



JASON E. MUMPOWER
Comptroller

**TENNESSEE STATE FUNDING BOARD
NOVEMBER 6, 2023
AGENDA**

1. Call meeting to order, establish that there is a physical quorum, and receive public comment on actionable agenda items in accordance with 2023 Public Chapter 300 and Board guidelines
2. Consideration and approval of State Funding Board minutes from the meeting held on October 9, 2023
3. Report from the Department of Economic and Community Development for consideration for approval of funding for the following FastTrack projects:
 - **Malibu Boats, LLC and Cobalt Boats, LLC – Lenoir City (Roane County)**
FastTrack Economic Development Grant \$7,700,000
 - **August Bioservices, LLC – Nashville (Davidson County)**
FastTrack Economic Development Grant \$1,000,000
4. Revenue Estimating Presentations:

Presenters:

 - A. Ms. Laurel Graefe, Regional Executive,
Federal Reserve Bank of Atlanta, Nashville Branch
 - B. Dr. Don Bruce, Professor of Economics & Director,
Boyd Center for Business and Economic Research, University of Tennessee
 - C. Dr. Jon Smith, Professor and Director of Business and Economic Research,
Dr. Joseph Newhard, Assistant Professor of Economics,
Dr. Fred Mackara, Associate Professor of Economics,
East Tennessee State University
 - D. Commissioner David Gerregano,
Mr. Jeff Bjarke, Director of Research,
State of Tennessee, Department of Revenue
 - E. Mr. Bojan Savic, Assistant Director,
Mr. Joe Wegenka, Chief Economist,
State of Tennessee, Fiscal Review Committee

5. Lottery Revenue Estimating Presentations:

Presenters:

- A. Mr. Bojan Savic, Assistant Director,
Mr. Joe Wegenka, Chief Economist,
State of Tennessee, Fiscal Review Committee
- B. Ms. Rebecca Paul, President and CEO,
Mr. Andy Davis, Chief Financial and Technology Officer
Tennessee State Lottery Corporation
- C. Mr. Tim Phelps, Senior Director of Grant and Scholarship Programs,
Tennessee Student Assistance Corporation

6. Presentation from Tennessee Sports Wagering Council

Ms. Mary Beth Thomas, Executive Director

7. Request to the Board for Consideration for Program Funding for the Fiscal Year 2024-2025 from Net Lottery Proceeds Pursuant to Tennessee Code Annotated Section 4-51-111(c)(2)(B)

8. Consideration and approval of a Declaration of Trust for Other Post Employment Benefits for West Knox Utility District

9. Recess (State Funding Board to reconvene November 29, 2023)

TENNESSEE STATE FUNDING BOARD
October 9, 2023

The Tennessee State Funding Board (the “Board”) met on Monday, October 9, 2023, at 3:30 p.m., in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable David H. Lillard, Jr., State Treasurer, was present and presided over the meeting.

The following member was also physically present:

Commissioner Jim Bryson, Department of Finance and Administration

The following member participated electronically:

The Honorable Jason E. Mumpower, Comptroller of the Treasury

The following members were absent:

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

Having established a quorum, Treasurer Lillard called the meeting to order and requested that Ms. Sandra Thompson, Assistant Secretary to the Board and Director of the Division of State Government Finance (“SGF”), read the statement of necessity. Ms. Thompson stated that TCA §8-44-108 provides that if a quorum of members is not physically present at the meeting, other members may be retained for a vote via electronic or other means of communication if certain statutory requirements are met. Ms. Thompson further stated that a determination had been made that the electronic communication in the meeting by the members was a necessity based on the following facts and circumstances:

- There were matters to be considered by the governing body at the meeting that required timely action by the Board and there would be operational hardships if the Board was unable to render decisions on those matters at the October meeting.
- A physical presence by a quorum of the members was not practical within the period of time requiring action.

Ms. Thompson then requested that the minutes reflect that Comptroller Mumpower participated electronically, and that Treasurer Lillard and Commissioner Bryson participated in person. Ms. Thompson then stated that a motion was needed to make a determination pursuant to TCA §8-44-108 that meeting electronically was necessary.

Commissioner Bryson made a motion to adopt the statement of necessity, and Treasurer Lillard seconded the motion. Treasurer Lillard asked Ms. Thompson to conduct a roll-call vote:

Treasurer Lillard – Aye
Commissioner Bryson – Aye
Comptroller Mumpower – Aye

The motion to adopt the statement of necessity was unanimously approved.

Treasurer Lillard, in accordance with Public Chapter 300 and Board guidelines, asked Ms. Thompson if any requests for public comment had been received. Ms. Thompson responded that no requests had been received.

Treasurer Lillard then stated that the first item on the agenda was consideration and approval of the minutes from the meeting held on August 21, 2023. Treasurer Lillard made a motion to approve the minutes, and Commissioner Bryson seconded the motion. Treasurer Lillard asked Ms. Thompson to conduct a roll-call vote:

Treasurer Lillard – Aye
Commissioner Bryson – Aye
Comptroller Mumpower – Aye

The minutes were unanimously approved.

Treasurer Lillard then recognized Ms. Thompson to present an Amended and Restated Declaration of Trust for Other Post-Employment Benefits (“OPEB”) for the Cleveland Utilities Authority for consideration for approval. Ms. Thompson stated that notification was received by SGF from Cleveland Utilities stating that the entity was converting to a utility authority. Ms. Thompson then stated that in doing so the OPEB trust that was submitted to the Board for approval in 2016 needed to be amended to reflect the change. Ms. Thompson further stated that in the process of amending their OPEB trust Cleveland Utilities submitted the documentation to SGF and the Attorney General’s Office for review. Ms. Thompson then stated that the utility authority was requesting approval of the amended trust with the newly formed entity’s name. Commissioner Bryson made a motion to approve the amended OPEB trust, and Comptroller Mumpower seconded the motion. Treasurer Lillard asked Ms. Thompson to conduct a roll-call vote:

Treasurer Lillard – Aye
Commissioner Bryson – Aye
Comptroller Mumpower – Aye

The motion to approve the amended OPEB trust was unanimously approved.

Treasurer Lillard then recognized Ms. Thompson to present the Report on the results of the sale of State of Tennessee General Obligation Bonds, 2023 Series A and 2023 Series B (Federally Taxable). Ms. Thompson stated that a report of the sale of the 2023 Series A (the “2023A Bonds”) and 2023 Series B (the “2023B Bonds”) bonds was provided to the Board members in their packet. Ms. Thompson then reported that the bond sale included two series of bonds sold competitively. Ms. Thompson stated that the 2023A Bonds were issued in the par amount of \$452,680,000.00 and generated a premium of \$49,672,774.05. Ms. Thompson further stated that the winning bid for the 2023A Bonds was submitted by Wells Fargo Bank, National Association, with a true interest cost of 3.6803%. Ms. Thompson continued that the proceeds from the 2023A Bonds would be used to fund a \$500,000,000.00 grant to the Metropolitan Nashville Davidson County Sports Authority to help finance the costs of a new Titans stadium in Nashville. Ms. Thompson then reported that the 2023B Bonds were issued as taxable debt for a par amount of \$44,930,000.00 with the winning bid for the bonds submitted by Raymond James & Associates, Inc., with a true interest cost of 4.9929%. Ms. Thompson further stated that the proceeds from the 2023B Bonds would be used to repay outstanding commercial paper that was initially issued to finance the cost of land purchased for the West Tennessee Megastate. No further action was necessary.

Treasurer Lillard then recognized Ms. Thompson for submission of the Report on Debt Obligation (the “Report”) for the 2023 bond sale. Ms. Thompson stated that the Board members would have received the Report within a couple of weeks following the issuance of the bonds in August, but the Report must be presented to the members of the Board at a public meeting within 45 days of issuance of the bonds. Ms. Thompson further stated that the submission of the report was within the statutory time period as set forth in TCA §9-21-134. No further action was necessary.

Treasurer Lillard then stated that the report from the Economic Development Growth Engine Industrial Development Board of Memphis and Shelby County on the status of the Series 2017 Graceland Project Bonds would be deferred to a future meeting.

Treasurer Lillard observed no further business to come before the Board and requested a motion to adjourn. Commissioner Bryson made a motion to adjourn the meeting, and Treasurer Lillard seconded the motion. Treasurer Lillard asked Ms. Thompson to conduct a roll-call vote:

Treasurer Lillard – Aye
Commissioner Bryson – Aye
Comptroller Mumpower – Aye

The motion was unanimously approved, and the meeting was adjourned.

Approved on this _____ day of _____ 2023.

Respectfully submitted,

Sandra Thompson,
Assistant Secretary

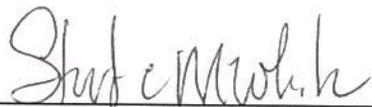
FastTrack Report to State Funding Board

10/31/2023

1. Previous FastTrack Balance, as of Last Report	678,118,019.36	
2. + New Appropriations:	12,400.00	
3. + Newly Deobligated Funds:	3,919,916.56	
4. + Funds Transferred to FastTrack:	0.00	
5. - Funds Transferred from FastTrack:	0.00	
6. - FastTrack Grants or Loans Approved Greater Than \$750,000:	0.00	
7. - FastTrack Grants or Loans Approved Less Than \$750,000:	(992,200.00)	
8. - FastTrack Administration	(1,263,936.95)	
9. Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:		679,794,198.97
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10. Total Amount of Commitments:	558,125,094.30	
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11. Uncommitted FastTrack:		121,669,104.67
12. Percentage Committed:		82.1%
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13. Amount of Proposed Grants or Loans:	8,700,000.00	
14. Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:		112,969,104.67
15. Percentage Committed:		83.4%

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: 11/1/23



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

November 6, 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. Malibu Boats, LLC and Cobalt Boats, LLC – Lenoir City (Roane County)

Malibu Boats, LLC is a subsidiary of Malibu Boats, Inc. and one of the largest employers in East Tennessee. The company designs, engineers, manufactures, markets, and sells recreational powerboats globally. Founded in 1982, the parent company employs roughly 3,000 people. Production and hiring for its new Cobalt boats facility are anticipated to begin in the first quarter of 2024.

The Lenoir City location will be the company's second plant outside of its headquarters in Loudon, Tennessee, and will allow the company to expand production and manufacturing capabilities of Cobalt boats to better meet its growing global customer demand.

Malibu Boats, LLC has committed to create 770 net new jobs and make a \$75,000,000 capital investment within 5 years. The company will have an average hourly wage of \$21.17 for the new positions.

FastTrack Job Economic Development Grant Funds will help offset expenses such as acquisition of real property and new building construction. **(\$7,700,000)**

Total FastTrack funds for this project - \$7,700,000



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

2. August Bioservices, LLC – Nashville (Davidson County)

Headquartered in Nashville, August Bioservices is a contract development and manufacturing organization (CDMO) providing drug discovery, drug development and drug manufacturing services in support of the global pharmaceutical industry. The company is expanding its capabilities to become a preferred, specialized, one-stop-shop CDMO for clinical and commercial injectable therapies.

On November 18, 2020, August Bioservices, LLC announced the commitment to create 181 net new jobs and make a \$64,748,000 capital investment within five (5) years.

The first phase of the project involved the targeted expansion of August Bioservices' existing Nashville facility, adding high-value technologies such as lyophilization and terminal sterilization and terminal sterilization to its existing fill and finish manufacturing capabilities.

The second phase of the project will see August Bioservices construct a new, state-of-the-art, drug development and manufacturing facility that will feature multiple high-speed production lines capable of delivering commercial scale throughput across a wide array of sterile injectables containers, including vials, IV bags and prefilled syringes.

August Bioservices, LLC has committed to create an additional 90 net new jobs for a total of 271 jobs and make an additional \$65,000,000 capital investment for a total of \$129,748,000 capital investment within 5 years. The company will have an average hourly wage of \$52.13 for the new positions.

FastTrack Job Economic Development Grant Funds will help offset expenses such as building expansion, fixture improvements, and new construction for a total of \$1,000,000. On December 14, 2020, the State Funding approved a FastTrack Job Economic Development grant in the amount of \$2,000,000 to August Bioservices, LLC to help offset expenses such as building expansion, fixture improvements, and new construction. The current request is to increase the existing commitment in the form of a FastTrack Job Economic Development grant funds \$1,000,000. **(\$1,000,000)**

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

Sincerely,

A handwritten signature in black ink, appearing to read "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 Roane County	\$7,700,000	
TOTAL			\$7,700,000	

(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): Malibu Boats, LLC and Cobalt Boats, LLC

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

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). Yes No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)? Yes No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)? Yes No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)? Yes No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

Applicant must answer "Yes" to a 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

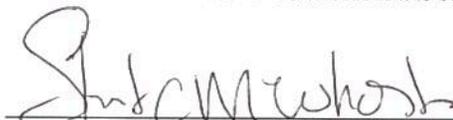
Applicant must answer "Yes" to a or b.

- 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

11/1/23

Date



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

July 28, 2023

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Malibu Boats, LLC and Cobalt Boats, LLC intends, in good faith, to create 770 private sector jobs in Lenoir City, Roane County and make a capital investment of \$75,000,000 in exchange for incentives that will be memorialized in a grant agreement between Malibu Boats, LLC and Cobalt Boats, LLC 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.

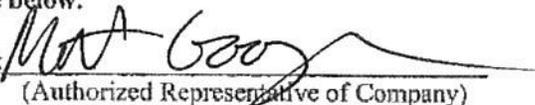
ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 7,700,000
Total ECD Commitment:	\$ 7,700,000

Please sign your name in the space below to signify Malibu Boats, LLC and Cobalt Boats, LLC's acceptance of ECD's offer set forth above and return it by October 26, 2023 to:

Tennessee Department of Economic and Community Development
Attn: Allyson Crystal
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Allyson.Crystal@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: 8/1/23



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

November 6, 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 Roane County for the benefit of Malibu Boats, LLC and Cobalt Boats, LLC in the amount of \$7,700,000 to offset the costs Malibu Boats, LLC and Cobalt Boats, LLC will incur in acquisition of real property 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 community due to the number of jobs and significant capital investment. Malibu Boats, LLC has committed to create 770 net new jobs and make a \$75,000,000 capital investment within 5 years. The company will have an average hourly wage of \$21.17 for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart McWhorter", is written over a light blue horizontal line.

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
<input type="checkbox"/>	INFRASTRUCTURE			
<input type="checkbox"/>	TRAINING*			
<input checked="" type="checkbox"/>	ECONOMIC DEVELOPMENT	The Industrial Development Board of the Metropolitan Government of Nashville and 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): August Bioservices, LLC

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

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). Yes No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)? Yes No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)? Yes No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)? Yes No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

Applicant must answer "Yes" to a 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

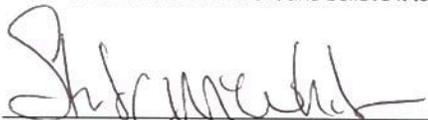
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- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location 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

11/1/23

Date



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

August 23, 2023

INCENTIVE ACCEPTANCE FORM

This form serves as notice that August Bioservices, LLC intends, in good faith, to create 271 private sector jobs in Nashville, Davidson County and make a capital investment of \$129,748,000 in exchange for incentives that will be memorialized in a grant agreement between August Bioservices, LLC and the State of Tennessee. New jobs must be in addition to the company’s baseline of 55 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 August Bioservices, LLC’s acceptance of ECD’s offer set forth above and return it by November 21, 2023 to:

Tennessee Department of Economic and Community Development
Attn: Allyson Crystal
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Allyson.Crystal@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: 09/10/23



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

November 6, 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 Metropolitan Government of Nashville and Davidson County for the benefit of August Bioservices, LLC in the amount of \$1,000,000 to offset the costs August Bioservices, LLC will incur in building expansion, fixture improvements, and new construction. On December 14, 2020, the State Funding approved a FastTrack Job Economic Development grant in the amount of \$2,000,000 to August Bioservices, LLC. 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 high wage jobs and significant capital investment. August Bioservices, LLC has committed to create an additional 90 net new jobs for a total of 271 jobs and make an additional \$65,000,000 capital investment for a total of \$129,748,000 capital investment within 5 years. The company will have an average hourly wage of \$52.13 for the new positions. On November 18, 2020, August Bioservices, LLC announced the commitment to create 181 net new jobs and make a \$64,748,000 capital investment within five (5) years. This project will have an exceptional impact.

Sincerely,

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

Stuart McWhorter

SM/js

Tennessee State Funding Board

November 6, 2023

Laurel Graefe



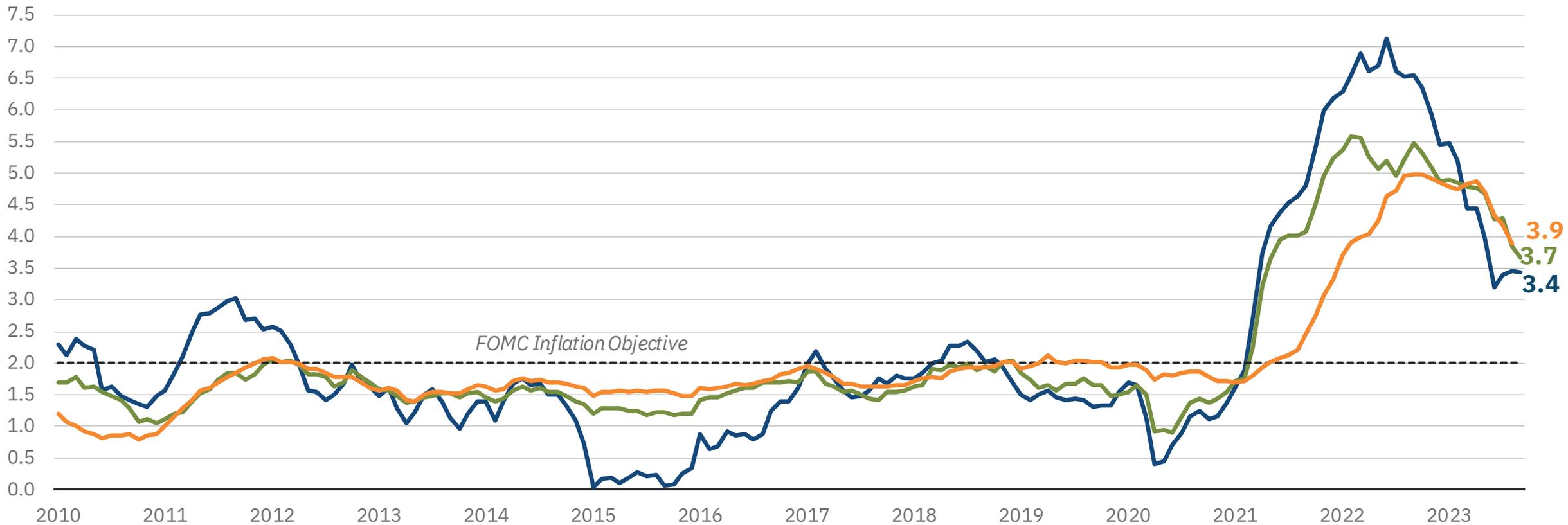
Federal Reserve Bank of Atlanta
Nashville Branch

Inflation is moderating, but progress has slowed and price growth remains above the Fed's 2% target.

Macro data indicate that inflation—though declining—remains much too high

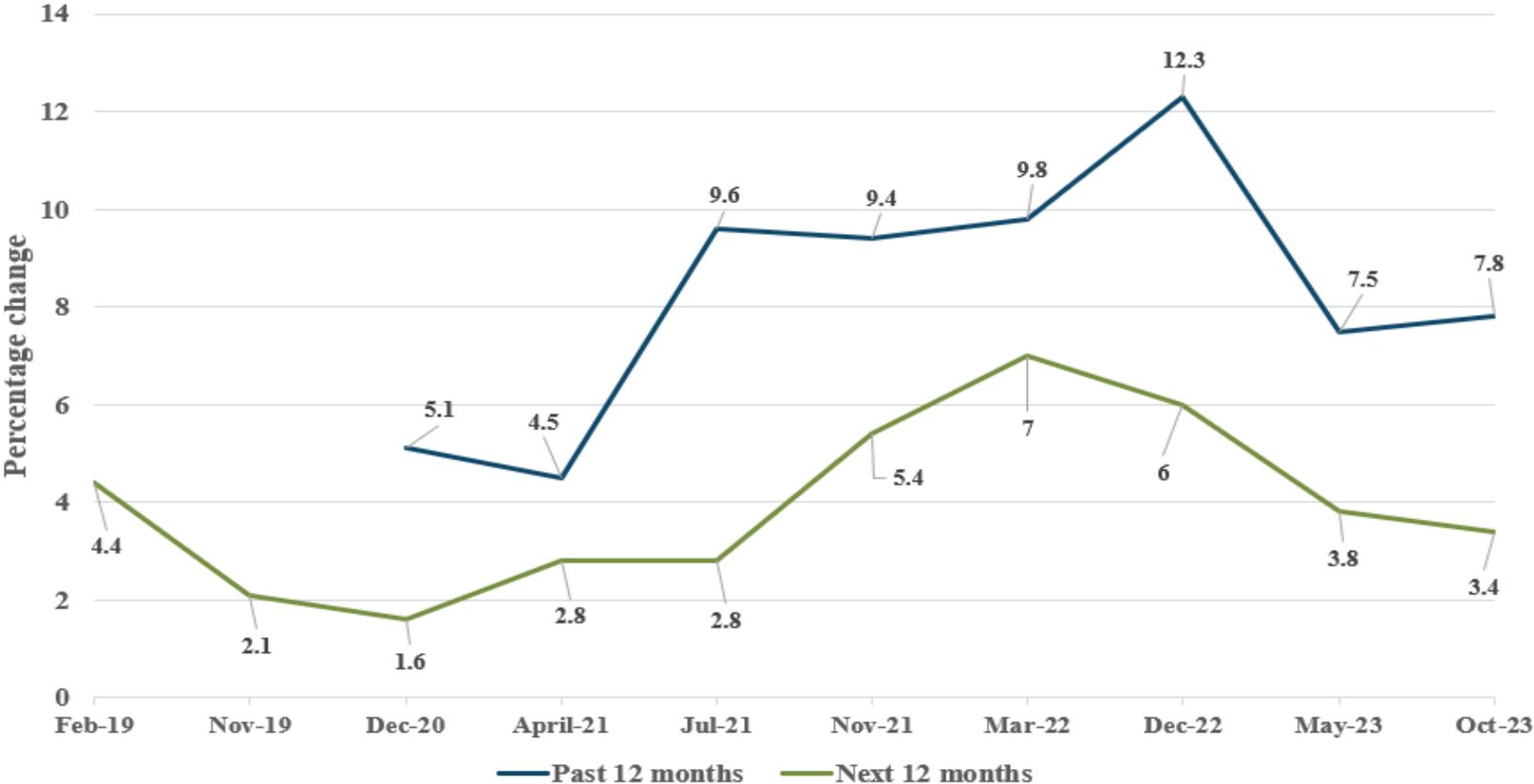
Personal Consumption Expenditure (PCE) Price Index
year-over-year percent change, monthly

— PCE — Core PCE — Trimmed Mean PCE



On average, firms expect to increase their prices 3.4% over the next 12 months. This is the lowest 12-month-forward expectation since July 2021.

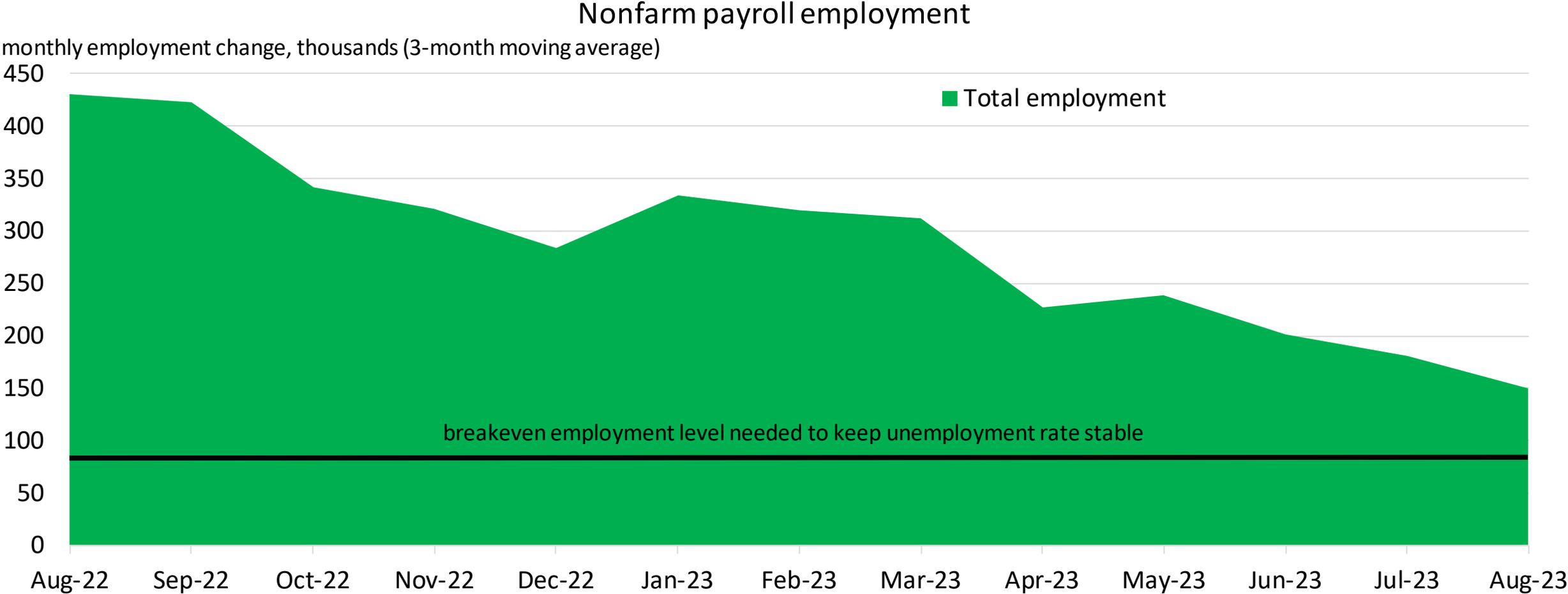
Average Price change



Observation 2

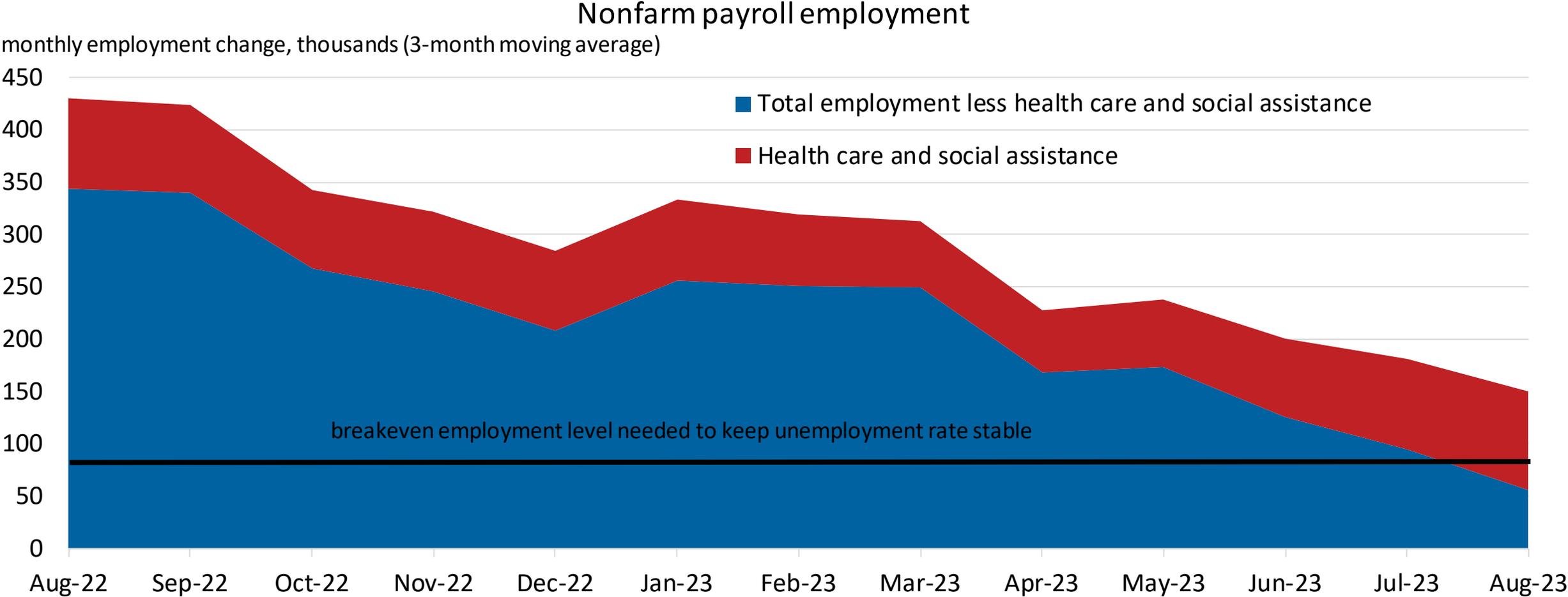
The **labor markets continue to cool**, though some tightness persists

Employment growth remains solid



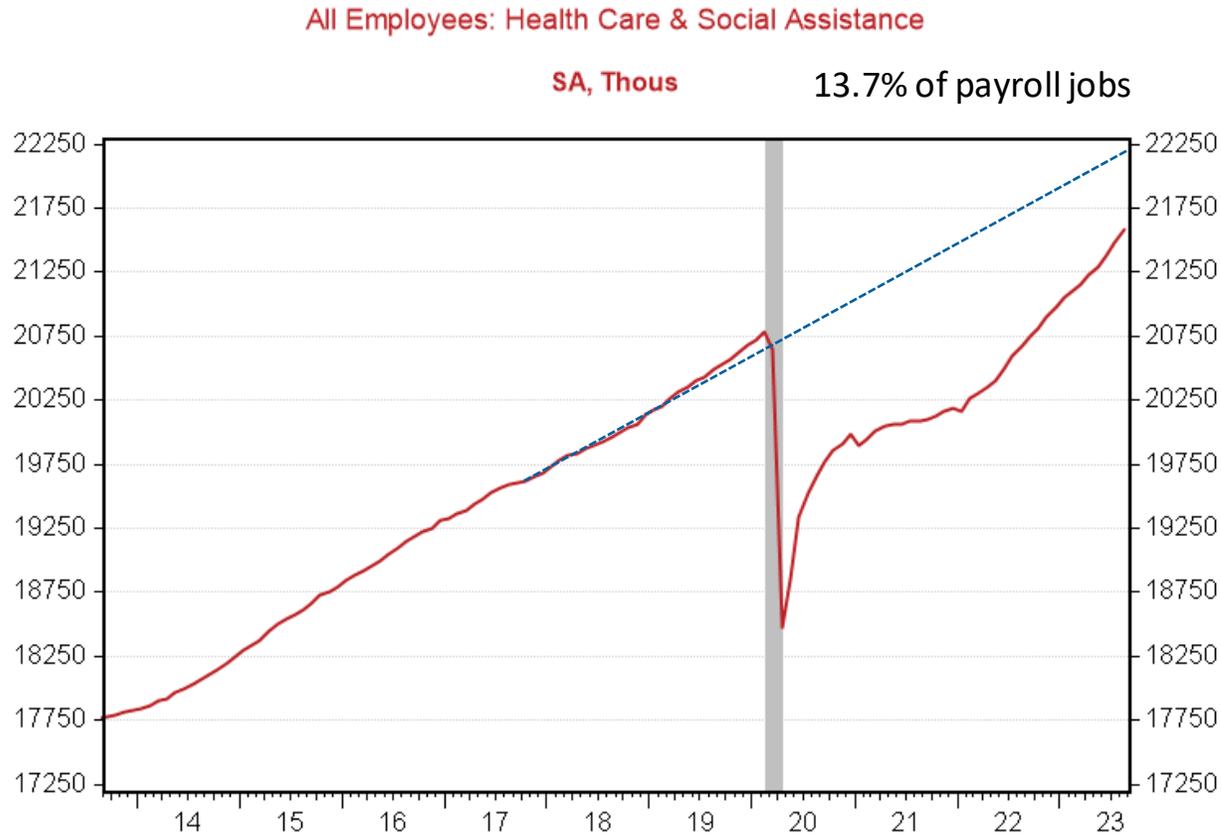
Source: Bureau of Labor Statistics

However, a closer look reveals that healthcare hiring is the main industry propping up jobs numbers



Source: Bureau of Labor Statistics

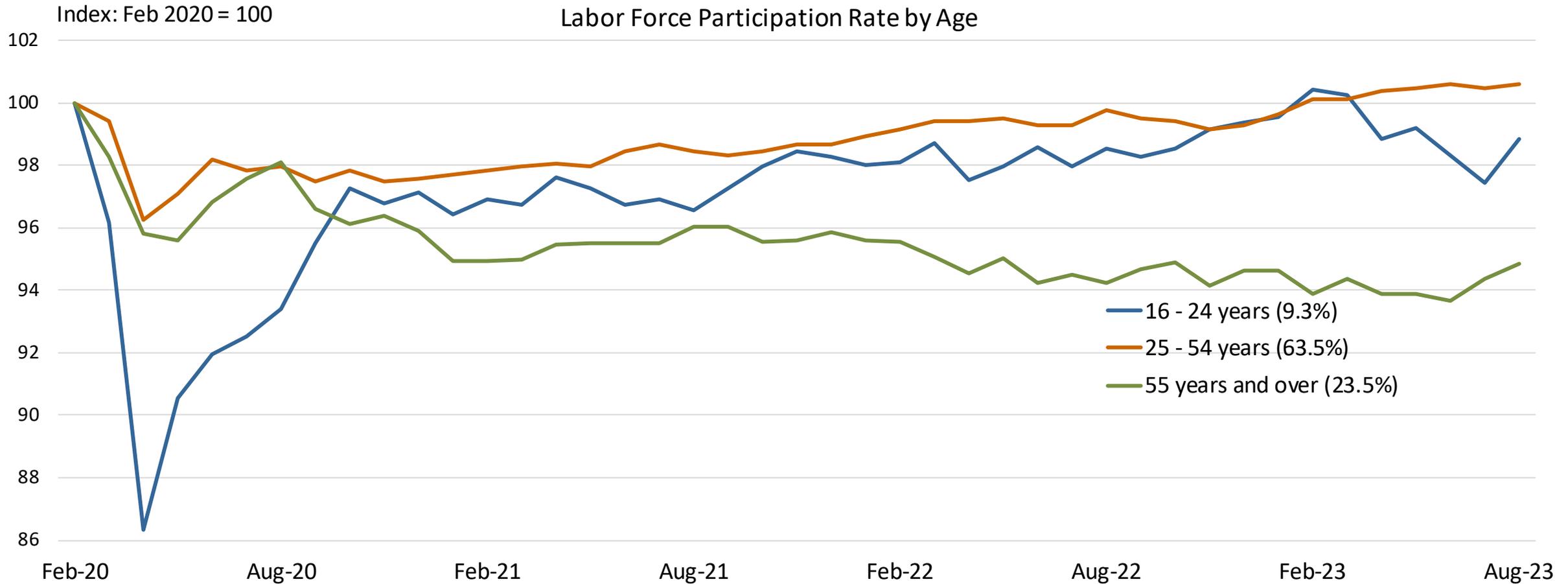
The healthcare and social assistance industry still has a lot of room to recover



Source: Bureau of Labor Statistics/Haver Analytics

- Hasn't recovered to its pre-COVID trend.
 - ~670k shortfall
 - Will take 2 years to close gap at y.t.d. 2023 avg. pace of 76k/mth
- Over the next 10 years:
 - Dept. of Labor (2023) projects it will grow the fastest of any sector – adding 2.1 million jobs, accounting for 45% of all job gains.
 - Average 17.5k/mth (versus 39.2k/mth overall)
 - Primarily due to the aging population
 - Older people utilize healthcare and assistance more.
 - The 65+ age group is projected to increase by 14.4 million over next 10 years and, given birth rates and immigration trends, will account for over 75% of overall population growth.
 - Of that, about 10.6 million comes from the 75+ age group, as most of the baby boomers age into that bracket.

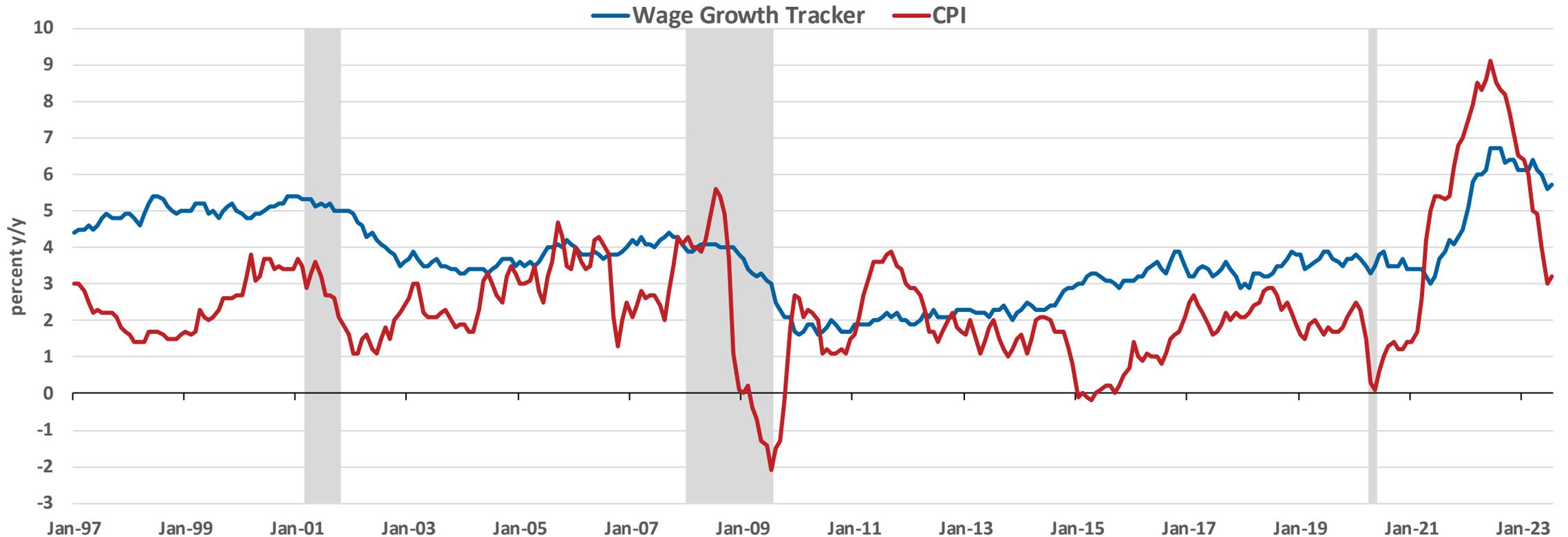
Labor force participation has fully recovered for prime-age (25-54) workers while participation remains subdued for those 55+



Source: Bureau of Labor Statistics and staff calculations to historically adjust for population controls.

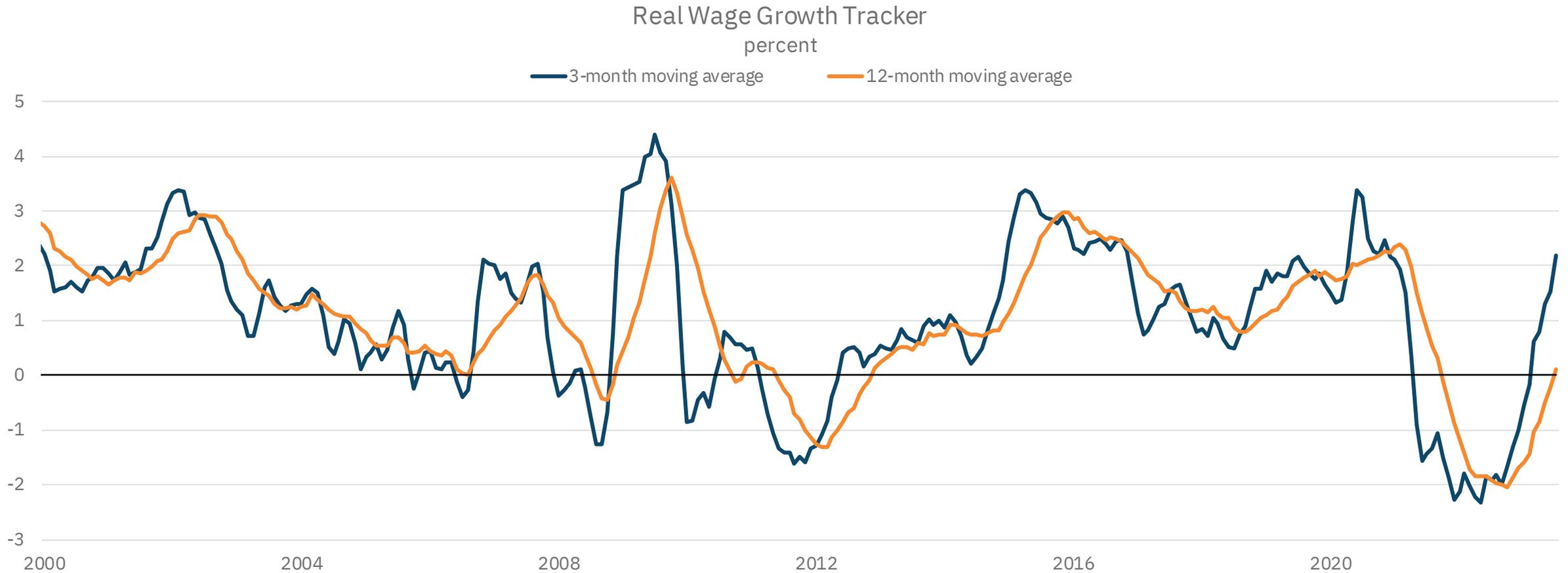
Wages are now rising faster than the rate of inflation

Median Wage Growth vs CPI Inflation



Source: Bureau of Labor Statistics, FRBA. The Wage Growth Tracker measures the median growth in the dollar wages of a sample of workers observed in the current month and 12

... pushing real (inflation-adjusted) wages into positive territory and boosting consumer purchasing power



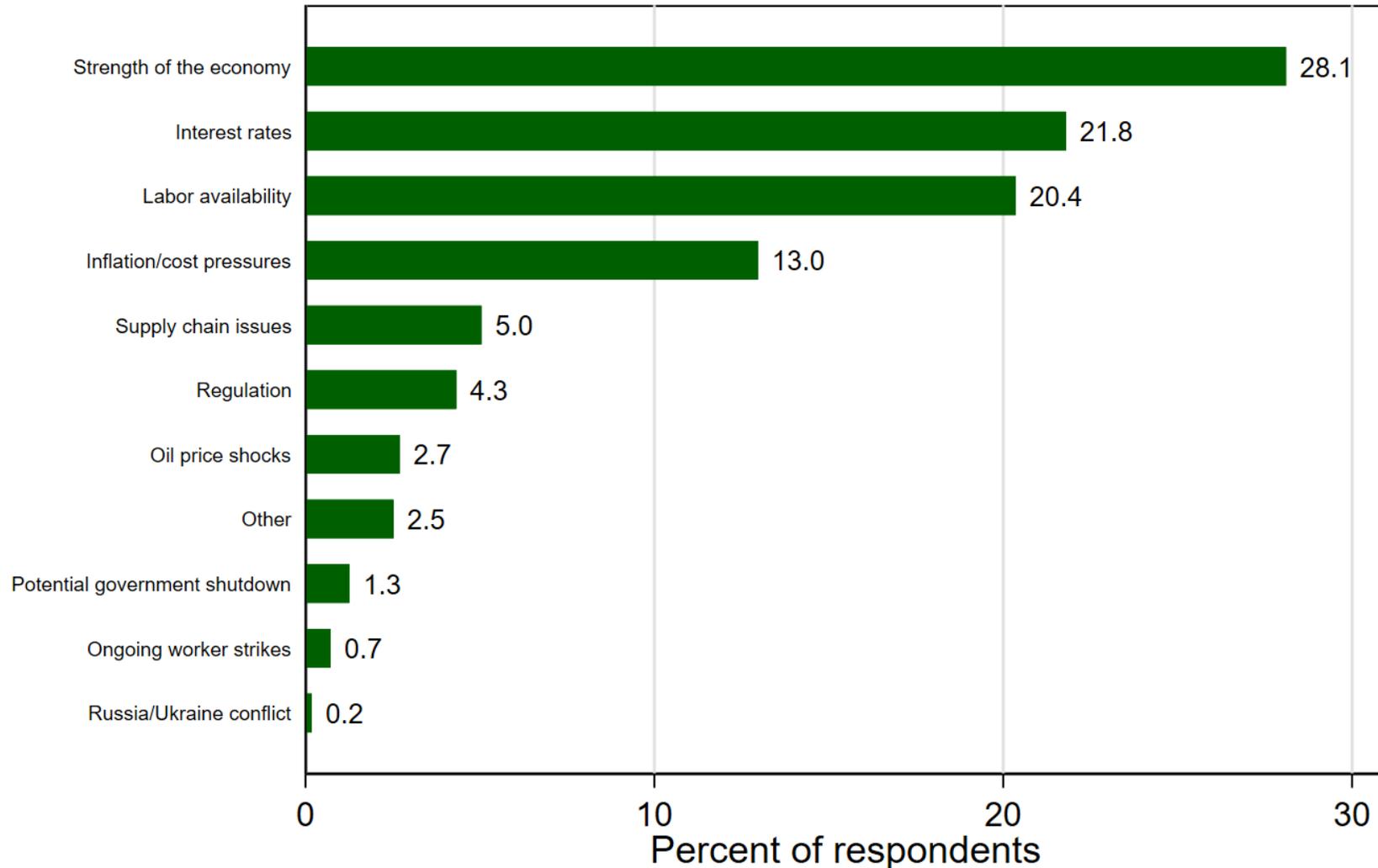
Sources: Current Population Survey, Bureau of Labor Statistics, and FRBA Calculations

Data updates can be found at <https://www.frbatlanta/chcs/wage-growth-tracker>.

See the 'definitions' tab in this spreadsheet for explanations of series. Wage computed on an hourly basis unless otherwise noted.

Employers' concerns about inflation and labor availability have declined, as firms focus more on economic strength and interest rates

Sources of Uncertainty Currently Influencing Business Decision Making of Firms

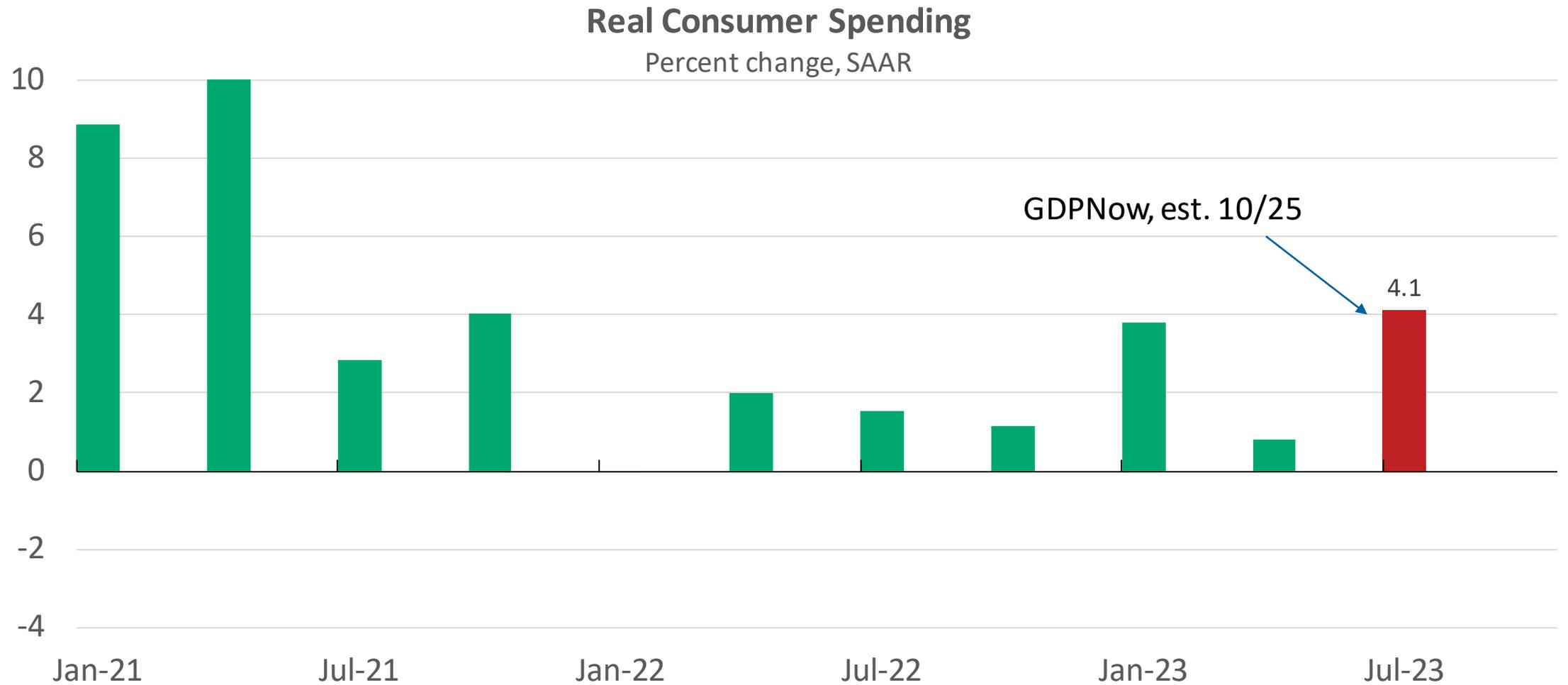


N(firms)=540

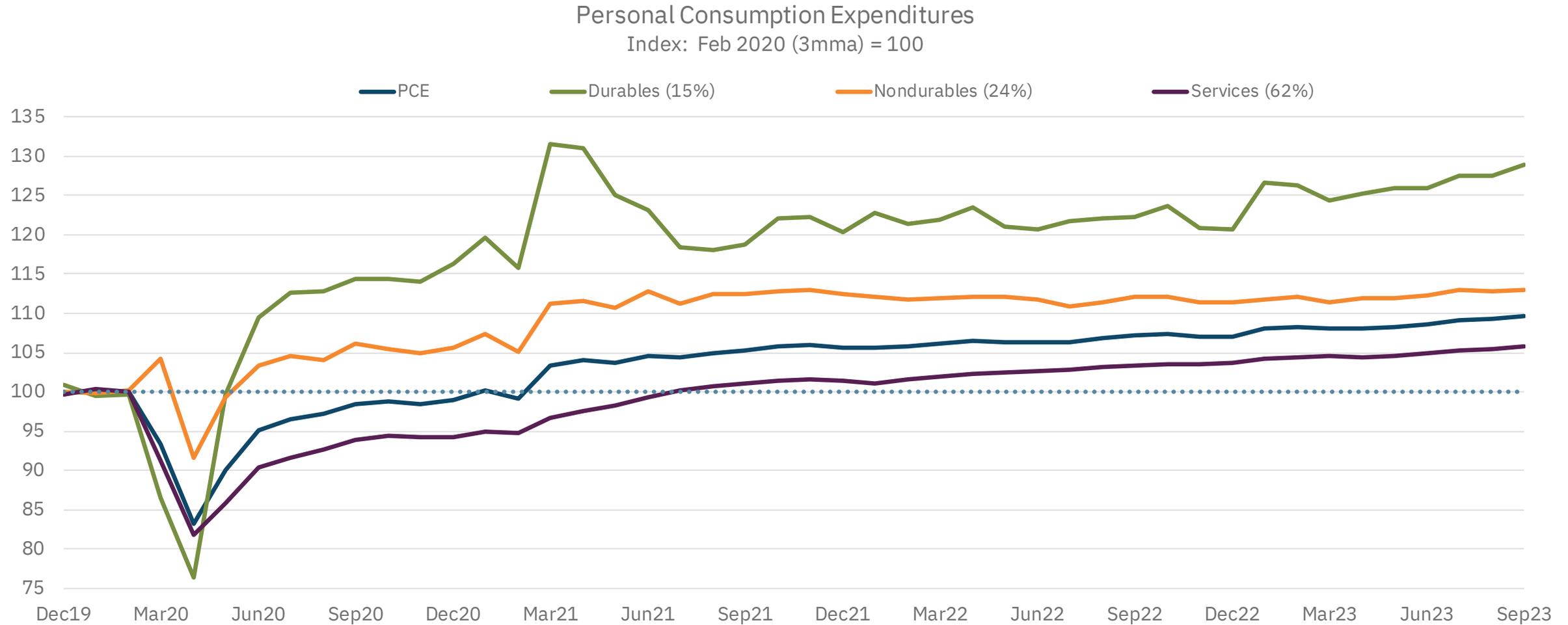
Observation 3:

Though data in hand shows demand growth remaining stubbornly high, businesses describe **consumer demand** as **softening** and, in many cases, **returning to patterns** that they describe as **more “sustainable” longer-term.**

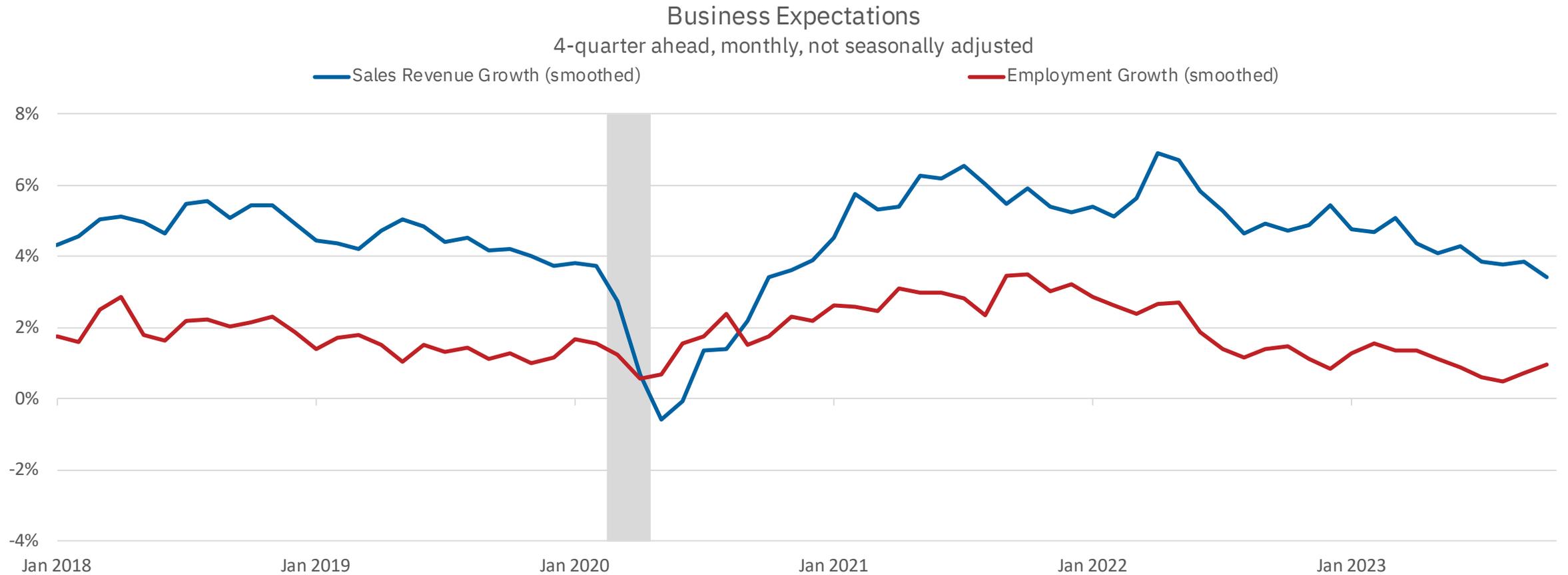
Consumption growth has remained remarkably resilient.



