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July 12, 2011

Investor Update

Revenue Report

The Revenue Report for the month of June 2011 dated July 11, 2011, is attached to this Investor Update. On an accrual basis, June is the eleventh 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
MONDAY, JULY 11, 2011
615-741-4806

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JUNE REVENUES

NASHVILLE – Total tax collections for June were above state budget estimates for the month. Finance and Administration Commissioner Mark Emkes today announced that overall June revenues were \$1.07 billion, which is \$31.8 million more than the state budgeted. June sales tax collections represent consumer spending that took place in the month of May.

June marks the 11th consecutive month this fiscal year in which total collections have exceeded the budgeted estimates. Sales tax collections in June recorded the 15th consecutive month of positive growth, exceeding the budgeted estimate, and corporate tax collections also performed above June expectations.

“Tennessee’s revenue collections continue to show a positive growth trend, but the latest national leading economic indicators point to a very slow economic recovery,” Emkes said. “This will require us to continue to closely monitor collections and expenditures for the remainder of this year in order to end this fiscal year with a balanced budget.”

On an accrual basis, June is the eleventh month in the 2010-2011 fiscal year.

The general fund was over collected by \$31.1 million, and the four other funds were over collected by \$700,000.

Sales tax collections were \$28.8 million more than the estimate for June. The June growth rate was 6.32%. For eleven months revenues are over collected by \$195.6 million. The year-to-date growth rate for eleven months was positive 4.60%.

Franchise and excise taxes combined were \$29.6 million above the budgeted estimate of \$253.2 million. The growth rate for June was 13.18%. For eleven months revenues are over collected by \$47.8 million and the year-to-date growth rate was 6.99%.

Privilege tax collections were \$3.7 million below the June estimate. For eleven months collections are \$9.7 million below the budgeted estimate.

Business tax collections were \$20.3 million less than the June estimate. Year-to-date collections for eleven months are \$38.8 million below the budgeted estimate.

Inheritance and estate tax collections were \$800,000 below the June estimate. For eleven months collections are \$26.7 million above the budgeted estimate.

Tobacco tax collections were \$1.6 million below the budgeted estimate of \$29.5 million. For eleven months revenues are under collected by \$7.2 million.

Gasoline and motor fuel collections for June were over collected by \$800,000. For eleven months revenues are over collected by \$10.7 million.

All other taxes for June were under collected by a net of \$1.0 million

Year-to-date taxes for eleven months were \$249.5 million more than the budgeted estimate. The general fund was over collected by \$219.0 million and the four other funds were over collected by \$30.5 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 106th. General Assembly in June. They are available on the state's website at <http://www.tn.gov/finance/bud/budget.html>.

The State Funding Board met on the 8th and 14th of December 2010, and again on February 7, 2011. As a result of these meetings the board adopted mid-year revised revenue ranges for 2010-2011. The board issued a formal letter addressed to the Governor and Chairman of House and Senate Finance Ways and Means Committees dated February 25, 2011 detailing the board's actions.

The 2010-2011 revised ranges adopted by the board reflect growth rates ranging from 3.60% to 4.00% in total taxes, and 3.95% to 4.45% in general fund taxes.

Based on the board's consensus recommendation, the official budgeted estimates for 2010-2011 were revised in March 2011.

The revised estimates are reflected on pages A-72 and A-74 in the 2011-2012 Budget Document and assume an over collection in total taxes in the amount of \$198.5 million, and an over collection of \$161.3 million in general fund taxes.

Year-to-date collections through June compared to the February revision are \$77.4 million above the total estimate, and \$67.2 million above the general fund estimate. The four other funds that share in state tax collections are \$10.2 million above the revised estimate.

The funding board met again on April 12, 2011, to hear updated revenue estimating presentations on the state's near-term economic outlook for fiscal years 2010-2011 and 2011-2012, taking final action on April 15th to revise the February ranges.

The action taken by the board in April recognized an increase at the top of the range for 2010-2011 from 4.00% to 4.15% in total taxes and from 4.45% to 4.50% in general fund taxes. The result of this action increased projected revenues for total taxes by \$15.1 million and general fund taxes by \$15.2 million for this fiscal year. This increase was recognized in the administration's budget amendment and adopted by the General Assembly on Saturday May 21, 2011.

Year-to-date collections through June compared to the final action taken by the board and approved by the General Assembly are \$62.3 million above the total estimate, and \$52.0 million above the general fund estimate.

