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June 15, 2011

Investor Update

Revenue Report

The Revenue Report for the month of May 2011 dated June 9, 2011, is attached to this Investor Update. On an accrual basis, May is the tenth 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
WEDNESDAY, JUNE 9, 2011

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MAY REVENUES

NASHVILLE – Tennessee revenue collections continued a predicted steady growth trend in May. Finance and Administration Commissioner Mark Emkes today reported a net positive growth of 9.82% over May 2010 collections. Overall May revenues were \$842.5 million, which is \$63.5 million more than the state budgeted.

“May marks the ninth consecutive month this year in which total collections have exceeded the budgeted estimates,” Emkes said. “Sales tax collections recorded the 14th consecutive month of positive growth, and corporate tax collections were also above the estimate.

“Although Tennessee’s revenue collections continue to show a positive growth trend, the national leading economic indicators are causing us concern and require us to continue to closely monitor expenditures for the remainder of this year so that we end the fiscal year with a balanced budget.”

The general fund was over collected by \$61.7 million, and the four other funds were over collected by \$1.8 million.

Sales tax collections were \$26.2 million more than the estimate for May. The May growth rate was positive 5.17%. For ten months revenues are over collected by \$166.8 million. The year-to-date growth rate for ten months was positive 4.42%...

Franchise and excise taxes combined were \$17.9 million above the budgeted estimate of \$29.6 million. The growth rate for May was positive 107.74%. For ten months revenues are over collected by \$18.3 million and the year-to-date growth rate was 5.61%.

Privilege tax collections were \$7.1 million above the May estimate. For ten months collections are \$5.9 million below the budgeted estimate.

Tobacco tax collections were \$1.7 million under the budgeted estimate of \$24.2 million. For ten months revenues are under collected in the amount of \$5.6 million.

Gasoline and motor fuel collections for May increased by 2.33%, and they were \$2.1 million over the budgeted estimate. For ten months revenues are over collected by \$9.9 million and the ten month year-to-date growth rate was 3.46%.

Business tax collections were \$13.8 million over the budgeted estimate for May. Year-to date collections for ten months collections are \$18.5 million below the budgeted estimate.

All other taxes for May were under collected by a net of \$1.9 million.

Year-to-date collections for ten months were \$217.8 million more than the budgeted estimate. The general fund was over collected by \$188.0 million and the four other funds were over collected by \$29.8 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 chairmen of the 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 May compared to the February revision are \$54.7 million above the total estimate, and \$45.7 million above the general fund estimate. The four other funds that share in state tax collections are \$9.0 million above the revised estimate.

The funding board met again on April 12, 2011 to hear updated revenue estimates and near-term economic forecasts 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. This increased projections for total taxes by \$15.1 million and general fund taxes by \$15.2 million for the current 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 May compared to the final action taken by the board and approved by the General Assembly are \$39.6 million above the total estimate, and \$30.5 million above the general fund estimate.

**REVENUE COLLECTIONS
MAY, 2011, AND 10 MONTHS YEAR-TO-DATE**

May Collections:

	Budgeted Accrual Estimate	Actual	Difference
	<hr/>	<hr/>	<hr/>
General Fund	\$627,369,000	\$689,094,000	\$61,725,000
Highway Fund	55,111,000	55,129,000	18,000
Sinking Fund	30,691,000	30,924,000	233,000
City & County Fund	63,756,000	65,302,000	1,546,000
Earmarked Fund	2,050,000	2,050,000	0
Total	<hr/> \$778,977,000	<hr/> \$842,499,000	<hr/> \$63,522,000

Year-To-Date Collections:

	Budgeted Accrual Estimate	Actual	Difference
	<hr/>	<hr/>	<hr/>
General Fund	\$6,845,399,000	\$7,033,368,000	\$187,969,000
Highway Fund	548,429,000	553,863,000	5,434,000
Sinking Fund	307,281,000	308,596,000	1,315,000
City & County Fund	669,964,000	693,015,000	23,051,000
Earmarked Fund	20,500,000	20,500,000	0
Total	<hr/> \$8,391,573,000	<hr/> \$8,609,342,000	<hr/> \$217,769,000

