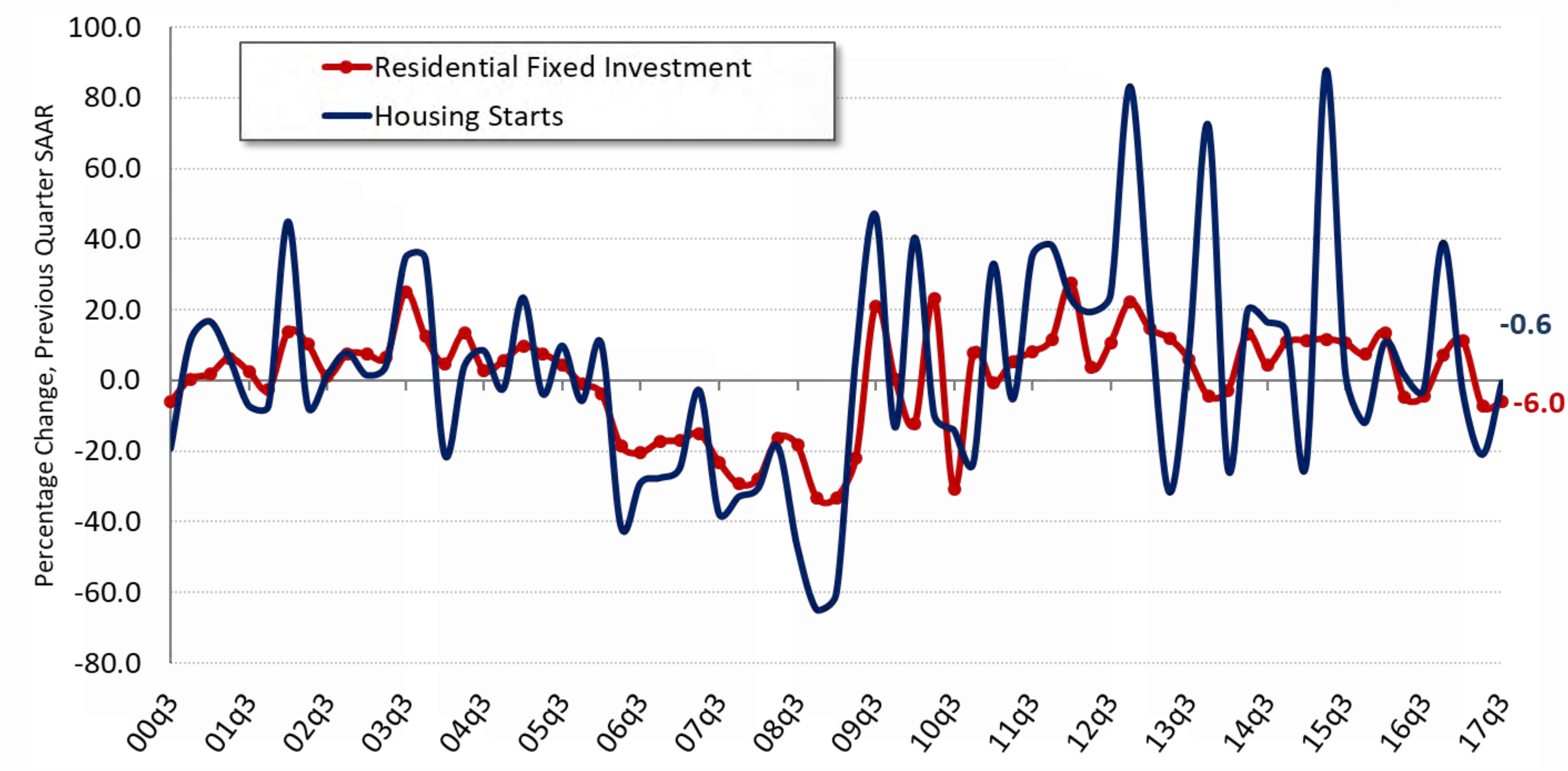
The Current Expansion is Long on Historical Standards



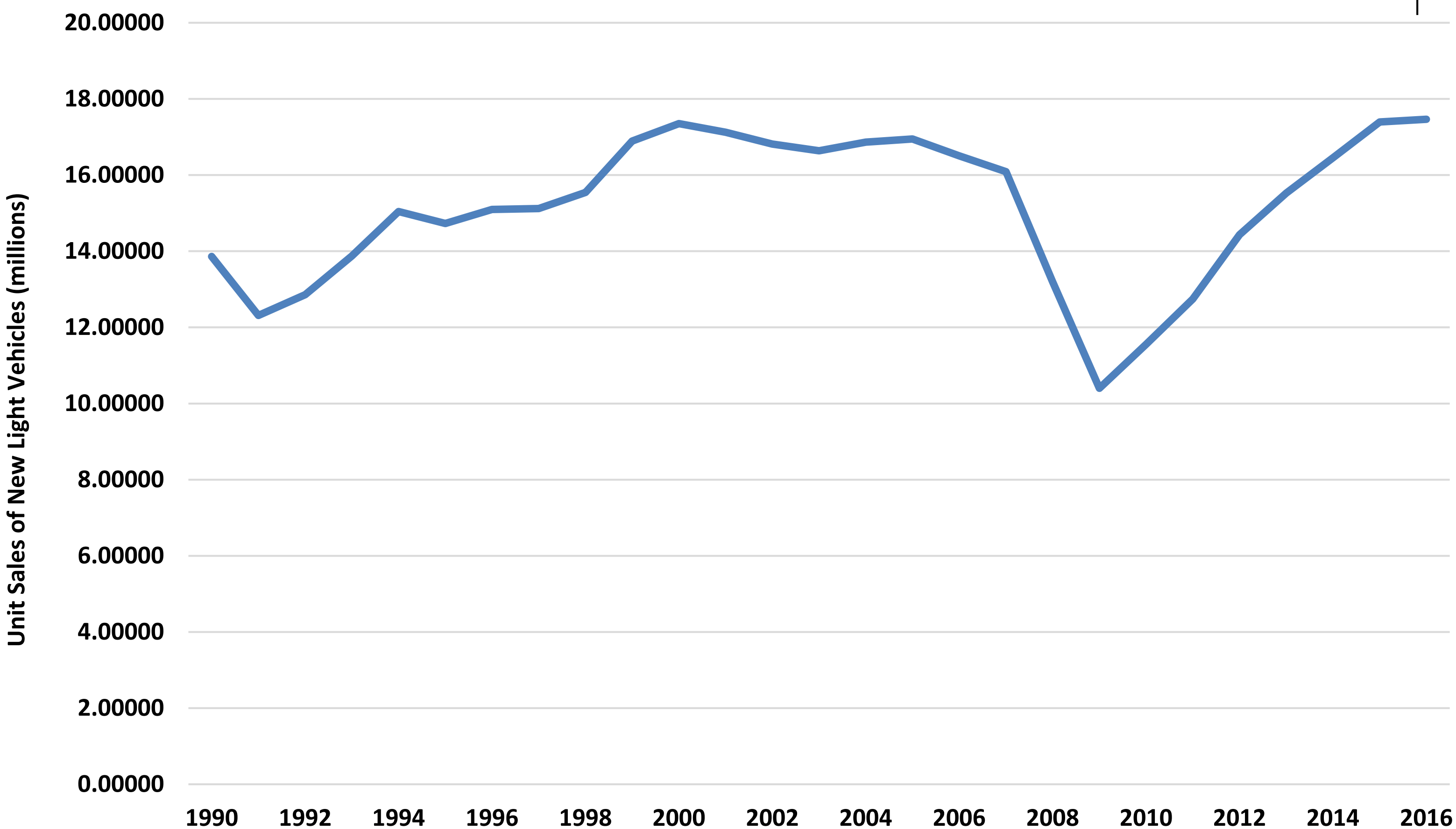
Growth in Quarterly Real Personal Consumption Expenditures (chained 2009 dollars)



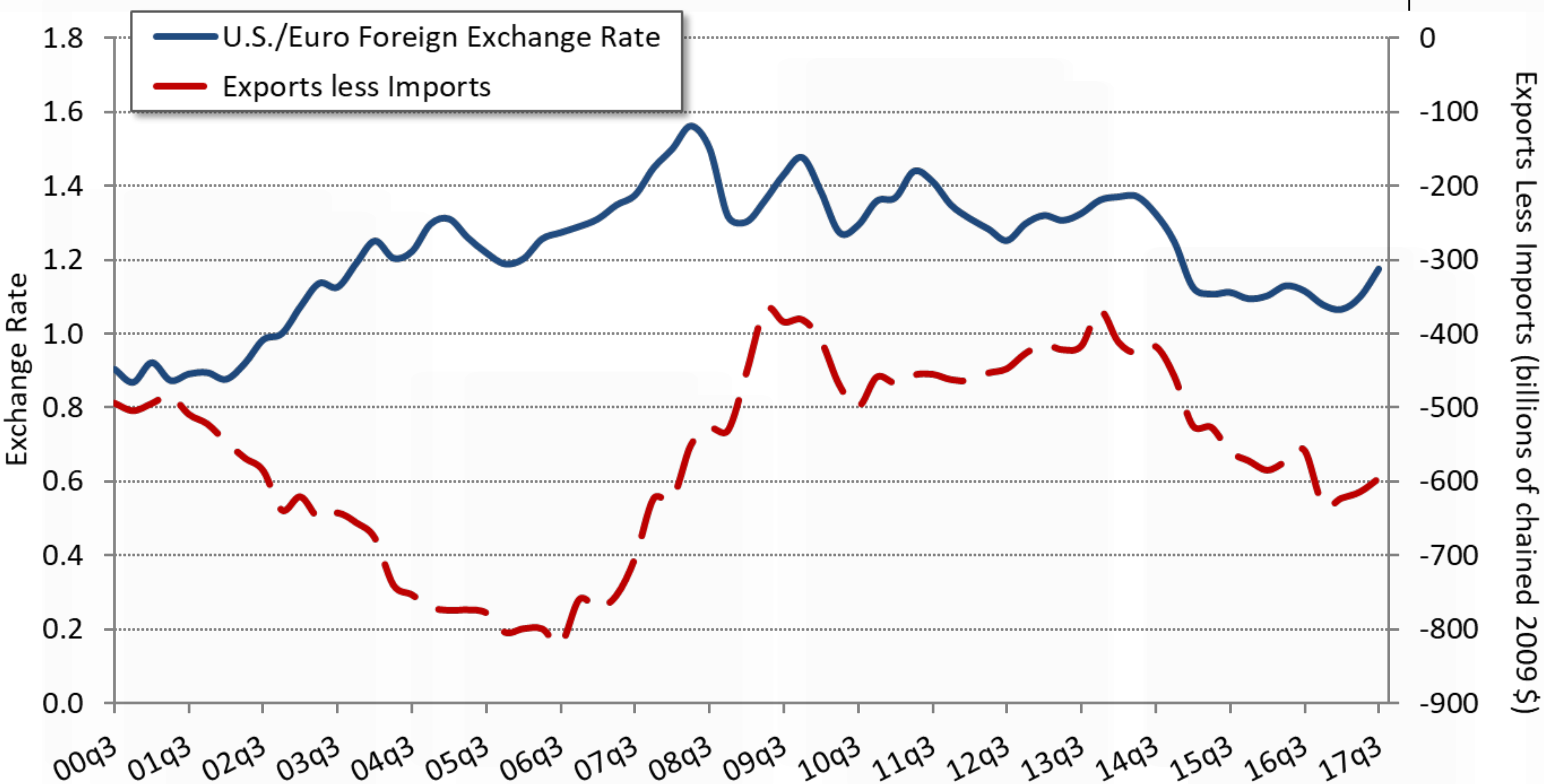
Growth in Quarterly Real Private Residential Fixed Investment and Housing Starts



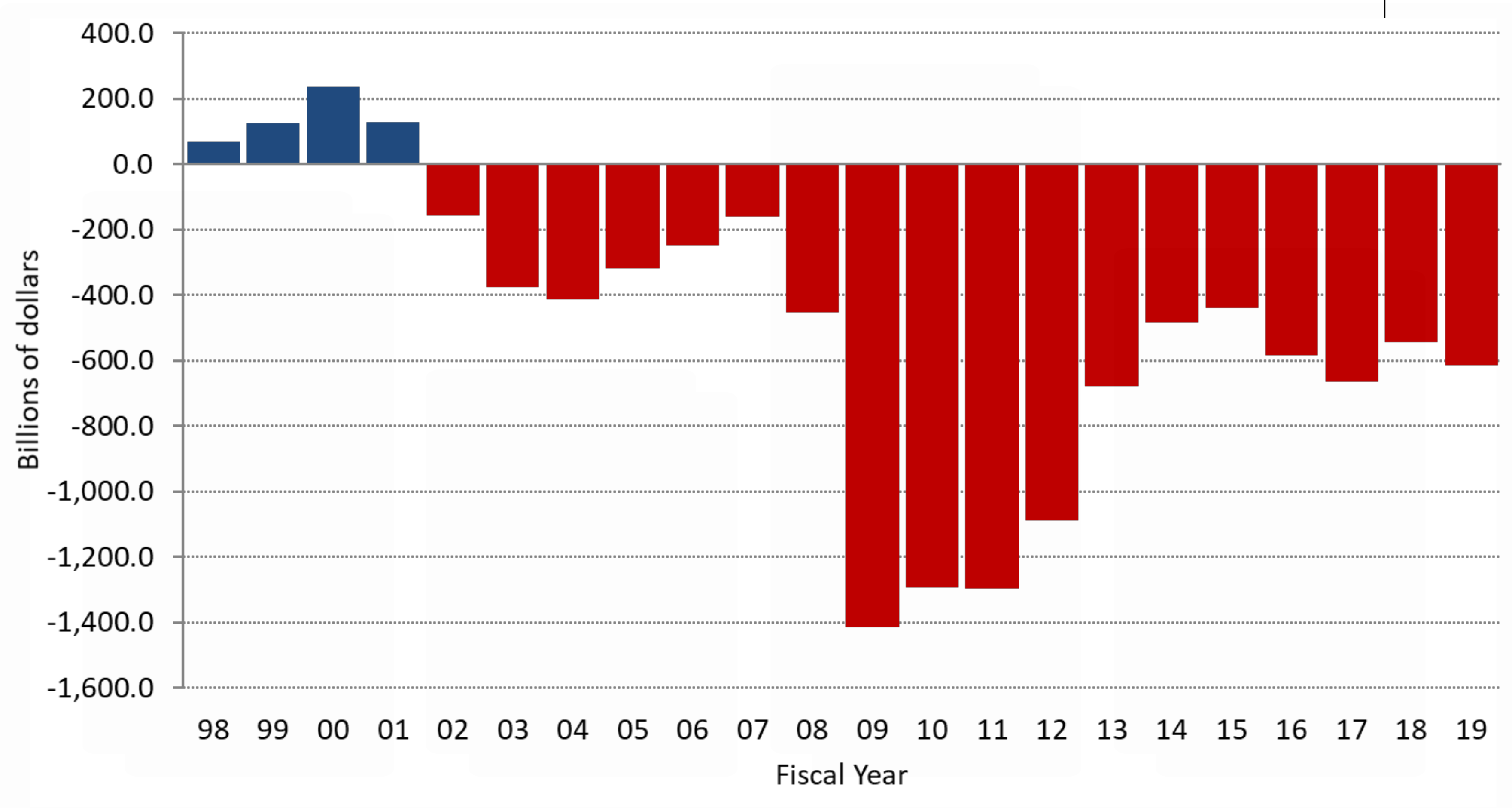
Unit Sales of New Light Vehicles



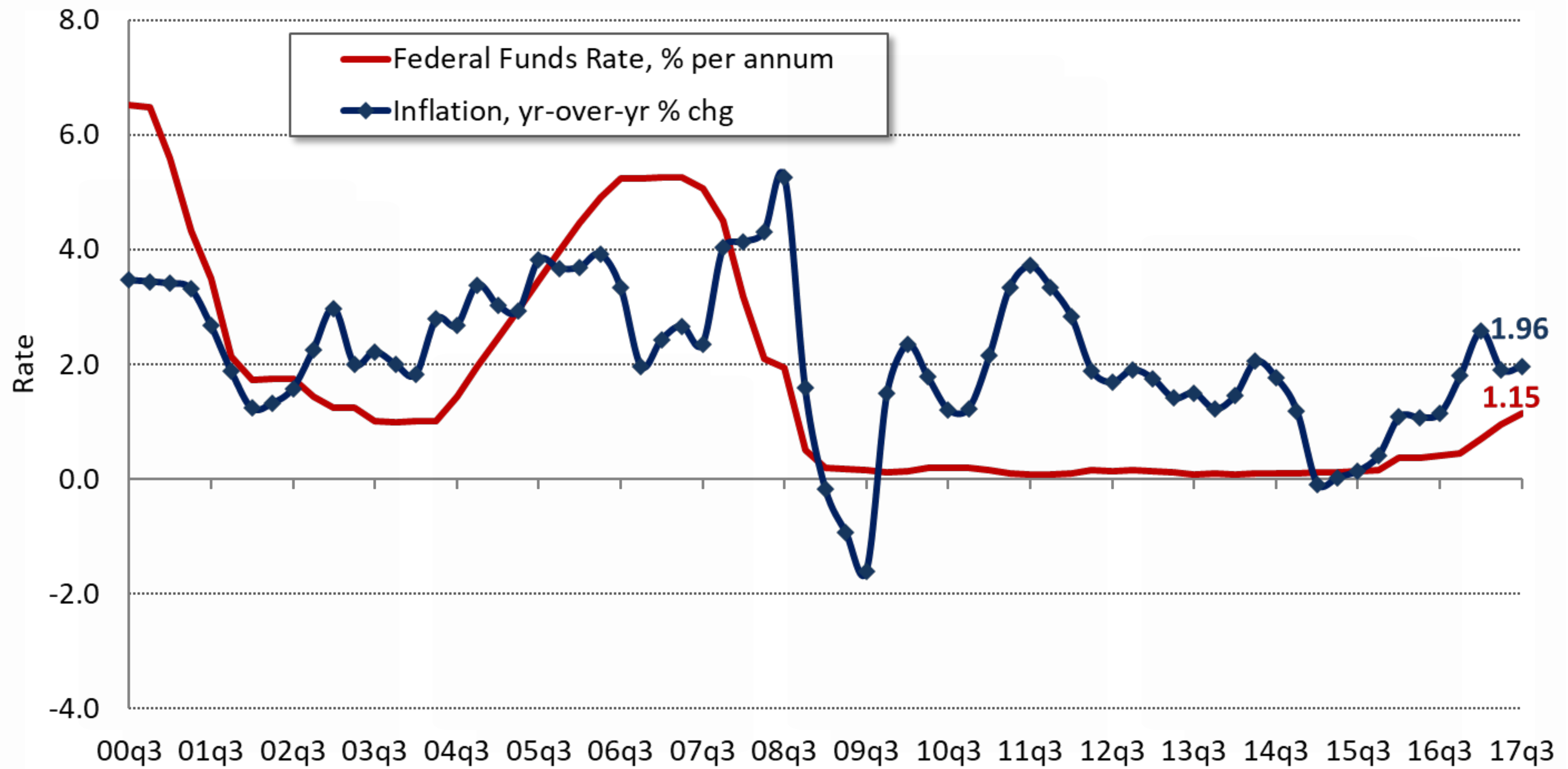
U.S./Euro Foreign Exchange Rate and Real Exports Less Imports



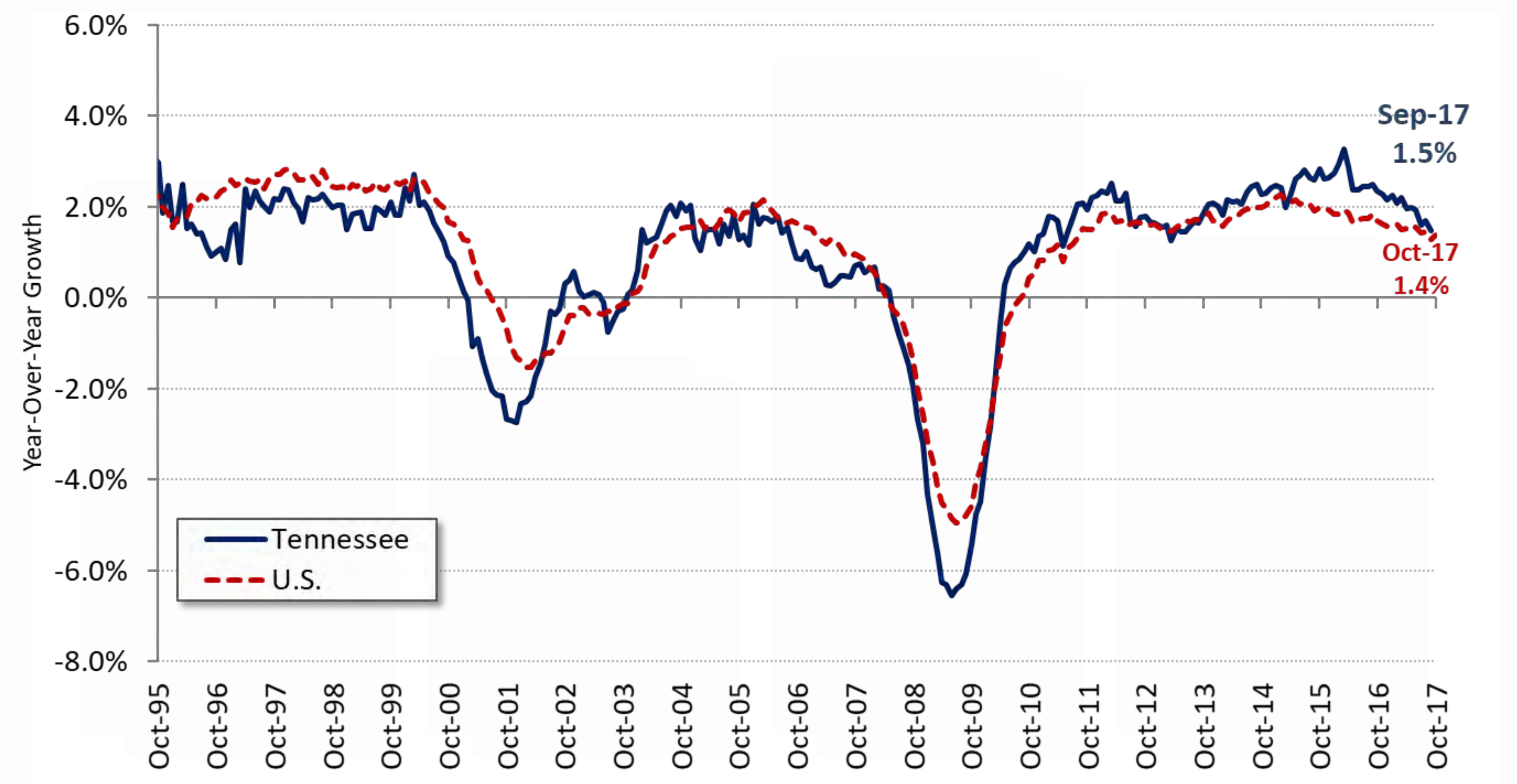
Unified Federal Budget Surplus



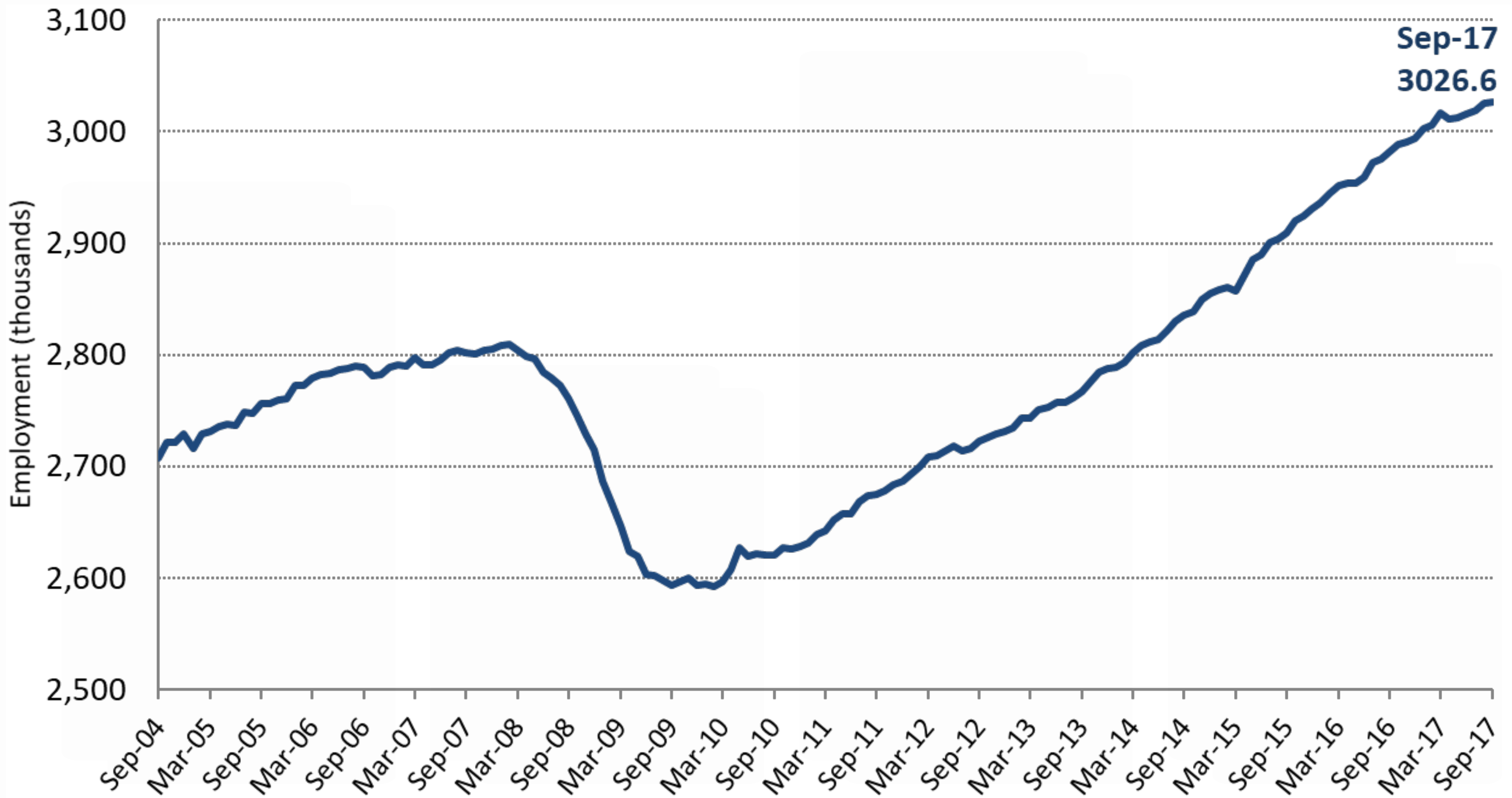
Interest Rates and Inflation



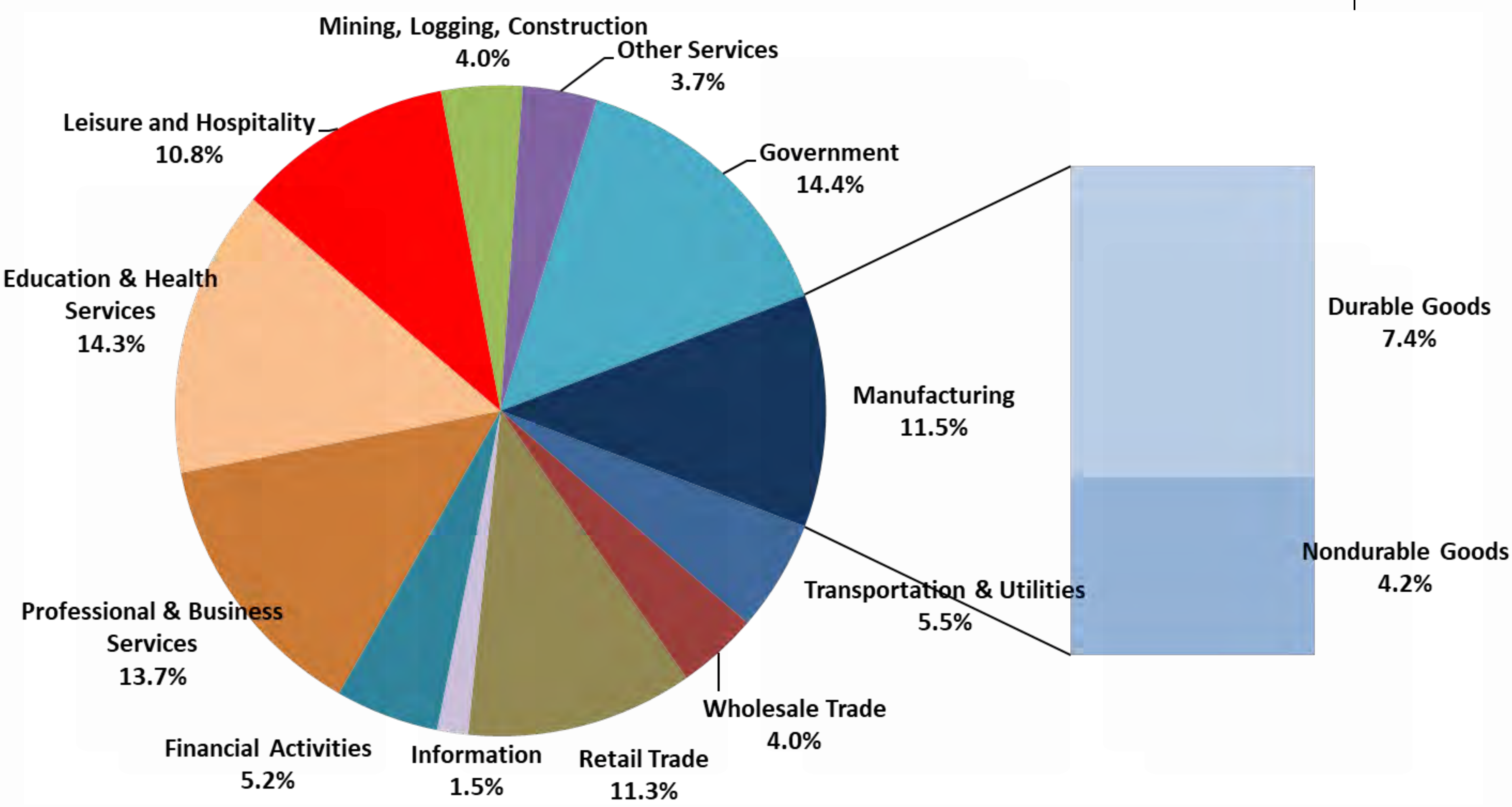
Tennessee and U.S. Nonfarm Job Growth
(year-over-year growth)



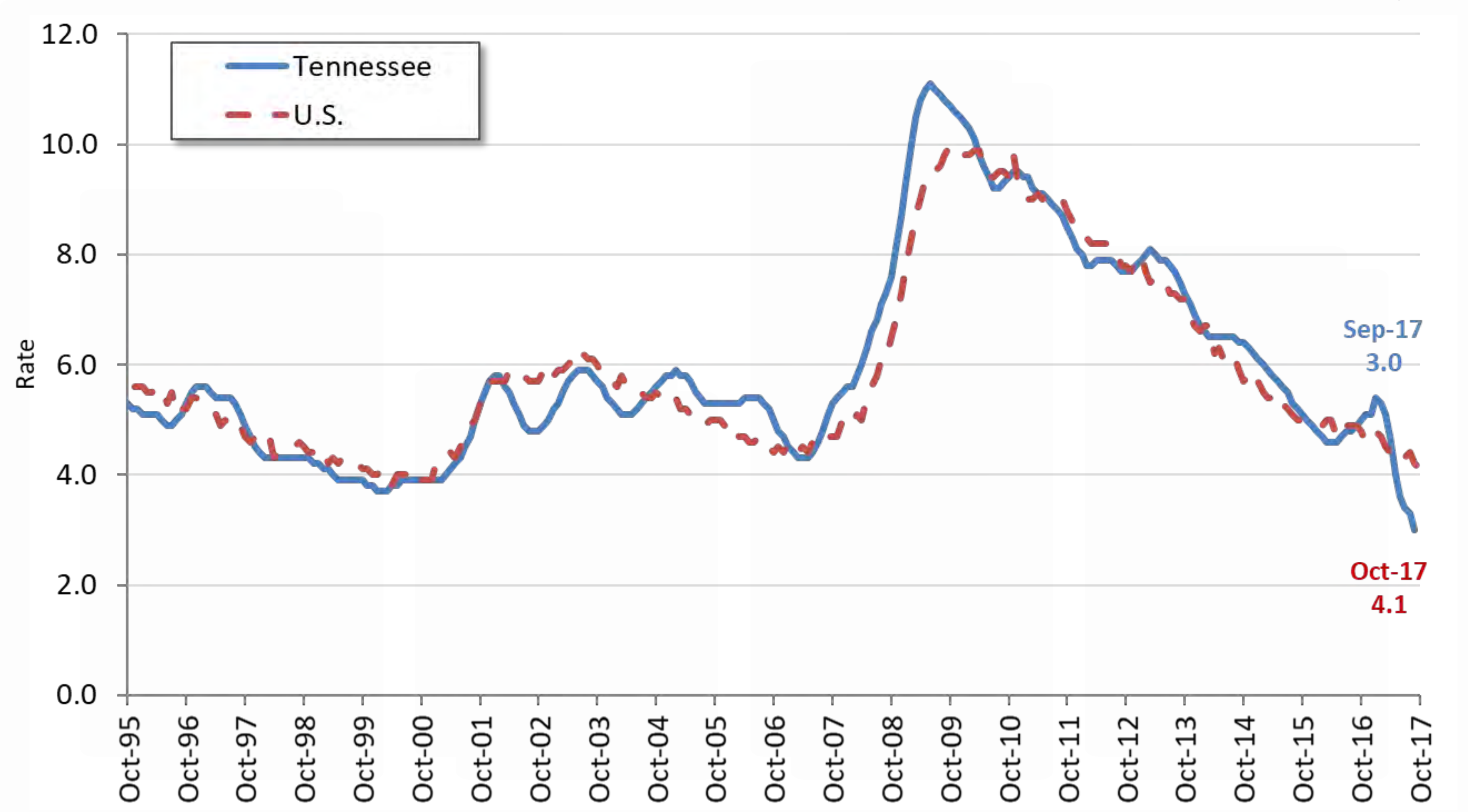
Tennessee Monthly Nonfarm Jobs
(seasonally adjusted)



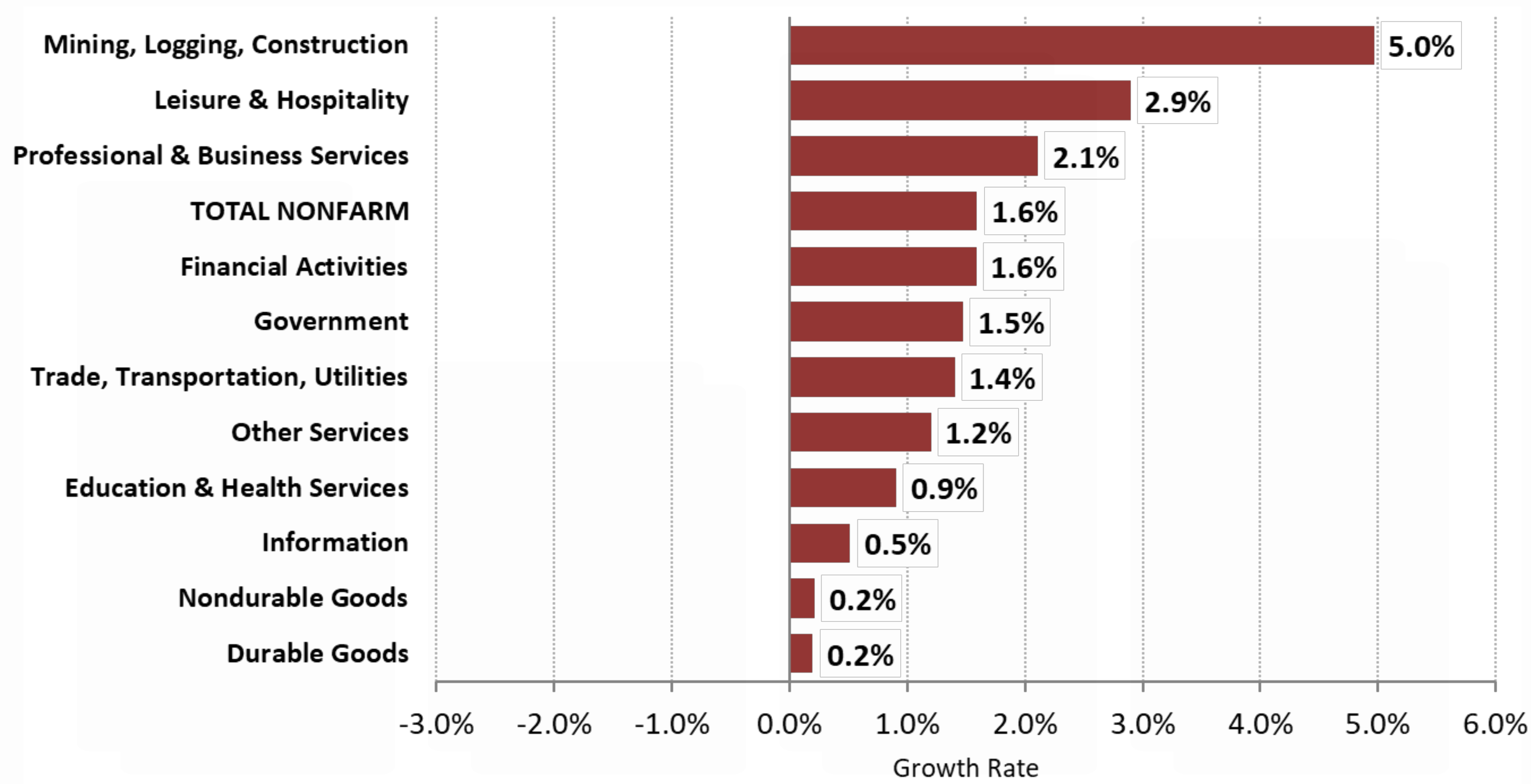
Tennessee Employment Distribution by Industry, 2016



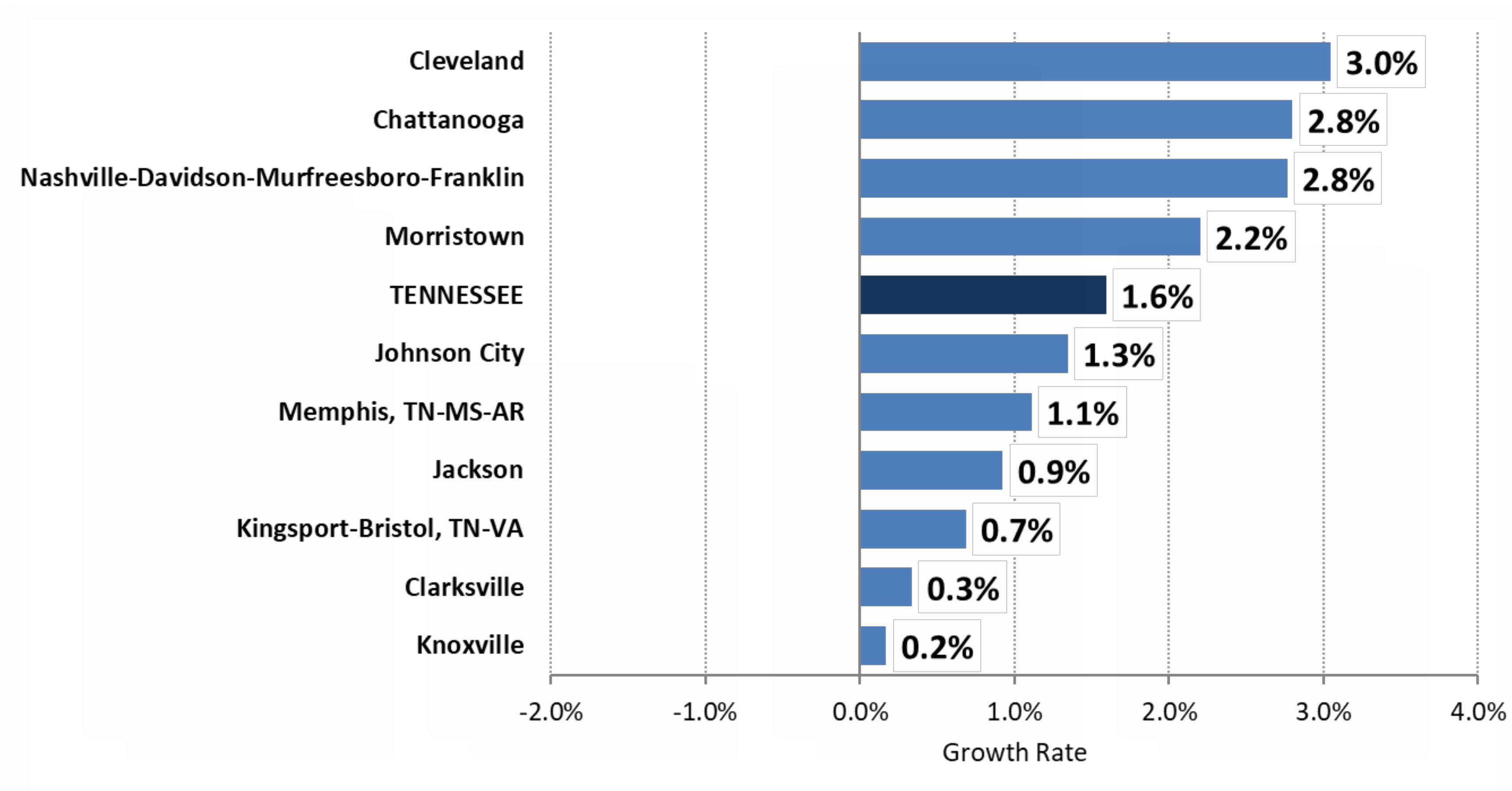
Tennessee and U.S. Unemployment Rate
(seasonally adjusted)



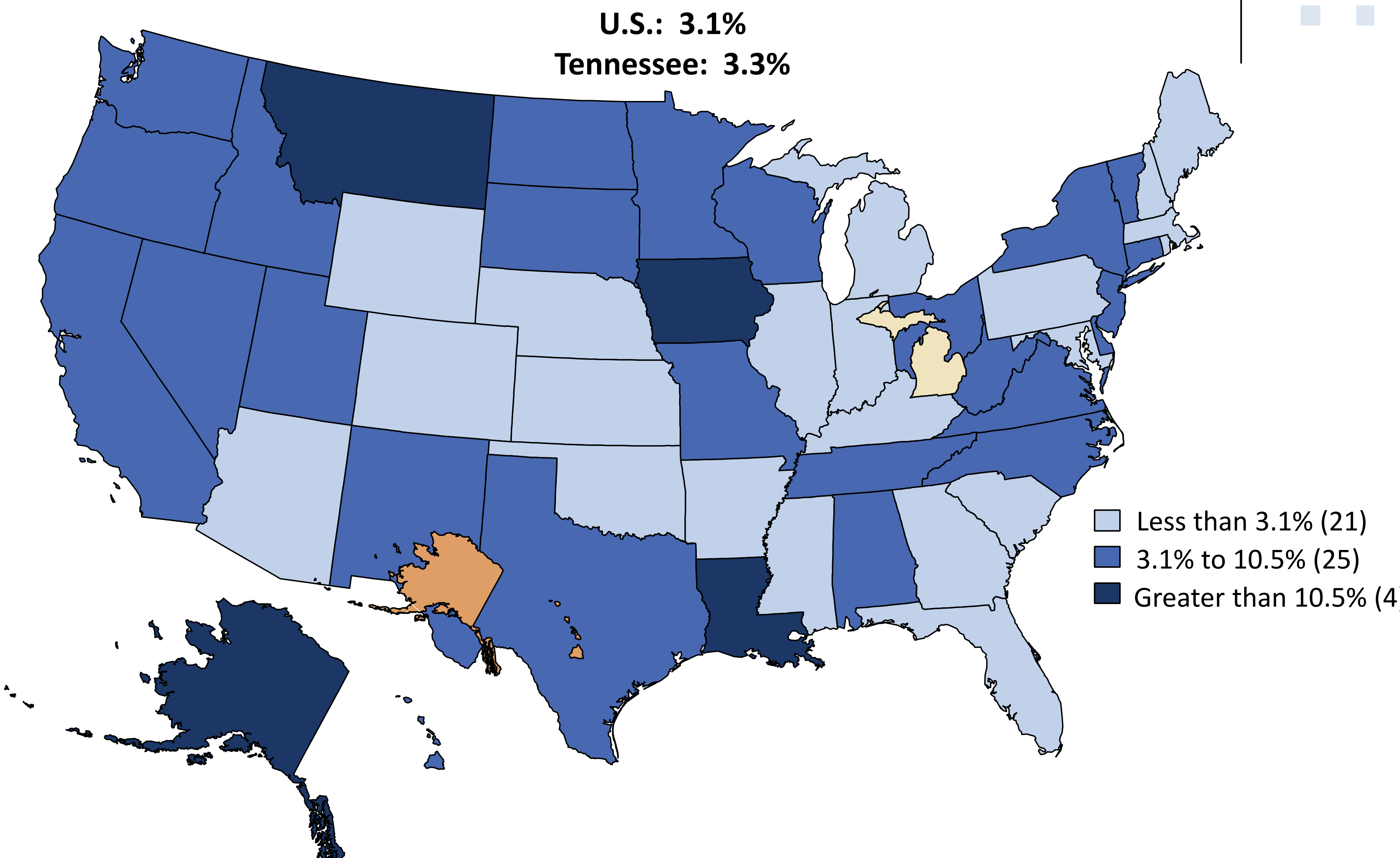
Tennessee Job Growth by Sector
(Quarter Ending Sept. 2016 to Sept. 2017)



