



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF BOND FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0273
PHONE (615) 747-5370
FAX (615) 741-5986**

July 20, 2010

Investor Update

Revenue Report

The Revenue Report for the month of June 2010, dated July 13, 2010, is attached to this Investor Update. On an accrual basis, June is the eleventh month of the 2009-2010 fiscal year.

Appropriations Act

The Appropriations Act was signed by the Governor on June 25, 2010. A copy of the 2010 Appropriations Act is found on:

<http://www.tennessee.gov/sos/acts/index.htm>

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

DAVE GOETZ
COMMISSIONER

FOR IMMEDIATE RELEASE
TUESDAY, JULY 13, 2010

CONTACT: LOLA POTTER
615-532-8560 (OFFICE)

JUNE REVENUES

NASHVILLE – Total tax collections for June were below budgeted estimates, but recorded positive growth in sales and corporate taxes. Finance and Administration Commissioner Dave Goetz today announced that overall June revenues were \$1.062 billion, which is \$6.2 million less than the state budgeted. June sales tax collections represent consumer spending that took place in the month of May.

“This marks the third consecutive month in which sales tax collections recorded positive growth over the same month a year ago,” Goetz said. “While the positive growth for June is small, remember that consumer spending was depressed in May as a result of the unprecedented flooding the state endured. Although we believe that Tennessee is in the early stages of economic recovery we will continue to be diligent in monitoring the state’s spending in order to keep our budget in balance on a recurring basis.”

On an accrual basis, June is the eleventh month in the 2009-2010 fiscal year.

The general fund was under collected by \$9.3 million, and the four other funds were over collected by \$3.1 million.

Sales tax collections were \$16.8 million less than the estimate for June. The June growth rate was 0.73%. For eleven months revenues are under collected by \$224.7 million. The year-to-date growth rate for eleven months was negative 3.01%.

Franchise and excise taxes combined were \$20.9 million above the budgeted estimate of \$228.9 million. The growth rate for June was 5.17%. For eleven months revenues are over collected by \$75.8 million and the year-to-date growth rate was 6.55%.

Privilege tax collections were \$8,000 below the June estimate. For eleven months collections are \$23.8 million below the budgeted estimate.

Business tax collections were \$14.4 million less than the June estimate. Year-to-date collections for eleven months are \$23.0 million below the budgeted estimate.

Inheritance and estate tax collections were \$3.6 million below the June estimate. For eleven months collections are \$12.1 million below the budgeted estimate.

Tobacco tax collections were \$3.1 million above the budgeted estimate of \$25.7 million. For eleven months revenues are over collected by \$6,000.

Gasoline and motor fuel collections for June increased by 5.27%. For eleven months revenues are under collected by \$8.1 million.

Year-to-date collections for eleven months were \$225.5 million less than the budgeted estimate. The general fund was under collected by \$179.3 million and the four other funds were under collected by \$46.2 million.

The budgeted revenue estimates for 2009-2010 are based on the State Funding Board's consensus recommendation adopted by the first session of the 106th General Assembly in May of 2009, and are available on the state's Web site at <http://www.tn.gov/finance/bud/budget.html>.

The State Funding board met on December 18, 2009 and adopted mid-year revised revenue ranges for 2009-2010. The revised ranges reflect growth rates ranging from negative 1.50% to negative 0.25% in total taxes, and negative 2.35% to negative 0.85% in general fund taxes. Based on the consensus recommendation, the official budgeted estimates for 2009-2010 were revised in late December.

The revised mid-year estimates are reflected on pages A-70 and A-72 in the 2010-2011 Budget Document and assume an under collection in total taxes in the amount of \$161.3 million, and an under collection of \$153.2 million in the general fund.

The funding board met again in March of this year and adopted final revenue ranges for 2009-2010. The board's consensus recommendation was to recognize lower growth rates than those adopted on December 18, 2009. The revised ranges reflect growth rates ranging from negative 1.77% to negative 1.29% for total taxes, and negative 2.31% to negative 1.78% in general fund taxes.

Based upon the funding board's March recommendation the revised estimates for 2009-2010 now assume an under collection in total taxes in the amount of \$258.9 million, and an under collection of \$231.0 million in general fund taxes.

REVENUE COLLECTIONS
JUNE, 2010, AND 11 MONTHS YEAR-TO-DATE

June Collections:

	Budgeted Accrual Estimate	Actual	Difference
General Fund	\$910,370,000	\$901,117,000	(\$9,253,000)
Highway Fund	60,155,000	60,370,000	215,000
Sinking Fund	32,416,000	32,293,000	(123,000)
City & County Fund	64,057,000	67,024,000	2,967,000
Earmarked Fund	893,000	892,000	(1,000)
Total	\$1,067,891,000	\$1,061,696,000	(\$6,195,000)

Year-To-Date Collections:

	Budgeted Accrual Estimate	Actual	Difference
General Fund	\$7,753,239,000	\$7,573,930,000	(\$179,309,000)
Highway Fund	622,252,000	585,475,000	(36,777,000)
Sinking Fund	355,789,000	354,193,000	(1,596,000)
City & County Fund	739,836,000	732,033,000	(7,803,000)
Earmarked Fund	9,809,000	9,807,000	(2,000)
Total	\$9,480,925,000	\$9,255,438,000	(\$225,487,000)

