

# TENNESSEE: OPEN FOR BUSINESS, BUT OPEN TO THE PUBLIC?

*A Review of the Transparency of Tennessee's  
Economic Development Programs*



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# CORPORATE WELFARE, SO HOT RIGHT NOW

Corporate welfare has never been more front and center in Tennessee than it is right now. From Nashville trying to sell a \$9.8 billion mass transit plan as a jobs plan, to a mega expensive Memphis Regional Megasite that cannot land a tenant, or dreams of luring Amazon HQ2 and instead getting a consolation prize for a \$100 million incentive, it's clear giving taxpayer money to big corporations is big business in Tennessee. While not covered as extensively as healthcare, education, or the opioid crisis, corporate welfare even became a campaign issue in the 2018 gubernatorial election. Throughout the campaign season, Tennessee's gubernatorial candidates were asked about their stances on economic incentives. While their views differed, nobody denied the importance of making Tennessee attractive for business.

The other area of consensus? These deals should be transparent so that lawmakers and the taxpayers they represent can hold companies accountable in exchange for the money they receive. When asked by *Venture Nashville Connections* about the transparency of his administration in regard to economic development incentives, then candidate, now Governor-elect Bill Lee said, "A large part of the concern with these investments stems from a lack of transparency in [the Department of Economic and Community Development]. It's hard to make the case that we are being as effective as possible with taxpayer money if we're not releasing regular audits and reports on investments."<sup>1</sup> And he's right; voters are concerned. In a 2016 poll conducted by the Beacon Center, a staggering 72 percent of Tennesseans agreed, "state government is not transparent with the incentives it provides to corporations."<sup>2</sup>

So it's clear the goal is to continue to create economic growth in Tennessee in a transparent way that allows policymakers and the public to hold companies accountable. Then the questions are: How transparent are Tennessee's incentive programs now? Do they hold companies accountable in exchange for taxpayer dollars? And, are Tennessee's incentive programs effective?

## LITTLE TRANSPARENCY FOR TENNESSEE'S TAX CREDITS

Generally speaking, economic incentives fall under two umbrellas: tax credits and cash grants. Tennessee currently offers a variety of tax credits to companies depending on levels of investment or job creation. The main four credits offered in Tennessee are:

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1 Milt Capps, "We asked TN Gubernatorial aspirants about State industry incentives, risk capital formation, tech commercialization and more." *Venture Nashville Connections*. August 13, 2018. <http://www.venturenashville.com/we-asked-tn-gubernatorial-aspirants-about-state-industry-incentives-risk-capital-formation-tech-commercialization-and-more-cms-1745>.

2 Mark Cunningham, "New Poll Reveals Tennesseans Against Corporate Handouts." *Beacon Center of Tennessee*. June 1, 2016. <http://www.beacontn.org/new-poll-reveals-tennesseans-against-corporate-handouts/>.

1. **Jobs Tax Credit:** A \$4,500 credit against franchise and excises taxes. Companies must create at least 25 full-time jobs and invest at least \$500,000 in qualified business enterprise.
2. **“Super” Jobs Tax Credit:** A higher credit if companies invest a minimum of \$10 million and create 100 jobs, with higher credits available for investments of at least \$1 billion and 500 jobs.
3. **Industrial Machinery Tax Credit:** Credit based on purchase price of industrial machinery, with required capital investment for enhanced credits.
4. **Enhanced Job Tax Credit:** An enhanced jobs tax credit for companies in locating or expanding in economically distressed counties.

