



JASON E. MUMPOWER
Comptroller

TENNESSEE STATE FUNDING BOARD
MARCH 27, 2023
AGENDA

1. Call meeting to order
2. Consideration for approval of minutes from the February 15, 2023, meeting
3. Report from the Department of Economic and Community Development for approval of funding for the following FastTrack projects:
 - **NYX Linden LLC – Linden (Perry County)**
FastTrack Economic Development Grant \$ 1,027,500
 - **Formulated Solutions Cleveland, LLC – Cleveland (Bradley County)**
FastTrack Economic Development Grant \$ 2,000,000
4. Presentation of the staff analysis of “An Economic Report to the Governor of the State of Tennessee”
 - List Identifying State Tax and Non-Tax Revenue Sources from the Attorney General pursuant to T.C.A. §9-4-5202
 - Tennessee Personal Income Letter from Dr. Larry Kessler, Research Associate Professor, Boyd Center for Business and Economic Research
5. Adjourn

TENNESSEE STATE FUNDING BOARD
February 15, 2023

The Tennessee State Funding Board (the “Board”) met on Wednesday, February 15, 2023, at 10:30 a.m., in the Volunteer Conference Center, Cordell Hull Building, 2nd Floor, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

The Honorable David Lillard, State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration

The following members were absent:

The Honorable Bill Lee, Governor
The Honorable Tre Hargett, Secretary of State

Having established that a quorum was present, Mr. Mumpower called the meeting to order and presented the minutes from the meeting held on December 15, 2022, for consideration and approval. Mr. Bryson made a motion to approve the minutes, and Mr. Lillard seconded the motion. The motion was unanimously approved.

Mr. Mumpower then recognized Mr. Stuart McWhorter, Commissioner of the 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 December 15, 2022, Board meeting, the FastTrack balance was \$260,885,172.02. Since that time, \$5,143,185.44 in appropriations had been added from interest earned through November; \$5,917,901.56 in funds had been deobligated; \$19,987,550.00 in new grants and loans had been approved; and \$215,615.61 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$251,743,093.41 as of the date of the Report. Mr. VanderMeer reported that total commitments had been made in the amount of \$212,189,388.78, resulting in an uncommitted FastTrack balance of \$39,553,704.63. Mr. VanderMeer reported that the amount of proposed grants for projects to be considered at this meeting totaled \$16,086,000.00, and if these projects were approved, the uncommitted balance would be \$23,467,704.63, for a total committed balance of \$228,275,388.78, which represented 90.7% of the FastTrack balance.

Mr. McWhorter then presented the following FastTrack projects:

- **Tritium Technologies LLC – Lebanon (Wilson County)**
FastTrack Job Training Assistance Grant \$ 536,000.00

- **Saxco International, LLC – Franklin (Williamson County)**
FastTrack Job Training Assistance Grant \$ 1,000,000.00

- **In-N-Out Burgers, Inc – Franklin (Williamson County)**
FastTrack Economic Development Grant \$ 2,750,000.00

- **SK Food Group, Inc. – Cleveland (Bradley County)**
FastTrack Economic Development Grant \$ 9,000,000.00
- **Arrowhead Engineered Projects – Portland (Robertson County)**
FastTrack Job Training Assistance Grant \$ 1,500,000.00
- **Summertown Metals, LLC – Hohenwald (Lewis County)**
FastTrack Economic Development Grant \$ 1,300,000.00

The Board member packets included letters and FastTrack checklists signed by Commissioner McWhorter, and incentive acceptance forms signed by company representatives. Mr. Mumpower inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Mr. McWhorter responded affirmatively. Mr. Mumpower then inquired if the checklists had been completed for each project, and Mr. McWhorter responded affirmatively. Mr. Mumpower then inquired if all the projects included accountability agreements which would provide protections for the state in the event the entity could not fulfill the agreement, and Mr. McWhorter responded affirmatively. Mr. Bryson made a motion to approve the projects. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Mumpower then recognized Ms. Sheila Reed, Director of the Division of Local Government Finance (“LGF”), and Mr. Steve Osborne, Assistant Director, LGF, to present a Report on the Notice of Default of a Debt Obligation submitted by the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “Metro IDB”). Mr. Osborne stated that the Metro IDB reported the failure to pay a portion of the interest payment on its 2015 Bellevue Mall Tax Increment Financing (“TIF”) Bonds (the “Metro IDB Bonds”) that is considered to be a “Conduit Debt Obligation” pursuant to State Funding Board Guidelines for Debt Reporting by Industrial Development Boards (“Guidelines”). Mr. Osborne then stated that the Metro IDB Bonds were issued for construction of TIF related projects for a mixed-use development on the site of the old Bellevue Mall and were secured by a tax increment financing. Mr. Osborne then stated that the failure to pay interest was not a default as defined under the bond indenture but was a default under the Guidelines. Mr. Osborne further explained that the failure to make principal and interest payments under the bond indenture was not a default if funds were not available, only if the funds were misappropriated. Mr. Osborne then stated that there was no recourse on the Metropolitan Government of Nashville and Davidson County. Mr. Osborne then stated that according to the default notice sufficient funds were not available to fund the December 1, 2022, debt service payment, requiring funds to be transferred from the Debt Service Reserve Fund (the “DSRF”), leaving an interest payment deficiency of \$45,690.99, and a fully depleted DSRF. Mr. Osborne then reported that there may not be sufficient revenues to fully fund future debt service payments and replenish the DSRF based on projected TIF revenues. Mr. Osborne stated that this was the first time that funds had not been sufficient to make the interest payments on the Metro IDB Bonds, but draws on the DSRF have been made each year since 2019 to meet the debt service requirement. Mr. Osborne then stated the Metro IDB Bonds were issued in December of 2015, and were privately placed with Preston Hollow Community Capital. Mr. Osborne further stated that the first three years of payments were provided by funds in the Capitalized Interest Fund that had been initially funded with bond proceeds. Mr. Osborne then stated that the investor was aware that future failure to make debt service payments due to insufficient revenues was not a default under the bond indenture. Since this was a report item, no further action was necessary.

