

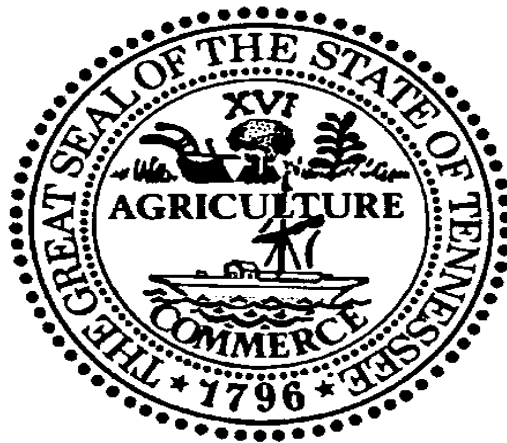
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# Budget Summary Session Report

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## 2011

Budget Overview  
Noted Legislation  
Revenues  
Salary & Benefits  
Bonds & Debt Service  
Capital Projects  
American Recovery & Reinvestment Act  
Reductions Delayed in FY11-12 Budget  
TennCare: Summary of Budget Action  
State Budget: Multi-Year Projection  
Lottery Program: Multi-Year Projection



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# **OVERVIEW**

## **The FY11-12 Budget**

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### **TOTAL BUDGET**

- Total Budget is \$30.8B
- This represents a decrease of \$1.2B from the current year (a 3.8% decrease)

### **REVENUE GROWTH**

- Assumes General Fund Revenue Growth of 3.7 percent

### **REDUCTIONS**

- Includes \$82.2M in specific recurring reductions – which are necessary as part of the multi-year budget plan to bring the budget back into balance

### **IMPROVEMENTS -**

- Includes improvements to:
  - Fully fund the BEP
  - Provide a salary increase for state employees, teachers and higher education for the first time in four years
  - Fully fund the inflationary costs for TennCare and CoverKids
  - And fully restore the Agriculture Enhancement Program at \$21M
  
- This budget also allocates \$71.3 M in state funding to assist with Disaster Relief Grants as well as \$9M for Sales Tax relief from Disaster related recovery expenses.

### **NON-RECURRING FUNDING**

- Includes \$609M to continue already identified cuts using:
  - \$449.8M by continuing the Hospital Assessment Fee to delay already identified cuts
  - \$160M from the Core Services Reserve to continue already identified cuts

### **CAPITAL OUTLAY**

- includes \$311.6M for Economic Development Projects
  - \$150M for Hemlock Expansion in Clarksville
  - \$34.6M for Wacker Chemi in Bradley County
  - \$97M for Electrolux in Shelby County
  - \$10M for Horsehead Corporation in Hawkins County
  - \$20M for Cates Landing Port in Lake County
  
- Also Includes \$99.7M for Higher Education Capital Projects and Maintenance (\$54.7M Capital Maintenance / \$34M TTCs / \$11M UTHSC & COSCC)

- Reserve for Future Projects for Higher Education – This budget also directs funding into a reserve to help address future capital outlay needs.

## **RESERVES**

- For the first time in 3 years, we are proposing to ADD to the Rainy Day Fund and not reduce the reserve.
- Projects the Rainy Day fund will be \$327.7M on June 30, 2012
- Projects TennCare Reserve will be \$255M on June 30, 2012

## **CONTINGENCY FUNDING – for TennCare**

- Anticipates that additional funding may become available based on a Medicaid overcharge.
- If received, the approved budget will use the proceeds to delay certain reductions in TennCare.

## **BUDGET IS BALANCED**

- For the first time in three years, the budget is balanced on a recurring to non-recurring basis.
- This is the result of not just revenue growth but the result of a multi-year strategy to lower the size of state government by making thoughtful (yet painful) reductions in all areas of state government.
- As a result, Tennessee state government is in a much better position fiscally than most other states.

## **FUTURE REDUCTIONS WILL STILL BE REQUIRED**

- Based on current revenue growth and expenditure projections, it is reasonable to expect that reductions will still be necessary next year to stay balanced within existing revenues.

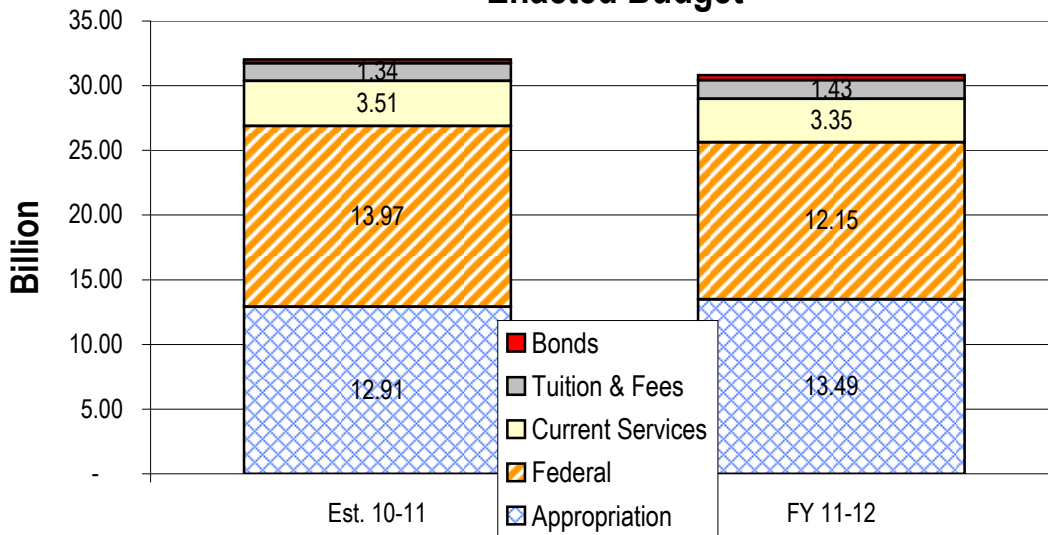
## FY11-12 Final Budget Action

	Est. 10-11	Est. FY 11-12	Change
<b>TOTAL</b>	<b>\$32,027,642,200</b>	<b>\$30,808,987,700</b>	<b>-3.8%</b>
Appropriation	12,908,814,500	13,489,197,200	4.5%
Federal	13,966,648,800	12,146,078,100	-13.0%
Current Services	3,507,247,100	3,350,280,600	-4.5%
Tuition & Fees	1,344,431,800	1,434,431,800	6.7%
Bonds	300,500,000	389,000,000	29.5%

