

**APPENDIX B-26: TENNESSEE**

- **Overview**
- **Public Policy**
- **Regulatory Affairs**
- **Tax Policy**
- **Innovation**
- **Workforce**
- **Education**
- **Cost of Market Entry**



| <b>Business Poll Ranking</b> |     |
|------------------------------|-----|
| CEO Confidence               | N/A |
| CNBC                         | 22  |
| <i>Forbes</i>                | 13  |
| Pollina                      | 17  |
| Site Selection               | 11  |

**Overview**

The year 2006 was a period of change in Tennessee’s economy and in the state’s economic development efforts. In Tennessee, job growth continues at a strong pace with more than 26,000 new jobs created in 2006 along with more than \$3.5 billion in new investment. The 2006 results bring Tennessee’s job creation total since the start of the Bredesen Administration to more than 108,000 new jobs and more than \$13.4 billion in new capital investment. Tennessee also benefited from international trade liberalization during the same period, with Tennessee companies selling more than \$22 billion in goods and services to customers overseas in 2006 and more than \$70 billion from 2003-2006.<sup>1</sup>

During that same period, the US Department of Commerce described Tennessee as one of the three fastest growing trade states in the country. Nissan North America, Inc. moved its corporate headquarters to Tennessee from the west coast, joining International Paper, ServiceMaster, and more than two dozen other companies in relocating their corporate headquarters to Tennessee. *Site Selection* magazine rated Tennessee 5<sup>th</sup> in the country for business climate the second year in a row and *Expansion Management* magazine rated Tennessee 1<sup>st</sup> in the nation for economic development achievement.

On a scale of 1-50 (with a ranking of one being the best) *Forbes* magazine ranked Tennessee 13<sup>th</sup> overall as one of the best states for business.<sup>2</sup> The areas examined and Tennessee’s rankings are as follows:

| <b>Tennessee's <i>Forbes</i> Rankings</b> |    |
|---|----|
| Overall Rank                              | 13 |

<sup>1</sup> From Paper to Power: The 2007 ECD Playbook. State of Tennessee Department of Economic & Community Development. (ECD). February, 2007. 4.  
[http://www.tnecd.gov/pdf/strategic\\_plan07.pdf](http://www.tnecd.gov/pdf/strategic_plan07.pdf)

<sup>2</sup> Kurt Badenhausen. “Special Report: The Best States for Business.” *Forbes Magazine*. July, 2007.  
[http://www.forbes.com/business/2007/07/10/washington-virginia-utah-bizcz\\_kb\\_0711bizstates.html](http://www.forbes.com/business/2007/07/10/washington-virginia-utah-bizcz_kb_0711bizstates.html)

|                             |    |
|-----------------------------|----|
| 2006 Rank                   | 20 |
| Business Costs Rank         | 3  |
| Labor Rank                  | 39 |
| Regulatory Environment Rank | 13 |
| Economic Climate Rank       | 15 |

## **Public Policy**

The “State Competitiveness Report (SCR) 2007,”<sup>3</sup> a study by the Beacon Hill Institute ranks state’s ability to produce high income, and generally a better quality of life for its citizens. The rankings compare all the states and rank them 1-50 (with a rating of one being the best). In this study Tennessee received a poor rank of 37<sup>th</sup>. Tennessee’s low ranking in the SCR was largely due to its dismal rankings in technology and security. However, these low scores were buffeted by the ranking for government and fiscal policy which ranked as the best in the nation.<sup>4</sup>

In September 2006, Governor Bredesen laid out a comprehensive strategy for job creation going forward in a speech at the Governor’s Conference on Economic and Community Development in Nashville.<sup>5</sup> Governor Bredesen proposed a more direct connection between Tennessee’s educational infrastructure and efforts to upgrade the quality of the state’s work force. He proposed partnerships between the state and its largest employers to create community college programs that lead to good jobs, creating five-year, intensive high school programs that result in an associate’s degree for the successful graduate, and the elimination of community college tuition for high school graduates in Tennessee who demonstrated a reasonable degree of college readiness.

