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November 20, 2009

Investor Update

Revenue Report

The Revenue Report for the month of October 2009 dated September 11, 2009, is attached to this Investor Update. On an accrual basis, October is the third month of the 2009-2010 fiscal year.

Revenue Collection Report

A detailed report of the October Revenue Monthly Collections is located at:
<http://www.tennessee.gov/revenue/statistics/index.htm>

Under the title "Collection Summaries" click on the title, *October Revenue Monthly Collections*. Archived reports for prior months are also provided on the website.

General Obligation Bond Sale

The Tennessee State Funding Board intends to sell its bonds on Tuesday and Wednesday, December 1 and 2, 2009. For more information about this bond sale including a summary of the terms of the bonds, a link to the Preliminary Official Statement and the State of Tennessee Rating Presentation for October 2009, please visit our website at www.buyTNbonds.com.

Replying to This Address

To receive a personal copy of future Investor Updates, please reply to this email address or to Bond.finance.legaldocs@state.tn.us. Likewise, if you would like to have your name deleted from future emails, please reply to this address.



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

**DAVE GOETZ
COMMISSIONER**

FOR IMMEDIATE RELEASE
TUESDAY, NOVEMBER 10, 2009

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OCTOBER REVENUES

NASHVILLE – For the third consecutive month in the fiscal year that began July 1, state tax collections fell below budgeted estimates. Finance & Administration Commissioner Dave Goetz today announced that state revenue collections for October were \$698.2 million, which is 1.53% below October 2008 collections. October collections reflect consumer spending in September.

“October is the 17th consecutive month in which sales tax collections have experienced negative growth,” Goetz said. “We are extremely concerned with the year-to-date negative growth in our tax collections, but we are committed to keeping the state’s budget in balance in a responsible manner during this extraordinary national economic downturn.”

“When the nation’s economy shows a strong improvement, Tennessee will likely follow, but there’s usually a good distance of time between national and state economic trends.”

On an accrual basis, October is the third month in the 2009-2010 fiscal year.

October collections were \$31.7 million less than the budgeted estimate. The general fund was under collected by \$24.2 million and the four other funds were under collected by \$7.5 million.

Sales tax collections were \$38.6 million less than the estimate for October. The October growth rate was negative 7.80 %. Year-to-date the growth rate is negative 8.47%.

Franchise and excise combined collections for October were \$11.9 million, and they were \$9.6 million above the budgeted estimate of \$2.3 million.

Gasoline and motor fuel collections were \$2.1 million more than the budgeted estimate of \$71.8 million. However, the sales tax allocation to the Transportation Equity Fund was a negative \$7.8 million. The net result was a shortfall in the highway fund estimate.

Tobacco tax collections for the month were over collected by \$600,000, and October collections were \$25.1 million.

Inheritance and Estate taxes were under collected by \$4.6 million for the month.

All other taxes were under collected by a net of \$800,000.

Year-to date collections for three months were \$101.3 million less than the budgeted estimate. The general fund was under collected by \$88.2 million and the four other funds were under collected by \$13.1 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>.

**REVENUE COLLECTIONS
OCTOBER, 2009, AND 3 MONTHS YEAR-TO-DATE**

October Collections:

	Budgeted Accrual Estimate	Actual	Difference
General Fund	\$576,927,000	\$552,713,000	(\$24,214,000)
Highway Fund	56,175,000	48,607,000	(7,568,000)
Sinking Fund	32,437,000	32,196,000	(241,000)
City & County Fund	63,528,000	63,841,000	313,000
Earmarked Fund	893,000	892,000	(1,000)
Total	\$729,960,000	\$698,249,000	(\$31,711,000)

Year-To-Date Collections:

	Budgeted Accrual Estimate	Actual	Difference
General Fund	\$1,989,841,000	\$1,901,628,000	(\$88,213,000)
Highway Fund	168,402,000	157,853,000	(10,549,000)
Sinking Fund	97,300,000	96,567,000	(733,000)
City & County Fund	189,108,000	187,336,000	(1,772,000)
Earmarked Fund	2,674,000	2,675,000	1,000
Total	\$2,447,325,000	\$2,346,059,000	(\$101,266,000)

Table 1
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	October			
	2008	2009	Change	Percent
Franchise & Excise	(\$17,958,000)	\$11,940,000	\$29,898,000	166.49%
Income	4,632,000	2,578,000	(2,054,000)	-44.34%
Inheritance & Estate	8,496,000	4,994,000	(3,502,000)	-41.22%
Gasoline	43,485,000	53,543,000	10,058,000	23.13%
Petroleum Special	4,639,000	5,389,000	750,000	16.17%
Tobacco	25,851,000	25,148,000	(703,000)	-2.72%
Beer	1,641,000	1,586,000	(55,000)	-3.35%
Motor Vehicle Registration	18,734,000	17,737,000	(997,000)	-5.32%
Motor Vehicle Title	859,000	858,000	(1,000)	-0.12%
Mixed Drink	4,771,000	4,227,000	(544,000)	-11.40%
Business	1,934,000	2,143,000	209,000	10.81%
Privilege	21,270,000	18,519,000	(2,751,000)	-12.93%
Gross Receipts	70,000	201,000	131,000	187.14%
TVA - In Lieu of Tax Payments	24,014,000	26,498,000	2,484,000	10.34%
Alcoholic Beverage	3,249,000	3,114,000	(135,000)	-4.16%
Sales and Use	547,441,000	504,732,000	(42,709,000)	-7.80%
Motor Vehicle Fuel	15,673,000	14,980,000	(693,000)	-4.42%
Severance	190,000	202,000	12,000	6.32%
Coin-operated Amusement	16,000	3,000	(13,000)	-81.25%
Unauthorized Substance	89,000	(143,000)	(232,000)	-260.67%
Total	\$709,096,000	\$698,249,000	(\$10,847,000)	-1.53%

