

A REPORT TO TENNESSEANS

Fiscal Year 2020 July 1, 2019—June 30, 2020

GOVERNOR BILL LEE'S PRIORITIES



Jobs & Rural Economic Development

To be the #1 state in the Southeast for high quality jobs.



Education & Workforce Development

To be the fastest improving state in the country.



Public Safety & Criminal Justice Reform

To promote the safety and security of Tennesseans.



Transparent & Efficient Government

To be the best managed state, providing high-quality services at the lowest possible price to taxpayers.



Healthier Tennessee

To promote healthy behavior and provide high quality services to our most vulnerable populations.

State Demographics

Year	Population	Per Capita Income	Unemployment Rate	School Year	Public School Enrollment	Public Higher Education Enrollment
2020	6,886,934	\$49,032	9.7% (June 2020)	2019-2020	1,014,502	228,101 (2019)
Change from 1 year prior	+57,660	+\$819	+6.3%	2018-2019	+40,843	+1,348

Tennessee Leads the Nation in Fiscal Strength

In 2019, *Business Facilities* named Tennessee as #1 for Best Business Climate for setting “the bar high in meeting all the priorities of businesses evaluating locations in the Volunteer State, whether it’s customized workforce training, pre fertilized sites, or lower industrial electricity costs.” Add that ranking to being #1 for Fiscal Stability by U.S. News and World Report and it is clear that Tennessee is one of the best fiscally managed states.

Tennessee is among states with the lowest per capita debt in the country and is the second lowest in the U.S. for state and local taxes paid per capita. Companies, investors, shareholders, and executives choose Tennessee for our sound fiscal management and significant new investments in our economic system. Tennessee’s budgetary discipline has allowed for meaningful investments that make the state strong and resilient.



#1 State for Long-Term Fiscal Stability



#1 Business Climate in the Country

Major Initiatives

Like many other states, Tennessee's 2020 legislative year was interrupted by COVID-19 which continues to devastate our country. The legislative session began in January with the Governor's spending plan, laying out a bold vision for Tennessee. However, state leaders had to regroup in March, putting aside most of the proposed cost increases due to the pandemic. The first case of COVID-19 occurred on March 5, only two days after the state was ravaged by tornadoes. Shortly thereafter, the General Assembly passed a preliminary FY 2020-21 budget, pausing activities until June 1. Shelved were many of the originally proposed initiatives to make way for funding for COVID-19 response, tornado recovery and ensuring critical state services.

When lawmakers reconvened in June, the state's revenue picture was grim and more difficult budget decisions had to be made.

On June 19, a second budget was passed; new programs and initiatives were scrapped in lieu of balancing the budget based on state economists' low and slow growth predictions. The new budget continued the tradition of maintaining low taxes and preserving savings while achieving efficiencies in operations and continuing essential services – all of which has made Tennessee among the best managed states in the nation. This budget bill avoided harsh cuts that could cause interruptions in critical state services and provides authority to access reserve funds as needed, allowing for a thoughtful review of business practices to identify efficiencies and creative delivery of vital services as well as the development of strategic plans to reduce the employee workforce.

Full funding was provided for: The Basic Education Program for K-12 public schools, contributions to the state employee pension fund, state payments for employee health insurance and debt service requirements.

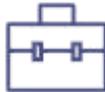
The four "e's" of Tennessee: employment, education, economic opportunity and enforcement of the law

Reductions will be achieved in part through department reductions of up to 12%, greater efficiencies in operations, reductions in new capital projects and funding for capital maintenance, authorizing bonds for existing capital projects previously funded with cash and elimination of vacant state employee positions. The budget finalizes the elimination of the Hall Income Tax on investments and dividends which the state has gradually phased out since 2016. And, it enhances tax relief through an expansion of the annual sales tax holiday to include a sales tax holiday for the retail sale of food and drink by restaurants hit especially hard by the effects of the pandemic.