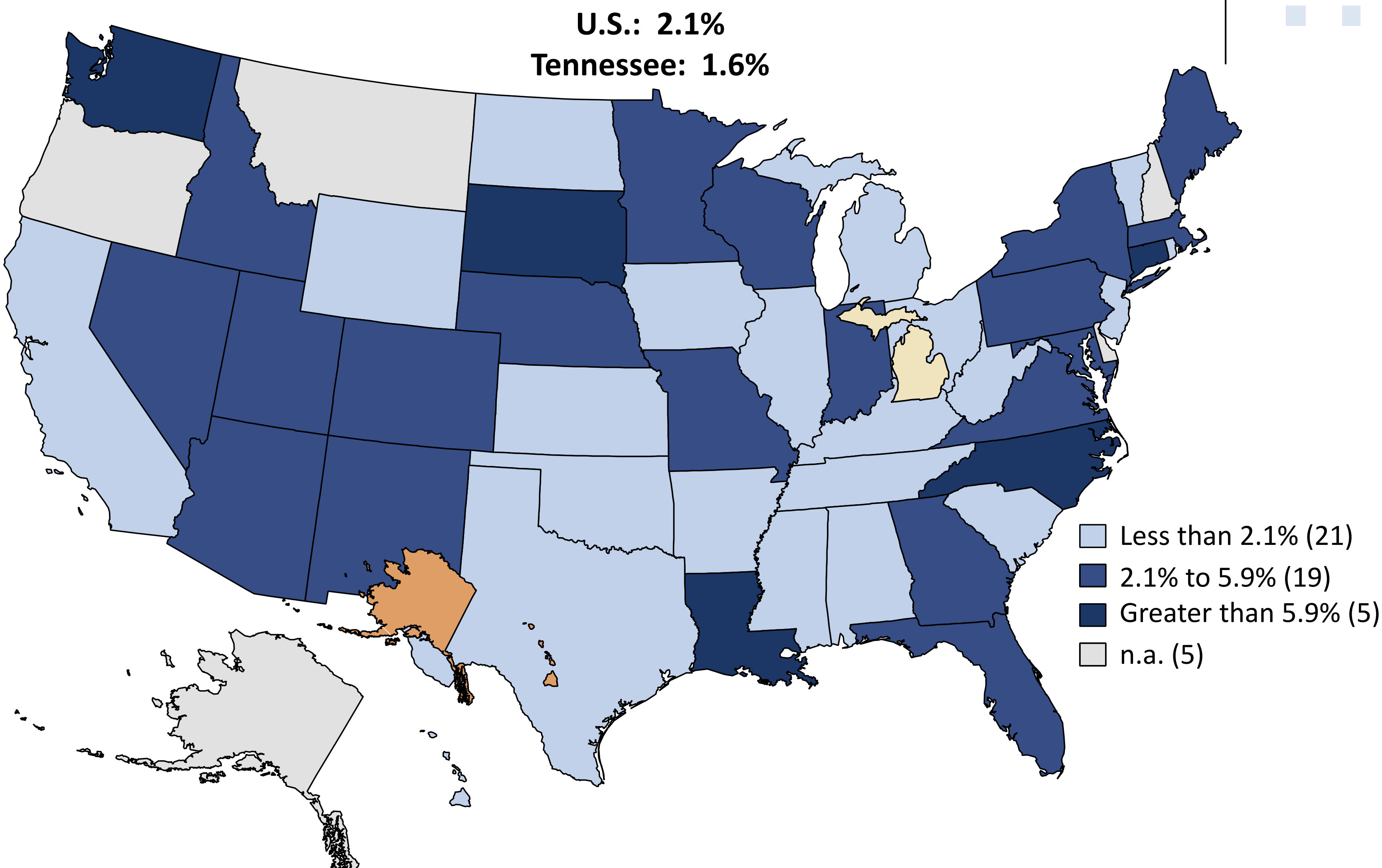
Nonfarm Employment Growth, MSAs
(Quarter Ending Sept. 2016 to Sept. 2017)



Change in Total Taxes, January–March, 2016 to 2017

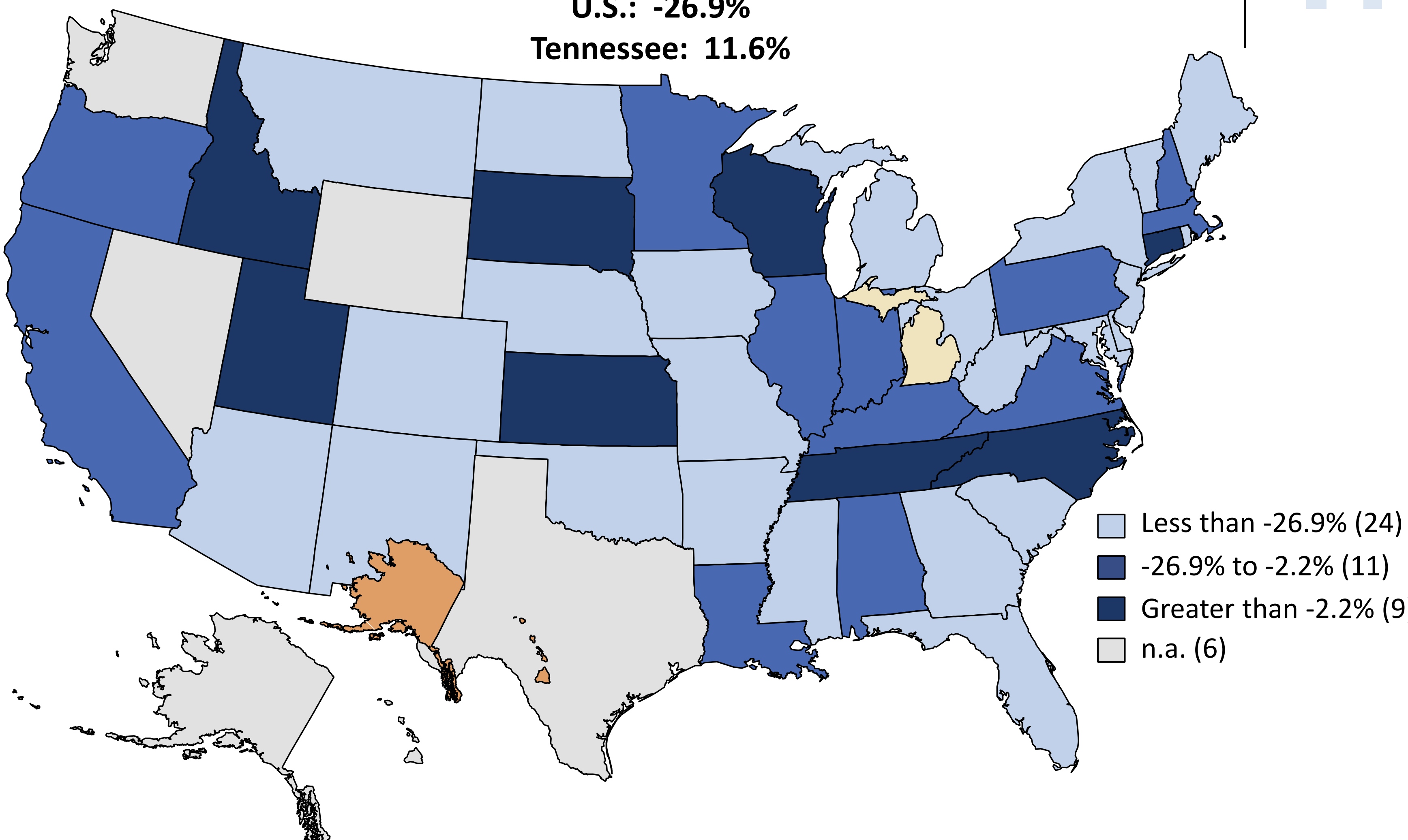


Change in Sales Taxes, January–March, 2016 to 2017

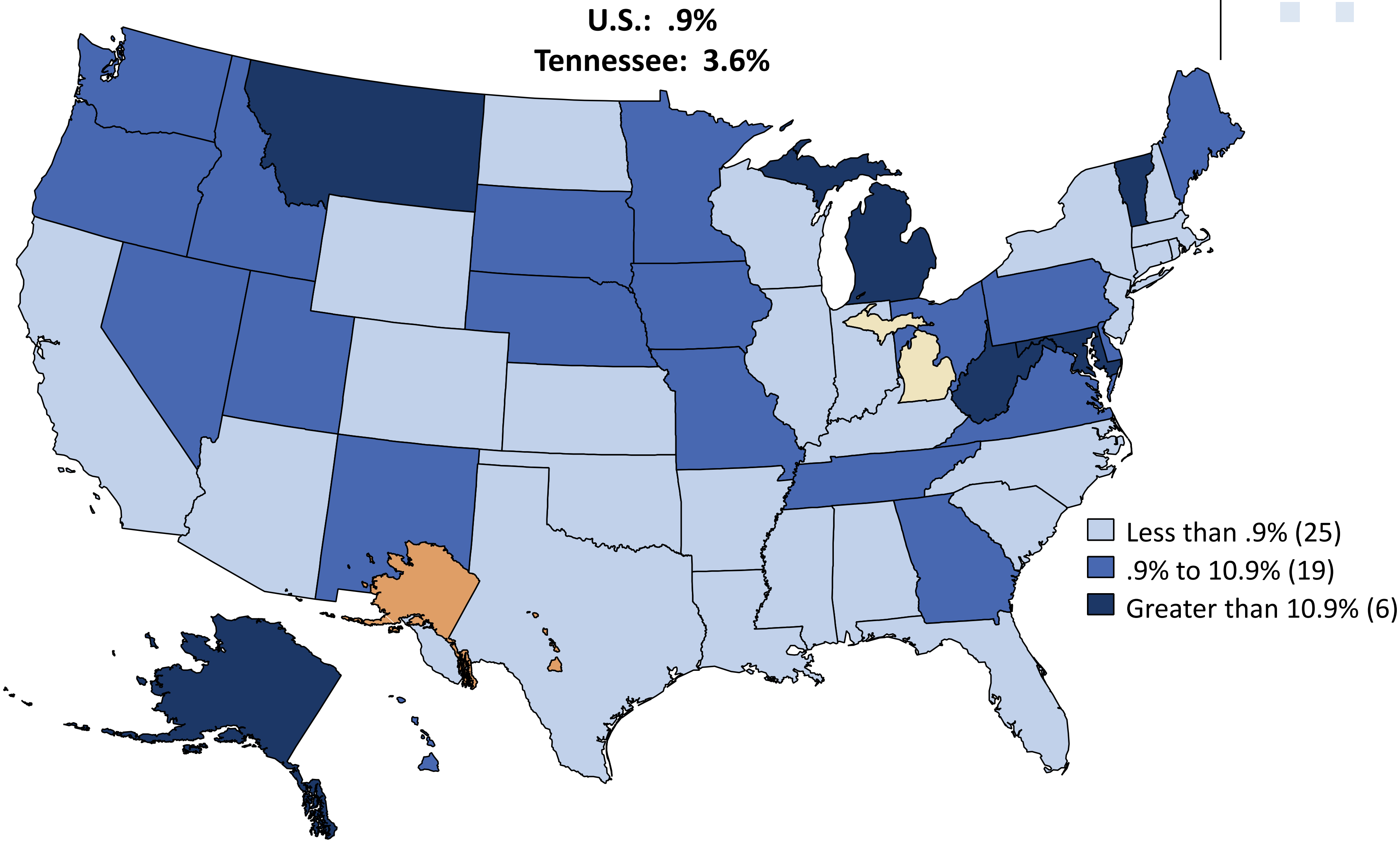


Change in Corporate Income Taxes, January–March, 2016 to 2017

U.S.: -26.9%
Tennessee: 11.6%



Change in Motor Fuel Taxes, January–March, 2016 to 2017

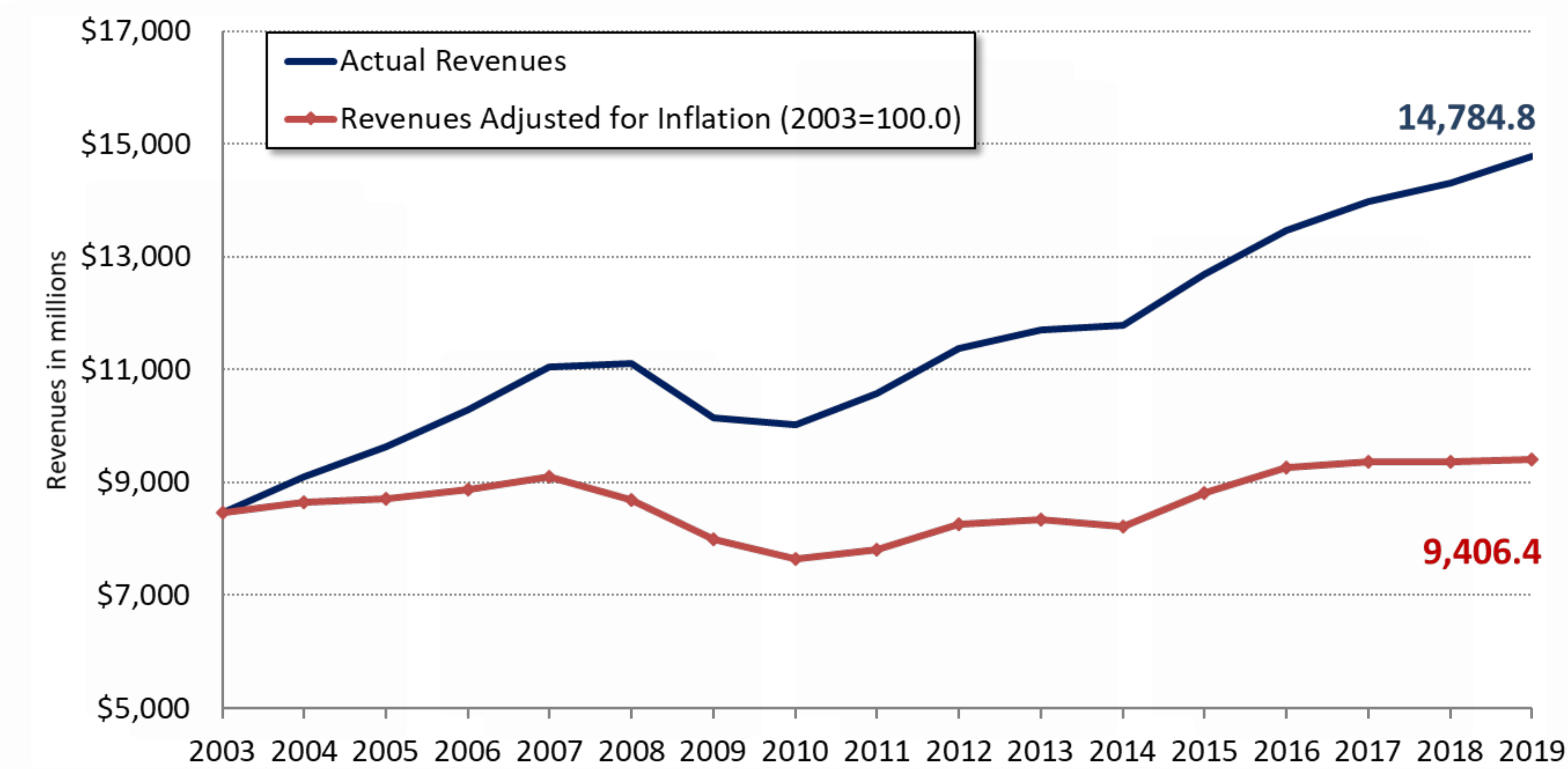


Tennessee Department of Revenue Collections (Millions of Dollars)

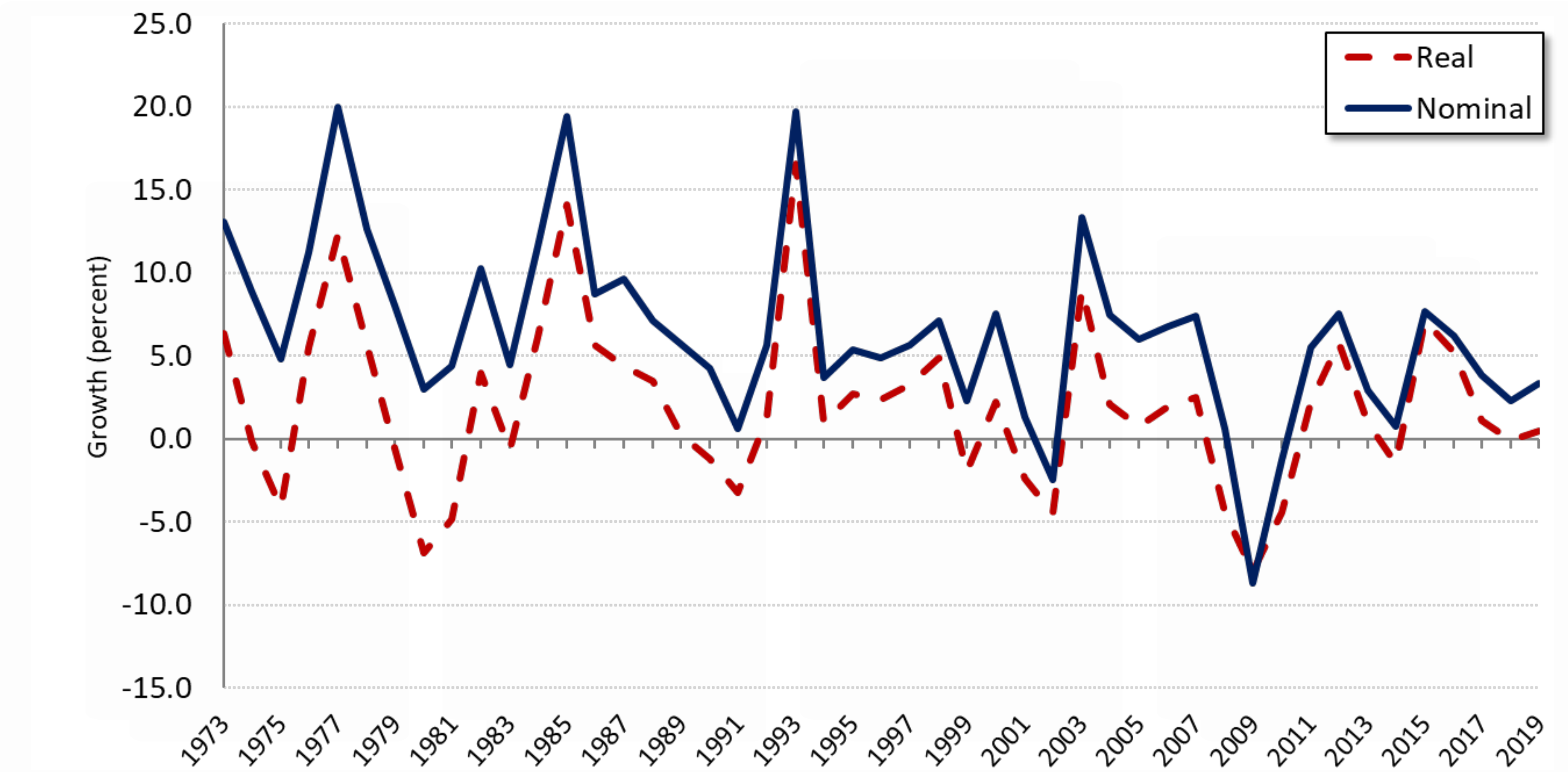
	2017			2018			2019		
	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund
Sales and Use	8,556.8	3.5	8,062.9	8,822.1	3.1	8,298.4	9,148.5	3.7	8,605.4
Gasoline	669.6	1.5	11.5	811.6	21.2	13.4	845.4	4.2	13.9
Motor Fuel	177.5	3.0	2.0	220.3	24.1	2.5	254.2	15.4	2.9
Gasoline Inspection	68.2	1.2	19.9	68.9	1.0	20.2	69.6	1.0	20.4
Motor Vehicle Registration	275.2	1.5	45.3	319.6	16.2	47.0	326.0	2.0	48.0
Income	250.1	-22.4	164.7	210.1	-16.0	138.2	163.9	-22.0	107.8
Privilege	395.1	9.9	389.1	410.9	4.0	409.9	427.3	4.0	426.3
Gross Receipts	373.5	1.3	215.8	372.9	-0.2	213.5	373.5	0.2	213.8
Gross Receipts - TVA	341.6	-2.0	189.2	341.0	-0.2	188.0	341.0	0.0	188.0
Gross Receipts - Other	31.9	59.5	26.7	31.9	0.0	26.3	32.5	2.0	26.8
Beer	17.2	-1.1	11.6	17.6	2.5	11.8	18.1	2.5	12.1
Alcoholic Beverage	64.2	3.0	53.0	67.4	5.0	55.8	71.5	6.0	59.1
Franchise & Excise	2,620.2	13.3	2,328.6	2,436.2	-7.0	2,184.3	2,523.9	3.6	2,262.9
Inheritance & Estate	9.2	-83.4	9.2	8.0	-13.0	8.0	5.0	-37.5	5.0
Tobacco	255.7	-2.2	255.7	255.7	0.0	255.7	253.1	-1.0	253.1
Motor Vehicle Title	23.9	4.8	23.9	24.1	1.0	24.1	24.4	1.0	24.4
Mixed Drink	105.6	9.7	93.7	114.0	8.0	101.2	122.0	7.0	108.2
Business	173.1	12.0	86.6	181.8	5.0	90.8	192.7	6.0	96.2
Severance	1.2	-14.3	1.2	1.2	0.0	1.2	1.4	16.7	1.4
Coin Amusement	0.2	-33.3	0.1	0.2	0.0	0.1	0.2	0.0	0.1
Unauthorized Substance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	14,036.5	4.2	11,774.7	14,342.6	2.2	11,876.8	14,820.7	3.3	12,262.2
General Fund Growth		4.5			0.9			3.2	

November 20, 2017
William F. Fox
Boyd Center for Business and Economic Research
University of Tennessee, Knoxville

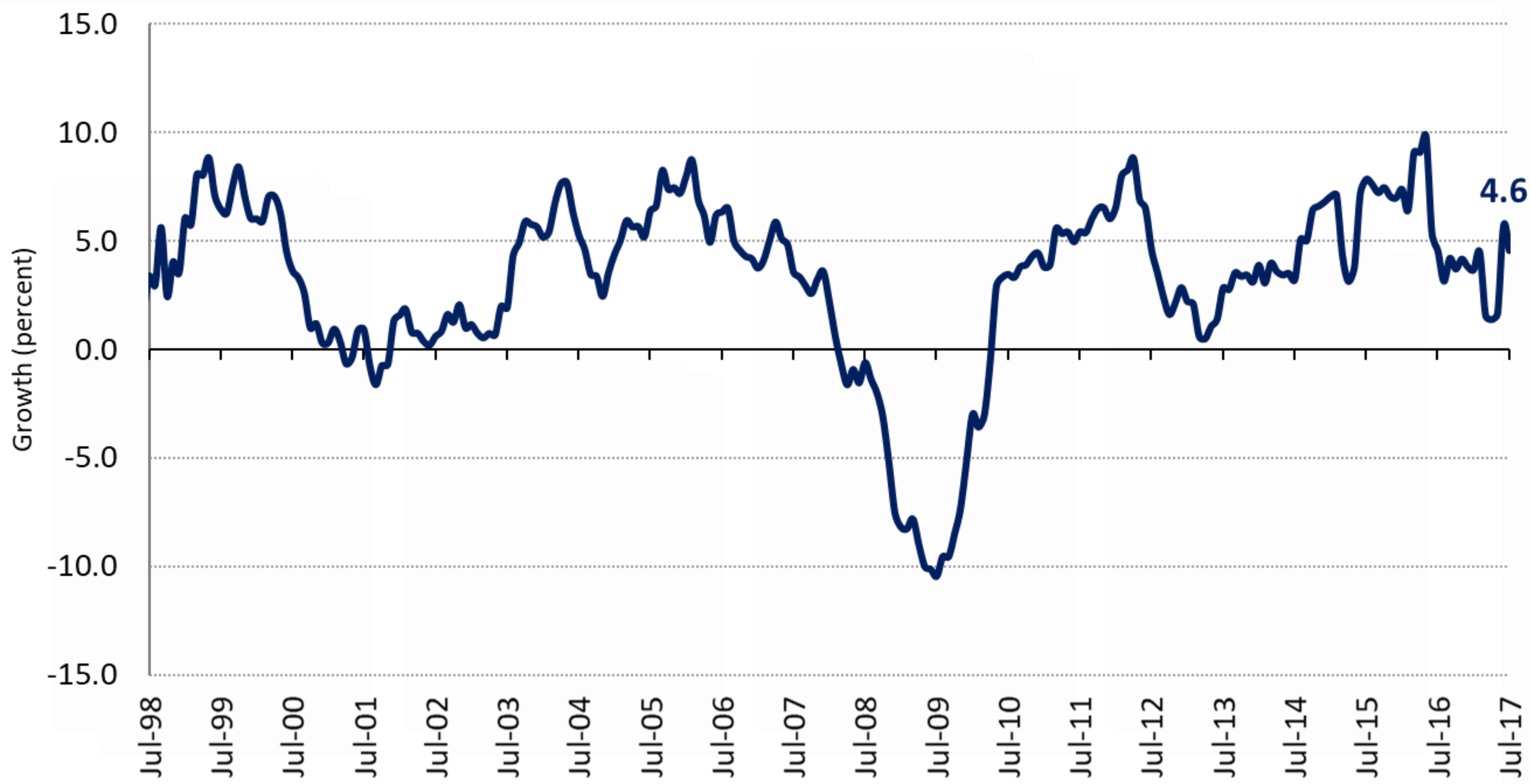
Actual Tax Collection Revenues and Revenues Adjusted for Inflation, 2003–2019



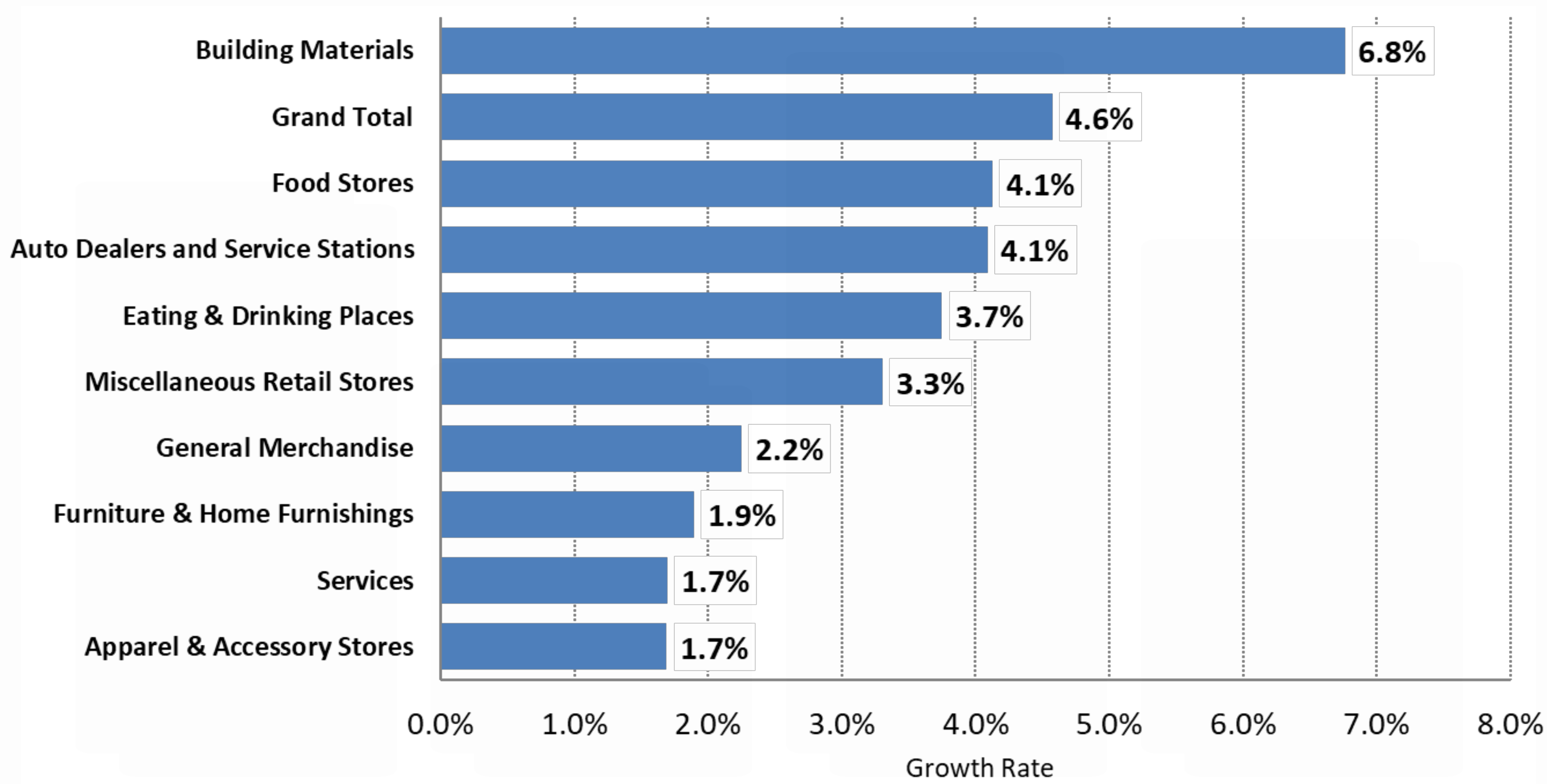
Growth in Adjusted Tax Collections
1973–2019



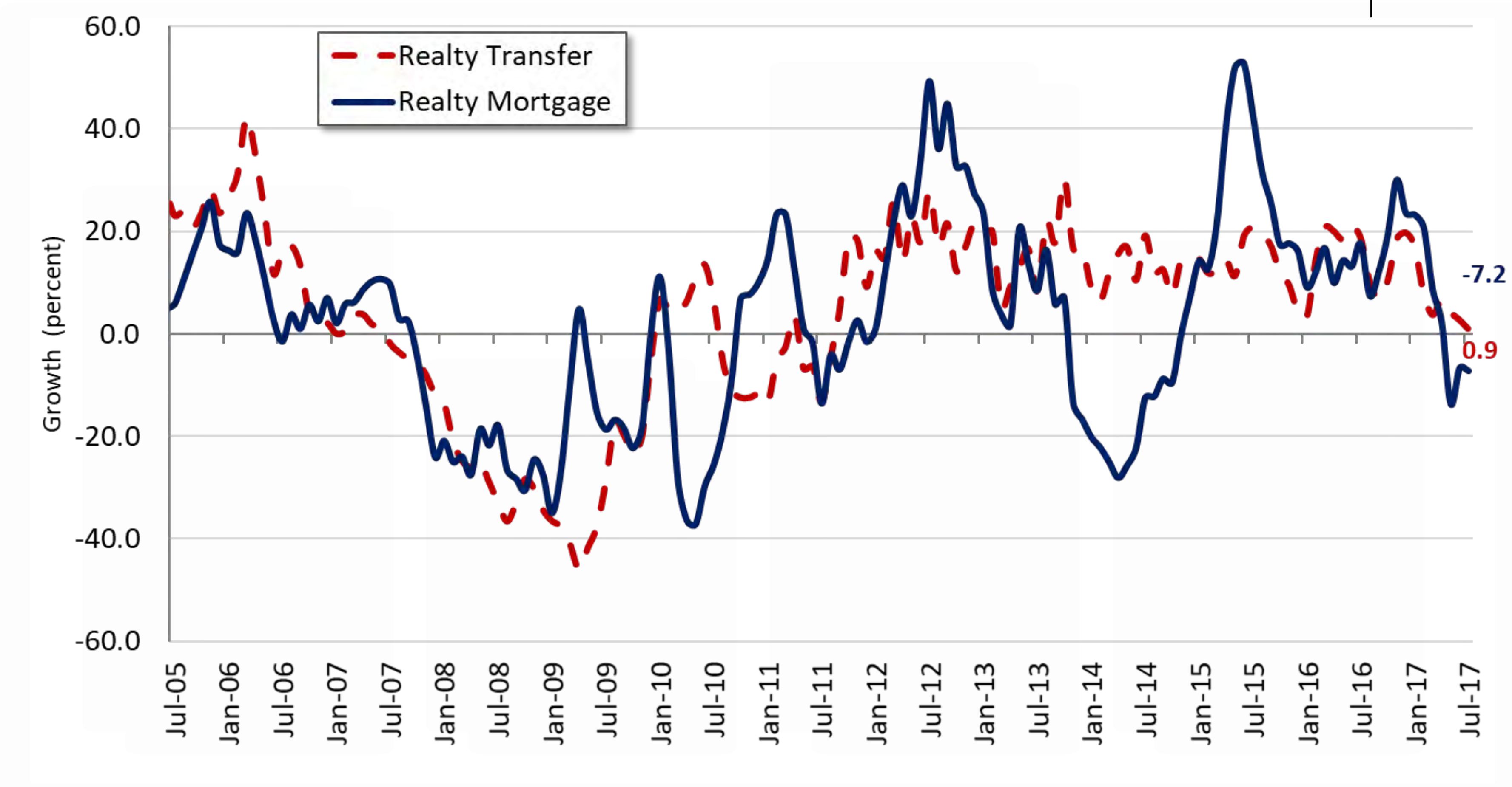
Growth in Sales Tax Revenue
(3-month moving average)



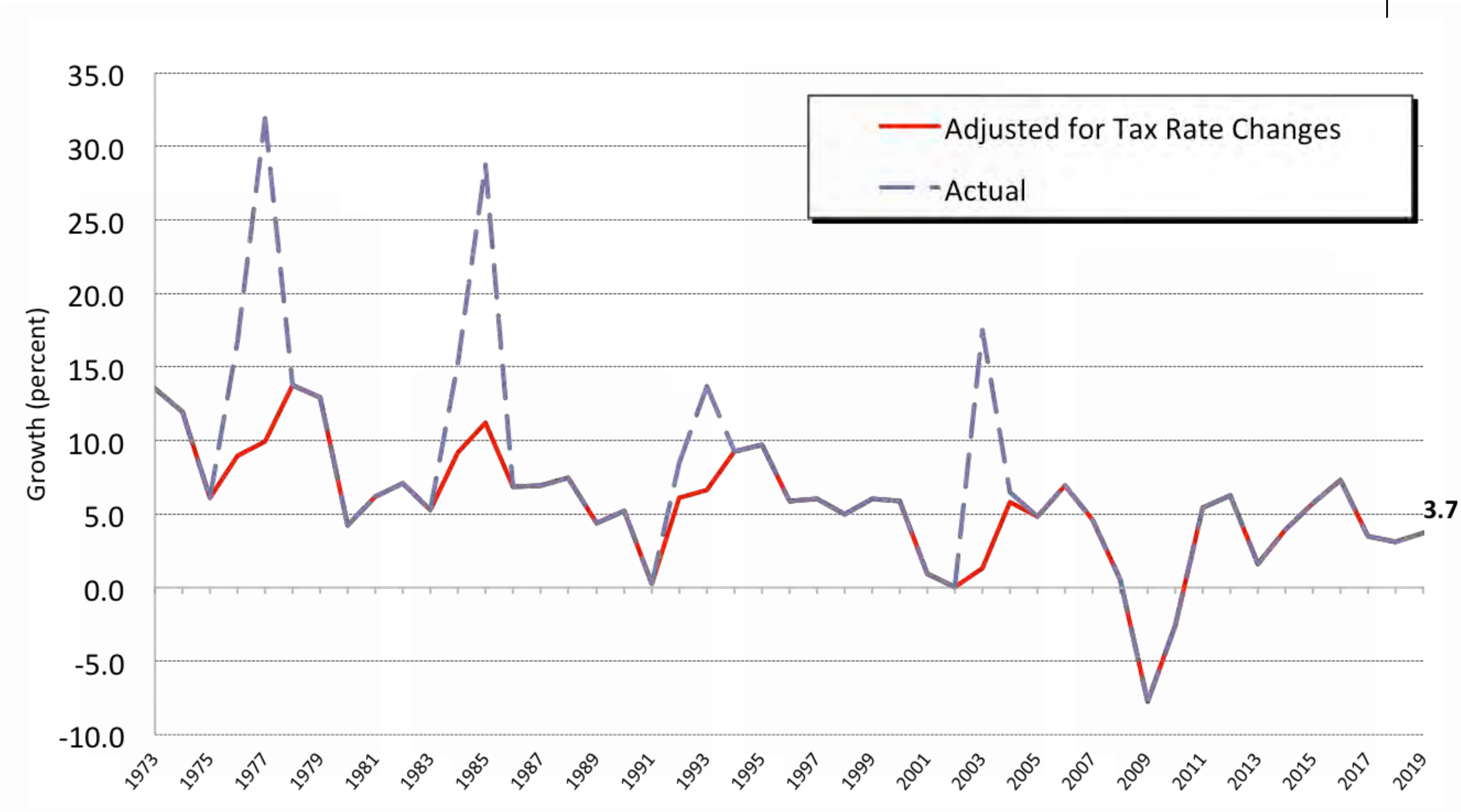
Sales Tax Collections by Category of Sales
(Quarter Ending July 2016 to July 2017)



Realty Transfer and Mortgage Tax Collections (3-month moving average)



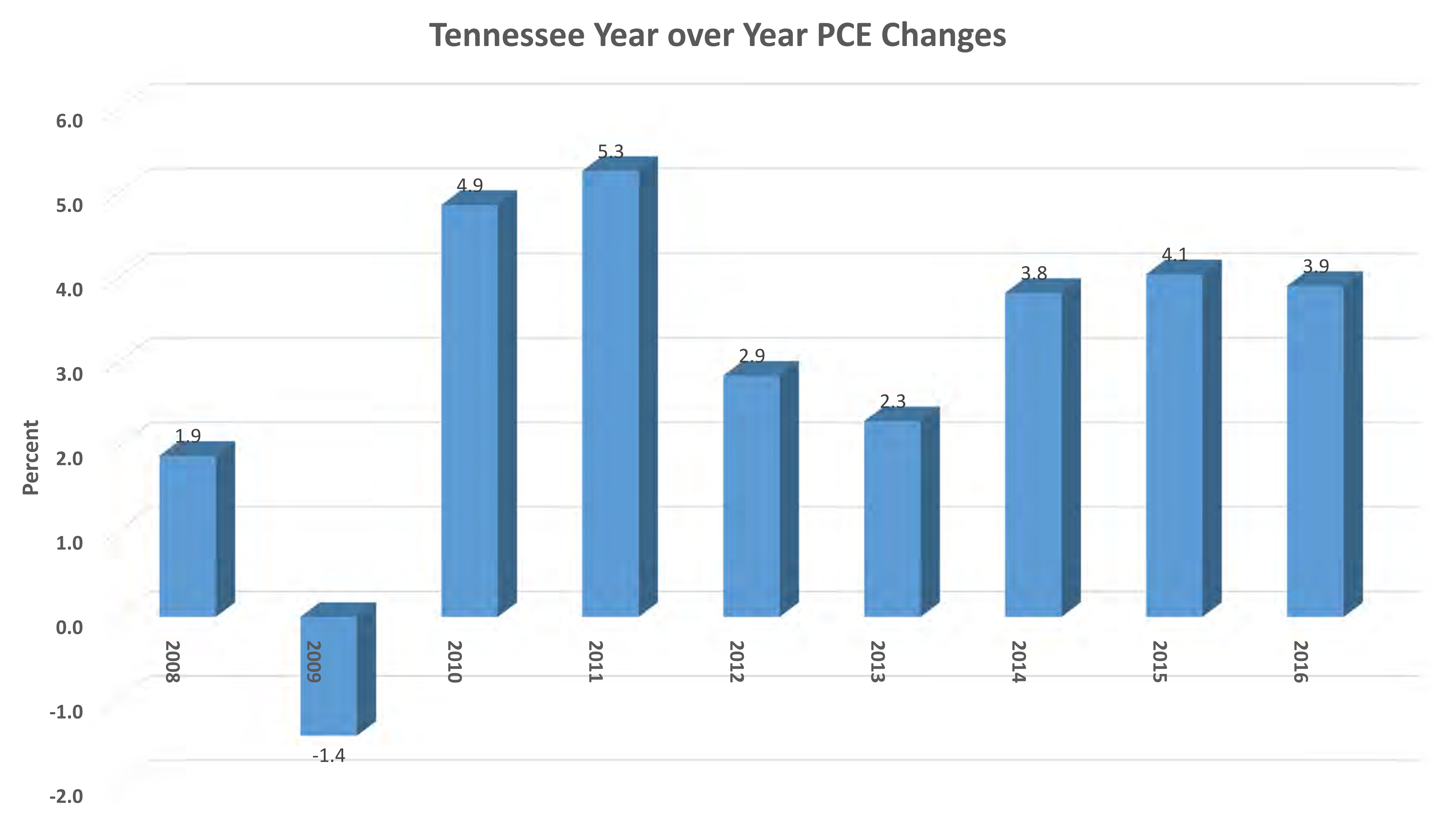
Sales Tax Collections, Actual vs. Rate Adjusted, 1973–2019



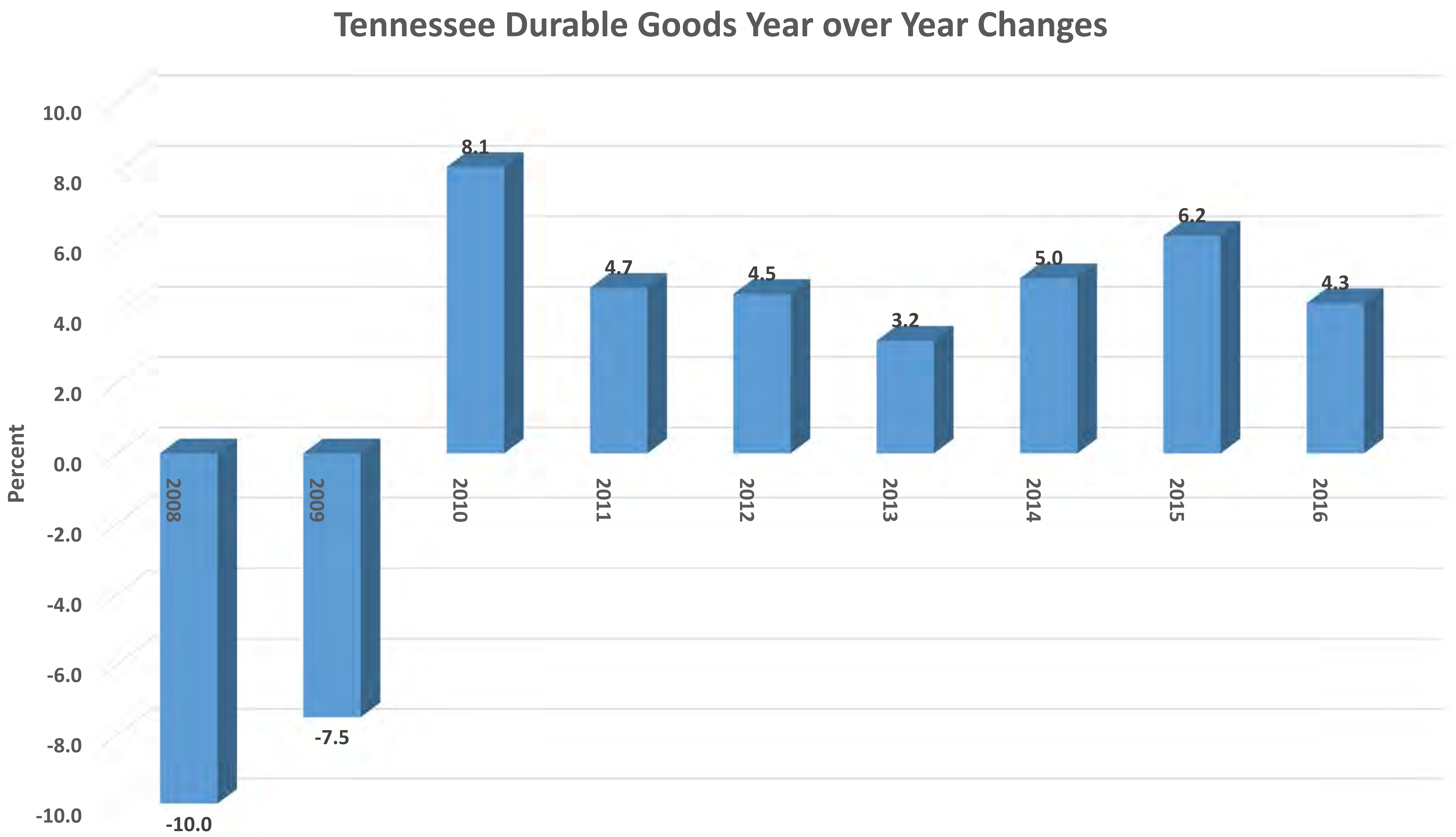
Tennessee Economic Outlook
and
Revenue Forecast

Jon L. Smith, Director
Bureau of Business and Economic Research
and
Joseph Newhard, Assistant Professor
Department of Economics and Finance