Mr. Mumpower then recognized Ms. Reed and Mr. Osborne to present a Report on the Notice of Default submitted by the Economic Development Growth Engine Industrial Development Board of Memphis and Shelby County, Tennessee (“EDGE”). Mr. Osborne stated that EDGE filed two notices of defaults in connection with their 2017 Series C and 2017 Series D Graceland Bonds (the “Graceland Bonds”) considered to be “Conduit Debt Obligations” pursuant to State Funding Board Guidelines for Debt Reporting by Industrial Development Boards (“Guidelines”). Mr. Osborne then stated that both default notices were filed timely. Mr. Osborne further stated that the DSRF had been depleted for both series of Graceland Bonds. Mr. Osborne then stated that the Graceland Bonds were secured by TIF revenues, Tourist Development Zone (“TDZ”) revenues, and tourism surcharge revenues. Mr. Osborne then reported that according to communications from EDGE, revenue performance at the Graceland campus was beginning to improve. Mr. Osborne further reported that tourism surcharge revenues reported for the six months ended November 2022, had increased approximately \$700,000 from the prior year. Mr. Osborne then stated that no payments had been made on the 2017C or 2017D Graceland Bonds. Mr. Osborne further stated that payments had been made on the 2017A and 2017B Graceland Bonds. Mr. Osborne then reported that this was the fourth default notice issued for the 2017C Graceland Bonds and the fifth default notice issued for the 2017D Graceland Bonds. Mr. Osborne then stated that failure to make payments on the 2017C Graceland Bonds was a default under both the bond indenture and the Guidelines, however, the failure to make payments on the 2017D Graceland Bonds was a default only under the Guidelines and not the bond indenture.

Mr. Osborne then reported that the 2017 Series E Graceland Bonds were privately placed with Graceland Entities, and the Graceland Entities have continued to defer interest payments on these bonds. Mr. Osborne then stated Tennessee Public Chapter 1029, Public Acts 2022, went into effect on July 1, 2022, removing the local portion of sales and use taxes collected from dealers without a physical presence within the State of Tennessee, from the calculated county-wide base tax revenue for the TDZ in Shelby County. Mr. Osborne further stated that this amount was calculated each year from the prior year base amount plus or minus the change in sales tax. Mr. Osborne then stated that the change in base year TDZ for fiscal year distribution to the Graceland TDZ increased from \$0 in 2021 to \$883,000 in fiscal year 2022. Mr. Osborne further stated that fiscal year 2022 was the first year that Graceland would experience the impact of the change in distribution. Mr. Osborne then stated that the fiscal year 2023 TDZ revenue would not be received until September 2023, therefore it was too early to determine whether the revenues will be sufficient to cover the next interest payment, however, the preliminary data appears positive. Since this was a report item, no further action was necessary.

Mr. Mumpower then presented the “State of Tennessee Cash Management Improvement Act Annual Report State Fiscal Year 2022” (the “Report”) for acknowledgement of receipt by the Board. The Board acknowledged receipt of the Report. No further action was necessary.

After Mr. Mumpower requested other business and heard none, Mr. Lillard made a motion to adjourn the meeting, and Mr. Bryson seconded the motion. The motion was unanimously approved, and the meeting was adjourned.

Approved on this _____ day of _____ 2023.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

FastTrack Report to State Funding Board

3/21/2023

1. Previous FastTrack Balance, as of Last Report	251,743,093.41	
2. + New Appropriations:	3,179,792.00	
3. + Newly Deobligated Funds:	17,575.75	
4. + Funds Transferred to FastTrack:	0.00	
5. - Funds Transferred from FastTrack:	0.00	
6. - FastTrack Grants or Loans Approved Greater Than \$750,000:	(8,746,500.00)	
7. - FastTrack Grants or Loans Approved Less Than \$750,000:	(2,626,900.00)	
8. - FastTrack Administration	(212,631.58)	
9. Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:		243,354,429.58
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10. Total Amount of Commitments:	245,537,333.20	
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11. Uncommitted FastTrack:		(2,182,903.62)
12. Percentage Committed:		100.9%
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13. Amount of Proposed Grants or Loans:	3,027,500.00	
14. Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:		(5,210,403.62)
15. Percentage Committed:		102.1%

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: 3/21/23



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

March 27, 2023

Comptroller Jason Mumpower
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Mumpower:

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. NYX, Linden LLC – Linden (Perry County)

NYX Linden LLC is a subsidiary of NYX, Inc., which is headquartered in Michigan. The company designs and manufactures automotive parts and components, including door panels, center consoles, grab handles and more.

The project represents NYX Linden's first expansion since establishing a presence in Tennessee in 2012 and will support the company's growing customer demand. Upon completion, the company will add an additional 16,000 square feet of space to its molding bay and a 24,000-square-foot shipping warehouse.

NYX, Linden LLC has committed to create 137 net new jobs and make a \$10,385,000 capital investment within five (5) years. The company will have an average hourly wage of \$17.19 for the new positions.

FastTrack Economic Development Grant Funds will help offset expenses such as building retrofit, building expansion, building improvements and new building construction for a total of \$1,027,500. **(\$1,027,500)**



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

Total FastTrack funds for this project - \$1,027,500

2. Formulated Solutions Cleveland, LLC – Cleveland (Bradley County)

Headquartered in Largo, Florida, Formulated Solutions specializes in the development and manufacturing of aerosols and barrier pressurized packs, tubes, liquids and semi-solids, including over the counter (OTC), medical device and branded prescription drugs. Once operational, the Cleveland facility will serve as the company's second commercial production site and first production location outside of Florida.

Formulated Solutions will create 524 new jobs in Bradley County following its recent acquisition of the 455,000-square-foot former Beiersdorf facility in Cleveland. The company plans to hire 380 new staff members and extend job offers to the substantial majority of the former Beiersdorf employees.

The expansion to Tennessee will allow Formulated Solutions to better meet its growing customer demand while also broadening the company's pharmaceutical production.

Formulated Solutions Cleveland, LLC has committed to create 380 net new jobs and make a \$43,672,000 capital investment within five (5) years. The company will have an average hourly wage of \$21.02 for the new positions.

