



# 2017 PORK REPORT

Crowning the Worst of Government Spending



# Contents

<b>INTRODUCTION</b>	<b>2</b>
<b>PORK OF THE YEAR</b>	<b>3</b>
INDUSTRIAL WASTE	3
<b>CORPORATE WELFARE</b>	<b>4</b>
INTERCEPTING, STEALING, AND THROWING AWAY OUR MONEY	5
JUST OUR TWO CENTS	6
DOUBLING DOWN ON FAILURE	7
A SWIFT KICK IN THE GLUTEN	8
STICK A FORK IN HER, SHE'S DONE	9
THE WATERPARK EARMARK	9
<b>CORRUPTION</b>	<b>10</b>
GIB ME A BREAK	11
TAXPAYER FRUSTRATION IN MASON	15
THE JIG IS UP ON JAILCIGS	15
<b>STATE PARKS &amp; TOURISM</b>	<b>16</b>
THE PARIS OF THE SOUTH	17
HORTON HEARS A HOAX	17
A HEAVY LIFT FOR TAXPAYERS	18
TOURISM IS TAXING	18
THE BEST CREDIT MONEY CAN BUY	19
<b>MISAPPROPRIATION</b>	<b>20</b>
TAKING TAXPAYERS TO THE CLEANERS	21
GOING GREEN BY SPENDING GREEN	22
I AM BROKE	22
PROMISE THIS WILL COST YOU	23
<b>GOVERNMENT DOES NOT CREATE JOBS</b>	<b>24</b>
SUMMER OF SCAM	25
JOBS4TN, BUT NOT FOR TOMORROW	25
<b>FILM INCENTIVES</b>	<b>26</b>
SOMEBODY CALL CUT	27
MEMPHIS FILM AND TAPE INITIATIVE: TAKE TWO	29
<b>CONCLUSION</b>	<b>31</b>

# INTRODUCTION

The Beacon Center of Tennessee's *Pork Report* is in its second decade of exposing waste, fraud, and abuse of taxpayer dollars at the state and local level. Each year, we chronicle the most egregious cases of Tennessee governments' disrespect for the people they represent.

While many of our entries are satirical in nature, the truth is no laughing matter. The Volunteer State is often touted as being fiscally responsible and well managed, particularly compared to many of our neighboring states and our federal counterparts. Yet, the fact remains that much of your money continues to be wasted each year on frivolous projects that exceed the intended functions and role of government. Tennessee families face difficult budgetary decisions every day, planning and providing for their future livelihoods. Shouldn't we hold those entrusted with our hard-earned dollars to that same standard of fiscal responsibility?

We can never expect government officials to be without flaws, but we can and should expect them to be accountable. Fortunately for Tennessee taxpayers and our elected officials, the *Pork Report* provides them with a place to start—examples of waste, fraud, and abuse at the state and local levels that could have easily been avoided.

Consider these cases, each nominated for 2017's Pork of the Year Award:

- **Jobs4TN:** This state-based program has been taking millions of taxpayer dollars for years, spending more than \$60 million in 2016-2017 alone. This money then goes to a select few fortunate companies for their hiring and professional development needs, empowering

government to pick winners and losers, and leaving left-out employers across the state to compete with these subsidized businesses.

- **Opryland Waterpark:** The city of Nashville decided to give \$14 million to Gaylord Opryland Hotel to construct a waterpark, and while taxpayers are footing the bill, the waterpark is open only to those staying at the hotel.
- **Department of Economic and Community Development (ECD):** ECD's Industrial Machinery Tax Credit has doled out an astonishing \$1.2 million in taxpayer money...per job. The tax credit has created just 55 total jobs at a cost of nearly \$67 million.
- **A Sheriff's E-Cigarette Inmate Scheme:** Former Rutherford County Sheriff Robert Arnold profited off a captive audience of local inmates who were sold e-cigarettes from Arnold's company—earning him and his wife nearly \$75,000 over the course of their scheme, which was later exposed by the Tennessee Comptroller's Office.

Clearly, Tennessee has some work to do in rolling back wasteful spending and returning accountability to our halls of government. Let us not forget that local government, while preferable to a bloated federal machine, is *still* government.

We have ample problems to solve within our own state borders before we can point fingers elsewhere. So, let's get started.

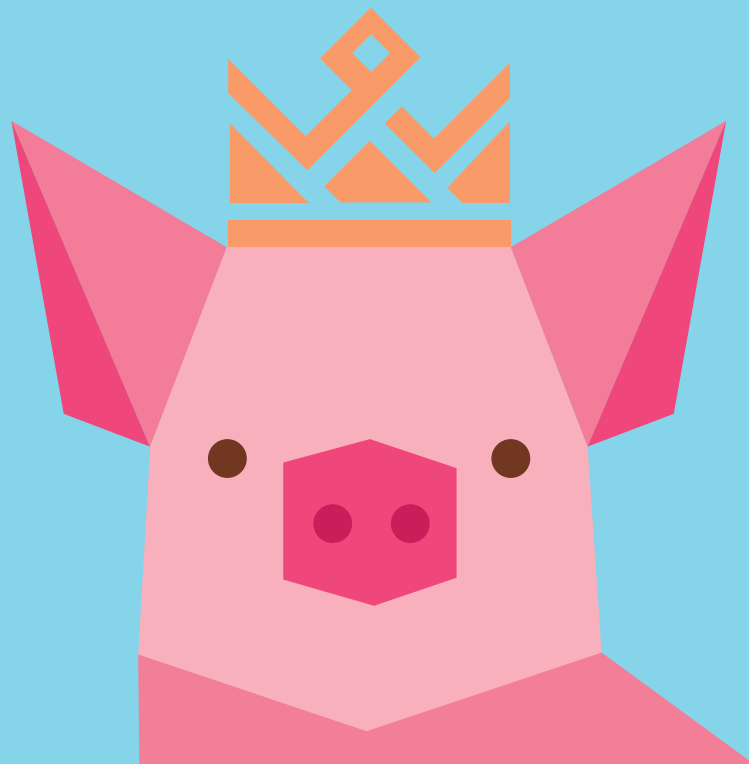
# PORK OF THE YEAR

## INDUSTRIAL WASTE

(Mark Cunningham)

One of the arguments that politicians and supporters of corporate welfare make to defend taxpayer money going to private corporations is that this practice creates jobs. While technically correct, even the most ardent supporters of this practice would agree that \$1.2 million of taxpayer money *per job* is a little steep. That is exactly what the Industrial Machinery Tax Credit costs the hardworking taxpayers of Tennessee. Since 2011, we have spent nearly \$67 million for a whopping 55 jobs. While we believe corporate welfare is antithetical to capitalism, this example is insulting to every single taxpayer in the state. This handout to big business shows how little the government actually knows about the effectiveness of the “incentive packages” it doles out, and should make us examine every single incentive program under a microscope.

