



FISCAL YEAR 2022 RECOMMENDED BUDGET

Agenda

- Where we were
- What shaped our thinking
- What we are proposing



Fiscal Stability Rankings

Measuring states' short- and long-term fiscal health



RANK

STATE

1



Tennessee

TN

We were prepared!

THE WALL STREET JOURNAL.

U.S. Expansion Expected to Continue Through 2020 - WSJ Survey

Dec. 18, 2019

Economists see healthy labor market, less chance of a recession in presidential election year

U.S. Braces for Sharp Economic Downturn as Coronavirus Bears Down

March 16, 2020

A contraction in U.S. economic activity would mean global recession

U.S. Economy Contracted at Record Rate Last Quarter; Jobless Claims Rise to 1.43 Million



The Commerce Department's initial estimate of U.S. gross domestic product in the second quarter is the steepest drop in more than 70 years

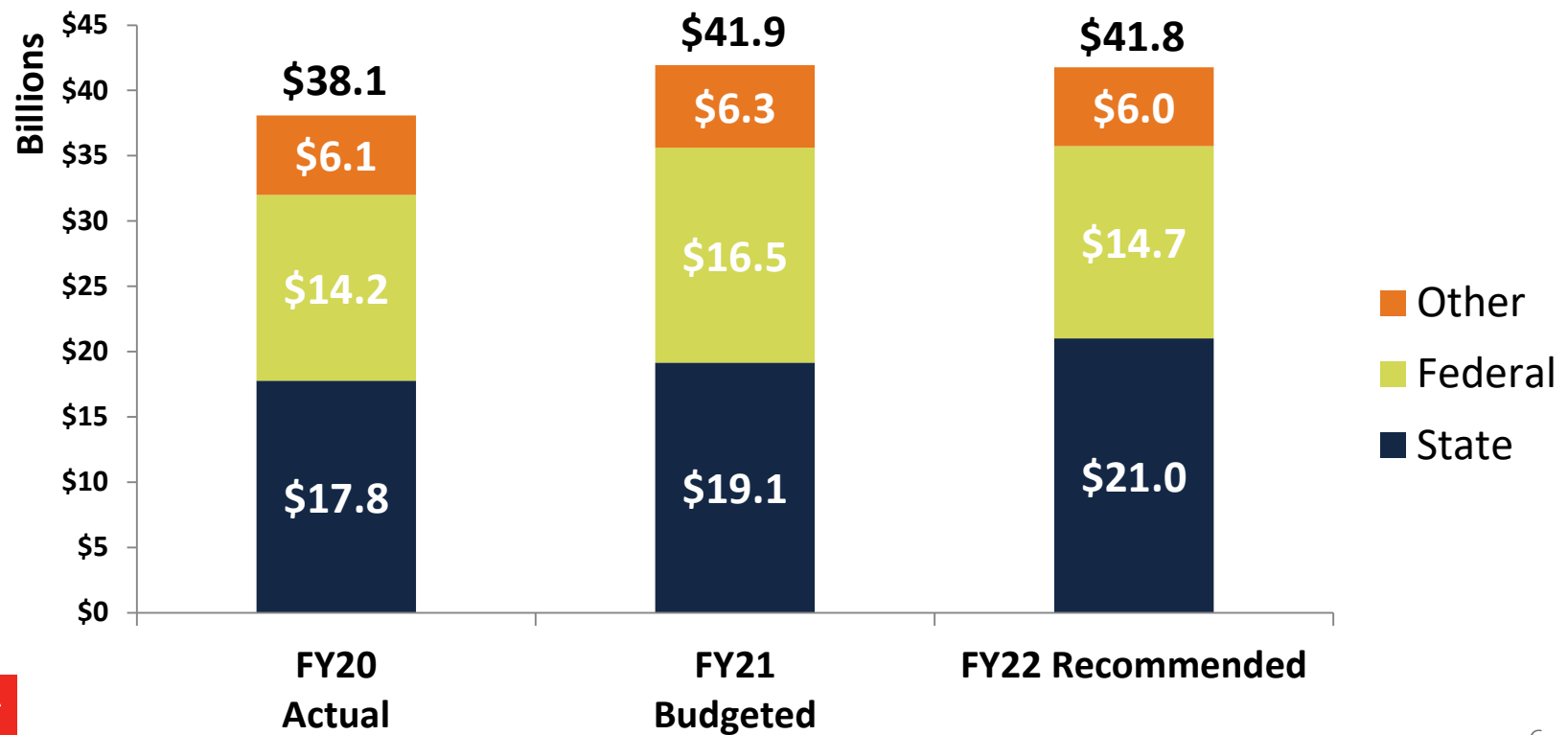
July 30, 2020

Cautious Approach – Took Immediate Action

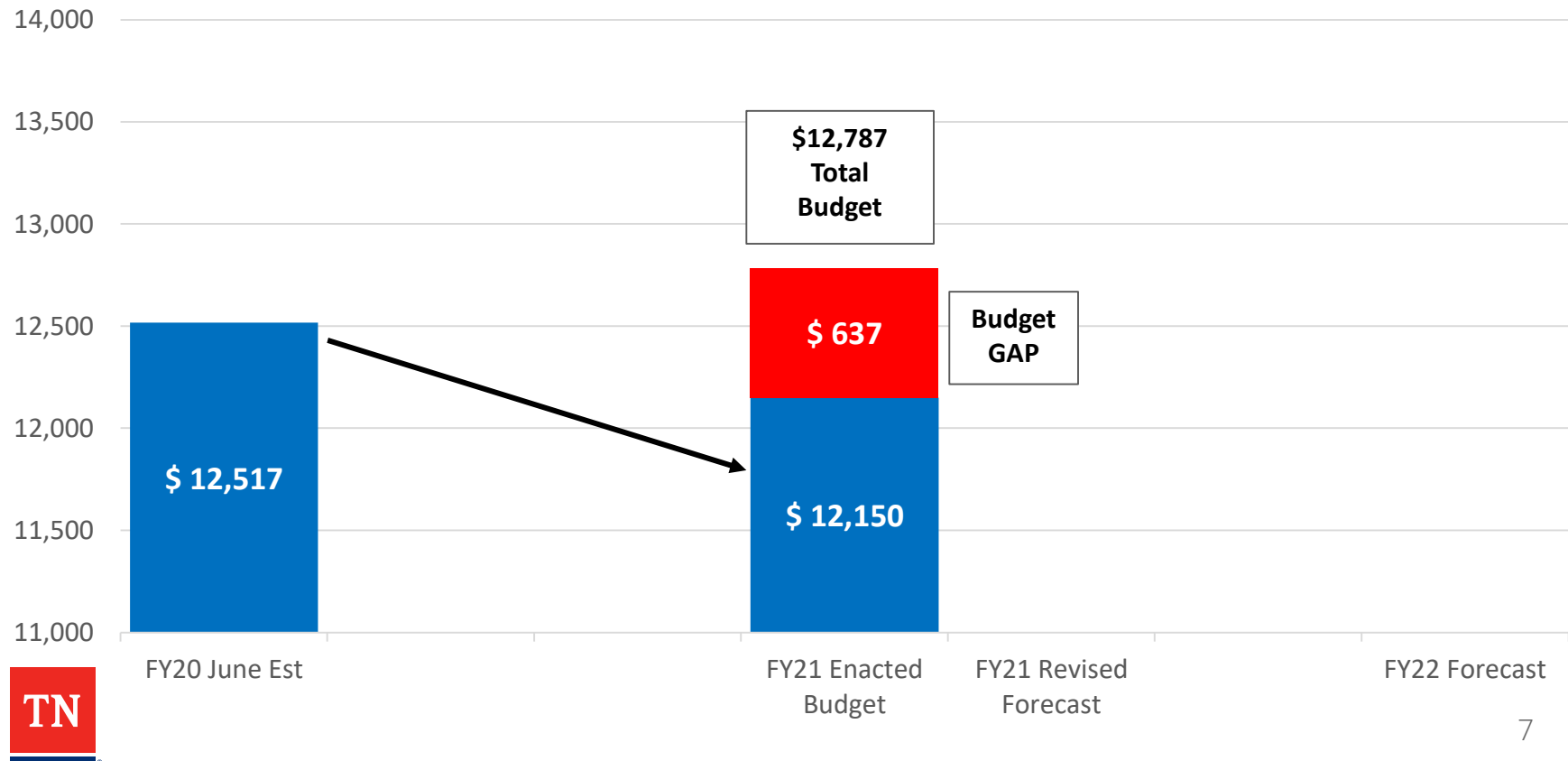
FY21 Actions

- Collaborated with legislature to develop multi year plan for structurally balanced budget
- Passed no growth budget in March
- Announced freeze on hiring and equipment purchases
- Convened State Funding Board to confer with economists
- Reduced revenue estimates for FY20 and FY21

