TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

TENNESSEE STATE FUNDING BOARD
NOVEMBER 9, 2026
AGENDA

1. Call meeting to order, establish that there is a physical quorum, and receive public comment on actionable items in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines

2. Revenue Estimating Presentations:

   Presenters:

   A. Dr. Don Bruce, Professor of Economics & Director,
      Boyd Center for Business and Economic Research, University of Tennessee

   B. Dr. Joseph Newhard, Associate Professor of Economics,
      Dr. Aryaman Bhatnagar, Assistant Professor of Economics,
      East Tennessee State University

   C. Mr. David Gerregano, Commissioner,
      Mr. Jeff Bjarke, Director of Research,
      State of Tennessee, Department of Revenue

   D. Mr. Bojan Savic, Executive Director,
      Ms. Elizabeth Bransford, Chief Economist,
      Mr. Nicholas Nicastro, Staff Economist
      State of Tennessee, Fiscal Review Committee

3. Lottery Revenue Estimating Presentations:

   Presenters:

   A. Mr. Bojan Savic, Executive Director,
      Ms. Elizabeth Bransford, Chief Economist,
      Mr. Nicholas Nicastro, Staff Economist
      State of Tennessee, Fiscal Review Committee

B. Mr. Tim Phelps, Senior Director of Grant & Scholarship Programs,
Tennessee Higher Education Commission

4. Presentation from Tennessee Sports Wagering Council
Ms. Stephanie Maxwell, Deputy Director and General Counsel

5. Request to the Board for Consideration for Program Funding for the Fiscal Year 2027-2028 from Net Lottery Proceeds Pursuant to Tennessee Code Annotated Section 4-51-111(c)(2)(B)

6. Recess (State Funding Board to reconvene November 23, 2026)

The Board meeting will be held in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, 425 Rep. John Lewis Way N., Nashville, TN. Board members are allowed to participate by electronic means. The public may attend in person or virtually by using the following link:

Tennessee Economic Outlook and Tax Revenue Forecast

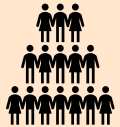
Dr. Don Bruce, Director
November 9, 2026



