

State surplus, likelihood of 2nd federal stimulus boost outlook

What a difference six months make.

The outlook was dire when lawmakers left town after passing an austerity budget in June. Yet tax collections have since far exceeded expectations, with the general fund surplus reaching \$557 million through November.

Officials had warned that with various federal coronavirus relief measures set to expire by the end of the calendar year, the bottom could fall out of the revenue stream. But now congressional negotiators appear close to striking a deal on another stimulus package that could soften the expected blow to the state's finances in the second half of the fiscal year.

The evolving deal in Washington could include direct payments of up to about \$600 and unemployment enhancements of \$300 per week, which could boost spending to the benefit of sales tax-reliant states like Tennessee. Another \$325 billion would go to small businesses. However, talks about funds to backstop state and local budget shortfalls had yet to reach a breakthrough with the deadline for finalizing a deal approaching this weekend.

The challenge for Gov. Bill Lee's administration will be to keep lawmakers' expectations in check as they wait for the full economic effect to become clearer. And if the surplus is no longer expected to be eaten up by sluggish consumer activity, the governor will need to have a plan in place for spending down the extra funds in a way members of the legislature find fair.

Dumping the bulk of any excess collections into Rainy Day Fund reserves might be fiscally responsible, but it wouldn't do much for members eager to demonstrate to constituents how their legislative prowess is converted into funds for their home districts. And because the surplus is considered one-time money, it couldn't go toward recurring expenses like tax cuts or restoring the teacher and state employee raises that were canceled for the current budget year.

There is support forming within the Cordell Hull Building for disbursing a large chunk of any surplus through another grant program for cities and counties. A similar arrangement approved in June provided \$210

million to the state's 345 municipalities and 95 counties. Under Lee's initial proposal, the grants would have been limited to infrastructure, maintenance, utilities, public safety, disaster recovery, and virus-related expenses. Those guidelines were later abandoned as the pandemic intensified, allowing local governments to use the money to make up for revenues lost due to COVID-19.

Online sales tax. Revenue collections in November reflected economic activity in October, the first month for the state's more inclusive requirements for online retailers to collect sales taxes on behalf of the state. Previously, only companies with at least \$500,000 in annual Tennessee sales were required to comply. The threshold has now been reduced to \$100,000, capturing a far larger number of retailers.

The rules now also apply to third-party vendors selling their wares through "marketplace facilitators" like Amazon or Walmart. And local-option sales taxes are being charged at the actual rate of up to 2.75% in the cities or counties from which the items are ordered, rather than a uniform 2.25% set in the late 1980s. The original online sales tax requirements, which went into effect in October 2019, came just in time to capture the massive shift from retail to online sales during the pandemic.

Total state sales tax collections were \$122 million above November estimates and posted a 7.1% growth rate over the same month last year. Local-option sales taxes were up nearly 11% compared with the same year-ago period, with 92 counties posting double-digit gains and just three posting negative rates: Davidson (-8%), Putnam (-7%), and Moore (-4%).

When the new online sales tax rules passed in March, legislative analysts projected they would generate \$85 million in state revenues for the current budget year, and \$113 million a year going forward. An additional \$38 million was estimated to go to cities and counties. According to the Revenue Department, taxes collected from marketplace facilitators in November totaled \$23 million, while local governments received \$8.5 million. It remains to be seen how much of the latest collections are driven by pandemic-related purchasing trends.

The robust online sales tax collections have been catching the eye of lawmakers and interest groups. Before the COVID-19 crisis, some Republicans wanted to use the new revenue to pay for a reduction in the 4% sales tax on groceries. But the economists credited the so-called food tax with bolstering the state's revenue picture when consumers ended up spending more on groceries during the pandemic while eschewing other purchases at brick-and-mortar stores and restaurants.

More recently, state Sen. Brian Kelsey (R-Germantown) has floated the idea of dedicating online sales tax money to making up for revenue lost by local governments due to the elimination of the Hall tax on earnings from stock and bonds. Meanwhile, the business community wants to ensure its calls for a reduction in the state's 6.5% excise tax on corporate income aren't forgotten. Apparently fading from the priority list, however, is last session's effort to cut privilege taxes for the remaining professions required to pay them.

Jobs and income. The University of Tennessee estimates the state will lose 116,000 jobs this calendar year. A report by the school's Boyd Center for Business and Economic Research projects a modest rebound in 2021, but warns pre-pandemic employment levels aren't likely to be restored until the third quarter of 2023. Certain areas of the state economy could take longer to recover, such as manufacturing and the leisure and hospitality sector.

Personal income grew 4.2% this year, though that is attributed to federal transfer payments like stimulus checks and enhanced unemployment benefits. The UT economists expect that rate to slow to 1.1% in 2021, though the report was prepared before the prospects of another round of stimulus checks became likely.

