

STATE OF TENNESSEE

LEAD Conference



10/26/2016

TNECD OVERVIEW



MEASURING SUCCESS: Long Term Objectives

55%

Goal: 55 Percent of Job Commitments Above County Median Wage by 2025

47.9% in 2016 YTD

Top 2

Per Capita Personal Income in the Southeast

#4 in Q1 2016 (\$43,251)

#1

Goal: Highest Capital Investment per Capita in the Southeast

#4 in Q4 2015 (\$1,087)

#1

Goal: Lowest Unemployment Rate in the Southeast

#3 Lowest in June 2016 (4.1%)

0

Goal: Zero Distressed Counties by 2025

*21 Counties in FY16
17 Counties in FY17*

BUSINESS DEVELOPMENT

New Industry Recruitment

FastTrack
Grant Program

Select Tennessee

Memphis Megasite

Existing Industry Expansion

FastTrack
Grant Program

TNTrade

Film, Entertainment &
Music Commission

Entrepreneurship

Business Enterprise
Resource Office

Launch Tennessee

REGIONAL JOB BASE CAMPS



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**ASSISTANT COMMISSIONER,
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Oversees and helps coordinate the activities of all nine Regional Directors



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Tennessee's Target Clusters

Automotive

#1 state in the Southeast for exports of motor vehicle parts (\$2.9B in 2015)

Aerospace & Defense

#2 for job growth in the aerospace products and parts industry (2010-2013)

Business Services

20 Fortune 1000 Companies

Chemicals, Plastics & Rubber

133 foreign-based establishments in Tennessee's sector

Energy Technology

#8 for public sector R&D expenditures as a percentage of GDP

Entertainment & Media

#1 state for employment in music publishing

Food Manufacturing

Top 5 markets for Tennessee exports of Food & Agriculture: Canada, UK, France, Germany and Mexico

Healthcare & Medical Device

335,100 Tennesseans employed in the health care and medical devices sector

Transportation, Distribution & Logistics

#1 for overall infrastructure & access

PROJECT MANAGEMENT TEAM

Alex Bertelli



Aerospace &
Defense

Energy Tech.

Jamari Brown



Healthcare

Business

Services

Headquarters

Data Centers

Call Centers

Back Office

Bryan Farlow



Advanced
Manufacturing

Warehouse,
Distribution &
Logistics

Cody Huddleston



Food &
Agribusiness

Chemicals,
Plastics &
Rubber

Chassen Haynes



Automotive

Victoria Hirschberg



Automotive

RURAL DEVELOPMENT AND EDUCATION ALIGNMENT

Rural Development

ThreeStar	Community Development Block Grants
Tennessee Main Street	Delta Regional Authority Grants
Tennessee Downtowns	Appalachian Regional Commission Grants
Retire Tennessee	
National Flood Insurance Program	

Education Alignment

Tennessee Promise

Tennessee Reconnect

Tennessee LEAP

Workforce360°

CDBG, ARC, DRA

Community Development Block Grants

- Administer funding from the U.S. Department of Housing and Urban Development to promote economic and community development in small cities across the state
- Most common projects include sewer and water system improvements, community livability projects such as the purchase of fire trucks, drainage improvements, building community centers, and extending water and sewer lines
- Since 2011, more than \$190 million in projects have been funded

Appalachian Regional Commission Grants

- Receive approximately \$6 million per year for community and economic development projects in the 52 Middle and East Tennessee counties served by the ARC
- Focused on funding projects that have job creation associated with them

Delta Regional Authority Grants

- Receive approximately \$1 million per year for community and economic development projects in the 21 West Tennessee counties served by the DRA
- Focused on projects that improve workforce development, improve health outcomes, and create jobs

FOREIGN DIRECT INVESTMENT

FOREIGN DIRECT INVESTMENT

- There are 919 foreign-based establishments employ over 126,000 people in Tennessee.
- These establishments have committed \$33.3 billion in capital investment.

EXPORTS IN TENNESSEE

- Tennessee exports totaled more than \$32.4 billion in 2015
- Exports from the state have increased 25.0% since 2010
- Top export markets include: Canada, Mexico, China, Japan and Belgium
- Top export products include: Medical Equipment and Supplies; Motor Vehicle Parts; Motor Vehicles; Computer Equipment; and Navigational, Measuring, Medical and Control Instruments

Source: USATrade

TOP FDI COUNTRIES

Parent Country	Capital Investment
Japan	\$17.7 B
Germany	\$5.1 B
Canada	\$2.5 B
United Kingdom	\$1.4 B
Korea	\$993 M

Source: TNECD

BUSINESS CLIMATE



QUALITY OF LIFE

An aerial photograph of a large, multi-story house with a prominent front porch and a circular driveway. The house is surrounded by lush green trees and a well-maintained lawn. In the background, there are rolling green hills and a large, open field, possibly a farm or a park. The overall scene is peaceful and scenic.