FastTrack Economic Development Grant Funds will help offset expenses such as acquisition of real property for a total of \$2,000,000. **(\$2,000,000)**

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

Sincerely,

A handwritten signature in blue ink that reads "Stuart McWhorter" followed by a stylized initial "SM".

Stuart McWhorter

SM/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	Industrial Development Board of Perry County, Tennessee	\$1,027,500	
TOTAL		\$1,027,500	

(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): NYX, Linden 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)? Yes No
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).
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.

Stuart McWhorter/502

Commissioner of Economic and Community Development

3/21/23
Date



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

January 12, 2023

INCENTIVE ACCEPTANCE FORM

This form serves as notice that NYX, Linden LLC intends, in good faith, to create 137 private sector jobs in Linden, Perry County and make a capital investment of \$10,385,000 in exchange for incentives that will be memorialized in a grant agreement between NYX, Linden LLC and the State of Tennessee. New jobs must be in addition to the company's baseline of 240 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 1,027,500
Total ECD Commitment:	\$ 1,027,500

Please sign your name in the space below to signify NYX, Linden LLC's acceptance of ECD's offer set forth above and return it by April 12, 2023 to:

Tennessee Department of Economic and Community Development
Attn: Allyson Woodward
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Allyson.Woodward@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)
Daniel E. Laible, CFO & EVP

Date: 01/27/2023



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

March 27, 2023

Comptroller Jason Mumpower
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Mumpower:

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 Perry County, Tennessee for the benefit of NYX, Linden LLC in the amount of \$1,027,500 to offset the costs NYX, Linden LLC will incur in building retrofit, building expansion, building improvements and new building construction. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on this distressed community due to the number of net new jobs. NYX, Linden LLC has committed to create 137 net new jobs and make a \$10,385,000 capital investment within five (5) years. The company will have an average hourly wage of \$17.19 for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

A handwritten signature in blue ink that reads "Stuart McWhorter".

Stuart McWhorter

SM/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	Industrial Development Board of the County of Bradley and City of Cleveland, 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): Formulated Solutions Cleveland, 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)? Yes No
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).
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

Stuart McWhorter
Commissioner

Bill Lee
Governor

September 23, 2022

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Formulated Solutions Cleveland, LLC intends, in good faith, to create 380 private sector jobs in Cleveland, Bradley County and make a capital investment of \$43,672,000 in exchange for incentives that will be memorialized in a grant agreement between Formulated Solutions Cleveland, LLC and the State of Tennessee. New jobs must be in addition to the company's baseline of 144 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 Formulated Solutions Cleveland, LLC's acceptance of ECD's offer set forth above and return it by December 22, 2022 to:

Tennessee Department of Economic and Community Development
Attn: Allyson Woodward
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Allyson.Woodward@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)

Date: 12/15/22



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

March 27, 2023

Comptroller Jason Mumpower
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Mumpower:

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 County of Bradley and City of Cleveland, Tennessee for the benefit of Formulated Solutions Cleveland, LLC in the amount of \$2,000,000 to offset the costs Formulated Solutions Cleveland, LLC will incur in acquisition of real property. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on this community due to the number of net new, high wage jobs, and capital investment. Formulated Solutions Cleveland, LLC has committed to create 380 net new jobs and make a \$43,672,000 capital investment within five (5) years. The company will have an average hourly wage of \$21.02 for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

A handwritten signature in blue ink that reads "Stuart McWhorter" followed by a stylized flourish.

Stuart McWhorter

SM/js



JASON E. MUMPOWER
Comptroller

Memorandum

To: Honorable Bill Lee, Governor

Honorable Jason E. Mumpower, Comptroller of the Treasury

Honorable Tre Hargett, Secretary of State

Honorable David H. Lillard, Jr., Treasurer

Honorable Jim Bryson, Commissioner of Finance and Administration

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

Date: March 27, 2023

Re: Economic Report to the Governor

This memo considers the reasonableness of the economic projections published in the annual *Economic Report to the Governor* (<https://haslam.utk.edu/publication/economic-report-to-the-governor-2023/>) 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 4.90 percent and 4.68 percent in calendar years 2023 and 2024, 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 0.96 percent

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.

or 31,200 new jobs in 2024. This projection is higher than the -0.35 percent growth rate forecast for the U.S. CBER forecasts the 2023 unemployment rate to be 3.8 percent and 4.9 percent, for Tennessee and the U.S., respectively. The 2024 unemployment rate is forecast to increase to 4.0 percent and 5.3 percent for Tennessee and the U.S., respectively.

CBER’s updated projections fall within the range of other forecasts

The CBER economic report predicts that Tennessee nominal personal income will grow by 4.90 percent and 4.68 percent in calendar years 2023 and 2024, respectively (Exhibit 1).¹

Exhibit 1: CBER’s Estimated Tennessee Personal Income Growth

Forecast Year	Calendar Year	Fiscal Year
2022	3.77%	—
2023	4.90%	5.80%
2024	4.68%	4.50%

¹Lawrence M. Kessler et al., *An Economic Report to the Governor of the State of Tennessee: The State’s Economic Outlook January 2023*, Boyd Center for Business and Economic Research, University of Tennessee, January 2023, pp. 43 & 76, <http://cber.haslam.utk.edu>.

