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**June 21, 2010**

**Investor Update**

**Revenue Report**

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

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

**DAVE GOETZ  
COMMISSIONER**

FOR IMMEDIATE RELEASE  
FRIDAY, JUNE 11, 2010

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**MAY REVENUES**

NASHVILLE – State tax collections for May were less than budgeted, yet included positive growth in state sales tax collections. Finance and Administration Commissioner Dave Goetz reports that overall May revenues were \$767.1 million, which is \$18.6 million less than the state budgeted. May sales tax collections represent consumer spending that occurred in the month of April.

“May is the second consecutive month this fiscal year in which sales tax collections posted positive growth over the year before; and before April, we had not seen positive growth since May of 2008,” Goetz said. “This is encouraging and we hope this marks the beginning of economic recovery for Tennessee. However, we will continue to closely monitor collections and do whatever is necessary to end this fiscal year with a balanced budget and leave the next governor with a balanced budget on a recurring basis.”

On an accrual basis, May is the tenth month in the 2009-2010 fiscal year.

The general fund was under-collected by \$16.5 million, and the four other funds were under-collected by \$2.1 million.

Sales tax collections were \$6.1 million less than the estimate for May. The May growth rate was positive 3.70%. For ten months revenues are under-collected by \$207.9 million. The year-to-date growth rate for ten months was negative 3.38%.

Franchise and excise taxes combined were \$8.5 million below the budgeted estimate of \$31.4 million. The growth rate for May was negative 12.50%. For ten months revenues are over collected by \$54.9 million and the year-to-date growth rate is 6.86%.

Privilege tax collections were \$1.4 million below the May estimate. For ten months collections are \$23.8 million below the budgeted estimate.

Tobacco tax collections were \$2.2 million under the budgeted estimate of \$24.9 million. For ten months revenues are under collected in the amount of \$3.1 million.

Gasoline and motor fuel collections for May increased by 6.38%. For ten months revenues are under-collected by \$15.4 million and the ten month year-to-date growth rate is 0.48%.

Year-to-date collections for ten months are \$219.3 million less than the budgeted estimate. The general fund was under collected by \$170.1 million and the four other funds were under collected by \$49.2 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 106<sup>th</sup> General Assembly in May of 2009, and are available on the state's website 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  
MAY, 2010, AND 10 MONTHS YEAR-TO-DATE**

**May Collections:**

	<b>Budgeted Accrual Estimate</b>	<b>Actual</b>	<b>Difference</b>
	<hr/>	<hr/>	<hr/>
General Fund	\$632,040,000	\$615,580,000	(\$16,460,000)
Highway Fund	57,533,000	54,809,000	(2,724,000)
Sinking Fund	32,248,000	32,178,000	(70,000)
City & County Fund	63,042,000	63,690,000	648,000
Earmarked Fund	892,000	891,000	(1,000)
<b>Total</b>	<b>\$785,755,000</b>	<b>\$767,148,000</b>	<b>(\$18,607,000)</b>

**Year-To-Date Collections:**

	<b>Budgeted Accrual Estimate</b>	<b>Actual</b>	<b>Difference</b>
	<hr/>	<hr/>	<hr/>
General Fund	\$6,842,869,000	\$6,672,813,000	(\$170,056,000)
Highway Fund	562,097,000	525,104,000	(36,993,000)
Sinking Fund	323,372,000	321,900,000	(1,472,000)
City & County Fund	675,780,000	665,009,000	(10,771,000)
Earmarked Fund	8,916,000	8,916,000	0
<b>Total</b>	<b>\$8,413,034,000</b>	<b>\$8,193,742,000</b>	<b>(\$219,292,000)</b>