Table 2
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	August - October			
	2008-2009	2009-2010	Change	Percent
Franchise & Excise	\$241,113,000	\$277,028,000	\$35,915,000	14.90%
Income	7,992,000	4,836,000	(3,156,000)	-39.49%
Inheritance & Estate	23,626,000	15,278,000	(8,348,000)	-35.33%
Gasoline	144,177,000	159,901,000	15,724,000	10.91%
Petroleum Special	15,176,000	16,139,000	963,000	6.35%
Tobacco	77,988,000	78,487,000	499,000	0.64%
Beer	4,935,000	4,583,000	(352,000)	-7.13%
Motor Vehicle Registration	57,603,000	56,406,000	(1,197,000)	-2.08%
Motor Vehicle Title	2,728,000	2,658,000	(70,000)	-2.57%
Mixed Drink	13,769,000	12,983,000	(786,000)	-5.71%
Business	6,887,000	6,475,000	(412,000)	-5.98%
Privilege	57,357,000	48,216,000	(9,141,000)	-15.94%
Gross Receipts	18,858,000	13,278,000	(5,580,000)	-29.59%
TVA - In Lieu of Tax Payments	66,969,000	79,426,000	12,457,000	18.60%
Alcoholic Beverage	10,419,000	10,120,000	(299,000)	-2.87%
Sales and Use	1,665,648,000	1,524,513,000	(141,135,000)	-8.47%
Motor Vehicle Fuel	40,535,000	36,215,000	(4,320,000)	-10.66%
Severance	814,000	641,000	(173,000)	-21.25%
Coin-operated Amusement	63,000	36,000	(27,000)	-42.86%
Unauthorized Substance	379,000	(1,160,000)	(1,539,000)	-406.07%
Total	\$2,457,036,000	\$2,346,059,000	(\$110,977,000)	-4.52%

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

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

	General Fund	Other Funds	Total
Sales Tax	\$ (89,000,000)	\$ (11,900,000)	\$ (100,900,000)
Income Tax	(500,000)	(200,000)	(700,000)
Sales Tax	\$ (89,000,000)	\$ (11,900,000)	\$ (100,900,000)
Inheritance Tax	(10,000,000)	0	(10,000,000)
Income Tax	(500,000)	(200,000)	(700,000)
Privilege Tax	(9,600,000)	0	(9,600,000)
Inheritance Tax	(10,000,000)	0	(10,000,000)
Business Tax	2,700,000	0	2,700,000
Privilege Tax	(9,600,000)	0	(9,600,000)
TVA	3,300,000	2,500,000	5,800,000
Business Tax	2,700,000	0	2,700,000
Gross Receipts	(1,800,000)	0	(1,800,000)
TVA	3,300,000	2,500,000	5,800,000
Gasoline & Motor Fuel Taxes	100,000	(400,000)	(300,000)
Gross Receipts	(1,800,000)	0	(1,800,000)
Motor Vehicle Registration	(100,000)	(1,700,000)	(1,800,000)
Gasoline & Motor Fuel Taxes	100,000	(400,000)	(300,000)
Other Taxes	4,200,000	(1,400,000)	2,800,000
Tobacco	5,200,000	0	5,200,000
Motor Vehicle Registration	(100,000)	(1,700,000)	(1,800,000)
Beer	200,000	100,000	300,000
Motor Vehicle Title	(200,000)	(100,000)	(300,000)
Other Taxes	4,200,000	(1,400,000)	2,800,000
Mixed Drink	(300,000)	(300,000)	(600,000)
Tobacco	5,200,000	0	5,200,000
Alcoholic Beverage	(400,000)	(100,000)	(500,000)
Beer	200,000	100,000	300,000
Severence	100,000	100,000	200,000
Motor Vehicle Title	(200,000)	(100,000)	(300,000)
Coin Operated Amusement	0	0	0
Mixed Drink	(300,000)	(300,000)	(600,000)
Unauthorized Substance	(400,000)	(1,100,000)	(1,500,000)
Alcoholic Beverage	(400,000)	(100,000)	(500,000)
Severence	100,000	100,000	200,000
Sub-Total	\$ (100,700,000)	\$ (13,100,000)	\$ (113,800,000)
Coin Operated Amusement	0	0	0
Unauthorized Substance	(400,000)	(1,100,000)	(1,500,000)
F & E Taxes	12,500,000	0	12,500,000
Sub-Total	\$ (100,700,000)	\$ (13,100,000)	\$ (113,800,000)
Total	\$ (88,200,000)	\$ (13,100,000)	\$ (101,300,000)
F & E Taxes	12,500,000	0	12,500,000
Total	\$ (88,200,000)	\$ (13,100,000)	\$ (101,300,000)