109th GENERAL ASSEMBLY
BUDGET SUMMARY SESSION REPORT

2015

Budget Overview
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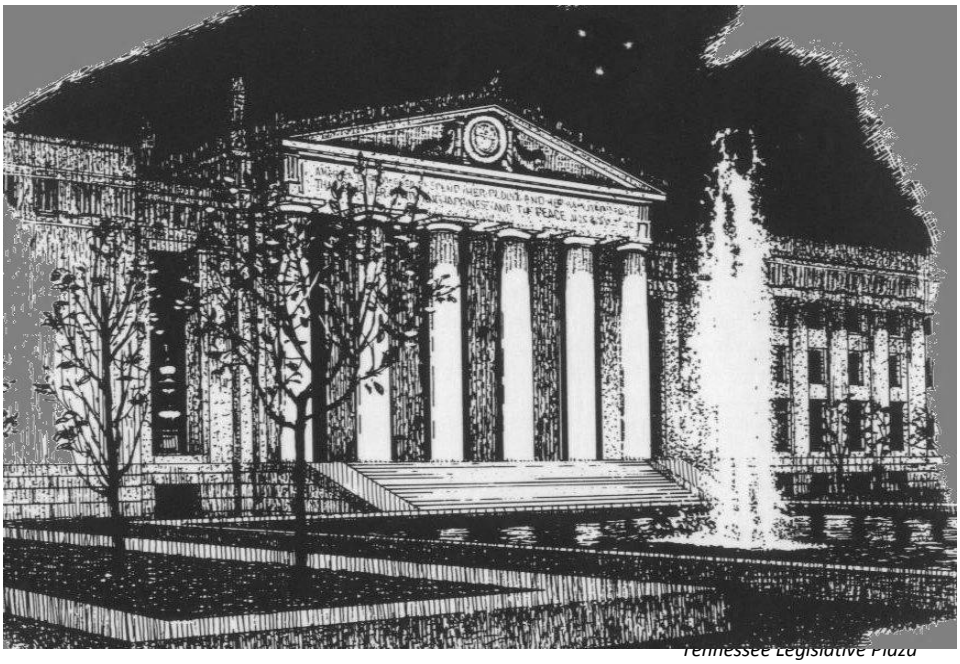

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FY 15-16 BUDGET OVERVIEW

Total Budget
·This budget continues to be conservative in order to face uncertainties with the slow-growing economy
·The Total FY 15-16 Budget is $33.8 billion and is 2.3% more than last year's budget of $33.0 billion

Reductions
·Includes $189 million in recurring base budget reductions

Reserves
·Adds $76.5 million to the Rainy Day Fund to reach a projected balance of $568 million at June 30, 2016
·TennCare reserves are expected to be $282.6 million at June 30, 2016

Taxes
·Recognizes the final phase-out of the state inheritance tax
·Increases the Hall Tax exemption for persons 65 and over to $37K for singles and $68K for couples
·Caps the aviation fuel tax imposed on an entity at $21.4M for 2016 declining to a cap of $10.5 in 2018
·Eliminates the sales tax on diabetic testing supplies
·Modernizes the state's existing tax structure relative to nexus, market base sourcing and triple weight sales factor for franchise and excise taxes

·Provides a pool equivalent to a 4% raise for teachers, a 1.5% raise for higher education employees, and a pool equivalent to a 2% raise for state employees
·Funds all statutory pay raises for law enforcement, judges, district attorneys, public defenders, attorney general, and TWRA officers
·Continues to actuarially fund the State's retirement program for employees
·Continues the $50 match for the 401(k) program

Health and TennCare
·Extends the Hospital Coverage Assessment at 4.52% for another year to maintain hospital payments and medical service levels
·Adds funds to address the requirements of the Brian A Settlement
·Delays the provider and pharmacy reductions for one year

Crime and Public Safety
·Provides funds for new Trousdale County Correctional Facility
·Provides funds for the new Correctional Offender Management Electronic Tracking initiative (COMET)

Education
·Fully funds the BEP and appropriates $5.6 billion in total funding for K-12 Education
·Increases the state share of teacher's health insurance by funding the 11th month

Higher Education
·Increases funding for Higher Education by $46.2 million and appropriates total funding at $4.2 billion
·Includes an additional $5 million for equipment purchases at colleges of applied technology
·Funds capital outlay projects totaling $216.6 million and capital maintenance totaling $55.5 million.
·Provides an additional $10 million for need-based student financial aid
·Provides for additional funding of over $8 million to programs to meet the Drive to 55 goal

