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FOR IMMEDIATE RELEASE

July 7, 2009

**HOUSE ENDS FIRST SESSION OF 106TH GENERAL ASSEMBLY
WITH BALANCED BUDGET THAT PROTECTS WORKING FAMILIES**

Elderly, mentally disabled and veterans all protected thanks to Tennessee House initiatives

Clinton (July 7th) – In what continues to be viewed as an historical year in the Tennessee Legislature, the 106th General Assembly ended like it began, with House Democrats crossing party lines to do the right thing for all Tennesseans.

House Democrats worked with House Republicans to craft a final budget that spared key programs while still remaining fiscally sound.

“We knew that our slim minority status required a serious commitment to the issues that matter most to Tennesseans and we were able to stay unified on those issues,” said **State Representatives Jim Hackworth** (D-Clinton). “Education, healthcare and jobs were at the top of our list throughout the year and we made that clear in this final budget we passed.”

With a split majority this year, House Democrats worked tirelessly to find ways to protect working families. Their first action of the year, the election of Kent Williams (CCR-Elizabethton) as Speaker of the House, helped create a truly bipartisan committee process and saved thousands of state jobs from proposed cuts.

Throughout the year, in committee after committee, House Democrats fought to stop disruptive and destructive legislation from reaching the floor while diligently fighting for issues like bringing more green jobs to Tennessee and protecting our public education programs.

“This has been a tough year for many Tennesseans across our state, and what we have tried to do this year is put them first in what we do and look for ways to make their lives a little easier as we try to steer our way out of this financial slowdown,” said Hackworth.

HOUSE DEMOCRATS MET MOST GOALS SET AT THE BEGINNING OF 2009

At the start of the 106th General Assembly, House Democrats laid out a 10-point agenda outlining important goals for the coming year. With the conclusion of the Tennessee Legislature's first session, many of these expectations have already been met.

Providing Quality Education for All: In a difficult economy, many state governments have turned to cutting education funds in order to make up the difference in budget deficits. Here in Tennessee, House Democrats recognized that a child's ability to receive a quality education is potentially the most important event in their lives and that opportunity must be protected, even in difficult financial times.

This year House Democrats led the charge to protect Tennessee's Pre-Kindergarten funding from eventual termination by insisting that any budget passed by the Legislature keep Pre-K funds in place. The state would be required to continue paying for the program in future years and not be subject to cuts based on limited resources.

House Democrats also reinstated funding originally proposed to be cut by Senate Republicans that would provide scholarship money to National Guard veterans. In addition, House Democrats sponsored legislation that increases the number of available scholarships under the Helping Heroes Act, a program that provides \$1,000 per semester in grants to returning Tennessee veterans who have served in Iraq or Afghanistan.

Finally, the issue of charter schools came to the forefront of the Tennessee Legislature this year when House Republicans attempted to pass an unregulated and potentially devastating piece of legislation. Under its original language, House Bill 2146 would have taken important safeguards out of the charter school process, leaving vulnerable the thousands of working public schools across the state.

Recognizing major pitfalls in the legislation, House Democrats delayed the bill in committee and put it through a strenuous analysis. With the assistance of the Tennessee Education Association, charter school advocates and many legislators on both sides of the aisle, the legislation was rewritten and improved. The revised legislation overwhelmingly passed the House and once again reinforced the House Democrats commitment to education.

Increasing Jobs & Economic Opportunities: Even with a slowing economy, Tennessee has been at the forefront of the future economic turnaround. Thanks in large part to Governor Phil Bredesen and Economic and Community Development Commissioner Matt Kisber, House Democrats across the state have been able to convince new and exciting corporations to call Tennessee home.

Building on the successes of luring Volkswagen to Chattanooga, this year House Democrats expanded on that success with two more lucrative investments. Hemlock Semiconductor in Clarksville and Wacker Chemie AG in Chattanooga each came with a \$1 billion investment and the promise of bringing thousands of new, green jobs to Tennessee in the coming years.

