

TENNESSEE STATE FUNDING BOARD
MARCH 6, 2020
AGENDA

1. Call meeting to order
2. Consideration for approval of State Funding Board minutes from the January 21, 2020, meeting
3. Report from the Department of Economic and Community Development (ECD) for approval of funding for the following FastTrack projects:
 - **Amazon.com Services, Inc. – Memphis (Shelby Co.)**
FastTrack Economic Development \$2,000,000
 - **Genesco Inc. – Nashville (Davidson Co.)** FastTrack
Economic Development \$1,000,000
 - **Spirit Airlines, Inc – Brentwood or Franklin (Williamson Co.)**
FastTrack Economic Development \$3,000,000
4. Consideration and approval of a “Resolution to Amend the Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$694,477.65 and Canceling Authorized Bonds”
5. Presentation of the staff analysis of “An Economic Report to the Governor of the State of Tennessee”: (Link to report: <https://haslam.utk.edu/whitepapers/boyd-center-business-and-economic-research/economic-report-governor-2020>)
 - List Identifying State and Non-Tax Revenue Sources from the Attorney General pursuant to Tennessee Code Annotated §9-4-5202

TENNESSEE STATE FUNDING BOARD
January 21, 2020

The Tennessee State Funding Board (the “Board”) met on Tuesday, January 21, 2020, at 10:00 a.m., in the Cordell Hull Building, State Senate Room II, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller of the Treasury, 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
Commissioner Stuart McWhorter, Department of Finance and Administration

The following members were absent:

The Honorable Bill Lee, Governor

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the December 13, 2019 meeting. Mr. Wilson made a motion to approve the minutes. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Jamie Stitt, Assistant Commissioner of Business and Workforce Development, Tennessee Department of Economic and Community Development (“ECD”), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Assistant Commissioner of Administration, ECD, to present the “FastTrack Report to State Funding Board” (the “Report”). Mr. VanderMeer reported that, as of the date of the Board meeting on November 26, 2019, the FastTrack balance was \$272,575,919.94. Since that time, \$1,988.16 in new funds were available as a result of an interest penalty on a clawback provision; \$162,690.50 in funds were deobligated through a clawback provision and returned to the FastTrack program; \$3,268,156.21 in funds were requested to be transferred to the FastTrack program from ECD’s business development division for the purpose of incorporating the funds into a current training grant with Hankook Tire Manufacturing Tennessee, LP; \$8,648,814 in new grants had been approved and \$189,125.20 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$267,170,815.61 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$220,704,108.89, resulting in an uncommitted FastTrack balance of \$46,466,706.72. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$9,408,186.21, and if these projects were approved, the uncommitted balance would be \$37,058,520.51, and the total commitments would be \$230,112,295.10, which represented 86.1% of the FastTrack balance.

Ms. Stitt then presented the following FastTrack projects:

- | | |
|---|----------------|
| • AllianceBernstein L.P – Nashville (Davidson County) | |
| FastTrack Economic Development Grant | \$3,332,500.00 |
| • Adient US LLC - Lexington (Henderson County) | |
| FastTrack Economic Development Grant | \$1,532,530.00 |
| • Minth Tennessee International, LLC – Lewisburg (Marshall County) | |
| FastTrack Economic Development Grant | \$1,275,000.00 |

- Hankook Tire Manufacturing Tennessee, LP – Clarksville (Montgomery County)**
 FastTrack Job Training Assistance \$3,268,156.21

Ms. Stitt explained that on May 16, 2018, the Board approved a FastTrack Economic Development Grant to AllianceBernstein at which time the company committed to create 1,050 new jobs with an average wage of \$47.84 per hour and after further review, \$99.87 per hour is the accurate rate.

Ms. Stitt explained that, in addition to a FastTrack Jobs Training Assistance grant for \$16,000,000 that the Funding Board approved in October 2014, the state had also agreed to provide \$6,000,000 of business development funds to Hankook Tire Manufacturing Tennessee, LP over a 10-year period for recruitment screening and cultural integration services. This was accomplished over the past five years through an inter-agency agreement between ECD and the Department of Labor. When the agreement ended in November 2019, there was a balance remaining of \$3,268,156.21. In order to meet the obligation to provide these services, Ms. Stitt stated that ECD is requesting the State Funding Board to approve the transfer of the balance from the Business Development Division to the FastTrack Fund to increase the FastTrack Job Training Assistance grant by the same amount to a total of \$19,268,156.21.

Ms. Stitt then informed the Board that the McKesson Corporation project approved by the Board on November 26, 2019, would have its contract executed under the name Script2U, LLC, a member of the McKesson Corporation family.

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. Ms. Stitt responded affirmatively. Mr. Wilson also inquired if the companies that had signed the incentive acceptance forms fully understood the agreements. Ms. Stitt responded affirmatively.

Mr. Lillard then asked if Script2U, LLC was the entity that would be operating the component unit in the state. Mr. Lillard further inquired about the relationship of McKesson Corporation and Script2U, LLC. Ms. Stitt responded that both McKesson Corporation and Script2U, LLC would be operating in the state and both entities would be represented in the accountability agreement. Ms. Stitt further stated that Script2U, LLC was a new entity spun off from McKesson Corporation and was the entity under which the new jobs would be created.

Mr. McWhorter then asked if the Business Development Division, from which the \$3,268,156.21 was being transferred for the Hankook Tire Manufacturing Tennessee, LP project, kept a balance of grant dollars like the FastTrack program. Mr. VanderMeer responded that the business development division was not a separate fund, only a separate allotment code for funds that can be utilized for particular grants. Mr. McWhorter then asked if funds allocated to the Business Development Division would revert back to the FastTrack fund if not used or remain with the Business Development Division until used for future grants. Mr. VanderMeer then replied that the funds allotted to the Business Development Division would remain there until used or transferred. Mr. Hargett then made a motion to approve the projects. Mr. McWhorter seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Betsy Knotts, Director of the Division of Local Government Finance (“LGF”), to present the “Report on Industrial Development Corporation Outstanding Debt Report Fiscal Year 2018 and Guidelines.” Ms. Knotts stated that legislation was passed in March of 2018 that required industrial development boards to report on their outstanding debt to the Comptroller’s Office. Ms. Knotts further stated that LGF sent out 182 requests to industrial development corporations (“IDCs”) to report their debt obligations for fiscal year 2018 and received 113 responses, that were provided to the Board members in their packets. Mr. Hargett then noted the number of entities that had not reported and asked what action was taken for non-reporting. Ms. Knotts responded that there was no enforcement mechanism under the

statute as currently written but the entities could be reported to the Division of Local Government Audit that could issue audit findings in future audits. Ms. Knotts further responded that LGF was sending out another memo to remind the IDCs to report their outstanding debt and to provide simplified reporting forms to report non-debt PILOT/leaseholds that resulted from the former practice of IDCs entering a phantom borrowing situation where the rent was imputed over time in order to avoid a taxable leasehold interest.

Ms. Knotts then presented revisions to the Board's Guidelines for Annual Debt Reporting by Industrial Development Corporations ("Guidelines") that consisted of removing all references to the Guidelines being "interim" Guidelines and changing the reference IDCs to industrial development boards to avoid confusion with the entities' preferred nomenclature. Ms. Knotts further stated that the reporting form had been changed to allow the IDC to choose direct borrowing, conduit debt, or non-debt (PILOT/leasehold) as the type of debt from a drop-down menu. Ms. Knotts then stated that the IDC would no longer have to indicate the date a Report on Debt Obligation CT-0253 form ("Form") was filed, only select yes or no from a drop-down menu to indicate if a Form had been filed for the debt obligation. Mr. Wilson then asked if the original interim Guidelines had been put out for public comment. Ms. Knotts responded in the affirmative. Mr. Wilson made a motion to approve the Guidelines. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then acknowledged receipt of the "State of Tennessee Cash Management Improvement Act Annual Report State Fiscal Year 2019" by members of the Board. No further action was necessary.

