



THINK*TENNESSEE*

State of Working Tennessee

SEPTEMBER 2025

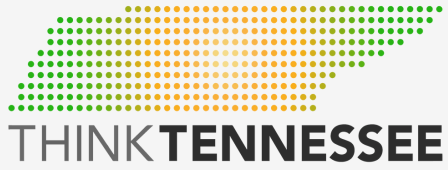


TABLE OF CONTENTS

Table of Contents.....i

List of Figures.....ii

List of Acronyms.....iv

Introduction.....1

Tennessee’s Economic Growth is Strong.....9

Tennessee’s Critical Industries.....20

Tennessee’s Workforce.....29

Economic Opportunity for Tennessee Families.....37

Policy Recommendations.....50

Conclusion.....52

Appendix 1: Summary of Economic Development Incentives.....53

Citations.....57

LIST OF FIGURES

Figure 1: Median Age, 2014 to 2023.....	2
Figure 2: Age Distribution, 2023.....	2
Figure 3: Tennessee Population by Race, 2014 and 2023.....	3
Figure 4: County Population, 2024.....	3
Figure 5: Employment Growth and Wages in Select Industries.....	5
Figure 6: Counties Experiencing Population, Employment, or GDP Decline.....	5
Figure 7: Annual Population Growth Rate, 2015 to 2024.....	9
Figure 8: Annual Employment Growth Rate, 2014 to 2023.....	10
Figure 9: Annual GDP Growth Rate, 2015 to 2024.....	10
Figure 10: County Population Growth Percentage, 2015-2024.....	11
Figure 11: County Employment Growth Percentage, 2015-2024.....	12
Figure 12: County GDP Growth Percentage, 2014-2023.....	13
Figure 13: Total Tax Credits Claimed by Program, 2017-2024 (in thousands).....	14
Figure 14: Jobs Created by Business Type, 2017 to 2024.....	15
Figure 15: Revenue Lost to Tax Abatement Programs, 2017-2023.....	16
Figure 16: Job Growth Rates for Companies Awarded or Not Awarded Job Tax Credits in 2019.....	17
Figure 17: Average Annual Wages for Companies Awarded or Not Awarded Job Tax Credits in 2019.....	18
Figure 18: Forecasted Growth 2025-2034.....	19
Figure 19: GDP, Employment, and Wages by Industry.....	20
Figure 20: Average Annual Wage, Largest Industries.....	21
Figure 21: Total Employment and Employment Growth by Industry.....	22
Figure 22: Wage Distribution for Manufacturing Sector, 2024.....	23
Figure 23: Wage Distribution for Government Sector, 2024.....	24
Figure 24: Wage Distribution in the Agricultural Sector, 2024.....	25
Figure 25: Estimated Business Formation in Tennessee.....	26
Figure 26: Annual Business Applications and Estimated Business Formation, 2015 to 2024.....	26
Figure 27: Establishments by Number of Employees, 2024.....	27
Figure 28: R&D Value Added, 2021.....	28
Figure 29: Average Annual Unemployment Rate, 2015 to 2024.....	29
Figure 30: Average Annual Unemployment Rate, 2023.....	30
Figure 31: Average Annual Labor Force Participation Rate, 2015 to 2024.....	30
Figure 32: Tennessee's Labor Force Participation Rate by Age, 2024.....	31
Figure 33: Labor Force Participation Rate by Age, 2024.....	31
Figure 34: Labor Force Participation Rate by Sex, 2024.....	32
Figure 35: Labor Force Participation Rate by Race and Ethnicity, 2024.....	33
Figure 36: Labor Force Participation Rate by Educational Attainment, 2024.....	33
Figure 37: Tennessee Monthly Labor Surplus/Shortage (thousands), 2020-2025.....	34

LIST OF FIGURES

Figure 38: Unionization Rates.....	35
Figure 39: Median Household Income (Inflation-adjusted).....	37
Figure 40: Income Distribution, 2023.....	38
Figure 41: Gap Between County Cost of Living and Median Income, 2024.....	39
Figure 42: Median Rent, 2014-2023.....	40
Figure 43: Homeownership Rate, 2014-2023.....	41
Figure 44: Child Care Costs, 2019-2024.....	43
Figure 45: Child Care Deserts, 2024.....	43
Figure 46: Rate of Food Insecurity by Demographics, 2019-2023.....	44
Figure 47: Rate of Food Insecurity by County, 2022.....	45
Figure 48: Uninsured Rate, 2023.....	46
Figure 49: Poverty Rate, 2014–2023.....	47
Figure 50: Poverty Rate, 2023.....	47
Figure 51: Bankruptcy Rate—Nonbusiness Filings per 100,000 Residents by County, 2023.....	48

ACRONYMS

ACA	Affordable Care Act
ACS	American Community Survey
ARC	Appalachian Regional Commission
BIL	Bipartisan Infrastructure Law
COVID-19	Coronavirus Disease of 2019
EPI	Economic Policy Institute
GDP	Gross Domestic Product
IDB	Industrial Development Board
IRA	Inflation Reduction Act
NLRA	National Labor Relations Act
PILOT	Payment in Lieu of Taxes
R&D	Research and Development
SNAP	Supplemental Nutrition Assistance Program
TDOR	Tennessee Department of Revenue
TIF	Tax Increment Finance
TNECD	Tennessee Economic and Community Development
TVA	Tennessee Valley Authority

Tennessee is a vibrant, growing state that has experienced strong economic growth in recent years. Most measures of economic growth show Tennessee outpacing both the Southeast region and the nation since before the COVID-19 pandemic. However, important economic outcomes for individuals and working families in Tennessee continue to lag the nation. The following report details how Tennessee is performing across a variety of statewide economic measures and how that is translating to economic benefits for Tennessee residents.

Like most southern states, Tennessee's economy has shifted from agrarian to manufacturing, with an increasing reliance on services and information industries.

Tennessee's economy is rooted in its three grand divisions—East, Middle, and West—and their different geology, climate, history, and culture. While the early economy of Tennessee was dominated by agriculture, it varied significantly. West Tennessee, with its flat land and access to the Mississippi River developed large-scale agriculture reliant on the labor of enslaved people.¹ In East Tennessee, poor soil and mountainous terrain led to subsistence agriculture and greater reliance on the extraction and refinement of natural resources while Middle Tennessee, with rolling hills, developed smaller-scale agriculture dominated by tobacco and timber.²

After the Civil War, Tennessee's economy began transitioning from agriculture to industry, though Tennessee's economy remained primarily agricultural until after World War II. The creation of the Tennessee Valley Authority (TVA) in 1933 and increased manufacturing demand during World War II accelerated Tennessee's industrial development.³ Attracted by economic incentives and low labor costs, manufacturing accelerated in Tennessee in the post-war era, particularly in rural areas, and was led by chemical and apparel manufacturing.⁴ Attempts to unionize workers were suppressed by state and local leaders.⁵

In the 1970s and 1980s, with increasing competition from low-cost labor overseas, Tennessee focused its economic development efforts on high-value manufacturing. In 1980, the announcement of a Nissan assembly plant in Smyrna started a decades-long growth of auto manufacturing in the state.⁶ The growth of the interstate highway system and increasing air freight led to Tennessee's central role in transportation and logistics.⁷

In recent years, Tennessee has continued to grow beyond its agricultural and manufacturing base, with an increasing focus on tourism, health care, and other knowledge-based professional services. Tennessee's history, culture, and natural amenities are the basis for a growing tourism industry, and Tennessee now ranks as one of the most visited American states.^{8,9,10,11}

Tennessee's population is aging, becoming more diverse, and increasingly urban.

Tennessee's population is aging, but its median age is increasing at a much slower rate (1.3%) than the Southeast region (3.6%) or the nation (4.0%). In 2014, the state's median age was 38.6, higher than both the region and the nation; by 2023, the state's median age was 39.1, older, but now below both the region and the nation.¹² Tennessee has a higher proportion of people under the age of five (5.8%) than the region or nation (5.4% and 5.5%, respectively), but a lower proportion of people over the age of 65 (17.5%, versus 18.6% and 17.7%, respectively).¹³

Tennessee's median age (39.1) is now below both the region (39.2) and the nation (39.8).

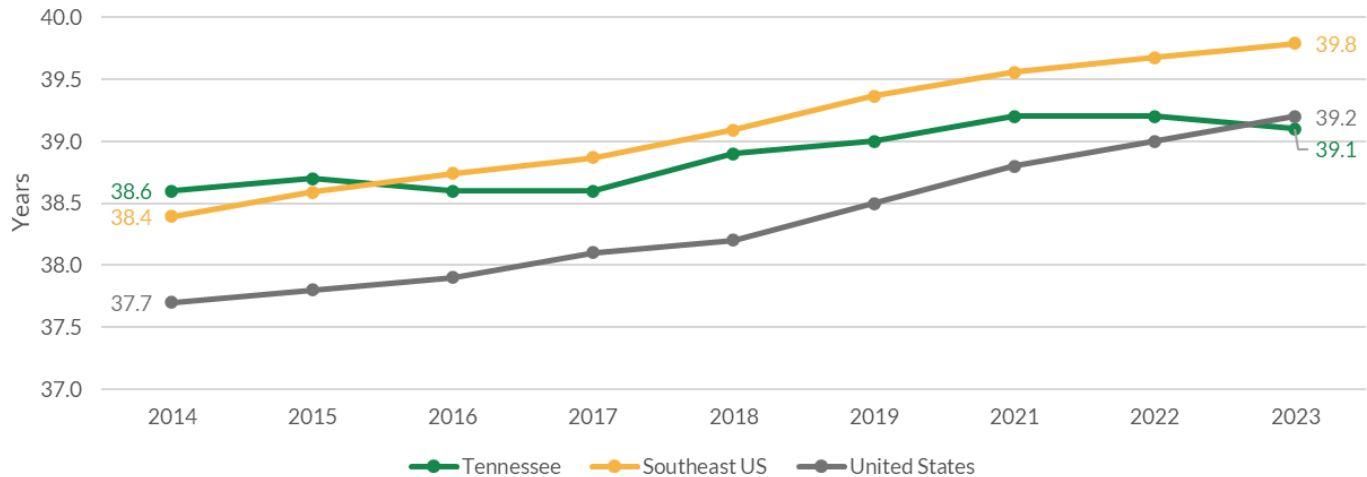


Figure 1: Median Age, 2014 to 2023

*Data not available for 2020 due to data collection disruptions caused by COVID-19 pandemic.

Source: US Census Bureau, American Community Survey 1-Year Estimates, Table DP05

Tennessee has a higher percentage of children under five and people aged 25 to 34 compared to the Southeast and United States.

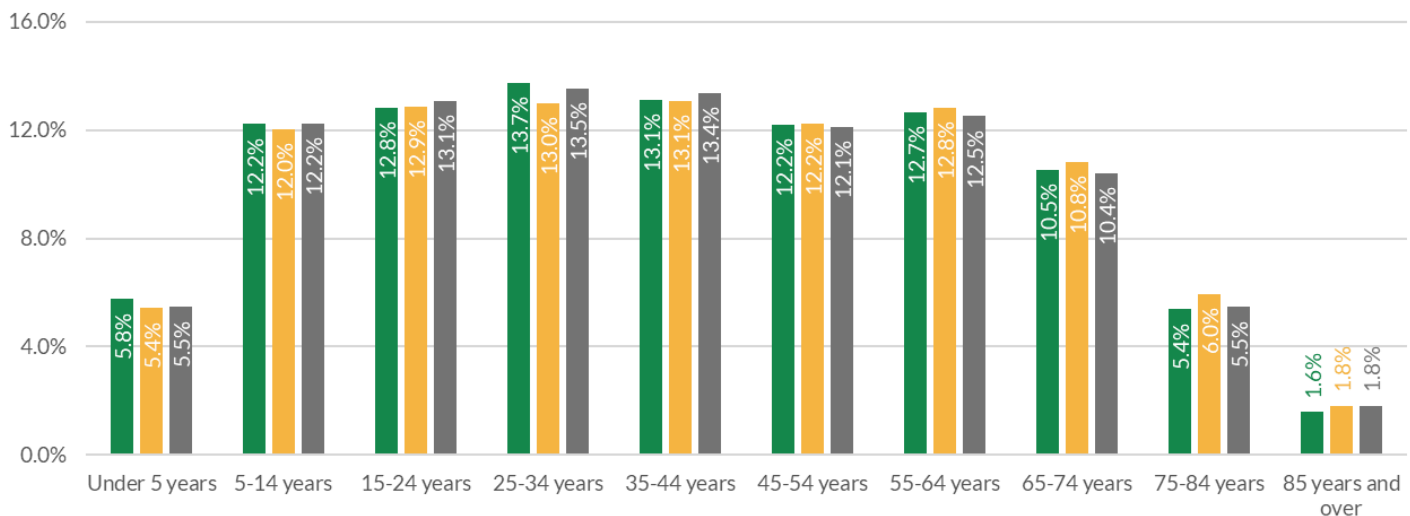


Figure 2: Age Distribution, 2023

Source: US Census Bureau, American Community Survey 1-Year Estimates, Table DP05

Tennessee is becoming more diverse—non-white residents increased from 22.4% of the population in 2014 to 27.7% in 2023.¹⁴ From 2014 to 2023, people who identify as multiracial increased from 2.1% to 7.4% of the population, the largest growth of any racial group.¹⁵ In addition, people who identify as Hispanic or Latino (of any race), increased from 2.1% to 7.4% of residents. Black residents are the only group with a decrease of 15,877 over the decade, or -1.4%.¹⁶

Tennessee has become more diverse over the past decade, led by an increase in multiracial residents.

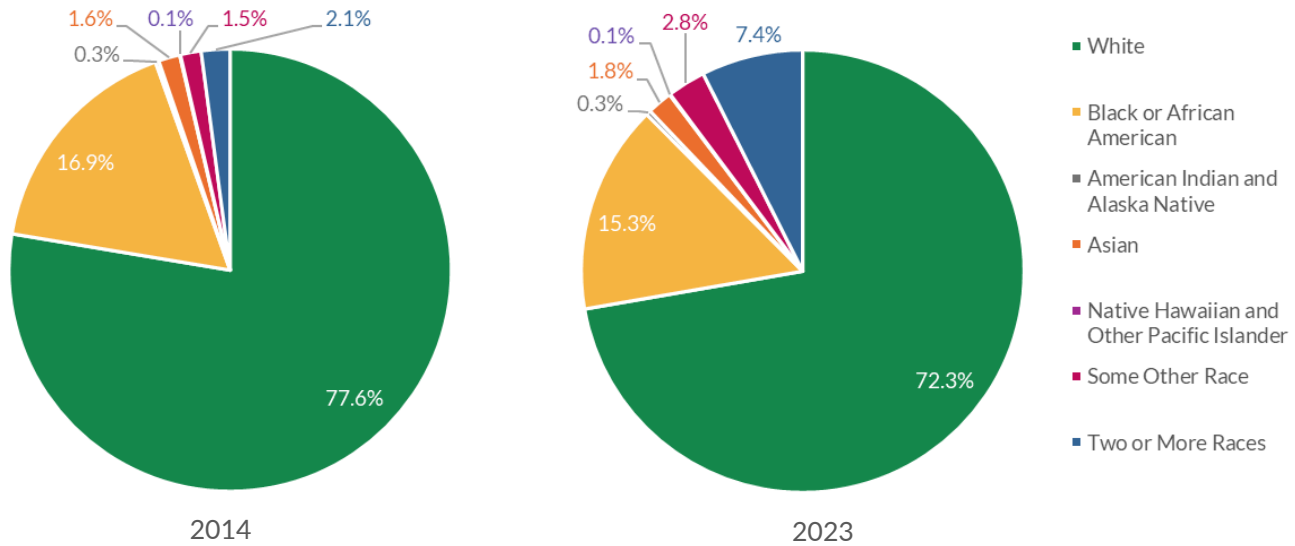


Figure 3: Tennessee Population by Race, 2014 and 2023
Source: US Census Bureau, American Community Survey 1-Year Estimates, Table DP05

Tennessee has become increasingly urbanized as the economy moves away from agricultural production. In the 1960s, urban dwellers outnumbered those living in rural areas for the first time.¹⁷ In 2023, 78.8% of Tennesseans lived in a metropolitan area, with half of Tennessee residents living in eight counties: Shelby, Davidson, Knox, Hamilton, Rutherford, Williamson, Montgomery, and Sumner.^{18,19}

Over half of Tennessee's residents live in eight counties.

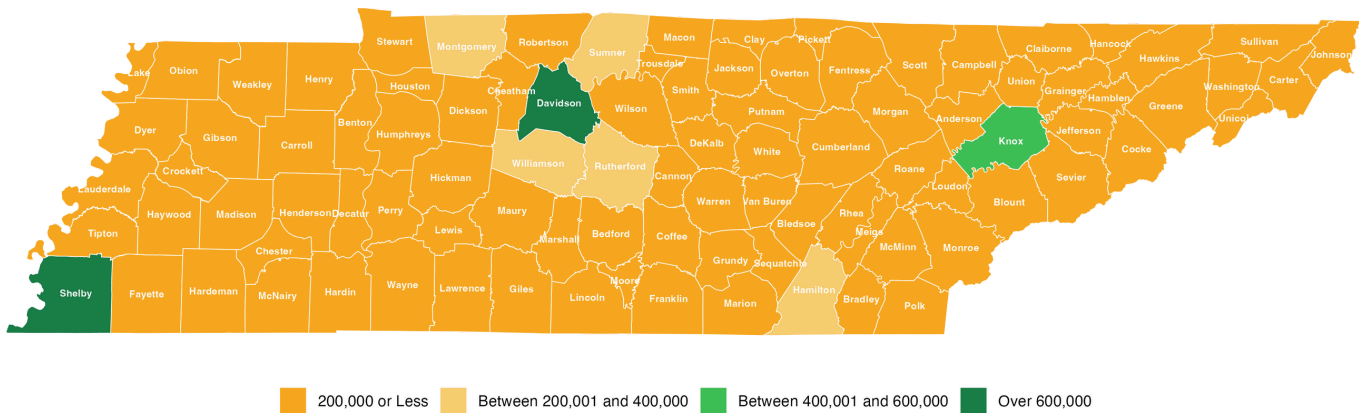


Figure 4: County Population, 2024
Source: US Census Bureau, Population and Housing Unit Estimates

Significant shifts in federal funding, as well as changing economic and immigration policies, may impact Tennessee's economy.

After several years with increased federal investments in manufacturing, infrastructure, and energy, the current administration has scaled back spending. The Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA) included approximately \$10.2 billion in investments in Tennessee.²⁰ This included public investments such as \$394 million for the America's River Crossing Project in Memphis, \$32.4 million to upgrade the power grid in Chattanooga, and \$156 million to deploy solar infrastructure throughout the state.²¹ In addition, the federal government, in combination with state economic incentive dollars, has supported a reported \$22.5 billion in private sector investments from companies like Ford, Ultium Cells, and Magna.²²

Increased deportations and removals of immigrants may lead to decreases in labor supply, particularly in the construction and agricultural industry. Tennessee has approximately 90,000 undocumented workers, or 2.8% of the state's workforce, who are concentrated in the construction and agricultural sectors.²³ The removal of workers may lead to short- and long-term labor disruptions that could exacerbate Tennessee's worker shortage and impact Tennessee businesses.²⁴

Changes in tariffs may impact Tennessee companies, particularly those that rely heavily on the importing of inputs, or those that sell to an overseas market. Tariffs, a tax placed on businesses for imported goods, have been announced, repealed, or modified repeatedly since the beginning of 2025, creating an uncertain business environment.²⁵ The short- and long-term impacts on supply chains and the costs of goods and services for Tennessee consumers are unknown.

Key Findings

Tennessee's economy is thriving. Over the past decade, Tennessee has grown significantly. The state's population has increased by 636,000 residents (9.7%), added 840,500 new jobs (22.3%), and GDP has increased by \$223.3 billion (68.4%).^{26,27} From 2014 to 2023, Tennessee has outpaced the nation in all three measures of growth, ranking 13th for population growth and 10th for employment and GDP growth. Tennessee is now the 15th largest state by population (7,307,200) and employment and the 17th largest economy in Gross Domestic Product (GDP).

Nearly one in two employed Tennesseans work in the state's four largest industries. But they are not the fastest growing or highest wage industries. Tennessee's largest industries are manufacturing, health care, government, and retail trade.^{28,29} Three of these industries—manufacturing, health care, and government—are experiencing slower than average growth, while retail trade is growing in terms of GDP, but not employment. While average annual wages for manufacturing (\$72,005) and health care (\$68,712) are higher than the state average (\$64,718), average wages in the government sector (\$61,594) and retail trade (\$40,606) are lower.³⁰

Four high-wage industries are experiencing higher employment growth than the state average and those of the largest industries.

LARGEST INDUSTRIES BY BOTH EMPLOYMENT AND GDP			JOB GROWTH	HIGH-WAGE, HIGH-GROWTH INDUSTRIES		
			AVERAGE WAGE			
12.0%	Manufacturing	\$72,005	State Average 17.5% \$64,718	\$123,812	Management of Companies	47.9%
16.9%	Health care and social assistance	\$66,233		\$99,531	Professional, Scientific, and Tech Services	46.4%
3.4%	Government and government enterprises	\$61,594		\$75,656	Construction	46.6%
7.3%	Retail Trade	\$40,606		\$64,770	Arts, Entertainment, and Recreation	47.5%

Figure 5: Employment Growth and Wages in Select Industries

Source: US Bureau of Economic Analysis and Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Four of the state's industries are growing faster than average—and have high wages. There are several opportunities emerging in growing industries, such as management of companies; professional, scientific and tech services; construction; and arts, entertainment, and recreation. These industries are growing faster than the statewide average and have higher wages than the state average.³¹

Workers in several critical industries are not earning a living wage. A few core industries that are extremely important to the Tennessee economy, such as agriculture, retail trade, food and accommodation services, and education (particularly early childhood care workers), are paying less than the Tennessee living wage of \$36.31.³²

While growth is occurring in most of the state, some counties are not sharing in the state's prosperity. Eighteen counties have seen declines in population, jobs, and/or GDP over the past decade.³³ Of Tennessee's 11 distressed counties, as determined by the Appalachian Regional Council, six (Lake, Haywood, Hardeman, Perry, Scott, and Pickett) saw declines, while five (Clay, Bledsoe, Hancock, Grundy, and Cocke) did not.³⁴

Eighteen counties experienced decreases in population, employment, or GDP over the past decade.

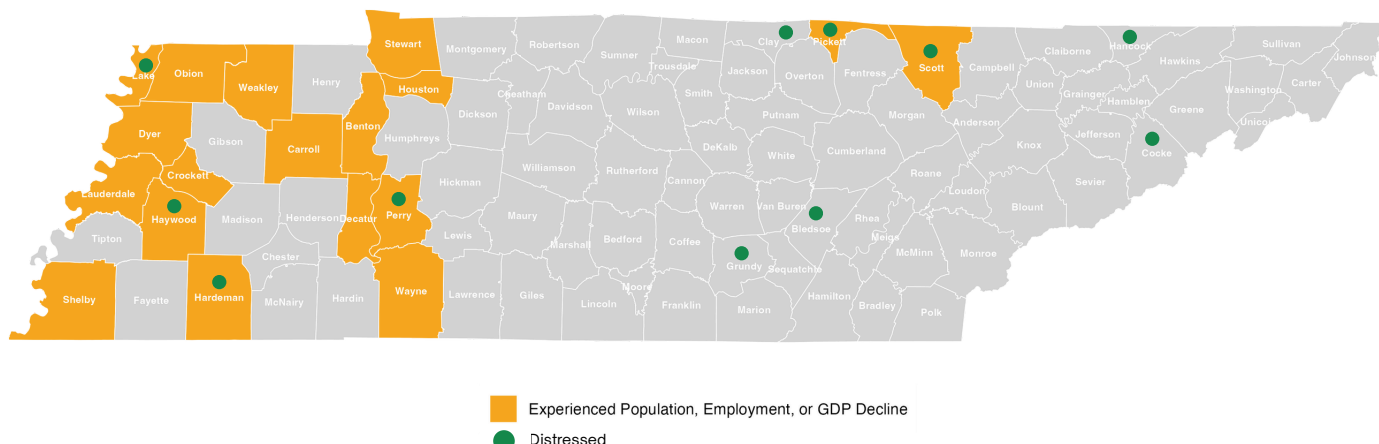


Figure 6: Counties Experiencing Population, Employment, or GDP Decline

Source: US Census Bureau, Population and Housing Unit Estimates & US Bureau of Economic Analysis

Tennessee has invested heavily in tax incentives for businesses, though more can be done to ensure these jobs are benefiting Tennessee workers. The state has spent almost \$2.0 billion in tax credit incentives since 2017.³⁵ Compared to peer states, such as Kentucky, Virginia, and Louisiana, Tennessee's incentives have less transparency and fewer job-quality requirements. Improvements to this system could help ensure future incentive programs are effective at recruiting jobs that most benefit Tennesseans.³⁶

Tennessee's low labor force participation rate is contributing to a worker shortage. Despite low unemployment (3.6% in July of 2025), Tennessee's lower than average labor force participation rate (60.0%) is contributing to a shortage of 59,000 workers.³⁷

Wages are rising, but not fast enough to keep up with costs. Tennessee families have enjoyed increased wages and incomes; however, due to rising costs of living, many still struggle to afford basic necessities like housing, child care, and transportation.

