

**Budget Overview
2019-2020**

	Recurring	Non-Recurring	Earmarked
I. Available Revenues 2019-2020:			
1. Revenue Base Increase - FY 2018-2019 Revised Recurring Estimate @ 2.35% Growth	\$ 119,100,000	\$ -	\$ -
2. FY 2019-2020 Department of Revenue Growth @ 3.21%	393,100,000	-	-
3. FY 2019-2020 - Gatlinburg/Sevier County - Adjustment to Sales Tax - Year 3 of 4	-	(3,400,000)	-
4. 2019 Legislation - Department of Revenue Taxes	(13,452,400)	-	-
5. Other State Revenue - Insurance Premium Tax and Other Taxes and Fees	54,800,000	-	-
5a. Revenue Continuation - Hospital Coverage Assessment, Nursing Home Assessment, and Ambulance Service Assessment	-	-	587,667,000
6. Available Funds @ June 30, 2019:			
a. Budget Surplus - From FY 2017-2018 Closing - Available @ June 30, 2018	-	610,118,300	-
b. Less: FY 2018-2019 Supplemental Appropriations	-	(36,099,100)	-
c. Less: Additional Deposit to Rainy Day Fund @ June 30, 2019 - Rainy Day Fund Balance @ \$875 M	-	(14,000,000)	-
d. FY 2018-2019 Tax Revenue Base Increase @ 2.35% - Unbudgeted FY 2018-2019 Revenue Growth Available @ June 30, 2019	-	119,100,000	-
e. FY 2017-2018 Debt Service Fund Transfer @ June 30, 2019	-	45,200,000	-
f. FY 2018-2019 Treasurer's Earnings - Increase in Interest Earnings	-	74,000,000	-
7. Reduction of Recurring Debt Service Requirements	17,400,000	-	-
8. FY 2018-2019 Enacted Budget Available Funds	5,819,000	6,243,000	-
9. Dedicated Revenue	-	-	2,436,200
Total Revenue	\$ 576,766,600	\$ 801,162,200	\$ 590,103,200
II. Cost Increases:			
1. Children's Services - Less Teacher Training and Experience	\$ 25,963,600	\$ -	\$ -
2. Correction	36,223,300	2,150,000	-
3. Economic and Community Development	320,000	113,700,000	-
4. Education - Less Teacher Training and Experience and Salary Pool	88,860,900	50,950,000	-
5. Higher Education - Less Salary Pool	52,214,200	43,975,000	4,000,000
6. TennCare	123,636,800	6,578,300	-
a. TennCare Waiver Payments	5,950,000	5,950,000	-
b. TennCare for Children's Services	22,856,500	-	-
7. Strategic Health Care Initiatives	713,400	-	-
8. Other Agencies - Less Salary and Benefits Increases, Capital Outlay, and Rainy Day Fund Deposit	52,487,400	49,430,700	(2,696,200)
Sub-Total Agency Cost Increases	\$ 409,226,100	\$ 272,734,000	\$ 1,303,800
9. Salary and Benefits:			
a. Mandated Salary Increases - AG, DAs, Judges, PDs, Governor, Troopers, Wildlife Officers, Teacher Training & Experience	\$ 4,743,800	\$ -	\$ 580,000
b. Correctional Officer Salary Adjustment	15,600,000	-	-
c. Salary Pool - State Employees:			
1. 2.0% Pool - Pay for Performance - TEAM Act Agencies	28,844,200	(14,422,100)	-
2. 2.0% Pool - Across the Board - Non-TEAM Act Agencies	6,740,400	-	-
3. Market Rate Adjustment	18,500,000	-	-
4. Safety, Commerce & Insurance, and Wildlife Commissioned Officers @ 2.0%	1,449,000	-	804,400
d. Salary Policy - Higher Education - 2.0% Pool	30,529,600	-	-
e. Education - BEP - 2.5% Salary Pool	71,250,000	-	-
f. Group Health Insurance Rate Increase - Retirees	12,000,000	-	-
g. TCRS Retirement Rate Increase	20,000,000	-	-
Sub-Total Salary and Benefits	\$ 209,657,000	\$ (14,422,100)	\$ 1,384,400
10. Capital Outlay:			
a. Capital Outlay - Improvements	\$ -	\$ 297,526,300	\$ -
b. Capital Outlay - Maintenance	-	40,560,500	-
Sub-Total Capital Outlay	\$ -	\$ 338,086,800	\$ -
11. Rainy Day Fund:			
a. Required Deposit	\$ -	\$ 43,400,000	\$ -
b. Rainy Day Fund - Additional Deposit - Balance @ \$1.1 B	-	181,600,000	-
Sub-Total Rainy Day Fund	\$ -	\$ 225,000,000	\$ -
Total Cost Increases	\$ 618,883,100	\$ 821,398,700	\$ 2,688,200
III. Preliminary Base Budget Adjustments	-	-	587,667,000
IV. Total Cost Increases and Preliminary Base Budget Adjustments	\$ 618,883,100	\$ 821,398,700	\$ 590,355,200
V. Balance Before Reductions	\$ (42,116,500)	\$ (20,236,500)	\$ (252,000)
VI. Base Budget Reductions and Reallocations	(42,267,800)	(20,811,200)	(252,000)
VII. Balance	\$ 151,300	\$ 574,700	\$ -

**Budget Overview
2019-2020**

**Statement of Adjustments to Tax Estimates,
Department of Revenue Taxes
2017-2018 Through 2019-2020
General Fund and Education Fund**

Increase / (Decrease)

