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**March 11, 2011**

**Investor Update**

**Revenue Report**

The Revenue Report for the month of February 2011, dated March 11, 2011, is attached to this Investor Update. On an accrual basis, February is the seventh month of the 2010-2011 fiscal year.

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**STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
STATE CAPITOL  
NASHVILLE, TENNESSEE 37243-0285**

**MARK A. EMKES  
COMMISSIONER**

FOR IMMEDIATE RELEASE  
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**FEBRUARY REVENUES**

NASHVILLE – Tennessee tax collections continued a slow upward trend in February. Department of Finance and Administration Commissioner Mark Emkes today announced that overall February revenues were \$669.7 million, which is \$7.2 million more than the state budgeted. Although the over collection is modest, it's the seventh consecutive month of positive growth this fiscal year. February sales tax collections, which reflect consumer spending that occurred during January, recorded the 11th consecutive month of positive growth.

“The healthy growth rate in sales tax collections for February continues to reflect optimistic consumer confidence and clearly indicates an improving economy in Tennessee,” Emkes said.

“Governor Bill Haslam will present his first budget to the General Assembly next week, and it will be a conservative, fiscally responsible and balanced budget. We'll work closely with the legislature to ensure we end this fiscal year not only in a balanced posture, but well prepared for the years ahead.”

On an accrual basis, February is the seventh month in the 2010-2011 fiscal year.

The general fund was over collected by \$8.6 million and the four other funds were under collected by \$1.4 million.

Sales tax collections were \$8.5 million more than the estimate for February. The February growth rate was positive 4.89%. The year-to-date growth rate for seven months is positive 3.99%.

Franchise and excise taxes combined were \$2.4 million below the budgeted estimate of \$35.3 million. For seven months revenues are over collected by \$54.2 million. The year-to-date growth rate for seven months is 10.65%.

Gasoline and motor fuel collections for February increased by 1.72%, but were \$107,000 below the budgeted estimate of \$69.8 million. For seven months revenues are over collected by \$10.7 million.

Tobacco tax collections were \$1.4 million under the budgeted estimate of \$21.8 million. For seven months revenues are under collected in the amount of \$3.1 million.

All other taxes were over collected by a net of \$2.6 million.

Year-to-date collections for seven months were \$144.2 million more than the budgeted estimate. The general fund was over collected by \$123.5 million and the four other funds were over collected by \$20.7 million.

The budgeted revenue estimates for 2010-2011 are based on the State Funding Board's consensus recommendation of April 7, 2010 and adopted by the second session of the 106<sup>th</sup> General Assembly in June. They are available on the state's website at <http://www.tn.gov/finance/bud/budget.html>.

**REVENUE COLLECTIONS  
FEBRUARY, 2011, AND 7 MONTHS YEAR-TO-DATE**

**February Collections:**

|                    | <b>Budgeted<br/>Accrual<br/>Estimate</b> | <b>Actual</b>        | <b>Difference</b>  |
|--------------------|--|----------------------|--------------------|
| General Fund       | \$513,496,000                            | \$522,089,000        | \$8,593,000        |
| Highway Fund       | 57,606,000                               | 55,551,000           | (2,055,000)        |
| Sinking Fund       | 30,223,000                               | 30,282,000           | 59,000             |
| City & County Fund | 59,143,000                               | 59,706,000           | 563,000            |
| Earmarked Fund     | 2,050,000                                | 2,051,000            | 1,000              |
| <b>Total</b>       | <b>\$662,518,000</b>                     | <b>\$669,679,000</b> | <b>\$7,161,000</b> |

