

# 5 ISSUES FOR TENNESSEE’S NEXT GOVERNOR AND GENERAL ASSEMBLY

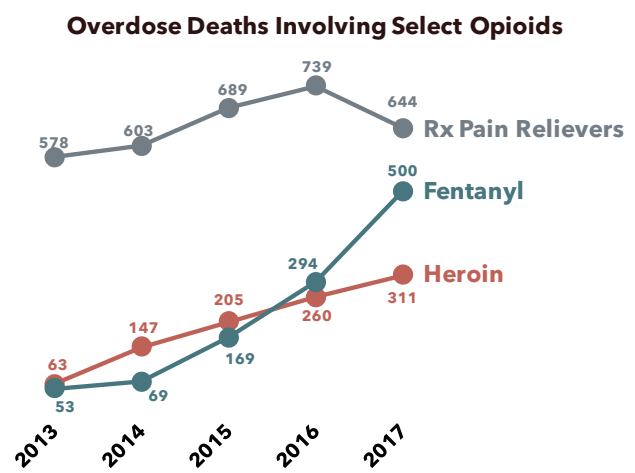
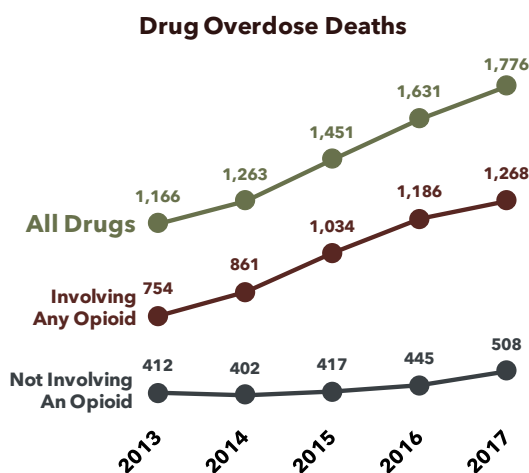
No matter who wins the election, these 5 challenges could keep Tennessee’s next governor and General Assembly busy throughout 2019 and beyond. Here they are in no particular order.

## KEY TAKEAWAYS

- Fentanyl & Heroin** – As the opioid epidemic evolves, overdose deaths from fentanyl and heroin are surging while deaths from prescription pain relievers fall.
- Recession Readiness** – History suggests Tennessee’s 50<sup>th</sup> governor will face a recession while in office. Meanwhile, the state budget has about 40% less cushion today than in 2007, before the last big recession.
- Workforce Health** – Even without a recession, Tennesseans’ below-average health prevents our economy from reaching its full potential.
- Online Sales Tax** –With online shopping on the rise, Tennessee collects sales tax on a smaller share of consumer spending than in the past. A 2018 U.S. Supreme Court ruling lets states change their tax laws to include more online sales.
- Access to Health Care** – Tennessee faces many health care access challenges, including a 9.5% uninsured rate, hospital closures, rural provider shortages, addiction treatment capacity, insurance costs, decisions about TennCare, and potential federal policy changes.

## 1. FENTANYL & HEROIN

### DRUG OVERDOSE DEATHS IN TENNESSEE



Categories are not mutually exclusive as deaths might involve more than one drug.  
 Source: Tennessee Department of Health, Office of Informatics and Analytics, 2017 Tennessee Drug Overdose Deaths

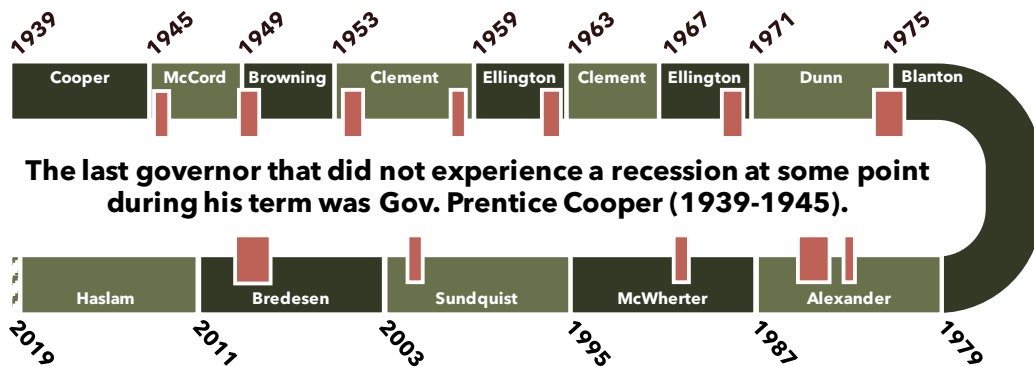
**As the opioid epidemic evolves, overdose deaths from fentanyl and heroin are surging while deaths from prescription pain relievers begin to fall.** [The supply of prescription opioids in Tennessee is on the decline, which has increased demand for fentanyl and heroin.](#) These illicit alternatives are often more potent and lethal than prescription opioids. Overdose deaths not involving an opioid also began to rise in recent years.