In addition to these important acquisitions, House Democrats were instrumental in protecting the West Tennessee Megasite from becoming a political casualty. In the first budget amendment proposed by Senate Republicans, over \$64 million in federal and state funds were cut from the West Tennessee Megasite, leaving the over 1,000 acre project in limbo and setting back the possibility for development by companies similar to Hemlock and Wacker Chemie AG back a decade.

Like Pre-K funding, House Democrats took a hard line on the development of the West Tennessee Megasite and required that the funding for the Solar Energy Farm and the development of the site for future investment go forward. This project will create thousands of new jobs. In the end, the project was protected and thanks to the hard work and efforts of House Democrats.

Promoting Fiscal Responsibility: It's easy to be fiscally conservative, but it's much more difficult to be fiscally responsible. This year saw the difference between fiscal conservatism and fiscal responsibility play out first-hand. House Democrats scrapped cruel cuts suggested by Senate Republicans, in favor of a balanced budget that is fiscally responsible to all the people of Tennessee.

While the financial difference in the two budget proposals was barely one-tenth of one percent, or just over \$65 million, the direct impact on the lives of working Tennesseans could not have been more different. The most significant difference came in the form of cuts. Under the Senate Republicans proposal, the 717 job cuts recommended by Governor Bredesen to take place next year would be accelerated to occur this October, giving little time for those employees to find alternative work in other departments or with another company.

In addition, the Republicans proposed cutting funding to major programs like scholarship funding to National Guard veterans, funding to study the cause of Tennessee's high infant mortality rate, and funding to retain Tennessee's Poison Control Center. These plus dozens of other cuts were designed to promote the idea of "fiscal conservatism," but ultimately only saved a fraction of a percent.

In the end, fiscal responsibility prevailed and the budget proposed by the Senate Republicans was replaced with a more reasoned, responsible budget. It called for the restoration of the proposed cuts, as well as the restoration of key funding measures to the Department of Children Services and Mental Health Department. The budget passed with overwhelming bipartisan support and again proved that House Democrats consider fiscal responsibility paramount in any budget process.

Providing Affordable Healthcare: As the federal government continues to grapple with the cost of providing affordable health care coverage to all Americans, Tennessee has continued to struggle with its own healthcare crisis. This year, with an unavoidable \$1.2 billion deficit on the books, the temptation was great to once again balance the budget on the backs of the sick.

Seeing the importance of providing healthcare to those who often cannot afford it, House Democrats worked with Governor Bredesen and the members across the aisle to create an alternative revenue stream for TennCare and Access Tennessee. Taking examples from other states, a charge was implemented on HMO's who provide coverage in Tennessee. Those funds will now go to keep tens of thousands enrolled in TennCare and Access Tennessee.

In addition, with the potential for a Swine Flu outbreak still present, House Democrats restored \$4.9 million in funding for the Coordinate School Health Program. This effective program connects health (physical, emotional and social) with kids in the classroom. The program improves students' health as well as their capacity to learn through the support of families, communities and schools all working together.

Supporting Tennessee's Golden Generation: Last year, the Tennessee Legislature passed the "Long-Term Care Community Choices Act of 2008," a bill that laid the foundation for Tennessee's seniors to have more choices when it comes to how they spend their golden years.

This year the House passed the second phase of long-term care reform called the "Adult Home care Act of 2009." This legislation establishes standards of practice and review for a new kind of residential alternative known as Level 2 Adult Care Homes.

Level 2 Adult Care Homes are small, homelike settings in local communities that deliver licensed care from residential managers who are licensed professionals. Residents who qualify under the bill are more critical need-based members who are either ventilator-dependent or who have suffered a traumatic brain injury.

The Legislature is expected to take up the next phase next year and is expected to expand availability beyond critical care seniors.

Honoring Patriotic Service: The men and women of the Tennessee National Guard and American Military are shining examples of what makes Tennessee the "Volunteer State." This state has an obligation to recognize and honor their service in how we treat our veterans after their service has ended.

