

A REPORT TO TENNESSEANS

Fiscal Year 2021 July 1, 2020—June 30, 2021

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
2021	6,975,218	\$53,954	4.4% (June 2021)	2020-2021	973,659	202,634 (2021)
Change from 1 year prior	+64,378	+\$4,922	-5.7%	2019-2020	-40,843	-25,467

A Year for the Record Books

In 2021, Tennessee welcomed once-in-a-generation investments from major corporations like Oracle, Ford Motor Company, Thermo Fisher Scientific, and Smith & Wesson. Statewide, Tennessee recruited 130 projects, resulting in more than \$12.8 billion in private investment and in excess of 34,000 new job commitments. That's not all: Tennessee's record-breaking year caught nationwide attention. *Business Facilities* named Tennessee one of the three 2021 States of the Year, along with the title of "Best Dealmaker State." Tennesseans pay the lowest state and local tax per capita in the nation, according to *Tax Foundation*, and Tennessee is among states with the lowest per-capita debt in the country. Companies, investors, shareholders and executives choose Tennessee for its sound fiscal management and significant new economic investments. Tennessee's budgetary discipline has attracted meaningful investments that make the state strong and resilient.



#1 State of the Year for Business Deals



#1 In the U.S. for the lowest state debt per capita

Major Initiatives

While many of the fiscal year 2021 budget priorities were put on hold as attention shifted toward addressing the health and economic effects of the pandemic, the fiscal year 2022 budget passed by the General Assembly returns to many pre-pandemic priorities, including education and health care, as well as economic and rural development. There is no doubt that the past year challenged our state greater than any other in recent history. Through all that occurred, however, Tennessee has been able to maintain its financial stability through the strategic application of fiscal prudence and successfully navigate one of the sharpest and unique periods of economic volatility our nation has faced. The fiscal year 2022 budget consists of strong revenues from an economy favorable to families and businesses in Tennessee,

reductions in taxes, efficiencies recognized from a review of current state operations and strategic investments that focus resources on new efforts to improve the lives of Tennesseans.

In addition to the budget, the General Assembly also reached consensus on changes to the state's unemployment benefit system that will take effect in December 2023. The new legislation ties that maximum payout period to the state's average unemployment rate and boosts the weekly benefits by as much as \$50. Benefits will be extended as the rate rises (utilizing a range of between 12 and 20 weeks) and eventually capped at 20 weeks if the rate exceeds 9 percent. This legislation is estimated to save the state up to \$24 million a year in payouts and assist in replenishing the state's unemployment fund.

Key Budget highlights include:

- \$100 million to provide high-speed broadband to every Tennessean
- \$250 million investment in a Mental Health Trust Fund
- \$79 million to increase capacity at the Tennessee Colleges of Applied Technology and address the current student waiting list
- \$145 million for air and rail transportation infrastructure
- \$71 million to fully fund the state share of the BEP for K-12 education
- 4% percent raise for the teacher salaries
- \$100 million to invest in the Rainy - Day Fund
- \$931 million for capital maintenance and improvements
- \$100 million for local infrastructure grants

Major Initiatives By Priority



More than 4 million Tennesseans received the COVID-19 vaccine in 2021.



Tennessee's Colleges of Applied Technology saw their highest enrollment year in 2021 with more than 30,000 students enrolled across the state.



Tennessee awarded more than \$41.3 million in community and rural development grants in 2021.



The Governor's Volunteer Mentorship Initiative saw more than 5,000 recurring volunteers in prisons during 2021.



In 2021, Tennessee was named the Leading State in Data and Analytics by *Results for America*.

For additional Resources visit the:

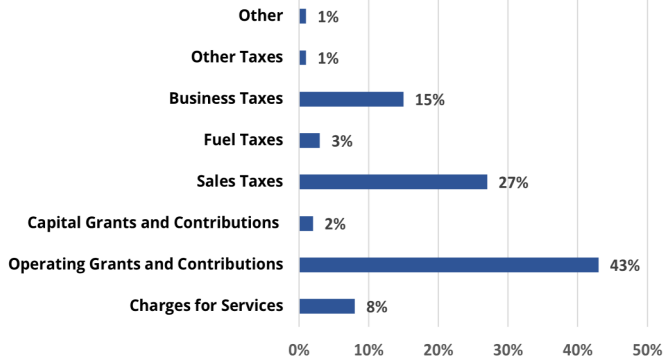
Transparent Tennessee Website

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

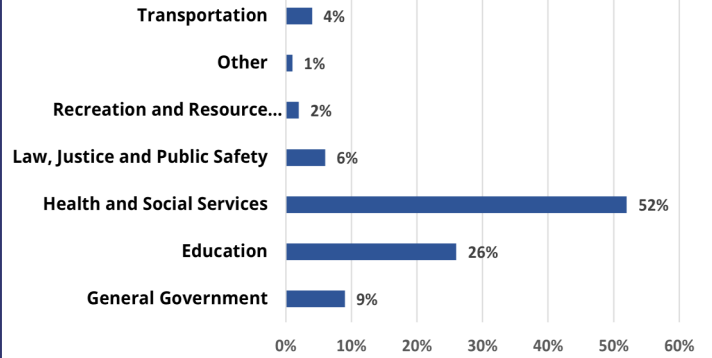
www.tn.gov/transparenttn.html



Sources of Revenue

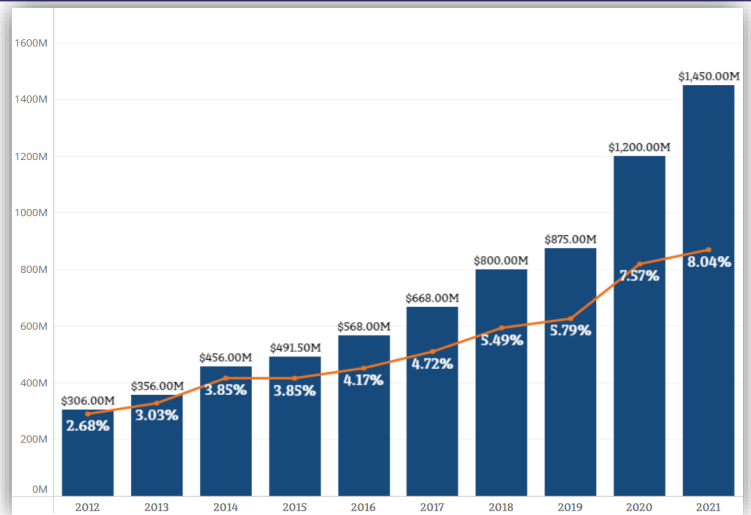


Expenditures



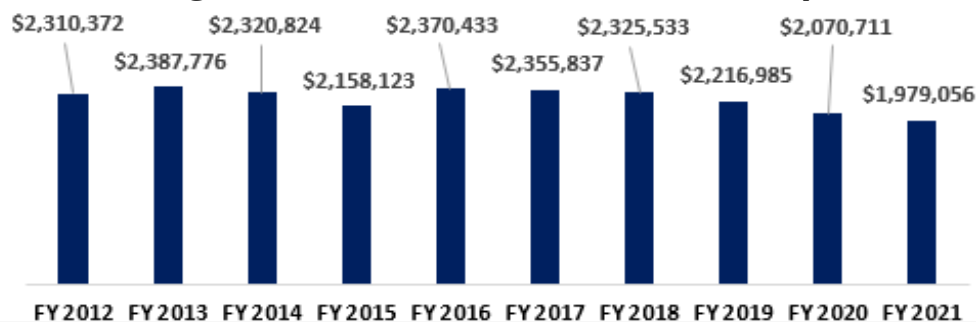
Data Sourced from the FY20-21 ACFR pages 23 and 24

Fund level: At June 30, 2021, the state's governmental funds reported combined ending fund balances of \$13.8 billion, an increase of \$3.9 billion compared to the prior year. Of the combined fund balance, approximately \$10.8 billion is spendable unrestricted (committed, assigned, or unassigned) fund balance and is available for spending at the government's discretion or upon legislative approval; however, \$1.45 billion of this amount is set aside in a revenue fluctuation account (rainy day fund)



Data Sourced from the Transparent TN Interactive Budget Tool

General Obligation Bonds and Commercial Paper Debt



Data Sourced from the FY20-21 ACFR page 239

Long-Term Debt: The state's total general obligation bonds and commercial paper decreased by \$91.6 million during the fiscal year to a total of \$2 billion. This change is primarily due to debt service payments made during the year exceeding new debt expenditures made in the commercial paper program.