130+

**State Parks and
Natural Areas**

2nd

**Lowest cost of living of
any state**

30.3%

**Below the national
average of
housing prices**

ACCOLADES

First-ever back-to-back State of the Year
winner for economic development

2013 and 2014
Business Facilities

#4

State for jobs created
through FDI in 2014
*IBM's Global Location
Trends Report*

#1

Certified Sites and Shovel-
Ready Programs
Area Development

#1

Education: Race to the
Top Leaders
Business Facilities

#1

Overall Infrastructure and
Global Access
Area Development

#1

Automotive Manufacturing
Strength
Business Facilities

#2

Best Business Climate
Business Facilities

CORPORATE HEADQUARTERS IN TENNESSEE



Home to 11 Fortune 500 Companies

ANNOUNCEMENTS



2,000 Jobs
\$600mm

Chattanooga



UNDER ARMOUR

1,500 Jobs
\$102mm

Mt. Juliet

EASTMAN



300 Jobs
\$1.6B

Clinton

1,800 Jobs
\$800mm

Clarksville



3,474
\$149.05mm

Murfreesboro
Nashville
Chattanooga
Charleston
Lebanon



4,332 Jobs
\$810.35mm

Smyrna
Decherd



125 Jobs
\$321mm

Memphis



1,500 Jobs
\$66.15mm

Nashville



1,164 Jobs
\$585mm

Maryville
Athens



70 Jobs
\$600mm

Clarksville

TENNESSEE INCENTIVES



In Tennessee, we're fostering economic growth with flexible incentives that reduce capital expenses, lower operating costs and minimize risk.

State Incentives Include:

- Training grants
- Infrastructure grants
- Discretionary grants covering other expenses
- Tax credits and exemptions

Incentives are based on:

- Number of Jobs
- Quality of Jobs
- Capital Investment
- Location

ELIGIBLE INDUSTRIES

Type	Description
Headquarters	Administrative, research and development, planning, marketing, personnel, legal not manufacturing, distribution, wholesaling , or call centers
Manufacturing	Principle business is fabricating or processing of tangible property for resale
Data Centers	Building or buildings, either newly constructed or remodeled, housing high-tech computer systems and related equipment
Warehouse & Distribution	Storage or distribution of finished tangible personal property. Does not include a location where tangible personal property is processed, manufactured, sold to customers or assembled
Call Centers	Uses telecommunications in customer service, soliciting sales, reactivating accounts, surveys or research, fundraising, collecting receivables, reservations, taking or receiving orders

WORKFORCE AND EDUCATION





10

Public
Universities

27

Colleges of Applied
Technology

13

Community
Colleges

75

Tennessee Career Centers
and affiliated sites

\$20M

In grants awarded to
regional partnerships
to fill skill gaps

35

Independent Colleges
and Universities

411,749

People enrolled in
college in 2013

63,911

Graduates with an Associates
Degree or higher in 2013

DRIVE TO 55

One of Governor Bill Haslam's key policy objectives is to ensure 55% of Tennesseans hold a post-secondary degree or certificate by 2025.

Tennessee Promise

Beginning in Fall 2015, high school graduates can attend a community college or college of applied technology absolutely free of tuition and fees

Tennessee Reconnect

Allows adults to complete their post-secondary credential by attending one of our 27 Tennessee Colleges of Applied Technology completely free of tuition and fees

