



JASON E. MUMPOWER
Comptroller

**TENNESSEE STATE FUNDING BOARD
NOVEMBER 16, 2022
AGENDA**

1. Call Meeting to Order

2. Revenue Estimating Presentations:

Presenters:

- A. Ms. Laurel Graefe, Regional Executive,
Federal Reserve Bank of Atlanta, Nashville Branch
- B. Dr. Don Bruce, Professor of Economics & Director,
Boyd Center for Business and Economic Research, University of Tennessee
- C. Dr. Jon Smith, Professor and Director of Business and Economic Research,
Dr. Joseph Newhard, Assistant Professor of Economics,
Dr. Fred Mackara, Associate Professor of Economics,
East Tennessee State University
- D. Commissioner David Gerregano,
Mr. Jeff Bjarke, Director of Research,
State of Tennessee, Department of Revenue
- E. Mr. Bojan Savic, Assistant Director,
Mr. Joe Wegenka, Chief Economist,
State of Tennessee, Fiscal Review Committee

3. Lottery Revenue Estimating Presentations:

Presenters:

- A. Mr. Bojan Savic, Assistant Director,
Mr. Joe Wegenka, Chief Economist,
State of Tennessee, Fiscal Review Committee
- B. Ms. Rebecca Hargrove, President and CEO,
Mr. Andy Davis, Chief Financial and Technology Officer
Tennessee State Lottery Corporation
- C. Mr. Tim Phelps, Associate Executive Director for Grant and Scholarship Programs,
Tennessee Student Assistance Corporation

4. Report from Tennessee State Veterans Home Board
Mr. Ed Harries, Executive Director
Ms. Danielle Brown, Controller
5. Request to the Board for Consideration for Program Funding for the Fiscal Year 2023-2024 from Net Lottery Proceeds Pursuant to Tennessee Code Annotated Section 4-51-111(c)(2)(B)
6. Recess (to reconvene November 28, 2022)



View from the Fed: Perspectives on the economy

November, 2022

Laurel Graefe



Federal Reserve Bank *of* Atlanta
Nashville Branch

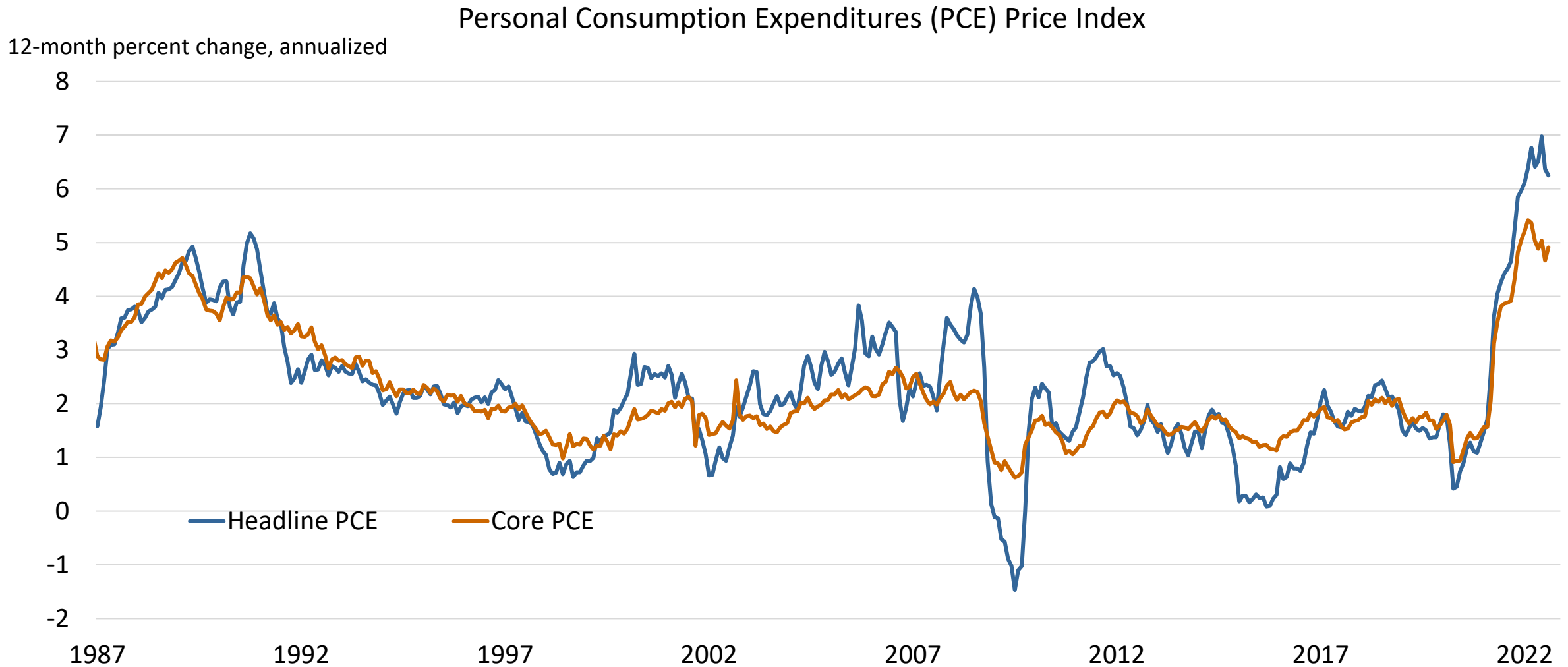
TN vs. the US Economy

- In many ways, Tennessee's economy continues to mirror that of the country as a whole
 - And the major drivers of national activity are all in play locally (geopolitical, weather/climate, demographic, pandemic, etc.)
- However, recent trends are pointing to some forces at play locally that may be amplifying economic pressure in TN

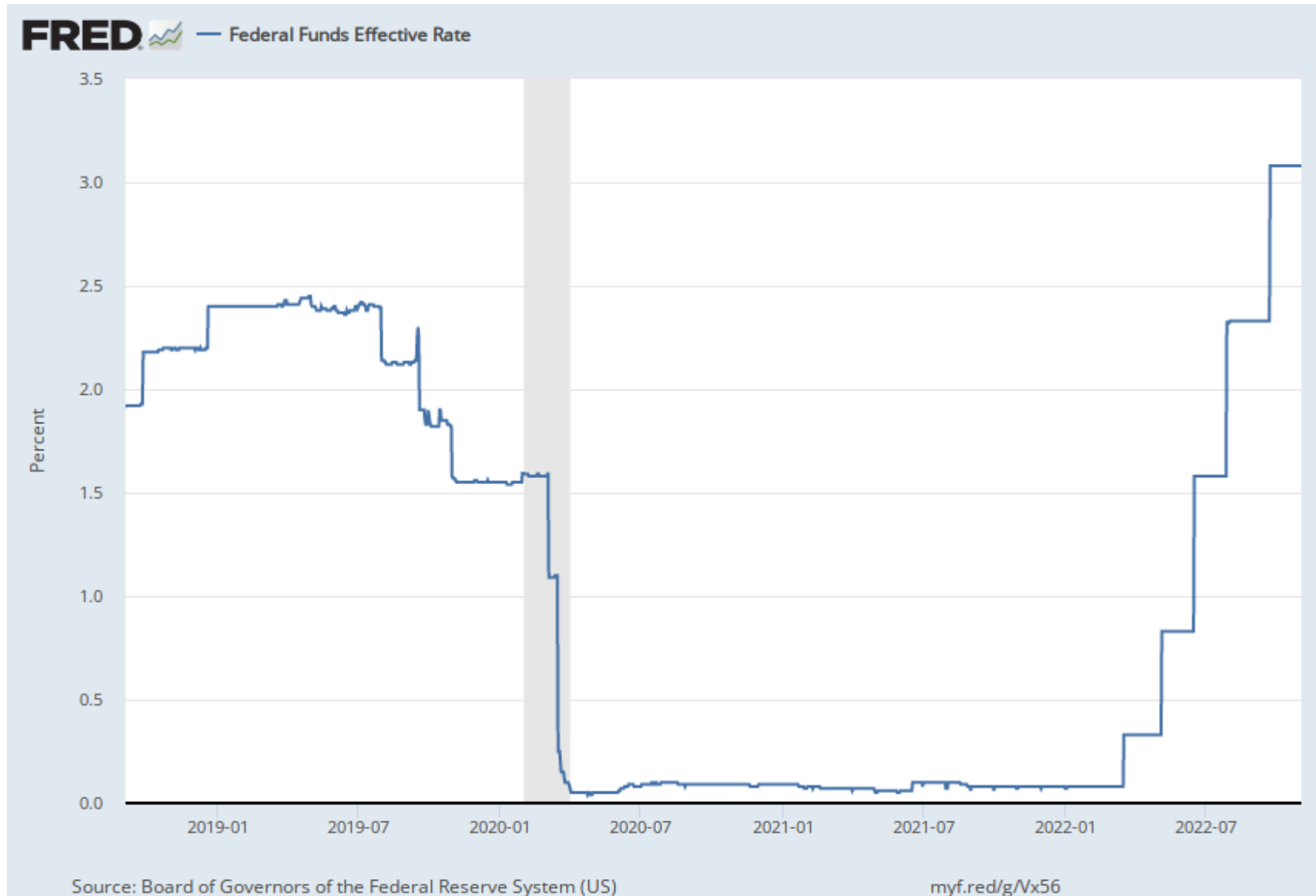
Dynamics at play in TN

- **Booming demand** from both consumers and employers. TN nonfarm **employment** has surpassed pre-pandemic peaks and is still **expanding faster** than at any other point in the past decade
- Large amounts of **in-migration** are supporting labor force growth, and the **growing economy is absorbing those new workers quickly**
- However... the boom in population and growth have **driven up costs** considerably and are **unlikely to be sustained**

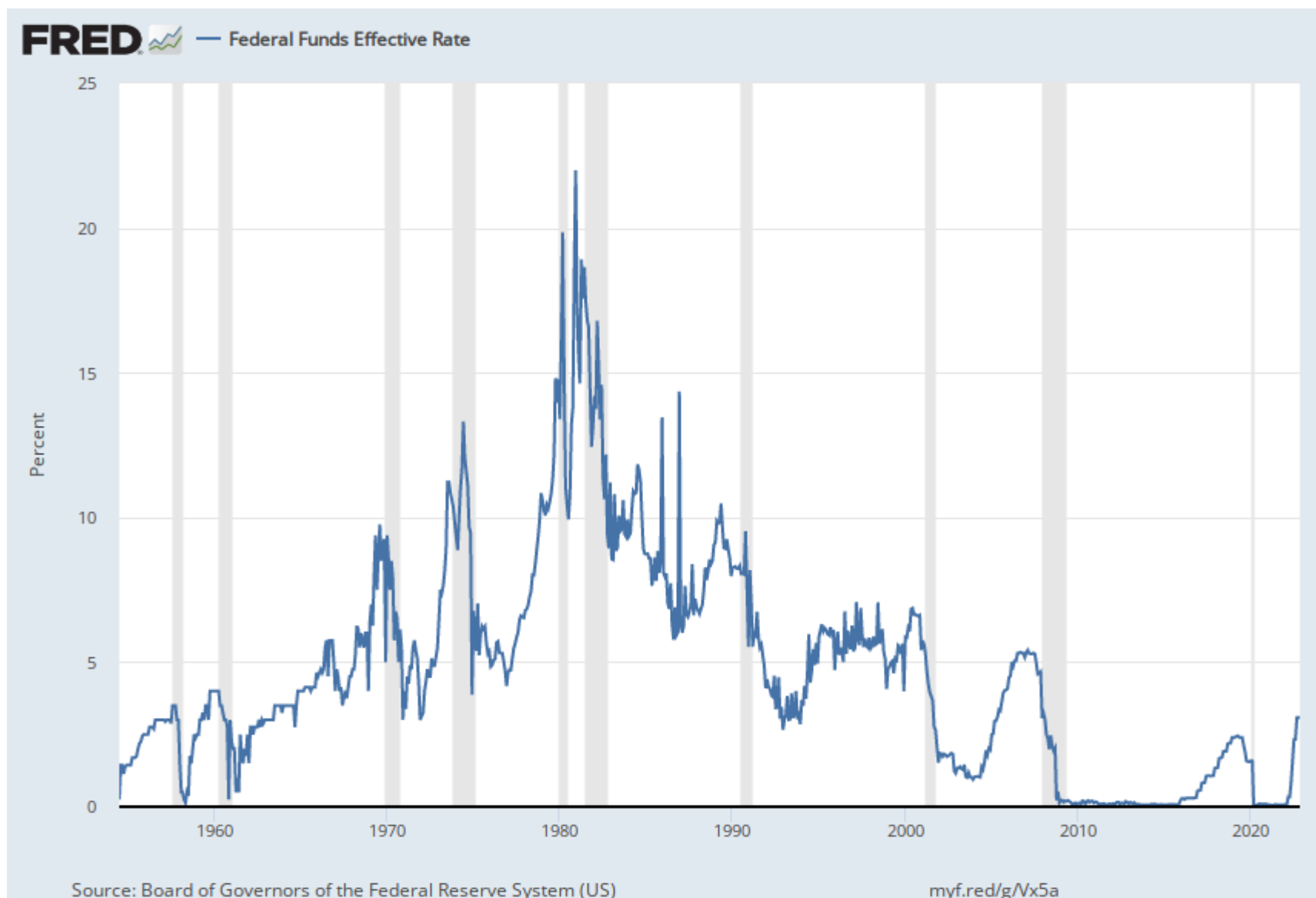
Headline and core consumer inflation are at their highest levels in the past 35 years



On November 2, the FOMC raised the federal funds rate target to a range between 3.75 and 4.0 percent



...though interest rates remain relatively low by historical standards



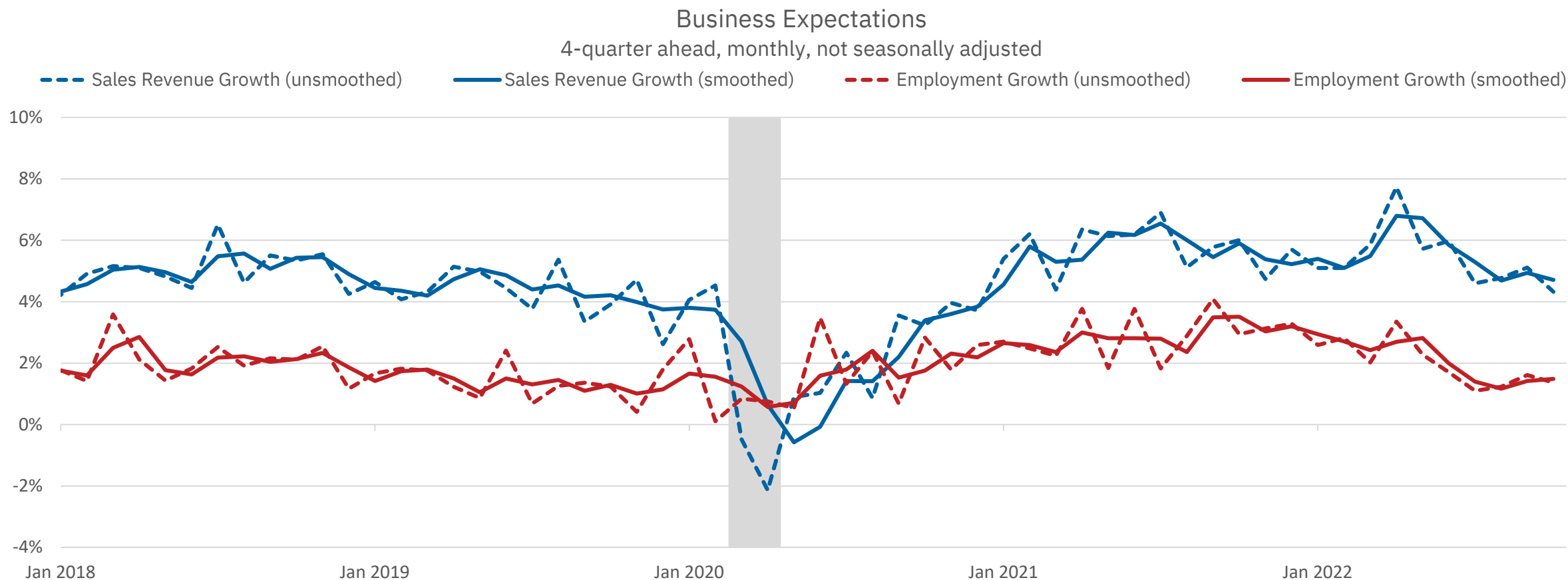
At it's core, **inflation** is caused by a mismatch between **demand** and **supply**

DEMAND:

Consumer spending continues to hold up.

However, rising prices and declining savings suggest some slowing on the horizon.

Businesses anticipate growth in sales and in their labor needs will slow over the coming year – returning to the pre-pandemic pace.



Sources: Atlanta Fed/Chicago Booth/Stanford; National Bureau of Economic Research; Haver Analytics

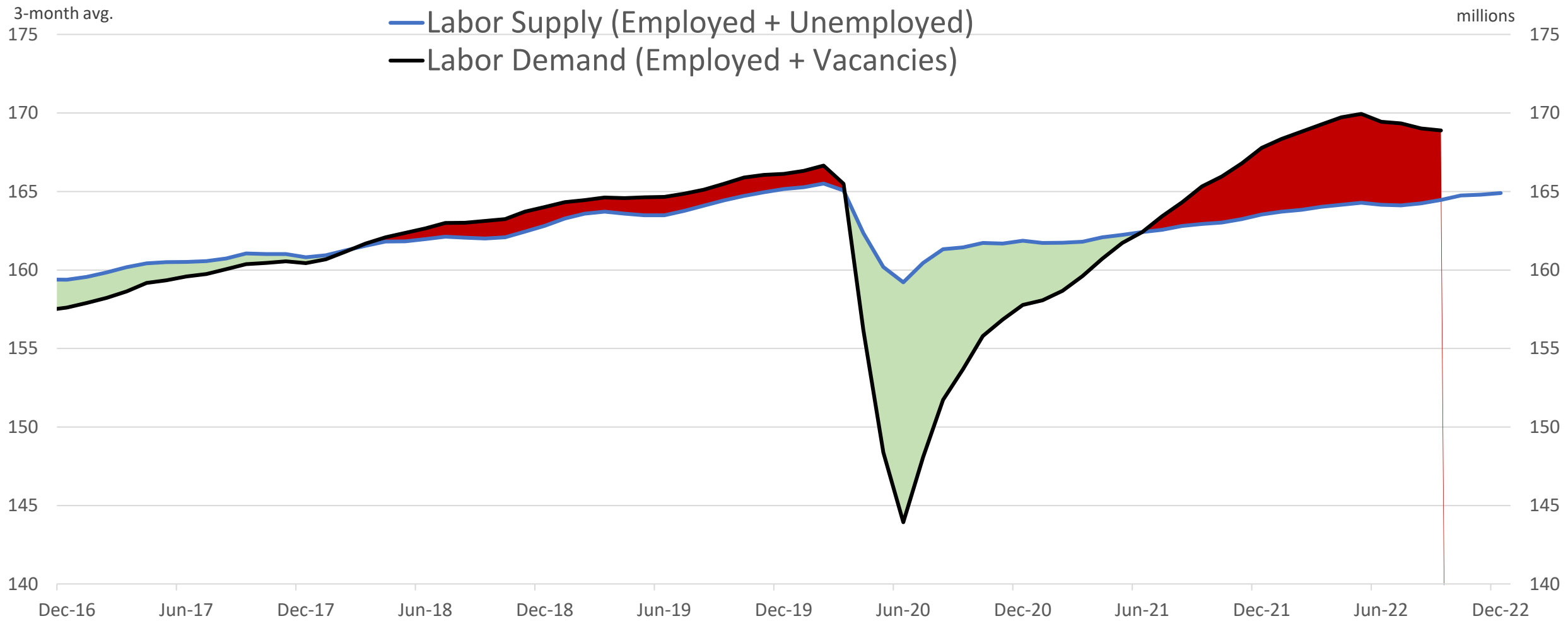
through October 2022 (updated October 26)

SUPPLY

Despite some easing in recent months, **supply chains** remain vulnerable to external shocks.

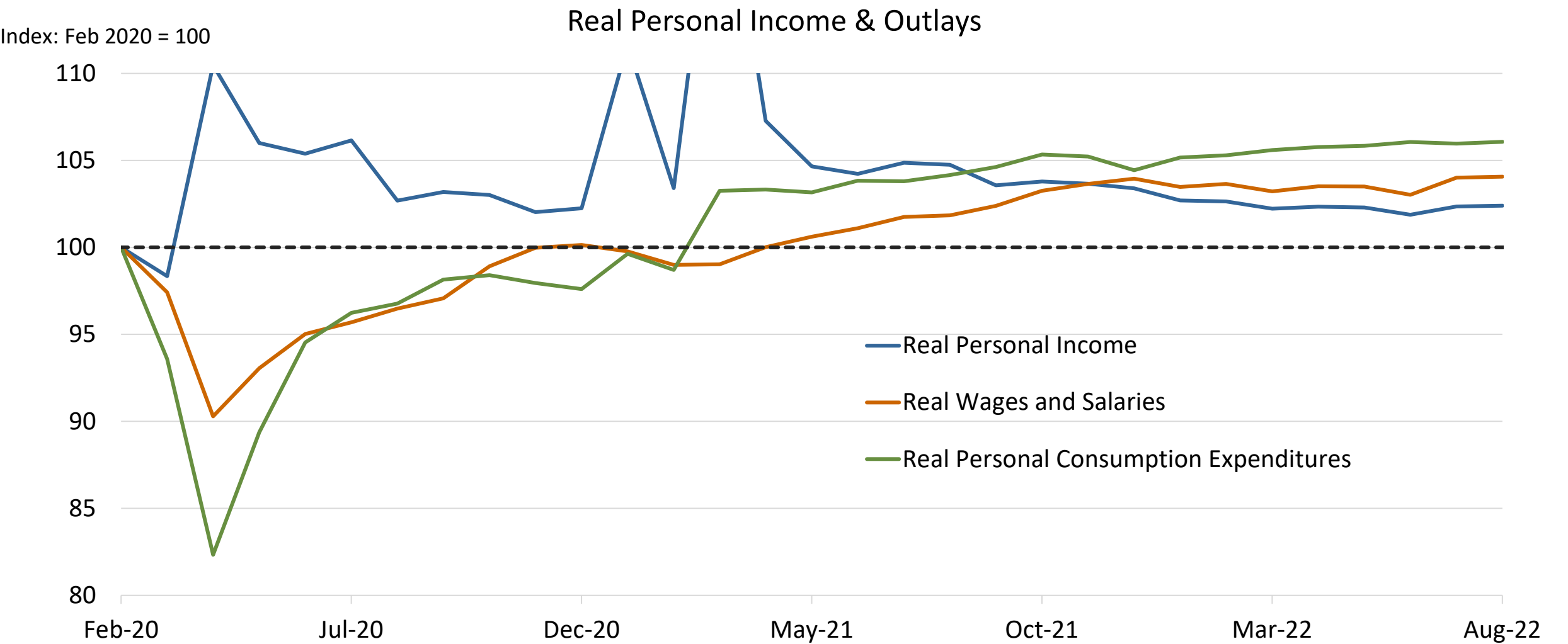
The **labor market** remains tight, but signs are emerging that pressures are easing slightly.

The gap between labor demand and labor supply is likely to persist well into 2023 in the absence of a sharp contraction in labor demand



Data through September 2022. Source: For labor force and employment, BLS, Current Population Survey (adjusted for effects of population controls). For vacancies, BLS, Job Openings and Labor Turnover Survey. Vacancies are assumed to be 9.5m in Sept. Data for labor supply through Dec. 2022 are created using monthly population estimates for Oct-Dec. from the Census Bureau and assuming the Sept. labor force participation rate remains constant.

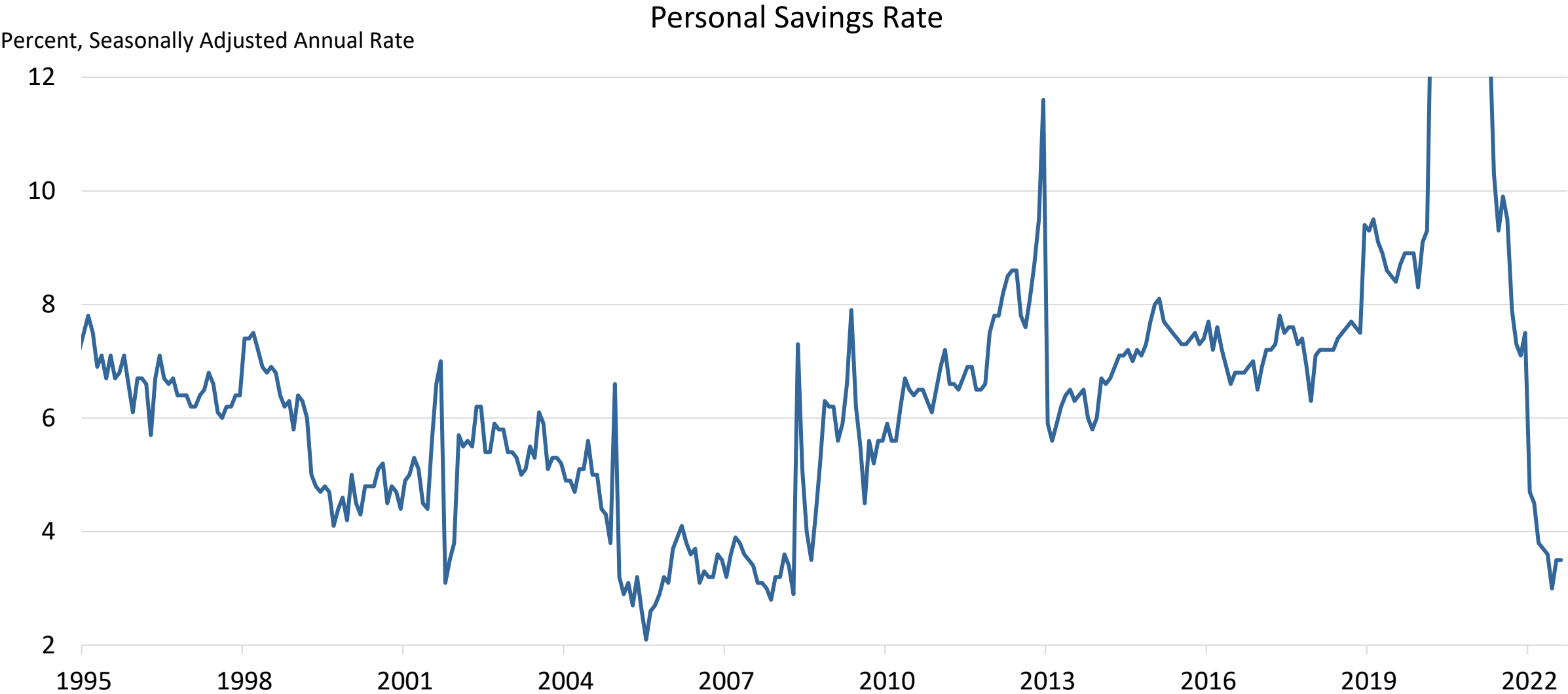
Real total personal income has been flat over the past year



Sources: Bureau of Economic Analysis, Haver Analytics, Atlanta Fed staff calculations

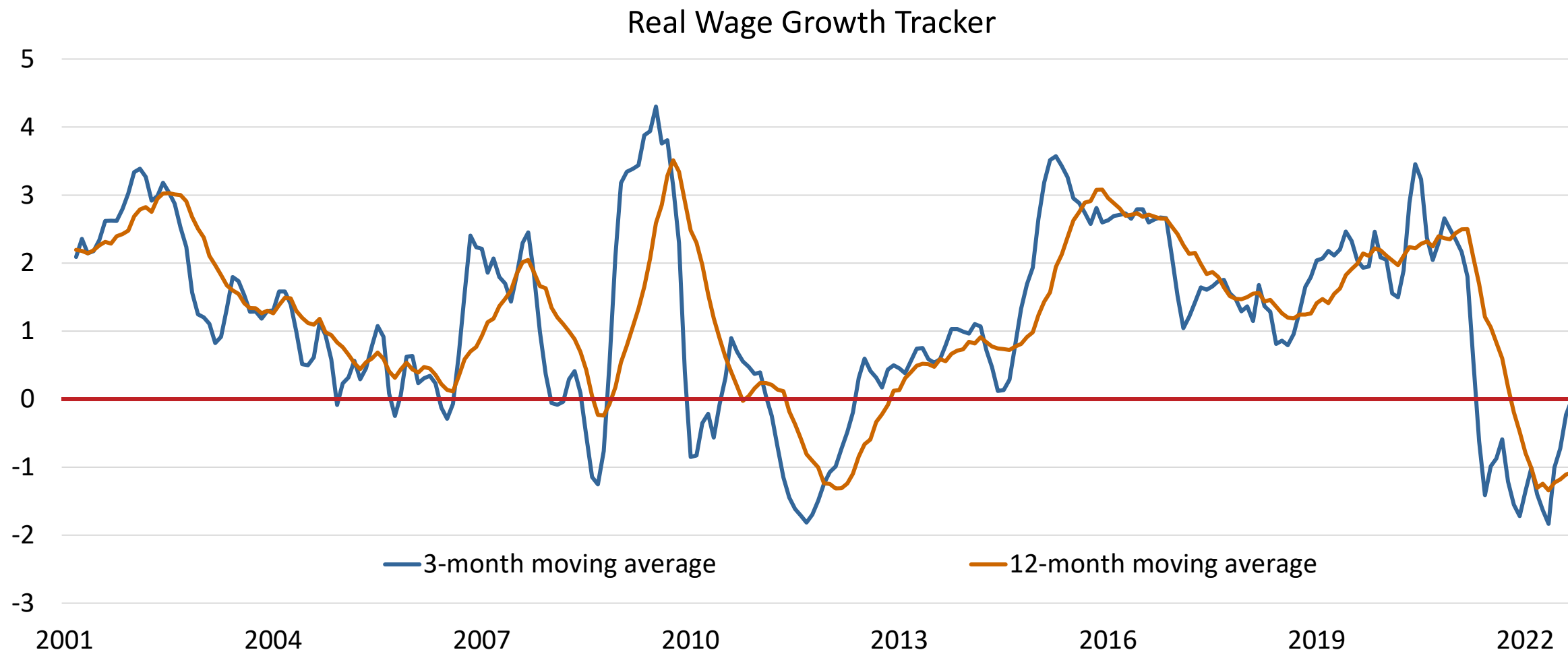
Data through July 2022

With prices rising faster than wages, consumers have decreased their savings rate to support consumption



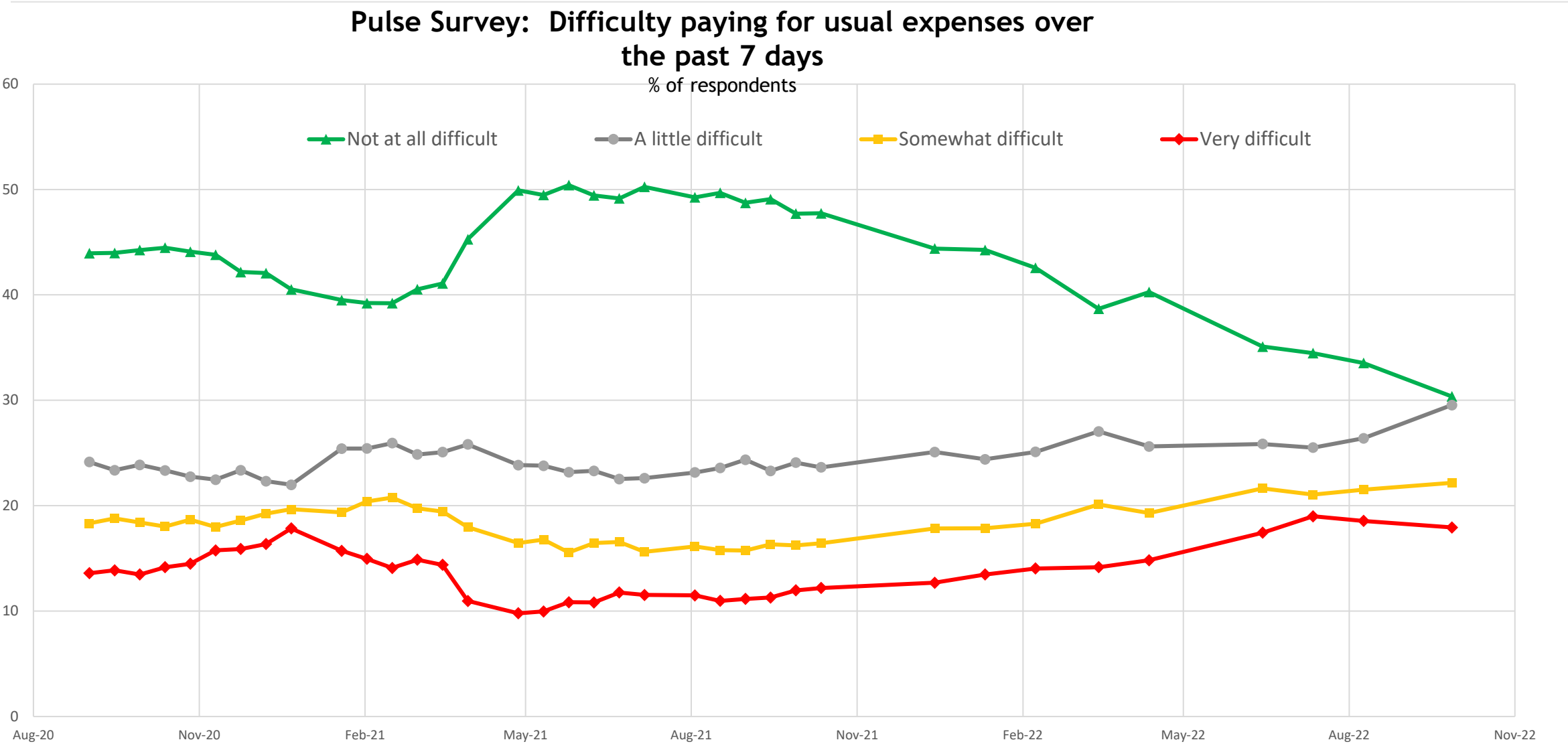
Sources: Bureau of Economic Analysis, Federal Reserve Economic Data (FRED). The personal savings rate is the difference between total disposable income and personal expenditure expressed as a percentage of disposable personal income

Inflation-adjusted wages have declined for workers over the past 18 months



Sources: Current Population Survey, Bureau of Labor Statistics, and Federal Reserve Bank of Atlanta Calculations. The real wage measure was constructed using the CPI price index to deflate nominal wages. Data through September 2022. ...

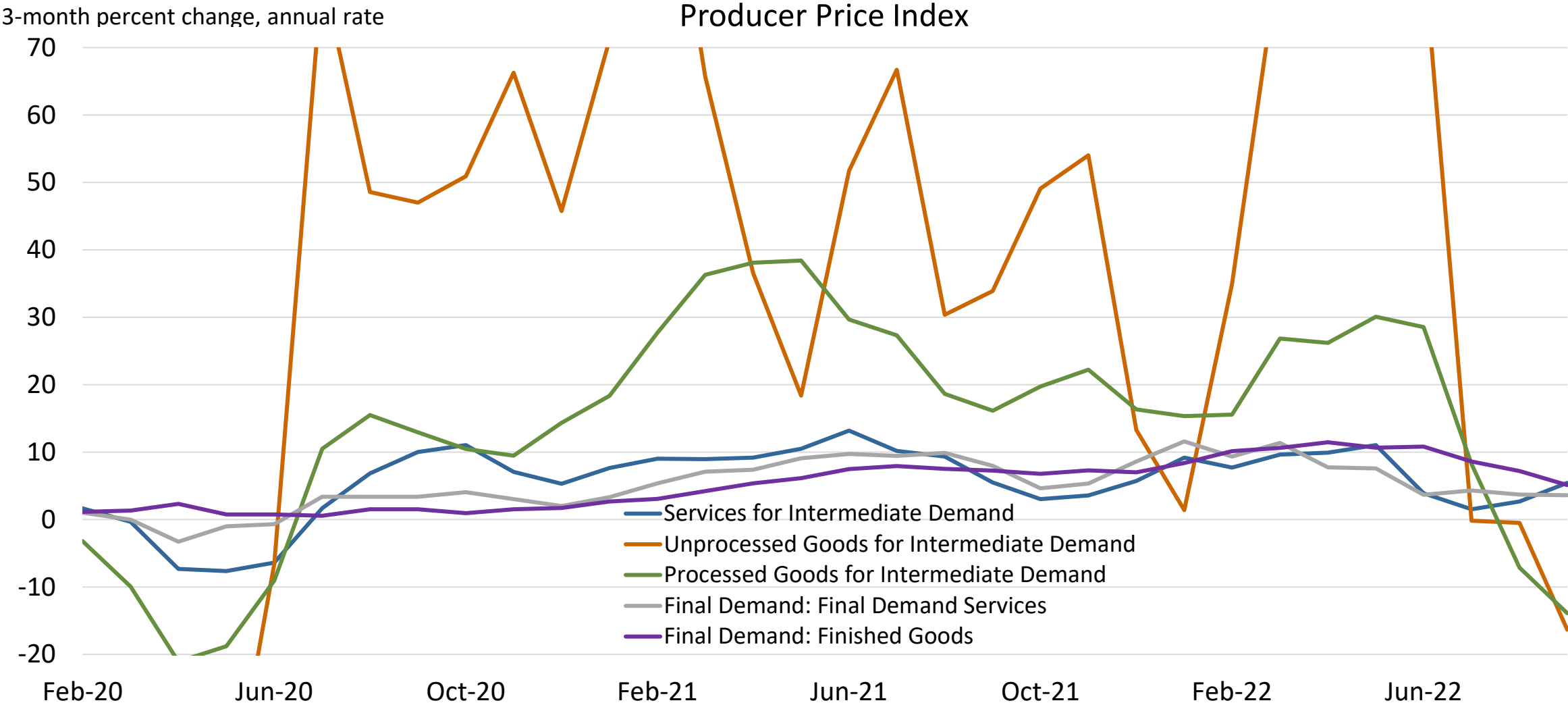
The share of respondents in the Household Pulse survey saying it is “not at all difficult” to meet usual expenses continues to fall



Note: Points corresponding to final day of 2-week survey period.

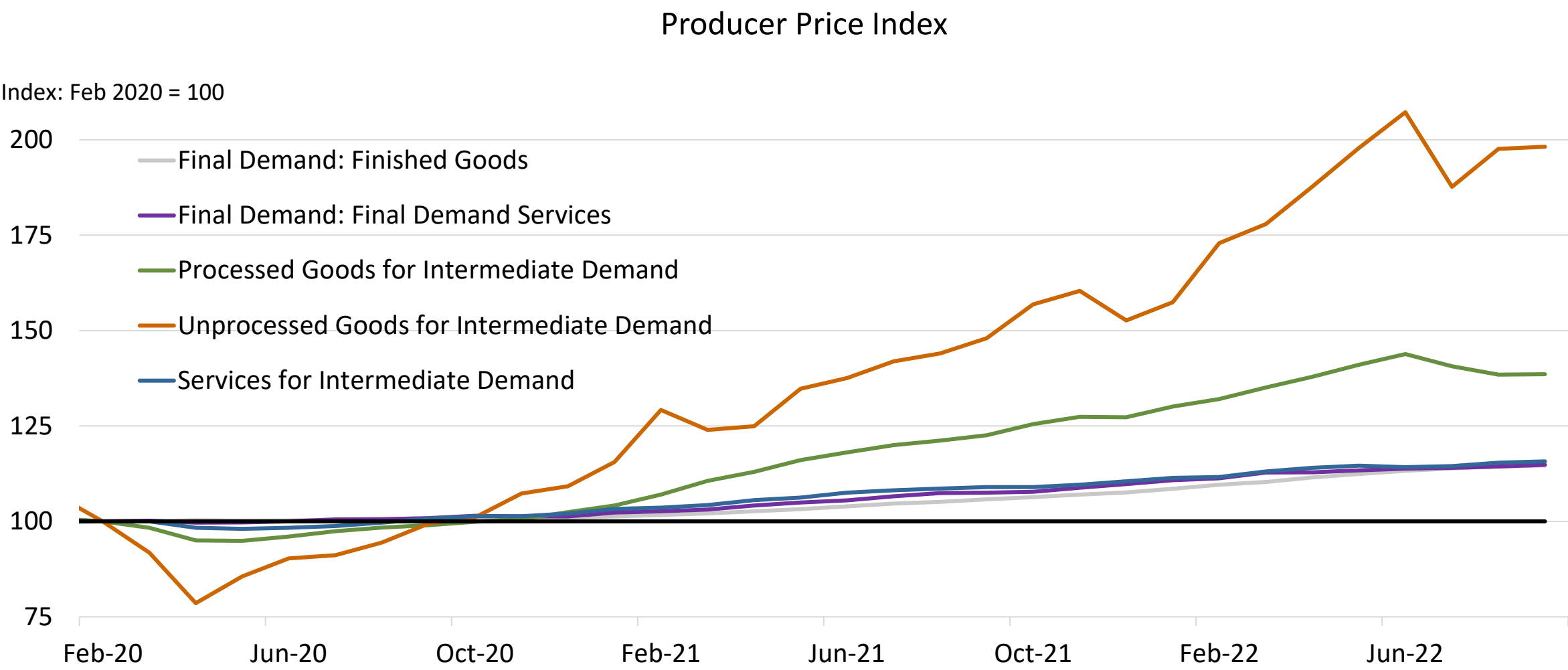
Source: US Census Bureau and Haver Analytics.

Over the past three months, pricing pressures have eased for unprocessed and processed goods for intermediate demand...



Source: Bureau of Labor Statistics. Data through September 2022.

...but the overall cost of these unprocessed and processed goods remains very high



Sources: Bureau of Labor Statistics, Haver Analytics. Data through September 2022.

GOING FORWARD...

“We are taking forceful steps **to moderate demand so that it comes into better alignment with supply**. Our overarching focus is using our tools to bring inflation back down to our 2 percent goal and to keep longer-term inflation expectations well anchored. Reducing inflation is likely to require a sustained period of below-trend growth and some softening of labor market conditions. **Restoring price stability is essential to set the stage for achieving maximum employment and stable prices in the longer run.** The historical record cautions strongly against prematurely loosening policy. **We will stay the course, until the job is done.**”

Jerome Powell, November 2, 2022 FOMC Press Conference

FOMC November 2022 Policy Statement: Policy Position

- The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run.
- In support of these goals, the Committee decided to raise the target range for the federal funds rate to 3-3/4 to 4 percent and **anticipates that ongoing increases in the target range will be appropriate.**
- In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in the Plans for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in May.
- The Committee is strongly committed to returning inflation to its 2 percent objective.



Tennessee Economic Outlook and Tax Revenue Forecast

Donald Bruce, Director
November 16, 2022

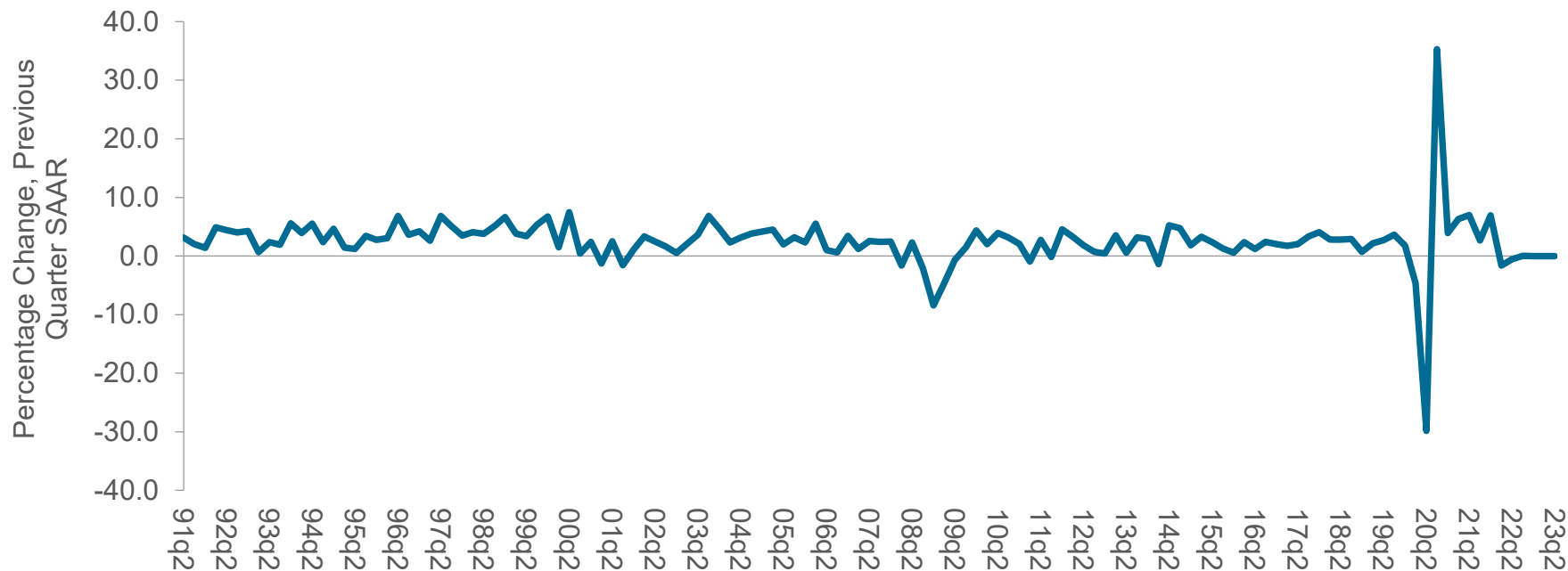


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AND ECONOMIC RESEARCH

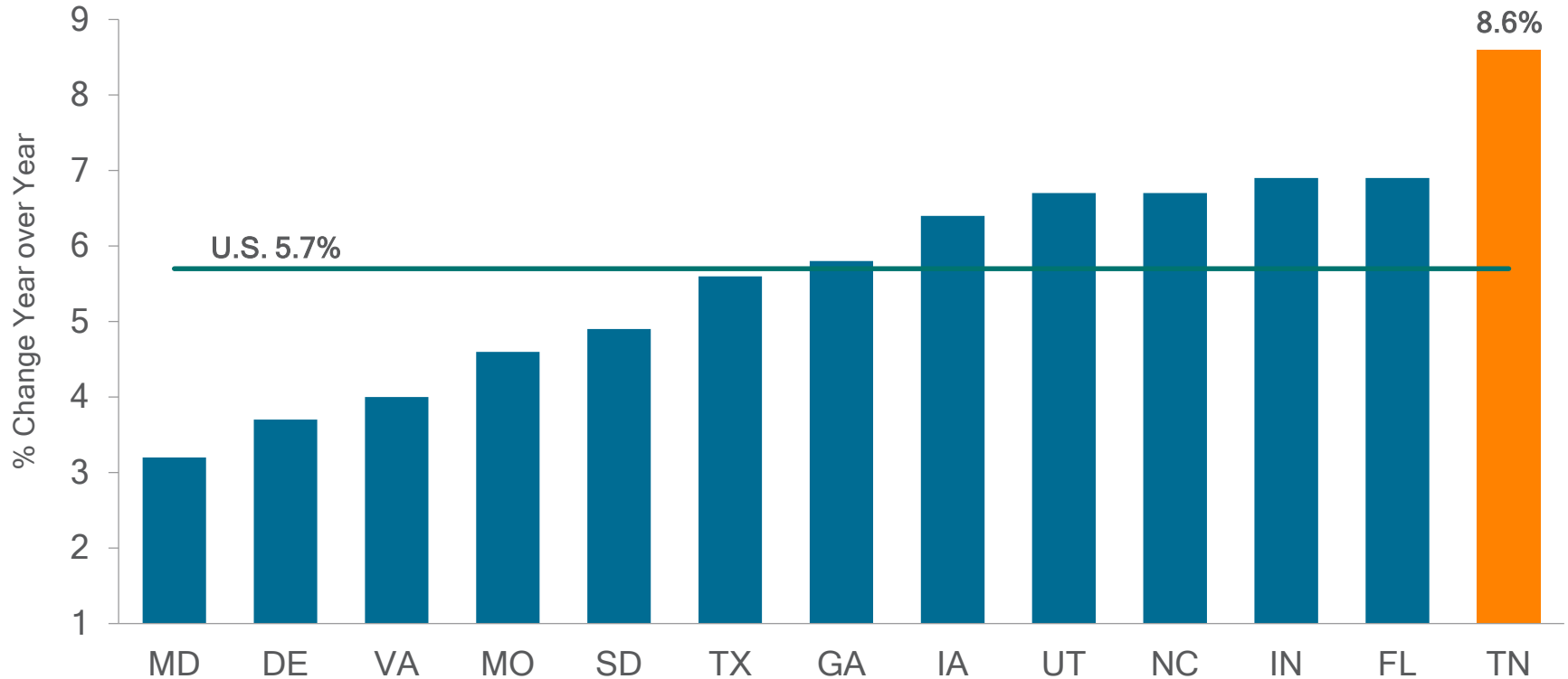


GDP Declined in Q1 and Q2 of 2022, and Forecasters Expect a Similar Decline through the Middle of 2023