This year House Democrats expanded on a bill passed last year known as the Helping Heroes Act. With its passage last year, returning Tennessee veterans from Iraq and Afghanistan are able to qualify for \$1,000 per semester in lottery scholarship funds in addition to the Federal G.I. Bill. Those who can qualify now include current members of a reserve or Tennessee national guard unit who have served on active military service of the United States and who meet all other eligibility requirements for the grants. The legislation also removes any limitation on the number of recipients who can receive the grants.

In addition to the expansion of the Helping Heroes Act, House Democrats also fought to keep funding in this year's budget for scholarships designated for members of Tennessee's National Guard. Under an original proposal drafted by Senate Republicans, funds originally designated to Tennessee National Guard members would no longer be guaranteed. House Democrats fought

for alternative language and drafted a final version of the budget that protected those funds, regardless of potential funding shortfalls.

Improving Safety and Reducing Crime: Staying tough on criminals continues to be a hallmark among House Democrats and this year was no exception. Everything from increasing law enforcements ability to combat gangs to upping the penalty on those who commit violent crimes were major objectives.

One key piece of legislation expands the available tools to combat gang activity and crime. Under the new legislation law enforcement, government attorneys and community members may file a nuisance abatement complaint for a civil injunction against those participating in possible gang activities which can result in a Class C Misdemeanor equal to up to 30 days in jail.

Another important bill that passed the House this year would withhold any potential for early release to criminals convicted of a second aggravated or especially aggravated robbery.

Protecting Tennessee's Most Vulnerable: Too often when budgets begin to have shortfalls, services intended for those in greatest need tend to be cut. This year House Democrats fought hard to keep as much funding as possible for Tennessee's most vulnerable.

In the final budget proposal, House Democrats restored \$4.5 million for the Department of Children Services, \$5.0 million for mental health family support services and \$10 million for Mental Health Safety Net activities. These funds will allow more children and families in need to have the resources necessary to take back their lives.

Investing in Energy Efficiency & Protecting the Environment: This year's House of Representatives saw the adoption of stricter standards with regards to mountain top mining practices and energy consumption, but nothing was more important than a bipartisan effort to block legislation that would poison many of Tennessee's rivers and streams.

Under the proposed legislation, environmental standards on mining runoff waste would have been lowered to allow for higher selenium levels in Tennessee's water. Inorganic selenium is highly toxic to fish and wildlife. Current EPA standards established in 1984 recognize the maximum level of selenium at 5ug/g, but under the bill that level would be increased to 7.9ug/g. Scientific studies, conducted by leading scientists on the issue, predict that such an increase could potentially harm or kill up to 85% of fish and aquatic wildlife.

After vigorous debate on the House floor, the bill failed for lack of reaching a majority and further consideration was put off until next year.

**FINAL APPROVED BUDGET AS DRAFTED BY THE HOUSE OF
REPRESENTATIVES**

	Est 0910	Est 1011
Total	\$29.1B	\$29.B
State	13.6	12.8
Fed	10.9	11.8
Tuition/Other	4.6	4.4

- Budget attempts to balance a budget that is declining in revenues and preserving those services deemed most necessary to Tennesseans
- This state is facing an unprecedented revenue deficit of over \$1.2 billion.
- To avoid the severe and tragic reductions that this deficit represents, the state is using over \$520M in one-time funds to develop a soft landing that will hopefully aid in transitioning state government to what will become a much smaller government in the next two years.

The Budget

- Total Budget is \$29B (excluding bonds)
- Reflects a budget with shrinking state funds
- Anticipates revenue growth of .2% for FY09-10
- Initiates first step in reducing over \$1.2B in state funding from the budget by identifying over \$750M in reductions but using one-time funds to minimize the first year reduction to only \$240M.
- The Federal Government has provided almost \$1B in federal aid that is being used to buffer a drastic drop in state revenues.
- Requires the Administration to identify additional reductions of over \$250M in next year's budget in order to balance the budget on a recurring basis by FY11-12.
- Anticipates Rainy Day Reserve to be \$533M at the end of FY09-10
- Continues to give the Administration the authority to use selected reserves to close FY09-10 – if necessary