Tennessee LEAP

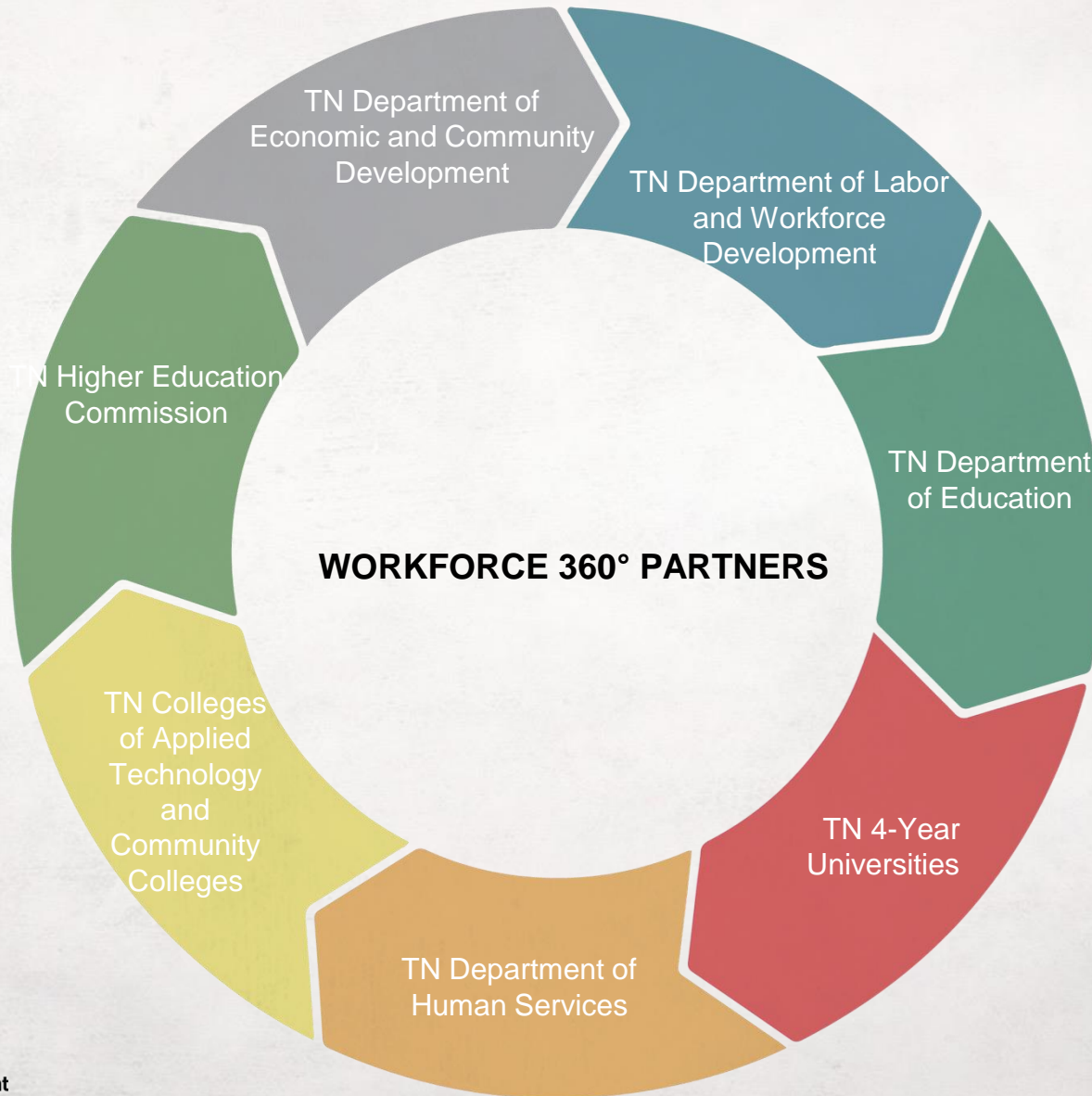
Ensures our post-secondary institutions are producing the skills and credentials that Tennessee employers actually need by identifying and filling skill gaps across the state

Drive to 55

- Governor Haslam initiated the Drive to 55 programs with a mission of having 55.0% of Tennessee's working age adult population equipped with a college degree or certificate by 2025.

No. Tennesseans (Age 25-64) by Highest Credential	2012	2013	2014	2015
Certificate	136,630	136,794	137,530	138,304
Associate's	250,219	257,289	256,817	260,210
Bachelor's	583,335	582,617	605,594	616,128
Graduate or professional	300,693	317,495	315,247	322,939
Total	1,272,877	1,294,249	1,315,188	1,377,581
% of population age 25-64 with a postsecondary credential	37.3%	37.8%	38.3%	38.7%

