

TENNESSEE STATE FUNDING BOARD
November 15, 2019
10:00 a.m./Cordell Hull Building – Senate Hearing Room I

AGENDA

1. Call Meeting to order
2. Presentation of Report for October Revenues: Commissioner Stuart McWhorter, Finance & Administration
3. Revenue Estimating Presentations:

Presenters:

Ms. Emily Mitchell, Director, Regional Economic Information Network,
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,
Mr. Jaime Espinosa-Bowen, Research Analyst,
State of Tennessee, Department of Revenue

Mr. Bojan Savic, Assistant Director,
Mr. Joe Wegenka, Chief Economist,
State of Tennessee, Fiscal Review Committee

4. Lottery Revenue Estimating Presentations:

Presenters:

Mr. Bojan Savic, Assistant Director,
Mr. Joe Wegenka, Chief Economist,
State of Tennessee, Fiscal Review Committee

Ms. Rebecca Hargrove, President and CEO,
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)

5. Request to the Board for consideration for program funding for the fiscal year 2020-2021 from Net Lottery Proceeds pursuant to Tennessee Code Annotated Section 4-51-111(c)(2)(B)

Recess (To Reconvene November 26, 2019, at 8:30 a.m./Cordell Hull Building – Senate Hearing Room 1)

FOR IMMEDIATE RELEASE
Friday, November 15, 2019

CONTACT: Lola Potter
(615) 532-8560

OCTOBER REVENUES

NASHVILLE, Tenn. – Tennessee Department of Finance and Administration Commissioner Stuart McWhorter today announced that Tennessee tax revenues exceeded budgeted estimates in October. Overall October revenues were \$1.1 billion, which is \$82.3 million more than October of last year and \$49.8 million more than the budgeted estimate. The growth rate for October was 7.88%.

"Growth over October revenue estimates were mainly supported by strong sales tax receipts and a large one-time motor fuel tax payment in the month," McWhorter said. "Franchise and excise tax revenue fell short of estimates, due in part to a growth in corporate tax refunds over the prior year as corporate tax filers that requested an April extension balanced their estimated payment to their tax liabilities.

"Moving forward 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 2019-2020 fiscal year.

General fund revenues for October were \$18.1 million more than the budgeted estimate, and the four other funds that share in state tax revenues were \$31.7 million more than the budgeted estimates.

Sales tax revenues were \$26.6 million more than the estimate for October. The October growth rate was 5.93% and the year-to-date growth rate is 6.31%.

Franchise and excise combined revenues for October were \$43.7 million, which is \$14 million less than the budgeted estimate of \$57.7 million. The growth rate for October was negative 26.46%. However, the year-to-date growth rate is 17.06%.

Gasoline and motor fuel revenues increased by 31.30% and were \$25.4 million more than the budgeted estimate of \$104.7 million. Approximately \$23.3 million of receipts came from a one-time motor fuel tax payment concerning a still pending diesel fuel lawsuit.

Motor vehicle registration revenue receipts increased by 17.11% and they were \$0.9 million more than the October estimate.

Tobacco tax revenues for the month were \$1.5 million less than the budgeted estimate of \$20.6 million. The growth rate for October was 3.11%.

Privilege tax revenues were \$5.4 million more than the budgeted estimate of \$30.8 million.

Business tax revenues were \$0.7 million more than the budgeted estimate.

Income taxes were \$3.2 million more than the October estimate.

All other tax revenues were greater than estimates by a net of \$3.1 million.

Year-to-date revenues for three months are \$217.4 million more than the budgeted estimate. The general fund has exceeded estimates by \$172.2 million and the four other funds that share in state tax revenues exceeded estimates by \$45.2 million.

The budgeted revenue estimates for 2019-2020 are based on the State Funding Board's consensus recommendation of November 26, 2018 and adopted by the first session of the 111th General Assembly in April 2019. Also incorporated in the estimates are any changes in revenue enacted during the 2019 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
2019-2020

Fund	2019				2018 Actual	2019	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
General Fund	\$883,023,000	\$864,938,000	\$18,085,000	2.09%	\$832,050,000	\$50,973,000	6.13%
Highway Fund	104,265,000	82,871,000	21,394,000	25.82%	77,942,000	26,323,000	33.77%
Sinking Fund	27,378,000	27,222,000	156,000	0.57%	29,130,000	(1,752,000)	-6.01%
City & County Fund	97,907,000	87,705,000	10,202,000	11.63%	84,479,000	13,428,000	15.90%
Earmarked Fund	13,667,000	13,666,000	1,000	0.01%	20,333,000	(6,666,000)	-32.78%
Total	\$1,126,240,000	\$1,076,402,000	\$49,838,000	4.63%	\$1,043,934,000	\$82,306,000	7.88%

Revenue Collections by Tax
October
2019-2020

Tax Source	2019				2018 Actual	2019	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
Franchise & Excise	\$43,720,000	\$57,684,000	(\$13,964,000)	-24.21%	\$59,450,000	(\$15,730,000)	-26.46%
Income	4,483,000	1,246,000	3,237,000	259.79%	230,000	4,253,000	1849.13%
Inheritance & Estate	15,000	0	15,000	0.00%	27,000	(12,000)	-44.44%
Gasoline	73,424,000	72,010,000	1,414,000	1.96%	69,847,000	3,577,000	5.12%
Petroleum Special	5,887,000	5,771,000	116,000	2.01%	5,731,000	156,000	2.72%
Tobacco	19,127,000	20,625,000	(1,498,000)	-7.26%	18,550,000	577,000	3.11%
Beer	1,565,000	1,382,000	183,000	13.24%	1,396,000	169,000	12.11%
Motor Vehicle Registration	26,373,000	25,462,000	911,000	3.58%	22,519,000	3,854,000	17.11%
Motor Vehicle Title	1,973,000	2,132,000	(159,000)	-7.46%	1,864,000	109,000	5.85%
Mixed Drink	12,300,000	10,994,000	1,306,000	11.88%	11,316,000	984,000	8.70%
Business	7,372,000	6,722,000	650,000	9.67%	6,072,000	1,300,000	21.41%
Privilege	36,177,000	30,826,000	5,351,000	17.36%	28,310,000	7,867,000	27.79%
Gross Receipts	1,392,000	83,000	1,309,000	1577.11%	(207,000)	1,599,000	-772.46%
TVA - In Lieu of Tax Payments	30,166,000	29,393,000	773,000	2.63%	29,716,000	450,000	1.51%
Alcoholic Beverage	5,683,000	5,970,000	(287,000)	-4.81%	4,955,000	728,000	14.69%
Sales and Use	805,659,000	779,078,000	26,581,000	3.41%	760,552,000	45,107,000	5.93%
Motor Vehicle Fuel	50,842,000	26,946,000	23,896,000	88.68%	23,545,000	27,297,000	115.94%
Severance	74,000	75,000	(1,000)	-1.33%	51,000	23,000	45.10%
Coin-operated Amusement	8,000	3,000	5,000	166.67%	10,000	(2,000)	-20.00%
Unauthorized Substance	0	0	0	NA	0	0	NA
Total	\$1,126,240,000	\$1,076,402,000	\$49,838,000	4.63%	\$1,043,934,000	\$82,306,000	7.88%

Table 2
Revenue Collections by Fund
Year-to-Date
August - October
2019-2020

Fund	2019-2020				2018-2019	2019-2020	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
General Fund	\$3,019,411,000	\$2,847,181,000	\$172,230,000	6.05%	\$2,793,862,000	\$225,549,000	8.07%
Highway Fund	282,688,000	253,222,000	29,466,000	11.64%	252,696,000	29,992,000	11.87%
Sinking Fund	82,364,000	81,966,000	398,000	0.49%	87,672,000	(5,308,000)	-6.05%
City & County Fund	398,274,000	382,947,000	15,327,000	4.00%	338,025,000	60,249,000	17.82%
Earmarked Fund	41,001,000	40,998,000	3,000	0.01%	47,668,000	(6,667,000)	-13.99%
Total	\$3,823,738,000	\$3,606,314,000	\$217,424,000	6.03%	\$3,519,923,000	\$303,815,000	8.63%

Revenue Collections by Tax
Year-to-Date
August - October
2019-2020

Tax Source	2019-2020				2018-2019	2019-2020	
	Actual	Budgeted	B/(W)	Percent		B/(W)	Percent
Franchise & Excise	\$577,169,000	\$488,331,000	\$88,838,000	18.19%	\$493,074,000	\$84,095,000	17.06%
Income	7,415,000	2,576,000	4,839,000	187.85%	559,000	6,856,000	1226.48%
Inheritance & Estate	(35,000)	0	(35,000)	0.00%	26,000	(61,000)	-234.62%
Gasoline	231,598,000	228,864,000	2,734,000	1.19%	220,724,000	10,874,000	4.93%
Petroleum Special	18,263,000	17,950,000	313,000	1.74%	18,030,000	233,000	1.29%
Tobacco	63,085,000	61,920,000	1,165,000	1.88%	60,389,000	2,696,000	4.46%
Beer	4,806,000	4,665,000	141,000	3.02%	4,788,000	18,000	0.38%
Motor Vehicle Registration	83,429,000	79,655,000	3,774,000	4.74%	84,857,000	(1,428,000)	-1.68%
Motor Vehicle Title	6,121,000	6,433,000	(312,000)	-4.85%	6,105,000	16,000	0.26%
Mixed Drink	37,812,000	34,026,000	3,786,000	11.13%	32,633,000	5,179,000	15.87%
Business	23,051,000	18,701,000	4,350,000	23.26%	22,555,000	496,000	2.20%
Privilege	102,880,000	90,512,000	12,368,000	13.66%	88,877,000	14,003,000	15.76%
Gross Receipts	8,816,000	6,874,000	1,942,000	28.25%	12,126,000	(3,310,000)	-27.30%
TVA - In Lieu of Tax Payments	96,944,000	95,470,000	1,474,000	1.54%	92,858,000	4,086,000	4.40%
Alcoholic Beverage	17,642,000	17,834,000	(192,000)	-1.08%	16,092,000	1,550,000	9.63%
Sales and Use	2,445,753,000	2,379,088,000	66,665,000	2.80%	2,300,550,000	145,203,000	6.31%
Motor Vehicle Fuel	98,698,000	73,164,000	25,534,000	34.90%	65,401,000	33,297,000	50.91%
Severance	256,000	225,000	31,000	13.78%	243,000	13,000	5.35%
Coin-operated Amusement	35,000	26,000	9,000	34.62%	35,000	0	0.00%
Unauthorized Substance	0	0	0	NA	1,000	(1,000)	NA
Total	\$3,823,738,000	\$3,606,314,000	\$217,424,000	6.03%	\$3,519,923,000	\$303,815,000	8.63%



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Tennessee State Funding Board

November 15, 2019

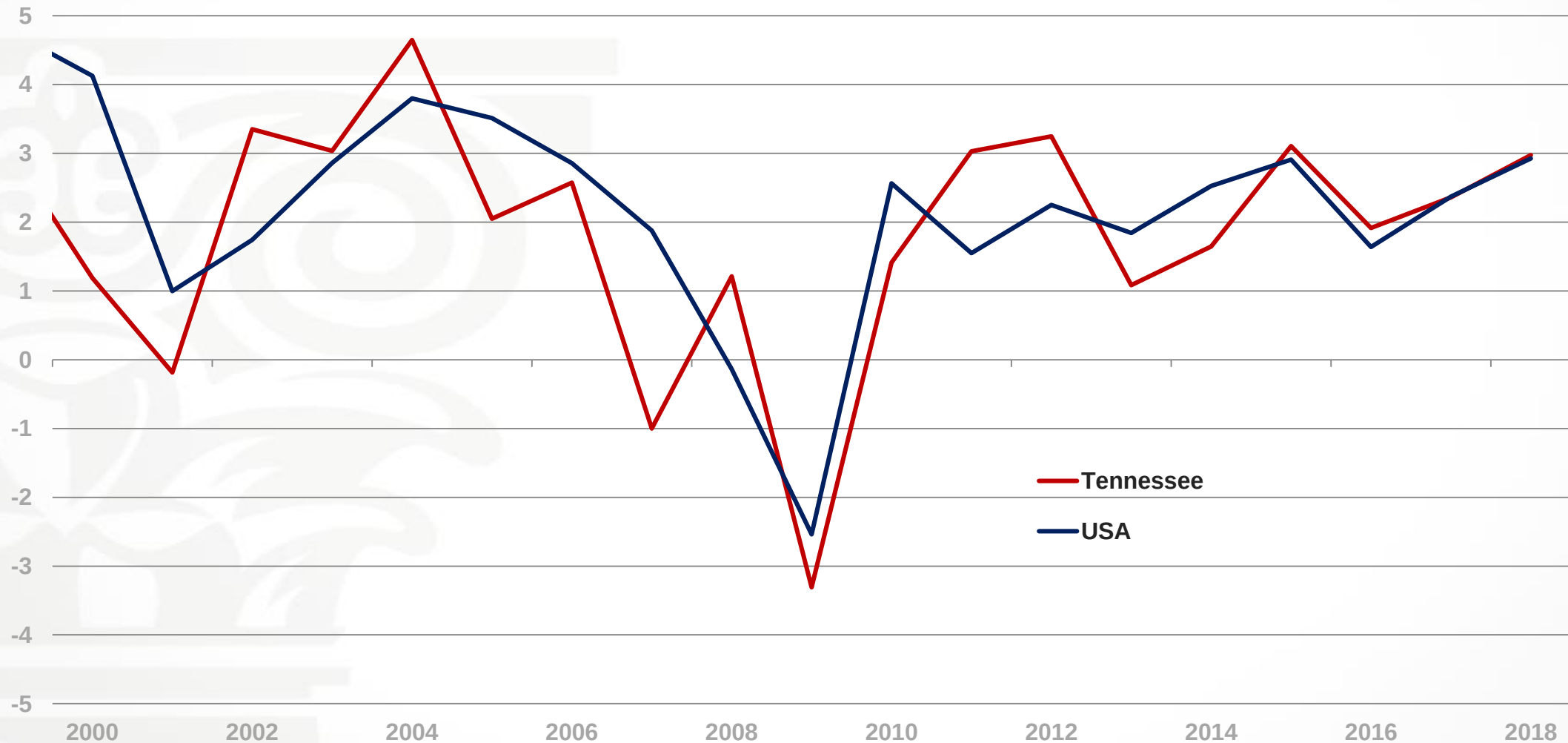
Emily Mitchell

REIN Director - Tennessee

The views expressed are mine and not necessarily those of the Atlanta Fed or the Federal Reserve System.

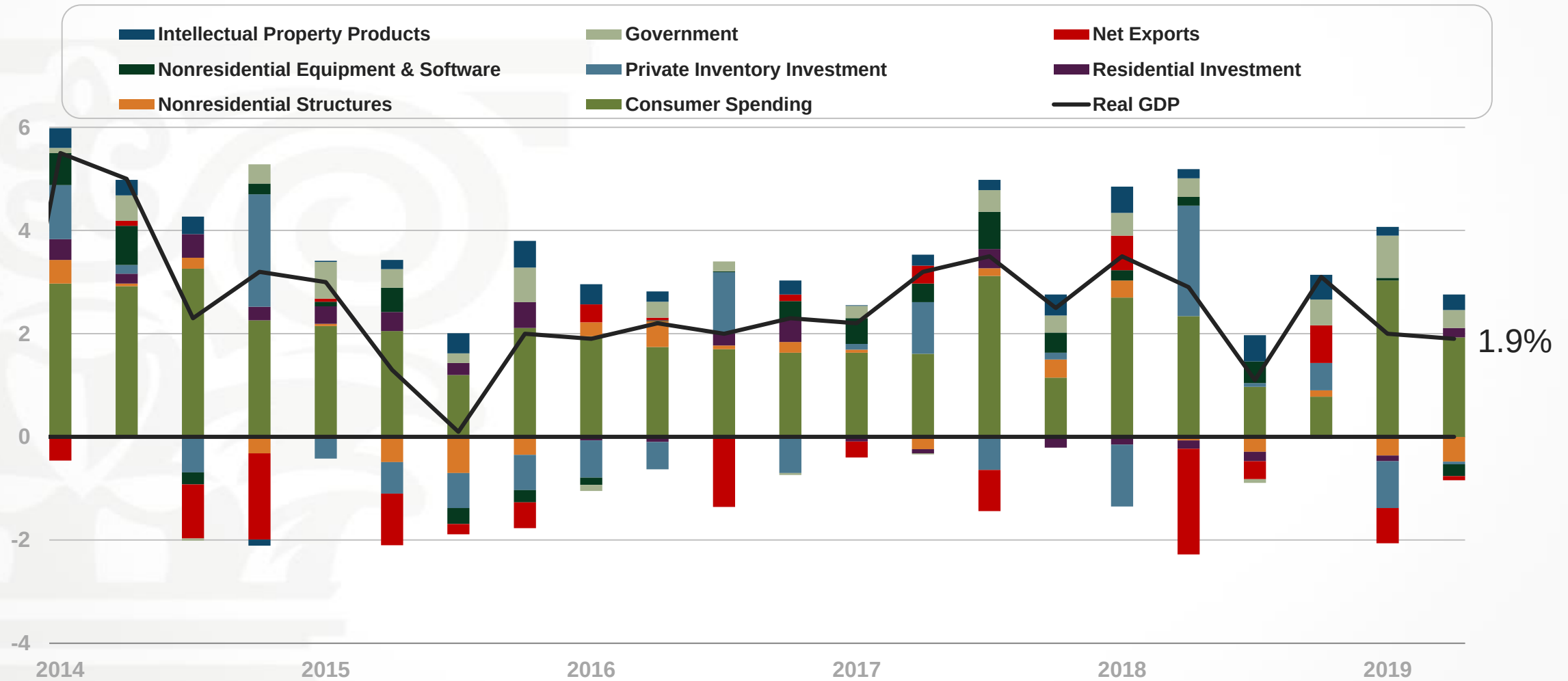
The Tennessee economy has loosely mirrored the national economy.

Economic Growth in Tennessee and the U.S., 2000-2018
year-over-year % change

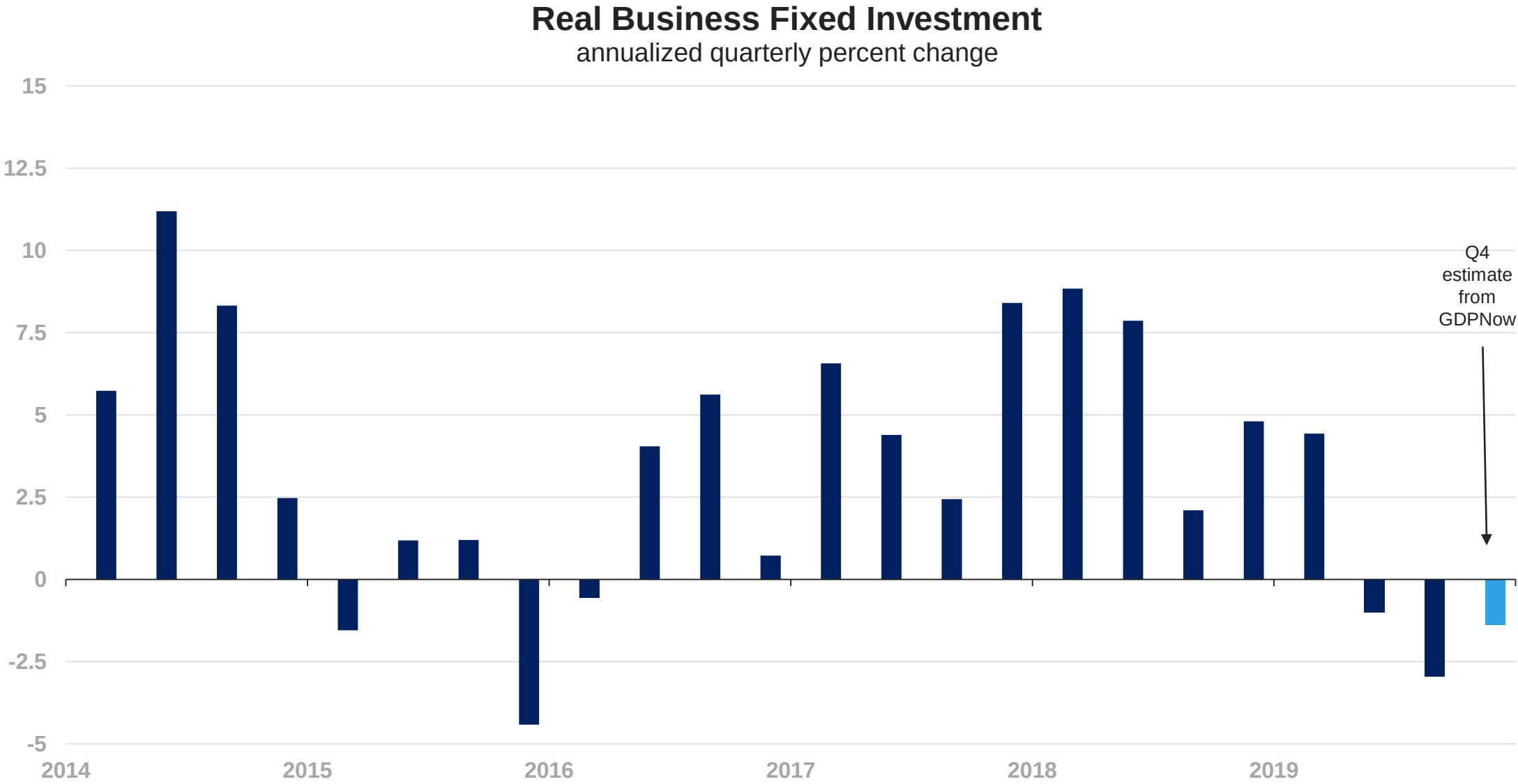


According to the advanced estimate, real GDP grew at a 1.9% annualized rate in Q3, as strong consumer spending overshadowed sluggish business investment and declining exports.

Contributions to Real GDP Growth
quarterly, percent, seasonally adjusted annualized rate



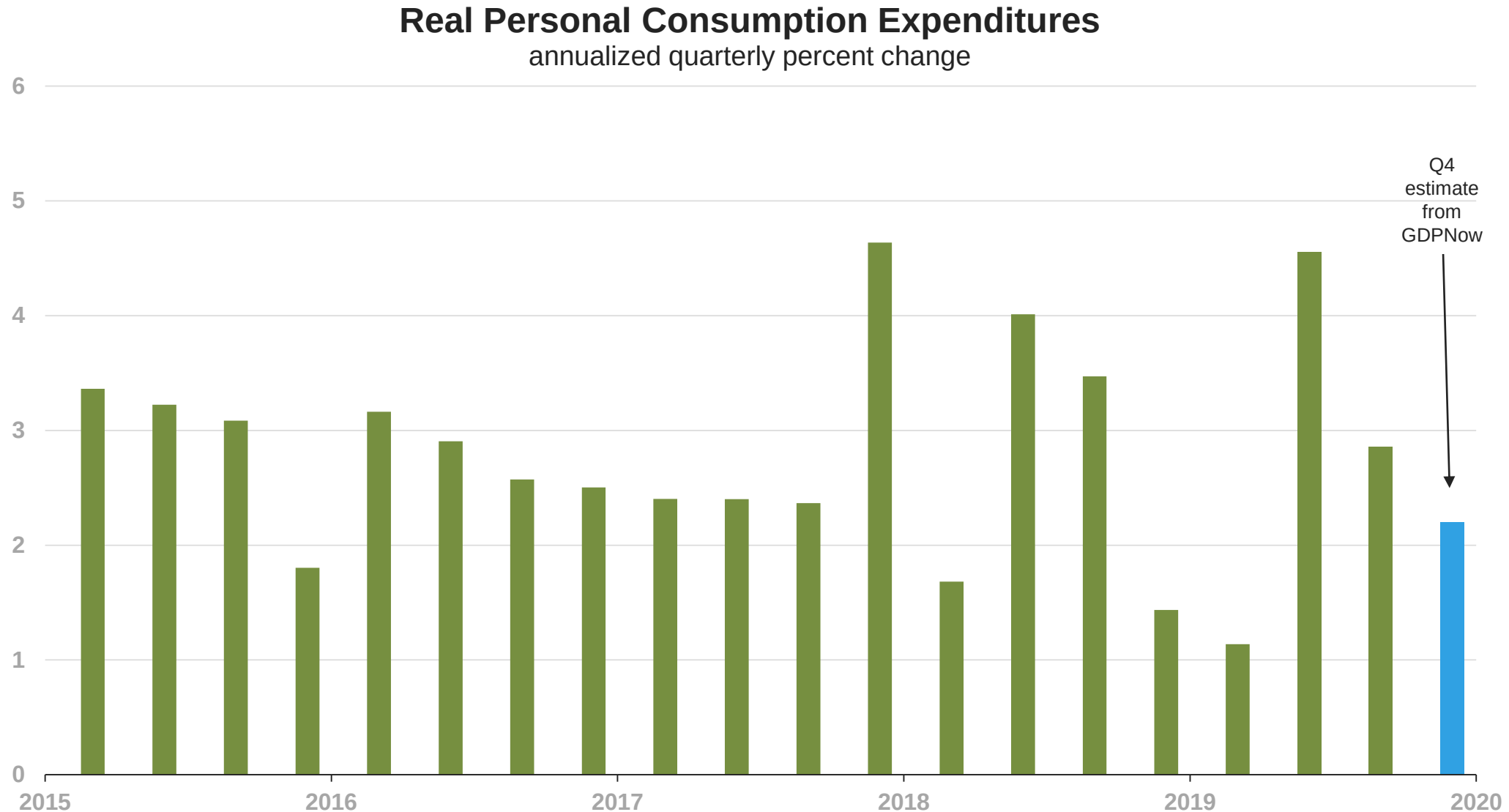
Following strong gains in 2018, one clear area of weakness has been business fixed investment.



Sources: Bureau of Economic Analysis, FRBA GDPNow; Haver Analytics

data through Q3:2019

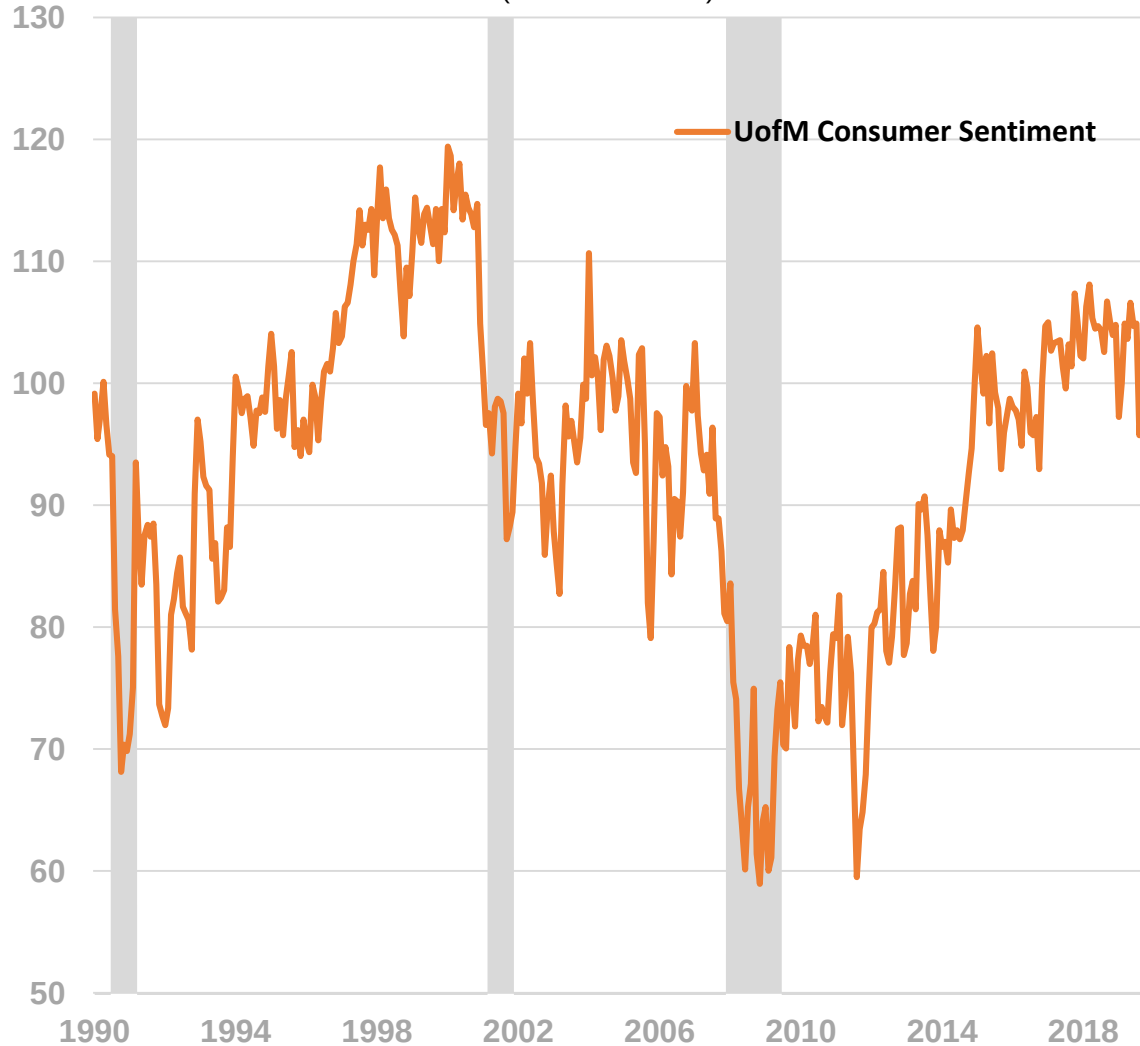
Household spending rebounded strongly in Q2 and remained relatively buoyant in Q3 after weakness during the winter months.



Other fundamentals for consumer spending remain favorable.

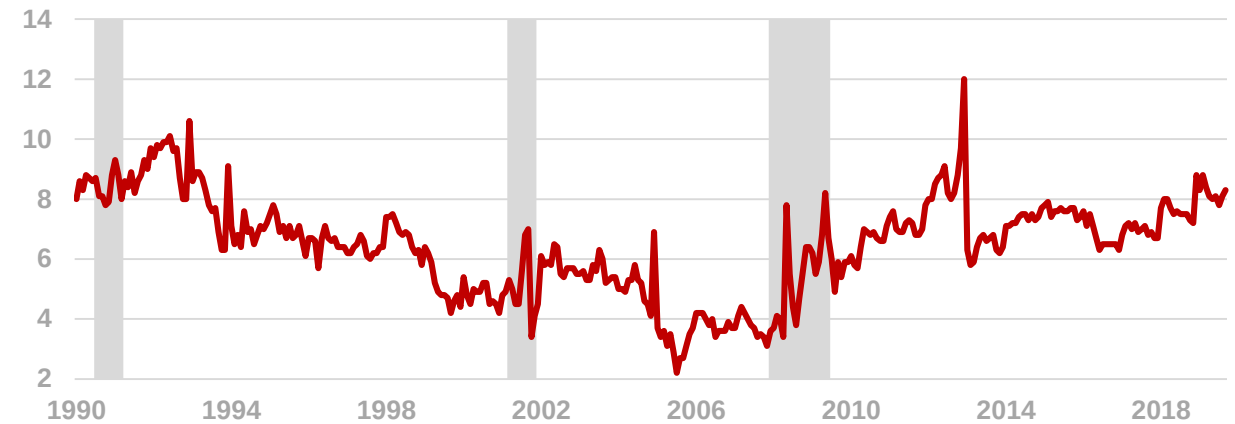
Consumer Attitudes

index (Nov. 2016 = 100)



Personal Saving Rate

monthly, SA, percent



Household Net Worth

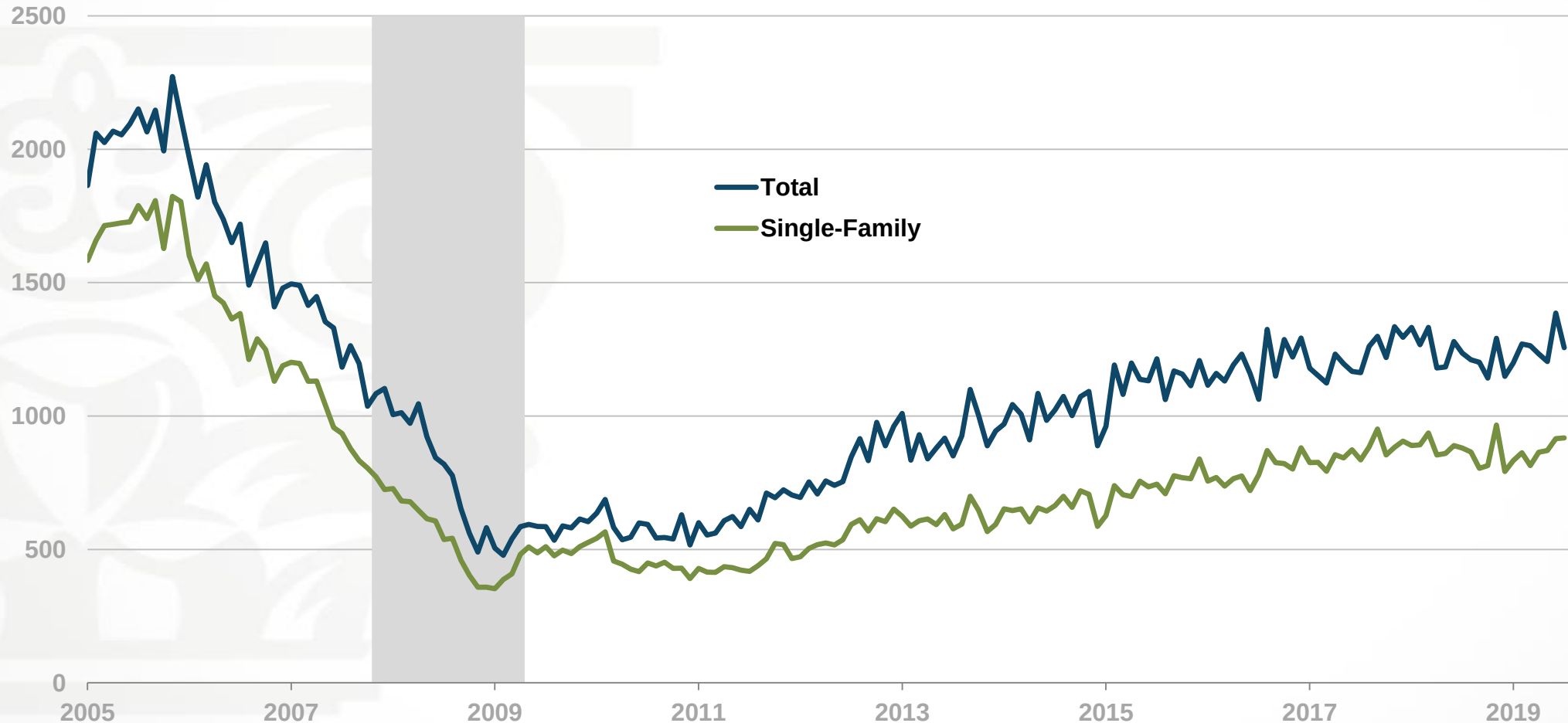
percent of disposable income, quarterly



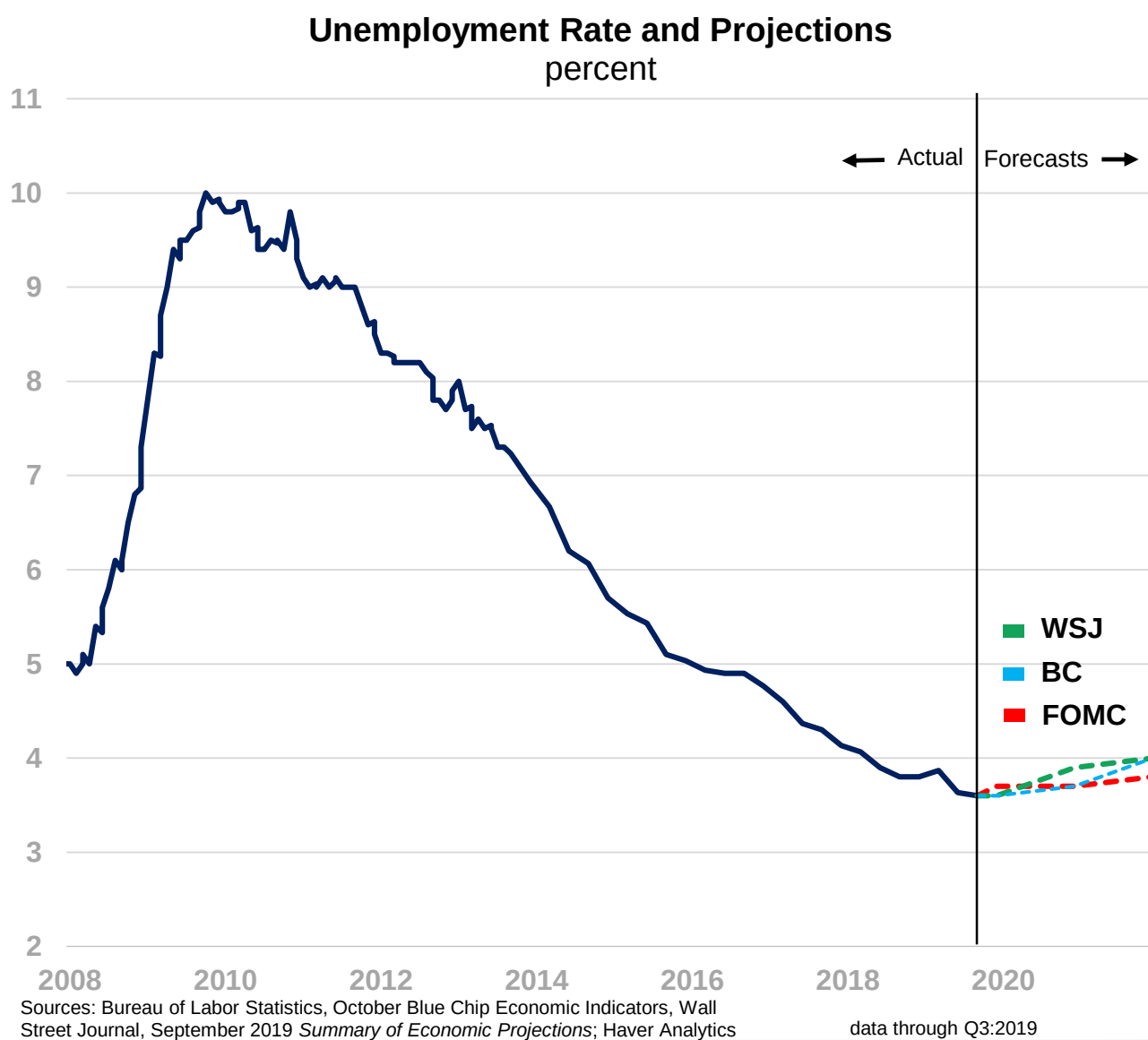
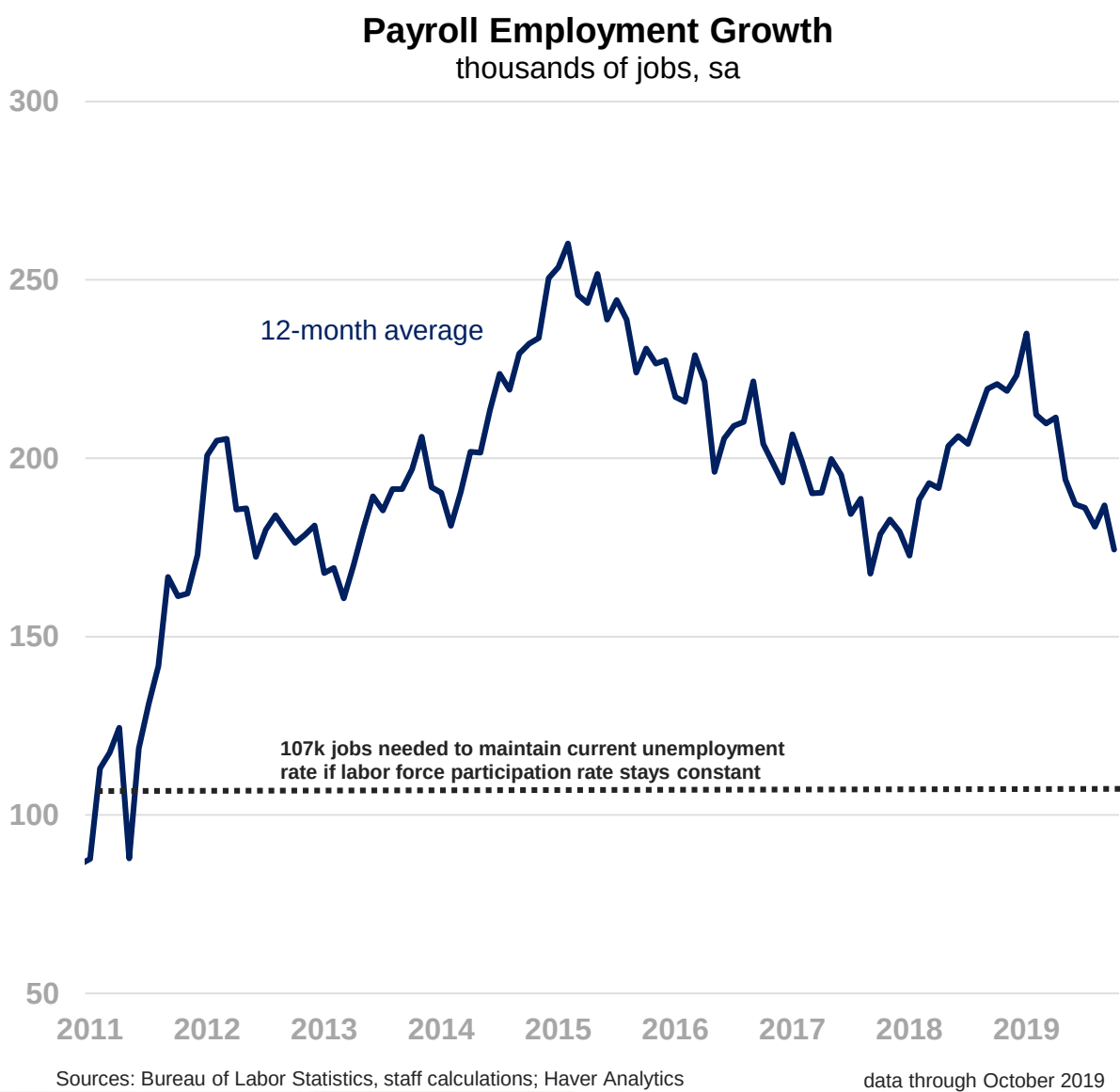
Housing remains a strong sector.

Housing Starts

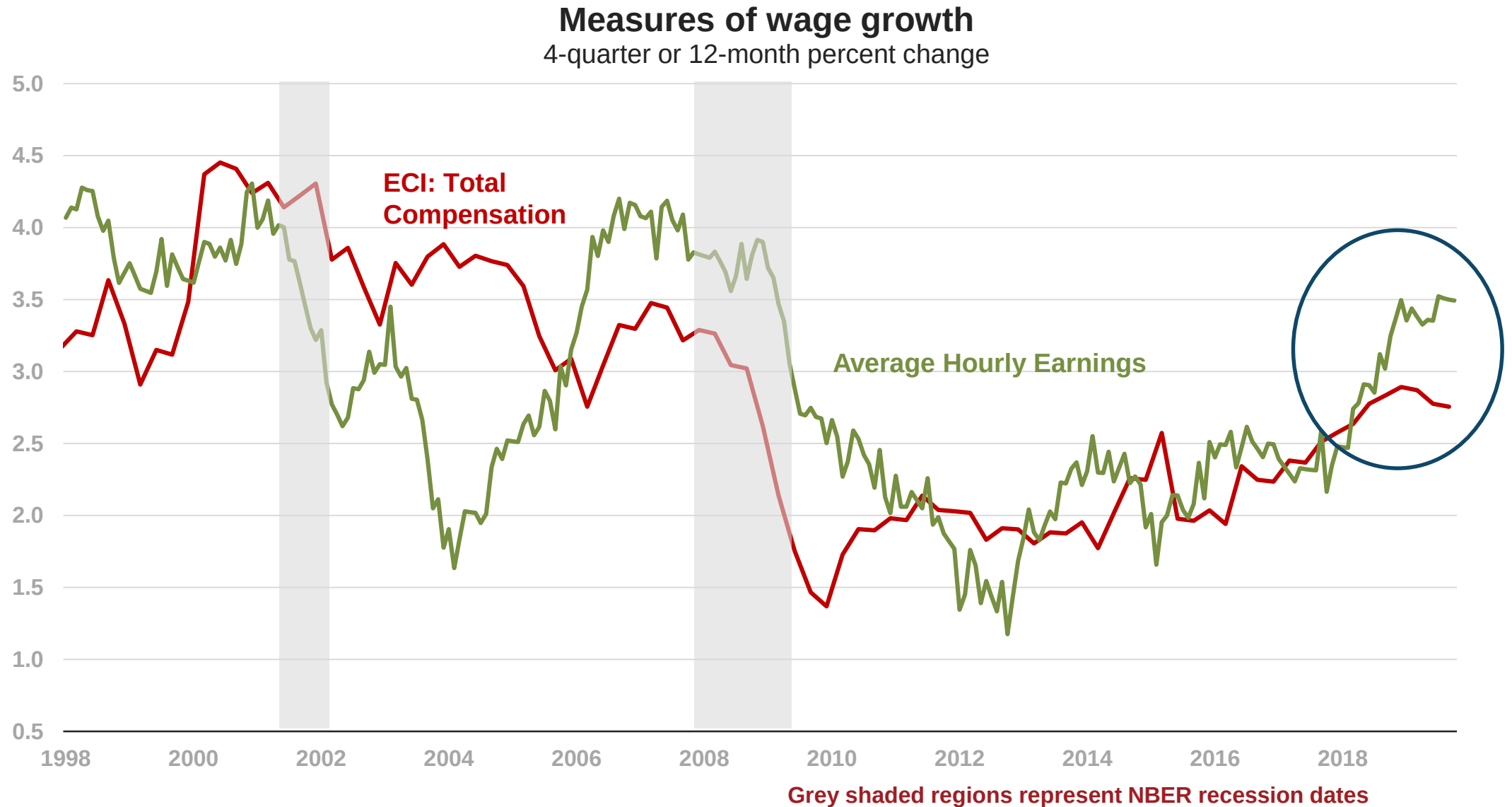
monthly, SAAR, thousand units



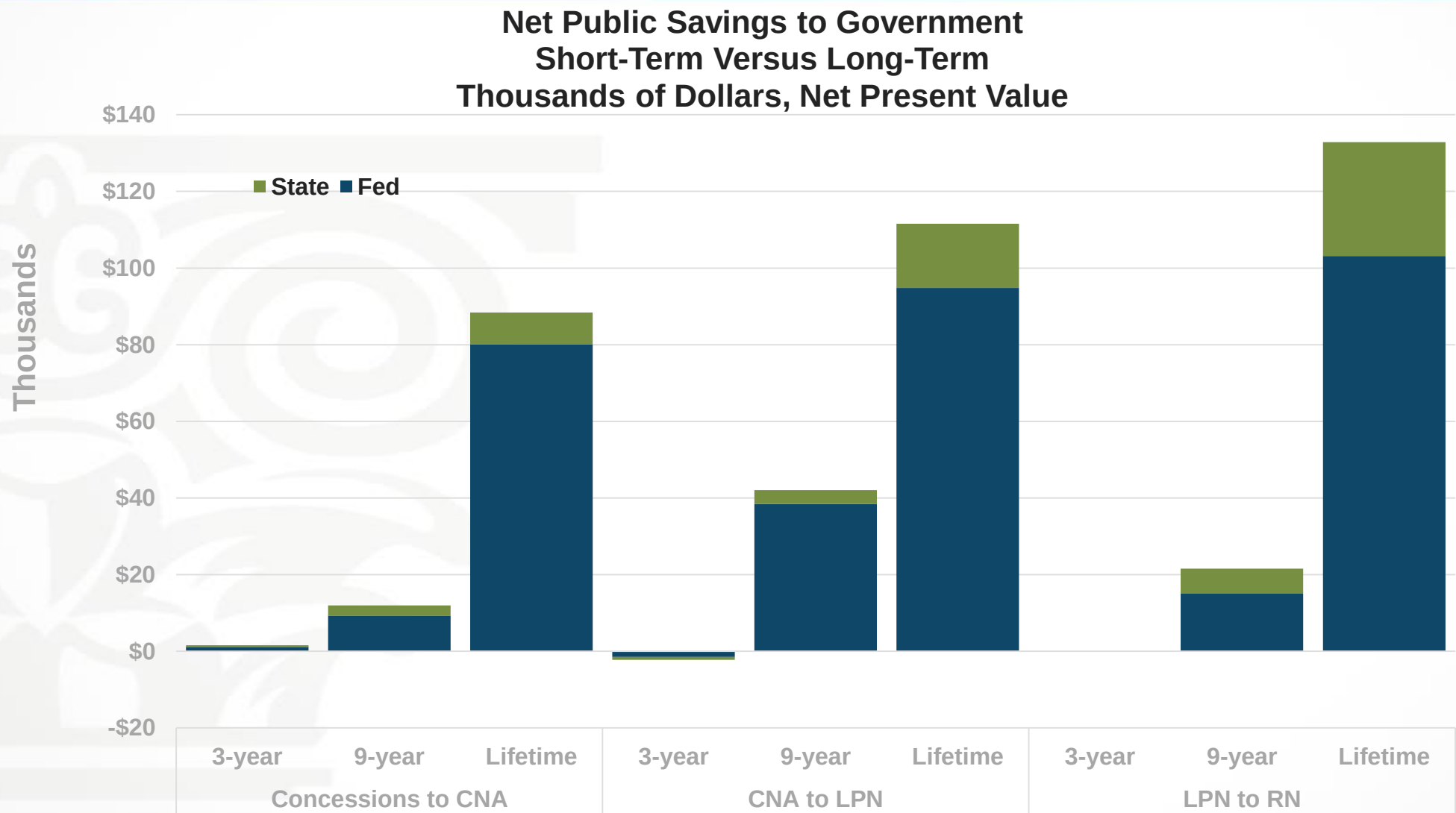
Job gains continue to outpace what is needed to maintain the current unemployment rate. Forecasters expect the unemployment rate to remain at or below 4 percent at least through 2020.