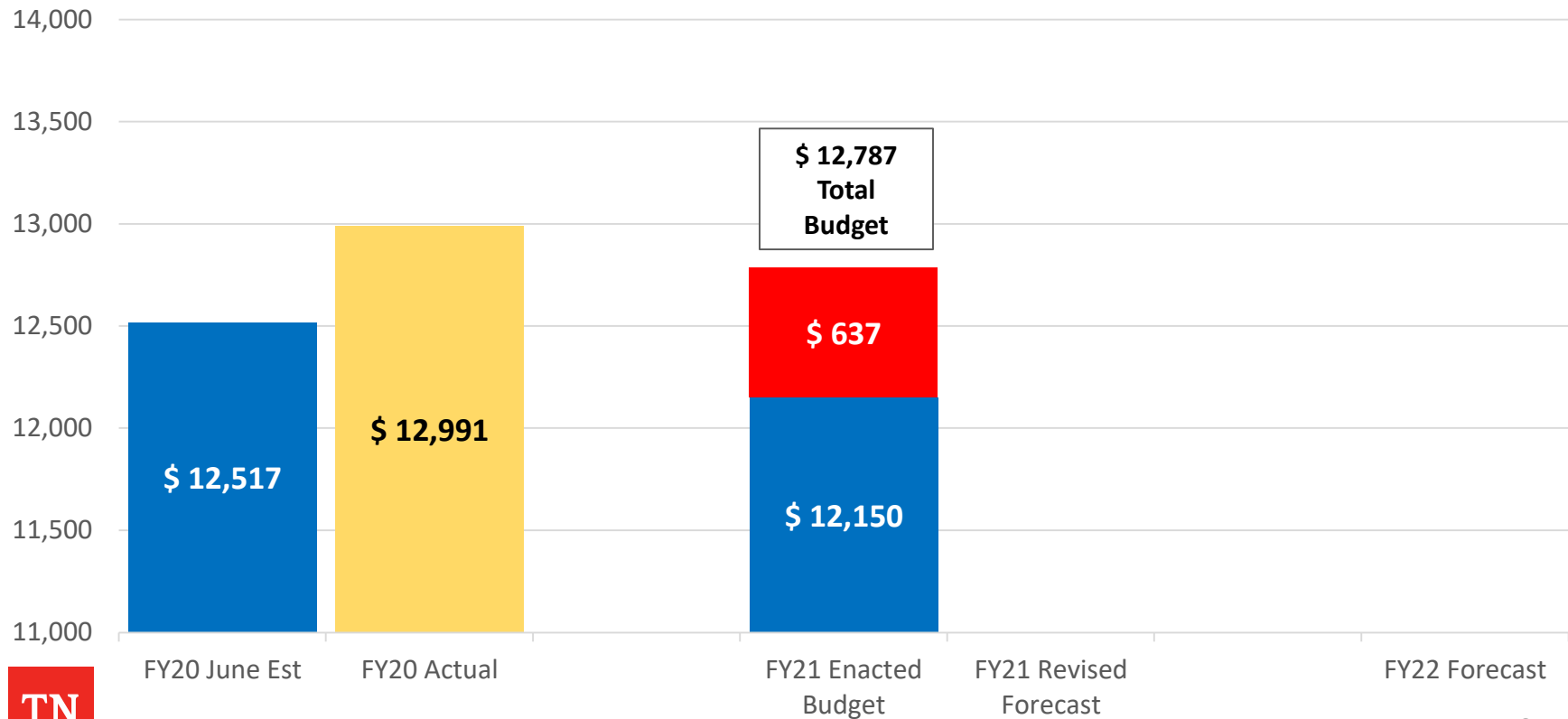
Comparison of total budget (billions)