Despite the fact that thousands of companies qualify and claim millions of dollars per year due to these credits, little is known about them or their effectiveness. Under Tennessee law, even though companies are claiming funds that would otherwise pay for core services benefitting all taxpayers, tax credits are considered confidential.<sup>3</sup> In fact, until 2017, when a new law mandated that the Department of Revenue publish a report stating the number of taxpayers claiming the various credits, the cost to the state in the most recent tax year, and existing liabilities from credits carried over from previous years, nothing was made public about these credits.<sup>4</sup> The results from the first report, released in December 2017, were alarming. Overall, more than \$218 million was claimed in Fiscal Year 2017 alone, with an additional \$134 million claimed in Fiscal Year 2018. Even worse, the state faces a \$878 million liability from unclaimed credits as companies are often eligible to roll over unclaimed credits up to 15 years.<sup>5</sup> This impending liability should concern state legislators and other policymakers, as companies are most likely to seek the unclaimed credits once the economy enters a recession as company profits fall. This windfall of claimed credits would compound any state government budget problems at a time when tax receipts would likely be in decline.

The public deserves to know when specific companies are exempt from paying a portion of state taxes since these foregone funds shift the burden of core services onto a smaller tax base. The lack of transparency surrounding these credits also hurts elected officials and other policymakers as well. State lawmakers rely on access to information to determine and enact good public policy. For example, there is currently a large emphasis in Tennessee on economic development for rural areas of the state. Outgoing Gov. Bill Haslam even created a task force to make recommendations to ensure that Tennessee’s rural areas experienced the same growth as the state’s urban areas.<sup>6</sup> During the recent gubernatorial campaign, forums were held focusing exclusively on rural and agricultural issues.<sup>7</sup> With the state’s cash grant programs, a company’s location is known, allowing lawmakers to determine if these programs are tailored to meet the needs of rural communities. On the contrary, Tennessee lawmakers from rural areas have no way of knowing whether these expensive tax credits are helping attract development to their districts or are they concentrated in urban areas, further

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3 Tenn. Code Ann. §67-1-1702.

4 Public Chapter No. 251, 2017.

5 State of Tennessee. Department of Revenue. “Fiscal Year 2018 Tennessee Tax Credit Report.” December 27, 2018.

6 “Governor’s Rural Task Force.” 2016. <https://www.tn.gov/content/dam/tn/ruraltaskforce/documents/rtf-report.pdf>.

7 Joey Garrison, “Tennessee governor candidates: More needed to boost, protect farming in state.” *The Tennessean*. September 11, 2017. <https://www.tennessean.com/story/news/2017/09/11/tennessee-governor-candidates-say-theyre-fighting-farmers-survive-states-farming-agriculture-crossroad/642832001/>; Joel Ebert, “From opioids to tariffs, candidates for governor tackle issues facing rural Tennessee.” *The Jackson Sun*. April 17, 2018. <https://www.jacksonsun.com/story/news/2018/04/17/opioids-tariffs-candidates-governor-tackle-issues-facing-rural-tennessee/515397002/>.

eroding the tax base necessary to provide the essential services needed in these generally poorer communities. Not only is the lack of data not confined to analyzing whether these credits adequately address rural issues, but also whether these programs are beneficial at all. In 2015, the General Assembly passed legislation requiring an economic impact analysis of the state's business tax credits be conducted every four years. In the only report produced so far, the Anderson Economic Group, which was commissioned to conduct the analysis, stated that the lack of firm level data "considerably limited the options for our analysis."<sup>8</sup>

Defenders of this lack of transparency will state that a private business's information shouldn't be disclosed and that this secrecy is needed in order to win investments. However, no company is forced to take public dollars. Accepting a certain amount of lost confidentiality is a reasonable trade-off for public money. Additionally, there is precedent in many other states for disclosing credits, including several of Tennessee's neighbors and competitors. Kentucky and Florida publish information on a searchable database, whereas North Carolina and Mississippi produce reports that list companies and the amounts of credits they claim. Also, Arkansas will make a taxpayer's information of claimed credits available upon request.<sup>9</sup> There is even precedent of a company's tax information available to the public already in Tennessee, as hotel occupancy tax records are already exempt from confidentiality laws.<sup>10</sup>

Additionally, research shows these incentives have little to no bearing on where a company chooses to locate or expand. Timothy Bartik of the Upjohn Institute found after reviewing and analyzing the results of 30 different studies that incentives determine between only two and 25 percent of location decisions.<sup>11</sup> Area Development, in their annual survey of corporate executives, confirmed the low impact of incentives on location decisions, with state and local incentives coming in as the ninth most important factor.<sup>12</sup> If companies would not choose a location "but for" the incentives at most one out of every four times, it is unlikely that disclosing records matters much, if at all.

