TENNESSEE REVENUE ESTIMATES

FISCAL YEARS 2007-08 AND 2008-09

PRESENTED TO

TENNESSEE STATE FUNDING BOARD

DECEMBER 12, 2007

James W. White
Executive Director

Dan E. Cooper
Assistant Director

Robert N. Currey
Chief Economist

Fiscal Review Committee

SCHEDULE SHOWING 2007-08 AND 2008-09 REVENUE ESTIMATES
FOR ALL FUNDS BY FISCAL REVIEW STAFF
ACCRUAL COLLECTIONS

REVENUE SOURCE	ACTUAL ACCRUAL COLLECTIONS FY 06-07	FRC STAFF ESTIMATES FY 07-08	PERCENT INCREASE OVER FY 06-07	FRC STAFF ESTIMATES FY 08-09	PERCENT INCREASE OVER FY 07-08
SALES & USE TAX	$6,815,407,300	$7,040,316,000	3.3	$7,300,808,000	3.7
GASOLINE TAX	612,263,500	620,911,000	1.4	627,120,000	1.0
MOTOR FUEL TAX	185,879,400	186,612,000	0.4	190,344,000	2.0
GASOLINE INSPECTION TAX	65,312,200	66,444,000	1.7	67,773,000	2.0
MOTOR VEHICLE REG. TAX	257,367,700	258,214,000	0.3	263,378,000	2.0
INCOME TAX	247,567,500	255,408,000	3.2	250,300,000	(2.0)
PRIVILEGE TAX - LESS EARMARKED[1)]	313,793,300	321,638,000	2.5	331,287,000	3.0
GROSS RECEIPTS TAX:					
TVA	250,247,600	270,333,000	8.0	283,850,000	5.0
OTHER	27,370,100	27,644,000	1.0	28,197,000	2.0
BEER TAX	17,979,100	19,072,000	6.1	19,930,000	4.5
ALCOHOLIC BEVERAGE TAX	40,998,300	42,898,000	4.6	44,828,000	4.5
FRANCHISE & EXCISE TAX	1,766,079,800	1,713,728,000	(3.0)	1,748,003,000	2.0
INHERITANCE TAX	112,393,000	90,856,000	(19.2)	92,673,000	2.0
TOBACCO TAX	137,993,500	307,628,000	122.9	338,391,000	10.0
MOTOR VEHICLE TITLE FEES	11,105,200	11,436,000	3.0	11,722,000	2.5
MIXED DRINK TAX	53,656,700	56,608,000	5.5	58,872,000	4.0
BUSINESS TAX	133,773,300	137,786,000	3.0	141,920,000	3.0
SEVERANCE TAX	1,549,400	1,900,000	22.6	2,000,000	5.3
AMUSEMENT TAX	340,700	300,000	(11.9)	300,000	----
UNAUTHORIZED SUBSTANCE	1,602,700	2,200,000	37.3	0	(100.0)
TOTAL REVENUES	**$11,052,680,300**	**$11,431,932,000**	**3.43**	**$11,801,696,000**	**3.23**
CURRENT REVISED EST. FY 07-08					
SALES TAX		$7,093,300,000			
FRANCHISE & EXCISE TAX		$1,820,900,000			
ALL FUNDS		$11,643,100,000			
EST. SHORTAGE COMPARED TO					
FY 07-08 REVISED ESTIMATE:					
ALL FUNDS		$211,168,000			
GENERAL FUND		$226,344,000			

[1)] Privilege tax collections are reduced by $34.6 million each year for earmarked potion of the tax.

SCHEDULE 1

FRC 12-12-07

SCHEDULE SHOWING FISCAL REVIEW STAFF
REVENUE ESTIMATES FOR ALL FUNDS AND THE
GENERAL FUND FOR FISCAL YEAR 07-08

	ALL FUNDS	GENERAL FUND
REVENUE SOURCE	FY 07-08	FY 07-08
SALES & USE TAX	$7,040,316,000	$6,671,403,000
GASOLINE TAX	620,911,000	11,425,000
MOTOR FUEL TAX	186,612,000	3,546,000
GASOLINE INSPECTION TAX	66,444,000	19,581,000
MOTOR VEHICLE REGISTRATION TAX	258,214,000	48,467,000
INCOME TAX	255,408,000	169,616,000
PRIVILEGE TAX	321,638,000	321,638,000
GROSS RECEIPTS TAX:		
TVA	270,333,000	156,225,000
OTHER	27,644,000	23,591,000
BEER TAX	19,072,000	12,784,000
ALCOHOLIC BEVERAGE TAX	42,898,000	35,412,000
FRANCHISE & EXCISE TAX	1,713,728,000	1,503,128,000
INHERITANCE TAX	90,856,000	90,856,000
TOBACCO TAX	307,628,000	307,628,000
MOTOR VEHICLE TITLE FEES	11,436,000	8,736,000
MIXED DRINK TAX	56,608,000	29,215,000
BUSINESS TAX	137,786,000	137,786,000
SEVERANCE TAX	1,900,000	559,000
AMUSEMENT TAX	300,000	300,000
UNAUTHORIZED SUBSTANCE	2,200,000	660,000
TOTAL	$11,431,932,000	$9,552,556,000

FRC 12-12-07

SCHEDULE SHOWING FISCAL REVIEW STAFF REVENUE ESTIMATES FOR ALL FUNDS AND THE GENERAL FUND FISCAL YEAR 08-09

	ALL FUNDS	GENERAL FUND
REVENUE SOURCE	FY 08-09	FY 08-09
SALES & USE TAX	$7,300,808,000	$6,918,246,000
GASOLINE TAX	627,120,000	11,539,000
MOTOR FUEL TAX	190,344,000	3,617,000
GASOLINE INSPECTION TAX	67,773,000	19,973,000
MOTOR VEHICLE REGISTRATION TAX	263,378,000	49,436,000
INCOME TAX	250,300,000	166,224,000
PRIVILEGE TAX	331,287,000	331,287,000
GROSS RECEIPTS TAX:		
TVA	283,850,000	164,037,000
OTHER	28,197,000	24,063,000
BEER TAX	19,930,000	13,359,000
ALCOHOLIC BEVERAGE TAX	44,828,000	37,006,000
FRANCHISE & EXCISE TAX	1,748,003,000	1,537,403,000
INHERITANCE TAX	92,673,000	92,673,000
TOBACCO TAX	338,391,000	338,391,000
MOTOR VEHICLE TITLE FEES	11,722,000	9,022,000
MIXED DRINK TAX	58,872,000	30,384,000
BUSINESS TAX	141,920,000	141,920,000
SEVERANCE TAX	2,000,000	588,000
AMUSEMENT TAX	300,000	300,000
UNAUTHORIZED SUBSTANCE	-	-
TOTAL	$11,801,696,000	$9,889,468,000
ESTIMATED DOLLAR GROWTH OVER FRC ESTIMATE FOR FY 07-08	$369,764,000	$336,912,000

FRC 12-12-07

REVENUE ESTIMATES BY FISCAL REVIEW STAFF COMPARED WITH BUDGETED ESTIMATES GENERAL FUND FY 2007-08

Taxes Which Account For Most of Shortfall

Tax	Shortfall
F&E	$107,172,000
Tobacco	51,672,000
Sales	49,897,000
Privilege	23,262,000
	$232,003,000

Fiscal Review Staff Estimated Shortfall $226,344,000

All other taxes combined are estimated to have a net overage of $5,659,000.

Excise Tax Collections

Months with Largest Estimated Collections For FY 2007-08

April	24%
September	17%
June	16.8%
March	11%
December	10%
January	8%
Total	**87.8%** of Total Estimated Collections $1,820,900,000

FRC Estimate in May for FY 07-08	$1,779,900,000
Fox Estimate in May for FY 07-08	$1,833,600,000
Budgeted Estimate by F&A for FY 07-08	**$1,820,900,000**
Estimate for FY 07-08 Using Trendline Models	$1,713,728,000
Actual Accrual Collections for FY 06-07	$1,766,079,800

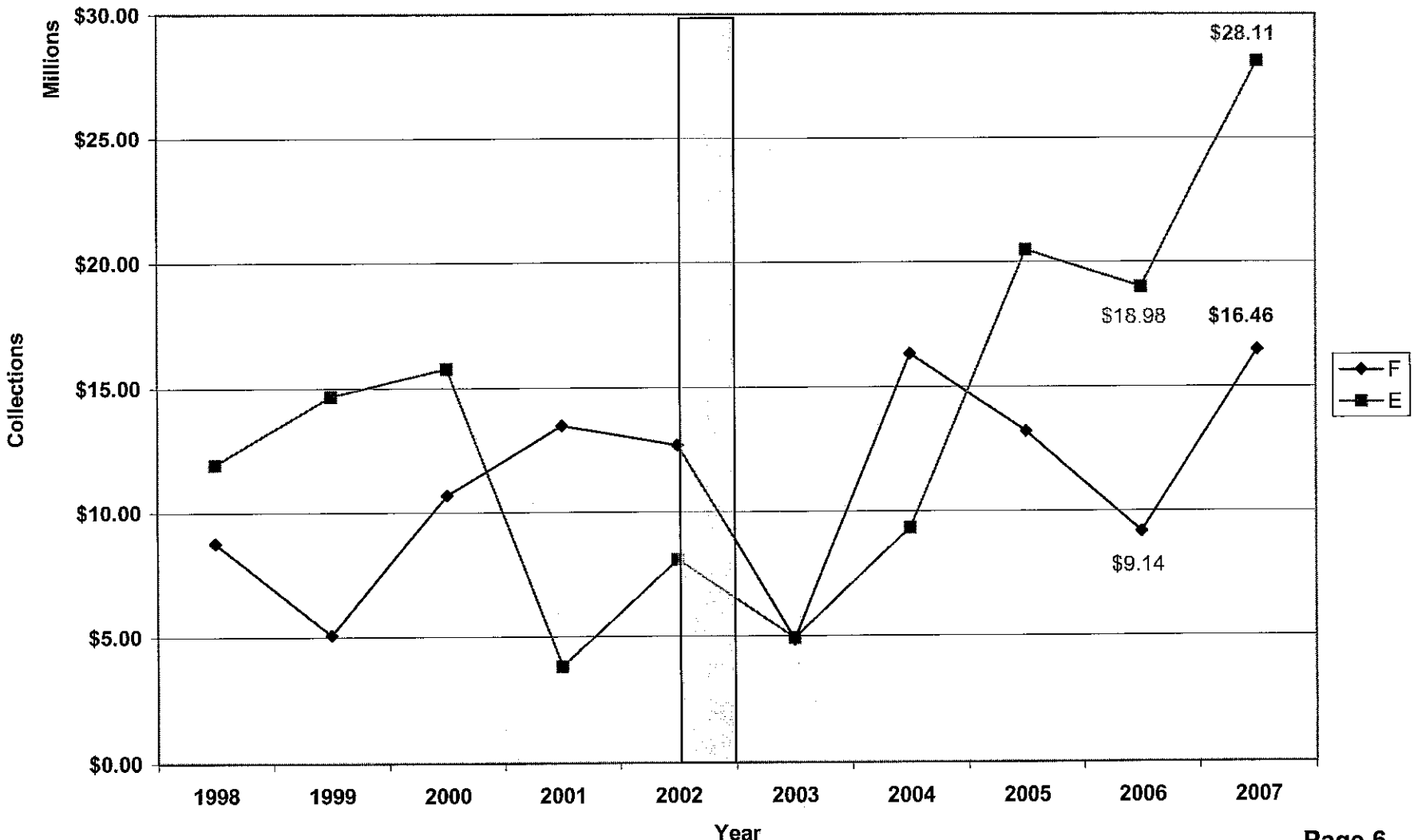
Since Funding Board Meeting (5-8-07) Two Big Months have performed as follows:

June 2007	18.1% Increase over June 2006
September 2007	13.7% Increase over September 2006
F&E Tax Collections for first four months of FY 07-08	5.5% increase
F&E Tax Collections for first four months of FY 06-07	Less than 1%

