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State of Tennessee: Fitch New Issue Report

Revenue Framework - 'aaa' Consistent with Tennessee's recent experience, Fitch expects long-term state revenue growth, predominantly sales tax, to be in line with or above national economic growth. The state retains an unlimited legal ability to raise operating revenues. Expenditure Framework - 'aaa' Spending is dominated by Medicaid and education. The natural pace of spending growth in Tennessee is expected to equal or marginally exceed expected revenue growth over time, requiring ongoing cost control. The state retains ample flexibility to cut spending throughout the economic cycle. Long-Term Liability Burden - 'aaa' The state's liability position is among the lowest of the states, driven by a historical reluctance to rely on debt issuance to fund capital projects and a consistently disciplined approach to pension funding. Operating Performance - 'aaa' Tennessee retains exceptional gap-closing capacity stemming from a willingness to cut spending (even in high-priority areas) and strong reserves, including both a budgetary reserve and a separate Medicaid program reserve.

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