Major Initiatives By Priority



The Department of Military distributed 259 million items of PPE in 2020



Department of Correction launched the Governor's Volunteer Mentorship Program in 2020



Department of Education's Reading 360 Initiative began in 2020



The Rural Enterprise Management Initiative began in 2020

The Office of Evidence and Impact was established in 2019

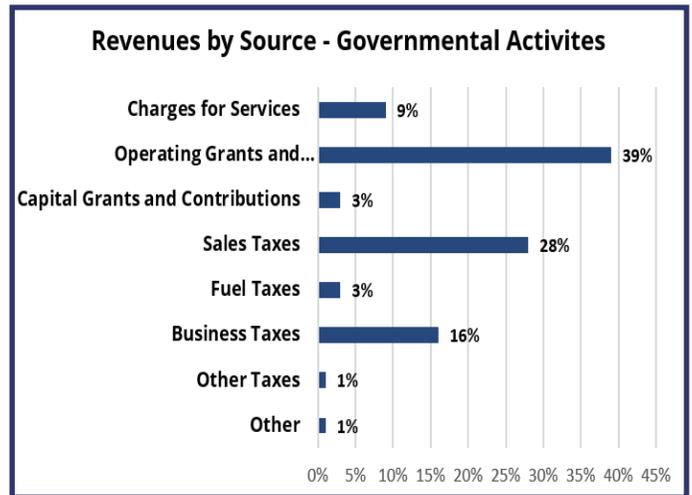
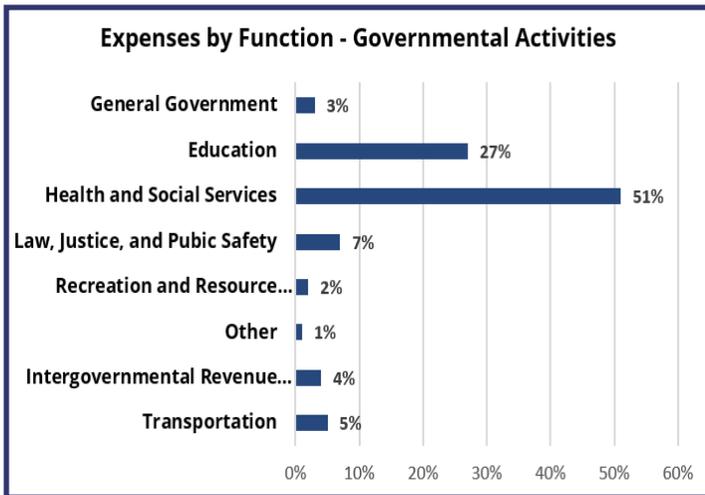
For additional Resources visit the:

Transparent Tennessee Website

- Performance metrics for each cabinet-level department
- More than 200 department highlights that provide key facts and performance
- Salary search tool
- Searchable checkbook tool
- Links and guidance for open records requests
- Public information on grants and economic development subsidies and incentives

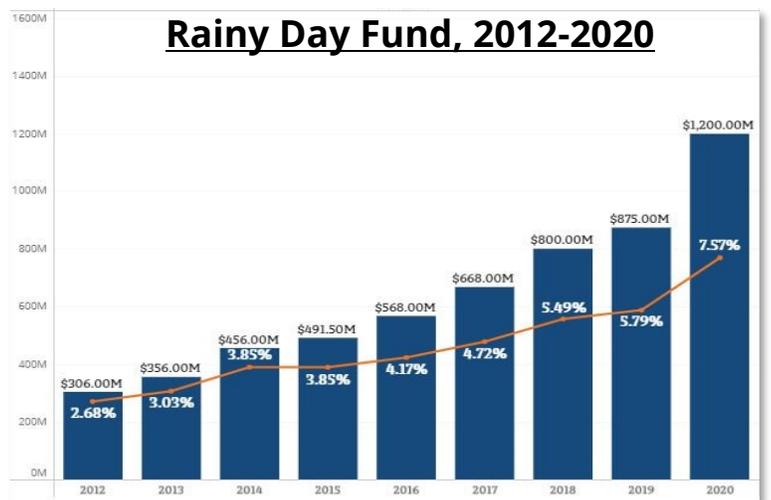


www.tn.gov/transparenttn.html



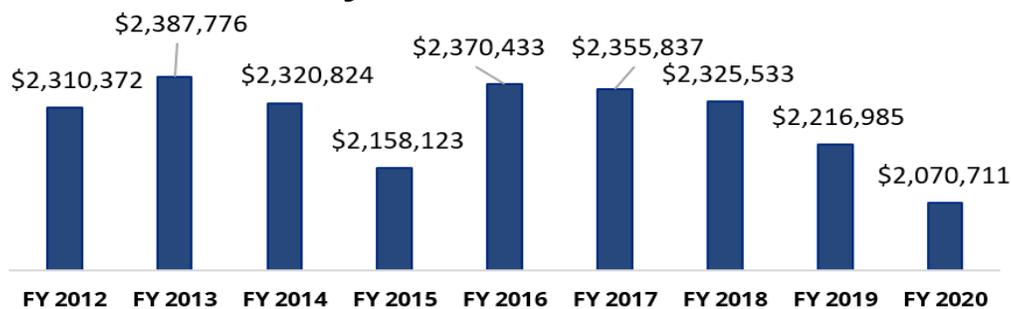
Data Sourced from the FY19-20 ACFR pages 23 and 24