Preliminary Estimate

Preliminary Estimate

### Enacted Budget



### STATE BUDGET FUNDING HISTORY - (Excludes Bonds)

	Total (Billions)	State	Federal	Other
2003-04	\$22.11	9.92	8.70	3.49
2004-05	\$24.89	11.08	9.68	4.13
2005-06	\$25.89	11.66	9.93	4.30
2006-07	\$26.03	12.46	9.39	4.18
2007-08	\$27.75	13.79	9.56	4.40
2008-09	\$29.21	13.54	11.03	4.64
2009-10	\$29.68	12.20	12.92	4.56
2010-11	\$31.73	12.91	13.97	4.85
Rec 2011-12	\$30.42	13.49	12.15	4.78



2011 SESSION - NOTED LEGISLATION

		Gen Fund - Fiscal Impact					
		DESCRIPTION	SB	HB	(Decrease) Recurring Exp	(Decrease) Non-Recurring Exp	Gen Fund Revenue
1	Budget Bills	Appropriations Bill	2090	2139			
2		Bond Bill #1 - Issue bonds for state projects	2094	2135			
3		Bond Bill #2 - Econ Dev Project - Hemlock	2117	2158			
4		Special Bond Issue for FY10-11 Econ Dev Projects	2095	2134			
5		Supplemental Appropriations for Special Bond Issue	2096	2133			
6		Indexing Bill	2093	2136			
7		Omnibus Bill - General Law Changes needed to enact budget	2091	2138	(\$188,700)	-	-
8		Technical Corrections Tax	1519	1994	-	-	-
9	Revenue Bills	Renews Hospital Assessment Fee at 4.52%	483	738	-	\$449,822,200	\$449,822,200
10		Revokes DL License if delinquent in certain taxes and fines	1798	1877	\$1,349,100	\$170,700	\$11,792,600
11		Creates "Border Region Retail Tourism Development District Act"	1420	1827	-	-	\$2,788,700
12		Allows direct shipper to ship wine to any address statewide	1030	853	-	-	\$1,770,200
13		Cemeteries and Loan Companies	528	137	-	-	(\$1,000,000)
14		Authorizes consumption in certain unincorporated areas	1273	985	-	-	\$1,200,000
15		Changes Requirements for Registration of Sports Agents	1671	1947	-	-	\$100,000
16		Permits unincorporated areas of Shelby Co. to sell alcoholic beverages	730	1338	-	-	\$60,000
17		Allows DOR Commissioner to determine fee for expedited rulings	1449	1008	-	-	\$12,100
18		Requires Limited Lines Licensure regarding portable electronics insurance	1027	1267	-	-	\$10,000
19		Authorizes penalty on locals govts that do not conform with debt requirements	1152	1478	-	-	\$10,000
20		Modifies Tax Incentives law/Sales tax Relief for Flood and Tornado	1518	1995	\$144,400	\$9,014,800	(\$990,000)
21	Civil Law	Tort reform	1522	2008	-	-	-
22	Commerce & Ins	Captive Insurance Act	1540	2007	\$7,000	\$0	-
23	Communication	Telecommunication rate parity	598	574	-	-	-
24	Comptroller	Property tax relief - surviving spouses of disabled veterans	1100	1886	\$42,100	-	-
25	Courts	Adds attempting or intending to cause bodily injury by strangulation to the definition of aggravated assault.	476	375	\$786,700	-	-
26	Criminal Procedure	Enhances penalties for patronizing prostitution; provides immunity for minors	64	35	\$14,100	-	-
27	Criminal Procedure	Offense of soliciting sexual exploitation of a minor and exploitation of a minor by electronic means	69	154	\$209,700	-	-
28	Criminal Procedure	Homicide or assault against a pregnant woman, the woman's fetus, regardless of viability	633	498	\$71,500	-	-

		Gen Fund - Fiscal Impact					
		DESCRIPTION	SB	HB	(Decrease) Recurring Exp	(Decrease) Non-Recurring Exp	Gen Fund Revenue
29	Criminal Procedure	Implementation Meth Tracking System	1265	1051	\$91,200	-	-
30	DCS	Sex Offender Registry	869	687	\$13,500	-	-
31	DUI/DWI Offenses	DUI License Revocation Max.	343	391	\$2,000	-	-
32	Education	Education Professional Negotiations Act	113	130	-	-	-
33	Education	Removes cap on the number of Charter Schools	1523	1989	\$50,000	-	-
34	Education	Changes Requirements for Teacher Tenure	1528	2012	-	-	-
35	Education	Requires Students to show proof of proficiency for purposes of promotion	1776	2038	NS	-	-
36	Elections	Reduces Early Voting Period	923	708	(\$238,200)	-	-
37	Elections	Tennessee Voter Confidence Act	1203	386	-	-	-
38	Healthcare	Health Freedom Act	79	115	-	-	-
39	Insurance	Insurance policies cover hearing aids for independent children	607	761	(\$48,000)	-	-
40	Labor	Lawful Employment Enforcement Act	1669	1378	\$91,600	\$6,000	-
41	Labor	Authorizes Extension of Unemployment Insurance extended benefits to 12/31/2011	2114	2156		\$3,153,800	
42	Lottery	Expands meaning of "academic yr" to include summer semesters for recipients of Hope Scholarships and Grants	1529	2010	\$19,891,800	-	-
43	Lottery	Adds time to lottery scholarships for students with disabilities; adds dual enrollment program to lottery	2008	474	1,123,000.00	-	-
44	Revenue	Creates an excise tax exemption for entity that builds housing for lease on military bases	1161	1203	-	-	(\$247,000)
45	Revenue	Delays certain Streamline Sales Tax provisions	1520	1992	NS	-	-
46	Safety	Provides for free Photo ID	1666	1443	\$422,600	\$15,500	(\$21,600)
47	Sales Tax Relief	Storm & Tornado Shelter Bldg supplies till 12-21-11	267	362	-	-	(\$129,900)
48	State Govt	Terminates Teacher Evaluation Advisory Committee	224	625	(\$12,600)	-	-
49	State Govt	Eliminates certain Legislative Oversight Committees	725	1097	(\$851,800)	-	-
50	State Govt	Establishes Post-Conviction Defender Oversight Commission	827	1723	NS	-	-
51	State Govt	Establishes Cash Flow Committee	1571	1891	NS	-	-
52	Transportation	Authorizes DOT to allow advertising on incident response HELP trucks	31	222	-	-	-
53	Transportation	Authorizes DOT to allow advertising on the 511 system	32	223	-	-	-