Tennesseans are showing signs of economic stress. Tennessee's poverty rate increased from 13.6% in 2021 to 14.0% in 2023, and Tennessee ranks 49th for bankruptcy with one of the highest rates in the nation.³⁸

Methodology Note

- Where possible, data is presented for the 10-year period from 2015 to 2024; however, where data is not available for 2024, data is for 2014 to 2023.
- Unless otherwise noted, the Southeast region is defined by the Bureau of Economic Analysis and includes AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV.
- Data included is primarily nominal; when necessary, data is presented as inflation-adjusted due to source availability.
- Where possible, data is presented that is disaggregated by age, gender, race, or ethnicity; however, for racial and demographic groups with low representation in Tennessee, data is often suppressed to safeguard privacy and ensure data accuracy. Therefore, data for Native Americans, Native Hawaiian/Pacific Islanders, and Asians are sometimes not presented.
- Where possible, data in the report comes from 1-Year Estimates from the American Community Survey. However, 1-year estimates are not available for 2020 or for communities smaller than 65,000 residents in 2023. Where necessary, 5-Year Estimates are used.

Policy Recommendations

Ensure Tennessee workers are benefiting from economic growth by increasing access to high-quality jobs.

- ▶ **Prepare Tennessee workers for high-quality jobs by expanding and strengthening workforce development programs targeting living-wage, high-opportunity occupations in growth industries.** A data-driven approach to workforce development will support providers to tailor their programs to local conditions and allow them to provide training that creates access to jobs paying above average wages and those that are growing in the local community.
- ▶ **Increase labor force participation, particularly for women, by increasing access to child care and paid leave.** Making child care more affordable and accessible would increase the number of families who can enroll in high-quality care and increase the number of parents who can return to work. This would increase worker earnings and productivity, increase state and local tax revenues, and improve school-readiness and long-term economic outlook for Tennessee children.^{39,40} Paid leave has been demonstrated to positively impact children and families' health and economic stability, business recruitment and retention, and save taxpayer dollars.⁴¹
- ▶ **Create good jobs for Tennessee workers by increasing job standards and transparency for state and local economic incentives.** Tennessee's economic development investments have successfully recruited high-priority industry employers to the state. Maintaining high expectations for job quality, including living wages and competitive benefits, as well as focusing on training for Tennesseans to access those jobs, will leverage these investments to further improve economic opportunity for Tennessee families. Providing publicly available data on job-creation expectations, wage targets, and other conditions of public incentive agreements will help track investment efficacy and ensure public dollars are being used effectively.
- ▶ **Strengthen the middle class by ensuring that state and local employees have competitive wages and benefits.** As the largest employment sector in Tennessee, state and local governments can have an enormous impact on the overall economic well-being of workers by providing living-wage jobs with strong benefits. Improving job quality of government staff will improve recruitment and retention, and improve service delivery to Tennesseans.

Support Tennesseans struggling with increased costs by focusing on affordability and availability of basic household needs.

- ▶ **Reduce housing cost-burden by expanding state and local tools to increase housing supply that is attainable to families at all price points.** Sufficient housing at all price points could help attract workers to the state, improve worker retention and productivity, create high-paying construction jobs, and decrease commuting impacts as workers can afford to live closer to their places of employment.

► **Reduce household transportation costs by investing in multimodal transportation options.**

Investing in multimodal transportation will give Tennessee families more options to utilize transit and active transportation like walking and biking for some trips; this could decrease traffic fatalities, improve health outcomes for Tennesseans, and lower household transportation costs.⁴²

► **Lower food costs for families by eliminating the state tax on groceries and reducing administrative burdens for programs like SNAP, WIC, and TANF.** In 2023, Tennessee enacted a three-month sales tax exemption to remove state and local sales tax on most grocery items, leading to an estimated \$273 million in savings for Tennesseans.⁴³ Annualizing this savings would result in over \$1.09 billion in savings for Tennesseans. Lowering grocery taxes could decrease food insecurity and could increase the ability of families to purchase food.^{44,45}

Additional research is needed to identify areas for policies, programs, and investments that will ensure Tennessee working families are benefiting from the state's growth.

► **Identify regional economic strengths and opportunities for economic growth, workforce development, and increased prosperity.** This report provides an overview of state-level economic data; however, examining these topics at the regional level will highlight local and regional variations which will be critical to tailoring programs, investments, and policies that will be most impactful for Tennessee's economy and families.

► **Track the impact of changes to federal funding and safety net programs.** In 2025, the federal government has undertaken significant changes to many federal programs and investments, including reductions in Medicaid, Medicare, the Affordable Care Act, Supplemental Nutrition Assistance Program (SNAP), and the Children's Health Insurance Program.^{46,47,48} With these changes, some Tennessee families will see a reduction in support for health care, child care, food, and other necessities. Understanding the impact of these changes—particularly for low-income families—will help policymakers respond to the changing needs of Tennessee families.

► **Understand and support Tennessee businesses affected by changes in federal tariffs.** Federal changes to tariffs are still in progress, but will continue to impact Tennessee businesses, particularly those that rely heavily on imported materials, as well as those that are experiencing retaliatory tariffs on exported goods. Further analysis is needed to identify what opportunities and challenges Tennessee employers are experiencing so that the state can adjust its economic and workforce development efforts.

Tennessee's Economic Growth is Strong

Tennessee's economy is strong and growing—population, employment, and GDP are all growing faster than the nation.

Tennessee's population has grown 9.7% (636,580 residents) since 2015, 1.6 times the national growth rate of 6.1%.⁴⁹ The state's population increased to 7.2 million people in 2024, and Tennessee is now the 15th largest state in terms of population, up from ranking 17th just nine years ago.⁵⁰ Tennessee is the 5th largest Southeastern state, following Florida (23.3M), Georgia (11.2M), North Carolina (11.0M), and Virginia (8.7M).⁵¹

Tennessee's annual population growth outpaced the nation and region from 2015 to 2024.

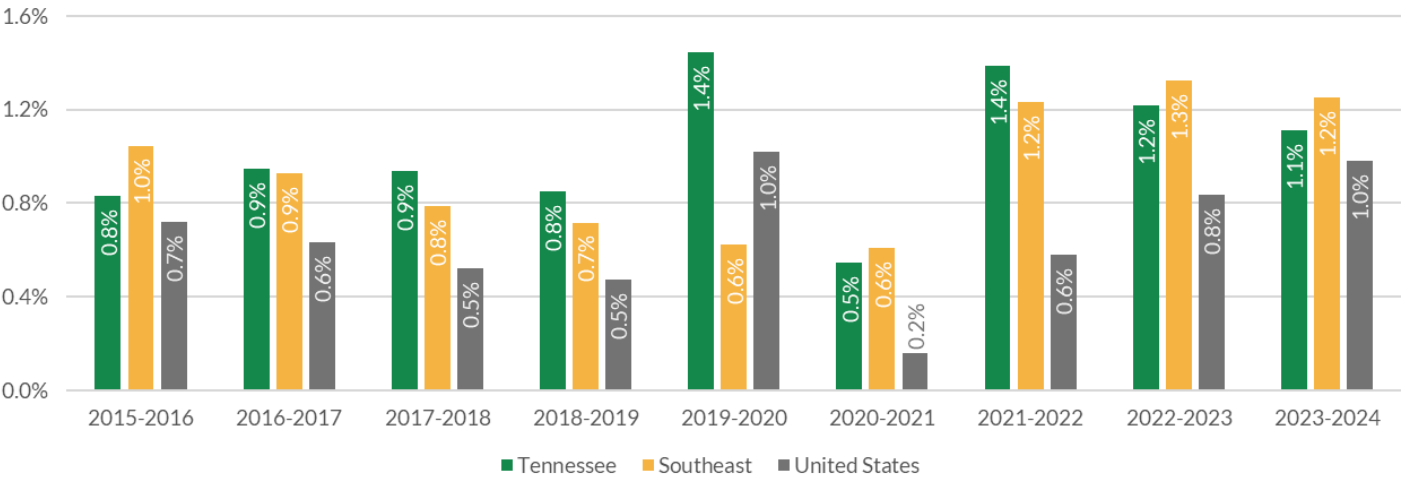


Figure 7: Annual Population Growth Rate, 2015 to 2024
Source: US Census Bureau, Population and Housing Unit Estimates

Most of Tennessee's growth is coming from people migrating from other US states. From 2023 to 2024, Tennessee had a net growth of 79,446—including an increase of 3,358 from “natural change”, i.e. births minus deaths, and a net migration of 76,124, 63.7% of which was domestic.⁵² In 2023, the largest number of domestic migrants were from California (23,961, 31.5%), though overall 40.6% of domestic migrants who moved to Tennessee came from another Southern state.⁵³ Most of Tennessee's in-migrants are of working age—58.6% are between the ages of 25 and 64, although the portion of in-migrants nearing retirement age (55-64), has doubled from 9.6% to 18.0% in recent years.⁵⁴

Top 10 States for In-Migration to TN in 2023	
California	23,961
Florida	21,195
Texas	14,618
Georgia	12,600
New York	11,363
Illinois	9,588
Kentucky	9,175
North Carolina	8,004
Virginia	7,309
Alabama	6,537

Source: US Census Bureau

The number of jobs in Tennessee increased by 840,519 to 4.6 million in 2023—Tennessee is now the 15th largest economy in terms of employment.⁵⁵ Employment in Tennessee grew 22.3% from 2014 to 2023—slightly higher than the region (21.7%), but 1.4 times higher than the national growth rate (16.1%).⁵⁶ Tennessee outpaced national job growth prior to the COVID-19 pandemic (10.5% and 8.3%, respectively), suffered less job loss during the height of the pandemic (-1.2% and -3.2%, respectively), and has outpaced job growth since 2020 (12.0% and 10.8%, respectively).⁵⁷

Tennessee has outpaced national job growth consistently over the past decade.

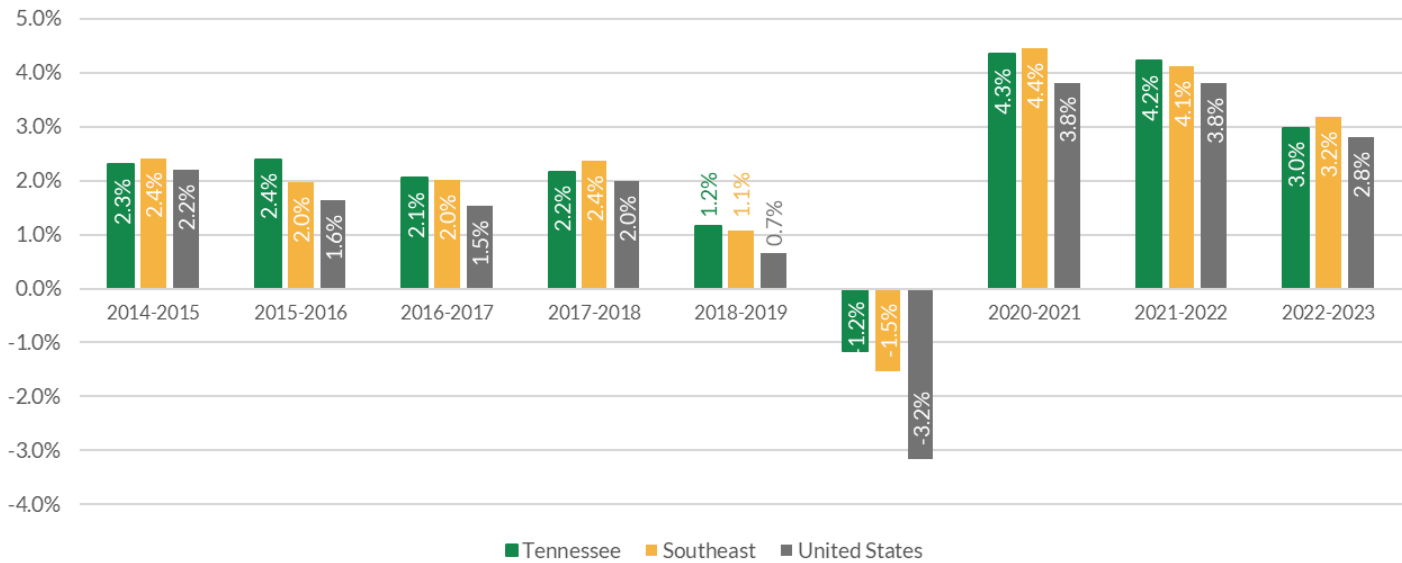


Figure 8: Annual Employment Growth Rate, 2014 to 2023

Source: US Bureau of Economic Analysis, State Annual Summary Statistics

Tennessee's Gross Domestic Product (GDP) increased by 68.4% from 2015 to 2024—an average of 6.0% each year—the 10th fastest growth rate in the nation.⁵⁸ The state's GDP is \$549.7B—an increase of \$223.3B since 2015.⁵⁹ The pace of GDP growth increased significantly after the COVID-19 pandemic—the cumulative growth rate from 2020 to 2024 was 40.4%, higher than the nation (36.7%), but slightly lower than the Southeast (40.7%).⁶⁰

Tennessee's GDP growth significantly outpaced the nation from 2015 to 2024 but has returned to more moderate growth.

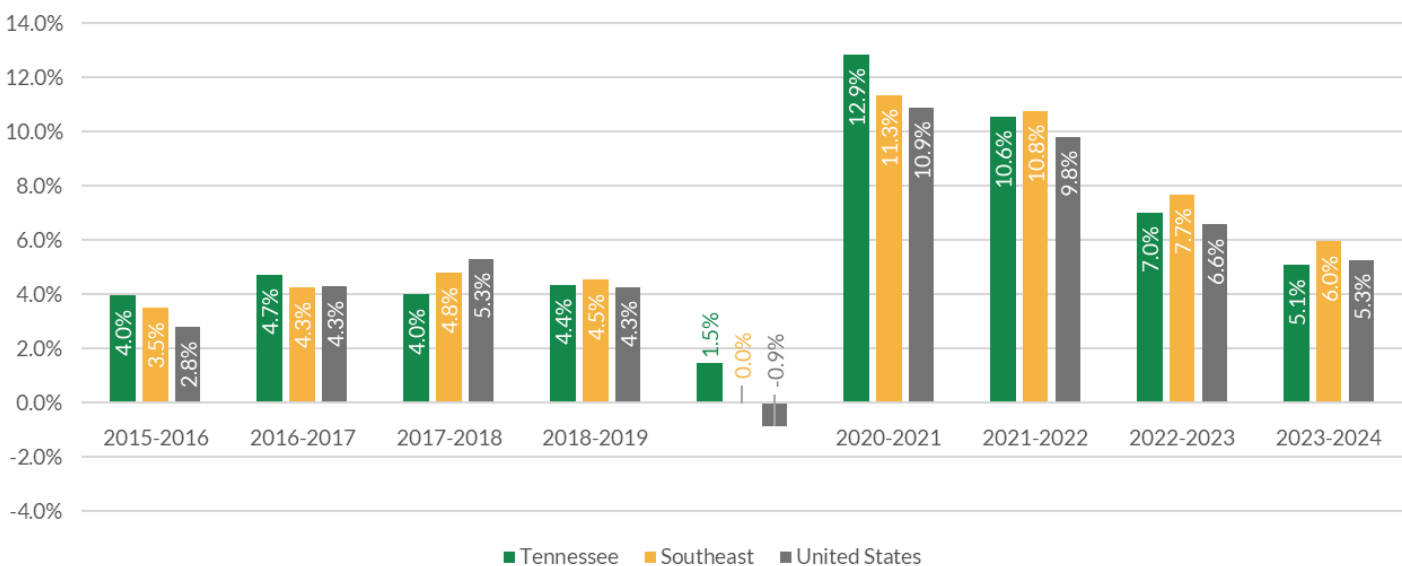


Figure 9: Annual GDP Growth Rate, 2015 to 2024

Source: US Bureau of Economic Analysis, State Annual Summary Statistics

Tennessee's growth is not benefiting all counties.

While the state's population grew overall by 9.7% over the past decade, growth across counties ranged significantly from a high of 51.0% in Trousdale County to a decrease of 15.5% in Lake County.⁶¹ Nine counties had over 20% population growth: Trousdale, Wilson, Maury, Montgomery, Williamson, Rutherford, Loudon, Sumner, and Sequatchie counties.⁶² Most high-growth counties were in Middle Tennessee with the exceptions of Loudon and Sequatchie, which are located in East Tennessee. Counties experiencing population decline were primarily concentrated in West Tennessee. Of the counties experiencing population decline, two (Hardeman and Lake) are also considered distressed counties.⁶³

Of the 12 counties that have lost population in the last decade, 10 are in West Tennessee.

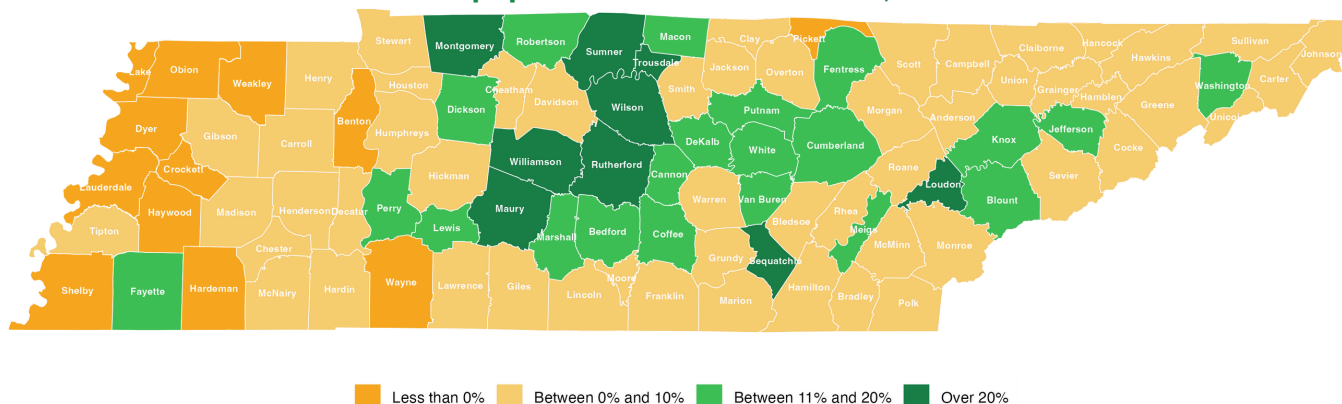


Figure 10: County Population Growth Percentage, 2015-2024
Source: US Census Bureau, Population and Housing Unit Estimates

From 2015-2024, 12 counties experienced a population decline.

Benton County	-0.3%
Pickett County	-0.6%
Obion County	-1.0%
Hardeman County	-1.5%
Weakley County	-2.1%
Shelby County	-2.8%
Dyer County	-3.6%
Crockett County	-4.2%
Wayne County	-4.7%
Haywood County	-5.2%
Lauderdale County	-8.4%
Lake County	-15.5%

From 2015-2024, the population in nine counties grew over 20%.

Trousdale County	51.0%
Wilson County	32.2%
Maury County	29.7%
Montgomery County	27.9%
Williamson County	27.2%
Rutherford County	26.4%
Loudon County	22.0%
Sumner County	20.8%
Sequatchie County	20.3%

Source: US Census Bureau, Population and Housing Unit Estimates

Similarly, while state employment growth was 22.1% overall, growth ranged from a high of 68.7% in Wilson County to a decline of 14.2% in Lake County.⁶⁴ Six counties (Lake, Perry, Carroll, Decatur, Houston, and Grundy) saw declines in jobs.⁶⁵ Of the counties experiencing employment decline, two (Lake and Perry) are also considered distressed counties.⁶⁶ Eleven counties, the majority located in Middle Tennessee, experienced employment growth above 30%.⁶⁷ Despite gains in many counties, almost 60% of Tennessee jobs are now located in seven counties: Davidson, Shelby, Knox, Hamilton, Williamson, Rutherford, and Sumner.⁶⁸

Most counties experiencing high employment growth are located in Middle and East Tennessee.

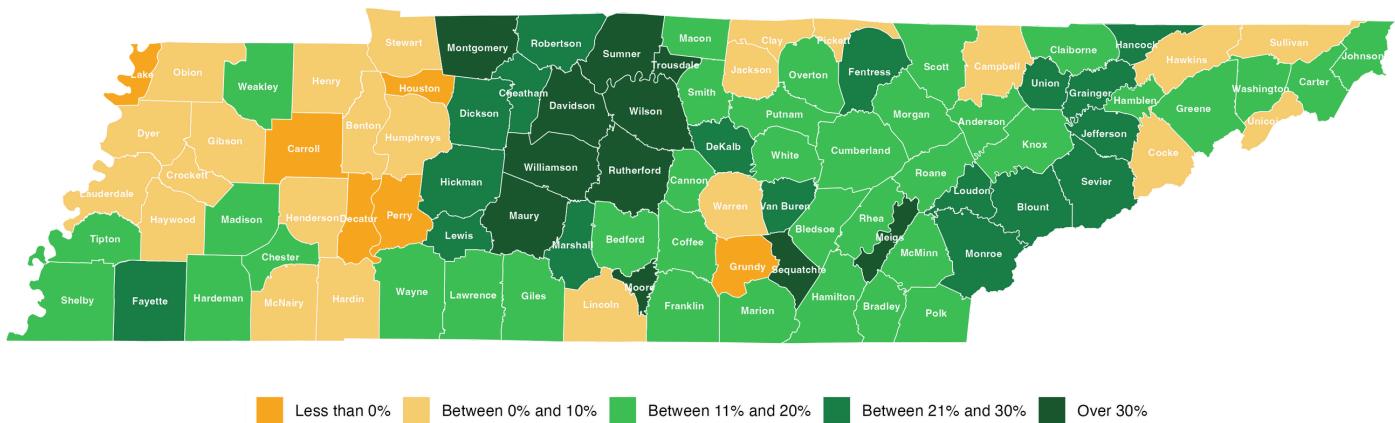


Figure 11: County Employment Growth Percentage, 2015-2024
Source: US Bureau of Economic Analysis, CAINC30

From 2013-2022, 11 counties experienced job growth above 30%.

Wilson County	68.7%
Williamson County	52.0%
Moore County	44.7%
Montgomery County	41.3%
Sumner County	40.6%
Rutherford County	40.4%
Trousdale County	39.0%
Sequatchie County	39.0%
Meigs County	34.5%
Davidson County	33.1%
Maury County	31.5%

From 2013-2022, six counties saw employment decline.

Grundy County	-0.04%
Houston County	-4.5%
Decatur County	-4.9%
Carroll County	-5.7%
Perry County	-6.1%
Lake County	-14.2%

Source: US Bureau of Economic Analysis, CAINC30

The majority of counties experienced GDP growth over the decade; however, it ranged drastically from a high of 259.4% in Moore County—home of Jack Daniels Distillery—to declines of over 22% in Scott and Stewart counties.⁶⁹ Thirteen counties experienced GDP growth of over 90%, with nine of the highest growth counties located in Middle Tennessee and two (Grainger and Sevier) located in East Tennessee. Three counties saw growth of less than 30% (DeKalb, Lake, and Clay) while Scott and Stewart counties were the only two counties in the state that experienced a decline in GDP. Of these, three are distressed counties: Clay, Lake, and Scott.⁷⁰

Almost all Tennessee counties experienced GDP growth from 2014 to 2023, with high growth occurring throughout the state.

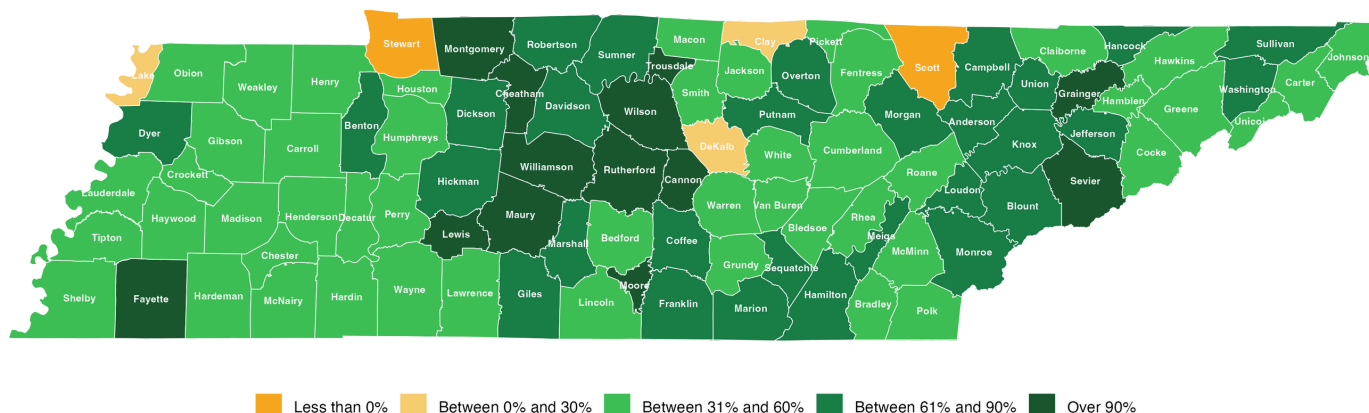


Figure 12: County GDP Growth Percentage, 2014-2023

Source: US Bureau of Economic Analysis, CAGDP1

From 2014-2023, 13 counties experienced GDP growth above 90%.