The governor plans on doubling funding for Tennessee’s FastTrack Infrastructure Development Program (FIDP) from \$14 million annually to \$28 million annually. Technology infrastructure will play a growing role in community competitiveness. Therefore, Governor Bredesen also wants to establish a grant fund to allow communities to expand broadband access in the state. He has also asked Commissioner Kisber to develop a comprehensive inventory of Tennessee’s public infrastructure needs.

The launch of innovation in Tennessee will be an important strategic linchpin in the growth of higher-skilled, better paying jobs in the state, but the \$5 million program won’t be the sole investment under Governor Bredesen. Tennessee will partner with the Oak Ridge National Laboratory and the Tennessee Valley Authority to extend a fiber optic network across the state, from Knoxville to Memphis, connecting Tennessee’s centers of innovation and research. Also, the governor wants to build on Tennessee’s 25-year track record of successfully expanding the state’s automotive sector by developing a plan to attract automotive research and development.

<sup>3</sup> David Tureck, Jonathan Haughton, Frank Conte, and Christopher Doyon. *State Competitiveness Report 2007*. Boston: Beacon Hill Institute for Public Policy Research at Suffolk University. December, 2007. 57.

<http://www.beaconhill.org/Compete07/Compete2007State.pdf>.

<sup>4</sup> Tureck.

<sup>5</sup> *The 2007 ECD Playbook*, 14.

## **Regulatory Affairs**

*Forbes* ranks Tennessee as one of the best regulatory environments in the nation. The state is ranked 13<sup>th</sup> out of 50 states.<sup>6</sup> Regionally, Tennessee ranks 6<sup>th</sup> among the southern states with Virginia ranked 1<sup>st</sup>, North Carolina 2<sup>nd</sup>, Georgia 4<sup>th</sup>, South Carolina (6<sup>th</sup>). Florida at 12<sup>th</sup> ranked higher as well as Arkansas at 22<sup>nd</sup>, Alabama at 23<sup>rd</sup>, Mississippi at 25<sup>th</sup> and Kentucky 28<sup>th</sup> all having a worse regulatory environment.

Under the governor's Fast Track Initiative the Department of Economic and Community Development must respond within 72 hours to communities and businesses seeking technical assistance and approved incentives. The department also must put together tailor-made job training packages within five days of receiving a written commitment of a qualified jobs investment.<sup>7</sup>

## **Tax Policy**

The 2008 State Business Tax Climate Index ranked Tennessee as the 16<sup>th</sup> best state for overall business tax climates.<sup>8</sup> The five main components of the study included:

- The Corporate Tax Index
- The Individual Income Tax Index
- The Sales Tax Index
- The Unemployment Tax Index
- The Property Tax Index

Each of the 2008 rankings for Tennessee are listed below:

| Tennessee | Overall Rank | Corporate Tax Index Rank | Individuals Income Tax Index Rank | Sales Tax Index Rank | Unemployment Insurance Tax Index Rank | Property Tax Index Rank |
|-----------|--------------|--------------------------|-----------------------------------|----------------------|---------------------------------------|-------------------------|
|           | 16           | 12                       | 8                                 | 48                   | 31                                    | 35                      |

Neighboring states ranked as follows: North Carolina at 40<sup>th</sup>, Virginia at 14<sup>th</sup> and Kentucky at 36<sup>th</sup>.

Tennessee has long been considered a state with one of the most business friendly economic climates in the nation. Twice ranked as one of the five best states in the nation to locate a business by *Site Selection* magazine, Tennessee has the third lowest

<sup>6</sup> Badenhausen.

<sup>7</sup> Phil Bredesen. The Tennessee Tool Kit: A Guide to Programs Aimed at Helping Communities Create Higher Skilled, Better Paying Jobs. 2007. Online. 5. <http://www.tnecd.gov/gov07/docs/ToolKit.pdf>

<sup>8</sup> Chris Atkins and Curtis S. Dubay. Background Paper: 2008 State Business Tax Climate Index. October, 2007, Number 52. The Tax Foundation. 3. <http://www.taxfoundation.org/files/bp52.pdf>

combined state and local tax burden for businesses in the country. In 2006, *Forbes* magazine ranked Tennessee the 20<sup>th</sup> best state to locate a business and in 2007, Tennessee was rated 13<sup>th</sup> in the same ranking. This was the largest single improvement of any state in the nation. Tennessee does not have an income tax on personal wages or a state property tax.

