THE UNIVERSITY of TENNESSEE

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May 3, 2006

Mr. John G. Morgan, Secretary
State Funding Board
State Capitol
Nashville, TN 37243

Dear Mr. Morgan:

Sections 9-6-201 and 202, Tennessee Code Annotated state that the Funding Board may secure from the Tennessee Econometric Model the estimated rate of growth of the state's economy as measured by the forecast change in Tennessee personal income. Personal income is defined by the United States Department of Commerce. Major assumptions and the methodology used in arriving at the estimates are to be provided as well. This background information to our forecast is included in the Economic Report to the Governor, January 2006.

We report the following to you:

Calendar Year	Personal Income (in Millions)	Percentage Growth	Index (1977 = 100)
1977	26,795	11.16	100.00
1978	30,593	14.17	114.17
1979	34,236	11.91	127.77
1980	37,994	10.98	141.79
1981	42,404	11.61	158.25
1982	45,249	6.71	168.87
1983	48,130	6.37	179.62
1984	53,966	12.13	201.40
1985	57,984	7.44	216.40
1986	61,771	6.53	230.53
1987	66,412	7.51	247.85
1988	71,640	7.87	267.36
1989	76,859	7.28	286.84
1990	81,700	6.30	304.91
1991	85,914	5.16	320.63
1992	93,807	9.19	350.09
1993	99,074	5.61	369.74
1994	105,846	6.84	395.02
1995	112,793	6.56	420.94
1996	118,374	4.95	441.77
1997	124,699	5.34	465.38
1998	133,620	7.15	498.67
1999	140,395	5.07	523.95
2000	148,833	6.01	555.45
2001	154,416	3.75	576.28
2002	159,173	3.08	594.03
2003	166,135	4.37	620.02
2004	175,880	5.87	656.38
2005	185,872	5.68	693.67
2006	196,178	5.54	732.14
2007	206,982	5.51	772.46

We would be pleased to discuss the economic forecast with you in detail.

Best regards,

William F. Fox
Director