**As [new policies](#) take effect, policymakers should keep a close eye on whether and how they move the needle on the supply of and demand for opioids and other illicit substances.** They may want to consider the following questions:

- What do the data say?
- Are our efforts financially sustainable?
- How will federal action fit into Tennessee's strategy?
- What are other states doing?
- Are prevention and treatment efforts broad enough to stem the next epidemic?

## 2. RECESSION READINESS

### GOVERNORS OF TENNESSEE AND THE RECESSIONS THEY FACED (1939 through November 2018)



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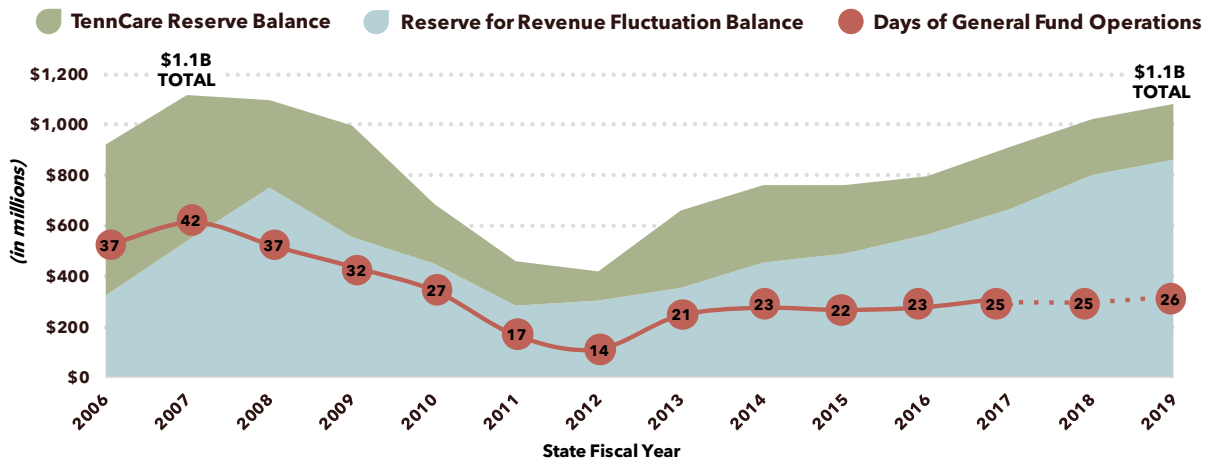
**History suggests Tennessee's 50<sup>th</sup> governor will [face a recession while in office](#).** The current U.S. economic recovery has lasted about 3 times longer than average. In fact, every Tennessee governor since 1945 has experienced a recession while in office (with the potential exception of Bill Haslam).

**Recessions can create challenges for state budgets.** They increase demand for state programs and services while reducing the revenues that fund them. States can respond to revenue shortfalls by reducing spending, increasing taxes, and/or tapping rainy day reserves.

**Meanwhile, Tennessee's state budget has about 40% less cushion today than in 2007,** and policymakers' [options could prove more limited than in years past](#).

- The \$2 billion in recurring budget reductions since FY 2008 could make identifying additional cuts more challenging.
- Public policy and political appetite limit Tennessee’s ability to raise new revenues.
- Tennessee has regrown its rainy day reserves to about \$1.1 billion, the same nominal level as before the Great Recession. However, the state would now exhaust those funds about 40% faster – covering about 26 days of General Fund operations in 2018 versus about 42 days in 2007.