Economic Development
·Includes $88.7 million to create new jobs and provide job training and educational opportunities for Tennessee's workforce
·Includes $200.8 million for Volkswagen and Nissan projects
·Includes $14 million for the Film and TV Incentive Fund

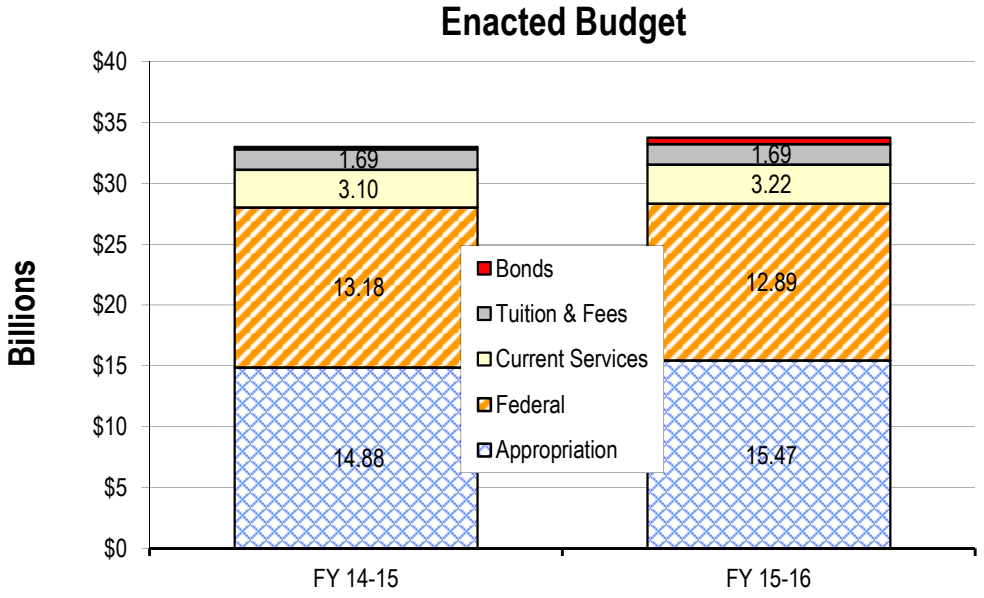
Capital Outlay and Maintenance for FY 15-16 plus added FY 14-15 Projects
· Includes $407.0 million in state capital, ECD, and maintenance projects (excludes higher education):
·$136.1 million funded with cash
·$243.7 million funded with bonds
·$26.2 million funded with other sources (excludes federal)

FY 15-16 FINAL BUDGET ACTION
TOTAL STATE BUDGET

Preliminary Estimate

	Est. FY 14-15	Est. FY 15-16	Change
TOTAL	**33,017,851,400**	**33,793,207,100**	**2.3%**
Appropriation	14,882,906,100	15,471,468,600	4.0%
Federal	13,175,058,100	12,893,951,700	-2.1%
Current Services	3,102,504,300	3,216,593,900	3.7%
Tuition & Fees	1,689,782,900	1,689,782,900	0.0%
Bonds	167,600,000	521,410,000	211.1%

Preliminary Estimate



STATE BUDGET FUNDING HISTORY - (Excludes Bonds)