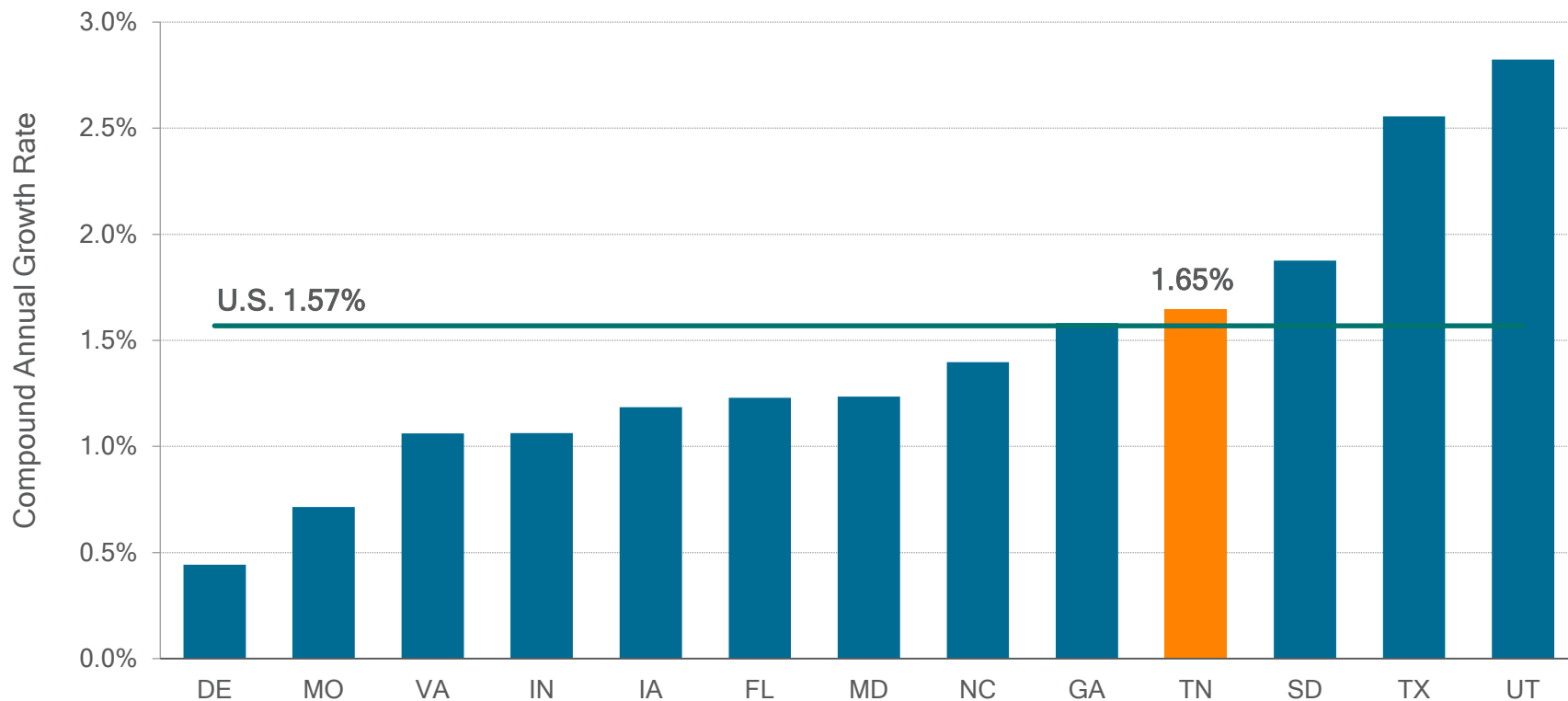
Source: BEA

TN Real GDP Growth, 2021



Source: BEA

State GDP Growth Rates, 2007 to 2021



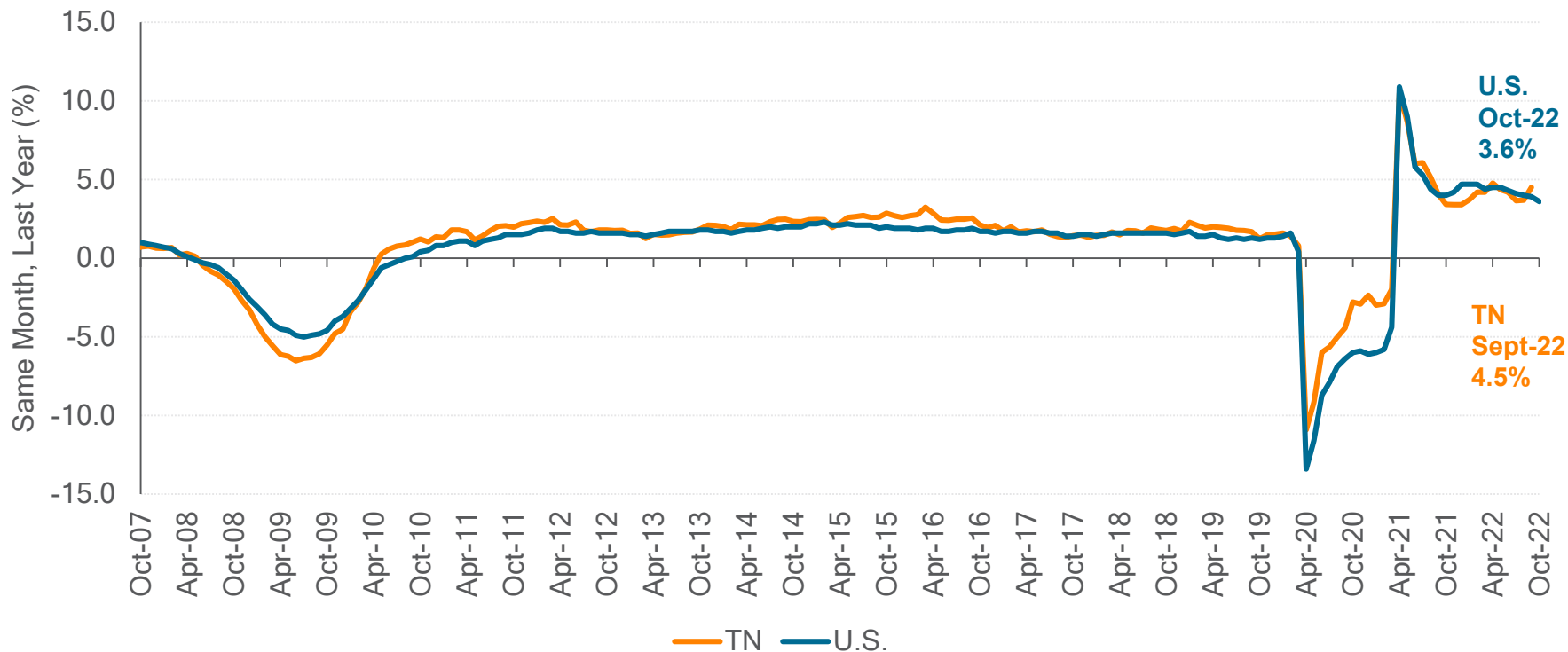
Source: BEA

Long Term U.S. Consumer Price Index Growth Rate



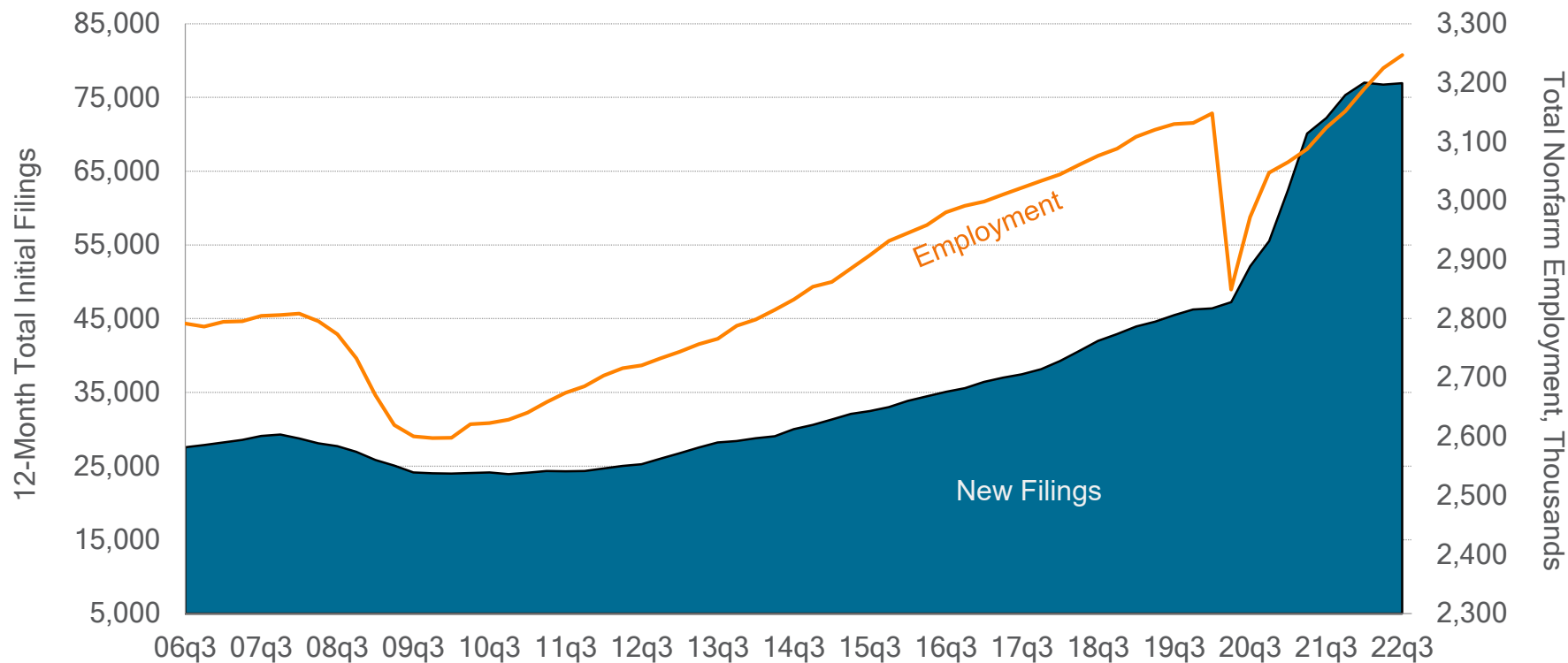
Source: BLS

TN and the U.S. are Continuing to Add Jobs



Source: BLS

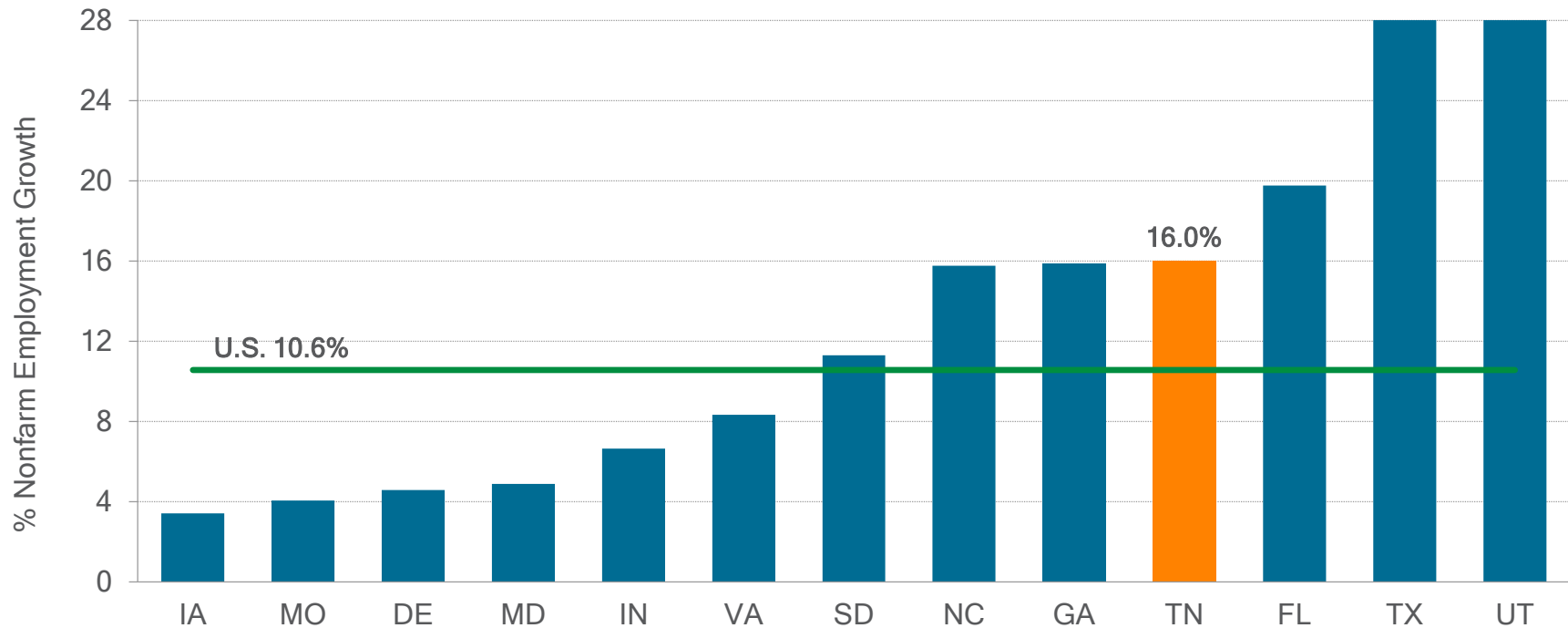
Tennessee Employment and New Entity Initial Filings



Source: TN Secretary of State & BLS

Tennessee Nonfarm Employment Growth

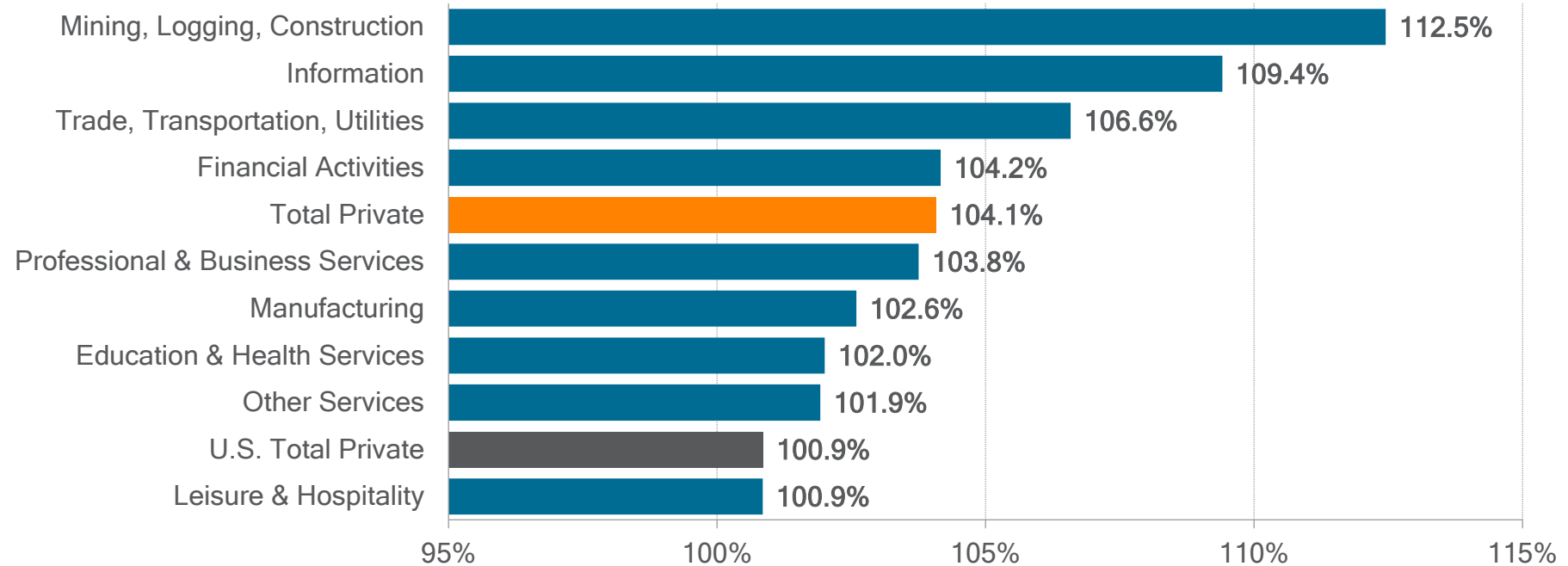
December 2007 - September 2022



Source: BLS

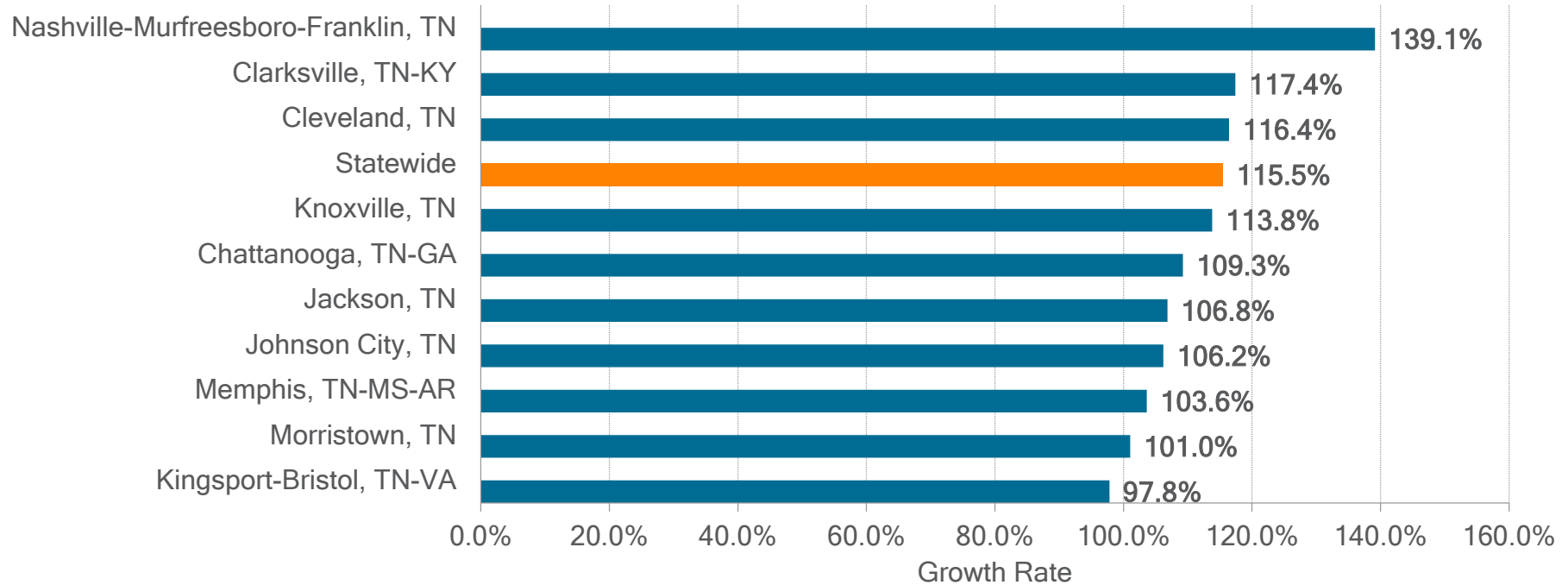
Tennessee Private Employment as Share of Pre-Pandemic Peak

September 2022 Employment as a share of February 2020 Employment



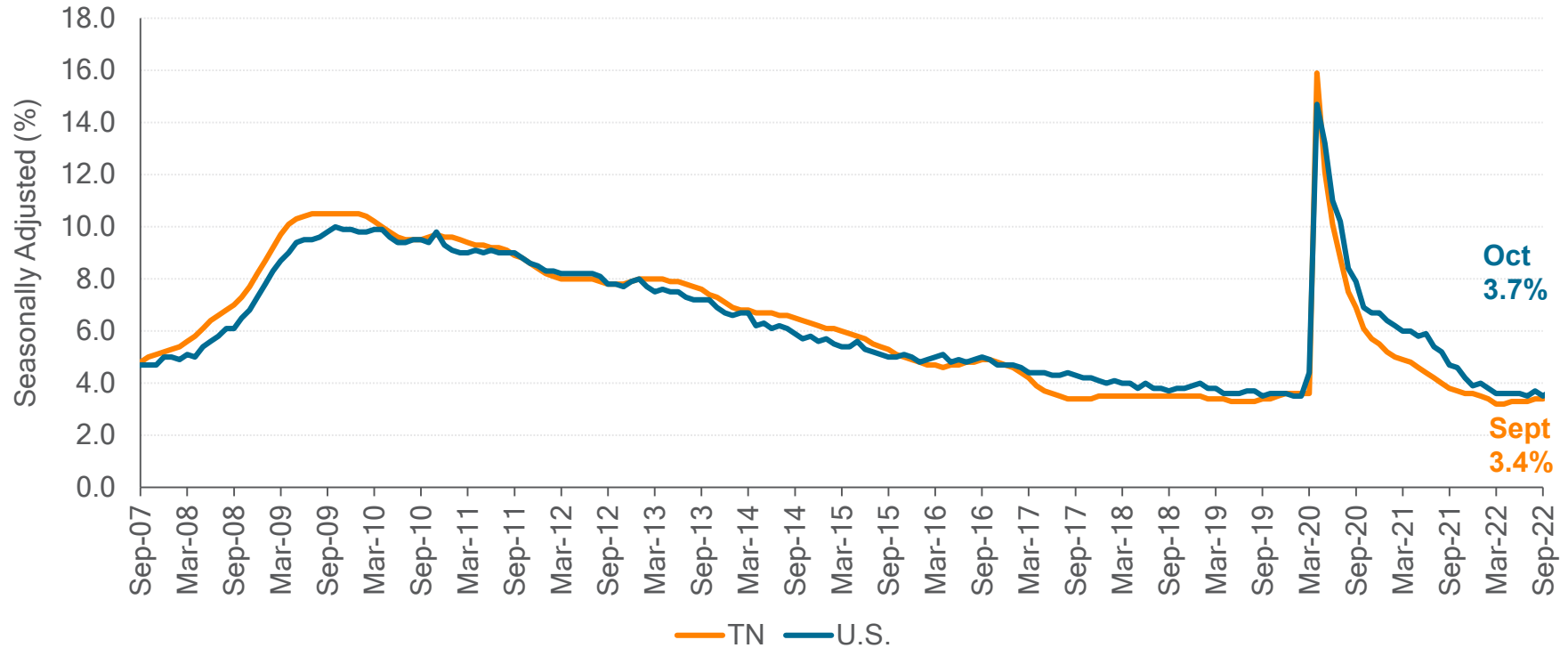
Source: BLS

Long Term Employment Growth Differs Dramatically Across Tennessee (Growth Since Great Recession)



Source: BLS

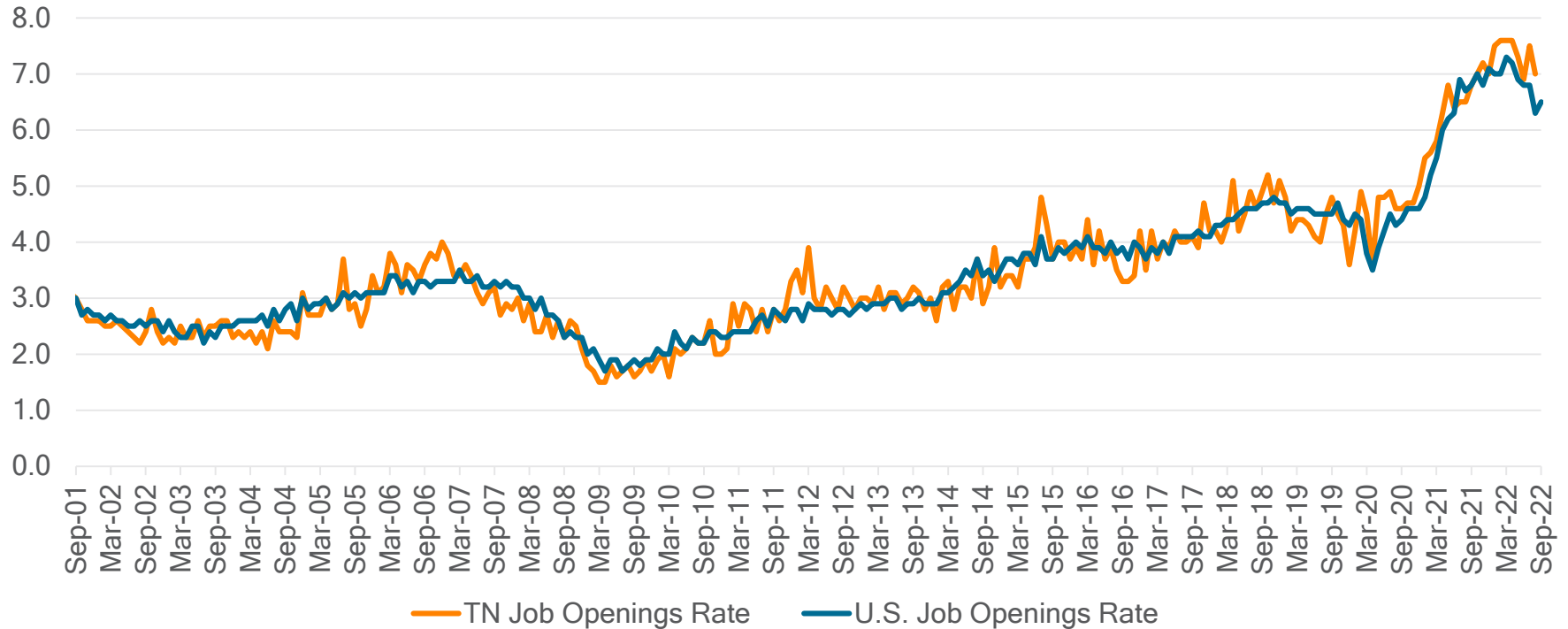
TN Unemployment Rate Below the U.S.



Source: BLS

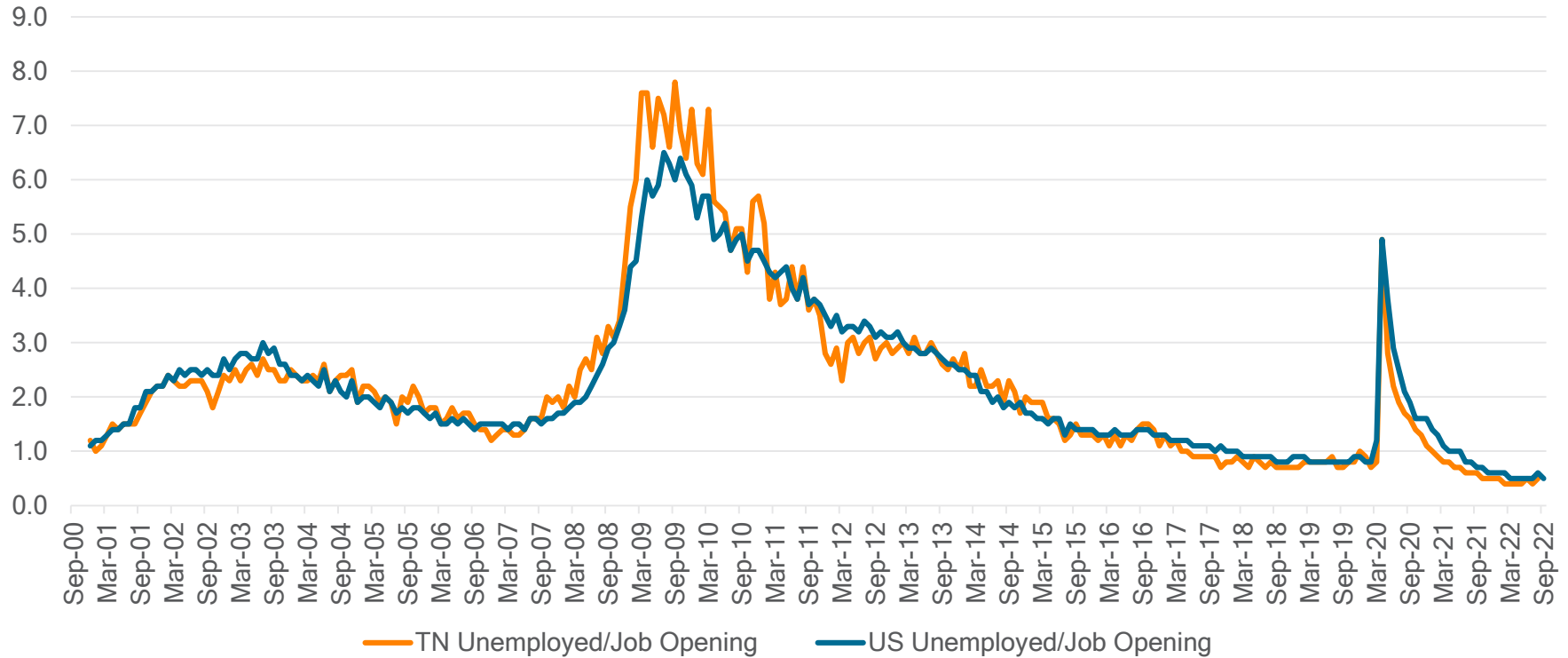
Tennessee and U.S. Job Opening Rate

(as a Share of Employment + Openings)



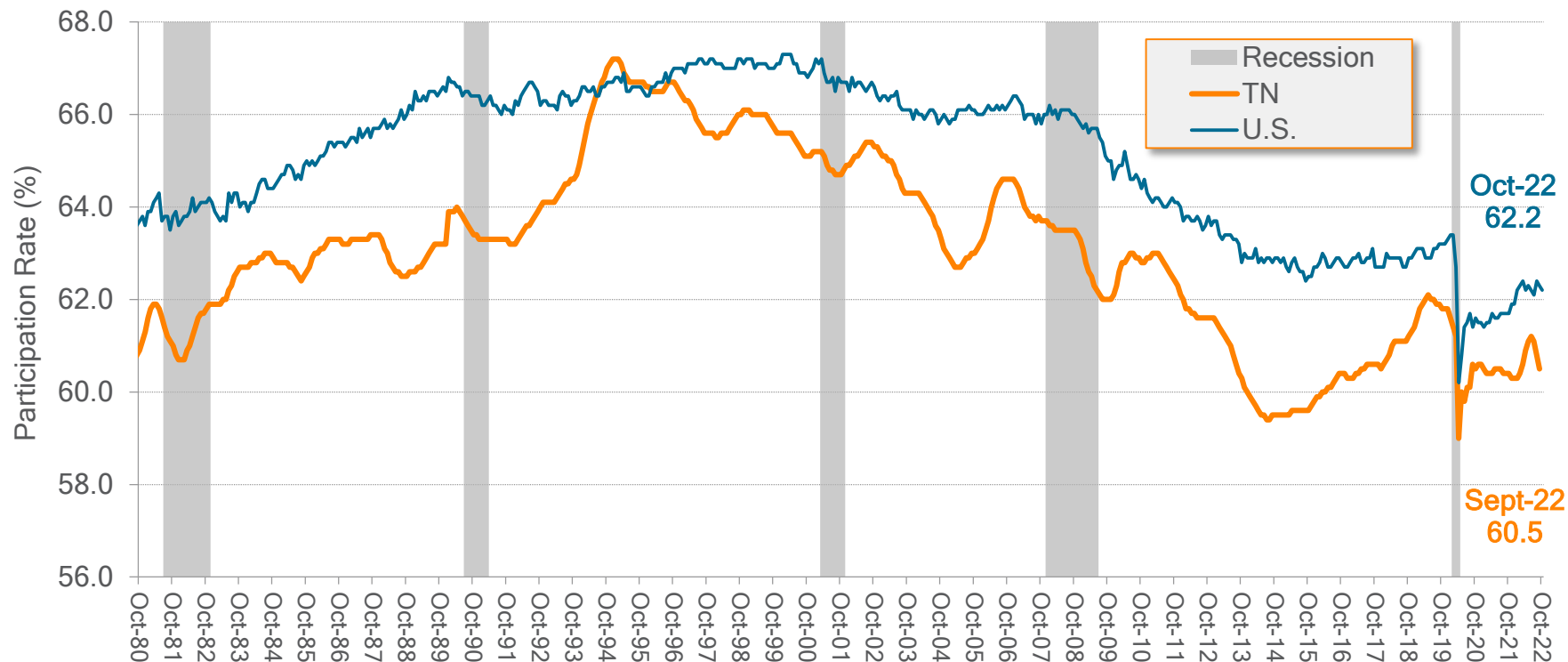
Source: BLS

Tennessee and U.S. Unemployed Persons Per Job Opening



Source: BLS

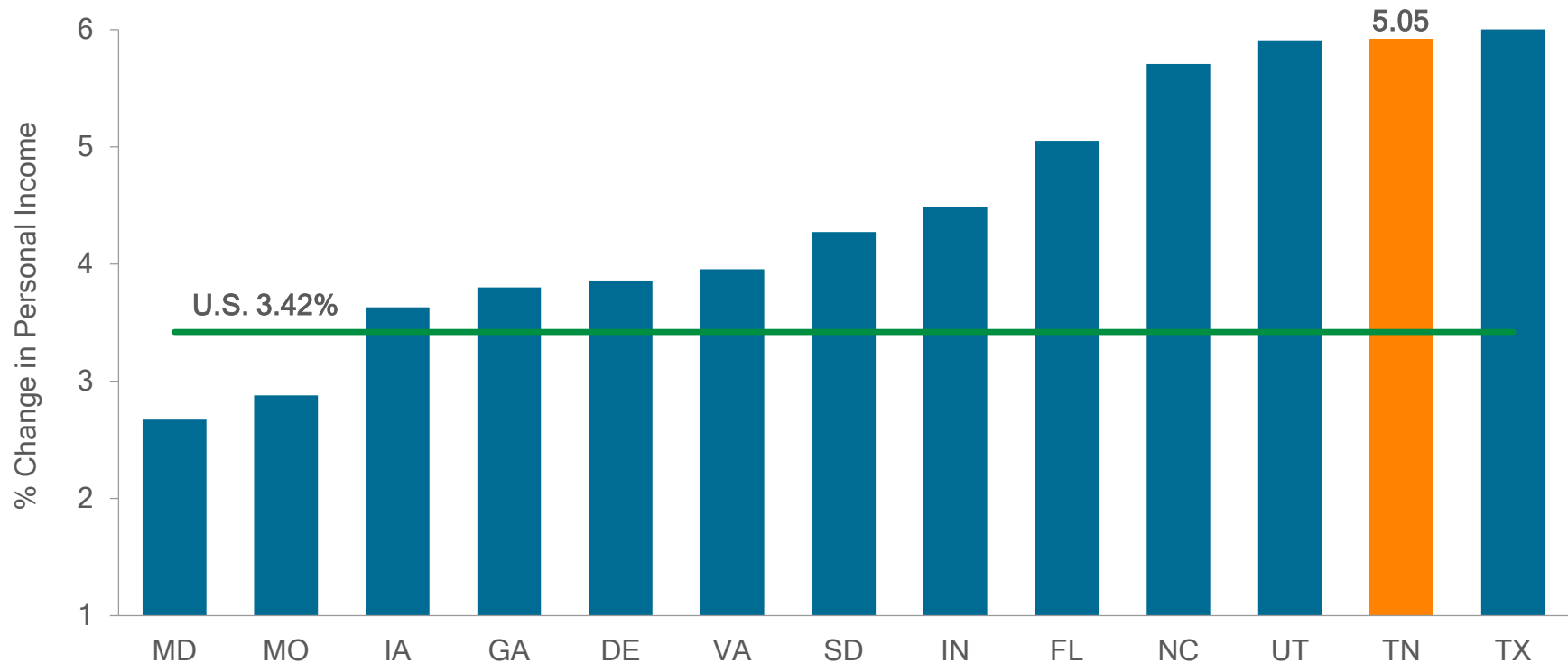
Labor Force Participation Has Not Recovered from the Pandemic



Source: BLS

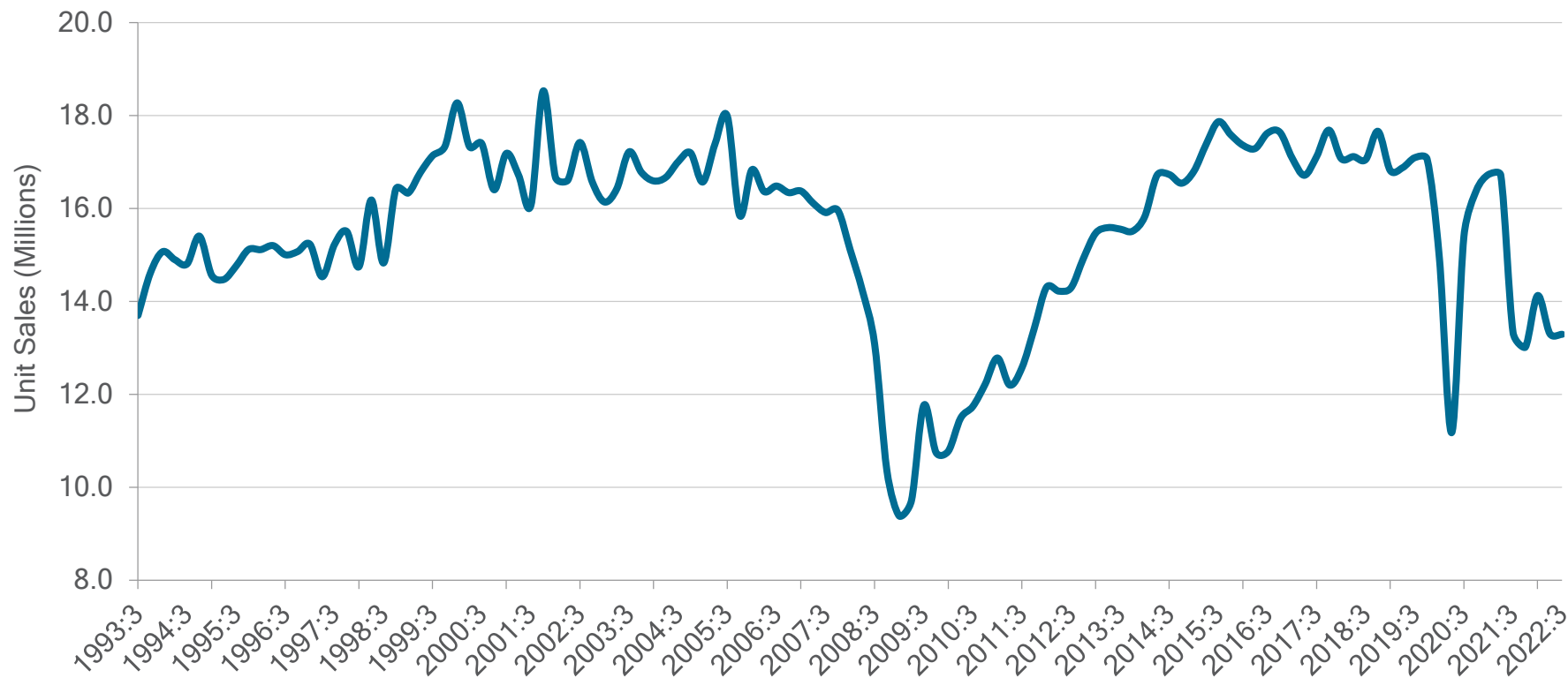
Personal Income Growth

Q2 2021 - Q2 2022



Source: BEA

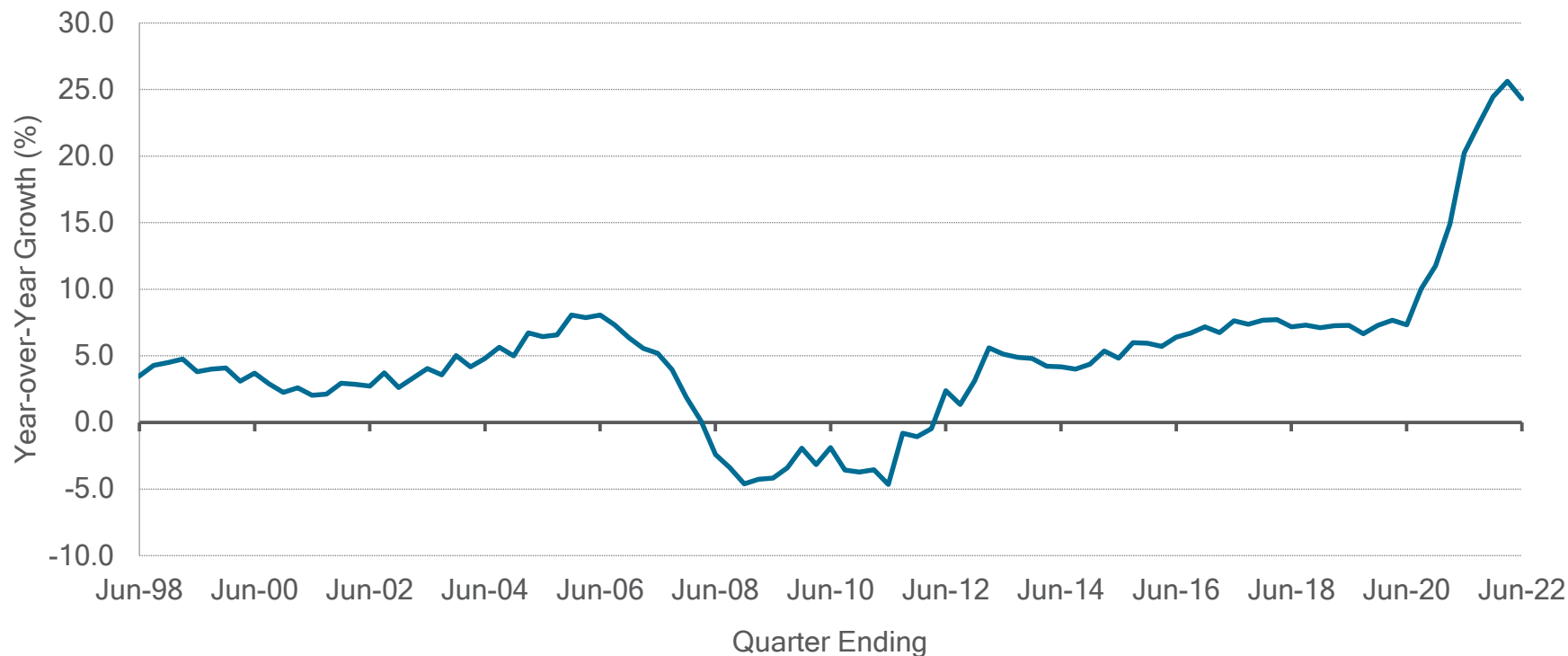
New Light Vehicle Sales



Source: BEA

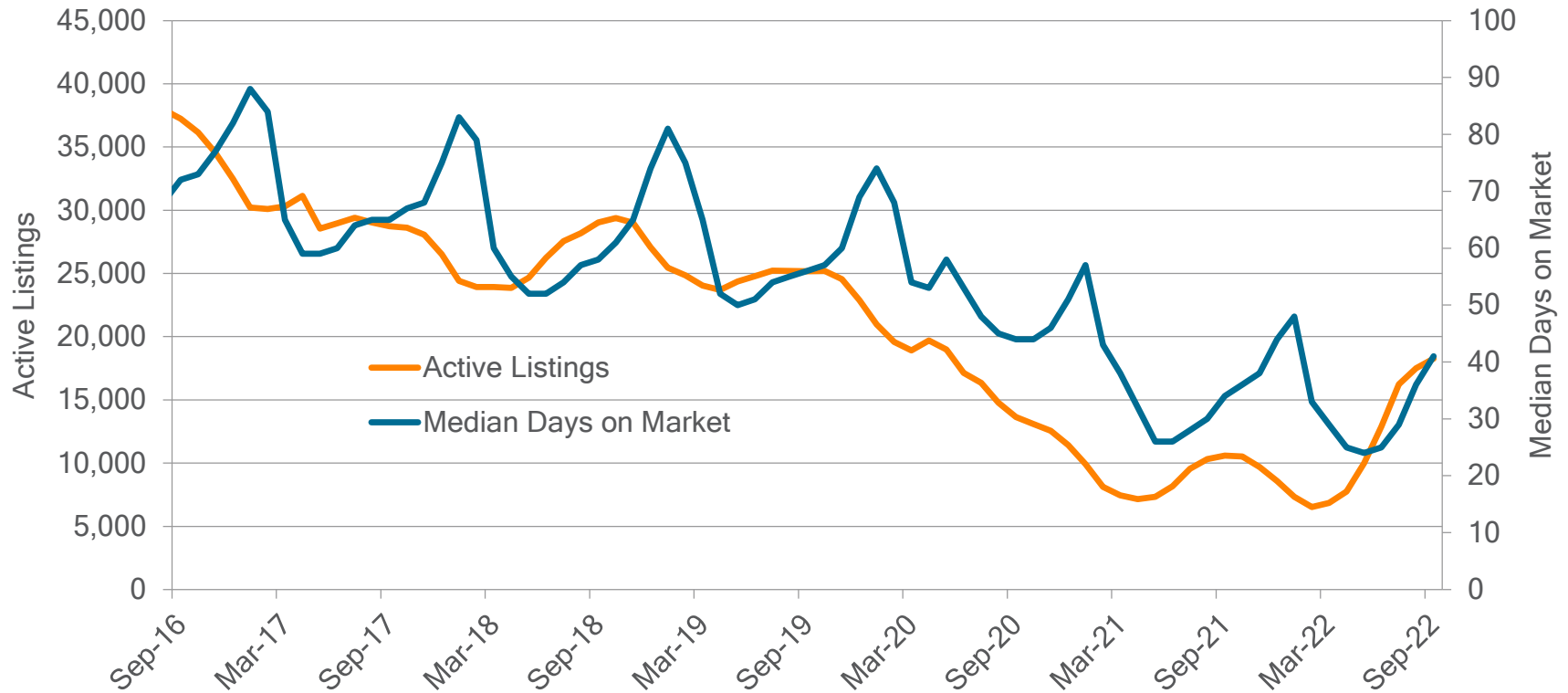
Tennessee House Price Index

(Seasonally Adjusted, Purchase-Only Index)



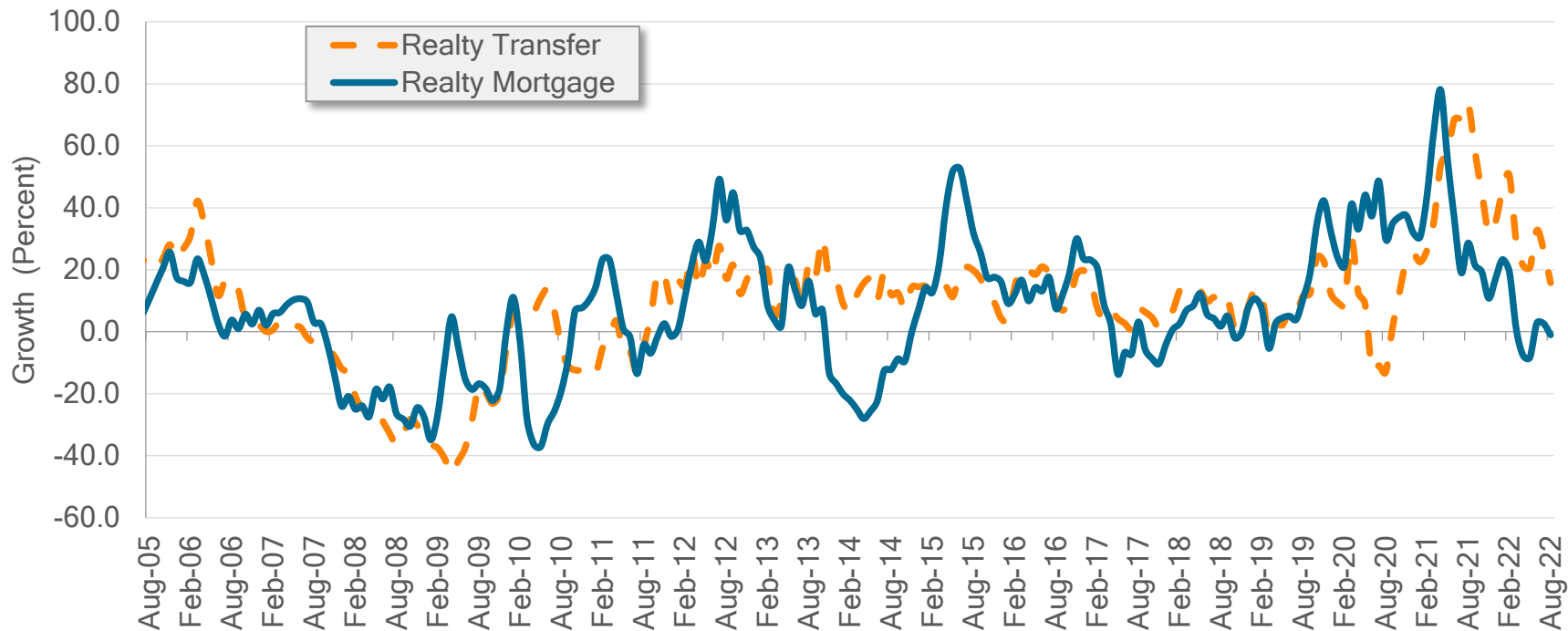
Source: Federal Housing Finance Agency

Tennessee's Housing Market is Tight



Source: Realtor.com

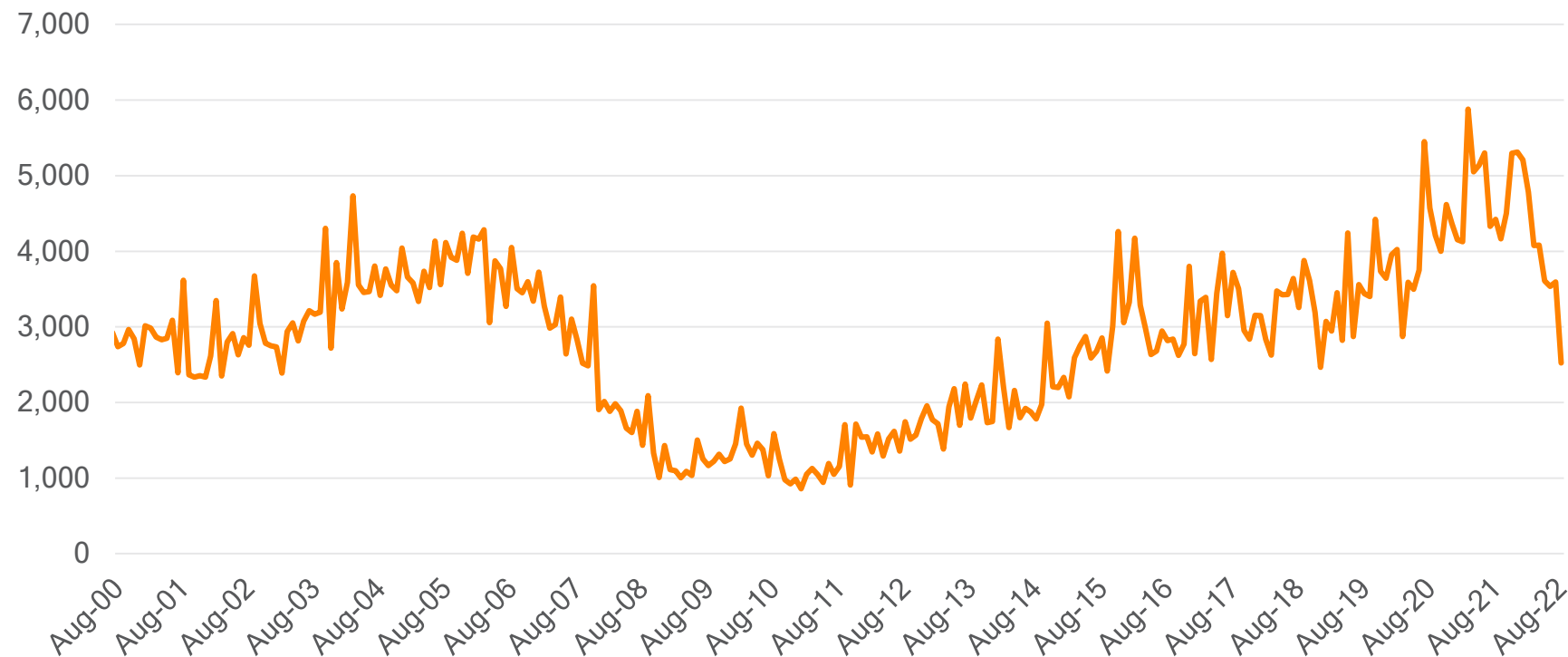
Realty Transfer and Mortgage Tax Collections (3-Month Moving Average)



