TENNESSEE STATE FUNDING BOARD
November 20, 2018
8:30 a.m./Cordell Hull Building – (Senate Hearing Room I – 1st Floor)

AGENDA

1. Call Meeting to order

2. Approval of State Funding Board Minutes from September 13, 2018.

3. Presentation of Report for October Revenues: Commissioner Larry Martin, Finance and Administration

4. Revenue Estimating Presentations:

   Presenters:

   Ms. Laurel Graefe, Vice President and Regional Executive,
   Federal Reserve Bank of Atlanta, Nashville Office

   Dr. William Fox, Professor of Economics,
   Boyd Center for Business and Economic Research, University of Tennessee

   Dr. Jon L. Smith, Director, Bureau of Business and Economic Research,
   Dr. Joseph Newhard, Assistant Professor of Economics,
   Dr. Fred Mackara, Associate Professor of Economics,
   East Tennessee State University

   Commissioner David Gerregano,
   Ms. Christin Lotz, Director of Research,
   Dr. Michael House, Staff Economist,
   State of Tennessee, Department of Revenue

   Mr. Robert Currey, Assistant Director,
   Mr. Bojan Savic, Chief Economist,
   State of Tennessee, Fiscal Review Committee

5. Lottery Revenue Estimating Presentations:

   Mr. Robert Currey, Assistant Director,
   Mr. Bojan Savic, Chief Economist,
   State of Tennessee, Fiscal Review Committee

   Mr. Andy Davis, Chief Financial and Technology Officer
   Tennessee State Lottery Corporation:

   Mr. Tim Phelps,
   Associate Executive Director for Grant and Scholarship Programs,
   Tennessee Student Assistance Corporation (TSAC)

6. Request to the Board for consideration for program funding for the fiscal year 2019-2020 from Net Lottery Proceeds pursuant to Tennessee Code Annotated Section 4-51-111(c)(2)(B)

Recess (To Reconvene November 26, 2018, at 1:00 p.m./Cordell Hull Building – Senate Hearing Room I -- 1st Floor)

http://www.capitol.tn.gov/ (See: Joint/What's Streaming Now)

TENNESSEE STATE FUNDING BOARD
September 13, 2018

The Tennessee State Funding Board (the "Board") met on Thursday, September 13, 2018, at 1:00 p.m., in the Tennessee State Capitol, Executive Conference Room, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
Commissioner Larry Martin, Department of Finance and Administration

The following members were absent:

The Honorable Bill Haslam, Governor
The Honorable David Lillard, State Treasurer

Seeing a physical quorum present, Mr. Wilson called the meeting to order. Mr. Wilson then proceeded to change the order that the items on the agenda were brought before the Board. Mr. Wilson then presented the minutes from the July 17, 2018 meeting, and barring any further comment, asked approval of the minutes. Mr. Martin made a motion to approve the minutes. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson recognized Mr. Bob Rolfe, Commissioner of Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Assistant Commissioner of Administration, ECD, to present the "FastTrack Report to State Funding Board" (the "Funding Report"). Mr. VanderMeer reported that, as of the date of the last Board meeting on July 17, 2018, the FastTrack balance was $343,146,701.01. Since that time, $319,270.14 in new appropriations had been received, the result of interest for the month of June 2018; $166,500.00 in funds had been deobligated and returned to the FastTrack program; $500,000.00 in funds were transferred from FastTrack to assist the Allied Dispatch Solutions project in Hancock County; $6,489,100.00 in new grants had been approved; and $156,190.23 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of $336,487,180.92 as of the date of the Funding Report. Mr. VanderMeer reported that commitments had been made in the amount of $270,118,593.13, resulting in an uncommitted FastTrack balance of $66,368,587.79, which represented 80.3% of the FastTrack balance. Mr. VanderMeer reported that the projects to be considered at this meeting totaled $13,364,328.00, and if these projects were approved, the uncommitted balance would be $53,004,259.79 and the total committed balance would be $283,482,921.13, which represented 84.2% of the FastTrack balance.

Mr. Wilson then stated that ECD had approximately $66,000,000.00 in uncommitted funds remaining through June 30, 2019, at which time there will be a new budget and a new Governor. Mr. Wilson further stated, as a reminder, that ECD should be aware that applications need to be sent to the Department of Finance and Administration ("F&A") in time to allow F&A to make proposals to the Governor for the next budget. Mr. Rolfe responded that the process was ongoing.

Mr. Wilson requested the FastTrack projects presented to the Board be presented at one time. Mr. Rolfe then presented the following FastTrack projects:

- **American Lebanese Syrian Associated Charities &**
  St. Jude Children's Research Hospital – Memphis (Shelby County)
  FastTrack Economic Development Grant $ 12,000,000.00

- **BMT Manufacturing, LLC – Jacksboro (Campbell County)**
  FastTrack Economic Development Grant $ 113,328.00
  FastTrack Job Training Grant $ 48,000.00

- **BMT Manufacturing, LLC – Jellico (Campbell County)**
  FastTrack Economic Development Grant $ 383,000.00
  FastTrack Job Training Grant $ 70,000.00

- **CKE Restaurants Holdings, Inc. – Franklin (Williamson County)**
  FastTrack Economic Development Grant $ 750,000.00

Mr. Martin inquired if the $12,000,000.00 economic development grant to St. Jude Children's Research Hospital completed the State's commitment. Mr. Rolfe responded affirmatively.

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms signed by Mr. Rolfe. Mr. Wilson inquired if the information provided in the ECD packets was true and correct and Mr. Rolfe responded affirmatively. Mr. Wilson also inquired if the companies that had signed the incentive acceptance forms fully understood the agreements and could meet the obligations set forth in the agreements. Mr. Rolfe responded affirmatively. Mr. Wilson made a motion to approve the FastTrack projects that were presented. Mr. Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration for approval a "Resolution Allocating from the Debt Service Fund to the Capital Projects Fund $7,000,000.00 and Canceling Authorized Bonds" to be effective September 13, 2018. Mr. Wilson explained that this resolution was to cancel bonds authorized for the Department of Safety Interoperable Communication System, as recommended by the Commissioner of Finance and Administration. Mr. Wilson made a motion to approve the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Ann Butterworth, Assistant to the Comptroller for Public Finance, to present the Board Guidelines for Requests for Approval to Issue Tourism Development Zone (TDZ) Debt ("TDZ Guidelines") for public hearing and approval. Ms. Butterworth stated that at a meeting on June 19, 2018, the Board directed that the proposed TDZ Guidelines and the proposed Annual Debt Reporting by Industrial Development Corporations Guidelines ("IDC Guidelines") be subject for comment for at least 60 days. Ms. Butterworth stated that the Office of the Comptroller of the Treasury posted on its website the TDZ and IDC Guidelines and had a news release on June 26, 2018.Due to the minimal response, on August 18, 2018the Office of State and Local Finance ("OSLF") sent targeted emails to interested association contacts and attorneys listed on CT-0253 forms for the Industrial Development Corporations ("IDC"). Ms. Butterworth reported that by August 31, 2018, OSLF had received comments from 12 entities; 2 provided suggestions not directly related to the Guidelines, another 2 submitted identical responses to the Guidelines, and only 4 of the 7 outside respondents provided comments on the TDZ Guidelines. Ms. Butterworth further reported that the most detailed comments came on the last two days of the comment period.

Mr. Wilson requested that the proposed changes to the draft TDZ Guidelines be summarized. Ms. Butterworth responded that timing was a major concern. Staff recommends that the timing for submission of a request for approval be at least 60 calendar days rather than 60 business days before sale date of the debt and that an alternate time frame be allowed if agreed upon by the Director of OSLF in writing. Ms. Butterworth further clarified that if a request was disapproved and the corrected information was submitted, then the submission clock or timing will not restart. With regard to Appendix A there were changes made clarifying who had the repayment burden in conduit borrowing situations; that the last maturity of the debt is to be no later than the fiscal year in which the final apportionment of TDZ revenue was made; that evidence of submittal of debt amortization schedules to F&A was sufficient; and that a draft preliminary official statement was sufficient. Ms. Butterworth stated that the staff to the Board believed the revised TDZ Guidelines addressed the concerns raised by commentators and recommended approval of the TDZ Guidelines. Mr. Wilson stated that he reviewed the changes to the TDZ Guidelines and that the changes were appropriate. Mr. Wilson then made a motion for approval of the TDZ Guidelines in substance, with delegation to the Secretary to make non-substantive changes to the document. Mr. Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Sandra Thompson, Director, OSLF, to present for consideration for approval a request from the City of Pigeon Forge to issue TDZ debt in an amount not to exceed $33,000,000.00. Ms. Thompson stated that the City of Pigeon Forge had met the requirements of the TDZ Guidelines except in relation to the timing of the request for approval submission. Ms. Thompson further stated that the municipality had not submitted the request within the timeframe that had been established by the draft TDZ Guidelines but as the TDZ Guidelines were only in draft form OSLF deemed the submission to be complete and submitted on an approved alternate timeframe. Mr. Wilson inquired if OSLF's recommendation was to approve. Ms. Thompson responded affirmatively. Mr. Wilson then recognized Mr. Mark Mamantov, Bond Counsel for the City of Pigeon Forge, to answer any further questions about the proposed debt; there were none. Mr. Hargett made a motion to approve the TDZ debt. Mr. Wilson seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Thompson to present for consideration for approval a request from the Industrial Development Board of Chattanooga to issue refunding TDZ debt. Ms. Thompson stated that the entity had met the requirements of the TDZ Guidelines except for the timing of the submission. Ms. Thompson further stated that the entity had not submitted the request within the timeframe that had been established but as the TDZ Guidelines were only draft form OSLF deemed the submission to be complete and submitted on an approved alternate timeframe. Ms. Thompson reported that it was OSLF's recommendation to approve the debt. Mr. Martin made a motion to approve the debt. Mr. Wilson seconded, and the motion was unanimously approved.

Mr. Wilson then recognized Ms. Butterworth to present the Board Guidelines for Annual Debt Reporting by Industrial Development Corporations for public hearing and approval. Ms. Butterworth stated that Public Chapter 529 provides that, as of March of 2018, IDC are to keep aggregate listings of current debt in accordance with guidelines approved by the Board, to file on an annual basis the aggregate listing with the Board, and to file a notice of default with the Board within 15 days of the event. Ms. Butterworth further stated that 5 comments were received on the IDC Guidelines and the largest concern was the lack of ability for IDCS to find information that they had not previously kept. Ms. Butterworth reported that, unlike the TDZ Guidelines which impact a small number of entities, the proposed IDC Guidelines impact many entities located in nearly all counties and which had not reviewed the proposed Guidelines and not provided input. Staff considered Interim IDC Guidelines that would be applicable to Fiscal Year 2018 allowing staff to review IDC filings and to present the Board before the end of Fiscal Year 2019 suggestions for final IDC Guidelines. Ms. Butterworth further reported that these Interim IDC Guidelines, which were distributed in the meeting, required the first filing by January 31, 2019, acknowledged the trouble for the IDC in gathering this information, reduced the amount of information that is included in the initial listing of the debt, and, if information were not available, directed the IDC to furnish a statement as to the problems encountered in locating the information and the efforts that will be undertaken to locate the missing information. Ms. Butterworth stated that staff to the Board recommended approval of Interim IDC Guidelines in substance with an effective date of October 1, 2018, with an understanding that after review by the Board Members, a meeting could be called by September 28, 2018, for revisions to the presented Interim IDC Guidelines; otherwise the Interim IDC Guidelines would become effective October 1st .

Mr. Wilson then stated that the Board had a legislative directive to take an action in 2018 but he was not comfortable with the amount of review time of the major comments received on August 31,2018, and the lack of consensus among the staff to the Board on what modifications were necessary to the IDC Guidelines. Mr. Wilson further stated that the Interim IDC Guidelines addressed all the issues that commenters raised but was not sure if the Interim IDC Guidelines satisfied all the issues that were likely to arise. Mr. Wilson stated that the options were to approve the Interim IDC Guidelines or do nothing, but he recommended approval of the Interim IDC Guidelines.

Mr. Martin inquired if the burden of meeting the requirements was due to a lack of manpower or the lack of availability of information. Ms. Butterworth responded that it was both. Ms. Butterworth further replied that many IDC do not have full time staff or rely on third party staffing and have not necessarily kept transaction records. Ms. Butterworth stated that the Interim IDC Guidelines recommends that the IDC work with staff to the Board to gather as much of the basic debt information as possible and that the proposed revisions tried to balance the directive of the General Assembly with the burden it would impose. Mr. Martin responded that the Interim IDC Guidelines were a step in the right direction. Mr. Martin also inquired as to whom has the burden of responsibility for making sure the information is received in a timely manner. Mr. Wilson responded that the filings would be made with OSLF and the reporting agency to the Board was staff to the Comptroller of the Treasury.

Mr. Wilson motioned for approval of the Interim IDC Guidelines in substance, with delegation to the Secretary to make non-substantive changes to the document with such guidelines to be effective October 1, 2018, unless prior to September 28, 2018, any member of the Board requested a meeting to reconsider approval. Mr. Hargett seconded the motion, and it passed unanimously.

After requesting other business and hearing none, Mr. Wilson adjourned the meeting.

Approved on this _____ day of ____________________ 2018.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

FOR IMMEDIATE RELEASE
Monday, November 19, 2018

OCTOBER 2018 STATE REVENUES

NASHVILLE, Tenn. – Tennessee revenues grew from the same month a year ago and were slightly more than the budgeted estimate for October. Finance and Administration Commissioner Larry Martin today reported that October revenues were $1.0 billion, which is $29.5 million more than October of last year and $3.2 million more than the budgeted estimate. The growth rate for October was 2.91%.

"October sales tax revenues, our best economic indicator, performed close to the budgeted monthly estimate and have continued to exhibit sound growth compared to last year," Martin said. "Corporate tax revenues, or franchise and excise taxes, have also performed quite well in October.

"We will continue to proceed cautiously, and closely monitor our revenue and expenditure patterns for the balance of this fiscal year."

On an accrual basis, October is the third month in the 2018-2019 fiscal year.

General fund revenues for October were $2.8 million more than the budgeted estimate, and the four other funds that share in state tax revenues were $0.4 million more than the budgeted estimates.

Sales tax revenues were $7.5 million more than the estimate for October. The October growth rate was 3.64%. The year-to-date growth rate was positive 5.65%.

Franchise and excise combined revenues for October were $59.5 million, which is $7.7 million more than the budgeted estimate of $51.8 million. The growth rate for October was 22.27%. The year-to-date growth rate was 2.26%.

Gasoline and motor fuel revenues increased by 0.87% and were $0.1 million less than the budgeted estimate of $69.3 million.

Motor Vehicle Registration revenue receipts decreased by 5.39% and they were $2.2 million less than the October estimate.

Tobacco tax revenues for the month were $4.2 million less than the budgeted estimate of $22.7 million. The growth rate for October was negative 18.47%.

– MORE –

Privilege tax revenues were $4.4 million less than the budgeted estimate of $32.7 million.

Business tax revenues were $0.4 million more than the budgeted estimate.

Hall income taxes were $2.7 million less than the October estimate.

All other tax revenues were greater than estimates by a net of $1.2 million.

Year-to-date revenues for three months were $91.0 million more than the budgeted estimate. The general fund exceeded estimates by $81.4 million and the four other funds that share in state tax revenues exceeded estimates by $9.6 million.

The budgeted revenue estimates for 2018-2019 are based on the State Funding Board's consensus recommendation of November 27, 2017 and adopted by the second session of the 110th General Assembly in May 2018. Also incorporated in the estimates are any changes in revenue enacted during the 2018 session of the General Assembly. These estimates are available on the state's website at https://www.tn.gov/content/tn/finance/fa/fa-budget-information/fa-budget-rev.html.

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Table 1
Revenue Collections by Fund
October
2018-2019

Fund	2018 Actual	2018 Budgeted	2018 B/(W)	2018 Percent	2017 Actual	2018 B/(W)	2018 Percent
General Fund	$832,050,000	$829,215,000	$2,835,000	0.34%	$804,024,000	$28,026,000	3.49%
Highway Fund	77,942,000	78,081,000	(139,000)	-0.18%	77,182,000	760,000	0.98%
Sinking Fund	29,130,000	29,113,000	17,000	0.06%	30,333,000	(1,203,000)	-3.97%
City & County Fund	84,479,000	83,951,000	528,000	0.63%	82,543,000	1,936,000	2.35%
Earmarked Fund	20,333,000	20,333,000	0	0.00%	20,333,000	0	0.00%
Total	**$1,043,934,000**	**$1,040,693,000**	**$3,241,000**	**0.31%**	**$1,014,415,000**	**$29,519,000**	**2.91%**

Revenue Collections by Tax
October
2018-2019

Tax Source	2018 Actual	2018 Budgeted	2018 B/(W)	2018 Percent	2017 Actual	2018 B/(W)	2018 Percent
Franchise & Excise	$59,450,000	$51,781,000	$7,669,000	14.81%	$48,622,000	$10,828,000	22.27%
Income	230,000	2,910,000	(2,680,000)	-92.10%	1,326,000	(1,096,000)	-82.65%
Inheritance & Estate	27,000	0	27,000	0.00%	1,501,000	(1,474,000)	-98.20%
Gasoline	69,847,000	69,271,000	576,000	0.83%	72,266,000	(2,419,000)	-3.35%
Petroleum Special	5,731,000	5,724,000	7,000	0.12%	5,932,000	(201,000)	-3.39%
Tobacco	18,550,000	22,711,000	(4,161,000)	-18.32%	22,751,000	(4,201,000)	-18.47%
Beer	1,396,000	1,553,000	(157,000)	-10.11%	1,405,000	(9,000)	-0.64%
Motor Vehicle Registration	22,519,000	24,765,000	(2,246,000)	-9.07%	23,802,000	(1,283,000)	-5.39%
Motor Vehicle Title	1,864,000	2,072,000	(208,000)	-10.04%	1,849,000	15,000	0.81%
Mixed Drink	11,316,000	9,751,000	1,565,000	16.05%	9,721,000	1,595,000	16.41%
Business	6,072,000	5,649,000	423,000	7.49%	6,009,000	63,000	1.05%
Privilege	28,310,000	32,683,000	(4,373,000)	-13.38%	31,574,000	(3,264,000)	-10.34%
Gross Receipts	(207,000)	82,000	(289,000)	-352.44%	115,000	(322,000)	-280.00%
TVA - In Lieu of Tax Payments	29,716,000	28,559,000	1,157,000	4.05%	28,084,000	1,632,000	5.81%
Alcoholic Beverage	4,955,000	5,729,000	(774,000)	-13.51%	5,372,000	(417,000)	-7.76%
Sales and Use	760,552,000	753,059,000	7,493,000	1.00%	733,842,000	26,710,000	3.64%
Motor Vehicle Fuel	23,545,000	24,259,000	(714,000)	-2.94%	20,070,000	3,475,000	17.31%
Severance	51,000	132,000	(81,000)	-61.36%	170,000	(119,000)	-70.00%
Coin-operated Amusement	10,000	3,000	7,000	233.33%	4,000	6,000	150.00%
Unauthorized Substance	0	0	0	NA	0	0	NA
Total	**$1,043,934,000**	**$1,040,693,000**	**$3,241,000**	**0.31%**	**$1,014,415,000**	**$29,519,000**	**2.91%**

Table 2
Revenue Collections by Fund
Year-to-Date
August - October
2018-2019

	2018 - 2019				2017-2018	2018-2019	
Fund	**Actual**	**Budgeted**	**B/(W)**	**Percent**	**Actual**	**B/(W)**	**Percent**
General Fund	$2,793,862,000	$2,712,462,000	$81,400,000	3.00%	$2,659,890,000	$133,972,000	5.04%
Highway Fund	252,696,000	231,937,000	20,759,000	8.95%	232,572,000	20,124,000	8.65%
Sinking Fund	87,672,000	87,233,000	439,000	0.50%	90,952,000	(3,280,000)	-3.61%
City & County Fund	338,025,000	349,661,000	(11,636,000)	-3.33%	324,451,000	13,574,000	4.18%
Earmarked Fund	47,668,000	47,666,000	2,000	0.00%	47,666,000	2,000	0.00%
Total	**$3,519,923,000**	**$3,428,959,000**	**$90,964,000**	**2.65%**	**$3,355,531,000**	**$164,392,000**	**4.90%**

Revenue Collections by Tax
Year-to-Date
August - October
2018-2019

	2018 - 2019				2017-2018	2018-2019	
Tax Source	**Actual**	**Budgeted**	**B/(W)**	**Percent**	**Actual**	**B/(W)**	**Percent**
Franchise & Excise	$493,074,000	$486,994,000	$6,080,000	1.25%	$482,188,000	$10,886,000	2.26%
Income	559,000	4,335,000	(3,776,000)	-87.10%	3,120,000	(2,561,000)	-82.08%
Inheritance & Estate	26,000	0	26,000	0.00%	2,187,000	(2,161,000)	-98.81%
Gasoline	220,724,000	215,595,000	5,129,000	2.38%	217,044,000	3,680,000	1.70%
Petroleum Special	18,030,000	17,541,000	489,000	2.79%	18,041,000	(11,000)	-0.06%
Tobacco	60,389,000	66,169,000	(5,780,000)	-8.74%	68,093,000	(7,704,000)	-11.31%
Beer	4,788,000	4,770,000	18,000	0.38%	4,600,000	188,000	4.09%
Motor Vehicle Registration	84,857,000	73,757,000	11,100,000	15.05%	75,272,000	9,585,000	12.73%
Motor Vehicle Title	6,105,000	5,988,000	117,000	1.95%	5,831,000	274,000	4.70%
Mixed Drink	32,633,000	29,203,000	3,430,000	11.75%	28,057,000	4,576,000	16.31%
Business	22,555,000	15,192,000	7,363,000	48.47%	15,616,000	6,939,000	44.44%
Privilege	88,877,000	88,258,000	619,000	0.70%	84,973,000	3,904,000	4.59%
Gross Receipts	12,126,000	13,703,000	(1,577,000)	-11.51%	10,033,000	2,093,000	20.86%
TVA - In Lieu of Tax Payments	92,858,000	92,467,000	391,000	0.42%	90,545,000	2,313,000	2.55%
Alcoholic Beverage	16,092,000	16,297,000	(205,000)	-1.26%	15,517,000	575,000	3.71%
Sales and Use	2,300,550,000	2,234,324,000	66,226,000	2.96%	2,177,493,000	123,057,000	5.65%
Motor Vehicle Fuel	65,401,000	63,999,000	1,402,000	2.19%	56,577,000	8,824,000	15.60%
Severance	243,000	339,000	(96,000)	-28.32%	303,000	(60,000)	-19.80%
Coin-operated Amusement	35,000	28,000	7,000	25.00%	41,000	(6,000)	-14.63%
Unauthorized Substance	1,000	0	1,000	NA	0	1,000	NA
Total	**$3,519,923,000**	**$3,428,959,000**	**$90,964,000**	**2.65%**	**$3,355,531,000**	**$164,392,000**	**4.90%**

FEDERAL RESERVE BANK of ATLANTA

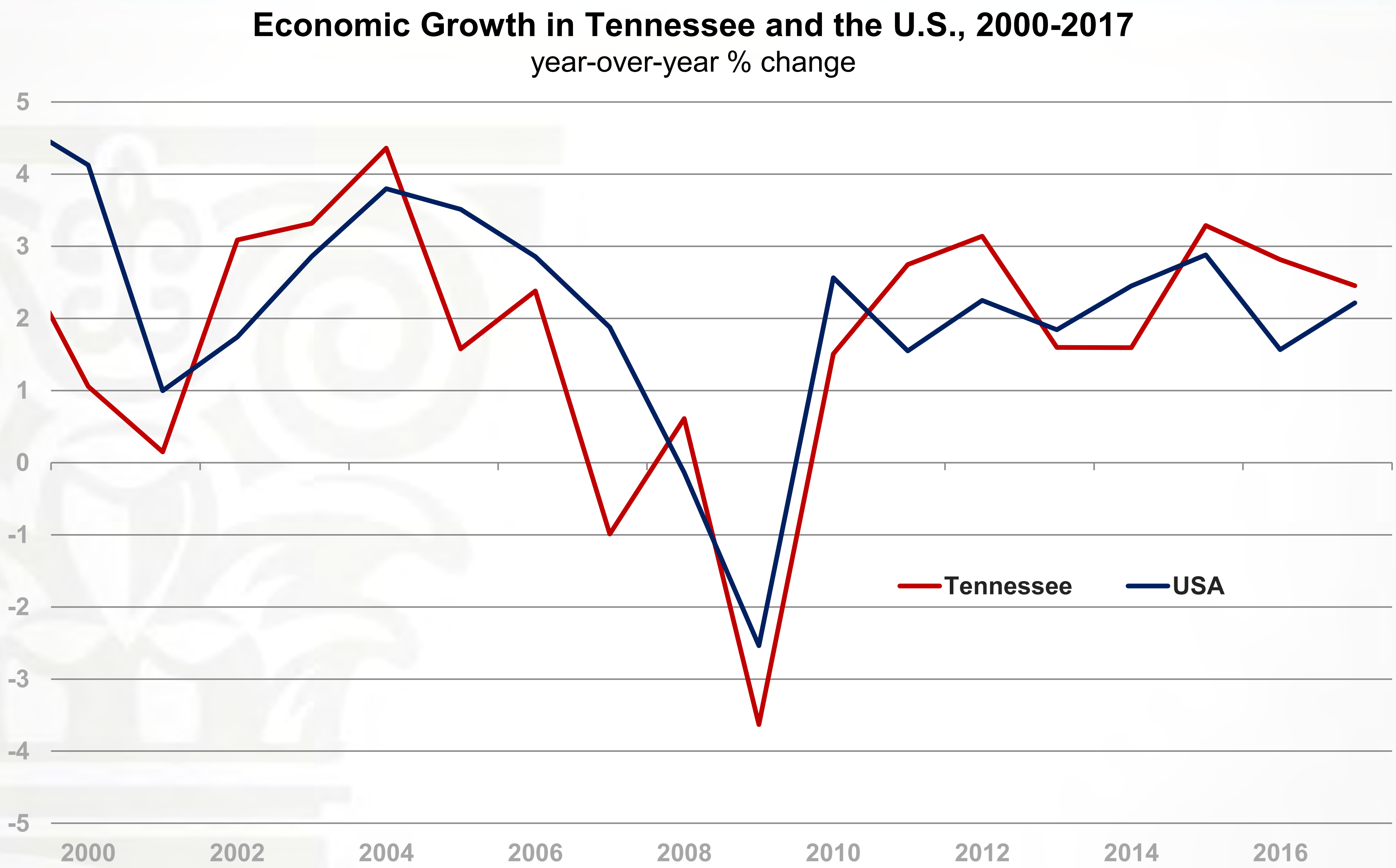
Tennessee State Funding Board

November 20, 2018

Laurel Graefe

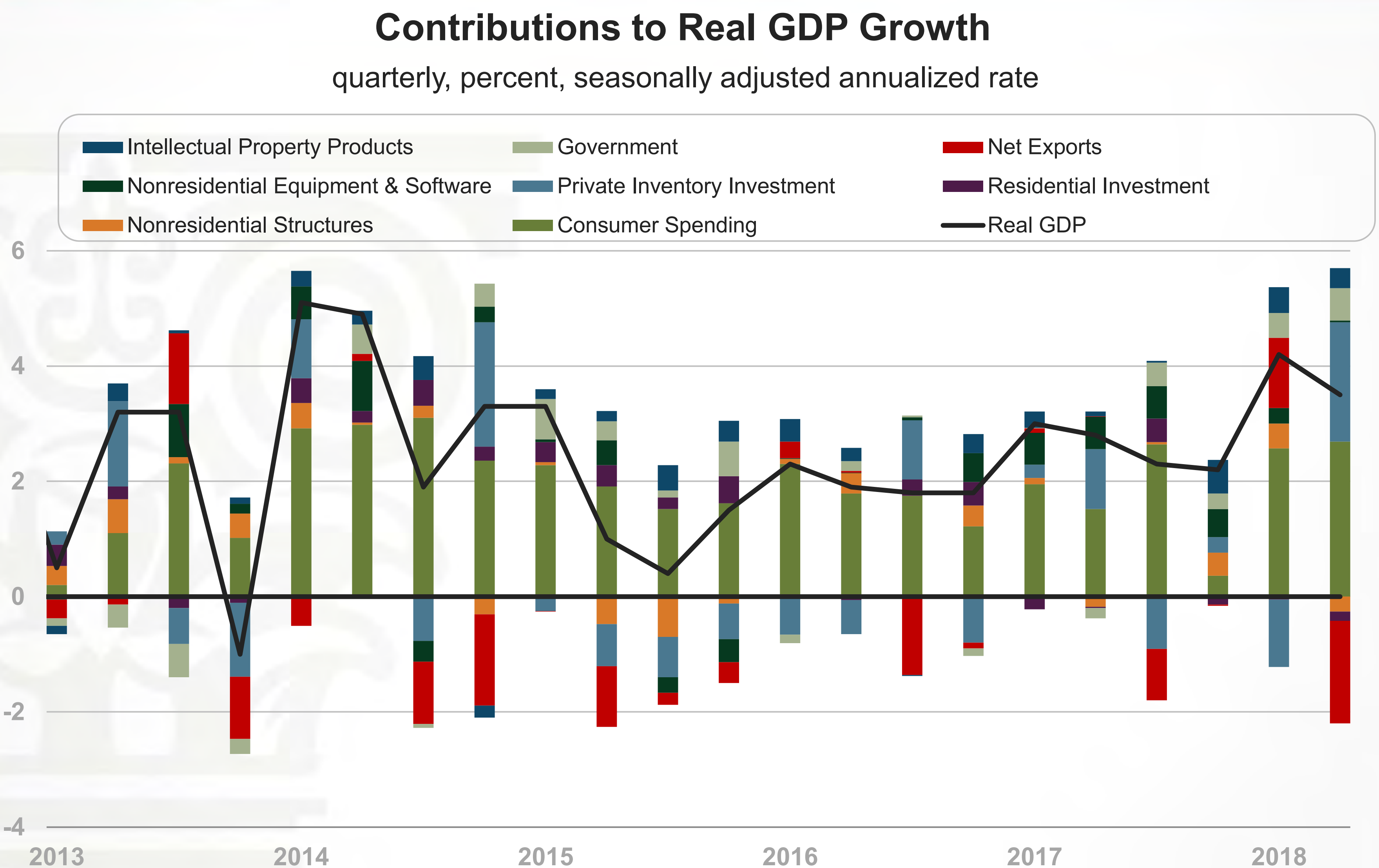
Regional Executive - Tennessee

Tennessee's economic performance continues to closely mirror that of the United States.



Source: Bureau of Economic Analysis; Haver Analytics

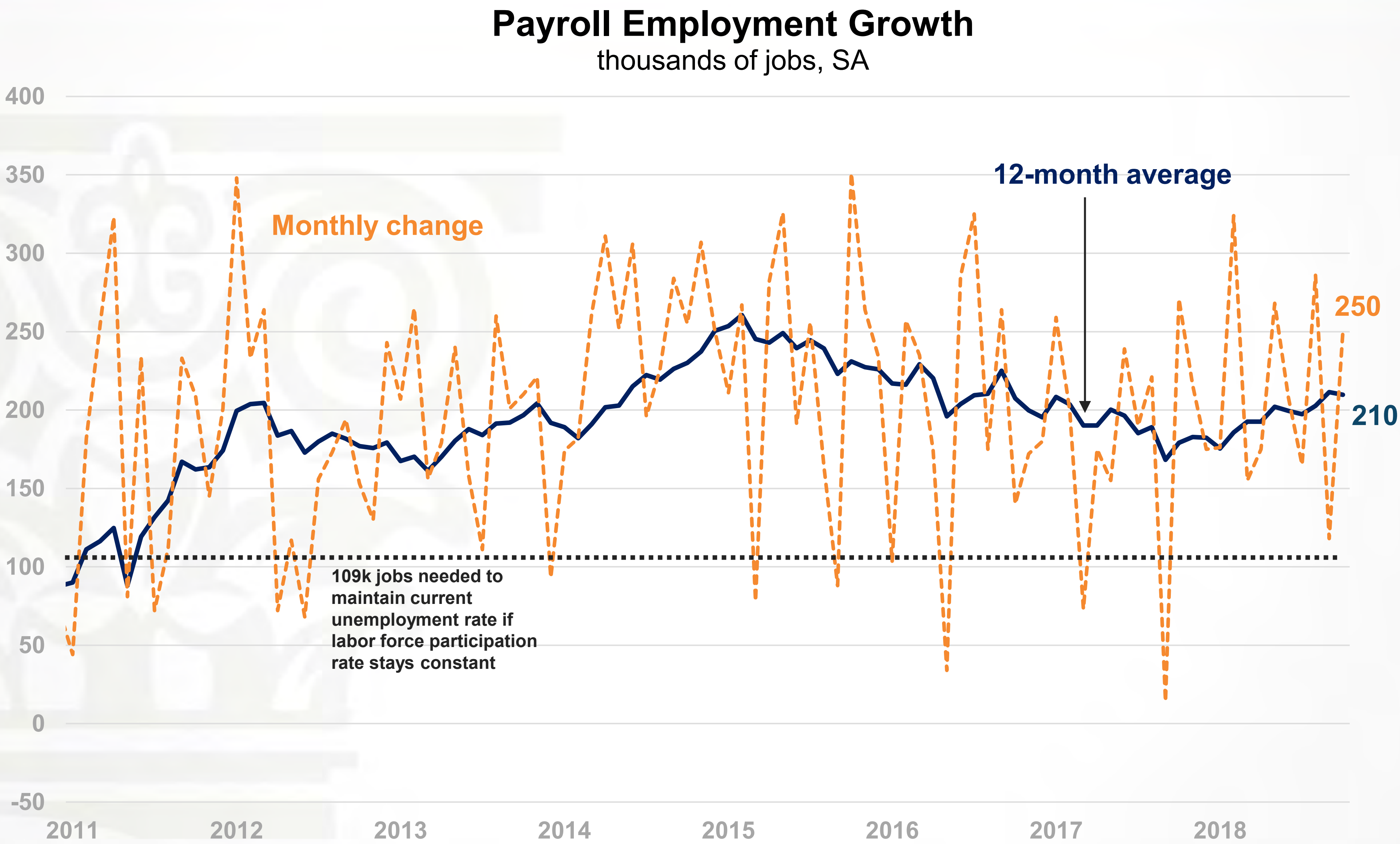
Real Gross Domestic Product grew 3.5% in Q3 2018. Consumer spending (green) continues to be key to GDP growth.



Sources: Bureau of Economic Analysis; Haver Analytics

through Q3, 2018

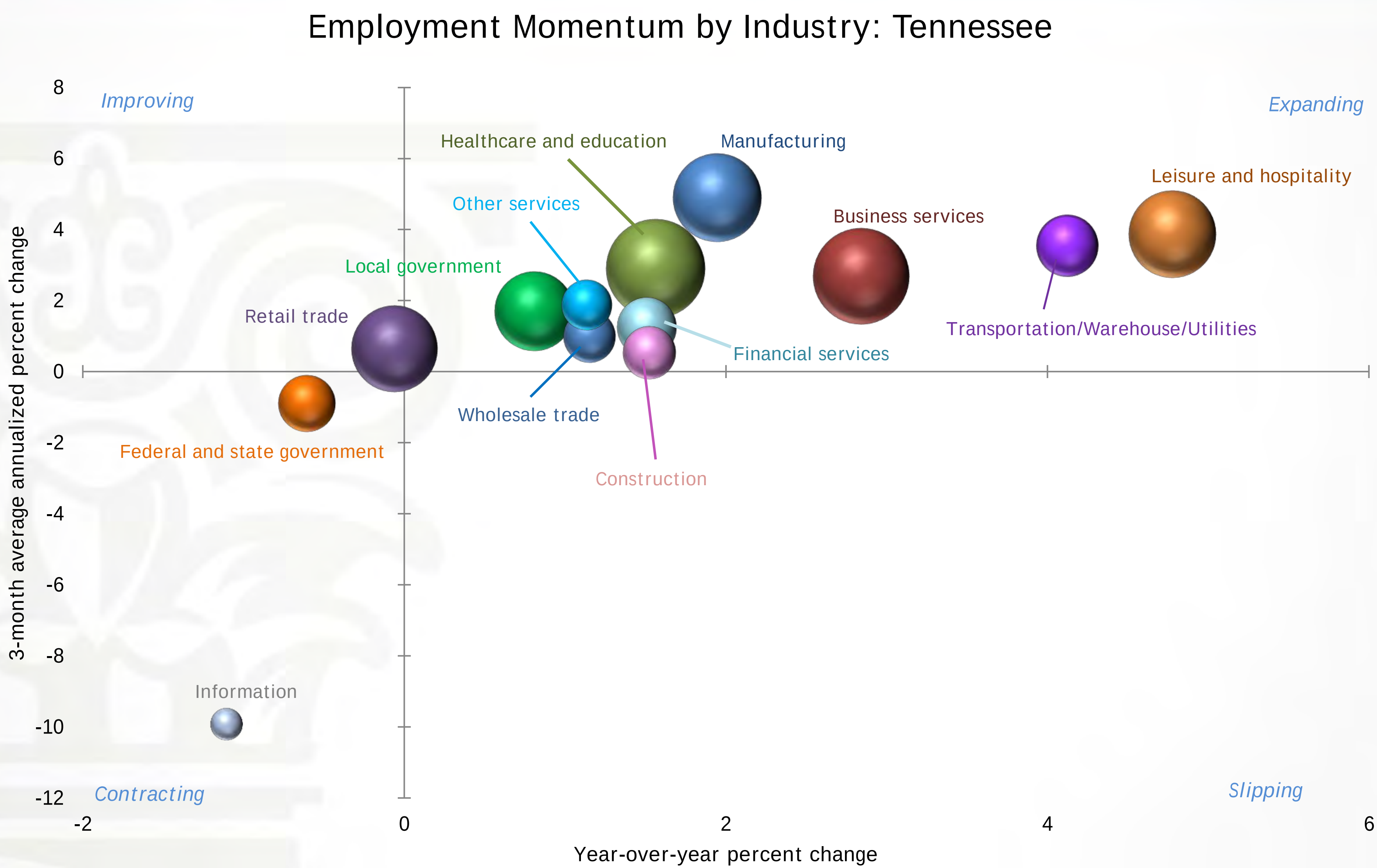
The U.S. economy added a net 250,000 jobs in October, well above the threshold needed to continue to make progress in the labor market.



Sources: Bureau of Labor Statistics, FRB staff calculations; Haver Analytics

data through October 2018

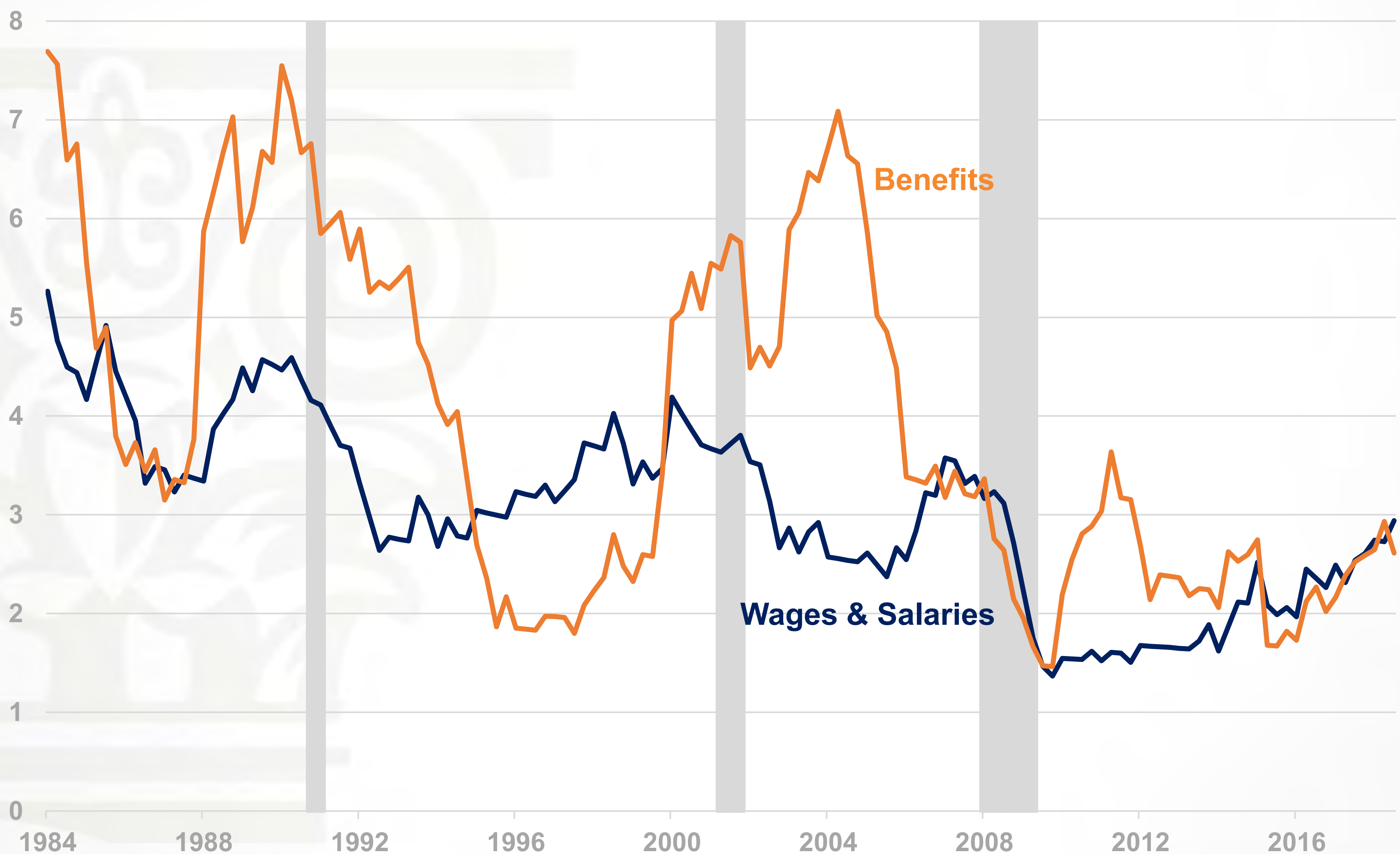
Employment growth momentum in Tennessee has been positive, with employment in most industries expanding over both the past 3 and 12 months.



Wage growth has picked up, but still remains relatively muted historically. Contrary to much of the history of the series, benefits growth appears to be in-line with the growth of wages & salaries.

Employment Cost Index: Civilian Workers

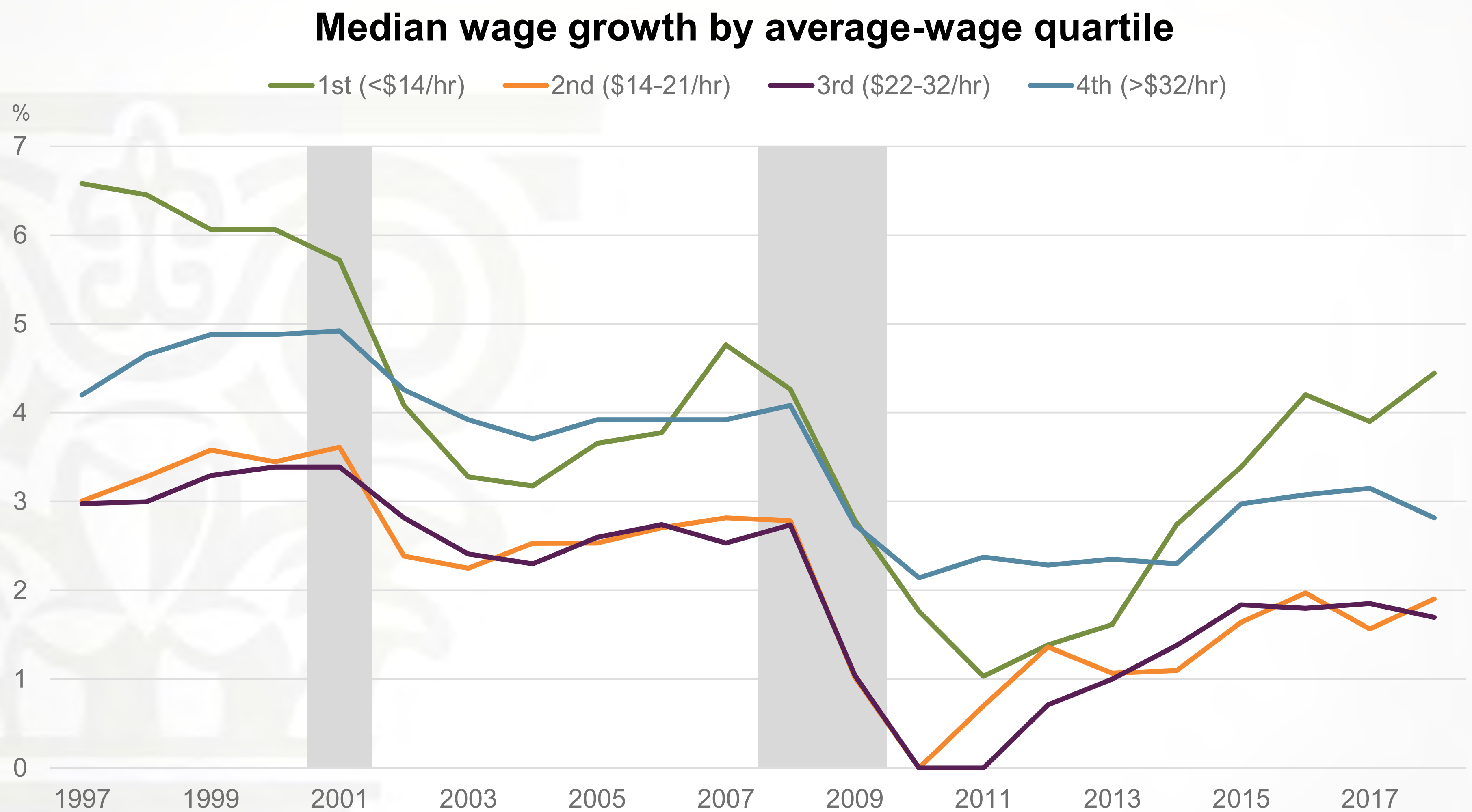
year-over-year percent change



Source: Bureau of Labor Statistics; Haver Analytics

data through Q3-2018

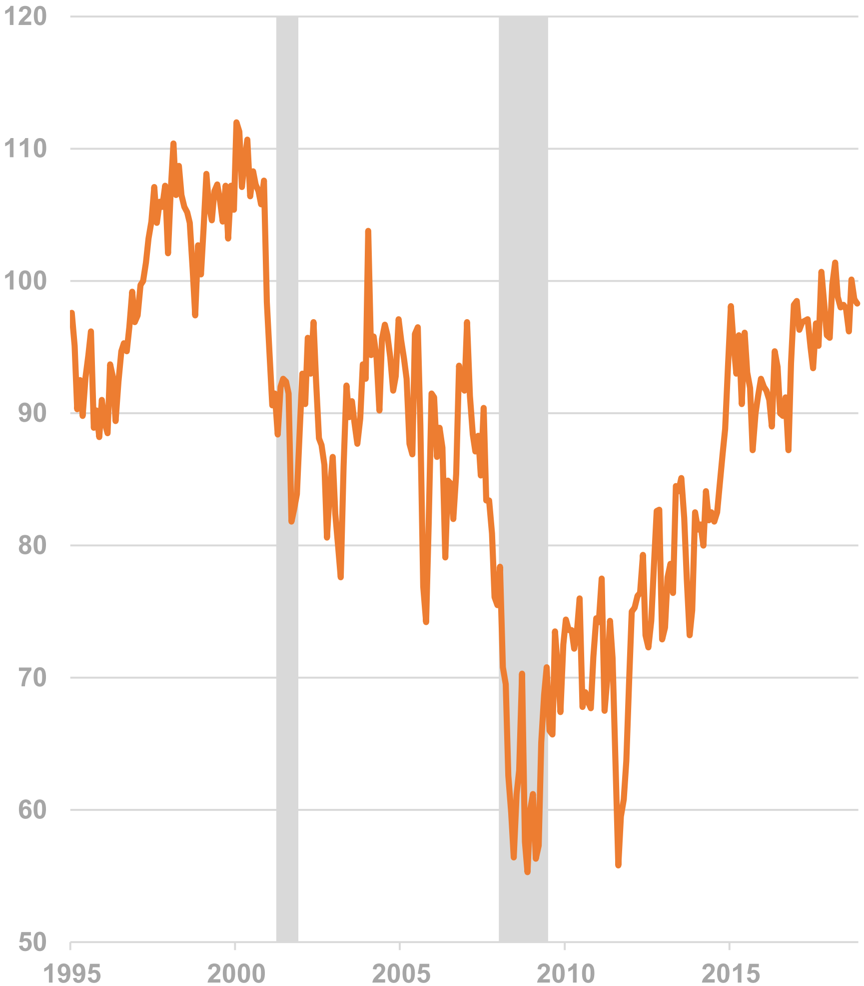
The acceleration in wage growth has generally been focused on the low- and high-wage earners, while growth for middle income earners has been more modest.



Source: Current Population Survey, Bureau of Labor Statistics, and author calculations

Consumer attitudes remain favorable and a broad measure of household indebtedness suggests that households are in a relatively solid fiscal position.

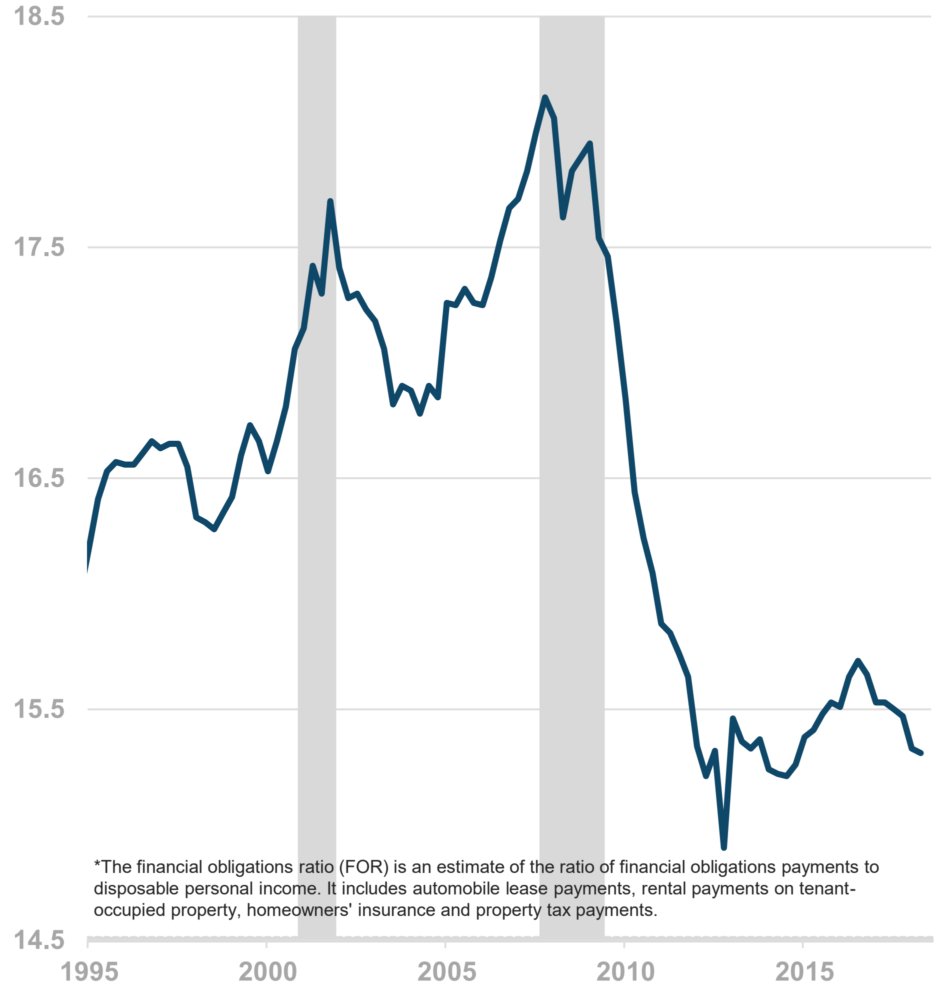
UofM: Consumer Sentiment
nsa, Q1-1966=100



Source: University of Michigan; Haver Analytics

data through November 2018

Household Financial Obligations Ratio*
sa, percent



*The financial obligations ratio (FOR) is an estimate of the ratio of financial obligations payments to disposable personal income. It includes automobile lease payments, rental payments on tenant-occupied property, homeowners' insurance and property tax payments.

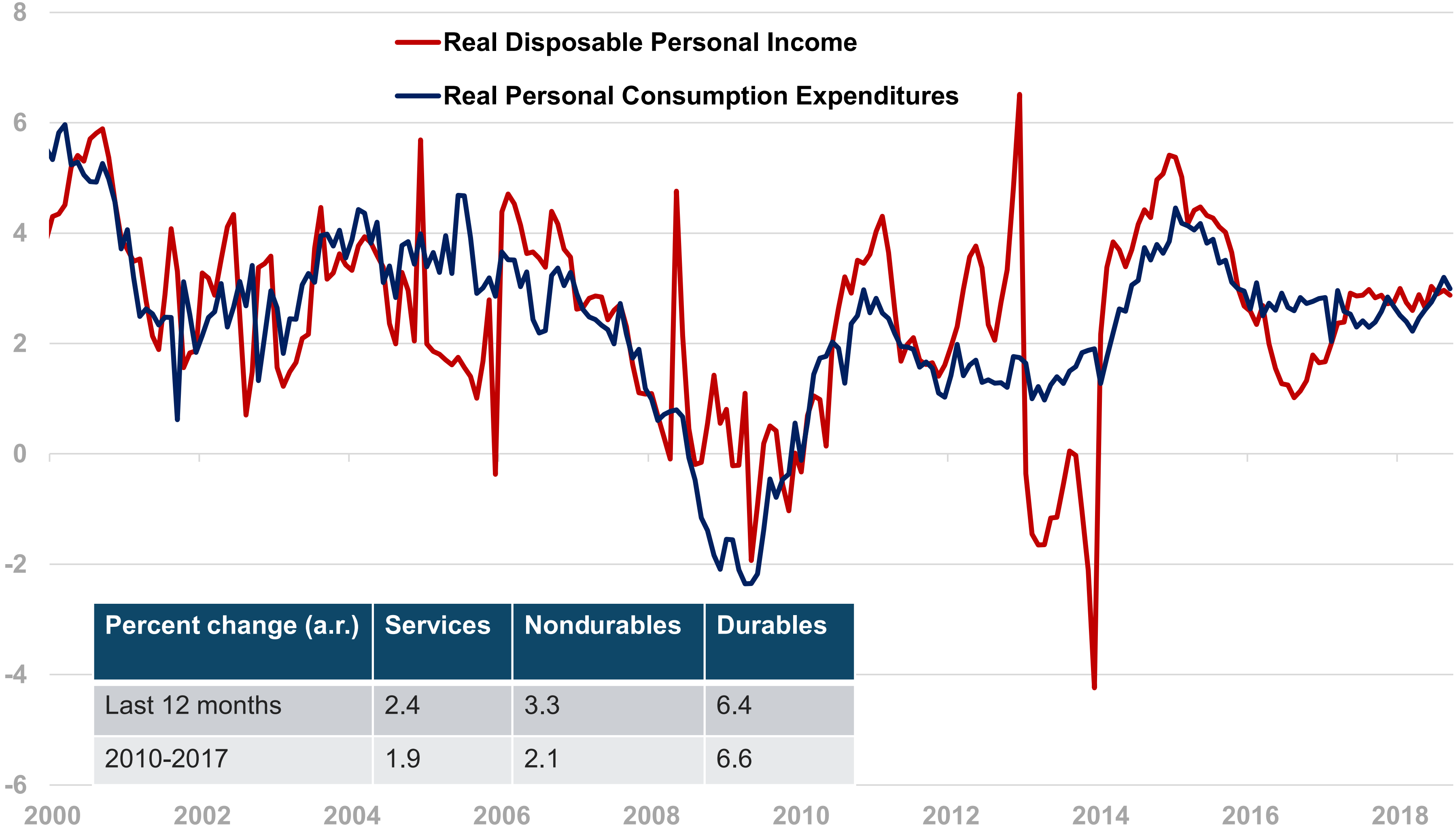
Source: Federal Reserve Board; Haver Analytics

data through Q2-2018

Consumer spending appears to be growing in line with income growth.

Real PCE and Disposable Personal Income

year-over-year percent change, saar, bil.chn.2012$

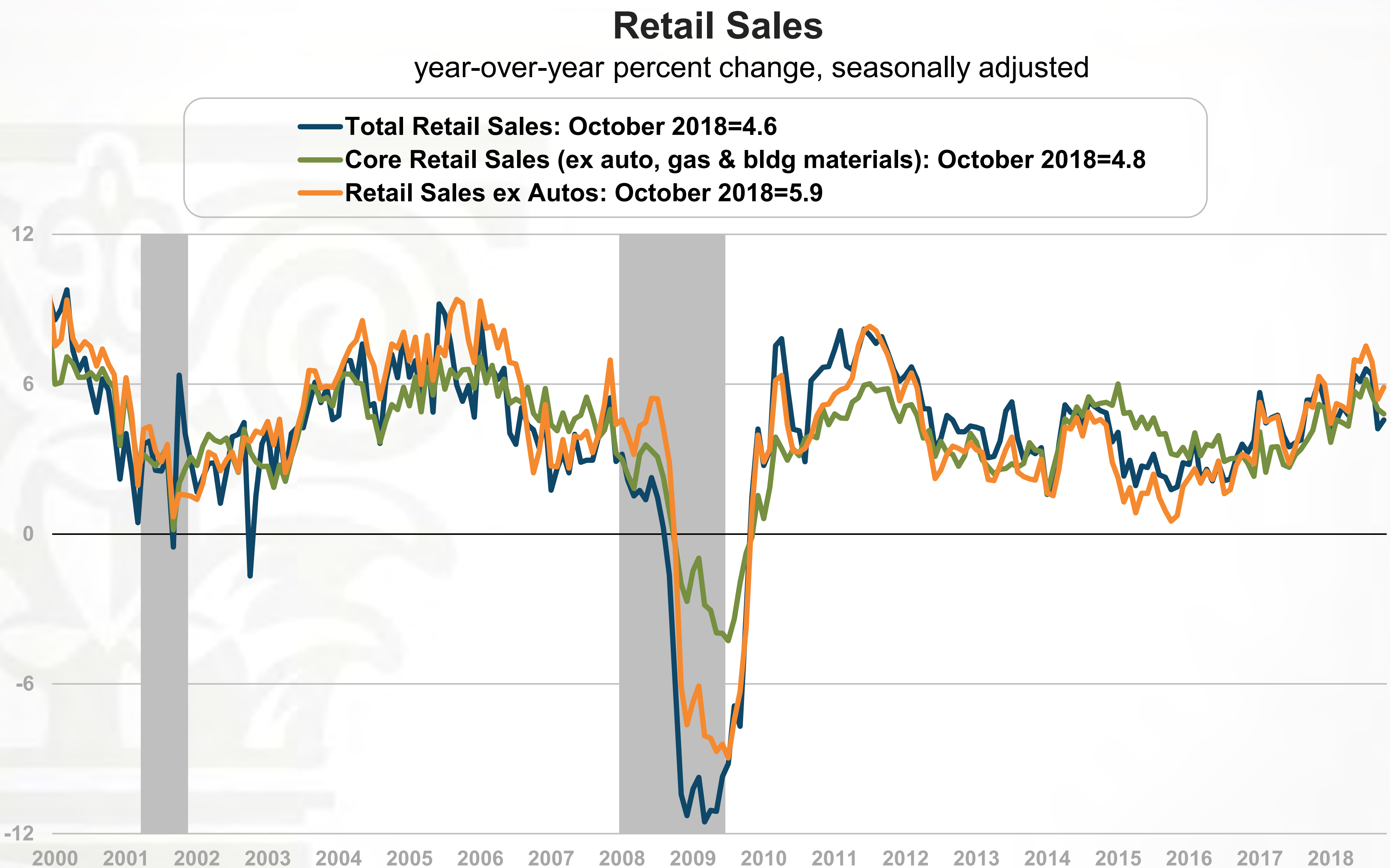


Percent change (a.r.)	Services	Nondurables	Durables
Last 12 months	2.4	3.3	6.4
2010-2017	1.9	2.1	6.6

Source: Bureau of Economic Analysis; Haver Analytics

data through September 2018

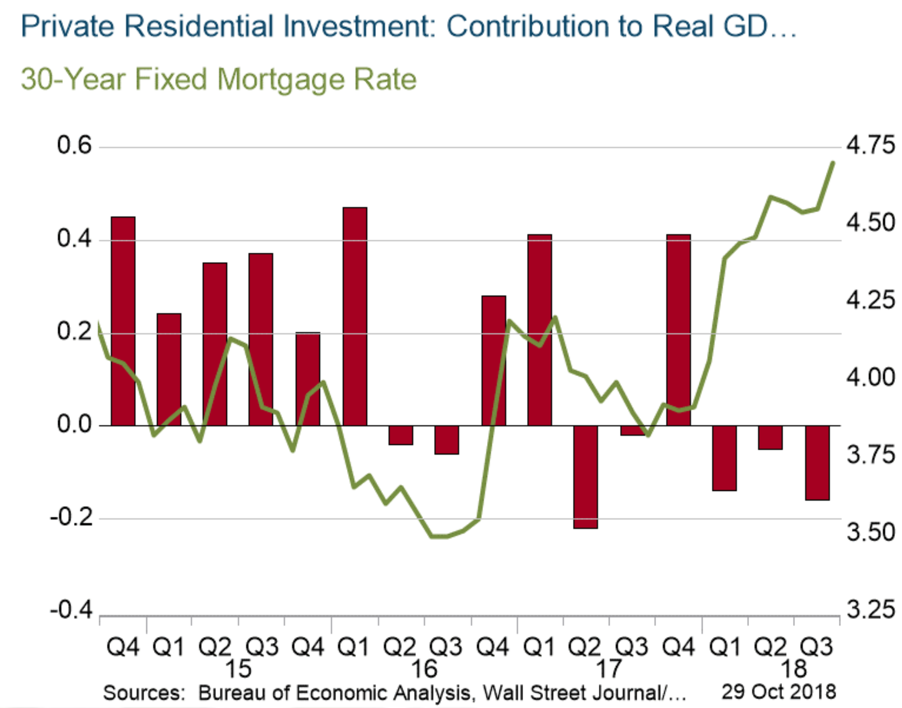
Retail sales growth has been on an upward trend over the past couple of years, with much of the recent strength appearing to be relatively broad based.