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

Approved on this _____ day of _____ 2020.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

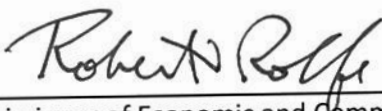
FastTrack Report to State Funding Board

3/2/2020

1. Previous FastTrack Balance, as of Last Report	267,170,815.61
2. + New Appropriations:	0.00
3. + Newly Deobligated Funds:	8,533,246.45
4. + Funds Transferred to FastTrack:	0.00
5. - Funds Transferred from FastTrack:	0.00
6. - FastTrack Grants or Loans Approved Greater Than \$750,000:	(6,815,000.00)
7. - FastTrack Grants or Loans Approved Less Than \$750,000:	(2,434,000.00)
8. - FastTrack Administration	(210,592.44)
9. Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:	266,244,469.62
10. Total Amount of Commitments:	198,781,047.66
11. Uncommitted FastTrack:	67,463,421.96
12. Percentage Committed:	74.7%
13. Amount of Proposed Grants or Loans:	6,000,000.00
14. Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:	61,463,421.96
15. Percentage Committed:	76.9%

See next page for explanations of the above questions.

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



Commissioner of Economic and Community Development

Date:

3/4/20



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

March 6, 2020

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. Amazon.com Services, Inc. – Memphis (Shelby County)

Amazon is the largest Internet company by revenue in the world. It is the second largest private employer in the United States and one of the world's most valuable companies. Amazon is the second largest technology company by revenue.

The site will be Amazon's sixth fulfillment center in Tennessee and the first in the state to utilize Amazon Robotics technology – focusing on picking, packing and shipping small size orders from books and toys to electronics and other consumer goods. Amazon anticipates opening the 855,000-square-foot plant in North Memphis in time for the 2020 holiday season.

Amazon.com Services, Inc. has committed to create 1,000 net new jobs representing an \$200,000,000 capital investment within five years. The company will have an average hourly wage of \$15.49 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred in new construction.
(\$2,000,000)

Total FastTrack funds for this project - \$2,000,000

2. Genesco Inc. – Nashville, (Davidson County)

Genesco, founded in Nashville in 1924, is a retailer and wholesaler of footwear, apparel and accessories. The company operates under several retail brands including Journeys, Johnston & Murphy, Schuh and sells at wholesale under the Johnston & Murphy and Trask brands and the licensed Levi's and Dockers brands. Genesco



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

operates approximately 1,490 stores throughout the United States, Canada, the United Kingdom and the Republic of Ireland, and employs approximately 21,000 employees worldwide.

Genesco will be relocating to 535 Marriott Drive in Nashville, where it is expected to occupy approximately two-thirds of the existing 310,000-square-foot facility. The company's Davidson County expansion will be complete by 2021.

Genesco Inc. has committed to create 60 net new jobs representing \$31,350,000 capital investment within five years. The company will have an hourly wage of \$39.80 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred in building retrofit, building improvements, and lease payments. **(\$1,000,000)**

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

3. Spirit Airlines, Inc – Brentwood or Franklin (Williamson County)

Headquartered in South Florida, Spirit is the seventh-largest commercial airline in the U.S. and operates more than 650 flights a day to 77 destinations throughout the U.S., Caribbean and Latin America.

Spirit's Operations Control Center (OCC), relocating from Miramar, FL. To Williamson County, serves as the company's 24/7, mission-critical operations function that directs operational control over all Spirit flights. It includes functions such as flight dispatch, crew scheduling, maintenance control, aircraft routing, air traffic control coordination, guest solutions and more. The facility will contain robust infrastructure to support significant technology and operational reliability.

Spirit Airlines, Inc has committed to create 345 net new jobs representing a \$11,313,750 capital investment within 5 years. The company will have an average hourly wage of \$32.77 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred in building retrofit and building improvements. **(\$3,000,000)**

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

Sincerely,

A handwritten signature in black ink, reading "Robert Rolfe", is positioned below the word "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
<input type="checkbox"/>	INFRASTRUCTURE			
<input type="checkbox"/>	TRAINING*			
<input checked="" type="checkbox"/>	ECONOMIC DEVELOPMENT	Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee	\$2,000,000	
TOTAL			\$2,000,000	

(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.com Services, 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

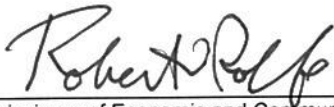
Applicant must answer "Yes" to a or b.

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

3/4/20
Date



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

November 27, 2019

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Amazon.com Services, Inc. intends, in good faith, to create 1,000 private sector jobs in Memphis, Shelby County and make a capital investment of \$200,000,000 in exchange for incentives that will be memorialized in a grant agreement between Amazon.com Services, Inc. and the State of Tennessee. New jobs must be in addition to the company's baseline of 0 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 2,000,000
Total ECD Commitment:	\$ 2,000,000

Please sign your name in the space below to signify Amazon.com Services, Inc.'s acceptance of ECD's offer set forth above and return it by February 24, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Scottie McCormick
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Scottie.McCormick@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: [Signature]
(Authorized Representative of Company)

Date: 12/24/19



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

March 6, 2020

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 of the City of Memphis and County of Shelby, Tennessee for the benefit of Amazon.com Services, Inc. in the amount of \$2,000,000 to offset the costs Amazon.com Services, Inc. will incur in new 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.com Services, Inc. has committed to create 1,000 net new jobs and to make a \$200,000,000 capital investment within five years. The company will have an average wage of \$15.49 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in black ink that reads "Robert Rolfe". The signature is written in a cursive style with a large, stylized "R" and "P".

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
<input type="checkbox"/> INFRASTRUCTURE			
<input type="checkbox"/> TRAINING*			
<input checked="" type="checkbox"/> ECONOMIC DEVELOPMENT	The Industrial Development Board of the Metropolitan Government of Nashville & Davidson County	\$1,000,000	
TOTAL		\$1,000,000	

(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): Genesco 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

- 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
- 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
- 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
- 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:

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

- 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. ☒
 - 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

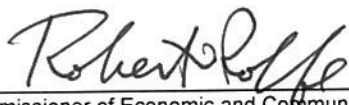
Applicant must answer "Yes" to a or b.

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

3/4/20
Date



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

December 19, 2019

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Genesco Inc. intends, in good faith, to create 60 private sector jobs in Nashville, Davidson County and make a capital investment of \$31,350,000 in exchange for incentives that will be memorialized in a grant agreement between Genesco Inc. and the State of Tennessee. New jobs must be in addition to the company's baseline of 754 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

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

Please sign your name in the space below to signify Genesco Inc.'s acceptance of ECD's offer set forth above and return it by March 18, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Scottie McCormick
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Scottie.McCormick@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: Scott E. Rolfe
(Authorized Representative of Company)

Date: January 31, 2020



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

March 6, 2020

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 Industrial Development Board of the Metropolitan Government of Nashville & Davidson County for the benefit of Genesco Inc. in the amount of \$1,000,000 to offset the costs Genesco Inc. will incur in building retrofit, building improvements and lease payments. 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. Genesco Inc. has committed to create 60 net new jobs, representing an \$31,350,000 capital investment within five years. The company will have an average wage of \$39.80 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in black ink that reads "Robert Rolfe". The signature is written in a cursive style with a large, stylized "R" and "R".

