

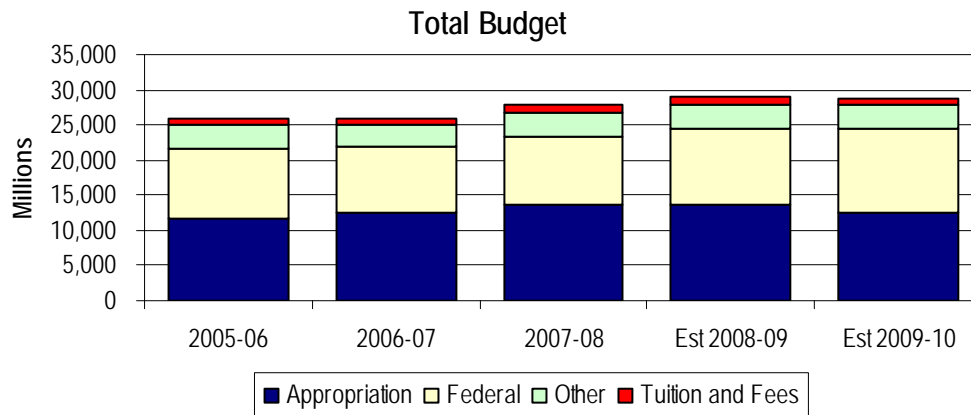
# FY09-10 BUDGET Action

	Est 0809	Est 0910	
<b>Total Budget</b>	\$29.1B	\$28.9B	-0.7%
State	13.5	12.2	-9.7%
State - ARRA Stabilization	0.1	0.4	339.2%
Fed	10.9	11.8	9.1%
Tuition/Other	4.6	4.4	-4.7%
<b>Gen. Fund</b>			
	Est 0809	Est 0910	
<b>Gen. Fd Total</b>	\$25.2B	\$25.8B	2.4%
State	11.5	10.2	-10.9%
State - ARRA Stabilization	0.1	0.4	339.2%
Fed	9.3	11.0	18.1%
Tuition/Other	4.3	4.2	-3.6%

- The total budget (excluding bonds) is \$28.9 billion. This represents a decrease of .7 percent.
- The general fund budget is up slightly (2.4 percent) due to a significant amount of federal funds.
- State funding is down 9.7 percent in the total budget and almost 10.9 percent in the general fund.
- The state is facing an unprecedented revenue deficit of over \$1.2 billion.
- To avoid the severe reductions that this deficit represents, the state is using over \$520M in one-time funding to develop a "soft landing" that will hopefully aid in transitioning state government to what will eventually become a much smaller government in the next two years.
- As a result, the 09-10 budget is out of balance on a recurring basis \$427M. This imbalance will be corrected over the next two years with additional reductions and with anticipated revenue growth in FY10-11 and FY11-12.
- The Final Budget action attempts to balance a budget that is declining in revenues while minimizing the impact on those services deemed most necessary to Tennesseans.

## The Budget

- Total Budget is \$28.9B (excluding bonds)
- Reflects a budget with shrinking state funds
- Anticipates revenue growth of .2% for FY09-10
- Initiates first step in reducing over \$1.2B in state funding from the budget by identifying over \$750M in reductions but using one-time funds to minimize the first year reduction to only \$240M.
- The Federal Government has provided almost \$1B in federal aid that is being used to buffer a drastic drop in state revenues.
- Requires the Administration to identify additional reductions of over \$250M in next year's budget in order to balance the budget on a recurring basis by FY11-12.
- Anticipates Rainy Day Reserve to be \$533M at the end of FY09-10
- Continues to give the Administration the authority to use selected reserves to close FY09-10 – if necessary



### Additional Revenue

- Budget does include a few revenue adjustments that close loop holes, improves the collection of already imposed taxes and increases the tax on Health Maintenance Organizations.
  1. \$25M from closure of FONCE Loop hole
  2. \$136.6M (Net) increase from HMO Tax increase
  3. \$32M other revenue measures

### Redirects existing revenues to General Fund

1. EPF Fees – removes appropriation clause - \$2.1M
2. Underground Storage Tanks – redirects to GF for 3 years - \$3M.
3. Used Oil Fund Revenue – redirects portion to GF for 3 years - \$400,000
4. Solid Waste Assistance Fund – redirects portion to GF for 3 years - \$2.6M.
5. Agricultural Enhancement – redirects \$4.7M to GF.

### Reductions

- The Governor’s Budget reduces the Base by over \$750M
- Utilizes one-time funds to:
  - reduce the first year impact of reductions to be only \$244M in FY09-10
  - identify numerous programs that, without significant revenue growth, will be reduced or eliminated, not immediately, but within the next two budget cycles
  - allow the state to shrink by over \$1.2 billion over a three year period and not all at once
- Includes contingency language that will save an additional \$55M should revenue collections fall below revised estimates

### Position Reductions

- Budget eliminates 1,373 positions over next two years - 718 (mostly vacant) in FY0910
- \$3.7M is included to provide severance and tuition assistance for individuals that are not retained/repositioned
- Budget assumes one-time funding/natural turnover will allow a smoother transition to eliminate positions but not people

### Restorations

- Restores (for one more year at least) certain proposed reductions that, through the result of Legislative review, were determined to be critical and vital to the most needy of our population.
 