Mike Reicher, “State’s largest tax credit for biz costs \$1.2M per job, study shows.” *The Tennessean*. March 8, 2017. <http://www.tennessean.com/story/news/politics/2017/02/05/states-largest-tax-credit-biz-costs-12m-per-job-study-finds/97040916/>.





# CORPORATE WELFARE

Tennessee state and local governments sure like to pick winners and losers in business. A recent ranking shows that various Tennessee governments dole out an eye-popping \$2.5 billion a year in corporate handouts and tax incentives. That puts our state in fourth place, well ahead of the national average in corporate goodie bags. And it's not all job creation confetti that companies offer in return. Some of these deals just don't add up, and others even fall through. Below are some of the worst deals of the past year.

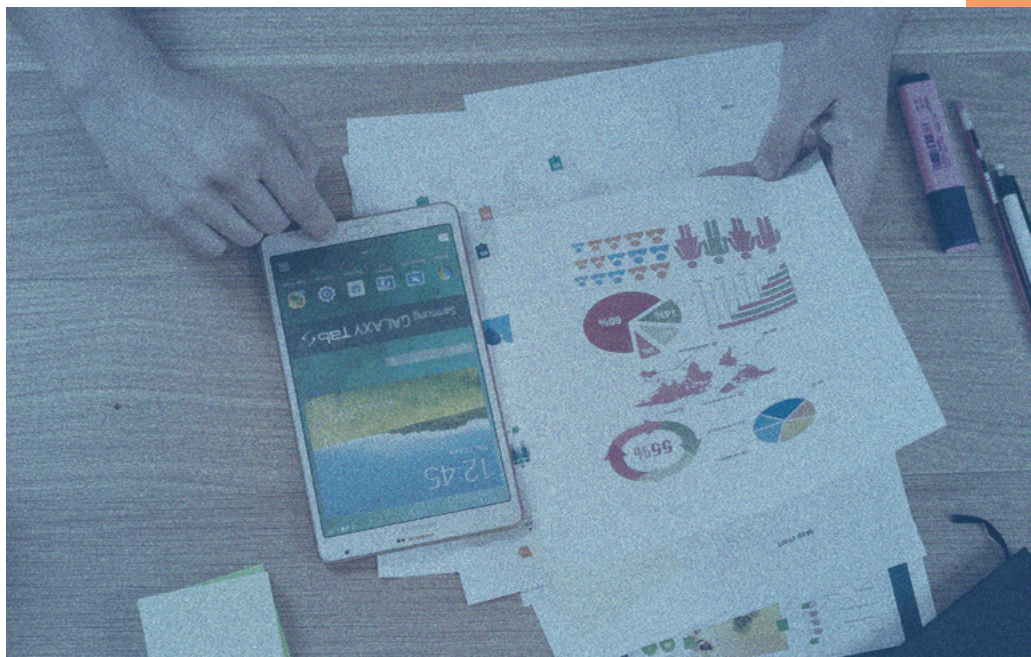


## **INTERCEPTING, STEALING, AND THROWING AWAY OUR MONEY**

*(Mark Cunningham)*

Beacon adamantly opposes any tax dollars going to private sports stadiums, yet cities across the state participate in stealing tax dollars meant to fund roads, infrastructure, and public safety, giving it instead to millionaires and billionaires to build venues for their sports teams. The upfront “investment” by taxpayers is not the only way the government gives your money away; they also pay to maintain these stadiums well into the future. In 2017 alone, the Nashville Sports Authority spent over \$95 million to maintain and improve the Titans’ Nissan Stadium, the Predators’ Bridgestone Arena, and the Sounds’ First Tennessee Park, among other venues. The practice of subsidizing stadiums with taxpayer money is becoming less and less popular nationwide, yet the city of Nashville seems to have no plans of slowing down. As we start to have a discussion about a new MLS stadium, which will be heavily subsidized by taxpayers, it is time we take a stand and stop this corrupt and unethical practice. Hopefully the Nashville Sports Authority suffers the same fate as the Sports Authority franchise.

City of Nashville. “Capital Improvement Budgets: FY 2016-17 through FY 2021-22, adopted June 2016.” [https://www.nashville.gov/Portals/0/SiteContent/Planning/docs/CIB/July16Update/CIB\\_3\\_ProjectDetails.pdf](https://www.nashville.gov/Portals/0/SiteContent/Planning/docs/CIB/July16Update/CIB_3_ProjectDetails.pdf).



## JUST OUR TWO CENTS

*(Justin Owen)*

Even before it became law, Beacon was sounding the alarm about the state's TNInvestco scheme. In short, the state offers tax credits to insurance companies that give to 10 government-picked investment firms, which then invest a portion of that money in start-ups. Sounds dubious? It gets worse.

Not only shouldn't the government be spurring risky investments like these, little money actually got invested after those investment firms took a slice off the top. In the end, only \$117 million of the \$200 million forked over by taxpayers was actually invested in start-up companies. Yet, the 2017-2018 state budget continued to allocate the \$30 million annual payment to fully fund the program.

Worst of all, a November 2016 Comptroller audit found that the state has recouped a paltry \$5.3 million on our investment. That's a 2.6% return. No one in their right mind would trade a dollar for two cents, but Tennessee politicians made sure their constituents did. Too bad they didn't heed our two cents of advice when we told them TNInvestco was a loser all along. It would have been a lot cheaper.

State of Tennessee. "The Budget: Fiscal Year 2017-2018." p. B-328. <https://www.tn.gov/assets/entities/finance/budget/attachments/2018BudgetDocumentVol1.pdf>.

Jamie McGee, "State's TNInvestco gamble failing, FastTrack reporting flawed, audit finds." *Tennessean*. November 10, 2016. [https://www.tn.gov/assets/entities/governor/attachments/2017-18\\_Budget-Proposal-Volume-1.pdf](https://www.tn.gov/assets/entities/governor/attachments/2017-18_Budget-Proposal-Volume-1.pdf).