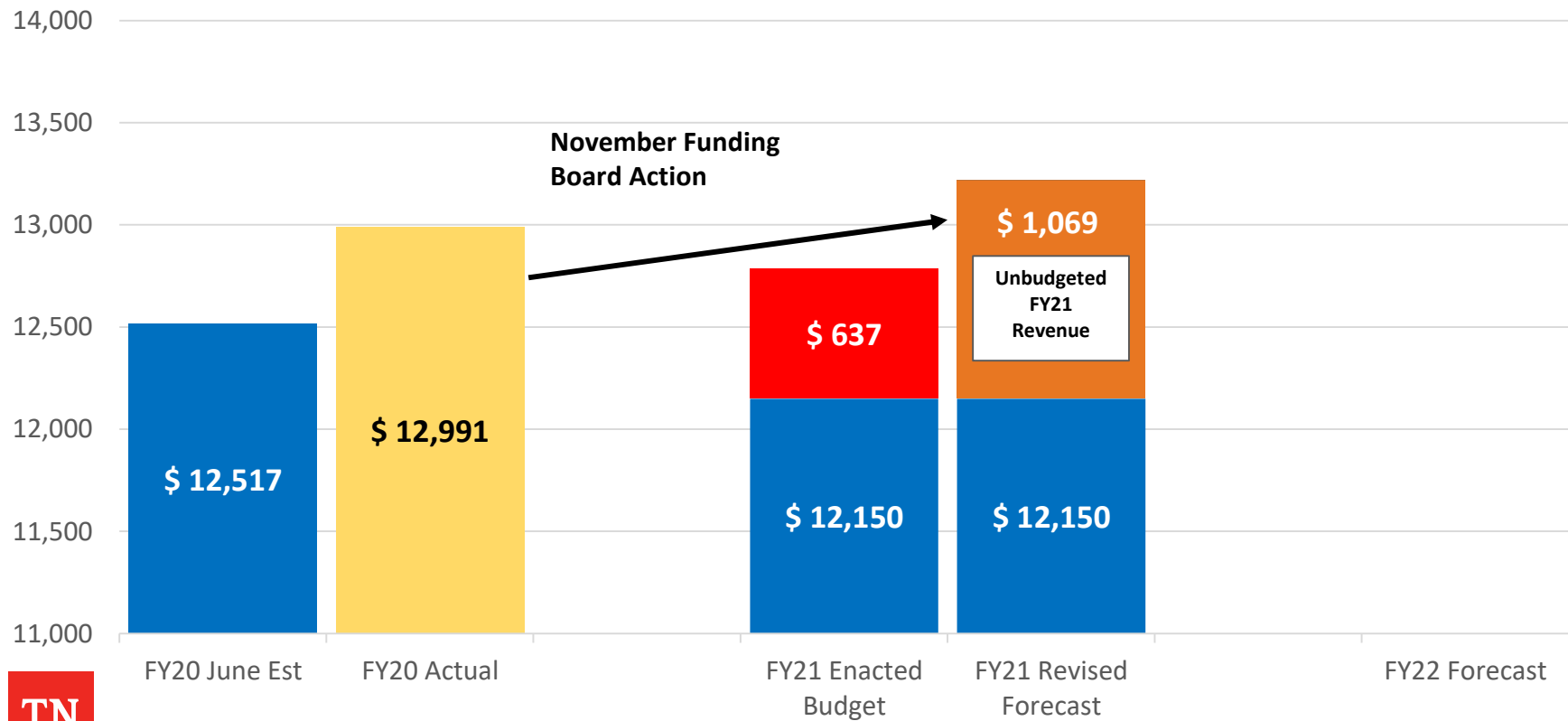
General Fund Tax Revenues



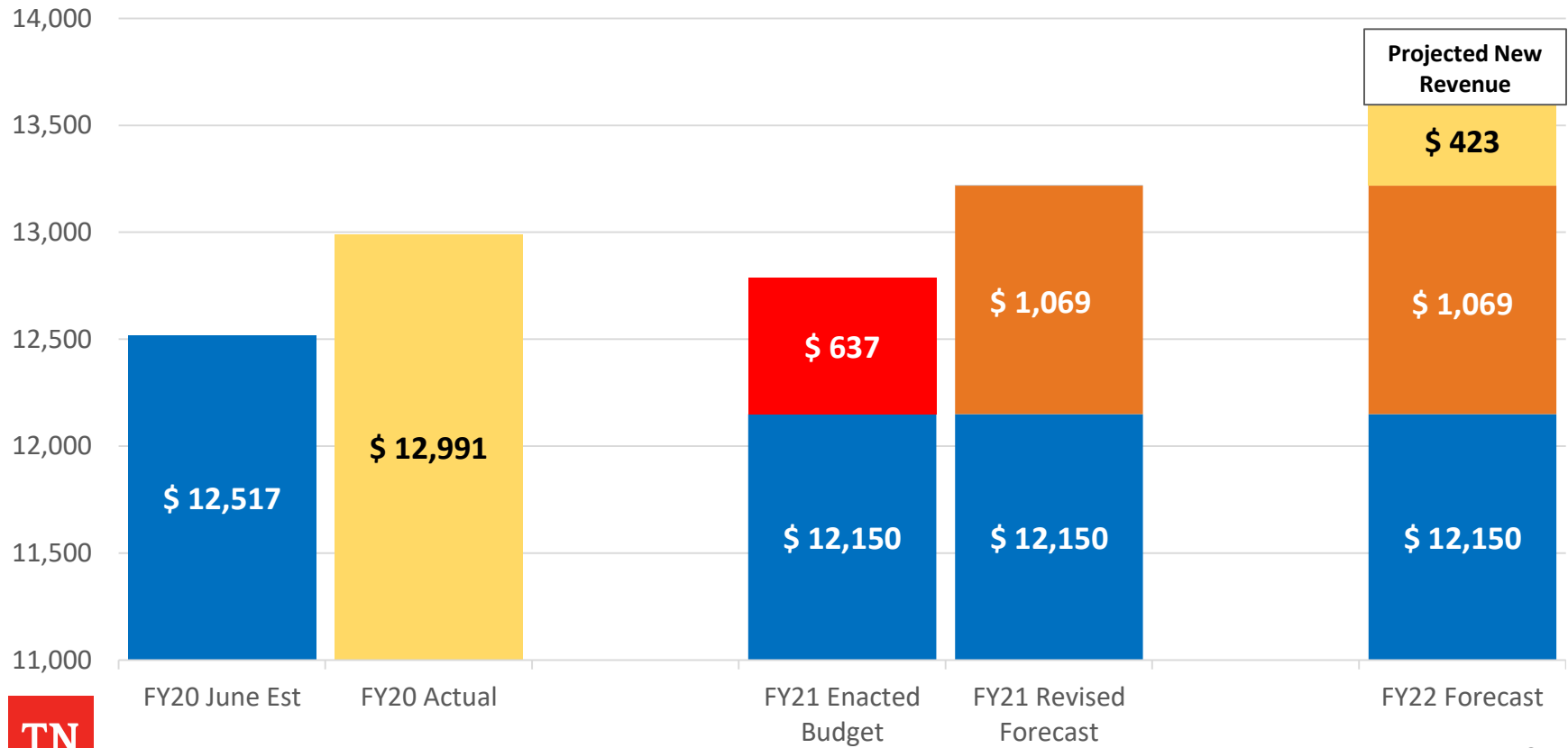
General Fund Tax Revenues



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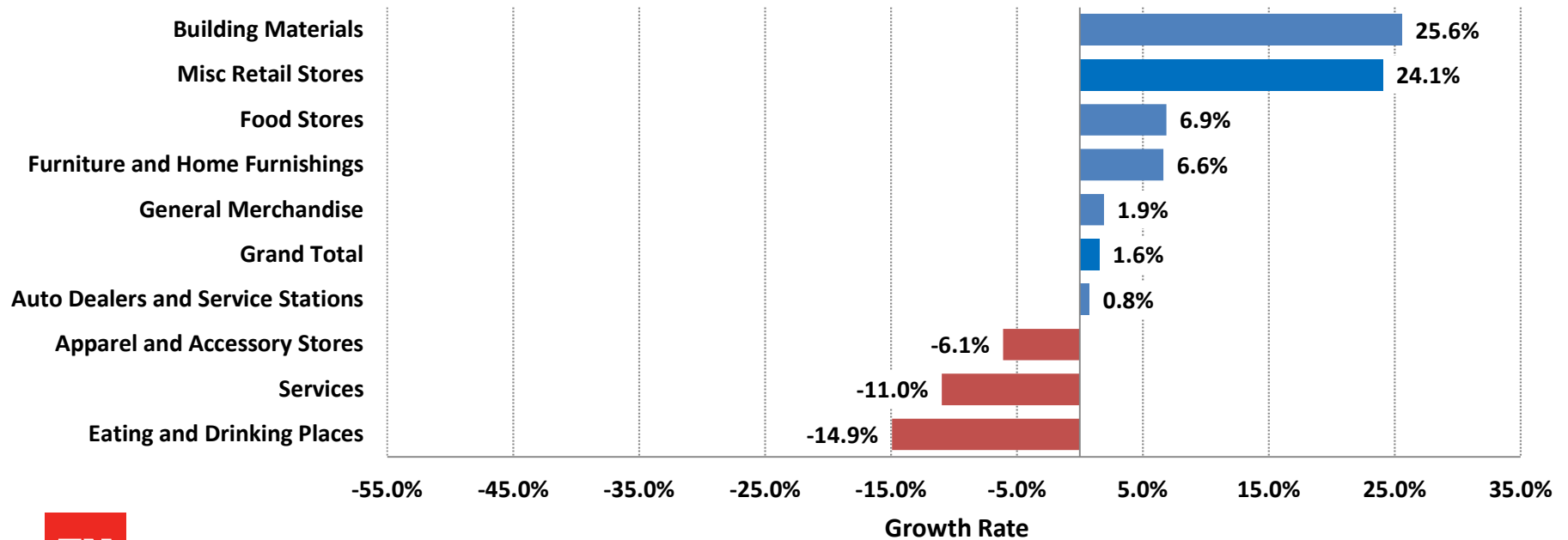