AT A GLANCE

Tennessee's Economic Outlook

2023
*projections from the
Boyd Center for
Business and
Economic Research*

2024 Projections



▲ 4.68%
nominal
personal income

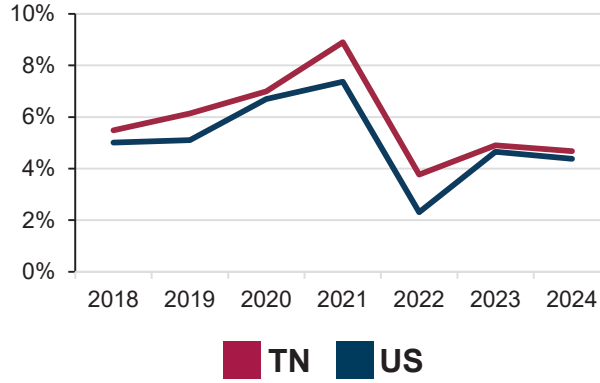
U.S.: ▲ 4.38%



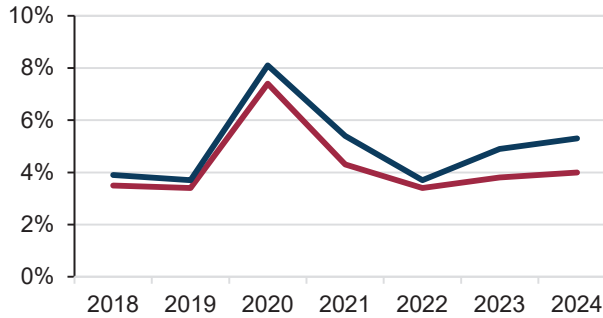
▼ 4.0%
unemployment rate

U.S.: ▼ 5.3%

Nominal Personal Income



Historical Unemployment Rate



Quick Facts

Tennessee recorded **18,752 new entity filings (i.e. initial filings) in the third quarter of 2022.**

New business filings in the third quarter of 2022 were the highest for a third quarter in the 24-year history of the data being collected.

Nonfarm Employment

Nonfarm employment is projected to grow by **0.96%** or **31,200** jobs in 2024.

This is faster than the **-0.35%** forecast for the US.



▲ 1.56%

TN real GDP

U.S.: ▲ 1.33%



▲ 2.71%

U.S. Consumer
Price Index

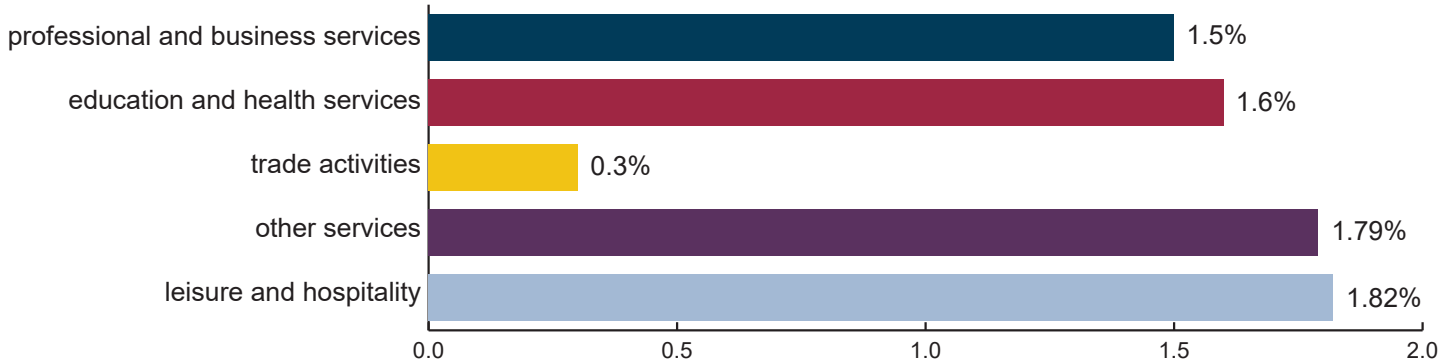


▲ 3.91%

TN per capita income

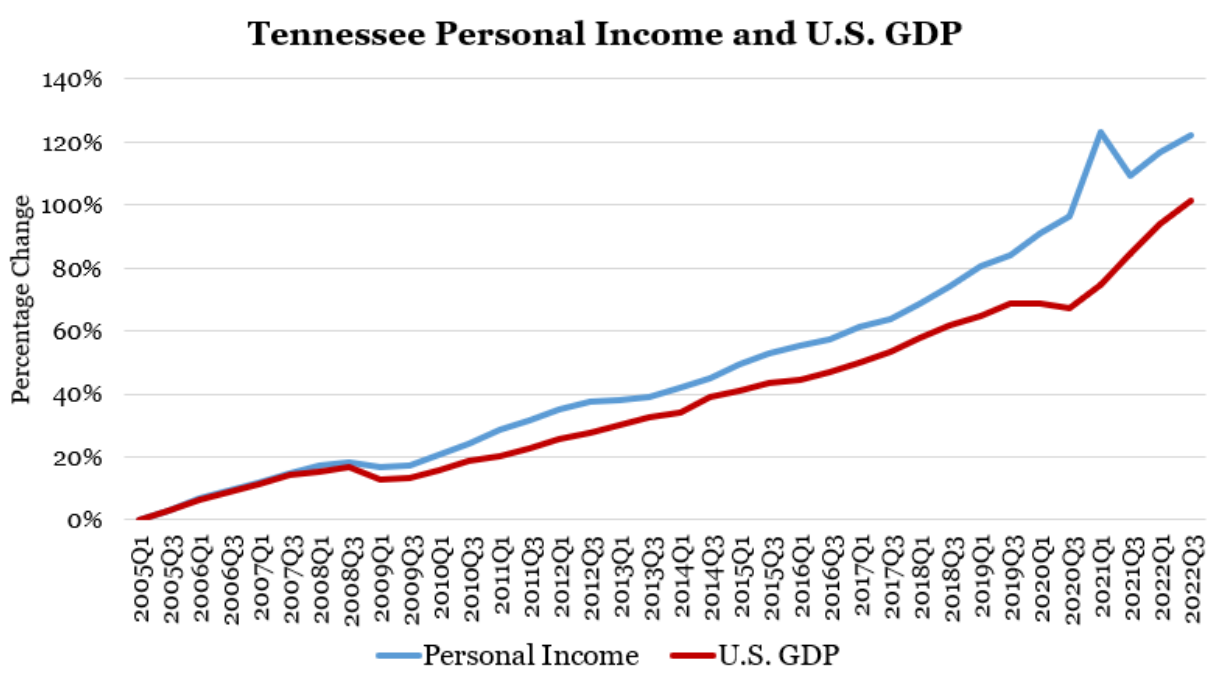
U.S.: ▲ 3.88%

2023 Tennessee Nonfarm Employment by Sector



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 9, 2023 www.bea.gov.