With spending on durables remaining especially elevated relative to pre-pandemic levels



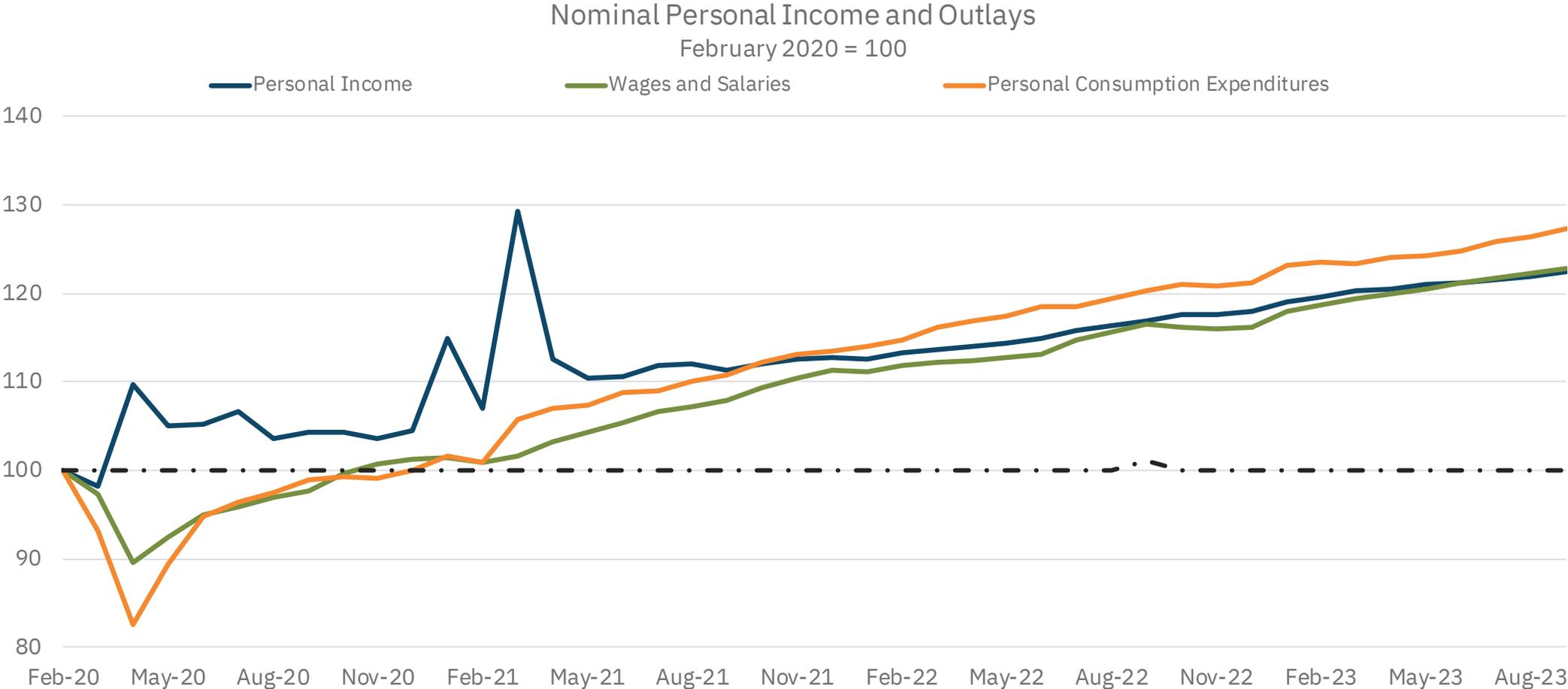
However, business expectations for revenue and employment growth in the year ahead have moderated



Sources: Atlanta Fed/Chicago Booth/Stanford; National Bureau of Economic Research; Haver Analytics

Through October 2023 (updated October 25)

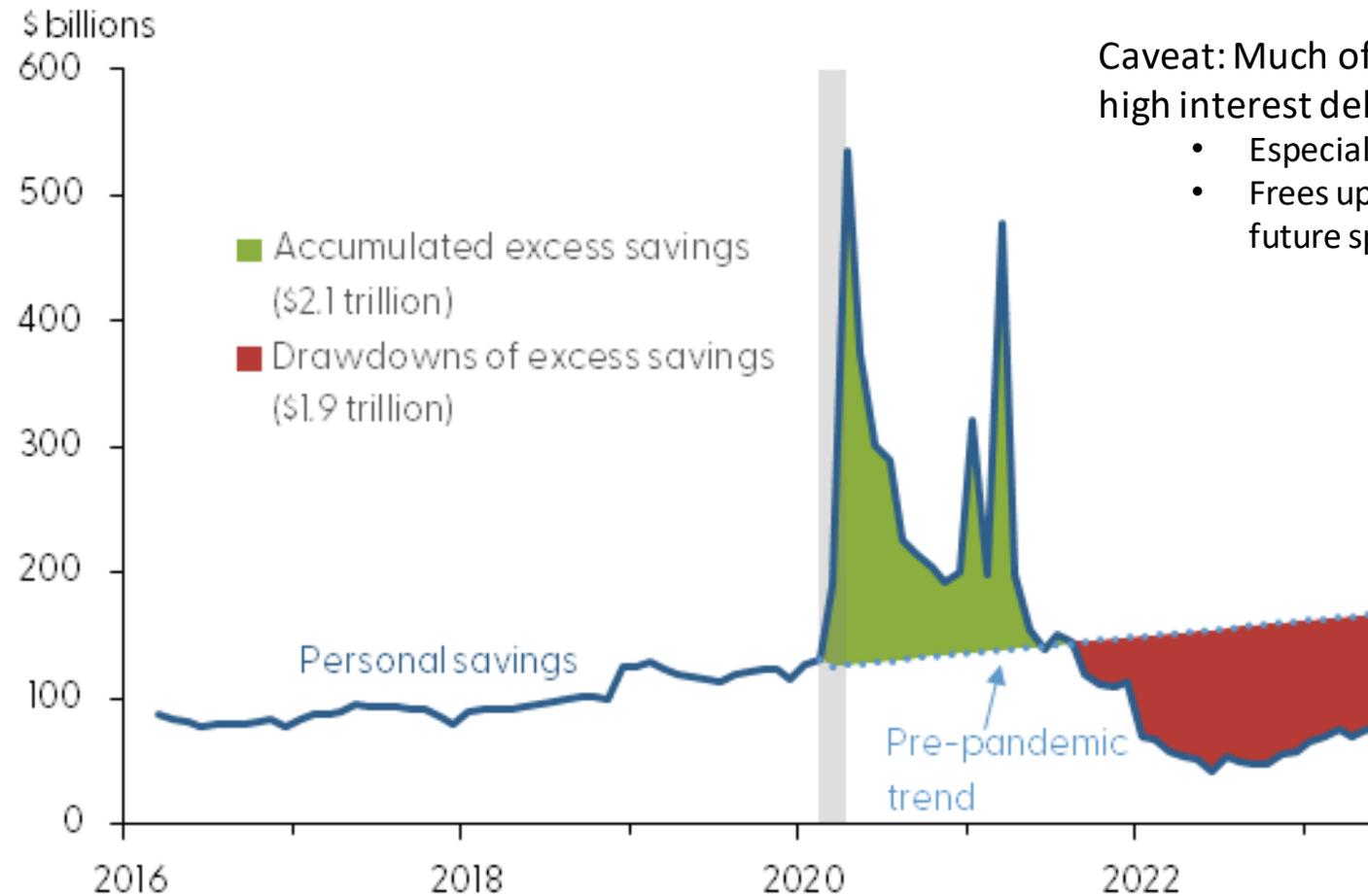
Consumer spending continues to outstrip income growth, as Americans continue to draw down savings accumulated during the pandemic



Sources: Bureau of Economic Analysis; Haver Analytics; Atlanta Fed staff calculations

through September 2023

Pandemic excess savings have been exhausted, returning savings levels to roughly where they were pre-pandemic

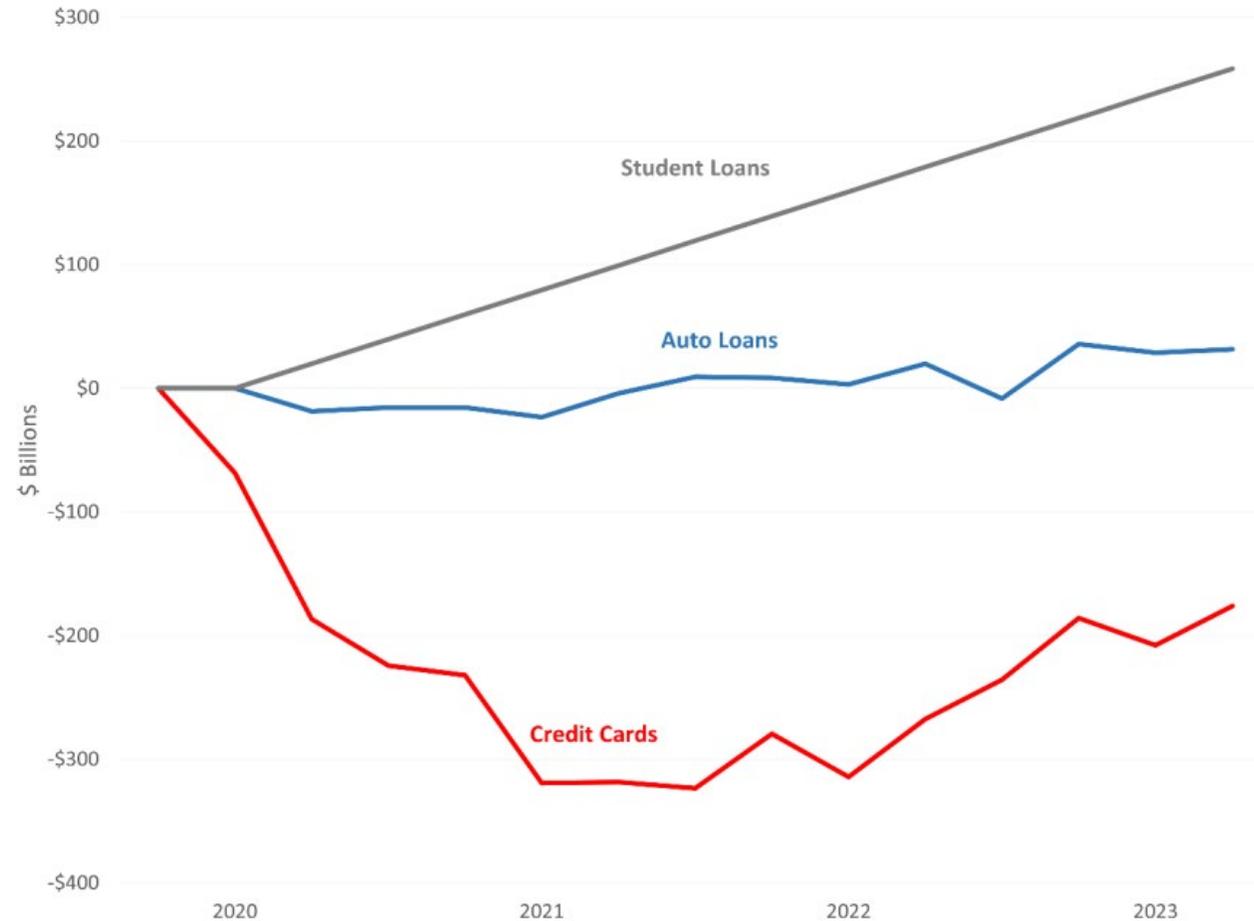


Caveat: Much of savings was used to pay down high interest debt.

- Especially low-income households.
- Frees up credit availability that could support future spending.

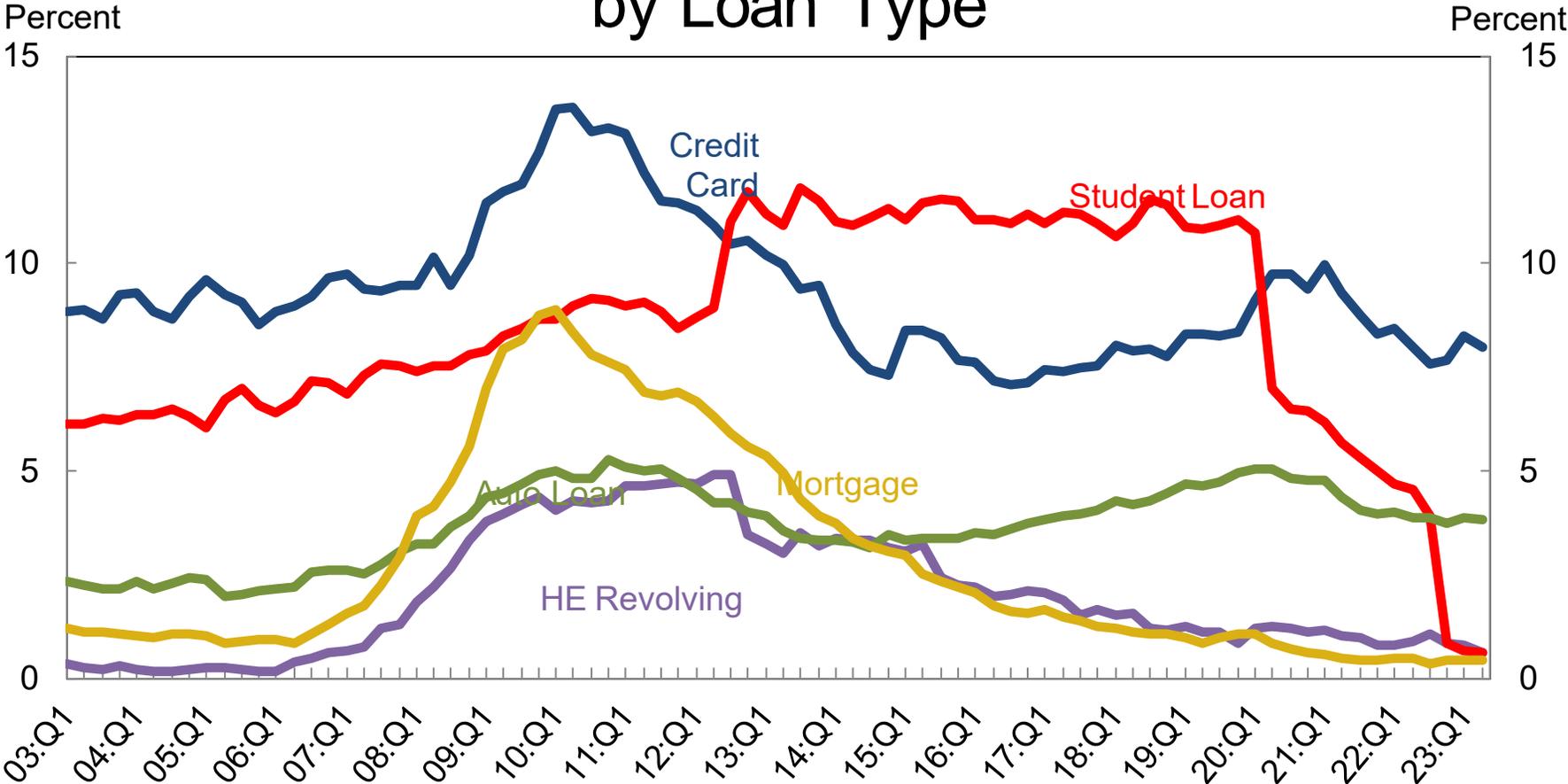
Household savings helped reduce credit card debt by \$180B, while reduced spending on student loans provided an additional \$260 of spending

Change to household balance sheets since start of pandemic



Consumer debt delinquencies remain below pre-pandemic norms

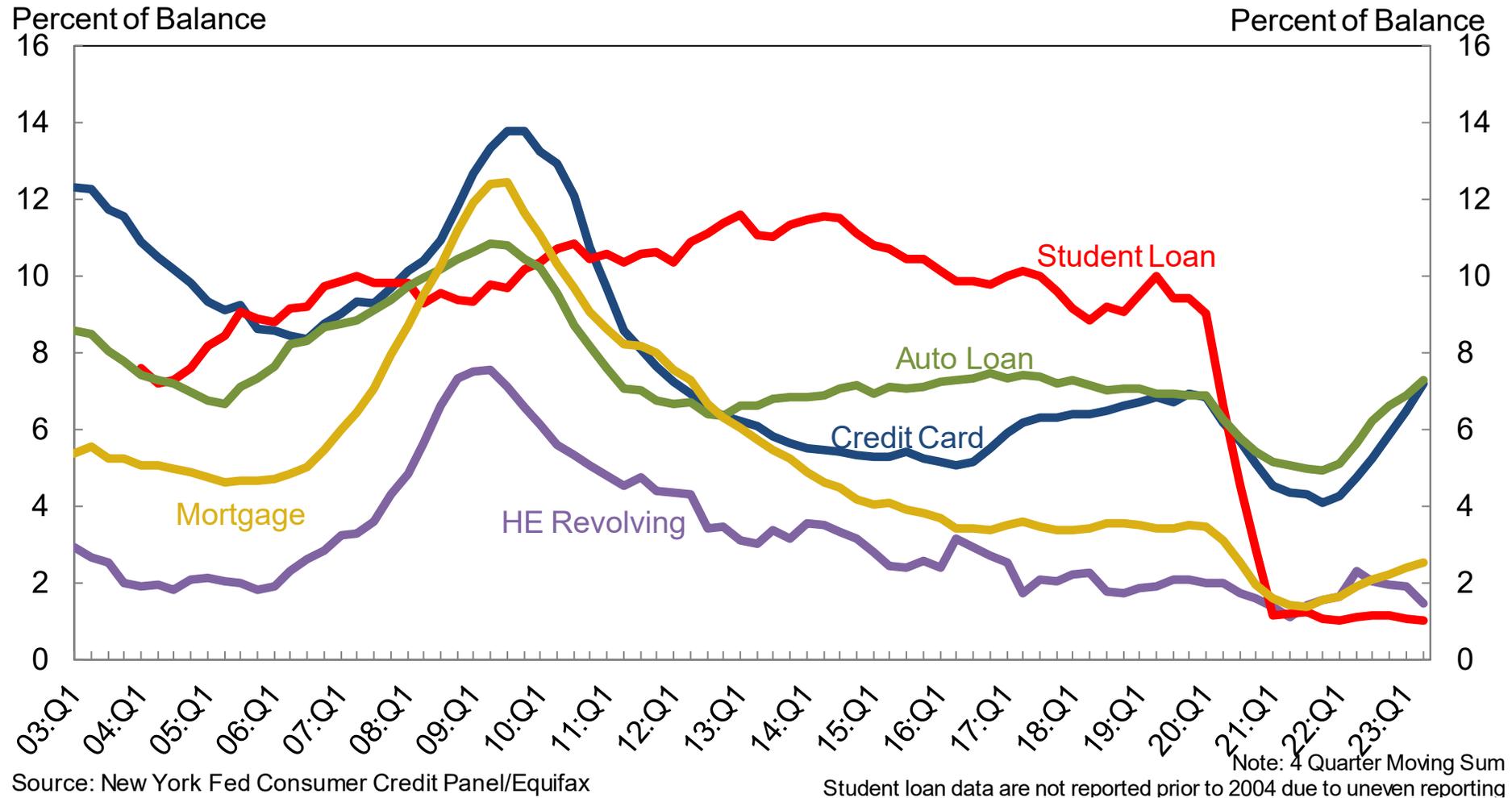
Percent of Balance 90+ Days Delinquent by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax

Though they are rising for most types of loans

Transition into Delinquency (30+) by Loan Type



GOING FORWARD...

The **banking system remains sound**, although tighter credit conditions are likely to weigh on economic activity.

The path of **interest rates** will be **data-dependent**.

Tennessee State Funding Board

November 6, 2023

Laurel Graefe



Federal Reserve Bank of Atlanta
Nashville Branch

Tennessee Economic Outlook and Tax Revenue Forecast

Donald Bruce, Director
November 6, 2023

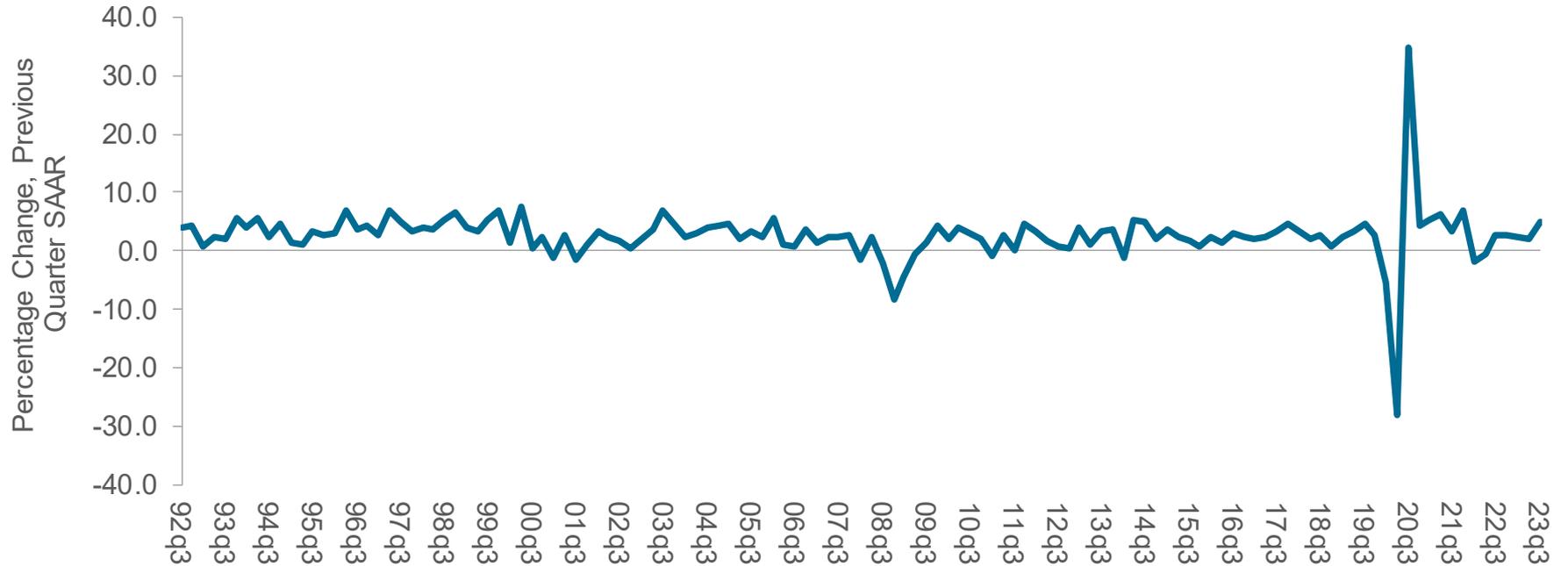


THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH



GDP Growth has been Strong in 2023



Source: BEA

Tennessee Outpaced the Nation Last Year

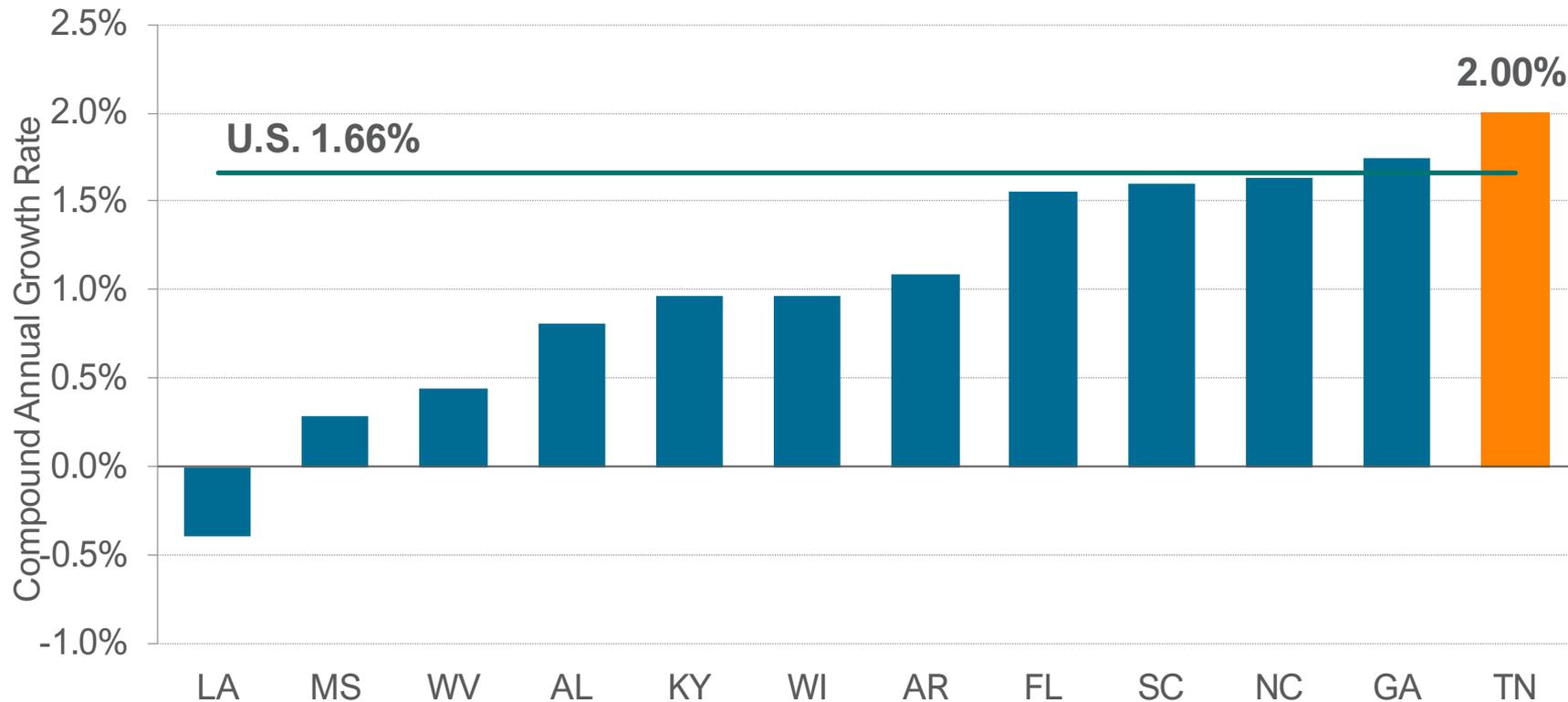
Real GDP Growth, 2022



Source: BEA

Tennessee Is Helping to Lead the Nation

State GDP Growth Rates, 2007 to 2022



Source: BEA

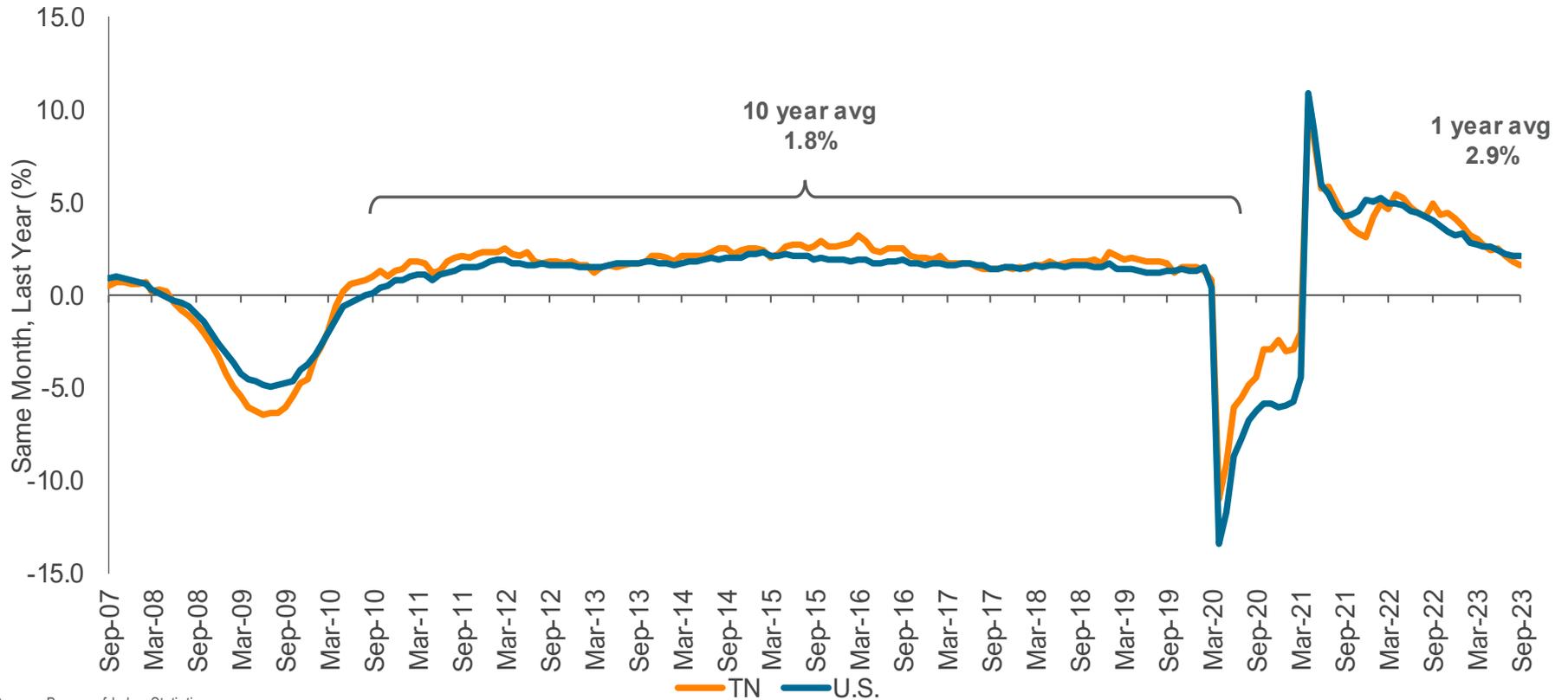
Inflation is Still Too High

U.S. Consumer Price Index Growth Rate



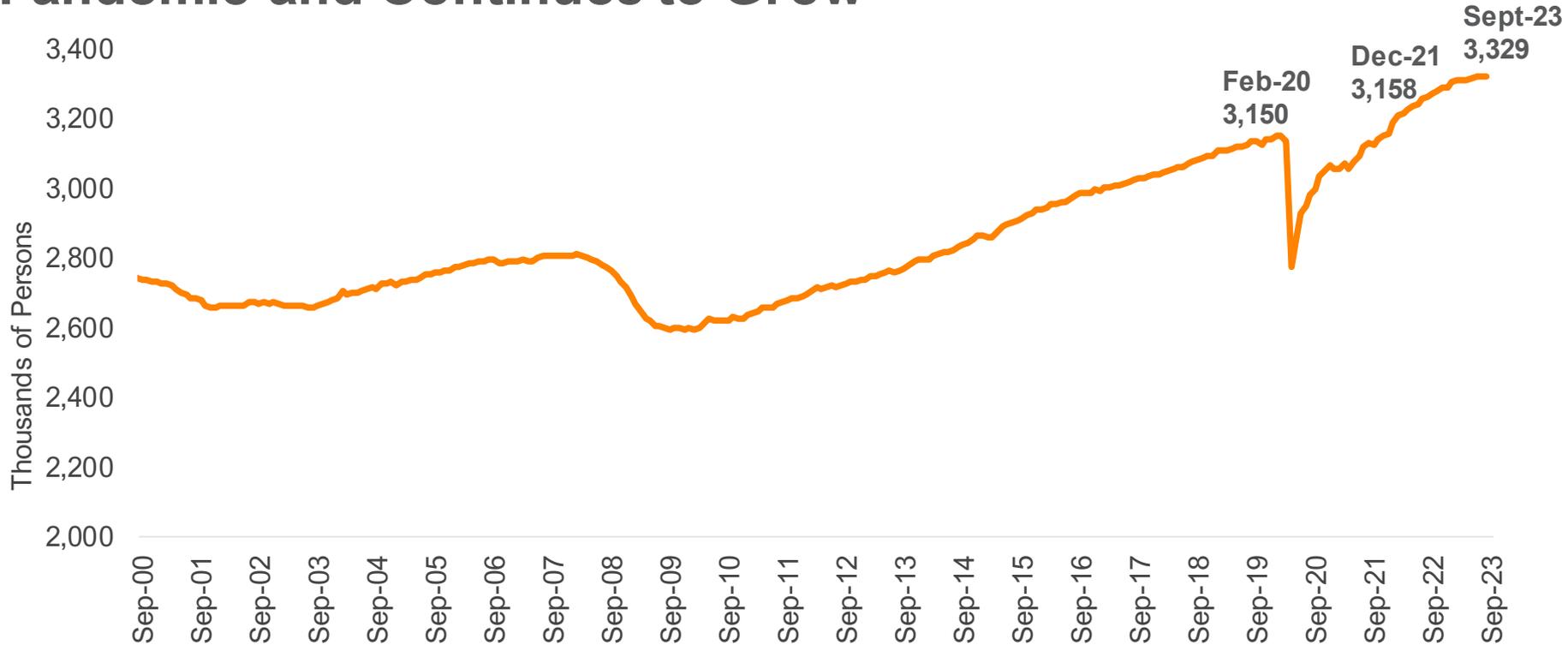
Source: BLS

TN and the U.S. Continue to See Strong Job Growth



Source: Bureau of Labor Statistics

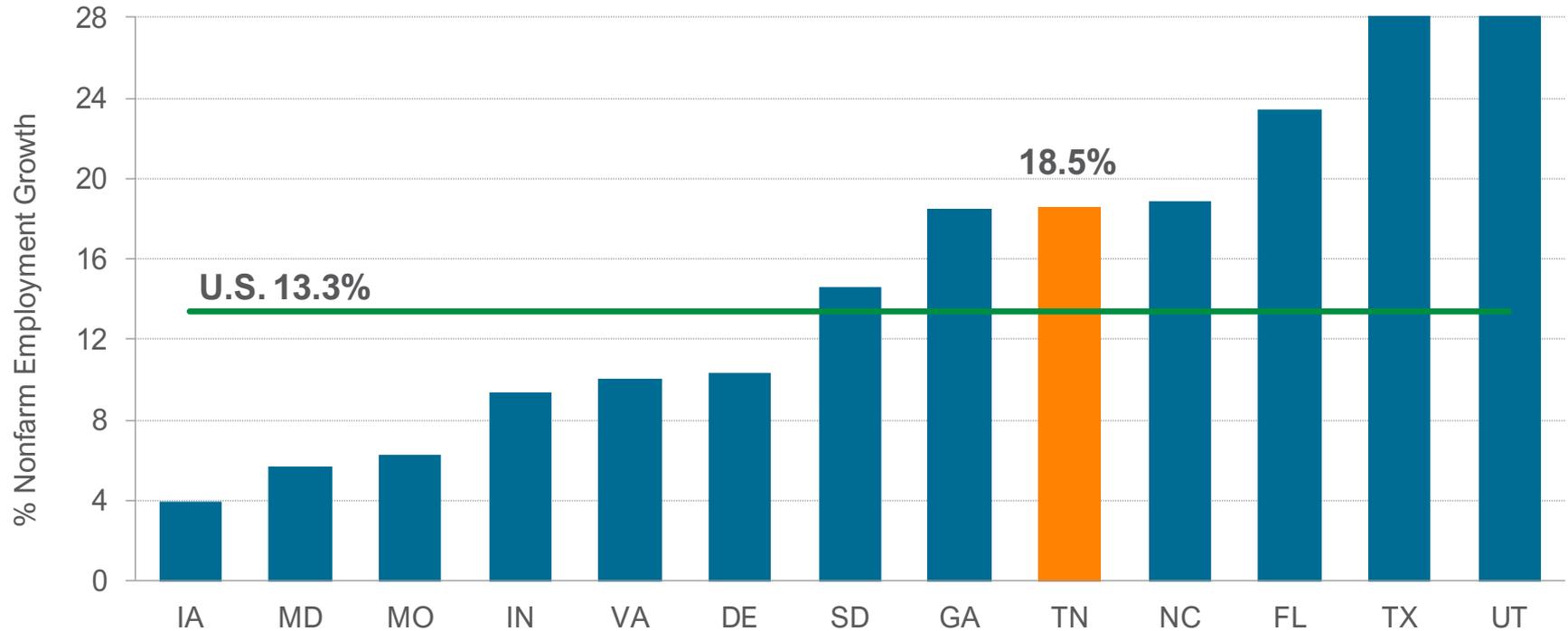
Tennessee Employment Recovered Quickly from the Pandemic and Continues to Grow



Source: Bureau of Labor Statistics

Tennessee Nonfarm Employment Growth

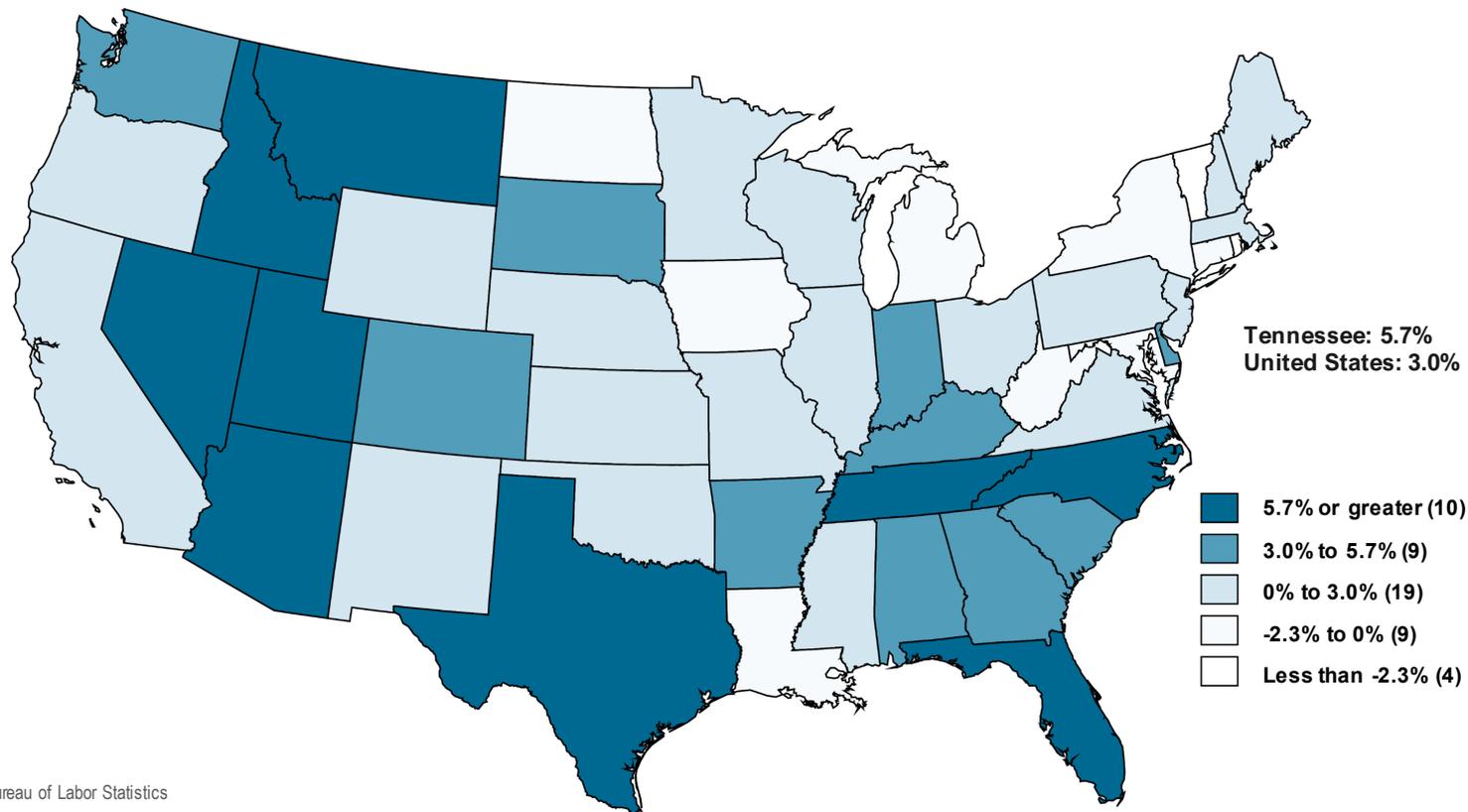
December 2007 – September 2023



Source: BLS

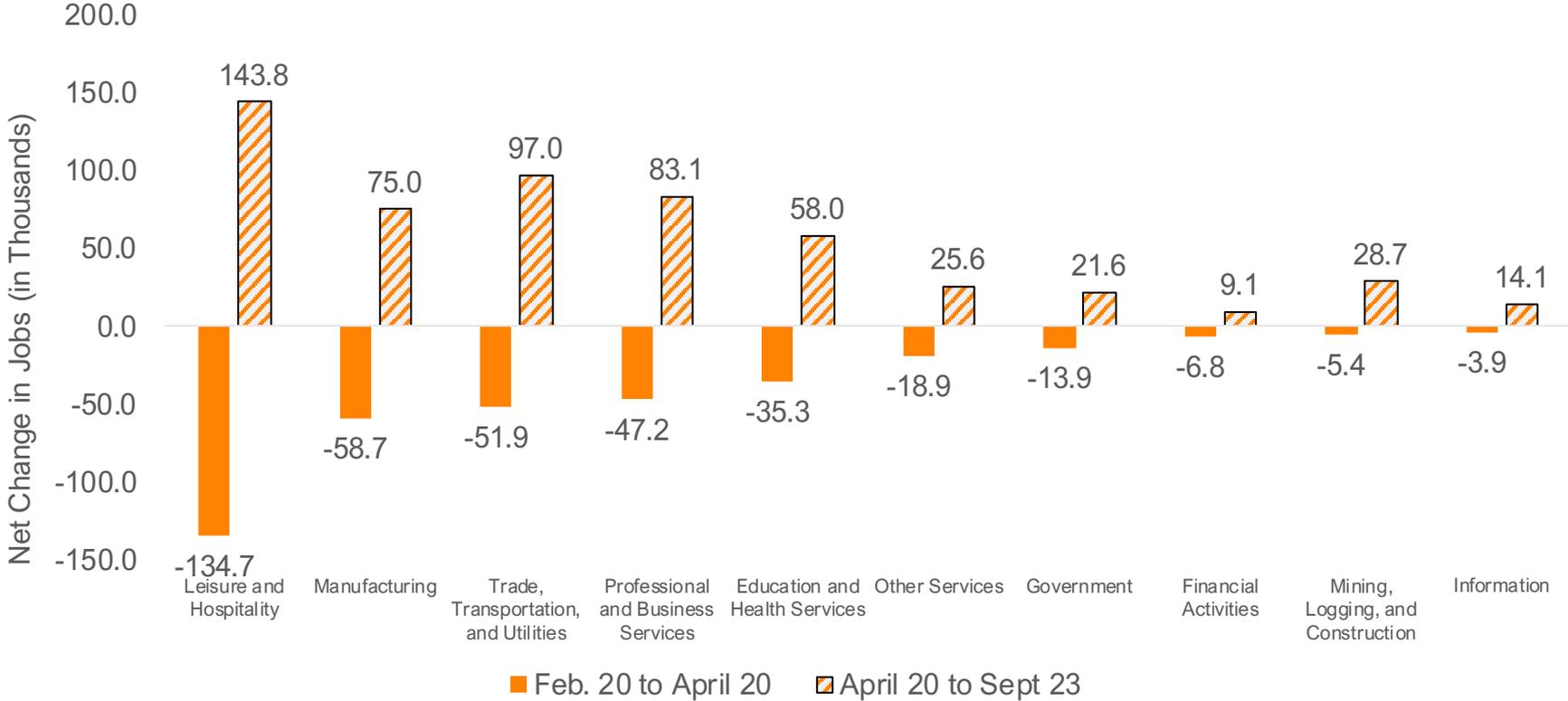
State Employment Growth Across the Nation

Nonfarm Employment Growth, February 2020 versus September 2023



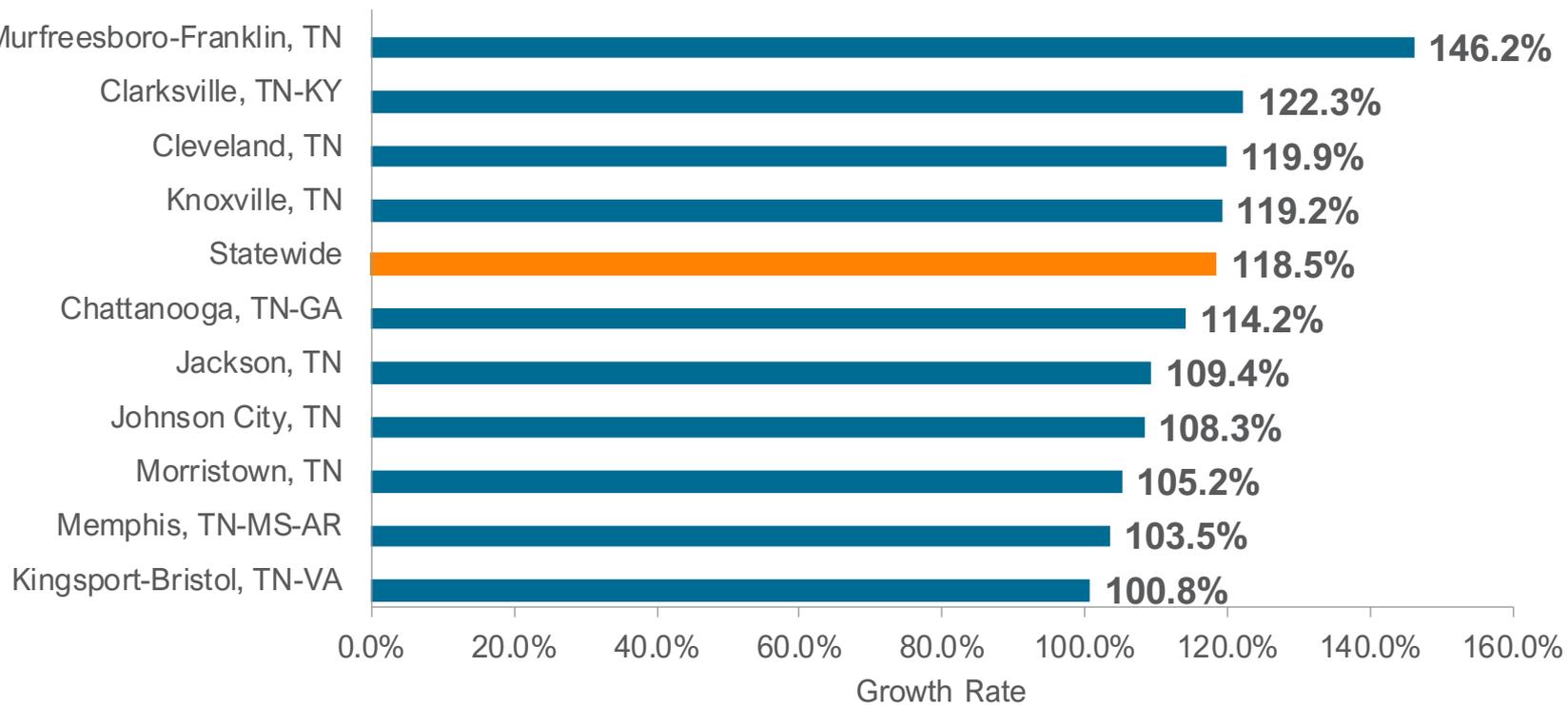
Source: Bureau of Labor Statistics

Employment in All Tennessee Sectors Has Fully Recovered



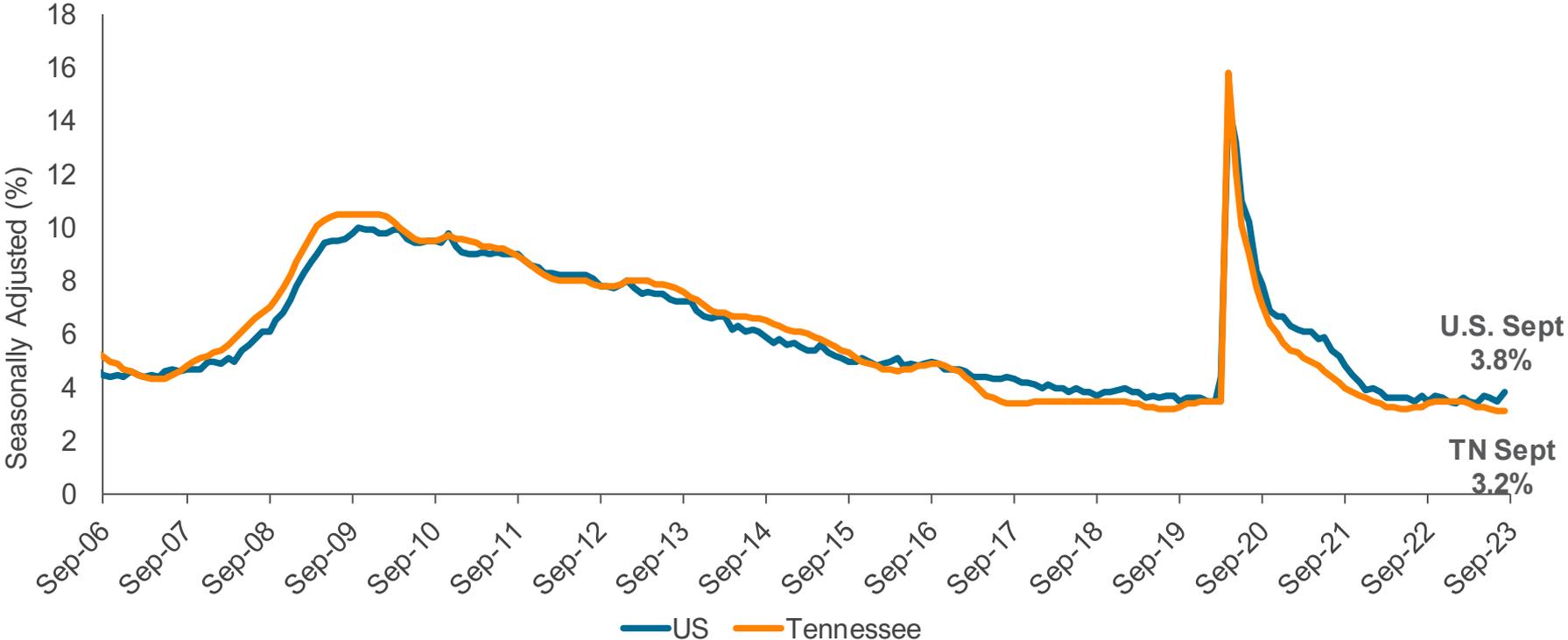
Source: Bureau of Labor Statistics

Long Term Employment Growth Differs Dramatically Across Tennessee (Growth Since Great Recession)



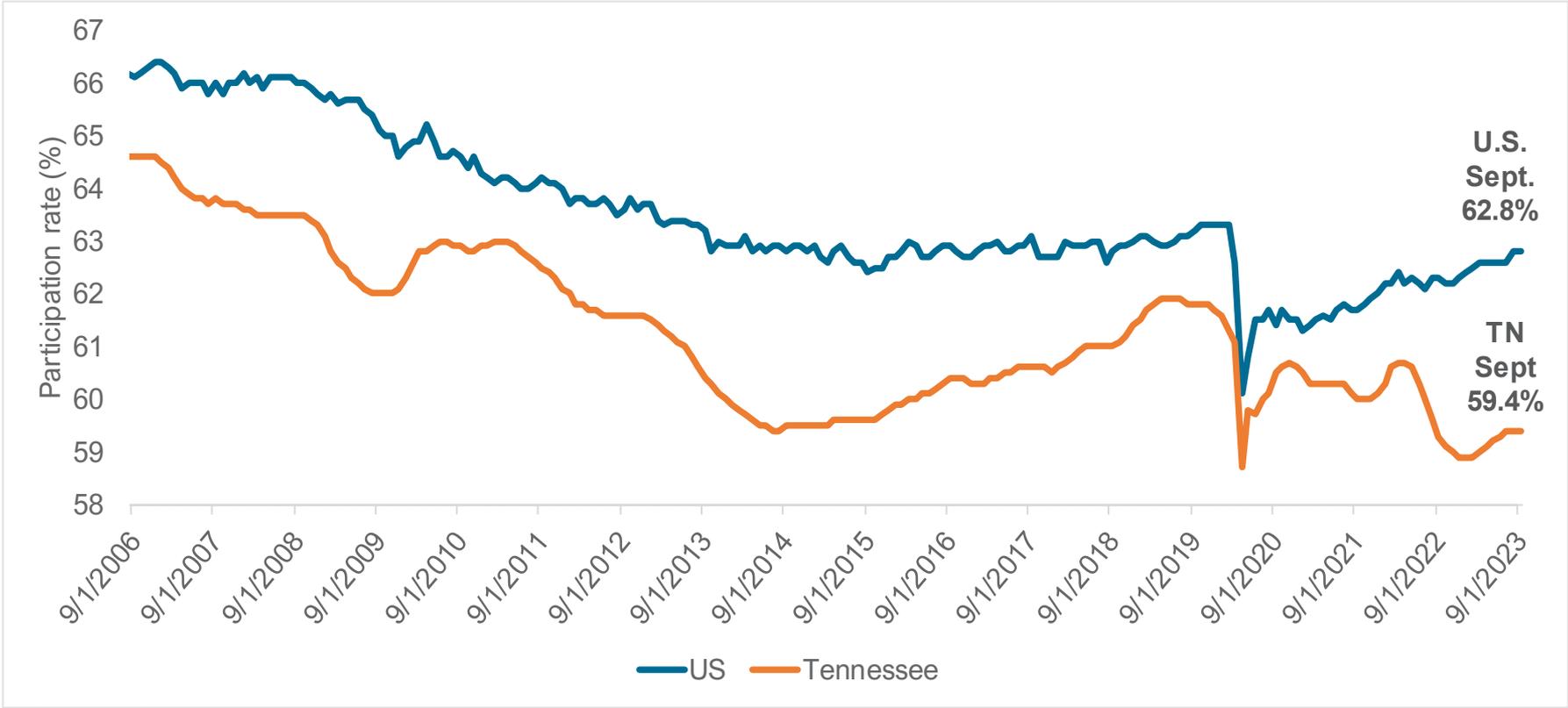
Source: Bureau of Labor Statistics

Unemployment Rates Remain Very Low



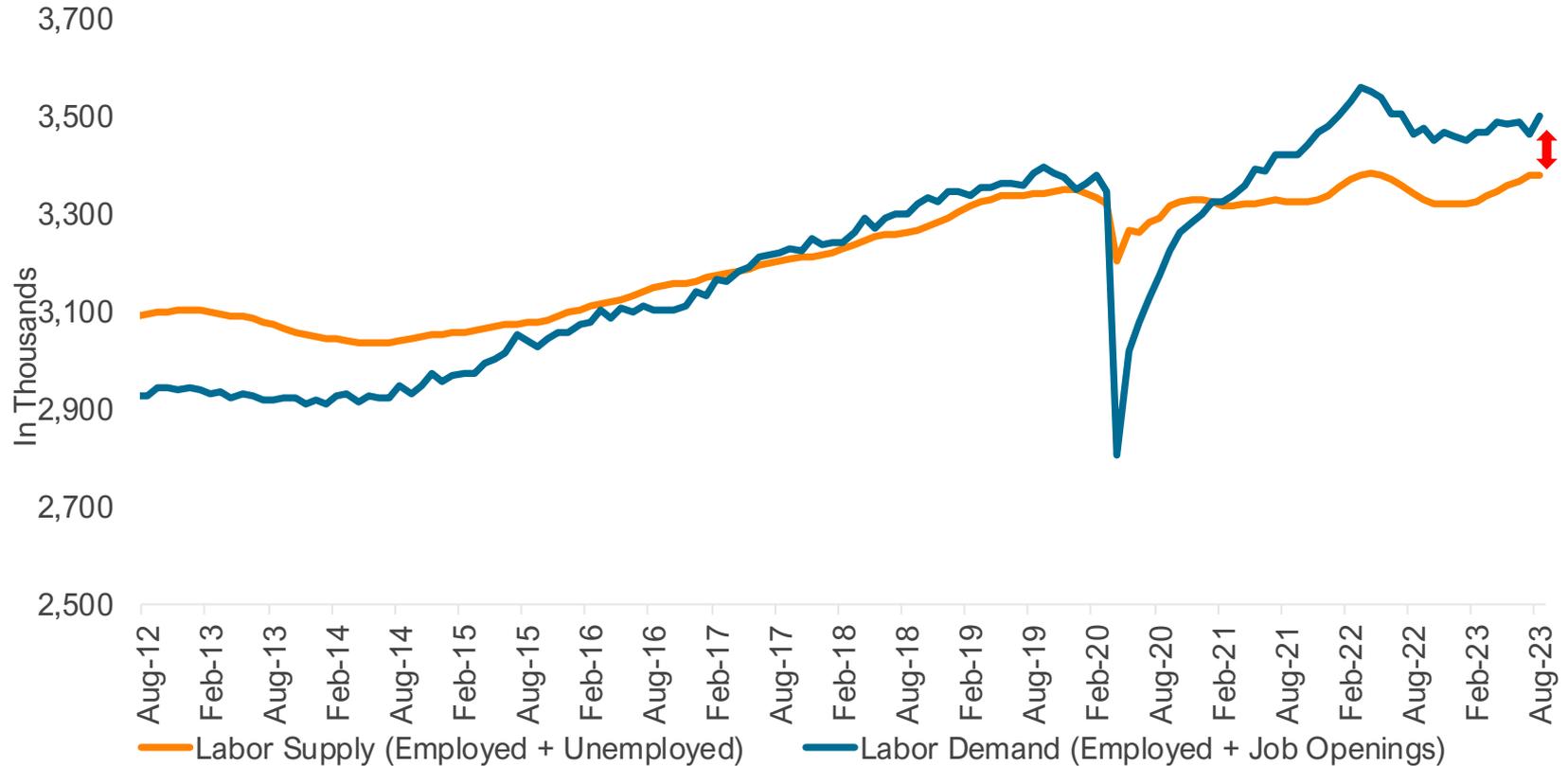
Source: Bureau of Labor Statistics

Labor Force Participation is Still Depressed



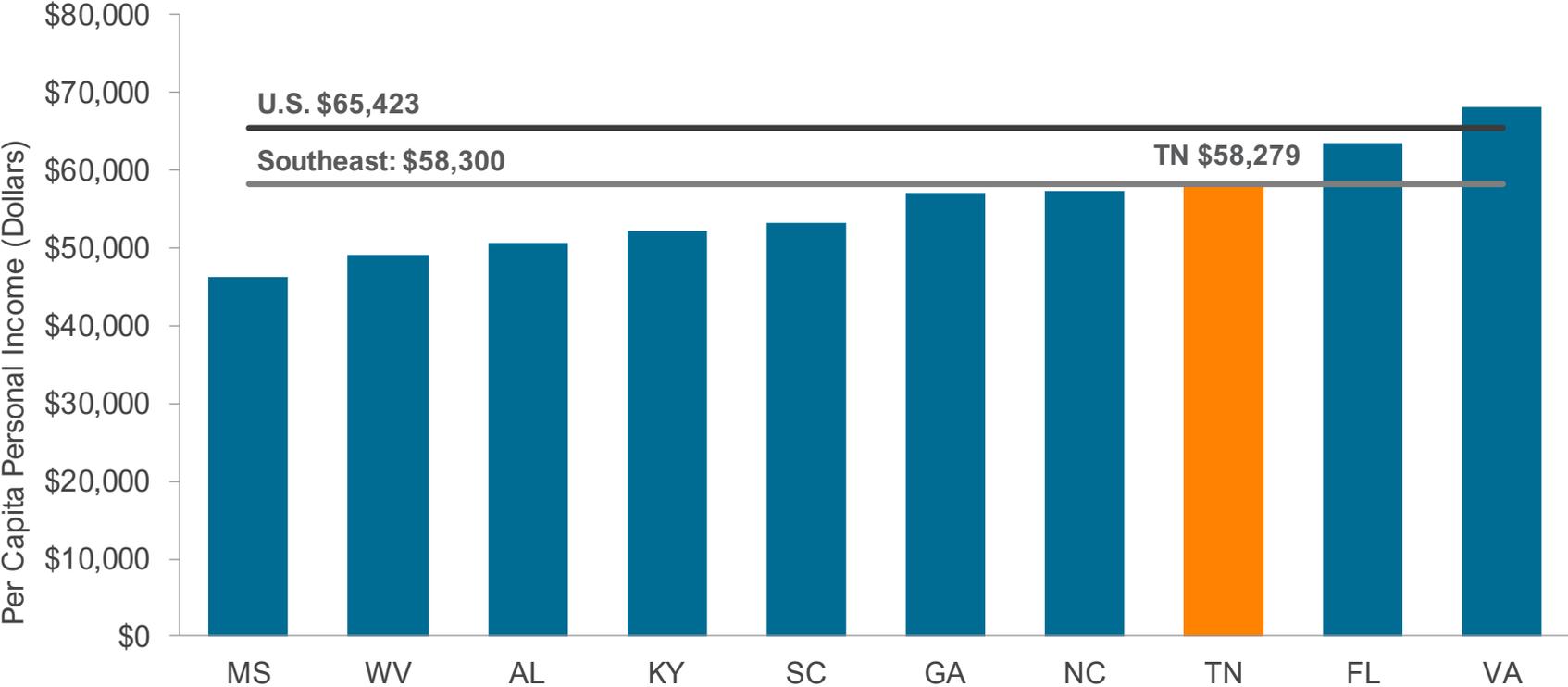
Source: Bureau of Labor Statistics

The Worker Shortage Remains Large in Tennessee (~120,000)



