



Justin P. Wilson, Comptroller

November 10, 2016

TNInvestco Program Is Slow to Produce Return on Investment

A performance audit from the Tennessee Comptroller's Office has revealed the State of Tennessee has only recovered \$5.3 million of its initial \$200 million investment in the TNInvestco program.

The TNInvestco program, which started in 2009 and 2010, is described as a public-private venture capital program intended to help start-up companies create jobs and for the state to eventually receive a return on its investment. As of December 31, 2015, the State of Tennessee has only received 2.6% of the initial investment.

The TNInvestco program will continue until 2021, and the state should recoup more of its investment; however, the department will likely not receive a return nearing \$200 million. Although state law does not require any level of recovery, auditors recommend the Department of Economic and Community Development (ECD) regularly report the amounts returned to the program to the public and the Tennessee General Assembly.

The ECD performance audit also found that in some years the department did not accurately report TNInvestco jobs created and retained, including jobs held by women and minority employees. Additionally, the department should track the number of minority-owned and women-owned businesses that receive capital from the program.

Other findings within the report relate to the Tennessee FastTrack program which provides grants to businesses for job training, infrastructure and economic development. Auditors found several examples of businesses submitting conflicting or unclear reports on the number of new jobs created after a FastTrack grant award. A sample of final grant reports also showed the average wage of new hires was less than the wage projected in the application for incentives.

The Department of Economic Community Development frequently provides grants to businesses and local government entities; however, ECD did not comply with all requirements for monitoring how the grant money is spent. The department did not evaluate projects based on risk, issue monitoring reports for all the grants reviewed, or provide all monitoring reports to the Comptroller's Office.

"We're dealing with taxpayer money, and it doesn't appear that the TNInvestco program has been successful," said Comptroller Justin P. Wilson. "In the future, the administration and the General Assembly should consider the effect on taxpayers before even considering similar programs."

To view the audit report online, go to: <http://www.comptroller.tn.gov/sa/>

If you suspect fraud, waste or abuse of public money in Tennessee, call the Comptroller's toll-free hotline at (800) 232-5454, or file a report online at: www.comptroller.tn.gov/hotline. Follow us on twitter: [@TNCOT](https://twitter.com/TNCOT)

Media contact: John Dunn, Public Information Officer, (615) 401-7755 or john.dunn@cot.tn.gov

Tennessee Comptroller of the Treasury
State Capitol Nashville, TN 37243
Phone: (615) 741-2775
Email: comptroller.web@cot.tn.gov