

TENNESSEE STATE FUNDING BOARD
February 23, 2026

The Tennessee State Funding Board (the “Board”) met on Monday, February 23, 2026, at 2:05 p.m., in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable Jason E. Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also physically present:

The Honorable Tre Hargett, Secretary of State
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

Having established a physical quorum, Comptroller Mumpower called the meeting to order. Comptroller Mumpower, in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines, asked Ms. Kayla Carr, Director of the Division of State Government Finance (SGF) and Assistant Secretary to the Board, if any requests for public comment had been received. Ms. Carr responded that no requests had been received.

Comptroller Mumpower then presented the minutes from the meeting held on November 3, 2025, and reconvened on November 24, 2025, for consideration and approval. Commissioner Bryson made a motion to approve the minutes. Secretary Hargett seconded the motion, and it was unanimously approved.

Comptroller Mumpower next recognized Mr. Stuart McWhorter, Commissioner of the Department of Economic and Community 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 November 24, 2025, Board meeting, the FastTrack balance was \$680,798,596.58. Since that time, \$352.80 in new funds had been appropriated; \$696,636.00 in funds had been deobligated; \$5,485,000.00 in new grants or loans greater than \$750,000.00 had been approved; \$3,133,750.00 in new grants and loans less than \$750,000.00 had been approved; and \$892,280.63 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$671,984,554.75 as of the date of the Report. Ms. Johnson reported that total commitments had been made in the amount of \$493,891,804.25, representing 73.5% of the FastTrack balance, resulting in an uncommitted FastTrack balance of \$178,092,750.50. Ms. Johnson reported that the amount of proposed grants for the projects to be considered at this meeting totaled \$53,240,000.00, and if these projects were approved, the uncommitted balance would be \$124,852,750.50, with a total committed balance of \$547,131,804.25, which represented 81.4% of the FastTrack balance. Comptroller Mumpower then asked Commissioner McWhorter to present the following FastTrack projects:

- **Alu Materials America Inc and GRT America, Inc. – Halls (Lauderdale County)**
FastTrack Economic Development Grant \$ 3,725,000.00

- **Eastern Plating, LLC – Newport (Cocke County)**
FastTrack Job Training Assistance Grant \$ 2,115,000.00

- **American Appliance Products, LLC – Newport (Cocke County)**
FastTrack Job Training Assistance Grant \$ 2,400,000.00
- **Korea Zinc Company, Limited and CRUCIBLE METALS, LLC – Clarksville (Montgomery County) and Gordonsville (Smith County)**
FastTrack Economic Development Grant \$45,000,000.00

Comptroller Mumpower made a motion to approve the projects and Secretary Hargett seconded the motion. The Board member packets included letters and FastTrack checklists signed by Commissioner McWhorter, 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 Commissioner McWhorter responded affirmatively. Comptroller Mumpower then inquired if the checklists had been completed for the projects, and Commissioner McWhorter responded affirmatively. Comptroller Mumpower then inquired if the projects included accountability agreements which would provide protection for the state in the event the entities could not fulfill the agreements. Commissioner McWhorter responded affirmatively. Comptroller Mumpower then asked if the two companies in Cocke County were at least partially operational. Commissioner McWhorter responded that he believed that to be correct. Comptroller Mumpower, observing no further discussion, called for the vote. The motion was unanimously approved.

Comptroller Mumpower then recognized Ms. Carr to present revisions to the Board’s Guidelines for the Public Comment Policy. Ms. Carr stated that the revisions were clean up in nature. Ms. Carr stated that the revisions were limited to an update to clarify who should be contacted in the event someone would like to make a public comment. The policy referred to Ms. Sandra Thompson by name, and the proposed revisions replace that reference with the title, Assistant Secretary to the Board. Comptroller Mumpower made a motion to approve the revisions. Secretary Hargett seconded the motion, and it was unanimously approved.

Comptroller Mumpower recognized Mr. Steve Osborne, Assistant Director of the Division of Local Government Finance (LGF), to report on a notice of default by the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “IDB”) on its conduit financing debt. Mr. Osborne stated that the IDB filed notice on December 5, 2025, regarding insufficient funds for its Series 2015 Tax Increment Revenue Bonds (the “Bonds”) for the Bellevue Mall project. Mr. Osborne noted that this was the fourth default on the Bonds. Mr. Osborne reported insufficient funds in the amount of \$709,418.59 for the June 1, 2025, payment and \$730,618.75 for the December 1, 2025, payment. Mr. Osborne further stated that based on current projections, future tax increment revenues may be insufficient to fully fund debt service payments in the future. Mr. Osborne reminded the Board that while failure to make payments due to Tax Increment Financing revenues being insufficient is not a default under the indenture, it is considered a default under state law, and that there is no recourse to the IDB, city, or the state. The Board acknowledged the report, and no further action was necessary.