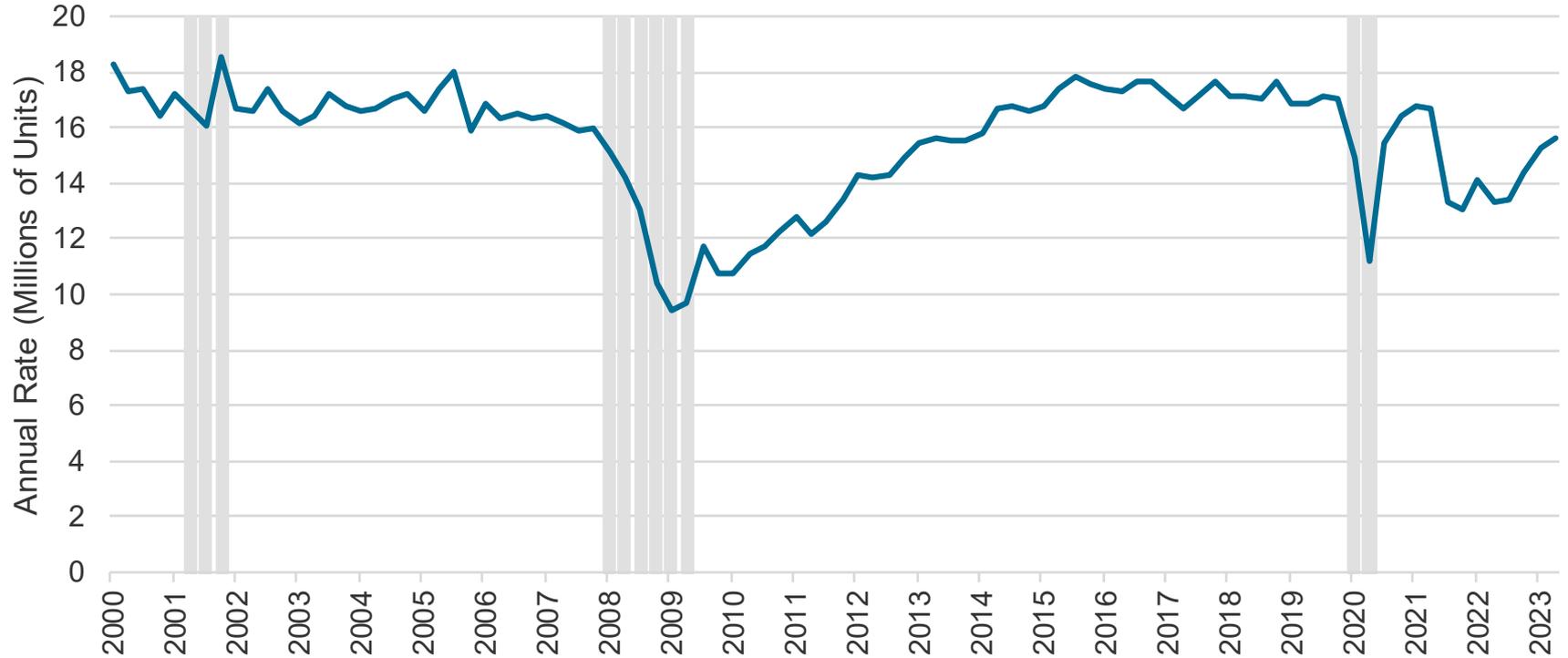
Source: Bureau of Labor Statistics

Per Capita Personal Income, 2022



Source: Bureau of Economic Analysis

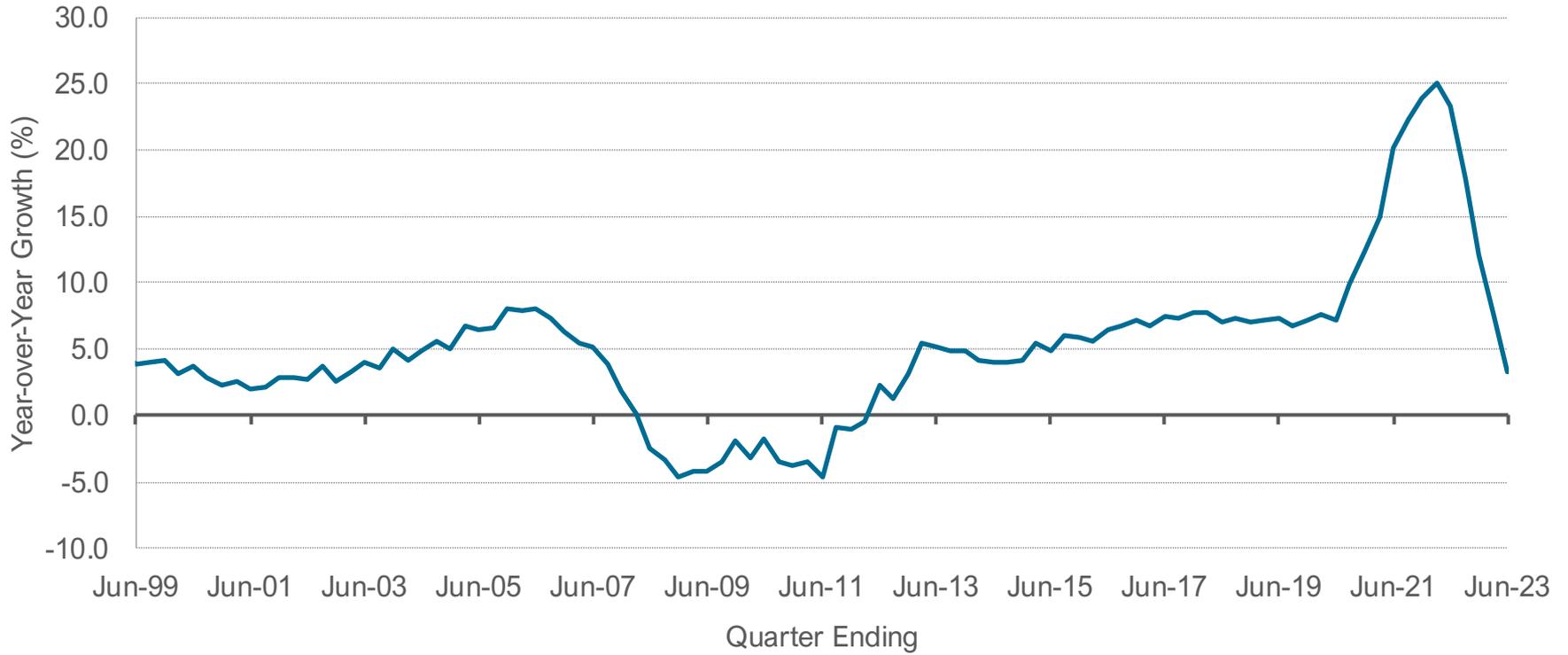
Light Weight Vehicle Sales



Source: BEA

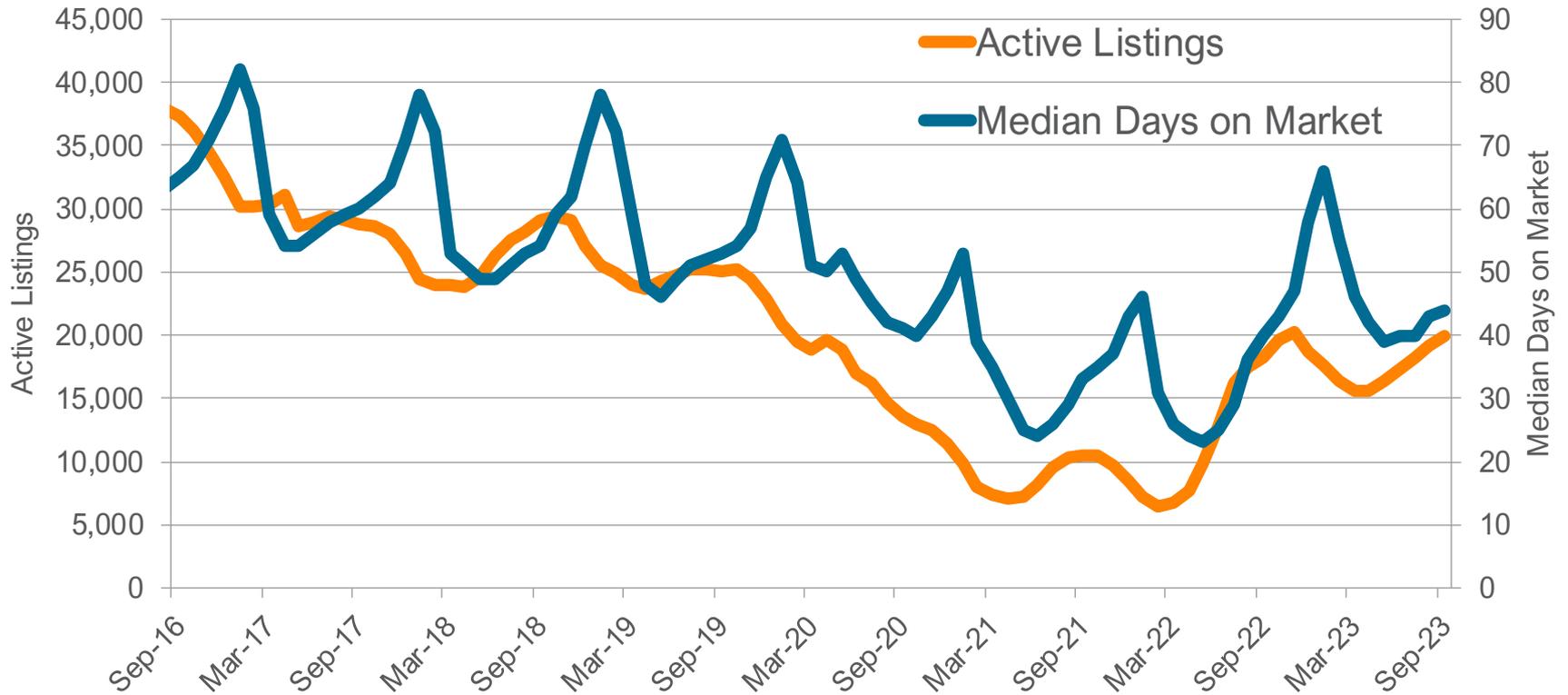
Tennessee House Price Index

(Seasonally Adjusted, Purchase-Only Index)



Source: Federal Housing Finance Agency

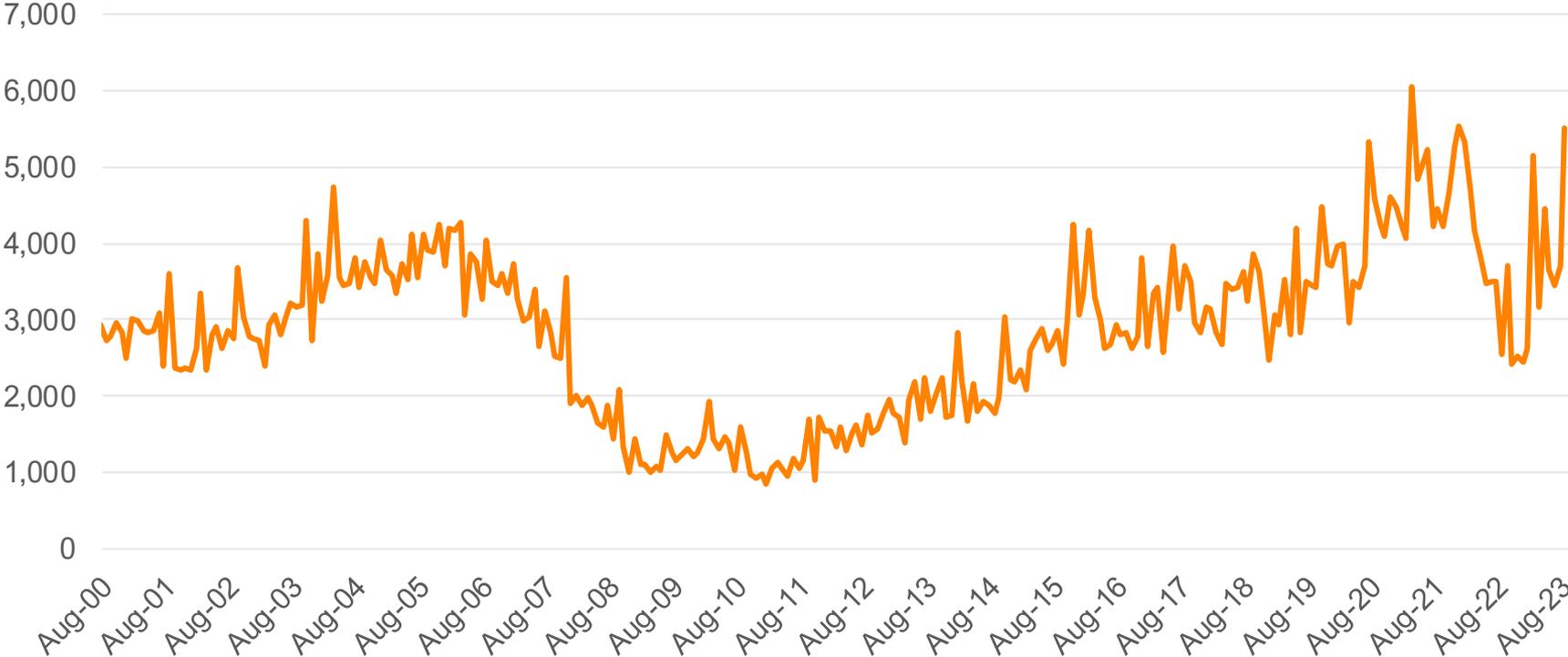
Tennessee's Housing Market is Slowly Returning to Normal



Source: Realtor.com

New TN Building Permits for Private Housing Units

Monthly, Seasonally Adjusted



Source: Census

Tennessee Department of Revenue Collections (Millions of Dollars)

	2023			2024			2025		
	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund
Sales and Use	13,677.9	6.8	12,844.7	14,074.5	2.9	13,108.8	14,341.9	1.9	13,357.9
Gasoline	880.8	0.8	14.1	889.6	1.0	12.6	903.0	1.5	12.8
Motor Fuel	318.9	-0.8	2.3	315.7	-1.0	2.1	318.5	0.9	2.1
Gasoline Inspection	71.5	0.5	21.0	72.0	0.7	21.1	72.4	0.5	21.2
Motor Vehicle Registration	280.4	-24.2	65.2	372.9	33.0	64.0	378.5	1.5	65.0
Income	2.7	-59.8	2.3	-	-100.0	-	-	0.0	-
Privilege	463.3	-22.0	456.7	393.8	-15.0	389.2	401.7	2.0	397.0
Gross Receipts	427.8	16.2	241.4	425.0	-0.7	232.8	427.8	0.6	234.3
Gross Receipts - TVA	399.9	17.2	219.0	399.9	0.0	333.8	399.9	0.0	333.8
Gross Receipts - Other	27.9	3.3	22.4	25.1	-10.0	16.8	27.9	11.0	18.7
Beer	17.9	-1.9	12.0	17.9	0.0	14.8	17.8	-0.5	14.7
Alcoholic Beverage	87.4	1.1	72.1	89.5	2.4	88.6	91.7	2.5	90.8
Franchise & Excise	4,786.6	5.3	4,505.9	4,408.4	-7.9	4,064.0	4,280.6	-2.9	3,946.1
Inheritance & Estate	0.1	-90.9	0.1	-	-100.0	-	-	0.0	-
Tobacco	214.0	-5.0	214.0	200.0	-6.5	200.0	194.0	-3.0	194.0
Motor Vehicle Title	23.0	-2.2	20.3	22.6	-2.0	20.0	22.6	0.0	20.0
Mixed Drink	215.5	13.5	107.7	228.4	6.0	114.2	244.4	7.0	122.1
Business	332.7	13.6	332.7	332.7	0.0	332.7	333.7	0.3	333.7
Severance	0.9	6.9	0.6	0.8	-10.0	0.2	0.8	0.0	0.2
Coin Amusement	0.4	-1.0	0.4	-	-100.0	-	-	0.0	-
Unauthorized Substance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	21,801.7	4.8	18,913.5	21,844.0	0.2	18,782.9	22,029.5	0.8	18,930.2
General Fund Growth		5.0			-0.7			0.8	

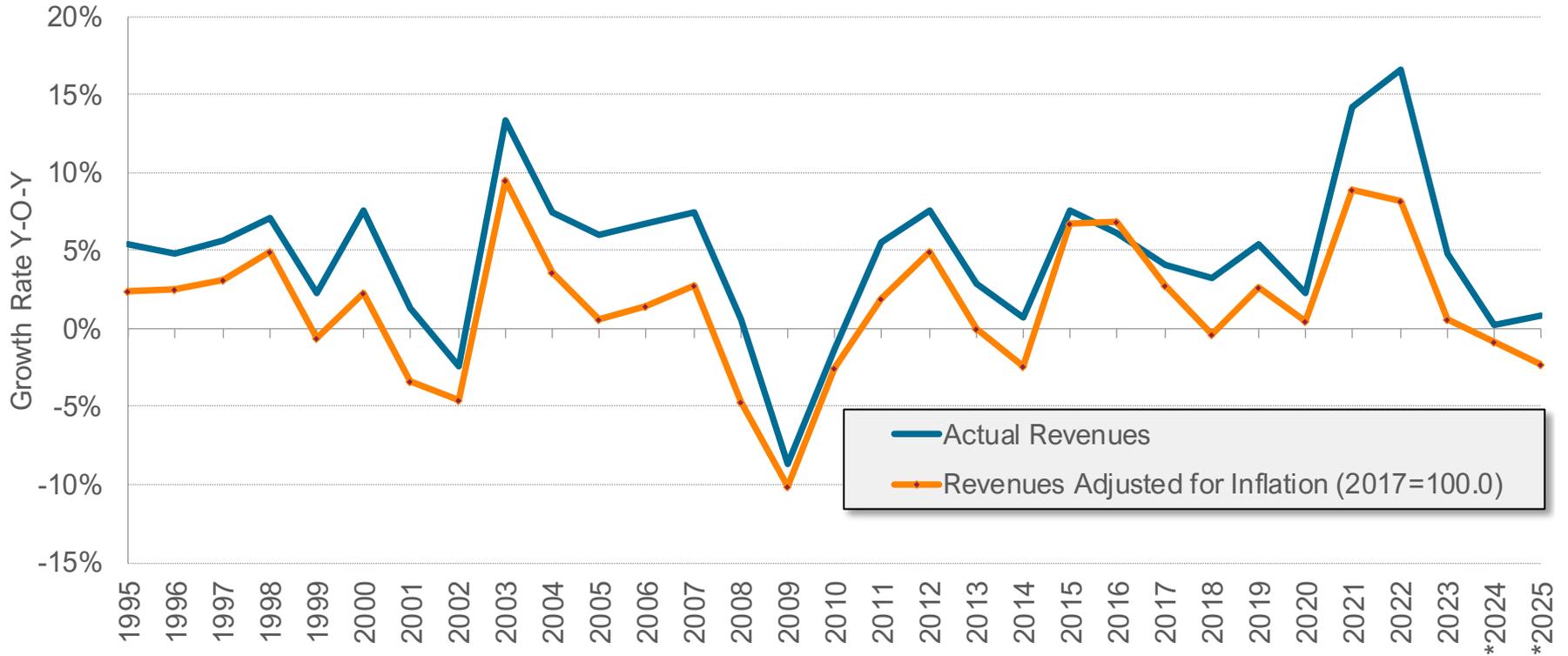
November 6, 2023
 Donald Bruce
 Boyd Center for Business and Economic Research
 University of Tennessee, Knoxville

Tax Revenue Growth Rate is Expected to Slow After a Period of Unprecedented Growth



Source: TN Department of Revenue
 *2024 & 2025 are Boyd Center Estimates

Real (Inflation-Adjusted) Revenue Growth will be Negative



Source: Department of Revenue
* 2024 & 2025 are Boyd Center Estimates



Dr. Don Bruce

dbruce@utk.edu

(865)974-6088

@DonBruceTN



THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

**Tennessee Economic Outlook
and
Revenue Forecast – November 6, 2023**



**Jon L. Smith, Professor of Economics & Director
Bureau of Business and Economic Research**

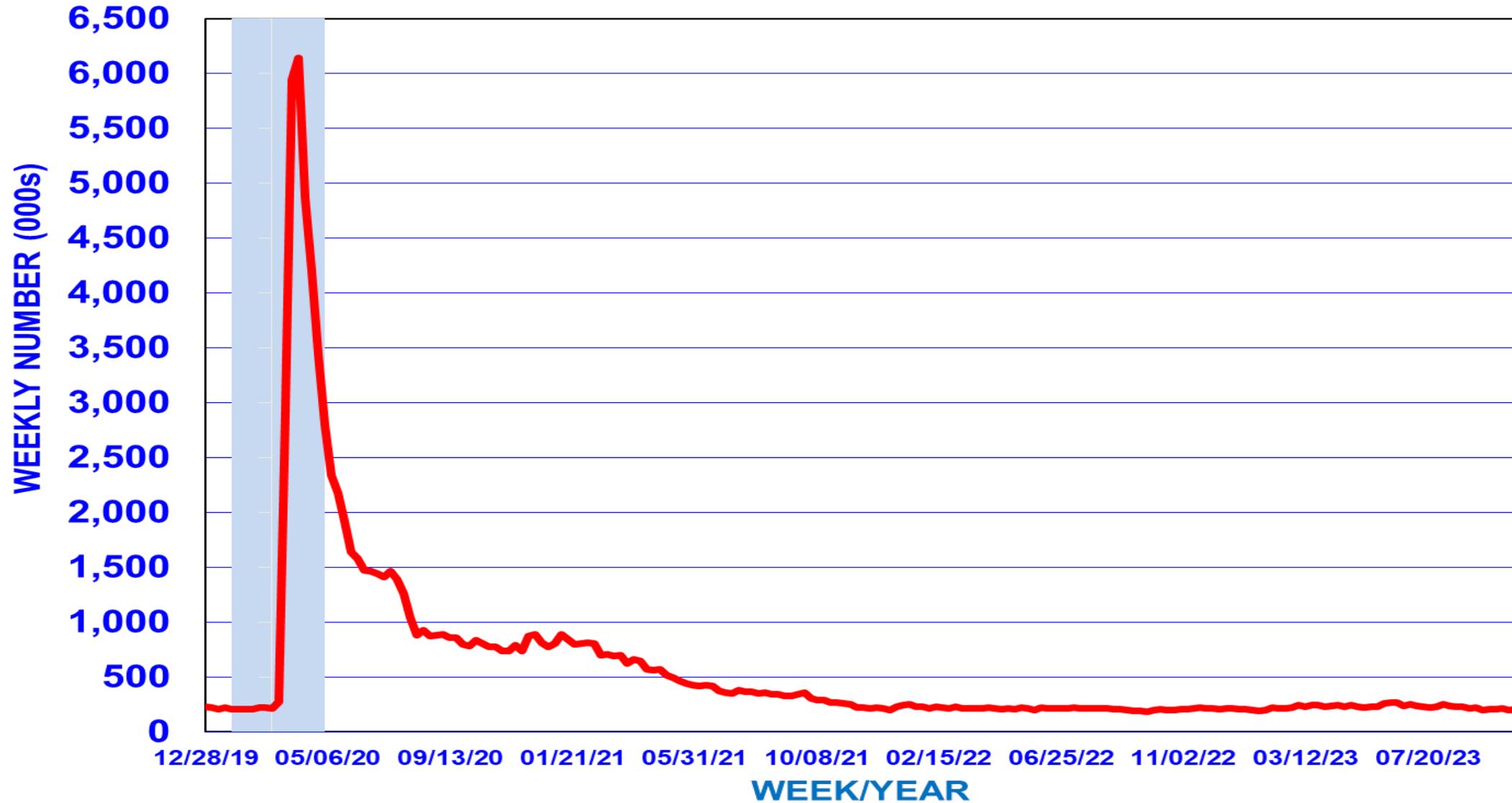
**W. Fred Mackara, Professor Emeritus,
Department of Economics and Finance**

**Joseph Newhard, Associate Professor
Department of Economics and Finance**

National Economy

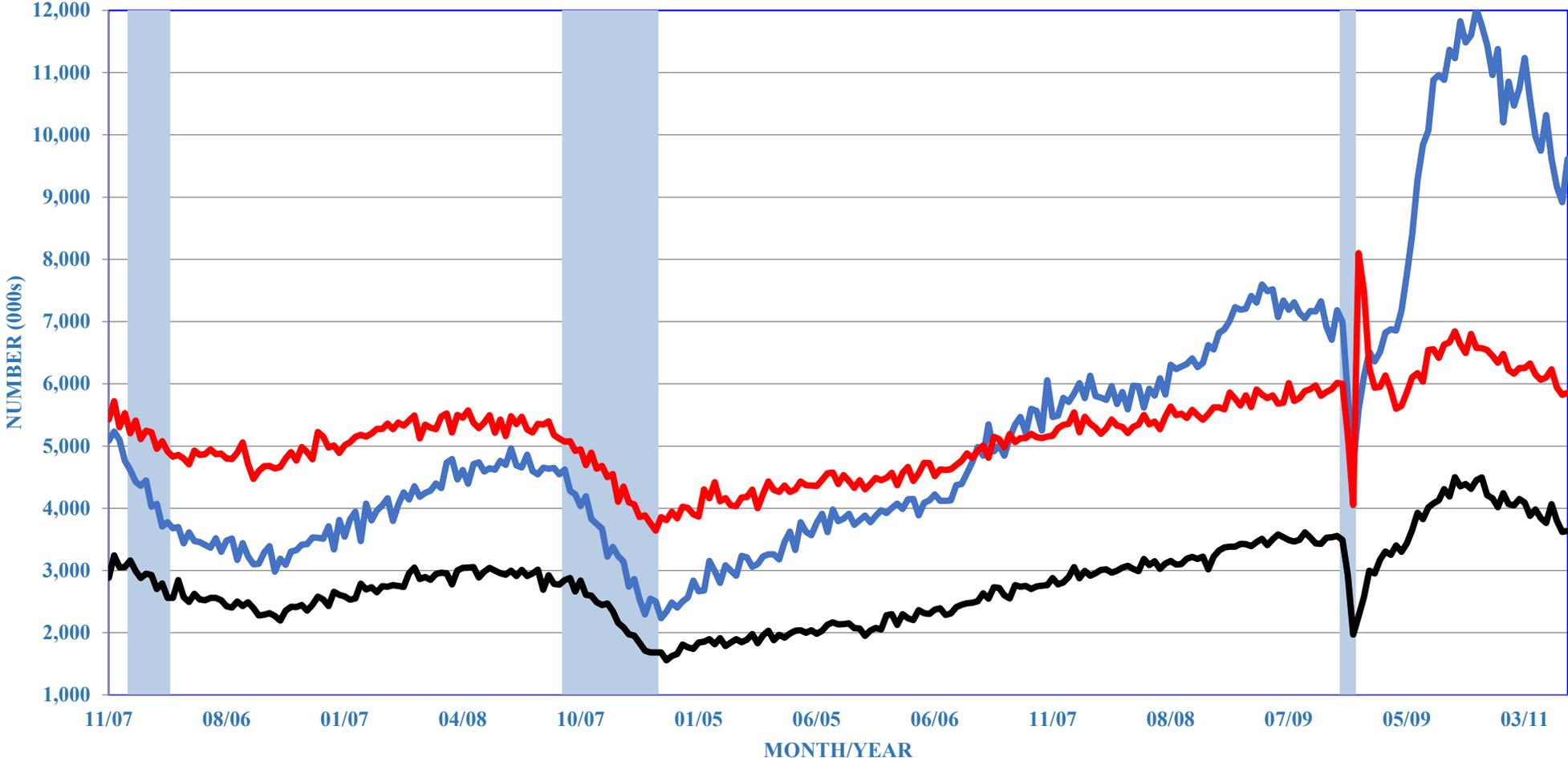
NEW CLAIMS FOR UNEMPLOYMENT BENEFITS

(12/19 – 10/23)



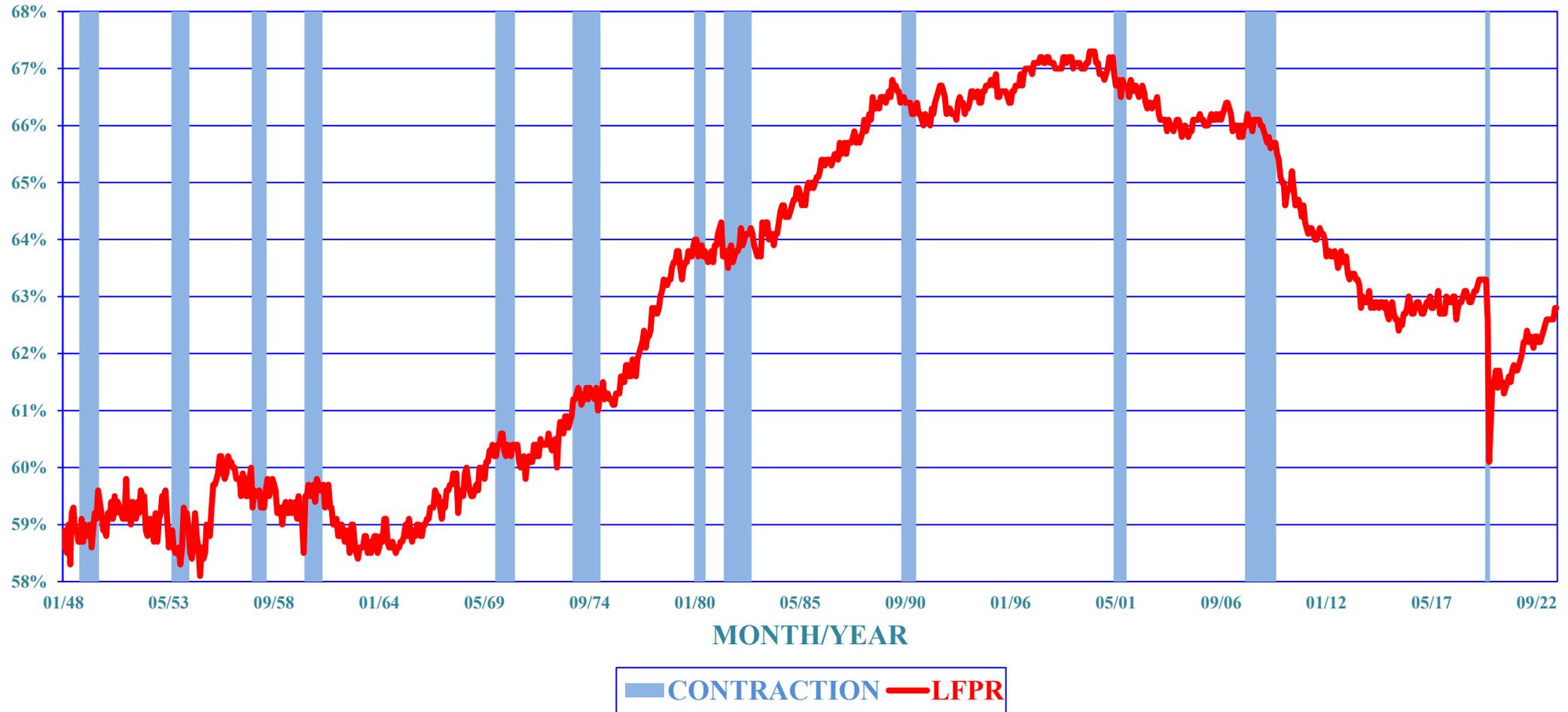
HIRES, OPENINGS, & QUILTS

(J.O.L.T.S., 8/23)



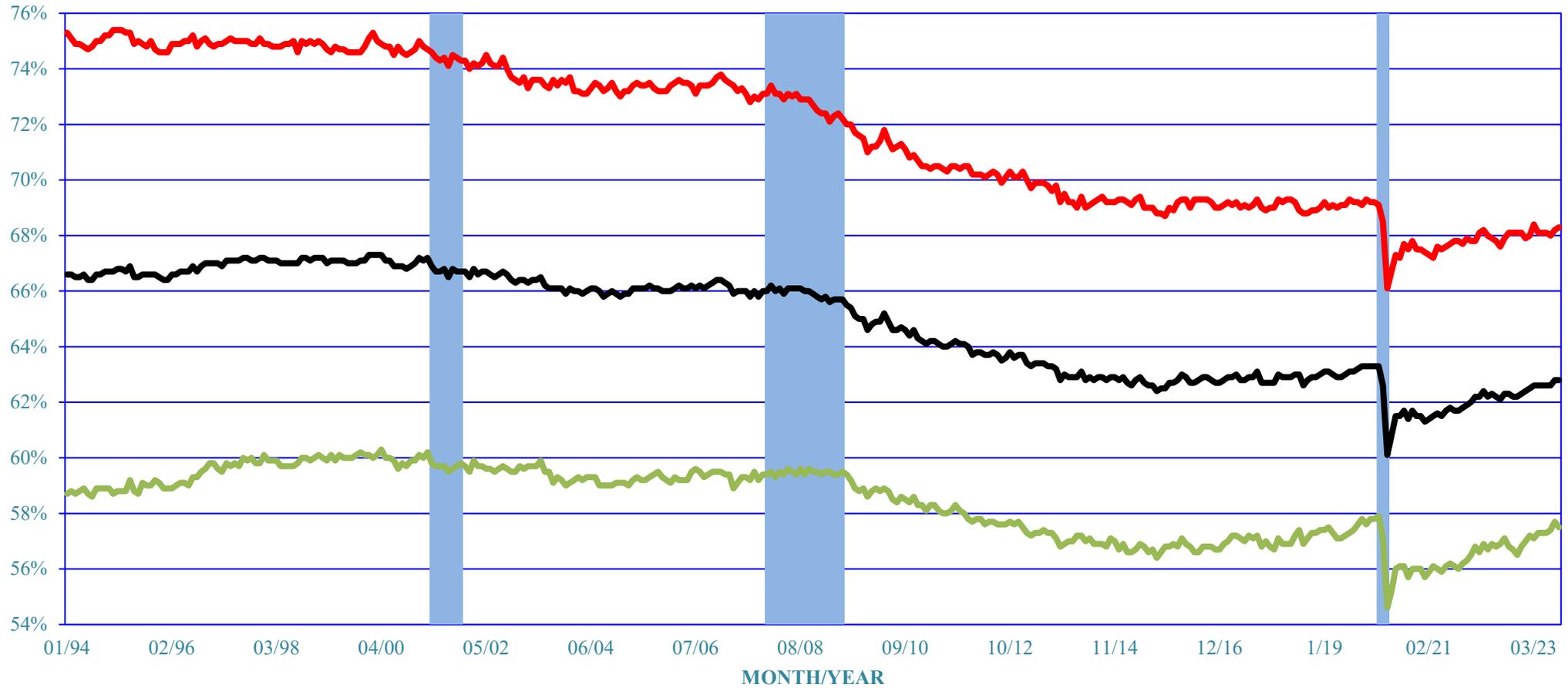
Contractions Openings Hires Quits

LABOR FORCE PARTICIPATION RATE (LFPR) (LAST MONTH PLOTTED, 9/23)

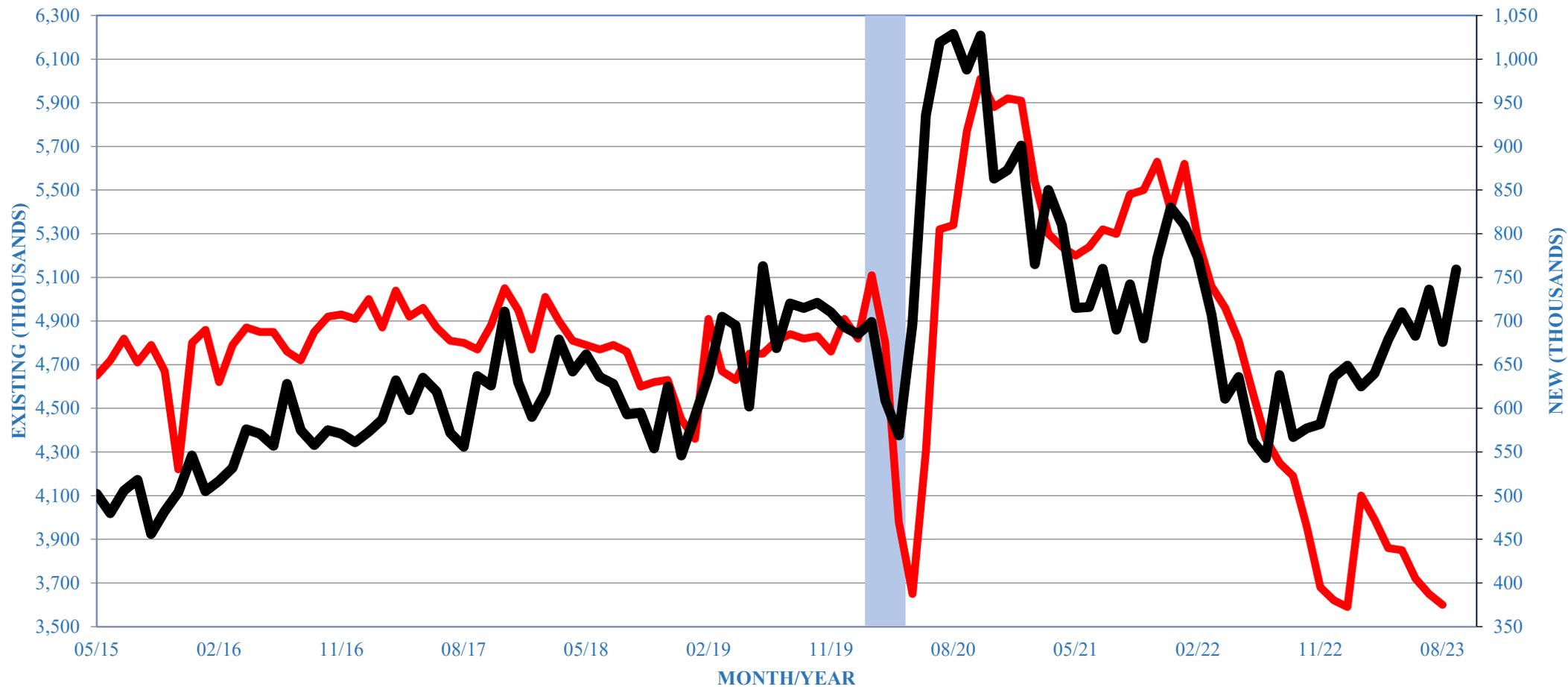


LABOR FORCE PARTICIPATION RATE BY GENDER

(LAST MONTH PLOTTED, 9/23)

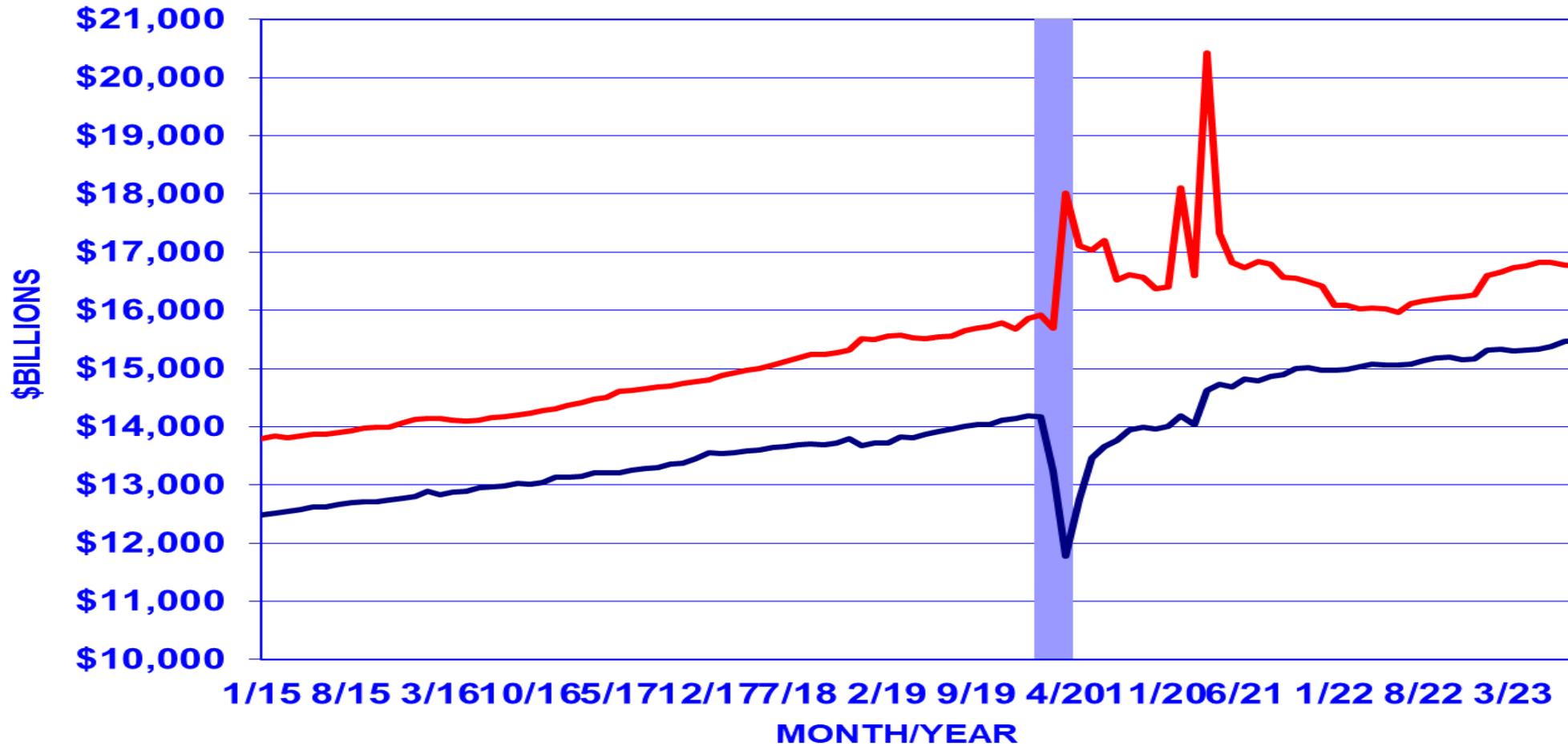


NEW & EXISTING HOME SALES (LAST MONTH PLOTTED, 9/23)



CONTRACTION EXISTING (000s) - LEFT AXIS NEW (000s) - RIGHT AXIS

INFLATION-ADJUSTED AFTER-TAX INCOME & CONSUMPTION SPENDING (LAST MONTH PLOTTED, 8/23)

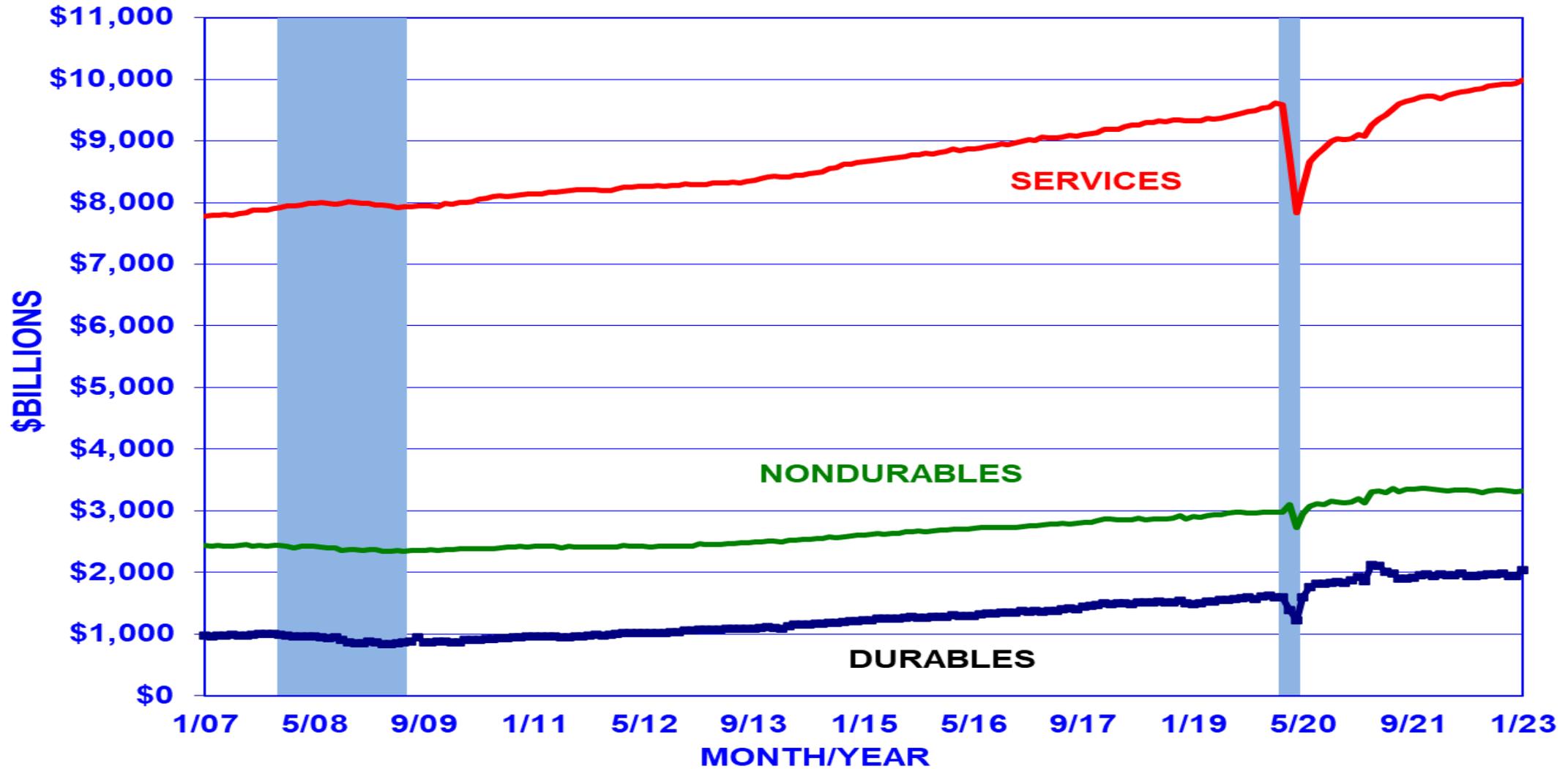


CONTRACTIONS

DISPOSABLE INCOME

PERSONAL CONSUMPTION

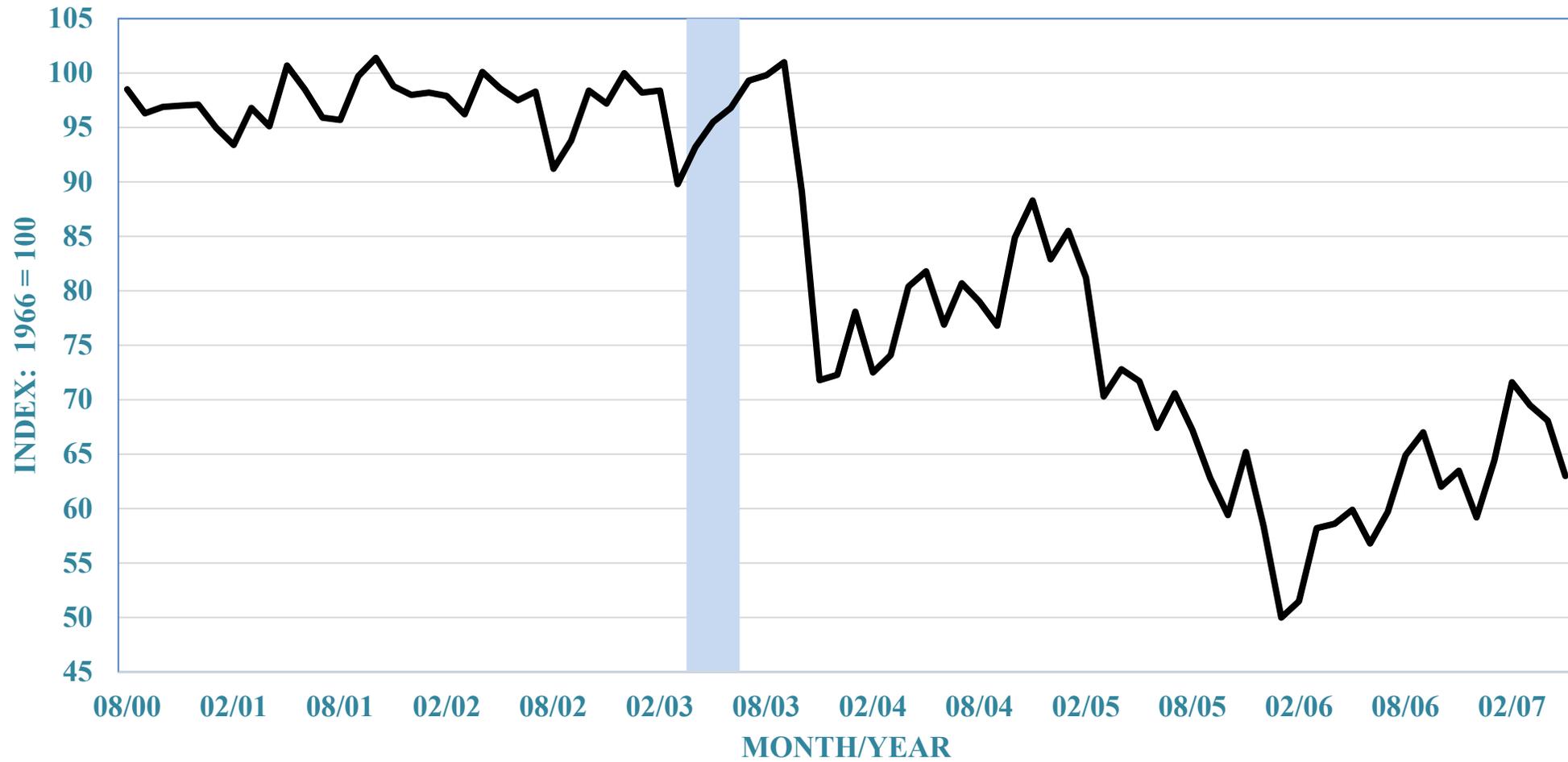
INFLATION-ADJUSTED MONTHLY CONSUMPTION SPENDING BY CATEGORY (LAST MONTH PLOTTED, 8/23)



MEASURES OF INFLATION (LAST MONTH PLOTTED, 9/23)



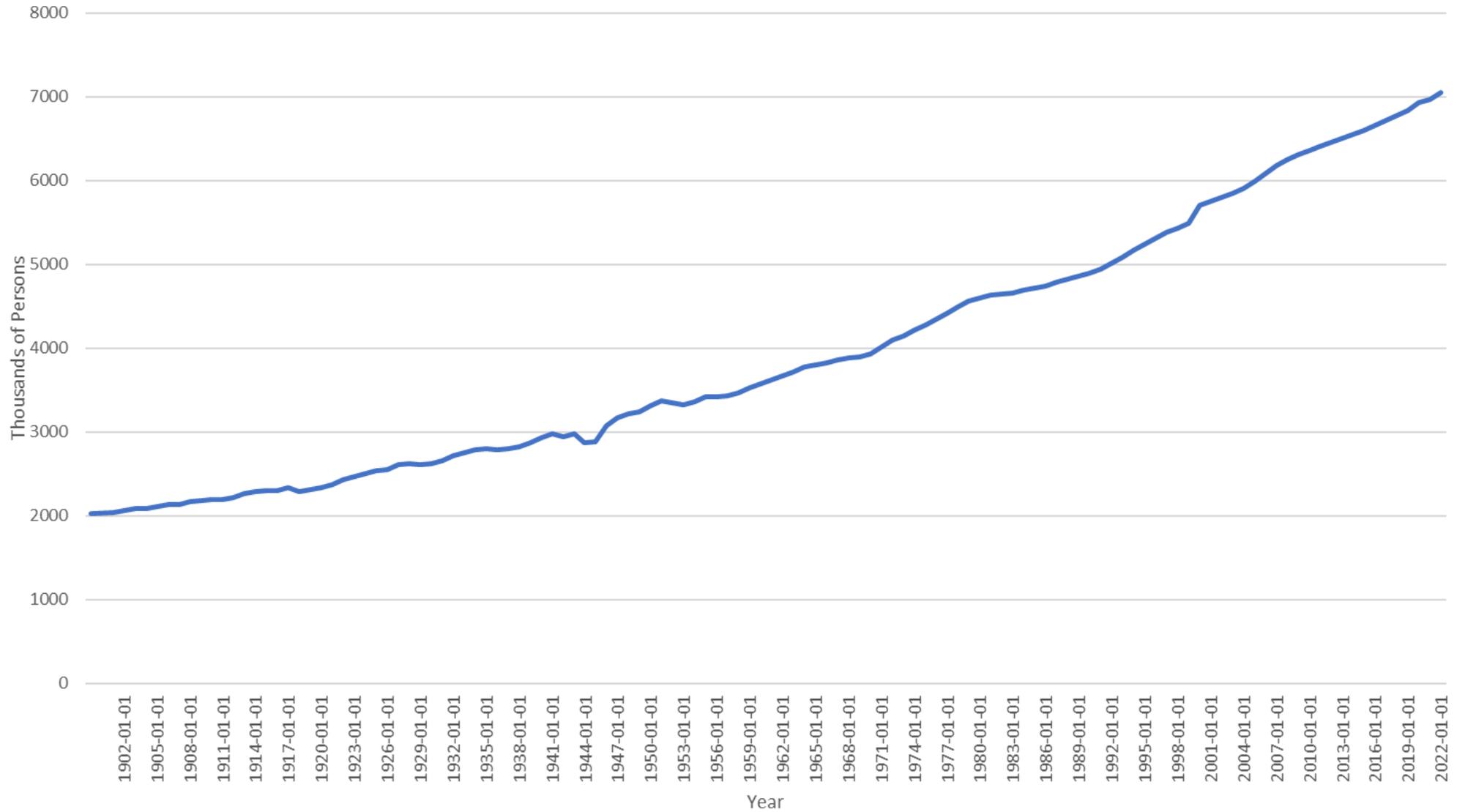
UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX (LAST MONTH PLOTTED, 10/23)



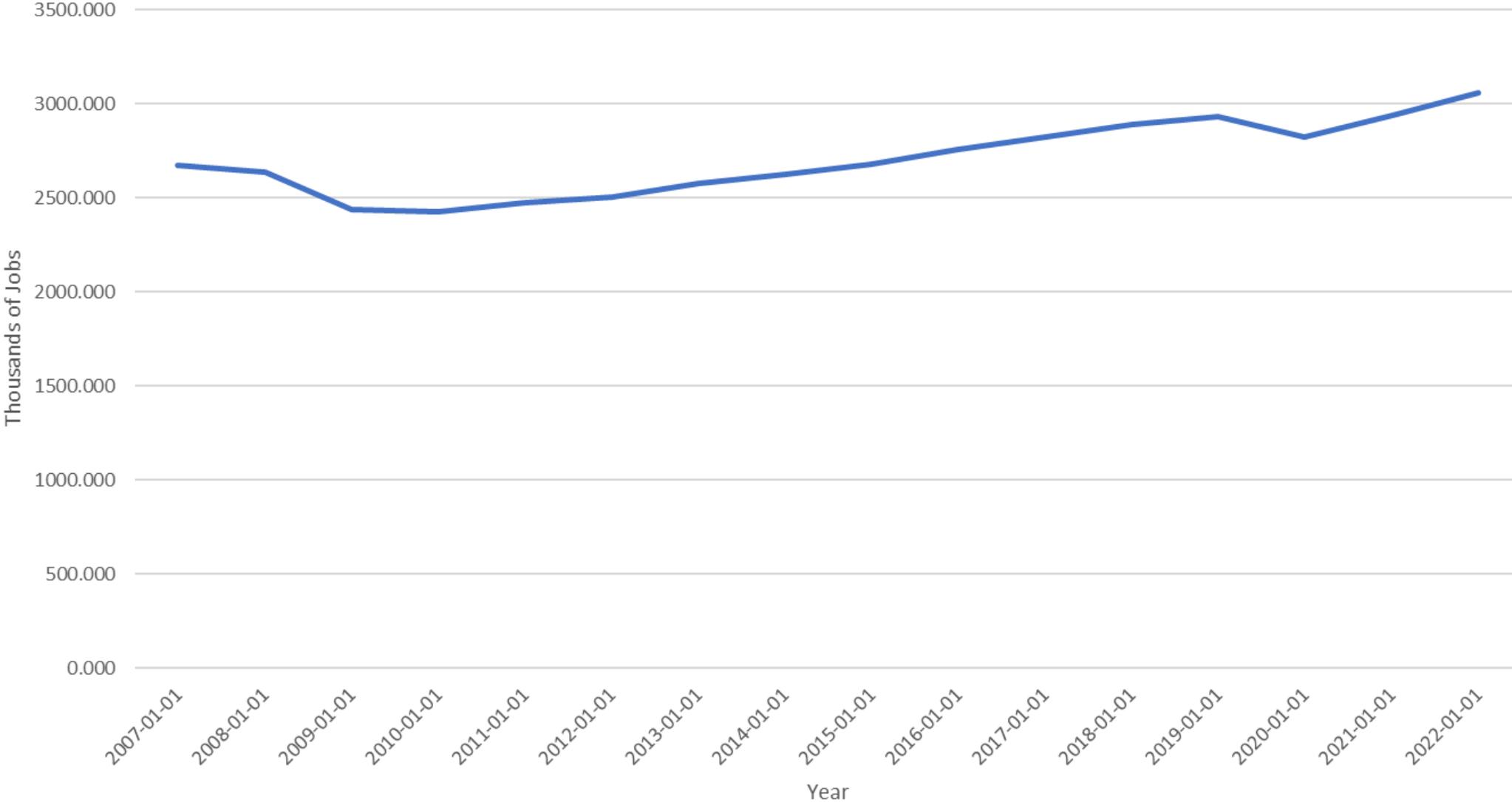
Tennessee

Sources of Growth: Labor and Capital

Tennessee Resident Population 1900-2022



Tennessee Private Nonfarm Employment 2007-2022



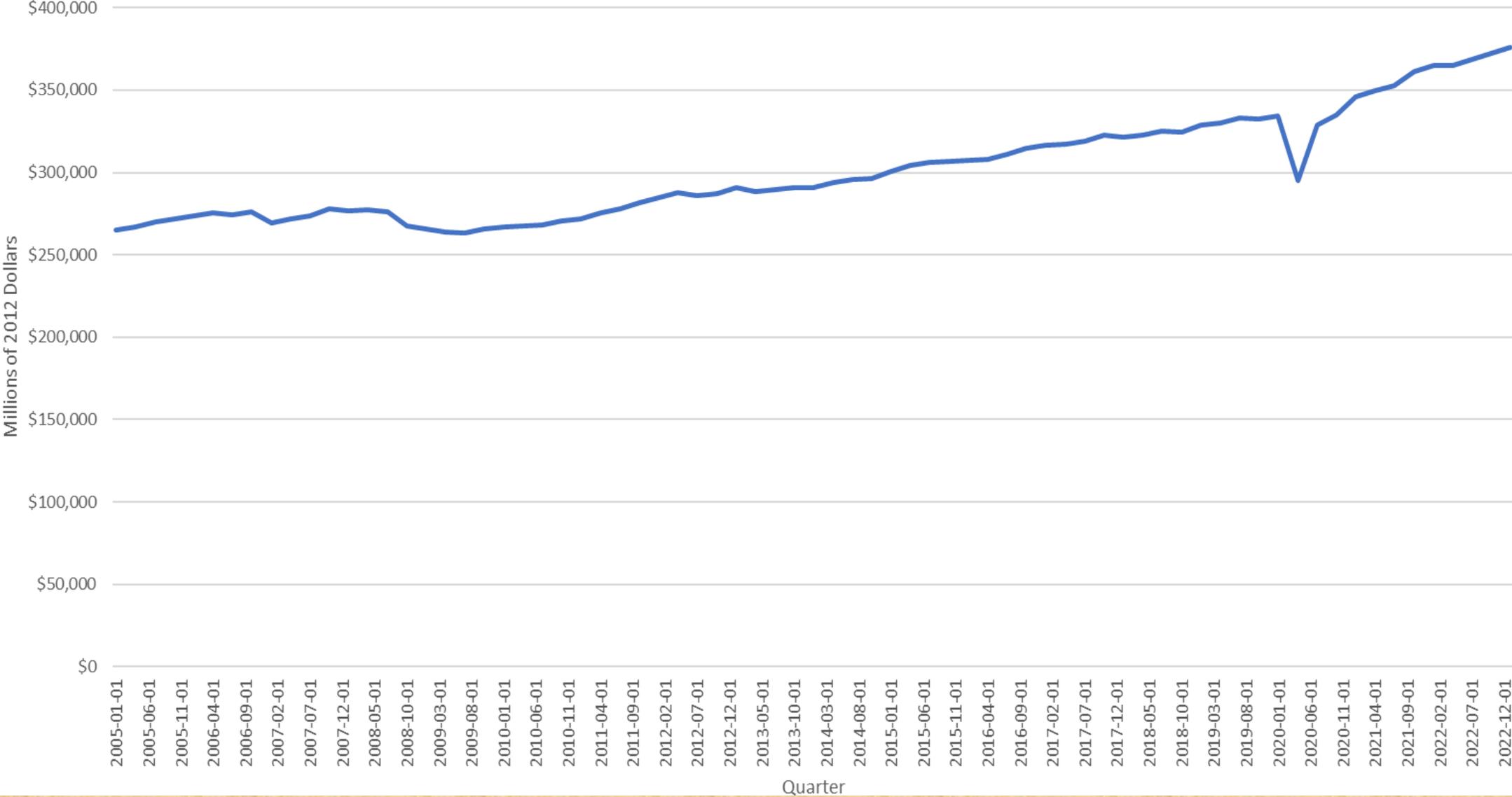
Tennessee Unemployment Rate 2000 - 2023



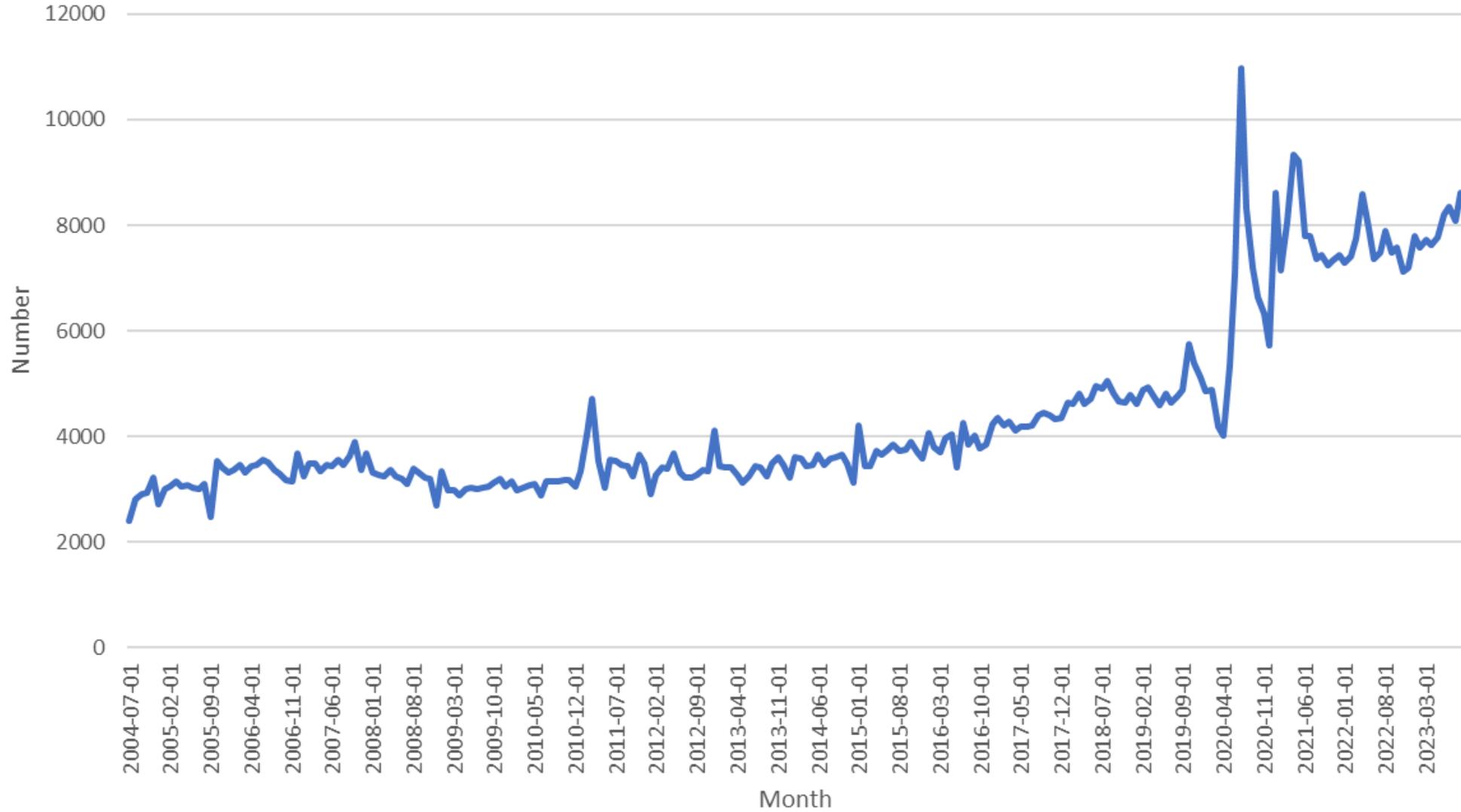
Tennessee Labor Force Participation Rate 1976-2023