Source: TN Department of Revenue

New TN Building Permits for Private Housing Units

Monthly, Seasonally Adjusted



Source: Census

Tennessee Department of Revenue Collections (Millions of Dollars)									
	2022			2023			2024		
	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund
Sales and Use	12,809.9	15.6	12,091.7	13,796.3	7.7	13,005.8	14,361.9	4.1	13,539.1
Gasoline	874.0	3.9	12.5	848.7	-2.9	12.1	856.3	0.9	12.2
Motor Fuel	321.3	4.8	2.3	331.9	3.3	2.2	340.2	2.5	2.2
Gasoline Inspection	71.2	4.2	20.8	70.0	-1.7	20.4	70.7	1.1	20.6
Motor Vehicle Registration	369.7	3.8	60.4	241.8	-34.6	40.5	349.9	44.7	58.6
Income	6.6	-92.3	4.1	0.0	-100.0	0.0	0.0	0.0	0.0
Privilege	594.3	23.1	587.7	541.4	-8.9	534.2	551.7	1.9	544.3
Gross Receipts	368.2	-1.4	212.7	390.3	6.0	224.5	384.9	-1.4	221.4
Gross Receipts - TVA	341.2	0.5	190.2	357.9	4.9	197.4	358.3	0.1	197.6
Gross Receipts - Other	27.0	-19.9	22.5	32.4	19.9	27.0	26.6	-17.8	22.2
Beer	18.2	1.9	12.3	18.5	1.6	12.4	18.8	1.2	12.5
Alcoholic Beverage	86.5	2.7	71.3	87.4	1.1	72.3	88.3	1.0	73.0
Franchise & Excise	4,544.6	30.0	4,308.7	5,012.7	10.3	4,732.4	5,203.2	3.8	4,912.2
Inheritance & Estate	0.6	20.4	0.6	0.0	-100.0	0.0	0.0	0.0	0.0
Tobacco	225.3	-7.2	225.3	223.9	-0.6	223.9	219.5	-2.0	219.5
Motor Vehicle Title	23.6	-0.2	20.9	23.5	-0.2	20.9	23.7	0.7	21.0
Mixed Drink	189.9	63.8	94.9	211.9	11.6	105.9	219.7	3.7	109.9
Business	293.0	15.2	293.0	313.2	6.9	313.2	313.2	0.0	313.2
Severance	0.8	107.6	0.6	0.8	0.0	0.3	0.8	0.0	0.3
Coin Amusement	0.4	48.1	0.4	0.4	0.0	0.4	0.4	0.0	0.4
Unauthorized Substance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	20,798.2	16.6	18,020.0	22,112.8	6.3	19,321.3	23,003.2	4.0	20,058.8
General Fund Growth		18.6			7.2			3.8	

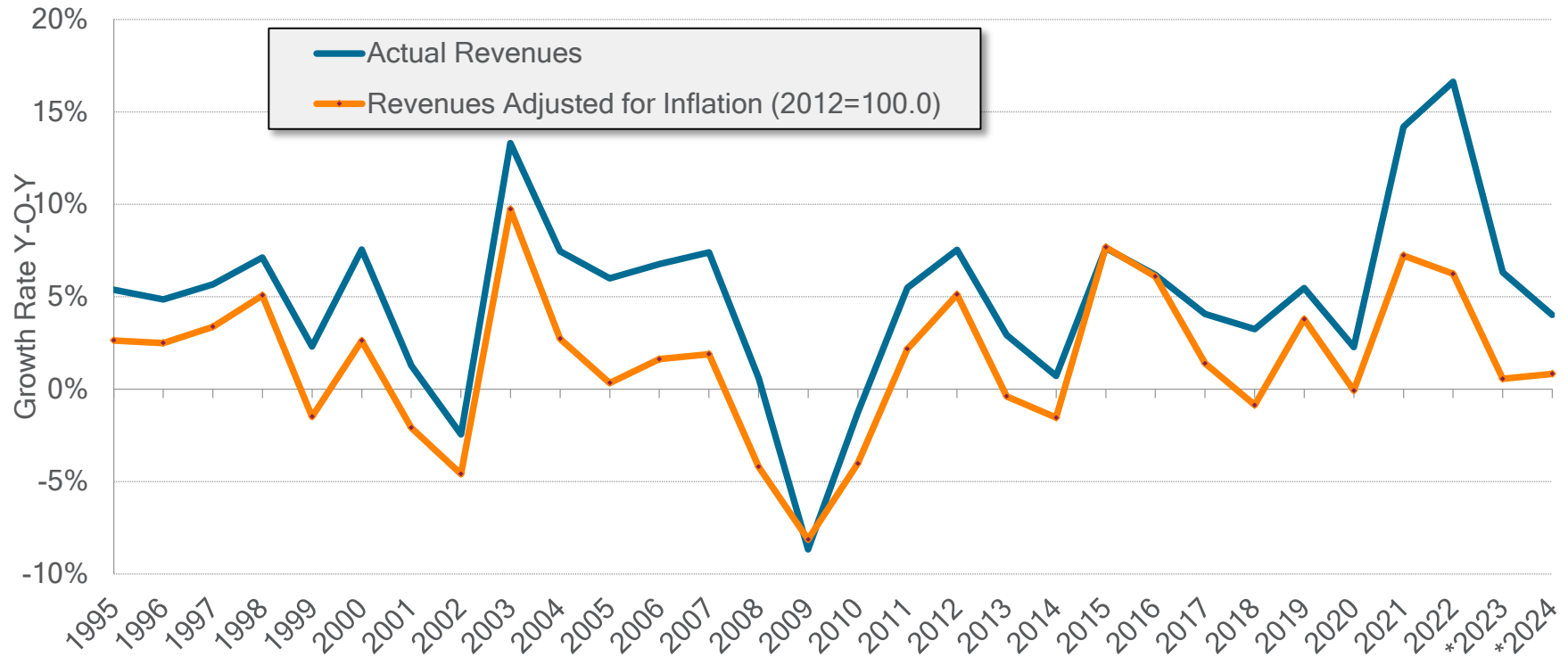
November 16, 2022
Donald Bruce
Boyd Center for Business and Economic Research
University of Tennessee, Knoxville

Tax Revenue Growth Rate is Unprecedented without Rate Increases



Source: TN Department of Revenue
* 2023 & 2024 are Boyd Center Estimates

Inflation Explains Some of the Revenue Growth



Source: Department of Revenue

* 2023 & 2024 are Boyd Center Estimates



Dr. Don Bruce

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AND ECONOMIC RESEARCH

Tennessee Economic Outlook and Revenue Forecast – November, 2022



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

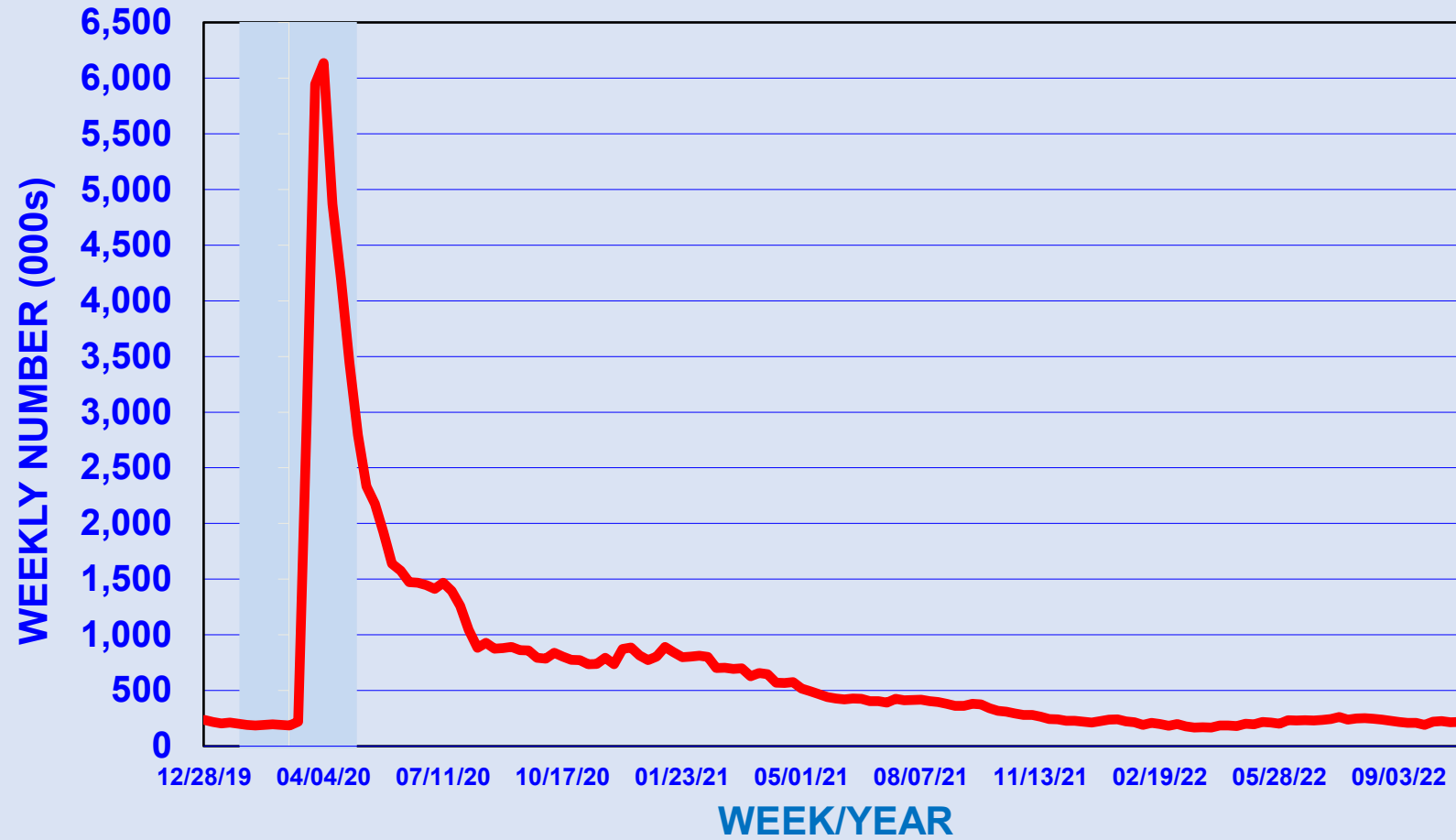
**W. Fred Mackara, Professor Emeritus,
Department of Economics and Finance**

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

National Economy

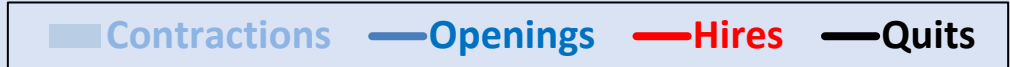
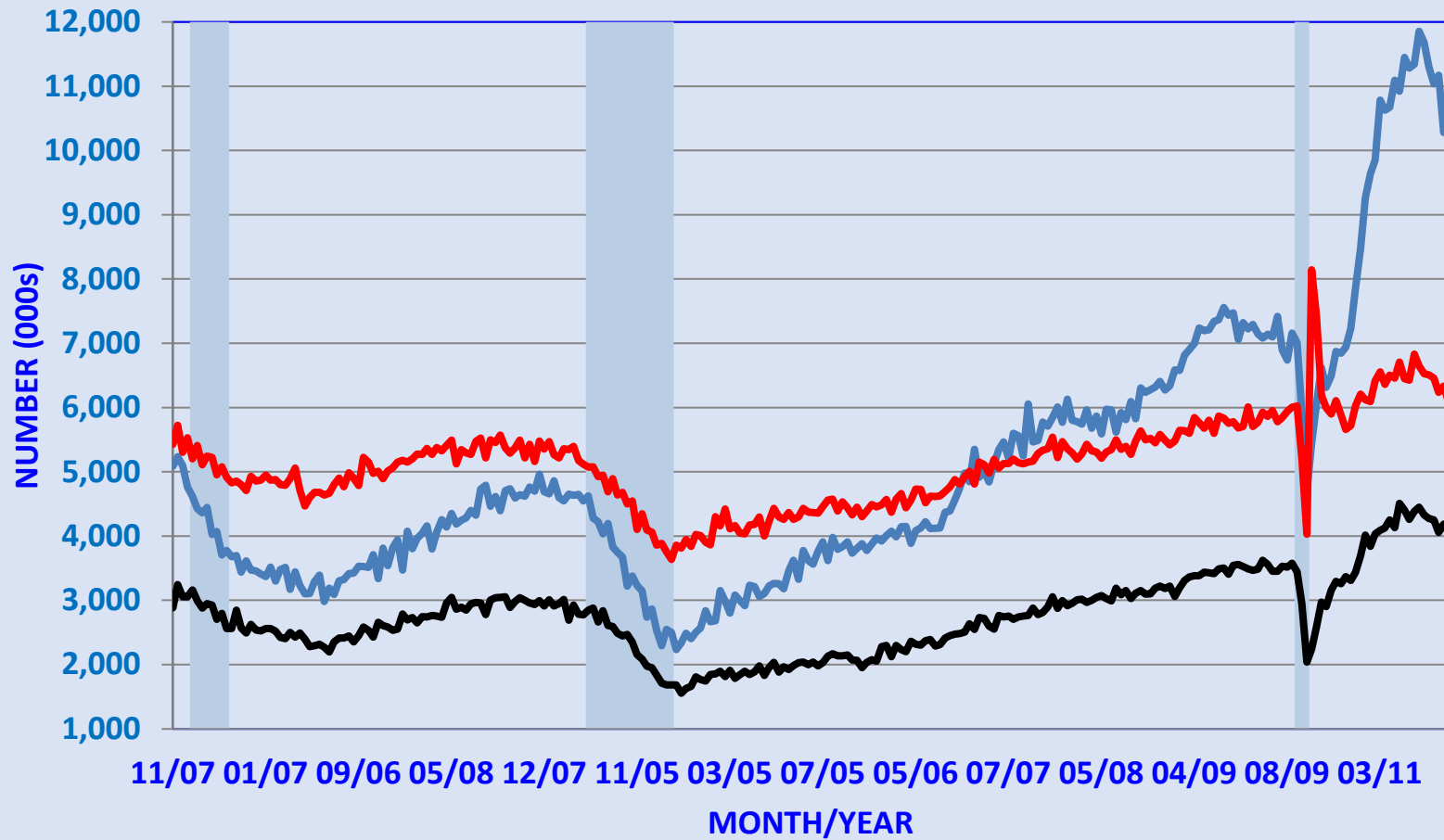
NEW CLAIMS FOR UNEMPLOYMENT BENEFITS

(12/09 – 10/22)

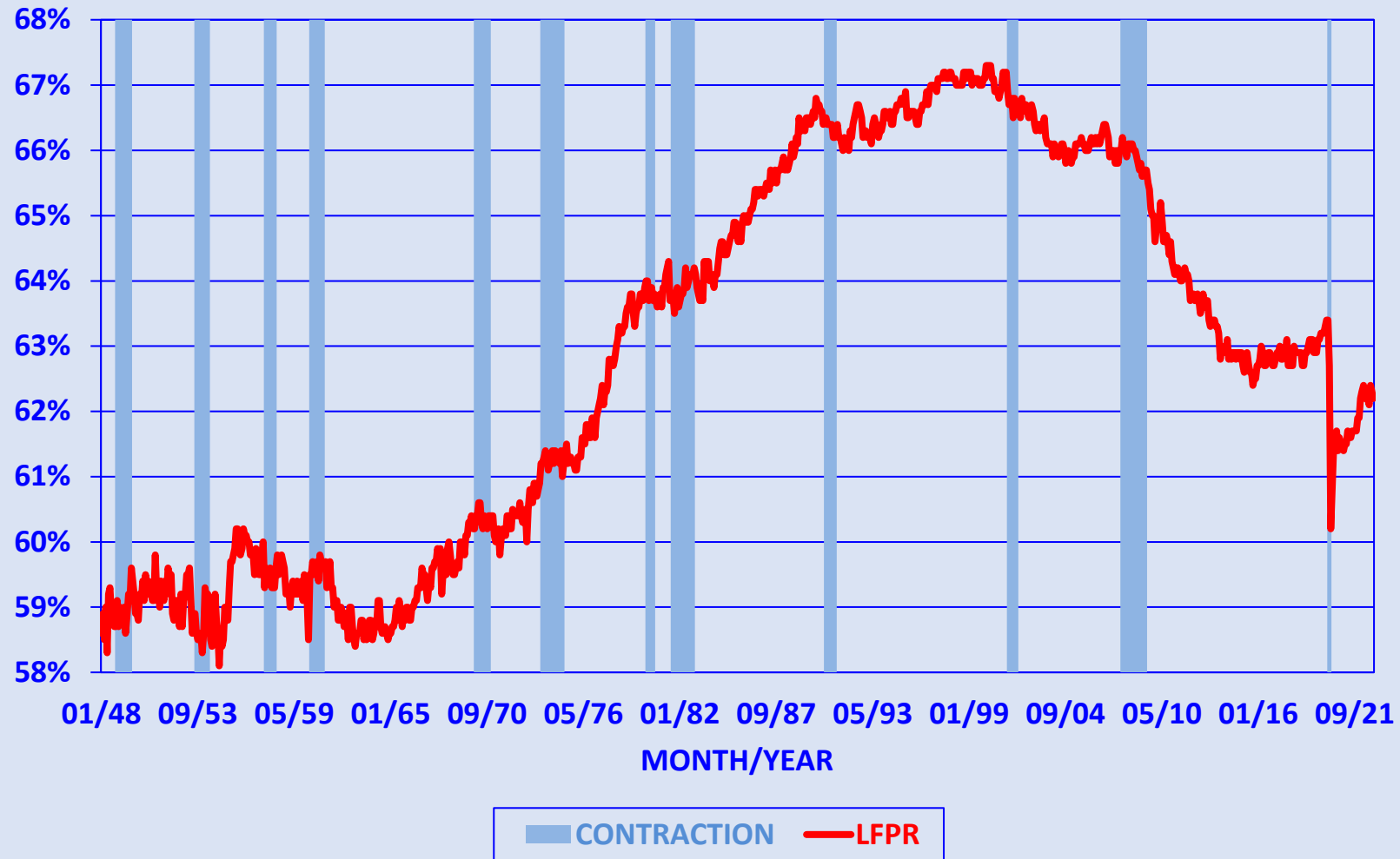


HIRES, OPENINGS, & QUILTS

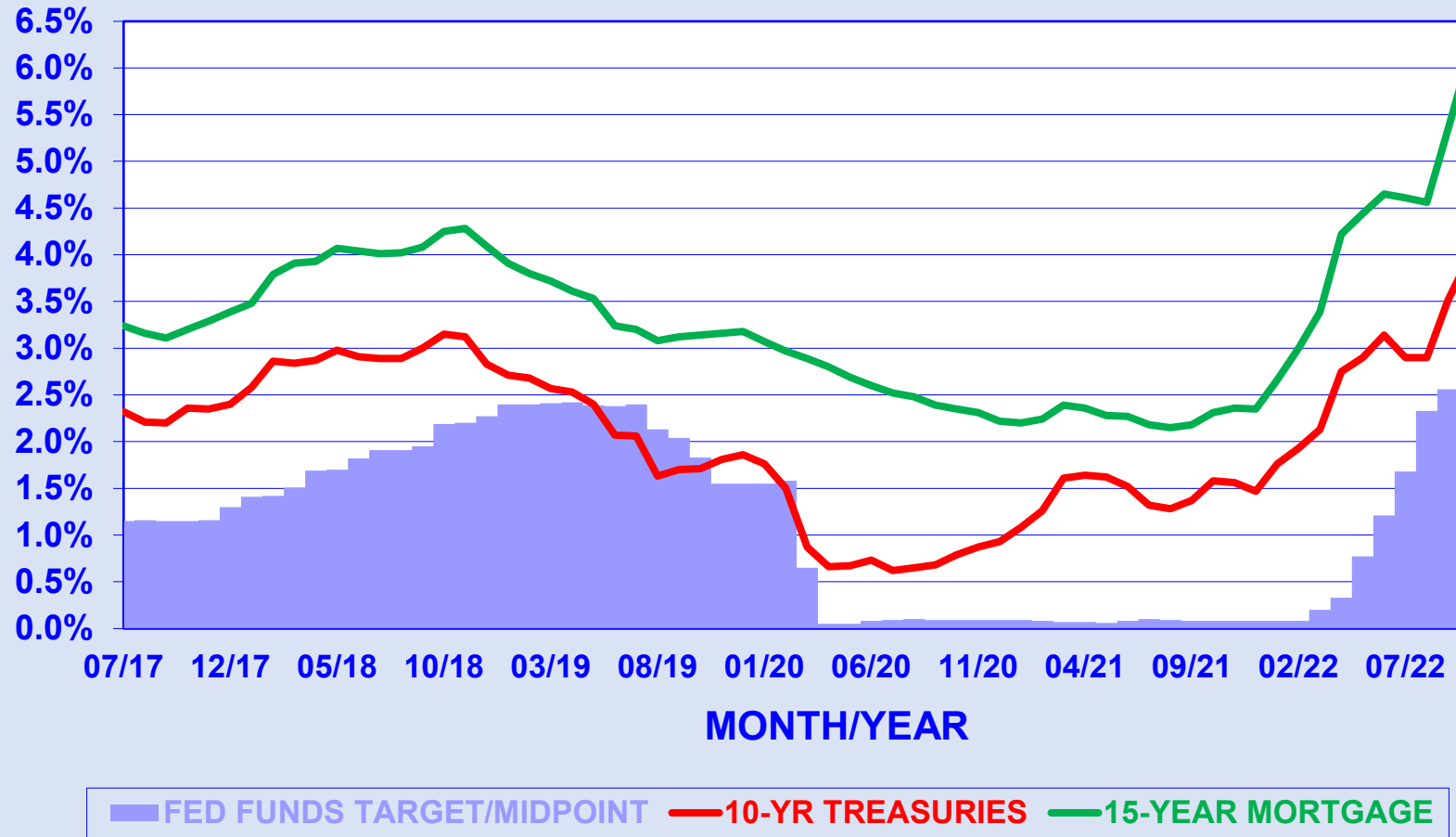
(J.O.L.T.S., 9/22)



LABOR FORCE PARTICIPATION RATE (LFPR) (LAST MONTH PLOTTED, 10/22)

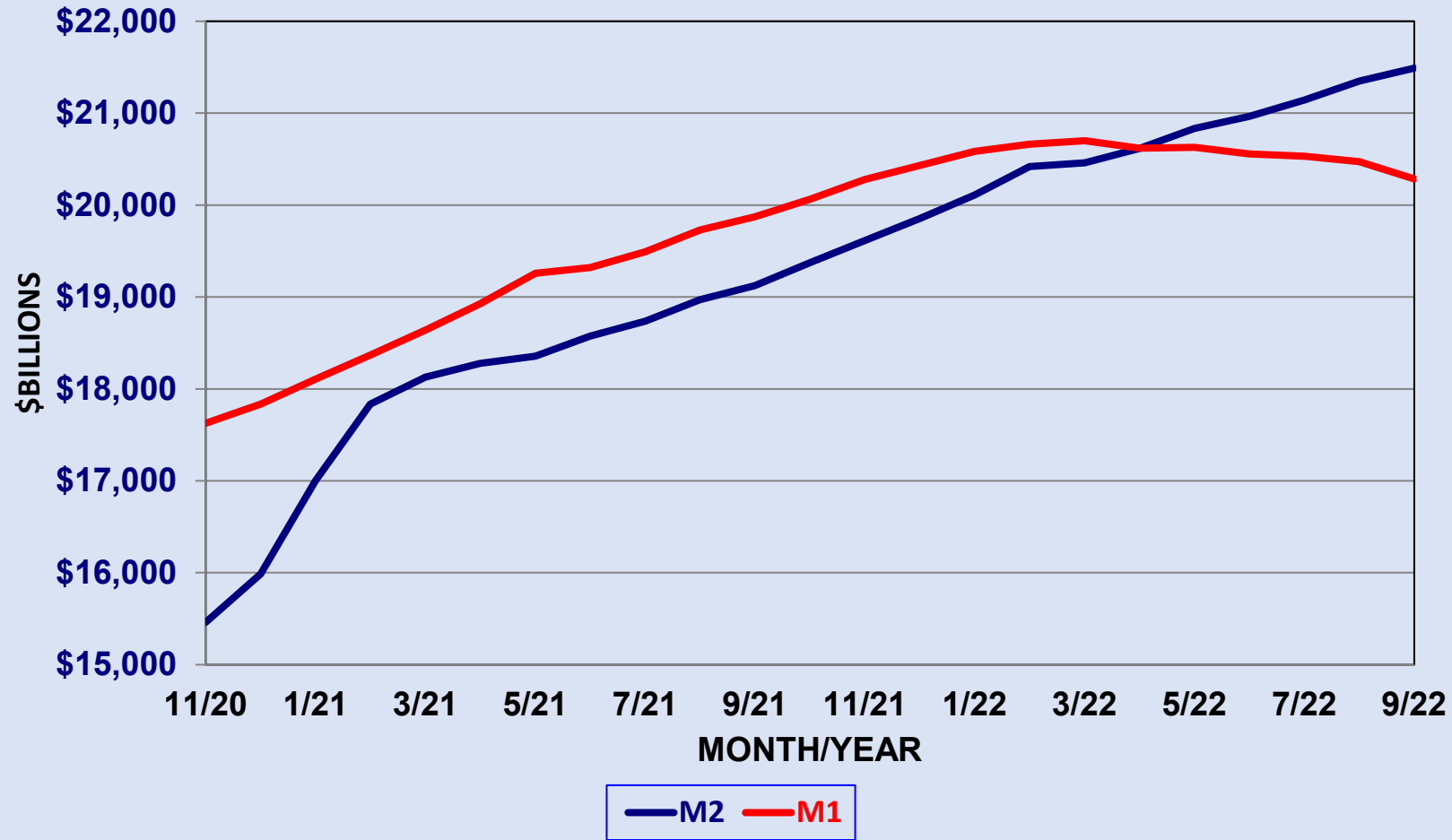


INTEREST RATES (LAST MONTH PLOTTED, 11/22)



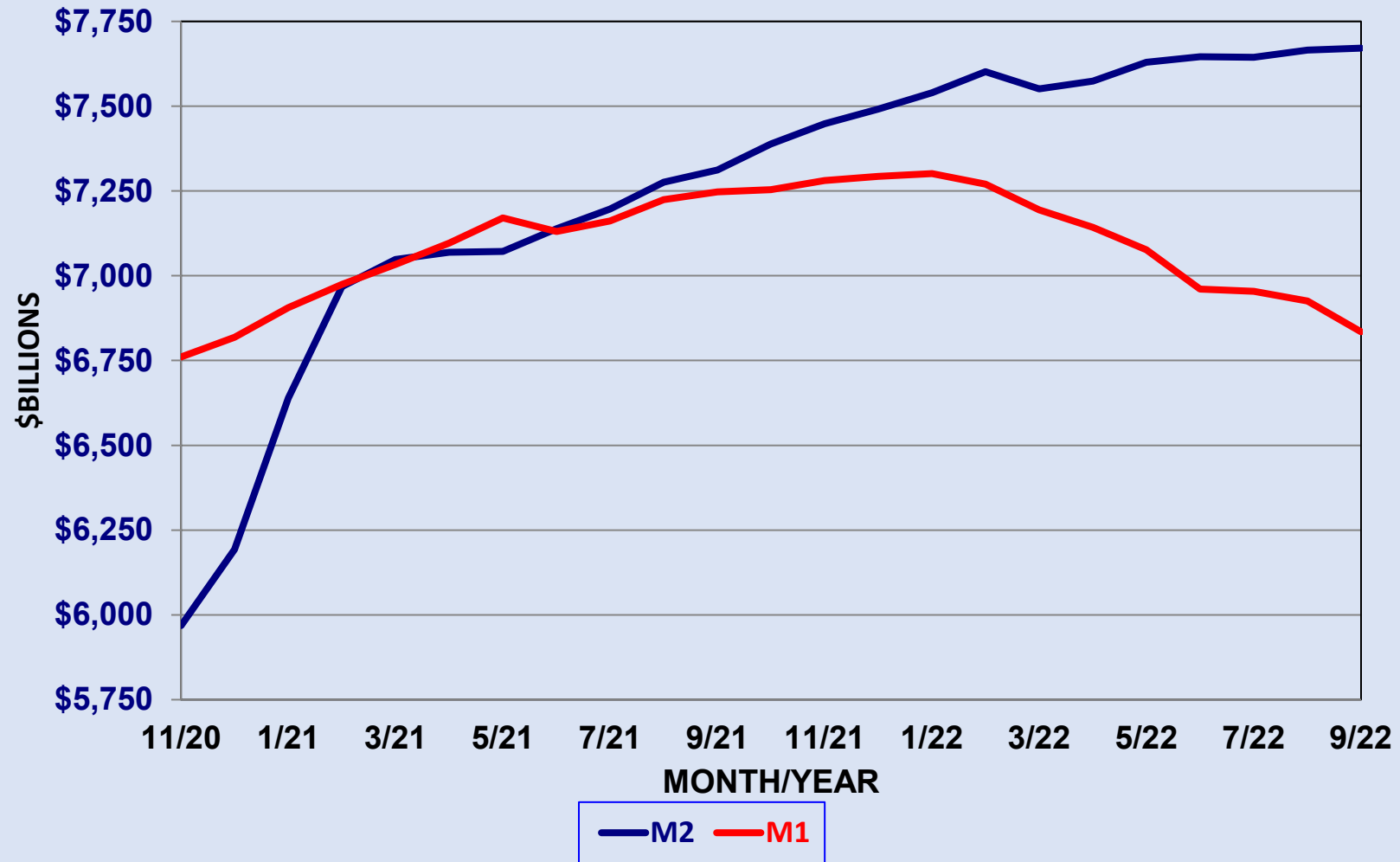
MONEY SUPPLY

(LAST MONTH PLOTTED, 9/22)

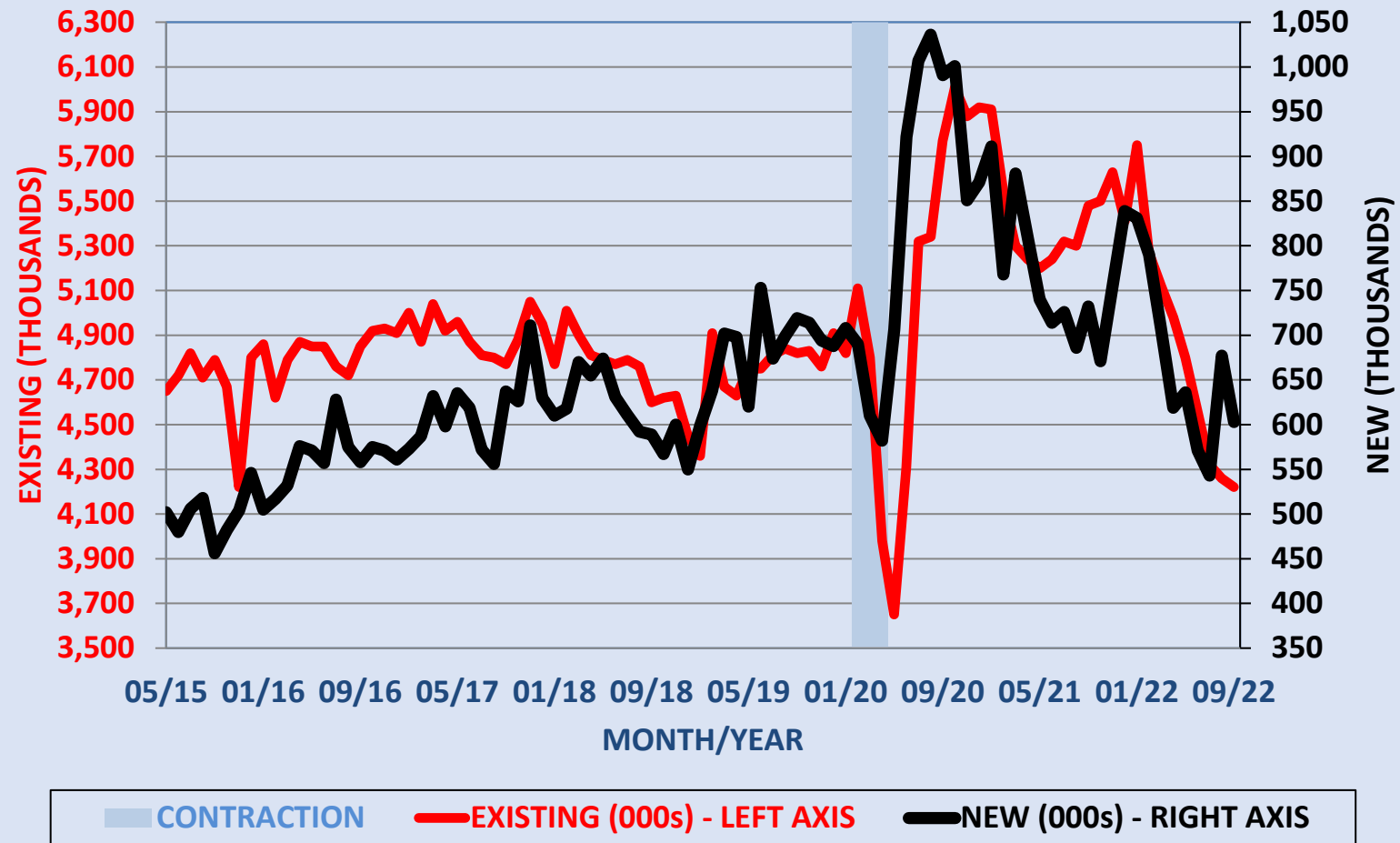


INFLATION-ADJUSTED MONEY SUPPLY

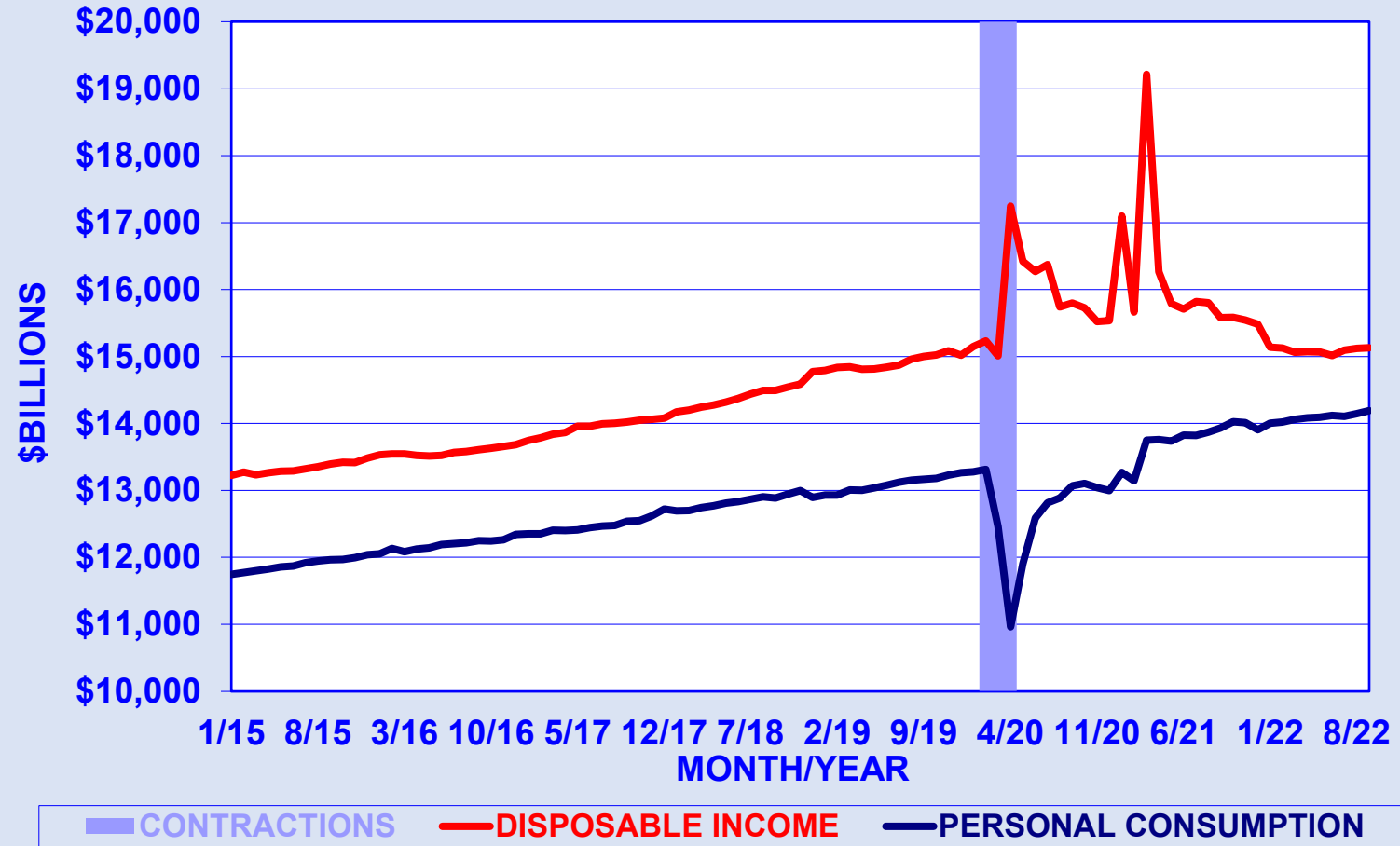
(LAST MONTH PLOTTED, 9/22)



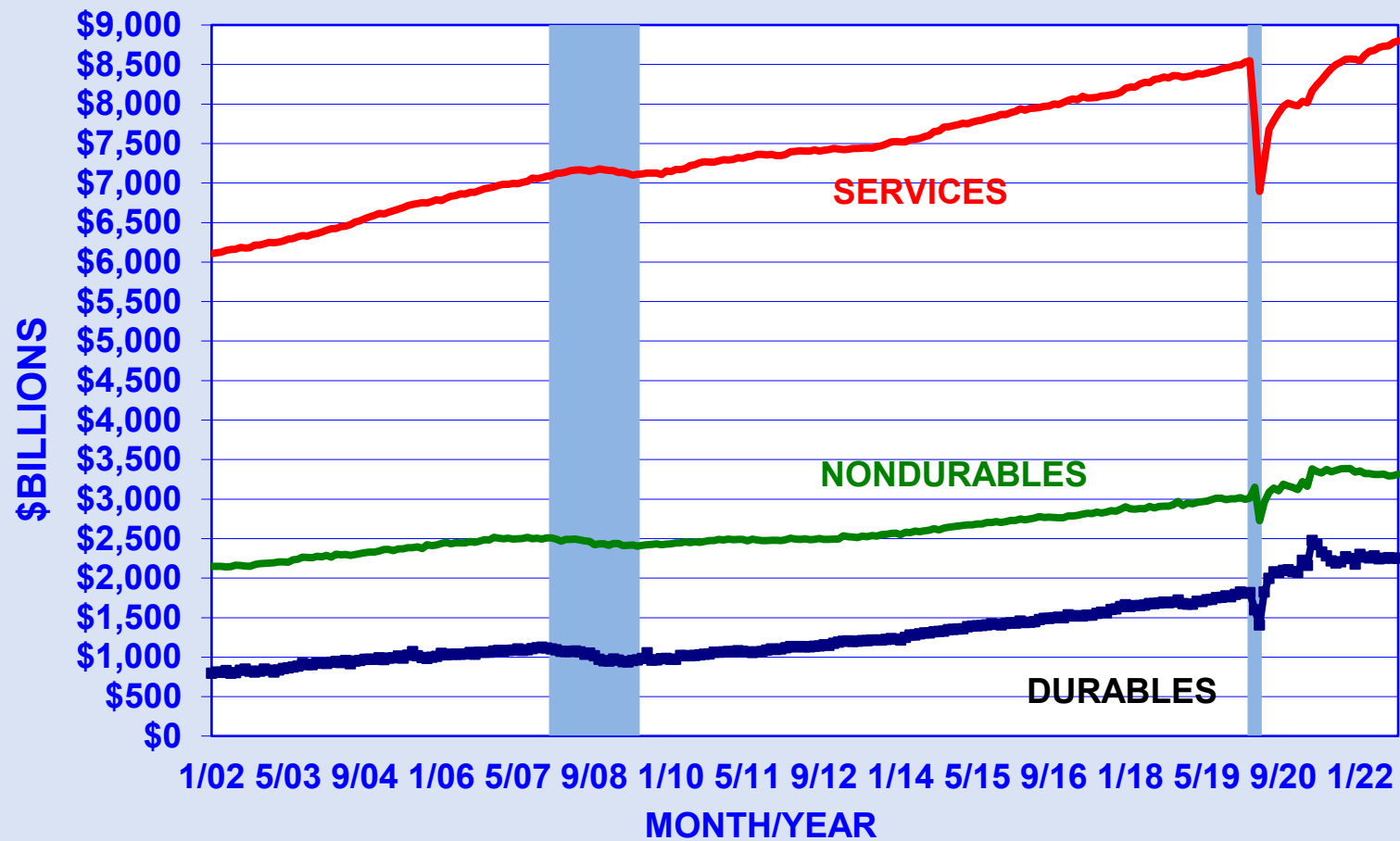
NEW & EXISTING HOME SALES (LAST MONTH PLOTTED, 9/22)



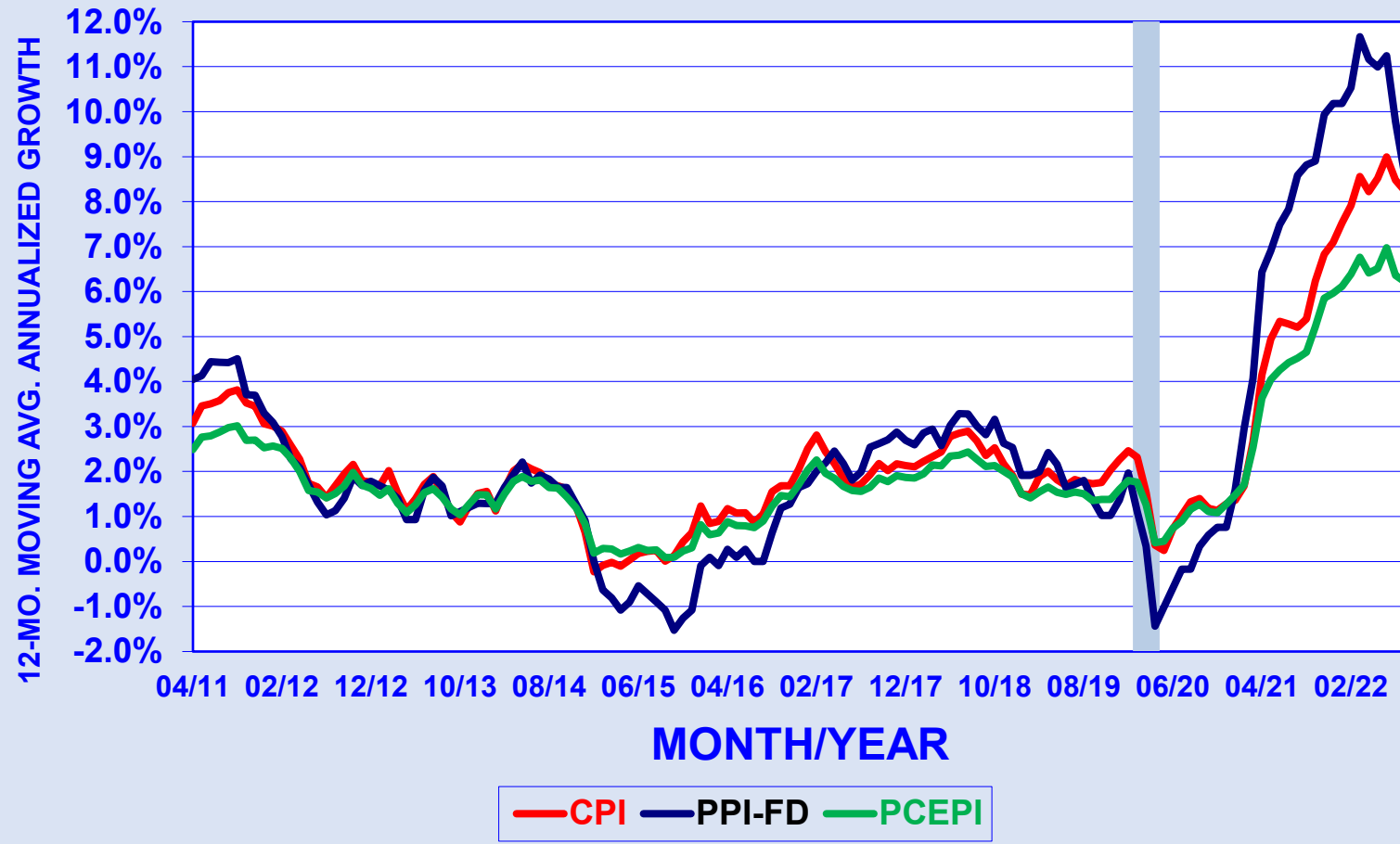
**INFLATION-ADJUSTED
AFTER-TAX INCOME & CONSUMPTION SPENDING**
(LAST MONTH PLOTTED, 9/22)



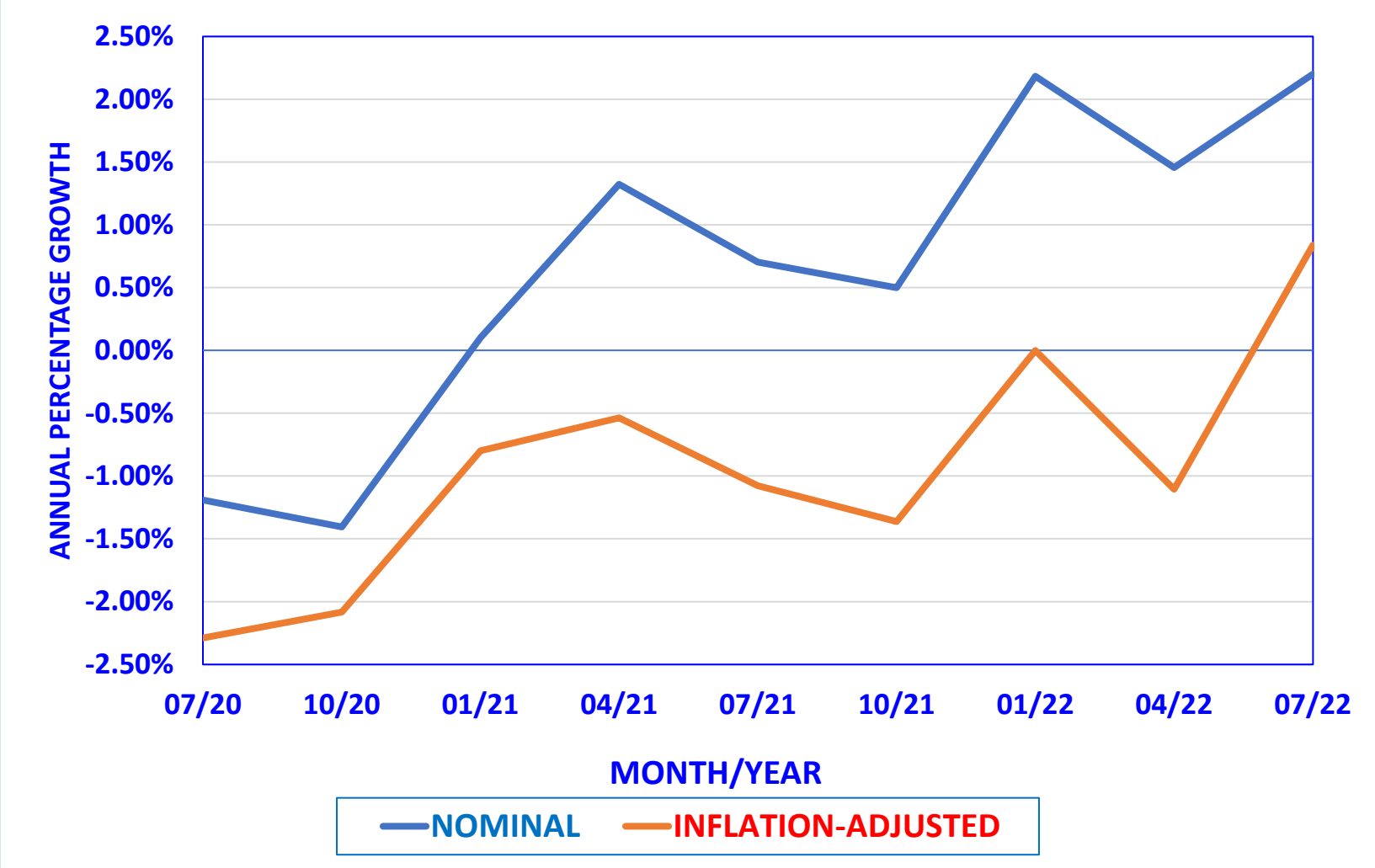
**INFLATION-ADJUSTED
MONTHLY CONSUMPTION SPENDING
BY CATEGORY**
(LAST MONTH PLOTTED, 9/22)