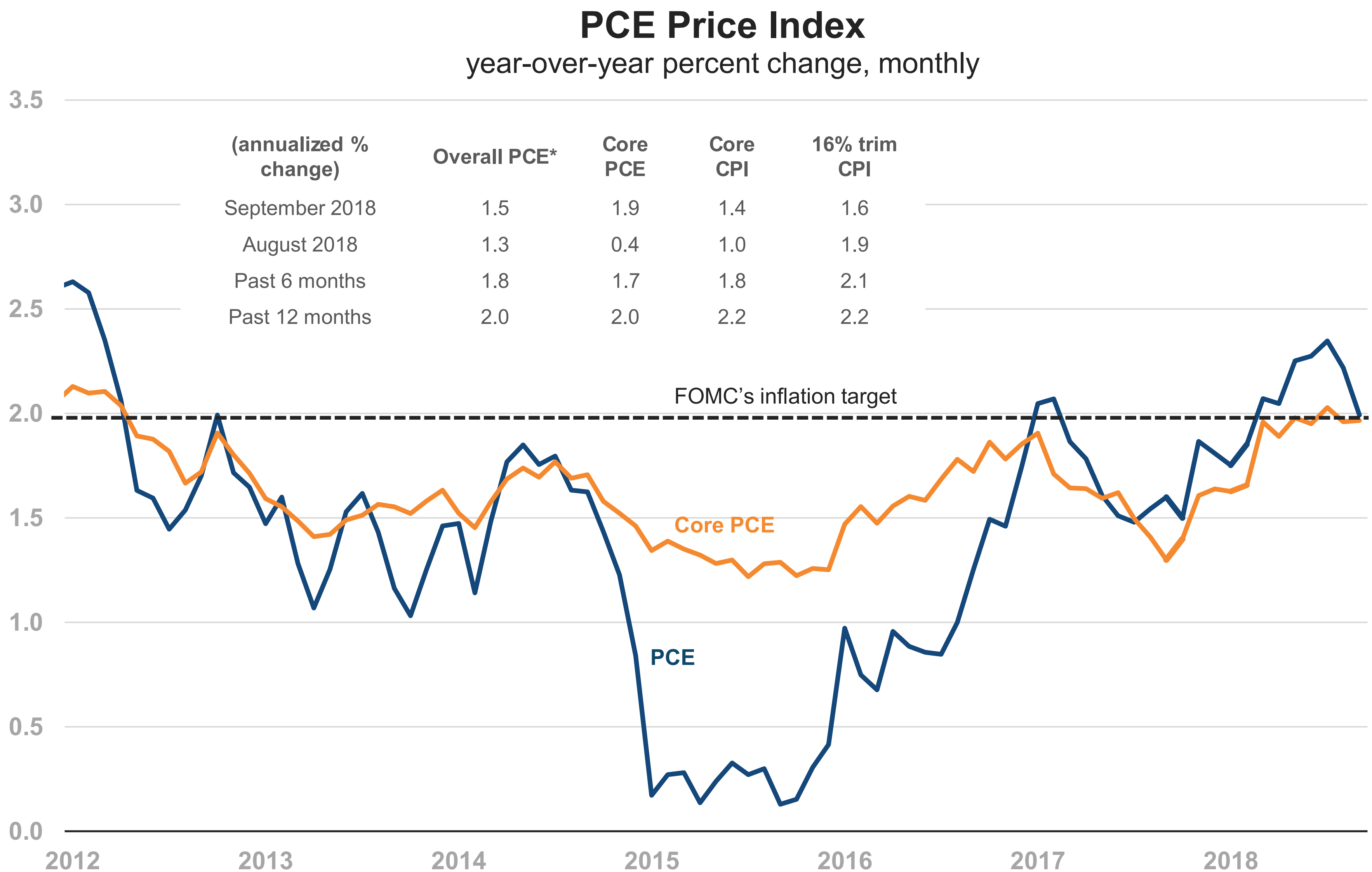
Source: U.S. Census Bureau/Haver Analytics

data through October 2018

Residential investment has been a drag on 2018 growth, with housing affordability becoming an increased challenge.



Recent inflation readings have been consistent the FOMC's 2% target.



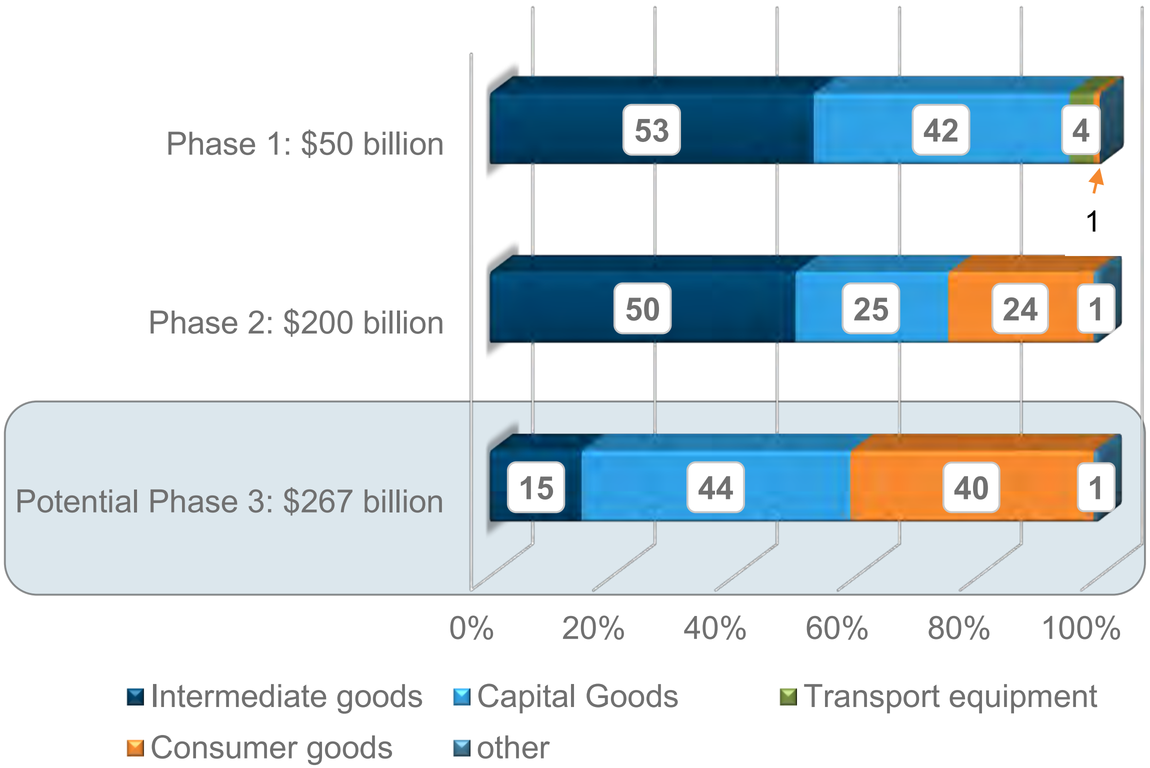
(annualized % change)	Overall PCE*	Core PCE	Core CPI	16% trim CPI
September 2018	1.5	1.9	1.4	1.6
August 2018	1.3	0.4	1.0	1.9
Past 6 months	1.8	1.7	1.8	2.1
Past 12 months	2.0	2.0	2.2	2.2

Sources: Bureau of Economic Analysis; Haver Analytics

data through September 2018

The latest round of tariffs on Chinese imports targeted a greater share of final consumer goods. A significant share of overall US imports of consumer goods such as furniture and electronics come from China.

Composition of US tariffs on Chinese imports



Source: Peterson Institute for International Economics (PIIE), International Trade Centre

China's share of total US imports
(2017, share of customs value)

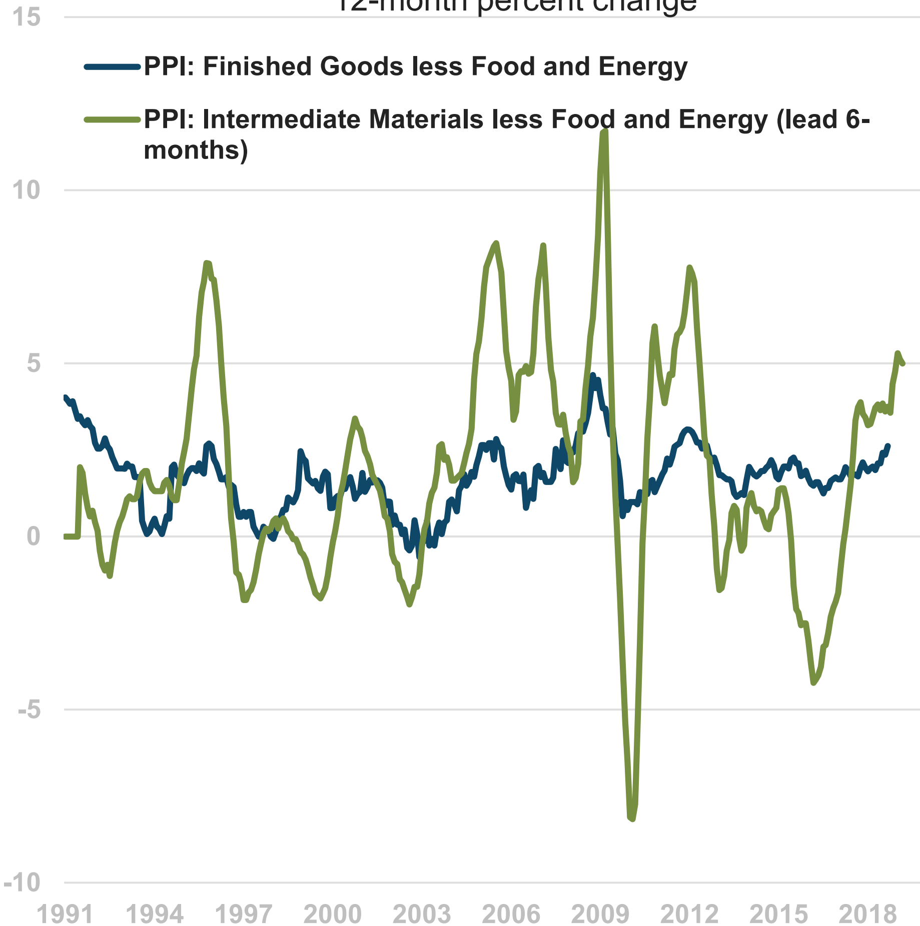
Total	**21.7**
Furniture & Fixtures	56.0
Textile Mill Products	54.2
Leather & Allied Products	53.5
Print Matter	50.7
Computer & Electronic Products	46.2
Elec Equip/Appliance/Component	39.4
Apparel & Accessories	34.9
Nonmetallic Mineral Products	34.3
Misc. Mfg Commodities	34.0
Fabricated Metal Products	32.9
Plastics & Rubber Products	32.8

Source: Census Bureau, staff calculations

One potential implication of recent tariffs is that they could push up costs. The key question here is whether firms still have room to squeeze margins before passing on these prices to the final consumer. Margins have improved since early in the recovery, but the pace of that improvement appears to have stalled out.

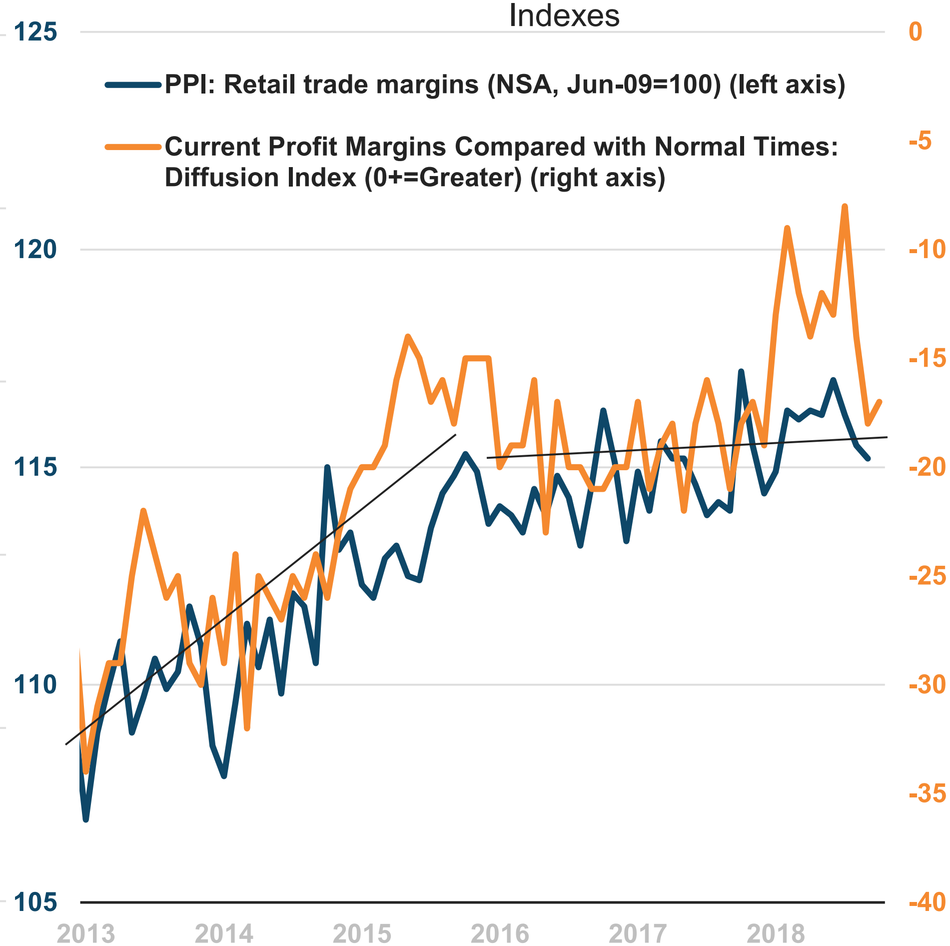
Intermediate and Finished Core Goods Prices

12-month percent change



PPI: Retail trade margins index vs the BIE margins index

Indexes



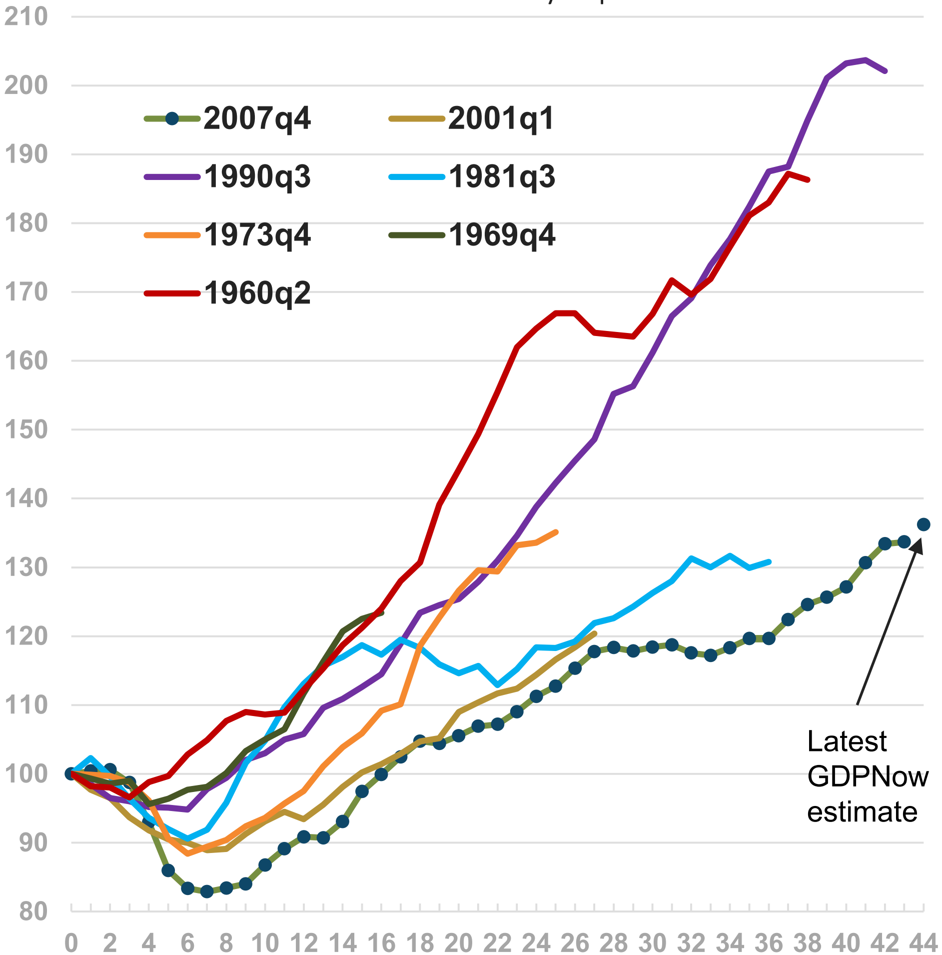
Sources: Federal Reserve Bank of Atlanta, *Business Inflation Expectations Survey;* Bureau of Labor Statistics; Producer Price Index program staff, "Wholesale and retail Producer Price Indexes: margin prices," *Beyond the Numbers: Prices & Spending*, vol. 1, no. 8 (U.S. Bureau of Labor Statistics, August 2012)

BLS data thru Sept. 2018; FRBA data thru Oct.2018

43 quarters after the onset of the 2007-09 recession, we are now in the longest post-war peak-to-peak business cycle on record. However, the current cycle also been the slowest, especially for business investment and household consumption growth.

Business Fixed Investment: Business Cycle Graph

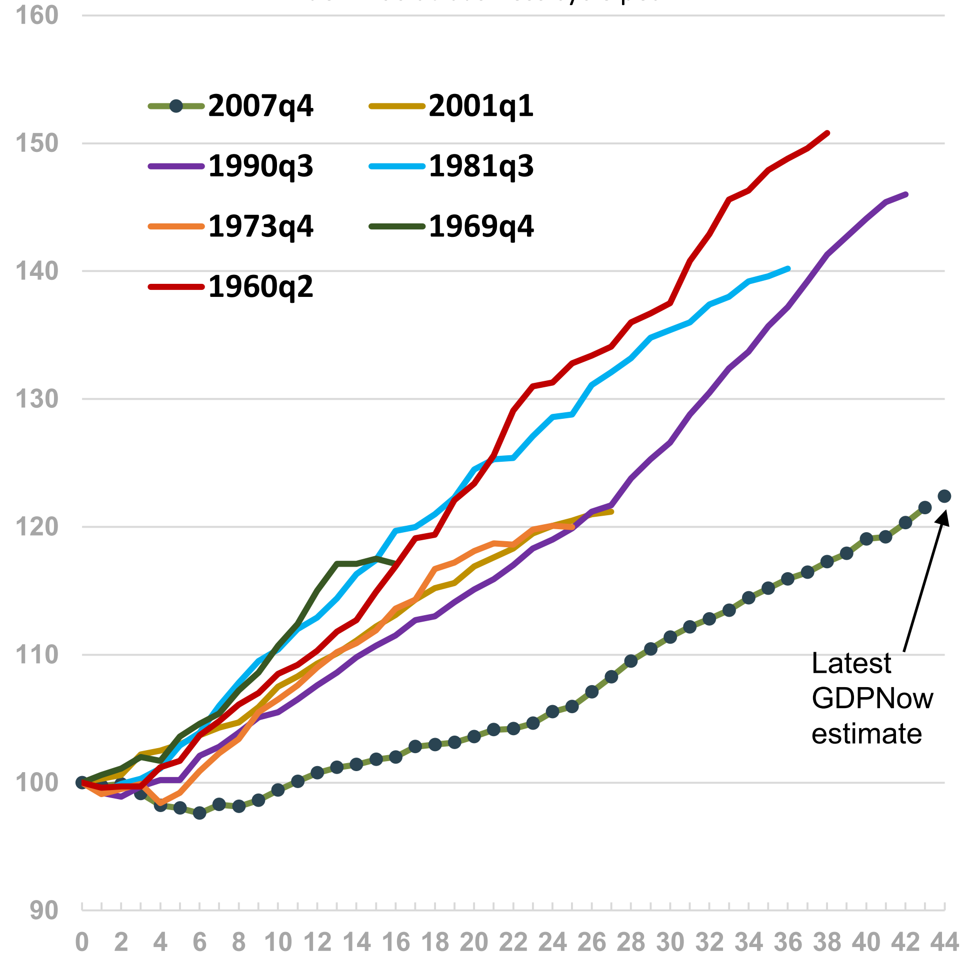
Index=100 at business cycle peak



Note: Business cycles (length of line is equal to the number of quarters between "peaks")

Real Personal Consumption Expenditures: Business Cycle Graph

Index=100 at business cycle peak

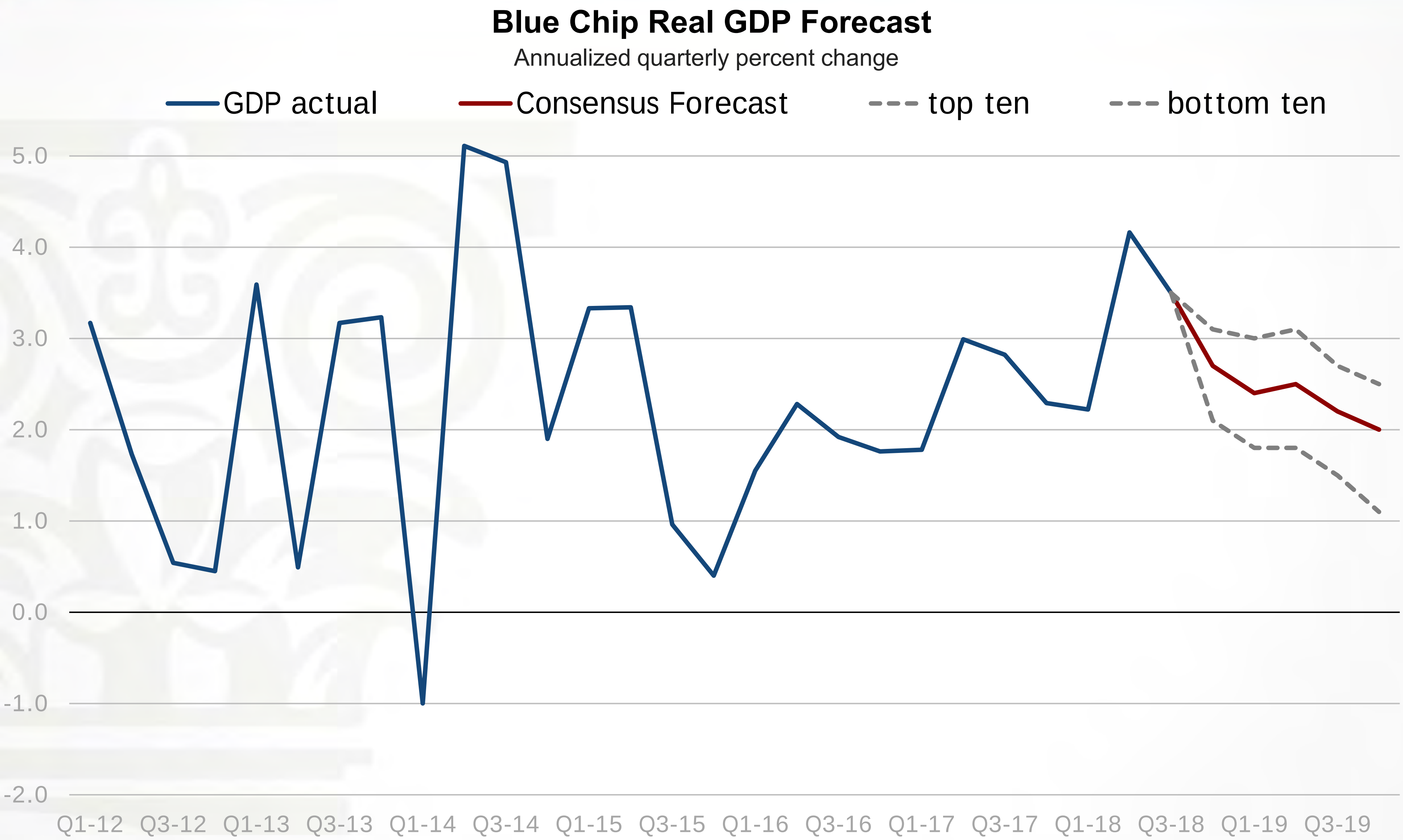


Note: Business cycles (length of line is equal to the number of quarters between "peaks")

Source: Bureau of Economic Analysis, FRBA staff calculations; Haver Analytics

data through Q3-2018

With respect to the outlook for the economy going forward, private economists expect GDP to gradually return to a more modest rate of growth, following above-trend growth in 2018.



Source: Blue Chip panel of economists, November 10, 2018

What we're hearing anecdotally from Tennessee business contacts:

On balance, Tennessee businesses contacts are optimistic about the growth of activity next year, though there is a rising sense of caution about the out-years.

Specifically:

- Firms that derive most of their sales domestically are generally more optimistic than those dependent on foreign demand.
- Travel and tourism activity remains a bright spot.
- Housing affordability is an increasing concern for employers.
- Many businesses have reported success passing rising input prices on to their customers. There remain questions about how much more prices can increase without dampening consumer demand.
- Employment trends continue to suggest that the economy is very near its maximum employment capacity– though trends continue to vary by geography, industry, and job type.

Tennessee State Funding Board

November 20, 2018

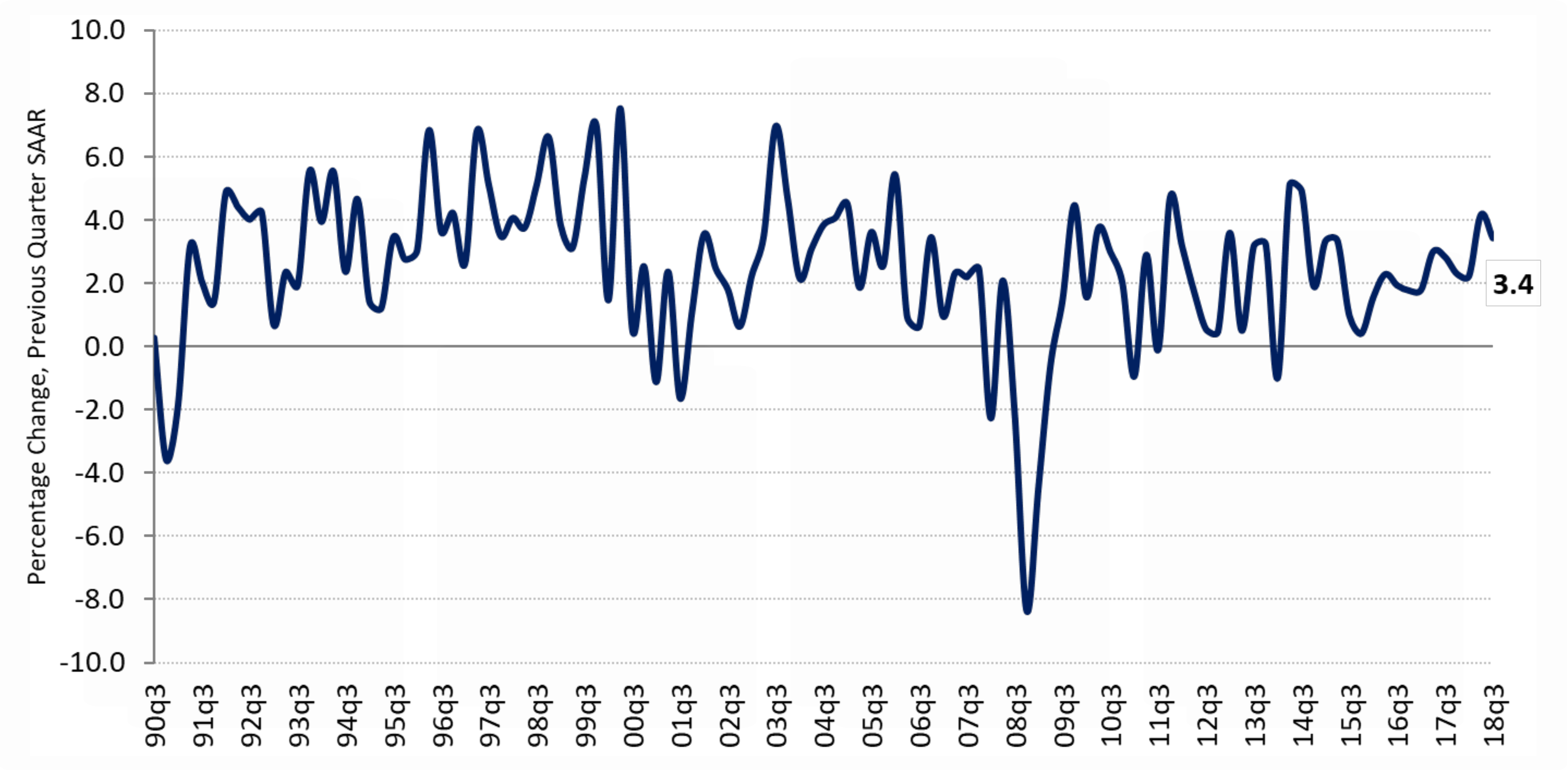
Laurel Graefe
Regional Executive - Tennessee

Tennessee Economic Outlook and Tax Revenues

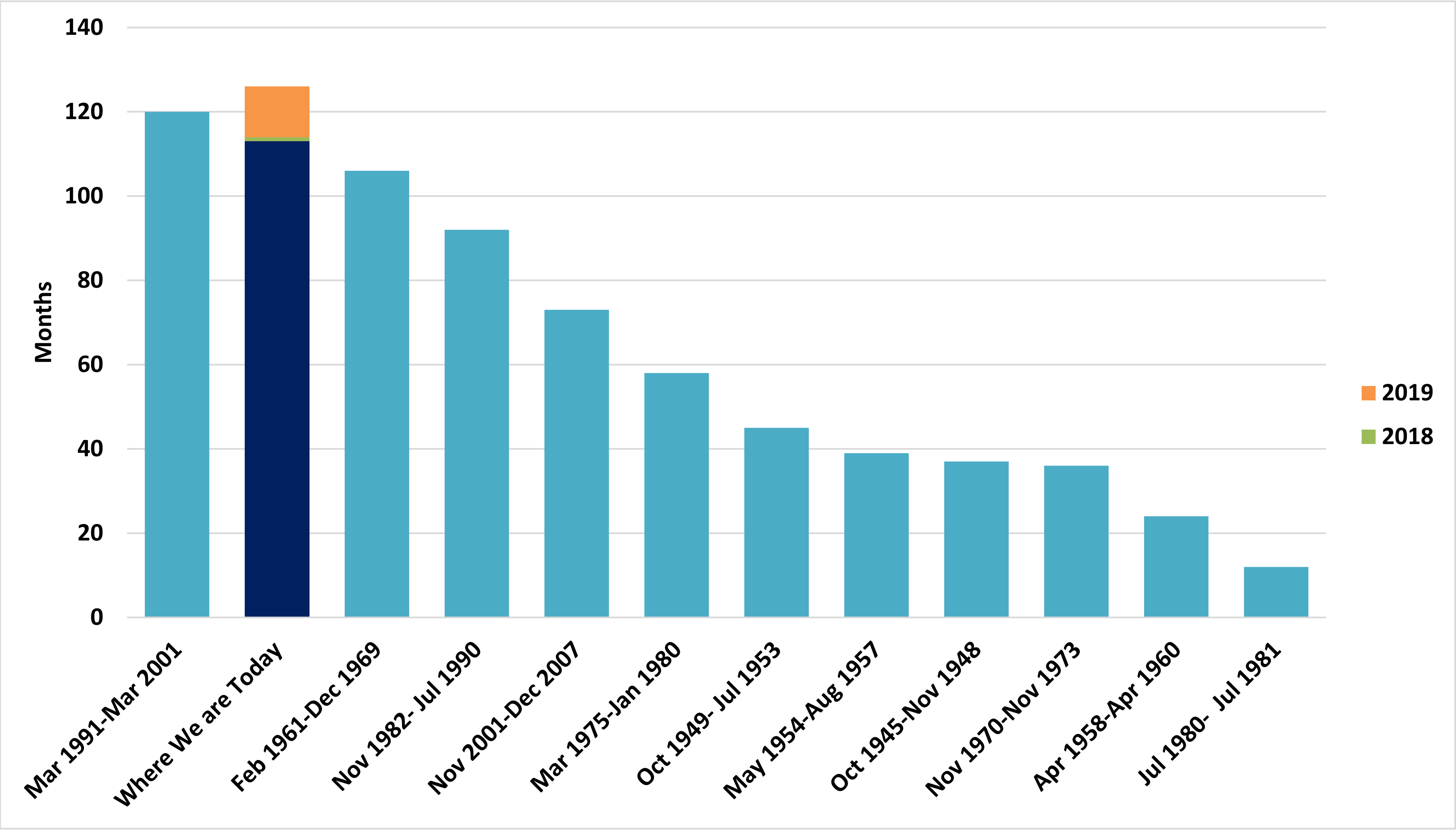
William F. Fox, Director
November 20, 2018

THE UNIVERSITY OF TENNESSEE
KNOXVILLE
BOYD CENTER FOR BUSINESS AND ECONOMIC RESEARCH

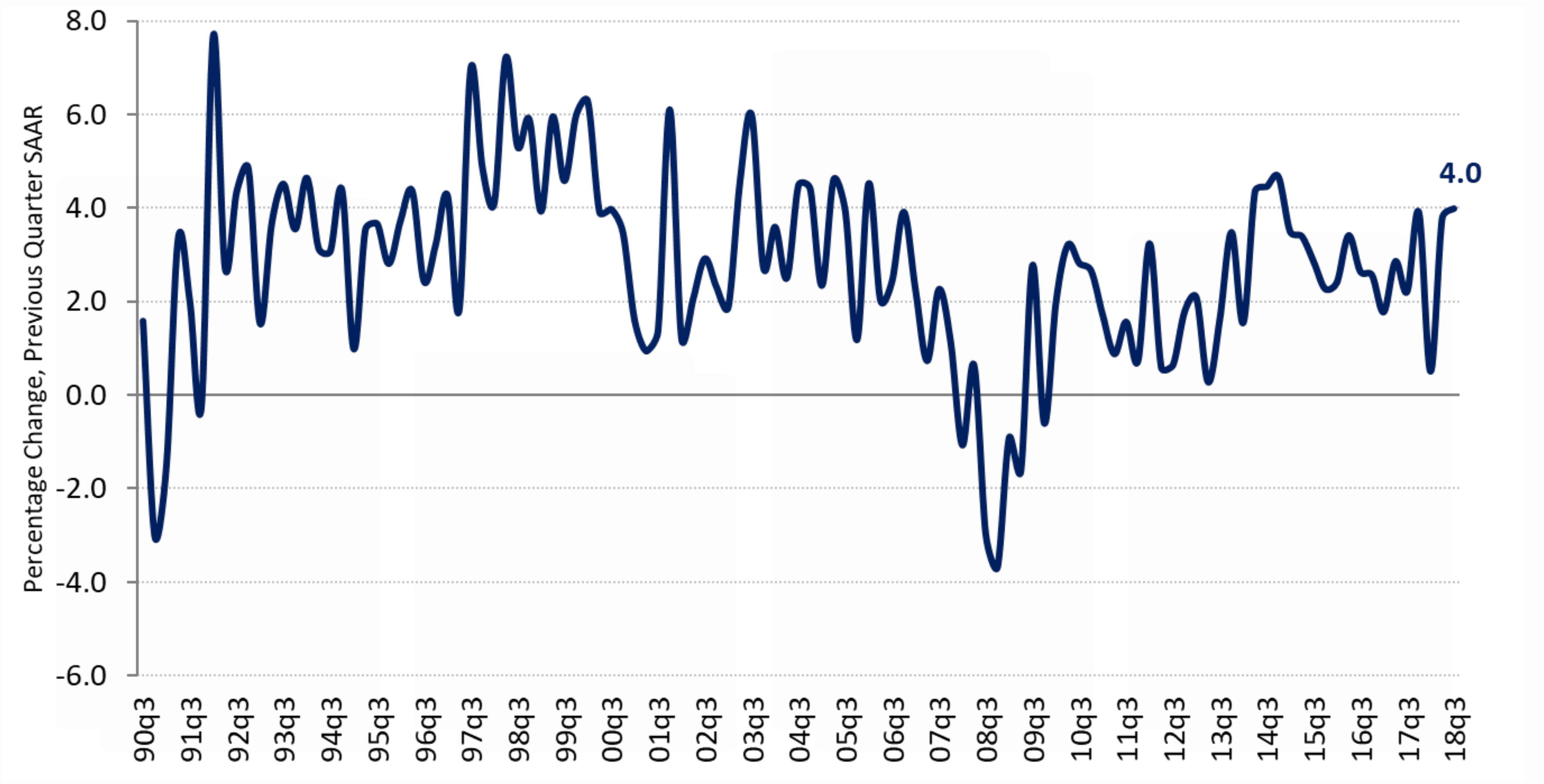
Growth in Quarterly Real Gross Domestic Product (chained 2012 dollars)



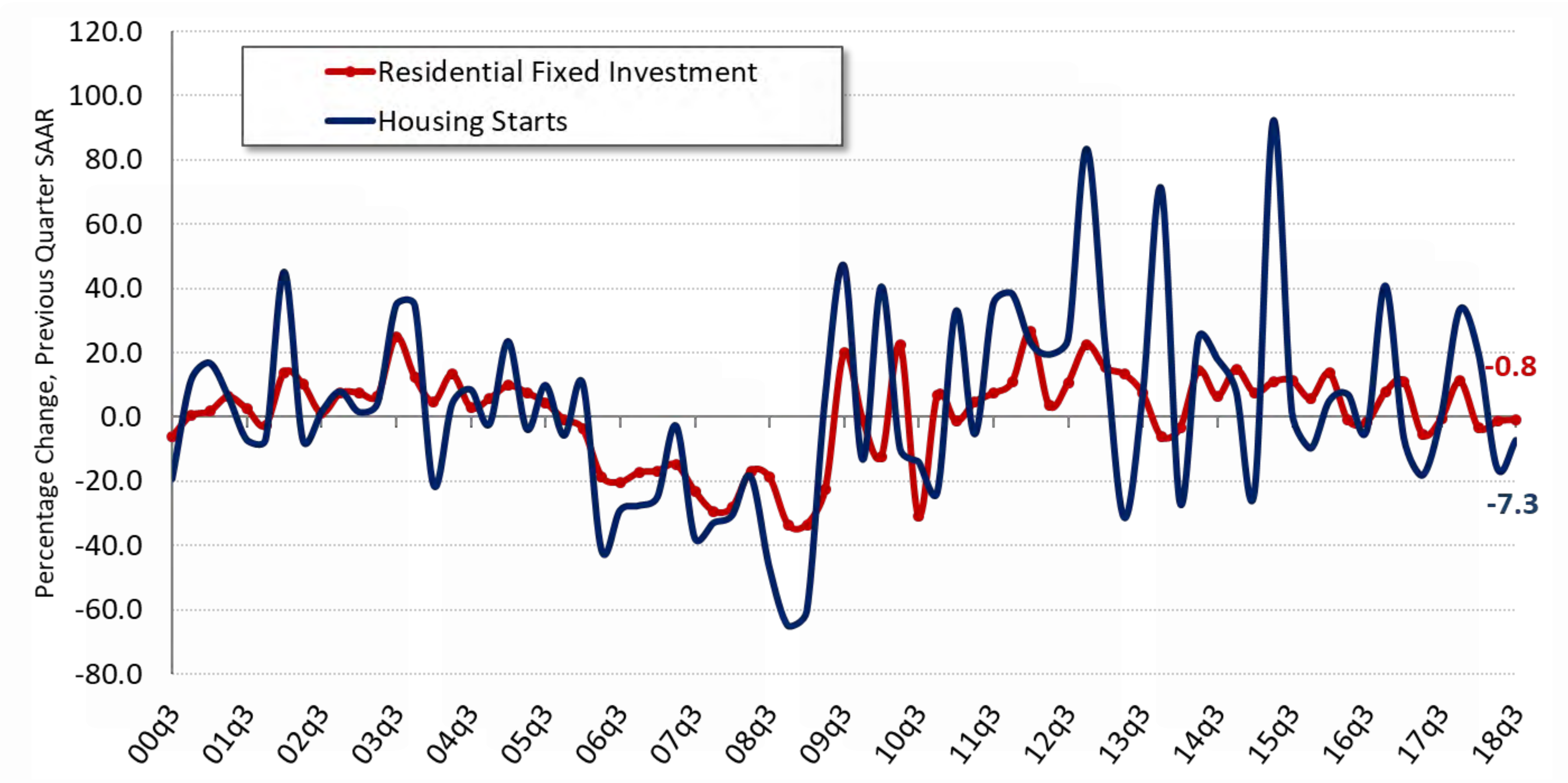
The current expansion will be the longest in history by the fiscal year's end



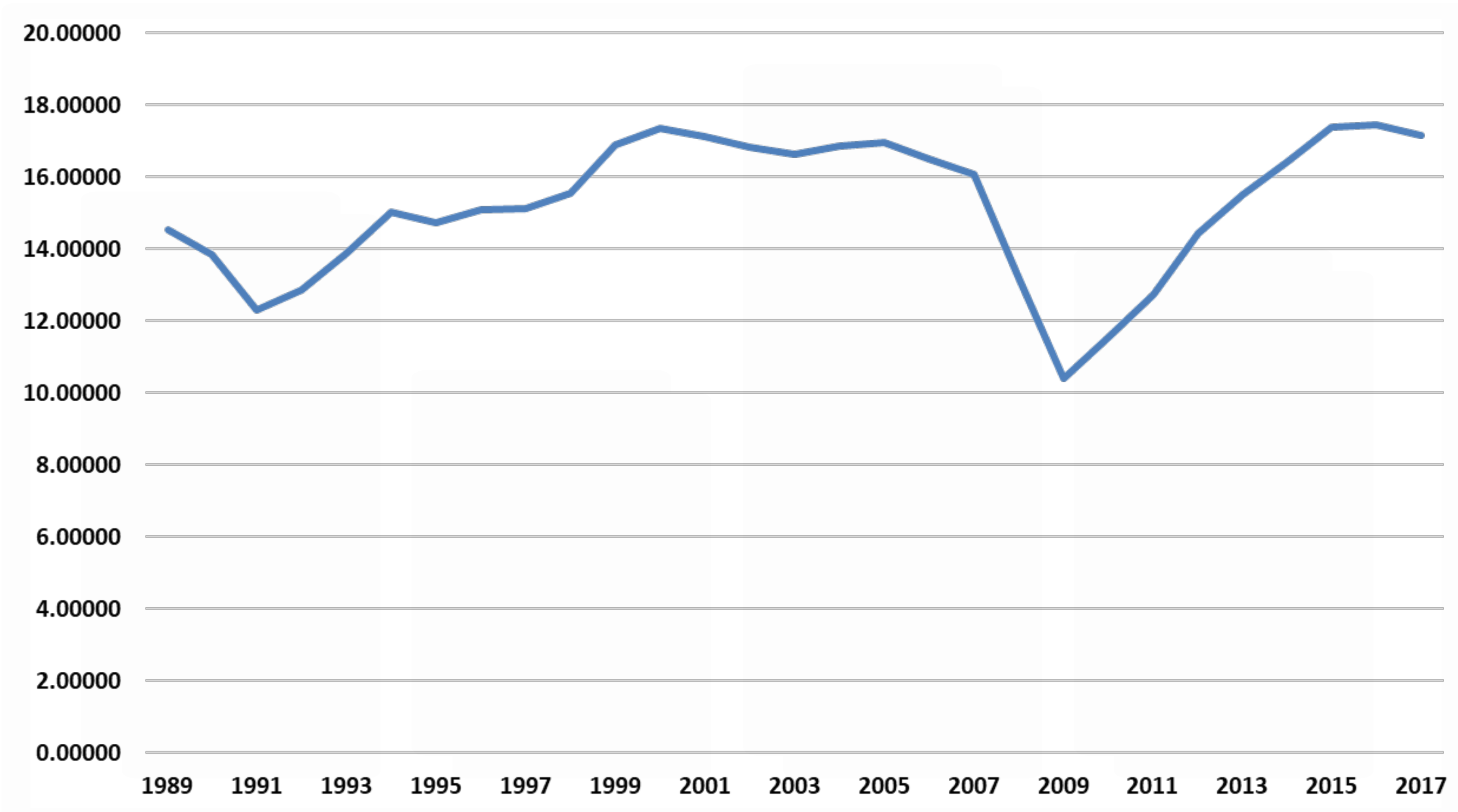
Growth in Quarterly Real Personal Consumption Expenditures (chained 2012 dollars)



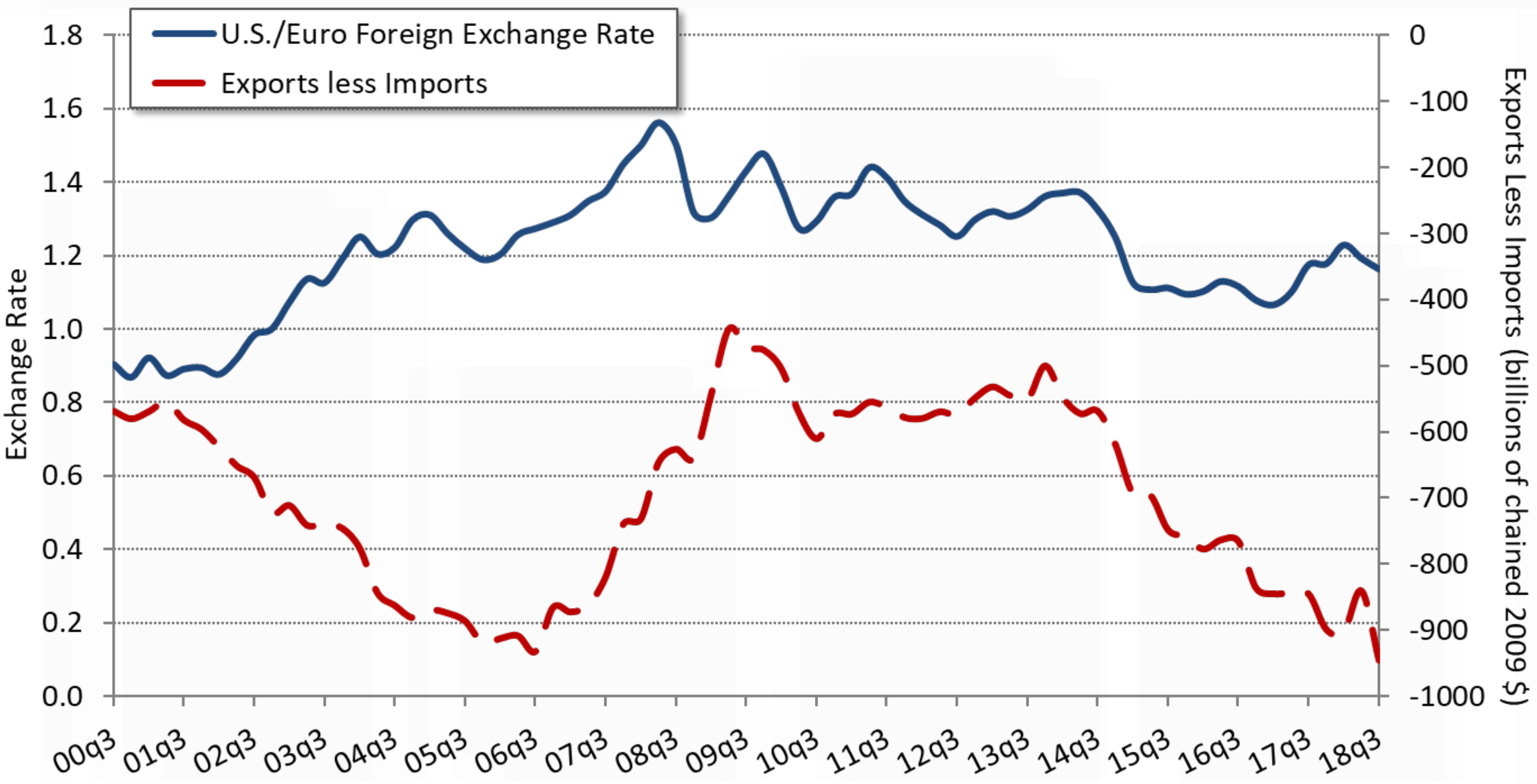
Growth in Quarterly Real Private Residential Fixed Investment and Housing Starts



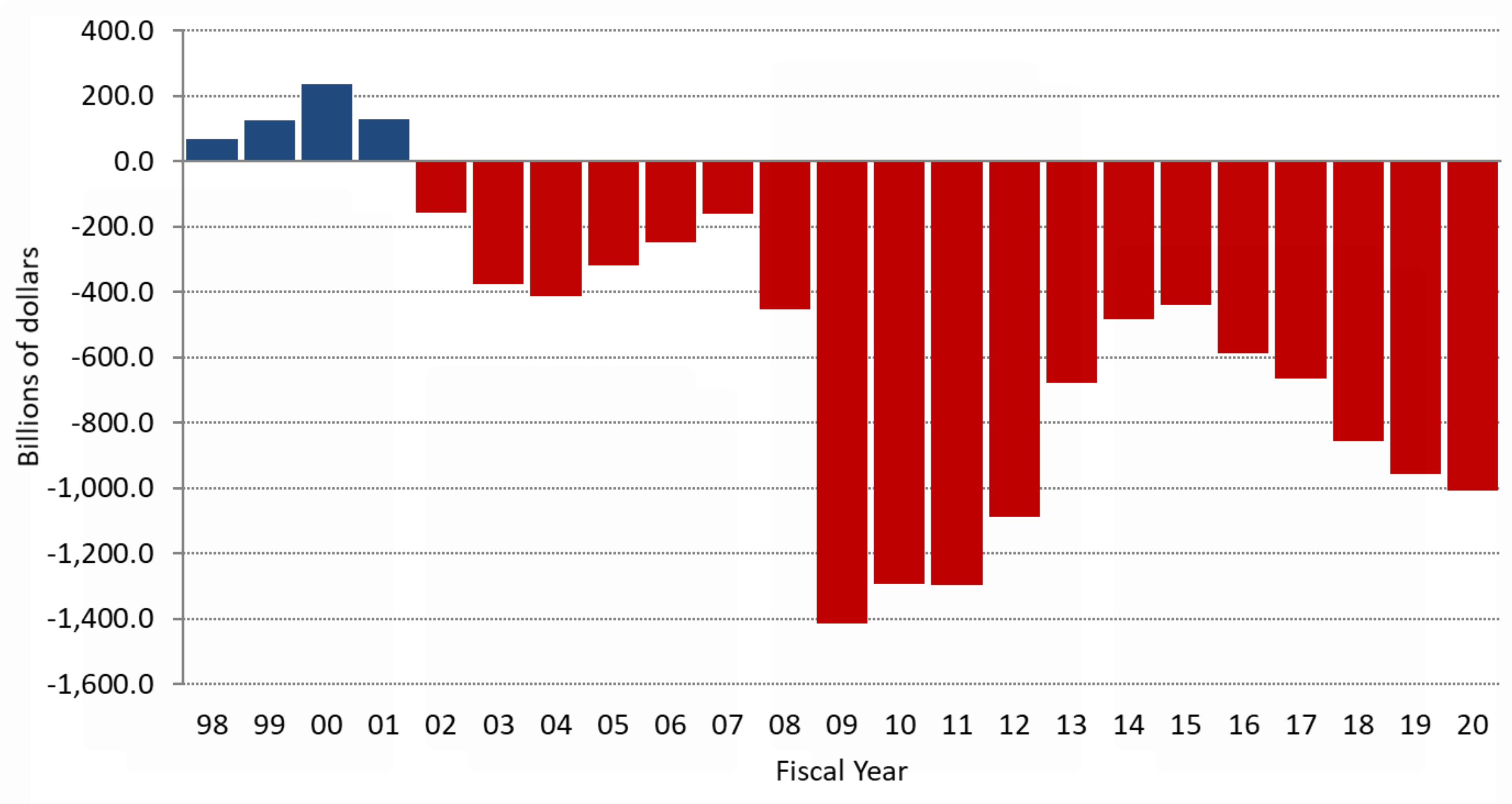
Unit Sales of New Light Vehicles



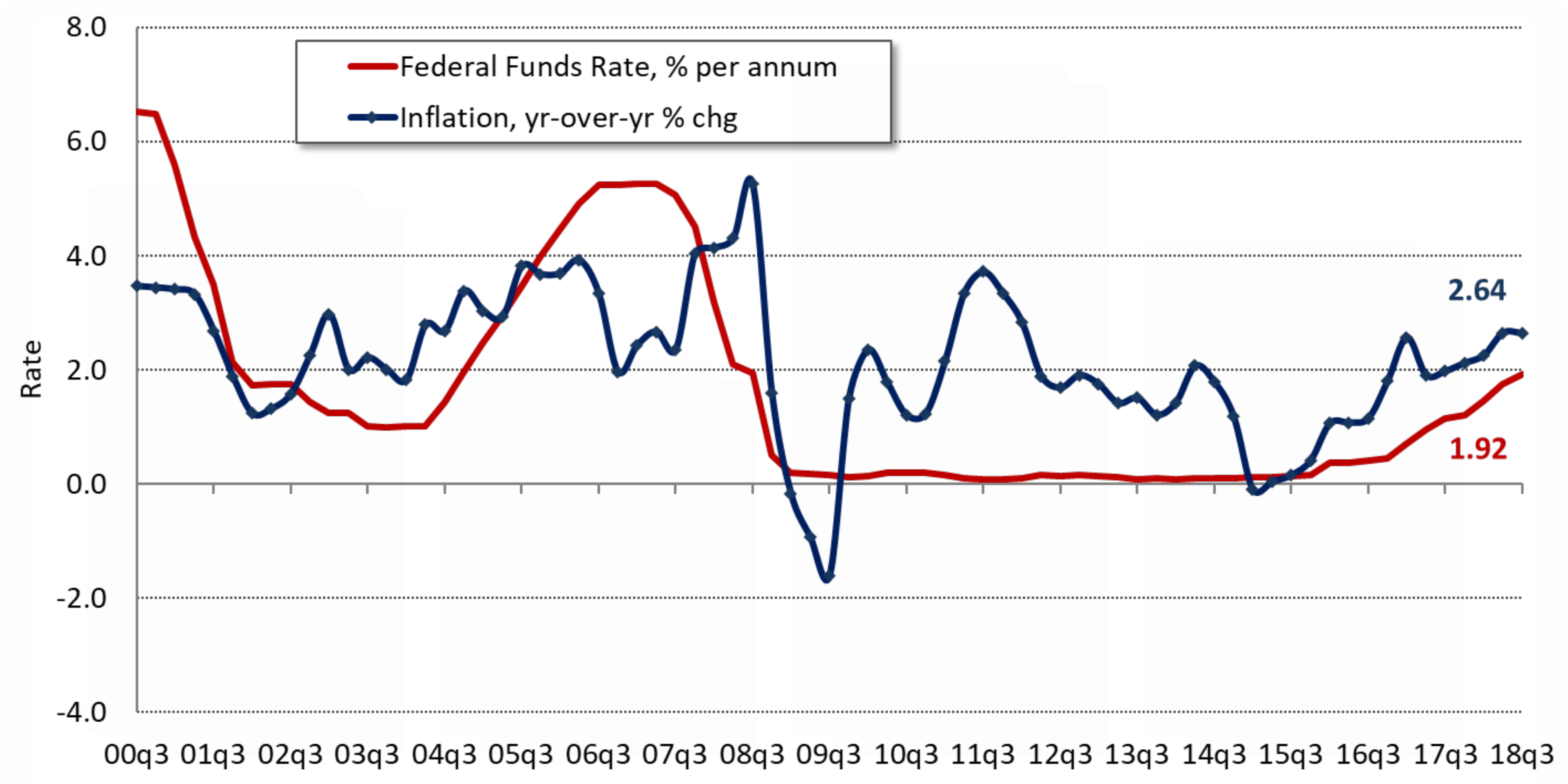
U.S./Euro Foreign Exchange Rate and Real Exports Less Imports



