TENNESSEE STATE FUNDING BOARD
November 4, 2024

The Tennessee State Funding Board (the "Board") met on Monday, November 4, 2024, at 1:33 p.m., CT in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
The Honorable David H. Lillard Jr., State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration

The following member was absent:

The Honorable Bill Lee, Governor

Seeing a physical quorum present, Comptroller Mumpower called the meeting to order. Comptroller Mumpower, in accordance with Public Chapter 300 and Board guidelines, asked Ms. Sandra Thompson, Assistant Secretary to the Board and Director of the Division of State Government Finance ("SGF"), if any requests for public comment had been received. Ms. Thompson responded that no requests had been received.

Comptroller Mumpower then presented the minutes from the meeting held on October 2, 2024, for consideration and approval. Commissioner Bryson made a motion to approve the minutes, and Comptroller Mumpower seconded the motion. The minutes were unanimously approved.

The Board then heard testimony regarding the economy from the following presenters: Dr. Don Bruce of the University of Tennessee Boyd Center for Business and Economic Research; Dr. Joseph Newhard of East Tennessee State University; Commissioner David Gerregano and Mr. Jeff Bjarke of the Tennessee Department of Revenue; and Mr. Bojan Savic and Mr. Joe Wegenka of the legislative Fiscal Review Committee ("FRC") of the State of Tennessee (the "State"). Pursuant to Tenn. Code Ann. § 9-4-5202(e), the Board is charged with the responsibility of developing estimates of state revenue growth. In doing so, the Board evaluates and interprets economic data and revenue forecasts provided by various economists as well as persons acquainted with the Tennessee revenue system.

The presenters forecasted economic growth and state tax revenue growth that reflected negative growth in the current fiscal year and slow growth the next fiscal year. Factors cited to support negative growth in the current and slow growth in next year included Tennessee's relative economic strength compared to the nation, slow Tennessee GDP growth, and price inflation being controlled – all set against multiple state tax policy changes that complicated revenue forecasts. Those factors all combine to urge caution when estimating both economic and state tax revenue growth. Comptroller Mumpower thanked the presenters for their reports.

Comptroller Mumpower then called for presentations regarding the Tennessee Education Lottery Corporation (TELC) from Mr. Savic and Mr. Wegenka; and Ms. Rebecca Paul, President and CEO, and Mr. Andy Davis, Chief Financial Officer, from the TELC. Legislation in 2003 created the TELC (Tenn. Code Ann. §§ 4-51-101 et seq.). Pursuant to Tenn. Code Ann. § 4-51-111(c), the Board is required to establish a projected revenue range for the "Net Lottery Proceeds" [defined in § 4-51-102(14)] for the remainder of the current fiscal year and for the next four (4) succeeding fiscal years.

The presenters reported on historical results and growth reported in previous years for the various instant and numbers games, and Powerball and Mega Millions jackpot games, of the Tennessee Lottery program. The presenters also summarized recent changes for TELC and reported on year-to-date revenue and expenses for fiscal year 2024-2025. Comptroller Mumpower thanked the presenters for their reports.

Tenn. Code Ann. § 4-51-111(c)(2)(A)(ii) requires the Board, with the assistance of the Tennessee Student Assistance Corporation (TSAC), to project long-term funding needs of the lottery scholarship and grant programs. These projections are necessary to determine if adjustments to lottery scholarship and grant programs are needed to prevent the funding for these programs from exceeding Net Lottery Proceeds. For this purpose, the Board heard testimony from Mr. Tim Phelps, Senior Director for Grants and Scholarship Programs of TSAC, who reported the projected expenditures in lottery scholarship and grant programs for fiscal years ending 2025 through 2029. The lottery-funded scholarship programs as authorized through the 2024 session of the General Assembly included the HOPE Scholarship, General Assembly Merit Scholarship, ASPIRE Award, Wilder-Naifeh Technical Skills Grant, HOPE Scholarship for Non-traditional Students, Dual Enrollment Grant, Helping Heroes Grant, Foster Child Tuition Grant, STEP UP Scholarship, TCAT Reconnect Grant, the Tennessee Middle College Scholarship, and Tennessee Reconnect Grant. Comptroller Mumpower thanked Mr. Phelps for the report.