#### *Taxes and Incentives for New and Expanding Business*<sup>9</sup>

##### Franchise Tax

- Tax on the greater of net worth or book value of property owned or used in Tennessee
- Tax rate is 25¢ per \$100
- Finished goods inventory in excess of \$30 million may be excluded
- 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

##### Excise Tax

- Tax is based on the net earnings of the company derived from doing business in Tennessee
- Tax rate is 6.5%
- No throwback provision – sales outside of Tennessee are not taxed
- Receive 1% tax credit for the purchase of qualified equipment associated with the required capital investment by a distribution or warehouse facility
- All capital losses are claimed in the year incurred
- Net operating losses can be carried forward for 15 years

##### Sales and Use Tax

- 7% state sales tax plus the applicable local rate of 2.25% to 2.75% on any person or company who manufactures, distributes or sells tangible personal property within the state

##### No sales tax is levied on:

- Purchases, installation and repairs of qualified industrial machinery
- Raw materials for processing
- Pollution control equipment for manufacturers
- Reduced sales tax rates for manufacturers' use of energy fuel and water (1.5 % vs. 7%).
- Qualified industrial supplies
- Items purchased for resale
- Containers, packaging and wrapping materials
- Additional exemptions or credits may be available

##### Tax-Based Incentives

- Jobs Tax Credit

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<sup>9</sup> Bredesen, 9.

### *Tax Credits*

Tennessee allows “qualified business enterprises” a credit against their franchise and excise taxes based on their capital investment and the number of jobs created. The amount of the credit and the period of time during which it can be used varies according to the size of the investment.

- A company investing \$500,000 dollars and creating 25 new jobs can claim a \$2,000 dollar credit against their F&E taxes over a period of 15 years.
- If the company locates in an economically distressed county, the Jobs Tax Credit increases to \$4,500 dollars per job with a 15 year carry-forward.
- The company can qualify for a \$4,500 Jobs Tax Credit if it invests \$20 million dollars in capital and creates a minimum of 1,000 jobs in a federally designated empowerment zone.
- Currently, Tennessee’s only federally designated empowerment zone is in Knoxville, TN.
- The percentage of tax liability companies are able to offset ranges from 33.33% to 100% based on the number of jobs created, ranging from 1,000 to 5,000 or more.

### *Jobs Tax Super Credit*

For larger, more capital intensive investments, Tennessee has created a Super Credit which applies to those companies investing capital of \$100 million dollars or more and creating a minimum of 100 jobs paying at least 100% of Tennessee’s average occupational wage. These credits can be used to offset up to 100% of the company’s F&E tax liability but must be taken in the first tax year after the job creation and capital investment thresholds have been met and can be taken annually. The Super Credit does not include carry-forward provisions and is available in addition to Jobs Tax Credits.

The Super Credit allows companies to exempt two-thirds of the required capital investment on Schedule G of the company’s franchise and excise tax return during the period in which the investment is being made. Investments must be made during a three year period, but can be extended to five years at the discretion of the Commissioner of Economic and Community Development.

### *Industrial Machinery Tax Credit*

For capital investments in industrial machinery, Tennessee offers manufacturers a tax credit offsetting up to 50% of F&E tax liability. To qualify for this credit, companies are not required to create new jobs. The credit applies to the purchase, installation and repair of industrial machinery as defined in T.C.A. 67-6-102. The credit also applies to the purchase and installation of computer and telephone equipment purchased in order to meet the capital investment thresholds of the Jobs Tax Credit. This credit has a 15 year carry-forward.

### *Headquarters Tax Credit*

In order to encourage companies to locate their corporate headquarters in Tennessee, the state offers tax credits based on the cost of relocating the company and building a new headquarters facility in Tennessee.

- With a capital investment of \$50 million dollars or more, the company may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.
- A project involving a capital investment of \$10 million dollars or more and creating 100 jobs paying 150% of the state's average occupational wage may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.
- Companies qualifying for the sales and use tax credit may also qualify for credits against their F&E tax liability based on the amount of qualified relocation expenses incurred in the establishment of a headquarters facility.
- Companies with a regional, national or international headquarters facility in Tennessee may (with approval from the Commissioner of Revenue and the Commissioner of Economic and Community Development) convert unused net operating losses (NOL) to a credit against F&E tax liability.
- The NOL credit is available only if the company is unable to use the NOL to offset net income during the current tax year.