Wage growth picked up some early in the year and has largely plateaued.



Gains to state and Federal coffers can be realized by moving individuals into higher paying, higher-skilled positions, but barriers exist to this trajectory.

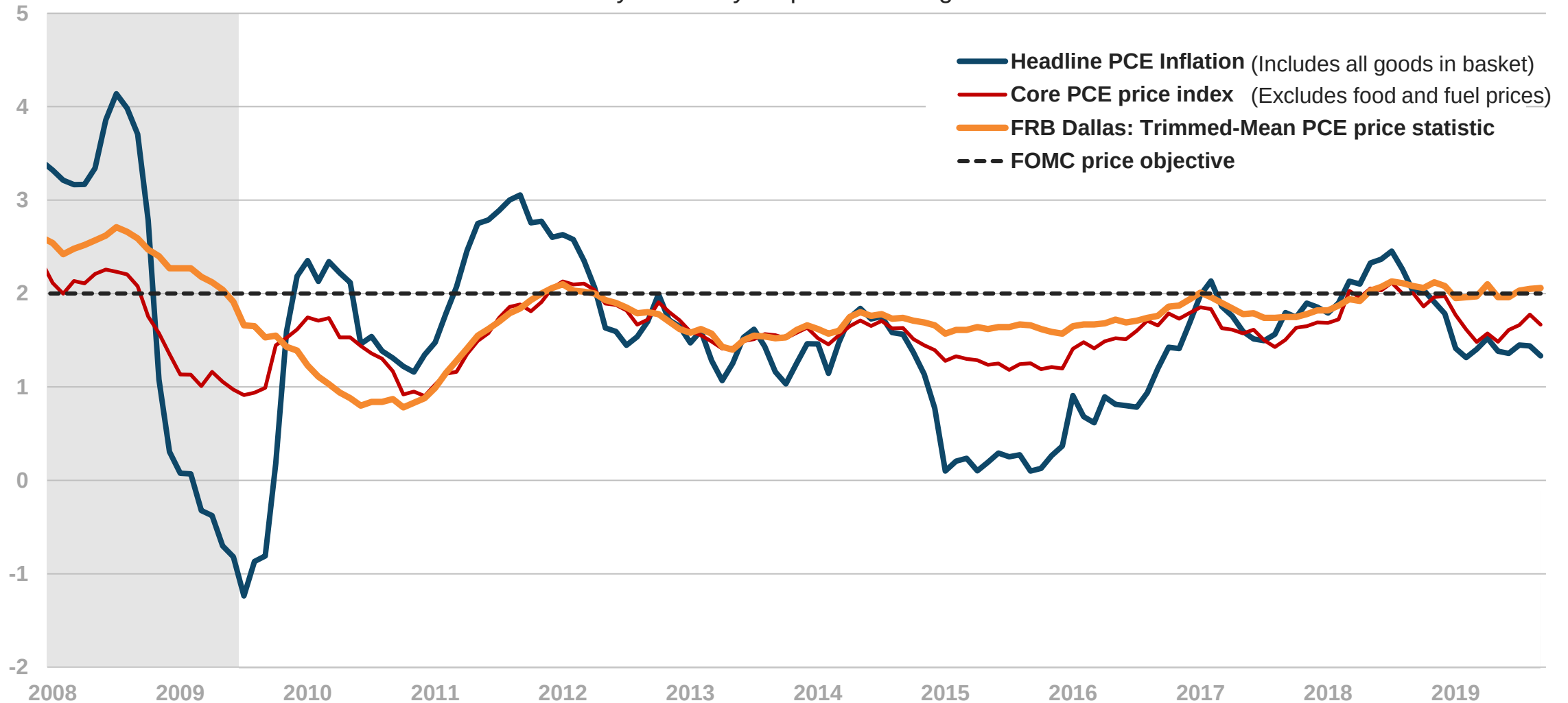


Note: Net public savings = Difference in Net taxes (lifetime taxes received minus lifetime benefits paid) with each career transition
9 year period corresponds to when her children still need childcare

Over the past year or so, underlying inflation—as measured by the Dallas Fed’s trimmed-mean PCE inflation statistic—has been much closer to 2 percent. This price statistic is less volatile than either the headline or core indices, and tends to be a better predictor of future inflation.

PCE Inflation Measures

year-over-year percent change





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Tennessee Economic Outlook and Tax Revenues

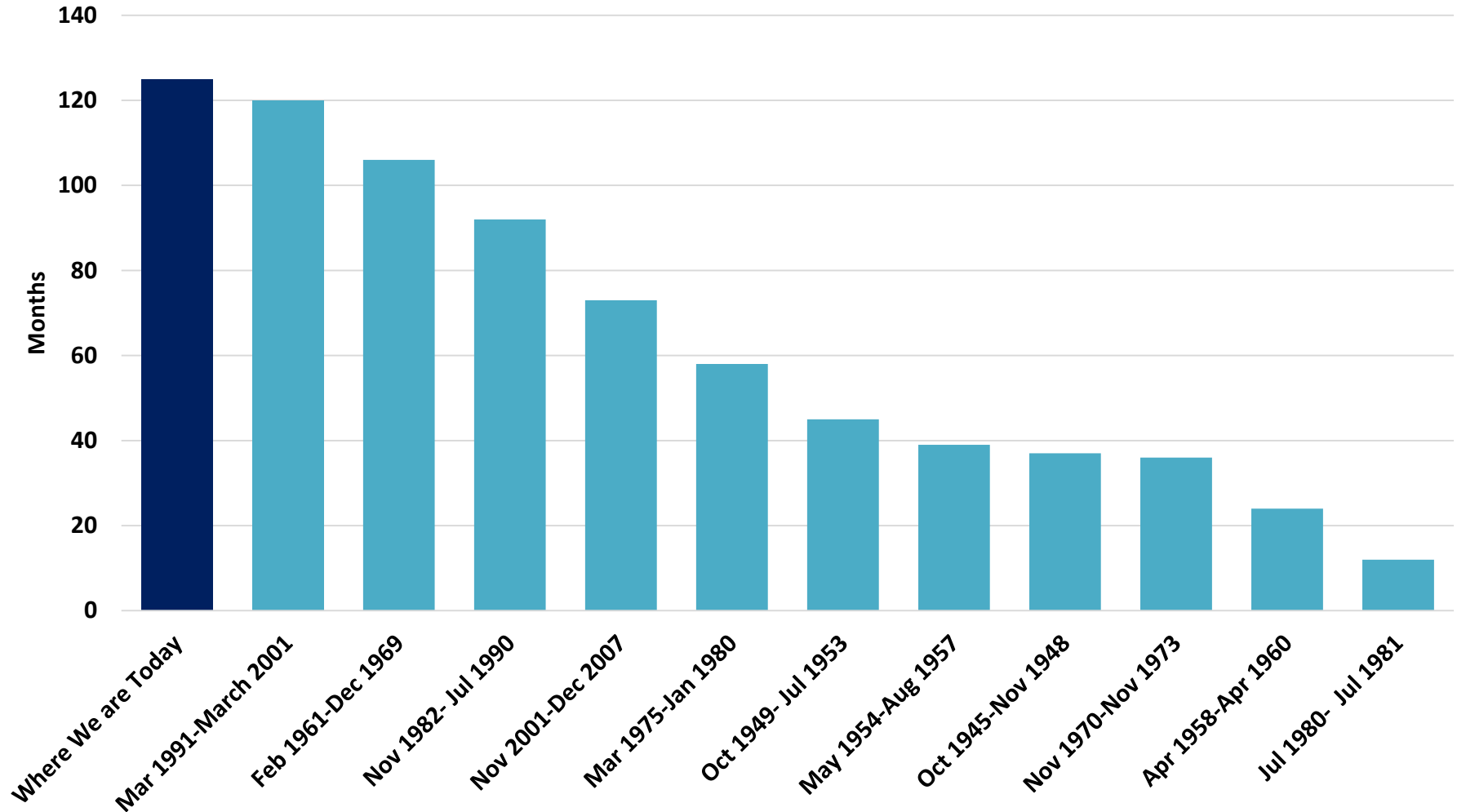
William F. Fox, Director
November 15, 2019



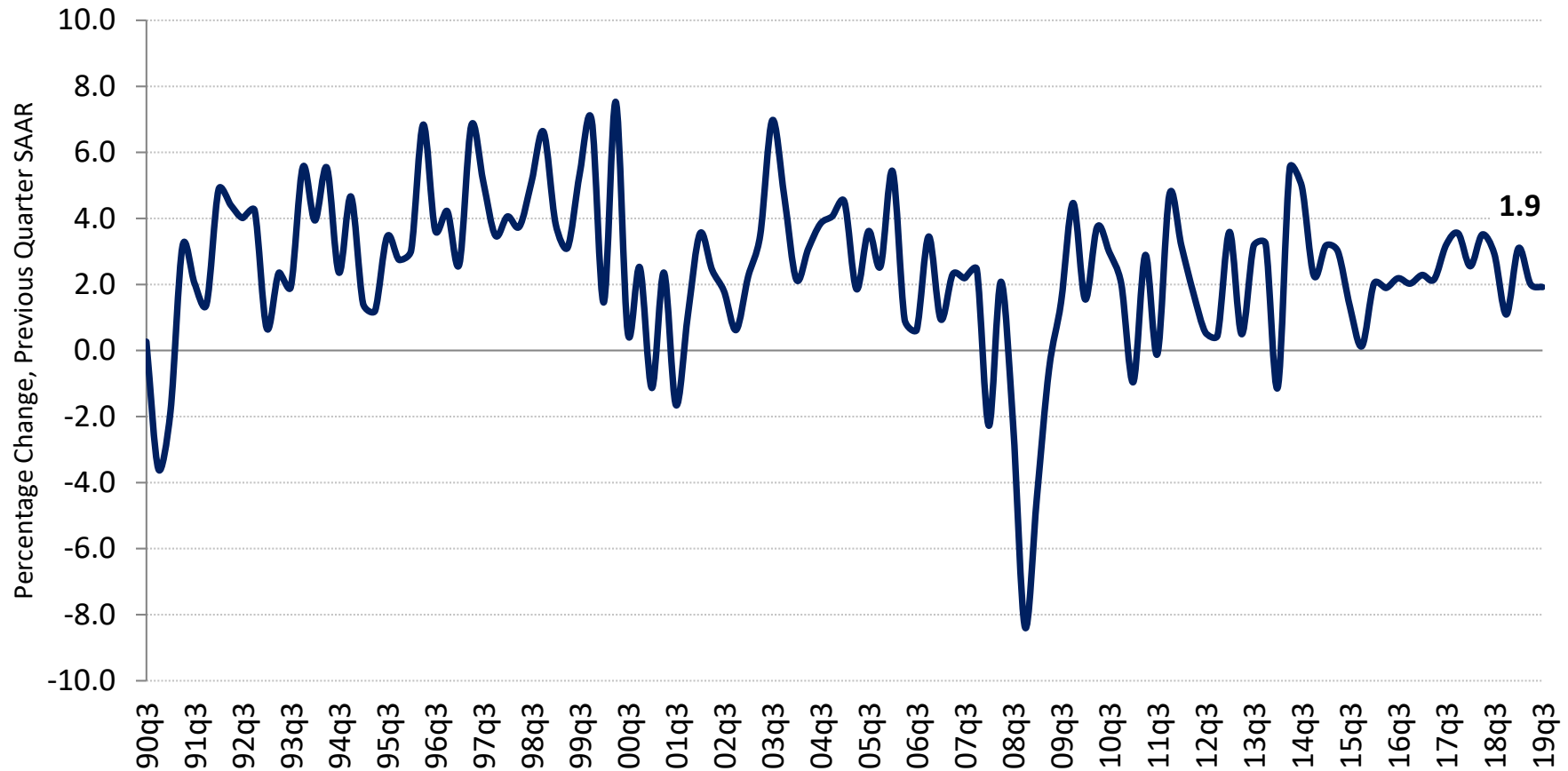
THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

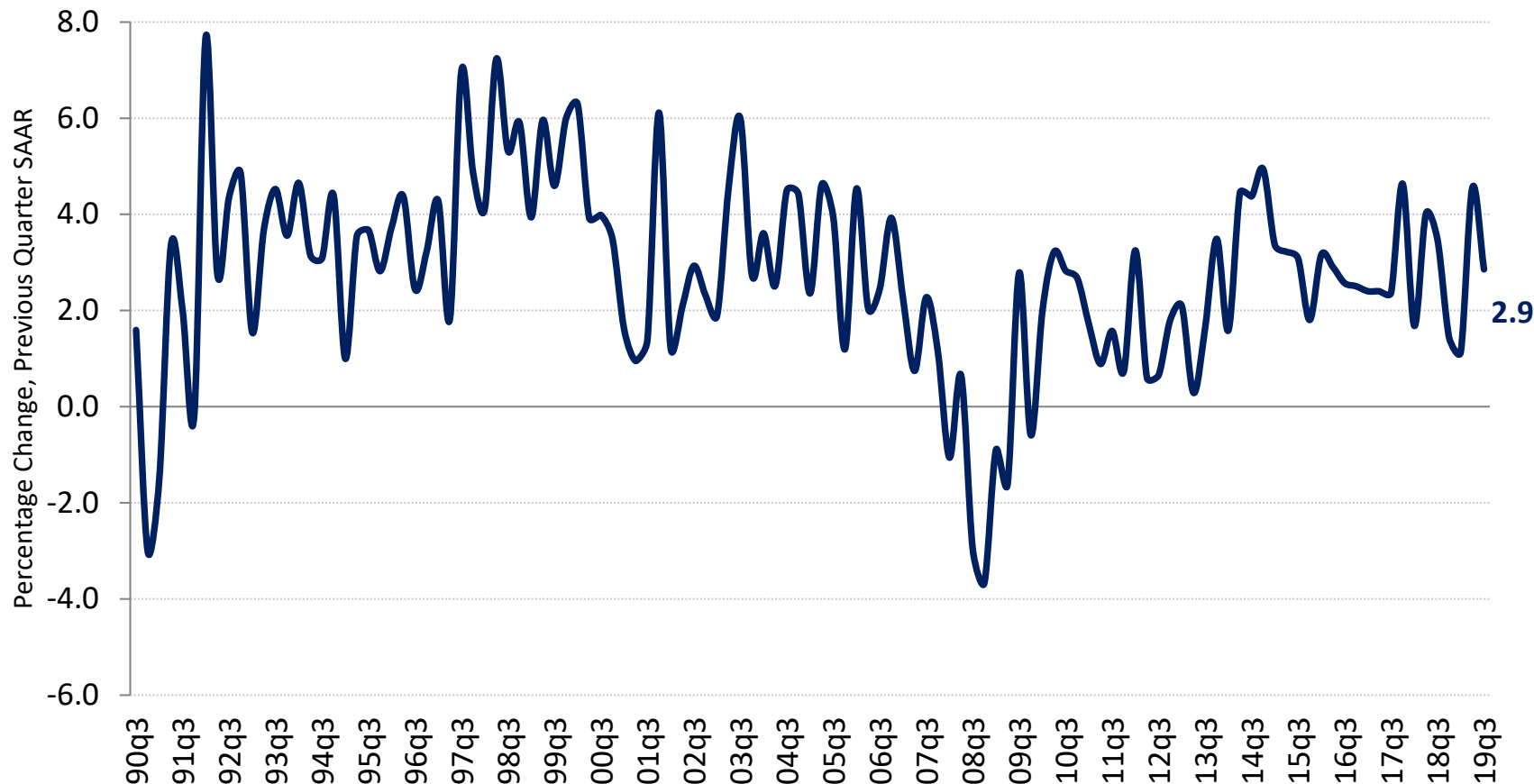
The Current Expansion is the Longest in History



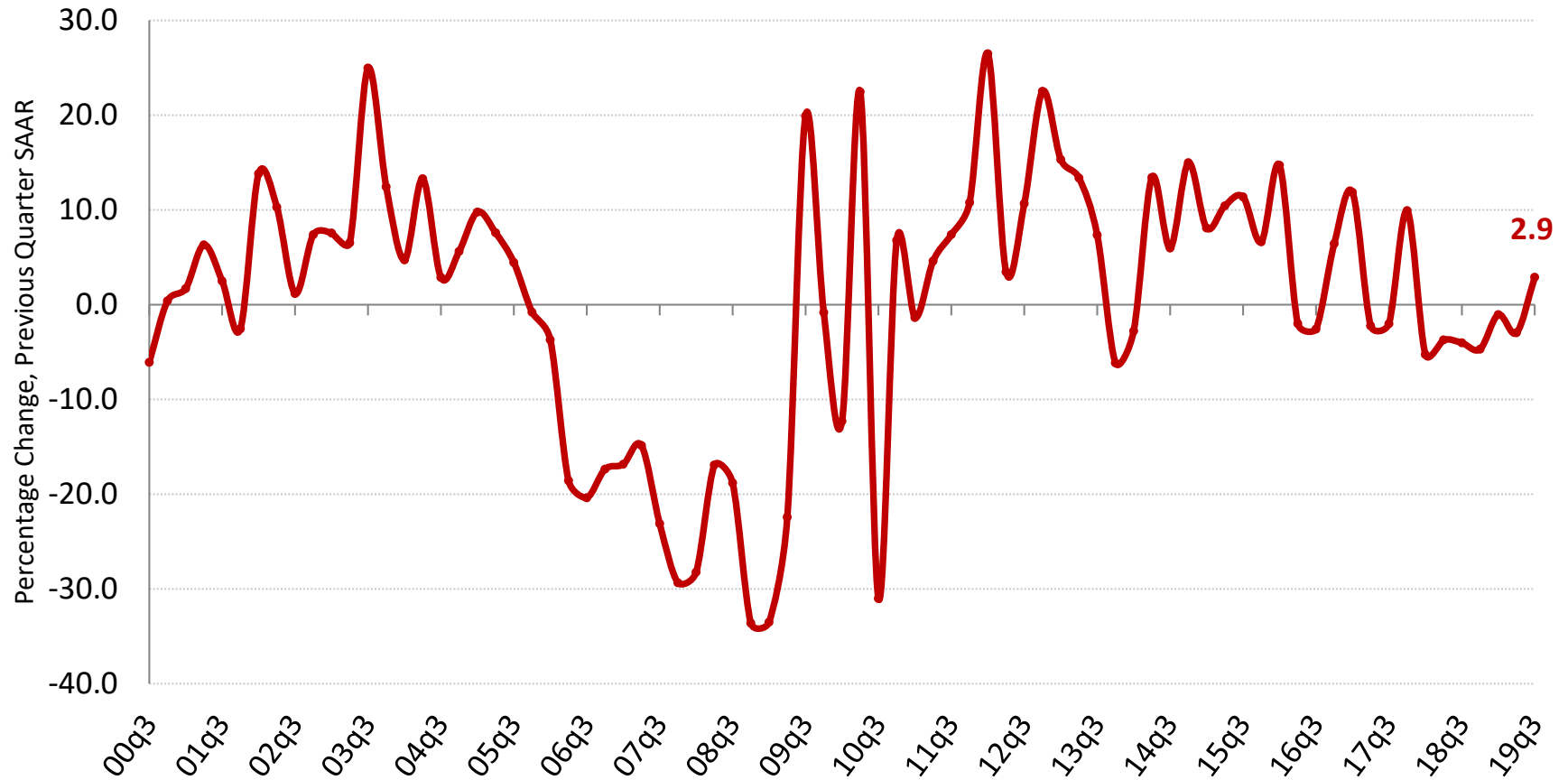
Growth in Quarterly Real Gross Domestic Product (chained 2012 dollars)



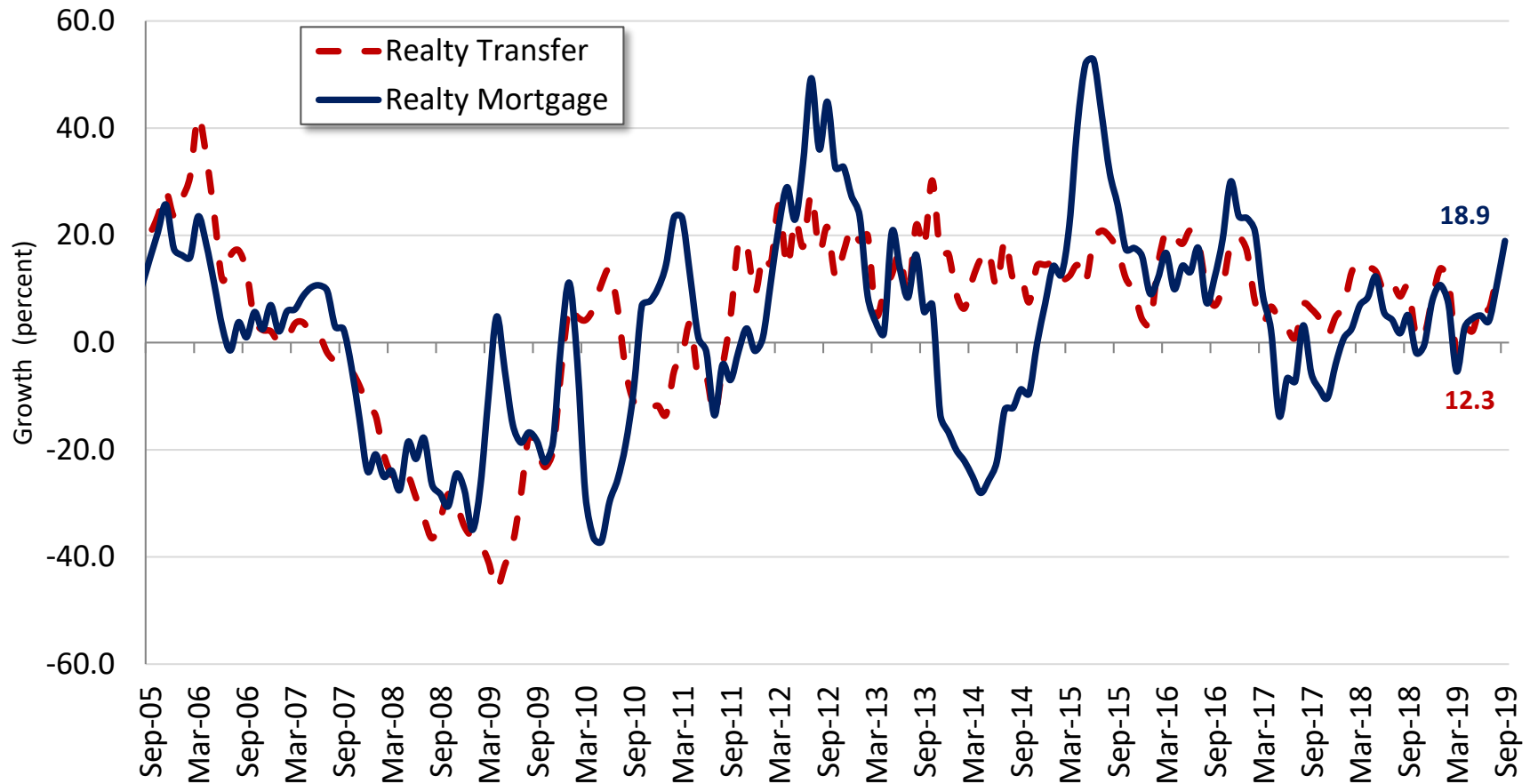
Growth in Quarterly Real Personal Consumption Expenditures (chained 2012 dollars)



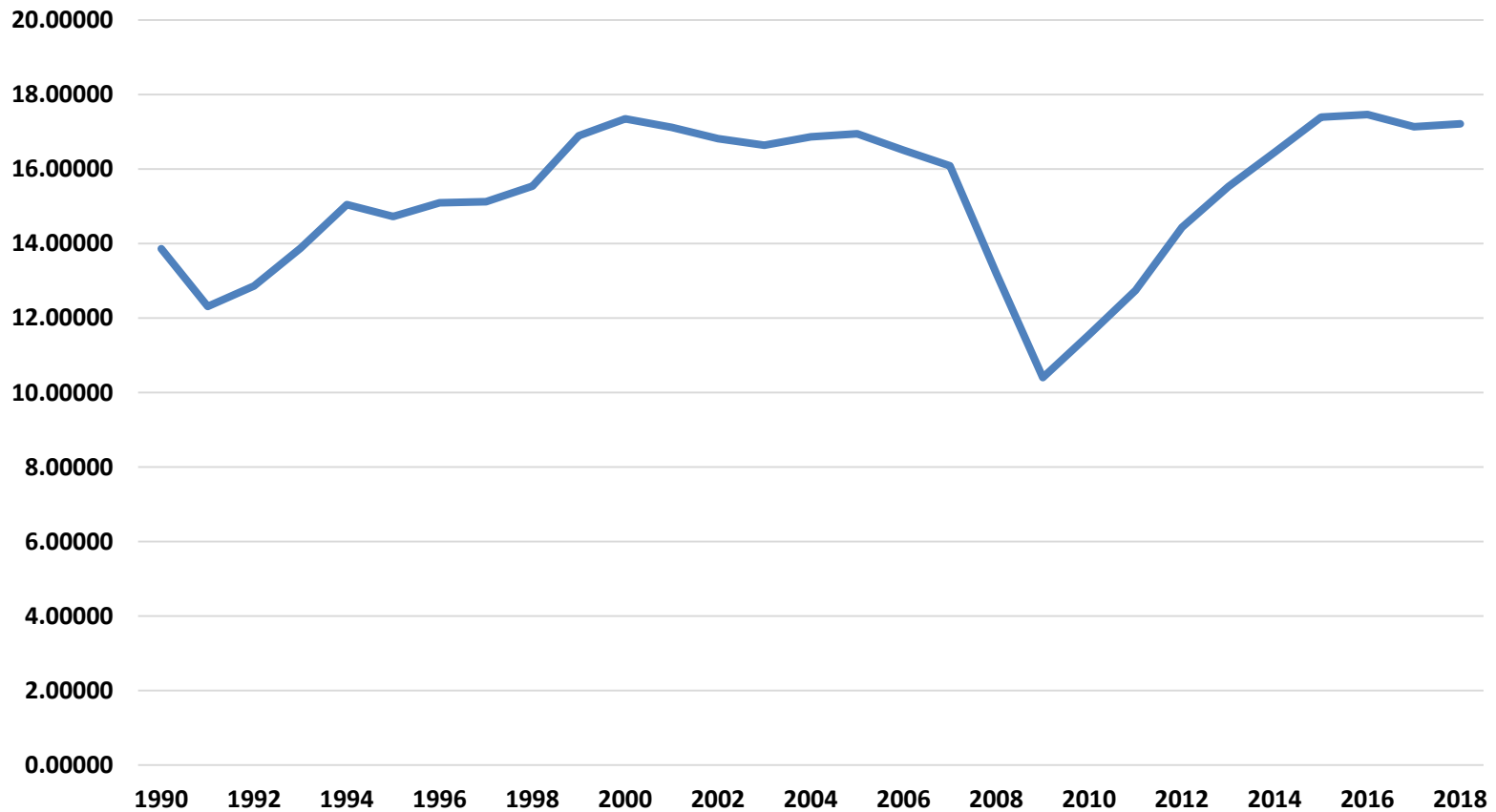
Growth in Quarterly Real Private Residential Fixed Investment



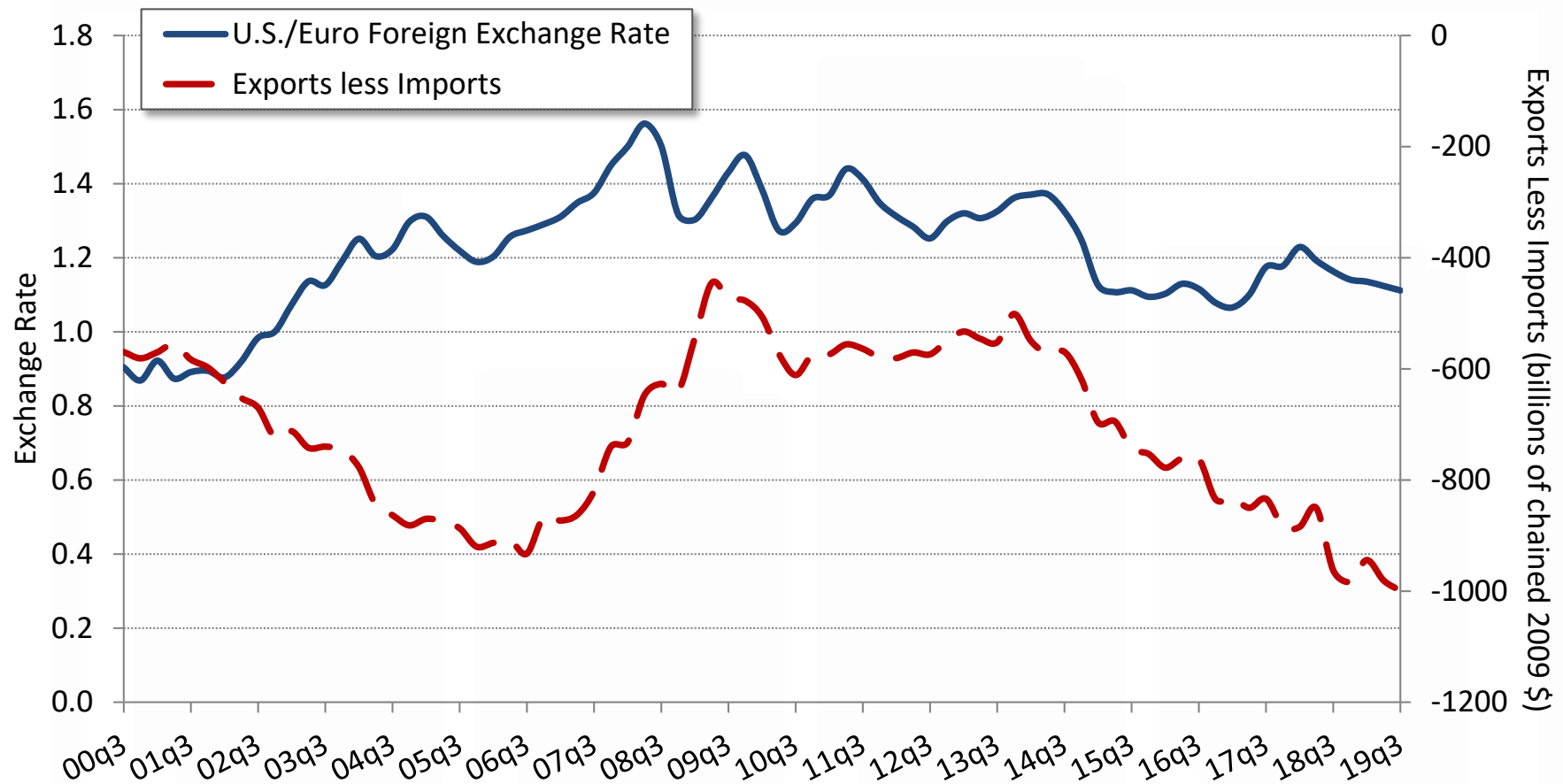
Realty Transfer and Mortgage Tax Collections (3-month moving average)



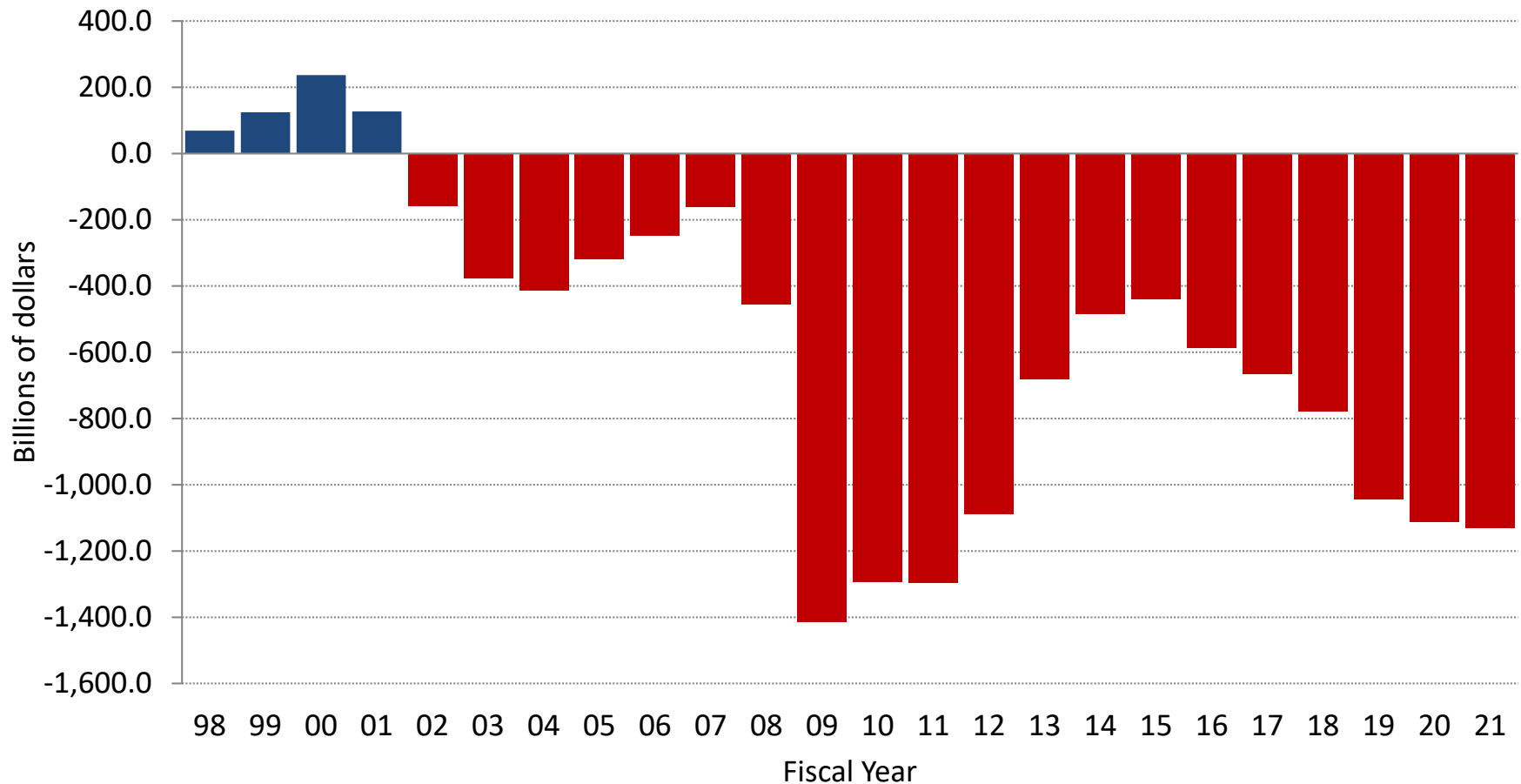
Unit Sales of New Light Vehicles



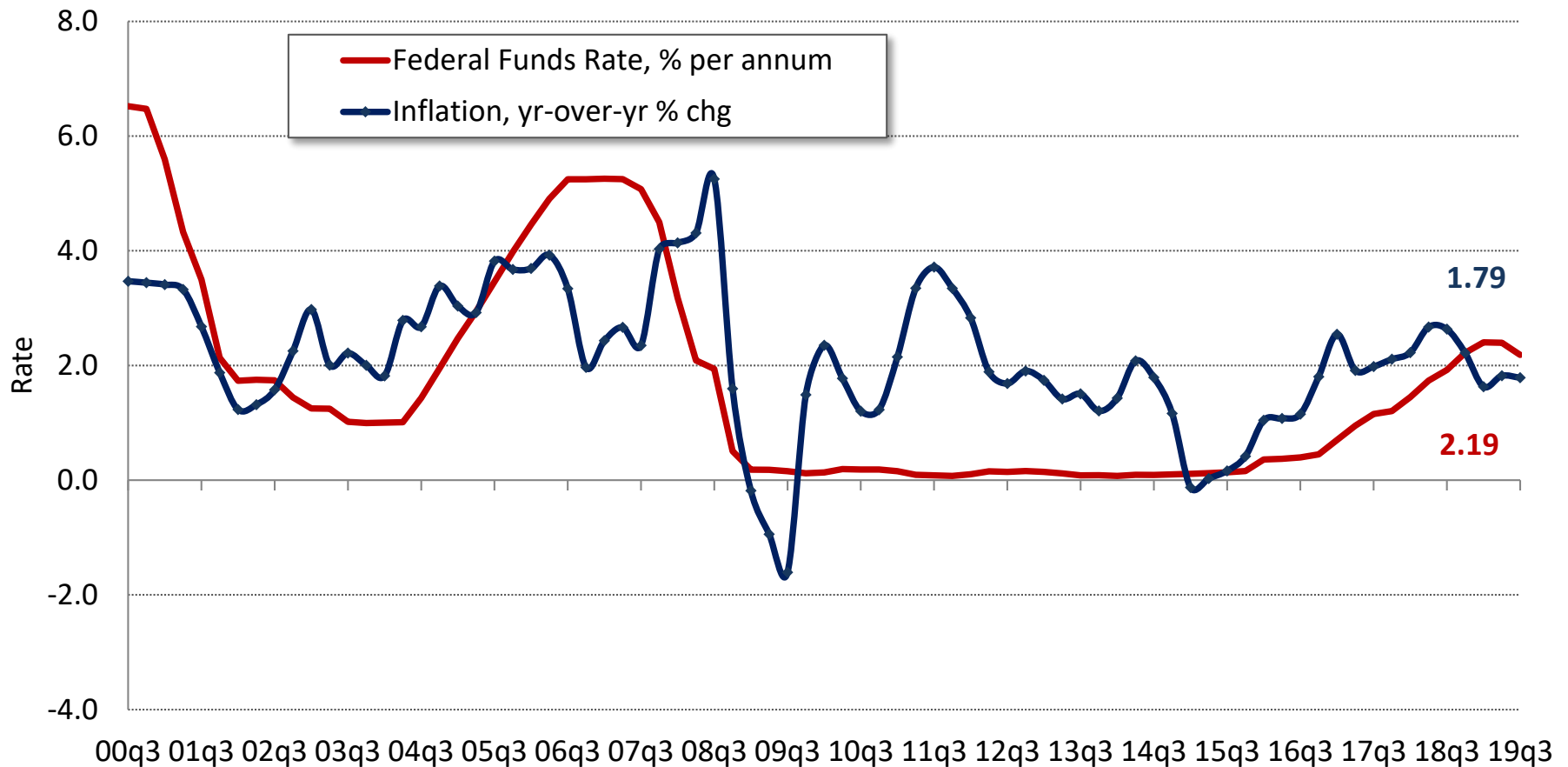
U.S./Euro Foreign Exchange Rate and Real Exports Less Imports



