



Recommended FY17 Budget

FY17 Budget Objectives

Be realistic about revenue growth

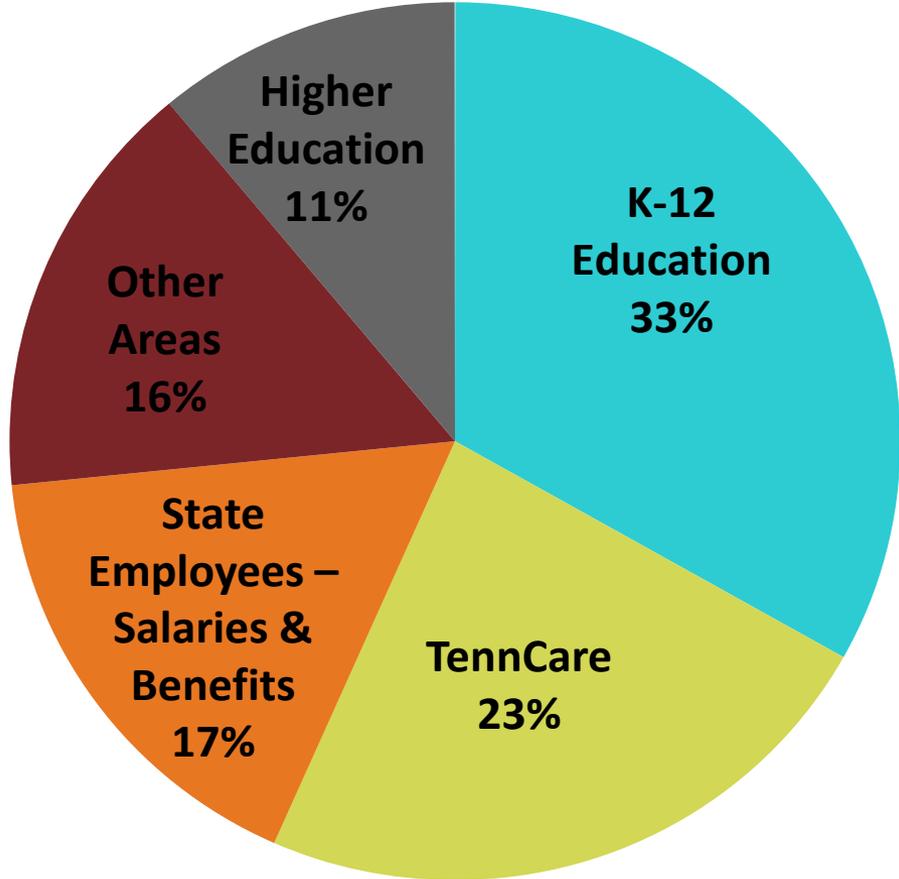
Achieve operational efficiencies

Reward employee performance and improve market competitiveness of our cash compensation

Support the Governor's program priorities of: K-12 Education; Higher Education; and Health, Children Services and Social Services

Sources and Uses of Recurring Revenues

Recurring Revenue	\$708,395,300
Recurring Reductions	<u>\$38,014,300</u>
Total Recurring Funding	\$746,409,600