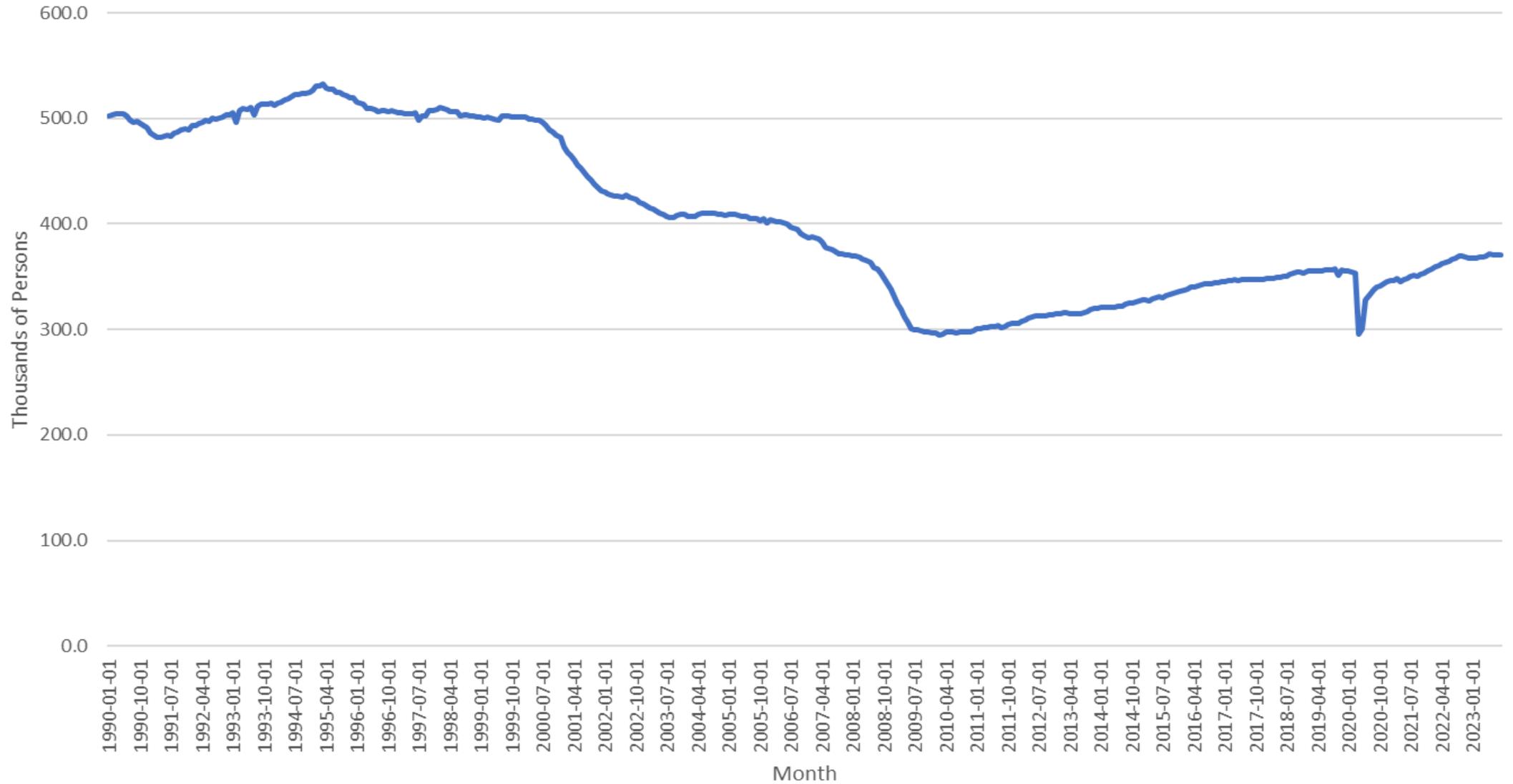
Tennessee Real GDP, All Industry Total 2005-2023



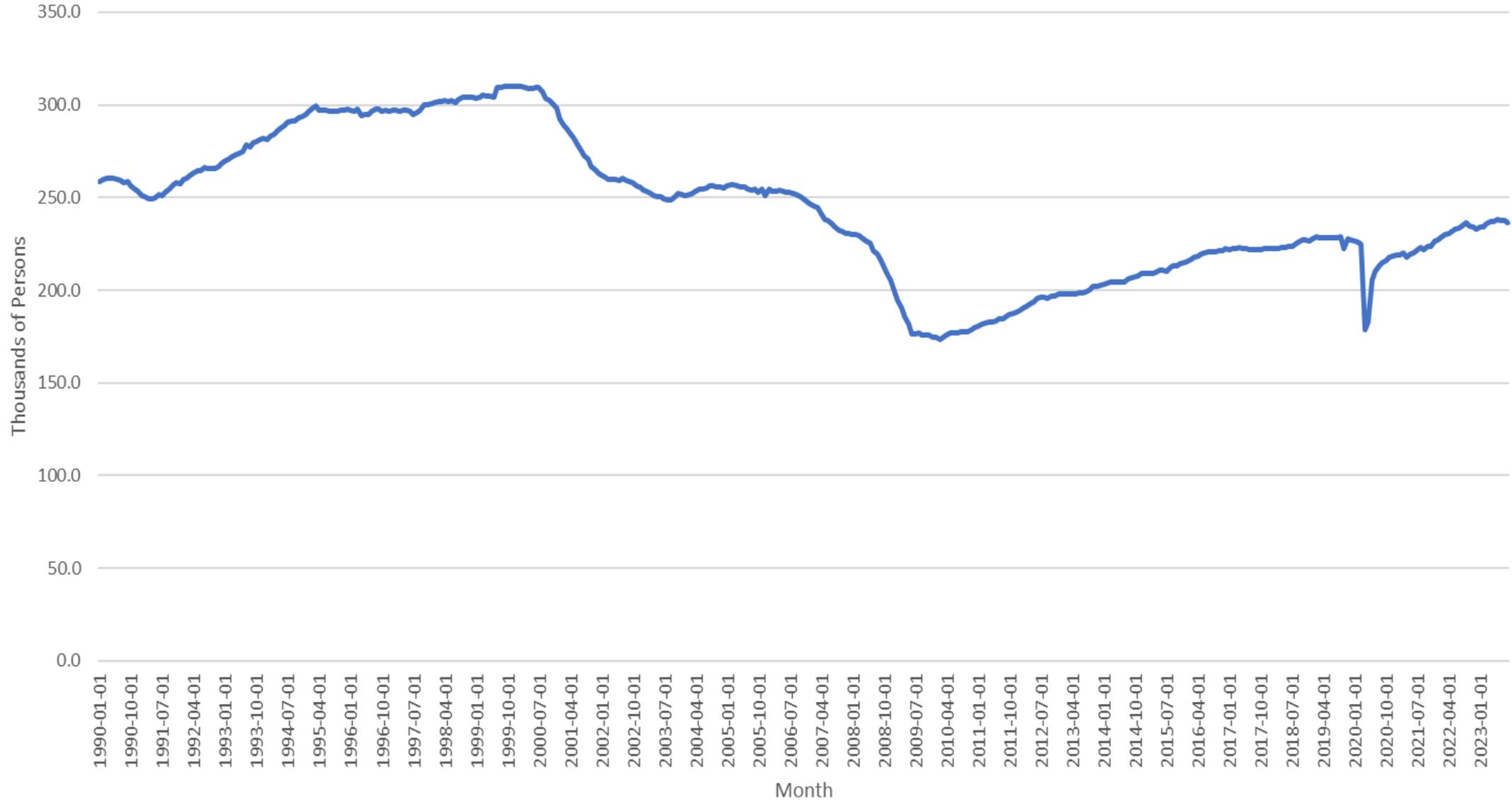
Tennessee Business Applications for all NAICS 2004-2023



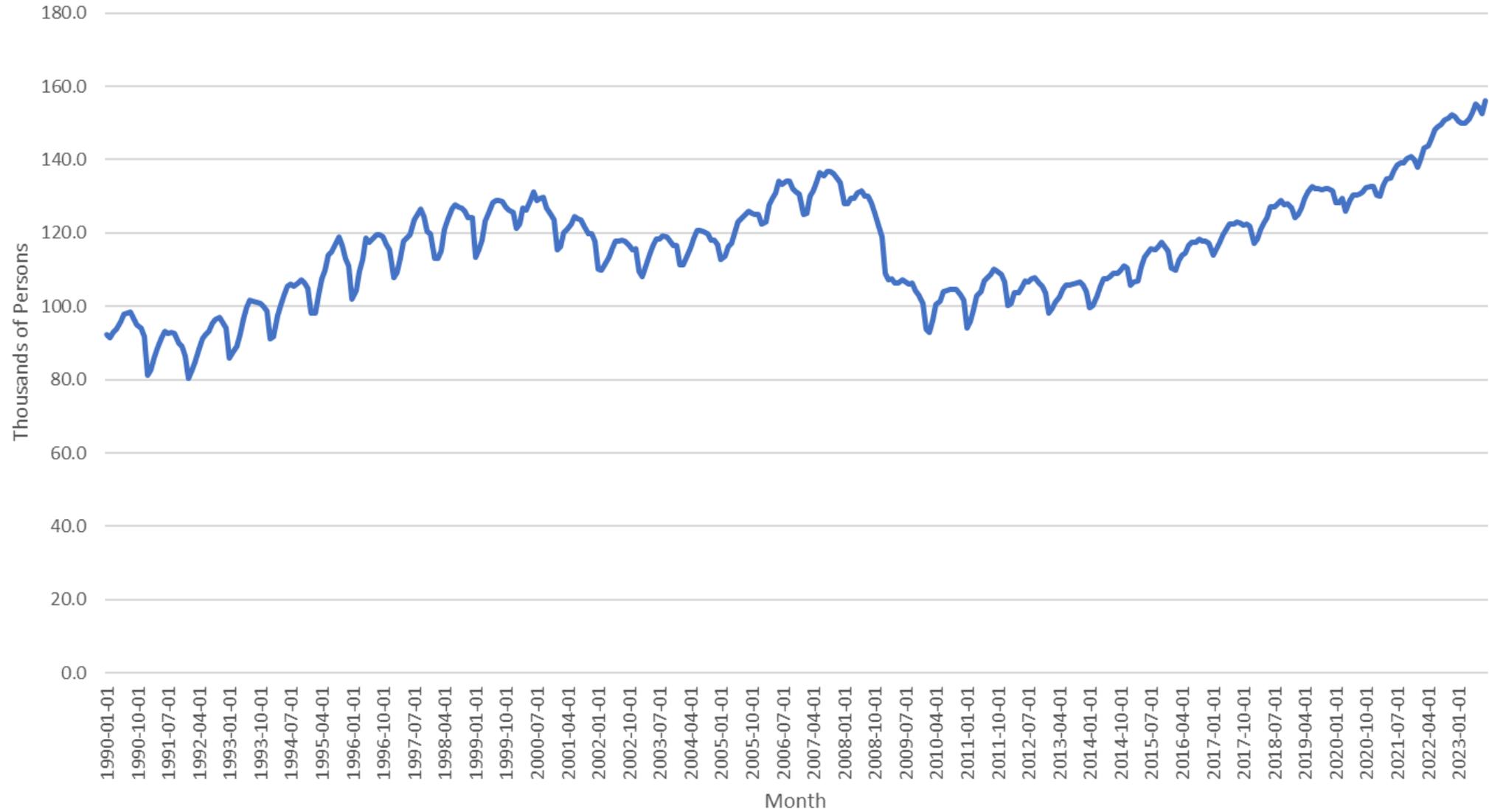
Tennessee Manufacturing Employees 1990-2023



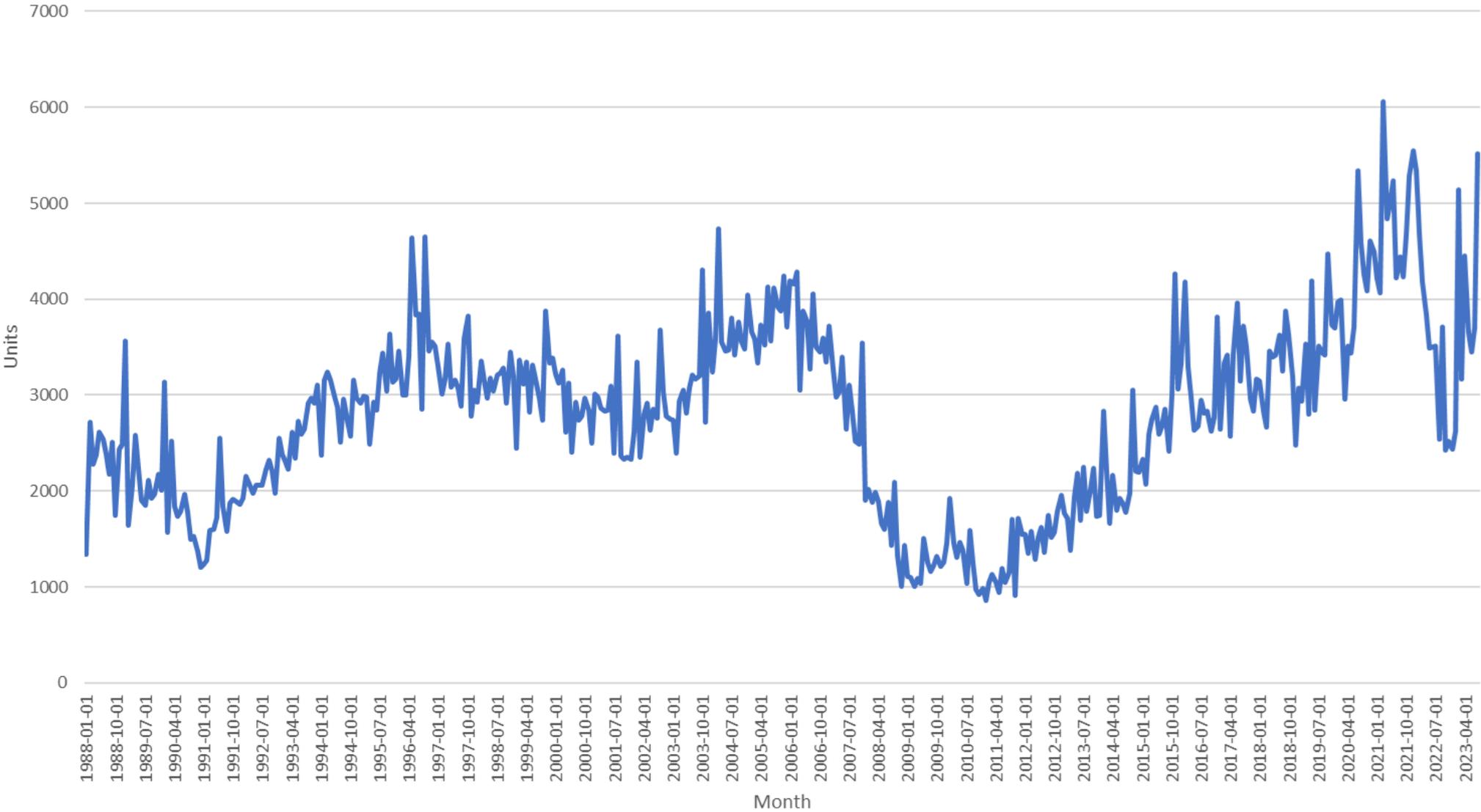
Tennessee Manufacturing: Durable Goods 1990 - 2023



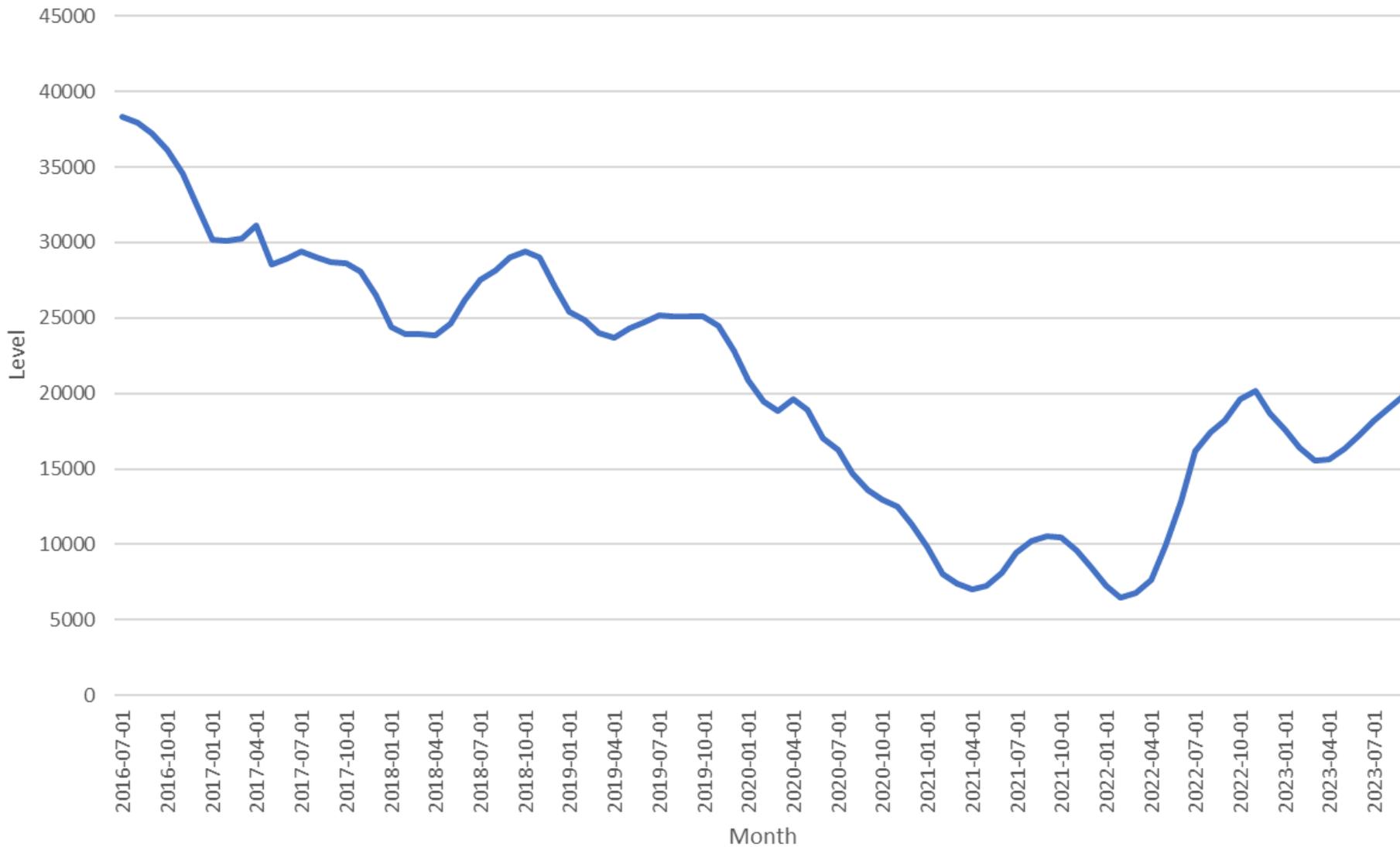
Tennessee Construction Employees 1990-2023



Tennessee New Private Housing Permits 1988 - 2023



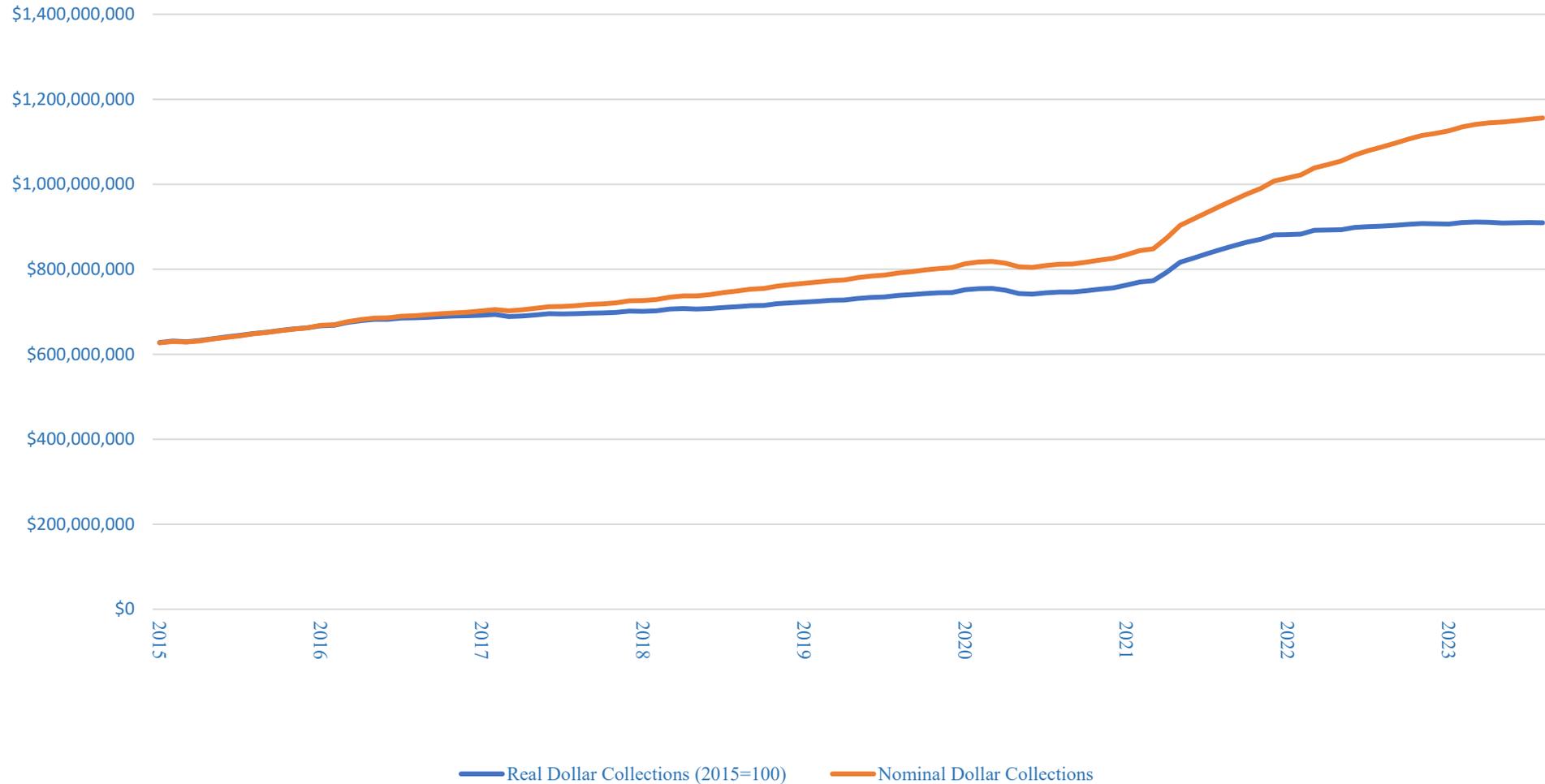
Tennessee Housing Inventory: Listing Count 2016-2023



Revenue Forecasts

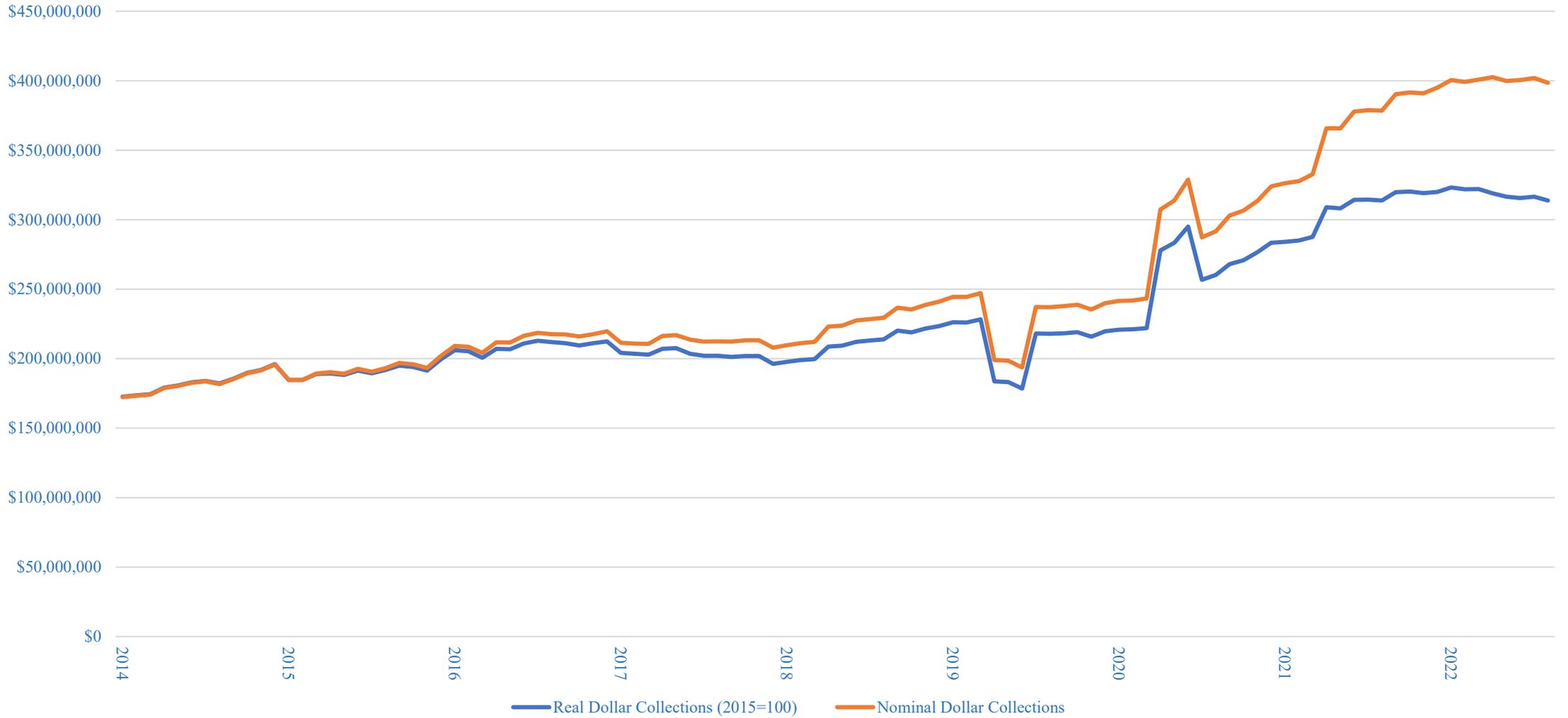
Nominal Dollar Sales and Use Tax Collections vs Real Dollar Collections

12 Month Moving Average



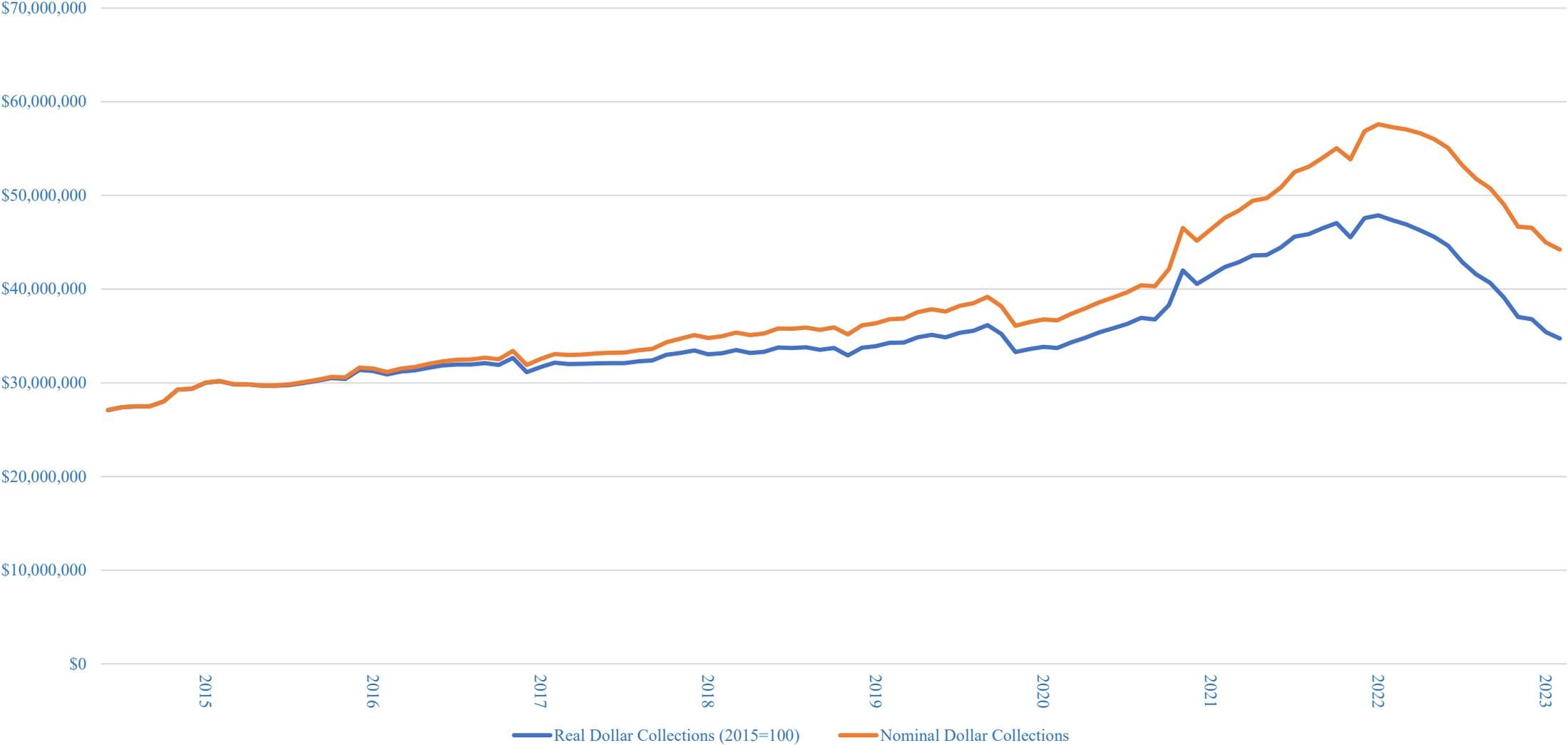
Current Dollar Franchise and Excise Tax Collections vs Real Dollar Collections

12 Month Moving Average



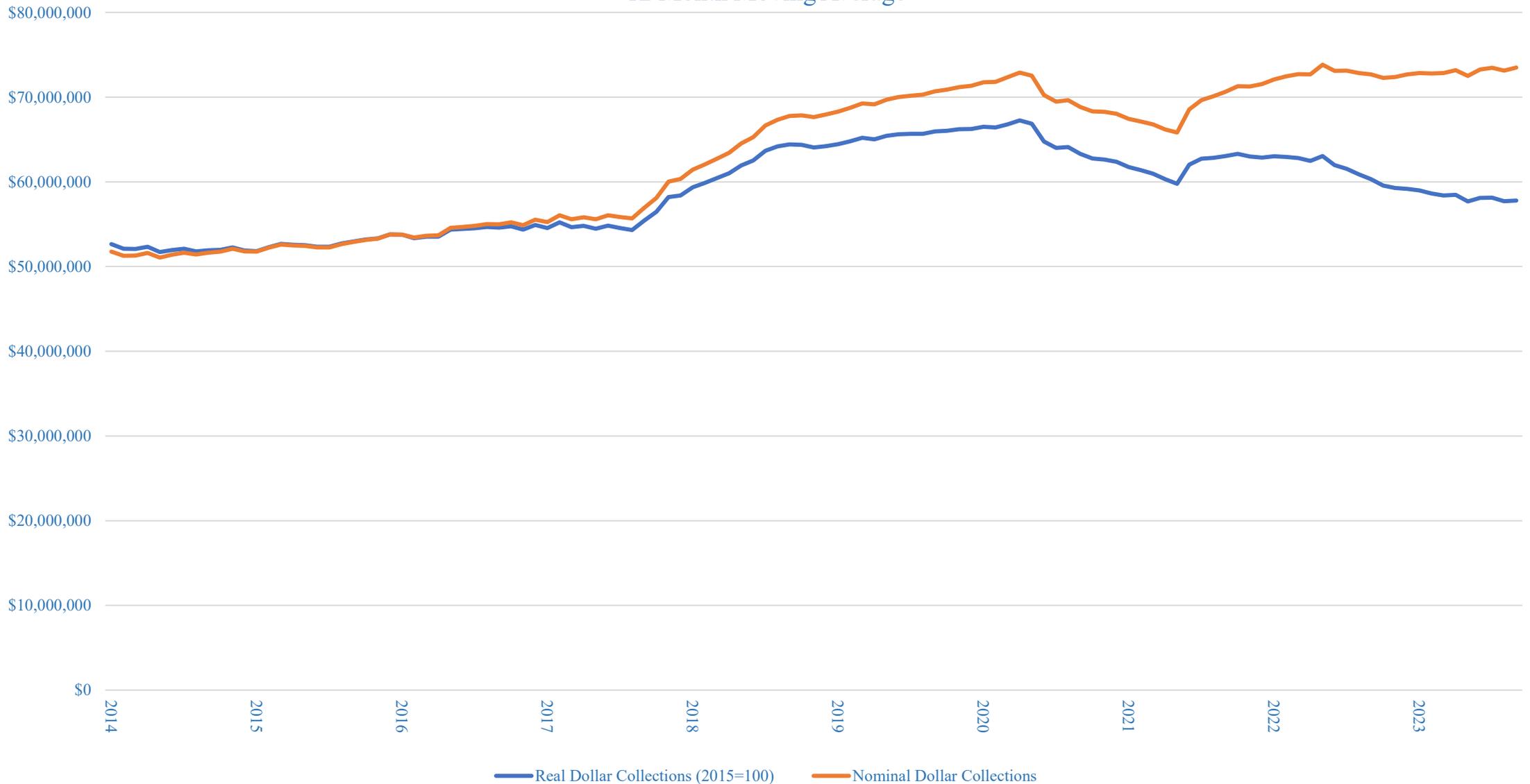
Current Dollar Privilege Tax Collections vs Real Dollar Collections

12 Month Moving Average



Current Dollar Gasoline Tax Collections vs Real Dollar Collections

12 Month Moving Average



ACCRUAL YEAR BASIS	ESTIMATED TENNESSEE DEPARTMENT OF REVENUE COLLECTIONS:				
	FY 22 -23	FY 23- 24		FY 24 - 25	
Source of Tax	AMOUNT	AMOUNT	PERCENT CHANGE OVER PREVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PREVIOUS YEAR
SALES & USE ¹	\$13,677,873,500	\$14,470,000,000	5.79%	\$15,100,000,000	4.35%
GASOLINE TAX	\$880,800,300	\$903,500,000	2.58%	\$924,000,000	2.27%
MOTOR FUEL TAX	\$318,872,500	\$330,200,000	3.55%	\$344,500,000	4.33%
GASOLINE INSPECTION TAX	\$71,528,200	\$73,000,000	2.06%	\$74,810,000	2.48%
MOTOR VEHICLE REGISTRATION TAX	\$280,385,600	\$292,500,000	4.32%	\$307,000,000	4.96%
INCOME TAX	\$2,662,300	-	-	-	-
PRIVILEGE TAX ²	\$463,308,600	\$485,000,000	4.68%	\$505,500,000	4.23%
GROSS RECEIPTS TAX TVA	\$399,920,200	\$409,500,000	2.40%	\$419,000,000	2.32%
GROSS RECEIPTS TAX - OTHER	\$27,897,600	\$28,600,000	2.52%	\$29,350,000	2.62%
BEER TAX	\$17,888,600	\$18,620,000	4.09%	\$19,320,000	3.76%
ALCOHOLIC BEVERAGE TAX	\$87,391,900	\$91,210,000	4.37%	\$95,600,000	4.81%
FRANCHISE & EXCISE TAX	\$4,786,573,100	\$4,980,100,000	4.04%	\$5,195,000,000	4.32%
INHERITANCE TAX	\$54,800	-	-	-	-
TOBACCO TAX	\$213,951,200	\$212,000,000	-0.91%	\$211,000,000	-0.47%
MOTOR VEHICLE TITLE FEES	\$23,028,200	\$24,140,000	4.83%	\$24,505,000	1.51%
MIXED DRINK TAX	\$215,489,500	\$220,160,000	2.17%	\$228,050,000	3.58%
BUSINESS TAX	\$332,722,500	\$306,800,000	-7.79%	\$318,000,000	3.65%
SEVERANCE TAX	\$887,200	\$805,000	-9.27%	\$820,000	1.86%
COIN AMUSEMENT TAX	\$440,100	\$450,000	2.25%	\$465,000	3.33%
UNAUTHORIZED SUBSTANCE TAX	\$700	-	-	-	-
TOTAL	\$21,801,676,600	\$22,846,585,000	4.79%	\$23,796,920,000	4.16%
1. Excludes \$158.9 million in earmarked fees collected under sales tax for E911 telecommunications services.					
2. Excludes \$97.5 million earmarked fees collected under the privilege tax.					
Revenue estimates have been adjusted to reflect the impacts of TN Works Act of 2023					

Total Revenue	Total Revenue	General Fund & Education Fund	Highway Fund	Debt Service Fund	Cities & Counties*
Sales and Use Tax ¹	\$14,470,000,000	\$13,477,141,955	\$29,669,732	\$104,408,710	\$858,779,604
Gasoline Tax	\$903,500,000	\$12,847,457	\$458,643,757	\$87,529,827	\$344,478,960
Motor Fuel Tax	\$330,200,000	\$2,168,478	\$241,489,552	-	\$86,541,970
Gasoline Inspection Tax	\$73,000,000	\$21,393,056	\$39,338,889	-	\$12,268,056
Motor Vehicle Registration Tax	\$292,500,000	\$50,210,962	\$242,289,038	-	-
Income Tax	-	-	-	-	-
Privilege Tax ²	\$485,000,000	\$479,318,796	-	-	\$5,681,204
Gross Receipts Tax - TVA	\$409,500,000	\$224,289,594	-	-	\$185,210,406
Gross Receipts Tax - Other	\$28,600,000	\$23,869,173	\$4,730,827	-	-
Beer Tax	\$18,620,000	\$12,480,432	\$2,314,919	-	\$3,824,649
Alcoholic Beverage Tax	\$91,210,000	\$75,400,267	-	-	\$15,809,733
Franchise & Excise Tax	\$4,980,100,000	\$4,712,190,331	-	\$198,024,626	\$69,885,043
Inheritance and Estate Tax	-	-	-	-	-
Tobacco Tax	\$212,000,000	\$212,000,000	-	-	-
Motor Vehicle Title Fees	\$24,140,000	\$21,401,429	-	\$2,738,571	-
Mixed Drink Tax	\$220,160,000	\$110,030,032	-	-	\$110,129,968
Business Tax	\$306,800,000	\$306,800,000	-	-	-
Severance Tax	\$805,000	\$201,250	-	-	\$603,750
Coin-operated Amusement Tax	\$450,000	\$450,000	-	-	-
Unauthorized Substance Tax	-	-	-	-	-
Total Department of Revenue	\$22,846,585,000	\$19,742,193,210	\$1,018,476,714	\$392,701,734	\$1,693,213,342



Estimated State Tax Revenue Presentation to the State Funding Board

November 6, 2023

Takeaways

- Predictably unpredictable Franchise and Excise
- Disinflation
- Interest rates dragging on home sales
- Slowing down, but at a very high level

Fiscal Year 2023 Tax Revenue

COMPARISON OF ACCRUAL STATE TAX REVENUE

DEPARTMENT OF REVENUE TAXES

YEAR OVER YEAR COMPARISON

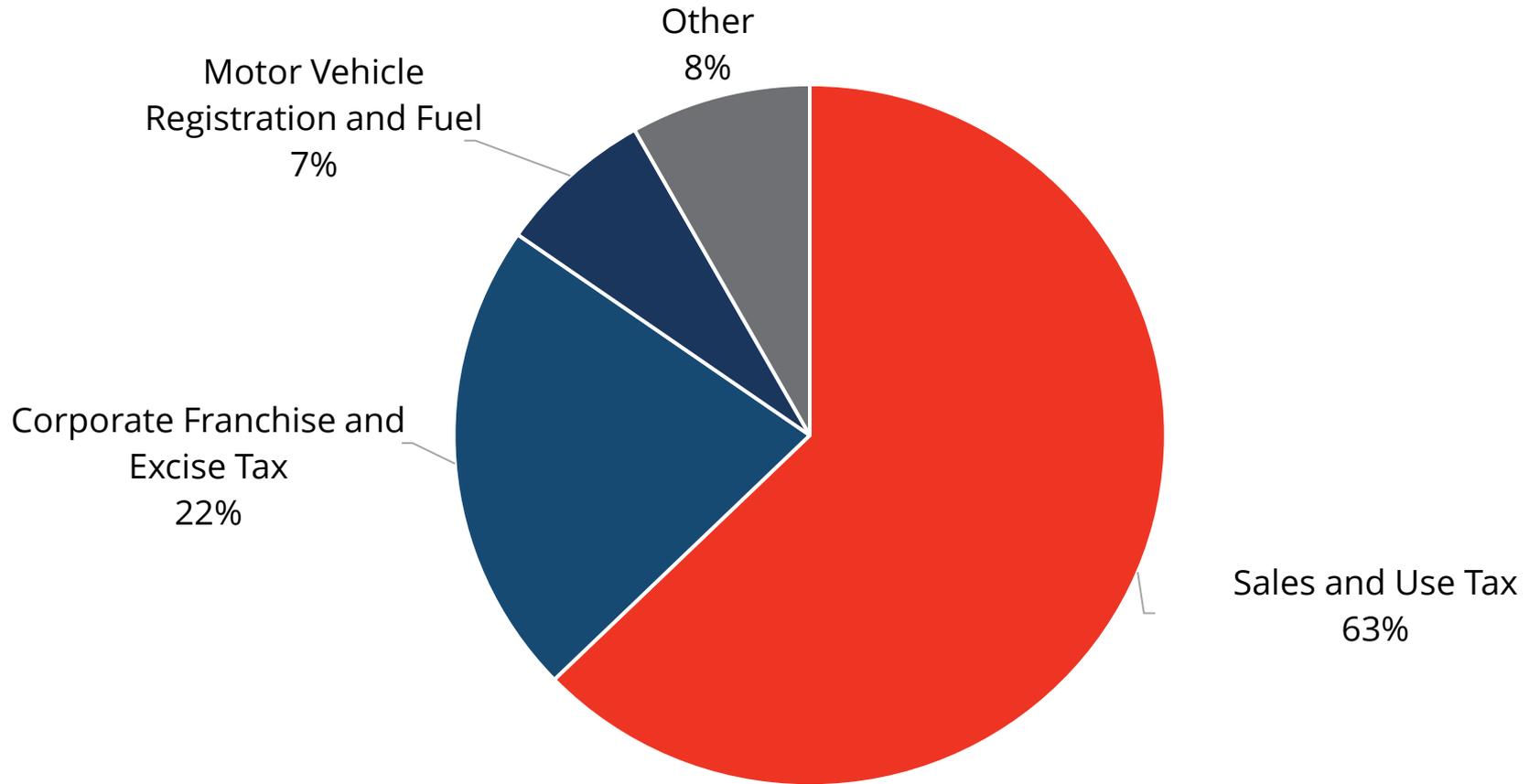
	Fiscal Year 2022	Fiscal Year 2023	% Change	Tax Weight FY 2022	Total % Point Contribution
Sales and Use Tax	\$ 12,809,891,900	\$ 13,677,873,500	6.8%	62.7%	4.3%
Corporate Franchise and Excise Tax	\$ 4,544,589,300	\$ 4,786,573,100	5.3%	22.0%	1.2%
Motor Vehicle Registration and Fuel ¹	\$ 1,636,258,200	\$ 1,551,586,600	-5.2%	7.1%	-0.4%
Other	\$ 1,807,438,900	\$ 1,785,666,800	-1.2%	8.2%	-0.1%
TOTAL ACCRUAL REVENUE	\$ 20,798,178,300	\$ 21,801,700,000	4.8%	100.0%	4.8%

*Data from F&A.

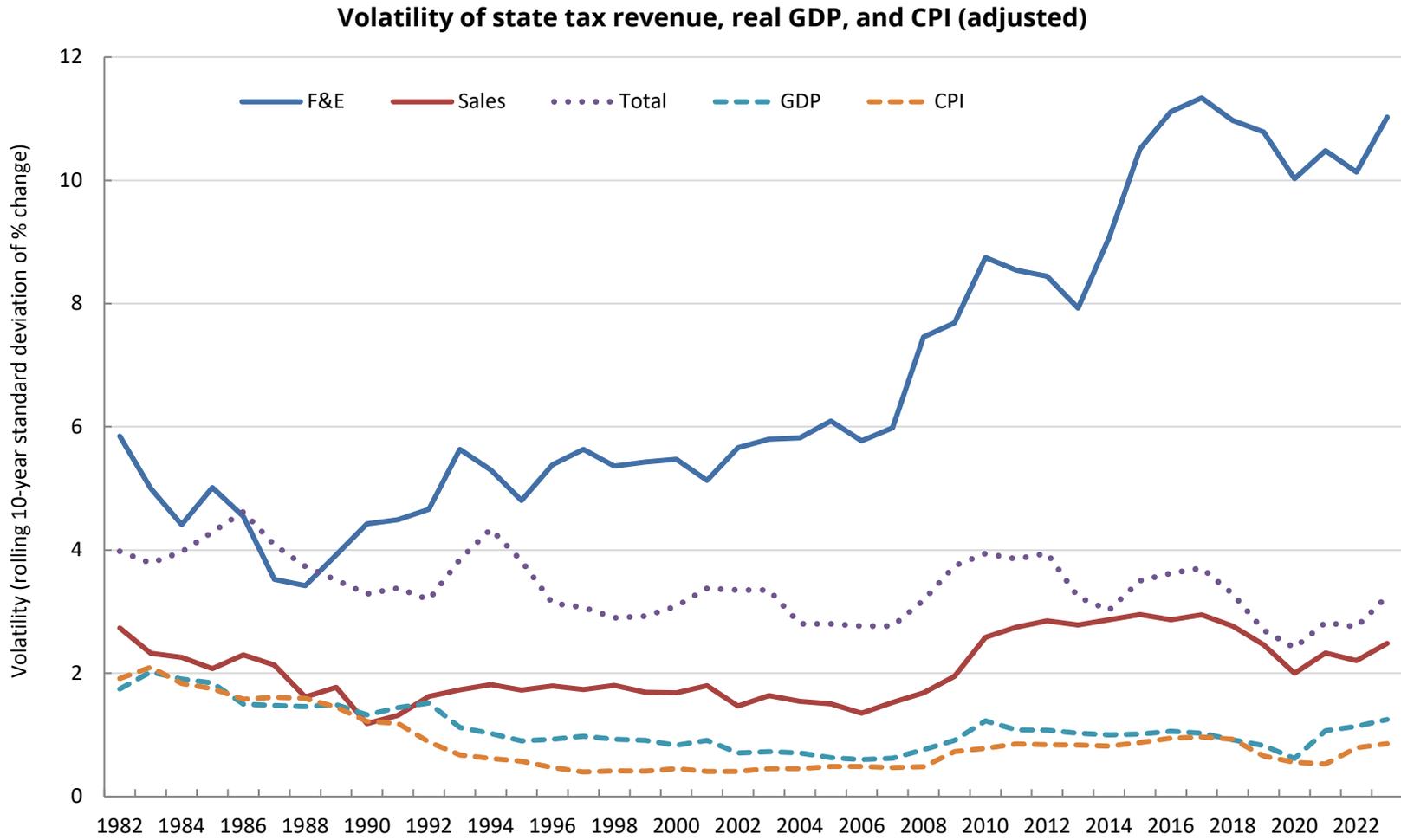
¹Includes motor vehicle registrations, gasoline, motor vehicle fuel, and petroleum special taxes.

Fiscal Year 2023 Tax Revenue

FY2023 Accrual State Tax Collections

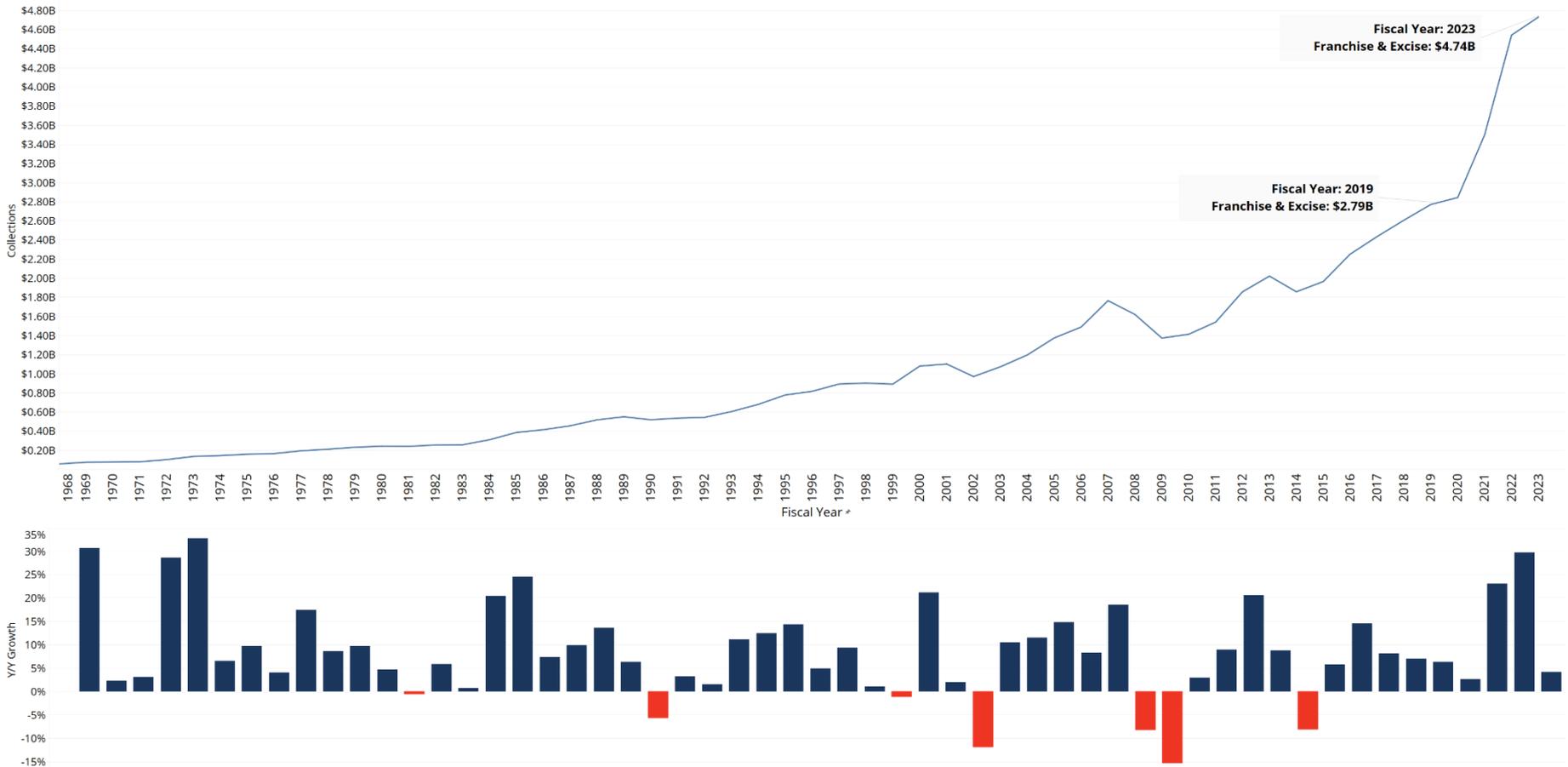


Tennessee Tax Volatility Comparison



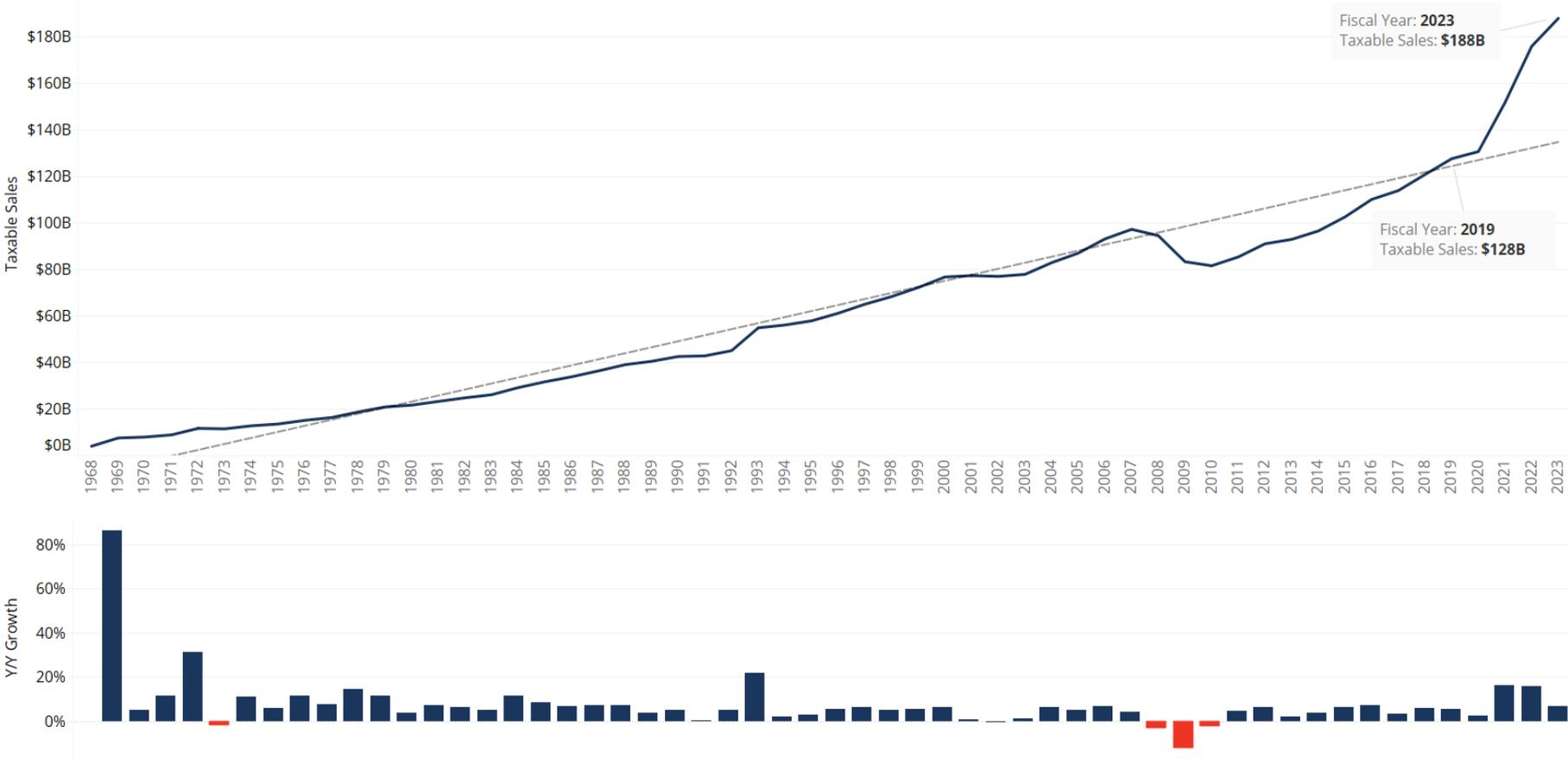
Franchise and Excise Tax Collections

Franchise and Excise Tax Collections



Taxable Sales

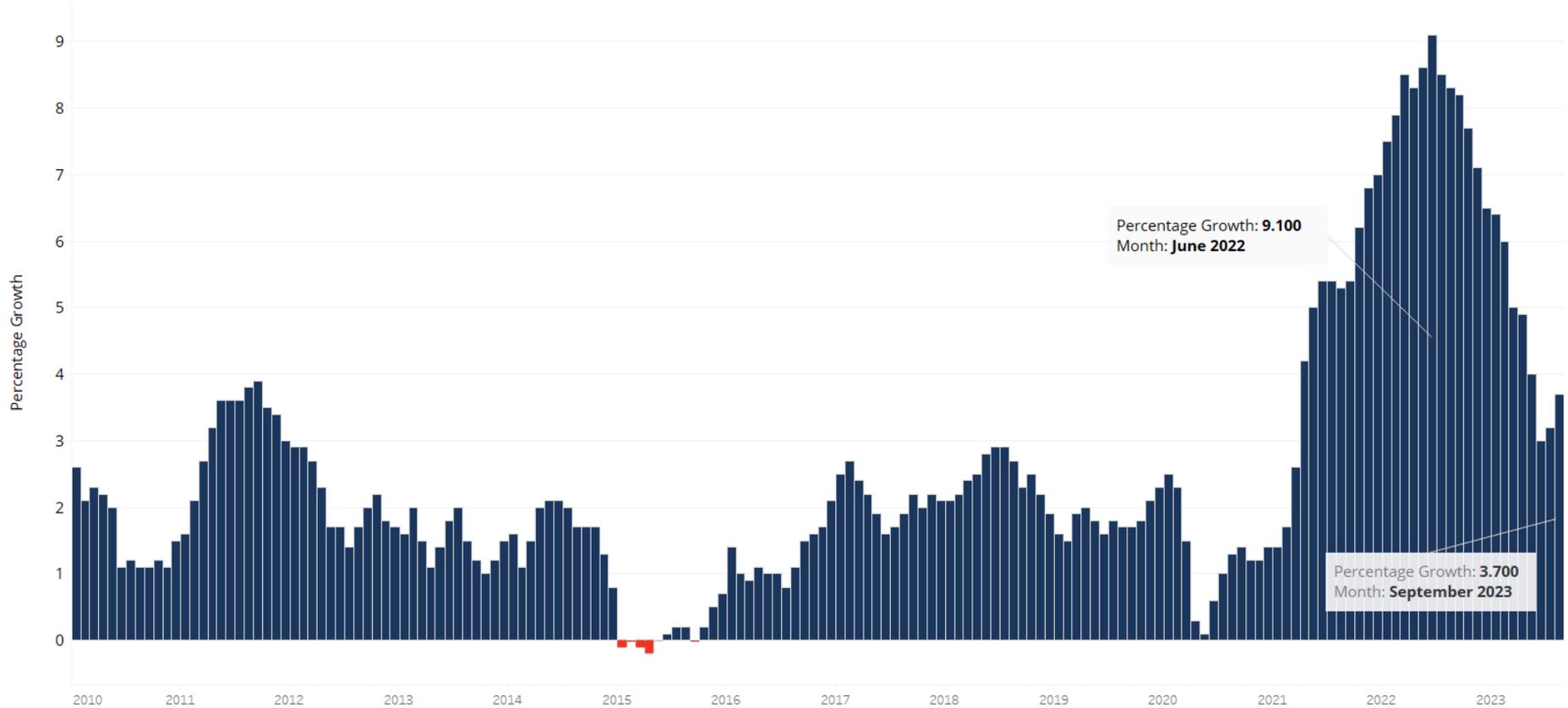
Taxable Sales



Disinflation

Inflation

CPI for All Urban Consumers (CPI-U) 12-Month Percent Change



Housing Related Recent Collections History

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

Sales Tax Collections from Building Materials

	Collections	YOY % Growth	YOY \$ Growth
April	\$84,361,458	\$79,520,751	(\$4,840,707)
May	\$88,535,914	\$81,436,350	(\$7,099,564)
June	\$86,077,473	\$83,107,282	(\$2,970,192)
July	\$87,672,646	\$83,256,437	(\$4,416,209)
August	\$76,204,653	\$75,618,034	(\$586,620)
September	\$75,511,027	\$73,274,401	(\$2,236,626)
		-4.44%	(\$22,149,919)