## DOUBLING DOWN ON FAILURE

(Mark Cunningham)

I think Einstein meant to use the word *government* not *insanity* in his famous quote, “The definition of insanity is doing the same thing over and over again, but expecting different results.” There is nothing like doubling down on the single most embarrassing economic incentive handout in state history, which is exactly what the state did when it gave LG \$22.3 million to build a new plant in Clarksville on the site of the old Hemlock Semiconductor plant. As many of you remember, Hemlock was the company that took millions of tax dollars and then never even opened its doors. It’s worth noting that the \$22 million that LG is getting from state taxpayers is in addition to the \$1.6 million the city of Clarksville and federal government kicked in. This gigantic taxpayer handout is infuriating and shows how tone-deaf our government really is.

“Gov. Haslam’s Tennessee budget update includes \$50 million for new state library.” *Times Free Press*. April 25, 2017. <http://www.timesfreepress.com/news/politics/state/story/2017/apr/25/gov-haslams-tennessee-budget-update-includes-50-million-new-state-library/424817/>.

Jimmy Settle, “Industrial Development Board signs off LG facility in Clarksville.” *The Leaf-Chronicle*. March 8, 2017. <http://www.theleafchronicle.com/story/news/2017/03/08/idb-signs-off-agreements-lg-electronics/98899134/>.





## A SWIFT KICK IN THE GLUTEN

(Justin Owen)

In early 2015, Canadian company Pure Foods, which makes gluten-free snacks, announced it was creating 273 jobs as part of an 83,000 square foot U.S. headquarters in Kingsport, Tennessee. As part of the deal, the state Department of Economic and Community Development chipped in \$1.2 million through the Kingsport Economic Development Board (KEDB). But barely a year after the company's ribbon cutting, Pure Foods filed for bankruptcy. The sweetheart deal didn't even last long enough for the snacks to get stale, but it sure left a bad taste in taxpayers' mouths.

This isn't the first time KEDB has wasted our tax dollars. A year before the Pure Foods deal, KEDB spent \$2.6 million to buy and lease land to the Heritage Glass company. One year later, the company shuttered. Most of the time, corporate handouts involve government picking winners to receive handouts, leaving those companies' competitors as the losers. It seems like KEDB is always betting on the losers.

Matthew Lane, "Snack company bringing nearly 300 jobs to Kingsport." *Kingsport Times News*. March 18, 2015. <http://www.timesnews.net/News/2015/03/18/Snack-company-bringing-nearly-300-jobs-to-Kingsport>.

Hank Hayes, "Pure Foods files for Chapter 11 bankruptcy." *Kingsport Times News*. February 7, 2017. <http://www.timesnews.net/Business/2017/02/07/Pure-Foods-files-for-Chapter-11-bankruptcy>.

Hank Hayes, "Heritage Glass suspends operations." *Kingsport Times News*. May 27, 2015. <http://www.timesnews.net/News/2015/05/27/Heritage-Glass-suspends-operations>.



## STICK A FORK IN HER, SHE'S DONE

(Justin Owen)

As part of a renovation of the Mississippi River waterfront, Memphis city officials thought it would be a good time to get into the highly cutthroat restaurant business. What could go wrong? Well, quite a bit actually. The taxpayer-funded Riverfront Bar and Grill lost \$90,000 in its first full year of operations and even had to temporarily close down this past winter. Restaurants have a notoriously high failure rate, and it looks like government-run restaurants fare even worse. It wouldn't be surprising if we report next year that the Riverfront Bar and Grill's goose has been cooked. The old adage goes that if a business can be found in the Yellow Pages, government shouldn't get into that business. Given the recent track record in Memphis, it looks like that saying should also apply to Yelp.

Tom Charlier, "RDC rethinks Beale Street Landing restaurant." *Commercial Appeal*. February 3, 2017. <http://www.commercialappeal.com/story/news/government/city/2017/02/03/riverfront-development-rethinks-beale-st-landing-eatery/97289410>.



## THE WATERPARK EARMARK

(Mark Cunningham)

Despite working in the field of public policy and seeing the way the government wastes money, sometimes there are examples of government waste that just leave me speechless. That was exactly how I felt when I found out that the city of Nashville was going to give \$14 million to the Opryland Hotel to build a waterpark exclusively for hotel guests. That's right; Nashville taxpayers are funding a waterpark that they can't even access. This is one example of corporate welfare that got everyone fired up regardless of political affiliation. In fact, 94% of the nearly 500 Tennesseans we polled disapproved of tax dollars going to the project. This was a complete boondoggle by Nashville and hopefully the negative press the city got from this awful deal will discourage it from wasting our money so obviously in the future.

Liz Lohuis, "Taxpayers could foot bill for private Opryland water park." WSMV News. Posted February 22, 2017. Updated March 8, 2017. <http://www.wsmv.com/story/34580165/taxpayers-could-foot-bill-for-private-opryland-water-park>.

# CORRUPTION

One issue that people of all political stripes can agree on is that corruption is a problem both in Tennessee and nationally. The goal of the *Pork Report* is to shine light on some of the worst examples of corruption in the state, putting pressure on government at all levels to stamp it out and better protect taxpayers.

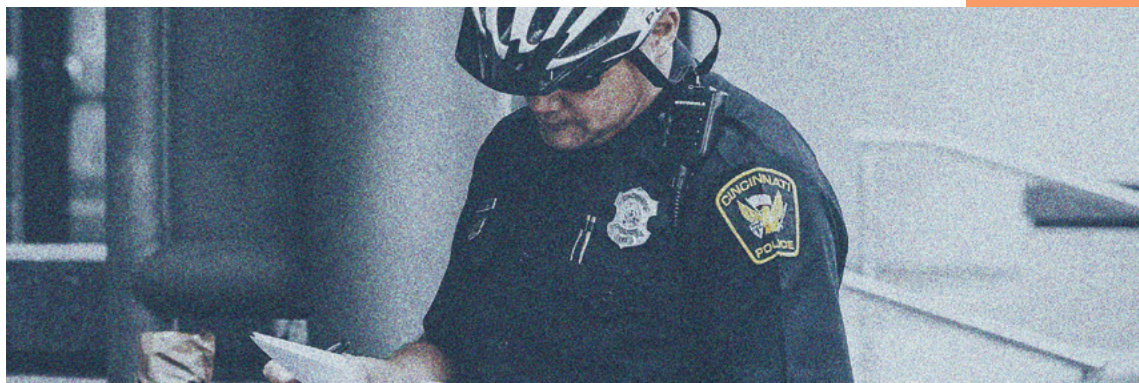
## GIB ME A BREAK

*(Hannah Cox)*

It's bad enough that the state of Tennessee condones civil asset forfeiture in the first place, a policy that allows police officers to seize the private property of someone they suspect of involvement in a crime without a conviction or even charges required beforehand. But to make matters worse, the Gibson Police Department was busted for not complying with the few and very basic procedures governing this roadside piracy. The violations are numerous. The former police chief failed to ensure forfeiture warrants were obtained before seizing vehicles, the department neglected to file the seizure forms or negotiate and enter settlements for the return of vehicles to owners, and officers even demanded donations to the town drug fund as a condition of returning property on at least two occasions (despite the fact that the cars were illegally seized in the first place). On top of that, officers kept and impounded vehicles for extended periods of time without officially seizing them, and the storage costs of vehicles were left unmonitored, resulting in a \$13,000 storage fee bill for the town. Police departments are allowed to pad their pockets with the profits of their seizures under this practice, but even that wasn't enough for the grabby Gibson PD.