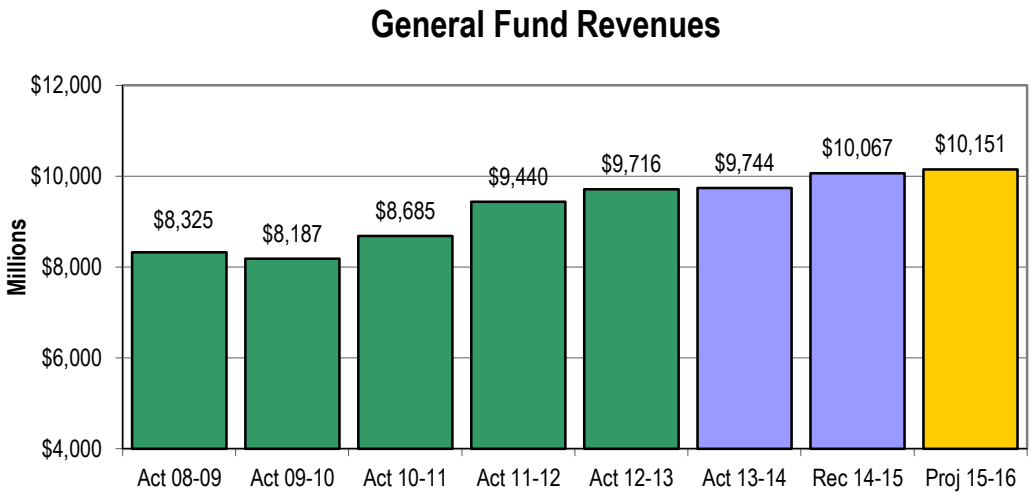
	Total (Billions)	State	Federal	Other	% Change
2004-05	$24.89	11.08	9.68	4.13	12.6%
2005-06	$25.89	11.66	9.93	4.30	4.0%
2006-07	$26.03	12.46	9.39	4.18	0.5%
2007-08	$27.75	13.79	9.56	4.40	6.6%
2008-09	$29.21	13.54	11.03	4.64	5.3%
2009-10	$29.68	12.20	12.92	4.56	1.6%
2010-11	$31.73	12.91	13.97	4.85	6.9%
2011-12	$31.51	13.63	13.12	4.75	-0.7%
2012-13	$31.95	14.22	13.07	4.66	1.4%
2013-14	$32.96	15.09	13.23	4.64	3.2%
Est 2014-15	$32.85	14.88	13.18	4.79	-0.3%
Rec 2015-16	$33.27	15.47	12.89	4.91	1.3%

2015 SESSION - NOTED LEGISLATION

	Description	SB	HB	Gen Fund - Fiscal Impact		
				(Decrease) Recurring Exp	(Decrease) Non-Recurring Exp	Gen Fund Revenue
Budget Bills	Appropriation Bill	1399	1374			
	Bond Bill - Issue bonds for state projects	1400	1375			
	Budget Implementation Act - prohibits state funds received by local government to be expended to pay any expenses attributable to a lawsuit against the state or state agency. Permits use and transfer of state land acquisition funds for certain circumstances. Permit use of Second Injury fund to cover costs associated with defense of funds. ABC will be allowed to use permits fees from Employee and Service permits for technology and software upgrades.	1401	1376			
	Training law enforcement in human trafficking (TBI)	16	275	212,300		
	Enrollment in DIDD waiver when caregivers attain the age of 80	17	115	1,136,500		
	"Individualized Education Act,"	27	138	300,900		
	Prohibits release eligibility for aggravated vehicular homicide until the offender has served 60 percent of the sentence imposed	30	45	117,000		
	Hall Income Tax - increases the maximum allowable income exemption level to $37,000 for single filers over 65 and to $68,000 for joint filers over age 65	32	48			(983,700)
	Creates sales tax exemption for diabetic testing supplies	33	122			(1,700,000)
	Mabry Kate Webb Act - newborn testing	44	33	1,020,300		680,000
	Creation of new judge position in the 19th judicial district	60	55	271,100		
	Makes various revisions regarding captive insurance companies	80	70	108,100		101,000
	Enacts the "Go Build Tennessee Act."	127	24			
	Allows possession of cannabis oil to treat seizures	280	197			
	Establishes the Underground Utility Enforcement Board within the Tennessee Regulatory Authority (TRA)	379	1337			
	Requires TSIN to establish STEM hubs in areas of state	453	946	750,000	750,000	
	Allows motorcyclists to ride without helmets in low-speed parades and memorial rides.	469	395	9,800		

	Description	SB	HB	Gen Fund - Fiscal Impact (Decrease) Recurring Exp	(Decrease) Non-Recurring Exp	Gen Fund Revenue
	Revenue Modernization Act	603	644			17,196,600
	State employee longevity - expands list of those not eligible and hired after June 30, 2015	606	647			
	Makes various changes to the state sponsored health insurance plans for state, local education, and local government employees	607	648			
	HISET recipients eligible for Hope Scholarship just the same as GED recipients	624	945			
	Safety - authorizing an optional electronic format in lieu of a physical driver license.	651	556	100,000		
	Creates a $500 lifetime handgun carry permit (revenue FY 15-16 to FY 19-20)	700	745			1,555,600
	Enacts "Tennessee Right to Try Act"	811	143			
	Phases in a cap on aviation fuel taxes	982	1147			(4,577,100)
	Makes various changes to the regulation of motor vehicle dismantlers and recyclers and scrap metal processors	1098	1043	100,000		110,000
	Bans most speed cameras after current contracts expire	1128	1372			
	Enacts "The Achieving a Better Life Experience Act" of 2015	1162	999			
	Relative to Common Core standards and establishing a review mechanism	1163	1035			
	Relative to gun permit holders and state/local parks	1171	995			
	Relative to abortion-informed consent - requires informed consent and a 48-hour waiting period.	1222	977			
	Relative to abortion clinics - requires facilities or physician offices to be licensed as ambulatory surgical treatment centers	1280	1368			
	Property Tax Relief - reduces home value and caps income eligibility beginning in tax year 2015	1336	1197	2,560,000		