#### *Emerging Industry Tax Credits*

Tennessee law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development broad latitude in classifying certain projects as part of an emerging industry. If companies can demonstrate a strong growth potential and commit to creating jobs which pay above the county's average occupational wage, the state may waive the threshold of 25 new jobs created in order to qualify for the Jobs Tax Credit.

#### *Data Center Tax Credit*

Companies may obtain tax credits for the purchase of materials related to the construction of a data center, which is defined as a building or buildings housing high technology computer systems and related equipment if they create 25 new jobs paying at least 150% of the state's average occupational wage and invest a minimum of \$250 million dollars in capital.

- The purchase of computers, computer systems and repair parts used in qualified data centers are exempt from sales and use taxes (these purchases are classified as industrial machinery).
- Qualified data centers will also pay reduced sales taxes on the purchase of electricity (1.5% vs. the previous rate of 7%).
- The purchase of computers, computer systems and repair parts for a qualified data center allows companies to qualify for a 1% tax offset of F&E liability under the Industrial Machinery Tax Credit.
- If the investment exceeds \$100 million dollars, the tax credit equals 3%.
- If the investment exceeds \$250 million dollars, the tax credit equals 5%.



### *Pollution Control Equipment*

If a Tennessee company obtains a certificate from the Tennessee Department of Environment and Conservation certifying that their purchase of pollution control equipment is required by federal, state or local law and the equipment is used for the control, reduction or elimination of water pollution, air pollution or in the treatment of hazardous waste, the equipment will be taxed at salvage value for the purposes of calculating tangible personal property tax. The certification will also allow the purchase of the equipment to be exempt from sales and use tax and will exclude the equipment from the calculation of the company's franchise tax base.

### *Daycare Facility Tax Credit*

In order to encourage the construction of daycare facilities, the state of Tennessee offers companies a tax credit against their Franchise and Excise (F&E) tax liability equal to the cost of 25% of the construction of a facility with a cost not to exceed \$100,000 dollars per facility and a tax credit not to exceed \$25,000 dollars per facility.

### **Innovation**

The New Economy Index<sup>10</sup> (NE) rates the states according to advancements in innovation and potential to succeed in an increasingly technology driven economy (with a rating of one being the best). In this study, Tennessee ranked poorly at 36<sup>th</sup> in the nation. A contributing factor to this ranking is the state's abysmal rating when it comes to patents. In that category, the state consistently places in the bottom ten states for patents held by its state citizens.<sup>11</sup> These figures appear to be nearly identical (albeit slightly better) in the SCR report.<sup>12</sup>

Since the development of Oak Ridge National Laboratory in the 1940's and the growth of major research centers like the University of Tennessee, Vanderbilt University and St. Jude Children's Research Hospital, Tennessee has long played an important role in the creation of new technologies. Furthermore, the state has explored the horizons of scientific knowledge. In 2003, the Tennessee Department of Economic and Community Development (ECD) developed strategies focused on harnessing Tennessee's intellectual capital as an engine for economic growth and job creation. It began with the hiring of the state's first ever director of technology development and collaboration with the state's leading researchers and universities on strategies for increased federal research funding for Tennessee.<sup>13</sup>

The impact has been immediate and sustained as organizations increase the base of knowledge on which innovation can thrive. In 2006, the University of Tennessee system saw a record \$308 million in research funding (an 8% increase) and Vanderbilt

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<sup>10</sup> Robert Atkinson and Daniel K. Correa. The 2007 State New Economy Index.: Benchmarking Economic Transformation in the States. Innovation Technology and Innovation Foundation. February, 2007. 13. [http://www.kauffman.org/pdf/2007\\_State\\_Index.pdf](http://www.kauffman.org/pdf/2007_State_Index.pdf)

<sup>11</sup> Atkinson, 15.

<sup>12</sup> Tureck, et al, 57

<sup>13</sup> The 2007 ECD Playbook, 11.