The police chief also ran an unregistered drivers education course, allowing traffic offenders to pay \$50 plus court costs to attend the class, which was frequently little more than a short video, in exchange for having their citation dismissed. Perhaps all this chaos was due to the fact that the chief was ducking out early; town officials observed him working close to only half the 40 hours a week he was clocking on his timecard. He had a full plate, as he was also being paid a full-time salary to teach at the local school and coach football. But more likely, this is just another case of greedy public officials breaking the rules they imprison others for not following.

State of Tennessee. Comptroller of the Treasury. "Special Investigation, Gibson Police Department." January 26, 2017. <http://www.comptroller.tn.gov/repository/ia/gibsonpd.pdf>.







## **TAKING CANDY FROM A BABY**

*(Hannah Cox)*

All About Giving, Inc., a nonprofit that was supposed to administer meals to children in residential day care homes through a program under the Department of Human Services (DHS), received \$2.2 million in reimbursement funds for claims submitted to DHS between February 2015 and June 2016. The problem? The organization, which operated from private residences in Nashville and Knoxville, was not monitored as required by law, thereby allowing an astonishing amount of fraudulent activity to occur. An investigation by the Comptroller found thousands of dollars in overdraft charges, inexplicable large cash withdrawals, and practically no documentation for \$230,000 of disbursements. But that's not all. Of the 72 feeding sites the company claimed to service, several appeared to belong to family members of the CEO and 23 were never verified by DHS at all. Upon examination, 15 of those turned out to be apartment buildings with no daycare centers and eight were locations with no dwelling of any type. Fortunately, the CEO of the nonprofit, LaShane Hayes, was charged and pled guilty to conspiracy and wire fraud in federal court, but that still won't bring back the \$2 million in taxpayer money that was meant to feed hungry children.

State of Tennessee. Comptroller of the Treasury. "Comptroller's Investigative Report, All About Giving, Inc." February 23, 2017. <http://www.comptroller.tn.gov/repository/ia/allaboutgiving.pdf>.



## SHOTS FIRED

(Hannah Cox)

A Franklin-based chain of pain management clinics by the name of MedManagement Inc., or MMI, allegedly submitted \$7 million worth of fraudulent claims to TennCare over an 11-year period, resulting in a recent lawsuit against the company by the state attorney general. The firm, which was run by Michael Kestner and Dr. Lisabeth Williams, oversaw at least 18 clinics in the state, at which clinicians conducted a fraudulent scheme that involved regularly subjecting patients to unnecessary medical procedures. The lawsuit alleges the company received at least six times the proper reimbursement amount due to the fraudulent claims. To make matters worse, emails prove the owners were well aware of the false claims, offering clinicians financial bonuses and even threatening termination if clinics didn't perform more procedures. State attorneys say that providers were coerced into performing more procedures, and say Kestner sent weekly emails comparing the volume of clinics' routine visits. The state is seeking civil penalties in addition to \$7 million in damages in its lawsuit against the chain. Though the owners clearly didn't care about their patients' pain, let's hope this lawsuit serves enough financial pain to teach them a lesson.

Holly Fletcher, "State sues pain clinic for alleged TennCare fraud." *Tennessean*. May 11, 2017. <http://www.tennessean.com/story/money/industries/health-care/2017/05/11/state-sues-pain-clinic-alleged-tenncare-fraud/317679001/>.

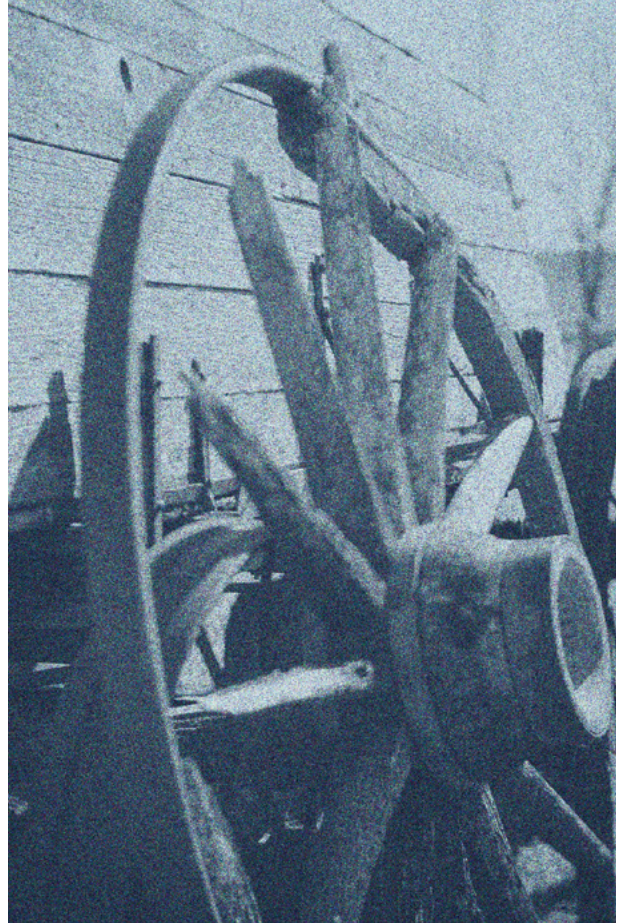


## PLEASE RETIRE...TO THE CONFERENCE ROOM DOWN THE HALL

(Justin Owen)

Usually when someone retires, they actually leave the building. Not so for longtime executive director of the Tennessee State Museum, Lois Riggins-Ezzell. After serving as the museum's head since 1981, Riggins-Ezzell announced her retirement in 2016. But instead of riding off into the sunset, she didn't even leave the office. She was promptly hired by the museum's nonprofit foundation arm at a salary of \$40,000 to help raise money for a new museum building, setting up shop in the museum's conference room. Hopefully she can put a dent in the total cost of the new building, which is slated to cost taxpayers \$120 million in public funds (earning it an entry in the 2015 *Pork Report*). Along with her public pension, Riggins-Ezzell now rakes in more than her former salary of \$90,000. That's one heck of a retirement plan.