Privilege Tax Collections from Realty Transfer

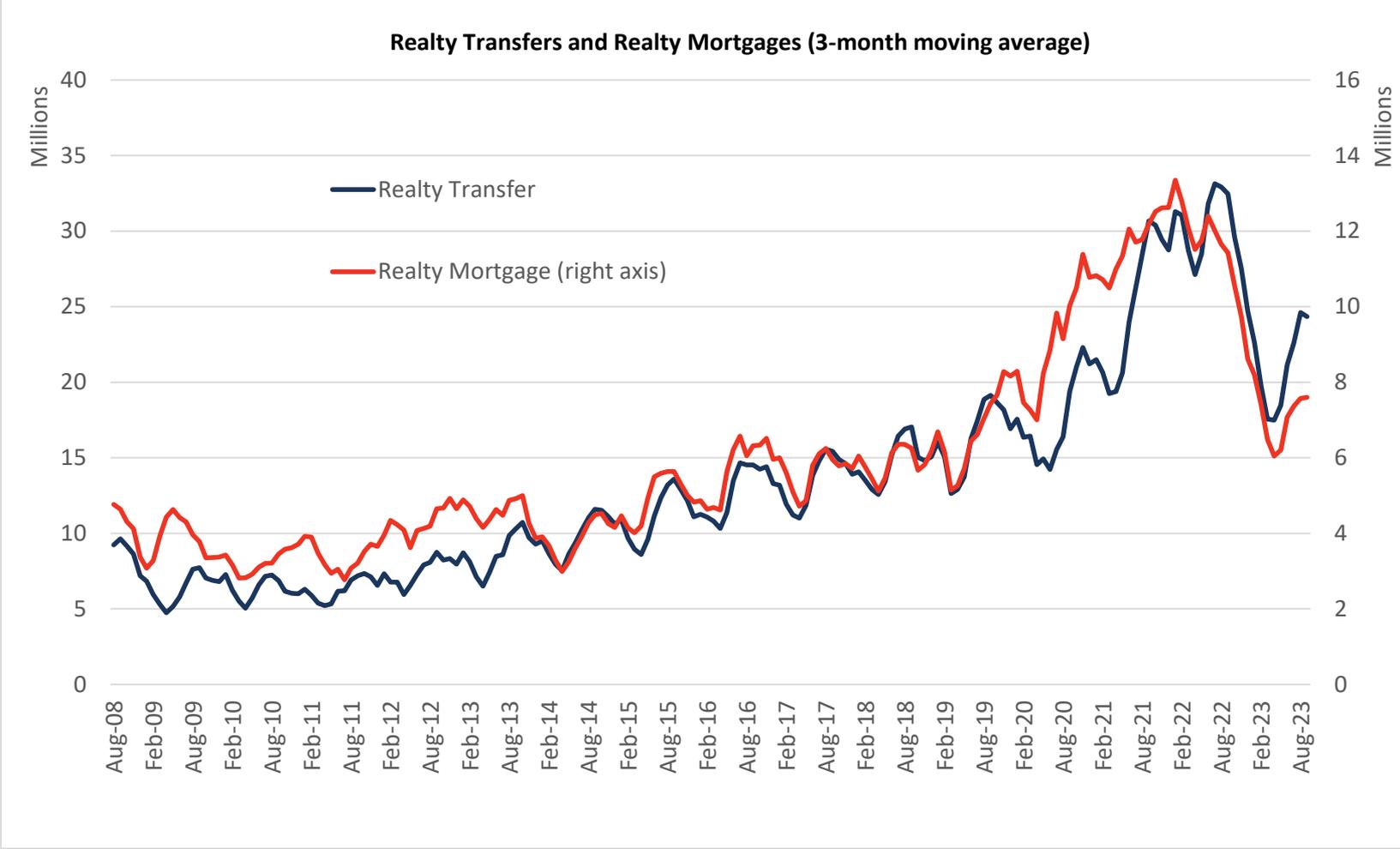
	Collections	YOY % Growth	YOY \$ Growth
April	\$21,405,182	-34.11%	(\$11,082,772)
May	\$18,078,044	-40.69%	(\$12,404,419)
June	\$23,995,534	-26.01%	(\$8,436,391)
July	\$25,758,628	-29.37%	(\$10,710,438)
August	\$24,080,647	-19.33%	(\$5,768,843)
September	\$23,166,030	-25.48%	(\$7,919,699)
		-29.21%	(\$56,322,562)

Privilege Tax Collections from Realty Mortgage

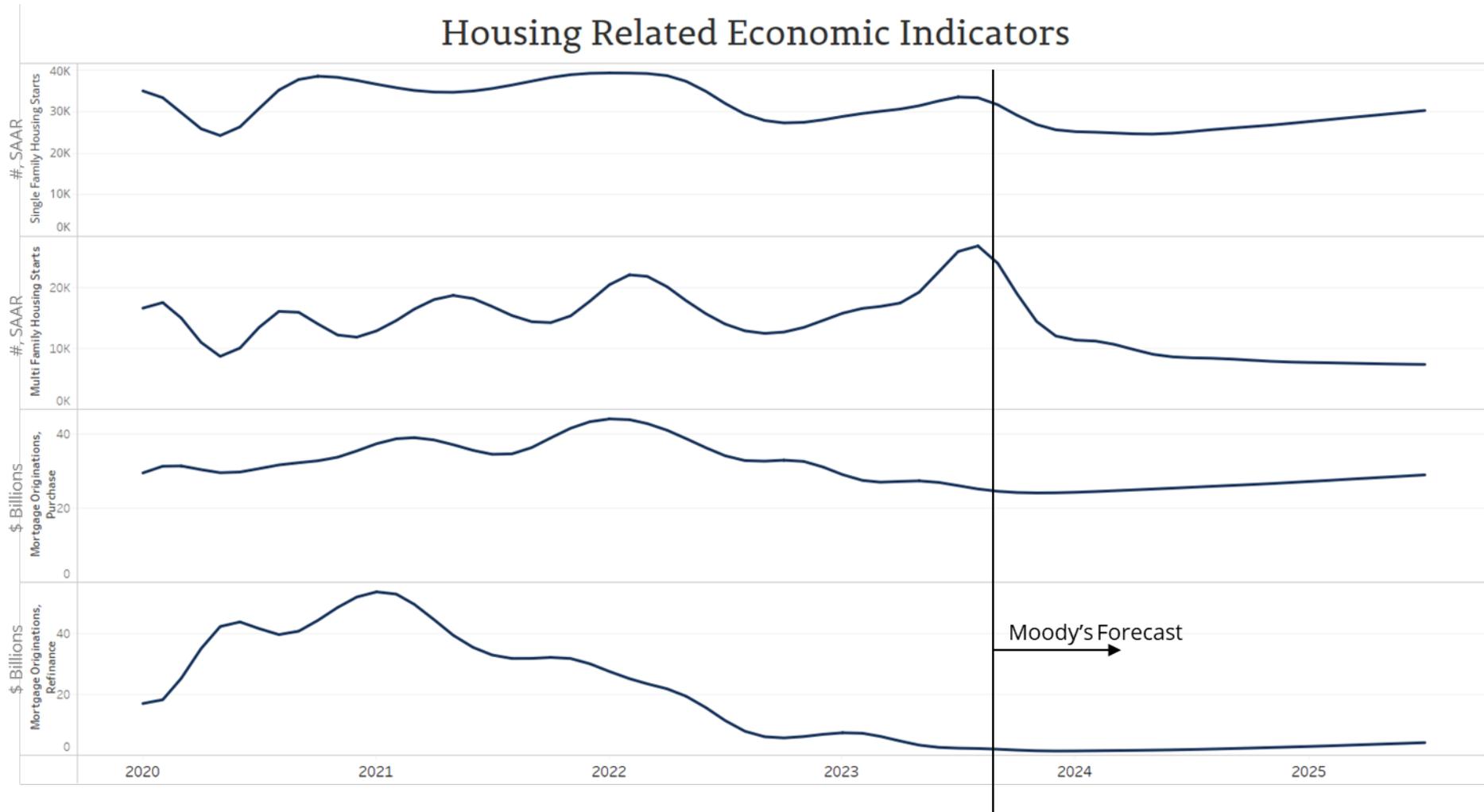
	Collections	YOY % Growth	YOY \$ Growth
April	\$13,644,326	-46.72%	(\$6,375,104)
May	\$11,515,509	-46.57%	(\$5,363,179)
June	\$12,021,242	-35.07%	(\$4,216,128)
July	\$12,493,450	-34.75%	(\$4,341,953)
August	\$10,434,313	-35.19%	(\$3,671,421)
September	\$11,343,730	-30.50%	(\$3,460,216)
		-38.39%	(\$27,428,001)

6 Month Total Growth	-13.89%	(\$105,900,481)
-----------------------------	----------------	------------------------

Realty Mortgage and Realty Transfer Collections Trends



Housing Starts and Mortgage Originations



Forecast Adjustments

- Franchise and Excise tax estimates for fiscal years 2024 and 2025 are adjusted for the impacts of the TN Works Act legislative changes passed in 2023.
- The fiscal year 2024 Franchise and Excise tax estimates do not include revenue estimates for any proposed or potential rule changes.



SOURCE OF REVENUE

Department of Revenue	official		FY 2024		FY 2025	
	Actual Revenues FY 2023	Revenue Estimates FY2023	Revised Estimates FY 2024	% change ³ over FY 2023	Revenue Estimates FY 2025	% change ³ over FY 2024
	Actual					
Sales and Use Tax ¹	\$13,677,873,500	\$12,217,500,000	\$13,924,100,000	1.8%	\$14,021,600,000	0.7%
Gasoline Tax	880,800,300	889,200,000	901,100,000	2.3%	912,800,000	1.3%
Motor Fuel Tax	318,872,500	319,300,000	325,600,000	2.1%	328,200,000	0.8%
Gasoline Inspection Tax	71,528,200	70,400,000	73,500,000	2.8%	74,300,000	1.1%
Motor Vehicle Registration Tax	280,385,600	241,700,000	374,000,000	33.4%	384,100,000	2.7%
Income Tax	2,662,300	0	500,000	-81.2%	200,000	-60.0%
Privilege Tax ²	463,308,600	526,700,000	392,000,000	-15.4%	406,900,000	3.8%
Gross Receipts Tax - TVA	399,920,200	344,100,000	402,700,000	0.7%	405,400,000	0.7%
Gross Receipts Tax - Other	27,897,600	31,300,000	23,400,000	-16.1%	28,200,000	20.5%
Beer Tax	17,888,600	18,100,000	17,900,000	0.1%	18,000,000	0.6%
Alcoholic Beverage Tax	87,391,900	90,200,000	88,400,000	1.2%	89,900,000	1.7%
Franchise & Excise Tax	4,786,573,100	3,973,300,000	4,451,500,000	-7.0%	4,326,500,000	-2.8%
Inheritance and Estate Tax	54,800	0		0.0%		0.0%
Tobacco Tax	213,951,200	231,000,000	209,000,000	-2.3%	205,400,000	-1.7%
Motor Vehicle Title Fees	23,028,200	24,100,000	23,200,000	0.7%	23,500,000	1.3%
Mixed Drink Tax	215,489,500	147,200,000	221,500,000	2.8%	224,800,000	1.5%
Business Tax	332,722,500	257,600,000	317,400,000	-4.6%	309,500,000	-2.5%
Severance Tax	887,200	500,000	900,000	1.4%	900,000	0.0%
Coin-operated Amusement Tax	440,100	300,000	400,000	-9.1%	400,000	0.0%
Total Department of Revenue	\$21,801,700,000	\$19,382,500,000	\$21,747,100,000	-0.3%	\$21,760,600,000	0.1%
General Fund Only	\$18,737,480,000	\$16,658,300,000	\$18,588,040,300	-0.8%	\$18,689,420,400	0.5%

¹Excludes \$158.9 million earmarked fees collected under sales tax for E911 telecommunications services.

²Excludes \$92.5 million earmarked fees collected under the privilege tax.

³Percent change in revenue for each tax is calculated percentage change *after* rounding to nearest 100,000.

Sources

- Data Sourced From:
 - Moody's Analytics (Fall, 2023)
 - BEA (Fall, 2023)
 - BLS (Fall, 2023)
 - U.S. Census Bureau (Fall, 2023)
 - TN Department of Revenue (Fall, 2023)
 - TN Department of Finance & Administration (Fall, 2023)

Economic Outlook and Tax Revenue Estimates



Fiscal Review Committee Staff
November 6, 2023

Overview

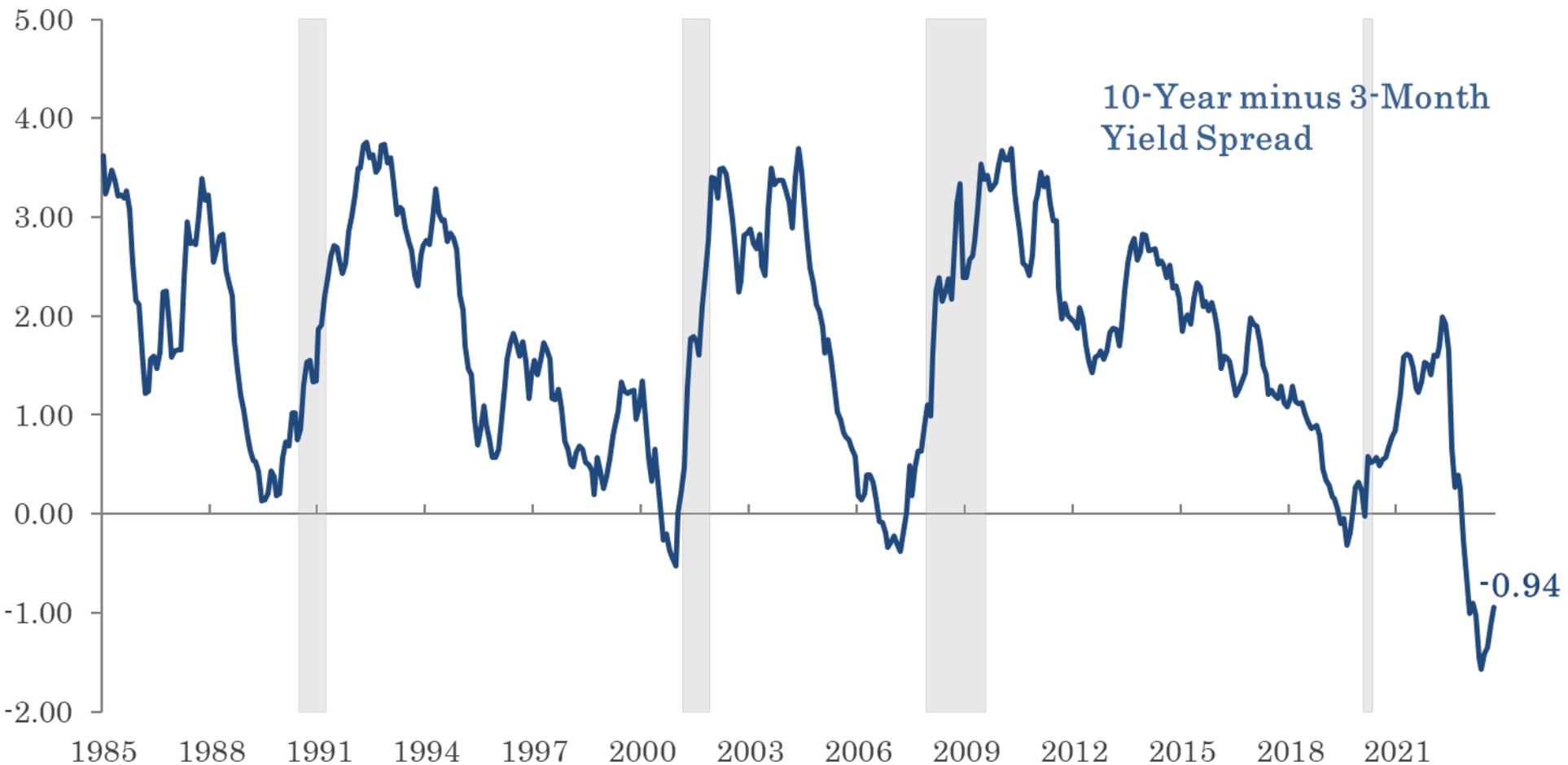
- A strong start in FY22-23 with slower growth in later months
- Recession risk, Federal Reserve action to achieve a soft landing
- Some positive signs that the economy is strengthening
- Uncertainty: Geopolitical tensions and 2024 elections
- Impacts of legislation
- Tax revenue estimates

U.S. Real GDP



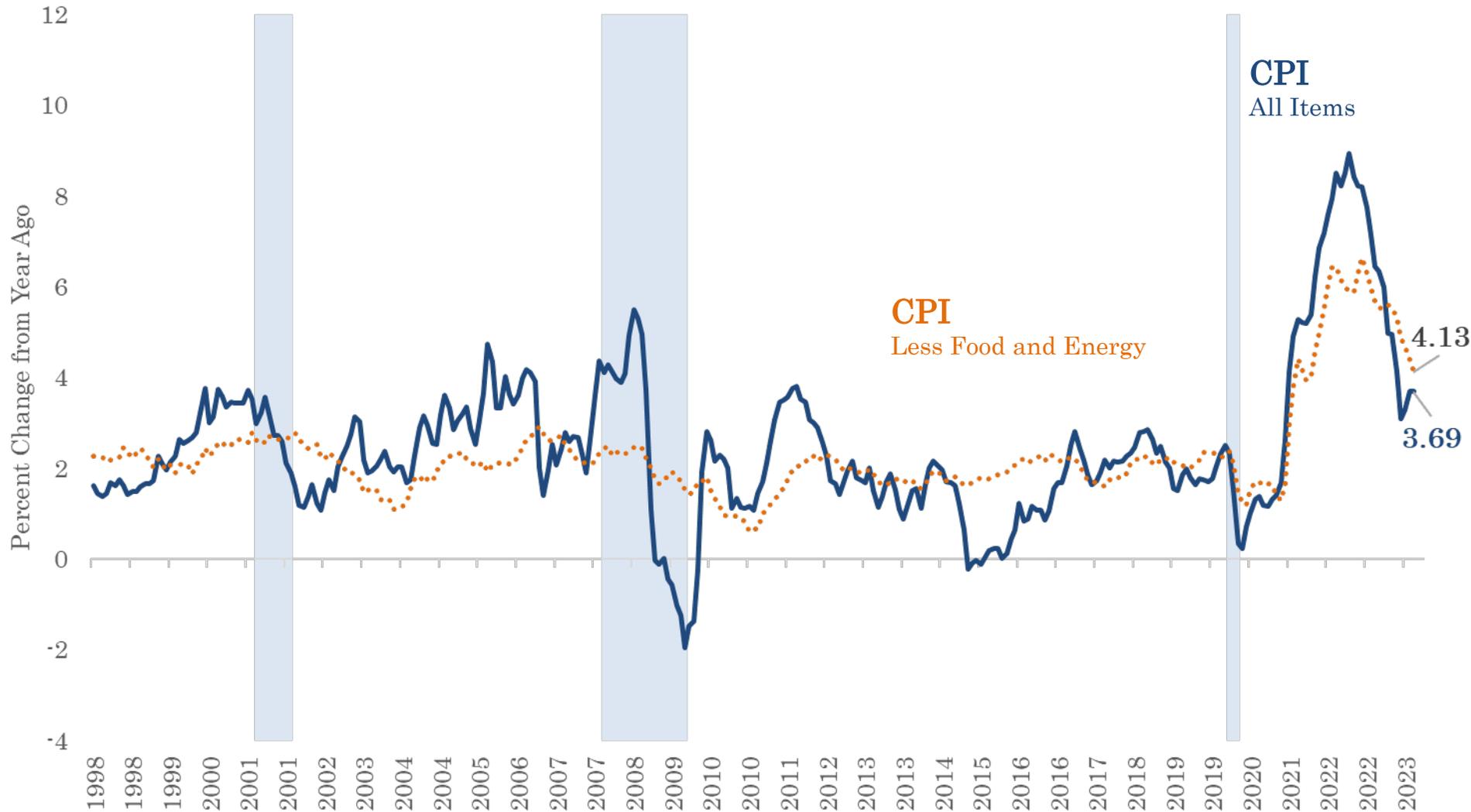
U.S. Bureau of Economic Analysis, Gross Domestic Product [GDP], retrieved from FRED, Oct 26, 2023.

The Yield Spread



Sources: Board of Governors of the Federal Reserve System (US); retrieved from FRED, Oct 26, 2023.

Inflation



Sources: U.S. Bureau of Labor Statistics, retrieved from FRED, Oct 26, 2023.

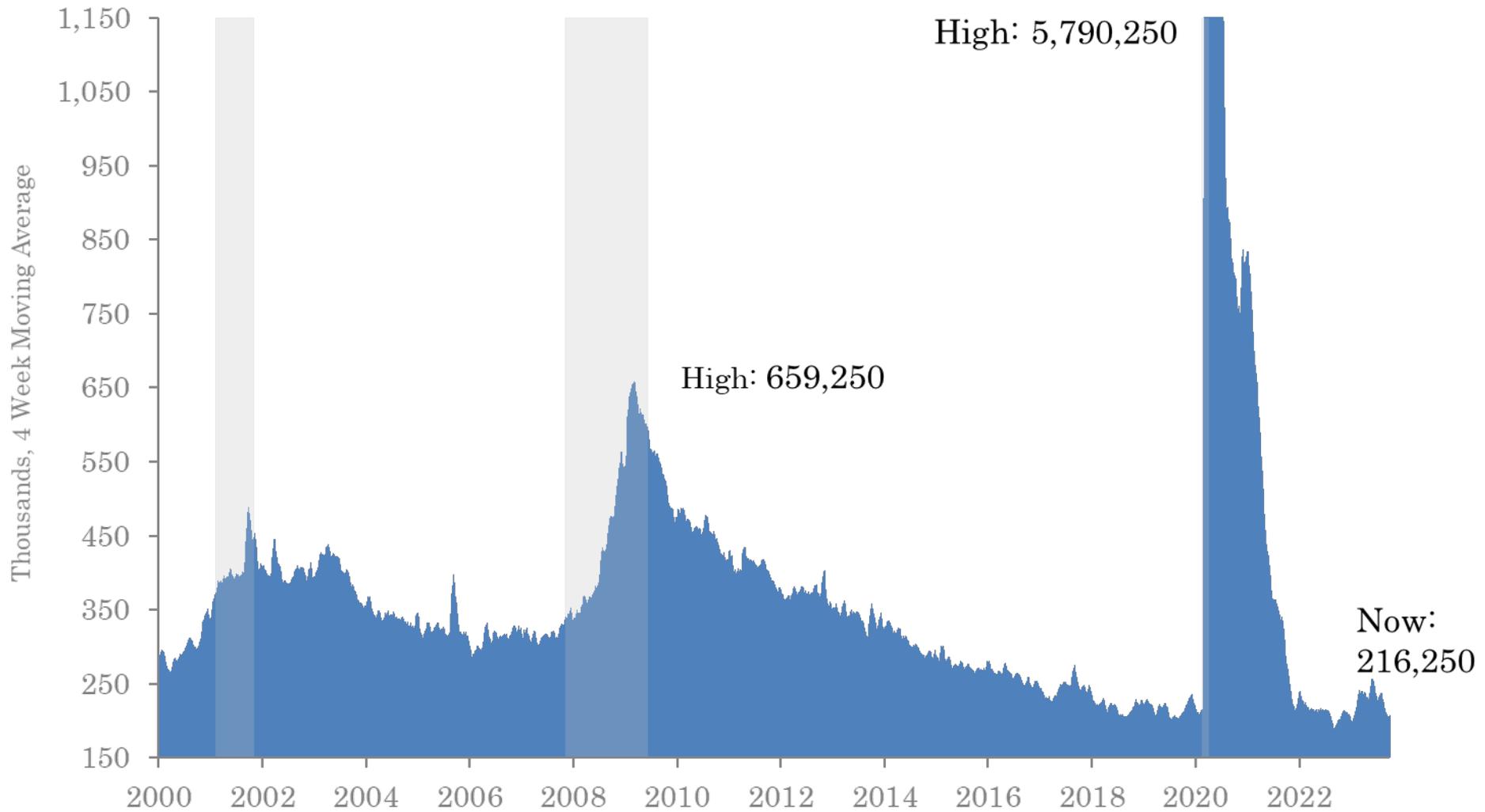
Stock Market



Sources: S&P Dow Jones Indices LLC; retrieved from FRED, Oct 26, 2023.

U.S. Employment

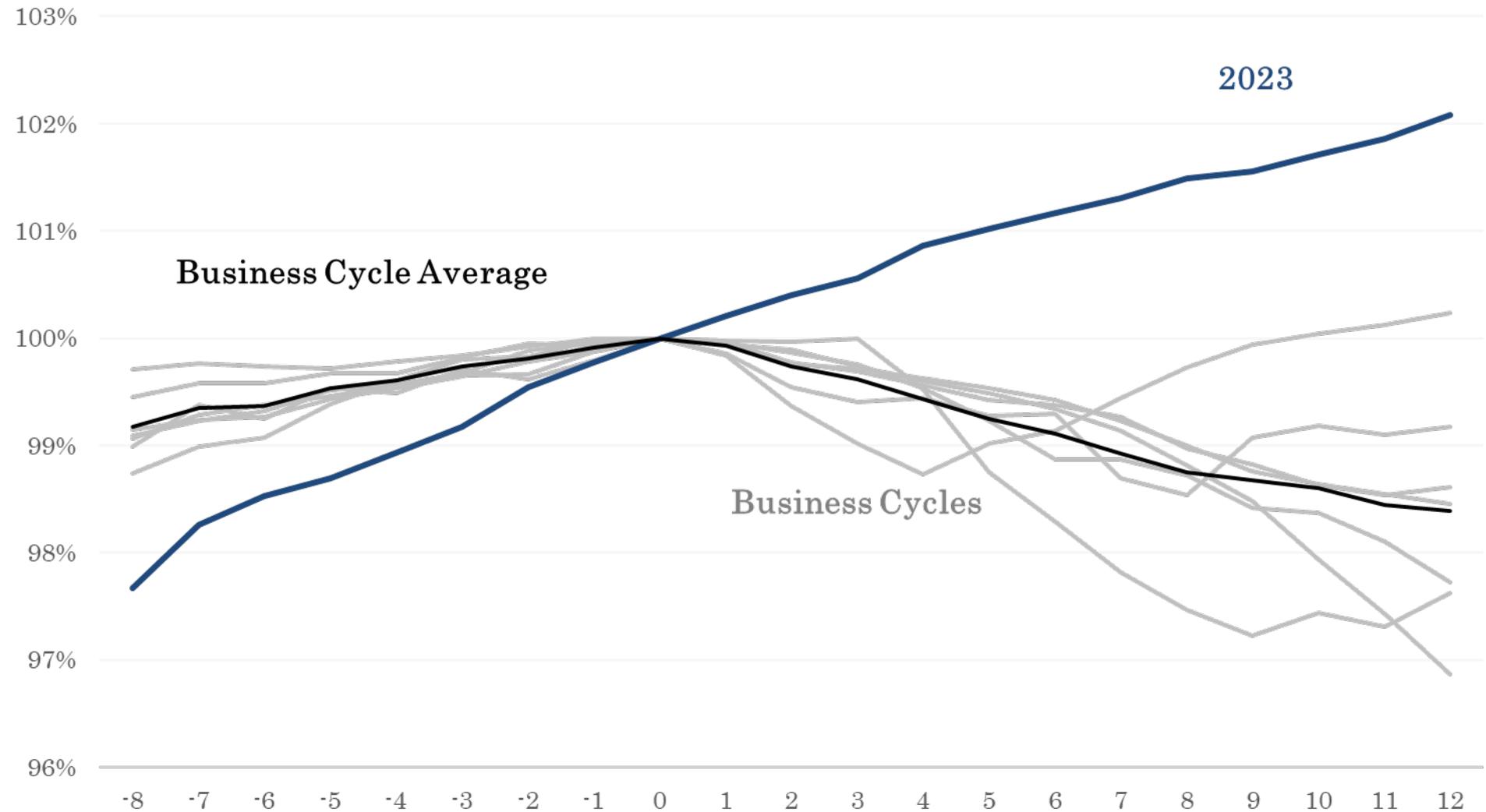
Initial Unemployment Claims



Sources: U.S. Employment and Training Administration; retrieved from FRED, Oct 26, 2023.

U.S. Employment

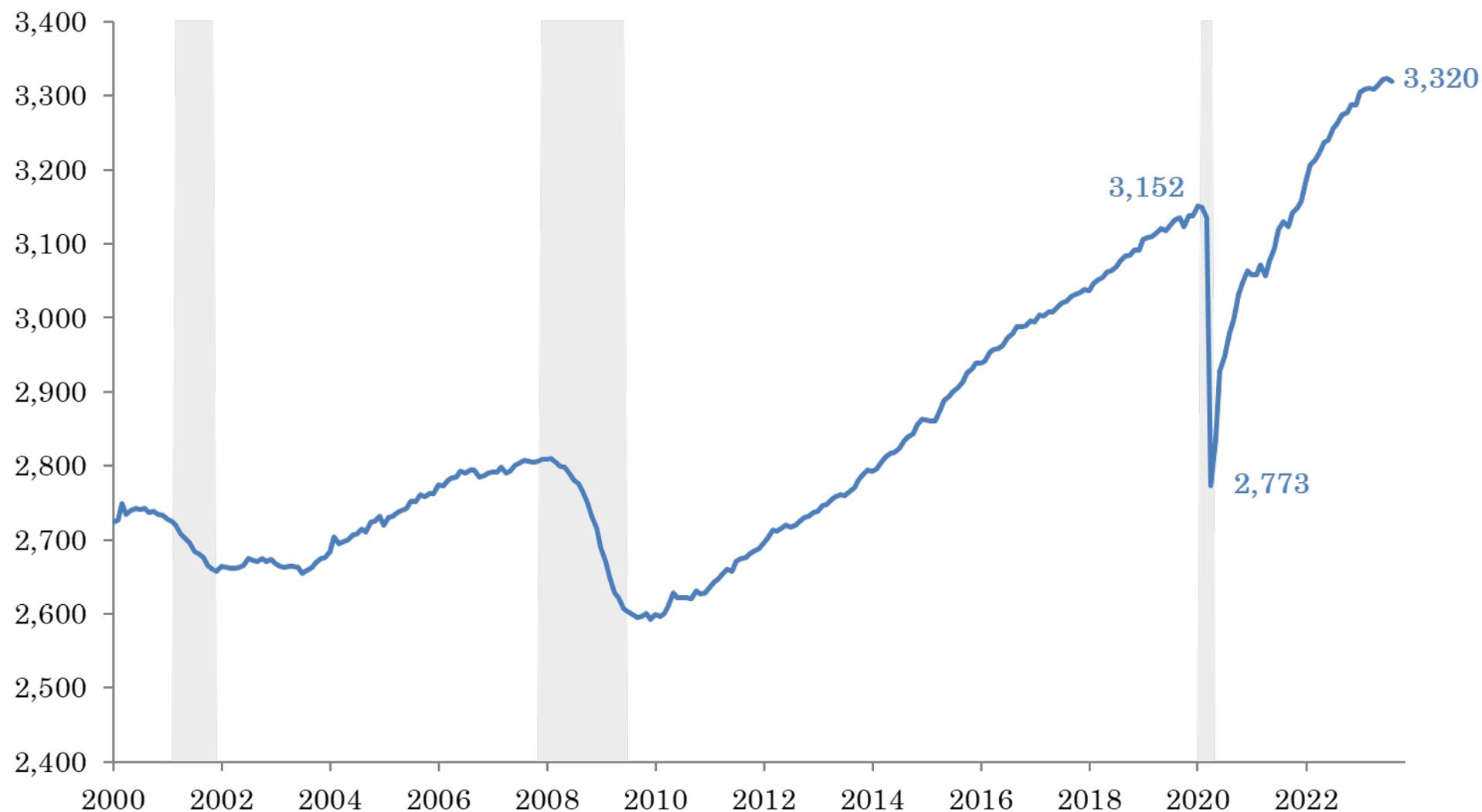
Total Nonfarm Payrolls



Sources: U.S. Bureau of Labor Statistics; retrieved from FRED, Oct 26, 2023.

Tennessee Employment

Total Non-Farm, Monthly, SA (Thousands)



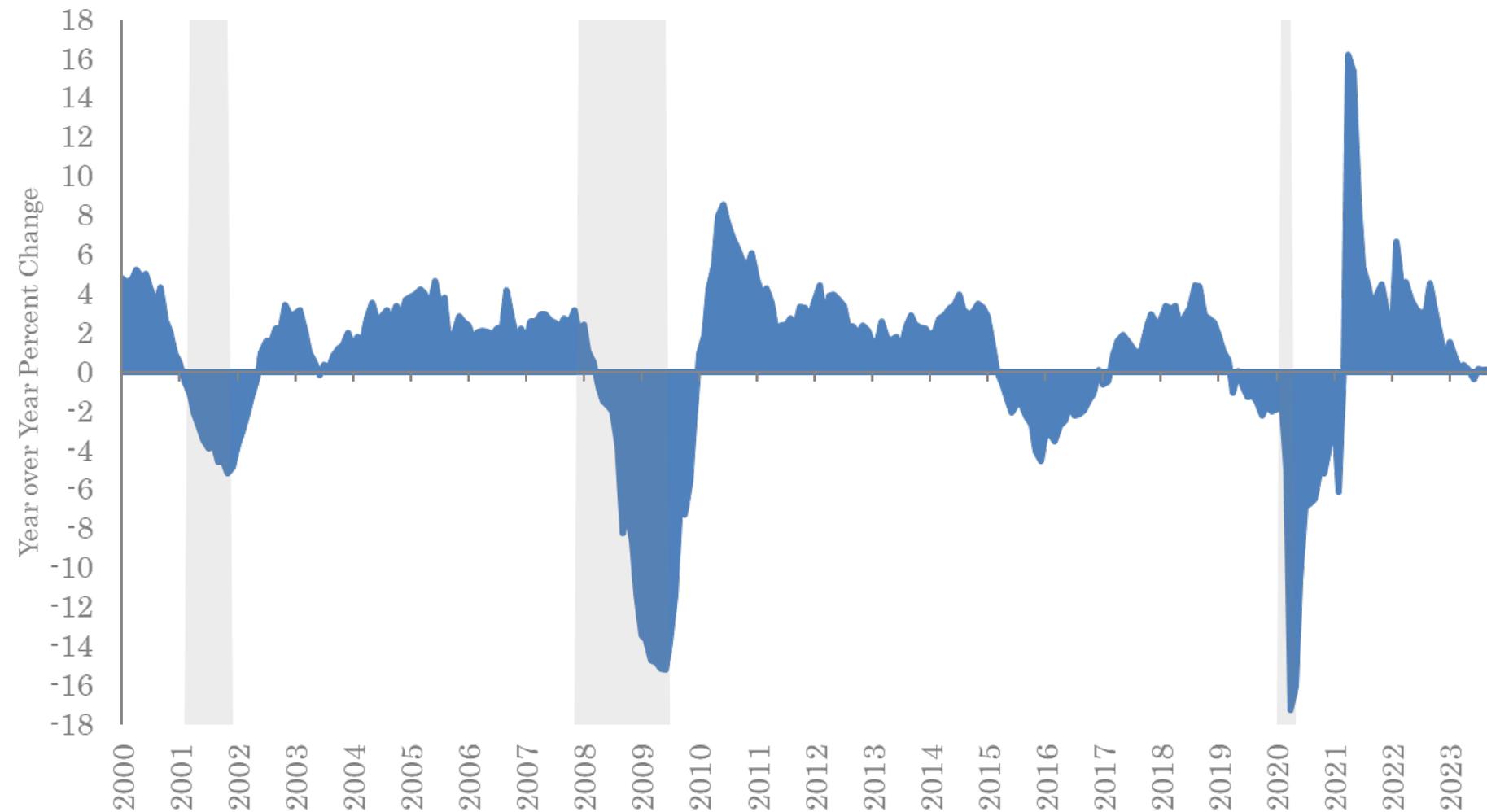
Sources: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, Oct 16, 2023.

Tennessee Hourly Earnings



Sources: U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis, retrieved from FRED, Oct 26, 2023.

Industrial Production



Sources: Board of Governors of the Federal Reserve System (US); retrieved from FRED, Oct 26, 2023.

Housing Sector

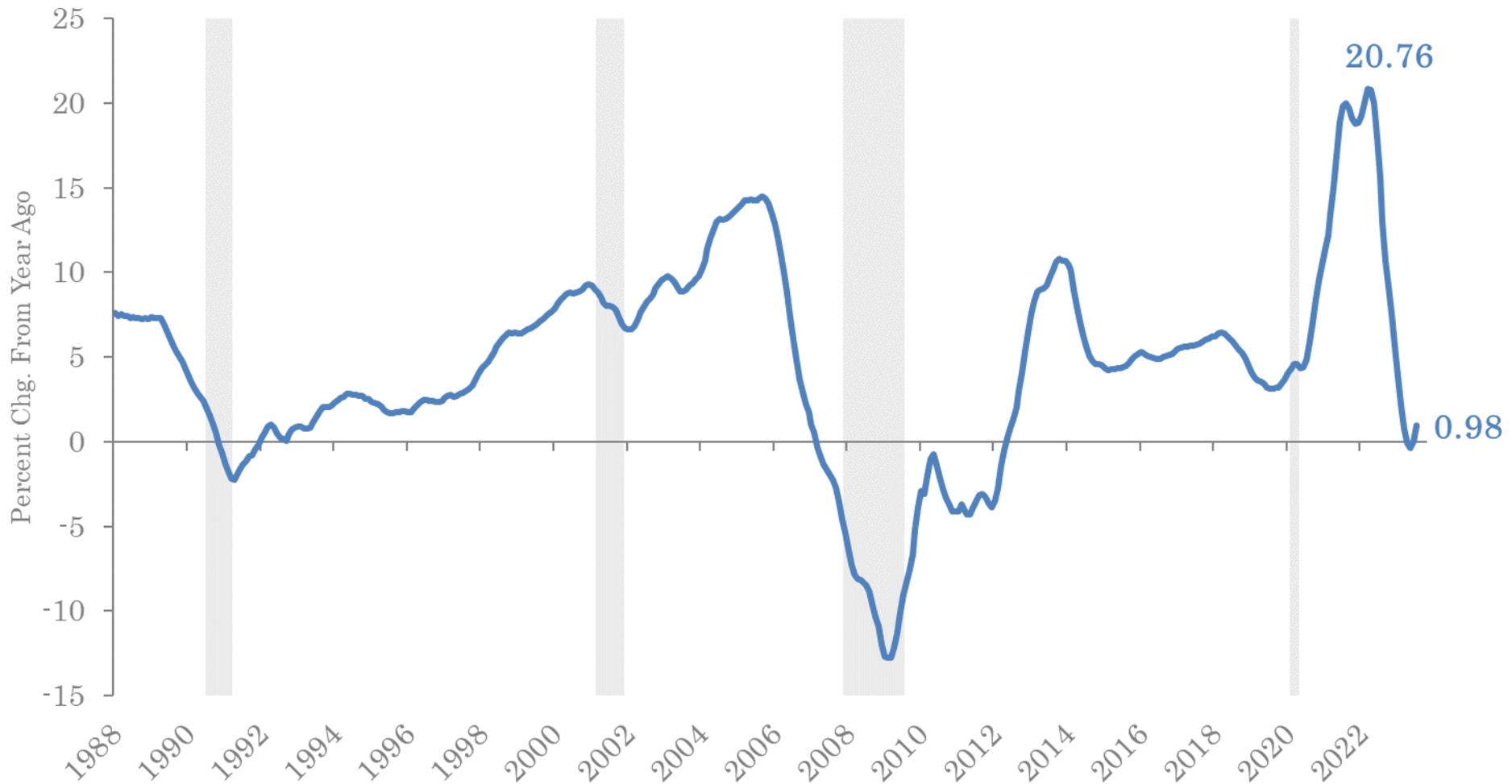
Mortgage Rates – 30 Year Fixed Monthly Average



Sources: Freddie Mac; retrieved from FRED, Oct 26, 2023.

Housing Sector

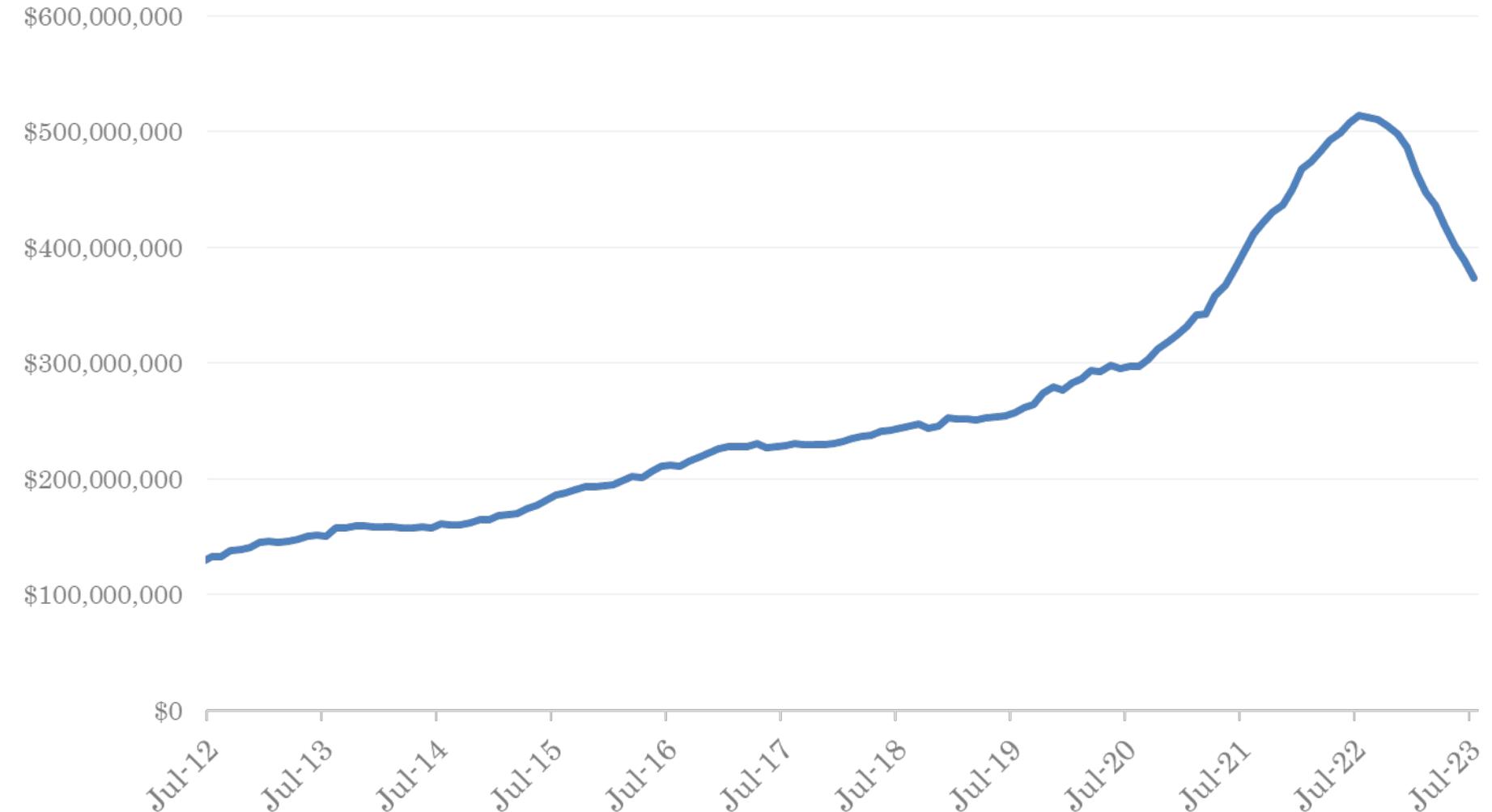
S&P/Case-Shiller U.S. National Home Price Index



Sources: S&P Dow Jones Indices LLC; retrieved from FRED, Oct 26, 2023.

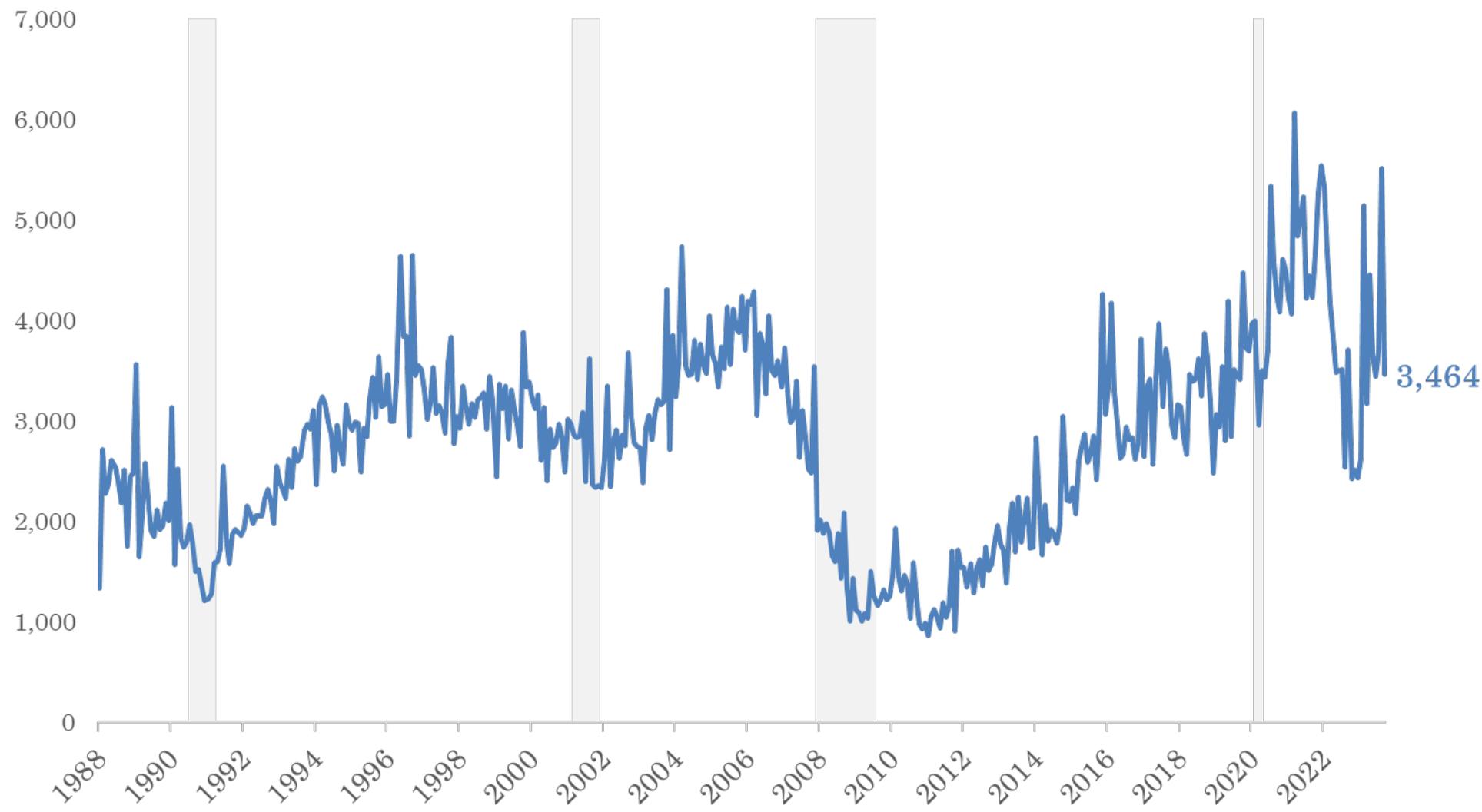
Housing Sector

Realty Transfer & Mortgage Tax Collections (12 month MS)



Sources: S&P Dow Jones Indices LLC; retrieved from FRED, Oct 26, 2023.

Housing Sector (TN Building Permits 1-Unit)



Sources: U.S. Bureau of the Census, retrieved from FRED, Federal Reserve Bank of St. Louis, Oct 26, 2023.

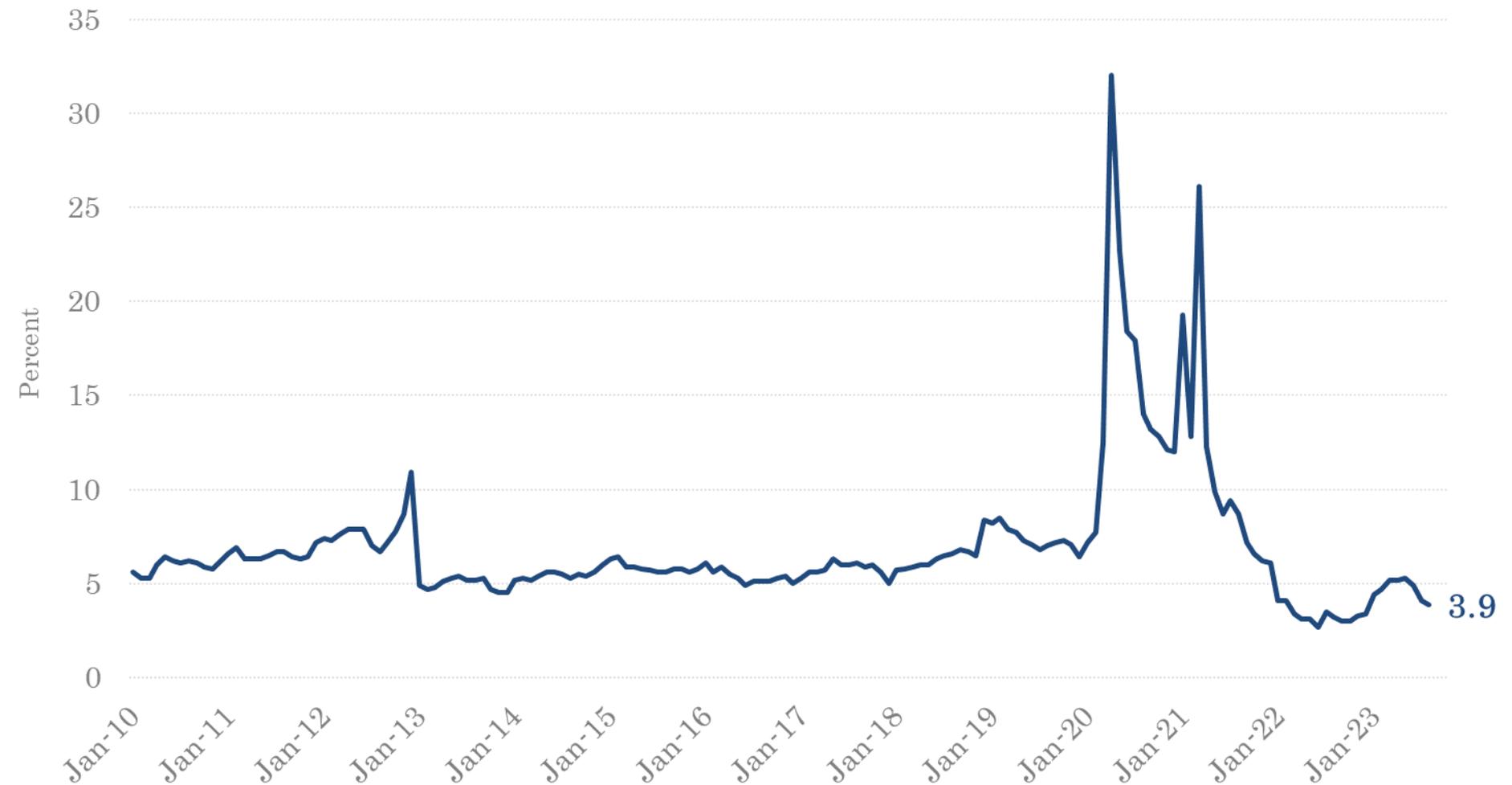
Personal Income

Household Debt Service as a Percent of Disposable Personal Income



Sources: Board of Governors of the Federal Reserve System (US); retrieved from FRED, Oct 26, 2023.

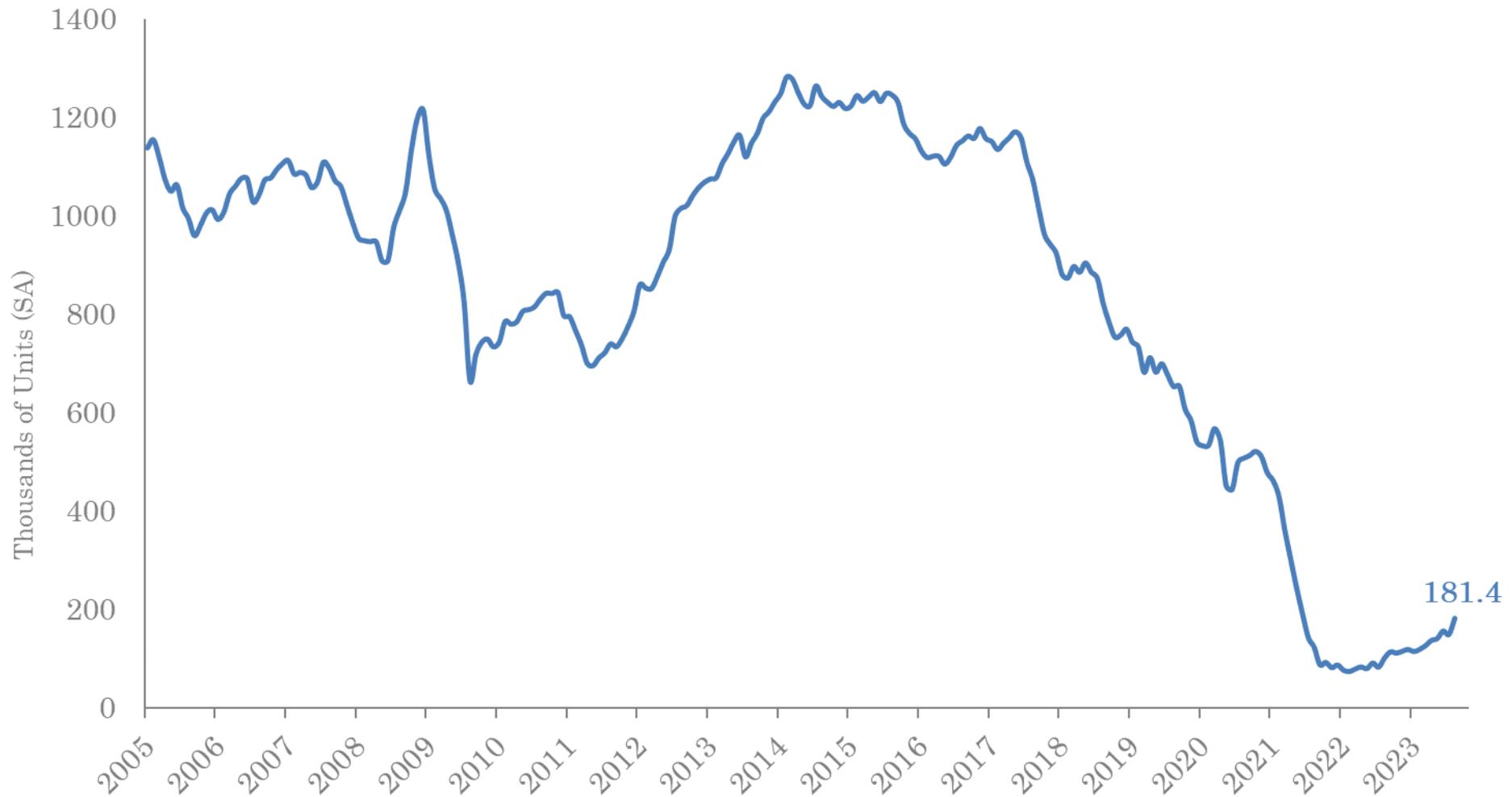
Personal Savings Rate



Sources: U.S. Bureau of Economic Analysis; retrieved from FRED, Oct. 26, 2023.

Domestic Auto Inventories

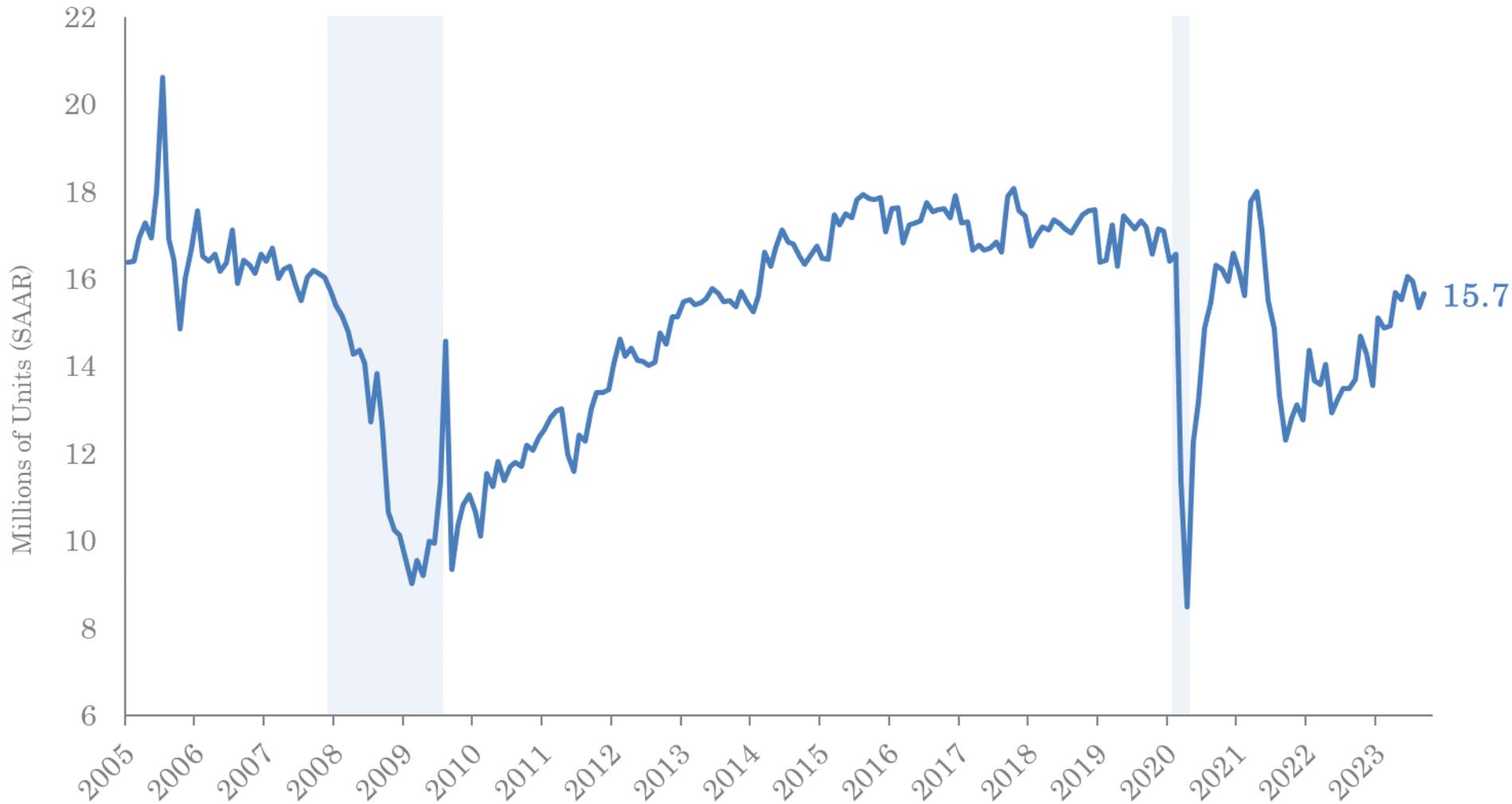
U.S., Canada, and Mexico Assemblies



Sources: U.S. Bureau of Economic Analysis, retrieved from FRED, Oct 26, 2023.