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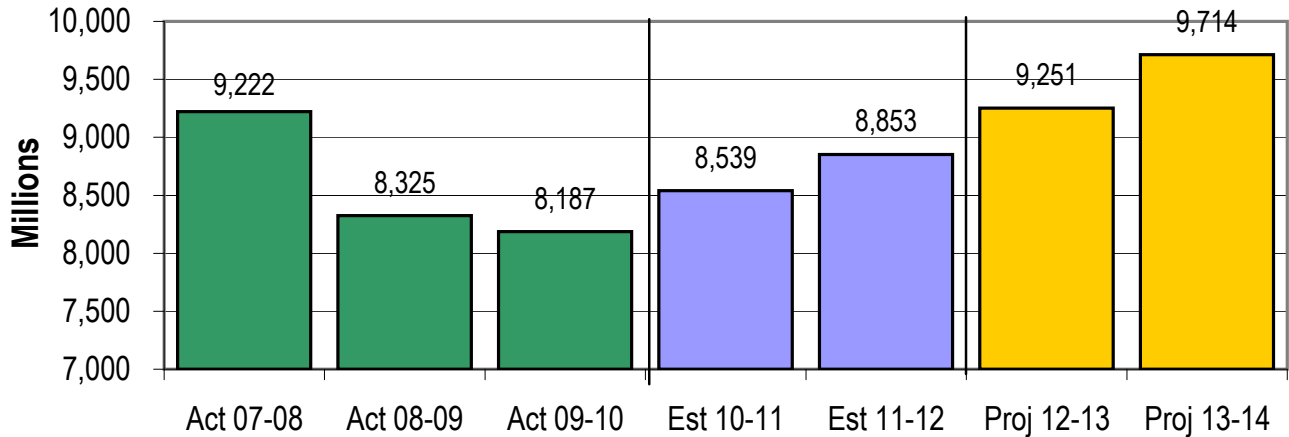
# Revenues

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# STATE TAX REVENUE

## General Fund Revenues



### FY11-12 Enacted Budget

The budget assumes a revenue growth rate of 3.70 % (approx \$314M) for FY11-12

### Out-Year Projections

The administration presented a multi-year plan to demonstrate potential budget levels using growth rates of 4.5% and 5%. (Demonstrated Above)

**NOTE: Based on F&A projections, revenue collections are NOT expected to return to FY07-08 levels until FY12-13**



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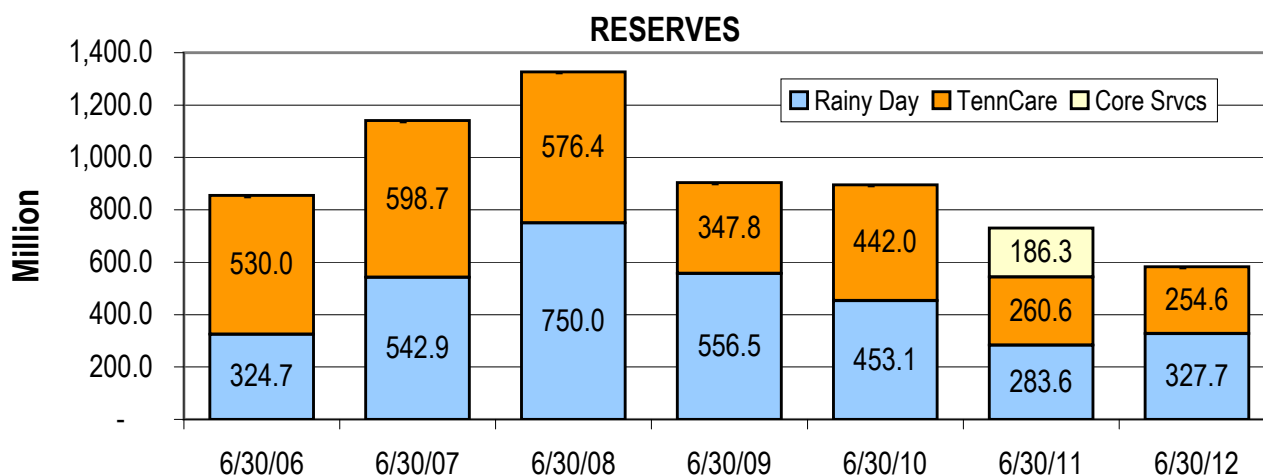
# Reserves

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# RESERVES

	Rainy Day	% of GF Rev	TennCare	Core Services	TOTAL
6/30/05	275,400,000	3.2%			\$275,400,000
6/30/06	324,700,000	3.5%	530,000,000	-	\$854,700,000
6/30/07	542,900,000	5.5%	598,709,645	-	\$1,141,609,645
6/30/08	750,000,000	7.3%	576,432,467	-	\$1,326,432,467
6/30/09	556,500,000	6.0%	347,832,500	-	\$904,332,500
6/30/10	453,065,800	5.5%	442,000,000	-	\$895,065,800
Est 6/30/11	283,600,000	3.3%	260,608,700	186,279,600	\$730,488,300
Est 6/30/12	327,700,000	3.7%	254,608,700		\$582,308,700



**- Other Possible Adjustments that may impact 06/30/12 Rainy Day Reserve -**

<i>TennCare - Fund 6 Months of Identified Reductions if SDW Funds not available</i>	(16,687,650)
<i>UoM Payment for Lambuth Campus Operation if Local Obligations are met</i>	(5,000,000)



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# **Salary & Benefits**

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# SALARIES & BENEFITS - Summary of Improvements