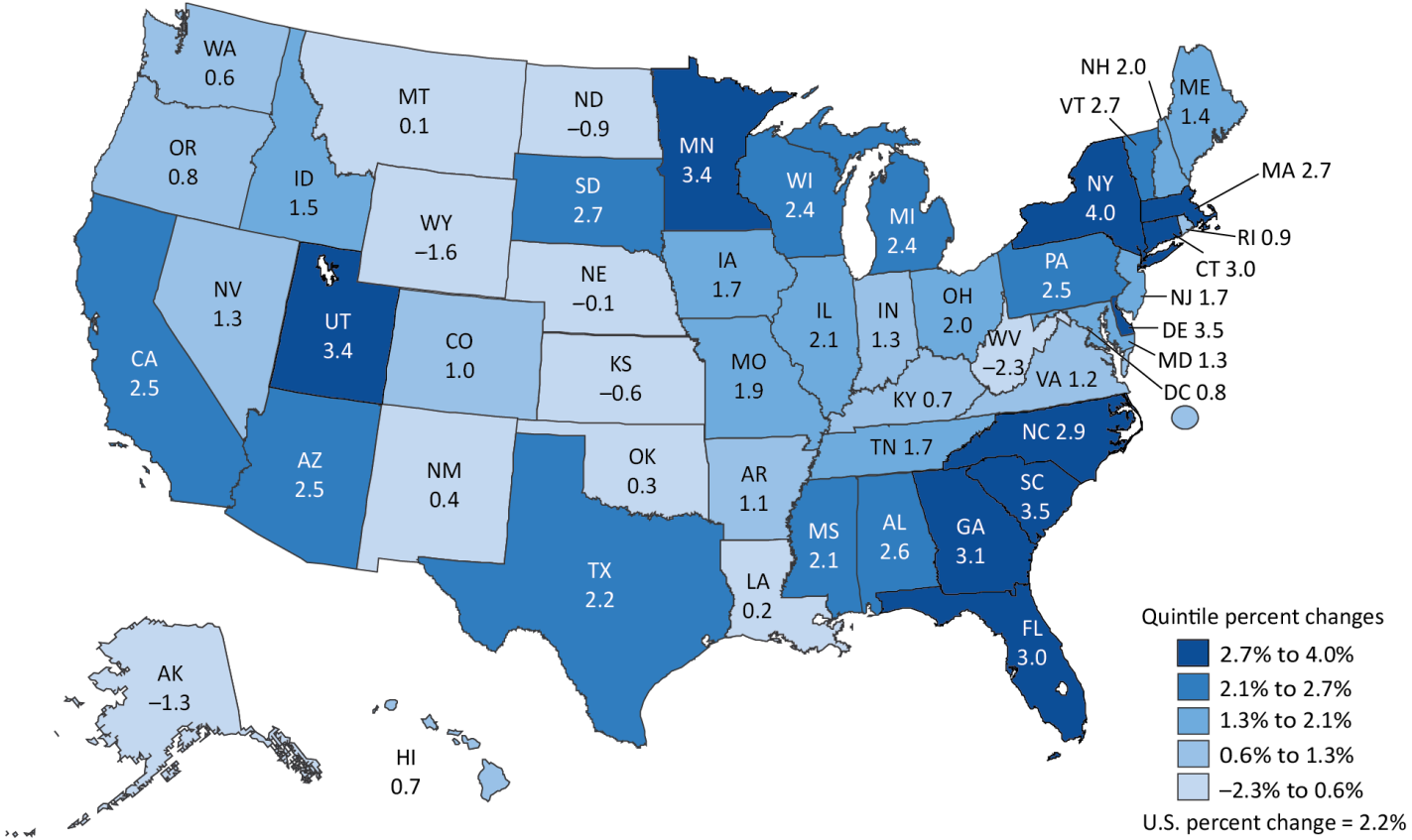
THE UNIVERSITY OF TENNESSEE KNOXVILLE

BOYD CENTER FOR BUSINESS AND ECONOMIC RESEARCH

The Current Macroeconomic Situation

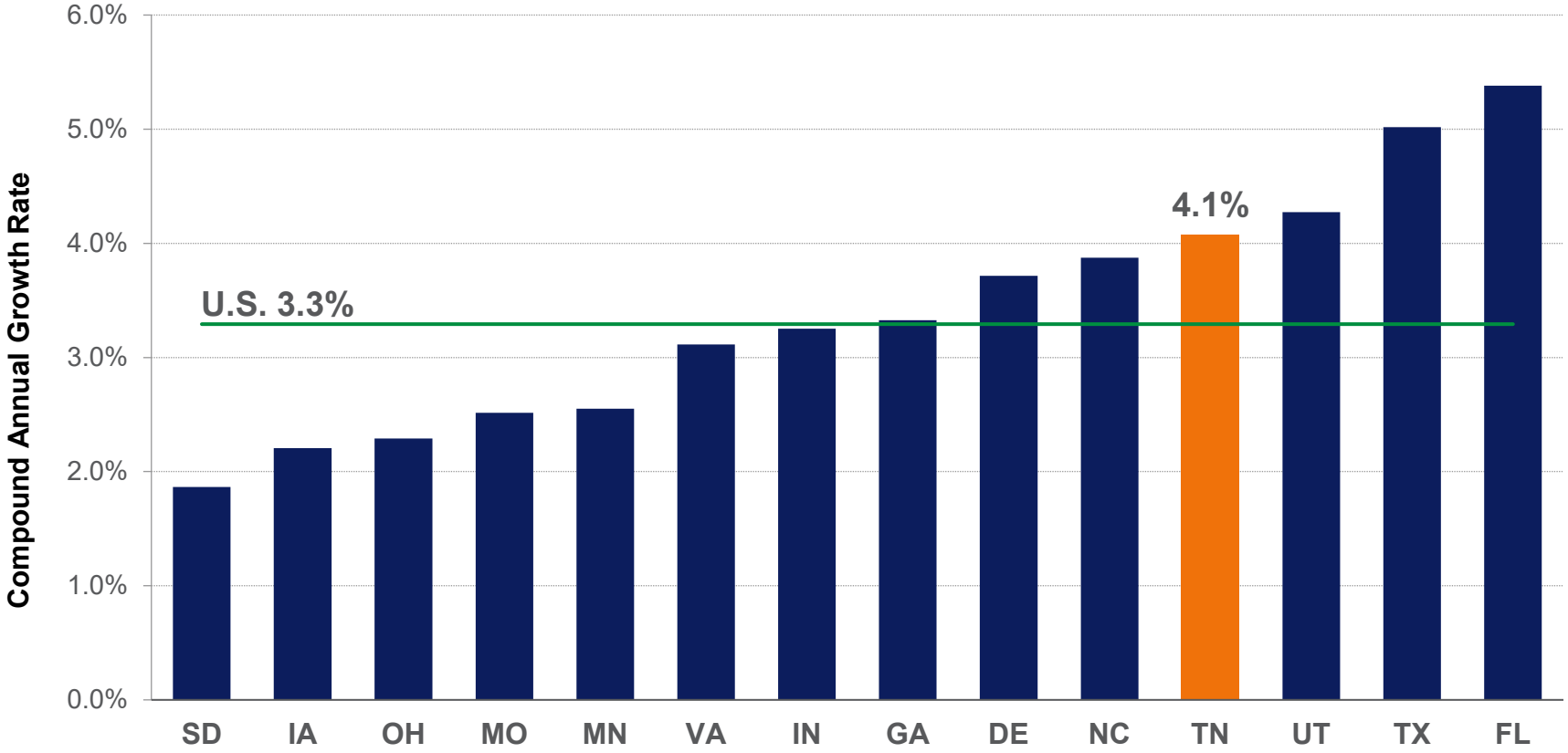
	No recession in the forecast…yet. Real GDP growth of 2.4% in 2026 and 2.7% in 2027.
	Inflation is back up, driven by oil prices and tariffs. No interest rate cuts for another year or more. Rate hikes?
