



ECONOMIC DEVELOPMENT
TRANSPARENCY IN THE 50 STATES
AND TENNESSEE



Authored by

Adam Prorise, Statistical Research Specialist
Jeremy Stiles, Research Manager
Sally Avery, Director of the Center for
Economic Research in Tennessee (CERT)

CENTER FOR ECONOMIC RESEARCH IN
TENNESSEE (CERT)
Tennessee Department of Economic and
Community Development
312 Rosa L. Parks Avenue
Nashville, Tennessee 37243
Phone: (615) 741-1888
TNECD.com

For questions, please contact Sally Avery, Director of the
Center for Economic Research in Tennessee (CERT)
sally.avery@tn.gov, 615-979-6064

© January 9, 2017

Introduction

One of the most important functions of a state agency is to effectively and efficiently use taxpayer funding that meets a department’s legislative directive. In doing so, it is also pivotal that the organization provides the general public with access to how these funds are being used in a clear and user-friendly way. A primary focus of the Tennessee Department of Economic and Community Development (TNECD) is to ensure that stakeholders have easily accessible information on how TNECD business incentive funding is awarded. The department manages this information through the OpenECD website. It is important that TNECD continually improves the availability and accessibility of this information.

Tennessee was one of six states to participate in a Business Incentives Initiative, led by the Pew Charitable Trusts (Pew) and the Center for Regional and Economic Competitiveness (CREC) in 2014 and 2015. Through participation, TNECD’s objective was to identify ways that Tennessee excels in economic development incentive management and reporting, and to identify opportunities for improvement in business incentive policies and practices policies. **Part I** of this report outlines TNECD efforts to improve the effectiveness, efficiency and transparency of business incentives through a rigorous due diligence process, impact model analysis, cross-agency collaboration, as well as improvements to legislation and transparency initiatives.

To further explore best practices from states that excel in business incentives and economic development transparency, and to benchmark Tennessee against other economic development organizations, the Center for Economic Research in Tennessee (CERT) analyzed transparency and economic development incentive platforms for all 50 states. Using a point-based system, CERT identifies states that excel in transparency. **Part II** includes the methodology and results of this analysis. The information available through Tennessee’s OpenECD transparency portal is explained in **Part III**.

TABLE OF CONTENTS

Part I: Tennessee Focus: Effectiveness, Efficiency and Transparency.....	3
Part II: Economic Development Transparency in the 50 States.....	5
Methodology.....	5
Results.....	7
Part III: Tennessee’s Economic Development Transparency Platform	14
Part IV: Independent Transparency Analyses	17

Part I: Tennessee Focus: Effectiveness, Efficiency and Transparency

Early in Governor Haslam's administration, TNECD recognized the importance of increasing the department's due diligence, incentive effectiveness and transparency reporting with regard to economic development incentives. Tennessee was one of six states chosen through a competitive process to participate in a Business Incentives Initiative led by Pew Charitable Trusts (Pew) and the Center for Regional Economic Competitiveness (CREC). To evaluate Tennessee's policies, practices and assessments of business incentives, Pew and CREC worked with cross-agency groups from each of the six states.¹ Through this initiative the participating states have collaborated to share innovations and to develop new strategies.

Leadership

Tennessee was recognized as a leader in several areas with regard to business incentives by Pew, CREC and other participating states' representatives. In an October 2014 report, Pew and CREC identified Tennessee's due diligence processes, coordination among agencies and open data policies as best practices.²

TNECD has a robust due diligence process in place for each company that applies for FastTrack grant funding from the department. The state's FastTrack program provides grants for infrastructure development, job training, and for a variety of other economic development expenses.³ TNECD evaluates background information on the applicant company, project scope, financial performance, as well as any legal or criminal history for the company and its officers. The department's leadership meets weekly to review all prospective projects. Pew and CREC report the due diligence information "enables ECD to make more informed decisions on the types of grants that will help achieve the state's economic development goals and helps ensure that standard contractual deliverables can indeed be met."⁴

Coordination among agencies enables Tennessee to deliver business incentives in a comprehensive and fiscally responsible manner. TNECD maintains close communication with other departments regarding financial assistance for business recruitment and expansion activity – including the Tennessee Department of Revenue, the Tennessee Department of Labor and Workforce Development, and the Tennessee Department of Transportation. Cross-agency cooperation and communication "aids in comprehensively managing the state's entire portfolio of incentives and planning for future awards."⁵ Pew and CREC highlight the communication between TNECD's Director of Tax Administration and the Department of Revenue's Assistant Commissioner "has garnered considerable positive attention from the other six participating states."⁶

Tennessee's data transparency policies with regard to business incentives were also recognized as an area of success. The Business Incentives Initiative report championed OpenECD, Tennessee's FastTrack transparency portal, as a system which "exemplifies the state's leadership in accountability and transparency."⁷ Pew and CREC applauded Tennessee's launch of OpenECD in 2012 with the understanding

¹ The six participating states were Indiana, Maryland, Michigan, Oklahoma, Tennessee and Virginia.

² "Assessment of Tennessee Business Incentives Policy and Practices," The Pew Charitable Trusts and the Center for Regional and Economic Competitiveness. (October 2014).

³ Eligibility and funding levels for these discretionary grants are determined through evaluation of several factors, including project location; company capital investment; net new job creation; and the wages, skills and educational requirements of new jobs.