Until Tennessee becomes more transparent regarding its corporate tax credits, it will remain difficult for lawmakers to determine if these programs deliver sufficient value to the state at large and not just the rewarded companies, as well as hold these companies accountable for what they promised in return.

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8 Jason Horwitz, Traci Taylor, and Jonathan Waldron, "The Economic Impact of Business Tax Credits in Tennessee." Anderson Economic Group. December 26, 2016. [https://www.tn.gov/content/dam/tn/transparenttn/documents/Tax\\_Credit\\_Analysis\\_FINAL\\_12-30-2016.pdf](https://www.tn.gov/content/dam/tn/transparenttn/documents/Tax_Credit_Analysis_FINAL_12-30-2016.pdf).

9 Deborah Fisher, "Tennessee lags other states in tax credit transparency." Tennessee Coalition for Open Government. December 10, 2018. <https://tcog.info/tennessee-lags-other-states-in-tax-credit-transparency/>.

10 Tenn. Code Ann. §67-1-1702(c).

11 Timothy Bartik, "But For" Percentages for Economic Development Incentives: What percentage estimates are plausible based on the research literature?" Upjohn Institute for Employment Research. July 2018. <http://doi.org/10.17848/wp18-289>.

12 Geraldine Gambale, "32nd Annual Corporate Survey & the 14th Annual Consultants Survey." Area Development. 2018 <http://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2018/32nd-annual-corporate-survey-14th-annual-consultants-survey.shtml>.

# FAST TRACK: SO MANY CASH GIVEAWAYS NOT EVEN OPRAH CAN COMPETE

Currently, more transparency and accountability exists surrounding the state's cash grant program, FastTrack. The Tennessee Department of Economic and Community Development (ECD) has the ability to approve FastTrack grants for three reasons: infrastructure, job training, or economic development.<sup>13</sup> Basic information regarding the grants, such as company name, amount of grants received and promised jobs can be found on a database created by ECD in 2016.<sup>14</sup> Additionally, companies are required to submit annual reports detailing their job growth, which are posted on the ECD website as part of their accountability agreements. If companies fail to meet these job targets, ECD has the ability to execute a clawback provision to recover taxpayer money.<sup>15</sup>

However, there are limitations to these accountability measures. First, accountability agreements are only required for one type of FastTrack grant: economic development grants.<sup>16</sup> Infrastructure and job training FastTrack grants, despite being tied to company investment or training a certain number of employees new skills, are not mandated to have accountability agreements or clawback provisions.

Additionally, companies can fall extremely short of committed job promises and still be in compliance with accountability agreements with ECD. In a sample of 25 accountability agreements obtained by the Beacon Center, while the method for calculating net employees differed (some agreements used total net new jobs while others used an average of net jobs created over a three year time period), all 25 agreements required companies to hire just 80 percent of the promised jobs to remain in compliance. Certainly, situations can make new job commitments difficult, such as natural disasters, but the observed agreements had provisions allowing for an extension to reach job totals should "An Act of God" occur. However, if taxpayers are expected to keep 100 percent of their end of the agreement if the company is in compliance, should businesses not be expected to fulfill more than 80 percent of their end of the deal? Tennessee should look to other states like Maryland, which requires companies maintain at least 95 percent of the promised jobs to retain their full tax credits.<sup>17</sup>

But it is with FastTrack's reporting requirements where matters get really ugly. As stated previously, businesses that receive FastTrack economic and community development grants are required to fill out documents self-reporting how many jobs exist at the beginning of the grant and at each anniversary of the grant. Companies have 60 days after the anniversary date to submit these required performance reports to ECD. For years, ECD has been unable to force companies to submit the

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13 Tenn. Code Ann. §4-3-717.