Comptroller Mumpower then recognized Ms. Mary Beth Thomas, Executive Director of the Tennessee Sports Wagering Council (the "SWC"), for a presentation on sports wagering revenue estimates. The SWC is responsible for regulating online sports wagering and fantasy sports wagering in the state, including annual vetting/licensing of sportsbooks and fantasy sports operators, and the registering of vendors that provide services to the online sport books. The SWC is also responsible for compliance functions throughout the year. Ms. Thomas' presentation discussed mobile sports wagering, licensed sportsbooks in the state, new player accounts, total wager estimates, and sports betting revenue estimates for the State. Ms. Thomas noted the following:

- Sports wagering was legalized by the Tennessee General Assembly in 2019 and was initially regulated by the TELC. The SWC was created by the legislature in 2021 and assumed regulatory authority in January 2022.
- There were currently 12 licensed online sportsbooks operating in the state with one additional licensed online sportsbook in the pipeline. Additionally, there were 15 licensed fantasy sports operators within the state.
- There were 59 registered vendors providing services such as geolocation services, player account management, and other essential services to the sportsbooks business.
- Sports betting generated revenue through a 1.85% privilege tax collected on the total volume of wagers placed in the state with the privilege tax collections distributed to the Lottery Education account (80%), to the general fund of counties and local governments for infrastructure and emergency projects (15%), and to the Department of Mental Health for responsible gaming initiatives (5%).
- Since going live in November of 2020, licensed online sportsbooks have generated $14.6B in wagers and in fiscal year 2024 the privilege tax revenue increased seven percent (7%) over the prior fiscal year.
- Currently, thirty (30) states and the District of Columbia have legal mobile betting. Included in the number was both Kentucky and North Carolina which added mobile sports betting within the last year. The SWC was starting to see a decrease in border activity with residents of border states no longer traveling into Tennessee to place wagers as border states started legalizing sports betting. The presence of sports betting in bordering states would disincentivize travel to bet in Tennessee leading to a reduction in the wagering volume in the future.

- The SWC found it challenging to forecast revenue that would be generated due to how new sports wagering has been everywhere outside Las Vegas, which has a vastly different betting environment than the state. Overall betting had been growing at a very rapid pace.
- The SWC is responsible for collecting privilege taxes from the sportsbooks each month and in doing so receives wagering data on a daily basis that is utilized for compliance purposes.
- Based on data provided by operators, player accounts numbered approximately one million for residents of Tennessee and an additional 250,000 accounts from outside of the state. The player account data will be provided to the SWC on a six-month basis in the future.
- Based on operator provided data, the average bet ranged between $10-$150 among the 12 operators with median ranges from $5 to $30, and modes ranging from $5 to $10 depending on the sportsbook. This data will be provided to the SWC on a six-month basis in the future.
- The American Gaming Association reported that while wagering has grown significantly across the country year-over-year with a reported 35% growth rate from 2023 to 2024, that there could be some cooling due to economic uncertainty and better establishment of markets.
- The SWC compared data with the Commonwealth of Virginia and the State of Indiana because of comparable population sizes. The SWC found that the growth rate based on total wagering activity from 2023 to 2024 (20%) was close to Virginia's growth rate in the comparable year of operations (3rd year). Indiana had a slowing of the growth rate to 8.3% in their 4th year of operations and the SWC believed Tennessee would have a slowing in its growth rate as well.
- The SWC assumed a conservative growth rate of 5% in gross handle (total wagers) for fiscal years 2025, 2026, and 2027.
- The change in the privilege tax structure that went into full effect in fiscal year 2024 resulted in a year-over-year increase in collections of 7% from fiscal year 2023.
- Total Privilege Tax collections amounted to $87,568,810 in FY2024, and the SWC estimated collections in the amount of $91,947,251 for FY2025, $96,544,613 in FY2026, and $101,371,844 for FY2027 based on the estimated 5% year-to-year growth in total wagers.