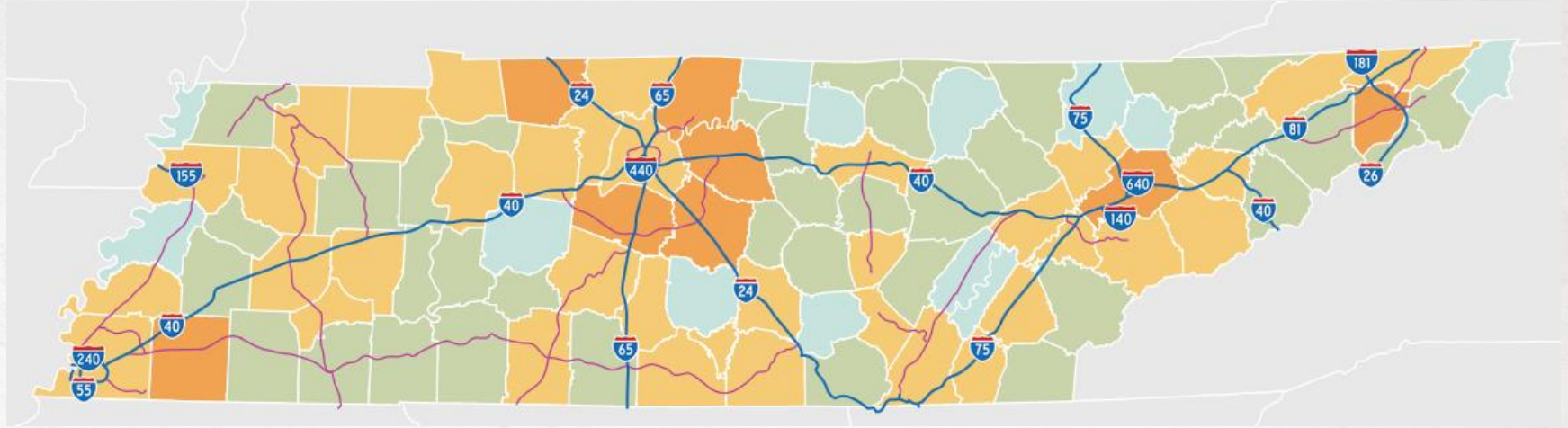
WORKFORCE360°



CENTER FOR ECONOMIC RESEARCH IN TENNESSEE



COUNTY PROFILE TOOL



- ❖ Location
- ❖ Population and Demographics
 - ❖ Housing and Income
 - ❖ Tax Structure
- ❖ Labor Force & Unemployment
- ❖ Industry Employment & Wages

www.tnecd.com/county-profiles/

- ❖ Top Employers
- ❖ Access to Airports, Rail, Road & Ports
- ❖ Education
- ❖ Health & Public Safety
- ❖ Climate
- ❖ Communities

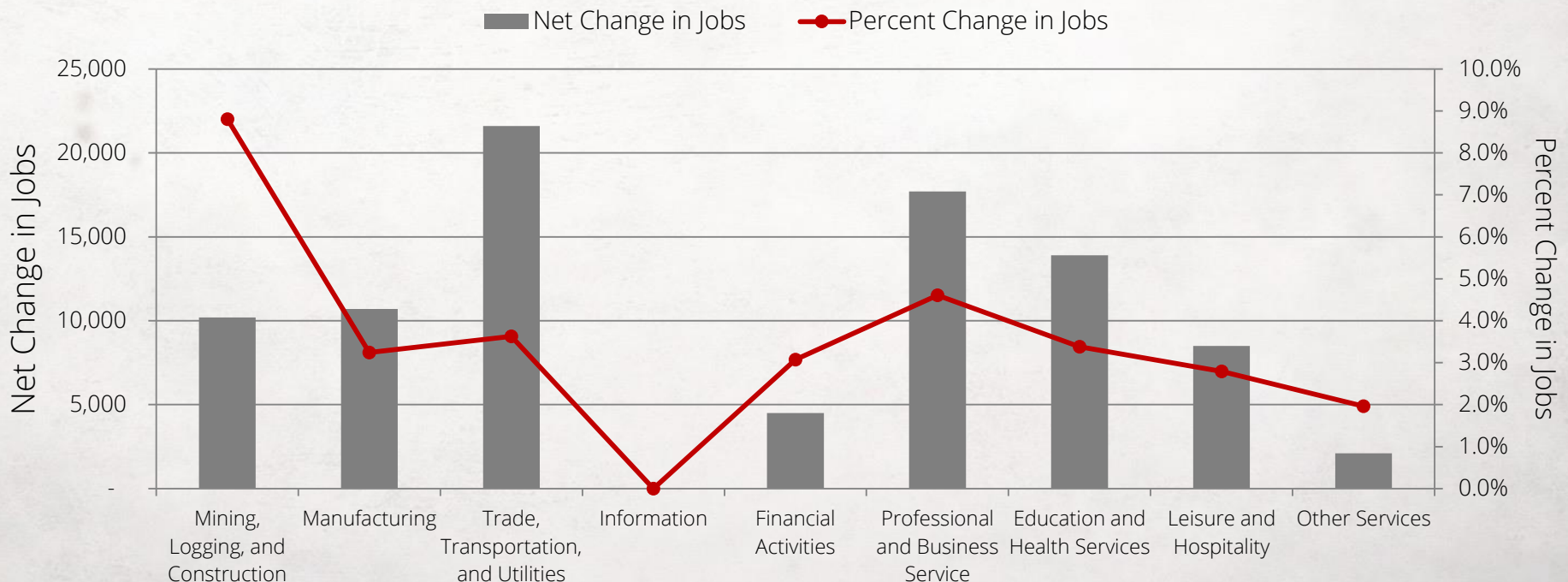
JOB GROWTH

2.74% Private Sector Job Growth: Tennessee's private sector job growth (2.7%) in the last year (June '15 – June '16) ranked 4th in the Southeast and 14th in the nation.

