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State is positioned to manage budget

By Dave Goetz

At a time when many states are struggling to balance budgets with no new taxes, Tennessee's finances are on solid footing thanks to a willingness by Gov. Phil Bredesen and the General Assembly to run a tight fiscal ship.

Over the past five years, our rainy day fund — the state's savings account — has grown to its highest level in history. Education investments are at a record high.

TennCare is under control. We've reversed the backward slide in Tennessee's credit rating, a key measure of our fiscal health, and moved it back toward AAA. That happened because under the governor's leadership, we've taken a realistic approach to budgeting — including the "no growth" budget plan proposed by Bredesen in January, which actually calls for a slight reduction in overall spending.

A national problem

Since then, as we all know, things have not gotten better.

The reality is most economists — not to mention the chairman of the Federal Reserve — now agree our country has slipped into a recession. And unfortunately, that sluggish national economy is putting a serious strain on all our pocketbooks here at home.

While larger states have struggled for some time, Tennessee only recently began to see revenues slowing.

For the first time in more than three decades, our December sales-tax receipts fell below the

previous year. Meanwhile, the Rockefeller Institute in March reported that corporate income taxes in states across the U.S. — including Tennessee — are exhibiting their worst performance in six years.

Clearly, Tennessee is not immune to the national economic downturn.

And most immediately, in state government, it means that we've got to tighten our belts a bit more than we originally expected.

The picture will become a little clearer after we look at April revenues, and very shortly after that Bredesen will recommend to the legislature how to bring the budget back into balance.

We'll examine priorities

State departments and agencies will need to re-examine priorities. Local communities looking for help in funding worthwhile projects will need to wait a while longer. State employees may have to forgo pay raises this year.

We face tough decisions ahead, and some of them may be painful. But we will manage through this downturn, and emerge with a budget that allows state government to live within its means.

Like a family that plans well for its financial future, the state of Tennessee is committed to sound fiscal management. Thanks to wise planning in recent years, we're now able to weather a soft national economy.

We've proven government can make difficult choices. And we'll do so again this year.