⁴ Pew and CREC, October 2014

⁵ "Business Incentives and Economic Development Expenditures: An Overview of Tennessee's Program Investments and Outcomes," The Pew Charitable Trusts and the Center for Regional and Economic Competitiveness. (February 2015).

⁶ Pew and CREC, October 2014

⁷ Pew and CREC, October 2014

that “transparency and reporting n incentive awards are central to public trust.”⁸ OpenECD provides details on every grant recipient, including the following information for each grant contract: the grant type,⁹ the community and county of the project, the company supported by the grant, the grant amount, the number of new jobs to be created, and the grant’s approval date. This data is provided through quarterly PDF reports on the OpenECD portal.

Continuous Improvement

In addition to areas of strength, participation in the Business Incentives Initiative also provided Tennessee with opportunities for improvement in business incentives policy and transparency.

As a first step towards reform, TNECD and the Tennessee Department of Revenue conducted an evaluation of business tax credits. After concluding that 10 tax credits had low impact on Tennessee businesses, these agencies worked with the legislature in 2015 to repeal them from the tax code.¹⁰ Pew and CREC encourage such evaluation: “Taking a data-driven, evaluative approach to understanding what works best for the state’s economy controls for unintended consequences that often stem from outdated programs and an evolving economy.”¹¹ Also in 2015, Tennessee enacted new provisions that better position Tennessee to attract and retain research & development (R&D)¹² and back office¹³ business activity. In a February 2015 report, Pew and CREC commended this legislative effort “to make the state’s portfolio of economic development tax credits more coherent and to ensure that they are achieving their intended outcomes.”¹⁴

Establishing regular evaluation of economic development incentives is key to ensuring departmental goals of high quality job creation and economic growth occur. Pew and CREC staff report continuous evaluation “can help identify which incentives spurred economic growth in Tennessee and those that failed to meet program objectives.”¹⁵ In response, Tennessee worked with the legislature in 2016 to pass legislation that requires TNECD and the Department of Revenue periodically study and report on the effectiveness of the state’s economic development tax incentives. This report will assess the purpose, projected impact and effectiveness of each credit. The first report will be presented to the legislature in January 2017 and will then be completed every four years.

In addition to legislative changes, TNECD identified a need for measuring the economic and fiscal impacts of business expansion and recruitment projects which receive incentives from the department. Since participation in the Initiative, TNECD and the Tennessee Department of Revenue have worked with a third-party firm¹⁶ to create a customized impact model. Using the model, CERT forecasts the economic and fiscal impacts of business expansion and recruitment activity over a 10-year period. For each FastTrack grant application, CERT forecasts economic impacts such as new job creation, new salaries, economic output, and taxable sales and purchases expected in the state. CERT also uses the model to forecast state tax revenues the projects are expected to generate over a 10 year period, net of credits and other costs of providing

⁸ Pew and CREC, February 2015

⁹ Three grant types are available to businesses through TNECD’s FastTrack program: FastTrack Job Training Assistance Program (FJTAP) grants, FastTrack Infrastructure Development Program (FIDP) grants, and Economic Development (ED) grants.

¹⁰ Effective July 2015

¹¹ Pew and CREC, October 2014

¹² In order to accelerate our progress towards becoming a top destination for R&D jobs, Tennessee added R&D equipment to the list of equipment eligible for the Industrial Machinery Sales and Use Tax Exemption.

¹³ To enhance the state’s competitiveness in recruitment of back office operations, Tennessee made back office positions eligible for the Job Tax Credit.

¹⁴ Pew and CREC, February 2015

¹⁵ Pew and CREC, October 2014

¹⁶ Economic consulting firm Impact DataSource

additional state services, and highlights net new state revenues in comparison to discretionary incentives. This return on investment analysis enables TNECD to prepare grant commitments with greater quantitative analysis and fiscal stewardship.

Lastly, TNECD further enhanced the OpenECD transparency site during 2016, creating an interactive database where users can easily sort and filter data on business development project activity with associated FastTrack grant awards. TNECD also created an incentives dashboard with summary statistics on average incentive levels per new job commitment. Data made available through OpenECD, including these recent enhancements, are explained in greater detail in Part III of this report.

Part II: Economic Development Transparency in the 50 States

CERT analyzed transparency and economic development portals, publications and practices for all 50 states, in order to benchmark TNECD’s business incentive transparency practices against those of other states.

METHODOLOGY

In order to compare different approaches to economic development transparency, CERT researched three categories of data made publicly available by each state. These categories were (1) project data made publicly available, (2) business incentive data made publicly available, and (3) data medium – or the method through which each state provided the economic development project and incentive information to the public.

States received points for each transparency item implemented. Because some of the data points display a greater commitment to economic development transparency, CERT assigned each item a point value ranging from 0.25 to 2. The number of points assigned for each transparency item is included in the tables below.

Each state was indexed, and received an aggregate score which is equal to the sum of points received. The higher the score, the greater visibility the agency provided into its economic development projects and awards. The maximum score a state can achieve is 23 points, which is achieved if the state reports all project data items (13 points), all business incentive data items (6 points) through an economic development transparency portal (2 points) and a project map (2 points).