Cari Wade Gervin, "Riggins-Ezzell to work for foundation." *Nashville Post*. October 26, 2016. <http://www.nashvillepost.com/politics/state-government/article/20838328/riginsezzell-to-work-for-foundation>.



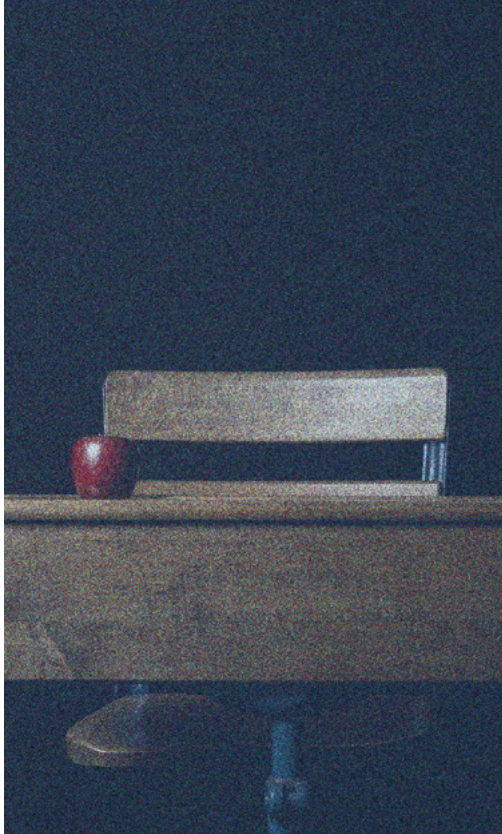
## FOOD FOR THOUGHT

(Lindsay Boyd)

Kingdom Dominion Worldwide Ministries is charged with overseeing the Summer Food Service Program for Children, but instead of feeding our young, one Kingdom employee decided to feed her pocketbook instead. According to a Comptroller's report, the aforementioned employee not only diverted \$160,000 from the program's account, but falsified a story about a phantom flood that destroyed all relevant records of any food being purchased and yet managed to leave no trace of water damage.

State of Tennessee. Comptroller of the Treasury. "Kingdom Dominion Worldwide Ministries, Inc., Special Investigation." May 2, 2016. <http://www.comptroller.tn.gov/repository/fia/kingdomdominionworldwideministries.pdf>.





## TAXPAYER FRUSTRATION IN MASON

(Lindsay Boyd)

If you're ever looking for some easy money without much accountability and the opportunity to get creative about how you earned it, look no further than the city of Mason and the office of the superintendent. Are you good with a mower and can of mosquito spray? The going rate for a superintendent with these added skills in Mason was apparently more than \$75,000 in taxpayer dollars. Want to earn even more? How about selling back your accrued vacation and sick leave (without municipal authorization, of course), inflating your hours of work to total over 110 per week, and skimming some additional compensation from local taxpayer funds, meant to serve children, for a grand total of over \$600,000. From 2007-2015, the Mason superintendent did just that. Unfortunately for him, but fortunately for taxpayers, his scheme was eventually unearthed by the state Comptroller. Hopefully the city of Mason won't have to learn this costly lesson in oversight twice.

State of Tennessee. Comptroller of the Treasury. "Town of Mason, Investigative Report." July 19, 2016. <http://www.comptroller.tn.gov/repository/ia/masonfinal.pdf>.

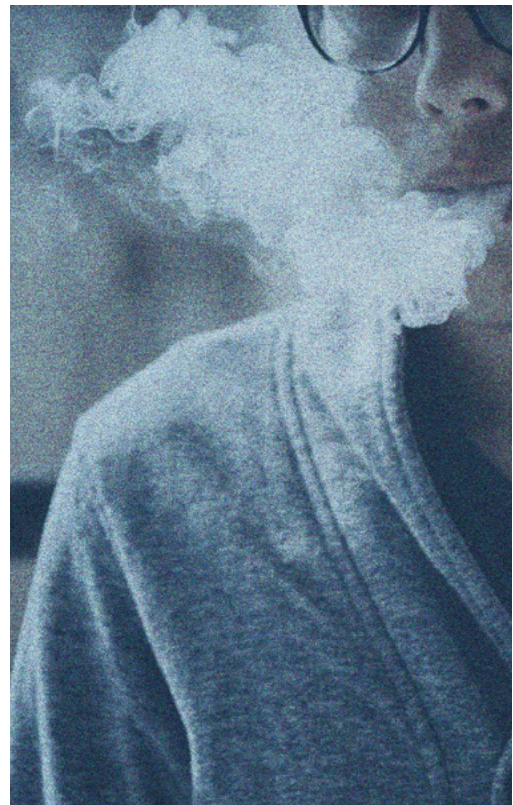
## THE JIG IS UP ON JAILCIGS

(Lindsay Boyd)

The former sheriff of Rutherford County is in for a real role-reversal over the next four years. His guilty plea to wire fraud, honest services fraud, and extortion represent just three of the fourteen federal grand jury indictments in the spring of 2016 that accused the sheriff, his uncle, and his administration chief of illegally profiting off their captive inmate audience through the selling of products from their JailCigs business that's registered in Georgia under the uncle's name.

All told, the state Comptroller found that JailCigs issued checks to the sheriff and his wife totaling \$65,000, as well as to the administration chief totaling \$52,000. These came after each of them had issued a \$3,000 personal check, supposedly for an "investment" in JailCig. We hope the sheriff and his cronies like their views from the other side.

State of Tennessee. Comptroller of the Treasury. "Rutherford County Sheriff's Office, Investigative Report." November 16, 2017. <http://www.comptroller.tn.gov/repository/ia/rcsofinal.pdf>.



# STATE PARKS & TOURISM

Excessive and unnecessary spending on tourism and state parks continues to be a theme in Tennessee. It is important that taxpayers see exactly how their money is being spent on these services, because while they might be for spending on tourism and state parks generally, the amount of waste in these programs is astonishing.