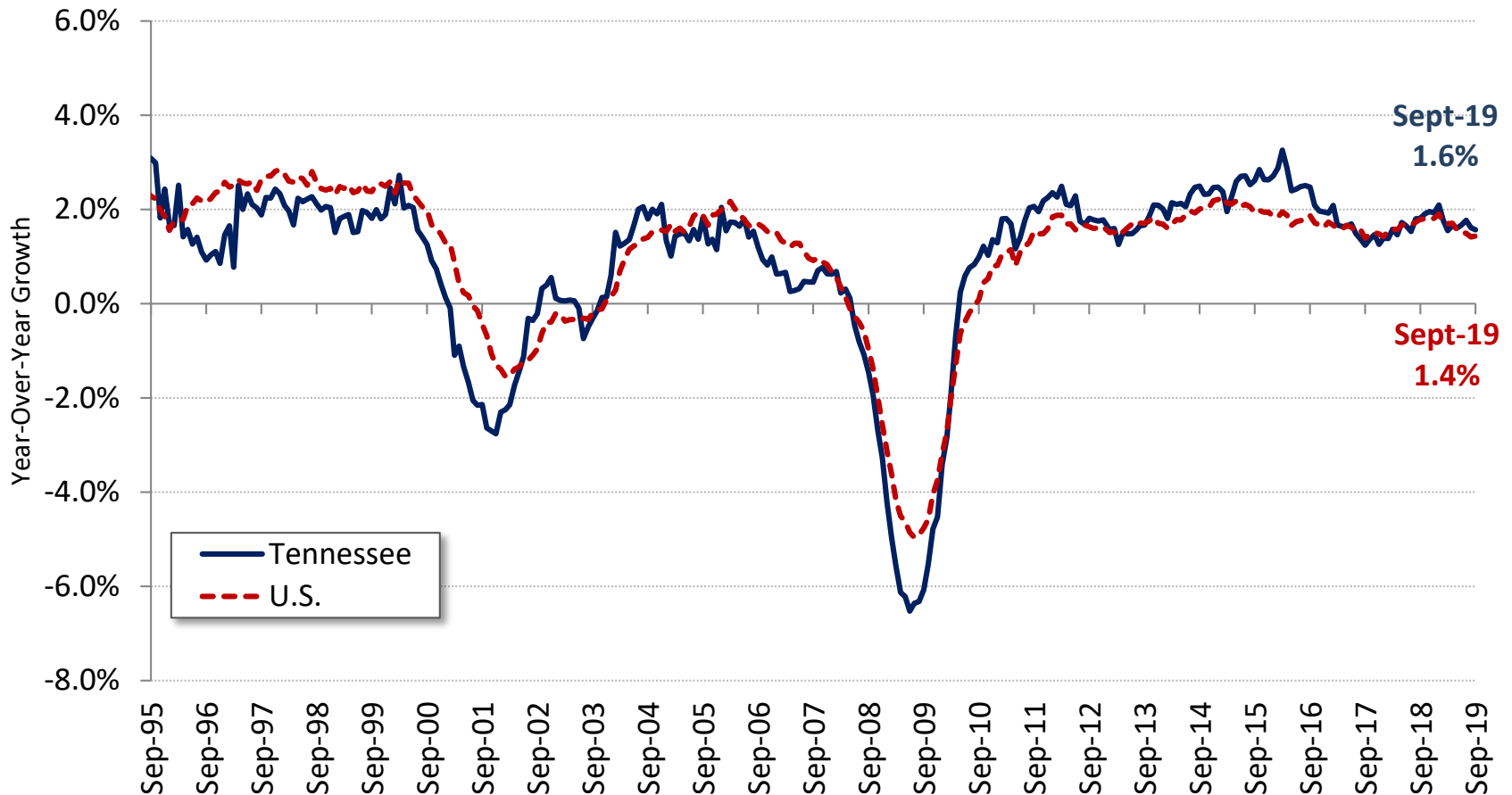
Unified Federal Budget Surplus



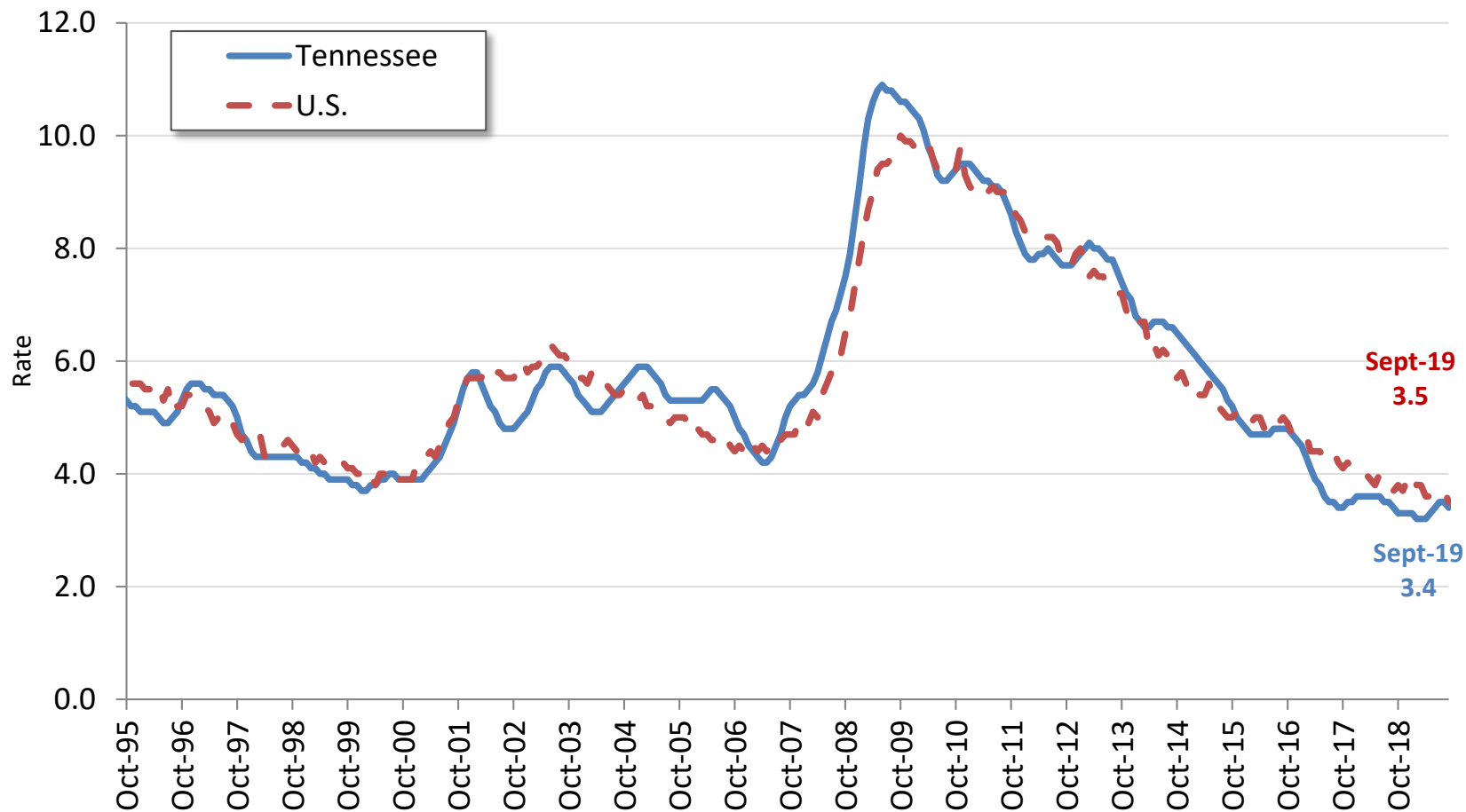
Interest Rates and Inflation



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

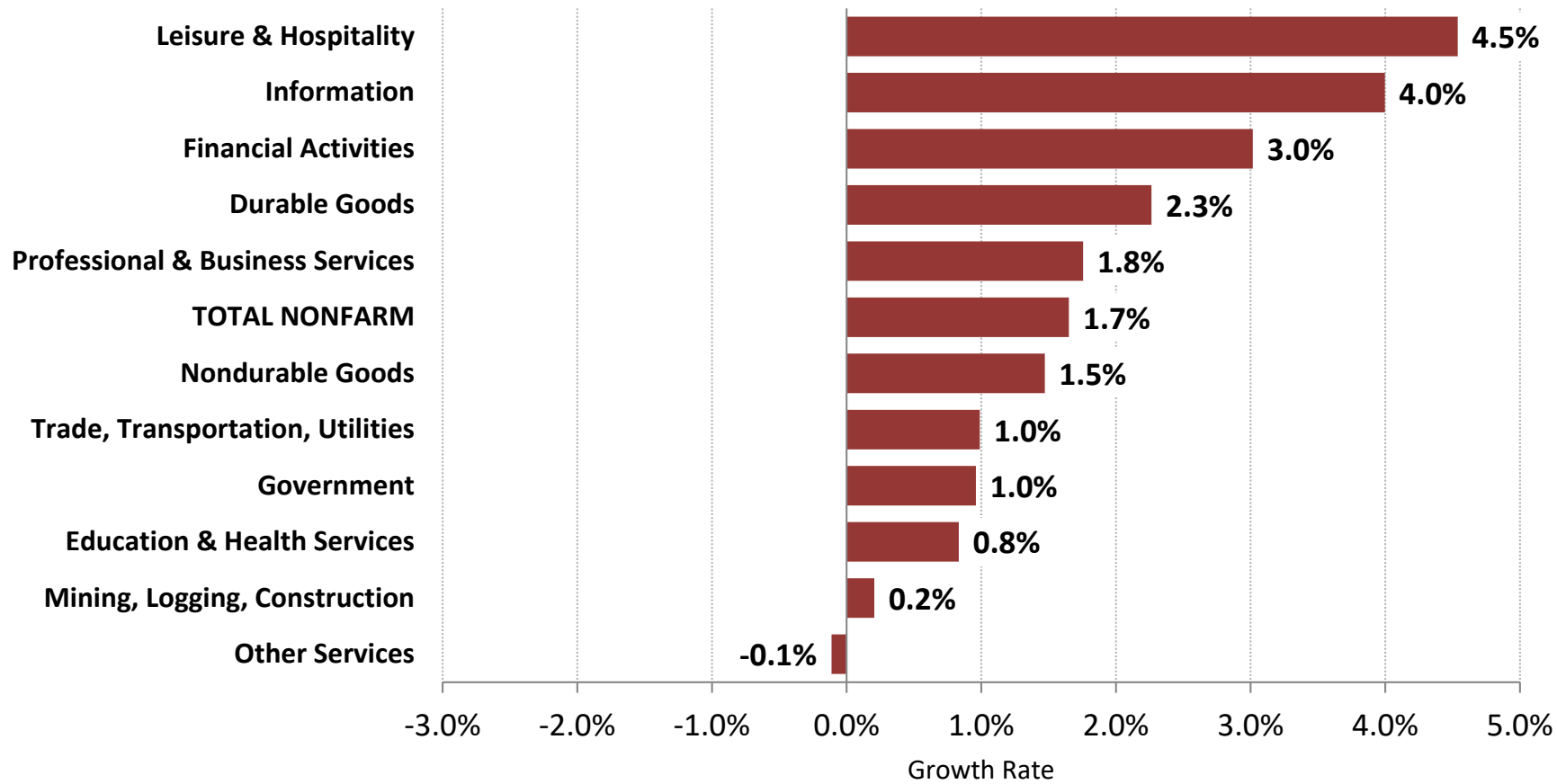


Tennessee and U.S. Unemployment Rate (seasonally adjusted)



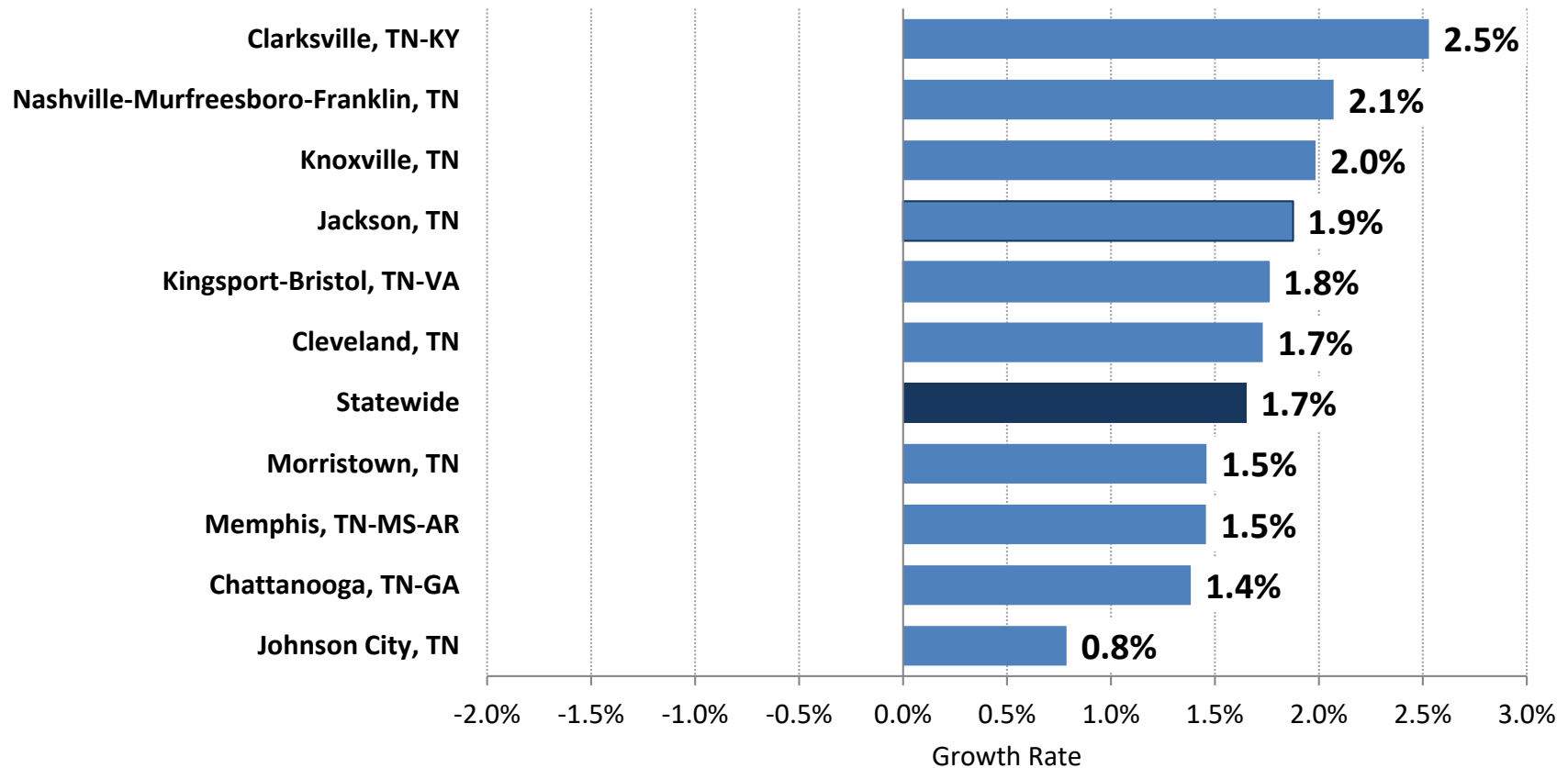
Tennessee Job Growth by Sector

(Quarter Ending Sept. 2018 to Sept. 2019)

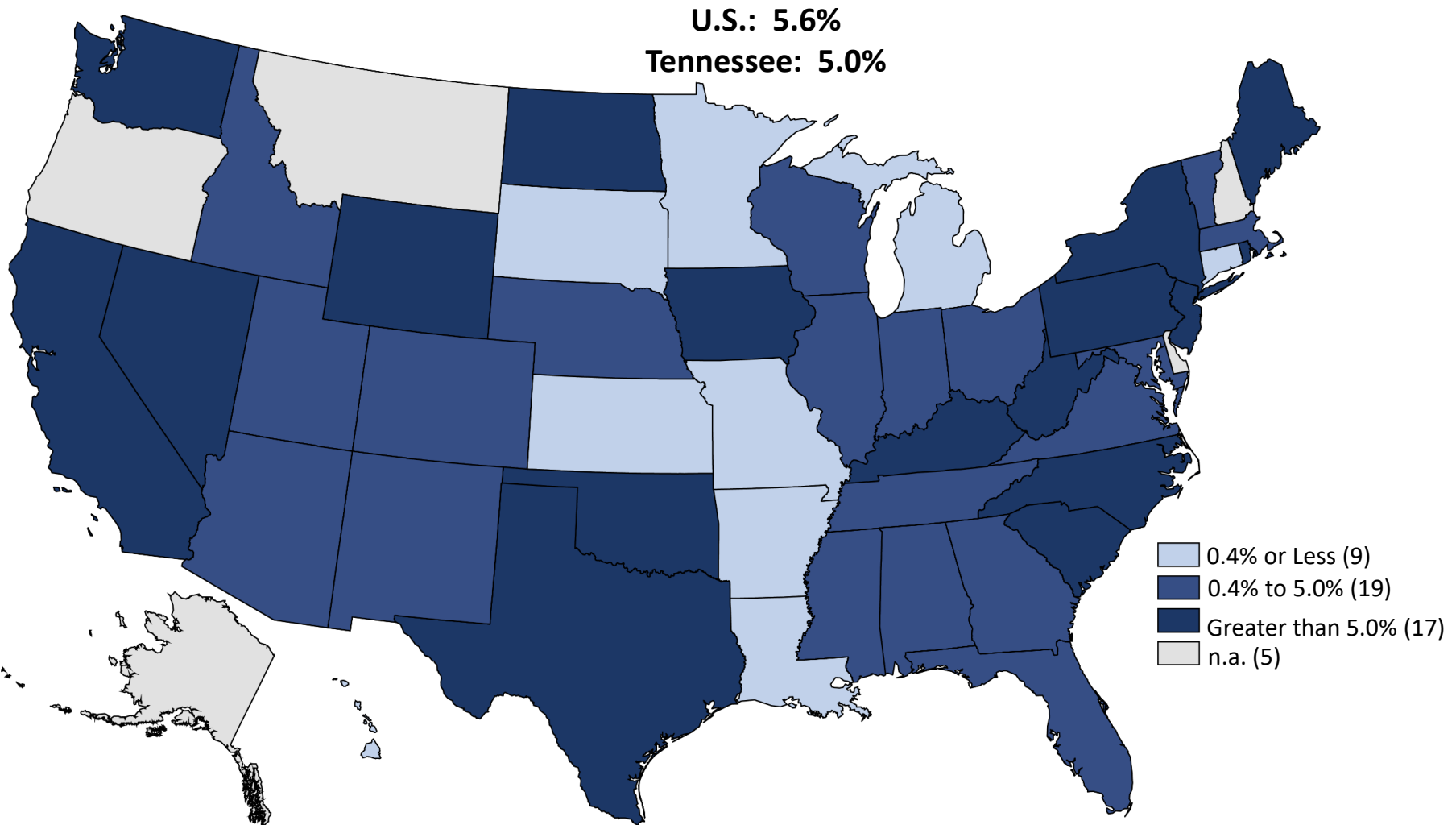


Nonfarm Employment Growth, MSAs

(Quarter Ending Sept. 2018 to Sept. 2019)

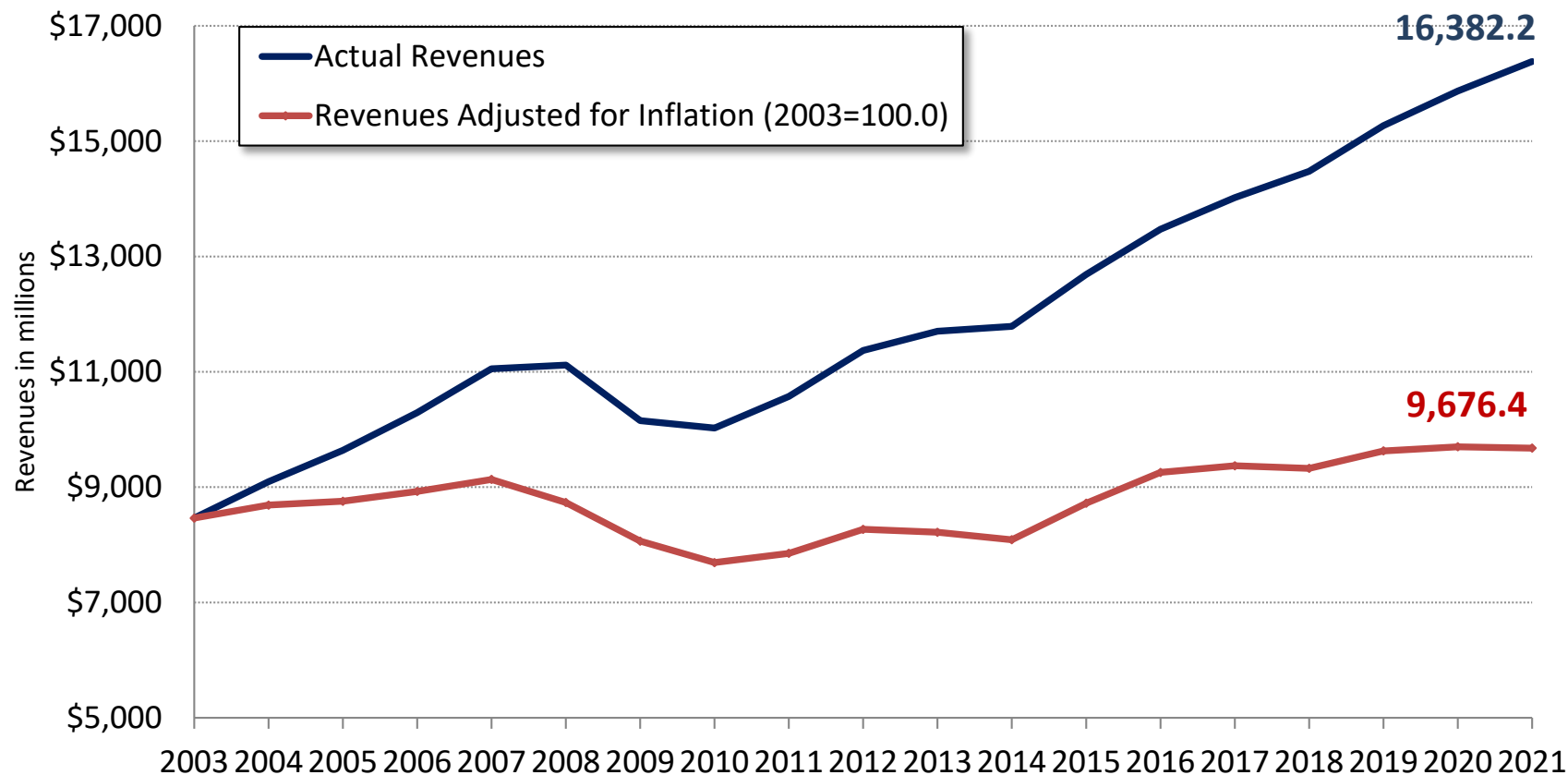


Change in Sales Taxes, January–March, 2018 to 2019

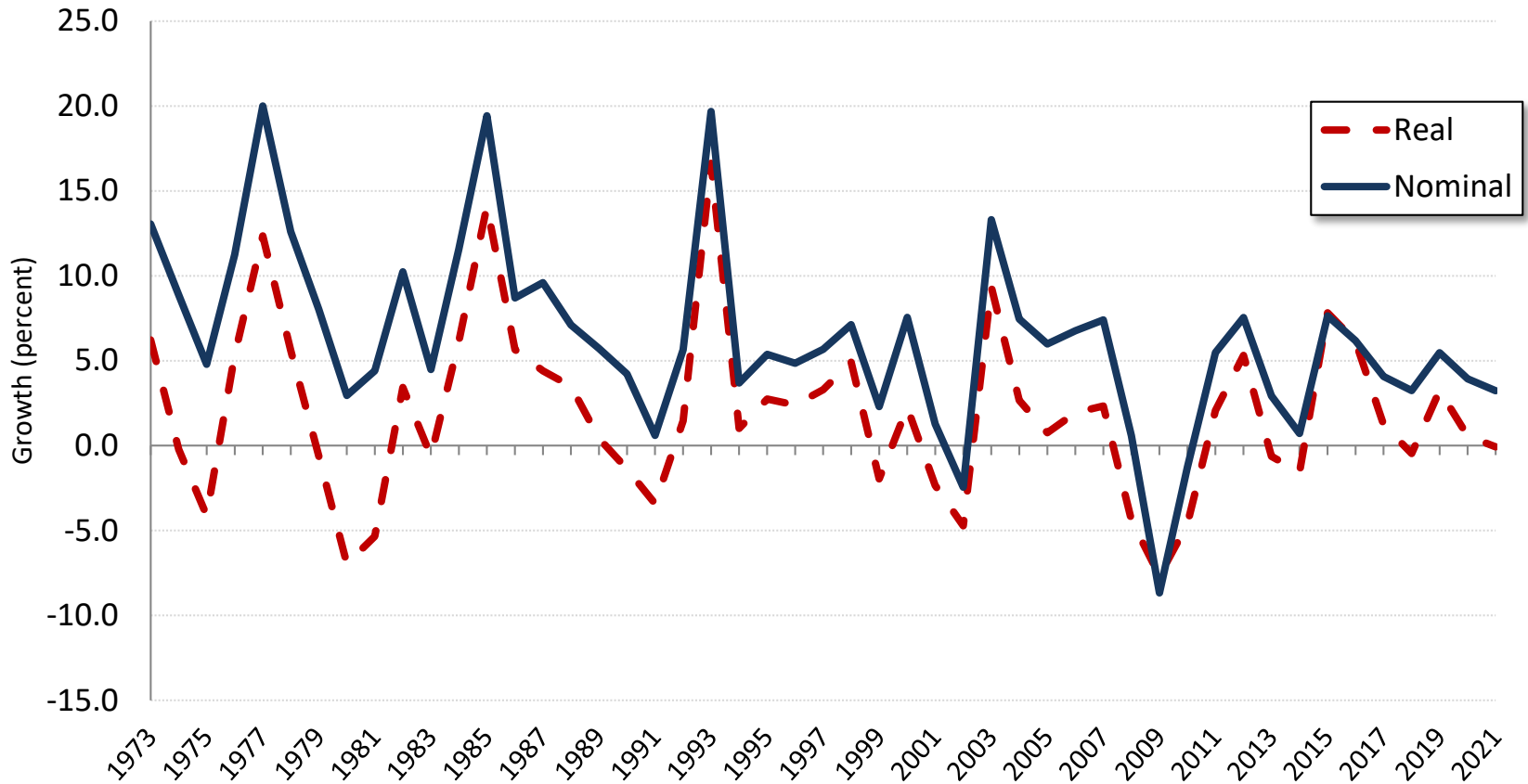


Tennessee Department of Revenue Collections (Millions of Dollars)									
	2019			2020			2021		
	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund
Sales and Use	9,337.8	5.7	8,758.2	9,711.3	4.0	9,111.8	10,099.8	4.0	9,476.3
Gasoline	843.4	4.4	12.9	877.1	4.0	13.9	885.9	1.0	14.0
Motor Fuel	257.7	15.7	2.1	289.9	12.5	2.5	297.2	2.5	2.6
Gasoline Inspection	69.8	1.2	20.3	70.5	1.0	20.8	71.2	1.0	21.0
Motor Vehicle Registration	337.9	3.2	52.4	341.3	1.0	53.9	348.1	2.0	55.0
Income	203.8	-17.2	130.9	141.3	-30.7	94.6	74.9	-47.0	50.1
Privilege	376.8	4.6	370.2	376.8	0.0	370.2	391.9	4.0	385.1
Gross Receipts	393.2	6.7	225.4	398.1	1.2	227.3	404.9	1.7	231.2
Gross Receipts - TVA	361.9	5.3	199.2	365.5	1.0	201.0	371.0	1.5	204.1
Gross Receipts - Other	31.3	26.2	26.2	32.6	4.0	28.0	33.9	4.0	29.1
Beer	17.0	1.8	11.4	17.0	0.0	11.5	17.2	1.0	11.6
Alcoholic Beverage	70.2	5.2	58.0	74.4	6.0	61.5	78.1	5.0	64.6
Franchise & Excise	2,752.0	7.1	2,514.9	2,944.6	7.0	2,693.6	3,062.4	4.0	2,801.3
Inheritance & Estate	2.2	-414.3	2.2	0.0		0.0	0.0		0.0
Tobacco	241.8	-2.6	241.8	237.0	-2.0	237.0	234.6	-1.0	234.6
Motor Vehicle Title	23.6	-6.3	20.9	24.1	2.0	21.6	24.6	2.0	22.0
Mixed Drink	136.1	14.0	68.1	148.3	9.0	74.2	161.7	9.0	80.9
Business	203.4	5.8	203.4	215.6	6.0	215.6	228.5	6.0	228.5
Severance	1.0	0.0	0.5	1.0	0.0	0.3	1.1	10.0	0.3
Coin Amusement	0.3	0.0	0.3	0.3	0.0	0.3	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	15,268.0	5.5	12,693.9	15,868.7	3.9	13,212.2	16,382.2	3.2	13,681.2
General Fund Growth		5.6			4.1			3.5	
November 6, 2019 William F. Fox Boyd Center for Business and Economic Research University of Tennessee, Knoxville									

Actual Tax Collection Revenues and Revenues Adjusted for Inflation, 2003–2021

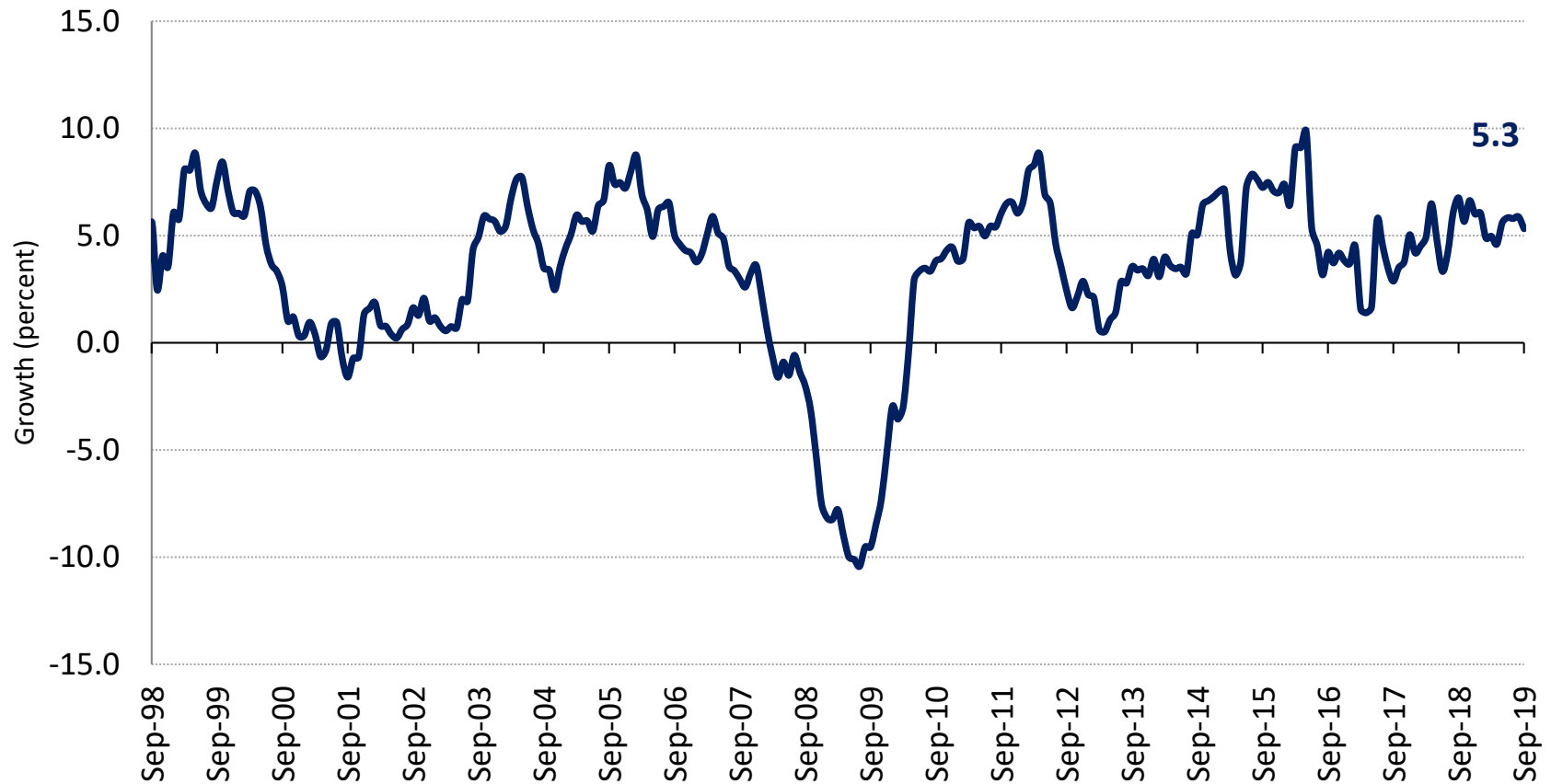


Growth in Tax Collections 1973–2021



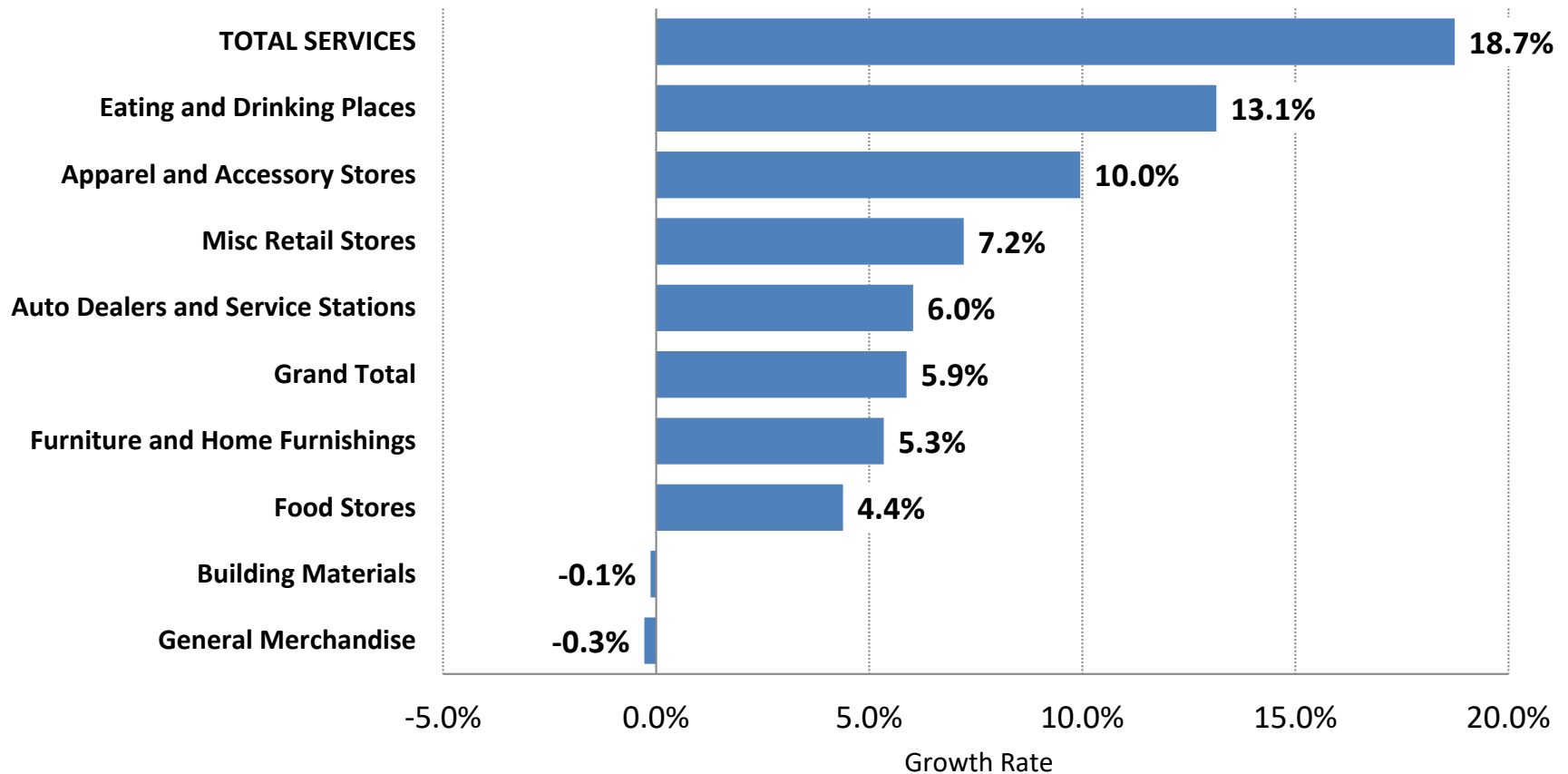
Growth in Sales Tax Revenue

(3-month moving average)



Sales Tax Collections by Category of Sales

(Quarter Ending August 2018 to August 2019)



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Haslam College of Business**

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Tennessee Economic Outlook and Revenue Forecast - 2019



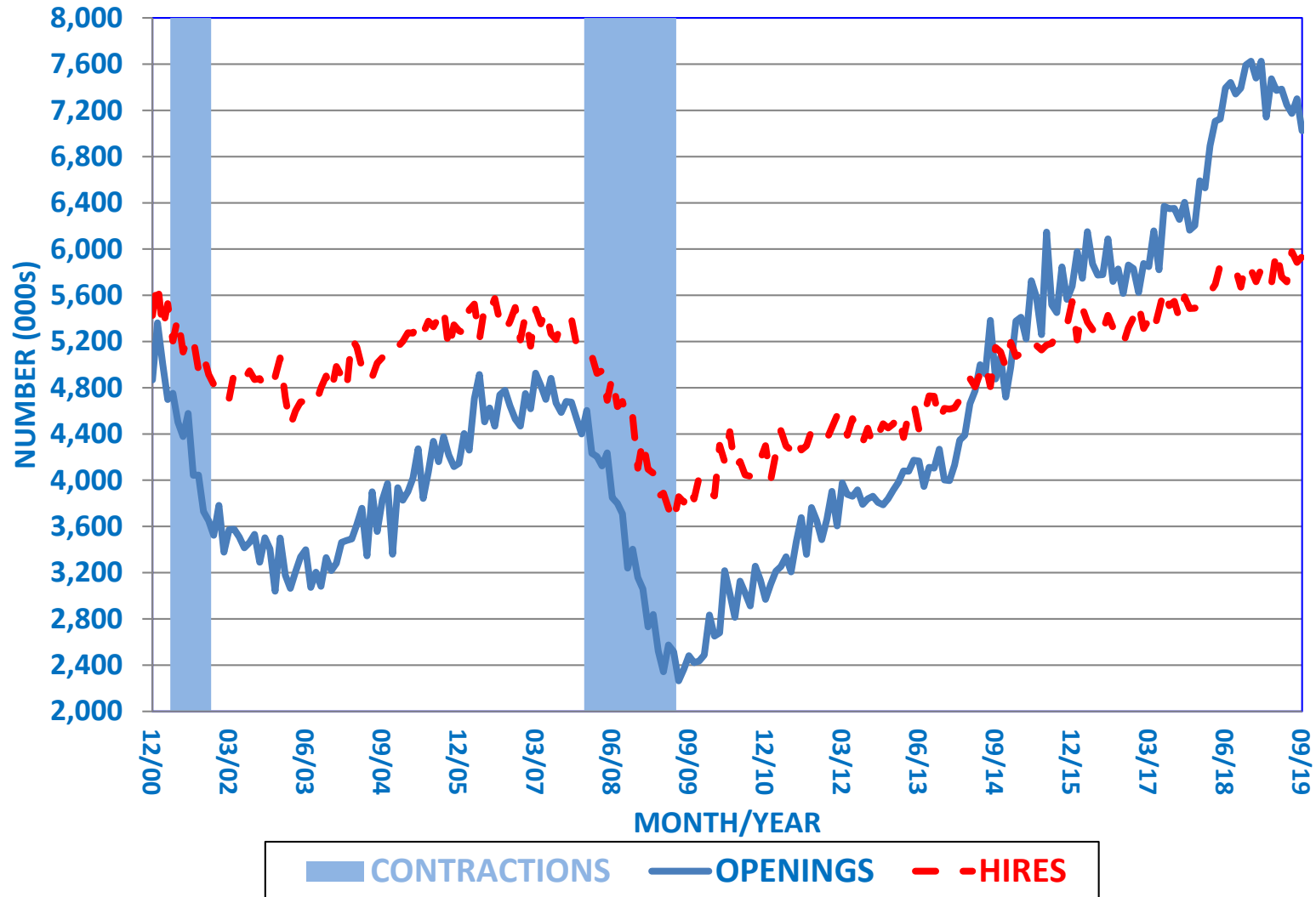
**Jon L. Smith, Director
Bureau of Business and Economic Research**

W. Fred Mackara, Department of Economics and Finance

**Joseph Newhard, Assistant Professor
Department of Economics and Finance**

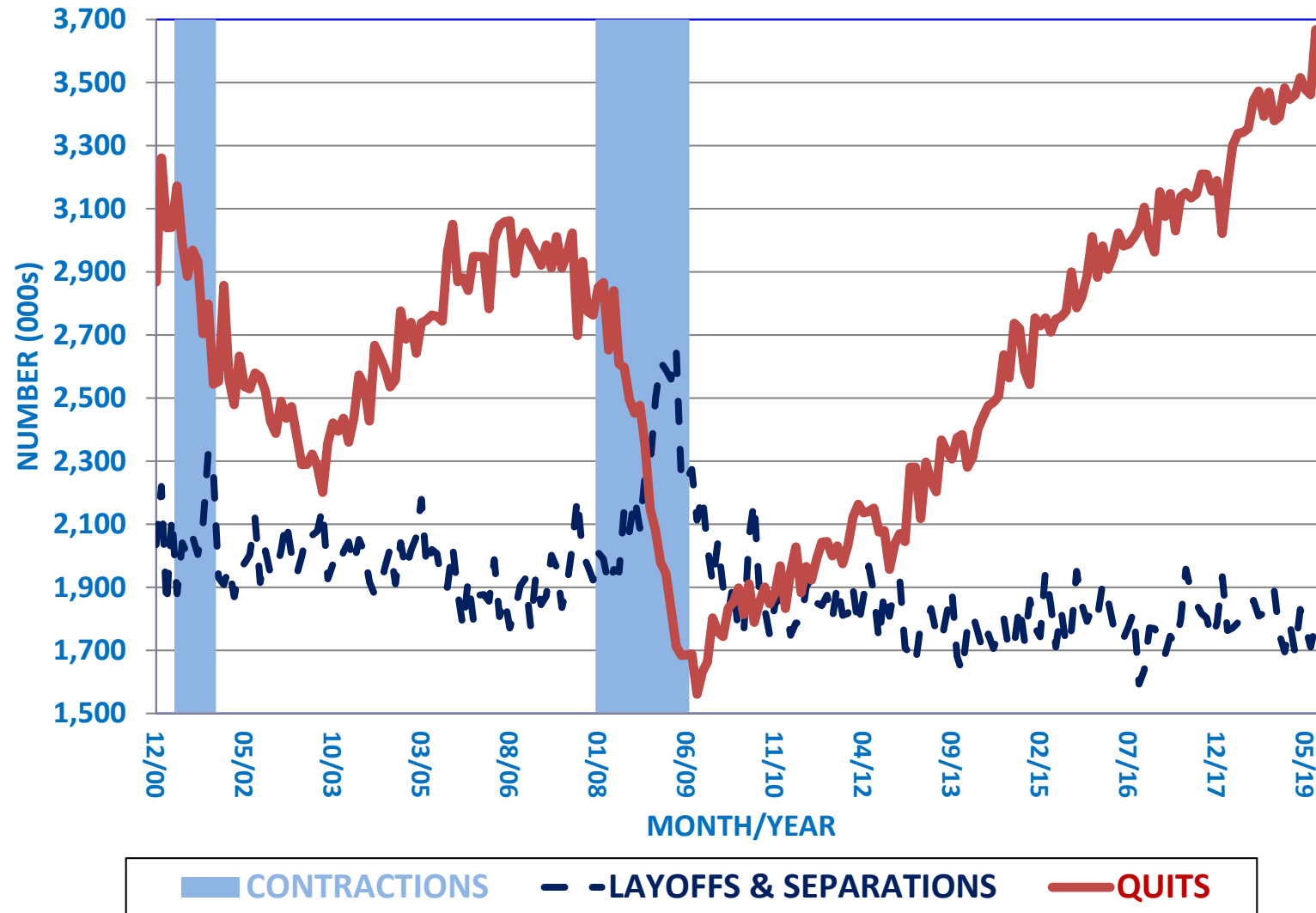
National Economy

JOB OPENINGS vs. HIRES (J.O.L.T.S., 9/19)

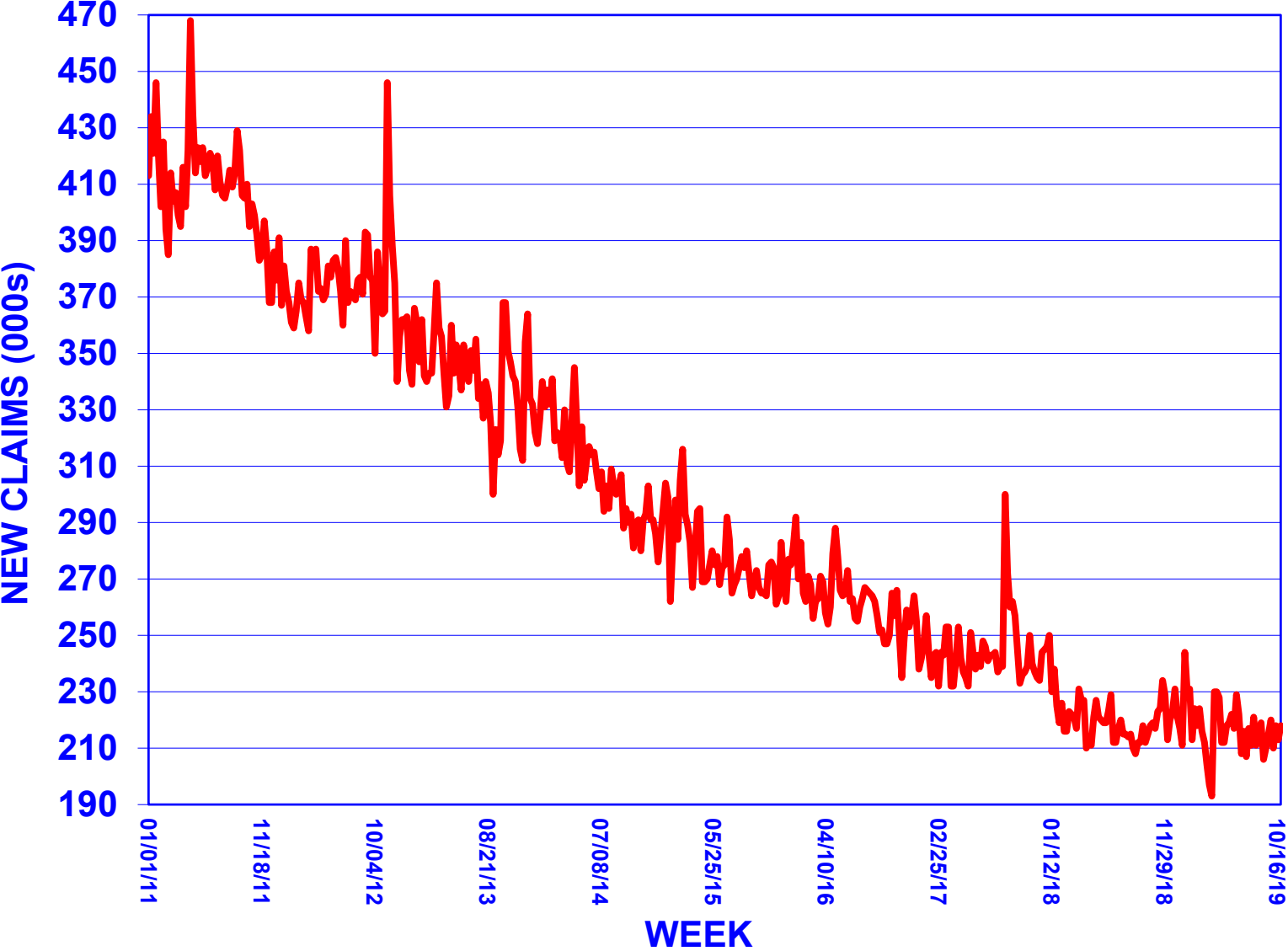


LAYOFFS vs. QUITTS

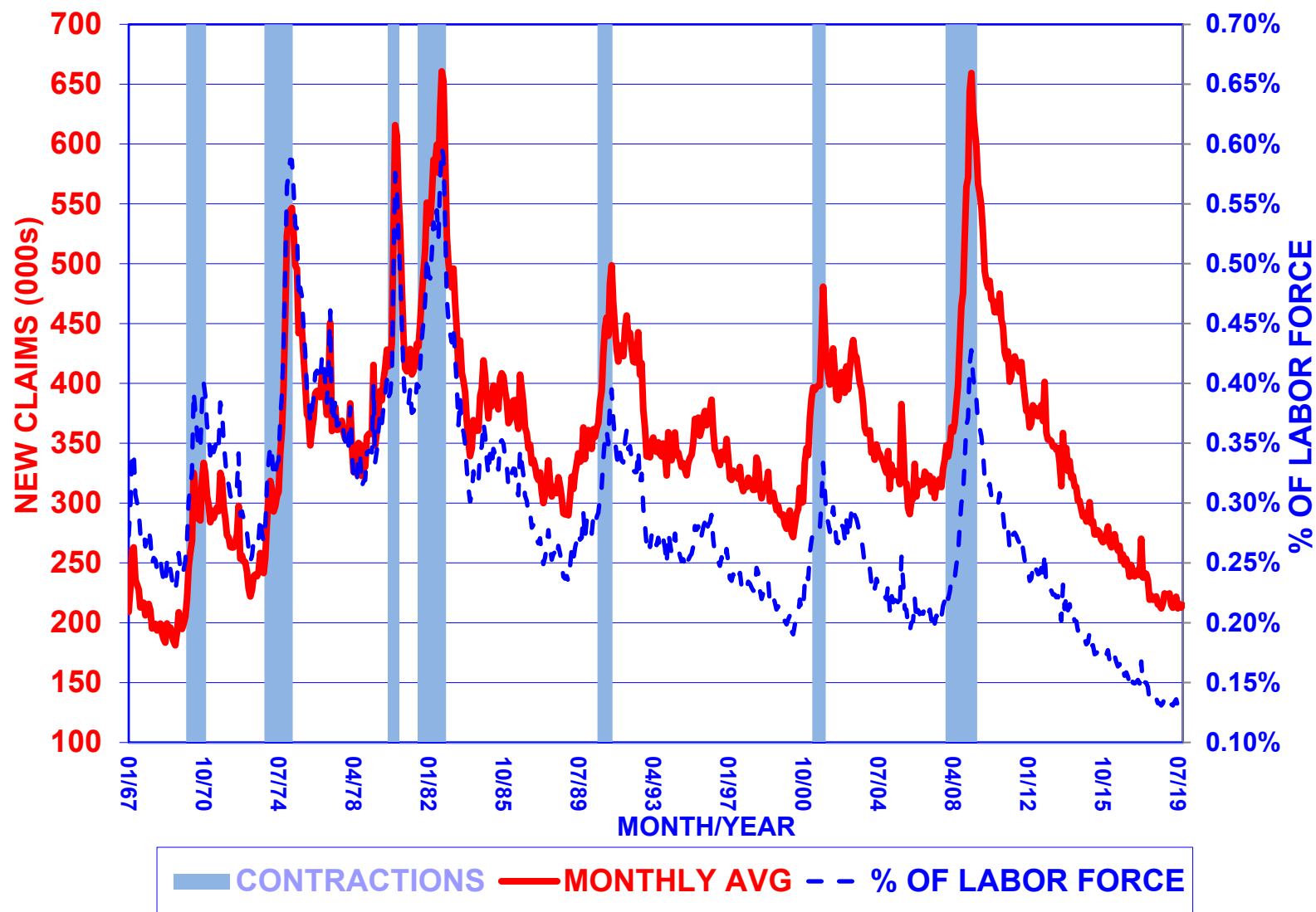
(J.O.L.T.S., 9/19)



