



# STATE OF TENNESSEE

## FY27 Budget Presentation

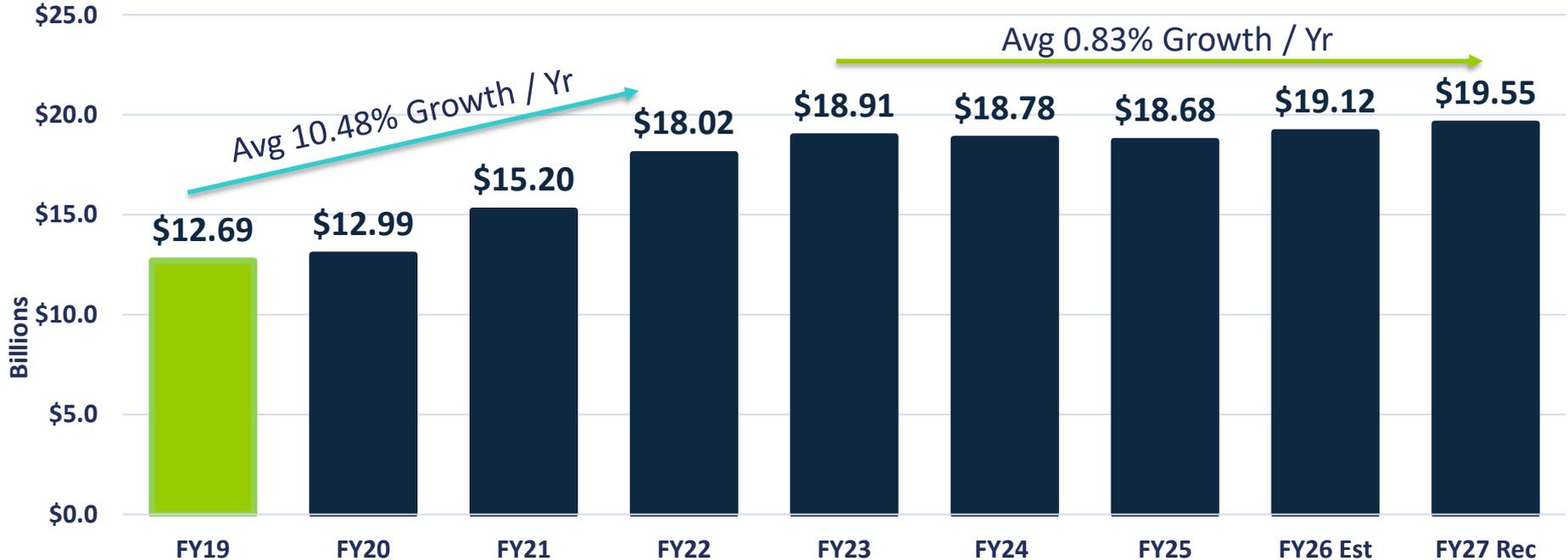
# The Economy

- Revenues returning to a moderate pace
- The revenue boom is over. TN is returning to normal growth.
- Fundamentals of the economy remain good
- TN GDP continues to show strength relative to US
- Risk of recession is still present but small
- Labor Market shows some signs of cooling
- Consumer Spending is key and may be coming under pressure



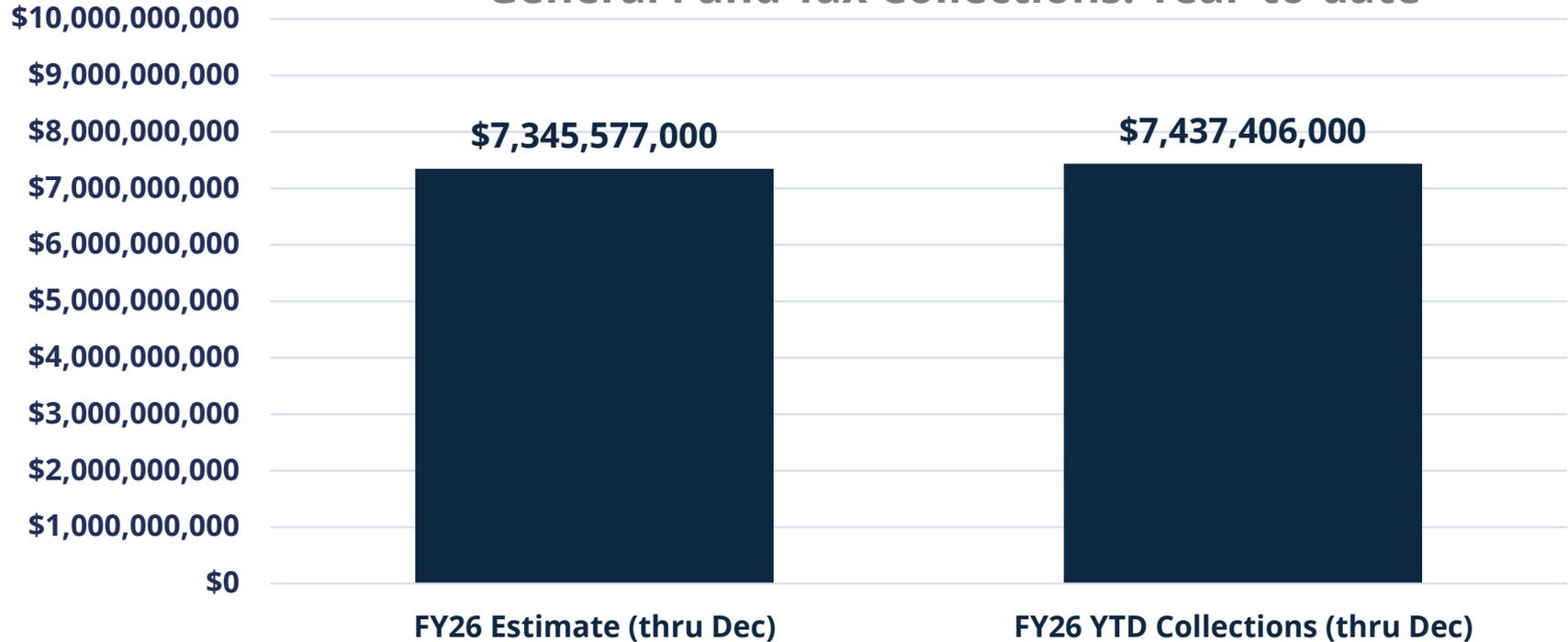
# Tax Growth is Slowing

## General Fund Tax Revenue



# FY26 Tax Collections – Tracking to Estimate

## General Fund Tax Collections: Year-to-date





# BUDGET HIGHLIGHTS

# FY27 Budget Summary – General Fund

## Available Revenues

Recurring Balance	\$ 491,651,500
FY25 Closing Balances	1,142,683,200
FY26 Closing Balance - Projected	524,389,400
FY27 New Revenue (Net of Legislation)	418,763,300

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## Total Revenues

**\$ 2,577,487,400**

Reductions & Reallocations	124,376,800
Cost Increases	(2,223,768,400)
Capital Outlay	(456,597,000)
Transfers	(20,000,000)

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## Balance

**\$ 1,498,800**

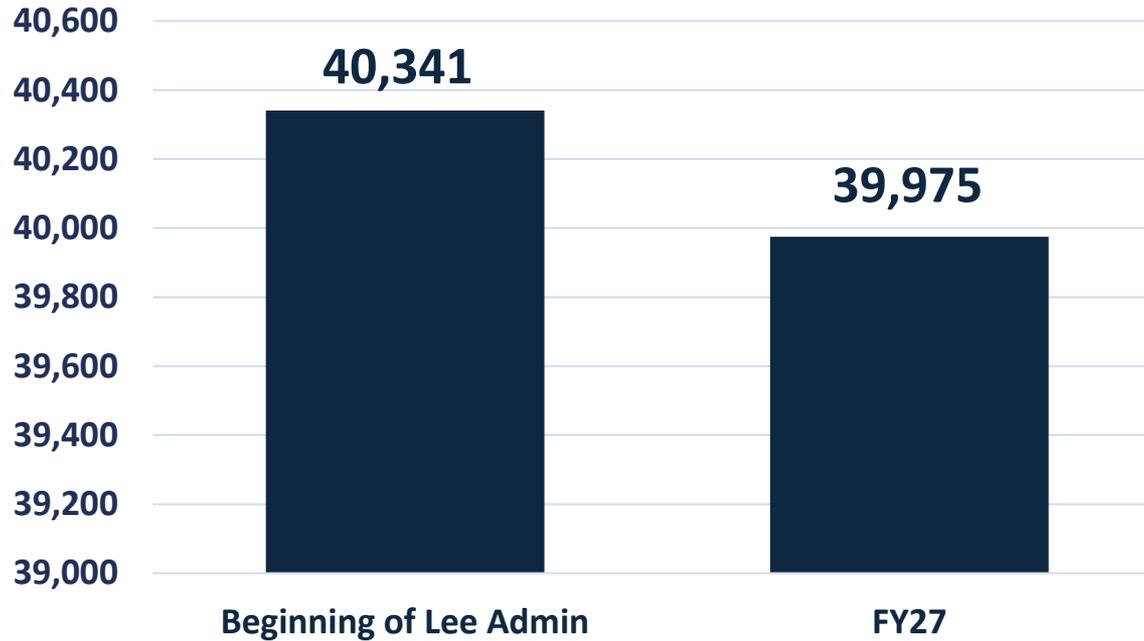
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# Rightsizing

- Agency 1% Budget Reductions (\$100M)
- Review of Reserves (over \$200M)
- Utilizing Vacant/Underutilized Positions
- Eliminating 67 Long-term Vacant Positions

# Positions

## Cabinet Agencies Fewer Positions in FY27



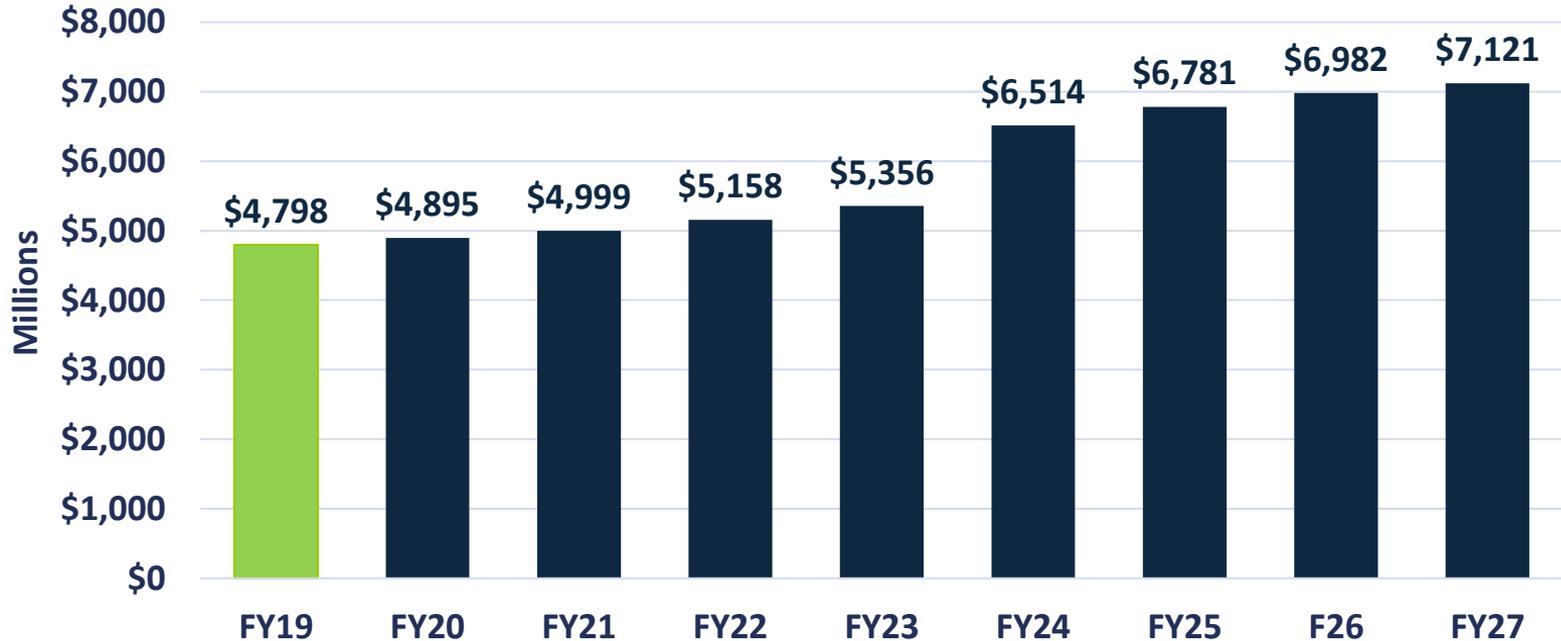
# Base Issues -- \$326M

## Highlights

TennCare - Inflation & Utilization	\$89,288,100
Federal Medical Assistance Percentage (FMAP)	\$88,853,400
DHS - SNAP Administration cost shift	\$58,334,700
DCS - Custody Services	\$36,811,400
DCS - Residential Custody	\$16,291,800
TennCare - Medicare & Pharmacy	\$36,429,500

# K-12: BEP / TISA Funding

## Funding History



# K-12 Education - \$339M

## Highlights

TN Investment in Student Achievement (TISA) Growth	\$250,000,000
FY26 Base Funding	\$80,000,000
FY27 New Funding	\$170,000,000
Grade A Schools (FY26 Supplemental)	\$11,000,000
Raising Teacher Starting Pay to \$50,000 (Included in TISA)	
Charter Schools Facilities Fund	\$40,000,000
Summer Learning Camps and Transportation	\$5,000,000
FY26 School Construction Grants (Admin by Treasurer)	\$10,616,000
FY27 School Construction Grants (Admin by Treasurer)	\$20,000,000
School-based Behavioral Health Liaisons (Admin by Mental Health)	\$3,000,000

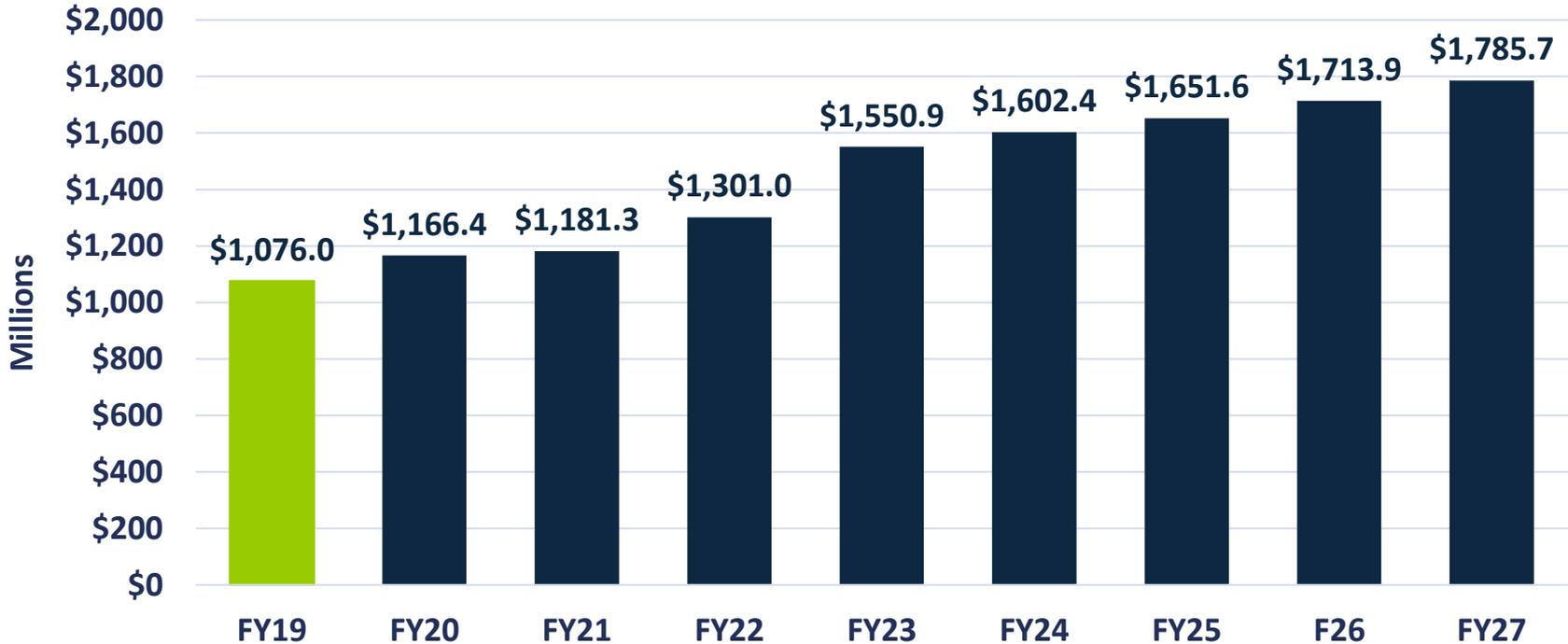
# Education Freedom



**Freedom Scholarships - Inflationary Costs & Growth      \$155,300,000**

# Higher Education

## Cumulative Funding for Institutional Outcomes and Salaries



# Higher Education - \$588.9M

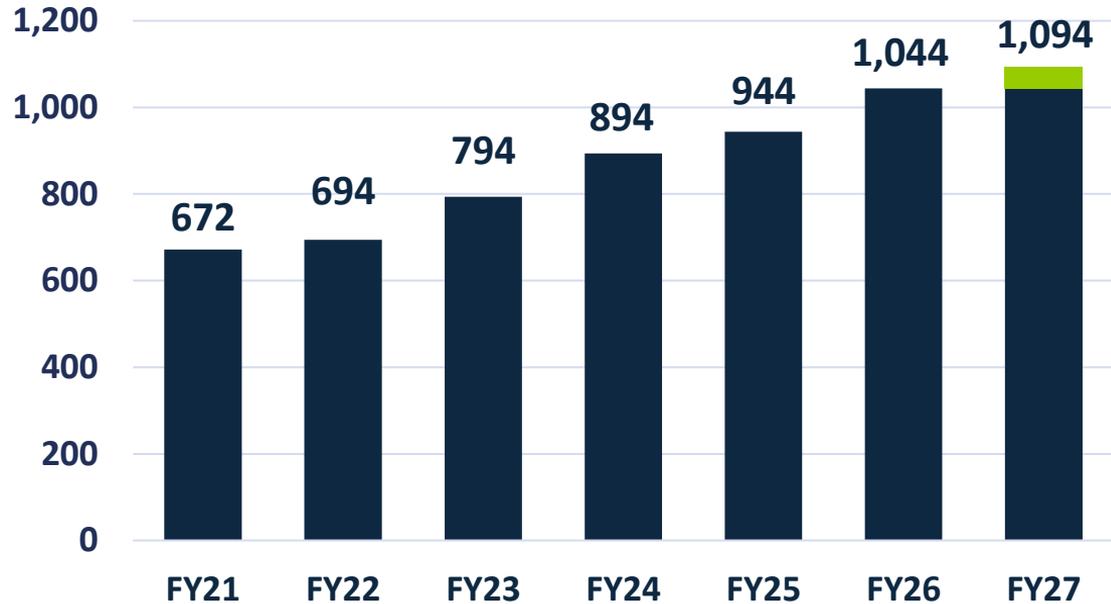
## Highlights

Health Insurance	\$31,304,800
Outcome-based Funding Formula (2.32% Increase)	\$39,400,000
Non-formula Units	\$5,261,700
TSU - increase for Land Grant state match	\$1,000,000
Corrections Education Investment	\$3,500,000
Next Gen Academies for Nuclear and Cyber	\$3,000,000
Capital Outlay (includes Maintenance and Improvements)	\$505,460,000

# Public Safety: Road Troopers



## 422 Road Trooper Positions Added in Last Eight Years



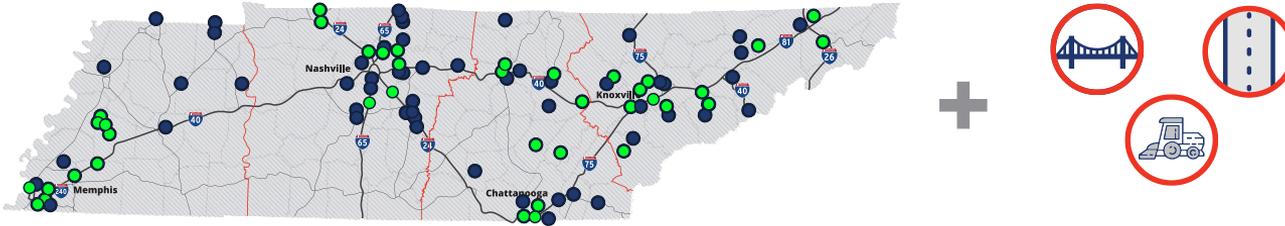
# Law and Safety - \$160.4M

## Highlights

Safety - 50 THP Road Troopers	\$17,660,000
Safety - Driver Services Staffing	\$2,658,800
Safety - Trooper Salary Adjustment	\$19,749,500
TBI - Operational & IT Support	\$7,109,000
TBI - Rapid DNA Unit	\$3,609,300
Memphis Safety Grants	\$80,000,000

# Road Investments

## Continuing to Address the 10-Year Plan



## \$30 Billion Outstanding Needs



**New Funding will:**

- **Expedite** 10-Year Plan Projects
- **Add** Crucial Projects to the 10-Year Plan
- **Address** rising maintenance needs

# Airport Investments - Year 5

	Commercial	General Aviation
FY27 Transportation Equity Fund Allocation (Est)	\$17,500,000	
Estimate of Federal Funding		\$18,100,000
Base State Appropriation	\$59,500,000	\$23,700,000
FY27 Cost Increase	\$48,000,000	\$8,200,000
	<b>\$125,000,000</b>	<b>\$50,000,000</b>

# Nuclear Investments

Nuclear Fund	\$25,000,000
Nuclear Workforce Grants	\$10,000,000
Next Gen Academies for Nuclear Tech	\$1,500,000

# Rural Development & Agriculture

Rural Development Grants	\$25,000,000
AgLaunch Grants	\$2,000,000

# Technology Investments

## Highlights

Enterprise Resource Planning (Edison) Modernization	\$70,000,000
North Data Center Relocation - Year 2	\$20,000,000
ADA Digital Accessibility Compliance Software	\$4,000,000
Courts - Statewide Court Technology	\$41,734,000
Quantum Infrastructure Initiative	\$20,000,000

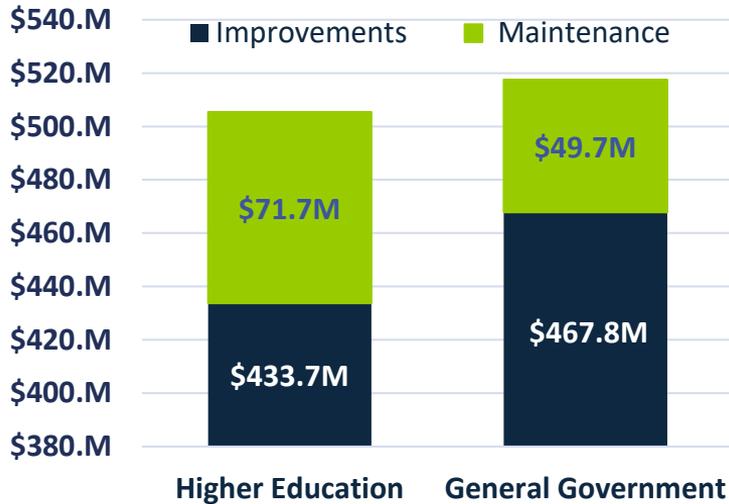
# Artificial Intelligence Investment - \$50M

## Manage Service, Data, Risk

- Enterprise Infrastructure (\$28M)
  - State Controlled Large Language Model
  - AI Data Management Layer
  - Secure Compute Environments
- Governance & Accountability (\$8M)
  - Guardrails and Risk Management
- Modernization and Innovation (\$6M)
  - Solutions for Agencies and Enterprise
- Agile Innovation Initiative (\$8M)
  - Respond to changing landscape

# Capital Budget

## FY27 Recommendation



## PROJECT HIGHLIGHTS

### State Buildings

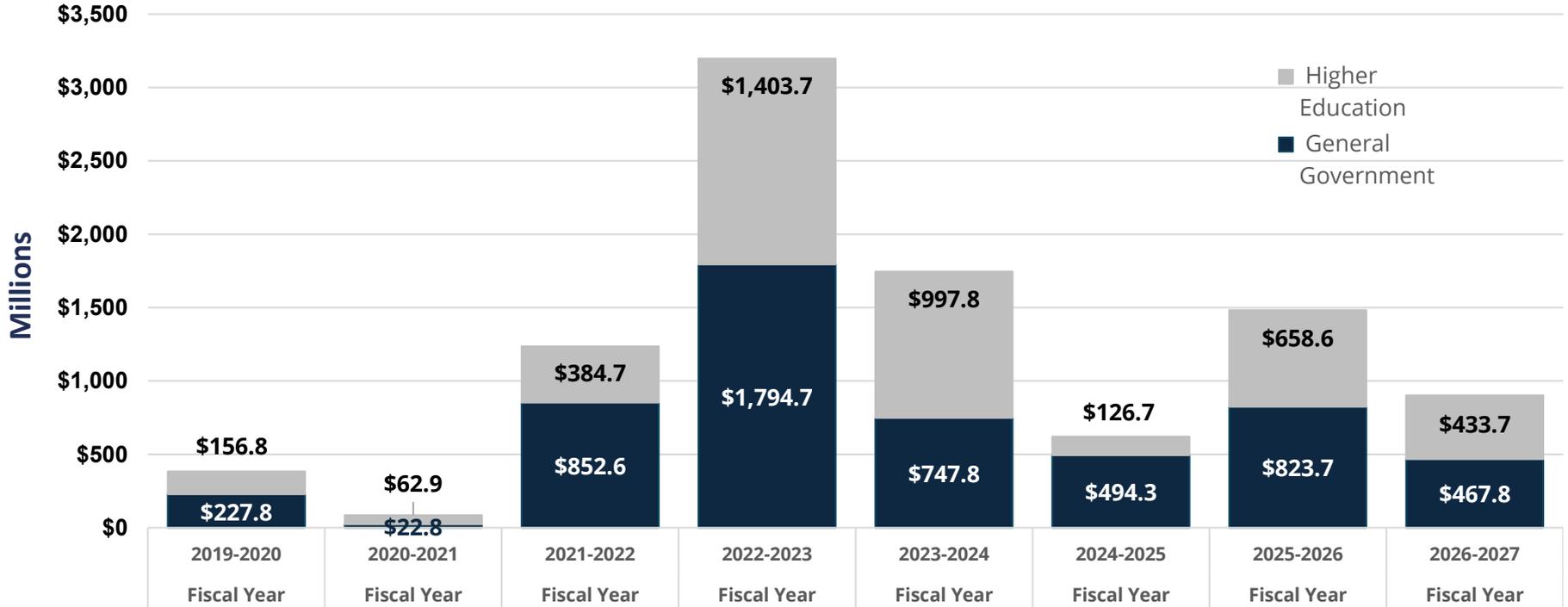
Welcome Centers / Rest Areas Reno & Replacement	\$165.M
New Army Aviation Support Facility - Smyrna	83.M
State Parks	146.1M
Safety Driver Service Center Reno - Columbia	6.3M
York Institute - Slaughter Facility	3.7M
Veterans Services - Cemetery Improvements	7.4M
Health - State Lab Demolition	13.1M

### Higher Education

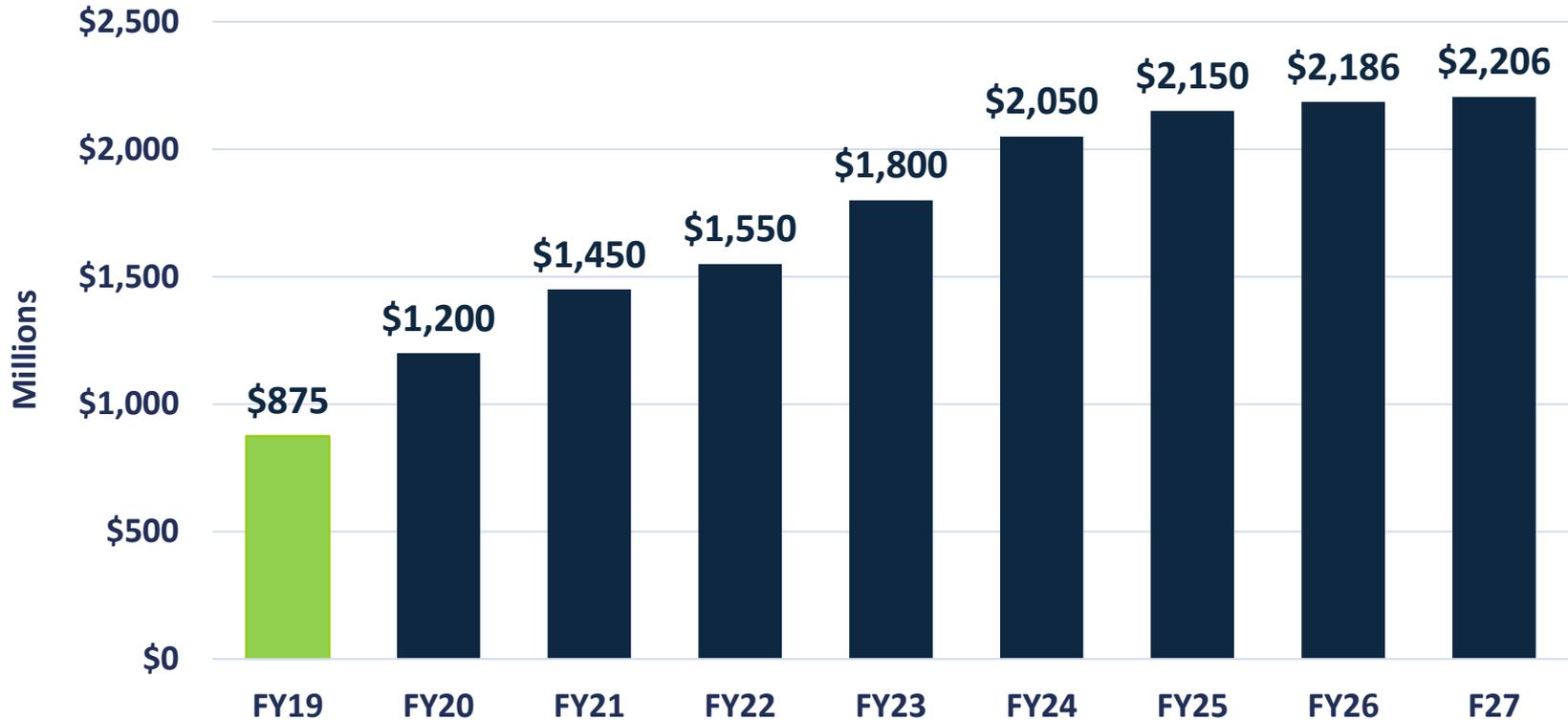
UTHSC - College of Medicine Building	350.M
UoM - Business & Economics Addition	60.M
ETSU - Main Campus Utility Infrastructure	19.2M
UT Martin - Cattle Facility	4.5M

# Capital Investments

## Over \$9.6 Billion in Capital Improvement Funding - Last Eight Years



# Rainy Day Fund



# Total Budget

	<b>FY26</b>	<b>FY27</b>	
<b>State</b>	29,698,852,990	29,573,483,400	
<b>Federal</b>	24,466,662,300	19,422,436,200	
<b>Other</b>	6,427,387,300	6,012,548,600	
<b>Tuition</b>	2,482,912,500	2,482,912,500	
<b>Bonds</b>	1,034,547,000	438,000,000	
	<b>\$ 64,110,362,090</b>	<b>\$ 57,929,380,700</b>	<b>-9.6%</b>

# The FY27 Budget

- Recognizes slow revenue growth and the economy is “Resetting.”
- Stabilizes the budget with prior year revenue growth.
- Focuses on core government services: Education, Infrastructure, Public Safety, and Health.
- Positions the State for future success.



**THANK YOU**