

COST OF DOING BUSINESS COMPARISON TENNESSEE AND CALIFORNIA



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TENNESSEE ACCOLADES

- *Business Facilities* ranked Tennessee **#3 in the nation for Best Business Climate** in their 16th annual State Rankings Report released in July 2020. The state also ranked well in these additional categories:
- Tennessee ranks **#4 for advanced industry job growth** as a percent (40%) in the last 10 years (2010-2020).
- Tennessee has the **lowest state debt per capita** in the nation according to Tax Foundation's annual Facts & Figures report. (March 2020)
- Tennessee ranked **#2 for foreign direct investment (FDI)** job commitments in 2018 according to the *Global Location Trends report*.
- *Area Development* released its Top States for Doing Business Rankings in September 2020, ranking Tennessee **#2 in the nation for Doing Business**. The state was well represented in the many other categories:
 - > #1 – Energy Availability and Costs
 - > #1 – Site Readiness Program
 - > #2 – Favorable Regulatory Environment
- *Site Selection* ranked Tennessee **#1 for Workforce Development in the South Central region**. (January 2021)

STATE OF TENNESSEE

Department of Economic and Community Development
Center for Economic Research in Tennessee (CERT)

JANUARY 2021



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REGIONAL STATISTICS

CHARACTERISTIC	TENNESSEE		CALIFORNIA	
Population				
2020 Estimate	6,884,132		39,747,838	
2025 Projection	7,101,531		40,430,312	
Projected Growth 2020-2025	3%		2%	
Job Growth (2015-2020)	8%		9%	
Labor Force	3,460,413		18,889,070	
Employed	3,278,073		17,346,953	
Unemployed	182,340		1,542,117	
Unemployment Rate	5.3%		8.2%	
2020 Estimated Population Age 25-64	3,578,276		20,742,083	
% of 2020 Estimated Population Age 25-64	52.0%		52.2%	
Educational Attainment (Population Age 25-64)				
High School Graduate (Includes Equivalency) or Higher	3,104,639	89.1%	17,498,312	83.7%
Associates Degree or Higher	2,000,702	57.4%	13,225,301	63.3%
Bachelor's Degree or Higher	980,952	28.1%	7,077,687	33.9%

Sources:

- (a) Population Estimates: Economic Modeling Specialists Intl.
- (b) Labor Force Estimates (November 2020): BLS LAUS, Seasonally Adjusted
- (c) Estimated Population by Sex and Age 25-64: Economic Modeling Specialists Intl.
- (d) U.S. Census Bureau, American Community Survey, 2018 One-Year Estimates

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TAX BURDEN AND FISCAL RESPONSIBILITY

DUAL ENROLLMENT COURSE INCREASE

MOODY'S	STANDARD & POOR'S	FITCH
Aaa	AAA	AAA

Source: Moody's Credit Ratings, Standard & Poor's and Fitch

2020 BUSINESS TAX CLIMATE INDEX RANKINGS (RANK OF 1 IS MOST FAVORABLE)

STATE	OVERALL RANK	CORP. TAX	IND. INCOME TAX	SALES TAX	UNEMP. INSU. TAX	PROPERTY TAX
Tennessee	18	24	8	47	24	31
California	48	28	49	45	22	16

STATE AND LOCAL TAX BURDEN

STATE	TAX BURDEN AS A % OF STATE INCOME	TOTAL TAXES PAID PER CAPITA	RANK (1 IS HIGHEST BURDEN)
Tennessee	7.3%	\$2,805	49
California	11.0%	\$5,237	4

STATE AND LOCAL TAX BURDEN

STATE	STATE DEBT PER CAPITA	RANK (1 IS HIGHEST DEBT)
Tennessee	\$929	50
California	\$3,742	20