Farewell to the beloved

Wilson won't seek seventh term as comptroller, endorses Mumpower

When the 112th General Assembly convenes next month, one of its first tasks will be to elect a successor to Comptroller Justin P. Wilson, who announced he won't seek a seventh term. Wilson is endorsing his deputy, Jason Mumpower, to become just the fourth person to hold the position in 66 years.

Mumpower is most famous for ending up on the losing end of a 2009 deal between 49 Democrats and a single Republican backbencher that denied him the House speakership after the GOP had eked out a one-seat majority in the chamber. He retired from the legislature the following year and was promptly hired by Wilson.

Mumpower's comeuppance won't be fresh on too many lawmakers' minds. As House Republican Caucus Chair Jeremy Faison of Cosby recently observed, 87 of the chamber's 99 members were elected in the last 10 years, meaning only a dozen were around when then-Rep. Kent Williams won his single term as speaker.

That doesn't mean there hasn't been grumbling about the timing of the retirement announcement, as it doesn't give other potential candidates much time to try

to drum up support for their own bids. Wilson, 75, told *The Tennessean* his decision was influenced by a surgical heart procedure last week, though he has been mulling retirement for about five years. The comptroller, treasurer, and secretary of state are elected to their positions by a joint convention of the House and Senate, an arrangement laid out by the state constitution that has long chafed members of the 33-seat upper chamber because it places it at a numerical disadvantage.

Wilson. When Republicans gained a joint majority in the General Assembly in 2008, several candidates emerged to become treasurer and secretary of state. But there was only ever one GOP candidate for comptroller: Wilson, a former environment commissioner and later deputy to then-Gov. Don Sundquist. It didn't hurt that the independently wealthy Wilson had also been a key financial backer of successful Republican efforts to gain a majority in the General Assembly.

Wilson, a lawyer and expert in taxation and finance, served as the point person on those issues during Sundquist's second term, most notably for the failed effort to impose a state income tax in Tennessee. While Republicans had long credited their rise to their rejection of the income tax, they didn't appear very interested in re-litigating the matter when they held a public interview of Wilson while he was seeking the new gig.

Wilson said he had acted on behalf of the administration at the time, not himself. When asked what he personally thought about a state income tax, he replied he didn't believe it was "appropriate for the people of Tennessee." He wasn't pressed about whether he had felt the same way during the Sundquist years.

Since taking office, Wilson has brought a humorous touch to the job, often referring to himself as "your beloved comptroller" and defraying pointed questions from reporters by jokingly calling them "truth-seekers." Wilson and Mumpower, 47, often sport matching costumes and delight lawmakers by delivering pizzas to the floor during the last days of the session.

Election. While the top job in the Comptroller's Office pays \$209,520, Mumpower's current compensation is hardly paltry: The deputy makes \$191,400 per year — just \$7,400 less than the governor. That salary has been augmented since 2011 by \$139,000 in contributions from Wilson and his PAC to Mumpower's committee, MUMPAC. Mumpower has donated \$42,000 to state candidates through his PAC since leaving office in 2010, including \$28,250 to 50 current House members and \$9,000 to 11 sitting members of the Senate. Another \$4,250 has gone to lawmakers who have since retired or lost re-election bids.

It remains to be seen whether a credible challenger will emerge in time to run against Mumpower. Recently retired state Rep. Martin Daniel (R-Knoxville) is said to be gauging interest for a rival bid, though it's difficult to imagine how he'd gain the nod from a majority of the 100-member joint Republican caucus.

But there is some precedent for intrigue. After narrowly losing the nomination among majority Democrats

Tennessee News Digest

- The Tennessee Aquarium in Chattanooga spent \$800,000 of its federal coronavirus relief funds to buy 10 new HVAC units that include ultraviolet light filters aimed at disinfecting the air to guard against COVID-19 transmission.
- Shelby County Schools delayed a planned January return to in-person instruction until at least Feb. 8.
- Three-time Tour de France winner Greg LeMond, who lives in East Tennessee,

has been awarded the Congressional Gold Medal. U.S. Sen. Lamar Alexander (R-Maryville) co-sponsored the legislation to honor LeMond, who recently moved his bicycle making company from Oak Ridge to Knoxville.

- Prisoners Robert Lee Brown and Christopher Osteen were captured in South Florida three days after escaping from the Northwest Correctional Complex in Lake County.

- Former Franklin Mayor Tom Miller died last week after being hospitalized with COVID-19. Miller, who had also been battling brain cancer, was 77.

● This year is the wettest ever recorded in the Tennessee River Valley. A total rainfall of 67.27 inches has exceeded the previous high measured in 2018.