	Unemployment is up slightly. Still very low by historic standards and lower in TN.
	Population growth is finally slowing down in TN. In-migration has offset flat natural population growth.
	House prices are finally moderating after several years of strong growth.

Real GDP: Percent Change at Annual Rate, 2026:Q1–2026:Q2



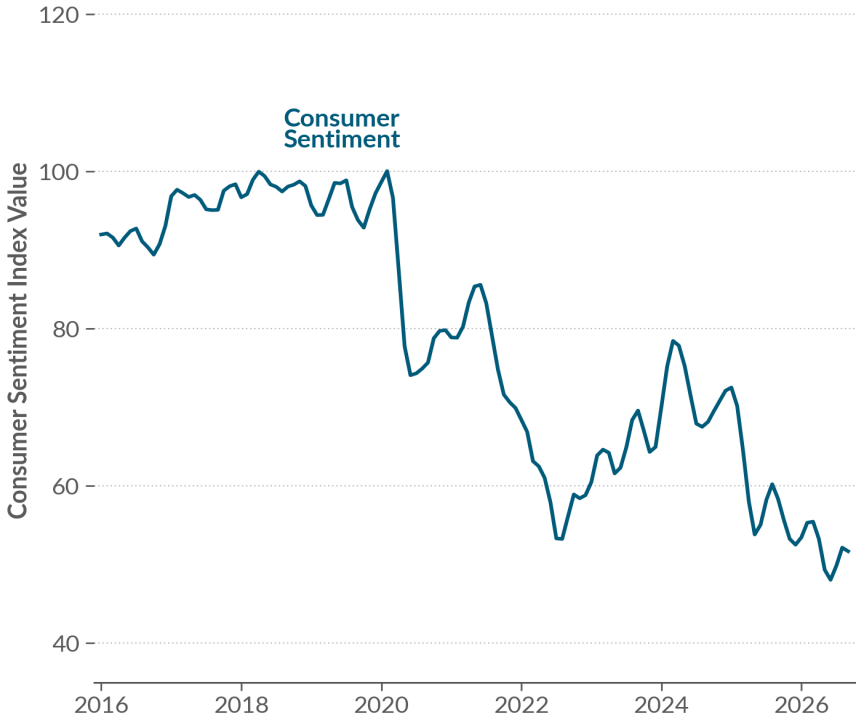
GDP Gross domestic product
U.S. Bureau of Economic Analysis