Source: The Tax Foundation Facts and Figures 2020

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TAX SUMMARY

	TENNESSEE	CALIFORNIA
CORPORATE INCOME (EXCISE) TAX AND FRANCHISE TAXES	<p>Corporate Income Tax Rate: 6.5%</p> <p>Franchise Tax: 0.25% of the greater of net worth or real and tangible property</p>	<p>Corporate Income Tax Rate: 8.84%</p>
INDIVIDUAL INCOME TAX	<p>Tennessee does not impose an income tax on wages.</p>	<p>California imposes a personal income tax on wages, with rates ranging from 1.0% - 13.3% depending on income.</p>
SALES TAX	<p>State sales tax rate: 7% (4% on food)</p> <p>Local rates range from: 0.0% to 2.75%</p>	<p>State sales tax rate: 7.25%</p> <p>Local sales tax rates range: 0.1 to 1.0%</p> <p>Some local rates include multiple districts raising the state and local tax rates to up to 10.5%.</p>
PROPERTY TAX	<p>Property is taxed at the local level</p> <p>State and Local Property Tax Collections per capita: \$876 (FY17)</p>	<p>Property is taxed at the local level and collected by local governments</p> <p>Property Tax collections per capita: \$1,607 (FY17)</p>
UNEMPLOYMENT INSURANCE TAX	<p>Taxable wage base: \$7,000</p> <p>New employer rate: 2.7%</p> <p>Experienced rate range: 0.01% - 10.0%</p>	<p>Taxable wage base: \$7,000</p> <p>New employer rate: 3.4%</p> <p>Experienced rate range: 1.5% - 6.2%</p>

CONTACT

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CORPORATE INCOME, EXCISE AND FRANCHISE TAXES

TENNESSEE	<p>Excise Tax (TN Code § 67-4-2007)</p> <ul style="list-style-type: none">• Tax rate is 6.5%• Tax is based on the net earnings of the company derived from doing business in Tennessee• No throwback provision – sales outside of Tennessee are not taxed• All capital losses are claimed in the year incurred• Net operating losses can be carried forward for 15 years; NOL for projects over \$100 million may be extended beyond 15 years <p>Franchise Tax (TN Code § 67-4-2104)</p> <ul style="list-style-type: none">• 0.25% of the greater of net worth or real and tangible property in Tennessee• For taxpayers filing on a separate entity basis, “net worth” is defined as the difference between a taxpayer’s total assets less its total liabilities.
CALIFORNIA	<p>Corporation Income Tax or Bank and Corporation Franchise Tax</p> <ul style="list-style-type: none">• The Franchise Tax Board administers an 8.84% tax (known as the “Bank and Corporation Franchise Tax”) on net corporate income.• California uses the unitary method to determine the portion of income reasonably attributable to this state and thus subject to• Corporations deriving income from sources both within and outside the state are required to report the income of all related business units in a combined report. The combined income derived from all business activity is apportioned to each state or nation using an apportionment formula.

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CORPORATE INCOME, EXCISE AND FRANCHISE TAX INCENTIVES

TENNESSEE

- **Jobs Tax Credit (TN Code § 67-4-2109)**

- Credit of \$4,500 per job to offset up to 50% of franchise and excise (F&E) taxes in any given year with a carry forward for up to 15 years.
- The company must create at least 25 net new full-time jobs within a 36 month period and invest at least \$500,000 in a qualified business enterprise.

- **Enhanced Job Tax Credit (TN Code § 67-4-2109)**

- Allows an additional annual credit for locations/expansions in designated Tier 2, Tier 3, and Tier 4 Enhancement Counties.
- Enhanced JTC can offset up to 100% of F&E liability.
- In Tier 2 counties: 3-year annual credit at \$4,500 per job with no carry forward. The company must create at least 25 net new full-time jobs within a 36 month period and invest at least \$500,000 in a qualified business enterprise.
- In Tier 3 counties: 5-year annual credit at \$4,500 per job with no carry forward. The company must create at least 20 net new full-time jobs within a 60 month period and invest at least \$500,000 in a qualified business enterprise.
- In Tier 4 counties: 5-year annual credit at \$4,500 per job with no carry forward. The company must create at least 10 net new full-time jobs within a 60 month period and invest at least \$500,000 in a qualified business enterprise.