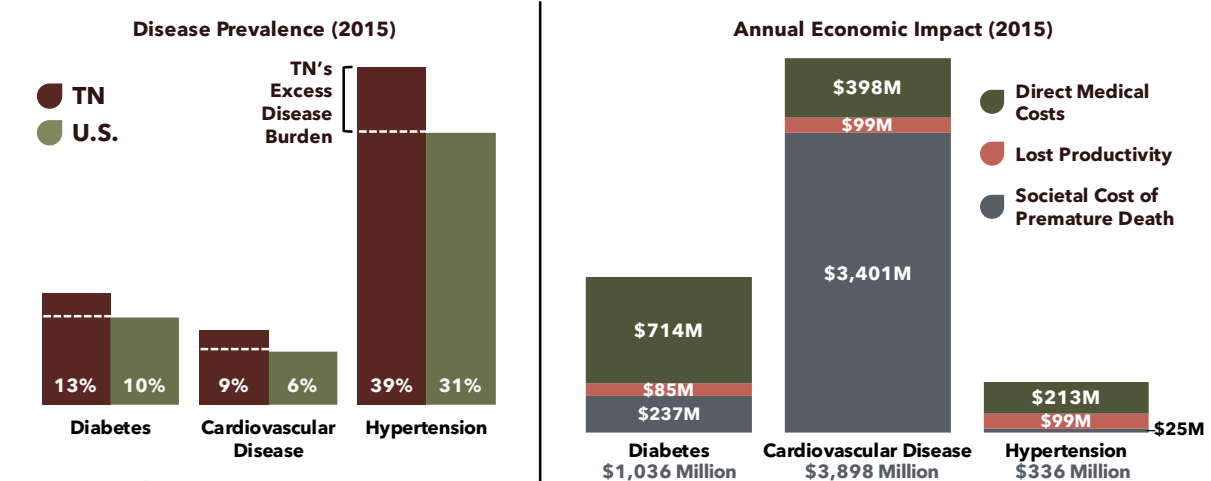
### TENNESSEE’S RAINY DAY RESERVES



Source: The Sycamore Institute’s analysis of the FY 2005-2006 - FY 2018-2019 Tennessee State Budgets and the Tennessee General Assembly Office of Legislative Budget Analysis’ 2018 Budget Summary Session Report. [SycamoreInstituteTN.org](http://SycamoreInstituteTN.org)

## 3. WORKFORCE HEALTH

### TENNESSEE’S EXCESS BURDEN OF 3 CHRONIC DISEASES COST \$5.3 BILLION IN 2015



[SycamoreInstituteTN.org](http://SycamoreInstituteTN.org)

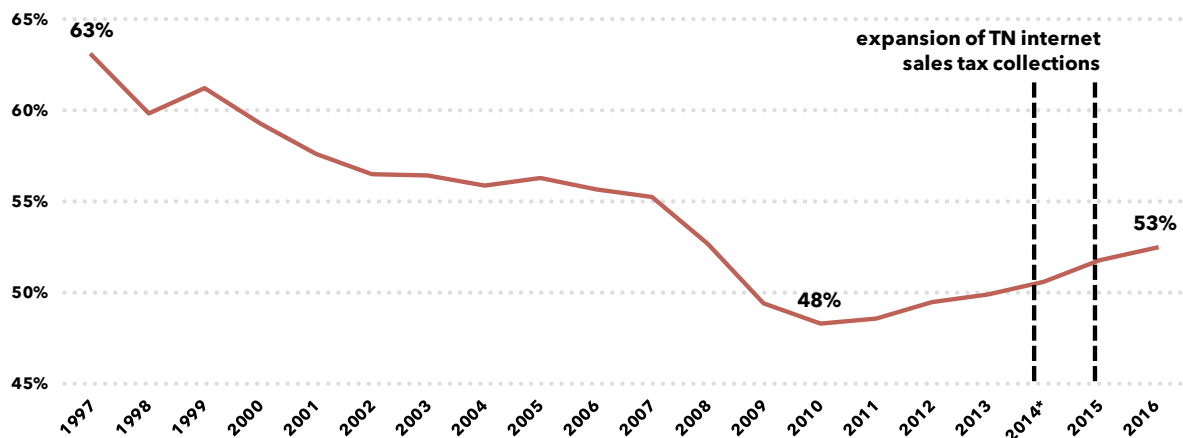
**Even without a recession, Tennesseans' below-average health prevents our economy from reaching its full potential.** Tennessee trails the nation on a wide range of key health indicators and outcomes, including chronic disease, mortality rates, and disabilities. Poor health hurts our economy by shrinking our workforce, reducing our productivity, and making us more costly to employ. In fact, Tennessee's high rates of just 3 chronic diseases cost an estimated \$5.3 billion in direct medical care, lost productivity, and premature death in 2015.

**These issues are particularly acute in Tennessee's rural areas, which face unique demographic, economic, health, and health system challenges.** Tennesseans living in rural areas tend to be older and sicker on average than those in other areas and often have less access to health care services. Meanwhile, 15 rural Tennessee counties are considered economically distressed based on unemployment, income, and poverty, and another 29 are at risk. (1)

**As policymakers tackle these issues, they should keep in mind the complex and interconnected set of factors that drive health.** Tennessee's public policies, programs, and services can shape and influence health care and the physical, social, and economic environments in which we live, work, and play.