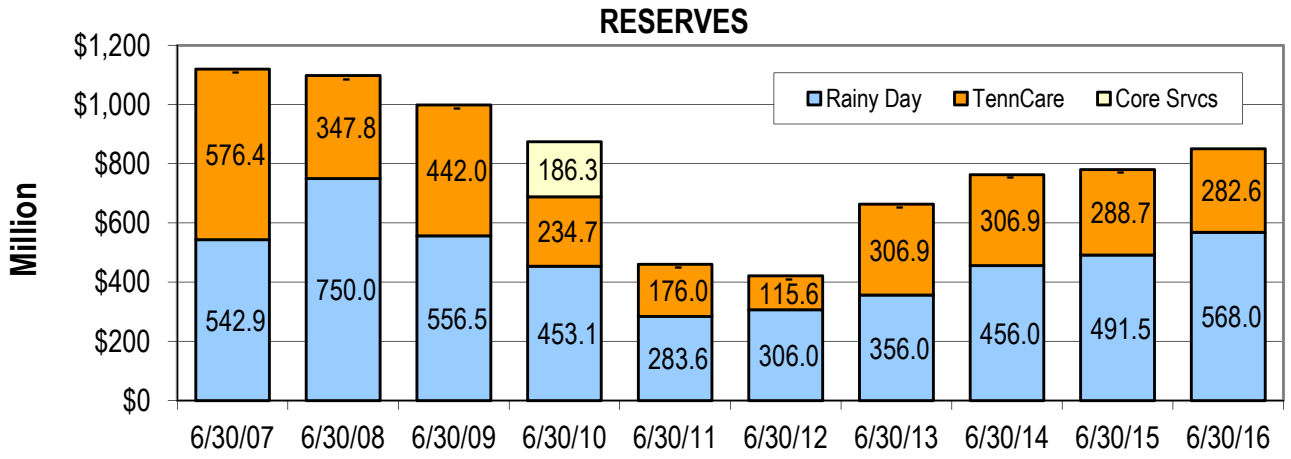
STATE TAX REVENUES



For FY 14-15, final budget action recognizes additional revenue of $202,440,000 and $28,300,000 for FY 15-16.
For FY 14-15, this recognizes non-recurring F&E collection, litigation settlement and the Administration adjusting to the top of the Funding Board range of 4.2% for FY 15 and 3.0% for FY 16.

RESERVES

	Rainy Day	% of GF Rev	TennCare	Core Services	TOTAL
6/30/07	542,900,000	5.9%	576,432,467	-	$1,119,332,467
6/30/08	750,000,000	9.0%	347,832,500	-	$1,097,832,500
6/30/09	556,500,000	6.8%	442,000,000	-	$998,500,000
6/30/10	453,065,800	5.2%	234,700,000	$186,279,600	$874,045,400
6/30/11	283,600,000	3.0%	176,000,000	-	$459,600,000
6/30/12	306,000,000	3.1%	115,600,000	-	$421,600,000
6/30/13	356,000,000	3.7%	306,877,300	-	$662,877,300
6/30/14	456,000,000	4.7%	306,877,300	-	$762,877,300
Est 6/30/15	491,500,000	4.9%	288,704,300	-	$780,204,300
Rec 6/30/16	568,000,000	5.6%	282,624,800		$850,624,800



