

To: All Agency Heads and Budget Officers
From: Butch Eley, Commissioner of Finance and Administration
Date: August 13, 2021
Subject: Fiscal Year 2022-2023 Budget Instructions



First, I want to thank you and your employees on the tremendous dedication you have exemplified over the past 17 months to provide extraordinary service to the people of Tennessee during the COVID-19 pandemic. I'm proud to work with all of you in moving our great state forward through unprecedented times.

Over the last 17 months, the Tennessee economy has shown resilience amid the pandemic-related recession of 2020 and is showing signs of a strong recovery. Tax collections continue to outpace estimates, but unemployment rates as of July 2021 remain above pre-pandemic levels. Lingering issues with certain sectors of our economy signal to us that we should be fiscally responsible when forecasting future tax collections. Given the above, we must continue to be smart about our investments while still providing first class services to our customers.

Below are the guidelines for developing and submitting your fiscal year 2022-2023 budget request. Justifications and impact descriptions for both cost increase requests, and reduced expenditure items should be well documented and supported by evidence and data where applicable. Cost increase requests should not account for any proposals submitted by departments for funding under the American Rescue Plan, rather priorities should be submitted independent of that process. Both cost increase requests and ARP proposals will be part of the ongoing budget development process.

Principles

Please ensure all submissions reflect the following principles:

- 1) Prudent and long-term strategic investments;
- 2) Return to pre-pandemic priorities;
- 3) Invest in what works; and
- 4) Focus on services and outcomes.

Due Date

Please submit your operating and capital outlay budget requests to the Division of Budget **by Friday, September 24th**.

Cost Increases

All cost increase requests should have justification and clear linkage to departmental goals. Increases deemed mandatory by state or federal law, court order, or contractual obligations should be clearly identified and given highest priority. Each cost increase request should include supporting information on a form provided by the F&A Office of Evidence and Impact to provide detailed justification of and the projected programmatic impacts of the cost increase request. That form will be provided in a separate communication. Cost increase requests should also keep increased position authorizations to a minimum. Any cost increase requests not meeting the above criteria should be limited and listed as lower priorities.

Additionally this year, we will be asking for more detailed information on regulatory boards in the departments of Health and Commerce and Insurance. Your Budget Office analyst will be providing you with the information requested and such forms to accomplish this.

Efficiencies

Even as state tax revenue collections exceed budgeted estimates, it is important that we continue to seek efficiencies on the expense side of the ledger for all state agencies as we begin the development process for FY2022-2023. Every organization should continually review its operations and streamline where needed. Thankfully, we are not asking for significant reductions as we did in May 2020, so, similar to previous years, we are requesting agencies with general appropriations to develop a list of efficiencies that total **one percent** of your discretionary base appropriation. Budget Office staff will inform each agency of their one percent target once the work program has been finalized.

As with cost increases, efficiency plans should include supporting information on a form provided by the F&A Office of Evidence and Impact to provide detailed projected programmatic impacts of the cost increase request. That form will be provided in a separate communication.

Agencies that are funded from interagency charges, although not a direct impact to the general fund, also need to develop a list of spending reductions that total one percent of their budgeted revenue.

Please also carefully analyze your vacant positions and be prepared to speak to those during budget discussions. We would like to emphasize the rightsizing of position counts across the enterprise to more accurately reflect the personnel needed to provide services to our customers.

Capital Outlay

Requests for capital outlay and maintenance should include essential and high priority items only. Budget officers of agencies that traditionally submit a capital budget request are receiving separate capital budget instructions. Agencies which do not receive capital budget instructions, but are planning to submit a capital budget request, should contact their Budget Office analyst.

Next Steps

Technical instructions for transmitting your fiscal year 2022-23 budget request will be shared with your fiscal officer. If you or your staff has questions about the budget instructions, please feel free to contact your Budget Office analyst.

Thank you and your fiscal team in advance for help and cooperation as we begin development of the fiscal 2022-2023 budget. I look forward to working with you in the coming months.