General Fund Tax Revenues



Shaping Our Thinking

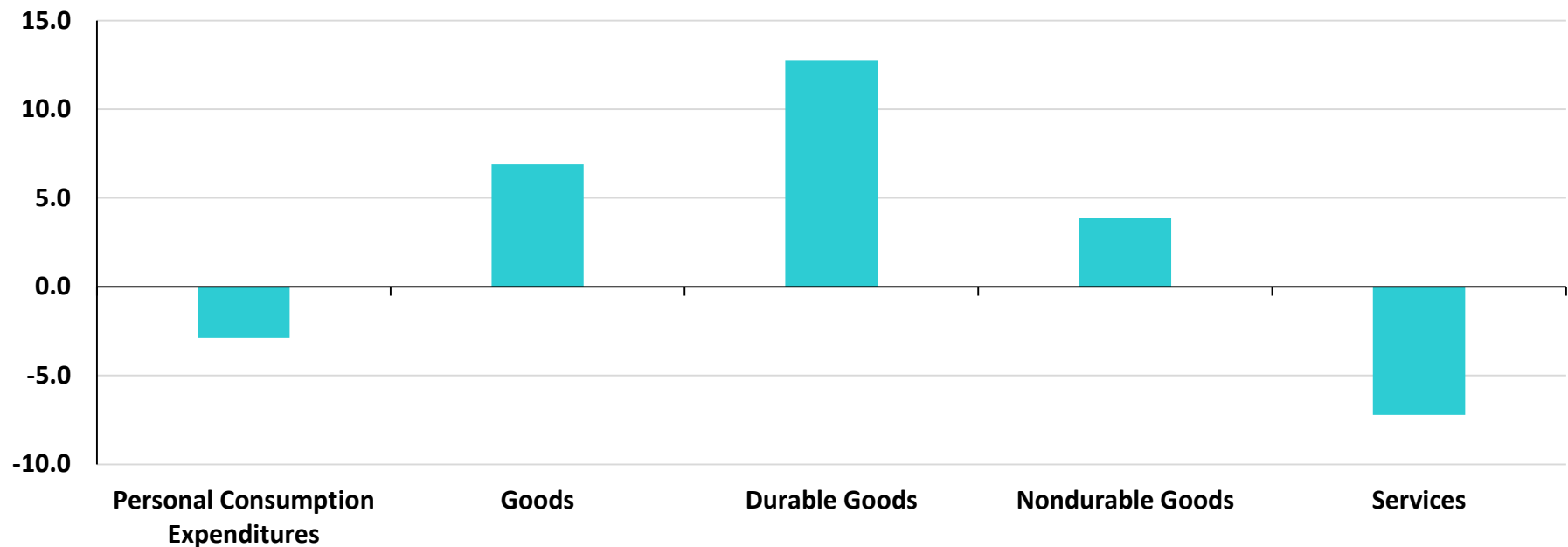
Sales tax collections fell in many categories but rose in many others
(September year-over-year change)