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
<input type="checkbox"/> INFRASTRUCTURE			
<input type="checkbox"/> TRAINING*			
<input checked="" type="checkbox"/> ECONOMIC DEVELOPMENT	Industrial Development Board of Williamson County, 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): Spirit Airlines, 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 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. ☐

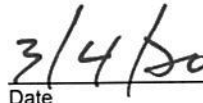
ECONOMIC DEVELOPMENT

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 Lee
Governor

February 5, 2020

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Spirit Airlines, Inc intends, in good faith, to create 345 private sector jobs in Franklin, Williamson County and make a capital investment of \$11,313,750 in exchange for incentives that will be memorialized in a grant agreement between Spirit Airlines, Inc and the State of Tennessee. New jobs must be in addition to the company's baseline of 0 jobs at the project site in 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 Spirit Airlines, Inc's acceptance of ECD's offer set forth above and return it by May 4, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Scottie McCormick
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Scottie.McCormick@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: 
(Authorized Representative of Company)
Chip Sandifer, Sr. Director CRE

Date: 2/10/2020



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

March 6, 2020

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 Industrial Development Board of Williamson County, Tennessee for the benefit of Spirit Airlines, Inc. in the amount of \$3,000,000 to offset the costs Spirit Airlines, Inc. will incur in building retrofit and building improvements. 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. Spirit Airlines, Inc has committed to create 345 net new jobs, representing an \$11,313,750 capital investment within five years. The company will have an average wage of \$32.77 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in black ink that reads "Robert Rolfe". The signature is written in a cursive style with a large, stylized "R" and "R".

Bob Rolfe

BR/js

**RESOLUTION TO AMEND THE RESOLUTION
ALLOCATING FROM THE DEBT SERVICE FUND TO THE
CAPITAL PROJECTS FUND \$694,477.65 AND CANCELING
AUTHORIZED BONDS**

Recitals

Whereas the Tennessee State Funding Board adopted a “Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$694,477.65 and Canceling Authorized Bonds” on August 9, 2019 (the “2019 UOM Resolution”).

Whereas the 2019 UOM Resolution correctly stated the information in the Recitals paragraph 1 and 3 but due to scrivener’s error misstated an amount in Recitals paragraph 2; and

Whereas the Tennessee State Funding Board desires to amend and clarify the 2019 UOM Resolution by restating in its entirety Recital paragraph 2 of the 2019 UOM Resolution.

Whereas the 2019 UOM Resolution correctly stated the information in the Be It Resolved, Item 1, 2 and 4 but due to scrivener’s error misstated an amount in Be It Resolved, Item 3; and

Whereas the Tennessee State Funding Board desires to amend and clarify the 2019 UOM Resolution by restating in its entirety the Be It Resolved, Item 3.

BE IT RESOLVED BY THE FUNDING BOARD OF THE STATE OF TENNESSEE:

1. Recital paragraph 2 of the UOM Resolution is restated as follows:

Recitals

The State Funding Board has previously canceled Three Million, Three Hundred Eighty Thousand, Four Hundred Sixteen Dollars and Ninety-Seven Cents (\$3,380,416.97) of the Item 3 Bonds. None of the remaining Three Million, Six Hundred Nineteen Thousand, Five Hundred Eighty-Three Dollars and Three Cents (\$3,619,583.03) principal amount of the Item 3 Bonds has been issued as 2007 Act Bonds but cash has been expended from the Capital Projects Fund.

2. Be It Resolved, Item 3 of the UOM Resolution is restated as follows:

Be It Resolved by the Funding Board of the State of Tennessee

3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated July 30, 2019, the State Funding Board hereby cancels Six Hundred Ninety-Four Thousand, Four Hundred Seventy-Seven Dollars and Sixty-Five Cents (\$694,477.65) of the principal amount authorized by the 2007 Act for the Item 3 Bonds.

BE IF FURTHER RESOLVED that all resolutions or parts of resolutions in conflict are repealed, and the resolution shall be effective as of March __, 2020.

Adopted by the Funding Board at its meeting on March __, 2020.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Memorandum

To: Honorable Bill Lee, Governor

Honorable Justin P. Wilson, Comptroller of the Treasury

Honorable Tre Hargett, Secretary of State

Honorable David H. Lillard, Jr., Treasurer

Honorable Stuart McWhorter, Commissioner of Finance and Administration

From: William Wood, Budget Analyst, Comptroller of the Treasury

Date: March 6, 2020

Re: Economic Report to the Governor

This memo considers the reasonableness of the economic projections published in the annual *Economic Report to the Governor* (<http://haslam.utk.edu/sites/default/files/erg2020.pdf>) from the Boyd Center for Business and Economic Research (CBER) at the University of Tennessee. In addition, the memo examines consumer spending; the labor market and unemployment rates; and considers the possible economic outcomes of emerging federal policies.

In short, Comptroller's staff analysis finds:

- **CBER's projections for Tennessee nominal personal income do not appear to be unreasonable.** The CBER report predicts that Tennessee nominal personal income will grow by 4.57 percent and 4.67 percent in calendar years 2020 and 2021, respectively. Although few agencies track Tennessee personal income statistics, the state's personal income growth has historically tracked alongside growth in the U.S. Gross Domestic Product (GDP). CBER's projections for U.S. GDP fall within the range of other figures quoted by various other forecasting sources-leading staff to conclude that CBER's estimate for Tennessee personal income is similarly reasonable.
- **Job growth in Tennessee has been healthy and the state unemployment rate remains incredibly low.** Nonfarm employment is projected to grow by 1.5 percent or

Statutory Authority

Tennessee Code Annotated (TCA) § 9-4-5202 requires the State Funding Board (the Board) to secure estimates of Tennessee's economic growth from the Tennessee econometric model at least once a year. These estimates are published annually in the *Economic Report to the Governor* by the University of Tennessee's Boyd Center for Business and Economic Research (CBER). The report includes data on such indicators as nominal personal income, employment, inflation, consumer spending, and the housing market for Tennessee and the United States as a whole.

The statute also requires the Board to comment on the "reasonableness" of CBER's projections, and provide different estimates, if necessary. As specified in TCA § 9-4-5201, the rate of Tennessee's economic growth is based on the projected changes in Tennessee nominal personal income.

The Comptroller's staff assists the Board by evaluating information on current economic conditions and trends provided by commonly referenced sources in economic forecasting.

45,800 new jobs in 2019. This would be slightly faster than the 1.3 percent growth rate forecast for the U.S. The 2020 unemployment rate is forecast to be 3.5 percent and 3.4 percent, for Tennessee and the U.S., respectively.

CBER's projections fall within the range of other forecasts

The CBER economic report predicts that Tennessee nominal personal income will grow by 4.57 percent and 4.67 percent in calendar years 2020 and 2021, respectively (Exhibit 1).¹

Exhibit 1: CBER's Estimated Tennessee Personal Income Growth

Forecast Year	Calendar Year	Fiscal Year
2019	5.17%	—
2020	4.57%	4.90%
2021	4.67%	4.50%

¹Matthew N. Murray et al., *An Economic Report to the Governor of the State of Tennessee: The State's Economic Outlook January 2020*, Boyd Center for Business and Economic Research, University of Tennessee, January 2019, pp. 30, <http://cber.haslam.utk.edu>.

AT A GLANCE

Tennessee's Economic Outlook

2020

projections from the
Boyd Center for
Business and
Economic Research

Quick Facts

Tennessee's sales tax revenue **was up 5.9 percent** compared to last fiscal year to date.

Tennessee recorded **11,585 new entity filings (i.e. initial filings) in the third quarter of 2019**, representing an 8.2 percent increase over the same quarter last year.

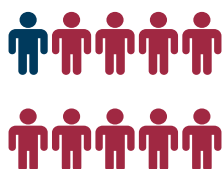
Initial filings have now seen positive year-over-year growth in **32 consecutive quarters**.