	<u>Total</u>	<u>Recurring</u>	<u>Non-Recurring</u>
I. <u>FY 2017-2018</u>			
a. Actual Collections	\$ 12,017,657,300	\$ 11,965,971,200	\$ 51,686,100
b. Revised Estimate	11,734,600,000	11,734,600,000	-
Sub-Total Revised Estimate	<u>\$ 11,734,600,000</u>	<u>\$ 11,734,600,000</u>	<u>\$ -</u>
Total FY 2017-2018 Net of Estimate (a. - b.)	<u>\$ 283,057,300</u>	<u>\$ 231,371,200</u>	<u>\$ 51,686,100</u>
II. <u>FY 2018-2019</u>			
February 1, 2018 Budget Document Estimate	\$ 12,118,700,000	\$ 12,122,100,000	\$ (3,400,000)
Plus / (Less): Tax Acts	6,000,000	6,000,000	-
Budgeted Estimate @ July 1, 2018	<u>\$ 12,124,700,000</u>	<u>\$ 12,128,100,000</u>	<u>\$ (3,400,000)</u>
Revenue Base Increase @ 2.35% Recurring Growth Rate over FY 2017-2018 Actual	\$ 119,100,000	\$ 119,100,000	\$ -
Total FY 2018-2019 Revised Estimate	<u>\$ 12,243,800,000</u>	<u>\$ 12,247,200,000</u>	<u>\$ (3,400,000)</u>
III. <u>FY 2019-2020</u>			
Revenue Base (2018-2019 Revised Recurring Estimate)	\$ 12,247,200,000	\$ 12,247,200,000	\$ -
Revenue Growth from Revised Recurring Estimate @ 3.21%	393,100,000	393,100,000	-
Gatlinburg/Sevier County - Adjustment to Sales Tax - Year 3 of 4	(3,400,000)	-	(3,400,000)
Total FY 2019-2020 Estimate	<u>\$ 12,636,900,000</u>	<u>\$ 12,640,300,000</u>	<u>\$ (3,400,000)</u>

**Selected State Revenue Adjustments
Fiscal Year 2019-2020**

**Increase / (Decrease)
from July 1, 2018, Budgeted Estimates**

	Recurring	Non-Recurring	Earmarked
I. Tax Legislation: *			
1. Dept. of Revenue Taxes:			
a. Amusement Tax on Small Gyms - Expand Sales Tax Exemption to Include Small Gyms	\$ (12,435,400)	\$ -	\$ -
b. Sales Tax - Exempt All Sales of Agricultural Trailers	(449,800)	-	-
c. Sales Tax - Exempt Sales of Water Provided by a Utility District Used Exclusively for Farming	(567,200)	-	-
Total Tax Legislation	\$ (13,452,400)	\$ -	\$ -
II. Other State Revenue:			
1. Other State Revenue Estimate Increase	\$ 54,800,000	\$ -	\$ -
2. Hospital Coverage Assessment @ \$446.8 M	-	-	446,771,000
3. Nursing Home Bed Assessment @ \$130.0 M	-	-	130,061,000
4. Ambulance Service Provider Assessment @ \$10.8 M	-	-	10,835,000
Total Other State Revenue	\$ 54,800,000	\$ -	\$ 587,667,000

* 2019 and 2020 Tax Legislation - Adjustments are included in 2019-2020 Budget Overview, entitled "General Fund and Education Fund, Comparison of Appropriation Requirements and State Revenues."

**Budget Overview
2019-2020**

2018-2019 Available Funds

2017-2018 Closing

Unappropriated Budget Surplus

(Reserved for Future Requirements @ June 30, 2018)

I. Dept. of Revenue Taxes - Net of Estimate @ \$12,011,028,000 Reported Collection (August - July)	\$ 276,428,000
Plus / (Less): Accruals and Adjustments	6,629,300
Total Dept. of Revenue Taxes - Net of Estimate (Revised Est. \$11,734,600,000)	<u>\$ 283,057,300</u>
II. Other State Revenue - Over / (Under) Collection	
Dept. of Commerce and Insurance @ \$1,007.4 M (Revised Estimate \$941.2 M)	\$ 66,183,500
Other Agencies	158,271,000
Reserved for Unclaimed Property (2018 PC 1061, Section 43, Item 9)	(64,806,900)
Reserved for Energy Efficient Schools (2018 PC 1061, Section 62, Item 54)	(11,000,000)
Sub-Total Other State Revenue - Net Over / (Under) Collection	<u>\$ 148,647,600</u>
III. Miscellaneous Revenue - Over / (Under) Collection	4,086,300
IV. Tobacco Master Settlement Agreement @ \$167,314,300 Collection (Budgeted Estimate \$167.3 M)	14,300
V. All Other Net Revenue Adjustments in Accounts	<u>(4,688,500)</u>
VI. Net Over / (Under) Collection (I + II + III + IV + V = VI)	<u>\$ 431,117,000</u>
VII. Reversion Excess / (Deficiency)	<u>179,001,300</u>
VIII. Total Over / (Under) Collection (VI + VII = VIII)	<u>\$ 610,118,300</u>

Available Funds Fiscal Year 2018-2019

I. Unappropriated Budget Surplus / (Deficit) @ June 30, 2018	\$ 610,118,300
II. Revenue Adjustments and Other Available Funds:	
1. Dept. of Revenue Tax Base Increase @ 2.35% Growth over FY 2017-2018 Actual	\$ 119,100,000
2. Debt Service Fund Transfer @ June 30, 2019	45,200,000
3. 2018-2019 Enacted Budget Available Funds	6,243,000
4. 2018-2019 Treasurer's Earnings - Increase in Interest Earnings	74,000,000
Sub-Total Revenue Adjustments and Other Available Funds	\$ 244,543,000
III. Total Budget Surplus and Adjustments (I + II)	\$ 854,661,300
IV. Appropriation and Transfer Requirements:	
1. Less: 2018-2019 Supplemental Appropriations	\$ (36,099,100)
2. Less: 2018-2019 Additional Deposit to the Rainy Day Fund - Balance @ \$875 M	(14,000,000)
Sub-Total Appropriation and Transfer Requirements	\$ (50,099,100)
V. Total Available Funds at June 30, 2019 (III + IV)	\$ 804,562,200