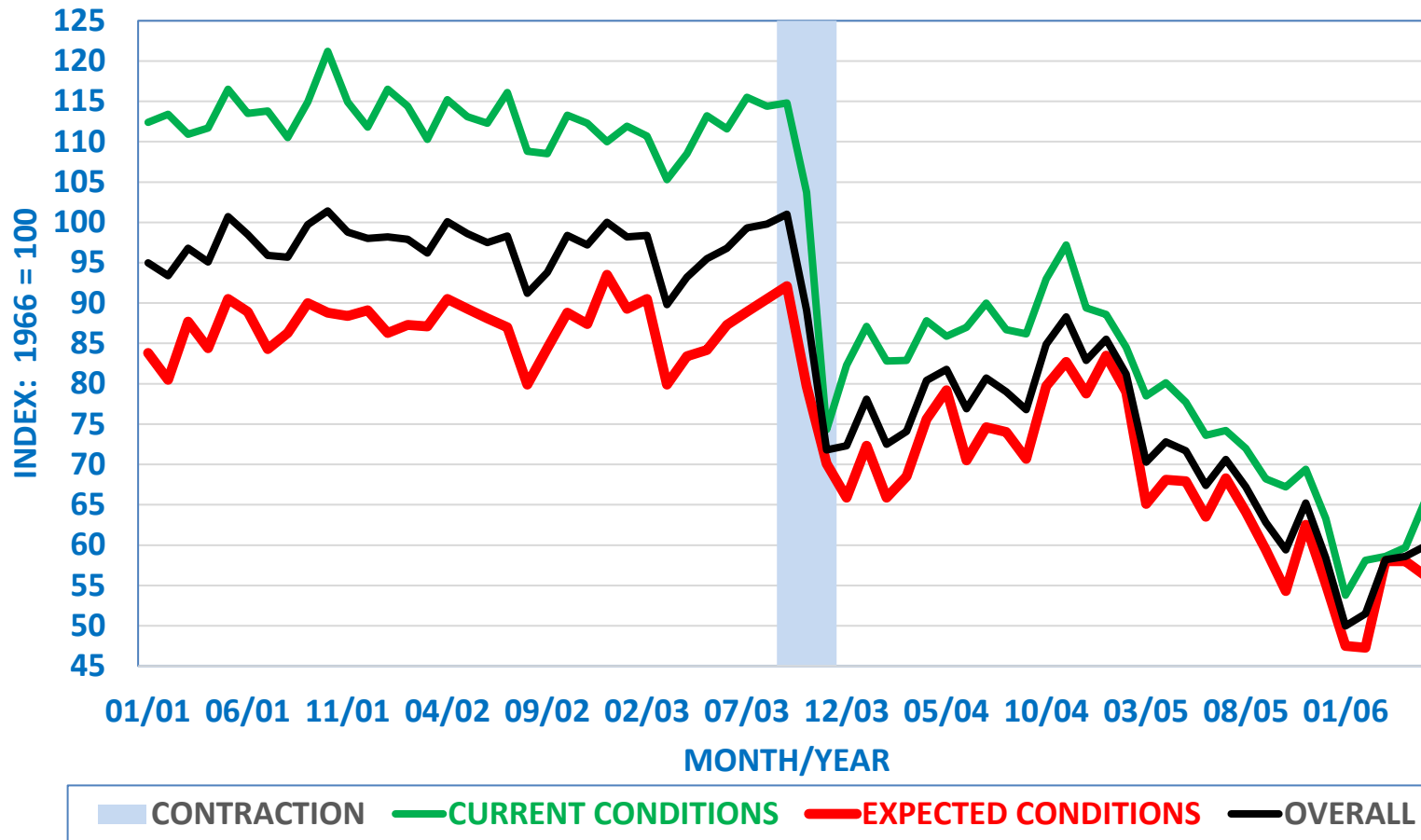
MEASURES OF INFLATION (LAST MONTH PLOTTED, 9/22)



MEDIAN WEEKLY WAGE GROWTH
(LAST QUARTER PLOTTED 2022 Q3)

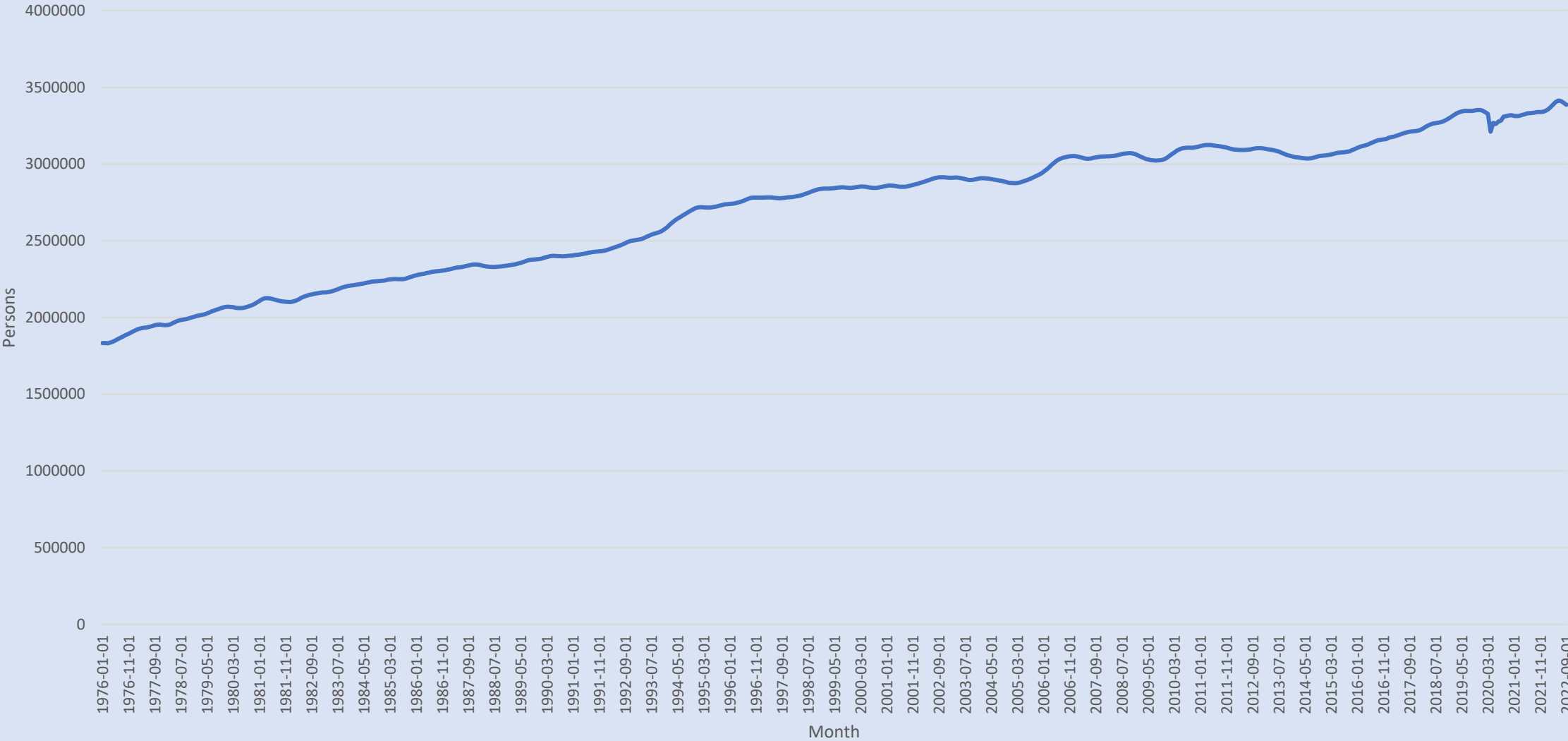


UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX (LAST MONTH PLOTTED, 10/22)

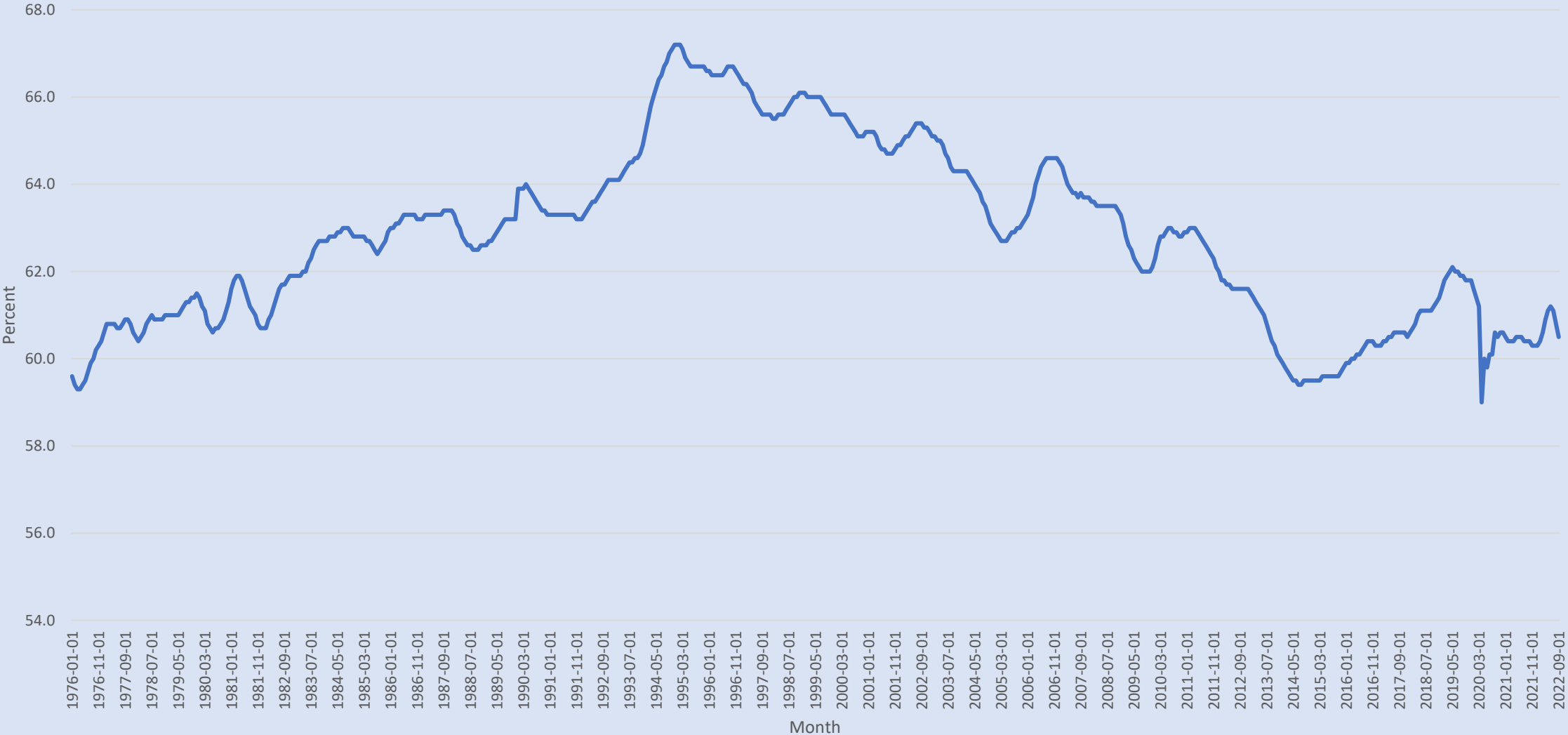


The Tennessee Economy

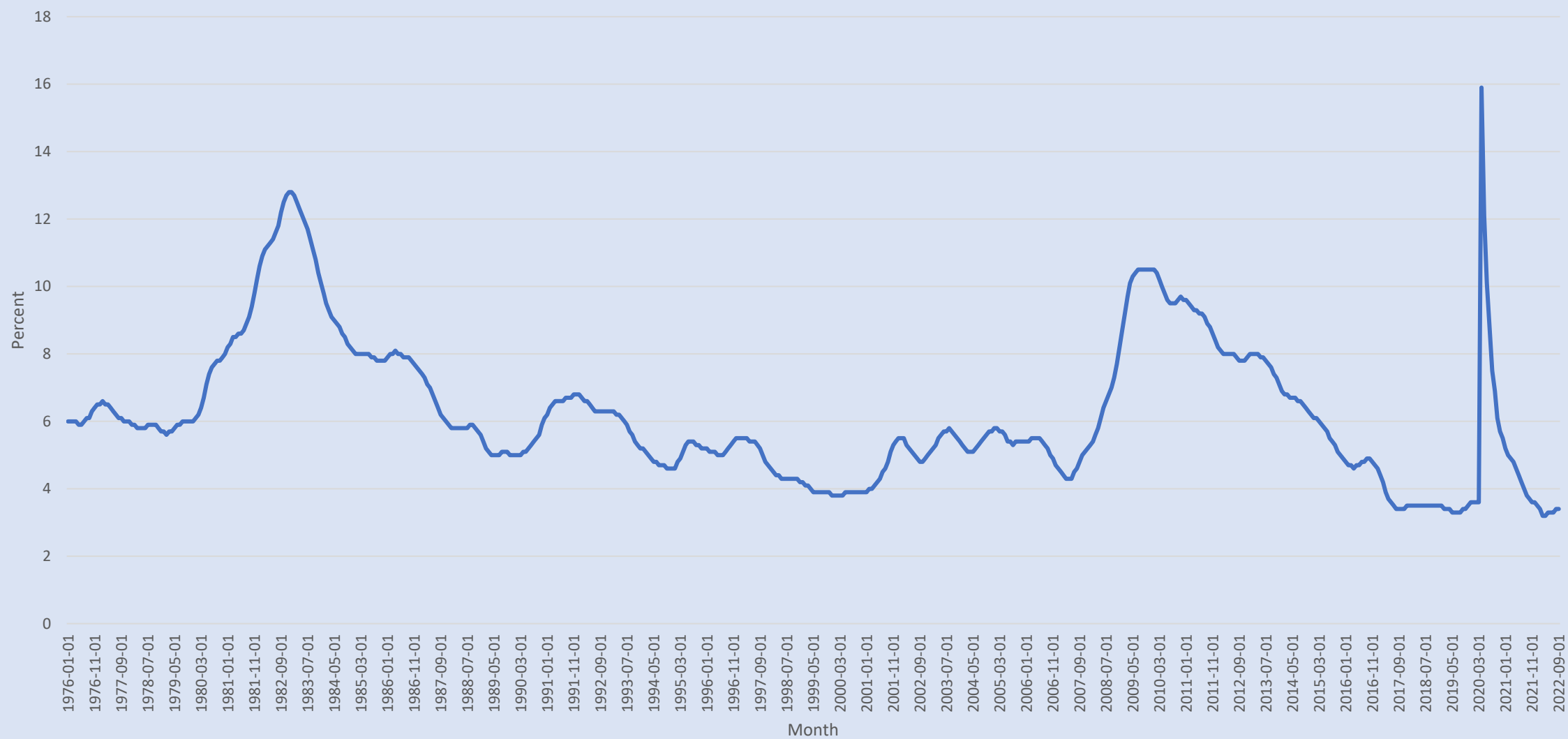
Tennessee Civilian Labor Force, Monthly, 1976 - 2022



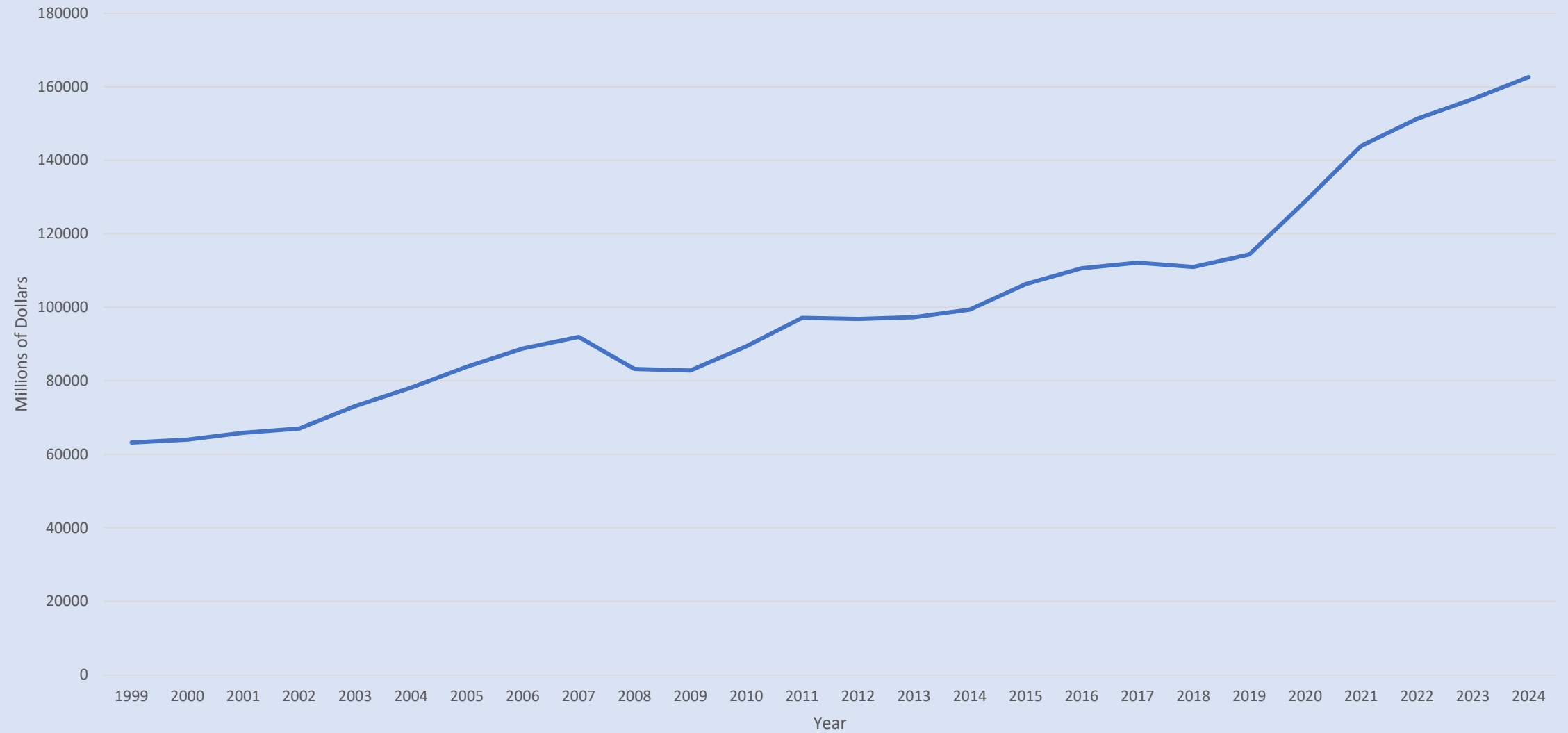
Tennessee Labor Force Participation Rate, Monthly, 1976 - 2022



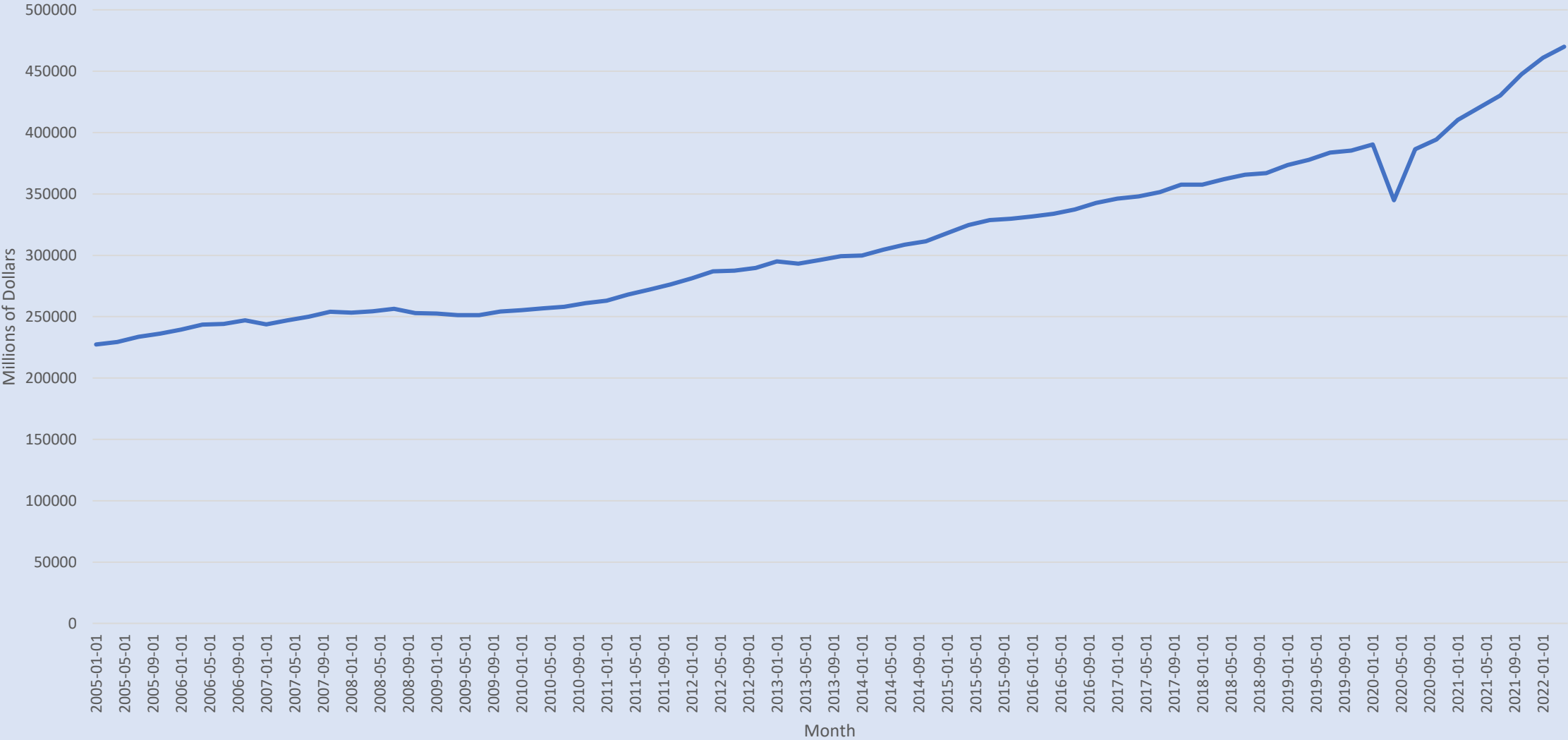
Tennessee Unemployment Rate, Monthly, 1976 - 2022



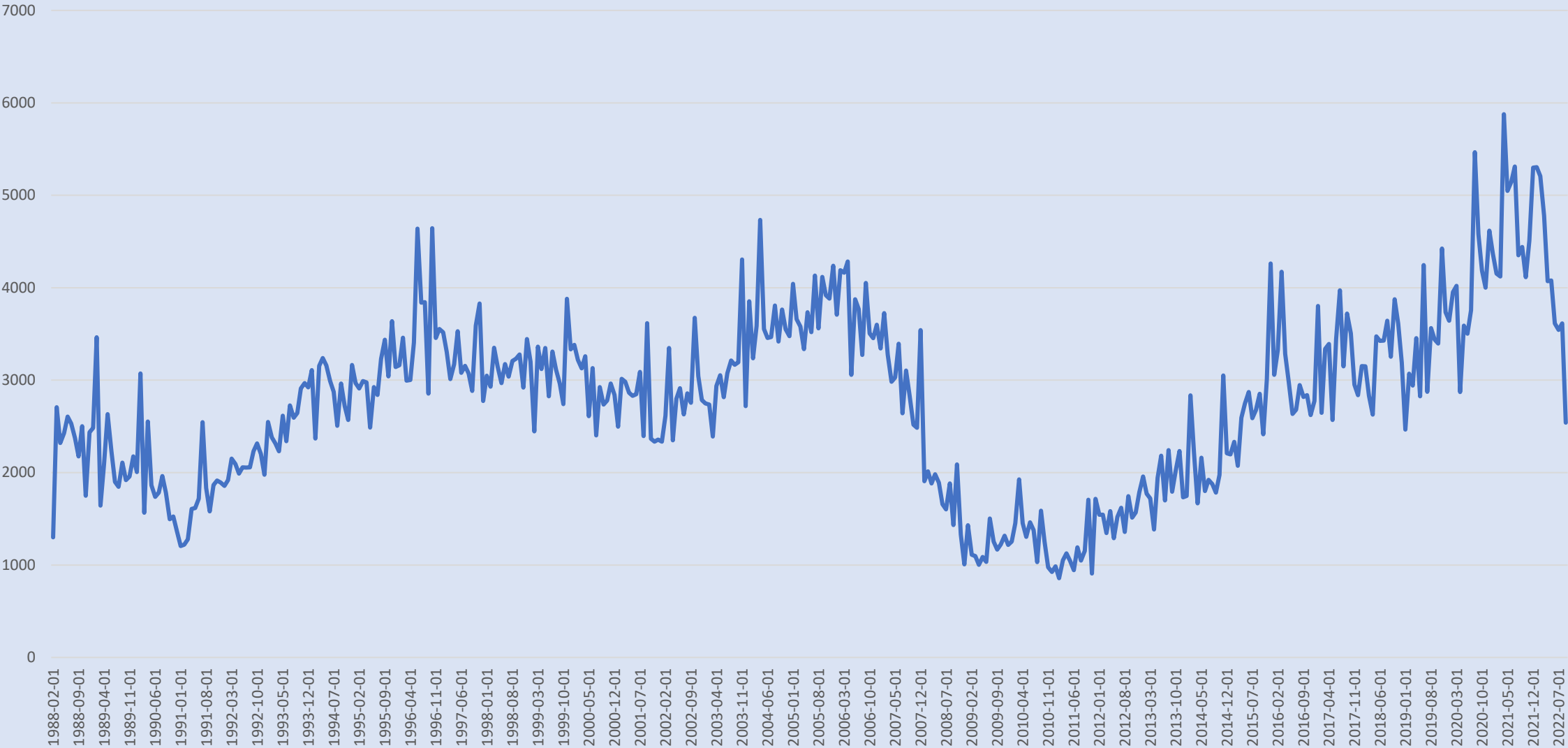
Tennessee Annual Retail Sales Historical and Forecast 1999 - 2025



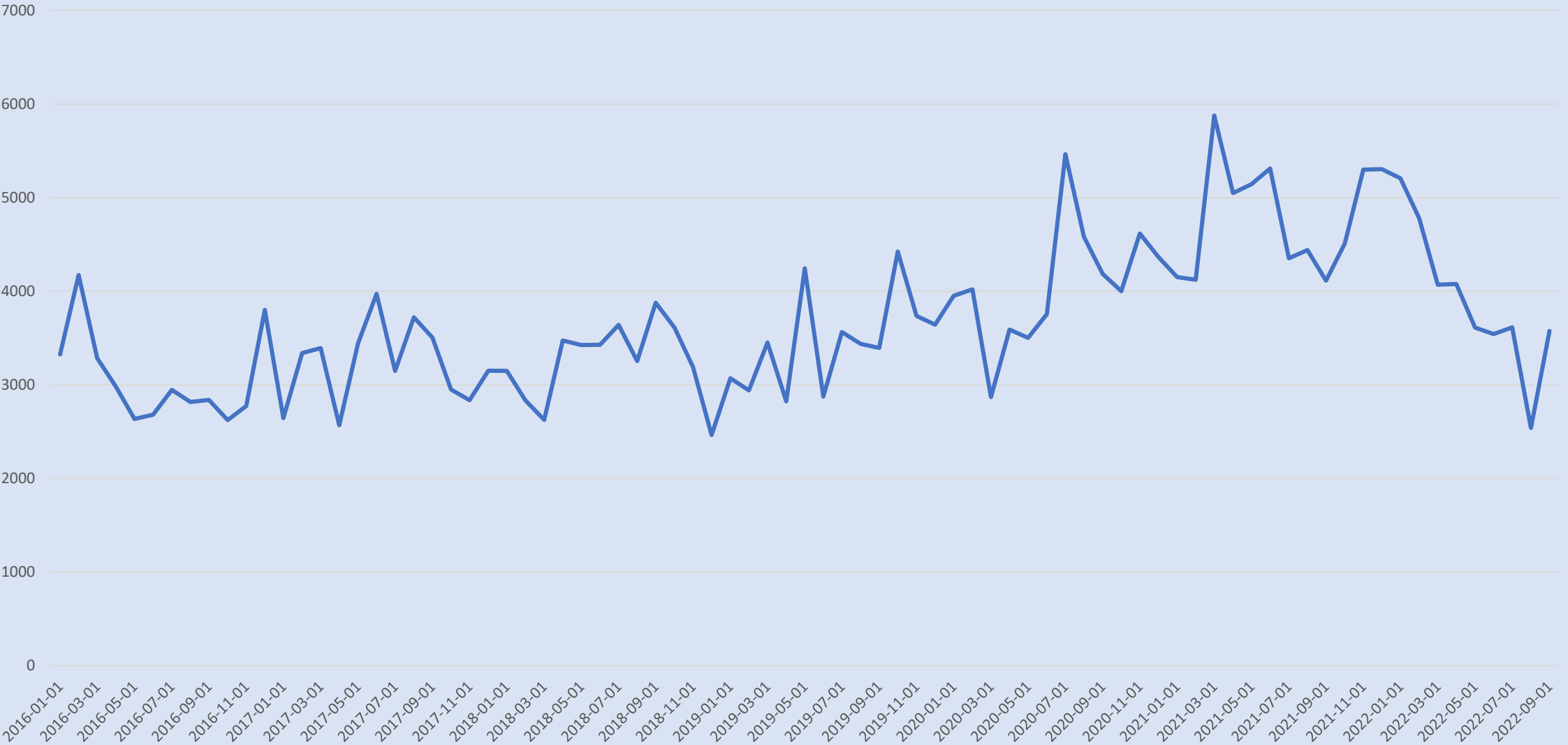
Tennessee Gross Output, Monthly, 2005 - 2022



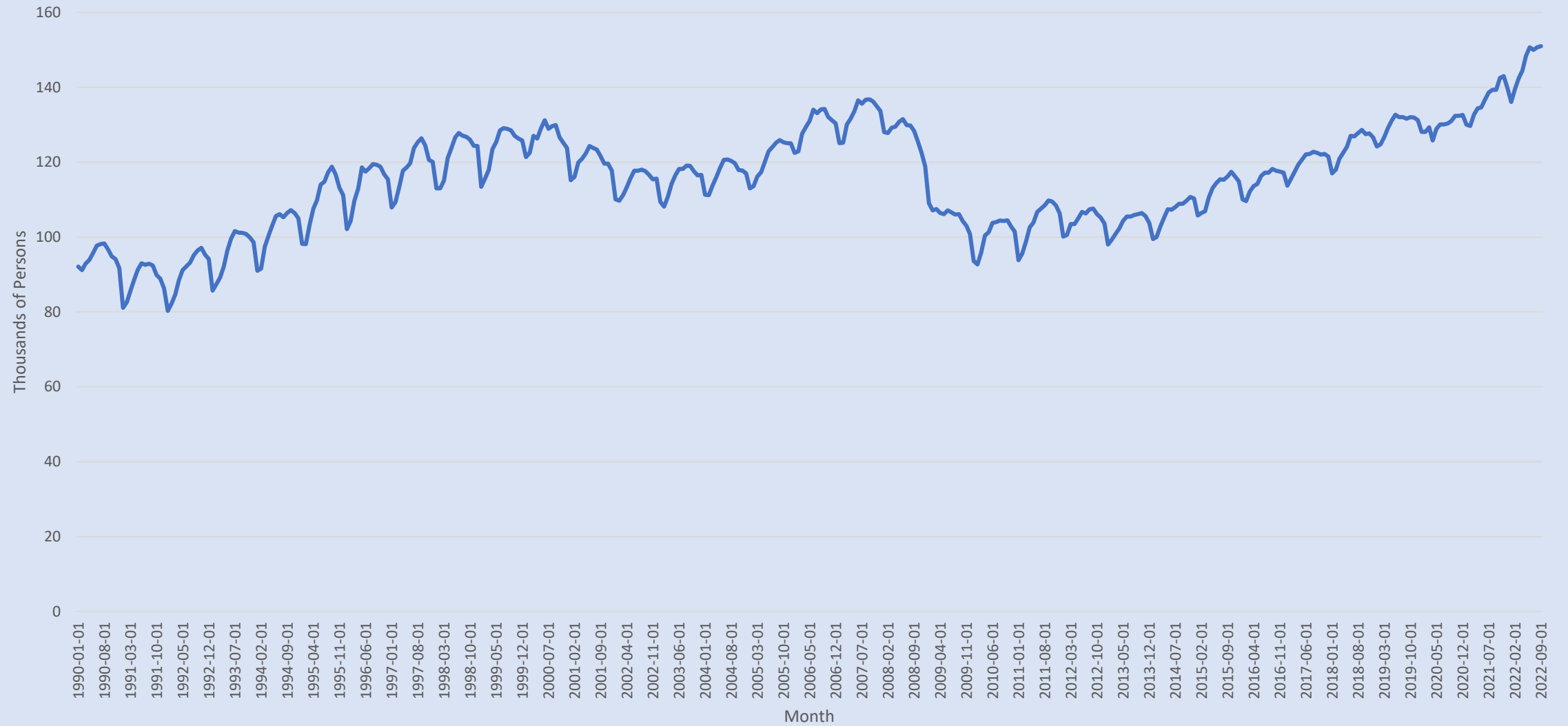
Tennessee Private Housing Unit Permits, Monthly, Seasonally Adjusted, 1988 - 2022



Tennessee Private Housing Unit Permits, Monthly, Seasonally Adjusted, 2016 - 2022



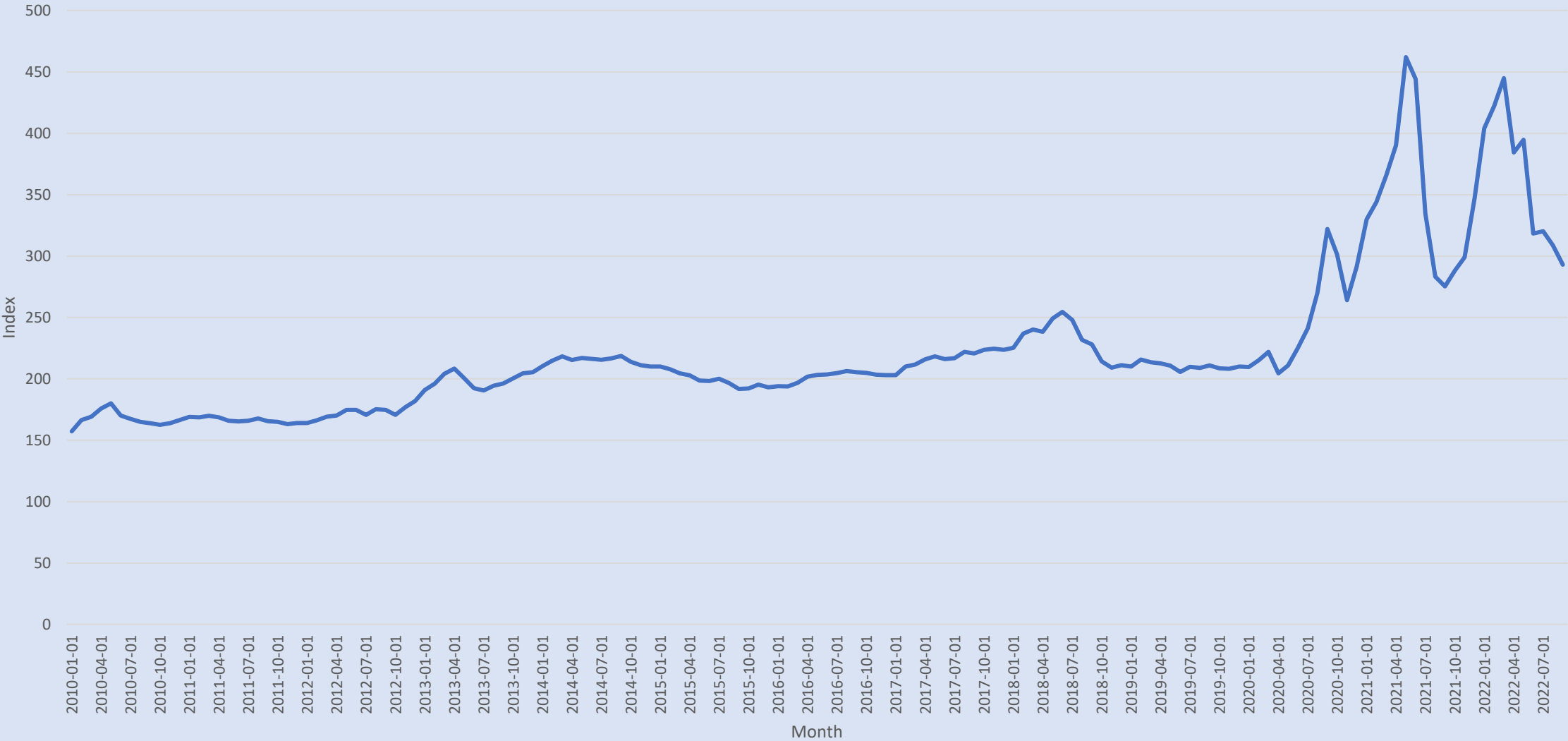
Tennessee Construction Workers, Monthly, 1990 - 2022



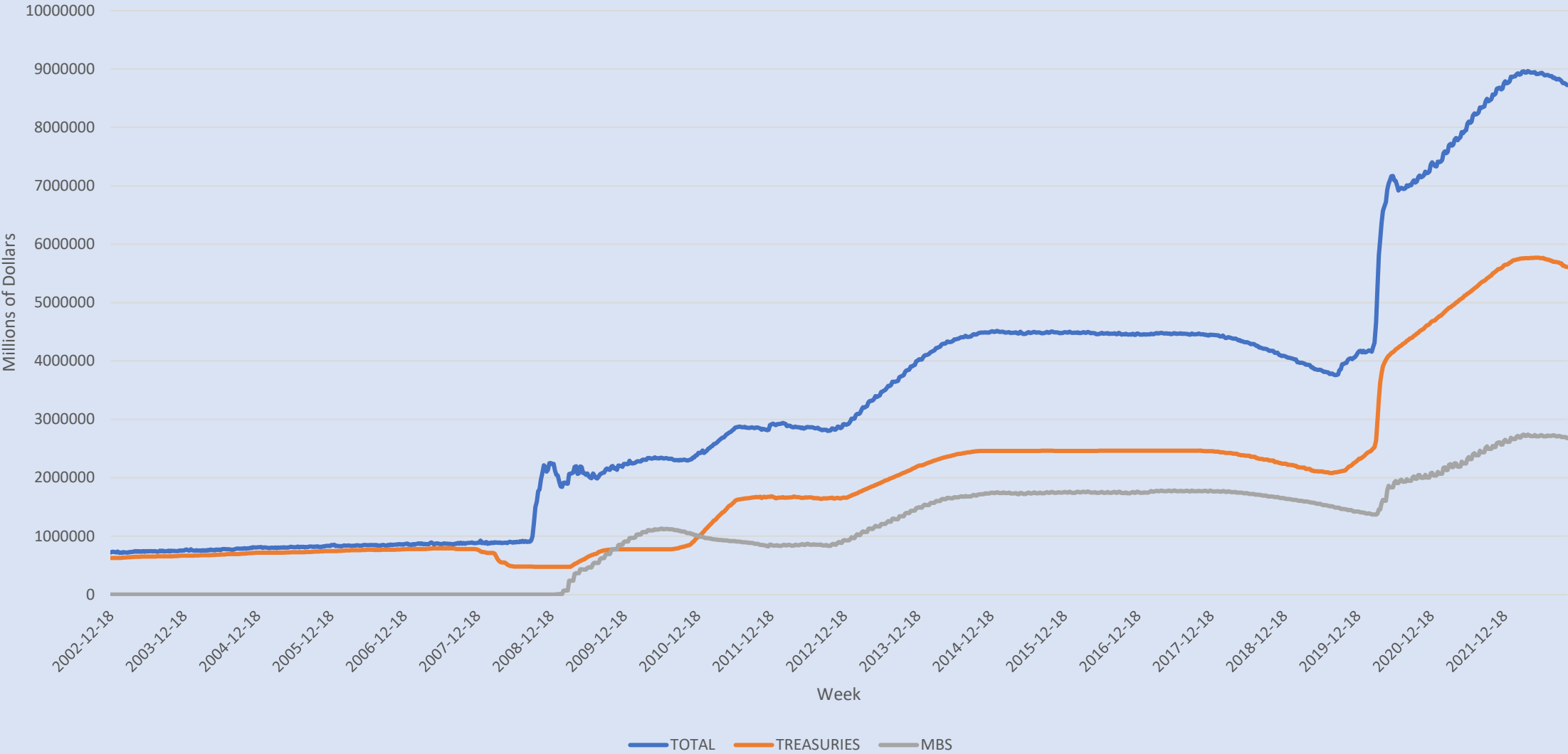
Average 30-Year Fixed Rate Mortgage, Weekly, 2007 - 2022



PPI Lumber, Monthly, 2010 - 2022, 1982 = 100



Federal Reserve Balance Sheet, Weekly, 2002 - 2022



US Annual Federal Deficit 1980 - 2021

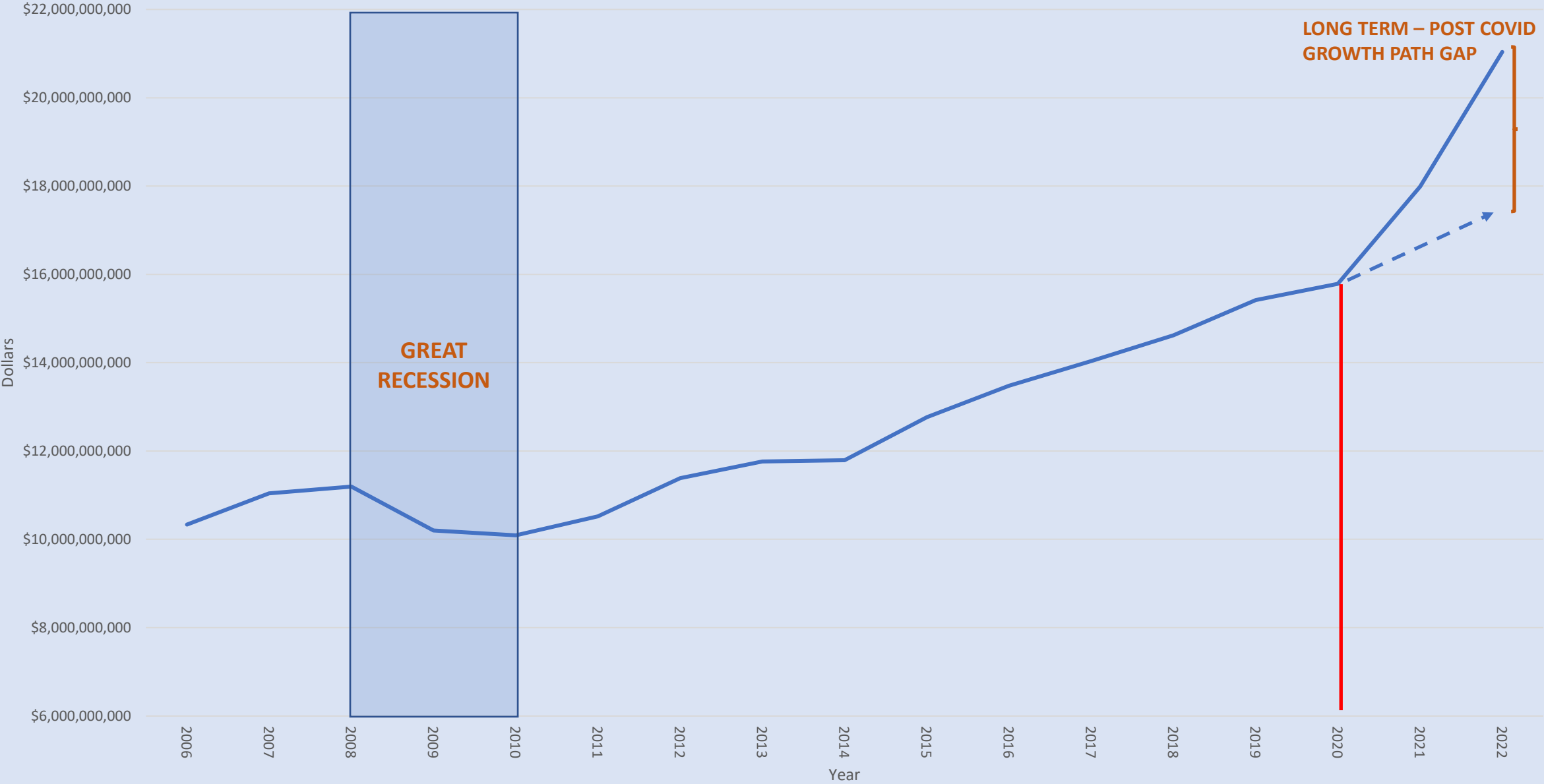


REVENUE FORECAST

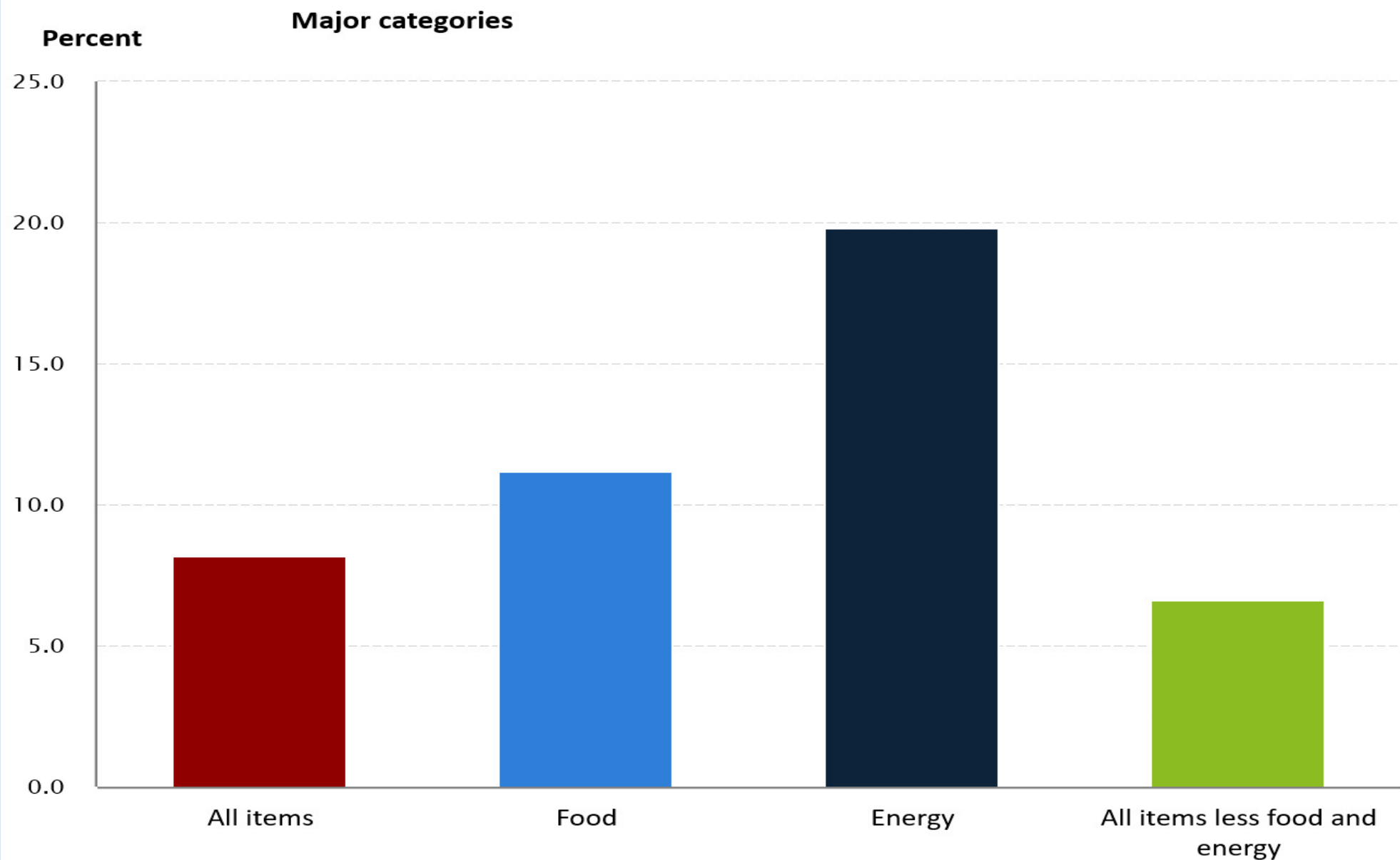
Forecast Assumptions:

- The Federal Reserve Board Will Continue to Pursue the Goal of Reducing Inflation and the Inflation Rate Will Remain High,
- Supply Chain Problems Will Continue,
- Petroleum Prices Will Remain High Throughout 2022-2023,
- The Dollar Will Remain Strong Throughout 2022-2023,
- There Will be an Economic Downturn, Possibly Beginning in the Second Half of 2023.

