TN Department of Finance & Administration

FISCAL YEAR 2023 RECOMMENDED BUDGET

Agenda

- Discuss the guiding principles that shaped our thinking

- Present what we are proposing to keep Tennessee strong

Fiscal Stability Rankings
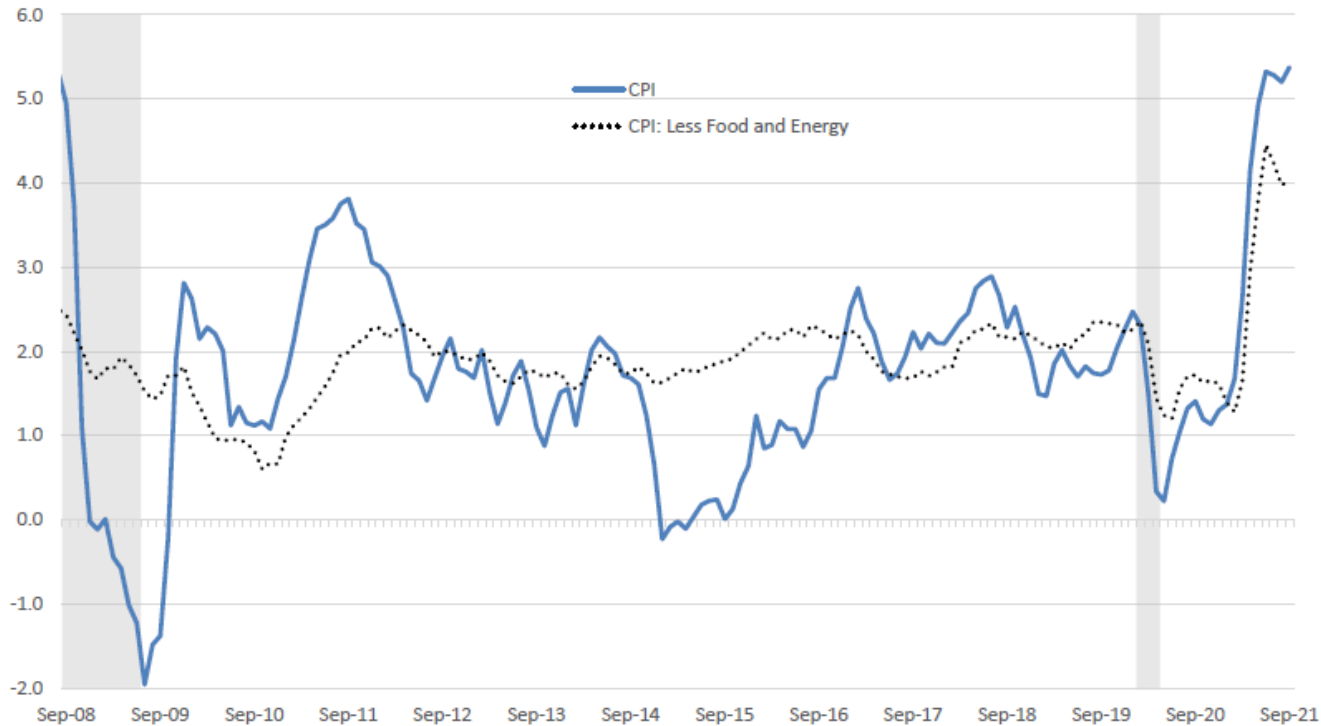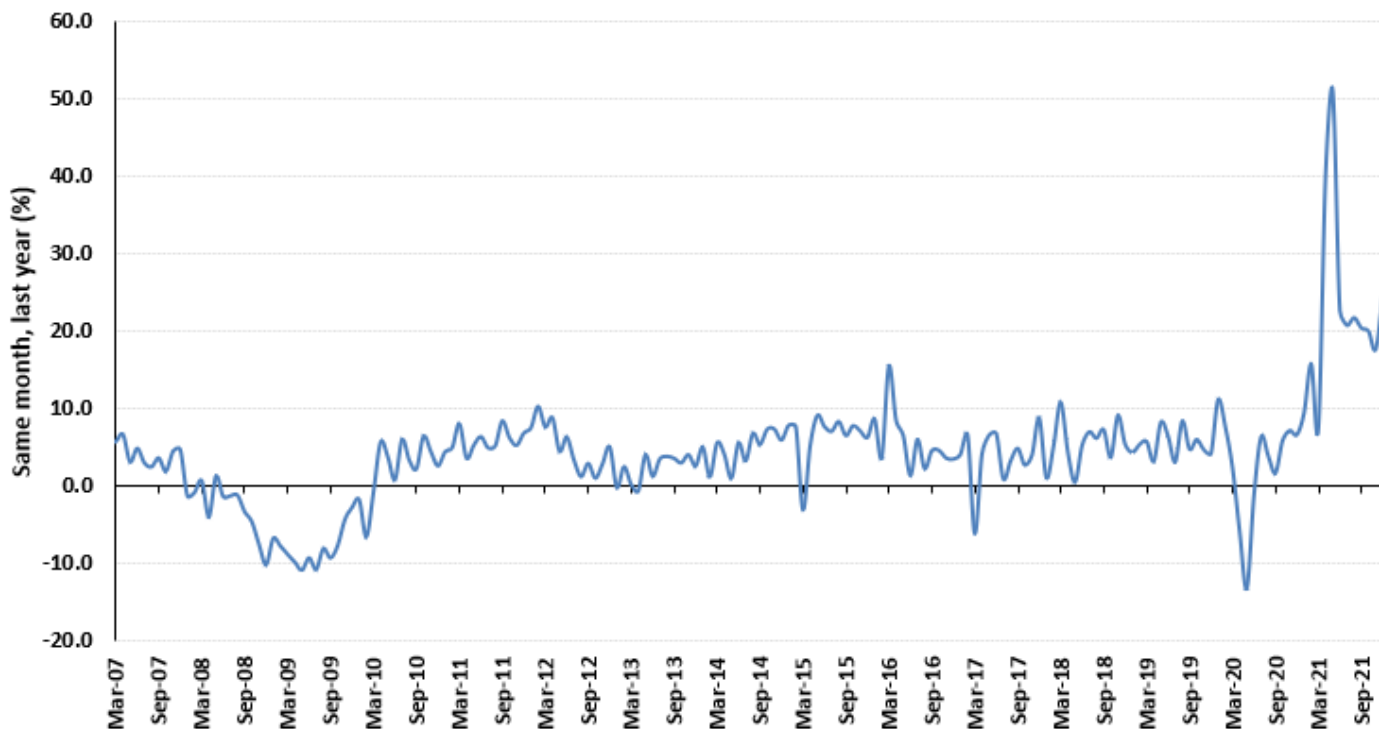
Measuring states' short- and long-term fiscal health