<b>TOTAL IMPROVEMENT FUNDING</b>		<b>\$109,071,000</b>
<b>State Employees</b>		<b>\$37,500,000</b>
Salary Increase - 1.6%	23,100,000	
401(K) - Continue \$50 match (nonrecurring)	9,200,000	
Health insurance increase (effective 1/1/12)	5,200,000	
<b>Higher Education</b>		<b>\$29,666,600</b>
Salary Increase - 1.6%	18,400,000	
401(K) - Continue \$50 match (nonrecurring)	7,166,600	
Health insurance increase (effective 1/1/12)	4,100,000	
<b>K-12</b>		<b>\$36,300,000</b>
Salary Increase - 1.6%	36,300,000	
Health insurance increase (effective 1/1/12) - no increase required	-	
<b>Mandated Salary Increases</b>		<b>\$3,604,400</b>
Court System - Judges	576,800	
Attorney General	3,300	
District Attorneys General	994,800	
Assistant District Attorneys	81,600	
Public Defenders	580,800	
Post-Conviction Defender	23,400	
Training & Experience: Special Schools	-	
Training & Experience: Youth Development Centers	-	
Safety Step Increases	801,700	
Safety Salary Survey	-	
Training Academy Step Increases	18,000	
TWRA Step Increases	524,000	
TWRA Salary Survey (from dedicated funds)	-	
<b>Retirement</b>		<b>\$2,000,000</b>
COLA - will receive a 1.5% increase effective 7/1/11	NA	
Health insurance costs-retired state employees and teachers	2,000,000	



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# **Bonds & Debt Service**

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## Bonds - Authorized in 2011 Legislative Action

	Total Bond Authorization	GO Bonds	1st Yr Debt Service
<b>Bond Bills - Enacted in 2011</b>			
SB 2095 / HB 2134 - Supplemental Bond Issue for FY10-11	\$106,400,000	\$106,400,000	\$11,704,000
SB 2094 / HB 2135 - Bond Issue # 1 for FY11-12	\$273,000,000	\$103,600,000	\$11,396,000
SB 2117 / HB 2158 - Bond Issue # 2 for FY11-12	\$150,000,000	\$150,000,000	\$16,500,000
<b>Total</b>	<b>\$529,400,000</b>	<b>\$360,000,000</b>	<b>\$39,600,000</b>

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### BOND BILL DETAIL

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<b>SB 2095 / HB 2134 - Supplemental Bond Issue for FY10-11</b> Industrial Development Corporations	Total Bond Authorization \$106,400,000	GO Bonds \$106,400,000	Wacker/Electrolux
<b>SB 2094 / HB 2135 - Bond Issue # 1 for FY11-12</b>	Total Bond Authorization	GO Bonds	
Finance & Administration	95,600,000	95,600,000	State Agencies
Facility Revolving Fund	7,900,000	-	
Industrial Development Corporations	8,000,000	8,000,000	Horsehead
Transportation	74,000,000	-	
Bridge Bonds - Phase III	87,500,000	-	
	<b>\$273,000,000</b>	<b>\$103,600,000</b>	
<b>SB 2117 / HB 2158 - Bond Issue # 2 for FY11-12</b> Industrial Development Corporations	Total Bond Authorization \$150,000,000	GO Bonds \$150,000,000	Hemlock



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# **Capital Projects**

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## FY11-12 CAPITAL PROJECTS/MAINTENANCE PROJECTS

### 2011 ADDITIONAL PROJECTS

	County	Total	State	Bonds	Federal	Other
<b>ECONOMIC DEVELOPMENT PROJECTS:</b>						
Wacker Chemie AG Additional Funds	Bradley	\$34,600,000	5,200,000	29,400,000	-	-
Electrolux	Shelby	\$97,000,000	20,000,000	77,000,000	-	-
<b>Total ECD 2011 Additional Projects</b>		<b>\$131,600,000</b>	<b>\$25,200,000</b>	<b>\$106,400,000</b>	<b>\$0</b>	<b>\$0</b>

### FY2011-2012 - CAPITAL APPROPRIATIONS

	County	Total	State	Bonds	Federal	Other
<b>ECONOMIC DEVELOPMENT PROJECTS:</b>						
Horsehead Corp. Project	Hawkins	\$10,000,000	2,000,000	8,000,000	-	-
Hemlock	Montgomery	\$150,000,000	-	150,000,000	-	-
<b>Sub-Total ECD</b>		<b>\$160,000,000</b>	<b>\$2,000,000</b>	<b>\$158,000,000</b>	<b>\$0</b>	<b>\$0</b>

#### TRANSPORTATION

Cates Landing Port - NW TN Reg Port Authority	Lake	\$20,000,000	7,000,000	-	13,000,000	-
<b>Sub-Total DOT</b>		<b>\$20,000,000</b>	<b>\$7,000,000</b>	<b>\$0</b>	<b>\$13,000,000</b>	<b>\$0</b>

#### CORRECTION

Maintenance	Statewide	\$32,480,000	-	-	-	32,480,000
Managed Cellular Access System	Lake & Davidson	\$1,000,000	-	-	-	1,000,000
<b>Sub-Total Correction</b>		<b>\$33,480,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33,480,000</b>

#### ENVIRONMENT & CONSERVATION

Bicentennial Mall SP Lighting Retrofit	Davidson	\$510,000	60,000	450,000	-	-
Booker T. Washington SP Group Camp RNOV	Hamilton	\$1,960,000	210,000	1,750,000	-	-
Pickwick Landing SP Irrigation Sys. & Restrooms	Hardin	\$2,630,000	130,000	2,500,000	-	-
Tims Ford State Park Campground Upgrades	Franklin	\$1,870,000	1,870,000	-	-	-
State Parks Small Projects	Statewide	\$500,000	500,000	-	-	-
<b>Sub-Total E&amp;C</b>		<b>\$7,470,000</b>	<b>\$2,770,000</b>	<b>\$4,700,000</b>	<b>\$0</b>	<b>\$0</b>

#### EDUCATION

TN School for Deaf Cottage E Demolition	Knox	\$250,000	250,000	-	-	-
TN School for Deaf Infrastructure Upgrades	Knox	\$5,870,000	370,000	5,500,000	-	-
<b>Sub-Total Education</b>		<b>\$6,120,000</b>	<b>\$620,000</b>	<b>\$5,500,000</b>	<b>\$0</b>	<b>\$0</b>

#### FINANCE & ADMINISTRATION

Veterans Home	Montgomery	\$2,000,000	-	2,000,000	-	-
<b>Sub-Total F&amp;A</b>		<b>\$2,000,000</b>	<b>\$0</b>	<b>\$2,000,000</b>	<b>\$0</b>	<b>\$0</b>

