Outlining the State Budget: “Taxpayers Expect Us to Live within Our Means” (continued)

Unfortunately, it’s not possible to make cuts of the magnitude necessary without affecting our state employees. This is particularly painful for me, as I know it is for each of you. I want our state employees to know how much I value your service and that the actions we are forced to take will be respectful to you and will minimize the negative impact.

We will have to forego the salary increases that were included in my original budget. We will also have to reduce the workforce by 5 percent, or about 2,000 people. We have the ability, under current law, to simply lay off that number of employees. Still, I would prefer — and I know you would prefer — to instead make these changes on a voluntary basis, wherever possible. This is the right thing to do, and it is complicated.

We feel confident that we can complete the design of a buyout shortly. But there are a number of considerations in federal law to contend with in addition to our own state laws.

For now, I am asking you to approve $50 million in reserve funds to enable these buyouts. Using one-time funds to reduce payroll is an appropriate and responsible use of our resources.

I am asking our department heads to identify categories of employees, either by classification or business unit, which they in their business judgment feel can most easily be reduced while minimizing the impact on the public.

For example, commissioners might say they can operate with five fewer accountants in the Central Region. Our working approach then is to offer to the accountants in that region buyout packages. If enough employees accept the buyouts, we are done; if not, then there is potentially a layoff.

Please note the underlying principle here: that the buyout is not offered to everyone, but only to those employee classifications for which the department head has committed to a permanent reduction. It does us no good to spend money to buy out an employee who needs to be immediately replaced.

Workforce reductions are difficult. But to once again put our...
situation in perspective, we are not alone. States across the country are facing similar pressures.

California has issued potential layoff notices to 20,000 teachers, librarians, nurses, and support staff in its education system. California is six times the size of Tennessee, so that is the equivalent here of notifying more than 3,000 of these people in our K–12 system. Minnesota is planning to lay off at least 1,000 teachers and 220 employees in the court system. New Jersey is closing three cabinet departments and reducing its workforce by over 3,000.

By pursuing voluntary buyouts, Tennessee is taking a thoughtful approach. We will know by the end of July if our buyouts have achieved the necessary reduction. I want to be clear, however, that if it is not achieved through voluntary means, there will have to be layoffs this summer. I am doing everything I know to make the buyouts successful so that this will not be necessary.

Finally, what we are undergoing is a reflection in Tennessee of larger forces. This is not simply a “this year” or “next year” issue. The economy will wax and wane. At the same time, our whole relationship with the federal government is changing.

You are already aware of the $70 million hit we have taken this spring from CMS in regard to rule changes affecting Children’s Services. We also face next year a far larger effect in other rules affecting TennCare. Transportation funding has been diminished repeatedly these past few years.

Tennessee, along with the 49 other states, will be going it alone more in the years ahead. We need to start getting ready.

What I have described to you is a solid and fiscally conservative place to be. I am proposing honest reductions to deal with our revenue shortfall.

I’m proposing keeping recurring revenues and recurring expenses in balance. And I’m leaving intact our major reserves — TennCare and the Rainy Day Fund.

In years past, I have used these speeches to try to call you to the altar, to remember the dream of our nation’s founders and the promise of our new land. I’m not going to diminish the sincerity of those calls or trivialize the deep beliefs they reflect by now applying them to a simple budget shortfall — except in this way: I learned in the business world that great ideas are fine and important but that in the end it’s about execution; it’s about doing the work and making the choices to bring those ideas to life.

Tennessee is a great idea; its character, its sensibility, and yes, its conservatism. But right now it is up to those of us in this chamber to execute, to take on the task of balancing our checkbook. Our task is made a little harder by a federal government that seems bent on convincing our citizens that
you can have it all; you can write checks that you never have to cover. But Tennesseans know better in their hearts.

I ask you to finish our work by confronting our changed circumstances, making the choices necessary, and once again, as we have so often before, rise above the moment and reveal the true character of Tennessee and her people. Thank you. (back to Part 1)

Phil Bredesen is the governor of Tennessee.

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