Comptroller Mumpower then asked if the state earned its revenue based on wagers placed by a wagerer that is physically located within the state even if they reside in another state. Ms. Thomas responded in the affirmative. Comptroller Mumpower then inquired about the location of where most of the bets were placed within the state. Ms. Thomas stated that the geolocation platform allows the SWC to see when individuals are accessing their accounts for geolocation purposes to ensure the individual is in the state, but it is not a continuous monitor but a picture in time at various times. Ms. Thomas then replied that the large cities within the state have the largest wagering concentration. Ms. Thomas further replied that Memphis had frequent wagering activity. Comptroller Mumpower then asked if there were businesses akin to a betting parlor where customers could go for drinks and make bets. Ms. Thomas responded that restaurants and bars are not allowed to have betting kiosks as individuals are required to place wagers from their own mobile device. Secretary Hargett then asked for confirmation that there are certain establishments, while not having a kiosk, that do set up multiple TVs in an area and highlight having strong Wi-Fi that customers can come to watch sporting events and place wagers from their mobile device. Ms. Thomas responded in the affirmative. Comptroller Mumpower thanked Ms. Thomas for the report. No further action was necessary.

Comptroller Mumpower then presented a request from the Department of Education for $23,000 from Net Lottery Proceeds for Lottery Scholarship Day for fiscal year 2025-2026, pursuant to Tenn. Code Ann. § 4-51-111(c)(2)(B). The requested 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. The Board acknowledged the request from the Department of Education. No further action was necessary.

Comptroller Mumpower then recognized Mr. Steve Osborne, Assistant Director of the Division of Local Government Finance ("LGF"), to report on the approval of the issuance of notes by Cocke County pursuant to Tenn. Code Ann. § 9-13-210. Mr. Osborne stated that Tenn. Code Ann. § 9-13-206 allows the Comptroller of the Treasurer to approve the issuance of a tax anticipation note ("TAN") by a local government with a maturity date that is after the close of the fiscal year that the notes were issued in the event of economic distress due to natural disasters certified by the Federal Emergency Management Agency (FEMA) within the area. Mr. Osborne further stated that Tenn. Code Ann. § 9-13-210 required the Comptroller of the Treasury to report LGF's approval of these note issuances to the Board. Mr. Osborne then stated that as of the date of the meeting LGF had approved three (3) TANs for Cocke County due to the flooding in east Tennessee. Further, Mr. Osborne stated that each of the three (3) TANs was in the amount of $1 million and were interfund loans to be made from the debt service fund to the general, highway, and the solid waste funds, with maturity dates of June 30, 2026. Mr. Osborne then reported that subsequent to the posting of the meeting's agenda, an additional TAN had been approved and that LGF anticipated the approval of additional TANs in the future. No further action was necessary.

After requesting other business and hearing none, Comptroller Mumpower made a motion to recess the meeting and to reconvene on November 25, 2024, at 9:30 a.m. CT, in the Cordell Hull Building, 2nd Floor, Volunteer Conference Center. Treasurer Lillard seconded the motion. The motion was unanimously approved, and the meeting was recessed.

RECONVENED
November 25, 2024
9:30 a.m.

The Board reconvened on Monday, November 25, 2024, at 9:30 a.m. CT, in the Cordell Hull Building, 2nd Floor, Volunteer Conference Center, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
The Honorable David H. Lillard Jr., State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration

The following member was absent:

The Honorable Bill Lee, Governor

Seeing a quorum present, Comptroller Mumpower called the meeting to order. Comptroller Mumpower, in accordance with Public Chapter 300 and Board guidelines, asked Ms. Sandra Thompson, Assistant Secretary to the Board and Director of the Division of State Government Finance ("SGF"), if any requests for public comment had been received. Ms. Thompson responded that no requests had been received.

Comptroller Mumpower then recognized Mr. David Thurman, Director of the Division of Budget with the Department of Finance and Administration, who presented the staff recommendations of the recurring revenue estimates expressed in ranges of growth rates in State taxes.