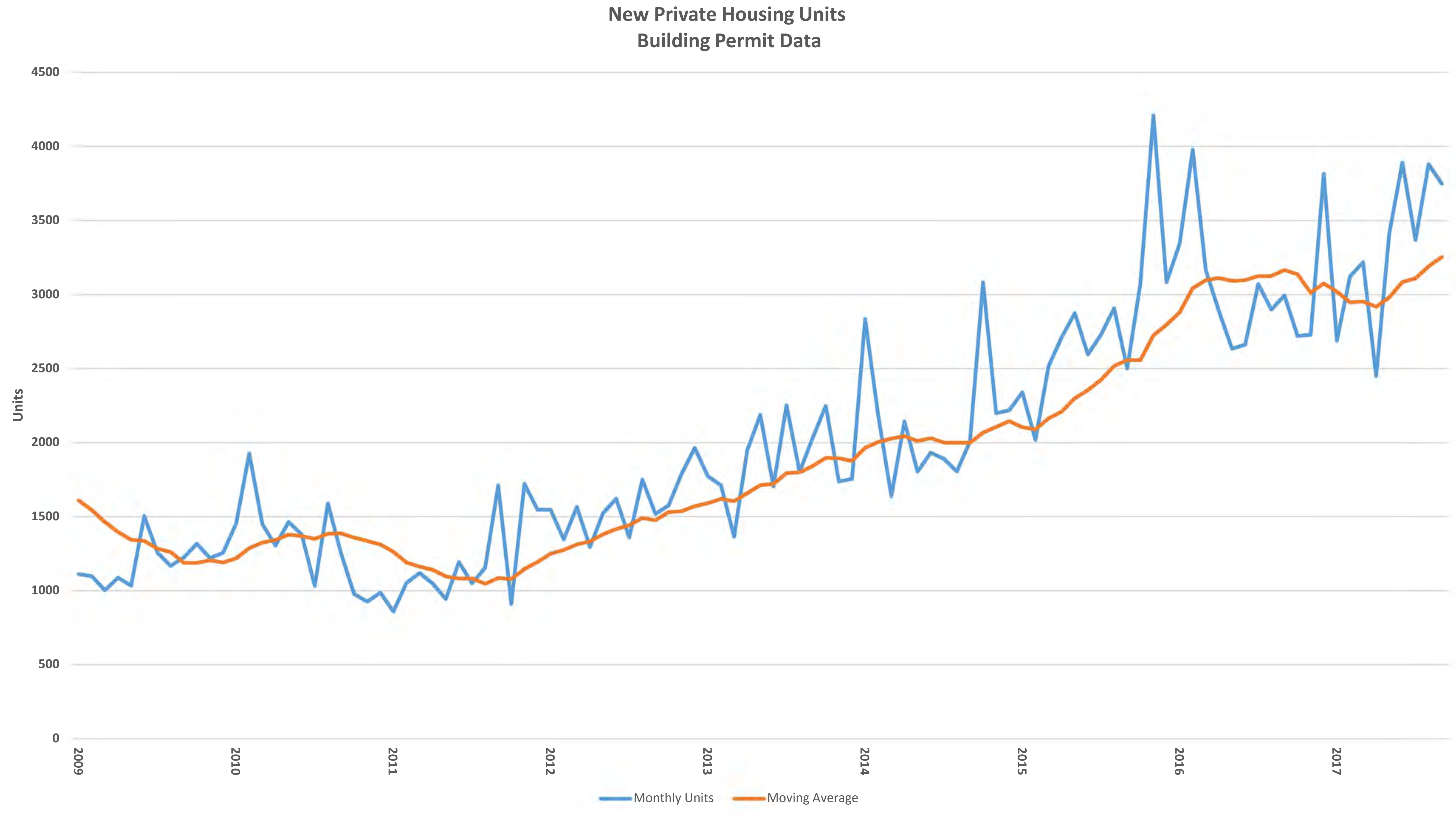
The Tennessee State Economy

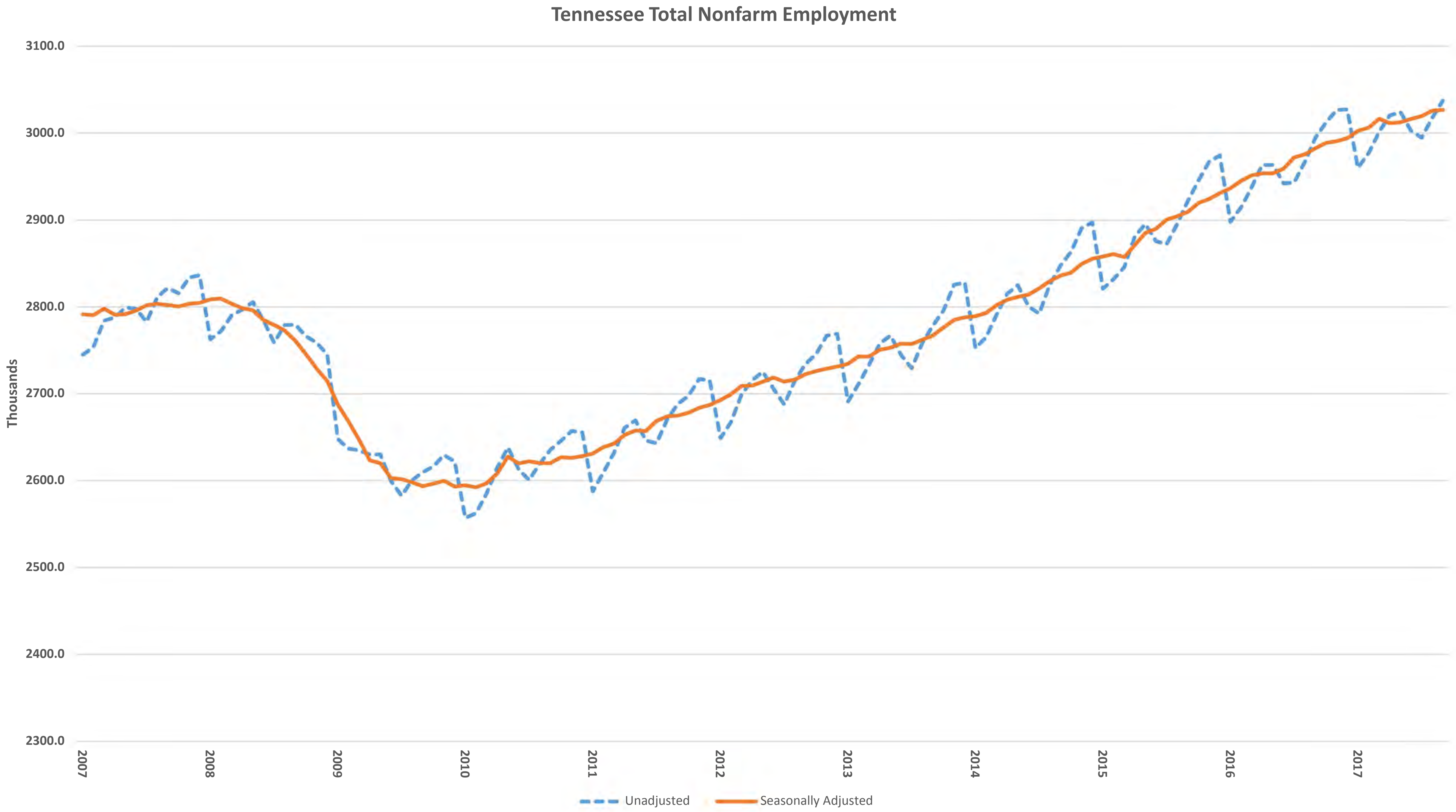


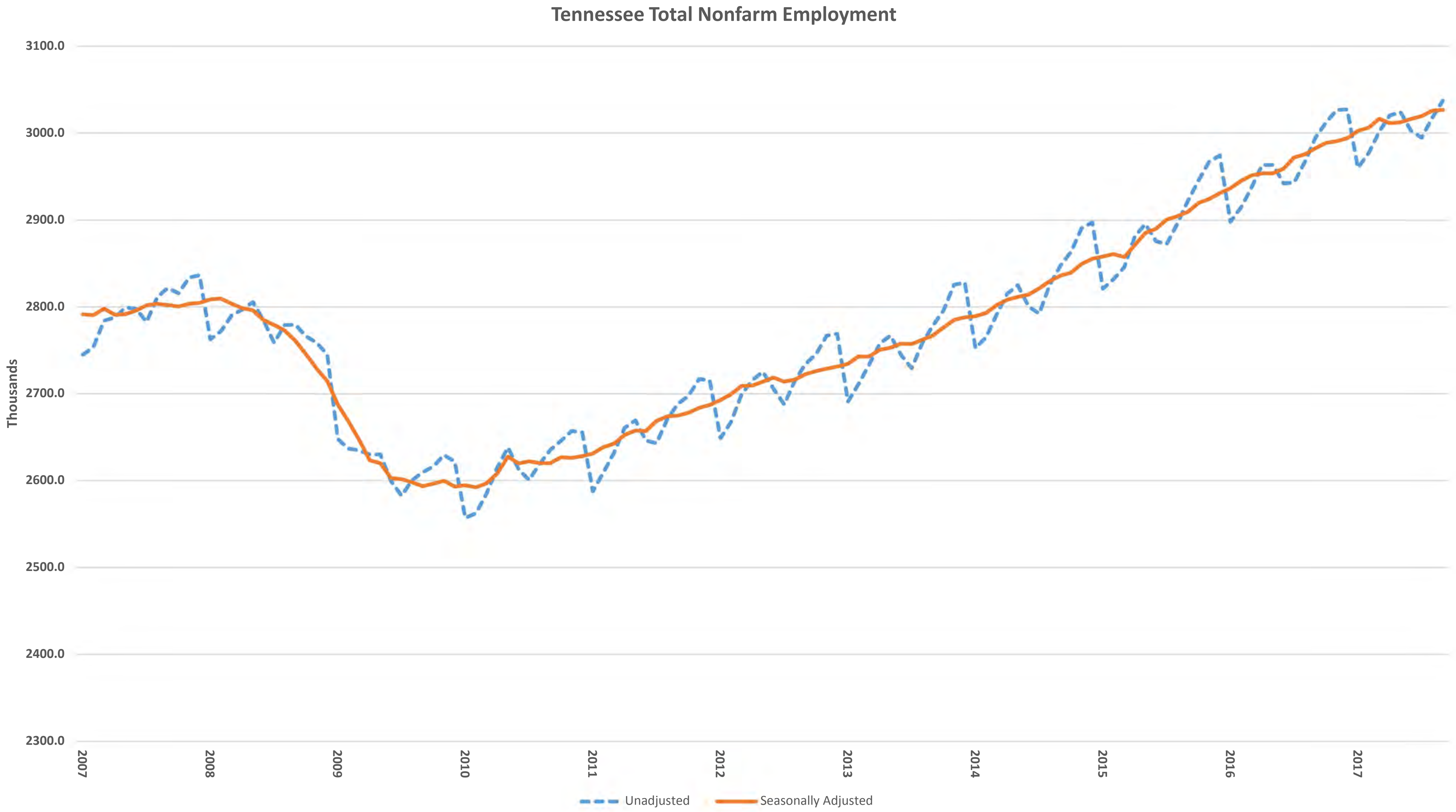
Tennessee Year over Year PCE Changes
Percent
6.0
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
1.9
-1.4
4.9
5.3
2.9
2.3
3.8
4.1
3.9
2008
2009
2010
2011
2012
2013
2014
2015
2016



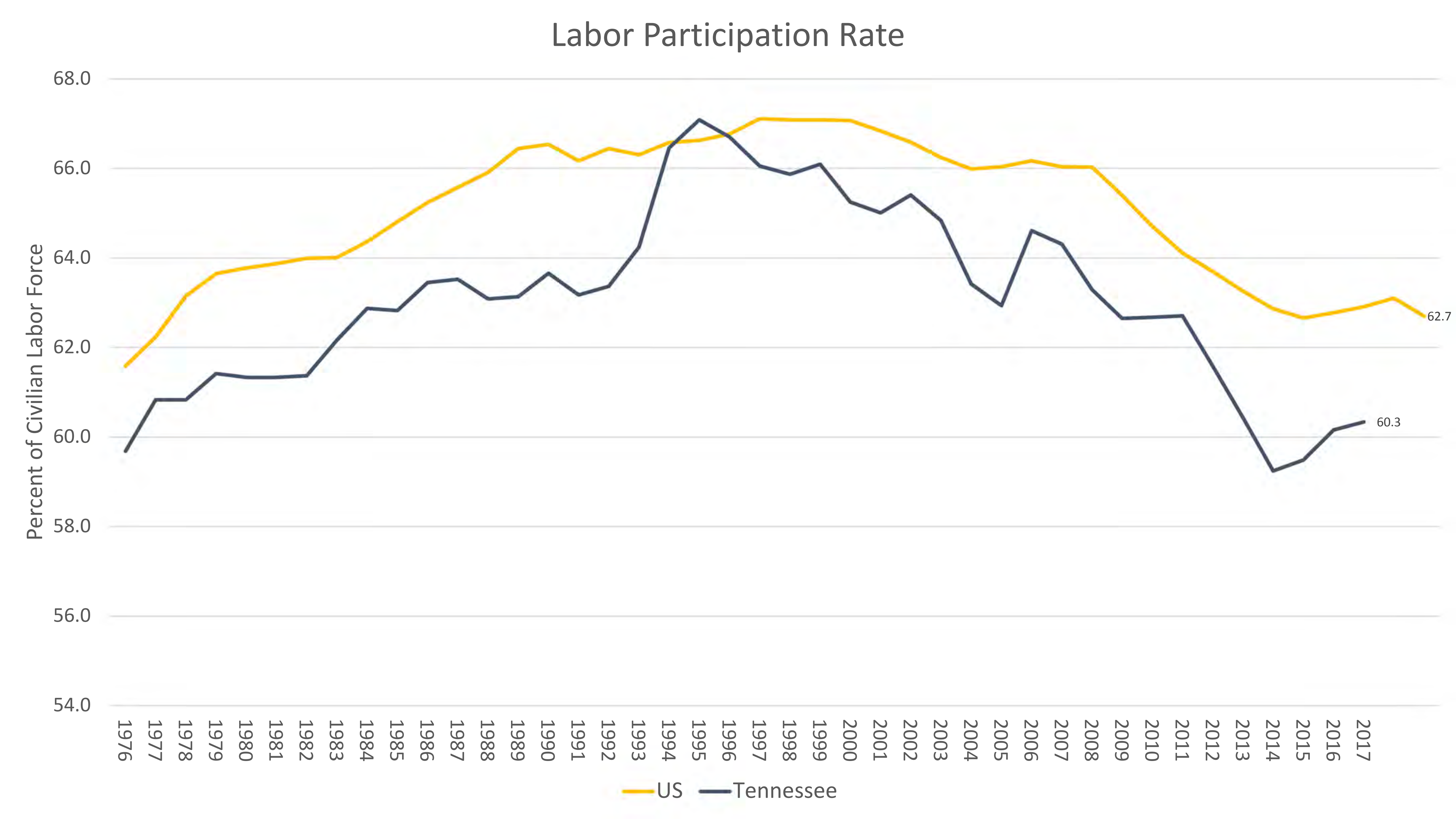
Tennessee Durable Goods Year over Year Changes
Percent
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
2008
2009
2010
2011
2012
2013
2014
2015
2016
-10.0
-7.5
8.1
4.7
4.5
3.2
5.0
6.2
4.3

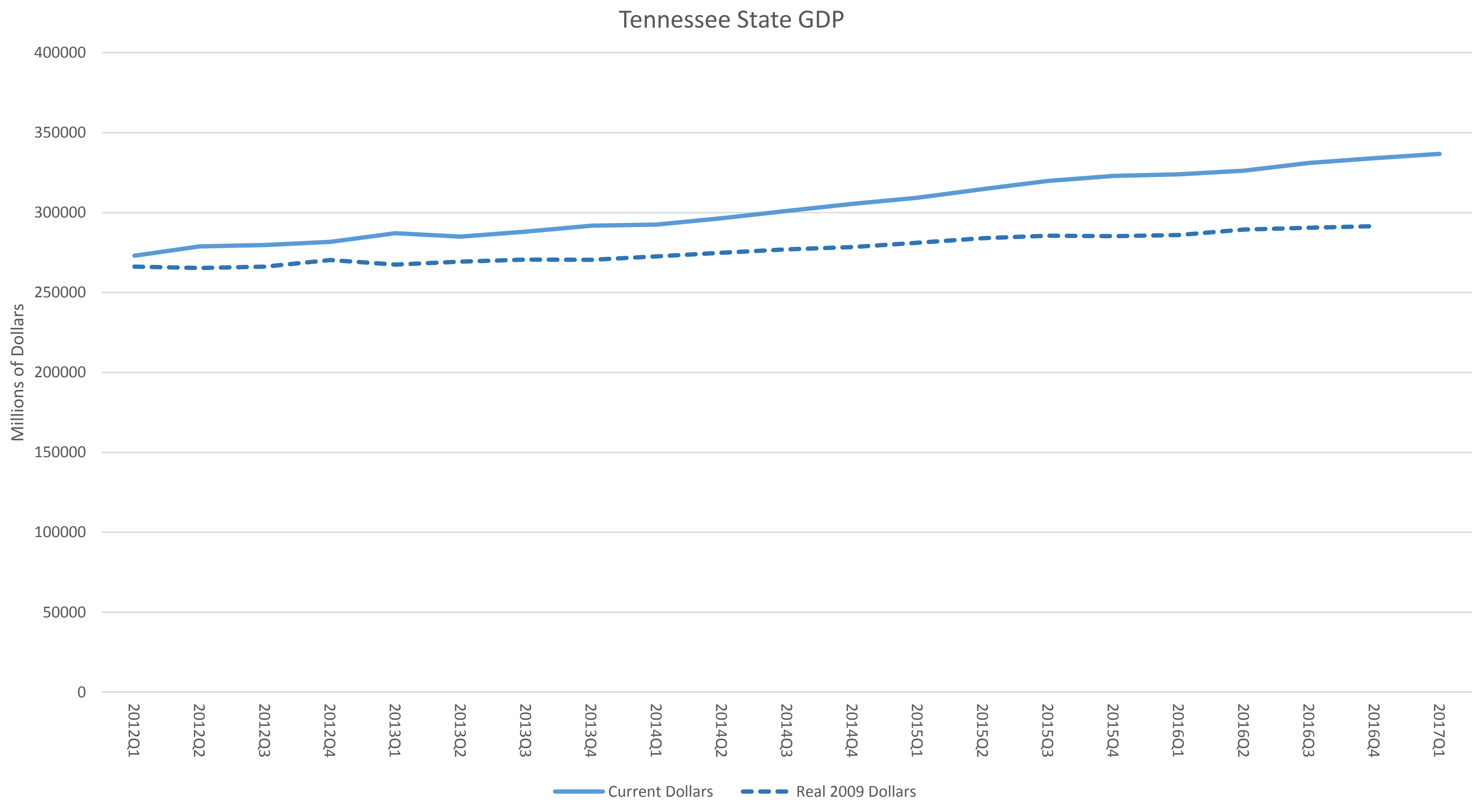

New Private Housing Units
Building Permit Data
Units
4500
4000
3500
3000
2500
2000
1500
1000
500
0
2009
2010
2011
2012
2013
2014
2015
2016
2017
Monthly Units
Moving Average

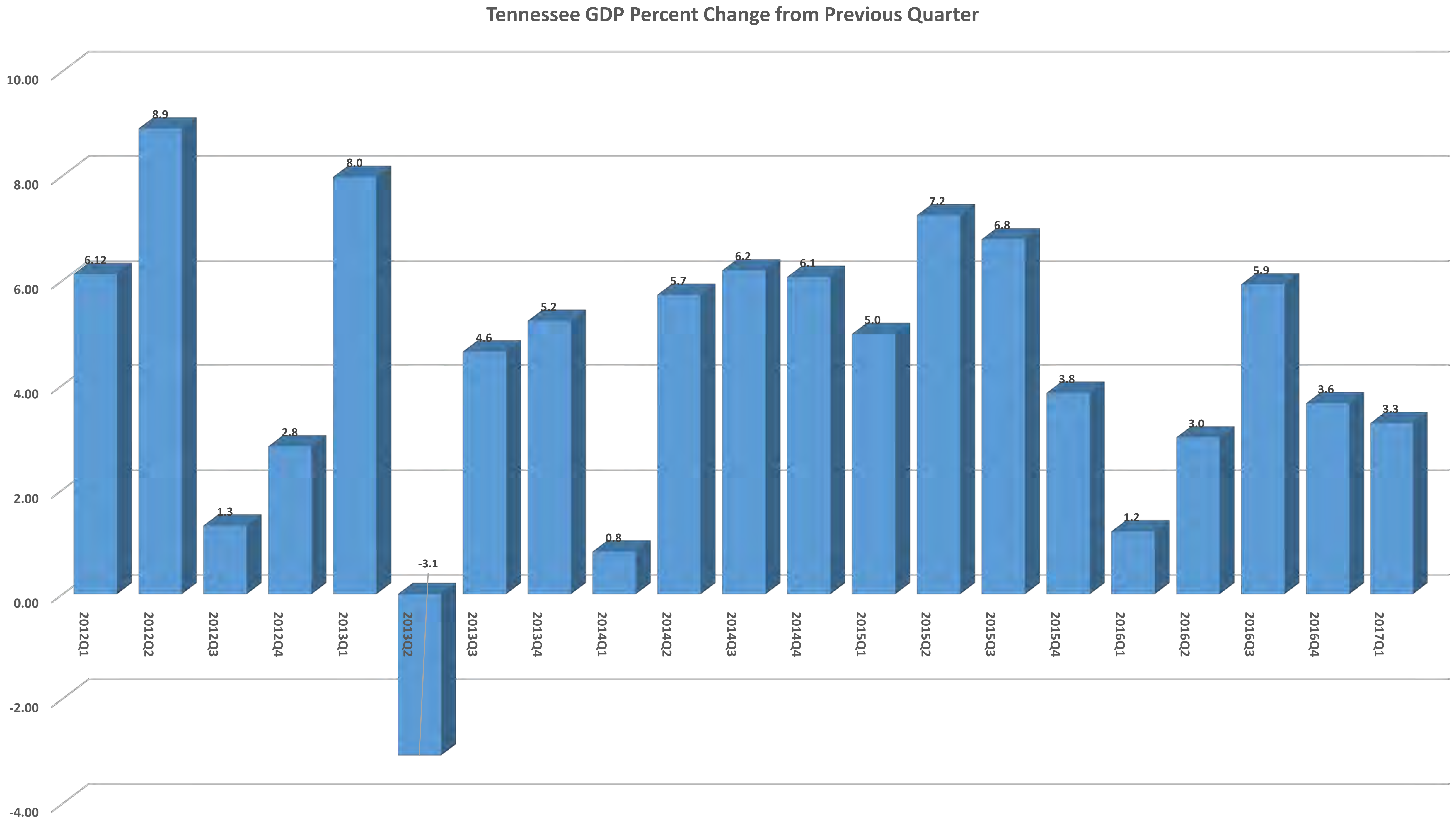

Tennessee Total Nonfarm Employment
3100.0
3000.0
2900.0
2800.0
2700.0
2600.0
2500.0
2400.0
2300.0
Thousands
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Unadjusted
Seasonally Adjusted



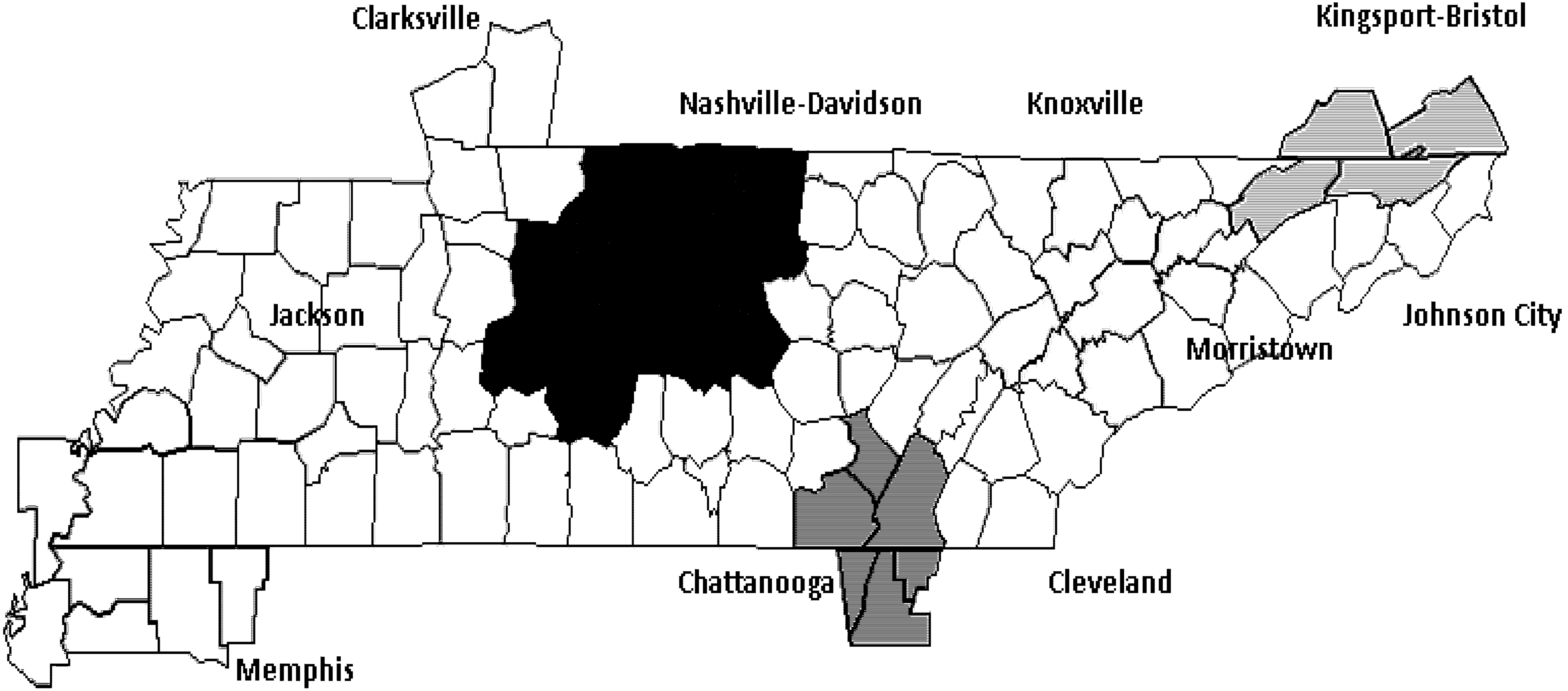
Tennessee Total Nonfarm Employment
Thousands
3100.0
3000.0
2900.0
2800.0
2700.0
2600.0
2500.0
2400.0
2300.0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Unadjusted
Seasonally Adjusted

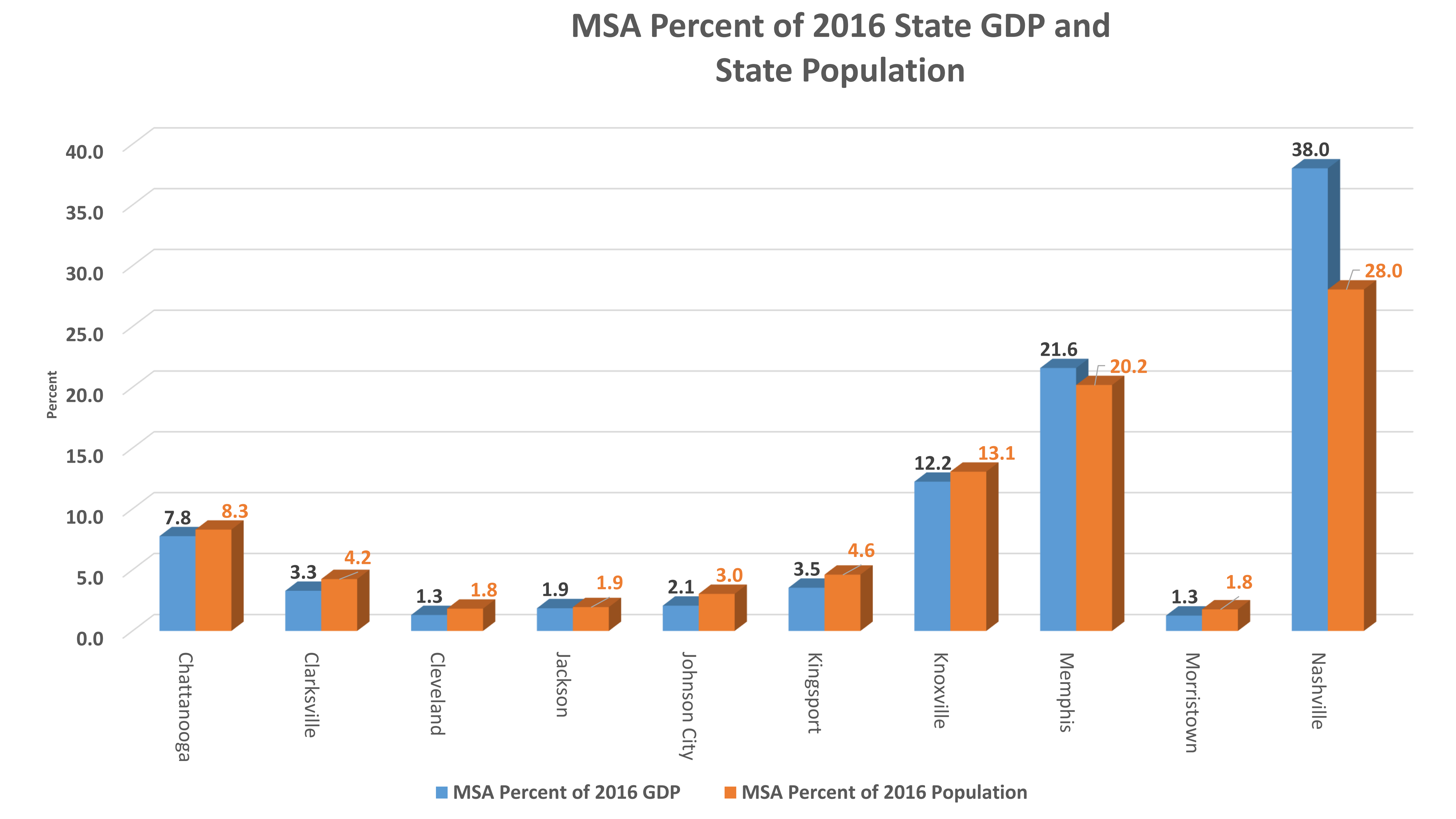

Labor Participation Rate
Percent of Civilian Labor Force
68.0
66.0
64.0
62.0
60.0
58.0
56.0
54.0
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
62.7
60.3
US
Tennessee


Tennessee State GDP
Millions of Dollars
400000
350000
300000
250000
200000
150000
100000
50000
0
2012Q1
2012Q2
2012Q3
2012Q4
2013Q1
2013Q2
2013Q3
2013Q4
2014Q1
2014Q2
2014Q3
2014Q4
2015Q1
2015Q2
2015Q3
2015Q4
2016Q1
2016Q2
2016Q3
2016Q4
2017Q1
Current Dollars
Real 2009 Dollars

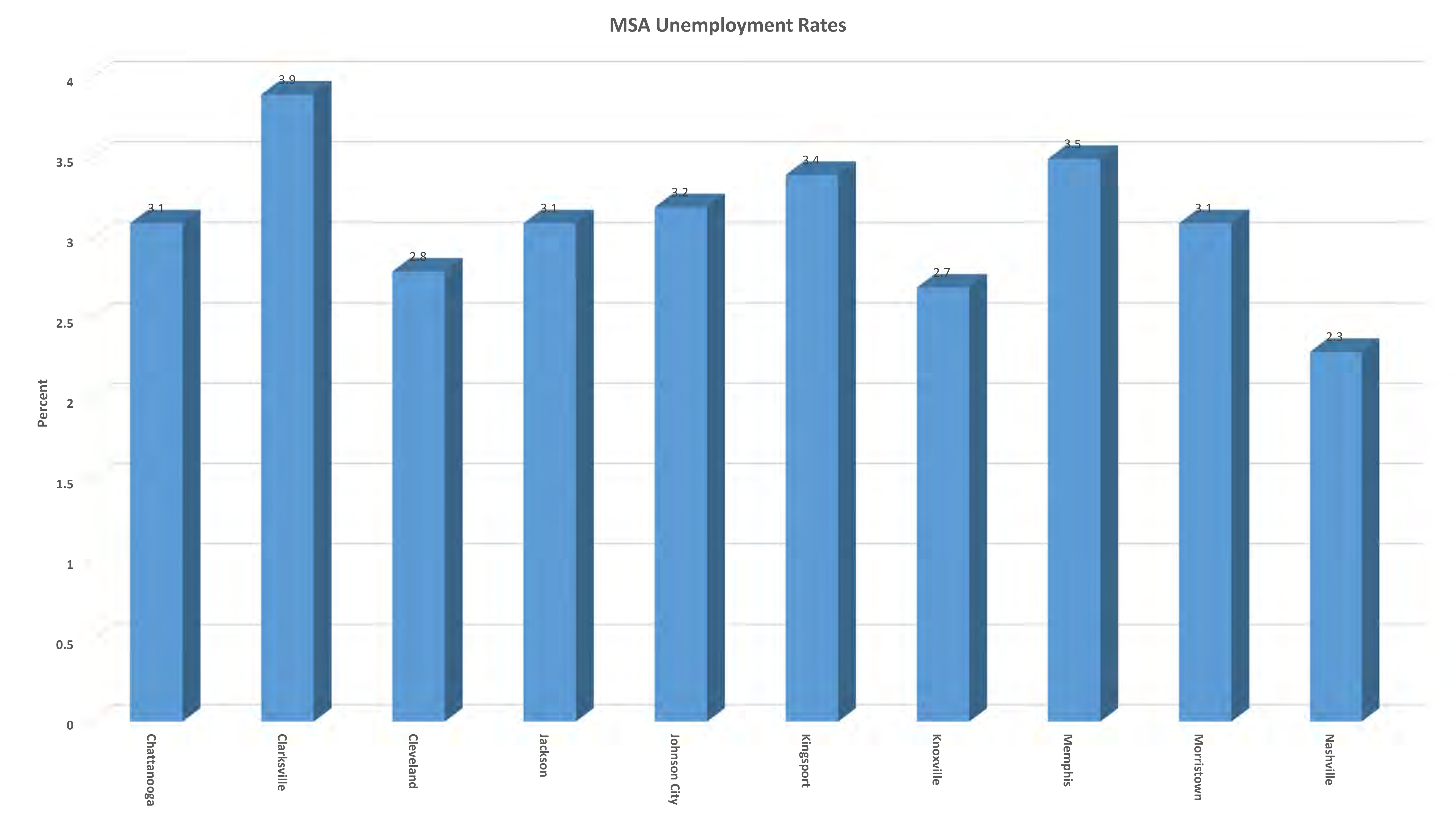

Tennessee GDP Percent Change from Previous Quarter
10.00
8.00
6.00
4.00
2.00
0.00
-2.00
-4.00
6.12
8.9
1.3
2.8
8.0
-3.1
4.6
5.2
0.8
5.7
6.2
6.1
5.0
7.2
6.8
3.8
1.2
3.0
5.9
3.6
3.3
2012Q1
2012Q2
2012Q3
2012Q4
2013Q1
2013Q2
2013Q3
2013Q4
2014Q1
2014Q2
2014Q3
2014Q4
2015Q1
2015Q2
2015Q3
2015Q4
2016Q1
2016Q2
2016Q3
2016Q4
2017Q1

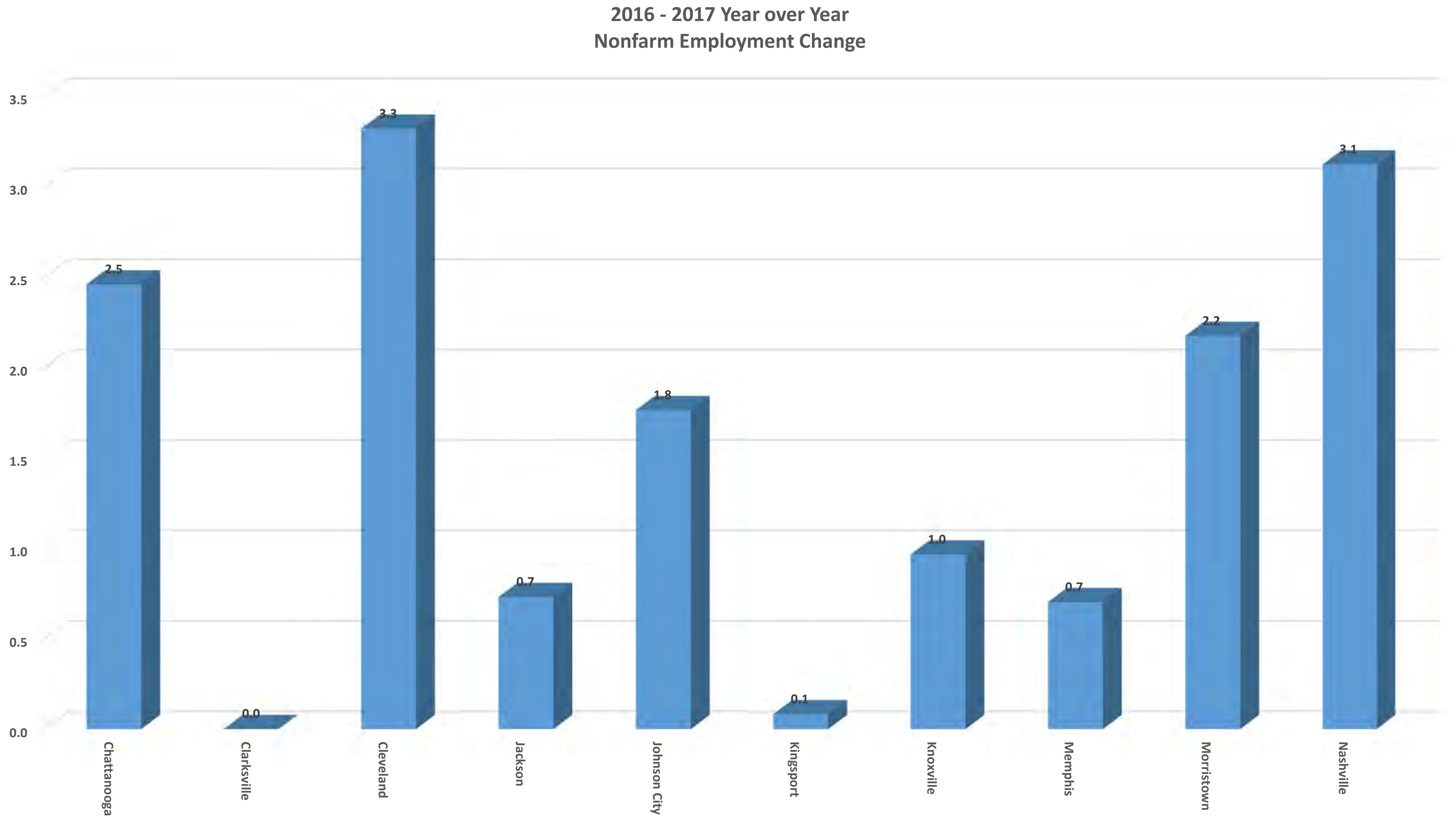
Tennessee Metropolitan Statistical Areas





MSA Percent of 2016 State GDP and State Population
Percent
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
7.8
8.3
3.3
4.2
1.3
1.8
1.9
1.9
2.1
3.0
3.5
4.6
12.2
13.1
21.6
20.2
1.3
1.8
38.0
28.0
Chattanooga
Clarksville
Cleveland
Jackson
Johnson City
Kingsport
Knoxville
Memphis
Morristown
Nashville
MSA Percent of 2016 GDP
MSA Percent of 2016 Population


MSA Unemployment Rates
Percent
0
0.5
1
1.5
2
2.5
3
3.5
4
3.1
3.9
2.8
3.1
3.2
3.4
2.7
3.5
3.1
2.3
Chattanooga
Clarksville
Cleveland
Jackson
Johnson City
Kingsport
Knoxville
Memphis
Morristown
Nashville


2016 - 2017 Year over Year
Nonfarm Employment Change
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
2.5
0.0
3.3
0.7
1.8
0.1
1.0
0.7
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Chattanooga
Clarksville
Cleveland
Jackson
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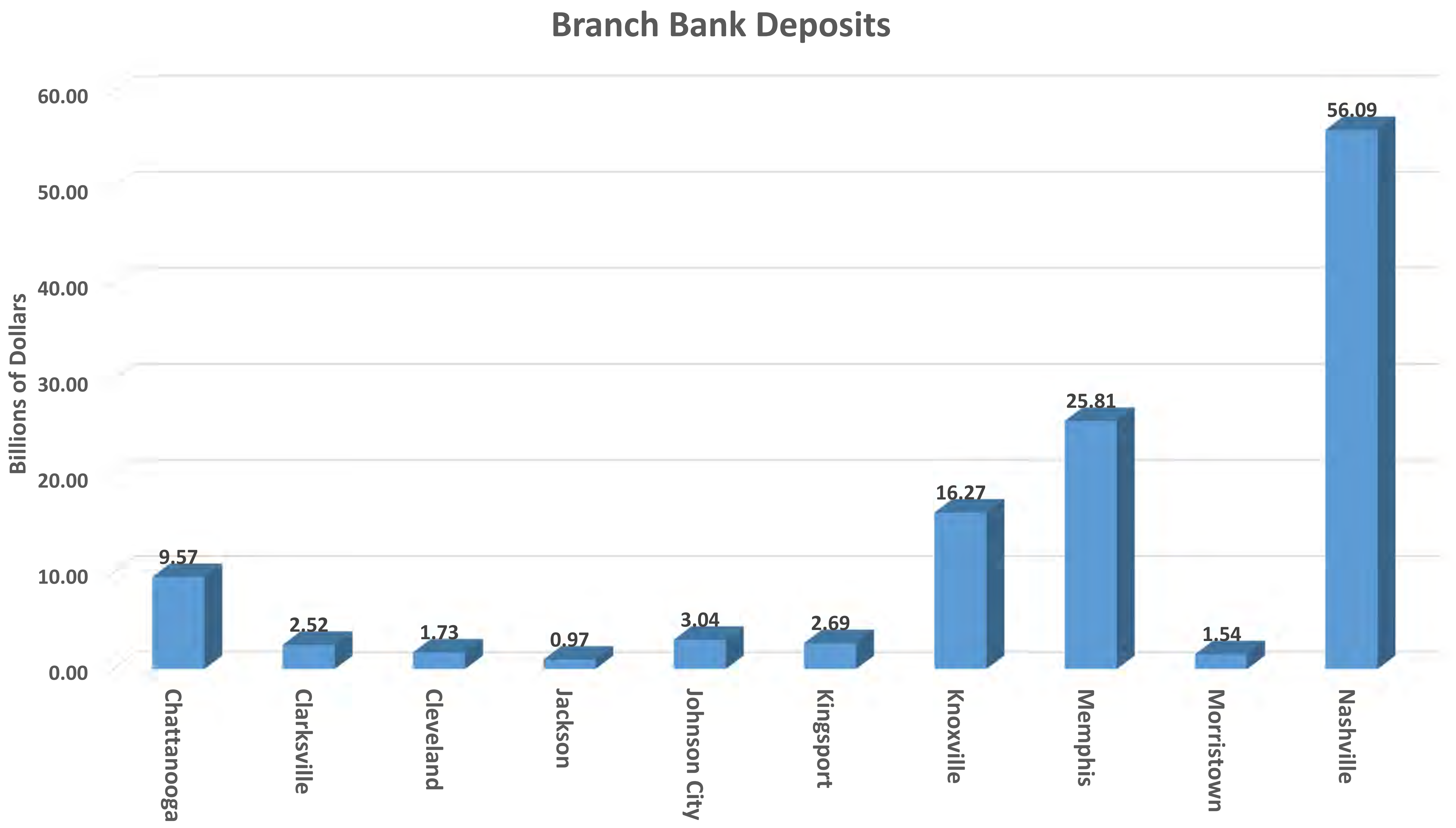
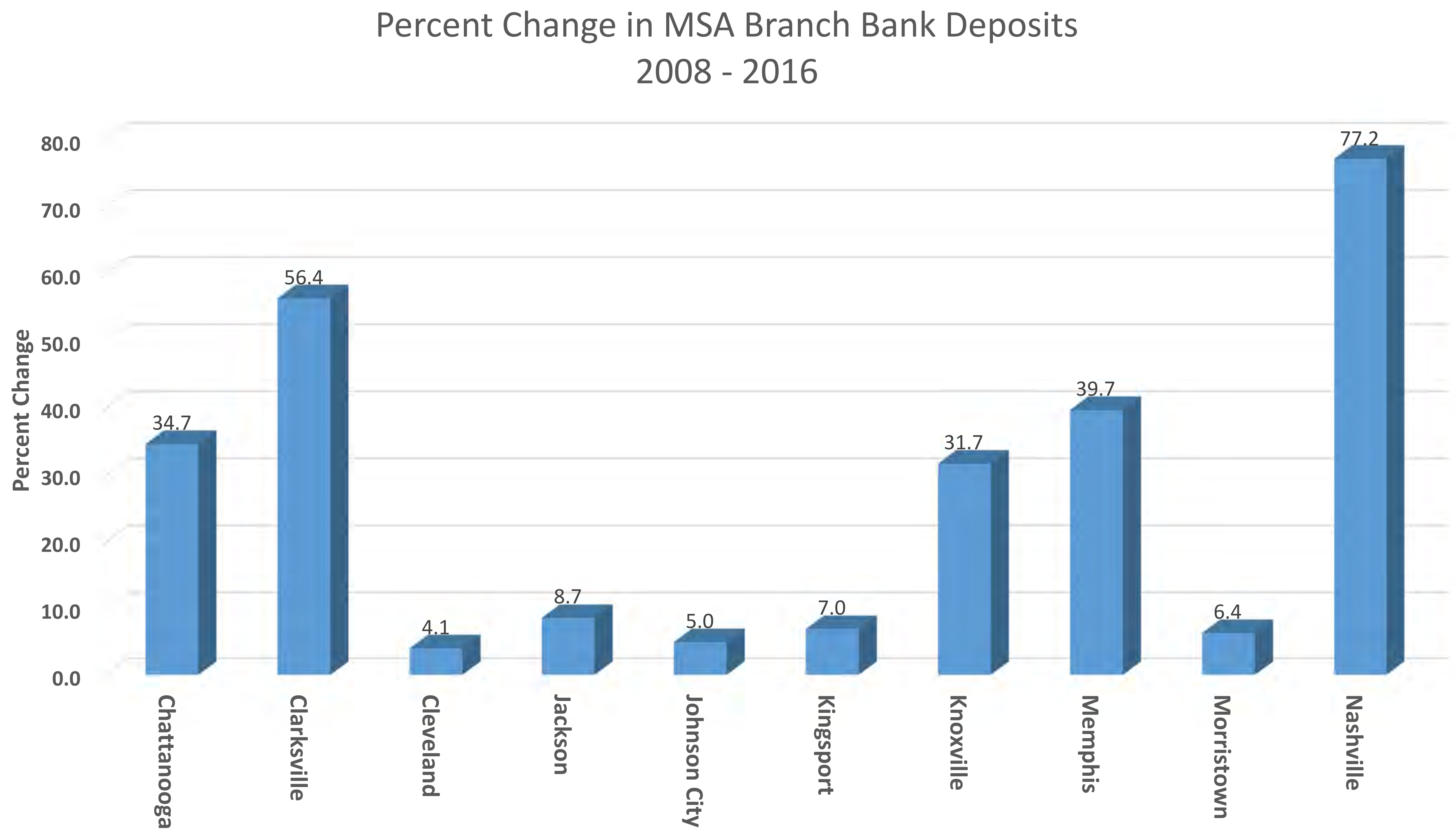
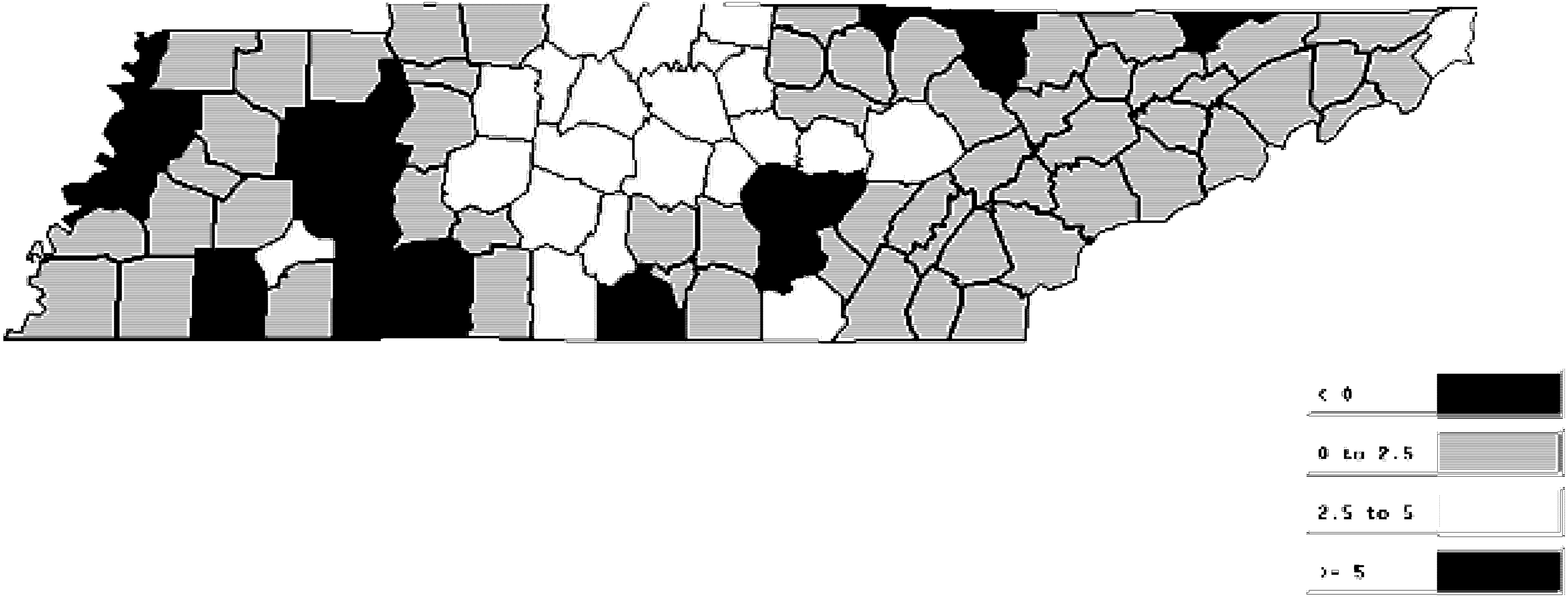
Nashville