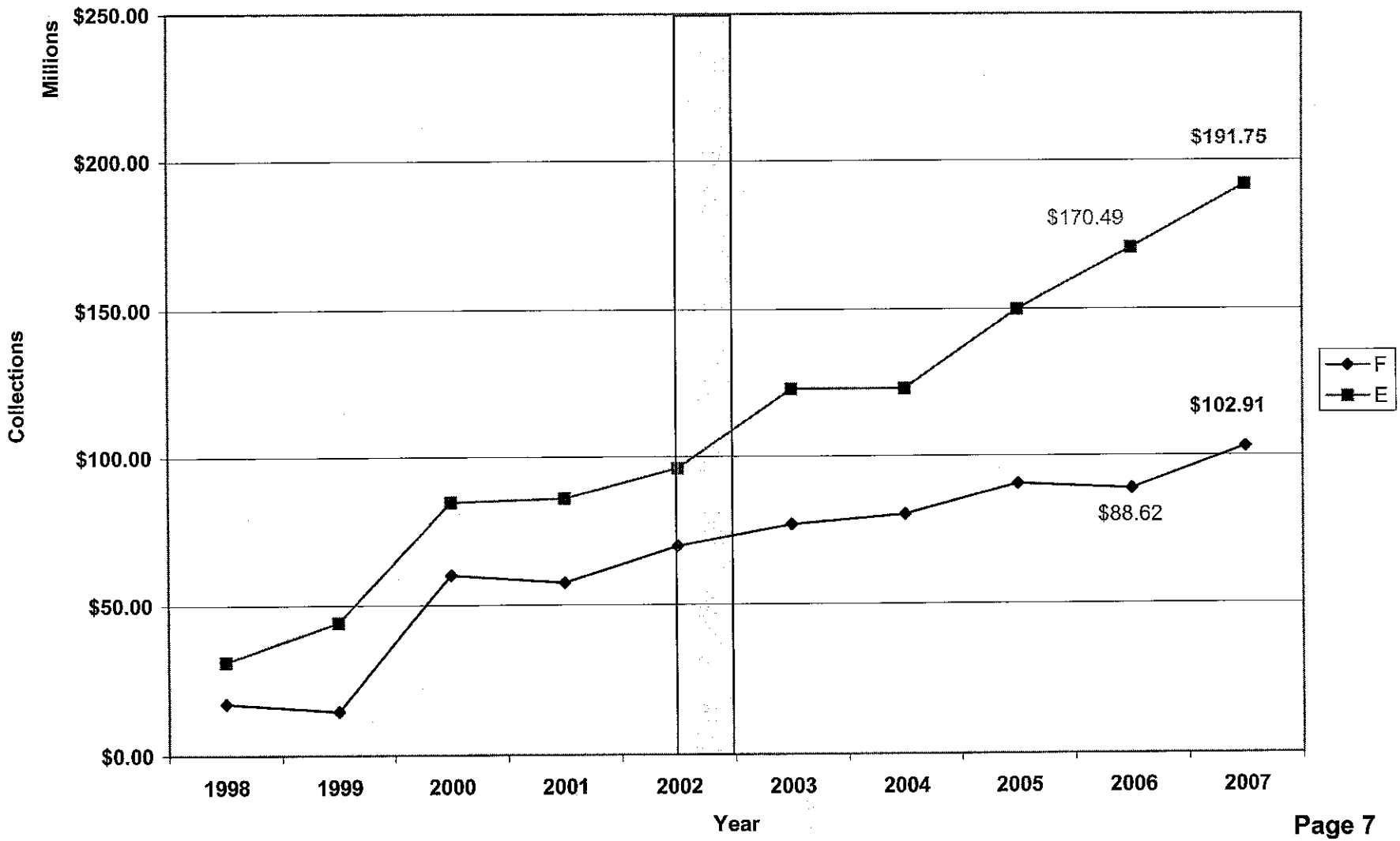
F&E Increase Last Three Years

04-05	15.7%
05-06	9.3%
06-07	17.0%

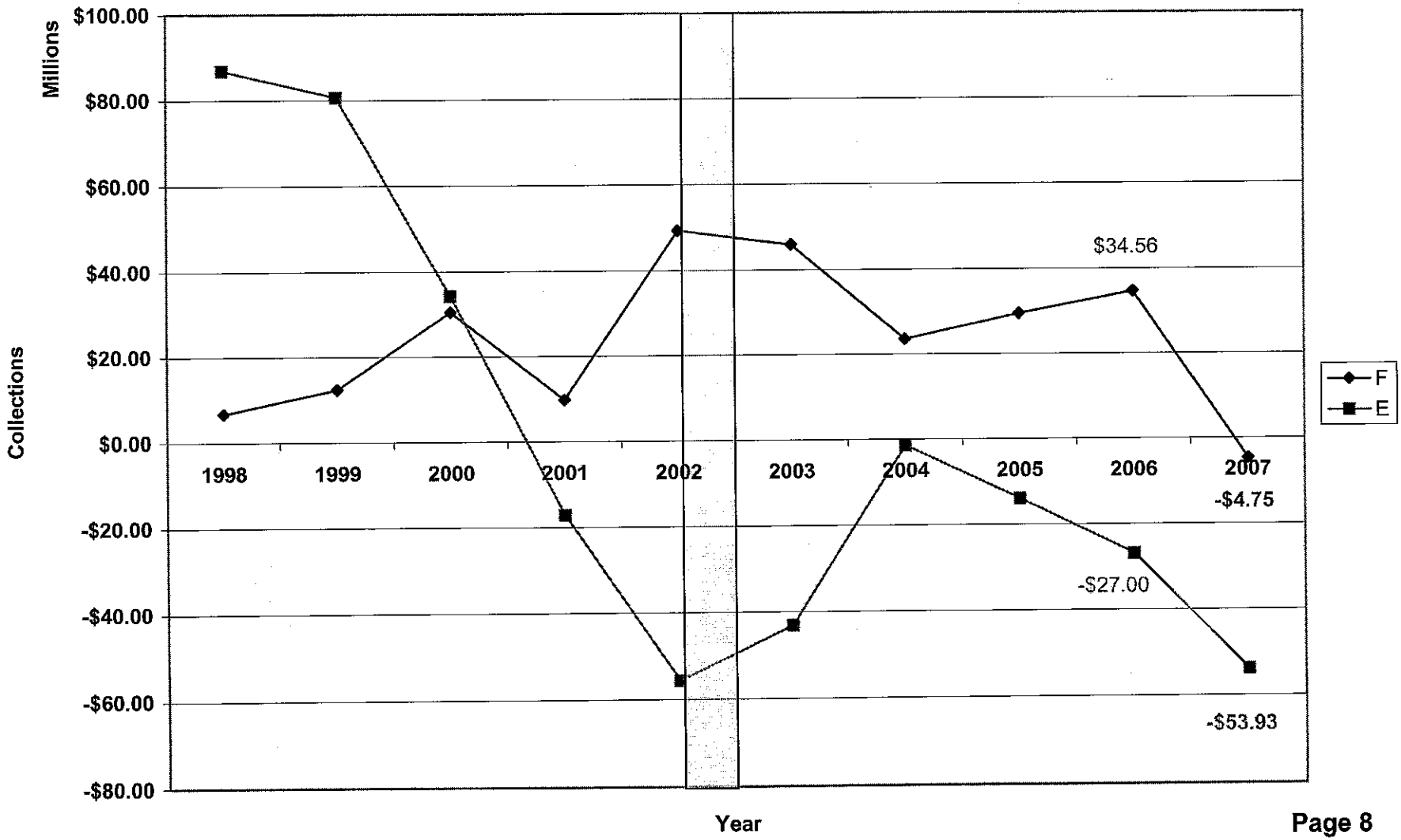
August - F&E


Millions
Collections
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Year
$28.11
$18.98
$16.46
$9.14
F
E