2.5 Million Private Sector Jobs: Tennessee's private sector jobs grew to 2,526,400 in February 2016.

11,400 Net New Manufacturing Jobs: Tennessee has added 11,400 net new manufacturing jobs in the last year (June '15 – June '16), ranking **1st in the nation.**

Private Sector Job Growth (Feb. 2015 – Feb. 2016)



AUTO INDUSTRY LEADER

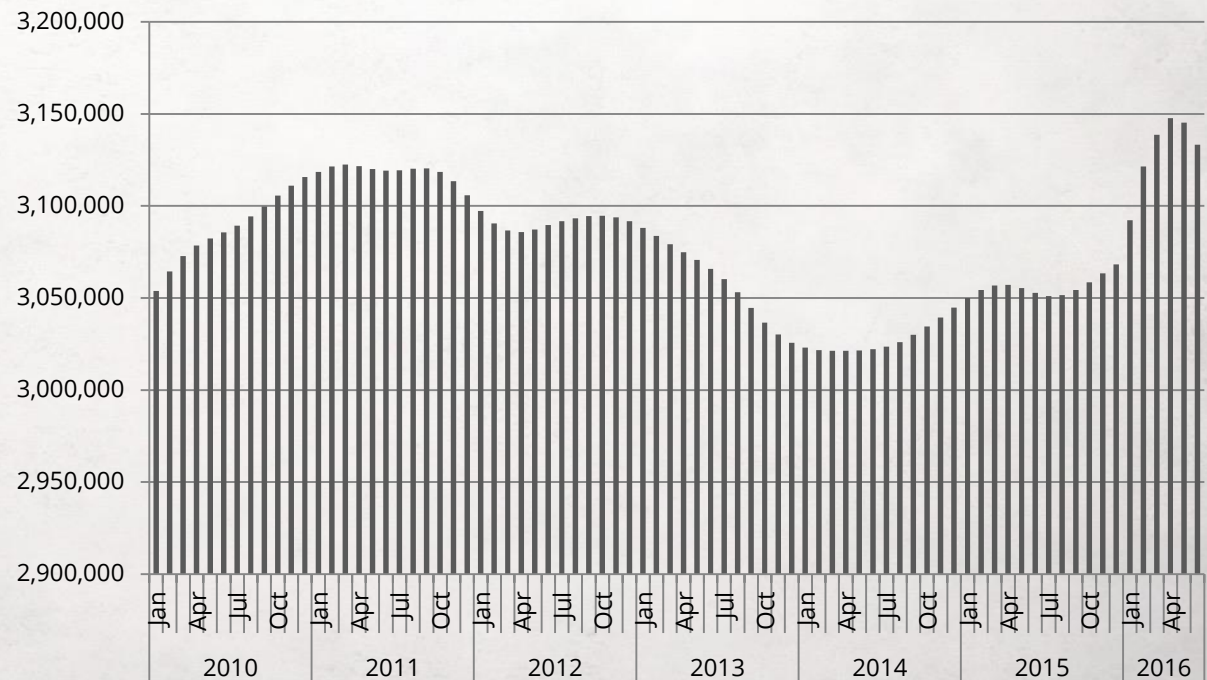
- Home to more than 900 automotive suppliers, three OEMs, two engine plants and the largest lithium-ion battery plant in the U.S.
- More people work in the auto sector in Tennessee than in any other state in the Southeast
- \$34 billion in capital invested by auto suppliers
- Tennessee's 25.3% annual growth rate for car and light truck production is top among the 13 major auto producing states
- Nissan's Smyrna, TN plant is the most productive auto assembly plant in North America, producing more than 648,000 vehicles in 2014



Labor Force Estimates

- **Unemployment rate** of 4.1%, which is below the nation's June unemployment rate (4.9%) and is the lowest in Tennessee **since 2007**.
- **Unemployment** has declined by 44,536 (25%) in the last 12 months (4th greatest decline in the nation)
- **Labor force** growth rate of 2.6% (+80,337) in the last 12 months ranks 7th highest in the nation
- **Labor force participation rate** has increased to 60.0%, though still below national average of 62.7%. Tennessee's LFPR ranks 9th lowest in the nation.