Additional Revenue

- It does include a few revenue adjustments that close loop holes, improves the collection of already imposed taxes and increases the tax on Health Maintenance Organizations.
 1. \$25M from closure of FONCE Loop hole
 2. \$136.6M (Net) increase from HMO Tax increase
 3. \$32M other revenue measures

Redirects existing revenues to General Fund

1. EPF Fees – removes appropriation clause - \$2.1M
2. Underground Storage Tanks – redirects to GF for 3 years - \$3M.
3. Used Oil Fund Revenue – redirects portion to GF for 3 years - \$400,000
4. Solid Waste Assistance Fund – redirects portion to GF for 3 years - \$2.6M.
5. Agricultural Enhancement – redirects \$4.7M to GF.

Reductions

- The Governor's Budget reduces the Base by over \$750M
- Utilizes one-time funds to:
 - reduce the first year impact of reductions to be only \$244M in FY09-10
 - identify numerous programs that, without significant revenue growth, will be reduced or eliminated, not immediately, but within the next two budget cycles
 - allow the state to shrink by over \$1.2 billion over a three year period and not all at once
- Includes contingency language that will save an additional \$55M should revenue collections fall below revised estimates

Position Reductions

- Budget eliminates 1,373 positions over next two years - 718 (mostly vacant) in FY0910
- \$3.7M is included to provide severance and tuition assistance for individuals that are not retained/repositioned
- Budget assumes one-time funding/natural turnover will allow a smoother transition to eliminate positions but not people

Restorations

- Restores (for one more year at least) certain proposed reductions that, through the result of Legislative review, were determined to be critical and vital to the most needy of our population.

Including:

- \$4.5M for Department of Children Services
- \$5.0M for Mental Health family support services and services to children
- \$4.9M for Education Coordinated School Health Grants
- \$370,000 for Adult Education grants
- \$10M for Mental Health Safety Net activities

- Legislative action also attempts to recognize the value of our many state employees by supporting the state 401K match program and hopefully encouraging broad participation in a program that is important more today than it ever has been. This insures that those employees being cut for budgetary reasons are retained for the upcoming year.
- Legislative action also restores \$70M in additional program cuts (Attachment A) and \$19M in Debt Service for various Capital Outlay Projects (Attachment B)

Improvements

- \$46M to fully fund BEP growth - but does not project future down payments on BEP 2.0 in any of the next three years
- \$9.3M for K12 Test Development
- \$11.9M for Local Jail payments
- \$9.3M to open the Morgan Co. Correctional Complex
- \$9.9M to develop/expand Probation & Parole supervision programs
- \$55.6M (Non-Recurring) for Economic and Community Development projects

Capital Outlay

- Bonds previously-funded projects to preserve cash
- New Precedent in issuing Economic Development Bonds
 - \$262M for Volkswagen and Hemlock - (FY08-09)
 - \$56.9M for Wacker Chemie AG Infrastructure – (FY 09-10)
 - \$27.3M for West Tennessee Megasite land and right-of way – (FY 09-10)
- Delays certain existing projects by transferring project cash to general fund
- Initiates a plan to issue \$350M in bond funding for bridge replacements / upgrades over the next four years

Reserve Funds

- Anticipates additional reserve-taking of \$41M from various Agency Reserves to close FY0809
- Anticipates TennCare reserve to be \$341M at the end of FY09-10
- Anticipates Rainy Day Reserve to be \$533M at the end of FY09-10

Federal Stimulus (ARRA) Funds available to Tennessee

- Over \$4.5Billion will come to Tennessee over the next two years
- Majority of this funding is to enhance/expand existing federal programs – not for general purposes
- About \$1B is available for general government purposes (including Education)

- This \$1B is used to 1) maintain education funding levels and 2) continue numerous state-funded programs and activities (for one more year) that otherwise would have been eliminated

Law Changes Required in Governor's Budget

- Closing FONCE Tax Loophole - \$25M
- Increasing HMO Tax - \$136.6M
- Real Estate Transfer Tax to GF expiration already in TCA
- Reallocation of Dedicated Taxes (listed above) - \$10.7M
- Suspension of certain mandated salary increases
- Mental Health