SALARIES AND BENEFITS

TOTAL - SALARIES & BENEFITS (funded in FY15-16)		$171,097,200
	Recurring	**Non-Recurring**
State Employees		**$39,538,000**
Salary Increase @ 2%	32,289,700	
Salary increase for General Government eff. 1/1/2016, FY16 Cost $16,144,900		
401(K) - $10 match (total @ $50)		$2,500,000
Health Insurance 3.5% Increase 1/1/2016	4,748,300	
Higher Education		**$21,132,400**
Salary Increase @ 1.5%	19,519,400	
401(K) - $10 match (total @ $50)		1,613,000
K-12		**$103,740,000**
Salary Increase @ 4%	97,600,000	
Salary Equity	6,000,000	
Teacher Training & Experience - State Special Schools	102,100	
Teacher Training & Experience - Youth Development Centers	37,900	
Mandated Salary Increases		**$5,866,800**
Attorney General	3,600	
Assistant District Attorneys	1,406,900	
Assistant District Attorneys IV-D Child Support Enforcement	115,300	
Public Defenders (includes Memphis and Nashville)	742,400	
Post-Conviction Defender	32,400	
Governor	3,500	
Safety Step Increases	839,300	
Safety Salary Survey @ 2%	1,193,200	
Training Academy Step Increases	15,900	
Training Academy Salary Survey @ 2%	16,400	
TWRA Step Increases	424,200	
TWRA Salary Survey @ 2%	1,073,700	
Retirement		**$820,000**
COLA - increase effective 7/1/2015	1.00%	
Retiree Health Insurance	820,000	

FY 2015-2016 CAPITAL AND MAINTENANCE PROJECTS

	County	Total	State	Bonds	Federal	Other
FY 2014-2015 ADDITIONAL PROJECTS						
Veterans Services						
West TN Veterans Cemetery improvements	Shelby	$7,328,000	-	-	7,328,000	-
East Tennessee Veterans Cemetery Essential Maintenance	Knox	$2,085,700	-	-	2,085,700	-
Sub-Total		**$9,413,700**	**$0**	**$0**	**$9,413,700**	**$0**
Agriculture						
Forestry Work Center	Cumberland	$930,000	-	-	-	930,000
Environment and Conservation						
Panther Creek State Park Campground and Paving Repairs	Hamblen	$250,000	250,000	-	-	-
Total FY 14-15 Additional Projects		**$10,593,700**	**$250,000**	**$0**	**$9,413,700**	**$930,000**
FY 2015-2016 CAPITAL APPROPRIATIONS						
	County	**Total**	**State**	**Bonds**	**Federal**	**Other**
Purchase and Development of Multipurpose Agricultural Facility	Sullivan	$2,200,000	2,200,000	-	-	-
Metrology Lab Completion - Additional Funding	Davidson	$1,400,000	1,400,000	-	-	-
		$3,600,000	**$3,600,000**	**$0**	**$0**	**$0**
Correction						
Maintenance	Statewide	$11,500,000	-	-	-	11,500,000
Bledsoe Co. Correctional Cpx. 512 Bed Expansion	Bledsoe	$5,000,000	-	-	-	5,000,000
DeBerry Special Needs Facility Dialysis Ctr.	Davidson	$2,800,000	-	-	-	2,800,000
Sub-Total		**$19,300,000**	**$0**	**$0**	**$0**	**$19,300,000**
Children's Services						
Maintenance	Statewide	$6,710,000	6,710,000	-	-	0
Economic and Community Development						
Volkswagen Plant Infrastructure	Hamilton	$165,800,000	-	165,800,000.00	-	-
Economic Development Project Infrastructure - Nissan	Rutherford	$35,000,000	-	35,000,000	-	-
Manufacturing Facility		$40,000,000	40,000,000	-	-	-
CVMR (USA) Inc. Project	Anderson	$12,000,000	12,000,000	-	-	-
Sub-Total		**$252,800,000**	**$52,000,000**	**$200,800,000**	**$0**	**$0**
Environment and Conservation						
Maintenance	Statewide	$3,750,000	1,550,000	2,200,000	-	-
ADA Upgrades	Statewide	$2,850,000	2,850,000	-	-	-
Swimming Pool Maintenance	Statewide	$280,000	280,000	-	-	-
Civilian Conservation Corps Cabins Renovations	Statewide	$5,900,000	5,900,000	-	-	-
Montgomery Bell State Park Golf Course	Dickson	$240,000	240,000	-	-	-
Chickasaw State Park Bridge Replacement	Chester	$790,000	790,000	-	-	-
Bathhouse Replacement	Various	$5,100,000	900,000	4,200,000	-	-
Cedars of Lebanon SP Campground Renov.	Wilson	$2,200,000	1,000,000	1,200,000	-	-
Chickasaw State Park Campground Impvts.	Chester	$2,650,000	1,850,000	800,000	-	-
Cumberland Trail SP Bridge Construction	Various	$450,000	-	-	-	450,000
David Crockett State Park Campground Impvts.	Lawrence	$970,000	970,000	-	-	-
Sub-Total		**$25,180,000**	**$16,330,000**	**$8,400,000**	**$0**	**$450,000**
Finance and Administration						
State Architect Building information Modeling Contract	Statewide	$150,000	150,000	-	-	-
General Services			-	-	-	-
Statewide Maintenance	Statewide	$36,700,000	4,200,000	32,500,000	-	-
Emergency and Contingency Funds	Statewide	$5,000,000	5,000,000	-	-	-
Cordell Hull Building Renovation	Davidson	$40,030,000	40,030,000	-	-	-
Empower TN Infrastructure	Statewide	$4,140,000	-	-	-	4,140,000
Empower TN Utility Data Collection and Software	Statewide	$2,070,000	-	-	-	2,070,000
Sub-Total		**$87,940,000**	**$49,230,000**	**$32,500,000**	**$0**	**$6,210,000**