Moore County	259.4%
Wilson County	123.3%
Trousdale County	113.5%
Maury County	113.0%
Grainger County	110.1%
Rutherford County	104.8%
Fayette County	98.9%
Sevier County	97.5%
Montgomery County	94.8%
Williamson County	92.8%
Cannon County	91.9%
Cheatham County	91.4%
Lewis County	91.2%

From 2013-2022, five counties had GDP growth less than 30%, with a decline in two counties.

DeKalb County	28.9%
Lake County	21.4%
Clay County	12.9%
Scott County	-22.3%
Stewart County	-22.7%

Source: US Bureau of Economic Statistics, CAGDP1

Tennessee's economic growth has been fueled by significant state and local investment.

The State of Tennessee spent almost \$2 billion on corporate tax credits from 2017 to 2024.⁷¹ The Tennessee Department of Revenue reports on annual tax credits claimed through state incentive programs. The annual cost of these programs ranged from a low of \$179.1 million in 2018 to a high of \$312.3 million in 2023.⁷² The largest portion of this funding was for job tax credits (\$672.6M), followed by industrial machinery tax credits (\$607.9M), and community investment tax credits (\$422.9M).⁷³

Over eight years, state tax incentives have cost \$276 per Tennessee resident.

Tennessee has spent \$1.995 billion in tax credit incentives since 2017.

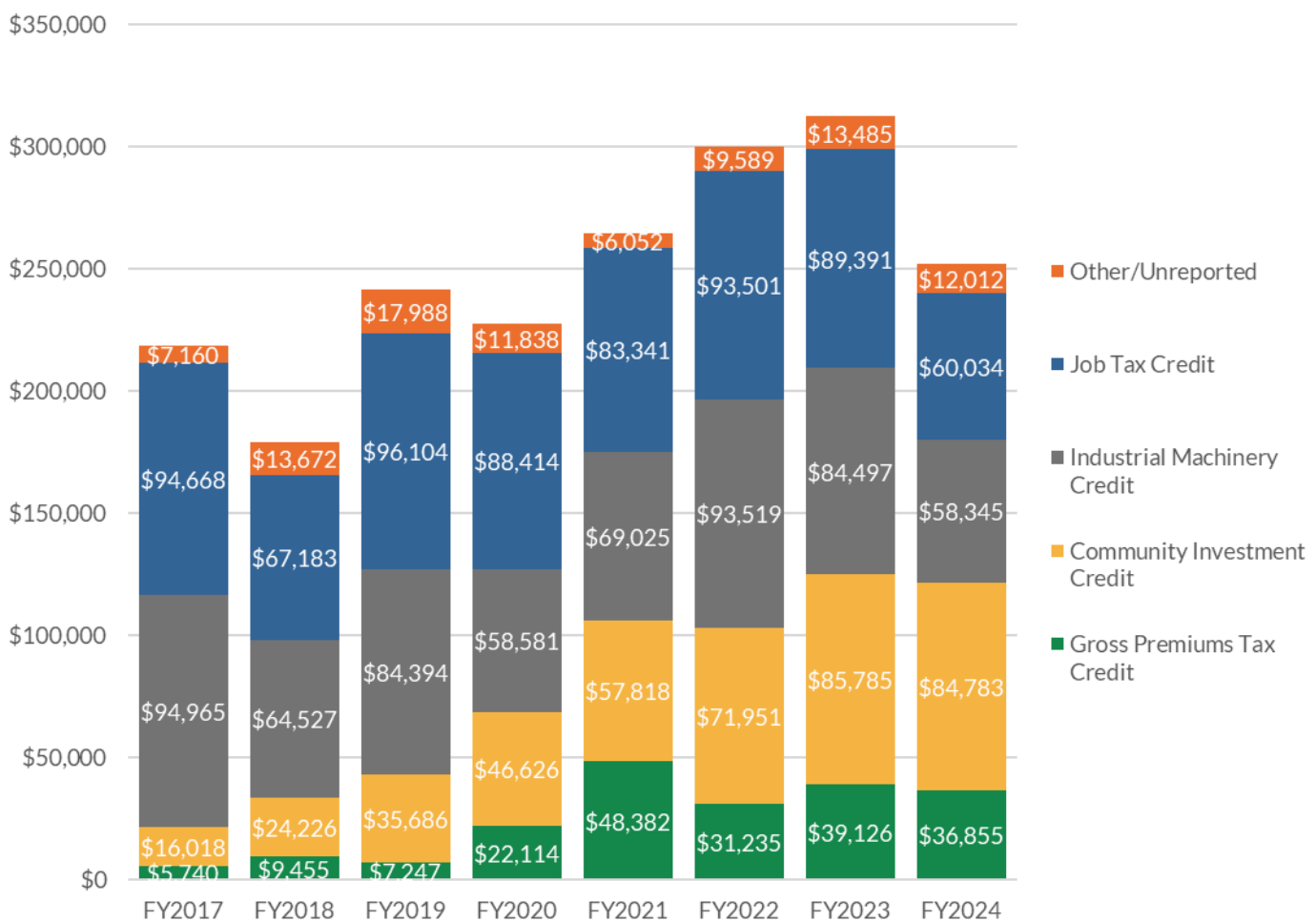


Figure 13: Total Tax Credits Claimed by Program, 2017-2024 (in thousands)

Note: "Unreported" is the total credits claimed net those credits not identified by credit type. Job Tax Credit includes Additional Annual Job Tax Credit and the Additional Annual Job Tax Super Credit.

Source: Tennessee Department of Revenue, Tax Incentives Reporting

From 2017 to 2024, Tennessee businesses claimed \$275.5 million in state job creation tax credits and reported creating 65,380 new jobs, or an average of \$4,214 per job.⁷⁴ The majority of the jobs created were in manufacturing (33,409 jobs), warehousing and distribution (17,576 jobs), and headquarters facilities (10,350 jobs).⁷⁵

Most job creation tax credits have supported jobs in manufacturing (51.1%) or warehouse and distribution businesses (26.9%).

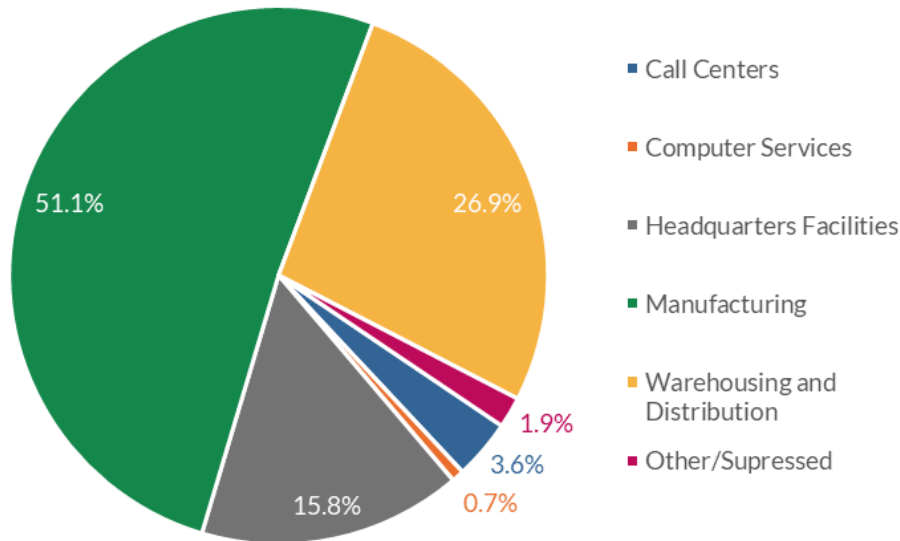


Figure 14: Jobs Created by Business Type, 2017 to 2024
Source: Tennessee Tax Credit Report, 2017 to 2024

From 2017 to 2023, Tennessee's four largest counties lost a total of \$463.5 million in revenue through PILOT projects.⁷⁶ The majority of this forgone tax revenue, \$278.3 million, was in Shelby County, followed by Hamilton (\$71.1 million), Davidson (\$67.4 million), and Knox (\$46.7 million).⁷⁷

Lost revenue is decreasing in Shelby, but increasing in Davidson, Knox, and Hamilton counties.⁷⁸

Davidson County's forgone tax revenue increased from \$4.9 million in 2017 to a high of \$15.6 million in 2021, but has since decreased to \$10.5 million in 2023—still a 113% increase over the period. Knox County's forgone tax revenue increased from \$4.1 million to \$6.9 million, an increase of 68%, while Hamilton County's foregone revenue increased from \$6.3 million to \$10.5 million, an increase of 65%. Shelby County's foregone revenue decreased from a high of \$42.6 million in 2019 to \$39.1 million in 2023. From 2017 to 2022, Shelby County had the 2nd highest tax abatement amount of counties nationally.⁷⁹

Foregone revenue in Tennessee's four largest counties has increased 15% since 2017.

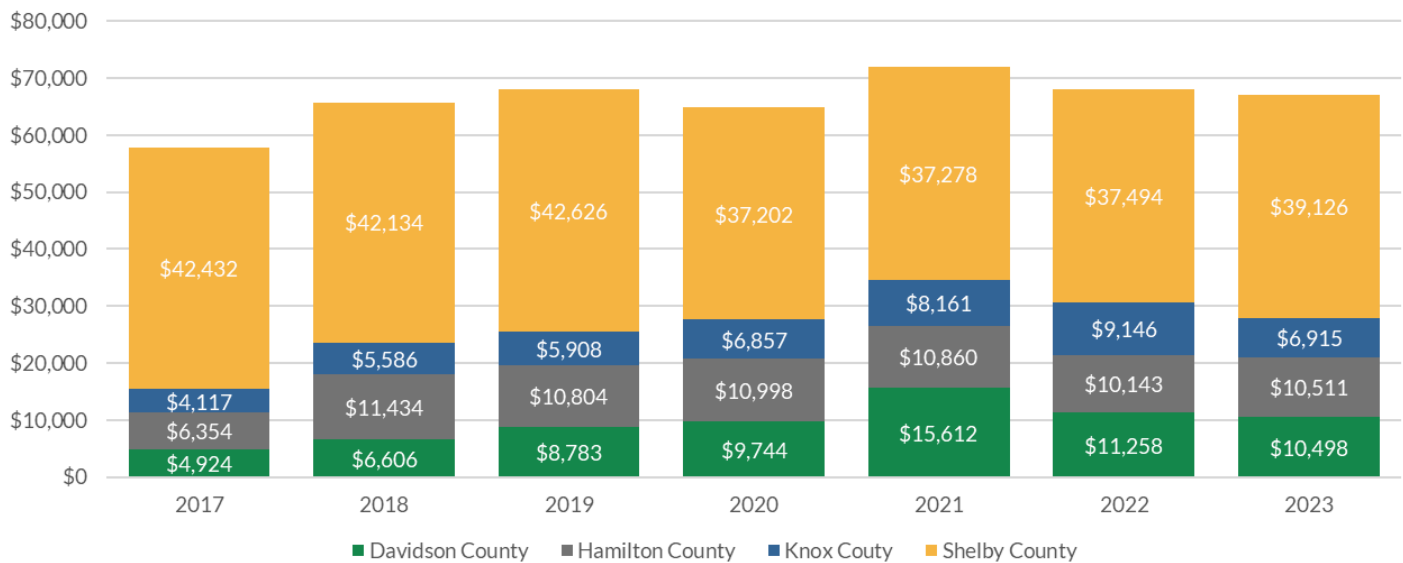


Figure 15: Revenue Lost to Tax Abatement Programs, 2017-2023
Source: Good Jobs First, Tax Break Tracker

Tennessee is less transparent about its incentives than many states—ranking 38th nationally for transparency in economic incentives.⁸⁰ Tennessee's transparency score (9.6) is significantly lower than the US state average (22.0) and the best performing state, Nevada (63.6).⁸¹ Tennessee's transparency score went down 6.4 points and its rank decreased by six positions since 2014. Transparency varied by program: the FastTrack grants program was rated as "exemplary" in transparency due to the availability of job outcomes and pre-approval information, receiving a transparency score of 48.⁸² However, five other programs (Data Centers Sales Tax Exemption, Industrial Machinery Credit, Jobs Tax Credit, and Film/TV Production Incentive) all received transparency scores of zero.⁸³

Tennessee requires periodic evaluations of some business tax credits. In 2015, the Tennessee General Assembly required the Tennessee Economic and Community Development (TNECD) and Tennessee Department of Revenue (TDOR) to conduct a review of a selection of the state's business tax credits every four years.⁸⁴ Covered credits include job creation tax credits, industrial machinery tax credit, headquarters sales tax credit, community investment tax credit, and small business opportunity fund and rural opportunity fund tax credits. The state has released two reports covering 2015 to 2018 and 2019 to 2022.⁸⁵

Tax credits have been used to accomplish the state's economic development goals; nearly one in four companies claiming tax credits also had projects with TNECD. These companies claimed 46% of tax credits, or \$437.4 million, from 2019 to 2022.⁸⁶ Of these credits, 90% were companies in TNECD's nine target industry clusters, including \$148.7 million in the automotive industry, \$64.5 million in headquarters, finance, and tech, and \$73.0 million in distribution and logistics.⁸⁷ Over 34% of tax credits were claimed by foreign-owned companies with TNECD projects.⁸⁸

ECD Target Industry Clusters

Aerospace and Defense
Appliances and Electrical
Automotive
Chemicals
Distribution and Logistics
Food and Beverage
Headquarters, Finance and Tech
Healthcare and Life Sciences
Rubber, Ceramics and Glass

Source: TNECD

The state's analysis of job tax credits indicated positive outcomes relative to non-tax credit employers. From 2019 to 2023, companies claiming business tax credits in 2019 increased their employment by a cumulative growth of 20.7% compared to 7.8% for companies that did not receive tax credits.⁸⁹ In addition, average annual wages for companies receiving tax credits were \$75,066 in 2023, or \$11,001 higher than the average wages at companies not receiving tax credits; however, over five years, wage growth at companies not receiving tax credits was 31%, compared to 21% for companies receiving tax credits.⁹⁰

Over five years, employment growth at companies awarded tax credits was 2.6 times higher than companies not awarded tax credits.

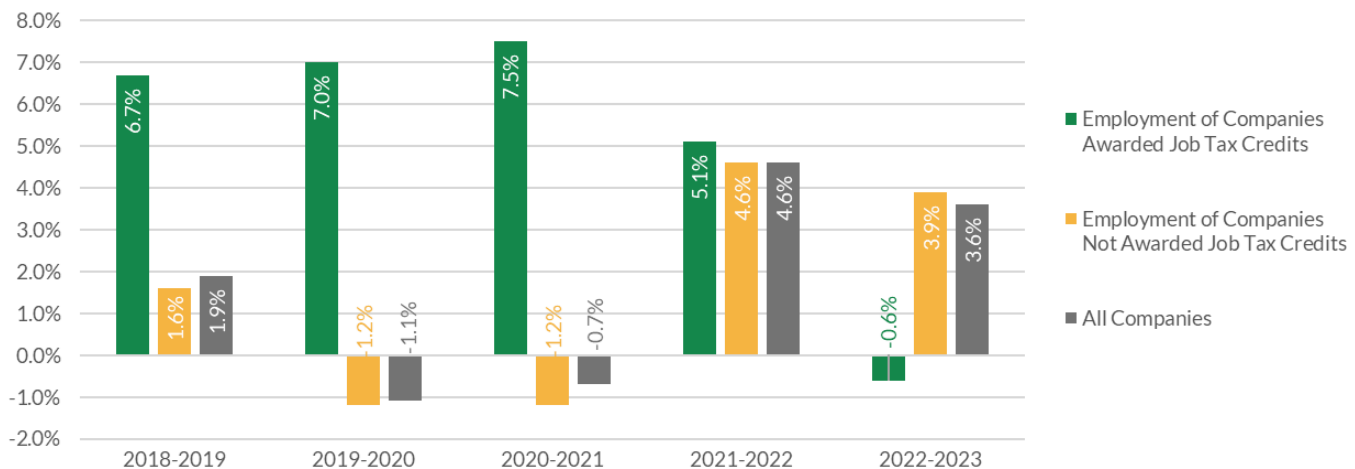


Figure 16: Job Growth Rates for Companies Awarded or Not Awarded Job Tax Credits in 2019

Source: Tennessee Department of Economic and Community Development and Tennessee Department of Revenue, Evaluation of Business Tax Credits (2019-2022)

In 2023, wages at companies awarded tax credits were 17.4% higher than the average annual wage for all companies.

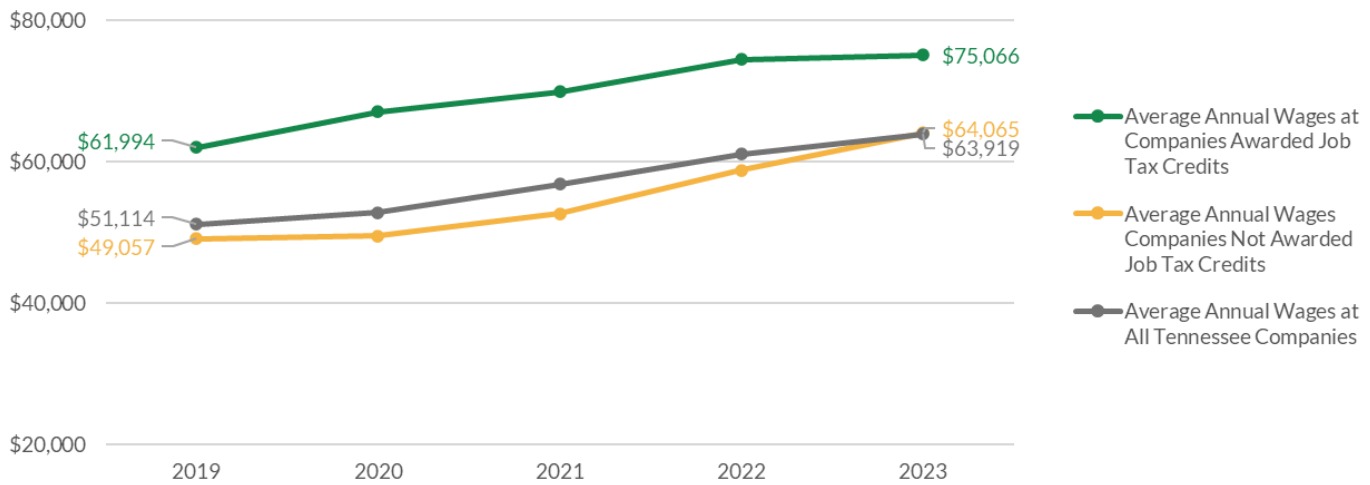


Figure 17: Average Annual Wages for Companies Awarded or Not Awarded Job Tax Credits in 2019

Source: Tennessee Department of Economic and Community Development and Tennessee Department of Revenue, Evaluation of Business Tax Credits (2019-2022)

Tennessee's growth is expected to slow over the next 10 years.

The economic forecast for Tennessee for the next 10 years shows slower growth than in the recent past but still outpacing the nation. Tennessee is anticipated to add 356,000 non-farm jobs from 2025 to 2034, a growth rate of 10.6%, significantly higher than the 2.7% growth rate forecast for the US as a whole.⁹¹ Similarly, GDP is forecasted to grow 24.3% in the next 10 years, compared to 17.6% in the US.⁹² Unemployment is anticipated to increase from 3.3% in 2024 to 3.7% in 2034, which is still a lower unemployment rate than the US as a whole at 4.2%.⁹³ In Tennessee, personal income (including salary, rents, capital gains, and other sources) is anticipated to increase 28.1% compared to 23.8% in the US as a whole.⁹⁴

“Slower state growth in 2024 is largely driven by timing, as the Tennessee economy recovered more quickly from the pandemic and is therefore stabilizing sooner as well.”

- Boyd Center for Business and Economic Research, “An Economic Report to the Governor of the State of Tennessee”

Tennessee is forecasted to outpace the US in GDP, job, and income growth over the next 10 years.

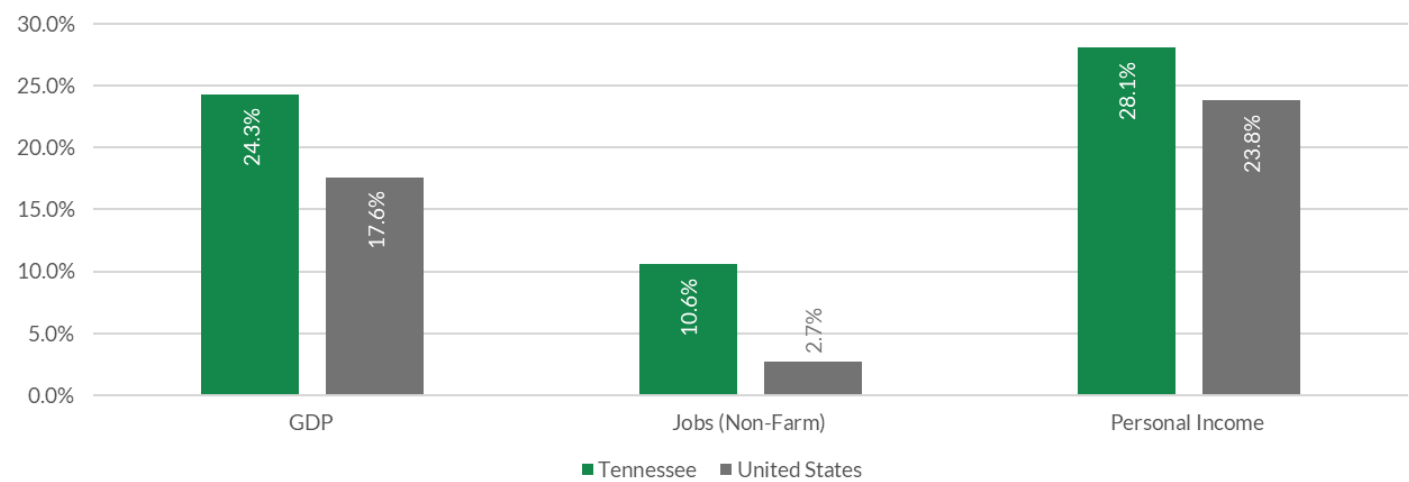


Figure 18: Forecasted Growth 2025-2034
 Source: Boyd Center for Business and Economic Research

Tennessee's Critical Industries

Tennessee's largest industries are manufacturing, health care, government, and retail trade.

Tennessee's four largest industries—by both GDP and employment—are manufacturing (\$72M GDP, 364K jobs), health care and social assistance (\$53M GDP, 404K jobs), government and government services (\$52M GDP, 422K jobs), and retail trade (\$43M GDP, 344K jobs).^{95,96} In addition, real estate (\$67M GDP) is in the top five largest by GDP, while accommodation and food services (314K jobs) is in the top five by employment.

Tennessee's economic growth—in terms of GDP, employment, and wages—varies significantly by industry, however most industries show positive growth.

