



**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285**

**JIM BRYSON
COMMISSIONER**

To: All Agency Heads and Budget Officers

From: Jim Bryson, Commissioner
Finance & Administration

Date: August 16, 2024

Subject: Fiscal Year 2026 Budget Instructions

Tax revenues were flat for fiscal year 2023-2024 and are only projected to grow modestly in the current fiscal year. Presently, we are planning for a rebalanced economy performing at much slower growth rates as economic activity continues to moderate both now and into next fiscal year 2025-2026. It is important that we acknowledge the booming growth of the past several years as extraordinary and that we, along with all other states, are facing a much more restrained future.

The past few years have allowed for unprecedented investments in state programs and infrastructure, which will require time to reveal results. As such, it would be appropriate for agencies to continue their focus on implementation and execution of these already funded investments before requesting new funding.

When developing your fiscal year 2025-2026 budget request, the following guidelines should be followed.

- Requests should have a strong connection to Governor Lee's priorities.
- Justification and impact descriptions for both cost increase requests and reduced expenditure items should be well documented.
- In addition, all items should be supported by evidence and data where applicable.
- When requesting new funding and positions for your agency, it's important that you make clear the issue, the need, and your rationale for your request. Every agency needs to make a better effort to 'tell a better story' for their requests.
- Submitting other information, you think helpful, that supports your request is always encouraged and welcomed.

Positions

New position requests should be limited.

Before requesting to add new positions, please take a hard look at your existing vacant positions and any programs that are not supported with evidence of effectiveness. Agencies are encouraged to evaluate and reallocate positions within the agency before asking to increase headcount. Existing salary equity should always be part of your analysis before asking for new funding.

Due Date

Please submit your operating and capital outlay request to the Division of Budget by **Monday, September 16th**.

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 support form provided by F&A to provide detailed justification, projected programmatic impacts and success measures. When submitting a funding request, it's also important to describe how a new program will ultimately be measured for effectiveness. The form will be provided in a separate communication. As stated earlier, new position requests should be kept at a minimum but well justified.

We will also be asking for more detailed information on regulatory boards and other programs solely supported by dedicated fees and revenues. Your Budget Office analyst will be providing you with the information requested and such forms to accomplish this.

New to Highlight

Items funded from Shared Savings

Agencies currently receiving funding from TennCare Shared Savings are responsible for requesting any continued funding for fiscal year 2025-2026.

Internal Service Agencies

Internal Service Agencies should provide a list of planned billings by agency for fiscal year 2024-2025. This report should clearly identify the amount you plan to bill each agency to fund your current fiscal year 2024-2025 costs. This information should be included, as a separate file (outside of the budget system), in your September 16 budget submission.

Reduction Plans

Each organization should review its operations and streamline where possible. Delivering relevant programs and services as efficiently as possible should underpin all that state government does. Agencies with general fund appropriations should develop a list of possible reductions that total one percent of their discretionary base appropriation. Budget Office staff will inform each agency of their one percent target.

Internal service agencies should develop a list of possible reductions that total one percent of their base funding. Agencies that are funded from interagency charges should report whether any of the listed efficiencies will result in a decrease in billing rates to agencies.

The Office of Evidence and Impact will be providing you with an analysis of evidence-based programs in your department. Please review this report carefully when developing your reduction plan. We strongly encourage you to analyze current operations to reallocate resources to better fit your agency's mission. Lastly, cost increases that are offset from a reduction will be given priority for inclusion in the Governor's budget recommendation.

This purpose of this exercise is to identify efficiencies that make government, and its programs work better. Funding swaps that reduce state appropriations but do not address operational efficiencies are discouraged.

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 and all related forms for transmitting your fiscal year 2025-2026 budget request will be shared with your fiscal officer today. If you or your staff have questions about the budget instructions, please feel free to contact your Budget Office analyst.

Thank you and your fiscal team in advance for your help and cooperation as we begin development of the fiscal year 2025-2026 budget. I look forward to working with each and everyone of you in the coming months.