## THE PARIS OF THE SOUTH

*(Lindsay Boyd)*

Typically a visit to a state park would not include luxury lodgings, but rather inspire visitors with the beauty of their surroundings. Not so in Tennessee anymore. The state's plan to swap Buchanan's Paris Landing Inn and replace it with a posh new restaurant, guest lodgings, and conference center will surely be grand, but so is the cost to taxpayers—\$23 million, brought to you courtesy of the state's new investments in "environment and conservation" projects. In total, these will cost Tennesseans nearly \$60 million this year alone. Is one of the merits of the state park system to build appreciation for the natural wonders of the Volunteer State or to leave us in awe of the millions of dollars spent on structures therein?

State of Tennessee. "The Budget Fiscal Year 2017-2018." p. A- 133. <https://www.tn.gov/assets/entities/finance/budget/attachments/2018BudgetDocumentVol1.pdf>.



## HORTON HEARS A HOAX

*(Mark Cunningham)*

When you think of the role of government, most people think of the essentials. Things like roads, infrastructure, public safety, and of course managing and maintaining hotels and restaurants to compete against private business. If that last point isn't part of your definition of vital services, then don't expect to ever get a job working for the Tennessee government. In this year's budget, the state allocated a whopping \$10 million of taxpayer money to tear down and rebuild the Henry Horton Inn and Restaurant. At some point the taxpayers need to say enough is enough when it comes to the government getting into the private sector. We do not pay our taxes to fund restaurants and hotels; we pay them to fund vital services. Not only is this specific instance a total misuse of taxpayer money, but it makes you wonder what private industry the government will get into next.

State of Tennessee. "The Budget Fiscal Year 2017-2018." p. A- 133. <https://www.tn.gov/assets/entities/finance/budget/attachments/2018BudgetDocumentVol1.pdf>.





## A HEAVY LIFT FOR TAXPAYERS

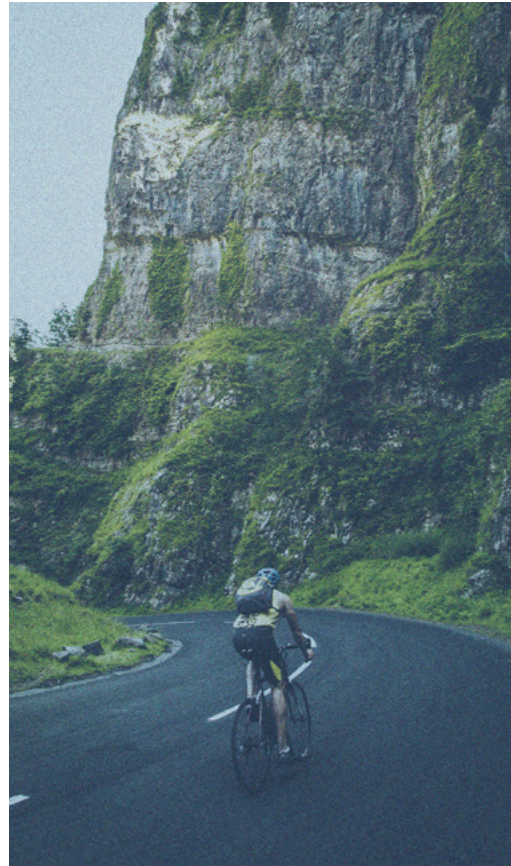
*(Justin Owen)*

Chattanooga proudly boasts about its successful IRONMAN competition, and rightly so. The city notes that it is the only one in the world to host all three major IRONMAN events, and that its inaugural event sold out in just three minutes. Any event that successful could easily stand on its own. But city officials disagreed, allocating a whopping \$225,000 in taxpayer money to fund the event in its 2016-2017 budget.

The goal of events such as IRONMAN is to be successful and rake in a handsome profit for doing so. And it works quite well. The World Triathlon Corporation that puts on IRONMAN events was worth a staggering \$650 million as of 2015. The Chattanooga event alone hauls in \$10 million a year. Why then should taxpayers do the heavy lifting by subsidizing an already successful event? Maybe just so the local politicians can take credit for something they really didn't do.

City of Chattanooga Budget: 2016-2017. p. 31A. [http://www.chattanooga.gov/images/citymedia/finance/Budget2017/Proposed\\_Budget\\_2017pdf](http://www.chattanooga.gov/images/citymedia/finance/Budget2017/Proposed_Budget_2017pdf).

"Wanda Group acquires World Triathlon Corporation for \$650 million." Cision PR Newswire. August 26, 2015. <http://www.prnewswire.com/news-releases/wanda-group-acquires-world-triathlon-corporation-for-650-million-300134013.html>.



## TOURISM IS TAXING

*(Jason Edmonds)*

Although it may seem paradoxical that the state would pour money into tourism while hiking taxes on lodging for out-of-staters, we have come to understand that government is willing to openly contradict itself if only for the justification of spending more taxpayer dollars. Memphis has raised hotel taxes to give projected grants and subsidies totaling \$4.2 million to the Memphis/Shelby County Sports Authority Board, whose primary function is to manage the debt and improvements to the FedEx Forum where the Memphis Grizzlies play. If government truly wanted to foster tourism in Memphis, it would endeavor to understand that tax burdens fall primarily on those visiting the state, not just those in town for a single Grizzlies game.

The City of Memphis Adopted Operating Budget: 2017. p. 69. [http://www.memphistn.gov/Portals/0/pdf\\_forms/FY2017\\_adopted\\_OP/GFOA\\_Section.pdf](http://www.memphistn.gov/Portals/0/pdf_forms/FY2017_adopted_OP/GFOA_Section.pdf).



## THE BEST CREDIT MONEY CAN BUY

*(Justin Owen)*

Five years ago, the state established a tourism marketing task force to help promote the state as a tourist destination. After shelling out almost \$32 million—including a \$5.9 million allocation in this year’s budget—there has definitely been an uptick in people visiting our fair state. But a deeper dive into the annual budget for the task force compared to the subsequent year’s tourism revenue shows no correlation between the two. Tourism dollars spent in Tennessee continue to climb steadily year over year, while the annual disbursement to the marketing task force has fluctuated by as much as a couple million dollars a year. Even in years when the state spent less, tourism continued to climb.

This is a prime example of press release economics, whereby the state will take credit for its “investment” of taxpayer money in tourism, and voila, tourism spending went up. But that doesn’t mean that tourism is climbing because of those taxpayer handouts. The Volunteer State is an attractive place to spend a vacation and will continue to be a tourist magnet for years to come. We don’t need politicians handing out our residents’ tax dollars just so they can take credit for it.

State of Tennessee. “The Budget: Fiscal Year 2017-2018.” p. xxiv. [https://www.tn.gov/assets/entities/governor/attachments/2017-18\\_Budget-Proposal-Volume-1.pdf](https://www.tn.gov/assets/entities/governor/attachments/2017-18_Budget-Proposal-Volume-1.pdf).