- **Industrial Machinery Tax Credit (TN Code § 67-6-102)**

- Credit of 1% to 10% for the purchase, third party installation and repair of qualified industrial machinery.
- Manufacturing: includes purchases for machinery; apparatus and equipment with parts; appurtenances and accessories; repair parts and third party labor.
- Warehousing and distribution: includes material handling equipment and racking systems with a minimum \$10M capital investment within 36 months.
- Headquarters, call centers: includes computer; network; software or peripheral computer devices, purchased in making required capital investment for job tax credit.
- Credit has a 15 year carry-forward.
- The percentage of the credit allowed is dependent upon the investment made as follows:

Capital Investment	% of Credit
Less than \$100 million	1%
\$100 million	3%
\$250 million	5%
\$500 million	7%
\$1 billion	10%

- **No franchise tax on:**

- Finished goods inventory in excess of \$30 million may be excluded for manufacturers and distribution centers.
- Pollution control equipment is exempt.
- Property under construction and not being utilized is not included.
- Property rented from the industrial development corporation may be valued by capitalizing it on the books.

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CALIFORNIA

- California Competes Tax Credit
- California Research & Development Tax Credit
- California Film & Television Tax Credit
- New Employment Credit
- Other tax credits may be available

INDIVIDUAL INCOME TAX

TENNESSEE

- **Tennessee does not impose a personal income tax on wages (TN Code § 67-6-102)**
 - Signed into law in May 2017, the rate of the Hall income tax will be zero percent for tax years beginning on or after January 1, 2021.
 - It is the “legislative intent” that the tax rate be reduced by 1% annually starting in tax year 2016. It eliminates the tax entirely for 2022, regardless of whether the annual reductions occur.

CALIFORNIA

- California imposes a personal income tax on wages.
- California Personal Income Tax is levied by the Franchise Tax Board (FTB) on the income of California residents and on income that nonresidents derive within California.
- Rates range from 1.0% - 13.3% depending on level of income
 - Rate schedule:

Income	Tax Rate	Additional Tax Liability
\$0 - \$8,809	1.00%	\$0.00 + 1.00% of the amount over \$0
\$8,809 - \$20,883	2.00%	\$88.09 + 2.00% of the amount over \$8,809
\$20,883 - \$32,960	4.00%	\$329.57 + 4.00% of the amount over \$20,883
\$32,960 - \$45,753	6.00%	\$812.65 + 6.00% of the amount over \$32,960
\$45,753 - \$57,824	8.00%	\$1,580.23 + 8.00% of the amount over \$45,753
\$57,824 - \$295,373	9.30%	\$2,545.91 + 9.30% of the amount over \$57,824
\$295,373 - \$354,445	10.30%	\$24,637.97 + 10.30% of the amount over \$295,373
\$354,445 - \$590,742	11.30%	\$30,722.39 + 11.30% of the amount over \$354,445
\$590,742+	12.30%	\$57,423.95 + 12.30% of the amount over \$590,742

- The AMT rate for individuals is 7%
- The Mental Health Services Tax Rate is 1% for taxable income in excess of \$1,000,000 for an effective tax rate of 13.3%.