Branch Bank Deposits
Billions of Dollars
60.00
50.00
40.00
30.00
20.00
10.00
0.00
9.57
2.52
1.73
0.97
3.04
2.69
16.27
25.81
1.54
56.09
Chattanooga
Clarksville
Cleveland
Jackson
Johnson City
Kingsport
Knoxville
Memphis
Morristown
Nashville

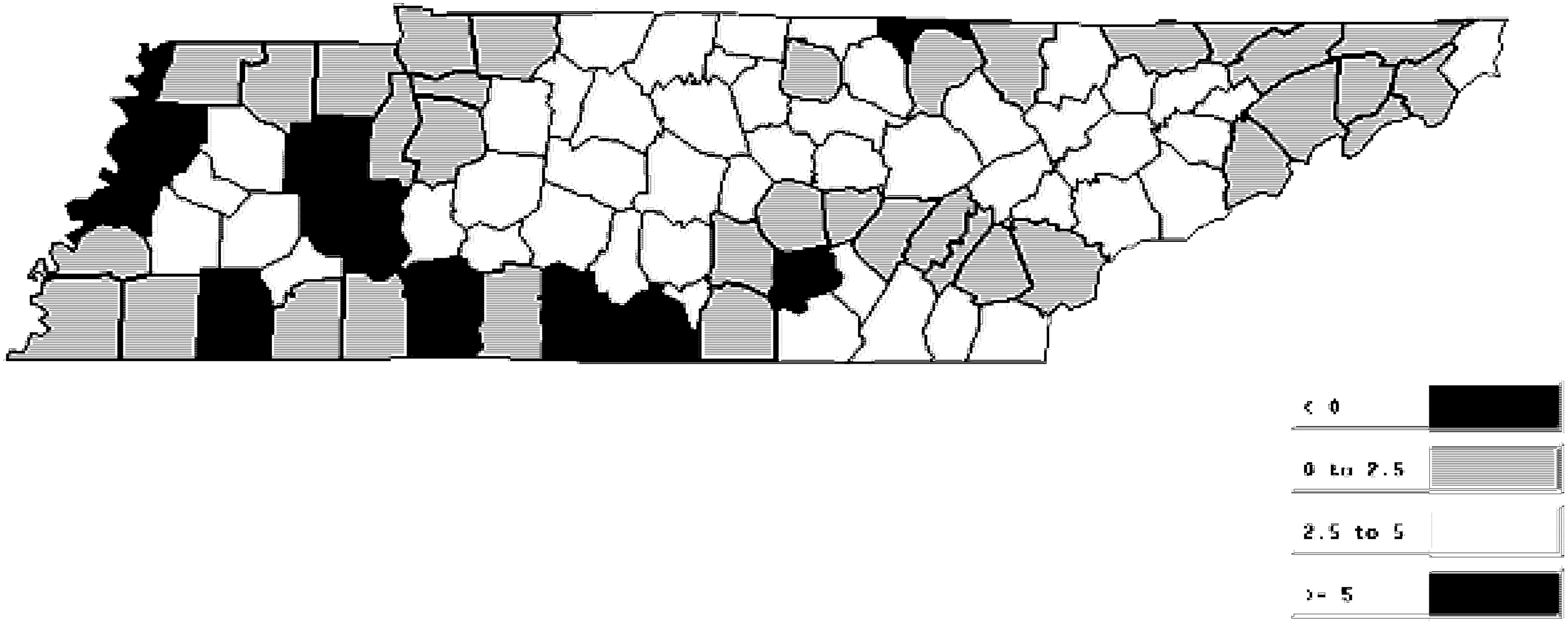


Percent Change in MSA Branch Bank Deposits
2008 - 2016
Percent Change
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
34.7
56.4
4.1
8.7
5.0
7.0
31.7
39.7
6.4
77.2
Chattanooga
Clarksville
Cleveland
Jackson
Johnson City
Kingsport
Knoxville
Memphis
Morristown
Nashville

County Labor Force Percentage Change from FY 2015 to FY 2016

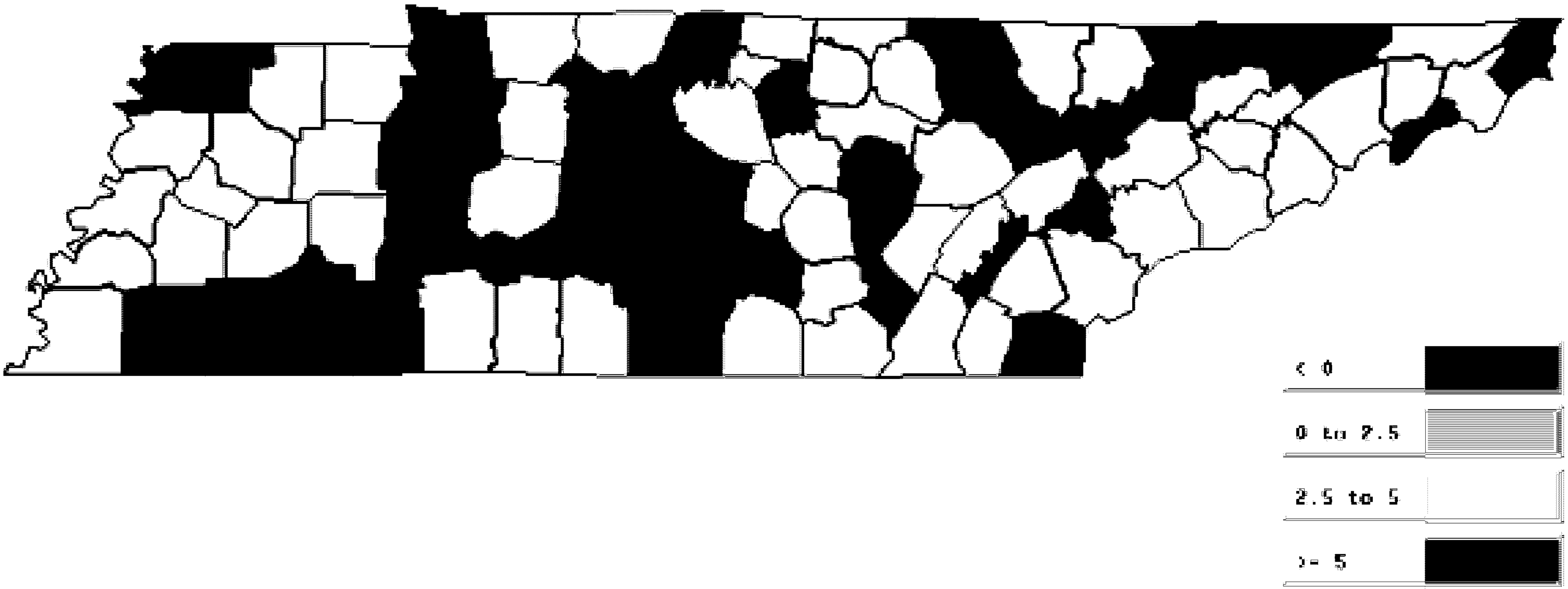


County Nonfarm Employment Percentage Change from FY 2016 to FY 2017

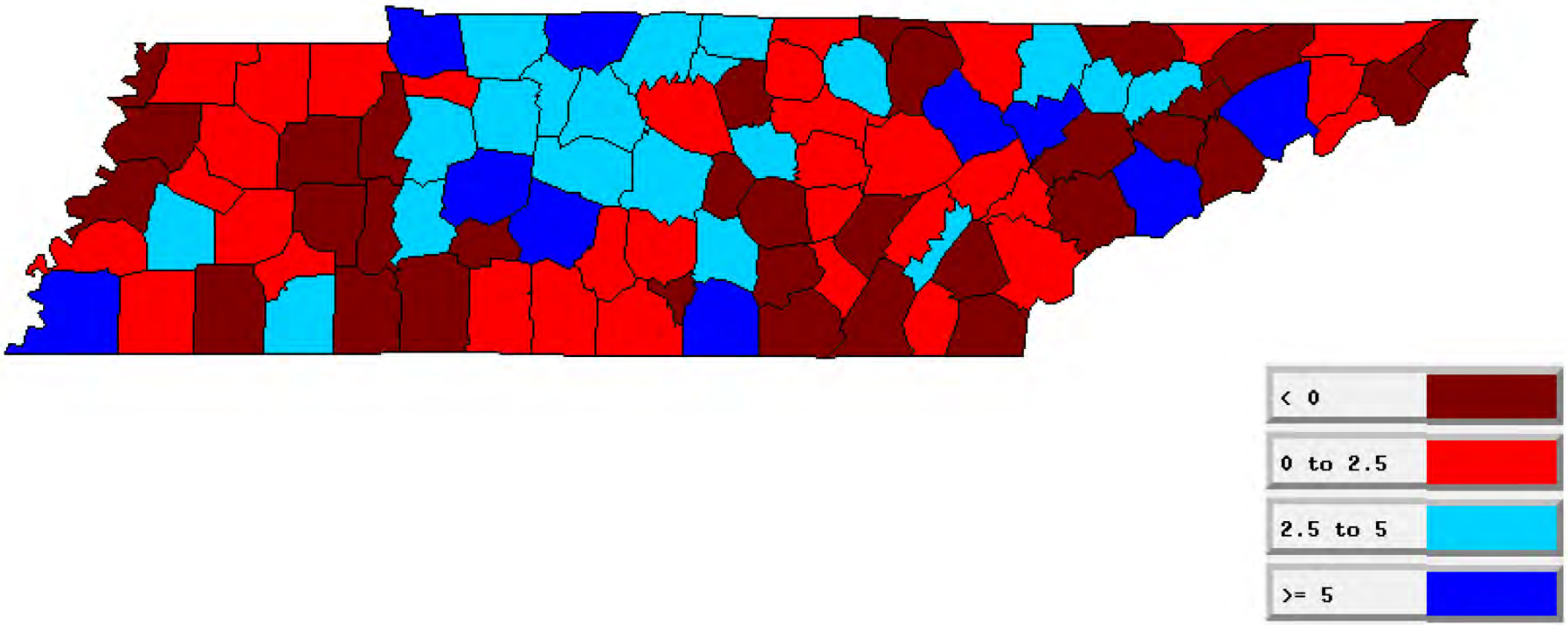


County State Sales Tax Collections Percentage Change from FY 2016 to FY 2017

County Local Sales Tax Collections Percentage Change from FY 2016 to FY 2017



County Motor Vehicle Registration Collections Percentage Change from FY 2016 to FY 2017



ACCRUAL YEAR BASIS	ESTIMATED TENNESSEE DEPARTMENT OF REVENUE COLLECTIONS:						
	FY 16 - 17	FY 17 - 18		FY 18 - 19		FY 19 - 20	
ACCRUAL YEAR BASIS	AMOUNT	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR
SALES & USE	$ 8,556,773,600	$8,727,909,072	2.0%	$8,946,106,799	2.5%	$9,169,759,469	2.5%
GASOLINE TAX	$669,631,000	$790,164,580	18.0%	$821,771,163	4.0%	$846,424,298	3.0%
MOTOR FUEL TAX	$177,544,100	$214,828,361	21.0%	$240,607,764	12.0%	$262,262,463	9.0%
GASOLINE INSPECTION TAX	$68,241,000	$68,976,060	1.1%	$69,847,708	1.3%	$70,719,355	1.2%
MOTOR VEHICLE REGISTRATION TAX	$275,166,400	$311,445,108	13.2%	$316,116,785	1.5%	$320,858,537	1.5%
INCOME TAX	$250,126,200	$228,814,962	-8.5%	$160,170,473	-30.0%	$80,085,237	-50.0%
PRIVILEGE TAX	$342,031,200	$364,263,228	6.5%	$375,191,125	3.0%	$386,446,859	3.0%
GROSS RECEIPTS TAX	$31,907,500	$26,231,918	-17.8%	$26,625,397	1.5%	$27,024,778	1.5%
GROSS RECEIPTS TAX - TVA	$341,555,000	$342,500,000	0.3%	$342,500,000	0.0%	$342,500,000	0.0%
BEER TAX	$17,246,100	$18,072,593	4.8%	$18,434,045	2.0%	$18,802,726	2.0%
ALCOHOLIC BEVERAGE TAX	$64,245,800	$67,627,504	5.3%	$70,475,831	4.2%	$73,324,158	4.0%
FRANCHISE & EXCISE TAX	$2,620,205,200	$2,450,272,355	-6.5%	$2,511,529,164	2.5%	$2,574,317,393	2.5%
INHERITANCE TAX	$9,241,200	$2,500,000	-72.9%	$500,000	-80.0%	$10,000	-98.0%
TOBACCO TAX	$255,722,300	$256,209,536	0.2%	$251,085,346	-2.0%	$246,063,639	-2.0%
MOTOR VEHICLE TITLE FEES	$23,892,500	$26,258,967	9.9%	$28,407,509	8.2%	$30,556,052	7.6%
MIXED DRINK TAX	$105,583,100	$116,026,604	9.9%	$128,055,622	10.4%	$141,331,744	10.4%
BUSINESS TAX	$173,097,700	$174,690,756	0.9%	$179,058,025	2.5%	$183,534,476	2.5%
SEVERANCE TAX	$1,214,300	$1,154,393	-4.9%	$1,131,305	-2.0%	$1,108,679	-2.0%
COIN AMUSEMENT TAX	$233,300	$285,351	22.3%	$292,484	2.5%	$299,796	2.5%
UNAUTHORIZED SUBSTANCE TAX	$900	$500	-44.4%	$500	$500	$500	$500

TN Department of Revenue

Estimated State Tax Revenue

November 20, 2017

Fiscal Year 2017 Tax Revenue

COMPARISON OF ACTUAL ACCRUAL STATE TAX REVENUE

DEPARTMENT OF REVENUE TAXES

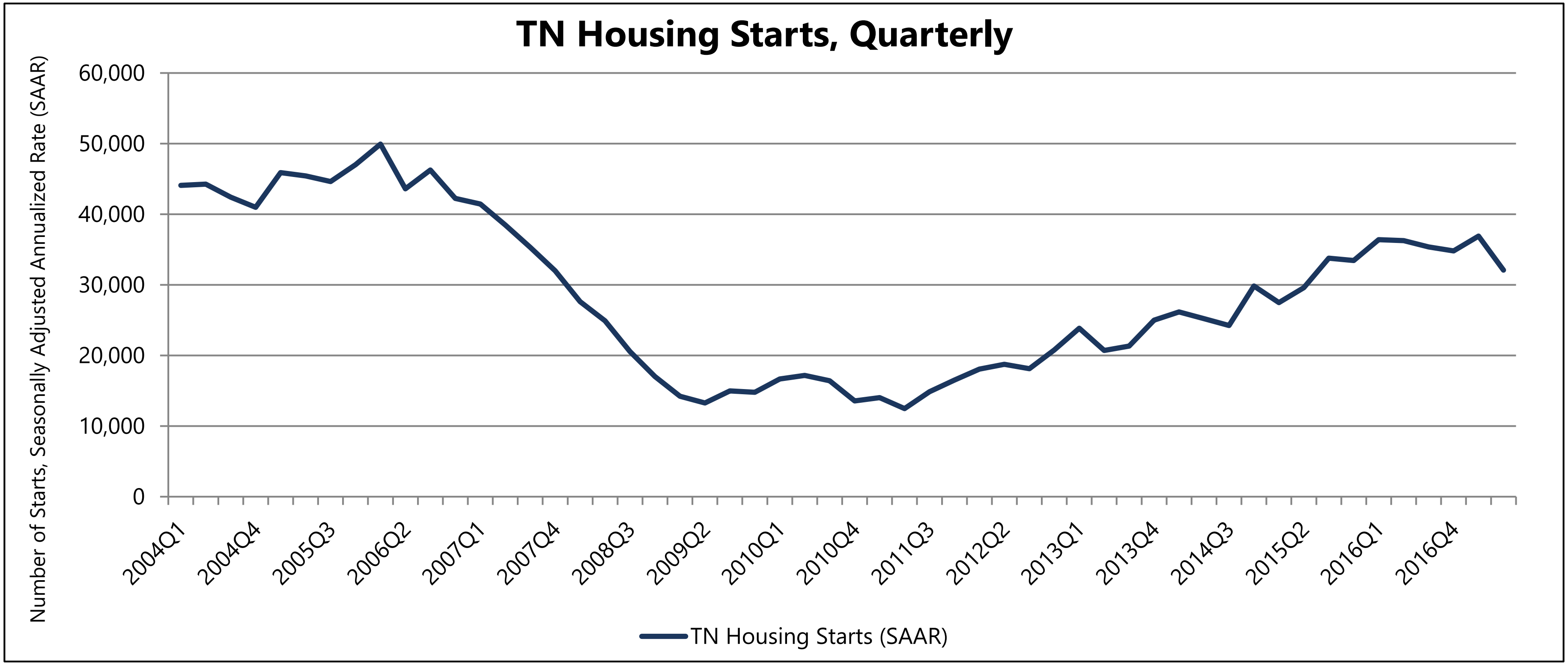
YEAR OVER YEAR COMPARISON

	Fiscal Year 2016	Fiscal Year 2017	% Change	Tax Weight	Total % Point Contribution
Sales and Use Tax	$8,267,224,400	$8,556,773,600	3.50%	61.56%	2.16%
Hall Dividend & Interest Tax	322,356,000	250,126,200	-22.41%	2.40%	-0.54%
Corporate Franchise and Excise Tax	2,311,705,100	2,620,205,200	13.35%	17.21%	2.30%
Gasoline Tax	659,915,000	669,631,000	1.47%	4.91%	0.07%
Other	1,867,996,800	1,886,922,400	1.01%	13.91%	0.14%
TOTAL ACCRUAL REVENUE	**$13,429,197,300**	**$13,983,658,400**	**4.13%**	**100%**	**4.13%**

*Data from F&A

Housing

- Housing starts decreased 0.5% from FY 2016 – FY 2017
- By the end of FY 2018, housing starts are expected to increase 5.85% from a year earlier



Note: Data from the U.S. Census Bureau, forecast from Moody's Analytics

Tax Implications

Direct Revenue Implications of Increased Housing Activity (Most Recent 6 Month Data)
Growth is presented as year over year (YOY)

Sales Tax Collections from Building Materials

	Collections	YOY % Growth	YOY $ Growth
May	$46,360,802	5.62%	$2,466,060
June	$44,866,045	12.72%	$5,061,811
July	$45,838,336	2.58%	$1,152,169
August	$41,872,981	10.00%	$3,804,993
September	$38,941,994	6.41%	$2,344,554
October	$41,805,939	6.48%	$2,542,787
		7.17%	**$17,372,374**

Privilege Tax Collections from Realty Transfer

	Collections	YOY % Growth	YOY $ Growth
May	$12,743,631	-7.96%	-$1,101,607
June	$15,705,557	2.26%	$346,372
July	$15,913,767	7.73%	$1,141,283
August	$15,057,830	11.98%	$1,611,456
September	$15,317,780	-0.17%	-$26,507
October	$14,280,451	2.42%	$337,929
		2.66%	**$2,308,926**

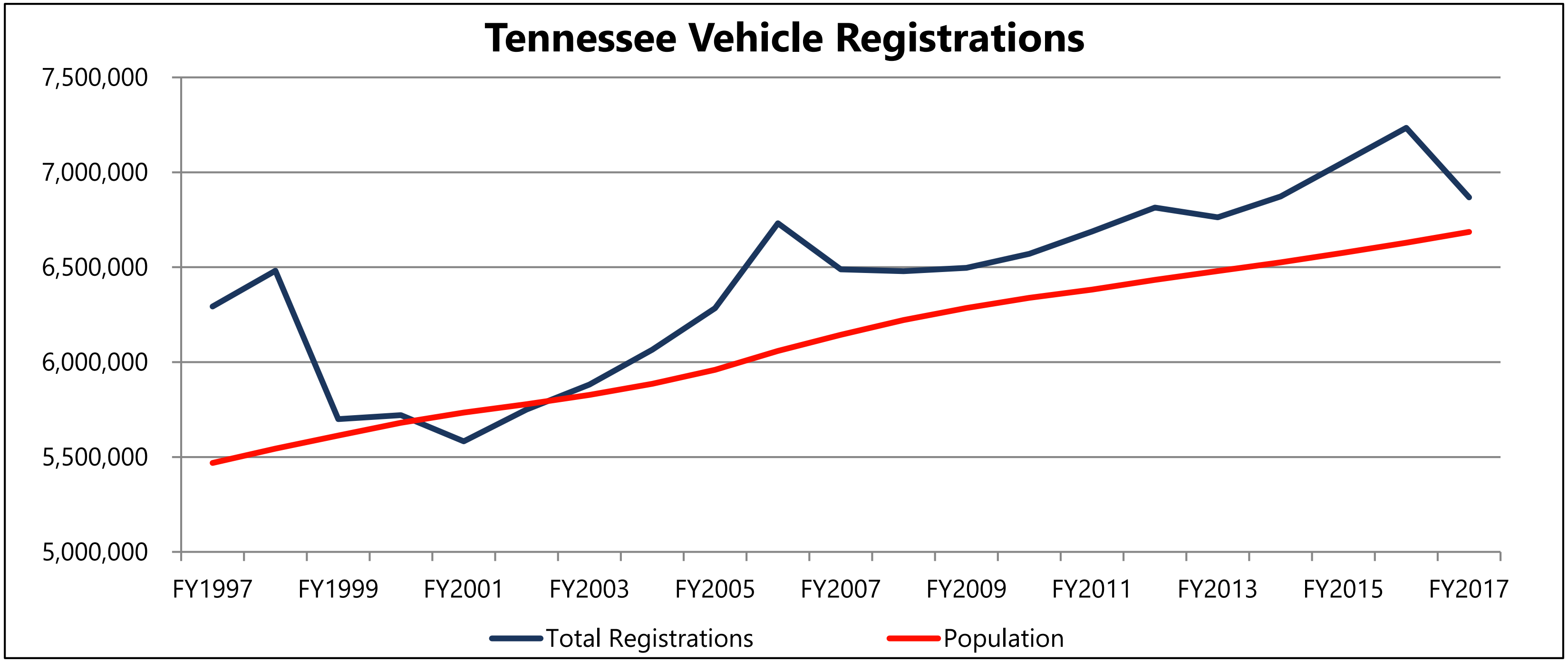
Privilege Tax Collections from Realty Mortgage

	Collections	YOY % Growth	YOY $ Growth
May	$5,337,467	-25.13%	-$1,791,182
June	$6,857,807	6.62%	$425,624
July	$6,108,794	-0.97%	-$59,616
August	$5,772,614	3.89%	$215,974
September	$5,974,108	-17.35%	-$1,253,859
October	$5,599,704	-9.85%	-$612,019
		-7.94%	**-$3,075,078**

6 Month Total Growth	**4.52%**	**$16,606,222**

Automotive

- Tennessee vehicle registrations decreased 5.1% from FY 2016 – FY 2017*
- By the end of FY 2018, vehicle registrations are expected to increase 2.3% from a year earlier



*This decrease is due to the termination of registrations no longer owned by the registrant as a result of PC 183 of 2013

Note: Registration data and forecast from the Department of Revenue, population data from the U.S. Census Bureau

TN Department of Revenue

Tax Implications

Direct Revenue Implications of Increased Automotive Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

Sales Tax Collections from Motor Vehicle Dealers, New & Used

	Collections	YOY % Growth	YOY $ Growth
May	$53,552,078	1.14%	$605,141
June	$58,304,910	8.26%	$4,450,346
July	$55,257,511	3.18%	$1,702,759
August	$56,404,209	-1.39%	-$796,088
September	$58,428,742	-1.48%	-$879,432
October	$54,838,576	-0.07%	-$39,995
		1.52%	**$5,042,731**

Sales Tax Collections from Motor Vehicle Dealers, Used

	Collections	YOY % Growth	YOY $ Growth
May	$16,374,208	3.91%	$615,663
June	$16,801,009	13.69%	$2,022,535
July	$15,787,257	3.14%	$480,437
August	$15,618,550	-0.76%	-$118,844
September	$16,225,460	0.40%	$65,396
October	$14,786,192	-0.63%	-$94,184
		3.21%	**$2,971,003**

Sales Tax Collections from Auto Repair, Services, and Parking

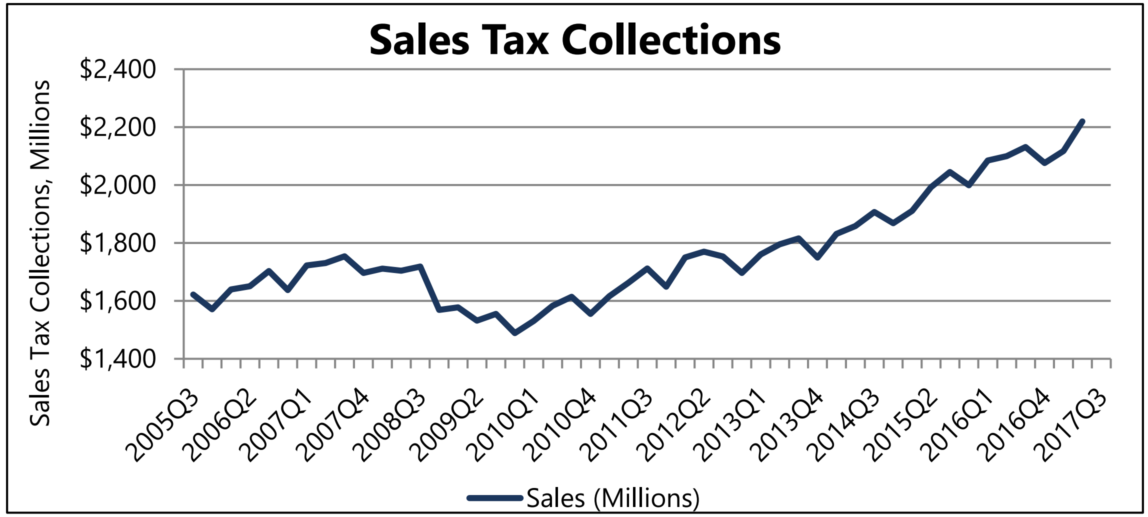
	Collections	YOY % Growth	YOY $ Growth
May	$17,334,999	-0.33%	-$58,106
June	$18,497,574	7.06%	$1,219,837
July	$18,947,856	3.44%	$629,683
August	$18,002,940	5.06%	$866,978
September	$18,829,556	3.33%	$607,040
October	$18,051,767	0.97%	$172,620
		3.24%	**$3,438,052**

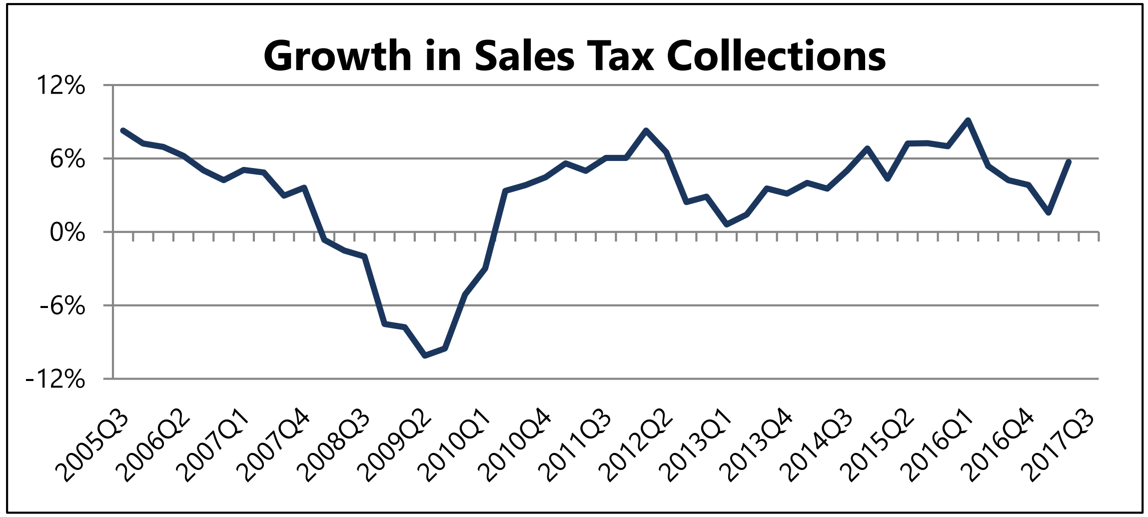
6 Month Total Growth	**2.16%**	**$11,451,786**

Sales

- Sales tax collections increased 3.50% from FY 2016 – FY 2017

- By the end of FY 2018, sales tax collections are expected to increase 2.13% from a year earlier





Note: Data and forecast from the Department of Revenue

Tax Implications

Direct Revenue Implications of Increased Sales Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

Sales Tax Collections from Eating & Drinking Places

	Collections	YOY % Growth	YOY $ Growth
May	$73,447,917	2.71%	$1,940,158
June	$74,635,908	7.08%	$4,937,153
July	$72,954,022	1.54%	$1,107,226
August	$71,931,097	0.73%	$520,527
September	$69,112,421	1.09%	$745,625
October	$70,955,369	1.08%	$760,348
		2.37%	**$10,011,037**

Sales Tax Collections from Hotels & Lodging Places

	Collections	YOY % Growth	YOY $ Growth
May	$20,585,191	-1.29%	-$268,948
June	$21,472,334	4.48%	$921,568
July	$23,577,177	2.19%	$504,806
August	$22,649,359	-6.21%	-$1,500,645
September	$20,797,155	7.50%	$1,451,224
October	$22,229,259	-3.02%	-$692,981
		0.32%	**$415,024**

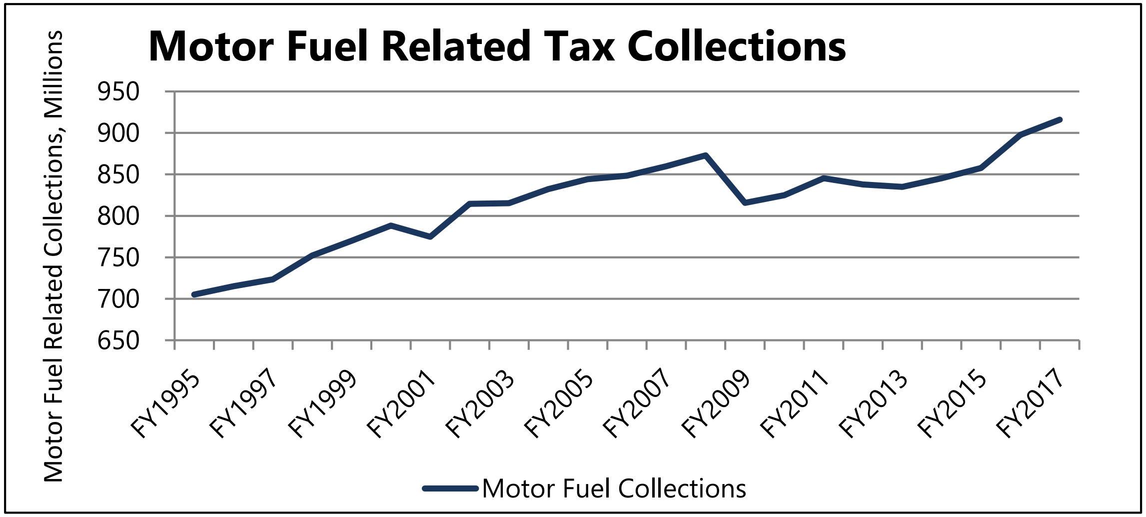
Mixed Drink (Liquor-by-the-Drink) Tax Collections

	Collections	YOY % Growth	YOY $ Growth
May	$9,513,515	1.44%	$134,626
June	$9,832,242	10.61%	$942,779
July	$9,657,950	15.19%	$1,273,590
August	$9,173,011	10.20%	$849,366
September	$9,162,658	7.94%	$673,847
October	$9,721,182	16.13%	$1,350,220
		10.08%	**$5,224,428**

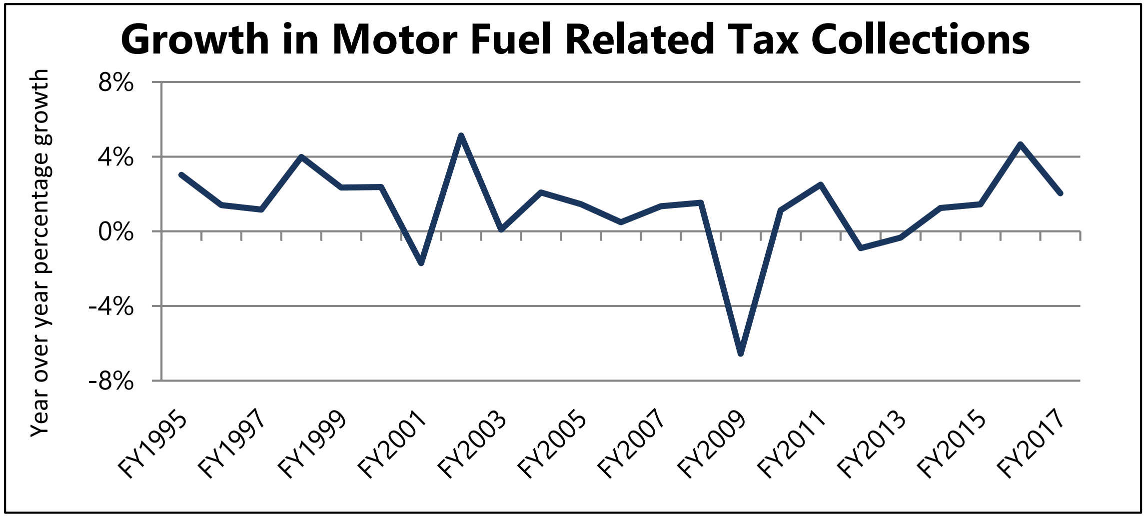
6 Month Total Growth	**2.58%**	**$15,650,489**

Motor Fuel Related Collections*

- Motor fuel related tax collections increased 2.03% from FY 2016 – FY 2017



- By the end of FY 2018, collections are expected to increase 20.57% from a year earlier



TN Department of Revenue

*Motor fuel related tax collections include collections from the gasoline tax, the motor fuel tax, and the petroleum special tax.

Note: Data and forecast from the Department of Revenue

Tax Implications

Direct Revenue Implications of Increased Motor Fuel Related Activity (Most Recent 6 Month Data)
Growth is presented as year over year (YOY)

Sales Tax Collections from Gasoline Services Stations

	Collections	YOY % Growth	YOY $ Growth
May	$12,750,830	3.20%	$394,890
June	$13,270,656	3.56%	$305,804
July	$13,313,566	3.09%	$398,813
August	$13,152,066	0.98%	$127,270
September	$12,972,196	-1.73%	-$227,771
October	$12,746,359	-0.49%	-$62,419
		1.21%	**$936,587**

Gasoline Tax Collections

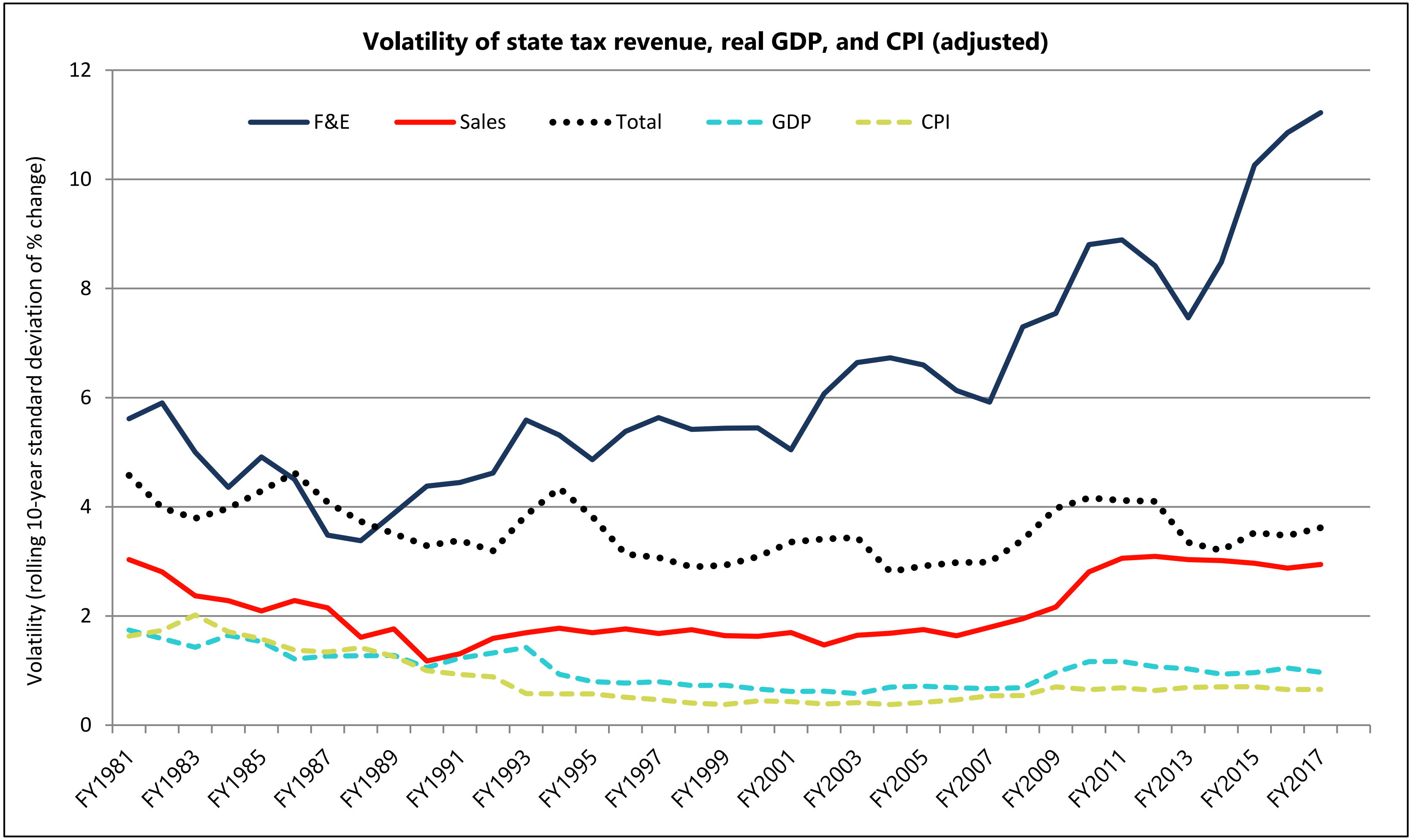
	Collections	YOY % Growth	YOY $ Growth
May	$59,959,625	10.24%	$5,562,267
June	$56,007,204	-4.27%	-$2,498,867
July	$60,108,704	-2.84%	-$1,757,134
August	$71,250,559	26.74%	$15,031,866
September	$73,514,865	24.14%	$14,296,381
October	$72,239,785	46.12%	$22,801,418
		15.73%	**$53,435,931**

Motor Fuel Tax Collections

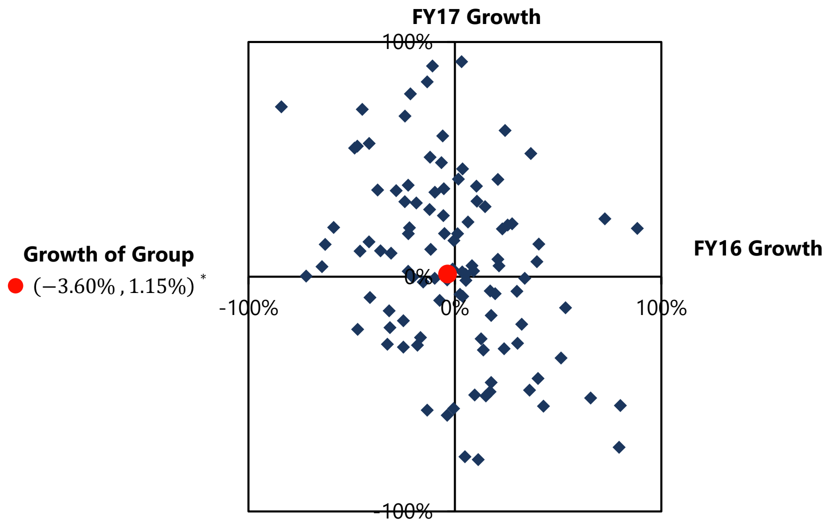
	Collections	YOY % Growth	YOY $ Growth
May	$14,013,853	17.51%	$2,088,036
June	$14,644,323	0.06%	$9,031
July	$16,007,550	-1.16%	-$188,295
August	$15,382,070	15.34%	$2,045,886
September	$20,942,445	40.47%	$6,033,577
October	$19,752,445	17.40%	$2,927,260
		14.71%	**$12,915,495**

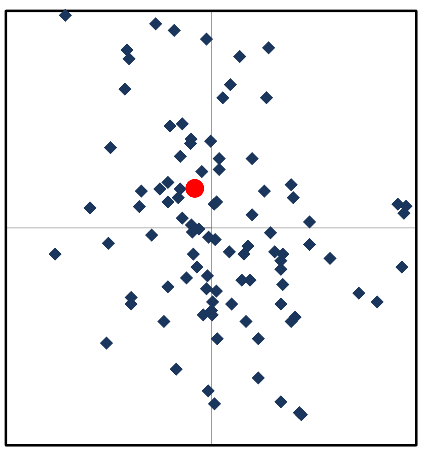
6 Month Total Growth	**13.33%**	**$67,288,013**

Tennessee Tax Volatility Comparison

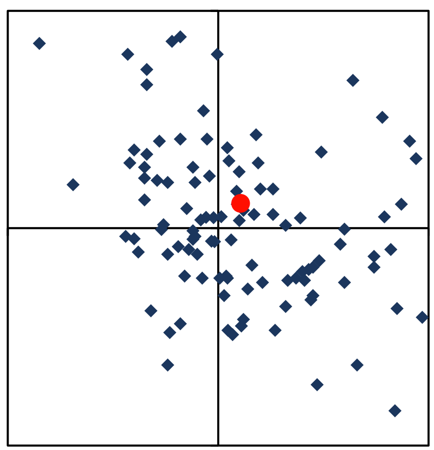


YOY Change in Collections – Selected F&E Taxpayers





2015 Presentation



2016 Presentation

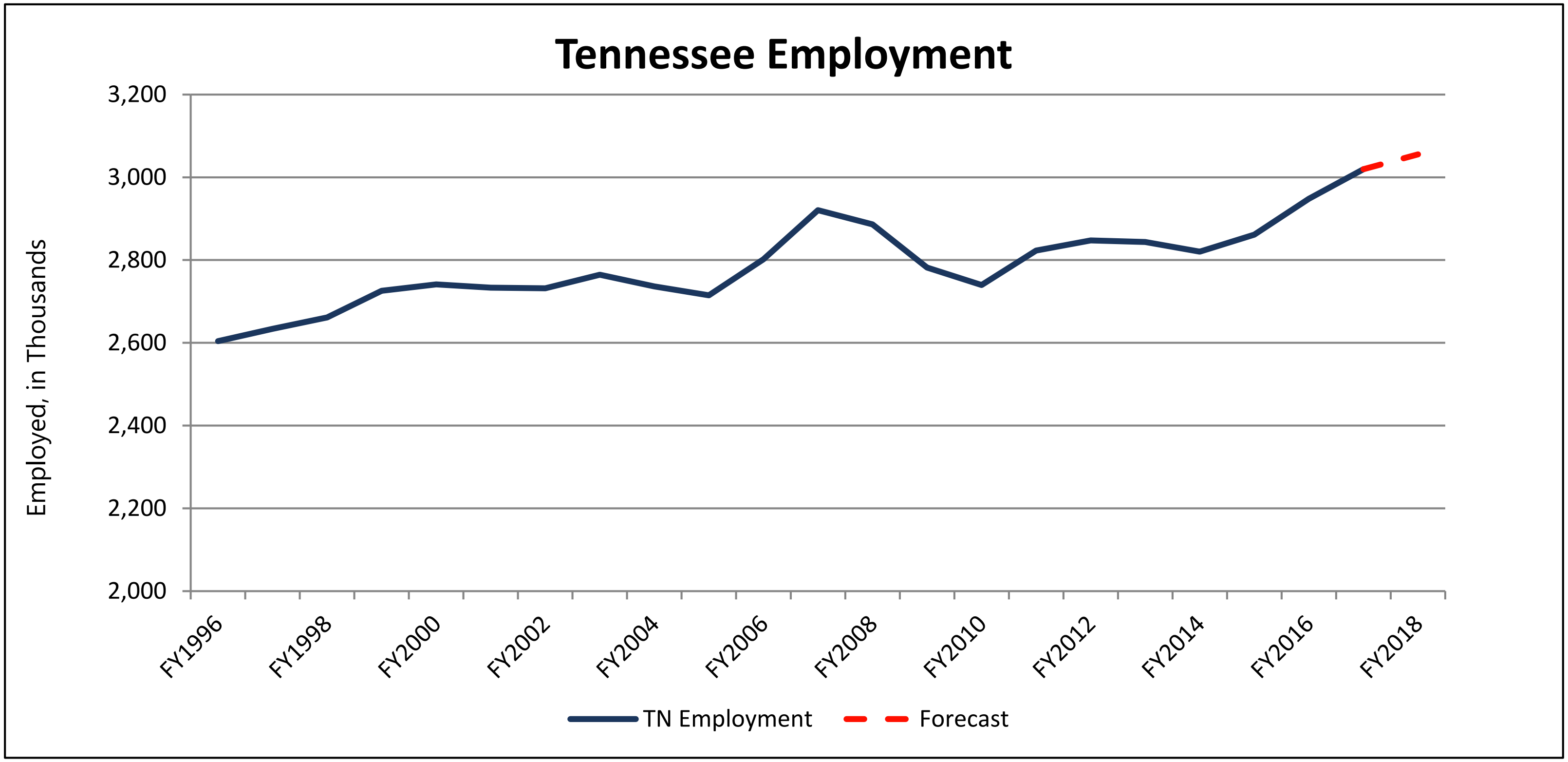
- These graphs shows growth rates of F&E accounts with collections greater than $1M in the three prior fiscal years and growth rates less than 100%.
- There is inherent volatility in F&E collections even among the taxpayers with the highest annual collections.