**Year-To-Date Collections:**

|                    | <b>Budgeted<br/>Accrual<br/>Estimate</b> | <b>Actual</b>          | <b>Difference</b>    |
|--------------------|--|------------------------|----------------------|
| General Fund       | \$4,507,352,000                          | \$4,630,868,000        | \$123,516,000        |
| Highway Fund       | 376,760,000                              | 377,023,000            | 263,000              |
| Sinking Fund       | 215,218,000                              | 215,872,000            | 654,000              |
| City & County Fund | 429,343,000                              | 449,105,000            | 19,762,000           |
| Earmarked Fund     | 14,351,000                               | 14,351,000             | 0                    |
| <b>Total</b>       | <b>\$5,543,024,000</b>                   | <b>\$5,687,219,000</b> | <b>\$144,195,000</b> |

**Table 1**  
**Tennessee Department of Revenue**  
**Comparative Statement of Collected Revenues**

| Class of Tax                  | February             |                      |                     |              |
|-------------------------------|----------------------|----------------------|---------------------|--------------|
|                               | 2010                 | 2011                 | Change              | Percent      |
| Franchise & Excise            | \$34,448,000         | \$32,866,000         | (\$1,582,000)       | -4.59%       |
| Income                        | 1,840,000            | 3,170,000            | 1,330,000           | 72.28%       |
| Inheritance & Estate          | 5,765,000            | 7,201,000            | 1,436,000           | 24.91%       |
| Gasoline                      | 50,911,000           | 51,066,000           | 155,000             | 0.30%        |
| Petroleum Special             | 4,974,000            | 5,152,000            | 178,000             | 3.58%        |
| Tobacco                       | 19,131,000           | 20,491,000           | 1,360,000           | 7.11%        |
| Beer                          | 1,274,000            | 1,085,000            | (189,000)           | -14.84%      |
| Motor Vehicle Registration    | 19,741,000           | 20,399,000           | 658,000             | 3.33%        |
| Motor Vehicle Title           | 808,000              | 817,000              | 9,000               | 1.11%        |
| Mixed Drink                   | 4,818,000            | 4,505,000            | (313,000)           | -6.50%       |
| Business                      | 8,390,000            | 13,069,000           | 4,679,000           | 55.77%       |
| Privilege                     | 11,024,000           | 12,178,000           | 1,154,000           | 10.47%       |
| Gross Receipts                | 43,000               | 27,000               | (16,000)            | -37.21%      |
| TVA - In Lieu of Tax Payments | 26,498,000           | 26,095,000           | (403,000)           | -1.52%       |
| Alcoholic Beverage            | 2,474,000            | 2,698,000            | 224,000             | 9.05%        |
| Sales and Use                 | 434,032,000          | 455,267,000          | 21,235,000          | 4.89%        |
| Motor Vehicle Fuel            | 12,593,000           | 13,439,000           | 846,000             | 6.72%        |
| Severance                     | 213,000              | 160,000              | (53,000)            | -24.88%      |
| Coin-operated Amusement       | 2,000                | 1,000                | (1,000)             | -50.00%      |
| Unauthorized Substance        | (34,000)             | (7,000)              | 27,000              | NA           |
| <b>Total</b>                  | <b>\$638,945,000</b> | <b>\$669,679,000</b> | <b>\$30,734,000</b> | <b>4.81%</b> |