INDIVIDUAL INCOME TAX INCENTIVES

TENNESSEE

- An exemption of \$1,250 (\$2,500 for married filing jointly) is allowed against total taxable interest and dividend income reported annually.
- Exemptions for the legally blind and quadriplegic
- Any person age 65 or older having a total annual income derived from any and all sources of \$26,000 or less (\$37,000 or less for joint filers) is completely exempt from the tax

CALIFORNIA

- Other exemptions and deductions may be available based on the state

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SALES TAX

TENNESSEE	<ul style="list-style-type: none"> • State sales tax rate, unless specifically exempted, is 7% (TN Code § 67-6-102) <ul style="list-style-type: none"> ◦ State sales tax on food is 4%. ◦ Local rates range from: 0.0% - 2.75%
CALIFORNIA	<ul style="list-style-type: none"> • California imposes a sales and use tax of 7.25%. • District tax rates range from 0.10% to 1.0%. • Some local rates include multiple districts raising the state and local tax rates to up to 10.5%. <ul style="list-style-type: none"> ◦ The sales tax applies to the gross receipts of retailers from the sale of tangible personal property which is not specifically exempt. ◦ Sales tax is imposed at the point of sale. It is the responsibility of the retailer, but paid by the purchaser.

SALES TAX EXEMPTIONS

TENNESSEE	<ul style="list-style-type: none"> • State sales tax credit for qualified personal property purchased for a qualified manufacturing facility. • Exemptions include industrial machinery, repair parts and industrial supplies used in the manufacturing process. Reductions include: 0-1.5% tax on water depending on use and 0- 1.5% on gas, electricity and various energy sources depending on use. • Sales and Use Tax exemptions may also be available for the following (upon certain conditions): <ul style="list-style-type: none"> ◦ State sales tax credit for qualified personal property purchased for a qualified headquarters facility. ◦ Sales tax exemption for material handling and racking systems purchased for a qualified warehouse or distribution center. ◦ Tax exemption on any sales of interstate telecommunication and international telecommunication services sold to a business for use in the operation of one or more qualified call centers. ◦ Sales tax exemption for certain hardware and software purchased for a qualified data center.
CALIFORNIA	<ul style="list-style-type: none"> • Sales and Use Tax <ul style="list-style-type: none"> ◦ Sales and Use Tax Exemption for Manufacturing ◦ Sales and Use Tax Exemption for Agriculture ◦ Advanced Transportation and Manufacturing Sales and Use Tax Exclusion Program

PROPERTY TAX

TENNESSEE	<ul style="list-style-type: none"> • No state property tax; the property tax in Tennessee is a local tax (Tenn. Const. II§28) • Property tax collections per capita: \$876 (FY17) • Assessment Percentages: <ul style="list-style-type: none"> ◦ Residential Property: 25% ◦ Farm Property: 25% ◦ Commercial and Industrial Property: 40% ◦ Public Utility Property: 55% ◦ Business Personal Property: 30%
CALIFORNIA	<ul style="list-style-type: none"> • Property tax is regulated by the state and collected by local governments • Property tax collections per capita: \$1,607 (FY17)

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PROPERTY TAX EXEMPTIONS

TENNESSEE	<ul style="list-style-type: none"> • No property tax on: (TN Code § 67-5-903) <ul style="list-style-type: none"> ◦ Goods-in-process ◦ Finished goods inventories in hands of manufacturers ◦ Inventories of merchandise for sale ◦ Goods-in-transit (free port) ◦ Pollution control equipment required for compliance with federal, state or local environmental protection laws • Attractive depreciation schedules
CALIFORNIA	<ul style="list-style-type: none"> • Property that is exempt from taxation includes but is not limited to: <ul style="list-style-type: none"> ◦ Household goods and personal effects ◦ Inventory items held for sale or lease in the ordinary course of business ◦ Finished goods and raw materials are not subject to property tax ◦ Only finished goods held for use are assessed. ◦ Local Agency Military Base Recovery Area (LAMBRA) ◦ Stocks and bonds ◦ Property used for certain purposes that qualify the property for exemption (such as non-profit organizations, public schools, hospitals, free museums and libraries, etc.). ◦ Enterprise Zones ◦ Other incentives or exemptions may be available

