RANK
9

TENNESSEE

SUMMARY

On the basis of its fiscal solvency in five separate categories, Tennessee ranks ninth among the US states and Puerto Rico for its fiscal health. On a cash basis, Tennessee has between 3.42 and 4.89 times the cash needed to cover short-term liabilities. Revenues exceed expenses by 2 percent, for a surplus of $81 per capita. Net assets are 13 percent of total assets, and total liabilities are 10 percent of total assets. Total debt is $2.34 billion. Unfunded pension liabilities are $37.96 billion on a guaranteed-to-be-paid basis, and other postemployment benefits (OPEB) are $1.23 billion. These three liabilities are equal to 15 percent of total state personal income.

2014 TOTAL LONG-TERM OBLIGATIONS

STATE DEBT

	General obligation bonds	Total primary government debt	State personal income	Ratio of debt to state personal income	Total primary debt per capita
Tennessee	$2.00 billion	$2.34 billion	$264.97 billion	0.9%	$358
National average	$6.60 billion	$13.76 billion	$288.25 billion	6.0%	$2,144

PENSION LIABILITY

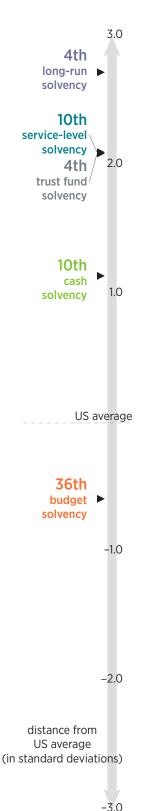|	Unfunded pension liability	Funded ratio	Market value of unfunded liability	Market value of funded liability ratio
Tennessee	$2.66 billion	94%	$37.96 billion	51%
National average	$20.46 billion	74%	$86.85 billion	40%

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

	Total unfunded OPEB	Funded ratio
Tennessee	$1.23 billion	0%
National average	$11.14 billion	12%

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UNDERLYING RATIOS

	Cash ratio	Quick ratio	Current ratio	Operating ratio	Surplus (or deficit) per capita	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Tennessee	3.42	4.54	4.89	1.02	$81	0.13	0.10	$541
National average	2.40	3.18	3.54	1.06	$448	−0.03	0.47	$3,069

	Tax-to-income ratio	Revenue-to-income ratio	Expenses-to-income ratio	Pension-to-income ratio	OPEB-to-income ratio	Primary debt-to-income ratio
Tennessee	0.05	0.11	0.10	0.14	0.00	0.01
National average	0.06	0.14	0.13	0.31	0.03	0.06

Vertical axis (left):

3.0

4th long-run solvency ▶

10th service-level solvency ▶

2.0

4th trust fund solvency

10th cash solvency ▶

1.0

US average

36th budget solvency ▶

−1.0

−2.0

distance from US average (in standard deviations)

−3.0

KEY TERMS

- **Cash solvency** measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. (Tennessee ranks 10th.)

- **Budget solvency** measures whether a state can cover its fiscal year spending using current revenues. Did it run a shortfall during the year? (Tennessee ranks 36th.)

- **Long-run solvency** measures whether a state has a hedge against large long-term liabilities. Are enough assets available to cushion the state from potential shocks or long-term fiscal risks? (Tennessee ranks 4th.)

- **Service-level solvency** measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough "fiscal slack"? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? (Tennessee ranks 10th.)

- **Trust fund solvency** measures how much debt a state has. How large are unfunded pension liabilities, OPEB liabilities, and state debt compared to the state personal income? (Tennessee ranks 4th.)

For a complete explanation of the methodology used to calculate Tennessee's fiscal health rankings, see Eileen Norcross and Olivia Gonzalez, "Ranking the States by Fiscal Condition," 2016 ed. (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, June 2016).