Industry	GDP		Employment		Annual Wages	
	2024 (millions)	Growth	2023	Growth	2024	Growth
All industry total	\$553,471	67.8%	3,232,182	17.5%	\$64,718	43.2%
Private industries	\$501,199	71.6%	2,810,600	20.0%	\$65,186	43.8%
Agriculture, forestry, fishing and hunting	\$1,521	-9.8%	8,320	5.4%	\$42,424	40.7%
Mining, quarrying, and oil and gas	\$1,383	128.3%	3,908	13.6%	\$96,205	41.7%
Utilities	\$4,382	120.7%	4,398	30.1%	\$98,786	45.4%
Construction	\$23,692	122.4%	156,119	46.6%	\$75,656	51.6%
Manufacturing	\$72,107	42.0%	363,882	12.0%	\$72,005	27.9%
Wholesale trade	\$37,264	64.0%	134,395	9.1%	\$92,668	44.1%
Retail trade	\$43,187	82.6%	344,335	7.3%	\$40,606	41.9%
Transportation and warehousing	\$24,734	60.8%	197,224	40.2%	\$67,564	35.1%
Information	\$17,534	81.3%	55,764	28.9%	\$105,307	70.4%
Finance and insurance	\$33,054	89.0%	125,061	22.0%	\$104,573	40.0%
Real estate and rental and leasing	\$66,936	83.1%	44,733	29.7%	\$68,712	53.9%
Professional, scientific, and tech services	\$35,838	96.7%	175,616	46.4%	\$99,531	38.0%
Mgmt. of companies and enterprises	\$10,015	71.4%	56,211	47.9%	\$123,812	28.9%
Admin & support; waste mgmt., etc.	\$20,470	67.2%	230,017	6.8%	\$51,347	59.1%
Educational services	\$5,549	58.9%	55,508	25.6%	\$58,163	36.5%
Health care and social assistance	\$53,432	50.9%	404,481	16.9%	\$66,233	38.1%
Arts, entertainment, and recreation	\$12,244	102.8%	47,676	47.5%	\$64,770	43.2%
Accommodation and food services	\$23,434	103.7%	313,640	18.8%	\$26,606	59.4%
Other services	\$14,424	77.2%	81,885	15.4%	\$48,874	55.3%
Government and government enterprises	\$52,272	38.3%	421,581	3.4%	\$61,594	38.5%
Top 5						
Bottom 5						

Figure 19: GDP, Employment, and Wages by Industry
Source: US Bureau of Labor Statistics & Occupational Employment and Wage Statistics

Three of the state's largest industries—manufacturing, health care, and government—are experiencing slower than average growth. From 2015 to 2024, Tennessee's total GDP increased by 67.8%; however, its largest industry, manufacturing, grew by 42.0%, while health care and social assistance grew by 50.9%, and government and government services grew by 38.3%.⁹⁷ These industries also lagged in employment growth, with manufacturing (12.0%), health care (16.9%), and government (3.4%), all lower than overall state employment growth (17.5%).

Real estate, accommodation and food services, and retail trade are large industries that are outpacing overall growth. From 2015 to 2024, real estate and rental and leasing's GDP grew by 83.1% and employment grew by 29.7%. Accommodation and food services grew by 103.7% (GDP) and 18.8% (employment). Retail trade grew by 82.6% (GDP), but its employment growth (7.3%) was lower than the statewide average.⁹⁸

Manufacturing has the highest average wages of Tennessee's largest industries, while accommodation and food services has the lowest average annual wages.

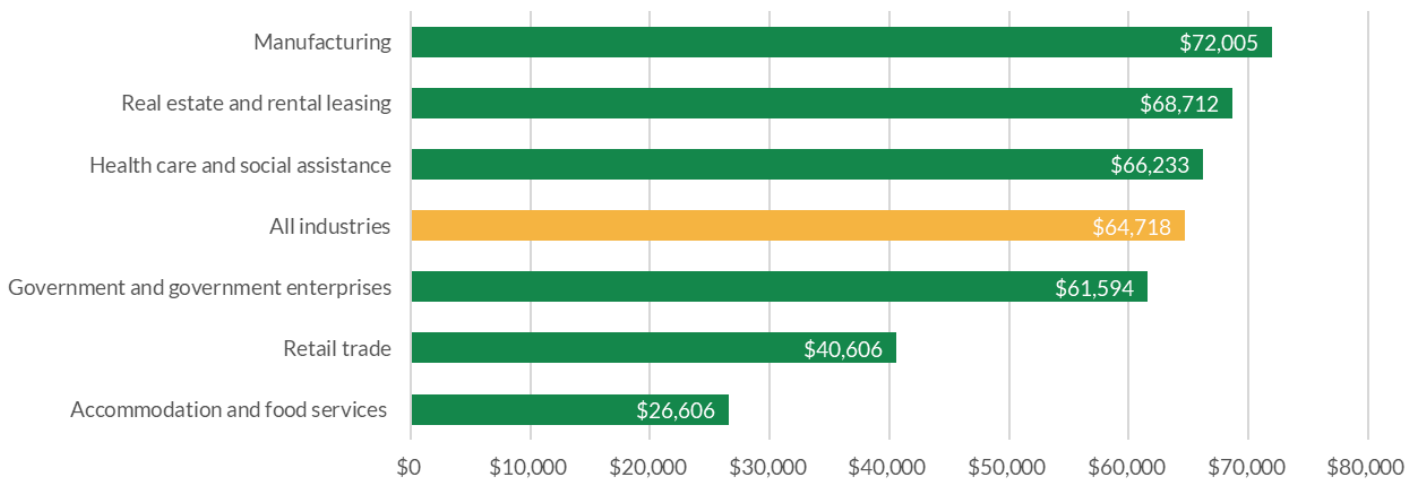


Figure 20: Average Annual Wage, Largest Industries
Source: Quarterly Census of Wages and Employment

Half of Tennessee's largest industries—manufacturing, real estate and rental leasing, and health care and social assistance—have higher than average wages. Of the state's largest industries, manufacturing has the highest average wage (\$72,005), which is 11.3% higher than the state's average wage of \$64,718.⁹⁹ Real estate and rental and leasing's average wage (\$68,712) is 6.2% higher than the state average, while health care and social assistance's average wage (\$66,233) is 2.3% higher than the state.¹⁰⁰

The accommodation and food services industry—the state's fifth largest by employment—has the state's lowest average wage of all industries at just \$26,606, or 58.9% lower than the state's average wage. The retail trade industry—the state's third largest by employment—has an average wage of \$40,606, or 37.3% lower than the state's average.¹⁰¹ Government and government services—the state's largest industry by employment—has an average wage of \$61,594, or 4.8% lower than the state average.¹⁰²

In terms of employment growth, Tennessee's fastest growing sectors are management, arts and entertainment, construction, professional services, transportation and warehousing, and utilities.

Several of Tennessee's mid-size economic sectors are seeing the state's fastest employment growth—all double the state's overall growth. Management of companies and enterprises is the state's fastest growing sector, with 47.9% growth over the past decade. However, the industry still only ranks as the state's 13th largest, with 56,211 employees.¹⁰³ Arts, entertainment, and recreation (16th in employment) has grown 47.5%, followed by construction (46.6%); professional, scientific, and tech services (46.4%); and transportation and warehousing (46.2%).¹⁰⁴

Employment growth is highest in Tennessee's smaller industries—management of companies and enterprises; arts, entertainment and recreation; construction; and professional, scientific, and tech services.

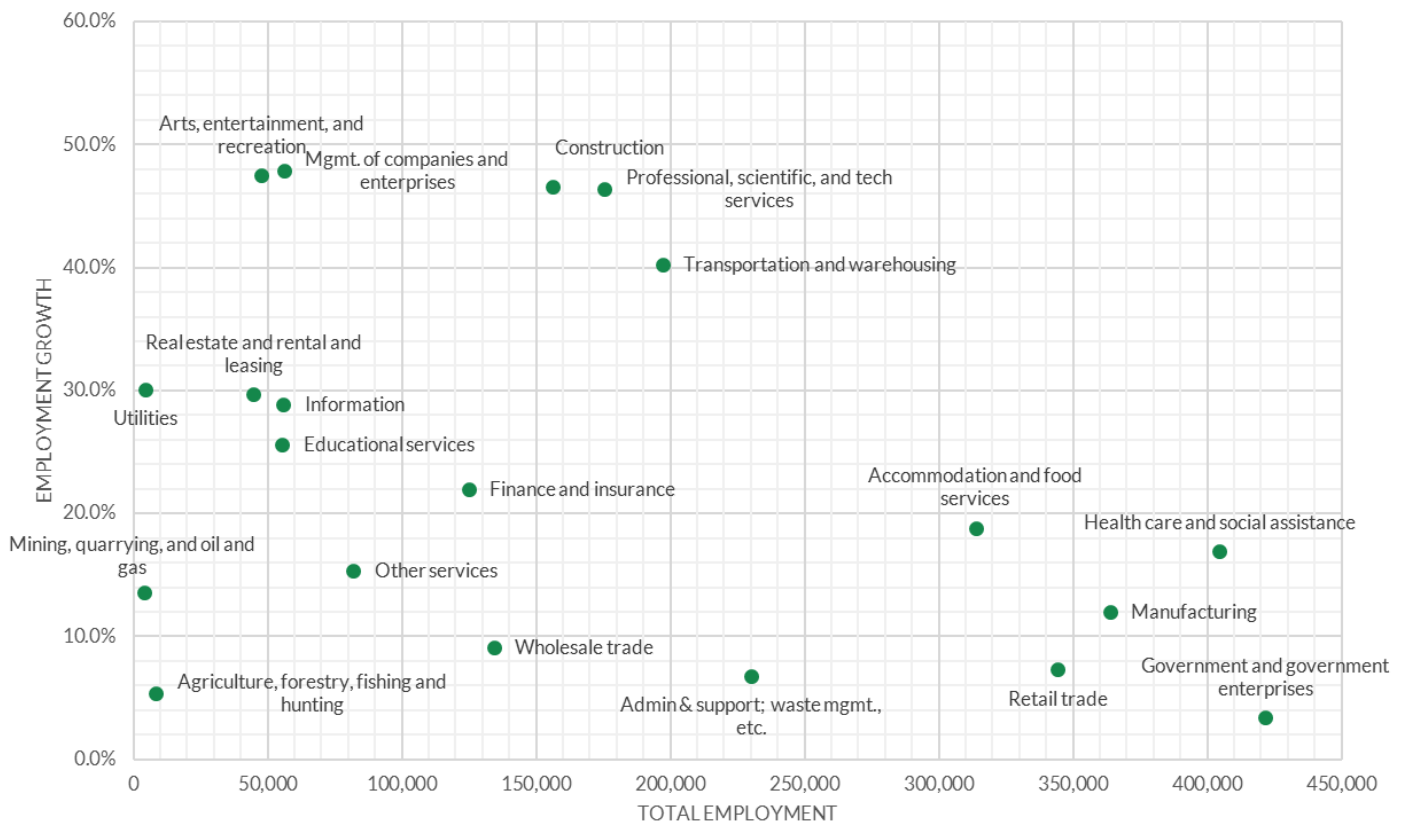


Figure 21: Total Employment and Employment Growth by Industry
Source: US Bureau of Economic Analysis, SAEMP25N

The fastest growing employment sectors have wages at or above the state average. Management of companies and enterprises—the fastest growing sector for employment—also has the state's highest annual wages of \$123,812 (almost twice the overall average of \$64,718).¹⁰⁵ The average wage for the professional, scientific, and tech services sector (\$99,531) is 53.7% higher than the state average, while construction (\$75,656) is 16.9% higher than the overall average.¹⁰⁶ Transportation and warehousing (\$67,564), and arts, entertainment, and recreation (\$64,770) are consistent with the state average.¹⁰⁷

Six sectors—management, information, finance and insurance, professional services, utilities, mining, and wholesale trade—have average annual wages that are above \$90,000 per year, over 40% higher than the state average.

Most of Tennessee’s highest wage industries are experiencing above average employment growth, though they are still a relatively small portion of the state’s overall employment. Management of companies and enterprises is Tennessee’s highest wage industry but only represents 56,211 workers, or 1.7% of the state total.¹⁰⁸ Similarly, the information sector has the second highest wages (\$105,307) and has experienced higher than average employment growth (28.9%), but still only represents 55,764 workers.¹⁰⁹ Finance and insurance has the third highest wages (\$104,573) and has experienced 22.0% growth, but only represents 125,061 workers, or 3.9% of the state total.¹¹⁰

Three key industries—manufacturing, government, and agriculture—are facing different challenges.

Manufacturing is a key Tennessee industry, but growth in the industry has slowed.

Manufacturing, particularly auto manufacturing, is one of the highest priority industries for Tennessee’s economic development goals. Manufacturing is Tennessee’s third-largest industry, with 363,882 jobs in the state in 2023. Since 2014, it has grown by 12.0%.¹¹¹ The average wage for jobs in the manufacturing sector in Tennessee was \$66,895 in 2022, 48.1% higher than the statewide average of \$45,173.¹¹² Auto manufacturing increased from 264 establishments in 2019 to 305 establishments in 2022. However in 2022, there were 65,315 jobs (still lower than a pre-pandemic high of 68,165 jobs).¹¹³

Manufacturing wages in Tennessee are lower than the US manufacturing industry as a whole.

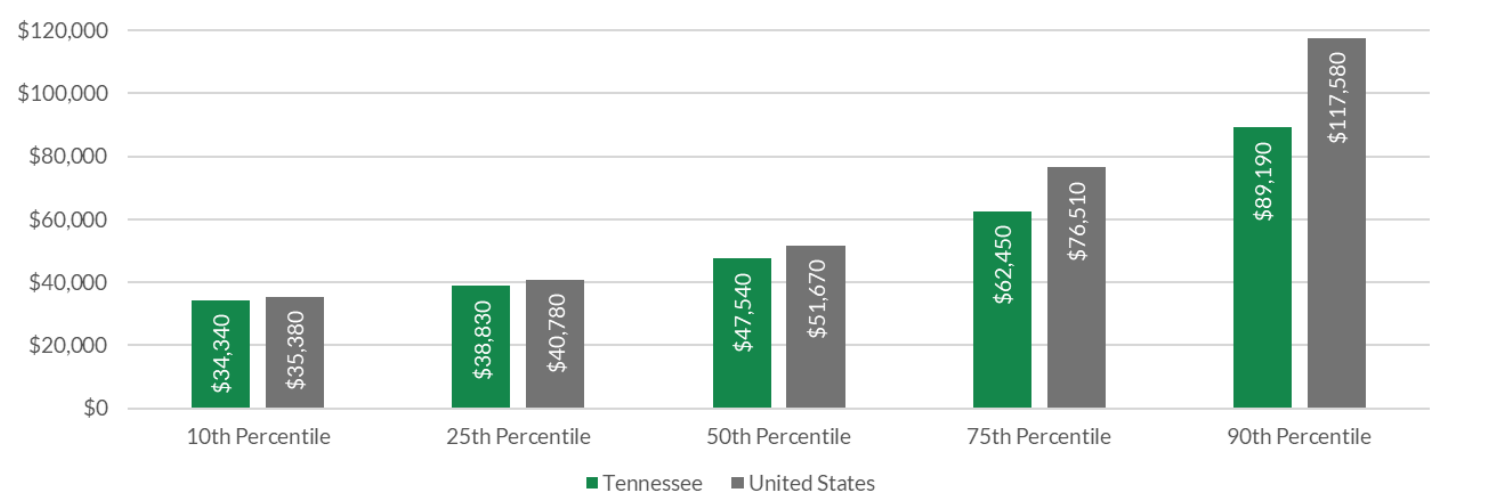


Figure 22: Wage Distribution for Manufacturing Sector, 2024
Source: US Bureau of Labor Statistics Occupational Employment and Wage Statistics (OEWS)

Government sector jobs are not keeping pace with Tennessee's increasing population.

Despite Tennessee's economic and population growth, government sector employment has decreased by 5,000 workers since 2019. The government and government enterprises sector has more employees than any other major industry, with 451,082 jobs, or 10.0% of all jobs in Tennessee.¹¹⁴ However, this is a lower proportion than the nation (11.4%) and the Southeast US (11.6%), indicating that Tennessee has fewer government employees to support the state's growing population. Government employment decreased by 5,112 employees from 2019 to 2022, a decrease of 1.1%, while population increased 4.1%.¹¹⁵

Much of this loss was in the state government sector, which decreased from 96,402 workers in 2019 to 91,194 workers in 2022, a decrease of 5.4%.¹¹⁶ The ratio of population to government staff in Tennessee is 15.3, higher than the US and Southeast, which both have a ratio of 13.7. Of the states in the Southeast, only Florida had a higher ratio than Tennessee.¹¹⁷ The number of funded employees in the state budget increased by 932 positions from 2019 to 2023. However, 921 new positions were in higher education, and state agencies have only seen a net increase of 11 positions over that same time period.¹¹⁸

State government wages in Tennessee are 86.0% of the national average. The average monthly wage for a full-time state employee in Tennessee in 2023 was \$5,767, \$941 less than the national average of \$6,708.¹¹⁹ Tennessee ranks 35th nationally in wages for full-time state government employees. Given that state and local government jobs employ over 450,000 Tennesseans, ensuring those jobs are good-paying jobs is an important way to strengthen the middle class in the state.

Government workers in Tennessee make lower wages than government workers across the country.

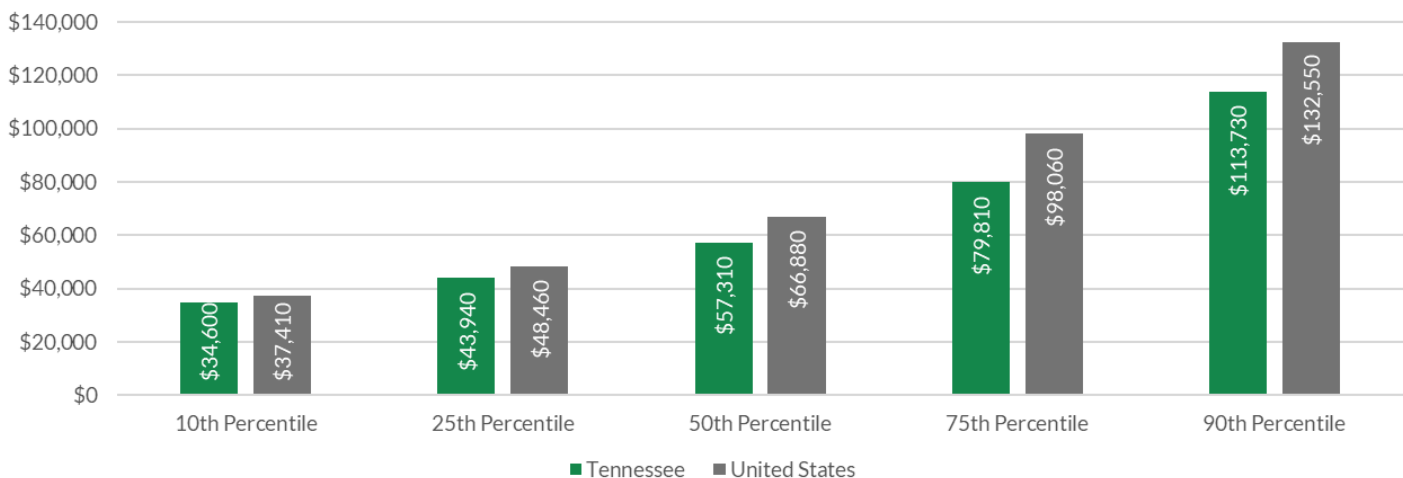


Figure 23: Wage Distribution for Government Sector, 2024

Source: US Bureau of Labor Statistics Occupational Employment and Wage Statistics (OEWS)

In addition to a lack of new positions, state agencies have had challenges with attrition, turnover, and high vacancy rates, reducing capacity across multiple agencies. The Department of Children’s Services turnover rate went from 16% in 2018 to 56% in 2022; exiting workers cited impossible work expectations and unmanageable caseloads.¹²⁰ In 2023, turnover for officers was 30% at state correctional facilities, leading to “serious safety concerns” at some facilities.¹²¹ Staff vacancies at the Department of Transportation were due to turnover rates of up to 20%, leading to increased workloads for existing staff, and making fulfilling the department’s missions and goals “more difficult.”¹²²

Agriculture is a key part of Tennessee’s identity—it is named in our state logo—and land usage, though it results in relatively small GDP and employment.

While agriculture is a small industry in terms of GDP and employment, farming occupies 39.6% of the state’s land area, with 63,100 farming operations.¹²³ Tennessee ranks 9th nationally in terms of farming operations.¹²⁴ In 2022, 39.6% (27.0 million acres) were devoted to farming; 49.1% of the farmland in Tennessee is operated as cropland.¹²⁴ Tennessee’s farms are smaller than the US average (170 and 464 acres, respectively).¹²⁵

While a critical industry, agriculture faces challenges. Agriculture has the second-lowest average wages, and the industry is losing farmland; Tennessee has lost more than 200 acres of farmland per day since 2017 and is the fourth-most threatened state in the nation.^{126,127}

Overall, wages in the agricultural sector in Tennessee are higher than the nation.

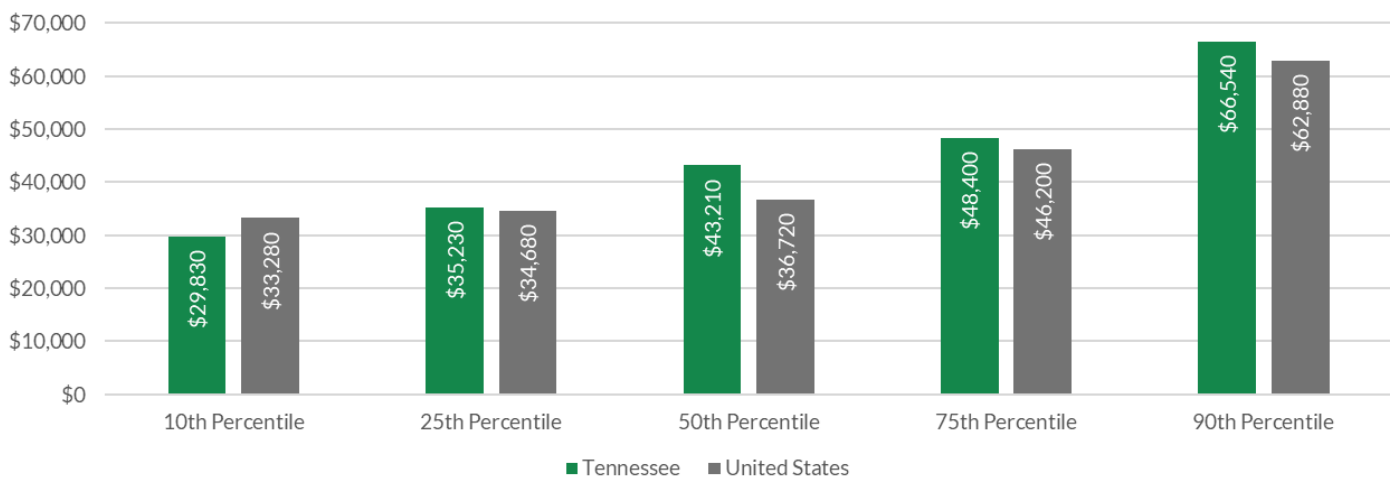


Figure 24: Wage Distribution in the Agricultural Sector, 2024
Source: US Bureau of Labor Statistics, Occupational Employment, and Wage Statistics

In FY 2023, Tennessee exported agricultural and related products to more than 100 countries, with the top markets being China, Canada, the Netherlands, Mexico, and Germany.¹²⁸ The most notable increase in exports was to China. In FY 2024, exports to China were valued at \$553 million, an increase of \$184 million (49.8%) when compared to FY 2023.¹²⁹ The increase in exports to China was primarily due to a 60% increase in cotton exports.¹³⁰

Entrepreneurship, innovation, and investment is critical for the state’s economic growth.

From 2015 to 2024, business formation* in Tennessee increased significantly—from 4,913 estimated new businesses to 7,684, a growth of 56.4% over the decade—and at a higher rate than in the US (38.1%) or in the Southeast (46.0%).¹³¹ The majority of this growth occurred during the COVID-19 pandemic, with 41.8% growth from 2019 to 2021.¹³² In 2022, the retail sector accounted for the most business-formation applications, followed by professional, scientific, and technical services, and construction; educational services, manufacturing, and information had the lowest number.¹³³

Tennessee experienced a doubling of new business formation over the decade.

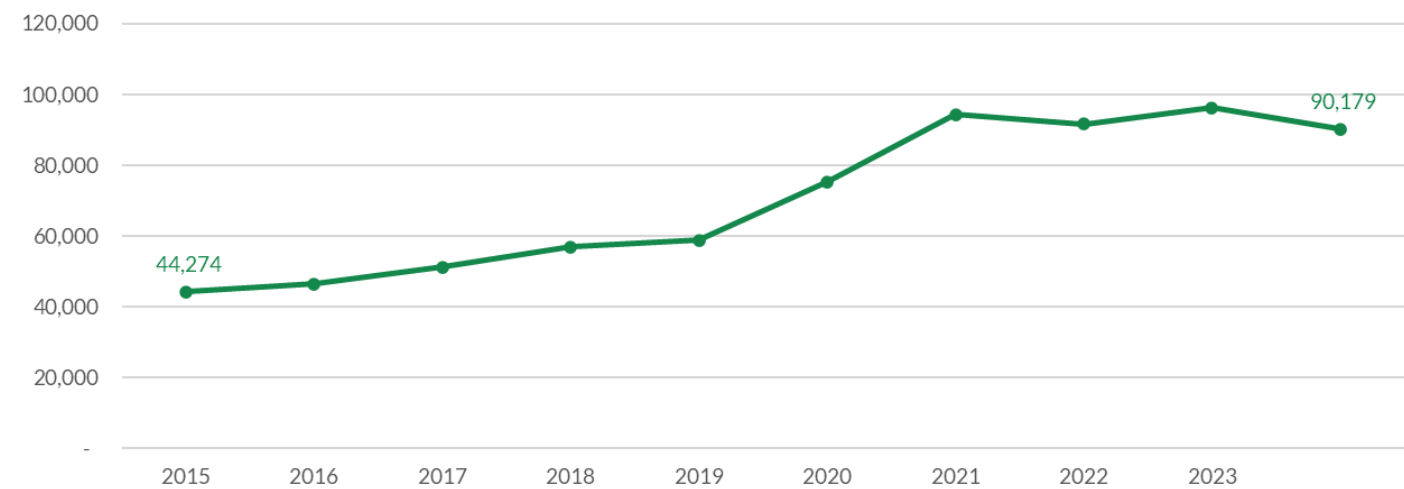


Figure 25: Estimated Business Formation in Tennessee
Source: US Census, Business Formation Statistics

Tennessee business formation has outpaced the region and the nation.