TOTAL ANNUAL TAX COLLECTIONS

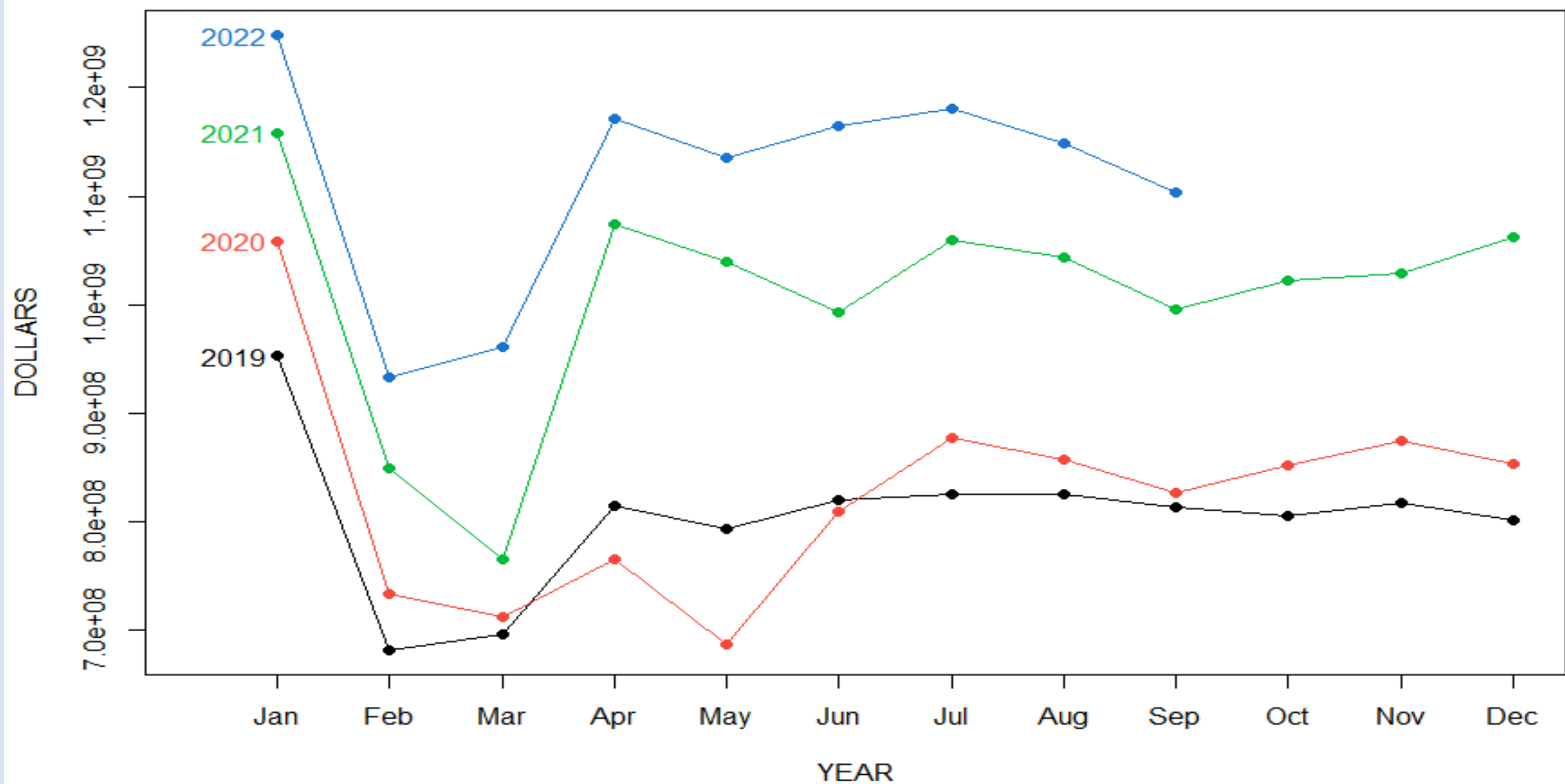


12-month percentage change, Consumer Price Index, selected categories, September 2022, not seasonally adjusted

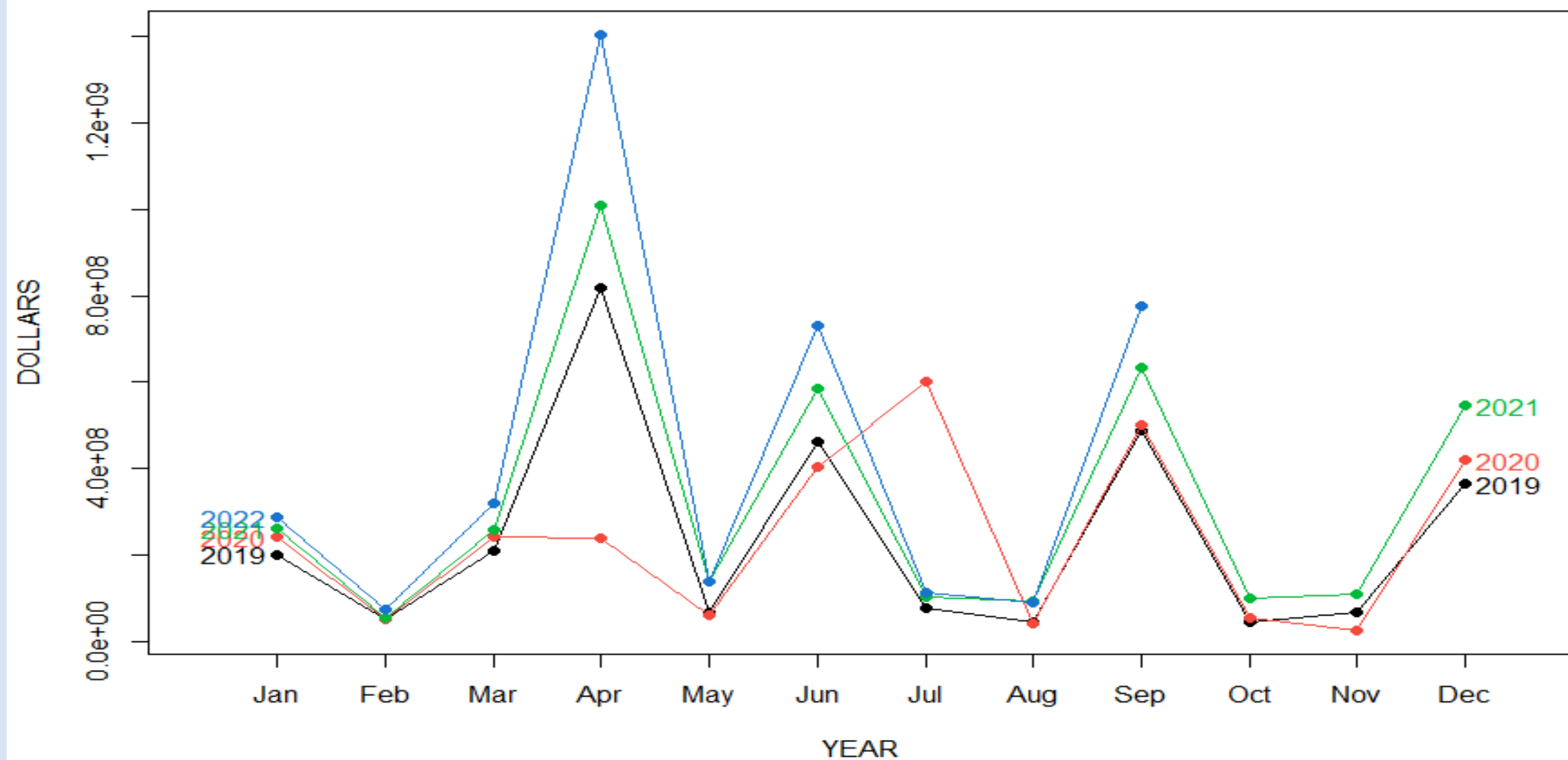


Source: U.S. Bureau of Labor Statistics.

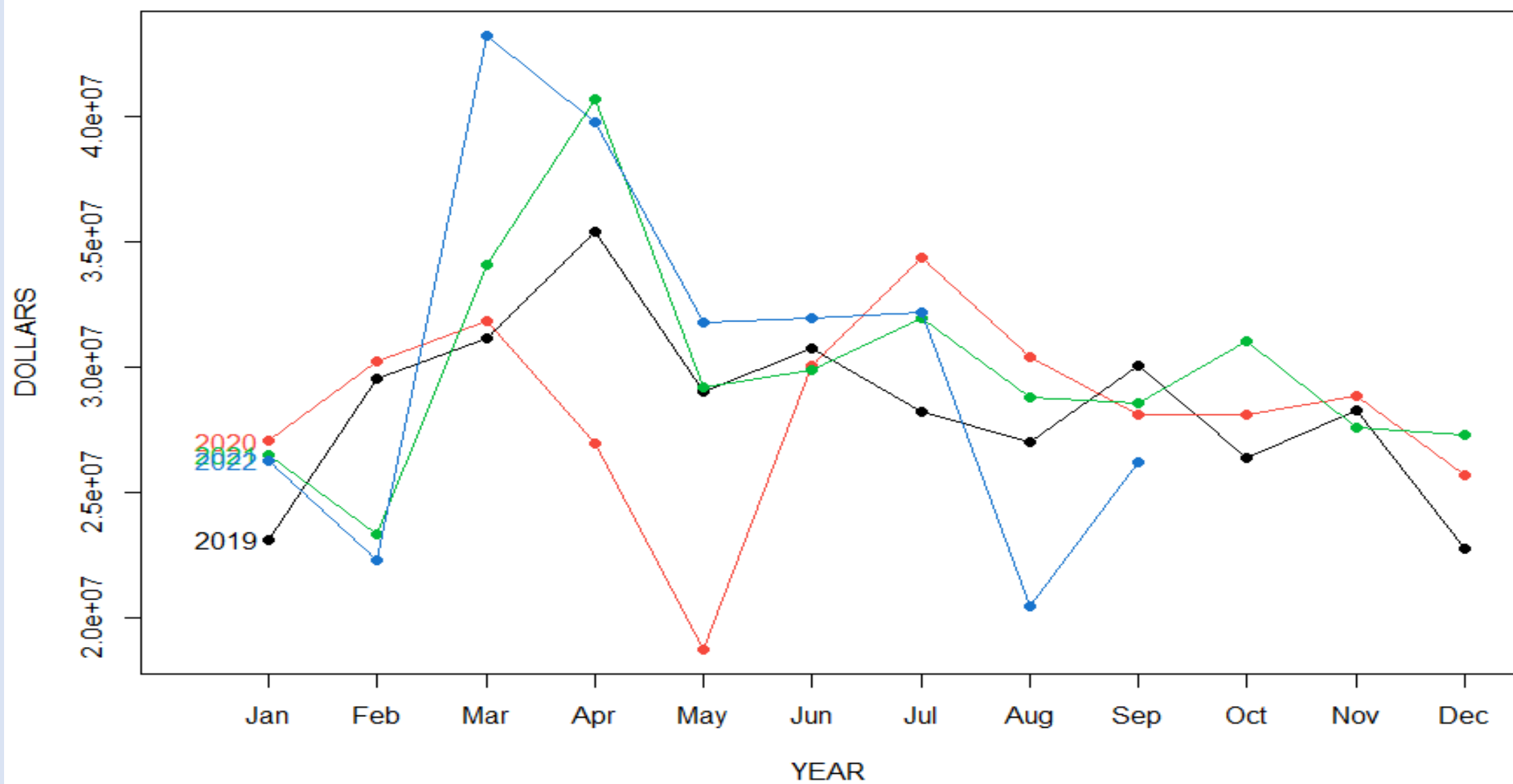
SEASONAL PLOT: Sales and Use TAX Collections



SEASONAL PLOT: Franchise and Excise Tax Collections



SEASONAL PLOT: Motor Registration Tax Collections



Accrual Year Basis	Estimated Tennessee Department of Revenue Collections				
	FY 21 -22	FY 22 - 23		FY 23 - 24	
	Amount	Amount	Percent Change Over Previous Year	Amount	Percent Change Over Previous Year
Sales & Use ¹	\$12,809,891,900	\$14,102,200,000	10.09%	\$15,050,600,000	6.73%
Gasoline Tax	874,019,000	881,000,000	0.80%	\$903,250,000	2.53%
Motor Fuel Tax	321,328,100	333,875,000	3.90%	\$351,000,000	5.13%
Gasoline Inspection Tax	71,167,900	71,500,000	0.47%	\$72,500,000	1.40%
Motor Vehicle Registration Tax	369,743,200	240,750,000	-34.89%	\$358,250,000	48.81%
Income Tax	6,618,600	0	-	-	-
Privilege Tax ²	594,333,400	585,500,000	-1.49%	\$580,000,000	-0.94%
Gross Receipts Tax	341,196,100	340,000,000	-0.35%	\$340,250,000	0.07%
Gross Receipts Tax - Other	26,998,600	27,500,000	1.86%	\$29,000,000	5.45%
Beer Tax	18,241,900	18,600,000	1.96%	\$18,500,000	-0.54%
Alcoholic Beverage Tax	86,456,300	91,500,000	5.83%	\$95,000,000	3.83%
Franchise & Excise Tax	1,514,971,200	4,650,000,000	2.32%	\$4,500,250,000	-3.22%
Inheritance Tax	602,100	0	-	-	-
Tobacco Tax	225,301,500	224,500,000	-0.36%	\$220,500,000	-1.78%
Motor Vehicle Title Fees	23,556,300	23,675,000	0.50%	\$24,550,000	3.70%
Mixed Drink Tax	189,870,700	209,125,000	10.14%	\$214,900,000	2.76%
Business Tax	292,956,900	295,300,000	0.80%	\$295,250,000	-0.02%
Severance Tax	830,300	600,000	-27.74%	\$600,000	0.00%
Coin Amusement Tax	444,400	350,000	-21.24%	\$340,000	-2.86%
Unauthorized Substance Tax	31,800	25,000	-21.38%	\$35,000	40.00%
TOTAL	\$20,798,178,300	\$22,096,000,000	6.24%	\$23,054,775,000	4.34%
1. Excludes \$147.9 million in earmarked fees collected under sales tax for E911 telecommunications services.					
2. Excludes \$97.5 million earmarked fees collected under the privilege tax.					

		General Fund & Education Fund	Highway Fund	Debt Service Fund	Cities & Counties*
Total Revenue	Total Revenue				
Sales and Use Tax ¹	\$14,102,200,000	\$ 13,490,178,763	-	\$ 101,809,564	\$ 510,211,673
Gasoline Tax	\$881,000,000	12,334,000	452,834,000	80,171,000	335,661,000
Motor Fuel Tax	\$333,875,000	2,671,000	244,062,625	-	87,141,375
Gasoline Inspection Tax	\$71,500,000	1,189,660	58,293,340	-	12,017,000
Motor Vehicle Registration Tax	\$240,750,000	4,815,000	235,935,000	-	-
Income Tax	\$0	-	-	-	-
Privilege Tax ²	\$585,500,000	585,500,000	-	-	-
Gross Receipts Tax - TVA	\$340,000,000	193,328,000	-	-	146,672,000
Gross Receipts Tax - Other	\$27,500,000	21,725,000	5,775,000	-	-
Beer Tax	\$18,600,000	12,499,200	2,362,200	-	3,738,600
Alcoholic Beverage Tax	\$91,500,000	75,487,500	-	-	16,012,500
Franchise & Excise Tax	\$4,650,000,000	4,566,300,000	-	83,700,000	-
Inheritance and Estate Tax	-	-	-	-	-
Tobacco Tax	\$224,500,000	224,500,000	-		-
Motor Vehicle Title Fees	\$23,675,000	20,928,700	-	2,746,300	-
Mixed Drink Tax	\$209,125,000	104,562,500	-	-	104,562,500
Business Tax	\$295,300,000	295,300,000	-	-	-
Severance Tax	\$600,000	300,000	-	-	300,000
Coin-operated Amusement Tax	\$350,000	350,000	-	-	-
Unauthorized Substance Tax	\$25,000	25,000	-	-	-
Total Department of Revenue	\$ 22,096,000,000	\$ 19,611,994,323	\$ 999,262,165	\$ 268,426,864	\$ 1,216,316,648

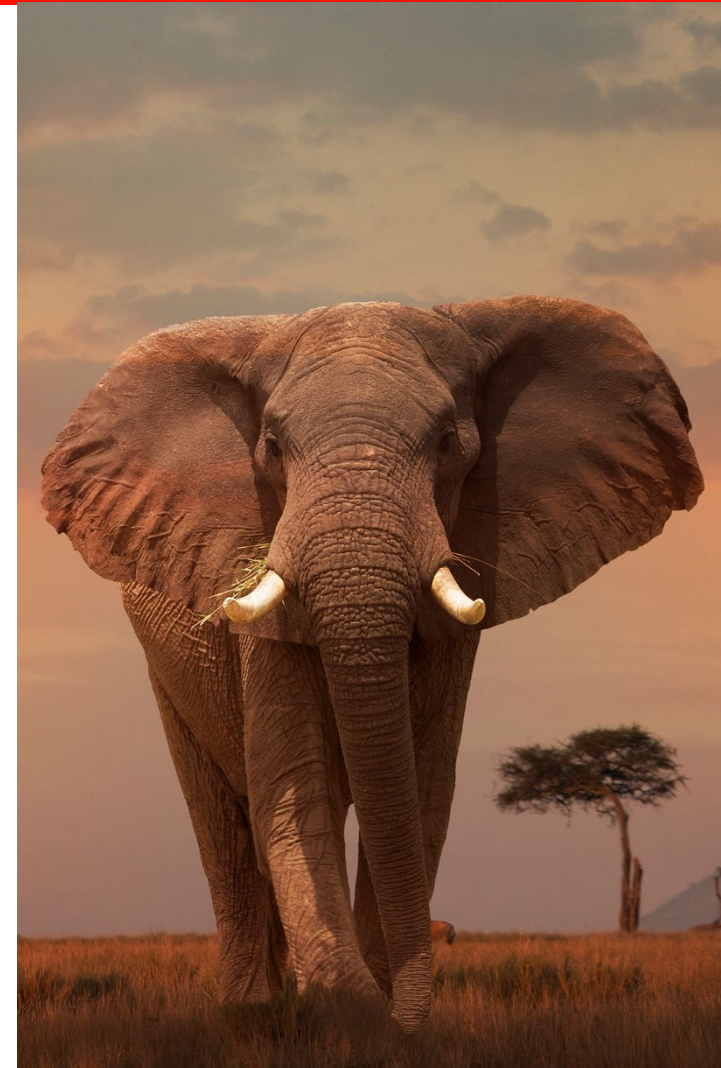


Estimated State Tax Revenue Presentation to the State Funding Board

November 16, 2022

Takeaways

- Uncertainty Continues
 - INFLATION
 - Positive Q3 GDP
 - Housing markets slowing down
 - Job market remains tight
 - Recession odds?
- FY23 forecast revised significantly
 - Through 1st fiscal QTR +9.9% y/y
 - Expect continued, but slower growth
- FY24 returning to more “reasonable” growth, but over already high base.



Fiscal Year 2022 Tax Revenue

COMPARISON OF ACCRUAL STATE TAX REVENUE

DEPARTMENT OF REVENUE TAXES

YEAR OVER YEAR COMPARISON

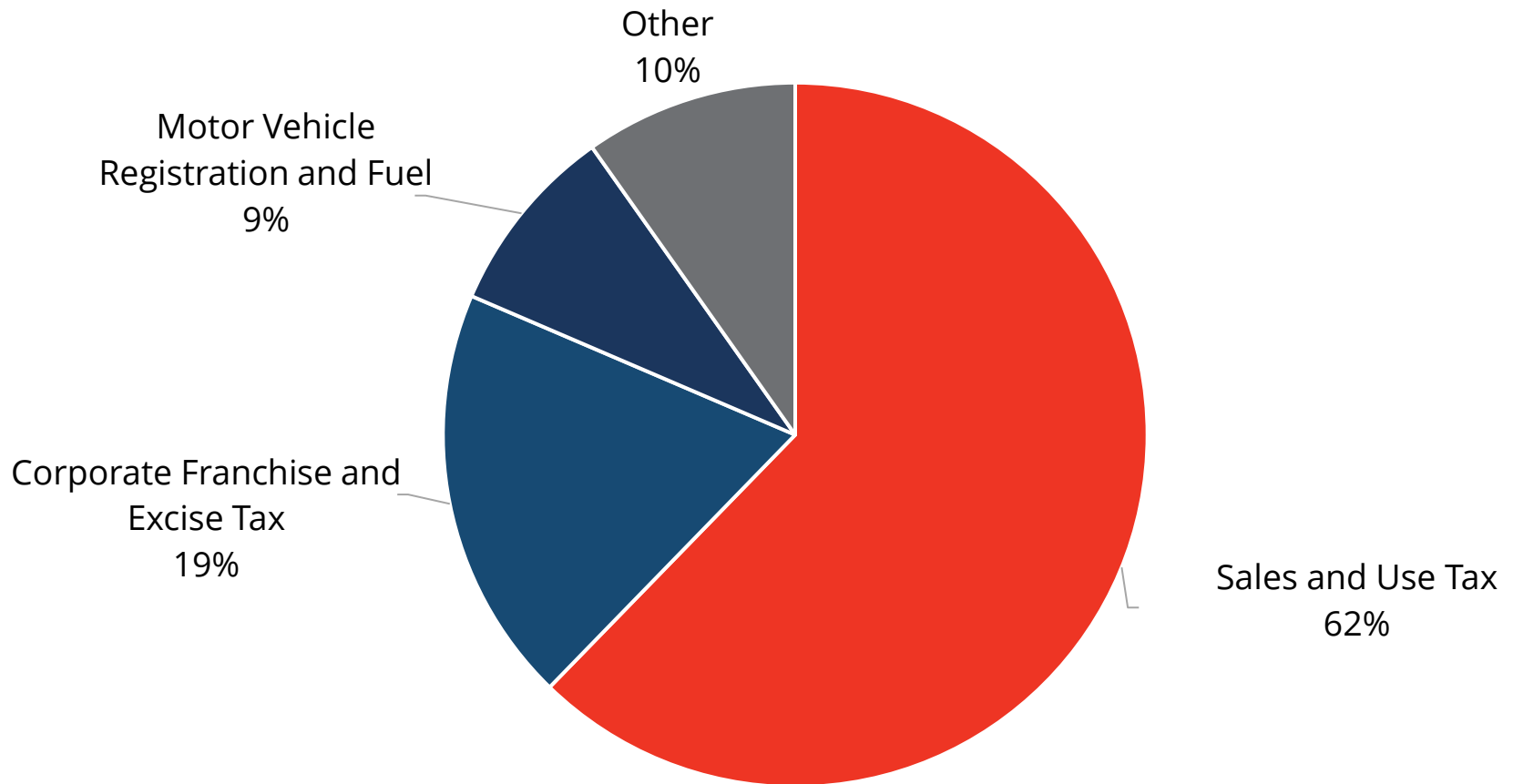
	Fiscal Year 2021	Fiscal Year 2022	% Change	Tax Weight FY 2022	Total % Point Contribution
Sales and Use Tax	\$ 11,083,119,600	\$ 12,809,891,900	15.58%	61.60%	9.60%
Corporate Franchise and Excise Tax	\$ 3,495,248,000	\$ 4,544,589,300	30.02%	18.27%	5.49%
Motor Vehicle Registration and Fuel ¹	\$ 1,572,341,000	\$ 1,636,258,200	4.07%	9.72%	0.40%
Other	\$ 1,673,691,400	\$ 1,807,438,900	7.99%	10.40%	0.83%
TOTAL ACCRUAL REVENUE	\$ 17,824,400,000	\$ 20,798,178,300	16.68%	100%	16.68%

*Data from F&A.

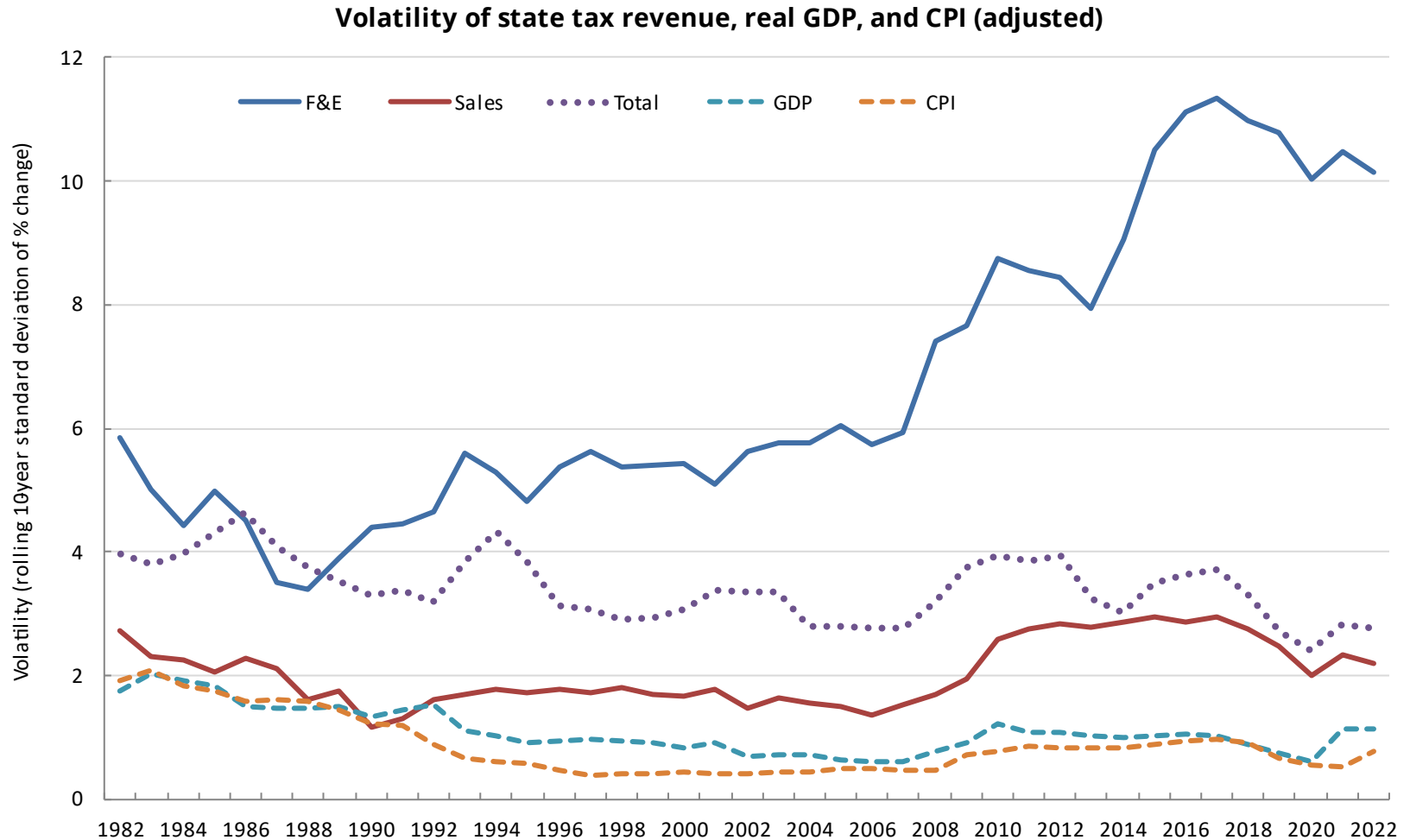
¹Includes motor vehicle registrations, gasoline, motor vehicle fuel, and petroleum special taxes.

Fiscal Year 2022 Tax Revenue

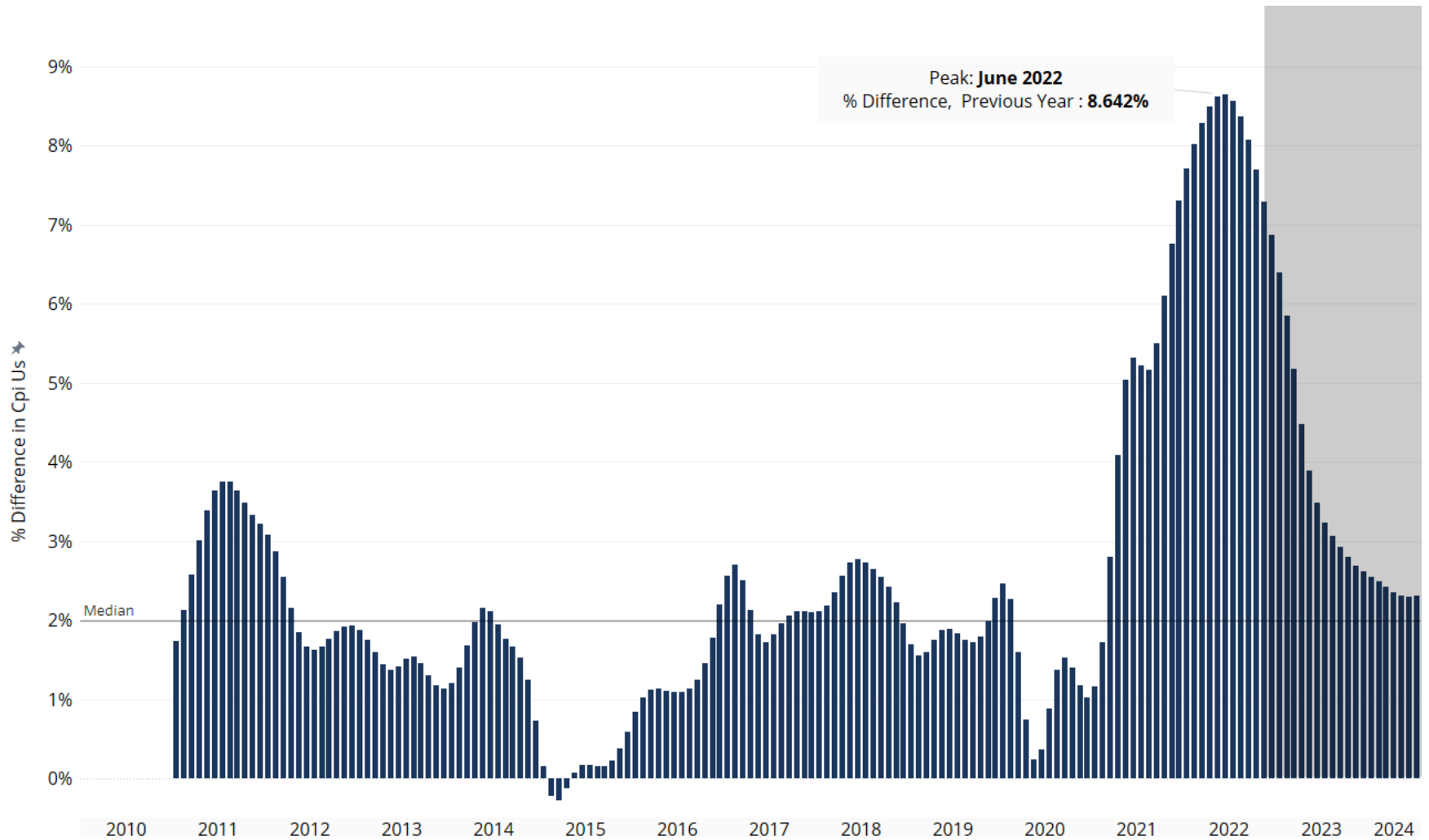
FY2022 Accrual State Tax Collections



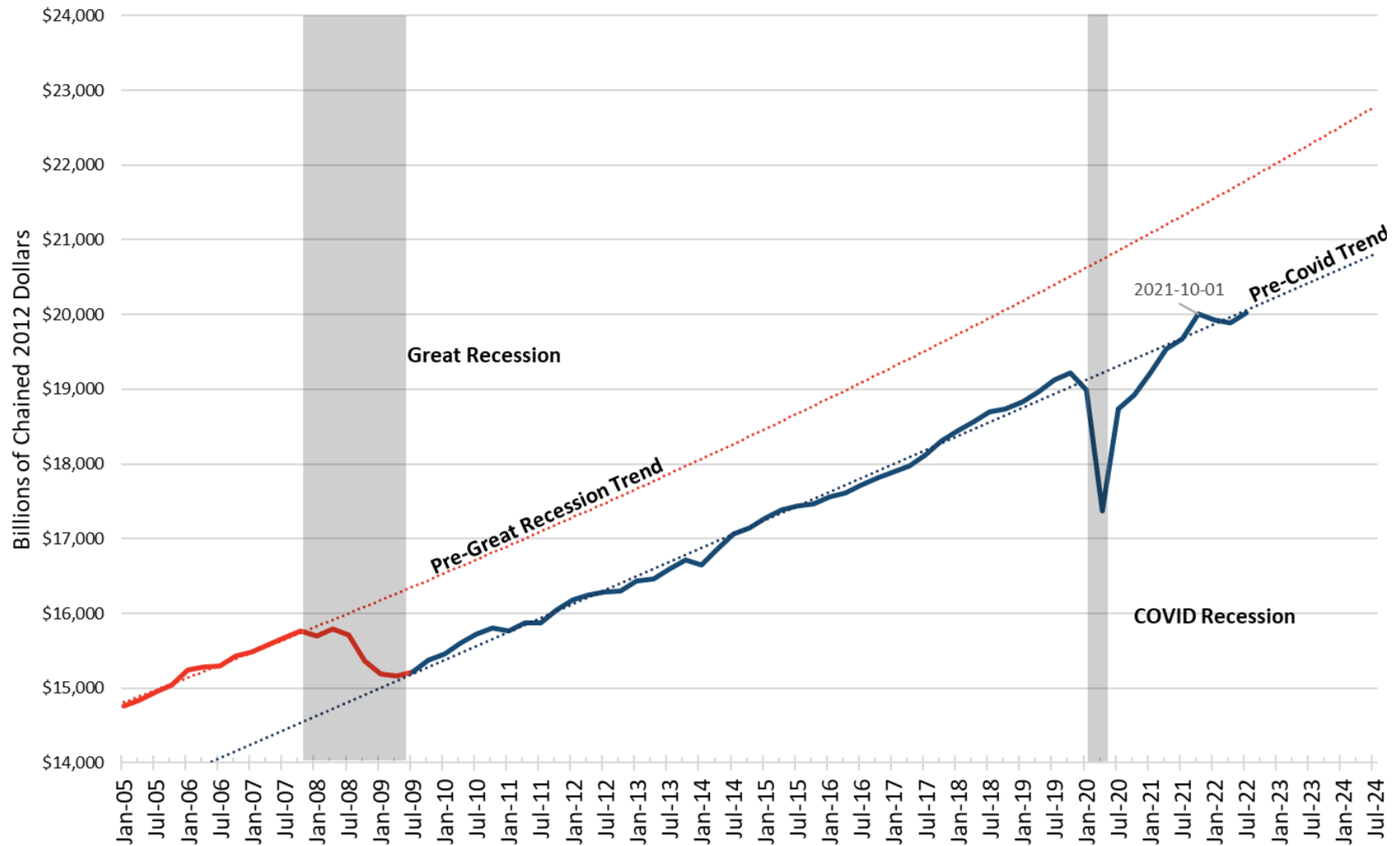
Tennessee Tax Volatility Comparison



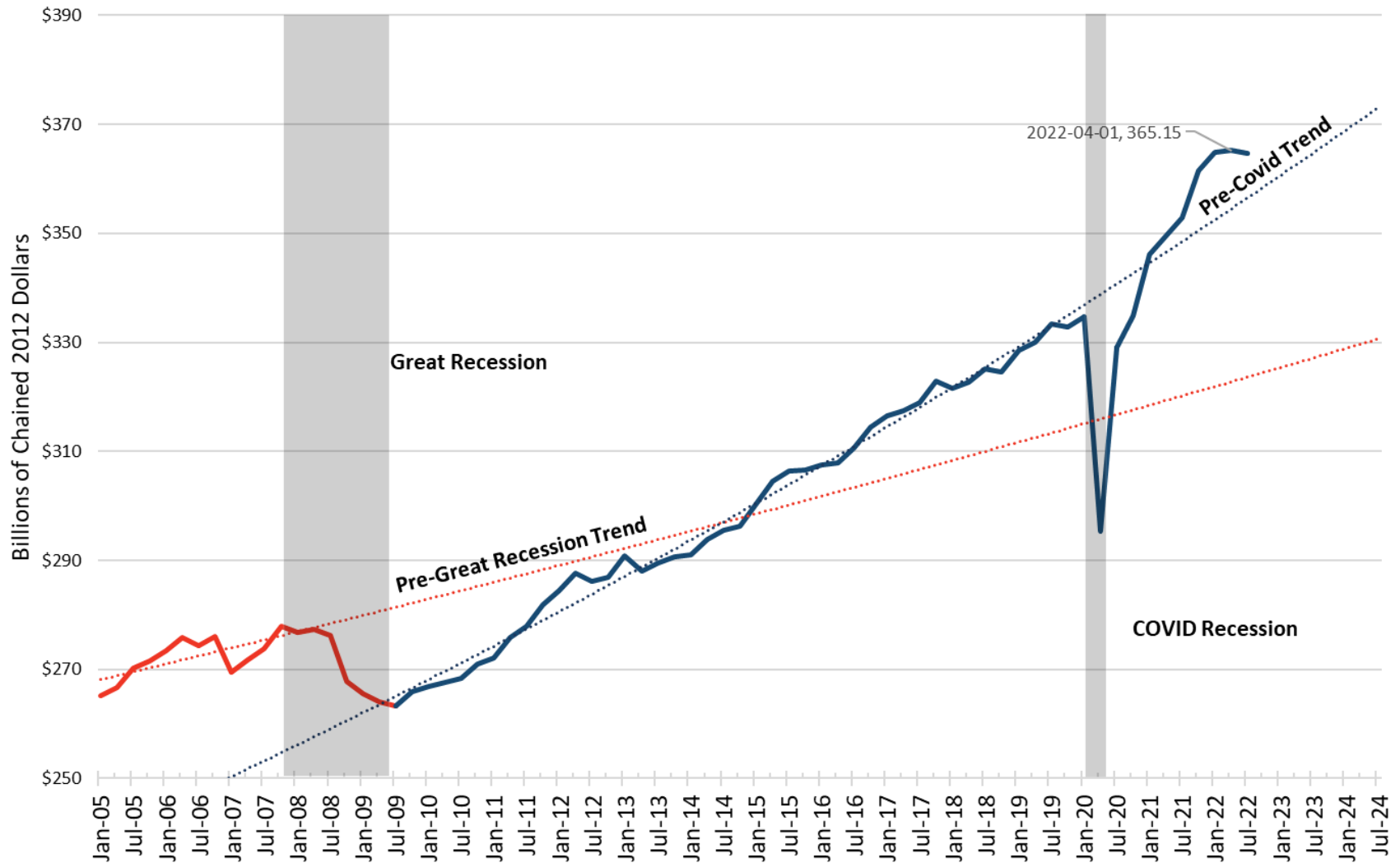
Inflation



US Gross Domestic Product



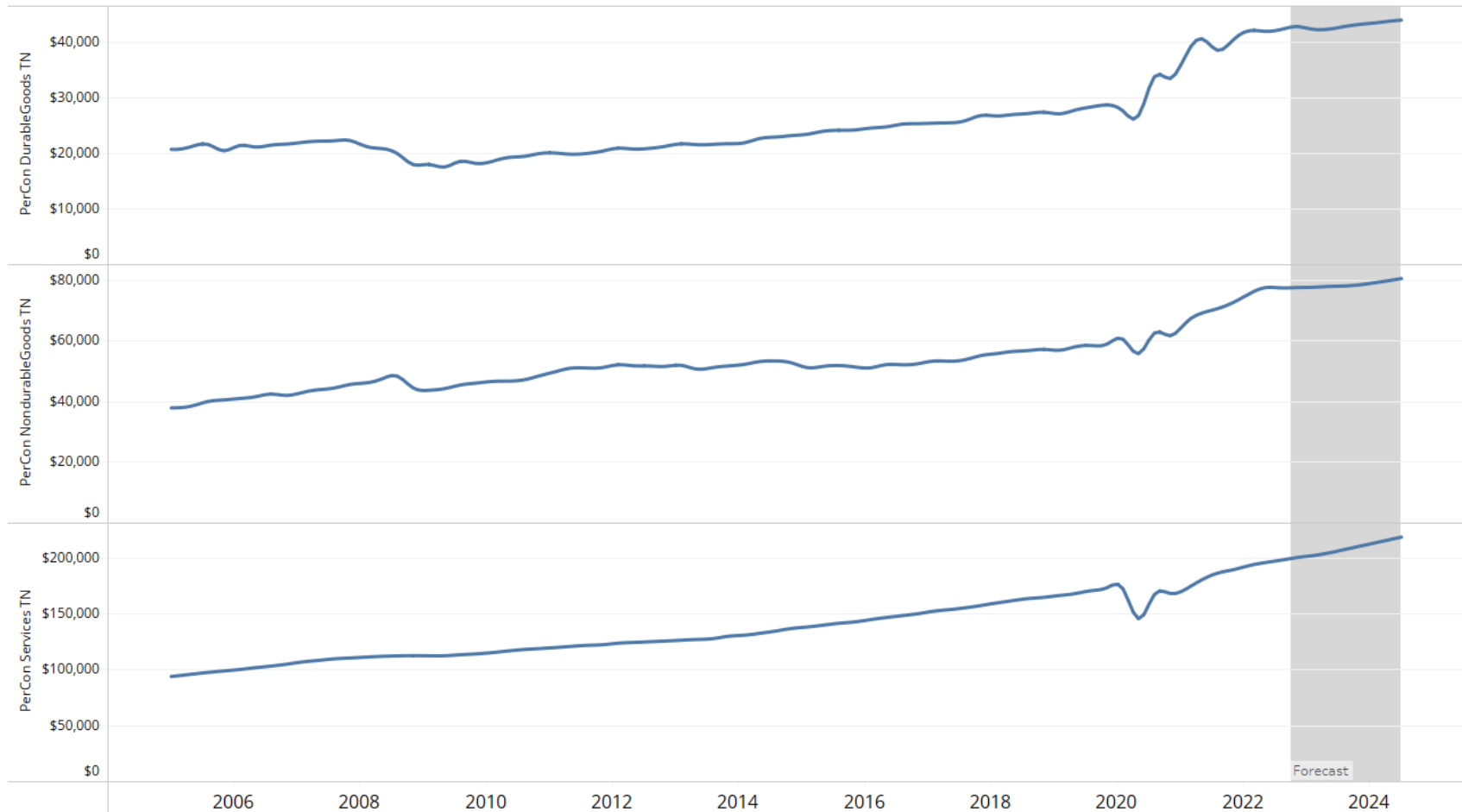
Tennessee Gross State Product



Tennessee Personal Consumption

TN Personal Consumption Expenditures

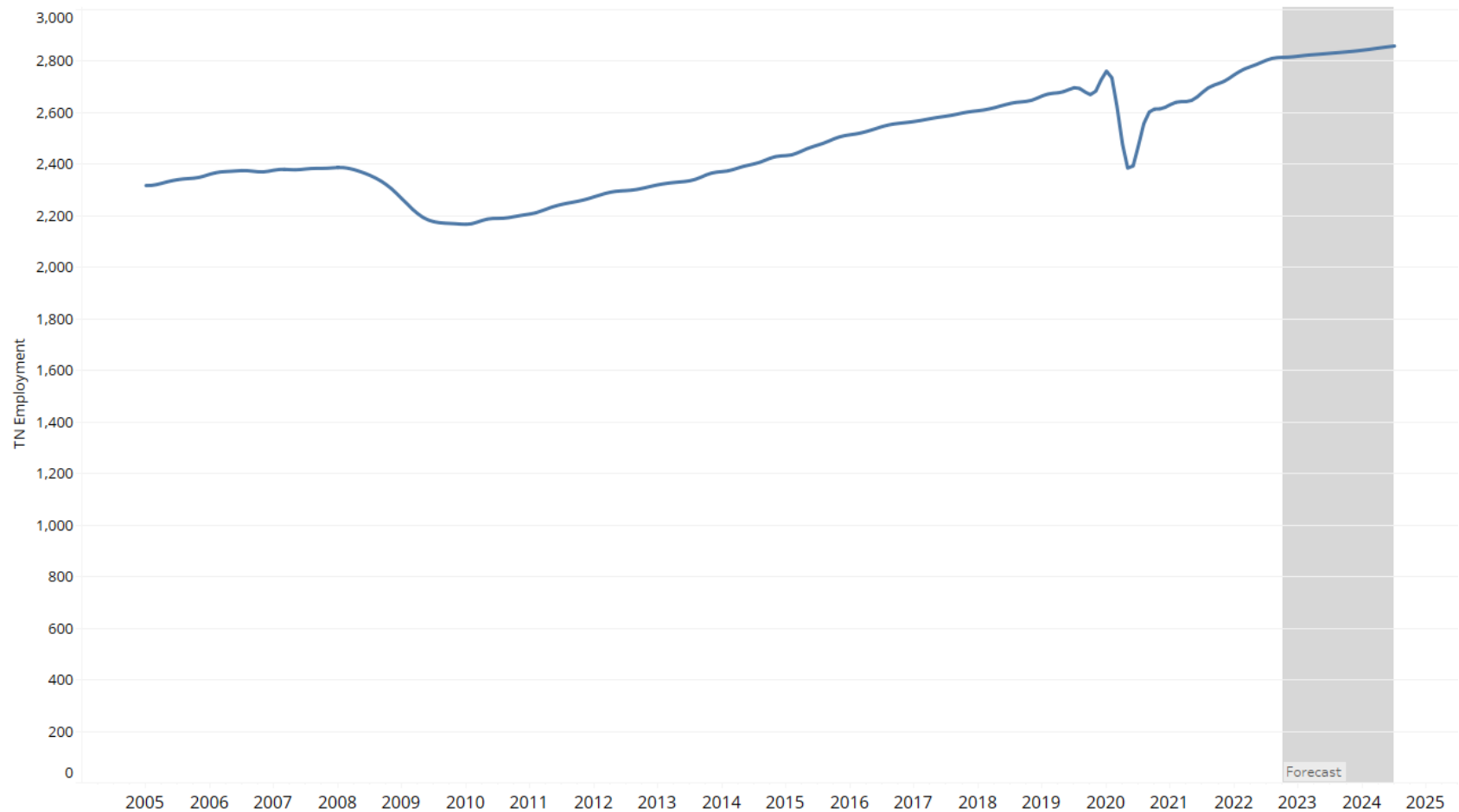
Million of dollars, Seasonally Adjusted Annual Rate



Tennessee Employment

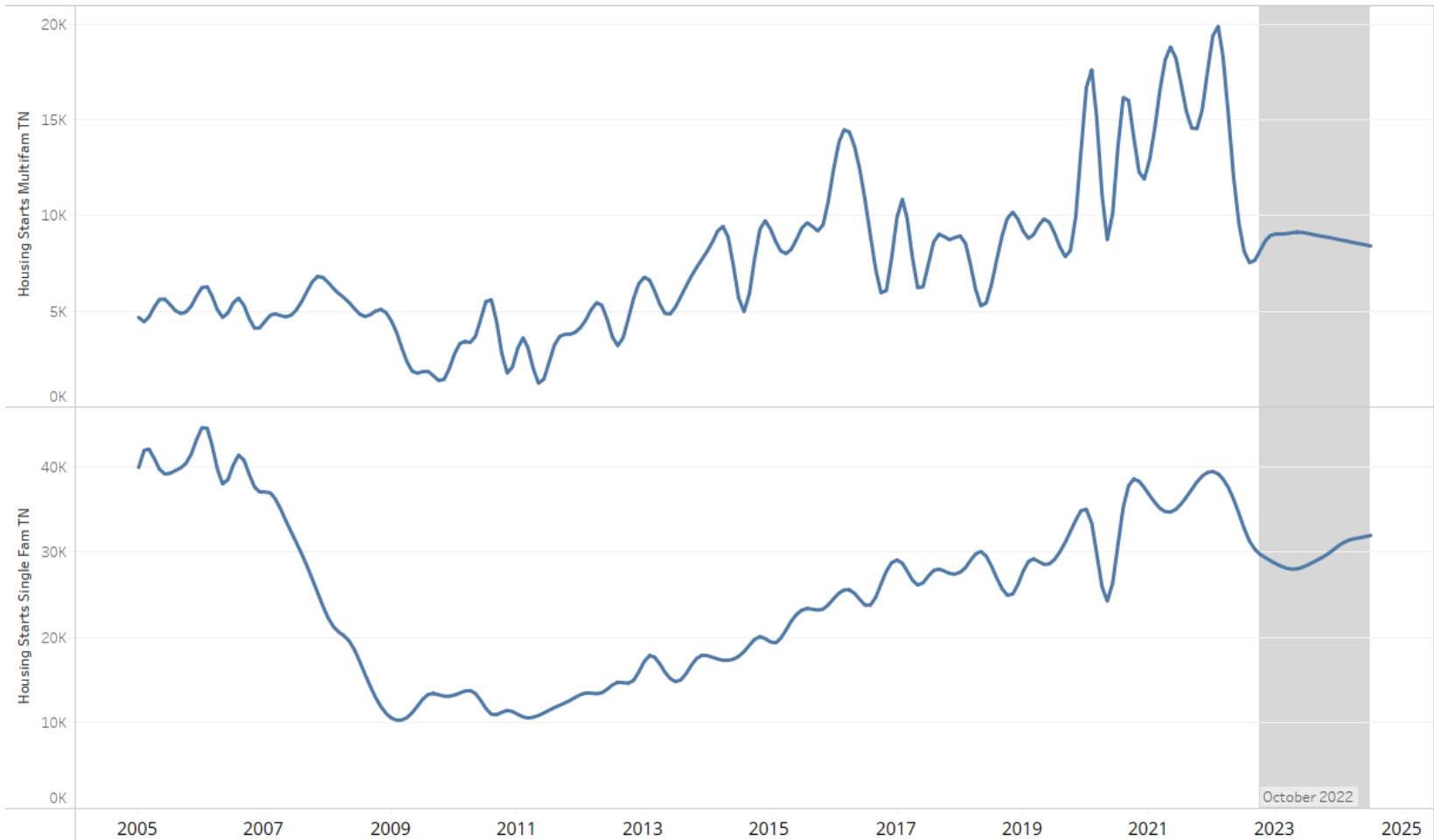
TN Private Employment

Thousands, Seasonally Adjusted



Housing Starts

TN Housing Starts
Seasonally Adjusted



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
May	\$88,535,914	14.64%	\$11,306,384
June	\$86,077,473	12.82%	\$9,779,541
July	\$87,672,646	21.08%	\$15,262,629
August	\$76,204,653	5.03%	\$3,649,916
September	\$75,511,027	21.03%	\$13,119,360
October	\$77,733,219	16.50%	\$11,007,781
		15.00%	\$64,125,611

Privilege Tax Collections from Realty Transfer

	Collections	YOY % Growth	YOY \$ Growth
May	\$30,482,463	30.13%	\$7,058,027
June	\$32,431,924	30.70%	\$7,617,057
July	\$36,469,066	19.53%	\$5,959,064
August	\$29,849,489	-0.44%	(\$130,765)
September	\$31,085,729	-1.45%	(\$457,415)
October	\$27,805,092	-6.22%	(\$1,843,549)
		10.71%	\$18,202,418

Privilege Tax Collections from Realty Mortgage

	Collections	YOY % Growth	YOY \$ Growth
May	\$11,515,509	-3.63%	(\$433,358)
June	\$12,021,242	9.49%	\$1,042,243
July	\$12,493,450	2.56%	\$312,274
August	\$10,434,313	-14.13%	(\$1,716,484)
September	\$11,343,730	-7.29%	(\$891,511)
October	\$9,880,724	-24.93%	(\$3,281,457)
		-6.84%	(\$4,968,293)

6 Month Total Growth	11.54%	\$77,359,736
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Public Chapter 92 of 2015

- There are no known non-recurring items included in the Franchise and Excise tax estimates for fiscal year 2022 and the Department is not aware of any upcoming non-recurring payments in FY 2023.
- The fiscal year 2023 Franchise and Excise tax estimates do not include revenue estimates for any proposed or potential rule changes.