TN Department of Revenue

*Several large non-recurring items were removed to give a more accurate reflection of growth in F&E collections.

Tennessee Employment

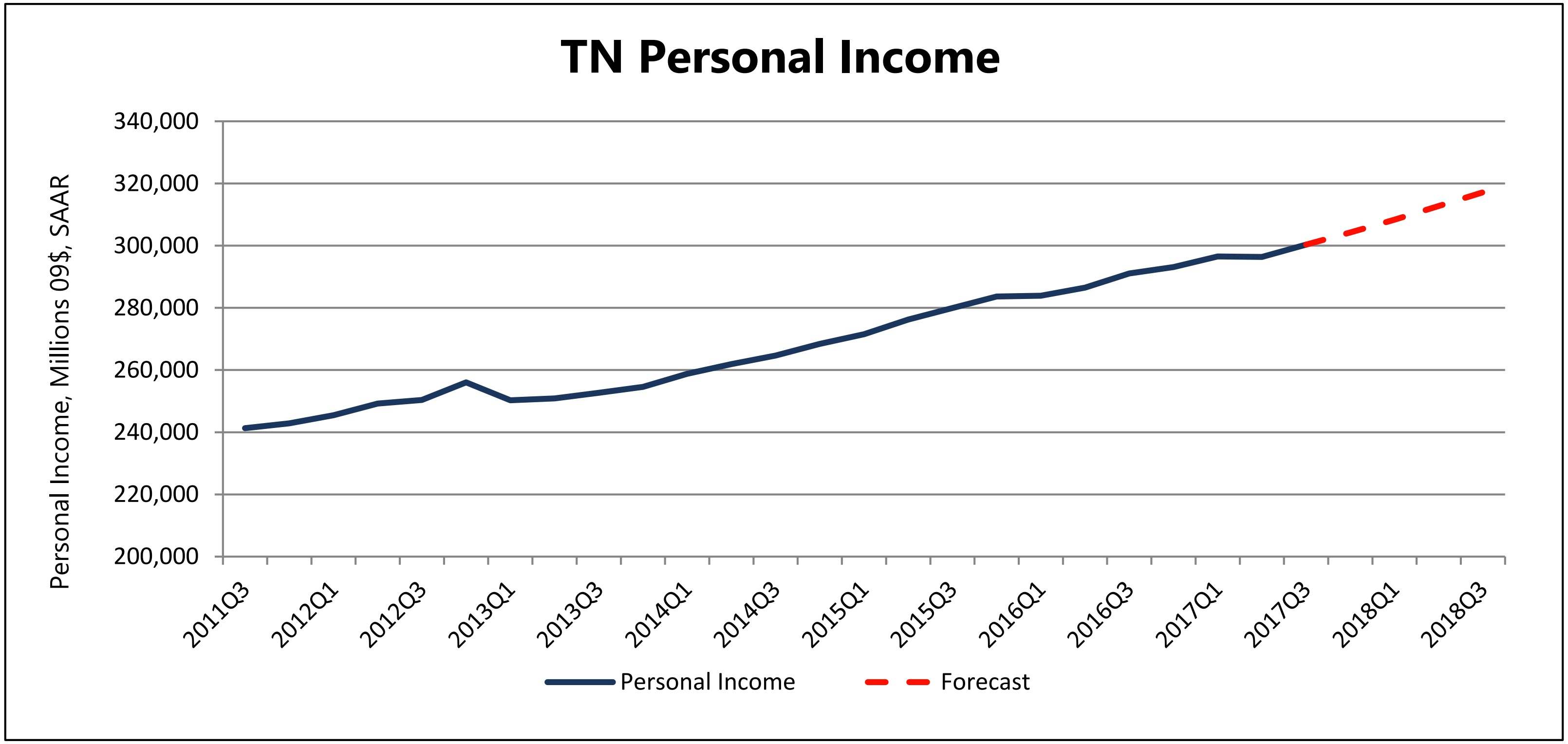
- Strong growth in employment
- Steady employment growth is expected over the forecast horizon



Note: Data from the Bureau of Labor Statistics, forecast from Moody's Analytics

Tennessee Personal Income

- Personal income gains of 3.80% for FY 2017
- Personal income gains of 4.13% are expected for FY 2018, led by growth wages and salaries



Note: Data from the Bureau of Economic Analysis, forecast from Moody's Analytics

Public Chapter 92 of 2015

- Requires the Department to include in its estimates of franchise and excise tax revenue growth a description of whether the growth is recurring or nonrecurring.

- Unforeseen events can result in large, non-recurring changes in tax collections.
  - Mergers & Acquisitions
  - Audit Assessments
  - Voluntary Disclosure Agreements
  - Litigation

Non-Recurring Items

- Analyze daily tax revenue collections relative to previous years and budget estimates.
- Identify extraordinary or unusual payments using the Department of Revenue Business Intelligence tool and SAS programs.
- Focus analysis at the taxpayer level to identify the nature of payments and possible implications to total tax collections for the month.
- Maintain a list of one-time events and analyze any impact these payments may have on the following fiscal year.

Public Chapter 92 of 2015

- There are no known non-recurring items included in the estimates for fiscal year 2018, and the Department is not aware of any upcoming non-recurring payments in FY 2018.

- The fiscal year 2018 estimates do not include revenue estimates for any proposed or potential rule changes.

Summary of Legislative Impacts

- Revenue Modernization Act, IMPROVE Act, 2017 PC 194, 2016 PC 881, 2016 PC 1064

	Sales & Use	Franchise & Excise	Gasoline	Motor Fuel
FY16	$15,646,513	-$22,881,800	$0	$0
FY17	$17,132,402	-$82,030,136	$0	$0
FY18	-$102,266,358	-$114,030,388	$136,880,000	$43,038,932
FY19	-$102,266,358	-$131,092,690	$171,100,000	$75,289,728

	Income	Motor Vehicle Registration	Business	TOTAL
FY16	$0	$0	$0	**-$7,235,287**
FY17	-$45,000,000	$0	$5,404,448	**-$104,493,286**
FY18	-$99,400,000	$34,125,330	$9,095,211	**-$92,557,273**
FY19	-$153,800,000	$34,125,330	$12,324,224	**-$94,319,766**

TN Department of Revenue

TN Department of Revenue

REVENUE COLLECTION ESTIMATES
STATE FUNDING BOARD MEETING - 11/20/2017
Accrual year basis (USD)

SOURCE OF REVENUE Department of Revenue	Accrual Revenues FY 2017 Actual	official Revenue Estimates FY2018	FY 2018 Revised Estimates FY 2018	% change[3] over FY 2017	FY 2019 Revenue Estimates FY 2019	% change[3] over FY 2018
Sales and Use Tax[1]	$8,556,800,000	$8,746,100,000	8,739,200,000	2.13%	9,045,200,000	3.50%
Gasoline Tax	669,600,000	807,300,000	810,800,000	21.09%	850,000,000	4.83%
Motor Fuel Tax	177,500,000	220,100,000	224,000,000	26.20%	259,800,000	15.98%
Gasoline Inspection Tax	68,200,000	68,600,000	68,800,000	0.88%	69,200,000	0.58%
Motor Vehicle Registration Tax	275,200,000	311,300,000	311,900,000	13.34%	315,100,000	1.03%
Income Tax	250,100,000	217,500,000	205,400,000	-17.87%	157,900,000	-23.13%
Privilege Tax[2]	342,000,000	336,900,000	358,400,000	4.80%	372,200,000	3.85%
Gross Receipts Tax - TVA	341,600,000	345,000,000	343,300,000	0.50%	349,500,000	1.81%
Gross Receipts Tax - Other	31,900,000	29,000,000	33,000,000	3.45%	34,200,000	3.64%
Beer Tax	17,200,000	17,600,000	17,300,000	0.58%	17,400,000	0.58%
Alcoholic Beverage Tax	64,200,000	70,700,000	66,700,000	3.89%	69,800,000	4.65%
Franchise & Excise Tax	2,620,200,000	2,377,100,000	2,456,100,000	-6.26%	2,569,800,000	4.63%
Inheritance and Estate Tax	9,200,000	3,000,000	1,900,000	-79.35%	-	-100.00%
Tobacco Tax	255,700,000	258,400,000	252,100,000	-1.41%	248,100,000	-1.59%
Motor Vehicle Title Fees	23,900,000	23,900,000	24,900,000	4.18%	25,800,000	3.61%
Mixed Drink Tax	105,600,000	111,500,000	114,500,000	8.43%	124,800,000	9.00%
Business Tax	173,100,000	164,800,000	185,700,000	7.28%	194,100,000	4.52%
Severance Tax	1,200,000	1,300,000	900,000	-25.00%	1,000,000	11.11%
Coin-operated Amusement Tax	200,000	300,000	200,000	0.00%	200,000	0.00%
Total Department of Revenue	**$13,983,400,000**	**$14,110,400,000**	**$14,215,100,000**	**1.66%**	**$14,704,100,000**	**3.44%**
General Fund Only	**$ 11,764,900,000**	**$11,707,300,000**	**$11,799,900,000**	**0.30%**	**$12,189,300,000**	**3.30%**

[1]Excludes $112.0 million estimated earmarked fees collected under sales tax for E911 telecommunications service (2016 PC 1047).
[2]Excludes $52.0 million estimated earmarked funds collected under the privilege tax.
[3]Percent change in revenue for each tax is the calculated percentage change *after* rounding to nearest $100,000
Note: Totals may differ due to rounding

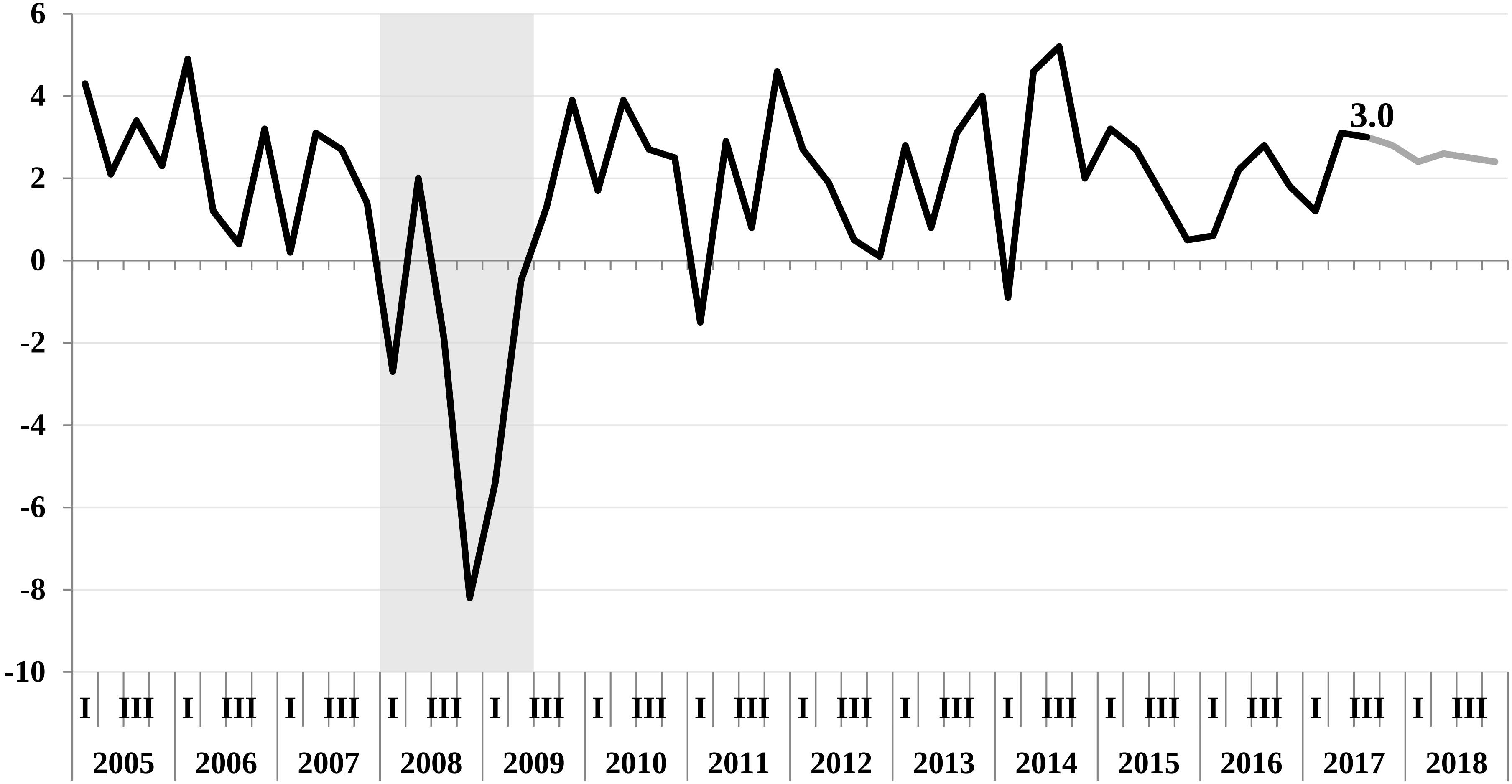
Definitions and Sources

- SAAR = Seasonally Adjusted Annualized Rate
- FY = Fiscal Year
- TN = Tennessee
- Data Sourced From:
  - Moody's Analytics (Fall, 2017)
  - BEA (Fall, 2017)
  - BLS (Fall, 2017)
  - U.S. Census Bureau (Fall, 2017)
  - TN Department of Revenue (Fall, 2017)
  - TN Department of Finance & Administration (Fall, 2017)

FY17-18
&
FY18-19
Tax Revenue Estimates

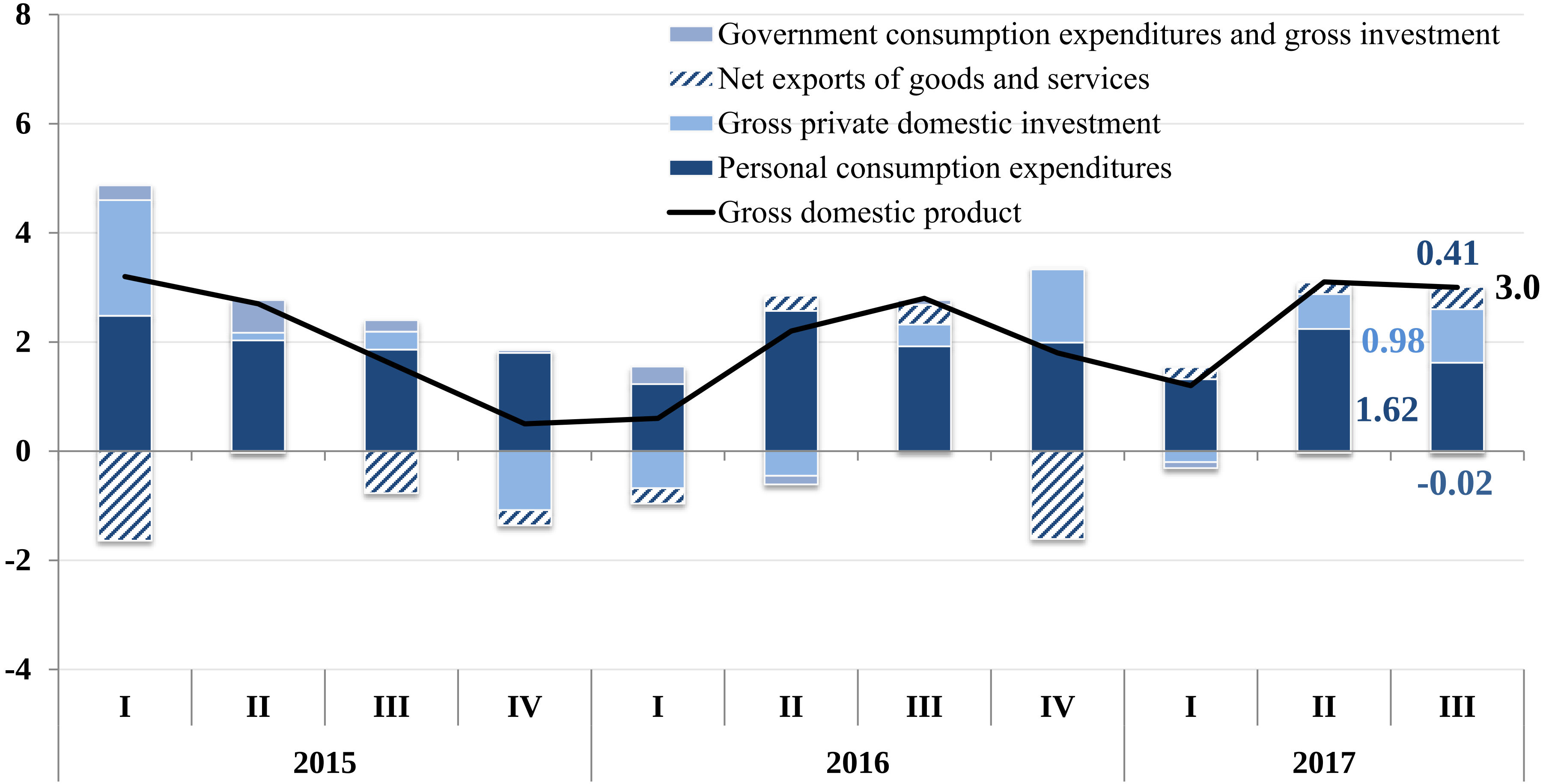
Fiscal Review Committee Staff
November 20, 2017

U.S. Real GDP
(Percent Change from Preceding Period, SAAR)



Source: U.S. Bureau of Economic Analysis;

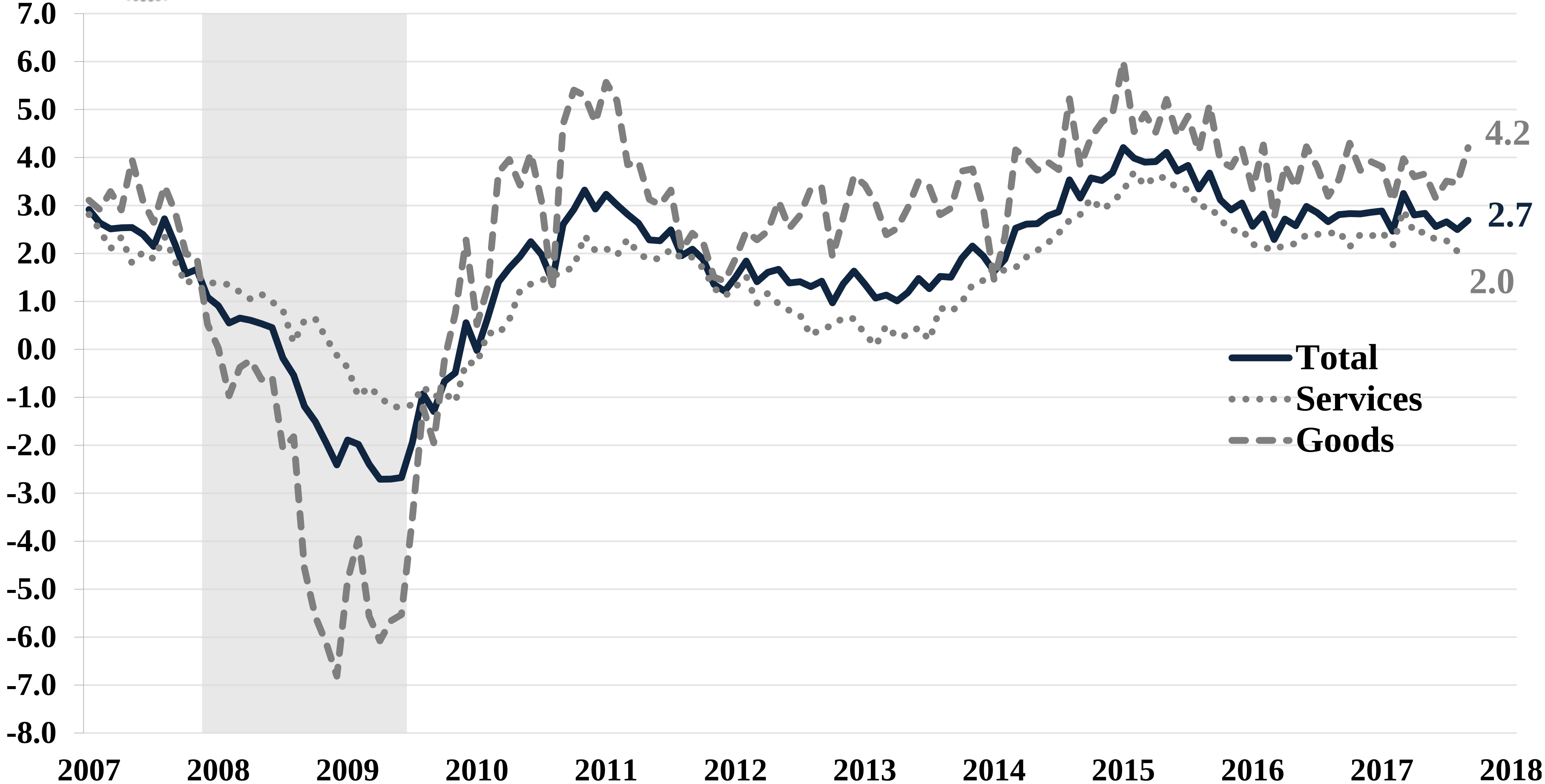
Contributions to % Change in Real GDP (SAAR)



Source: U.S. Bureau of Economic Analysis;

Real PCE and its Components

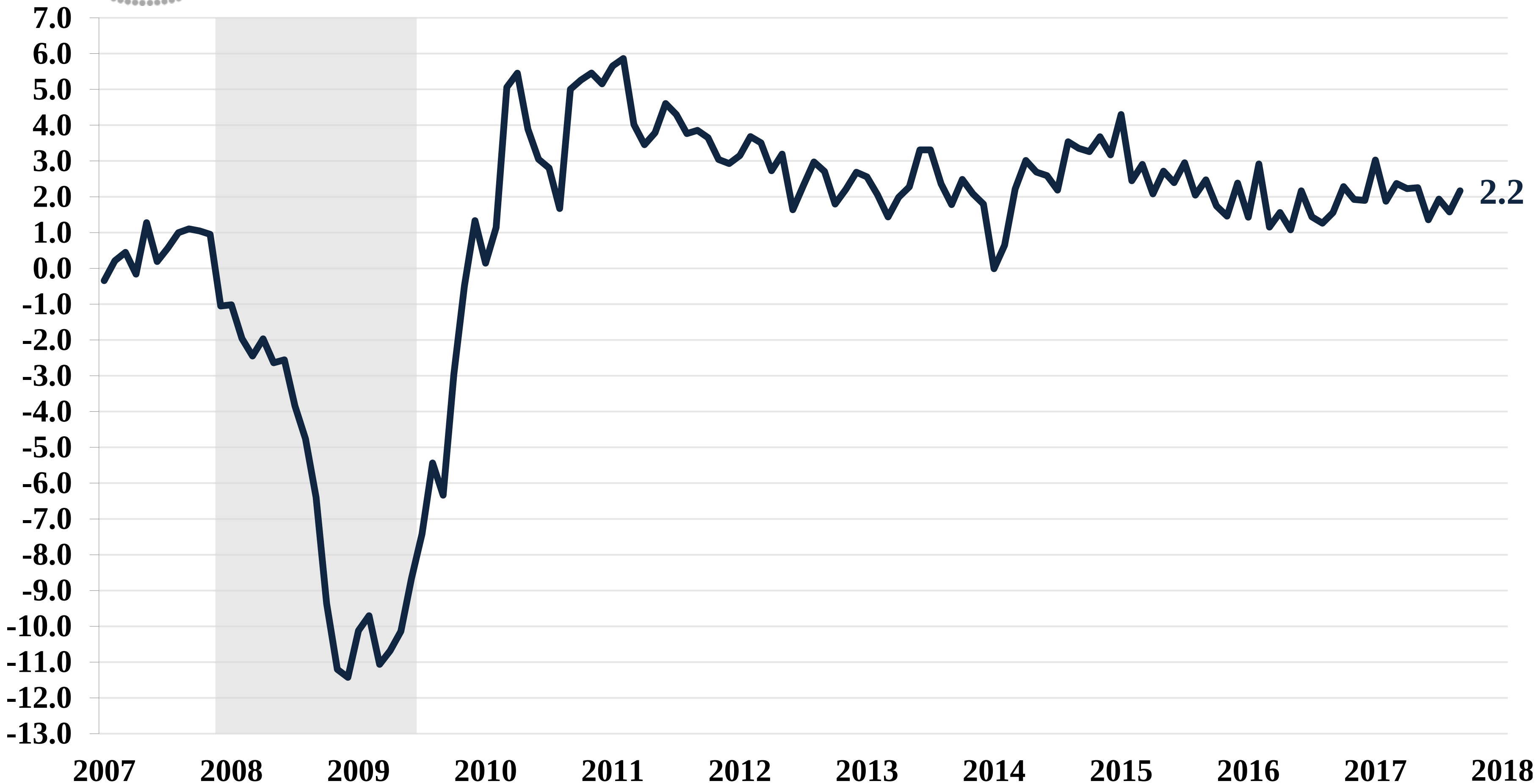
Year-over-Year % Change (Monthly, SAAR)



Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

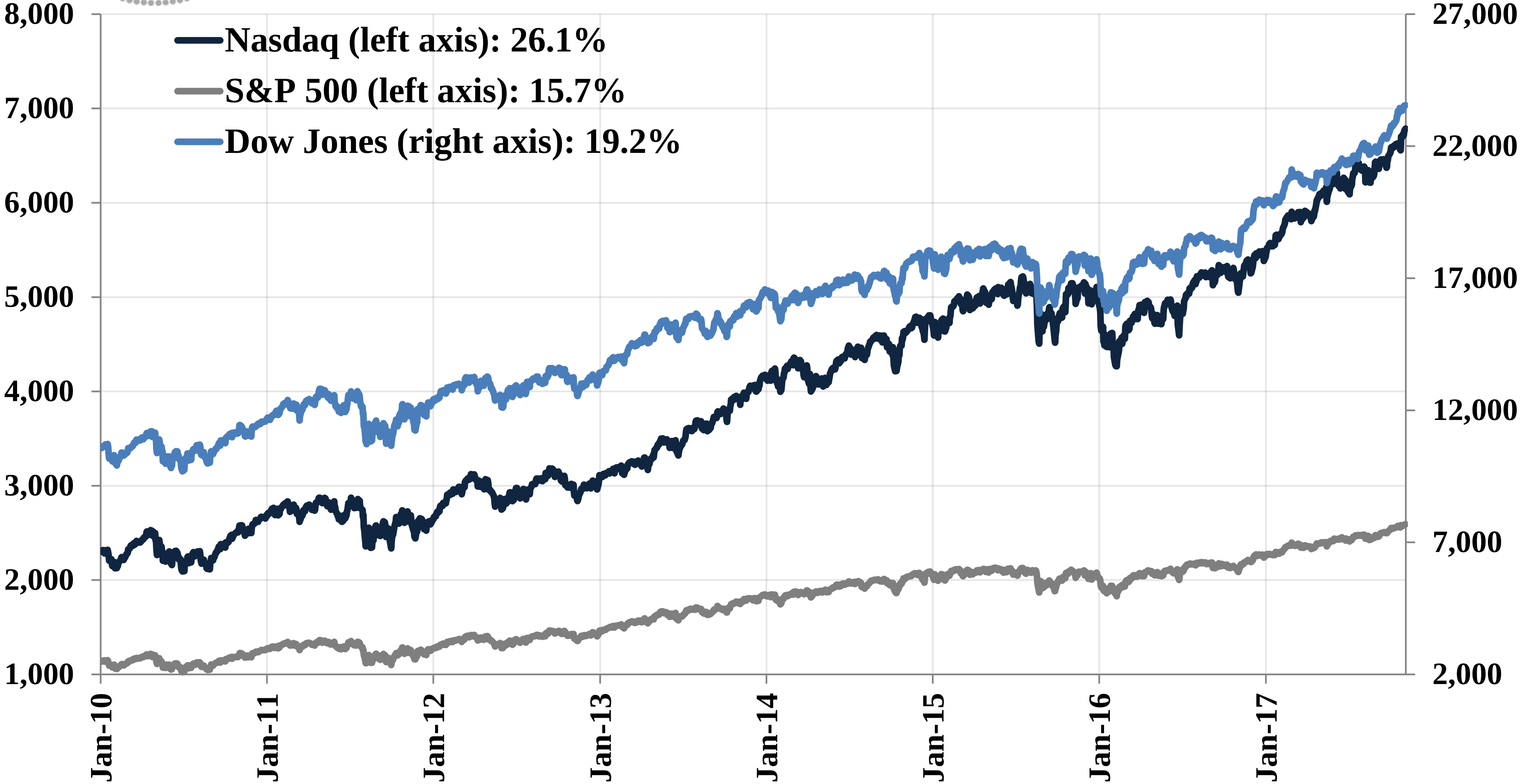
Real Retail and Food Service Sales

Year-over-Year % Change (Monthly, SA)



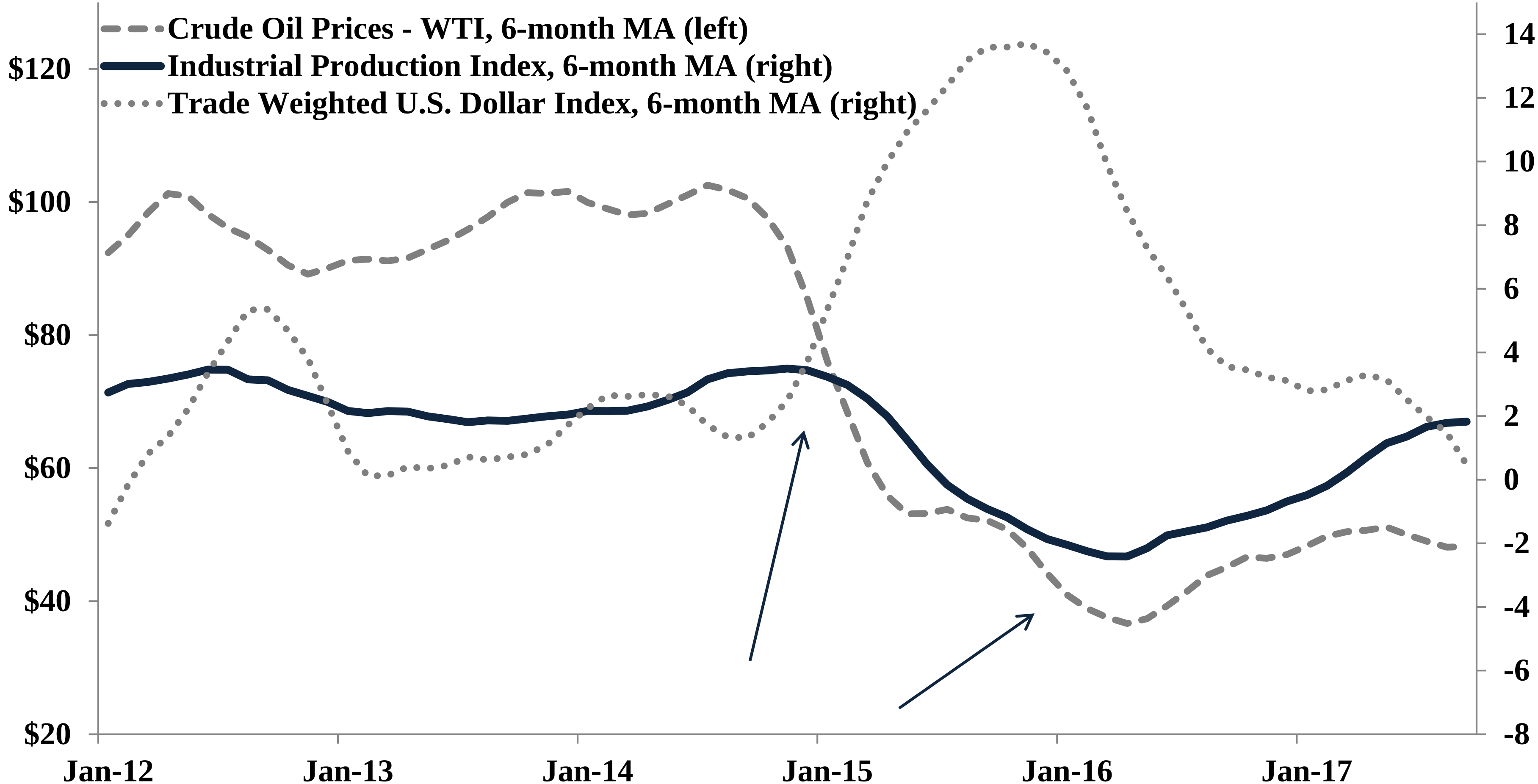
Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

Stock Market Growth



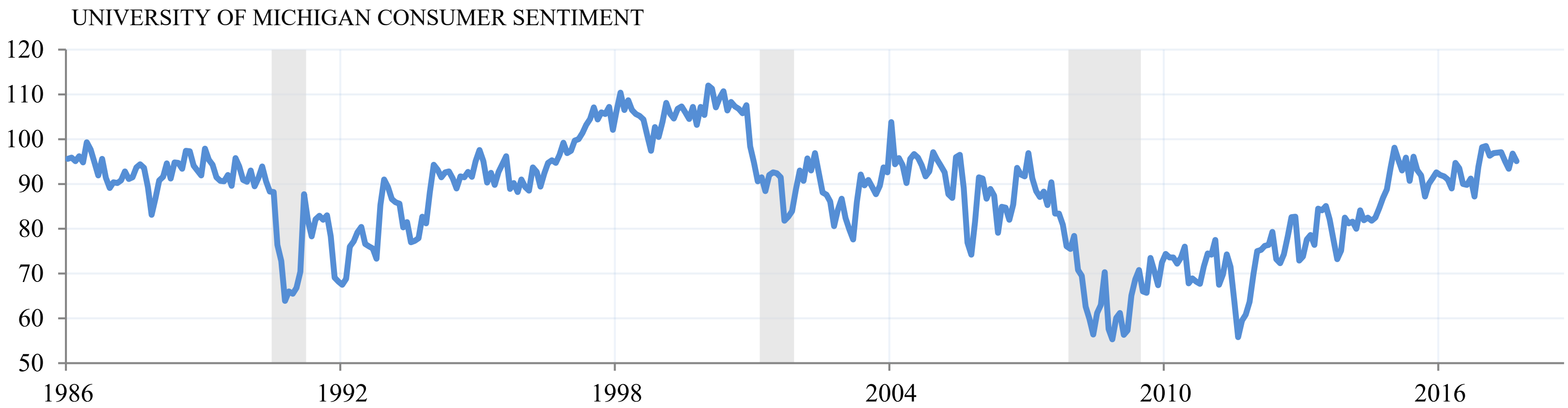
Source: Yahoo Finance.

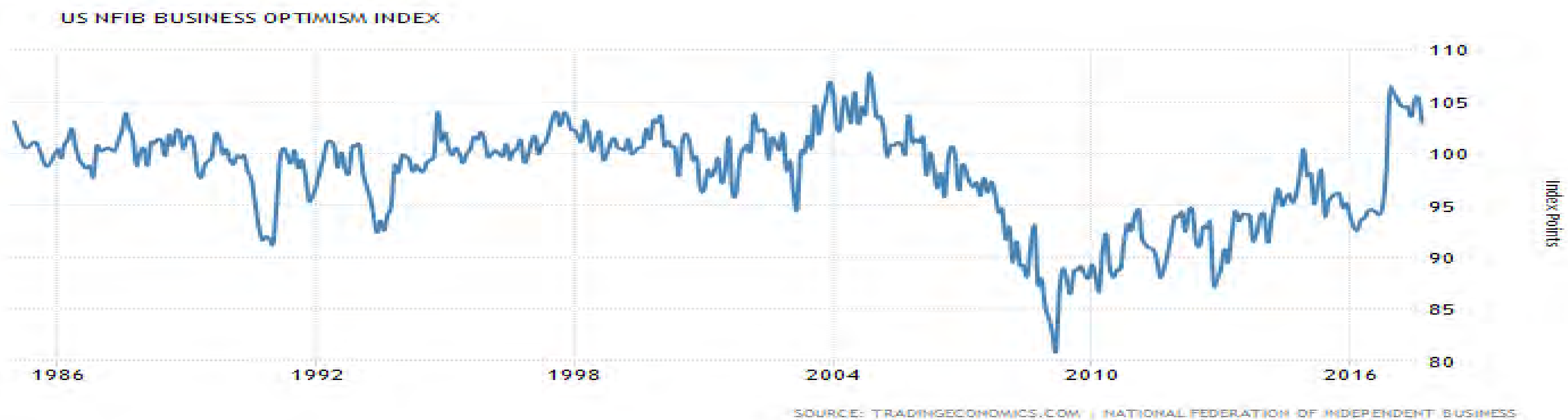
Industrial Production



Sources: Board of Governors of the Federal Reserve System (US), and U.S. Energy Information Administration, retrieved from FRED, Federal Reserve Bank of St. Louis, Nov 14, 2017.

Consumer & Small Business Sentiment

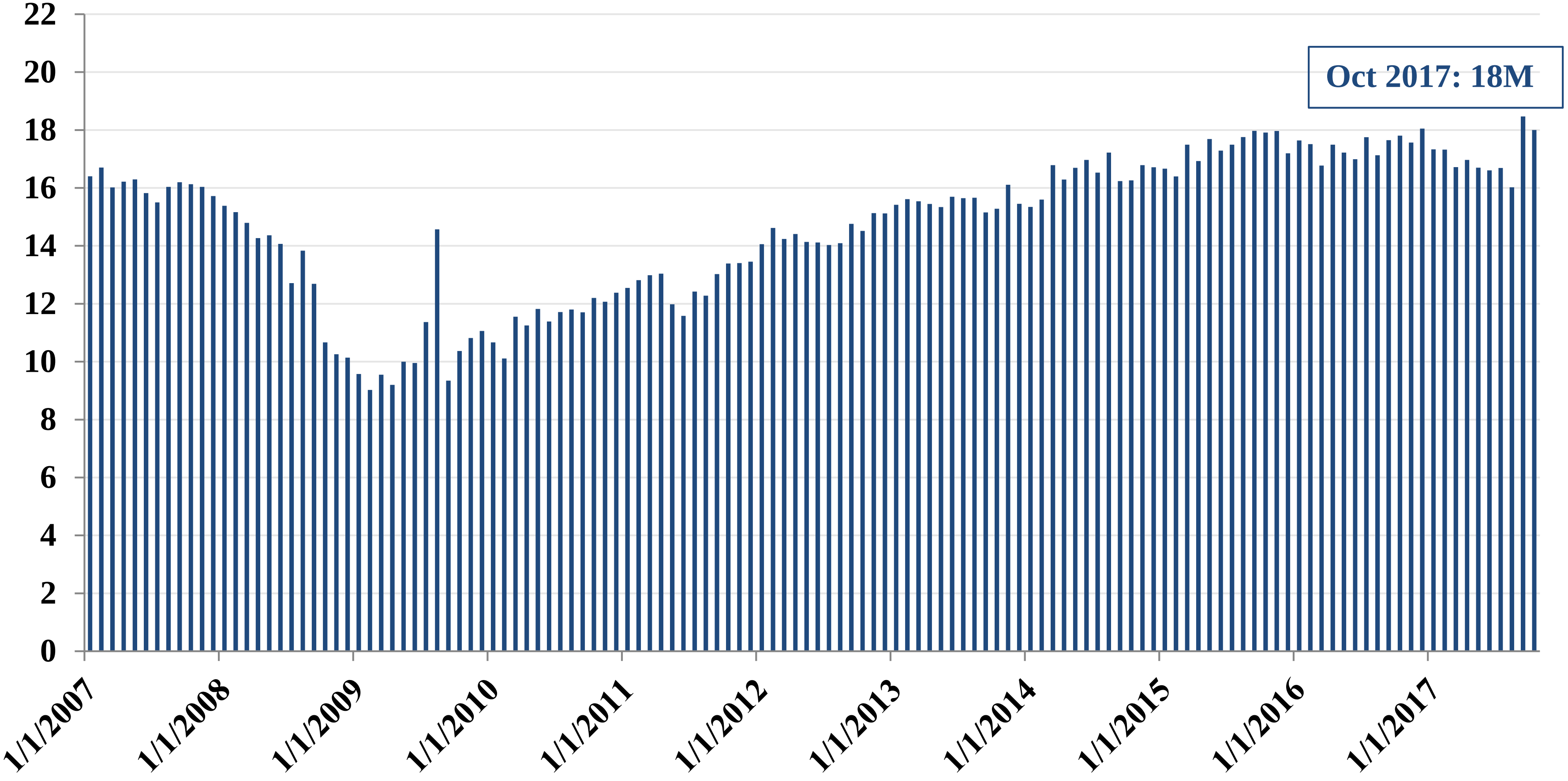




Sources: University of Michigan, retrieved from FRED, Federal Reserve Bank of St. Louis; NFIB, retrieved from tradingeconomics.com, November 14, 2017.

