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(Revised from Previously-Posted Version dated January 13, 2012)

Investor Update

Revenue Report

The Revenue Report for the month of December 2011 dated January 12, 2012, is attached to this Investor Update. On an accrual basis, December is the fifth month of the 2011-2012 fiscal year.

2011 Comprehensive Annual Financial Report

The 2011 Comprehensive Annual Financial Report of the State of Tennessee for fiscal year ending June 30, 2011, is available on the State's website at:

<http://tennessee.gov/finance/act/cafr.html>

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

**MARK EMKES
COMMISSIONER**

FOR IMMEDIATE RELEASE
THURSDAY, JANUARY 12, 2012

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NASHVILLE – Higher than expected business tax collections in December pushed Tennessee revenues past budgeted projections. Finance and Administration commissioner Mark Emkes reported today that state revenue collections for December were \$965.7 million, or 16.54% above December 2010. December collections posted the eighth consecutive month in which the growth rate has been 5.0% or higher.

“While it's encouraging to see an improvement in business profits, the unexpected overcollection in December could be a timing issue, and as a result future months could be negatively impacted,” Emkes said. “Typically, about one-fourth of all franchise and excise tax collections are realized in the month of April, so we’ll continue to closely monitor our spending for the balance of this year.

“We’re very pleased with December sales tax collections, which reflect renewed consumer confidence in our economy. It's important to remember, though, that we’re still not back to pre-2008 collection levels on sales taxes.”

On an accrual basis, December is the fifth month in the 2011-2012 fiscal year.

December collections were \$123.2 million more than the budgeted estimate. The general fund was over collected by \$118.9 million and the four other funds were over collected by \$4.3 million.

Sales tax collections were \$12.9 million more than the estimate for December. The December growth rate was 6.78%. For five months revenues are over collected by \$56.3 million, and the year-to-date growth rate is 6.29%.

Franchise and excise taxes combined were \$114.5 million above the budgeted estimate of \$142.8 million. For five months revenues are over collected by \$143.4 million.

Gasoline and motor fuel collections for December increased by 7.65%, and they were \$3.2 million above the budgeted estimate of \$64.6 million. For five months revenues are under collected by \$3.0 million.

Tobacco tax collections were \$1.1 million below the budgeted estimate of \$24.6 million, and for five months they are \$6.4 million below the budgeted estimate.

Inheritance and estate taxes were under collected by \$6.0 million for the month. For five months collections are \$5.6 million above the budgeted estimate.

All other taxes were under collected by a net of \$300,000.

Year-to-date collections for five months were \$194.2 million more than the budgeted estimate. The general fund was over collected by \$188.4 million and the four other funds were over collected by \$5.8 million.

The budgeted revenue estimates for 2011-2012 are based on the State Funding Board's consensus recommendation of April 15, 2011 and adopted by the first session of the 107th General Assembly in May. They are available on the state's website at <http://www.tn.gov/finance/bud/budget.html>.

The State Funding Board met on December 9th and 14th to hear updated revenue projections from the state's various economists. The board met again on December 19th and adopted revised revenue ranges for 2011-2012. The revised ranges assume an over collection from the July 2011 budgeted estimate in the amount of \$187.8 million to \$220.5 million in total taxes and in the amount of \$177.0 million to \$209.6 million in general fund taxes for the current fiscal year.

Table 1
Revenue Collections by Fund
December
2011-2012

Fund	2011				2010 Actual	2011	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
General Fund	\$816,097,000	\$697,228,000	\$118,869,000	17.05%	\$688,744,000	\$127,353,000	18.49%
Highway Fund	50,177,000	48,570,000	1,607,000	3.31%	46,814,000	3,363,000	7.18%
Sinking Fund	32,405,000	32,306,000	99,000	0.31%	30,606,000	1,799,000	5.88%
City & County Fund	64,803,000	62,213,000	2,590,000	4.16%	60,368,000	4,435,000	7.35%
Earmarked Fund	2,175,000	2,174,000	1,000	0.05%	2,050,000	125,000	6.10%
Total	\$965,657,000	\$842,491,000	\$123,166,000	14.62%	\$828,582,000	\$137,075,000	16.54%