**Supplemental Appropriations
General Fund
Fiscal Year 2018-2019**

	2018-2019	Recurring 2019-2020
Attorney General		
303.08 Special Litigation - Operating Supplement	\$ 250,000	\$ -
Treasury Department		
309.10 Electronic Monitoring Indigency Fund - Operating Supplement	750,000	-
Finance and Administration - Bureau of TennCare		
318.66 TennCare Medical Services - Additional Program Costs in the Dept. of Children's Services	21,850,900	22,160,000
Environment and Conservation		
327.33 Clean Water and Drinking Water State Revolving Fund - Federal Grant Match	\$ 2,724,800	\$ -
327.34 Water Resources - Pikeville Improvements	500,000	-
327.38 Hazardous Waste Remedial Action Fund:		
EPA National Priority List Obligation with 90% Federal Match	\$ 1,000,000	\$ -
Dry Cleaner State-Wide Clean-up	700,000	-
Sub-Total Hazardous Waste Remedial Action Fund	\$ 1,700,000	\$ -
Sub-Total Environment and Conservation	\$ 4,924,800	\$ -
Tennessee Bureau of Investigation		
348.00 TBI - Operational Support Due to Revenue Undercollection	2,433,400	2,433,400
Miscellaneous Appropriations		
351.00 Miscellaneous Appropriations - Restore FY 18 Appropriation for Legal Expenses	890,000	-
Children's Services		
359.30 Custody Services - Increase in Children in State Custody	5,000,000	5,000,000
Total General Fund	\$ 36,099,100	\$ 29,593,400

**Budget Overview
2019-2020 Agency Cost Increases**

	General Fund		
	Recurring	Non-Recurring	Dedicated
1. Agriculture	1,100,000	3,000,000	0
1. Rural Development - Distressed and at-risk counties	500,000	500,000	
2. Agricenter International - Renovations to the ShowPlace Arena and RV Park		2,500,000	
3. FFA and 4-H Program Support Grant	600,000		
2. Attorney General and Reporter	305,900	0	0
1. AG's Salary Increase @ CPI Inflation Rate	5,900		
2. Operational Support - Offset decrease in agency billings	300,000		
3. Children's Services - See also TennCare for DCS	25,975,400	0	0
1. Teacher Training and Experience	11,800		
2. FMAP adjustment for Title IV-E Foster Care and Adoption Assistance	734,500		
3. Custody Growth and Title IV-E Revenue loss due to Title IV-E Waiver ending	15,000,000		
4. Custody Services Growth	5,000,000		
5. Adoption Assistance - Program Growth	1,590,400		
6. Safe Baby Courts - Services to drug exposed children and their families	500,000		
7. Subsidized Permanent Guardianship - Caseload Growth	121,300		
8. TN Early Intervention Services (TEIS) - Program Growth	3,017,400		
4. Commerce and Insurance	4,343,800	0	0
1. Statutory Salary Increase - TLETA Commissioned Officers	38,200		
2. Local Law Enforcement pay supplement - Increase from \$600 to \$800	2,936,000		
3. Local Firefighter pay supplement - Increase from \$600 to \$800	1,369,600		
5. Commission on Children and Youth	60,000	0	0
1. Court Appointed Special Advocate (CASA) - Establish programs in 3 new counties	60,000		
6. Comptroller	0	0	0
1. Local Government Audit - Senior auditor position (1 FT)			
2. Technology Solutions - Positions (3 FT)			
7. Correction	36,223,300	2,150,000	0
1. Correctional Officer Salary Adjustment	15,600,000		
2. Medical Contract Inflator	5,570,500		
3. Pharmacy - Increased drug cost	5,350,000		
4. Hepatitis C Treatment Standards	2,000,000		
5. Contract Inflators for Private Prisons	3,495,900		
6. Water and Waste Water Treatment Contract - Turney Center and West TN State Penitentiary	886,400		
7. Fentanyl Classification / Weight Disparity	1,000,000		
8. New Sentencing and Reform Commission		300,000	
9. Expand capacity for general education programs - Year 1 of 3 (2 FT)	150,000	1,350,000	
10. Probation and Parole Caseload Management (40 FT)	2,170,500	250,000	
11. Tennessee Higher Education Initiative		250,000	
8. Court System	1,289,500	0	0
1. Judge's Salary Increase @ CPI Inflation Rate	1,004,500		
2. Women's Residential Recovery Court Judgeship (2 FT)	285,000		
9. District Attorneys General Conference	1,860,000	0	0
1. Statutory Salary Increase - Assistant DAs and CIs	1,393,600		
2. Reinstate District Attorneys Service Credits for FY 2009-2010	466,400		
10. District Public Defenders Conference	1,842,900	55,800	0
1. Statutory Salary Increase - Assistant Public Defenders and Criminal Investigators	744,700		
2. Davidson County and Shelby County Adjustment (Shelby Co. \$130,700; Davidson Co. \$57,100)	187,800		
3. Reinstate Public Defenders Service Credits for FY 2009-2010	236,100		
4. Appellate Division - Create new division to address caseload (8 FT)	674,300	55,800	
11. Economic and Community Development	320,000	113,700,000	0
1. FastTrack Job Development		75,000,000	
2. Rural Development Fund		10,500,000	
3. Broadband Accessibility Grants		20,000,000	
4. Rural Opportunity Fund		3,000,000	
5. LaunchTN - Operational and Programmatic Increases and Grants	300,000	1,200,000	
6. Rural Hospital Transformation Program - Year 2 of 3		1,000,000	
7. Oak Ridge Manufacturing Research - Institute for Advanced Composite Manufacturing Innovation - Grant - Yr. 5 of 5		3,000,000	
8. Development District Grants	20,000		