## 4. ONLINE SALES TAX

### TENNESSEE TAXABLE SALES AS A PERCENT OF PERSONAL SPENDING



Under a 2012 law, the state began collecting sales tax from Amazon in 2014. A 2015 law requires out-of-state retailers with no physical presence in the state to collect and remit sales tax if they meet other criteria for having a "substantial nexus" in Tennessee.

Sources: The Sycamore Institute's analysis of data from the U.S. Bureau of Economic Analysis and UT Knoxville's Center for Business and Economic Research

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**With online shopping on the rise, Tennessee collects sales tax on a smaller share of consumer spending than in the past.** (2) (3) Tennessee relies more heavily on sales tax than do most other states, but the state does not collect sales taxes on many services and online purchases.

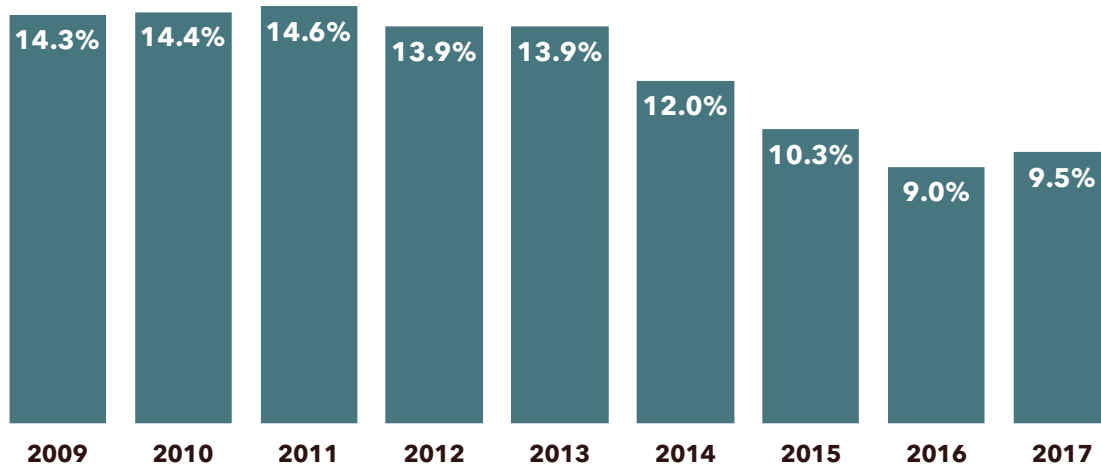
**A 2018 U.S. Supreme Court ruling lets states change their tax laws to include more online sales.**

The Tennessee Department of Revenue proposed a rule in 2016 to "protect the State of Tennessee's tax base and fiscal health as remote sales continue to increase each year" and ensure "that all

businesses selling to Tennessee consumers compete on a level playing field.” (4) Estimated to increase state revenues by \$200 million per year, the proposed rule would collect sales tax from all online retailers with at least \$500,000 in Tennessee sales.(4) (5) It cannot take effect without legislative approval. (6)

## 5. ACCESS TO HEALTH CARE

### THE UNINSURED RATE IN TENNESSEE



Sources: U.S. Census Bureau, 2009-2017 American Community Survey 1-year estimates

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**Tennessee faces many health care access challenges over which state policymakers have some influence.** For example:

- [About 9.5% of Tennesseans were uninsured in 2017.](#)
- For those who *are* insured, premiums and deductibles have increased in recent years in both the [job-based](#) and [individual](#) health insurance markets.
- Residents of rural areas often have less access to health care due to [provider shortages, hospital closures, and increased travel distances to providers.](#)
- Tennessee's [capacity for addiction treatment is lower than the demand and out of sync with the geography of the opioid epidemic.](#)

**TennCare, which covers about 1 in 5 Tennesseans, will demand attention** as the state seeks federal approval for a [Medicaid work requirement](#) and supporters and opponents of [Medicaid expansion](#) continue their debate.

**In addition, Congress and the Trump administration may keep trying to [give states more control over health insurance regulation.](#)** While these efforts and proposals vary in detail, they often make the same [basic trade-off](#): reducing individual market insurance costs for young and healthy people while increasing them for older and less healthy people. Any such changes to federal policy could require technically complicated and politically difficult decisions by Tennessee's governor and General Assembly.

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