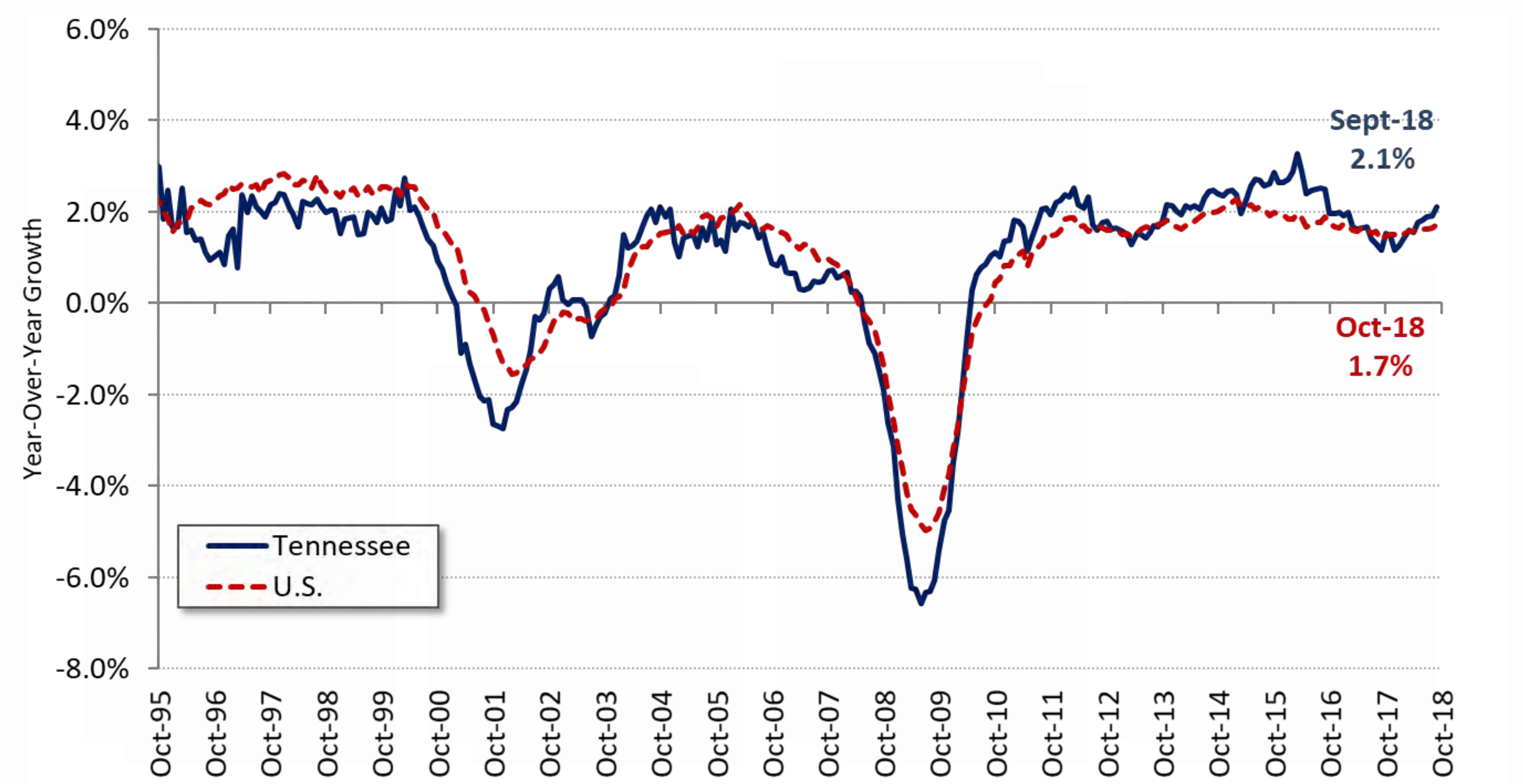
Unified Federal Budget Surplus



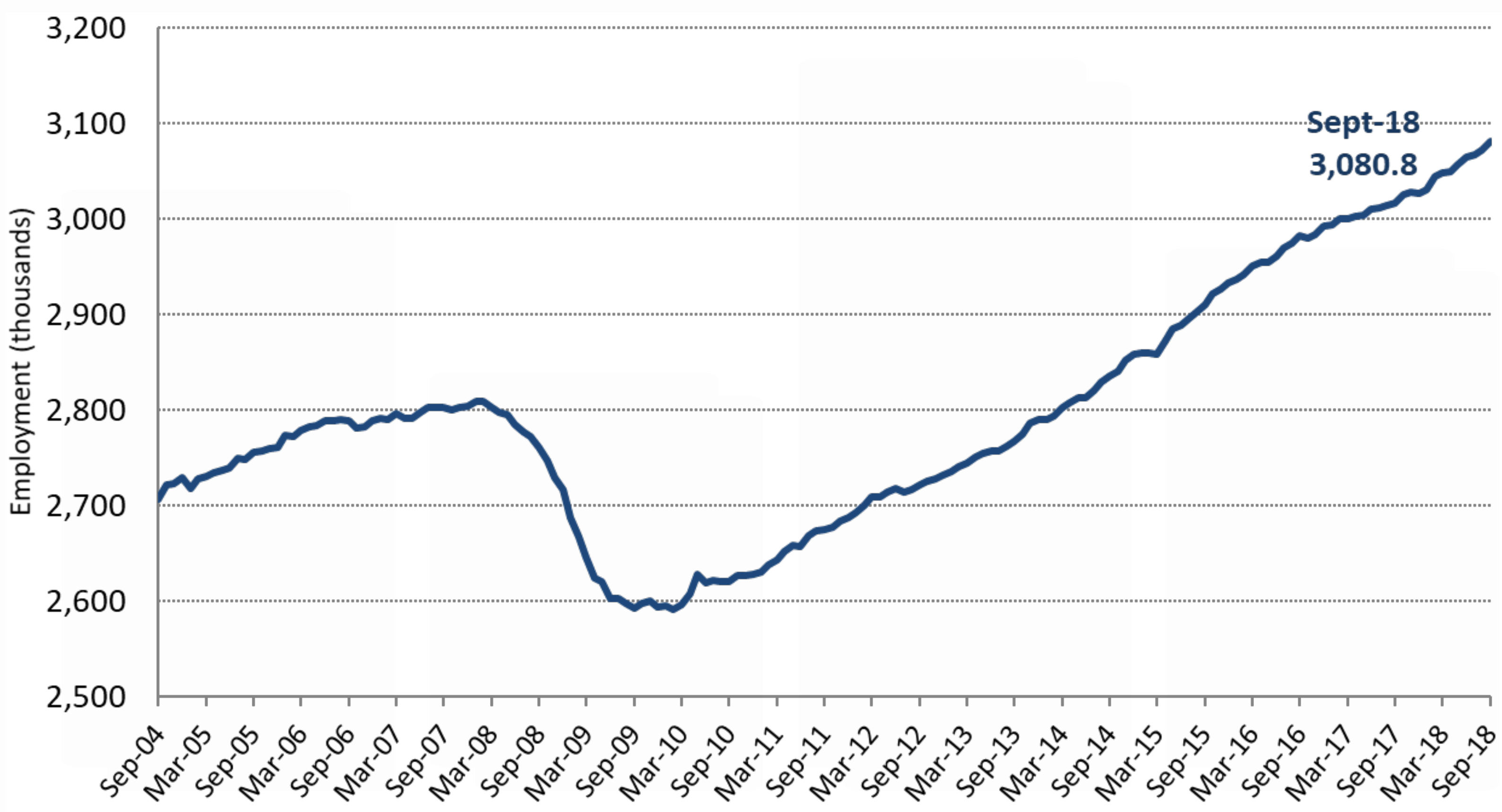
Interest Rates and Inflation



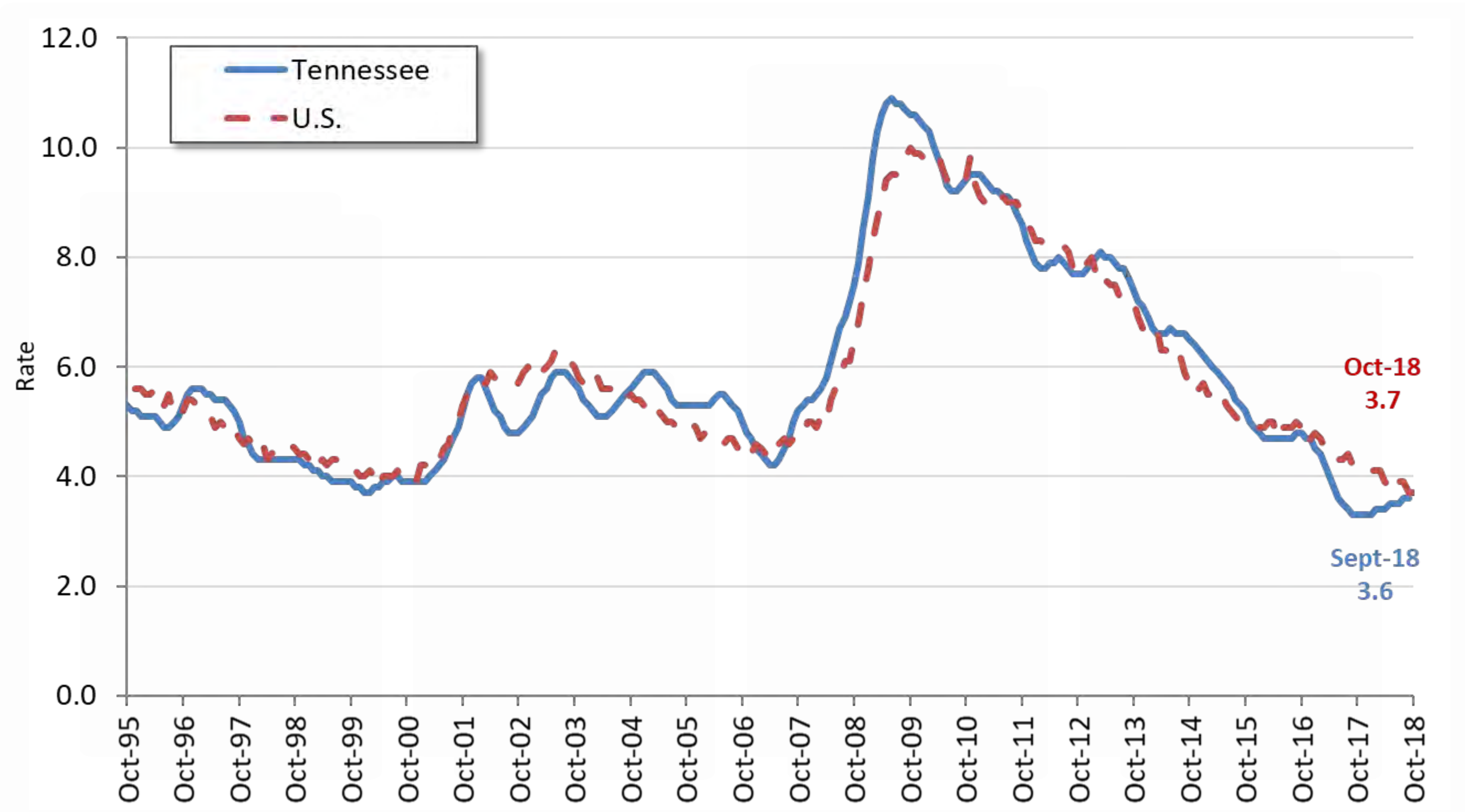
Tennessee and U.S. Nonfarm Job Growth
(year-over-year growth)



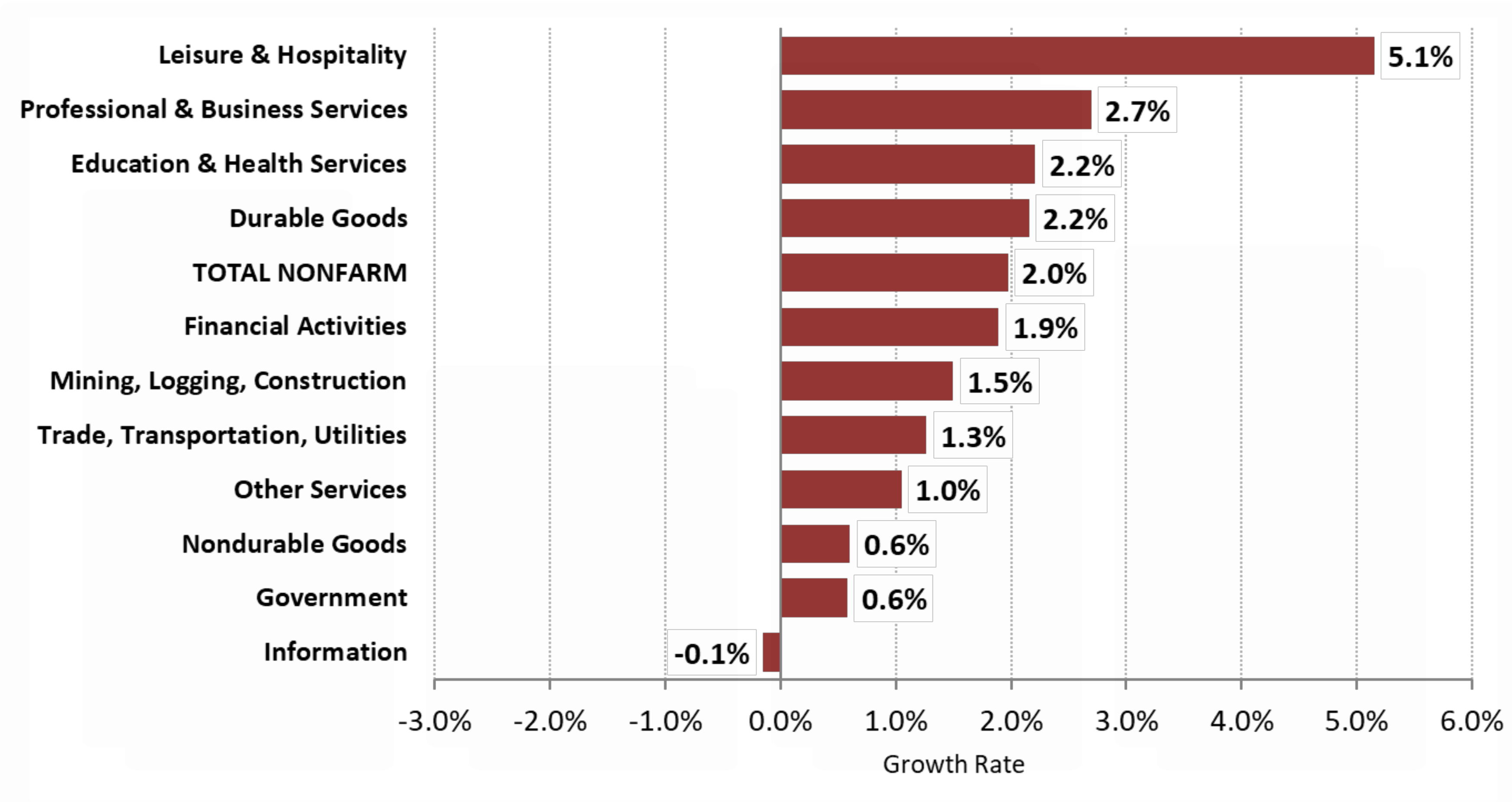
Tennessee Monthly Nonfarm Jobs
(seasonally adjusted)



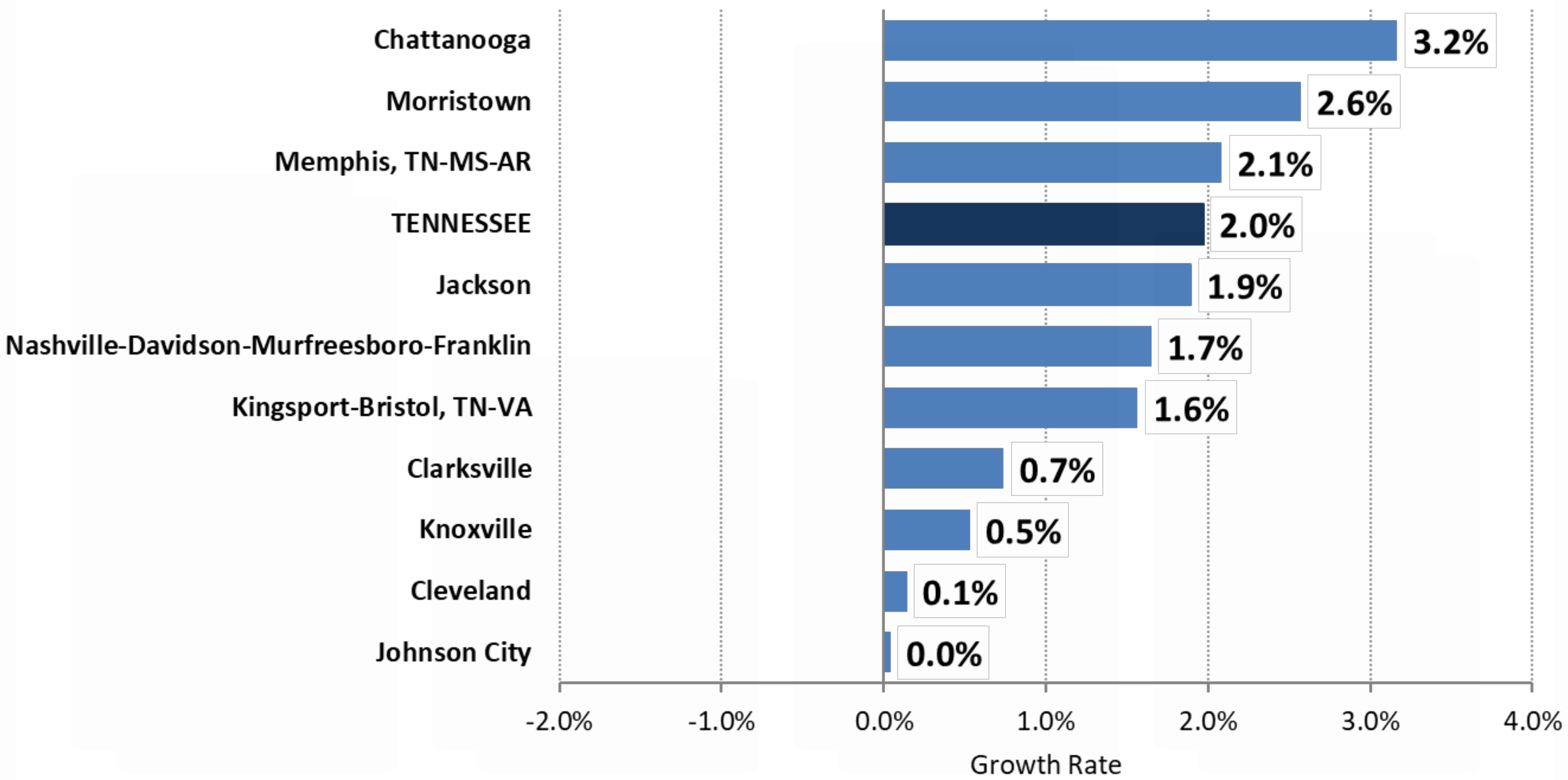
Tennessee and U.S. Unemployment Rate
(seasonally adjusted)



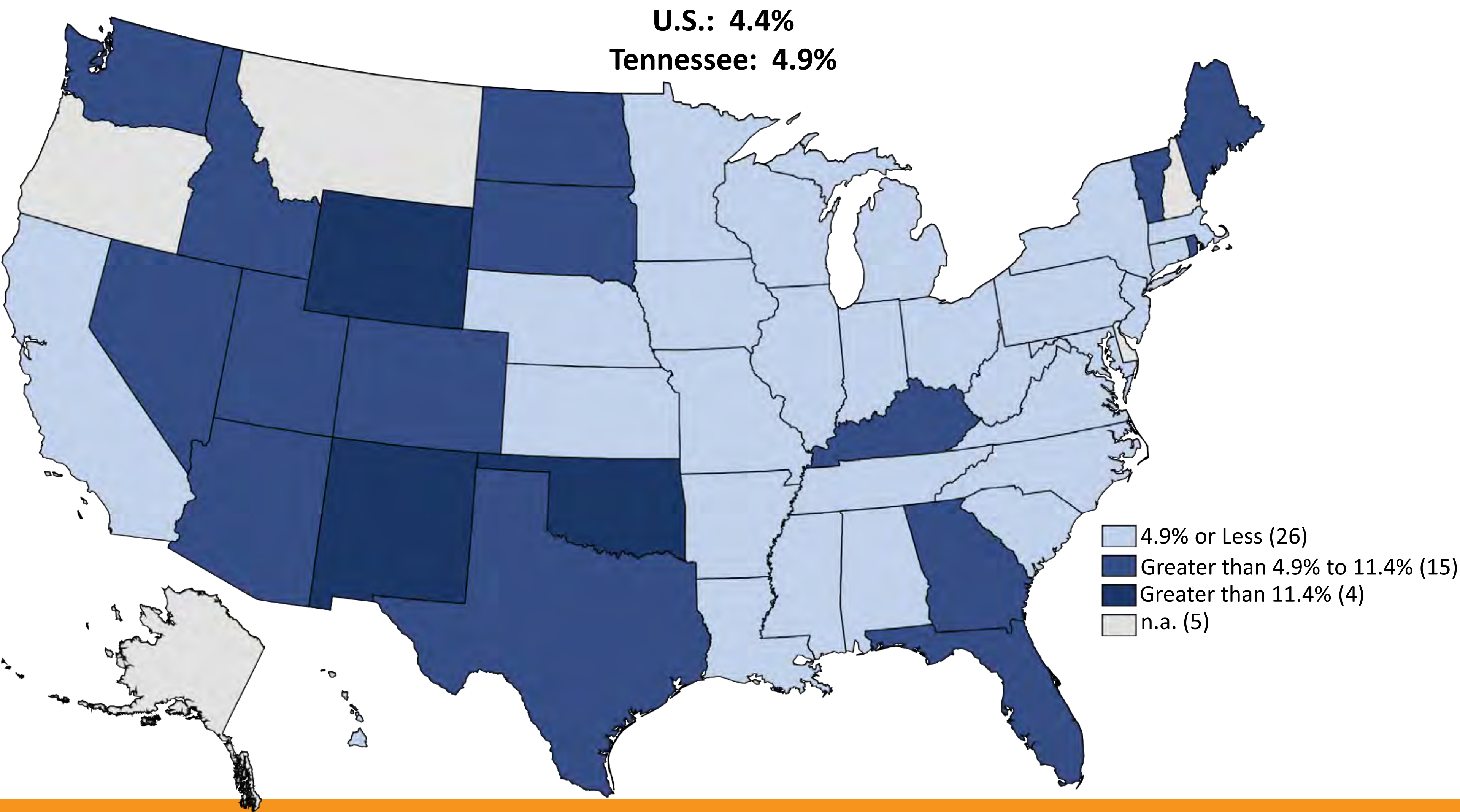
Tennessee Job Growth by Sector
(Quarter Ending Sept. 2017 to Sept. 2018)



Nonfarm Employment Growth, MSAs
(Quarter Ending Sept. 2017 to Sept. 2018)



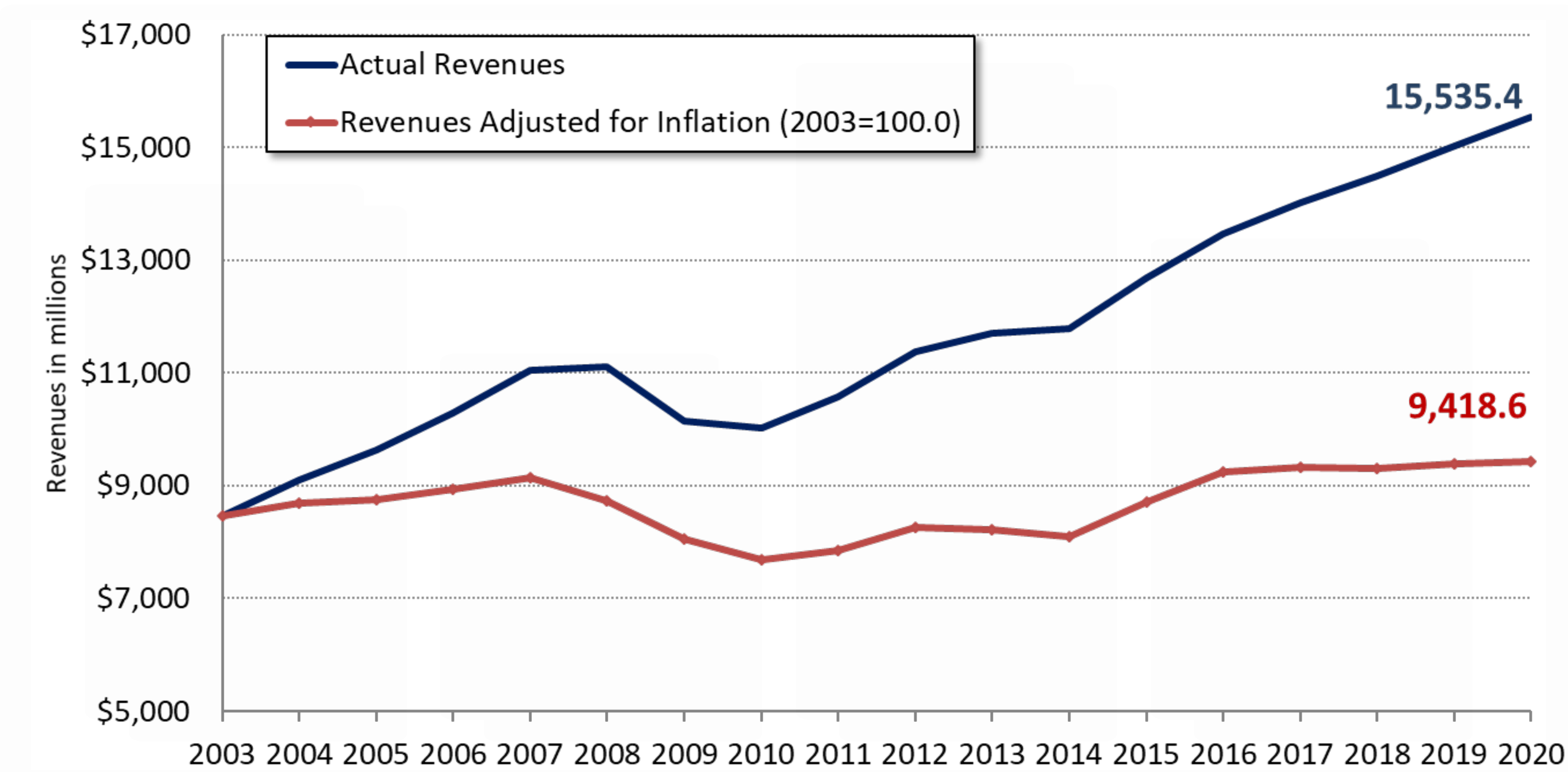
Change in Sales Taxes, January–March, 2017 to 2018



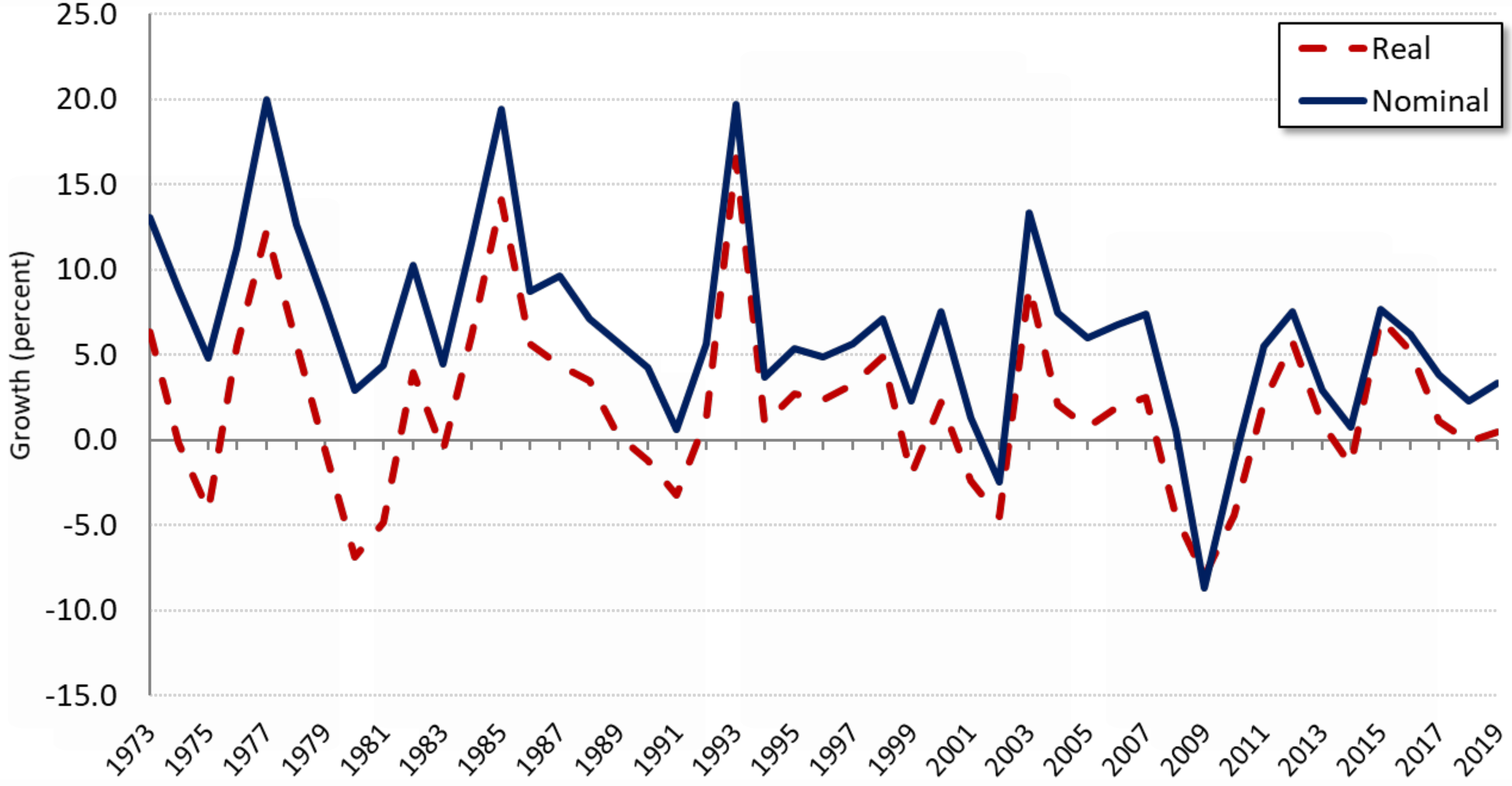
Tennessee Department of Revenue Collections (Millions of Dollars)	2018			2019			2020		
	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund
Sales and Use	8,835.2	3.3	8,294.1	9,206.3	4.2	8,650.9	9,510.1	4.2	8,936.4
Gasoline	807.7	20.6	12.9	841.4	4.2	14.0	875.0	4.2	14.5
Motor Fuel	222.7	25.5	2.1	257.1	15.4	3.6	289.2	15.4	4.1
Gasoline Inspection	69.0	1.1	20.1	69.7	1.0	20.5	70.4	1.0	20.7
Motor Vehicle Registration	327.4	19.0	52.0	335.9	2.6	54.9	339.3	2.6	55.4
Income	246.0	-1.6	164.8	191.9	-22.0	126.1	133.0	-22.0	87.5
Privilege	360.1	-5.2	354.1	374.5	4.0	368.9	389.5	4.0	383.6
Gross Receipts	368.4	-1.4	211.5	385.3	4.6	221.0	386.3	4.6	221.6
Gross Receipts - TVA	343.6	0.6	190.1	360.0	4.8	198.1	360.0	4.8	198.1
Gross Receipts - Other	24.8	-22.3	21.3	25.3	2.0	20.9	26.3	2.0	21.7
Beer	16.7	-2.9	11.2	16.9	1.0	11.3	16.9	1.0	11.3
Alcoholic Beverage	66.7	3.9	55.1	70.7	6.0	58.5	74.9	6.0	62.0
Franchise & Excise	2,570.7	-1.9	2,317.1	2,663.2	3.6	2,406.2	2,823.0	3.6	2,550.6
Inheritance & Estate	-0.7	-107.6	-0.7	0.0	-100.0	0.0	0.0		0.0
Tobacco	248.2	-2.9	248.2	245.7	-1.0	245.7	240.8	-1.0	240.8
Motor Vehicle Title	25.2	5.4	22.5	25.4	1.0	22.6	26.2	1.0	23.3
Mixed Drink	119.3	13.0	59.7	127.7	7.0	63.8	136.6	7.0	68.3
Business	198.3	14.6	198.3	210.2	6.0	210.2	222.8	6.0	222.8
Severance	1.0	-14.8	0.5	1.1	7.6	0.3	1.1	7.6	0.3
Coin Amusement	0.3	0.0	0.3	0.2	0.0	0.2	0.2	0.0	0.2
Unauthorized Substance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	14,482.2	3.3	12,023.7	15,023.1	3.7	12,476.7	15,535.4	3.4	12,901.5
General Fund Growth		2.1			3.8			3.4	

November 20, 2018
William F. Fox
Boyd Center for Business and Economic Research
University of Tennessee, Knoxville

Actual Tax Collection Revenues and Revenues Adjusted for Inflation, 2003–2019

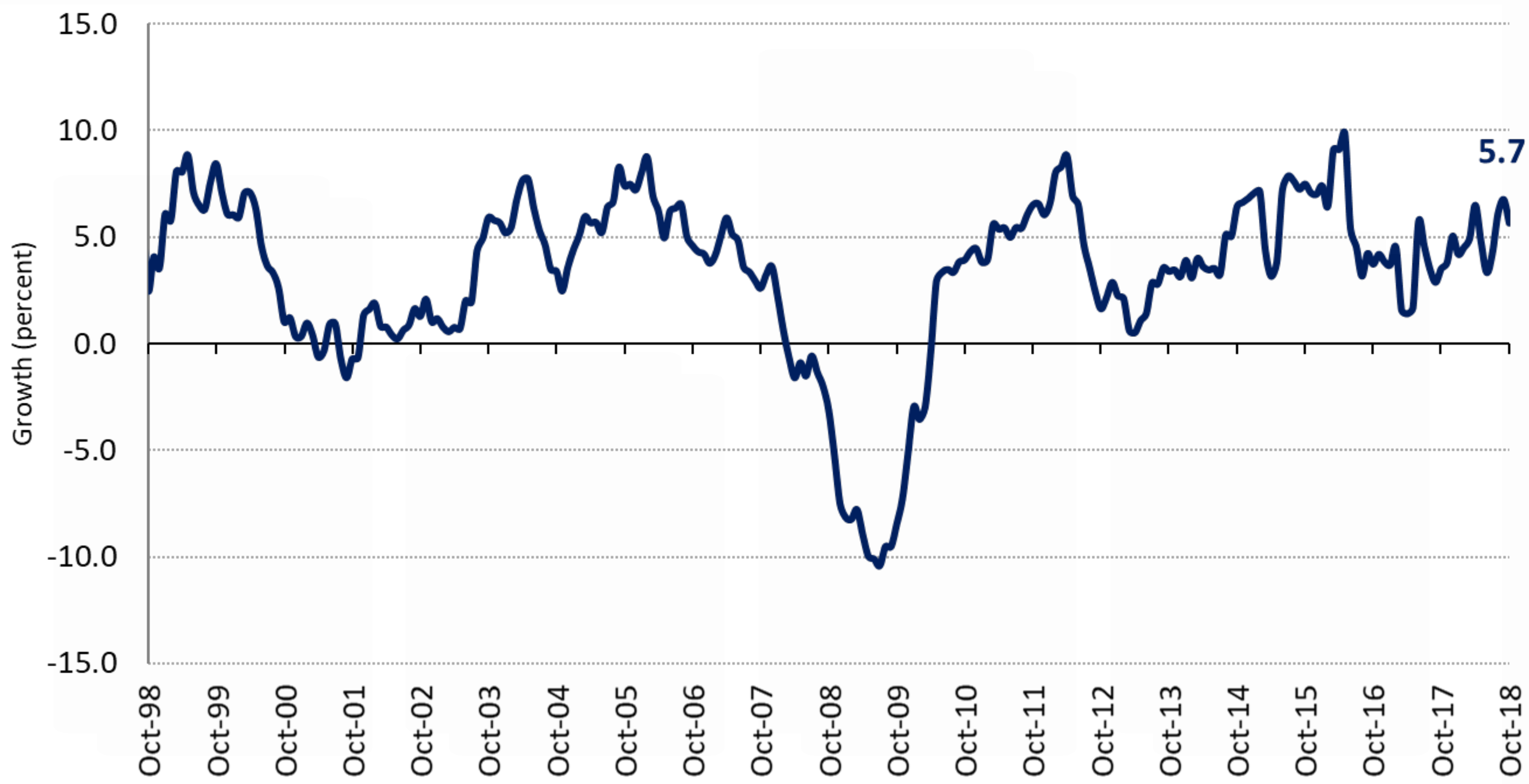


Growth in Adjusted Tax Collections
1973–2019



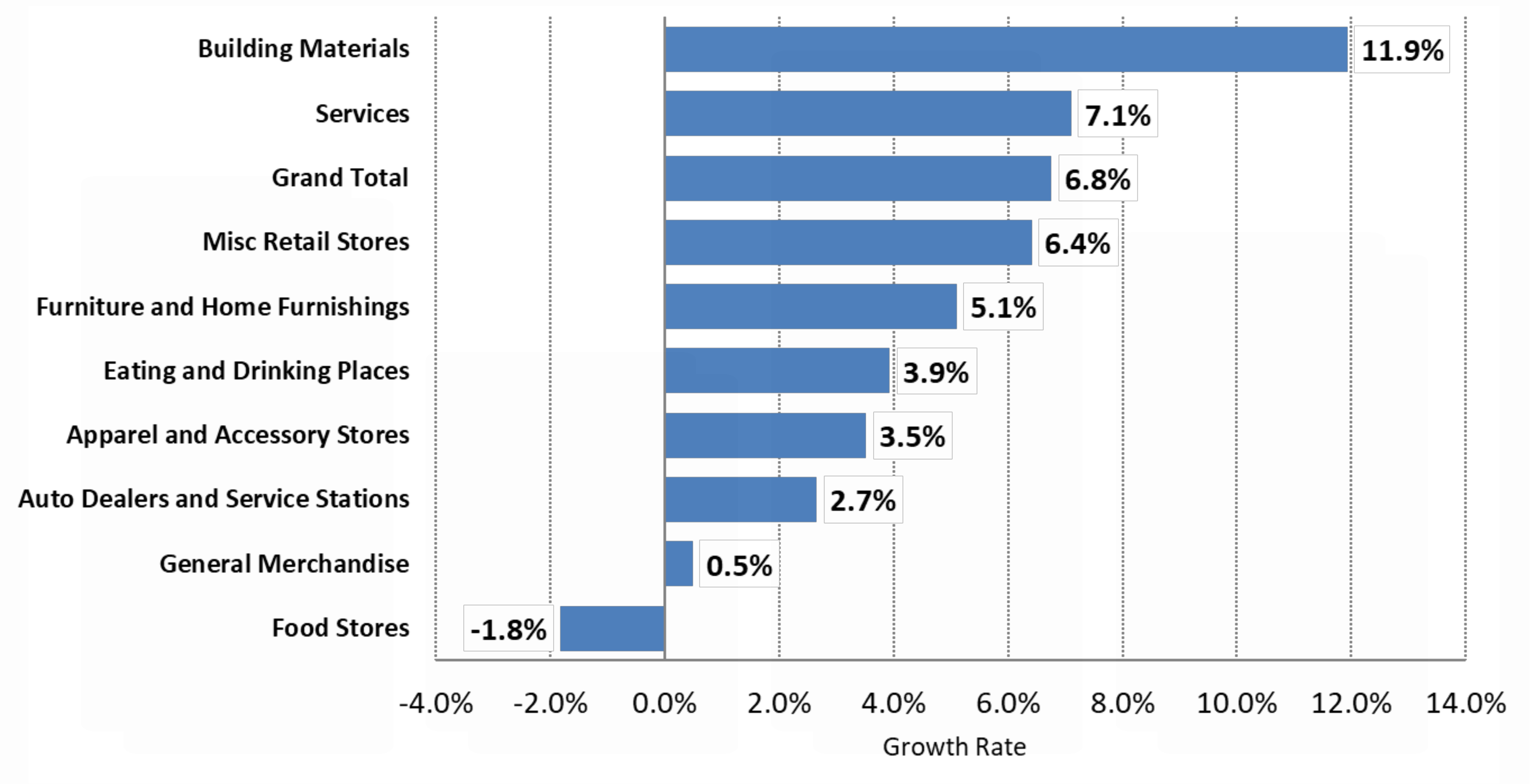
Growth in Sales Tax Revenue

(3-month moving average)

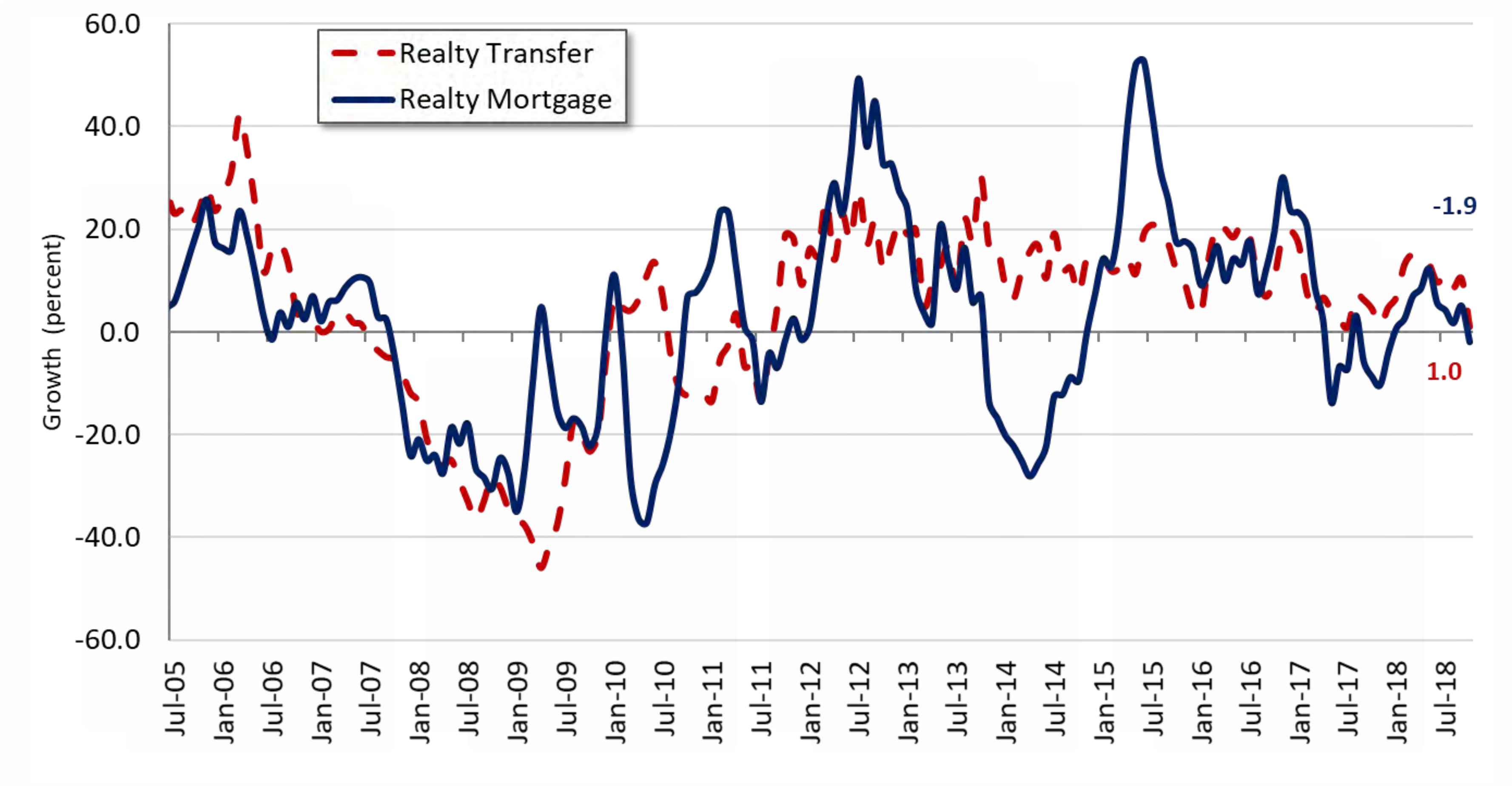


Sales Tax Collections by Category of Sales

(Quarter Ending July 2016 to July 2017)



Realty Transfer and Mortgage Tax Collections (3-month moving average)



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Tennessee Economic Outlook
and
Revenue Forecast - 2018

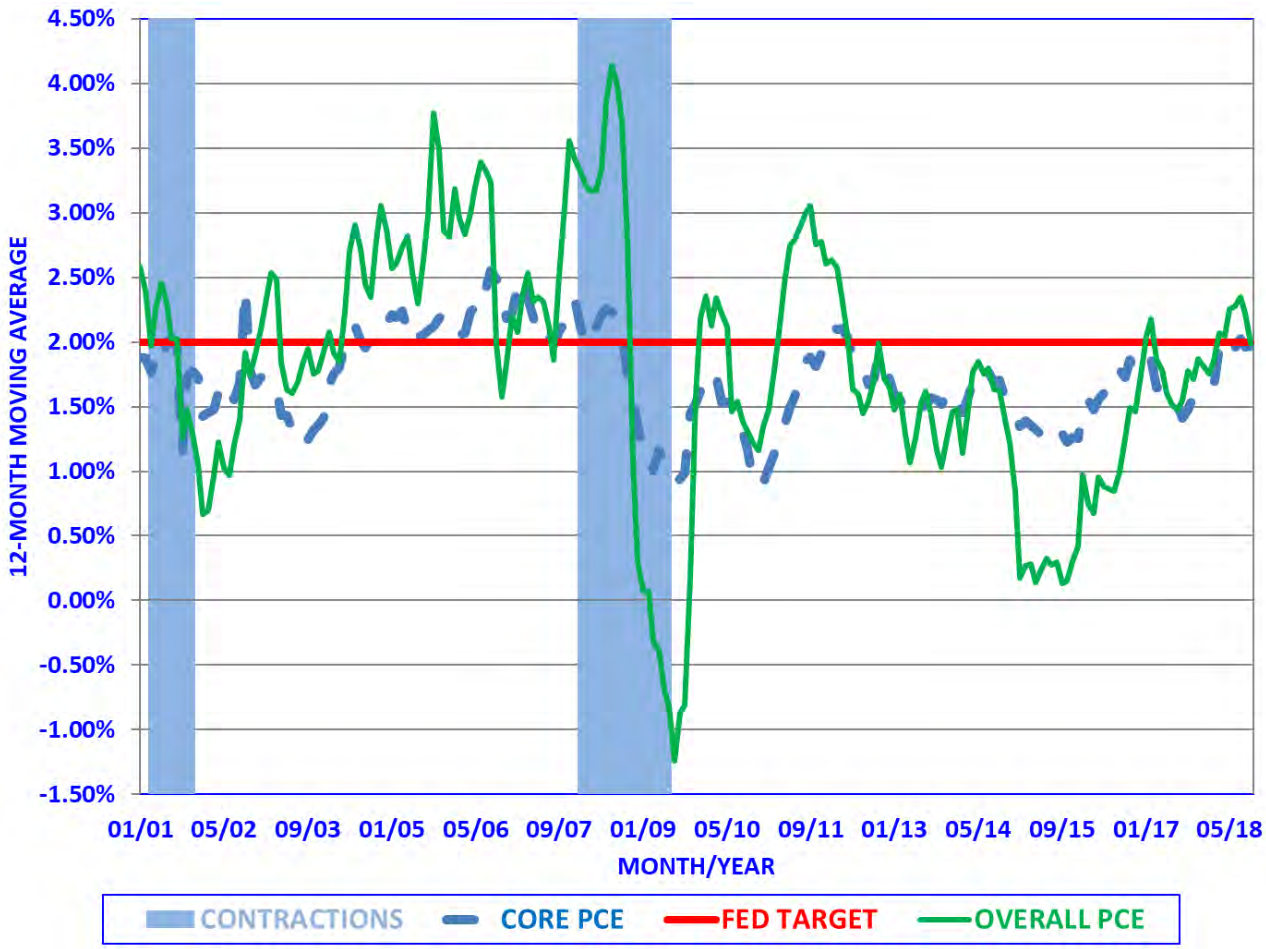
Jon L. Smith, Director
Bureau of Business and Economic Research

W. Fred Mackara, Department of Economics and Finance

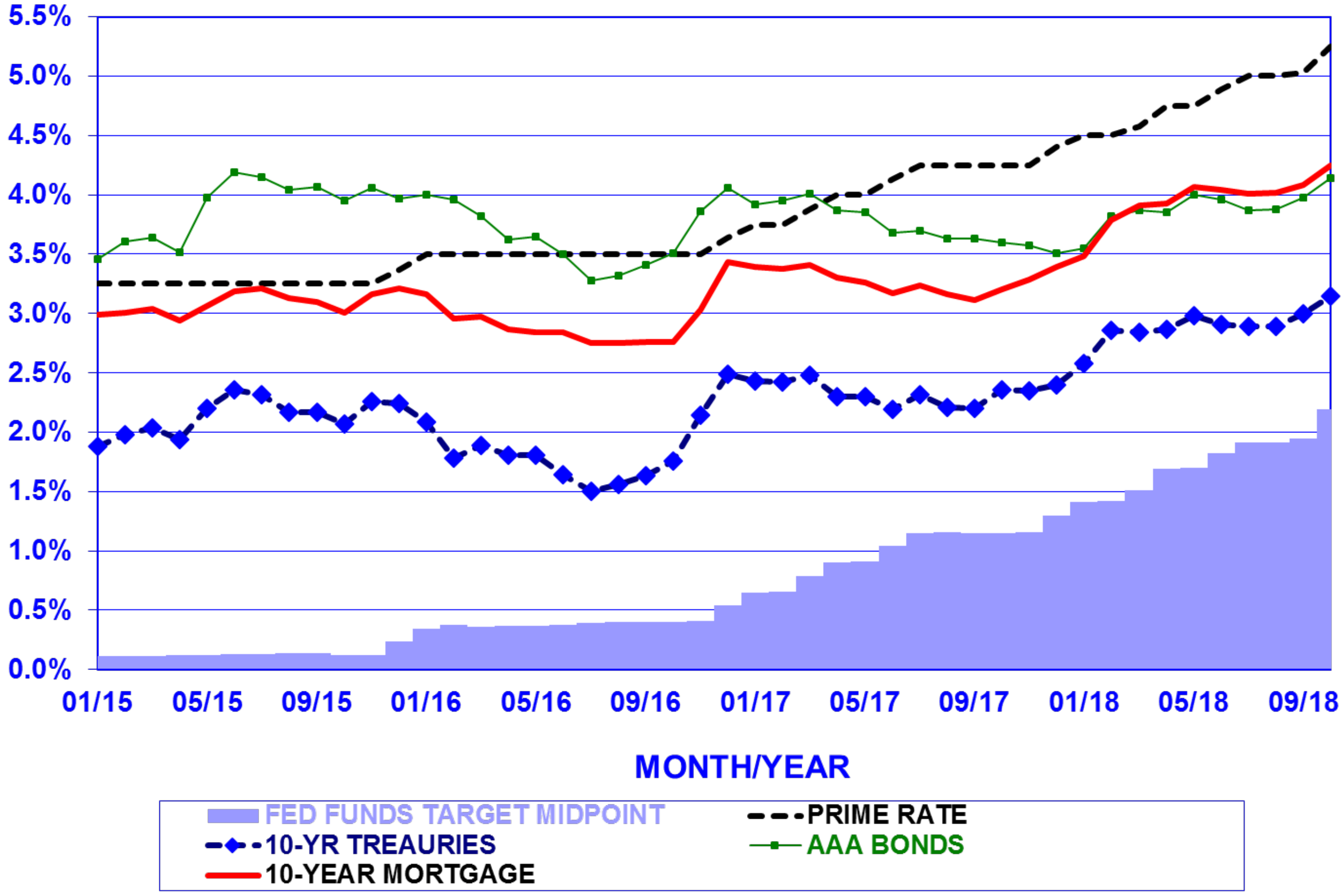
Joseph Newhard, Assistant Professor
Department of Economics and Finance

National the Economy

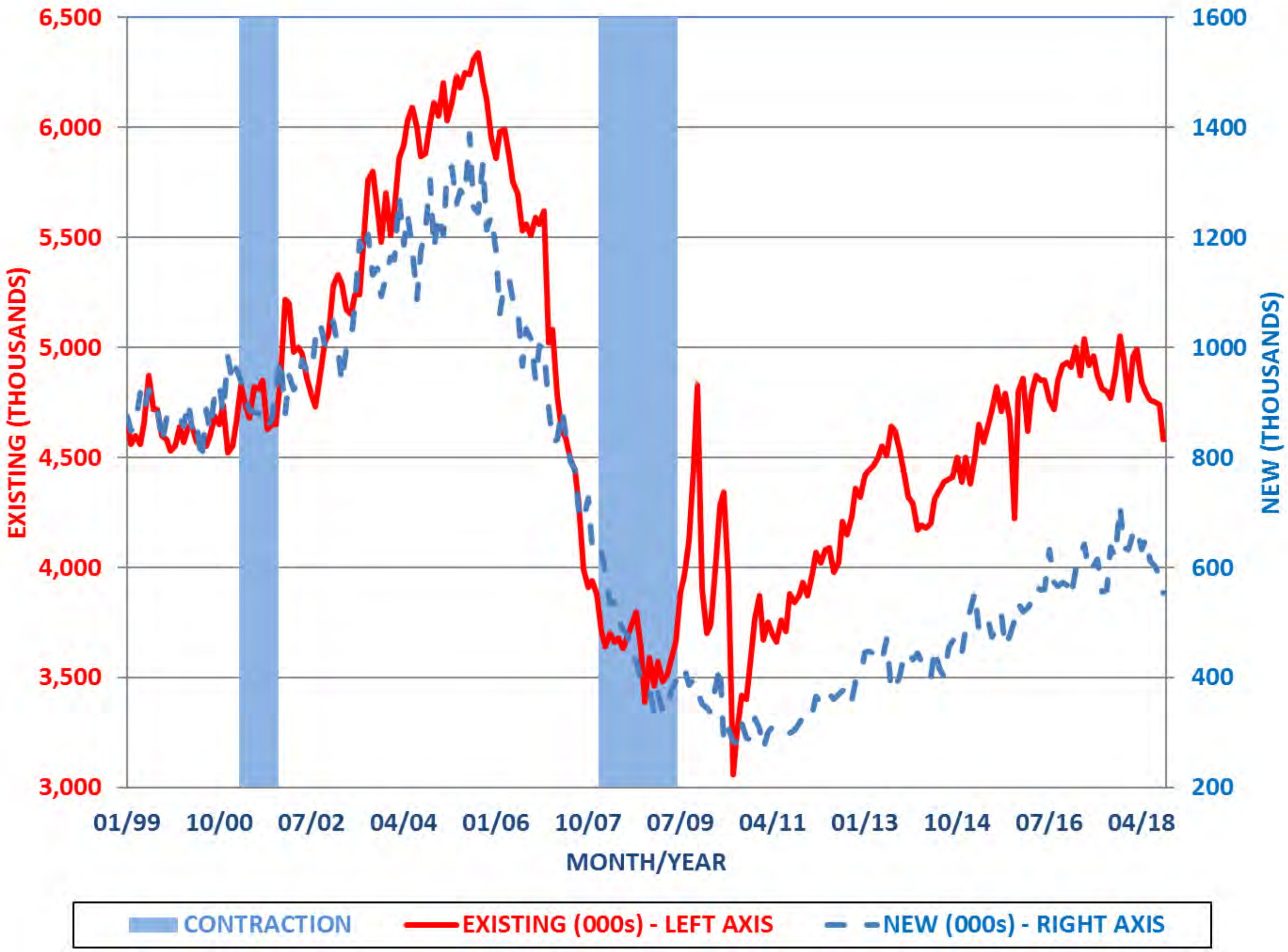
ACTUAL vs. FED TARGET INFLATION
(LAST MONTH PLOTTED, 9/18)



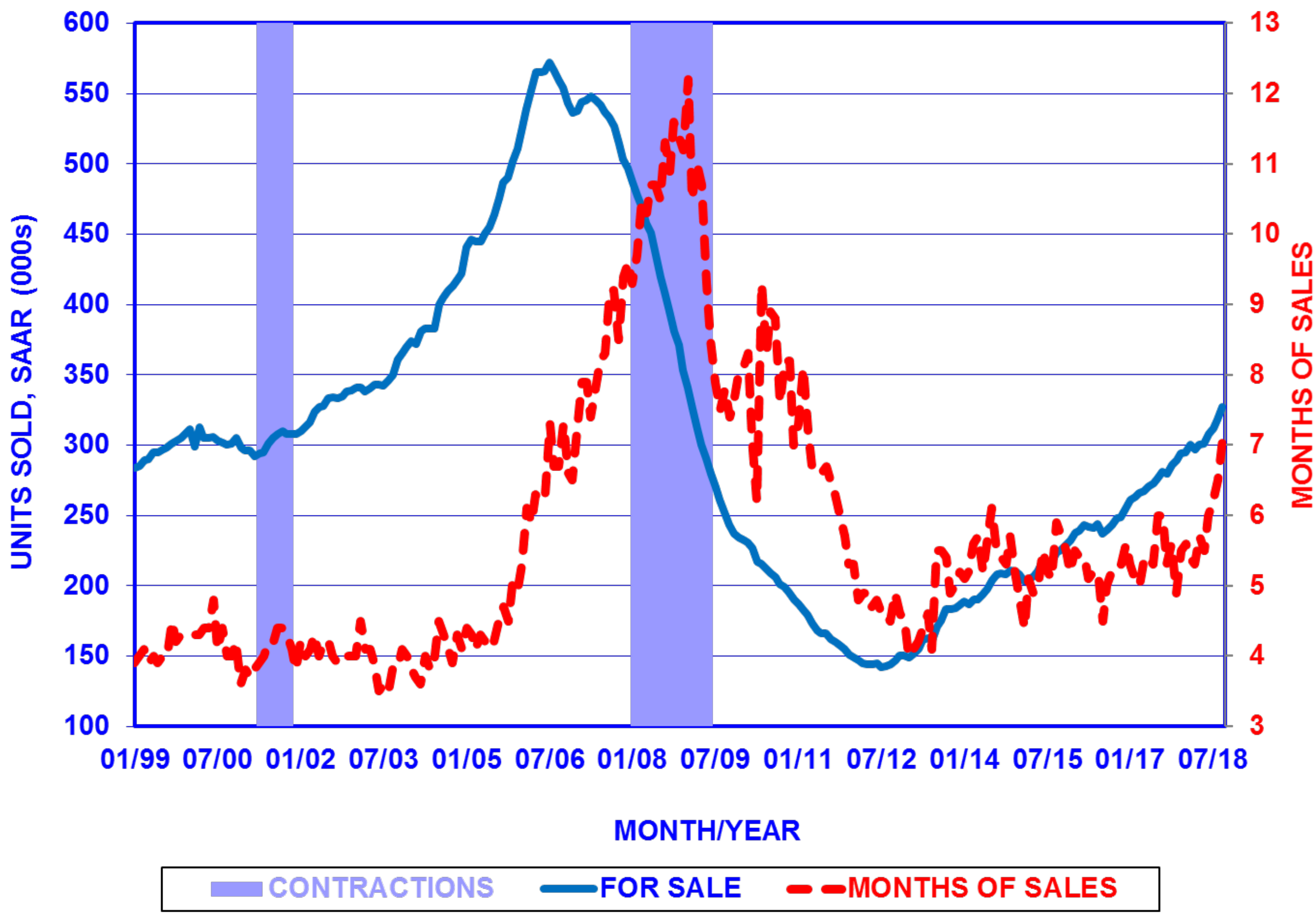
INTEREST RATES & YIELDS
(LAST MONTH PLOTTED, 10/18)