▲ 4.67%

nominal personal income

U.S.: ▲ 4.11%



3.5%

unemployment rate

U.S.: ▲ 3.5%

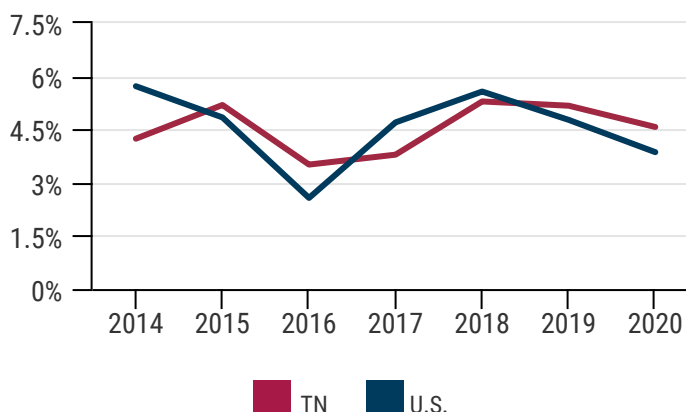


1.62%

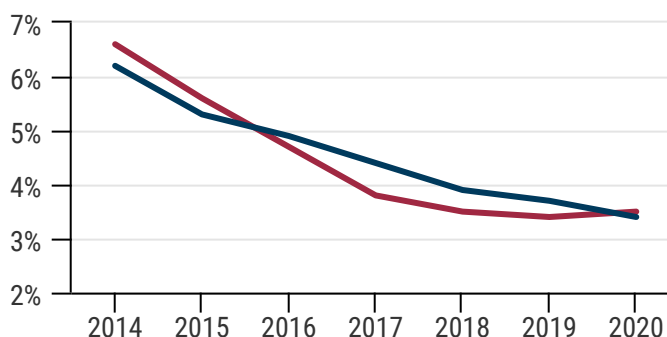
real GDP

U.S.: 2.08%

Nominal Personal Income



Historical Unemployment Rate



1.78%

Consumer Price Index



▲ 4.4%

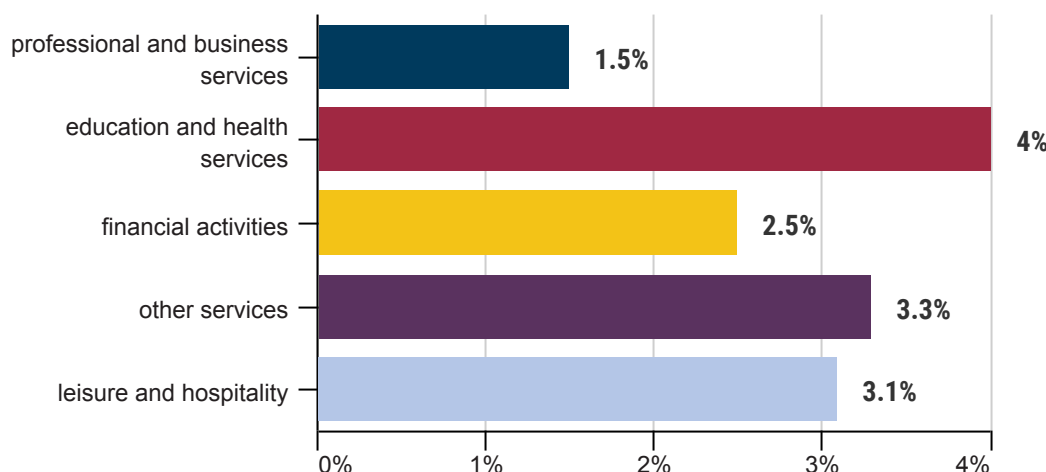
per capita income

U.S.: ▲ 4.9%

Tennessee's Fastest Growing Industries

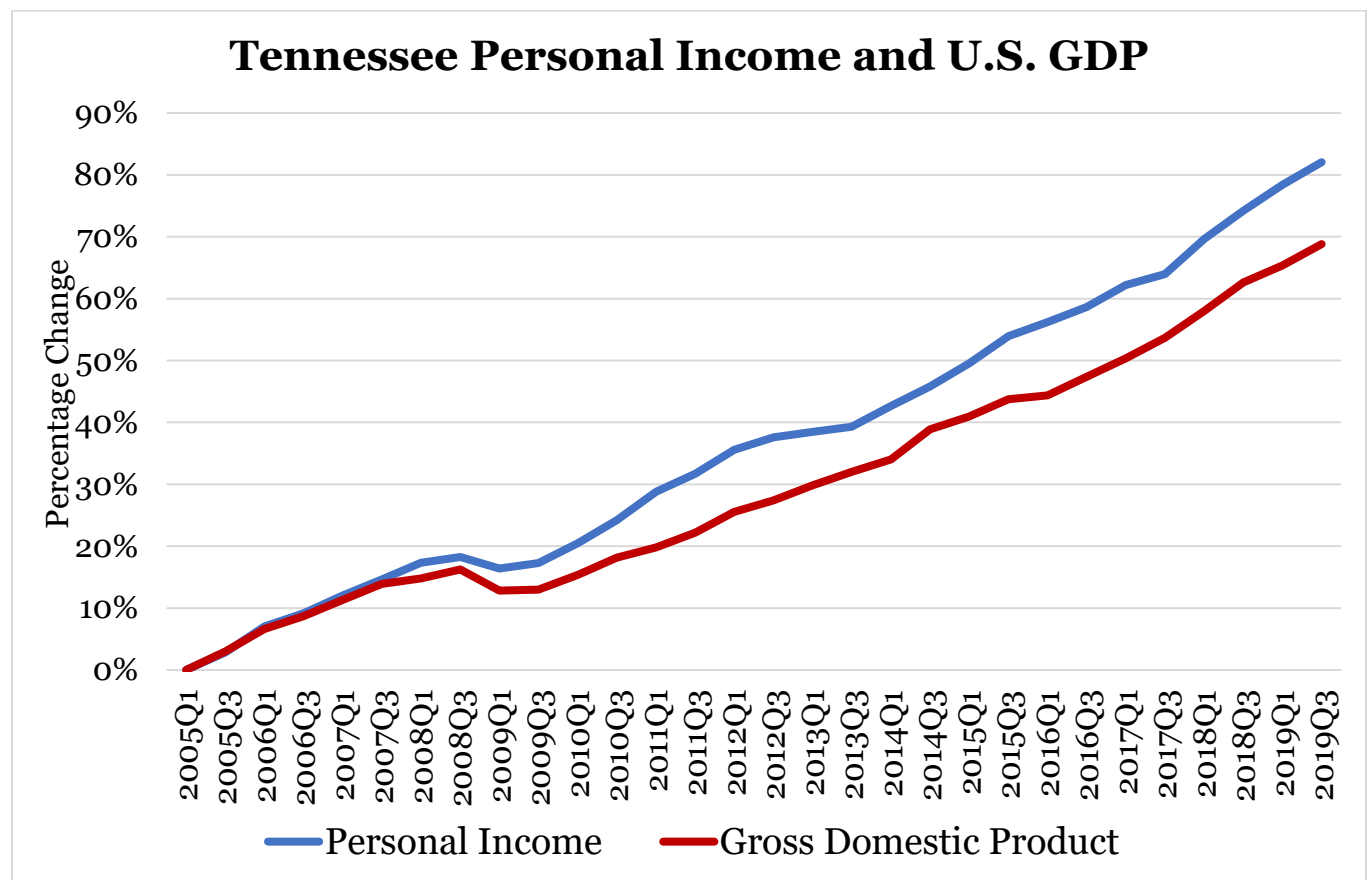
Nonfarm employment is projected to grow by **1.5%** or **45,800 jobs** in 2019.

This is slightly faster than the **1.3%** forecast for the US.



