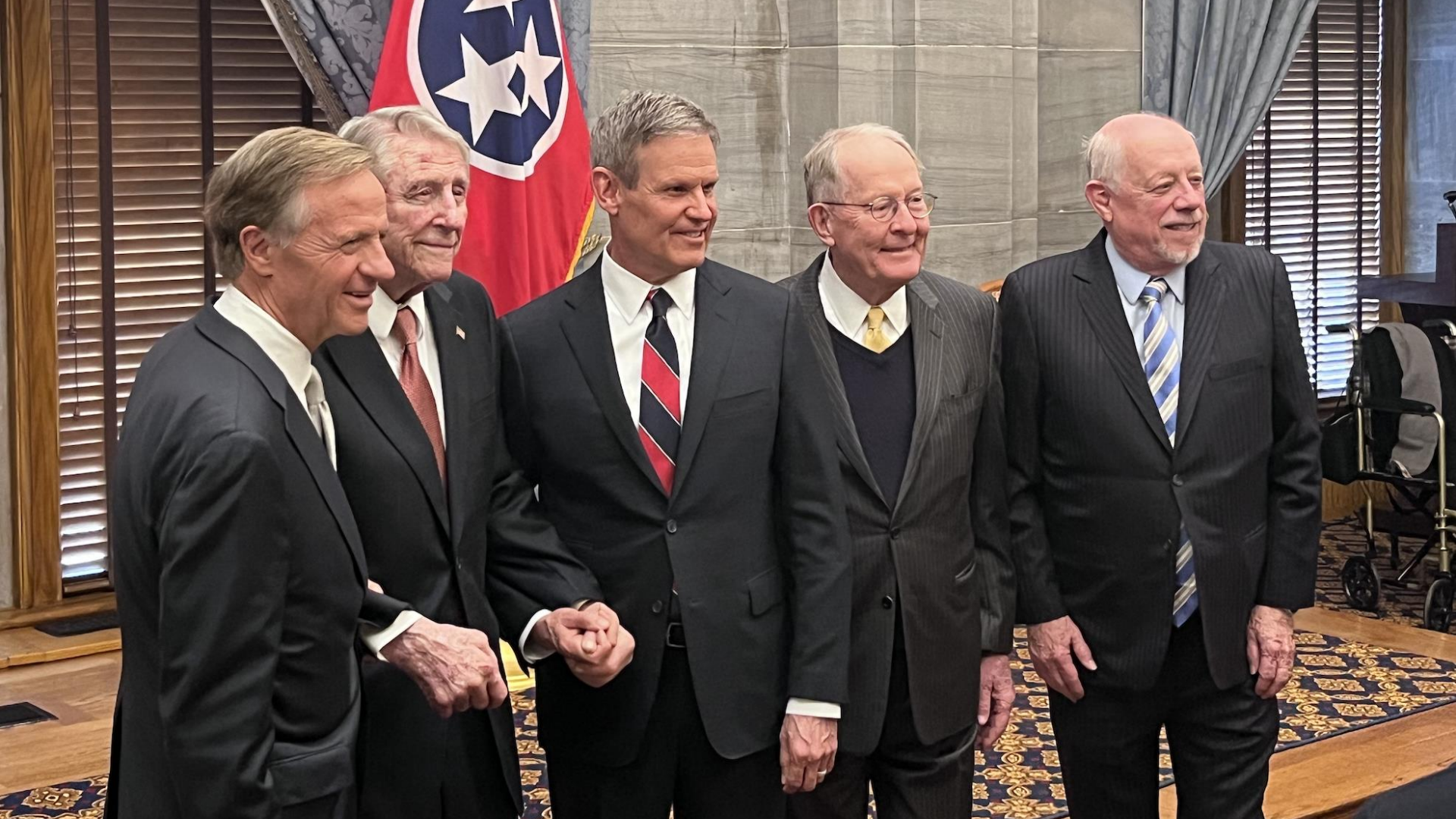




LEADING THE NATION

STATE OF THE STATE 2023

FY 2024 BUDGET PRESENTATION

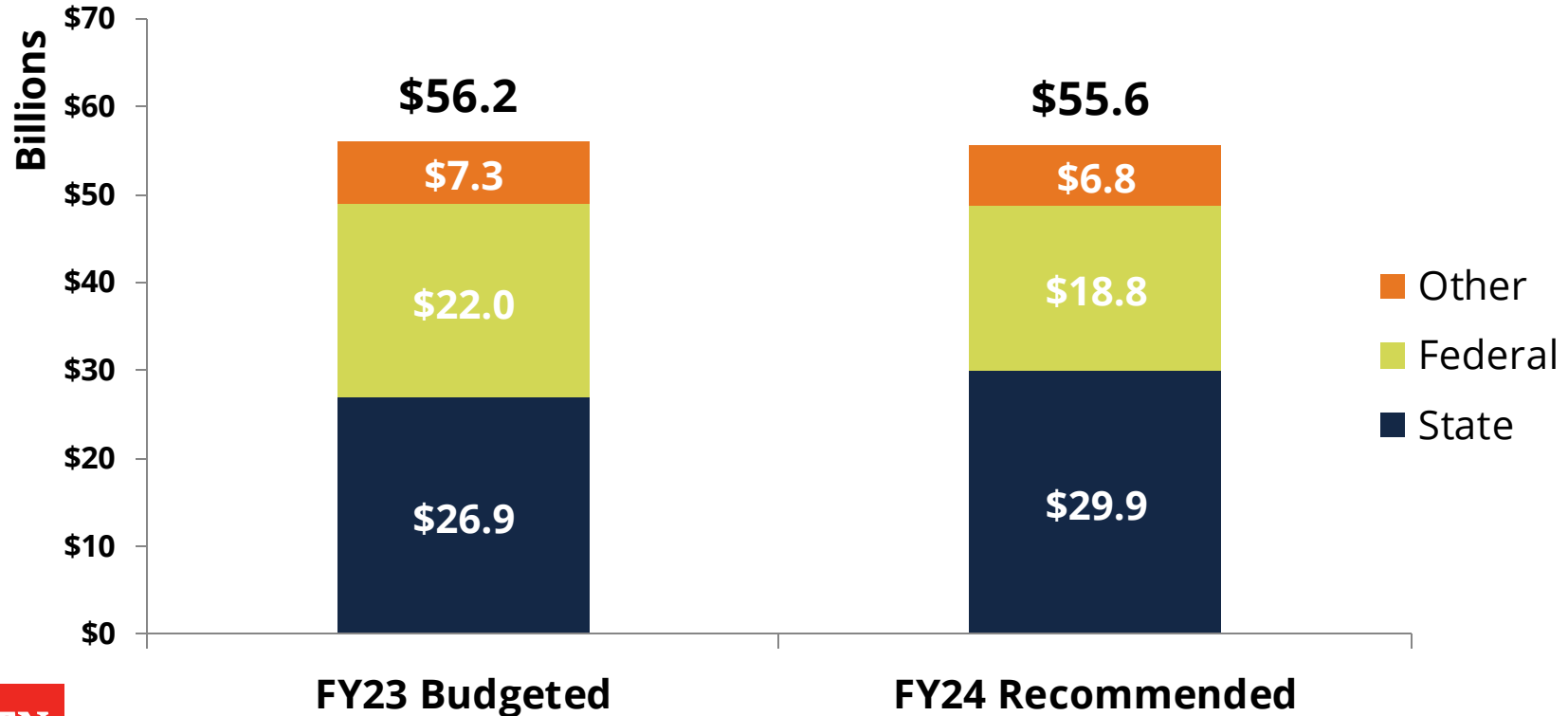


Budget Summary – General Fund

Revenues

FY22 Closing Balances	\$ 2,637,374,800
FY23 Closing Balance - Projected	6,333,417,800
FY24 New Revenue (Net of Legislation)	31,468,000
Total Revenues	\$ 9,002,260,600