Table 1
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	May			
	2010	2011	Change	Percent
Franchise & Excise	\$22,867,000	\$47,505,000	\$24,638,000	107.74%
Income	4,860,000	4,212,000	(648,000)	-13.33%
Inheritance & Estate	5,778,000	5,478,000	(300,000)	-5.19%
Gasoline	50,625,000	51,793,000	1,168,000	2.31%
Petroleum Special	5,385,000	5,241,000	(144,000)	-2.67%
Tobacco	22,736,000	22,497,000	(239,000)	-1.05%
Beer	1,553,000	1,863,000	310,000	19.96%
Motor Vehicle Registration	18,496,000	19,406,000	910,000	4.92%
Motor Vehicle Title	799,000	983,000	184,000	23.03%
Mixed Drink	4,766,000	5,274,000	508,000	10.66%
Business	31,548,000	45,199,000	13,651,000	43.27%
Privilege	41,252,000	49,755,000	8,503,000	20.61%
Gross Receipts	13,000	129,000	116,000	892.31%
TVA - In Lieu of Tax Payments	26,498,000	26,095,000	(403,000)	-1.52%
Alcoholic Beverage	4,004,000	3,961,000	(43,000)	-1.07%
Sales and Use	512,281,000	538,780,000	26,499,000	5.17%
Motor Vehicle Fuel	13,574,000	14,169,000	595,000	4.38%
Severance	162,000	174,000	12,000	7.41%
Coin-operated Amusement	13,000	0	(13,000)	NA
Unauthorized Substance	(62,000)	(15,000)	47,000	NA
Total	\$767,148,000	\$842,499,000	\$75,351,000	9.82%

Table 2
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

Class of Tax	August - May			
	2009-2010	2010-2011	Change	Percent
Franchise & Excise	\$1,122,261,000	\$1,185,253,000	\$62,992,000	5.61%
Income	169,996,000	187,237,000	17,241,000	10.14%
Inheritance & Estate	70,696,000	94,755,000	24,059,000	34.03%
Gasoline	495,126,000	513,541,000	18,415,000	3.72%
Petroleum Special	51,149,000	52,161,000	1,012,000	1.98%
Tobacco	238,080,000	236,340,000	(1,740,000)	-0.73%
Beer	13,858,000	15,396,000	1,538,000	11.10%
Motor Vehicle Registration	198,475,000	203,951,000	5,476,000	2.76%
Motor Vehicle Title	8,501,000	9,098,000	597,000	7.02%
Mixed Drink	46,034,000	47,646,000	1,612,000	3.50%
Business	60,071,000	103,960,000	43,889,000	73.06%
Privilege	175,705,000	184,659,000	8,954,000	5.10%
Gross Receipts	13,897,000	9,266,000	(4,631,000)	-33.32%
TVA - In Lieu of Tax Payments	264,913,000	268,935,000	4,022,000	1.52%
Alcoholic Beverage	38,179,000	39,541,000	1,362,000	3.57%
Sales and Use	5,099,914,000	5,325,322,000	225,408,000	4.42%
Motor Vehicle Fuel	126,818,000	130,684,000	3,866,000	3.05%
Severance	1,855,000	2,004,000	149,000	8.03%
Coin-operated Amusement	83,000	97,000	14,000	16.87%
Unauthorized Substance	(1,869,000)	(504,000)	1,365,000	NA
Total	\$8,193,742,000	\$8,609,342,000	\$415,600,000	5.07%

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

	General Fund	Other Funds	Total
Sales Tax	\$ 160,500,000	\$ 6,300,000	\$ 166,800,000
Income Tax	2,500,000	1,400,000	3,900,000
Inheritance Tax	27,500,000	0	27,500,000
Privilege Tax	(6,000,000)	100,000	(5,900,000)
Business Tax	(18,500,000)	0	(18,500,000)
TVA	12,700,000	9,700,000	22,400,000
Gross Receipts	(4,400,000)	0	(4,400,000)
Gasoline & Motor Fuel Taxes	500,000	9,400,000	9,900,000
Motor Vehicle Registration	(400,000)	1,600,000	1,200,000
Other Taxes	(4,700,000)	1,300,000	(3,400,000)
Tobacco	(5,600,000)	0	(5,600,000)
Beer	500,000	200,000	700,000
Motor Vehicle Title	300,000	100,000	400,000
Mixed Drink	600,000	700,000	1,300,000
Alcoholic Beverage	300,000	100,000	400,000
Severence	100,000	200,000	300,000
Coin Operated Amusement	0	0	0
Unauthorized Substance	(900,000)	0	(900,000)
Sub-Total	\$ 169,700,000	\$ 29,800,000	\$ 199,500,000
F & E Taxes	18,300,000	0	18,300,000
Total	\$ 188,000,000	\$ 29,800,000	\$ 217,800,000