# MISAPPROPRIATION

Sometimes the government spends money on programs or items that make taxpayers scratch their heads. The misappropriation section of the *Pork Report* will detail these expenditures, leaving taxpayers confused and angry.



## **TAKING TAXPAYERS TO THE CLEANERS**

*(Jason Edmonds)*

The Tennessee Dry Cleaners Response Fund to the rescue! What may sound like a knock-off superhero group is actually a state program. With three superheroes...err employees...and a payroll of \$493,800, the program is designed to oversee and clean up of any solvent spills at dry cleaners. Considering dry cleaner solvents are reusable, federal regulations already govern how they can be used and disposed of, and the state charges a surcharge of up to \$15 per gallon of solvent, it is in the best interest of the operators to minimize risk and loss of solvent. But that didn't stop the state from starting the Response Fund and giving it a budget of \$1.4 million. Speaking of funds, each dry cleaner operator pays up to \$2,500 a year to register with the state; when you include those solvent surcharges, it adds up quickly. So, next time you go pick up some items at the dry cleaners and the cost is more than usual, you can thank the Dry Cleaners Response Fund.

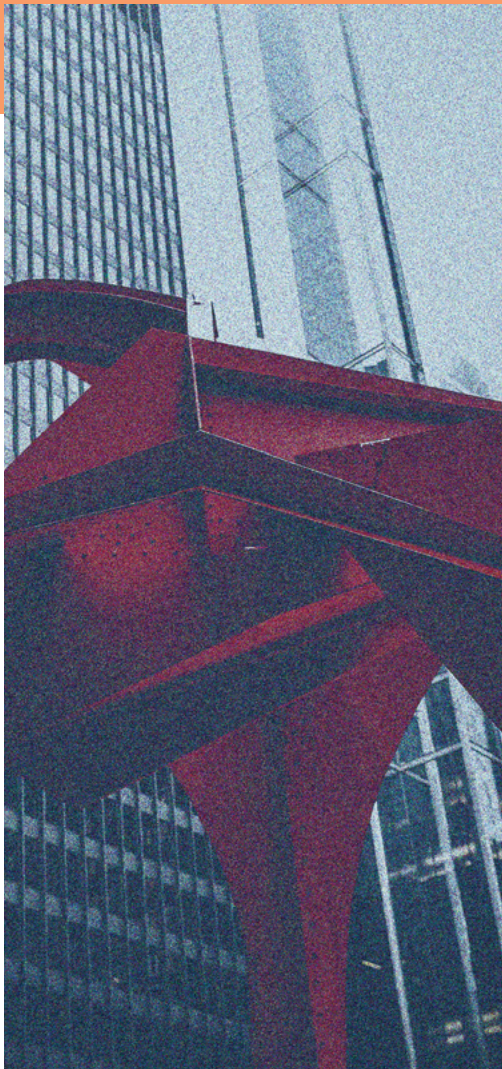
TN Department of Environment & Conservation. "Current Forms and Fees for Drycleaners." <http://www.tn.gov/environment/article/rem-drycleaning-current-fees-and-forms>.

## GOING GREEN BY SPENDING GREEN

*(Jason Edmonds)*

This year, Knoxville earmarked \$500,000 to create bike paths in order to promote a green and dynamic city “that embraces urban life.” The city wishes to foster a web of “buffered bike lanes” spanning 15.4 miles. Although half a million dollars may seem like a steep price to pay for a small lane addition to local roads, the city already plans over \$10 million in 2017 on sidewalk refurbishing and city street resurfacing, so there is little incentive for the city government to rein in its spending.

City of Knoxville FY Operating Budget: 2017-2018. p. 52. [http://www.knoxvillemn.gov/UserFiles/Servers/Server\\_109478/File/Finance/Budget/2017/20172018budgetsummary.pdf](http://www.knoxvillemn.gov/UserFiles/Servers/Server_109478/File/Finance/Budget/2017/20172018budgetsummary.pdf).



## I AM BROKE

*(Lindsay Boyd)*

What began as a well-intentioned project to commemorate Tennessee history and progress resulted in a wringing of Tennessee tax dollars\*. In 2018, Memphis is set to become the site of one of Tennessee’s most expensive arts project to date. Facilitated through the UrbanArt Commission, “I am a Man” will cost taxpayers a whopping \$700,000. While the project is meant to be a tribute to Martin Luther King, Jr. on the 50th anniversary of his death and a reflection upon Memphis’ storied past, a Los Angeles artist was ultimately granted the commission for the project. Not only did the state outsource taxpayer dollars to an out-of-state artist, but such extravagant expenses will almost assuredly incentivize future artists interested in state-commissioned works to disregard any concerns for the costs.

April Thompson, “‘I Am a Man’ art project in Memphis awarded to a Los Angeles artist over any Memphis artist.” News Channel 3. June 13, 2017. <http://wreg.com/2017/06/13/california-artist-gets-contract-to-design-i-am-a-man-plaza-in-memphis/>.

\*This entry has been amended from an earlier version due to unclear language.





## PROMISE THIS WILL COST YOU

*(Hannah Cox)*

Last year, Gov. Bill Haslam unveiled his Tennessee Promise and Tennessee Reconnect programs intended to eliminate community college tuition for high school graduates and adults in the state. The goal of the program was to target first generation college students, upcoming high-school seniors, and adults who were economically stagnant in the job market with the hopes of creating a more educated workforce for Tennessee's employers and better economic prospects for the state's lower-income individuals. Despite millions of dollars spent in advertising the program and the opportunity of a tuition-free education, the programs experienced lower than anticipated enrollment numbers, causing directors to examine possible deterrents to participation and issue an ensuing report. The remaining barriers for would-be students were numerous, including transportation issues, "inflexible" class schedules, and lost work time. The findings of the report beg the question: Do state leaders think it is also the taxpayers' responsibility to compensate college students while they are in school or pay for their transportation? Let's hope not, but we aren't making any promises.

Adam Tamburin, "Free tuition isn't enough to get many Tennessee students to go to college, report finds." *Tennessean*. June 19, 2017. <http://www.tennessean.com/story/news/education/2017/06/20/free-tuition-isnt-enough-get-many-tennessee-students-go-college-report-finds/409566001/>.

# GOVERNMENT DOES NOT CREATE JOBS

The government seems to be ineffective or inefficient at nearly every job it does, so why not add “creating jobs” to that list. Despite what politicians say, it is not the government’s role to create jobs in the private sector. Rather, it is the government’s job to create good tax and business conditions so that businesses will open and expand in the state.