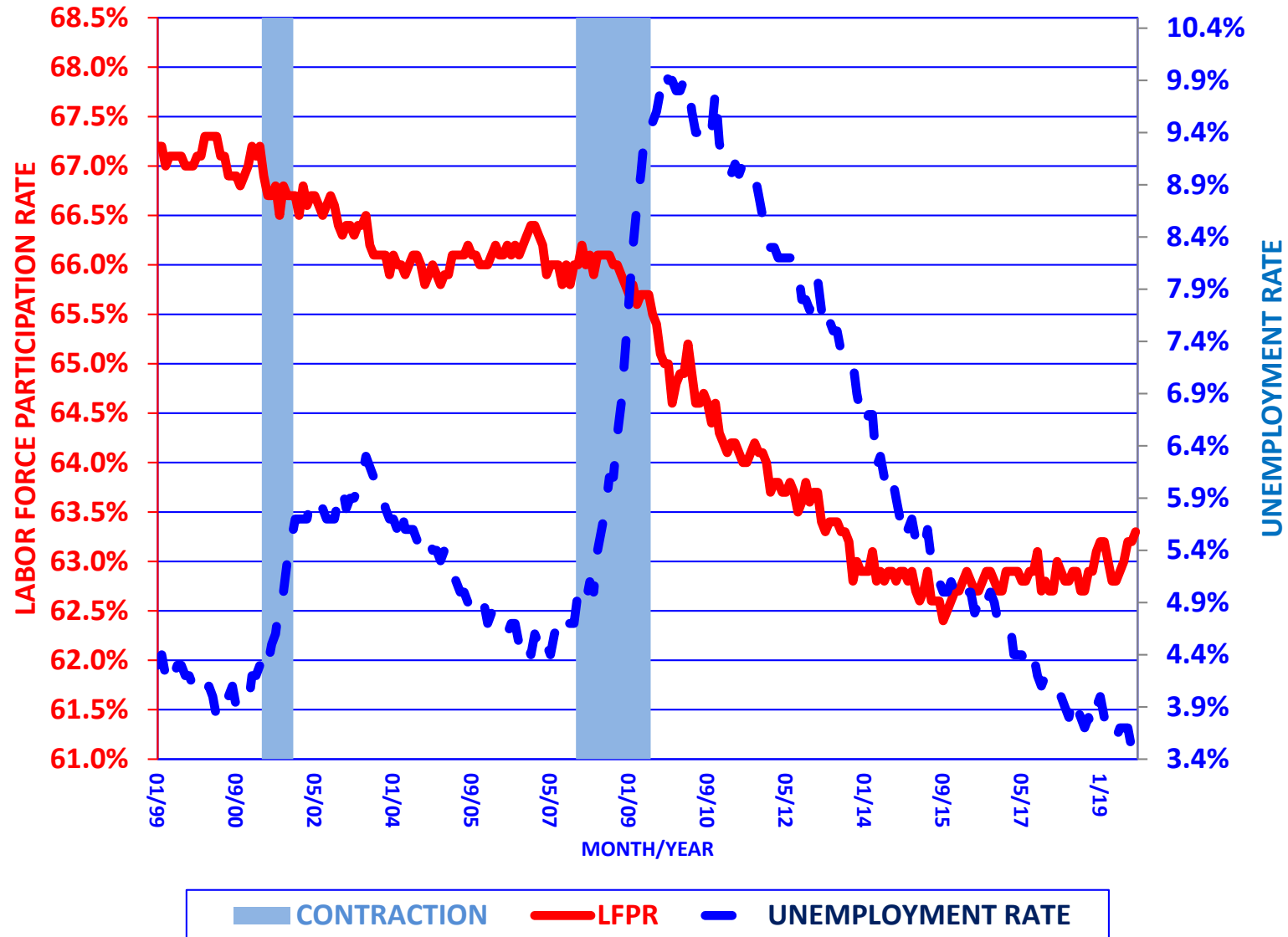
WEEKLY NEW CLAIMS TREND
(LAST WEEK PLOTTED, 11/3/18)



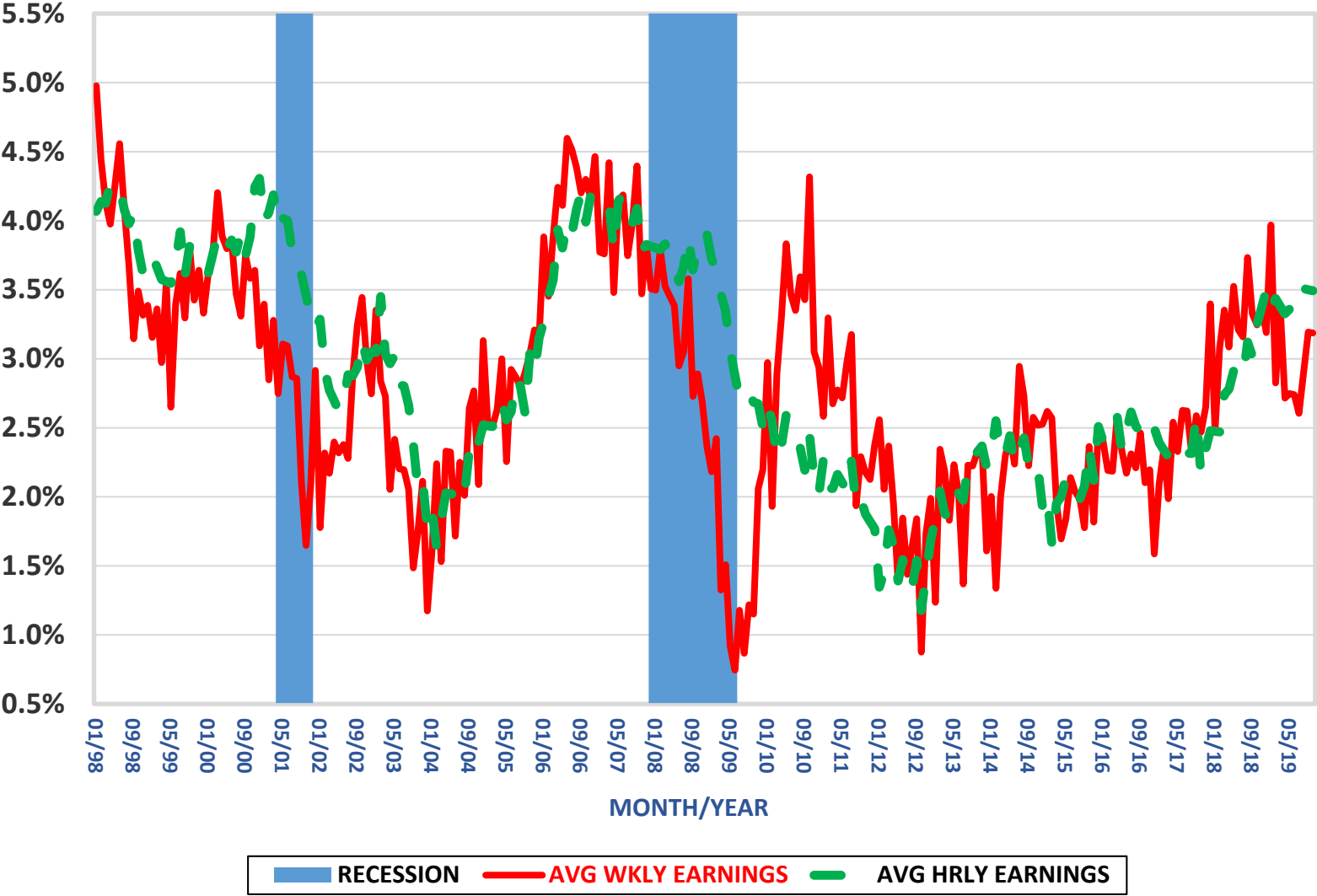
NEW CLAIMS FOR UNEMPLOYMENT BENEFITS AS PERCENT OF LABOR FORCE (LAST MONTH PLOTTED, 10/19)



LABOR FORCE PARTICIPATION RATE (LFPR) & UNEMPLOYMENT RATE (LAST MONTH PLOTTED, 10/19)



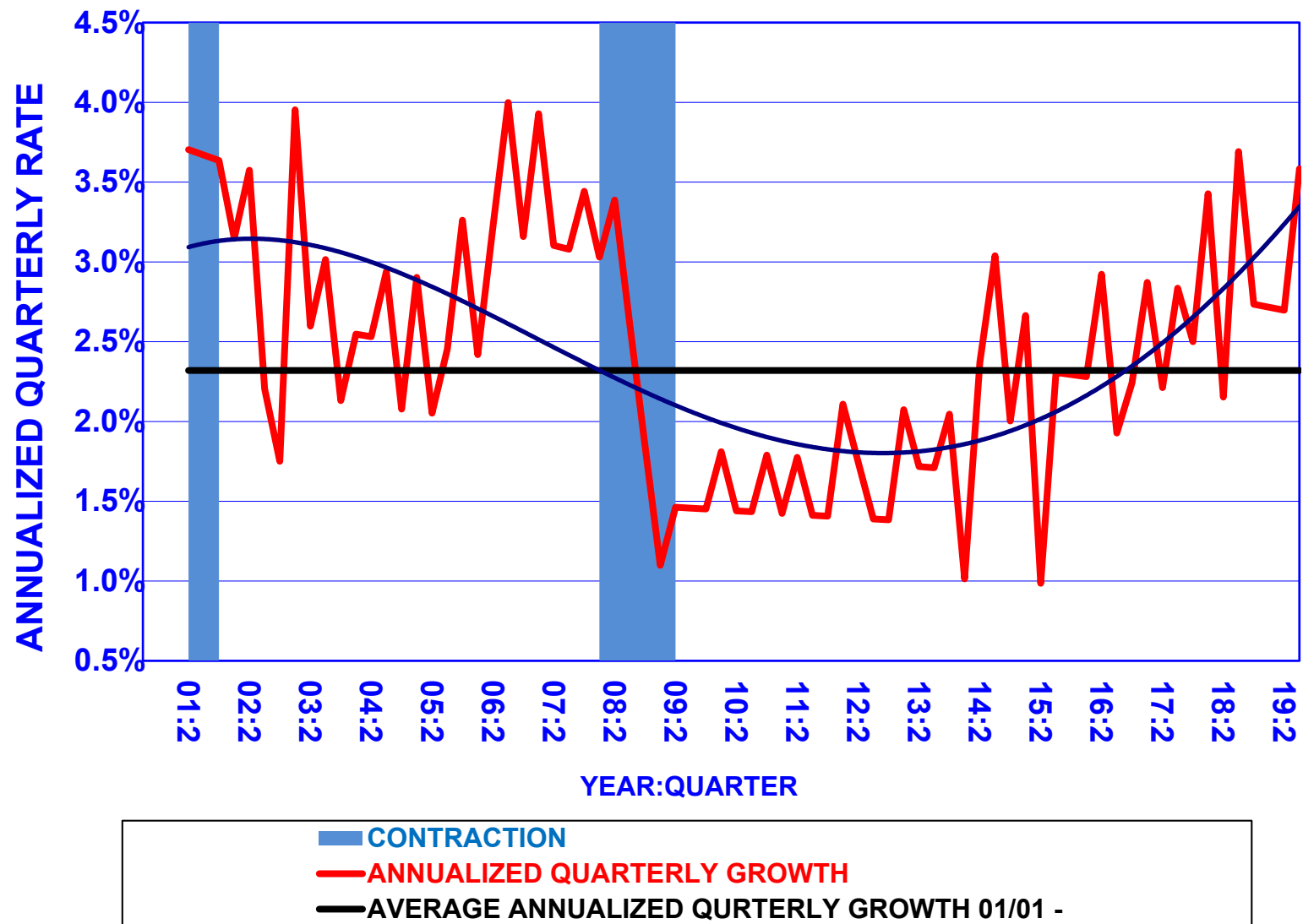
**ANNUALIZED MONTHLY GROWTH
AVG. WEEKLY & HOURLY EARNINGS OF
NON-SUPERVISORY PRODUCTION WORKERS**
(LAST MONTH PLOTTED, 10/19)



EMPLOYMENT COST INDEX: WAGES & SALARY GROWTH

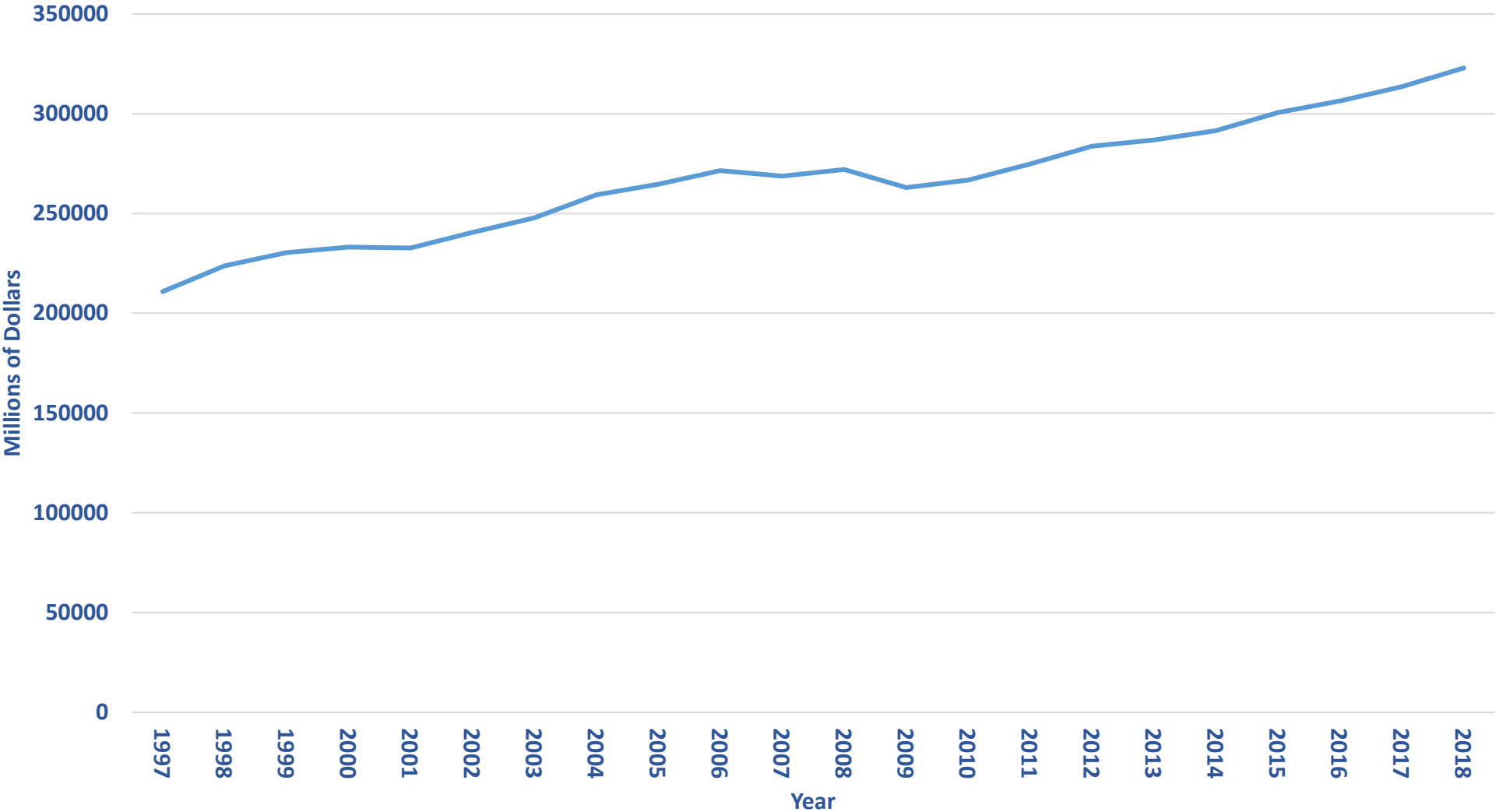
ALL CIVILIAN WORKERS

(LAST MONTH PLOTTED, 2019:Q3)

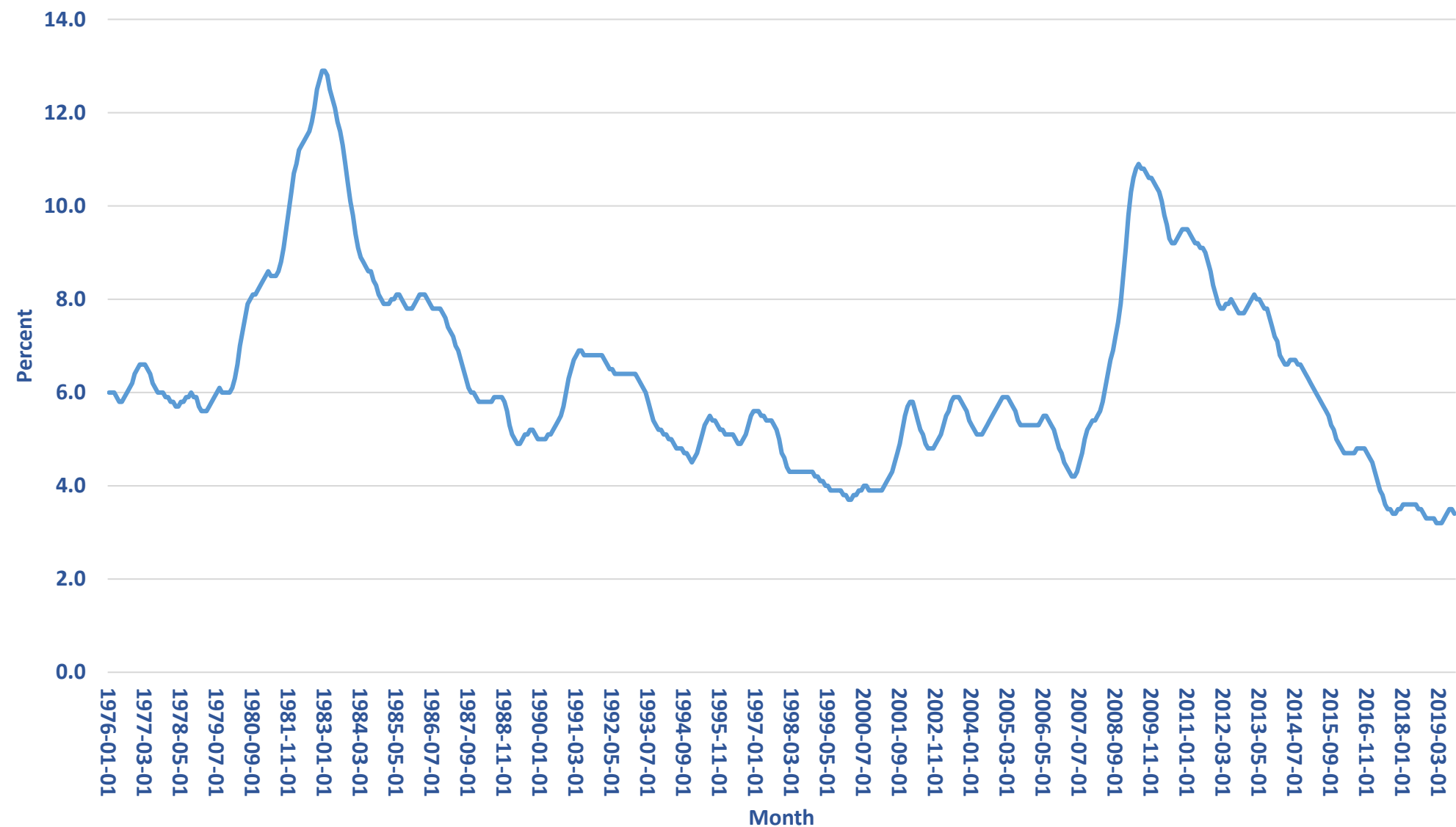


Tennessee State and Metro Economy

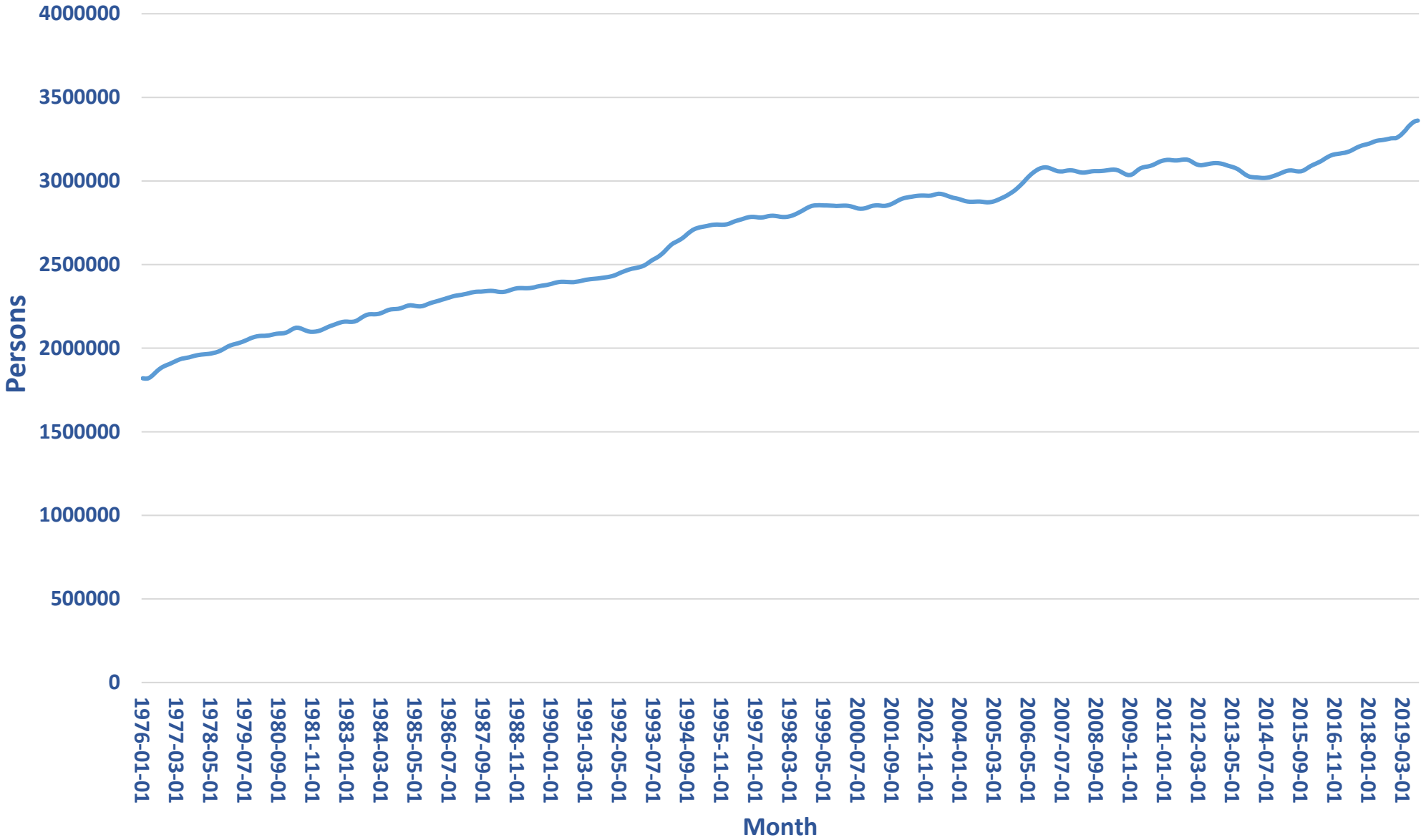
Tennessee Real GDP, 2012 Dollars, 1997 - 2018



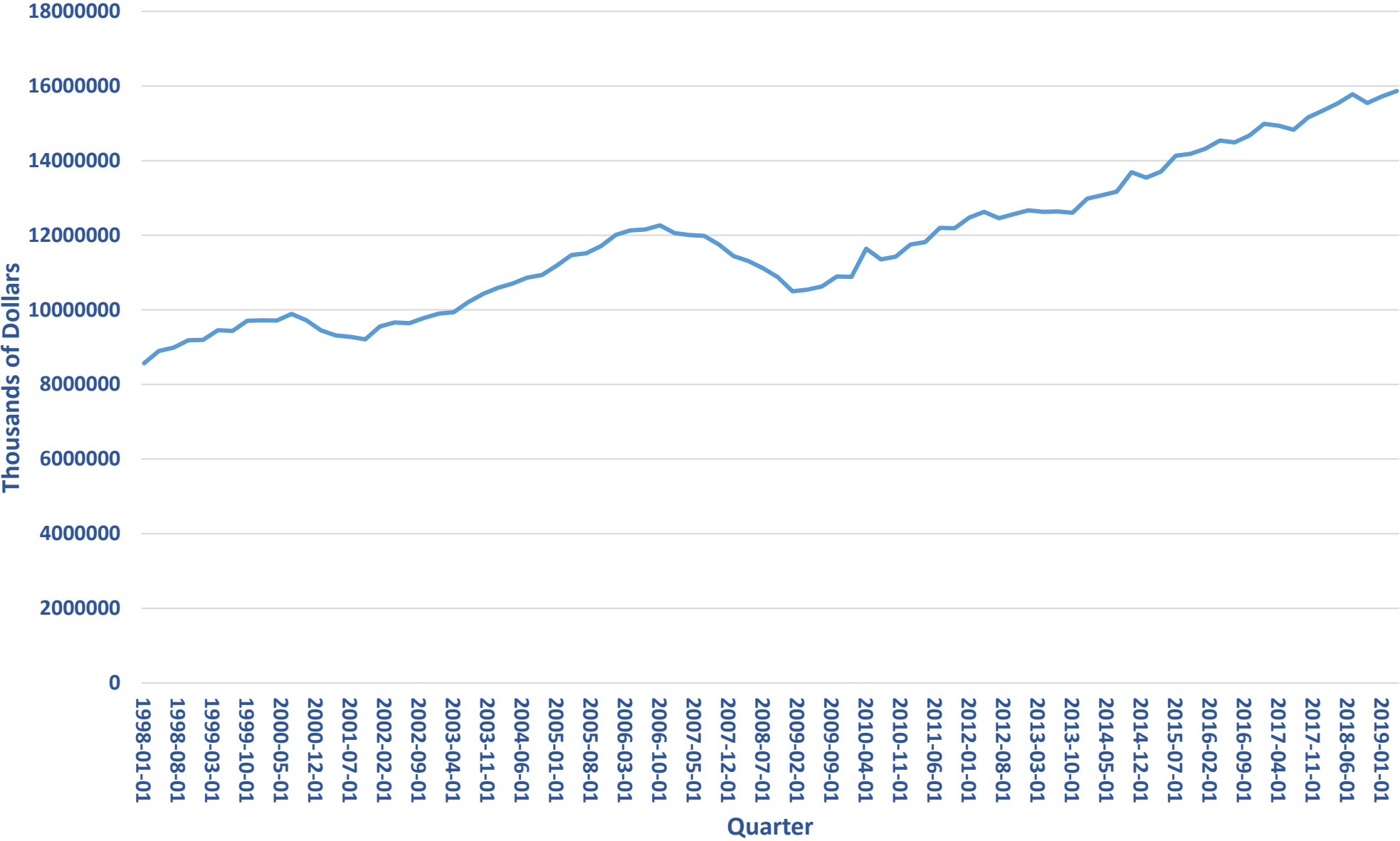
Tennessee Unemployment Rate, Monthly, 1976 - 2019



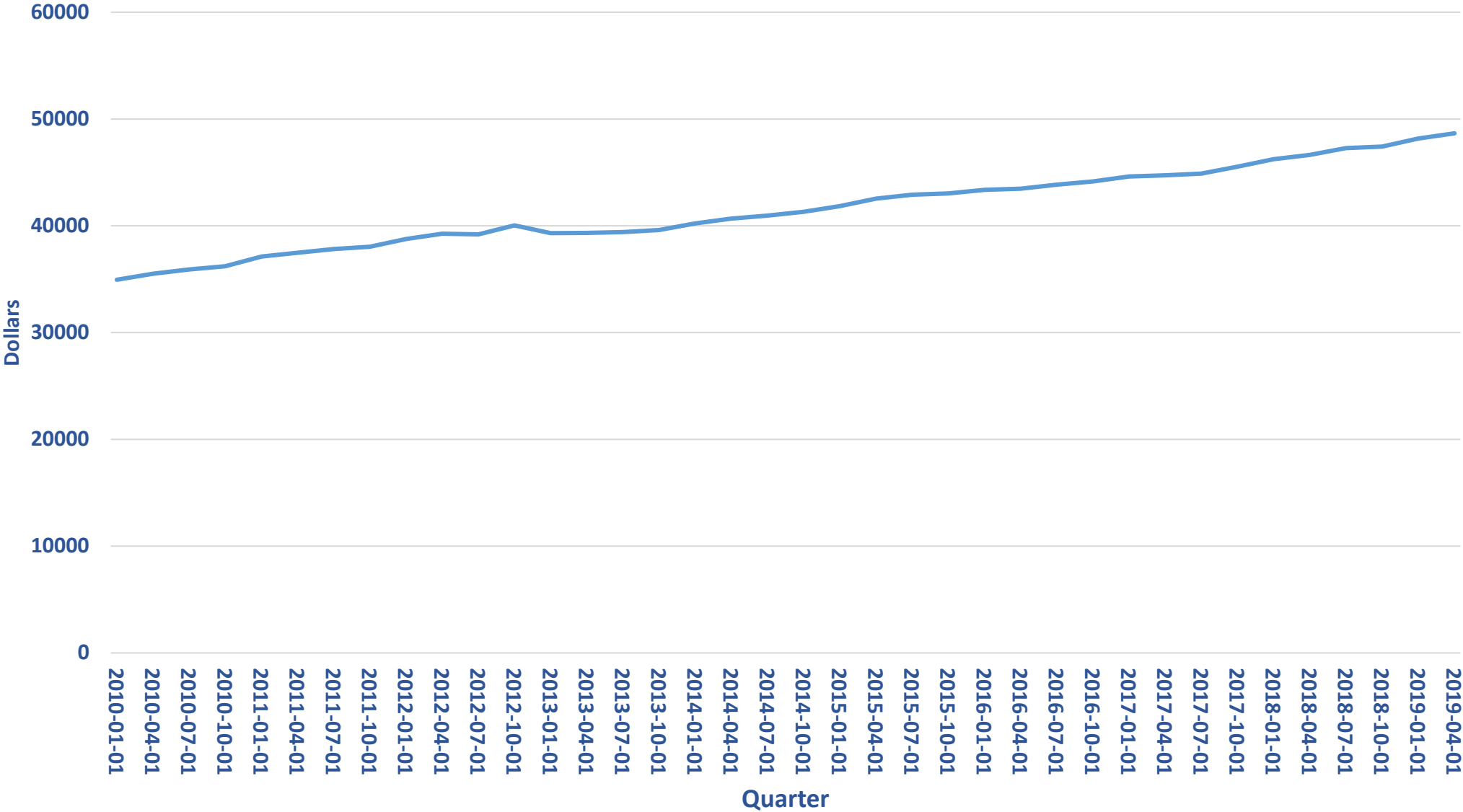
Tennessee Civilian Labor Force, Monthly, 1976 - 2019



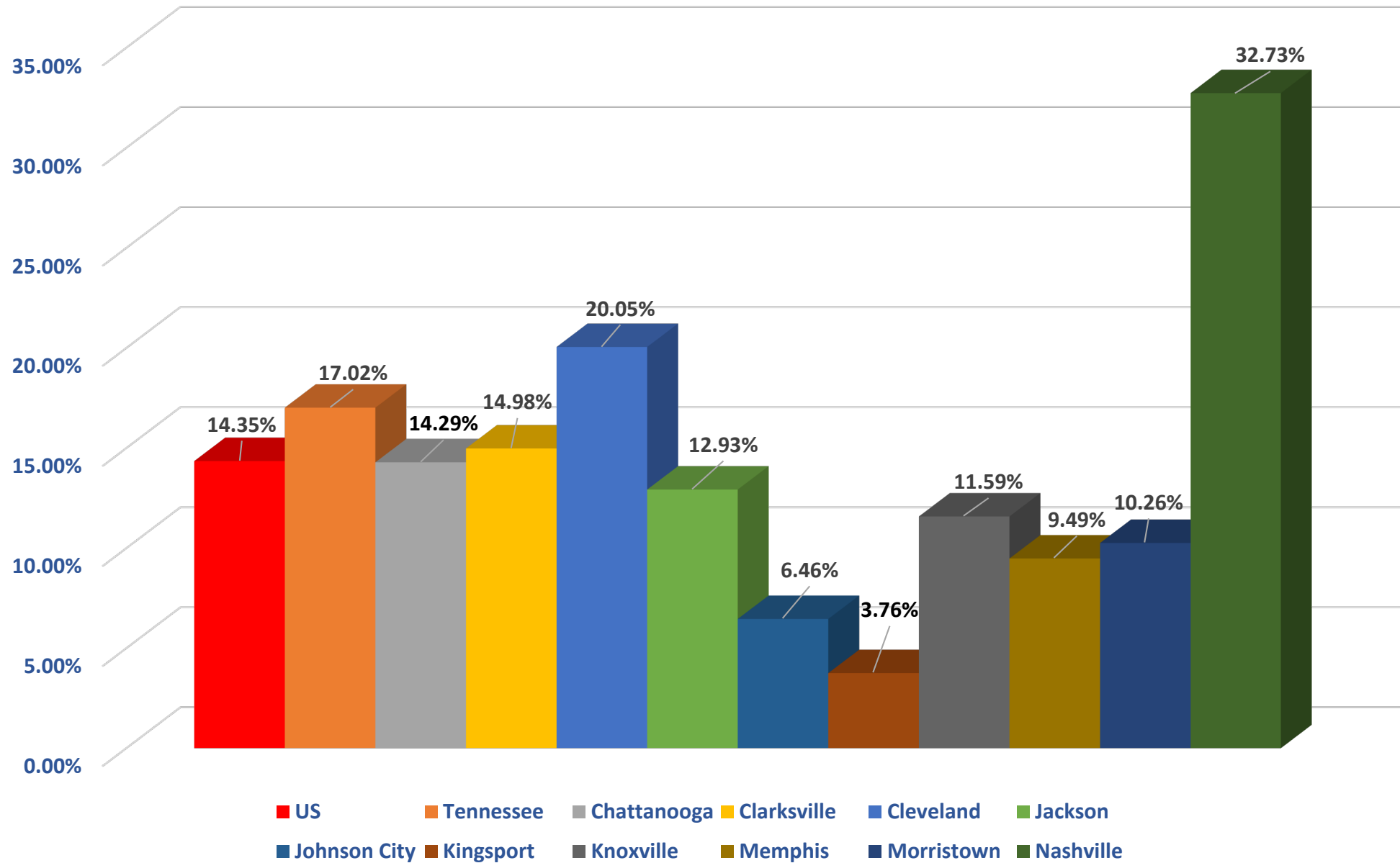
Nominal Retail Trade Earnings in Tennessee, Quarterly, 1998 - 2019



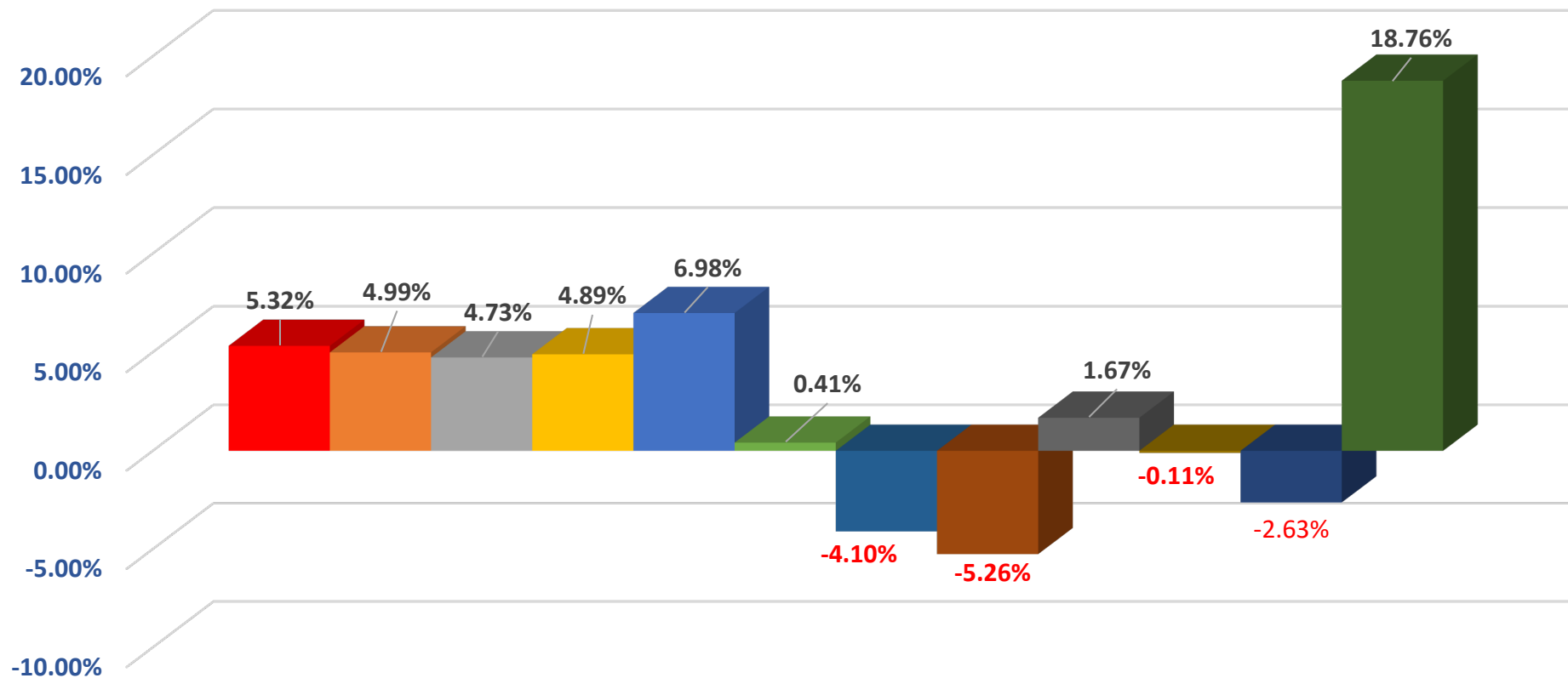
Nominal Per Capital Personal Income for Tennessee, Quarterly, 2010 - 2019



MSA Percent Change Total Nonfarm Employment 2010 to 2018

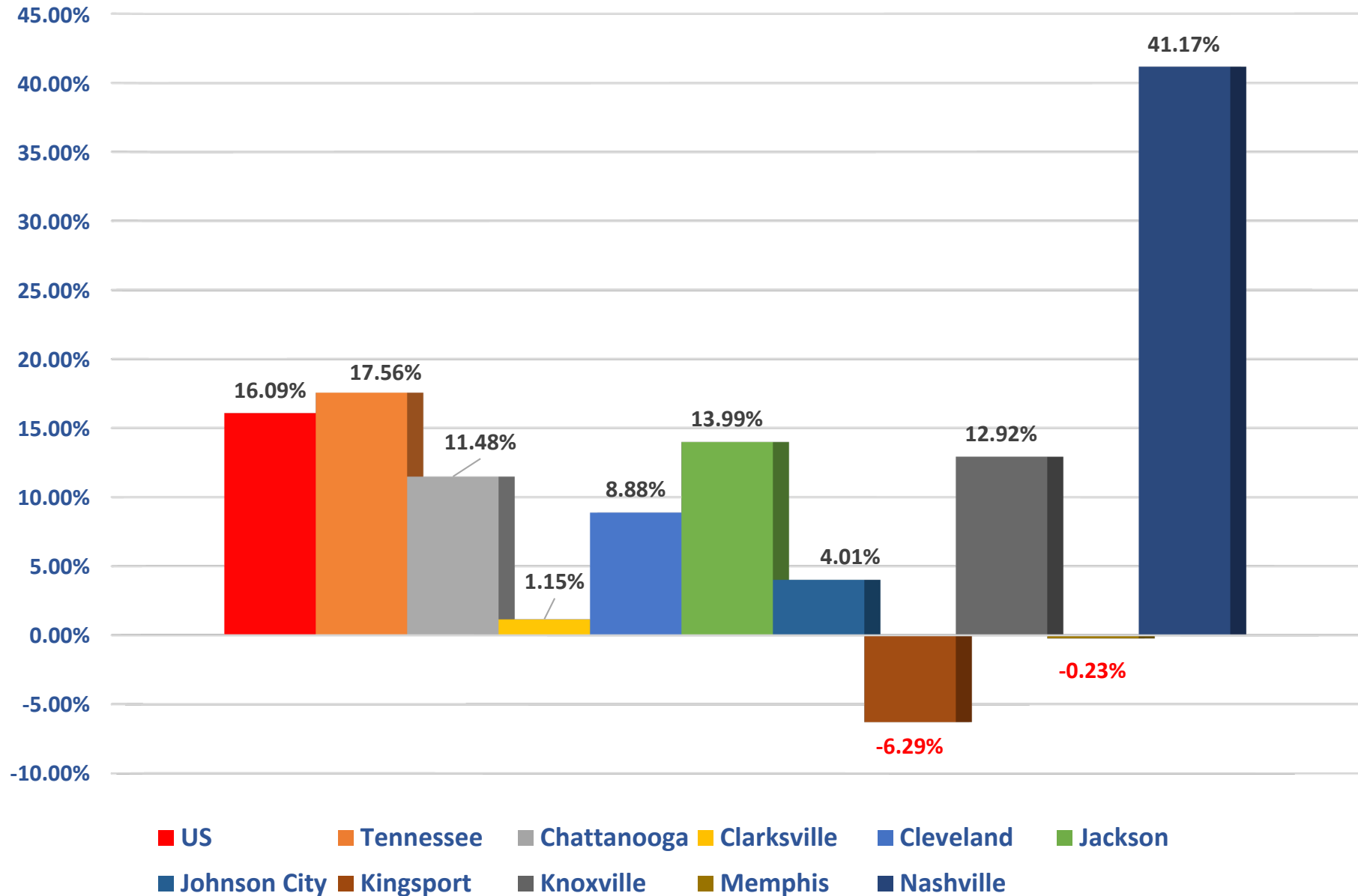


MSA Percent Change in Civilian Labor Force 2010 to 2018

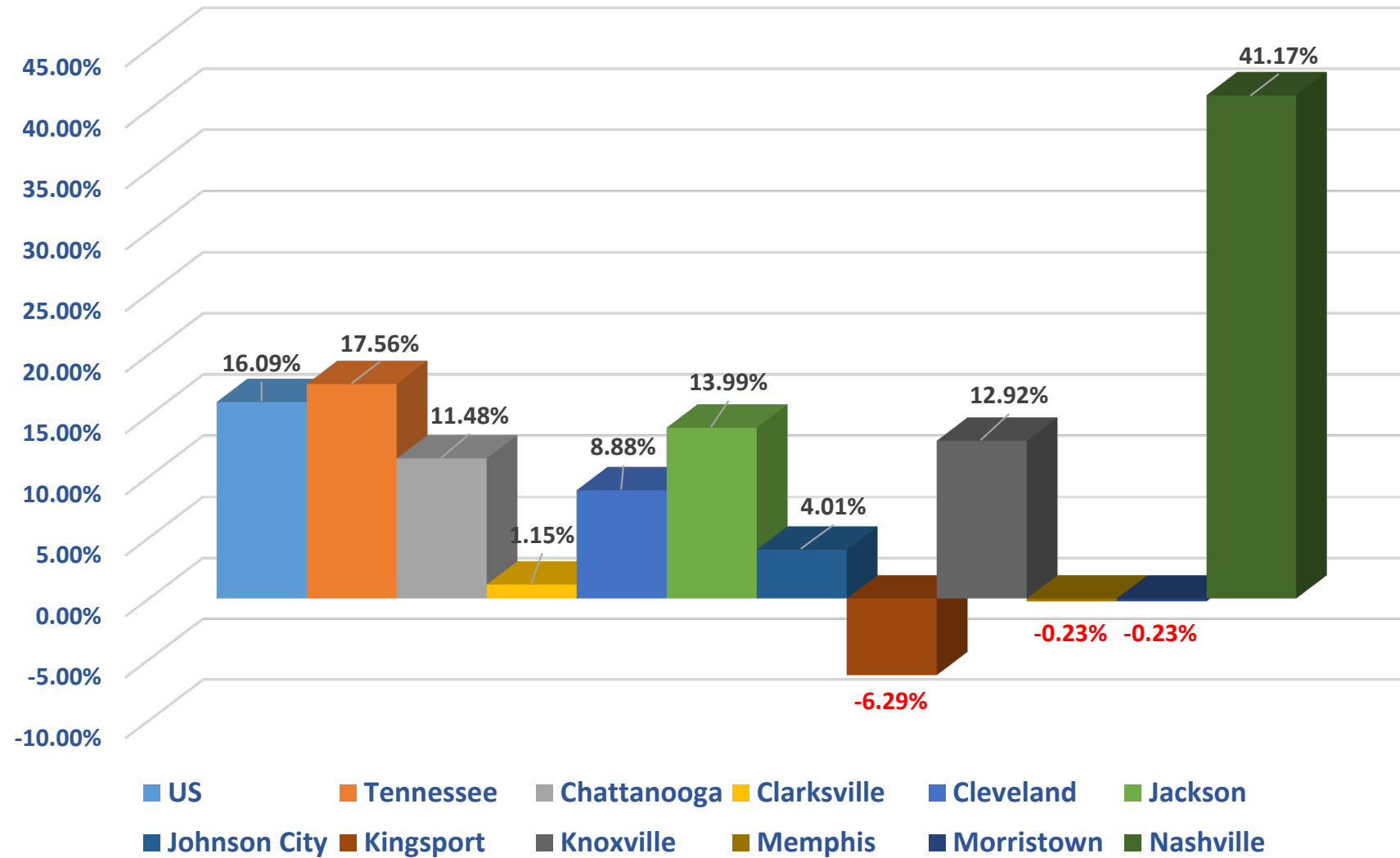


■ US ■ Tennessee ■ Chattanooga ■ Clarksville ■ Cleveland ■ Jackson
■ Johnson City ■ Kingsport ■ Knoxville ■ Memphis ■ Morristown ■ Nashville