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

Class of Tax	May			
	2009	2010	Change	Percent
Franchise & Excise	\$26,135,000	\$22,867,000	(\$3,268,000)	-12.50%
Income	4,747,000	4,860,000	113,000	2.38%
Inheritance & Estate	4,085,000	5,778,000	1,693,000	41.44%
Gasoline	48,613,000	50,625,000	2,012,000	4.14%
Petroleum Special	4,966,000	5,385,000	419,000	8.44%
Tobacco	25,102,000	22,736,000	(2,366,000)	-9.43%
Beer	1,851,000	1,553,000	(298,000)	-16.10%
Motor Vehicle Registration	21,225,000	18,496,000	(2,729,000)	-12.86%
Motor Vehicle Title	701,000	799,000	98,000	13.98%
Mixed Drink	4,316,000	4,766,000	450,000	10.43%
Business	2,797,000	31,548,000	28,751,000	1027.92%
Privilege	38,225,000	41,252,000	3,027,000	7.92%
Gross Receipts	176,000	13,000	(163,000)	-92.61%
TVA - In Lieu of Tax Payments	24,015,000	26,498,000	2,483,000	10.34%
Alcoholic Beverage	3,459,000	4,004,000	545,000	15.76%
Sales and Use	494,012,000	512,281,000	18,269,000	3.70%
Motor Vehicle Fuel	11,832,000	13,574,000	1,742,000	14.72%
Severance	248,000	162,000	(86,000)	-34.68%
Coin-operated Amusement	1,000	13,000	12,000	1200.00%
Unauthorized Substance	32,000	(62,000)	(94,000)	-293.75%
<b>Total</b>	<b>\$716,538,000</b>	<b>\$767,148,000</b>	<b>\$50,610,000</b>	<b>7.06%</b>

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

Class of Tax	August - May			
	2008-2009	2009-2010	Change	Percent
Franchise & Excise	\$1,050,224,000	\$1,122,261,000	\$72,037,000	6.86%
Income	217,608,000	169,996,000	(47,612,000)	-21.88%
Inheritance & Estate	70,318,000	70,696,000	378,000	0.54%
Gasoline	491,266,000	495,126,000	3,860,000	0.79%
Petroleum Special	50,594,000	51,149,000	555,000	1.10%
Tobacco	243,762,000	238,080,000	(5,682,000)	-2.33%
Beer	15,048,000	13,858,000	(1,190,000)	-7.91%
Motor Vehicle Registration	200,327,000	198,475,000	(1,852,000)	-0.92%
Motor Vehicle Title	8,192,000	8,501,000	309,000	3.77%
Mixed Drink	44,399,000	46,034,000	1,635,000	3.68%
Business	20,744,000	60,071,000	39,327,000	189.58%
Privilege	183,943,000	175,705,000	(8,238,000)	-4.48%
Gross Receipts	19,138,000	13,897,000	(5,241,000)	-27.39%
TVA - In Lieu of Tax Payments	235,070,000	264,913,000	29,843,000	12.70%
Alcoholic Beverage	36,627,000	38,179,000	1,552,000	4.24%
Sales and Use	5,278,204,000	5,099,914,000	(178,290,000)	-3.38%
Motor Vehicle Fuel	127,996,000	126,818,000	(1,178,000)	-0.92%
Severance	1,966,000	1,855,000	(111,000)	-5.65%
Coin-operated Amusement	119,000	83,000	(36,000)	-30.25%
Unauthorized Substance	999,000	(1,869,000)	(2,868,000)	-287.09%
<b>Total</b>	<b>\$8,296,544,000</b>	<b>\$8,193,742,000</b>	<b>(\$102,802,000)</b>	<b>-1.24%</b>

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Sales Tax	\$ (178,500,000)	\$ (29,400,000)	\$ (207,900,000)
Income Tax	(9,800,000)	(5,100,000)	(14,900,000)
Inheritance Tax	(8,500,000)	0	(8,500,000)
Privilege Tax	(23,700,000)	(100,000)	(23,800,000)
Business Tax	(8,600,000)	0	(8,600,000)
TVA	11,700,000	9,000,000	20,700,000
Gross Receipts	(1,500,000)	0	(1,500,000)
Gasoline & Motor Fuel Taxes	(500,000)	(14,900,000)	(15,400,000)
Motor Vehicle Registration	(1,400,000)	(6,600,000)	(8,000,000)
Other Taxes	(4,200,000)	(2,100,000)	(6,300,000)
Tobacco	(3,100,000)	0	(3,100,000)
Beer	400,000	200,000	600,000
Motor Vehicle Title	(400,000)	(200,000)	(600,000)
Mixed Drink	(200,000)	100,000	(100,000)
Alcoholic Beverage	(300,000)	(100,000)	(400,000)
Severence	100,000	100,000	200,000
Coin Operated Amusement	0	0	0
Unauthorized Substance	(700,000)	(2,200,000)	(2,900,000)
<b>Sub-Total</b>	<b><u>\$ (225,000,000)</u></b>	<b><u>\$ (49,200,000)</u></b>	<b><u>\$ (274,200,000)</u></b>
F & E Taxes	54,900,000	0	54,900,000
<b>Total</b>	<b><u><u>\$ (170,100,000)</u></u></b>	<b><u><u>\$ (49,200,000)</u></u></b>	<b><u><u>\$ (219,300,000)</u></u></b>