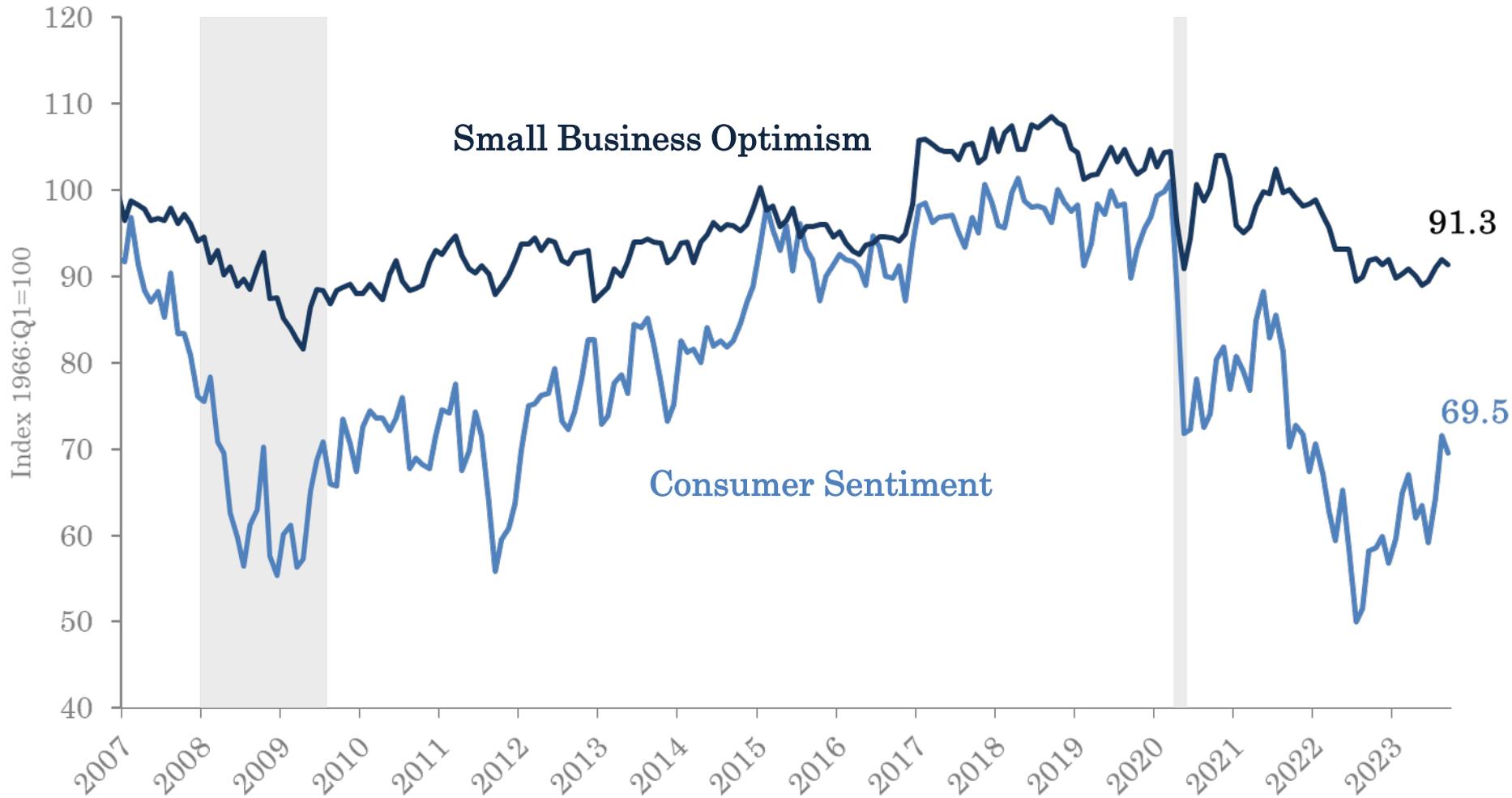
Auto Sector

U.S. Light Weight Vehicle Sales



Sources: U.S. Bureau of Economic Analysis, retrieved from FRED, Oct 26, 2023.

Consumer Sentiment & Small Business Optimism

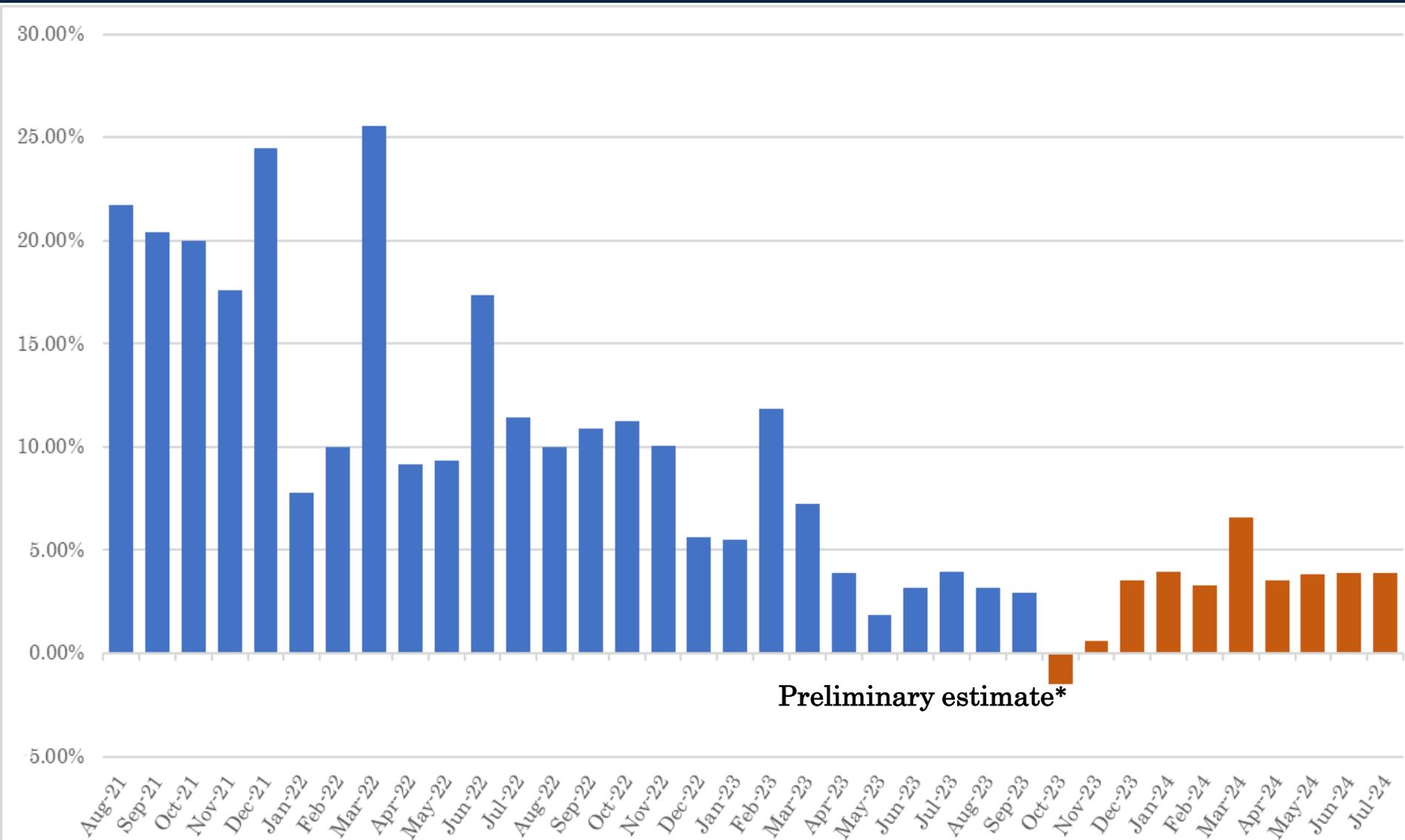


Sources: UofM, retrieved from FRED, Federal Reserve Bank of St. Louis; NFIB, retrieved from nfib-sbet.org, Oct 26, 2023.

Tax Changes

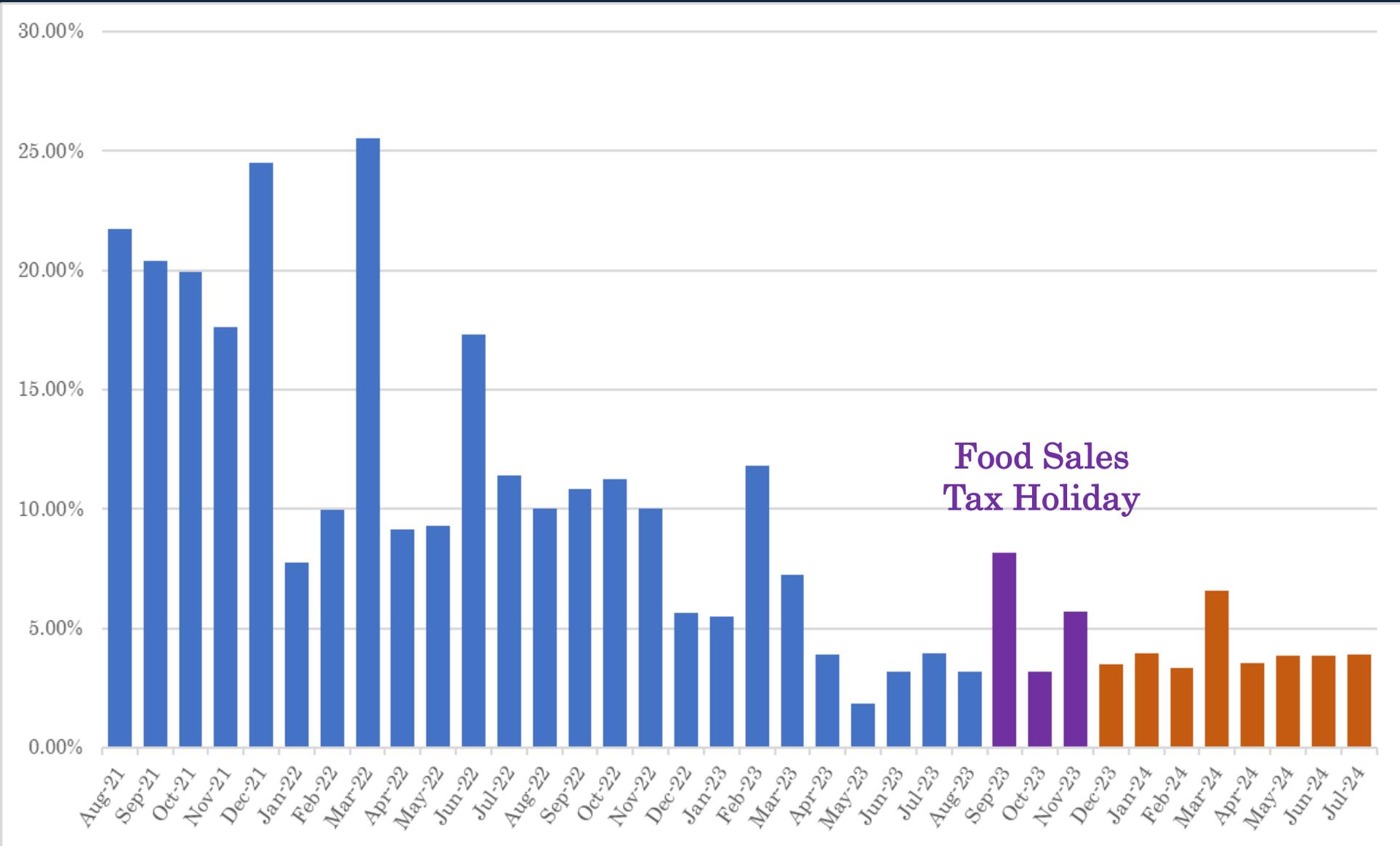
- TN Works Tax Legislation Changes to Collections (relative to FY22-23):
 - F&E : -\$120.5M FY23-24; -\$258.8M FY24-25
 - Business: -\$9.8M FY23-24; -\$12.2M FY24-25
 - Sales (excluding food holiday): +\$1.9M FY24-25
- Food and food ingredients sales tax free August through October 2023 (September through November collections). Compared to one month (August) in 2022. The two additional months account for over \$110 million in decreased collections compared to FY22-23
- Locals held harmless for local option and apportionment, will reduce General Fund revenue by \$73.4M compared to FY22-23
- No food tax holiday for FY24-25 (+\$168.6M vs. FY23-24)
- Additional Sales Tax Legislation:
 - Net Increase: \$6.4M FY23-24; Net Decrease: \$0.9M FY24-25
- Motor Vehicle Registration fee waived for Class A and B vehicles for FY22-23, a \$121M decrease in state revenue will be taxed again in FY23-24 and FY24-25.
- *All changes are reflected in FRC collection forecasts.*

Sales Tax Growth (YoY)



Sales Tax Growth (YoY)

Food Sales Tax Holiday Removed



Franchise & Excise

- YTD: Down approx. \$118.7M (11.8%) based on preliminary October collections
- Remaining nine months account for around 80% of collections in a normal year
- Decreases YTD have been mostly driven by refunds for previous overpayments as taxpayers prefer more cash in hand than rolling overpayments forward. Expect lower/fewer future overpayments, but how long until this levels out?
- Legislative changes -\$120.5M in FY23-24 and -\$258.8M in FY24-25 relative to FY22-23 collections

Outlook

- Risks from global conflicts, energy prices, supply chain issues, continued high interest rates
- Fed to decrease rates sometime in FY24-25
- Economy/GDP shows strength despite high interest rates
- Leap Year adds an extra day of collections in FY23-24
- Election/changes at the federal level in FY24-25
- Tax Holidays/legislation

FY23-24 & FY24-25 Estimates

REVENUE SOURCE	ACTUAL ACCRUED COLLECTIONS FY22-23	FRC STAFF TAX REVENUE ESTIMATES FY23-24	PERCENT INCREASE OVER FY22-23	FRC STAFF TAX REVENUE ESTIMATES FY24-25	PERCENT INCREASE OVER FY23-24
SALES AND USE TAX - LESS EARMARKED*	\$13,677,873,500	\$14,117,100,000	3.21%	\$14,701,100,000	4.14%
GASOLINE TAX	\$880,800,300	\$915,000,000	3.88%	\$922,000,000	0.77%
MOTOR FUEL TAX	\$318,872,500	\$321,000,000	0.67%	\$325,000,000	1.25%
GASOLINE INSPECTION TAX	\$71,528,200	\$73,000,000	2.06%	\$74,000,000	1.37%
MOTOR VEHICLE REGISTRATION TAX	\$280,385,600	\$380,000,000	35.53%	\$386,000,000	1.58%
INCOME TAX	\$2,662,300	\$0	-100.00%	\$0	N/A
PRIVILEGE TAX - LESS EARMARKED**	\$463,308,600	\$392,500,000	-15.28%	\$434,500,000	10.70%
GROSS RECEIPTS TAX - TVA	\$399,920,200	\$396,000,000	-0.98%	\$399,000,000	0.76%
GROSS RECEIPTS TAX - OTHER	\$27,897,600	\$32,000,000	14.71%	\$33,000,000	3.13%
BEER TAX	\$17,888,600	\$18,500,000	3.42%	\$19,000,000	2.70%
ALCOHOLIC BEVERAGE TAX	\$87,391,900	\$91,500,000	4.70%	\$93,000,000	1.64%
FRANCHISE AND EXCISE TAX	\$4,786,573,100	\$4,525,000,000	-5.46%	\$4,610,000,000	1.88%
INHERITANCE TAX	\$54,800	\$0	-100.00%	\$0	N/A
TOBACCO TAX	\$213,951,200	\$204,000,000	-4.65%	\$195,000,000	-4.41%
MOTOR VEHICLE TITLE FEES	\$23,028,200	\$23,200,000	0.75%	\$23,700,000	2.16%
MIXED DRINK TAX	\$215,489,500	\$226,600,000	5.16%	\$233,500,000	3.05%
BUSINESS TAX	\$332,722,500	\$326,000,000	-2.02%	\$335,000,000	2.76%
SEVERANCE TAX	\$887,200	\$800,000	-9.83%	\$800,000	0.00%
COIN OPERATED AMUSEMENT TAX	\$440,100	\$450,000	2.25%	\$500,000	11.11%
UNAUTHORIZED SUBSTANCE TAX	\$0	\$0	N/A	\$0	N/A
TOTAL REVENUE	\$21,801,675,900	\$22,042,650,000	1.11%	\$22,785,100,000	3.37%

*Sales and Use Tax has been reduced by \$150 million in FY22-23, and \$158.9 million in both FY23-24 and FY24-25 for the earmarked portion of the tax.

**Privilege Tax has been reduced by \$78.1 million in FY22-23, and \$92.5 million in both FY23-24 and FY24-25 for the earmarked portion of the tax.

FY23-24: All Funds and GF

REVENUE SOURCE	ALL FUNDS	GENERAL FUND
	FY23-24	FY23-24
SALES AND USE TAX - LESS EARMARKED*	\$14,117,100,000	\$13,148,456,164
GASOLINE TAX	\$915,000,000	\$13,010,983
MOTOR FUEL TAX	\$321,000,000	\$2,108,060
GASOLINE INSPECTION TAX	\$73,000,000	\$21,393,056
MOTOR VEHICLE REGISTRATION TAX	\$380,000,000	\$65,231,335
INCOME TAX	\$0	\$0
PRIVILEGE TAX - LESS EARMARKED**	\$392,500,000	\$387,902,325
GROSS RECEIPTS TAX - TVA	\$396,000,000	\$216,895,431
GROSS RECEIPTS TAX - OTHER	\$32,000,000	\$26,706,767
BEER TAX	\$18,500,000	\$12,400,000
ALCOHOLIC BEVERAGE TAX	\$91,500,000	\$75,640,000
FRANCHISE AND EXCISE TAX	\$4,525,000,000	\$4,262,400,000
INHERITANCE TAX	\$0	\$0
TOBACCO TAX	\$204,000,000	\$201,300,000
MOTOR VEHICLE TITLE FEES	\$23,200,000	\$20,500,000
MIXED DRINK TAX	\$226,600,000	\$113,300,000
BUSINESS TAX	\$326,000,000	\$326,000,000
SEVERANCE TAX	\$800,000	\$200,000
AMUSEMENT TAX	\$450,000	\$450,000
UNAUTHORIZED SUBSTANCE TAX	\$0	\$0
TOTAL REVENUE	\$22,042,650,000	\$18,893,894,121

*Sales and Use Tax has been reduced by \$158.9 million in FY23-24 for the earmarked portion of the tax.

**Privilege Tax has been reduced by \$92.5 million in FY23-24 for the earmarked portion of the tax.

FRC Estimates vs. FY22-23 and Current Budgeted Estimates

	ACTUAL FY22-23 ACCRUALS	CURRENT BUDGETED ESTIMATES FOR FY23-24	FRC ESTIMATES FOR FY23-24	INCREASE OVER FY22-23	INCREASE OVER CURRENT BUDGETED ESTIMATES
SALES AND USE*	\$13,677,873,500	\$14,094,600,000	\$14,117,100,000	\$439,226,500	\$22,500,000
FRANCHISE AND EXCISE	\$4,786,573,100	\$4,881,400,000	\$4,525,000,000	(\$261,573,100)	(\$356,400,000)
ALL FUNDS	\$21,801,675,900	\$22,492,400,000	\$22,042,650,000	\$240,974,100	(\$449,750,000)
GENERAL FUND	\$18,913,458,600	\$19,386,900,000	\$18,893,894,000	(\$19,564,600)	(\$493,006,000)

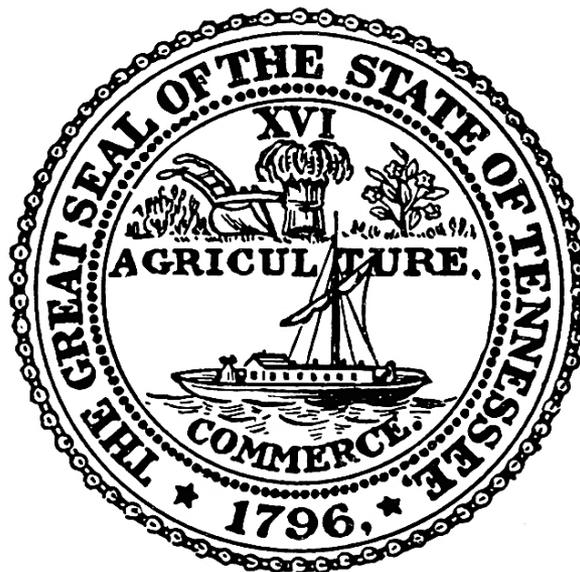
*Sales and Use Tax has been reduced by \$150 million in FY22-23, and \$158.9 million in both FY23-24 and FY24-25 for the earmarked portion of the tax.

FY24-25: All Funds and GF

REVENUE SOURCE	ALL FUNDS	GENERAL FUND
	FY24-25	FY24-25
SALES AND USE TAX - LESS EARMARKED*	\$14,701,100,000	\$13,808,640,805
GASOLINE TAX	\$922,000,000	\$13,110,520
MOTOR FUEL TAX	\$325,000,000	\$2,134,328
GASOLINE INSPECTION TAX	\$74,000,000	\$21,686,111
MOTOR VEHICLE REGISTRATION TAX	\$386,000,000	\$66,261,304
INCOME TAX	\$0	\$0
PRIVILEGE TAX - LESS EARMARKED**	\$434,500,000	\$429,410,344
GROSS RECEIPTS TAX - TVA	\$399,000,000	\$218,538,579
GROSS RECEIPTS TAX - OTHER	\$33,000,000	\$27,541,353
BEER TAX	\$19,000,000	\$12,735,135
ALCOHOLIC BEVERAGE TAX	\$93,000,000	\$76,880,000
FRANCHISE AND EXCISE TAX	\$4,610,000,000	\$4,347,400,000
INHERITANCE TAX	\$0	\$0
TOBACCO TAX	\$195,000,000	\$195,000,000
MOTOR VEHICLE TITLE FEES	\$23,700,000	\$21,000,000
MIXED DRINK TAX	\$233,500,000	\$116,750,000
BUSINESS TAX	\$335,000,000	\$335,000,000
SEVERANCE TAX	\$800,000	\$200,000
AMUSEMENT TAX	\$500,000	\$500,000
UNAUTHORIZED SUBSTANCE TAX	\$0	\$0
TOTAL REVENUE	\$22,785,100,000	\$19,692,788,480

*Sales and Use Tax has been reduced by \$158.9 million in FY24-25 for the earmarked portion of the tax.

**Privilege Tax has been reduced by \$92.5 million in FY24-25 for the earmarked portion of the tax.



Thank You

Fiscal Review Committee Economics Division



Net Lottery Proceeds Estimates

Fiscal Review Committee Staff

November 6, 2023

Historical Results

Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 Growth Rate
Net Revenue	\$1,717,366,573	\$1,942,839,389	\$1,888,093,623	\$1,966,729,669	4.16%
Total Expenses	\$1,296,742,086	\$1,460,523,033	\$1,420,890,003	\$1,470,228,453	3.47%
Excess Unclaimed Proceeds	\$0	\$0	\$378,000	\$896,000	137.04%
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%
After-School Funding	\$17,604,763	\$17,568,924	\$18,000,000	\$18,000,000	0.00%
Total State Proceeds	\$438,229,250	\$499,885,280	\$485,581,620	\$515,397,216	6.14%

Historical Results

Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 Growth Rate
Net Revenue	\$1,717,366,573	\$1,942,839,389	\$1,888,093,623	\$1,966,729,669	4.16%
Total Expenses	\$1,296,742,086	\$1,460,523,033	\$1,420,890,003	\$1,470,228,453	3.47%
Excess Unclaimed Proceeds	\$0	\$0	\$0	\$73,200,000	137.04%
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%
After-School Funding	\$17,604,763	\$17,568,924	\$18,000,000	\$18,000,000	0.00%
Total State Proceeds	\$438,229,250	\$499,885,280	\$485,581,620	\$515,397,216	6.14%

Powerball & Mega Millions added \$73.2M



Historical Results

Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 Growth Rate
Net Revenue	\$1,717,366,573	\$1,942,839,389	\$1,888,093,623	\$1,966,729,669	4.16%
Total Expenses	\$1,296,742,086	\$1,460,523,033	\$1,420,890,003	\$1,470,228,453	3.47%
Excess Unclaimed Proceeds	\$0	\$0	\$378,000	\$896,000	137.04%
NET LOTTERY PROCEEDS	\$420,624,487	\$482,516,550	\$467,581,920	\$477,577,210	0.38%
After-School Funding	\$17,604,763	\$17,568,924	\$18,000,000	\$18,000,000	0.00%
Total State Proceeds	\$438,229,250	\$499,885,280	\$485,581,620	\$515,397,216	6.14%

Gaming expenses: 98.6% of total; 3.3% increase;
 Operating expenses: 1.4% of total; 13% increase

Historical Results

Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 Growth Rate
Net Revenue	\$1,717,366,573	\$1,942,839,389	\$1,888,093,623	\$1,966,729,669	4.16%
Total Expenses	\$1,296,742,086	\$1,460,523,033	\$1,420,890,003	\$1,470,228,453	3.47%
Excess Unclaimed Proceeds	\$0	\$0	\$378,000	\$896,000	137.04%
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%
After-School Funding	\$17,604,763	\$17,568,924	\$18,000,000	\$18,000,000	0.00%
Total State Proceeds	\$438,229,250	\$499,885,280	\$485,581,620	\$515,397,216	6.14%

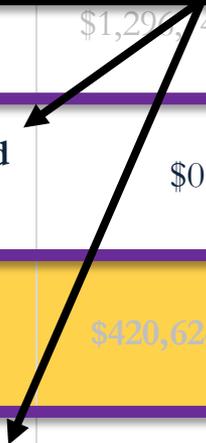
Average 10-year growth rate is 4.64%



Historical Results

Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 Growth Rate
Net Revenue	\$1,717,366,573	\$1,942,839,389	\$1,888,093,623	\$1,966,729,669	4.16%
Total Expenses	\$1,299,42,086	\$1,460,523,033	\$1,420,890,003	\$1,470,228,453	3.47%
Excess Unclaimed Proceeds	\$0	\$0	\$378,000	\$896,000	137.04%
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%
After-School Funding	\$17,604,763	\$17,568,924	\$18,000,000	\$18,000,000	0.00%
Total State Proceeds	\$438,229,250	\$499,885,280	\$485,581,620	\$515,397,216	6.14%

After-school funding represents unclaimed prizes and is limited to \$18M. All excess funding is allocated to the Lottery for Education Account.

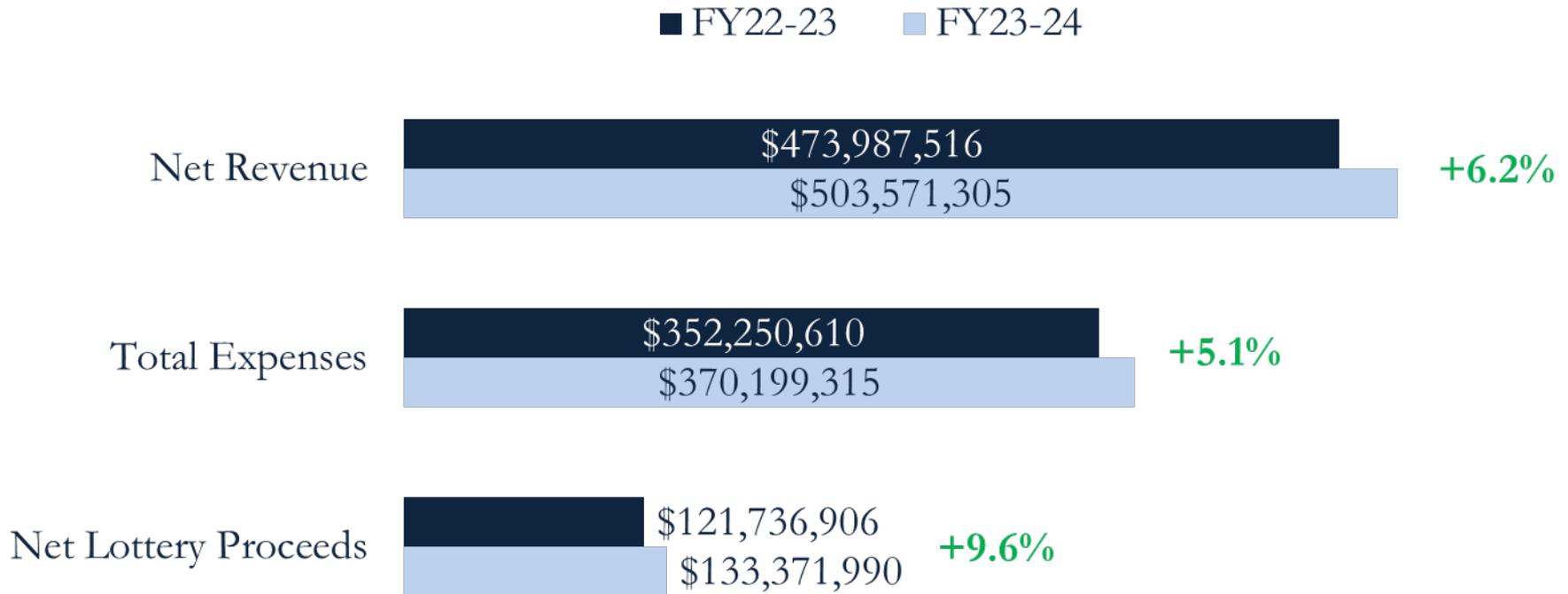


Historical Results

Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 Growth Rate
Net Revenue	\$1,717,366,573	\$1,942,839,389	\$1,888,093,623	\$1,966,729,669	4.16%
Total Expenses	\$1,296,742,086	\$1,460,523,033	\$1,420,890,003	\$1,470,228,453	3.47%
Excess Unclaimed Proceeds	\$0	\$0	\$378,000	\$896,000	137.04%
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%
After-School Funding	\$17,604,763	\$17,568,924	\$18,000,000	\$18,000,000	0.00%
Total State Proceeds	\$438,229,250	\$499,885,280	\$485,581,620	\$515,397,216	6.14%

FY23-24 Year-to-Date

July 2023 through September 2023



FY23-24 Year-to-Date

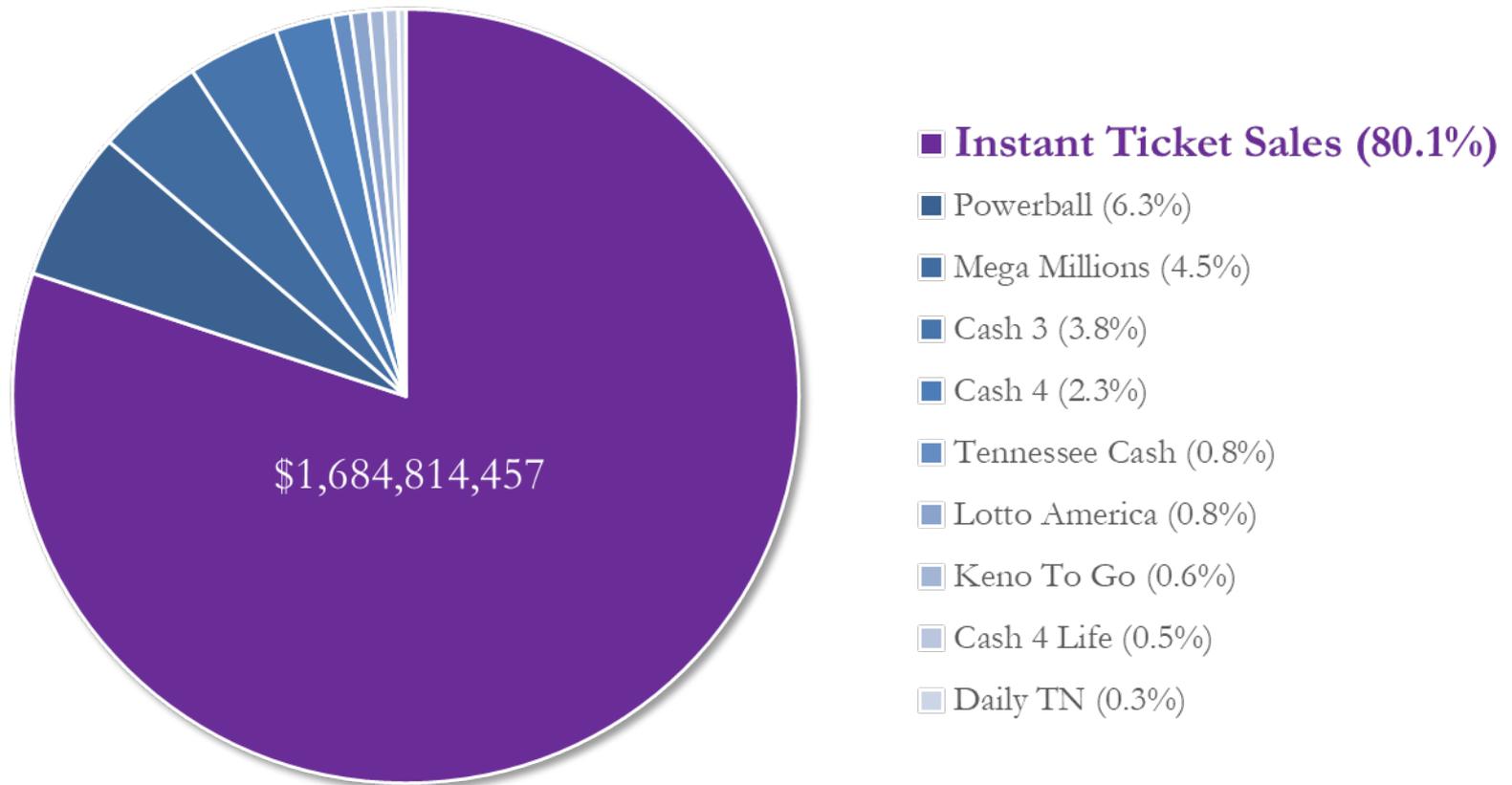
Reason for the Increase

Powerball

+\$26,541,256 (+128.1%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle
FY22-23 Q1	\$127,871,795	\$300,000,000
FY23-24 Q1	\$446,975,000	\$1,000,000,000

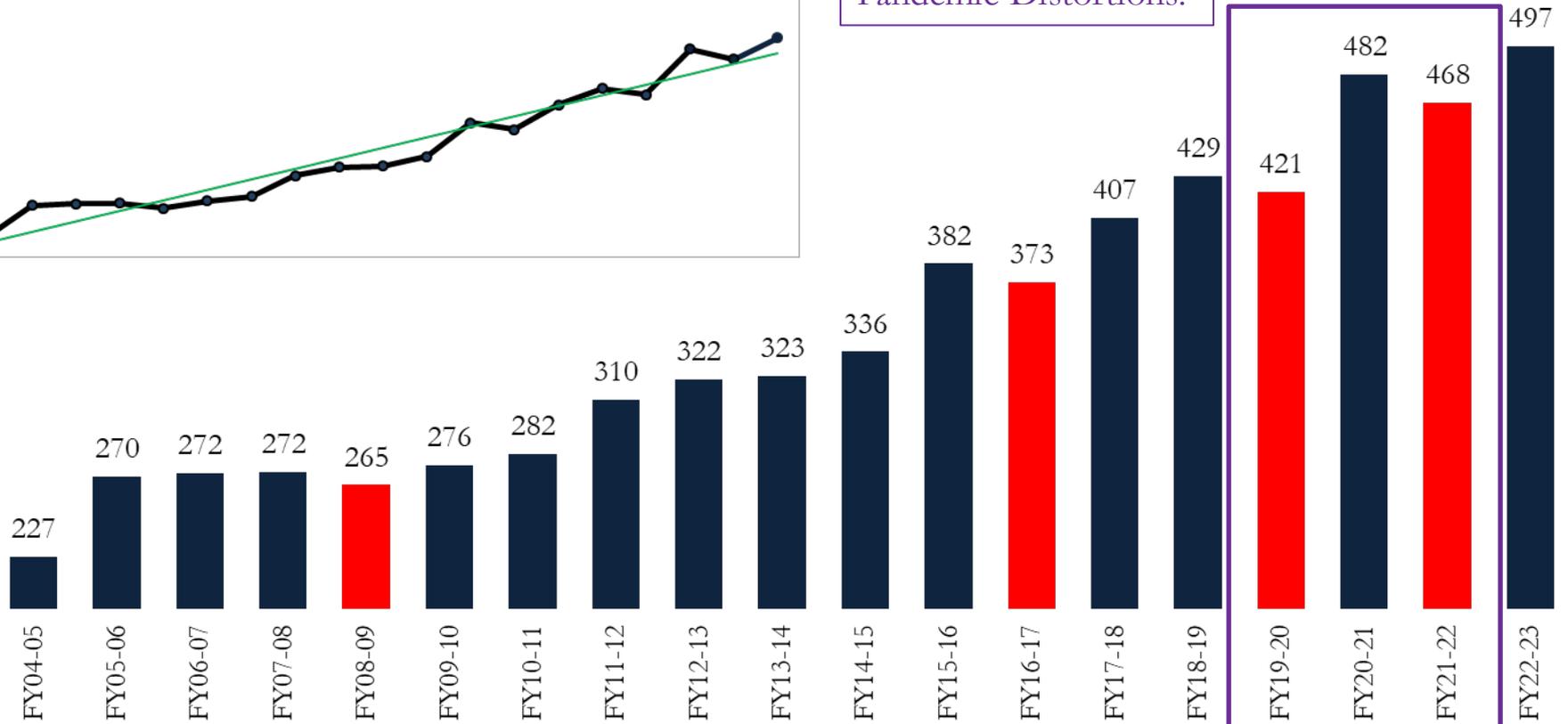
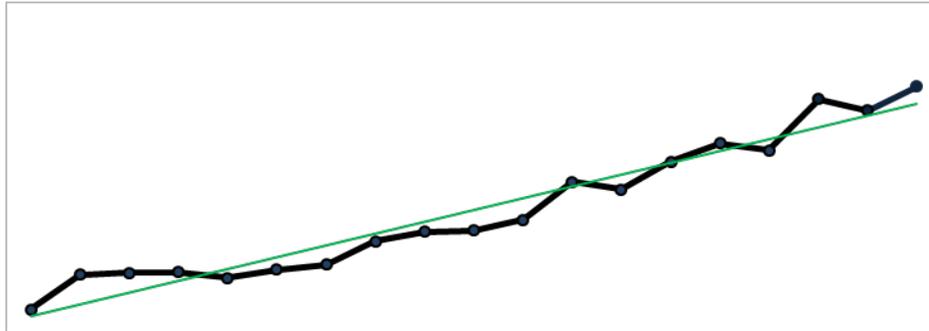
Ticket Sales Composition



FY22-23 Gross Ticket Sales: \$2,102,244,016

Historical Results - NLP

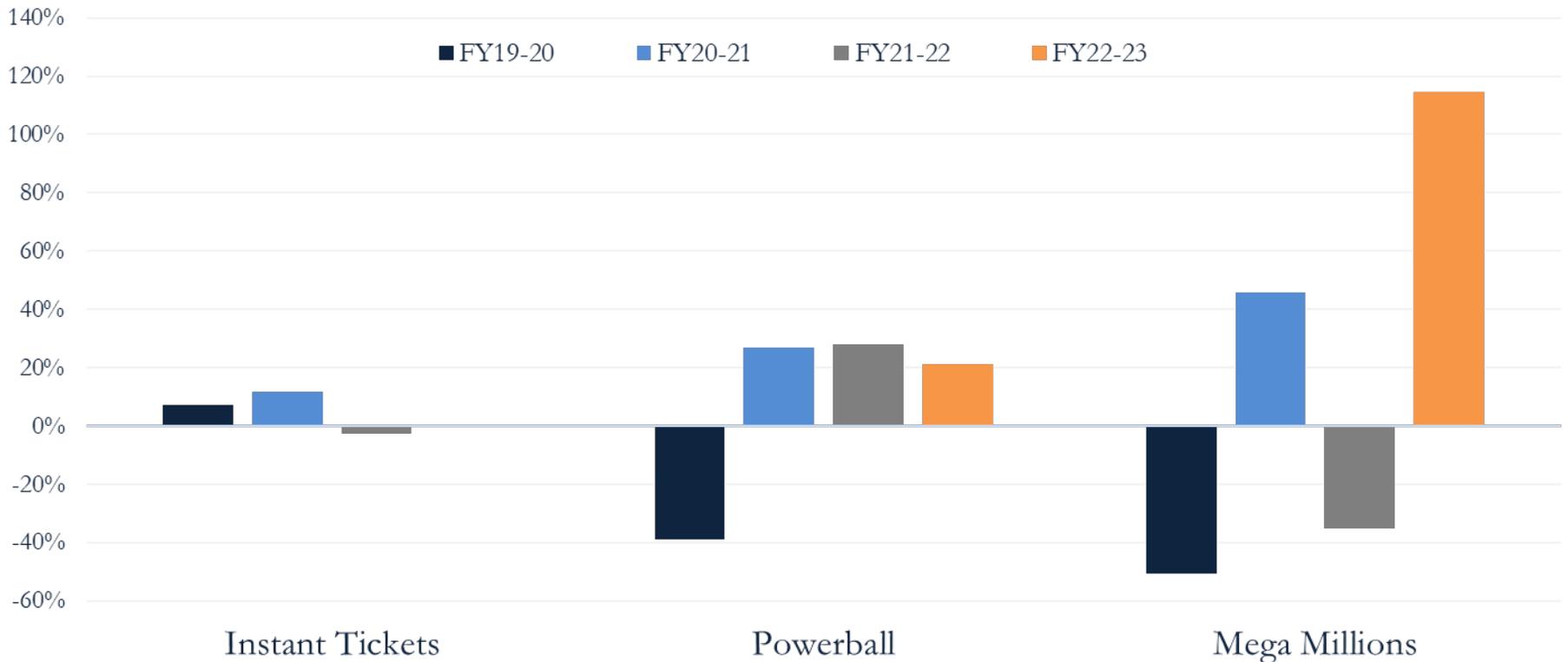
Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 GR
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%



Historical Results – Select Games

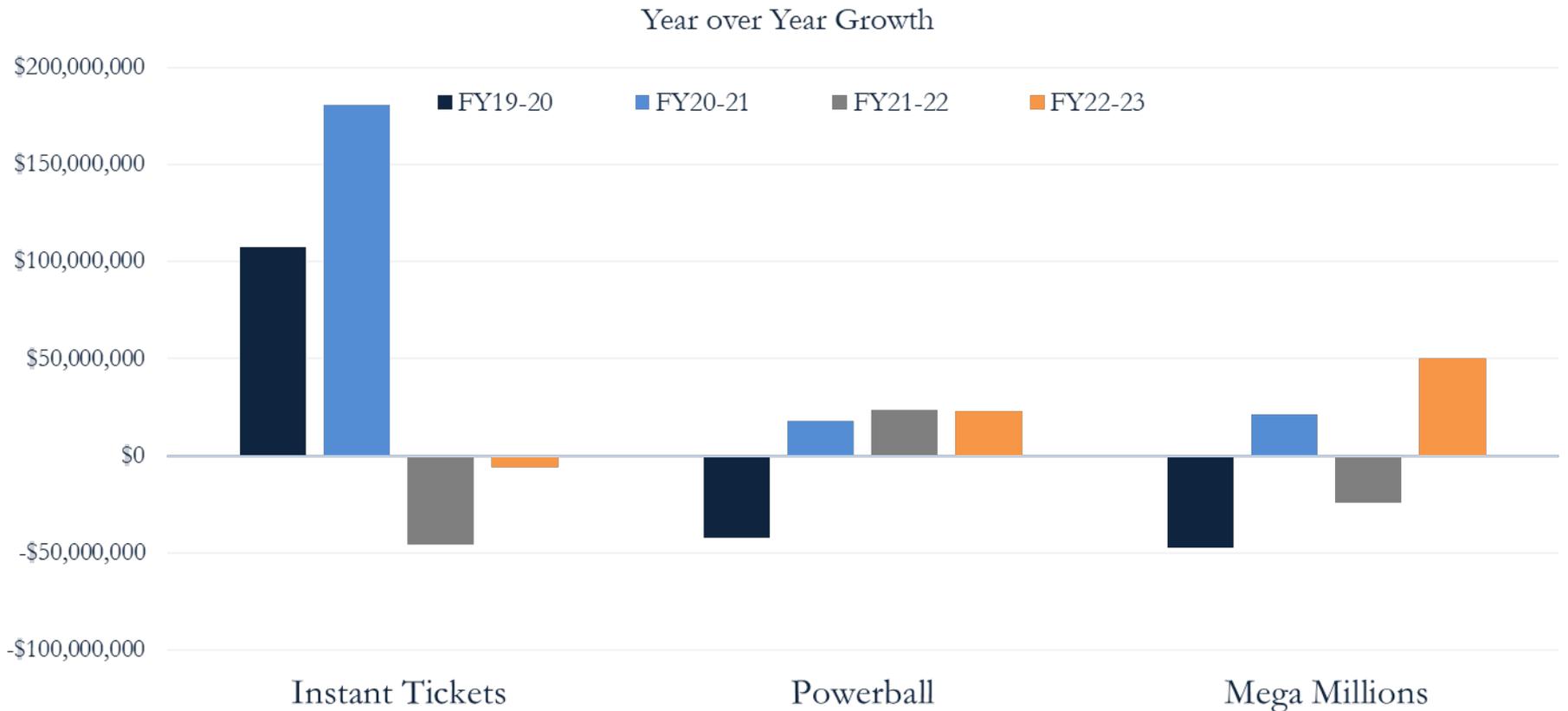
Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 GR
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%

Year over Year Growth

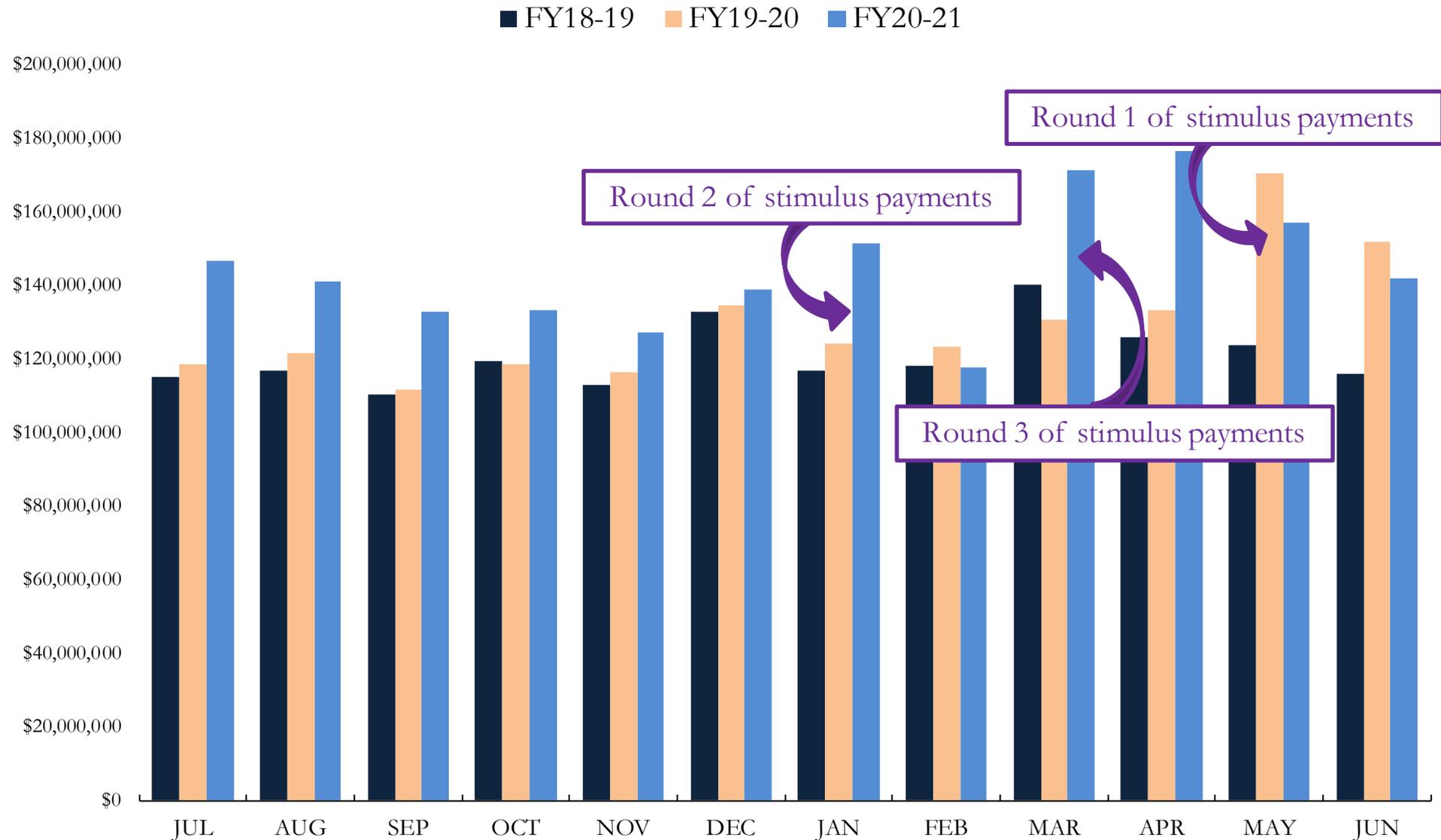


Historical Results – Select Games

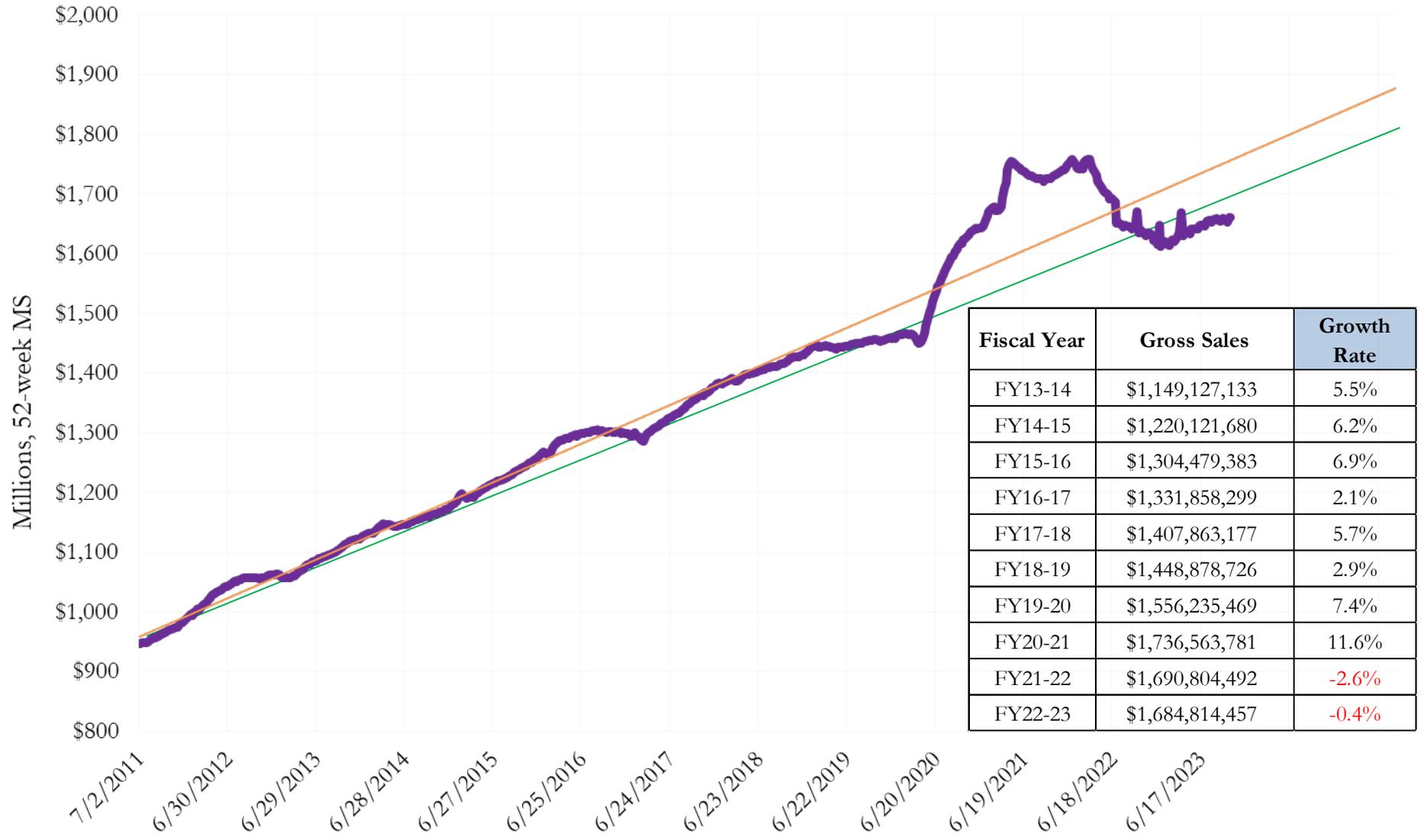
Category	FY19-20	FY20-21	FY21-22	FY22-23	FY22-23 GR
NET LOTTERY PROCEEDS	\$420,624,487	\$482,316,356	\$467,581,620	\$497,397,216	6.38%



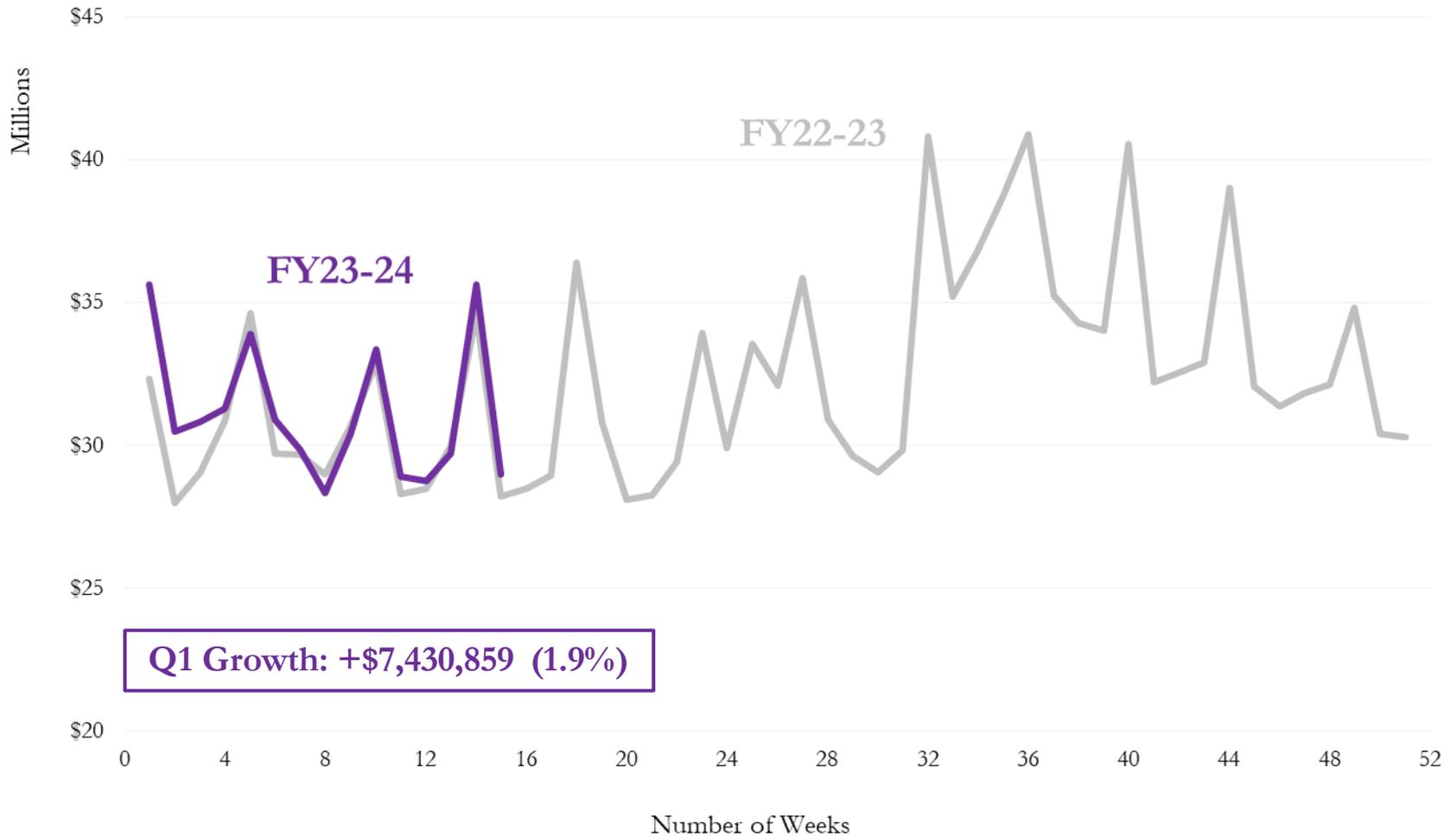
Historical Results – Instant Games



Instant Games



Instant Games



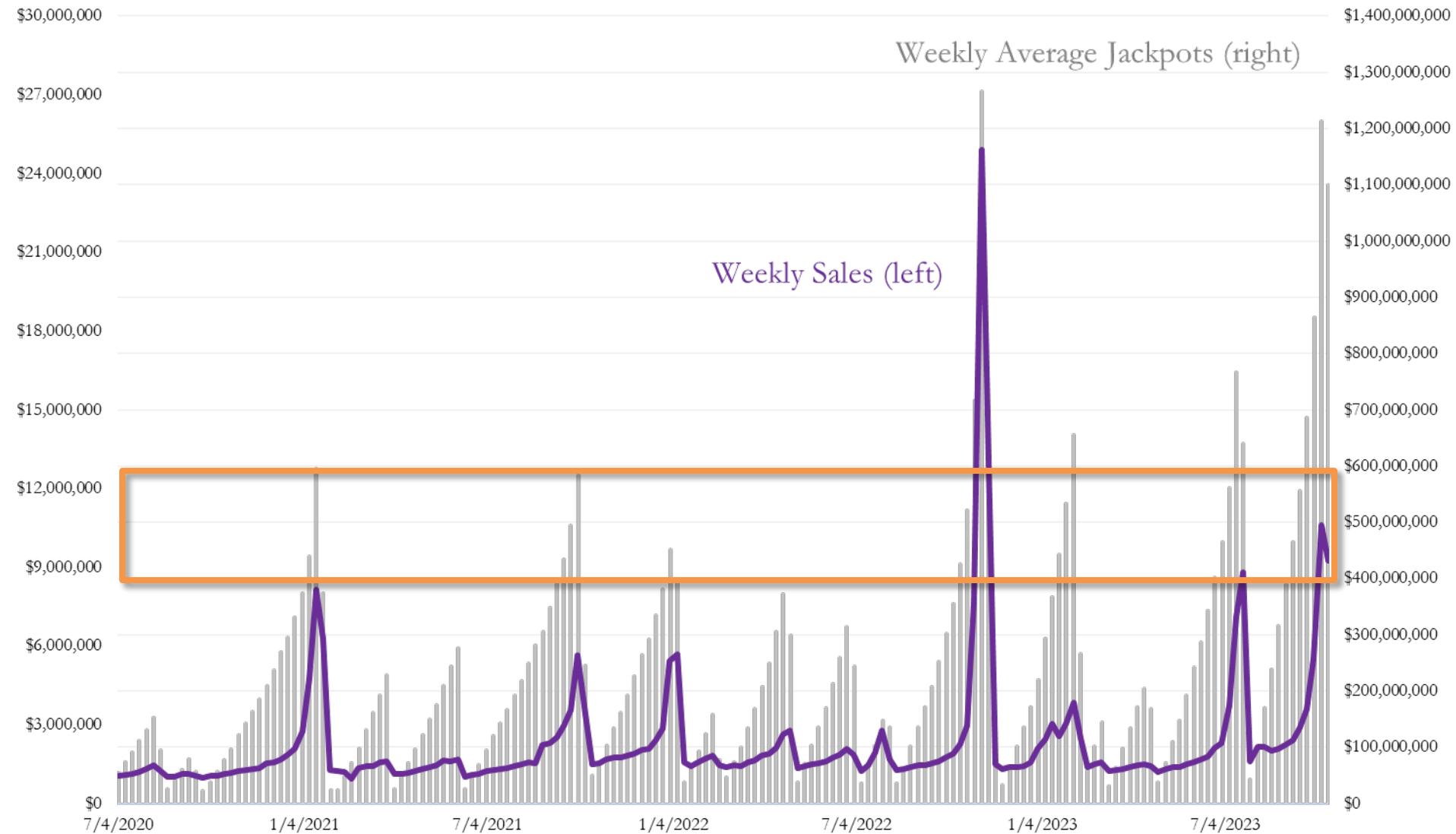
Instant Games

Category	FY21-22 Actual	FY22-23 Actual	FY23-24 Estimates	FY24-25 Estimates	Range
Instant Games (Gross Sales)	\$1,690,804,492	\$1,684,814,457	\$1,700,000,000	\$1,718,000,000	Low
			\$1,710,000,000	\$1,730,000,000	Median
			\$1,720,000,000	\$1,742,000,000	High
Tickets Provided as Prizes	\$143,405,222	\$144,124,316	\$144,160,000	\$145,686,400	Low
			\$145,008,000	\$146,704,000	Median
			\$145,856,000	\$147,721,600	High
Instant Games (Net Sales)	\$1,547,399,270	\$1,540,690,141	\$1,555,840,000	\$1,572,313,600	Low
			\$1,564,992,000	\$1,583,296,000	Median
			\$1,574,144,000	\$1,594,278,400	High