**Budget Overview
2019-2020 Agency Cost Increases**

	General Fund		
	Recurring	Non-Recurring	Dedicated
12. Education	88,974,700	50,950,000	0
1. Basic Education Program - Growth and Inflationary Costs	46,233,000		
2. Teacher Training and Experience - State Special Schools	113,800		
3. School Safety Grants (\$10M in Base)	10,000,000	20,000,000	
4. Education Savings Accounts	25,250,000	200,000	
5. Charter Schools Facility Funding		12,000,000	
6. Student Support and Services		5,000,000	
7. ACT Retake	2,829,900		
8. Early Postsecondary Opportunities (EPSO)	900,000	1,550,000	
9. Occupational License Teacher Loan Forgiveness (1 FT)	100,000	1,500,000	
10. Middle School CTE Start-Up Grants		750,000	
11. Work-Based Learning Coordinators (2 FT)	200,000	200,000	
12. STEM Expansion Program	150,000	950,000	
13. Tennessee Early Intervention Services (65 FT)	2,971,000		
14. Tennessee Association of Business Foundation Grant		700,000	
15. Communities in Schools Pilot Program		4,500,000	
16. Rural Principal Development (Year 1 of 3)		500,000	
17. Partnerships in Industry and Education (PIE) Center		1,000,000	
18. Governor's Civics Initiative		500,000	
19. Niswonger Foundation Grant		100,000	
20. Educator and Leader Preparation (2 FT)	227,000		
21. Teach For America		1,500,000	
13. Environment and Conservation	0	2,000,000	0
1. Hazardous Waste Remedial Action Fund		2,000,000	
14. Finance and Administration	0	1,000,000	0
1. State Pre-Trial Services Fund		1,000,000	
15. Governor's Office	6,000	0	0
1. Governor's Salary Increase @ CPI Inflation Rate	6,000		
16. Health	2,000,000	500,000	0
1. Healthcare Safety Net Expansion	2,000,000		
2. Healthier Tennessee - Grant		500,000	
17. Higher Education	82,743,800	43,975,000	4,000,000
1. Academic Formula Units			
a. Outcomes-Based Funding	34,000,000		
b. Salary Pool	22,000,000		
2. TN Student Assistance Corp. - TSAA Grants	12,300,000		
3. Non-Formula Units			
a. Salary Pool	8,529,600		
4. Board of Regents - Capital Security Grants - Year 3 of 3		2,000,000	
5. Tennessee Tech - Cyber Security / NSF Grant - Year 3 of 4		500,000	
6. Board of Regents - Institutional billing adjustment	2,444,800		
7. SPARC - Micro Grants for Career and Technical Education (CTE) Equipment		2,000,000	
8. Governor's Investment in Vocational Education (GIVE) - Student Grants			4,000,000
9. Governor's Investment in Vocational Education (GIVE) - Community Grants		25,000,000	
10. Niswonger Foundation - Grant - College and Career Advising		500,000	
11. UT - Campus-wide Security		10,000,000	
12. Correctional Education Investment - Equipment - Year 1 of 3		975,000	
13. TCAT Program Staffing	426,000		
14. Re-entry Navigators (6 FT)	426,000		
15. TTU - Carnegie Classification - Year 3 of 3	900,000		
16. TSU - Grant to retain highly qualified students from underserved populations and improve institutional outcomes		2,000,000	
17. TSU - Agricultural Food Research	1,100,000		
18. THEC - Contract Education - Southern College of Optometry	417,400		
19. Seamless Alignment and Integrated Learning Support (SAILS) Capacity	200,000		
20. Veteran Reconnect Grants		1,000,000	
18. Human Services	66,600	0	0
1. Child Support Assistant District Attorneys - Step Raises	43,900		
2. Child Support Assistant District Attorneys Service Credits	22,700		

**Budget Overview
2019-2020 Agency Cost Increases**

	General Fund		
	Recurring	Non-Recurring	Dedicated
<u>19. Intellectual and Developmental Disabilities Services</u>	0	0	66,800
1. Regional Monitor Position for Licensing (1 FT)			66,800
<u>20. Legislature</u>	6,000,000	1,000,000	0
1. Equipment and Training for Redistricting		1,000,000	
2. Legislative Operations	6,000,000		
<u>21. Mental Health and Substance Abuse Services</u>	21,469,900	2,000,000	0
1. Regional Mental Health Institutes - Program inflation and operational costs	6,194,900		
2. Naltrexone (Vivitrol) Recovery Court Pilot Program	1,000,000		
3. Behavioral Health Safety Net Expansion	5,000,000		
4. Creating Homes Initiatives	3,000,000		
5. Women's Statewide Residential Recovery Court	1,500,000	500,000	
6. Recovery Courts Expansion	1,700,000		
7. Criminal Justice Liaisons (1 FT)	1,000,000		
8. Pre-arrest Diversion Infrastructure Grants		1,500,000	
9. TN Recovery Oriented Compliance Strategy (TN-ROCS)	600,000		
10. Community Behavioral Health Medical Director (1 FT)	350,000		
11. Youth and Adult Mental Health Awareness and Promotion	500,000		
12. Tennessee Suicide Prevention Network - Grant	625,000		
<u>22. Post-Conviction Defender</u>	33,000	0	0
1. Statutory Salary Increase - Assistant Post-Conviction Defenders	33,000		
<u>23. Revenue</u>	0	11,088,900	0
1. Revenue and Tax Collection System Replacement - Year 4 of 4 (11 FT)		11,088,900	
<u>24. Safety</u>	2,712,400	0	0
1. Highway Patrol - Step Raises for Commissioned Officers	1,160,600		
2. TN Advanced Communication Network - Vendor maintenance	1,551,800		
<u>25. Strategic Health-Care Programs</u>	713,400	0	0
1. CoverKids - Federal match rate change	713,400		
<u>26. Tennessee Bureau of Investigation</u>	6,446,400	510,000	(2,763,000)
1. Operational Support Due to Revenue Undercollection	2,433,400		
2. Expungement Fees - Eliminate state portion / no change to local	2,763,000		(2,763,000)
3. Increase funding for Overdose Death and Violent Crime Task Forces	500,000		
4. Medicaid Fraud Control Unit (24 FT)	750,000	510,000	
<u>27. TennCare (FY 19-20 Match Rate - 34.625% Recurring)</u>	123,636,800	6,578,300	0
1. Medical Inflation and Utilization	59,937,300		
2. Federal Medicaid Match Rate Change - Increased state matching requirement	41,385,100		
3. Employment and Community First (ECF) CHOICES - Provide services for 300 additional enrollees	9,294,900		
4. Graduate Medical Education	3,000,000		
5. Eligibility Systems - TEDS modifications and operational support for a new eligibility system	4,219,500	3,000,000	
6. MMIS and Other IT Projects - Continue MMIS Modularity Initiative	5,800,000	1,830,000	
7. Medication Therapy Management - Pilot project - Year 3 of 3 (1 FT)		1,748,300	
<u>28. TennCare Waiver Payments - DIDD Recommendation</u>	5,950,000	5,950,000	0
1. Direct Support Personnel - Continue @ \$10/hr.	5,950,000	5,950,000	
<u>29. TennCare for Children's Services</u>	22,856,500	0	0
1. Program growth	22,160,000		
2. TN Early Intervention Services (TEIS) - Program Growth	696,500		
<u>30. Tourist Development</u>	524,800	4,000,000	0
1. Tourism Marketing Task Force		4,000,000	
2. Office of Rural Initiative (4 FT)	524,800		
<u>31. Treasury</u>	0	1,500,000	0
1. Electronic Monitoring Indigency Fund		1,500,000	
<u>32. Wildlife Resources Agency</u>	0	0	580,000
1. Statutory Step Raises - Wildlife Officers and Biologists			580,000