Table 1
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	June		Change	Percent
	2009	2010		
Franchise & Excise	\$237,570,000	\$249,842,000	\$12,272,000	5.17%
Income	2,065,000	935,000	(1,130,000)	-54.72%
Inheritance & Estate	5,142,000	3,093,000	(2,049,000)	-39.85%
Gasoline	57,742,000	60,462,000	2,720,000	4.71%
Petroleum Special	5,637,000	6,258,000	621,000	11.02%
Tobacco	31,920,000	28,826,000	(3,094,000)	-9.69%
Beer	1,696,000	1,563,000	(133,000)	-7.84%
Motor Vehicle Registration	20,470,000	20,435,000	(35,000)	-0.17%
Motor Vehicle Title	890,000	985,000	95,000	10.67%
Mixed Drink	4,947,000	4,770,000	(177,000)	-3.58%
Business	111,977,000	69,287,000	(42,690,000)	-38.12%
Privilege	49,992,000	50,529,000	537,000	1.07%
Gross Receipts	239,000	338,000	99,000	41.42%
TVA - In Lieu of Tax Payments	24,014,000	26,498,000	2,484,000	10.34%
Alcoholic Beverage	4,323,000	4,085,000	(238,000)	-5.51%
Sales and Use	518,219,000	521,995,000	3,776,000	0.73%
Motor Vehicle Fuel	10,895,000	11,469,000	574,000	5.27%
Severance	180,000	253,000	73,000	40.56%
Coin-operated Amusement	128,000	106,000	(22,000)	-17.19%
Unauthorized Substance	72,000	(33,000)	(105,000)	-145.83%
Total	\$1,088,118,000	\$1,061,696,000	(\$26,422,000)	-2.43%

Table 2
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	August - June			
	2008-2009	2009-2010	Change	Percent
Franchise & Excise	\$1,287,794,000	\$1,372,103,000	\$84,309,000	6.55%
Income	219,673,000	170,931,000	(48,742,000)	-22.19%
Inheritance & Estate	75,460,000	73,789,000	(1,671,000)	-2.21%
Gasoline	549,008,000	555,588,000	6,580,000	1.20%
Petroleum Special	56,231,000	57,407,000	1,176,000	2.09%
Tobacco	275,682,000	266,906,000	(8,776,000)	-3.18%
Beer	16,744,000	15,421,000	(1,323,000)	-7.90%
Motor Vehicle Registration	220,797,000	218,910,000	(1,887,000)	-0.85%
Motor Vehicle Title	9,082,000	9,486,000	404,000	4.45%
Mixed Drink	49,346,000	50,804,000	1,458,000	2.95%
Business	132,721,000	129,358,000	(3,363,000)	-2.53%
Privilege	233,935,000	226,234,000	(7,701,000)	-3.29%
Gross Receipts	19,377,000	14,235,000	(5,142,000)	-26.54%
TVA - In Lieu of Tax Payments	259,084,000	291,411,000	32,327,000	12.48%
Alcoholic Beverage	40,950,000	42,264,000	1,314,000	3.21%
Sales and Use	5,796,423,000	5,621,909,000	(174,514,000)	-3.01%
Motor Vehicle Fuel	138,891,000	138,287,000	(604,000)	-0.43%
Severance	2,146,000	2,108,000	(38,000)	-1.77%
Coin-operated Amusement	247,000	189,000	(58,000)	-23.48%
Unauthorized Substance	1,071,000	(1,902,000)	(2,973,000)	-277.59%
Total	\$9,384,662,000	\$9,255,438,000	(\$129,224,000)	-1.38%

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Sales Tax	\$ (194,600,000)	\$ (30,100,000)	\$ (224,700,000)
Income Tax	(10,400,000)	(5,400,000)	(15,800,000)
Inheritance Tax	(12,100,000)	0	(12,100,000)
Privilege Tax	(23,800,000)	0	(23,800,000)
Business Tax	(23,000,000)	0	(23,000,000)
TVA	12,900,000	9,900,000	22,800,000
Gross Receipts	(1,300,000)	0	(1,300,000)
Gasoline & Motor Fuel Taxes	(100,000)	(8,000,000)	(8,100,000)
Motor Vehicle Registration	(1,500,000)	(10,300,000)	(11,800,000)
Other Taxes	(1,200,000)	(2,300,000)	(3,500,000)
Tobacco	0	0	0
Beer	400,000	200,000	600,000
Motor Vehicle Title	(400,000)	(200,000)	(600,000)
Mixed Drink	(200,000)	(200,000)	(400,000)
Alcoholic Beverage	(400,000)	0	(400,000)
Severence	200,000	100,000	300,000
Coin Operated Amusement	0	0	0
Unauthorized Substance	(800,000)	(2,200,000)	(3,000,000)
Sub-Total	\$ (255,100,000)	\$ (46,200,000)	\$ (301,300,000)
F & E Taxes	75,800,000	0	75,800,000
Total	\$ (179,300,000)	\$ (46,200,000)	\$ (225,500,000)