Few agencies estimate growth in Tennessee personal income, making it difficult to directly compare CBER's projections with other sources. Tennessee personal income closely tracks growth in the state's Gross Domestic Product (GDP), and the state GDP figure typically mirrors the national GDP. Consequently, U.S. GDP may be used as a proxy for Tennessee GDP, which, in turn, may stand in for Tennessee personal income – in fact, the two figures often track closely (Exhibit 2). Thus, in the end, staff may compare the many estimates of U.S. GDP growth to CBER's projections and use the result to judge the reasonableness of CBER's personal income predictions.

Exhibit 2: Relative Growth of Tennessee Personal Income and U.S. GDP



Source: U.S. Bureau of Economic Analysis, Tennessee Personal Income by Major Component, Gross Domestic Product, February 6, 2020 www.bea.gov.

CBER projects that U.S. GDP will grow 2.1 percent in calendar year 2020. This figure falls within a range of government and non-government forecasts: Fannie Mae and the Federal Reserve bank predict 2.3 percent growth over this period, while Deutsche Bank and the Conference Board forecast a 2.7 percent increase (Exhibit 3). Because CBER's estimates for U.S.

GDP fall within the range of predictions from other reputable sources, Comptroller's staff finds that CBER's projections for Tennessee personal income growth are not unreasonable.

Exhibit 3: Government and Non-Government GDP Forecasts

Forecaster	CY 2020	CY 2021	Date
World Bank	1.8	1.7	January 2020
Fannie Mae	2.1	2.0	December 2019
Congressional Budget Office	2.2	1.8	January 2020
Citigroup	2.0	1.8	December 2019
Deutsche Bank	1.9	2.1	December 2019
Federal Reserve Bank	2.0	1.9	December 2019
Conference Board	2.3	2.0	January 2020
Wells Fargo	1.8	2.2	December 2019
High	2.3	2.2	
Median	2.0	2.0	
Low	1.8	1.8	
CBER	2.1	2.0	January 2020

Source: World Bank, *Global Economic Prospects, January 2020*, p. 4, <https://www.worldbank.org>; Fannie Mae, "Economic Forecast: December 2019," December 10, 2019, p. 1, <http://www.fanniemae.com>; Congressional Budget Office, "The Budget and Economic Outlook: 2020-2030," January 2020, p. 30, <http://www.cbo.gov/publication/56020>; Citigroup, "Outlook 2020: Back to the Future," December 2019, p. 4, <https://www.marketinsights.citi.com/marketoutlook/2020-back-to-the-future>; Stefan Schneider et al., *Outlook 2020: Fragile – Handle with Care*, Deutsche Bank, December 20, 2019, p. 2, <https://www.dbresearch.com>; Federal Reserve Bank, "Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy," December 19, 2019, p. 1, <https://www.federalreserve.gov>; Conference Board, "The Conference Board Global Economic Outlook," January 20, 2020, p. 2, <http://www.conference-board.org>; Wells Fargo, "2020 Annual Economic Outlook," December 11, 2019, p. 19, <https://www.wellsfargo.com>; Matthew N. Murray et al., *An Economic Report to the Governor of the State of Tennessee: The State's Economic Outlook January 2020*, Boyd Center for Business and Economic Research, University of Tennessee, January 2020, p. 30, <http://cber.haslam.utk.edu>.

U.S. Economy

U.S. GDP is one of the broadest measures of economic activity for the national economy and is composed of personal consumption expenditures, investment, government purchases, and the balance of trade. Personal consumption expenditures constitute the largest component of U.S. GDP and will account for 69.7 percent of income in 2019.² The U.S. economy continued its strong growth in 2019, with inflation-adjusted annual growth of approximately 2.3 percent. This ensured the 2010s were a recession-free decade—the first such decade since records began in 1855.

² Matthew N. Murray et al., *An Economic Report to the Governor of the State of Tennessee: The State's Economic Outlook January 2020*, Boyd Center for Business and Economic Research, University of Tennessee, January 2020, pp. 3, <http://cber.haslam.utk.edu>.

Wage Growth

In January 2020, the U.S. Labor Department reported that wages were up 2.9 percent for the year ending December 2019.³ Wage increases have been the missing link in the economy since the recovery began in mid-2008. In 2019, the 25% lowest-paid Americans enjoyed a 4.5 percent income increase. That outpaced the 2.9 percent gain for the country's highest-paid workers. Wage growth can lead to further improvement in economic indicators. Consumer spending, the largest component of GDP, often increases with wage growth. In addition, as consumer spending increases, businesses increase hiring. The Federal Reserve minutes from January 29-30, 2019 have noted the correlation.

Key factors that influence consumer spending - including the low unemployment rate, the upward trend in real disposable income, high levels of households' net worth, and generally low interest rates – were supportive of solid real Personal Consumption Expenditures (PCE) growth in the near term.⁴

Consumer Confidence

Consumer confidence is an economic indicator that measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. In theory, the more optimistic consumers feel, the more they may be inclined to spend. An upturn in the index can be an indicator of more jobs, higher wages, an increased demand for capital- and possibly higher inflation. A downturn in the index can be an indication of the opposite. Consumer confidence increased in January following a moderate increase in December. Optimism about the labor market should continue to support confidence in the short-term and, as a result, consumers will continue driving growth and prevent the economy from slowing in early 2020.⁵

Labor Market

Consistent with the increase in GDP, labor markets continue to improve. The U.S. continues to post strong results, with an expected 2019 unemployment rate of 3.7 percent versus last year's 3.9 percent. With a forecasted 2020 unemployment rate of 3.4 percent, the economy continues to operate near full employment. The U.S. economy now has 163.5 million people in its labor force. At 72.6 percent, the prime age (under 65) participation rate is at its highest level since the Great Recession.⁶

³ Bureau of Labor Statistics., [*Employment Cost Index Summary*](https://www.bls.gov/news), Bureau of Labor Statistics, January 31, 2020.

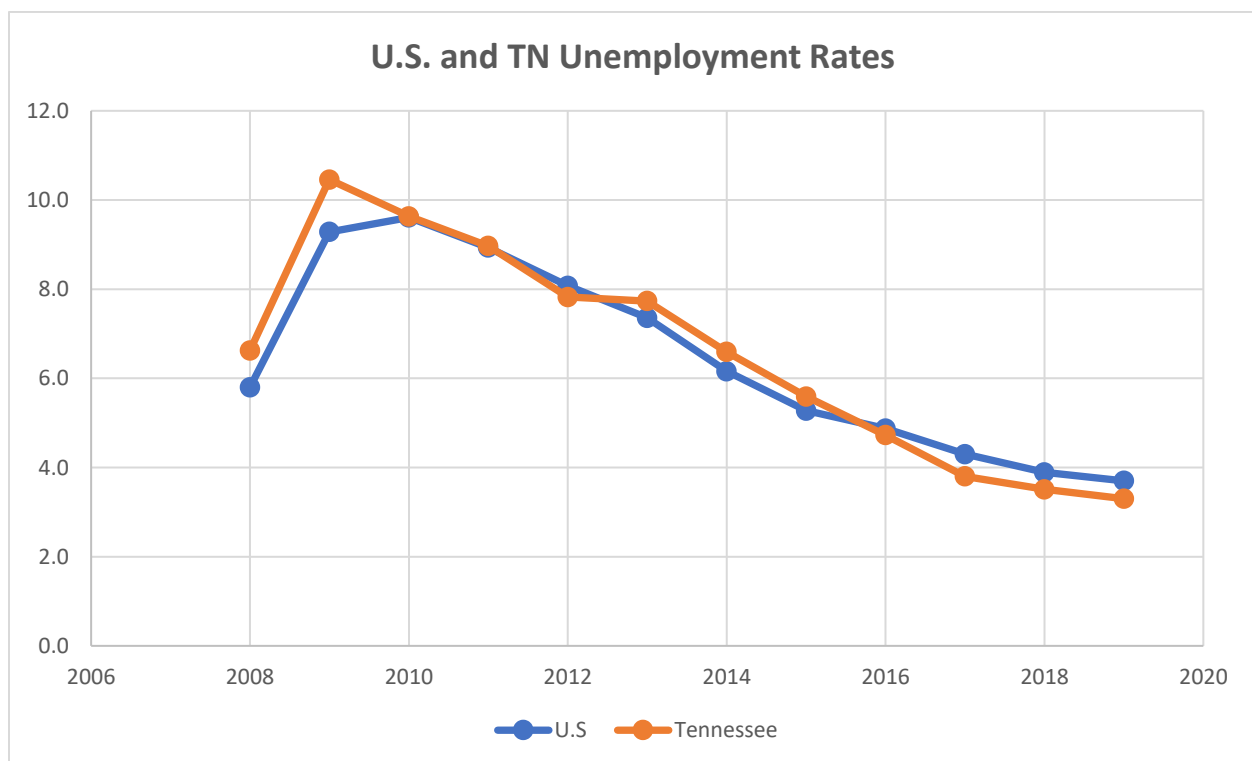
⁴ Federal Open Market Committee, *Minutes from Meetings December 10-11, 2019*, p. 6. <https://www.federalreserve.gov>.