- Silicon Ranch, the Nashville solar firm started by former Gov. Phil Bredesen, has landed \$225 million from investors.
-

to Floyd Kephart in 1973, Comptroller Bill Snodgrass was nevertheless re-elected when enough Democrats sided with a solid bloc of Republicans. When Snodgrass retired after 44 years in 1999, he was succeeded by his top assistant, John Morgan, who would remain in office until losing out to Wilson 10 years later.

Special delivery

No stockpiling: Tennessee politicians are on Santa's priority list this year

With North Pole staffers distracted by an emergency no-bid contract to convert sock masks and veterinary gloves into Christmas stockings, we managed to obtain a copy of Santa's secret gift list for the state political set:

- **Lamar Alexander** — A copy of *The Long Goodbye*.
- **John Cooper** — Less ineptitude among mayoral recall petition organizers so he can hand off Nashville's financial mess to someone else.
- **House Republican Caucus** — Miniature rainbow flags for each member to celebrate the election of the GOP's first openly gay lawmaker.
- **Kent Calfee** — The discovery that Hershey's Chocolate Syrup prevents COVID-19.
- **Bill Young** — A DVD of the first season of the TV show *Prodigal Son*, from Joe Towns.
- **Bill Haslam** — The name Nashville Scrapyard Dogs for his Major League Baseball team (provided the city finds a way to give him the PSC Metals land first).
- **Justin Wilson** — The busts of Nathan Bedford Forrest, Albert Gleaves, and David Farragut to keep him company during his retirement.
- **Ron Gant** — Another former Republican governor to name the Cordell Hull Building after: Don Sundquist.
- **Michael Curcio** — A new nameplate reading "Michael Pinocchio," from Randy McNally.
- **Cameron Sexton** — An extension of his statewide bus tour through the 2026 governor's race.
- **Jerry Sexton** — Insider odds on whether there will be a divine intervention into his latest attempt to declare the Bible to be Tennessee's official book.
- **Justin Jones** — A refresher course on how to count to 25 signatures on a candidate petition.
- **Micah Van Huss and Matthew Hill** — Advice not to agitate Kelly Wolfe lest he seek revenge by spearheading efforts to oust them from office. Oops, too late.

■ **Jason Mumpower** — Retiring Comptroller Justin Wilson's collection of goofy outfits. Oh, and his job.

■ **Manny Sethi** — A guide to how doctors can restore their public health credentials after allowing them to be trampled by political aspirations, by Bill Frist.

■ **Glenn Jacobs** — A campaign slogan for his future gubernatorial aspirations: A golf cart in every driveway.

■ **Bill Hagerty** — The political instinct to know when it's safe to return to his pre-election persona.

■ **Gabby Salinas** — A campaign strategy that can get her just one more percent of the vote.

■ **Randy Boyd** — An unending supply of college campuses and baseball teams to acquire.

■ **Mary Mancini** — Permission to re-gift her lightning rod to her successor as Democratic Party chair.

■ **Richard Briggs and Frank Niceley** — A contract to write a memoir titled *Peace in the Middle East: The Great Raw Milk Compromise of 2020*.

■ **Marquita Bradshaw** — Directions to a basement large enough to hold the 800,000 votes she needs to prove she actually won the U.S. Senate race.

■ **Bill Lee** — An executive order barring him from hiring any more former lawmakers into his administration.

■ **Registry of Election Finance** — A printed warning to former lawmakers that they should expect to be treated far more harshly than sitting members.

■ **Joey Hensley** — A sign for his doctor's office in Hohenwald saying, "Relatives, Romantic Partners (and definitely if you are both), No Service."

■ **Marsha Blackburn** — Automated emails declaring she misspoke whenever she accidentally tells the truth about a political matter.

■ **Jeff Yarbrow** — A special trade-in deal from the now Lee Beaman-free Beaman Automotive Group to replace the Senate Democratic Caucus' five-seater sedan with a minivan with space for six.

■ **Steve Dickerson** — A Gideon's Army t-shirt.

■ **Ron Travis** — A copy of the book *What Conflict? Running a Lobbying Organization While Serving as a Lawmaker*, by Gary Odom.

■ **Herbert Slatery** — Enough Little Trees air fresheners to mask the smell of scorched human waste caked to the side of the newly renovated home of the attorney general's office following a portable toilet fire.

■ **Randy McNally** — A black swan hunting license.

Tennessee Notes & Quotes

■ “Twenty years ago, I ended my presidential campaign after the Supreme Court abruptly decided the 2000 election.... Now, with Mr. **Biden** about to take up residence in the White House, the United States has the chance to reclaim America’s leadership position in the world after four years in the back seat.” — *Former Vice President Al Gore in a New York Times op-ed on the anniversary of his concession of the 2000 presidential race, calling for a renewed focus on climate change.*

■ The surprising exclusion of U.S. Rep. **Scott DesJarlais** (R-Winchester) from an amicus brief signed by congressional Republicans in support of a Texas lawsuit seeking to overturn President **Donald Trump’s** re-election loss was remedied just in time for the Supreme Court to reject the effort on Friday. The initial friend-of-the-court brief carried 106 GOP signatures, but a subsequent version signed by 126 members included **DesJarlais**. The only Republican member of the Tennessee delegation not to sign was **Phil Roe** (R-Johnson City), who is retiring. His successor, Kingsport pharmacist **Diana Harshbarger**, said she supported the effort.