UNEMPLOYMENT INSURANCE TAX

TENNESSEE	<ul style="list-style-type: none"> • The first \$7,000 in wages paid to each employee is subject to this tax (TN Code § 50-7) • The new employer premium rate for most industries, including manufacturing sector 31-33, is 2.7%. The rate is higher for construction (6.0%). • Experienced employer rate, depending on industry: <ul style="list-style-type: none"> ◦ Minimum experienced rate: 0.01% ◦ Maximum experienced rate: 10.0%
CALIFORNIA	<ul style="list-style-type: none"> • The taxable wage limit is \$7,000 per employee, per year • New employer rate is 3.4% • Employer's history of taxes and layoffs determine tax <ul style="list-style-type: none"> ◦ Minimum Rate: 1.5% ◦ Maximum Rate: 6.2%

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FINANCIAL INCENTIVES

TENNESSEE

- **FastTrack Infrastructure Development Program (FIDP)**
 - Grants made to local communities for public infrastructure improvements
 - Must be for specific infrastructure projects benefitting one or more companies committed to creating new jobs and/or making new capital investments
 - Cover infrastructure such as rail, road, port, airport, site, water, sewer, gas and telecommunication improvements
 - Require local matching funds based on a community's ability to pay
- **FastTrack Economic Development Fund**
 - Provides additional grant support for companies expanding or locating in Tennessee with reimbursable grants made to local industrial development boards.
 - Aids companies in a variety of ways, including relocation expenses, temporary office space, capital improvements, retrofitting and other expenditures not previously covered by FastTrack infrastructure or job training grants.
 - Only used in exceptional cases where the impact of the company on a given community is significant.
- **Community Development Block Grants**
 - Grant dollars are available to communities with a population of less than 50,000 residents for the purpose of attracting new or expanding companies, as long as the projects align with national objectives:
 - Principally benefit low and/or moderate income people.
 - Eliminate or prevent slums and/or blight.
 - Address imminent health and/or safety problems.
- **Appalachian Regional Commission Program (ARC)**
 - Each year, ECD allocates a series of grants aligning with the objectives of the ARC, a federal-state partnership aimed at creating self-sustaining economic development and improved quality of life for the people of the Appalachian Mountain region.
 - The grants fall into four categories: Highway, Non-highway, Development district, Regional initiative
 - Fifty-two Tennessee counties are eligible. Eligible activities include:
 - Infrastructure projects required to secure the creation, expansion or retention of job opportunities.
 - Job training programs
 - Skills development in reading, writing, computation & computer literacy
 - Housing projects
 - Multi-jurisdictional programs in enterprise development assistance demonstration projects
- **Private Activity Bonds**
 - ECD manages the federally mandated limit on the amount of the industrial revenue bonds that can be issued through local industrial development boards, the TN Housing Development Agency and for student loans. The limit is set each year by the IRS.
- **Delta Regional Authority**
 - Each year, ECD allocates a number of grants aligning with the objectives of the DRA, a federal-state partnership aimed at improving the lives of people living in the delta region of the Mississippi River Valley.
 - All or portions of twenty-one west Tennessee counties are eligible.
 - Funds may be used for infrastructure improvement projects which aid job creation projects.

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CALIFORNIA	<ul style="list-style-type: none"> • Industrial Development Bonds • Small Business Loan Guarantee Program (SBLGP) • California Capital Access Program • California Capital Access with Collateral Support (CALCAP – CS) • Brownfields Revolving Loan Fund Program • Cleanup Loans and Environmental Assistance to Neighborhoods Loan Program • Go Solar California • Self-Generation Incentive Program • Energy Innovations Small Grant Program • Alternative and Renewable Fuel and Vehicle Program • Air Quality Improvement Program Clean Rebate Project • Carl Moyer Memorial Air Quality Standards Attainment Program • Other incentives may be available
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TRAINING INCENTIVES

TENNESSEE	<p>FastTrack Job Training Assistance (FJTAP)</p> <ul style="list-style-type: none"> • Reimbursable grant assisting companies with training expenses and the development of customized training plans <p>Other Assistance</p> <ul style="list-style-type: none"> • On-the-Job Training • Applicant Recruitment and Screening • Rapid Response Services • Apprenticeship Training Program • Career/Job Fairs • Work-Based Learning, which focuses on K-12 • Leadership Training • Team Training • Instructor Certification based on a company's specific requirements • Incumbent worker training assistance • One-Stop Career Centers
CALIFORNIA	<ul style="list-style-type: none"> • Employment Training Panel • California Veterans - Calvet • Joint Venture Program • Other incentives may be available.