⁵ Lynn Franco., [*The Conference Board Consumer Confidence Index Increased in January*](https://www.conference-board.org), The Conference Board, January 2020, <https://www.conference-board.org>

⁶ Matthew N. Murray et al., [*An Economic Report to the Governor of the State of Tennessee: The State's Economic Outlook January 2020*](http://cber.haslam.utk.edu), Boyd Center for Business and Economic Research, University of Tennessee, January 2020, pp 10. <http://cber.haslam.utk.edu>.

The state unemployment rate averaged an incredibly low 3.4 percent in 2019 and is on pace to be 3.5 percent in 2020.⁷ The low unemployment rate, in combination with strong jobs growth, points to an economy that is cruising along at or near “full employment” (the idea that everyone who is willing and able to work is employed). An unemployment rate this low is positive for consumer spending-as workers who have found a job spend money and further boost the economy. Participants of the Open Market Committee noted the strong labor market in the minutes from their December meeting.

In their discussion of labor markets, participants judged that conditions in the labor market remained strong, with the unemployment rate at a 50-year low, job gains remaining solid, and some measures of labor force participation increasing further. The unemployment rate was likely to remain low going forward, and various participants remarked that there were some indications that further strengthening in overall labor market conditions was possible without creating undesirable pressures on resources. In particular, a number of participants noted that the labor force participation rate could rise further still.⁸

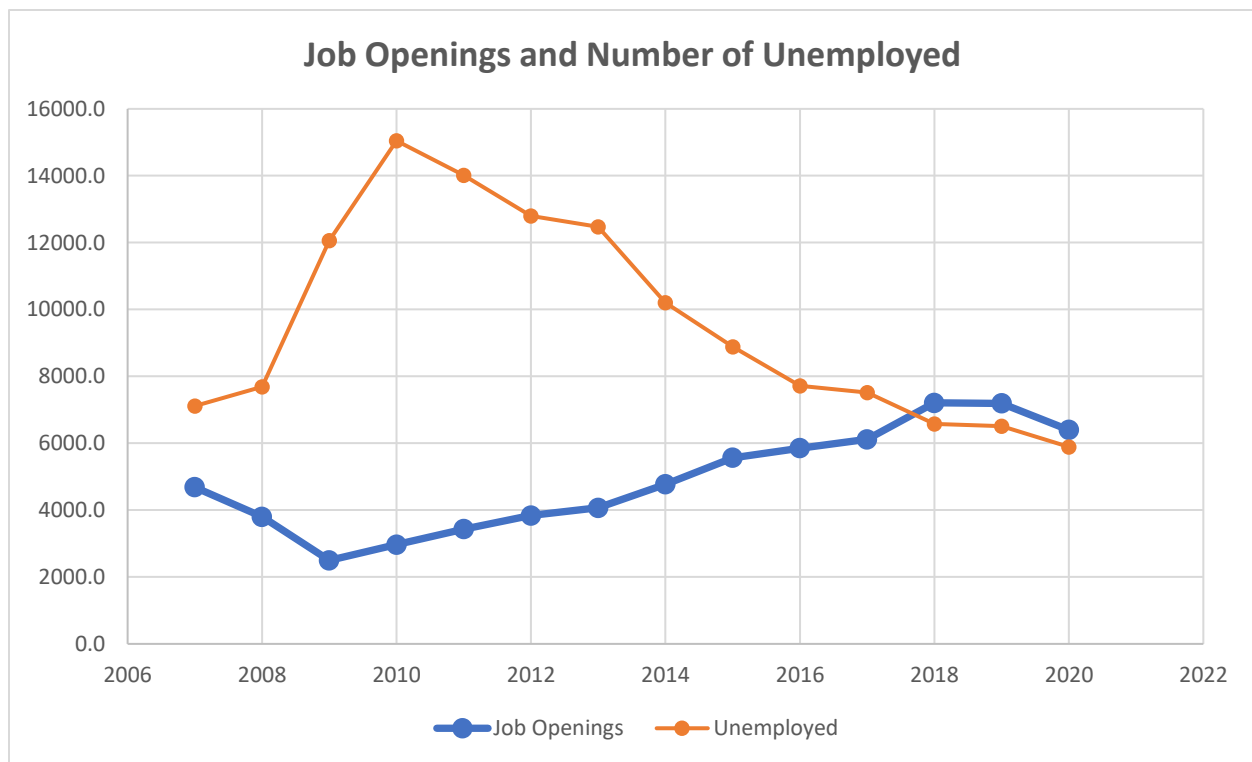


Source: Federal Reserve Bank of St. Louis, Civilian Unemployment Rate, February 19th, 2020, <https://fred.stlouisfed.org>.

⁷ Ibid

⁸ Federal Open Market Committee, *Minutes from Meetings December 10-11, 2019*, pp. 9. <https://www.federalreserve.gov>.

With the unemployment rate so low, questions have persisted about how close the U.S. is to full employment. The gap between jobs and the unemployed suggests more room for movement. The Bureau of Labor Statistics (BLS) reports this data in the Job Opening and Labor Turnover Survey (JOLTS). As employers compete for workers, they are forced to offer higher wages. As the members of the FOMC have noted consumer spending, the largest component of GDP, often increases with wage growth.



Source: Bureau of Labor Statistics, Jobs Opening and Labor Turnover Survey, February 11th, 2020, <https://www.bls.gov>.