Including:

  - \$4.5M for Department of Children Services
  - \$5.0M for Mental Health family support services and services to children
  - \$4.9M for Education Coordinated School Health Grants
  - \$370,000 for Adult Education grants
  - \$10M for Mental Health Safety Net activities

- Legislative action also retains the state 401k match at \$50 per month in an attempt to recognize the value of our many state employees and hopefully encourages broad participation in a program that is important more today than it ever has been.

### Improvements

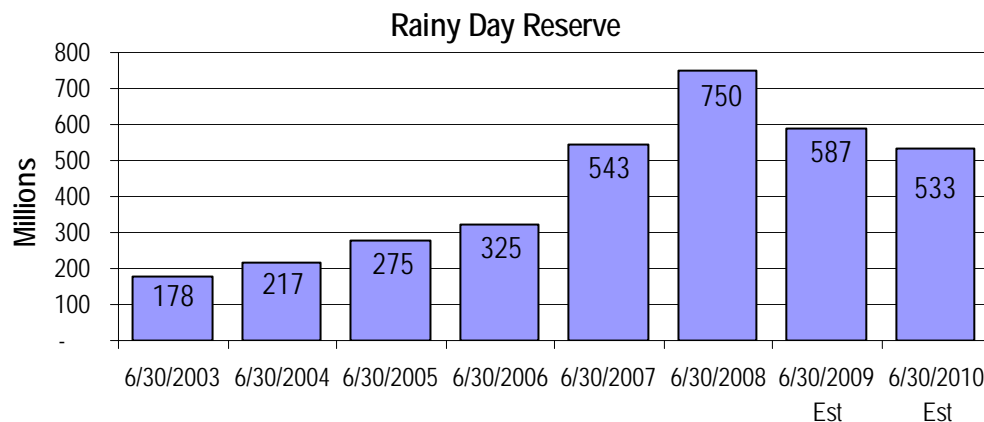
- \$46M to fully fund BEP growth - but does not provide the next down payment on BEP 2.0
- \$9.3M for K12 Test Development
- \$11.9M for Local Jail payments
- \$9.3M to open the Morgan Co. Correctional Complex
- \$9.9M to develop/expand Probation & Parole supervision programs
- \$55.6M (Non-Recurring) for Economic and Community Development projects

### Capital Outlay

- Bonds previously-funded projects to preserve cash
- New Precedent in issuing Economic Development Bonds
  - \$262M for Volkswagen and Hemlock - (FY08-09)
  - \$56.9M for Wacker Chemie AG Infrastructure – (FY 09-10)
  - \$27.3M for West Tennessee Mega-site land and right-of way – (FY 09-10)
- Delays certain existing projects by transferring project cash to general fund
- Initiates a plan to issue \$350M in bond funding for bridge replacements / upgrades over the next four years

### Reserve Funds

- Anticipates additional reserve-taking of \$41M from various Agency Reserves to close FY0809
- Anticipates TennCare reserve to be \$341M at the end of FY09-10
- Anticipates Rainy Day Reserve to be \$533M at the end of FY09-10



### Federal Stimulus (ARRA) Funds available to Tennessee

- Over \$4.5Billion will come to Tennessee over the next two years
- Majority of this funding is to enhance/expand existing federal programs – not for general government purposes
- About \$1B is available for general government purposes (including Education)
- This \$1B will be used to:
  - maintain education funding at FY08-09 funding levels and
  - continue numerous state-funded programs and activities (for one more year) that otherwise would have been eliminated immediately
- In addition to funding to support general government, Tennessee is estimated to receive ARRA funding for the following programs:
  - Education – Special Education** – Over \$122M
  - Education – Title I** – Over \$122M for school improvement grants
  - Transportation** – Over \$665M

- **THDA** – Over \$61M to fund the HOME Investment Partnership, Homeless Prevention and Neighborhood Stabilization programs.
- **Economic and Community Development** –
  - Over \$61M for the Tennessee Solar Institute at UT and ORNL to improve affordability and efficiency of solar products. The West Tennessee Solar Farm will serve as a showcase for Tennessee made solar products.
  - \$13M for the Energy Efficiency and Conservation Block Grant for grants to cities and counties.
  - \$6.7M additional Community Development Block Grant funds.
- **Labor and Workforce Development** – Over \$46M to fund adult education, employment and training programs, dislocated worker training, rapid response counseling, and senior community service employment program
- **Environment and Conservation** – Over \$40M to reduce diesel emissions and to provide low-interest loans to counties and utility districts for wastewater facilities and drinking water facilities.
- **Agriculture** – Over \$2M to assist soil conservation districts, assist forestry in wildland fire management and provide emergency food assistance
- **Childrens Services** – An increase of 6.2 percent for Foster Care and Adoption Assistance over three years.
- **TennCare** – Enhanced federal matching funds of \$316M for FY 08-09 and \$609.5M for FY 09-10.
- **Byrne Justice Grants** - \$30.8M to prevent and control crime and improve the criminal justice system.
- **Weatherization** - \$85.3M to improve energy efficiency of low-income dwellings.

#### **Law Changes Required to enact Budget**

- Closing FONCE Tax Loophole - \$25M
- Increasing HMO Tax - \$136.6M
- Real Estate Transfer Tax to GF expiration already in TCA
- Reallocation of Dedicated Taxes (listed above) - \$10.7M
- Suspension of certain mandated salary increases (i.e., DAs, PDs, TWRA, Troopers, etc)
- Mental Health - clarifies placement in state facilities
- DCS – assess local costs for extraordinary state commitment rates