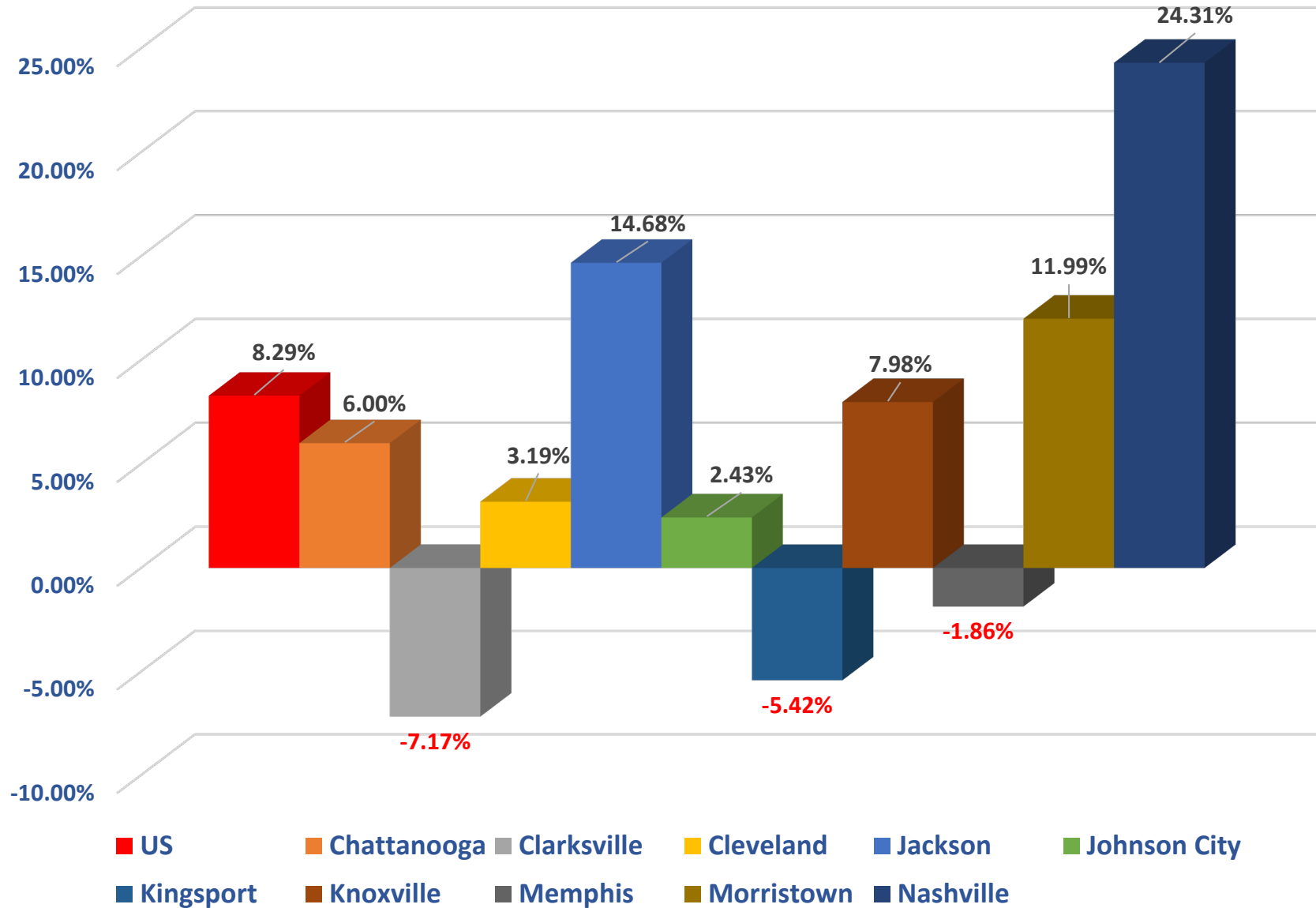
MSA Percent Change in Total Real GDP 2010 to 2017



MSA Percent Change in Total Real GDP 2010 to 2017



MSA Real GDP Per Capita Percent Change 2010 to 2017



FY 2019 – 2020 REVENUE FORECAST

ACCUAL YEAR BASIS	FY 18 - 19	FY 19 - 20		FY 20 - 21		FY 21 - 22	
SOURCE OF REVENUE	AMOUNT	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PERVIOUS YEAR
SALES & USE ¹	\$9,337,817,700	\$9,636,850,000	3.20%	\$9,974,139,750	3.50%	\$10,273,363,943	3.00%
GASOLINE TAX	\$843,361,000	\$863,630,000	2.40%	\$897,250,000	3.89%	\$932,500,000	3.93%
MOTOR FUEL TAX	\$257,667,600	\$267,305,000	3.74%	\$284,230,000	6.33%	\$302,400,000	6.39%
GASOLINE INSPECTION TAX	\$69,800,800	\$70,437,000	0.91%	\$71,625,000	1.69%	\$72,800,000	1.64%
MOTOR VEHICLE REGISTRATION TAX	\$337,862,900	\$343,245,000	1.59%	\$346,885,000	1.06%	\$355,000,000	2.34%
INCOME TAX	\$203,817,800	\$150,000,000	-26.40%	\$80,000,000	-46.67%	\$40,000,000	-50.00%
PRIVILEGE TAX ²	\$376,758,200	\$399,363,692	6.00%	\$419,331,877	5.00%	\$435,000,000	3.74%
GROSS RECEIPTS TAX	\$361,934,700	\$364,520,000	0.71%	\$369,430,000	1.35%	\$379,200,000	2.64%
GROSS RECEIPTS TAX - OTHER	\$31,298,200	\$33,900,000	8.31%	\$33,250,000	-1.92%	\$33,180,000	-0.21%
BEER TAX	\$16,954,100	\$17,600,000	3.81%	\$17,600,000	0.00%	\$17,500,000	-0.57%
ALCOHOLIC BEVERAGE TAX	\$70,246,200	\$74,275,000	5.74%	\$77,510,000	4.36%	\$80,800,000	4.24%
FRANCHISE & EXCISE TAX	\$2,752,023,800	\$2,892,000,000	5.09%	\$3,019,560,000	4.41%	\$3,160,000,000	4.65%
INHERITANCE TAX	\$2,221,300	-	-	-	-	-	-
TOBACCO TAX	\$241,773,000	\$236,150,000	-2.33%	\$235,000,000	-0.49%	\$234,000,000	-0.43%
MOTOR VEHICLE TITLE FEES	\$23,600,900	\$24,250,000	2.75%	\$25,400,000	4.74%	\$26,540,000	4.49%
MIXED DRINK TAX	\$136,145,200	\$150,465,000	10.52%	\$171,300,000	13.85%	\$193,300,000	12.84%
BUSINESS TAX	\$203,359,900	\$211,000,000	3.76%	\$218,000,000	3.32%	\$235,480,000	8.02%
SEVERANCE TAX	\$1,012,400	\$1,100,000	8.65%	\$1,104,000	0.36%	\$1,110,000	0.54%
COIN AMUSEMENT TAX	\$261,100	\$270,000	3.41%	\$274,000	1.48%	\$275,000	0.36%
UNAUTHORIZED SUBSTANCE TAX	\$6,000	\$1,000	-83.33%	\$1,000	0.00%	\$1,000	0.00%
TOTAL	\$15,267,922,800	\$15,736,361,692	3.07%	\$16,241,890,627	3.21%	\$16,772,449,943	3.27%
1. Excludes \$112.0 million in earmarked fees collected under sales tax for E911 telecommunications services.							
2. Privilege Tax excludes \$52.0 million earmark not included by F&A.							

SOURCE OF REVENUE					
Department of Revenue Taxes	Total Revenue	<u>General Fund</u>	<u>Highway Fund</u>	<u>Debt Service Fund</u>	<u>Cities & Counties</u>
		<u>& Education Fund</u>			
Sales and Use Tax	\$9,636,850,000	\$9,025,850,000	\$28,300,000	\$67,200,000	\$515,500,000
Gasoline Tax	\$863,630,000	\$13,800,000	\$459,000,000	\$75,600,000	\$315,230,000
Motor Fuel Tax	\$267,305,000	\$2,690,000	\$195,615,000	-	\$69,000,000
Gasoline Inspection Tax	\$70,437,000	\$20,780,000	\$37,540,000	-	\$12,117,000
Motor Vehicle Registration Tax	\$343,245,000	\$53,200,000	\$290,045,000	-	
Income Tax	\$150,000,000	\$96,600,000	-	-	\$53,400,000
Privilege Tax	\$399,363,692	\$392,283,692	-	-	\$7,080,000
Gross Receipts Tax - TVA	\$364,520,000	\$201,580,000	-	-	\$162,940,000
Gross Receipts Tax - Other	\$33,900,000	\$26,200,000	\$7,700,000	-	-
Beer Tax	\$17,600,000	\$11,790,000	\$2,248,662	-	\$3,561,338
Alcoholic Beverage Tax	\$74,275,000	\$63,300,000	-	-	\$10,975,000
Franchise and Excise Tax	\$2,892,000,000	\$2,670,900,000	-	\$183,100,000	\$38,000,000
Inheritance and Estate Tax	-	-	-	-	-
Tobacco Tax	\$236,150,000	\$236,150,000	-	-	-
Motor Vehicle Title Fees	\$24,250,000	\$21,550,000	-	\$2,700,000	-
Mixed Drink Tax	\$150,465,000	\$75,315,000	-	-	\$75,150,000
Business Tax	\$211,000,000	\$211,000,000	-	-	-
Severance Tax	\$1,100,000	\$370,000	-	-	\$730,000
Coin-operated Amusement Tax	\$270,000	\$270,000	-	-	-
Unauthorized Substance Tax	\$1,000	\$1,000	-	-	-
Total Department of Revenue	\$15,736,361,692	\$13,123,629,692	\$1,020,448,662	\$328,600,000	\$1,263,683,338



Estimated State Tax Revenue

November 15, 2019

Forecasting Overview

- Forecasting process involves historical collections data along with economic indicators from Moody's.
- Models provide forecasts that are then adjusted as necessary based on business knowledge and experience.
- Forecasts may also be adjusted to account for anticipated federal and/or state legislation impacts, as well as any non-recurring revenue.

Fiscal Year 2019 Tax Revenue

COMPARISON OF ACCRUAL STATE TAX REVENUE

DEPARTMENT OF REVENUE TAXES

YEAR OVER YEAR COMPARISON

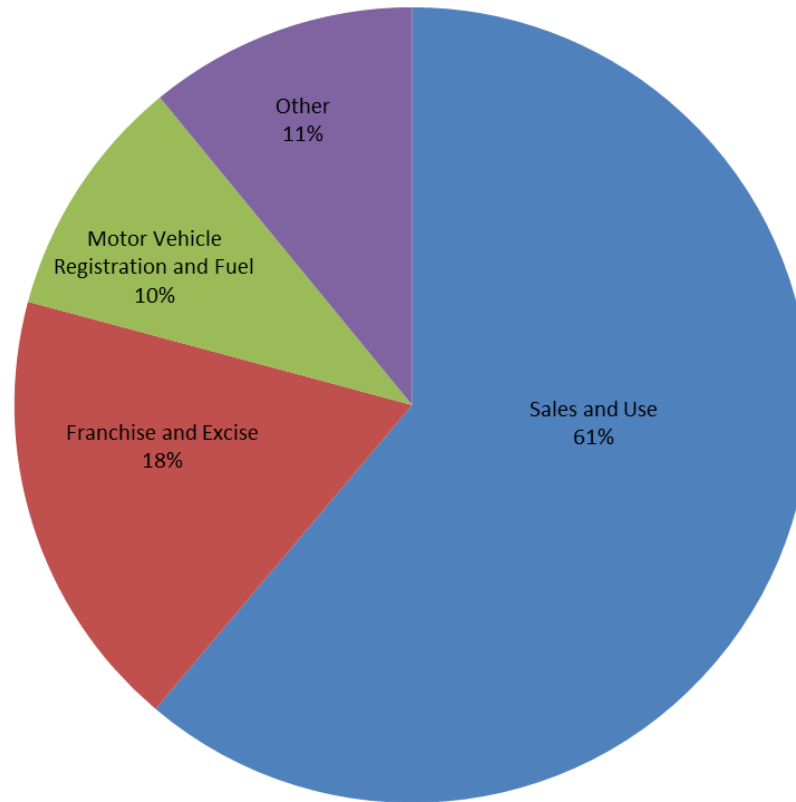
	Fiscal Year 2018	Fiscal Year 2019	% Change	Tax Weight	Total % Point Contribution
Sales and Use Tax	\$8,835,187,100	\$9,337,817,700	5.69%	61%	3.47%
Corporate Franchise and Excise Tax	\$2,570,771,100	\$2,752,023,800	7.05%	18%	1.25%
Motor Vehicle Registration and Fuel ¹	\$1,426,800,000	\$1,508,692,300	5.74%	10%	0.57%
Other	\$1,649,264,500	\$1,669,389,000	1.22%	11%	0.14%
TOTAL ACCRUAL REVENUE	\$14,482,022,700	\$15,267,922,800	5.43%	100%	5.43%

*Data from F&A.

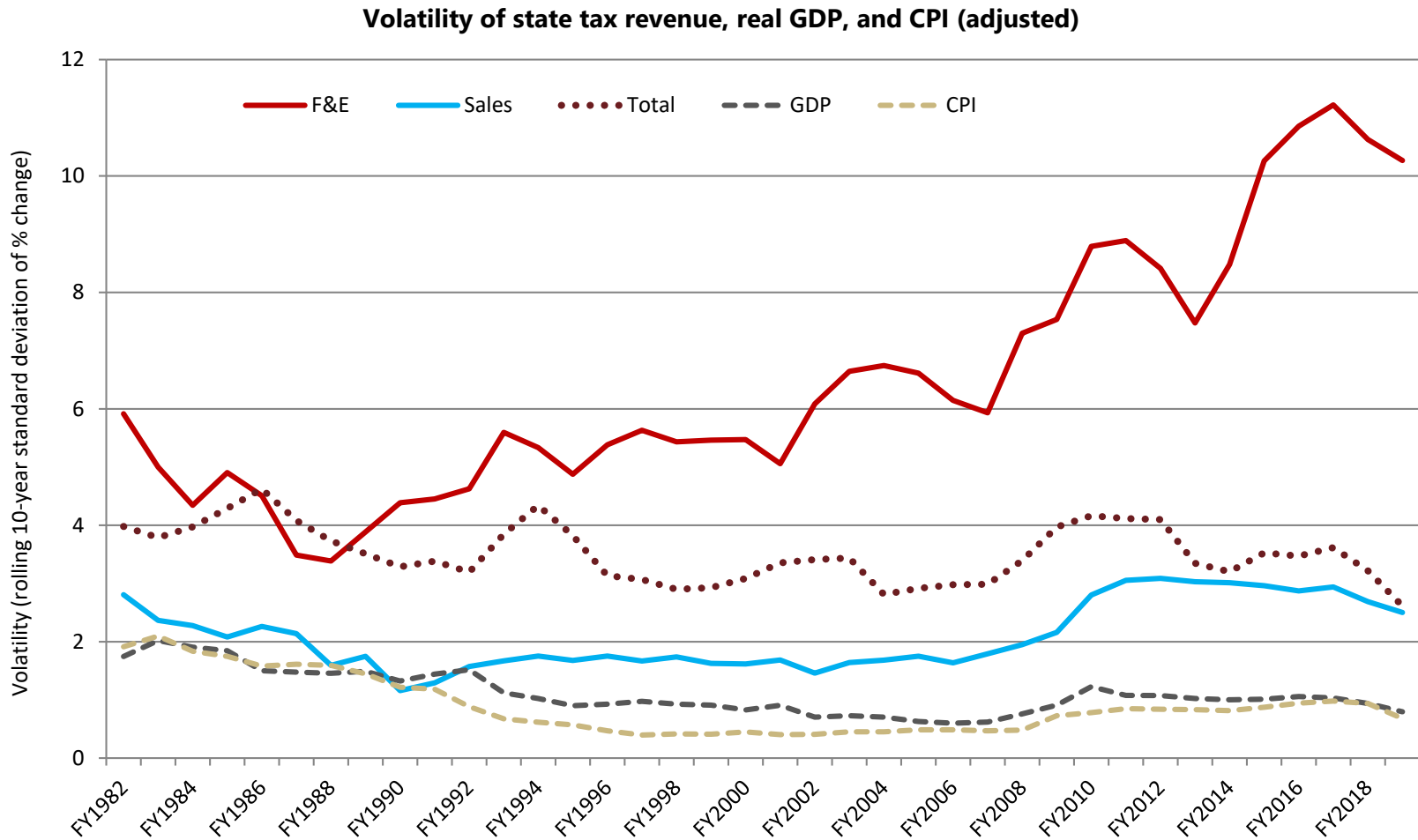
¹Includes motor vehicle registrations, gasoline, motor vehicle fuel, and petroleum special taxes.

Fiscal Year 2019 Tax Revenue

FY 2019 Accrual State Tax Collections

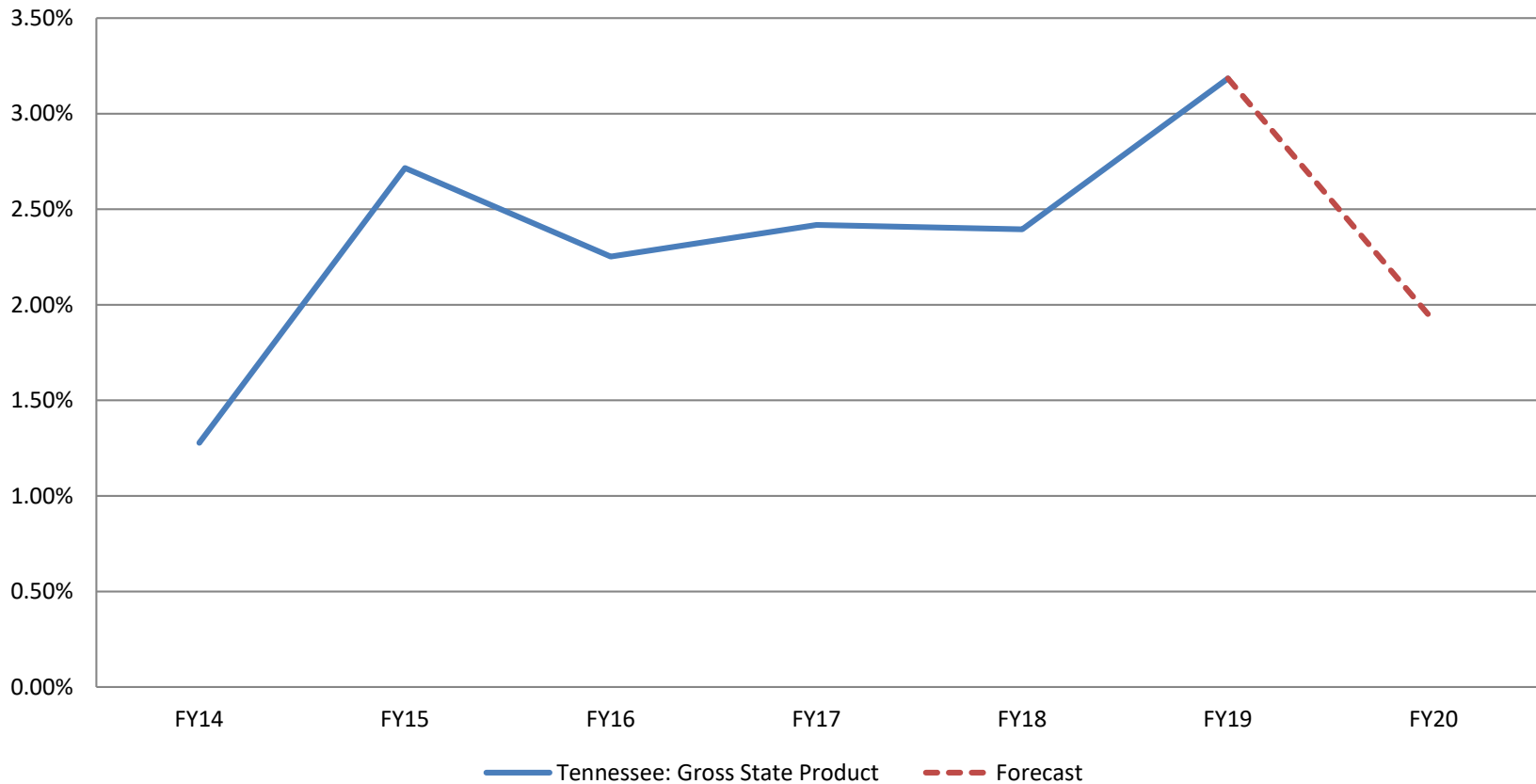


Tennessee Tax Volatility Comparison



Tennessee Gross State Product

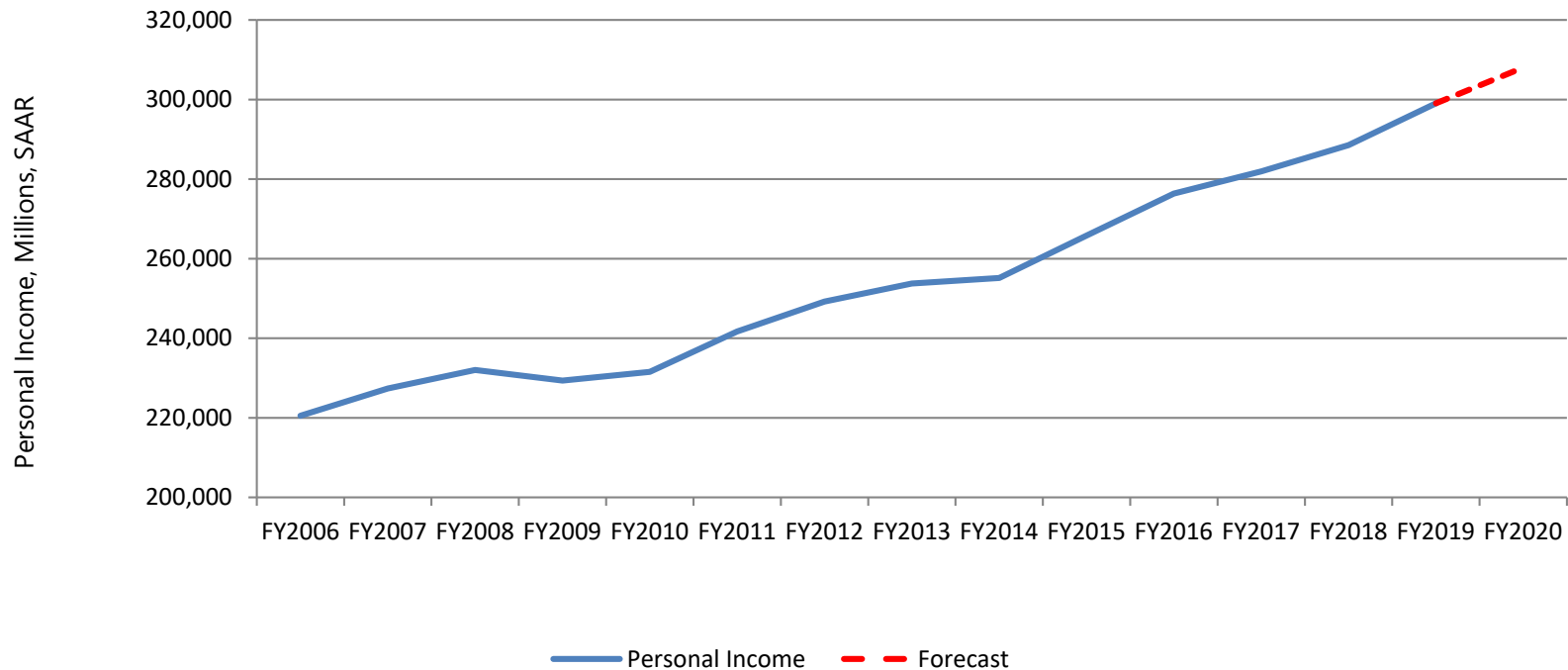
Tennessee: Gross State Product
(Y/Y Growth)



Tennessee Personal Income

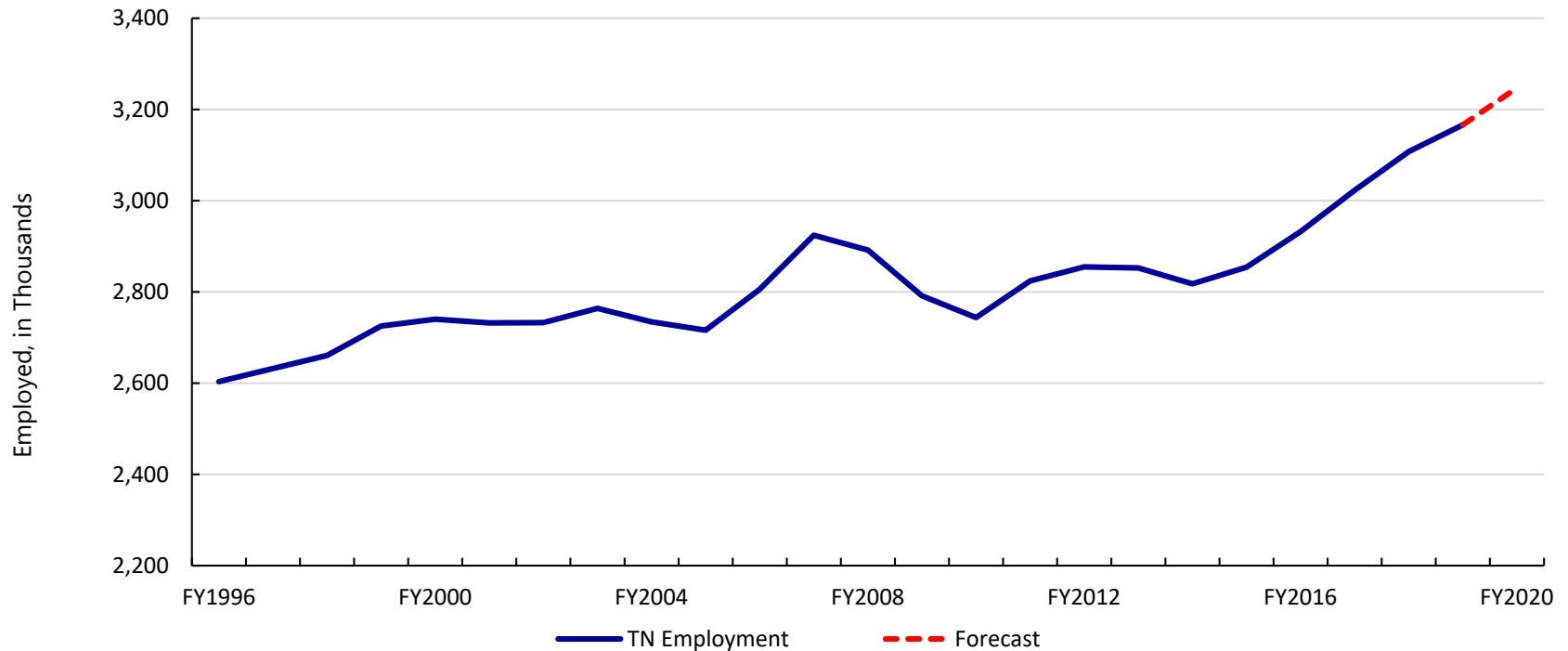
- Personal income gains of 3.63% for FY 2019
- Personal income gains of 3.01% are expected for FY 2020, led by growth in wages and salaries

TN Personal Income



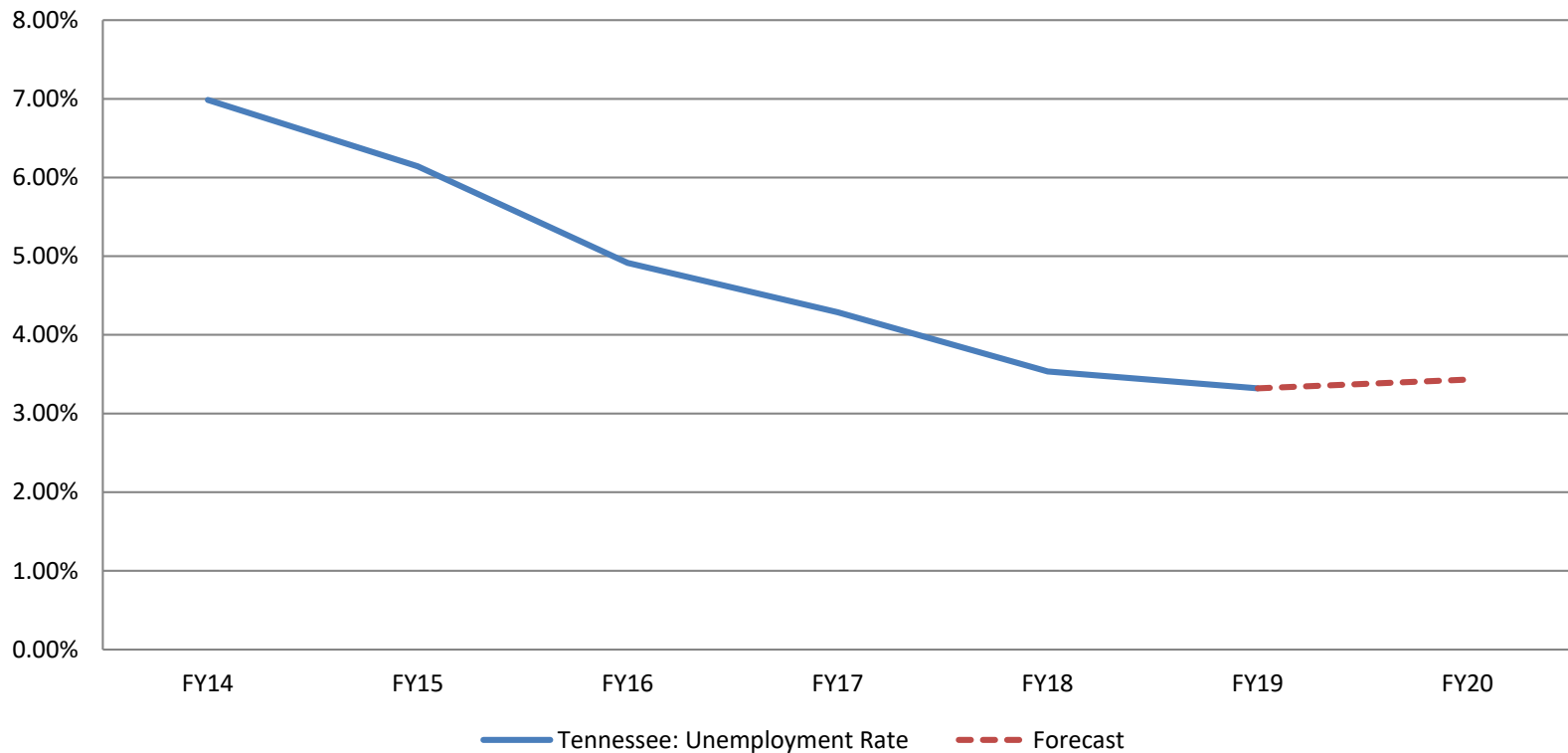
Tennessee Employment

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



Tennessee Unemployment

Tennessee Unemployment Rate
(Percent)



Auto Industry Recent Collections History

Revenue Implications of 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
April	\$61,451,376	-2.62%	-\$1,653,267
May	\$57,426,618	9.58%	\$5,019,751
June	\$62,922,076	5.24%	\$3,130,862
July	\$57,660,018	-0.90%	-\$525,910
August	\$62,058,853	5.84%	\$3,421,819
September	\$66,709,556	10.08%	\$6,108,037
		4.39%	\$15,501,291

Sales Tax Collections from Motor Vehicle Dealers, Used

	Collections	YOY % Growth	YOY \$ Growth
April	\$20,849,233	6.01%	\$1,182,855
May	\$17,939,812	12.12%	\$1,939,912
June	\$18,164,666	8.28%	\$1,389,542
July	\$17,040,724	6.98%	\$1,111,912
August	\$18,290,491	18.12%	\$2,806,369
September	\$19,025,547	17.18%	\$2,789,464
		11.21%	\$11,220,053

Sales Tax Collections from Auto Repair, Services, and Parking

	Collections	YOY % Growth	YOY \$ Growth
April	\$17,818,579	1.52%	\$289,696
May	\$19,337,507	22.51%	\$4,010,494
June	\$17,543,079	17.06%	\$3,299,474
July	\$21,146,200	28.53%	\$5,005,825
August	\$19,869,636	11.01%	\$2,327,694
September	\$17,766,577	16.73%	\$3,324,156
		15.90%	\$18,527,340

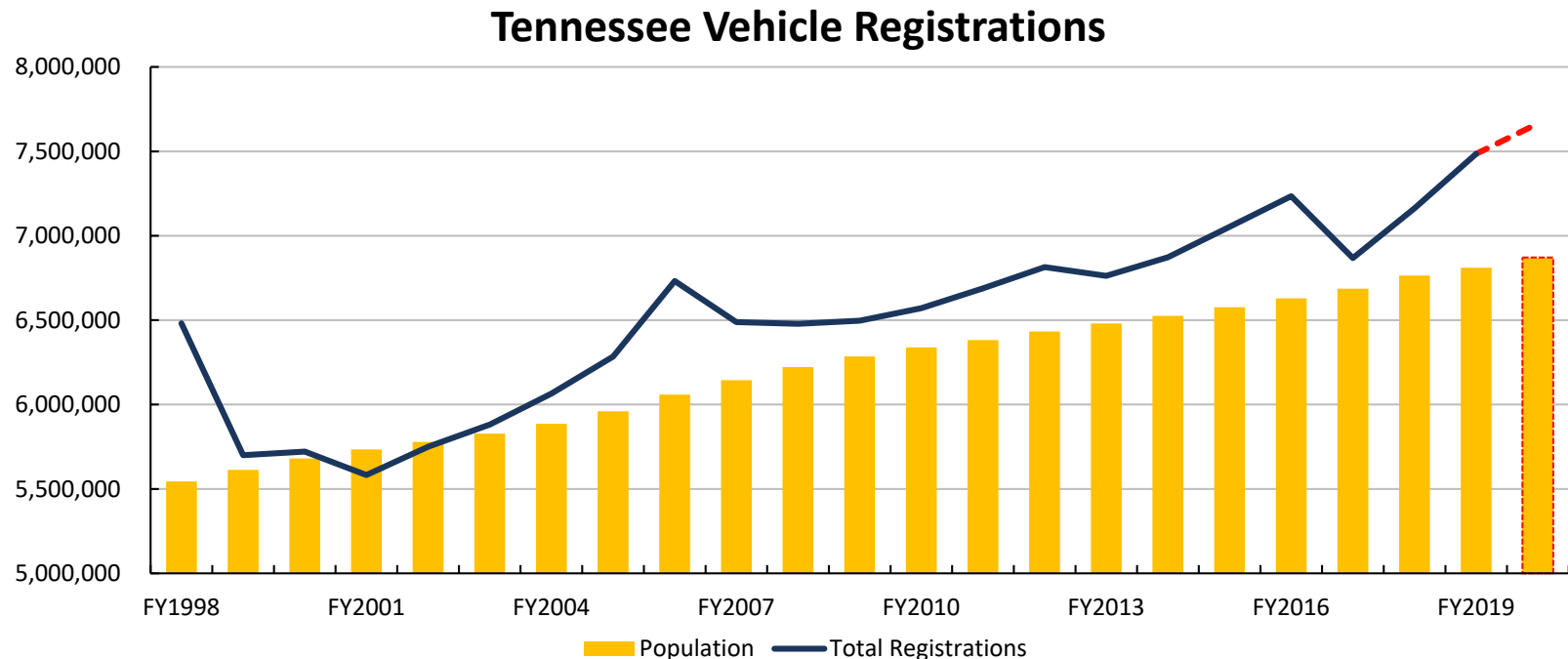
6 Month Total Growth

7.92%

\$44,978,684

Vehicle Registrations

- Tennessee vehicle registrations increased 4.5% from FY 2018 – FY 2019
- By the end of FY 2020, vehicle registrations are expected to increase 2.4% from a year earlier



Fuel Related Recent Collections History

Revenue Implications of 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
April	\$13,451,174	6.40%	\$808,657
May	\$13,449,945	10.24%	\$1,249,171
June	\$14,790,457	10.24%	\$1,374,315
July	\$14,397,654	9.98%	\$1,306,091
August	\$14,721,098	11.14%	\$1,475,123
September	\$14,795,990	13.43%	\$1,752,320
		10.26%	\$7,965,676

Gasoline Tax Collections

	Collections	YOY % Growth	YOY \$ Growth
April	\$74,277,771	9.16%	\$6,233,729
May	\$72,516,578	5.28%	\$3,634,194
June	\$74,185,601	2.63%	\$1,900,744
July	\$69,894,106	2.72%	\$1,852,438
August	\$81,144,983	5.75%	\$4,414,645
September	\$76,987,684	3.22%	\$2,403,483
		4.77%	\$20,439,233

Motor Fuel Tax Collections

	Collections	YOY % Growth	YOY \$ Growth
April	\$23,890,075	18.54%	\$3,735,633
May	\$18,921,526	14.50%	\$2,395,744
June	\$22,759,637	9.14%	\$1,905,220
July	\$23,841,529	12.59%	\$2,665,484
August	\$21,928,218	16.12%	\$3,044,399
September	\$25,465,723	12.49%	\$2,828,402
		13.79%	\$16,574,882

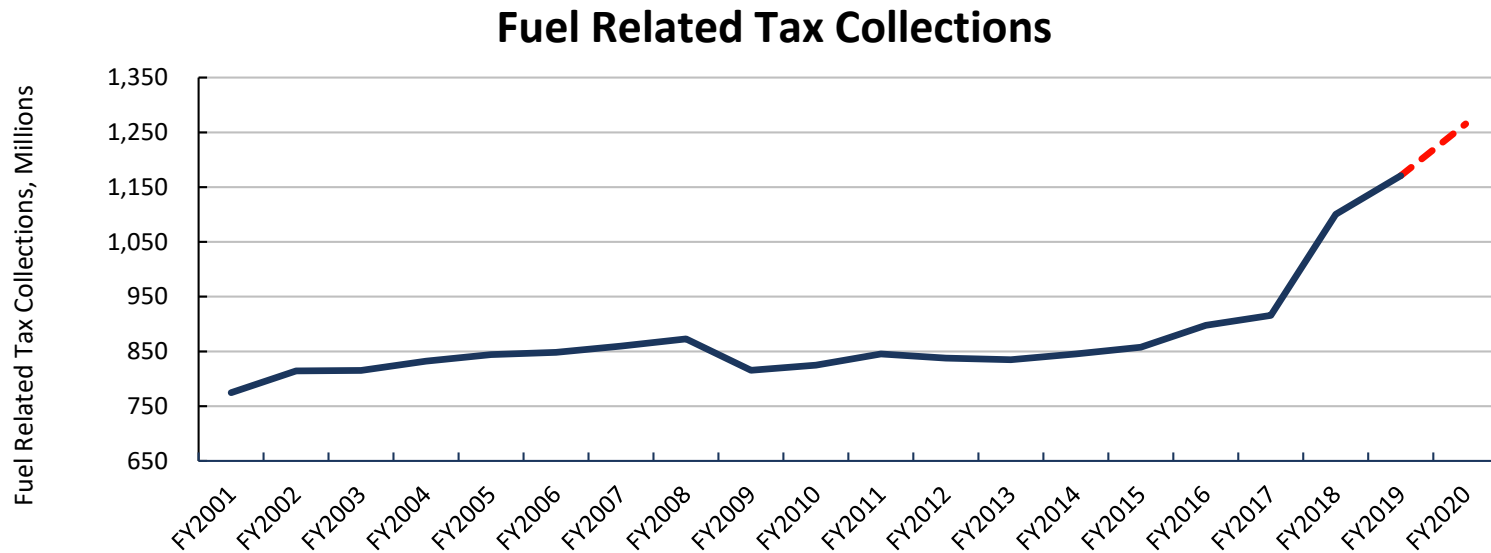
6 Month Total Growth

7.18%

\$44,979,791

Fuel Related Collections*

- Fuel related tax collections increased 6.40% from FY 2018 – FY 2019
- By the end of FY 2020, collections are expected to increase 8.09% from a year earlier



Housing Related Recent Collections History

Revenue Implications of 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
April	\$47,743,751	6.90%	\$3,081,133
May	\$53,008,066	10.37%	\$4,980,072
June	\$50,893,556	1.66%	\$829,188
July	\$49,139,871	-3.27%	-\$1,662,321
August	\$47,648,837	1.36%	\$639,119
September	\$44,019,444	0.17%	\$76,148
		2.79%	\$7,943,339

Privilege Tax Collections from Realty Transfer

	Collections	YOY % Growth	YOY \$ Growth
April	\$15,262,347	10.72%	\$1,477,676
May	\$15,413,094	2.13%	\$321,700
June	\$18,088,921	8.60%	\$1,432,217
July	\$18,838,856	7.39%	\$1,295,845
August	\$19,666,617	19.24%	\$3,172,771
September	\$18,877,356	10.66%	\$1,818,302
		9.85%	\$9,518,510

Privilege Tax Collections from Realty Mortgage

	Collections	YOY % Growth	YOY \$ Growth
April	\$6,452,796	15.02%	\$842,462
May	\$6,269,092	2.76%	\$168,196
June	\$6,605,416	-1.28%	-\$85,973
July	\$6,969,143	10.78%	\$678,447
August	\$7,558,731	24.30%	\$1,477,722
September	\$7,786,593	21.86%	\$1,396,725
		12.05%	\$443,644

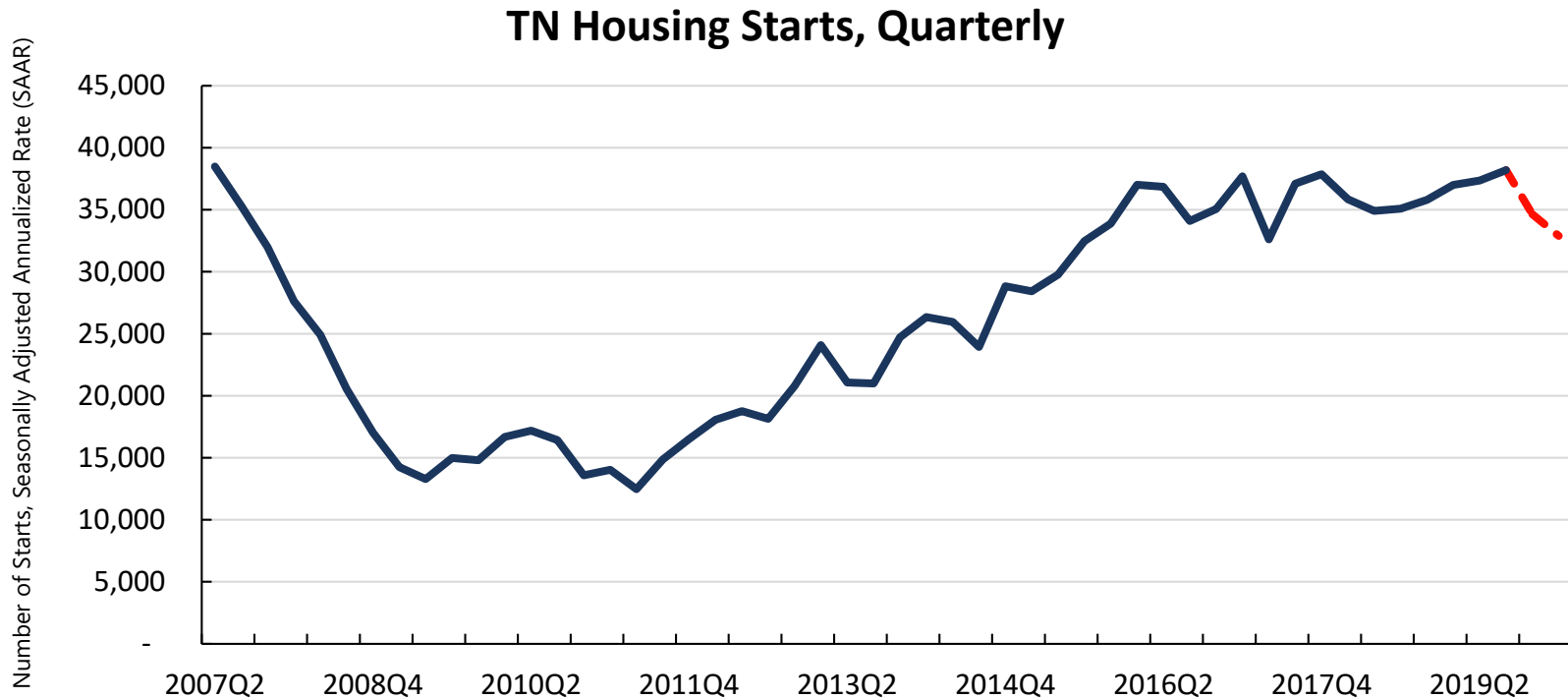
6 Month Total Growth

5.24%

\$21,939,428

Housing Starts

- Housing starts decreased 0.32% from FY 2018 – FY 2019
- By the end of FY 2020, housing starts are expected to decrease 4.6% from a year earlier



Non-Recurring Items

- Analyze daily tax revenue collections relative to previous years and budget estimates.
- Identify extraordinary or unusual payments
- 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.

Public Chapter 92 of 2015

- There are no known non-recurring items included in the Franchise and Excise tax estimates for fiscal year 2020 and the Department is not aware of any upcoming non-recurring payments in FY 2020.
- The fiscal year 2020 Franchise and Excise tax estimates do not include revenue estimates for any proposed or potential rule changes.



