

Tennessee

From 2002 to 2008, Tennessee's spending increased the most in the natural resources (95%), administration (72%) and health (60%) categories. The increase in natural resources spending was the largest in the nation in terms of percentage. The spending categories that saw the least growth were highways (+9%), debt service (+8%) and hospitals (-7%). Tennessee's per capita debt service spending was the lowest in the nation in 2008. The state's overall general spending increase of 33% was slightly below the state average, ranking 32nd-highest.

Tennessee's total overall revenue growth of 43% ranked 28th for the period, and its total tax revenue growth of 48% ranked 19th. Corporate income taxes were the fastest growing tax revenue category, increasing 100% (29th), although Tennessee's personal income tax and general sales tax revenues grew more relative to other states. The 99% increase in personal sales tax revenue was the biggest in the nation, and the 46% rise in general sales tax revenue ranked 13th.

Spending (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	529,747	45	768,711	38	+7	45%	11
Education	6,094,892	47	8,479,938	48	-1	39%	30
Government Administration	459,698	48	788,765	37	+11	72%	5
Health	800,515	27	1,282,165	19	+8	60%	9
Highways	1,533,906	39	1,668,715	43	-4	9%	34
Hospitals	436,774	29	407,688	37	-8	-7%	42
Interest on Debt	198,272	49	214,413	50	-1	8%	43
Natural Resources	234,901	43	458,161	26	+17	95%	1
Parks and Recreation	105,004	28	148,163	22	+6	41%	21
Police Protection	131,690	45	156,050	46	-1	18%	33
Public Welfare	6,896,284	9	8,664,226	18	-9	26%	41
Salaries and Wages	2,783,821	44	3,695,776	44	0	33%	23
Direct Expenditures	14,011,419	35	18,048,403	44	-9	29%	41
General Expenditures	18,489,355	46	24,565,001	45	+1	33%	32
Total Expenditures	20,029,048	46	26,403,221	47	-1	32%	34

Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	146,293	43	290,986	43	0	99%	1
General Sales Tax ²	4,674,896	8	6,832,948	6	+2	46%	13
Corporate Income Tax ³	502,977	14	1,005,880	17	-3	100%	29
Total Taxes	7,797,681	48	11,538,430	46	+2	48%	19
Total Revenue	17,951,931	46	25,699,084	46	0	43%	28

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Tennessee’s population increased by 7%. This yields a “baseline” growth of 27% for the period. The figure below compares the difference in Tennessee’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