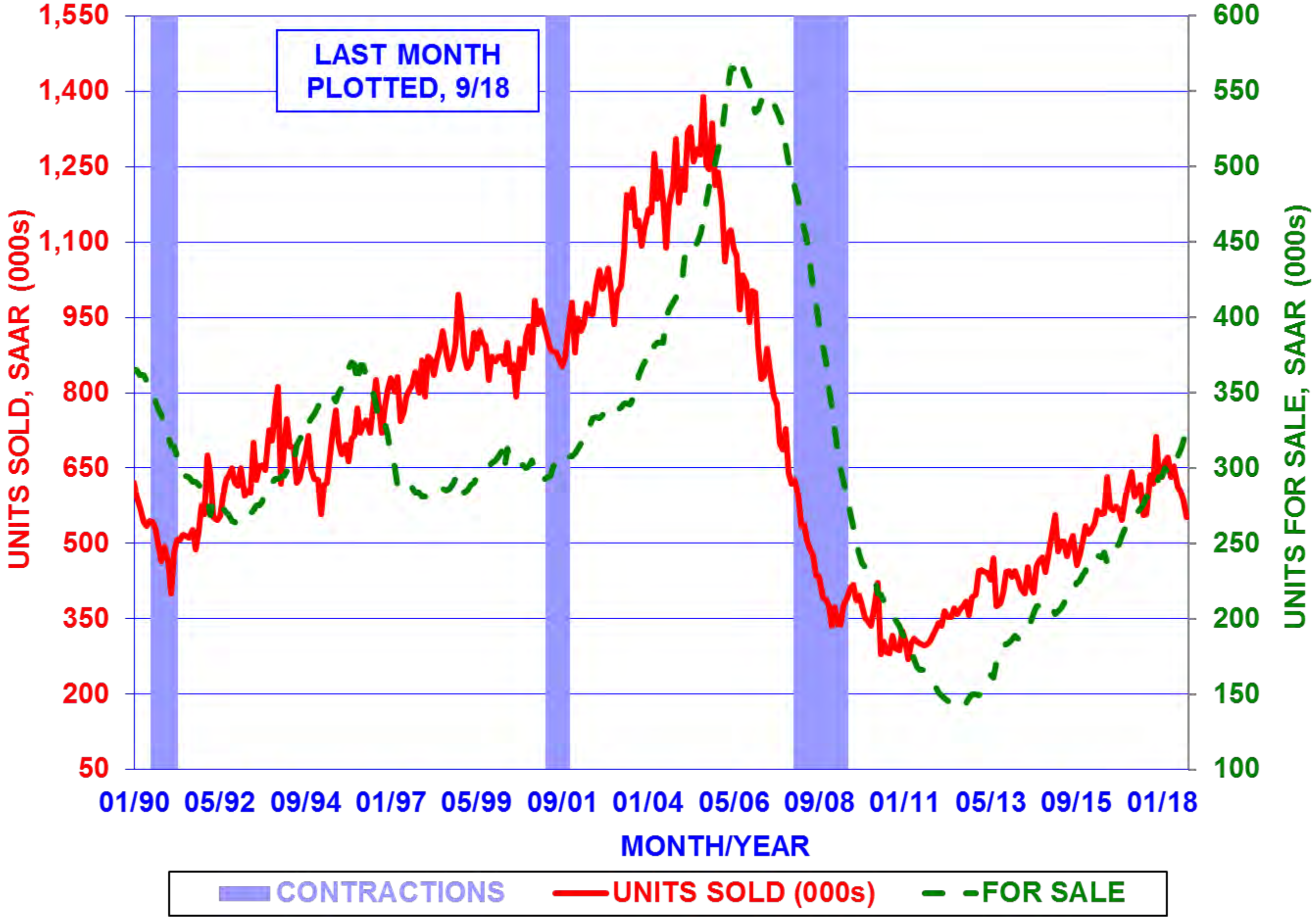
NEW & EXISTING HOME SALES, SAAR
(LAST MONTH PLOTTED, 09/18)



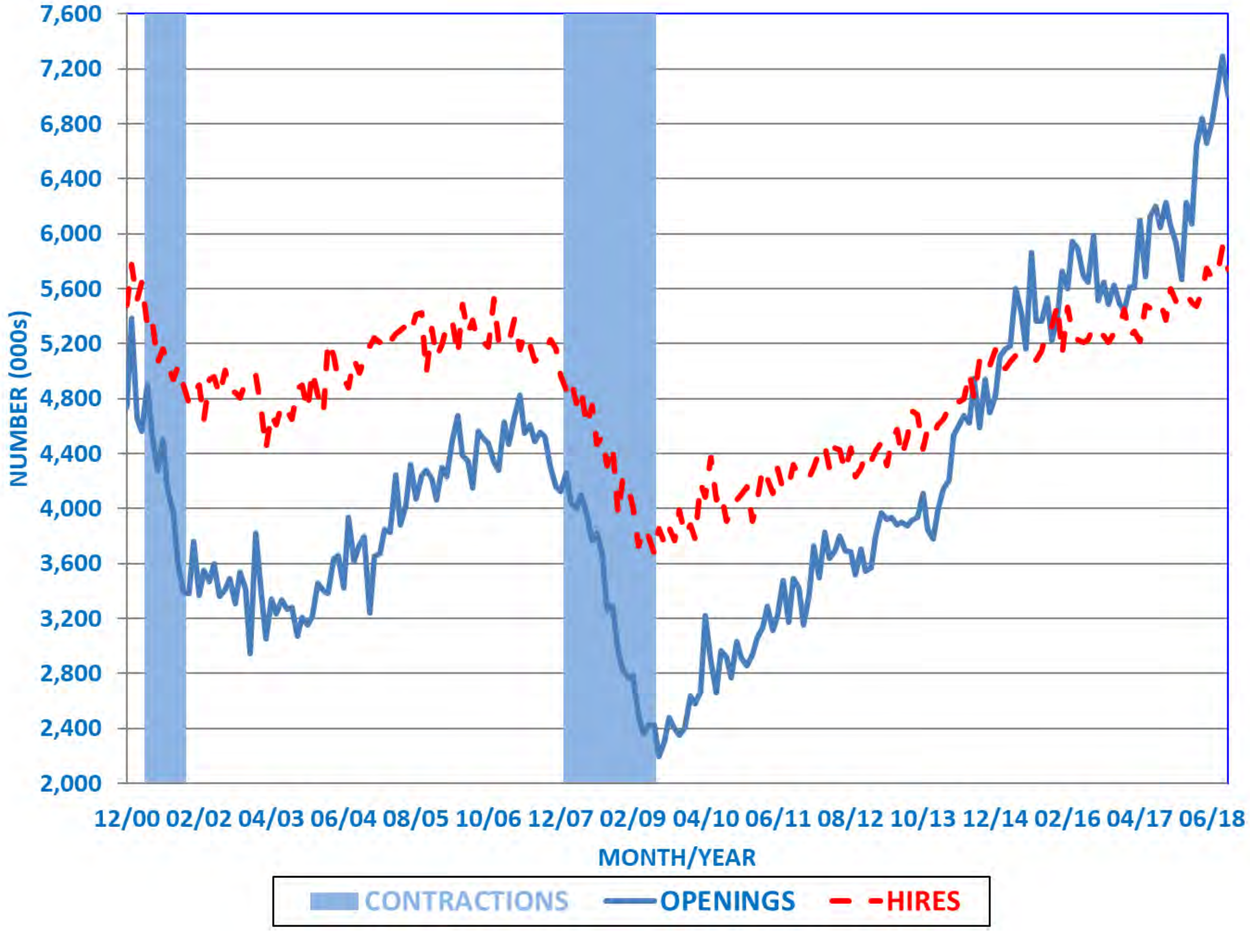
INVENTORY OF NEW HOMES FOR SALE
(LAST MONTH PLOTTED, 9/18)



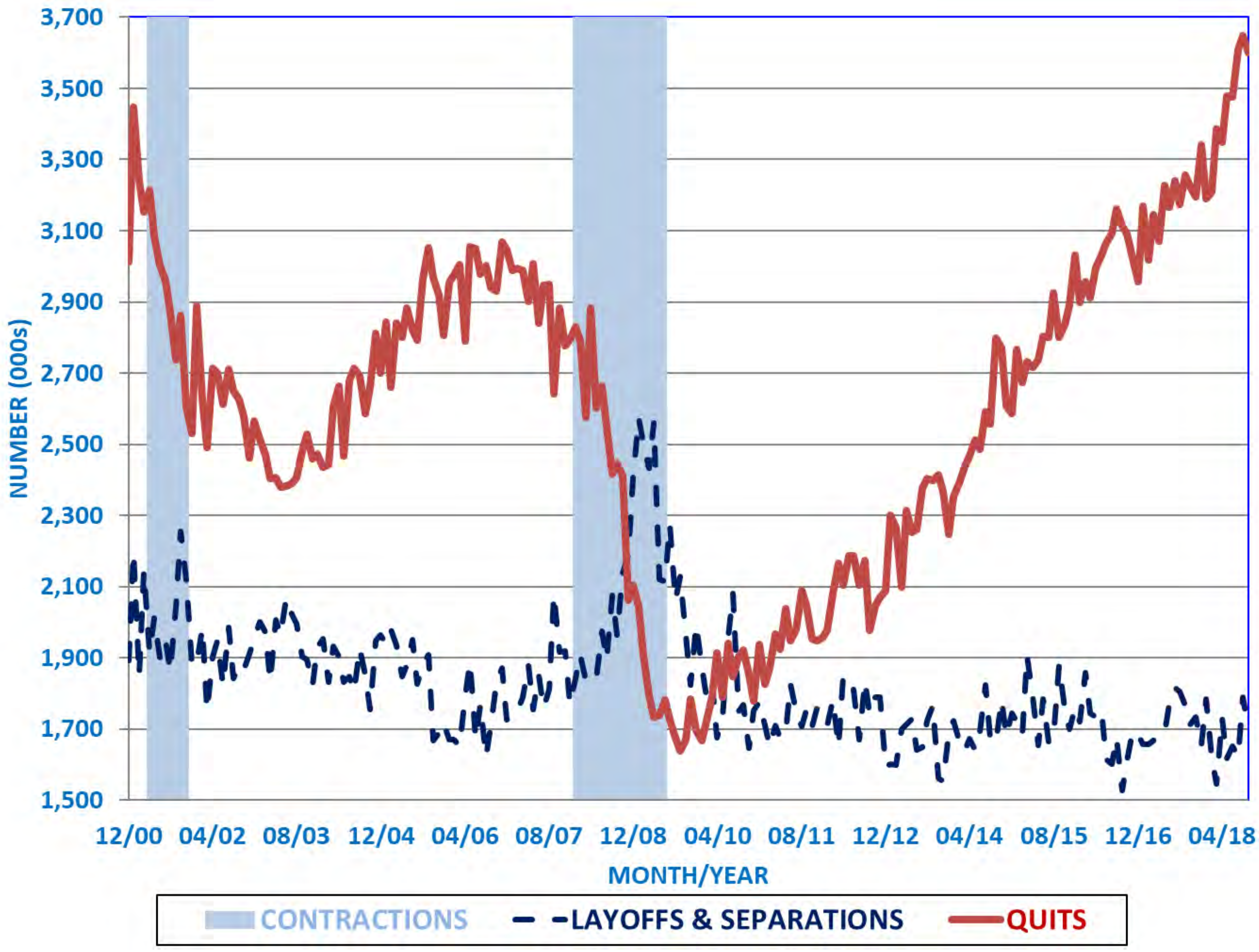
NEW HOME SALES vs. NEW HOMES FOR SALE
(LAST MONTH PLOTTED, 9/18)



JOB OPENINGS vs. HIRES
(J.O.L.T.S., 9/18)



LAYOFFS vs. QUITS
(J.O.L.T.S., 9/18)



NFIB SMALL BUSINESS OPTIMISM INDEX
SEPTEMBER 2018

- "87% of [Survey Respondents] who were hiring or trying to hire workers reported few or no qualified applicants for the positions they were trying to fill"

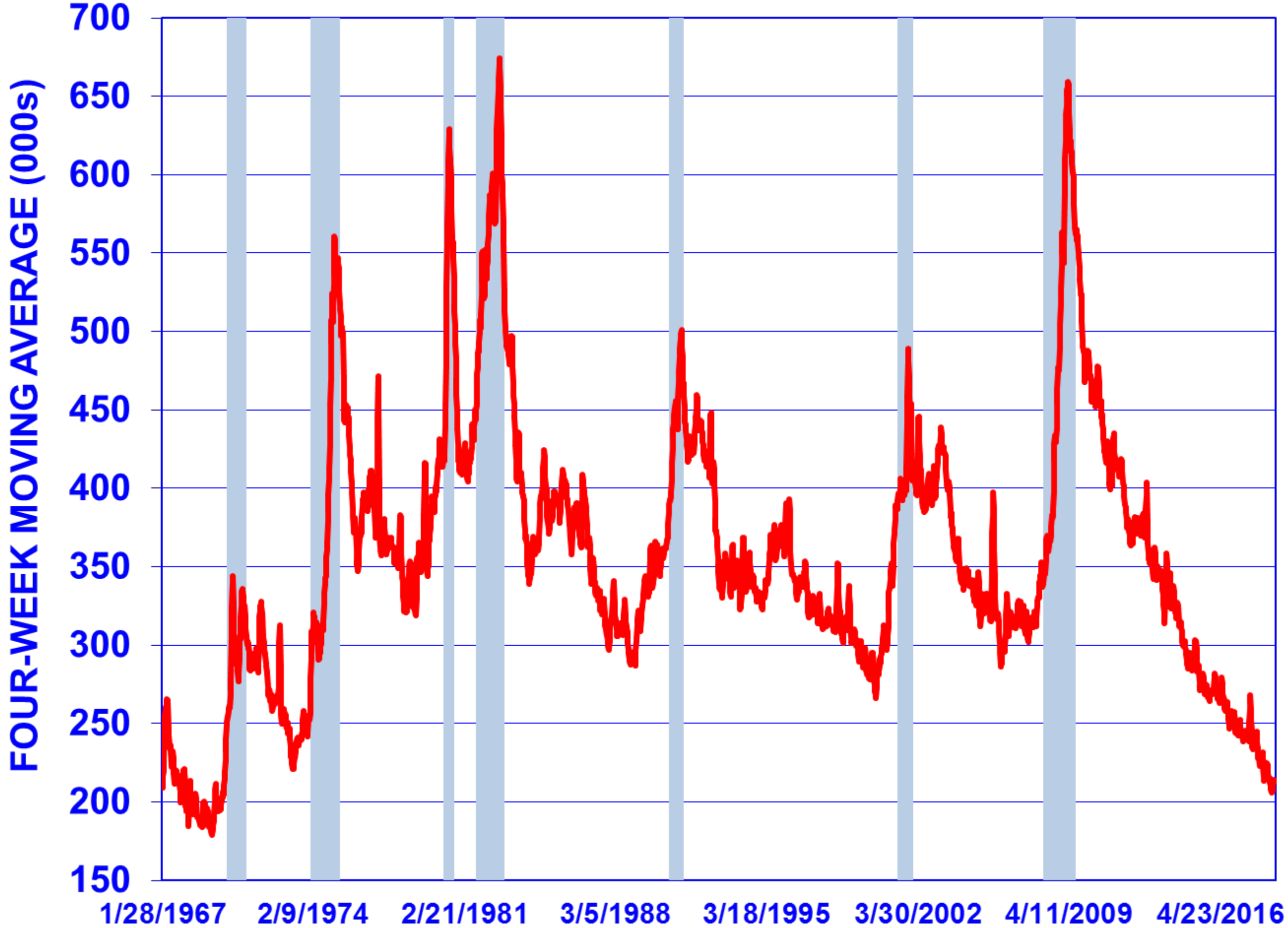
"Single Most Important Problem Facing Small Businesses"

#1 Quality of Labor

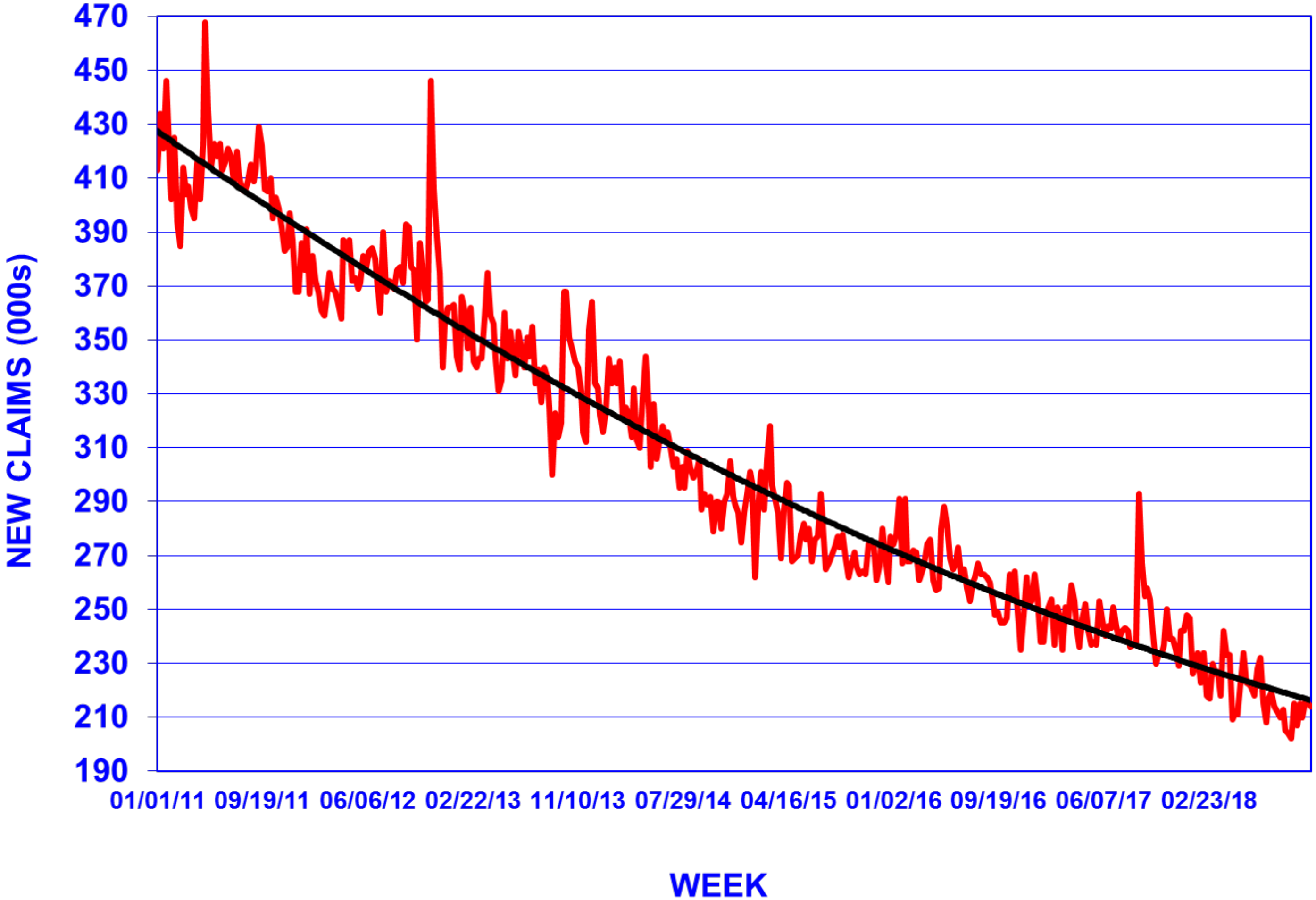
#2 Taxes

#3 Government Regulations & Red Tape

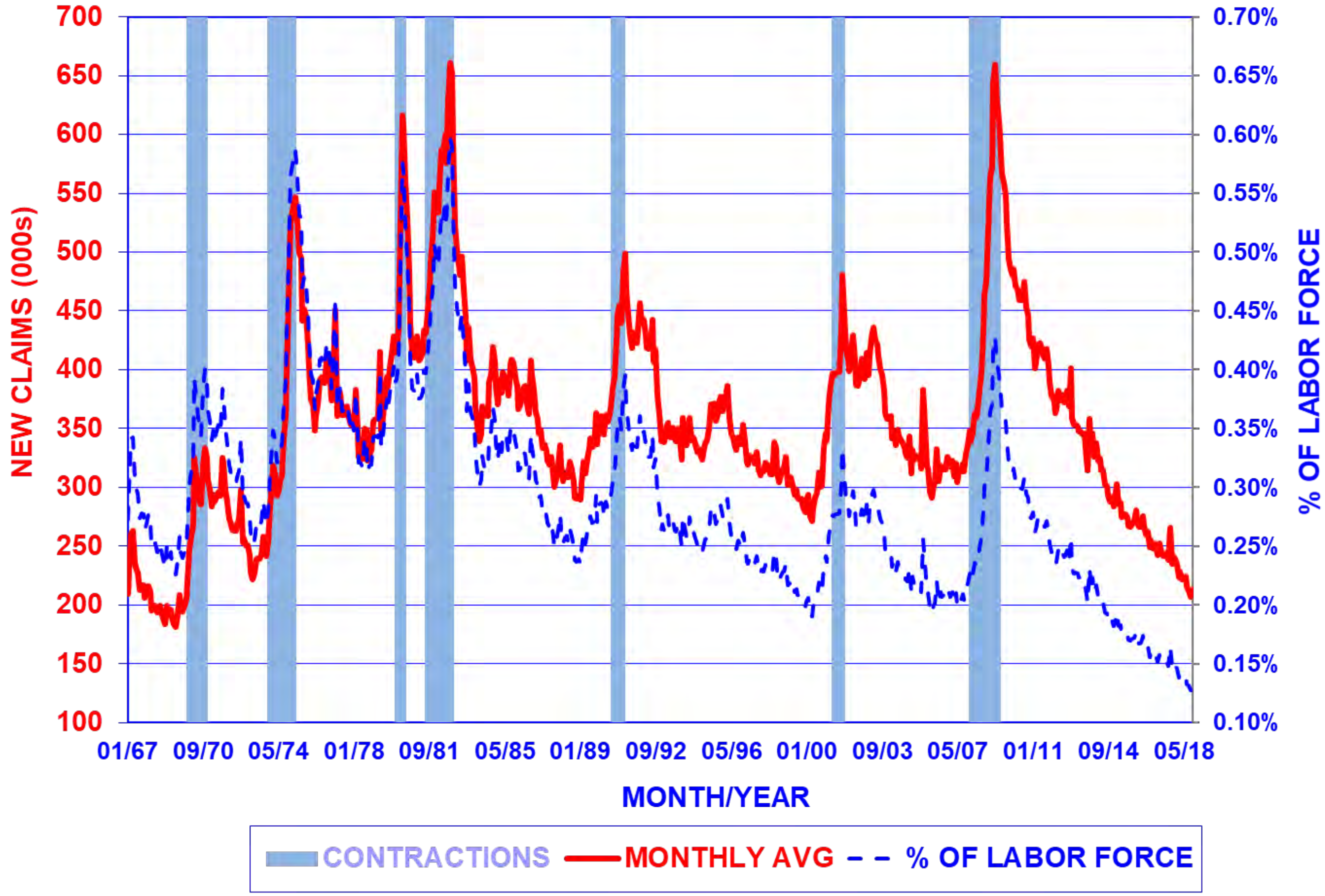
WEEKLY NEW CLAIMS FOR UNEMPLOYMENT BENEFITS
(LAST WEEK PLOTTED, 11/3/18)



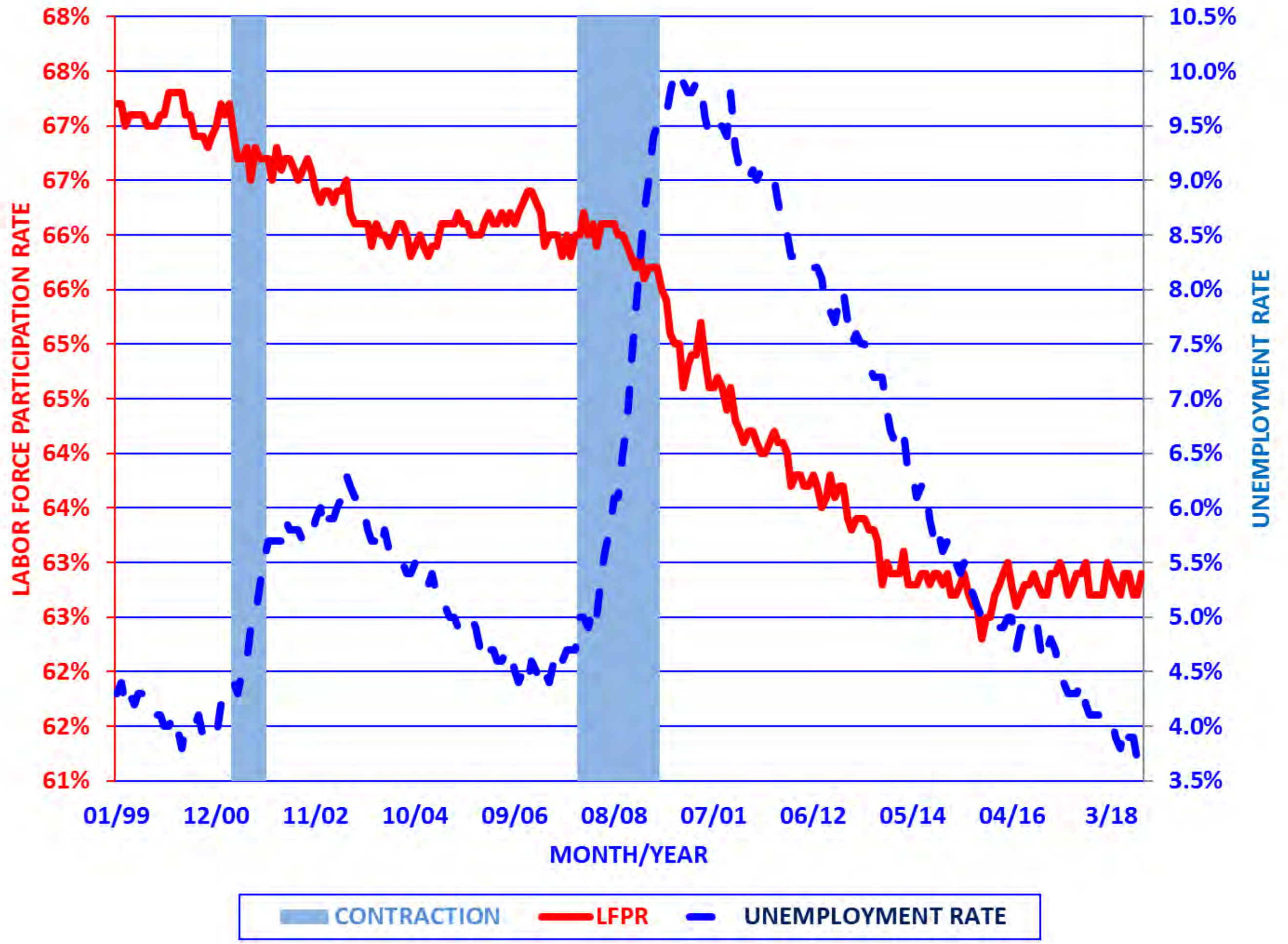
WEEKLY NEW CLAIMS TREND
(LAST WEEK PLOTTED, 11/3/18)



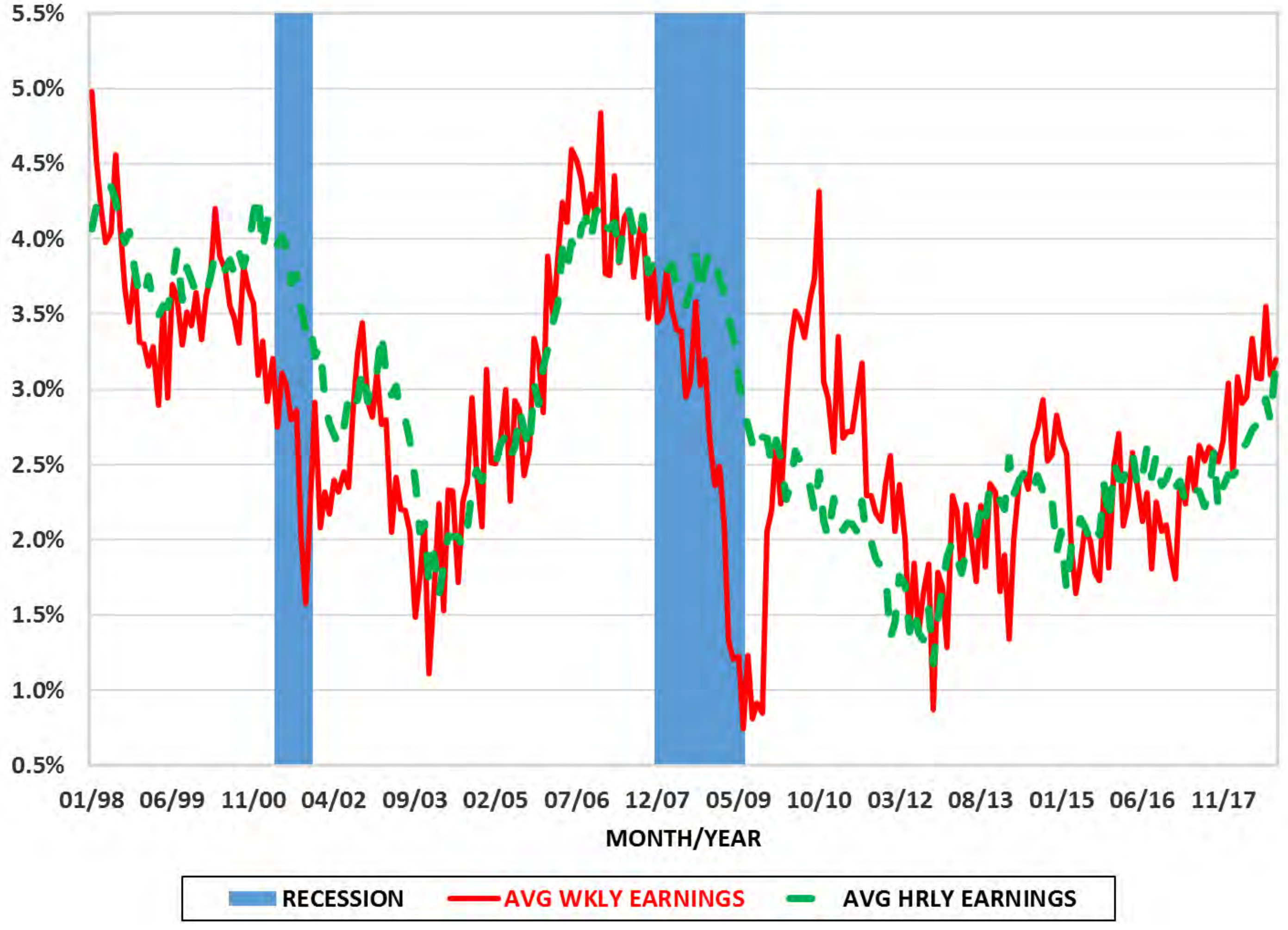
NEW CLAIMS FOR UNEMPLOYMENT BENEFITS AS PERCENT OF LABOR FORCE
(LAST MONTH PLOTTED, 10/18)



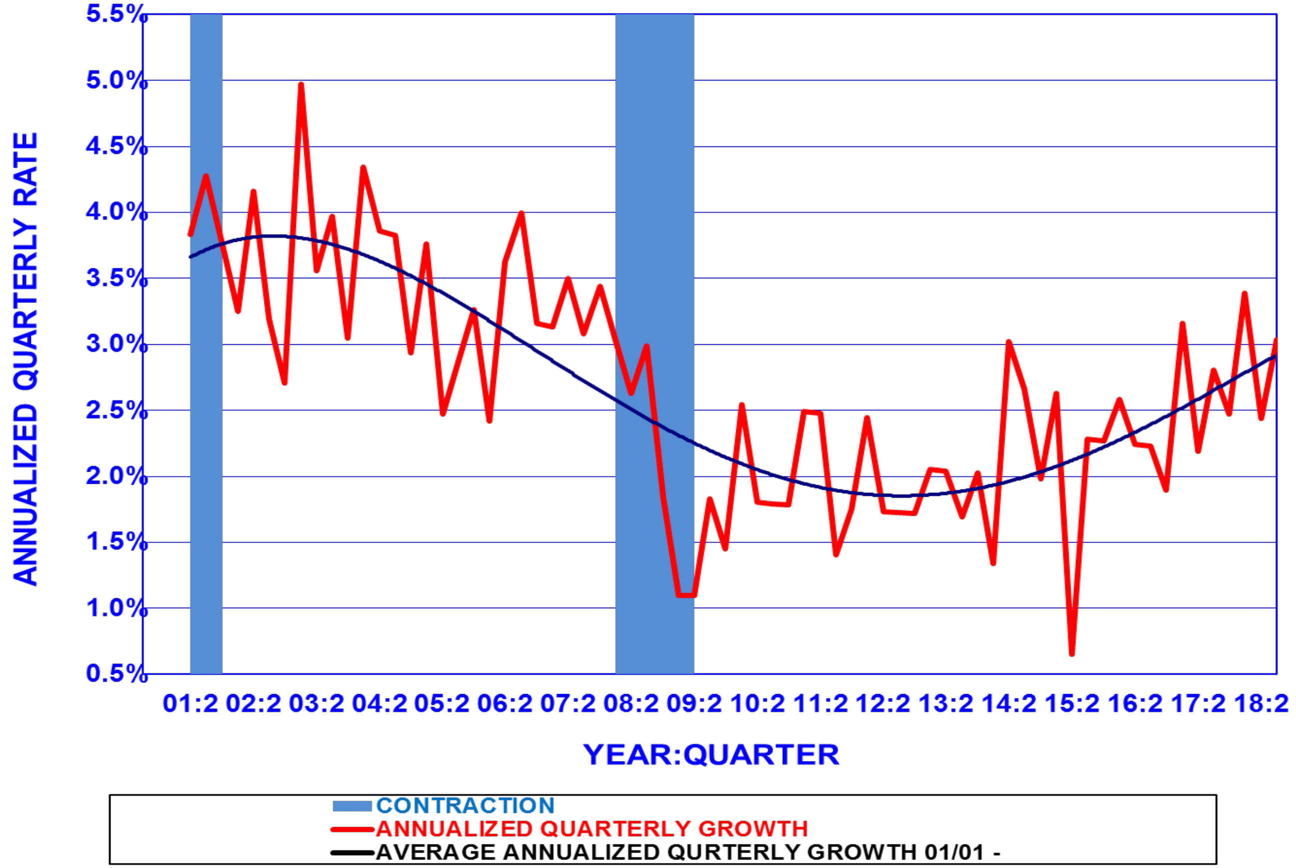
LABOR FORCE PARTICIPATION RATE (LFPR) & UNEMPLOYMENT RATE (LAST MONTH PLOTTED, 10/18)



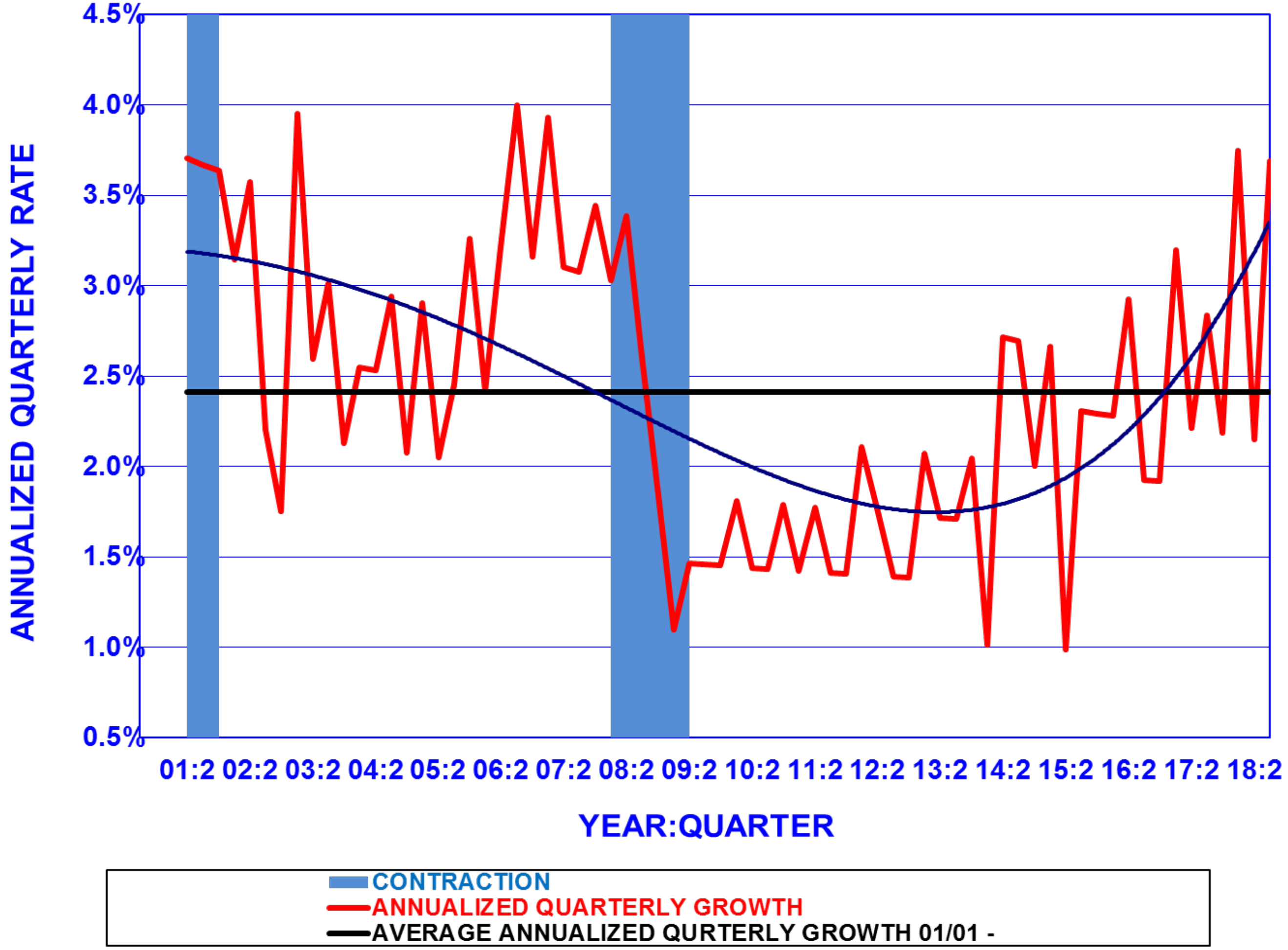
ANNUALIZED MONTHLY GROWTH
AVG. WEEKLY & HOURLY EARNINGS OF
NON-SUPERVISORY PRODUCTION WORKERS
(LAST MONTH PLOTTED, 10/18)



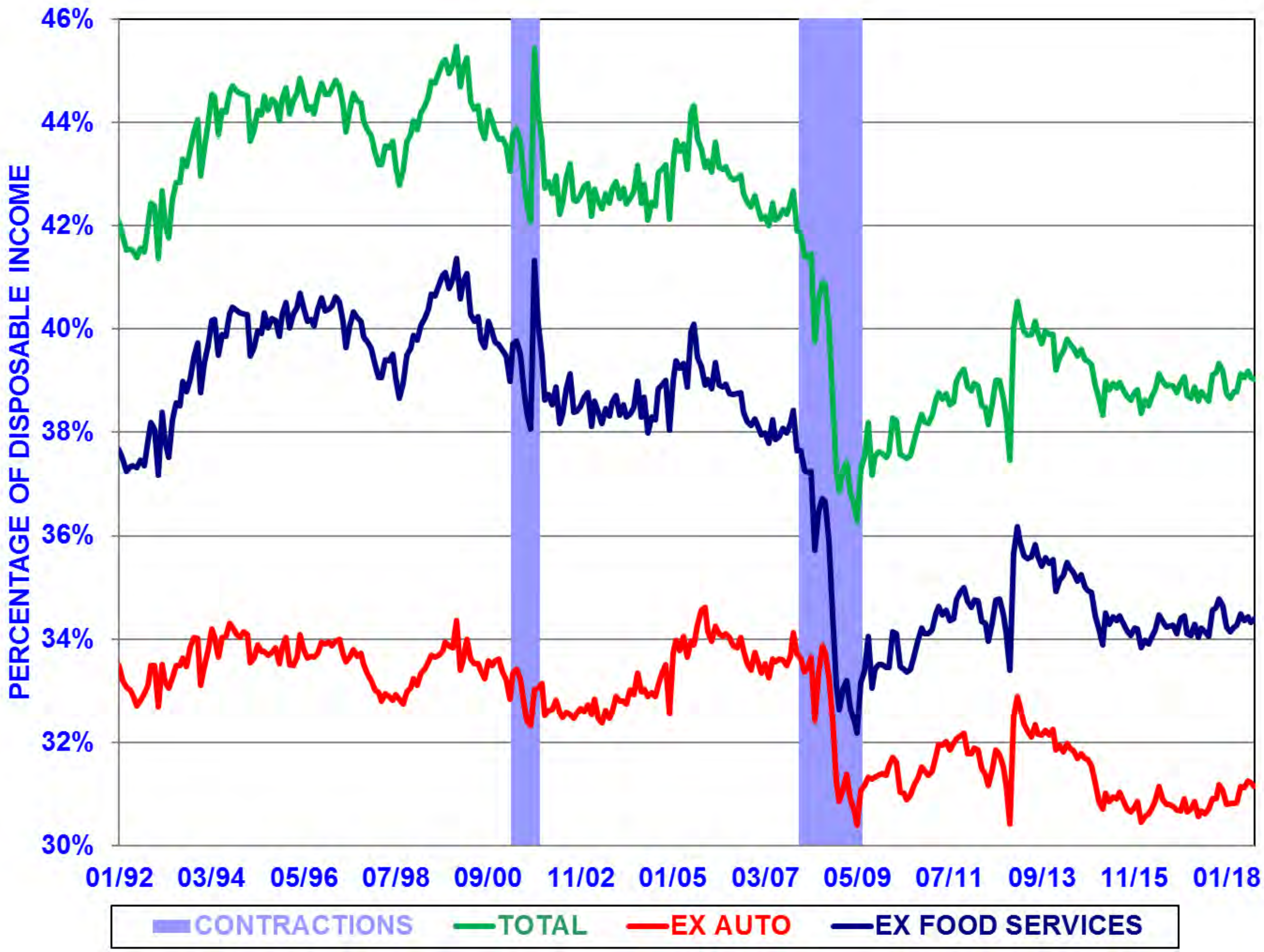
EMPLOYMENT COST INDEX:
TOTAL COMPENSATION GROWTH
ALL CIVILIAN WORKERS
(LAST MONTH PLOTTED, 2018:Q3)



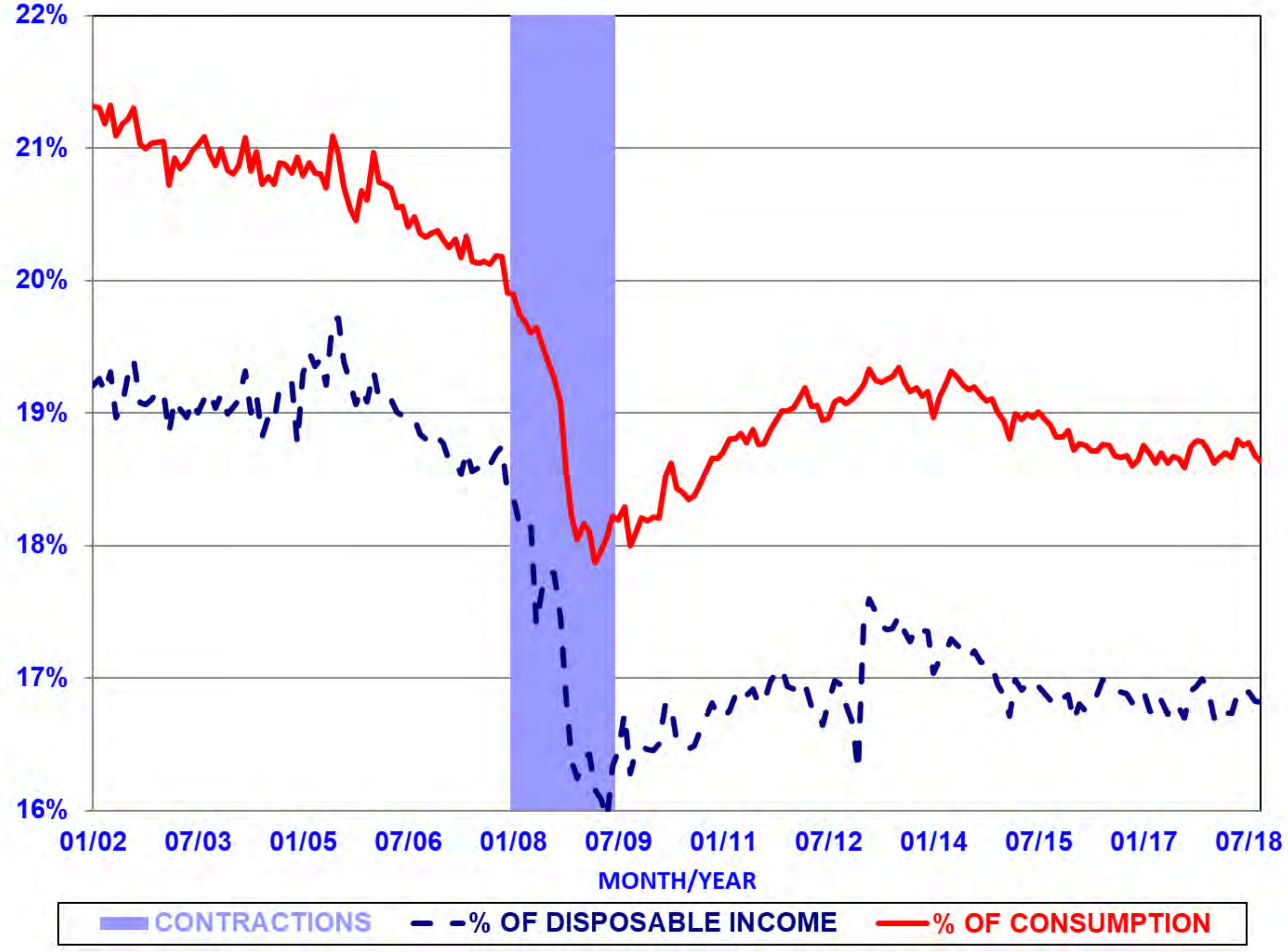
EMPLOYMENT COST INDEX: WAGES & SALARY GROWTH
ALL CIVILIAN WORKERS
(LAST MONTH PLOTTED, 2018:Q3)



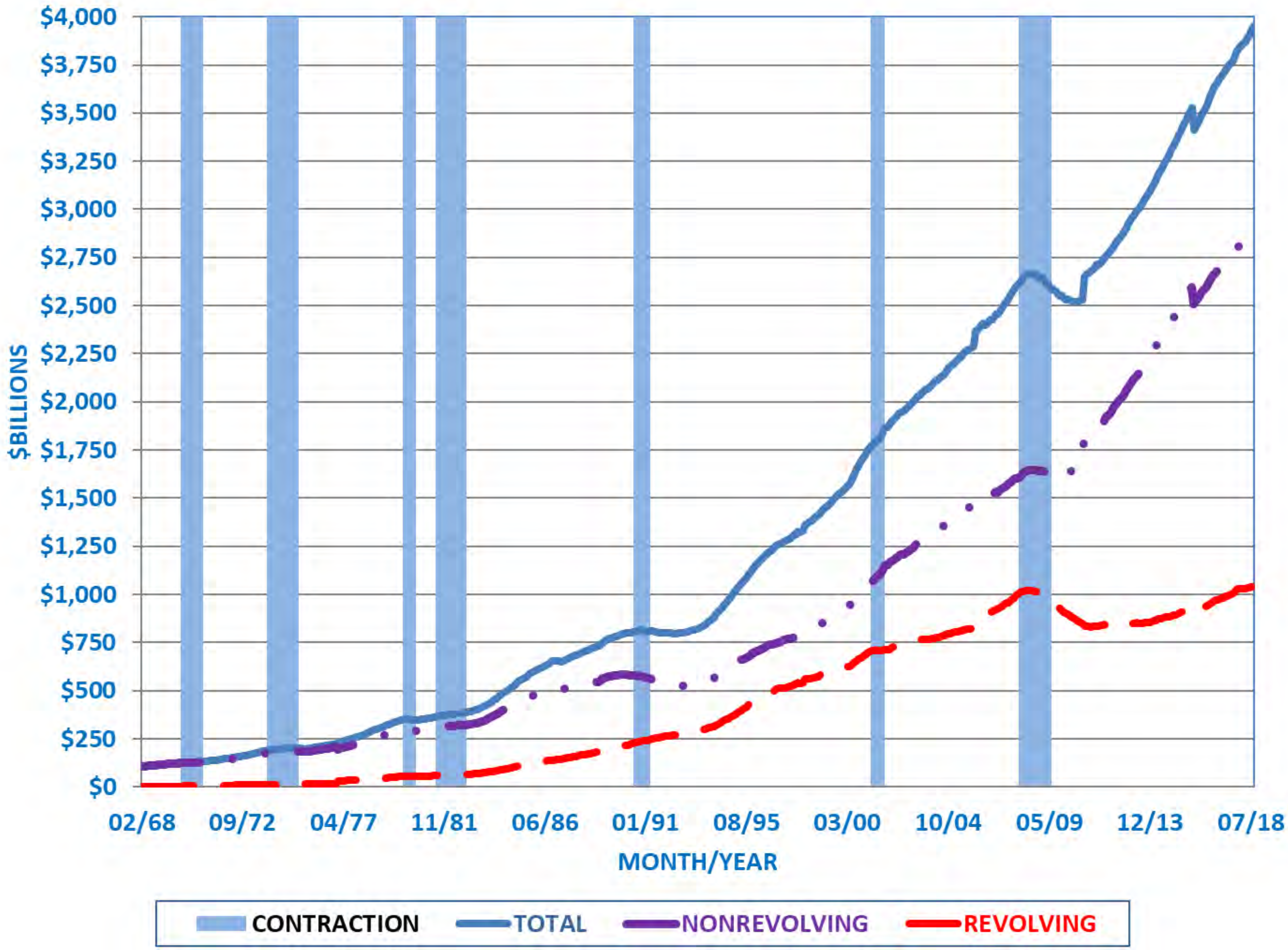
RETAIL SALES AS PERCENTAGE OF DISPOSABLE INCOME
(LAST MONTH PLOTTED, 9/18)



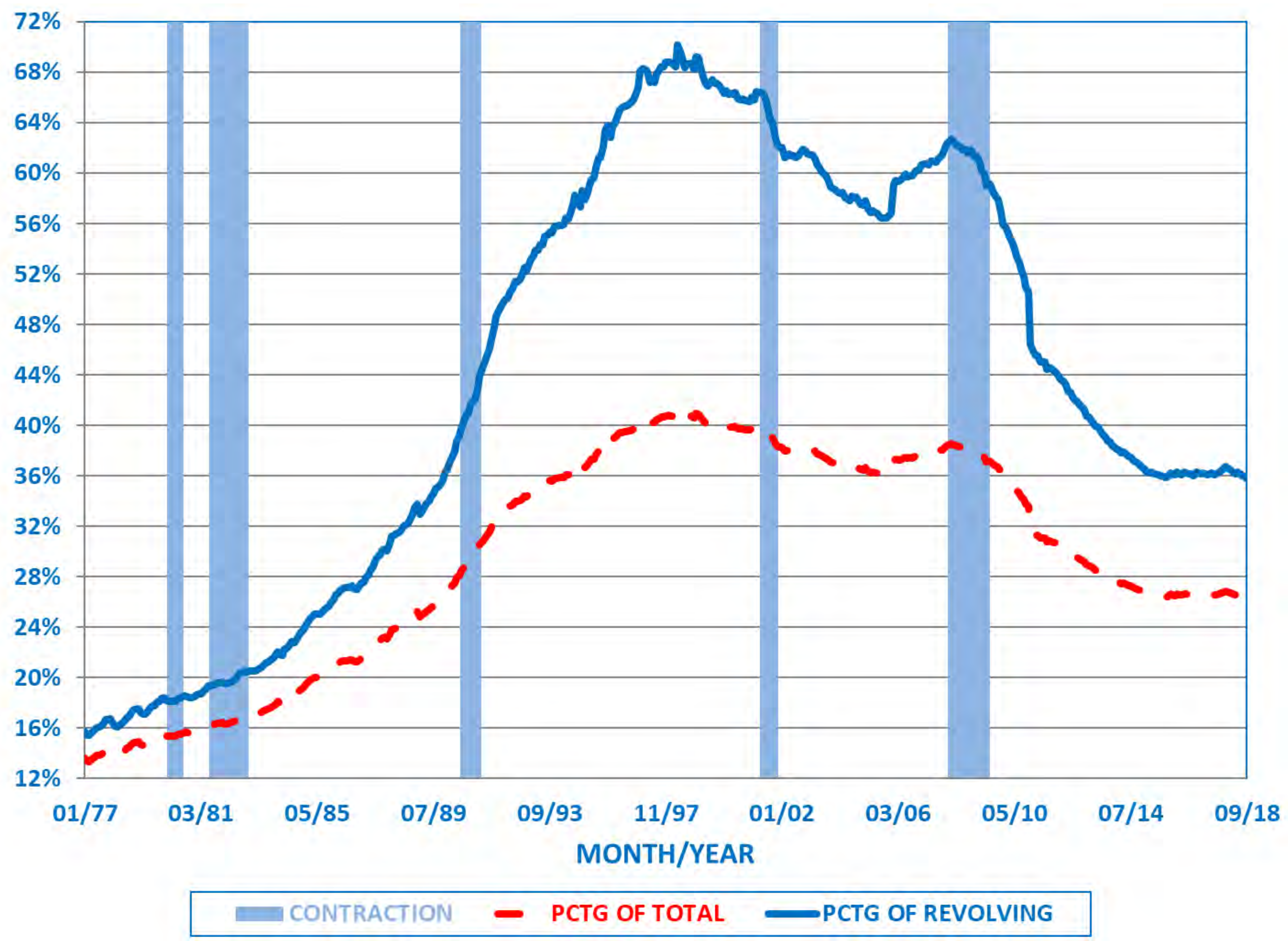
INFLATION-ADJUSTED RETAIL SALES AS PERCENTAGE OF DISPOSABLE INCOME & PERSONAL CONSUMPTION
(LAST MONTH PLOTTED, 9/18)



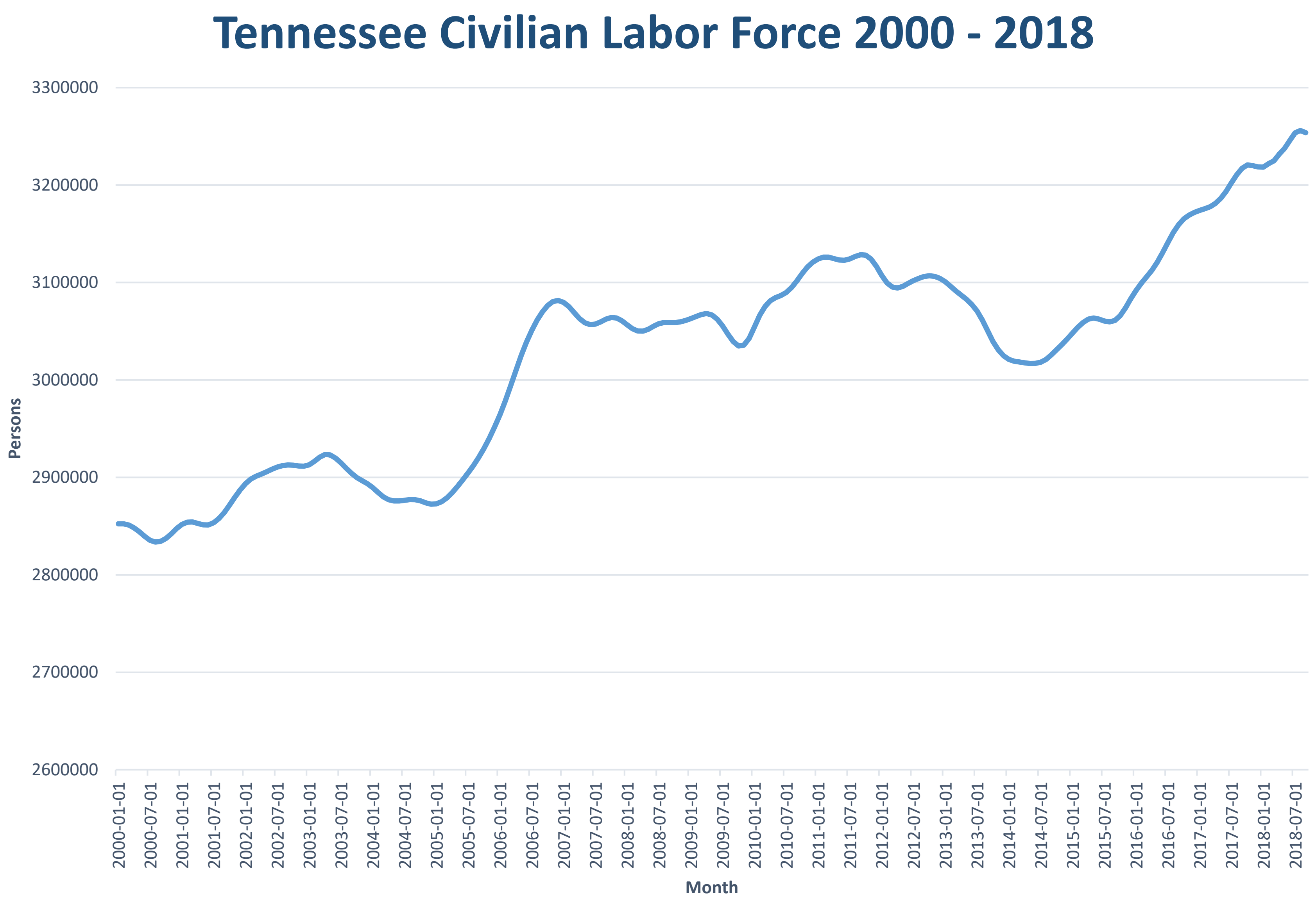
CONSUMER CREDIT – TOTAL OUTSTANDING
(LAST MONTH PLOTTED, 9/18)



CONSUMER CREDIT: PERCENT REVOLVING
(LAST MONTH PLOTTED, 9/18)



