

FOR IMMEDIATE RELEASE

New Guidelines for State Budget Deficits Offer Pragmatic, Anti-Recessionary Approach

March 30, 2010 – As Tennessee’s Funding Board released its final revenue estimates for FY 2010-11 this week, a new set of guidelines highlights the essential connection between progressive fiscal policy and the twin goals of state budget repair and economic recovery.

Virtually every state, including Tennessee, is groping for solutions to budget gaps of historic proportions. Tennessee joins the majority of states that have responded with counterproductive budget cuts or with cuts and minimal new revenue. “As the newly-released Guidelines make clear,” said Elizabeth Wright, Executive Director of Tennesseans for Fair Taxation (TFT), “neither approach even remotely resembles a ‘best practice’ during a recession.”

Tennesseans for Fair Taxation, in cooperation with the Tax Fairness Organizing Collaborative (TFOC), supports legislation and fiscal policies that would provide the majority of Tennesseans a tax cut, not service cuts, in this economic downturn.

Tennessee jobs, essential public services, and the state’s economic recovery are hanging in the balance. Annual budget cuts, combined with a recession of this magnitude and a need to achieve economic soundness, all make it imperative that Tennessee address the underlying issue to the state’s recurring budget deficits: our Upside-Down tax structure that relies too heavily on the sales tax and asks low-income people to pay more than the wealthy.

TFT supports the Tax Cut and Jobs Creation Act that would accomplish these goals by eliminating the state sales tax on groceries, lowering the general sales tax to 5 percent, cut the franchise tax in half, and give two-thirds of Tennesseans a tax cut by implementing a personal income tax with generous exemptions. For example, a family of four earning \$75,000 a year would see no tax increase as a result of this plan, and families earning less — the majority of Tennesseans — would receive a tax cut.

Our governor and state legislators must realize that they have at their disposal a much sounder and more productive answer to the current recessionary budget gaps than is commonly acknowledged. In particular, we have ample room for progressive tax reform that raises revenue, underwrites critical public investment, stimulates additional private investment, maximizes job retention and creation, AND gives two-thirds of Tennesseans a tax cut.

TFT joins all Tennesseans in celebrating Tennessee’s victory in the national “Race to the

Top” competition for education reform. The influx of federal money will have a positive effect on our economy. However, it will not help to close our budget gap. When we add progressive revenue enhancements as proposed in the six bills supported by TFT, we will have a combination of economic measures that will launch economic recovery in Tennessee ahead of the rest of the country.

Today, TFT joins other TFOC members in states across the country facing a similar financial crisis to say: We have reached a critical juncture and our leaders MUST explore every option to ensure our state’s economic viability and the prosperity of every resident.

As our state legislators address the state’s budget shortfalls, TFT supports the following economic guidelines that promote optimum state fiscal policy in a recessionary budget crisis. Released by United for a Fair Economy’s Tax Fairness Organizing Collaborative (TFOC), and authored by economist David Shreve, a TFOC member affiliated with the Virginia Organizing Project, these guidelines delineate optimal fiscal policy during a budget crisis caused by recession, for any state seeking recovery, ongoing stability, and more widely shared prosperity.

Key points of the Guidelines:

To Close Recessionary Budget Gaps

- Make money available through progressive tax reform, strategic borrowing, the timely use of rainy day funds, and building trust funds wisely.
- Make tax increases and tax reform one and the same, including the repeal of unworthy tax expenditures.
- Encourage federal-state revenue sharing.

To Defend a More Progressive and Economically Sound Approach

- Don’t equate frugality or efficiency with budget austerity.
- Challenge anti-tax activists who promote unfair and unsound taxes in the name of lower taxes.

“Because so many people’s lives are being upended by this recession,” remarks Wright, “it is critical that Tennessee’s leaders not settle for ineffective approaches likely to prolong the economic downturn or delay the recovery. These guidelines show us the way to avoid such wrong turns.”

Tennesseans for Fair Taxation works to create a more balanced and progressive tax structure that ensures adequate revenues for the benefit of all Tennesseans.

UFE’s [Tax Fairness Organizing Collaborative](#) is a network of statewide grassroots organizations in 24 states educating and organizing for progressive state tax policies.

The Guidelines are available for download at

http://www.faireconomy.org/files/TFOC_2010_Budget_Guidelines.pdf

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