U.S.News & WORLD REPORT

RANK	STATE
1	Tennessee

Inflation

Sources: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, Nov 3, 2021.

From TN Fiscal Review Committee Staff – November 17, 2021

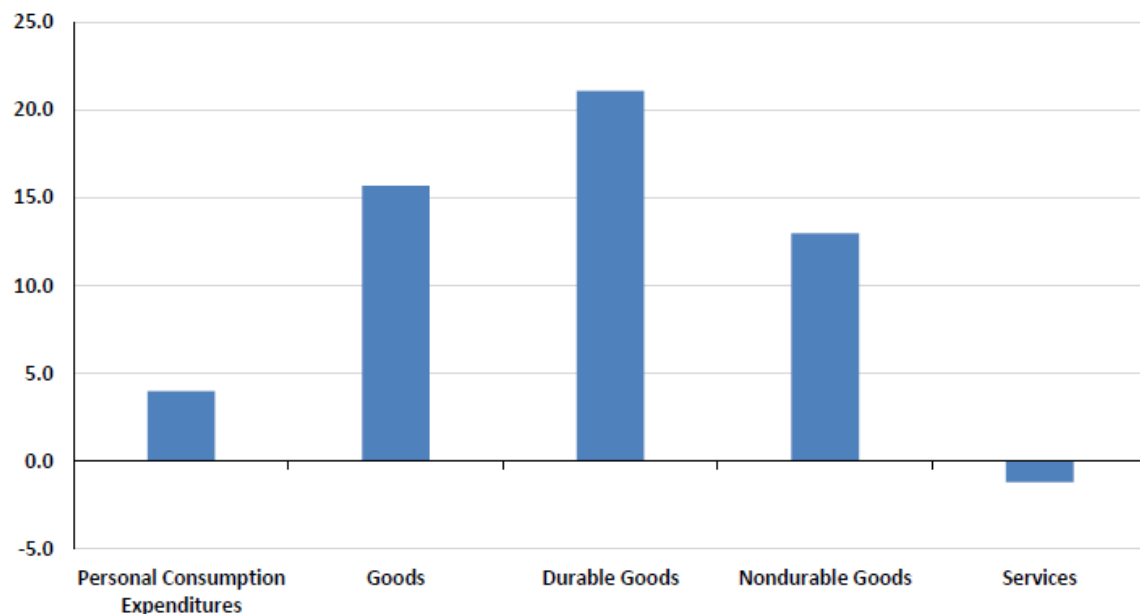# Sales Tax Revenue Growth Remains Extremely Strong

Personal Consumption Growth , 2011-2019 (compound annual growth rates)

Source: Bureau of Economic Analysis.