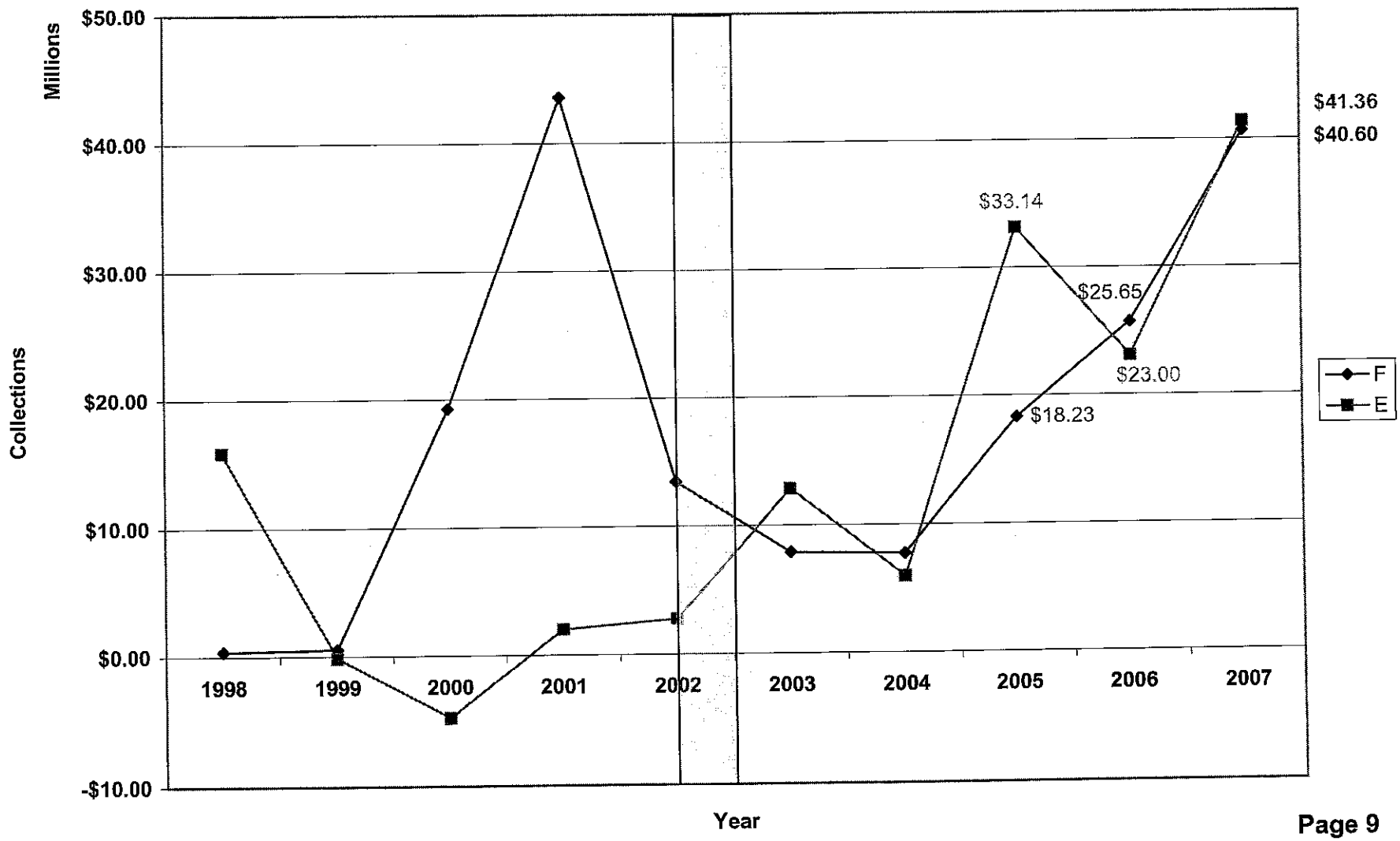
September - F&E



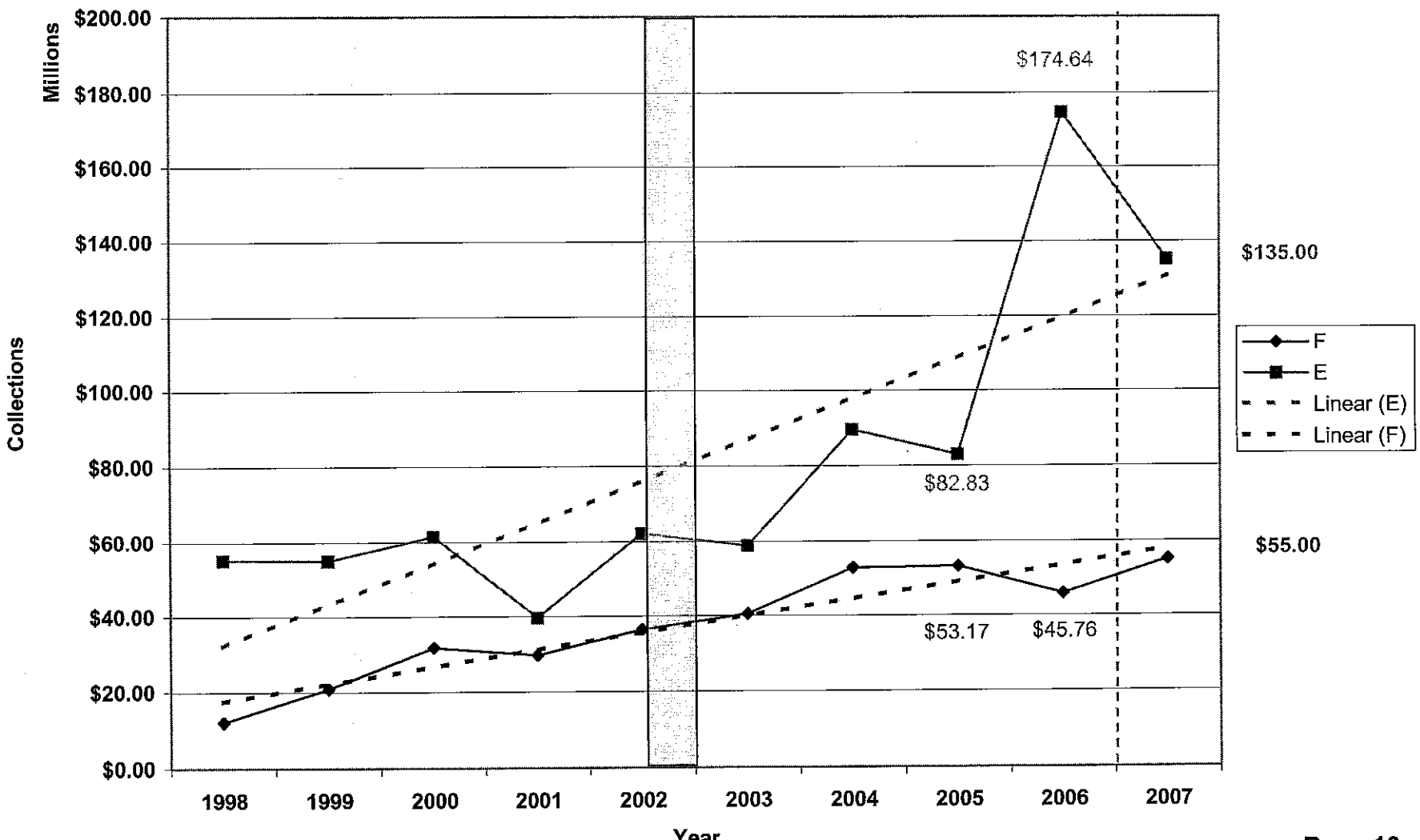
October - F&E


Millions
Collections
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
-$20.00
-$40.00
-$60.00
-$80.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
$34.56
-$4.75
-$27.00
-$53.93
F
E
Year

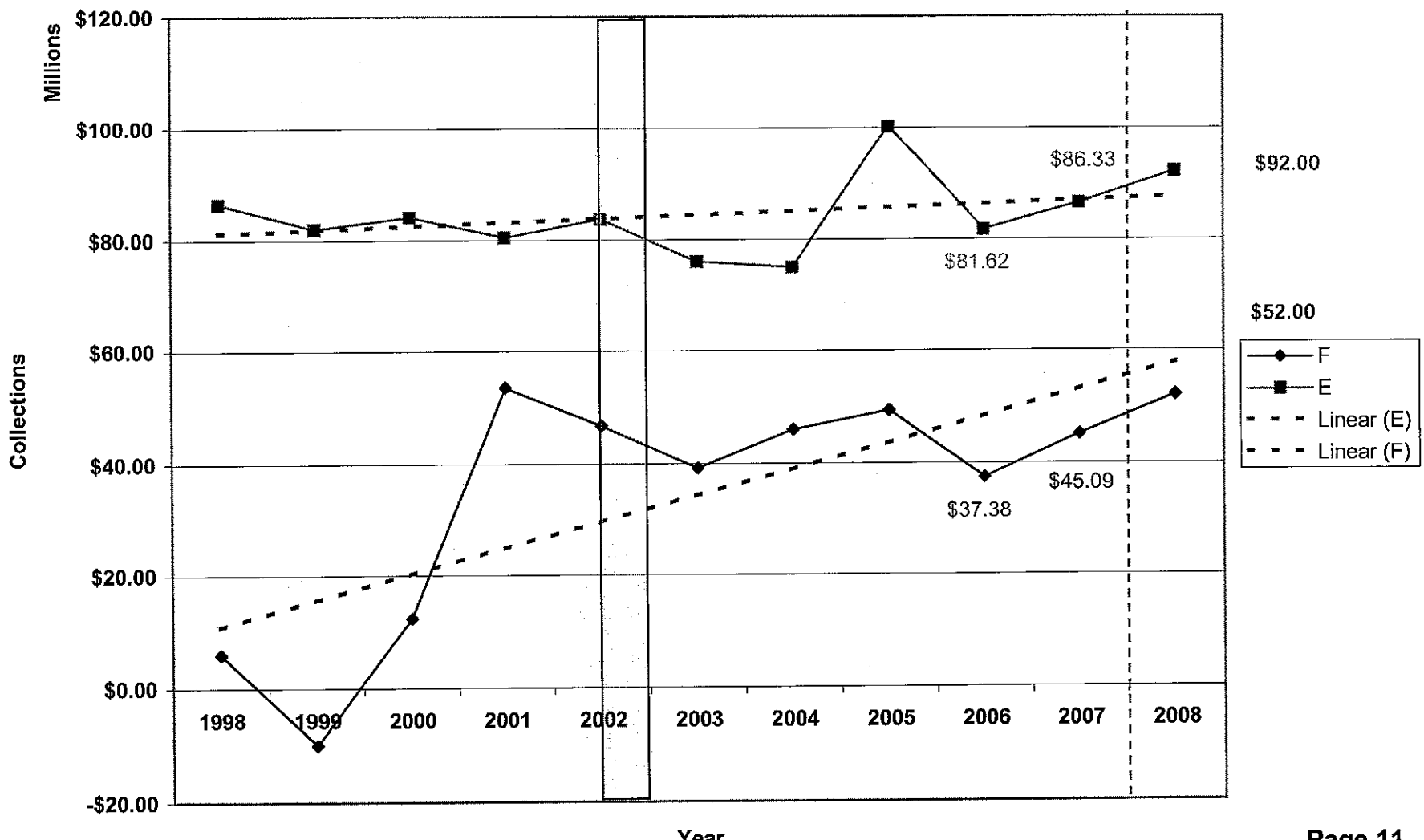
November - F&E


Millions
Collections
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
-$10.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Year
$33.14
$25.65
$23.00
$18.23
$41.36
$40.60
F
E

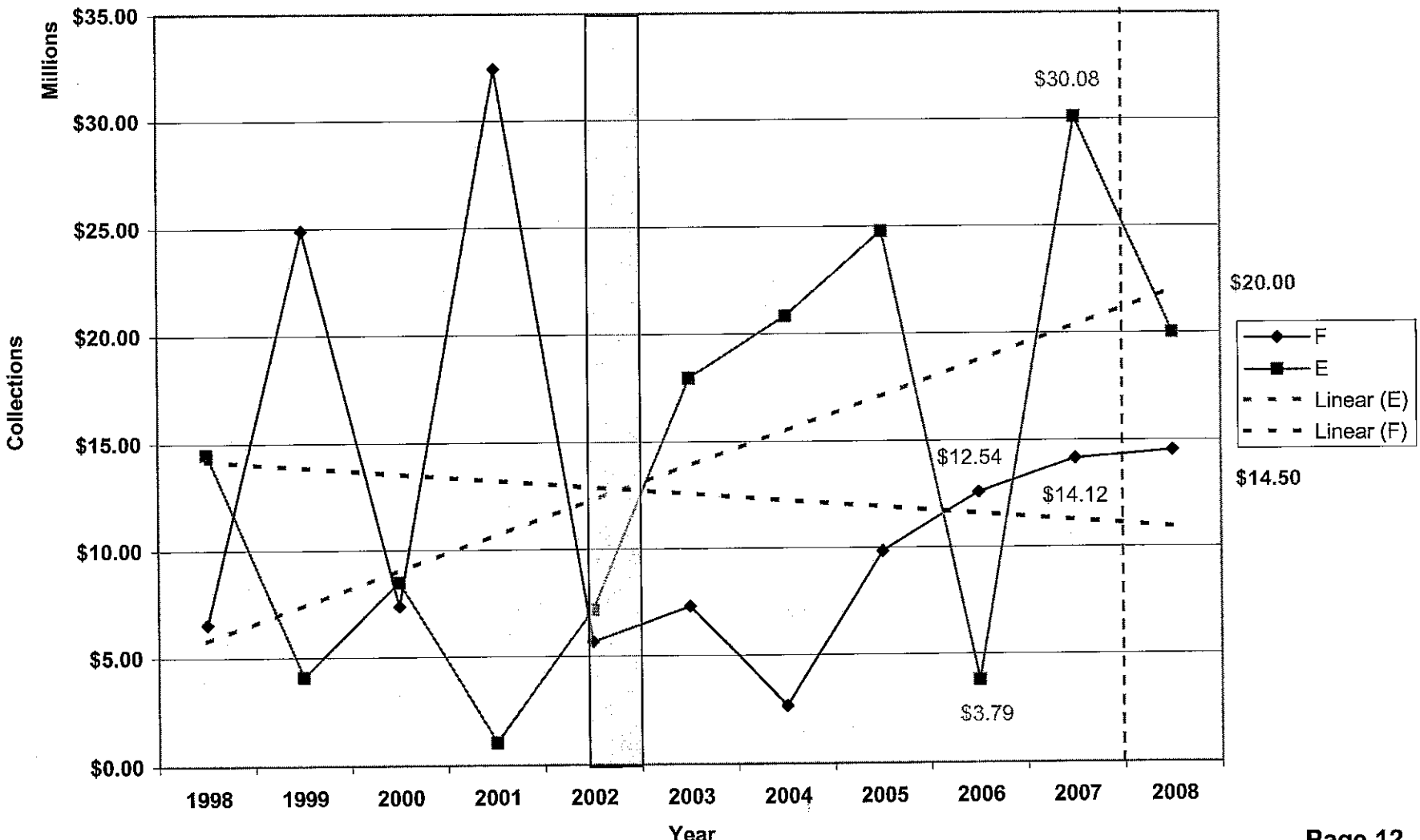
December - F&E


Millions
Collections
$200.00
$180.00
$160.00
$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Year
$174.64
$135.00
$82.83
$55.00
$53.17
$45.76
F
E
Linear (E)
Linear (F)