Comptroller Mumpower then recognized Mr. Robert Harness and Ms. Angie Glore, Legislative Senior Auditors with the Division of State Audit (DSA) to present the 2025 Tennessee State Veterans’ Homes Board (TSVHB) Performance Audit. Mr. Harness stated that although the audit covered multiple topics, only the TSVHB’s financial position would be discussed. Mr. Harness noted that the audit covered July 1, 2022, through June 30, 2025, and included six findings and six observations.

Mr. Harness reported that Finding 1 (page 16 of the audit report) noted that management had not developed a specific financial plan to address the TSVHB's financial challenges. Mr. Harness further stated that annual financial audits had shown a decline in the financial health of the TSVHB over the last several years, with operating revenues decreasing in fiscal years 2021 and 2022 due to families choosing not to place their family members into nursing homes during the COVID-19 pandemic. Mr. Harness continued stating that although revenues have since improved, the TSVHB has sustained operating losses since 2020, with management stating that there were various reasons for the losses, including the pandemic, the opening of a new veterans home in Cleveland, the ongoing construction of the Arlington home, as well as ongoing repair costs at the already established veterans homes. Mr. Harness noted that cash balances had declined from \$25.6 million in fiscal year 2021 to \$16.5 million in fiscal year 2024, and auditors identified a \$7.0 million cash overstatement that required adjustment. Management attributed the cash decline to expenses related to new home construction, one-time technology upgrades, and ongoing HVAC repairs.

Mr. Harness noted that increases in net position were largely tied to capital assets from new construction, with only 14% of the TSVHB's net position available as unrestricted funds for operations. Mr. Harness stated that the TSVHB's strategic plan did not include specific actions to address ongoing losses and emphasized the need for management to correct these issues to avoid continued financial instability that could affect operations and resident care. TSVHB management concurred with the finding. The Board acknowledged the report, and no further action was necessary.

Comptroller Mumpower recognized Mr. Ed Harries, Executive Director of the TSVHB, along with Ms. Sandra Caudill, Director of Clinical Services, Mr. Adam Fleming, Director of Finance, and Mr. Ray Liggins, Assistant Director of Finance, to present the TSVHB report. Beginning the discussion, Comptroller Mumpower stated that the Board's confidence was shaken and noted concerns about the TSVHB operations. The 2022 TSVHB performance audit included four findings and nine observations, followed by six findings and six observations in the 2025 audit, two of which were repeats. Comptroller Mumpower also noted that the financial and compliance audit contained three findings, two repeated, all involving areas fundamental to TSVHB operations.

Comptroller Mumpower then stated that the current financial audit again found that management lacked proper controls to prepare timely and accurate financial statements. Comptroller Mumpower referenced the performance audit finding that management had not developed a specific financial plan or strategy to address the TSVHB's financial position, which management concurred with. Comptroller Mumpower reminded the Board that it was his responsibility, as Comptroller, to approve the TSVHB budget each year and read from the prior year's approval letter, which stated that approval of the budget was granted but immediate steps must be taken to reduce expenses if the TSVHB census declined. Comptroller Mumpower then stated he would be unable to approve the next TSVHB budget without a plan moving forward. Comptroller Mumpower then emphasized that the Board wished to support the TSVHB, as it is extremely important that they provide quality services to the community they serve.

Mr. Harries confirmed that management concurred with the audit finding and acknowledged that the TSVHB strategic plan lacked detailed financial actions. Mr. Harries then noted that, at the Board's request, the TSVHB took steps in December of 2024 to help mitigate financial losses. Mr. Harries added that barriers to increasing census had been identified and continued to be addressed.

Mr. Harries reported that average occupancy across facilities was approximately 93%, with the Murfreesboro home remaining in a challenged market. He stated that the executive team received daily

census updates and met weekly to review census trends, staffing, and other operational issues to make necessary adjustments. Mr. Harries and the TSVHB team then provided additional updates on financial and census related matters.