■ “Considerable thought went into this decision to join the amicus brief, and our office supports its filing.” — *Secretary of State Tre Hargett in a tweet last week.*

■ “We have been through one of the most acrimonious elections that we have ever seen.... We need to bring civil discourse back to this arena, and it has to start somewhere. I don’t see why it can’t start with those of us in this room.” — *Hargett after the state’s electoral college votes were cast for Trump on Monday.*

■ “I’m the angriest I have been in decades!” — *Republican Charlotte Bergmann in a letter to Hargett disputing her 57-point loss to U.S. Rep. Steve Cohen (D-Memphis). Bergmann said “people couldn’t understand” how few votes she received. It shouldn’t have been that hard: She lost her 2018 bid by 61 points.*

■ “Steve, we gotta have the votes in the Senate.” — *U.S. House Majority Leader Steny Hoyer (D-Md.) pushing back against a demand by Cohen to keep Trump’s name off checks in a second round of direct payments to taxpayers, per Politico.*

■ Personal finance guru **Dave Ramsey** went ahead with a Christmas party at his company’s Franklin headquarters despite official calls for reducing personal contacts during the holiday season. Religion News Service said the company’s 800 employees were allowed to bring one guest apiece. Invitations made no mention of masks, which Ramsey has denounced as a sign of fear.

■ The number of candidates for Tennessee Democratic Party chair has hit 10 and could continue to grow before the Jan. 16 election to succeed **Mary Mancini**, who isn’t seeking another term. They include state Rep. **London Lamar** of Memphis, a former president of the Tennessee Young Democrats; **Robin Kimbrough** of Nashville, the second-place finisher in this year’s U.S. Senate primary; **Theryn Bond**, the campaign manager

for Rep. **Torrey Harris**’ successful House bid in Memphis; Democratic National Committee member **Wade Munday**; and **Frank Hundley**, who ran Sen. **Heidi Campbell’s** winning race against Republican incumbent **Steve Dickerson** in Nashville.

■ **Krista Lee Carsner**, the first woman to serve as executive director of the Fiscal Review Committee, is stepping down after five years on the job. Lawmakers voted last year to give the speakers of the House and Senate the authority to name the panel’s director, rather than the lawmaker members of the committee.

■ The U.S. Senate voted 48-47 to confirm **Katherine Crytzer** and 54-41 to approve the nomination of **Chuck Atchley** as federal judges in the Eastern District. Democrats had pressed Atchley, an assistant U.S. attorney, about his role in prosecuting former state Rep. **Joe Armstrong** (D-Knoxville) for tax evasion, including why he had excluded the only African-American member of the jury pool from the black lawmaker’s trial.

■ “Mr. **Armstrong** received a fair and impartial trial before a fair and impartial jury of his peers that acquitted him of two of the three counts alleged against him in the indictment. His race, or that of anyone else, was never a factor in the trial.” — *Atchley in response.*

■ A group called Community Control Now is asking for a recount after the Hamilton County Election Commission found a petition to reconstitute Chattanooga’s police oversight board had fallen short by more than 300 signatures to get on the March ballot.

■ The Knoxville City Council voted 8-1 for the creation of a sports authority to help finance a minor league baseball stadium project spearheaded by Tennessee Smokies owner **Randy Boyd**, who is also the president of the University of Tennessee. Meanwhile, Boyd joined the ownership group of the Memphis Redbirds, the Triple-A farm team of the St. Louis Cardinals.

■ **Chase Johnson**, the research analyst for the state Senate Judiciary Committee, has been named senior adviser to Speaker **Randy McNally** (R-Oak Ridge).

■ **Mike Krause** has stepped down as executive director of the Tennessee Higher Education Commission, a position he was appointed to by then-Gov. Bill Haslam in 2016. Krause, who oversaw the rollout of Haslam’s signature free community college tuition program, is joining the Bradley law firm’s government affairs team.

■ Meanwhile, lobbyist **Katie Ashley** is leaving Bradley to become a senior associate at JohnsonPossKirby Government Relations, where she will join her husband, **Luke Ashley**, a fellow Haslam administration alum.

■ A new rooftop establishment across from the state Capitol complex is called Zeppelin. What a great concept: A bar named after a gas-filled dirigible with a prime view of all the land-bound gasbags below.

■ Oh, the humanity!

■ *The Tennessee Journal* is on winter break next week. The next edition appears Jan. 1. Happy holidays!