University saw its research funding grow to an all time high of \$444 million (up 15%). Following a unified effort among the state's leaders to bring the Spallation Neutron Source (SNS) to Oak Ridge, Tennessee now claims one of the world's leading venues for particle research and nanotechnology development as one of its emerging research centers. For the first time, the American Electronics Association listed Tennessee among the nation's top ten exporters of technology in the associations' 2006 Cyberstates Report.

A next step in developing Tennessee's technology infrastructure is the upcoming launch of Connect Tennessee, a program aimed at expanding broadband penetration across the state. Connect Tennessee empowers local leadership to expand broadband access and implements a plan for a comprehensive statewide assessment to determine levels of connectivity among the state's citizens. The expansion of broadband availability to all Tennesseans is essential in order for the state to remain competitive in an increasingly global marketplace and ubiquitous connectivity can lead to economic expansion and job growth.

In September 2006, Governor Bredesen announced plans to create Innovation Tennessee, a \$5 million economic development initiative designed to foster innovation and technology entrepreneurship. The effort assists Tennessee's research centers in transferring ideas created in the laboratory to the commercial marketplace. Housed under the auspices of the Tennessee Technology Development Corporation, Innovation Tennessee provides an important new focus for Tennessee's efforts to create higher-skilled, better paying jobs. Tennessee is also taking a leadership position in the creation of partnerships aimed at the development of renewable energy resources.

ECD was a leading contributor to the Alternative Fuels Working Group created by Governor Bredesen to explore strategies for expanding the infrastructure available to Tennesseans interested in utilizing vehicles operating on ethanol or bio-diesel. ECD's Energy Division created Tennessee's first bio-diesel grant program, administering more than \$1.8 million in grants to communities in all 95 Tennessee counties. In addition, ECD is partnering with Tennessee Tech, Tennessee State University and the University of Memphis to deliver information to the state's manufacturers on the latest energy saving technologies available to industry. ECD also conducted energy audits for 149 local governments across Tennessee, making recommendations which resulted in more than \$5.7 million in energy savings.

### **Workforce**

Tennessee receives a relatively high ranking when it comes to its workforce. The SCR ranks the quality of its workforce in its "Human Resources" category. In this category, Tennessee ranks a dismal 43rd in the country.<sup>14</sup> A large reason behind the state's poor workforce ranking is due to Tennessee's poor showing in the number of adults in the workforce which stands at 41st, those enrolled in a degree granting institution at 45<sup>th</sup> and for workers with a high school degree at 43rd. Still the state is saved from the bottom rung of states in this category, mainly due to a mediocre unemployment rating which is 19<sup>th</sup> in the country.

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<sup>14</sup> Tureck, et al, 57.



ECD's Business Development Division has taken a focused approach to attracting new opportunities for Tennesseans. That focus can be seen in the more than 700 projects handled by Business Development specialists in 2006. Those efforts produced more than 26,000 new jobs and more than \$3.5 billion in new investment. Nearly two thirds of the new jobs created resulted from ECD's Business Development specialists helping Tennessee companies expand.<sup>15</sup>

The jobs created have been spread across a broad range of economic sectors from manufacturing to technology to corporate offices. More than 26 companies encompassing a variety of industry sectors have relocated to Tennessee including most recently, Nissan North America, International Paper, ServiceMaster and Olhausen Billiards. In its 2006 Beige Book report on economic growth in the U.S., the Federal Reserve cited Tennessee's success in recruiting corporate jobs as a significant factor in the state's growth. According to the University of Tennessee Center for Business and Economic Research's 2007 Economic Report to the governor, personal income had a strong showing in 2006, registering a 6% gain.

Tennessee has been especially successful in the automotive sector as the nexus of automotive innovation and manufacturing continues to shift to the southeastern US. Automotive suppliers like Denso, Nakatetsu and Koyo continue to invest in Tennessee, creating new jobs because of the state's remarkable business climate and productive work force. Tennessee is now the nation's 4<sup>th</sup> largest producer of passenger vehicles and the 5<sup>th</sup> largest employer of people working in the automotive sector. More than 88,000 Tennesseans make their living producing automobiles and their component parts.