REVENUE COLLECTION ESTIMATES
STATE FUNDING BOARD MEETING - 11/15/2019
Accrual year basis (USD)

SOURCE OF REVENUE

Department of Revenue	Accrual Revenues	Official	FY 2020	% change ³ over FY 2019	FY 2021	% change ³ over FY 2020
	FY 2019	Revenue Estimates FY2020	Revised Estimates FY 2020		Revenue Estimates FY 2021	
	Actual					
Sales and Use Tax ¹	\$9,337,800,000	\$9,500,600,000	9,711,300,000	4.00%	10,085,200,000	3.85%
Gasoline Tax	843,400,000	872,700,000	885,600,000	5.00%	892,700,000	0.80%
Motor Fuel Tax	257,700,000	289,200,000	309,500,000	20.10%	300,200,000	-3.00%
Gasoline Inspection Tax	69,800,000	70,400,000	70,500,000	1.00%	71,200,000	0.99%
Motor Vehicle Registration Tax	337,900,000	339,300,000	344,000,000	1.81%	350,200,000	1.80%
Income Tax	203,800,000	103,200,000	134,500,000	-34.00%	75,300,000	-44.01%
Privilege Tax ²	376,800,000	367,800,000	374,900,000	-0.50%	388,000,000	3.49%
Gross Receipts Tax - TVA	361,900,000	360,000,000	378,200,000	4.50%	397,100,000	5.00%
Gross Receipts Tax - Other	31,300,000	26,300,000	32,000,000	2.24%	32,500,000	1.56%
Beer Tax	17,000,000	16,900,000	17,200,000	1.18%	17,400,000	1.16%
Alcoholic Beverage Tax	70,200,000	74,900,000	73,200,000	4.27%	76,200,000	4.10%
Franchise & Excise Tax	2,752,000,000	2,616,600,000	2,892,400,000	5.10%	2,999,400,000	3.70%
Inheritance and Estate Tax	2,200,000	-	-	-	-	-
Tobacco Tax	241,800,000	240,800,000	238,200,000	-1.49%	235,800,000	-1.01%
Motor Vehicle Title Fees	23,600,000	26,200,000	24,000,000	1.69%	24,300,000	1.25%
Mixed Drink Tax	136,100,000	138,000,000	152,700,000	12.20%	169,500,000	11.00%
Business Tax	203,400,000	211,700,000	216,600,000	6.49%	230,000,000	6.19%
Severance Tax	1,000,000	800,000	1,000,000	0.00%	1,000,000	0.00%
Coin-operated Amusement Tax	300,000	200,000	300,000	0.00%	300,000	0.00%
Total Department of Revenue	\$15,268,000,000	\$15,255,600,000	15,856,100,000	3.85%	\$16,346,300,000	3.09%
General Fund Only	\$ 12,693,900,000	\$12,668,100,000	\$13,156,600,000	3.65%	\$13,614,300,000	3.48%

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

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

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

Note: Totals may differ due to rounding

Sources

- Data Sourced From:
 - Moody's Analytics (Fall, 2019)
 - BEA (Fall, 2019)
 - BLS (Fall, 2019)
 - U.S. Census Bureau (Fall, 2019)
 - TN Department of Revenue (Fall, 2019)
 - TN Department of Finance & Administration (Fall, 2019)

FY19-20 & FY20-21 Tax Revenue Estimates



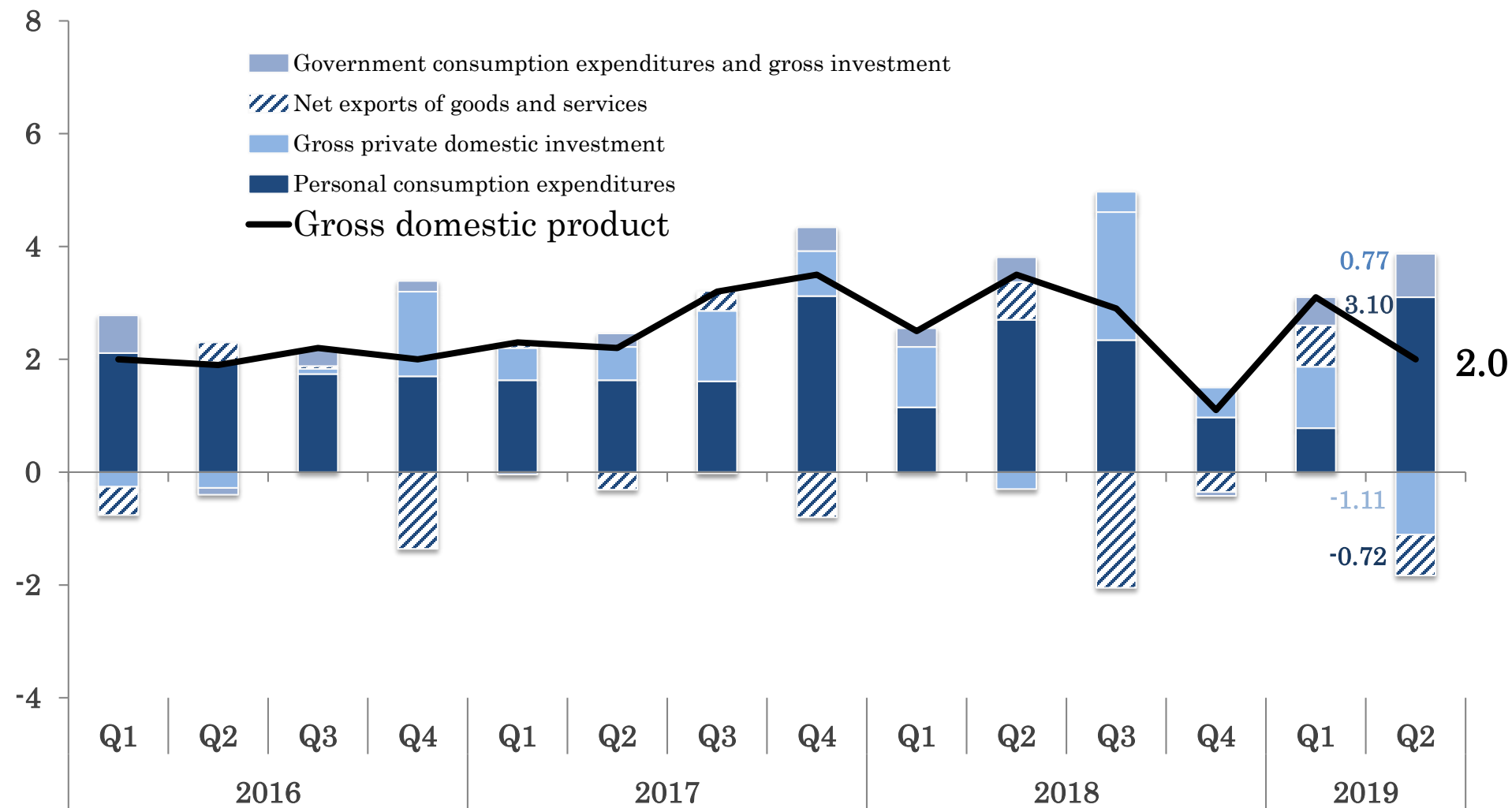
**Fiscal Review Committee Staff
November 15, 2019**

Overview

- Strong U.S. and Tennessee economic indicators over past year and current economic conditions
- Business and Consumer sentiment
- Auto & Housing sectors
- Resilient labor markets
- Earnings and Inflation
- Economic Uncertainty: Trade, Presidential Election, & Yield Spread

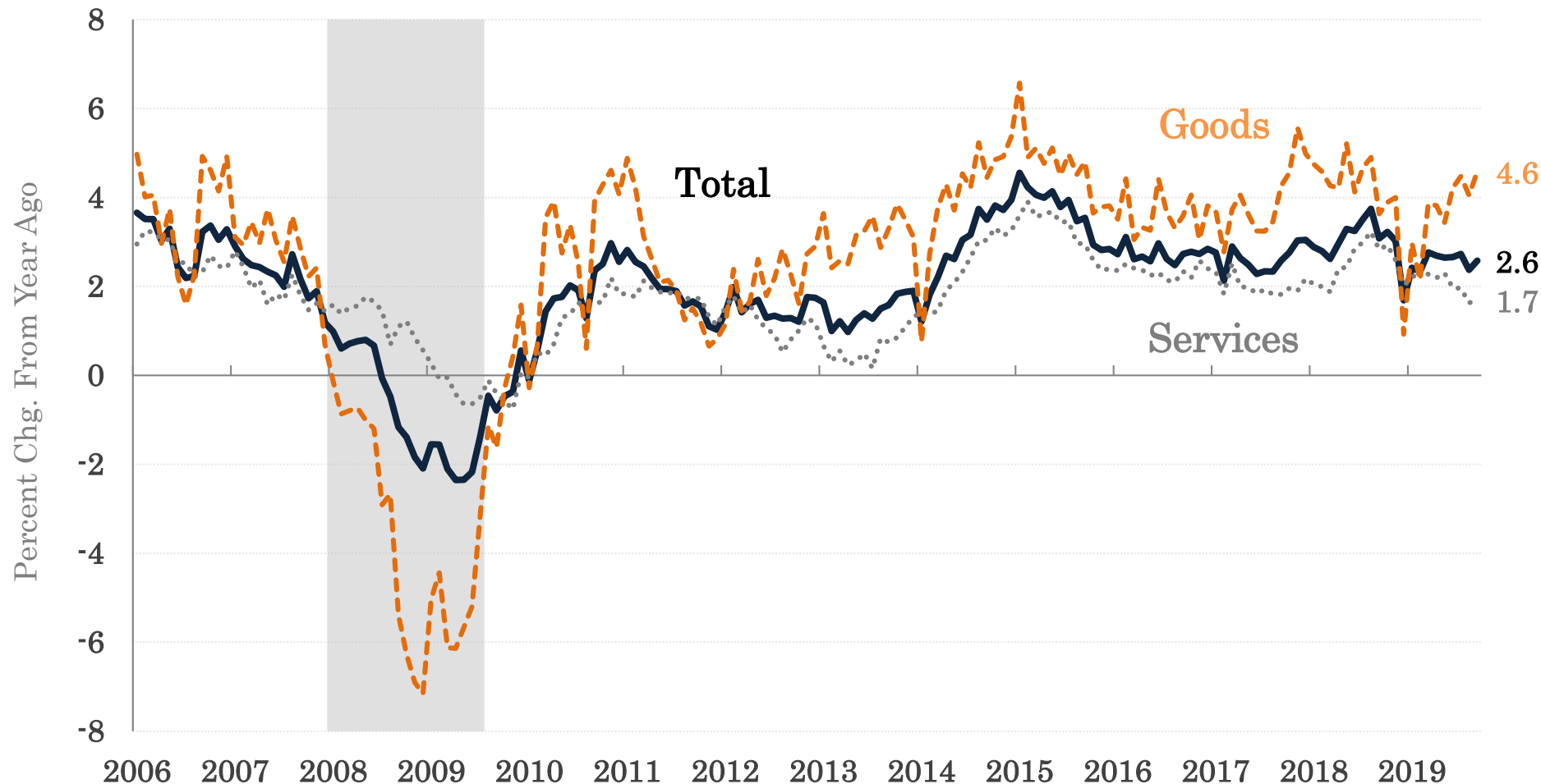
U.S. Real GDP

Contributions to % Change in Real GDP (SAAR)



Real PCE and its Components

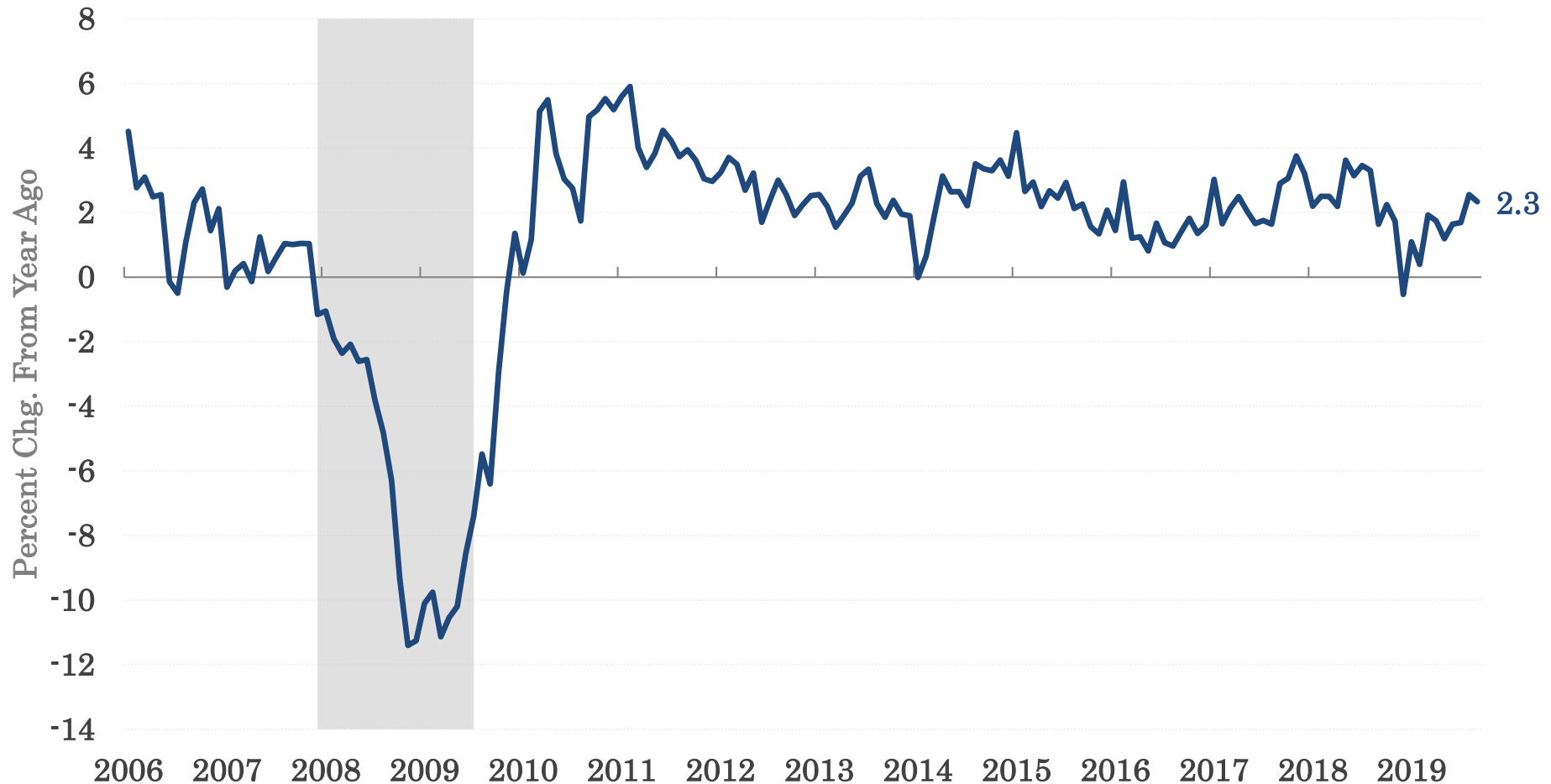
Year-over-Year % Change (Monthly, SAAR)



Source: U.S. Bureau of Economic Analysis; retrieved from FRED, Federal Reserve Bank of St. Louis, November 6, 2019.

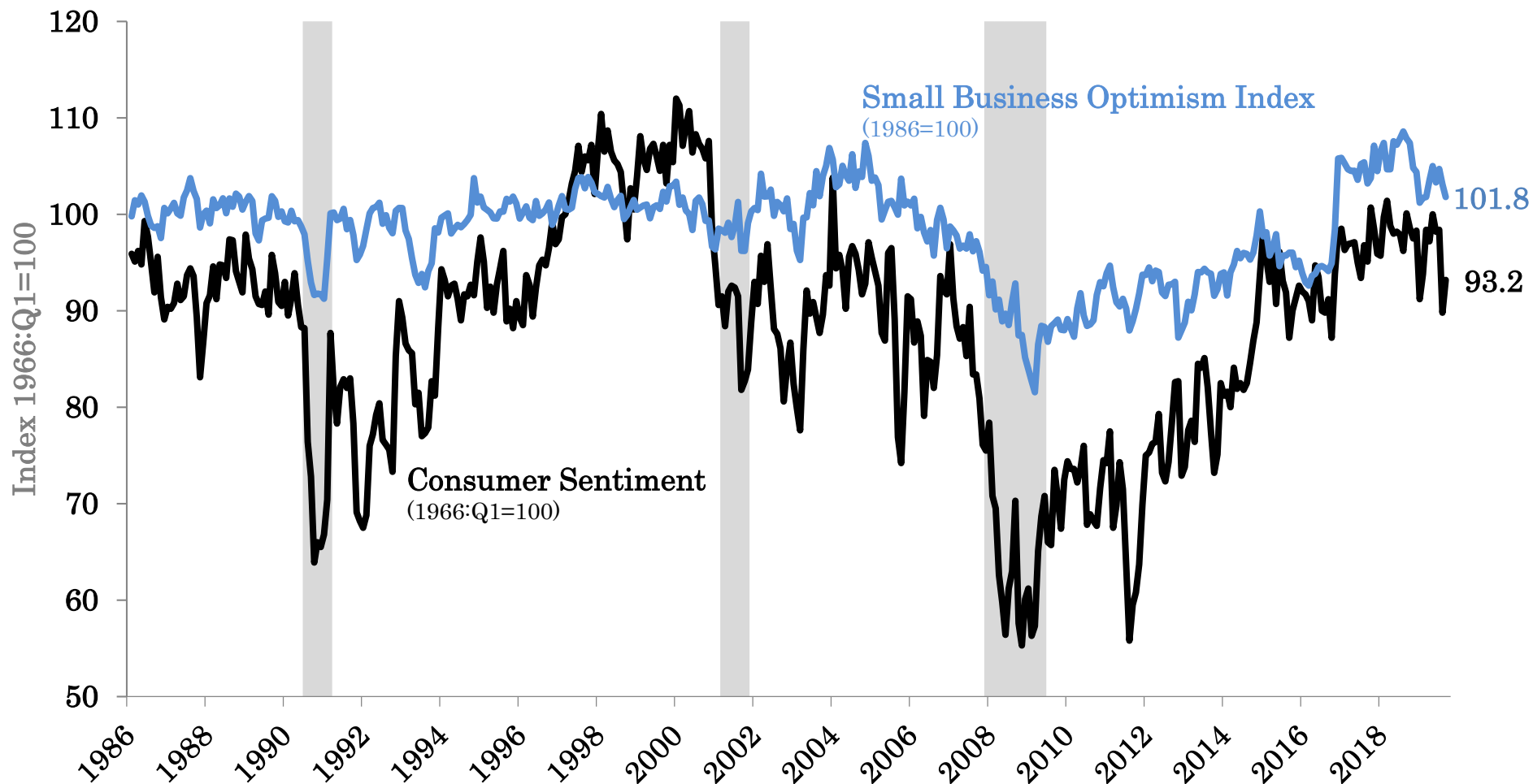
Advance Real Retail and Food Service Sales

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



Source: Federal Reserve Bank of St. Louis, November 6, 2019.

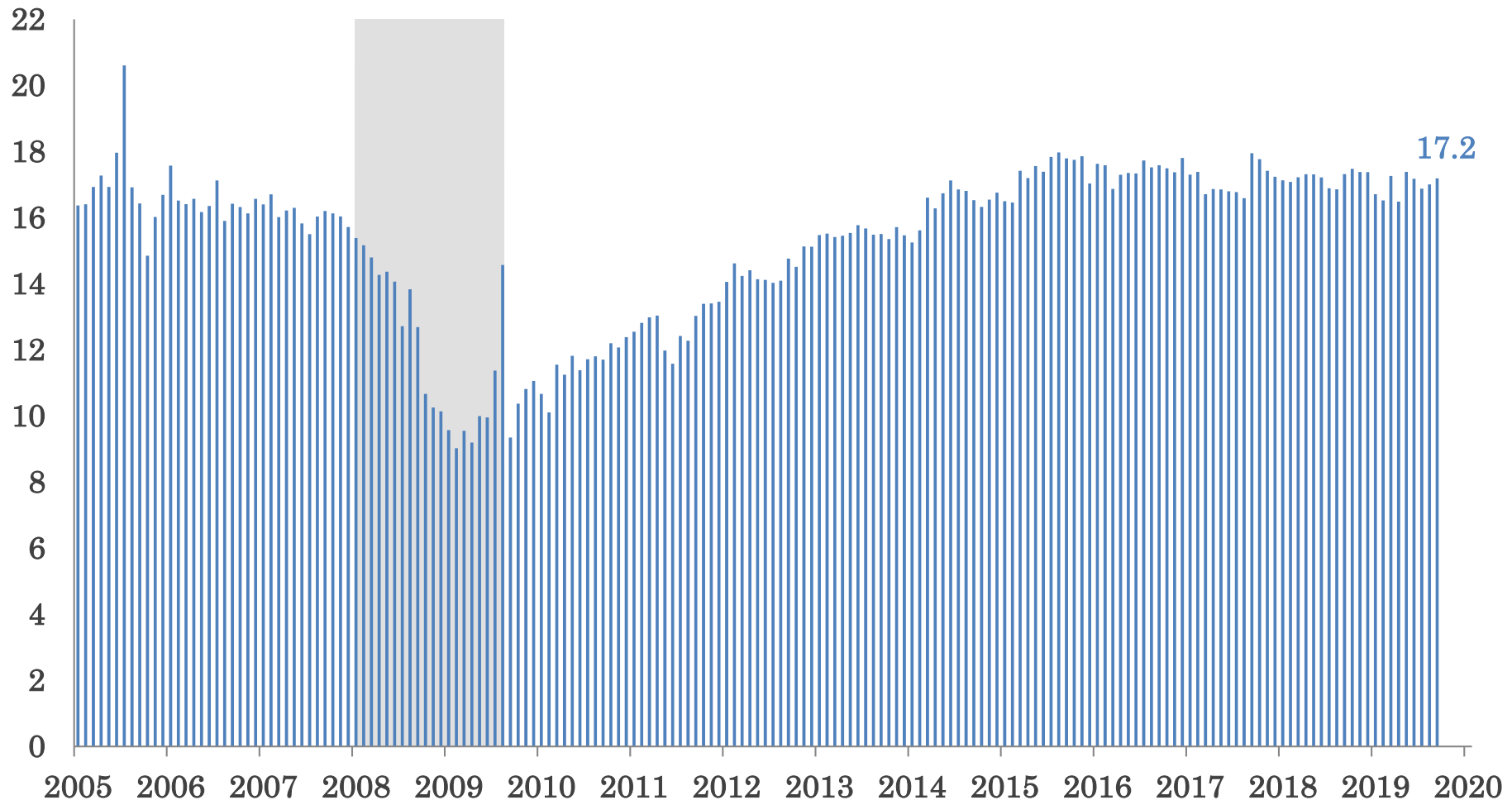
Consumer Sentiment & Small Business Optimism



Source: UofM, retrieved from FRED, Federal Reserve Bank of St. Louis; NFIB, retrieved from nfib-sbet.org, Nov. 6, 2019.

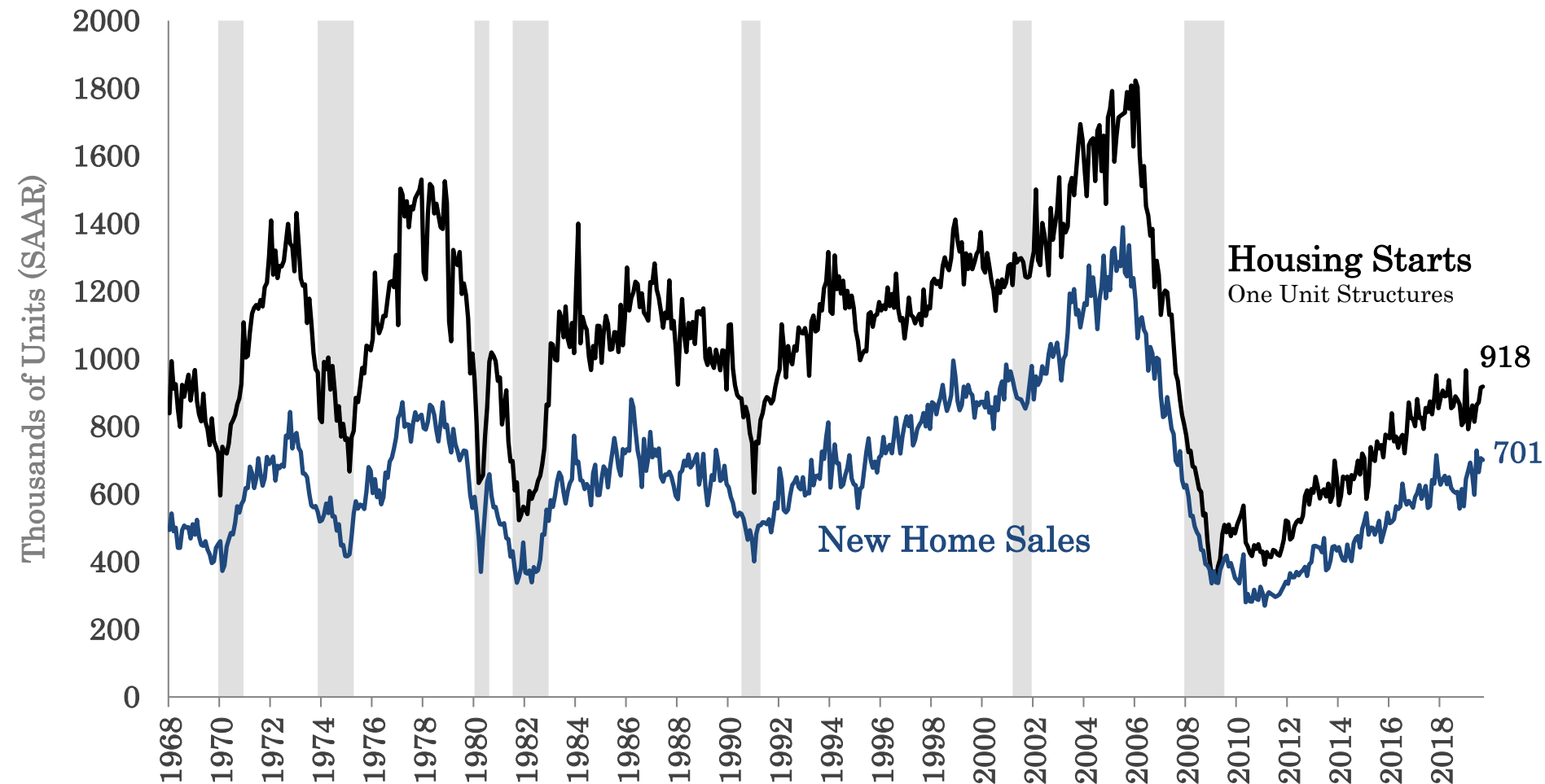
Auto Sector

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



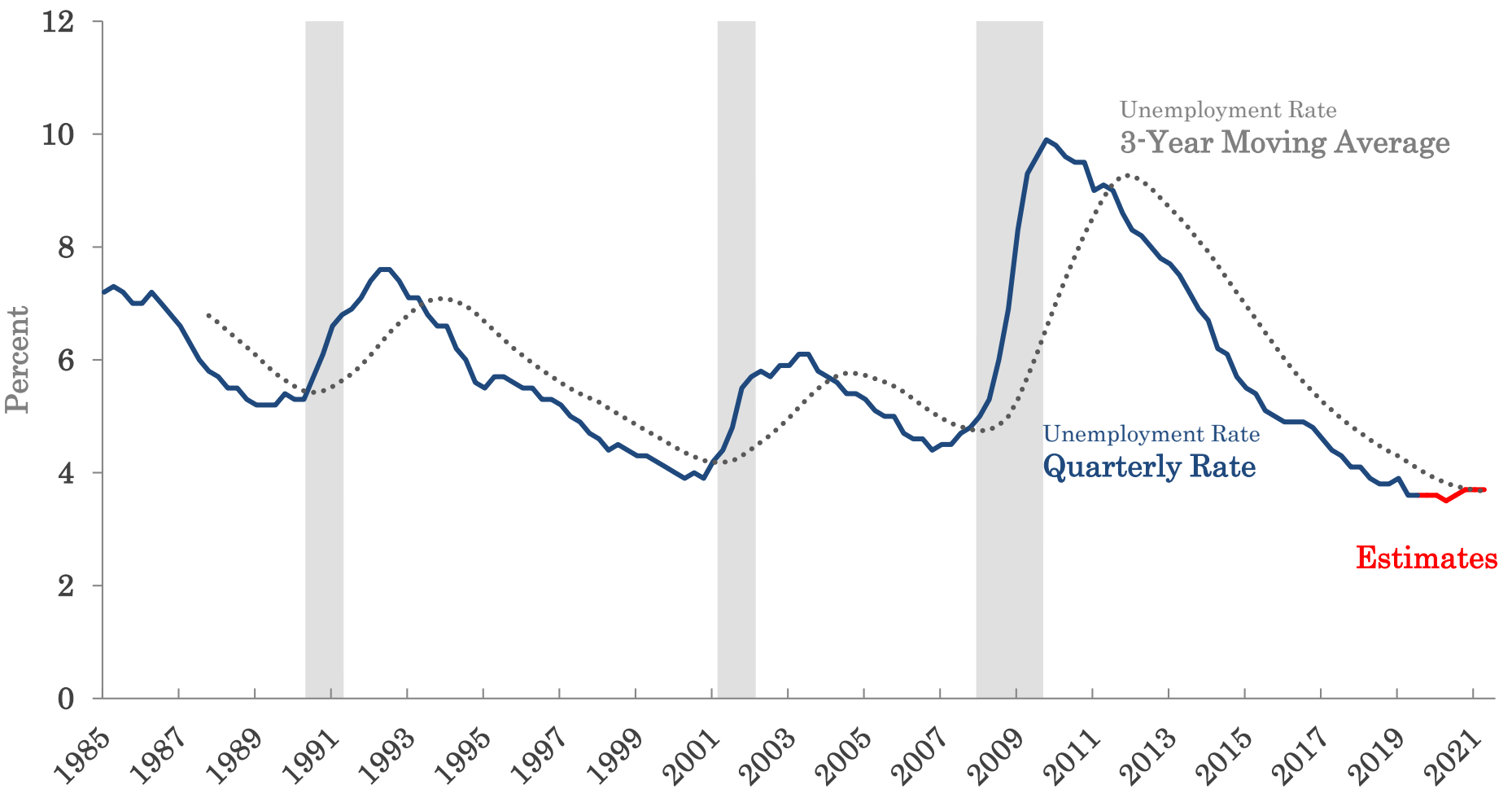
Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis, November 6, 2019.

Housing Sector



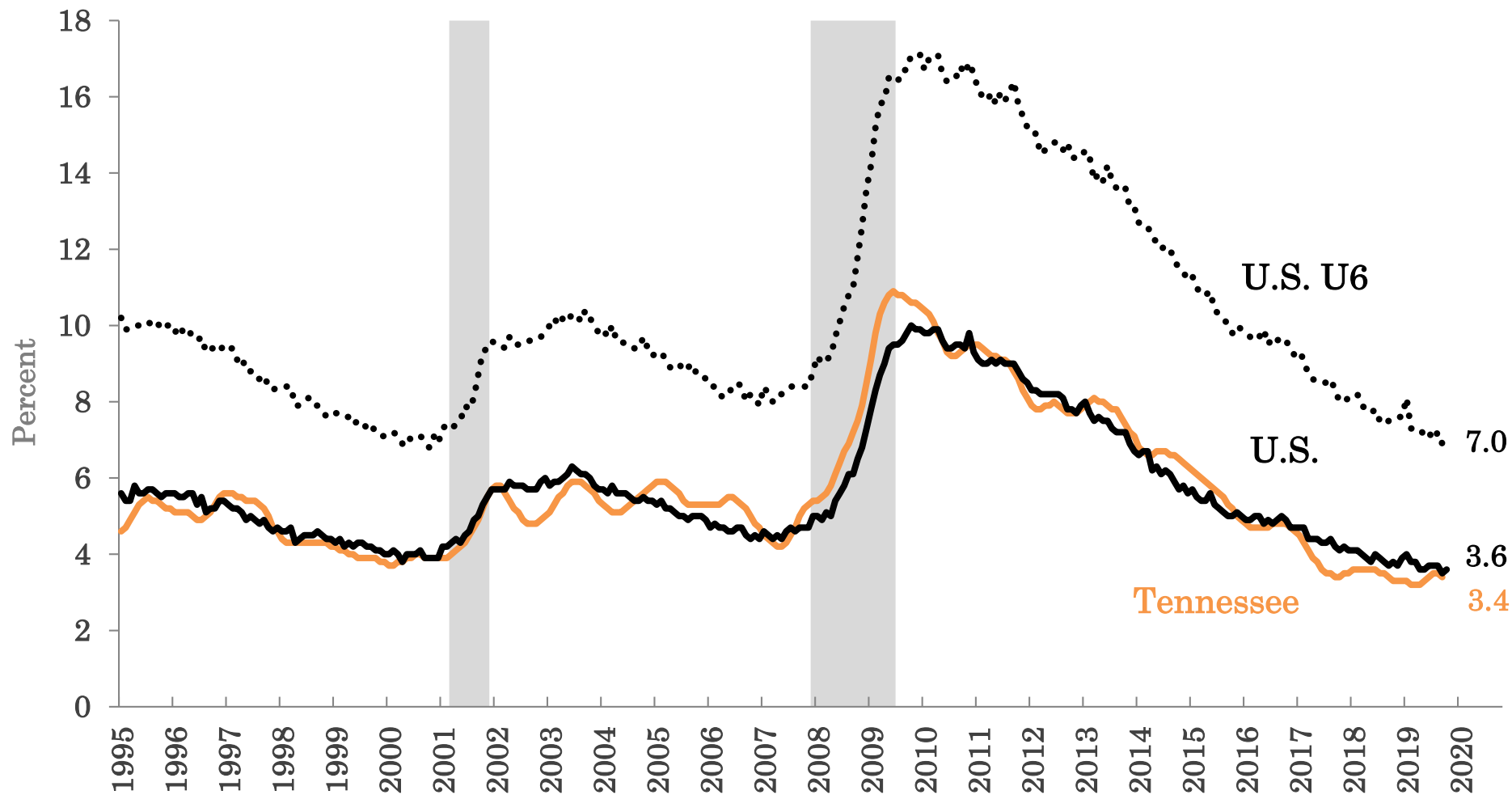
Source: U.S. Bureau of the Census, retrieved from FRED, Federal Reserve Bank of St. Louis, November 6, 2019.

U.S. Unemployment Rate



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis; Wells Fargo, retrieved from wells Fargo.com November 6, 2019.

Unemployment Rates

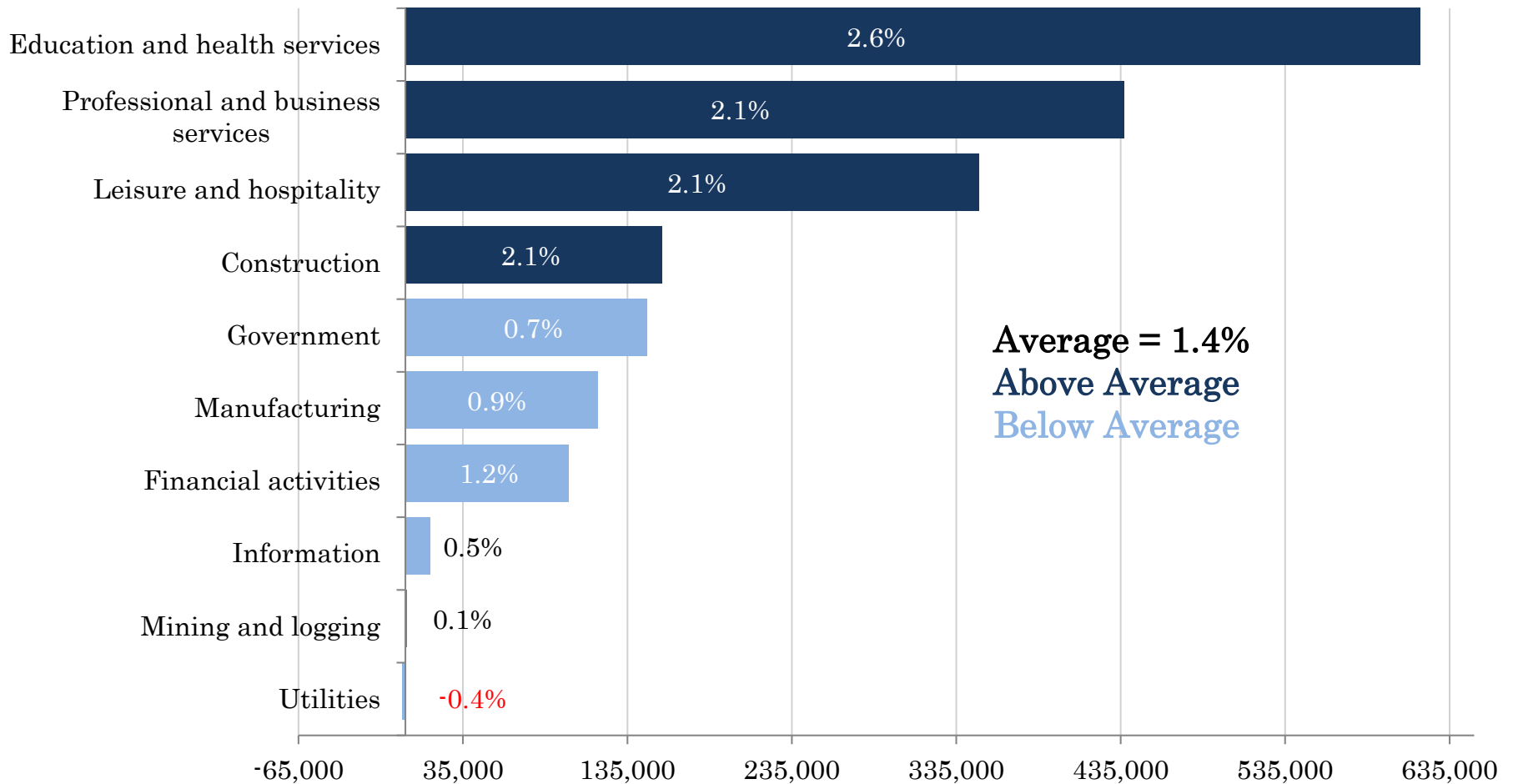


Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 6, 2019.

U.S. Job Growth

September 2019 vs. September 2018

Total 12 Month Increase = 2.15m (+1.4%)

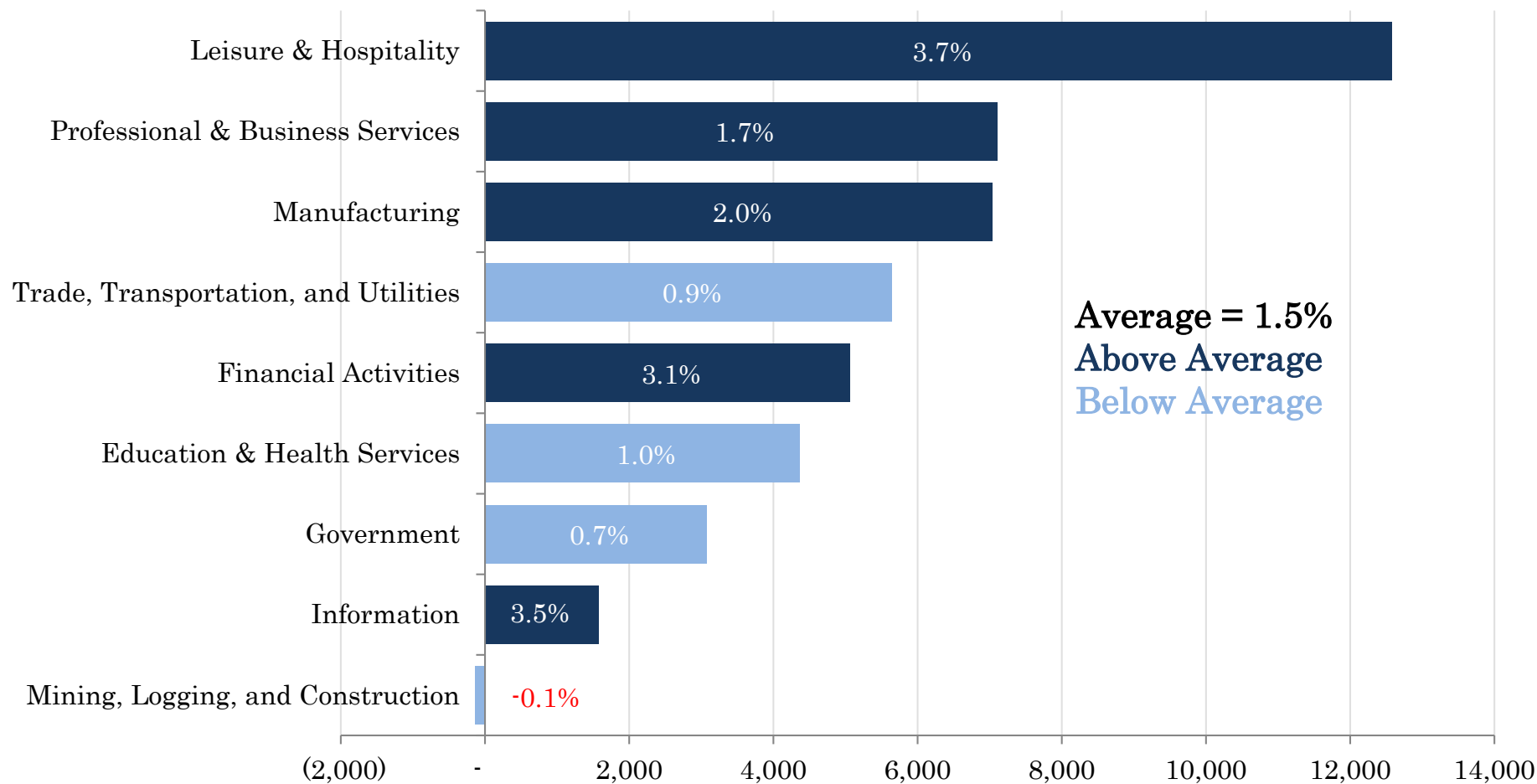


Source: U.S. Bureau of Labor Statistics, November 6, 2019.

Tennessee Job Growth

September 2019 vs. September 2018

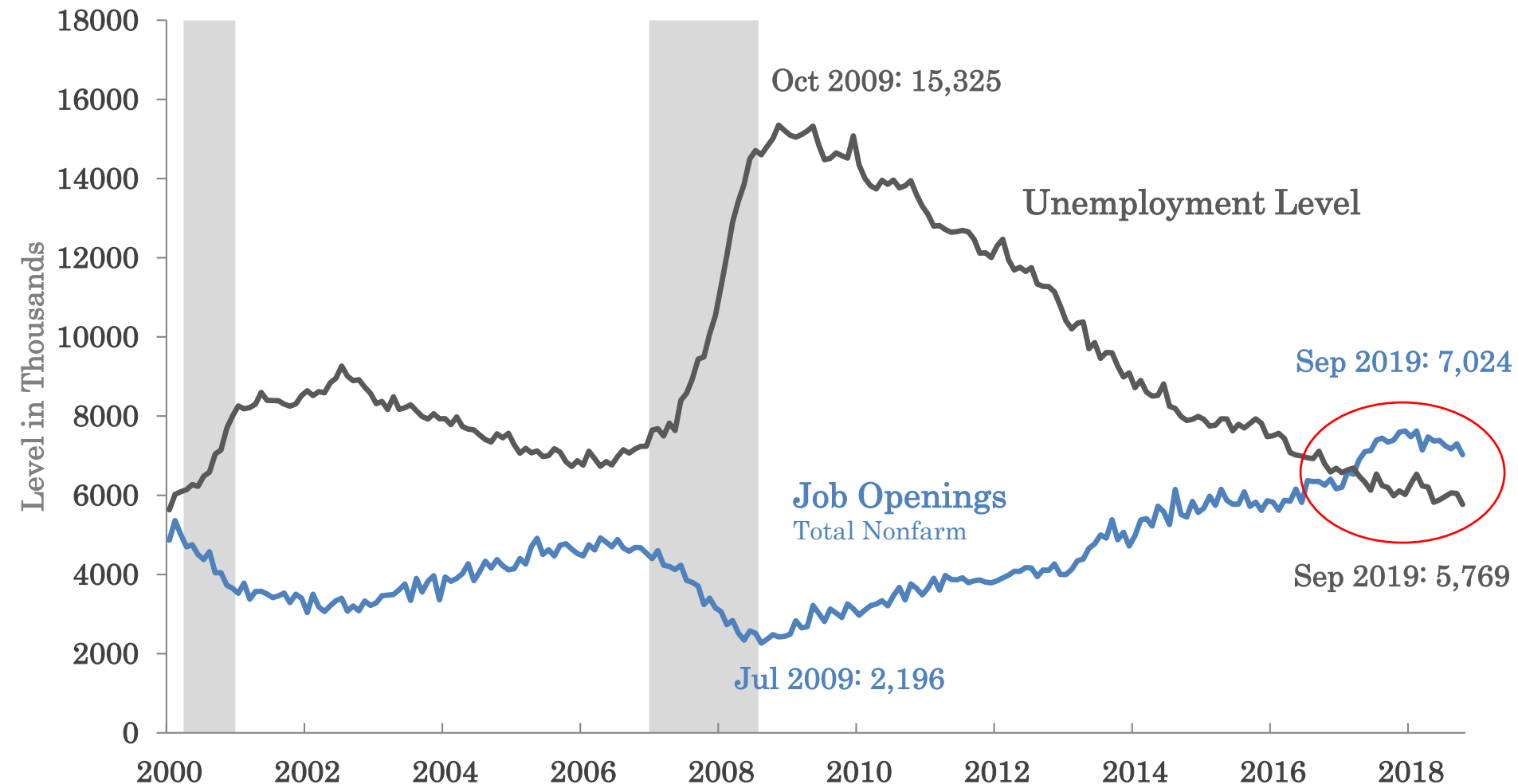
Total 12 Month Increase = 46,043 (+1.5%)



Source: U.S. Bureau of Labor Statistics, November 6, 2019.

