



“This is the most difficult budget I've faced, but it's a common sense approach to ensure we live within our means and leave Tennessee with a responsible, balanced budget.”

– Phil Bredesen, Governor
State of Tennessee, 2010



BUDGET BRIEFING

FY 2010 - 2011

- Maintain education as the state's top priority
- Continue reducing government spending to reflect prolonged lag in revenues
- Use Recovery Act funds to minimize impact of planned cuts and help balance state budget
- Use Rainy Day Funds sparingly to protect the state's financial stability while preserving most-needed services

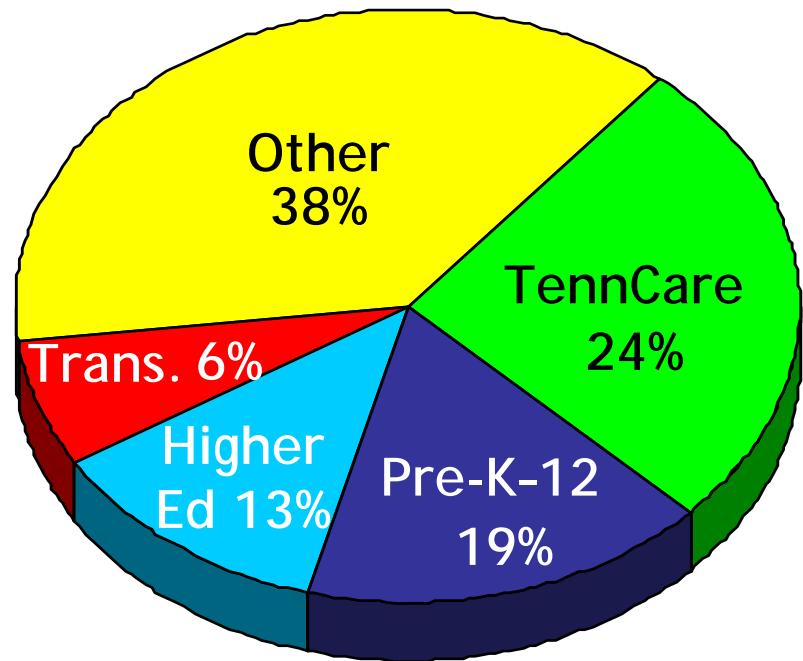
- 8th common sense balanced budget
- Conservative approach to budgeting
- Maintained healthy Rainy Day Fund balance
\$502 Million (June 30, 2010)
- Improved bond rating (AA+)
- Record investments in education since FY03
- Emphasis on education, jobs creation and health care
produced strong results

Budget Overview

Total FY11 Budget (including federal dollars)

SOURCE	RECOMMENDED FY10-11
TennCare	\$ 6.79 B
Pre-K-12	\$ 5.36 B
Higher Ed	\$ 3.71 B
Transportation	\$ 1.76 B
Other	\$ 10.79 B

TOTAL \$28.41 Billion



Budget Overview

FY11 (State dollars)

SOURCE	RECOMMENDED FY10-11
Education	\$ 5.3 B
Health and Social Services	2.8 B
Law, Safety, Correction	1.1 B
State Shared Taxes	831.1 M
Transportation	717.1 M
General Government	466.9 M
Resources and Regulation	367.4 M
Business and Economic Dev.	133.1 M
Other	596 M

TOTAL \$12.44 Billion

Budget Breakdown

Revenue (federal, state and other dollars)

SOURCE (millions)	ESTIMATED FY09-10	RECOMMENDED FY10-11	CHANGE
State Appropriations	\$ 12,205	\$ 12,440	1.9%
Federal Revenue	12,903	11,208	(13.1%)
Other Departmental	3,365	3,283	(2.4%)
Tuition and Fees	1,207	1,207	0%
Bonds	270	271	0%
TOTAL	\$ 29,952	\$ 28,412	(5.1%)

Net decrease
in overall
state budget

Budget Breakdown

Breakdown by fund (state, federal and other dollars)

FUND (millions)	ESTIMATED FY09-10	RECOMMENDED FY10-11	CHANGE
General Fund	\$ 26,601	\$ 24,962	(6.2%)
Transportation*	1,788	1,763	(1.4%)
Debt Service	425	398	(6.4%)
Capital Outlay	173	293	40.5%
Facilities Revolving	147	162	10.2%
Cities & Counties (SST)	815	831	1.9%
TOTAL	\$ 29,952	\$ 28,412	(5.1%)

**Includes ARRA Infrastructure funds*

Budget Breakdown

Appropriations (state dollars only)

APPROPRIATIONS (millions)		ESTIMATED FY09-10	RECOMMENDED FY10-11	CHANGE
GENERAL FUND	General Government	\$ 382	\$ 466.9	22.22%
	Education *	5,189	5,339	2.89%
	Health and Social Services	2,952	2,864	(2.98%)
	Law, Safety & Correction	1,116	1,143	2.42%
	Resources & Regulation	357	367.4	2.91%
	Business & Economic Dev.	197	133.1	(32.44)%
	Transportation	718	717.1	(0.13%)
	Other (includes Cities & Counties)	1,294	1,408.3	8.82%
	TOTAL	\$ 12,205	\$ 12,440	1.93%

** Includes education lottery appropriations*

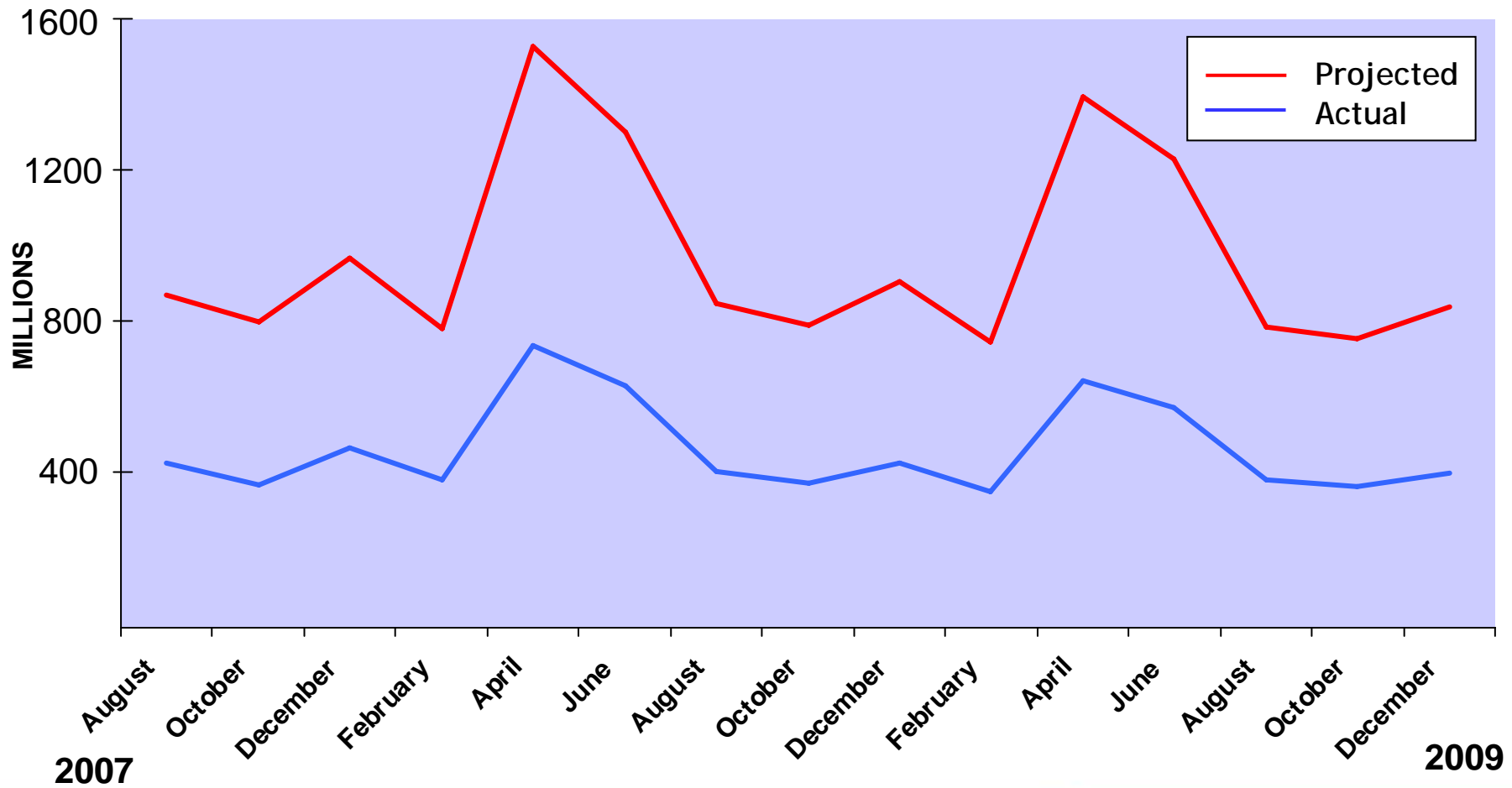
Budget Breakdown

State tax collections (millions)

Dept. of Revenue Collections	SOURCE (millions)	BUDGETED FY09-10	ESTIMATED FY09-10	RECOMMENDED FY10-11	CHANGE FROM BUDGETED FY09-10
	Sales	\$ 6,414	\$ 6,207	\$ 6,300	(1.78%)
	Franchise & Excise	1,340	1,415	1,487	10.97%
	Gas	606	616	625	3.14%
	Motor Vehicle Reg.	251	245	252	0.40%
	Privilege	262	230	226	(13.74%)
	Gross Receipts	316	340	344	8.86%
	Other	1,092	1,067	1,096	0.37%
	SUBTOTAL	\$ 10,281	\$ 10,120	\$ 10,330	0.48%
	Other State Rev.	1,064	1,038	1,132	6.39%
	TOTAL	\$ 11,345	\$ 11,158	\$ 11,462	1.03%

Budget Breakdown

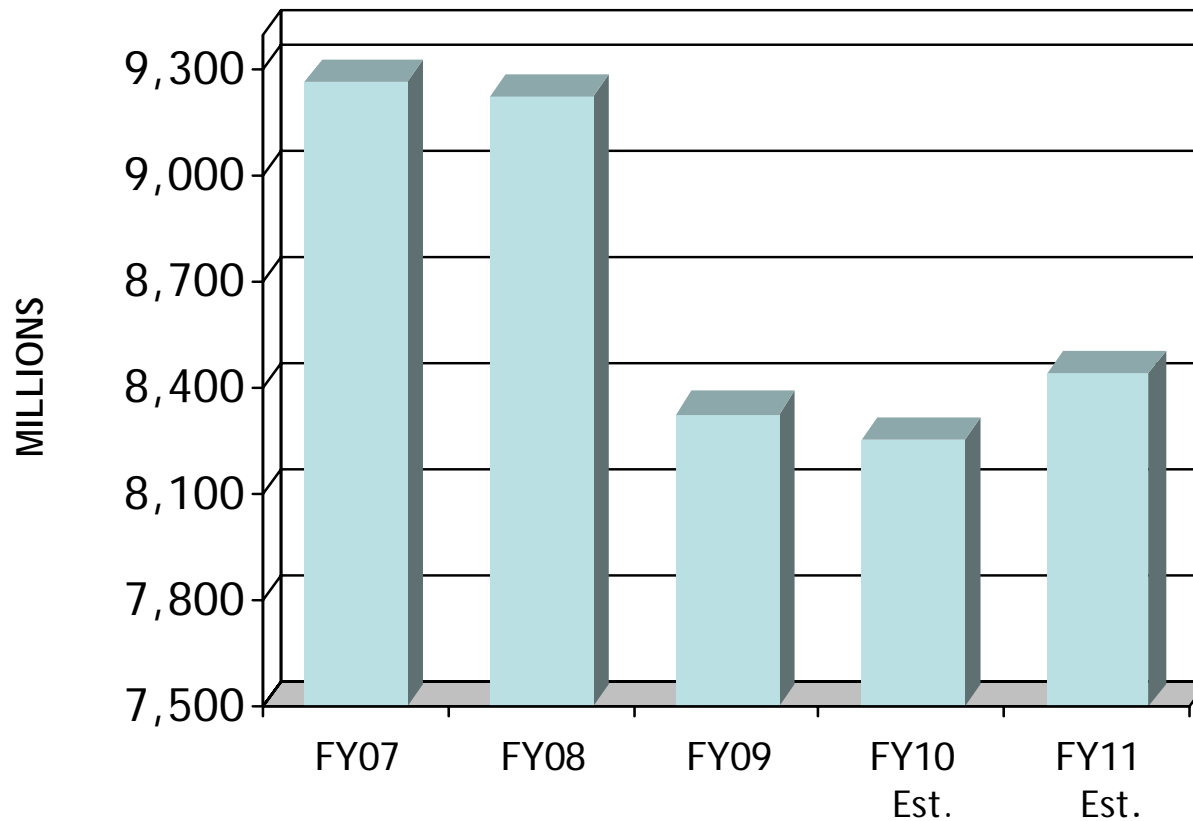
Revenue collections continue to underperform at unprecedented levels



General Fund Collections

Actual and Estimated

General Fund collections remain well below prior years



Recovery Act Funding



Fewer Recovery Act funds are available next year

	FY10	PROPOSED FY10-11	ESTIMATED FY12,13,14
TennCare	\$ 621 M	\$ 279 M	0
Human Services	\$ 508 M	\$ 210 M	0
Higher Education	\$ 244 M	\$ 163 M	0
K-12 Education	\$ 577 M	\$ 533 M	\$ 396.1*
Transportation *	\$ 6 M	0	0

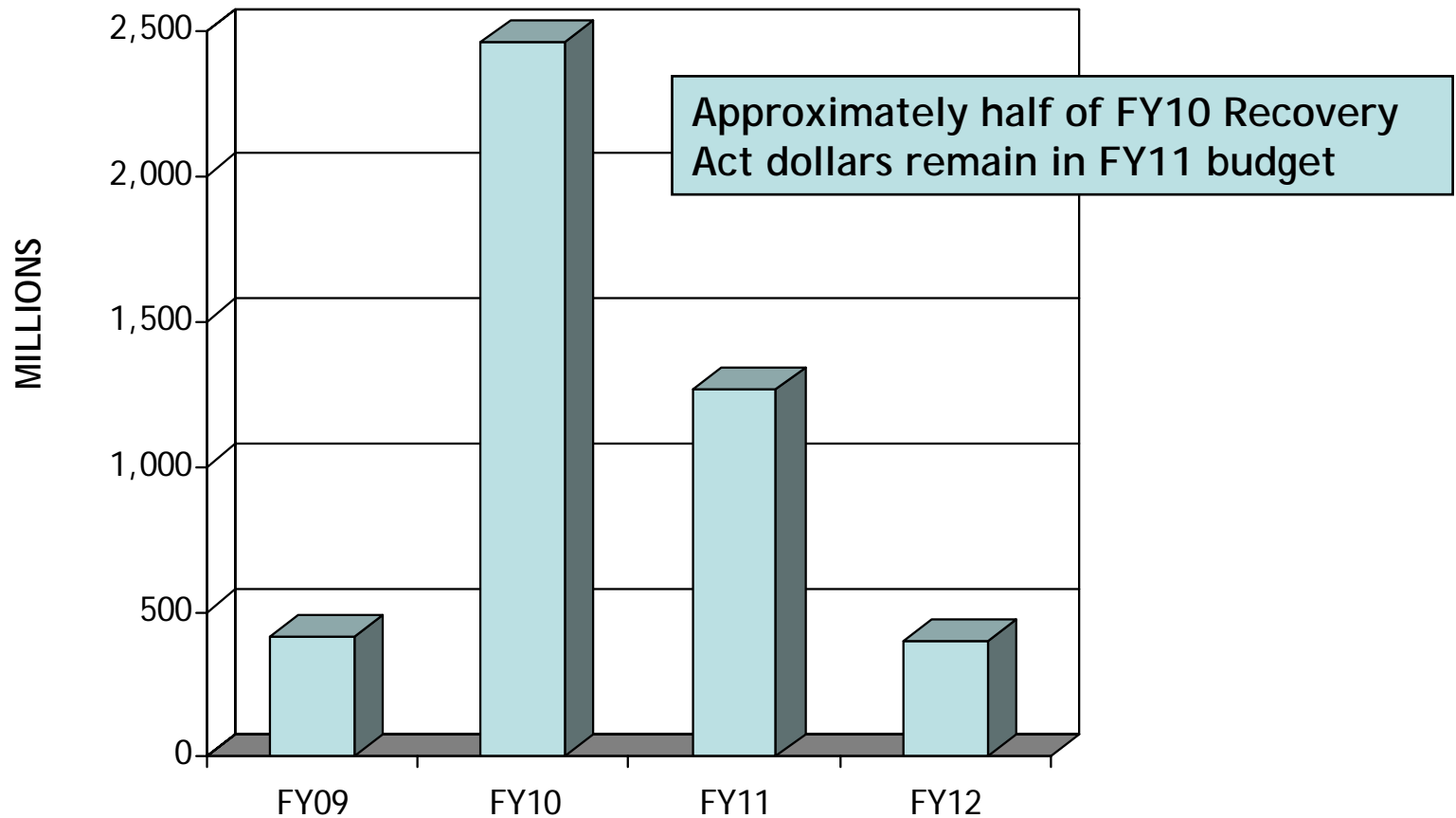
**Assumes Race to the Top and other Recovery Act funds*

FY11 budget reflects \$1.54 billion fewer
Recovery Act dollars compared to FY10

Recovery Act Funding



Fewer Recovery Act funds are available next year



Recurring Budget Reductions

State dollars



✓ TennCare	\$ 200.7 M
✓ Correction	\$ 6.3 M
✓ Children's Services	\$ 15.9 M
✓ Non-BEP Education	\$ 20.0 M
✓ Mental Health	\$ 9.4 M
✓ Environment & Conservation	\$ 4.9 M
✓ Revenue	\$ 1.5 M
✓ Health	\$ 11.0 M
✓ Higher Education	\$ 64.3 M
✓ Miscellaneous	\$ 60.2 M

Total Recurring Reductions	\$ 394.2 M
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Budget Breakdown

State Dollars



EDUCATION TOTAL	\$	5.3 B
Pre K-12 Education	\$	3.8 B
Higher Education	\$	1.5 B
FY 11 IMPROVEMENTS	\$	254 M
✓ Pre K-12 Improvement	\$	175 M
✓ Higher Education Improvement	\$	79 M

Pre K - 12 BEP education funding — other than capital outlay growth — remains protected in FY11. An additional \$43 million is being provided for inflationary growth in the BEP.

Budget Breakdown

State Dollars



GENERAL GOVERNMENT TOTAL \$ 466.9 M

Finance and Administration	\$ 48.5 M
Dept. of Revenue	\$ 78.4 M
Comptroller	\$ 79.3 M
Other	\$ 260.7 M

TRANSPORTATION, BUSINESS & ECD TOTAL \$ 1.014 B

Transportation	\$ 882.0 M
Economic and Community Development	\$ 52.3 M
Agriculture	\$ 68.5 M
Tourism	\$ 12.4 M

Budget Breakdown

State Dollars



HEALTH AND SOCIAL SERVICES TOTAL	\$ 2.864 B
TennCare	\$ 1.915 B
Children's Services	\$ 314.2 M
Health	\$ 157.1 M
Human Services	\$ 173.4 M
Mental Health	\$ 161.6 M
Cover Tennessee	\$ 95.3 M
Intellectual Disabilities Services	\$ 30.9 M
Other	\$ 16.5 M

Budget Breakdown

State Dollars



LAW, SAFETY AND CORRECTION TOTAL

Correction	\$ 660.2 M
Safety	\$ 111.6 M
TBI	\$ 32.8 M
Military	\$ 10.4 M
Other	\$ 328.0 M

RESOURCES AND REGULATION TOTAL

Environment and Conservation	\$ 166.5 M
Commerce and Insurance	\$ 95.7 M
Labor and Workforce Development	\$ 41.8 M
Financial Institutions	\$ 8.5 M
Other	\$ 55.0 M

Capital Outlay Budget

CAPITAL OUTLAY	\$ 293.3 M
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Bonds	\$ 90.9 M
Cash	\$ 165.4 M
Other	\$ 37.0 M

PROJECTS

ECD (West TN Megasite)	\$ 2.8 M
Correction	\$ 31.9 M
Higher Education (Maintenance)	\$ 50.9 M
Intellectual Disabilities	\$ 50.0 M
Safety	\$ 120.0 M

(THP radio communications, drivers license issuance system)

Improvements

State Dollars

• Fund BEP and Pre-K growth	\$ 46.7 M
• TCRS (retirement) contribution	\$ 81.7 M
• State employee bonus (3%) (includes teachers, higher education)	\$164.7 M
• Jobs package	\$ 23.5 M
• Restore land and soil conservation funds	\$ 10.9 M
• Perinatal grants	\$ 2.3 M
• Local jail funding	\$ 7.6 M

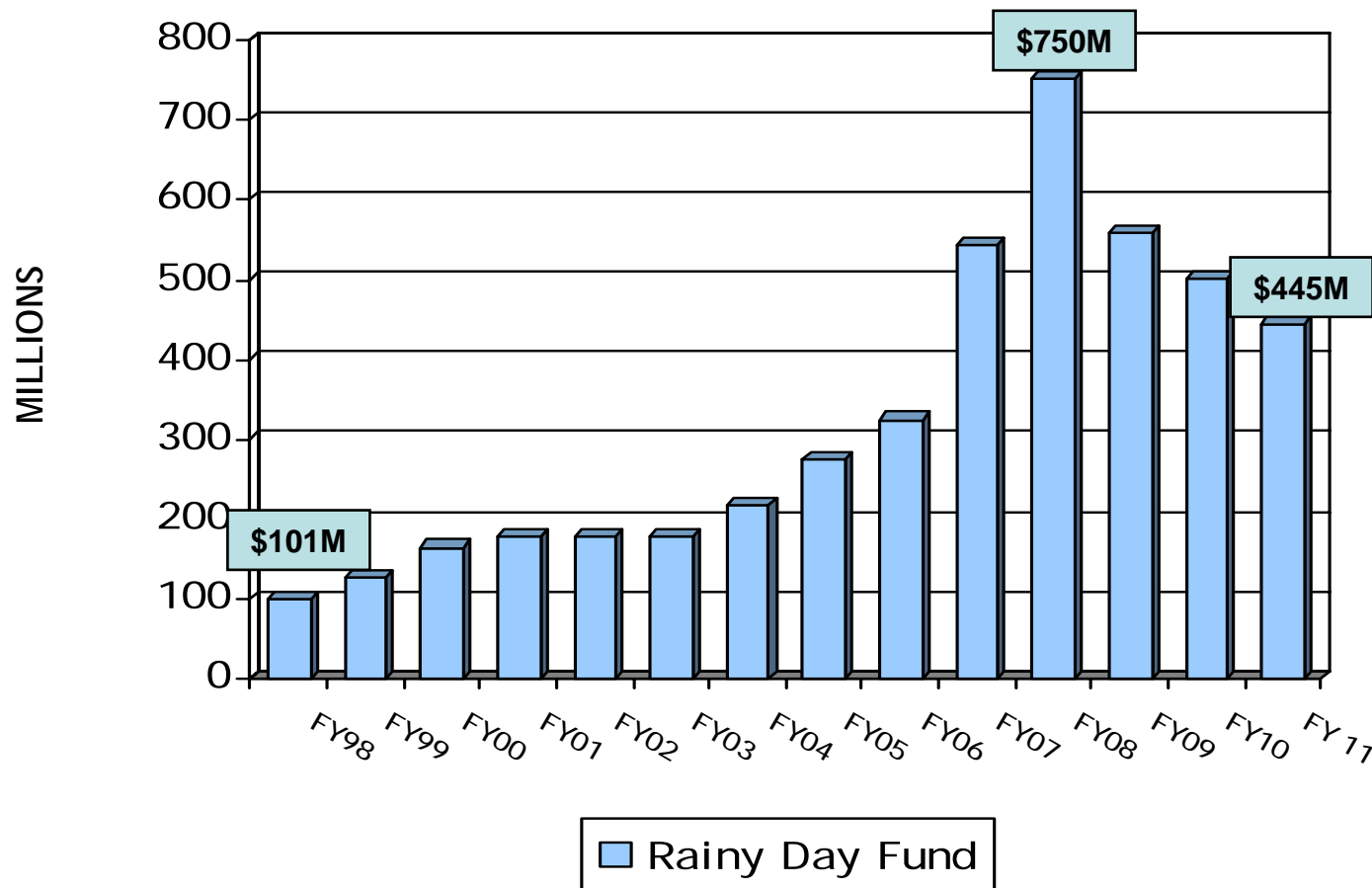
Use of Reserve Funds

\$202 million from reserves will preserve services and filled positions in FY11, FY12

Education (Includes Coordinated School Health, extended contracts, professional development and Exemplary Educators programs, family resource centers, K-2 assessments, early intervention services)	\$	57.4 M
Health (Includes minority health initiative, safety net grants to FQHCs, diabetes program, breast/cervical cancer services, HIV rapid testing, chronic and renal disease programs, metro health contracts)	\$	21.2 M
Mental Health (Includes behavioral health safety net, community mental health recovery services, alcohol and drug abuse community treatment services)	\$	13.2 M
Children's Services (Includes family support services, child health and development, healthy start, juvenile justice prevention grants, community intervention services)	\$	24.9 M
Filled Positions (Includes funding for 394 filled positions in next two fiscal years for positions that otherwise would have been eliminated)	\$	34.0 M
Other	\$	51.2 M

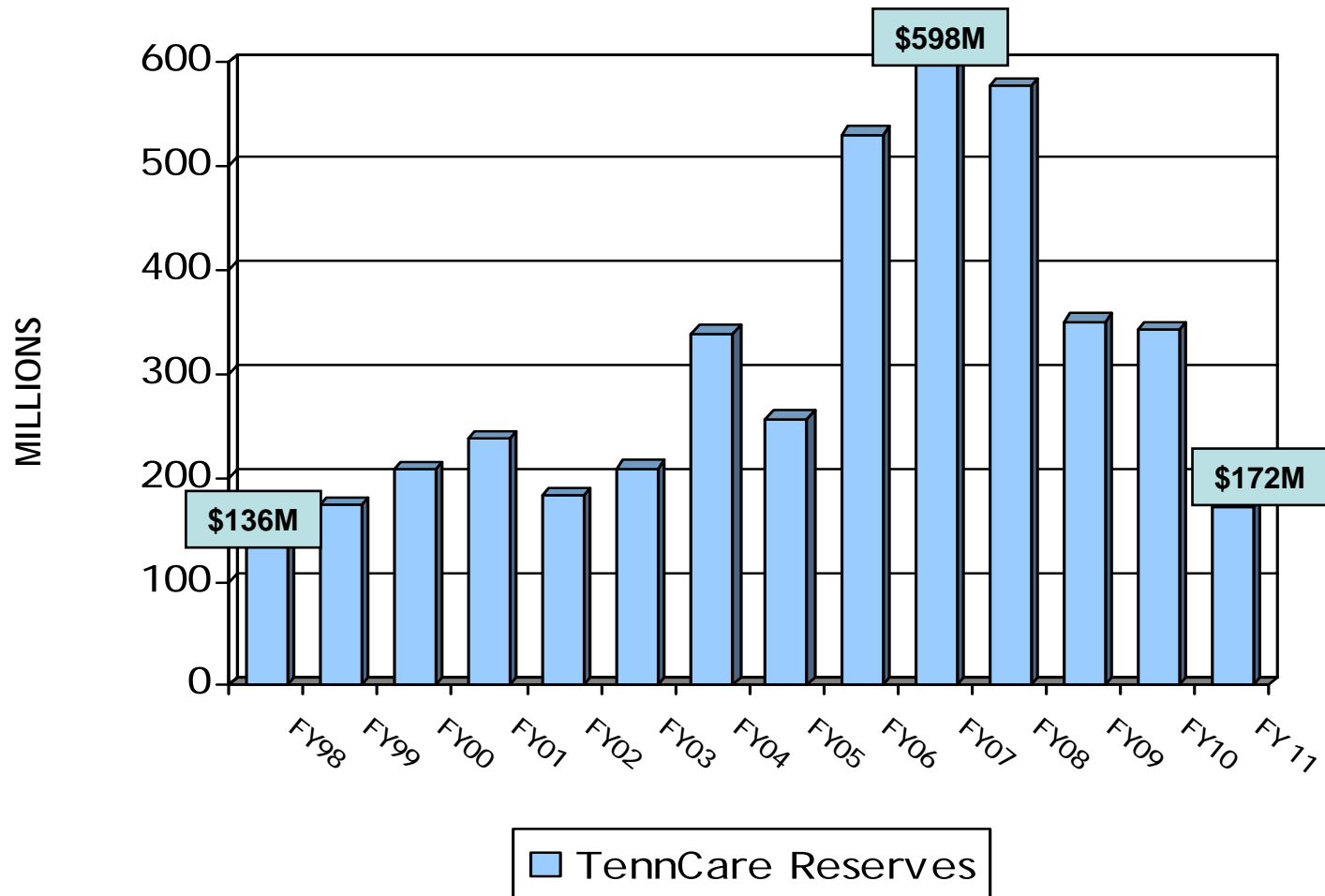
Maintain Healthy Reserves

Rainy Day Fund is helping us weather the storm

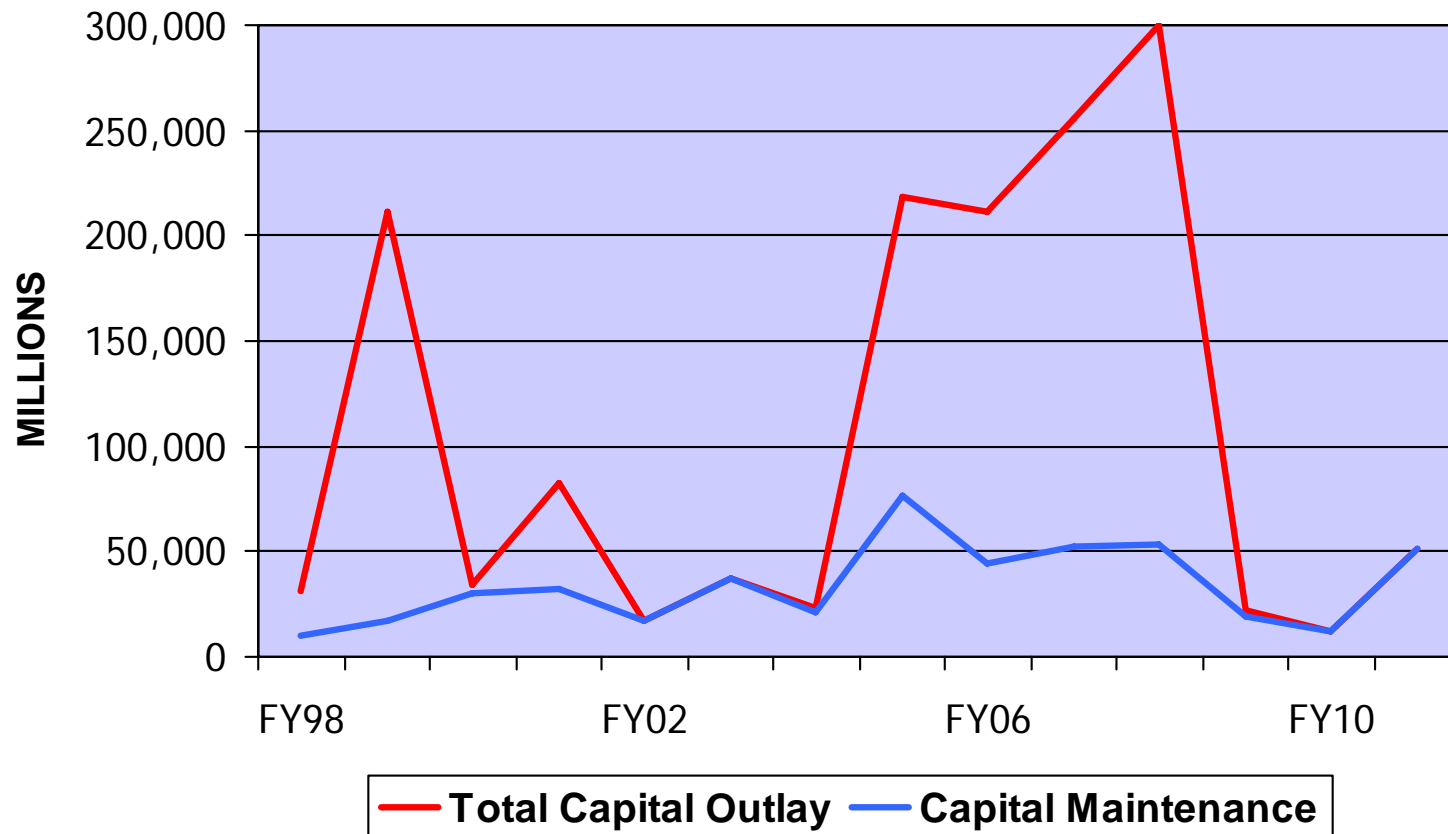


Maintain Healthy Reserves

TennCare reserves remain strong



Higher Ed Capital Spending



Since 2003, Tennessee has invested \$1.5 billion in higher education capital outlay and \$473 million in capital maintenance.

ECD Investment Returns

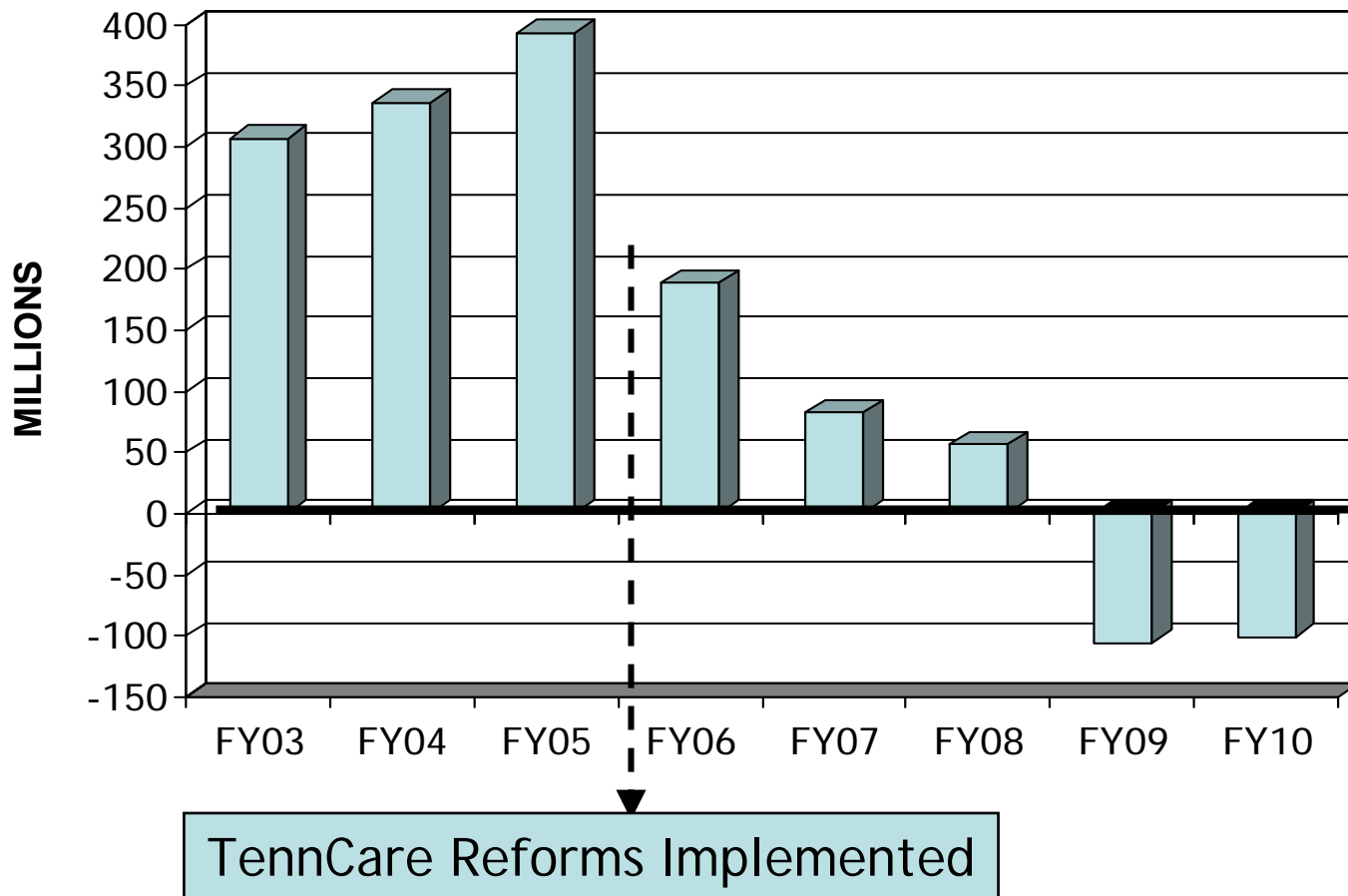
Jobs and Investment returns from FastTrack grants, 2003-2011

Fiscal Year	FastTrack Grant Commitment (millions)	Projected Number of Jobs	Anticipated Investment
03	\$ 16,448	12,440	\$ 1.6 B
04	22,107	13,254	965 M
05	32,674	13,075	1.3 B
06	46,542	15,213	1.2 B
07	40,930	19,542	1.7 B
08	61,685	18,168	2.5 B
09	16,313	8,137	944 M
TOTAL	\$ 236,699	99,829	\$ 10.3 B

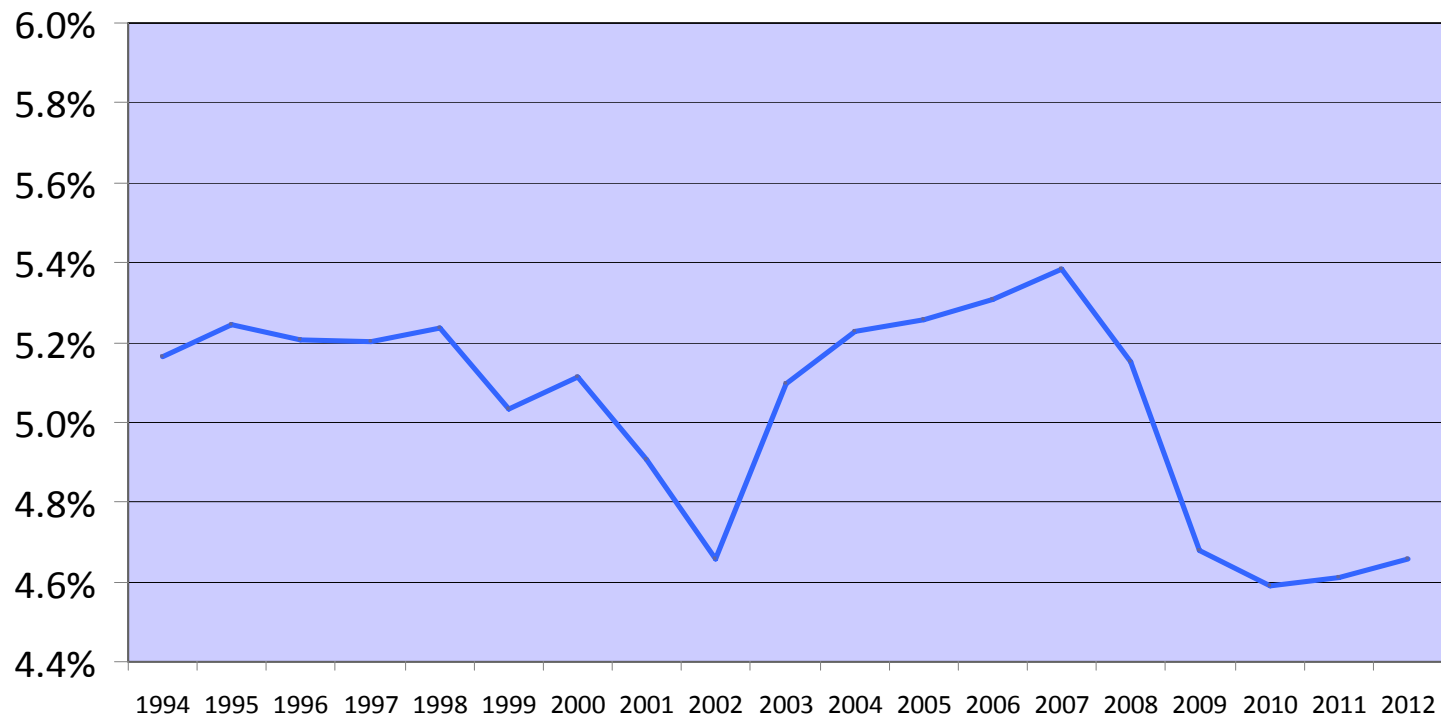
Since 2003, Tennessee has created 180,000 new jobs and \$29 billion in new capital investment.

TennCare Spending

State spending growth for TennCare has been reigned in

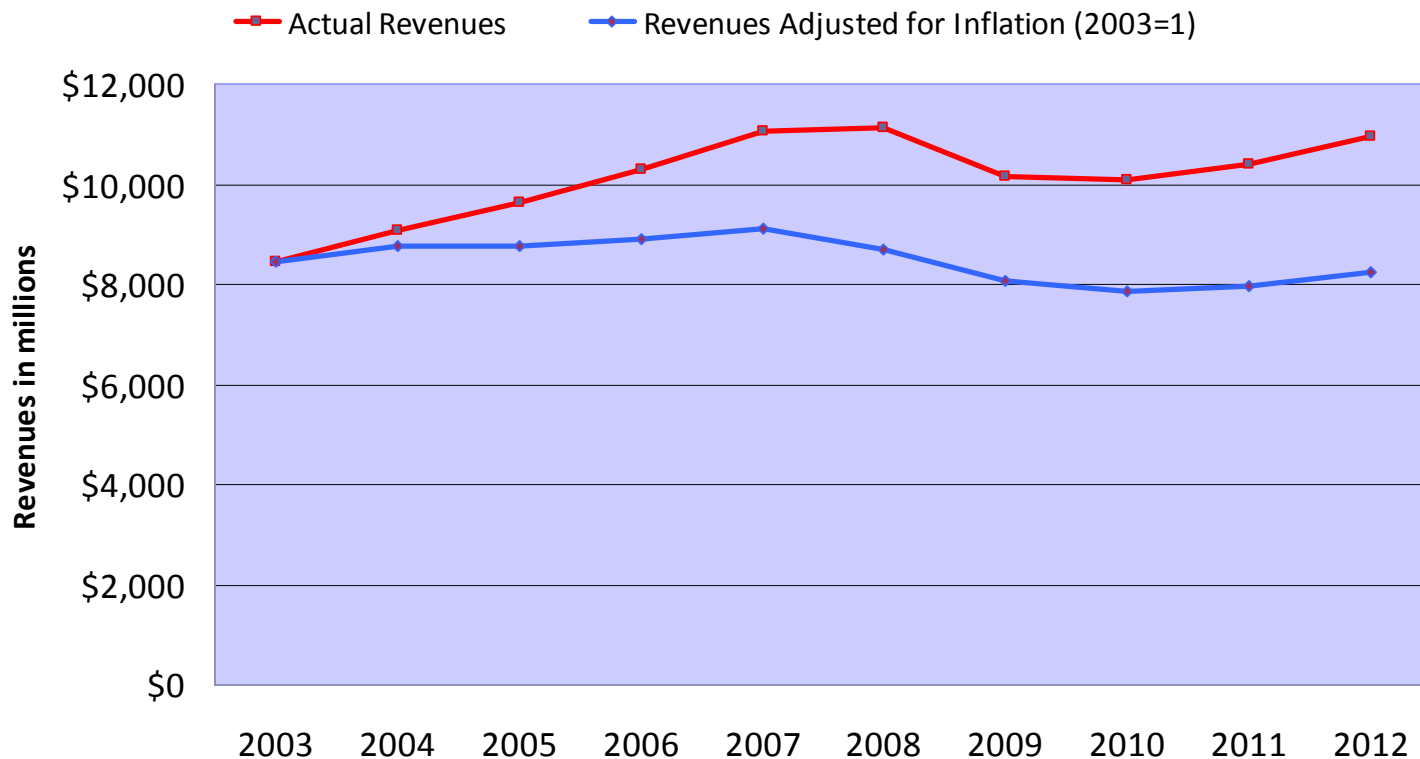


Actual total tax collections as a share of personal income 1994 - 2012



Revenue Trends

Actual tax collection revenues and revenues adjusted for inflation, 2003-2012



Budget Recap



- 🌐 Tennessee continues to weather the current national economic downturn
- 🌐 Education funding remains protected
- 🌐 Conservative use of reserve funds
- 🌐 State budget shrinking with declining revenues
- 🌐 8th common sense balanced budget