	FY 2024–2025		FY 2025-2026	
	Low	High	Low	High
Total State Taxes	-1.68%	-1.34%	1.25%	2.15%
General Fund	-2.50%	-1.91%	1.00%	2.00%

Comptroller Mumpower then asked for any additional insights from the staff discussions of the revenue growth rate ranges. Mr. Thurman responded that what was heard from the presenters was that the economy and the underlying fundamentals of the economy were in fairly good order, but there were concerns about slowing growth as revenue trends started to normalize as the remaining federal dollars from the COVID recovery were spent. Mr. Thurman further stated that we were starting to see the shift in spending patterns from a period of accelerated growth to a much slower period of growth. Mr. Thurman then stated that there was an additional underlying concern for fiscal year 2025-2026 resulting from policy changes that impacted growth.

Comptroller Mumpower then asked Mr. Thurman how he as budget director thought about the proposed revenue growth ranges in relation to the policy changes that are accounted for in the budgeting process. Mr. Thurman replied that it was approached as two separate thought processes. Mr. Thurman further replied that both the policy changes and the estimated growth ranges would be a huge part of developing a budget framework for fiscal year 2025-2026 but they would be looked at through the two separate lenses. Mr. Thurman then stated that the slowing growth was not a surprise, and it had been anticipated as they crafted the prior budgets. Mr. Thurman then stated that with the prior accelerated growth, the last two budgets had been built to use recurring money for non-recurring purposes allowing for some cushion as there were concerns of what the economy would look like coming out the COVID recovery period. Mr. Thurman further stated that the current budget was constructed to allow the state to endure slowing revenue growth but still be able to address the normal growth of government. Commissioner Bryson then asked what was considered normal growth in a typical year not including the COVID years. Mr. Thurman responded that somewhere between 3.50% and 5.00% would be a normal growth range. Comptroller Mumpower made a motion to approve the state revenue growth estimates as recommended by staff. Commissioner Bryson seconded the motion, and the motion was unanimously approved.

Mr. Thurman then presented the staff recommendations of the estimates of the growth rate ranges for Net Lottery Proceeds to be deposited in the Lottery for Education Account and used for various statutory purposes.

	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029
Low	-9.00%	0.90%	1.00%	1.00%	1.00%
High	-6.00%	1.69%	2.00%	2.00%	2.00%

Comptroller Mumpower made a motion to approve the lottery revenue estimates as recommended by staff and Treasurer Lillard seconded the motion. Comptroller Mumpower then asked for any additional insights from the staff discussions of the net lottery proceeds growth rate ranges. Mr. Thurman stated that the negative growth in the current fiscal year and the slower growth in fiscal year 2025-2026 was to recognize the large jackpots in fiscal year 2023-2024 that incentivized non-recurring revenue activities, as noted in the presenters' discussions, and were considered unusual events that would take two years of normal lottery activities to achieve those levels again. Mr. Thurman noted that the growth rate estimates were also based on the presenters' discussions of sports wagering providing competition for some of the normal participants in the lottery programs. Mr. Thurman then stated that the growth estimates for the later years reflected a normalization of growth moving forward. Comptroller Mumpower took the vote, and the motion was unanimously approved.

Pursuant to Tennessee Code Annotated 4-51-111(a)(3), the TELC may make a determination that returning a specific percentage of sales as net proceeds (35%) would not result in the maximum dollar amount of net proceeds being achieved. Comptroller Mumpower acknowledged receipt of a letter from TELC notifying the Board that TELC had determined that an amount that maximizes net lottery proceeds to the State of Tennessee Lottery for Education Account is projected to be less than 35% of lottery proceeds for fiscal year 2024-2025. The amount currently projected for the fiscal year ranges from $455 million to $475 million. The Board acknowledged the letter. No further action was necessary.