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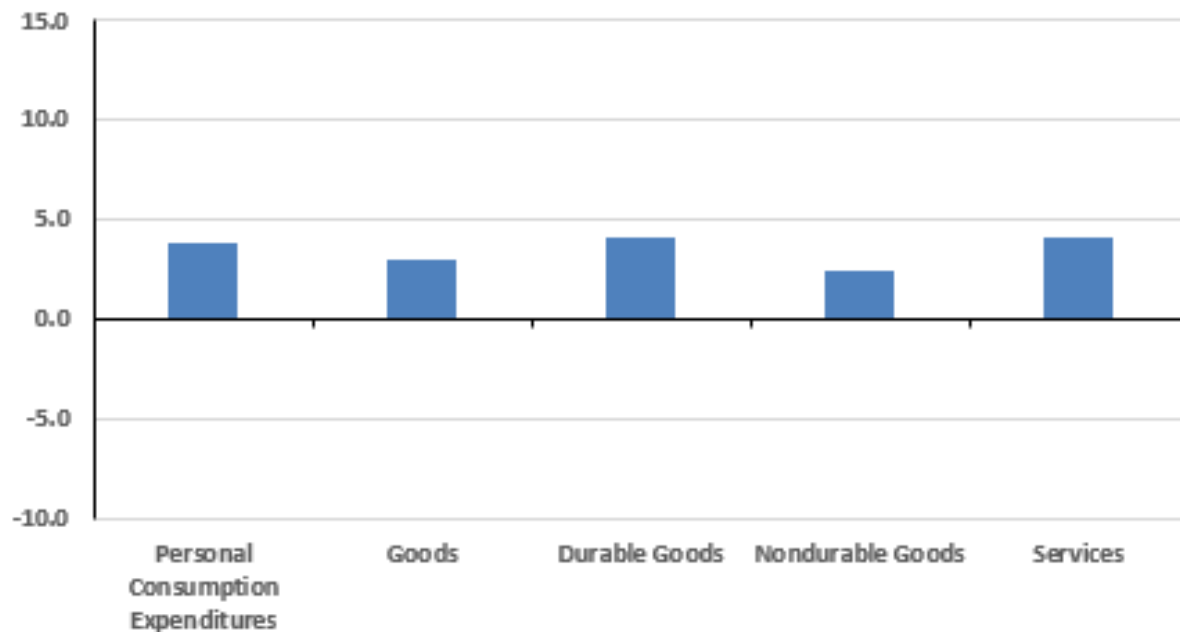
Consumers have Shifted their Spending to Goods and away from Services (Q3, Percentage Change 2019-2021)
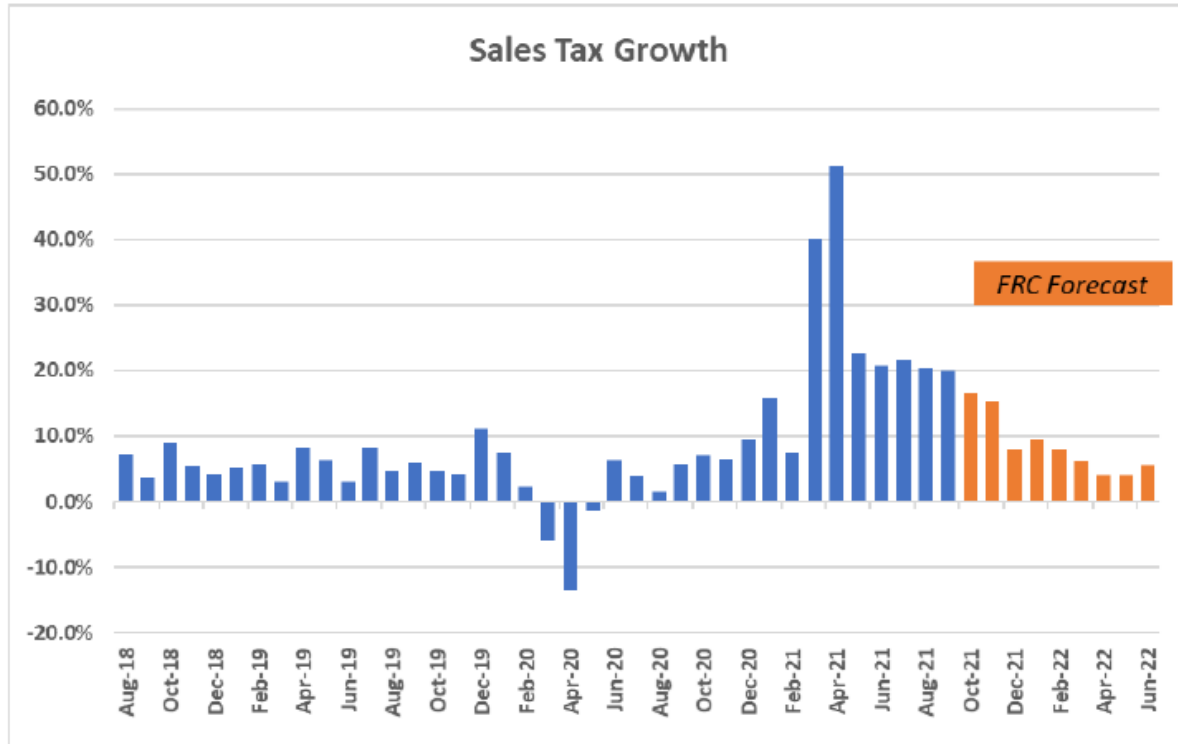

Source: Bureau of Economic Analysis.

Quote from State Funding Board Meeting November 17, 2021

- Dr. Bill Fox, Director, University of Tennessee Boyd Center for Business and Economic Research:

- "Recurring growth that's underlying all this is much lower than what we've seen. And, so one of my real fears is that either there is a significant increase in recurring spending thinking that all this growth is recurring or a reduction in tax rates. Either one, they both have the same impact on the budget, right? And I am fearful that way too much of this will be viewed as recurring."

Sales Tax Growth

Fiscal Review Committee Staff
November 17, 2021

Quote from State Funding Board Meeting November 17, 2021

- Joe Wegenka, Chief Economist, Fiscal Review Committee:

- "I am certainly more confident in the current fiscal year number. Just looking at the way tax revenues have been coming in year-to-date, I am very confident. Going into next year I think there is much more uncertainty of what's going to happen with inflation, of what's going to happen with the labor force participation."