Project Data

Project data includes data which economic development organizations make publicly available for individual business expansion, recruitment, new startup or retention projects. Specifically, CERT searched to identify if economic development agencies make the following items publicly available, on an individual project basis:

Project Data	Points	Explanation
No. of Committed Jobs	1	Number of net new or retained jobs the company or organization commits to create
No. of Jobs Realized	2	Actual number of net new or retained jobs realized ¹⁷
Committed Capital	1	Value of capital investment the company or organization commits to

¹⁷ CERT reviewed whether state economic development agencies made publicly available the number of actual jobs created relative to the jobs committed for an individual project. This is true for the “Actual Capital Investment” and “Actual Project Wage” data too.

Investment		make
Capital Investment Realized	2	Actual value of capital investment the company or organization realized
Committed Project Wage	1	Average wage the company or organization commits to pay for net new or retained jobs
Project Wage Realized	2	Actual average wage the new or retained jobs pay
Project Date	1	Date, month or year a project commitment is made, contracted or otherwise occurs.
Project Location	1	Location where the project will occur (such as city, county, county tier)
Project Type	1	Refers to the designation that an agency gave for a project – i.e. Recruitment, Expansion, Retention, etc.
Fiscal Impacts	1	Fiscal benefits, often in the form of state tax revenues, which a project or group of projects is forecasted to generate. <i>Note: States received a score of 1 if they regularly make any economic or fiscal impacts data publicly available. Unlike other project data items, states received a point if this data was reported on an individual project basis, or in the aggregate for all projects.</i>

For each project data item made transparent, states receive 1 point. The exception is the number of jobs, value of capital investment and average project wage realized, for which states receive 2 points. CERT assigned greater weight to these project data, because they demonstrate greater transparency with regard to program outcomes.

Business Incentive Data

Business incentive data encapsulates any financial incentive the economic development agency provided to a company or organization for an expansion, recruitment, new startup or retention project. This includes grants, tax credits or other forms of business incentives. Specifically, CERT researched if economic development agencies make the following items publicly available, on an individual incentive award basis:

Business Incentive Data	Points	Explanation
Name	1	The name of the business that received the incentive
Industry	1	The industry of the business receiving the award
Value of the Incentive	1	The value of the incentive the economic development agency made to the business
Incentive Type	1	Type of incentive (i.e. tax credit, grant, etc.) the business received
Aggregated Total Number of Incentives	1	The aggregated total number of incentives given to all businesses over a period of time ¹⁸
Aggregated Total Value of Incentives	1	The aggregated total value of all incentives given to all businesses over a period of time

For each business incentive data item made transparent, states receive 1 point.

¹⁸ In addition to data on individual incentive awards, CERT also evaluated whether or not the economic development organization provided the aggregated number of incentives awarded, and the aggregated value of incentives awarded across all businesses.

Data Medium

Lastly, CERT analyzed the medium through which economic development agencies provide project and business incentive data to the public. CERT researched the primary mechanism through which states provide economic development project and incentive award information. Data mediums were categorized as follows:

Data Medium	Points	Explanation
State Transparency Portal	0.25	A portal or webpage where the public can search for state expenditures or monetary commitments – including economic development data, as well as data for other state agencies
Economic Development Transparency Portal	2	An interactive, economic development exclusive, webpage or portal where the public can view economic development-specific data
Economic Development Reports ¹⁹	0.5	Reports available for download in PDF or Excel format, which provide economic development project and incentive data for the public
Project Map ²⁰	2	Maps identifying geographic locations of business recruitment, expansion or retention projects and project- or award-specific data.

States with transparency portals specific to economic development received 2 points, because such platforms demonstrate a strong and resource-intensive commitment to transparency. Alternatively, states with transparency reports specific to economic development were awarded 0.5 points, and states with statewide transparency portals that are not specific to economic development received 0.25 points.

States were awarded an additional 2 points for providing an interactive map of project or award data. Such maps exemplify exceptional transparency efforts.

RESULTS

CERT tabulated how frequently project and business incentive data are made available by states, and the mediums states use to make this data transparent. This data is summarized in on page 8.

CERT identified 12 states which lead the nation in transparency with regard to business incentive and economic development project data. (*See page 9*). These states compile the top quartile of states based on aggregated scores across the 20 indicators reviewed. These top states received scores ranging from 12 to 19.5, and report at least half of the transparency indicators reviewed. Arizona leads the nation in economic development transparency, reporting all project and incentive items reviewed.²¹ Wisconsin and Illinois also have leading interactive economic development transparency portals that provide an abundance of data—including project job, wage and investment commitments realized.

The tier two states score within the second quartile, or 25th to 50th percentile, of all states. These 13 states have scores ranging from 10.5 to 11.5. These states do demonstrate strong transparency practices in a few

¹⁹ CERT categorized economic development-specific webpages with links to reports available for download under the “Report” category. CERT differentiates between interactive transparency portals and dedicated web pages with links to reports. Interactive transparency portals are suggestive of more resource-intensive and user-friendly transparency platforms.

²⁰ No state uses maps as the *primary* means to provide economic development data. However, because such maps demonstrate a strong commitment to transparency of state project and award data, maps of project and award data are included as a transparency delivery mechanism.

²¹ Arizona releases data for all 10 economic development project indicators and all 6 incentive indicators. Arizona did not receive the maximum score of 23, however, because the agency only makes this information available through PDF reports. More information on Arizona is available on page 13.

areas, including interactive economic development transparency websites (Minnesota and Montana), fiscal impact reporting (Utah and South Carolina), and actual job creation (Colorado).