Mr. Harries noted that new software was being implemented to improve the timeliness of financial data to assist with reporting and that the use of contract nursing had been significantly reduced. He also noted that for the period addressed in the audit, TSVHB had brought the Cleveland home into operation and that the Arlington home would open the following year, emphasizing that new homes typically operate at a loss initially.

Comptroller Mumpower asked whether the TSVHB was experiencing census challenges because families were choosing private nursing homes. Mr. Harries again referenced the 93% average occupancy across all homes except Murfreesboro, noting that several factors contributed to challenges in that market, including a very competitive job market in middle Tennessee. Mr. Harries explained that, unlike other locations, multiple private nursing homes in Murfreesboro have contracts with the Department of Veterans Affairs (VA). Mr. Harries added that TSVHB admissions require verification of payer status as well as veteran status and military discharge status, which takes additional time and can discourage potential residents and families.

Comptroller Mumpower then asked whether the facilities operating below 93% capacity were responsible for the TSVHB's operating losses in recent years. Mr. Harries clarified that only the Murfreesboro home had lower census levels. Mr. Harries further noted that during the same period, several facilities relied heavily on contract nursing staff due to COVID-19-related staffing shortages across the healthcare sector. Mr. Harries stated that TSVHB had since recruited staff back and significantly reduced its use of contract nursing.

Comptroller Mumpower asked whether the Cleveland facility was now operating at a profit following its \$2.2 million shortfall in its first year. Mr. Liggins reported that Cleveland was currently TSVHB's second-best performer, with net revenue of approximately \$844,000, referencing the presentation that was provided to board members showing year-to-date numbers as of January 26, 2026. Mr. Fleming added that the TSVHB was on pace for \$2.0 million in net revenue for fiscal year 2026. Mr. Harries noted that the Clarksville facility's year-to-date loss of \$718,977 was due to its 12-bed house design mandated by the VA, compared to the more profitable 18-bed model that was used in later homes, and stated that breaking even at Clarksville would be considered a success.

Comptroller Mumpower then asked for confirmation that the TSVHB was working with the state's customer focused government team to develop a strategic plan. Mr. Harries confirmed this and stated that TSVHB was working with the program to develop a more robust strategic plan through merging existing departmental and operational plans.

Commissioner Bryson stated that he had been following the TSVHB's progress and noted improvements since the audit period, particularly the shift from travel nurses back to staff nurses. Commissioner Bryson then asked whether it was expected that the Arlington facility would experience a first-year loss of approximately \$2.2 million due to startup costs. Mr. Harries replied that this pattern was seen with both the Clarksville and Cleveland facilities, though the TSVHB was working to improve that trend. Mr. Harries stated that Arlington currently has two employees, with an administrator starting in one month and an HR

employee expected the following month, and that the TSVHB would move forward as quickly as possible. Mr. Harries added that the largest delays in generating revenue were tied to waiting for CMS to complete the certification survey and for the intermediary to finalize the certification process, noting significant delays with the intermediary on prior openings. Commissioner Bryson acknowledged the challenges and encouraged the TSVHB to ensure transparency of its plans to the Board members.

Commissioner Bryson then referenced the previously discussed 12-bed design of the Clarksville facility and noted the additional need for a \$10.0 million HVAC replacement. Mr. Harries confirmed that the HVAC issues were worsened by failures during the January winter storm. Commissioner Bryson then asked about the plan to turn around the Clarksville facility, given its losses and the required \$10.0 million investment. Mr. Harries responded that long-term improvement was possible. Mr. Harries explained that when the Clarksville facility opened, much of the local veteran population was between ages 55 to 65 and not yet likely to need nursing home care. Mr. Harries added that the Clarksville facility was designed to allow for expansion if feasibility studies supported it, and that adding an 18- or 20-bed house, if filled, could be profitable and help offset losses from the main facility.

Commissioner Bryson requested the ramp-up plan for the Arlington home, the plan to address issues at the Clarksville home, and a centralized financial plan to address the TSVHB's overall financial position. Comptroller Mumpower agreed and asked that staff be kept informed as plans develop. With no further questions, the Board acknowledged the report, and no further action was necessary.

Comptroller Mumpower observed no further business to come before the Board and made a motion to adjourn. Secretary Hargett seconded the motion, and the motion was unanimously approved. The meeting was adjourned.

Approved on this 23rd day of March 2026.

Respectfully submitted,



Kayla Carr,
Assistant Secretary