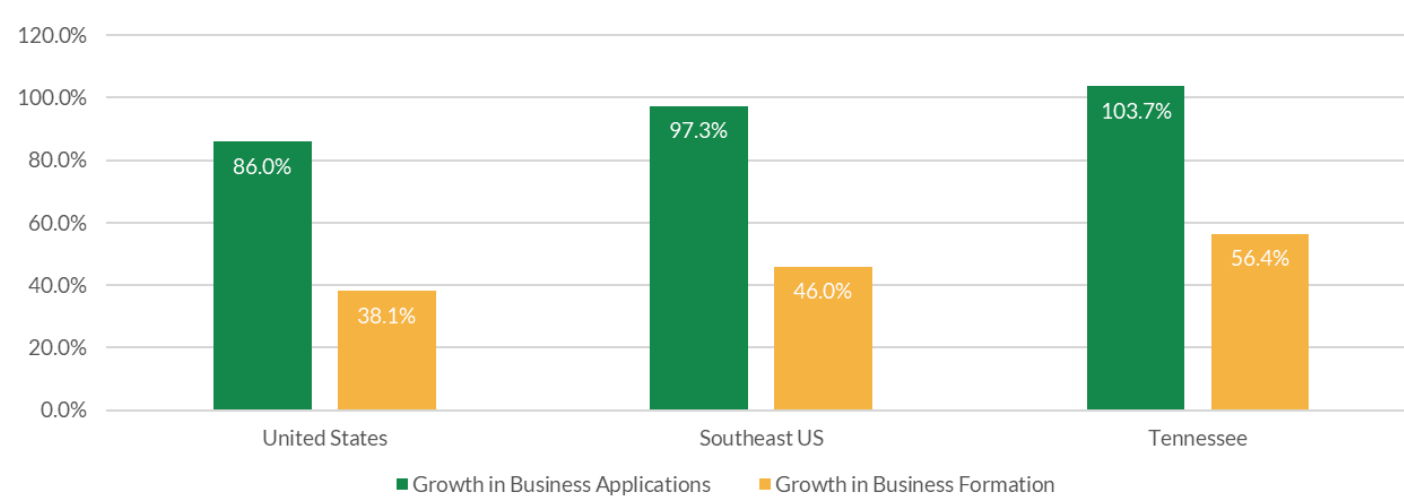


Figure 26: Annual Business Applications and Estimated Business Formation Within 8 Quarters, 2015 to 2024
Source: US Census, Business Formation Statistics

*Business formations are estimated based on number of business applications that are assumed to be formed within eight quarters of the business application being approved.

Small businesses dominate Tennessee’s private industry—almost two-thirds have fewer than five employees.¹³⁴ While 63.6% of Tennessee’s businesses have fewer than five employees, this is a smaller proportion than in the Southeast (67.4%) or the US as a whole (67.2%).¹³⁵ Tennessee has a larger proportion of large establishments (over 100 employees) than in the region or nation.

While small businesses dominate, Tennessee has a larger proportion of large establishments than the region or nation.

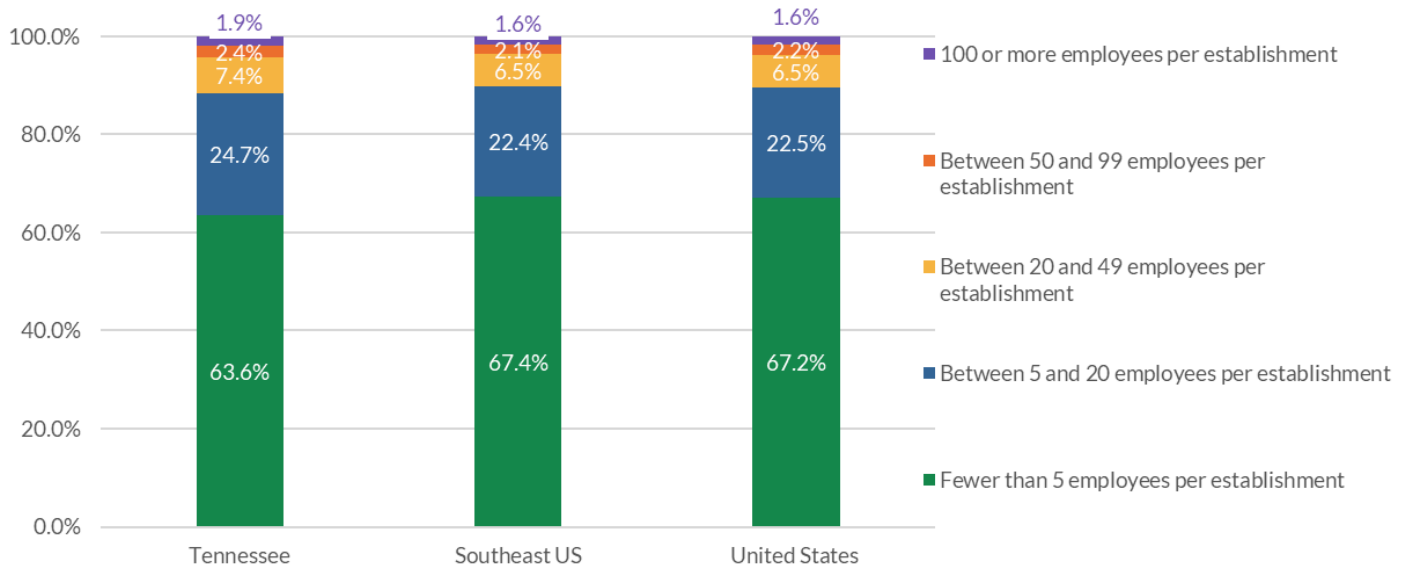


Figure 27: Establishments by Number of Employees, 2024
Source: Quarterly Census of Employment and Wages

Research and development is a growing part of the Tennessee economy, but the state lags the nation, particularly in private business contribution to R&D.

In 2021, research and development in Tennessee added \$3.8 billion to the state economy, representing 0.9% of the state’s GDP.¹³⁶ Nationally, R&D contributed 2.3% to GDP, with some states significantly higher; for example, 6.3% in New Mexico (home of Los Alamos National Laboratory), 5.0% in Washington, and 4.9% in Massachusetts. Tennessee ranks 25th nationally in R&D as a share of GDP.¹³⁷ In Tennessee, the value of R&D increased 37.4% from 2017 to 2022, compared to an increase of 43.5% nationally.

Data Note

Data on research and development across industries is relatively new. Historical data and more recent data are not available.

Tennessee is more reliant on government and the non-profit sector for R&D than the nation as a whole—32.2% comes from non-profit institutions compared to 6.8% nationally, and 13.5% of R&D value occurs in the government sector compared to 7.8% nationally.¹³⁸ Only 54.4% of R&D value is created within private business in Tennessee, compared to 85.4% nationally.¹³⁹ Notably, 18.4% of Tennessee’s R&D comes from higher education institutions (both publicly and privately funded).¹⁴⁰

Tennessee is more reliant on government and non-profit institutions for R&D value than the nation as a whole.

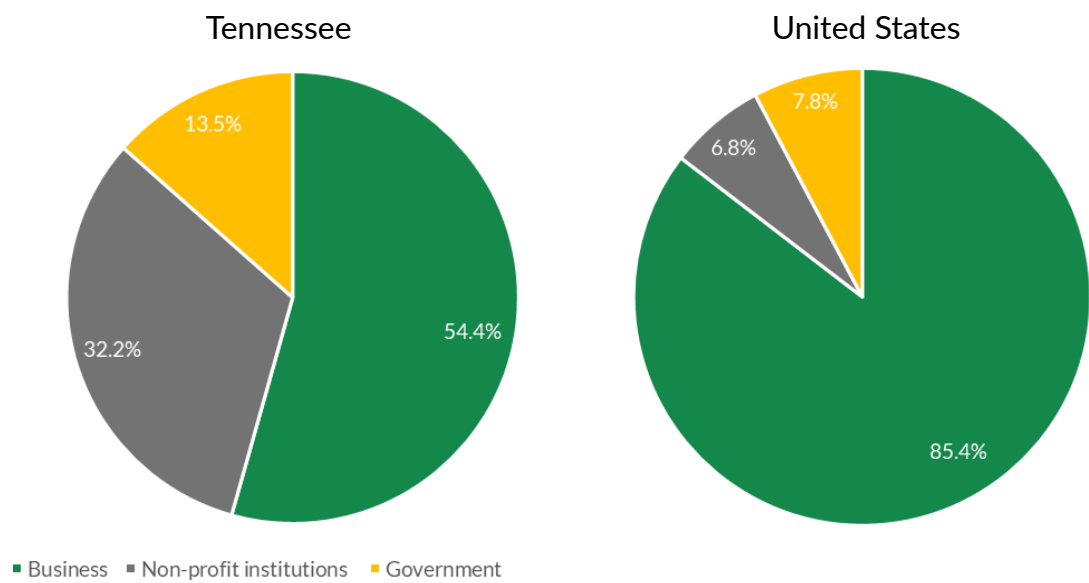


Figure 28: R&D Value Added, 2021
Source: US Bureau of Economic Analysis, Research and Development Satellite Account

Despite low unemployment, low labor force participation has resulted in worker shortages.

The statewide unemployment rate has returned to pre-pandemic levels (3.4%) and remains lower than the US (4.0%) and the Southeast region (3.5%).¹⁴¹ Tennessee's unemployment rate continues to track consistently with the Southeast. Racial disparities in unemployment rates remain—in 2023, unemployment rates were lower for White (2.9%) and Asian workers (2.8%) and higher for Black and Hispanic workers, at 5.1% and 4.6%, respectively.¹⁴²

Tennessee's overall unemployment rate has returned to pre-pandemic levels (3.4%).

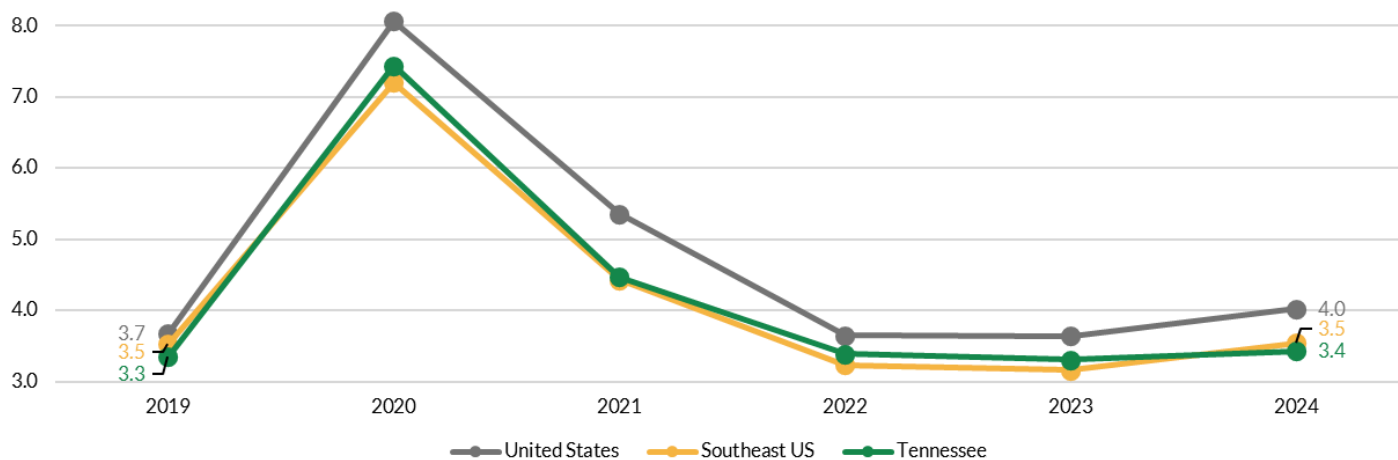


Figure 29: Average Annual Unemployment Rate, 2015 to 2024
Source: US Bureau of Labor Statistics

At the county level, unemployment is lowest in the Middle Tennessee counties within the Nashville MSA (Metropolitan Statistical Area); every county with unemployment below 3.0% is located in the MSA except Moore (2.5%) and Knox (2.8%).¹⁴³ In 2023, four counties had an annual unemployment rate at or above 5.0%—Bledsoe (5.3%), Perry (5.2%), Lauderdale (5.1%), and Meigs (5.0%).¹⁴⁴

Definitions

The **labor force participation rate** is the number of people in the labor force as a percentage of the civilian, non-institutionalized, working-age population. It includes both people who are working and those that are not working but are actively looking for employment.

The **unemployment rate** is the number of people not employed but who are actively looking for, and available for, work, as a percentage of the civilian, non-institutionalized working-age population.

Unemployment rates are lowest in Middle Tennessee.

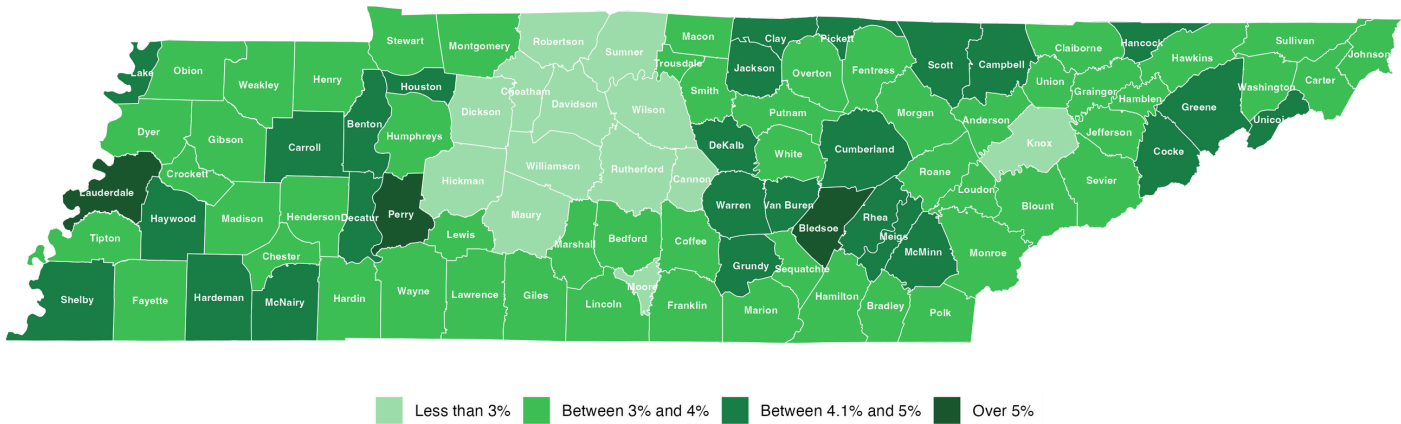


Figure 30: Average Annual Unemployment Rate, 2023
Source: US Bureau of Labor Statistics

Tennessee's labor force participation rate has not recovered from the pandemic—it decreased 2.2 percentage points from 61.8% in 2019 to 59.6% in 2024.¹⁴⁵ Notably, labor force participation rates in both the US and the Southern region have been increasing since a low in 2020, however Tennessee's participation rate is still declining.

Definitions

Data on labor force participation rate includes comparisons to the Southern US and the United States. The Southern US includes more states than the Southeastern US as defined in the remainder of the report. The South region includes AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV, as well as DE, DC, MD, OK, and TX.

Tennessee's labor force participation rate has dropped to 59.5%, lower than the US (62.6%) and the Southern region (61.3%).

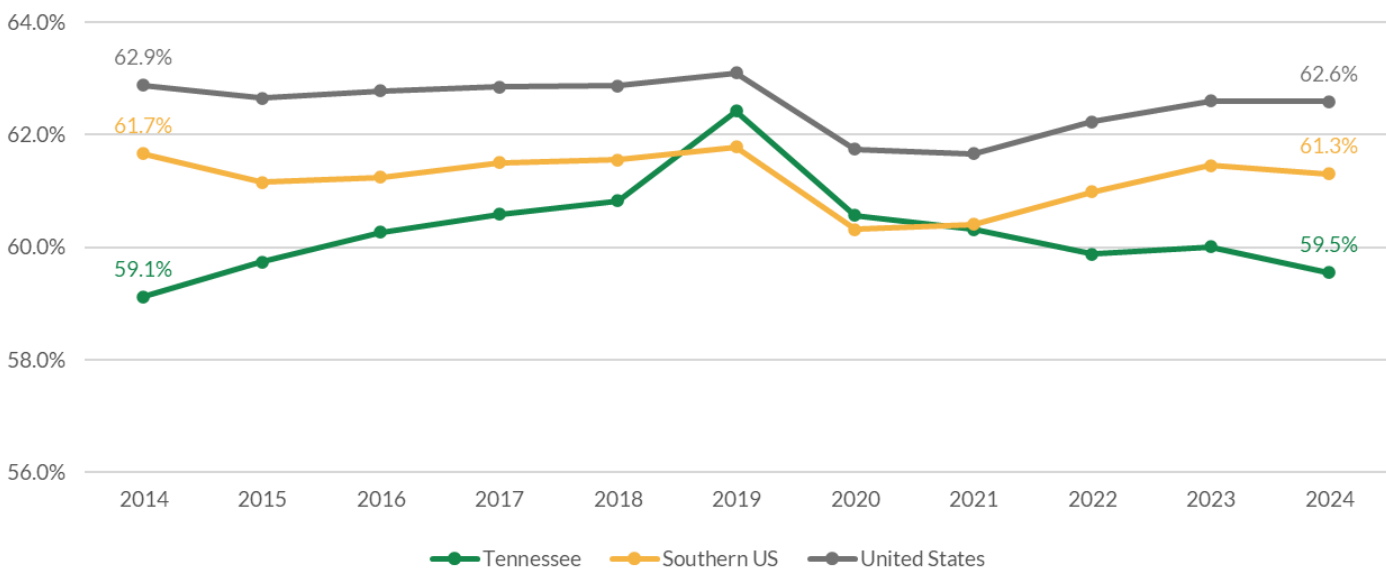


Figure 31: Average Annual Labor Force Participation Rate, 2015 to 2024
Source: US Bureau of Labor Statistics

Tennessee's labor force participation rate has decreased 6.4 percentage points from 2021 to 2024 for young adults aged 16 to 24 years old.¹⁴⁶ Labor force participation for adults 55 years and older also decreased 4.5 percentage points from a high in 2019.¹⁴⁷ The only age group that has seen an increase in labor force participation over time are those aged 25 to 54 years old who increased from 77.8% in 2015 to 80.6% in 2024, an increase of 2.8 percentage points.¹⁴⁸

Labor force participation rates in Tennessee have decreased for both older and younger workers.

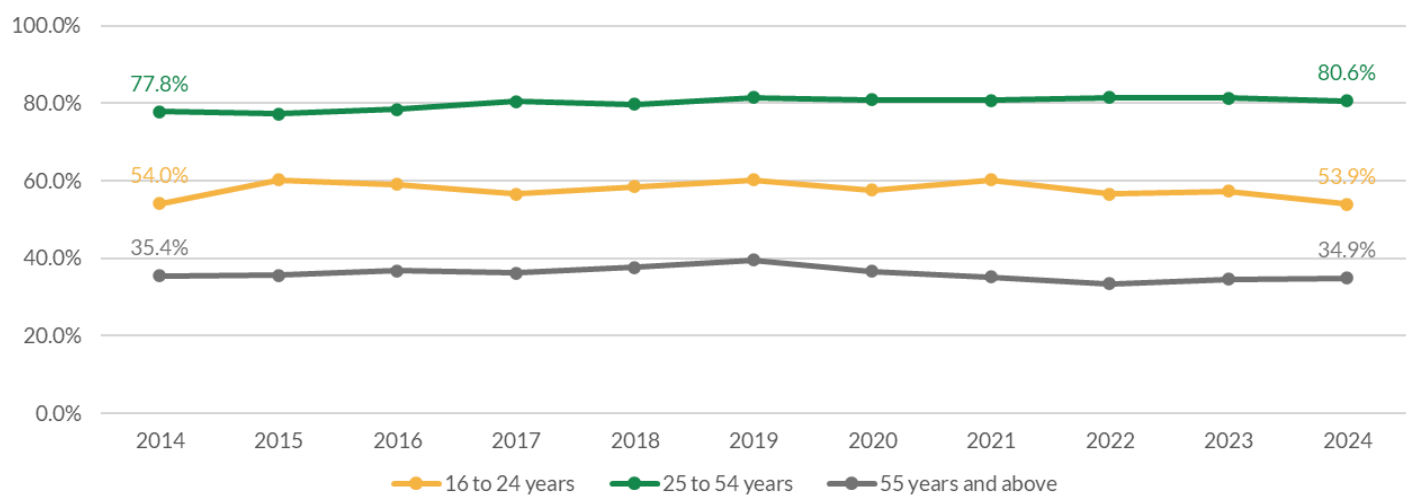


Figure 32: Tennessee's Labor Force Participation Rate by Age, 2024
Source EPI, State of Working America

Tennessee's labor force participation rate is lower than the Southern region and nation for all age groups, but is most notably lower for people aged 55 and above.

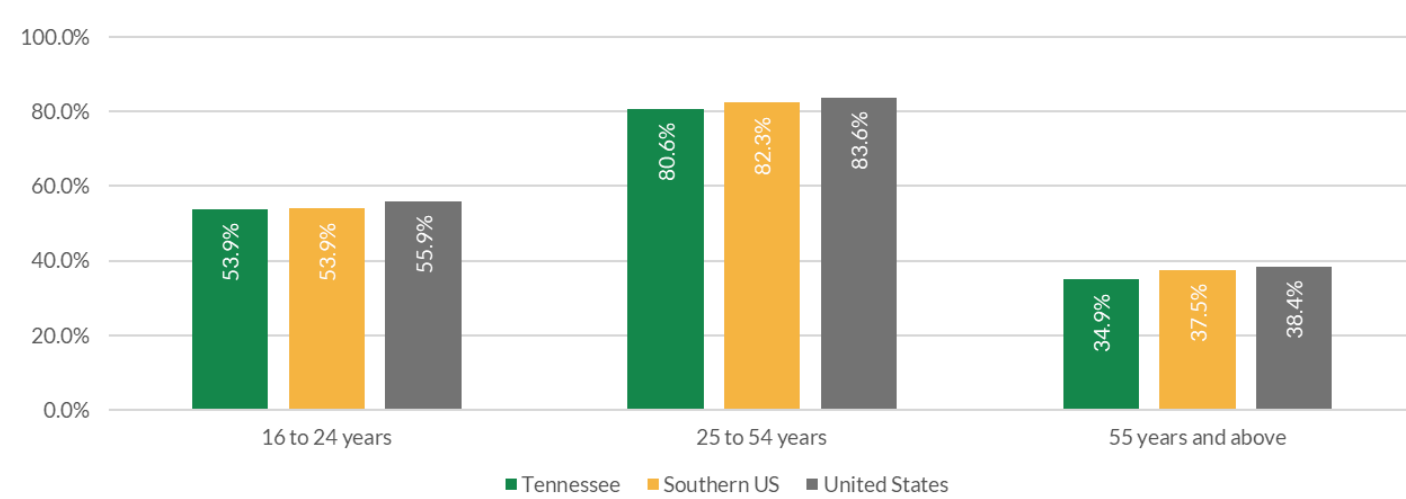


Figure 33: Labor Force Participation Rate by Age, 2024
Source EPI, State of Working America

In Tennessee, the labor force participation rate for women (54.0%) is lower than men (65.5%).¹⁴⁹ From 2014 to 2024, women’s labor force participation rate increased from 52.7% to 54.0%—though it remains lower than its peak of 56.0% in 2019.¹⁵⁰ Men’s labor force participation rate decreased from a high of 69.2% in 2019 to 68.0% in 2024.¹⁵¹

For both women and men, Tennessee’s labor force participation rate is slightly below the Southern region and nation.