Comptroller Mumpower then recognized Mr. Allen Borden, Deputy Commissioner of Business, Community and Rural Development, Tennessee Department of Economic and Community Development ("ECD") and Ms. Jamie Stitt, Assistant Commissioner of Business and Workforce Development, ECD, to present FastTrack projects for consideration, and Ms. Jessica Johnson, Assistant Commissioner of Administration and Operations, ECD, to present the "FastTrack Report to State Funding Board" (the "Report"). Ms. Johnson reported that, as of the date of the October 2, 2024, Board meeting, the FastTrack balance was $613,183,244.38. Since that time, $12,120,000.00 in funds had been deobligated; $5,624,887.00 in new grants or loans greater than $750,000.00 had been approved; $5,292,775.00 in new grants or loans less than $750,000.00 had been approved; and $238,523.19 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of $614,147,059.19 as of the date of the Report. Ms. Johnson reported that total commitments had been made in the amount of $441,611,282.72, representing 71.9% of the FastTrack balance, and resulted in an uncommitted FastTrack balance of $172,535,776.47. Ms. Johnson reported that the amount of proposed grants for projects to be considered at this meeting totaled $6,800,000.00, and if these projects were approved, the uncommitted balance would be $165,735,776.47, with a total committed balance of $448,411,282.72, which represented 73.0% of the FastTrack balance. Comptroller Mumpower then asked Mr. Borden to present the following FastTrack projects:

- **DENSO Manufacturing Athens Tennessee, Inc. – Athens (McMinn County)**
  FastTrack Job Training Assistance Grant $ 1,800,000.00

- **TruGreen Limited Partnership; Highwoods Realty Limited – Franklin (Williamson County)**
  FastTrack Economic Development Grant $ 1,000,000.00

- **Schneider Electric USA, Inc. – Mount Juliet (Wilson County)**
  FastTrack Economic Development Grant $ 4,000,000.00

Comptroller Mumpower made a motion to approve the projects, and Commissioner Bryson seconded the motion. Comptroller Mumpower then asked how ECD justified the use of the proposed economic development grant to TruGreen Limited to move the entity's headquarters from the City of Memphis to the City of Franklin. Mr. Borden responded that while technically the company's headquarters was in Memphis the HQ personnel worked remotely from across the country. Mr. Borden further responded that the creation of the new headquarters was an attempt to consolidate those jobs into one location. Mr. Borden then responded that any projects receiving grant funds must provide net new jobs for the state, and incentives are not provided to any project that would simply be moving jobs from one county to another county within the state. Comptroller Mumpower then asked if it would be fair to assume that some employees in the current headquarters in Memphis or working remotely across the country would be offered the opportunity to relocate to middle Tennessee to continue their employment. Ms. Stitt replied that it was ECD's understanding that there was one company team member living in Memphis with the remainder working remotely from Dallas, Florida and other locations across the United States. Ms. Stitt further replied that TruGreen Limited wanted to have all HQ personnel in a centralized location with a closer proximity to the state capitol and maintain the Memphis office as a support system.

The Board member packets included letters and FastTrack checklists signed by Mr. Stuart McWhorter, Commissioner, ECD, and incentive acceptance forms signed by company representatives. Comptroller Mumpower then inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Mr. Borden responded affirmatively. Comptroller Mumpower then inquired if the checklists had been completed for the projects, and Mr. Borden responded affirmatively. Comptroller Mumpower then inquired if the projects included accountability agreements which would provide protections for the state in the event the entities could not fulfill the agreements, and Mr. Borden responded affirmatively. Comptroller Mumpower then called for a vote, and the motion to approve the projects was unanimously approved.

Comptroller Mumpower then recognized Mr. Charly Lyons, President and Chief Executive Officer of the Tennessee Central Economic Authority (the "Authority") and Ms. Kelsey Givens, Executive Administrator from the Authority, who presented a report on the Authority operations and financials over the past year. The report was provided to the Board members in their meeting packets. Mr. Lyons explained that the Authority is an economic development organization that operates in the counties of Macon, Smith, Sumner, Trousdale, and Wilson, with a primary focus on the rural counties. Mr. Lyons then stated, while unusual for an economic development organization, that the Authority owned property with an industrial park. Mr. Lyons then stated that the Authority had put a lot of resources into a port that would be opening in 2025 to serve the Upper Cumberland area providing another gateway for commodities transport. The Board acknowledged the report. No further action was necessary.