The third tier of states score within the third quartile, or 50th to 75th percentile, of all states. The scores of these 13 states range from 6.5 to 9.5. Two of the tier 3 states do have interactive transparency portals specific to economic development projects (Virginia) or business incentives (Florida), however several transparency indicators are not provided.

Lastly, the fourth tier of states score within the lowest 25 percent of all states, with scores ranging from 0 to 5.5. These states do not have interactive transparency portals, neither statewide nor specific to economic development.

Transparency Indicators: Frequency of State Reporting, and TNECD Reporting

Project Data	No. of States Reporting	% of States Reporting	TNECD Reporting
No. of Committed Jobs	35	70%	Yes
No. of Jobs Realized	10	20%	No
Committed Capital Investment	21	42%	Yes
Capital Investment Realized	2	4%	No
Committed Project Wage	14	28%	No
Project Wage Realized	3	6%	No
Project Date	28	56%	Yes
Project Location	38	76%	Yes
Project Type	33	66%	Yes
Fiscal Impacts	3	6%	No ²²
Business Incentive Data	No. of States Reporting	% of States Reporting	TNECD Reporting
Grantee Name	39	78%	Yes
Grantee Industry	24	48%	No
Value of the Incentive	38	76%	Yes
Incentive Type	37	74%	Yes
Aggregated Total Number of Incentives	32	64%	Yes
Aggregated Total Value of Incentives	33	66%	Yes
Data Medium for Project & Incentive Data	No. of States	% of States	TNECD Medium
State Transparency Portal	4	8%	No
Economic Development Transparency Portal Report (downloadable PDF or Excel File)	9	18%	Yes
Project and Business Incentive Map	34	68%	No
	4	8%	No

²² Tennessee reports aggregate return on investment figures for project commitments in articles and other mediums. Tennessee does not publicly release fiscal impact data for individual projects, in order to protect tax and other confidential information.

Transparency Tiers for Economic Development Projects and Incentives

Tier 1: Leading States				
Arizona	California	Connecticut	Illinois	Indiana
Iowa	Louisiana	Michigan	New Jersey	Ohio
Tennessee	Wisconsin			
Tier 2				
Colorado	Massachusetts	Minnesota	Missouri	Montana
Nevada	New York	North Carolina	Oregon	South Carolina
Texas	Utah	West Virginia		
Tier 3				
Alabama	Florida	Georgia	Kentucky	Maryland
Nebraska	New Mexico	New Hampshire	North Dakota	Pennsylvania
South Dakota	Vermont	Virginia		
Tier 4: Lowest Scoring States				
Alaska	Arkansas	Delaware	Hawaii	Idaho
Kansas	Maine	Mississippi	Oklahoma	Rhode Island
Washington	Wyoming			

Project Data

One of the greatest distinguishing features of top performers in economic development transparency is the abundance of data for individual projects.

For company recruitment and expansion commitments, more than half of states report project dates (28), job creation commitments (35), project locations (38) and project types (33) for individual economic development projects. Additionally, 42 percent of states (21) provide capital investment commitments and 28 percent of states (14) report project wage commitments.

Reporting of actual job creation, capital investment and project wages realized is far less common across the 50 states. Only 10 states report the number of jobs realized relative to the number of jobs originally committed, 9 of which are identified in this study as tier 1 economic development transparency leaders. Colorado is the only state outside of the tier 1 transparency level which reports actual job creation.

Arizona is the only state reporting the number of jobs, value of capital investment and average wages realized. No other state reports all three of these items on an individual project or grant basis. In fact, while 42 percent of all states (21 states) report capital investment commitments on an individual project basis, Arizona and Wisconsin are the only two states to report capital investments realized. Similarly, while 14 states report project wage commitments, only Arizona, Illinois and Idaho report actual project wages realized.

On the Treasurer of Ohio's website, a business incentives compliance report is posted by fiscal year: the *Attorney General Compliance Report of Economic Development Awards*. The report provides the overall compliance rate by program, where program types include workforce, grants, tax credits and loans. The report includes the aggregated percentage of job creation and retention commitments for relevant programs. The report also details non-compliant award recipients, including actual job creation for non-compliant businesses, information on why the recipient was determined non-compliant, remedial action taken by the state and additional comments.

Illinois is another leading state for business incentive transparency, providing job and wage fulfillment data. Through the Illinois Corporate Accountability website, the public can view and download annual reports on project progress. These reports include data on employment levels at the time of application, current employment and company commitments to create and retain jobs. The job commitments and jobs realized data is segmented by occupation type, and also by full-time and part-time status. Wage data is made available in the Illinois project progress reports, making it one of only three states to report actual wages realized for individual projects (Illinois, Arizona and Idaho).

Iowa's Economic Development Authority (EDA) provides annual reports containing projected, contracted and actual job creation for individual companies. These reports also include wage commitments, among other project and grant data, however exclude actual wages realized.

TNECD takes several measures to track actual job creation relative to project commitments for internal program analysis; however this data is not made publicly available. In order to receive FastTrack grant funding, companies must report documentation of job creation to the department. Additionally, TNECD audits companies annually to capture current employment levels, which is also reviewed for internal analysis.