**Budget Overview
2019-2020 Agency Cost Increases**

	General Fund		
	Recurring	Non-Recurring	Dedicated
33. TCRS - Retirement Contribution Rate Increase	20,000,000	0	0
1. Retirement Contribution Increase - State Employees & Higher Education	20,000,000		
34. Group Health Insurance - Retirees	12,000,000	0	0
1. Other Post-Employment Benefits (OPEB)	12,000,000		
35. Salary Increase	126,783,600	(14,422,100)	804,400
1. State Employees Salary Pool			
a. Salary Pool - Pay for Performance - TEAM Act agencies - Effective 1/1/2020	28,844,200	(14,422,100)	
b. Salary Pool - Across the Board - Non-TEAM Act agencies - Effective 7/1/2019	6,740,400		
c. Market Rate Adjustment	18,500,000		
2. K-12 BEP - Salary Pool	71,250,000		
3. Safety - Commissioned Officers Salary Survey Raise	1,426,800		
4. Commerce & Insurance - Commissioned Officers Salary Survey Raise	22,200		
5. Wildlife Salary Survey Raise			804,400
36. Miscellaneous Appropriations	22,644,400	22,776,000	0
1. Administration Amendment	10,000,000	10,000,000	
2. Legislative Initiatives	5,000,000	10,000,000	
3. Strategic Technology Solutions (STS) - Information Systems Consolidation	238,000		
4. Upgrade Microsoft Office software - Multi-agency requirement	2,700,000		
5. Facilities Revolving Fund (FRF) - Rent - Market rate adjustment (\$21/sqft to \$24/sqft)	4,677,700		
6. Develop Real Estate Master Plan		1,500,000	
7. Aeronautics Economic Development Fund		1,000,000	
8. TN Association of Rescue Squads - Grant increase	28,700		
9. Native American Heritage - Grant		276,000	
Sub-Total Cost Increases	618,883,100	258,311,900	2,688,200
37. Capital Outlay Budget	0	338,086,800	0
1. Capital Improvements:			
a. Amazon - ECD - Capital Grant		65,000,000	
b. Volkswagen - ECD - Capital Grant		50,000,000	
c. Fall Creek Falls State Park and Inn - Cost Overrun		11,000,000	
d. Paris Landing State Park Inn - Revised Project - New Cost		8,470,000	
e. Emergency and Contingency Funds		5,000,000	
2. Higher Education - Capital Improvements:			
a. UT Institute of Agriculture		81,500,000	
b. Cleveland Higher Education Center		14,231,300	
c. MTSU School of Concrete and Construction Management		34,085,000	
d. TTU - New Engineering Building - Planning		3,250,000	
3. Facilities Revolving Fund - Capital Improvements:			
a. TennCare Building Purchase		15,400,000	
b. Highway Patrol - Knoxville Headquarters		3,990,000	
c. TBI - Jackson Lab - Cost Overrun		5,600,000	
4. Capital Maintenance Projects		40,560,500	
38. Rainy Day Fund - Deposit	0	225,000,000	0
1. Rainy Day Fund Deposit @ 10% of Revenue Growth		43,400,000	
2. Rainy Day Fund - Additional Deposit - Rainy Day Fund @ \$1.1 Billion		181,600,000	
Total Cost Increases	\$ 618,883,100	\$ 821,398,700	\$ 2,688,200
Other Requirements and Adjustments			
39. Preliminary Base Adjustments	0	0	587,667,000
1. Preliminary Base Adjustments	0	0	0
2. TennCare - From Hospital Coverage Assessment	0	0	446,771,000
3. TennCare - From Nursing Home Bed Tax	0	0	130,061,000
4. TennCare - Ambulance Service Assessment	0	0	10,835,000
5. Base Reallocations - Cost / (Savings)	0	0	0
Grand Total	\$ 618,883,100	\$ 821,398,700	\$ 590,355,200