Revenue Collections by Tax
December
2011-2012

Tax Source	2011				2010 Actual	2011	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
Franchise & Excise	\$257,346,000	\$142,800,000	\$114,546,000	80.21%	\$151,509,000	\$105,837,000	69.86%
Income	2,305,000	2,688,000	(383,000)	-14.25%	5,147,000	(2,842,000)	-55.22%
Inheritance & Estate	4,146,000	10,173,000	(6,027,000)	-59.25%	9,270,000	(5,124,000)	-55.28%
Gasoline	52,146,000	49,029,000	3,117,000	6.36%	48,550,000	3,596,000	7.41%
Petroleum Special	5,359,000	5,089,000	270,000	5.31%	5,059,000	300,000	5.93%
Tobacco	23,416,000	24,555,000	(1,139,000)	-4.64%	26,788,000	(3,372,000)	-12.59%
Beer	1,229,000	1,209,000	20,000	1.65%	1,264,000	(35,000)	-2.77%
Motor Vehicle Registration	15,635,000	15,396,000	239,000	1.55%	15,259,000	376,000	2.46%
Motor Vehicle Title	796,000	781,000	15,000	1.92%	758,000	38,000	5.01%
Mixed Drink	4,926,000	4,534,000	392,000	8.65%	4,314,000	612,000	14.19%
Business	4,272,000	5,235,000	(963,000)	-18.40%	4,297,000	(25,000)	-0.58%
Privilege	13,469,000	14,872,000	(1,403,000)	-9.43%	14,248,000	(779,000)	-5.47%
Gross Receipts	(17,000)	(53,000)	36,000	67.92%	(52,000)	35,000	67.31%
TVA - In Lieu of Tax Payments	28,662,000	27,684,000	978,000	3.53%	26,095,000	2,567,000	9.84%
Alcoholic Beverage	4,905,000	4,213,000	692,000	16.43%	4,012,000	893,000	22.26%
Sales and Use	536,535,000	523,600,000	12,935,000	2.47%	502,478,000	34,057,000	6.78%
Motor Vehicle Fuel	10,341,000	10,496,000	(155,000)	-1.48%	9,414,000	927,000	9.85%
Severance	186,000	185,000	1,000	0.54%	274,000	(88,000)	-32.12%
Coin-operated Amusement	0	5,000	(5,000)	NA	6,000	(6,000)	NA
Unauthorized Substance	0	0	0	NA	(108,000)	108,000	NA
Total	\$965,657,000	\$842,491,000	\$123,166,000	14.62%	\$828,582,000	\$137,075,000	16.54%

Table 2
Revenue Collections by Fund
Year-to-Date
August - December
2011-2012

Fund	2011-2012				2010-2011	2011-2012	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
General Fund	\$3,564,131,000	\$3,375,767,000	\$188,364,000	5.58%	\$3,268,601,000	\$295,530,000	9.04%
Highway Fund	274,726,000	274,201,000	525,000	0.19%	267,423,000	7,303,000	2.73%
Sinking Fund	162,754,000	162,329,000	425,000	0.26%	153,833,000	8,921,000	5.80%
City & County Fund	330,123,000	325,285,000	4,838,000	1.49%	320,097,000	10,026,000	3.13%
Earmarked Fund	10,875,000	10,875,000	0	0.00%	10,249,000	626,000	6.11%
Total	\$4,342,609,000	\$4,148,457,000	\$194,152,000	4.68%	\$4,020,203,000	\$322,406,000	8.02%

Revenue Collections by Tax
Year-to-Date
August - December
2011-2012

Tax Source	2011-2012				2010-2011	2011-2012	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
Franchise & Excise	\$619,786,000	\$476,400,000	\$143,386,000	30.10%	\$479,590,000	\$140,196,000	29.23%
Income	7,389,000	9,129,000	(1,740,000)	-19.06%	11,082,000	(3,693,000)	-33.32%
Inheritance & Estate	46,917,000	41,281,000	5,636,000	13.65%	42,386,000	4,531,000	10.69%
Gasoline	259,310,000	262,524,000	(3,214,000)	-1.22%	267,397,000	(8,087,000)	-3.02%
Petroleum Special	26,861,000	27,235,000	(374,000)	-1.37%	26,981,000	(120,000)	-0.44%
Tobacco	118,828,000	125,189,000	(6,361,000)	-5.08%	125,609,000	(6,781,000)	-5.40%
Beer	7,290,000	7,116,000	174,000	2.45%	7,173,000	117,000	1.63%
Motor Vehicle Registration	92,149,000	91,388,000	761,000	0.83%	88,849,000	3,300,000	3.71%
Motor Vehicle Title	4,618,000	4,489,000	129,000	2.87%	4,347,000	271,000	6.23%
Mixed Drink	25,938,000	23,979,000	1,959,000	8.17%	22,686,000	3,252,000	14.33%
Business	38,416,000	42,226,000	(3,810,000)	-9.02%	35,420,000	2,996,000	8.46%
Privilege	80,526,000	87,511,000	(6,985,000)	-7.98%	75,260,000	5,266,000	7.00%
Gross Receipts	15,760,000	16,308,000	(548,000)	-3.36%	9,277,000	6,483,000	69.88%
TVA - In Lieu of Tax Payments	144,346,000	137,312,000	7,034,000	5.12%	138,459,000	5,887,000	4.25%
Alcoholic Beverage	20,494,000	19,541,000	953,000	4.88%	18,620,000	1,874,000	10.06%
Sales and Use	2,766,030,000	2,709,700,000	56,330,000	2.08%	2,602,244,000	163,786,000	6.29%
Motor Vehicle Fuel	66,750,000	66,131,000	619,000	0.94%	63,962,000	2,788,000	4.36%
Severance	1,158,000	954,000	204,000	21.38%	1,132,000	26,000	2.30%
Coin-operated Amusement	61,000	44,000	17,000	38.64%	88,000	(27,000)	-30.68%
Unauthorized Substance	(18,000)	0	(18,000)	NA	(359,000)	341,000	NA
Total	\$4,342,609,000	\$4,148,457,000	\$194,152,000	4.68%	\$4,020,203,000	\$322,406,000	8.02%