14 Mike Reicher, "State releases list of business grants totaling \$400 Million." *The Tennessean*. October 25, 2016. <https://www.tennessean.com/story/news/politics/2016/10/25/state-releases-list-business-grants-totaling-400-m/92726746/>; State of Tennessee. Tennessee Department of Economic and Community Development. "Fast Track Project Database." <https://www.tn.gov/transparenttn/jobs-economic-development/openecd/fasttrack-project-database.html>.

15 Tenn. Code Ann. §4-3-731.

16 Ibid.

17 State of Maryland. Department of Commerce. "Job Creation Tax Credit (JCTC)." <http://commerce.maryland.gov/fund/programs-for-businesses/job-creation-tax-credit>.

required reporting, as shown in a 2016 audit by the state Comptroller of the Treasury.<sup>18</sup> And nothing has changed. In an analysis of all annual performance reports filed as of December 7, 2018, the Beacon Center found that just shy of half (49 percent) of all performance reports were past due.

<i>Interim Report Year</i>	<i>Late Reports</i>	<i>Total Reports</i>	<i>Percentage Late</i>	<i>Average Time to Complete (In Days)</i>
1	81	132	61%	200
2	51	103	50%	155
3	24	61	39%	97
4	6	31	19%	55
5	3	10	30%	72
6	0	1	0%	0
<b>Total:</b>	<b>165</b>	<b>338</b>	<b>49%</b>	<b>150</b>

Table 1: Average Number and Days of Late Reports Per Year

However, companies were not the only ones missing deadlines. As required by statute, upon receiving a company’s performance report, ECD has 90 days to review and post it online.<sup>19</sup> If one reasonably assumes that companies forwarded their signed reports to ECD shortly after signing them, there are clearly instances where this 90-day window was missed. The worst examples are shown below.

<i>Company</i>	<i>Report</i>	<i>Signed by Company</i>	<i>Upload Date</i>	<i>Difference (In Days)</i>
HCA (d/b/a WCP Properties, LLC)	Interim Performance Report #3	01/29/2016	09/19/2018	780
Volkswagen Group of America	Interim Performance Report #2	09/23/2016	02/06/2018	501
General Motors LLC	Interim Performance Report #5	11/28/2016	03/22/2018	479
Amedisys Holding, LLC	Interim Performance Report #1	11/15/2016	01/26/2018	437
Huf North America Parts Manufacturing Corp.	Interim Performance Report #3	12/01/2016	01/26/2018	421

Table 2: Top 5 Longest Timeframes to Upload Company Reports

It is unknown how many or what percentage of reports were uploaded outside of the required 90-day window. While report upload dates were once listed on the Open EDC website, this information has been removed from the website and is no longer listed.<sup>20</sup>

18 State of Tennessee. Comptroller of the Treasury. “Department of Economic and Community Development and Tennessee Technology Development Corporation Performance Audit Report.” October 2016. <http://www.comptroller.tn.gov/repository/SA/pa16105.pdf>.

19 Tenn. Code Ann. §4-3-731(b).

20 State of Tennessee. “FastTrack Baseline and Performance Reports.” <https://www.tn.gov/transparenttn/jobs-economic-development/openecd/fasttrack-baseline-and-performance-reports.html>.

Additionally, multiple companies have gone years without filing reports. Even worse, as of October 4, 2018, four companies had not filed years of reports to ECD despite the fact that their accountability agreements had come to their “End Date.” This is the date at which a company is supposed to have hired all promised jobs, making it impossible to determine if the companies have fulfilled their obligations. As of December 7, 2018, none of these reports had been uploaded on ECD’s website.