**2019 Administration Legislation with Fiscal Impact
General Fund and Education Fund
Fiscal Year 2019-2020**

Description	General Fund		Dedicated Funds	
	Recurring	Non-Recurring	Recurring	Non-Recurring
I. Tax Adjustments - (Decrease) / Increase:				
1. Revenue - Sales Tax - Amusement Tax on Small Gyms - Expand Tax Exemption	\$ (12,435,400)	\$ -	\$ -	\$ -
2. Revenue - Sales Tax - Exempt all Sales of Agricultural Trailers	(449,800)	-	-	-
3. Revenue - Sales Tax - Exempt Sales of Water Provided by a Utility District Used Exclusively for Farming	(567,200)	-	-	-
Total Tax Adjustments - (Decrease) / Increase	\$ (13,452,400)	\$ -	\$ -	\$ -
II. Cost Increase - (Cost) / Savings:				
1. Commerce & Insurance - Police Pay Supplement - Increase to \$800	\$ (2,936,000)	\$ -	\$ -	\$ -
2. Commerce & Insurance - Firefighter Pay Supplement - Increase to \$800	(1,369,600)	-	-	-
3. Correction - Incarceration - Fentanyl Classification	(1,000,000)	-	-	-
4. Education - Education Savings Accounts	(25,250,000)	(200,000)	-	-
5. Education - Governor's Civics Initiative	-	(500,000)	-	-
6. Education - School Safety Grants	(10,000,000)	(20,000,000)	-	-
7. Higher Education - Governor's Investment in Vocational Education Act	-	(25,000,000)	(4,000,000)	-
8. Tennessee Bureau of Investigation - Reduce Expungement Fees	(2,763,000)	-	2,763,000	-
9. Treasury - Electronic Monitoring Indigency Fund - Program Changes	-	(1,500,000)	-	-
10. Multiple Agencies - Reinstate Service Credits FY 2009-2010:				
a. District Attorneys General	(466,400)	-	-	-
b. Human Services (Child Support Enforcement in District Attorneys)	(22,700)	-	-	-
c. District Public Defenders	(236,100)	-	-	-
Total Cost Increase - (Cost) / Savings	\$ (44,043,800)	\$ (47,200,000)	\$ (1,237,000)	\$ -

**Preliminary Base Budget Adjustments
Fiscal Year 2019-2020
(Savings) / Cost**

	General Fund		Dedicated / Other	Total
	Recurring	Non-Recurring	Funds	
TennCare				
318.00 Hospital Coverage Assessment	\$ -	\$ -	\$ 446,771,000	\$ 446,771,000
318.00 Nursing Home Bed Assessment	-	-	130,061,000	130,061,000
318.00 Ambulance Service Assessment	-	-	10,835,000	10,835,000
Sub-Total TennCare	\$ -	\$ -	\$ 587,667,000	\$ 587,667,000
 Total - Budget File	 \$ -	 \$ -	 \$ 587,667,000	 \$ 587,667,000