Tennessee's success in job creation can be attributed in part to the efforts of 14 job development specialists, housed in field offices across the state. Developing face-to-face relationships with local communities and local companies, these specialists assist communities in marketing themselves and help companies overcome the barriers to expansion. They also provide accessible expertise and a working knowledge of successful "best practices" for all 95 Tennessee counties.

Training assistance for new and existing business and industry is available as an incentive by the State of Tennessee when associated with new investment for facilities, equipment and new job hires. FastTrack staff helps a company plan, develop and implement a customized training program that meets initial training needs with follow up to insure each phase of the training program is effective and flexible.

The FastTrack Job Training Assistance program is funded by the state's budgetary process and utilizes only state-appropriated funds for training. FastTrack is the primary source of financial support for new and expanding business and industry training. Blended with the company's staff and other vendors, FastTrack will coordinate directly with the company to develop and implement the necessary skills and knowledge training program.

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<sup>15</sup> [The 2007 ECD Playbook](#), 7.

Company technicians and instructors can provide classroom and On-the-Job Training (OJT). Reimbursement of development and instructor cost either by company personnel or selected vendors, including educational institutions. Travel-related cost, for the purpose of training, is considered a viable training expense. Training facilities and equipment are contingent upon the project and the need of the local area.

The Department of Labor and Workforce Development can provide assistance in the recruitment of qualified job applicants. Recruitment services can be provided and may include accepting and screening applications, testing, and referral of qualified applicants, based upon the company-prepared specifications. The department also administers the Workforce Investment Act program, which could provide training assistance for those eligible participants.

## **Education**

The US Department of Commerce, with affiliate Institute for a Competitive Workforce, recently published a report entitled *Leaders and Laggards: A State by State Report Card on Educational Effectiveness*.<sup>16</sup> This report graded each state in nine specific categories. In the first category, "Academic Achievement", Tennessee earned a "D". Student performance in Tennessee is lower than average. Fourth and Eighth graders stand 7 percentage points below the national average on the NAEP math exam. The state earned an "F" in the academic achievement of low-income and minority students. Only 14% of low-income 4th graders score at or above the proficient level on the NAEP math exam. The national average for low-income 4<sup>th</sup> graders is 19%. Because NAEP sampling requirements for Hispanic students were not met, Tennessee's grade is based solely on low-income and African-American student achievement.

Tennessee earned a "C" in "Return on Investment." Student achievement in Tennessee is middling relative to state education spending, after controlling for student poverty, the percentage of students with special needs, and cost of living. In "Truth in Advertising About Student Proficiency" the state received a "F". Tennessee gets very poor marks on the credibility of its student proficiency scores. While the state identified large percentages of its students as proficient on 2005 state math and reading exams, smaller percentages posted proficient scores on the NAEP in 2005.

The state gets a "C" for "Rigor of Standards." Tennessee receives a modest grade for the rigor of its standards. While the state's science curriculum standards receive solid marks, Tennessee has yet to align its high school graduation requirements with college and workplace expectations. For "Postsecondary and Workforce Readiness" Tennessee earns a poor grade of "F" in this category. Only 62% of its 9<sup>th</sup> graders receive a diploma within four years compared with the national average of 70%. And only 30% of 9<sup>th</sup> graders who finish high school in four years go on to college. The state's 21<sup>st</sup> Century Teaching Force earns Tennessee a "B" for its teacher workforce policies. The state tests incoming teachers on their basic skills and requires high school teachers to pass

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<sup>16</sup> The Institute for a Competitive Workforce. *Leaders and Laggards: A State By State Report Card on Educational Effectiveness*. US Chamber of Commerce, 2007  
<http://www.uschamber.com/NR/rdonlyres/e6vj565iidmycznvk4ikm3mryxo5nslm7iq2uyrta5vrgdxsagjvxfz6r3buzaopo4uxv4o4ep4nvhmc3ppc7drjd/USChamberLeadersandLaggards.pdf>.

subject knowledge tests. The state has also opened up alternative routes into the profession.

The state earned the relatively high score of "C" for Flexibility in Management and Policy. The state receives a middling grade on how much freedom and flexibility it gives its schools and principals. While 74% of principals report a major degree of influence over how their school budgets are spent, the state has not established a virtual school.