Tennessee State
and
Metro Economy



Tennessee Civilian Labor Force 2000 - 2018
Persons
3300000
3200000
3100000
3000000
2900000
2800000
2700000
2600000
2000-01-01
2000-07-01
2001-01-01
2001-07-01
2002-01-01
2002-07-01
2003-01-01
2003-07-01
2004-01-01
2004-07-01
2005-01-01
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2014-07-01
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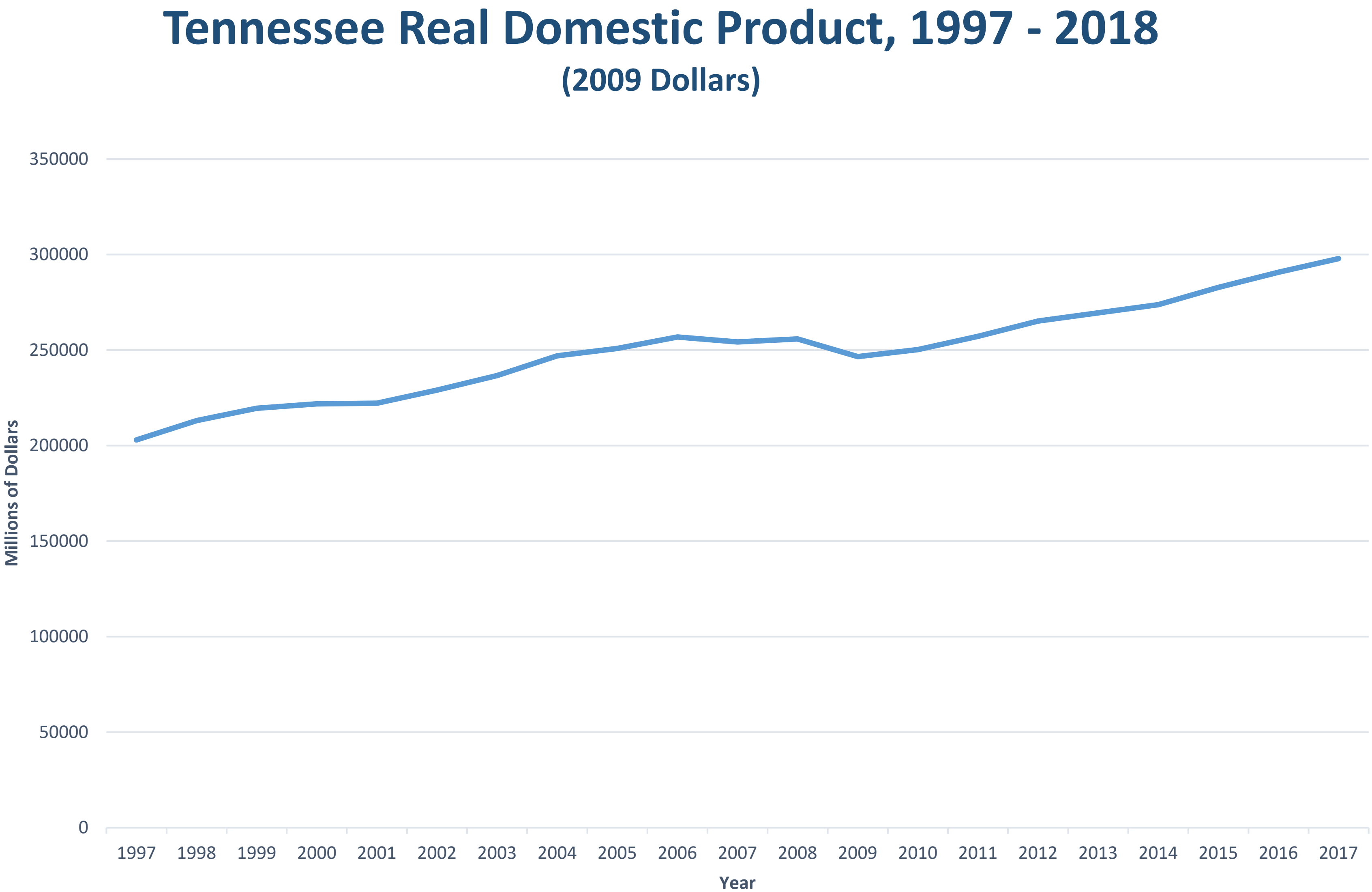
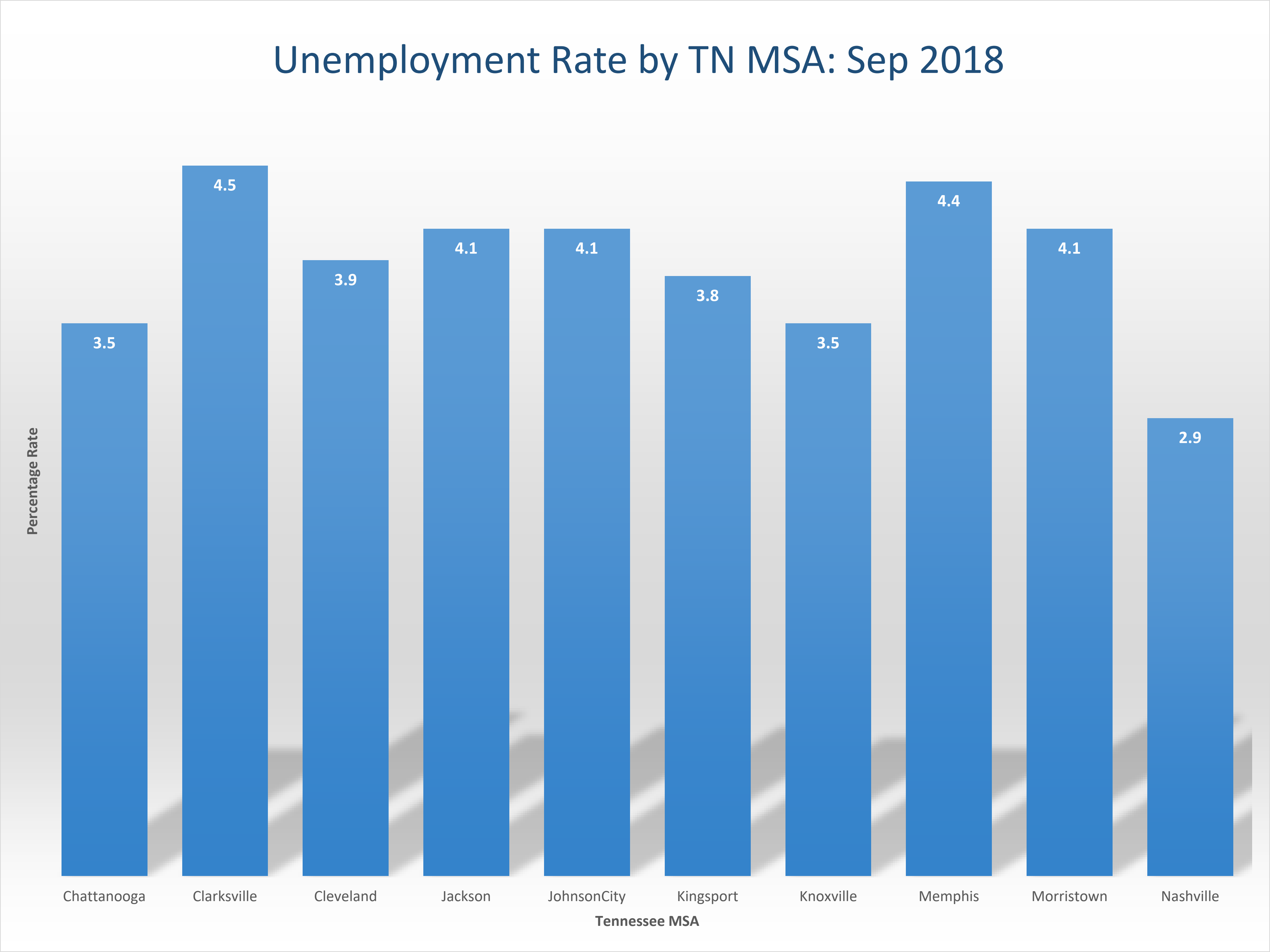
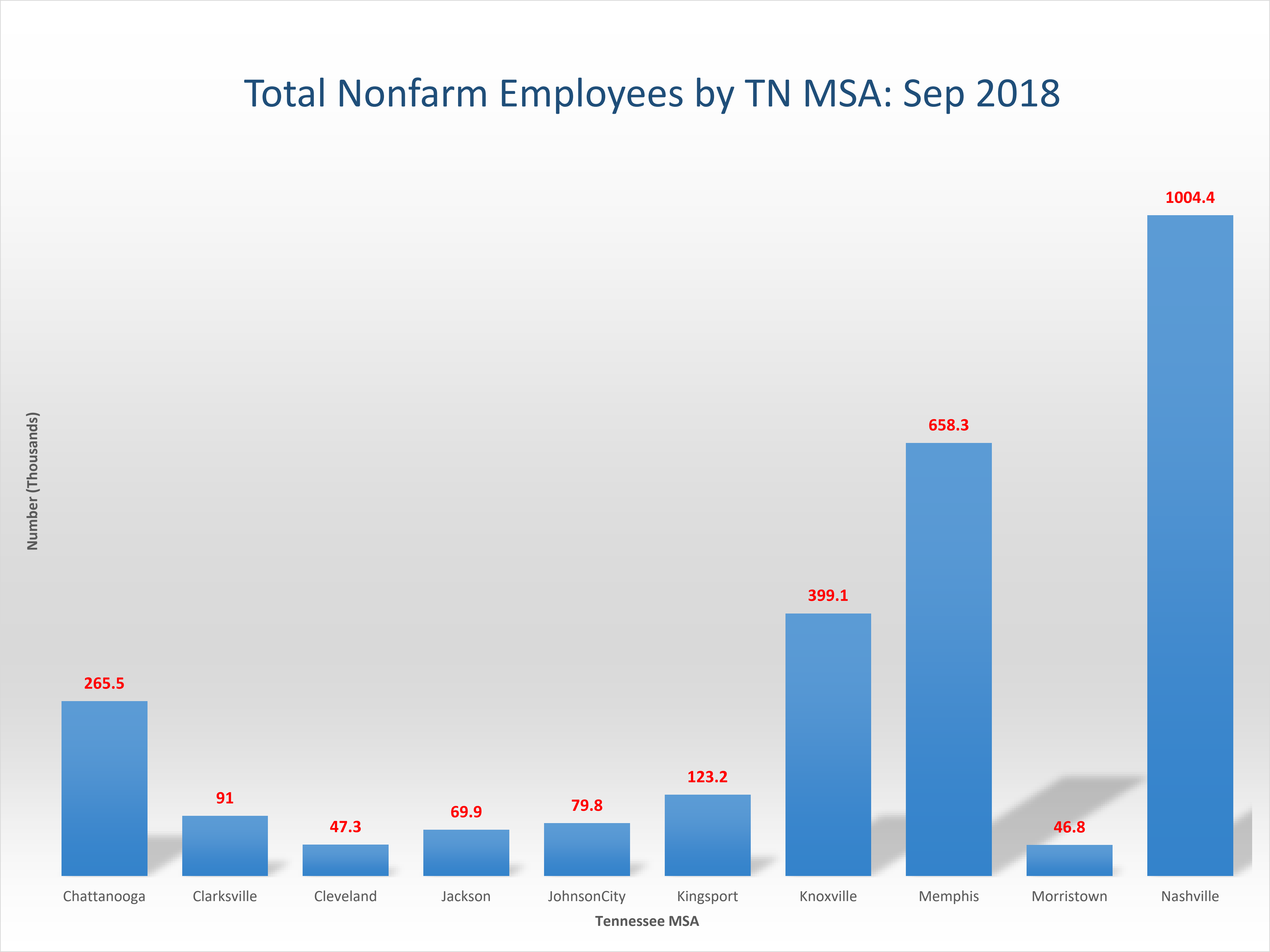
2016-07-01
2017-01-01
2017-07-01
2018-01-01
2018-07-01
Month

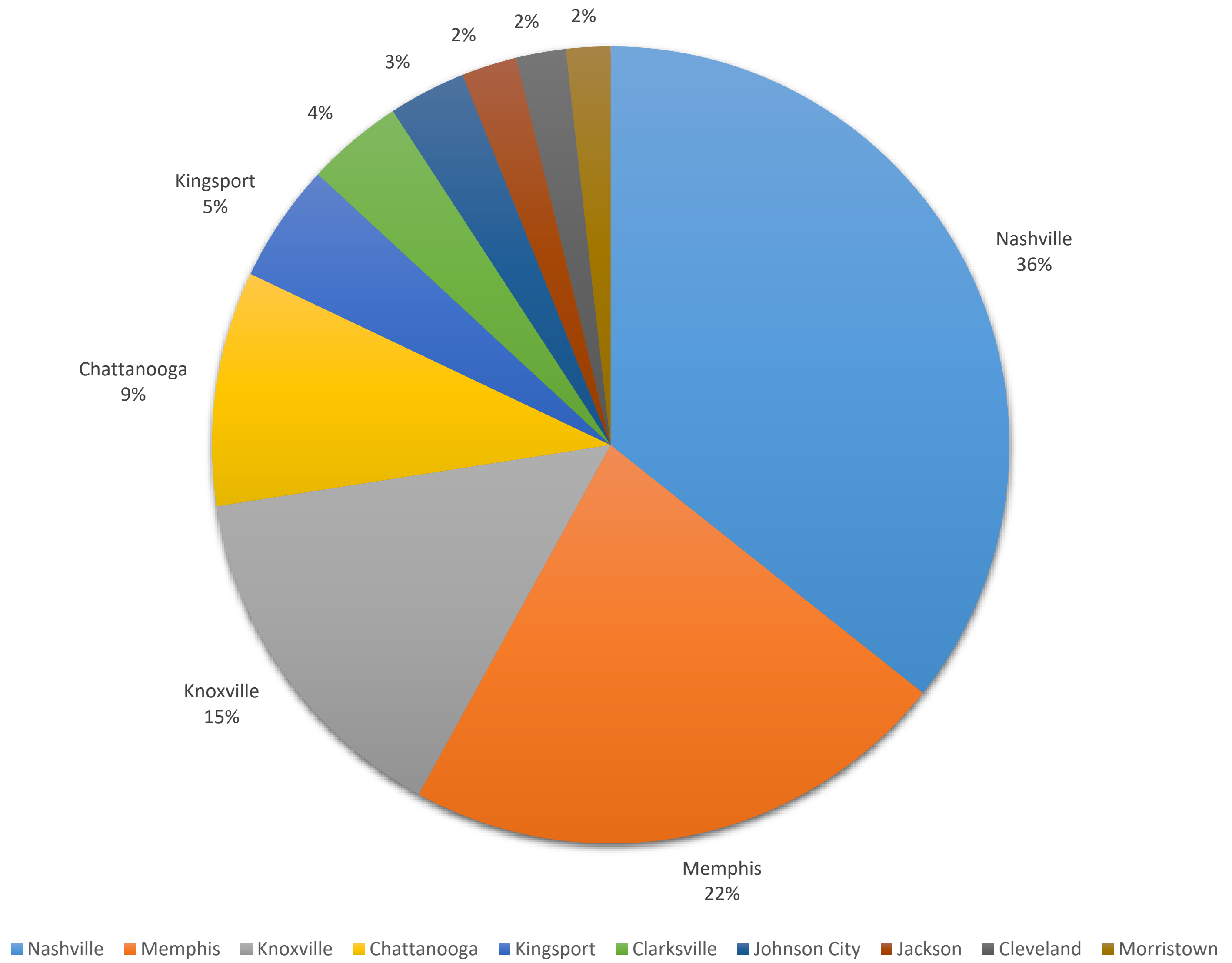

Tennessee Real Domestic Product, 1997 - 2018
(2009 Dollars)
Millions of Dollars
350000
300000
250000
200000
150000
100000
50000
0
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Year

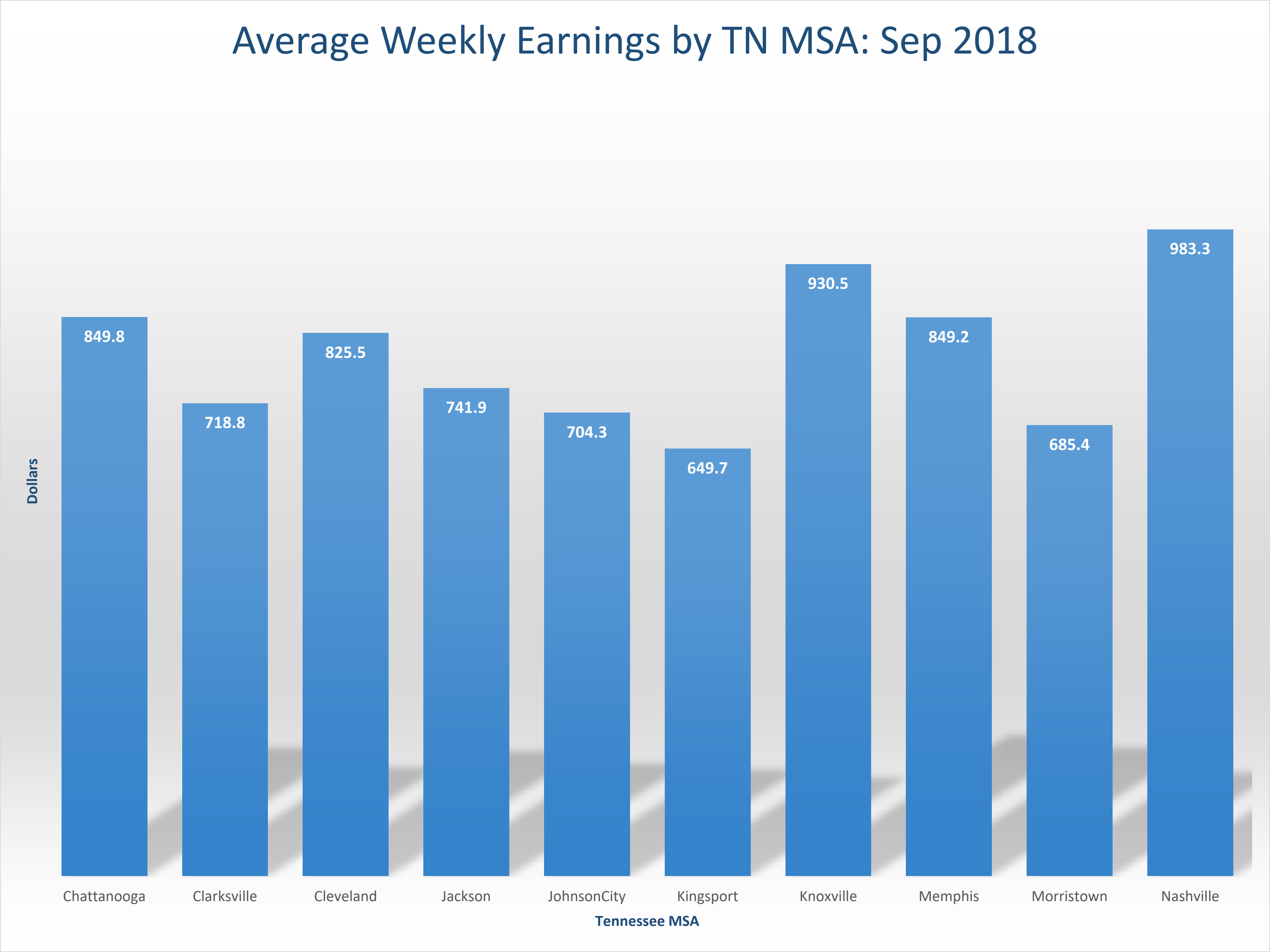


Unemployment Rate by TN MSA: Sep 2018
Percentage Rate
3.5
4.5
3.9
4.1
4.1
3.8
3.5
4.4
4.1
2.9
Chattanooga
Clarksville
Cleveland
Jackson
JohnsonCity
Kingsport
Knoxville
Memphis
Morristown
Nashville
Tennessee MSA


Total Nonfarm Employees by TN MSA: Sep 2018
Number (Thousands)
265.5
91
47.3
69.9
79.8
123.2
399.1
658.3
46.8
1004.4
Chattanooga
Clarksville
Cleveland
Jackson
JohnsonCity
Kingsport
Knoxville
Memphis
Morristown
Nashville
Tennessee MSA

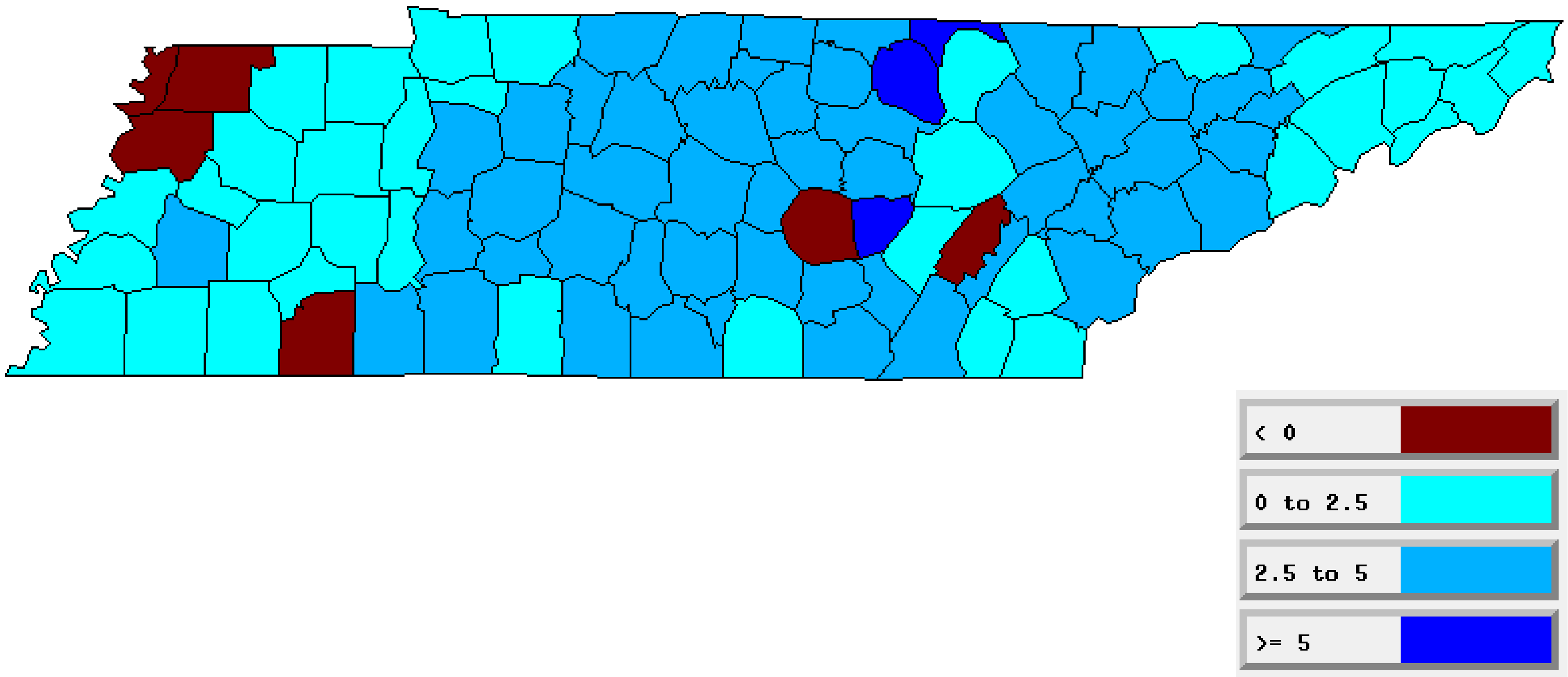
Labor Force by TN MSA: Sep 2018



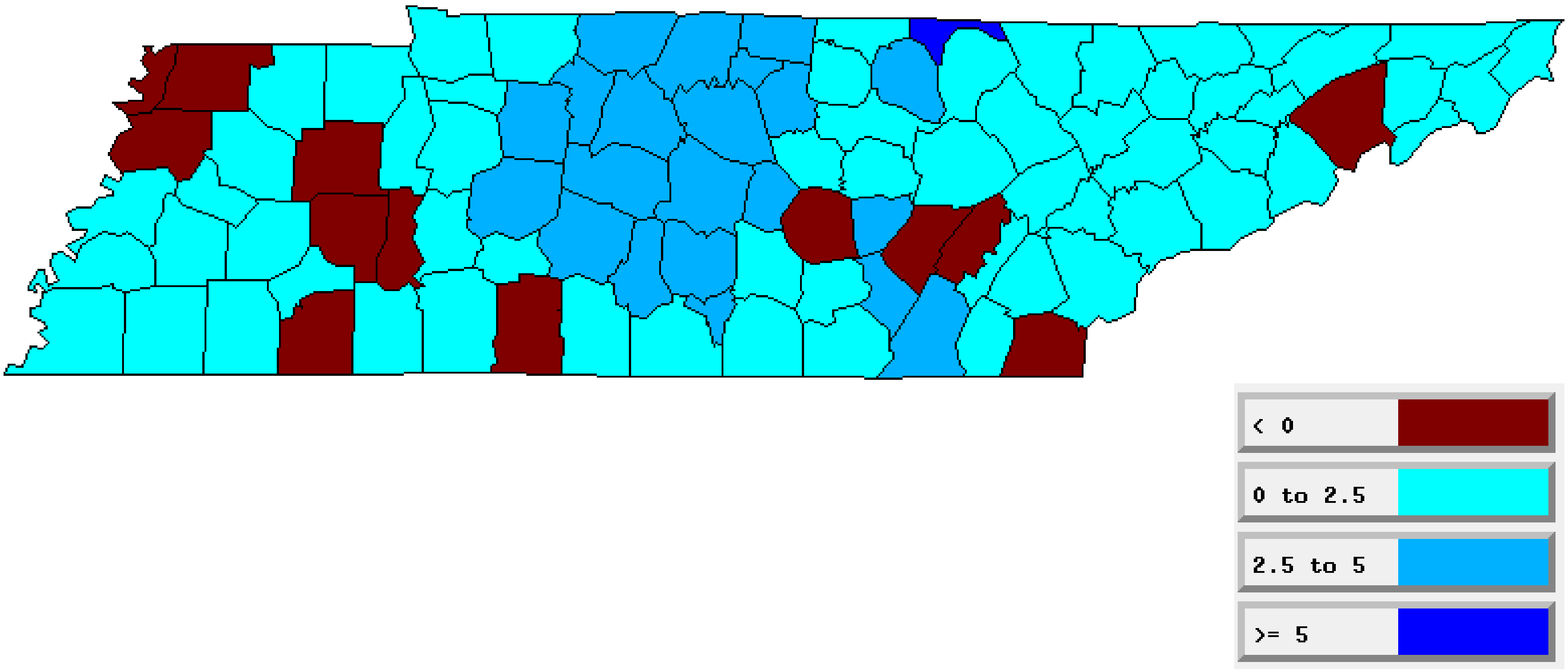


Average Weekly Earnings by TN MSA: Sep 2018
Dollars
849.8
718.8
825.5
741.9
704.3
649.7
930.5
849.2
685.4
983.3
Chattanooga
Clarksville
Cleveland
Jackson
JohnsonCity
Kingsport
Knoxville
Memphis
Morristown
Nashville
Tennessee MSA

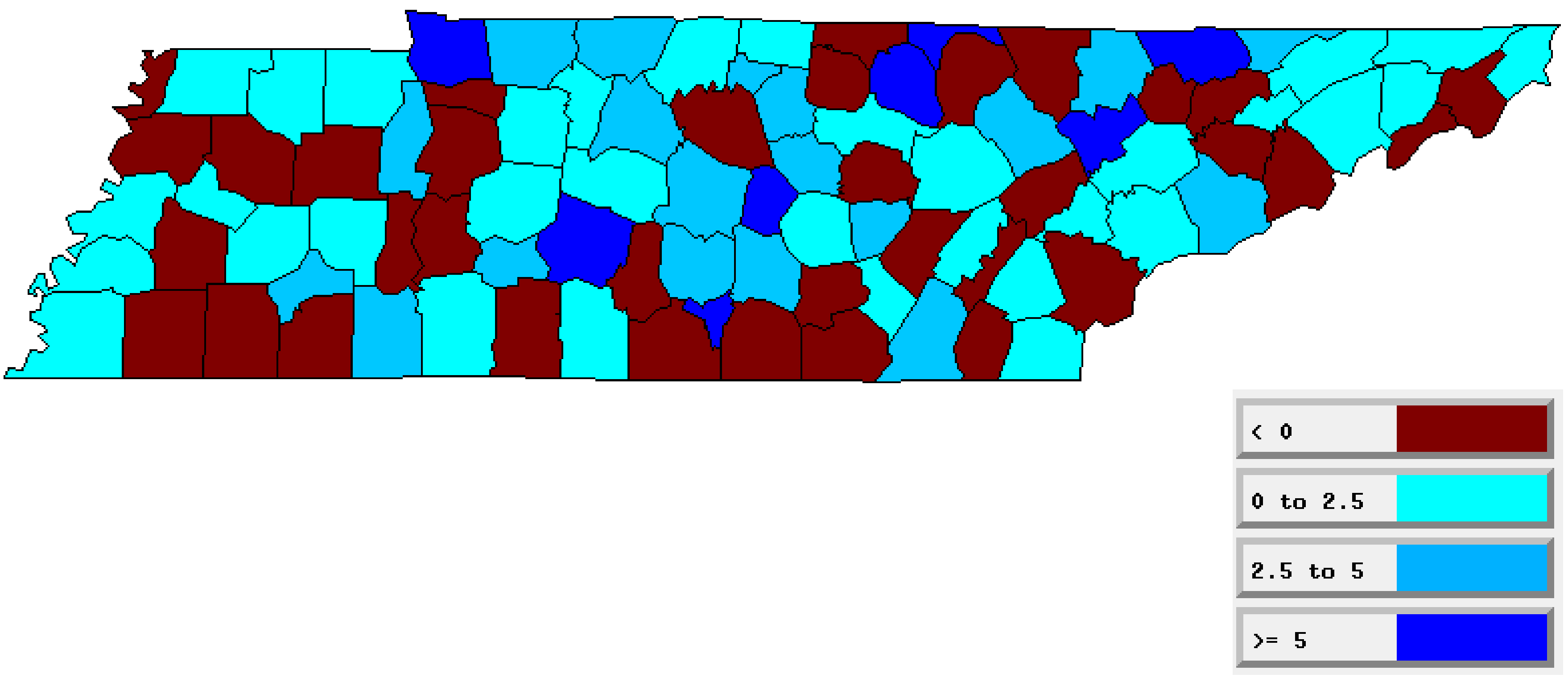
PERCENT CHANGES IN COUNTY EMPLOYMENT
2017 - 2018



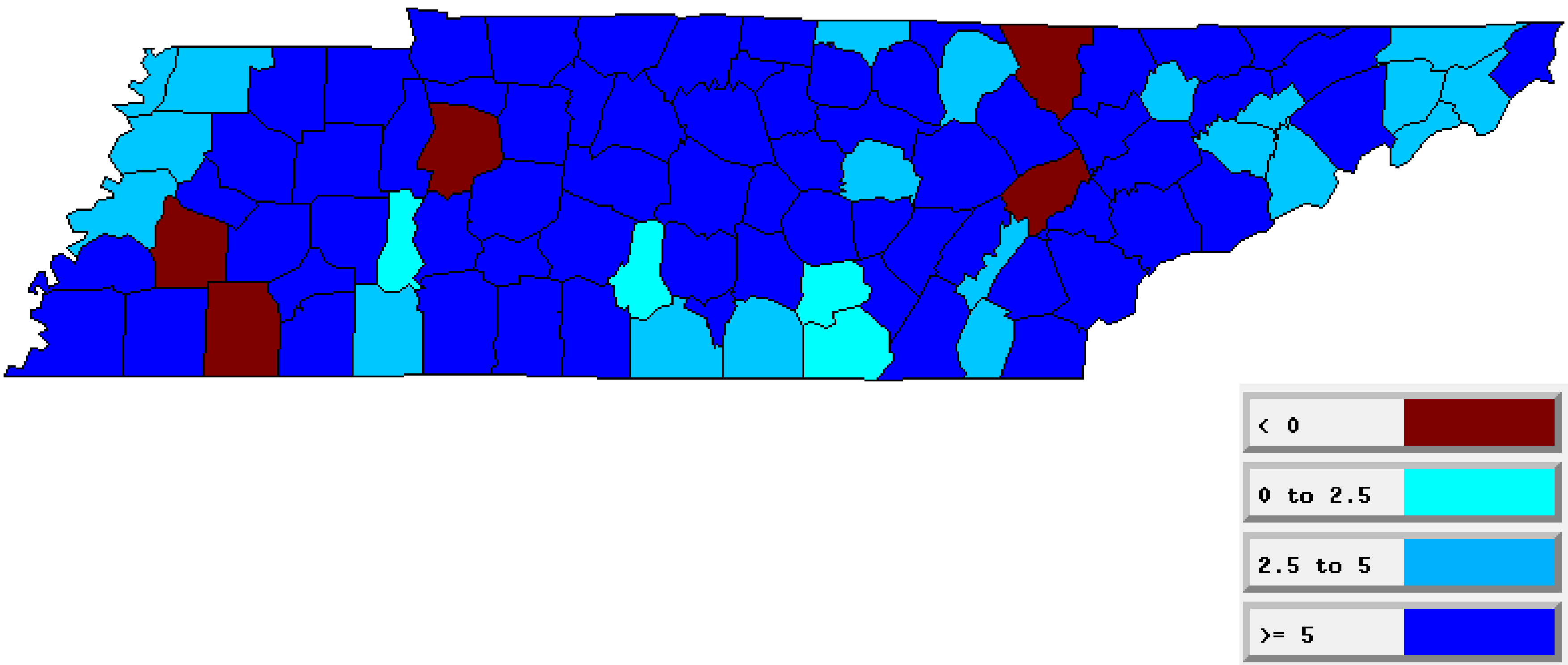
CHANGES IN COUNTY LABOR FORCE
2017 - 2018



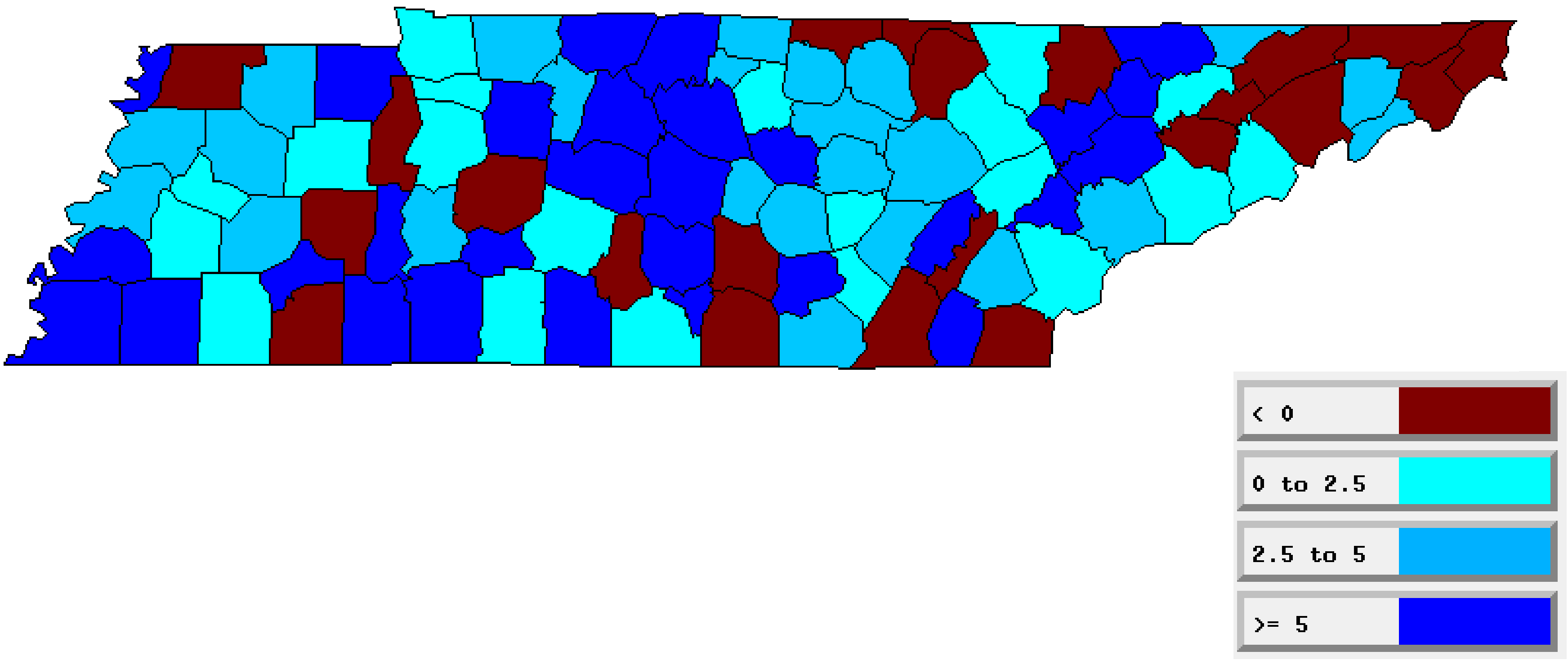
CHANGES IN COUNTY STATE SALES TAX COLLECTIONS 2017 - 2018



CHANGES IN COUNTY LOCAL SALES TAX COLLECTIONS 2017 - 2018



CHANGES IN COUNTY BANK DEPOSITS
2017 - 2018



FY 2018 – 2019 REVENUE FORECAST

ACCRUAL YEAR BASIS	FY 17 - 18	FY 18 - 19		FY 19 - 20		FY 20 - 21	
SOURCE OF REVENUE	AMOUNT	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEA
SALES & USE[1]	$8,835,187,100	$9,035,120,000	2.26%	$9,318,100,000	3.13%	$9,560,400,000	2.60%
GASOLINE TAX	$807,686,700	$853,000,000	5.61%	$890,000,000	4.34%	$930,000,000	4.49%
MOTOR FUEL TAX	$222,690,400	$273,500,000	22.82%	$292,300,000	6.87%	$313,400,000	7.22%
GASOLINE INSPECTION TAX	$68,964,800	$69,630,000	0.96%	$70,370,800	1.06%	$71,400,000	1.46%
MOTOR VEHICLE REGISTRATION TAX	$327,417,400	$353,800,000	8.06%	$362,050,000	2.33%	$376,200,000	3.91%
INCOME TAX	$245,979,600	$179,000,000	-27.23%	$143,800,000	-19.66%	$78,300,000	-45.55%
PRIVILEGE TAX[2]	$360,069,900	$374,450,000	3.99%	$415,800,000	11.04%	$453,300,000	9.02%
GROSS RECEIPTS TAX	$343,562,100	$342,110,000	-0.42%	$345,320,000	0.94%	$352,750,000	2.15%
GROSS RECEIPTS TAX - OTHER	$24,809,400	$26,800,000	8.02%	$27,500,000	2.61%	$28,000,000	1.82%
BEER TAX	$16,663,400	$17,700,000	6.22%	$17,750,000	0.28%	$17,720,000	-0.17%
ALCOHOLIC BEVERAGE TAX	$66,676,800	$71,810,000	7.70%	$73,500,000	2.35%	$76,800,000	4.49%
FRANCHISE & EXCISE TAX	$2,570,771,100	$2,681,450,000	4.31%	$2,716,150,000	1.29%	$2,820,000,000	3.82%
INHERITANCE TAX	-$731,900	-	-	-	-	-	-
TOBACCO TAX	$248,160,900	$251,520,000	1.35%	$254,470,000	1.17%	$259,000,000	1.78%
MOTOR VEHICLE TITLE FEES	$25,194,900	$26,100,000	3.59%	$26,150,000	0.19%	$26,550,000	1.53%
MIXED DRINK TAX	$119,340,900	$133,400,000	11.78%	$142,000,000	6.45%	$158,300,000	11.48%
BUSINESS TAX	$198,268,600	$193,896,500	-2.21%	$190,010,000	-2.00%	$188,200,000	-0.95%
SEVERANCE TAX	$1,022,000	$1,100,000	7.63%	$1,150,000	4.55%	$1,200,000	4.35%
COIN AMUSEMENT TAX	$288,500	$301,500	4.51%	$400,900	32.97%	$416,000	3.77%
UNAUTHORIZED SUBSTANCE TAX	$100	$100	0%	$100	0%	$100	0%
TOTAL	$14,482,022,700	$14,884,688,100	2.78%	$15,286,821,800	2.70%	$15,711,936,100	2.78%
cludes $112 million estimated earmarked fees ected for E911 service							
cludes $52 million estimated earmarked funds							

Distribution of Budgeted Revenue Estimate by Fund

Fiscal Year 2018 - 2019

	Total Revenue	General Fund & Education Fund	Highway Fund	Debt Service Fund	Cities & Counties
Sales and Use Tax	$9,035,120,000	$8,490,220,000	$15,400,000	$64,200,000	$465,300,000
Gasoline Tax	$853,000,000	$14,200,000	$433,500,000	$80,200,000	$325,100,000
Motor Fuel Tax	$273,500,000	$4,100,000	$197,700,000	-	$71,700,000
Gasoline Inspection tax	$69,630,000	$20,500,000	$37,130,000	-	$12,000,000
MotorVehicle Registration Tax	$353,800,000	$57,700,000	$296,100,000	-	
Income Tax	$179,000,000	$118,000,000	-	-	$61,000,000
Privilege Tax	$374,450,000	$368,800,000.00	-	-	$5,650,000
Gross Receipts Tax - TVA	$342,110,000	$188,200,000.00	-	-	$153,910,000
Gross Receipts Tax - Other	$26,800,000	$22,100,000.00	$4,700,000.00	-	
Beer Tax	$17,700,000	$11,800,000.00	$2,250,000.00	-	$3,650,000
Alcoholic Beverage Tax	$71,810,000	$59,400,000.00	-	-	$12,410,000
Franchise & Excise Tax	$2,681,450,000	$2,426,450,000.00	-	$215,000,000	$40,000,000
Inheritance and Estate Tax	-	-	-	-	-
Tobacco Tax	$251,520,000	$251,520,000	-	-	-
Motor Vehicle Title fees	$26,100,000	$23,400,000	-	$2,700,000	-
Mixed Drink Tax	$133,400,000	$66,700,000	-	-	$66,700,000
Business Tax	$193,900,000	$193,900,000	-	-	
Severance Tax	$1,100,000	$300,000	-	-	$800,000
Coin-operated Amusement Tax	$301,500	$301,500	-	-	-
Unauthorized Substance Tax	-	-	-	-	-

TN Department of Revenue

Estimated State Tax Revenue

November 20, 2018

Fiscal Year 2018 Tax Revenue

COMPARISON OF ACCRUAL STATE TAX REVENUE

DEPARTMENT OF REVENUE TAXES

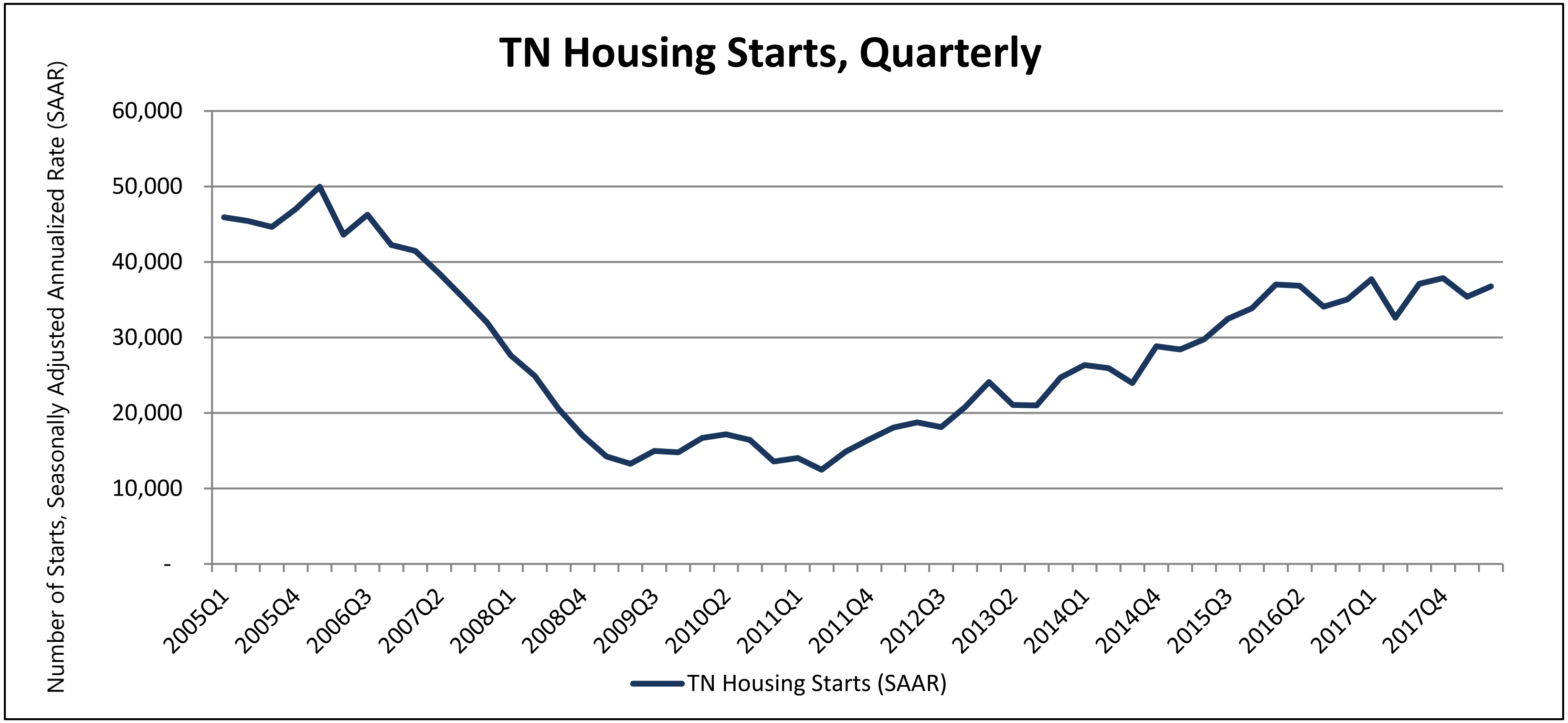
YEAR OVER YEAR COMPARISON

	Fiscal Year 2017	Fiscal Year 2018	% Change	Tax Weight	Total % Point Contribution
Sales and Use Tax	$8,556,773,600	$8,835,187,100	3.25%	60.96%	1.98%
Hall Income Tax	250,126,200	245,979,600	-1.66%	1.78%	-0.03%
Corporate Franchise and Excise Tax	2,620,205,200	2,570,771,100	-1.89%	18.67%	-0.35%
Gasoline Tax	669,631,000	807,686,700	20.62%	4.77%	0.98%
Other	1,940,348,565	2,022,398,200	4.23%	13.82%	0.58%
TOTAL ACCRUAL REVENUE	**$14,037,084,565**	**$14,482,022,700**	**3.17%**	**100%**	**3.17%**

*Data from F&A

Housing

- Housing starts increased 5.5% from FY 2017 – FY 2018
- By the end of FY 2019, housing starts are expected to increase 4.6% from a year earlier



Note: Data from the U.S. Census Bureau, forecast from Moody's Analytics

Tax Implications

Direct Revenue Implications of Increased Housing Activity (Most Recent 6 Month Data)
Growth is presented as year over year (YOY)

Sales Tax Collections from Building Materials

	Collections	YOY % Growth	YOY $ Growth
May	$48,027,994	3.60%	$1,667,192
June	$50,064,368	11.59%	$5,198,323
July	$50,802,192	10.83%	$4,963,856
August	$47,009,718	12.27%	$5,136,737
September	$43,943,296	12.84%	$5.001,301
October	$43,609,296	4.31%	$1,803,357
		6.62%	**$18,769,465**

Privilege Tax Collections from Realty Transfer

	Collections	YOY % Growth	YOY $ Growth
May	$15,091,394	18.42%	$2,347,763
June	$16,656,704	6.06%	$951,148
July	$17,543,011	10.24%	$1,629,246
August	$16,493,846	9.54%	$1,436,016
September	$17,059,054	11.37%	$1,741,274
October	$11,548,020	-19.13%	-$2,732,431
		5.69%	**$5,373,016**

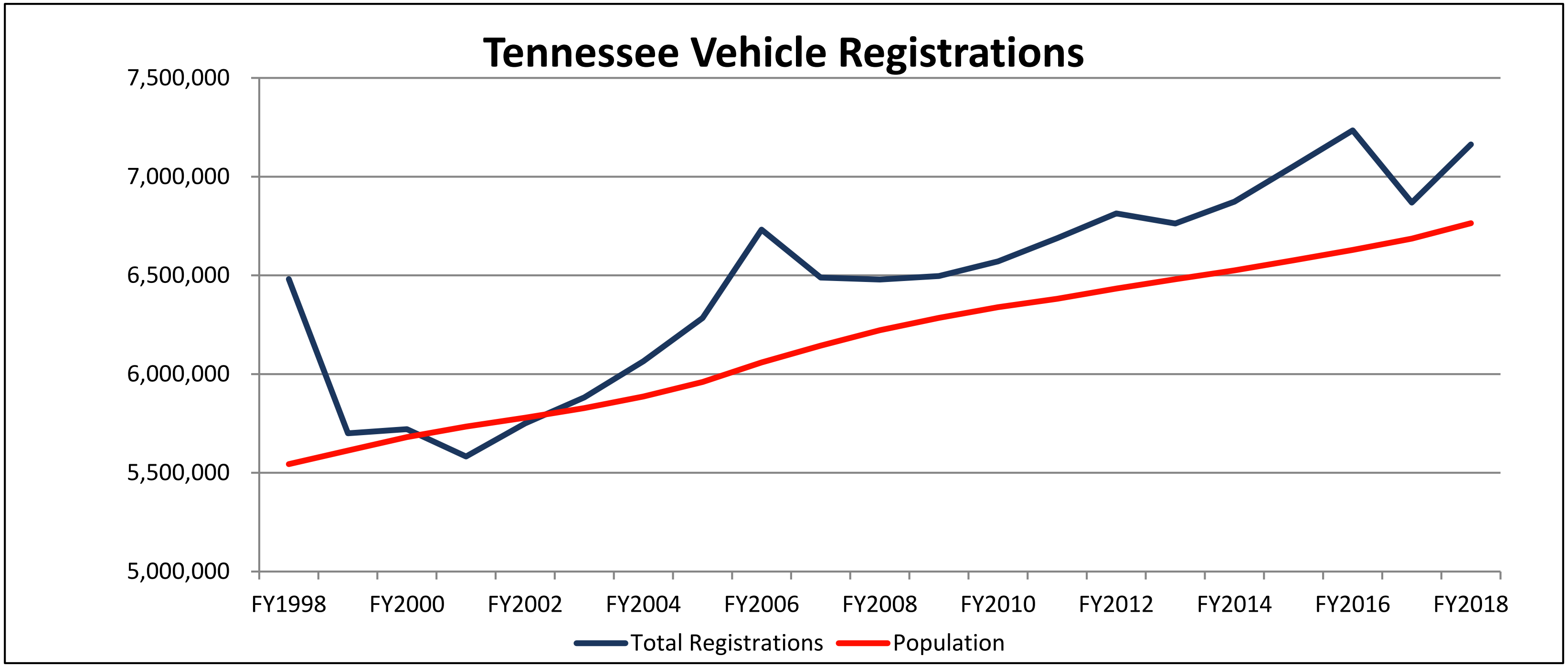
Privilege Tax Collections from Realty Mortgage

	Collections	YOY % Growth	YOY $ Growth
May	$6,100,895	14.30%	$763,429
June	$6,691,389	-2.43%	-$166,418
July	$6,290,695	2.98%	$181,901
August	$6,081,009	5.34%	$308,395
September	$6,389,868	6.96%	$415,761
October	$4,540,280	-18.92%	-$1,059,424
		1.23%	**$443,644**

6 Month Total Growth	**5.94%**	**$24,586,125**

Automotive

- Tennessee vehicle registrations increased 4.3% from FY 2017 – FY 2018
- By the end of FY 2019, vehicle registrations are expected to increase 2.5% from a year earlier



Note: Registration data and forecast from the Department of Revenue, population data from the U.S. Census Bureau

Tax Implications

Direct Revenue Implications of Increased Automotive Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

Sales Tax Collections from Motor Vehicle Dealers, New & Used

	Collections	YOY % Growth	YOY $ Growth
May	$52,406,867	-2.14%	-$1,145,211
June	$59,791,214	2.55%	$1,486,304
July	$58,185,929	5.30%	$2,928,418
August	$58,637,035	3.96%	$2,232,826
September	$60,601,519	3.72%	$2,172,777
October	$53,861,144	-1.78%	-$977,431
		1.95%	**$6,697,683**

Sales Tax Collections from Motor Vehicle Dealers, Used

	Collections	YOY % Growth	YOY $ Growth
May	$15,999,900	-2.29%	-$374,308
June	$16,775,125	-0.15%	-$25,884
July	$15,928,812	0.90%	$141,555
August	$15,484,122	-0.86%	-$134,428
September	$16,236,083	0.07%	$10,623
October	$14,298,882	-3.30%	-$487,310
		-0.92%	**-$869,752**

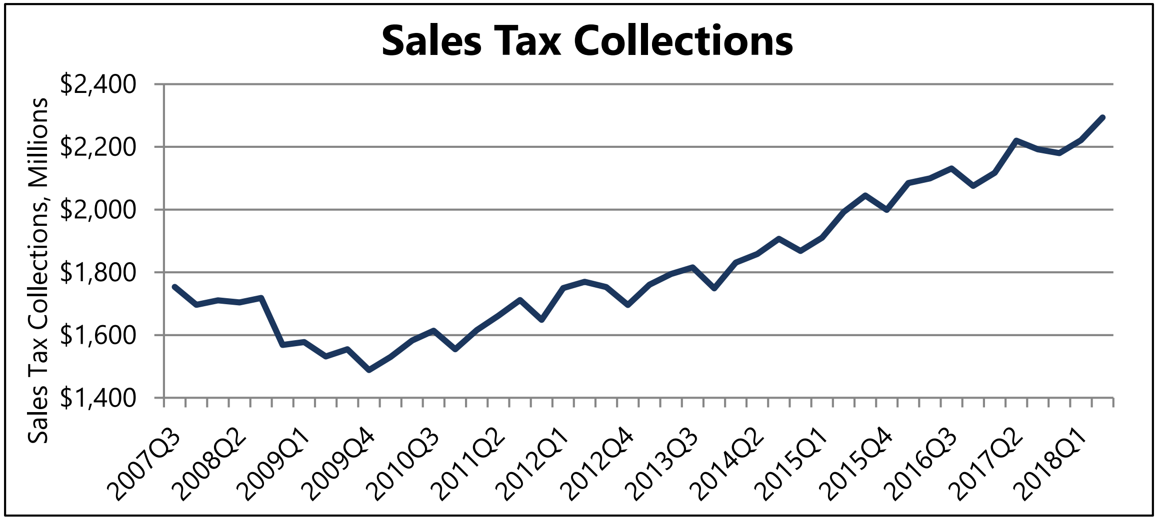
Sales Tax Collections from Auto Repair, Services, and Parking

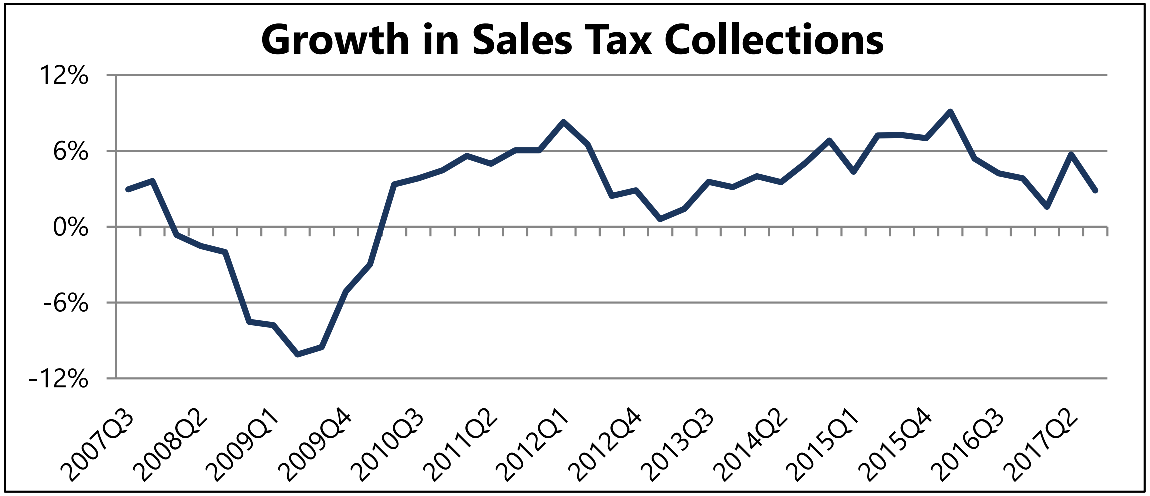
	Collections	YOY % Growth	YOY $ Growth
May	$17,818,579	2.79%	$483,580
June	$19,337,507	4.54%	$839,933
July	$17,543,079	-7.41%	-$1,404,777
August	$21,146,200	17.46%	$3,143,261
September	$19,869,636	5.52%	$1,040,080
October	$17,766,577	-1.58%	-$285,191
		3.36%	**$3,816,886**

	6 Month Total Growth	**1.75%**	**$9,644,818**

Sales

- State sales tax collections increased 3.25% from FY 2017 – FY 2018
- By the end of FY 2019, sales tax collections are expected to increase 4.40% from a year earlier





Note: Data and forecast from the Department of Revenue

Tax Implications

Direct Revenue Implications of Increased Sales Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

Sales Tax Collections from Eating & Drinking Places

	Collections	YOY % Growth	YOY $ Growth
May	$73,759,115	0.42%	$331,198
June	$74,227,240	-0.55%	-$408,668
July	$76,735,789	5.18%	$3,781,767
August	$73,556,536	2.26%	$1,625,439
September	$72,129,977	4.37%	$3,017,556
October	$72,503,731	2.18%	$1,548,362
		2.23%	**$9,895,654**

Sales Tax Collections from Hotels & Lodging Places

	Collections	YOY % Growth	YOY $ Growth
May	$21,105,884	2.53%	$520,693
June	$21,631,328	0.74%	$158,994
July	$24,478,386	3.82%	$901,209
August	$22,052,418	-2.64%	-$596,941
September	$20,276,031	-2.51%	-$521,124
October	$22,363,007	0.60%	$133,748
		0.45%	**$596,579**

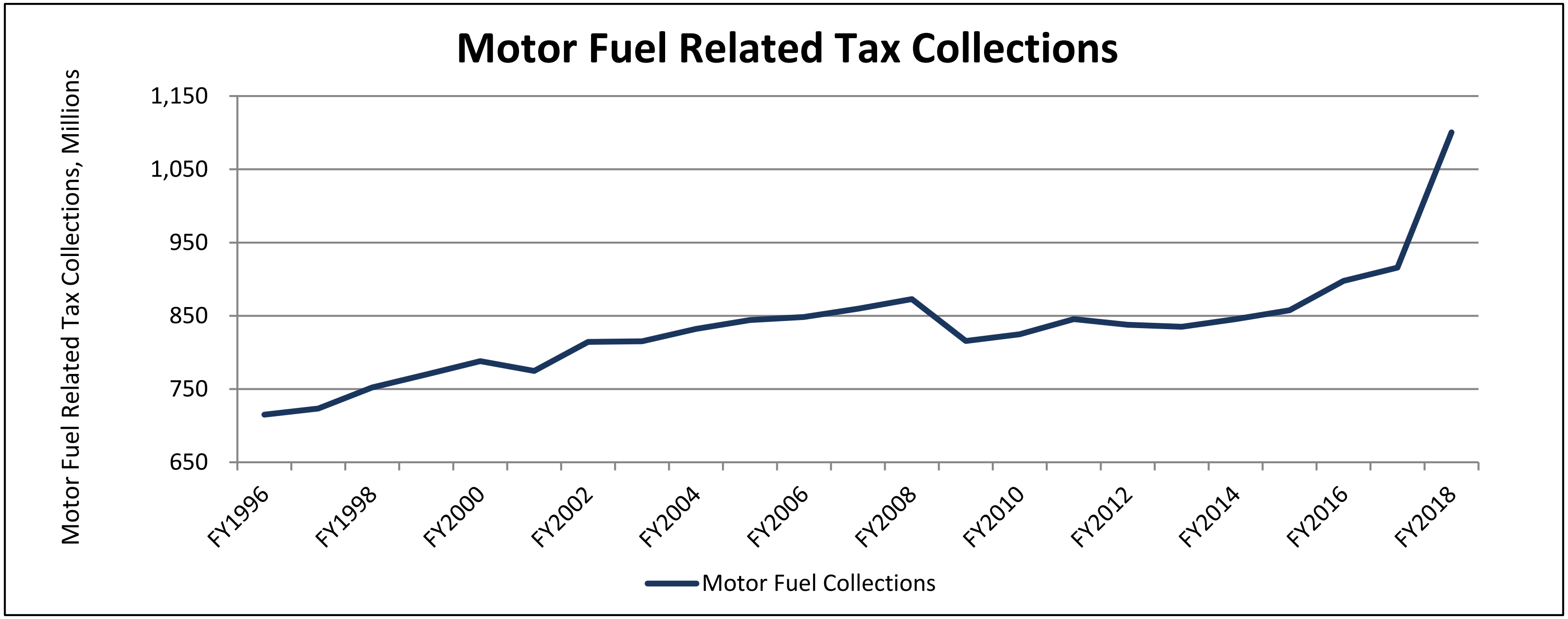
Mixed Drink (Liquor-by-the-Drink) Tax Collections

	Collections	YOY % Growth	YOY $ Growth
May	$10,768,784	13.19%	$1,255,269
June	$11,033,137	12.21%	$1,200,895
July	$11,079,432	14.72%	$1,421,482
August	$10,363,237	12.98%	$1,190,225
September	$10,953,920	19.55%	$1,791,262
October	$11,316,146	16.41%	$1,594,964
		12.90%	**$8,454,097**

6 Month Total Growth	**2.96%**	**$18,946,331**

Motor Fuel Related Collections*

- Motor fuel related tax collections increased 20.15% from FY 2018 – FY 2019
- By the end of FY 2020, collections are expected to increase 7.40% from a year earlier



TN Department of Revenue

*Motor fuel related tax collections include collections from the gasoline tax, the motor fuel tax, and the petroleum special tax.

