

## TENNESSEE Budget Report Card



TENNESSEE STANDS WITH Alaska and California as the three states receiving an A average in transparency for fiscal 2016 through 2018. It scored a B average in Volcker’s 2017 report, *Truth and Integrity in State Budgeting: What Is the Reality?*, in which we cited a lack of disclosure concerning deferred infrastructure replacement costs in budget documents. However, annual infrastructure reports prepared under statute by the Tennessee Advisory Commission on Intergovernmental Relations provide information equivalent to budgetary disclosures.

Tennessee’s weakest grade was in budget forecasting, in which it averaged a C. Though the state produced consensus revenue estimates and explained the logic behind projections, it failed to disclose multiyear expenditure and revenue forecasts. Instead, Tennessee publicly projected revenues and expenditures for only two years.

The state has an almost fully funded public employee pension system, with 96.2 percent of the assets needed to meet promised obligations as of 2017, versus a US state total of 68.6 percent. Its B average in legacy costs stems from a failure to make actuarially recommended contributions to support other postemployment benefits, chiefly health care. The state has historically made about half of the annual contribution suggested by actuaries.

Tennessee scored an A average in reserve funds. It has policies for disbursing and replenishing reserves and ties goals for fund balances to revenue volatility.


### EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D	B	C	B	B
Kentucky	B	C	C	C	B
Mississippi	C	B	B	B	B
Tennessee	C	A	B	A	A
US AVERAGE	C	B	C	B	B


**NOTE** States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at [VolckerAlliance.org](http://VolckerAlliance.org).


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BUDGET FORECASTING				
	2016	2017	2018	
	CATEGORY GRADE	C	C	C
	Consensus Revenue Forecasts	✓	✓	✓
	Multiyear Expenditure Forecasts	X	X	X
	Multiyear Revenue Forecasts	X	X	X
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE		C	3-YEAR TREND —	

BUDGET MANEUVERS				
	2016	2017	2018	
	CATEGORY GRADE	A	A	A
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	✓	✓	✓
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND —	

LEGACY COSTS				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Public Employee OPEB Funding	X	X	X
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	96%	96%	96%
3-YEAR AVERAGE		B	3-YEAR TREND —	

RESERVE FUNDS				
	2016	2017	2018	
	CATEGORY GRADE	A	A	A
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND —	

TRANSPARENCY				
	2016	2017	2018	
	CATEGORY GRADE	B	A	A
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	✓	✓
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND ↗	

### KEY

✓	Followed best practice
X	Did not follow best practice

**BUDGET FORECASTING** evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

\* SOURCE Bloomberg; 2017 data also used for 2018.