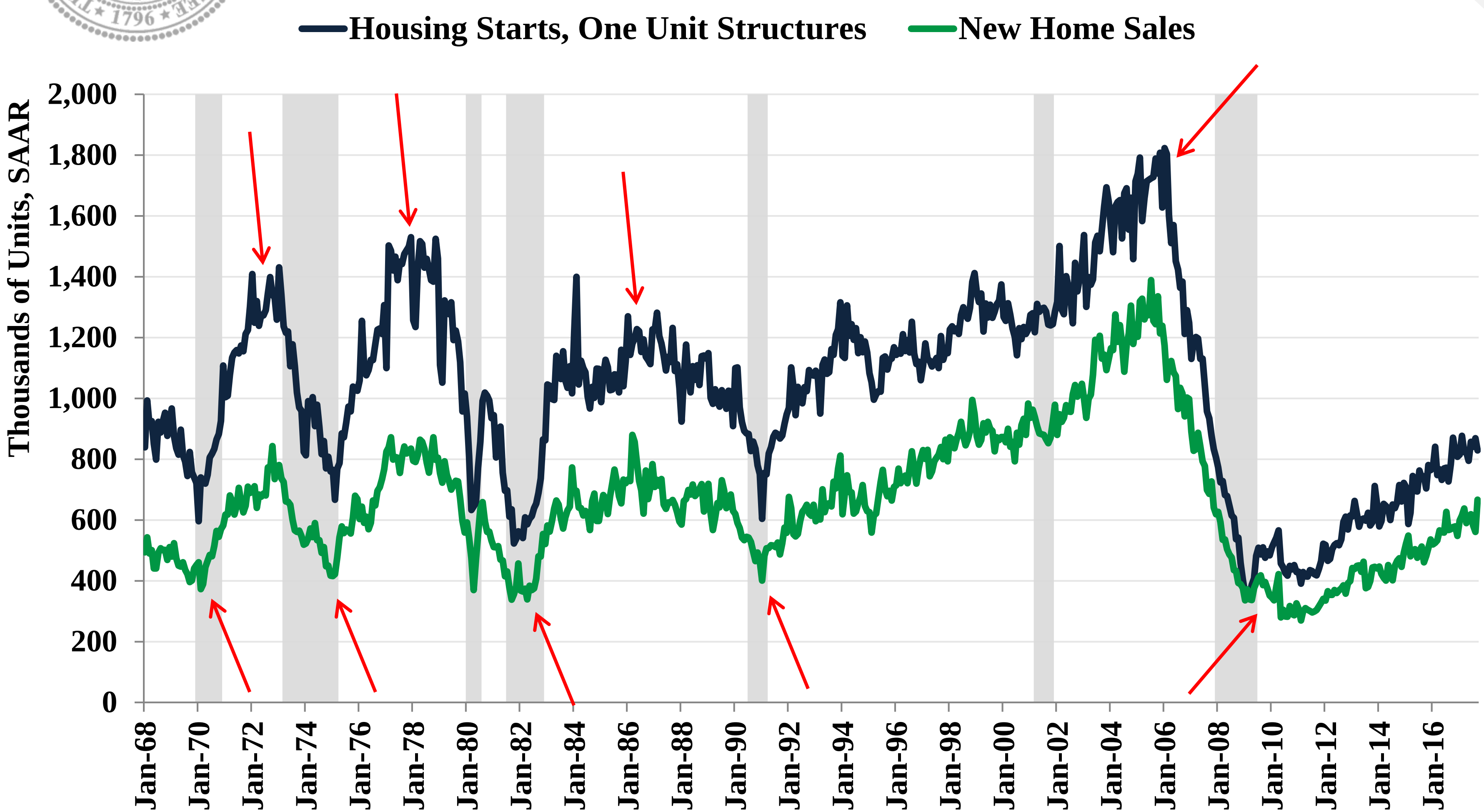
Auto Sector

U.S. Light Weight Vehicle Sales (SAAR)



Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

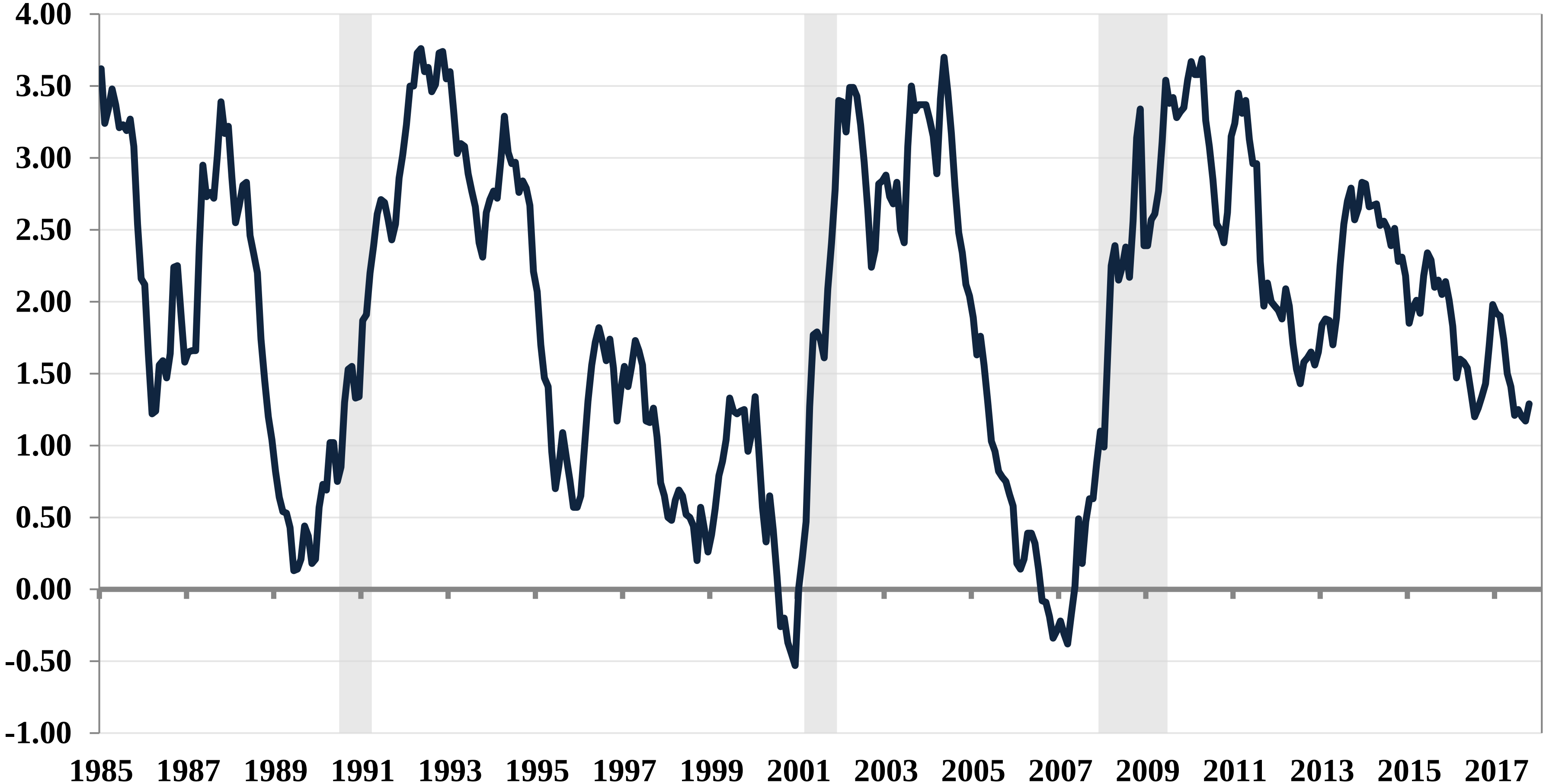
Housing Sector



Source: U.S. Bureau of the Census,, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

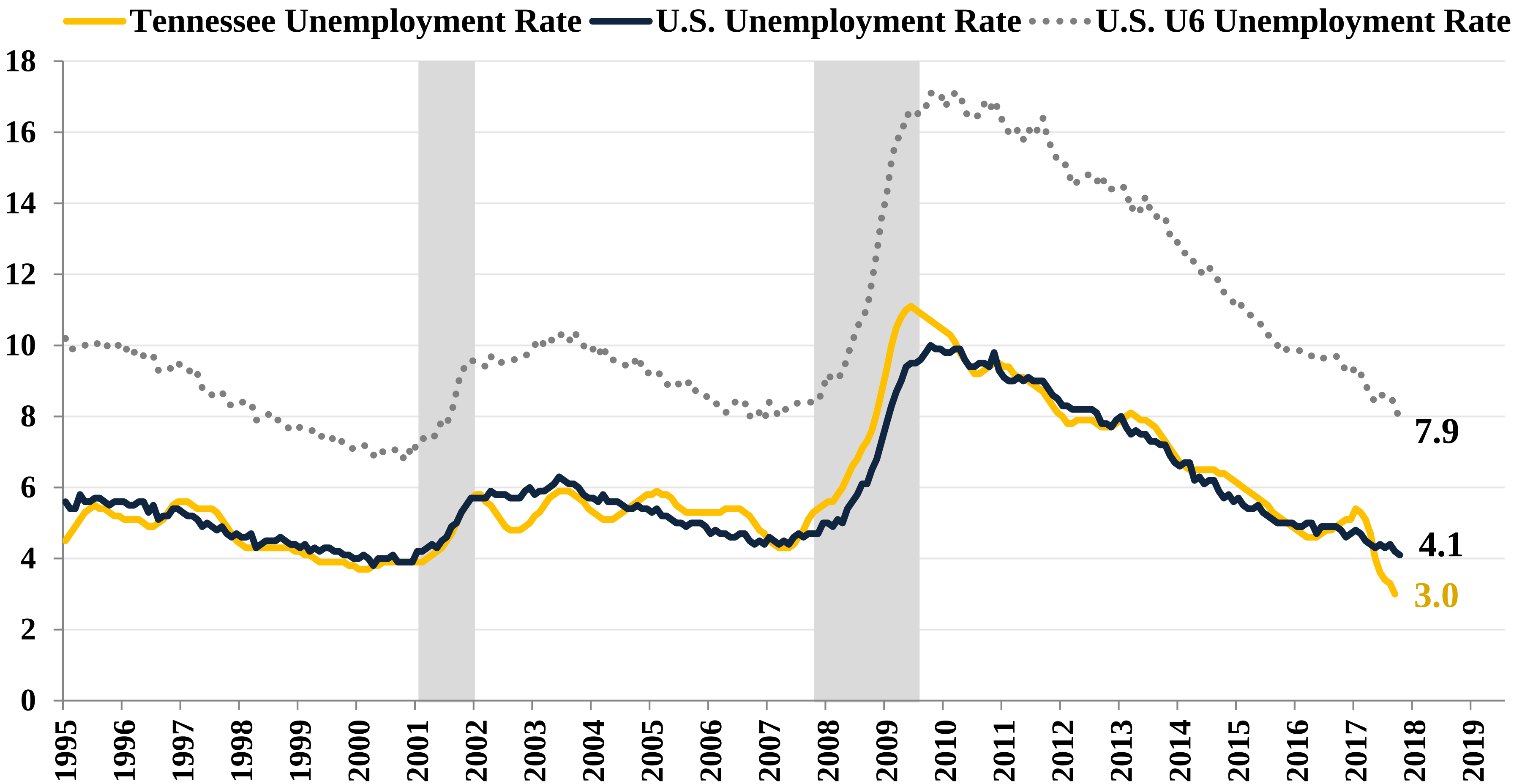
The Yield Spread

10-Year Treasury Rate Less 3-Month Treasury Bill



Sources: Board of Governors of the Federal Reserve System, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

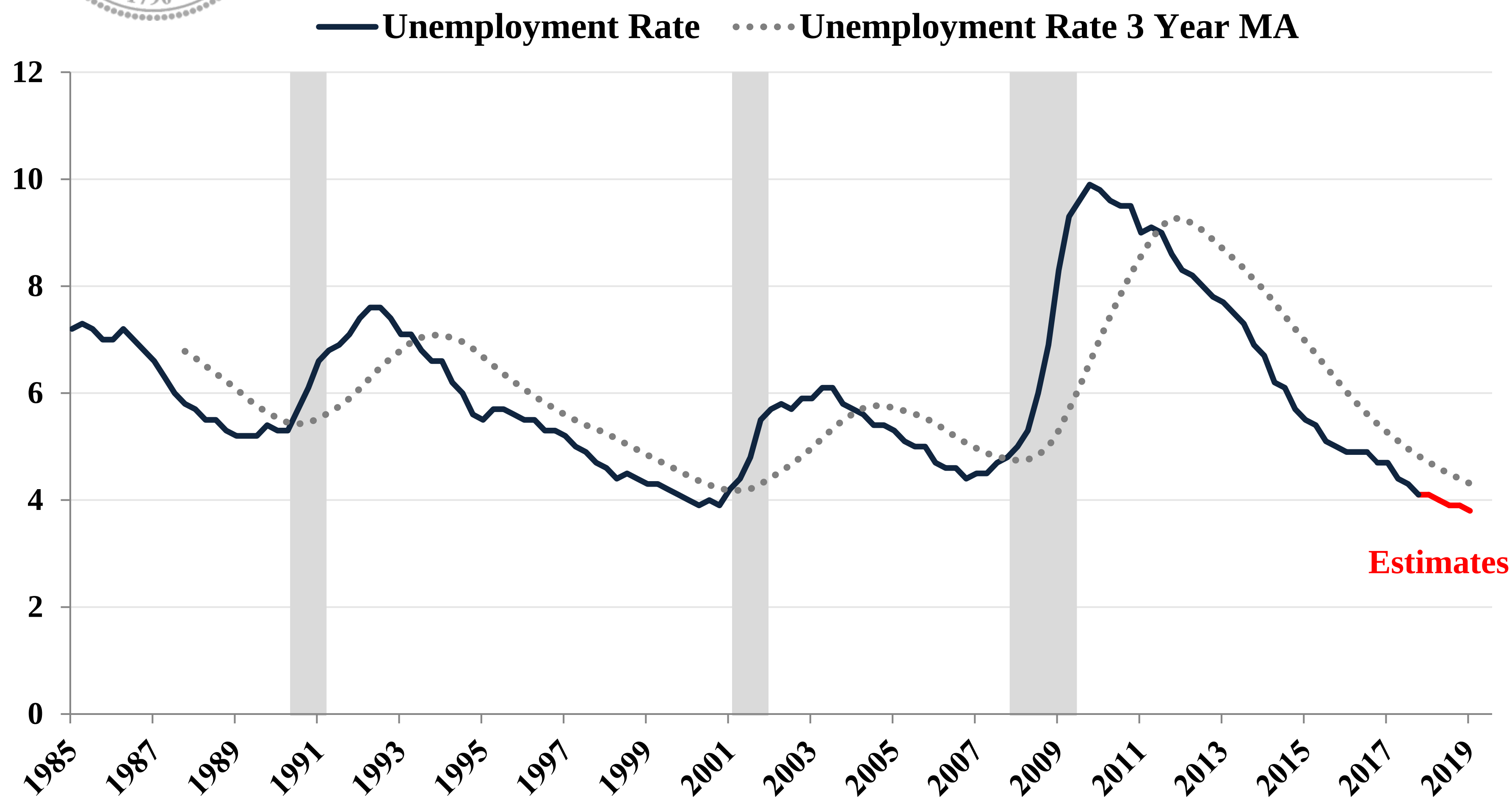
Unemployment Rates



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

U.S. Unemployment Rate

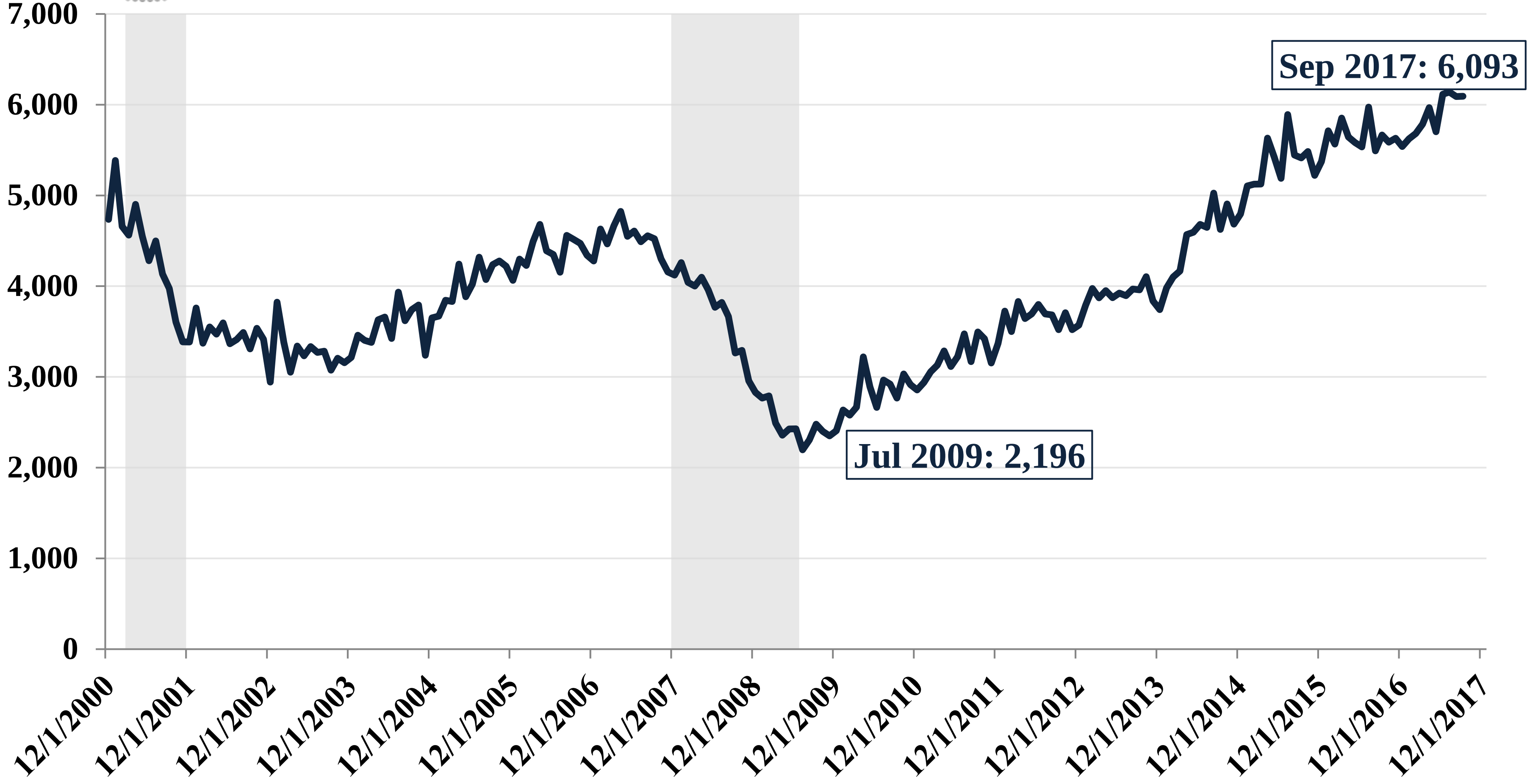
(Quarterly Rate, SA)



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

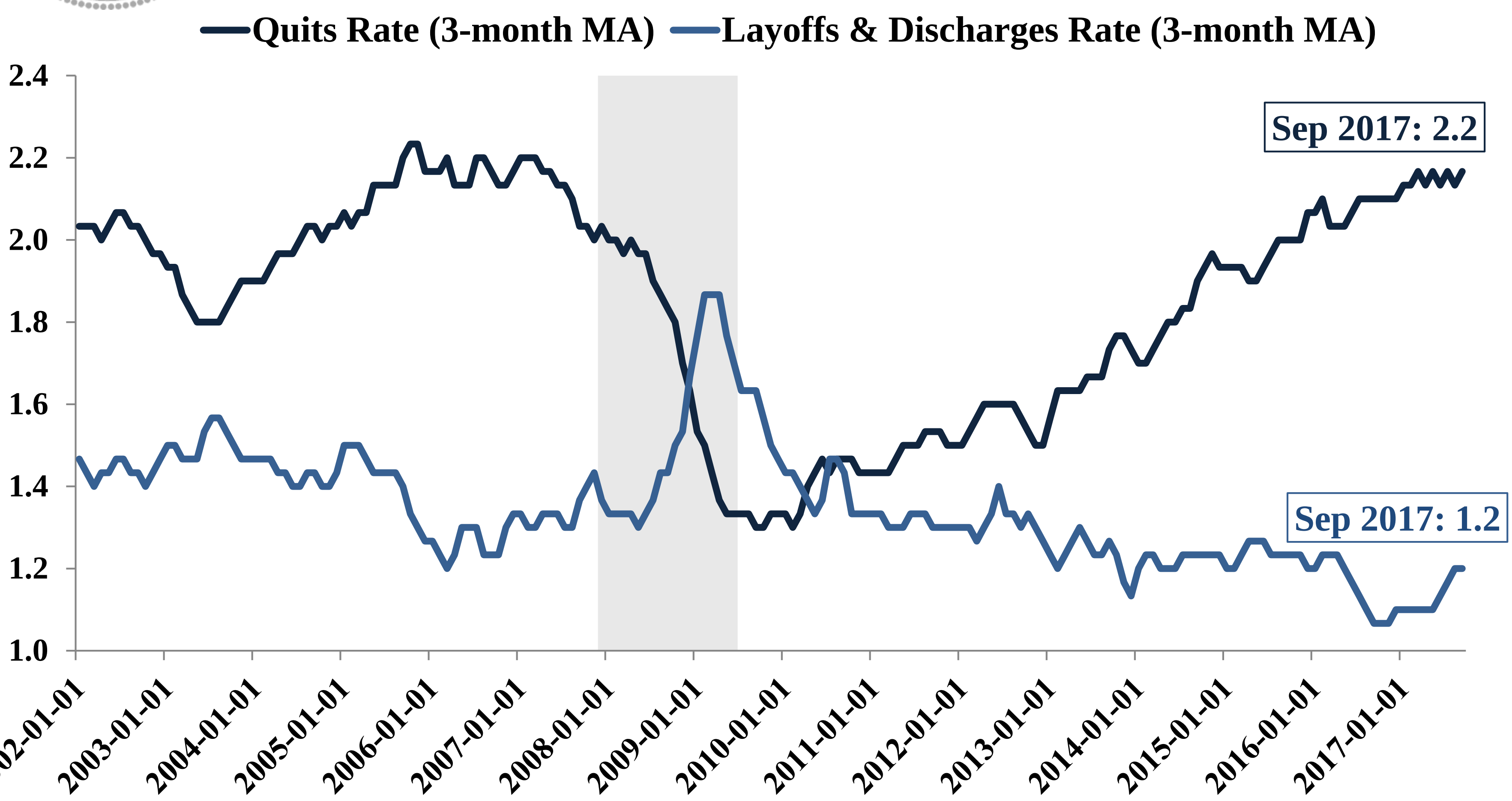
Job Openings

Total Nonfarm, Thousands, Monthly, SA



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

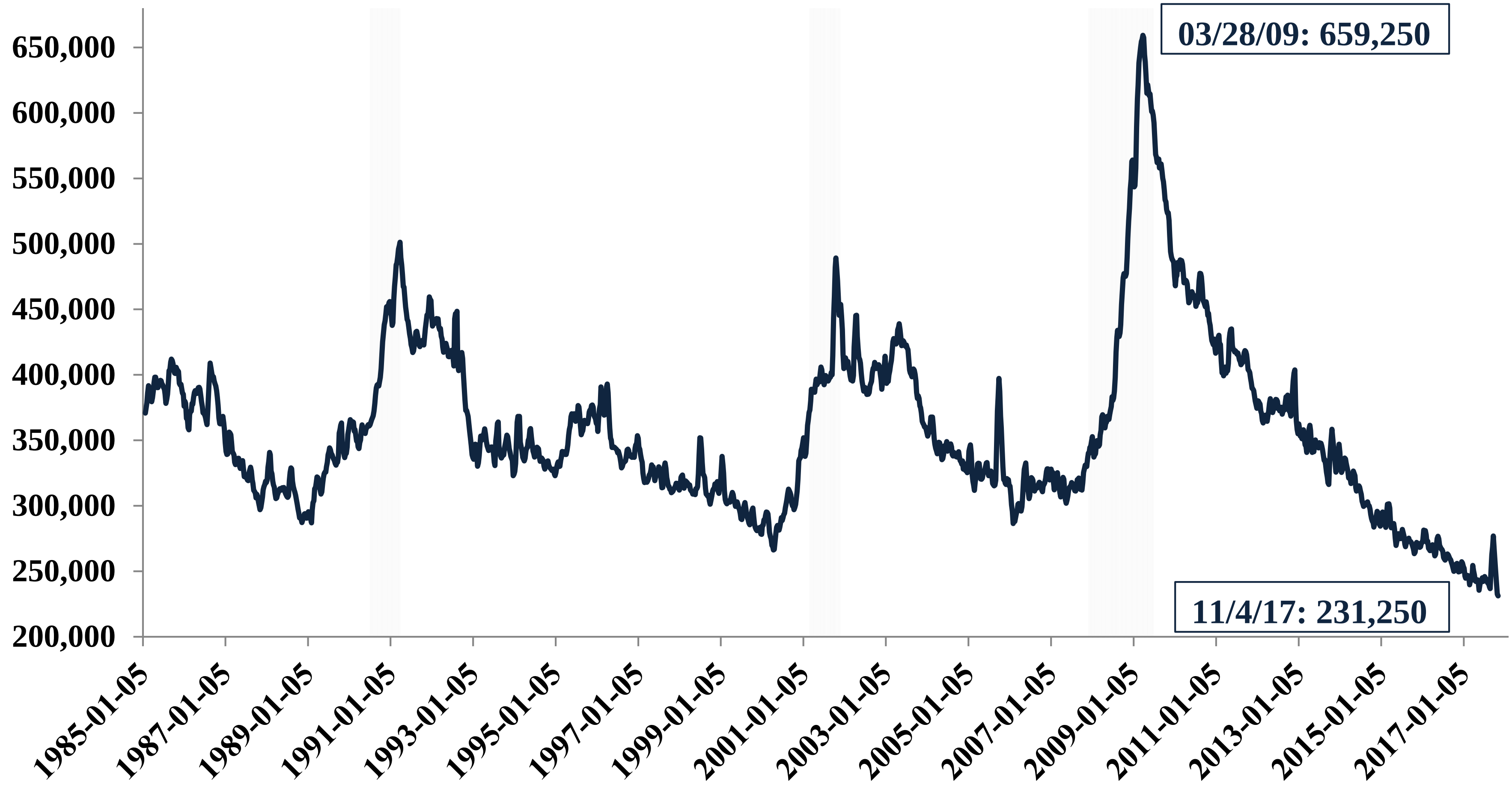
Quits, Layoffs & Discharges



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

Initial Unemployment Claims

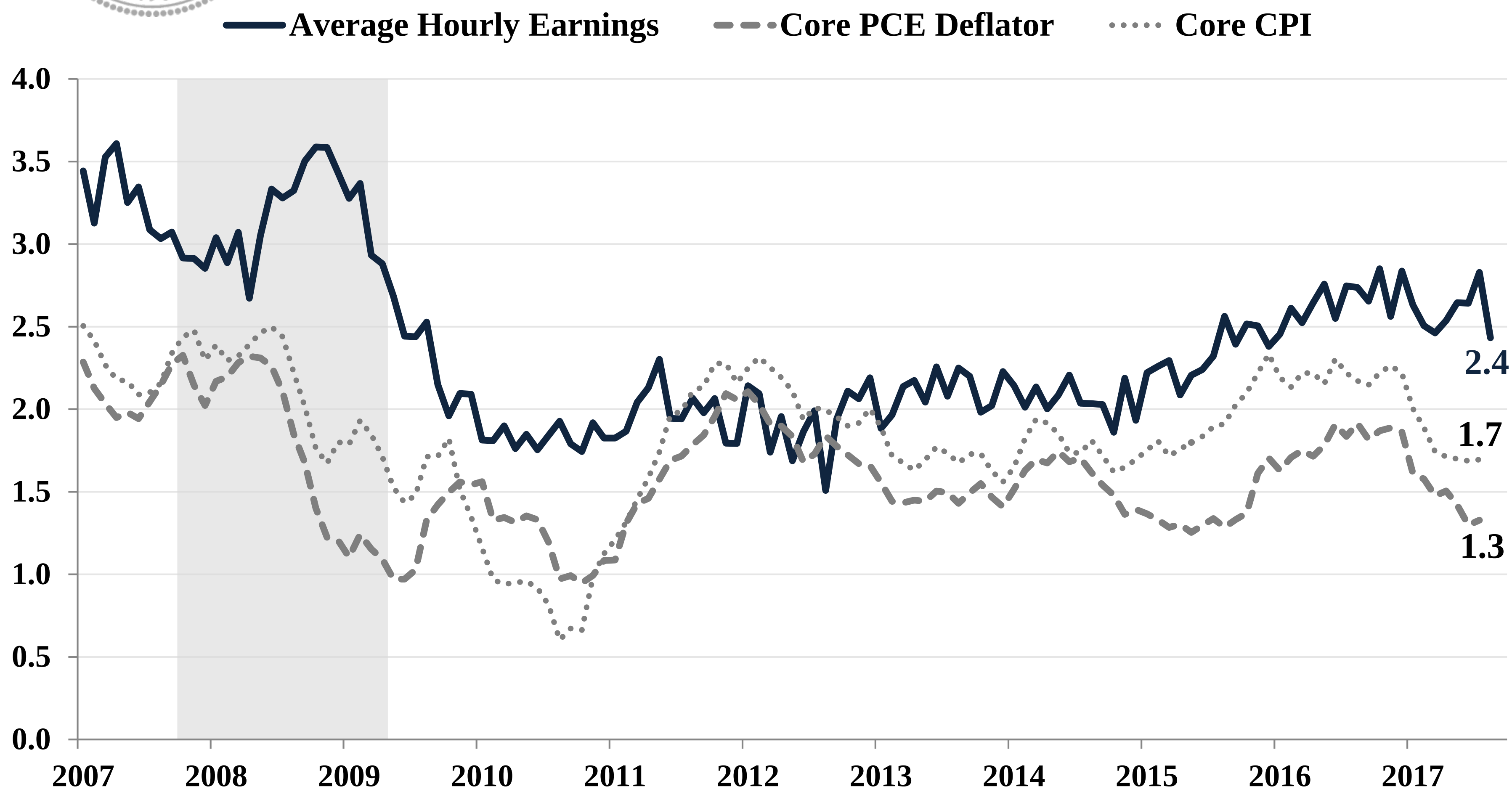
(4-Week MA)



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

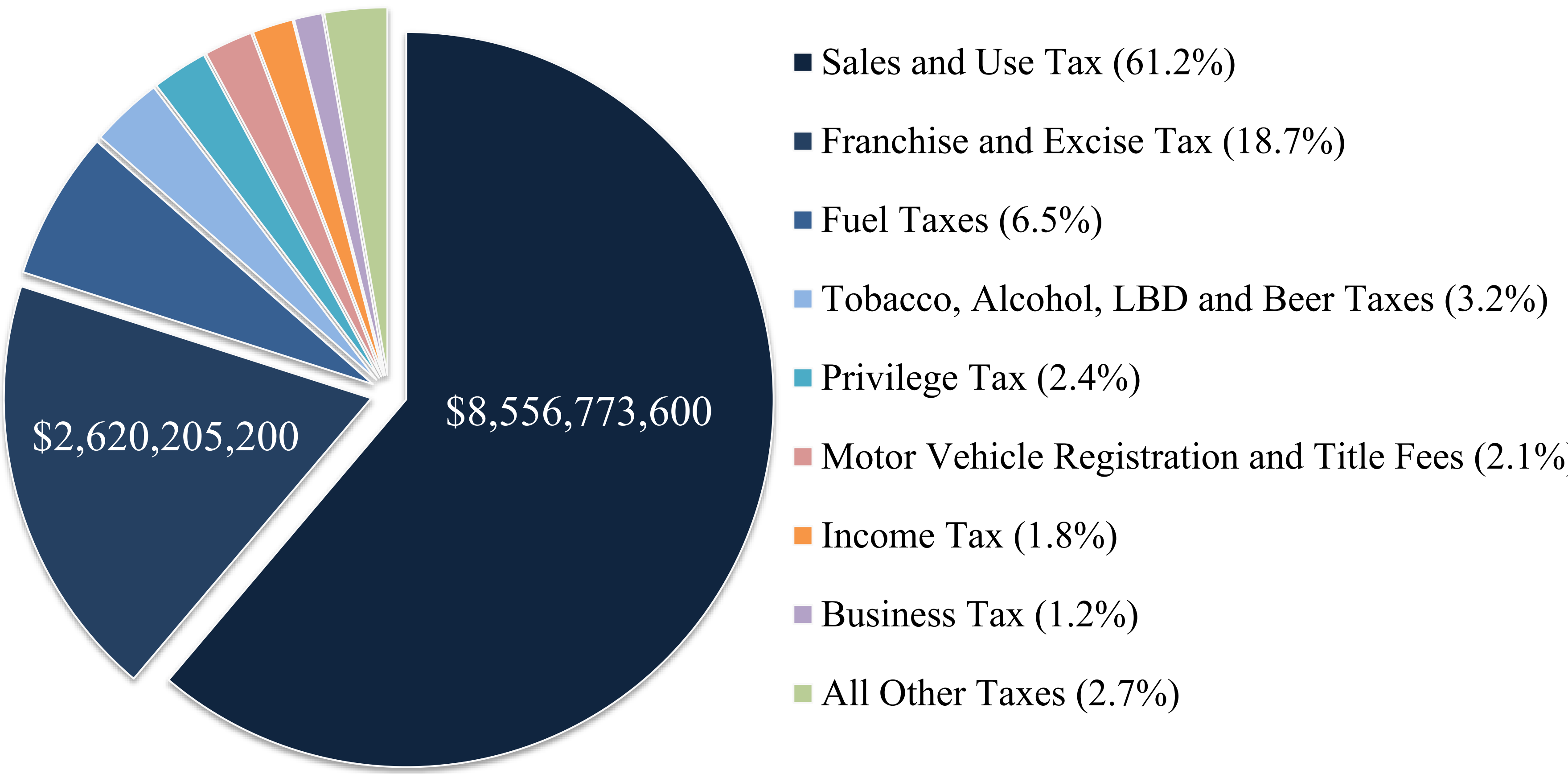
Earnings & Inflation

Year-over-Year % Change, Monthly, SA



Sources: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis , retrieved from FRED, Federal Reserve Bank of St. Louis, November 14, 2017.

Revenue by Tax Source



FY16-17 Accrual Collections: $13,983,658,400

Legislative Impact

REVENUE SOURCE	ACTUAL CASH COLLECTIONS FY16-17	ESTIMATED LEGISLATIVE IMPACT ON FY17-18 vs. FY16-17 CASH COLLECTIONS	ESTIMATED LEGISLATIVE IMPACT ON FY18-19 vs. FY16-17 CASH COLLECTIONS
SALES AND USE TAX	$8,549,774,300	($43,225,500)	($49,324,400)
GASOLINE TAX	$668,159,400	$139,580,000	$171,775,000
MOTOR FUEL TAX	$177,386,200	$43,169,900	$75,388,000
GASOLINE INSPECTION TAX	$68,228,600	$0	$0
MOTOR VEHICLE REGISTRATION TAX	$278,140,400	$32,398,300	$32,398,300
INCOME TAX	$250,188,400	($57,400,000)	($112,870,000)
PRIVILEGE TAX	$390,679,700	$9,867,900	$8,917,900
GROSS RECEIPTS TAX - TVA	$342,181,900	$0	$0
GROSS RECEIPTS TAX - OTHER	$31,387,400	$0	$0
BEER TAX	$18,020,700	$0	$0
ALCOHOLIC BEVERAGE TAX	$65,692,400	$1,414,400	$1,547,800
FRANCHISE AND EXCISE TAX	$2,622,384,100	($38,460,200)	($60,645,500)
INHERITANCE TAX	$13,934,500	($13,934,500)	($13,934,500)
TOBACCO TAX	$256,003,800	($1,515,800)	($1,515,800)
MOTOR VEHICLE TITLE FEES	$23,892,500	$0	$0
MIXED DRINK TAX	$105,495,800	$0	$0
BUSINESS TAX	$174,682,700	$3,690,800	$6,919,800
SEVERANCE TAX	$1,224,000	$0	$0
AMUSEMENT TAX	$226,900	$0	$0
UNAUTHORIZED SUBSTANCE TAX	$500	$0	$0
TOTAL REVENUE	**$14,037,684,200**	**$75,585,300**	**$58,656,600**

Legislative Impact - Sales Tax

PUBLIC CHAPTER	ACTION	FY17-18 IMPACT VS. FY16-17
PC 181 of 2017 (The IMPROVE Act)	Decreases sales tax on food from 5% to 4%	($125,160,000)
PC 1047 of 2016	Requires DOR to collect certain 911 fees (previously collected by the TN Emergency Communications Board)	$86,000,000
PC 1068 of 2016	Authorizes certain airport terminals to sell certain alcoholic beverages at retail	$406,000
PC 347 of 2015	Redefines "cost of doing business by the retailer" under the Unfair Cigarette Sales Law	$1,441,000
PC 462 of 2015	Establishes maximum amounts that a single taxpayer shall be due pursuant to the 4.5% state sales tax imposed on aviation fuel	($5,912,500)
NET IMPACT		**($43,225,500)**

FY17-18 & FY18-19 Estimates

REVENUE SOURCE	ACTUAL ACCRUED COLLECTIONS FY16-17	FRC STAFF TAX REVENUE ESTIMATES FY17-18	PERCENT INCREASE OVER FY16-17	FRC STAFF TAX REVENUE ESTIMATES FY18-19	PERCENT INCREASE OVER FY17-18
SALES AND USE TAX - LESS EARMARKED*	$8,556,773,600	$8,735,000,000	2.08%	$9,063,000,000	3.76%
GASOLINE TAX	$669,631,000	$844,350,000	26.09%	$894,000,000	5.88%
MOTOR FUEL TAX	$177,544,100	$223,000,000	25.60%	$261,000,000	17.04%
GASOLINE INSPECTION TAX	$68,241,000	$70,000,000	2.58%	$71,300,000	1.86%
MOTOR VEHICLE REGISTRATION TAX	$275,166,400	$318,000,000	15.57%	$326,500,000	2.67%
INCOME TAX	$250,126,200	$210,000,000	-16.04%	$175,000,000	-16.67%
PRIVILEGE TAX - LESS EARMARKED**	$342,031,200	$363,000,000	6.13%	$386,000,000	6.34%
GROSS RECEIPTS TAX - TVA	$341,555,000	$343,300,000	0.51%	$342,000,000	-0.38%
GROSS RECEIPTS TAX - OTHER	$31,907,500	$27,000,000	-15.38%	$29,000,000	7.41%
BEER TAX	$17,246,100	$18,050,000	4.66%	$18,250,000	1.11%
ALCOHOLIC BEVERAGE TAX	$64,245,800	$67,800,000	5.53%	$70,300,000	3.69%
FRANCHISE AND EXCISE TAX	$2,620,205,200	$2,630,000,000	0.37%	$2,710,000,000	3.04%
INHERITANCE TAX	$9,241,200	$0	-100.00%	$0	N/A
TOBACCO TAX	$255,722,300	$255,000,000	-0.28%	$250,500,000	-1.76%
MOTOR VEHICLE TITLE FEES	$23,892,500	$24,400,000	2.12%	$25,350,000	3.89%
MIXED DRINK TAX	$105,583,100	$116,000,000	9.87%	$125,750,000	8.41%
BUSINESS TAX	$173,097,700	$179,000,000	3.41%	$189,000,000	5.59%
SEVERANCE TAX	$1,214,300	$1,100,000	-9.41%	$1,050,000	-4.55%
AMUSEMENT TAX	$233,300	$250,000	7.16%	$250,000	0.00%
UNAUTHORIZED SUBSTANCE TAX	$900	$0	-100.00%	$0	N/A
TOTAL REVENUE	**$13,983,658,400**	**$14,425,250,000**	**3.16%**	**$14,938,250,000**	**3.56%**

*Sales and Use Tax has been reduced by $16.9 million in FY16-17 and $112.0 million in FY17-18 and FY18-19 for the earmarked portion of the tax.

**Privilege Tax has been reduced by $53.1 million in FY16-17 and $52.0 million in FY17-18 and FY18-19 for the earmarked portion of the tax.

FY17-18: All Funds and GF

REVENUE SOURCE	ALL FUNDS FY17-18	GENERAL FUND FY17-18
SALES AND USE TAX	$8,735,000,000	$8,216,141,000
GASOLINE TAX	$844,350,000	$13,906,000
MOTOR FUEL TAX	$223,000,000	$2,533,000
GASOLINE INSPECTION TAX	$70,000,000	$20,510,000
MOTOR VEHICLE REGISTRATION TAX	$318,000,000	$46,778,000
INCOME TAX	$210,000,000	$138,165,000
PRIVILEGE TAX	$363,000,000	$362,138,000
GROSS RECEIPTS TAX – TVA	$343,300,000	$189,262,000
GROSS RECEIPTS TAX – OTHER	$27,000,000	$22,251,000
BEER TAX	$18,050,000	$12,102,000
ALCOHOLIC BEVERAGE TAX	$67,800,000	$56,098,000
FRANCHISE AND EXCISE TAX	$2,630,000,000	$2,384,200,000
INHERITANCE TAX	$0	$0
TOBACCO TAX	$255,000,000	$255,000,000
MOTOR VEHICLE TITLE FEES	$24,400,000	$21,700,000
MIXED DRINK TAX	$116,000,000	$58,000,000
BUSINESS TAX	$179,000,000	$179,000,000
SEVERANCE TAX	$1,100,000	$338,000
AMUSEMENT TAX	$250,000	$250,000
UNAUTHORIZED SUBSTANCE TAX	$0	$0
TOTAL REVENUE	**$14,425,250,000**	**$11,978,372,000**

FRC Estimates vs. FY16-17 and Current Budgeted Estimates

	ACTUAL FY16-17 ACCRUALS	CURRENT BUDGETED ESTIMATES FOR FY17-18	FRC ESTIMATES FOR FY17-18	INCREASE/ (DECREASE) OVER FY16-17	INCREASE/ (DECREASE) OVER CURRENT BUDGETED ESTIMATES
SALES AND USE*	$8,556,773,600	$8,746,100,000	$8,735,000,000	$178,226,400	($11,100,000)
FRANCHISE AND EXCISE	$2,620,205,200	$2,377,100,000	$2,630,000,000	$9,794,800	$252,900,000
ALL FUNDS	$13,983,658,400	$14,110,400,000	$14,425,250,000	$441,591,600	$314,850,000
GENERAL FUND	$11,764,921,900	$11,707,300,000	$11,978,372,000	$213,450,100	$271,072,000

*Sales and Use tax has been reduced by $16.9 million in FY16-17 and $112.0 million in FY17-18 for the earmarked portion of the tax.

FY18-19: All Funds and GF

REVENUE SOURCE	ALL FUNDS FY18-19	GENERAL FUND FY18-19
SALES AND USE TAX	$9,063,000,000	$8,524,658,000
GASOLINE TAX	$894,000,000	$14,724,000
MOTOR FUEL TAX	$261,000,000	$2,965,000
GASOLINE INSPECTION TAX	$71,300,000	$20,891,000
MOTOR VEHICLE REGISTRATION TAX	$326,500,000	$48,028,000
INCOME TAX	$175,000,000	$115,138,000
PRIVILEGE TAX	$386,000,000	$385,083,000
GROSS RECEIPTS TAX – TVA	$342,000,000	$188,545,000
GROSS RECEIPTS TAX – OTHER	$29,000,000	$23,899,000
BEER TAX	$18,250,000	$12,236,000
ALCOHOLIC BEVERAGE TAX	$70,300,000	$58,166,000
FRANCHISE AND EXCISE TAX	$2,710,000,000	$2,464,200,000
INHERITANCE TAX	$0	$0
TOBACCO TAX	$250,500,000	$250,500,000
MOTOR VEHICLE TITLE FEES	$25,350,000	$22,650,000
MIXED DRINK TAX	$125,750,000	$62,875,000
BUSINESS TAX	$189,000,000	$189,000,000
SEVERANCE TAX	$1,050,000	$323,000
AMUSEMENT TAX	$250,000	$250,000
UNAUTHORIZED SUBSTANCE TAX	$0	$0
TOTAL REVENUE	**$14,938,250,000**	**$12,384,131,000**

Thank you!

Any questions?