Real GDP Growth Rates, 2020 to 2025



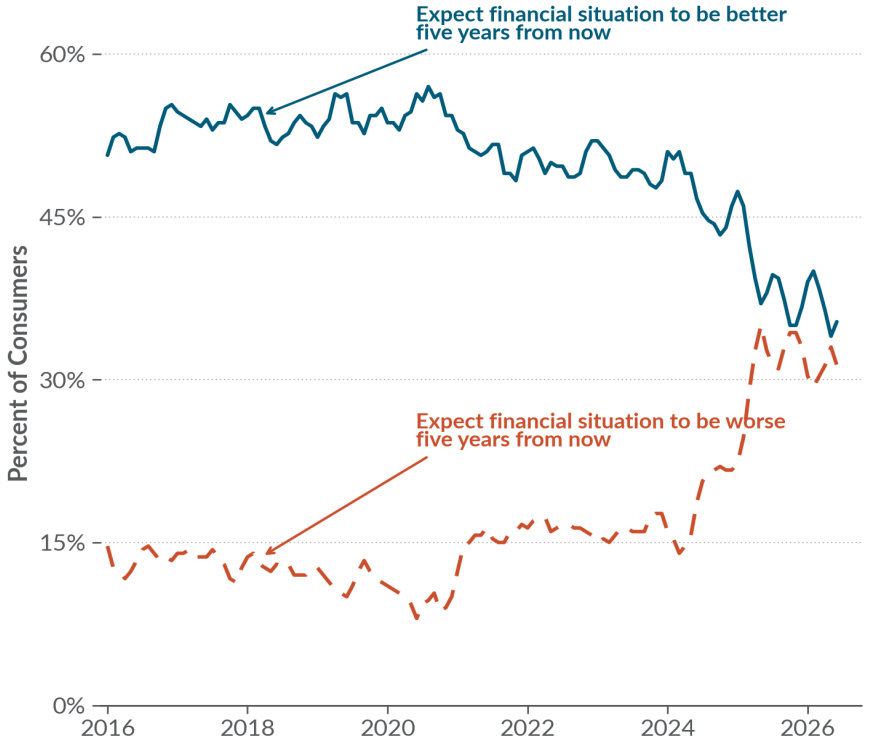
Source: Bureau of Economic Analysis

Consumer sentiment near record lows…



Source: University of Michigan Survey of Consumers.

…with an exceptionally pessimistic long-term outlook.