Fund level: At June 30, 2020 the state's rainy day fund was at \$1.2 billion, the highest it has ever been. The state is nationally recognized for its strong financial position, including the commitment to save. The rainy day fund is the funding source of last resort; Tennessee works to be innovative in budgeting and to constantly review business practices for greater efficiencies so the state can withstand economic fluctuations. The state's history of setting aside reserve funds and spending conservatively has earned a AAA rating with all three bond ratings agencies, an achievement of only 13 states in the nation.



Data Sourced from the Transparent TN Interactive Budget Tool

Debt by Fiscal Year, 2012-2020



Data Sourced from the FY19-20 ACFR page 239

Long-Term Debt: The state's total general obligation bonds and commercial paper decreased by \$146.3 million during the fiscal year to a total of \$2.1 billion. This change is primarily due to a net decrease of \$116.4 million in outstanding short-term debt during the fiscal year. This was the result of using bond proceeds to redeem outstanding commercial paper combined with a decrease in commercial paper draws during the fiscal year.

Low Debt Burden: Over the years, Tennessee has consistently maintained a relatively low debt burden. This has been accomplished through the use of sound and prudent debt management practices. Such practices include funding a portion of the state's capital program with surplus cash, cancellation of bond authorizations in lieu of issuing debt, creating and maintaining a "rainy day fund" to offset unanticipated revenue shortfalls, and the adoption of state statutes designed to control the issuance of excessive debt.

For more detailed financial information visit the [Department of Finance and Administrations website](#). You can also view the [Citizen Accessible Financial Report](#), and all [budget information](#).



Tennessee's Economic Outlook

Prepared in December 2020 by The Boyd Center for Business and Economic Research at the University of Tennessee

In Tennessee, nearly 400,000 jobs were lost between March and April 2020 and the state's unemployment rate shot up to 15.5% in April, representing an unprecedented 12.2% point increase from the month prior. The state added 272,100 jobs back to payrolls between May and October, but employment growth has slowed in recent months, and employment levels are still well below the pre-pandemic peak. The unemployment rate has also trended downwards, to a large degree, falling from the 15.5% peak of April to 6.5% in September, but then rose to 7.4% in October. Due to the pandemic, real GDP in 2020 is projected to fall by 3.5% in Tennessee and 3.6% in the nation. Projections call for an acceleration of economic activity in 2021, with real GDP growing by 2.9% as states continue to open back up, and amid the hopes that an effective vaccine will be made available by mid-2021 which will help to jump-start the economic recovery.

State GDP is projected to recover to pre-pandemic levels by the end of 2022. Unemployment rates are projected to continue trending downwards as the economy recovers. The state unemployment rate is projected to hit 7.5% for the 2020 year as a whole (annual average) before falling to 5.2% in 2021. Long term scarring from the pandemic will keep unemployment rates from reaching the record lows of 3.3% prior to the pandemic. Nonfarm employment is projected to fall by 3.7% in 2020, representing a loss of 116 thousand workers between 2019 and 2020. The state will then see positive employment growth over the next two years, expanding by 2.2% in 2021 and 2.0% in 2022. However, nonfarm employment levels are projected to remain below pre-pandemic peak levels until the first quarter of 2023.

Financial Stimulus Dashboard



Governor Bill Lee [announced the creation](#) of the Financial Stimulus Accountability Group to ensure proper fiscal management of stimulus funds received by the state through the Coronavirus Relief Fund created by the CARES Act. In the Summer of 2020, The Office of Customer Focused Government began tracking portions of the federal stimulus package and where that money is being sent in Tennessee. You can view the financial stimulus dashboard [here](#).

We want to hear from you! Have any questions, concerns, or feedback?

Email us at finance@tn.gov!