Project Data	No. of All States	No. of Tier 1 States	% of All States	% of Tier 1 States
No. of Committed Jobs	35	12	70%	100%
No. of Jobs Realized	10	9	20%	75%
Committed Capital Investment	21	10	42%	83%
Capital Investment Realized	2	2	4%	17%
Committed Project Wage	14	5	28%	42%
Project Wage Realized	3	2	6%	17%
Project Date	28	12	56%	100%
Project Location	38	11	76%	92%
Project Type	33	9	66%	75%
Fiscal Impacts	3	1	6%	8%

Fiscal Impacts

Several economic development agencies forecast the fiscal benefits of tax revenues that business expansion, recruitment and other project activities are estimated to generate. Impact analysis provides an estimated return in state tax revenues that a project receiving public support may generate. Very few states (3) however report any measure of return on public investments in economic development transparency portals.

Utah is one of the exceptions. The Utah Governor's Office of Economic Development publishes a measure of the project return to the state under its Economic Development Tax Increment Financing (EDTIF) incentive. EDTIF is a post-performance incentive provided as a tax credit rebate. For each fiscal year, Utah provides a list of approved projects for the EDTIF incentive. Included among various other reported data, is the projected new state tax revenue over the term of the EDTIF incentive. This measure of the expected increase in tax revenue provides a measure of the return to Utah for its public investment in the project. Projected new wages resulting from the EDTIF incentive is also made publicly available.

In South Carolina, the Comptroller General provides reports on various economic development subsidies. One type of report includes projects eligible for state job development credits (JDCs). These reports include project details such as location, investment, and new jobs, as well as a dollar value for the expected 10-year net economic development benefits from each project under this umbrella.

Lastly, the Arizona Commerce Authority (ACA) publishes a measure of fiscal impact. An infographic summary of the ACA’s annual report provides aggregated information on projects, including the sum of projects, new job commitments and capital investment commitments for the year. The infographic also summarizes the economic impact of project activity for the year. This section outlines the forecasted aggregate number of direct, indirect and induced job creation of all projects for the year, the aggregated expected economic output of this project activity and the aggregated tax revenue the projects are forecasted to generate. While the projected tax revenues are not provided on an individual project basis, Arizona does release the State’s return on investment at an aggregated level in each year’s annual report.

ECONOMIC IMPACT OF ACA PERFORMANCE			
Multiplier Effect Over 5 Years ¹			
	Direct, Indirect and Induced Jobs²	Economic Output	Tax Revenue
FY13-15	112,905	\$58.93B	\$1.69B
FY16	38,392	\$27.11B	\$0.59B
TOTAL	151,297	\$86.04B	\$2.28B

¹ Analysis performed by Elliott D. Pollack & Co. based on ACA input; ² Includes temporary jobs created by construction

Tennessee measures economic and fiscal impacts in a similar way to Arizona. CERT did not however award Tennessee points for this category because TNECD does not have a formalized template within its transparency portal for releasing fiscal impacts or return on investment (ROI) on a regular basis as do Utah, South Carolina and Arizona. Rather, TNECD reports aggregate fiscal impact figures to the public through blog posts, articles and other publications.

Business Incentive Data

Each of the business incentive transparency indicators evaluated is reported by a high share of states. Approximately three quarters of all states report the name of businesses receiving incentives (39), the dollar value of incentives awarded (38), and the type of incentive awarded (37). With 24 states providing the industry of the grantee, this was the indicator reported least frequently.

In addition, approximately 65 percent of all states report aggregated information for the number of business incentives awarded (32), and the aggregated value of all business incentives awarded (33). Seventeen states scored points for all six business incentive data categories, including eight which are among the Tier 1 states.

Business Incentive Data	No. of All States	No. of Tier 1 States	% of All States	% of Tier 1 States
Grantee Name	39	12	78%	100%
Grantee Industry	24	8	48%	67%
Value of the Incentive	38	12	76%	100%
Incentive Type	37	12	74%	100%

Aggregated Total Number of Incentives	32	11	64%	92%
Aggregated Total Value of Incentives	33	12	66%	100%

Economic Development Transparency Mediums

Approximately 70 percent of states (34) use PDF or excel reports to provide the public with project and business incentive data. This includes half of the leading 12 states, which demonstrates that economic development agencies can be highly transparent with PDF and Excel files serving as a medium for delivery of project and incentive data.

Prior to October 2016, TNECD joined these 34 states, using PDF reports to present FastTrack grant data. The reports were posted on the department's OpenECD transparency website. In Fall 2016, the department made project and grant data available on OpenECD through an interactive portal, in an effort to improve transparency and to create a more user-friendly platform.

Five of the top tier states have an interactive transparency site for economic development such as Tennessee's. These include the states of Illinois, Indiana, Michigan, Tennessee and Wisconsin.

There are a few states with interactive economic development transparency portals which do not fall into the top quartile of states. These states are highly transparent with regard to either project or business incentive data, though not both. Minnesota, Montana and Florida provide significant detail on business incentives, but not with regard to project data. Virginia's interactive economic development portal on the other hand is not very transparent with regard to business incentives, however, is highly transparent with project data. As such, CERT's findings indicate that an interactive transparency portal is an effective mechanism for delivery of project and/or business incentive data to the public.

Connecticut is the only state in the top quartile which provides business incentive and project data through a statewide transparency platform. The State of Connecticut has an extensive open data portal, through which the user can narrow in on the Economic and Community Development Department's interactive database of business assistance information dating back to 1993. Oregon has a statewide open data portal which was similarly robust, though excludes job commitment levels. The open data portals for Oregon and Connecticut are both powered by Socrata, a private sector firm which provides cloud-based software for public sector organizations to store and share data.