REVENUE COLLECTIONS
JUNE, 2011, AND 11 MONTHS YEAR-TO-DATE

June Collections:

	Budgeted Accrual Estimate	Actual	Difference
	<hr/>	<hr/>	<hr/>
General Fund	\$877,213,000	\$908,287,000	\$31,074,000
Highway Fund	59,535,000	58,605,000	(930,000)
Sinking Fund	30,830,000	31,052,000	222,000
City & County Fund	65,916,000	67,314,000	1,398,000
Earmarked Fund	2,050,000	2,050,000	0
Total	\$1,035,544,000	\$1,067,308,000	\$31,764,000

Year-To-Date Collections:

	Budgeted Accrual Estimate	Actual	Difference
	<hr/>	<hr/>	<hr/>
General Fund	\$7,722,612,000	\$7,941,655,000	\$219,043,000
Highway Fund	607,964,000	612,469,000	4,505,000
Sinking Fund	338,111,000	339,648,000	1,537,000
City & County Fund	735,880,000	760,328,000	24,448,000
Earmarked Fund	22,550,000	22,550,000	0
Total	\$9,427,117,000	\$9,676,650,000	\$249,533,000

Table 1
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	June			
	2010	2011	Change	Percent
Franchise & Excise	\$249,842,000	\$282,777,000	\$32,935,000	13.18%
Income	935,000	1,504,000	569,000	60.86%
Inheritance & Estate	3,093,000	5,081,000	1,988,000	64.27%
Gasoline	60,462,000	58,140,000	(2,322,000)	-3.84%
Petroleum Special	6,258,000	5,897,000	(361,000)	-5.77%
Tobacco	28,826,000	27,947,000	(879,000)	-3.05%
Beer	1,563,000	1,641,000	78,000	4.99%
Motor Vehicle Registration	20,435,000	21,271,000	836,000	4.09%
Motor Vehicle Title	985,000	1,027,000	42,000	4.26%
Mixed Drink	4,770,000	5,229,000	459,000	9.62%
Business	69,287,000	11,101,000	(58,186,000)	-83.98%
Privilege	50,529,000	48,087,000	(2,442,000)	-4.83%
Gross Receipts	338,000	16,000	(322,000)	-95.27%
TVA - In Lieu of Tax Payments	26,498,000	26,096,000	(402,000)	-1.52%
Alcoholic Beverage	4,085,000	4,479,000	394,000	9.65%
Sales and Use	521,995,000	554,964,000	32,969,000	6.32%
Motor Vehicle Fuel	11,469,000	11,722,000	253,000	2.21%
Severance	253,000	188,000	(65,000)	-25.69%
Coin-operated Amusement	106,000	141,000	35,000	33.02%
Unauthorized Substance	(33,000)	0	33,000	NA
Total	\$1,061,696,000	\$1,067,308,000	\$5,612,000	0.53%

Table 2
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	August - June			Percent
	2009-2010	2010-2011	Change	
Franchise & Excise	\$1,372,103,000	\$1,468,030,000	\$95,927,000	6.99%
Income	170,931,000	188,741,000	17,810,000	10.42%
Inheritance & Estate	73,789,000	99,836,000	26,047,000	35.30%
Gasoline	555,588,000	571,681,000	16,093,000	2.90%
Petroleum Special	57,407,000	58,058,000	651,000	1.13%
Tobacco	266,906,000	264,287,000	(2,619,000)	-0.98%
Beer	15,421,000	17,037,000	1,616,000	10.48%
Motor Vehicle Registration	218,910,000	225,222,000	6,312,000	2.88%
Motor Vehicle Title	9,486,000	10,125,000	639,000	6.74%
Mixed Drink	50,804,000	52,875,000	2,071,000	4.08%
Business	129,358,000	115,061,000	(14,297,000)	-11.05%
Privilege	226,234,000	232,746,000	6,512,000	2.88%
Gross Receipts	14,235,000	9,282,000	(4,953,000)	-34.79%
TVA - In Lieu of Tax Payments	291,411,000	295,031,000	3,620,000	1.24%
Alcoholic Beverage	42,264,000	44,020,000	1,756,000	4.15%
Sales and Use	5,621,909,000	5,880,286,000	258,377,000	4.60%
Motor Vehicle Fuel	138,287,000	142,406,000	4,119,000	2.98%
Severance	2,108,000	2,192,000	84,000	3.98%
Coin-operated Amusement	189,000	238,000	49,000	25.93%
Unauthorized Substance	(1,902,000)	(504,000)	1,398,000	NA
Total	\$9,255,438,000	\$9,676,650,000	\$421,212,000	4.55%

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Sales Tax	\$ 188,200,000	\$ 7,400,000	\$ 195,600,000
Income Tax	2,500,000	1,300,000	3,800,000
Inheritance Tax	26,700,000	0	26,700,000
Privilege Tax	(9,700,000)	0	(9,700,000)
Business Tax	(38,800,000)	0	(38,800,000)
TVA	12,600,000	9,600,000	22,200,000
Gross Receipts	(4,600,000)	0	(4,600,000)
Gasoline & Motor Fuel Taxes	600,000	10,100,000	10,700,000
Motor Vehicle Registration	(400,000)	500,000	100,000
Other Taxes	(5,900,000)	1,600,000	(4,300,000)
Tobacco	(7,200,000)	0	(7,200,000)
Beer	500,000	200,000	700,000
Motor Vehicle Title	300,000	200,000	500,000
Mixed Drink	800,000	1,000,000	1,800,000
Alcoholic Beverage	600,000	100,000	700,000
Severence	100,000	100,000	200,000
Coin Operated Amusement	0	0	0
Unauthorized Substance	(1,000,000)	0	(1,000,000)
Sub-Total	\$ 171,200,000	\$ 30,500,000	\$ 201,700,000
F & E Taxes	47,800,000	0	47,800,000
Total	\$ 219,000,000	\$ 30,500,000	\$ 249,500,000