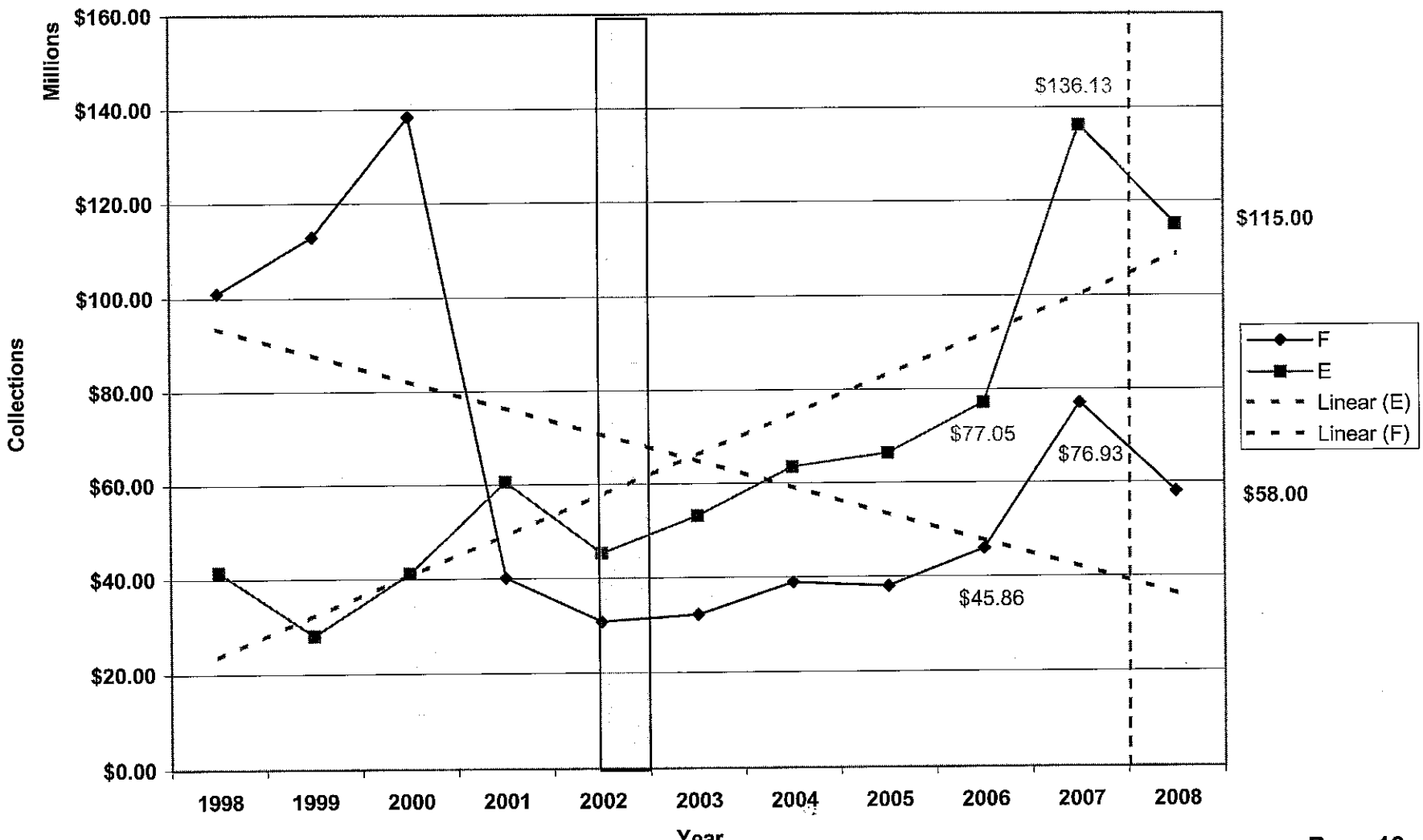
January F&E


Millions
Collections
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
-$20.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
$86.33
$81.62
$92.00
$52.00
$45.09
$37.38
F
E
Linear (E)
Linear (F)

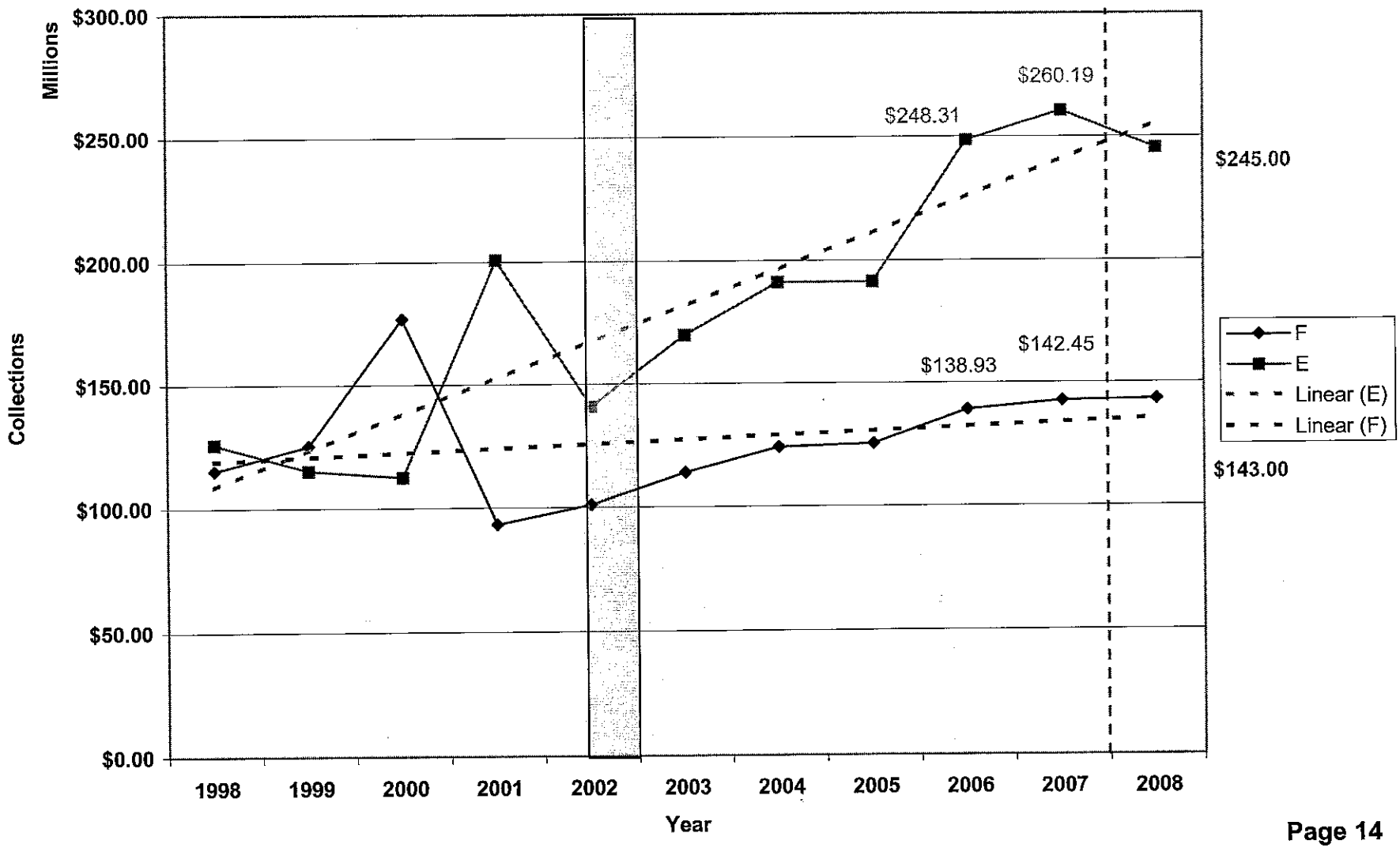
February F&E


Millions
Collections
$35.00
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
$30.08
$20.00
$12.54
$14.12
$3.79
$14.50
F
E
Linear (E)
Linear (F)

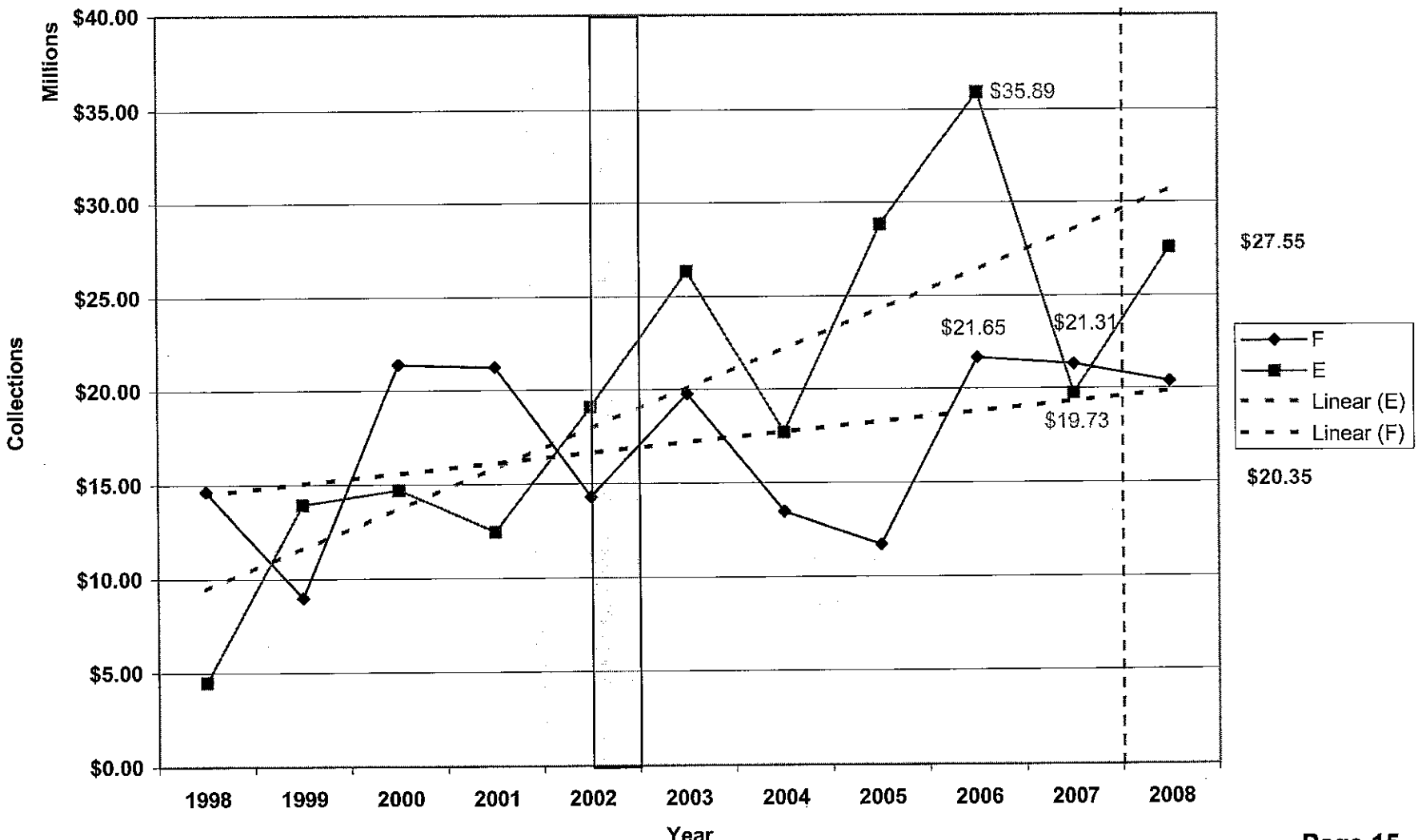
March - F&E


Millions
Collections
$160.00
$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
$136.13
$115.00
$77.05
$76.93
$58.00
$45.86
F
E
Linear (E)
Linear (F)