Inflation and Interest Rates

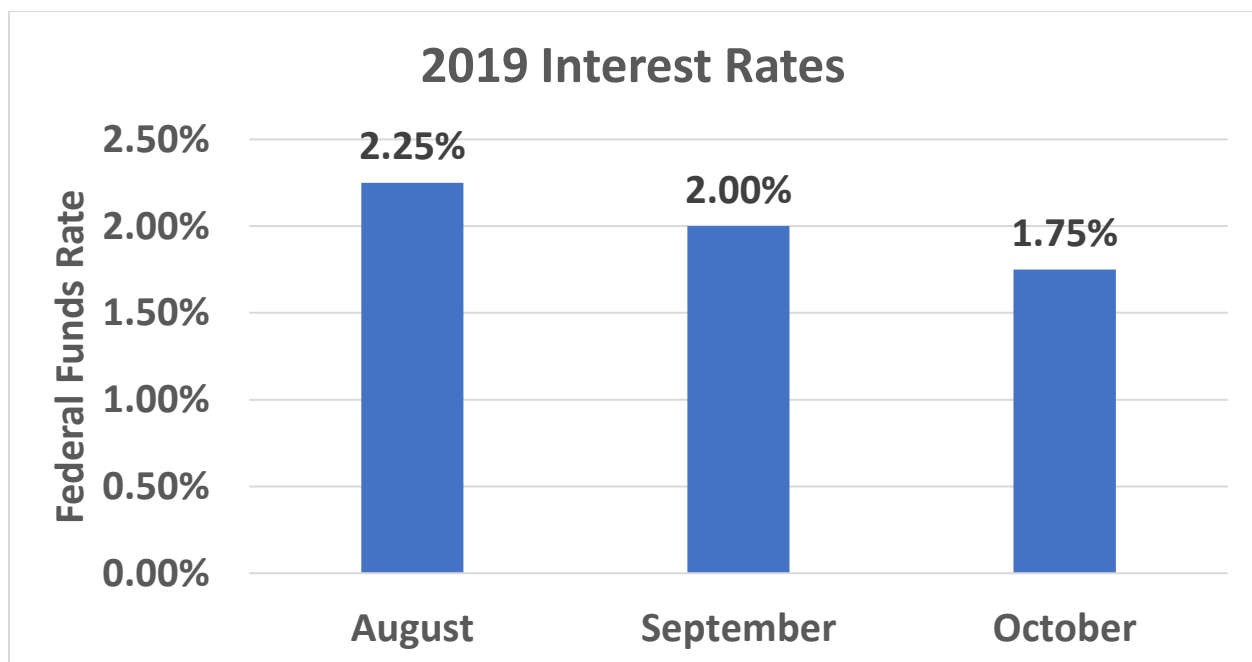
The monetary goals of the Federal Reserve are to foster economic conditions that achieve both stable prices and maximum sustainable employment. Price stability preserves the integrity and purchasing power of the nation's money. When prices are stable, people can hold money for transactions and other purposes without having to worry that inflation will eat away at the real value of their money. Equally important, stable prices allow people to rely on the dollar as a measure of value when making long-term contracts, engaging in long-term planning, or borrowing or lending for long periods.

The preferred measure by the Federal Reserve of core inflation in the U.S. is the change in the core personal consumption expenditures price index (PCE). The Federal Open Market Committee's (FOMC) stated objective for core PCE is 2 percent. Core PCE price inflation, which

excludes changes in consumer food and energy prices, was 1.6 percent over the 12 months ending in October.⁹

Participants noted that recent readings on overall and core PCE inflation, measured on a 12-month change basis, had continued to run below 2 percent. Participants generally expected that inflation would return to the 2 percent objective as the economic expansion continued and resource utilization remained high. Participants who expressed less confidence that inflation would return promptly to the 2 percent objective commented that inflation had averaged less than 2 percent over the past several years even as resource utilization had increased or that global or technology-related factors were exerting downward pressure on inflation that could be difficult to overcome.¹⁰

The Fed began to normalize interest rates in 2017 with three rate hikes. The normalization process continued in 2018 by increasing rates four times (100 basis points) to 2.5 percent. There's an old saying that when the Federal Reserve tightens policy, something breaks. As such, there has been significant debate on the necessity of the recent rate increases. The debate carried on through August of 2019 when the Federal Reserve began to lower rates. The Fed followed the August reduction of 25 basis points with additional 25 basis point reductions in September and October. The financial markets were quick to applaud the change in direction of interest rates and quickly rebounded from the downturn in late 2018 to new all-time highs in early 2020.



Source: Board of Governors of the Federal Reserve System, <https://federalreserve.gov>.

⁹ Federal Open Market Committee, *Minutes from Meetings December 10-11, 2019*, pp. 6. <https://www.federalreserve.gov>.

¹⁰ Federal Open Market Committee, *Minutes from Meetings December 10-11, 2019*, pp. 9-10. <https://www.federalreserve.gov>.

International Trade

The previous year was a continuation of tension in trade disputes with China, the European Union, and others. While the narrative has been focused on restricting imports through heightened tariffs, retaliatory measures created a commensurate drag on exports. This is reflected in the poor performance of exports of goods and services which declined 0.2 percent. This was the first decrease since the Great Recession.

China's retaliatory tariffs have had an impact on the Tennessee economy. Tennessee's agricultural exports in FY 2019 were slightly above \$1.4 billion, down 4 percent when compared to the previous year.¹¹ The overall decline was, in part, driven by a decline in exports to China, which were down 37 percent. Product categories where Tennessee experienced more significant declines include cotton and tobacco. Two major declines for the State are in agriculture-related categories: distilled spirits and forest products. In FY 2019, Tennessee distilled spirits exports were \$469 million, down 35 percent. Forest products were \$187 million, down 34 percent.¹²

Canada and Mexico are the most important markets for U.S. agricultural exports. Exports are expected to increase by \$400 million and \$500 million respectively. Recent trade agreements with Japan, South Korea, Mexico, and Canada should support domestic animal and animal product prices. U.S. and Tennessee pork producers could benefit from the outbreak of African Swine Fever, which likely means China will continue to look to international markets to fulfill their meat protein needs. The virus has wiped out more than one third of China's hog population and sent pork prices skyrocketing. China's inflation reached a nearly eight year high in November after pork prices soared 110 percent year-on-year. China Agricultural University has estimated the swine fever has caused more than \$140 billion in direct losses.¹³

Coronavirus

Health officials worldwide are responding to an outbreak of respiratory disease caused by a new coronavirus that was first detected in China and which has now been detected in 60 locations internationally, including in the United States. Coronaviruses are a large family of viruses that are common in people and many different species of animals. Rarely, animal coronaviruses can infect people and then spread between people such as with MERS-CoV, SARS-Cov, and now with this new virus.¹⁴

At this time, the risk to the United States is not exposure to the virus it is the potential economic issues. Kristalina Georgieva, managing director of the International Monetary Fund, said at the G-20 summit that the virus will likely shave 0.1 percentage points off global growth in 2020.

¹¹ Matthew N. Murray et al., *An Economic Report to the Governor of the State of Tennessee: The State's Economic Outlook January 2020*, Boyd Center for Business and Economic Research, University of Tennessee, January 2020, pp xii. <http://cber.haslam.utk.edu>.

¹² Ibid

¹³ Simina Mistreanu., *China's Swine Fever Crisis Will Impact Global Trade Well Into 2020*, Forbes, December 28, 2019. <http://www.forbes.com>.

¹⁴ Centers for Disease Control, *Coronavirus Disease 2019 (COVID-19) Situation Summary*. Centers for Disease Control, February 29, 2020. <http://www.cdc.gov/coronavirus/2019-nCoV/summary.html>

Meanwhile Chinese growth would fall to 5.6%, which is 0.4 percentage points lower from the IMF's January outlook.¹⁵

Business as usual has yet to return to much of China as retailers keep doors shuttered in hard-hit areas in and around the city of Wuhan. Some factories, including a few owned by Ford, Toyota, and Volkswagen, have begun reopening their doors in recent days – a long-awaited development for global supply chains that depend on Chinese products and intermediate parts. But nearly 4 in 5 American companies with operations in China say they don't currently have sufficient staff available to run a full production line. "The biggest problem is lack of workers as they are subjected to travel restrictions and quarantines," Ker Gibbs, President of the American Chamber of Commerce in Shanghai, said in a statement, noting that "most factories have a server shortage of workers, even after they are allowed to open. This is going to have a severe impact on global supply chains that is only beginning to show up."¹⁶ The Federal Reserve is also monitoring the situation closely. On March 3rd they took action to cut interest rates by 50 basis points. In his press conference, Chairman Powell stated "We are beginning to see the effects on the tourism and travel industries, and we are hearing concerns from industries that rely on global supply chains. The magnitude and persistence of the overall effects on the economy however, remain highly uncertain and the situation remains a fluid one."