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 Administration's [website](#). You can also view the [Annual Comprehensive Financial Report](#), and all [budget](#) information.



Tennessee's Economic Outlook

The economy continues to rebound from the pandemic-induced recession, however supply chain issues, higher prices, and the spread of COVID-19 delta variant have softened the economic recovery. During the first half of 2021, the U.S. saw incredibly strong growth as effective vaccines were distributed, economies re-opened, and consumer demand skyrocketed in many sectors of the economy, and in some instances, the supply-side of the market was unable to keep pace with the surge in demand. Many businesses that shrunk during the pandemic have had trouble hiring enough workers as they reopened, while other businesses have had difficulty keeping enough product in stock. Issues such as these are likely temporary, but they have resulted in upward price pressures and are inhibiting economic growth to some degree. A more long-term inflationary concern is the low supply of homes for sale, which has led to a rapid increase in home prices. Ramping up the supply of homes takes time and therefore shelter costs could remain elevated for an extended period. Another worrying factor was the third quarter surge in new COVID-19 cases, which led to a new influx of hospitalizations and COVID-related deaths and forces some consumers back towards pandemic-related spending patterns.

Despite these headwinds inflation-adjusted gross domestic product (real GDP) in 2021 is still projected to advance by an incredibly strong 5.5 percent in the U.S. and 5.6 percent in Tennessee. Much of this growth took place during the first half of the year, as state real GDP surpasses its pre-pandemic levels in the second quarter. Somewhat slower growth is expected for the remainder of the year. By comparison the labor market recovery has been more sluggish, as nonfarm employment levels are still well below those seen prior to the pandemic. There are several reasons for the slower labor market recovery, including frictions in the labor market such as the time it takes for a

worker to find a good job and for a business to fill a job vacancy. The ongoing pandemic is also causing some workers to quit their public-facing jobs and some prospective workers remain on the sidelines, be it for the fear of getting sick, or due to potential school closures, which could leave working parents without childcare options. During the initial phase of the pandemic, Tennessee lost nearly 380 thousand jobs in a two-month period of time (March and April 2020). The State quickly added 244.6 thousand jobs back to payrolls between May and October 2020. However, the state's labor market recovery has seen fits and starts ever since. As of October 2021, there are still 54,500 fewer jobs in Tennessee than there were prior to the pandemic. To be sure, state job growth is still trending in the right direction, and is projected to grow by 2.7 percent in 2021, representing an increase of 83,400 jobs as compared to the year prior. However, expectations are that the job levels in Tennessee will not fully recover until the second quarter of 2022, more than a year after the state GDP made its full recovery. Tennessee job growth will remain strong over the next two years, advancing by 3.1 percent in 2022 and 2.2 percent in 2023, before reverting to a slower and more stable trend of around 1.0-1.5 percent growth per year thereafter.

Unemployment rates in both Tennessee and the nation saw a large and rapid spike during the pandemic-recession but have recovered relatively quickly since the initial phase of the pandemic. More specifically, Tennessee's monthly unemployment rate, which shot up to 15.8 percent in April 2020, is already back to 4.2 percent as of October 2021. As a result, the annual (average) unemployment rate is projected to fall from 7.5 percent in 2020 to 4.7 percent in 2021. The state's unemployment rate is projected to continue falling, albeit more slowly, over the next few years, as more people re-enter the labor force.

Prepared in December 2021 by The Boyd Center for Business and Economic Research at the University of Tennessee

Financial Stimulus Accountability Group

Governor Bill Lee announced the creation of the Financial Stimulus Accountability Group to ensure proper fiscal management of stimulus funds received by the state, first through the CARES Act Coronavirus Relief Fund, then through the subsequent American Rescue Plan Act (ARPA). The ARPA established a new US Treasury Program, the Coronavirus State and Local Fiscal Recovery Fund (SLFRF), with the intent of assisting state and local governments in mitigating the fiscal effects of the COVID-19 pandemic. Tennessee has received \$3.25 billion from the State Fiscal Recovery Fund.

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

Email us at finance@tn.gov!

TN

Department of
**Finance &
Administration**

Tennessee Department of Finance & Administration

Snodgrass Tennessee Tower, 20th Floor | 312 Rose L. Parks Ave | Nashville, TN 37219

T: 615-741-0320 | tn.gov/finance