#### INTELLECTUAL and DEVELOPMENT DISABILITIES

Greene Valley Storage Shed	Greene	\$250,000	250,000	-	-	-
Clover Bottom Harold Jordan Ctr. Preplanning	Davidson	\$100,000	100,000	-	-	-
Greene Valley Gym/Pool Air Handler Units	Greene	\$450,000	450,000	-	-	-
<b>Sub-Total DIDD</b>		<b>\$800,000</b>	<b>\$800,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

	County	Total	State	Bonds	Federal	Other
<b>MILITARY</b>						
Russellville Readiness Center Training Workbay	Hamblen	\$440,000	132,500	-	307,500	-
Nashville HQ Cooling Sys. Addition & Update	Davidson	\$580,000	145,000	-	435,000	-
<b>Sub-Total Military</b>		<b>1,020,000</b>	<b>\$277,500</b>	<b>\$0</b>	<b>\$742,500</b>	<b>\$0</b>
<b>VETERANS AFFAIRS</b>						
WTN Veterans Cemetery Paving	Shelby	\$175,000	175,000	-	-	-
ETN Cemetery Committal Chapel Modification	Knox	\$150,000	150,000	-	-	-
WTN Cemetery Addition to Admin. Building	Shelby	\$210,000	210,000	-	-	-
MTN Cemetery Addition to Admin. Building	Davidson	\$245,000	245,000	-	-	-
<b>Sub-Total Veterans Affairs</b>		<b>\$780,000</b>	<b>\$780,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>HIGHER EDUCATION</b>						
TTC Projects	Statewide	\$34,000,000	-	34,000,000	-	-
Columbia State CC - Off-site Land Acquisition	Williamson	\$6,500,000	6,500,000	-	-	-
UTHSC - Completion of 5th Floor	Shelby	\$4,500,000	4,500,000	-	-	-
Maintenance - TBR	Statewide	\$30,780,000	6,580,000	24,200,000	-	-
Maintenance - UT	Statewide	\$23,920,000	2,520,000	21,400,000	-	-
<b>Sub-Total Higher Education</b>		<b>\$99,700,000</b>	<b>\$20,100,000</b>	<b>\$79,600,000</b>	<b>\$0</b>	<b>\$0</b>
Maintenance - Statewide	Statewide	\$23,677,500	17,652,500	3,800,000	2,225,000	-
<b>Grand Total</b>		<b>\$355,047,500</b>	<b>\$52,000,000</b>	<b>\$253,600,000</b>	<b>\$15,967,500</b>	<b>\$33,480,000</b>

**Note:** Does not include projects funded from FRF, Dedicated Revenues, School Bonds or other Sources

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# **American Recovery & Reinvestment Act**

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## AMERICAN RECOVERY & REINVESTMENT ACT

- Passed by Congress in 2009, the majority of the funding from this Act is available through FY10-11 only.
- ARRA 'Race to the Top' funds for Education will be available through FY13-14.
- Over this multi-year period, Tennessee anticipates receiving approximately \$6.4 Billion. Of this amount, \$3.7 Billion is directed to support specific federal programs and CANNOT be used to benefit general budget operations.

Stabilization Funds	Total	08-09	09-10	10-11	11-12 & 13-14
<b>Education</b>					
Higher Education	\$247,427,700	\$3,854,700	\$149,958,500	\$93,614,500	-
K12 - BEP	527,707,300	18,000,000	172,400,000	337,307,300	-
<b>General Purpose</b>	172,463,000	-	90,331,100	82,131,900	-
<b>Total</b>	<b>\$947,598,000</b>	<b>\$21,854,700</b>	<b>\$412,689,600</b>	<b>\$513,053,700</b>	<b>\$0</b>
<b>Grant Programs</b>					
TennCare	\$1,835,075,000	\$316,000,000	\$720,968,600	\$608,014,300	\$190,092,100
Aging & Disability (CD Mgmt.)	1,798,000	-	-	998,000	800,000
DCS	10,500,000	3,500,000	4,400,000	2,600,000	-
Education (K-12)	1,229,500,700	3,473,600	200,777,400	633,812,500	391,437,200
Higher Education	-	-	-	-	-
Treasury	1,472,800	1,472,800	-	-	-
Tennessee Regulatory Authority	912,700	-	41,400	344,100	527,200
Aging (Elderly Nutrition)	2,178,500	-	1,353,200	825,300	-
THDA	208,635,100	-	41,922,500	166,712,600	-
Arts Commission	321,800	-	279,100	42,700	-
F&A	47,191,400	-	17,159,000	30,032,400	-
Agriculture	2,021,600	-	551,400	1,470,200	-
Environment & Cons.	84,485,400	-	10,290,200	74,195,200	-
ECD	90,229,000	-	2,435,100	87,793,900	-
Labor	83,517,100	12,338,900	46,725,000	24,453,200	-
Military	720,000	-	720,000	-	-
Health	11,119,100	-	5,190,400	4,580,200	1,348,500
Human Services	774,526,400	56,103,000	335,149,600	383,273,800	-
<b>Total General Fund</b>	<b>\$5,331,802,600</b>	<b>\$414,743,000</b>	<b>\$1,800,652,500</b>	<b>\$2,532,202,100</b>	<b>\$584,205,000</b>
Transportation	\$727,048,000	\$665,948,000	\$150,200	\$60,949,800	\$0
<b>Total Operating Budget</b>	<b>\$6,058,850,600</b>	<b>\$1,080,691,000</b>	<b>\$1,800,802,700</b>	<b>\$2,593,151,900</b>	<b>\$584,205,000</b>
Unemployment Trust Fund	\$434,065,500	\$68,065,500	\$356,000,000	\$10,000,000	\$0
<b>Grand Total State Programs</b>	<b>\$6,492,916,100</b>	<b>\$1,148,756,500</b>	<b>\$2,156,802,700</b>	<b>\$2,603,151,900</b>	<b>\$584,205,000</b>

Stabilization / FMAP	2,782,673,000	337,854,700	1,133,658,200	1,121,068,000	190,092,100
Flow-thru Funds	3,710,243,100	810,901,800	1,023,144,500	1,482,083,900	394,112,900
<b>Grand Total</b>	<b>\$6,492,916,100</b>	<b>\$1,148,756,500</b>	<b>\$2,156,802,700</b>	<b>\$2,603,151,900</b>	<b>\$584,205,000</b>