Tennessee Labor Force, Seasonally Adjusted



AGE DEMOGRAPHICS

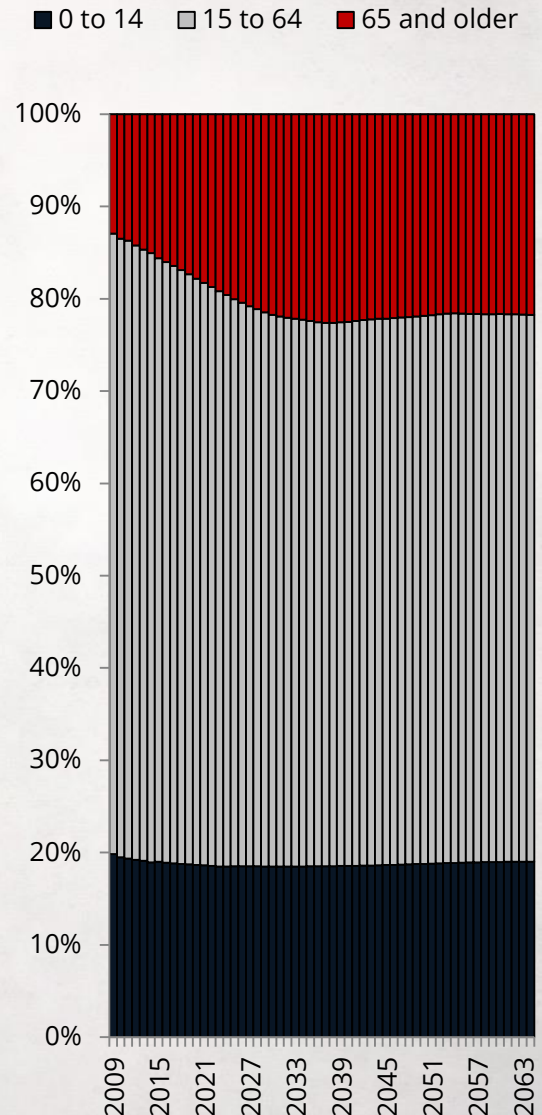
Dependency ratios were a second index component, reflecting the share of population age 15-64 relative to young & old dependents.

Retirements driven by the baby boomer cohort represent a disruptive trend for organizations. Businesses may have greater incentive to adopt technologies that automate workforce tasks. Education will need to rise to fill vacancies created as the baby boomer generation retires.

Pressure on the working age population will rise.

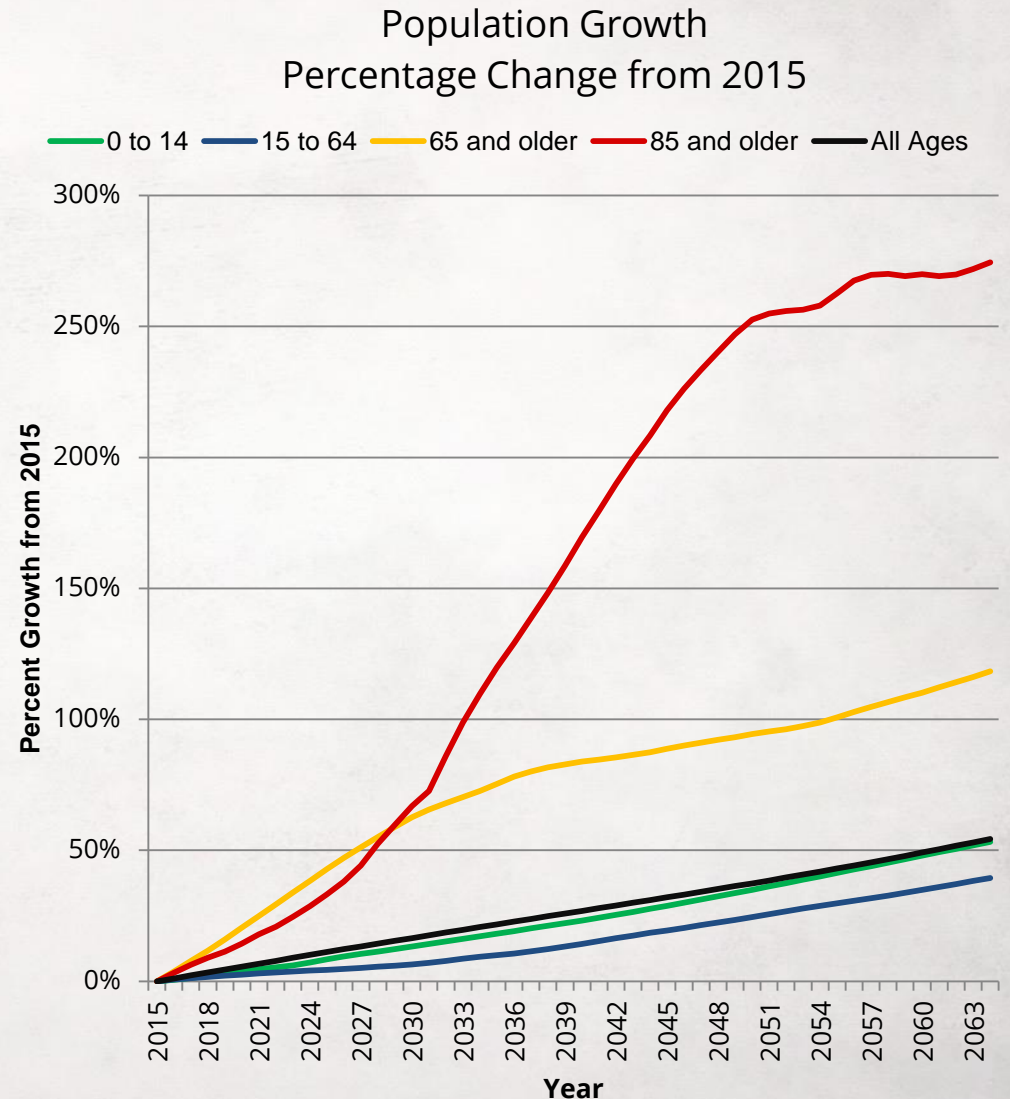
- Population under age 15 is projected to remain around 19% of the total population until 2064.
- Working age population will decline from 67% of population to 59% by 2032, where it will remain until 2064.
- The senior population (age 65+) will grow from 13% of the population to 22% by 2032, where it will remain until 2064.

