

TENNESSEE GOVERNMENT

Update

NEWS FOR THE CLIENTS AND FRIENDS OF BASS, BERRY & SIMS PLC

“The line I'm trying to steer is to say, look, we don't have a lot of money this year. That doesn't mean we shouldn't do anything.” Governor Phil Bredesen last week to an AP reporter.

The Budget

State tax revenue in December was \$55.7 million less than projected. That amount is in addition to the \$182 million cumulative shortfall for the fiscal year that began in July. Corporate franchise and excise tax collections were \$36 million lower than expected, sales tax collections were shy by \$5 million, and the tobacco tax brought in just under \$23 million in December, \$6.3 million less than projected for the month. Tobacco tax revenue is below projections by \$40 million thus far this fiscal year, since July.

The 42-cent per pack increase in the cigarette tax was expected to raise \$230 million for K-12 education. Finance Commissioner Dave Goetz expressed concern that the Bredesen budget, to be proposed later this month, might need revision in light of weak growth in revenue. Governor Bredesen has indicated that he will not seek to raise taxes but doubts there will be any decrease in the sales tax for next year.

Education

Lottery Finances - Robert Currey, economist for the legislature's Fiscal Review Committee, reported to the Senate Education Committee on the financial state of the lottery. Net lottery proceeds are projected to reach \$280 million to \$290 million in fiscal year 2008-2009, of which between \$42 million and \$52 million is excess of current scholarship requirements. When asked how a recession could affect those figures, Currey responded, “Lottery revenues seem pretty resilient to changes and turns in the economy. There's not a very big impact.” There is no shortage of proposals in the committee for spending the excess revenue, starting with \$25 million for the statewide pre-kindergarten program.

CoverTN

Laurie Lee, director of CoverTN, briefed the House Finance Committee on Tuesday. To date, upwards of 13,000 employers have enrolled in CoverTN and more than 18,000 children in CoverKids. These enrollment figures are lower than expected, resulting in a one-time reversion of \$37 million in funds from the program this year. Both programs have plans to expand coverage.

Insurance Mandate Discussion

Deputy Commissioner of Commerce and Insurance John Morris presented a very brief overview of insurance mandates to the Senate Commerce, Labor and Agriculture Committee. The Deputy Commissioner discussed mandated coverage versus mandated offerings, as well as experience ratings. Members of the Committee inquired if it would be possible to base Tennessee's determinations solely on the State's experience. Deputy Commissioner Morris, however, cautioned the Committee on the effects this may cause.

Legislative Notes

The first bill filing deadline passed yesterday. Until January 31, each of Tennessee's 33 senators may introduce only nine more bills. After January 31, no bill may be introduced in either House without the approval of leadership.

Three bills, with sponsors from both parties, have been filed with the intent to divest state pension funds from countries that sponsor terrorism or engage in genocide, in particular Iran and the Sudan. The Tennessee Consolidated Retirement System, which is the state's pension system, has \$32 billion currently in investments. However, state Treasurer Dale Sims seemed to express restraint with respect to the current efforts. "Once you start down the path of choosing what non-economic restriction you want to place on an investment program, how do you choose one cause over another?" Sims asked.

Political Notes

Representatives from the cable industry and AT&T met on Wednesday. AT&T is seeking a statewide franchise that the cable industry opposes. House Speaker Jimmy Naifeh initiated the meeting, the second between the groups. So far, organizations representing local governments, who oppose the statewide franchise, have not taken part in the meetings. Meanwhile, Tennessee's electric cooperatives and municipal electric systems expressed interest in providing broadband service in the state.

Perhaps complicating political matters a bit more this legislative session, two members of the House of Representatives have announced their intention to run for Senate seats against incumbents. Rep. Doug Overbey (R-Maryville) announced he will challenge fellow Republican Senator Raymond Finney in the primary.

A battle for Senate District 26 is also on. John Wilder (D-Somerville) has represented the West Tennessee district for more than four decades. Until he lost the position last year, Wilder was the longest serving Speaker of the Senate in the Union. Rep. Delores Gresham (R.-Somerville) has let it be known that she plans to run for Wilder's seat. The race between Gresham and Wilder will be a general election race.

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