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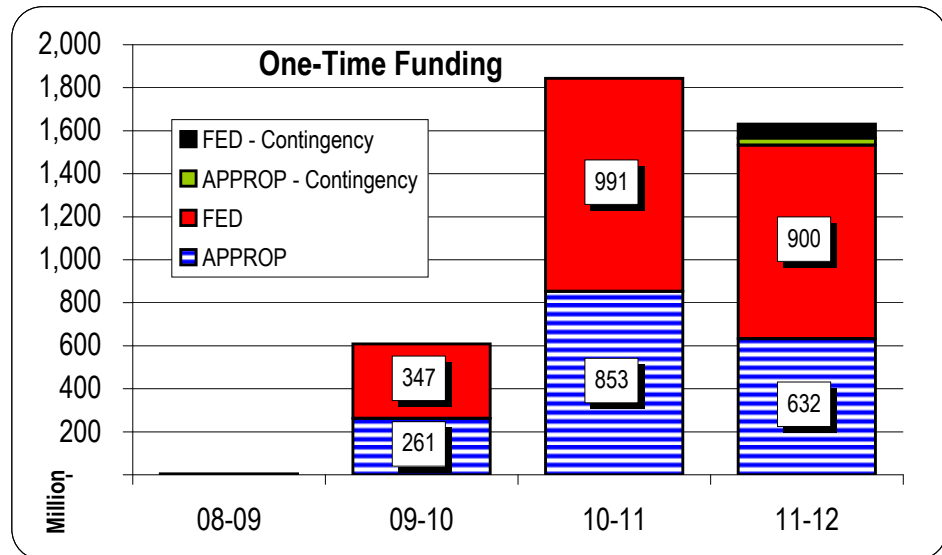
**Reductions  
Delayed in FY11-12  
Budget Action**

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## REDUCTIONS - Delayed with State/Federal One-Time Funding

- "The Cliff" - defined as the extent to which reductions have been identified but delayed with either state or federal funding.
- In the FY11-12 budget, there is \$1.5 billion in one-time funds being used to delay already identified reductions.
- Of the \$1.5 billion, \$1.3 billion (\$449.8M State / \$870.5M Fed) is related to the Hospital Assessment Fee which was renewed only for the FY11-12 budget.



ALL SOURCES	08-09	09-10	10-11	11-12
APPROPRIATION	-	261,385,900	852,666,000	631,735,500
APPROPRIATION - Contingency	-	-	-	33,375,300
FEDERAL	3,854,700	346,706,500	991,048,100	900,316,500
FEDERAL - Contingency	-	-	-	65,465,200
<b>Total</b>	<b>\$3,854,700</b>	<b>\$608,092,400</b>	<b>\$1,843,714,100</b>	<b>\$1,630,892,500</b>

\$1.5 billion in reductions will automatically drop out of the FY12-13 base budget and can only be restored if funding is added back to the budget as either an improvement item in the Governor's Budget or by Legislative action.



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**TennCare**

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## Hospital Coverage Assessment Fee

### Fiscal year 2011-2012

Public Chapter 189 (SB 483/HB 0738) continues the hospital coverage assessment for one year.  
This fee raises an estimated \$449.8 million that will be used to drawdown \$870M in Federal Matching Funds and to temporarily restore the following reductions.

	State	Federal	Total
<b>FY 2009-2010 Base Reductions Restored:</b>			
Medically Needy Category	\$11,051,000	\$21,676,300	\$32,727,300
Essential Access Hospital Payments	33,767,000	66,233,000	100,000,000
Graduate Medical Education	16,883,500	33,116,500	50,000,000
Critical Access Hospital Payments	3,376,700	6,623,300	10,000,000
Medicare Part A Reimbursement	12,004,300	23,546,100	35,550,400
Provider Reimbursement and Co-Pay	62,848,200	123,274,900	186,123,100
<b>Sub-Total</b>	<b>\$139,930,700</b>	<b>\$274,470,100</b>	<b>\$414,400,800</b>
<b>FY 2010-2011 Base Reductions Restored:</b>			
Hospital Reimbursement Ceiling	\$22,477,200	\$44,088,500	\$66,565,700
In-Patient Services	45,734,500	89,707,000	135,441,500
Lab and X-Ray Procedures	27,274,600	53,498,200	80,772,800
Therapies	4,483,400	8,794,200	13,277,600
Out-Patient Services	10,321,500	20,245,400	30,566,900
Office Visits	14,349,700	28,146,400	42,496,100
<b>Sub-Total</b>	<b>\$124,640,900</b>	<b>\$244,479,700</b>	<b>\$369,120,600</b>
<b>Other Appropriations:</b>			
Disproportionate Share Hospital Payments	\$27,359,000	\$53,664,000	\$81,023,000
Additional Cost-Based Reimbursement-Critical Access	6,000,000	-	6,000,000
Hospital Payments - Unreimbursed Costs	151,869,400	297,930,700	449,800,100
<b>Sub-Total</b>	<b>\$185,228,400</b>	<b>\$351,594,700</b>	<b>\$536,823,100</b>
<b>Grand Total</b>	<b>\$449,800,000</b>	<b>\$870,544,500</b>	<b>\$1,320,344,500</b>