**Base Budget Reduction Plans
State Appropriations
Fiscal Year 2019-2020**

Program	General Fund				Total	Dedicated Funds	Net		
	Discretionary Base	Recurring Reduction	Pct.	Non-Recurring			(b + c)	Reduction	Pct.
301.00 Legislature	\$ 38,444,500	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	0.0%	
301.50 Fiscal Review Committee	1,711,500	-	0.0%	-	-	-	-	0.0%	
302.00 Court System	38,190,600	-	0.0%	-	-	-	-	0.0%	
303.00 Attorney General and Reporter	25,771,900	-	0.0%	-	-	-	-	0.0%	
304.00 District Attorneys General	92,186,300	-	0.0%	-	-	-	-	0.0%	
305.00 Secretary of State	32,766,600	-	0.0%	-	-	-	-	0.0%	
306.00 District Public Defenders	52,604,800	-	0.0%	-	-	-	-	0.0%	
307.00 Comptroller of the Treasury	56,370,400	-	0.0%	-	-	-	-	0.0%	
309.00 Treasury Department	3,078,200	-	0.0%	-	-	(252,000)	(252,000)	-8.2%	
Sub-Total Non-Executive	\$ 341,124,800	\$ -	0.0%	\$ -	\$ -	\$ (252,000)	\$ (252,000)	-0.1%	
315.00 Executive Department	\$ 5,531,000	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	0.0%	
316.01 Children and Youth Commission	3,262,600	-	0.0%	-	-	-	-	0.0%	
316.02 Aging and Disability Commission	14,835,400	-	0.0%	-	-	-	-	0.0%	
316.03 Alcoholic Beverage Commission	-	-	0.0%	-	-	-	-	0.0%	
316.04 Human Rights Commission	1,855,600	-	0.0%	-	-	-	-	0.0%	
316.07 Health Services and Development Agency	-	-	0.0%	-	-	-	-	0.0%	
316.11 Tennessee Public Utility Commission	-	-	0.0%	-	-	-	-	0.0%	
316.12 TACIR	196,700	(4,000)	-2.0%	-	(4,000)	-	(4,000)	-2.0%	
316.14 Council on Developmental Disabilities	214,100	-	0.0%	-	-	-	-	0.0%	
316.25 Arts Commission	1,890,800	-	0.0%	-	-	-	-	0.0%	
316.27 State Museum	7,997,400	-	0.0%	-	-	-	-	0.0%	
317.00 Finance and Administration	12,564,800	(251,200)	-2.0%	-	(251,200)	-	(251,200)	-2.0%	
318.00 TennCare Programs	\$ 2,783,432,100	\$ (12,640,400)	-0.5%	\$ -	\$ (12,640,400)	\$ -	\$ (12,640,400)	-0.5%	
TennCare Waiver Payments	239,032,400	(11,253,100)	-4.7%	-	(11,253,100)	-	(11,253,100)	-4.7%	
TennCare for Children's Services	104,191,600	(137,400)	-0.1%	-	(137,400)	-	(137,400)	-0.1%	
TennCare for Intellectual & Developmental Disabilities	45,438,900	(242,100)	-0.5%	-	(242,100)	-	(242,100)	-0.5%	
TennCare for Human Services	6,637,500	-	0.0%	-	-	-	-	0.0%	
TennCare for Commerce and Insurance	1,307,200	-	0.0%	-	-	-	-	0.0%	
TennCare for F&A Office of Inspector General	2,499,000	-	0.0%	-	-	-	-	0.0%	
Sub-total TennCare Programs	\$ 3,182,538,700	\$ (24,273,000)	-0.8%	\$ -	\$ (24,273,000)	\$ -	\$ (24,273,000)	-0.8%	
319.00 Human Resources	-	-	0.0%	-	-	-	-	0.0%	
321.00 General Services	11,710,100	(143,700)	-1.2%	-	(143,700)	-	(143,700)	-1.2%	
323.00 Veterans Services	6,506,500	-	0.0%	-	-	-	-	0.0%	
324.00 Board of Parole	8,462,900	-	0.0%	-	-	-	-	0.0%	
325.00 Agriculture	38,731,900	(664,600)	-1.7%	-	(664,600)	-	(664,600)	-1.7%	
326.00 Tourist Development	15,776,500	-	0.0%	-	-	-	-	0.0%	
327.00 Environment and Conservation	101,117,100	-	0.0%	-	-	-	-	0.0%	
328.00 Tennessee Wildlife Resources Agency	-	-	0.0%	-	-	-	-	0.0%	
329.00 Correction	186,423,100	(3,728,400)	-2.0%	-	(3,728,400)	-	(3,728,400)	-2.0%	
330.00 Economic and Community Development	26,127,600	(250,000)	-1.0%	-	(250,000)	-	(250,000)	-1.0%	
331.00 Education (K-12)	167,335,200	(6,351,700)	-3.8%	-	(6,351,700)	-	(6,351,700)	-3.8%	
332.00 Higher Ed. State-Administered Programs	\$ 39,099,300	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	0.0%	
332.10 University of Tennessee System	612,411,400	-	0.0%	-	-	-	-	0.0%	
332.60 State Univ. and Comm. College System	840,812,100	-	0.0%	-	-	-	-	0.0%	
Sub-Total Higher Education	\$ 1,492,322,800	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	0.0%	
335.00 Commerce and Insurance	10,991,300	(20,500)	-0.2%	-	(20,500)	-	(20,500)	-0.2%	
336.00 Financial Institutions	-	-	0.0%	-	-	-	-	0.0%	
337.00 Labor and Workforce Development	22,670,800	(259,700)	-1.1%	-	(259,700)	-	(259,700)	-1.1%	
339.00 Mental Health & Substance Abuse Services	16,385,100	-	0.0%	-	-	-	-	0.0%	
341.00 Military	14,146,600	(120,000)	-0.8%	-	(120,000)	-	(120,000)	-0.8%	
343.00 Health	162,514,200	(1,034,500)	-0.6%	-	(1,034,500)	-	(1,034,500)	-0.6%	
344.00 Intellectual and Developmental Disabilities	24,874,200	(164,400)	-0.7%	-	(164,400)	-	(164,400)	-0.7%	
345.00 Human Services	106,384,800	(2,127,600)	-2.0%	-	(2,127,600)	-	(2,127,600)	-2.0%	
347.00 Revenue	76,806,000	(1,536,200)	-2.0%	-	(1,536,200)	-	(1,536,200)	-2.0%	
348.00 Tennessee Bureau of Investigation	42,740,200	-	0.0%	-	-	-	-	0.0%	
349.00 Safety	161,619,100	(455,500)	-0.3%	-	(455,500)	-	(455,500)	-0.3%	
350.00 Strategic Health-Care Programs	499,400	-	0.0%	(20,811,200)	(20,811,200)	-	(20,811,200)	-4,167.2%	
351.00 Miscellaneous Appropriations	-	-	0.0%	-	-	-	-	0.0%	
352.00 Other Post-Employment Benefits Liability	-	-	0.0%	-	-	-	-	0.0%	
353.00 Emergency and Contingency Fund	-	-	0.0%	-	-	-	-	0.0%	
355.00 State Building Commission	-	-	0.0%	-	-	-	-	0.0%	
359.00 Children's Services	38,905,600	(882,800)	-2.3%	-	(882,800)	-	(882,800)	-2.3%	
Sub-Total Executive	\$ 5,963,938,100	\$ (42,267,800)	-0.7%	\$ (20,811,200)	\$ (63,079,000)	\$ -	\$ (63,079,000)	-1.1%	
Total Reductions - Budget File	\$ 6,305,062,900	\$ (42,267,800)	-0.7%	\$ (20,811,200)	\$ (63,079,000)	\$ (252,000)	\$ (63,331,000)	-1.0%	

Base Appropriations Preserved by Proposed Assessment Legislation

Fiscal Year 2019-2020

Legislation is proposed to continue the hospital, nursing home, and ambulance service assessments for one year. The following base appropriations are preserved by this revenue proposal. Failure to enact this legislation will result in the following base budget reductions.