Age Groups as a Percent of the Population



POPULATION GROWTH

- The number of individuals aged 85+ in Tennessee is expected to triple from 2010 to 2040.
- The working age population (15 to 64) is projected to grow at a slower rate than the total population - 14% from 2015 to 2040 and 39% from 2015 to 2064.
- The retirement age population (age 65 and older) is projected to grow at a much higher rate than the total population - 84% from 2015 to 2040 and 118% from 2015 to 2064.



2015 ANNUAL LEAP REPORT

Tennessee Labor Education Alignment Program (LEAP) is a \$10M grant opportunity designed to ensure postsecondary institutions are producing the skills and credentials that Tennessee employers actually need through alignment of education and industry.

STEM and STEM-Related Occupations: Science, Technology, Engineering and Math (STEM) occupations in Tennessee are projected to have many openings and are high wage jobs.

IT (Computer) Occupations: Computer occupations are projected to grow rapidly and have high wages. These occupations include computer scientists, system analysts, software and web developers, etc.

Industry Concentration: Many of the occupations in the LEAP report have a high concentration of employment within the following industries:

- Health Care and Social Assistance
- Manufacturing
- Wholesale Trade
- Education Services
- Transportation and Warehousing
- Professional, Scientific and Technical Services
- Finance and Insurance
- Information
- Construction
- Retail Trade

2015 ANNUAL LEAP REPORT

Drive to 55 is not just a mission for higher education, but a mission for Tennessee's future workforce and economic development.

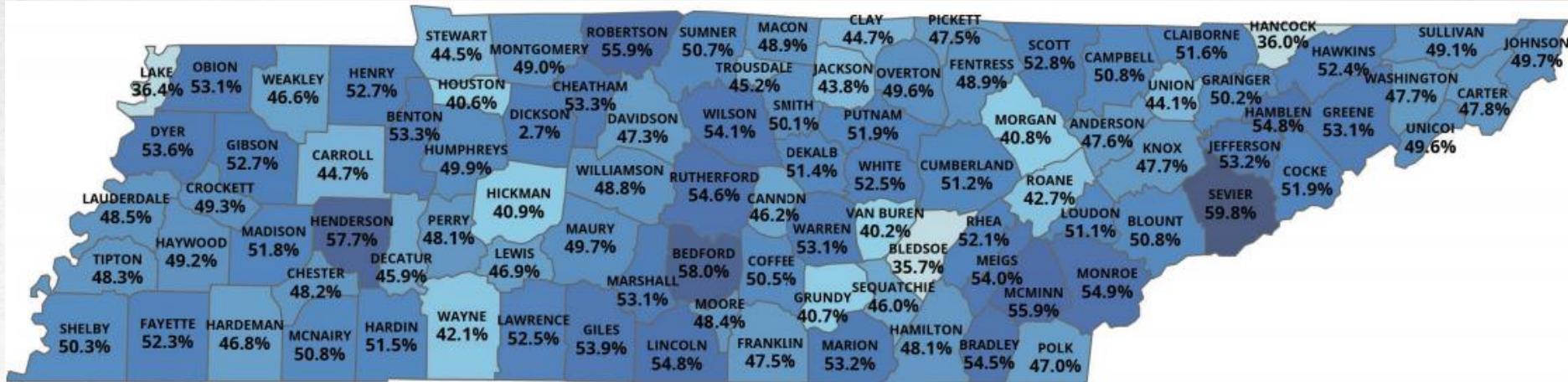
Retirement Age Demographics: Retirements of the baby boomer generation have significant impacts on the workforce nationwide. Workers age 55 and older are nearing retirement age over the next decade, and it will be important that when these talented workers choose to retire the workforce is prepared to fill the gaps created.