Comptroller Mumpower then recognized Mr. Ed Harries, Executive Director, and Mr. Adam Fleming, Director of Finance from the Tennessee State Veterans' Home Board (the "TSVHB"), who presented a report on TSVHB operations. The Board had received a financial report in their packet for the period July 1, 2024, through October 31, 2024. Mr. Fleming presented a summary of the financial position of the TSVHB noting the year-to-date losses of $1,079,411 due to the patient mix, occupancy rate, agency nurse costs, startup costs, and inflation. Mr. Harries then presented on the audit and regulatory compliance of the TSVHB noting the results of the audit for the fiscal year ended June 30, 2023, and the annual survey of each facility conducted by the Tennessee Department of Health in February of 2024. Mr. Harries noted that TSVHB had contract (agency) nurses in three of the homes, and they are working diligently to replace the agency nurses because of the negative financial impact on the organization and the lower quality of care.

Commissioner Bryson then confirmed with TSVHB that their reserves amounted to $7.6 million and that the TSVHB had a loss of approximately $1.1 million in the first four months of fiscal year 2024-2025. Commissioner Bryson then asked if that put the TSVHB on the trajectory to lose $3.3 million by the end of the fiscal year. Mr. Fleming responded that he believed once the TSVHB improved their census numbers and replaced the contracted agency nurses with internal staff the TSVHB should at least break even for the fiscal year. Mr. Fleming then stated that the higher expenses were driven by the use of agency nurses, but the TSVHB was on a good trajectory with hiring nurses aided by new employee engagement programs. Mr. Fleming further noted that the TSVHB had also experienced some unforeseen anomalous maintenance expenses.

Commissioner Bryson then stated that he was concerned as the TSVHB had only two years of reserves if the finances of TSVHB were to continue on the same track. Commissioner Bryson also stated that he was additionally concerned by the fact that more beds were coming online requiring more staffing when there was already a shortage of nursing staff requiring the expense of contract nurses. Commissioner Bryson then asked how they would keep up with staffing when adding the new beds, noting a concern at the Murfreesboro facility. Mr. Fleming responded that the Murfreesboro facility was the leader in agency (contract) nurse use and that 33% of every dollar spent on agency nurses could be saved with staffed nurses. Mr. Fleming then stated that most of the new bed potential was in the Cleveland facility which does not use contract nurses. Commissioner Bryson requested TSVHB send information to the members on how TSVHB expects to address the nursing staff issue and what revenues will look like going forward. Treasurer Lillard then noted concerns with the deficiencies reported in the Tennessee Department of Health annual surveys. Mr. Harries provided additional information related to the findings. Secretary Hargett asked about end-of-life care, and Mr. Harries discussed what was provided at the TSVHB facilities. The Board acknowledged the report, and no further action was necessary.

Comptroller Mumpower then recognized Mr. Michael Brakebill, Chief Investment Officer, and Mr. Markus Klar, Director of Fixed Income, from the Tennessee Treasury Department ("Treasury"), to present a report on the State Pooled Investment Fund ("SPIF") for the fiscal year ended June 30, 2024.

Mr. Klar made initial comments on the current market and Federal Reserve Board (the "Fed") policy. Mr. Klar noted the following:

- The Fed ended its fastest rate hike cycle in over forty years in July of 2023, bringing the Fed Funds Rate to 5.5% and maintaining that interest rate for the entire fiscal year.
- Following the beginning of fiscal year 2025, the Fed cut the Fed Funds Rate by 50 basis points in September and another 25-basis point cut following the election, with the current target rate of 4.75%. The Fed was able to cut the rate because of its progress in the fight against inflation.
- The Fed preferred measure of inflation was the Personal Consumption Expenses Index ("PCE"). The PCE was 4.36% at the beginning of fiscal year 2024 and at 2.63% at fiscal year-end . The target rate for the Fed is 2.00%.
- Most market participants were surprised by the strength of the economy in general. Despite elevated interest rate levels, the Gross Domestic Product (GDP) was higher than in fiscal year 2023. The average GDP growth rate was 3.00% for fiscal year 2024 compared to 2.80% for fiscal year 2023.
- The GDP growth had been elevated to some degree by a very high level of fiscal spending primarily directed at infrastructure and green energy investment. The private sector had also funneled heavy investment towards the artificial intelligence (AI) sector buying graphics cards and building data centers with surprising effects on the GDP.
- Despite the high GDP growth, the unemployment rate had increased. The rate was 3.6% at the beginning of the fiscal year and ended the fiscal year at 4.1%.
- It was difficult to ascertain the effect of the recent election on the economy moving forward. There were worries about the impact of the President Elect's policies on inflation. The yield curve had reacted significantly, pricing in an uptick in inflation pushing the long end of the yield higher despite the Fed starting to cut rates.

