

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
AT NASHVILLE

Sarah Crabtree, <i>et al.</i>)	
)	
Plaintiffs,)	
)	
Rachel Bostic and Rebecca Bostic, <i>et al.</i>)	
)	
Plaintiffs-Interveners)	
)	No.3-08- 939
v.)	
)	Judge Haynes
Dave Goetz, Commissioner, Tennessee)	
Department of Finance and Administration;)	
<i>et al.</i> ,)	
)	
Defendants.)	

Declaration of David L. Manning

Pursuant to 28 U.S.C. § 1746, David L. Manning declares as follows:

1. I am an adult resident of Nashville, Tennessee. I have Bachelor's and Master's degrees in Public Administration from the University of Alabama. From 1974 to 1987, I was employed by the State of Tennessee in a number of finance-related jobs. From 1987 to 1995, I served in the Cabinet of Tennessee Governor Ned R. McWherter as the Commissioner of Finance and Administration, fulfilling the responsibilities of chief financial officer of the State of Tennessee. Between 1995 and 1998, I served as Senior Vice President of Columbia/HCA Healthcare Corporation in Nashville, Tennessee. During 1998 and part of 1999, I served the State of Tennessee as a Special Deputy Rehabilitator for a TennCare Managed

Care Organization that was placed into Rehabilitation by the Department of Commerce and Insurance. From 1999 to 2007, I served under Mayor Bill Purcell as Director of Finance, or chief financial officer, of the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metro"). Since 2007 I have been an independent consultant.

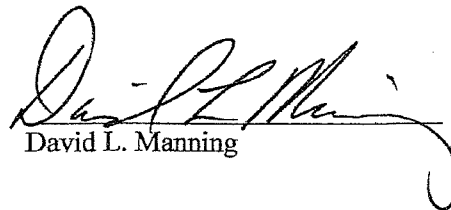
2. As Commissioner of Finance and Administration of the State of Tennessee, I was responsible each year for developing the Governor's proposed state budget, and for overseeing and administering the final budget adopted by the state legislature. I also played a major role in the design and initial implementation of TennCare, which the state established in 1994 under a Medicaid waiver granted by the Secretary of Health and Human Services pursuant to Section 1115 of the Social Security Act.
3. As Metro Director of Finance, I was responsible for developing and administering the Nashville-Davidson County local government budget. In that capacity, I routinely monitored the state budget and its implementation, because of the substantial impact of the state's budget on local governments, including Metro. I am very familiar with the State of Tennessee budget process, the interpretation of state budget documents and the flow of funds within state government as represented in the budget.
4. I have reviewed the State of Tennessee Budget for Fiscal Year 2009-2010 (FY 10 Budget), as proposed by Governor Phil Bredesen on March 23, 2009 and posted on the official website of the Tennessee Department of Finance and

Administration: <http://www.state.tn.us/finance/bud/bud0910/0910Document.pdf>.

FY 10 begins July 1, 2009 and ends June 30, 2010. The FY 10 Budget includes information on the state's budgeted and estimated actual revenues and expenses, as well as funds transfers and balances, for the current fiscal year, Fiscal Year 2009 (FY 09), which ends June 30, 2009.

5. According to page A-48 of the FY 10 Budget, the state has received or will receive \$300 million in enhanced federal Medicaid matching funds in the current fiscal year (FY 09) and \$550 million in FY 10 under the U.S. Economic Recovery Act. (See Attachment 1.)
6. According to the FY 10 Budget, all \$300 million of the enhanced federal Medicaid matching funds that the state is receiving in FY 09 under the U.S. Economic Recovery Act will revert from the TennCare program at the end of fiscal year on June 30, 2009. (See FY 10 Budget, p. A-10, under "Plan for Closing [FY 09] – Other Additional Funds: U.S Economic Recovery Act: TennCare – Additional Reversion"; a copy is attached as Attachment 2.)
7. Upon reversion, these funds will become a part of the state's fund balance, a reserve that includes the Revenue Fluctuation Reserve, also known as the "State Rainy Day Fund", to produce a June 30, 2009 balance in the Reserve of \$685,400,000. According to this information in the FY 10 Budget, none of the enhanced Medicaid match that the federal government is providing to the State of Tennessee in FY 09 under the Economic Recovery Act is being spent for TennCare purposes.