## SUMMER OF SCAM

(Mark Cunningham)

One of the initial focus areas for Nashville Mayor Megan Barry was making sure teens and young adults get could summer jobs. While the goal is noble, the overreach of the city government is unacceptable, the price tag is absurd, and the ineffectiveness is startling. The project, Opportunity Now, has been an abysmal failure, yet will still cost taxpayers more than \$6.5 million over the next two years. Despite the fact that the city took care of payroll for this program, to date only about 2,000 people have participated, which is just 20% of the goal that Mayor Barry set out to achieve. It is beyond words why the mayor thought that taking over \$6 million from Nashville taxpayers to pay teenagers to work at a private company for six weeks was a good idea or the role of government. Whether you are upset about the price tag of the program, the ineffectiveness of the program, or the overreach of government, Opportunity Now is a failure by any standard.

Jamie McGee, "Mayor's Opportunity NOW adds to youth employment." *Tennessean*. Published June 16, 2017. Updated June 19, 2017. <http://www.tennessean.com/story/money/2017/06/16/need-better/381451001/>.



## JOBS4TN, BUT NOT FOR TOMORROW

(Samuel Postell)

Once again, Tennessee is pouring dollars into the wasteful Jobs4TN program. "To continue the state's investment in creating new opportunities for Tennessee's workforce and to support the growth and retention of the state's base of traditional jobs," the state will be spending another \$60 million this year. Traditional jobs should be created the traditional way—through ideas and hard work—not through government handouts funded by taxpayer dollars. If state leaders wish to bolster job creation, they should just slash taxes for all businesses instead of picking winners and forcing the others to compete with favored companies as losers.

State of Tennessee. "The Budget Fiscal Year 2017-2018." p. B-313. <https://www.tn.gov/assets/entities/finance/budget/attachments/2018BudgetDocumentVol1.pdf>.

# FILM INCENTIVES

One of the worst uses of taxpayer money is spending it on film incentives. Film incentives are not only outside of the scope of what government should be doing, but they are also ineffective, have a terrible return on investment, and are just a flat-out waste of taxpayer money. That is why many states are cutting back or completely defunding their film incentive programs. Hopefully, Tennessee will be next.



## **SOMEBODY CALL CUT!**

*(Hannah Cox)*

In 2006, Tennessee established the Film and Television Incentive Fund, which provides grants to encourage the production of films, movies, and television shows in the state. To be eligible, such productions must meet criteria established by the Film, Entertainment, and Music Commission—well, supposedly that’s the case. A study of the program from 2008-2016 found laughable statistics behind the \$63.5 million that was given to a total of 66 projects during those years. Among the recipients, one program was cancelled after two seasons, another after only one, and yet another was given money for its last season before cancellation—not to mention the incident with the TV program *Nashville* that we’ll get to here in a bit. Also among the programs receiving taxpayer dollars were a film that was only sold on DVD bringing in a cool \$10,060 return in exchange for the \$62,058 it received from the state, a pilot for a TV show that was shot twice but never aired, and a commercial for a private company. But perhaps the most ridiculous projects were the seven films that brought in less at the box office than they received in incentives from the state. There are already enough bad TV shows and movies without the taxpayers needing to subsidize more. It’s time Tennessee calls “cut!” on this program.

State of Tennessee. “The Budget: Fiscal Year 2017-2018.” p. B-327. [https://www.tn.gov/assets/entities/governor/attachments/2017-18\\_Budget-Proposal-Volume-1.pdf](https://www.tn.gov/assets/entities/governor/attachments/2017-18_Budget-Proposal-Volume-1.pdf).



## MONEY DOWN THE TUBE

(Hannah Cox)

While the above examples are excruciating, nothing compares to the debacle of the TV show *Nashville*, probably the most well-known recipient of Tennessee's numerous film subsidies. We at Beacon called out the show's excessive handouts on numerous occasions during its original four-season run. Last year, it seemed there was finally light at the end of the money pit tunnel, as ABC cancelled the program due to deservedly poor ratings. But a cancellation, poor ratings, and the show's relocation to a barely watched cable channel were still not enough to dam up the floodgates of taxpayer handouts. Tennesseans ended up forking over nearly \$11 million to float the fifth season of *Nashville* on CMT, with \$8.5 million coming from the state's film program, \$1 million from a direct grant from the city of Nashville, and \$1 million from the Convention and Visitors Bureau and the city's Event and Marketing Fund. Though Nashville's mayor called the show the greatest advertising tool Music City has ever seen, it's hard to imagine that taxpayers won't be singing the blues while watching their money go down the tube.

Heather Hourigan, "Taxpayers paying to keep 'Nashville' on air." *WSMV.com*. June 16th, 2016.  
<http://www.wsmv.com/story/32243665/taxpayers-paying-to-keep-nashville-on-the-air>.





## **MEMPHIS FILM AND TAPE INITIATIVE: TAKE TWO**

*(Jason Edmonds)*

In 2017, Memphis taxpayers will be footing a \$175,000 bill to incentivize filmmakers to bring their sets into the city. The incentive covers up to 25% of the costs of production for films produced in the city. While they are fashioned to benefit Tennessee residents who act in these films, sadly the past years have shown that the administration responsible for incentivizing the employment of Tennessee actors has not provided adequate oversight. If we are going to lead Tennesseans' to substantive long-term employment, it cannot be on the backs of their fellow citizens and taxpayers. Government handouts and bureaucracy rarely solve unemployment problems and spur the economy; its work in the arts and film is no different.

"Tennessee Film, Entertainment, and Music Commission, Performance Audit Review."  
June 2017. <http://www.comptroller.tn.gov/repository/SA/pa17260.pdf>.





# CONCLUSION

The *Pork Report* seeks to expose the layers of abusive government practices to motivate government and the public alike to pursue reforms that return accountability to the state and local levels. To this end, we encourage state and local officials to take action in ways that promote transparency and responsible stewardship of taxpayer dollars. We hope that these efforts produce a government appropriately limited in scope and more accountable to the taxpayers who fund it.

Each year, we look forward to an opportunity to retire the *Pork Report* due to the transparent and responsible practices our governments adopt; sadly, we remain in business. Could 2018 be the year we finally say goodbye to this level of waste, fraud, and abuse and to this infamous publication? Only time will tell.



# 2017 PORK REPORT



The Beacon Center empowers Tennesseans to reclaim control of their lives, so that they can freely pursue their version of the American Dream.