TN

Quote from State Funding Board Meeting November 17, 2021

- Dr. Bill Fox, Director, University of Tennessee Boyd Center for Business and Economic Research:

- "The question isn't if, it's when a rebalancing of spending takes place. I'll admit, I don't know when that going to take place. I wish I could sit here and say, 'it's going to be on this day.' What I do expect is it's going to happen. People are going to revert to consumption levels more in line with their income levels. At that point, we're going to see tax revenue growth slow down significantly."

FY23 Budget – Guiding Principles

- Prudent long-term strategic investments

- Return to pre-pandemic priorities

- Invest in what works; and

- Focus on services and outcomes

FY23 Budget Summary

Revenues & Expenditures	Recurring	Non-Recurring
Available Additional Revenues	$3,553,085,200	$4,328,716,500
Reductions & Reallocations	$117,076,200	$0
Cost Increases	($2,290,106,100)	($5,708,577,100)
Balance	$1,380,055,300	($1,379,860,600)

Comparison of total budget (billions)

Chart showing comparison of total budget in billions.

Y-axis: Billions, from $0 to $60.

FY22 Budgeted — Total $51.2
- Other: $6.5
- Federal: $22.7
- State: $22.0

FY23 Recommended — Total $52.6
- Other: $6.4
- Federal: $19.8
- State: $26.4

Legend:
- Other
- Federal
- State
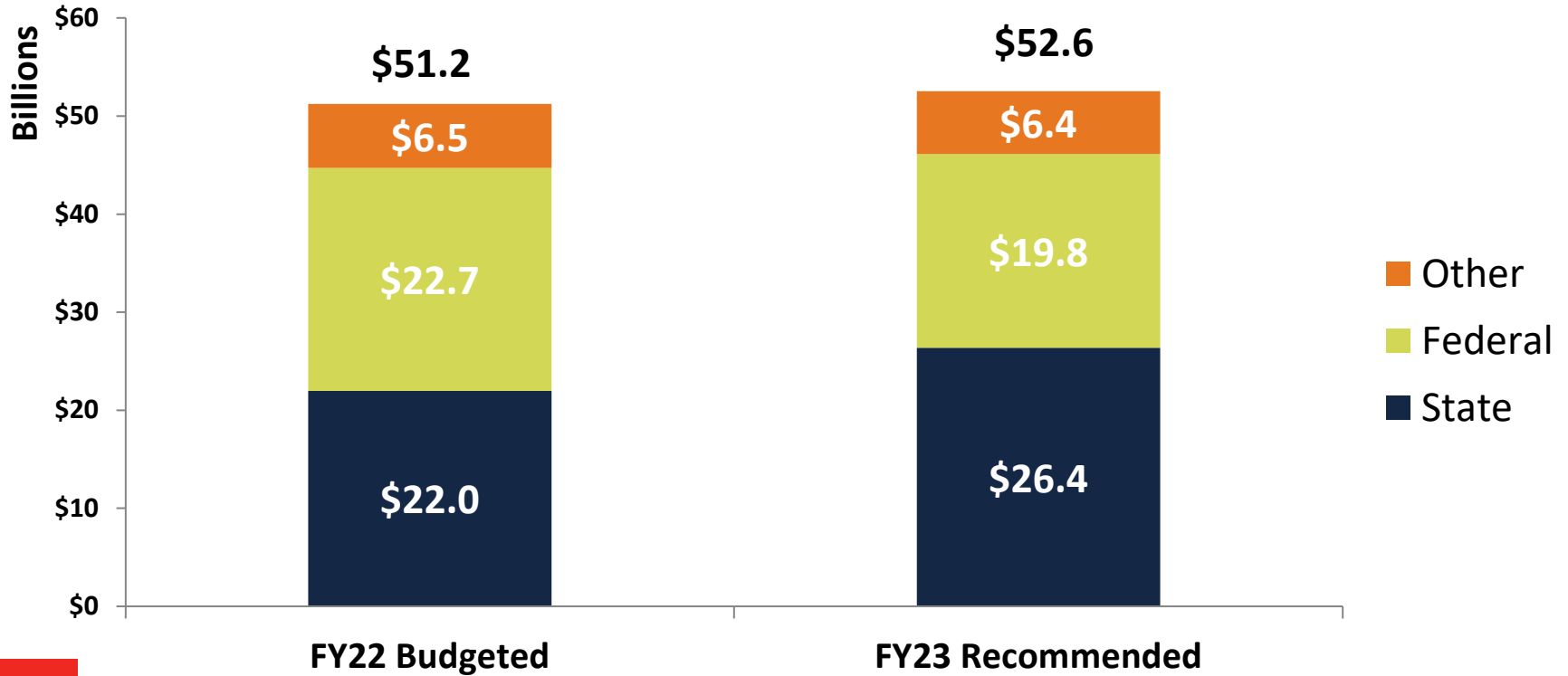
K-12 Education/CTE - $1.032 billion

