

Budget and Audit Committee

The meeting was turned over to Allen Staley to review the budget request for the year beginning July 1, 2015. It is due to be submitted by September 29, 2014. He noted that the first step in the Budget process is for the budget to be discussed at THRC starting with the Budget and Audit Committee and then the full commission. The period discussed will be July 1, 2015 to June 30, 2016. We have just closed FY 2014 and are currently in FY2015.

The budget request will be submitted on September 29, 2014 to Finance and Administration Budget Office and THRC will then meet with the Budget Director, Assistant Budget Director, Deputy Commissioner and other representatives from other departments and including the Legislative Budget Office. This meeting is an opportunity to identify any potential issues that the Commission may have. This will happen sometime in October or November.

The Governors recommended budget will be presented early next year at the State of the State Address in the early part of 2016. The Legislature will review the budget recommendation and then House and Senate legislative committees will be held in the spring. The legislature will pass the Appropriations Act sometime in May and will go into effect on July 1, 2015.

The total budget request is for \$2,496,100 which is broken out into personnel costs sometimes referred to above the line costs and all other operating costs or below the line costs. This request is being funded with \$1,713,500 in state funds and \$782,600 in Federal revenue. We are also requesting an additional \$20,000 cost increase that is being requested to help costs associated with Education and Outreach activities.

With previous budget reductions the Education and Outreach efforts have been seriously impacted and the agency feels this is a necessary request. The likelihood that this request will be granted is slim but if we don't ask we will definitely not receive.

The program summary Report shows a summary break out of actual costs for the fiscal year just completed which was 2014; the current year's budget 2015 and the budget request for 2016 which is the base.

Commissioner McDaniel asked if there was a cost of living increase for personnel in the upcoming year. Mr. Staley noted there has been no discussion of personnel increases in salaries for staff in the current year budget.

The Base Request Detail Report shows more detail for each of the three years. For 2014 THRC spent a total of \$2,359,200 which was within the \$2.5 million budget. The commission did need to use \$13,200 of carry forward funds. We are able to carry forward up to \$200,000 every year in past savings and this year with cases and other causes we needed to use the \$13,200 to close. The carry forward balance was \$93,000 which will leave about \$80,000 in carry forward funds.

The Base Supporting Detail report gives additional information about Professional services and payments to state agencies. The next pages outline the cost increase related to Education and Outreach. Specifically this request will allow for additional travel, communications and sponsorship outreach efforts.

The last document represents an overview of THRC and its programs. It breaks out the main program areas of administration, housing, employment, legal services, communications and Title VI.

Finance and Administration requires agencies to identify 7% potential budget reductions in state appropriations which equates to \$120,000. The reductions identified are Personnel operational costs in the amount of \$41,800 to travel, printing, duplications, communications, rentals, training and computer related expenditures.

The second item identified is longevity and benefits in the amount of \$43,400. We currently have \$53,000 equity or the difference between what is budgeted for the benefits and what is anticipated actual expenditures. There is some wiggle room and we could take some money from the benefit equities line item to help reach the reduction target. There is also a small amount of longevity that we thought that we could reduce in the amount of \$2,000.

The third item is a reduction in salaries and benefit equity in the amount of \$34,800 because of the potential reductions we are not planning to fill the vacant administration position at this time.

Commissioner McDaniel asked if the 7% was optional and would only be used if the Status of the State deems reductions necessary. Mr. Staley noted that if the sales tax revenues are not at the level that they feel like they can balance the budget that will impact their decision on what level of reductions they will take. Every year we have to identify potential reductions but some years they don't take them at all and sometimes they take only part of what is identified.

Executive Director Watts noted this is what is recommended to the legislature and how it impacts and whether there need to be additional cuts. If the sales tax revenue is acceptable across the board raises have been given and the legislature is the final word in the budget. This is the process from the Executive Branch which goes to the budget office. They will decide whether our recommendations as they stand will go forward to the Legislature.

The Budget and Audit Committee met telephonically on September 16, 2014 and presents this budget for approval by the board. A motion was made to accept the committee's recommendation by Commissioner Cocke and seconded by Commissioner McDaniel. A vote was taken and passed.