



## 2017 TENNESSEE CHAMBER AGENDA

The Tennessee Chamber of Commerce & Industry is proud to present our annual legislative and policy agenda for 2017. As a statewide organization, the Tennessee Chamber maintains members in legislative districts all across our great state consisting of small, medium and large businesses, local chambers of commerce, and economic development professionals. We also serve as the Tennessee Manufacturers Association and the official state affiliate for the National Association of Manufacturers. Our agenda is focused on ensuring that Tennessee remains one of the best states in our nation for starting and growing a business. We seek to accomplish this goal by focusing on member-driven policies that responsibly reduce employer costs and provide economic opportunities for all Tennesseans, maintaining our status as the premier destination for business growth, expansion, and tourism.

## KEEPING TENNESSEE COMPETITIVE

**Investing in Infrastructure**— Business leaders and researchers both observe that transportation improvements and maintenance efforts have generally lagged behind Tennessee’s current rate of growth. Mobility is key to commerce in Tennessee, and ensuring that our state’s transportation infrastructure keeps pace with our growth is essential. In order to maintain a competitive business climate and address future economic growth, we must adequately support the logistical needs of businesses and employers across the state. Chamber members recognize that advances in fuel efficiency, rising construction costs, and inflation have all combined to greatly diminish the adequacy of our current transportation tax collections and have rendered our existing road funding mechanisms unable to keep up with statewide demands. Accordingly, the Tennessee Chamber supports increased investments in Tennessee’s transportation and infrastructure programs and will work to secure passage of legislation aimed at modernizing and strengthening long-term transportation funding in our state.

### **The Tennessee Chamber supports moderate fuel and diesel tax increases with the following stipulations:**

- ⊕ Preserve local input on all transportation projects and restoration of transportation funds for local governments
- ⊕ Maintain conservative spending practices to ensure Tennessee remains a “pay as we build” state and preserve our dedicated road funding
- ⊕ Modernize and diversify the road funding structure to more evenly and comprehensively capture a portion of revenues on a user-assessed basis
- ⊕ Bolster local transportation projects by authorizing a process for securing adequate local resources for locally-led projects and maintenance
- ⊕ Ensure that any fuel and diesel tax increases do not surpass regional norms or averages or otherwise put Tennessee industries at a competitive disadvantage with our neighboring states
- ⊕ Utilize existing revenue surpluses to simultaneously extend certain responsible offsets to any fuel tax increases by extending tax relief to businesses and manufacturers

**Enacting Growth-Driven Tax Relief-** Businesses and manufacturers have proven themselves to be the economic engine that drives Tennessee’s upward growth. In fact, economic research suggests that for every \$1.00 spent in the manufacturing sector, another \$1.81 positive ripple effect is added to the overall surrounding economy. State coffers are projected to accumulate well over \$1 billion in surplus revenues, mostly stemming from significant over-collections in sales and business taxes. Therefore, current budgetary conditions warrant a fiscally responsible, competitive-minded restructuring of our state tax laws to offset transportation-related increases. The Tennessee Chamber supports strategic cuts to franchise and excise taxes on those employers and job-creators in the manufacturing sector.

Current franchise and excise tax assessments on Tennessee manufacturers put our state at a significant competitive disadvantage in attracting new businesses and incentivizing existing ones to expand their operations. Of our eight contiguous bordering states, six have lower business tax rates than Tennessee, while two equal our own. Regionally, Tennessee is one of the few remaining states in the southeast that still penalizes its manufacturers employing local workers and owning property or physical operations in the state by taxing their payroll and capital investments on top of their business income. As a result, Tennessee’s business taxes compared to total state revenue currently rank fourth highest in the nation and impose a stifling economic barrier that has already cost our state millions of dollars in new private investment and hundreds, if not thousands, of jobs. Allowing a single sales factor apportionment formula for manufacturers that specifically targets sales rather than payroll or physical operations and capital projects will reinvigorate our state’s competitive economic posture and more effectively draw in new manufacturing employers and investment while encouraging current manufacturers to expand and create more jobs.

**To offset the increases in fuel and diesel taxes, the Tennessee Chamber will simultaneously champion growth-driven tax relief with the following areas of focus:**

- ⊕ Prioritize manufacturing-related industries for single sales factor tax relief, maximizing the sector’s high-impact economic multiplier effect
- ⊕ Adopt a single sales factor calculation of franchise and excise tax liability that eliminates penalties on in-state payroll and capital investments and restores Tennessee’s nationally competitive posture
- ⊕ Continue gradual reductions and phase-outs of existing personal and professional taxes

## ENHANCING EDUCATION AND A CAREER-READY WORKFORCE

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**Strengthening K-12 Pathways-** The evolving demands of a modern, globally-competitive labor market necessitate a continued emphasis on rigorous academics, career preparation, and skill development in our state’s schools. Chamber members consistently cite the lack of a skilled workforce and ongoing staffing challenges as a top concern for their businesses. Anticipated shifts in the distribution of current jobs due to automation technology require that our K-12 education system properly equip students with the educational tools they need to continue their education in a postsecondary environment and academically align with the high-skill demands of the jobs of the future.