CBER projects that U.S. GDP will decrease 0.16 percent in calendar year 2023. This figure falls within a range of government and non-government forecasts. (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 2023	CY 2024	Date
World Bank	0.5	1.6	January 2023
Fannie Mae	-0.5	2.2	December 2022
Scotiabank	0.6	1.8	February 2023
Congressional Budget Office	0.3	2.6	January 2022
Deutsche Bank	0.8	0.3	December 2022
Federal Reserve Bank	0.5	1.6	December 2022
Conference Board	0.2	1.7	January 2023
Wells Fargo	0.8	0.3	January 2023
<i>High</i>	0.8	2.2	
<i>Median</i>	0.5	1.6	
<i>Low</i>	-0.5	0.3	
CBER	-0.2	1.3	January 2023

Source: World Bank, *Global Economic Prospects, January 2023*, p. 4, <https://www.worldbank.org>; Fannie Mae, “*Economic Forecast: December 2022*,” December 12, 2022, p. 1, <http://www.fanniemae.com>; Scotiabank, “*Focus 2023*,” December 2022, p. 9, <http://www.scotiabank.com>; Congressional Budget Office, “*The Budget and Economic Outlook: 2023 to 2033*,” February, 2023, p. 4, <https://www.cbo.gov>; Stefan Schneider et al., *Outlook 2023/24: New Global Realities*, Deutsche Bank, December, 2022, p. 2, <https://www.dbresearch.com>; Federal Reserve Bank, “*Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assumptions of projected appropriate monetary policy*,” December 14, 2022, p. 2, <https://www.federalreserve.gov>; Conference Board, “*Economic Forecast for the U.S. Economy*,” January 10, 2023, p. 1, <http://www.conference-board.org>; Wells Fargo, “*U.S. Economic Forecast*,” January 13, 2023, p. 1, <https://www.wellsfargo.com>; Lawrence M. Kessler et al., *An Economic Report to the Governor of the State of Tennessee: The State’s Economic Outlook January 2023*, Boyd Center for Business and Economic Research, University of Tennessee, January 2022, p. 76, <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. The largest component of any developed economy is consumption. Personal consumption expenditures constitute the largest component of U.S. GDP and will account for roughly 70 percent of the U.S. economy². Real GDP experienced negative growth of 1.6 percent and 0.6 percent during the first two quarters of 2022. Two consecutive quarters of negative economic growth has been a loose definition of a recession. The second half of 2022 saw GDP growth turn positive with a 2.9 percent growth rate in the third quarter. Overall, real GDP experienced a 1.9 percent year-over-year increase. While the growth was certainly welcome, the 1.9 percent was far lower than the average GDP growth going back to 1948 of 3.13 percent.

² Lawrence M. Kessler et al., *An Economic Report to the Governor of the State of Tennessee: The State’s Economic Outlook January 2022*, Boyd Center for Business and Economic Research, University of Tennessee, January 2022, pp. 2, <http://cber.haslam.utk.edu>.

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 declined in January following an increase in December. Consumers' assessment of present economic conditions improved at the start of 2023. However, the Expectations Index retreated in January reflecting their concerns about the economy over the next six months. Consumers were less upbeat about the short-term outlook for jobs. They also expect business conditions to worsen.³ Subsequent data from the University of Michigan's survey of consumers shows consumer confidence increasing 6 percent above a year ago but still 14 percent below two years ago, prior to the current inflationary episode. Overall, high prices continue to weigh on consumers despite the recent moderation in inflation, and sentiment remains more than 22 percent below its historical average since 1978. Combined with concerns over rising unemployment on the horizon, consumers are poised to exercise greater caution with their spending in the months ahead.