SOURCE OF REVENUE

Department of Revenue	official		FY 2023		FY 2024	
	Actual Revenues FY 2022	Revenue Estimates FY2022	Revised Estimates FY 2023	% change ² over FY 2022	Revenue Estimates FY 2024	% change ² over FY 2023
	Actual					
Sales and Use Tax ¹	\$12,809,891,900	\$11,997,700,000	13,858,200,000	8.2%	14,323,400,000	3.4%
Gasoline Tax	874,019,000	883,900,000	879,300,000	0.6%	900,400,000	2.4%
Motor Fuel Tax	321,328,100	313,600,000	330,300,000	2.8%	338,200,000	2.4%
Gasoline Inspection Tax	71,167,900	69,600,000	72,000,000	1.2%	72,500,000	0.7%
Motor Vehicle Registration Tax	369,743,200	359,300,000	246,300,000	-33.4%	376,300,000	52.8%
Income Tax	6,618,600	10,000,000	2,000,000	-69.8%	1,000,000	-50.0%
Privilege Tax ²	594,333,400	528,700,000	561,100,000	-5.6%	563,900,000	0.5%
Gross Receipts Tax - TVA	341,196,100	340,700,000	362,400,000	6.2%	366,000,000	1.0%
Gross Receipts Tax - Other	26,998,600	26,200,000	33,700,000	24.8%	28,600,000	-15.1%
Beer Tax	18,241,900	18,100,000	18,500,000	1.4%	18,500,000	0.0%
Alcoholic Beverage Tax	86,456,300	88,400,000	86,700,000	0.3%	90,200,000	4.0%
Franchise & Excise Tax	4,544,589,300	3,876,400,000	5,039,900,000	10.9%	5,241,500,000	4.0%
Inheritance and Estate Tax	602,100	0	0	0.0%	0	0.0%
Tobacco Tax	225,301,500	236,000,000	222,600,000	-1.2%	217,900,000	-2.1%
Motor Vehicle Title Fees	23,556,300	23,800,000	23,700,000	0.6%	23,800,000	0.4%
Mixed Drink Tax	189,870,700	140,600,000	212,700,000	12.0%	228,700,000	7.5%
Business Tax	292,956,900	255,000,000	311,000,000	6.2%	325,000,000	4.5%
Severance Tax	830,300	500,000	800,000	-3.6%	800,000	0.0%
Coin-operated Amusement Tax	444,400	300,000	400,000	-10.0%	400,000	0.0%
Total Department of Revenue	\$20,798,100,000	\$19,168,800,000	22,261,600,000	7.0%	\$23,117,100,000	3.8%
General Fund Only	\$ 18,019,970,000	\$16,608,300,000	\$19,467,500,000	8.0%	\$20,139,600,000	3.5%

¹Excludes \$147.8 million earmarked fees collected under sales tax for E911 telecommunications services.

²Excludes \$97.5 million earmarked fees collected under the privilege tax.

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

Sources

- Data Sourced From:
 - Moody's Analytics (Fall, 2022)
 - BEA (Fall, 2022)
 - BLS (Fall, 2022)
 - U.S. Census Bureau (Fall, 2022)
 - TN Department of Revenue (Fall, 2022)
 - TN Department of Finance & Administration (Fall, 2022)

Economic Outlook and Tax Revenue Estimates

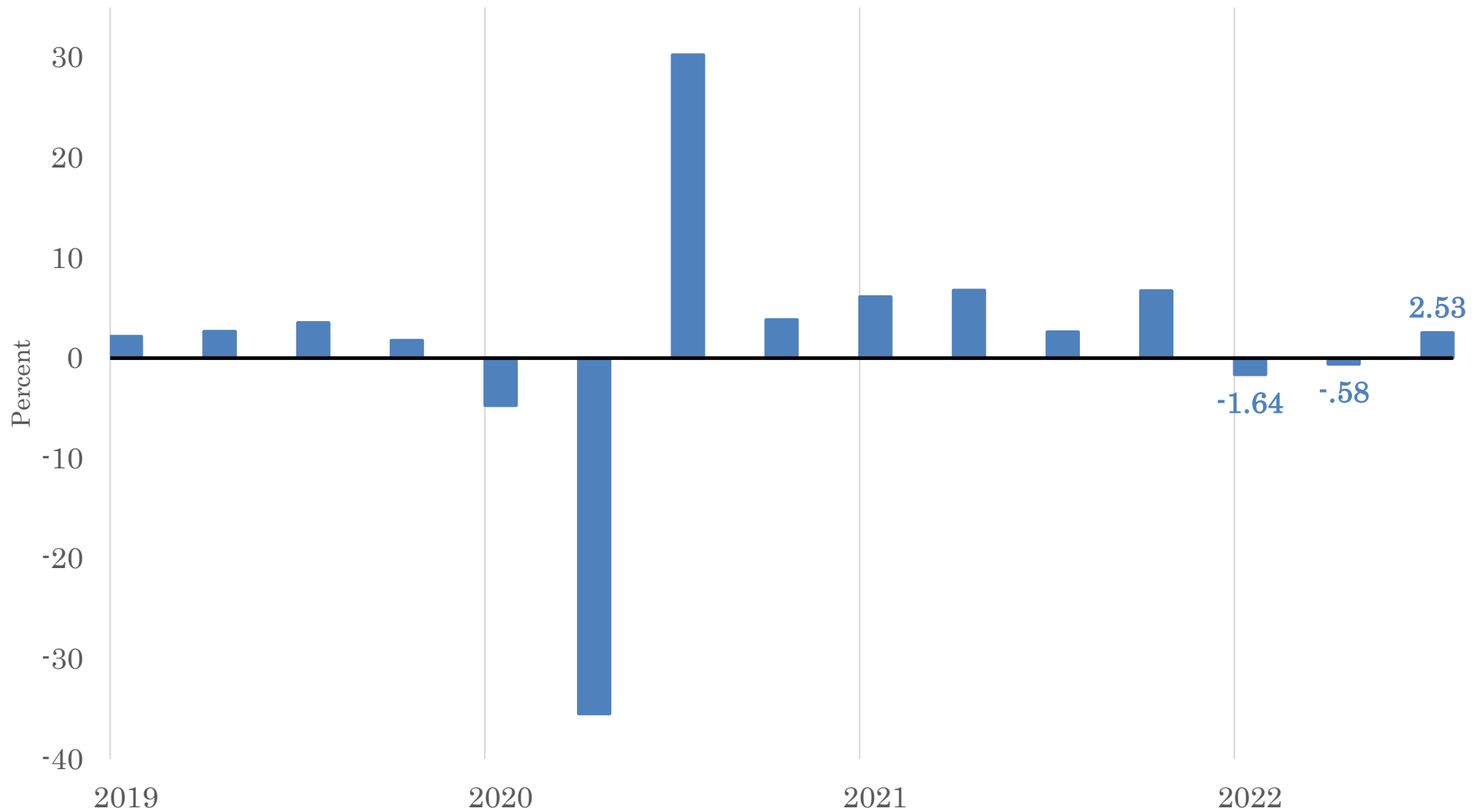


Fiscal Review Committee Staff
November 16, 2022

Overview

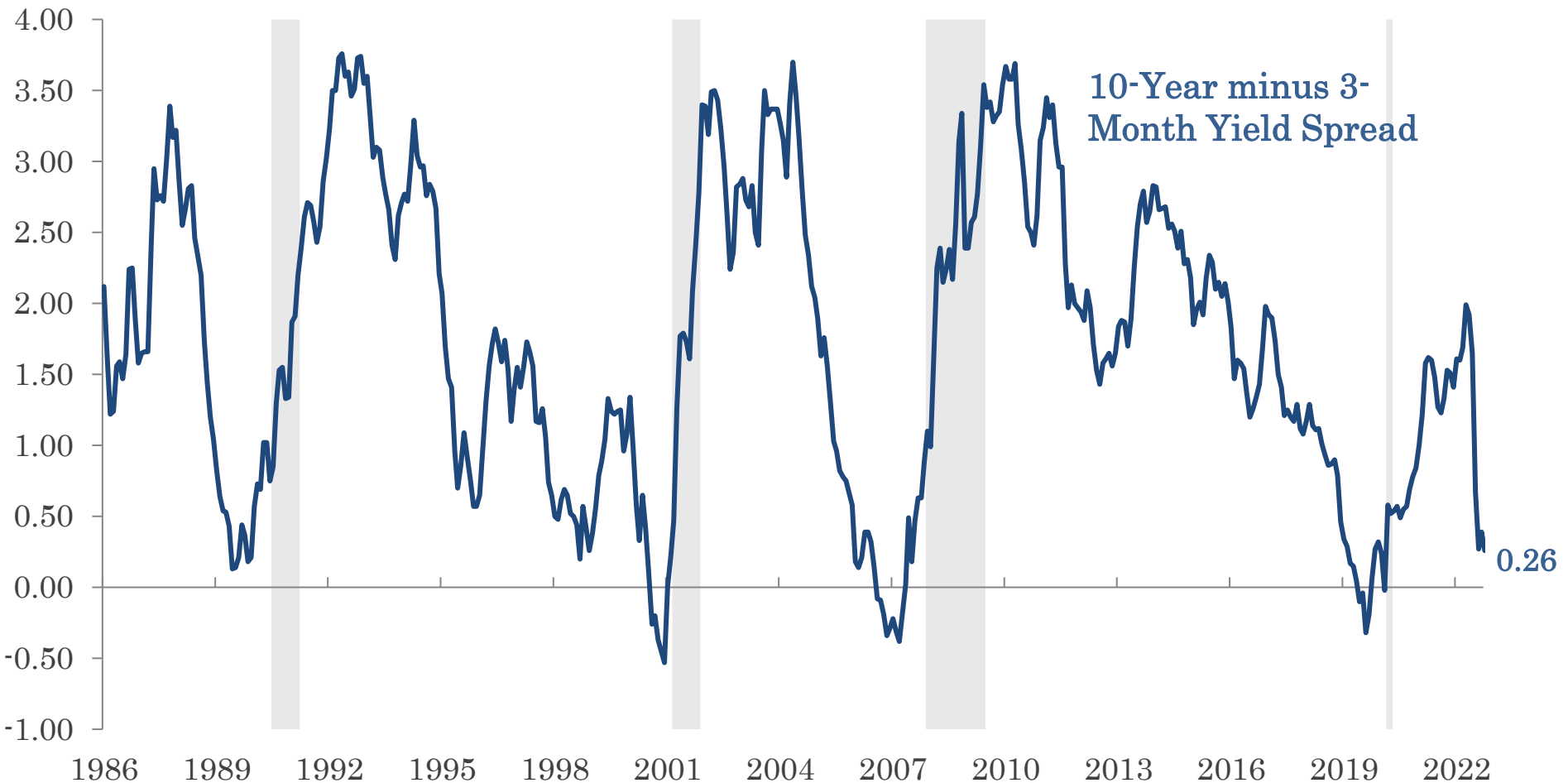
- Finished FY21-22 with large gains over FY20-21
- Signs of a recession and the Federal Reserve action
- How is this downturn different?
- Migration to TN and the state's economy
- Impacts of legislation
- Tax revenue estimates

U.S. Real GDP



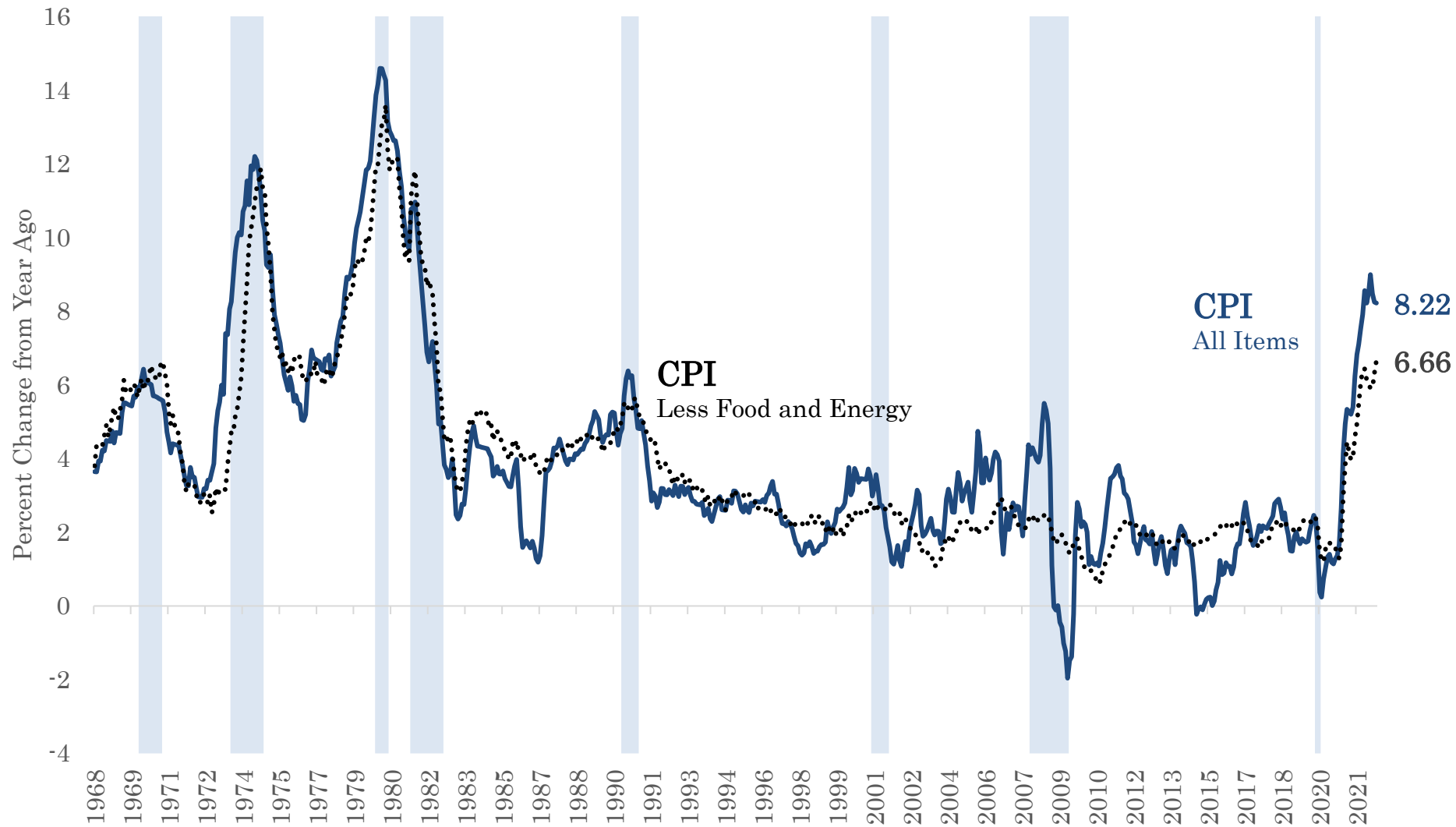
U.S. Bureau of Economic Analysis, Gross Domestic Product [GDP], retrieved from FRED, Nov 4, 2022.

The Yield Spread



Sources: Board of Governors of the Federal Reserve System (US); retrieved from FRED, Nov 2, 2022.

Inflation



Sources: U.S. Bureau of Labor Statistics, retrieved from FRED, Nov 2, 2022.

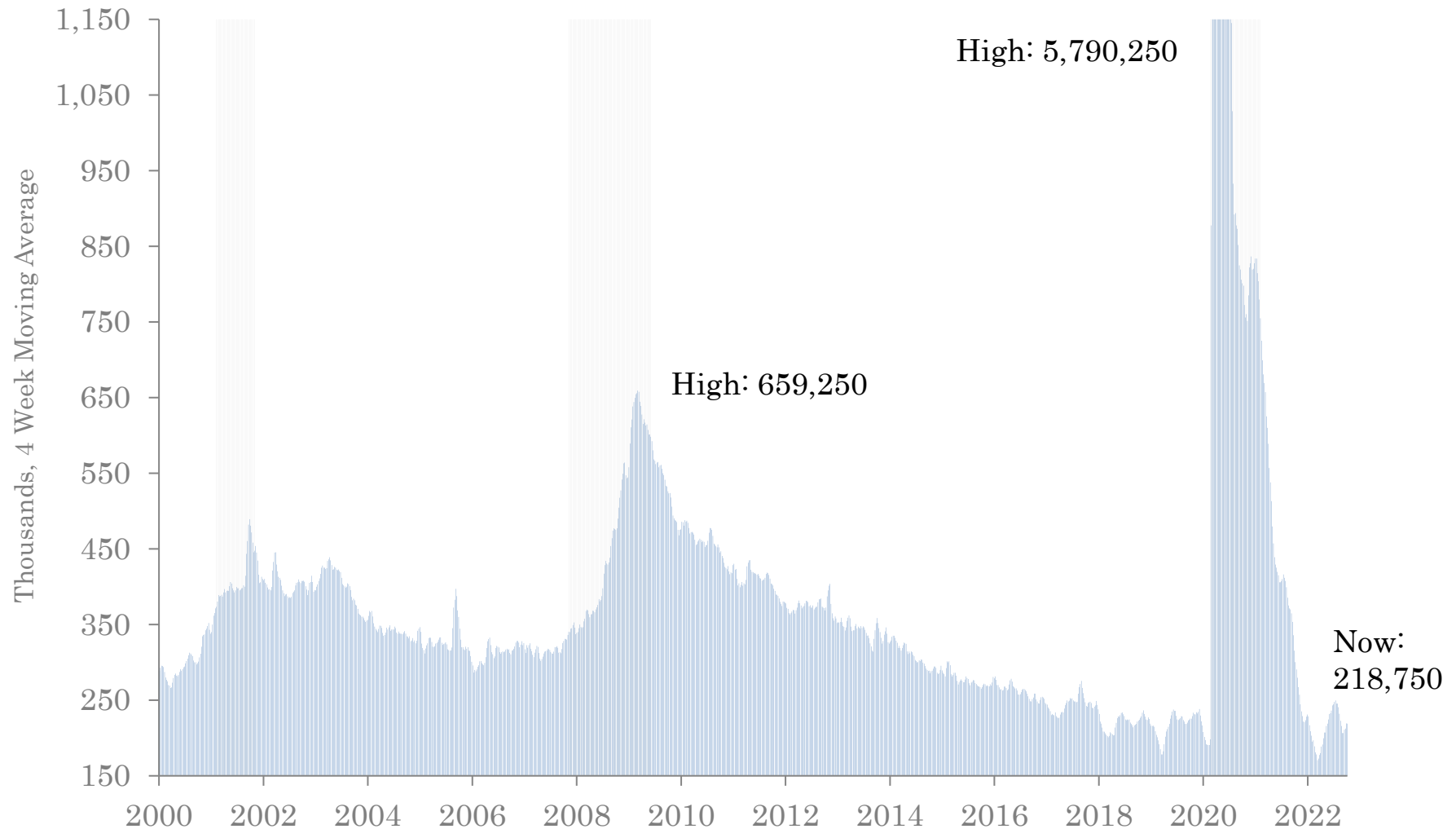
Stock Market



Sources: S&P Dow Jones Indices LLC; retrieved from FRED, Nov 7, 2022.

U.S. Employment

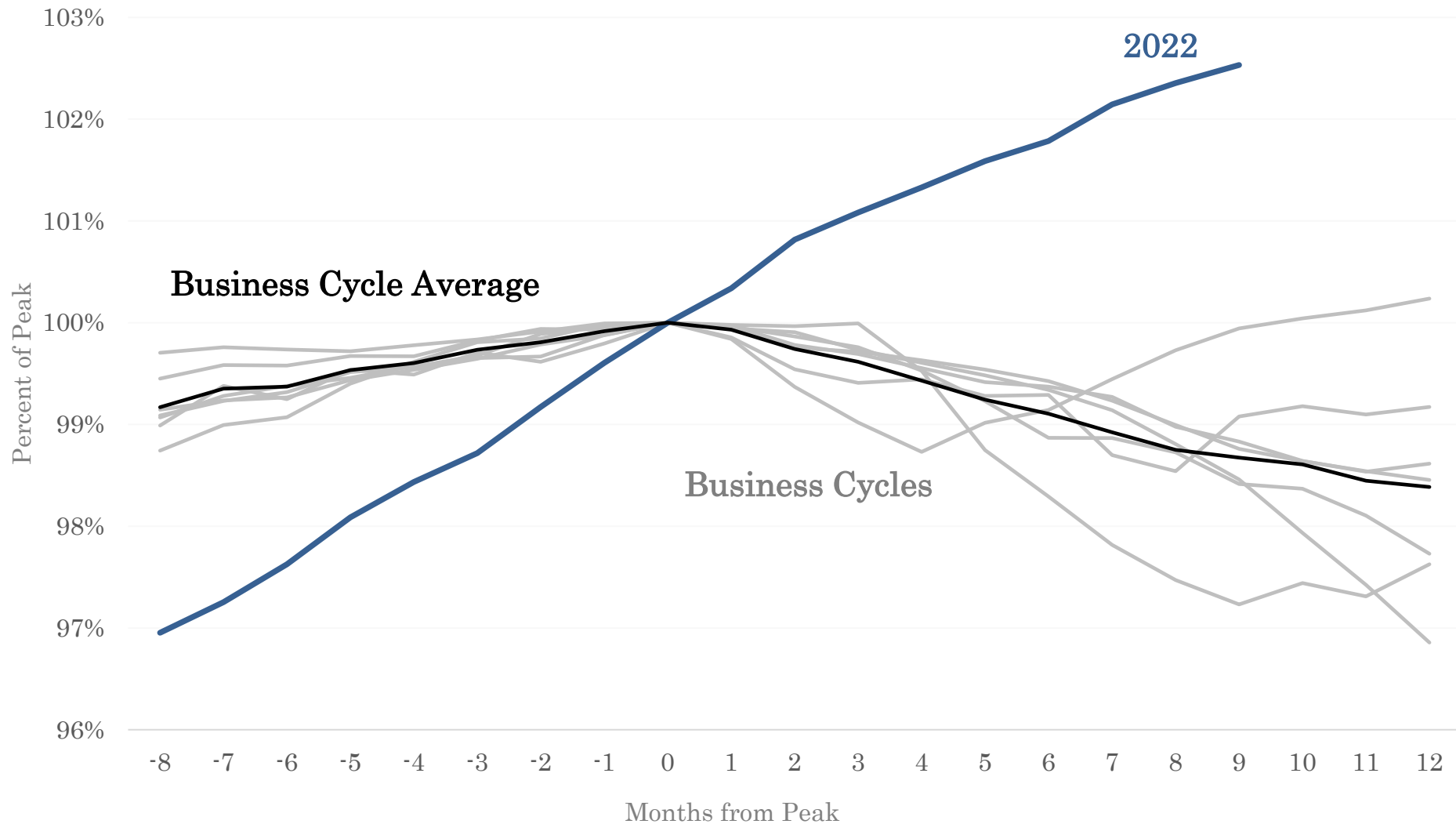
Initial Unemployment Claims



Sources: U.S. Employment and Training Administration; retrieved from FRED, Nov 3, 2022.

U.S. Employment

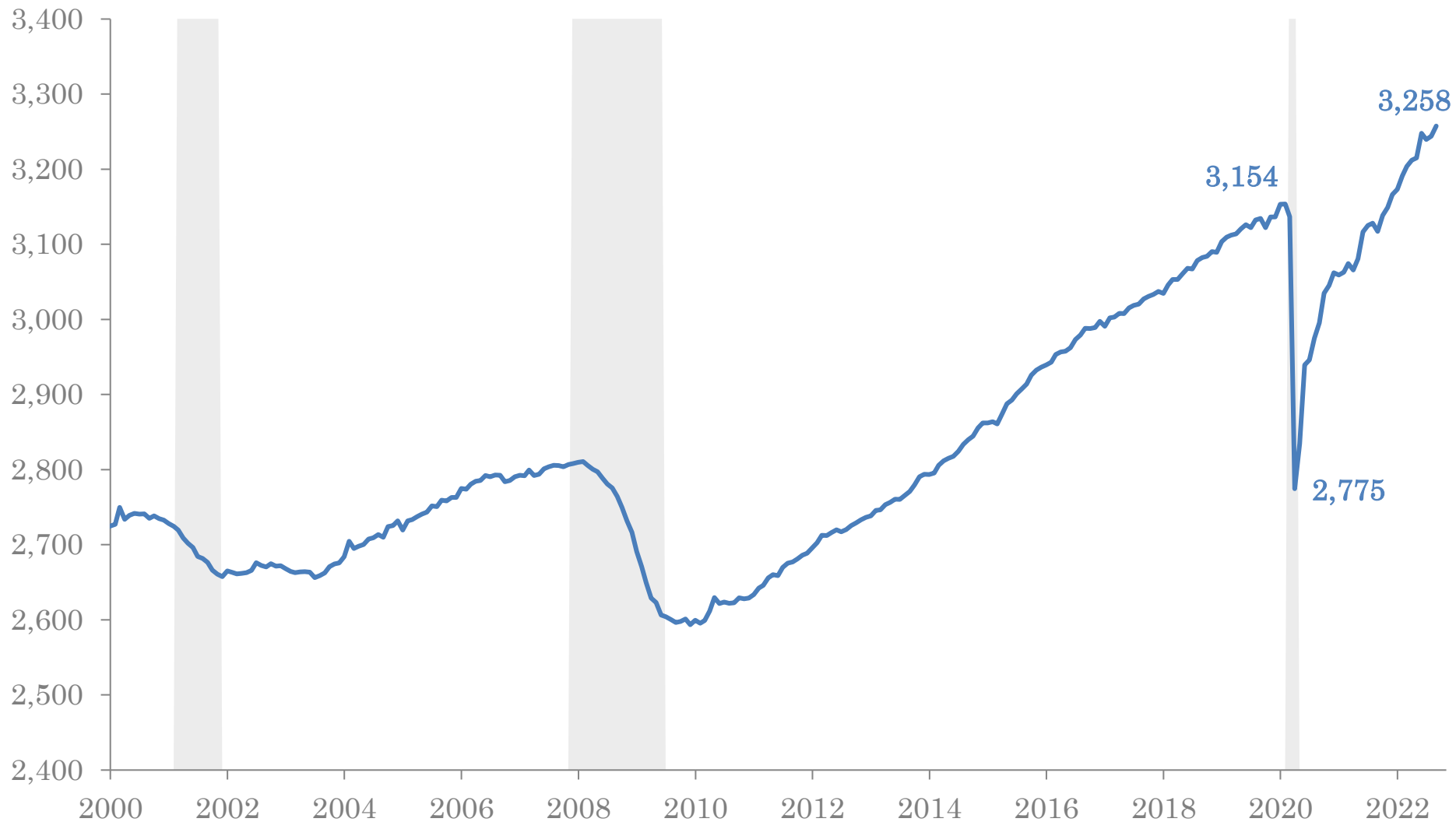
Total Nonfarm Payrolls



Sources: U.S. Bureau of Labor Statistics; retrieved from FRED, Nov 3, 2022.

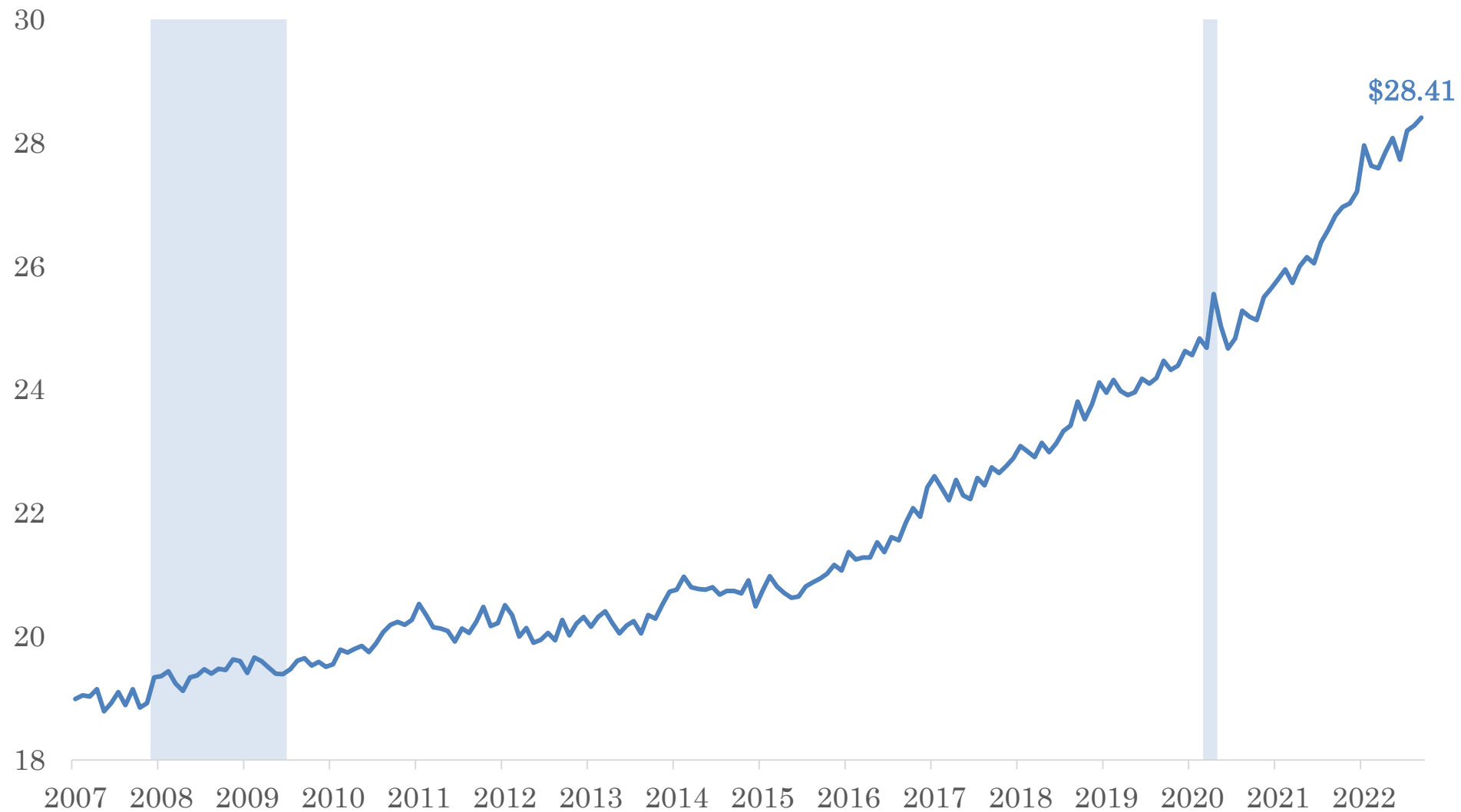
Tennessee Employment

Total Non-Farm, Monthly, SA (Thousands)



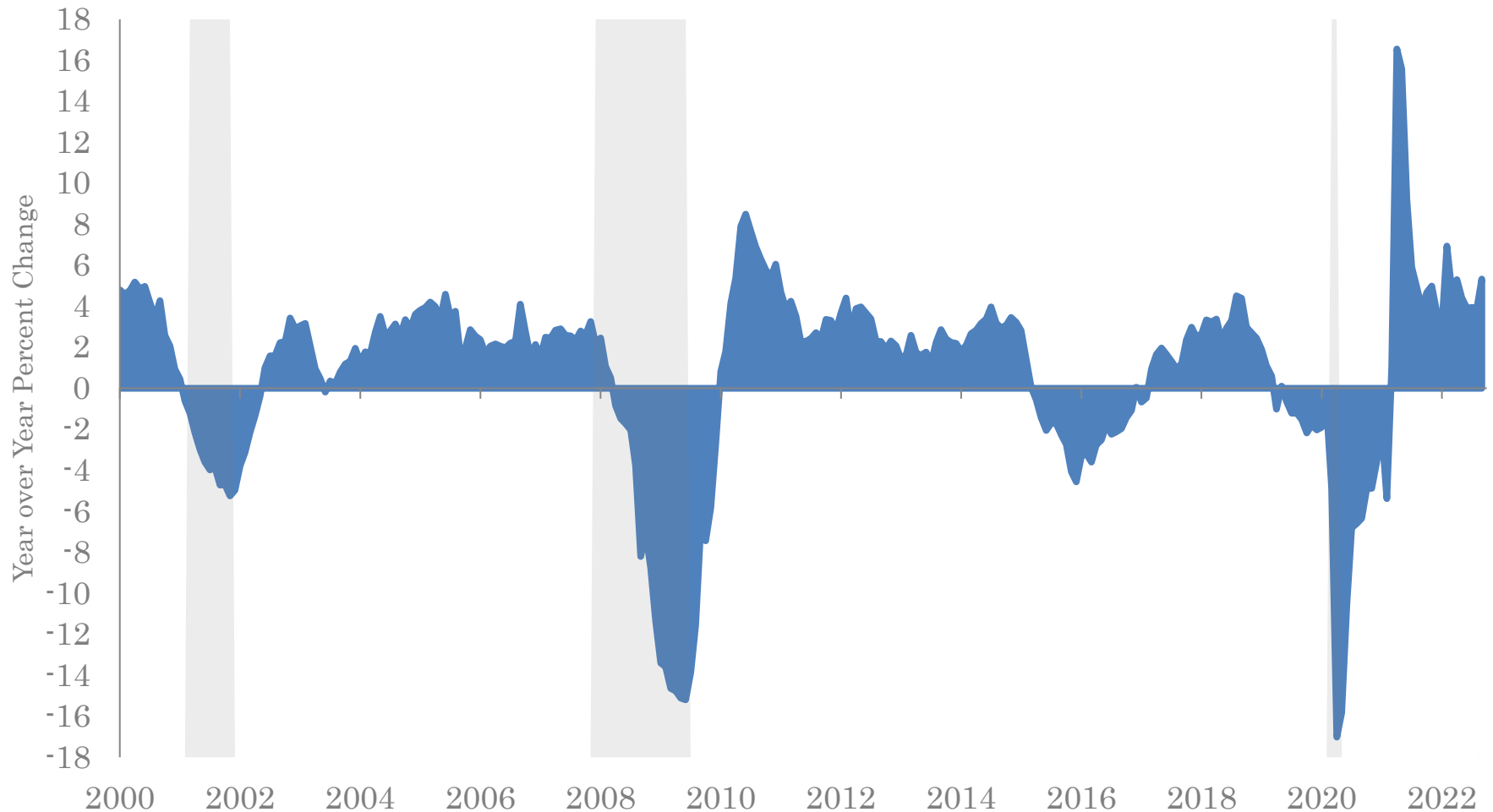
Sources: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis, Nov 3, 2022.

Tennessee Hourly Earnings



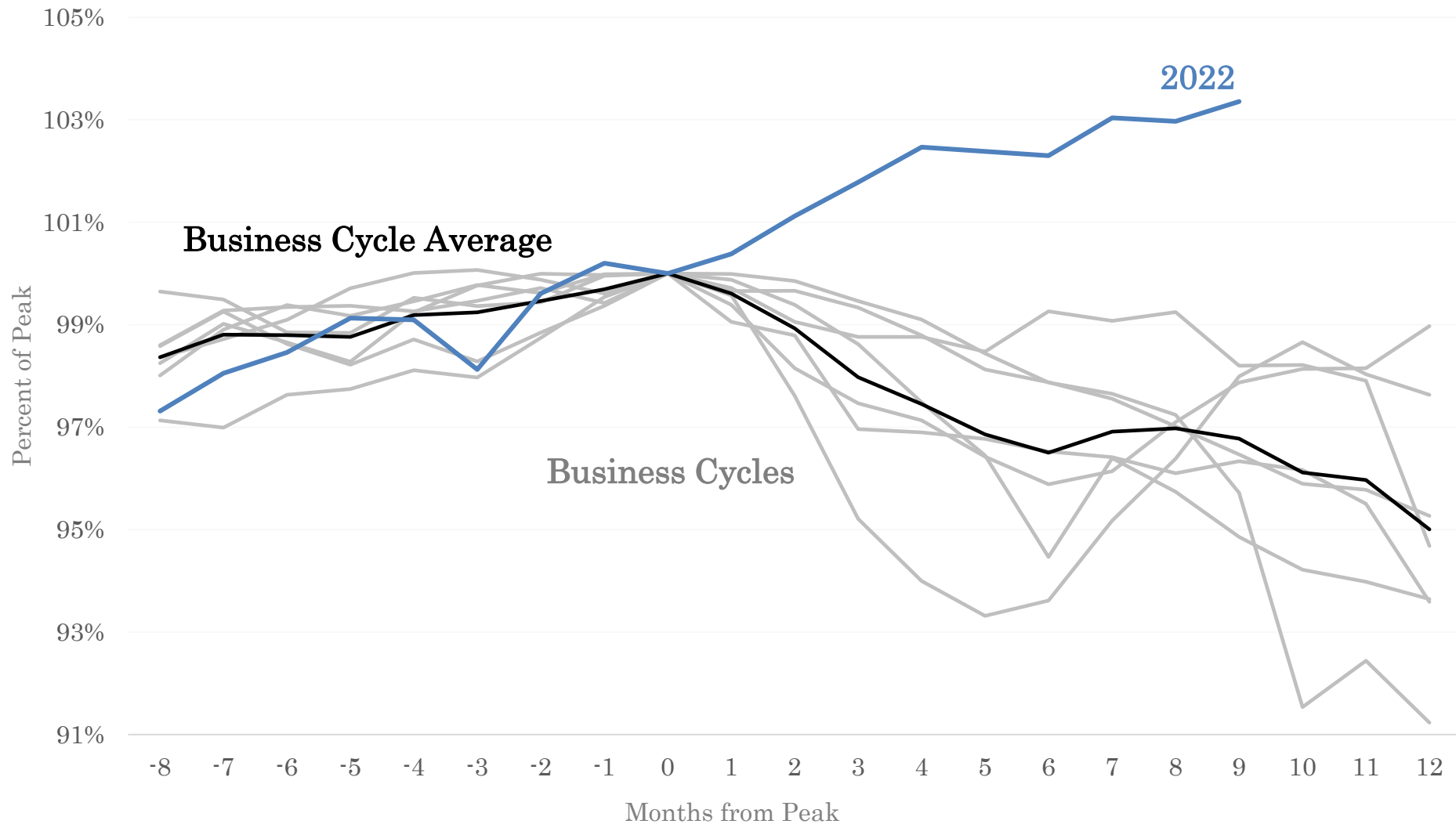
Sources: U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis, retrieved from FRED, Nov. 4, 2022.

Industrial Production



Sources: Board of Governors of the Federal Reserve System (US); retrieved from FRED, Nov 4, 2022.

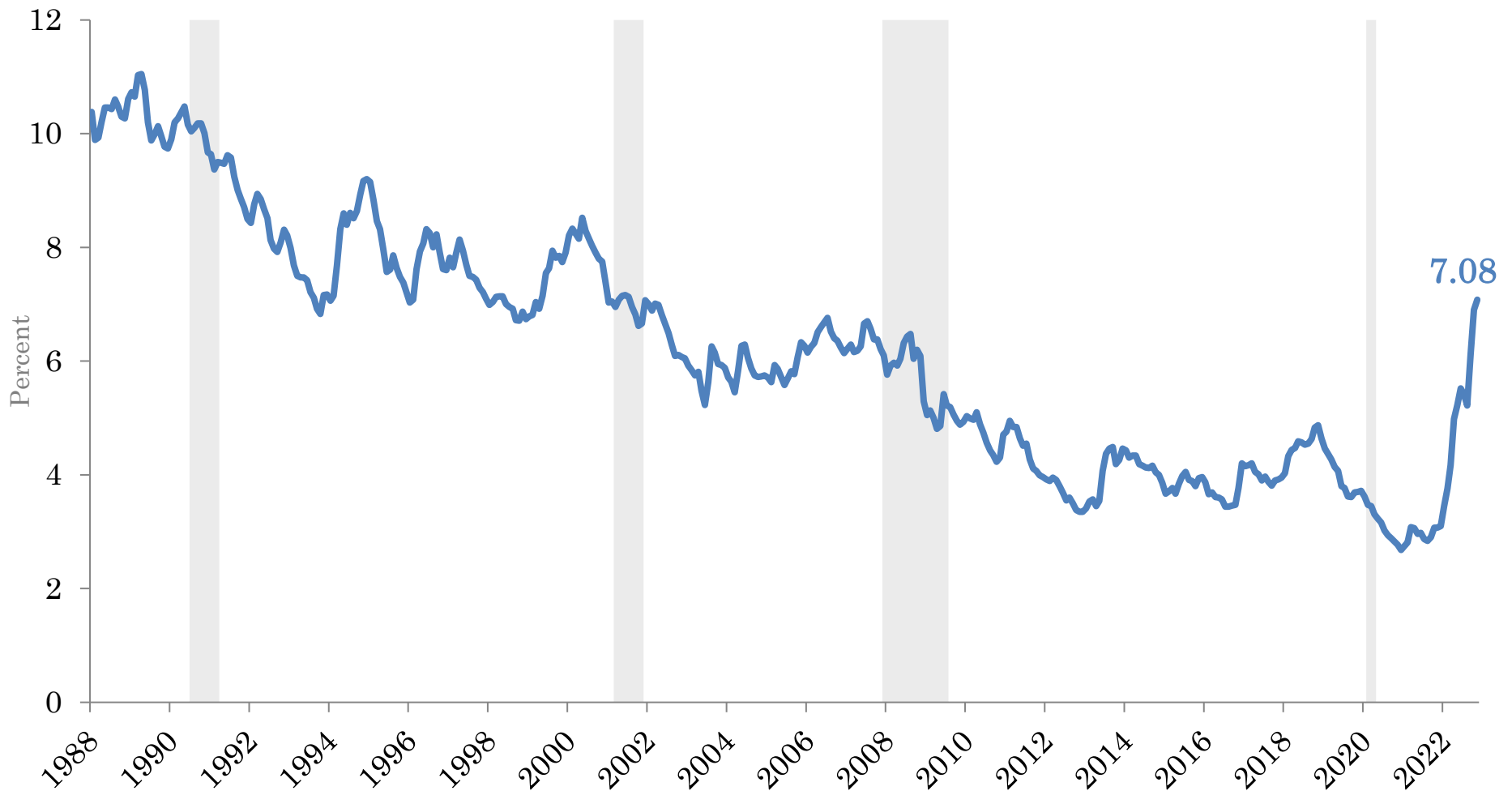
Industrial Production



Sources: Board of Governors of the Federal Reserve System (US); retrieved from FRED, Nov 4, 2022.

Housing Sector

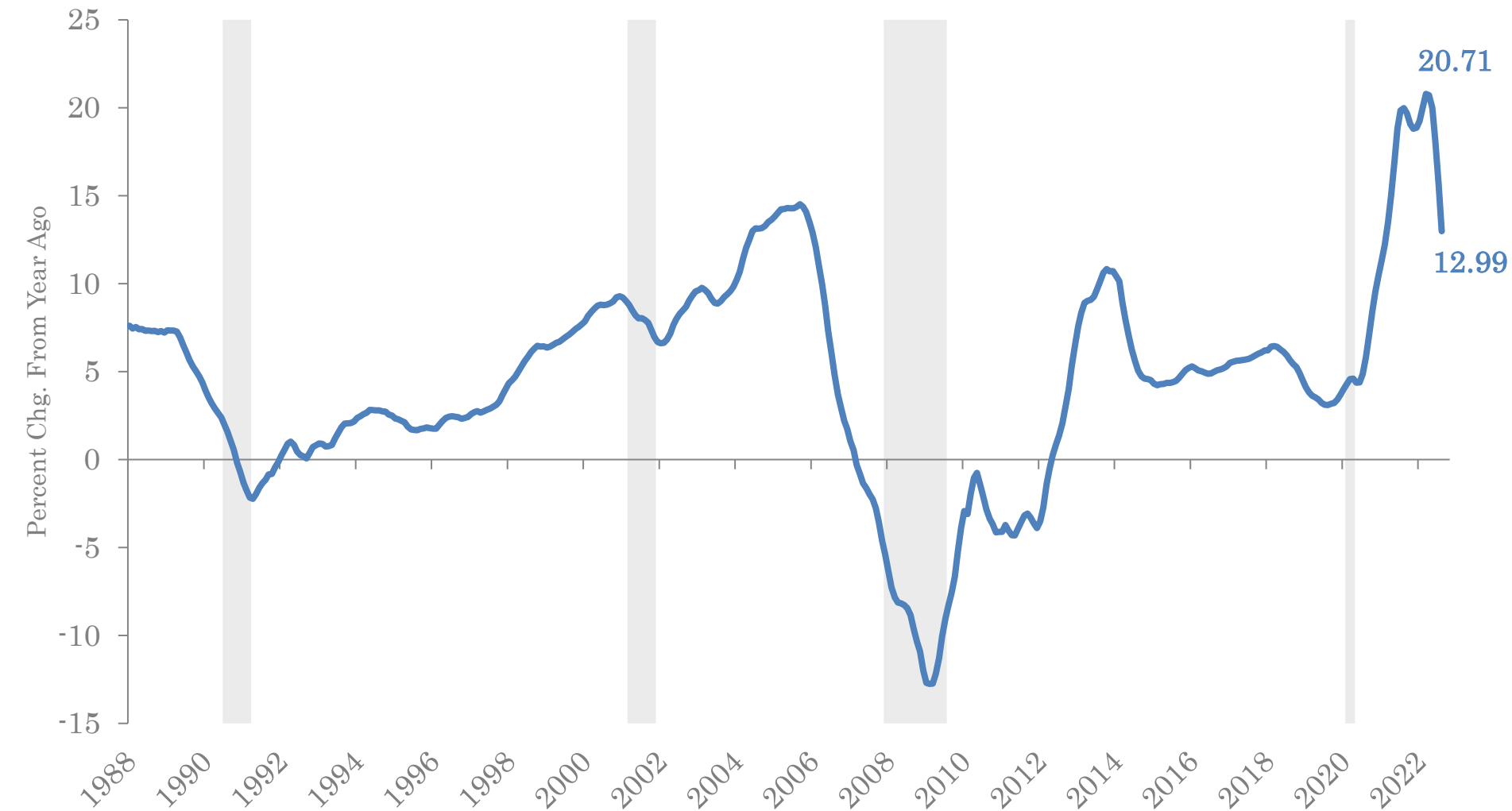
Mortgage Rates – 30 Year Fixed Monthly Average



Sources: Freddie Mac; retrieved from FRED, Nov 3, 2022.

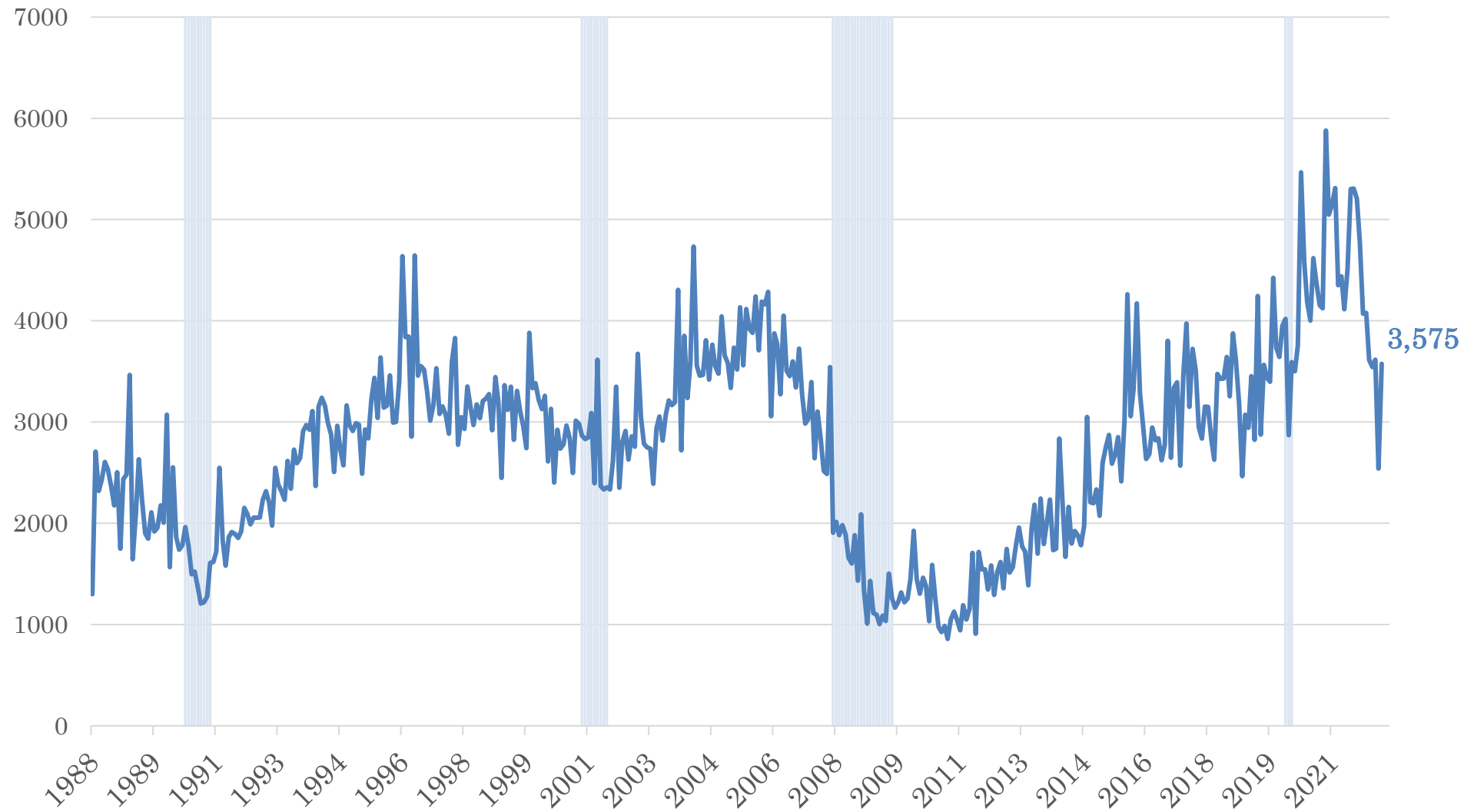
Housing Sector

S&P/Case-Shiller U.S. National Home Price Index



Sources: S&P Dow Jones Indices LLC; retrieved from FRED, Nov 3, 2022.