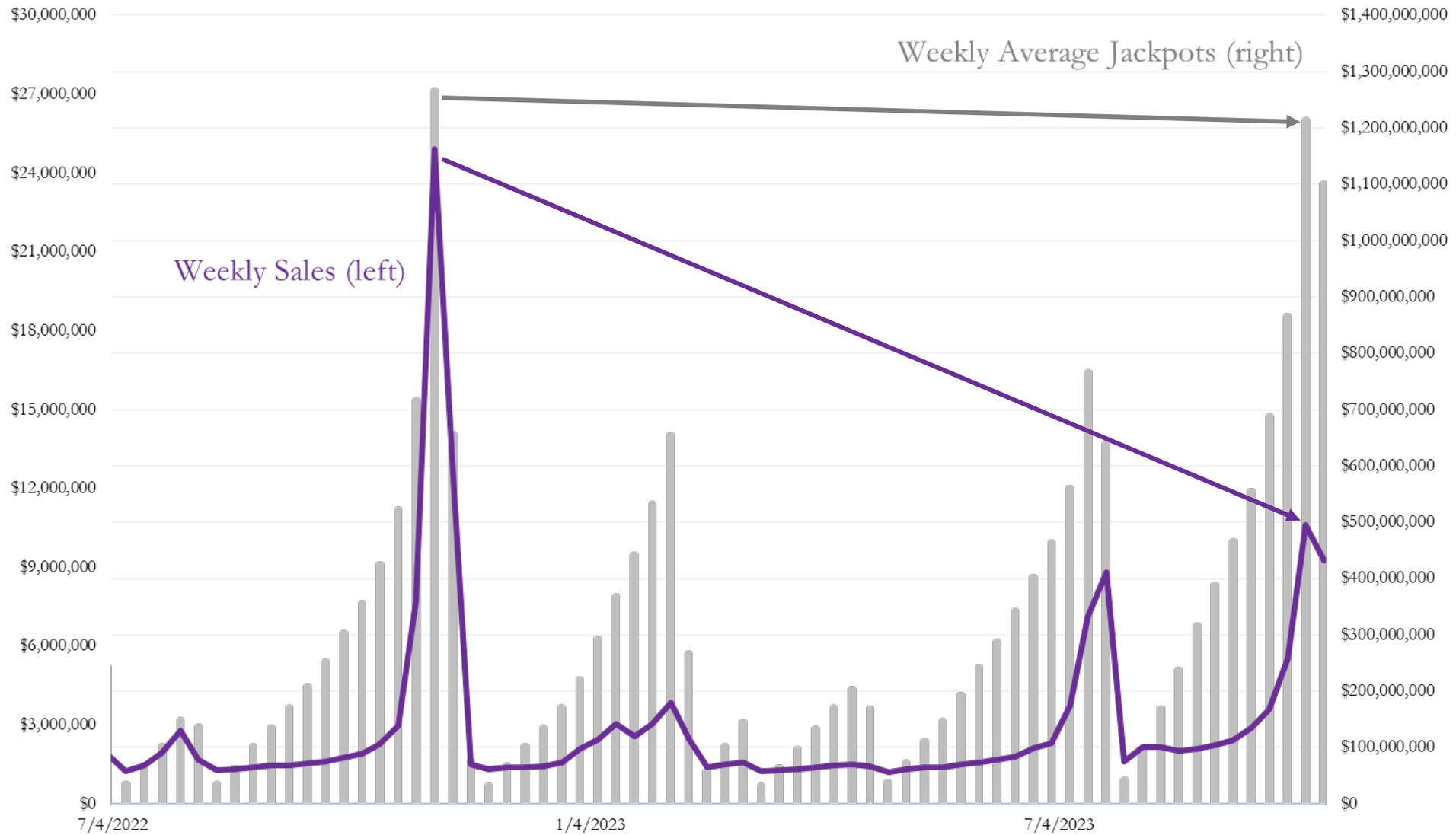


Powerball & Mega Millions

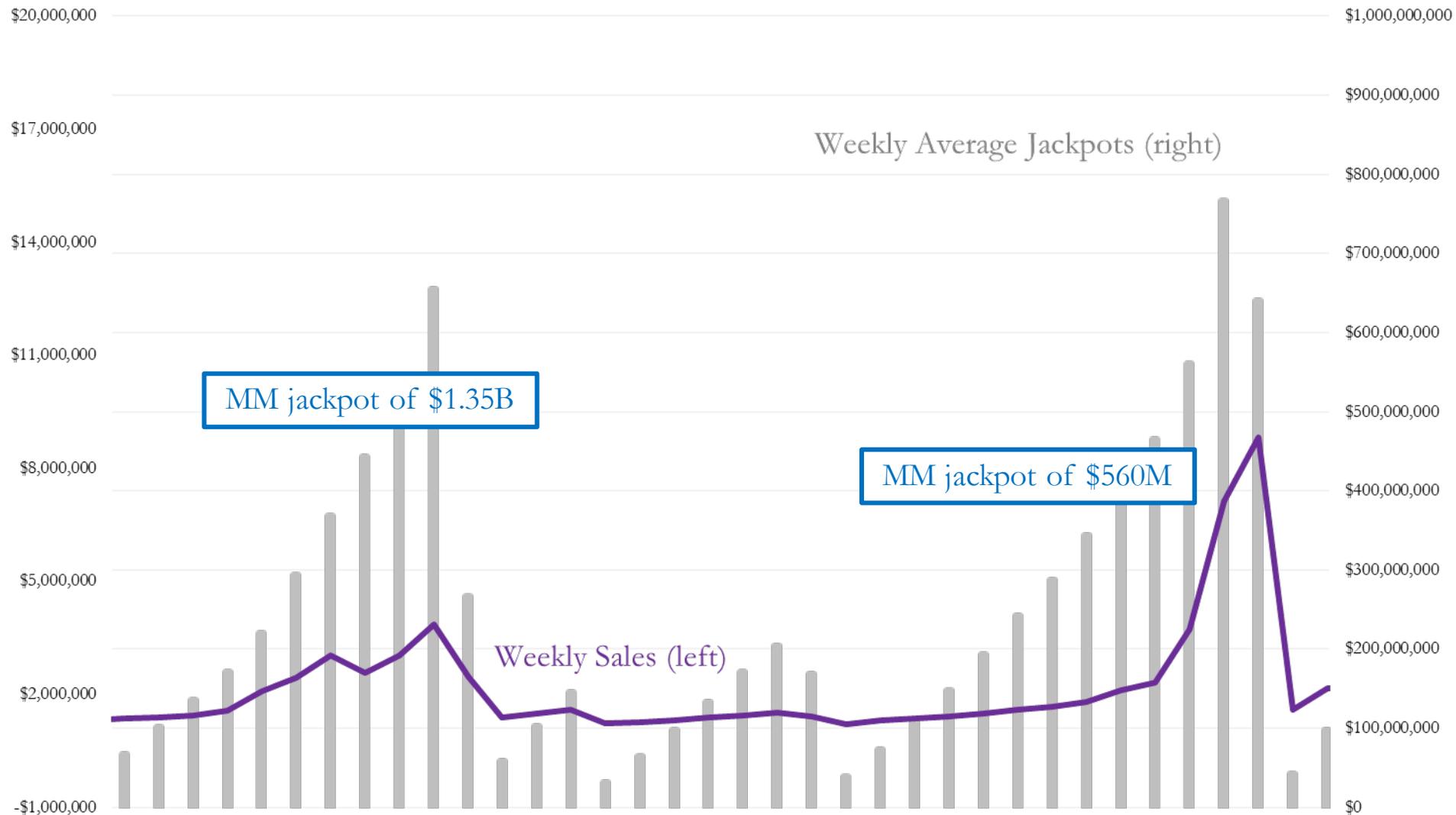
Powerball



Powerball



Powerball



Powerball

- FY21-22 sales: \$108,484,996
- FY22-23 sales: \$131,678,705
- FY22-23 growth: **\$23,193,709 (21.4%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$300,000,000 or More	Drawings with Jackpots \$500,000,000 or More	Jackpot Winners
FY21-22	\$218,825,500	\$685,000,000	41	8	5
FY22-23	\$238,352,600	\$1,900,000,000	41	16	7
FY23-24 YTD	\$528,787,234	\$1,730,000,000	31	23	2

Powerball

FY21-22 Actual Sales	FY22-23 Actual Sales	FY23-24 Estimates	FY24-25 Estimates	Range
\$108,484,996	\$131,678,705	\$137,500,000	\$118,000,000	Low
		\$142,500,000	\$128,000,000	Median
		\$147,500,000	\$138,000,000	High

Mega Millions



Mega Millions

- FY21-22 sales: \$43,742,817
- FY22-23 sales: \$93,548,214
- FY22-23 growth: \$49,805,397 (113.9%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$300,000,000 or More	Drawings with Jackpots \$500,000,000 or More	Jackpot Winners
FY21-22	\$147,317,300	\$432,000,000	15	0	6
FY22-23	\$275,523,800	\$1,350,000,000	41	11	7
FY23-24 YTD	\$364,906,250	\$1,580,000,000	13	9	3

Mega Millions

FY21-22 Actual Sales	FY22-23 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$43,742,817	\$93,548,214	\$83,000,000	\$67,000,000	Low
		\$88,000,000	\$77,000,000	Median
		\$93,000,000	\$87,000,000	High



Other Games

Cash 3 and Cash 4

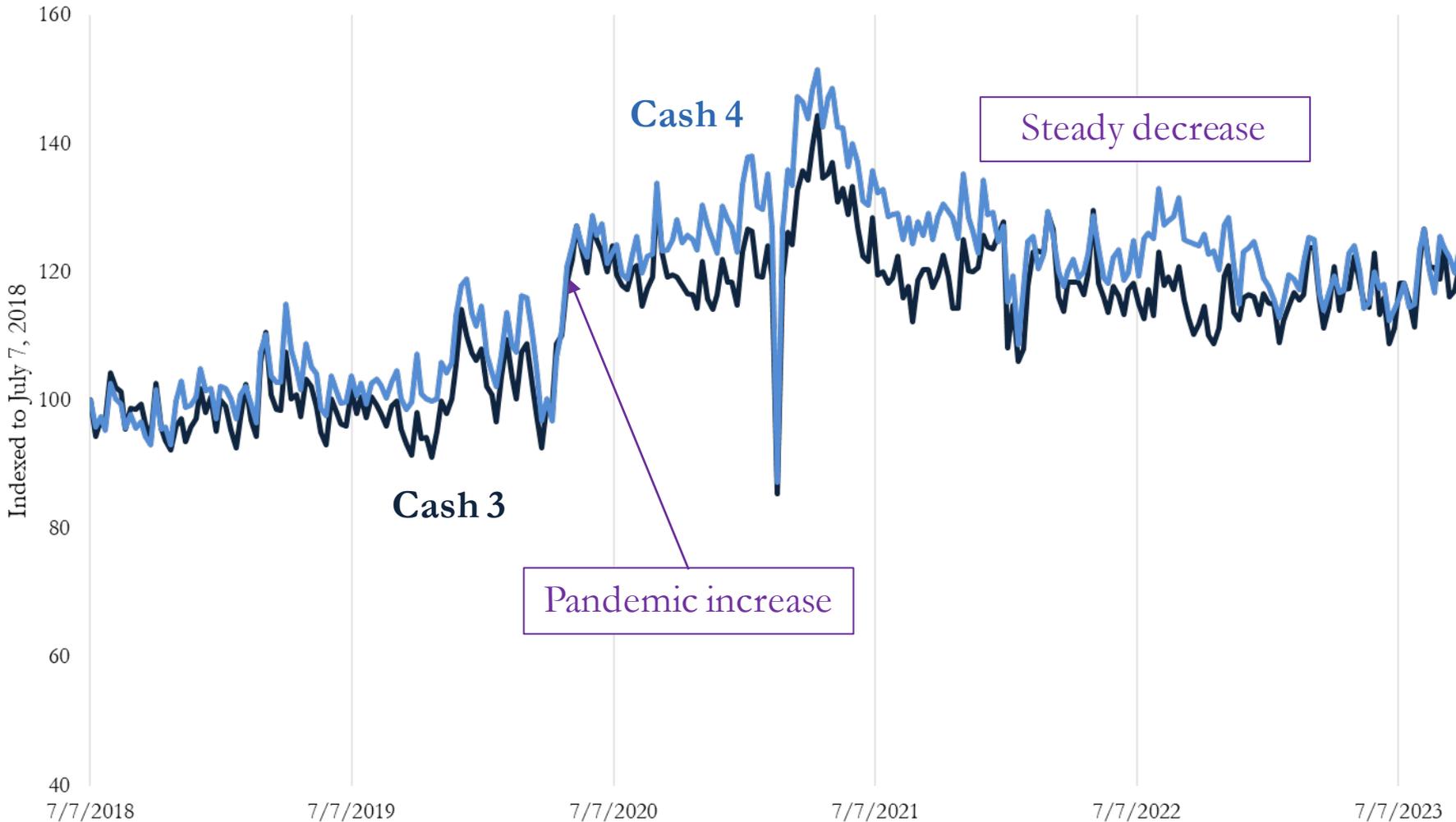
- **CASH 3**

- FY21-22 sales: \$81,474,370
- FY22-23 sales: \$79,238,243
- FY22-23 growth: **-\$2,236,127 (-2.7%)**

- **CASH 4**

- FY21-22 sales: \$50,586,897
- FY22-23 sales: \$49,183,337
- FY22-23 growth: **-\$1,403,560 (-2.8%)**

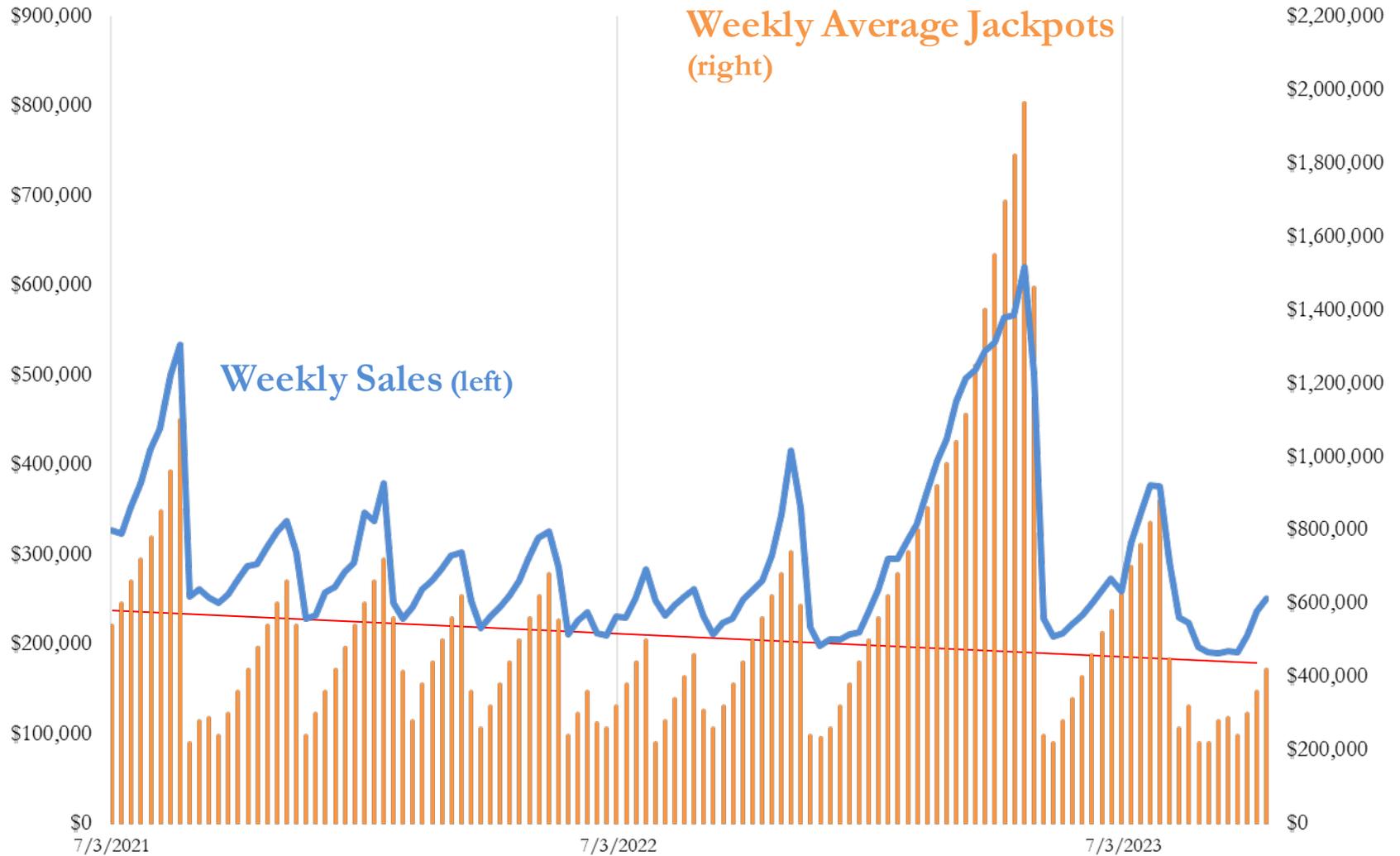
Cash 3 and Cash 4



Cash 3 and Cash 4

FY21-22 Actual Sales	FY22-23 Actual Sales	FY23-24 Estimates	FY24-25 Estimates	Range
\$132,061,267	\$128,421,580	\$124,000,000	\$122,050,000	Low
		\$125,500,000	\$123,750,000	Median
		\$127,000,000	\$125,450,000	High

Tennessee Cash



Tennessee Cash

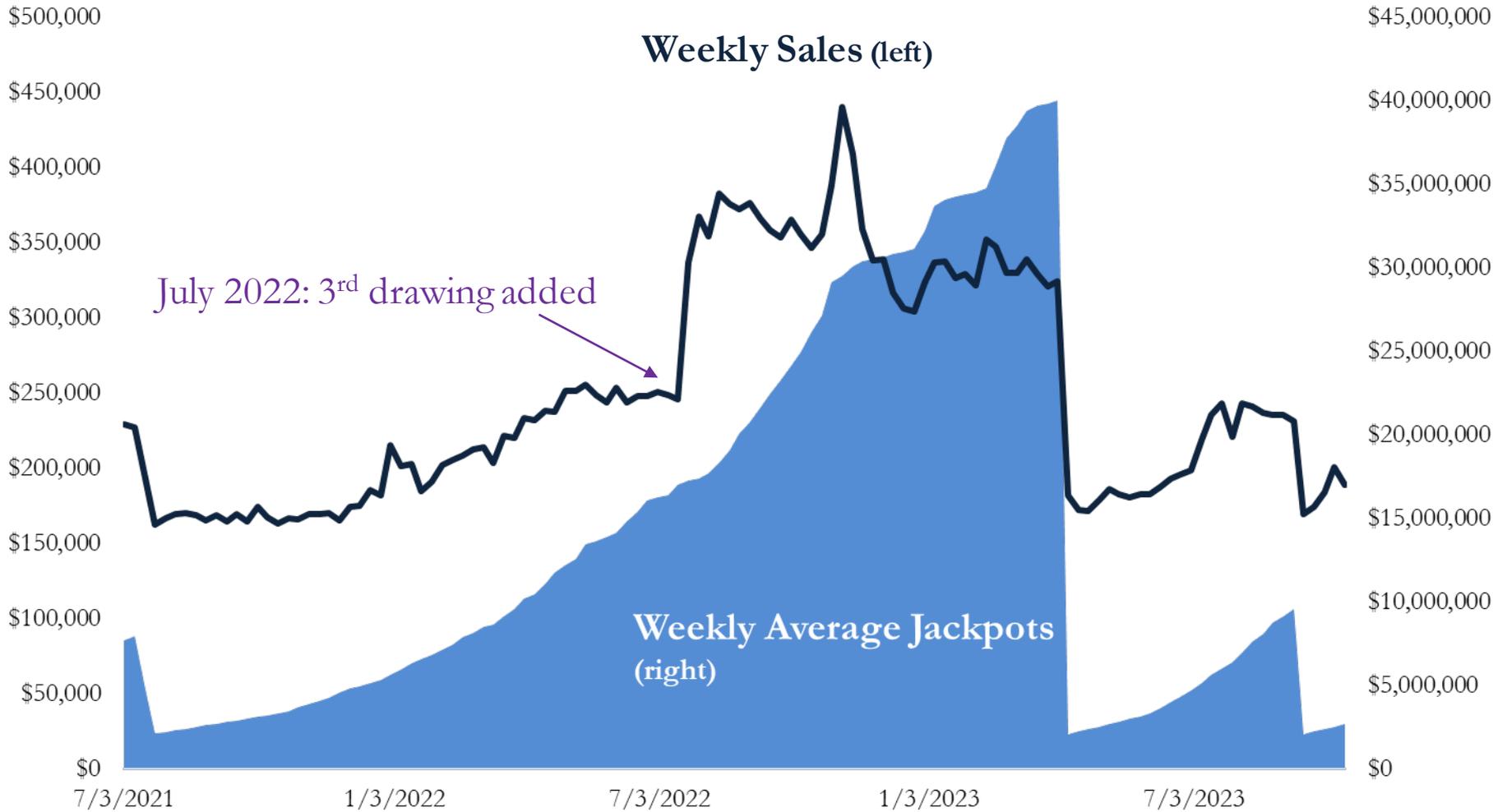
- FY21-22 sales: \$15,139,608
- FY22-23 sales: \$16,295,330
- FY22-23 growth: **\$1,155,722 (7.63%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$1,000,000 or More	Jackpot Winners
FY21-22	\$478,700	\$1,150,000	4	7
FY22-23	\$650,510	\$2,120,000	27	5
FY23-24 YTD	\$435,745	\$920,000	0	4

Tennessee Cash

FY21-22 Actual Sales	FY22-23 Actual Sales	FY23-24 Estimates	FY24-25 Estimates	Range
\$15,139,608	\$16,295,330	\$15,000,000	\$14,500,000	Low
		\$15,500,000	\$15,250,000	Median
		\$16,000,000	\$16,000,000	High

Lotto America



Lotto America

- FY21-22 sales: \$10,425,877
- FY22-23 sales: \$15,848,592
- FY22-23 growth: \$5,422,715 (52.0%)

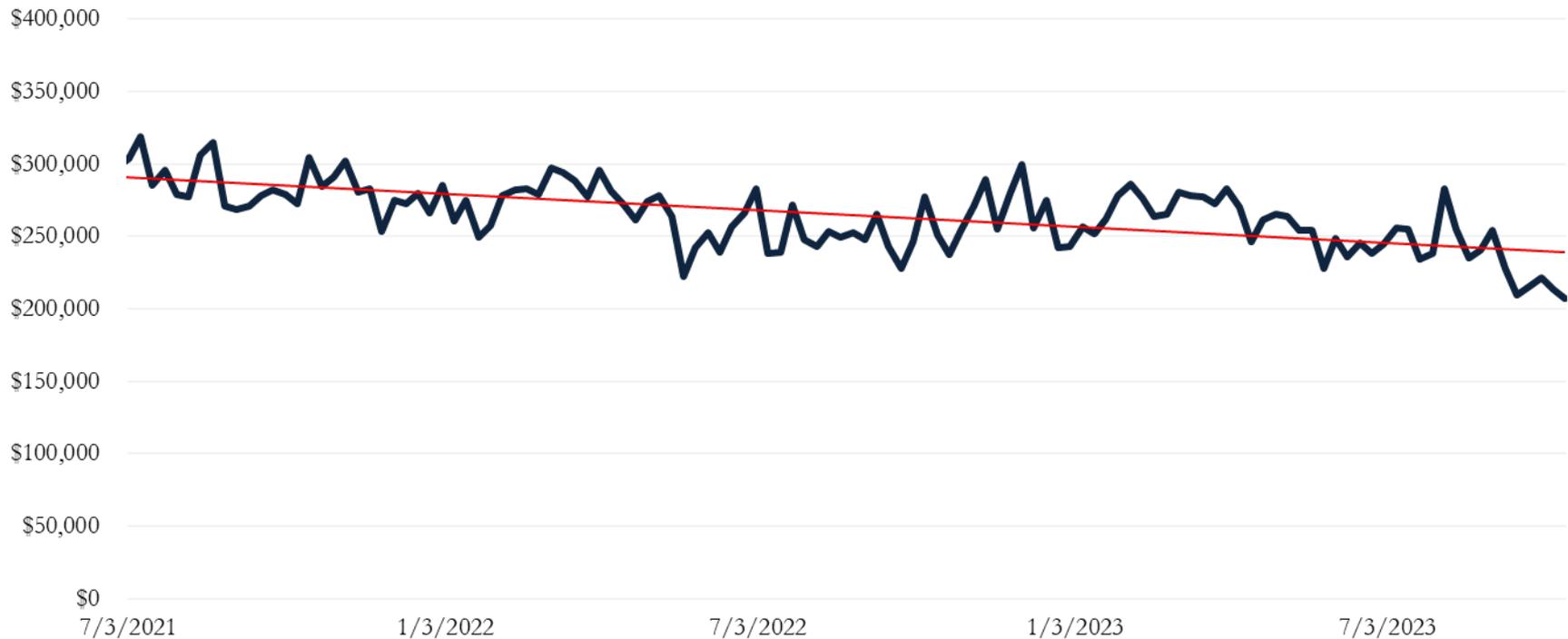
Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$15,000,000 or More	Jackpot Winners
FY21-22	\$7,117,700	\$16,170,000	5	1
FY22-23	\$22,435,461	\$40,030,000	114	1
FY23-24 YTD	\$5,561,064	\$9,680,000	0	1

Lotto America

FY21-22 Actual Sales	FY22-23 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$10,425,877	\$15,848,592	\$11,100,000	\$10,700,000	Low
		\$11,600,000	\$11,450,000	Median
		\$12,100,000	\$12,200,000	High

Keno To Go

- FY21-22 sales: \$14,431,092
- FY22-23 sales: \$13,521,619
- FY22-23 growth: ~~-\$909,473~~ (6.3%)



Keno To Go

FY21-22 Actual Sales	FY22-23 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$14,431,092	\$13,521,619	\$12,300,000	\$11,750,000	Low
		\$12,800,000	\$12,500,000	Median
		\$13,300,000	\$13,250,000	High

Cash 4 Life



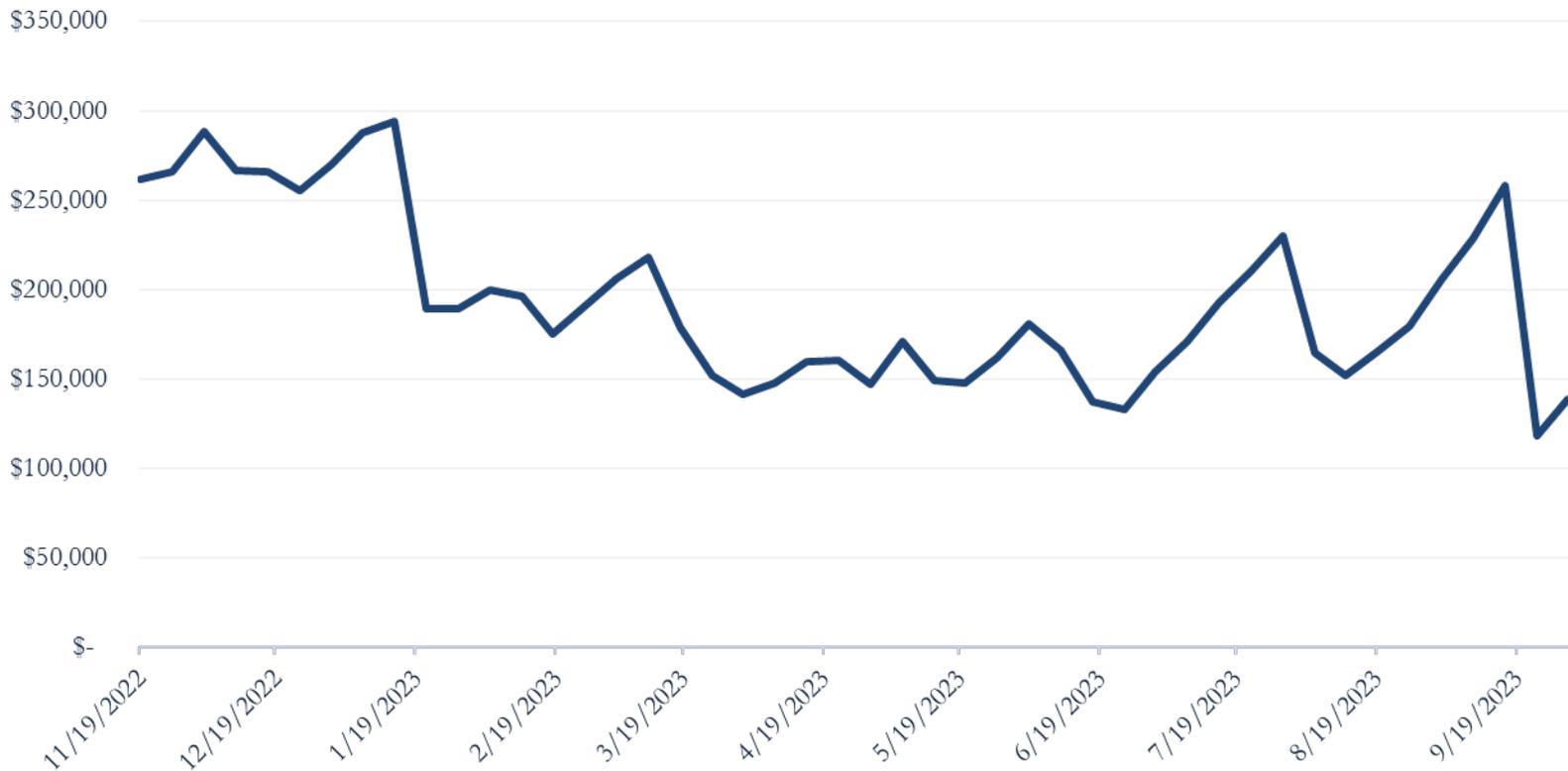
Cash 4 Life

- FY21-22 sales: \$12,254,042
- FY22-23 sales: \$11,383,097
- FY22-23 growth: ~~-\$870,945~~ (-7.1%)

FY21-22 Actual Sales	FY22-23 Actual Sales	FY23-24 Estimates	FY24-25 Estimates	Range
\$12,254,042	\$11,383,097	\$9,900,000	\$9,000,000	Low
		\$10,400,000	\$9,750,000	Median
		\$10,900,000	\$10,500,000	High

Daily TN Jackpot

- Introduced in November 2022
- FY22-23 sales: \$6,477,227



Daily TN Jackpot

- Introduced in November 2022
- FY22-23 sales: \$6,477,227

FY22-23 Actual Sales	FY23-24 Estimates	FY24-25 Estimates	Range
\$6,477,227	\$8,000,000	\$7,800,000	Low
	\$9,000,000	\$8,800,000	Median
	\$10,000,000	\$9,800,000	High



Net Lottery Proceeds

FY23-24 Estimates

	FY22-23 Actuals	FY23-24 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,540,690,141	\$1,555,840,000	\$1,564,992,000	\$1,574,144,000
Powerball	\$131,678,705	\$137,500,000	\$142,500,000	\$147,500,000
Mega Millions	\$93,803,415	\$83,000,000	\$88,000,000	\$93,000,000
Cash 3 and Cash 4	\$128,421,574	\$124,000,000	\$125,500,000	\$127,000,000
Other Games	\$63,525,865	\$56,300,000	\$59,300,000	\$62,300,000
Misc. Revenue	\$8,609,969	\$5,000,000	\$6,000,000	\$7,000,000
Net Revenue	\$1,966,729,669	\$1,961,640,000	\$1,986,292,000	\$2,010,944,000
Total Expenses	\$1,470,228,453	\$1,467,658,000	\$1,486,181,000	\$1,504,704,000
Excess Unclaimed Proceeds	\$896,000	\$0	\$500,000	\$1,000,000
NET LOTTERY PROCEEDS	\$497,397,216	\$493,982,000	\$500,611,000	\$507,240,000
After-School Funding	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000
Total State Proceeds	\$515,397,216	\$511,982,000	\$518,611,000	\$525,240,000

FY23-24 Estimates

	FY22-23 Actuals	FY23-24 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,540,690,141	\$1,555,840,000	\$1,564,992,000	\$1,574,144,000
Powerball	\$131,678,705	\$137,500,000	\$142,500,000	\$147,500,000
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FY24-25 Estimates

	FY23-24 Median Estimate	FY24-25 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,564,992,000	\$1,572,313,600	\$1,583,296,000	\$1,594,278,400
Powerball	\$142,500,000	\$118,000,000	\$128,000,000	\$138,000,000
Mega Millions	\$88,000,000	\$67,000,000	\$77,000,000	\$87,000,000
Cash 3 and Cash 4	\$125,500,000	\$122,050,000	\$123,750,000	\$125,450,000
Other Games	\$59,300,000	\$53,750,000	\$57,750,000	\$61,750,000
Misc. Revenue	\$6,000,000	\$5,000,000	\$6,000,000	\$7,000,000
Net Revenue	\$1,986,292,000	\$1,938,113,600	\$1,975,796,000	\$2,013,478,400
Total Expenses	\$1,486,181,000	\$1,451,073,000	\$1,479,143,000	\$1,507,213,000
Excess Unclaimed Proceeds	\$500,000	\$0	\$500,000	\$1,000,000
NET LOTTERY PROCEEDS	\$500,611,000	\$487,040,600	\$497,153,000	\$507,265,400
After-School Funding	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000
Total State Proceeds	\$518,611,000	\$505,040,600	\$515,153,000	\$525,265,400

FY24-25 Estimates

	FY23-24 Median Estimate	FY24-25 Estimates		
		Low	Median	High
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After-School Funding	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000
Total State Proceeds	\$518,611,000	\$505,040,600	\$515,153,000	\$525,265,400

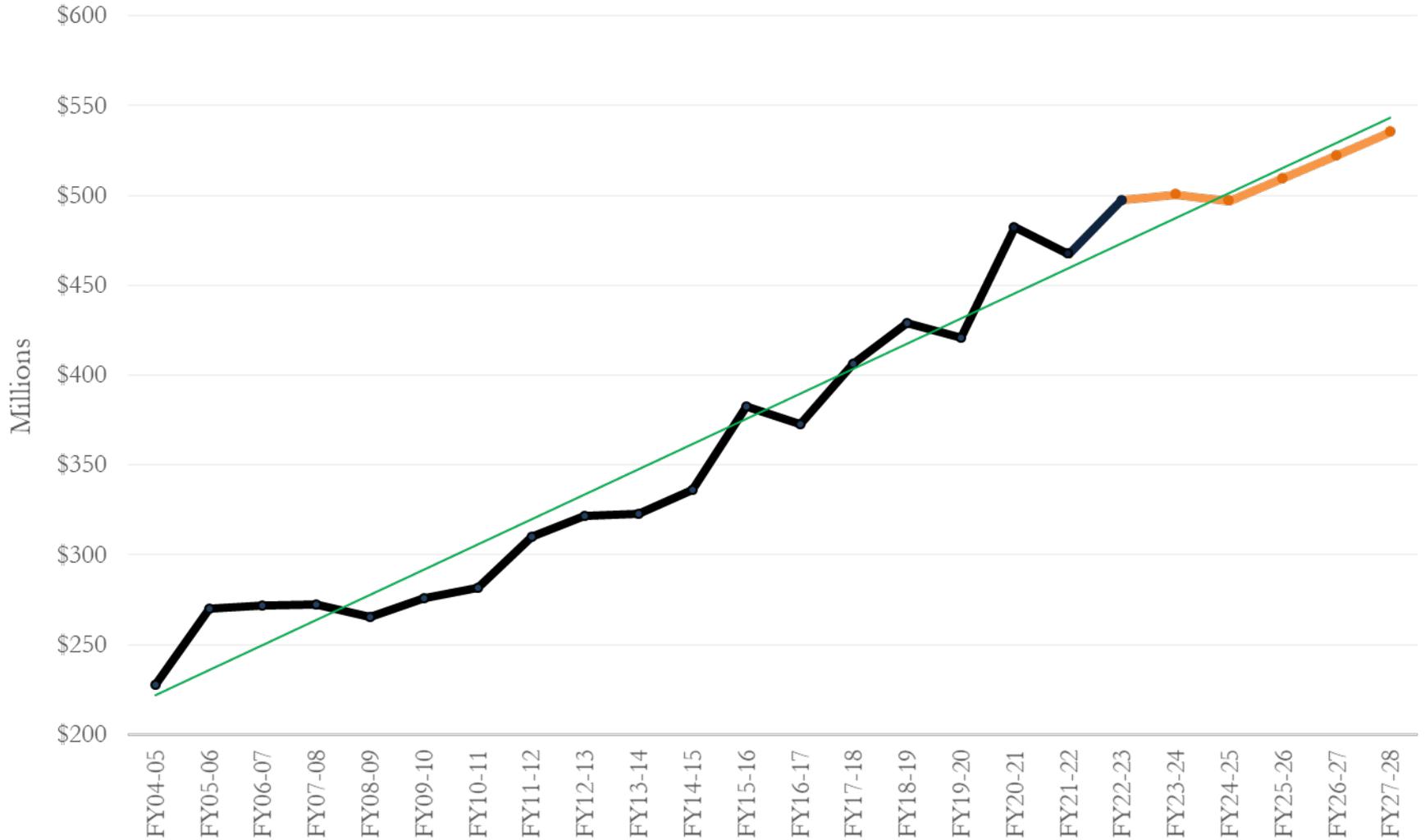
Subsequent Years

- Growth beyond FY24-25 is difficult to forecast due to a number of unknown factors, such as:
 - Changes to payout ratios
 - Matrix changes to jackpot based games
 - Structure changes
 - Legislative action
 - Varying jackpot cycles
 - New and discontinued games
 - Changes to retailer base
 - Changes to advertising
 - Changes in economy

FY25-26, FY26-27, FY27-28

Category	FY25-26	FY26-27	FY27-28
Net Revenue	\$2,025,703,400	\$2,076,345,985	\$2,128,254,635
Total Expenses	\$1,516,121,575	\$1,554,024,614	\$1,592,875,230
Excess Unclaimed Proceeds	\$512,500	\$525,313	\$538,445
NET LOTTERY PROCEEDS	\$509,581,825	\$522,321,371	\$535,379,405
After-School Funding	\$18,000,000	\$18,000,000	\$18,000,000
Total State Proceeds	\$527,581,825	\$540,321,371	\$553,379,405

Net Lottery Proceeds





Thank you

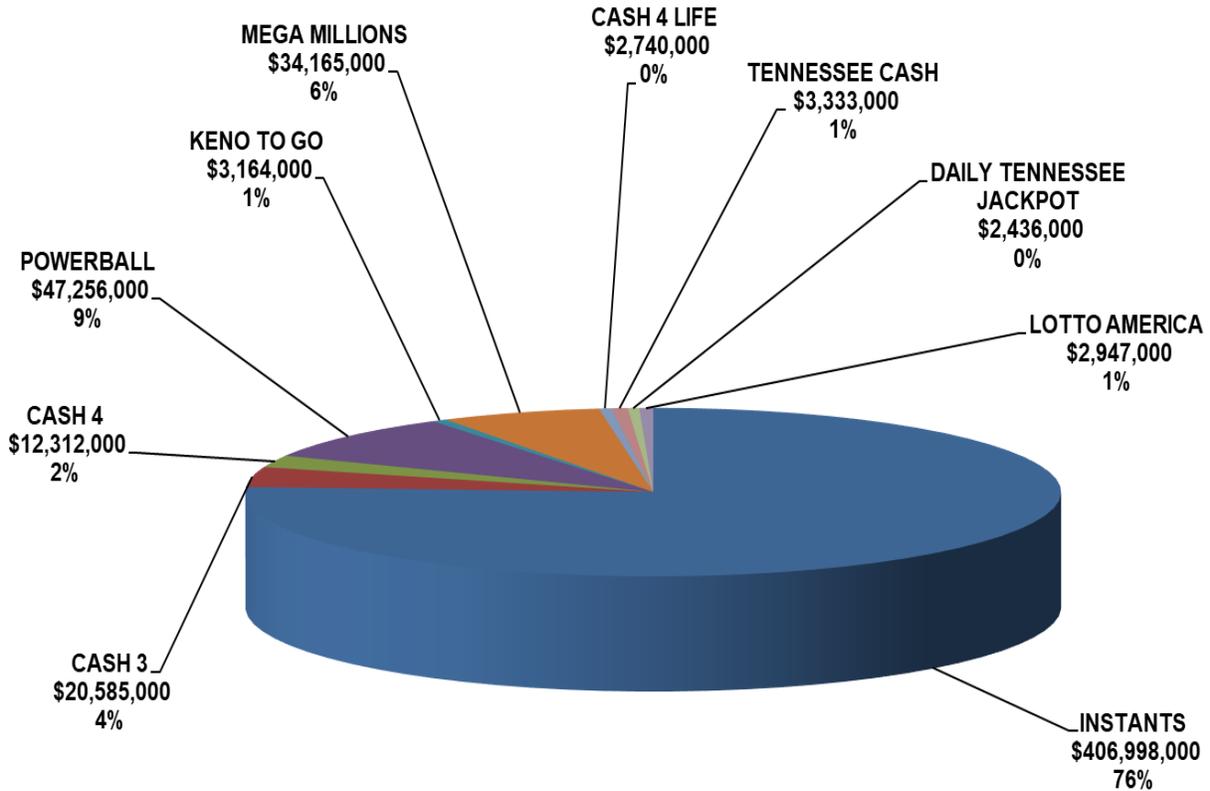
Fiscal Review Committee Economics Division

TENNESSEE EDUCATION LOTTERY CORPORATION
November 2023

ESTIMATION OF
TOTAL AND NET LOTTERY PROCEEDS
FOR FISCAL YEARS ENDING
JUNE 30, 2024, 2025, 2026, 2027 and 2028

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

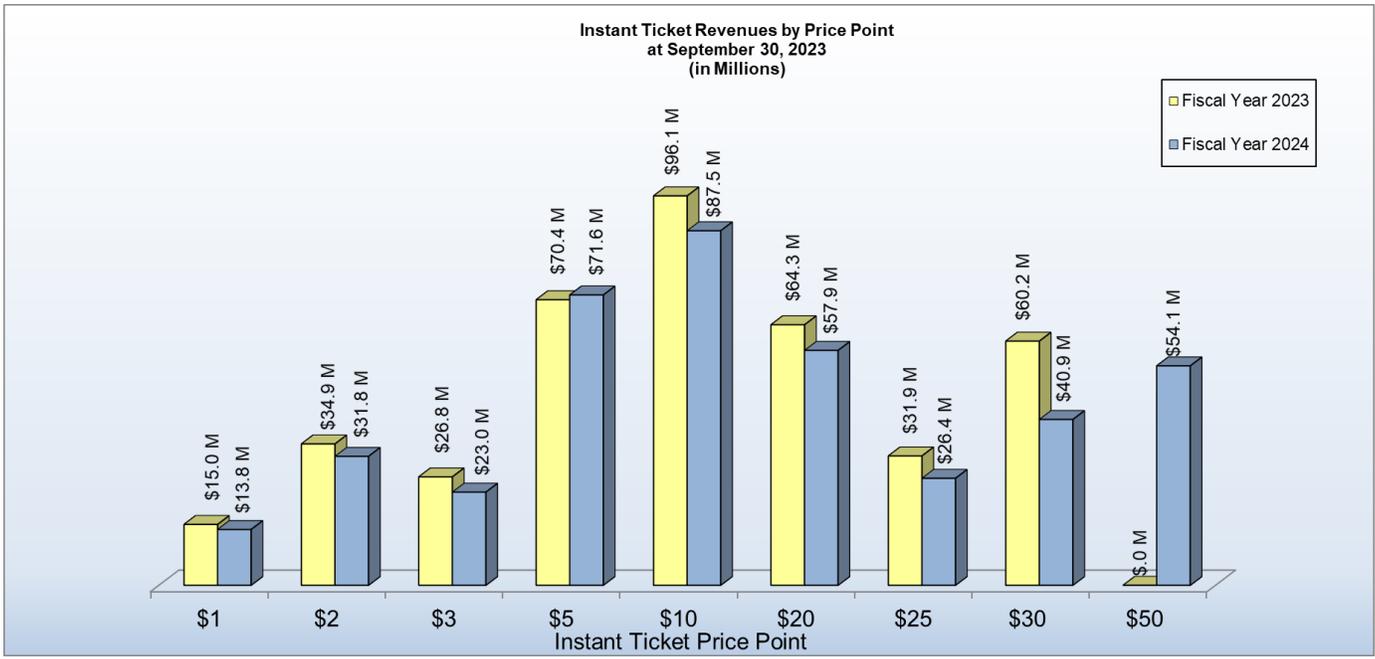
**REVENUES BY PRODUCT
FOR THE FISCAL YEAR TO DATE AS OF
SEPTEMBER 30, 2023**



- Gross Ticket Revenues of \$535.9 million through September 30, 2023 are \$30.2 million more year over year.
- *Instant ticket* revenues are \$407.0 million compared to \$399.6 million the prior year.
- *Drawing-Style* revenues are \$128.9 million compared to \$106.2 million the prior year. Year to date draw-style revenues are supported primarily by the \$1.08 billion dollar Powerball jackpot cycle in July and a \$1.5 billion dollar Mega Millions jackpot cycle in August.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

	As of 9/30/23 (in millions)	FY 2024 Projected Revenue Range (in millions)
INSTANT GAMES	\$ 407.0	\$1,714.7 - \$1,734.7

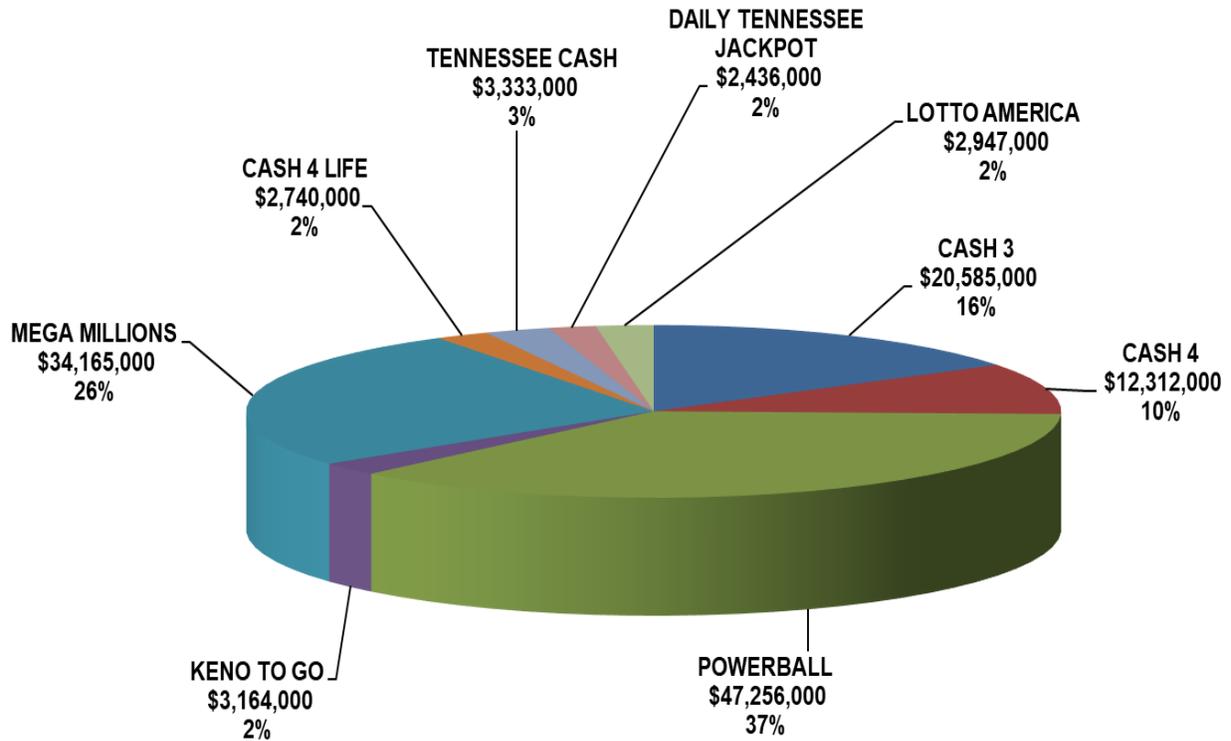


- *Instant tickets* are 76% of our product mix at September 30, 2023.
- *Instant ticket* revenues were \$407.0 million or \$31.3 million per week through September 30, 2023. We project *instant ticket* revenues between \$32.9 and \$33.2 million per week for fiscal year 2024.
- *Instant ticket* revenues are driven primarily by game design (i.e., family game offering, etc.), player price point preferences, prize payouts, and optimization of our retailer distribution network.
- TEL anticipates launching approximately 55 games in this fiscal year.
- *Instant ticket* prize expense is projected at 68.4% of net instant game revenues for the fiscal year.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

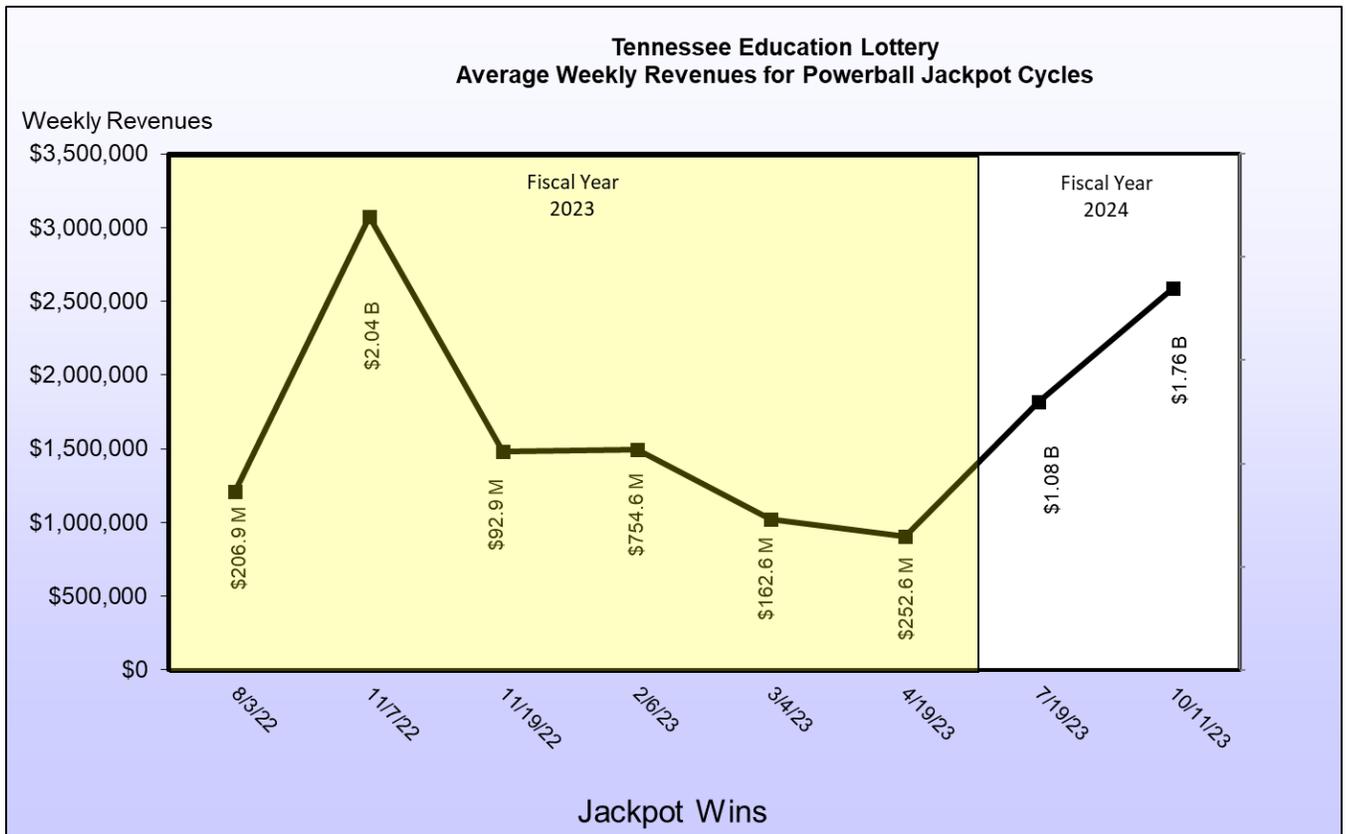
	As of 9/30/23 (in millions)	FY 2024 Projected Revenue Range (in millions)
<i>DRAWING-STYLE GAMES</i>	\$128.9	\$378.3 - \$387.9

**DRAW-STYLE REVENUES
FOR THE FISCAL YEAR TO DATE AS OF
SEPTEMBER 30, 2023**



**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

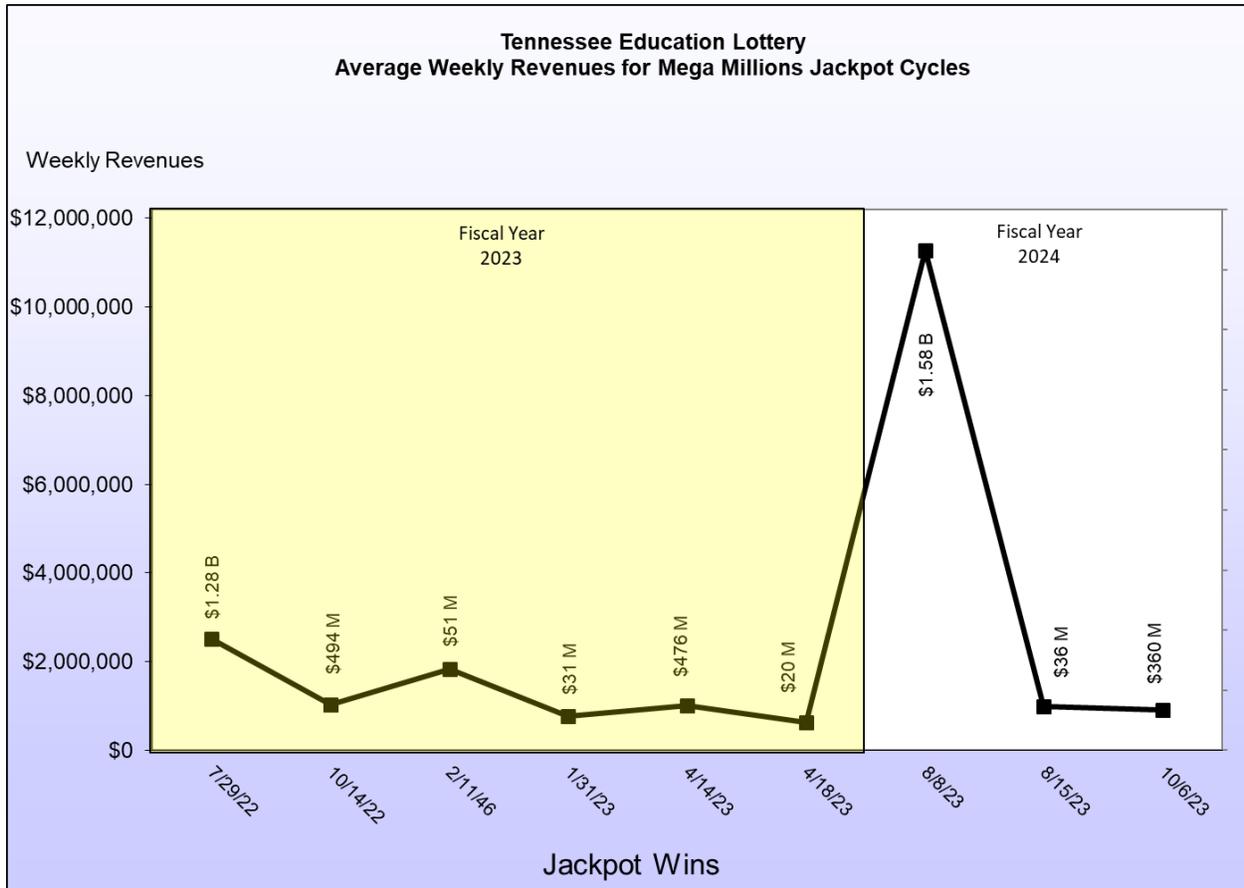
Powerball



- *Powerball* is a draw-style annuity jackpot game with expected jackpot cycles in the range of \$400 million to \$450 million.
- *Powerball* is currently sold in 48 jurisdictions, including the District of Columbia, Puerto Rico and U.S. Virgin Islands.
- TEL projects revenues in FY 2024 in the range of \$124 million and \$126 million, supported by the incremental revenues experienced from the \$1.08 billion dollar jackpot in July 2023 and the \$1.7 billion dollar jackpot in October 2023.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

Mega Millions



- *Mega Millions* is a draw-style annuity jackpot game with expected jackpot cycles in the range of \$300 million to \$350 million.
- *Mega Millions* is currently sold in 47 jurisdictions, including the District of Columbia and U.S. Virgin Islands.
- TEL projects revenues in FY 2024 in the range of \$71 million and \$73 million, supported by the incremental sales experienced from the \$1.58 billion-dollar jackpot in August 2023.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

Cash 3 and Cash 4

- *Cash 3* and *Cash 4* games are drawn three (3) times daily six (6) days a week, and once on Sunday.
- TEL is projecting revenues for these two games in the range of \$128 million and \$132 million for this fiscal year.

Tennessee Cash

- *Tennessee Cash* is a drawing-style cash jackpot game available three days per week only in Tennessee.
- Revenues are driven by the cash jackpots, with an average jackpot cycle of \$600 to \$700 thousand.
- TEL currently projects revenues in FY 2024 between \$13 and \$14 million for the fiscal year.

Keno to Go

- *Keno to Go* is a draw-style game with drawings every 4 minutes.
- TEL projects revenues to be in the range of \$11 million and \$12 million this fiscal year.