Sources for TN: Tennessee Department of Revenue; Tennessee Department of Labor and Workforce Development; Tennessee Comptroller of the Treasury
 Sources for CA: California Business Investment Services; California Infrastructure and Economic Development Bank; California Department of Housing and Community Development
 Other sources: Tax Foundation - <http://taxfoundation.org>

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LABOR UNIONS

Employment at Will

Tennessee is known as an “EMPLOYMENT-AT-WILL” state. Generally, this means that an employer may legally hire, fire, suspend or discipline any employee at any time and for any reason - good or bad - or for no reason at all. However, an employer may not discriminate against any employee on the basis of the employee’s race, sex, age, religion, color, national origin, or disability. Tennessee does not have a law that regulates severance pay (fringe benefit).

Right-to-Work Law

Tennessee is a Right to Work state. A Right to Work law secures the right of employees to decide for themselves whether or not to join or financially support a union. However, employees who work in the railway or airline industries are not protected by a Right to Work law, and employees who work on a federal enclave may not be.

Tennessee’s Right-to-Work Law

It is unlawful for any person, firm, corporation or association of any kind to deny or attempt to deny employment to any person by reason of such person’s membership in, affiliation with, resignation from, or refusal to join or affiliate with any labor union or employee organization of any kind. (TCA 50-1-201)

It is unlawful for any person, firm, corporation or association of any kind to enter into any contract, combination or agreement, written or oral, providing for exclusion from employment of any person because of membership in, affiliation with, resignation from, or refusal to join or affiliate with any labor union or employee organization of any kind. (TCA 50-1-202)

It is unlawful for any person, firm, corporation or association of any kind to exclude from employment any person by reason of such person’s payment of or failure to pay dues, fees, assessments or other charges to any labor union or employee organization of any kind. (TCA 50-1-203)

Any person, firm, corporation or association of any kind violating any of the provisions of this part commits a Class A misdemeanor. Each day that any person, firm, corporation or association of any kind remains in violation of any of the provisions of this part is deemed to be a separate and distinct offense, punishable in accordance with the provisions of this section. (TCA 50-1-204)

Advantages of Right-to-Work Laws

- Right-to-work laws make it difficult for an employer to discharge an employee because he/she is not a member of a union.
- Agency shops are outlawed. An agency shop requires workers to pay union dues whether or not they belong to the union.
- Union shops are outlawed. Union shops require a worker to join a union within a specific period of time after employment.
- Closed shops cannot be made legal. Closed shops require a worker to join a union before they are employed.

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UNION PARTICIPATION (2019)

Area	Private Sector			Private Manufacturing		
	Employment	Members	% Members	Employment	Members	% Members
Tennessee	2,527,522	72,144	2.9%	363,199	19,530	5.4%
California	14,123,225	1,246,883	8.8%	1,504,895	108,207	7.2%

Source: UnionStats

COST OF LIVING

C2ER Cost of Living Index

Area	100% Composite Index	13.47% Grocery Items	28.15% Housing	9.90% Utilities	8.99% Transportation	4.57% HealthCare	34.92% Misc.
Tennessee	89.6	92.3	80.8	92.2	86.8	90.4	95.3
California	141.6	114.6	204.8	128.5	136.2	112.7	111.8

Source: The Council for Community and Economic Research (C2ER), Cost of Living Index (Q3 2020)

C2ER Average Price Report

Area	Monthly Apartment Rent	Home Price	Total Energy Bill
Tennessee	\$882	\$313,164	\$142.57
California	\$2,355	\$766,633	\$248.64

Source: The Council for Community and Economic Research (C2ER), Cost of Living Index (Q3 2020)

The Cost of Living Index measures relative price levels for consumer goods and services in participating areas. The average for all participating places, both metropolitan and nonmetropolitan, equals 100, and each participant's index is read as a percentage of the average for all places.

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EDUCATION: WORKFORCE PIPELINE

Tennessee is leading the nation with innovative education initiatives such as Drive to 55, Tennessee Promise, Tennessee Reconnect and Tennessee LEAP. A total of 51,160 students have taken advantage of Tennessee Promise since students began enrolling in 2015. Tennessee Promise commits to providing two years of community or technical college absolutely free of tuition and fees to graduating high school seniors on a continuing basis. In Fall 2017, the second cohort included 17,782 students who enrolled through the scholarship program, an increase of more than 600 students from the prior class and more than 1,500 students more than the original cohort.

Tennessee Higher Education Snapshot

- 10 public universities
- 35 independent colleges and universities
- 13 community colleges
- 27 Tennessee Colleges of Applied Technology (occupational and technical training)
- Poised to achieve a 90 percent high school graduation rate by 2020

DRIVE TO 55:

Initiative to equip 55% of Tennesseans with a post-secondary credential by 2025.

GOVERNOR'S INVESTMENT IN VOCATIONAL EDUCATION ACT

The Governor's Investment in Vocation Education (GIVE) initiative, part of Governor Bill Lee's legislative agenda, is a two-pronged approach to expand access to vocational and technical training for Tennessee high school students. The initiative invests \$25 million in competitively awarded community grants that will fund regional partnerships between high schools, industry, and Tennessee Colleges of Applied Technology (TCATs) to build new work-based learning/apprenticeship programs, market-driven dual-credit opportunities, and the expansion of industry-informed career and technical education offerings.

The initiative also provides additional lottery funding to high school juniors and seniors to utilize four fully-funded dual enrollment credits for trade and technical programs. Previously, high school students only had access to two fully-funded dual enrollment credits. The funding expansion will be given only to those students enrolling in programs that directly address workforce needs identified by the Tennessee Student Assistance Corporation (TSAC) board of directors.

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DUAL ENROLLMENT COURSE INCREASE

Bipartisan legislation presented as a "GIVE Act" addition passed this session, allowing high school students who meet certain academic criteria to enroll in and receive funding for two additional dual enrollment courses, for a total of three courses a semester. The legislation provides greater access to students interested in earning early postsecondary credits from universities or community colleges. The legislation caps the total number of courses for which a student may receive a dual enrollment grant at 10.

TENNESSEE PROMISE:

Beginning in Fall 2015, high school graduates can attend one of our 13 Tennessee Community College or 27 Tennessee College of Applied Technology College completely free of tuition and fees.

TENNESSEE RECONNECT:

Tennessee is the first state in the nation to offer all citizens, both high school graduates and adults, the chance to earn a postsecondary degree or certificate free of tuition and fees and at no cost to taxpayers.

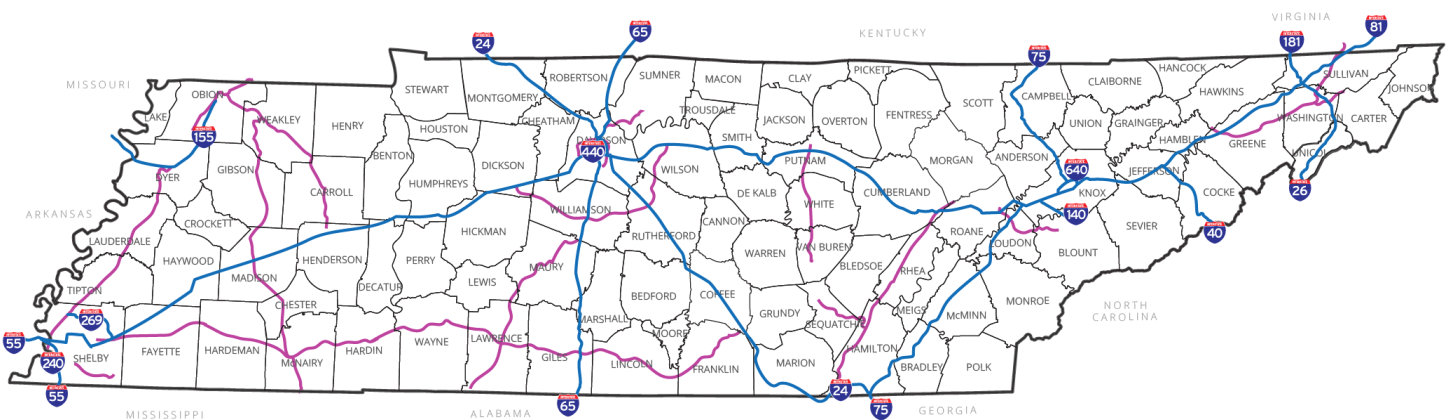
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TENNESSEE INFRASTRUCTURE ASSETS

Located in the heart of the South, Tennessee has valuable accessibility to market resources and a growing transportation infrastructure. Tennessee shares a border with eight states making our location convenient and economical for moving freight and products across the United States and abroad.

Tennessee's location places it within a day's drive of a majority of the major U.S. markets. The state's transportation network offers immediate access to eight interstates, several major river ports, international and regional airports, and extensive railways that allow for quick and efficient shipping to anywhere in the world.

- More than 95,500 miles of roads and 1,181 miles of interstates
- 976 main channel miles of commercially navigable waterways
- Five commercial airports, 74 general aviation airports, and 148 heliports
- Memphis is the busiest cargo airport in North America and the second busiest in the world
- 2,940 miles of Class I and short line railroads
- Third largest rail center in the U.S.
- Rail systems – BNSF, Canadian National/Illinois Central, CSX, Kansas City Southern, Norfolk Southern and Union Pacific



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TENNESSEE VALLEY AUTHORITY

Power Rates and Reliability

TVA and the distributors of TVA power are known for excellent reliability and competitively priced electric rates. TVA's power system – consisting of coal, hydro, nuclear, and combustion turbine plants as well as renewable resources – keeps power flowing through more than 15,900 miles of transmission line to serve the needs of over nine million residents in an 80,000-square-mile area. The diverse power mix helps keep electric rates in the Tennessee Valley highly competitive, both regionally and nationally.

TVA has made the strategic decision to continually increase generation capacity through low-cost, carbon-free sources. To that end, TVA is continuing to expand its nuclear resources:

- More than 95,500 miles of roads and 1,181 miles of interstates
- 976 main channel miles of commercially navigable waterways
- Five commercial airports, 74 general aviation airports, and 148 heliports

Rates

TVA and its distributor customers offer some of the lowest electricity rates in the nation, complemented by attractive pricing programs and rate credits.

- TVA rates remain competitive by maintaining a diverse portfolio of nuclear, hydro, coal and renewable generation.
- This generating diversity allows TVA to significantly reduce its exposure to sector-associated risk and commodity price spikes.
- Thanks to this flexibility, TVA's industrial rates consistently remain below the national average.

Reliability

While keeping rates competitive, TVA has not sacrificed its world-class transmission reliability. In fact, TVA has achieved 99.999 percent reliability every year since 2000. The TVA transmission system is one of the largest in North America, with interconnections to 14 neighboring electric systems. It delivered over 170 billion kilowatt-hours of electricity to customers in FY2012.

Source: Tennessee Valley Authority