<b>Company</b>	<b>Accountability Agreement End Date</b>	<b>Last Report Filed (and Year)</b>	<b>Missing Reports</b>
New Breed Logistics	10/21/2017	2 <sup>nd</sup> Interim (2014)	3 <sup>rd</sup> -5 <sup>th</sup> Interim (2015, 2016 and 2017)
HP Pelzer	08/04/2018	2 <sup>nd</sup> Interim (2015)	3 <sup>rd</sup> -5 <sup>th</sup> Interim (2016, 2016 and 2018)
Unilever	09/10/2018	2 <sup>nd</sup> Interim (2015)	3 <sup>rd</sup> -5 <sup>th</sup> Interim (2016, 2016 and 2018)
Alcoa, Inc.	09/22/2018	3 <sup>rd</sup> Interim (2016)	4 <sup>th</sup> -5 <sup>th</sup> Interim (2017 and 2018)

Table 3: Companies Missing Performance Reports With Completed Deals

This does not represent all missing reports. Even after accounting for the 60 days companies have to submit to reports to ECD and the 90 subsequent days ECD has to review and publicly post the reports, the Beacon Center identified an additional 17 missing reports among 11 different companies.

ECD has defended FastTrack, stating that if companies fail to satisfy promises that they can initiate clawbacks.<sup>21</sup> However, it is impossible to know when clawbacks are necessary if ECD cannot ensure that companies fill out the necessary information to determine if companies fulfilled their promises in the first place.

If these grants are going to exist then ideally the compliance of the agreements should be administered by a different agency other than ECD. It is naturally and understandably in ECD’s best interests to sell the merits of these programs and to have them utilized by various businesses. This creates a perverse incentive when the “cheerleader” is also the “referee” of these programs. If changing the agency responsible for tracking the compliance of these agreements is not preferred, an alternative could be to follow President Reagan’s advice and “trust but verify” companies’ self-reports with known existing federal data. Companies already report employment figures and salaries to the federal Bureau of Labor Statistics’ Quarterly Census of Employment and Wages (QCEW), which is compiled by each state’s workforce agency. Virginia, Oklahoma, Maryland, and Michigan have created data sharing agreements to allow state agencies to share relevant data to ensure companies’ progress and compliance towards hiring goals for incentive programs.<sup>22</sup> Since ECD has stated that its employees

21 Erik Schelzig, “GOP lawmaker questions Haslam’s secret \$30M development deal.” *Commercial Appeal*. March 29, 2016. <http://archive.commercialappeal.com/news/government/state/gop-lawmaker-questions-haslams-secret-30m-development-deal-2f324b19-5d0c-455b-e053-0100007fc99a-373866631.html>.

22 Jeff Chapman and Josh Goodman, “Better Incentive Information, Three strategies for states to use economic development data effectively.” The Pew Charitable Trusts. April 27, 2016. <https://www.pewtrusts.org/-/media/assets/2016/04/betterincentiveinformation.pdf>.

“spend many hours requesting data from companies and following up with companies” if they do not receive the required reports, not only would this ensure better compliance, but it could possibly decrease man hours and improve efficiency.<sup>23</sup> Tennessee policymakers should consider creating the framework to facilitate this data sharing to ensure FastTrack and other incentive programs are held more accountable.

## ON THE CUTTING *EDGE* OF TRANSPARENCY

If state leaders are looking to duplicate a program known as a model for transparency, they need to look no further than the Memphis and Shelby County Economic Development Growth Engine (EDGE) agency. In 2011, the Memphis City Council and Shelby County Commission jointly created EDGE to centralize and coordinate public resources to attract business investment. EDGE has the authority to approve and grant Payments in Lieu of Tax (PILOT) agreements as well as Tax Increment Financing (TIF) districts, bonds and loans, as well as serving as the administrator of state FastTrack funds for the county.<sup>24</sup> Despite recent efforts by EDGE leaders to use “code words” and blame too much transparency for the area’s lack of development, Memphis has long been recognized as a leader in incentive transparency.<sup>25</sup> Good Jobs First, an economic incentive watchdog group, ranked EDGE as the fourth most transparent local agency nationwide, praising it for posting all PILOT documents including the applications, a breakdown of abatements, minutes, and compliance reports.<sup>26</sup>