	County	Total	State	Bonds	Federal	Other
Historical Commission						
Maintenance	Statewide	240,000	240,000	-	-	-
Battle of Franklin Building Demolition	Williamson	500,000	500,000	-	-	-
Sub-Total		**$740,000**	**$740,000**	**$0**	**$0**	**$0**
Intellectual & Developmental Disabilities						
Maintenance	Statewide	2,850,000	850,000	2,000,000	-	-
Clover Bottom Developmental Ctr. Essential Maint.	Davidson	2,700,000	2,700,000	-	-	-
Sub-Total		**$5,550,000**	**$3,550,000**	**$2,000,000**	**$0**	**$0**
Mental Health & Substance Abuse Services						
Western MHI Administration Building Relocation	Hardeman	$850,000	850,000	-	-	-
Military						
Maintenance	Statewide	$100,000	100,000	-	-	-
Millington Readiness Center HVAC and Energy Updates	Shelby	$277,500	277,500	-	-	-
Clinton Readiness Center Roof and Facility Updates	Anderson	$520,000	520,000	-	-	-
Columbia Readiness Center HVAC and Energy Updates	Maury	$710,000	710,000	-	-	-
Alamo Readiness Center HVAC and Energy Updates	Crockett	$675,000	675,000	-	-	-
Sub-Total		**$2,282,500**	**$2,282,500**	**$0**	**$0**	**$0**
Veterans Services						
Maintenance	Statewide	$2,590,000	-	-	2,590,000	-
Middle TN Veterans Cemetery Improvement	Davidson	$4,350,000	370,000	-	3,980,000	-
East TN Veterans Cemetery Irrigation & Paving	Knoxville	$550,000	85,000	-	465,000	-
Sub-Total		**$7,490,000**	**$455,000**	**$0**	**$7,035,000**	**$0**
Veterans Home Board						
State Veterans Home Parking Expansion	Rutherford	$270,000	-	-	-	270,000
Higher Education						
Maintenance - TBR	Statewide	$24,980,000	12,880,000	12,100,000	-	-
TCAT Master Plan Improvements	Statewide	$23,800,000	4,570,000	18,800,000	-	430,000
TCAT Equipment	Statewide	$5,000,000	5,000,000	-	-	-
Volunteer State CC - Wood Building Restroom Renovations	Sumner	$180,000	180,000	-	-	-
TCAT - Parking & Paving Repair	Statewide	$610,000	610,000	-	-	-
ETSU - Various Roof Replacements	Washington	$2,000,000	2,000,000	-	-	-
ETSU - Fine Arts Classroom Building	Washington	$39,150,000	-	28,000,000	-	11,150,000
Roane State CC - Oak Ridge Campus Replacement Phase II	Anderson	$370,000	370,000	-	-	-
APSU Fine Arts Bldg. Expansion and Impvts.	Montgomery	$20,300,500	-	15,000,000	-	5,300,500
JSCC New Health Science Facilities	Madison	$17,000,000	3,200,000	13,000,000	-	800,000
Maintenance - UT	Statewide	$23,790,000	6,090,000	17,700,000	-	-
UTIA West TN 4-H Center Land Acquisition	Hardeman	$15,900,000	-	14,300,000	-	1,600,000
UTK Science Laboratory Facility	Knox	$99,490,000	-	75,000,000	-	24,490,000
UT Space Institute Building Improvements	Coffee	$2,000,000	2,000,000	-	-	-
UT Space institute - TN Aerodynamics Laboratory	Coffee	$1,000,000	1,000,000	-	-	-
UT Martin Electrical Distribution Upgrades	Weakley	$1,520,000	1,520,000	-	-	-
Sub-Total		**$277,090,500**	**$39,420,000**	**$193,900,000**	**$0**	**$43,770,500**
Grand Total FY 15-16 Projects		**$689,953,000**	**$175,317,500**	**$437,600,000**	**$7,035,000**	**$70,000,500**

