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UT Analysis Shows VW to Boost Local Incomes by \$511 Million Annually

CHATTANOOGA, TN -- Tennessee Commission of Economic and Community Development Matt Kisber today released an analysis of the Volkswagen project in Chattanooga which shows the recently-announced assembly plant will boost incomes in the region by \$511.1 million annually and generate more than \$55 million annually in new tax revenues for both the state and local governments. The study was conducted by the University of Tennessee's Center for Business and Economic Research and released publicly today in advance of testimony by Commissioner Kisber before the State Funding Board in Nashville.

"This third party analysis shows Volkswagen's investment in Tennessee will bring a significant economic benefit to both the people of Tennessee and the Chattanooga region," said Commissioner Kisber. "The study shows that for every dollar state and local governments have spent on this project on a "one-time" basis, we'll see a dollar in new tax receipts on an annual basis, yielding a strong rate of return."

"The \$22 billion in new business investment Tennessee's received over the past five years has had a significant positive impact on Tennessee's financial picture," said Reagan Farr, commissioner, Tennessee Department of Revenue. "The fact that Tennessee has been able to lead the Southeast in business tax growth during this period is a testament to our state's strong business climate."

"We've taken a very conservative approach to estimating the economic impact of the VW project," said Dr. William Fox, director, U.T. Center for Business and Economic Research and lead author of the study. "If this project is successful and expands, the region could see an even more pronounced benefit."

The report calculates that over the 30-year life of the project, the state will contribute approximately 58% of the value of the investments, with local governments contributing 38% and the federal government contributing 4%. Looking at the project from a cash-flow basis, the state will contribute \$229,750,976 and receive \$756,700,000 in new tax revenues for a net benefit of \$526,949,024 over the 30-year life of the project. Local governments will see an even more pronounced benefit, contributing \$86,200,000 in cash costs and will receive \$642,700,000 in net tax revenues, for a net cash benefit of \$556,600,000 over the 30-year life of the project. Taken together, state and local governments will receive more than \$1 billion more than they pay out in incentives over the life of the project. In its agreement with the state and local governments, Volkswagen Group of America has agreed to fully pay 100% of local property taxes funding public education.

In addition to the 2,000 jobs created by direct employment at the Volkswagen facility, the report estimates another 9,477 jobs will be created in the region through construction and supplier activity.

“This report confirms what we’ve believed as we’ve progressed in our discussions with Volkswagen,” said Hamilton County Mayor Claude Ramsey. “This is a project with enormous, positive implications for the economy of Hamilton County and much of southeast Tennessee.”

“We’ve made solid, prudent business decisions in evaluating the costs and benefits of this project,” said Chattanooga Mayor Ron Littlefield. “In Volkswagen’s announcement, the people of Chattanooga, Hamilton County and all of Tennessee are clear winners.”