Highlights	
Tennessee Investment in Student Achievement formula Recurring, however utilized in FY23 to cover the next two nonrecurring items.	**$750,000,000**
Career and Technical Education Grants	**$550,000,000**
Relocating Public Schools in Flood Plains	**$200,000,000**
Teacher Compensation	**$124,680,000**
Charter School Facility Funding	**$32,000,000**

Higher Education/CTE - $1.974 billion

Highlights	
Fully Funds Outcomes-Based Formula – No Tuition Increases	**$90,000,000**
Increase HOPE Awards	**$75,200,000**
Higher Education Capital	**$1,154,254,800**
TCAT Equipment and Facility Improvements	**$200,000,000**
UT/Oak Ridge Innovation Institute	**$72,000,000**
University of Memphis – R1 Research Funding	**$50,000,000**

Transportation and Infrastructure- $626.5 million

Highlights	
Economic Development Projects	**$77,000,000**
State Highway Partnership Program	**$266,000,000**
Rural Interchange Improvement Program	**$176,000,000**
IMPROVE Act Acceleration	**$100,000,000**
Enhanced Litter Removal	**$4,000,000**

Rainy Day and Liability Reduction $921.7 million

Highlights	
Rainy Day Fund	**$50,000,000**
OPEB - Reduce Unfunded Liability	**$300,000,000**
TCRS - Reduce Unfunded Liability	**$350,000,000**
Reduce Authorized / Unissued Debt	**$221,696,000**

Record Rainy Day Fund (millions)