Conclusion

As of today, the state and national economies are enjoying the longest expansion in the historical record dating back to the middle of the 1850s. While expansions don't die of old age, they do, at some point, come to an end. This reality requires Tennessee to continue its conservative fiscal approach of very low debt levels, excellent pension funding, and low taxes. While no recession has been forecasted, Tennessee has shown that it is prepared to manage economic headwinds by continuing to increase the size of the Rainy Day Fund.

In consideration of the information provided here, CBER's projections for Tennessee nominal personal income growth of 4.57 percent and 4.67 percent for calendar years 2020 and 2021, respectively do not appear to be unreasonable.

¹⁵ Chloe Taylor., *Economic Impact of Coronavirus Will be Clearer in Three to Four Weeks*, CNBC, February 23, 2020. <http://www.cnbc.com>.

¹⁶ Andrew Soergel., *Economic Cost of the Coronavirus*, U.S. News, February 21, 2020. <http://www.usnews.com>.

STATE OF TENNESSEE

Office of the Attorney General



HERBERT H. SLATERY III
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March 6, 2020

State Funding Board
c/o Sandra Thompson
Assistant Secretary
Office of State and Local Finance
Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North, 4th Floor
Nashville, TN 37243-3400

RE: List Identifying State Tax and Non-Tax Revenue Sources

Gentlemen:

The attached list identifying State tax and non-tax revenue sources existing as of March 6, 2020, is approved pursuant to the provisions of Tenn. Code Ann. § 9-4-5202.

Sincerely,

A handwritten signature in black ink that reads "Herbert H. Slatery III".

HERBERT H. SLATERY III
Attorney General and Reporter

Encl.

March 6, 2020

The list below identifies tax and non-tax revenue sources existing as of March 6, 2020, and is approved by the Attorney General and Reporter pursuant to the provisions of Tenn. Code Ann. § 9-4-5202:

Tax Revenue Sources

1. Sales and Use Tax
2. Gasoline Tax
3. Diesel Tax
4. Special Privilege Tax on Petroleum Products
5. Export Tax on Petroleum Products
6. Environmental Assurance Fee
7. Highway User Fuel Tax
8. Alternative Fuels Tax (Liquefied Gas Tax & Compressed Natural Gas Tax)
9. Income Tax
10. Recordation Tax
11. Privilege Taxes
12. Litigation Tax
13. Gross Receipts Taxes
14. Beer Taxes
15. Alcoholic Beverage Taxes
16. Franchise Tax
17. Excise Tax
18. Tobacco Tax
19. Motor Vehicle Title and Registration Fees
20. Mixed Drink Tax
21. Business Tax
22. Occupational Privilege Tax
23. Severance Taxes
24. Insurance Premiums Tax
25. Coin Operated Amusement Machine Tax
26. Tire Predisposal Fee
27. Used Oil Tax
28. Car Rental Surcharge
29. Bail Bond Tax
30. Vending Machine Tax
31. Unauthorized Substances Tax
32. Insurance Verification Fee
33. Fantasy Sports Tax
34. Adult Performance Business Tax
35. Nursing Home Tax
36. Hospital Coverage Assessment
37. Ambulance Service Provider Assessment

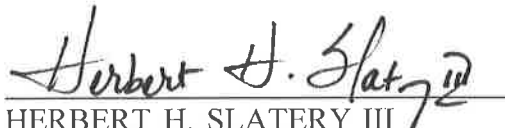
Mixed Fee and Tax Revenue Sources

- 38. Regulatory Fees and Tax Collections from:
 - a. Department of Commerce and Insurance
 - b. E-911 Emergency Communications
 - c. Department of Financial Institutions
 - d. Wildlife Resources Agency
 - e. Department of Health
 - f. Department of Agriculture
 - g. Regulatory Board Fees
 - h. Tennessee Public Utility Commission
 - i. Secretary of State
 - j. Department of Safety
 - k. Department of Revenue
 - l. Department of Environment and Conservation
 - m. Other State Departments, Agencies and Boards

Non-Tax Revenue Sources

- 39. Court Fines & Penalties Reported to:
 - a. Department of Commerce and Insurance
 - b. Department of Financial Institutions
 - c. Department of Agriculture
 - d. Wildlife Resources Agency
 - e. Department of Health
 - f. Tennessee Public Utility Commission
 - g. Department of Safety
 - h. Department of Education
 - i. Department of Environment and Conservation
 - j. Other State Departments, Agencies and Boards
- 40. Treasury Earnings
- 41. Proceeds from Unclaimed Property
- 42. Departmental Revenues for Current Services
- 43. Federal Funds
- 44. Proceeds of State Bonds and Notes
- 45. Gifts and Donations
- 46. Payments in Lieu of Taxes
- 47. Tobacco Litigation Settlement
- 48. Lottery Revenues

Approved:


HERBERT H. SLATTERY III
Attorney General and Reporter
State of Tennessee

February 13, 2020

Mr. Justin P. Wilson
Comptroller of the Treasury
State Funding Board
State Capitol
Nashville, Tennessee 37243

Dear Mr. Wilson:

Sections 9-4-5201 and 5202 of the *Tennessee Code Annotated* state that the Funding Board may secure from the Tennessee Econometric Model the estimated rate of growth of the state's economy as measured by the forecasted change in Tennessee personal income. Personal income is defined by the United States Department of Commerce. Major assumptions and the methodology used in arriving at the estimates are to be provided as well. This background information to our forecast is included in the *Tennessee Economic Report to the Governor, 2020*.

We report the following to you:

Calendar Year	Personal Income (mil \$)	Growth (%)	Index (1977 = 100.00)	Calendar Year	Personal Income (mil \$)	Growth (%)	Index (1977 = 100.00)	Calendar Year	Personal Income (mil \$)	Growth (%)	Index (1977 = 100.00)
1977	27,176	10.83	100.00	1993	100,092	6.42	368.31	2009	216,042	-0.72	794.98
1978	30,979	14.00	114.00	1994	106,497	6.40	391.88	2010	226,587	4.88	833.78
1979	34,544	11.51	127.11	1995	114,365	7.39	420.83	2011	240,718	6.24	885.78
1980	38,078	10.23	140.12	1996	120,799	5.63	444.51	2012	253,613	5.36	933.23
1981	42,383	11.31	155.96	1997	127,953	5.92	470.83	2013	256,016	0.95	942.07
1982	45,046	6.28	165.76	1998	140,037	9.44	515.30	2014	266,873	4.24	982.03
1983	48,057	6.68	176.84	1999	145,565	3.95	535.64	2015	280,719	5.19	1032.98
1984	53,481	11.29	196.80	2000	154,420	6.08	568.22	2016	290,560	3.51	1069.19
1985	57,208	6.97	210.51	2001	158,357	2.55	582.71	2017	301,560	3.79	1109.66
1986	61,216	7.01	225.26	2002	162,839	2.83	599.21	2018	317,515	5.29	1168.37
1987	65,941	7.72	242.65	2003	169,455	4.06	623.55	2019	333,927	5.17	1228.77
1988	71,646	8.65	263.64	2004	179,482	5.92	660.45	2020	349,174	4.57	1284.87
1989	76,928	7.37	283.07	2005	187,942	4.71	691.58	2021	365,494	4.67	1344.92
1990	81,784	6.31	300.94	2006	200,305	6.58	737.07	2022	383,325	4.88	1410.54
1991	86,009	5.17	316.49	2007	209,964	4.82	772.61				
1992	94,053	9.35	346.09	2008	217,599	3.64	800.71				

We would be pleased to discuss the economic forecast with you in detail.

Best regards,



William F. Fox
Director

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