Tennessee has a skills gap in several occupations that also have a relatively high share of workers age 55 and older:

- Tool and Die Makers
- Industrial Engineers
- Maintenance and Repair Workers, General
- Heavy and Tractor Trailer Truck Drivers
- Medical Equipment Repairers
- First-Line Supervisors of Mechanics, Installers and Repairers
- Production, Planning and Expediting Clerks
- Operations Research Analysts
- Information Security Analysts
- Medical and Clinical Laboratory Technologists
- Healthcare Social Workers

TENNESSEE WORKFORCE DISRUPTION INDEX

1.4 Million (50%) of Tennessee's current jobs have a high probability of automation



The map above shows the percent of jobs that are vulnerable to automation in each county.

Occupation groups with greatest share of vulnerable jobs: 1) Food preparation and serving occupations—91.8% of TN jobs are vulnerable 2) Sales occupations—76.8% 3) Production occupations—76.3% 4) Transportation and material moving occupations—73.2% 5) Office and administrative support occupations—66.0% 6) Construction and extraction 62.9%

Lower-wage occupations are more vulnerable to replacement by automation: The average hourly wage of jobs with a high probability (70 percent or higher) of automation is \$14.56, five dollars lower than the average hourly wage for all jobs.

TENNESSEE WORKFORCE DISRUPTION INDEX

37% of the wages of Tennessee workers could be lost: If automation occurred in the occupations with a high probability of automation, 37 percent of the wages of workers in Tennessee could be lost.

The three counties with the highest percent of expected lost wages are Bedford—49%, Sevier—48%, and Henderson—47%.

Dependency Ratios: Accelerated rates of retirements currently driven by the baby boomer cohort represent a highly disruptive trend for organizations.

Cumberland —78%, Clay—69% and Loudon—69% have the highest dependency ratios—the ratio of the dependent population to the working age population (age 15 to 64).

Educational Attainment: Educational attainment will improve or prevent the ability of a workforce to manage and align with automation.

Lake—9%, Hardeman—13% and Morgan—14% have the lowest attainment of an Associate's degree or higher for the population age 25 to 64.

Rural counties are more vulnerable to the disruptive effects of automation: Of Tennessee's 17 urban counties, only three—Hamblen, Loudon, and Bradley—are ranked in the most vulnerable two-thirds of Tennessee counties.

Educational Attainment

Educational attainment was the third index component: the percent of population age 25-64 with an Associate's degree or higher.

Educational attainment will improve a community's ability to manage and align with automation; to complement and take advantage of automation.

Automation will disrupt the workforce landscape – not replace it.

- Greater demand for critical thinking, judgment, human perception, creativity, social intelligence
- Technology can complement labor, and boost productivity, incomes, leisure time

Tennessee is on the right track.

- Based on projections that 55% of future jobs will require postsecondary education, Tennessee's Drive to 55 mission is to ensure 55% of our workforce holds a postsecondary credential by 2025.
- Tennessee has become the leading state in the nation for high school seniors completing the Free Application for Federal Student Aid (FAFSA), with 68% of the 2015 class submitting the form.

ECONOMIC BENEFITS OF POSTSECONDARY DEGREES

\$9.3 Billion in Additional Income Annually to Tennessee's Workforce: An estimated 528,630 additional certificate or degree holders will work in Tennessee upon achievement of 55 percent postsecondary attainment by 2025. These workers are projected to earn \$9.3 billion more in additional income annually than that which would have been generated without a postsecondary credential.

Incremental Income Boost with Postsecondary Attainment: On average, a high school graduate in Tennessee could earn \$5,941 more per year with a certificate or an associate's degree, \$18,860 more per year with a bachelor's degree and \$30,949 more per year with a graduate or professional degree in 2015.

Median Earnings by Level of Education in Tennessee	
Level of Educational Attainment	Median Earnings (in 2015 dollars)
Less than high school graduate	\$19,035
High school graduate (includes equivalency)	\$26,365
Some college or associate's degree	\$32,306
Bachelor's degree	\$45,225
Graduate or professional degree	\$57,314



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THANK YOU

State of Tennessee Department of
Economic & Community Development



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