For Data Quality Tennessee gets the mark of "A" on efforts to collect and report high-quality education data. Unlike most other states, Tennessee has a teacher-identifier system with the ability to match teachers to students to gauge teacher effectiveness. Education is a top priority in Tennessee. Governmental leaders, residents and educators are committed to improving and expanding educational opportunities available to individuals of all ages and backgrounds. Multidisciplinary education is available on a statewide basis. There are three main goals for education in Tennessee: to ensure prosperous and productive futures for all economic sectors; to create a skilled labor force for industry and business and to develop public awareness of the societal and economic challenges brought on by the advancing technological age.<sup>17</sup>

| <b>SCHOOL ENROLLMENT</b>                       | <b>Number</b> | <b>Percent</b> |
|--|---------------|----------------|
| Population 3 years and over enrolled in school | 1,415,105     | 100            |
| Nursery school, preschool                      | 90,016        | 6.4            |
| Kindergarten                                   | 78,278        | 5.5            |
| Elementary school (grades 1-8)                 | 650,037       | 45.9           |
| High school (grades 9-12)                      | 309,224       | 21.9           |
| College or graduate school                     | 287,550       | 20.3           |
| <b>EDUCATIONAL ATTAINMENT</b>                  | <b>Number</b> | <b>Percent</b> |
| Population 25 years and over                   | 3,744,928     | 100            |
| Less than 9th grade                            | 359,789       | 9.6            |
| 9th to 12th grade, no diploma                  | 541,895       | 14.5           |
| High school graduate (includes equivalency)    | 1,182,699     | 31.6           |
| Some college, no degree                        | 750,149       | 20             |
| Associate degree                               | 177,708       | 4.7            |
| Bachelor's degree                              | 478,463       | 12.8           |
| Graduate or professional degree                | 254,225       | 6.8            |
| Percent high school graduate or higher         |               | 75.9           |
| Percent bachelor's degree or higher            |               | 19.6           |

Tennessee Higher Education Commission is the coordinating body for the 51 public colleges, universities, and technology centers, which collectively educate 215,000 degree-seeking students across the state of Tennessee. In addition, the commission

<sup>17</sup> "Education." Tennessee Department of Economic & Community Development. The Official Web Site Of The State of Tennessee. Online. [http://tneecd.gov/research/state\\_profile/education/index.html](http://tneecd.gov/research/state_profile/education/index.html)

enjoys a working relationship with over 36 independent institutions that educate 57,000 students. Tennessee also provides a variety of incentives to enhance the quality of academic performance. It offers the Performance Funding Program, viewed nationally as the most outstanding of its kind, the Ned McWherter Scholars program, graduate programs and the Chairs of Excellence.

### **Cost of Market Entry**

The Milken Institute releases an annual study in which it ranks the states with the highest cost of doing business on a scale of 1-50 (with a ranking of 50 being best for business).<sup>18</sup> In this study, Tennessee was given a relatively mediocre rating with the 42<sup>nd</sup> highest cost of doing business.

Tennessee's offers a number of competitive incentives which help to keep business costs among the lowest. Tennessee is a Right-to-Work state and has recently reformed its workers compensation rates. The state also has some of the lowest utility costs in the nation and is consistently one of the lowest per capita taxed states in the nation. There is no state sales tax on manufacturing equipment for qualified businesses; no sales tax on pollution control equipment; no sales tax on raw material; no state property tax; and no property tax on work in progress or finished product inventories.<sup>19</sup>

Tennessee offers an investment tax credit of 1%; a franchise tax jobs credit; accelerated depreciation on personal property; and infrastructure and training grants up to \$750,000. The state also reduced sales tax on energy fuel and water for qualified manufacturers and "Double Weighting" of Tennessee sales for Franchise and Excise taxes.

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<sup>18</sup> "2007 Cost of Doing Business Index." Milken Institute. December, 2006.  
<http://www.milkeninstitute.org/pdf/2007CostofDoingBusiness.pdf>

<sup>19</sup> "Business Development: Tennessee's Competitive Incentives." Tennessee Department of Economic & Community Development. The Official Web Site of the State of Tennessee. Online.  
[http://tneecd.gov/bizdev\\_advantages.htm](http://tneecd.gov/bizdev_advantages.htm)