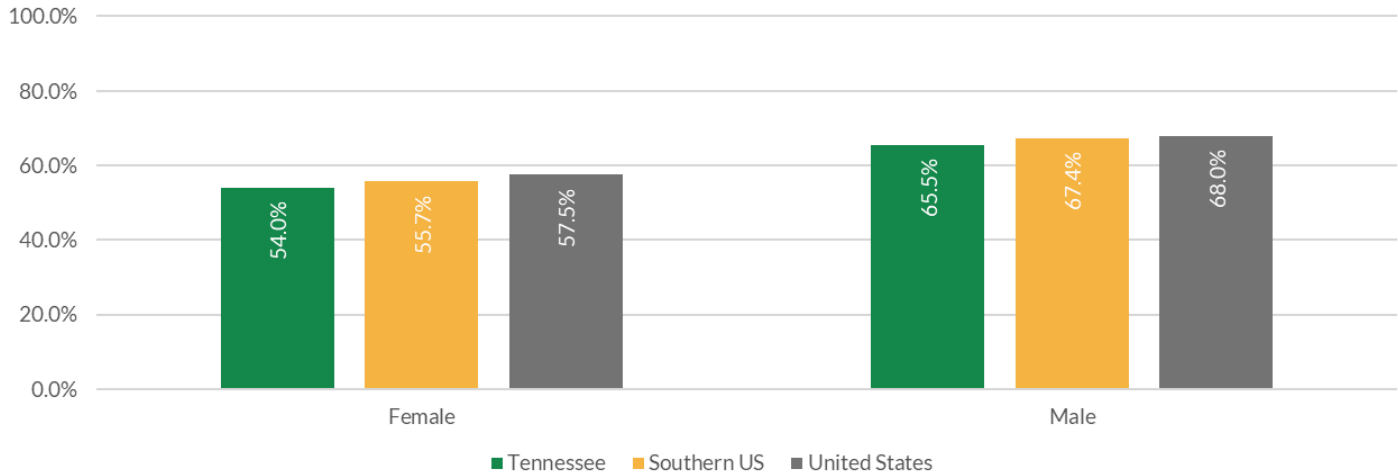


Figure 34: Labor Force Participation Rate by Sex, 2024
Source EPI, State of Working America

In Tennessee, Hispanic residents have the highest labor force participation rate (71.4%) of any major racial/ethnic group, significantly higher than Black residents (58.3%) or White residents (58.6%).¹⁵² Asian residents have a labor force participation rate of 64.5%.¹⁵³ Over the past decade, the labor force participation rate has increased 0.9 percentage points for White workers and 0.6 percentage points for Hispanic workers, while it decreased 4.6 percentage points for Black workers.*¹⁵⁴

*Data for the American Indian/Alaska Native and Hawaiian/Pacific Islander communities was not included in the analysis due to unusual levels of variability likely resulting from small population samples.

The labor force participation rate for Hispanic residents is higher in Tennessee than the Southern region or nation.

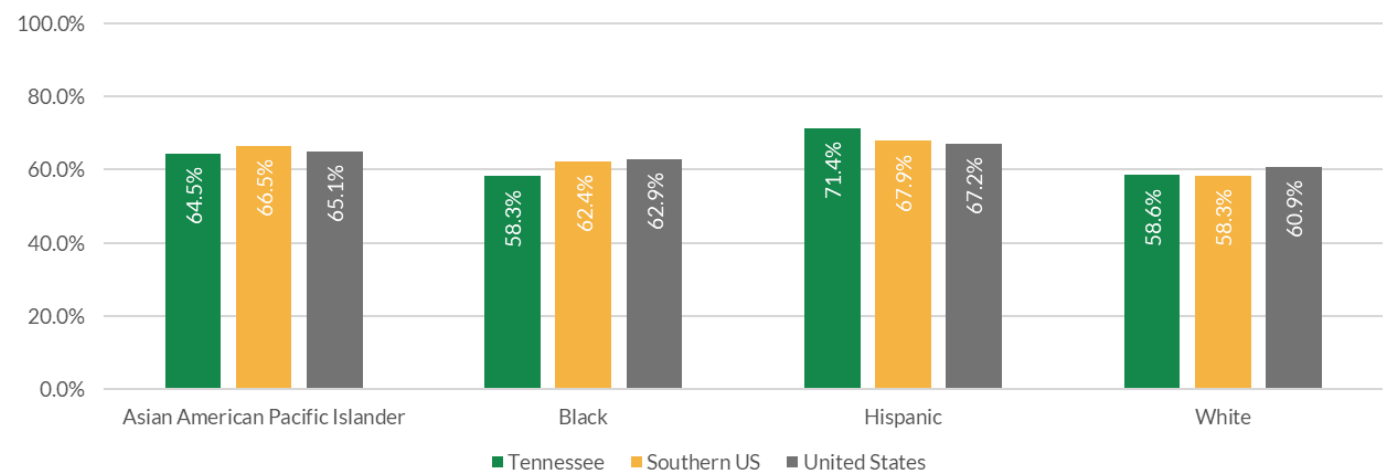


Figure 35: Labor Force Participation Rate by Race and Ethnicity, 2024
Source: EPI, State of Working America

The labor force participation rate increases significantly with increased educational attainment. In 2023, the labor force participation rate for Tennessee residents without a high school diploma was 34.5%, less than those with a high school degree (56.3%), an associates degree or some college (61.3%), and those with a Bachelor's degree or higher (69.6%).¹⁵⁵ However, across levels of educational attainment, labor participation in Tennessee is lower than the region or nation.¹⁵⁶

People with a Bachelor's degree and above have twice the labor force participation rate of people without a high school diploma.

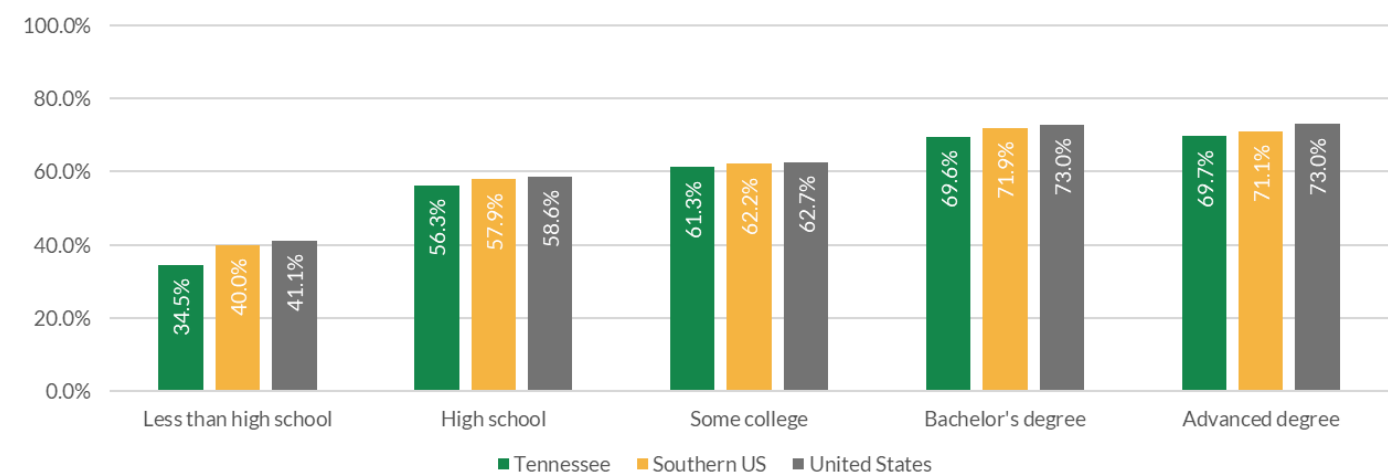


Figure 36: Labor Force Participation Rate by Educational Attainment, 2024
Source: EPI, State of Working America

Tennessee has a shortage of 59,000 workers.¹⁵⁷ Tennessee has had more available jobs than workers since 2021. In 2025, Tennessee had 73 available workers for every 100 jobs—ranking 32nd in the nation for worker shortage.¹⁵⁸ According to the University of Tennessee, “future job growth could be limited to some extent by a shortage of available workers, especially as the Baby Boomer generation continues to age out of the workforce.”¹⁵⁹

Since 2021, Tennessee has had fewer workers than jobs.

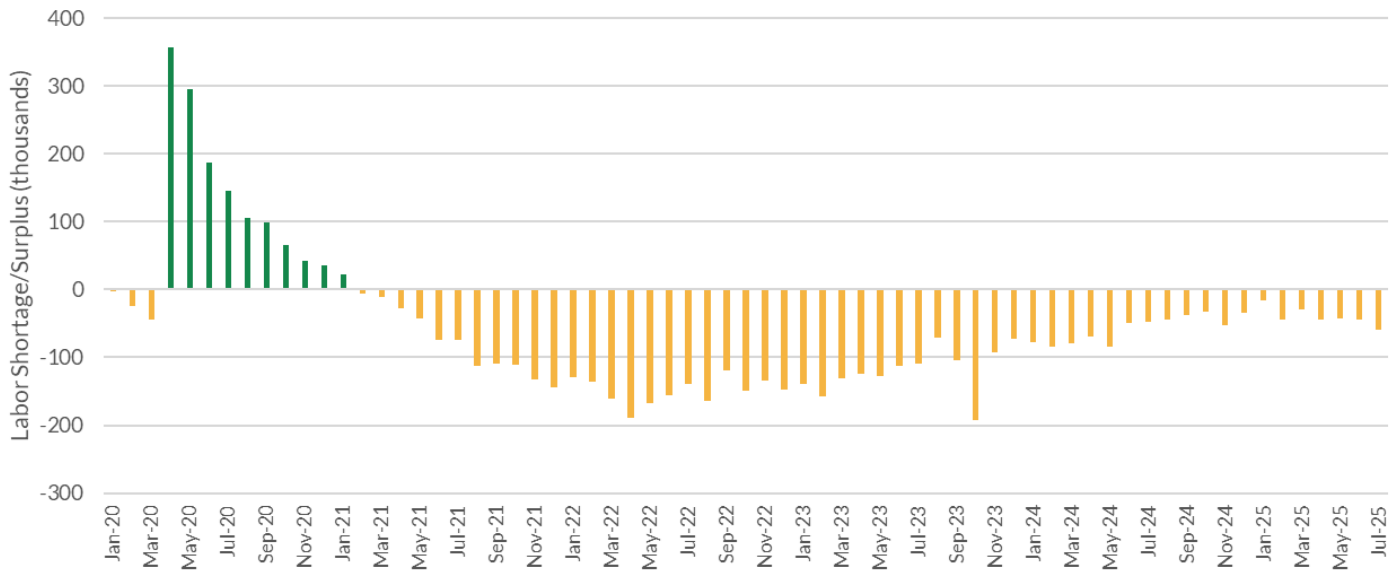


Figure 37: Tennessee Monthly Labor Surplus/Shortage (thousands), 2020-2025
Source: US Chamber of Commerce

In addition to job growth, Tennessee has seen increasing wages since 2019.

The median hourly wage in Tennessee has increased 31.2% from \$17.22 in 2018 to \$22.59 in 2023, compared to median growth of 28% nationally. In 2019, the median wage in Tennessee was 91.5% of the national average, however, in 2023 the Tennessee average was 94.2% of the national average.¹⁶⁰ Wage growth was highest for workers with the lowest educational attainment—workers with only a high school degree saw wages increase from \$14.61 to \$19.94 (36.5%), while workers with a Bachelor’s degree saw earnings increase from \$24.16 to \$29.90 (23.8%).¹⁶¹

Significant disparities in hourly median wages remain. In 2023, White workers earned \$23.91 per hour, while Black workers earned \$20.04 (-16.2% relative to White workers) and Hispanic workers earned \$18.25 (-23.7% relative to White workers).¹⁶² In 2023, male workers earned \$23.91 per hour while female workers earned \$20.04 (-19.8% relative to male workers). The disparity between male and female workers' earnings has increased—female earnings were 82.9% of male workers in 2018 but just 80.3% in 2023.¹⁶³

Unionization in Tennessee is increasing faster than the US and the region.

Unionization can create significant benefits for represented workers, non-represented workers, the community as a whole, and the local tax base. Union workers' wages are 10% to 15% higher than their non-union peers and unionization reduces wage disparities for women and people of color.¹⁶⁴ Overall, union workers have better benefits like vacation and sick leave, more predictable and stable scheduling, and protection from employer retaliation.¹⁶⁵ In addition, unions can increase productivity in some industries by improving morale, reducing turnover, and allowing workers to improve efficiency through participating more in decision making.¹⁶⁶ Workers in unions are more civically engaged—they are more likely to vote, donate to charity, attend community meetings, and volunteer.¹⁶⁷

Unionization rates in Tennessee are low—only 6.0% of employed workers are members of a union or employee association, significantly lower than in the United States as a whole, where 10.0% of workers are a member of a union—but increasing.¹⁶⁹ Nationally, Tennessee ranks 38th in the percentage of workers with a union membership. Compared to the Southeast region, rates of union membership in Tennessee have increased and are currently slightly higher than the region as a whole (4.8%).¹⁷⁰ The number of Tennessee workers with union memberships has fluctuated since 2019, with a general growth trend from a low of 4.4% to 6.0% in 2023.¹⁷¹

Unionization rates in Tennessee have increased 30.4% since 2019.

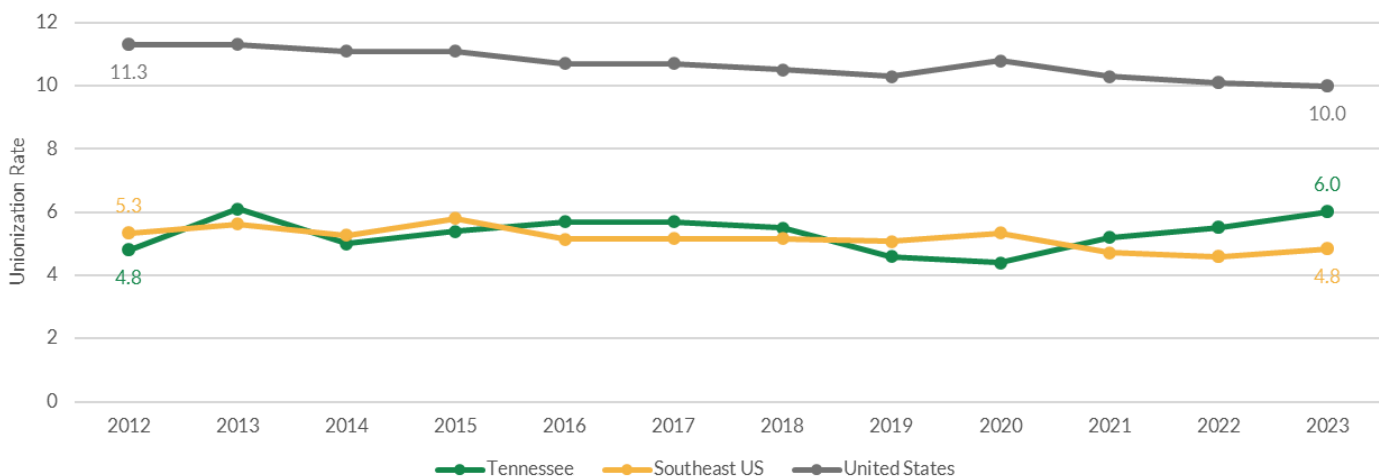


Figure 38: Unionization Rates
Source: US Census Bureau

Tennessee law makes it challenging for workers to join a union. Tennessee adopted its “right-to-work” law in 1947, and in 2022 voters passed Amendment 1, which added a “right-to-work” provision to the state constitution.¹⁷² In 2023, Tennessee became the first state in the nation to prohibit companies that receive economic incentives from voluntarily recognizing a union on the basis of authorization cards rather than secret ballot, or from sharing employee information with unions or their representatives.¹⁷³ However, Tennessee workers are covered by the National Labor Relations Act (NLRA) and can still join unions, and employers are prohibited from retaliating against organized employees.

Economic Opportunity for Tennessee Families

Tennessee workers have benefited from employment growth, lower unemployment, and increased wages but struggle with affordability of basic needs.

Household incomes in Tennessee are growing but still lag the nation. The median household income in Tennessee increased by 52.5%, from \$44,361 in 2014 to \$67,631 in 2023—a rate faster than that experienced both nationally (44.8%) and regionally (44.4%) over the same period.¹⁷⁴ Despite this growth, the median household income in Tennessee is still \$10,088 less than in the nation as a whole, or 87% of the national median. The state ranked 43rd in median income in 2023, up from 46th in 2014.¹⁷⁵

Job Quality can be defined many ways, but most definitions include the following components:

- Living wages
- Comprehensive benefits
- Stable and predictable schedules
- A safe and secure work environment
- Employee engagement and formal representation
- Appropriate recognition and development
- Opportunities for training and advancement

Despite recent gains, Tennessee's median household income remains over \$10,000 less than the US as a whole.

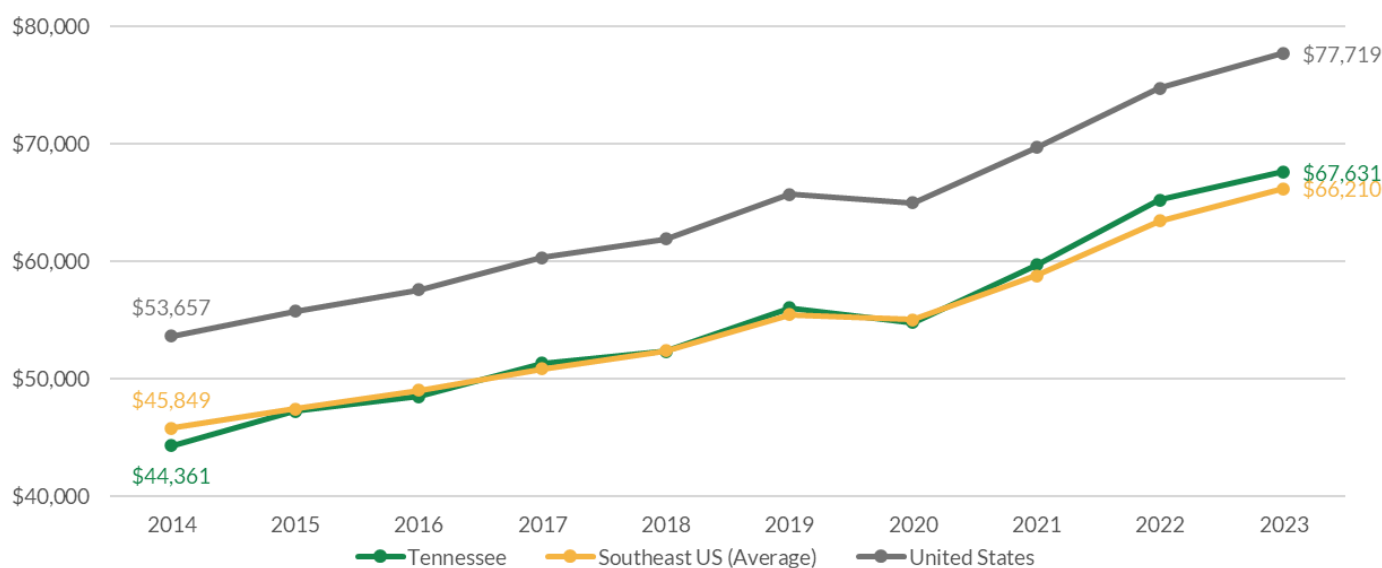


Figure 39: Median Household Income (Inflation-adjusted)
Source: US Census Bureau, American Community Survey Table S1901

In 2023, Tennessee had a higher proportion of low-income households than the nation. In the state, 17.2% of households earn below \$25,000 per year, compared to 15.2% in the US as a whole.¹⁷⁶ Tennessee also has fewer high-income households—32.7% above \$100,000 per year—compared to 38.9% in the US.¹⁷⁷

Household incomes in Tennessee are lower than the nation—the state has both more low-income households and fewer high-income households.

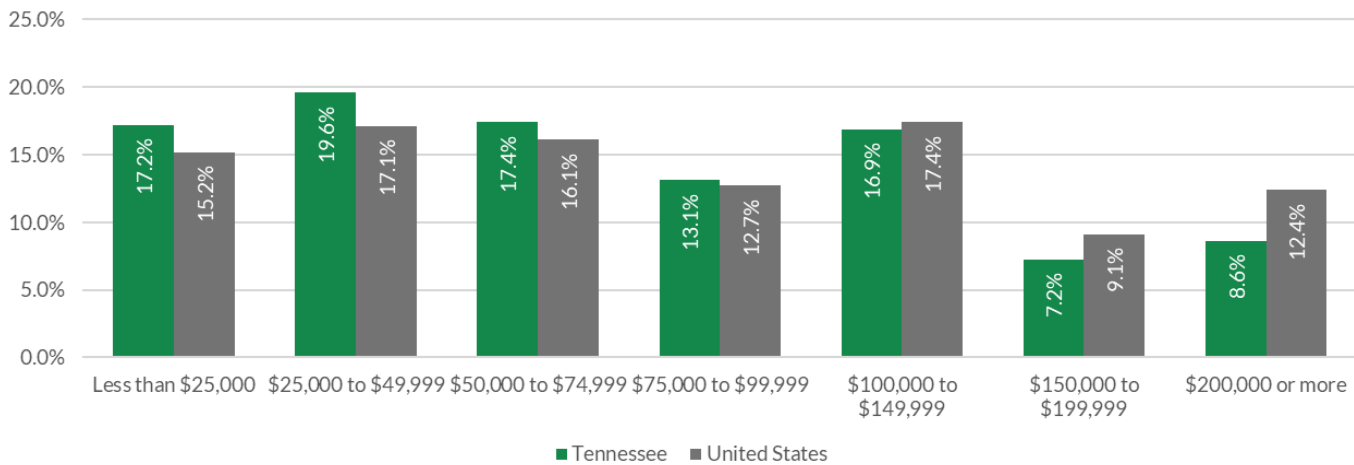


Figure 40: Income Distribution, 2023
Source: US Census Bureau, American Community Survey Table S1901

There remain significant income disparities by race and sex. In 2023, the median household income for White, non-Hispanic households in Tennessee was \$72,268—higher than any other group except Asian households with a median income of \$101,642.¹⁷⁸ The median income for Black households was \$50,060, or 69.2% of White households. The median household income for female-led family households was \$44,774, or 74.6% of male-led households (\$54,865).¹⁷⁹

Tennessee’s low minimum wage is not high enough to keep workers out of poverty. Tennessee is one of only five states without a minimum wage, however the federal minimum wage applies. The federal minimum wage has been \$7.25 since 2009 and covers many jobs, though it does not apply to tipped workers, workers with disabilities, and some youth workers, nor does it apply to all businesses.^{180,181,182} Working a 40-hour work week at this wage translates to \$290 per week and \$14,500 per year, lower than the poverty level for one person (\$15,060).¹⁸³

In Tennessee, more workers earn the minimum wage or less compared to the nation and the Southeast. In Tennessee, 1.5% of hourly workers—25,000 workers—earn the federal minimum wage or less compared to 1.1% of hourly workers nationally and 1.4% of hourly workers in the Southeast region.¹⁸⁴ Tennessee ranks 41st nationally for the percentage of hourly workers earning the minimum wage or less.

Wage increases have not kept up with the cost of living in Tennessee.

Tennessee has traditionally been a state with a low cost of living; in 2022, Tennessee ranked 11th in lowest cost of living nationally.¹⁸⁵ However, cost of living in Tennessee has increased significantly in recent years, particularly for Tennessee families' largest household expenses: housing, transportation, food, health care, and child care. As families are forced to spend more on these basic necessities, they become increasingly likely to live in poverty, have unmanageable debt, and file for bankruptcy.

In 54 counties, the median family income is less than the cost of living for a two-parent, one-child family.¹⁸⁶ On average, the cost of living in a Tennessee county is \$7,001 more than the median household income, however it ranges significantly. In Lake County, the cost of living is \$29,945 more than the median family income, while in Williamson County, the cost of living is \$50,281 less than the median family income.¹⁸⁷

On average, the cost of living in Tennessee counties is \$7,001 more than median family income.

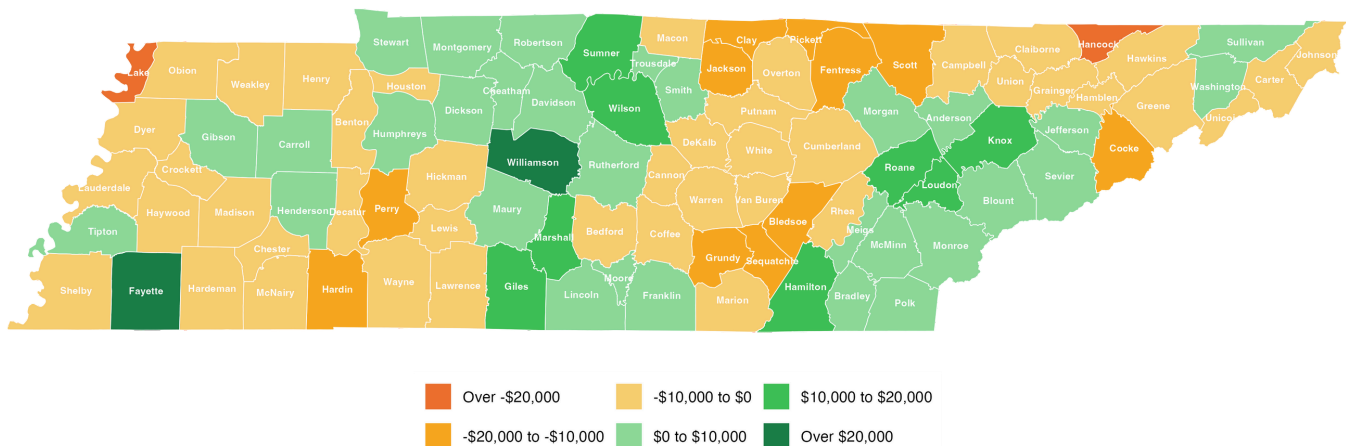


Figure 41: Gap Between County Cost of Living and Median Income, 2 parent and 1 child family, 2024

Source: EPI, Family Budget Calculator

Many Tennessee families struggle with paying for their basic necessities.