Note: Data and forecast from the Department of Revenue

Tax Implications

Direct Revenue Implications of Increased Motor Fuel Related Activity (Most Recent 6 Month Data)
Growth is presented as year over year (YOY)

Sales Tax Collections from Gasoline Services Stations

	Collections	YOY % Growth	YOY $ Growth
May	$12,200,774	-4.31%	-$550,056
June	$13,416,142	1.10%	$145,486
July	$13,091,563	-1.67%	-$222,003
August	$13,245,975	0.71%	$93,909
September	$13,043,670	0.55%	$71,474
October	$12,377,094	-2.90%	-$369,264
		-1.07%	**-$830,454**

Gasoline Tax Collections

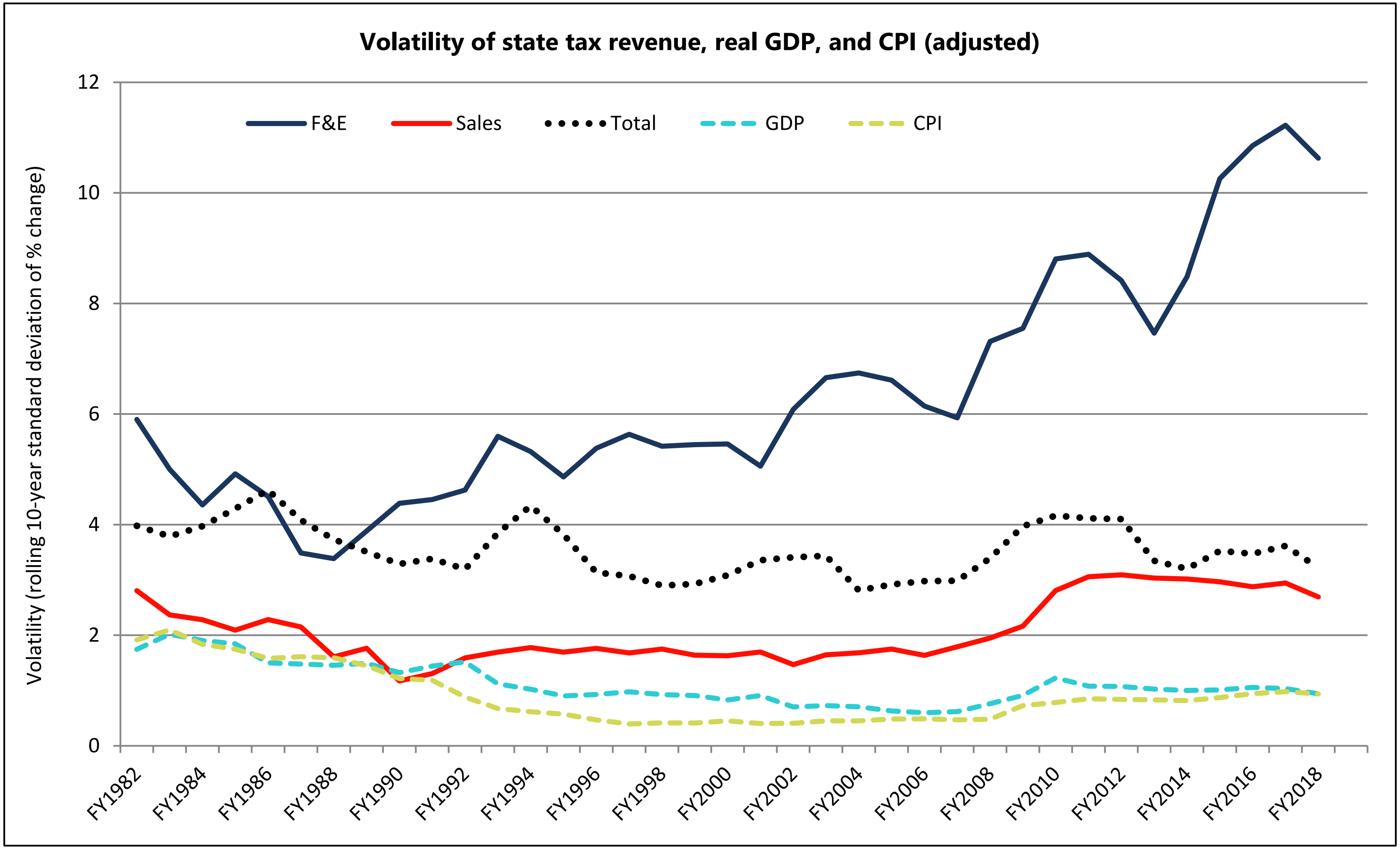
	Collections	YOY % Growth	YOY $ Growth
May	$68,882,384	15.07	$9,022,760
June	$72,284,857	29.06%	$16,277,653
July	$68,041,668	13.20%	$7,932,964
August	$76,730,337	7.69%	$5,479,778
September	$74,584,201	1.45%	$1,069,337
October	$69,802,765	-3.37%	-$2,437,021
		8.68%	**$37,345,471**

Motor Fuel Tax Collections

	Collections	YOY % Growth	YOY $ Growth
May	$16,525,782	17.92%	$2,511,928
June	$20,854,416	42.41%	$6,210,094
July	$21,176,045	32.29%	$5,168,496
August	$18,883,819	22.77%	$3,501,749
September	$22,637,320	8.09%	$1,694,875
October	$23,311,132	18.02%	$3,558,687
		18.35%	**$22,645,829**

6 Month Total Growth	**9.37%**	**$59,160,846**

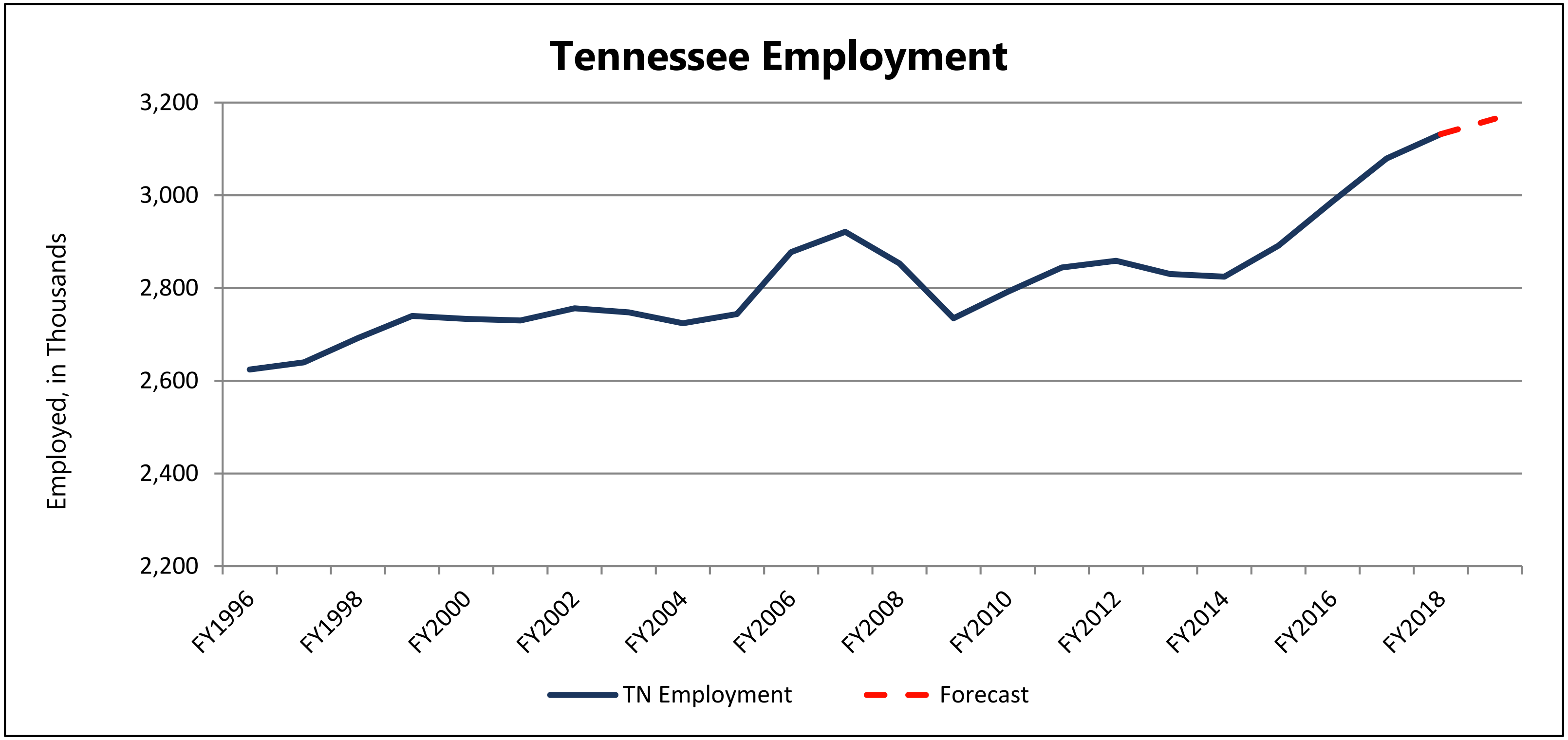
Tennessee Tax Volatility Comparison



TN Department of Revenue

Tennessee Employment

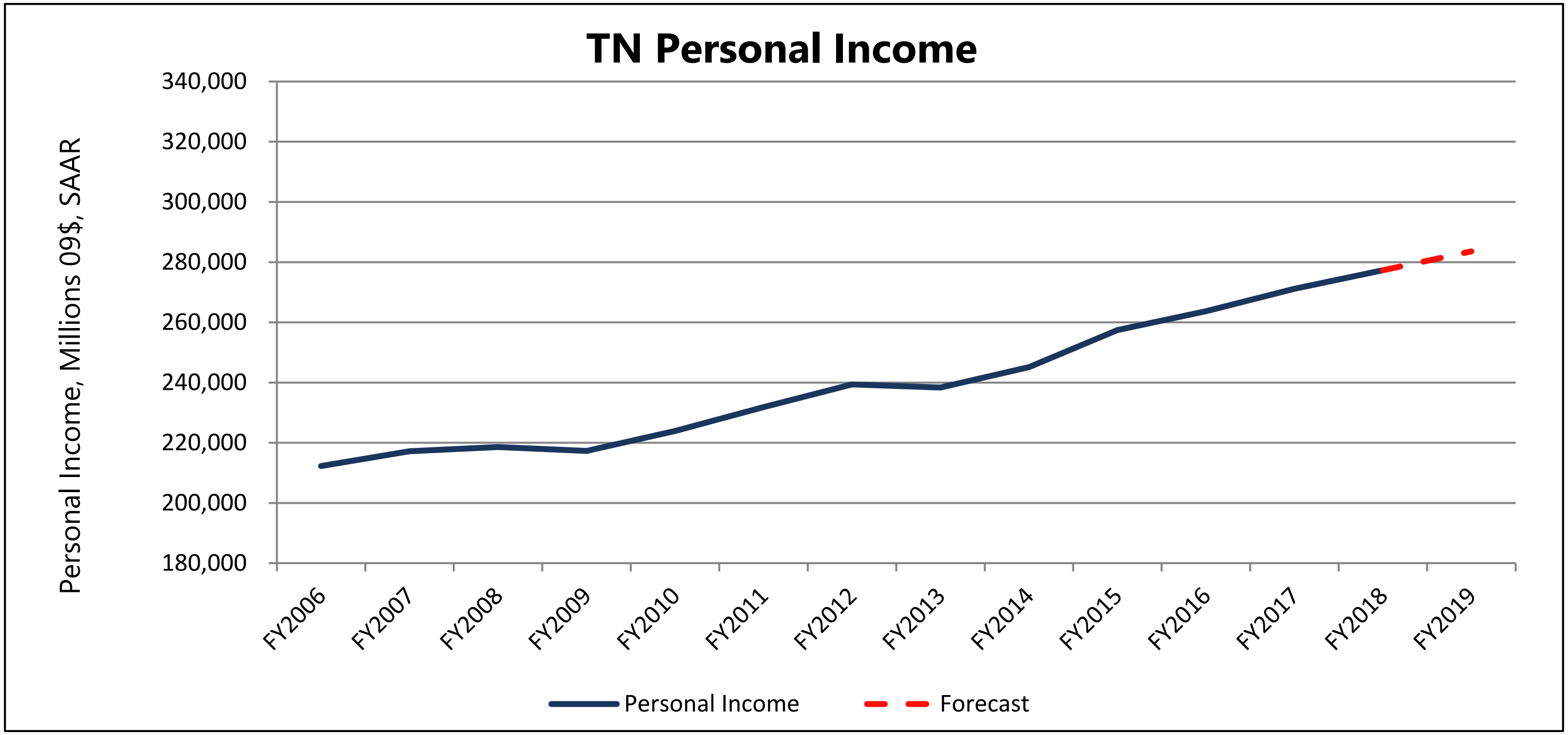
- Strong growth in employment
- Steady employment growth is expected over the forecast horizon



Note: Data from the Bureau of Labor Statistics, forecast from Moody's Analytics

Tennessee Personal Income

- Personal income gains of 2.27% for FY 2018
- Personal income gains of 2.26% are expected for FY 2019, led by growth in wages and salaries



Note: Data from the Bureau of Economic Analysis, forecast from Moody's Analytics

Non-Recurring Items

- Analyze daily tax revenue collections relative to previous years and budget estimates.
- Identify extraordinary or unusual payments using the Department of Revenue Business Intelligence tool and SAS programs.
- Focus analysis at the taxpayer level to identify the nature of payments and possible implications to total tax collections for the month.
- Maintain a list of one-time events and analyze any impact these payments may have on the following fiscal year.

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- There are no known non-recurring items included in the estimates for fiscal year 2019 and the Department is not aware of any upcoming non-recurring payments in FY 2019.

- The fiscal year 2019 estimates do not include revenue estimates for any proposed or potential rule changes.

TN Department of Revenue

REVENUE COLLECTION ESTIMATES
STATE FUNDING BOARD MEETING - 11/20/2018
Accrual year basis (USD)

SOURCE OF REVENUE

		Official	FY 2019		FY 2020	
Department of Revenue	Accrual Revenues FY 2018	Revenue Estimates FY2019	Revised Estimates FY 2019	% change[3] over FY 2018	Revenue Estimates FY 2020	% change[3] over FY 2019
	Actual					
Sales and Use Tax[1]	$8,835,200,000	$9,025,500,000	9,223,900,000	4.40%	9,596,500,000	4.04%
Gasoline Tax	807,700,000	849,000,000	842,200,000	4.27%	876,600,000	4.08%
Motor Fuel Tax	222,700,000	254,200,000	260,700,000	17.06%	299,100,000	14.73%
Gasoline Inspection Tax	69,000,000	69,600,000	69,800,000	1.16%	70,600,000	1.15%
Motor Vehicle Registration Tax	327,400,000	314,800,000	337,500,000	3.08%	347,200,000	2.87%
Income Tax	246,000,000	157,900,000	152,200,000	-38.13%	103,200,000	-32.19%
Privilege Tax[2]	360,100,000	372,600,000	376,300,000	4.50%	395,400,000	5.08%
Gross Receipts Tax - TVA	343,600,000	349,500,000	360,300,000	4.86%	363,900,000	1.00%
Gross Receipts Tax - Other	24,800,000	32,500,000	28,500,000	14.92%	29,100,000	2.11%
Beer Tax	16,700,000	18,100,000	16,800,000	0.60%	16,800,000	0.00%
Alcoholic Beverage Tax	66,700,000	71,200,000	69,400,000	4.05%	72,000,000	3.75%
Franchise & Excise Tax	2,570,800,000	2,523,900,000	2,716,300,000	5.66%	2,826,300,000	4.05%
Inheritance and Estate Tax	-700,000	-	-	-	-	-
Tobacco Tax	248,200,000	250,500,000	234,800,000	-5.40%	229,800,000	-2.13%
Motor Vehicle Title Fees	25,200,000	24,400,000	26,200,000	3.97%	27,300,000	4.20%
Mixed Drink Tax	119,300,000	122,200,000	132,100,000	10.73%	144,200,000	9.16%
Business Tax	198,300,000	179,100,000	213,800,000	7.82%	221,900,000	3.79%
Severance Tax	1,000,000	1,100,000	800,000	-20.00%	700,000	-12.50%
Coin-operated Amusement Tax	300,000	200,000	300,000	0.00%	300,000	0.00%
Total Department of Revenue	**$14,482,300,000**	**$14,616,300,000**	**$15,061,900,000**	**4.00%**	**$15,620,900,000**	**3.71%**
General Fund Only	**$12,023,600,000**	**$12,124,700,000**	**$12,500,400,000**	**3.97%**	**$12,952,900,000**	**3.62%**

[1]Excludes $112.0 million estimated earmarked fees collected under sales tax for E911 telecommunications service (2016 PC 1047).

[2]Privilege excludes $52.0 million dollar earmark not included by F&A

[3]Percent change in revenue for each tax is the calculated percentage change *after* rounding to nearest $100,000

Note: Totals may differ due to rounding

Definitions and Sources

- SAAR = Seasonally Adjusted Annualized Rate
- FY = Fiscal Year
- TN = Tennessee
- Data Sourced From:
  - Moody's Analytics (Fall, 2018)
  - BEA (Fall, 2018)
  - BLS (Fall, 2018)
  - U.S. Census Bureau (Fall, 2018)
  - TN Department of Revenue (Fall, 2018)
  - TN Department of Finance & Administration (Fall, 2018)

FY18-19 & FY19-20
Tax Revenue Estimates

Fiscal Review Committee Staff

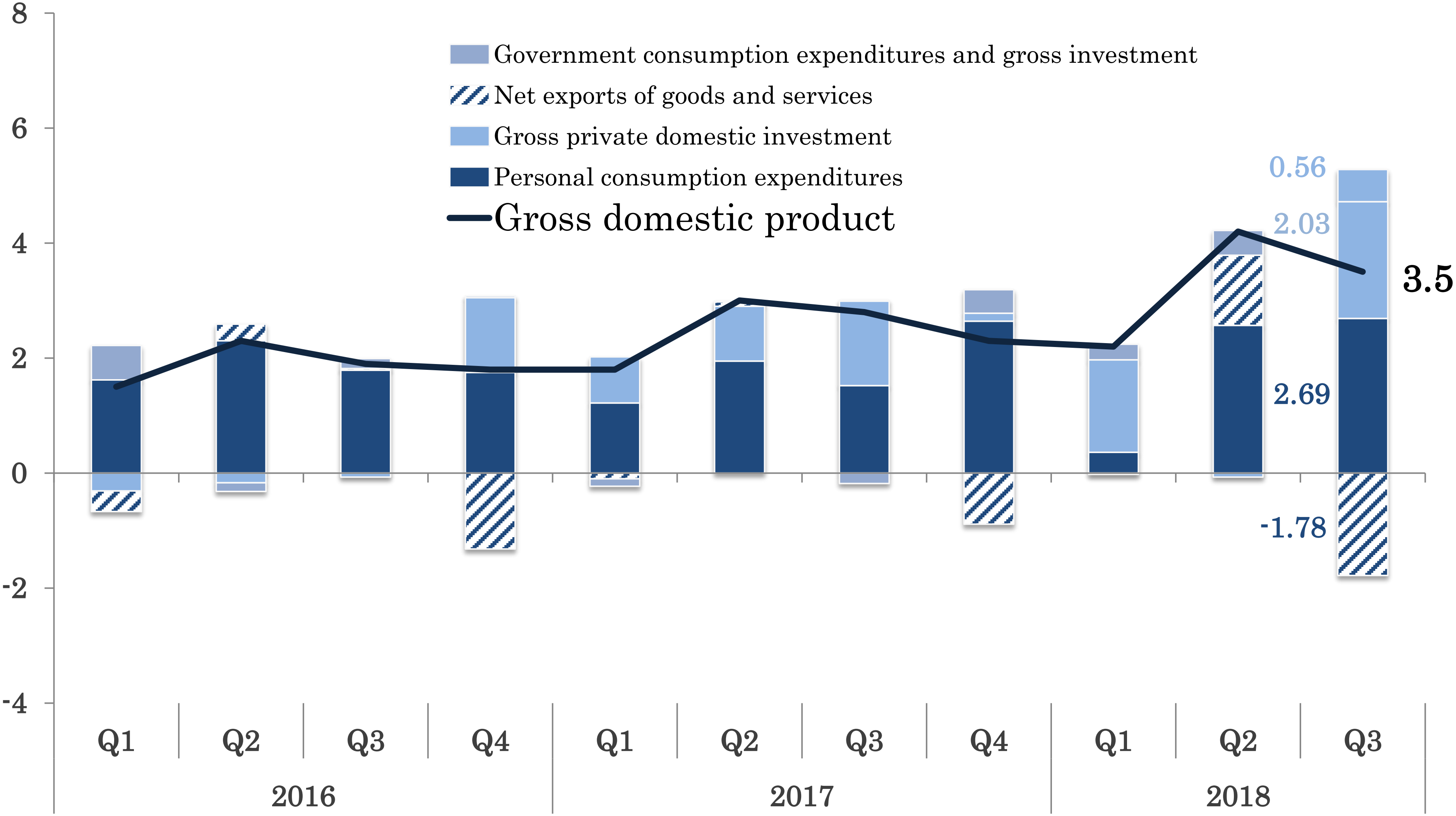
November 20, 2018

Overview

- Strong U.S. and TN economic conditions…currently
- Robust job creation supported by rising incomes
- Tight labor market
  - Expected continuous declines in unemployment rate as growth will exceed the sum of labor force and productivity gains
- Inflation will remain close to the target for the forecasting period (2.0% to 2.5%)
- Federal Reserve will continue to remove policy accommodations
  - Result: more modest economic growth
- Housing sector warning signs
- Diminishing fiscal stimulus in 2019
- Trade disputes: minimal economic impact in the near term; larger uncertainty in the mid to long term
- Demographics

U.S. Real GDP

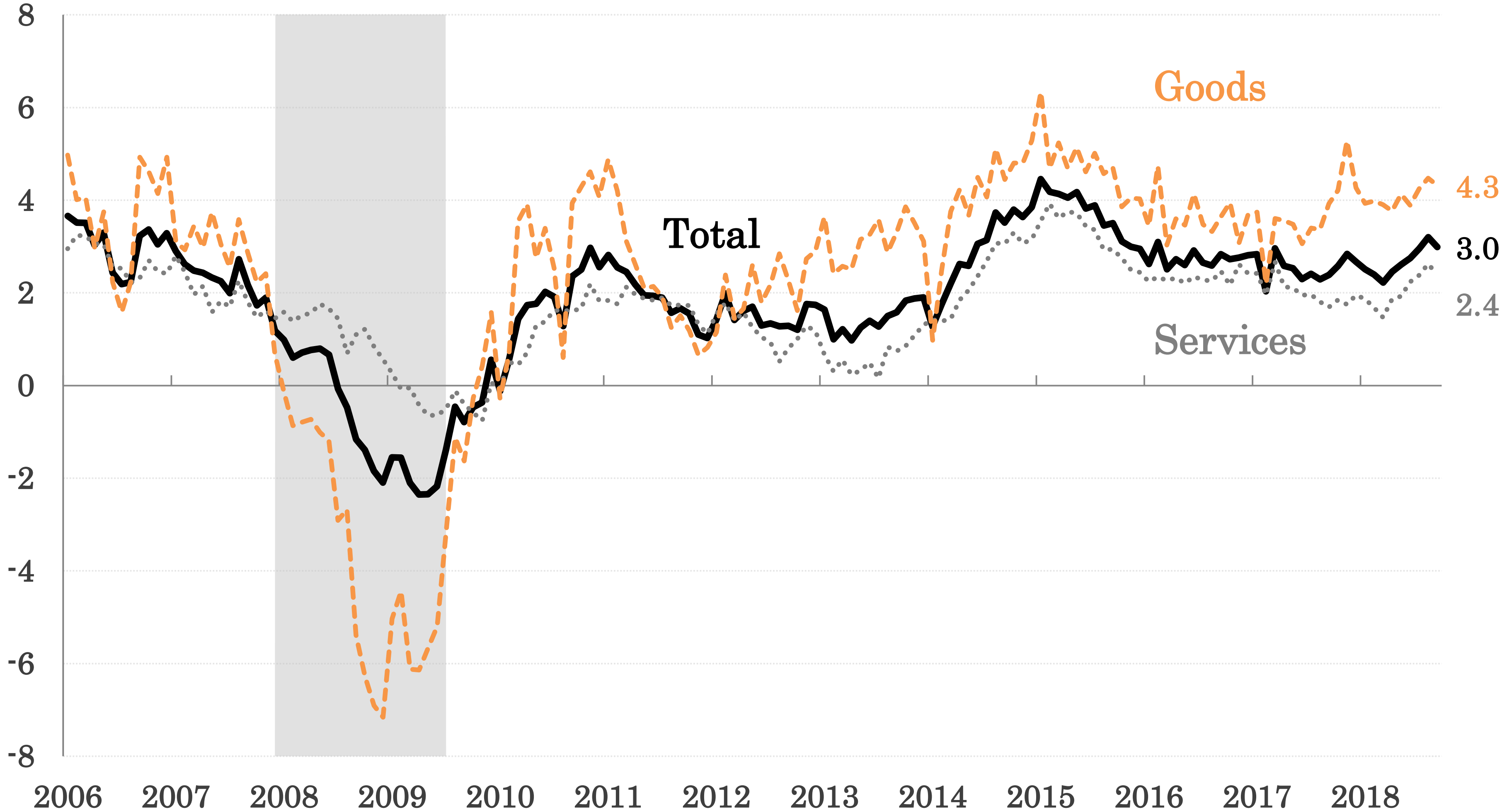
Contributions to % Change in Real GDP (SAAR)



Source: U.S. Bureau of Economic Analysis, November 6, 2018.

Real PCE and its Components

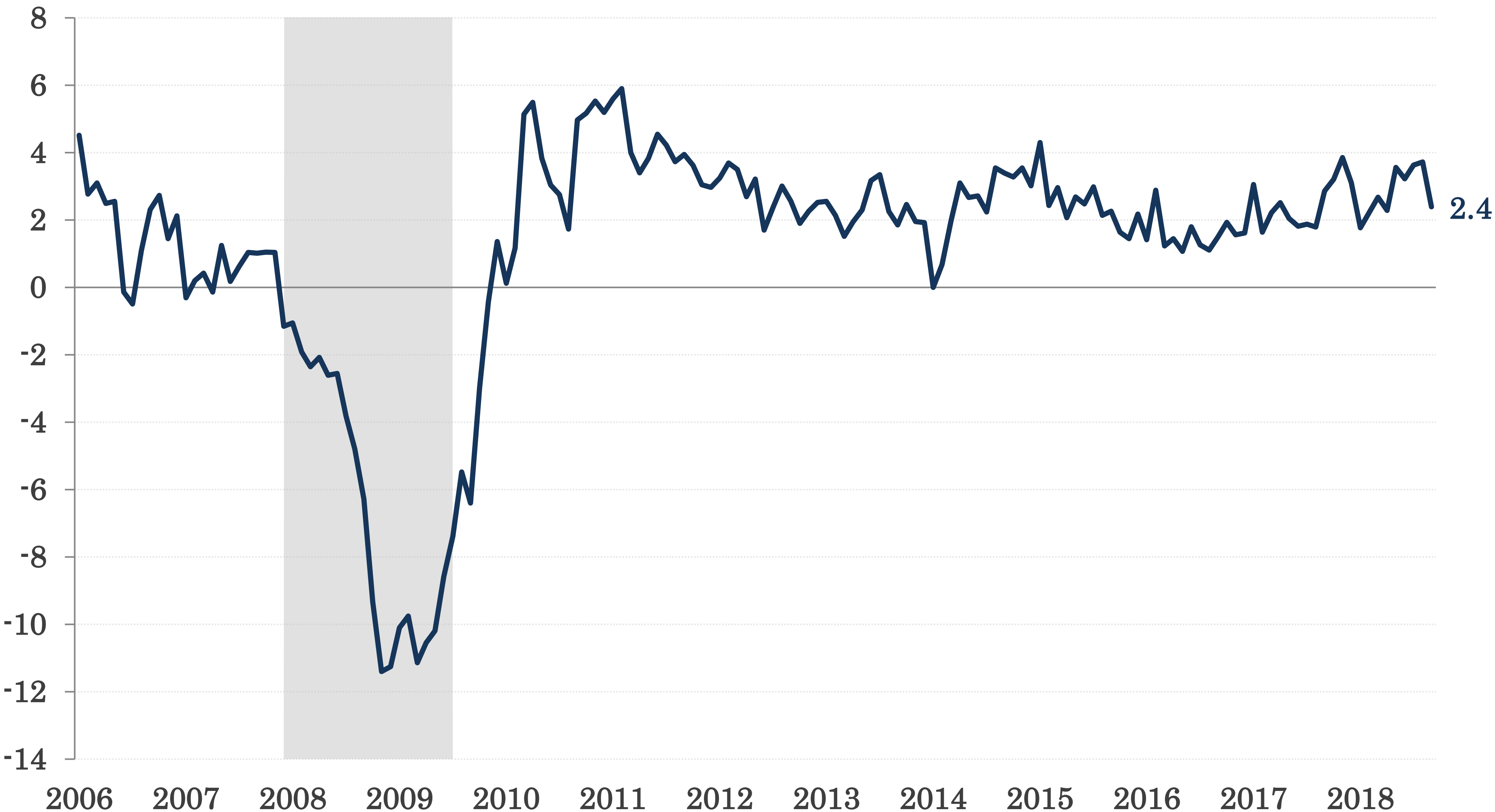
Year-over-Year % Change (Monthly, SAAR)



Source: U.S. Bureau of Economic Analysis; retrieved from FRED, Federal Reserve Bank of St. Louis, November 6, 2018.

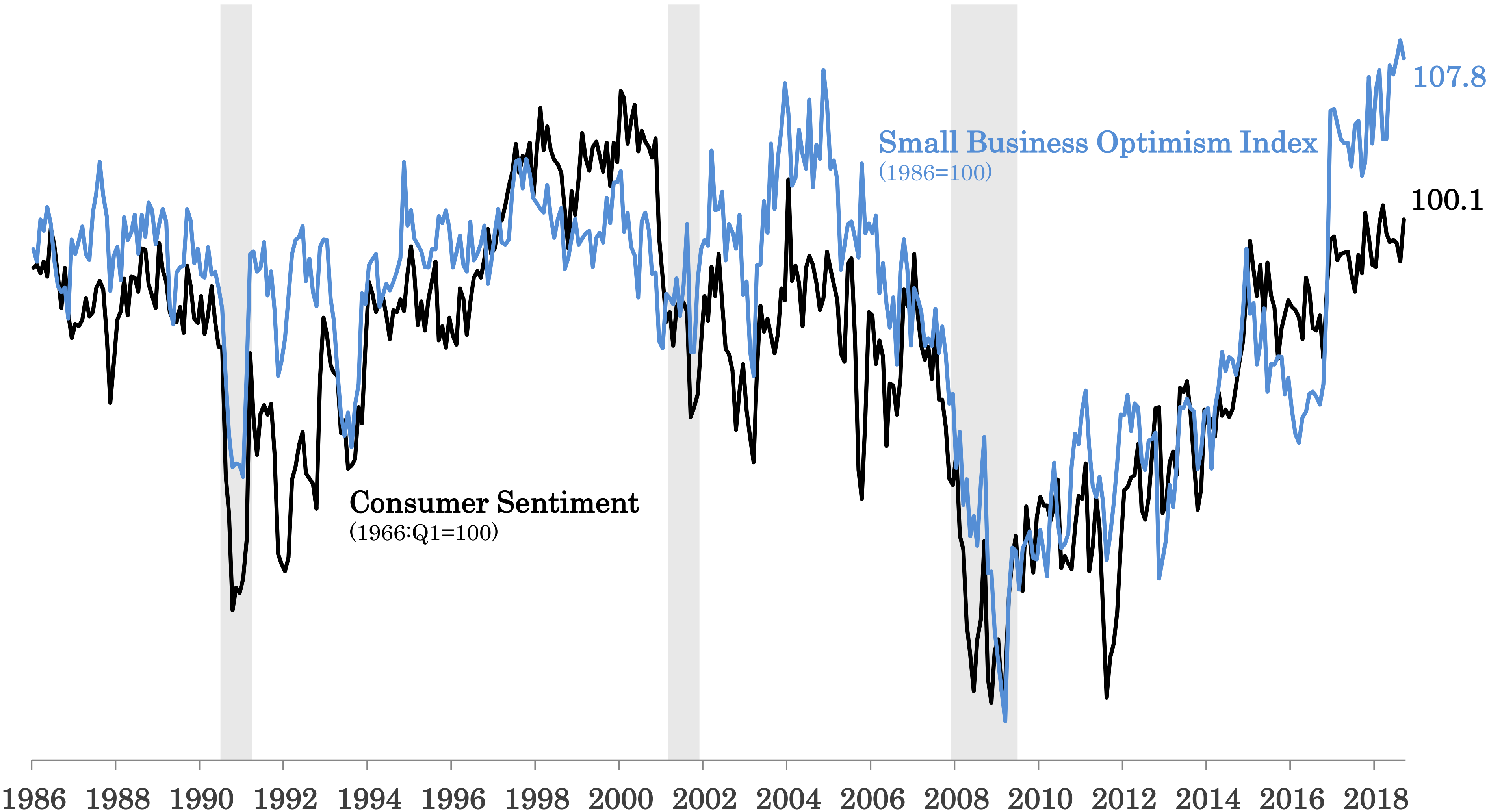
Advance Real Retail and Food Service Sales

Year-over-Year % Change (Monthly, SA)



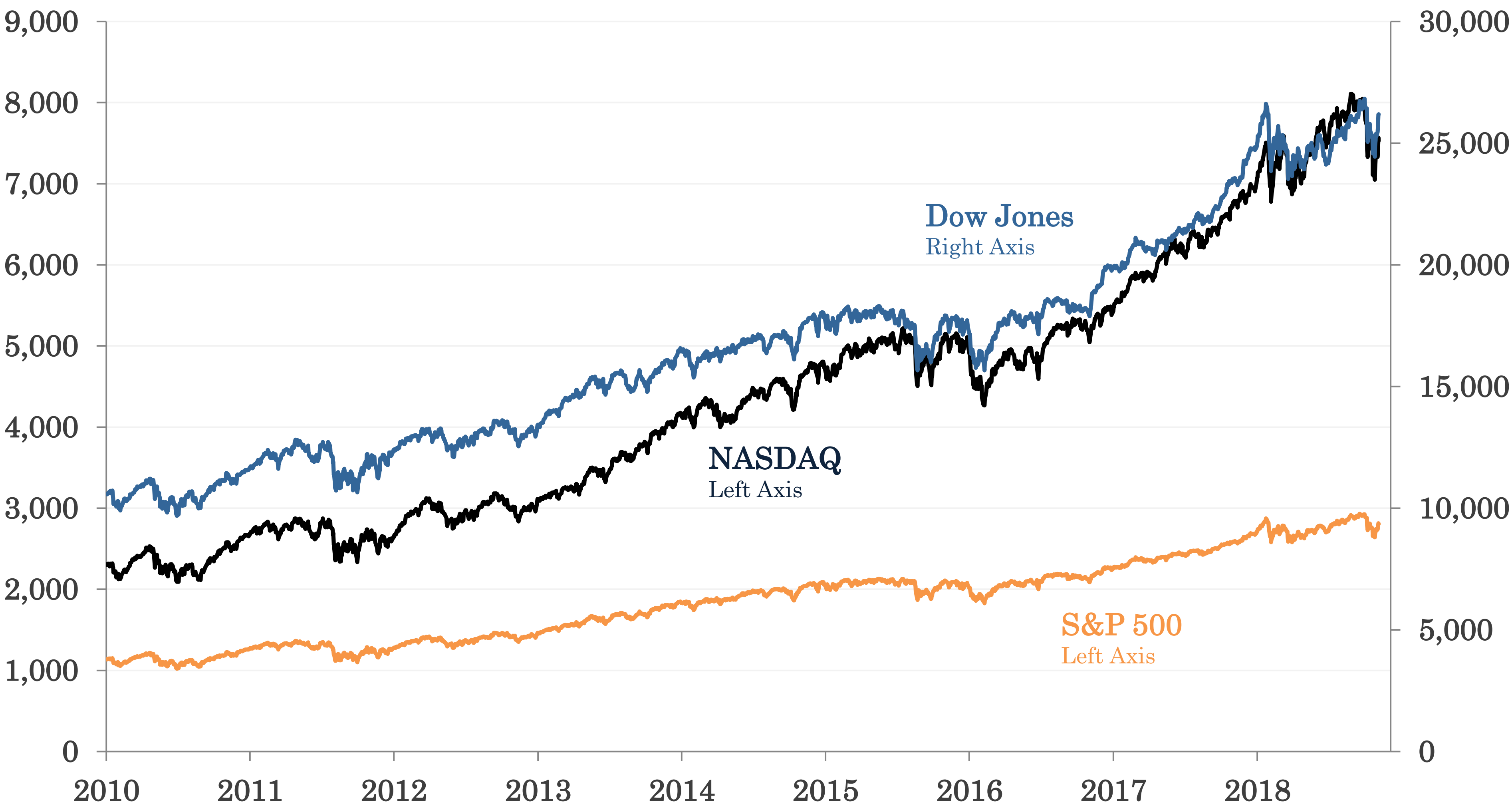
Source: Federal Reserve Bank of St. Louis, November 19, 2018.

Consumer Sentiment & Small Business Optimism



Sources: UofM, retrieved from FRED, Federal Reserve Bank of St. Louis; NFIB, retrieved from nfib-sbet.org, November 7, 2018.

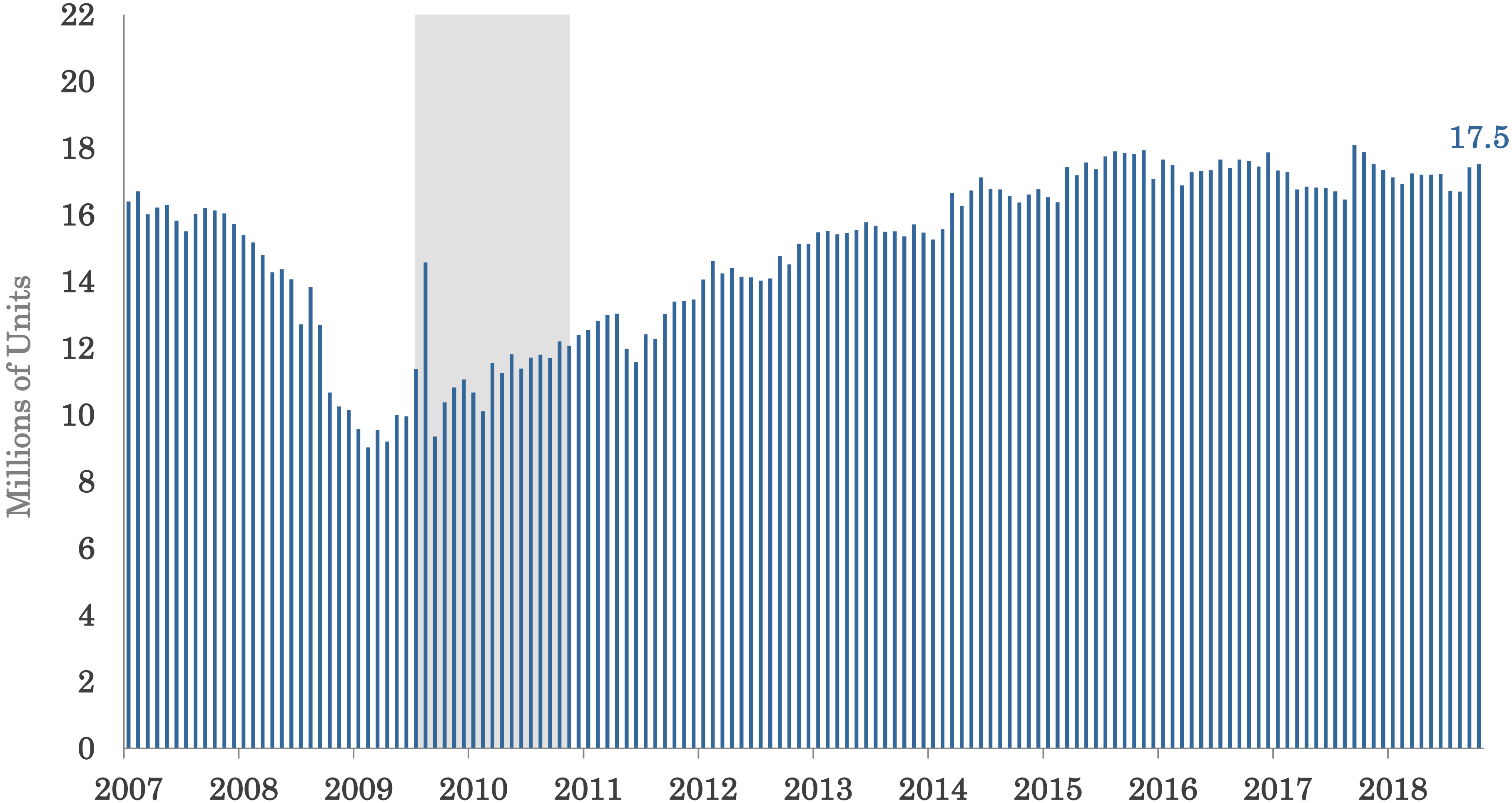
Stock Market



Sources: S&P Dow Jones Indices LLC; NASDAQ OMX Group; retrieved from FRED, Federal Reserve Bank of St. Louis, November 9, 2018.

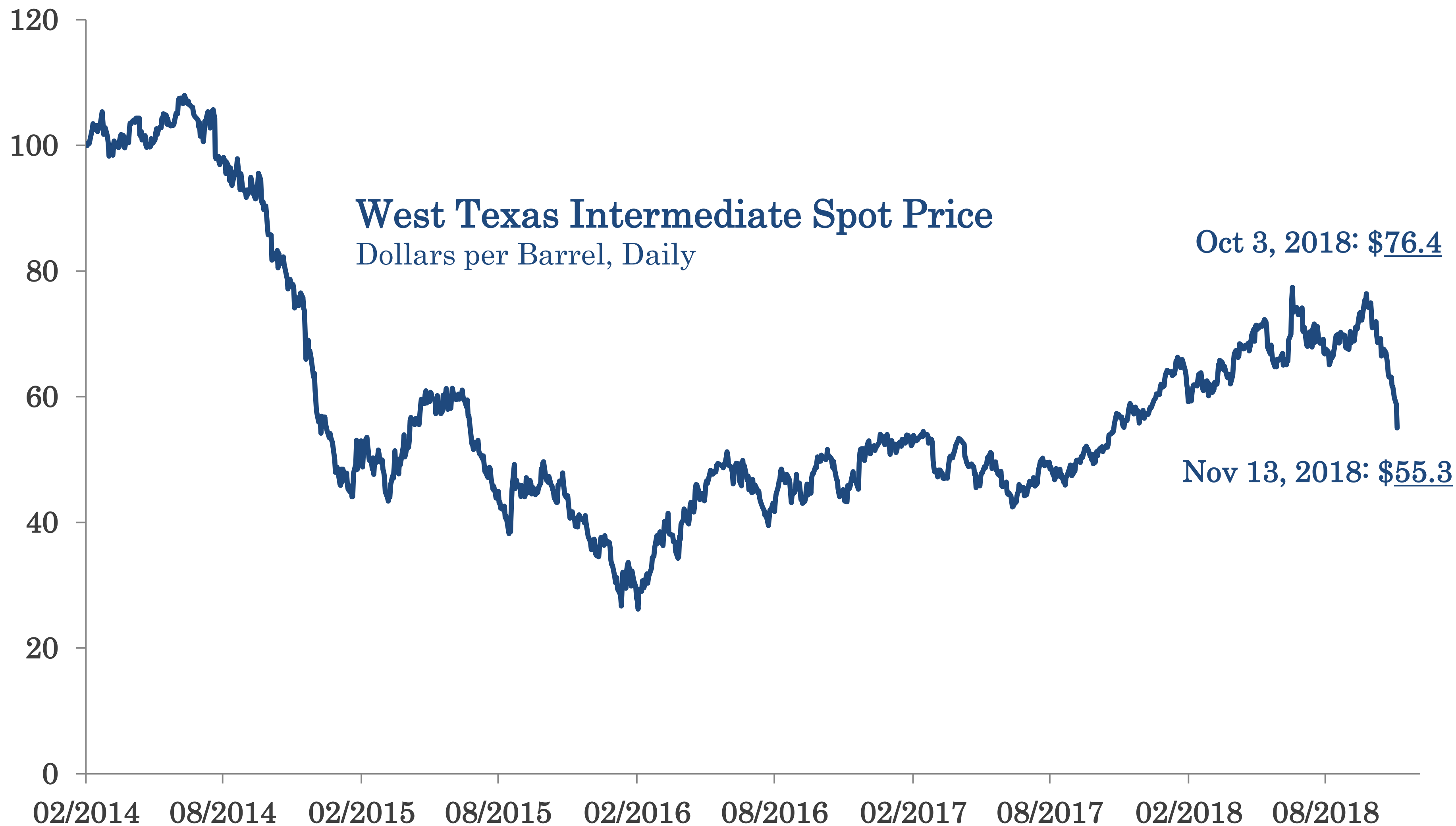
Auto Sector

U.S. Light Weight Vehicle Sales (Millions, SAAR)



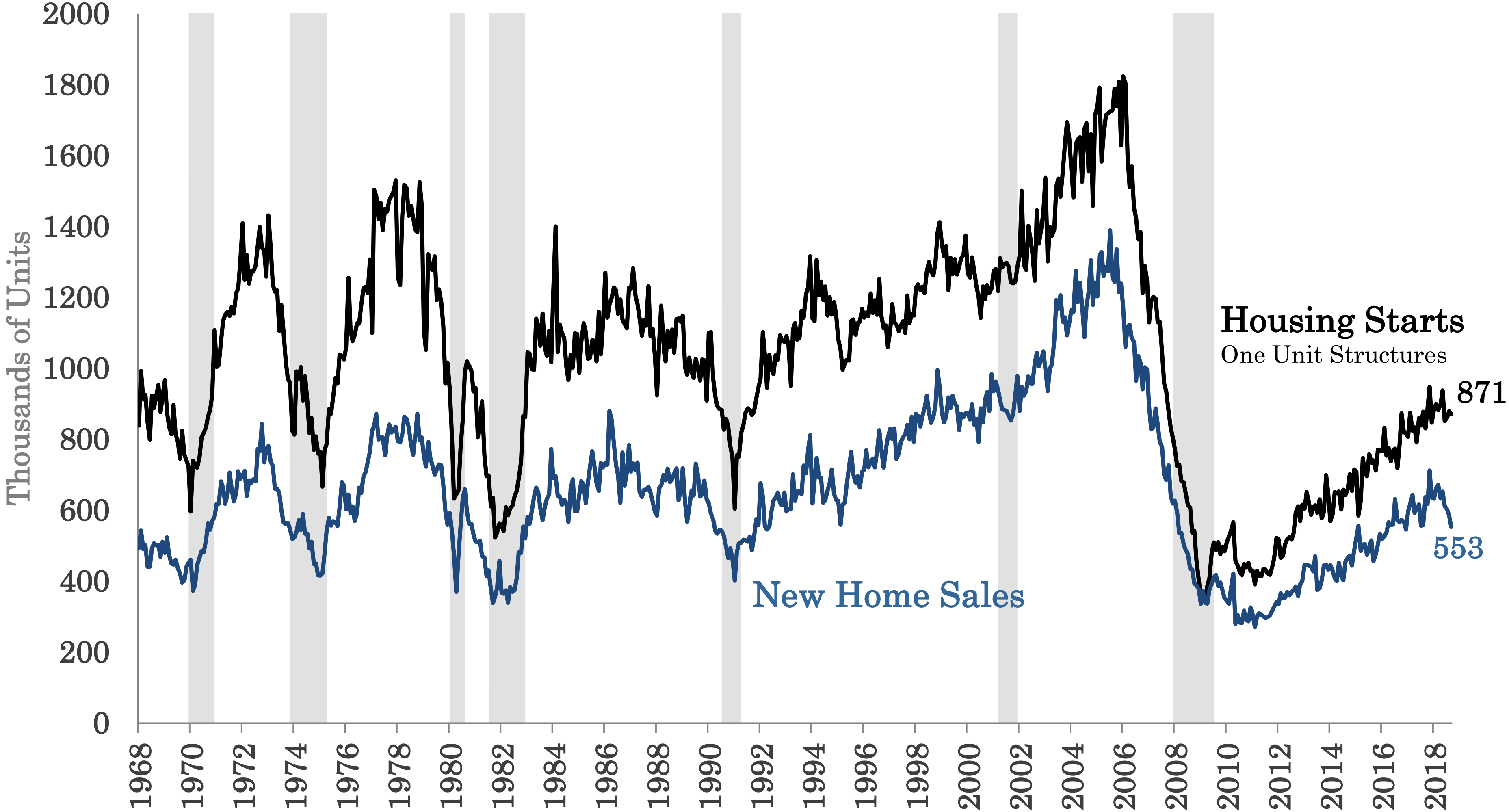
Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

Oil Market



Source: Energy Information Administration, November 13, 2018.

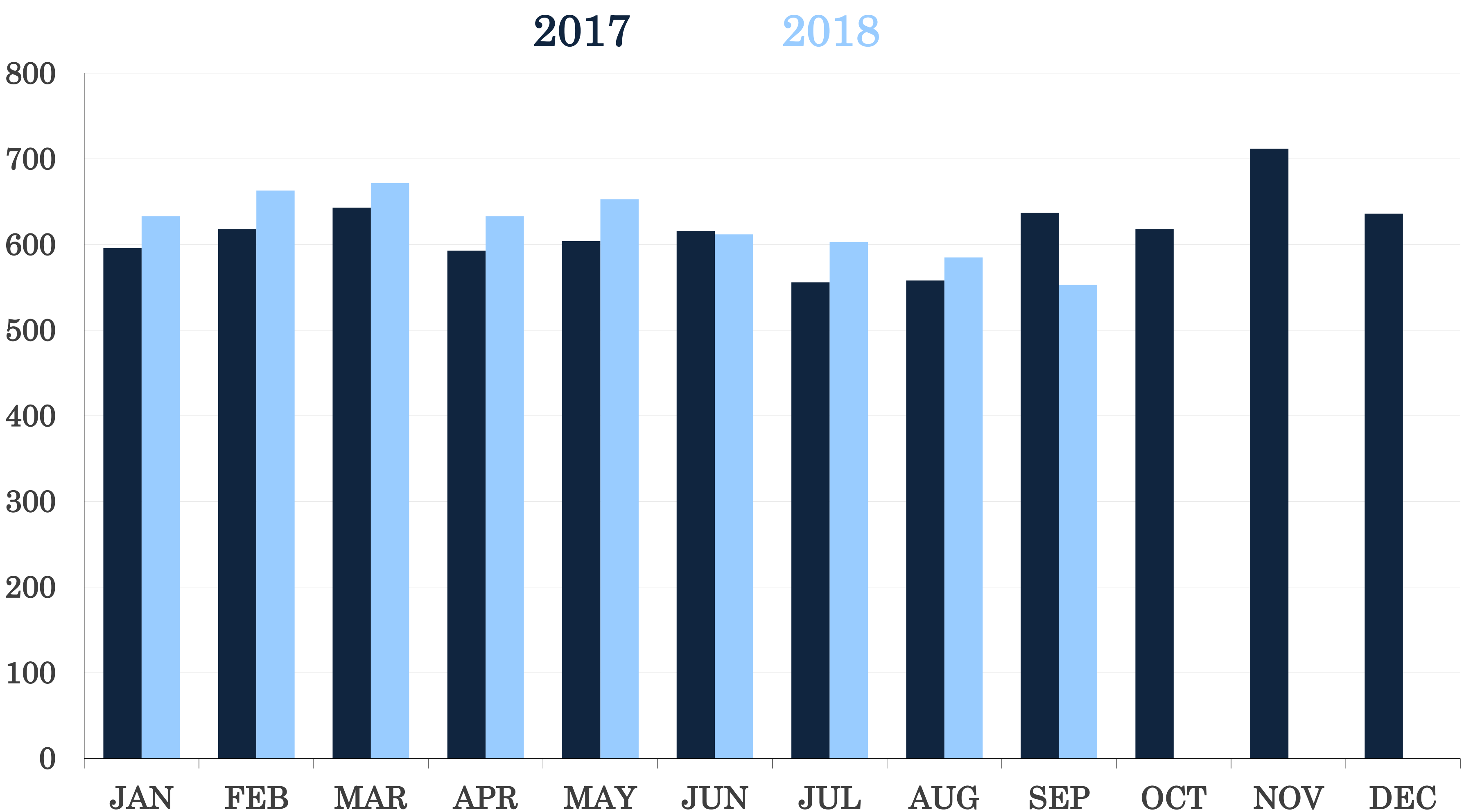
Housing Sector



Source: U.S. Bureau of the Census, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

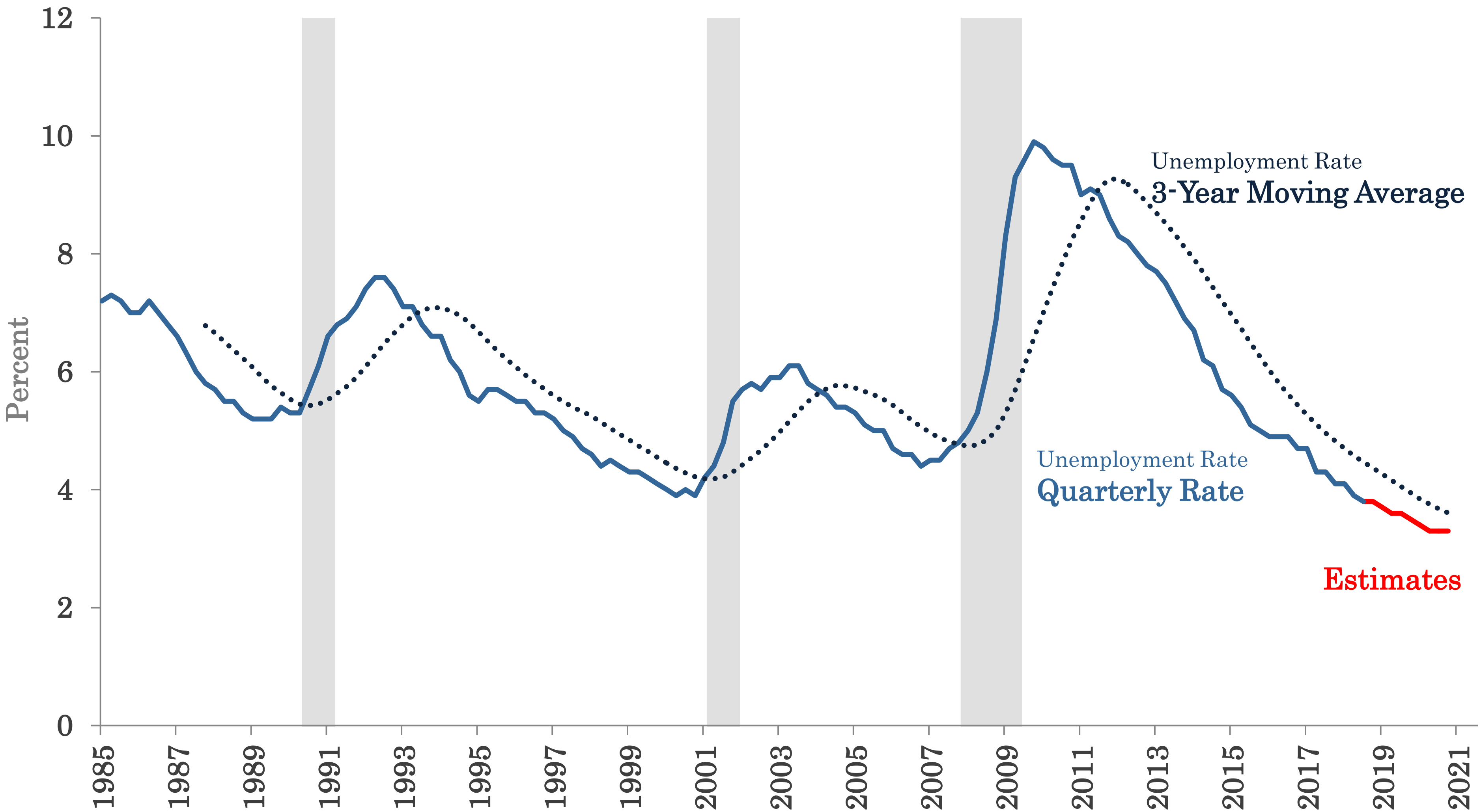
Housing Sector

New Home Sales (Thousands, SAAR)



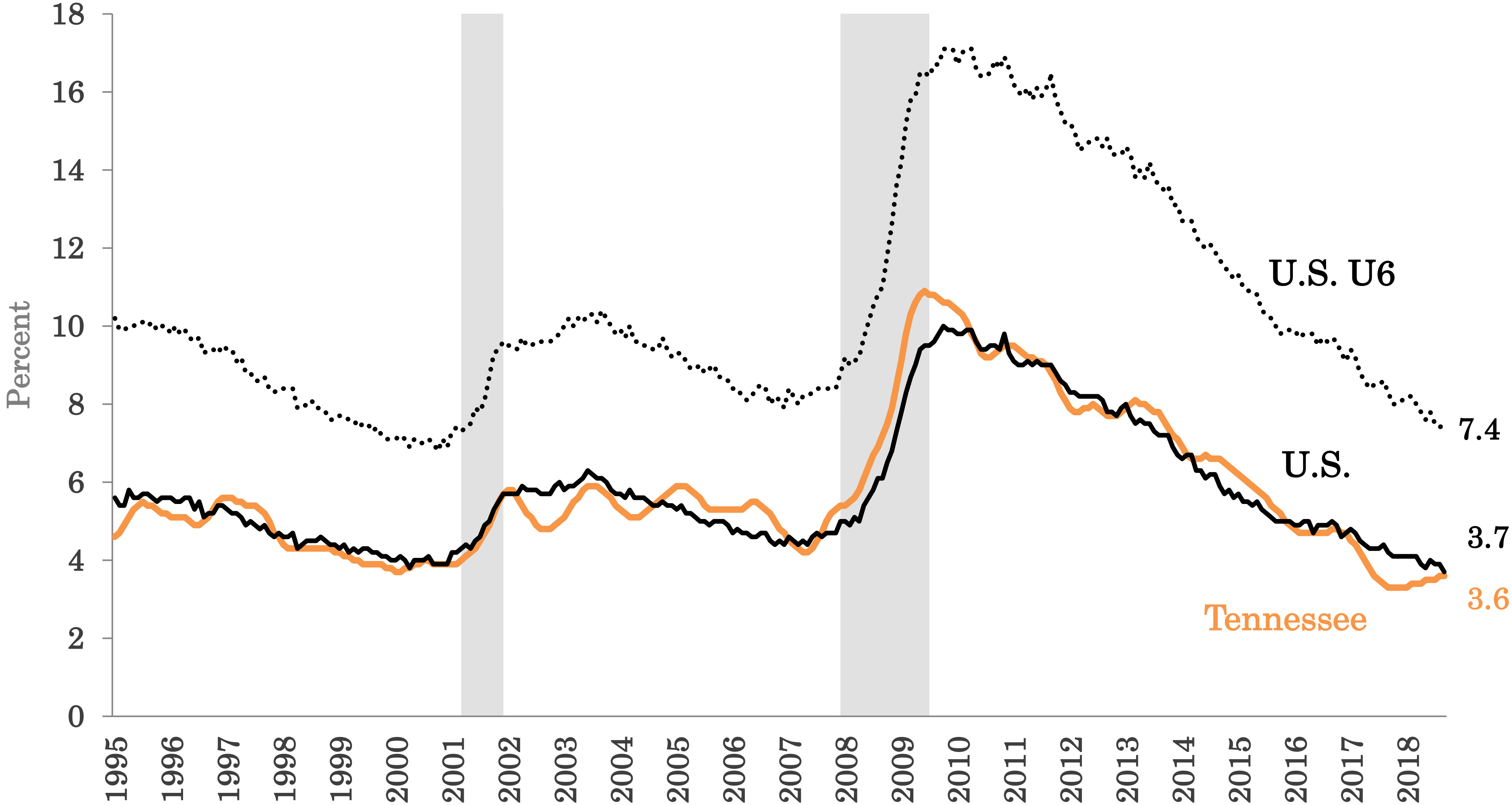
Source: U.S. Bureau of the Census, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

U.S. Unemployment Rate



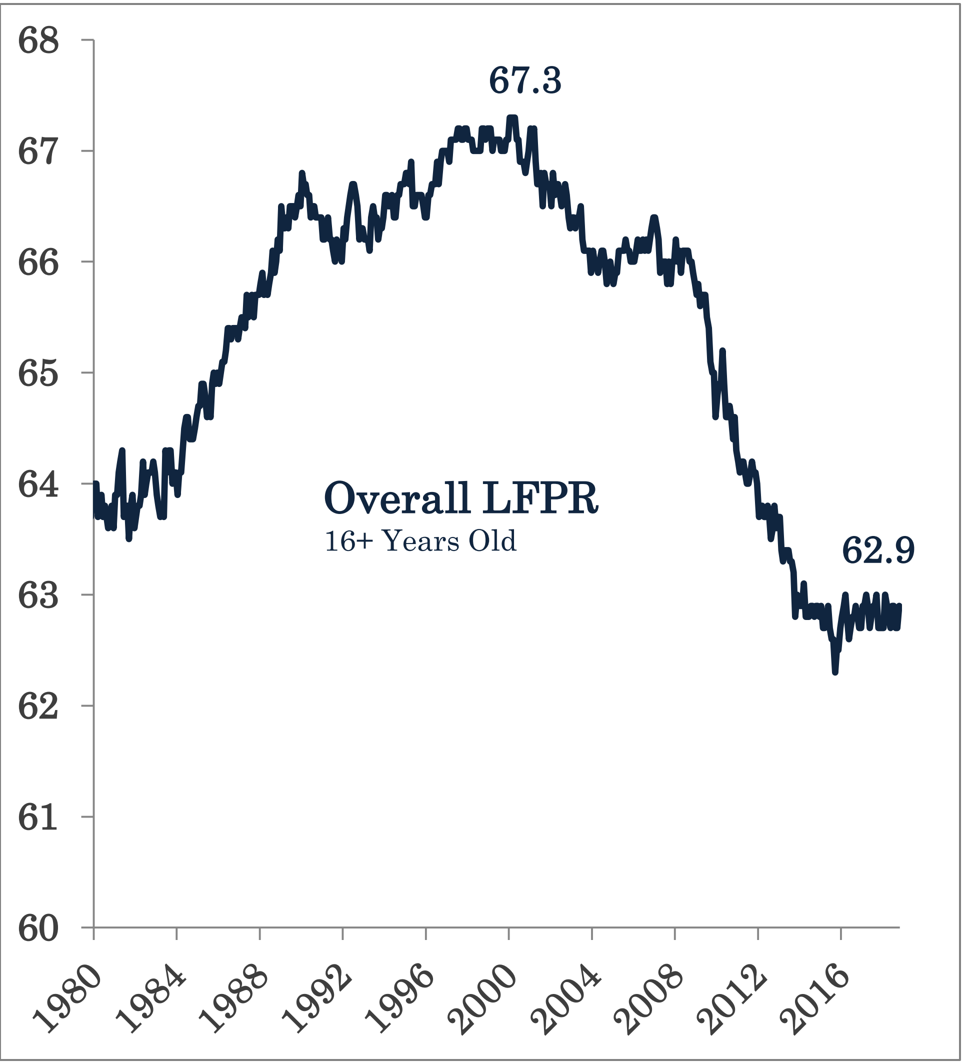
Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis; Wells Fargo, retrieved from wellsfargo.com November 18, 2018.