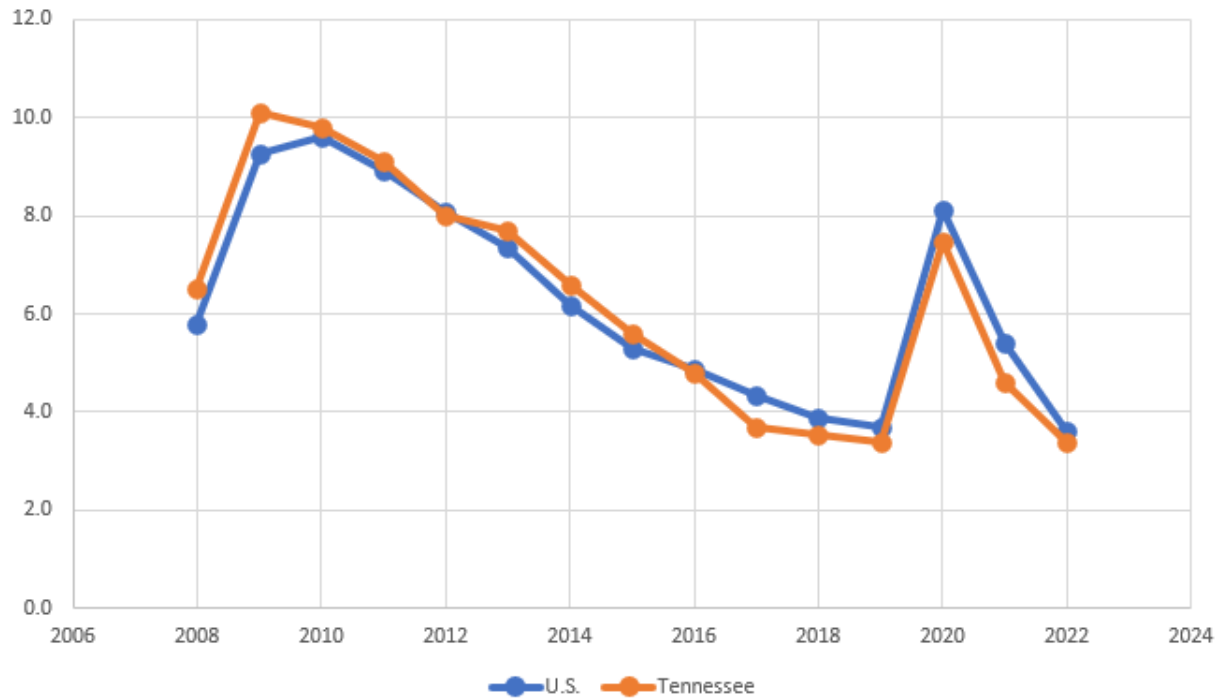
Labor Market

The U.S. Economy experienced a year of mixed results in 2022, as modest economic growth and a strong labor market were overshadowed by historic increases in price levels. Employment levels as measured by nonfarm workers experienced a robust recovery in 2022, adding 4.9 million jobs year-over-year. However, the size of the labor force exceeded its previous peak in 2019, it still lags substantially behind forecasts created before the pandemic. Actual job creation did not start until the summer of 2022 as the U.S. finally recovered the jobs lost during the pandemic.⁴ While low unemployment and tight labor markets led to rising wages for workers, earnings have not kept up with the rising costs of living. The Bureau of Labor Statistics (BLS) most recent release stated that real average hourly earnings for all employees decreased 0.2 percent from December to January. Unfortunately, this is not a monthly outlier. BLS reports real average hourly earnings decreased 1.8 percent from January 2022 to January 2023.

³ Lynn Franco., *US Consumer Confidence Declined in January*. The Conference Board, January 2023, <https://www.conference-board.org>

⁴ Tim Henderson, *The U.S. has Reversed Pandemic Job Losses*, Pew Trusts, September 21, 2022, <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/09/21/the-us-has-reversed-pandemic-job-losses-most-individual-states-havent>

U.S. and TN Unemployment Rates



Source: Federal Reserve Bank of St. Louis, Civilian Unemployment Rate, February 14th, 2023, <https://fred.stlouisfed.org>.

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.

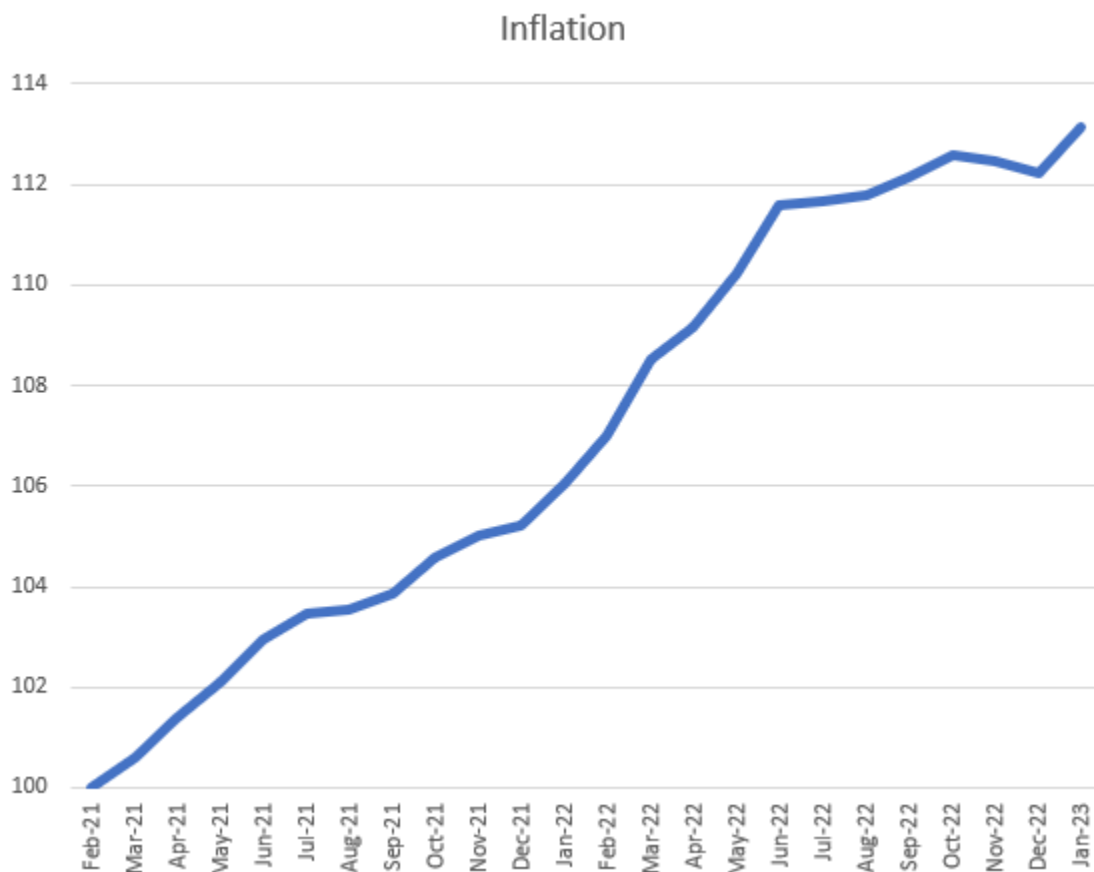
The preferred measure by the Federal Reserve of core inflation in the U.S. is the change in the core personal consumption expenditures price index (PCE). The Federal Open Market Committee's (FOMC) stated objective for core PCE is 2 percent. Total PCE price inflation was 6.0 percent over the 12 months ending in October, and core PCE price inflation, which excludes changes in consumer energy and many food prices, was 5.0 percent over the same period.⁵ The Bureau of Economic Analysis released new numbers on January 27, 2023 that showed PCE has declined to 5.0 percent above January 2022. Another commonly used method of measuring inflation is the Consumer Price Index (CPI). The Bureau of Labor Statistics (BLS) tracks the

⁵ Federal Open Market Committee, *Minutes from Meetings December 13-14, 2022*, pp. 4. <https://www.federalreserve.gov>.

CPI, and on February 14, 2023 reported that increases in the indexes for food and shelter were the largest contributors to the higher than expected data. The “all items” index rose 6.4 percent for the 12 months ending January 2023.⁶ The CPI has increased 13.41 percent since February 2021.