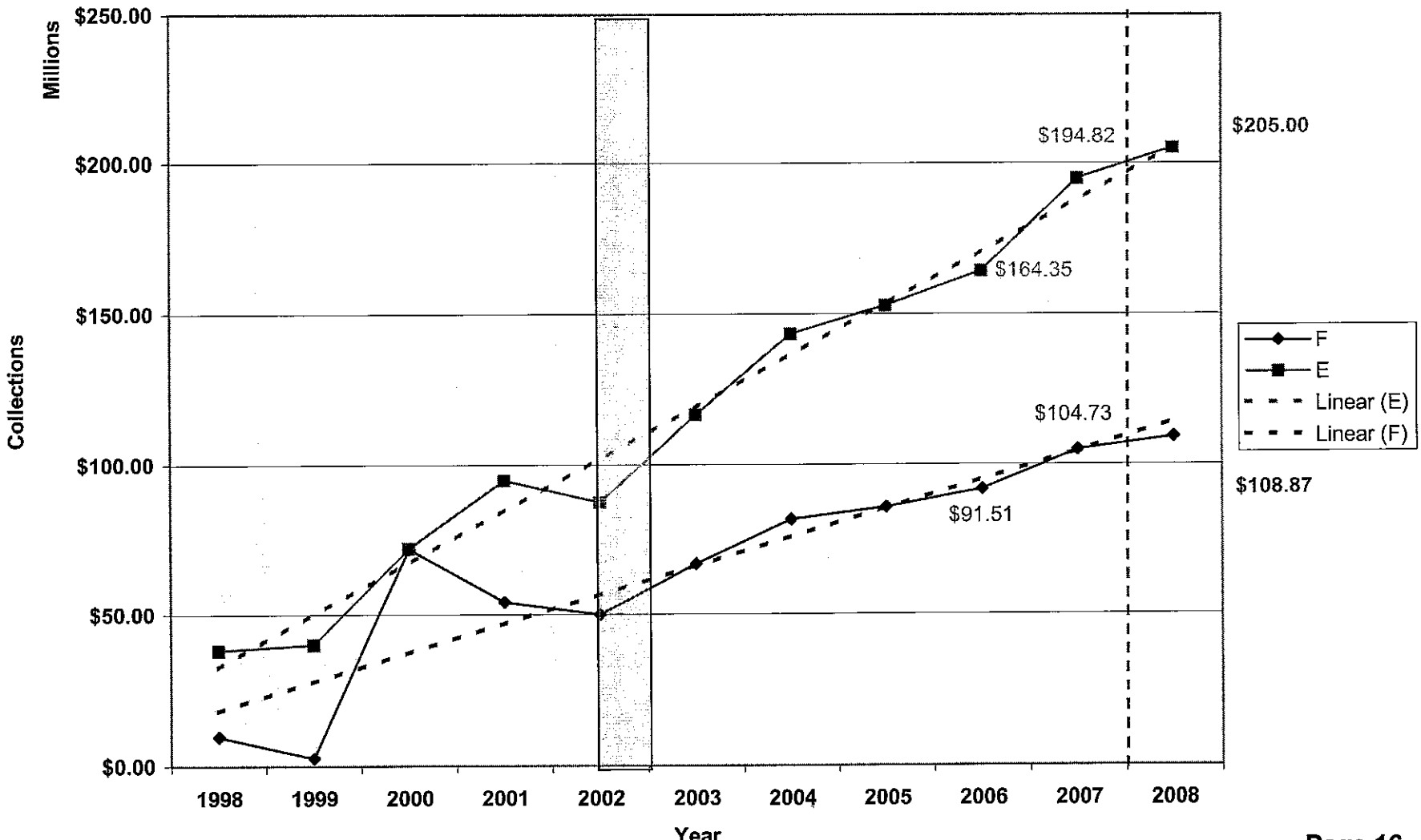
April - F&E


Millions
Collections
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
$260.19
$248.31
$245.00
$142.45
$138.93
$143.00
F
E
Linear (E)
Linear (F)

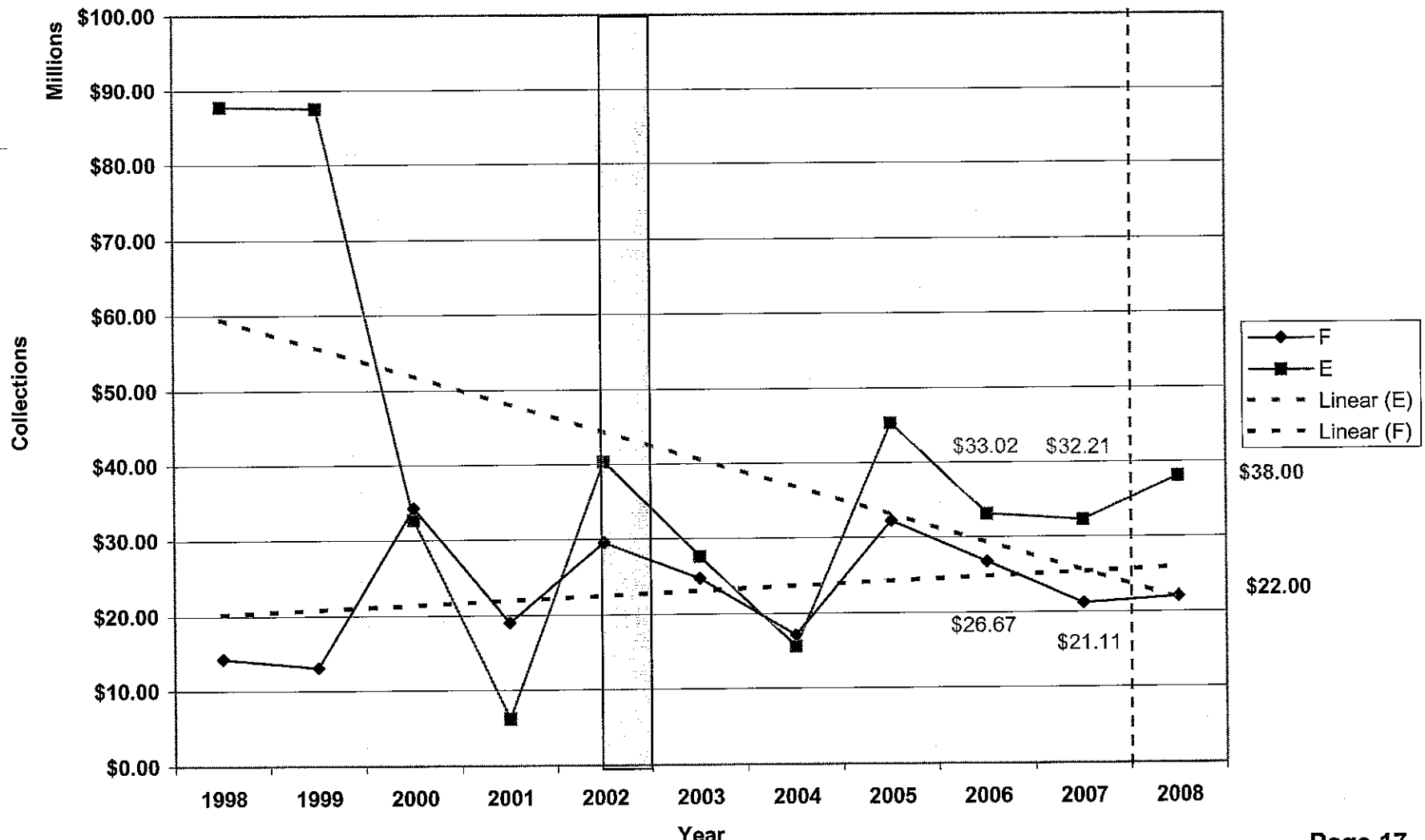
May - F&E


Millions
Collections
$40.00
$35.00
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
$35.89
$21.65
$21.31
$19.73
$27.55
$20.35
F
E
Linear (E)
Linear (F)

June - F&E

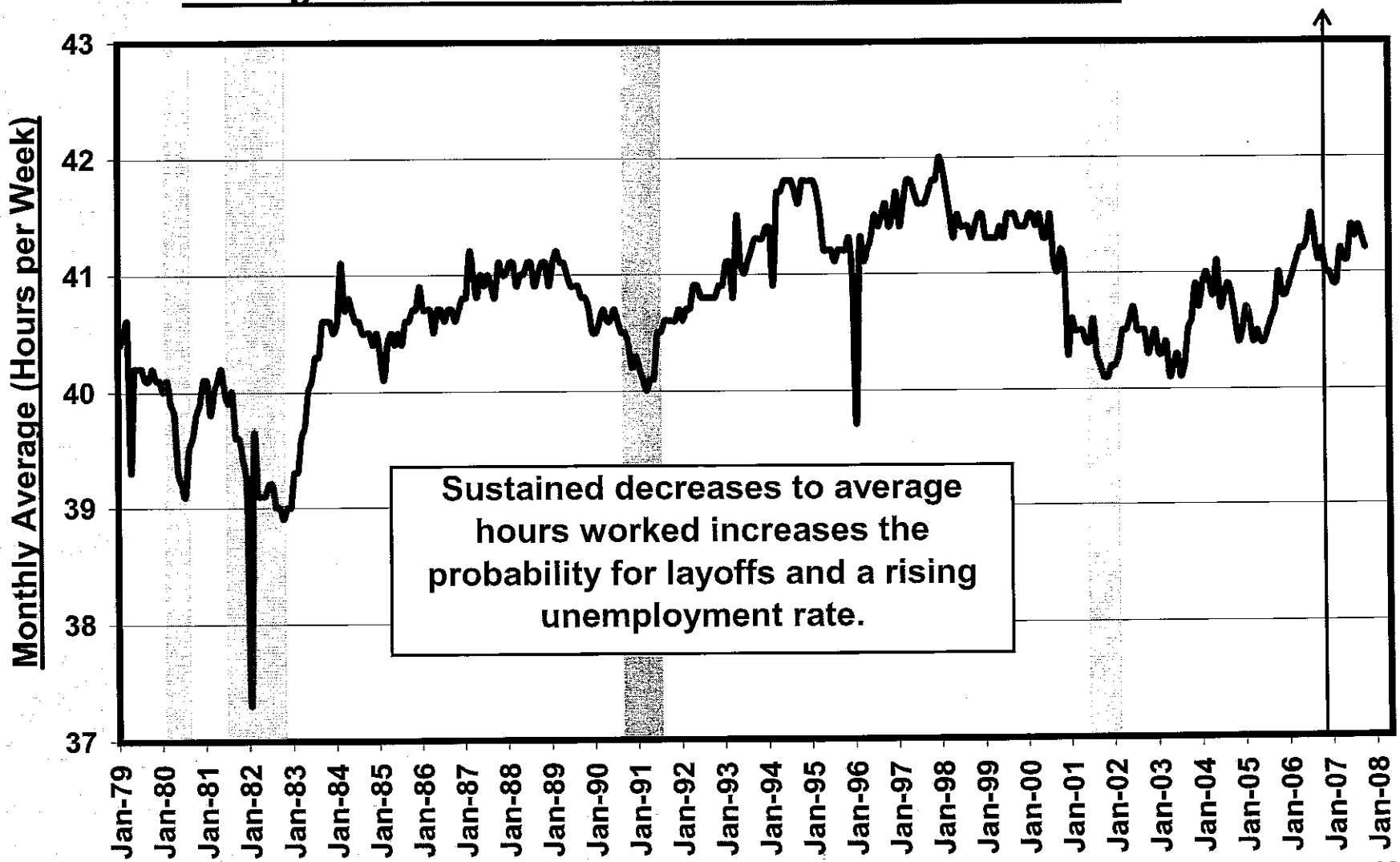

Millions
Collections
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
$194.82
$205.00
$164.35
$104.73
$91.51
$108.87
F
E
Linear (E)
Linear (F)

July - F&E

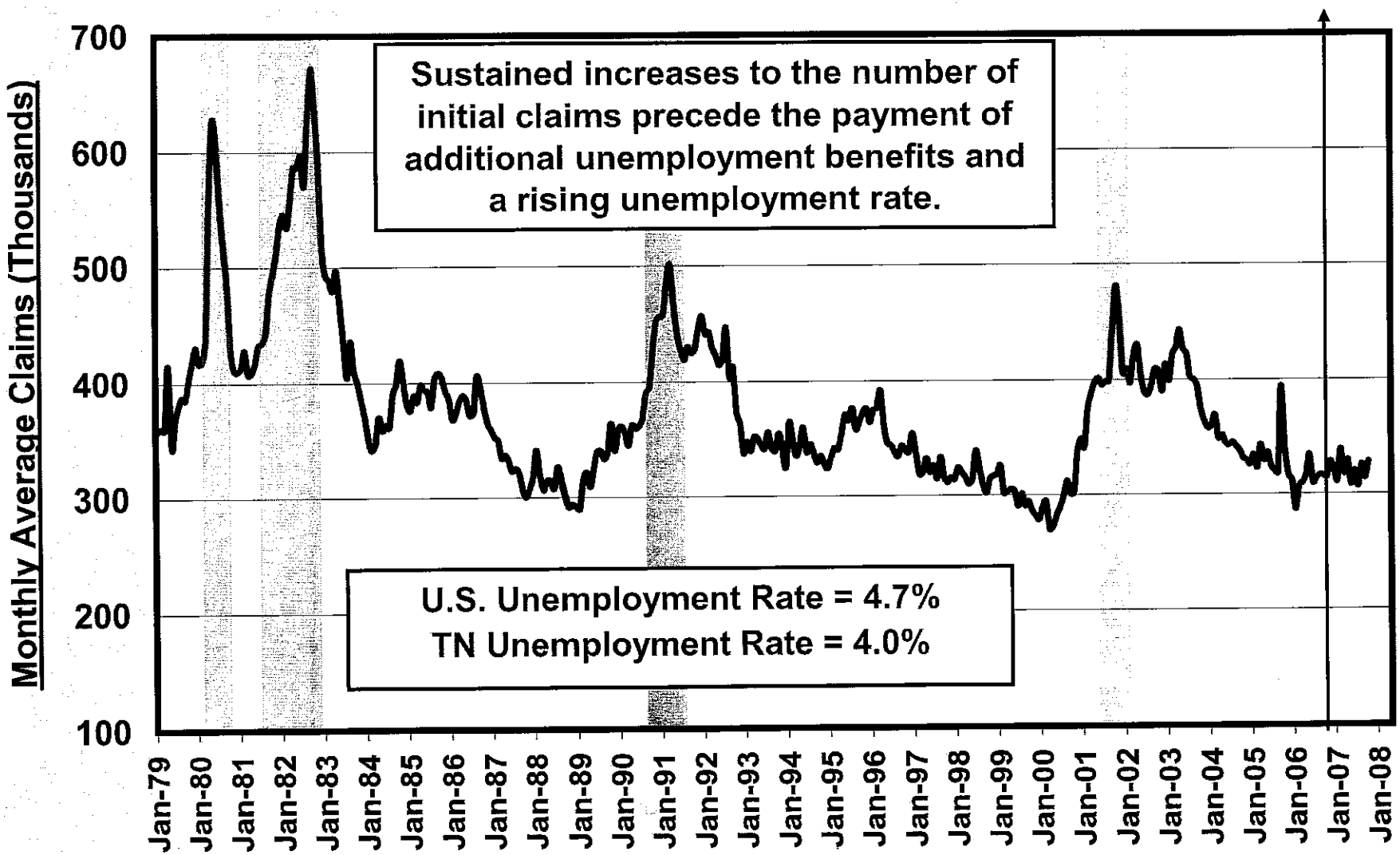

Millions
Collections
$100.00
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
$33.02
$32.21
$26.67
$21.11
$38.00
$22.00
F
E
Linear (E)
Linear (F)