William F. Fox • <http://cber.haslam.utk.edu>

Shaping Our Thinking

Consumers have shifted their spending to goods and away from services
(Q3, percentage change year-over-year)

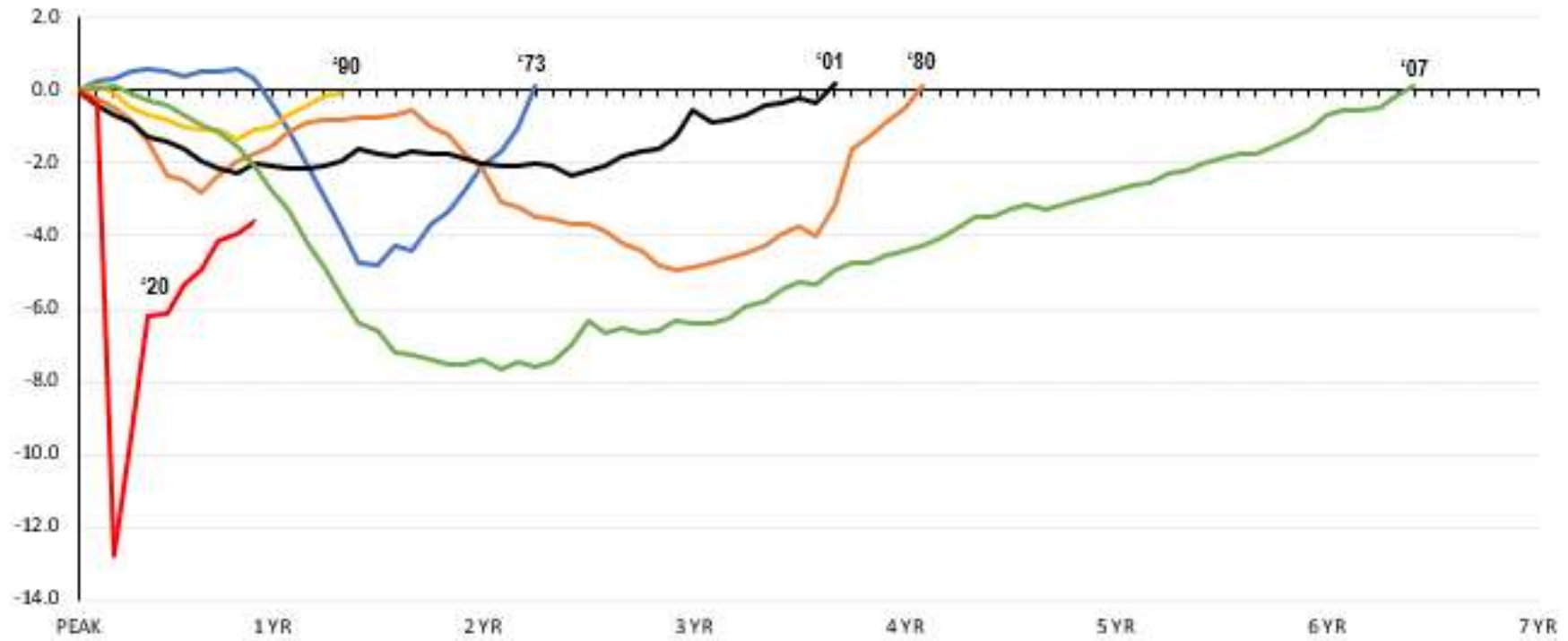


Source: Bureau of Economic Analysis.