However, just because an agency is transparent about its incentives does not mean those incentives are good policy or that the agency is open about the merits of the program. EDGE’s main tool for attracting economic development is through PILOTs, with nearly a half a billion dollars in approved PILOT agreements since 2011.<sup>27</sup> PILOTs are used to incentivize companies to build by reducing local property taxes. The belief is the added investment and tax revenue from the increase in jobs makes up for the abated taxes. Meanwhile, the company receiving the PILOT gets to build and pay a cheaper property tax rate, creating a win-win. To determine if a PILOT is beneficial, economic development professionals use a multiplier to calculate the “indirect growth” from the new jobs and investment created by the incentive to determine the “cost-benefit ratio” of the increase in other taxes divided by the abated taxes. Upon examination of EDGE calculations, however, one realizes that EDGE uses multipliers on existing jobs to calculate “new” indirect growth. Only new jobs or new economic activity should be used for indirect calculations because existing jobs, and their resulting

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23 State of Tennessee. Tennessee Comptroller of the Treasury. “Department of Economic and Community Development and Tennessee Technology Development Corporation Performance Audit Report.” October 2016. <http://www.comptroller.tn.gov/repository/SA/pa16105.pdf>.

24 Kevin McKenzie, “Are PILOTs a necessary evil for luring jobs to Tennessee?” *The Commercial Appeal*. September 17, 2017. <https://www.commercialappeal.com/story/news/2017/09/17/tennessee-jobs-payment-in-lieu-of-taxes/533871001/>.

25 David Stennett, “Companies seeking tax breaks from Memphis might be hidden from public via ‘code names.’” *Commercial Appeal*. November 15, 2018. <https://www.commercialappeal.com/story/money/business/development/2018/11/15/memphis-edge-board-code-names-tax-incentives/2016483002/>.

26 Kasia Tarzynska, “Show Us the Local Subsidies.” Good Jobs First. March 2017. <https://www.goodjobsfirst.org/sites/default/files/docs/pdf/showusthelocalsubsidies2.pdf>.

27 Economic Development Growth Engine For Memphis & Shelby County. “EDGE Project Database.” <http://database.growth-engine.org/>.



indirect economic activity, have already existed prior to any tax abatement today and cannot be attributed to it decades from now. While defenders would say that those jobs would not have been retained had the abatement not be given, as was already shown by Bartik, these incentives are the determining factor in at most 25 percent to as little as two percent of instances. One can easily see incentives making more of a difference if a company was expanding with a new location that could be located anywhere. But when a company already has existing infrastructure and trained workforce in one location, these incentives make less of a difference. When the indirect economic benefits are only attributed to new jobs created or new investment and the same ratio of economic activity to taxes revenue generated is used, many EDGE-approved PILOTs suddenly become a net loss where the public receives fewer dollars than taxes abated, even if the same multipliers are used.