Mr. Klar then presented a report on the annual investment activity of the State Pooled Investment Fund (the "SPIF") for fiscal year 2024. Mr. Klar noted the following:

- The high interest rates helped with the performance of the SPIF with a return of 5.45% for fiscal year 2024 after expenses, which was over 170 basis points higher than the previous fiscal year and the highest return in over 15 years. The SPIF benchmark (30-day U.S. Treasury Bill) came in at 5.51%.
- The SPIF maintained a monthly average fund size of approximately $35,000,000,000 of invested assets for fiscal year 2024 compared to approximately $30,000,000,000 the prior fiscal year, a growth of 17%. Mr. Klar noted that if one compared the SPIF size from the end of fiscal year 2023 to end of fiscal year 2024 the growth had plateaued at about 4%.
- The SPIF can be subdivided into three separate components, the general fund, the Local Government Investment Pool ("LGIP"), and other state funds that are restricted. The general fund had maintained its size at approximately $20,500,000,000. The LGIP saw an inflow of about $1,300,000,000 producing most of the total SPIF growth. The restricted funds were elevated from the presence of stimulus funds that were allocated for specific uses but still remained in the SPIF. The stimulus funds were expected to be spent over the next two years.
- The portfolio composition of the SPIF changed with an increase of 2% in the allocation to the two safest sectors, U.S. Treasuries and U.S. Agencies, to a total of 89% of the invested amounts from fiscal year 2023 to fiscal year 2024. The growth in the allocation to those components came at the expense of investments in commercial paper that was down to 4% of the total composition. Due to spreads being tight and the issuance being low among Treasury's approved list of commercial paper issuers, commercial paper was not as attractive an investment as in prior years.
- The portfolio composition of collateralized CDs also increased from 1.7% in fiscal year 2023 to 2.0% in fiscal year 2024.
- The weighted average maturity (the "WAM") of the SPIF had a range of 38 to 51 days throughout fiscal year 2024 with an average of approximately 45 days. This was very similar to the prior year's WAM of 46 days.
- The weighted average life (the "WAL") of the SPIF for fiscal year 2024 was the same as the WAM. The only difference in the calculation of the WAL from the WAM is the treatment of floating rate securities which can have long term maturities with short durations. The WAM considers the floating rate security's term to be the reset time for the interest rate while the measure of WAL considers the security's term to be the time until the instrument matures, and you receive your money back. The SPIF's portfolio had no floating rate securities resulting in the curves for WAM and WAL being the same for fiscal year 2024.
- There were two measures of the liquidity of the SPIF, the daily liquidity and the weekly liquidity. The daily liquidity was quite volatile during the fiscal year with the daily liquidity starting the fiscal year around 60%, dropping to around 25% during the middle of the fiscal year and rebounding to around 50% by the end of fiscal year 2024. The volatility in the daily liquidity was the result of the trade-offs between investing in U.S. Treasuries and U.S. Agencies. All U.S. Treasury Bills are considered daily liquidity regardless of term under GASB Statement 79, and U.S. Agencies are not considered to be daily liquid. The volatility in the daily liquidity of the SPIF was therefore the result of which investment vehicle was more attractive at the time. The daily liquidity was at least 150% above the required daily minimum for the entire fiscal year. The weekly liquidity was at least 100% above the required minimum for the entire fiscal year. The minimum standards for daily liquidity and weekly liquidity, as determined by GASB Statement 79 are 10% and 30% respectively.

Mr. Klar noted that the Intermediate Term Investment Fund ("ITIF") had been liquidated at the beginning of fiscal year 2023, therefore there would be no report provided. The Board acknowledged the report. No further action was necessary.

After Comptroller Mumpower requested other business and heard none, he made a motion to adjourn the meeting, and Secretary Hargett seconded the motion. The motion was unanimously approved, and the meeting was adjourned.

Approved this 16th day of December 2024.

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary