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– Phil Bredesen, Governor
2009 State of the State Address

BUDGET BRIEFING

FY 2009 - 2010

Budget Principles



- Maintain education as the state's top priority
- Use Recovery Act funds to minimize impact of planned cuts
- Reduce spending over next two years to ensure budget remains balanced
- Protect the state's ability to sustain services through national economic downturn

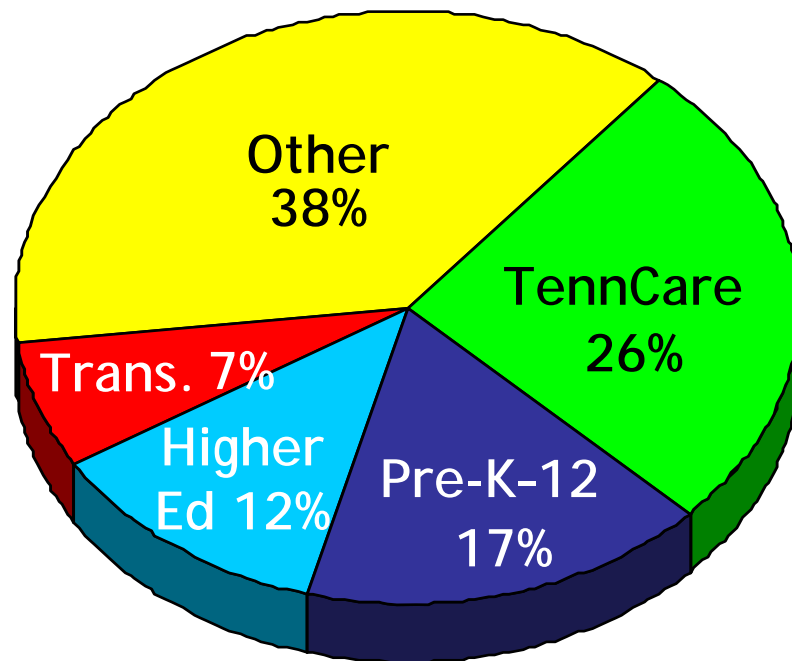
- 7 common sense balanced budgets
- Conservative budget growth
- Record savings in Rainy Day Fund
\$750 Million
- Improved bond rating (AA+)
- Record investments in education since FY03
\$1.23 Billion in Pre-K-12; \$1.02 Billion in higher ed capital funds

Budget Overview

Total FY 09-10 Budget (including federal dollars)

SOURCE	RECOMMENDED FY09-10
TennCare	\$ 7.64 B
Pre-K-12	\$ 5.12 B
Higher Ed	\$ 3.59 B
Transportation	\$ 2.03 B
Other	\$ 10.96 B

TOTAL \$29.34 Billion



Budget Overview



Total FY 09-10 Budget (including federal dollars)
Impact of Recovery Act funds

SOURCE	RECOMMENDED FY09-10	WITHOUT ARRA
TennCare	\$ 7.64 B	\$ 7.09 B
Pre-K-12	5.12 B	4.7 B
Higher Ed	3.59 B	3.34 B
Transportation	2.03 B	1.36 B
Other	10.96 B	10.48 B
TOTAL	\$ 29.34 B	\$ \$27.03

Budget Overview



FY 09-10 Taxpayers' Budget (state dollars only)

SOURCE	RECOMMENDED FY09-10
Education	\$ 4.89 B
Health and Social Services	2.88 B
Law, Safety, Correction	1.13 B
State Shared Taxes	803.10 M
Transportation	720.23 M
General Government	311.66 M
Resources and Regulation	128.09 M
Business and Economic Dev.	140.24 M
Other	\$ 476.68 M

TOTAL \$11.48 Billion

Budget Breakdown



Revenue (federal and state dollars)

SOURCE (millions)	ESTIMATED FY08-09	RECOMMENDED FY09-10	CHANGE
State Appropriations	\$ 13,617	\$ 12,591	(7.53%)
Federal Revenue	10,853	11,837	9.07%
Other Departmental	3,503	3,290	(6.08%)
Tuition and Fees	1,085	1,085	0%
Bonds	716	533	(25.56%)
TOTAL	\$ 29,774	\$ 29,336	(1.47%)

Net decrease
in overall
state budget.

Budget Breakdown



Breakdown by fund (federal and state dollars)

FUND (millions)	ESTIMATED FY08-09	RECOMMENDED FY09-10	CHANGE
General Fund	\$ 25,216	\$ 25,772	2.2%
Transportation*	2,607	2,026	(22.29%)
Debt Service	357	430	20.45%
Capital Outlay	621	157	(74.72%)
Facilities Revolving	170	148	(12.94%)
Cities & Counties (SST)	803	803	0%
TOTAL	\$ 29,774	\$ 29,336	(1.47%)

**Includes ARRA Infrastructure funds*

Budget Breakdown



Appropriations (state dollars only)

APPROPRIATIONS (millions)		ESTIMATED FY08-09	RECOMMENDED FY09-10	CHANGE
GENERAL FUND	General Government	\$ 422	\$ 360	(14.69%)
	Education *	5,658	5,591	(1.18%)
	Health and Social Services	3,656	2,980	(18.49 %)
	Law, Safety & Correction	1,192	1,146	(3.86%)
	Resources & Regulation	374	352	(5.88 %)
	Business & Economic Dev.	493	599	21.50%
	Transportation	805	720	(10.56%)
	Other	1,017	843	(17.11%)
	TOTAL	\$ 13,617	\$ 12,591	(7.53%)

* Includes education lottery appropriations

Budget Breakdown



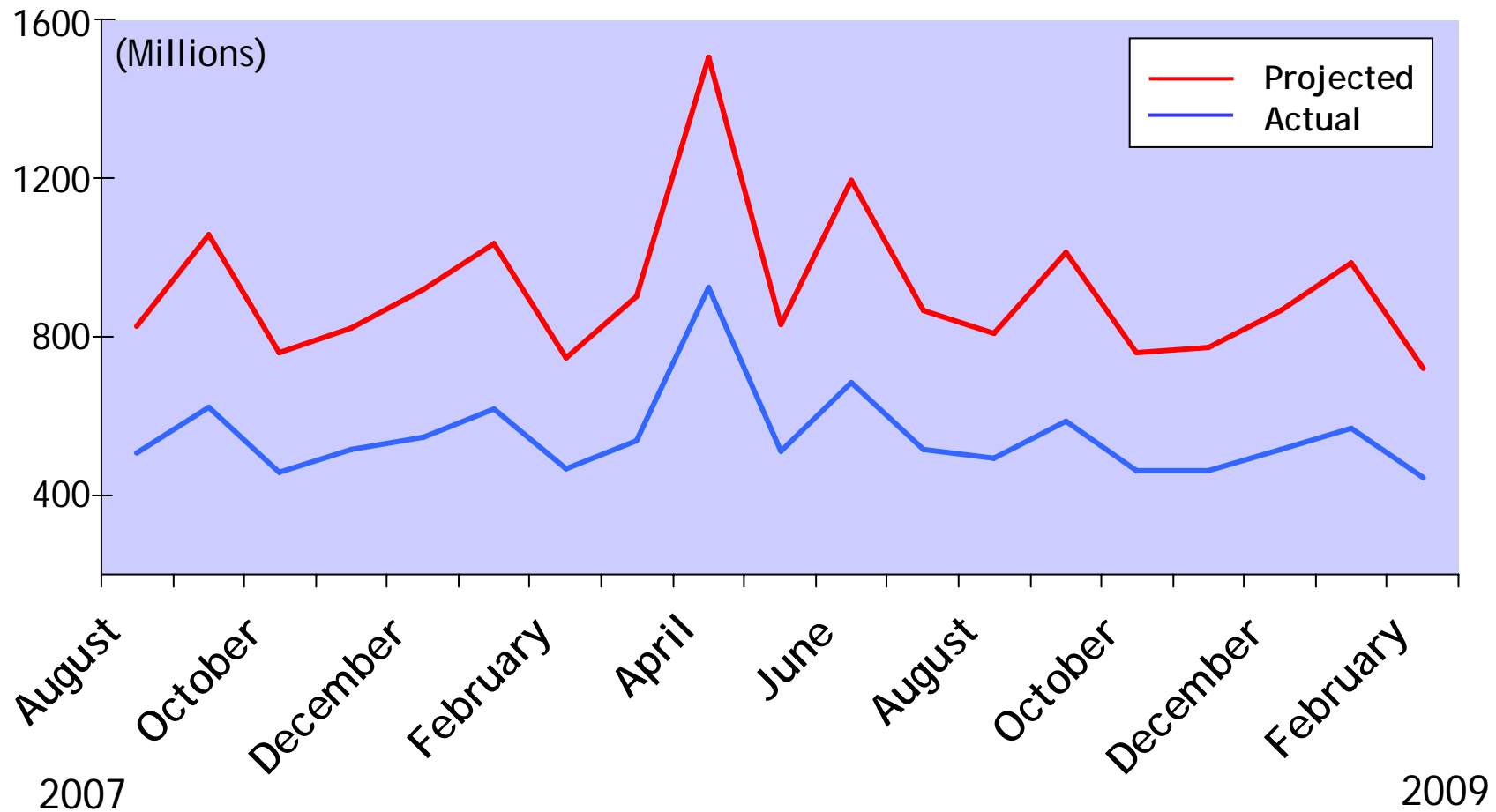
State tax collections

Dept. of Revenue Collections	SOURCE (millions)	BUDGETED FY08-09	ESTIMATED FY08-09	RECOMMEND ED FY09-10	CHANGE FROM BUDGETED FY08-09
	Sales	\$ 7,019	\$ 6,475	\$ 6,604	(5.9%)
Franchise & Excise	1,620	1,328	1,301	(19.69%)	
Gas	609	599	610	.16%	
Motor Vehicle Reg.	263	248	253	(3.8%)	
Privilege	307	226	230	(25.08%)	
Gross Receipts	311	305	310	(.32%)	
Other	1,268	1,108	1,084	(14.51%)	
SUBTOTAL	\$ 11,397	\$ 10,289	\$ 10,392	(8.82%)	
Other State Rev.	940	940	915	(2.66%)	
TOTAL	\$ 12,337	\$ 11,229	\$ 11,307	(8.35%)	

Budget Breakdown



Revenue collections continue to underperform at unprecedented levels



Recovery Act



The American Recovery and Reinvestment Act of 2009 will:

- Speed economic recovery
- Create and save jobs
- Provide services to those affected by the recession








State agencies planned for cuts averaging 14.76% prior to ARRA.
Those cuts have been reduced to an average of 3.5%.

Recovery Act



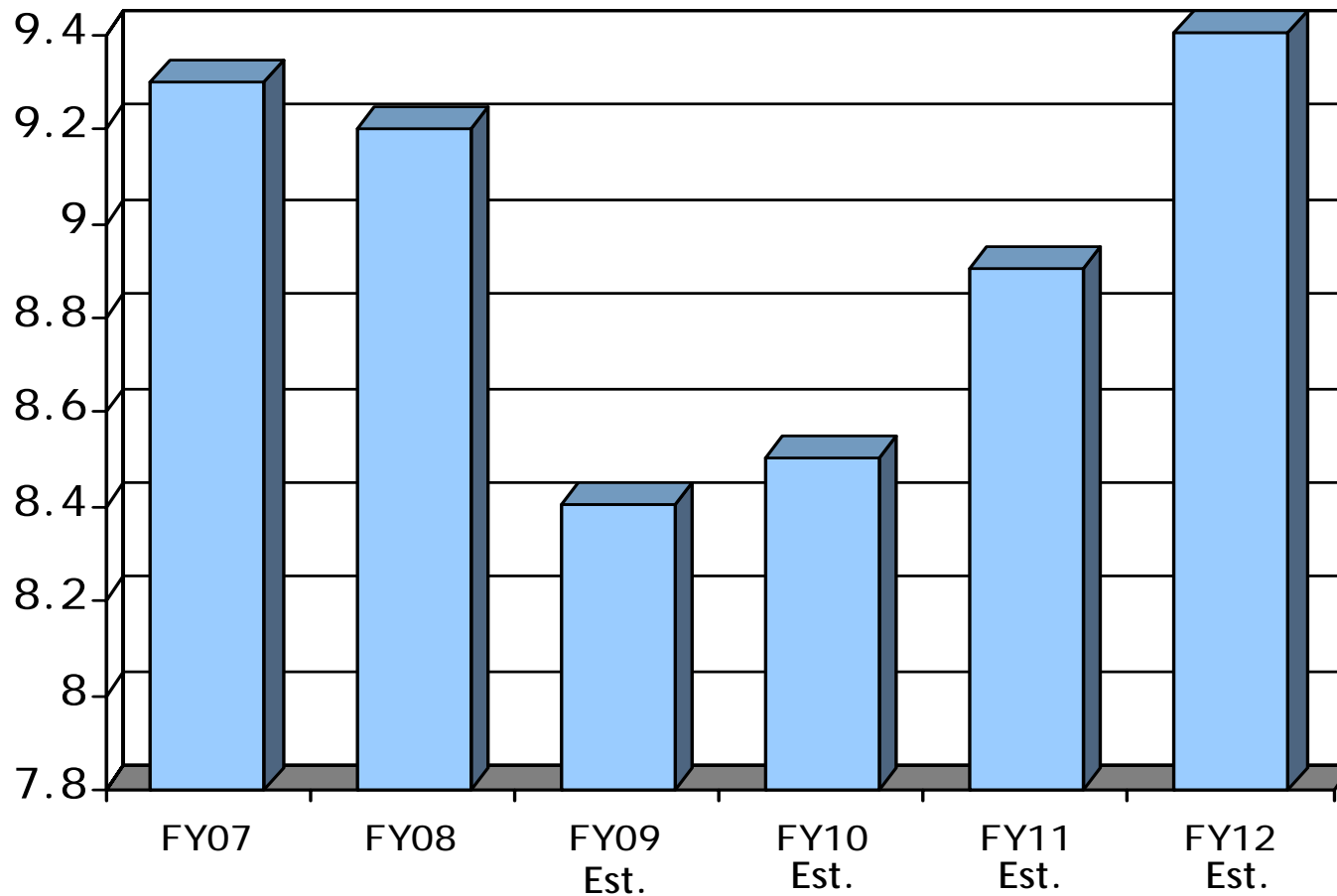
Impact of Recovery Act funds on FY09-10 Budget

 TennCare	\$	550 M
 Human Services	\$	484 M
 Higher Education	\$	185 M
 K-12 Education \$266M + \$152 M Stabilization	\$	418 M
 Transportation *	\$	666 M

* *TDOT funds are available in current fiscal year*

General Fund Collections

Actual and Estimated

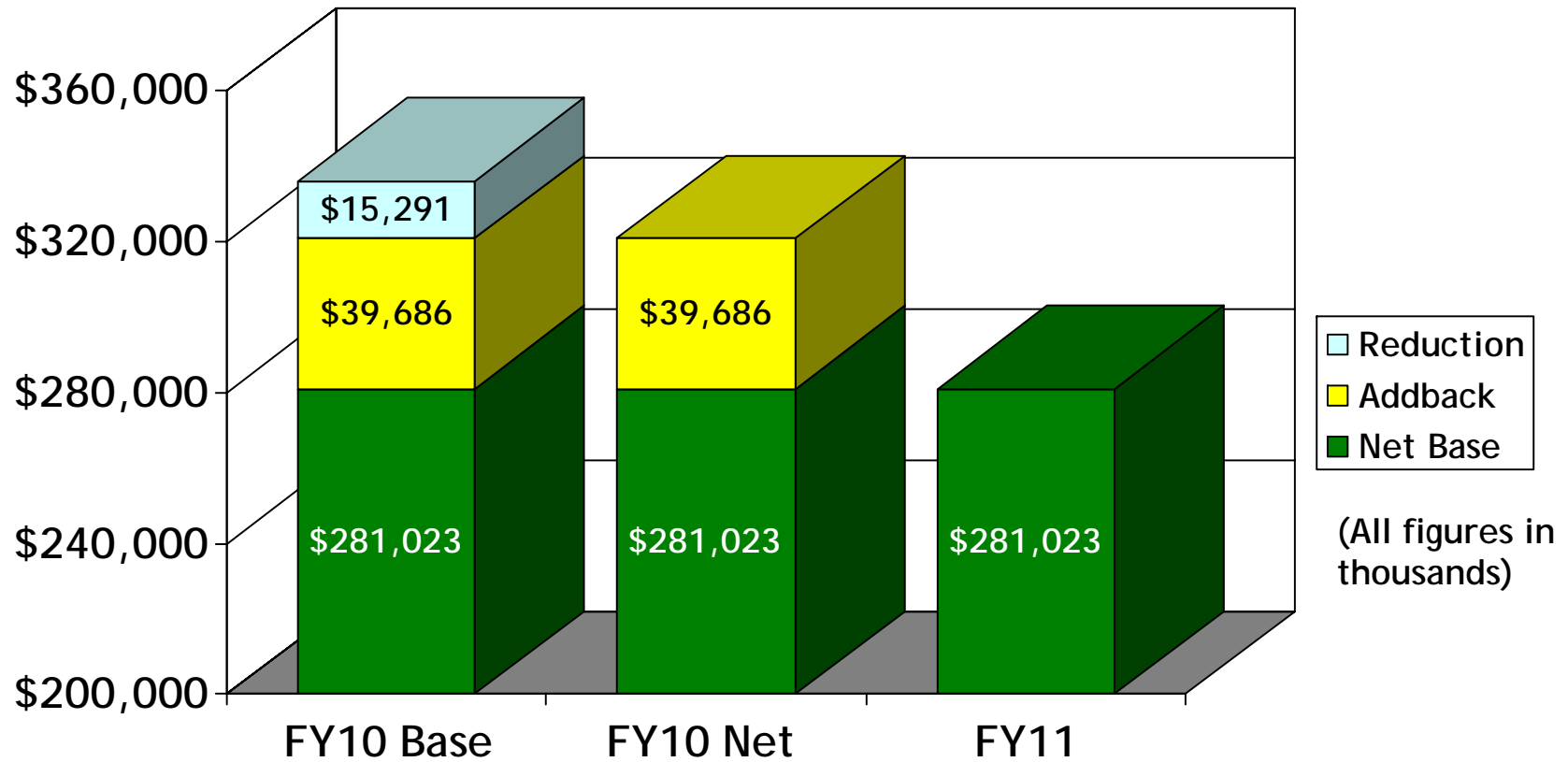


Net Base Budget Cuts



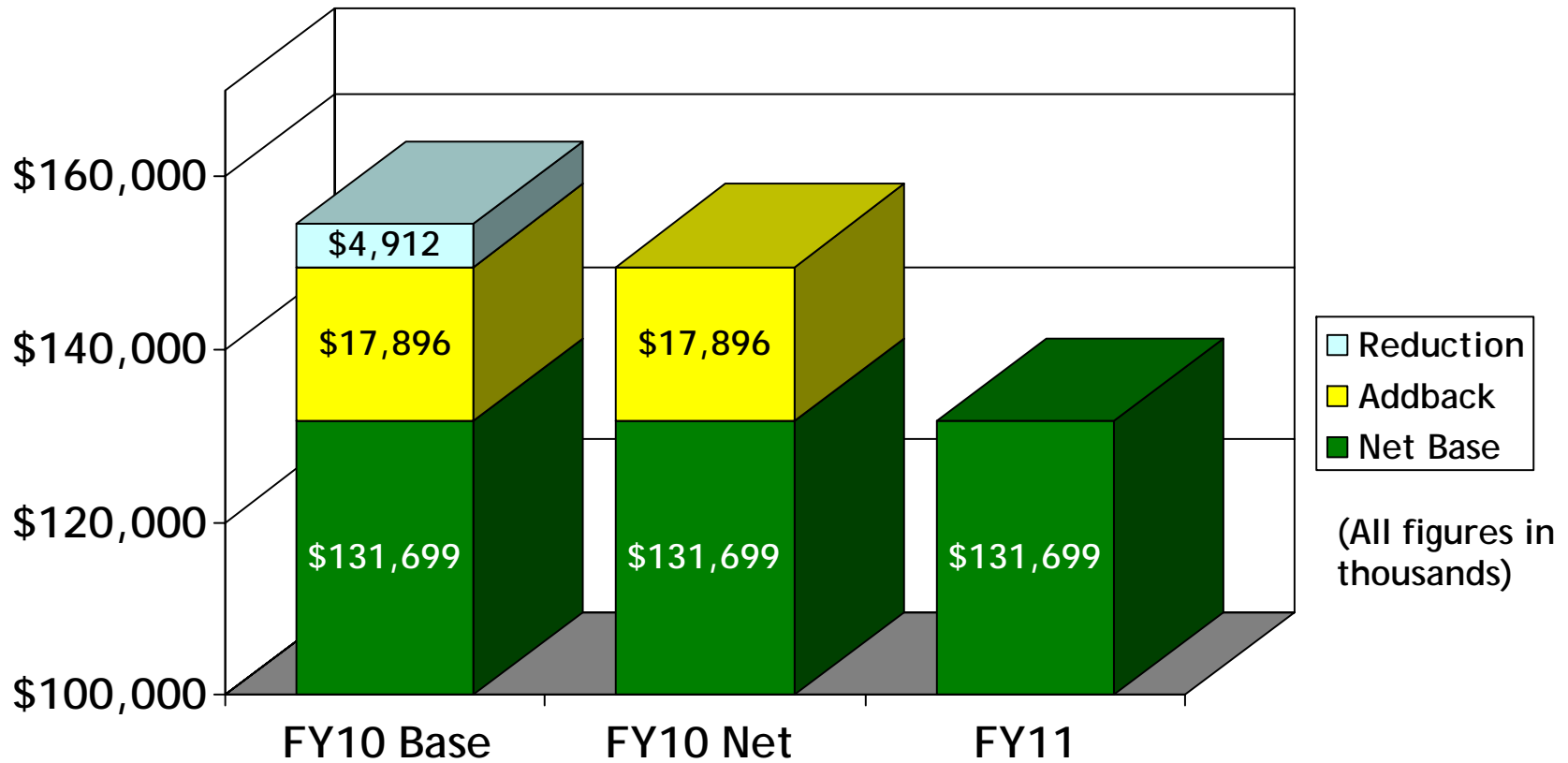
✓ TennCare	\$	101 M
✓ Correction	\$	43 M
✓ Children's Services	\$	15 M
✓ Non-BEP Education	\$	12 M
✓ Mental Health	\$	5 M
✓ Environment & Conservation	\$	5 M
✓ Revenue	\$	5 M
✓ Health	\$	7 M
✓ Higher Education	\$.86 M
✓ Miscellaneous	\$	30.24 M
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Total Reductions	\$	224.1 M

Children's Services



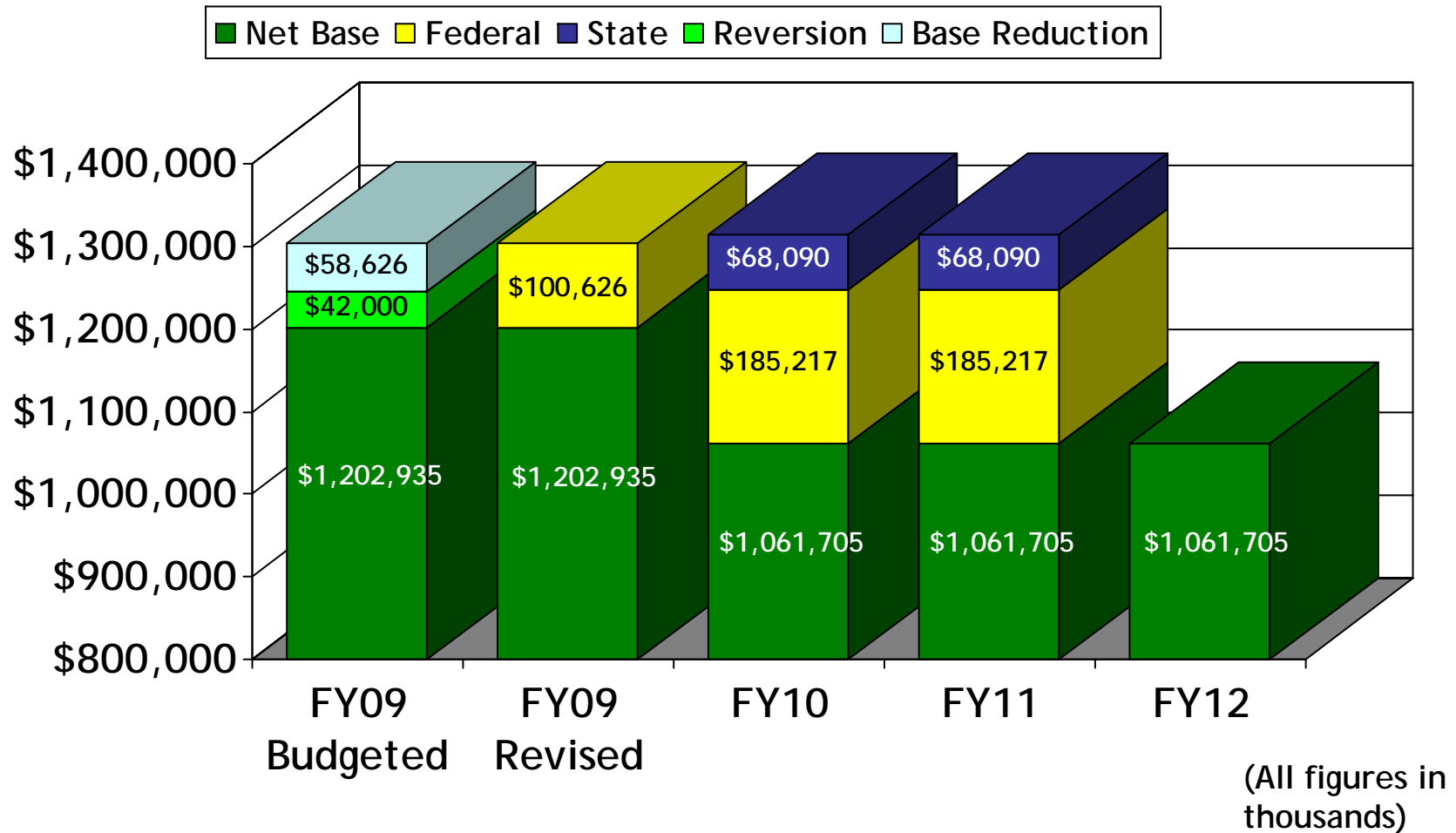
16.4% or \$54.9M Net Reduction

Mental Health



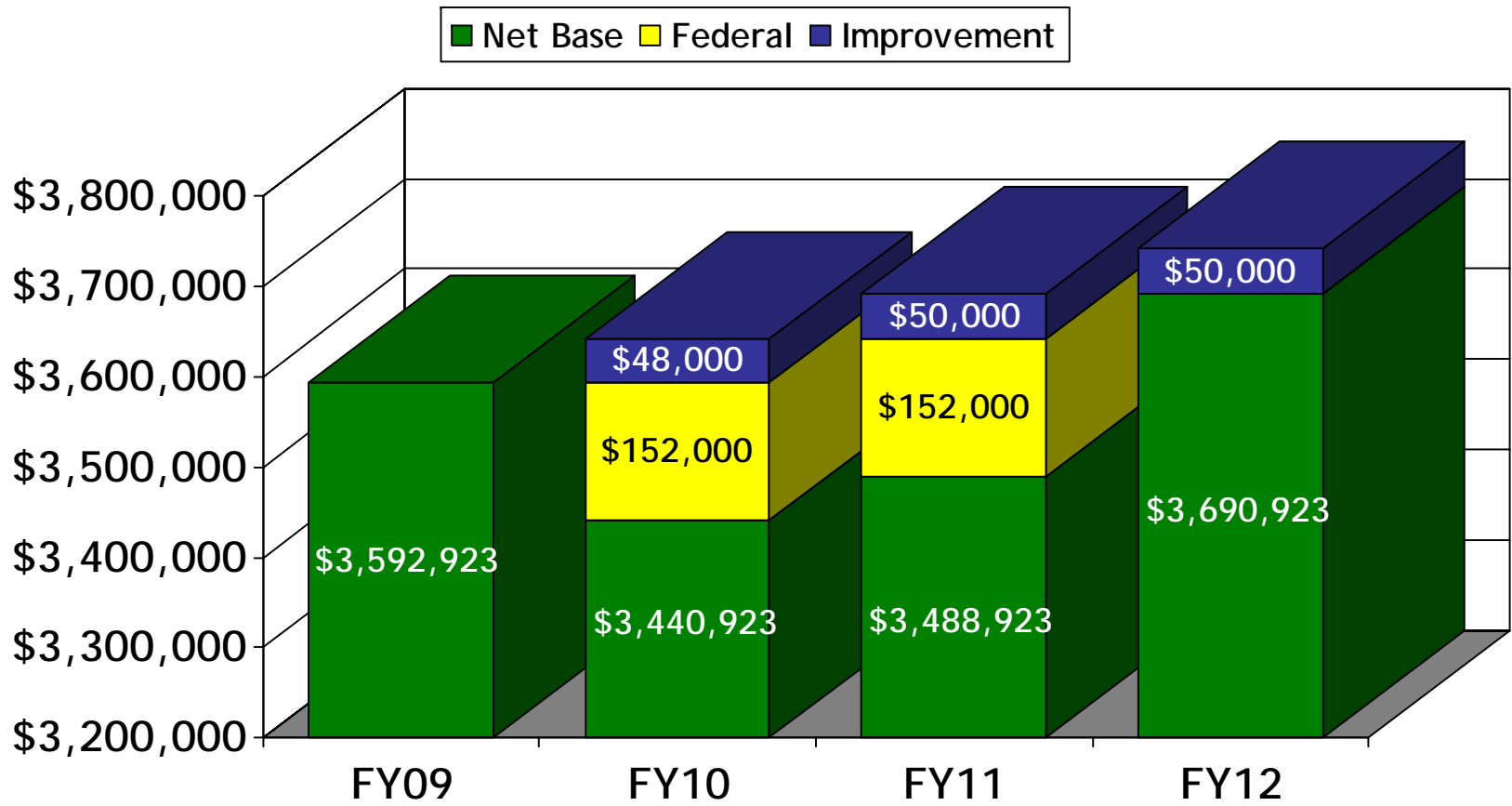
14.76% or \$22.8M Net Reduction

Higher Education



14.8% or \$181.7M Net Reduction

Basic Education Program



(All figures in thousands)

Budget Breakdown

State Dollars



EDUCATION TOTAL	\$	5.6 B
Pre K-12 Education	\$	3.928 B
Higher Education	\$	1.663 B
FY 10 IMPROVEMENTS	\$	156 M
✓ Pre K-12 Improvement	\$	75 M
✓ Higher Education Improvement	\$	81 M

Pre K - 12 education funding remains protected in FY10.
An additional \$48 million is being provided for inflationary growth in BEP.

Budget Breakdown

State Dollars



GENERAL GOVERNMENT TOTAL \$ 360.4 M

Finance and Administration	\$ 34.6 M
Dept. of Revenue	\$ 78.4 M
Comptroller	\$ 85.2 M
Legislature	\$ 38.4 M
Other	\$ 123.8 M

TRANSPORTATION, BUSINESS & ECD TOTAL \$1.319 B

Transportation	\$ 1.150 B
Economic and Community Development	\$ 89.6 M
Agriculture	\$ 70.3 M
Tourism	\$ 8.8 M

Budget Breakdown

State Dollars



HEALTH AND SOCIAL SERVICES TOTAL	\$ 2.980 B
TennCare	\$ 1.976 B
Children's Services	\$ 318.3 M
Health	\$ 173.2 M
Human Services	\$ 178.9 M
Mental Health	\$ 172.0 M
Cover Tennessee	\$ 80.8 M
Mental Retardation	\$ 63.7 M
Other	\$ 17.1 M

Budget Breakdown

State Dollars



LAW, SAFETY AND CORRECTION TOTAL	\$ 1.146 B
Correction	\$ 653.9 M
Safety	\$ 107.7 M
TBI	\$ 36.7 M
Military	\$ 11.6 M
Other	\$ 336.1 M
RESOURCES AND REGULATION TOTAL	\$ 351.6 M
Environment and Conservation	\$ 160.9 M
Commerce and Insurance	\$ 89.1 M
Labor and Workforce Development	\$ 39.5 M
Financial Institutions	\$ 8.2 M
Other	\$ 53.9 M

Capital Outlay Budget



CAPITAL OUTLAY \$ 157.5 M

Bonds	\$ 99.5 M
Cash	\$ 26.3 M
Other	\$ 31.7 M

PROJECTS

ECD	\$ 91.5 M
Correction	\$ 29.8 M
Higher Education (Maintenance)	\$ 11.6 M
Mental Retardation	\$ 2.5 M
Safety	\$ 1.7 M

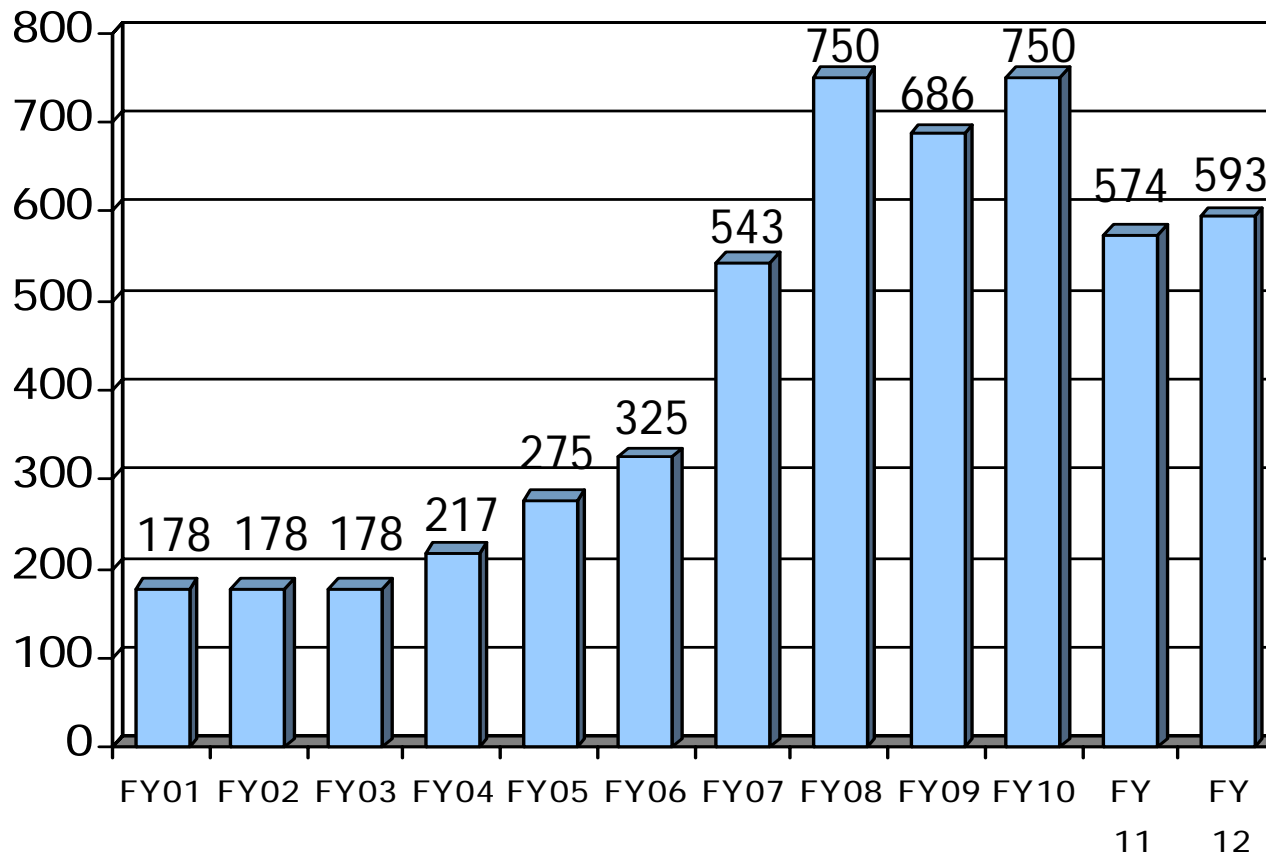
Improvements

State Dollars



• Fully fund BEP growth	\$ 48 M
• Fully fund Pre-K growth	\$ 490 K
• Academic assessments	\$ 9 M
• TSAC need-based scholarships	\$ 3 M
• Jobs package	\$ 56 M
• Soil conservation	\$ 2 M
• Correction release centers	\$.678 M
• Prison expansion - Morgan Co.	\$ 9 M

Maintain Healthy Reserves



■ Rainy Day Fund

Budget Recap



- Tennessee well positioned to weather current national economic downturn
- Education funding protected
- State budget 1.47% smaller than previous year
- 7th common sense balanced budget



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