## TENNCARE REDUCTIONS

### REDUCTIONS - Effective July 1, 2011

	Total	State	Federal	Other
<b>Meharry Medical College Grant ( not eligible for federal matching funds)</b>	\$ 500,000	500,000	-	-
<b>Provider Rate Reductions</b>				
Nursing Homes	\$ 46,551,700	15,719,100	30,832,600	-
Managed Care Organizations Administrative rates	\$ 14,175,700	4,786,700	9,389,000	-
Transportation Providers	\$ 3,321,300	1,121,500	2,199,800	-
Lab and X-ray Services	\$ 9,928,300	3,352,500	6,575,800	-
Dental Services	\$ 6,219,800	2,100,300	4,119,500	-
PACE Capitation Rates	\$ 477,800	161,300	316,500	-
Home Health Providers (Excludes HCBS Services)	\$ 10,086,300	3,405,800	6,680,500	-
<b>Pharmacy Reimbursement - TennCare will pay \$4 for drugs that are widely accessible for \$4 on commercial formularies</b>	\$ 16,502,100	5,572,300	10,929,800	-
<b>Grant to the Regional Med, Metro General, and Jellico Hospitals for Charity Care</b>	\$ 5,000,000	5,000,000	-	-
<b>Contract with TN Chapter of American Academy of Pediatrics</b>	\$ 468,200	234,100	234,100	-
<b>Birthing Method Reimbursement - raise normal vaginal birth reimbursement by 17% and lower C-section reimbursement to that level</b>	\$ 27,588,200	9,315,700	18,272,500	-
<b>Pharmacy Changes</b>				
Sedative Hypnotics - quantity limit of 14 per month	\$ 1,721,500	406,900	798,100	516,500
Opioid Detox for Adults - dosage limit	\$ 5,561,800	1,314,600	2,578,600	1,668,600
Acne Products for Adults - exclude acne medicines	\$ 634,600	150,000	294,200	190,400
Hemophilia Management - reduce accepted variance	\$ 1,200,000	283,600	556,400	360,000
<b>Non-Emergency Reimbursement for ER Physicians - reduce to a triage fee</b>	\$ 17,612,200	5,947,100	11,665,100	-
<b>Governor's Office of Children's Care Coordination</b>	\$ 1,332,900	150,600	1,182,300	-
<b>Grand Total - Reductions to be Implemented 7-1-11</b>	<b>\$ 168,882,400</b>	<b>\$59,522,100</b>	<b>\$106,624,800</b>	<b>\$2,735,500</b>

### CONTINGENCY FUNDING

If additional funding becomes available based on Federal action regarding Special Disability Workload (SDW), the following reductions will be restored for fiscal year 11-12.

	Total	State	Federal
<b>Provider Rate Reductions</b>			
Nursing Homes	\$ 46,551,700	15,719,100	30,832,600
Managed Care Organizations Administrative rates	\$ 14,175,800	4,786,700	9,389,100
Transportation Providers	\$ 3,321,300	1,121,500	2,199,800
Lab and X-ray Services	\$ 9,928,400	3,352,500	6,575,900
Dental Services	\$ 6,219,800	2,100,200	4,119,600
Private ICF-MR Rates	\$ 4,250,000	1,435,100	2,814,900
PACE Capitation Rates	\$ 477,900	161,400	316,500
Home Health Providers	\$ 10,086,300	3,405,800	6,680,500
<b>\$2 Co-payments for Non-Emergency Transportation Services</b>	\$ 3,829,300	1,293,000	2,536,300
<b>Total</b>	<b>\$ 98,840,500</b>	<b>\$ 33,375,300</b>	<b>\$ 65,465,200</b>

**NOTE:** The above Contingency items will be funded through January 1, 2012 - even if Federal SDW funds are not available.



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# **Multi-Year Budget Projection**

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# Multi-Year Outlook

## Budget Projection Through 2014-2015

F&A Projected Growth Rate: 4.50% 5.00% 5.00%

	Year 1	Year 2	Year 3	Year 4
	2011-2012	2012-2013	2013-2014	2014-2015
<b>I. General Fund Revenue</b>				
Department of Revenue Taxes - Growth				
Recognition on Unbudgeted FY10-11 Rev	\$ 313	\$ 399	\$ 463	\$ 486
Revenue Adjusted - per April Funding Board	\$ 161	-	-	-
	\$ 474	\$ 399	\$ 463	\$ 486
Misc Revenue	(1)	15	15	15
Debt Service Fund Revenue - General Fund Gain	13	5	5	5
Dedicated Fees - Restore to Earmarked Funds	(11)	(14)	-	-
Administrative Amendment	25	-	-	-
Legislative Actions	15	-	-	-
<b>Sub-Total Other State Revenue</b>	<b>\$ 41</b>	<b>\$ 6</b>	<b>\$ 20</b>	<b>\$ 20</b>
<b>Total General Fund Revenue</b>	<b>\$ 515</b>	<b>\$ 405</b>	<b>\$ 483</b>	<b>\$ 506</b>
Recurring Imbalance	(205)	26	(0)	2
<b>Total Available General Fund Revenue</b>	<b>\$ 310</b>	<b>\$ 431</b>	<b>\$ 483</b>	<b>\$ 508</b>
<b>II. Appropriation Requirements</b>				
<b>Base Reductions and Adjustments</b>				
Preliminary Base Adjustments	30	-	-	-
Preliminary Base Reductions	(2)	-	-	-
Base Reduction Plans and Reallocations - Gov Bud	(134)	(121)	-	-
Additional Base Adjustments needed - based on Admin Amend	(26)	13	-	-
Additional Base Adjustments needed - based on Leg Actions	-	13	-	-
<b>Sub-Total Base Reductions and Adjustments</b>	<b>\$ (132)</b>	<b>\$ (95)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Program Growth:</b>				
<b>Education:</b>				
Basic Education Program (BEP) Formula Growth	\$ 66	\$ 55	\$ 55	\$ 55
Pre-K Existing Classes - GF in Lieu of Lottery	1	1	1	1
Other K-12 Education	0	5	5	5
<b>Sub-Total Education</b>	<b>\$ 67</b>	<b>\$ 61</b>	<b>\$ 61</b>	<b>\$ 61</b>
<b>Other Programs:</b>				
Higher Education	\$ -	\$ 50	\$ 90	\$ 70
TennCare	133	106	106	106
State Cost of Federal Health Reform	-	-	??	??
Cover Tennessee Health Care Programs	8	9	10	11
Correction Department	45	20	10	10
Employee Health Insurance	17	38	43	43
Retirement Contribution Rate Increase	-	60	-	50
Salary Increase - State, Higher Ed., Teachers, & Statutory	78	102	104	106
Other Programs	25	20	20	20
Administrative Amendment #30 - additional expenditures	38	-	-	-
Legislative Actions - additional expenditures	2	-	-	-
Overappropriation	(20)	-	-	-
<b>Sub-Total Other Programs</b>	<b>\$ 326</b>	<b>\$ 405</b>	<b>\$ 383</b>	<b>\$ 416</b>
<b>Sub-Total Program Growth</b>	<b>\$ 393</b>	<b>\$ 466</b>	<b>\$ 444</b>	<b>\$ 477</b>
<b>Capital Outlay - Debt Service on New Bonds</b>	<b>23</b>	<b>60</b>	<b>37</b>	<b>31</b>
<b>Total Appropriation Requirements</b>	<b>\$ 284</b>	<b>\$ 431</b>	<b>\$ 481</b>	<b>\$ 508</b>
<b>Recurring Budget Surplus / (Deficit)</b>	<b>\$ 26</b>	<b>\$ (0)</b>	<b>\$ 2</b>	<b>\$ (0)</b>