With Tennessee’s expanded autonomy to craft its own unique educational plan under the Every Student Succeeds Act, it is critical for our state to stand firm on policies that accurately measure the college and career readiness of K-12 students with the ambitious benchmarks set forth by our new and more rigorous state standards. Key to accurately tracking the progression of student educational growth and academic

readiness is the administration of annual, uniform, standards-aligned assessments and the preservation of Tennessee's proven teacher evaluation system.

**The Tennessee Chamber supports the following K-12 education policies that set a firm academic foundation for postsecondary success and career-ready knowledge and skills:**

- Support the implementation of the Every Student Succeeds Act (ESSA) under the locally-developed guidelines of the Tennessee Succeeds state strategic plan
- Preserve important multifaceted accountability measures that track student growth and achievement and gauge instructional effectiveness
- Maintain rigorous Tennessee-specific standards that set accurate academic benchmarks for postsecondary and career readiness
- Continue implementing uniform annual statewide assessments that properly align with Tennessee's workforce-ready standards
- Support further investments in early postsecondary opportunities such as advanced placement, dual enrollment, and industry certifications

**Elevating Postsecondary Attainment-** The final and perhaps most critical piece of all of our state's workforce development efforts rests in the ambitious visions outlined in Tennessee's Drive to 55 initiative and the Labor Education Alignment Program. Economic studies and workforce research indicate that by 2020, roughly 65% - 70% of jobs will require a postsecondary degree or certification of some kind. Add to those figures Tennessee's rapid growth in educationally demanding, high-skill STEM career opportunities, and the importance of growing our state's postsecondary attainment rates becomes even more apparent. Accordingly, Chamber members overwhelmingly note their vast level of recognition and support for critical college and technical training accessibility programs including Tennessee Promise, Tennessee Reconnect, and Tennessee LEAP. For Tennessee employers, the LEAP program continues to show results from a number of local workforce partnerships that include local chambers, economic development agencies, and higher education institutions working to align the local workforce needs of employers.

**The Tennessee Chamber will seek to enhance workforce training by focusing on the following elements of Governor Haslam's Drive to 55 initiative:**

- Support and defend the continued funding and accessibility of the Tennessee Promise and Tennessee Reconnect programs for postsecondary degree and certificate seekers
- Preserve and enhance funding for the Tennessee Labor Education Alignment Program to foster and grow additional local workforce partnerships

## SETTING A CLIMATE FOR GROWTH

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**Promoting a Market-Sensitive, Responsible Regulatory Approach-** The Chamber and our members realize that Tennessee's business climate relies on a number of programs where state oversight contributes to compliance. The Chamber will continue to support proposals that make needed adjustments to all regulatory programs impacting employers and encourage policymaker consideration of the economic cost of any proposal. Specifically, decisive majorities of our business members voiced

strong opposition to any additional health insurance mandates that may drive up the cost of providing quality care. Promoting an environment of regulatory consciousness to market-driven factors and freely harnessing the forces of competition will remain a key priority for the Chamber in our joint efforts with regulators and policymakers.

**The Tennessee Chamber will work to preserve Tennessee’s competitive business-friendly climate through responsible, cost-sensitive solutions to regulatory reforms:**

- ⊕ Encourage market-based incentives to achieve increased utilization and access to broadband across Tennessee while recognizing the importance of quality data availability for economic growth
- ⊕ Defend against overly-burdensome or costly government driven mandates that increase the cost of care or health insurance and seek sustainable healthcare solutions that also preserve Tennessee’s long-term fiscal integrity
- ⊕ Ensure consistency and transparency in the application of local business regulations
- ⊕ Weigh in on both legislation and regulations in the water, air and solid waste arenas to consider the total economic cost of any proposal
- ⊕ Support proposals that make needed adjustments to improve all regulatory programs impacting employers, including TOSHA, Workers’ Compensation, and Unemployment.

**HOW THE TENNESSEE CHAMBER FORMULATED OUR AGENDA**

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The Chamber’s 2017 agenda is developed with input from regional meetings we hosted across the state with local businesses and chambers of commerce, input from the Chamber Board of Directors, and member surveys. Throughout our legislative agenda, we reiterate the Tennessee Chamber’s core principles of free enterprise and removing obstacles that impede job creation and slow economic growth. Our members provided input on policy and legislative strategy through workgroup conference calls and surveys on tax, human resources, health care, legal reform, education & workforce development, and environmental and energy policy issues. Throughout our process, business leaders from across the state have shared their concerns, and we are proud that the 2017 legislative agenda is reflective of those views.

**The Tennessee Chamber of Commerce and Industry is the exclusive state affiliate for our proud national partners.**