Average Workweek for Production Workers (hours)

(1 of 10)

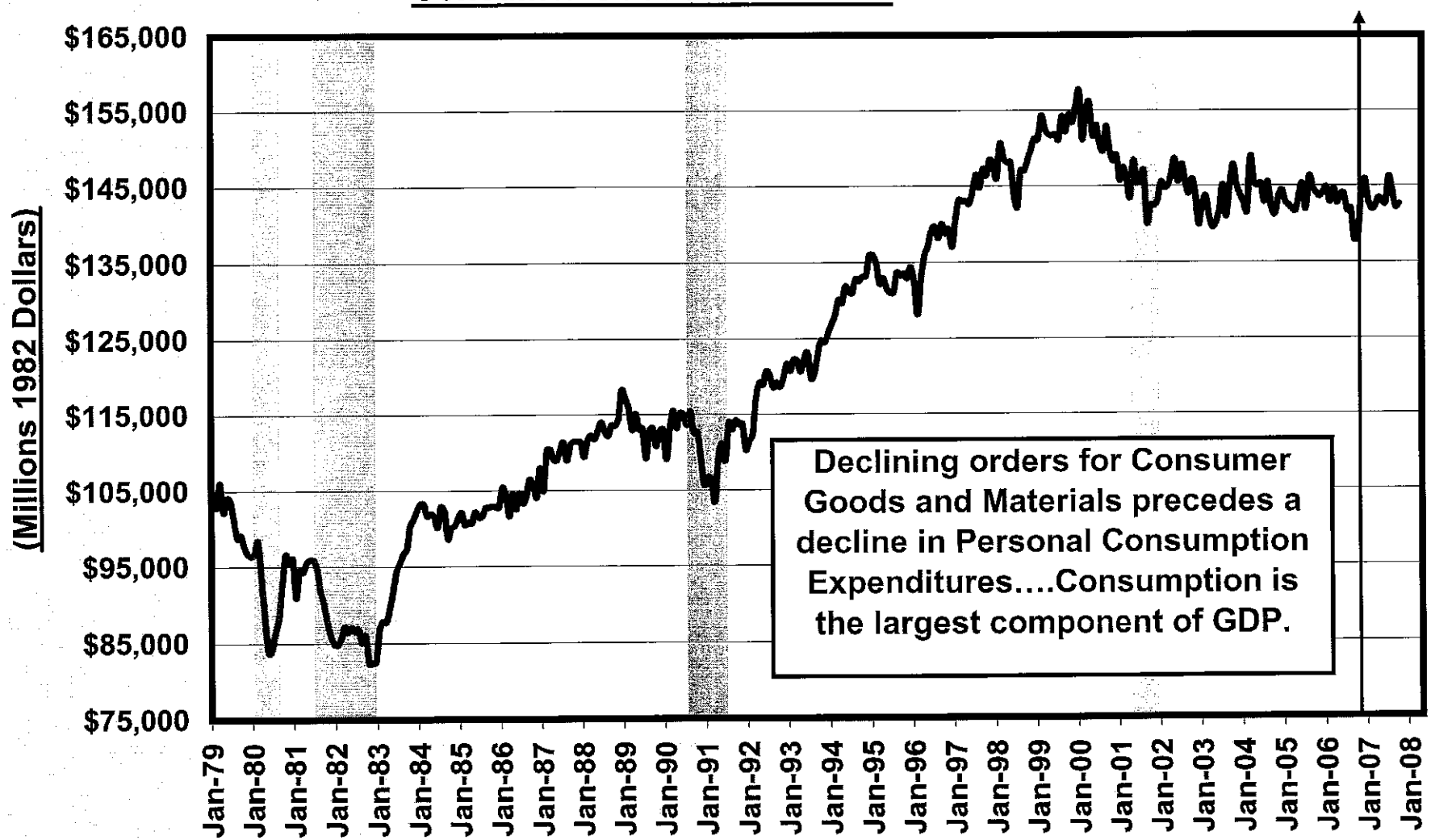


Average Weekly Initial Claims for Unemployment Insurance



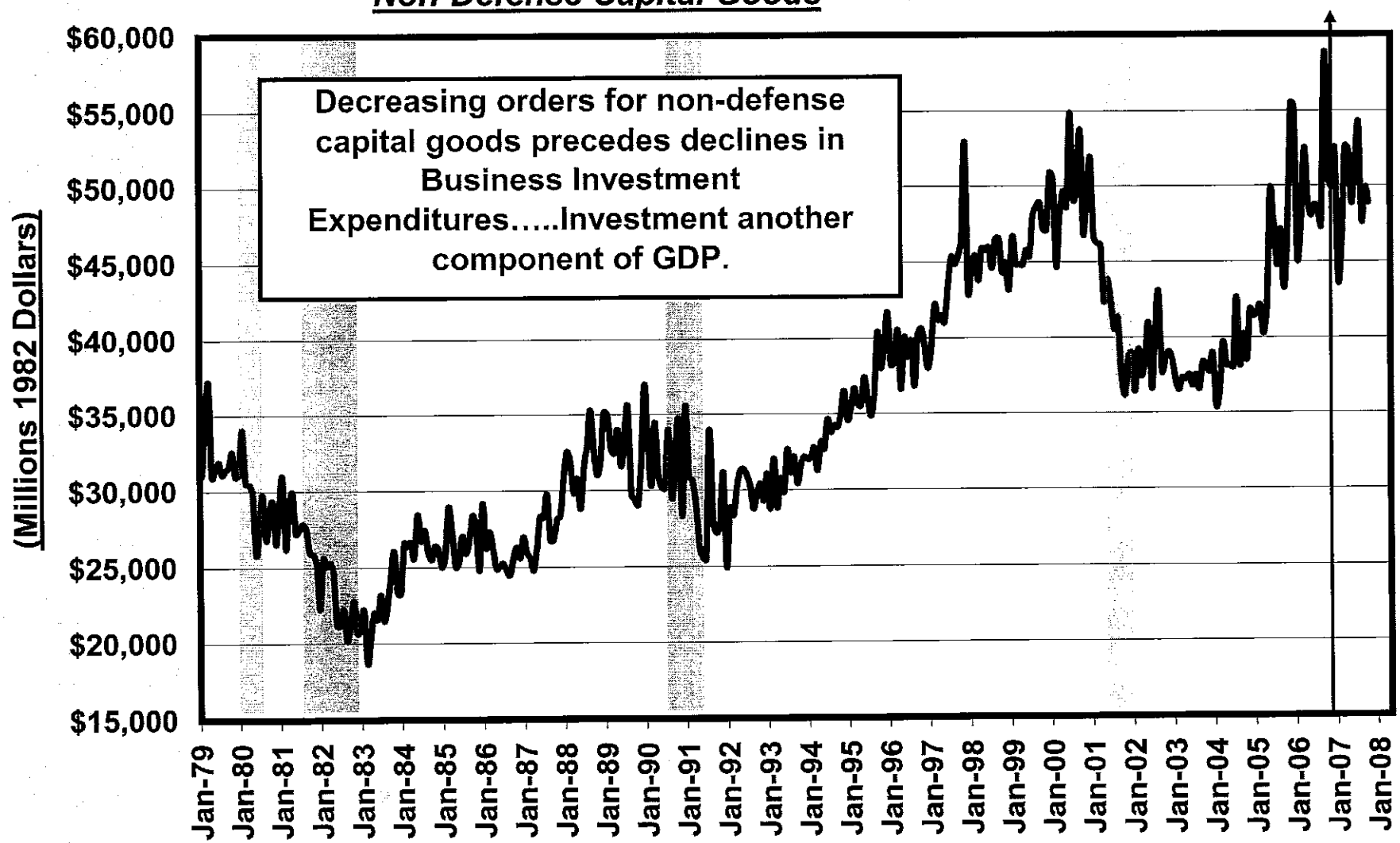
Manufacturer's New Orders - Consumer Goods & Materials

(3 of 10)



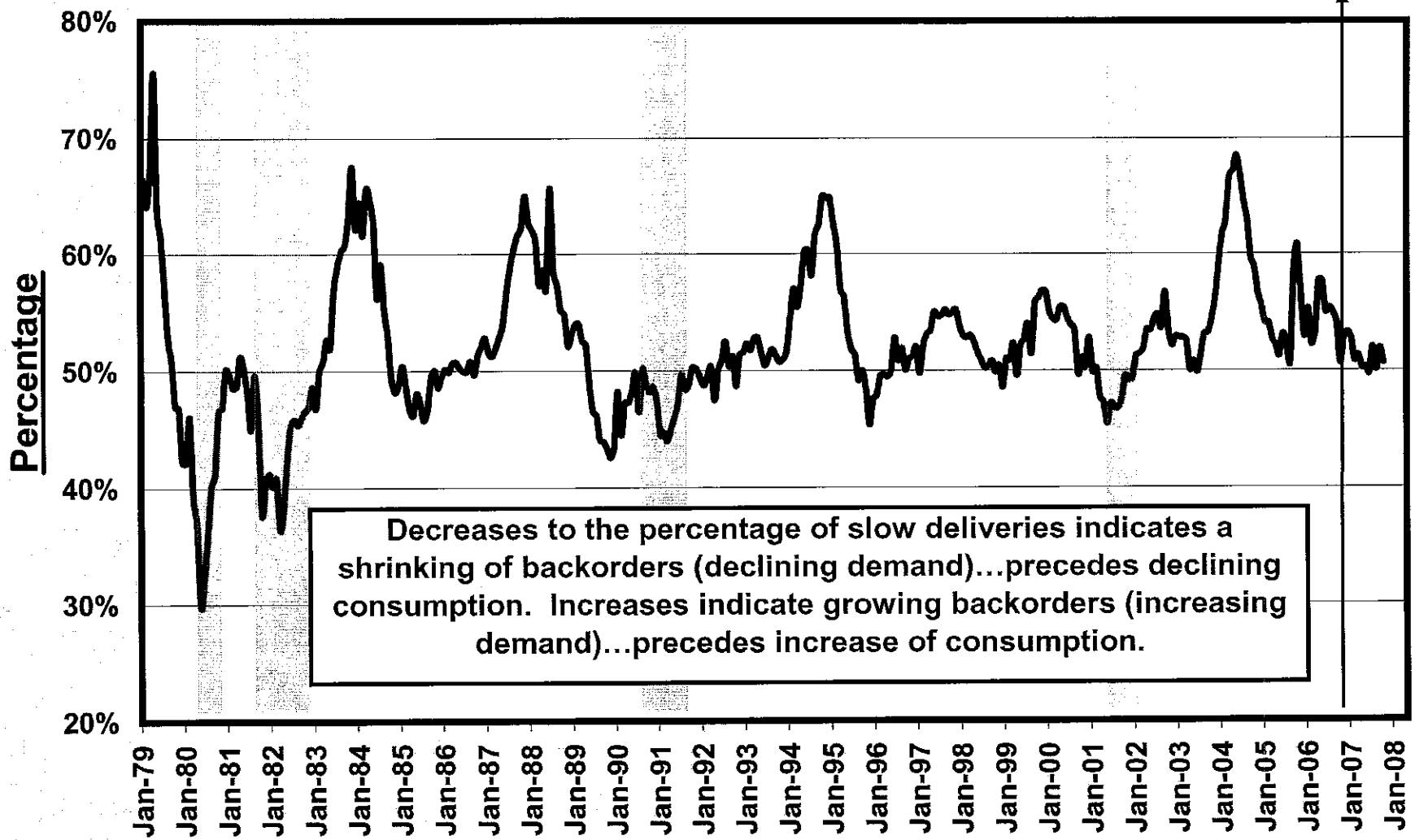
Manufacturer's New Orders - Non-Defense Capital Goods