Comparison of Total Budget

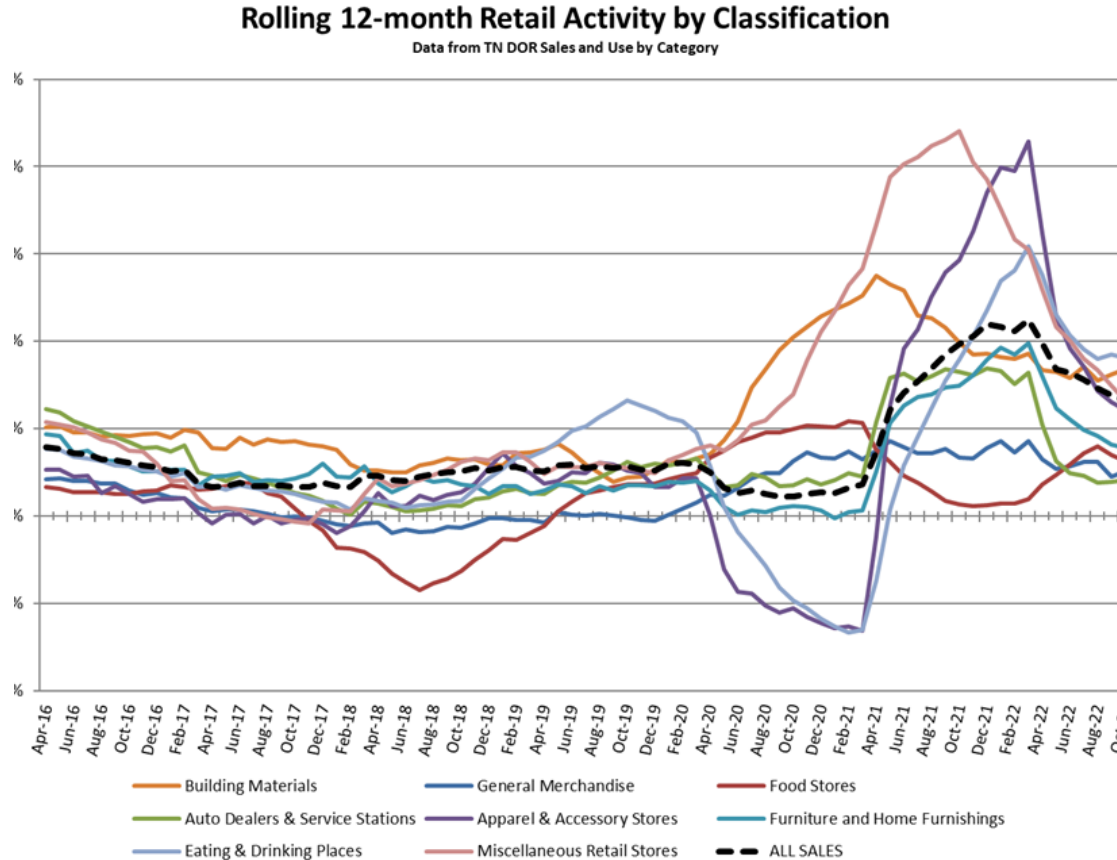




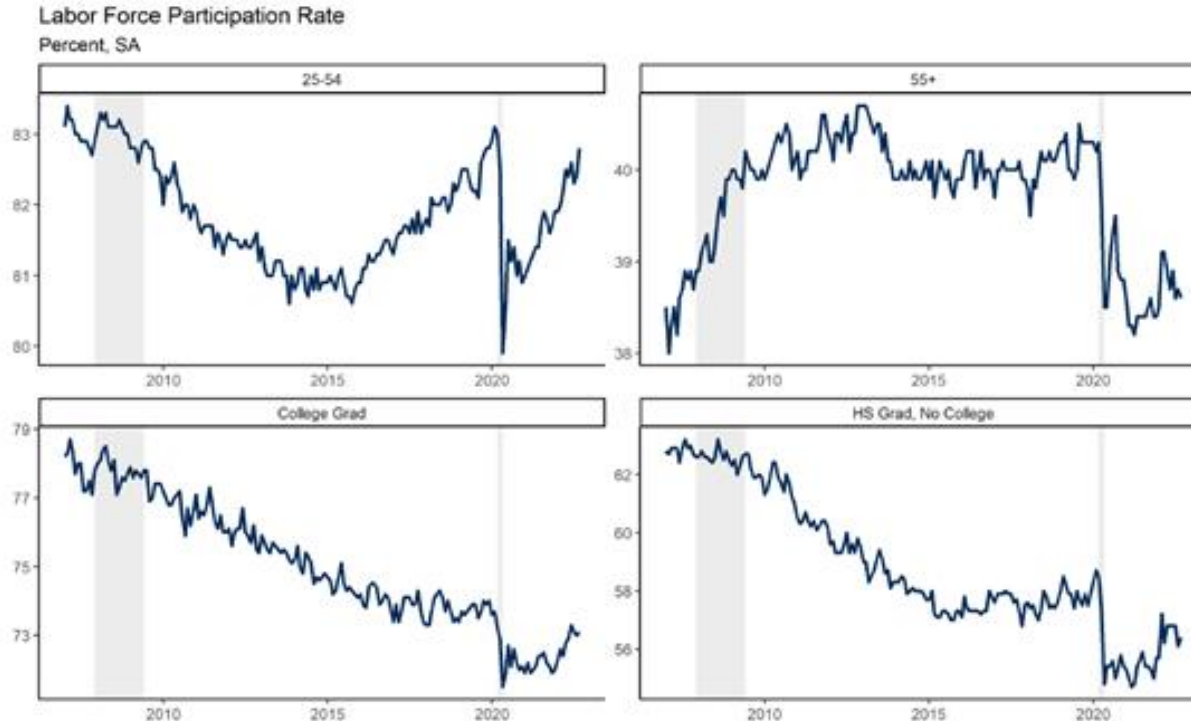
THE ROAD AHEAD



Uncertainty - Economy has not 'Reset' yet from COVID



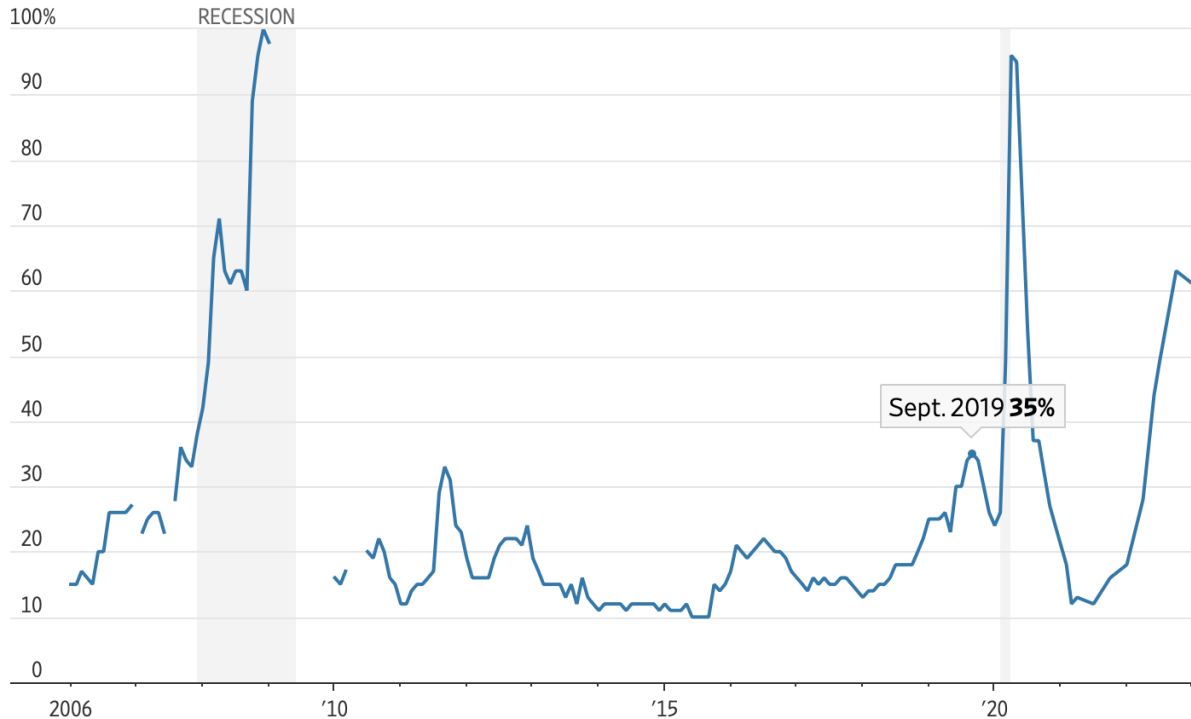
Hiring Challenges - Individuals have left the Work Force



Source: Bureau of Labor Statistics/Haver Analytics

61% of Economists expect recession in 2023

Probability the U.S. is in a recession in next 12 months including today



Source: WSJ, 1/15/23

November 2022 State Funding Board

Slowdown Expected

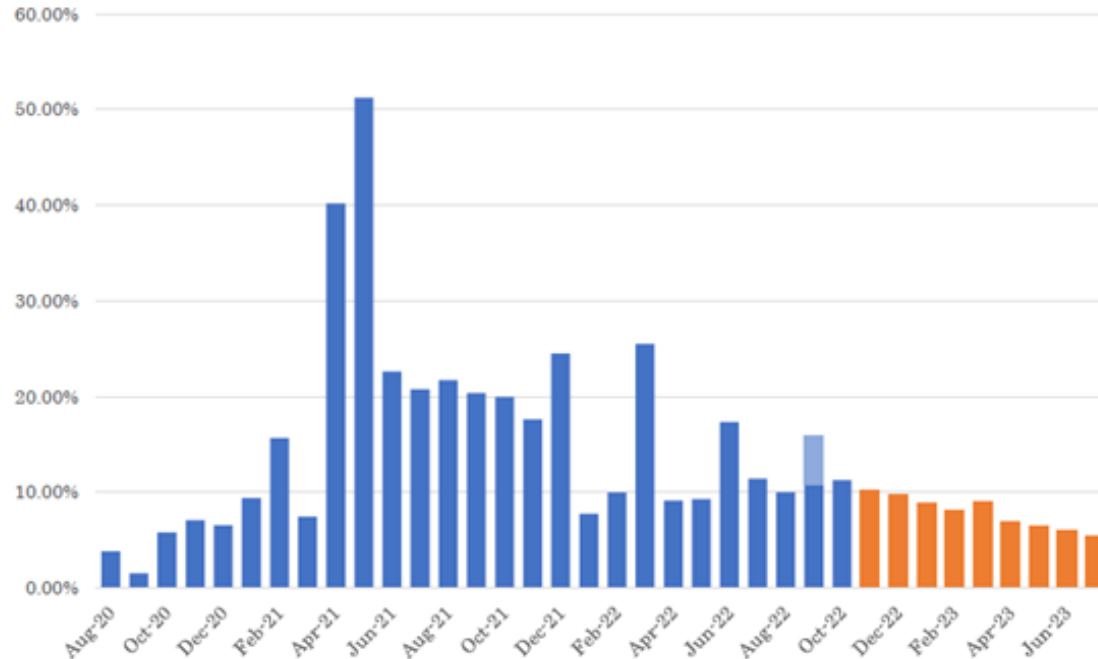
- Expect an Economic Slowdown – possibly second half of 2023
- Expect Slower Growth moving forward this year and into FY24
- Recession Likely (Probably Mild)
- Economic Uncertainty Continues
- The Federal Reserve Board will continue to pursue goal of reducing inflation

Some Good News

- Inflation is expected to ease in 2023
- TN's Population Growth and Domestic Migration will provide some buffer to a national economic slowdown

Expectations – Consumer Spending Expected to Slow

Sales Tax Growth





BUDGET HIGHLIGHTS

Tennessee: Leading the Nation

Budget Highlights

- Applies conservative growth projections
- Smaller overall budget
- Uses recurring revenue for one-time expenditures
- Pays down liabilities
- Incurs no new debt
- Raises the Rainy-Day Fund
- Includes fewer positions than FY23

Budget Summary – General Fund

Revenues

FY22 Closing Balances	\$ 2,637,374,800
FY23 Closing Balance - Projected	6,333,417,800
FY24 New Revenue (Net of Legislation)	31,468,000

Total Revenues	\$ 9,002,260,600
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Reductions & Reallocations	140,989,500
Cost Increases	(6,554,385,000)
Capital Outlay	(1,711,877,300)
Transfers	(800,000,000)

Balance	\$ 76,987,800
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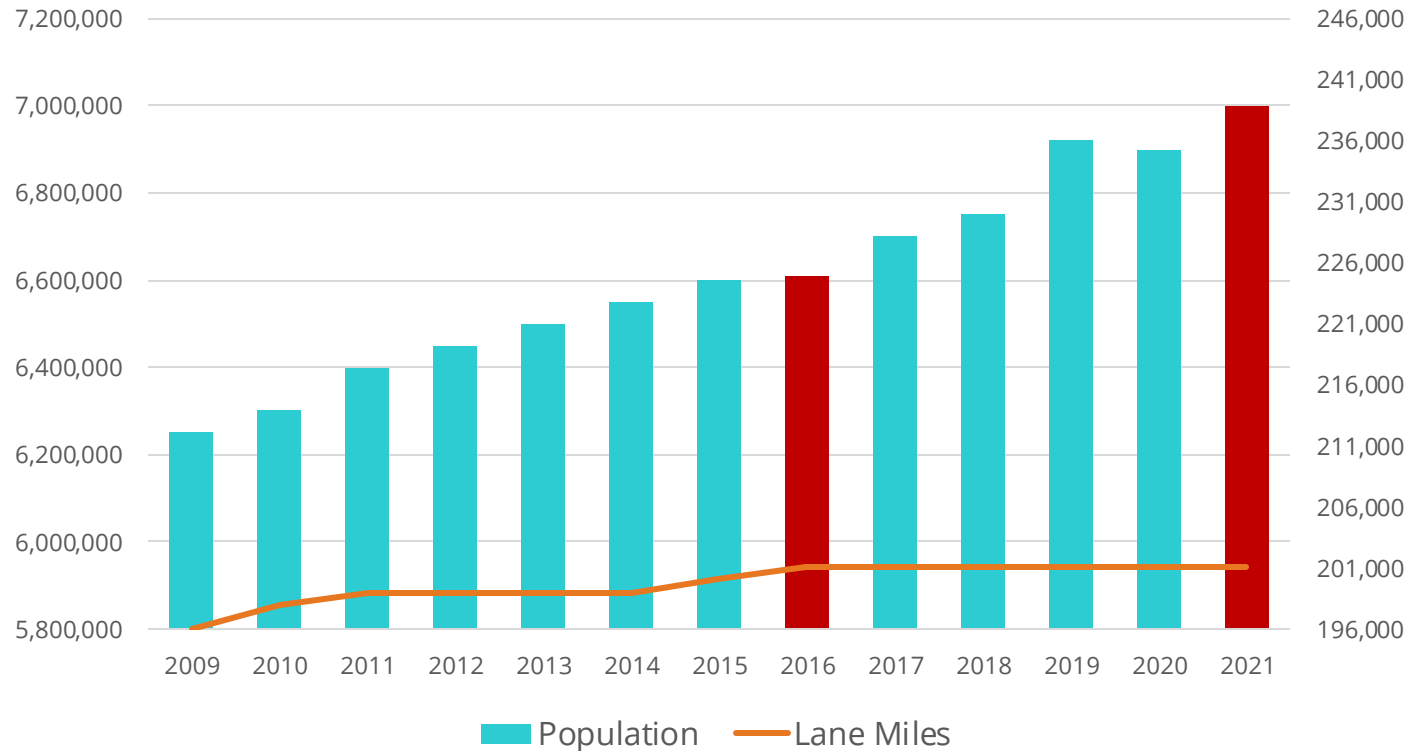
Leading the Nation - Transportation

Strategy:

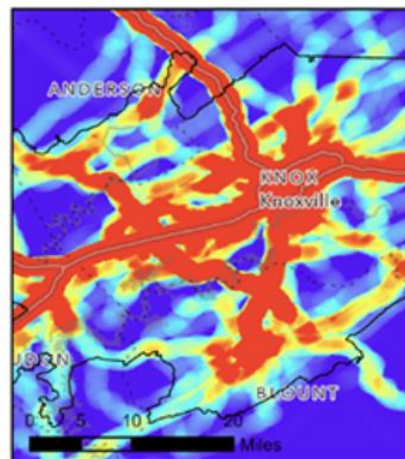
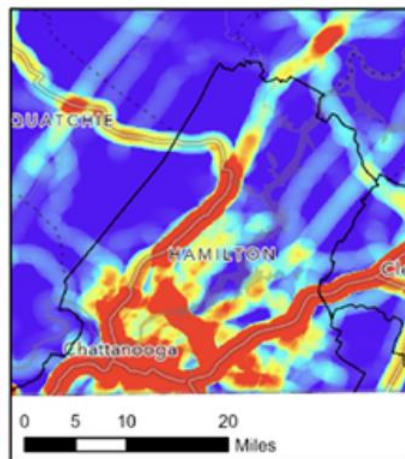
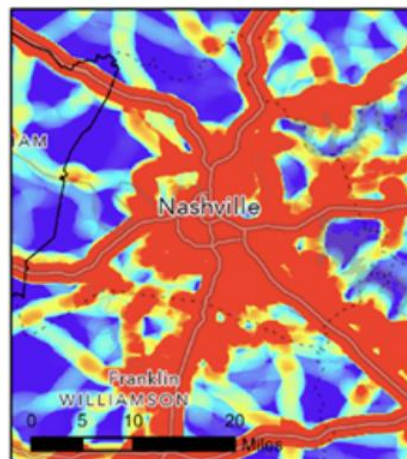
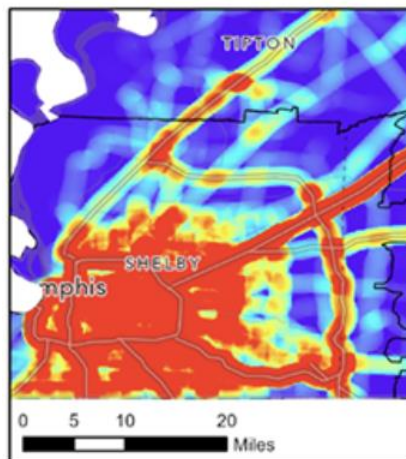
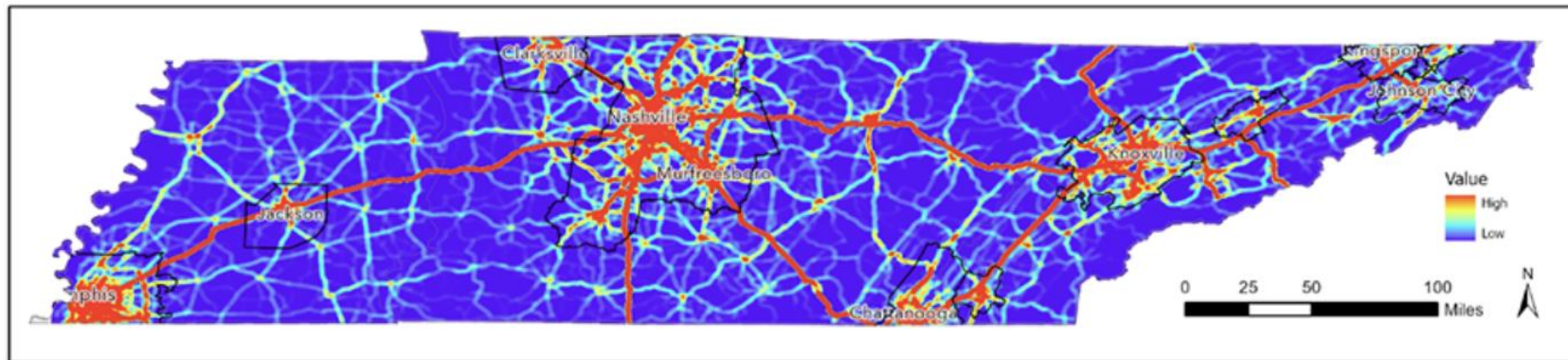
Invest in our transportation system to improve rural and urban roads and relieve congestion.

Transportation - Population Outgrowing Roads

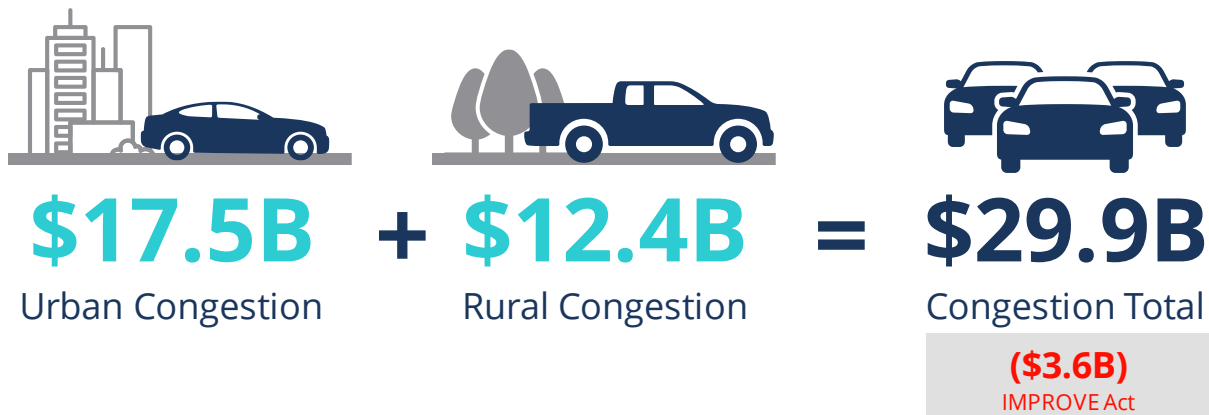
Population vs. Lane Miles



Future Congestion



Transportation



\$26B

Statewide Congestion Needs

Transportation - \$3,300,000,000

Transportation Modernization Fund	\$ 3,000,000,000
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Region 1 Allocation - \$750 M

Region 2 Allocation - \$750 M

Region 3 Allocation - \$750 M

Region 4 Allocation - \$750 M

State Aid Road Program	\$ 300,000,000
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Leading the Nation – Education Innovation

Strategy:

- Fully fund Tennessee Investment in Student Achievement (TISA)
- Invest in school safety

Education – TISA

FY24 - New Funding for TISA	\$ 350,000,000
Already Appropriated in FY23 for TISA	750,000,000
<hr/>	
Available for First Year Implementation of TISA	\$ 1,100,000,000

Education

K-12 Education

TN Investment in Student Achievement (TISA) Growth	\$	350,000,000
Summer Bus Transportation		10,000,000
Summer Learning Extension		60,825,500
Accelerating Literacy and Learning Networks		10,573,500
Grow Your Own State Apprenticeships		5,103,700

School Safety

School Safety Grants	\$	20,000,000
TN School Safety Initiative - Office of Homeland Security		29,740,100



Higher Education – \$139,000,000

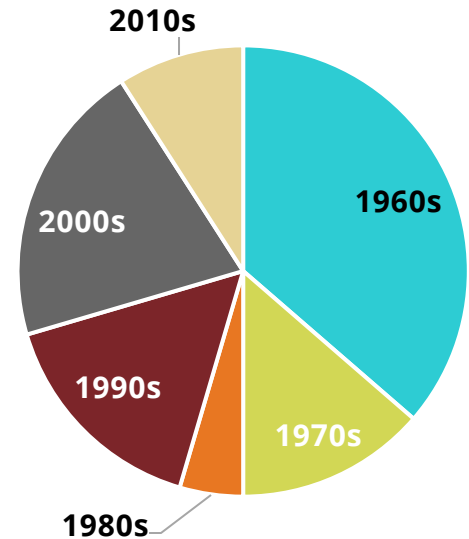
Formula Units - Outcomes, Inflation and Salary Policy	\$	111,946,000
Non-Formula Units - Inflation and Salary Policy		27,173,700

TCAT Facilities

Many Facilities Need Replacement

- Half the buildings are 50-60 years old
- Many building systems (roofs, HVAC, electrical, plumbing, etc.) are reaching the end of their useful lives
- Spaces are not designed for modern equipment and teaching methods
- Many facilities lack modern amenities, including air conditioning, accessible restrooms, and modern finishes

Square Footage by Year Built



TCAT Facilities - \$952,000,000

Update Outdated Campuses	\$ 370,750,000
New Buildings, Additions, and Improvements	386,175,000
New Campus Locations	147,500,000
Cost Escalations - Previously Funded Projects	48,500,000



2022-2023

TCAT CAMPUSES & MASTER PLAN INITIATIVES



CURRENT TCAT MAIN & SATELLITE CAMPUSES

- | | | |
|-----------------|------------------|-----------------------|
| 1. Athens | 11. Jackson | 21. Oneida/Huntsville |
| 2. Chattanooga | 12. Knoxville | 22. Paris |
| 3. Crossville | 13. Livingston | 23. Pulaski |
| 4. Crump | 14. McKenzie | 24. Shelbyville |
| 5. Dickson | 15. McMinnville | |
| 6. Elizabethton | 16. Memphis | |
| 7. Harriman | 17. Morristown | |
| 8. Hartsville | 18. Murfreesboro | |
| 9. Hohenwald | 19. Nashville | |
| 10. Jacksboro | 20. Northwest | |



TCAT MASTER PLAN INITIATIVES

- | | | |
|------------------------------|----------------|------------------------------|
| 1. Elizabethton (Carter Co.) | 12. Crossville | 23. Oneida |
| 2. Jackson Workforce Dev. | 13. Crump | 24. Ripley |
| 3. Paris | 14. Dickson | 25. Dickson (Dickson Co.) |
| 4. Covington | 15. Hartsville | 26. Athens (Polk Co.) |
| 5. Knoxville | 16. Hohenwald | 27. Chattanooga (Rhea Co.) |
| 6. Lexington | 17. Jacksboro | 28. Crossville (Bledsoe Co.) |
| 7. McMinnville | 18. Jackson | 29. McMinnville (Coffee Co.) |
| 8. Memphis | 19. Livingston | 30. Statewide Upgrades* |
| 9. Nashville Airport | 20. McKenzie | |
| 10. Athens | 21. Nashville | |
| 11. Chattanooga | 22. Newbern | |

*Adjustments to complete previously funded outlay and maintenance projects affected by recent unprecedented escalation

Leading the Nation – Strong Families

Strategy:

- Improve maternity and baby care
- Improve foster and adoption care
- Strengthen the provider network

Tennessee Strong Families - \$190.3 M

Access to TennCare Services

Pregnancy Eligibility Income Threshold Increase (250% FPL)	\$ 5,145,300
Parental Eligibility Income Threshold Increase (100% FPL)	13,556,900
Postpartum Coverage Extension	4,663,200
12-Month Continuous TennCare Eligibility for Low-Income Children	5,234,000

Direct Support for Providers

Regional Perinatal Centers (Health)	2,000,000
Perinatal Telehealth Infrastructure (Health)	2,300,000
TN Initiative for Perinatal Quality Care (Health)	375,000
CHANT Prenatal Care Coordination Expansion (TennCare)	1,335,300

(Continued)

Tennessee Strong Families - \$190.3 M

Direct Support for Crisis Pregnancies

Crisis Pregnancy Provider Support Grants (F&A)	\$ 100,000,000
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Foster Care, Adoption and Vulnerable Youth

TN Fosters Hope - Grant Funding (F&A)	\$ 10,250,000
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Adoption and Foster Care Improvements (DCS)	1,168,100
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Placement of Adoptive / Foster Kids with Disabilities (DIDC)	27,000,000
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Summer Youth Employment Program (Labor)	15,000,000
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Department of Children's Services – Immediate Support

FY23 Supplemental

Increasing Bed Capacity	\$ 5,790,900
Provider Rate Increase	1,898,000
Consulting	5,000,000
TennCare Impact	6,119,200

Impact: 166 New Beds Made Available

Department of Children's Services - \$193.5M

	All Sources
Increasing Bed Capacity by 166 Beds	\$ 33,039,200
Provider Rate Increase	39,771,500
Foster Care Rate Increase	7,273,700
Case Manager Salary Market Adjustments	15,858,300
Private Provider Case Management	11,442,800
Wilder Youth Development Ctr Security Staff Funding	1,039,000
TN Strong Families - Foster Care Improvements	1,514,500
Juvenile Justice Youth Intervention Partnerships	5,000,000
Juvenile Justice Re-Entry Facility	1,317,500
Intensive Family-Based Treatment for High Risk Youth	1,460,000
TN Family and Child Tracking System Replacement	62,000,000
IT Resources - Various Projects	7,728,400

Leading the Nation – Safe Neighborhoods

Strategy:

- Support Local Law Enforcement Efforts
- Improve State Law Enforcement Capabilities
- Improve Coordination between Local and State Law Enforcement Agencies

Leading the Nation: Safe Neighborhoods

Support for Re-Entry

Governor's Correctional Education Investment (CEI) Expansion (TBR)	\$ 1,140,000
Statewide Re-Entry Program Grants (TDOC)	1,000,000
Evidence-Based Programming Grants for Jails (Mental Health Focus)	10,000,000

Support for Law Enforcement

Law Enforcement Recruitment and Retention Initiative (Year 2)	30,000,000
Restore Funding to the Violent Crime Intervention Fund	50,000,000
Trooper and Support Staff Positions - 142 Positions	28,725,500
TBI Forensic Services Staffing - 25 Positions	4,528,100
TACN - Network Expansion	357,000,000

Preserving Tennessee's Outdoor Heritage

Strategy:

- The most accessible park system in the nation
- Eliminate Environmental Hazards
- Preserve Outdoor Experiences for Generations

The most accessible park system in the nation.