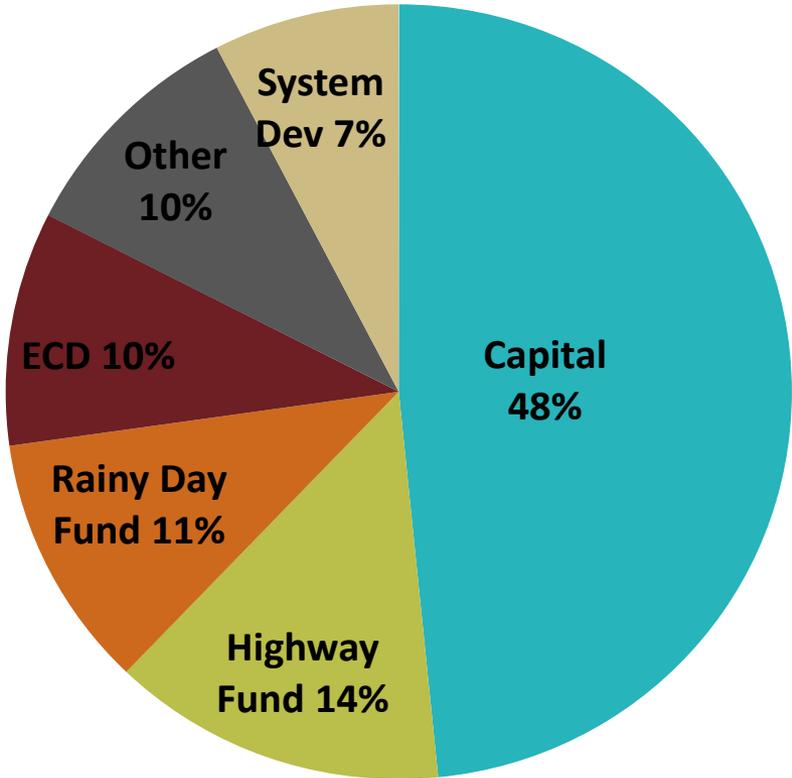


K-12 Education	\$247,638,300	33%
TennCare	\$175,255,500	23%
State Employees - Salaries & Benefits	\$125,022,600	17%
Higher Education	\$82,539,500	11%
Other Areas	\$115,953,700	16%



Sources and Uses of Non-Recurring Revenues

Non-Recurring Revenue	\$854,863,300
Non-Recurring Reductions	<u>\$88,607,100</u>
Total Non-Recurring Funding	\$943,470,400



Higher Education - New Construction	\$184,083,000	19%
Transfer to Highway Fund	\$130,000,000	14%
State Government - Maintenance	\$106,671,000	11%
Rainy Day Fund	\$100,000,000	11%
Economic Development Project Funding	\$ 91,893,400	10%
State Government - New Construction	\$91,012,600	10%
Other Areas	\$83,822,100	9%
Higher Education - Maintenance	\$74,850,000	8%
System Dev (Health, BR, MH, DOR, TennCare)	\$72,130,300	7%
New K-12 Reading Initiative Pilot Program	\$ 9,008,000	1%



State Employee Investments

Total \$125M (R)

Performance Pay Effective January 1, 2017	\$52M
Salary Pool (Non TEAM Act) Effective January 1, 2017	\$8.4M
Market Rate Adjustments Effective July 1, 2016	\$36M
Mandatory Raises Effective July 1, 2016	\$6.1M
Health Insurance (Active and Retirees)	\$20.3M
401K Match	\$2.5M

K-12 Education Investments

Totals: \$247M (R) & \$13.5M (NR)

Highlights

BEP Salary	\$104.6M
BEP Growth and Inflation	\$48.8M
BEP Formula Component Enhancements	\$40.2M
Health Insurance (cost increase + 12 th month)	\$45M
Student Assessment	\$6.5M
K-12 Screener	\$1M
Professional Development	\$3.1M (NR)
Reading Initiative	\$9M (NR)

Higher Education Investments

Totals: \$82.5M (R) & \$49.6M (NR)

Highlights

Formula Units	\$50M
Non-Formula Units	\$7.5M
Student Assistance Awards	\$13.2M
Formula Units – Health Insurance	\$9.8M
New ERP System (Community Colleges)	\$28.7M (NR)
LEAP 2.0	\$10M (NR)
Drive to 55 Initiatives	\$5.3M (NR)

Health and Social Services Investments

TennCare Total: \$171M

Highlights

Inflation/Utilization	\$64M
Medicare Part B&D	\$78M
ECF Choices	\$19M
Eligibility Determination Staffing	\$4.5M

Social Services & Other Health Investments

Highlights

DCS/Brian A Compliance	\$6.9M
Mental Health/Substance Abuse Services	\$8.24M
DIDD (through TennCare)	\$1.7M (R) \$6.3 (NR)
Health/Hepatitis C	\$1.4M
Health and Wellness Foundation	\$3M

Capital Investments

**\$581,589,100 Proposed Capital Budget
(\$456,616,600 in State Appropriations)**

No new state debt incurred in the proposed capital budget

Proposed budget seeks to decrease deferred maintenance

Capital Improvements - \$349,649,100 (\$275,095,600 in state appropriations)

Capital Maintenance - \$231,940,000 (\$181,521,000 in state appropriations)

Efficiency Investments

Alternative Workplace Solutions \$18.5M (NR)

EmPower TN \$24M (NR)