### IMPACT -

#### Based on F&A Revenue & Expenditure Growth Assumptions:

- an additional \$95M in reductions will be needed in FY12-13 to bring into balance

- assumptions do NOT reflect state cost of Health Reform in FY13-14



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# Lottery

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# LOTTERY FUNDED PROGRAMS

\$s shown in Millions

	Actual 04-05	Actual 05-06	Actual 06-07	Actual 07-08	Actual 08-09	Act 09-10	Revised 10-11	Proj 11-12
<b>Revenue</b>								
Net Lottery Proceeds	227.42	269.86	271.97	272.42	265.49	275.98	280.00	282.20
Interest Earnings - Ed Acct	3.08	10.80	18.54	16.76	19.96	17.85	17.07	16.00
Interest Earnings - Local Govt Acct	0.04	0.19	0.39	0.43	-	-	-	-
<b>\$</b>	<b>230.55</b>	<b>280.85</b>	<b>290.90</b>	<b>289.61</b>	<b>285.44</b>	<b>293.83</b>	<b>297.07</b>	<b>298.20</b>
<b>Expenditures</b>								
Scholarships	(93.46)	(136.87)	(191.67)	(225.48)	(259.85)	(282.92)	(302.00)	(309.20)
TSAA Allocation	-	-	-	(10.00)	(6.80)	(6.80)	(6.80)	(6.80)
Pre-K	-	(24.68)	(24.04)	(23.85)	(24.44)	0.67	-	-
Administration	(4.26)	(2.92)	(2.54)	(3.31)	(3.82)	(3.62)	(3.80)	(3.80)
Local Government Acct	(2.32)	(2.89)	(3.11)	(3.15)	-	-	-	-
Dual Enrollment - new	-	-	-	-	-	-	-	(1.12)
Summer School - new	-	-	-	-	-	-	-	(19.89)
<b>\$</b>	<b>(100.04)</b>	<b>(167.36)</b>	<b>(221.37)</b>	<b>(265.79)</b>	<b>(294.90)</b>	<b>(292.67)</b>	<b>(312.60)</b>	<b>(340.81)</b>
<b>Surplus/Deficit</b>	<b>\$ 130.51</b>	<b>\$ 113.48</b>	<b>\$ 69.53</b>	<b>\$ 23.81</b>	<b>\$ (9.46)</b>	<b>\$ 1.16</b>	<b>\$ (15.54)</b>	<b>\$ (42.61)</b>
<b>Cumulative Balance</b>	<b>\$ 251.56</b>	<b>\$ 365.04</b>	<b>\$ 434.57</b>	<b>\$ 458.39</b>	<b>\$ 448.93</b>	<b>\$ 372.79</b>	<b>\$ 347.46</b>	<b>\$ 304.84</b>
Transfer to Energy Efficiency	-	-	-	-	(77.30)	-	-	-
Unrealized Gain/Loss	-	-	-	-	-	(9.80)	-	-
<b>Net Balance</b>	<b>\$ 251.56</b>	<b>\$ 365.04</b>	<b>\$ 434.57</b>	<b>\$ 458.39</b>	<b>\$ 371.63</b>	<b>\$ 362.99</b>	<b>\$ 347.46</b>	<b>\$ 304.84</b>

## Unclaimed Prize Money - After School Acct

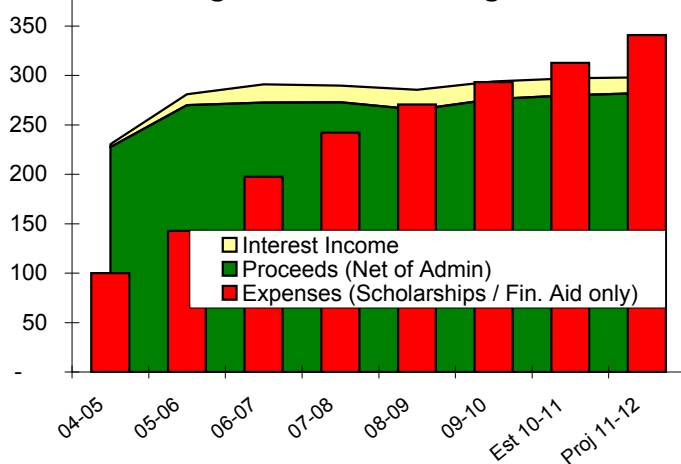
Revenue	6.87	7.39	10.44	13.72	14.67	12.89	13.50	13.50
Interest Earnings	0.04	0.32	0.51	0.41	0.25	0.05	-	-
Gen Fund Transfer	-	-	-	5.50	-	-	-	-
Expenditures	-	(4.08)	(14.73)	(13.45)	(11.91)	(12.96)	(14.50)	(14.50)
<b>Net Change</b>	<b>\$ 6.91</b>	<b>\$ 3.63</b>	<b>\$ (3.79)</b>	<b>\$ 6.18</b>	<b>\$ 3.00</b>	<b>\$ (0.02)</b>	<b>\$ (1.00)</b>	<b>\$ (1.00)</b>

## RESERVES

### Ending Balance

General Shortfall Reserve	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Unobligated Reserve	201.56	315.04	384.57	408.39	321.63	322.79	307.25	264.64
subtotal - Education Acct	251.56	365.04	434.57	458.39	371.63	372.79	357.25	314.64
<b>Other Reserves</b>								
Energy Efficiency Council	-	-	-	-	90.00	86.66	Unknown	Unknown
Local Government Reserve	3.55	6.44	9.55	12.70	-	-	-	-
After School Prgm Acct	8.96	12.59	8.80	14.98	17.99	17.97	16.97	15.97
subtotal - Other	12.51	19.03	18.35	27.69	107.99	104.63	16.97	15.97
<b>Total Reserves</b>	<b>\$ 264.07</b>	<b>\$ 384.07</b>	<b>\$ 452.93</b>	<b>\$ 486.07</b>	<b>\$ 479.61</b>	<b>\$ 477.41</b>	<b>\$ 374.22</b>	<b>\$ 330.61</b>

### Program Costs vs. Program Revenue



### LOTTERY RESERVES