What's not in the budget

- No salary increases for state employees, higher education or teachers
- No new installment of BEP2.0 – remains implemented at 50%

Higher Education

- In-state tuition increase is expected to be under 10 percent
- University of Tennessee and TN Board of Regents are restored to FY 08-09 funding levels.
- \$3.2M added for need-based financial aid will allow the program to continue offering awards to 27,000 students.
- Funding level was maintained for lottery scholarships but no change to award amounts

Additional

- **State Fiscal Stabilization Funds** - \$337.5M for education and \$103.1M for general purposes.
- **Transportation** – Over \$665M
- **THDA** – Over \$61M to fund the HOME Investment Partnership, Homeless Prevention and Neighborhood Stabilization programs.
- **Economic and Community Development** –
 - Over \$61M for the Tennessee Solar Institute at UT and ORNL to improve affordability and efficiency of solar products. The West Tennessee Solar Farm will serve as a showcase for Tennessee made solar products.
 - \$13M for the Energy Efficiency and Conservation Block Grant for grants to cities & counties.
 - \$6.7M additional Community Development Block Grant funds.

- **Labor and Workforce Development** – Over \$46M to fund adult education, employment and training programs, dislocated worker training, rapid response counseling, and senior community service employment program
- **Environment and Conservation** – Over \$40M to reduce diesel emissions and to provide low-interest loans to counties and utility districts for wastewater facilities and drinking water facilities.
- **Agriculture** – Over \$2M to assist soil conservation districts, assist forestry in wildland fire management and provide emergency food assistance
- **Childrens Services** – An increase of 6.2% for Foster Care & Adoption Assistance over 3 years.
- **TennCare** – Enhanced federal matching funds of \$316M for FY 08-09 and \$609.5M for FY 09-10.
- **Byrne Justice Grants** - \$30.8M to prevent & control crime & improve the criminal justice system.
- **Weatherization** - \$85.3M to improve energy efficiency of low-income dwellings.

Prevented Reductions - Capital (all lists)

Agency	Descriptions	Total
Tennessee Board of Regents		\$
	MTSU Education & Behavioral Science Bldg.	16,330,000
	TSU Hankel Hall Renovation	143,600
	CoSCC Natatorium Renovation	300,000
University of Tennessee		
	UTC Replace Central Energy Plant Boiler	3,000,000
	UTK Cherokee Campus Infrastructure	31,500,000
	UTC New Library Building	47,500,000
	UTK Music Center	29,500,000
	UTK Music Building Relocation	320,000
	UTK Estabrook Hall Renovation	6,100,000
	UTIA Brehm/Mcleod Buildings Renovation	4,450,000
	UTM Fine Arts Bldg. RNOV and Addition	1,000,000
	UTK Humanities Complex HVAC	2,600,000

UTM Communications Tower Replacement	750,000
UTM Humanities Bldg. HVAC Imprvs. Ph. II	3,500,000
Correction	
Turney Center Prototypical Min Housing (Contingency project)	10,000,000
Environment & Conservation	
Fall Creek Falls Campground Upgrade	2,000,000
Ft. Pillow State Park Campground Upgrade	500,000
Pickwick Landing State Park ADA upgrade	500,000
Henry Horton - Campground	500,000
Montgomery Bell State Park - Replace pro shop and restrooms	1,660,000
Paris Landing Cart Storage and course restrooms	425,000
Pickwick Landing Raze Old Inn	3,312,000
Carter House - New Visitor Center (Historical Commission)	800,000
DCS	
Taft YDC - New Dormitory / Food Service Bldg.	3,600,000
Education	
TN School for Deaf Maintenance Access Road	2,200,000
Military	
McKenzie RTC HVAC and Controls Upgrade	670,000
Sparta RTC HVAC and Controls Upgrade	610,000
Waynesboro RTC HVAC and Controls Upgrade	780,000
TEMA Knoxville Building 310 Renovation	500,000
	\$
	175,050,600
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	\$
Estimated Debt Service	19,255,566