Technology Investments

Highlights

Enterprise Information Technology Transformation \$5.8M (R)

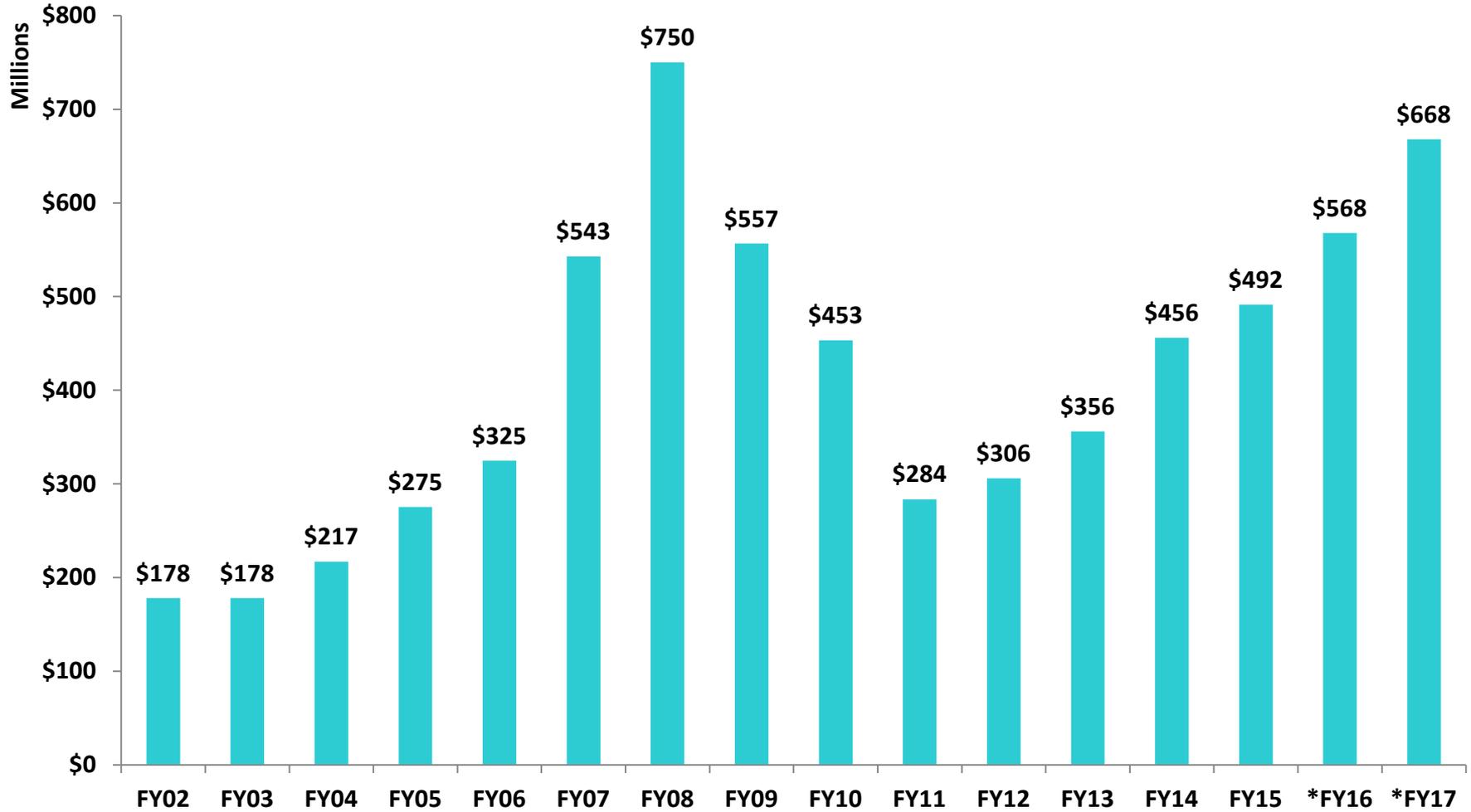
Health/EPI \$14.6(NR)

TennCare \$8.3M (NR)

Revenue/Tax Collection System \$12.7M (NR)

Mental Health/Electronic Records \$5M (NR)