(4 of 10)



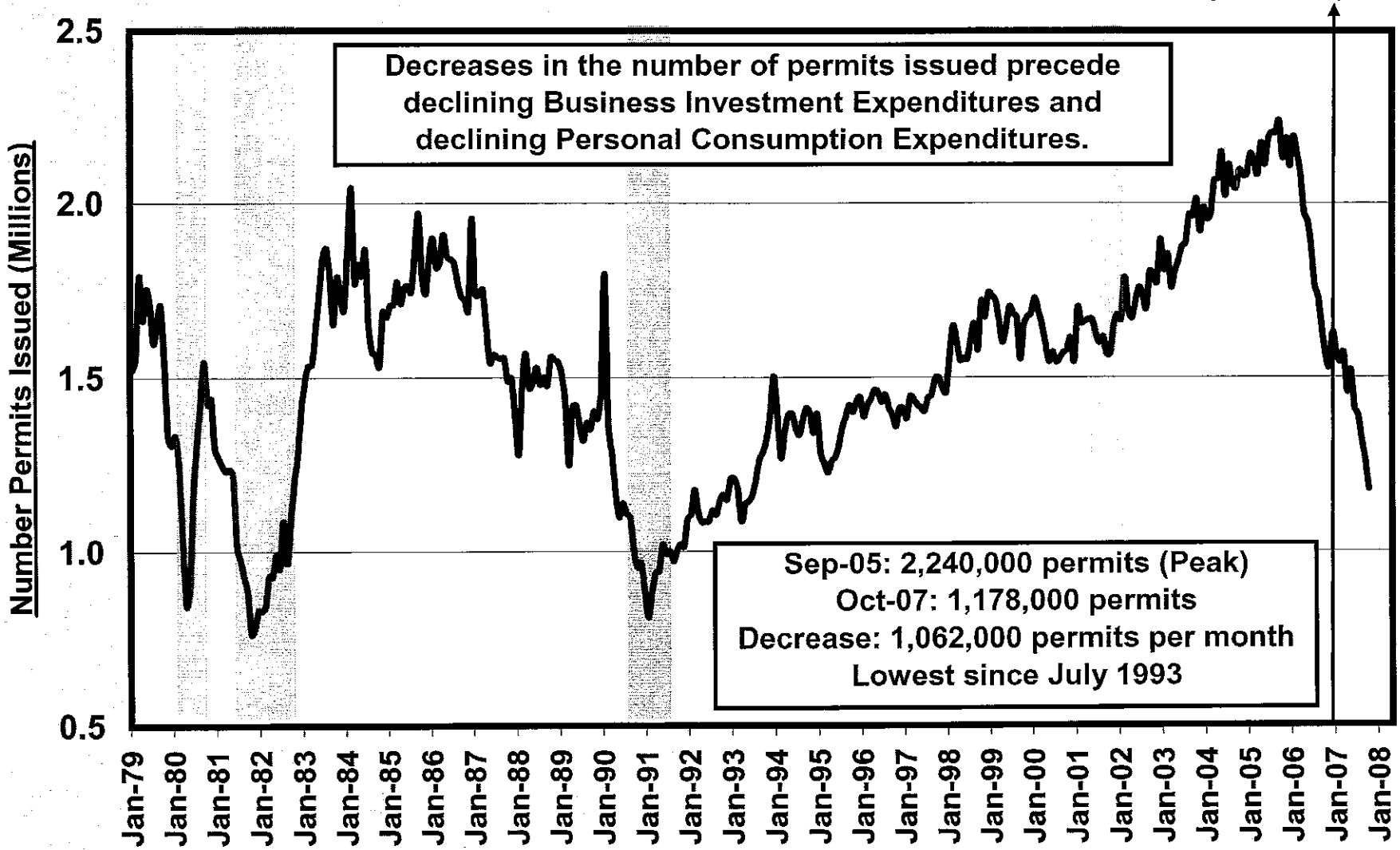
Vendor Performance - Slower Deliveries

(5 of 10)

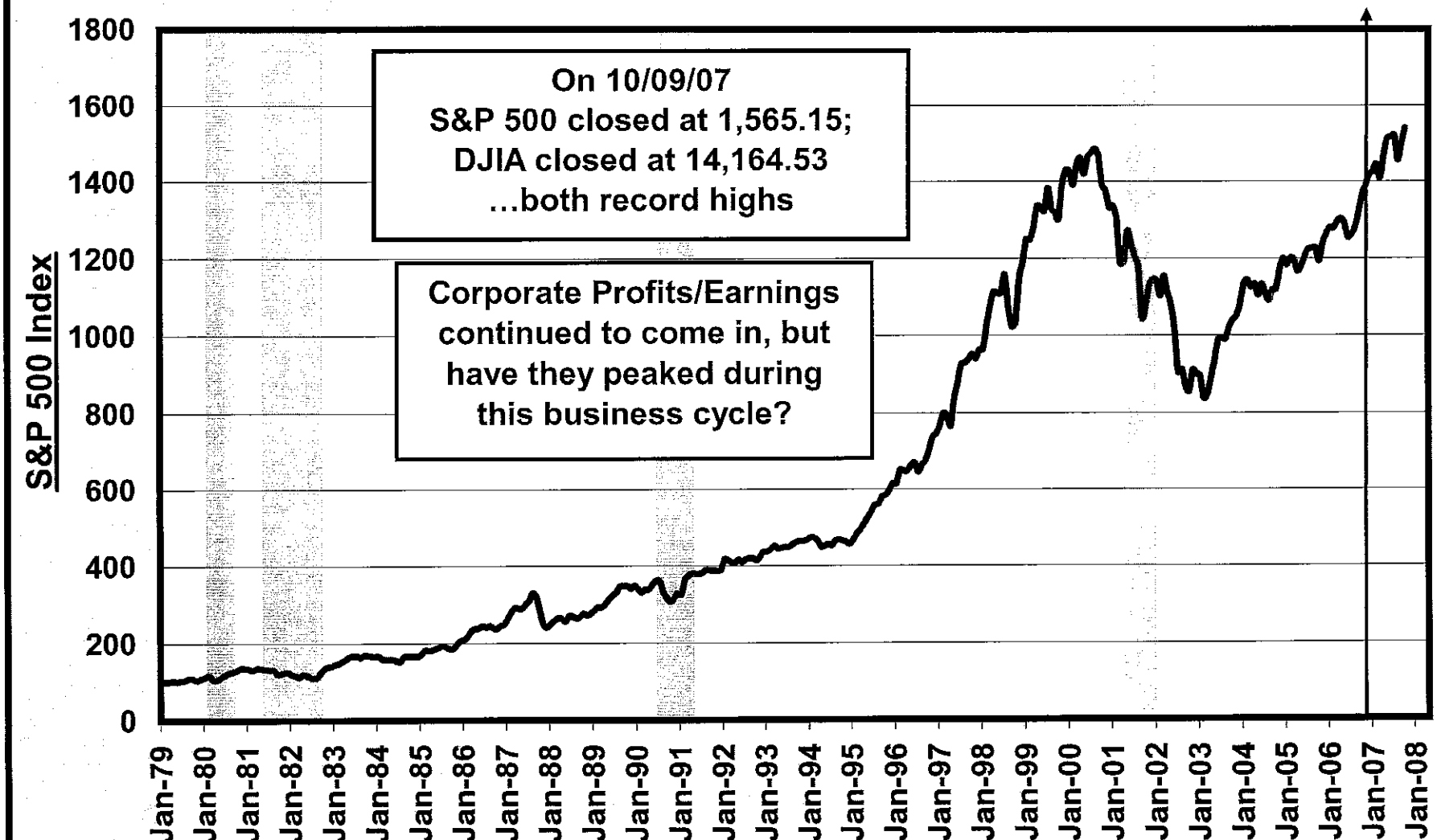


Decreases to the percentage of slow deliveries indicates a shrinking of backorders (declining demand)…precedes declining consumption. Increases indicate growing backorders (increasing demand)…precedes increase of consumption.

Building Permits - New Private Housing Units

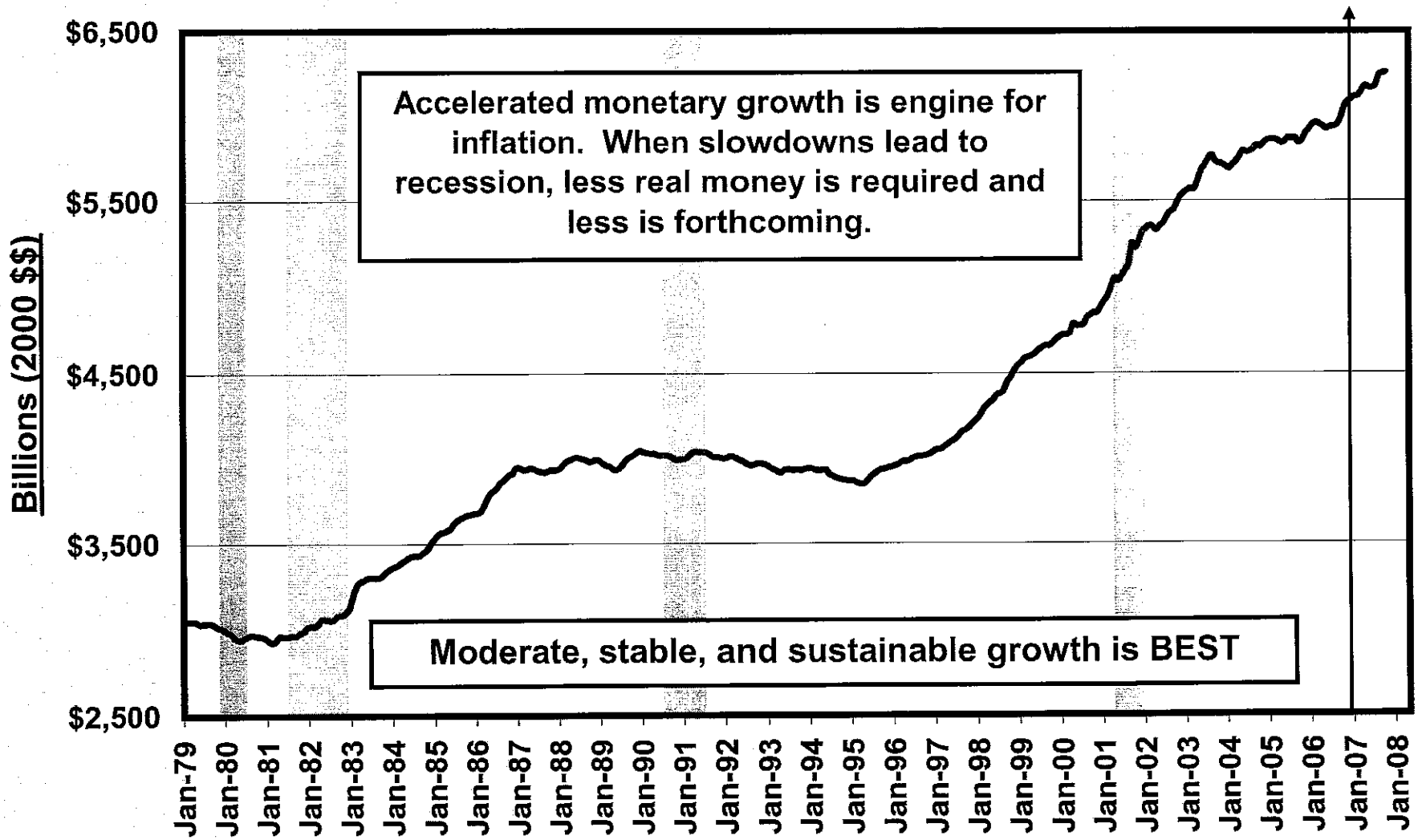


Stock Prices (S&P 500)