The two additional states using a statewide site as a medium for economic development transparency are Arkansas and Oklahoma, both of which fall into the quartile of least transparent states with regard to project and business incentive transparency. The Arkansas statewide transparency platform only provides aggregated data on appropriated payments by program for the Arkansas Economic Development Commission (AEDC).

Data Medium	No. of All States	No. of Tier 1 States	% of All States	% of Tier 1 States
State Transparency Portal	4	1	8%	8%
Economic Development Transparency Portal	9	5	18%	42%
Report (PDF or Excel Files)	34	6	68%	50%
Project and Business Incentive Map	4	3	8%	25%

Project and Business Incentive Maps

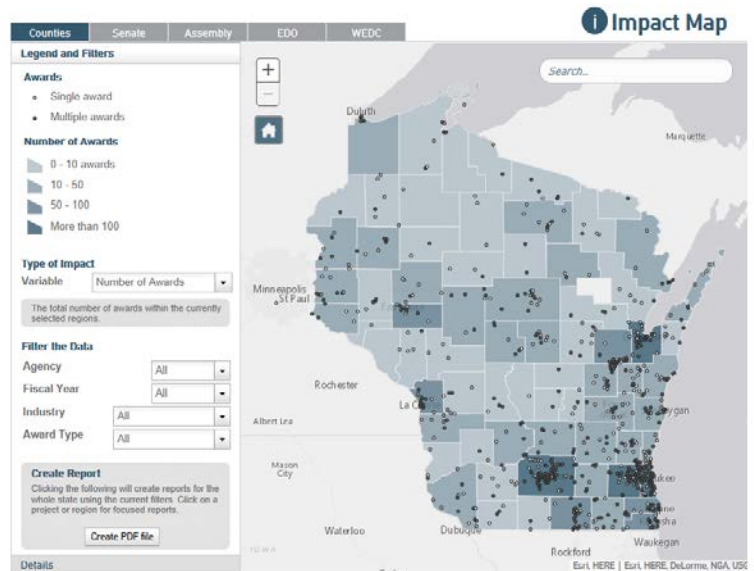
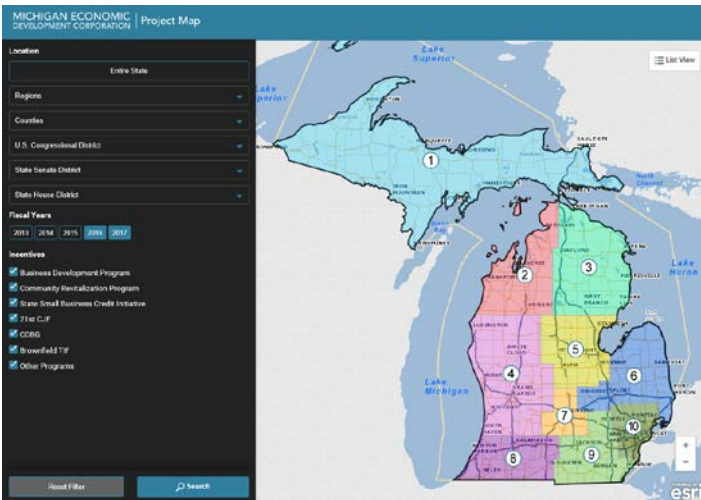
Eight percent of states (4) provide maps of economic development projects and/or business incentive awards, including three of the top tier states for transparency.

The Michigan Economic Development Corporation (MEDC) provides an excellent example of project mapping. On MEDC's website, users can view an interactive project map which displays the number of projects by region, with associated job commitments, public support and private investment. The user is able to review the project list for a region, which includes details such as company name and project description. The user is also able to select from a variety of region categories (including counties, U.S. Congressional Districts, state senate districts, state house districts), fiscal years, and program types (Business Development Program, Community Revitalization Program, State Small Business Credit Initiative, 21st C/JF, CDBG, Brownfield TIF and other programs).

The Wisconsin Economic Development Corporation (WEDC) provides another example of a project map or "Impact Map." The WEDC's Impact Map allows users to view for a given region the number of projects with associated incentive awards, project costs and projected jobs. Additionally, users are able to filter the data by the agency which administrated the awards, fiscal year, industry of the award recipient, and by award type.

Figure 1 – Michigan Project Map

Figure 2 – Wisconsin Impact Map



Arizona

The Arizona Commerce Authority (ACA) publicly reports and makes available all recipients of its managed incentives and provides one of the largest quantities of data through its annual reports. The ACA provides several reports on an annual basis that share data for a variety of categories. The reports include high level data, such as the number of project commitments and their associated new jobs, wages and capital investment projections. Additionally, the ACA provides a "Client List," which is a list of all the companies the ACA worked with by quarter.

The ACA's annual report also provides, but is not limited to, information on how the previous year's achievements support the ACA's strategic initiatives – such as expanding the footprint of California-based

businesses in Arizona. The annual report details the ACA's marketing efforts and attendance at conferences, trade shows and trade missions.

The ACA also publishes an annual infographic summary. This infographic is, essentially, a graphical representation of highlights from the annual report.