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Shaping Our Thinking

Time to job recovery



TN

Unemployment Percentage Change from Pre-Recession Peak

13

FY22 Budget – Guiding Principles

- Prudent and cautious approach
- Return to pre-pandemic priorities
- Invest in what works
- Deliver critical services while not growing government
- Long-term strategic investments

FY22: What we're not doing

- Not raising taxes
- Not utilizing reserves
- No new debt
- Not cutting education
- Not depleting Unemployment Trust Fund



FY22 Budget Summary

Revenues & Expenditures	Recurring	Non-Recurring
Available Additional Revenues	\$903,120,000	\$1,671,274,600
Reductions & Reallocations	\$185,790,500	\$0
Cost Increases & Base Adjustments	(\$812,828,500)	(\$1,945,390,800)
Balance	\$276,082,000	(\$274,116,200)



K-12 Education - \$341.6 million



Highlights	
Teacher Compensation	\$120,117,000
Literacy Initiatives	\$110,069,600
BEP Full Funding	\$70,593,000
Charter School Facility Fund	\$24,000,000

Higher Education - \$157.2 million



Highlights	
Salary Funding	\$63,165,000
Outcome Funding Formula – Fully Funded	\$36,000,000
Capital Maintenance	\$10,000,000
GIVE – New Site Grants	\$10,000,000
Oak Ridge Institute	\$8,000,000

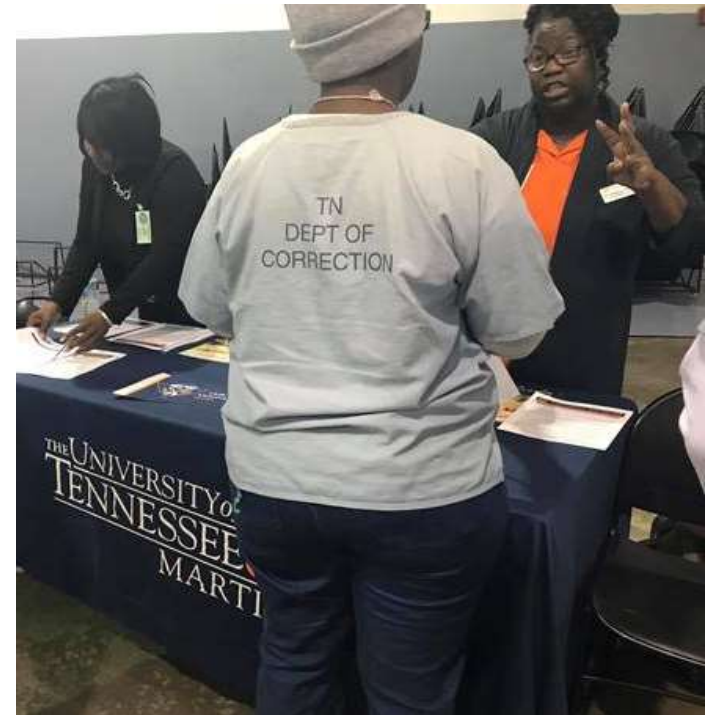
Health and Social Services - \$181.5 million



Highlights	
TennCare - Medical Inflation	\$37,962,800
TennCare - ECF CHOICES – 300 New Enrollees	\$11,000,000
TennCare – Postpartum Extension Pilot	\$6,563,500
TennCare/DIDD – Direct Service Providers \$10.50/hr	\$9,736,500
Mental Health – Behavioral Health Safety Net	\$6,500,000
DCS – Adoption Assistance & Guardianship Growth	\$6,380,500
DCS – Provider Rate Adjustment	\$2,500,000
Health – Safety Net Expansion	\$2,000,000

Department of Correction - \$99.4 million

Highlights	
State Prosecutions	\$22,228,500
Jail Reimbursement Restructuring	\$16,492,600
Salaries for Probation & Parole Officers	\$9,530,400



Judicial Support & Public Safety - \$167.2 million



Highlights	
TBI – 20 Additional Field Agents	\$4,428,000
Safety – Two new Trooper Classes	\$1,185,600
Safety – Body Worn Cameras	\$2,309,500
TEMA – New Chattanooga-based Region	\$1,177,400

Business and Rural Development - \$472.6 million

Highlights	
ECD – Broadband	\$200,000,000
ECD – FastTrack	\$95,000,000
ECD – Rural Development	\$21,100,000
Transportation – Equity & Aeronautics Funds	\$135,000,000
Agriculture – Agriculture Enhancement Program	\$5,500,000



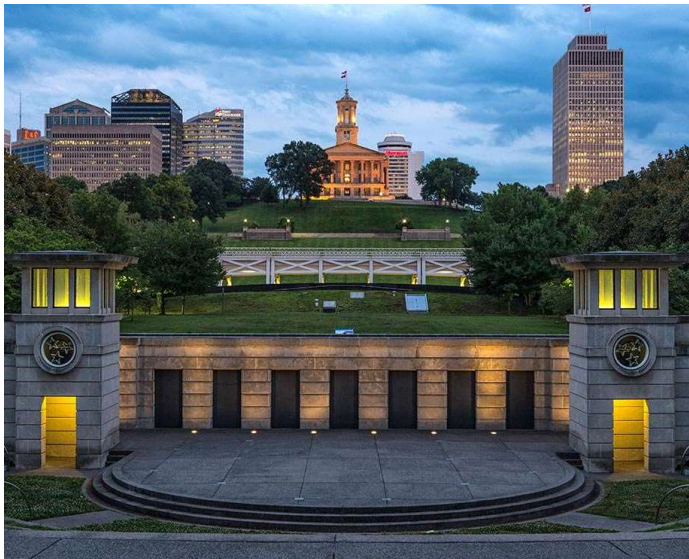
Local Government Recovery and Rebuilding