Description	State	Federal	Total
I. Hospital Assessment			
Essential Access Hospital Payments	\$ 42,677,500	\$ 80,578,800	\$ 123,256,300
Disproportionate Share Hospital Payments	27,528,000	51,975,200	79,503,200
Graduate Medical Education	17,071,000	32,231,500	49,302,500
Critical Access Hospital Payments	3,414,200	6,446,300	9,860,500
Medicare Part A Reimbursement	12,137,600	22,916,800	35,054,400
Provider Reimbursement and Co-Pay	56,511,800	106,699,200	163,211,000
Hospital Reimbursement Ceiling	11,027,700	20,821,300	31,849,000
In-Patient Services	44,882,800	84,742,600	129,625,400
Lab and X-Ray Procedures	14,221,600	26,851,600	41,073,200
Therapies	8,636,200	16,305,900	24,942,100
Out-Patient Services	32,063,500	60,538,700	92,602,200
Office Visits	18,315,100	34,580,500	52,895,600
Match for Admissions Data Contract Payments	125,000	125,000	250,000
Directed Hospital Payments	155,346,100	293,306,900	448,653,000
Non-Emergent Care at Hospitals	573,200	1,082,300	1,655,500
340B Pricing Provision of MCO Contractor Agreement	2,048,500	3,867,700	5,916,200
Rate Variation Adjustment	191,200	361,000	552,200
Total Hospital Assessment	\$ 446,771,000	\$ 843,431,300	\$ 1,290,202,300
II. Nursing Home Assessment	\$ 130,061,000	\$ 245,566,400	\$ 375,627,400
III. Ambulance Service Assessment	\$ 10,835,000	\$ 20,388,600	\$ 31,223,600
IV. Total Proposed Assessments	\$ 587,667,000	\$ 1,109,386,300	\$ 1,697,053,300

**Salary Policy Recommendation
Fiscal Year 2019-2020**

	<u>General Fund</u>	<u>Dedicated</u>
I. Discretionary Raises:		
1. State Employees Salary Pool:		
a. 2.0% Salary Pool - Pay for Performance - TEAM Act agencies - Effective 1/1/2020	\$ 28,844,200	\$ -
b. 2.0% Salary Pool - Across the Board - Non-TEAM Act agencies - Effective 7/1/2019	6,740,400	-
c. Market Rate Adjustment	18,500,000	-
2. Higher Education - Included in Funding Formula		
a. 2.0% Salary Pool - Formula Units	22,000,000	-
b. 2.0% Salary Pool - Non-Formula Units	8,529,600	-
3. K-12 Basic Education Program (BEP) - Teachers and Other Certified Staff at 2.5%	71,250,000	-
4. Safety - Commissioned Officers (Troopers) - Salary Survey Raise at 2.0%	1,426,800	-
5. Commerce and Insurance - TLETA Commissioned Officers - Salary Survey Raise at 2.0%	22,200	-
6. TWRA - Wildlife Officers - Salary Survey Raise at 2.0%	-	804,400
Sub-Total Discretionary Raises	\$ 157,313,200	\$ 804,400
II. Mandated Salary Increases:		
A. Statutory Step Raises:		
1. District Attorneys General - Assistant District Attorneys and Criminal Investigators (Includes Human Services: \$43,900 State)	\$ 1,437,500	\$ -
2. District Public Defenders - Assistant Public Defenders and Investigators	744,700	-
3. District Public Defenders - Davidson County and Shelby County Adjustment	187,800	-
4. Post-Conviction Defender - Assistant Post-Conviction Defenders	33,000	-
5. Commerce and Insurance - TLETA Commissioned Officers	38,200	-
6. Safety - Commissioned Officers (Troopers)	1,160,600	-
7. TWRA - Wildlife Officers, Biologists, and Unique Positions	-	580,000
Sub-Total Statutory Step Raises	\$ 3,601,800	\$ 580,000
B. Cost of Living Adjustments:		
1. Court System - Judges salary increase - CPI Adjustment	\$ 1,004,500	\$ -
2. Attorney General and Reporter statutory salary increase - CPI Adjustment	5,900	-
3. Governor's statutory salary increase - CPI Adjustment	6,000	-
Sub-Total Cost of Living Adjustments	\$ 1,016,400	\$ -
Sub-Total Mandated Salary Increases	\$ 4,618,200	\$ 580,000
III. Other Salary Increases:		
1. Correctional Officer Salary Adjustment	\$ 15,600,000	\$ -
2. Children's Services - Teacher Training and Experience	11,800	-
3. Education - Teacher Training and Experience - State Special Schools	113,800	-
Sub-Total Other Salary Increases	\$ 15,725,600	\$ -
Total Recommended Salary Policy	\$ 177,657,000	\$ 1,384,400

**Rainy Day Fund and Unobligated TennCare Reserve
Fiscal Years 2015-2016 Through 2019-2020**

	<u>Rainy Day Fund</u>	<u>TennCare Reserve</u>	<u>Total</u>
1. 2015-2016:			
Total Reserve at June 30, 2016	\$ 568,000,000	\$ 230,394,300	\$ 798,394,300
2. 2016-2017:			
Plus: Deposit at June 30, 2017	100,000,000	-	100,000,000
Plus: Program Savings	-	12,099,600	12,099,600
Total Reserve at June 30, 2017	\$ 668,000,000	\$ 242,493,900	\$ 910,493,900
3. 2017-2018:			
Plus: Deposit at June 30, 2018	132,000,000	-	132,000,000
Less: Expenditures for Eligibility Determination System	-	(21,709,200)	(21,709,200)
Plus: Program Savings	-	90,480,400	90,480,400
Total Reserve at June 30, 2018	\$ 800,000,000	\$ 311,265,100	\$ 1,111,265,100
4. 2018-2019:			
Plus: Deposit at June 30, 2019	50,000,000	-	50,000,000
Plus: Additional Deposit at June 30, 2019 - Balance at \$861 M	11,000,000	-	11,000,000
Plus: Additional Deposit at June 30, 2019 - Balance at \$875 M	14,000,000	-	14,000,000
Total Reserve at June 30, 2019	\$ 875,000,000	\$ 311,265,100	\$ 1,186,265,100
4. 2019-2020:			
Plus: Deposit at June 30, 2020	43,400,000	-	43,400,000
Plus: Additional Deposit at June 30, 2020 - Balance at \$1.1 Billion	181,600,000	-	181,600,000
Total Reserve at June 30, 2020	\$ 1,100,000,000	\$ 311,265,100	\$ 1,411,265,100