Job Openings & Unemployment

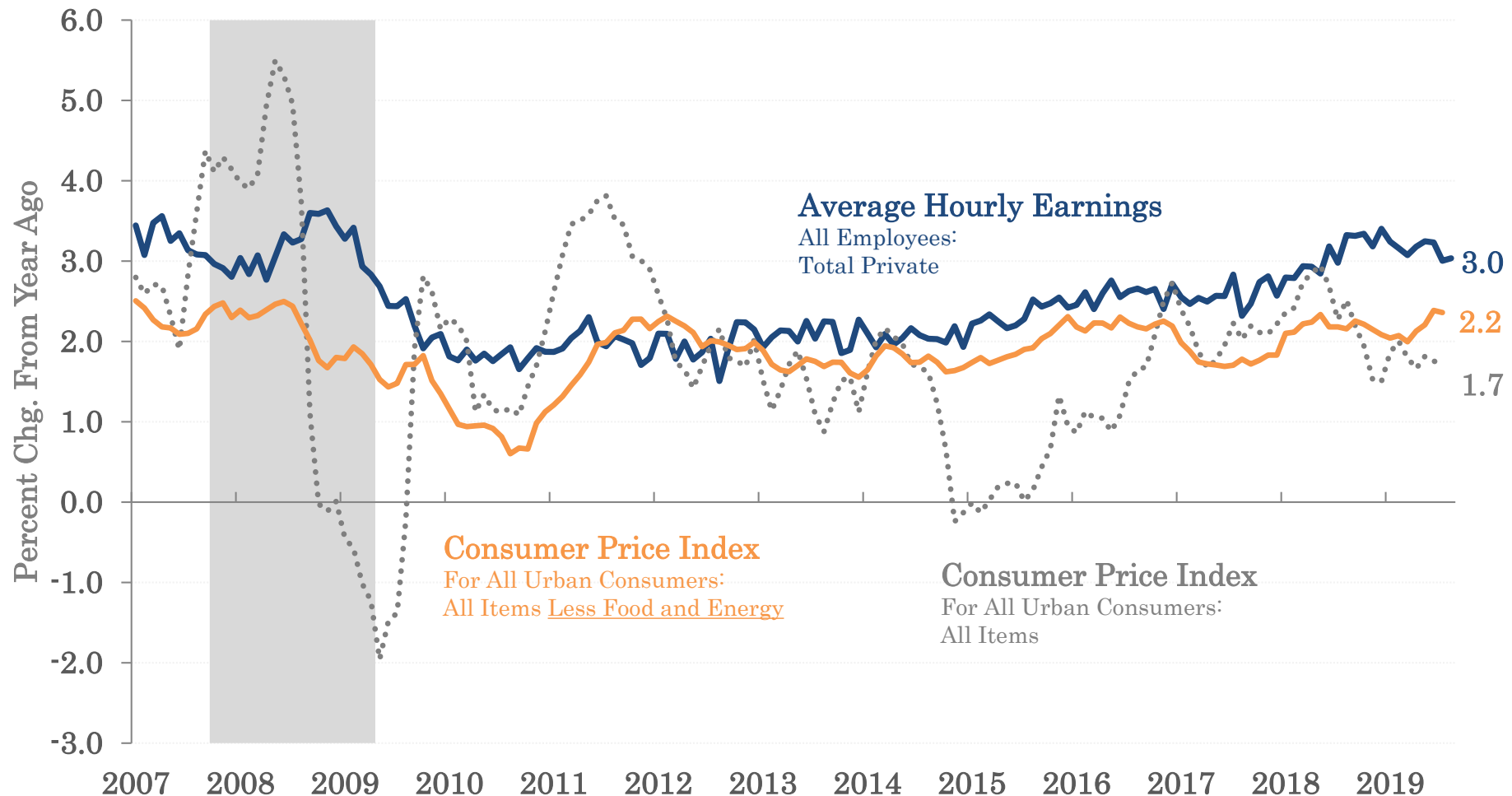
Monthly, SA



Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, November 6, 2019.

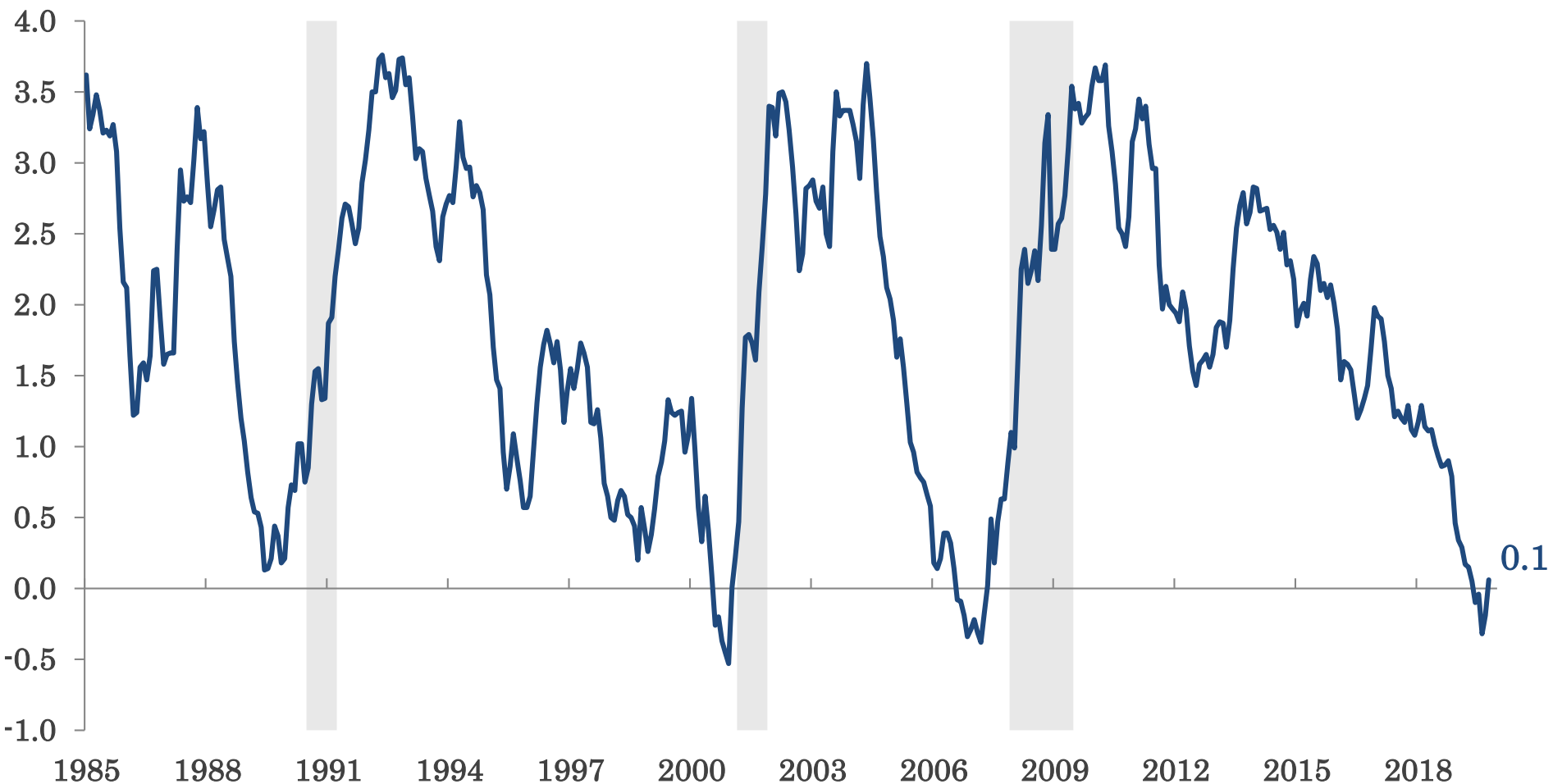
Earnings & Inflation

Monthly, SA



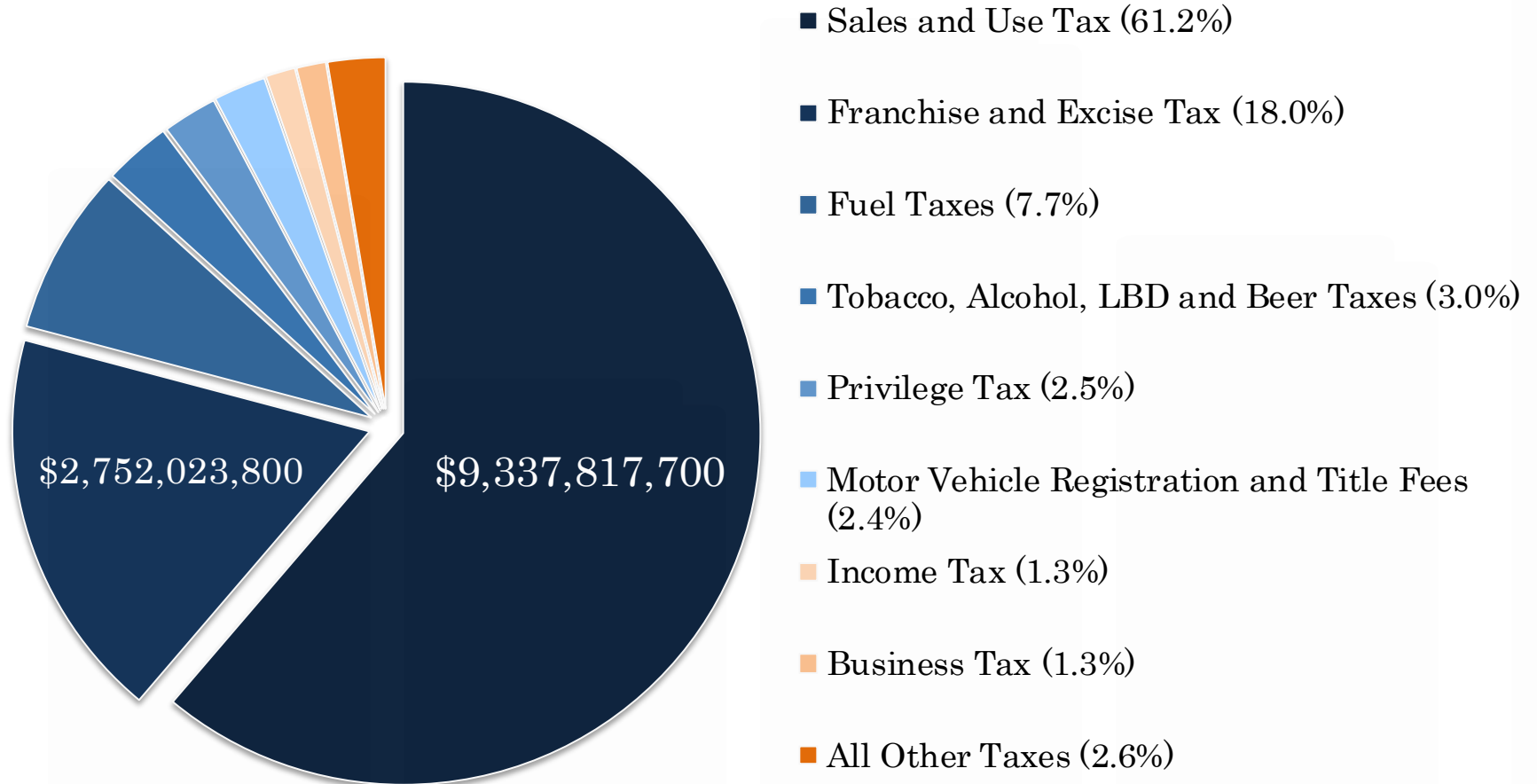
The Yield Spread

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 6, 2019.

Revenue by Tax Source



FY18-19 Accrual Collections: \$15,267,922,800

Legislative Impact

REVENUE SOURCE	ACTUAL CASH COLLECTIONS FY18-19	ESTIMATED LEGISLATIVE IMPACT ON FY19-20 vs. FY18-19 CASH COLLECTIONS	ESTIMATED LEGISLATIVE IMPACT ON FY20-21 vs. FY18-19 CASH COLLECTIONS
SALES AND USE TAX	\$9,435,263,000	\$32,837,500	\$48,599,600
GASOLINE TAX	\$843,485,500	\$34,220,000	\$34,220,000
MOTOR FUEL TAX	\$257,591,500	\$32,364,400	\$32,364,400
GASOLINE INSPECTION TAX	\$69,791,000	\$0	\$0
MOTOR VEHICLE REGISTRATION TAX	\$341,951,400	\$0	\$0
INCOME TAX	\$203,045,700	(\$55,400,000)	(\$109,800,000)
PRIVILEGE TAX	\$436,299,600	(\$23,499,200)	(\$24,749,200)
GROSS RECEIPTS TAX - TVA	\$360,302,300	\$0	\$0
GROSS RECEIPTS TAX - OTHER	\$30,909,000	\$0	\$0
BEER TAX	\$17,734,100	\$0	\$0
ALCOHOLIC BEVERAGE TAX	\$71,708,000	\$1,544,400	\$1,544,400
FRANCHISE AND EXCISE TAX	\$2,740,971,600	\$4,578,100	\$4,443,100
INHERITANCE TAX	\$2,641,300	Phased Out	Phased Out
TOBACCO TAX	\$240,989,500	\$0	\$0
MOTOR VEHICLE TITLE FEES	\$23,600,900	\$0	\$0
MIXED DRINK TAX	\$135,769,600	\$0	\$0
BUSINESS TAX	\$203,065,500	\$0	\$0
SEVERANCE TAX	\$1,015,300	\$0	\$0
AMUSEMENT TAX	\$261,100	\$0	\$0
UNAUTHORIZED SUBSTANCE TAX	\$16,500	\$0	\$0
TOTAL REVENUE	\$15,416,412,500	\$26,645,200	(\$13,377,700)

FY19-20 & FY20-21 Estimates

REVENUE SOURCE	ACTUAL ACCRUED COLLECTIONS FY18-19	FRC STAFF TAX REVENUE ESTIMATES FY19-20	PERCENT INCREASE OVER FY18-19	FRC STAFF TAX REVENUE ESTIMATES FY20-21	PERCENT INCREASE OVER FY19-20
SALES AND USE TAX - LESS EARMARKED*	\$9,337,817,700	\$9,853,000,000	5.52%	\$10,298,000,000	4.52%
GASOLINE TAX	\$843,361,000	\$885,000,000	4.94%	\$906,000,000	2.37%
MOTOR FUEL TAX	\$257,667,600	\$315,000,000	22.25%	\$316,500,000	0.48%
GASOLINE INSPECTION TAX	\$69,800,800	\$71,000,000	1.72%	\$72,000,000	1.41%
MOTOR VEHICLE REGISTRATION TAX	\$337,862,900	\$348,000,000	3.00%	\$356,000,000	2.30%
INCOME TAX	\$203,817,800	\$150,000,000	-26.40%	\$78,000,000	-48.00%
PRIVILEGE TAX - LESS EARMARKED**	\$376,758,200	\$390,300,000	3.59%	\$413,000,000	5.82%
GROSS RECEIPTS TAX - TVA	\$361,934,700	\$368,400,000	1.80%	\$375,000,000	1.78%
GROSS RECEIPTS TAX - OTHER	\$31,298,200	\$29,000,000	-7.34%	\$30,000,000	3.45%
BEER TAX	\$16,954,100	\$18,000,000	6.17%	\$18,200,000	1.11%
ALCOHOLIC BEVERAGE TAX	\$70,246,200	\$75,700,000	7.76%	\$79,000,000	4.36%
FRANCHISE AND EXCISE TAX	\$2,752,023,800	\$2,900,000,000	5.38%	\$3,035,000,000	4.66%
INHERITANCE TAX	\$2,221,300	\$0	-100.00%	\$0	N/A
TOBACCO TAX	\$241,773,000	\$236,500,000	-2.18%	\$232,200,000	-1.82%
MOTOR VEHICLE TITLE FEES	\$23,600,900	\$24,000,000	1.69%	\$24,400,000	1.67%
MIXED DRINK TAX	\$136,145,200	\$153,000,000	12.38%	\$169,000,000	10.46%
BUSINESS TAX	\$203,359,900	\$213,000,000	4.74%	\$221,000,000	3.76%
SEVERANCE TAX	\$1,012,400	\$1,000,000	-1.22%	\$1,000,000	0.00%
AMUSEMENT TAX	\$261,100	\$280,000	7.24%	\$280,000	0.00%
UNAUTHORIZED SUBSTANCE TAX	\$6,000	\$0	-100.00%	\$0	N/A
TOTAL REVENUE	\$15,267,922,800	\$16,031,200,000	5.00%	\$16,624,580,000	3.70%

*Sales and Use Tax has been reduced by \$106.2 million in FY18-19 and \$112.0 million in FY19-20 and FY20-21 for the earmarked portion of the tax.

**Privilege Tax has been reduced by \$58.0 million in FY18-19 and \$52.0 million in FY19-20 and FY20-21 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	\$9,853,000,000	\$9,244,745,300
GASOLINE TAX	\$885,000,000	\$13,994,500
MOTOR FUEL TAX	\$315,000,000	\$2,723,000
GASOLINE INSPECTION TAX	\$71,000,000	\$20,977,300
MOTOR VEHICLE REGISTRATION TAX	\$348,000,000	\$54,974,400
INCOME TAX	\$150,000,000	\$100,436,000
PRIVILEGE TAX	\$390,300,000	\$383,508,500
GROSS RECEIPTS TAX – TVA	\$368,400,000	\$202,638,700
GROSS RECEIPTS TAX – OTHER	\$29,000,000	\$24,920,200
BEER TAX	\$18,000,000	\$12,142,000
ALCOHOLIC BEVERAGE TAX	\$75,700,000	\$62,561,100
FRANCHISE AND EXCISE TAX	\$2,900,000,000	\$2,676,900,000
INHERITANCE TAX	\$0	\$0
TOBACCO TAX	\$236,500,000	\$236,500,000
MOTOR VEHICLE TITLE FEES	\$24,000,000	\$21,300,000
MIXED DRINK TAX	\$153,000,000	\$76,500,000
BUSINESS TAX	\$213,000,000	\$213,000,000
SEVERANCE TAX	\$1,000,000	\$250,000
AMUSEMENT TAX	\$280,000	\$280,000
UNAUTHORIZED SUBSTANCE TAX	\$0	\$0
TOTAL REVENUE	\$16,031,200,000	\$13,348,351,000

FRC Estimates vs. FY18-19 and Current Budgeted Estimates

	ACTUAL FY18-19 ACCRUALS	CURRENT BUDGETED ESTIMATES FOR FY19-20	FRC ESTIMATES FOR FY19-20	INCREASE/ (DECREASE) OVER FY18-19	INCREASE/ (DECREASE) OVER CURRENT BUDGETED ESTIMATES
SALES AND USE*	\$9,337,800,000	\$9,500,600,000	\$9,853,000,000	\$515,200,000	\$352,400,000
FRANCHISE AND EXCISE	\$2,752,000,000	\$2,616,600,000	\$2,900,000,000	\$148,000,000	\$283,400,000
ALL FUNDS	\$15,267,900,000	\$15,255,600,000	\$16,031,200,000	\$763,300,000	\$775,600,000
GENERAL FUND	\$12,693,900,000	\$12,668,100,000	\$13,348,300,000	\$654,400,000	\$680,200,000
*Sales and Use tax has been reduced by \$106.2 million in FY18-19 and \$112.0 million in FY19-20 for the earmarked portion of the tax.					

FY20-21: All Funds and GF

REVENUE SOURCE	ALL FUNDS FY20-21	GENERAL FUND FY20-21
SALES AND USE TAX	\$10,298,000,000	\$9,662,274,200
GASOLINE TAX	\$906,000,000	\$14,326,600
MOTOR FUEL TAX	\$316,500,000	\$2,736,000
GASOLINE INSPECTION TAX	\$72,000,000	\$21,272,700
MOTOR VEHICLE REGISTRATION TAX	\$356,000,000	\$56,238,100
INCOME TAX	\$78,000,000	\$52,226,700
PRIVILEGE TAX	\$413,000,000	\$405,813,500
GROSS RECEIPTS TAX – TVA	\$375,000,000	\$206,250,000
GROSS RECEIPTS TAX – OTHER	\$30,000,000	\$25,779,500
BEER TAX	\$18,200,000	\$12,276,900
ALCOHOLIC BEVERAGE TAX	\$79,000,000	\$65,288,400
FRANCHISE AND EXCISE TAX	\$3,035,000,000	\$2,811,900,000
INHERITANCE TAX	\$0	\$0
TOBACCO TAX	\$232,200,000	\$232,200,000
MOTOR VEHICLE TITLE FEES	\$24,400,000	\$21,700,000
MIXED DRINK TAX	\$169,000,000	\$84,500,000
BUSINESS TAX	\$221,000,000	\$221,000,000
SEVERANCE TAX	\$1,000,000	\$250,000
AMUSEMENT TAX	\$280,000	\$280,000
UNAUTHORIZED SUBSTANCE TAX	\$0	\$0
TOTAL REVENUE	\$16,624,600,000	\$13,896,312,600



Thank You
Fiscal Review Committee Staff

Net Lottery Proceeds & After-School Funding Estimates

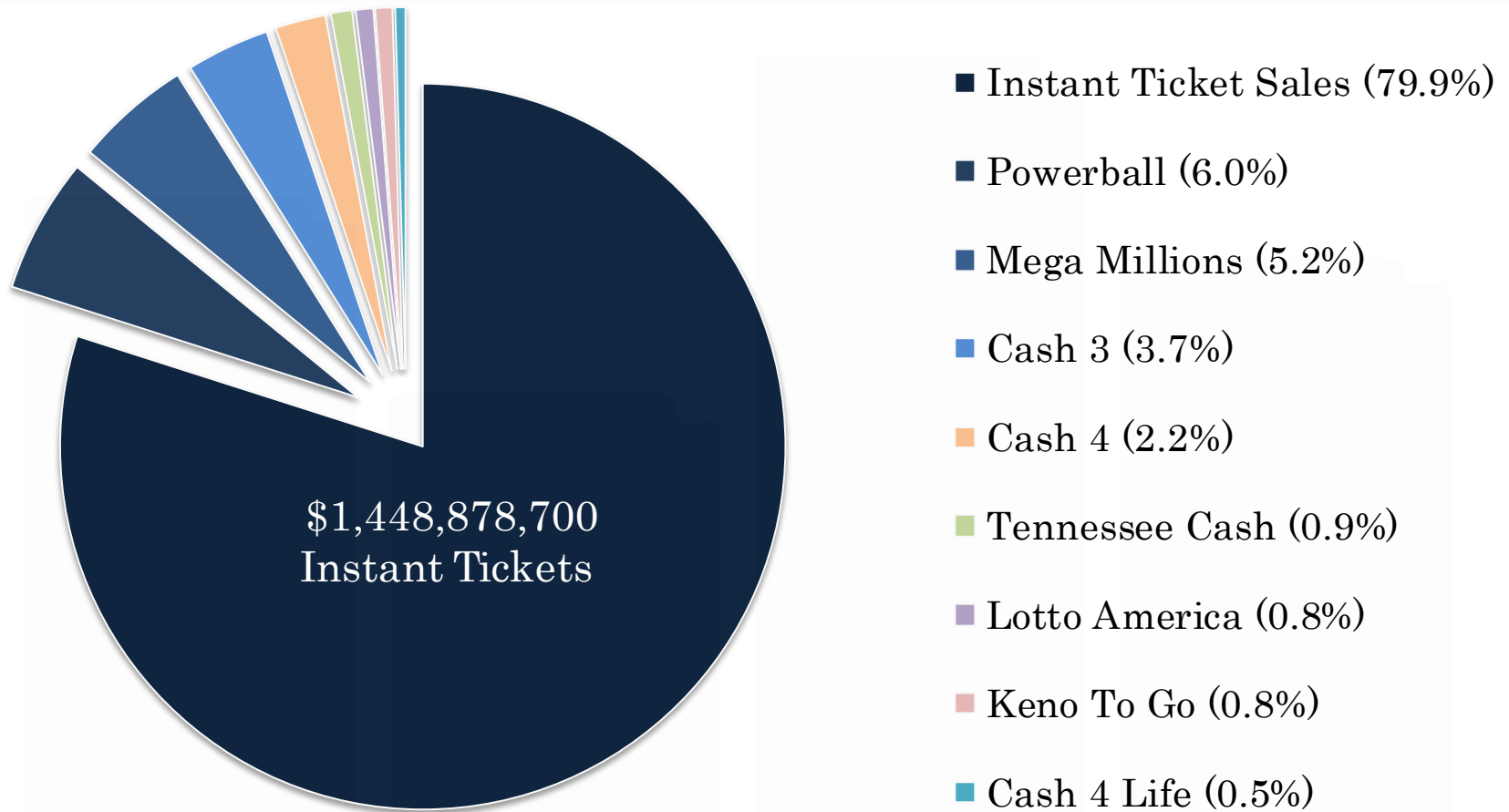


Fiscal Review Committee Staff
November 15, 2019

Historical Results

Category	FY15-16	FY16-17	FY17-18	FY18-19	FY18-19 Growth Rate
Net Revenue	\$1,515,551,310	\$1,500,083,029	\$1,622,043,134	\$1,695,925,302	4.55%
Total Expenses	\$1,133,088,745	\$1,127,299,870	\$1,215,530,214	\$1,266,963,791	4.23%
NET LOTTERY PROCEEDS	\$382,462,565	\$372,783,159	\$406,512,920	\$428,961,511	5.52%
After-School Funding	\$11,586,227	\$13,914,882	\$15,168,045	\$18,000,000	18.70%
Total State Proceeds	\$394,048,792	\$386,698,041	\$421,680,965	\$446,961,511	5.99%

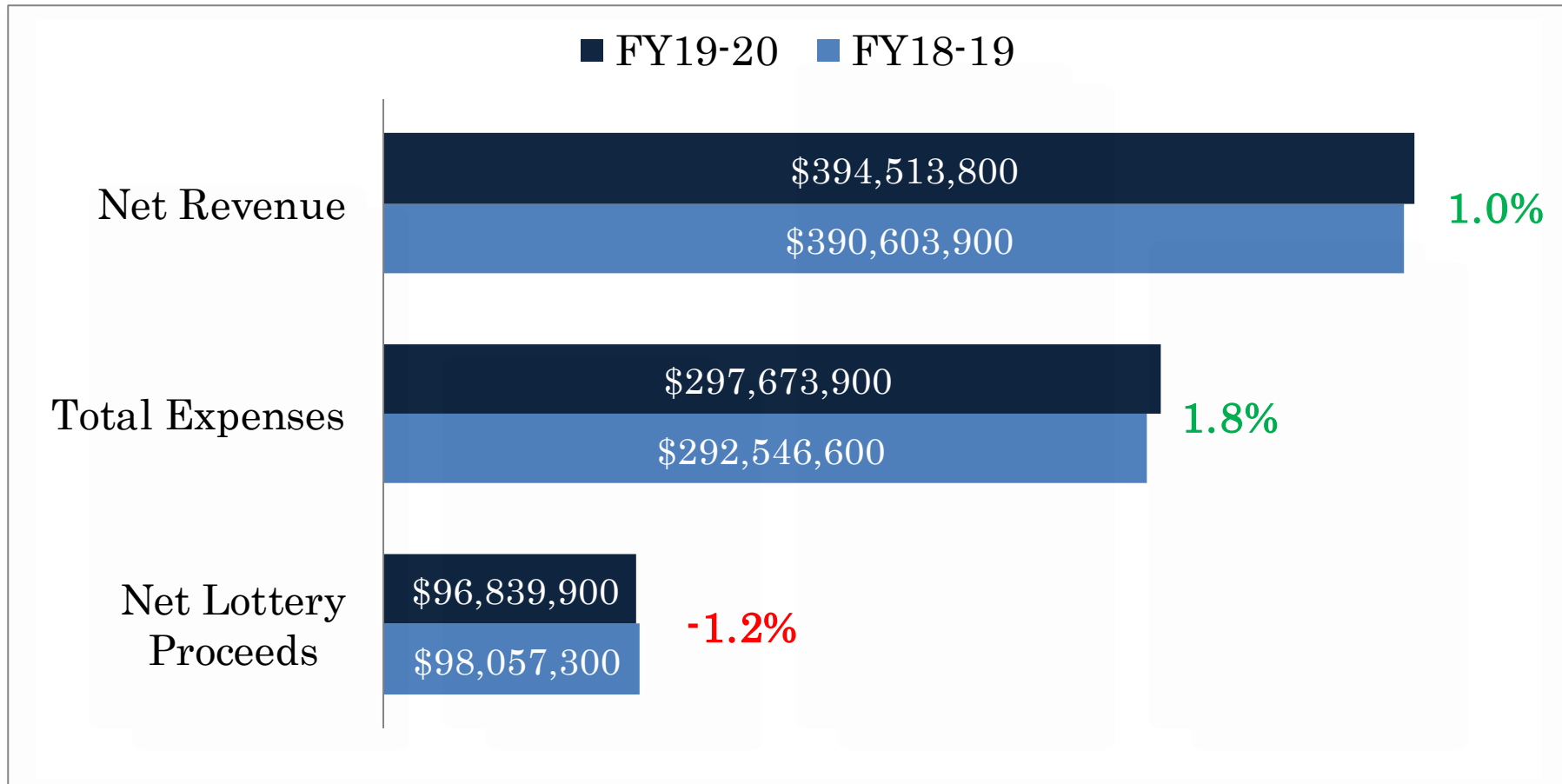
Ticket Sales Composition



FY18-19 Gross Ticket Sales: \$1,812,605,000

FY19-20 Year-to-Date (Q1)

July 2019 through September 2019



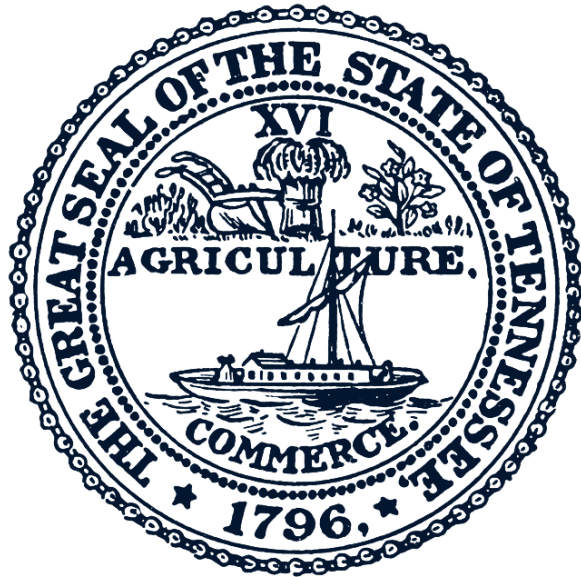
FY19-20 Year-to-Date (Q1)

Reason for the Decrease

Mega Millions

-\$6,432,800 (-36.9%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle
FY18-19 Q1	\$207,346,100	\$522,000,000
FY19-20 Q1	\$111,423,100	\$227,000,000



Instant Games

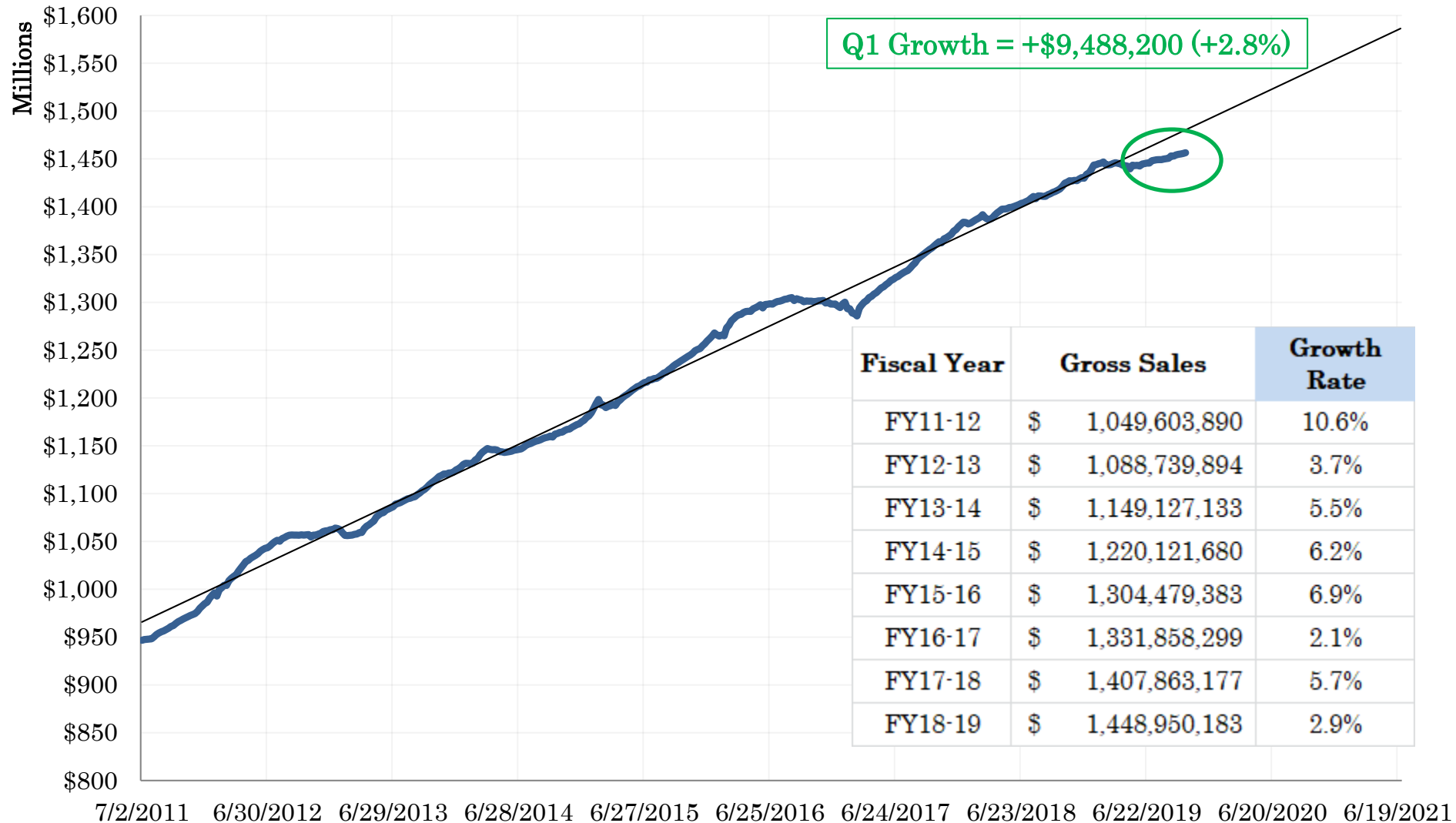
Instant Games

By Price Point

Price Point	FY17-18 Gross Sales (Millions)	FY17-18 Percent of Instant Game Sales	FY18-19 Gross Sales (Millions)	FY18-19 Percent of Instant Game Sales	Percent Sales Growth	Dollar Growth (Millions)
\$1	\$87.8	6.2%	\$81.9	5.6%	-6.7%	-\$5.9
\$2	\$195.5	13.9%	\$190.9	13.2%	-2.3%	-\$4.6
\$3	\$119.6	8.5%	\$113.6	7.8%	-5.0%	-\$6.0
\$5	\$309.3	22.0%	\$306.7	21.2%	-0.8%	-\$2.6
\$10	\$261.0	18.5%	\$293.6	20.3%	12.5%	\$32.6
\$20	\$171.2	12.2%	\$184.8	12.7%	7.9%	\$13.6
\$25	\$94.4	6.7%	\$104.0	7.2%	10.2%	\$9.6
\$30	\$169.1	12.0%	\$173.4	12.0%	2.5%	\$4.3
TOTAL	\$1,407.9	100.0%	\$1,448.9	100.0%	2.9%	\$41.0

Instant Games

52-Week Moving Sum



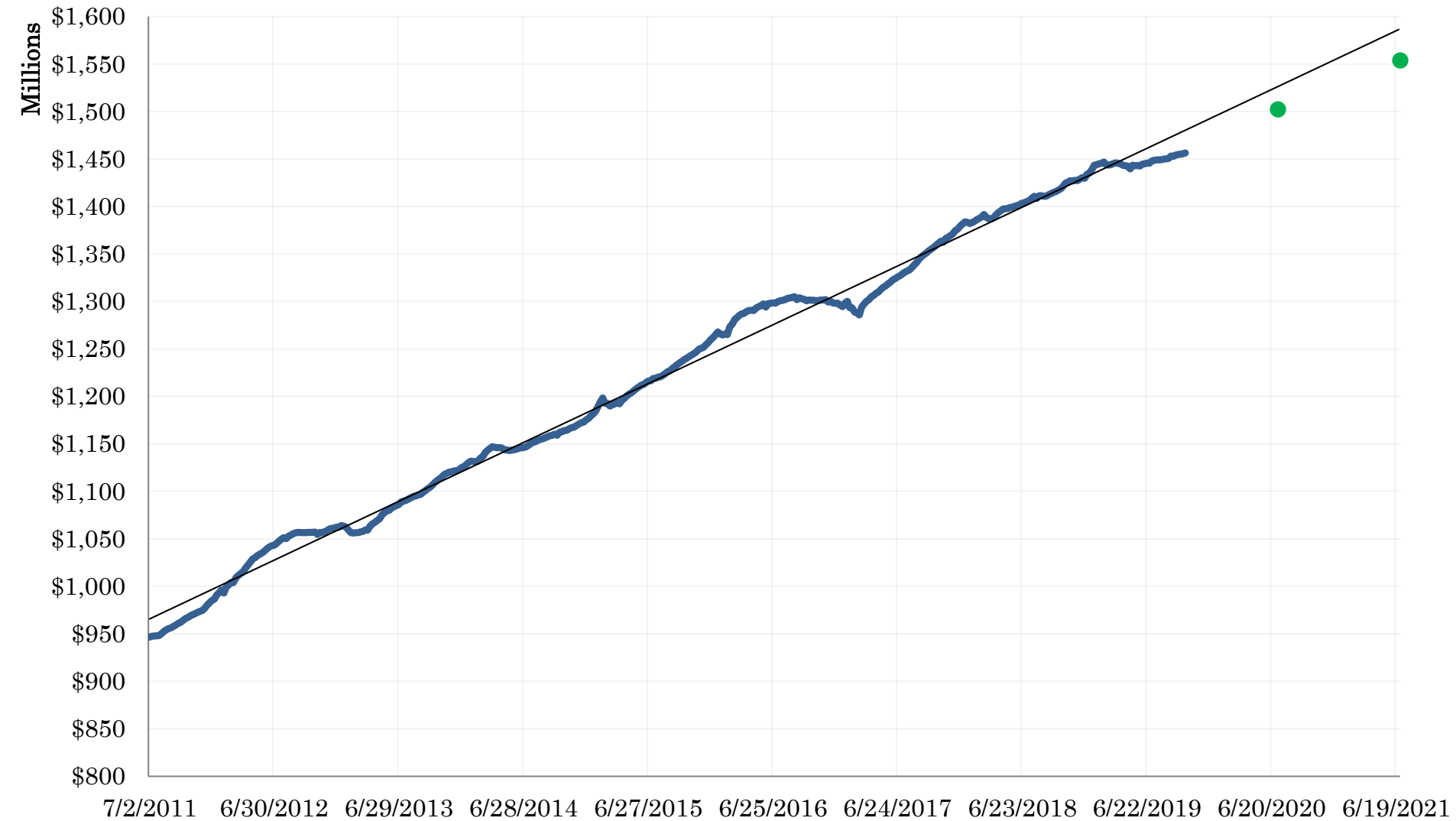
Instant Games

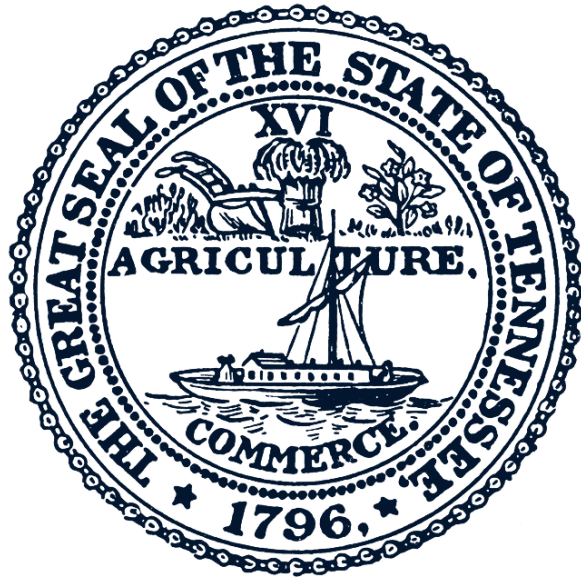
Estimates

Category	FY17-18 Actual	FY18-19 Actual	FY19-20 Estimates	FY20-21 Estimates	Range
Instant Games (Gross Sales)	\$1,407,863,177	\$1,448,878,726	\$1,490,000,000	\$1,535,000,000	Low
			\$1,500,000,000	\$1,550,000,000	Median
			\$1,510,000,000	\$1,565,000,000	High
Tickets Provided as Prizes	\$119,212,937	\$122,552,622	\$126,098,700	\$129,907,050	Low
			\$126,945,000	\$131,176,500	Median
			\$127,791,300	\$132,445,950	High
Instant Games (Net Sales)	\$1,288,650,240	\$1,326,326,104	\$1,363,901,300	\$1,405,092,950	Low
			\$1,373,055,000	\$1,418,823,500	Median
			\$1,382,208,700	\$1,432,554,050	High

Instant Games

52-Week Moving Sum





Powerball & Mega Millions

Powerball

- FY17-18 sales: \$117,977,776
- FY18-19 sales: \$109,010,760
- FY18-19 growth: **-\$8,967,016 (-7.6%)**

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
FY17-18	\$175,951,400	\$700,000,000	16	3	7
FY18-19	\$200,461,500	\$750,000,000	18	5	5
FY19-20 YTD	\$91,236,800	\$194,000,000	0	0	5

Powerball

Estimates

FY17-18 Actual Sales	FY18-19 Actual Sales	FY19-20 Estimates	FY20-21 Estimates	Range
\$117,977,776	\$109,010,760	\$105,000,000	\$103,000,000	Low
		\$110,000,000	\$110,000,000	Median
		\$115,000,000	\$117,000,000	High

Mega Millions

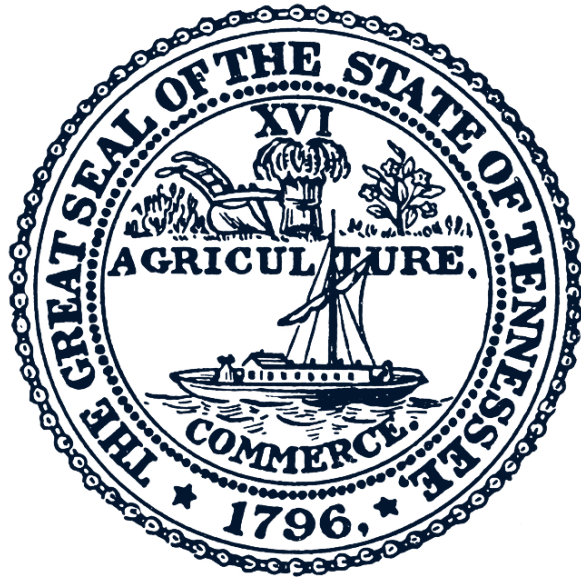
- FY17-18 sales: \$51,746,858
- FY18-19 sales: \$93,420,871
- FY18-19 growth: **+\$41,674,013 (+80.5%)**

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
FY17-18	\$146,259,600	\$521,000,000	13	1	6
FY18-19	\$219,048,100	\$1,600,000,000	26	6	5
FY19-20 YTD	\$102,973,700	\$227,000,000	0	0	2

Mega Millions

Estimates

FY17-18 Actual Sales	FY18-19 Actual Sales	FY19-20 Estimates	FY20-21 Estimates	Range
\$51,746,858	\$93,420,871	\$65,000,000	\$65,000,000	Low
		\$75,000,000	\$75,000,000	Median
		\$85,000,000	\$85,000,000	High



Other Games

Cash 3 and Cash 4

- CASH 3

- FY17-18 sales: \$63,334,620
- FY18-19 sales: \$67,310,077
- FY18-19 growth: **+\$3,975,457 (+6.3%)**

- CASH 4

- FY17-18 sales: \$38,882,396
- FY18-19 sales: \$40,724,405
- FY18-19 growth: **+\$1,842,009 (+4.7%)**

Cash 3 and Cash 4

Estimates

FY17-18 Actual Sales	FY18-19 Actual Sales	FY19-20 Estimates	FY20-21 Estimates	Range
\$102,217,016	\$108,034,482	\$109,500,000	\$110,000,000	Low
		\$111,000,000	\$112,000,000	Median
		\$112,500,000	\$114,000,000	High

Tennessee Cash

- FY17-18 sales: \$18,986,720
- FY18-19 sales: \$17,067,553
- FY18-19 growth: **-\$1,919,167 (-10.1%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$1,000,000 or More	Jackpot Winners
FY17-18	\$595,900	\$2,050,000	21	6
FY18-19	\$502,200	\$1,670,000	12	7
FY19-20 YTD	\$587,800	\$1,500,000	10	3

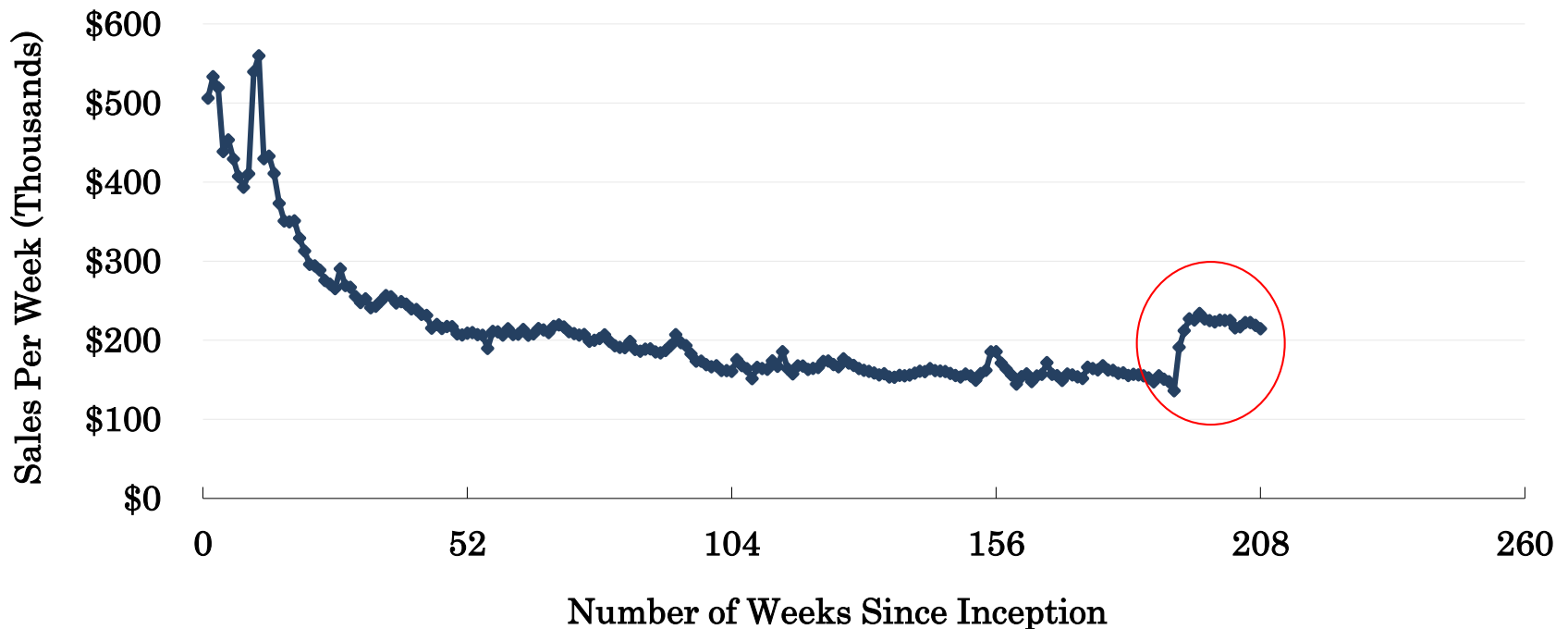
Tennessee Cash

Estimates

FY17-18 Actual Sales	FY18-19 Actual Sales	FY18-19 Estimates	FY19-20 Estimates	Range
\$18,986,720	\$17,067,553	\$18,000,000	\$17,200,000	Low
		\$18,500,000	\$18,000,000	Median
		\$19,000,000	\$18,800,000	High