**Table 2**  
**Tennessee Department of Revenue**  
**Comparative Statement of Collected Revenues**

| Class of Tax                  | August - February      |                        |                      |              |
|-------------------------------|------------------------|------------------------|----------------------|--------------|
|                               | 2009-2010              | 2010-2011              | Change               | Percent      |
| Franchise & Excise            | \$607,864,000          | \$672,617,000          | \$64,753,000         | 10.65%       |
| Income                        | 12,351,000             | 17,418,000             | 5,067,000            | 41.03%       |
| Inheritance & Estate          | 42,795,000             | 54,195,000             | 11,400,000           | 26.64%       |
| Gasoline                      | 354,476,000            | 368,261,000            | 13,785,000           | 3.89%        |
| Petroleum Special             | 36,073,000             | 37,266,000             | 1,193,000            | 3.31%        |
| Tobacco                       | 167,803,000            | 165,015,000            | (2,788,000)          | -1.66%       |
| Beer                          | 9,787,000              | 10,889,000             | 1,102,000            | 11.26%       |
| Motor Vehicle Registration    | 124,803,000            | 127,246,000            | 2,443,000            | 1.96%        |
| Motor Vehicle Title           | 5,680,000              | 5,972,000              | 292,000              | 5.14%        |
| Mixed Drink                   | 31,959,000             | 32,348,000             | 389,000              | 1.22%        |
| Business                      | 18,795,000             | 50,531,000             | 31,736,000           | 168.85%      |
| Privilege                     | 106,550,000            | 105,897,000            | (653,000)            | -0.61%       |
| Gross Receipts                | 13,902,000             | 9,375,000              | (4,527,000)          | -32.56%      |
| TVA - In Lieu of Tax Payments | 185,418,000            | 190,649,000            | 5,231,000            | 2.82%        |
| Alcoholic Beverage            | 26,585,000             | 27,514,000             | 929,000              | 3.49%        |
| Sales and Use                 | 3,575,725,000          | 3,718,395,000          | 142,670,000          | 3.99%        |
| Motor Vehicle Fuel            | 86,788,000             | 92,512,000             | 5,724,000            | 6.60%        |
| Severance                     | 1,343,000              | 1,464,000              | 121,000              | 9.01%        |
| Coin-operated Amusement       | 66,000                 | 89,000                 | 23,000               | 34.85%       |
| Unauthorized Substance        | (1,718,000)            | (434,000)              | 1,284,000            | NA           |
| <b>Total</b>                  | <b>\$5,407,045,000</b> | <b>\$5,687,219,000</b> | <b>\$280,174,000</b> | <b>5.18%</b> |

**Table 3**  
**August - February Revenue Overcollections/(Undercollections)**  
**Budgeted Estimate**

|                             | <u>General<br/>Fund</u>      | <u>Other<br/>Funds</u>      | <u>Total</u>                 |
|-----------------------------|------------------------------|-----------------------------|------------------------------|
| Sales Tax                   | \$ 85,200,000                | \$ (100,000)                | \$ 85,100,000                |
| Income Tax                  | 2,800,000                    | 1,500,000                   | 4,300,000                    |
| Inheritance Tax             | 13,700,000                   | 0                           | 13,700,000                   |
| Privilege Tax               | (10,700,000)                 | 0                           | (10,700,000)                 |
| Business Tax                | (27,100,000)                 | 0                           | (27,100,000)                 |
| TVA                         | 12,900,000                   | 9,900,000                   | 22,800,000                   |
| Gross Receipts              | (4,200,000)                  | 0                           | (4,200,000)                  |
| Gasoline & Motor Fuel Taxes | 500,000                      | 10,200,000                  | 10,700,000                   |
| Motor Vehicle Registration  | (600,000)                    | (1,300,000)                 | (1,900,000)                  |
| Other Taxes                 | (3,200,000)                  | 500,000                     | (2,700,000)                  |
| Tobacco                     | (3,100,000)                  | 0                           | (3,100,000)                  |
| Beer                        | 400,000                      | 200,000                     | 600,000                      |
| Motor Vehicle Title         | 0                            | 0                           | 0                            |
| Mixed Drink                 | 200,000                      | 200,000                     | 400,000                      |
| Alcoholic Beverage          | 0                            | 0                           | 0                            |
| Severence                   | 100,000                      | 100,000                     | 200,000                      |
| Coin Operated Amusement     | 0                            | 0                           | 0                            |
| Unauthorized Substance      | (800,000)                    | 0                           | (800,000)                    |
| <b>Sub-Total</b>            | <b><u>\$ 69,300,000</u></b>  | <b><u>\$ 20,700,000</u></b> | <b><u>\$ 90,000,000</u></b>  |
| F & E Taxes                 | 54,200,000                   | 0                           | 54,200,000                   |
| <b>Total</b>                | <b><u>\$ 123,500,000</u></b> | <b><u>\$ 20,700,000</u></b> | <b><u>\$ 144,200,000</u></b> |