I declare under penalty of perjury that the foregoing statements are true to the best of my knowledge and belief. Executed this 15th day of May, 2009 in Nashville, Tennessee.



David L. Manning

CERTIFICATE OF SERVICE

I, Katie Evans, certify that a true and exact copy of the foregoing Declaration has been served upon the following via the Court's electronic filing system:

Linda A. Ross, Esq.
Deputy Attorney General
OFFICE OF THE ATTORNEY GENERAL,
HEALTH CARE DIVISION
P.O. Box 20207
Nashville, Tennessee 37202

Charles J. Cooper, Esq.
Michael W. Kirk, Esq.
COOPER & KIRK, PLLC
1523 New Hampshire Avenue, NW
Washington, DC 20036

Carolyn E. Reed, Esq.
Assistant Attorney General
OFFICE OF THE ATTORNEY GENERAL
P.O. Box 20207
Nashville, Tennessee 37202

on this 15th day of May, 2009.

s/Katie Evans
Katie A. Evans (No. 26290)
LEGAL AID SOCIETY
300 Deaderick Street
Nashville, TN 37201
(615) 244-6610
kevans@las.org

STATE OF TENNESSEE

The Budget

FISCAL YEAR 2009-2010



Phil Bredesen, Governor

Attachment 1

2008-2009 Through 2010-2011
U. S. Economic Recovery Act
Tennessee Allocations for Selected Grant Programs

	Budget Estimate			
	Total	2008-2009	2009-2010	2010-2011
State Fiscal Stabilization:				
Education	\$ 775,135,000	\$ 100,625,900	\$ 337,217,300	\$ 337,291,800
General Purpose	172,463,000	-	103,133,500	69,329,500
Sub-Total State Fiscal Stabilization	\$ 947,598,000	\$ 100,625,900	\$ 440,350,800	\$ 406,621,300
318.00 TennCare				
Medicaid - Enhanced Federal Match	1,100,000,000	300,000,000	550,000,000	250,000,000
359.00 Children's Services				
Foster Care and Adoption Assistance - Enhanced Federal Match	10,200,000	3,500,000	4,400,000	2,300,000
Total Fiscal Stabilization, TennCare, and Children's Services	\$ 2,057,798,000	\$ 404,125,900	\$ 994,750,800	\$ 658,921,300
331.00 Education (K-12)				
Elementary and Secondary Education Act (ESEA) Title I				
Grants to LEAs	\$ 194,108,000	\$ -	\$ 97,054,000	\$ - 97,054,000
School Improvement	50,386,000	-	25,193,000	25,193,000
Sub-Total - ESEA Title I	\$ 244,494,000	\$ -	\$ 122,247,000	\$ 122,247,000
Individuals with Disabilities Education Act (IDEA):				
IDEA - Part B - Special Education	\$ 229,613,400	\$ 114,806,700	\$ 114,806,700	\$ -
IDEA - Part B - Special Education - Preschool	7,345,900	3,673,000	3,672,900	-
IDEA - Part C - Early Intervention	8,100,300	4,050,200	4,050,100	-
Sub-Total IDEA	\$ 245,059,600	\$ 122,529,900	\$ 122,529,700	\$ -
Education Technology	12,292,400	-	6,146,200	6,146,200
Education for the Homeless	669,000	-	334,500	334,500
School Lunch Equipment	1,985,000	-	1,985,000	-
State Incentive Grant - Competitive Secretary Grants	86,130,000	-	-	86,130,000
Longitudinal Data Study	5,000,000	-	2,500,000	2,500,000
Teacher Incentive Fund	20,000,000	-	10,000,000	10,000,000
Total Education	\$ 615,630,000	\$ 122,529,900	\$ 265,742,400	\$ 227,357,700
309.00 Treasury Dept.				
Crime Victims Compensation	\$ 1,472,800	\$ 1,472,800	\$ -	\$ -
316.02 Commission on Aging and Disability				
Elderly Nutrition	2,614,000	435,600	1,742,800	435,600