Fiscal Year	Amount
FY10	$453
FY11	$284
FY12	$306
FY13	$356
FY14	$456
FY15	$492
FY16	$568
FY17	$668
FY18	$800
FY19	$875
FY20	$1,200
FY21	$1,450
FY22	$1,550
FY23	$1,600
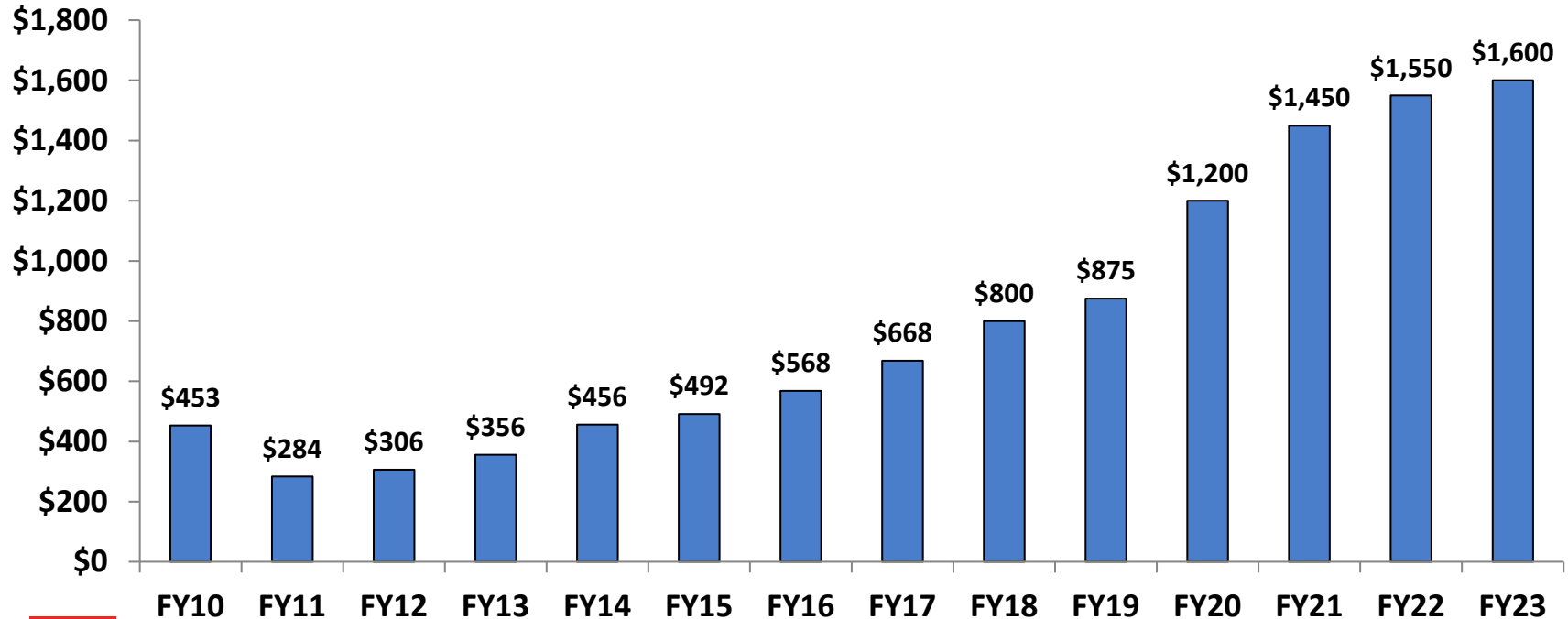
Health and Social Services - $545.5 million

Highlights	
TennCare – Support for Public Hospitals	**$82,706,300**
TennCare/DCS/Health/Mental Health/DIDD/Aging – Provider Rate Increases	**$90,839,700**
Health/Higher Education – Graduate Medical Education	**$18,600,000**
TennCare – Adult Dental Benefits	**$25,545,400**
Health – Expansion of Dental Services – Year 1	**$11,868,000**
TennCare/Aging/DIDD – Pathways to Independence	**$55,295,000**
DIDD – TEIS to Age 4	**$21,837,500**

Law and Safety - $601.6 million

Highlights	
100 Troopers – TN Highway Patrol	**$15,950,000**
Tennessee Bureau of Investigation – Agents and Forensic Crime Professionals	**$24,172,500**
Multi Agency Law Enforcement Training Academy – Total included in Capital slide, shown here for investment area discussion	**$355,660,000**
Support for local law enforcement hiring	**$66,240,800**
Violent Crime Intervention Fund	**$150,000,000**
Tennessee Advanced Communications Network	**$178,904,400**

Capital Investments

	Improvement (state funding)	Maintenance (state funding)
General Government	$1,435,041,000	$166,747,500
Higher Education – (total on prior slide)	$1,106,210,800	$48,044,000
Capital Investments Total	**$2,541,251,800**	**$214,791,500**

TCAT Expansions

- TCAT Morristown, Greenville Campus
- TCAT Pulaski
- TCAT Dickson, Clarksville Campus
- TCAT Harriman
- TCAT Oneida, Fentress Co Campus
- TCAT Crump
- TCAT Livingston
- TCAT Nashville
- TCAT Elizabethton, Boones Creek Campus
- TCAT Oneida / Huntsville

F&A Capital Items

- Moccasin Bend Mental Health Institute
- Wilder Youth Development Center
- TEMA Emergency Operations Center
- TEMA Warehouse

Closing - FY23 Budget Highlights

- Invests in Tennessee: America at Its best

- Fully balanced

- Prioritizes one-time expenses to mitigate uncertainties

- Provides critical services to citizens with a leaner workforce than when Governor Lee took office

- Targets programs that work