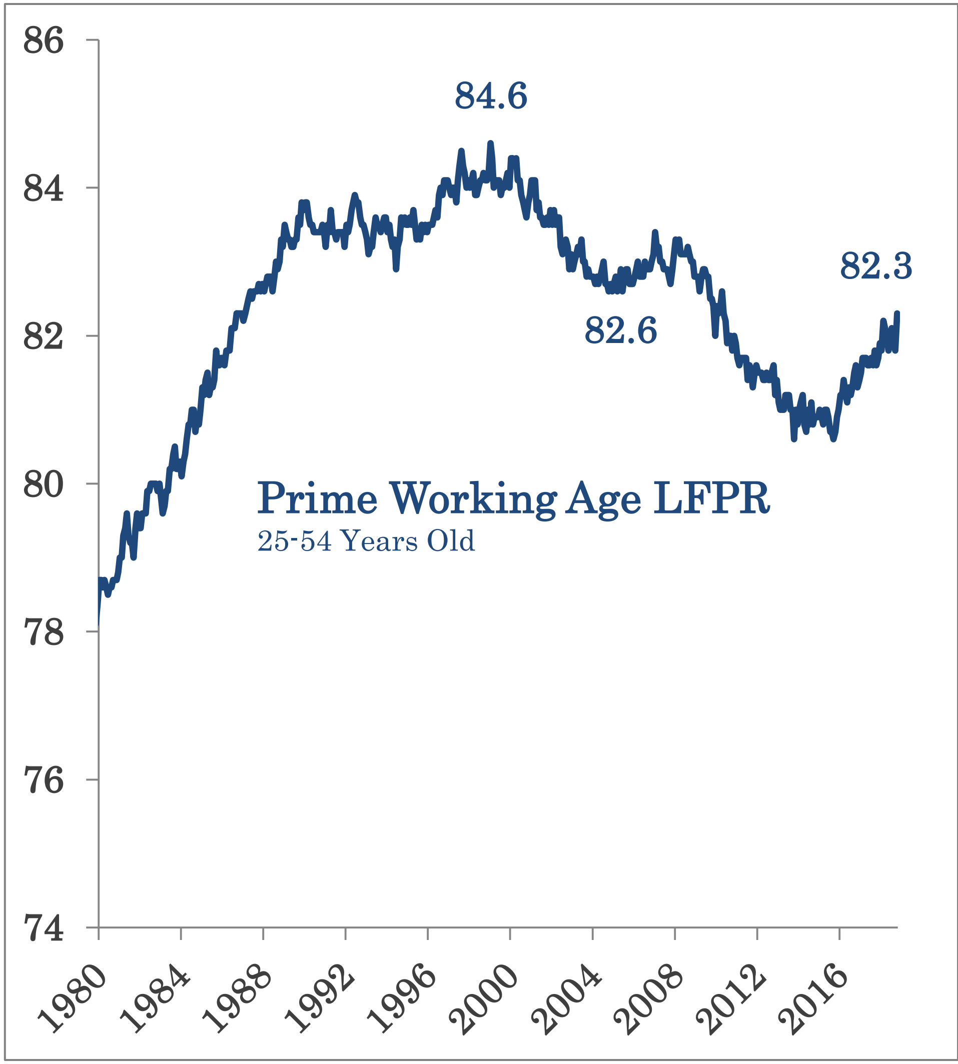
Unemployment Rates



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

Labor Force Participation Rates

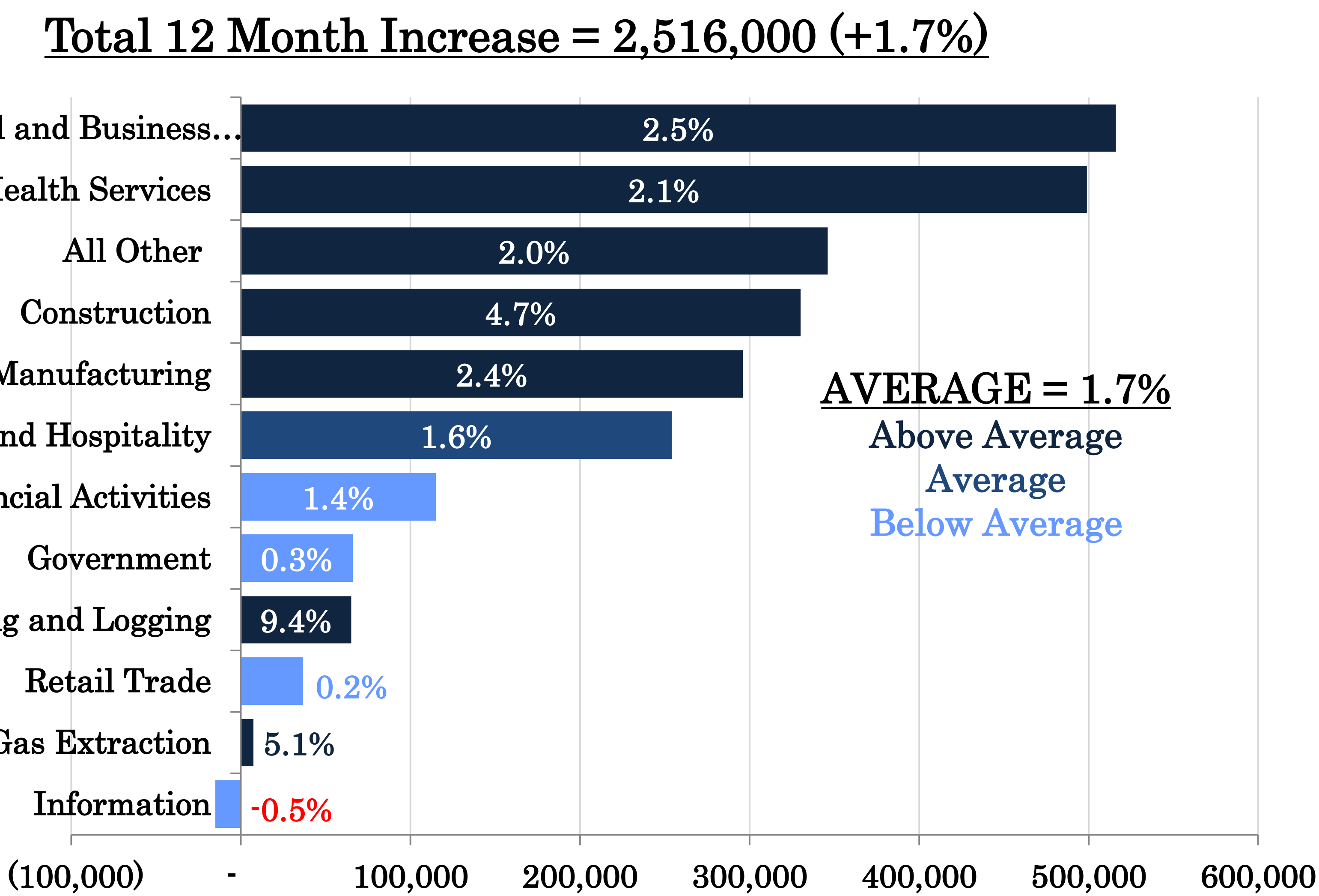




Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

U.S. Job Growth

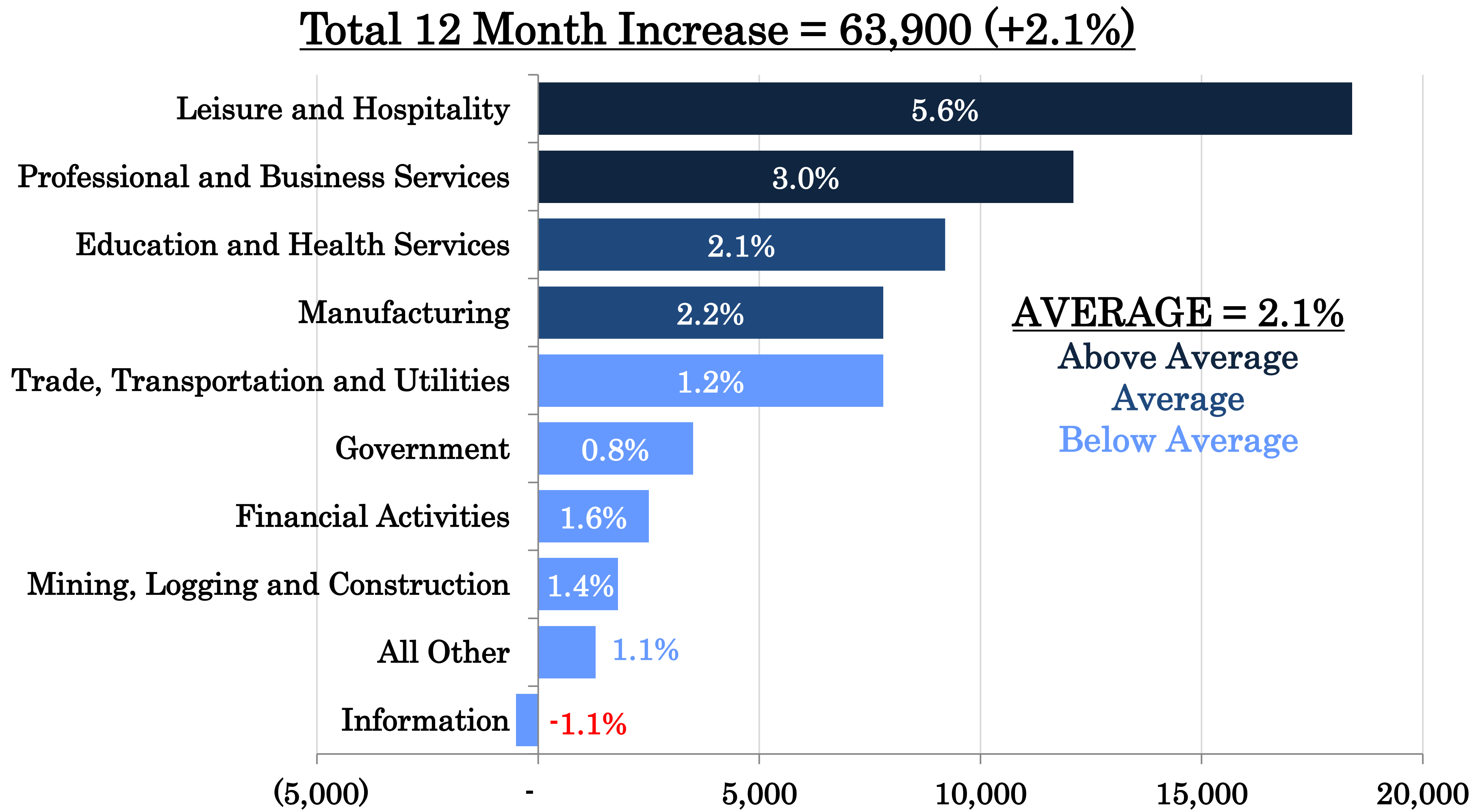
October 2018 vs. October 2017



Source: U.S. Bureau of Labor Statistics, November 12, 2018.

Tennessee Job Growth

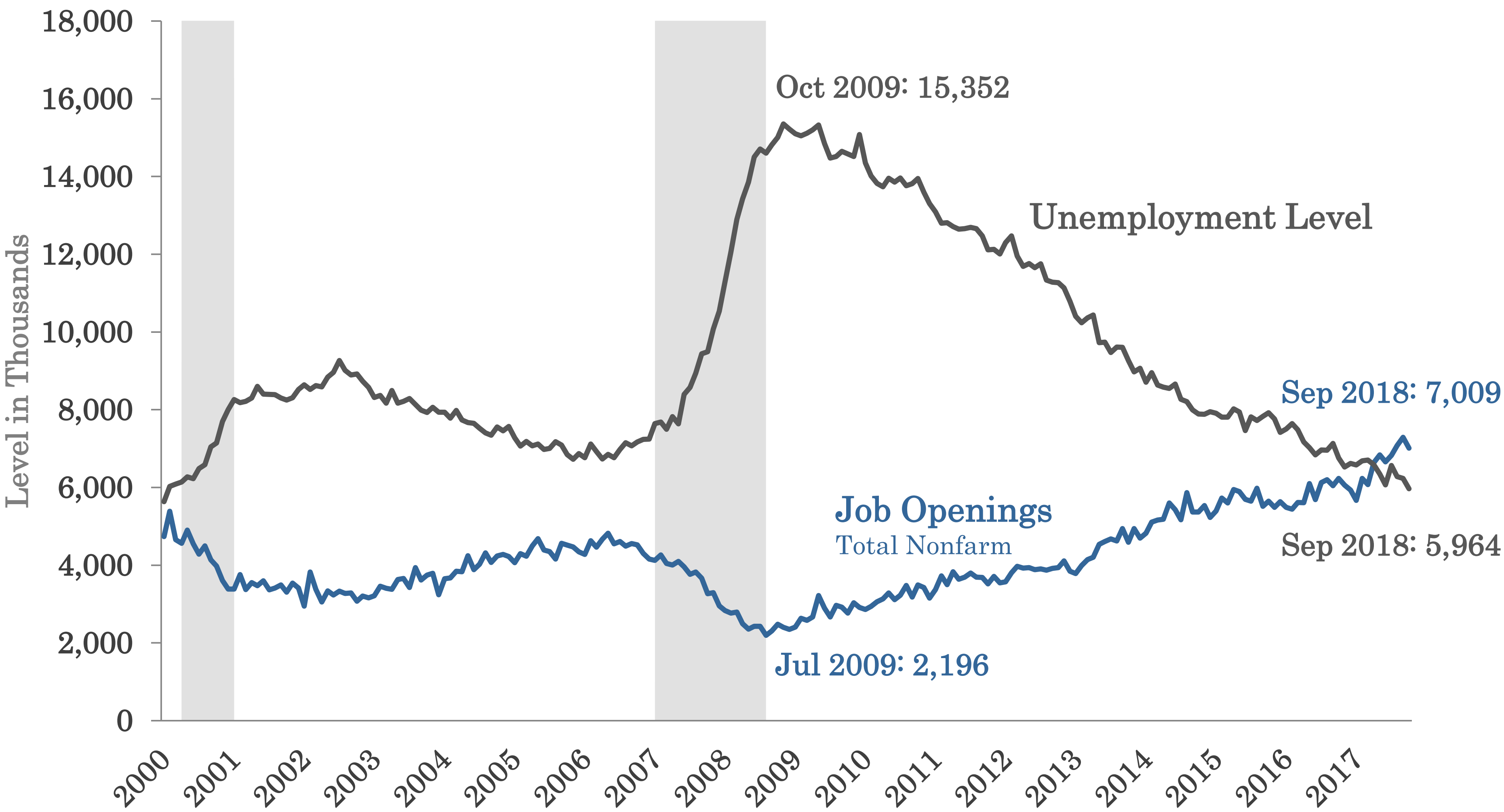
September 2018 vs. September 2017



Source: U.S. Bureau of Labor Statistics, November 12, 2018.

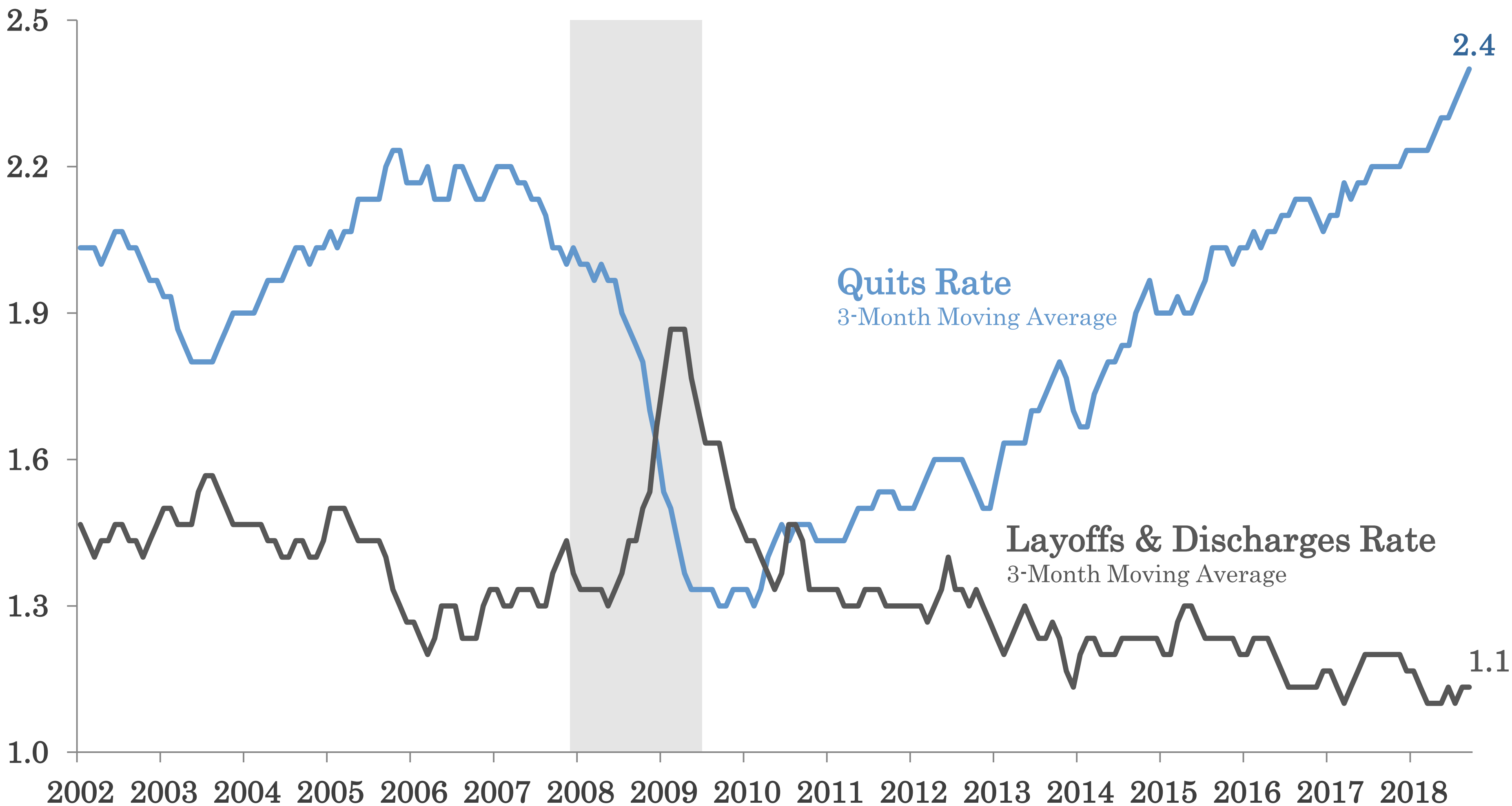
Job Openings & Unemployment

Monthly, SA



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

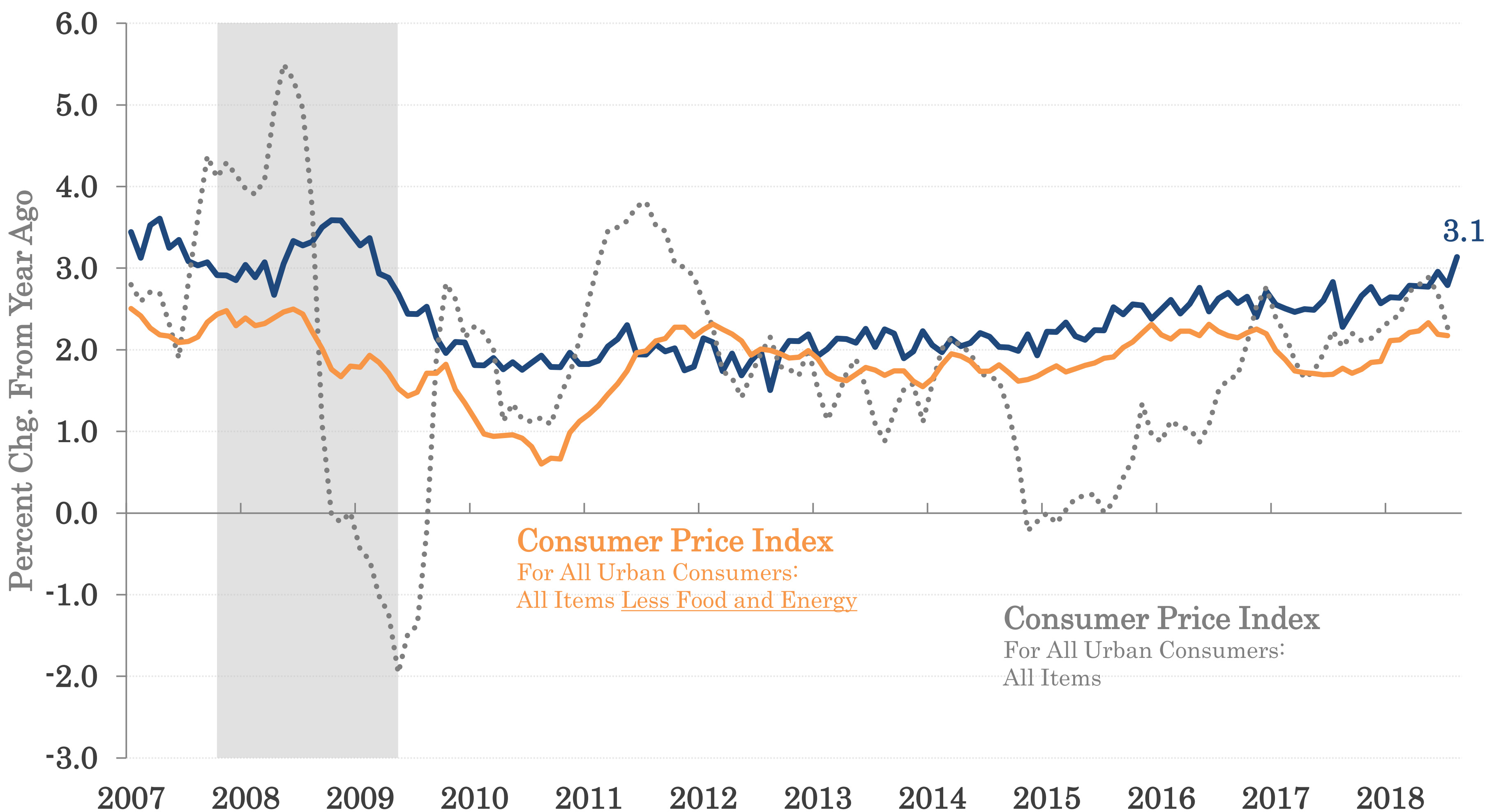
Quits, Layoffs & Discharges



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

Earnings & Inflation

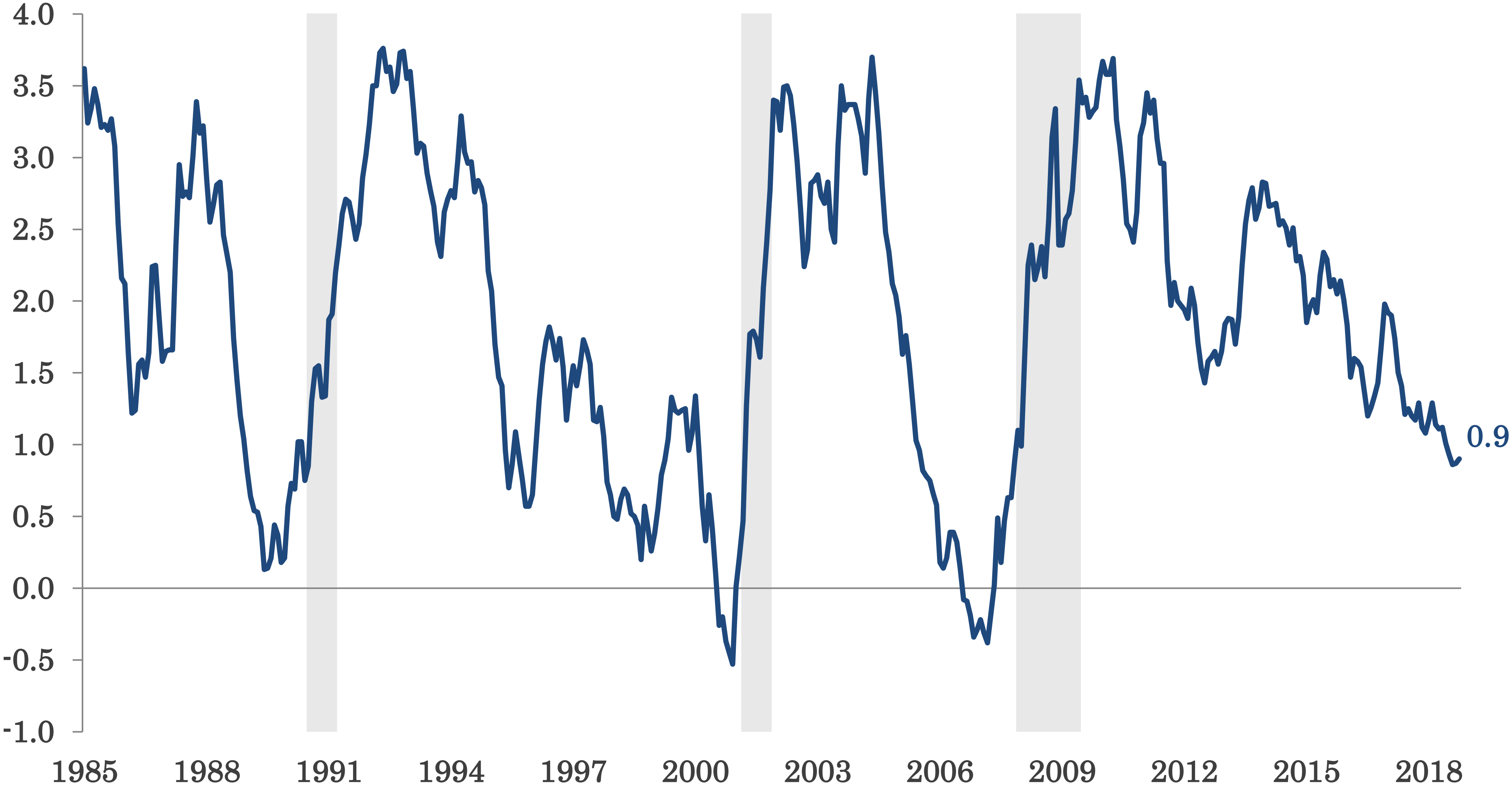
Monthly, SA



Sources: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis , retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

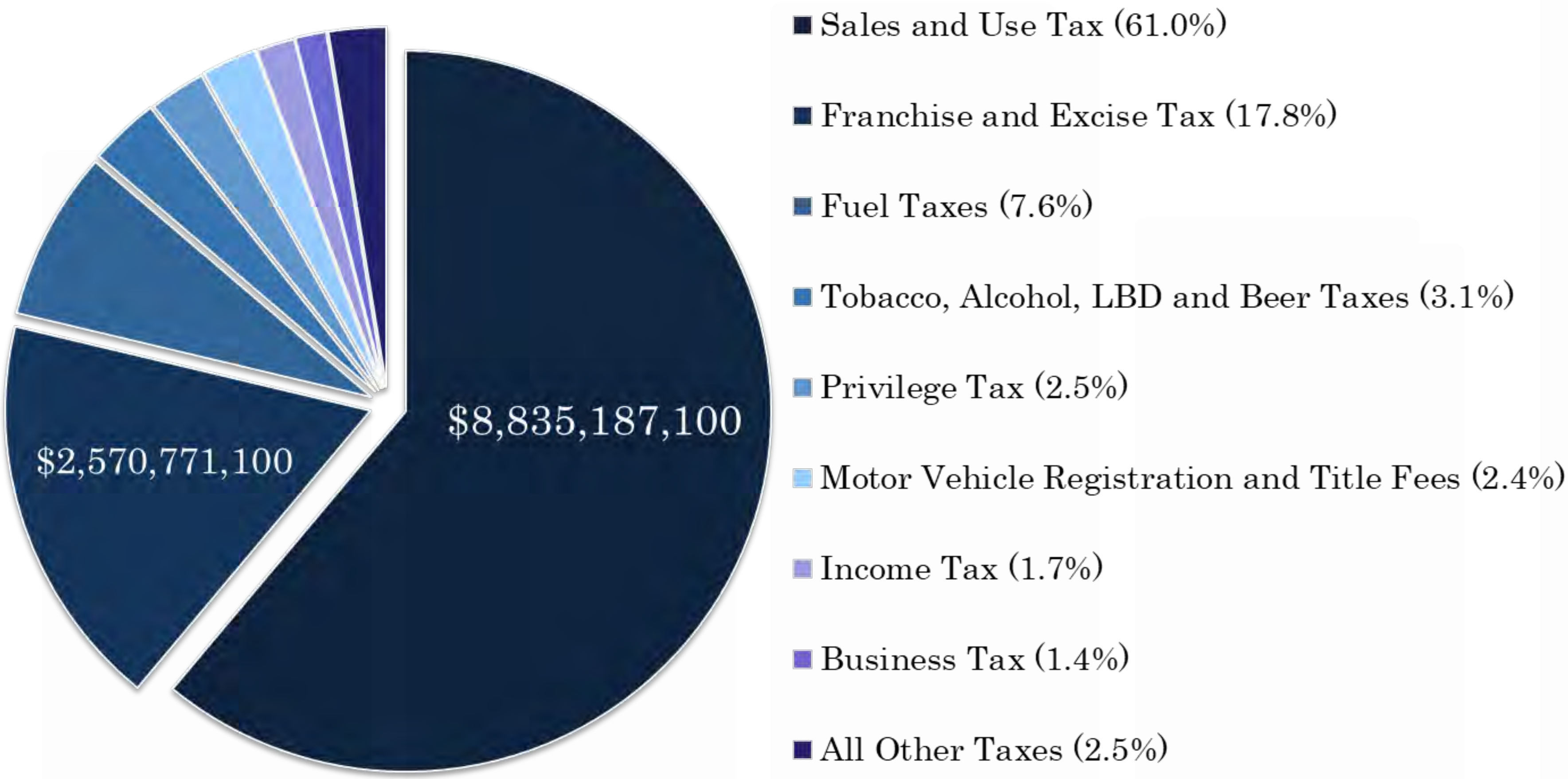
The Yield Spread

10-Year Treasury Rate Less 3-Month Treasury Bill



Source: Board of Governors of the Federal Reserve System, retrieved from FRED, Federal Reserve Bank of St. Louis, November 8, 2018.

Revenue by Tax Source



FY17-18 Accrual Collections: $14,482,022,700

Legislative Impact

REVENUE SOURCE	ACTUAL CASH COLLECTIONS FY17-18	ESTIMATED LEGISLATIVE IMPACT ON FY18-19 vs. FY17-18 CASH COLLECTIONS	ESTIMATED LEGISLATIVE IMPACT ON FY19-20 vs. FY17-18 CASH COLLECTIONS
SALES AND USE TAX	$8,939,488,300	($4,013,000)	($4,505,900)
GASOLINE TAX	$808,198,900	$34,220,000	$68,440,000
MOTOR FUEL TAX	$223,295,800	$32,250,800	$64,615,200
GASOLINE INSPECTION TAX	$68,951,200	$0	$0
MOTOR VEHICLE REGISTRATION TAX	$330,962,500	($332,900)	($332,900)
INCOME TAX	$246,256,600	($55,470,000)	($110,846,700)
PRIVILEGE TAX	$417,291,500	($577,700)	($1,527,700)
GROSS RECEIPTS TAX - TVA	$343,305,300	$0	$0
GROSS RECEIPTS TAX - OTHER	$24,806,600	$0	$0
BEER TAX	$17,509,300	$0	$0
ALCOHOLIC BEVERAGE TAX	$68,255,200	$911,000	$1,105,400
FRANCHISE AND EXCISE TAX	$2,547,666,300	($22,185,300)	($24,979,400)
INHERITANCE TAX	($78,200)	Phased Out	Phased Out
TOBACCO TAX	$248,781,400	$0	$0
MOTOR VEHICLE TITLE FEES	$25,194,900	$0	$0
MIXED DRINK TAX	$119,158,000	$0	$0
BUSINESS TAX	$187,927,500	$3,229,000	$3,690,800
SEVERANCE TAX	$1,022,300	$0	$0
AMUSEMENT TAX	$313,500	$0	$0
UNAUTHORIZED SUBSTANCE TAX	$100	$0	$0
TOTAL REVENUE	**$14,618,307,000**	**($11,968,100)**	**($4,341,200)**

FY18-19 & FY19-20 Estimates

REVENUE SOURCE	ACTUAL ACCRUED COLLECTIONS FY17-18	FRC STAFF TAX REVENUE ESTIMATES FY18-19	PERCENT INCREASE OVER FY17-18	FRC STAFF TAX REVENUE ESTIMATES FY19-20	PERCENT INCREASE OVER FY18-19
SALES AND USE TAX - LESS EARMARKED*	$8,835,187,100	$9,218,000,000	4.33%	$9,568,000,000	3.80%
GASOLINE TAX	$807,686,700	$855,000,000	5.86%	$915,000,000	7.02%
MOTOR FUEL TAX	$222,690,400	$262,000,000	17.65%	$302,000,000	15.27%
GASOLINE INSPECTION TAX	$68,964,800	$70,300,000	1.94%	$71,500,000	1.71%
MOTOR VEHICLE REGISTRATION TAX	$327,417,400	$352,000,000	7.51%	$364,000,000	3.41%
INCOME TAX	$245,979,600	$170,000,000	-30.89%	$125,000,000	-26.47%
PRIVILEGE TAX - LESS EARMARKED**	$360,069,900	$393,000,000	9.15%	$412,000,000	4.83%
GROSS RECEIPTS TAX - TVA	$343,562,100	$360,300,000	4.87%	$362,100,000	0.50%
GROSS RECEIPTS TAX - OTHER	$24,809,400	$29,000,000	16.89%	$29,000,000	0.00%
BEER TAX	$16,663,400	$17,900,000	7.42%	$18,000,000	0.56%
ALCOHOLIC BEVERAGE TAX	$66,676,800	$71,400,000	7.08%	$74,500,000	4.34%
FRANCHISE AND EXCISE TAX	$2,570,771,100	$2,562,000,000	-0.34%	$2,550,000,000	-0.47%
INHERITANCE TAX	($731,900)	$0	-100.00%	$0	N/A
TOBACCO TAX	$248,160,900	$243,000,000	-2.08%	$238,700,000	-1.77%
MOTOR VEHICLE TITLE FEES	$25,194,900	$26,300,000	4.39%	$27,300,000	3.80%
MIXED DRINK TAX	$119,340,900	$133,500,000	11.86%	$147,400,000	10.41%
BUSINESS TAX	$198,268,600	$202,000,000	1.88%	$215,000,000	6.44%
SEVERANCE TAX	$1,022,000	$1,100,000	7.63%	$1,100,000	0.00%
AMUSEMENT TAX	$288,500	$310,000	7.45%	$300,000	-3.23%
UNAUTHORIZED SUBSTANCE TAX	$100	$0	-100.00%	$0	N/A
TOTAL REVENUE	**$14,482,022,700**	**$14,967,110,000**	**3.35%**	**$15,420,900,000**	**3.03%**

*Sales and Use Tax has been reduced by $118.1 million in FY17-18 and $112.0 million in FY18-19 and FY19-20 for the earmarked portion of the tax.

**Privilege Tax has been reduced by $56.5 million in FY17-18 and $52.0 million in FY18-19 and FY19-20 for the earmarked portion of the tax.

FY18-19: All Funds and GF

REVENUE SOURCE	ALL FUNDS FY18-19	GENERAL FUND FY18-19
SALES AND USE TAX	$9,218,000,000	$8,661,887,000
GASOLINE TAX	$855,000,000	$14,200,000
MOTOR FUEL TAX	$262,000,000	$3,710,000
GASOLINE INSPECTION TAX	$70,300,000	$20,706,000
MOTOR VEHICLE REGISTRATION TAX	$352,000,000	$57,474,000
INCOME TAX	$170,000,000	$111,754,000
PRIVILEGE TAX	$393,000,000	$387,093,000
GROSS RECEIPTS TAX – TVA	$360,300,000	$198,242,000
GROSS RECEIPTS TAX – OTHER	$29,000,000	$23,914,000
BEER TAX	$17,900,000	$11,966,000
ALCOHOLIC BEVERAGE TAX	$71,400,000	$59,065,000
FRANCHISE AND EXCISE TAX	$2,562,000,000	$2,318,400,000
INHERITANCE TAX	$0	$0
TOBACCO TAX	$243,000,000	$243,000,000
MOTOR VEHICLE TITLE FEES	$26,300,000	$23,600,000
MIXED DRINK TAX	$133,500,000	$66,750,000
BUSINESS TAX	$202,000,000	$202,000,000
SEVERANCE TAX	$1,100,000	$300,000
AMUSEMENT TAX	$310,000	$310,000
UNAUTHORIZED SUBSTANCE TAX	$0	$0
TOTAL REVENUE	**$14,967,110,000**	**$12,404,371,000**

FRC Estimates vs. FY17-18 and Current Budgeted Estimates

	ACTUAL FY17-18 ACCRUALS	CURRENT BUDGETED ESTIMATES FOR FY18-19	FRC ESTIMATES FOR FY18-19	INCREASE/ (DECREASE) OVER FY17-18	INCREASE/ (DECREASE) OVER CURRENT BUDGETED ESTIMATES
SALES AND USE*	$8,835,187,100	$9,025,500,000	$9,218,000,000	$382,812,900	$192,500,000
FRANCHISE AND EXCISE	$2,570,771,100	$2,523,900,000	$2,562,000,000	($8,771,100)	$38,100,000
ALL FUNDS	$14,482,022,700	$14,616,300,000	$14,967,110,000	$485,087,300	$350,810,000
GENERAL FUND	$12,023,596,600	$12,124,700,000	$12,404,371,000	$380,774,400	$279,671,000

*Sales and Use tax has been reduced by $118.1 million in FY17-18 and $112.0 million in FY18-19 for the earmarked portion of the tax.

FY19-20: All Funds and GF

REVENUE SOURCE	ALL FUNDS FY19-20	GENERAL FUND FY19-20
SALES AND USE TAX	$9,568,000,000	$8,990,771,000
GASOLINE TAX	$915,000,000	$15,196,000
MOTOR FUEL TAX	$302,000,000	$4,277,000
GASOLINE INSPECTION TAX	$71,500,000	$21,060,000
MOTOR VEHICLE REGISTRATION TAX	$364,000,000	$59,433,000
INCOME TAX	$125,000,000	$82,172,000
PRIVILEGE TAX	$412,000,000	$405,808,000
GROSS RECEIPTS TAX – TVA	$362,100,000	$199,233,000
GROSS RECEIPTS TAX – OTHER	$29,000,000	$23,914,000
BEER TAX	$18,000,000	$12,033,000
ALCOHOLIC BEVERAGE TAX	$74,500,000	$61,630,000
FRANCHISE AND EXCISE TAX	$2,550,000,000	$2,306,400,000
INHERITANCE TAX	$0	$0
TOBACCO TAX	$238,700,000	$238,700,000
MOTOR VEHICLE TITLE FEES	$27,300,000	$24,600,000
MIXED DRINK TAX	$147,400,000	$73,700,000
BUSINESS TAX	$215,000,000	$215,000,000
SEVERANCE TAX	$1,100,000	$300,000
AMUSEMENT TAX	$300,000	$300,000
UNAUTHORIZED SUBSTANCE TAX	$0	$0
TOTAL REVENUE	**$15,420,900,000**	**$12,734,527,000**

Thank You

Fiscal Review Committee Staff

Net Lottery Proceeds & After-School Funding Estimates

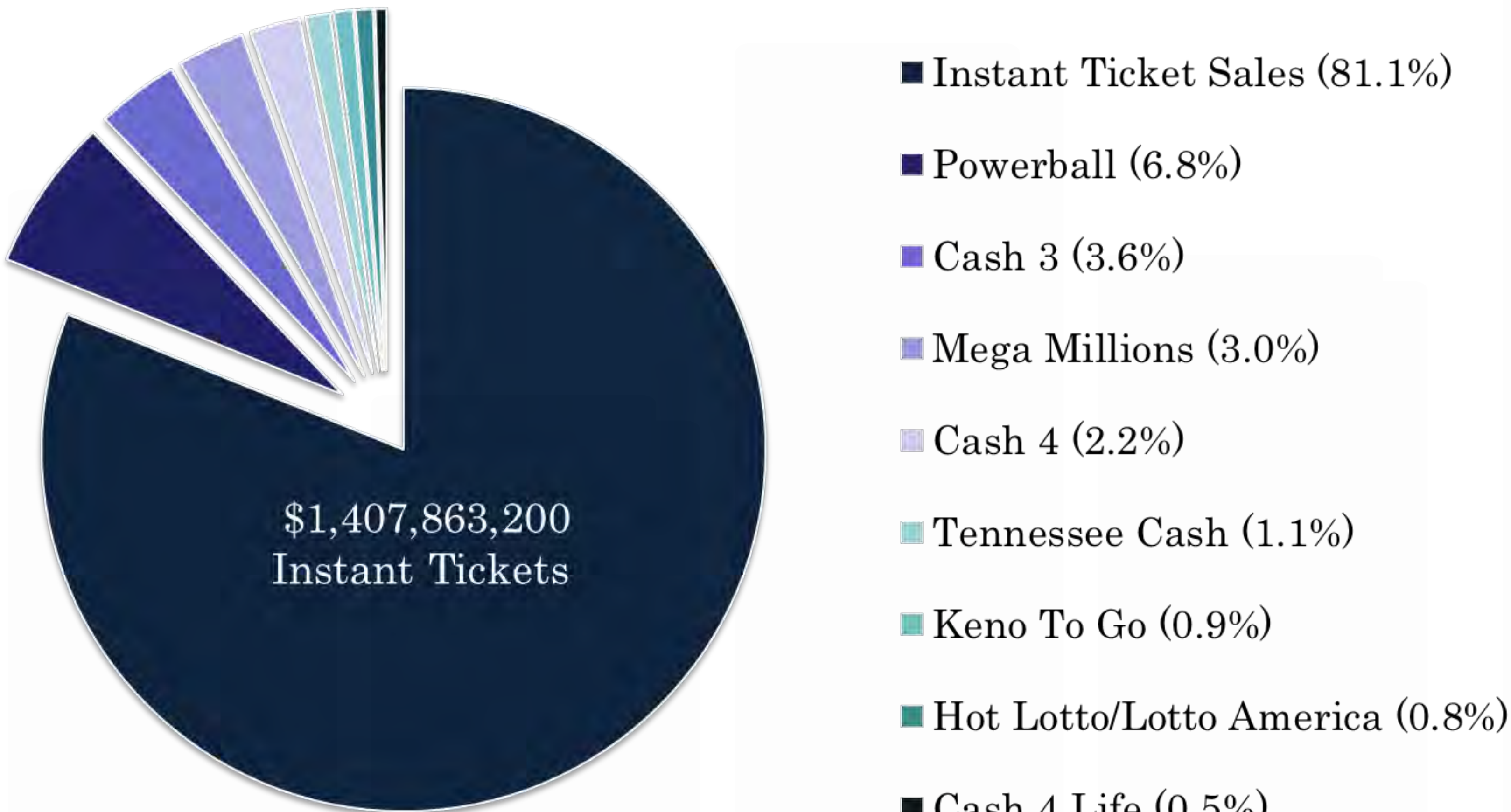
Fiscal Review Committee Staff

November 20, 2018

Historical Results

Category	FY14-15	FY15-16	FY16-17	FY17-18	FY17-18 Growth Rate
Net Revenue	$1,372,982,180	$1,515,551,310	$1,500,083,029	$1,622,043,134	8.13%
Total Expenses	$1,037,044,490	$1,133,088,745	$1,127,299,870	$1,215,530,214	7.83%
NET LOTTERY PROCEEDS	**$335,937,690**	**$382,462,565**	**$372,783,159**	**$406,512,920**	**9.05%**
After-School Funding	$11,847,864	$11,586,227	$13,914,882	$15,168,045	9.01%
Total State Proceeds	$347,785,554	$394,048,792	$386,698,041	$421,680,965	9.05%

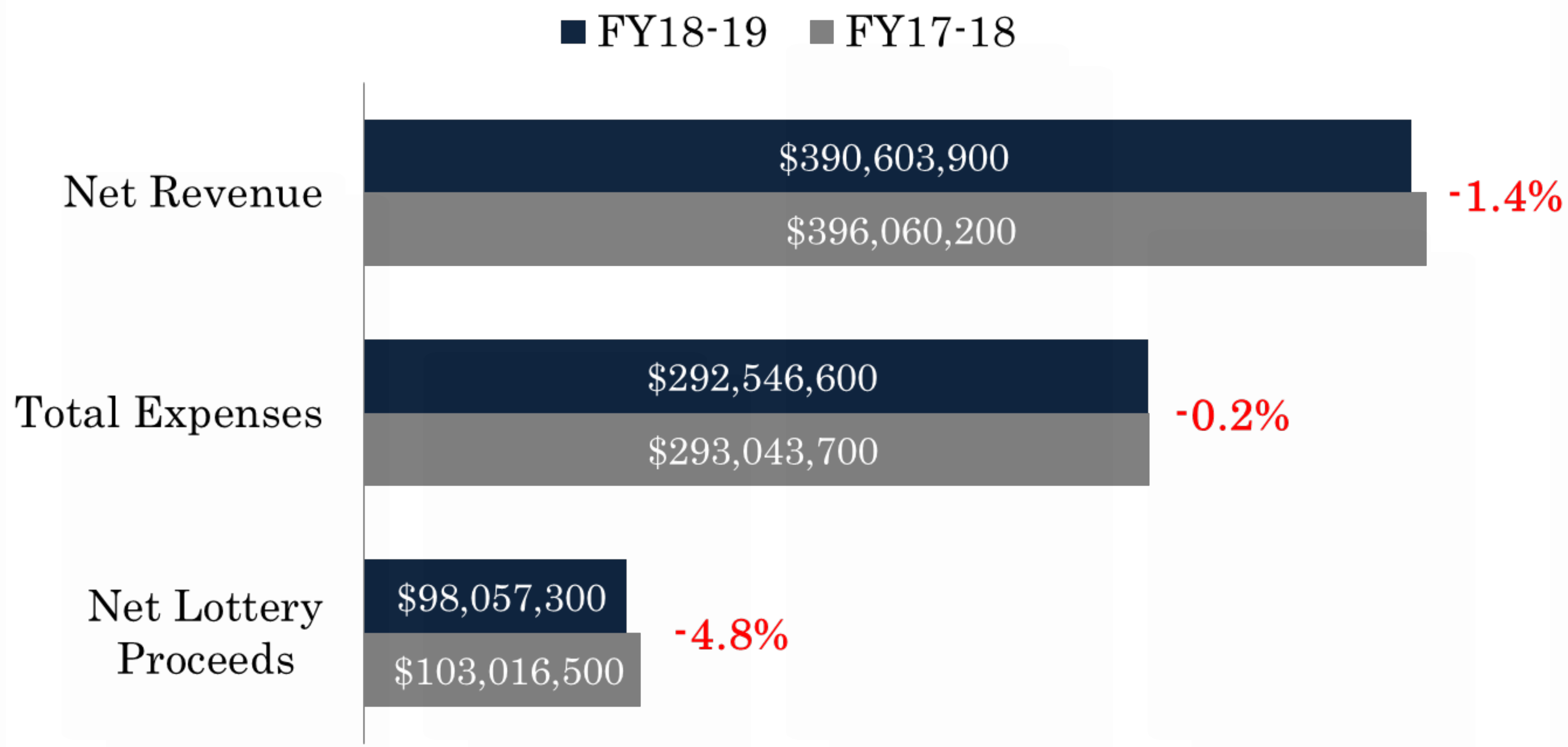
Ticket Sales Composition



FY17-18 Gross Ticket Sales: $1,735,915,000

FY18-19 Year-to-Date (Q1)

July 2018 through September 2018



FY18-19 Year-to-Date (Q1)

Reason for the Decrease

Powerball

$22,396,437 (-53.6%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle
FY17-18 Q1	$196,466,666	$700,000,000
FY18-19 Q1	$130,192,308	$247,000,000

FY18-19 Year-to-Date

Including October 2018 Sales

- Total lottery revenue in first full 17 weeks of the year:
  - FY17-18: $539,149,000
  - FY18-19: $593,833,000
  - Increase: $54,684,000 (+10.1%)

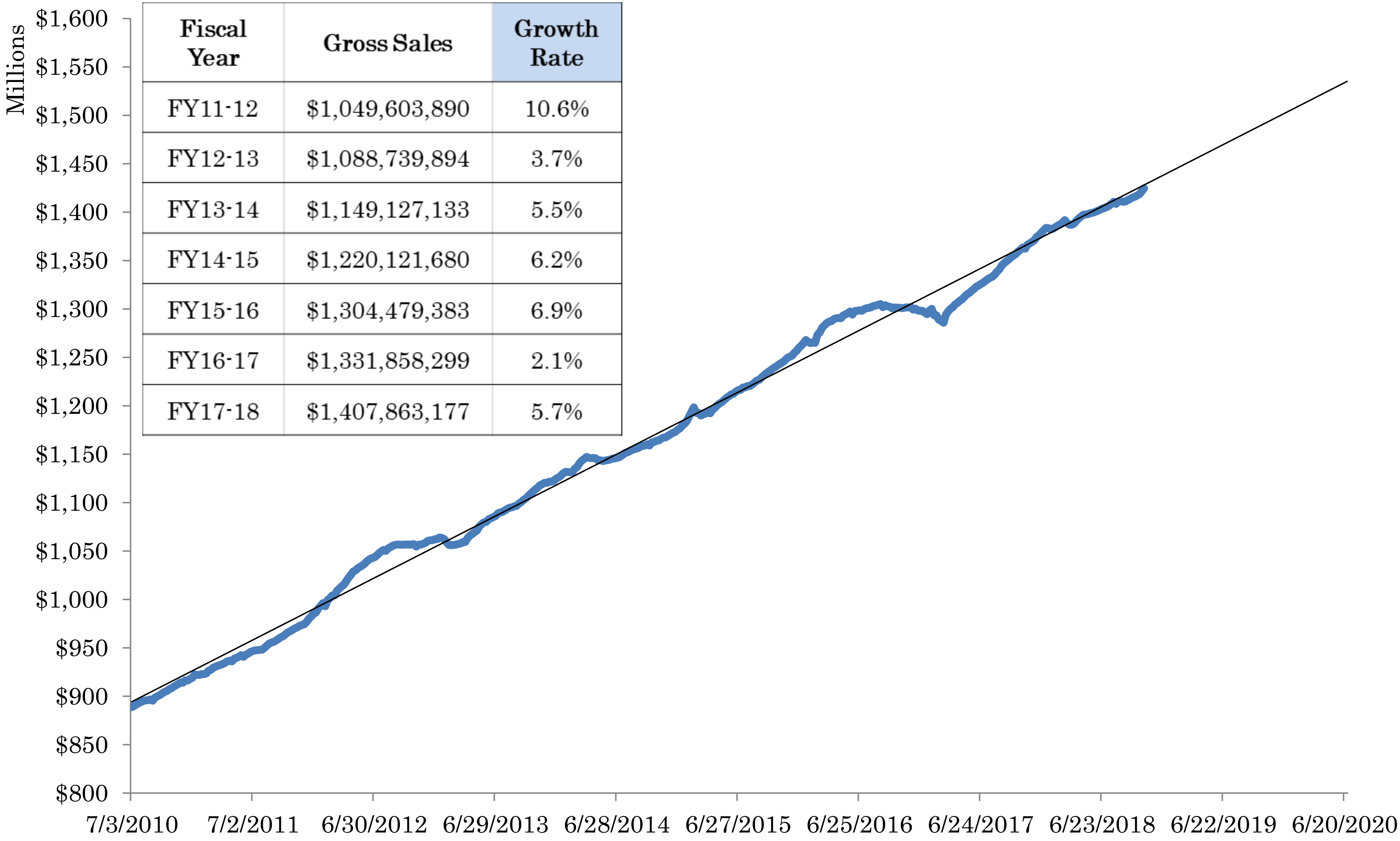
- Reasons for the increase:
  - Mega Millions: up $39,918,000 (+286.4%)
    - $1,600,000,000 jackpot in October 2018
  - Instant Games: up $20,402,000 (+4.8%)

Instant Games

Instant Games

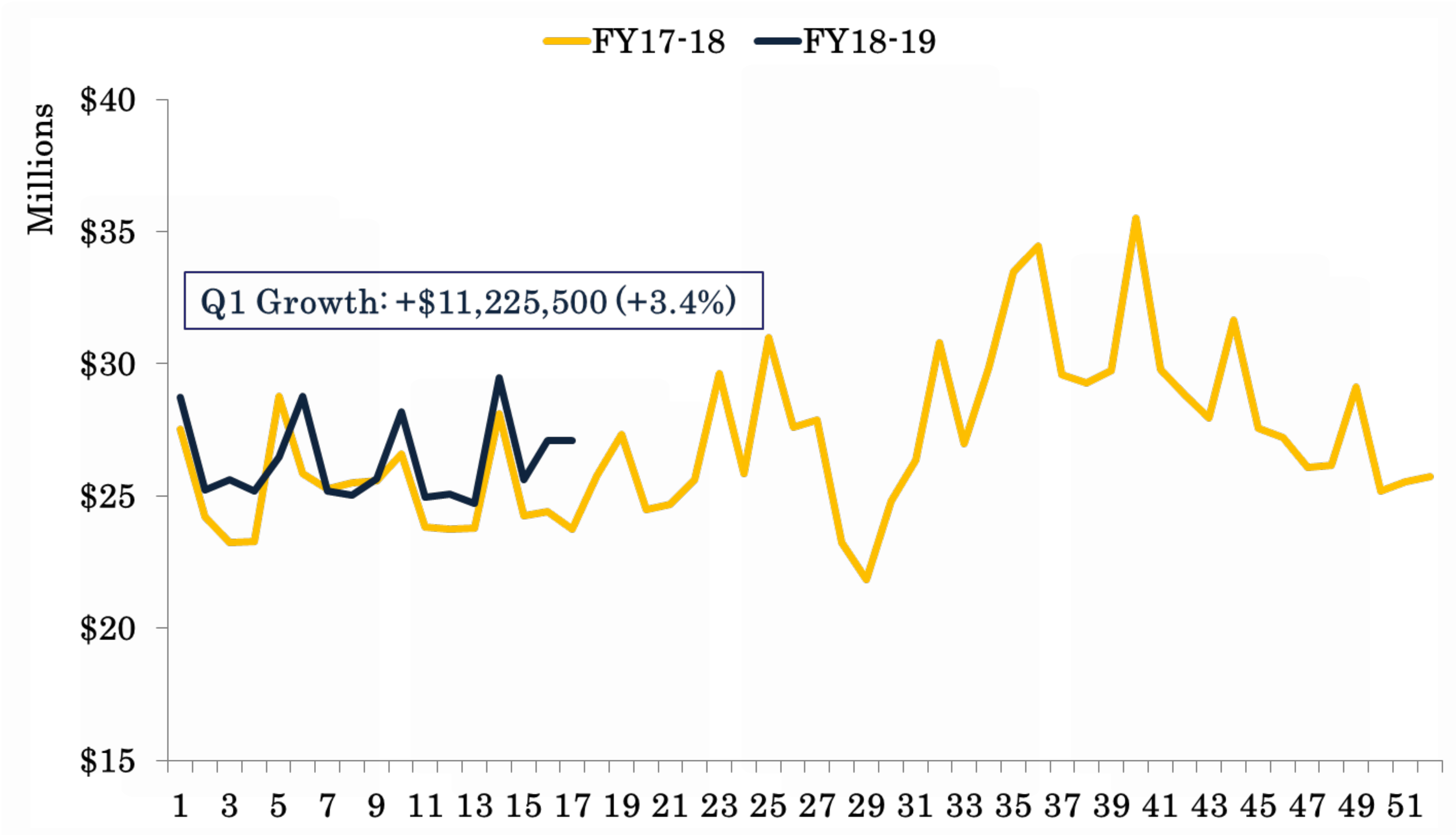
52-Week Moving Sum

Fiscal Year	Gross Sales	Growth Rate
FY11-12	$1,049,603,890	10.6%
FY12-13	$1,088,739,894	3.7%
FY13-14	$1,149,127,133	5.5%
FY14-15	$1,220,121,680	6.2%
FY15-16	$1,304,479,383	6.9%
FY16-17	$1,331,858,299	2.1%
FY17-18	$1,407,863,177	5.7%



Instant Games

Weekly Sales



Instant Games
By Price Point

Price Point	FY16-17 Gross Sales (Millions)	FY16-17 Percent of Instant Game Sales	FY17-18 Gross Sales (Millions)	FY17-18 Percent of Instant Game Sales	Percent Sales Growth	Dollar Growth (Millions)
$1	$89.4	6.7%	$87.7	6.2%	-1.9%	-$1.7
$2	$201.3	15.1%	$195.4	13.9%	-2.9%	-$5.9
$3	$105.0	7.9%	$119.6	8.5%	13.9%	$14.6
$5	$302.2	22.7%	$309.3	22.0%	2.3%	$7.1
$10	$255.3	19.2%	$261.0	18.5%	2.2%	$5.7
$20	$165.8	12.4%	$171.2	12.2%	3.3%	$5.4
$25	$91.3	6.9%	$94.4	6.7%	3.4%	$3.1
$30	$121.7	9.1%	$169.1	12.0%	38.9%	$47.4
TOTAL	**$1,331.9**	**100.0%**	**$1,407.9**	**100.0%**	**5.7%**	**$76.0**

Instant Games

Estimates

Category	FY16-17 Actual	FY17-18 Actual	FY18-19 Estimates	FY19-20 Estimates	Range
Instant Games (Gross Sales)	$1,331,858,299	$1,407,863,177	$1,460,000,000	$1,515,000,000	Low
			$1,470,000,000	$1,530,000,000	Median
			$1,480,000,000	$1,545,000,000	High
Tickets Provided as Prizes	$115,902,036	$119,212,937	$125,560,000	$130,290,000	Low
			$126,420,000	$131,580,000	Median
			$127,280,000	$132,870,000	High
Instant Games (Net Sales)	$1,215,956,263	$1,288,650,240	$1,334,440,000	$1,384,710,000	Low
			$1,343,580,000	$1,398,420,000	Median
			$1,352,720,000	$1,412,130,000	High

Powerball & Mega Millions

Powerball

- FY16-17 sales: $102,338,912
- FY17-18 sales: $117,977,776
- FY17-18 growth: +$15,638,864 (+15.3%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots $300,000,000 or More	Drawings with Jackpots $500,000,000 or More	Jackpot Winners
FY16-17	$166,262,500	$478,000,000	16	0	8
FY17-18	$175,951,429	$700,000,000	16	3	7
FY18-19 YTD	$191,085,714	$750,000,000	5	2	2

Powerball

Estimates

FY16-17 Actual Sales	FY17-18 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
		$110,000,000	$107,000,000	Low
$102,338,912	$117,977,776	$115,000,000	$115,000,000	Median
		$120,000,000	$123,000,000	High

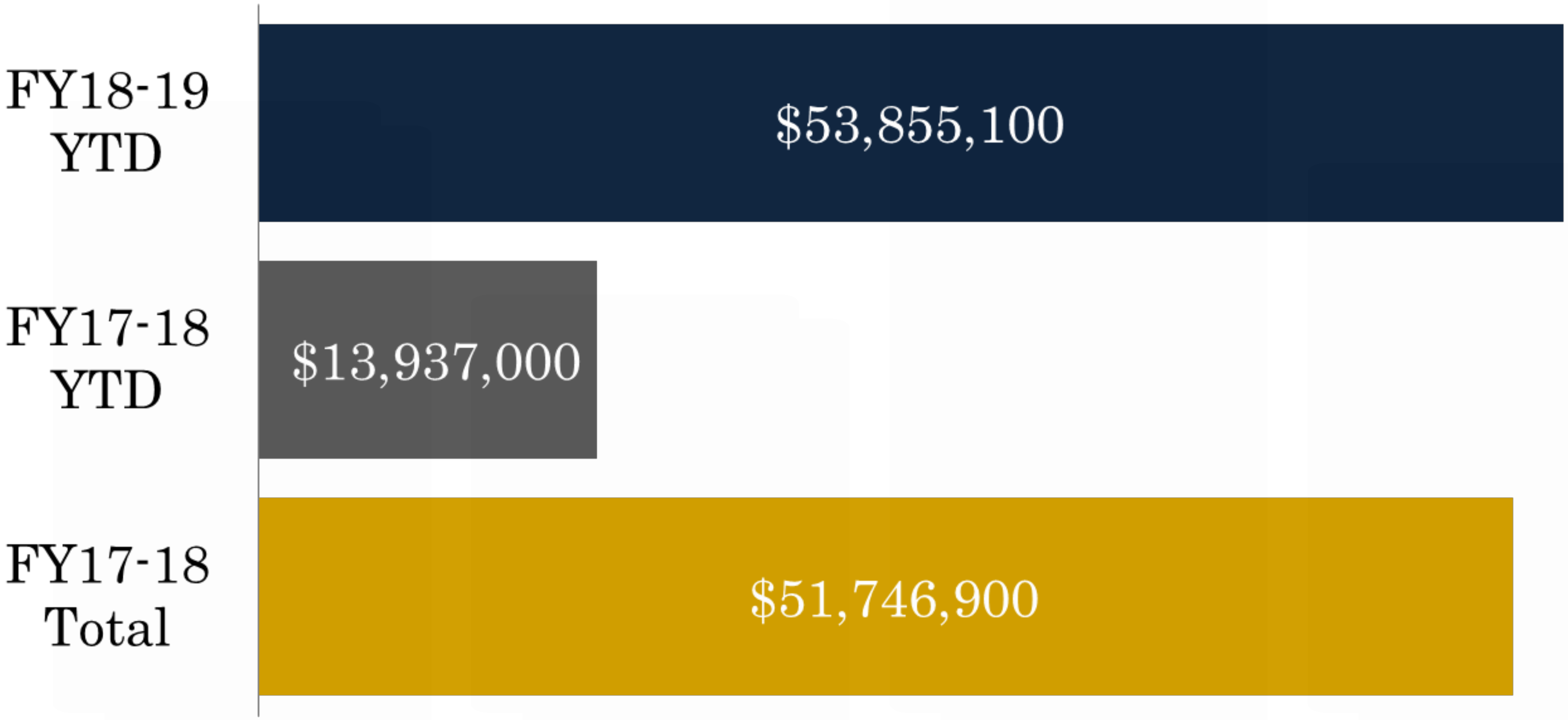
Mega Millions

- FY16-17 sales: $37,009,981
- FY17-18 sales: $51,746,858
- FY17-18 growth: +$14,736,877 (+39.8%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots $300,000,000 or More	Drawings with Jackpots $500,000,000 or More	Jackpot Winners
FY16-17	$77,666,667	$508,000,000	3	1	9
FY17-18	$146,259,615	$521,000,000	13	1	6
FY18-19 YTD	$301,371,429	$1,600,000,000	14	5	2

Mega Millions

Sales



*YTD represents sales in the first 17 weeks of the fiscal year.