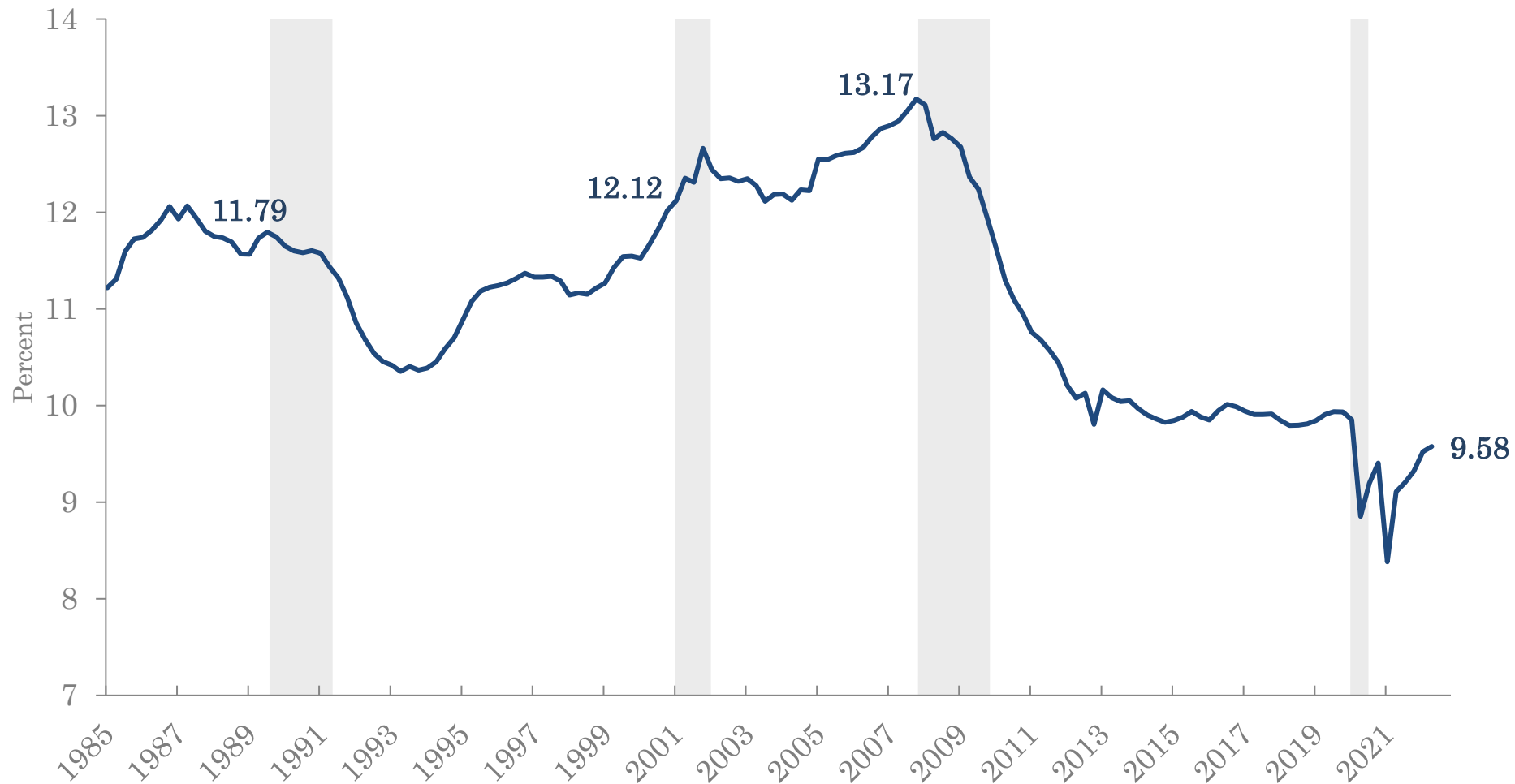
Housing Sector (TN Building Permits 1-Unit)



Sources: U.S. Bureau of the Census, retrieved from FRED, Federal Reserve Bank of St. Louis, Nov 4, 2022.

Personal Income

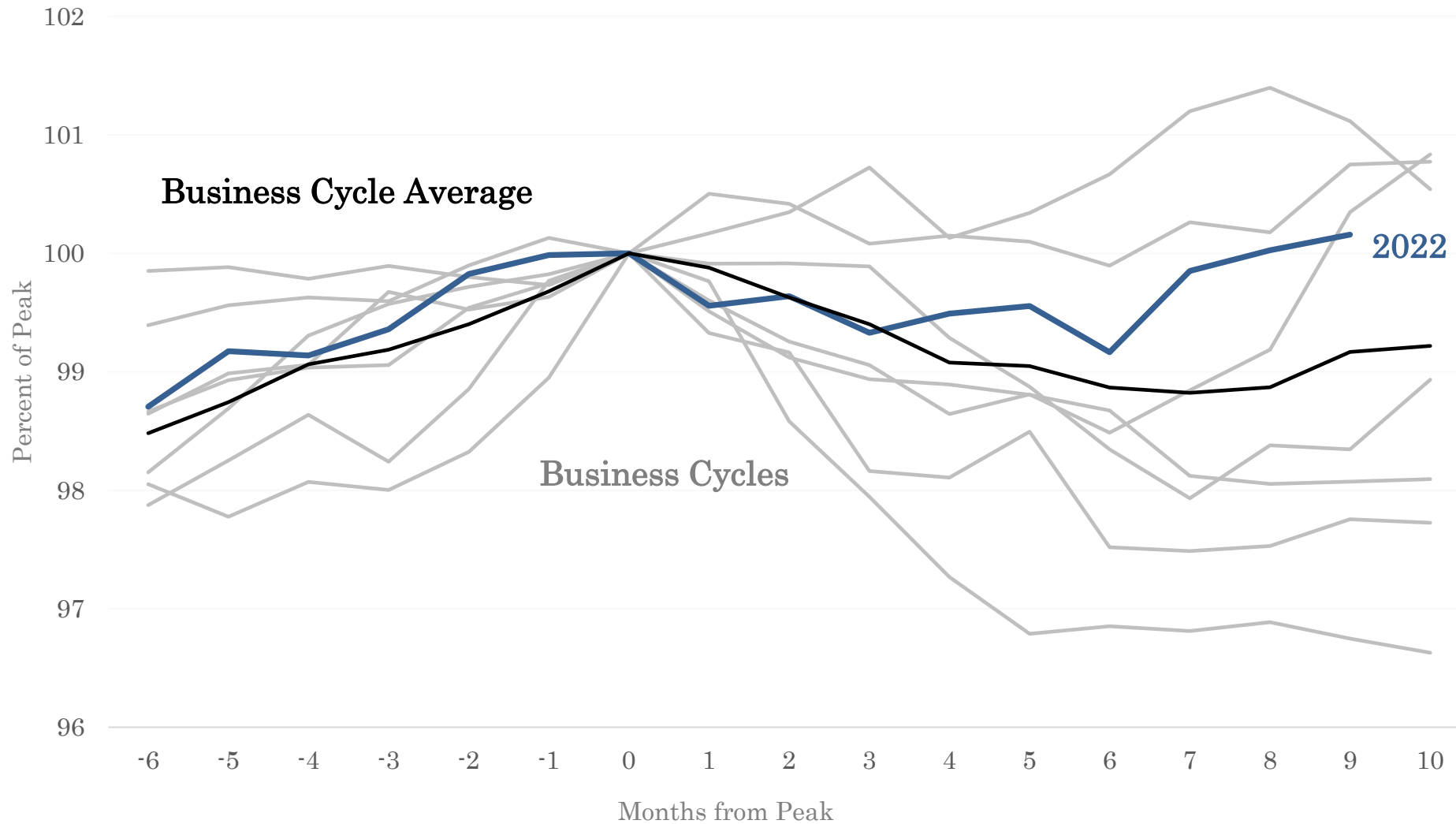
Household Debt Service as a Percent of Disposable Personal Income



Sources: Board of Governors of the Federal Reserve System (US); retrieved from FRED, Nov 4, 2022.

Personal Income

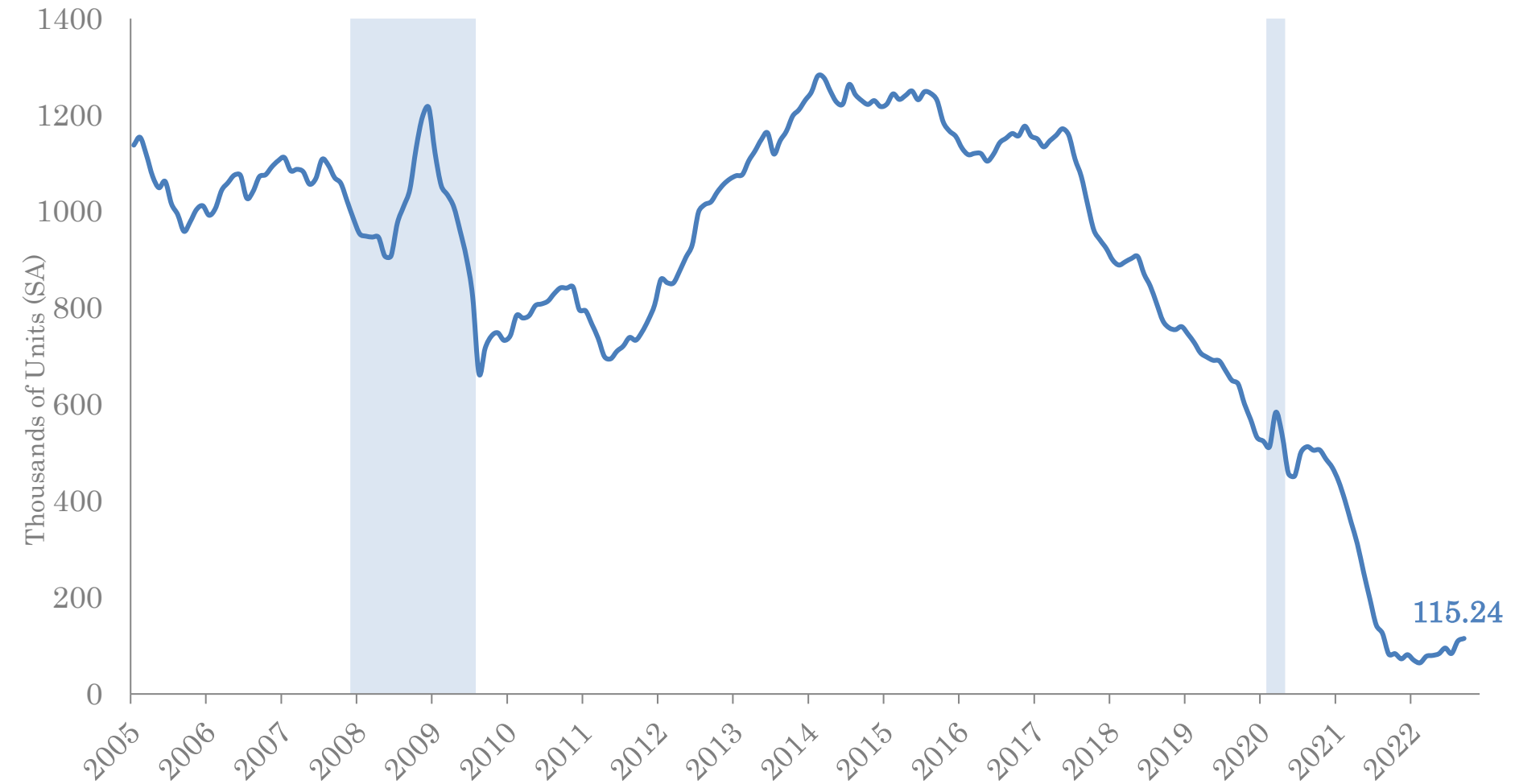
Real Personal Income Excluding Transfers



Sources: U.S. Bureau of Economic Analysis; retrieved from FRED, Nov 3, 2022.

Domestic Auto Inventories

U.S., Canada, and Mexico Assemblies



Sources: U.S. Bureau of Economic Analysis, retrieved from FRED, Nov 3, 2022.

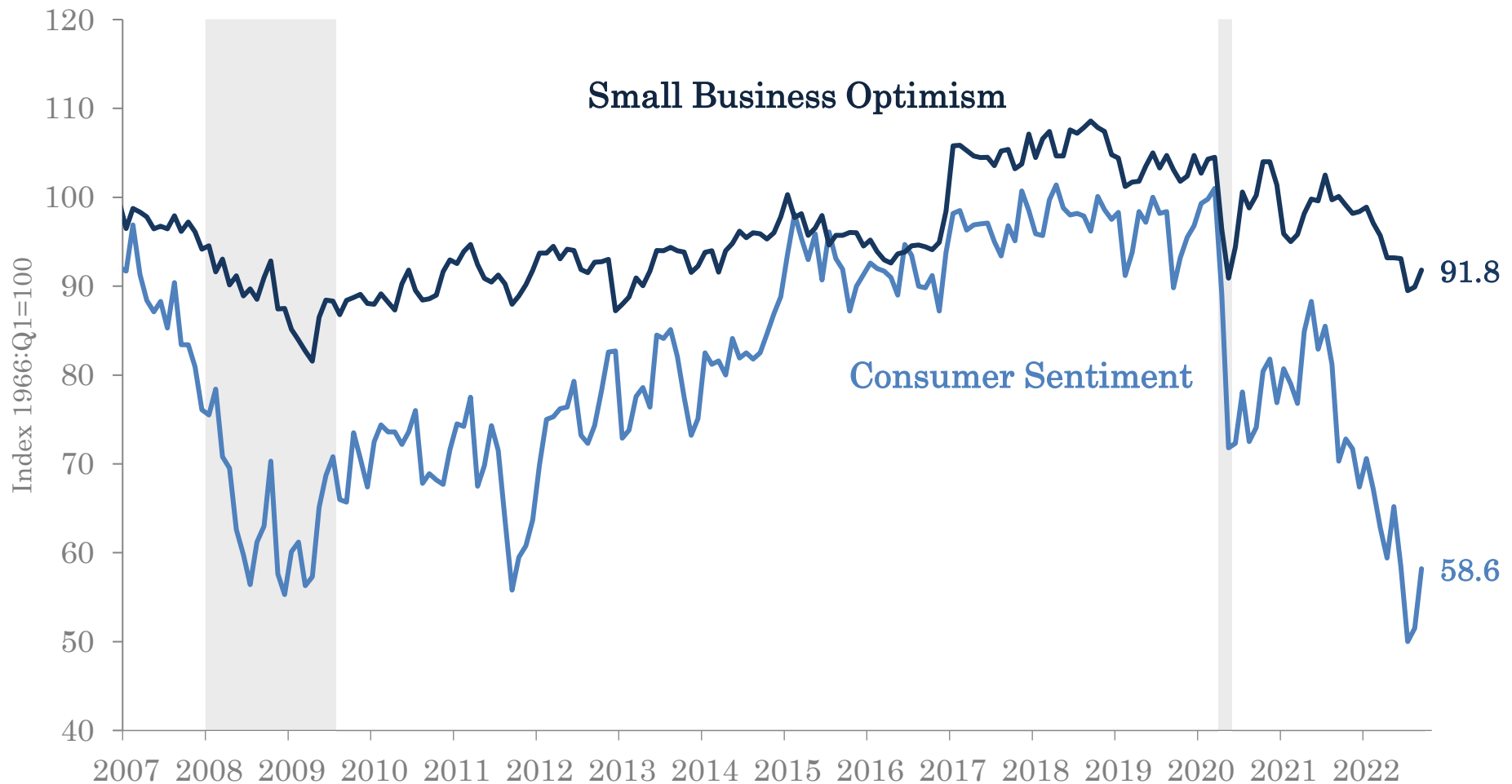
Auto Sector

U.S. Light Weight Vehicle Sales



Sources: U.S. Bureau of Economic Analysis, retrieved from FRED, Nov 3, 2022.

Consumer Sentiment & Small Business Optimism



Sources: UofM, retrieved from FRED, Federal Reserve Bank of St. Louis; NFIB, retrieved from nfib-sbet.org, Nov 3, 2022.

Tax Holidays and Changes

- Traditional July Sales Tax Holiday on clothing, school supplies and computers, reflected in August collections.
- Food and food ingredients were sale tax free for the entire month of August (reflected in September collections). Net impact is estimated to be over \$50M decrease in sales tax revenue.
- Gun Safes and Safety Equipment sales tax exemption extended one more year for all of FY22-23, was in effect for FY21-22.
- Motor Vehicle Registration fee waived for Class A and B vehicles for FY22-23, a \$121M decrease in state revenue.
- Professional privilege tax repealed for physicians, a \$9.7M decrease in state revenue.

Base Analysis for Sales and F&E

Sales & Use Tax

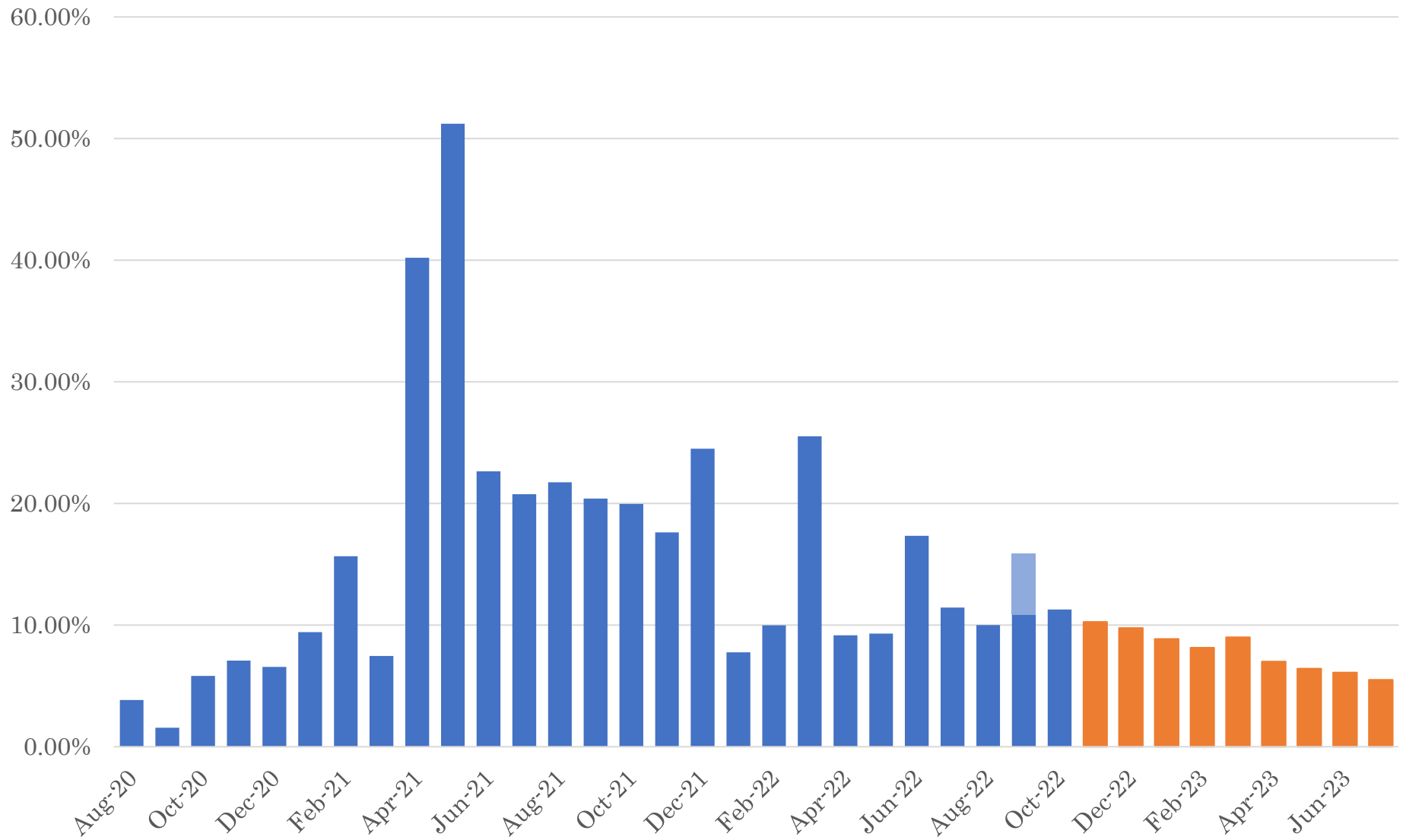
	FY21-22	FY22-23	Growth*
Q1	\$3,062,130,416	\$3,390,000,000	10.71%
		<i>Forecast</i>	
Q2 thru Q4	\$9,888,104,584	\$10,660,000,000	7.81%

**Accounting for \$50M in food sales tax revenue for Aug, growth would have been 12.34%*

Franchise & Excise Tax

	FY21-22	FY22-23	Growth
Q1	\$826,996,051	\$980,200,000	18.52%
		<i>Forecast</i>	
Q2 thru Q4	\$3,718,867,024	\$3,955,800,000	6.37%

Sales Tax Growth



Outlook

- Continued growth in FY23-24 for sales and F&E but at lower rates
- Mild recession may be likely but economy more stable than previous recessions
- Easing inflation in 2023
- Population growth and domestic migration to Tennessee
- Expiration of tax/fee exemptions = \$185M+ in FY23-24 vs FY22-23

FY22-23 & FY23-24 Estimates

REVENUE SOURCE	ACTUAL ACCRUED COLLECTIONS FY21-22	FRC STAFF TAX REVENUE ESTIMATES FY22-23	PERCENT INCREASE OVER FY21-22	FRC STAFF TAX REVENUE ESTIMATES FY23-24	PERCENT INCREASE OVER FY22-23
SALES AND USE TAX - LESS EARMARKED*	\$12,809,891,900	\$13,903,000,000	8.53%	\$14,467,000,000	4.06%
GASOLINE TAX	\$874,019,000	\$861,000,000	-1.49%	\$865,000,000	0.46%
MOTOR FUEL TAX	\$321,328,100	\$328,000,000	2.08%	\$335,000,000	2.13%
GASOLINE INSPECTION TAX	\$71,167,900	\$71,400,000	0.33%	\$72,000,000	0.84%
MOTOR VEHICLE REGISTRATION TAX	\$369,743,200	\$258,000,000	-30.22%	\$383,500,000	48.64%
INCOME TAX	\$6,618,600	\$2,000,000	-69.78%	\$0	-100.00%
PRIVILEGE TAX - LESS EARMARKED**	\$594,333,400	\$557,500,000	-6.20%	\$600,500,000	7.71%
GROSS RECEIPTS TAX – TVA	\$341,196,100	\$342,655,000	0.43%	\$344,000,000	0.39%
GROSS RECEIPTS TAX – OTHER	\$26,998,600	\$29,000,000	7.41%	\$28,000,000	-3.45%
BEER TAX	\$18,241,900	\$19,100,000	4.70%	\$19,600,000	2.62%
ALCOHOLIC BEVERAGE TAX	\$86,456,300	\$88,200,000	2.02%	\$90,000,000	2.04%
FRANCHISE AND EXCISE TAX	\$4,544,589,300	\$4,936,000,000	8.61%	\$5,200,000,000	5.35%
INHERITANCE TAX	\$602,100	\$0	-100.00%	\$0	N/A
TOBACCO TAX	\$225,301,500	\$219,300,000	-2.66%	\$215,000,000	-1.96%
MOTOR VEHICLE TITLE FEES	\$23,556,300	\$23,400,000	-0.66%	\$23,800,000	1.71%
MIXED DRINK TAX	\$189,870,700	\$215,000,000	13.23%	\$226,000,000	5.12%
BUSINESS TAX	\$292,956,900	\$320,000,000	9.23%	\$336,000,000	5.00%
SEVERANCE TAX	\$830,300	\$1,000,000	20.44%	\$1,100,000	10.00%
COIN OPERATED AMUSEMENT TAX	\$444,400	\$500,000	12.51%	\$550,000	10.00%
UNAUTHORIZED SUBSTANCE TAX	\$31,800	\$0	-100.00%	\$0	N/A
TOTAL REVENUE	\$20,798,178,300	\$22,175,055,000	6.62%	\$23,207,050,000	4.65%
*Sales and Use Tax has been reduced by \$147.8 million in FY21-22, and \$147 million in both FY22-23 and FY23-24 for the earmarked portion of the tax.					
**Privilege Tax has been reduced by \$97.5 million in FY21-22, and \$92.5 million in both FY22-23 and FY23-24 for the earmarked portion of the tax.					

FY22-23: All Funds and GF

REVENUE SOURCE	ALL FUNDS FY22-23	GENERAL FUND FY22-23
SALES AND USE TAX - LESS EARMARKED*	\$13,903,000,000	\$13,053,400,671
GASOLINE TAX	\$861,000,000	\$12,297,233
MOTOR FUEL TAX	\$328,000,000	\$2,157,219
GASOLINE INSPECTION TAX	\$71,400,000	\$20,791,193
MOTOR VEHICLE REGISTRATION TAX	\$258,000,000	\$53,158,461
INCOME TAX	\$2,000,000	\$1,282,000
PRIVILEGE TAX - LESS EARMARKED**	\$557,500,000	\$549,878,963
GROSS RECEIPTS TAX - TVA	\$342,655,000	\$189,002,961
GROSS RECEIPTS TAX - OTHER	\$29,000,000	\$24,182,109
BEER TAX	\$19,100,000	\$12,768,508
ALCOHOLIC BEVERAGE TAX	\$88,200,000	\$72,945,898
FRANCHISE AND EXCISE TAX	\$4,936,000,000	\$4,658,800,000
INHERITANCE TAX	\$0	\$0
TOBACCO TAX	\$219,300,000	\$219,300,000
MOTOR VEHICLE TITLE FEES	\$23,400,000	\$20,700,000
MIXED DRINK TAX	\$215,000,000	\$107,500,000
BUSINESS TAX	\$320,000,000	\$320,000,000
SEVERANCE TAX	\$1,000,000	\$400,000
AMUSEMENT TAX	\$500,000	\$500,000
UNAUTHORIZED SUBSTANCE TAX	\$0	\$0
TOTAL REVENUE	\$22,175,055,000	\$19,319,065,217
*Sales and Use Tax has been reduced by \$147 million in FY22-23 for the earmarked portion of the tax.		
**Privilege Tax has been reduced by \$92.5 million in FY22-23 for the earmarked portion of the tax.		

FRC Estimates vs. FY21-22 and Current Budgeted Estimates

	ACTUAL FY21-22 ACCRUALS	CURRENT BUDGETED ESTIMATES FOR FY22-23	FRC ESTIMATES FOR FY22-23	INCREASE OVER FY21-22	INCREASE OVER CURRENT BUDGETED ESTIMATES
SALES AND USE*	\$12,809,891,900	\$12,217,500,000	\$13,903,000,000	\$1,093,108,100	\$1,685,500,000
FRANCHISE AND EXCISE	\$4,544,589,300	\$3,973,300,000	\$4,936,000,000	\$391,410,700	\$962,700,000
ALL FUNDS	\$20,798,178,300	\$19,382,500,000	\$22,175,055,000	\$1,376,876,700	\$2,792,555,000
GENERAL FUND	\$18,020,036,100	\$16,658,300,000	\$19,319,065,217	\$1,299,029,117	\$2,660,765,217
*Sales and Use Tax has been reduced by \$147.8 million in FY21-22 and \$147 million in FY22-23 for the earmarked portion of the tax.					

FY23-24: All Funds and GF

REVENUE SOURCE	ALL FUNDS FY23-24	GENERAL FUND FY23-24
SALES AND USE TAX - LESS EARMARKED*	\$14,467,000,000	\$13,582,935,159
GASOLINE TAX	\$865,000,000	\$12,354,363
MOTOR FUEL TAX	\$335,000,000	\$2,203,257
GASOLINE INSPECTION TAX	\$72,000,000	\$20,965,909
MOTOR VEHICLE REGISTRATION TAX	\$383,500,000	\$79,016,549
INCOME TAX	\$0	\$0
PRIVILEGE TAX - LESS EARMARKED**	\$600,500,000	\$592,291,152
GROSS RECEIPTS TAX - TVA	\$344,000,000	\$189,744,842
GROSS RECEIPTS TAX - OTHER	\$28,000,000	\$23,348,243
BEER TAX	\$19,600,000	\$13,102,762
ALCOHOLIC BEVERAGE TAX	\$90,000,000	\$74,434,590
FRANCHISE AND EXCISE TAX	\$5,200,000,000	\$4,922,800,000
INHERITANCE TAX	\$0	\$0
TOBACCO TAX	\$215,000,000	\$215,000,000
MOTOR VEHICLE TITLE FEES	\$23,800,000	\$21,100,000
MIXED DRINK TAX	\$226,000,000	\$113,000,000
BUSINESS TAX	\$336,000,000	\$336,000,000
SEVERANCE TAX	\$1,100,000	\$440,000
AMUSEMENT TAX	\$550,000	\$550,000
UNAUTHORIZED SUBSTANCE TAX	\$0	\$0
TOTAL REVENUE	\$23,207,050,000	\$20,199,286,827
*Sales and Use Tax has been reduced by \$147 million in FY23-24 for the earmarked portion of the tax.		
**Privilege Tax has been reduced by \$92.5 million in FY23-24 for the earmarked portion of the tax.		



Thank You

Fiscal Review Committee Economics Division

Net Lottery Proceeds & After-School Funding Estimates

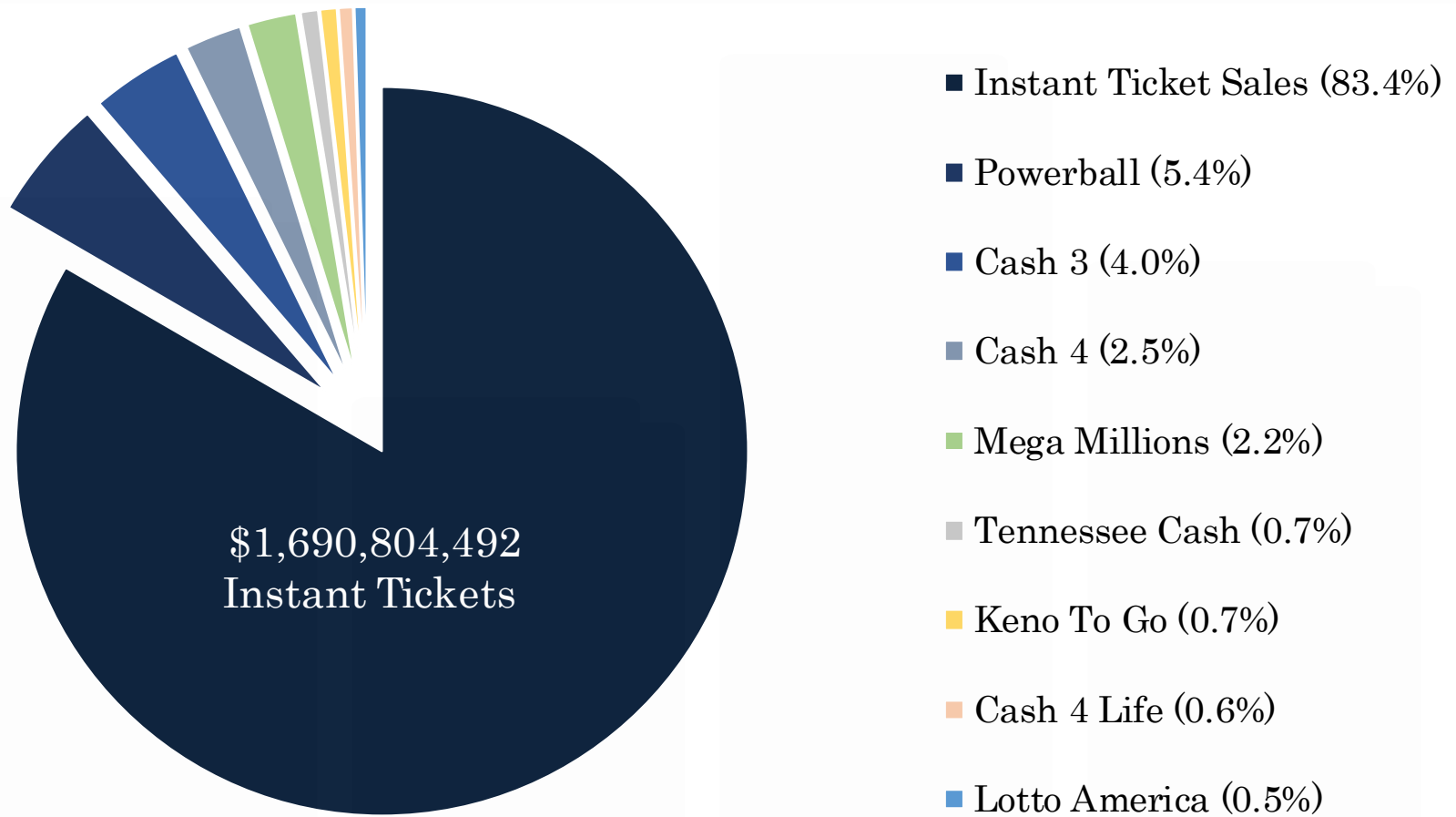


Fiscal Review Committee Staff
November 16, 2022

Historical Results

Category	FY18-19	FY19-20	FY20-21	FY21-22	FY21-22 Growth Rate
Net Revenue	\$1,695,925,302	\$1,717,366,573	\$1,942,839,389	\$1,888,093,623	-2.82%
Total Expenses	\$1,266,963,791	\$1,296,742,086	\$1,460,523,034	\$1,420,890,003	-2.71%
NET LOTTERY PROCEEDS	\$428,961,511	\$420,624,487	\$482,316,355	\$467,203,620	-3.13%
After-School Funding	\$18,000,000	\$17,604,763	\$17,568,924	\$18,000,000	2.45%
Total State Proceeds	\$446,961,511	\$438,229,250	\$499,885,279	\$485,203,620	-2.94%

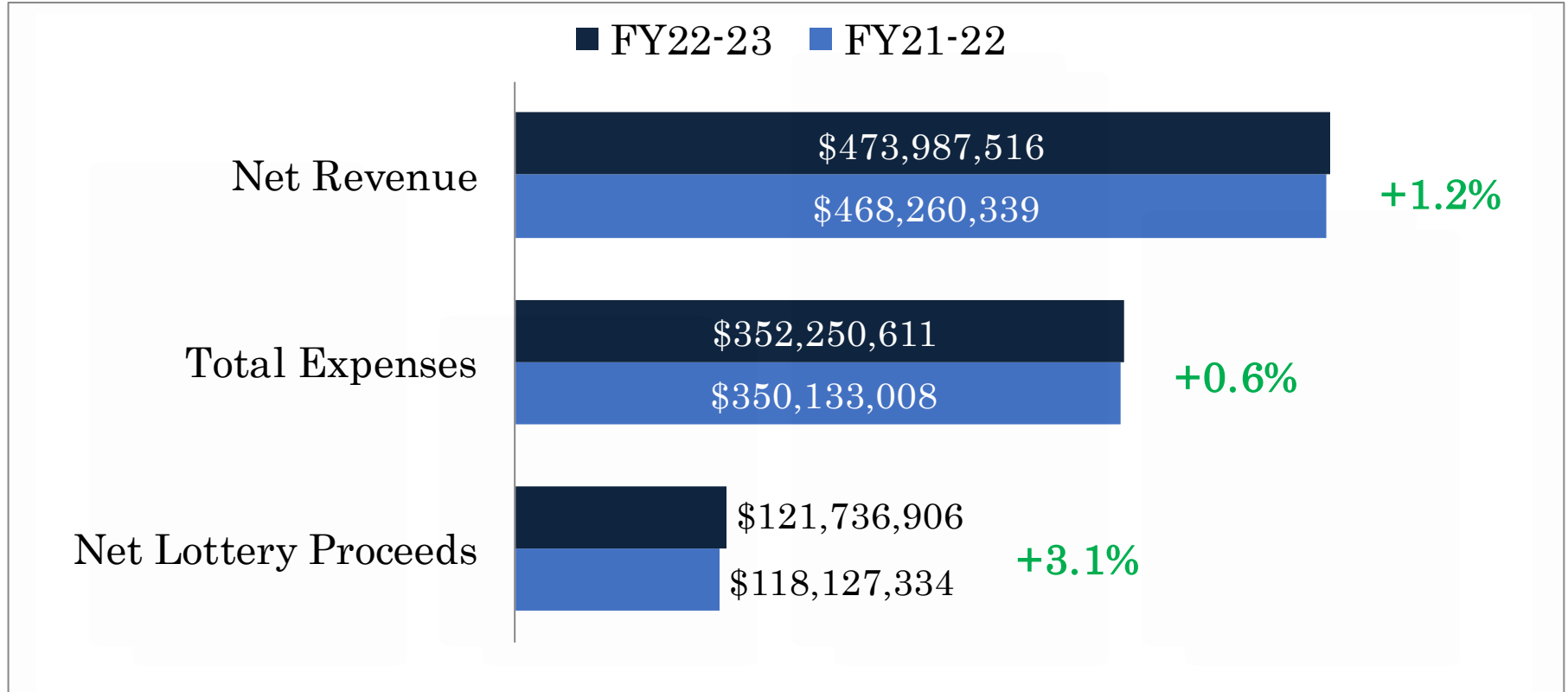
Ticket Sales Composition



FY21-22 Gross Ticket Sales: \$2,027,344,191

FY22-23 Year-to-Date

July 2022 through September 2022

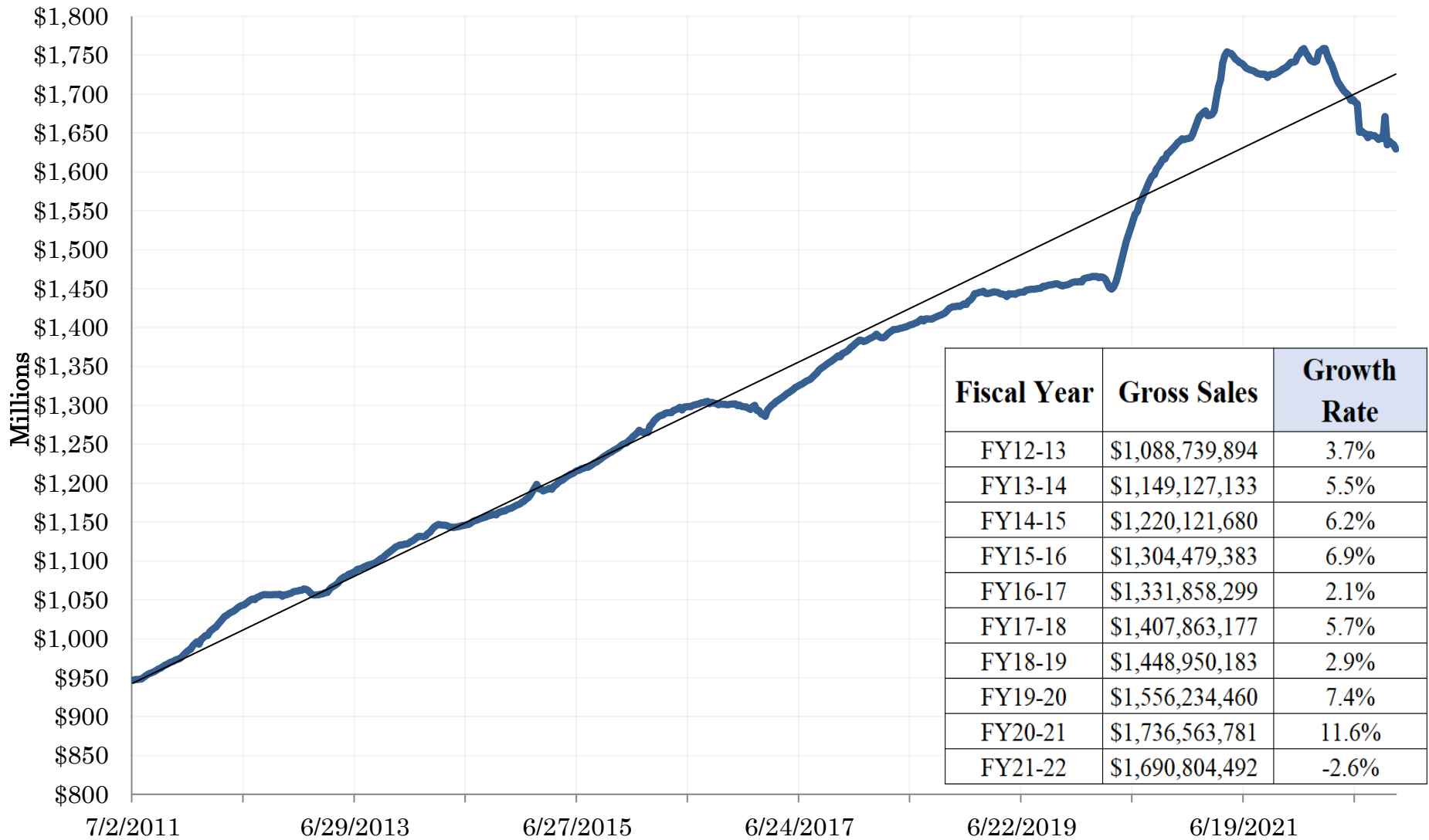




Instant Games

Instant Games

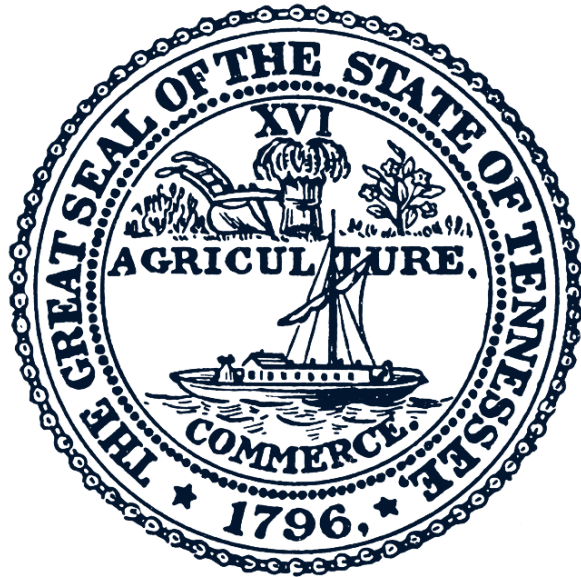
52-Week Moving Sum



Instant Games

Estimates

Category	FY20-21 Actual	FY21-22 Actual	FY22-23 Estimates	FY23-24 Estimates	Range
Instant Games (Gross Sales)	\$1,736,563,781	\$1,690,804,492	\$1,640,000,000	\$1,670,000,000	Low
			\$1,650,000,000	\$1,685,000,000	Median
			\$1,660,000,000	\$1,700,000,000	High
Tickets Provided as Prizes	\$145,398,964	\$143,405,222	\$139,072,000	\$141,616,000	Low
			\$139,920,000	\$142,888,000	Median
			\$140,768,000	\$144,160,000	High
Instant Games (Net Sales)	\$1,591,164,817	\$1,547,399,270	\$1,500,928,000	\$1,528,384,000	Low
			\$1,510,080,000	\$1,542,112,000	Median
			\$1,519,232,000	\$1,555,840,000	High



Powerball & Mega Millions

Powerball

- FY20-21 sales: \$84,714,936
- FY21-22 sales: \$108,484,996
- FY21-22 growth: **+\$23,770,060 (28.1%)**

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
FY20-21	\$144,733,300	\$730,000,000	10	3	7
FY21-22	\$218,825,500	\$685,000,000	41	8	5
FY22-23 YTD	\$307,321,400	\$2,040,000,000	18	9	2

Powerball

Estimates

FY20-21 Actual Sales	FY21-22 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$84,714,936	\$108,484,996	\$120,000,000	\$81,000,000	Low
		\$128,000,000	\$91,000,000	Median
		\$136,000,000	\$101,000,000	High

Mega Millions

- FY20-21 sales: \$67,556,029
- FY21-22 sales: \$43,742,817
- FY21-22 growth: **-\$23,813,212 (-35.2%)**

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
FY20-21	\$166,663,500	\$1,000,000,000	18	6	7
FY21-22	\$147,317,300	\$432,000,000	15	0	6
FY22-23 YTD	\$285,189,200	\$1,280,000,000	16	4	2

Mega Millions

Estimates

FY20-21 Actual Sales	FY21-22 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$67,556,029	\$43,742,817	\$59,000,000	\$50,000,000	Low
		\$69,000,000	\$60,000,000	Median
		\$79,000,000	\$70,000,000	High



Other Games

Cash 3 and Cash 4

- CASH 3

- FY20-21 sales: \$84,199,299
- FY21-22 sales: \$81,474,370
- FY21-22 growth: **-\$2,724,929 (-3.2%)**

- CASH 4

- FY20-21 sales: \$52,983,605
- FY21-22 sales: \$50,586,897
- FY21-22 growth: **-\$2,396,708 (-4.5%)**

Cash 3 and Cash 4

Estimates

FY20-21 Actual Sales	FY21-22 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$137,182,904	\$132,061,267	\$128,800,000	\$130,200,000	Low
		\$130,300,000	\$132,200,000	Median
		\$131,800,000	\$134,200,000	High

Tennessee Cash

- FY20-21 sales: \$18,415,790
- FY21-22 sales: \$15,139,608
- FY21-22 growth: **-\$3,276,182 (-17.8%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$1,000,000 or More	Jackpot Winners
FY20-21	\$486,300	\$1,150,000	7	6
FY21-22	\$478,700	\$1,150,000	4	7
FY22-23 YTD	\$445,600	\$800,000*	0	2

Tennessee Cash

Estimates

FY20-21 Actual Sales	FY21-22 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$18,415,790	\$15,139,608	\$15,400,000	\$15,100,000	Low
		\$15,900,000	\$15,900,000	Median
		\$16,400,000	\$16,700,000	High

Cash 4 Life

Estimates

- FY20-21 sales: \$13,561,086
- FY21-22 sales: \$12,254,042
- FY21-22 growth: **-\$1,307,044 (-9.6%)**

FY20-21 Actual Sales	FY21-22 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$13,561,086	\$12,254,042	\$12,100,000	\$11,900,000	Low
		\$12,600,000	\$12,600,000	Median
		\$13,100,000	\$13,300,000	High

Lotto America

- FY20-21 sales: \$9,737,776
- FY21-22 sales: \$10,425,877
- FY21-22 growth: **\$688,101 (7.07%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$15,000,000 or More	Jackpot Winners
FY20-21	\$3,757,600	\$7,610,000	0	2
FY21-22	\$7,117,700	\$16,170,000	5	1
FY22-23 YTD	\$22,188,700	\$30,040,000*	52	0

Lotto America

Estimates

FY20-21 Actual Sales	FY21-22 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$9,737,776	\$10,425,877	\$12,000,000	\$9,500,000	Low
		\$12,500,000	\$10,000,000	Median
		\$13,000,000	\$10,500,000	High

Keno To Go

Estimates

- FY20-21 sales: \$16,141,032
- FY21-22 sales: \$14,431,092
- FY21-22 growth: **-\$1,709,940 (-10.6%)**

FY20-21 Actual Sales	FY21-22 Actual Sales	FY22-23 Estimates	FY23-24 Estimates	Range
\$16,141,032	\$14,431,092	\$13,000,000	\$13,000,000	Low
		\$13,500,000	\$13,500,000	Median
		\$14,000,000	\$14,000,000	High



Summary & Net Lottery Proceeds

FY22-23 Estimates

	FY21-22 Actuals	FY22-23 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,547,399,270	\$1,500,928,000	\$1,510,080,000	\$1,519,232,000
Powerball	\$108,484,996	\$120,000,000	\$128,000,000	\$136,000,000
Mega Millions	\$43,742,817	\$59,000,000	\$69,000,000	\$79,000,000
Cash 3 and Cash 4	\$132,061,267	\$128,800,000	\$130,300,000	\$131,800,000
Other Games	\$52,250,619	\$52,500,000	\$54,500,000	\$56,500,000
Misc. Revenue	\$4,154,654	\$4,000,000	\$4,500,000	\$5,000,000
Net Revenue	\$1,888,093,623	\$1,865,228,000	\$1,896,380,000	\$1,927,532,000
Total Expenses	\$1,420,890,003	\$1,404,851,000	\$1,428,330,000	\$1,451,809,000
NET LOTTERY PROCEEDS	\$467,203,620	\$460,377,000	\$468,050,000	\$475,723,000
After-School Funding	\$18,000,000	\$17,300,000	\$17,800,000	\$18,000,000
Total State Proceeds	\$485,203,620	\$477,677,000	\$485,850,000	\$493,723,000

FY23-24 Estimates

	FY22-23 Median Estimate	FY23-24 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,510,080,000	\$1,528,384,000	\$1,542,112,000	\$1,555,840,000
Powerball	\$128,000,000	\$81,000,000	\$91,000,000	\$101,000,000
Mega Millions	\$69,000,000	\$50,000,000	\$60,000,000	\$70,000,000
Cash 3 and Cash 4	\$130,300,000	\$130,200,000	\$132,200,000	\$134,200,000
Other Games	\$54,500,000	\$49,500,000	\$52,000,000	\$54,500,000
Misc. Revenue	\$4,500,000	\$4,000,000	\$4,500,000	\$5,000,000
Net Revenue	\$1,896,380,000	\$1,843,084,000	\$1,881,812,000	\$1,920,540,000
Total Expenses	\$1,428,330,000	\$1,388,750,000	\$1,417,845,000	\$1,446,940,000
NET LOTTERY PROCEEDS	\$468,050,000	\$454,334,000	\$463,967,000	\$473,600,000
After-School Funding	\$17,800,000	\$17,300,000	\$17,800,000	\$18,000,000
Total State Proceeds	\$485,850,000	\$471,634,000	\$481,767,000	\$491,600,000