Tennessee Education Lottery

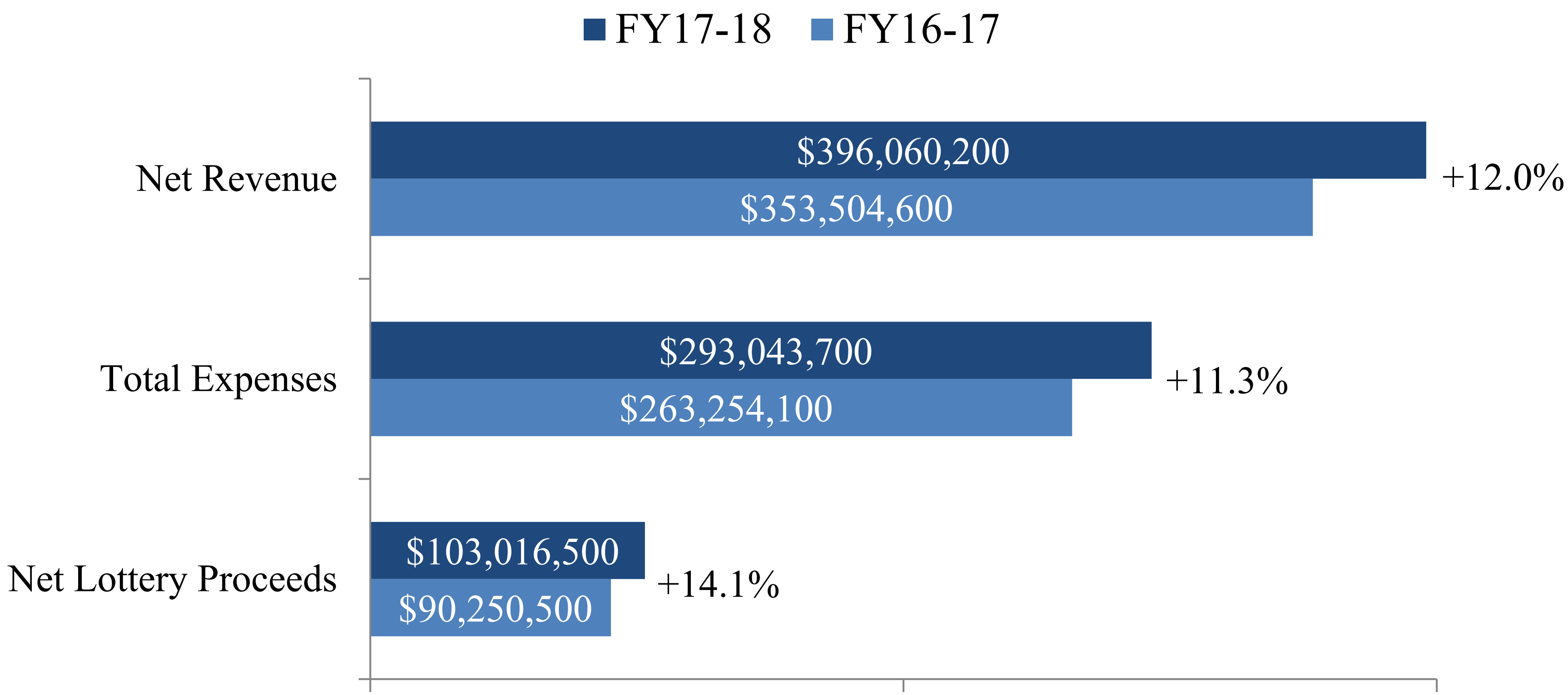
Estimates for Net Lottery Proceeds & After-School Funding

Fiscal Review Committee Staff
November 20, 2017

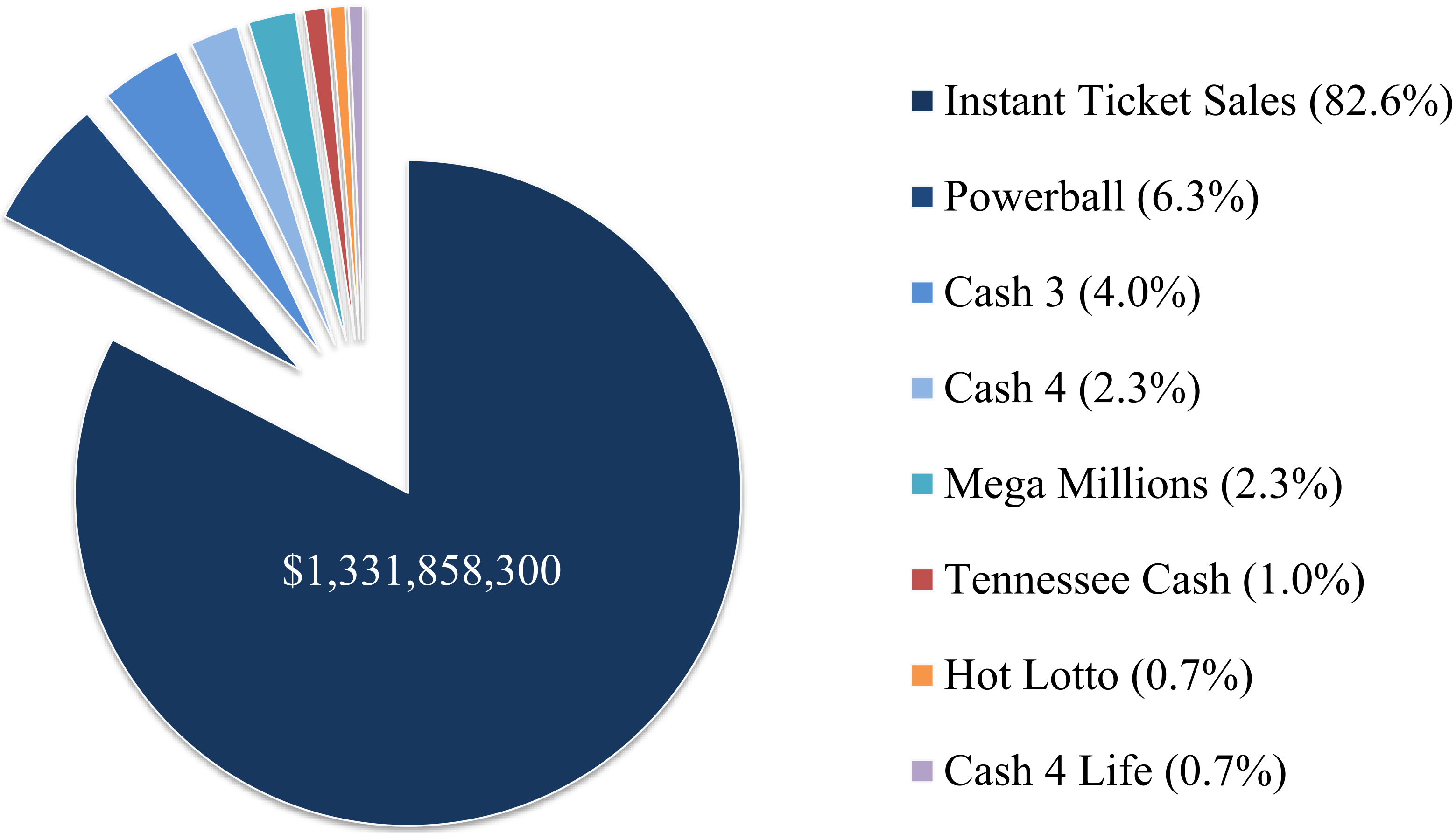
Historical Results

Category	FY13-14	FY14-15	FY15-16	FY16-17	FY16-17 Growth Rate
Net Revenue	$1,323,572,632	$1,372,982,180	$1,515,551,310	$1,500,083,029	-1.02%
Total Expenses	$1,000,591,111	$1,037,044,490	$1,133,088,745	$1,127,299,870	-0.51%
NET LOTTERY PROCEEDS	**$322,981,521**	**$335,937,690**	**$382,462,565**	**$372,783,159**	**-2.53%**
After-School Funding	$14,290,845	$11,847,864	$11,586,227	$13,914,882	20.10%
Total State Proceeds	$337,272,366	$347,785,554	$394,048,792	$386,698,041	-1.86%

Year-to-Date (Q1)



Ticket Sales Composition



FY16-17 Gross Ticket Sales: $1,611,904,500

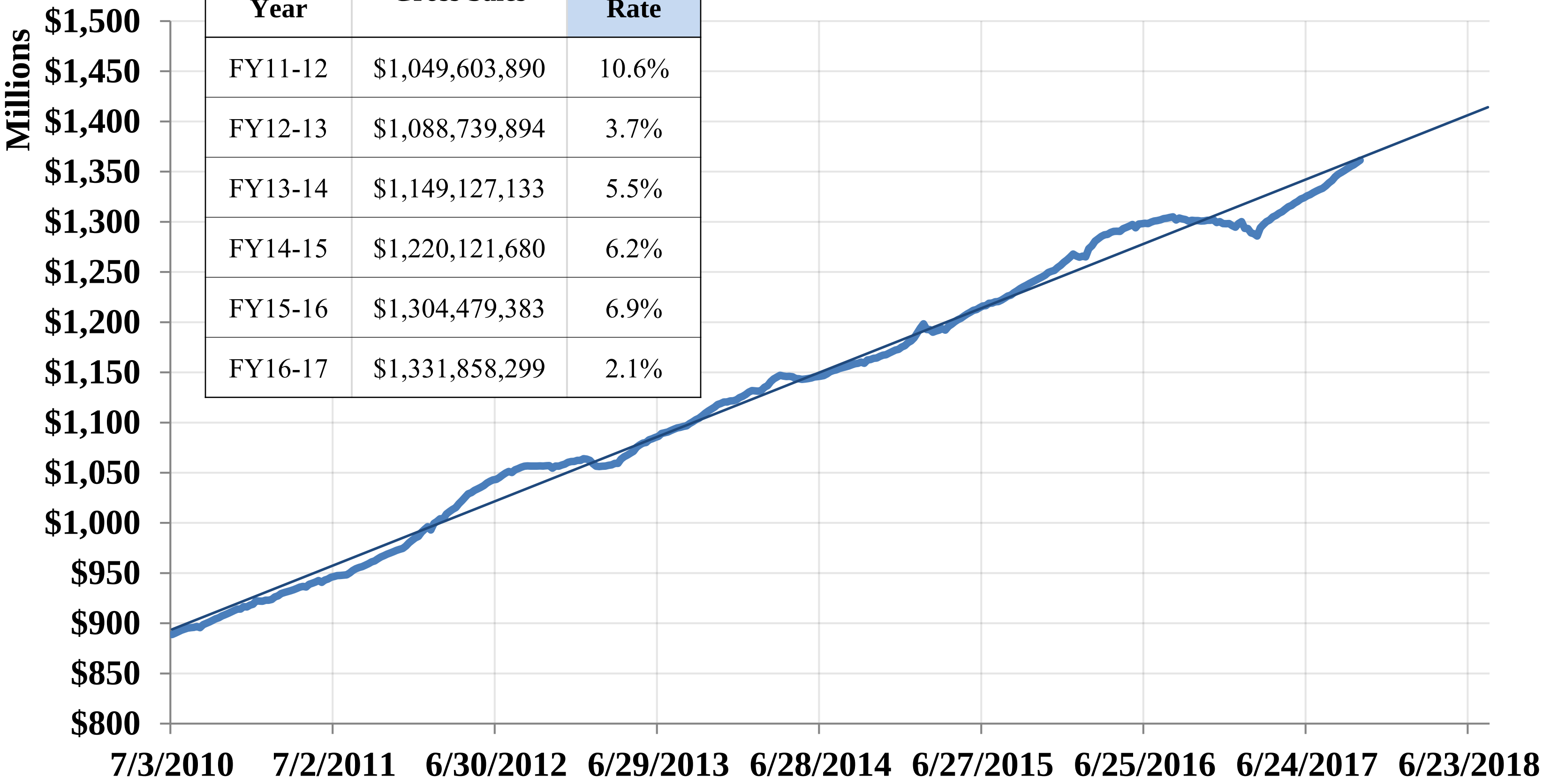
Instant Games

Instant Games

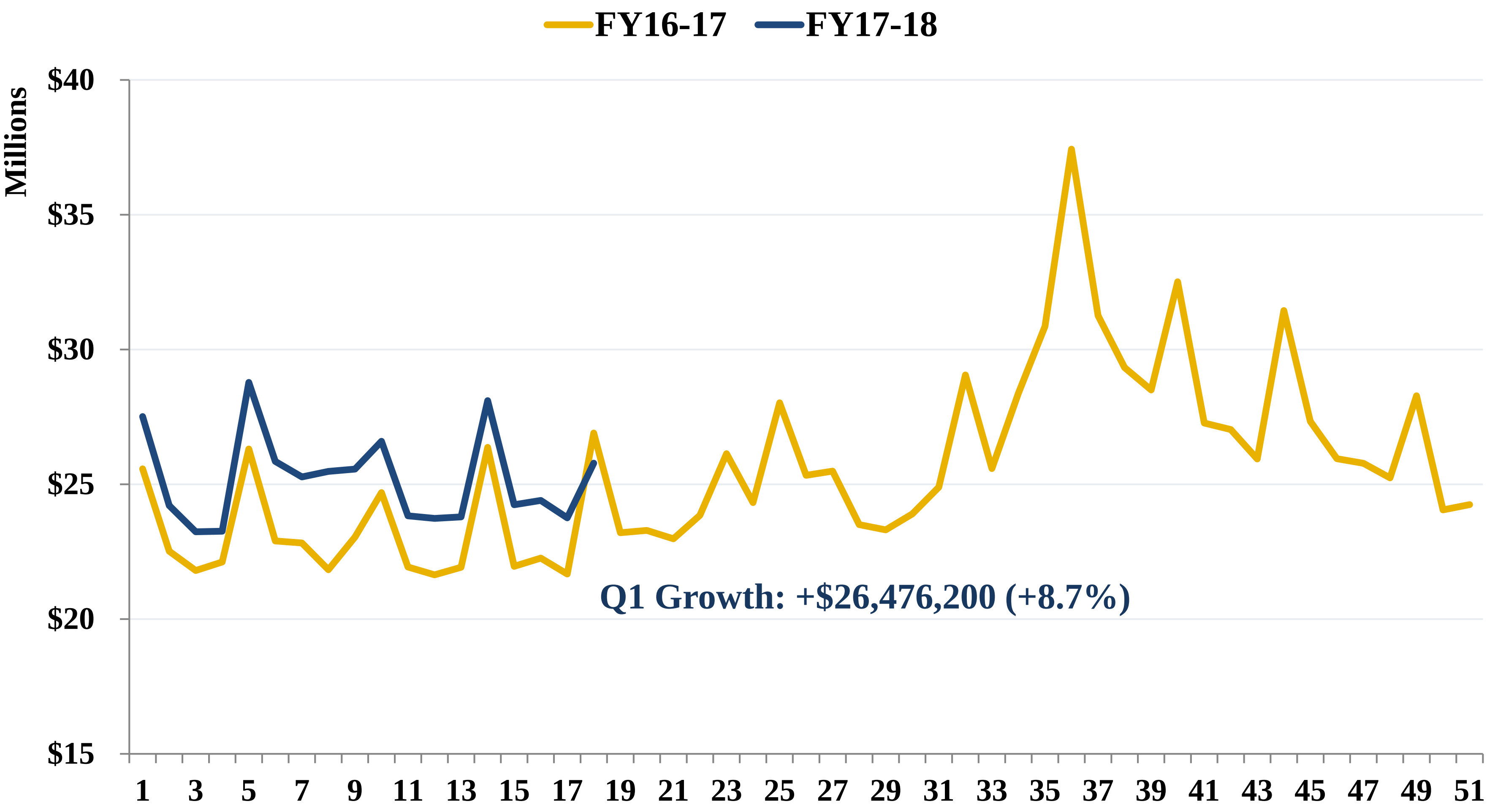
Price Point	FY15-16 Gross Sales (Millions)	FY15-16 Percent of Instant Game Sales	FY16-17 Gross Sales (Millions)	FY16-17 Percent of Instant Game Sales	Percent Sales Growth	Dollar Growth (Millions)
$1	$93.8	7.2%	$89.4	6.7%	-4.7%	-$4.4
$2	$210.5	16.1%	$201.3	15.1%	-4.4%	-$9.2
$3	$106.7	8.2%	$105.0	7.9%	-1.6%	-$1.7
$5	$291.8	22.4%	$302.2	22.7%	3.6%	$10.4
$10	$265.4	20.3%	$255.3	19.2%	-3.8%	-$10.1
$20	$159.5	12.2%	$165.8	12.4%	3.9%	$6.3
$25	$126.5	9.7%	$91.3	6.9%	-27.8%	-$35.2
$30	$50.3	3.9%	$121.7	9.1%	141.9%	$71.4
TOTAL	**$1,304.5**	**100.0%**	**$1,331.9**	**100.0%**	**2.1%**	**$27.4**

Instant Games (52-week MS)

Fiscal Year	Gross Sales	Growth Rate
FY11-12	$1,049,603,890	10.6%
FY12-13	$1,088,739,894	3.7%
FY13-14	$1,149,127,133	5.5%
FY14-15	$1,220,121,680	6.2%
FY15-16	$1,304,479,383	6.9%
FY16-17	$1,331,858,299	2.1%



Instant Games (Weekly Sales)



Instant Games Estimates

Category	FY15-16 Actual	FY16-17 Actual	FY17-18 Estimates	FY18-19 Estimates	Range
Instant Games (Gross Sales)	$1,304,479,383	$1,331,858,299	$1,397,500,000	$1,455,000,000	Low
			$1,410,000,000	$1,470,000,000	Median
			$1,422,500,000	$1,485,000,000	High
Tickets Provided as Prizes	$115,092,026	$115,902,036	$122,001,750	$127,021,500	Low
			$123,093,000	$128,331,000	Median
			$124,184,250	$129,640,500	High
Instant Games (Net Sales)	$1,189,387,357	$1,215,956,263	$1,275,498,250	$1,327,978,500	Low
			$1,286,907,000	$1,341,669,000	Median
			$1,298,315,750	$1,355,359,500	High

Powerball & Mega Millions

Powerball

- FY15-16 sales: $147,366,941
- FY16-17 sales: $102,338,912
- FY16-17 growth: -$45,028,029 (-30.5%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots $250,000,000 or More	Jackpot Winners
FY15-16	$160,232,381	$1,586,400,000	15	7
FY16-17	$166,262,500	$478,000,000	23	8

Mega Millions

- FY15-16 sales: $37,369,086
- FY16-17 sales: $37,009,981
- FY16-17 growth: -$359,105 (-1.0%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots $250,000,000 or More	Jackpot Winners
FY15-16	$101,682,692	$390,000,000	8	6
FY16-17	$77,666,667	$508,000,000	3	9

Mega Millions Changes

	NEW Mega Millions	OLD Mega Millions
Effective Date	October 31, 2017 Drawing	
Cost	**$2**	**$1**
Game Matrix	5/70 + 1/25	5/75 + 1/15
Ways to Win	9 (Jackpot + 8 Cash Prizes)	9 (Jackpot + 8 Cash Prizes)
Jackpot	**$40M** Rolling No Cap (1 in 303M Odds)	**$15M** Rolling No Cap (1 in 259M Odds)
Second Prize	$1M (1 in 12.6M Odds)	$1M (1 in 18.5M Odds)
Overall Odds	1 in 24	1 in 15

Mega Millions vs Powerball

	NEW Mega Millions	Powerball
Cost	$2	$2
Game Matrix	5/70 + 1/25	5/69 + 1/26
Ways to Win	9 (Jackpot + 8 Cash Prizes)	9 (Jackpot + 8 Cash Prizes)
Jackpot	$40M Rolling No Cap (1 in 303M Odds)	$40M Rolling No Cap (1 in 292M Odds)
Second Prize	$1M (1 in 12.6M Odds) Up to $5M with Megaplier	$1M (1 in 11.7M Odds) Up to $2M with Powerplay
Overall Odds	1 in 24	1 in 25

MM & Powerball Estimates

Game	FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
Mega Millions	$37,369,086	$37,009,981	$37,500,000	$39,000,000	Low
			$42,000,000	$44,000,000	Median
			$46,500,000	$49,000,000	High
Powerball	$147,366,941	$102,338,912	$114,000,000	$112,000,000	Low
			$117,500,000	$117,500,000	Median
			$121,000,000	$123,000,000	High
Total	$184,736,027	$139,348,893	$151,500,000	$151,000,000	Low
			$159,500,000	$161,500,000	Median
			$167,500,000	$172,000,000	High

Other Games

Cash 3 and Cash 4

- ***CASH 3***
  - FY15-16 sales: $61,561,055
  - FY16-17 sales: $63,673,960
  - FY16-17 growth: +$2,112,905 (+3.4%)

- ***CASH 4***
  - FY15-16 sales: $35,065,799
  - FY16-17 sales: $37,684,664
  - FY16-17 growth: +$2,618,865 (+7.5%)

Cash 3 and Cash 4 Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
$96,626,854	$101,358,624	$101,650,000	$104,400,000	Low
		$103,000,000	$106,000,000	Median
		$104,350,000	$107,600,000	High

Tennessee Cash

- FY15-16 sales: $17,369,787
- FY16-17 sales: $16,539,210
- FY16-17 growth: -$830,577 (-4.8%)

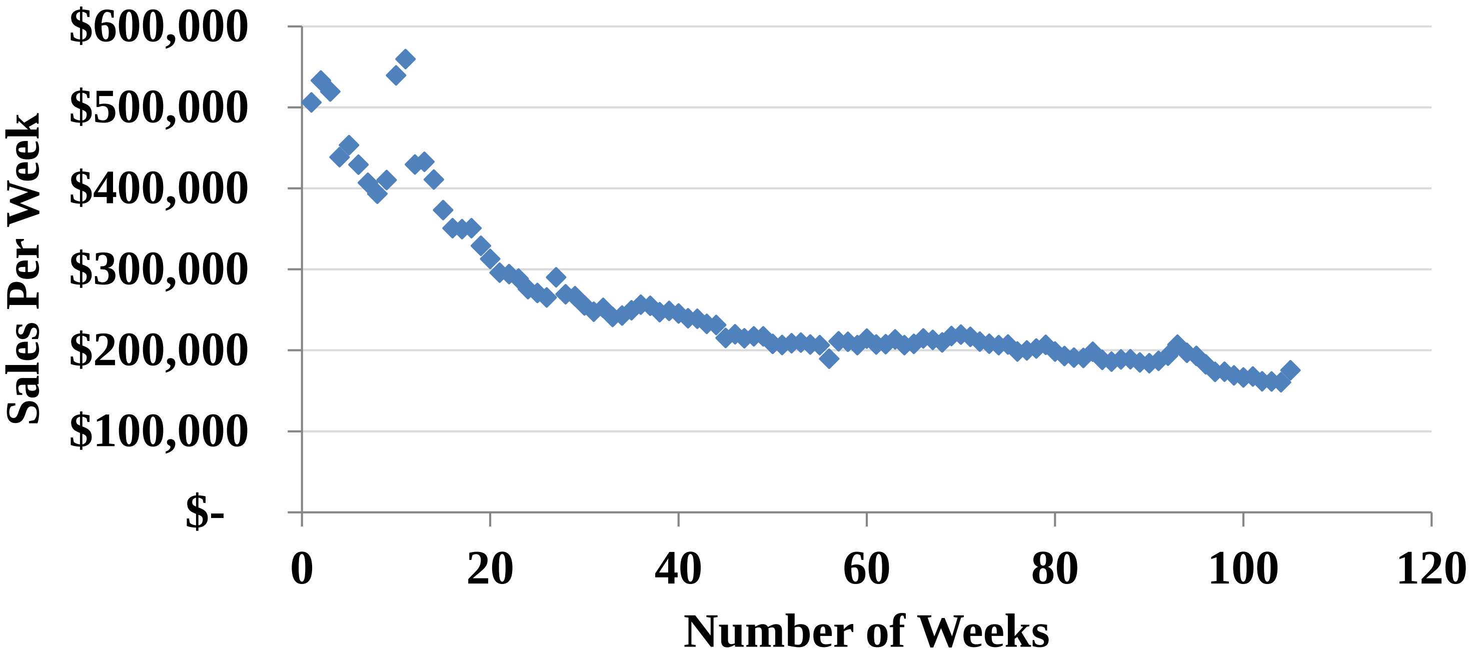
Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots $1,000,000 or More	Jackpot Winners
FY15-16	$435,657	$950,000	0	10
FY16-17	$450,764	$1,430,000	9	11

Tennessee Cash Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
		$16,000,000	$16,500,000	Low
$17,369,787	$16,539,210	$16,500,000	$17,000,000	Median
		$17,000,000	$17,500,000	High

Cash 4 Life

- FY15-16 sales: $12,444,910
- FY16-17 sales: $11,091,812
- FY16-17 growth: -$1,353,098 (-10.9%)



Cash 4 Life Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
$12,444,910	$11,091,812	$8,000,000	$7,500,000	Low
		$8,800,000	$8,500,000	Median
		$9,600,000	$9,500,000	High

Hot Lotto

- Discontinued on October 28,2017
  - Replaced by Lotto America

- FY16-17 sales: $11,707,665
- FY17-18 (final) sales: **$5,451,579**

Lotto America vs Hot Lotto

	Lotto America	Hot Lotto
Cost	$1	$1
Game Matrix	5/52 + 1/10	5/47 + 1/19
Ways to Win	9 (Jackpot + 8 Cash Prizes)	9 (Jackpot + 8 Cash Prizes)
Jackpot	**$2M** + $50K Min Rolls No Cap (**1 in 26M** Odds)	**$1M** + $50K Min Rolls No Cap (**1 in 29.1M** Odds)
Second Prize	$20K (1 in 2.9M Odds)	$30K (1 in 1.6M Odds)
Overall Odds	1 in 9.6	1 in 17
Average Weekly Sales	?	$225K (FY16-17)

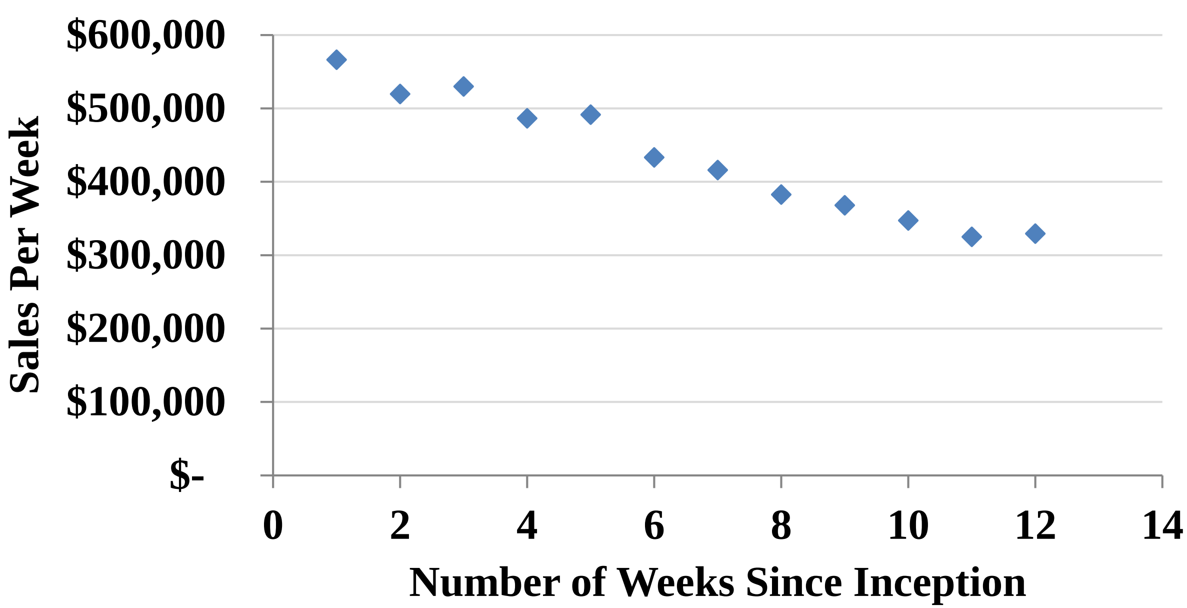
- Lotto America launched 11/12/17, with first drawing on 11/15/17
- Wednesday and Saturday drawings (same as Hot Lotto)

Lotto America Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
		$8,500,000	$12,000,000	Low
$0	$0	$9,900,000	$13,500,000	Median
		$11,400,000	$15,000,000	High

Keno To Go

- New Game introduced in August 2017
- Daily drawings, every 5 minutes
- Top Prize: $100,000



Keno To Go Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
$0	$0	$14,000,000	$13,000,000	Low
		$15,500,000	$14,000,000	Median
		$17,000,000	$15,000,000	High

Summary of All Estimates

&

Net Lottery Proceeds

FY17-18 Estimates

	FY16-17 Actuals	FY17-18 Estimates		
		Low	Median	High
Instant Games (Net)	$1,215,956,263	$1,275,498,250	$1,286,907,000	$1,298,315,750
Cash 3 and Cash 4	$101,358,624	$101,650,000	$103,000,000	$104,350,000
PB, MM, HL/LA, TN Cash	$167,595,768	$172,952,000	$181,452,000	$189,952,000
Cash 4 Life	$11,091,812	$8,000,000	$8,800,000	$9,600,000
Keno To Go	$0	$14,000,000	$15,500,000	$17,000,000
Misc. Revenue	$4,080,562	$4,000,000	$4,250,000	$4,500,000
Net Revenue	$1,500,083,029	$1,584,600,250	$1,609,809,000	$1,635,117,750
Total Expenses	$1,127,299,870	$1,187,620,000	$1,208,000,000	$1,228,250,000
NET LOTTERY PROCEEDS	**$372,783,159**	**$396,980,250**	**$401,809,000**	**$406,867,750**
After-School Funding	$13,914,882	$12,600,000	$13,600,000	$14,600,000
Total State Proceeds	**$386,698,041**	**$409,580,250**	**$415,409,000**	**$421,467,750**

FY18-19 Estimates

	FY17-18 Median Estimate	FY18-19 Estimates		
		Low	Median	High
Instant Games (Net)	$1,286,907,000	$1,327,978,500	$1,341,669,000	$1,355,359,500
Cash 3 and Cash 4	$103,000,000	$104,400,000	$106,000,000	$107,600,000
PB, MM, HL/LA, TN Cash	$181,452,000	$167,500,000	$178,500,000	$189,500,000
Cash 4 Life	$8,800,000	$7,500,000	$8,500,000	$9,500,000
Keno To Go	$15,500,000	$13,000,000	$14,000,000	$15,000,000
Misc. Revenue	$4,250,000	$4,000,000	$4,250,000	$4,500,000
Net Revenue	$1,609,809,000	$1,636,378,500	$1,666,419,000	$1,696,459,500
Total Expenses	$1,208,000,000	$1,225,557,465	$1,249,983,485	$1,273,685,855
NET LOTTERY PROCEEDS	**$401,809,000**	**$410,821,035**	**$416,435,515**	**$422,773,645**
After-School Funding	$13,600,000	$13,100,000	$14,100,000	$15,100,000
Total State Proceeds	**$415,409,000**	**$423,921,035**	**$430,535,515**	**$437,873,645**

Subsequent Years

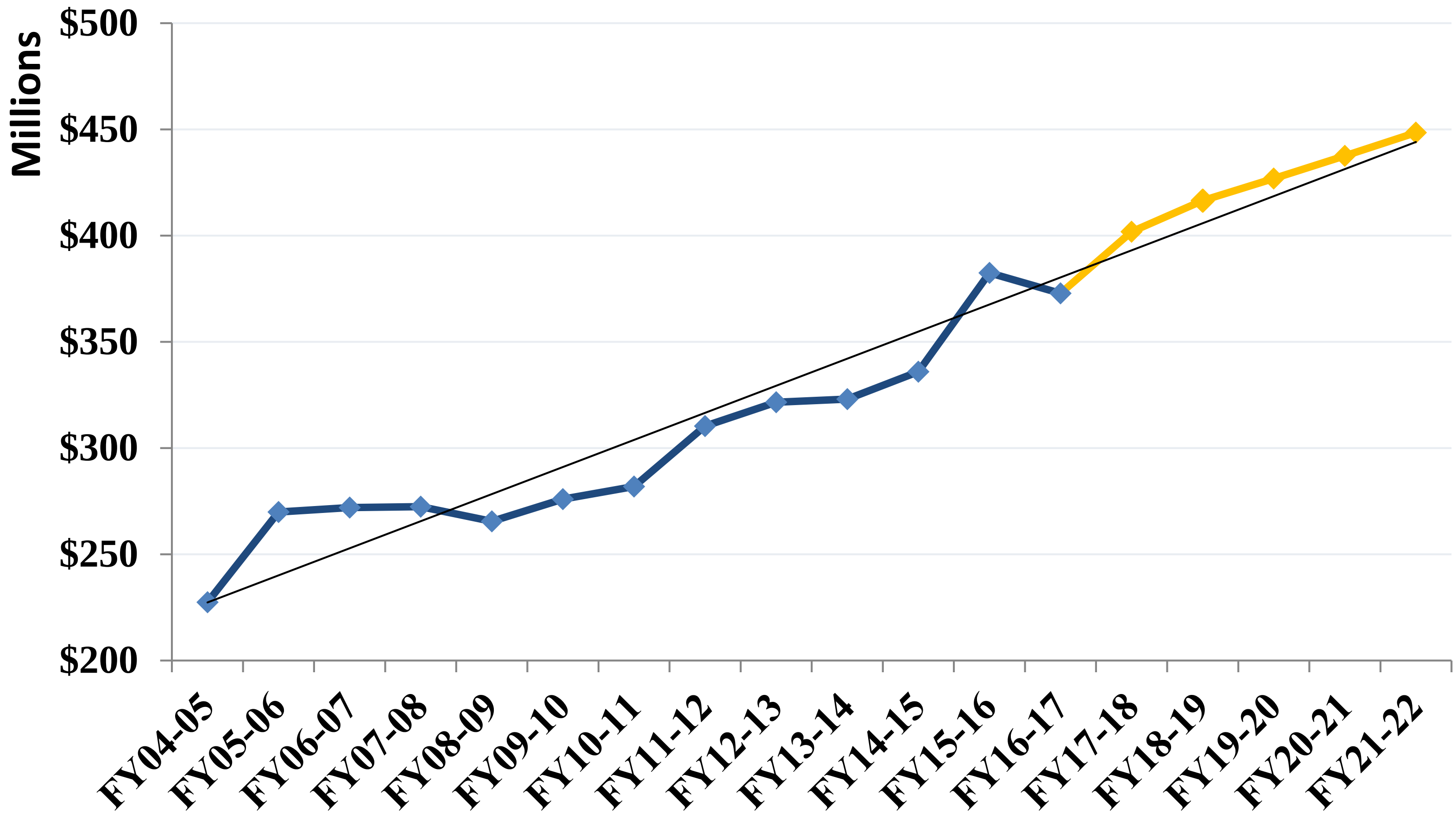
- Growth beyond FY18-19 is difficult to forecast due to a number of unknown factors, such as:
  - Changes to payout ratios
  - Matrix changes to jackpot based games
  - Structure changes to pari-mutuel and online games
  - Legislative action
  - Varying jackpot cycles
  - New and discontinued games
  - Changes to retailer base
  - Changes in advertising
  - Changes in economy

FY19-20, FY20-21, & FY21-22

- Over the last five years, the TELC's average growth rate for net lottery proceeds has been 3.9% per year. Excluding the highest and lowest years, the average growth rate has been 2.7%.
- Such growth rates for net revenue have been 4.3% and 4.0% respectively.
- FRC has assumed: 3.8% annual revenue growth and 2.5% annual proceeds growth.

Category	FY19-20	FY20-21	FY21-22
Net Revenue	$1,729,742,900	$1,795,473,100	$1,863,701,100
Total Expenses	$1,302,896,500	$1,357,955,600	$1,415,245,600
NET LOTTERY PROCEEDS	**$426,846,400**	**$437,517,500**	**$448,455,500**
After-School Funding	$14,500,000	$15,000,000	$15,500,000
Total State Proceeds	$441,346,400	$452,517,500	$463,955,500

Net Lottery Proceeds



Thank You!

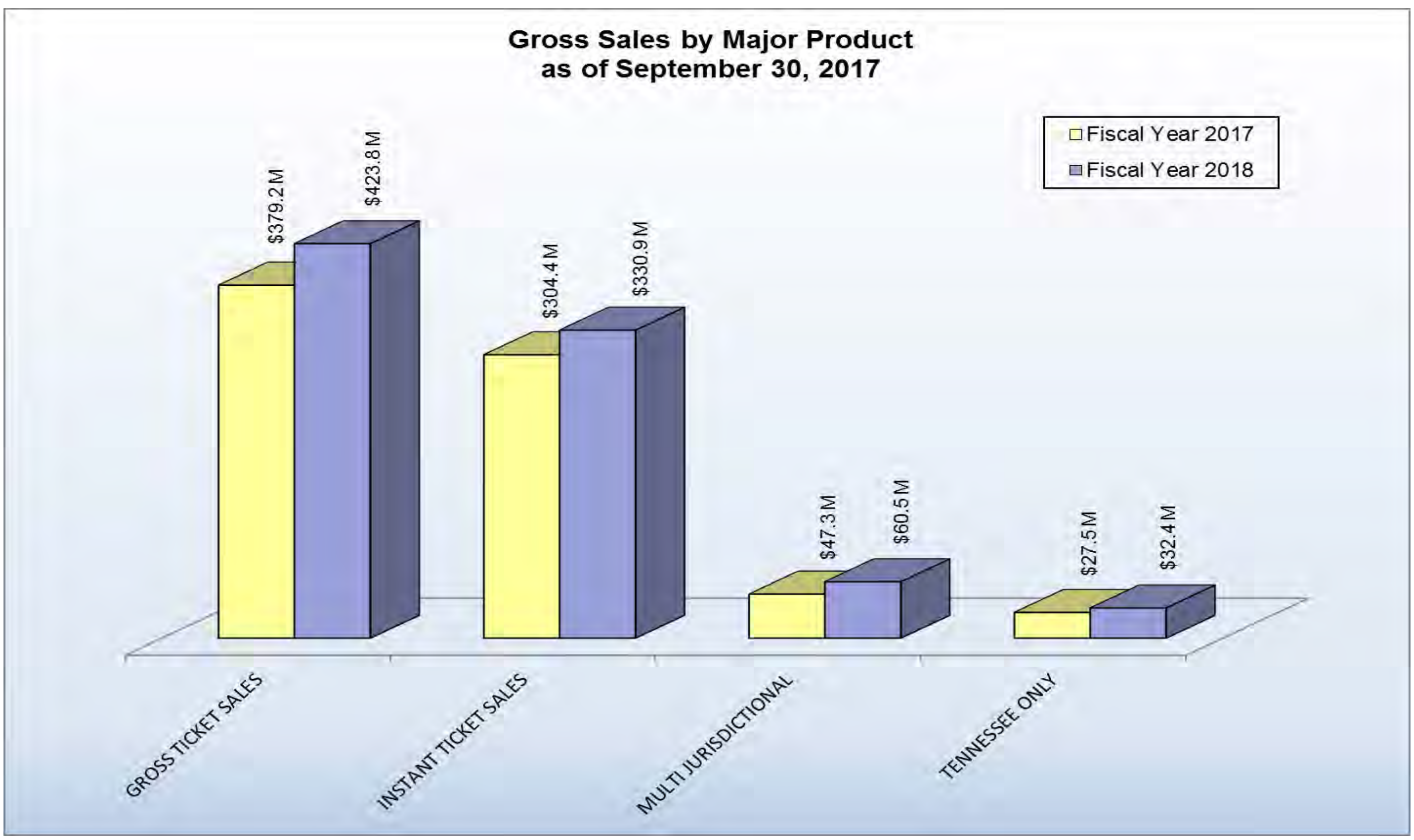
Any questions?

TENNESSEE EDUCATION LOTTERY CORPORATION
Funding Board Report
November 20, 2017

ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS FOR FISCAL YEARS ENDING JUNE 30, 2018, 2019, 2020, 2021 and 2022

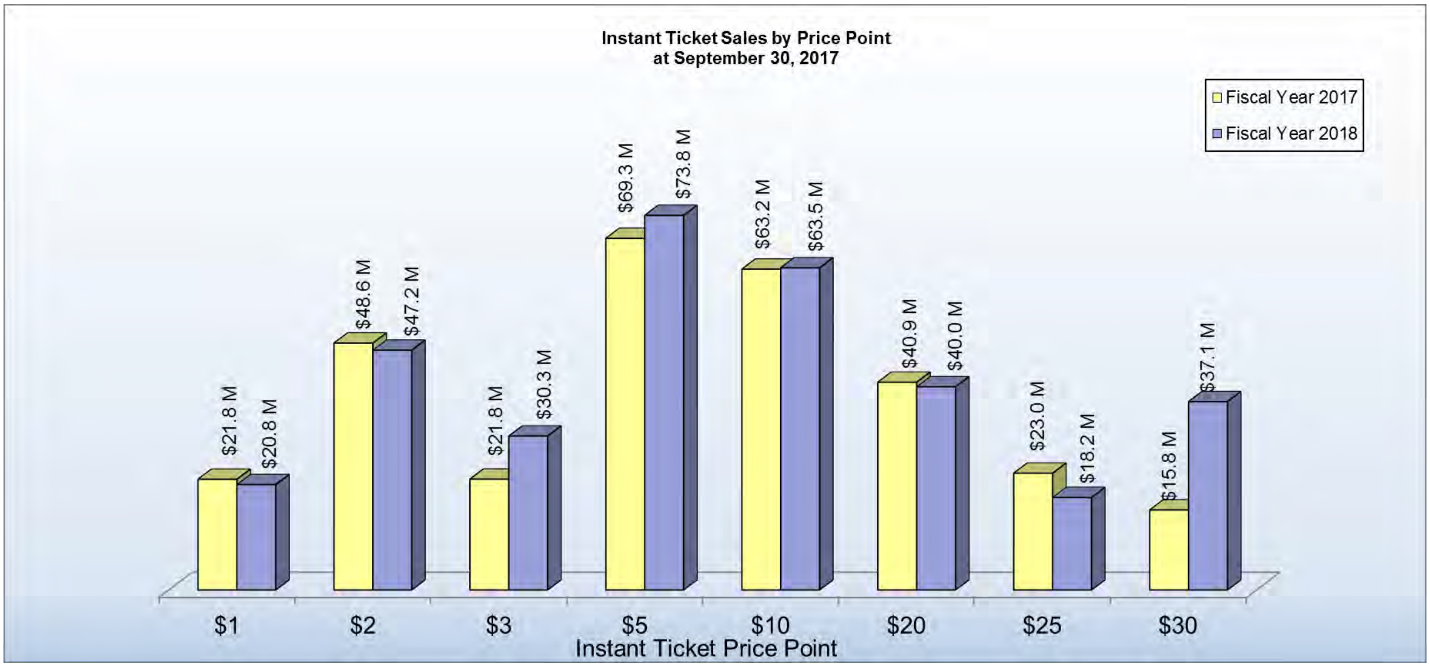
TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 9/30/2017 (in millions)	As of 9/30/2016 (in millions)
Gross Sales	$ 423	$ 379
Weekly Average Sales	$ 32	$ 29
BY MAJOR PRODUCT:		
INSTANT GAMES	$ 331	$ 304
MULTIJURISDICTIONAL DRAW GAMES		
Powerball	$ 42	$ 28
Mega Millions	12	13
Hot Lotto	4	3
Cash 4 Life	2	3
	$ 60	$ 47
TENNESSEE ONLY DRAW GAMES		
Cash 3	$ 15	$ 15
Cash 4	10	9
Tennessee Cash	4	4
Keno	3	0
	$ 32	$ 28



TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 9/30/2017 (in millions)	FY 2018 Projected Sales Range (in millions)
INSTANT GAMES	$ 330.9	$1,372 - $1,396



- *Instant tickets* are 78.1% of our product mix at September 30, 2017.

- *Instant ticket sales* were $330.9 million or $25.1 million per week at September 30, 2017 compared to $304.4 million or $23.2 million per week the prior year, representing an 8.7% increase in instant ticket sales year over year.

- The current percentage of sales increases are primarily related to player preferences. TEL continues to see *Instant Ticket* sales increases driven by the success of launching families or similar themed games. The $30 Jumbo Bucks, along with $3 and $5 price point game's sales remain strong into the first quarter of fiscal year 2018.

- Fiscal year 2018 *Instant tickets* are projected to be between $1.372 billion and $1.396 billion.

- TEL anticipates launching approximately 55 games in fiscal year 2018. The launch schedule will include several similar themed games and families of games to maximize marketing and promotion efforts, including up to four special prints that will enhance visibility and playability options for these games.

- *Instant ticket* prize expense is projected at 67.5% for fiscal year 2018, which is consistent with the prior year.

MULTI-JURISDICTIONAL GAMES

Multi-jurisdictional games, *Powerball*, *Mega Millions*, *Cash 4 Life* and *Hot Lotto* were $60.5 million at September 30, 2017 compared to $47.2 million in the prior year. This represents approximately 14.3% and 12.5% of gross sales, respectively, for each year.

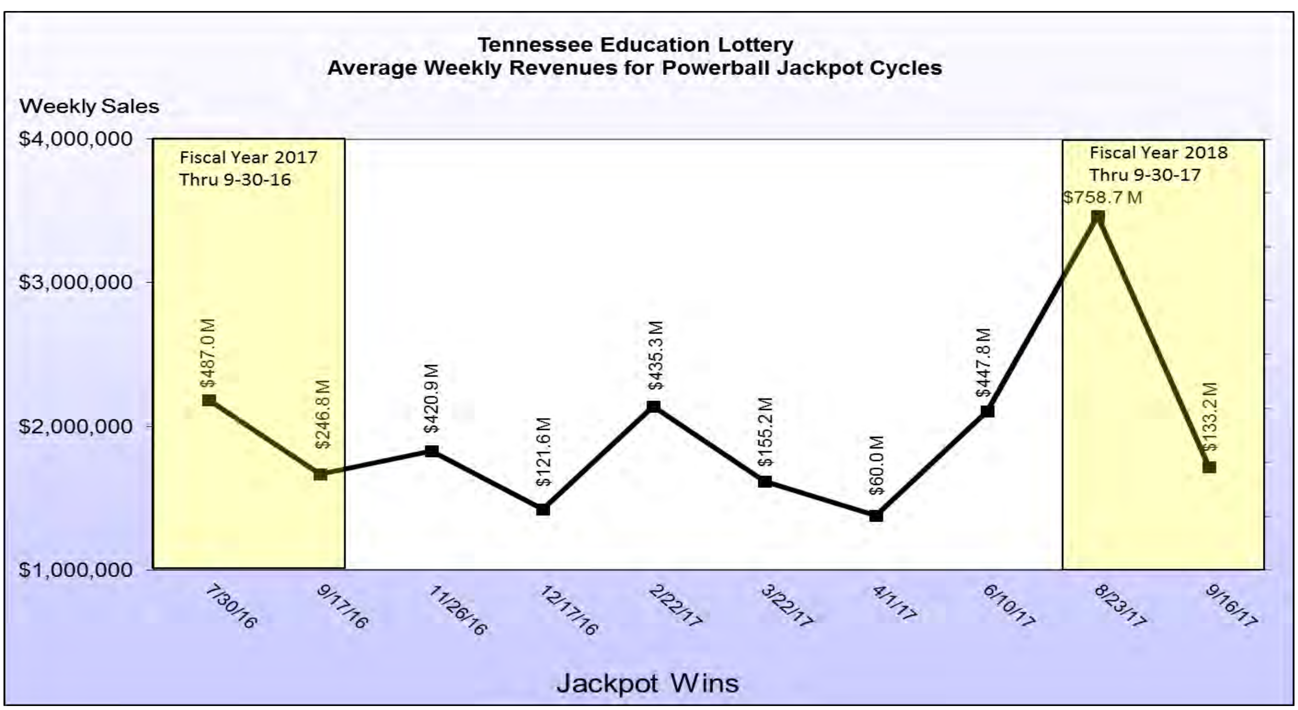
Multi-jurisdictional game sales, with the exception of the *Cash 4 Life*, are directly impacted by the size of the games' jackpots.