Mega Millions

Estimates

FY16-17 Actual Sales	FY17-18 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
$37,009,981	$51,746,858	$83,000,000	$65,000,000	Low
		$90,000,000	$75,000,000	Median
		$97,000,000	$85,000,000	High

Other Games

Cash 3 and Cash 4

- **<u>CASH 3</u>**
  - FY16-17 sales: $63,673,957
  - FY17-18 sales: $63,334,620
  - FY17-18 growth: -$339,337 (-0.5%)

- **<u>CASH 4</u>**
  - FY16-17 sales: $37,684,661
  - FY17-18 sales: $38,882,396
  - FY17-18 growth: +$1,197,735 (+3.2%)

Cash 3 and Cash 4

Estimates

FY16-17 Actual Sales	FY17-18 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
$101,358,618	$102,217,016	$105,200,000	$105,300,000	Low
		$106,200,000	$107,000,000	Median
		$107,200,000	$108,700,000	High

Tennessee Cash

- FY16-17 sales: $16,539,210
- FY17-18 sales: $18,986,720
- FY17-18 growth: +$2,447,510 (+14.8%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots $1,000,000 or More	Jackpot Winners
FY16-17	$450,764	$1,430,000	9	11
FY17-18	$595,929	$2,050,000	21	6
FY18-19 YTD	$412,900	$740,000	0	3

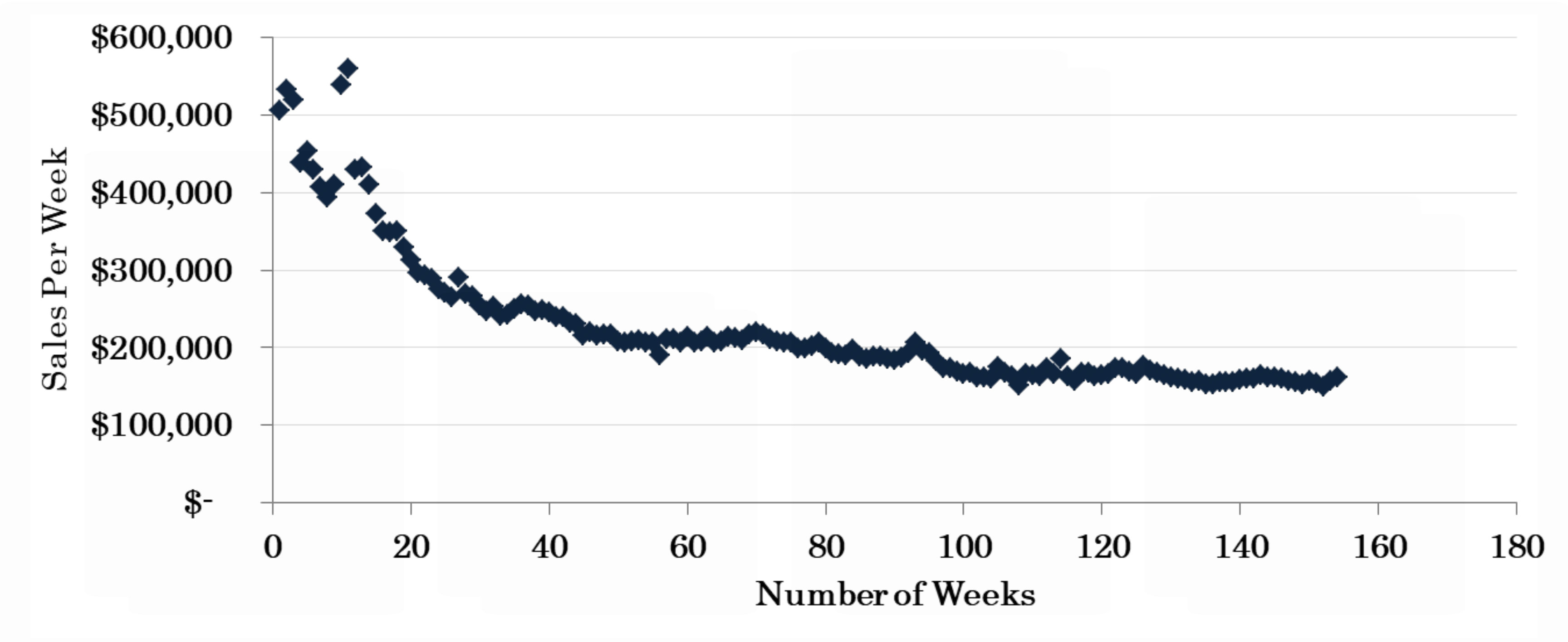
Tennessee Cash

Estimates

FY16-17 Actual Sales	FY17-18 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
$16,539,210	$18,986,720	$16,000,000	$15,700,000	Low
		$16,500,000	$16,200,000	Median
		$17,000,000	$16,700,000	High

Cash 4 Life

- FY16-17 sales: $11,091,812
- FY17-18 sales: $8,817,648
- FY17-18 growth: -$2,274,164 (+20.5%)



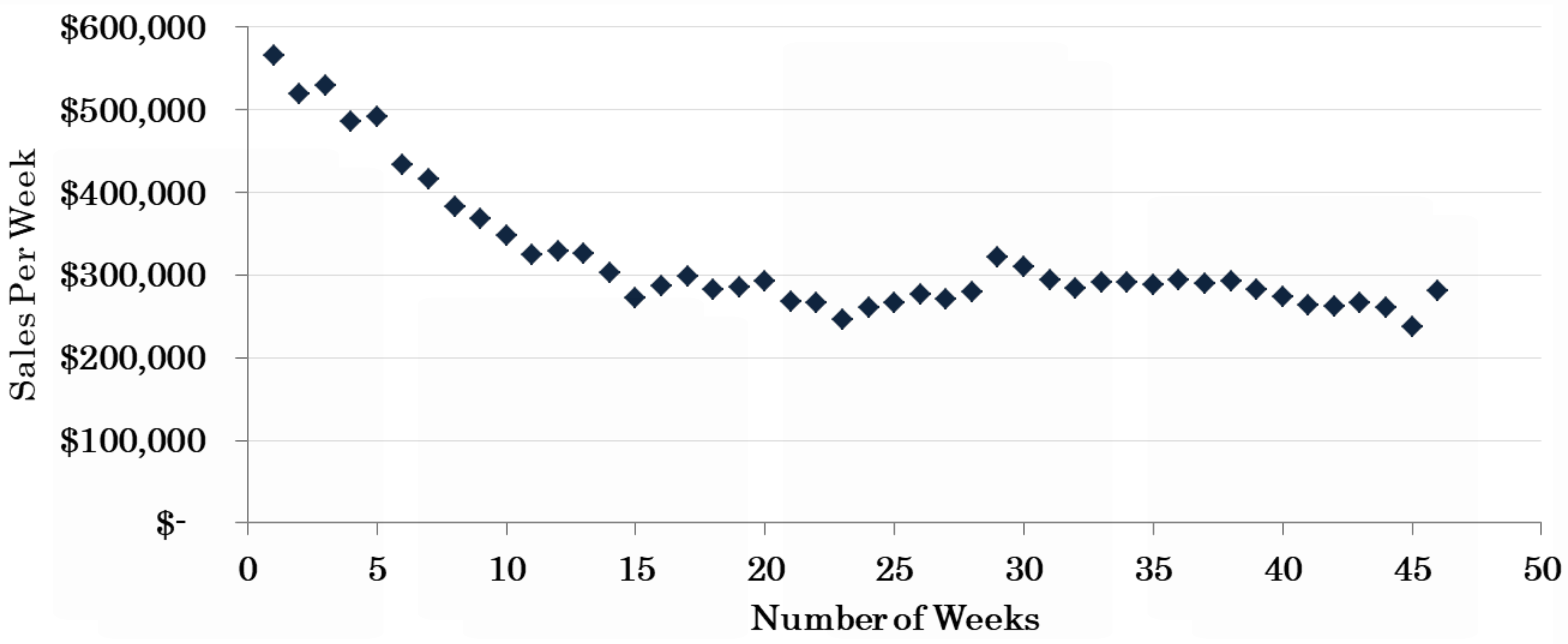
Cash 4 Life

Estimates

FY16-17 Actual Sales	FY17-18 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
		$8,000,000	$6,500,000	Low
$11,091,812	$8,817,648	$8,300,000	$7,500,000	Median
		$8,600,000	$8,500,000	High

Lotto America

- FY17-18 sales: $7,997,654
  - 33 weeks of sales
  - $338,672 – weekly average



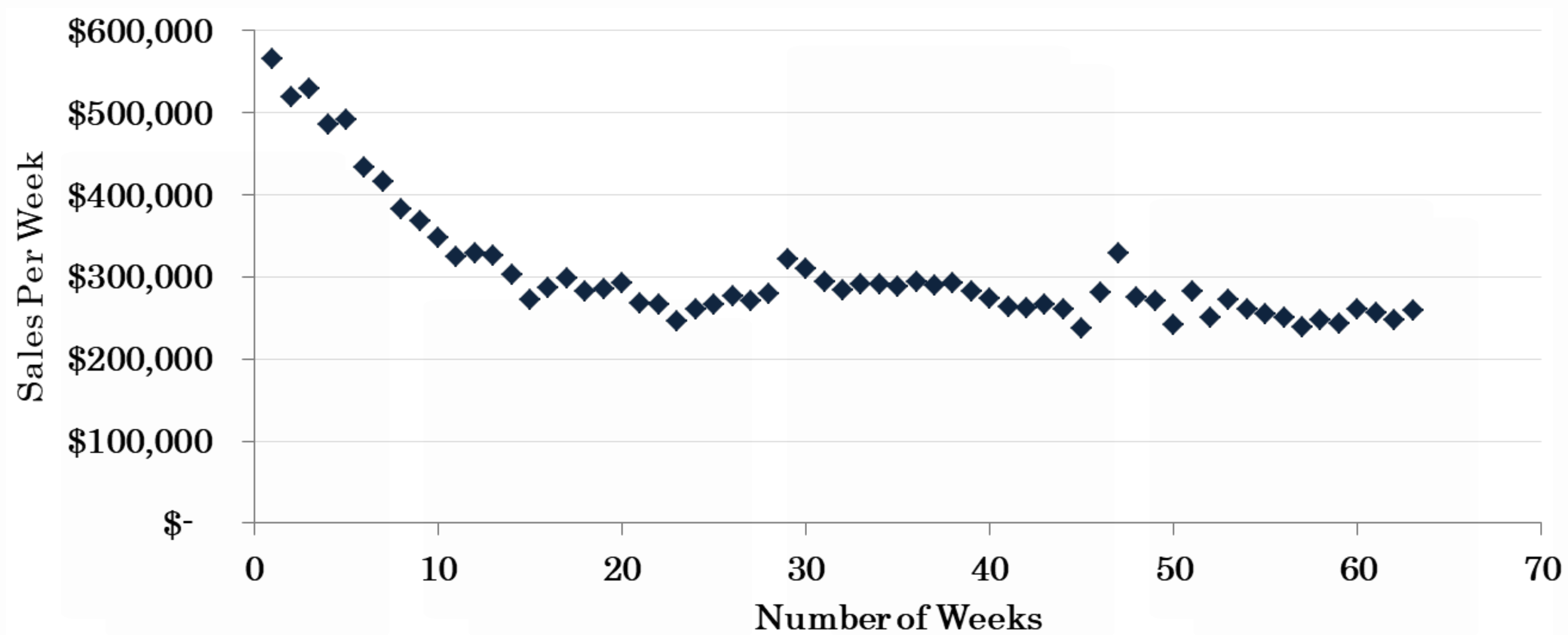
Lotto America

Estimates

FY16-17 Actual Sales	FY17-18 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
		$12,500,000	$11,500,000	Low
$0	$7,997,654	$13,000,000	$12,200,000	Median
		$13,500,000	$12,900,000	High

Keno To Go

- FY17-18 sales: $14,758,379
  - 46 weeks of sales
  - $320,836 – weekly average



Keno To Go
Estimates

FY16-17 Actual Sales	FY17-18 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
$0	$14,758,379	$13,000,000	$12,000,000	Low
		$13,500,000	$12,700,000	Median
		$14,000,000	$13,400,000	High

Summary & Net Lottery Proceeds

FY18-19 Estimates

	FY17-18 Actuals	FY18-19 Estimates		
		Low	Median	High
Instant Games (Net)	$1,288,650,240	$1,334,440,000	$1,343,580,000	$1,352,720,000
Cash 3 and Cash 4	$102,217,016	$105,200,000	$106,200,000	$107,200,000
PB, MM, LA, TN Cash	$194,261,084	$209,000,000	$221,500,000	$234,000,000
Cash 4 Life	$8,817,648	$8,000,000	$8,300,000	$8,600,000
Keno To Go	$14,758,379	$13,000,000	$13,500,000	$14,000,000
Misc. Revenue	$5,341,113	$5,200,000	$5,500,000	$5,800,000
Net Revenue	$1,622,043,134	$1,687,340,000	$1,711,580,000	$1,735,820,000
Total Expenses	$1,215,530,214	$1,266,275,526	$1,284,686,462	$1,303,097,398
NET LOTTERY PROCEEDS	**$406,512,920**	**$421,064,474**	**$426,893,538**	**$432,722,602**
After-School Funding	$15,168,045	$16,100,000	$16,600,000	$17,100,000
Total State Proceeds	**$421,680,965**	**$437,164,474**	**$443,493,538**	**$449,822,602**

FY19-20 Estimates

	FY18-19 Median Estimate	FY19-20 Estimates		
		Low	Median	High
Instant Games (Net)	$1,343,580,000	$1,384,710,000	$1,398,420,000	$1,412,130,000
Cash 3 and Cash 4	$106,200,000	$105,300,000	$107,000,000	$108,700,000
PB, MM, LA, TN Cash	$221,500,000	$187,700,000	$206,200,000	$224,700,000
Cash 4 Life	$8,300,000	$6,500,000	$7,500,000	$8,500,000
Keno To Go	$13,500,000	$12,000,000	$12,700,000	$13,400,000
Misc. Revenue	$5,500,000	$5,000,000	$5,500,000	$6,000,000
Net Revenue	$1,711,580,000	$1,712,710,000	$1,749,520,000	$1,786,330,000
Total Expenses	$1,284,686,462	$1,286,049,045	$1,313,770,040	$1,341,491,035
NET LOTTERY PROCEEDS	**$426,893,538**	**$426,660,955**	**$435,749,960**	**$444,838,965**
After-School Funding	$16,600,000	$16,100,000	$16,600,000	$17,100,000
Total State Proceeds	**$443,493,538**	**$442,760,955**	**$452,349,960**	**$461,938,965**

Subsequent Years

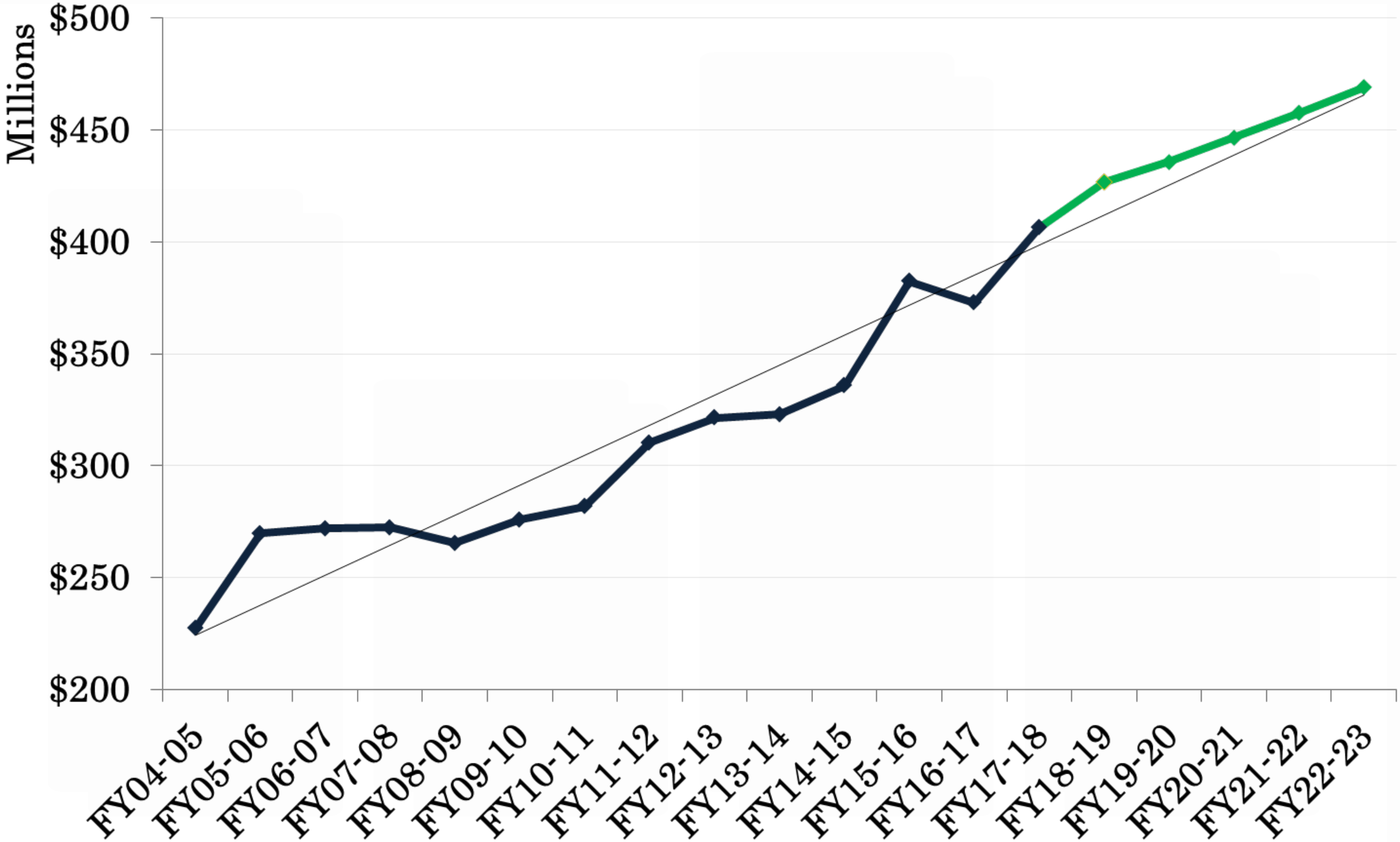
- Growth beyond FY19-20 is difficult to forecast due to a number of unknown factors, such as:
  - Changes to payout ratios
  - Matrix changes to jackpot based games
  - Structure changes to pari-mutuel and online games
  - Legislative action
  - Varying jackpot cycles
  - New and discontinued games
  - Changes to retailer base
  - Changes to advertising
  - Changes in economy

FY20-21, FY21-22, & FY22-23

- Over the last five years, the TELC's average growth rate for net lottery proceeds has been 5.0% per year. Excluding the highest and lowest years, the average growth has been 4.5%.
- Such growth rates for net revenue have been 4.9% and 5.1% respectively.
- FRC has assumed: 3.5% annual net revenue growth and 2.5% annual net proceeds growth.

Category	FY20-21	FY21-22	FY22-23
Net Revenue	$1,810,753,200	$1,874,129,562	$1,939,724,097
Total Expenses	$1,364,109,491	$1,416,319,760	$1,470,469,050
NET LOTTERY PROCEEDS	**$446,643,709**	**$457,809,802**	**$469,255,047**
After-School Funding	$16,800,000	$17,000,000	$17,200,000
Total State Proceeds	$463,443,709	$474,809,802	$486,455,047

Net Lottery Proceeds



Thank You

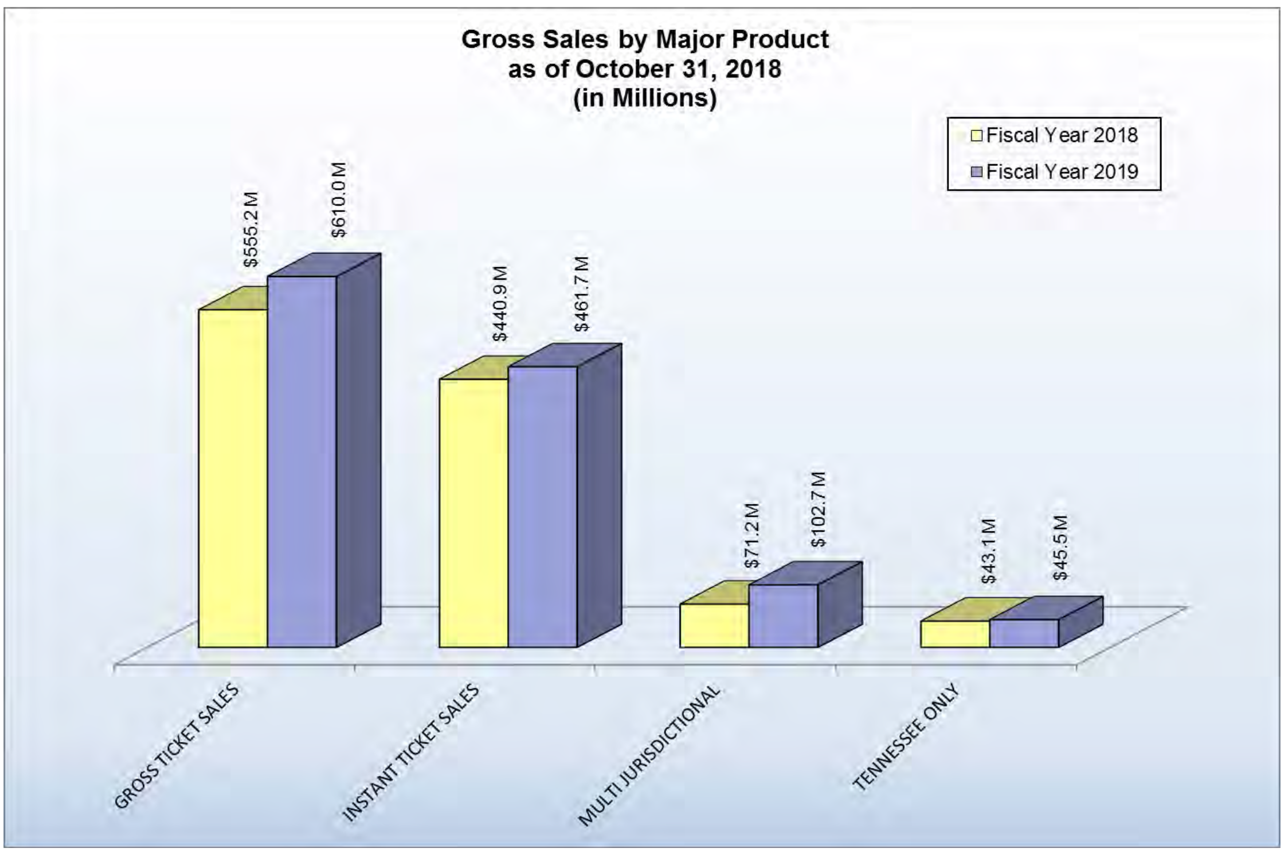
Fiscal Review Committee Staff

TENNESSEE EDUCATION LOTTERY CORPORATION
Funding Board Report
November 20, 2018

ESTIMATION OF
TOTAL AND NET LOTTERY PROCEEDS
FOR FISCAL YEARS ENDING
JUNE 30, 2019, 2020, 2021, 2022 and 2023

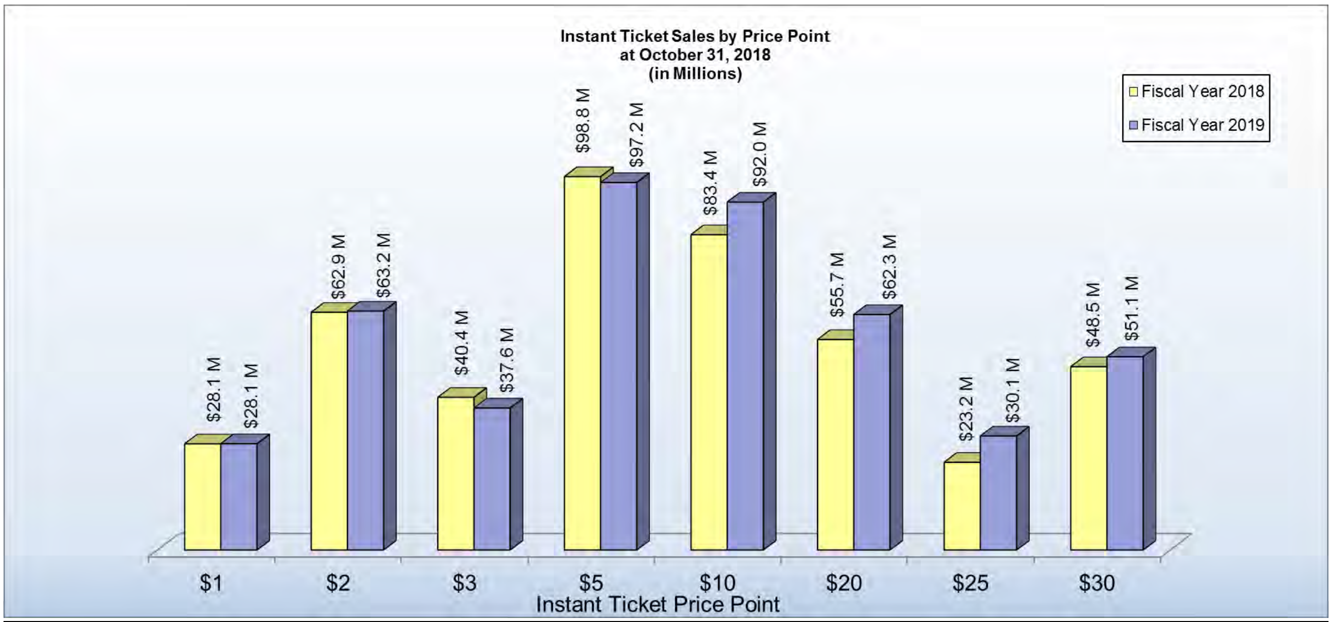
TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 10/31/2018 (in millions)		As of 10/31/2017 (in millions)	
Gross Sales	$	610	$	555
Weekly Average Sales	$	35	$	32
BY MAJOR PRODUCT:				
INSTANT GAMES	$	462	$	441
MULTIJURISDICTIONAL DRAW GAMES				
Powerball	$	42	$	48
Mega Millions		54		15
Hot Lotto		-		5
Lotto America		4		-
Cash 4 Life		3		3
	$	103	$	71
TENNESSEE ONLY DRAW GAMES				
Cash 3	$	22	$	20
Cash 4		13		13
Tennessee Cash		5		5
Keno		5		5
	$	45	$	43



TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 10/31/2018 (in millions)	FY 2019 Projected Sales Range (in millions)
INSTANT GAMES	$ 461.7	$1,451.7 - $1,464.9



- *Instant tickets* are 75.6% of our product mix at October 31, 2018.
- *Instant ticket sales* were $461.7 million or $26.2 million per week at October 31, 2018 compared to $440.9 million or $25.1 million per week the prior year, representing a 4.7% increase in instant ticket sales year over year.
- The current percentage of sales increases are primarily related to player preferences. TEL continues to see *Instant Ticket* sales increases driven by the success of launching families and higher price point games. The $30 Jumbo Bucks games, along with $10, $20 and $25 price point game's sales remain strong through the first four months of fiscal year 2019.
- Fiscal year 2019 *Instant tickets* are projected between $1.45 billion and $1.47 billion.
- TEL anticipates launching approximately 55 games in fiscal year 2019.
- I*nstant ticket* prize expense is projected at 67.8% for fiscal year 2019, which is slightly higher due to player preference for the high price point games which have a higher payout.

MULTI-JURISDICTIONAL GAMES

Sales of multi-jurisdictional games, *Powerball, Mega Millions, Cash 4 Life* and *Lotto America* were $102.6 million at October 31, 2018 compared to $71.1 million in the prior year. This represents approximately 16.8% and 12.8% of gross sales, respectively, for each year.

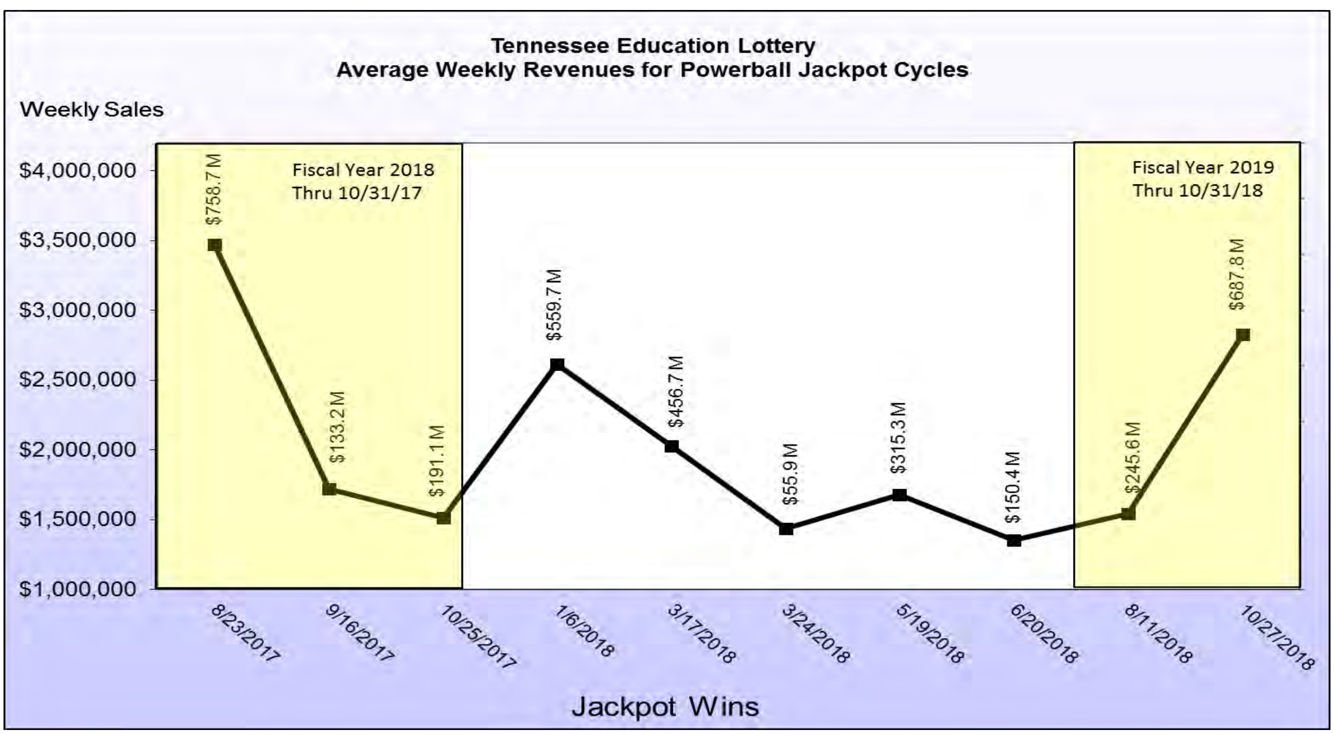
Multi-jurisdictional game sales, with the exception of the *Cash 4 Life*, are directly impacted by the size of the games' jackpots.

	As of 10/31/2018 (in millions)	FY 2019 Projected Sales Range (in millions)
POWERBALL	$41.7	$100.0 - $108.2

- *Powerball* is currently sold in 47 jurisdictions, including the District of Columbia, Puerto Rico and U.S. Virgin Islands.

- Powerball sales of $41.7 million versus prior year sales of $48 million is directly related to jackpot cycles during the periods. The four months ended October 31, 2018 experienced a jackpot cycle of $687.8 million versus the prior year cycle of $758.7 million.

- Our fiscal year 2019 high range projection includes one additional jackpot cycle reaching the $500 million plus range and an additional cycle between $300 - $400 million.



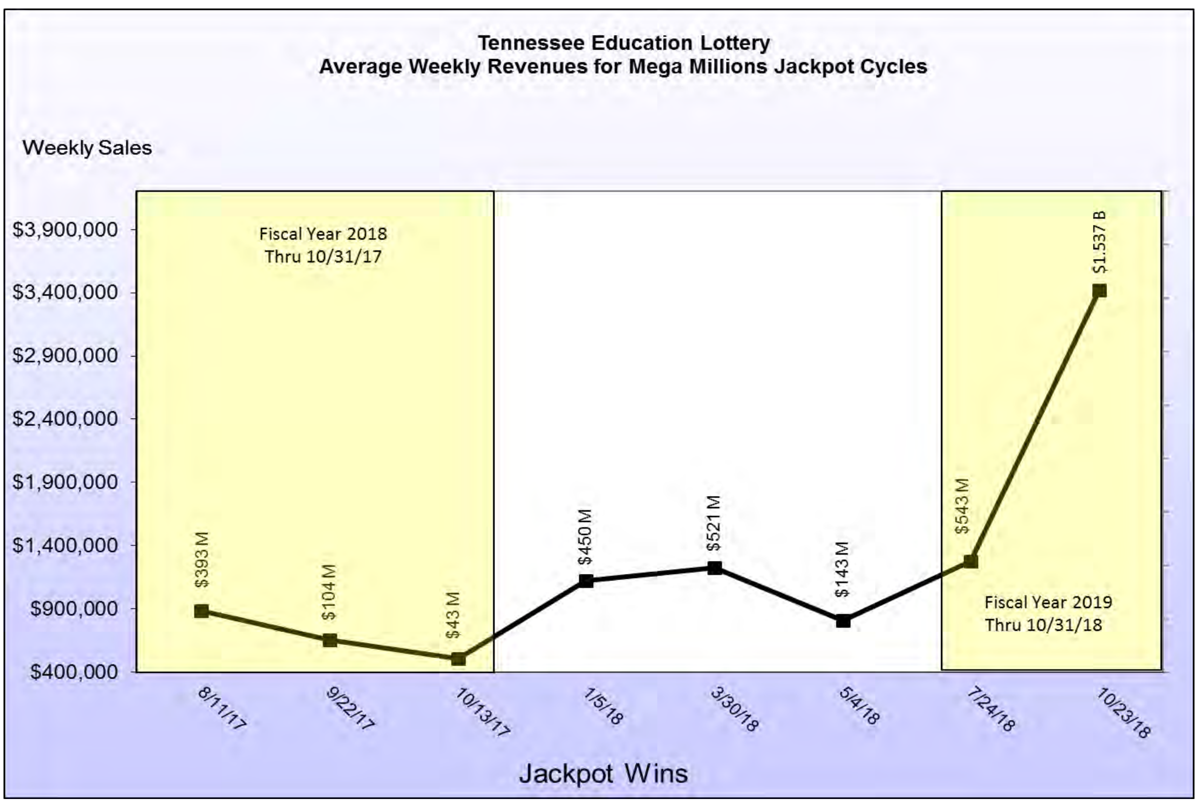
	As of 10/31/2018 (in millions)	FY 2019 Projected Sales Range (in millions)
MEGA MILLIONS	$54.3	$84.3 - $89.2

- *Mega Millions* is currently sold in 46 jurisdictions, including the District of Columbia and U.S. Virgin Islands.

- On October 28, 2017, the *Mega Millions* game was modified to provide an increased starting jackpot of $40 million, bigger average jackpots and better odds for winning the $1 million-dollar second tier prize. The cost of a *Mega Millions* play was increased to $2 to support these enhancements.

- During October of 2018 the *Mega Millions* jackpot was over $1.5 billion, resulting in an estimated additional $30 million in sales and $12 million in net lottery proceeds over the expected jackpot cycle results.

- TEL's high sales range projects the *Mega Millions* product to generate up to two additional jackpots of at least $300-$400 million in the remainder of FY2019.



TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 10/31/2018 (in millions)	FY 2019 Projected Sales Range (in millions)
LOTTO AMERICA	$ 4.1	$11.8 - $11.9

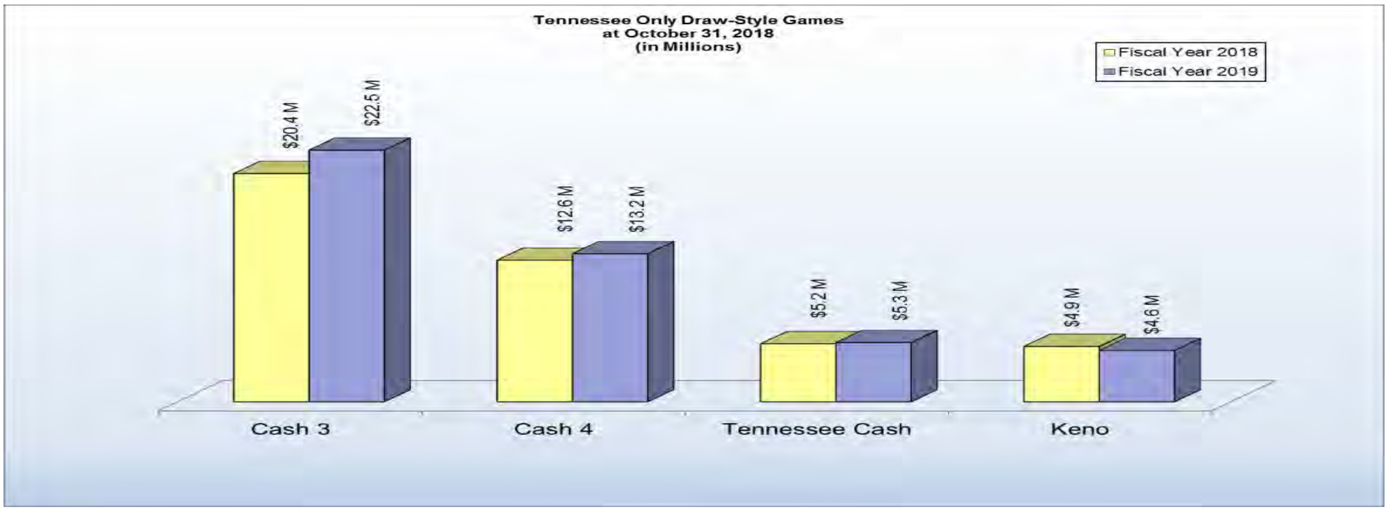
- *Lotto America* is a multi-state game that launched in 13 jurisdictions on November 12, 2017.
- Jackpots start at $2 million, with drawings held Wednesday and Saturday.
- For an additional $1 per play, players can purchase the "Lotto America All Star Bonus," which multiplies any non-jackpot win from two to five times depending on the multiplier number drawn.

	As of 10/31/2018 (in millions)	FY 2019 Projected Sales Range (in millions)
CASH 4 LIFE	$2.8	$8.4 - $8.7

- *Cash 4 Life* is currently sold in 9 jurisdictions.
- The game provides the only drawing-style game with two opportunities for a lifetime prize:
  - ∗ Top Prize is $1,000 dollars a day for life.
  - ∗ Second Prize is $1,000 dollars a week for life.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 10/31/2018 (in millions)	FY 2019 Projected Sales Range (in millions)
TENNESSEE ONLY DRAWING-STYLE GAMES	$45.5	$134.1 - $139.6



At October 31, 2018, sales for this product category were $45.5 million compared to the prior period's $43.1 million. This represents approximately 7.4% of gross sales for the current year.

Cash 3 and Cash 4

- *Cash 3* and *Cash 4* games are drawn three (3) times daily, six (6) days a week, and once on Sunday.
- In the first four months of fiscal year 2019, TEL has seen a net increase of approximately 10.3% for *Cash 3* and 4.6% for *Cash 4*.
- TEL is projecting sales in the range of $104.9 and $109.2 million for the full fiscal year.

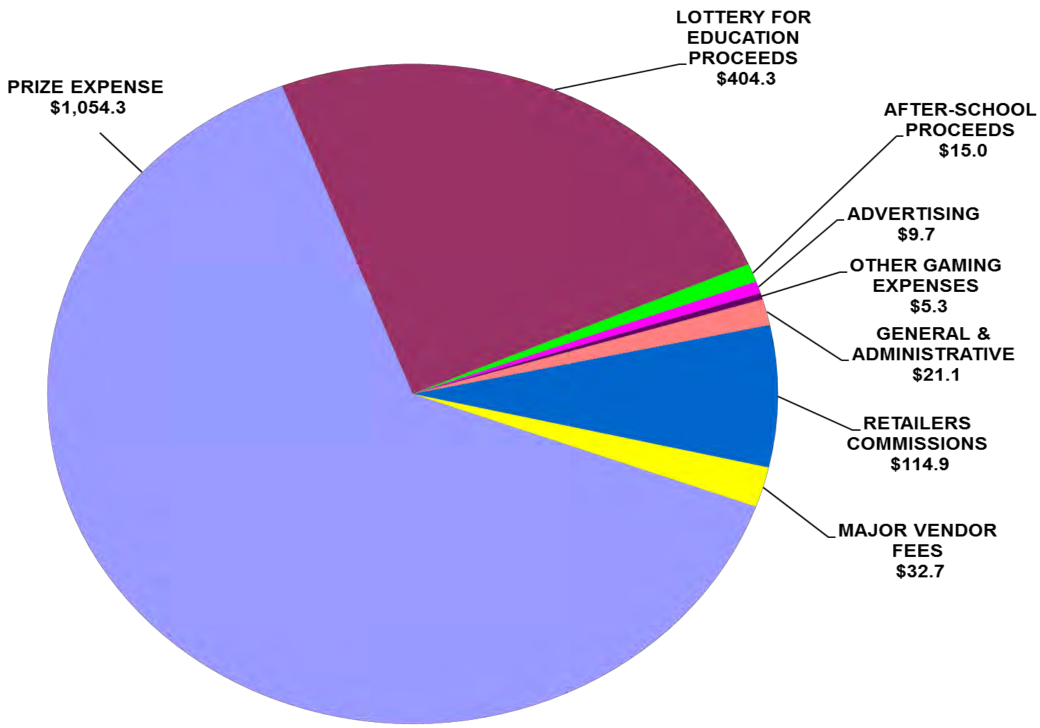
Tennessee Cash

- *Tennessee Cash* is a drawing-style cash jackpot game available only in Tennessee.
- Sales are driven primarily by the cash jackpots, with an average jackpot cycle of $600 to $700 thousand.
- TEL projects sales in fiscal year 2019 to be approximately $16 million.

Keno to Go

- *Keno to Go* began on August 13, 2017 and is only available in Tennessee.
- On November 4th, TEL launched the Bullseye add-on feature. This feature provides enhanced prize payouts for players that win on the base game.
- TEL projects sales in the range of $13.2 million and $14.4 million for fiscal year 2019.

FISCAL YEAR 2019 BUDGETED EXPENSES
(in millions)



Direct Gaming-Related Expenses

- Aggregate Prize Expense for all Games is budgeted at **$1.05 billion** or **64.4%** of Total Revenues.
- Aggregate Prize Expense for Instant Games is budgeted at **$896.2 million** or **67.5%** of Total Revenues.
- Aggregate Prize Expense for Drawing-style Games is budgeted at **$153.8 million** or **50.8%** of Total Revenues.

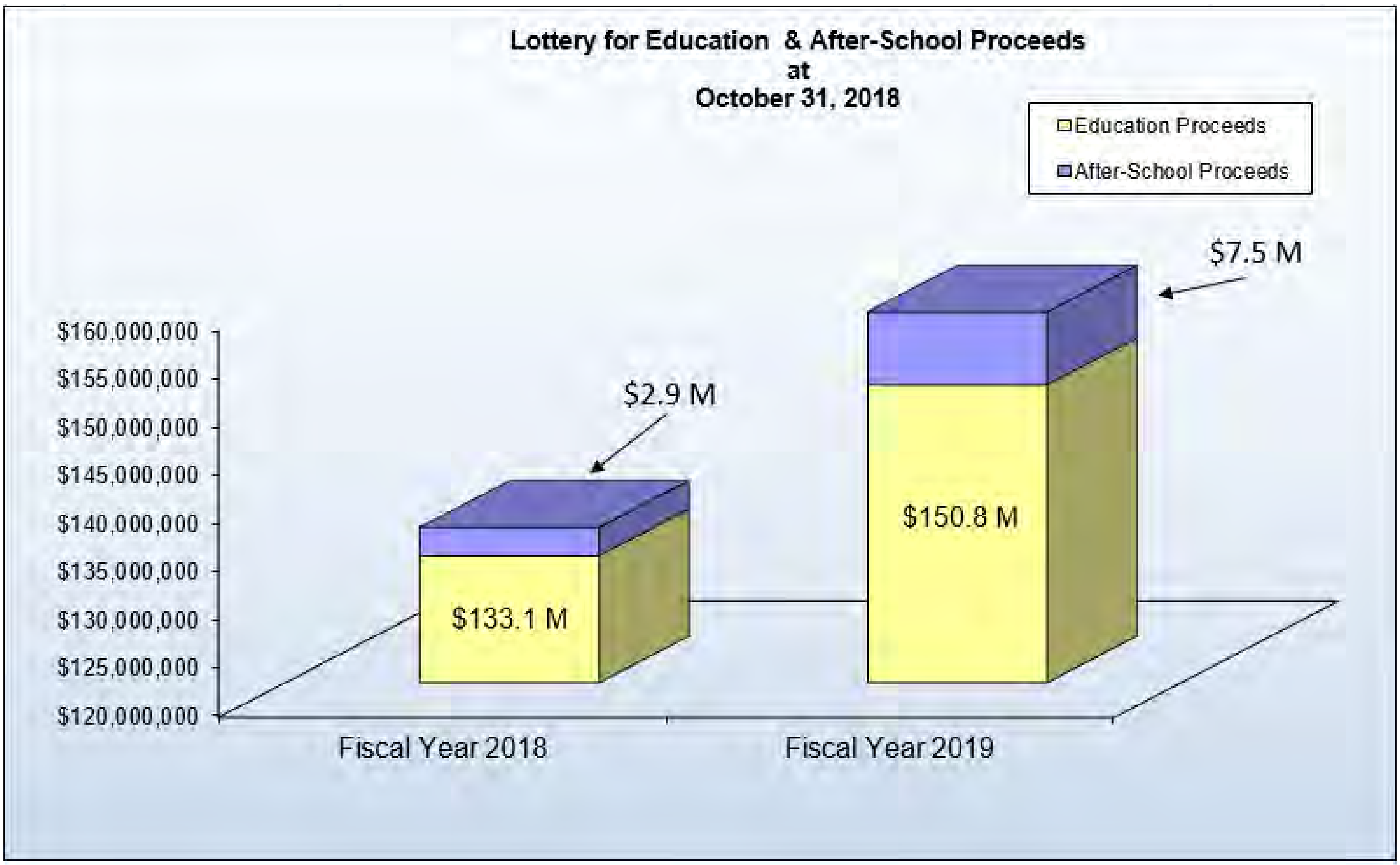
- Retailer sales commissions are budgeted at **$114.8 million** or approximately **6.5%** of Gross Sales, with additional commissions for selling winning drawing-style tickets of $1 million or more and cashing tickets for *Cash 3* and *Cash 4.*

- Major gaming vendors' fees are budgeted at **$32.7 million** and are a percentage of sales per the terms of each contract. In fiscal year 2015, TEL negotiated lower fees of 1.199% for IGT and .8998% for Scientific Games as a result of a Request for Proposal for draw style games/related services and instant ticket/related services, respectively.

Non-Direct Expenses

- Non-direct expenses are budgeted at **$36.0** million or **2.0%** of Gross Sales.
  - Advertising expenses are budgeted at **$9.7** million.
  - Other Gaming expenses are budgeted at **$5.2** million.
  - General and Administrative expenses are budgeted at **$21.1** million.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS



<u>**Lottery for Education Proceeds**</u>	<u>**Projected Fiscal Year 2019**</u>
• $150.8 million as of 10/31/2018	
• $133.1 million as of 10/31/2017	$411 million - $422 million

<u>**After-School Program Proceeds**</u>	<u>**Projected Fiscal Year 2019**</u>
• $7.5 million as of 10/31/2018	
• $2.9 million as of 10/31/2017	$15 million - $16 million

- Represents actual/realized unclaimed monies

- Significantly impacted by:
    1) timing of instant games' closings
    2) large drawing-style game prizes not claimed

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

Tennessee Education Lottery	FY 2018 Actuals	FY 19 Approved Budget	FY 19 Actuals at 10/31/18	FY 19 Low Projections	FY 19 High Projections
Instant Ticket Sales	$ 1,407,863,000	$ 1,451,592,000	$ 461,706,000	$ 1,451,755,000	$ 1,464,898,000
Tennessee Only	$ 135,962,000	$ 136,733,000	$ 45,523,000	$ 133,797,000	$ 140,560,000
Multi Jurisdictional	$ 192,090,000	$ 174,735,000	$ 102,682,000	$ 204,527,000	$ 218,074,000
GROSS TICKET SALES	$ 1,735,915,000	$ 1,763,060,000	$ 609,911,000	$ 1,790,079,000	$ 1,823,532,000
Less: Tickets Provided as Prizes	$ (119,213,000)	$ (125,060,000)	$ (39,029,000)	$ (122,635,000)	$ (123,846,000)
Net Ticket Sales	$ 1,616,702,000	$ 1,638,000,000	$ 570,882,000	$ 1,667,444,000	$ 1,699,686,000
Other Revenue	5,341,000	4,347,000	1,858,000	4,347,000	4,347,000
TOTAL LOTTERY PROCEEDS	$ 1,622,043,000	$ 1,642,347,000	$ 572,740,000	$ 1,671,791,000	$ 1,704,033,000
DIRECT EXPENSES					
Prize Expense	$ 1,039,051,000	$ 1,054,387,000	$ 361,964,000	$ 1,074,703,000	$ 1,093,884,000
Retailer Commissions	113,234,000	114,859,000	39,784,000	116,765,000	118,960,000
Vendor Fees	32,018,000	32,715,000	10,989,000	33,071,000	33,576,000
Direct Expense	$ 1,184,303,000	$ 1,201,961,000	$ 412,737,000	$ 1,224,539,000	$ 1,246,420,000
Non-Direct Expenses	$ 31,228,000	$ 36,076,000	$ 9,209,000	$ 36,076,000	$ 36,076,000
TOTAL EXPENSES	$ 1,215,531,000	$ 1,238,037,000	$ 421,946,000	$ 1,260,615,000	$ 1,282,496,000
LOTTERY FOR EDUCATION PROCEEDS	$ 406,512,000	$ 404,310,000	$ 150,794,000	$ 411,175,000	$ 421,537,000
AFTER SCHOOL PROGRAMS	$ 15,168,000	$ 15,000,000	$ 7,527,000	$ 15,000,000	$ 16,000,000

TENNESSEE EDUCATION LOTTERY CORPORATION

ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

FISCAL YEARS ENDING JUNE 30, 2020, 2021, 2022 and 2023

	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Total Lottery Proceeds	$1,675- $1,691 Million	$1,708- $1,742 Million	$1,743- $1,794 Million	$1,777- $1,848 Million
Lottery for Education Proceeds	$412-$416 Million	$420-$429 Million	$429-$441 Million	$437-$455 Million
After-School Programs	$15 - $16 Million	$15 - $16 Million	$16 - $17 Million	$16 - $17 Million

<u>Lottery for Education Proceeds</u>

Over the last five (5) fiscal years, TEL's average annual Lottery for Education Proceeds growth was 4.5% compared to the lottery industry's beneficiary funding growth of 2.3%, excluding the highest and lowest growth years to adjust for anomalies.

Based on TEL's and the industry year-over-year growth in the most recent fiscal years, we project Lottery for Education proceeds growth in Fiscal Years 2020 through 2023 to average a low of 2.0% to a high of 3.0% annually.

<u>After-School Programs Proceeds</u>

After-School Programs Proceeds are projected based on the TEL's five-year historical unclaimed prize experience of slightly less than 1.5% of prize expense, excluding the highest and lowest growth years to adjust for anomalies.

STATE OF TENNESSEE
TENNESSEE STUDENT ASSISTANCE CORPORATION
SUITE 1510, PARKWAY TOWERS
404 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0820
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www.TN.gov/collegepays

November 20, 2018

MEMORANDUM

TO: State Funding Board

FROM: Tim Phelps, Associate Executive Director for Grant & Scholarship Programs
Tennessee Student Assistance Corporation

SUBJECT: Tennessee Education Lottery Scholarship Program Projections

Pursuant to T.C.A 4-51-111(c)(2)(A)(ii), the Tennessee Higher Education Commission (THEC) and Tennessee Student Assistance Corporation (TSAC) have collaborated to project expenditures for the lottery scholarship and grant programs through the 2022-23 academic year.

The figures below incorporate data for all lottery-funded programs, including the HOPE Scholarship, General Assembly Merit Scholarship, ASPIRE award, HOPE Access Grant, Wilder-Naifeh Technical Skills Grant, Nontraditional Student Grant, Dual Enrollment Grant, Helping Heroes Grant, Foster Child Tuition Grant, STEP UP Scholarship, TCAT Reconnect, the Math & Science Teacher Loan Forgiveness Program, the Tennessee Middle College Scholarship, and Tennessee Reconnect.

Fiscal Year	TELS Expenditures Low	TELS Expenditures Baseline	TELS Expenditures High	Recipients
2017-18 actual	N/A	$327.0M	N/A	117,000
2018-19 estimated*	$349.9M	$357.0M	$367.7M	133,300
2019-20 estimated*	$346.3M	$353.4M	$364.0M	131,900
2020-21 estimated*	$349.6M	$356.8M	$367.5M	133,100
2021-22 estimated*	$353.0M	$360.2M	$371.0M	134,400
2022-23 estimated*	$356.4M	$363.7M	$374.6M	135,700

**Does not include estimated administrative costs of $5.6M and Tennessee Promise estimated expenditures of $30M.*

These projections are based on the size of the annual high school graduating class, the scholarship take-up rate of eligible students, and the renewal rate of recipients.

Please let me know if you have questions or need anything further.

STATE OF TENNESSEE
DEPARTMENT OF EDUCATION
NINTH FLOOR, ANDREW JOHNSON TOWER
710 JAMES ROBERTSON PARKWAY
NASHVILLE, TN 37243-0375

BILL HASLAM
GOVERNOR

CANDICE MCQUEEN
COMMISSIONER

TO: Members of the Tennessee State Funding Board

FROM: Dr. Candice McQueen Candice McQueen cpf

DATE: November 20, 2018

SUBJECT: Request for $23,000 from Net Lottery Proceeds for Lottery Scholarship Day for FY 2019-2020

Pursuant to Tenn. Code Ann. 4-51-111(c)(2)(B) which states prior to December 15, "appropriate state agencies shall submit to the funding board and to the governor their recommendations for other education programs and purposes consistent with article XI, § 5 of the Tennessee Constitution", the Department of Education requests the allotment of $23,000 from net lottery proceeds in FY 2019-2020 for Lottery Scholarship Day.

These funds will support improvements and enhancements for educational programs and purposes and such net proceeds shall be used to supplement, not supplant, non-lottery educational resources for educational programs and purposes.

Your consideration and approval of this request is appreciated.

cc: David Thurman