Park Lodge Reconstruction

Henry Horton State Park Lodge	\$	62,860,000
Natchez Trace State Park Lodge		66,450,000

New Parks

Middle Fork Bottoms State Park	22,969,300
Scott's Gulf State Park (formerly Virgin Falls)	28,259,900
North Chickamauga Creek State Park	776,300
Devil's Backbone State Park	365,400

State Parks, Natural Areas, and Forests

Access 2030	5,212,800
Heritage Conservation Trust	30,000,000
Long Hunter State Park Maintenance Facility	18,600,000
Savage Gulf State Park - Phase 2	74,516,800

(Continued)

Preserving Tennessee's Outdoor Heritage

Trails

Complete the Cumberland Trail	\$	15,355,000
Wolf River Greenway		10,300,000
Mountain Goat Trail Completion		9,200,000
Tweetsie Trail Expansion and Pedestrian Bridge		6,300,000

(Continued)



Millington, TN

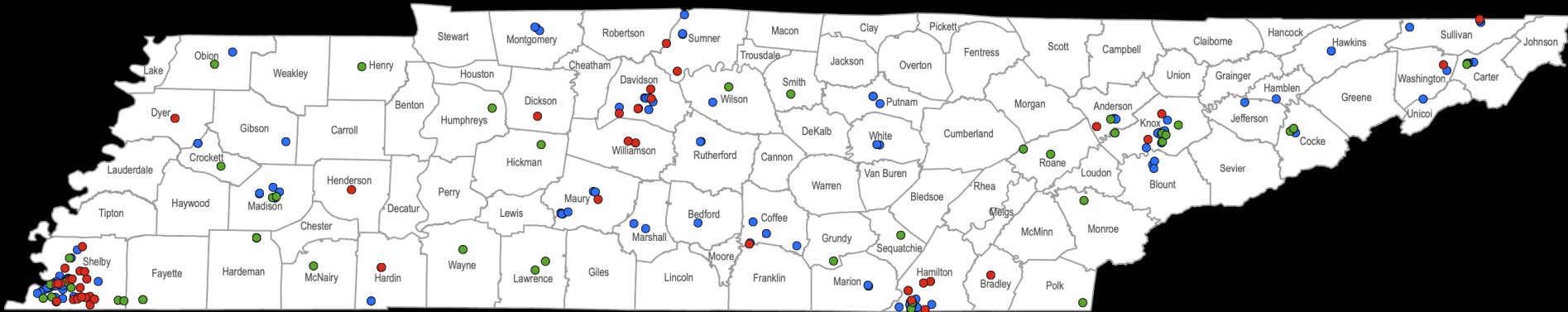
Safeguarding Our Future

Environmental

Rural Brownfields Investment Act	\$ 6,335,800
TN CLEAN - Non-NPL Site Cleanup Phase 2	40,000,000
TN CLEAN - Oak Ridge Cleanup	25,000,000
TN CLEAN - Dry Cleaner Site Cleanup	5,000,000
Grants to Localities to Improve Water Quality	4,714,600

(Continued)

Tennessee Environmental Cleanup



Blue = Brownfields
Green = State Superfund Sites
Red = Dry Cleaners Sites

Leading the Nation – Workplace

Strategy

- Recruit and Retain talented state employees.

State Employees

Salary Funding

Statutory Increases	\$	7,782,000
Market Rate Adjustments - State Employees		113,480,500
Market Rate Adjustments		65,000,000
Salary Pool - Higher Education		89,179,500
Salary Pool - K12 Education (TISA)		125,000,000
Other Targeted Salary Adjustments		100,047,900

Benefit Funding

401K - enhanced state match		35,735,300
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Tennessee Works – Tax Relief Proposal

Strategy:

- Return Taxes to Tennessee Families
- Provide Tax Relief to Small Businesses
- Improve Tennessee's Economic Competitiveness

Tennessee Works – Tax Legislation – (\$412.5M)

Support Tennessee Families

Sales Tax - Three-Month Holiday on Food and Food Ingredients	\$ (288,300,000)
Excise Tax - Paid Family Leave Tax Credit	(7,320,000)

Small Business Relief

Excise Tax - Small Business Deduction First \$50,000 in Net Income	\$ (37,800,000)
Franchise Tax - Exempt First \$500,000 Owned in TN	(20,300,000)
Business Tax - Increase Exemption to \$100,000 per Jurisdiction	(7,912,000)

Economic Competitiveness

Franchise and Excise - Transition to Single Sales Factor Tax	\$ 17,000,000
Excise Tax - Bonus Depreciation Coupling	(64,000,000)



We are Prepared

Rainy Day Fund	\$	250,000,000
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OPEB - Eliminate Unfunded Liability		250,000,000
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TCRS - Reduce Unfunded Liability		300,000,000
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Summary

- Applies conservative growth projections
- Uses \$2.8B recurring revenue for non-recurring expenditures
- Pays down \$550 million in liabilities
- Incurs no new debt
- Grows the Rainy-Day Fund beyond the 8% statutory goal
- Includes 77 fewer positions than FY23
- Reduces Taxes
- Grows Reserves
- Significant New Investments in
 - Transportation
 - Education
 - TCATs
 - Strong Families
 - Safe Neighborhoods
 - Outdoors & Environment
 - State Employees
 - Small Business

TENNESSEE: LEADING THE NATION

Long-Term Fiscal Stability Rankings

Measuring financial health in each state in the long term



RANK

STATE

1



Tennessee

TN

Tennessee maintained its #1 ranking in 2022.



THANK YOU