\$200,000,000

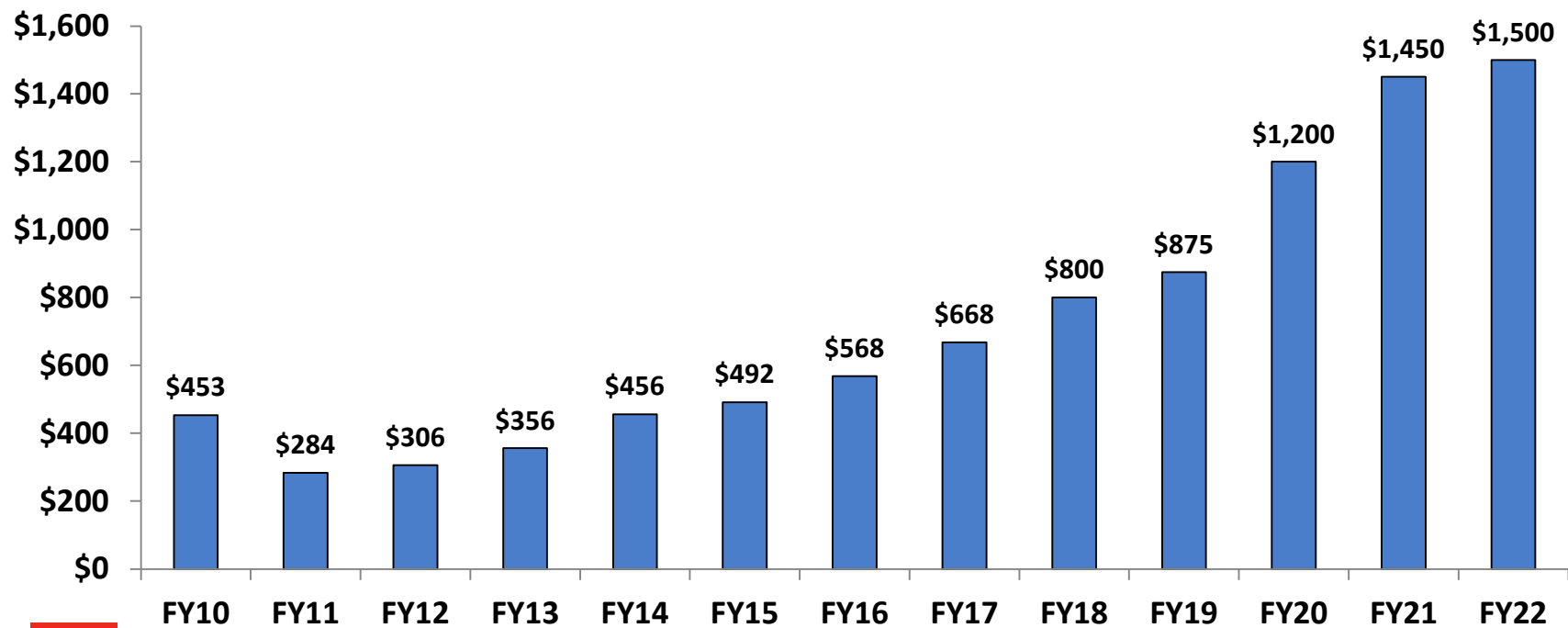
- **IT hardware upgrades**
- **Capital maintenance**
- **Utility system upgrades**
- **Road Projects**
- **Public safety**
- **New school construction or existing school renovation**

Capital Investments



	Improvement	Maintenance
State Buildings – 34 Projects	\$211,965,000	\$0
Higher Education – 6 Projects	\$283,235,000	\$0
State Buildings – 60 Projects	\$0	\$282,780,000
Higher Education – 62 Projects	\$0	\$153,251,000
Capital Investments Total	\$495,200,000	\$436,031,000

Record Rainy Day Fund (millions)



FY21 Supplemental Appropriations

Education Special Session	\$67,331,900
ECD	\$50,400,000
K-12 Salaries	\$42,899,300
State Employee Salaries	\$19,661,000
Higher Education Salaries	\$15,791,300
Process Automation & Efficiencies	\$5,000,000
Clean Water Drinking Water State Match	\$2,622,300
Ongoing Litigation & Settlements	\$2,000,000
State Parks Modernization	\$1,271,800
Other Supplementals	\$1,869,800
Total Supplementals	\$208,847,400



Closing - FY22 Budget Highlights

- Cautiously optimistic.
- Maintains strong reserves, budgeting conservative growth rates!
- Invests in our existing assets: largest capital maintenance budget ever!
- Provides additional support to local governments to improve infrastructure assets!
- Provides critical services to citizens while maintaining the size of government!
- Targets investments in proven programs that work!