Rainy Day Fund



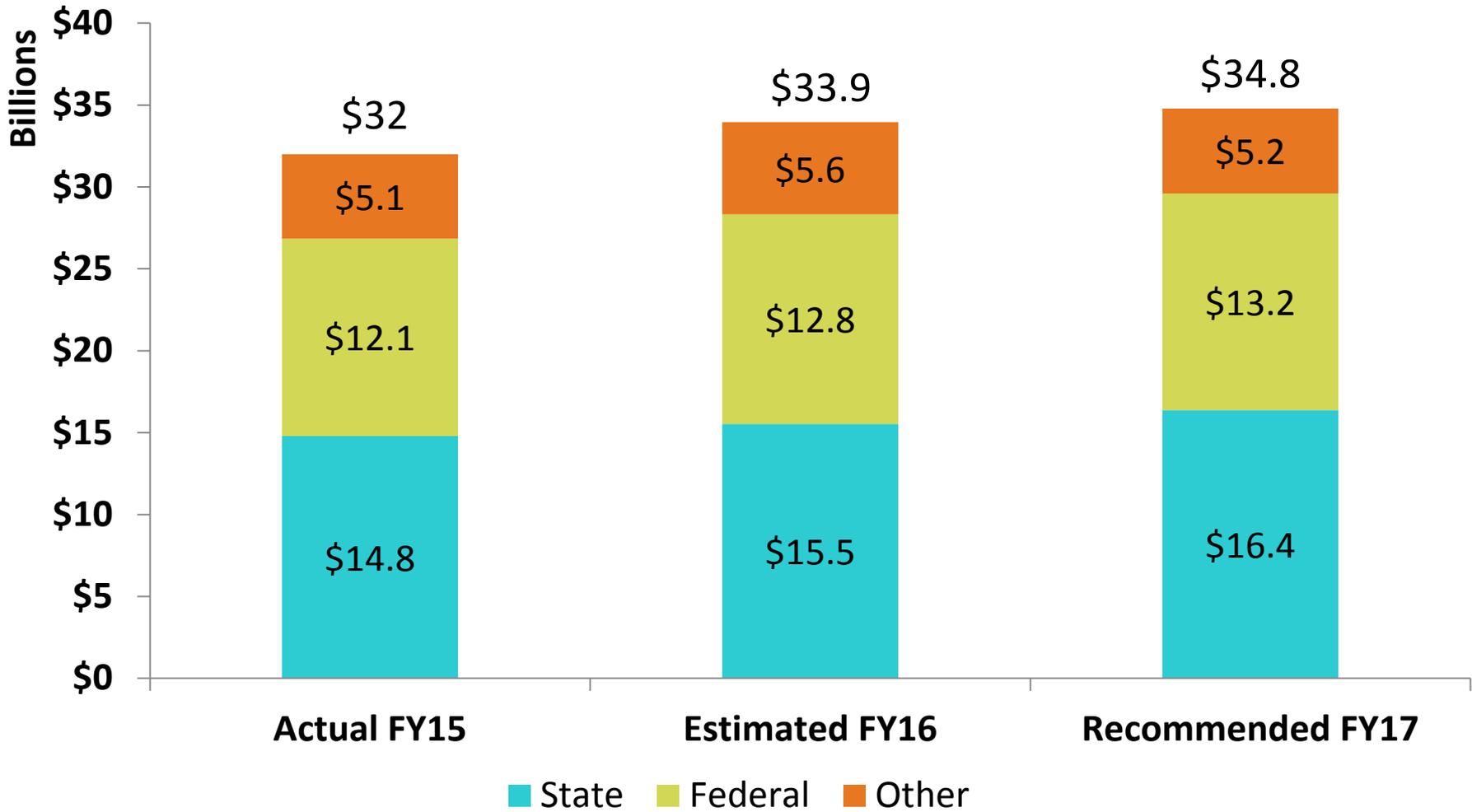
*estimates

FY16 Supplemental Appropriations

Highlights

Fast Track Infrastructure/Job Training	\$23M
Food Service Transition Cost	\$9M
Mental Health/Substance Abuse Services	\$4.5M
TennCare/Opiate Addiction Treatment	\$1.6M
Mississippi Lawsuit	\$2M

State Budget By Fiscal Year



Key Takeaways

Realistic revenue assumptions

Achievable and responsible base reduction plans

Strategic investments in programs and people

Continue to grow our Rainy Day Fund