TENNESSEE Budget Report Card

TENNESSEE WAS ONE OF ONLY five states winning top A average grades in three of five budgetary categories evaluated for fiscal 2015 through 2019. California, Hawaii, Idaho, and Utah also boasted three As apiece.

Tennessee won an A in transparency in part because of its reporting on deferred infrastructure maintenance. It is only one of five states to do such reporting. Though this information is not included in the budget, the Tennessee Advisory Commission on Inter-governmental Relations, a state agency created in 1978, is required by statute to assemble an inventory of needed public infrastructure. It issues reports that include the estimated cost of the deferred infrastructure liability over a five-year period. In 2020, the commission estimated that the state would need at least $58.6 billion of public infrastructure improvements in the five years ending in June 2023.

The state also earned As in budget maneuvers and reserve funds. It was one of eight states that eschewed moving revenues from future years to the current budget, deferring spending to achieve budgetary balance, or using borrowed money or the sale of assets to support operating expenditures. Tennessee won a top grade in reserve funds for having policies that govern withdrawals and replenishment for its revenue fluctuations account. The state also considers revenue volatility in setting reserve funding goals.

The state's C average in budget forecasting stems from its failure to provide multiyear expenditure or revenue forecasts. In both areas, Tennessee makes projections for only two years. Its B in legacy costs reflected actuarially recommended funding of public worker pensions but not of other postemployment benefits (OPEB), primarily health care. The state's pension was 94 percent funded in 2019, 23 percentage points above the total for all states.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Alabama	D-	B	C	B	B
Kentucky	B	C	C	C	B
Mississippi	C	A	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: Preparing for the Storm* at VolckerAlliance.org.

TENNESSEE Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓					
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗					
Multiyear Revenue Forecasts	✗	✗	✗	✗	✗	●	●	●	●	●
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	99%	96%	96%	94%	94%					
5-YEAR AVERAGE B										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	B	B	A	A	A					
Consolidated Budget Website	✓	✓	✓	✓	✓			●	●	●
Provides Debt Tables	✓	✓	✓	✓	✓	●	●			
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✓	✓	✓					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

KEY

✓	Followed best practice
✗	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.