	As of 9/30/2017 (in millions)	FY 2018 Projected Sales Range (in millions)
POWERBALL	$41.7	$105 - $110

- *Powerball* is currently sold in 47 jurisdictions, including the District of Columbia, Puerto Rico and U.S. Virgin Islands.

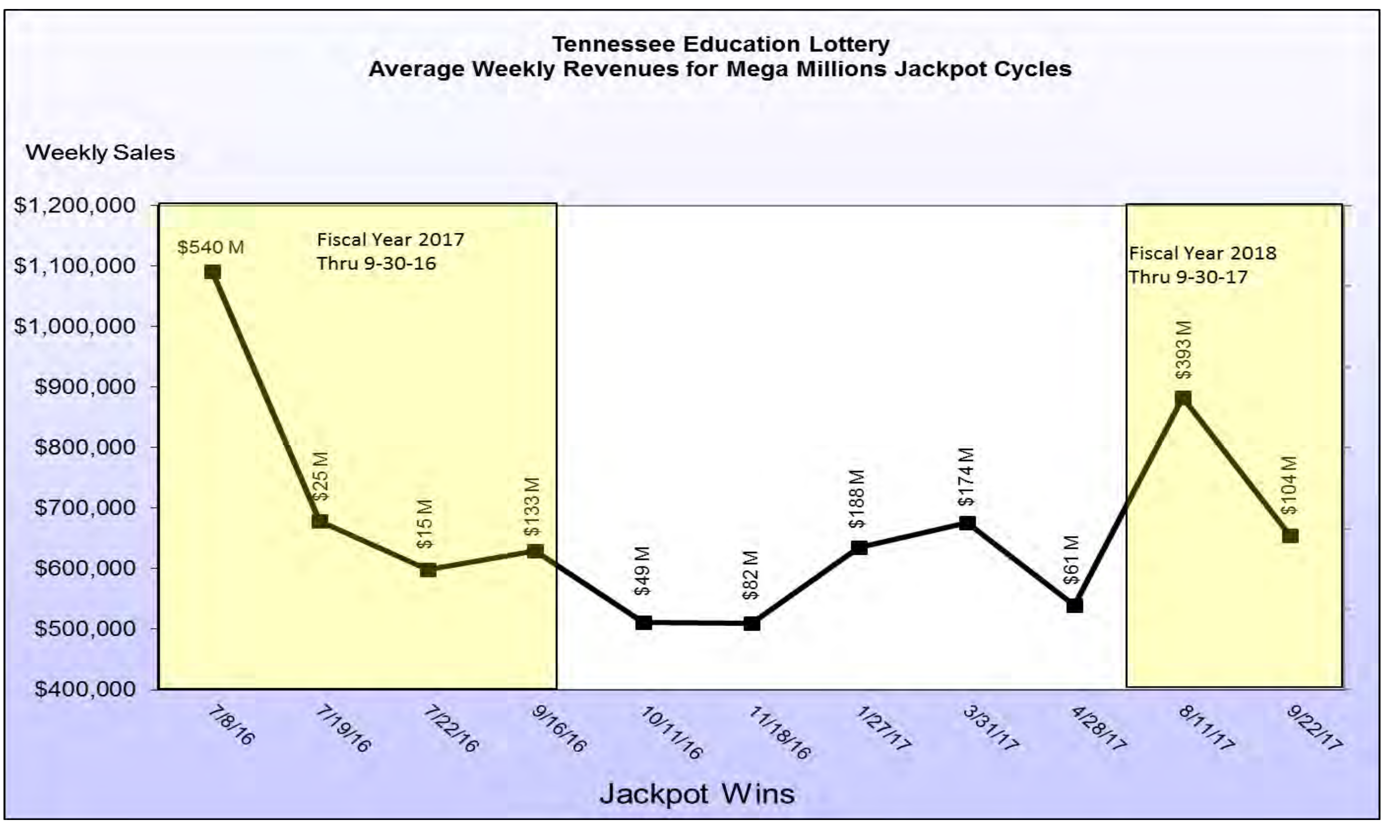
- TEL's *Powerball* sales were $41.7 million compared to the prior year's sales of $28.3 million for the first quarter. The increase primarily resulted from a $759 million jackpot in the first quarter of fiscal year 2018 compared to a $487 million jackpot in the first quarter of the prior year.

- Our fiscal year 2018 high range projection includes one additional jackpot cycle reaching the $500 million plus range and two cycles between $300 - $400 million.



	As of 9/30/2017 (in millions)	FY 2018 Projected Sales Range (in millions)
MEGA MILLIONS	$12.1	$36 - $40

- *Mega Millions* is currently sold in 46 jurisdictions, including the District of Columbia and U.S. Virgin Islands.
- On October 28, 2017, the Mega Millions game was modified to provide an increased starting jackpot of $40 million, bigger average jackpots and better odds for winning the $1-million-dollar prize. The cost of a Mega Millions play was increased to $2 to support these enhancements.
- With the game change, TEL projects the *Mega Millions* product to generate up to two jackpots of at least $300-400 million in the remainder of FY2018.
- Mega Millions weekly sales are projected at $700-750 thousand for the full fiscal year 2018.



TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 9/30/2017 (in millions)	FY 2018 Projected Sales Range (in millions)
HOT LOTTO	$4.2	$ 5.4

- *Hot Lotto* ended on October 28, 2017.

	As of 9/30/2017 (in millions)	FY 2018 Projected Sales Range (in millions)
LOTTO AMERICA	$ --	$10 - $11.5

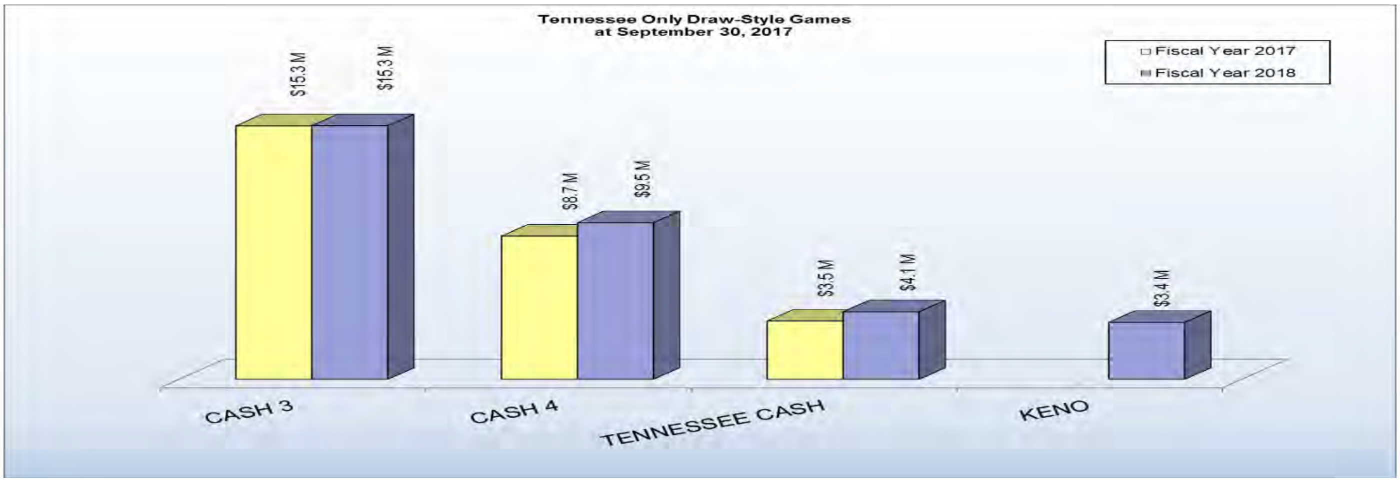
- *Lotto America* is a new multi-state game that launches in 13 jurisdictions on November 12, 2017.
- Jackpots will start at $2 million, with drawings to be held Wednesday and Saturday.
- For an additional $1 per play, players can purchase the "Lotto America All Star Bonus," which multiplies any non-jackpot win from two to five times depending on the multiplier number drawn.
- Sales projections are preliminary, but expected to be in the range of $300-350 thousand on a weekly basis.

	As of 9/30/2017 (in millions)	FY 2018 Projected Sales Range (in millions)
CASH 4 LIFE	$2.4	$8.5 - $9.5

- *Cash 4 Life* is currently sold in 9 jurisdictions.
- The game provides the only drawing-style game with two opportunities for a lifetime prize:
  - ∗ Top Prize is $1,000 dollars a day for life!
  - ∗ Second Prize is $1,000 dollars a week for life!
- Fiscal year 2018 projected sales are based on the most recent sales trends.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 9/30/2017 (in millions)	FY 2018 Projected Sales Range (in millions)
TENNESSEE ONLY DRAWING-STYLE GAMES	$32.4	$130 -$137



At September 30, 2017, sales for this product category were $32.4 million compared to the prior period's $27.5 million. This represents approximately 7.3% of gross sales each year.

Cash 3 and Cash 4

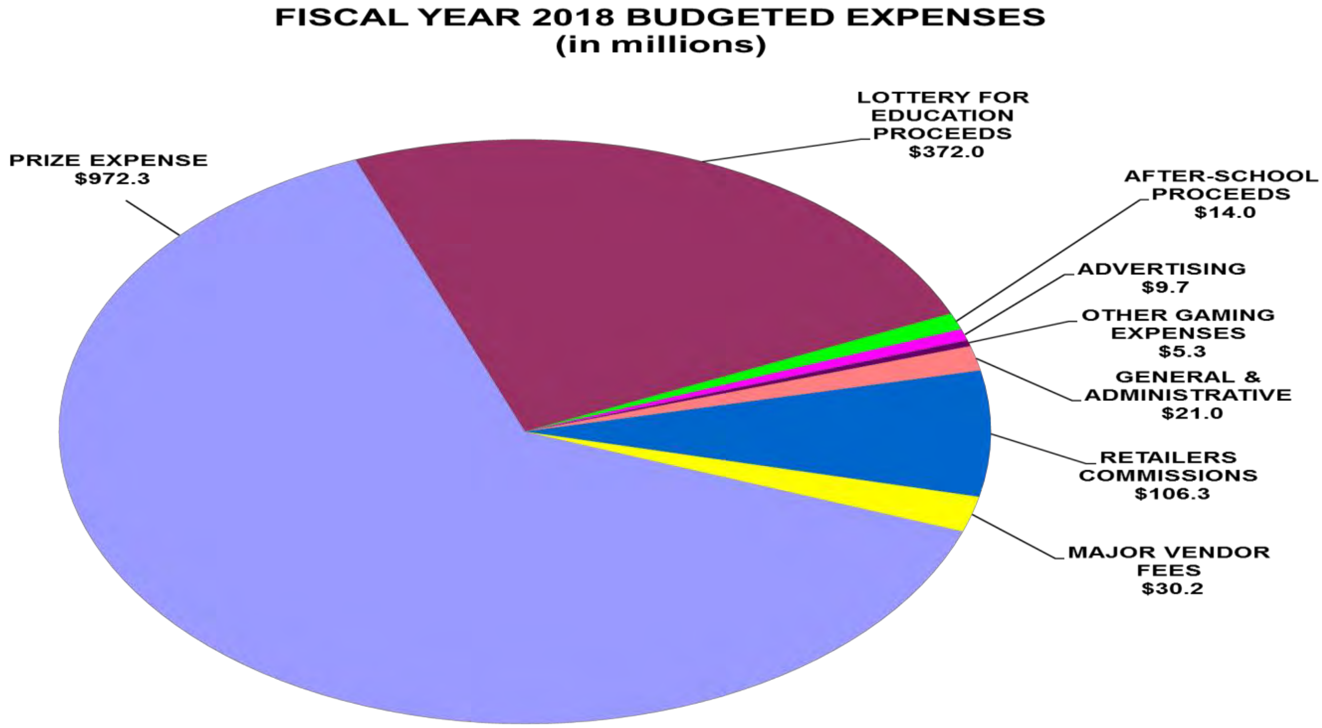
- *Cash 3* and *Cash 4* games are drawn three (3) times daily, six (6) days a week, and once on Sunday.
- In the first quarter of fiscal year 2018, TEL has seen a net increase of approximately 3% for the *Cash 3* and *Cash 4* products.
- TEL is projecting sales in the range of $103.5 and $104.5 million for the full fiscal year.

Tennessee Cash

- *Tennessee Cash* is a drawing-style cash jackpot game available only in Tennessee.
- Sales are driven primarily by the cash jackpots, with an average jackpot cycle of $600 to $700 thousand.
- TEL projects sales in fiscal year 2018 to be approximately $16 million.

Keno to Go

- *Keno to Go* began on August 13, 2017 and is only available in Tennessee.
- Players can win up to $100,000!
- TEL projects sales in the range of $10.5 million and $16 million for fiscal year 2018.



Direct Gaming-Related Expenses

- Aggregate Prize Expense for all Games is budgeted at **$972 million** or **64.3%** of Total Revenues.
- Aggregate Prize Expense for Instant Games is budgeted at **$828 million** or **67.5%** of Total Revenues.
- Aggregate Prize Expense for Drawing-style Games is budgeted at **$144 million** or **50.8%** of Total Revenues.

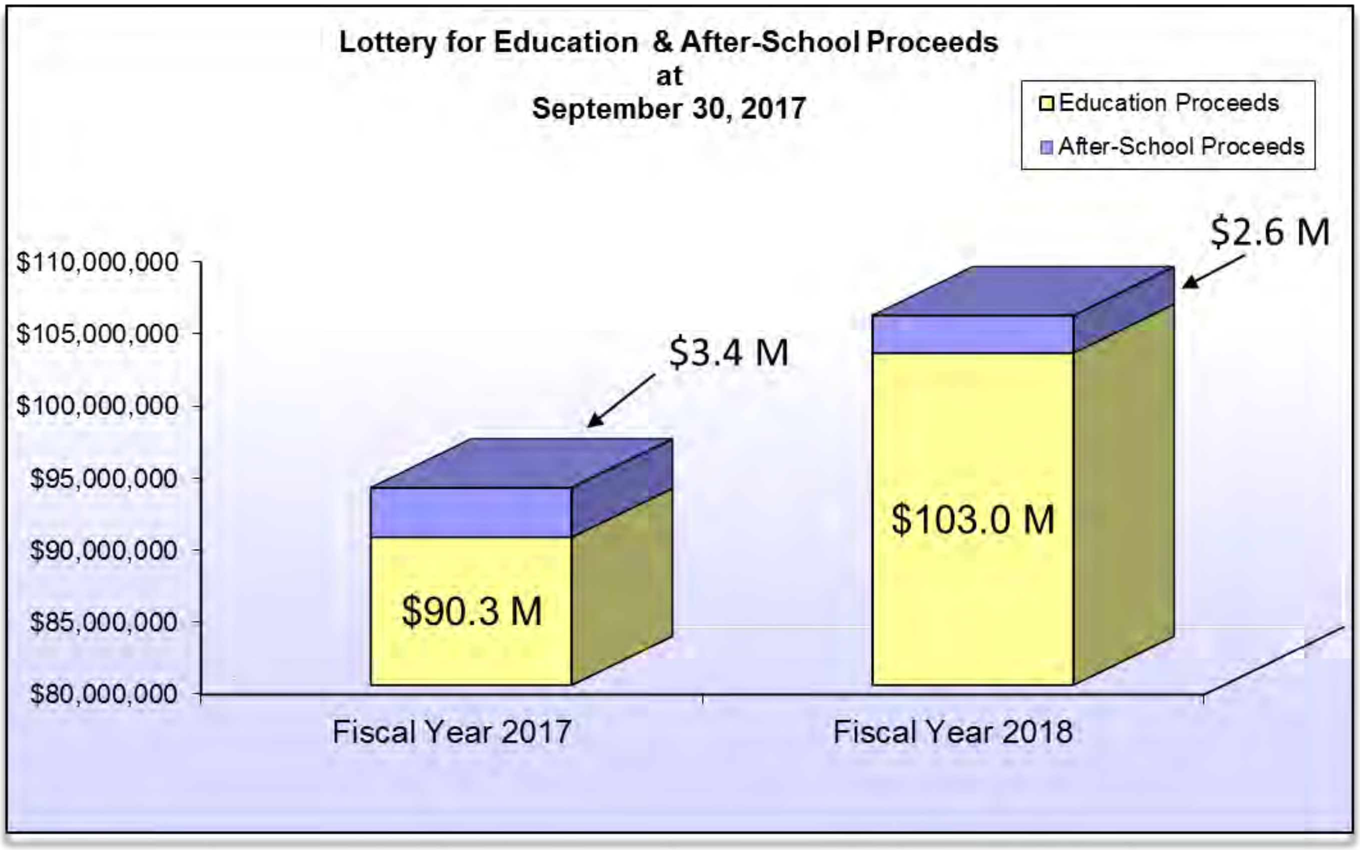
- Retailer sales commissions are budgeted at **$106.3 million** or approximately **6.5%** of Gross Sales, with additional commissions for selling winning drawing-style tickets of $1 million or more and cashing tickets for *Cash 3* and *Cash 4.*

- Major gaming vendors' fees are budgeted at **$30.2 million** and are a percentage of sales per the terms of each contract. In fiscal year 2015, TEL negotiated lower fees of 1.199% for IGT and .8998% for Sci Games as a result of a Request for Proposal for draw style games/related services and instant ticket/related services, respectively.

Non-Direct Expenses

- Non-direct expenses are budgeted at **$36.0** million or **2.2%** of Gross Sales.
  - Advertising expenses are budgeted at **$9.7** million.
  - Other Gaming expenses are budgeted at **$5.2** million.
  - General and Administrative expenses are budgeted at **$21.0** million.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS



<u>**Lottery for Education Proceeds**</u>	<u>**Projected Fiscal Year 2018**</u>
• $103.0 million as of 9/30/2017	
• $ 90.3 million as of 9/30/2016	$381 million - $389 million

<u>**After-School Program Proceeds**</u>	<u>**Projected Fiscal Year 2018**</u>
• $ 2.6 million as of 9/30/2017	
• $ 3.4 million as of 9/30/2016	$14 million - $15 million

- Represents actual/realized unclaimed monies
- Significantly impacted by:
    1) timing of instant games' closings
    2) large drawing-style game prizes not claimed

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

Tennessee Education Lottery					
	FY 2017 Actuals	FY 18 Approved Budget	FY 18 Actuals at 09/30/17	FY 18 Low Projections	FY 18 High Projections
Instant Ticket Sales	$ 1,331,858,000	$ 1,343,500,000	$ 330,911,000	$ 1,371,813,000	$ 1,396,500,000
Tennessee Only	$ 117,898,000	$ 124,600,000	$ 32,350,000	$ 130,596,000	$ 137,302,000
Multi Jurisdictional	$ 162,148,000	$ 162,950,000	$ 60,531,000	$ 166,101,000	$ 173,726,000
GROSS TICKET SALES	$ 1,611,904,000	$ 1,631,050,000	$ 423,792,000	$ 1,668,510,000	$ 1,707,528,000
Less: Tickets Provided as Prizes	$ (115,902,000)	$ (118,043,000)	$ (28,869,000)	$ (120,754,000)	$ (123,578,000)
Net Ticket Sales	$ 1,496,002,000	$ 1,513,007,000	$ 394,923,000	$ 1,547,756,000	$ 1,583,950,000
Other Revenue	4,081,000	3,787,000	1,137,000	3,787,000	3,787,000
TOTAL LOTTERY PROCEEDS	$ 1,500,083,000	$ 1,516,794,000	$ 396,060,000	$ 1,551,543,000	$ 1,587,737,000
DIRECT EXPENSES					
Prize Expense	962,246,000	972,304,000	250,841,000	994,635,000	1,020,064,000
Retailer Commissions	105,187,000	106,276,000	27,635,000	108,717,000	111,259,000
Vendor Fees	29,858,000	30,193,000	7,701,000	30,886,000	31,609,000
Direct Expense	$ 1,097,291,000	$ 1,108,773,000	$ 286,177,000	$ 1,134,238,000	$ 1,162,932,000
Non-Direct Expenses	$ 30,009,000	$ 35,997,400	$ 6,867,000	$ 35,997,000	$ 35,997,000
TOTAL EXPENSES	$ 1,127,300,000	$ 1,144,770,400	$ 293,044,000	$ 1,170,235,000	$ 1,198,929,000
LOTTERY FOR EDUCATION PROCEEDS	$ 372,783,000	$ 372,023,600	$ 103,016,000	$ 381,308,000	$ 388,808,000
AFTER SCHOOL PROGRAMS	$ 13,914,000	$ 14,000,000	$ 2,589,000	$ 14,000,000	$ 15,000,000

TENNESSEE EDUCATION LOTTERY CORPORATION

ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

FISCAL YEARS ENDING JUNE 30, 2019, 2020, 2021 and 2022

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Total Lottery Proceeds	$1,587- $1,617 Million	$1,609- $1,658 Million	$1,642- $1,699 Million	$1,678- $1,743 Million
Lottery for Education Proceeds	$388-$398 Million	$396-$408 Million	$404-$418 Million	$413-$429 Million
After-School Programs	$14 - $15 Million	$15 - $16 Million	$15 - $16 Million	$15 - $16 Million

Lottery for Education Proceeds

Over the last five (5) fiscal years, TEL's average annual Lottery for Education Proceeds growth was 3.0% compared to the lottery industry's beneficiary funding growth of 1.1%, excluding the highest and lowest growth years to adjust for anomalies.

Based on TEL's and the industry year-over-year growth in the most recent fiscal years, we project Lottery for Education proceeds growth in Fiscal Years 2019 through 2022 to average a low of 2% to a high of 2.5% annually.

After-School Programs Proceeds

After-School Programs Proceeds are projected based on the TEL's five-year historical unclaimed prize experience of slightly less than 1.4% of prize expense, excluding the highest and lowest growth years to adjust for anomalies.

STATE OF TENNESSEE
TENNESSEE STUDENT ASSISTANCE CORPORATION
SUITE 1510, PARKWAY TOWERS
404 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0820
(615)741-1346 • 1-800-342-1663 • FAX (615)741-6101
www.TN.gov/collegepays

November 20, 2017

MEMORANDUM

TO: State Funding Board

FROM: Tim Phelps, Associate Executive Director for Grant & Scholarship Programs
Tennessee Student Assistance Corporation

SUBJECT: Tennessee Education Lottery Scholarship Program Projections

Pursuant to T.C.A 4-51-111(c)(2)(A)(ii), the Tennessee Higher Education Commission (THEC) and Tennessee Student Assistance Corporation (TSAC) have collaborated to project expenditures for the lottery scholarship and grant programs through the 2021-22 academic year.

The figures below incorporate data for all lottery-funded programs, including the HOPE Scholarship, General Assembly Merit Scholarship, ASPIRE award, HOPE Access Grant, Wilder-Naifeh Technical Skills Grant, Nontraditional Student Grant, Dual Enrollment Grant, Helping Heroes Grant, Foster Child Tuition Grant, STEP UP Scholarship, TCAT Reconnect, and the Math & Science Teacher Loan Forgiveness Program.

Fiscal Year	TELS Expenditures Low	TELS Expenditures Baseline	TELS Expenditures High	Recipients
2016-17 actual	N/A	$313.7M	N/A	114,000
2017-18 estimated*	$306.2M	$312.4M	$321.8M	113,600
2018-19 estimated	$317.7M	$324.2M	$333.9M	117,900
2019-20 estimated	$322.6M	$329.2M	$339.1M	119,700
2020-21 estimated	$326.2M	$332.9M	$342.9M	121,000
2021-22 estimated	$329.5M	$336.2M	$346.3M	122,300

**Does not include supplemental funding of $6.8M for TSAA and administrative costs of $5.1M. Does not include Tennessee Promise estimated expenditures of $32.0M.*

These projections are based on the size of the annual high school graduating class, the scholarship take-up rate of eligible students, and the renewal rate of recipients.

Please let us know if you have questions or need anything further.

STATE OF TENNESSEE
DEPARTMENT OF EDUCATION
NINTH FLOOR, ANDREW JOHNSON TOWER
710 JAMES ROBERTSON PARKWAY
NASHVILLE, TN 37243-0375

BILL HASLAM
GOVERNOR

CANDICE MCQUEEN
COMMISSIONER

TO: Members of the Tennessee State Funding Board

FROM: Dr. Candice McQueen *Candice McQueen ept*

DATE: November 17, 2017

SUBJECT: Request for $23,000 from Net Lottery Proceeds for Lottery Scholarship Day For FY 2018-2019

Pursuant to Tenn. Code Ann. 4-51-111(c)(2)(B) which states prior to December 15, "appropriate state agencies shall submit to the funding board and to the governor their recommendations for other education programs and purposes consistent with article XI, § 5 of the Tennessee Constitution", the Department of Education requests the allotment of $23,000 from net lottery proceeds in FY 2018-2019 for Lottery Scholarship Day.

These funds will support improvements and enhancements for educational programs and purposes and such net proceeds shall be used to supplement, not supplant, non-lottery educational resources for educational programs and purposes.

Your consideration and approval of this request is appreciated.

cc: David Thurman

FastTrack Report to State Funding Board

11/8/2017

1.	Previous FastTrack Balance, as of Last Report	242,620,100.97	
2.	+ New Appropriations:	0.00	
3.	+ Newly Deobligated Funds:	829,523.53	
4.	+ Funds Transferred to FastTrack:	12,000,000.00	
5.	- Funds Transferred from FastTrack:	(4,674,000.00)	
6.	- FastTrack Grants or Loans Approved Greater Than $750,000:	(8,622,650.00)	
7.	- FastTrack Grants or Loans Approved Less Than $750,000:	(1,941,099.00)	
8.	- FastTrack Administration	(122,382.30)	
9.	Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:		240,089,493.20
10.	Total Amount of Commitments:	160,830,102.63	
11.	Uncommitted FastTrack:		79,259,390.57
12.	Percentage Committed:		67.0%
13.	Amount of Proposed Grants or Loans:	49,810,000.00	
14.	Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:		29,449,390.57
15.	Percentage Committed:		87.7%

See next page for explanations of the above questions.

I have reviewed the above and believe it to be correct:

Date: ______________

____
Commissioner of Economic and Community Development

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 20, 2017

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

The Department of Economic & Community Development (the "Department") seeks approval by the State Funding Board (the "Board") pursuant to T.C.A. § 4-3-717(a) authorizing FastTrack infrastructure, training, and economic development grants where there is a commitment by an eligible business to create or retain private sector jobs or engage in private investment or where the Commissioner of Economic and Community Development determines that such investment will have a direct impact on employment and investment opportunities in the future. The following projects meet the statutory requirements and the Department presents these projects to the Board pursuant to the mandates of T.C.A. § 4-3-717(e), which requires approval of grants and loans under the FastTrack Infrastructure Development Program, the FastTrack Job Training Assistance Program, and the FastTrack Economic Development Program that exceed $750,000 per eligible business within a three (3) year period.

1. American Lebanese Syrian Associated Charities ("ALSAC") and St. Jude Children's Research Hospital ("St. Jude") – Memphis (Shelby County)

American Lebanese Syrian Associated Charities ("ALSAC") and St. Jude Children's Research Hospital ("St. Jude"), is the only National Cancer Institute-designated Comprehensive Cancer Center devoted solely to children. The treatments developed at St. Jude have helped push the overall childhood cancer survival rate from 20 percent to 80 percent since the hospital opened more than 50 years ago. The research hospital treats patients from all 50 states and around the world, and families never receive a bill from St. Jude for treatment, travel, housing, or food.

The state will invest to improve the public infrastructure surrounding the St. Jude campus in downtown Memphis, which will complement the research institution's expansion efforts announced in 2015, and will eventually lead to the creation of 1,800 new jobs in Shelby County.

St. Jude Children's Research Hospital has committed to create 1,800 new jobs and make a $1,000,000,000 capital investment within six years. The company will have an average wage of $33.20 per hour for the new positions.

Bob Rolfe
Commissioner

Bill Haslam
Governor

FastTrack Economic Development Grant funds will be used for site improvements. **($24,000,000)**

Total FastTrack funds for this project - $24,000,000

2. Nokian Tyres U. S. Operations LLC – Dayton (Rhea County)

Nokian Tyres, headquartered in Finland, is a tire production company focusing on customer needs in demanding conditions. The company supplies innovative tires for cars, trucks and special heavy machinery mainly in areas with special challenges for tire performance including snow, forests and harsh driving conditions in different seasons.

Nokian Tyres' new Tennessee facility will focus on manufacturing passenger, SUV and light-truck tires. The company will begin construction on the new 830,000-square-foot facility in early 2018, and the facility is expected to be completed in 2020.

Nokian Tyres has committed to create 400 new jobs and make a $381,409,092 capital investment within five years. The company will have an average wage of $19.00 per hour for the new positions.

FastTrack Job Training Grant funds will be used to train the new workforce for the Dayton facility. **($6,435,000)**

Total FastTrack funds for this project - $6,435,000

3. Gränges Americas Inc. – Huntingdon (Carroll County)

Gränges Americas Inc. is a wholly owned subsidiary of Gränges AB, a leading global supplier of rolled aluminum products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers, Gränges is the global leader with a market share of approximately 20 percent.

In summer 2016, Gränges Americas Inc. purchased the downstream aluminum operations of Noranda Aluminum Inc. in an asset acquisition including the company's lease with the Huntingdon Industrial Development Board, as part of Chapter 11 reorganization.

Gränges Americas Inc. has committed to retain 375 jobs and making a $360,985,000 capital investment within five years. The company will have an average wage of $23.52 per hour for the retained positions.

FastTrack Economic Development Grant funds will be used for site work and building construction & improvement. **($1,375,000)**

Total FastTrack funds for this project - $1,375,000

4. Gränges Americas Inc. – Huntingdon (Carroll County)

Gränges Americas Inc. is a wholly owned subsidiary of Gränges AB, a leading global supplier of rolled aluminum products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers, Gränges is the global leader with a market share of approximately 20 percent.

This Gränges' expansion helps the company meet growing demand for light gauge foil, automotive heat exchanger materials as well as heating, ventilation and air condition (HVAC) applications. The investment further positions Huntingdon as one of the most modern and efficient aluminum rolling mills in North America. The project is estimated to take approximately two years to complete. When completed, the capacity in Huntingdon will increase from about 160 metric kilotons to nearly 200 metric kilotons per year.

Gränges Americas Inc. has committed to create 100 new jobs and make a $110,000,000 capital investment within five years. The company will have an average wage of $25.99 per hour for the new positions.

FastTrack Economic Development Grant funds will be used to offset the costs the company will incur in site work and building construction & improvement. **($1,500,000)**

Total FastTrack funds for this project - $1,500,000

5. Volkswagen Group of America Chattanooga Operations, LLC – Chattanooga (Hamilton County)

The Volkswagen Group of America, Chattanooga Operations, LLC (Volkswagen Chattanooga) manufacturing facility began production in April 2011 and currently builds the all-new Passat sedan and midsize sport utility vehicle, the Volkswagen Atlas.

This plant expansion project in the Enterprise South Industrial Park was undertaken to manufacture a new automotive line, a midsize SUV for the American market. Production of the new SUV began in the fourth quarter of 2016. This expansion also included the creation of the National Research & Development and Planning Center of the Volkswagen Group of America.

Volkswagen Group of America, Chattanooga Operations, LLC has committed to create 2,000 new jobs and make a $601,000,000 capital investment within five years. The company will have an average wage of $24.26 per hour for the new positions.

FastTrack Job Training Grant funds will be used to offset the costs of training the increased workforce for the Chattanooga facility. **($12,000,000)**

Total FastTrack funds for this project - $12,000,000

6. Amazon dedc, LLC – Memphis (Shelby County)

Amazon dedc, LLC, a subsidiary of Amazon.com Inc., is an American electronic commerce and cloud computing company based in Seattle, Washington. The company sells consumer products and subscriptions to customers globally.

Amazon will locate a new Receive Center in Shelby County to support the North American Fulfillment network. This facility will collect and repackage products for distribution to fulfillment centers across the country.

Amazon dedc, LLC has committed to create 600 new jobs and make a $35,000,000 capital investment within five years. The company will have an average wage of $13.90 per hour for the new positions.

FastTrack Economic Development grant funds will be used to offset the costs of site development and construction. **($3,000,000)**

Total FastTrack funds for this project - $3,000,000

7. Shaw Industries Group, Inc. – Decatur (Meigs County)

Headquartered in Dalton, Georgia, Shaw Industries Group, Inc. is a wholly owned subsidiary of Berkshire Hathaway, Inc. Shaw offers a diverse portfolio of carpet, resilient, hardwood, tile, stone and laminate flooring products, synthetic turf and other specialty items for residential and

Bob Rolfe
Commissioner

Bill Haslam
Governor

commercial markets worldwide. Its brands include Anderson, Patcraft, Philadelphia Commercial, Shaw Contract, Shaw Floors, and more.

Shaw will modernize its facility, expanding capabilities that will allow the company to use both nylon and polyester fiber at the Meigs County facility. Shaw's Decatur facility supplies yarn for the company's carpet manufacturing locations.

Shaw Industries Group, Inc. has committed to create 75 new jobs and make a $42,000,000 capital investment within five years. The company will have an average wage of $15.71 per hour for the new positions.

FastTrack Economic Development Grant funds will be used for building, roof, and fixture retrofit and improvements at the Meigs County facility. **($1,500,000)**

Total FastTrack funds for this project - $1,500,000

Sincerely,

Bob Rolfe

BR/js

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

	TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*			
	ECONOMIC DEVELOPMENT	The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee	$24,000,000	
	TOTAL		$24,000,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** **<u>American Lebanese Syrian Associated Charities (“ALSAC”) and St. Jude Children’s Research Hospital (“St. Jude”)</u>**

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If “yes,” state funding board concurrence is required. Attach the commissioner’s rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business’ products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business’ products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If “yes,” attach the commissioner’s rationale. ☐

Applicant must answer “Yes” to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If “yes,” attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If “yes,” attach the commissioner’s rationale. ☐

TRAINING

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*? ☐ Yes ☐ No

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*? ☐ Yes ☐ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐ Yes ☐ No

Applicant must answer "Yes" to a or b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

    b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale. ☐

ECONOMIC DEVELOPMENT

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☒ No

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☒ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation. ☒ Yes ☐ No

I have reviewed this document and believe it to be correct.

____ __________________

Commissioner of Economic and Community Development Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 9, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that ALSAC/St. Jude Children's Research Hospital intends, in good faith, to create 1,800 private sector jobs and make a capital investment of $1,000,000,000 in exchange for incentives that will be memorialized in a grant agreement between ALSAC/St. Jude Children's Research Hospital and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant	$ 24,000,000
Total ECD Commitment:	**$ 24,000,000**

Please sign your name in the space below to signify ALSAC/St. Jude Children's Research Hospital's acceptance of ECD's offer set forth above and return it by November 13, 2017 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:________________________________ Date:____________
(Authorized Representative of Company)

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 20, 2017

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee for the benefit of ALSAC/St. Jude Children's Research Hospital in the amount of $24,000,000 to offset the costs St. Jude Children's Research Hospital will incur in site development. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of high wage jobs and significant capital investment. St. Jude Children's Research Hospital has committed to create 1,800 new jobs and to make a $1,000,000,000 capital investment within six years. The company will have an average wage of $33.20 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Bob Rolfe

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*	**Nokian Tyres U. S. Operations LLC**	$6,435,000	
	ECONOMIC DEVELOPMENT			
TOTAL			$6,435,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** Nokian Tyres U. S. Operations LLC

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

TRAINING

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*? ☒ Yes ☐ No

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*? ☐ Yes ☒ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐ Yes ☐ No

Applicant must answer "Yes" to a <u>or</u> b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

    b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale. ☐

ECONOMIC DEVELOPMENT

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☐ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation. ☐ Yes ☐ No

I have reviewed this document and believe it to be correct.

____ ________________
Commissioner of Economic and Community Development Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

October 13, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Nokian Tyres U.S. Operations LLC intends, in good faith, to create 400 private sector jobs in Dayton, Rhea County and make a capital investment of $381,409,092 in exchange for incentives that will be memorialized in a grant agreement between Nokian Tyres U.S. Operations LLC and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Job Training Grant:	$ 6,435,000
Total ECD Commitment:	**$ 6,435,000**

Please sign your name in the space below to signify Nokian Tyres U.S. Operations LLC's acceptance of ECD's offer set forth above and return it by January 10, 2018 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:____________________________________ Date:______________
(Authorized Representative of Company)

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

	TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*			
	ECONOMIC DEVELOPMENT	Huntingdon Industrial Development Board	$1,375,000	
TOTAL			$1,375,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** Gränges Americas Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a or b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

TRAINING

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*? ☐ Yes ☐ No

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*? ☐ Yes ☐ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐ Yes ☐ No

Applicant must answer "Yes" to a <u>or</u> b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

    b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale. ☐

ECONOMIC DEVELOPMENT

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☒ No

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☒ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation. ☒ Yes ☐ No

I have reviewed this document and believe it to be correct.

____
Commissioner of Economic and Community Development

____
Date

Department of Economic and Community Development

Randy Boyd
Commissioner

Bill Haslam
Governor

December 22, 2016

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Granges Americas, Inc. intends, in good faith, to create 375 private sector jobs and make a capital investment of $360,985,000 in exchange for incentives that will be memorialized in a grant agreement between Granges Americas, Inc. and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	$ 1,375,000
Total ECD Commitment:	**$ 1,375,000**

Please sign your name in the space below to signify Granges Americas, Inc.'s acceptance of ECD's offer set forth above and return it by March 22, 2017 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature: ____________________ Date: 12/28/16
(Authorized Representative of Company)

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 20, 2017

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Huntingdon Industrial Development Board for the benefit of Gränges Americas Inc. in the amount of $1,375,000 to offset the costs Gränges Americas Inc. will incur in site work and building construction & improvement. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of high wage jobs and significant capital investment. Gränges Americas Inc. has committed to retain 375 jobs and make a $360,985,000 capital investment within five years. The company will have an average wage of $23.52 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Bob Rolfe

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

	TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*			
	ECONOMIC DEVELOPMENT	Huntingdon Industrial Development Board	$1,500,000	
TOTAL			$1,500,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** Gränges Americas Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

<u>TRAINING</u>

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*? ☐ Yes ☐ No

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*? ☐ Yes ☐ No

<u>INFRASTRUCTURE</u>

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐ Yes ☐ No

Applicant must answer "Yes" to a <u>or</u> b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

    b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale. ☐

<u>ECONOMIC DEVELOPMENT</u>

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☒ No

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☒ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation. ☒ Yes ☐ No

I have reviewed this document and believe it to be correct.

____
Commissioner of Economic and Community Development

____
Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

October 2, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Granges Americas, Inc. intends, in good faith, to create 100 private sector jobs in Huntingdon, Carroll County and make a capital investment of $110,000,000 in exchange for incentives that will be memorialized in a grant agreement between Granges Americas, Inc. and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	$ 1,500,000
Total ECD Commitment:	**$ 1,500,000**

Please sign your name in the space below to signify Granges Americas, Inc.'s acceptance of ECD's offer set forth above and return it by December 31, 2017 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature: [signature] Date: 10/4/17

(Authorized Representative of Company)

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 20, 2017

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Huntingdon Industrial Development Board for the benefit of Gränges Americas Inc. in the amount of $1,500,000 to offset the costs Gränges Americas Inc. will incur in site work and building construction & improvement. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of high wage jobs and significant capital investment. Gränges Americas Inc. has committed to create 100 new jobs and to make a $110,000,000 capital investment within five years. The company will have an average wage of $25.99 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Bob Rolfe

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*	**Volkswagen Group of America Chattanooga Operations, LLC**	$12,000,000	
	ECONOMIC DEVELOPMENT			
TOTAL			$12,000,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** Volkswagen Group of America Chattanooga Operations, LLC

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

☒ Yes ☐ No

TRAINING

☐ Yes ☒ No

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*?

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*?

☐ Yes ☐ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*?

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐

Applicant must answer "Yes" to a or b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

    b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale.

☐ Yes ☐ No

ECONOMIC DEVELOPMENT

☐ Yes ☐ No

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*?

☐ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*?

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☐ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation.

I have reviewed this document and believe it to be correct.

______________________________ ______________

Commissioner of Economic and Community Development Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

October 11, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Volkswagen Group of America Chattanooga Operations, LLC intends, in good faith, to create 2,000 private sector jobs in Chattanooga, Hamilton County and make a capital investment of $601,000,000 in exchange for incentives that will be memorialized in a grant agreement between Volkswagen Group of America Chattanooga Operations, LLC and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Job Training Grant:	$ 12,000,000
Total ECD Commitment:	**$ 12,000,000**

Please sign your name in the space below to signify Volkswagen Group of America Chattanooga Operations, LLC's acceptance of ECD's offer set forth above and return it by January 9, 2018 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:___________________________________ Date:______________
(Authorized Representative of Company)

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*			
	ECONOMIC DEVELOPMENT	The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee	$3,000,000	
TOTAL			$3,000,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** Amazon dedc, LLC

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

☐ Yes ☐ No

TRAINING

7.	Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*?	☐ Yes ☐ No
8.	Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*?	☐ Yes ☐ No

☐ Yes ☐ No

INFRASTRUCTURE

9.	Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*?	☐ Yes ☐ No
10.	Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*?	☐ Yes ☐ No
11.	In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*?	☐ Yes ☐ No

Applicant must answer "Yes" to a or b.

12. a.	Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*?	☐
b.	Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale.	☐

☒ Yes ☐ No

ECONOMIC DEVELOPMENT

13.	Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*?	☐ Yes ☒ No
14.	Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*?	☒ Yes ☐ No
15.	Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*?	☒ Yes ☐ No
16.	Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.	☒ Yes ☐ No
17.	The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation.	

I have reviewed this document and believe it to be correct.

____ __________________

Commissioner of Economic and Community Development Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 8, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Amazon.com.dedc, LLC intends, in good faith, to create 600 private sector jobs in Memphis, Shelby County and make a capital investment of $35,000,000 in exchange for incentives that will be memorialized in a grant agreement between Amazon.com.dedc, LLC and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	$ 3,000,000
Total ECD Commitment:	**$ 3,000,000**

Please sign your name in the space below to signify Amazon.com.dedc, LLC's acceptance of ECD's offer set forth above and return it by February 6, 2018 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:_________________________________ Date:______________
(Authorized Representative of Company)

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 20, 2017

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee for the benefit of Amazon dedc, LLC in the amount of $3,000,000 to offset the costs Amazon dedc, LLC will incur in site development and construction. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of jobs and significant capital investment. Amazon dedc, LLC has committed to create 600 new jobs and to make a $35,000,000 capital investment within five years. The company will have an average wage of $13.90 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Bob Rolfe

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*			
	ECONOMIC DEVELOPMENT	Meigs County-Decatur Economic Development Corporation	$1,500,000	
TOTAL			$1,500,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** Shaw Industries Group, Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

TRAINING

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*?	☐ Yes ☐ No
8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*?	☐ Yes ☐ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*?	☐ Yes ☐ No
10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*?	☐ Yes ☐ No
11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*?	☐ Yes ☐ No

Applicant must answer "Yes" to a <u>or</u> b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*?	☐
b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale.	☐

ECONOMIC DEVELOPMENT

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*?	☒ Yes ☐ No
14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*?	☐ Yes ☒ No
15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*?	☒ Yes ☐ No
16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.	☒ Yes ☐ No
17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation.	☒ Yes ☐ No

I have reviewed this document and believe it to be correct.

____ ________________

Commissioner of Economic and Community Development Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

October 11, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Shaw Industries Group, Inc. intends, in good faith, to create 75 private sector jobs in Decatur, Meigs County and make a capital investment of $42,000,000 in exchange for incentives that will be memorialized in a grant agreement between Shaw Industries Group, Inc. and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	$ 1,500,000
Total ECD Commitment:	**$ 1,500,000**

Please sign your name in the space below to signify Shaw Industries Group, Inc.'s acceptance of ECD's offer set forth above and return it by January 9, 2018 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:____________________________________ Date:______________
(Authorized Representative of Company)

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

November 20, 2017

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Meigs County-Decatur Economic Development Corporation for the benefit of Shaw Industries Group, Inc. in the amount of $1,500,000 to offset the costs Shaw Industries Group, Inc. will incur in building, roof, and fixture retrofit and improvements at the Meigs County facility. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of jobs and capital investment. Shaw Industries Group, Inc. has committed to create 75 new jobs and to make a $42,000,000 capital investment within five years. The company will have an average wage of $15.71 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Bob Rolfe