STATE OF TENNESSEE

The Budget

FISCAL YEAR 2009-2010



Phil Bredesen, Governor

**General Fund and Education Fund
Comparison of Appropriation Requirements and State Revenues
Fiscal Year 2008-2009**

	<u>TOTAL</u>	<u>RECURRING</u>	<u>NON-RECURRING</u>
I. APPROPRIATION REQUIREMENTS			
General Fund Programs:			
2008 Appropriations Act - Work Program	\$ 11,476,671,900	\$ 11,082,221,900	\$ 394,450,000
2008 Appropriations Act - Dedicated Revenue	525,100	525,100	0
2009 Supplemental Appropriations:			
E&CD - Fast Track Grants	19,600,000	0	19,600,000
Higher Education - 2007-2008 Appropriation Level	58,625,900	0	58,625,900
Miscellaneous Appropriations	13,314,400	0	13,314,400
Total General Fund Requirements	\$ 11,568,737,300	\$ 11,082,747,000	\$ 485,990,300
Less: Overappropriation	(126,512,000)	(120,300,000)	(6,212,000)
Net General Fund Requirements	\$ 11,442,225,300	\$ 10,962,447,000	\$ 479,778,300
Other Programs:			
Capital Outlay Program	\$ 52,200,000	\$ 0	\$ 52,200,000
E&CD - Capital Outlay Grants	18,300,000	0	18,300,000
Tobacco MSA - Attorney General Arbitration Expense	1,500,000	0	1,500,000
Metro Sports Authority Debt Service	3,704,000	3,704,000	0
Personal License Plates Fund Reserves	1,000,000	1,000,000	0
Facilities Revolving Fund	13,564,800	13,564,800	0
Transfer to Highway Fund	2,900	0	2,900
Total Other Requirements	\$ 90,271,700	\$ 18,268,800	\$ 72,002,900
Total Appropriation Requirements	\$ 11,532,497,000	\$ 10,980,715,800	\$ 551,781,200
II. GENERAL FUND REVENUES AND RESERVES			
State Tax Revenue - Department of Revenue	\$ 8,439,100,000	\$ 8,439,100,000	\$ 0
State Tax Revenue - Other State Revenue	940,200,000	938,242,400	1,957,600
Miscellaneous Revenue	61,200,000	60,300,000	900,000
Tobacco MSA Revenue	173,900,000	159,500,000	14,400,000
Lottery for Education Account	308,100,000	308,100,000	0
Lottery Revenue - Energy Efficiency Fund	90,000,000	0	90,000,000
Highway Fund Transfer - Gas Inspection Act	1,100,000	1,100,000	0
Reserve for Appropriations 2008-2009	347,583,300	0	347,583,300
Plan for Closing - Other Available Funds:			
Capital Projects Fund - Delay, Cancel, and Bonds	\$ 196,200,000	\$ 0	\$ 196,200,000
Debt Service Fund Transfer at June 30, 2009	97,000,000	0	97,000,000
E&CD - Contingency Appropriation - Fund with Bonds	88,000,000	0	88,000,000
Work Program Allotment Reserve - Reversion	64,000,000	0	64,000,000
U. S. Economic Recovery Act:			
Restore Higher Education Reversion	42,000,000	0	42,000,000
Restore Higher Education to 2007-08 Level	58,625,900	0	58,625,900
TennCare - Additional Reversion	300,000,000	0	300,000,000
Children's Services - Title IV E - Reversion	3,500,000	0	3,500,000
Other Additional Reversion	89,721,100	0	89,721,100
TennCare Reserve - Transfer to General Fund	126,500,000	0	126,500,000
Other Agency Reserves - Reversion	41,200,000	0	41,200,000
Sub-Total Plan for Closing	\$ 1,106,747,000	\$ 0	\$ 1,106,747,000
Transfer from Rainy Day Fund	64,600,000	0	64,600,000
Undesignated Fund Balance at June 30, 2008	184,000	0	184,000
Total General Fund Revenues and Reserves	\$ 11,532,714,300	\$ 9,906,342,400	\$ 1,626,371,900
III. AVAILABLE FUNDS AT JUNE 30, 2009			
Undesignated Fund Balance	\$ 217,300	\$ (1,074,373,400)	\$ 1,074,590,700
Total Available Funds	\$ 217,300	\$ (1,074,373,400)	\$ 1,074,590,700
Revenue Fluctuation Reserve at June 30, 2008	\$ 750,000,000		
Revenue Fluctuation Reserve at June 30, 2009	\$ 685,400,000		