<i>Company</i>	<i>New Jobs</i>	<i>Retained Jobs</i>	<i>Projected Tax Revenue</i>	<i>Taxes Abated</i>	<i>Projected B/C Ratio</i>	<i>Actual B/C Ratio</i>	<i>Actual Revenue</i>	<i>Projected Loss</i>
Valero, Inc.	0	557	\$54,001,012	\$25,763,299	2.1	.37	\$9,412,927	\$16,350,372
ABMF	0	52	\$2,319,202	\$543,632	4.27	0.90	\$489,642	\$53,990
Wright Medical	35	225	\$18,908,881	\$4,148,487	4.56	0.75	\$3,129,556	\$1,018,931
Cummins, Inc.	70	897	\$59,654,475	\$12,934,650	4.61	0.59	\$7,568,055	\$5,366,595
Solae, LLC	0	276	\$18,866,887	\$4,906,481	3.85	0.34	\$1,672,710	\$3,233,771
TAG Truck Enterprises, LLC	62	141	\$11,662,339	\$6,181,812	1.86	0.81	\$5,034,291	\$1,147,521
ServiceMaster Global Holdings, Inc.	0	965	\$76,575,081	\$843,831	24.36	0.45	\$380,181	\$463,650
Pfizer Inc.	0	250	\$17,284,704	\$5,909,182	2.93	0.35	\$2,057,044	\$3,852,138
Technicolor Videocassette of Michigan, Inc.	0	916	\$63,602,343	\$35,071,092	1.81	0.34	\$11,928,075	\$23,143,017
Enclara Pharmacia, Inc.	0	216	\$7,943,774	\$11,649,445	12.66	0.05	\$605,534	\$11,043,911

Table 4: Recalculation of Selected EDGE PILOTs Using Only New Jobs and Investment

Together these PILOTs represent a net loss of over \$65.6 million in lost tax revenue for Memphis and Shelby County. In addition to these examples, seven other PILOT calculations by EDGE staff relied on existing jobs in their analysis but did not end up as a net cost for Memphis and Shelby County taxpayers. However, the more accurate reflection of cost-benefit ratios resulted in a staggering \$163 million reduction in projected tax receipts. With these more meager and accurate revenue levels in mind, it is no wonder local policymakers have been questioning the effectiveness of EDGE, with even some arguing that it should be disbanded.<sup>28</sup>

28 Ted Evanoff, “Memphis Chamber chairman says revamp EDGE or close it down.” *Commercial Appeal*. August 9, 2018. <https://www.commercialappeal.com/story/money/2018/08/09/greater-memphis-chamber-pilot-tax-breaks-richard-smith/901548002/>.

While EDGE should be commended and should serve as a model in terms of its transparency and easy to use public interface for stakeholders and taxpayers, it also serves as an example of when the “cheerleader” serves as the “referee” and attempts to shine these programs in the most positive and effective light possible. Inflated numbers and calculations should have policymakers calling the bluff on this Bluff City program and stop leaving taxpayers on the hook.

## RECOMMENDATIONS AND CONCLUSION

Tennessee has experienced unprecedented economic growth in recent years. Pro-growth policies such as low taxes, no personal income tax, a relatively simple regulatory framework, and right-to-work status have laid the foundation for Tennessee to be a national economic force for decades to come. However, instead of expanding upon these broad-based policies that create a friendly climate for all businesses, policymakers have become increasingly swayed to picking winners and losers by doling out cash grants and special tax cuts for certain companies at the expense of others and at a massive cost to taxpayers. Ideally, state lawmakers would eliminate these programs and focus on cutting taxes across the board, such as the corporate tax rate. Corporate welfare programs are essentially an admission that a state’s business climate is uncompetitive. Therefore, the solution should be to make its climate competitive, rather than carve out exemptions for big businesses with connections and lobbyists.

If these programs continue to exist, Tennessee citizens deserve to know who is receiving these credits and grants with effective accountability measures in place. The General Assembly should make all FastTrack agreements subject to accountability agreements with mandatory clawback provisions if companies fail to meet their commitments or fail to comply with simple reporting requirements. Additionally, the General Assembly should assess if there are other agencies more suited to enforce these various programs than ECD. This would remove the perverse incentive of the “cheerleader” also being the “referee,” which can lead to inflated expectations and loss of public funds as showcased with EDGE’s PILOT programs. Or at least, ECD should be given access to other state government agencies’ data to verify company self-reported information. For tax credits, Tennessee should follow the leadership of other states and exempt tax credits from confidentiality laws, as is currently the case for hotel occupancy taxes in Tennessee. Disclosing these credits will allow policymakers to better analyze their effectiveness and ensure they are accomplishing their intended purpose while protecting government revenues for basic services.

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