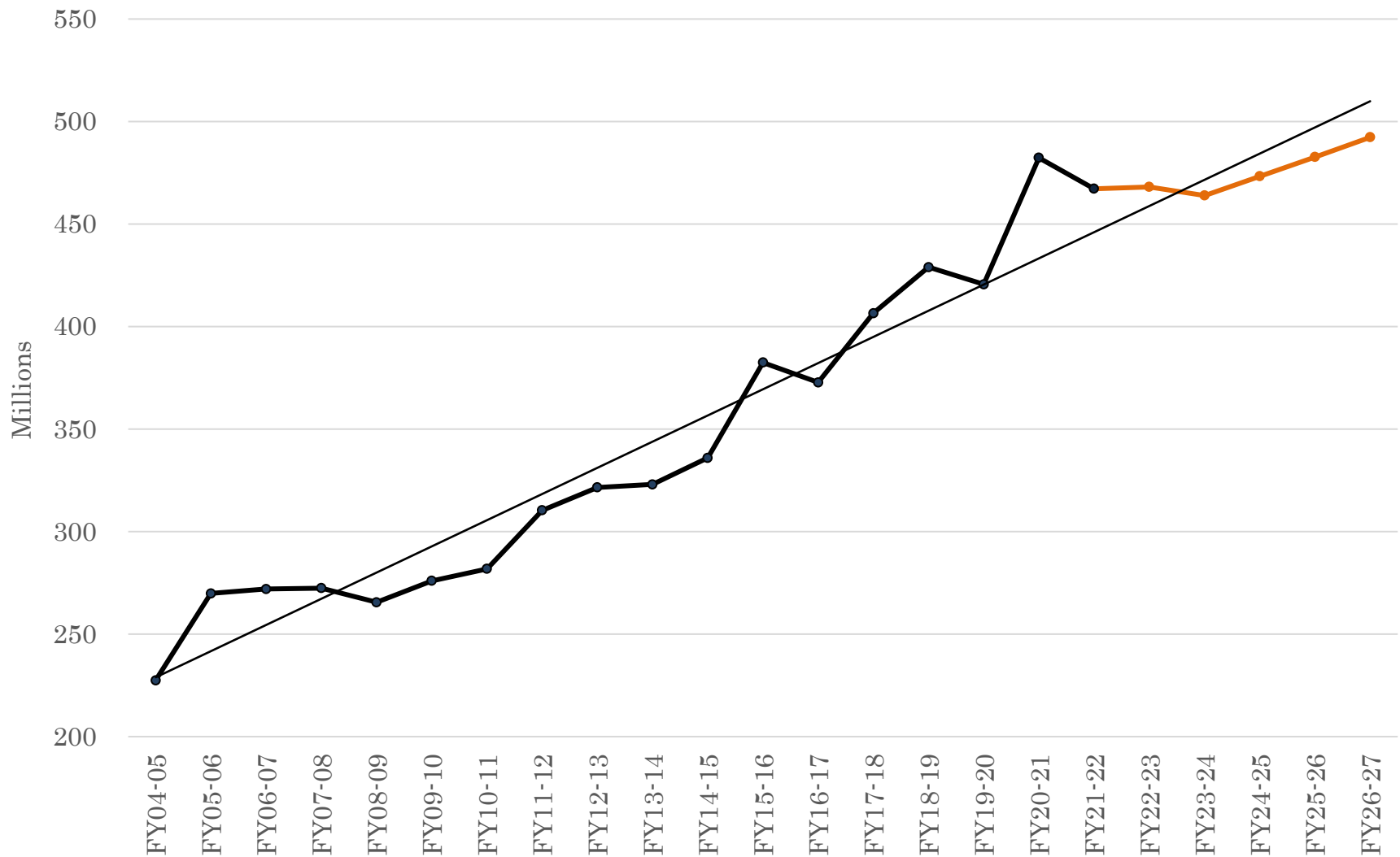
Subsequent Years

- Growth beyond FY23-24 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

FY24-25, FY25-26, FY26-27

Category	FY24-25	FY25-26	FY26-27
Net Revenue	\$1,919,448,240	\$1,957,837,205	\$1,996,993,949
Total Expenses	\$1,446,201,900	\$1,475,125,938	\$1,504,628,457
NET LOTTERY PROCEEDS	\$473,246,340	\$482,711,267	\$492,365,492
After-School Funding	\$18,000,000	\$18,000,000	\$18,000,000
Total State Proceeds	\$491,246,340	\$500,711,267	\$510,365,492

Net Lottery Proceeds





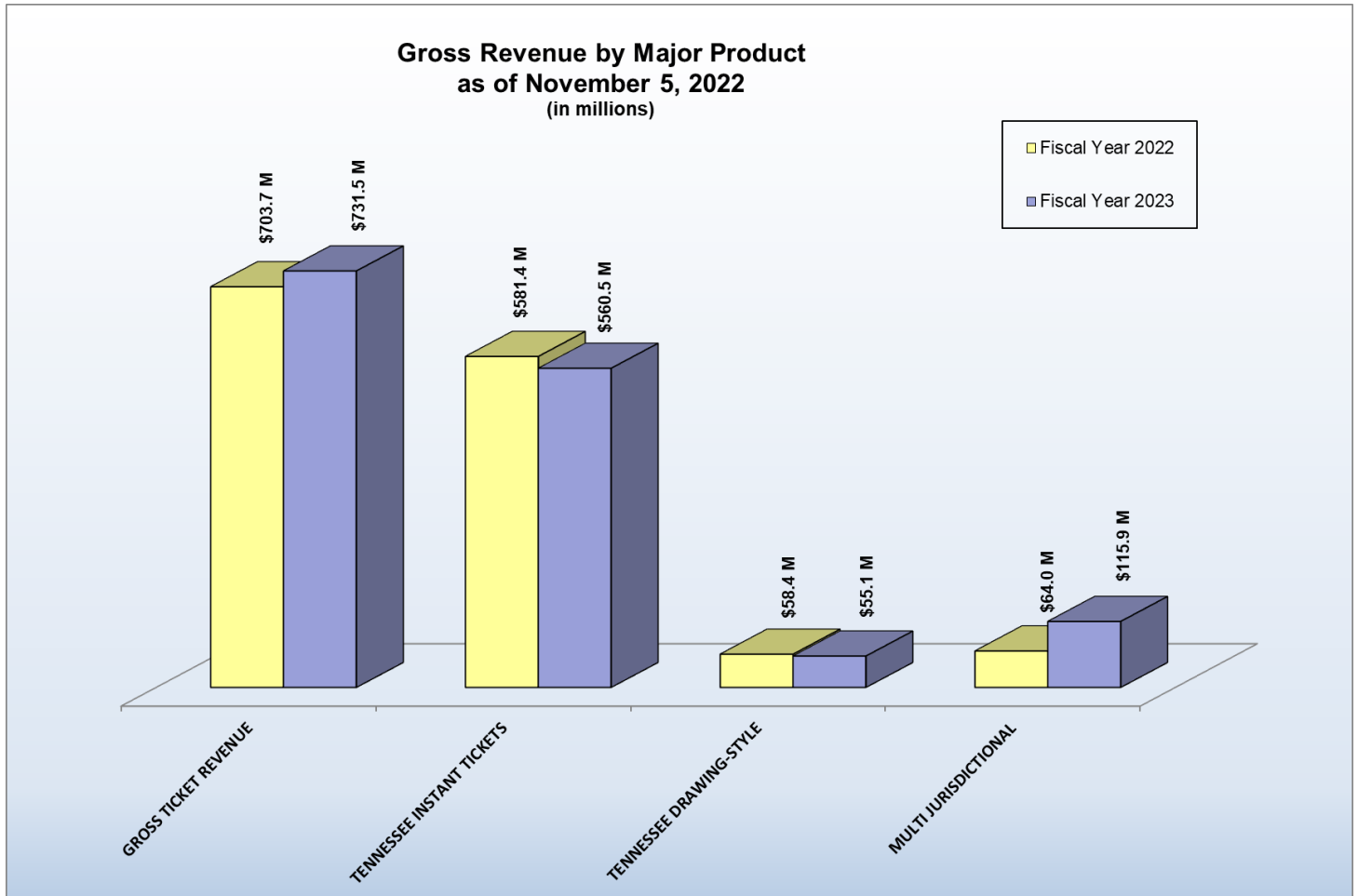
Thank You

Fiscal Review Committee Economics Division

TENNESSEE EDUCATION LOTTERY CORPORATION
November 2022

ESTIMATION OF
TOTAL AND NET LOTTERY PROCEEDS
FOR FISCAL YEARS ENDING
JUNE 30, 2023, 2024, 2025, 2026 and 2027

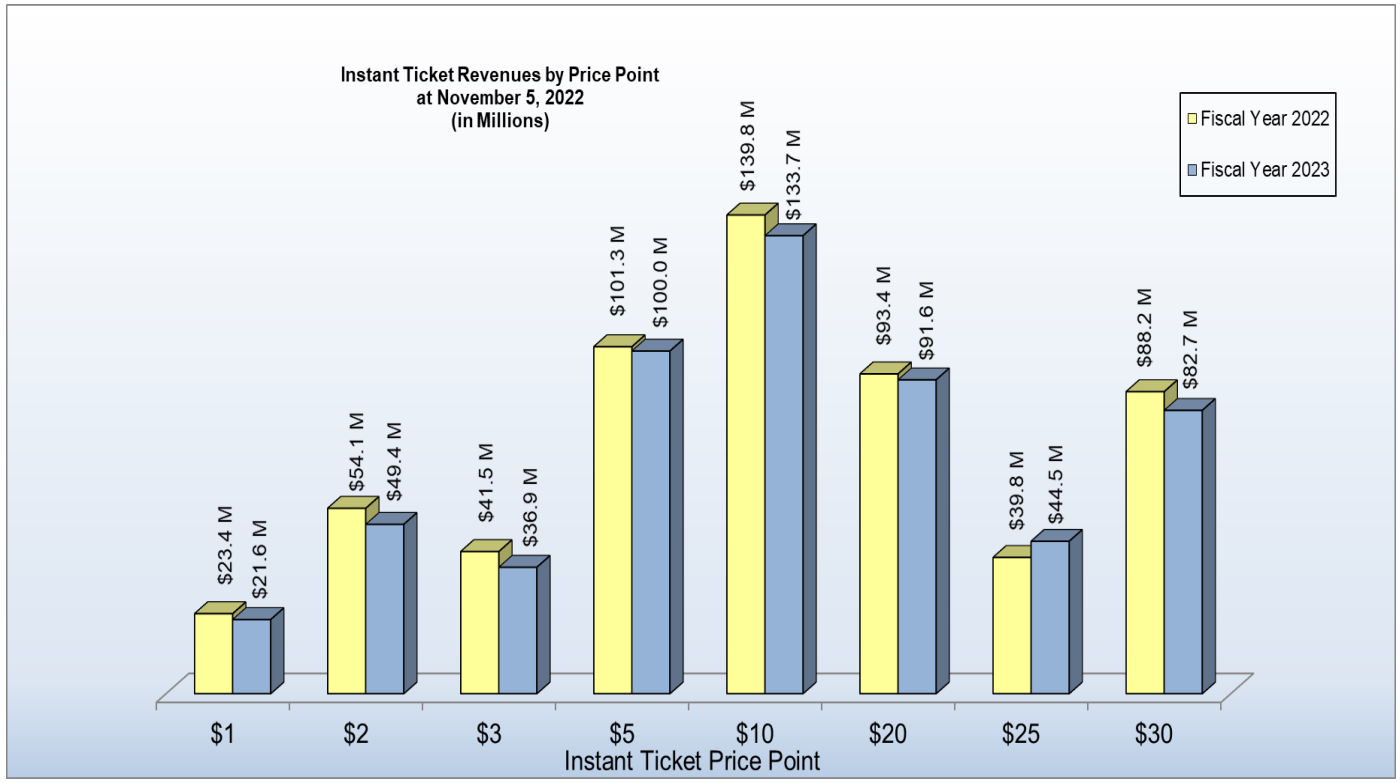
TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS



- Gross Ticket Revenues of \$731.5 million through November 5, 2022 are \$27.7 million more year over year.
- *Tennessee Instant ticket* revenues are \$560.5 million compared to \$581.4 million the prior year.
- *Tennessee draw-style* games (*Cash 3, Cash 4, Tennessee Cash and Keno to Go*) revenues are \$55.1 million compared to \$58.4 million the prior year.
- Multijurisdictional games (*Powerball, Mega Millions, Cash 4 Life and Lotto America*) revenues are \$115.9 million compared to \$64.9 million the prior year. Year to date revenues are supported primarily by the \$1.28 billion dollar Mega Millions jackpot cycle in July and the \$1.58 billion dollar Powerball jackpot cycle through November 5, 2022.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

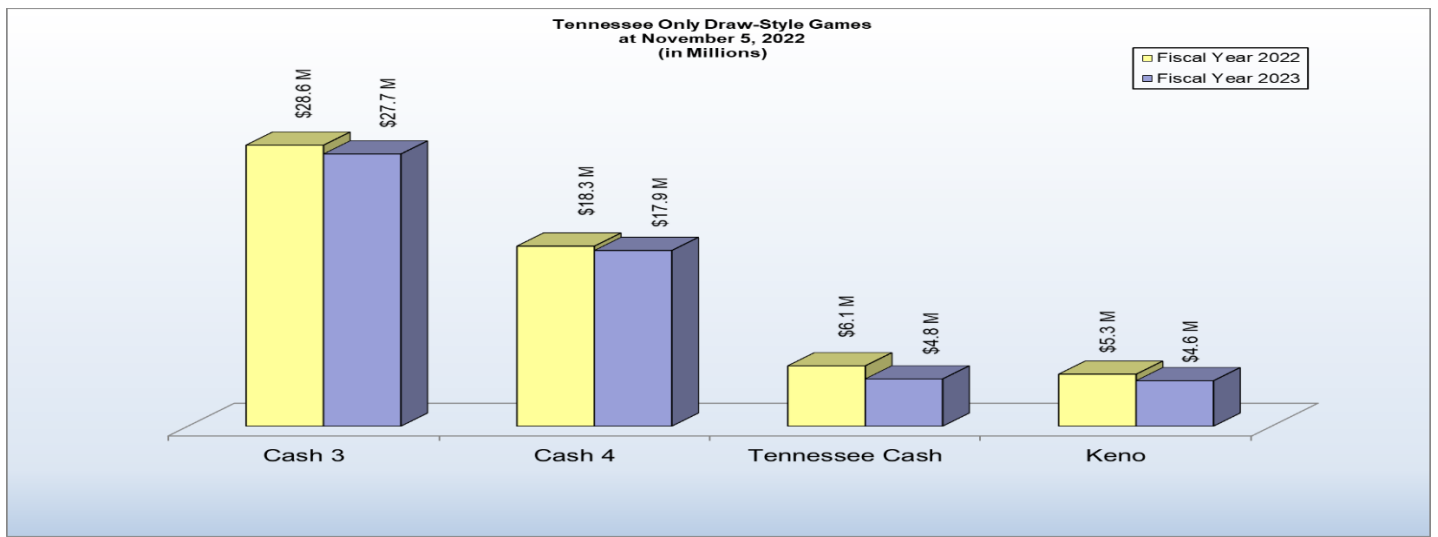
	As of 11/5/2022 (in millions)	FY 2023 Projected Revenue Range (in millions)
INSTANT GAMES	\$ 560.5	\$1,650 - \$1,690



- *Instant tickets* are 77% of our product mix at November 5, 2022.
- *Instant ticket* revenues were \$560.5 million or \$30.6 million per week through November 5, 2022. For the most recent week, revenues trended up to \$36 million.
- *Instant ticket* revenues are driven primarily by game design (i.e., family game offering, etc.), player price point preferences, prize payouts, and optimization of our retailer distribution network.
- TEL anticipates launching approximately 55 games in this fiscal year.
- *Instant ticket* prize expense is projected at 68% of net instant game revenues for the fiscal year.

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS

	As of 11/5/2022 (in millions)	FY 2023 Projected Revenue Range (in millions)
<i>TENNESSEE ONLY DRAWING-STYLE GAMES</i>	\$55.1	\$153 - \$156



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 revenues for these two games in the range of \$126 million and \$128 million for FY 2023.

Tennessee Cash

- *Tennessee Cash* is a drawing-style cash jackpot game available only in Tennessee.
- Revenues are driven primarily by the cash jackpots, with an average jackpot cycle of \$600 to \$700 thousand.
- TEL currently projects revenues in FY 2023 to be approximately \$14 million.

Keno to Go

- *Keno to Go* is a draw-style game with drawings every 4 minutes.
- TEL projects revenues to be in the range of \$13 million and \$14 million.

Daily Tennessee Jackpot

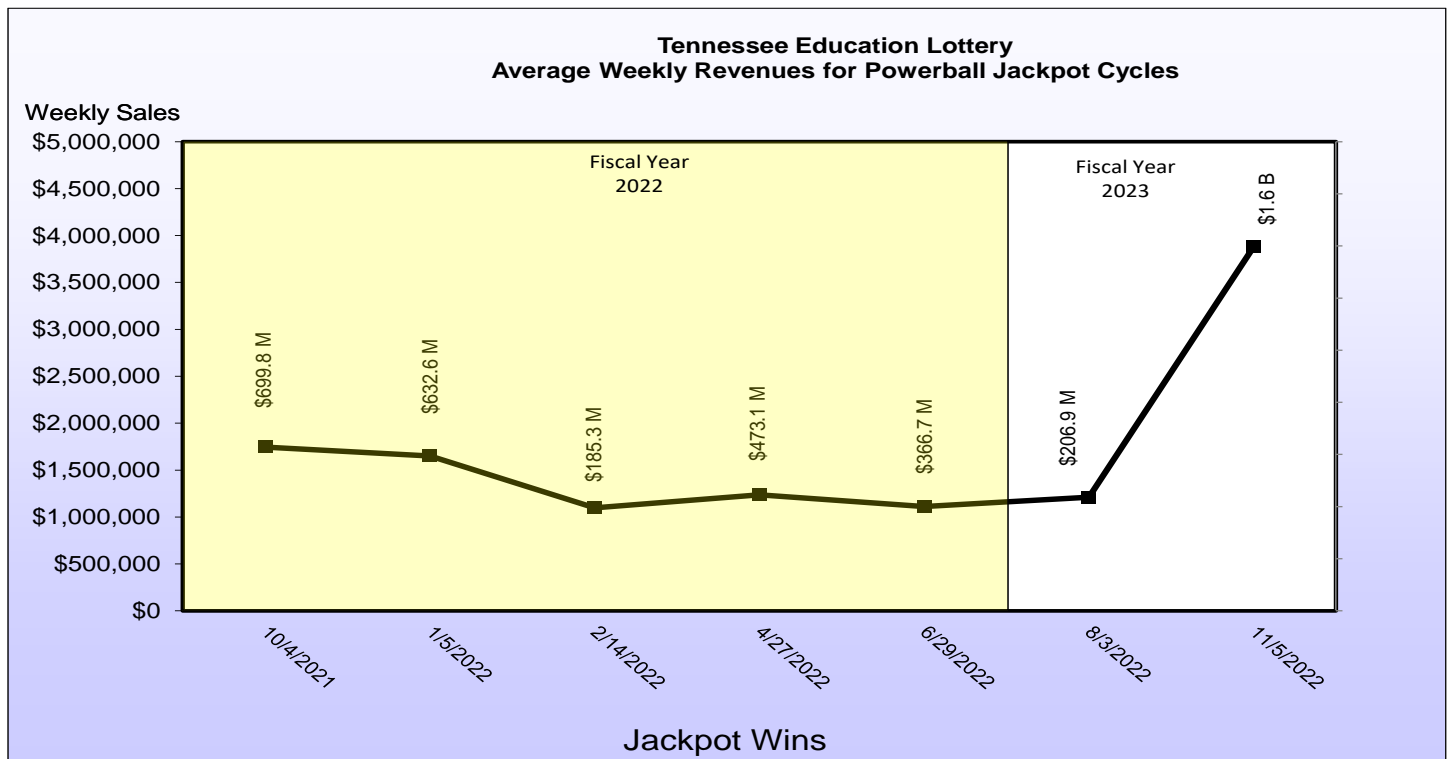
- *Daily Tennessee Jackpot* is a daily draw-style game with nightly drawings.
- The jackpot starts at \$30,000 and rolls daily if no winner.
- Planned launch for this game is mid November 2022.

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

	As of 11/5/2022 <u>(in millions)</u>	FY 2023 Projected Revenue Range <u>(in millions)</u>
<i>MULTI-JURISDICTIONAL GAMES</i>	\$115.9	\$217 - \$222

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

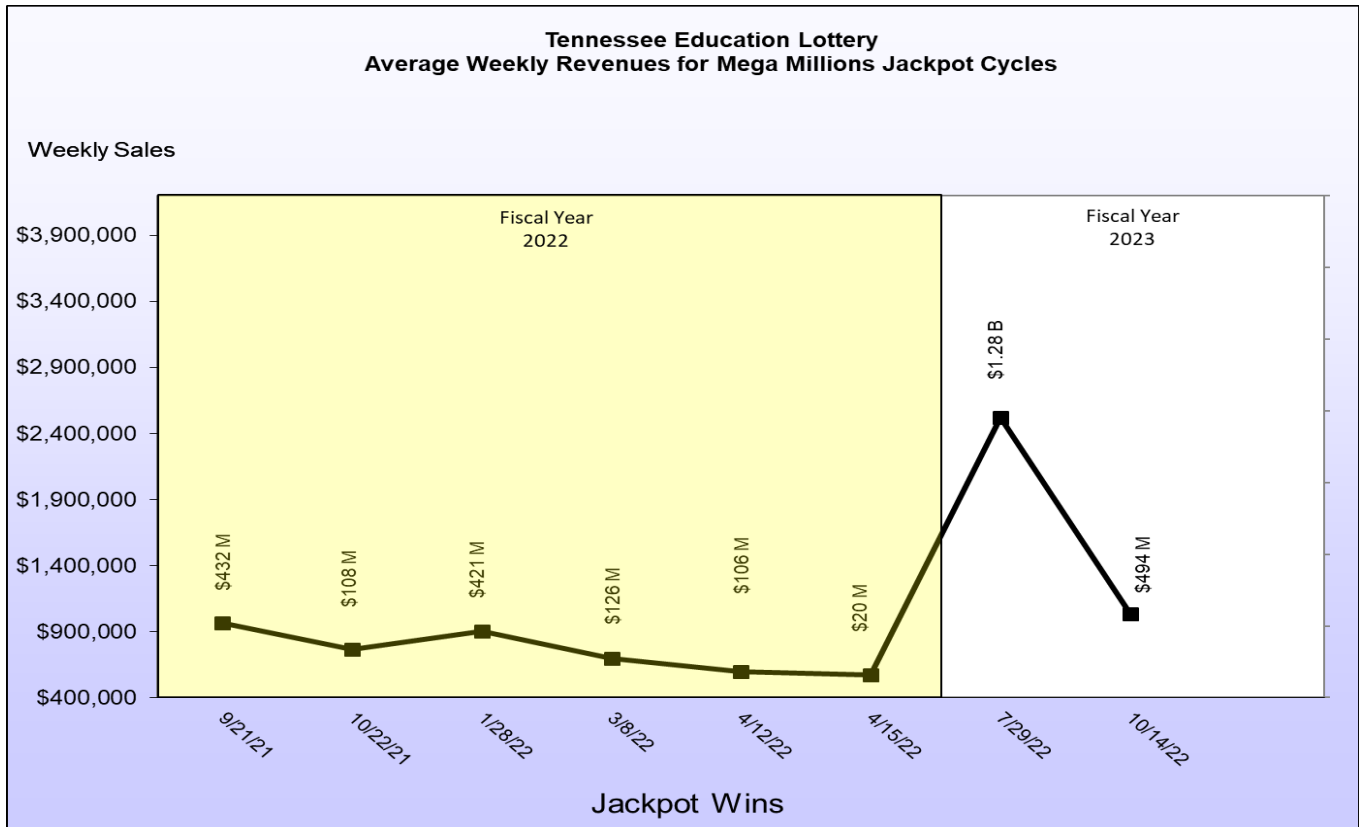
Powerball



- *Powerball* is a draw-style annuity jackpot game with expected jackpot cycles in the range of \$400 million to \$450 million.
- *Powerball* is currently sold in 48 jurisdictions, including the District of Columbia, Puerto Rico and U.S. Virgin Islands.
- TEL projects revenues in FY 2023 to be in the range of \$120 million and \$123 million, supported by incremental revenues from the current jackpot cycle of \$1.6 billion as of November 5, 2022.

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 \$300 million to \$350 million.
- *Mega Millions* is currently sold in 47 jurisdictions, including the District of Columbia and U.S. Virgin Islands.
- TEL projects revenues in FY 2023 to be in the range of \$70 million and \$72 million, supported by the incremental sales experienced from the \$1.28 billion jackpot in July 2022.

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

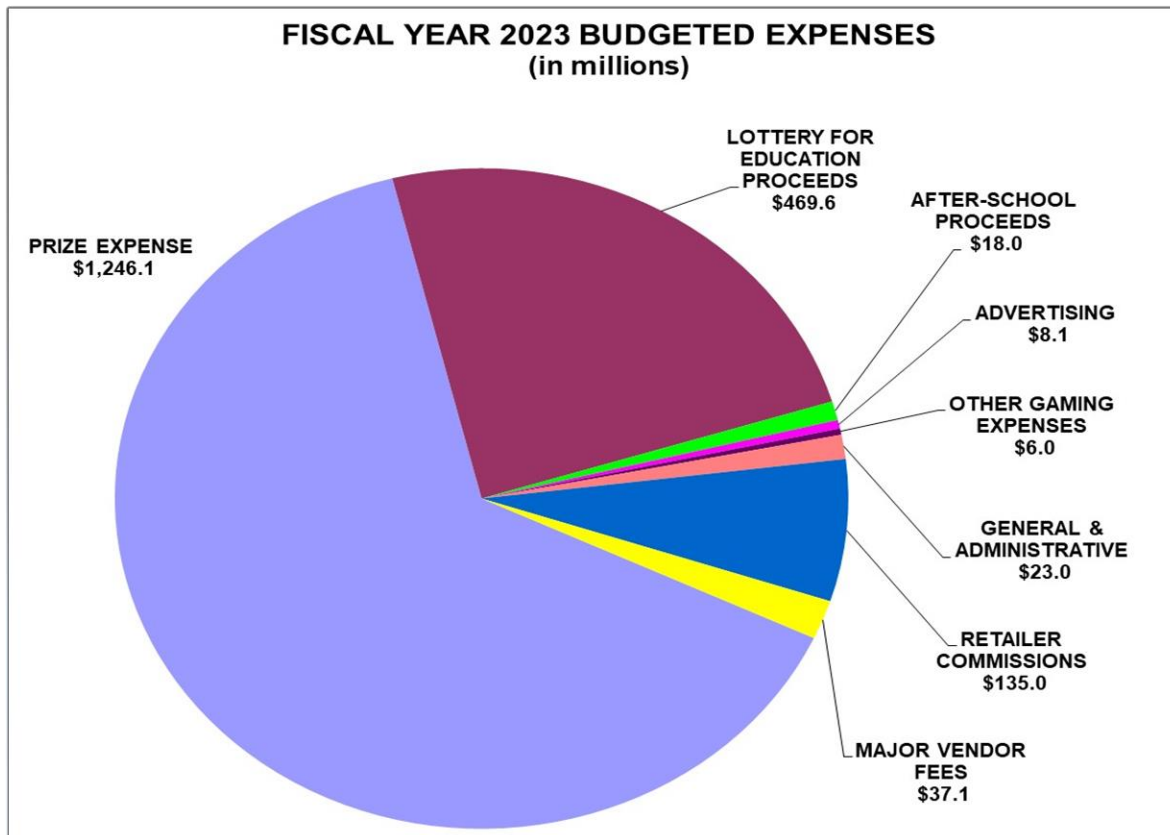
Lotto America

- Jackpots for this draw-style game start at \$2 million, with drawings held Monday, Wednesday and Saturday.
- In July 2022, Lotto America added a third drawing on Monday to compliment the Wednesday and Saturday drawings. The added draw should generate incremental sales over time at similar size jackpot cycles.
- *Lotto America* is currently sold in 13 jurisdictions.
- TEL projects revenues in FY 2023 to be in the range of \$14 million to \$15 million.

Cash 4 Life

- *Cash 4 Life* is drawn 7 days per week.
- The game is the only drawing-style game that provides 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 10 jurisdictions.
- TEL projects revenues in FY 2023 to be approximately \$13 million.

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



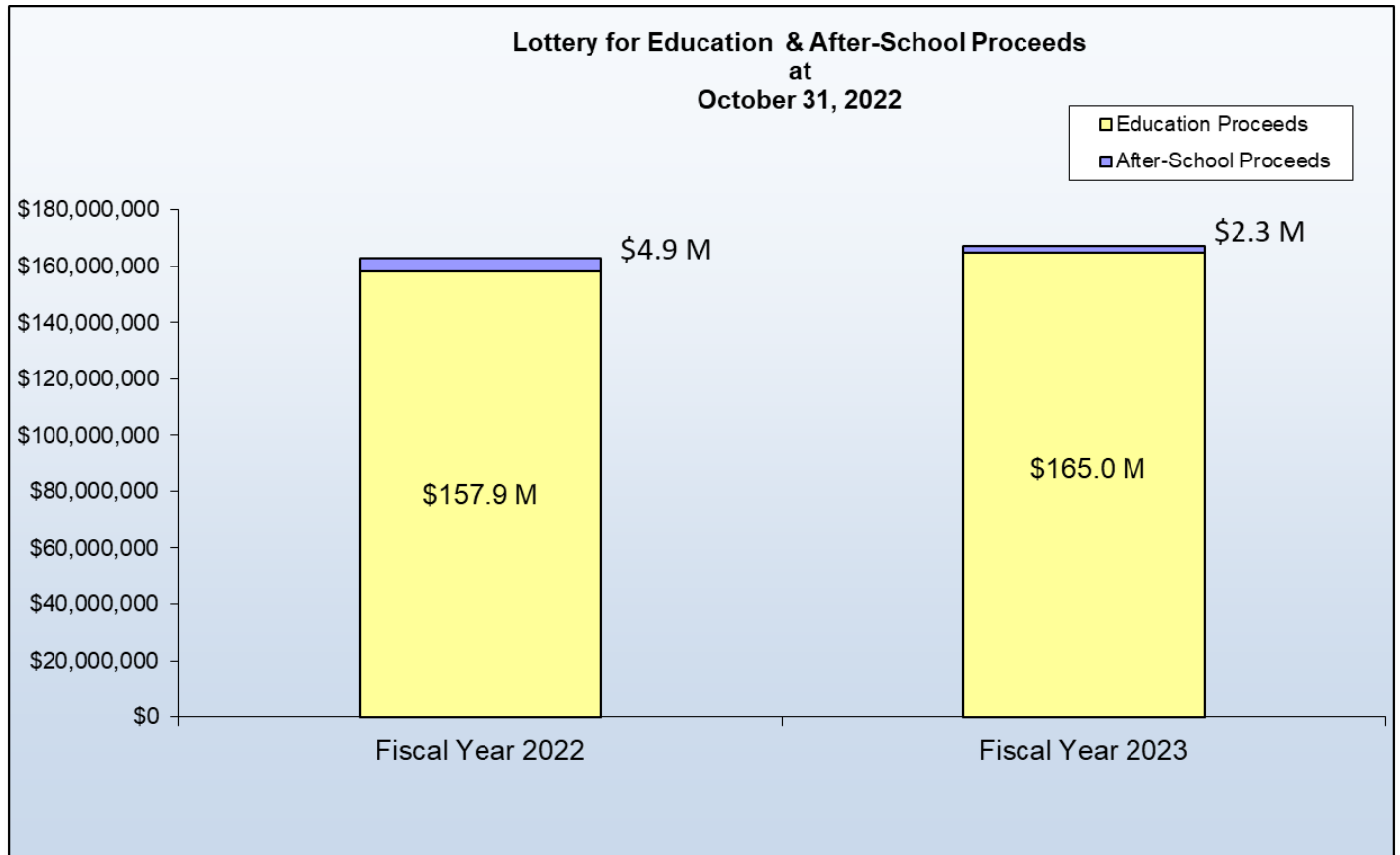
Direct Gaming-Related Expenses

- Aggregate Prize Expense for all Games is budgeted at **\$1.25 billion** or **60.2%** of total revenues.
 - *Instant Games* aggregated prize expense is budgeted at **\$1.07 billion** or **62%** of net instant games' revenue.
 - *Drawing-style Games* aggregated prize expense is budgeted at **\$167.8 million** or **50.3%** of total draw- style games' revenue.
- Retailer commissions are budgeted at **\$135.0 million**.
- Major gaming vendors' fees are budgeted at **\$37.1 million**.

Non-Direct Expenses

- Non-direct expenses are budgeted at **\$37.1 million** or **1.8%** of Gross Revenues.
 - Advertising expenses are budgeted at **\$8.1 million**.
 - Other Gaming expenses are budgeted at **\$6.0 million**.
 - General and Administrative expenses are budgeted at **\$23 million**.

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



Lottery for Education Proceeds

- \$165.0 million as of 10/31/2022
- \$157.9 million as of 10/31/2021

Projected Fiscal Year 2023

\$472.6 - \$483.1 million

After-School Program Proceeds

- \$2.3 million as of 10/31/2022
- \$4.9 million as of 10/31/2021

Projected Fiscal Year 2023

\$18 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

	FY 2022	FY 2023	FY 2023	FY 2023
	Actuals	Approved	Low	High
		Budget	Projections	Projections
Instant Ticket Games	\$ 1,690,804,492	\$ 1,735,446,000	\$ 1,650,395,000	\$ 1,690,446,000
Tennessee Only Draw-Style Games	\$ 161,631,963	\$ 163,000,000	\$ 163,813,000	\$ 166,314,000
Multi Jurisdictional Games	\$ 174,907,732	\$ 170,330,000	\$ 218,774,000	\$ 221,299,000
GROSS TICKET REVENUES	\$ 2,027,344,187	\$ 2,068,776,000	\$ 2,032,982,000	\$ 2,078,059,000
Less: Tickets Provided as Prizes	\$ (143,405,222)	\$ (147,741,000)	\$ (140,535,000)	\$ (143,937,000)
Net Ticket Revenues	\$ 1,883,938,965	\$ 1,921,035,000	\$ 1,892,447,000	\$ 1,934,122,000
Other Revenues	4,154,654	3,945,000	3,945,000	3,945,000
TOTAL LOTTERY PROCEEDS	\$ 1,888,093,619	\$ 1,924,980,000	\$ 1,896,392,000	\$ 1,938,067,000
EXPENSES				
Prize Expense	\$ 1,220,735,637	\$ 1,246,076,000	\$ 1,217,914,000	\$ 1,245,346,000
Retailer Commissions	132,339,569	135,029,000	132,680,000	135,601,000
Vendor Fees	36,282,909	37,157,000	36,121,000	36,948,000
Direct Expense	\$ 1,389,358,115	\$ 1,418,262,000	\$ 1,386,715,000	\$ 1,417,895,000
Non-Direct Expenses	\$ 31,531,895	\$ 37,079,000	\$ 37,079,000	\$ 37,079,000
TOTAL EXPENSES	\$ 1,420,890,010	\$ 1,455,341,000	\$ 1,423,794,000	\$ 1,454,974,000
EXCESS UNCLAIMED PROCEEDS	\$ 378,000	\$ -	\$ -	\$ -
LOTTERY FOR EDUCATION PROCEEDS	\$ 467,581,609	\$ 469,639,000	\$ 472,598,000	\$ 483,093,000
AFTER SCHOOL PROGRAM PROCEEDS	\$ 18,000,000	\$ 18,000,000	\$ 18,000,000	\$ 18,000,000

FISCAL YEARS ENDING JUNE 30, 2024, 2025, 2026 and 2027

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Total Lottery Proceeds	\$1,929 - \$1,982 Million	\$1,963 - \$2,026 Million	\$1,997 - \$2,072 Million	\$2,032 - \$2,118 Million
Lottery for Education Proceeds	\$480 - \$494 Million	\$489 - \$505 Million	\$497 - \$516 Million	\$506 - \$528 Million
After-School Programs Proceeds	\$18 Million	\$18 Million	\$18 Million	\$18 Million



State of Tennessee
Tennessee Higher Education Commission
Tennessee Student Assistance Corporation
WRS Tennessee Tower, 9th Floor
312 Rosa L. Parks Avenue
Nashville, TN 37243
(615) 741-3605

November 16, 2022

MEMORANDUM

TO: State Funding Board

FROM: Tim Phelps, Senior 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 2026-27 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 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>
2021-22 actual	N/A	\$346.6M	N/A	125,400
2022-23 estimated*	\$413.9M	\$422.3M	\$435.0M	122,300
2023-24 estimated*	\$418.0M	\$426.5M	\$439.3M	123,500
2024-25 estimated*	\$422.2M	\$430.8M	\$443.7M	124,700
2025-26 estimated*	\$426.4M	\$435.1M	\$448.1M	125,900
2026-27 estimated*	\$430.7M	\$439.4M	\$452.6M	127,200

**Does not include estimated administrative costs and Tennessee Promise Scholarship estimated expenditures.*

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.

**Tennessee State Veterans Homes Board
Presentation to State Funding Board
November 16, 2022**

Financial Summary July 2022 through October 2022

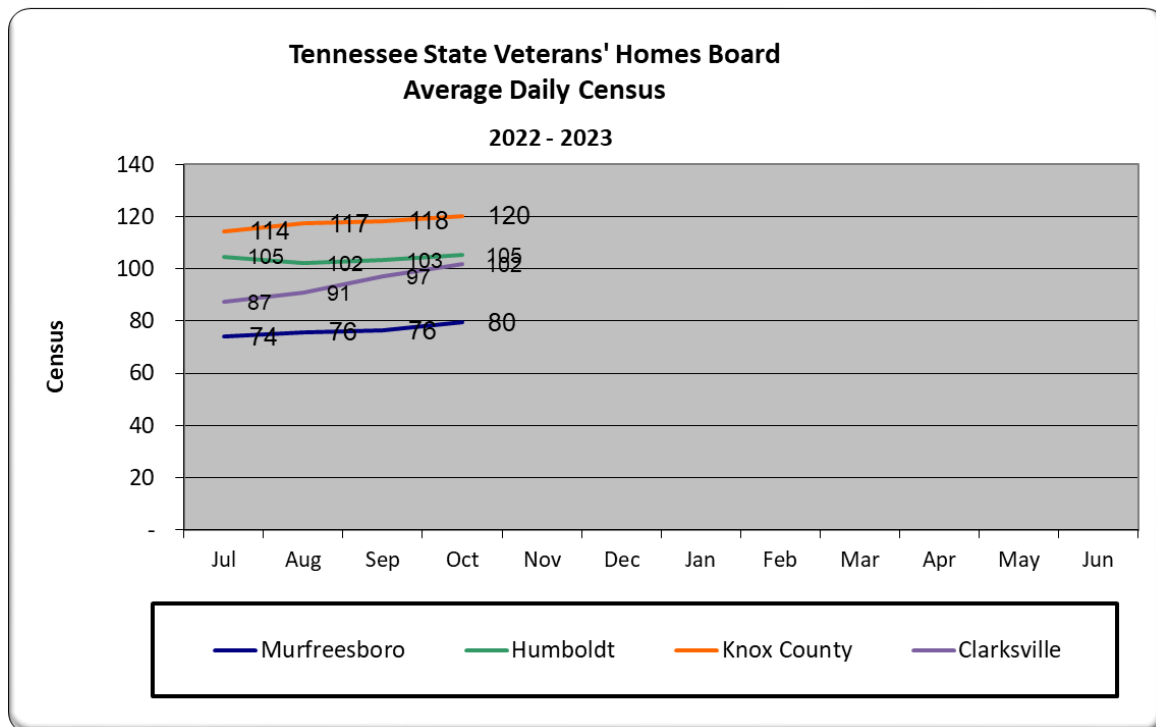
Year to Date Summary of Financial Operations

The financial summary covers year-to-date operations through September 2022 for home office and facilities.

Year-to-Date	Home Office	Murfreesboro	Humboldt	Knox County	Clarksville	Total
Actual	\$ 99,172	\$ (301,048)	\$(36,641)	\$ (370,444)	\$ (427,014)	\$(1,035,975)

Net income reported is less than budget mainly due to patient mix, occupancy rate, agency nurses cost, and inflation. Management continues to control expenses.

The following chart shows the average daily census for the four homes. Murfreesboro, Humboldt and Knox County each has 140 beds dually certified for Medicaid and Medicare. Clarksville has 108 dually certified for Medicaid and Medicare.



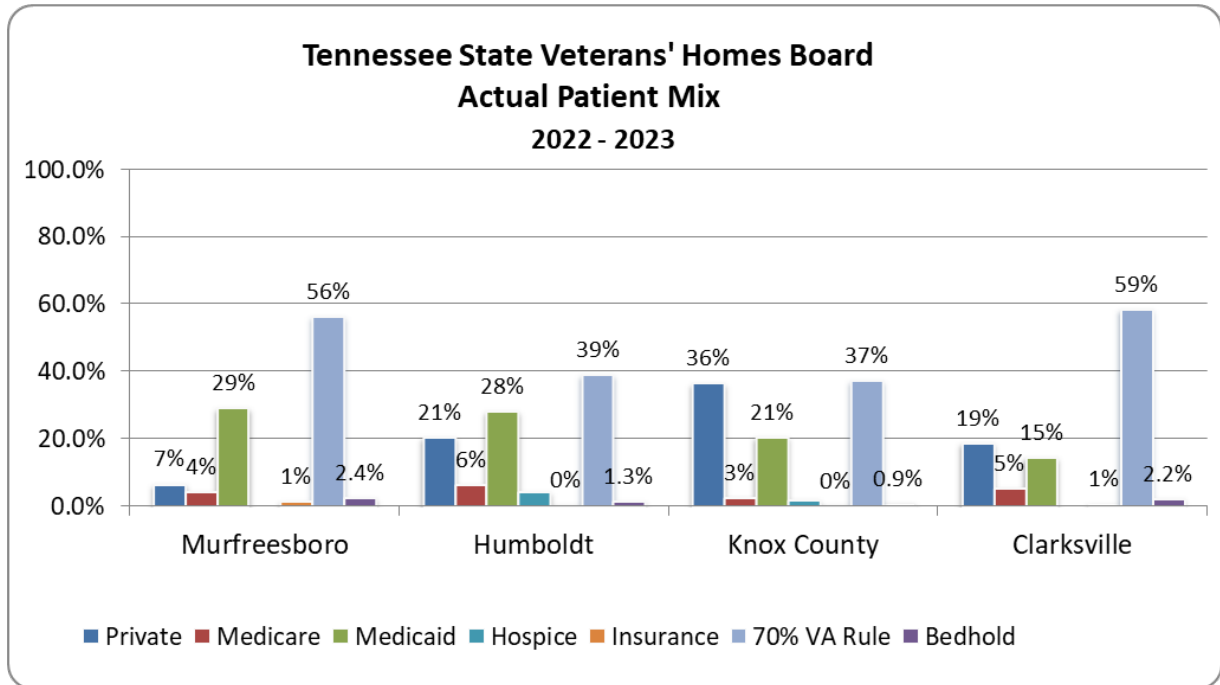
For the month of October 2022, each facility is reporting the following average daily census (ADC) and occupancy information:

Facility	ADC	Occupancy
Murfreesboro	80	56.8%
Humboldt	105	75.2%
Knox County	120	85.9%
Clarksville	102	94.3%

The occupancy rate at three of the four homes exceeds the state occupancy rate of 68.9%.

**Tennessee State Veterans Homes Board
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Patient mix is a key factor and drives revenues for the homes. Patient mix year to date at October 31, 2022 is shown below.



LGIP Funds

Per State law, all funds of the Board are to be held at the Local Government Investment Pool (LGIP). As of October 31, 2022, cash balances at LGIP for the facilities and home office are as follows:

**Tennessee State Veterans Homes Board
Presentation to State Funding Board
November 16, 2022**

<u>LGIP Funds</u>	<u>Home Office</u>	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knox County</u>	<u>Clarksville</u>	<u>Total</u>
Revenue Fund	\$ 6,764,091					\$ 6,764,091
Repair & Replacement		808,450	785,546	734,682	769,618	3,098,295
Debt Service Fund		19	22		3	45
Operating Reserve	8,180,309					8,180,309
Technology	462,365					462,365
Special Funds	83					83
Contributions	45,992					45,992
Total	\$ 15,452,840	\$ 808,469	\$ 785,568	\$ 734,682	\$ 769,621	\$ 18,551,180

Note: There is \$3,224,472.34 in the local depository accounts at October 31, 2022.

Future Development

State Veterans' Homes are constructed with a combination of State and Federal money. The Federal portion of the cost of construction, 65%, is provided through the U.S. Department of Veterans Affairs pursuant to U.S. Code Title 38, Chapter 81, Part 59.

Currently Tennessee State Veterans' Homes Board has five projects with approved VA Grants to States for Construction or Acquisition of State Homes.

- Cleveland-Bradley County is currently under construction. The current estimated substantial completion date is late fall 2022. It is anticipated that it will admit the first resident in early 2023. This is a 108 bed intermediate and skilled care nursing facility.
- Arlington-Shelby County is currently under construction. This project is for the construction of a 126 bed intermediate and skilled care nursing facility in Arlington, Shelby County. Substantial completion is projected for late spring, 2024.
- Construction has begun on renovations to the Murfreesboro facility was submitted in April, 2019. It involves the installation of an additional generator to power the HVAC chillers, a 1900 gallon emergency water supply, and the replacement of aging resident room doors and windows. Total cost: \$2,005,377.
- Construction has begun on renovations to the Humboldt facility. It involves the installation of an additional generator to power the HVAC chillers, a 1900 gallon emergency water supply, replacing domestic water return piping and the replacement of aging resident room doors. Total cost: \$1,983,831.
- Construction has begun at Knoxville to add an additional generator to power the HVAC chillers, replace its single heating boiler with two high efficiency boilers. Total cost: \$493,639
- A grant application for new construction (addition) for the Murfreesboro executive offices was submitted in April 2020. It has not yet been approved. This is to address the growth in support staff required for the addition of new homes in Cleveland and Arlington as well as storage needs for the executive office and the Murfreesboro facility. Total cost if constructed in 2025: \$3.03M.
- Sullivan County has begun the process for developing a State Veterans' Home.

**Tennessee State Veterans Homes Board
Presentation to State Funding Board
November 16, 2022**

State Audit

Audit for Fiscal Year Ended June 30, 2021

State audit has completed the audit for fiscal year June 30, 2021. TSVHB received zero audit findings for fiscal year ended June 30, 2021.

Management remains committed to continued improvements in financial reporting, internal controls, and fiscal responsibility. The Board's Audit Committee takes proactive measures in dealing with issues identified by management's review of internal controls as well as those identified from other sources.

Performance Audit

Performance audit is currently completing field work. The sunset hearing date is set for November 30, 2022.

Management is in the process of implementing policy and procedures to eliminate concerns noted by Performance audit.

Management remains committed to continued improvements in financial reporting, internal controls, and fiscal responsibility. The Board's Audit Committee takes proactive measures in dealing with issues identified by management's review of internal controls as well as those identified from other sources.

Regulatory Compliance

The Knoxville home is rated at five stars overall. The Humboldt home is rated at four stars overall. The Murfreesboro and Clarksville homes are rated at three stars overall.

The Five-Star Quality Rating System was created to help consumers, their families, and caregivers compare nursing homes more easily. This rating system is based on continued efforts as a result of the Omnibus Reconciliation Act of 1987 (OBRA '87), a nursing home reform act, and more recent quality improvement campaigns such as the Advancing Excellence in America's Nursing Homes, a coalition of consumers, health care providers, and nursing home professionals.

Nursing home ratings are taken from the following four sources of data:

- Health Inspections
- Quality Measures
- Staffing
- Registered Nurse Staffing
- Staff Turn- over

**Tennessee State Veterans Homes Board
Presentation to State Funding Board
November 16, 2022**

CMS provides a star rating for each of these sources. These ratings are combined to calculate an overall rating.

The Tennessee Department of Health has conducts an annual survey of each facility.

The Knoxville survey was completed in June 2021. There were no health deficiencies.

The TSVH home in Humboldt had their survey in November 2021. There were five (5) minor health deficiencies. The first involved failure to provide a self-administration assessment for a nebulizer treatment. The second was for not renewing an order for nebulizer treatments. The third involved staff failure to secure resident shaving razors. The fourth was for medications being left in the resident room unattended. The fifth involved staff not following infection control screening process.

The Murfreesboro survey was completed in August 2019. This survey had 7 minor deficiencies. The first, second and third involved the lack of a stop date on a PRN medication. The fourth involved the medication error rate exceeding 5%. The fifth was for an expired medication and improper storage. The sixth was cited when a staff member touched a cracker. The seventh involved failing to properly dispose of an IV bag.

The Clarksville survey was completed in April 2022. There were two citations. One involved a resident fall. The second involved staff not following infection control screening process.

The average number of health deficiencies cited in Tennessee's long term care facilities standard survey process is 5 and nationally at 8.4.

The Department of Veterans Affairs conducted annual operational and clinical reviews in all of the homes to ascertain if all requirements of inspection were met: June 2022 (Murfreesboro) – there were 2 minor deficiencies involving medication documentation and discharge summaries. August 2022 (Humboldt) – Deficiency free. April 2022 (Knoxville) – Clinically Deficiency Free. There was one physical plant citation regarding equipment inspection. There was also an administrative citation for not submitting a form for processing VA supplied medication. October 2022 (Clarksville) – Survey just completed and results are still pending.

Executive Committee

The clinical and financial operation of the Tennessee State Veterans' Homes is closely monitored by the TSVHB Executive Committee. Current financial information shows that implemented cost control efforts, efficiency progress, as well as revenue and census improvements have had their expected and desired results.

The Board, management and staff remain committed to continued improvements in the financial and clinical operations of the Tennessee State Veterans' Homes.



BILL LEE
GOVERNOR

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

PENNY SCHWINN
COMMISSIONER

TO: Members of the Tennessee State Funding Board

FROM: Dr. Penny Schwinn

DATE: November 9, 2022

SUBJECT: Request for \$23,000 from Net Lottery Proceeds for Lottery Scholarship Day for
FY 2023-2024

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 FY2023-2024 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