Note: Does not include projects funded from FRF, Dedicated Revenues, School Bonds or other Sources

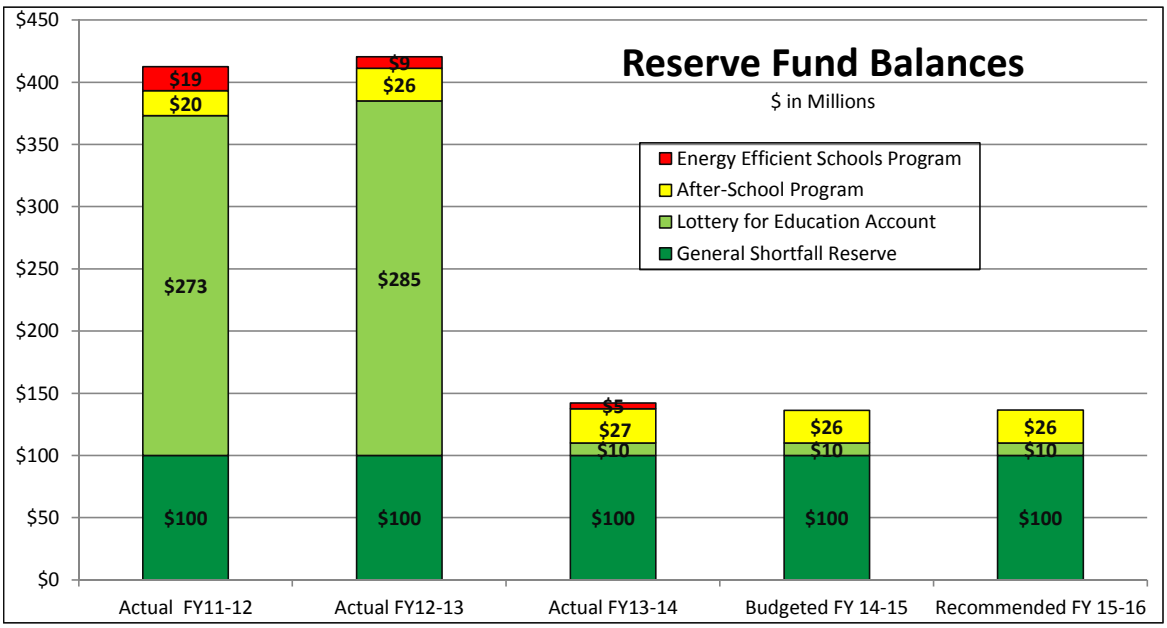
HOSPITAL COVERAGE ASSESSMENT FEE
Fiscal Year 2015-2016

Senate Bill 0125 / House Bill 0151 continues the hospital coverage assessment for one year.
This fee raises an estimated $449.8 million that will be used to drawdown $825.5 million in Federal Matching Funds to temporarily restore the following reductions:

	State	Federal	Total
FY 2009-2010 Base Reductions Restored:			
Essential Access Hospital Payments	34,965,000	65,035,000	100,000,000
Graduate Medical Education	17,482,500	32,517,500	50,000,000
Critical Access Hospital Payments	3,496,500	6,503,500	10,000,000
Medicare Part A Reimbursement	12,430,200	23,120,200	35,550,400
Provider Reimbursement and Co-Pay	62,741,400	116,699,200	179,440,600
Sub-Total	**$ 131,115,600**	**$ 243,875,400**	**$ 374,991,000**
FY 2010-2011 Base Reductions Restored:			
Hospital Reimbursement Ceiling	15,243,400	28,352,800	43,596,200
In-Patient Services	43,329,000	80,592,100	123,921,100
Therapies	4,851,300	9,023,300	13,874,600
Out-Patient Services	24,182,900	44,980,200	69,163,100
Office Visits	19,009,900	35,358,500	54,368,400
Sub-Total	**$ 106,616,500**	**$ 198,306,900**	**$ 304,923,400**
Other Appropriations:			
Disproportionate Share Hospital Payments	28,329,700	52,693,300	81,023,000
Additional Cost-Based Reimbursement-Critical Access	6,000,000	-	6,000,000
Hospital Payments - Unreimbursed Costs	159,614,300	296,883,100	456,497,400
Sub-Total	**$ 193,944,000**	**$ 349,576,400**	**$ 543,520,400**
Grand Total	**$ 431,676,100**	**$ 791,758,700**	**$ 1,223,434,800**

LOTTERY-FUNDED PROGRAMS

	Actual FY13-14	Estimated FY14-15	Rec. FY15-16	Projected FY16-17	FY17-18	FY18-19
Appropriation Requirements:						
Lottery Scholarships	-$302.6M	-$311.9M	-$321.5M	-$331.1M	-$341.2M	-$344.2M
Reconnect Program at Community Colleges for adults	0.0	0.0	-1.5	0.0	0.0	0.0
TSAC Operations	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
THEC Operations	-1.6	-1.4	-1.4	-1.4	-1.4	-1.4
Transfer to TSAC Student Assistance Awards	-6.8	-6.8	-6.8	-6.8	-6.8	-6.8
Total Requirements	**-$313.4M**	**-$322.5M**	**-$333.6M**	**-$341.7M**	**-$351.8M**	**-$354.8M**
Revenue:						
Net Education Lottery Proceeds	$323.0M	$332.7M	$338.4M	$344.2M	$350.1M	$356.1M
Interest on Lottery for Education Account	13.4	0.1	0.1	0.1	0.1	0.1
Unrealized Net Gain or Loss	15.4	0.0	0.0	0.0	0.0	0.0
General Shortfall Reserve @ prior year June 30	100.0	100.0	100.0	100.0	100.0	100.0
Lottery for Edcucation Account @ prior year June 30	284.2	10.0	10.0	10.0	10.0	10.0
Total Revenue	**$736.0M**	**$442.8M**	**$448.5M**	**$454.3M**	**$460.2M**	**$466.2M**
General Shortfall Reserve	$100.0M	$100.0M	$100.0M	$100.0M	$100.0M	$100.0M
Lottery for Education Account Reserve	10.0	10.0	10.0	10.0	10.0	10.0
Available to transfer for Tennessee Promise Scholarships	312.5	10.3	4.9	1.6	-0.6	1.4
Total Reserve	**$422.5M**	**$120.3M**	**$114.9M**	**$111.6M**	**$109.4M**	**$111.4M**
Tennessee Promise:						
Original Endowment	$0.0M	$48.8M	$48.8M	$48.8M	$48.8M	$48.8M
Additional Endowments	0.0	312.5	312.5	312.5	312.5	312.5
Total Endowment	**$0.0M**	**$361.4M**	**$361.4M**	**$361.4M**	**$361.4M**	**$361.4M**
Transfer of Net Lottery Proceeds	$0.0M	$0.0M	$10.3M	$4.9M	$1.6M	-$0.6M
Interest on Endowment @ 4.5%	0.0	16.3	16.3	16.3	16.3	16.3
Interest on Balance Forward @ 4.5%	0.0	0.0	0.7	1.6	1.8	1.9
Total Revenue	**$0.0M**	**$16.3M**	**$27.2M**	**$22.8M**	**$19.7M**	**$17.6M**
Cost of Tennessee Promise Scholarships *(estimated # students is 12,340 in FY16; 20,913 in FY17; 25,500 in FY18; and 25,875 in FY19)*	$0.0M	$0.0M	-$9.3M	-$17.2M	-$20.1M	-$21.1M
Surplus or Deficit	$0.0M	$16.3M	$17.9M	$5.5M	-$0.4M	-$3.5M
Balance Forward	**$0.0M**	**$16.3M**	**$34.2M**	**$39.7M**	**$39.3M**	**$35.9M**



Notes : Reduction in Lottery for Education Account Reserve of ($312,542,000) made in FY13-14 to establish the endowment for TN Promise.
FY15 and FY16 Balances of the Energy Efficient Schools Program are unknown at this time.