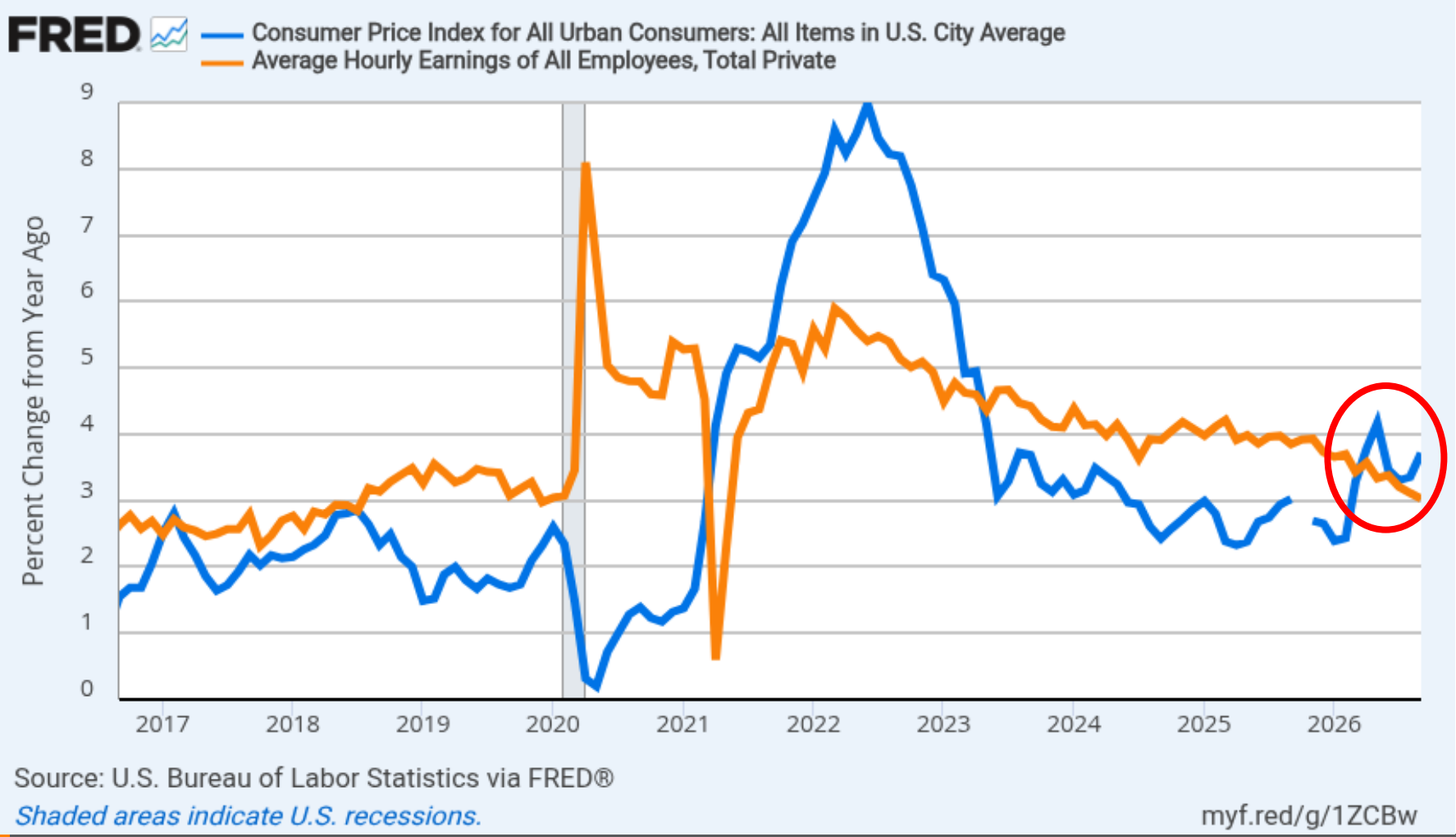


Inflation is Ticking Back Up (BLS, Sept. 2026 data)

All items	3.7		
Food	2.5	**All items less food and energy**	2.6
Food at home	1.8	Commodities less food/energy	0.7
Food away from home	3.5	New vehicles	0.6
Energy	20.4	Used cars and trucks	-1.5
Energy commodities	35.3	Apparel	3.4
Gasoline (all types)	34.2	Medical care commodities	-3.3
Fuel oil	74.2	Services less energy services	3.1
Energy services	4.6	Shelter	3.2
Electricity	4.4	Transportation services	2.7
Utility (piped) gas service	5	Medical care services	2.5