Housing prices have doubled for home owners and increased by over 50% for renters—leading to an increase in cost-burdened families.

Housing costs have increased as Tennessee's job and population growth outpaces the number of new housing units developed. According to the University of Tennessee, housing prices have increased and remain high in Tennessee due to "a rise in the number of people moving to Tennessee in recent years, coupled with a persistently low supply of available homes."¹⁸⁸ Multiple factors are preventing increased housing supply, including a shortage of construction labor and available land, restrictive zoning, rising building costs, and a lack of motivated sellers caused by high interest rates.¹⁸⁹ In addition, rising costs are pushing developers to build larger homes rather than smaller, more affordable homes.¹⁹⁰

Home prices have more than doubled in Tennessee in the past decade. The median home price in Tennessee increased from \$143,426 in 2014 to \$319,208 in 2024 (an increase of 122.6%), giving Tennessee a ranking of 8th nationally for home-price increase.¹⁹¹ Price increases were even higher in Tennessee’s largest cities: Knoxville increased 138.2% over the decade, with Nashville (136.5%), Franklin (132.9%), and Murfreesboro (130.8%) following closely.¹⁹² Median housing prices in Tennessee are now higher than the national average.¹⁹³

Statewide, home prices have more than doubled since 2014, with Knoxville, Nashville, Franklin, and Murfreesboro seeing even higher increases.

Statewide	\$143,426	\$319,208	\$175,782	122.6%
	2014	2024	Change	% Change
Knoxville	\$147,084	\$350,424	\$203,340	138.2%
Nashville	\$181,719	\$429,694	\$247,975	136.5%
Franklin	\$376,284	\$876,282	\$499,998	132.9%
Murfreesboro	\$176,865	\$408,154	\$231,289	130.8%
Chattanooga	\$142,532	\$304,851	\$162,319	113.9%
Memphis	\$70,137	\$149,755	\$79,618	113.5%
Johnson City	\$138,824	\$276,605	\$137,781	99.2%
Jackson	\$111,013	\$221,019	\$110,006	99.1%
Clarksville	\$159,589	\$306,504	\$146,915	92.1%

Source: Construction coverage analysis of Zillow.com data

Rents have increased by 57.7% over the past decade, from a median of \$770 to \$1,214, outpacing rent increases in the Southeast (44.9%) and the nation (50.5%). Having been historically slightly lower than the region, Tennessee rents surpassed those of the region in 2022. In 2014, Tennessee was ranked 17th nationally for most affordable rents, but dropped to 26th in 2023.

Tennessee rents have increased faster than the region and the nation.

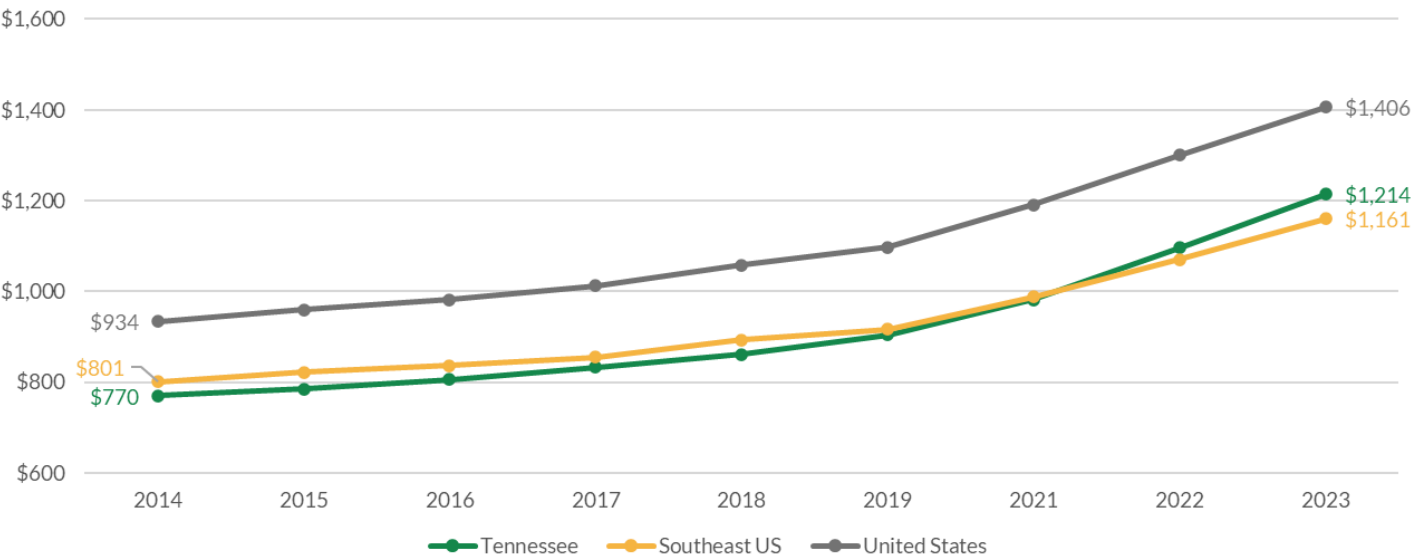


Figure 42: Median Rent, 2014-2023
 *Data not available for 2020 due to data collection disruptions caused by COVID-19 pandemic.
 Source: US Census American Community Survey, Table DP04

Tennessee does not have enough housing affordable to low-income families. There are 221,466 extremely low-income renter households in Tennessee*, 71% of which are extremely cost-burdened, meaning they are paying over 50% of their income on housing.¹⁹⁴ There are only an estimated 42 affordable and available rental homes per 100 extremely low-income renter households.¹⁹⁵

Tennessee's homeownership rate has declined slightly since 2021—from 67.5% to 67.3%.¹⁹⁶ While the state's homeownership rate did increase over the decade—from 66.1% to 67.3%—(mostly from 2016 to 2021), gains were more significant in the region and in the nation.¹⁹⁷ Tennessee's homeownership ranking has fallen from 24th in 2014 to 29th in 2023.¹⁹⁸

"This discrepancy between home prices and earnings is putting the goal of home ownership out of reach for many Tennesseans, and those who are renting are becoming increasingly cost-burdened."

An Economic Report to the Governor of the State of Tennessee

Tennessee's homeownership rate is slipping relative to the region and nation.

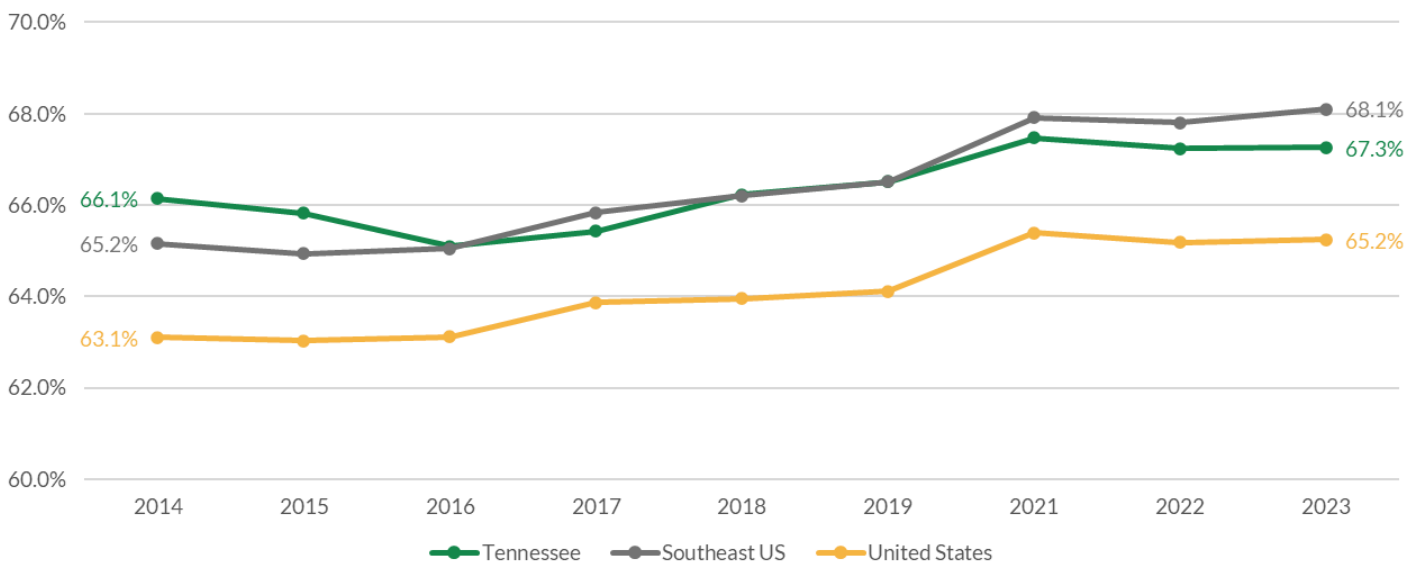


Figure 43: Homeownership Rate, 2014-2023

*Data not available for 2020 due to data collection disruptions caused by COVID-19 pandemic.

Source: US Census American Community Survey, Table DP04

* Extremely low-income renters are those with incomes at or below either the federal poverty guideline or 30% of their area median income, whichever is greater.

Rising costs have led to an increase in cost-burdened households. In Tennessee, 28.2% of households are cost-burdened, meaning they pay more than 30% of their income on housing. This is still lower than the US as a whole (32.5%) and the Southeast Region (30.8%).¹⁹⁹ Cost-burden is much higher for renter households; in 2022, 48.8% of Tennessee renters were cost-burdened compared to 19.1% of owner households.²⁰⁰

Tennessee has fewer state and local tools to build and preserve affordable housing than many states. Tennessee lacks some of the statewide policies that could increase affordable housing—such as a funded state low-income housing tax credit—and has limited the use of other tools, such as land banks and impact fees for affordable housing. In addition, the state has preempted local governments from enacting some housing tools used in other states, including inclusionary zoning.

Transportation costs are increasing, and Tennessee families have few alternatives to car ownership.

The cost of owning and operating a car continues to increase—the annual cost to own and operate a new vehicle increased from \$9,561 in 2020 to \$12,297 in 2024, a 28.6% increase.²⁰¹ The average cost of car ownership in Tennessee (both new and used) over a five-year period is \$19,096; however, it is less expensive to own and operate a vehicle in Tennessee than in most states, Tennessee ranks 11th in cost of car ownership.²⁰²

Car ownership causes many low-income people to go into debt—30% of Tennesseans have auto debt.²⁰³ Average auto debt in Tennessee increased from \$20,352 in 2019 to \$24,938 in 2023—an increase of 22.5%.²⁰⁴ Tennessee now has the 16th highest average auto loan debt nationally. Across Tennessee counties, the percentage of people with auto debt ranges significantly—from a low of 20.1% in Henry to a high of 40.2% in Montgomery.²⁰⁵ In Tennessee, 5% of auto loans are delinquent; though it is much higher in some counties such as Haywood (13.0%), Hardeman (10.3%), and Shelby (9.1%).²⁰⁶

Tennessee makes significantly lower contributions to transit than the national average, contributing to an increased economic burden for Tennessee families. While states typically provide operating assistance and matching funds for federal grants, Tennessee provided 13% (an estimated \$46 million) of total transit funding in 2020, compared to the average contribution of 22% among other states.²⁰⁷ Less than 2% of all revenues from Tennessee's gas tax (the primary state user fee for funding transportation) are directly allocated to mass transit.²⁰⁸ Memphis is one of only three major US cities without dedicated funding for transit. As a result, far fewer Tennesseans can use public transportation and instead must rely on a car.²⁰⁹

Child care shortages and cost increases have impacted Tennessee families' ability to work.

The cost and availability of child care is challenging for Tennessee families—center-based care is now over \$9,000 per child.²¹⁰ In 2024, the average price for center-based child care was \$9,632, an increase of 27.3% from \$7,568 in 2019.²¹¹ The average cost of child care in group homes (\$8,750) or family-based child care (\$8,544) is less expensive, but the cost-gap between different types of care is growing smaller. One-third of Tennessee counties are “child care deserts,” and two-thirds of Tennessee families have reported difficulty finding suitable child care.^{212,213}

In 2024, the average cost for child care in a center was over \$9,600.

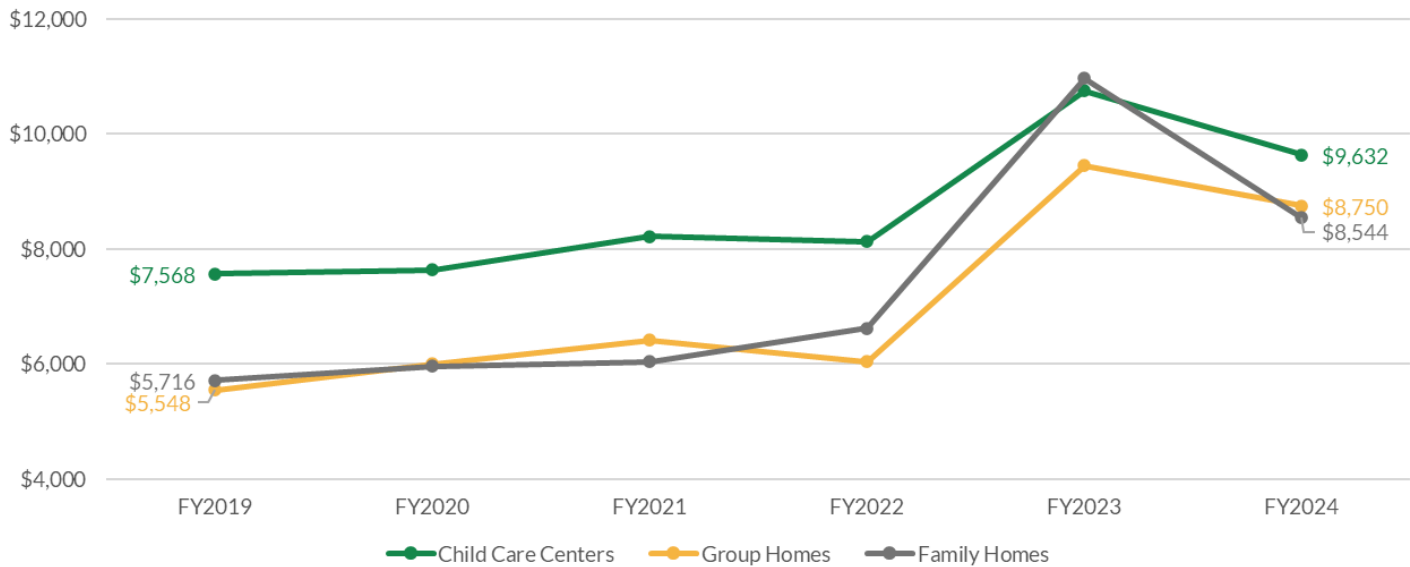


Figure 44: Child Care Costs (average of all ages), 2019-2024

Source: University of Tennessee Knoxville, Boyd Center for Business & Economic Research

In 2024, 37 Tennessee counties—almost all rural—were considered child care deserts.

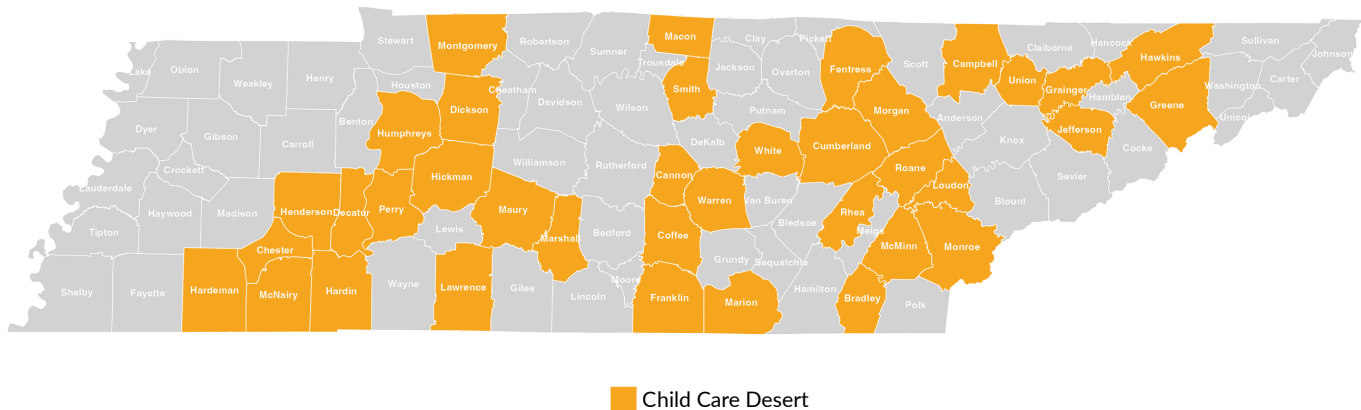


Figure 45: Child Care Deserts, 2024

Source: Tennessee Department of Human Services

A child care desert is defined as an area with a deficit of over 250 child care seats.

Child care and caregiving responsibilities are keeping people out of the workforce. A nationwide poll of prime-age adults who are not in the labor force found that 72% of working-age adults reported that personal health or family caregiving responsibilities kept them from rejoining the workforce.²¹⁴ Women were more likely than men to cite child care responsibilities as keeping them from work (48% and 5%, respectively), while men were more likely than women to cite personal health reasons for not working (57% and 25%, respectively.)²¹⁵ Of working-age adults not in the labor market, 15% indicated that paid family and medical leave would help them return to the labor market, nearly as high as the 16% that indicated wage considerations.²¹⁶

Food insecurity has increased since the COVID-19 pandemic; today 14.0% of Tennessee families experience food insecurity.

Many Tennessee families experience food insecurity and require public benefits or community services for assistance. Like the cost of transportation and housing, the cost of food has increased dramatically—nationally, food prices increased 3.5% in 2020, 3.9% in 2021, 9.9% in 2022 and 5.8% in 2023.²¹⁷ In Tennessee, food prices increased 4.5% between 2024 and 2025.²¹⁸

In 2022 14.0% of Tennesseans experienced food insecurity, slightly higher than the US as a whole (13.5%) but lower than the Southeast US (15.1%).²¹⁹ Tennessee ranks 36th for overall food insecurity. Like most states, food insecurity decreased in 2020 and 2021 due to pandemic-era relief programs; however, the 14.0% rate of food insecurity in Tennessee in 2022 is higher than it was pre-pandemic (13.3%).

Definitions

Food security is defined by the USDA as a range. However, food security generally means all members of the household have at all times enough food for an active, healthy life.

Food insecurity is the limited or uncertain availability of nutritionally adequate and safe foods, or limited or uncertain ability to acquire acceptable foods in socially acceptable ways.

– USDA Economic Research Service

Compared to the overall rate, food insecurity in Tennessee is higher for children (17.9%), Black residents (26.0%), and Latino residents (23.0%).

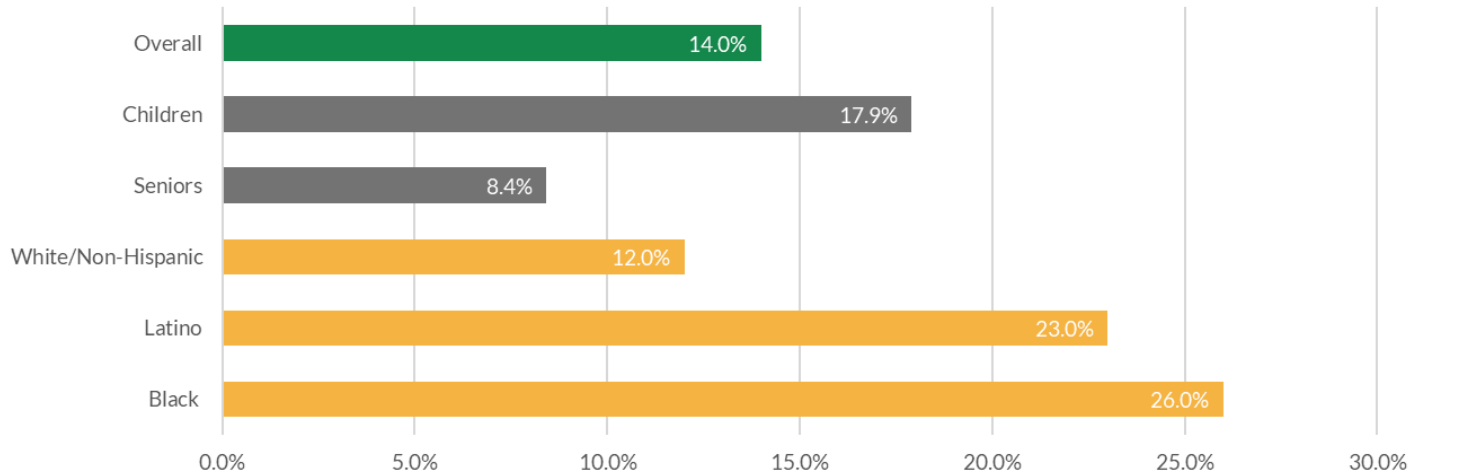


Figure 46: Rates of Food Insecurity by Demographics, 2019 to 2023
Source: Feeding America

Food insecurity is highest in rural counties—particularly Hancock, Lake, Scott, Bledsoe, and Campbell counties.

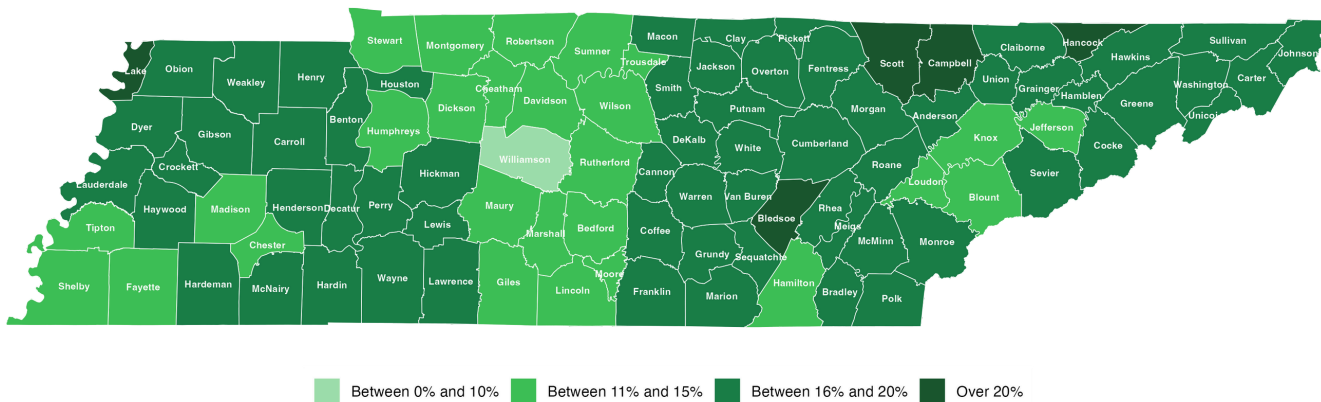


Figure 47: Rate of Food Insecurity by County, 2022
Source: Feeding America

An estimated 65% of the 984,430 Tennesseans experiencing food insecurity are above the income eligibility for programs like SNAP.²²⁰ Tennessee is one of 18 states where Supplemental Nutrition Assistance Program (SNAP) benefits are limited to households earning 130% of the federal poverty guideline or below. Most other states have higher income limits, including 24 states in which eligibility is 200% of poverty.²²¹

Even families with wage earners qualify for food assistance—17.6% of Tennessee families with one wage earner and 7.0% with two qualify for SNAP.²²²

Many families who are eligible for SNAP do not receive the benefit. Nationally, 17.1% of eligible families with children do not receive food assistance, including 8.9% of Black families, 10.8% of White families, and 27.0% of Hispanic families.²²³ Only 42.2% of Tennessee households below poverty receive SNAP, indicating that 57.8% of households living in poverty are not receiving these benefits.²²⁴

Even with more stringent eligibility requirements, 11.7% of Tennesseans receive SNAP benefits, comparable to the Southeast and slightly higher than the United States as a whole.²²⁵ There are significant disparities in families receiving SNAP benefits. While overall, 11.7% of households receive food assistance, 20.5% of households with an individual who has a disability receive SNAP benefits.²²⁶ In addition, 23.4% of Black households, 18.7% of American Indian/Alaska Native households, and 12.8% of Hispanic/Latino households receive SNAP benefits.²²⁷

Tennessee is one of 13 states that levy a grocery tax, making food more expensive for families.²²⁸ The state tax rate on groceries is 4.00%, 6th highest in the nation.²²⁹ In addition, counties and municipalities levy an average local tax on food of 2.54%. In total, this is an average tax on food of 6.54%, the second highest in the nation, behind only Kansas (7.64%).²³⁰

A lack of health insurance is increasing health care costs, decreasing access to care, and impacting health outcomes for Tennesseans.