The extraordinary inflation is also taking a toll on workers’ pay. The Labor department reported that average hourly earnings for all employees actually declined 1.8 percent from the same month a year ago when factoring in the impact of rising consumer prices. By that measure, the typical U.S. worker is worse off today than they were a year ago, even though nominal wages are rising at the fastest pace in years.

Nominal wage growth continued to be elevated and remained above the pace judged to be consistent with the FOMC’s 2 percent inflation objective. Average hourly earnings rose 5.1 percent over the 12 months ending in November.⁷



⁶ Bureau of Labor Statistics, Consumer Price Index – January 2023

⁷ Federal Open Market Committee, *Minutes from Meetings December 13-14, 2022*, pp. 4. <https://www.federalreserve.gov>.

Another popular way of measuring inflation is the Producer Price Index (PPI). The PPI measures inflation at the wholesale level before it reaches consumers. Because the PPI measures price changes before they reach consumers, some economists see it as an earlier predictor of inflation than the CPI. The BLS released the PPI for January 2023 on February 16, 2023. The release showed PPI increased 0.7 percent in January. This followed a decline of 0.2 percent in December. The final PPI moved up 6.0 percent for the 12 months ended January 2023.⁸

When inflation is high, central banks increase interest rates to restrict economic growth and the continuous demand for funds. For investors, inflation is an extremely useful measure since it can be used as a leading indicator to speculate on the future direction of interest rates. Typically, interest rates have a negative correlation with market returns.

Fed funds futures are used by banks and fixed-income portfolio managers to hedge against fluctuations in the short-term interest rate market. They are also a common tool traders use to take a speculative position on future FOMC monetary policy. The Chicago Mercantile Exchange (CME) has created a tool that uses fed funds futures contracts to determine the probability of the FOMC changing monetary policy at a particular meeting. As of March 7, 2023, the CME group calculates a 38.4 percent chance of an increase of 25 basis points, and a 61.6 percent chance of an increase of 50 basis points at the FOMC's next meeting.

Simply put, inflation occurs when too much money is chasing too few goods. Costly shutdowns have caused problems in the country's supply chains and the federal government has provided stimulus. These two factors have affected both the supply and demand side. On the demand side, inflation has been impacted by the Biden Administration's \$1.9 trillion pandemic relief act. This effort provided \$1,400 to most people. This increase in spendable resources coupled with the supply chain issues caused by shutdowns were the major contributors to the 40-year high inflation that the country is experiencing. The Biden Administration and Congress were warned this would trigger inflation. Larry Summers, former Obama Administration economic advisor, called this act "the least responsible macroeconomic policy we've had in the last 40 years." This appears to be accurate as the U.S. has experienced the highest inflation in 4 decades. These two factors lead to increasing prices and a squeezing of the American family.

For the time being it appears consumers are still spending. On the heels of another rate hike by the Federal Reserve, credit card annual percentage rates are already on a steep rise and set to climb higher. At the same time, more consumers are leaning on credit to afford increasingly expensive necessities, like food and rent. That helped propel total credit card debt to a record \$930.6 billion in the fourth quarter of 2022, an 18.5 percent spike from last year.⁹

Yield-Curve

U.S. government bond investors pushed two-year yields above 10-year yields by the widest margin since the early 1980s in February, a sign of flagging confidence in the economy's ability to withstand additional Federal Reserve interest-rate hikes.¹⁰ The yield on the shorter-dated Treasury at one point exceeded the longer-dated notes by as much as 86 basis points.

⁸ Bureau of Labor Statistics, Producer Price Index – January 2023

⁹ Jessica Dickler, *U.S. Credit Card Debt Jumps 18.5 percent*, February 3, 2023, CNBC, www.cnbc.com

¹⁰ Michael MacKenzie, *Treasury Yield-Curve Inversion Reaches Deepest Level Since 1980s*, Bloomberg, February 9, 2023, <https://finance.yahoo.com/news/treasury-yield-curve-inversion-reaches-140649287.html>

Cases of shorter-term rates trading higher than longer-term ones are called curve inversions. They typically arise when central banks are in the process of raising policy rates, a maneuver that pushes up the short-term yields while weighing on longer-term yields by damping expectations for inflation and growth. In the U.S., they have a track record of preceding economic downturns by 12 to 18 months. The yield curve has been inverted since July 2022.

National Debt

When the government spends more than it takes in, it borrows to make up the difference. The debt can be seen as the accumulated sum of previous years' deficits. Federal borrowing has essentially hit the current debt limit of \$31.38 trillion, though the Treasury Secretary has started using a variety of accounting gimmicks to postpone a government default for a few months. The national debt is larger than the GDP of the United States, which was \$26.13 trillion in the fourth quarter of 2022.¹¹ Servicing this debt is one of the federal government's biggest expenses. Net interest payments on the debt are estimated to total \$395.5 billion this fiscal year, or 6.8 percent of all federal outlays, according to the Office of Management and Budget. That's more than \$100 billion more than the government expects to spend on elementary and secondary education, disaster relief, agriculture, science and space programs, foreign aid, and natural resources and environmental protection combined. As the FOMC continues to raise interest rates to combat extremely high inflation, these costs will only increase.

Ukraine

February 24, 2023 marked the unfortunate anniversary of Russia's invasion of Ukraine. The invasion has caused tens of thousands of deaths on both sides and instigated Europe's largest refugee crisis since World War II. The global economy is still enduring the consequences – crunched supplies of grain, fertilizer, and energy along with more inflation and economic uncertainty in a world that was already contending with too much of both. The world is only one year into this war, but it remains a highly fluid situation. It is still too early to know the full economic and humanitarian costs of this event, but its potential impact cannot be ignored.

With more than \$100 billion in U.S. weaponry and financial aid flowing to Ukraine in less than a year, and more on the way, concerns about arms falling into terrorists' hands and dollars into corrupt officials' pockets are mounting. To put Ukraine spending in context, the U.S. spent \$146 billion over 20 years for military and humanitarian assistance to Afghanistan, though the cost of sending U.S. troops there was far higher.¹² John Sopko, the Special Inspector General for Afghanistan Reconstruction, said "When you spend so much money so quickly, with so little oversight, you're going to have fraud, waste, and abuse".