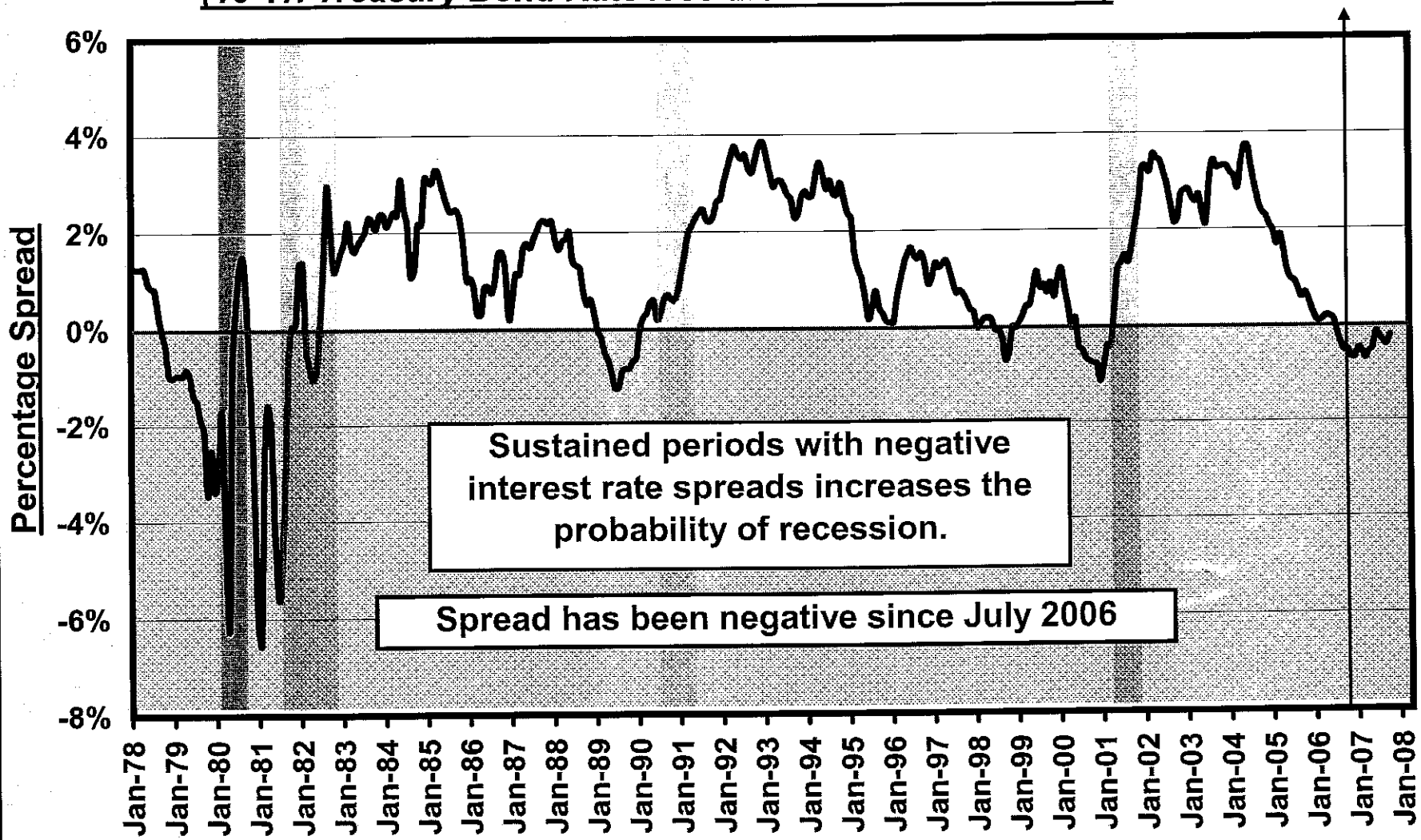
Real Money Supply (M2)

(8 of 10)



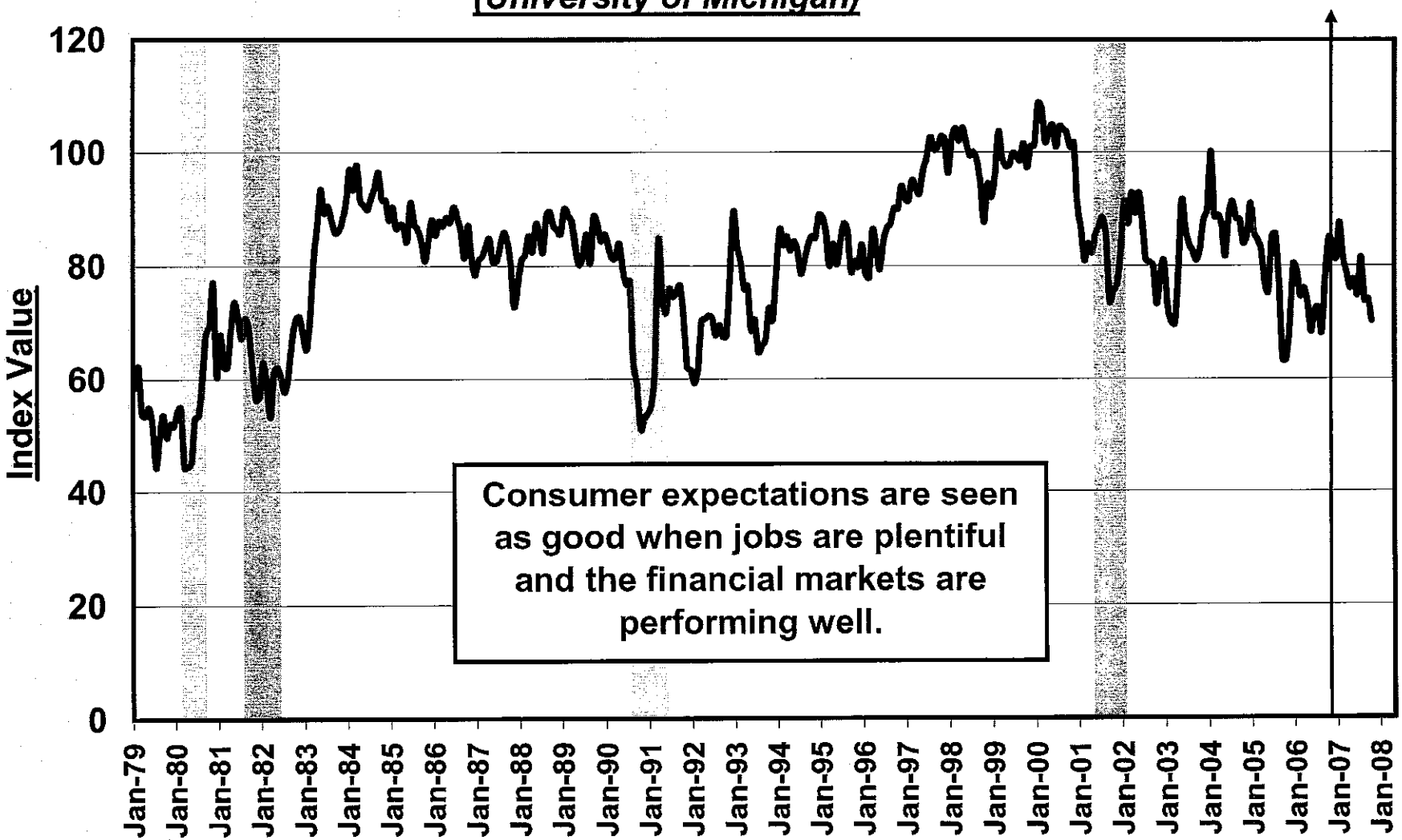
Interest Rate Spread
(10 Yr. Treasury Bond Rate less the Federal Funds Rate)

(9 of 10)

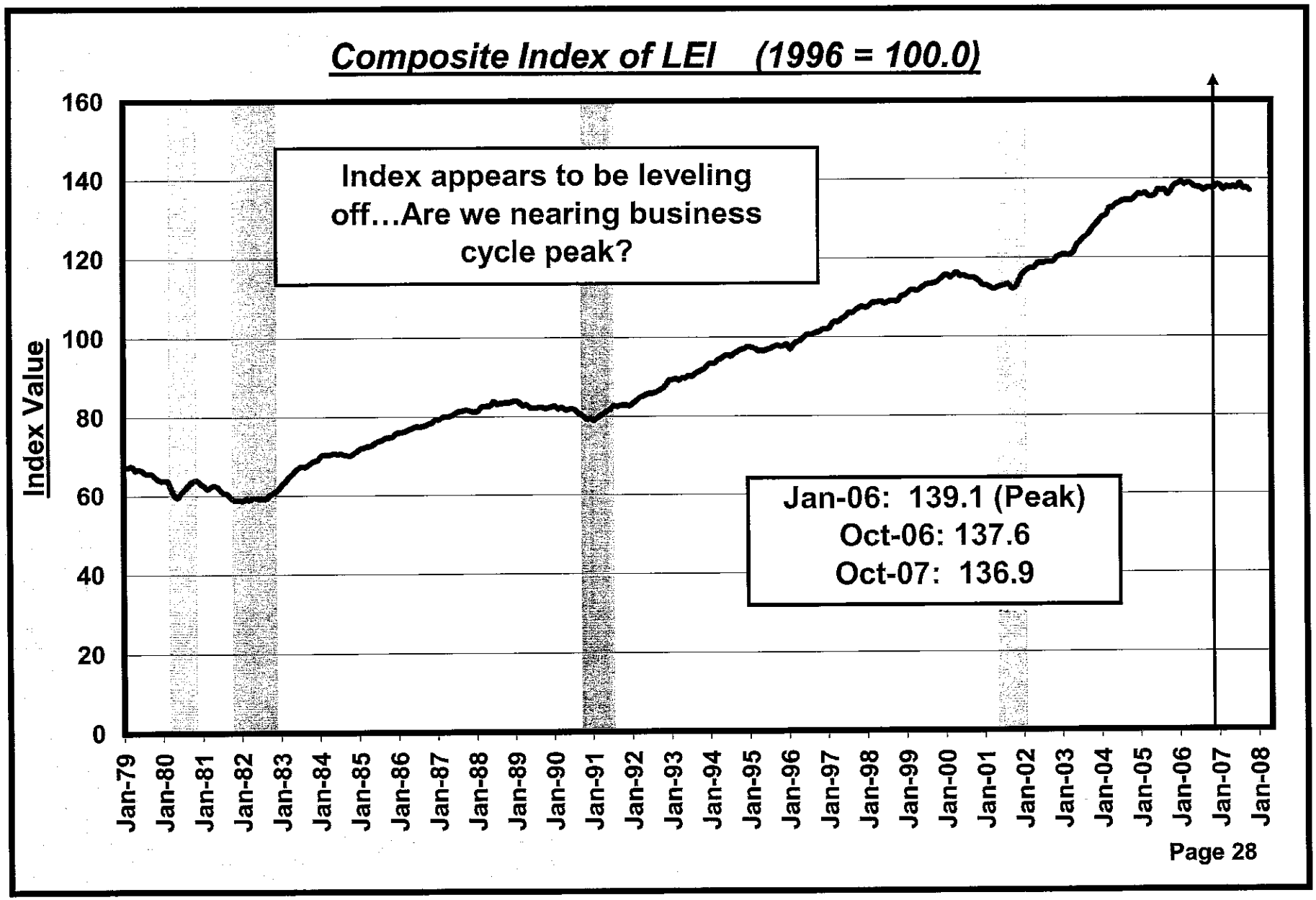


Index of Consumer Expectations
(University of Michigan)

(10 of 10)



Consumer expectations are seen as good when jobs are plentiful and the financial markets are performing well.


Composite Index of LEI (1996 = 100.0)
Index Value
160
140
120
100
80
60
40
20
0
Index appears to be leveling off…Are we nearing business cycle peak?
Jan-06: 139.1 (Peak)
Oct-06: 137.6
Oct-07: 136.9
Jan-79
Jan-80
Jan-81
Jan-82
Jan-83
Jan-84
Jan-85
Jan-86
Jan-87
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08