Daily Tennessee Jackpot

- *Daily Tennessee Jackpot* is a daily cash jackpot game available only in Tennessee.
- TEL projects revenues in the range of \$7 million for this fiscal year.

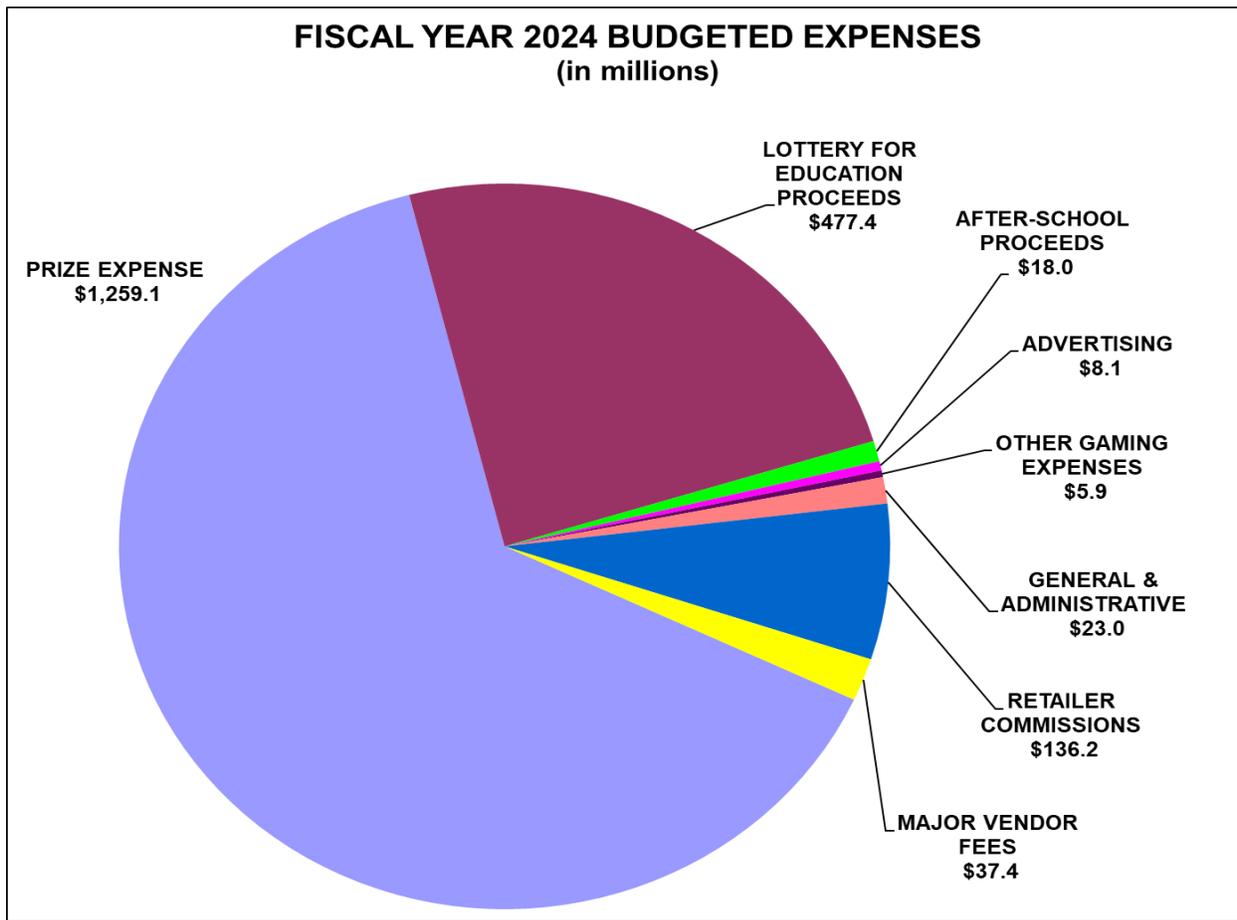
Lotto America

- Jackpots for this game start at \$2 million, with drawings held Monday, Wednesday and Saturday.
- In July 2022, Lotto America added a third drawing on Monday to compliment the Wednesday and Saturday drawings. The added draw has generated incremental revenues since the launch of the game change over time at similar size jackpot cycles.
- *Lotto America* is currently sold in 13 jurisdictions.
- TEL projects revenues in the range of \$10 million for this fiscal year.

Cash 4 Life

- *Cash 4 Life* is drawn 7 days per week.
- *Cash 4 Life* provides two opportunities for a lifetime prize:
 - * Top Prize is \$1,000 dollars a day for life.
 - * Second Prize is \$1,000 dollars a week for life.
- *Cash 4 Life* is currently sold in 10 jurisdictions.
- TEL projects revenues in the range of \$11 million for this fiscal year.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**



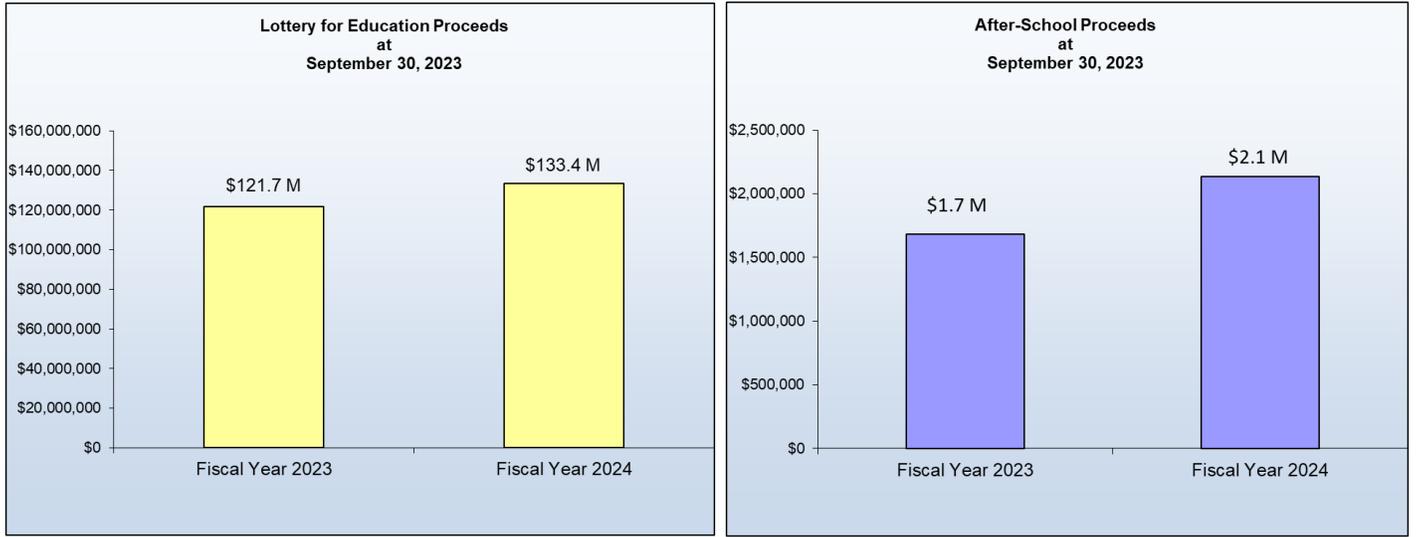
Direct Gaming-Related Expenses

- Aggregate Prize Expense for all Games is budgeted at **\$1.25 billion** or **60.3%** of total revenues.
 - *Instant Games* aggregated prize expense is budgeted at **\$1.08 billion** or **68%** of net instant games' revenue.
 - *Drawing-style Games* aggregated prize expense is budgeted at **\$169.7 million** or **50.3%** of total draw- style games' revenue.
- Retailer commissions are budgeted at **\$136.2 million**.
- Major gaming vendors' fees are budgeted at **\$37.4 million**.

Non-Direct Expenses

- Non-direct expenses are budgeted at **\$37.1 million** or **1.8%** of Gross Revenues.
 - Advertising expenses are budgeted at **\$8.1 million**.
 - Other Gaming expenses are budgeted at **\$6.0 million**.
 - General and Administrative expenses are budgeted at **\$23 million**.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**



Lottery for Education Proceeds

- \$133.4 million as of 9/30/2023

Projected Fiscal Year 2024

\$480.2 - \$488.4 million

After-School Program Proceeds

- \$2.1 million as of 9/30/2023

Projected Fiscal Year 2024

\$18 million

After-School Programs Proceeds are projected based on the TEL's five-year historical unclaimed prize experience of slightly less than 1.5% of prize expense.

Unclaimed proceeds are significantly impacted by the timing of instant games' closings and large drawing-style game prizes not claimed.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

	FY 2023 Actuals	FY 2024 Approved Budget	FY 2024 Low Projections	FY 2024 High Projections
Instant Ticket Games	\$ 1,684,814,457	\$ 1,741,961,000	\$ 1,714,798,000	\$ 1,734,798,000
Draw-Style Games	\$ 417,429,559	\$ 345,467,000	\$ 378,392,000	\$ 387,965,000
GROSS TICKET REVENUES	\$ 2,102,244,016	\$ 2,087,428,000	\$ 2,093,190,000	\$ 2,122,763,000
Less: Tickets Provided as Prizes	\$ (144,124,316)	\$ (148,292,000)	\$ (145,925,000)	\$ (147,681,000)
Net Ticket Revenues	\$ 1,958,119,700	\$ 1,939,136,000	\$ 1,947,265,000	\$ 1,975,082,000
Other Revenues	8,609,969	8,275,000	8,275,000	8,275,000
TOTAL LOTTERY PROCEEDS	\$ 1,966,729,669	\$ 1,947,411,000	\$ 1,955,540,000	\$ 1,983,357,000
EXPENSES				
Prize Expense	\$ 1,261,997,186	\$ 1,259,181,000	\$ 1,264,192,000	\$ 1,281,430,000
Retailer Commissions	137,084,718	136,226,000	136,599,000	138,528,000
Vendor Fees	37,085,591	37,428,000	37,303,000	37,799,000
Direct Expense	\$ 1,436,167,495	\$ 1,432,835,000	\$ 1,438,094,000	\$ 1,457,757,000
Non-Direct Expenses	\$ 34,060,958	\$ 37,152,000	\$ 37,152,000	\$ 37,152,000
TOTAL EXPENSES	\$ 1,470,228,453	\$ 1,469,987,000	\$ 1,475,246,000	\$ 1,494,909,000
EXCESS UNCLAIMED PROCEEDS	\$ 378,000	\$ -	\$ -	\$ -
LOTTERY FOR EDUCATION PROCEEDS	\$ 496,879,216	\$ 477,424,000	\$ 480,294,000	\$ 488,448,000
AFTER SCHOOL PROGRAM PROCEEDS	\$ 18,000,000	\$ 18,000,000	\$ 18,000,000	\$ 18,000,000

FISCAL YEARS ENDING JUNE 30, 2025, 2026, 2027 and 2028

	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Total Lottery Proceeds	\$1,989 - \$2,028 Million	\$2,024 - \$2,073 Million	\$2,059 - \$2,120 Million	\$2,095 - \$2,168 Million
Lottery for Education Proceeds	\$489 - \$499 Million	\$497 - \$510 Million	\$506 - \$522 Million	\$515 - \$533 Million
After-School Programs Proceeds	\$18 Million	\$18 Million	\$18 Million	\$18 Million



DR. STEVEN GENTILE
Interim Executive Director

BILL LEE
Governor

STATE OF TENNESSEE
HIGHER EDUCATION COMMISSION
STUDENT ASSISTANCE CORPORATION
312 ROSA L. PARKS AVENUE, 9TH FLOOR
NASHVILLE, TENNESSEE 37243
(615) 741-3605

November 5, 2023

MEMORANDUM

TO: State Funding Board

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

SUBJECT: Tennessee Education Lottery Scholarship Program Projections

Pursuant to T.C.A 4-51-111(c)(2)(A)(ii), the Tennessee Higher Education Commission (THEC) and Tennessee Student Assistance Corporation (TSAC) have collaborated to project expenditures for the lottery scholarship and grant programs through the 2027-28 academic year.

The expenditures below incorporate data for all lottery-funded programs, including the HOPE Scholarship, General Assembly Merit Scholarship, ASPIRE award, HOPE Access Grant, Wilder-Naifeh Technical Skills Grant, Nontraditional Student Grant, Dual Enrollment Grant, Helping Heroes Grant, Foster Child Tuition Grant, STEP UP Scholarship, TCAT Reconnect, the Tennessee Middle College Scholarship, and Tennessee Reconnect.

<u>Fiscal Year</u>	<u>TELS Low</u>	<u>TELS Baseline</u>	<u>TELS High</u>	<u>Recipients</u>
2022-23 actual*	N/A	\$427.1M	N/A	133,600
2023-24 estimated*	\$427.8M	\$436.5M	\$449.6M	136,500
2024-25 estimated*	\$432.0M	\$440.9M	\$454.1M	137,900
2025-26 estimated*	\$436.4M	\$445.3M	\$458.6M	139,300
2026-27 estimated*	\$440.7M	\$449.7M	\$463.2M	140,700
2027-28 estimated*	\$445.1M	\$454.2M	\$467.9M	142,100

**Does not include estimated administrative costs and Tennessee Promise Scholarship estimated expenditures.*

These projections are based on the latest student enrollment data, the size of the annual high school graduating class, the scholarship take-up rate of eligible students, and the renewal rate of recipients. Please let me know if you have questions or need anything further.

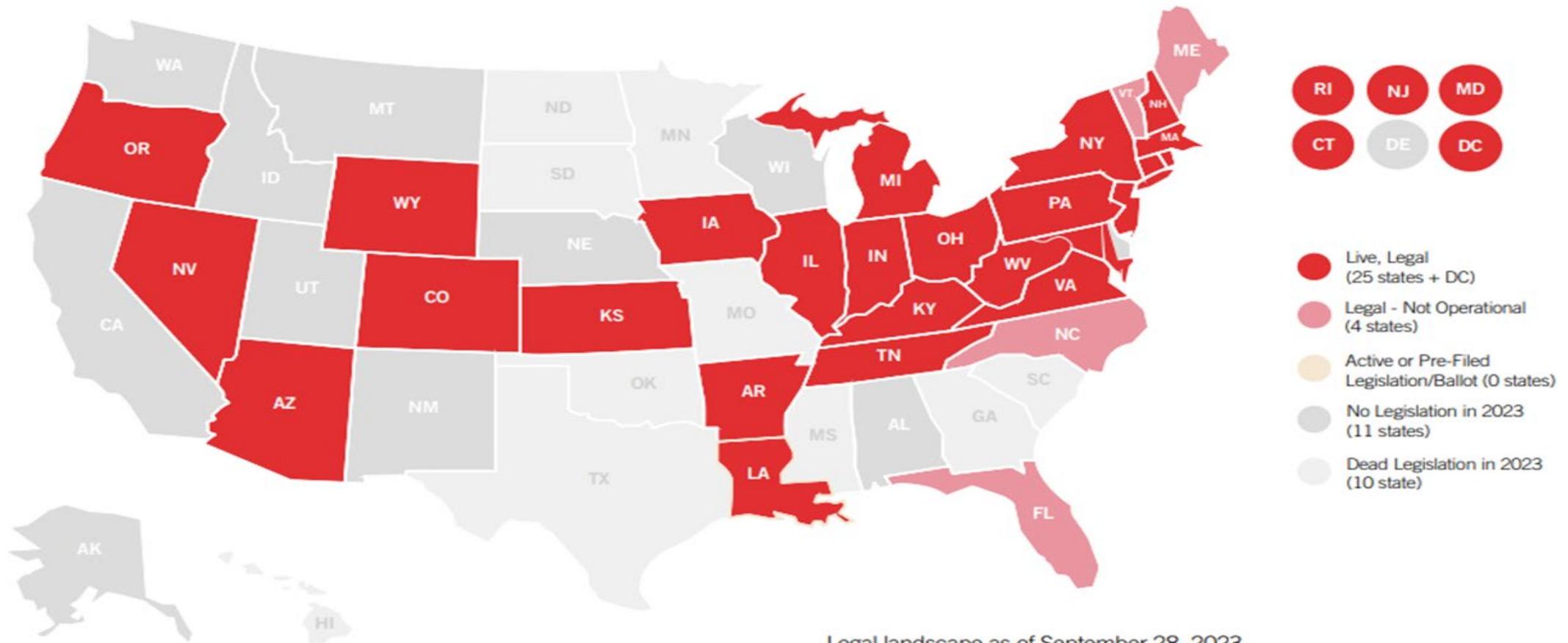


Tennessee

Sports Wagering Council

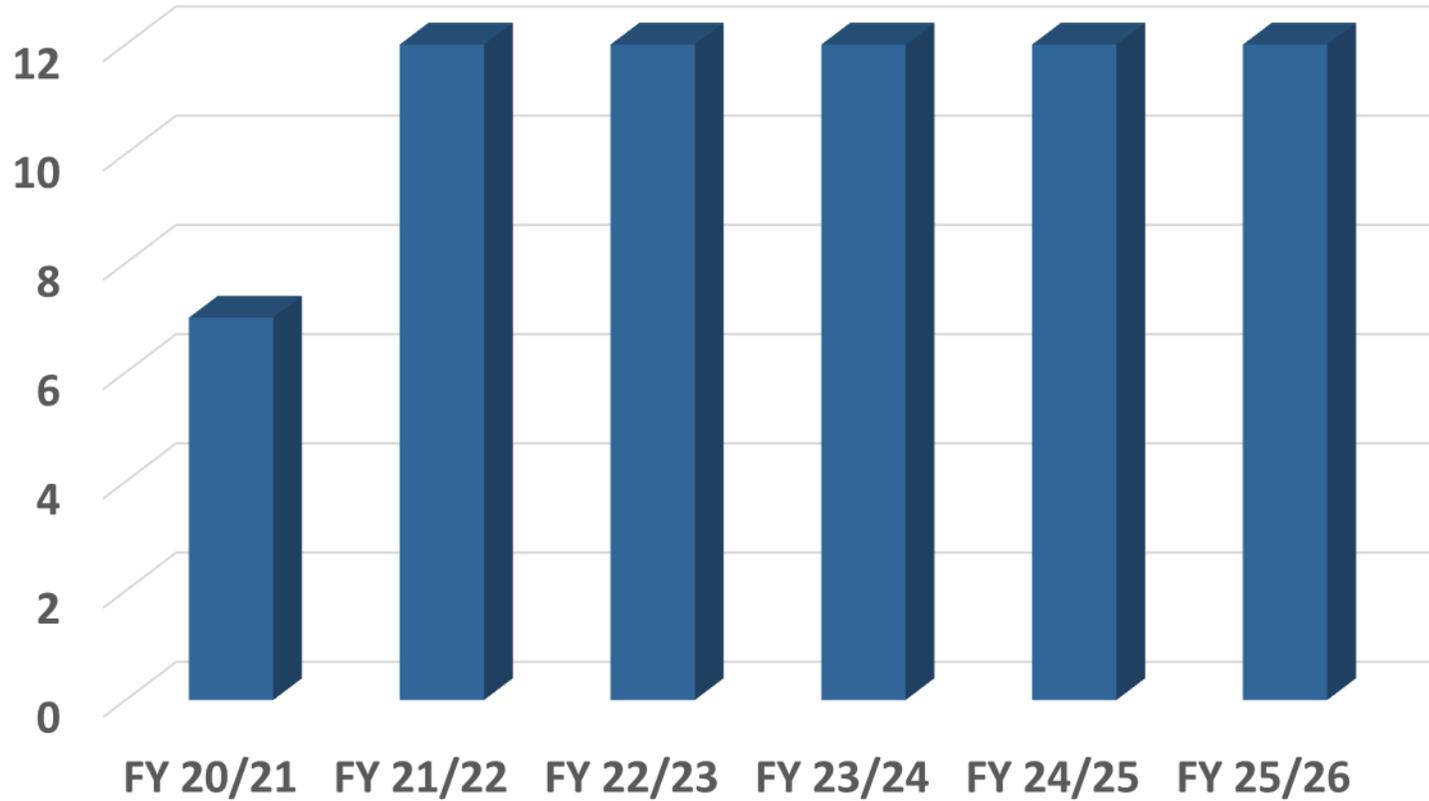
State Funding Board

U.S. Sports Betting: Mobile



Legal landscape as of September 28, 2023

Number of Licensed Sportsbooks



FY 20/21: 7 Licensed Sportsbooks

- *7 new licenses issued*

FY 21/22: 12 Licensed Sportsbooks

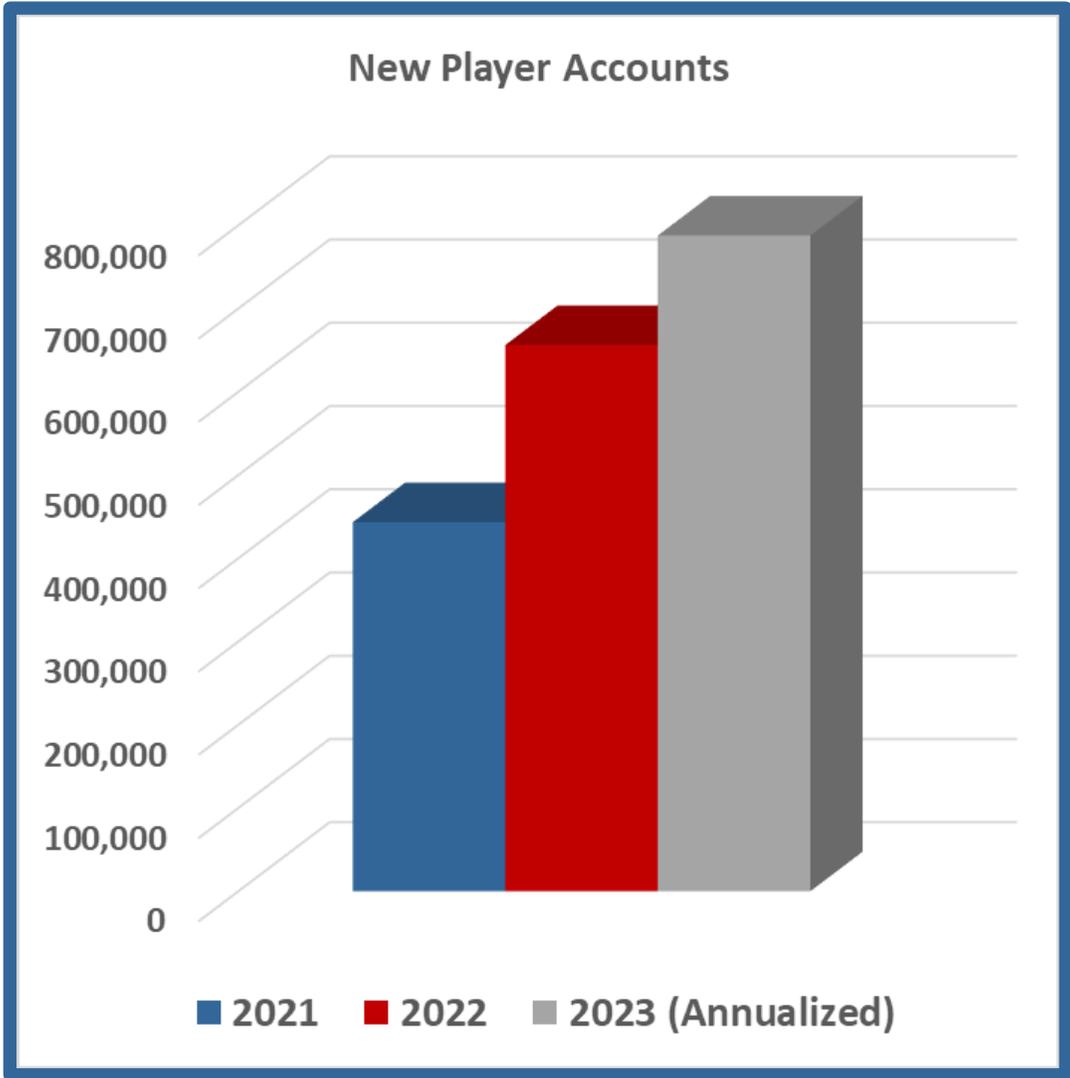
- *5 new licenses issued*
- *1 licensee withdrew*

FY 22/23: 12 Licensed Sportsbooks

- *3 new licenses issued*
- *3 licensees withdrew*

FY 23/24 and beyond...

- *Anticipate an average of 12 licensed sportsbooks*



What We Know About Player Account Numbers Using Geolocation Technology

2021: Approximately 443,329 player accounts were created.

2022: Approximately 656,147 new player accounts created, which demonstrates that 48% more accounts were created in 2022 than 2021.

2023: Approximately 656,451 new player accounts have been created in 2023 as of October 26, 2023. This equals an annualized number of 787,741 new accounts created, which demonstrates that 20% more accounts will be created in 2023 over 2022.

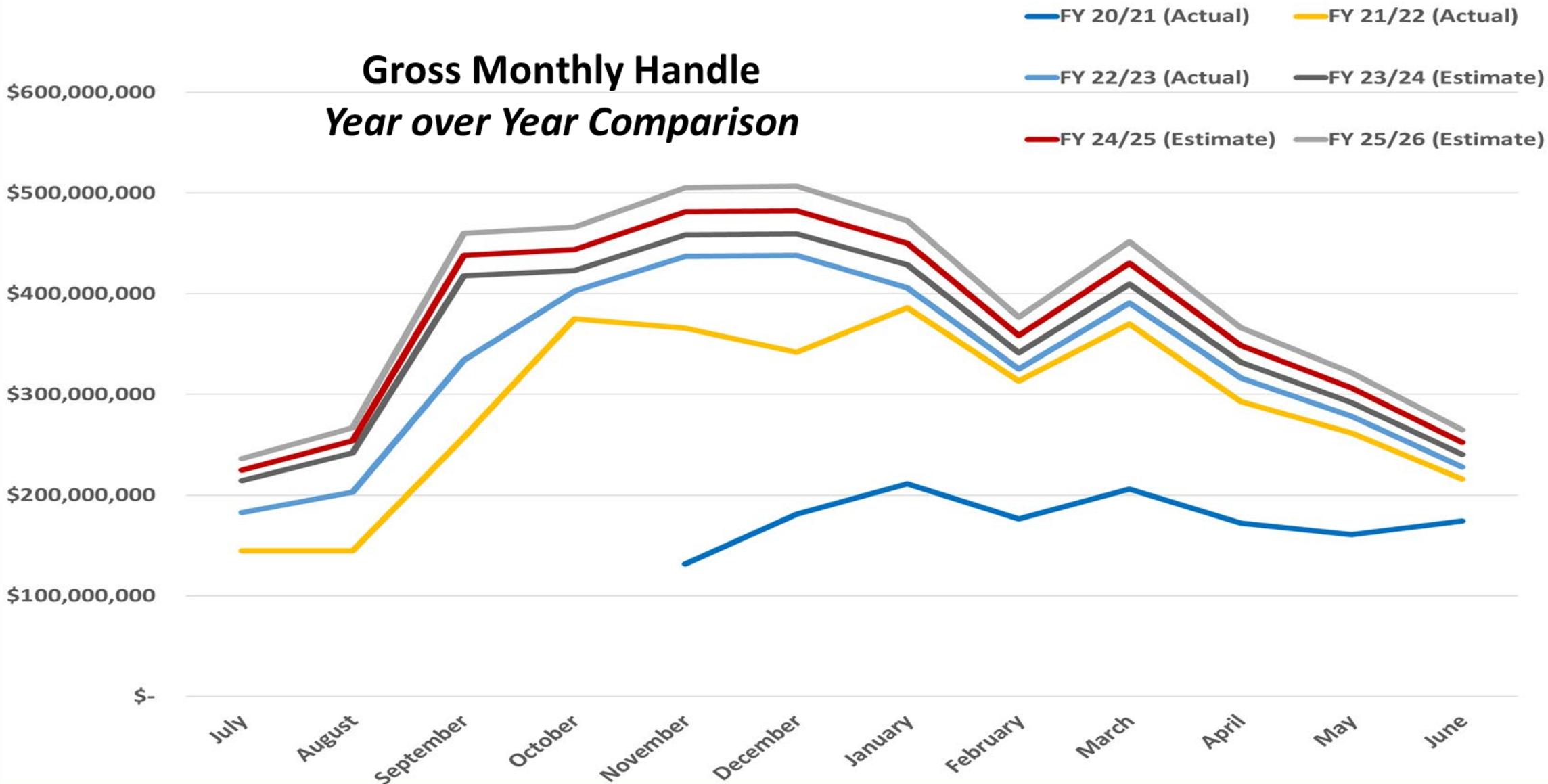
Total Wagers/Handle Estimates

	FY 20/21 (Actual)	FY 21/22 (Actual)	FY 22/23 (Actual)	FY 23/24 (Estimate)	FY 24/25 (Estimate)	FY 25/26 (Estimate)
Gross Handle	\$1,413,644,523	\$ 3,468,841,389	\$ 3,970,122,355	\$ 4,285,735,554	\$ 4,500,022,332	\$ 4,725,023,448
Growth Rate	***	145%	14%	8%	5%	5%

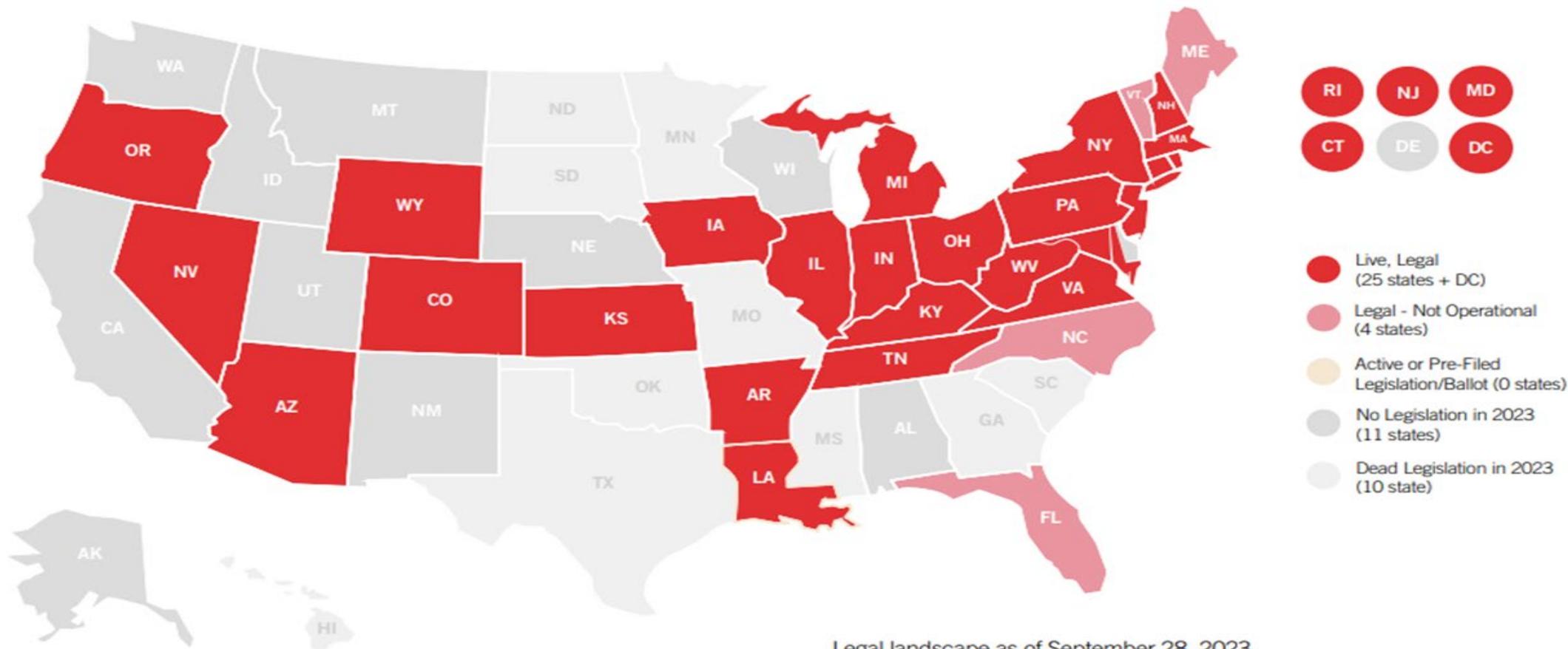
Notes and Assumptions:

- The SWC became the regulator on January 1, 2022. Data prior to that time is from the Tennessee Education Lottery.
- The SWC issued guidance in August 2022 regarding accounting for adjustments (for cancelled or voided wagers).
- The SWC has assumed an adjustment rate of 0.64% per month moving forward.
- The SWC assumes a conservative growth rate of 3-5% in total wagers moving forward.
- For purposes of this discussion, we have used 5%.

Gross Monthly Handle *Year over Year Comparison*



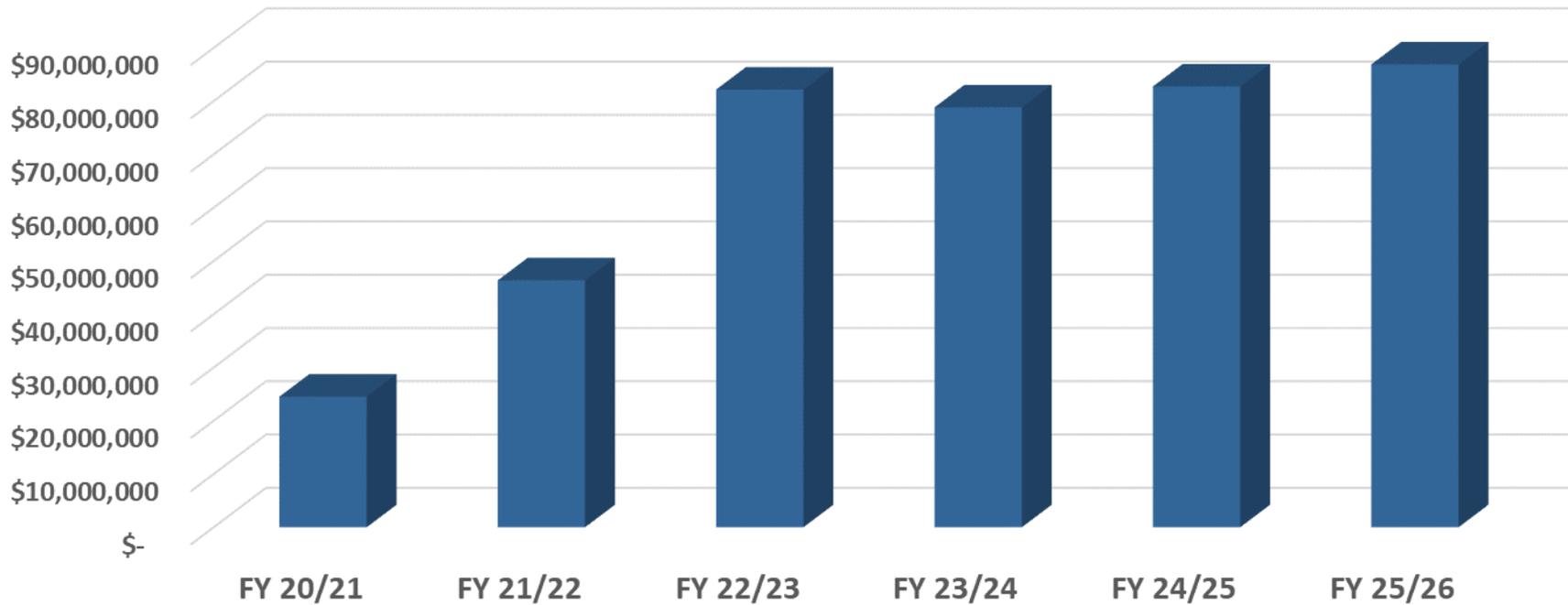
U.S. Sports Betting: Mobile



Legal landscape as of September 28, 2023

Revenue Estimates

Privilege Tax	FY 20/21 (Actual)	FY 21/22 (Actual)	FY 22/23 (Actual)	FY 23/24 (Est.)	FY 24/25 (Est.)	FY 25/26 (Est.)
Lottery for Ed. Fund (80%)	\$ 19,601,600	\$ 37,062,405	\$ 65,711,856	\$ 63,032,977	\$ 66,174,088	\$ 69,482,793
Gen. Fund (for Local Govt.) (15%)	\$ 3,675,300	\$ 6,949,201	\$ 12,320,973	\$ 11,818,683	\$ 12,407,642	\$ 13,028,024
Dept. of Mental Health (5%)	\$ 1,225,100	\$ 2,316,400	\$ 4,106,991	\$ 3,939,561	\$ 4,135,881	\$ 4,342,675
Total Privilege Tax	\$ 24,502,000	\$ 46,328,006	\$ 82,139,820	\$ 78,791,221	\$ 82,717,610	\$ 86,853,491





Tennessee
Sports Wagering Council

Thank You

EXECUTIVE DIRECTOR MARY BETH THOMAS



BILL LEE
GOVERNOR

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

LIZZETTE REYNOLDS
COMMISSIONER

TO: Members of the Tennessee State Funding Board

FROM: Lizzette Reynolds, Commissioner

DATE: October 30, 2023

SUBJECT: Request for \$23,000 from Net Lottery Proceeds for Lottery Scholarship Day for FY2024-2025

Pursuant to Tenn. Code Ann. 4-51-111(c)(2)(B) which states prior to December 15, "appropriate state agencies shall submit to the funding board and to the governor their recommendations for other education programs and purposes consistent with article XI, § 5 of the Tennessee Constitution", the Department of Education requests the allotment of \$23,000 from net lottery proceeds in FY 2024-2025 for Lottery Scholarship Day.

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

Your consideration and approval of this request is appreciated.

cc: David Thurman

**DECLARATION OF TRUST
FOR
OTHER POST-EMPLOYMENT BENEFITS**

A Declaration of Trust made as of the 25th day of May, 2023, by West Knox Utility District (hereinafter referred to as the "Employer"). This Trust shall come into existence when the Tennessee State Funding Board created pursuant to Tennessee Code Annotated, Section 9-9-101, has approved the same.

RECITALS

WHEREAS, the Governmental Accounting Standards Board ("GASB") issued Statements 74 and 75, which set forth standards on accounting and reporting for post-employment benefits (other than pensions) by governmental entities; and

WHEREAS, these standards require political subdivisions of the State of Tennessee to report such other post-employment benefits on an actuarial basis during an employee's career rather than on a pay-as-you-go basis during retirement; and

WHEREAS, a governmental plan or employer may reduce or eliminate its net OPEB Liability (as defined in GASB 74 or GASB 75) by making contributions to an irrevocable trust in relation to such anticipated benefits; and

WHEREAS, the Tennessee General Assembly enacted Chapter 771 of the Tennessee Public Acts of 2006 that authorized Tennessee political subdivisions that offer other post-employment benefits to create an investment trust whereby the political subdivisions may begin financing those benefits in advance; and

WHEREAS, the Employer is a political subdivision of the State of Tennessee that is exempt from federal income tax under the Internal Revenue Code of 1986, as amended from time to time, and whose chief governing body has passed a resolution authorizing the establishment of this investment trust for the exclusive purpose of funding other post-employment benefits accrued by employees of the Employer, to be paid as they come due in accordance with the arrangements between the Employer, the Participants and their Beneficiaries, as such terms are defined in Section 1.1 below.

NOW, THEREFORE, in consideration of the premises, the Employer does hereby establish this Trust to be known as the West Knox Utility District Post-Employment Benefits Trust.

ARTICLE I DEFINITIONS

- 1.1. Definitions. For purposes of this Declaration of Trust, the following terms shall have the respective meanings set forth below unless otherwise expressly provided.
- (a) “Beneficiary” means the Spouse, Dependents, or the person or persons designated by a Participant pursuant to the terms of a post-employment benefits plan to receive any benefits payable under the plan.
 - (b) “Board” means the board of trustees created pursuant to Section 5.1 of this Trust.
 - (c) “Code” means the Internal Revenue Code of 1986, as amended from time to time.
 - (d) “Dependent” means a dependent, as described in Section 152(a) of the Internal Revenue Code of 1986, as amended from time to time, determined without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof, of a Participant.
 - (e) “Directed Trustee” means Commercial Bank and Trust, and its successors and assigns, or such other entity as may be appointed by the Board to provide trust services pursuant to Section 6.1(b) of this Trust.
 - (f) “Employee” means an individual who performs services for the Employer, and who has been designated as eligible to participate in, and receive benefits under a post-employment benefits plan.
 - (g) “Employer” means the West Knox Utility District.
 - (h) “OPEB Liability” means the net liability for post-employment benefits other than pension benefits under GASB 74 or GASB 75.
 - (i) “Other post-employment benefits” (“OPEB”) or “post-employment benefits” means non-pension benefits paid on behalf of a former Employee or a former Employee’s Beneficiary after separation from service. Such benefits may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability.
 - (j) “Participant” means an Employee of the Employer who satisfies the requirements for participation in a post-employment benefits plan sponsored by the Employer.
 - (k) “Spouse” means the spouse of a Participant in a marriage of two individuals if such marriage would be recognized by any state, possession, or territory of the United States.

- (l) "State Funding Board" or "Funding Board" means the board created pursuant to Tennessee Code Annotated, Section 9-9-101.
- (m) "Trust" means the trust created and established hereunder.

**ARTICLE II
PURPOSE AND SCOPE OF TRUST**

- 2.1. This Trust is established exclusively for the purpose of funding other post-employment benefits accrued by Employees of the Employer, to be paid as they come due in accordance with the terms of the Employer's respective post-employment benefits plan.
- 2.2. Nothing in this Trust shall be construed to define or otherwise grant any rights or privileges to post-employment benefits. Such rights and privileges, if any, shall be governed by the terms of the Employer's respective post-employment benefits plan.

**ARTICLE III
TRUST ASSETS**

- 3.1. This Trust shall consist of all contributions paid or otherwise delivered to it, and all investment income and realized and unrealized gains and losses.
- 3.2. The Trustees shall receive and accept for the purposes hereof all contributions described herein and shall hold, invest, reinvest, manage, administer, and distribute property and the increments, proceeds, earnings, and income solely to meet OPEB Liabilities and provide other post-employment benefits as described herein, and in accordance with Code Sections 105 and 106.
- 3.3. All assets held by the Trustees in the Trust are referred to herein as the "Trust Fund." The Trustees have the authority to invest and manage the assets of the Trust Fund.
- 3.4. The contributions made to the Trust and all investments, receipts, disbursements, and other transactions thereunder may be maintained in a common account, which contributions shall be used solely for the payment of benefits, expenses and other charges properly allocable to the Trust.
- 3.5. The Trust Fund shall continue to be held by the Trustees in trust and dealt with in accordance with the provisions of the Trust. At no time shall any part of the Trust Fund be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their eligible Spouses and Dependents, as applicable, as provided herein and for defraying the reasonable expenses of administering the Trust.

**ARTICLE IV
TRUST CONDITIONS**

- 4.1. This Trust shall be irrevocable, and the assets of this Trust shall be preserved, invested and expended solely pursuant to and for the purposes of this Declaration of Trust and shall not be loaned or otherwise transferred or used for any other purpose. During the life of the Trust, no portion of the principal or income of this Trust shall revert to the Employer. The assets of the Trust shall be expended solely to:
- (a) Make payments for other post-employment benefits pursuant to and in accordance with terms of the post-employment benefits plan; and
 - (b) Pay the cost of administering this Trust.
- 4.2. This Trust shall have the powers, privileges and immunities of a corporation; and all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held in trust for the purpose for which received.
- 4.3. All assets, income and distributions of the Trust shall be protected against the claims of creditors of the Employer, Employees, Former Employees, Participants or their Beneficiaries, and shall not be subject to execution, attachment, garnishment, the operation of bankruptcy, the insolvency laws or other process whatsoever, nor shall any assignment thereof be enforceable in any court.

**ARTICLE V
BOARD OF TRUSTEES**

- 5.1. The general administration and responsibility for the proper operation of this Trust shall be governed by a board of trustees (hereinafter the "Board"). The Board shall consist of members as follows:
- (a) Wayne Hastings
 - (b) Yhuliana Lopez
 - (c) Bettina Paul
 - (d) _____
 - (e) _____
- 5.2. The Board shall annually elect from its membership a chair and a vice chair and shall designate a secretary who need not be a member of the Board. Written minutes covering all meetings and actions of the Board shall be prepared by the secretary and shall be kept on file, open to public inspection pursuant to the provisions of Tennessee Code Annotated, Title 10, Chapter 7.

- 5.3. Members of the Board shall serve without compensation but shall receive reasonable reimbursement for actual and necessary travel expenses in accordance with the Employer's travel regulations.
- 5.4. A majority of the voting members of the Board serving shall constitute a quorum for the transaction of business at a meeting of the Board. Voting upon action taken by the Board shall be conducted by a majority vote of the voting members present at the meeting of the Board. The Board shall meet at the call of the chair, or upon the call of a majority of the members, and as may be otherwise provided in any operating policies or procedures adopted by the Board.
- 5.5. The business of the Board shall be conducted at meetings of the Board held in compliance with Tennessee Code Annotated, Title 8, Chapter 44.

**ARTICLE VI
POWERS AND DUTIES OF THE BOARD**

- 6.1. In addition to the powers granted by any other provisions of this Trust, the Board shall have the powers necessary or convenient to carry out the purposes and objectives of this Trust including, but not limited to, the following express powers:
 - (a) Invest any funds of the Trust in any instrument, obligation, security, or property that constitutes legal investments for assets of the Trust as described in applicable law, including without limitation Tennessee Code Annotated, Section 8-50-1201, et seq., as amended from time to time, including the use of mutual funds, commingled investment funds or collective investment trusts, institutional accounts, or master trusts, provided that any such investment is authorized in the investment policy adopted, and from time to time amended, by the chief governing body of the Employer.
 - (b) Contract for the provision of all or any part of the services necessary for the management and operation of the Trust, including, but not limited to, trust and custody services and investment management services;
 - (c) Contract with financial consultants, auditors, and other consultants as necessary to carry out its responsibilities under the provisions of this Trust;
 - (d) At the Board's sole discretion, contract with an actuary or actuaries for the benefit of the Employer in determining the level of funding necessary by the Employer to fund the other post-employment benefits offered by the post-employment benefits plan;
 - (e) Prepare annual financial reports, including audited financial statements, following the close of each fiscal year relative to the activities of the Trust. Such statements and reports shall contain such information as shall be

prescribed by the Board and be prepared in accordance with the standards established by the Governmental Accounting Standards Board; and

- (f) Upon the request of the State Funding Board, file the annual report and financial statements with the secretary of the State Funding Board. The report and statements shall be filed with the secretary of the Board within ninety (90) calendar days from the date of the request, unless the secretary extends such time in writing.
- (g) To determine, consistent with the applicable laws, rules or regulations, all questions of law or fact that may arise as to any person or entity claiming rights under the Trust;
- (h) Subject to and consistent with GASB 74 and 75, Code Section 115 and applicable law, to construe and interpret the Trust and to correct any defect, supply any omission, or reconcile any inconsistency in the Trust;
- (i) To adopt and amend bylaws governing its operations and procedures;
- (j) To provide for termination of trusteeship and transfer of assets to successor trustees as permitted by law;
- (k) To employ legal counsel;
- (l) To employ and contract with auditors, accountants, investment advisers, investment brokers, consultants, medical personnel, and other agents and employees;
- (m) Subject to Articles IX and X, to collect and disburse all funds due and payable under the Trust;
- (n) To provide for and promulgate all the rules, regulations, and forms that are deemed as necessary or desirable in fulfilling its purposes of assisting in providing other post-employment benefits and in maintaining proper records and accountings consistent with GASB Statement 74 and 75 and Internal Revenue Service standards;
- (o) To adopt an Investment Policy Statement and asset allocation;
- (p) To bring and defend actions, sue and be sued, and plead and be impleaded;
- (q) To expend funds for the purchase of fidelity and surety bonds and liability insurance for the protection and indemnification of Trustees in the performance of their duties;
- (r) To expend funds for the reasonable expenses of the Trustees while engaged in the performance of their duties;

- (s) To employ insurance companies, banks, trust companies, and investment brokers as agents for the keeping of records and the receipt and disbursement of funds held by or due the Trustees;
 - (t) To exercise generally any of the powers of an owner with respect to all or any part of the Trust Fund; and
 - (u) To take all actions consistent with this Declaration of Trust necessary or appropriate to administer or carry out the purposes of the Trust; provided, however, the Trustees need not take any action unless, in their opinion, there are sufficient Trust assets available for the expense thereof.
- 6.2. The Trustees may buy fiduciary liability insurance or errors and omissions insurance, as described above. However, all such insurance shall provide that proceeds shall be payable to the Trust and shall contain express provisions reserving to the insurer executing the same the full right of recourse against all parties or other individuals whose errors, acts, omissions, or breaches may obligate such insurer to make payments to the Trust.
- 6.3. In addition to the powers stated in Section 6.1, the Trustees may from time to time delegate to an individual, committee, or organization certain of its fiduciary responsibilities under the Trust. Any such individual, committee, or organization shall remain a fiduciary until such delegation is revoked by the Trustees, which revocation may be without cause and without advance notice. Such individual, committee, or organization shall have such power and authority with respect to such delegated fiduciary responsibilities as the Trustees have under the Trust.
- 6.4. The Trustees may rely upon a certification of the Employer with respect to any instruction, direction, or approval of such Employer and may continue to rely upon such certification until a subsequent certification is filed with the Trustees. The Trustees shall have no duty to make any investigation or inquiry as to any statement contained in any such writing but may accept the same as fully authorized by the Employer.
- 6.5. The Trustees shall be protected further in relying upon a written certification that purports to be from any custodian, investment manager, insurance company, or mutual fund as to the person or persons authorized to give instructions or directions on behalf of such custodian, investment manager or insurance company and continue to rely upon such certification until a subsequent written certification is filed with the Trustees.
- 6.6. The Trustees' responsibilities and liabilities shall be subject to the following limitations:
- (a) The Trustees shall have no duties other than those expressly set forth in this Declaration of Trust and those imposed on the Trustees by applicable laws.

- (b) The Trustees and the Trust Administrator shall not be responsible for any particular federal, state or local income, payroll or other tax consequence to the Employer or a Participant, Spouse, or Dependent.
 - (c) The Trustees shall be responsible only for money and property actually received by the Trust, and then to the extent described in this Declaration of Trust.
 - (d) The Trustees shall not be responsible for the correctness of any determination of payments or disbursements from the Trust Fund.
 - (e) No Trustee shall have any liability for the acts or omissions of any predecessor or successor in office.
 - (f) The Trustees shall have no liability for (i) the acts or omissions of any investment manager or managers; (ii) the acts or omissions of any insurance company; (iii) the acts or omissions of any investment fund; (iv) the acts or omissions of any custodian; (v) the acts or omissions of the trust administrator; or (vi) the acts or omissions of any contractor.
- 6.7. The Trust shall, and hereby does, to the extent permitted by law, indemnify the Trustees, including persons who have served as such in the past or who are heirs, executors, or administrators thereof, against expenses (including attorney's fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any actual or threatened proceeding of any kind, arising by reason of the fact that any such person is or was a Trustee, and shall advance to such person expenses reasonably incurred in defending any such proceedings as permitted by law. Such indemnity shall apply, however, only if, in connection with the matter at issue, the person claiming indemnity hereunder acted in good faith and in a manner he or she reasonably believed was in the best interests of the Trust. This indemnity does not extend to any acts of the person seeking indemnity which involve gross negligence or willful misconduct, or are materially in breach of this Agreement, or any bylaw. The Trustees may obtain and may rely on a written opinion of independent legal counsel on any issues of good faith, reasonable belief, or breach, or on any and all other issues that may bear on the application of this indemnity.

ARTICLE VII POWERS AND DUTIES OF THE DIRECTED TRUSTEE

- 7.1. The Directed Trustee shall act solely in a directed capacity hereunder and shall act solely as directed by the Board or Employer. It shall be the duty of the Directed Trustee to receive, hold, manage, invest and reinvest the Trust funds and to make payments from the Trust in accordance with governing law and the provisions set forth herein pursuant to this Trust. The Directed Trustee shall be responsible for such sums as are actually received by it as Directed Trustee hereunder. The Directed Trustee shall have no duty or authority to ascertain whether any

contributions should be made to it pursuant to the post-employment benefits plan. The duties and obligations shall be limited to those expressly imposed upon it by this Trust.

ARTICLE VIII INVESTMENTS

- 8.1. The Board shall be responsible for investing the assets of the Trust funds in accordance with Section 6.1(a) above.
- 8.2. Subject to the limitations in Section 6.1(a) above, the Board, or its nominee, has full power to hold, purchase, sell, assign, transfer, or dispose of any of the securities or investments in which the assets of the Trust have been invested, as well as of the proceeds of such investments and any moneys belonging to the Trust.
- 8.3. All of the Board's business shall be transacted, all of the Trust funds invested, all warrants for money drawn, any payments made, and all of the cash and securities and other property of the Trust shall be held:
 - (a) In the name of the Board as title holder only, or as Trustee;
 - (b) In the name of its nominee; provided, that the nominee is authorized by Board resolution solely for the purpose of facilitating the transfer of securities and restricted to members of the Board, or a partnership composed of any such members; or
 - (c) For the account of the Board or its nominee in such forms as are standard in the investment community for the timely transaction of business or ownership identification, such as book entry accounts.
- 8.4. Except as otherwise provided, no Board member nor employee of the Board shall have any personal interest in the gains or profits of any investment made by the Board; nor shall any Board member or employee of the Board, directly or indirectly, for such member or employee or as an agent, in any manner for such member or employee or as an agent, in any manner use the same except to make such current and necessary payments as are authorized by the Board.

ARTICLE IX EMPLOYER CONTRIBUTIONS TO TRUST

- 9.1. Notwithstanding Section 6.1(d) above, it shall be the sole and exclusive responsibility of the Employer to determine the level of contributions the Employer will make to the Trust for the purpose of financing the post-employment benefits accrued by its respective Employees. Neither the Trust, nor the Board shall be responsible for collecting or otherwise determining the level of contributions needed by the Employer to finance any post-employment benefits offered by the Employer.

**ARTICLE X
WITHDRAWALS FOR PAYMENT OF OTHER POST-EMPLOYMENT
BENEFITS**

- 10.1. The Board shall upon the request of the Employer reimburse the Employer for payments made for other post-employment benefits upon the Board's receipt of certified documentation evidencing the payment. Such payments shall be made by the Board on no more than a quarterly basis.
- 10.2. Notwithstanding anything in this part to the contrary, the Board shall not honor a request for reimbursement made by the Employer under this Article if assets credited to the Trust are not equal to or greater than the amount requested. Retroactive payments shall be paid by the Board upon accumulation of sufficient assets.

**ARTICLE XI
BOOKS AND RECORDS**

- 11.1. The books and records of the Trust shall be maintained in accordance with generally accepted accounting principles and shall be open to public inspection as required by law. The annual report, including financial statements, all books, accounts and financial records of the Trust shall be subject to audit by the State Comptroller of the Treasury.
- 11.2. The Board may, with the prior approval of the State Comptroller of the Treasury, engage a licensed certified public accountant to perform the audits. The audit contract between the Board and the certified public accountant shall be on a contract forms—prescribed by the State Comptroller of the Treasury. Reimbursement of the costs of audits prepared by the State Comptroller of the Treasury and the payment of fees for audits prepared by a licensed certified public accountant shall be the responsibility of the Board, which may be paid from the assets of the Trust.

**ARTICLE XII
AMENDMENT**

- 12.1. The Employer shall have the right at any time and from time to time to amend, in whole or in part, any or all of the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust (other than such part as may be used to pay the expenses of administering the Trust) to be used for or diverted to purposes other than those expressed in this Declaration of Trust. Any such amendment shall not be effective until approved by resolution of the chief governing body of the Employer, and by the State Funding Board.

**ARTICLE XIII
PLAN TERMINATION OR MODIFICATION**

- 13.1. In the event the other post-employment benefits plan is terminated or substantially modified rendering the assets of this Trust to be unnecessary to fund the plan, the assets shall be distributed pursuant to Section 13.2 below.
- 13.2. The Trust shall have perpetual existence, except if dissolved by the Board. Following any such dissolution, the Board shall proceed to wind up the affairs of the Trust in an orderly manner and within a reasonable period of time considering relevant circumstances. After paying or making reasonable provision for the payment of all liabilities of the Trust, and upon receipt of such releases, indemnities or like documentation as the Trustees may reasonably deem necessary for the protection of the Trustees, the Trustees shall distribute the remaining property of the Trust, in cash or in kind or partly each, for the sole purpose of assisting in the payment of post-employment benefits for Participants, Spouses, and Dependents, and for related reasonable expenses, fees and allocated administrative fees and expenses. Upon the satisfaction of all liabilities under the Trust, any remaining assets shall be transferred to another entity whose income is excluded from gross income under Code Section 115. In no event will Trust assets be distributed to or revert to any entity that is not an entity whose income is excluded from gross income under Code Section 115.
- 13.3. Actuarial valuations contemplated by this Article shall be performed by the plan's independent consulting actuary in accordance with actuarial methods recognized by the Governmental Accounting Standards Board for other post-employment benefits.

**ARTICLE XIV
PARTICIPANT OR BENEFICIARY CONTRIBUTIONS TO TRUST**

14.1. If Participant or Beneficiary contributions are required or permitted under the terms of the other post-employment benefits plan, such contributions shall be assets of this Trust and subject to all the provisions of this Trust. Provided, however, the Employer or its designee shall establish a record keeping account for each Participant or Beneficiary showing the amount of contributions made by such Participant or Beneficiary, and to the extent authorized under the Plan, any earnings or interest thereon.

**ARTICLE XV
PROTECTIVE CLAUSE**

- 15.1. Neither the Employer, the Board, nor the Trust shall be responsible for the validity of any contract of insurance or other arrangement maintained in connection with the post-employment benefits plan, or for the failure on the part of the insurer or provider to make payments provided by such contract, or for the

action of any person which may delay payment or render a contract void or unenforceable in whole or in part.

ARTICLE XVI CONSTRUCTION

- 16.1. This Trust created herein shall be governed by and construed in accordance with the laws of the State of Tennessee.
- 16.2. If any terms and conditions of this Trust are held to be invalid or unenforceable as a matter of law, the other terms and conditions of this Trust shall not be affected thereby and shall be construed to effectuate the purpose of this Trust.
- 16.3. This Trust Agreement shall be binding upon the Trustees, the Employer, and, as the case may be, the delegates, successors, and assigns of each of them.
- 16.4. Necessary parties to any accounting, litigation, or other proceedings relating to the Trust Agreement shall include only the Trustees. The settlement or judgment in any such case in which the Trustees are duly served or cited shall be binding upon all persons claiming by, through, or under this Trust.
- 16.5. The terms of the Declaration of Trust shall supersede any previous oral or written agreement between the parties to this Trust pertaining to matters that are the subject of the Trust.
- 16.6. If the Trustees make any payment that according to the terms of the Trust and the benefits provided hereunder should not have been made, the Trustees may recover that incorrect payment, by whatever means necessary, whether or not it was made due to the error of the Trustees, from the person to whom it was made or from any other appropriate party. For example, the Trustees may deduct the amount of the incorrect payment when making any future payments to the recipient of the incorrect payment.
- 16.7. Any payment to the Employer insurance company, or any other recipient (or their respective designee), shall, to the extent thereof, be in full satisfaction of the claim of such entity being paid thereby and the Trustees may condition payment thereof on the delivery by the recipient, or its designee, of the duly executed receipt and release in such form as may be determined by the Trustees.
- 16.8. The Trust provides no guaranty that payments or reimbursements to employees, former employees, retirees, spouses or beneficiaries will be tax-free. The Trust will obtain a ruling from the Internal Revenue Service concerning only the federal tax treatment of the Trust's income. That ruling may not be cited or relied upon by the any party whatsoever as precedent concerning any matter relating to the Employer's health plan(s) (including post-retirement health plans). In particular, that ruling has no effect on whether contributions to the Employer's health plan(s) or payments from the Employer's health plans (including reimbursements of medical expenses) are excludable from the gross income of employees, former

employees or retirees, under the Internal Revenue Code. The federal income tax consequences to employees, former employees and retirees depend on the terms and operation of the Employer's health plan(s).

[The next and last page is the signature page]

EMPLOYER:

By: West Knox Utility District

Name: Deepest Kerdal
Title: General Manager

TRUSTEES:

Wayne Karter

Richard Lopez

Rebecca Paul

DIRECTED TRUSTEE:

Christina C. Sharp

APPROVED:

Chair of State Funding Board

Date