The ACA prepares annual reports on individual incentive programs on a regular basis. Reports for specific programs include the following:

- The Arizona Competes Fund (ACF) is a grant fund used for attracting, expanding or retaining Arizona businesses. Annual and quarterly reports include the following data for each grant: grantee name and industry; grant type, year, and award amount; project commitments for jobs, capital investment and wage; as well as actual new jobs, capital investment and wages realized; and lastly the percentage of employee health insurance cost covered.
- The Qualified Facility Tax Credit Program (QFTCP) is designed to support manufacturing facilities through refundable income tax credits for businesses expanding or locating in qualified facilities. The ACA makes the following data available through QFTCP annual reports: applicant or business name, the value of the credit, and the ratio of aggregate tax credit value to committed capital investment.
- The Renewable Energy Tax Incentive Program (RETIP) is designed to encourage business investments that produce high-quality employment opportunities and enhance Arizona's position as a center for the production and use of renewable energy products. Data released for RETIP include the grantee name; award type, and status of award.

Lastly, the ACA also releases an Industry Growth/Employment Forecast Report. This report, published annually, provides a litany of data including some measure of return on investment, fiscal year results and fiscal year highlights. It also provides data on projects currently under way, including project names, locations and a variety of other data points.

Part III: Tennessee's Economic Development Transparency Platform

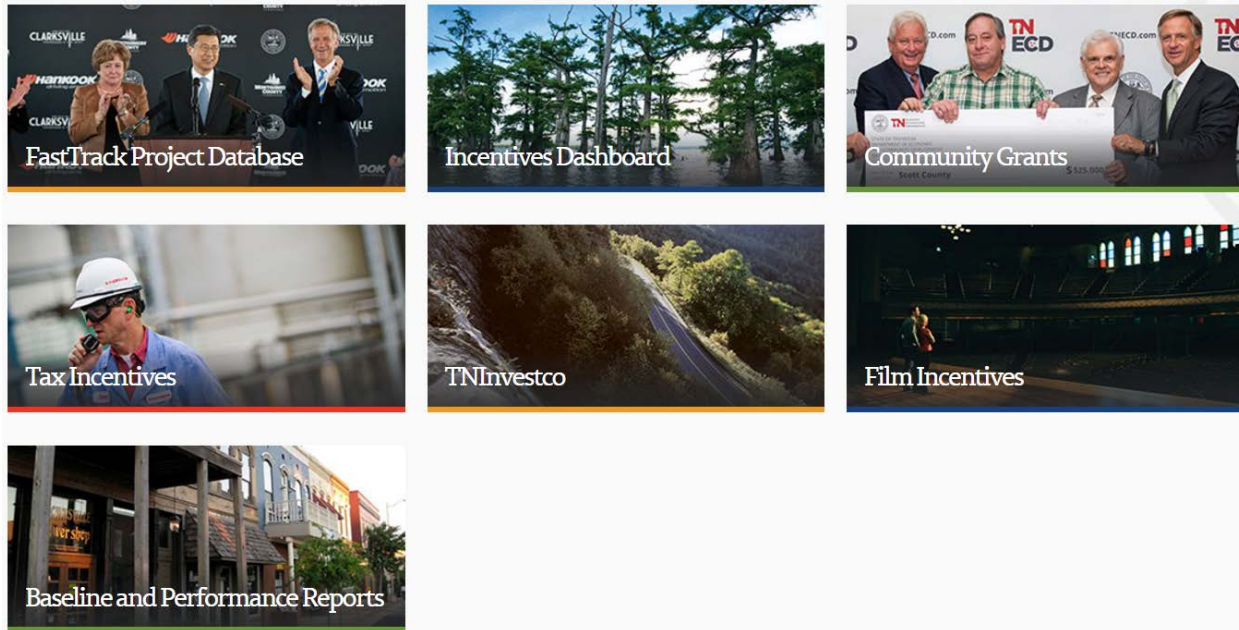
TNECD is committed to open and transparent government for the state's citizens, and makes a concerted effort to continually improve transparency of the state's business incentive programs.

As acknowledged in Part I, Pew and CREC identified Tennessee as a leading state for data transparency in the Fall of 2014. This recognition is reflective of OpenECD—the medium through which TNECD shares project and grant incentive data specific to economic and community development. Designed to be a user-friendly site, Tennessee's stakeholders can use this portal to access public information and documents relevant to Tennessee business incentives. OpenECD provides users access to detailed information, databases, dashboards, and periodic reporting through seven different links.

According to CERT's analysis of economic development incentive and project transparency, Tennessee placed into the top quartile of states. Two significant factors which push Tennessee into the top tier for transparency are the department's *new* interactive FastTrack Project Database and new Incentives Dashboard available on OpenECD as of October 2016. These two transparency tools provide the public with

current data²³ and detailed insight on the department’s business incentive allocation practices and activity. Without these two enhancements, Tennessee would have ranked within the second quartile of states according to CERT’s index evaluation—previously lacking both an interactive economic development transparency portal (2 points) and aggregated figures for the number (1 point) and value (1 point) of incentives awarded.

While the following sections describe OpenECD’s new enhancements, it should be noted that OpenECD provides additional transparency information—including tax credits available to qualifying businesses, community development block grants administered through the department, and incentives for Tennessee film and television productions.