¹¹ Drew Desilver, *5 Facts About the National Debt*, February 14, 2023. Pew Research Center. www.pewresearch.org

¹² Tom Vanden Brook et al, *US has Spent Billions on Ukraine War Aid*, February 19, 2023, USA Today, www.usatoday.com

Conclusion

As Tennessee is preparing to debate the FY 24 budget, it is worth remembering where we were a couple of years ago. The economy was in freefall with the lockdown recession causing millions to lose their livelihoods, and Tennessee was preparing to utilize the Rainy Day Fund for the first time since the Great Recession. Fortunately, utilizing the Rainy Day Fund was not necessary and our State continues to exceed its revenue projections. Prudence dictates caution, and Tennessee should continue its conservative fiscal approach of very low debt, excellent pension funding, low taxes, and continued preparation for what might happen by appropriating additional funds to the Rainy Day Fund.

In consideration of the information provided here, CBER's projections for Tennessee nominal personal income growth of 4.90 percent and 4.68 percent for calendar years 2023 and 2024, respectively do not appear to be unreasonable.

STATE OF TENNESSEE

Office of the Attorney General



JONATHAN SKRMETTI
ATTORNEY GENERAL AND REPORTER

P.O. BOX 20207, NASHVILLE, TN 37202
TELEPHONE (615)741-3491
FACSIMILE (615)741-2009

March 27, 2023

State Funding Board
c/o Sandra Thompson
Assistant Secretary
Division of State Government Finance
Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Rep. John Lewis Way, N.
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 27, 2023, is approved pursuant to the provisions of Tenn. Code Ann. § 9-4-5202.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jonathan Skrmetti", written over a horizontal line.

JONATHAN SKRMETTI
Attorney General and Reporter

Encl.

March 27, 2023

The list below identifies tax and non-tax revenue sources existing as of March 27, 2023, 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. Recordation Tax
10. Privilege Taxes
11. Litigation Tax
12. Gross Receipts Taxes
13. Beer Taxes
14. Alcoholic Beverage Taxes
15. Franchise Tax
16. Excise Tax
17. Tobacco Tax
18. Motor Vehicle Title and Registration Fees
19. Mixed Drink Tax
20. Business Tax
21. Occupational Privilege Tax
22. Severance Taxes
23. Insurance Premiums Tax
24. Coin Operated Amusement Machine Tax
25. Tire Predisposal Fee
26. Used Oil Tax
27. Car Rental Surcharge
28. Bail Bond Tax
29. Vending Machine Tax
30. Unauthorized Substances Tax
31. Insurance Verification Fee
32. Fantasy Sports Tax
33. Sports Wagering Licensing and Fees
34. Nursing Home Tax
35. Hospital Coverage Assessment
36. Ambulance Service Provider Assessment

Mixed Fee and Tax Revenue Sources

37. 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 Education
- m. Department of Environment and Conservation
- n. Other State Departments, Agencies, and Boards

Non-Tax Revenue Sources

- 38. 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. Department of Labor
 - k. Other State Departments, Agencies, and Boards
- 39. Treasury Earnings
- 40. Proceeds from Unclaimed Property
- 41. Departmental Revenues for Current Services
- 42. Federal Funds
- 43. Proceeds of State Bonds and Notes
- 44. Gifts and Donations
- 45. Payments in Lieu of Taxes
- 46. Opioid Litigation Settlement
- 47. Tobacco Litigation Settlement
- 48. Lottery Revenues

Approved:



 JONATHAN SKRMETTI
 Attorney General and Reporter
 State of Tennessee

January 10, 2023

Mr. Jason E. Mumpower
Comptroller of the Treasury
State Funding Board
State Capitol
Nashville, Tennessee 37243

Dear Mr. Mumpower:

Sections 9-6-201 and 202 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. The background information to our forecast is included in the *Tennessee Economic Report to the Governor, 2023*.

We report the following to you:

Calendar Year	Personal Income (mil \$)	Growth (%)	Index (1977=100)	Calendar Year	Personal Income (mil \$)	Growth (%)	Index (1977=100)	Calendar Year	Personal Income (mil \$)	Growth (%)	Index (1977=100)
1977	27,176	10.83	100.00	1994	106,497	6.40	391.88	2011	241,618	6.03	889.09
1978	30,979	14.00	114.00	1995	114,365	7.39	420.83	2012	254,471	5.32	936.39
1979	34,544	11.51	127.11	1996	120,799	5.63	444.51	2013	256,754	0.90	944.79
1980	38,078	10.23	140.12	1997	127,953	5.92	470.83	2014	267,289	4.10	983.55
1981	42,383	11.31	155.96	1998	139,897	9.33	514.79	2015	281,281	5.23	1035.04
1982	45,046	6.28	165.76	1999	145,517	4.02	535.47	2016	290,240	3.18	1068.01
1983	48,057	6.68	176.84	2000	154,379	6.09	568.07	2017	302,462	4.21	1112.98
1984	53,481	11.29	196.80	2001	158,385	2.59	582.81	2018	319,022	5.48	1173.92
1985	57,208	6.97	210.51	2002	162,942	2.88	599.59	2019	338,609	6.14	1246.00
1986	61,216	7.01	225.26	2003	170,160	4.43	626.15	2020	362,278	6.99	1333.09
1987	65,941	7.72	242.65	2004	180,115	5.85	662.78	2021	394,520	8.90	1451.73
1988	71,646	8.65	263.64	2005	189,004	4.93	695.49	2022	409,405	3.77	1506.50
1989	76,928	7.37	283.07	2006	201,325	6.52	740.83	2023	429,476	4.90	1580.36
1990	81,784	6.31	300.94	2007	210,987	4.80	776.38	2024	449,579	4.68	1654.34
1991	86,009	5.17	316.49	2008	219,027	3.81	805.96	2025	472,219	5.04	1737.65
1992	94,053	9.35	346.09	2009	217,219	-0.83	799.31				
1993	100,092	6.42	368.31	2010	227,883	4.91	838.55				

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

Best regards,



Larry Kessler
Research Associate Professor

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