More than one in 10 Tennessee residents do not have health insurance; however, the rate of uninsured residents decreased from 13.6% in 2014 to 10.1% in 2023.²³¹ Tennessee ranks 41st for health insurance coverage, with an uninsured rate 1.5 percentage points higher than the national average of 8.6%.²³²

Tennessee's highest rates of uninsured residents are in rural counties—Bledsoe, Perry, Polk, Lake, Lawrence, and Van Buren.

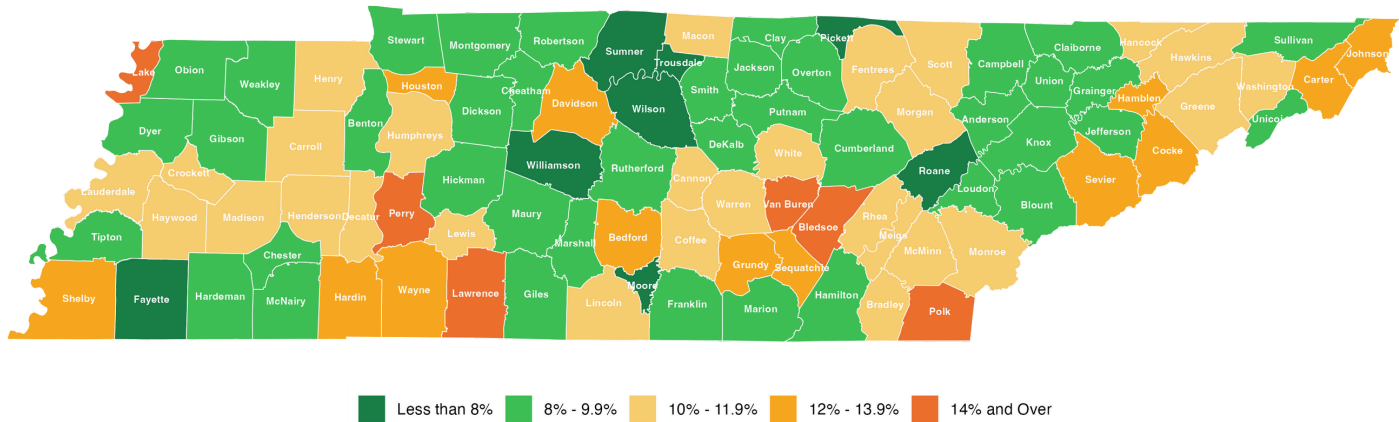


Figure 48: Uninsured Rate, 2023

Source: US Census Bureau, American Community Survey Table S2701

A lack of health insurance makes Tennesseans more susceptible to unexpected medical expenses, leading to debt. With an average medical debt of \$2,663, Tennessee ranks 40th nationally.²³³ People with medical debt are likely to forgo needed medical care and are sometimes barred from receiving medical care at institutions where they have accrued debt.

Tennessee is one of 10 states that has not expanded Medicaid, as allowable under the Affordable Care Act (ACA).²³⁴ Medical debt is highest in states that have not expanded Medicaid. Tennessee spends over \$29 million per year providing care for uninsured adults through the Uninsured Adult Healthcare Safety Net Program, an increase of \$17M since 2014.²³⁵

Tennessee ranks 50th in policies to protect citizens from economic impacts from medical debt.²³⁶ While Tennessee has enacted policies to reduce long-term impacts from medical debt, including limiting wage garnishments based on income, other states have enacted more. For example, North Carolina requires hospitals to notify patients of charity care policies, Maryland prohibits the sale of medical debt, and Louisiana sets a statute of limitations on some forms of debt.²³⁷

Persistent poverty, debt, and bankruptcy rates show wage increases have not been enough to relieve severe economic challenges for working families.

Tennessee's poverty rate of 14.0% is higher than the region (13.7%) or the nation (12.5%).²³⁸ From 2014 to 2022, Tennessee's poverty rate decreased five percentage points, from 18.3% to 13.3%, though in 2023, poverty increased to 14.0%. Tennessee ranks 42nd in people living in poverty.²³⁹

Tennessee's poverty rate decreased by five percentage points between 2014 and 2022, but has begun increasing again.

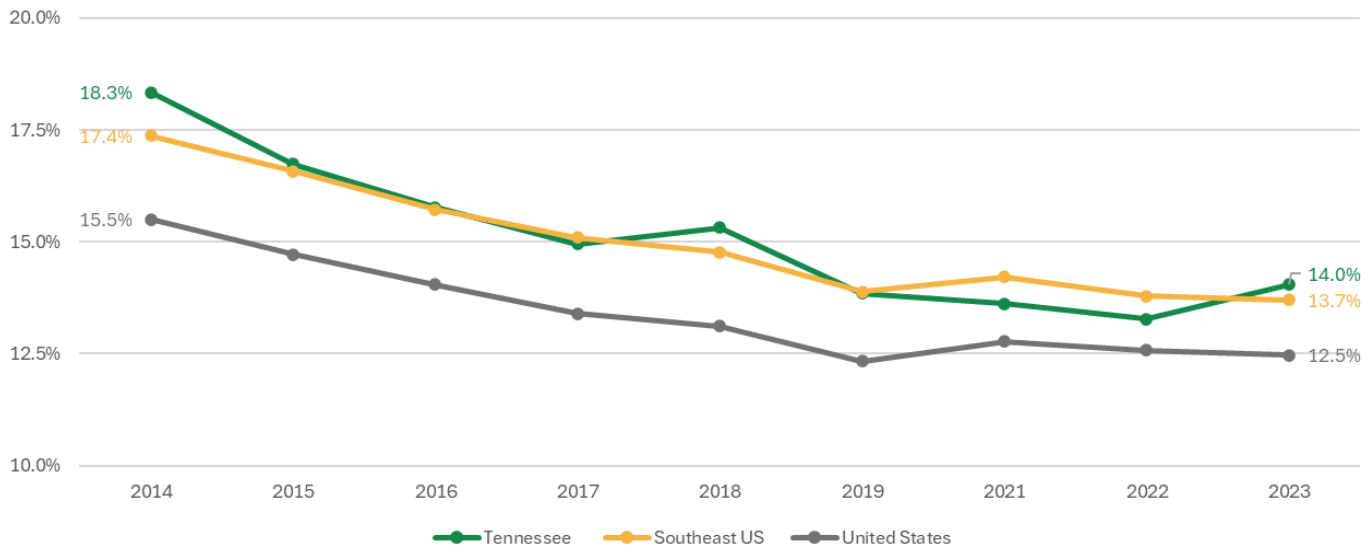


Figure 49: Poverty Rate, 2014–2023

Source: US Census, American Community Survey Table S1701

Poverty rates remain higher in some communities and populations. Children (those under 18) have a poverty rate of 19.7%, and women have a poverty rate of 15.5%.²⁴⁰ Non-white residents have higher rates of poverty, including Black residents (22.6%), multiracial residents (18.4%), and Hispanic residents (20.5%).²⁴¹ People who have not earned a high school degree have a poverty rate of 29.5%—twice as high as the state average, and one in three Tennesseans who is unemployed lives in poverty.²⁴²

Most of Tennessee's counties with very high poverty rates—over 20%—are in rural areas.

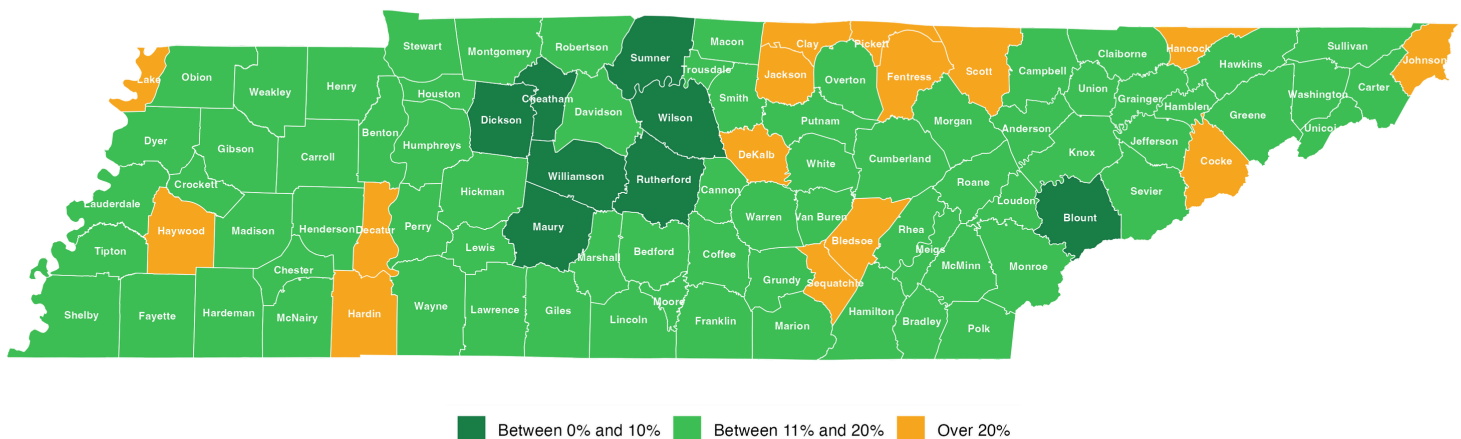


Figure 50: Poverty Rate, 2023

Source: US Census Bureau, American Community Survey, S1701

Household debt in Tennessee is rising rapidly. From 2015 to 2024, per capita household debt in Tennessee increased at a significantly higher rate, 47.8% (from \$37,020 to \$54,720), than the national 34.0% growth.²⁴³ Some of this increase can be attributed to an increase in incomes. People with higher incomes have more debt (though they are usually less likely to go into default) because they buy more expensive homes, cars, and goods.

While Tennesseans hold similar amounts of debt to peers nationwide, they are more likely to have debt that is delinquent, in default, or in collections. Tennessee's per capita household debt of \$54,720 ranks 30th nationally; however, the state's ranking for distressed debt is often worse.²⁴⁴ Tennessee ranks 38th nationally in debt in collections; of Tennesseans with a credit report, 32% have debt in collections, higher than the 26% nationally.²⁴⁵ The median amount in collections is \$1,892, higher than the national median of \$1,739. Tennessee also has higher rates of delinquent debt, debt in default, or in collections across most types of debt.²⁴⁶ Tennessee ranks 44th for medical debt in collections.²⁴⁷

Tennessee has a higher bankruptcy rate than almost any other state—it ranks 49th in the nation—with almost double the national average of 143.9 filings per 100,000 residents.²⁴⁸ Tennessee's bankruptcy rate increased 10.3% in just two years—from 252.5 filings per 100,000 residents in 2022 to 278.6 in 2024.²⁴⁹

Tennessee lacks many of the debt and bankruptcy protections of other states. Tennesseans are protected by the Federal Debt Collections Protection Act, however Tennessee has not enacted a state law with increased protections.²⁵⁰

Bankruptcy filing rates are particularly high in West Tennessee, including Shelby County (656 per 100,000 residents) and Haywood County (604 per 100,000 residents).

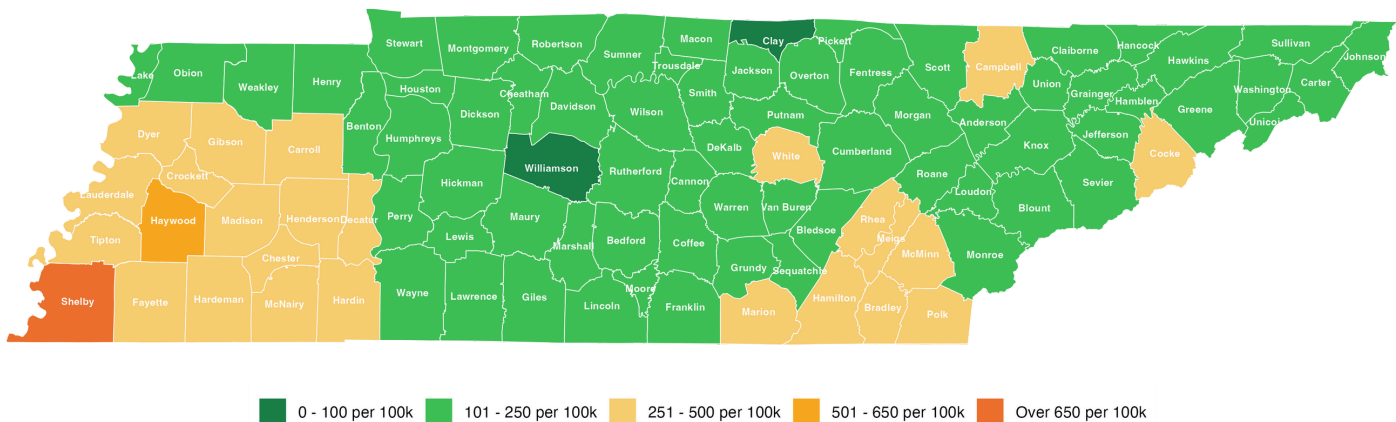


Figure 51: Bankruptcy Rate – Non-business Filings per 100,000 Residents by County, 2023
Source: Administrative Office of the US Courts

Poverty, debt, and bankruptcy can have significant long-term consequences for Tennessee's residents and economy.

Poverty leads to significant hardship for families including hunger, lack of health care, housing instability, and homelessness. Households earning poverty wages are more likely to experience food insecurity.²⁵¹ People living in poverty are less likely to have health insurance, more likely to forego care due to cost, and have more difficulty accessing care due to transportation barriers.^{252,253} In part, due to this lack of access to care, people who live in poverty are more likely to experience chronic conditions like heart disease, liver disease, and kidney disease.²⁵⁴ People living in poverty with low incomes are more likely to be cost-burdened, experience housing instability, and be evicted; poverty is one of the leading causes of homelessness.^{255,256,257}

These impacts of poverty are particularly harmful to children; growing up in poverty can impair development, cause behavioral challenges, and decrease school readiness.²⁵⁸ Children raised in poverty are less likely to finish high school and are more likely to experience poverty and poor health as adults.^{259,260,261}

Poverty is expensive for governments and impedes economic growth; it reduces tax revenues and increases need for government-funded safety net programs.^{262,263} Poverty can impede economic development because it limits an individual's ability to remain healthy and develop skills, thereby "decreasing the potential to contribute talents, ideas, and even labor to the economy."²⁶⁴

Debt, particularly distressed debt, lowers credit scores and has long-term financial and economic consequences for families. Excessive debt and debt in default lowers credit scores which can have far-reaching impacts, including denial of traditional banking services and higher financing costs on loans, deposits for utilities, and insurance premiums.²⁶⁵ Low credit scores can result in the denial of housing or jobs, while unpaid debt can lead to court judgments, garnishments of wages, and liens.

Debt can lead to significant health impacts, including mental health challenges like depression and anxiety, as well as physical health problems like high blood pressure, obesity, inflammation, and lower life expectancy.²⁶⁶ People with medical debt may avoid or be denied health care, and medical debt is associated with poor physical and mental health and higher mortality rates.^{267,268} High amounts of unsecured debt have been shown to correlate to increased heart attack risk for Black adults.²⁶⁹

Bankruptcy can be a valuable solution for people who have become overwhelmed by debt; however, it can result in short-term economic challenges. On average, filing for bankruptcy reduces credit scores 100 to 200 points.²⁷⁰ It takes 10 to 20 years for people who file for bankruptcy to "catch up" with their peers in terms of savings, income, homeownership, and net worth.²⁷¹ However, over the long-term, the incomes of children whose parents receive bankruptcy protections are higher than those whose parents did not receive bankruptcy protections.²⁷²

Policy Recommendations

Public policy interventions could improve economic security and quality of life for Tennesseans and benefit the state economy.

Ensure Tennessee workers are benefiting from economic growth by increasing access to high-quality jobs.

- ▶ **Prepare Tennessee workers for high-quality jobs by expanding and strengthening workforce development programs targeting living-wage, high-opportunity occupations in growth industries.** A data-driven approach to workforce development will support providers to tailor their programs to local conditions and allow them to provide training that creates access to jobs paying above average wages and those that are growing in the local community.
- ▶ **Increase labor force participation, particularly for women, by increasing access to child care and paid leave.** Making child care more affordable and accessible would increase the number of families who can enroll in high-quality care and increase the number of parents who can return to work. This would increase worker earnings and productivity, increase state and local tax revenues, and improve school-readiness and long-term economic outlook for Tennessee children.^{273,274} Paid leave has been demonstrated to positively impact children and families' health and economic stability, business recruitment and retention, and saves taxpayer dollars.²⁷⁵
- ▶ **Create good jobs for Tennessee workers by increasing job standards and transparency for state and local economic incentives.** Tennessee's economic development investments have successfully recruited high-priority industry employers to the state. Maintaining high expectations for job-quality, including living wages and competitive benefits, as well as focusing on training for Tennesseans to access those jobs, will leverage these investments to further improve economic opportunity for Tennessee families. Providing publicly available data on job-creation expectations, wage targets, and other conditions of public incentive agreements will help track investment efficacy and ensure public dollars are being used effectively.
- ▶ **Strengthen the middle class by ensuring that state and local employees have competitive wages and benefits.** As the largest employment sector in Tennessee, state and local governments can have an enormous impact on the overall economic well-being of workers by providing living-wage jobs with strong benefits. Improving job quality of government staff will improve recruitment and retention, and improve service delivery to Tennesseans.

Support Tennesseans struggling with increased costs by focusing on affordability and availability of basic household needs.

- ▶ **Reduce housing cost-burden by expanding state and local tools to increase housing supply that is attainable to families at all price points.** Sufficient housing at all price points could help attract workers to the state, improve worker retention and productivity, create high-paying construction jobs, and decrease commuting impacts as workers can afford to live closer to their places of employment.

- ▶ **Reduce household transportation costs by investing in multimodal transportation options.** Investing in multimodal transportation will give Tennessee families more options to utilize transit and active transportation like walking and biking for some trips; this could decrease traffic fatalities, improve health outcomes for Tennesseans, and lower household transportation costs.²⁷⁶
- ▶ **Lower food costs for families by eliminating the state tax on groceries and reducing administrative burdens for programs like SNAP, WIC, and TANF.** In 2023, Tennessee enacted a three-month sales tax exemption to remove state and local sales tax on most grocery items, leading to an estimated \$273 million in savings for Tennesseans.²⁷⁷ Annualizing this savings would result in over \$1.09 billion in savings for Tennesseans. Lowering grocery taxes could decrease food insecurity and could increase the ability of families to purchase food.^{278,279}

Additional research is needed to identify areas for policies, programs, and investments that will ensure Tennessee working families are benefiting from the state's growth.

- ▶ **Identify regional economic strengths and opportunities for economic growth, workforce development, and increased prosperity.** This report provides an overview of state-level economic data; however, examining these topics at the regional level will highlight local and regional variations which will be critical to tailoring programs, investments, and policies that will be most impactful for Tennessee's economy and families.
- ▶ **Track the impact of changes to federal funding and safety net programs.** In 2025, the federal government has undertaken significant changes to many federal programs and investments, including reductions in Medicaid, Medicare, the Affordable Care Act, Supplemental Nutrition Assistance Program (SNAP), and the Children's Health Insurance Program.^{280,281,282} With these changes, some Tennessee families will see a reduction in support for health care, child care, food, and other necessities. Understanding the impact of these changes—particularly for low-income families—will help policymakers respond to the changing needs of Tennessee families.
- ▶ **Understand and support Tennessee businesses affected by changes in federal tariffs.** Federal changes to tariffs are still in progress, but will continue to impact Tennessee businesses, particularly those that rely heavily on imported materials, as well as those that are experiencing retaliatory tariffs on exported goods. Further analysis is needed to identify what opportunities and challenges Tennessee employers are experiencing so that the state can adjust its economic and workforce development efforts.

Conclusion

Tennessee has enjoyed tremendous economic growth over the past 10 years; GDP, employment, and population have all increased faster than the nation and have kept up with strong growth in the Southeast region. With this growth comes an opportunity to ensure that a greater number of Tennessee families share in our state's prosperity.

Currently, many Tennessee families are struggling to make ends meet. With costs increasing faster than wages, families are experiencing increased cost-burden in housing, transportation, child care, and food. Consequently, families are struggling financially with high poverty, debt, and bankruptcy. This economic strain can have impacts not just on a family's budget but also on mental and physical health, as well as long-term financial well-being that spans generations.

With policy interventions that prioritize working families through increased access to high-quality jobs and supporting affordable, accessible basic necessities, Tennessee families can improve their quality of life, support the state's economic growth, and improve long-term economic opportunity for the Tennesseans of today and tomorrow.

Appendix: Summary of Economic Development Incentives

Tax Credit	Description
Job Tax Credit	Provides a credit of \$4,500 per job to offset up to 50% of franchise and excise (F&E) taxes in any given year, with a carry forward for up to 15 years. The company must create at least 25 net new full-time positions within a 36-month period and invest at least \$500,000 in a qualified business enterprise. Includes an additional credit of \$2,500 per position for creating 10 new jobs paying the state's average occupational wage located in census tracts where poverty rate exceeds 30%. Qualified jobs are generally new permanent employment positions for at least 12 consecutive months, must be full time, and offer minimum health care.
Enhanced Tax Credit	Allows an additional annual credit (3 to 5 years, \$4,500 per job) for locations/expansions in designated Tier 2, Tier 3, and Tier 4 Enhancement Counties. Enhanced JTC can offset up to 100% of F&E liability. Depending on the county, the company must create 10 to 25 new full-time positions within 36 to 60 months and invest at least \$500,000 in a qualified business enterprise.
Super Job Tax Credit	For companies investing \$10 million or more and creating over 100 jobs, an additional ("super") credit of \$5,000 per job is available. For the super tax credit, jobs must pay at least 100% of the state average occupational wage. (The super tax credit and enhanced job tax credits cannot be used together.)
Disabilities Tax Credit	Provides a credit of \$2,000 (part time) or \$5,000 (full time) for jobs for persons with disabilities. Can be used to offset up to 50% of the annual franchise and excise tax, with a carry forward of 15 years.
Headquarters Sales Tax Credit	Provides a credit of 6.5% of the 7% sales tax for the purchase price of equipment and materials. Companies must establish a headquarters in the state, invest at least \$10.0 million, and create 100 full-time jobs that pay at least 150% of the state's average occupational wage.
Community Resurgence Credit	A \$2,500 credit for each full-time job paying the state's average occupational wage located in high-poverty areas. Can be used to offset up to 50% of the annual franchise and excise tax, with a carry forward of 15 years.
Manufacturing and Industrial Machinery	Provides a reduction in franchise and excise taxes for 1% of the purchase price of industrial machinery and other equipment. Can be used for up to 50% of a company's franchise and excise tax, with a carry forward for up to 25 years.
Enhanced Industrial Machinery Credit	Provides a reduction in franchise and excise taxes for 3% to 10% of the purchase price of industrial machinery and other equipment for investments over \$100 million.
Sales and Use Tax Exemptions	Exempts sales and use tax for manufacturing equipment, corporate headquarters, warehouse/distribution, call centers, data centers, and research and development equipment.
Community Investment Tax Credit	Encourages financial institutions to make investments to support the creation or preservation of affordable housing by providing tax credits of between 5% and 10% of the investment value.
Rural Opportunity Fund	Credits provided to financial institutions in the amount of 10% of a contribution to the Pathway Lending fund, which makes loans to rural businesses.
Small Business Opportunity Fund	Credits provided to financial institutions in the amount of 10% of a contribution to the Pathway Lending fund, which makes loans to small businesses.
Source: TNECD	
Does not include discontinued credits: the Headquarters Relocation Credit, Green Energy Tax Credit, Loss Carryover Credit, and Qualified Environmental Credit, or tax credits that are not incentives but offsets of other Tennessee taxes, such as the Gross Premiums Tax credit and the Tennessee Income Tax Credit.	

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Written by:

Amy Gore, Policy Director

Other Contributing Staff:

Erin Hafkenschiel, President—Helen Souki Reyes, Policy Associate—Matthew Kenny, Policy Associate

Kelly Su—Intern - Arman Amin—Intern

For further information, email us at info@thinktn.org.