FastTrack Project Database

The FastTrack Project Database includes every project TNECD has secured an expansion, recruitment or new location deal with since 2011—excluding only projects which do not have a grant contract in place. Information for projects is available in the FastTrack Project Database after a contract has been executed with TNECD. The database is updated on a monthly basis. For each project, the database includes company name, the date of the project commitment, the number of net new jobs that will be created, company capital investment commitments, project type,²⁴ the county where the project will take place and the value of grant awards. The database provides visibility on the type of grant(s)²⁵ which each company is awarded, and the grant value for each grant contract. All of these items are included as transparency indicators in CERT’s analysis of the 50 states.

²³ Both tools are updated on a monthly basis.

²⁴ TNECD classifies projects into one of four project types: (1) recruitment of a company to Tennessee, (2) expansion of a Tennessee company, (3) expansion of a Tennessee company at a new Tennessee location, or (4) new startup.

²⁵ The FastTrack discretionary grants are available through three programs: the FastTrack Job Training Assistance Program (FJTAP), the FastTrack Infrastructure Development Program (FIDP), and other grant funding which is available for other economic development project expenses (ED).

Stakeholders and other users can sort and search for project information in a variety of ways, including by county, county tax tier and within specified date parameters. A search engine for all data is also available.

County tier is a unique piece of information which the database includes. Tennessee has a county tier system in place, which is based on an index score of county poverty rate, unemployment rate and per capita market income. The county tier levels, updated annually, range from 1 (least distressed) to 4 (most distressed). A county's tier level impacts tax credits companies may qualify for as they expand and locate in Tennessee. The department also uses the tier system for many community development programs, where counties with greater economic distress may qualify for greater TNECD assistance. Because this metric is of significant importance for TNECD, the FastTrack project database provides users with the ability to sort and filter project and grant data by county tier (among other factors).

Prior to the implementation of the FastTrack Project Database, TNECD's grant data was provided solely through quarterly PDF reports, explained on page 3 of this report.

Incentives Dashboard

The Incentives Dashboard provides aggregated information relevant to TNECD's support of new job creation and capital investment through the FastTrack grant programs. The dashboard illustrates FastTrack grant averages across different years, locations and other categorical variables. Overall during 2016, TNECD received 144 business commitments to create 18,942 new jobs. The average grant level per new job was \$3,058 in 2016, which is the lowest average occurring in the last five years.

Project and grant activity dating back to the beginning of Governor Haslam's administration in 2011 is included. All FastTrack incentive commitments for TNECD project commitments are included in the Incentive Dashboard's summary statistics, including grant commitments which do not yet have a contract in place.

In addition to FastTrack grant data, the incentives dashboard also reflects information on capital grants awarded for project commitments made during this time frame. Capital grants have been awarded for a few significant projects that are expected to make exceptional impacts on the state's economy and communities.

The State of Tennessee has made a commitment to rural Tennessee, and to Tennessee's economically distressed communities. Through TNECD's Rural Development program and the Governor's Rural Task Force, Tennessee brings together resources from a range of organizations to advance rural communities and economic development throughout Tennessee. The Incentives Dashboard tracks job commitments in Tennessee's rural counties.²⁶ During 2016, 43.0 percent of TNECD's new job commitments located in rural counties, a significant growth from 28.1 percent in 2015. The dashboard also compares average business incentive levels for projects locating in urban and rural counties. On average, job commitments in rural counties in 2016 had a FastTrack grant of \$3,645 per new job; job commitments in urban counties had an average FastTrack grant of \$2,615 per new job.

Tennessee's FY2017 county tax tier designations are represented in the Incentives Dashboard as well as the FastTrack Project Database. For each tier level, dashboard information includes new job commitments, the

²⁶ **Defining Rural Areas:** TNECD considers counties to be urban where at least 50 percent of the county population is located within an urbanized area. Urbanized areas, defined by the U.S. Census Bureau, comprise larger places and the densely settled areas around them. Urbanized areas have an urban nucleus of 50,000 or more people. In general, they must have a core with a population density of 1,000 persons per square mile and may contain adjoining territory with at least 500 persons per square mile.

share of total new job commitments, and average FastTrack incentives per new job. The data is provided for each year since 2011. During 2015 and 2016, a greater share of job commitments located in Tier 4 counties than in previous years (5.4 percent and 5.2 percent, respectively); and a smaller share of TNECD's 2016 job commitments located in tier 1 counties than in the previous five years (55.9 percent).

Part IV: Independent Transparency Analyses

A few independent reports on state transparency websites are available, including U.S. Public Interest Research Group (PIRG) Education Fund and Good Jobs First. PIRG, a consumer advocacy group, recently released their annual report, *Following the Money 2016: How the 50 States Rate in Providing Online Access to Government Spending Data*. This report found transparency websites in 45 states provide information on some economic incentives. Four states received a perfect score from PIRG with Tennessee receiving a B for its transparency portal.

Over the last year, several states have updated and streamlined their websites allowing easier access to information. Since the report was released, TNECD has made a significant effort to improve the OpenECD transparency portal to make the site more user-friendly. Good Jobs First provides up to date "Subsidy Tracker Data Sources" that provides users with links to state-related economic development transparency portals. This site allows for easy analysis into transparency best practices.

Transparency plays an important role in economic development because it is conducive to a positive working relationship between the public and economic development institutions. With this stewardship in mind, CERT was pleased to outline the importance of transparency at TNECD, outline TNECD's ongoing efforts to increase accessibility to pertinent economic development information, and to benchmark TNECD's transparency efforts and highlight practices in other states which would further accelerate the departments' status as a leader in economic development transparency and accountability.