Cash 4 Life

- FY17-18 sales: \$8,817,648
- FY18-19 sales: \$8,245,760
- FY18-19 growth: **-\$571,888 (-6.5%)**



Cash 4 Life

Estimates

FY17-18 Actual Sales	FY18-19 Actual Sales	FY19-20 Estimates	FY20-21 Estimates	Range
\$8,817,648	\$8,245,760	\$9,500,000	\$9,000,000	Low
		\$10,000,000	\$9,500,000	Median
		\$10,500,000	\$10,000,000	High

Lotto America

- FY17-18 sales: \$7,997,654
 - 33 weeks of sales
 - \$338,672 – weekly average
- FY18-19 sales: \$14,112,087
 - \$271,386 – weekly average

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$15,000,000 or More	Jackpot Winners
FY17-18	\$11,317,600	\$22,800,000	35	2
FY18-19	\$13,122,300	\$21,190,000	40	0
FY19-20 YTD	\$4,470,800	\$21,600,000	3	1

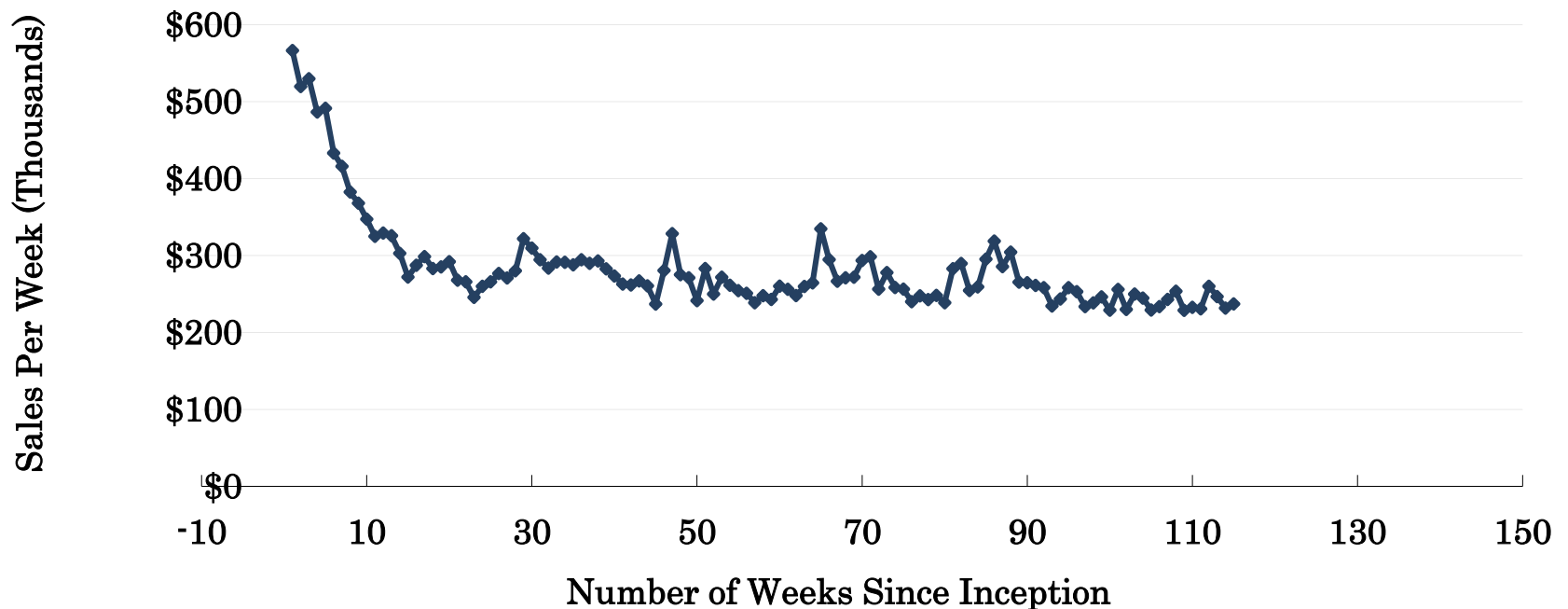
Lotto America

Estimates

FY17-18 Actual Sales	FY18-19 Actual Sales	FY19-20 Estimates	FY20-21 Estimates	Range
\$7,997,654	\$14,112,087	\$11,500,000	\$12,000,000	Low
		\$12,000,000	\$12,500,000	Median
		\$12,500,000	\$13,000,000	High

Keno To Go

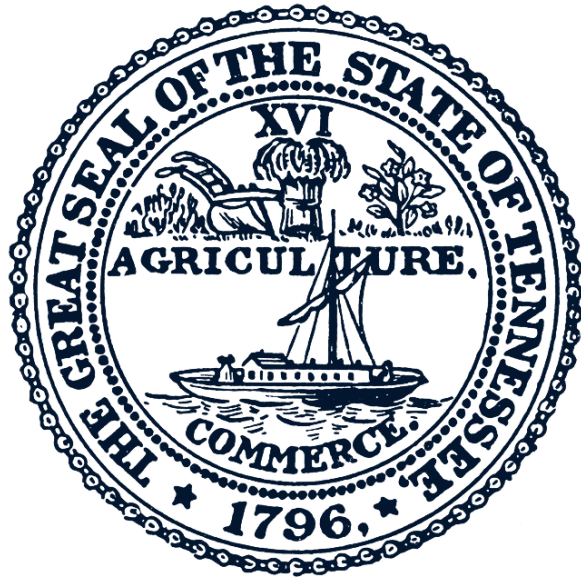
- FY17-18 sales: \$14,758,379
 - 46 weeks of sales
 - \$320,836 – weekly average
- FY18-19 sales: \$13,834,522
 - \$266,049 – weekly average



Keno To Go

Estimates

FY17-18 Actual Sales	FY18-19 Actual Sales	FY19-20 Estimates	FY20-21 Estimates	Range
\$14,758,379	\$13,834,522	\$12,700,000	\$12,000,000	Low
		\$13,200,000	\$12,800,000	Median
		\$13,700,000	\$13,600,000	High



Summary & Net Lottery Proceeds

FY19-20 Estimates

	FY18-19 Actuals	FY19-20 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,326,326,104	\$1,363,901,300	\$1,373,055,000	\$1,382,208,700
Powerball	\$109,010,760	\$105,000,000	\$110,000,000	\$115,000,000
Mega Millions	\$93,420,871	\$65,000,000	\$75,000,000	\$85,000,000
Cash 3 and Cash 4	\$108,034,482	\$109,500,000	\$111,000,000	\$112,500,000
Other Games	\$53,259,922	\$51,700,000	\$53,700,000	\$55,700,000
Misc. Revenue	\$5,873,163	\$6,000,000	\$6,300,000	\$6,600,000
Net Revenue	\$1,695,925,302	\$1,701,101,300	\$1,729,055,000	\$1,757,008,700
Total Expenses	\$1,266,963,791	\$1,274,248,000	\$1,296,123,000	\$1,317,997,000
NET LOTTERY PROCEEDS	\$428,961,511	\$426,853,300	\$432,932,000	\$439,011,700
After-School Funding	\$18,000,000	\$17,500,000	\$18,000,000	\$18,500,000
Total State Proceeds	\$446,961,511	\$444,353,300	\$450,932,000	\$457,511,700

FY20-21 Estimates

	FY19-20 Median Estimate	FY20-21 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,373,055,000	\$1,405,092,950	\$1,418,823,500	\$1,432,554,050
Powerball	\$110,000,000	\$103,000,000	\$110,000,000	\$117,000,000
Mega Millions	\$75,000,000	\$65,000,000	\$75,000,000	\$85,000,000
Cash 3 and Cash 4	\$111,000,000	\$110,000,000	\$112,000,000	\$114,000,000
Other Games	\$53,700,000	\$50,200,000	\$52,800,000	\$55,400,000
Misc. Revenue	\$6,300,000	\$6,500,000	\$6,800,000	\$7,100,000
Net Revenue	\$1,729,055,000	\$1,739,792,950	\$1,775,423,500	\$1,811,054,050
Total Expenses	\$1,296,123,000	\$1,303,824,000	\$1,331,889,000	\$1,359,954,000
NET LOTTERY PROCEEDS	\$432,932,000	\$435,968,950	\$443,534,500	\$451,100,050
After-School Funding	\$18,000,000	\$18,000,000	\$18,500,000	\$19,000,000
Total State Proceeds	\$450,932,000	\$453,968,950	\$462,034,500	\$470,100,050

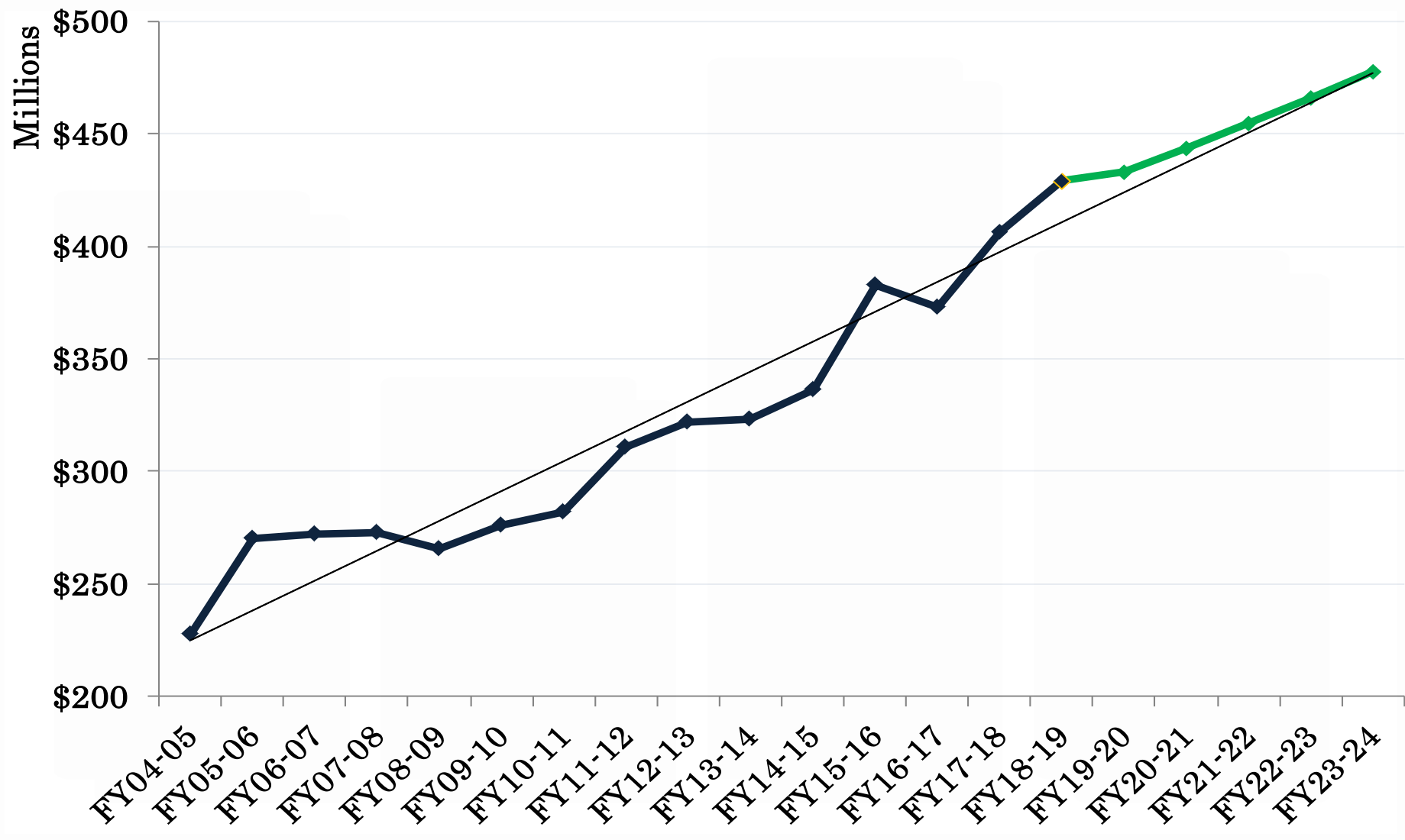
Subsequent Years

- Growth beyond FY20-21 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

FY21-22, FY22-23, & FY23-24

Category	FY21-22	FY22-23	FY23-24
Net Revenue	\$1,837,563,300	\$1,901,878,000	\$1,968,443,800
Total Expenses	\$1,382,940,400	\$1,435,889,600	\$1,490,805,700
NET LOTTERY PROCEEDS	\$454,622,900	\$465,988,400	\$477,638,100
After-School Funding	\$19,000,000	\$19,500,000	\$20,000,000
Total State Proceeds	\$473,622,900	\$485,488,400	\$497,638,100

Net Lottery Proceeds



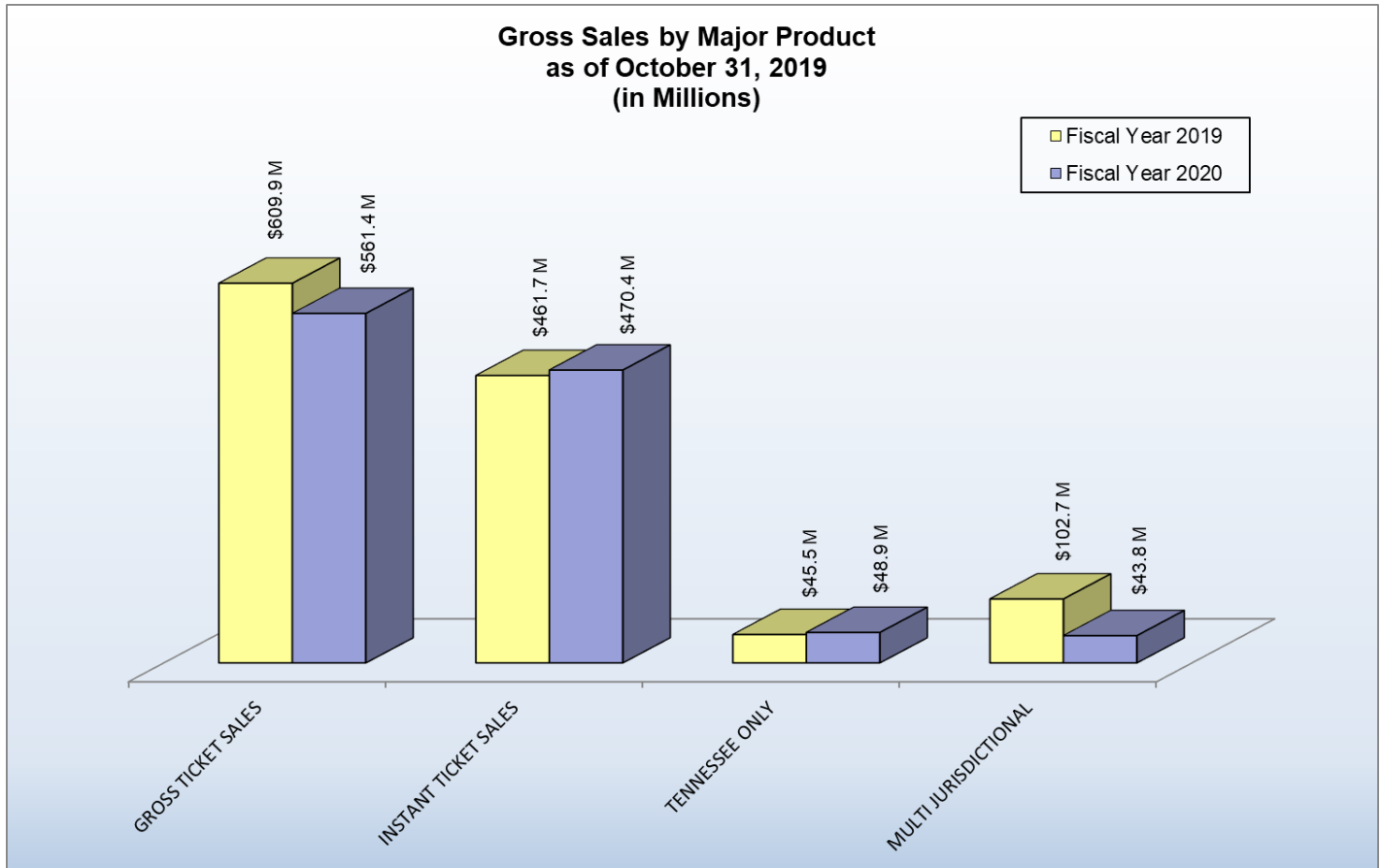


Thank You
Fiscal Review Committee Staff

TENNESSEE EDUCATION LOTTERY CORPORATION
November 2019

ESTIMATION OF
TOTAL AND NET LOTTERY PROCEEDS
FOR FISCAL YEARS ENDING
JUNE 30, 2020, 2021, 2022, 2023 and 2024

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**



- Gross Ticket Sales for the first four months through October 31, 2019 are down \$48.5 million year over year.
- *Instant ticket* sales are \$470.4 million compared to \$461.7 million the prior year.
- Tennessee Only games (*Cash 3, Cash 4, Tennessee Cash and Keno to Go*) sales are \$48.9 million compared to \$45.5 million the prior year.
- Multijurisdictional games (*Powerball, Mega Millions, Cash 4 Life and Lotto America*) sales are \$43.8 million compared to \$102.7 million the prior year. In the first four months of FY 2019, the *Mega Millions* jackpot cycle of \$1.5 billion and *Powerball* jackpot cycle of \$688 million were the two key drivers of the \$102.7 million.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

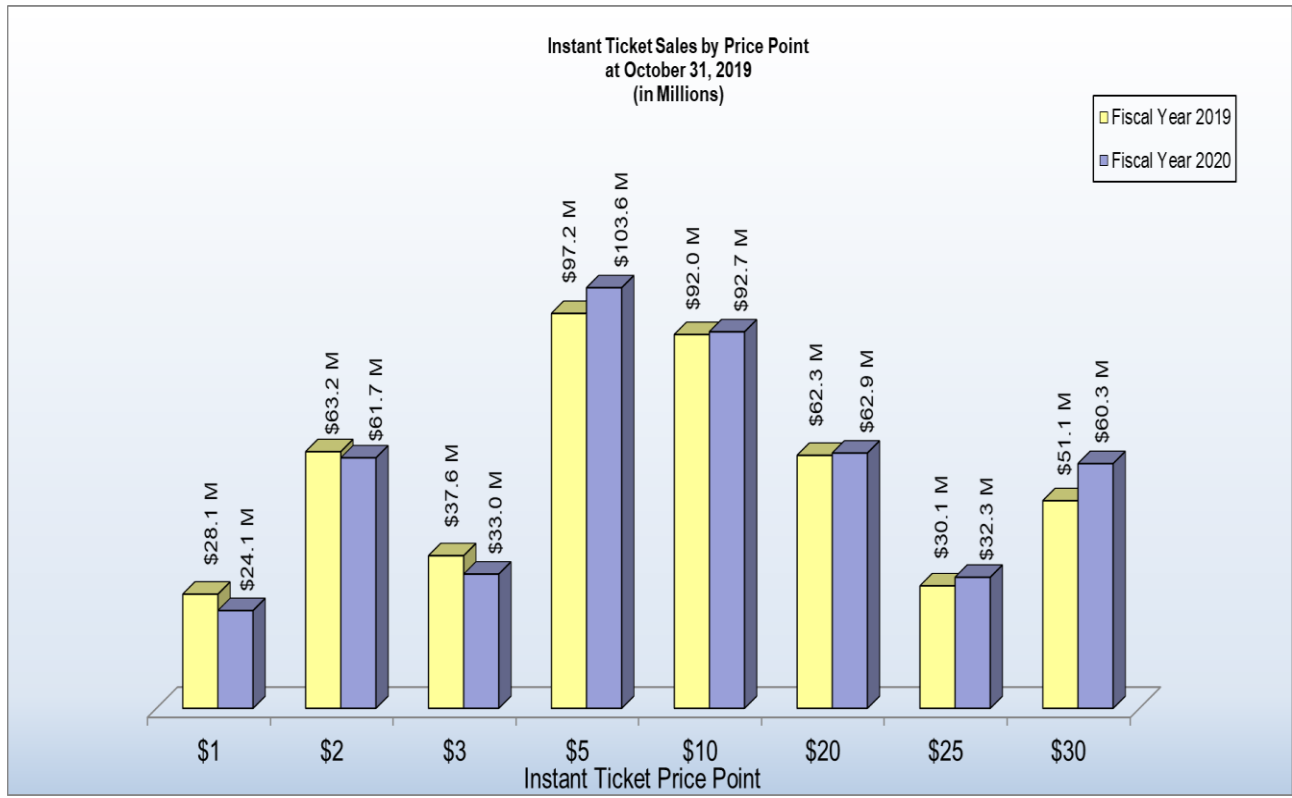
As of
10/31/2019
(in millions)

FY 2020
Projected
Sales Range
(in millions)

INSTANT GAMES

\$ 470.4

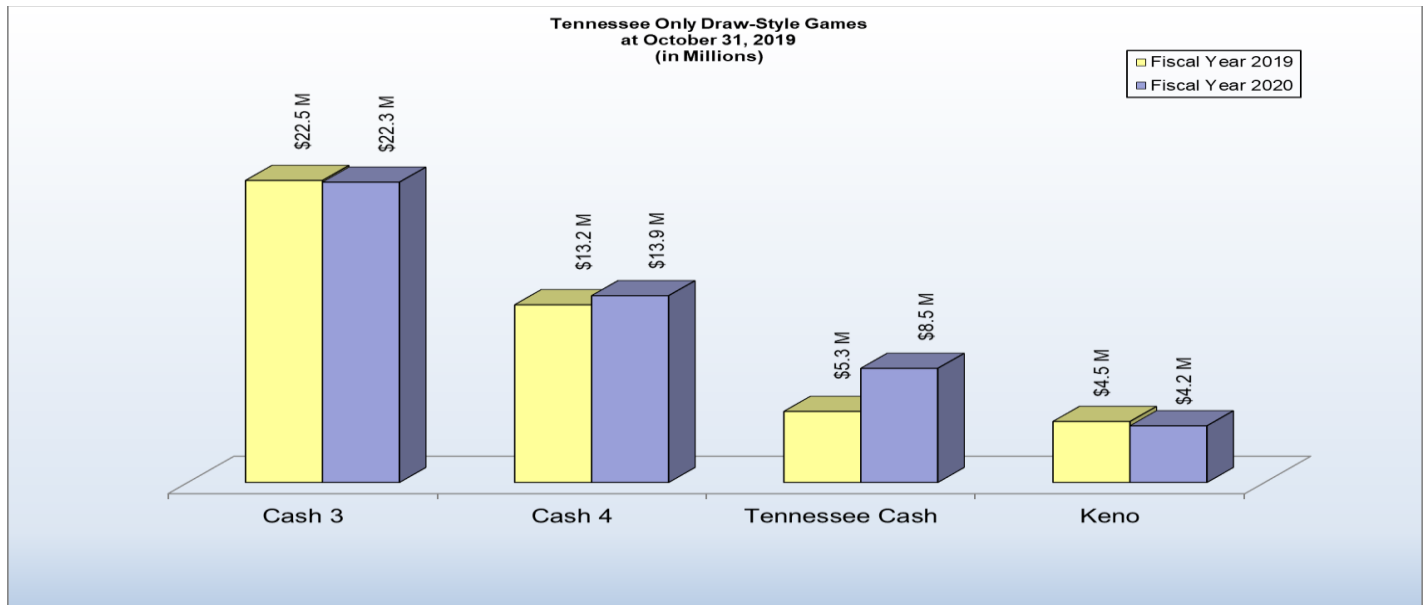
\$1,477.8- \$1,492.4



- *Instant tickets* are 83.5% of our product mix at October 31, 2019.
- *Instant ticket sales* were \$470.4 million or \$26.7 million per week at October 31, 2019 compared to \$461.7 million or \$26.3 million per week the prior year, representing a 2% increase in instant ticket sales year over year.
- *Instant ticket sales* are driven primarily by game design (i.e., family game offering, etc.), player price point preferences and prize payouts.
- TEL anticipates launching approximately 55 games in this fiscal year.
- *Instant ticket prize expense* is projected at 67.8% for the fiscal year.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 10/31/2019 (in millions)	FY 2020 Projected Sales Range (in millions)
<i>TENNESSEE ONLY DRAWING-STYLE GAMES</i>	\$48.9	\$137.7 - \$144.6



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.
- TEL is projecting sales for these two games in the range of \$108.0 and \$110.9 million for FY 2020.

Tennessee Cash

- *Tennessee Cash* is a drawing-style cash jackpot game available only in Tennessee.
- *Tennessee Cash* was enhanced in July 2019 to add a *Quick Cash* instant win opportunity.
- Sales are driven primarily by the cash jackpots, with an average jackpot cycle of \$600 to \$700 thousand.
- TEL projects sales in FY 2020 in the range of \$17 million to \$19 million.

Keno to Go

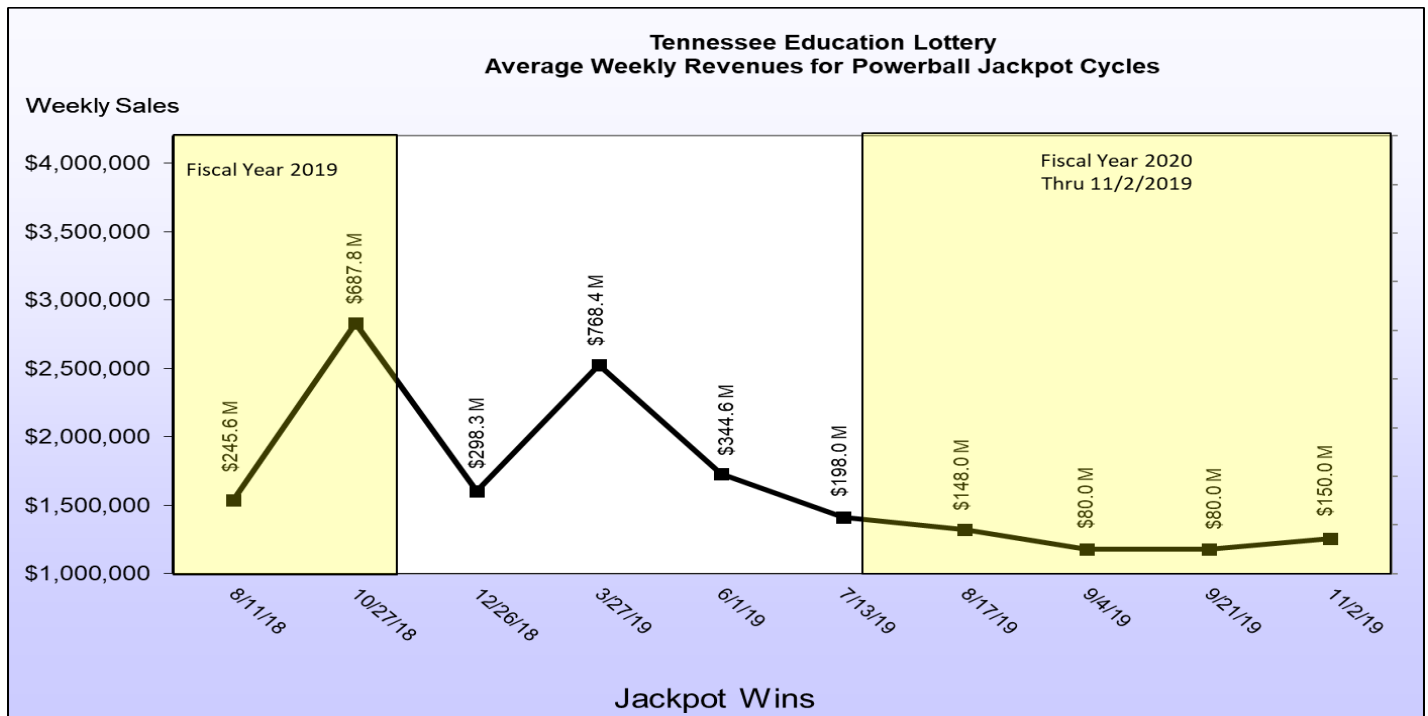
- *Keno to Go* is a draw-style game with drawings every 5 minutes.
- *Keno to Go* was enhanced in November 2018 to add *Bullseye*, an additional play feature.
- TEL projects sales in the range of \$12.6 million and \$14.0 million for FY 2020.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 10/31/2019 (in millions)	FY 2020 Projected Sales Range (in millions)
<i>MULTI-JURISDICTIONAL GAMES</i>	\$43.8	\$168.1 - \$194.6

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

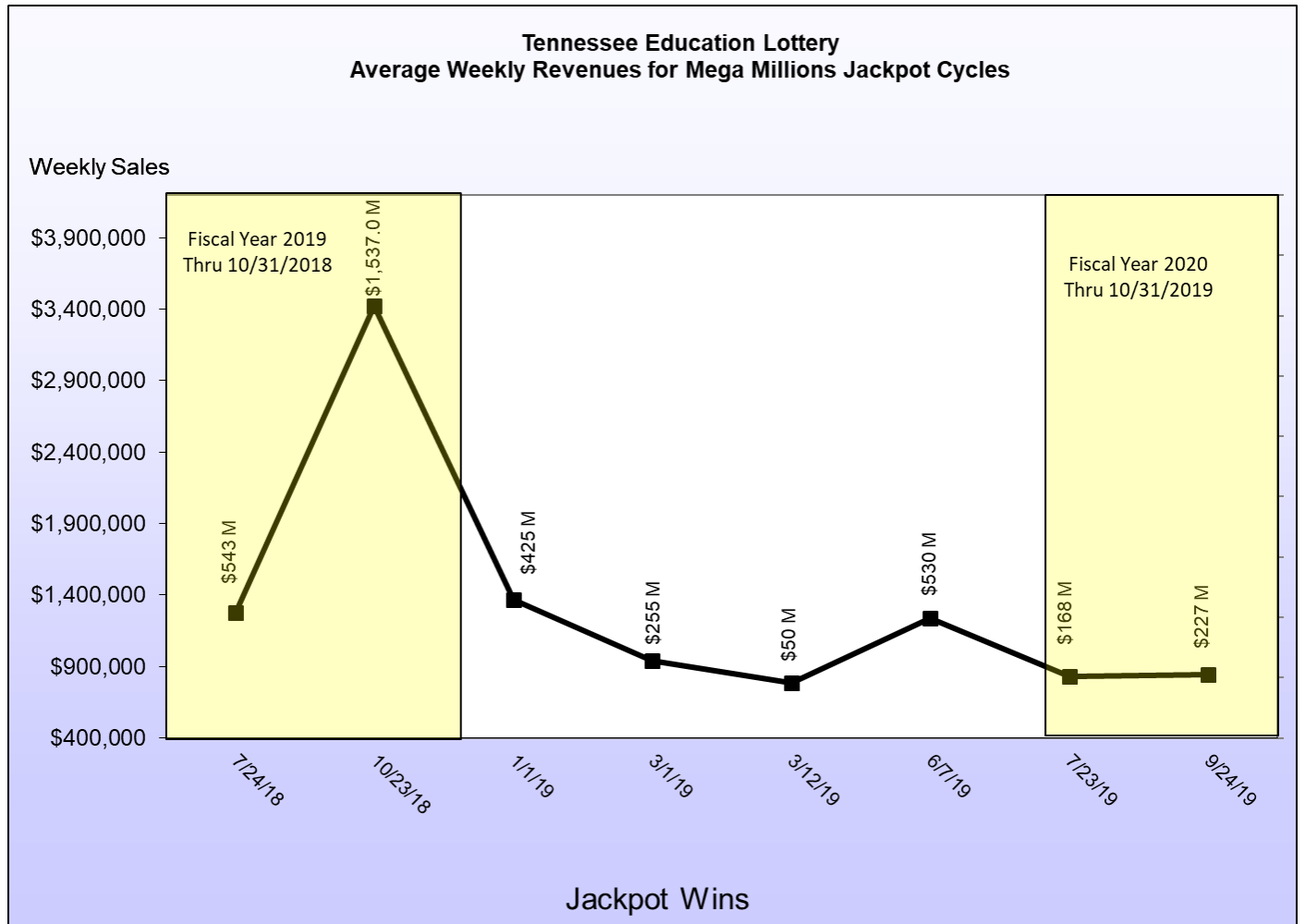
Powerball



- *Powerball* is a draw-style annuity jackpot game with expected jackpot cycles in the range of \$300 million to \$450 million.
- *Powerball* is currently sold in 47 jurisdictions, including the District of Columbia, Puerto Rico and U.S. Virgin Islands.
- TEL projects sales in FY 2020 in the range of \$100 million to \$114 million.

TENNESSEE EDUCATION LOTTERY CORPORATION ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

Mega Millions



- *Mega Millions* is a draw-style annuity jackpot game with expected jackpot cycles in the range of \$250 million to \$350 million.
- *Mega Millions* is currently sold in 46 jurisdictions, including the District of Columbia and U.S. Virgin Islands.
- TEL projects sales in FY 2020 in the range of \$45.3 million to \$55.5 million.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

Lotto America

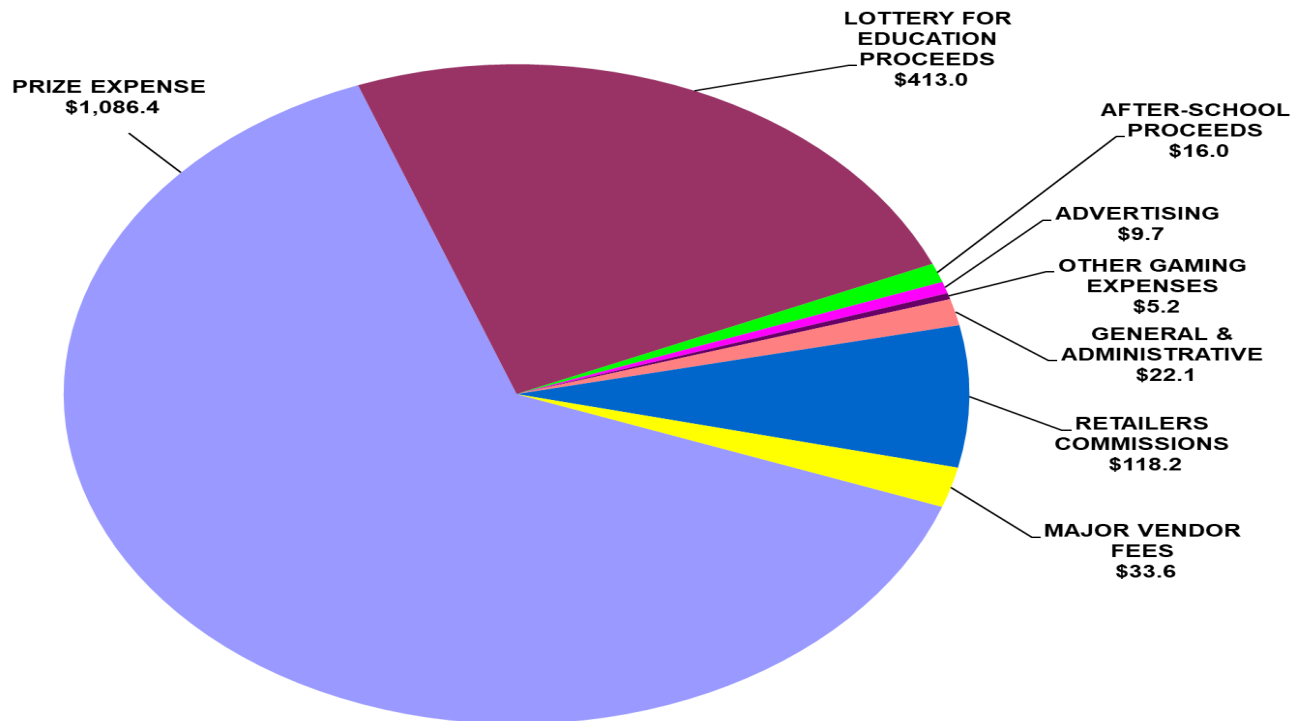
- Jackpots for this draw-style game start at \$2 million, with drawings held Wednesday and Saturday.
- *Lotto America* is currently sold in 13 jurisdictions.
- TEL projects sales in FY 2020 in the range of \$10.3 million to \$13.5 million.

Cash 4 Life

- 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.
- *Cash 4 Life* is currently sold in 9 jurisdictions.
- TEL projects sales in FY 2020 in the range of \$11 million to \$12 million.

TENNESSEE EDUCATION LOTTERY CORPORATION ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

FISCAL YEAR 2020 BUDGETED EXPENSES (in millions)



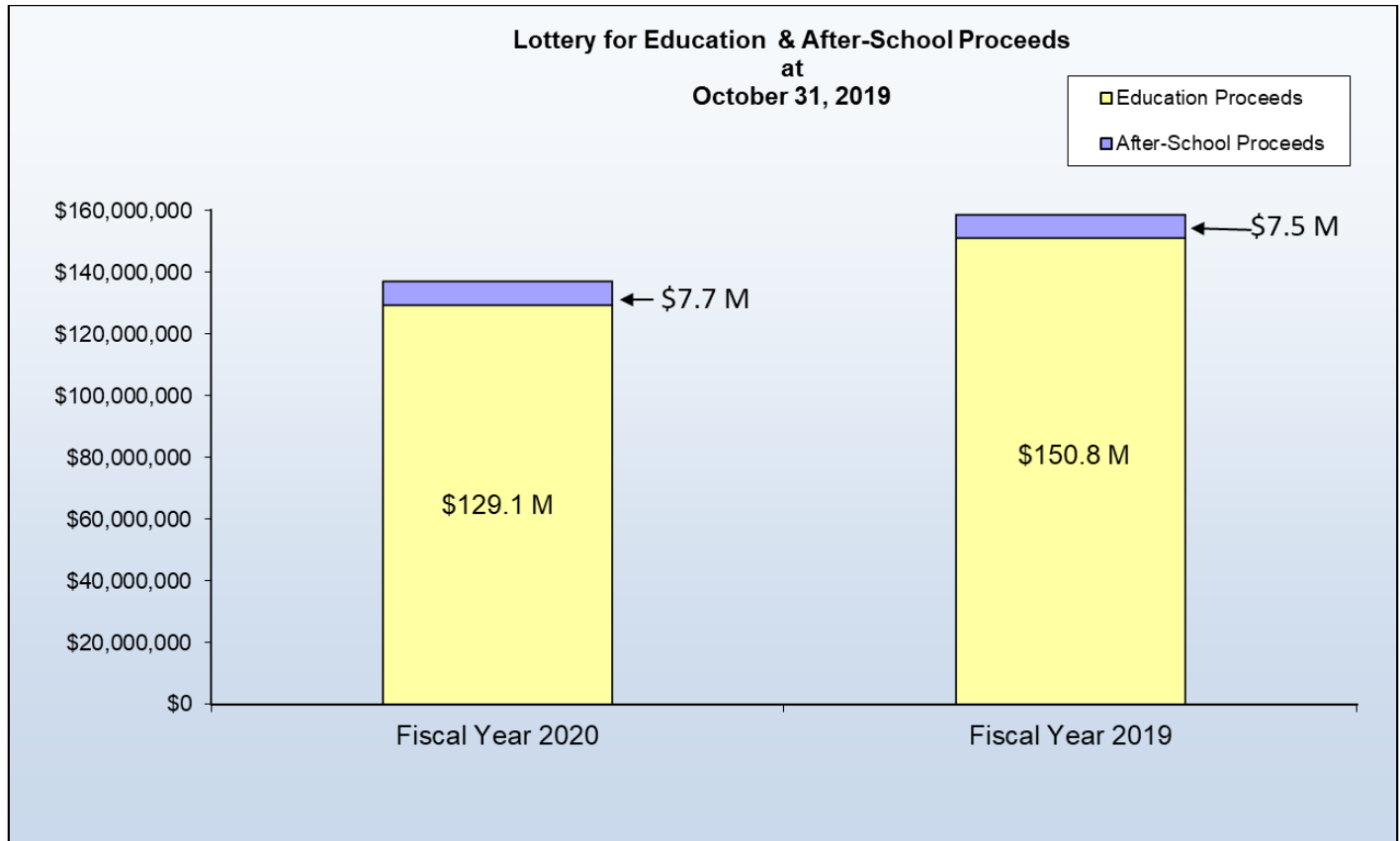
Direct Gaming-Related Expenses

- Aggregate Prize Expense for all Games is budgeted at **\$1.086 billion** or **64.4%** of Total Revenues.
 - *Instant Games* aggregated prize expense is budgeted at **\$917.4 million** or **67.9%** of Total Revenues.
 - *Drawing-style Games* aggregated prize expense is budgeted at **\$169.0 million** or **50.8%** of Total Revenues.
- Retailer sales commissions are budgeted at **\$118.2 million**.
- Major gaming vendors' fees are budgeted at **\$33.6 million**.

Non-Direct Expenses

- Non-direct expenses are budgeted at **\$37 million** or **1.9%** 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 **\$22.1 million**.
- Actual non-direct expenses have trended between \$32 million and \$34 million annually over the last five years.

**TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**



Lottery for Education Proceeds

- \$129.1 million as of 10/31/2019
- \$150.8 million as of 10/31/2018

Projected Fiscal Year 2020

\$411 million - \$424 million

After-School Program Proceeds

- \$7.7 million as of 10/31/2019
- \$7.5 million as of 10/31/2018

Projected Fiscal Year 2020

\$15 million - \$16 million

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.

Unclaimed proceeds are significantly impacted by the timing of instant games' closings and large drawing-style game prizes not claimed.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

Tennessee Education Lottery				
	FY 2019 Actuals	FY 2020 Actuals 10/31/19	FY 2020 Low Projections	FY 2020 High Projections
Instant Ticket Sales	\$ 1,448,879,000	\$ 470,449,000	\$ 1,477,774,000	\$ 1,492,431,000
Tennessee Only	\$ 138,937,000	\$ 48,905,000	\$ 137,734,000	\$ 144,594,000
Multi Jurisdictional	\$ 224,789,000	\$ 43,790,000	\$ 168,154,000	\$ 194,689,000
GROSS TICKET SALES	\$ 1,812,605,000	\$ 563,144,000	\$ 1,783,662,000	\$ 1,831,714,000
Less: Tickets Provided as Prizes	\$ (122,553,000)	\$ (38,551,000)	\$ (121,323,000)	\$ (127,237,000)
Net Ticket Sales	\$ 1,690,052,000	\$ 524,593,000	\$ 1,662,339,000	\$ 1,704,477,000
Other Revenue	5,873,000	1,805,000	4,725,000	4,725,000
TOTAL LOTTERY PROCEEDS	\$ 1,695,925,000	\$ 526,398,000	\$ 1,667,064,000	\$ 1,709,202,000
EXPENSES				
Prize Expense	\$ 1,083,572,000	\$ 339,628,000	\$ 1,074,062,000	\$ 1,097,335,000
Retailer Commissions	118,177,000	36,768,000	116,606,000	119,768,000
Vendor Fees	33,380,000	10,686,000	33,245,000	33,881,000
Direct Expense	\$ 1,235,129,000	\$ 387,082,000	\$ 1,223,913,000	\$ 1,250,984,000
Non-Direct Expenses	\$ 31,834,000	\$ 10,239,000	\$ 32,000,000	\$ 34,000,000
TOTAL EXPENSES	\$ 1,266,963,000	\$ 397,321,000	\$ 1,255,913,000	\$ 1,284,984,000
EXCESS UNCLAIMED PROCEEDS	\$ 224,000	\$ -	\$ -	\$ -
LOTTERY FOR EDUCATION PROCEEDS	\$ 429,186,000	\$ 129,077,000	\$ 411,151,000	\$ 424,218,000
AFTER SCHOOL PROGRAM PROCEEDS	\$ 18,000,000	\$ 7,695,000	\$ 15,000,000	\$ 16,000,000

FISCAL YEARS ENDING JUNE 30, 2021, 2022, 2023 and 2024

	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Total Lottery Proceeds	\$1,696- \$1,748 Million	\$1,726- \$1,787 Million	\$1,756- \$1,827 Million	\$1,787- \$1,868 Million
Lottery for Education Proceeds	\$418-\$434 Million	\$426-\$444 Million	\$433-\$454 Million	\$441-\$464 Million
After-School Programs Proceeds	\$15 - \$16 Million	\$15 - \$16 Million	\$16 - \$17 Million	\$16 - \$17 Million



MIKE KRAUSE
Executive Director

BILL LEE
Governor

STATE OF TENNESSEE
TENNESSEE STUDENT ASSISTANCE CORPORATION
PARKWAY TOWERS, SUITE 1510
NASHVILLE, TENNESSEE 37243-0820
(615) 741-1346

November 15, 2019

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 2023-24 academic year.

The expenditures 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.

<u>Fiscal Year</u>	<u>TELS Low</u>	<u>TELS Baseline</u>	<u>TELS High</u>	<u>Recipients</u>
2018-19 actual	N/A	\$364.9M	N/A	133,400
2019-20 estimated*	\$360.0M	\$367.3M	\$378.3M	134,300
2020-21 estimated*	\$363.6M	\$371.0M	\$382.1M	135,600
2021-22 estimated*	\$367.2M	\$374.7M	\$386.0M	137,000
2022-23 estimated*	\$370.8M	\$378.4M	\$389.8M	138,400
2023-24 estimated*	\$374.6M	\$382.2M	\$393.7M	139,700

*Does not include estimated administrative costs of \$8.0M 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