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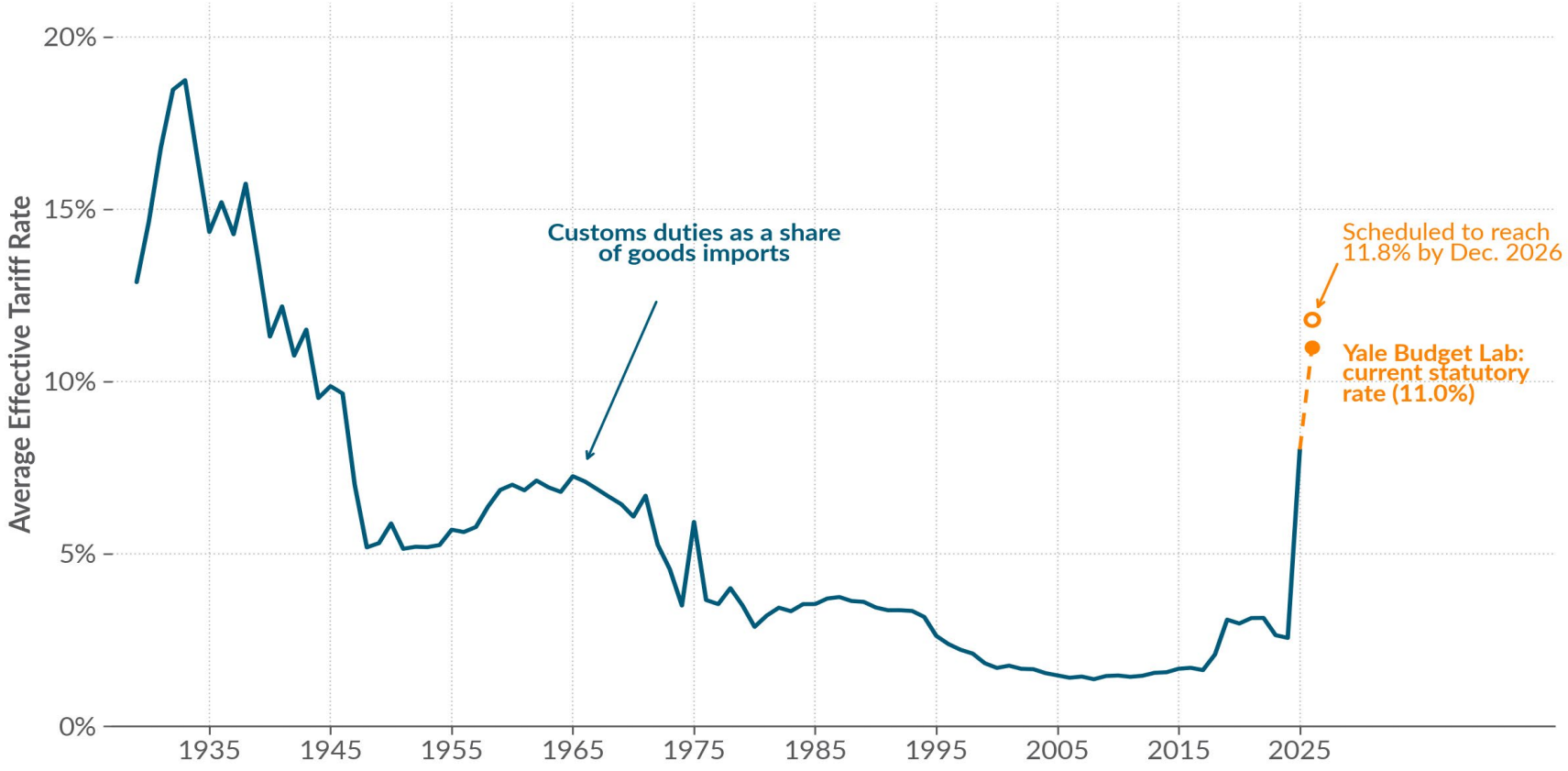


Source: U.S. Bureau of Labor Statistics via FRED®

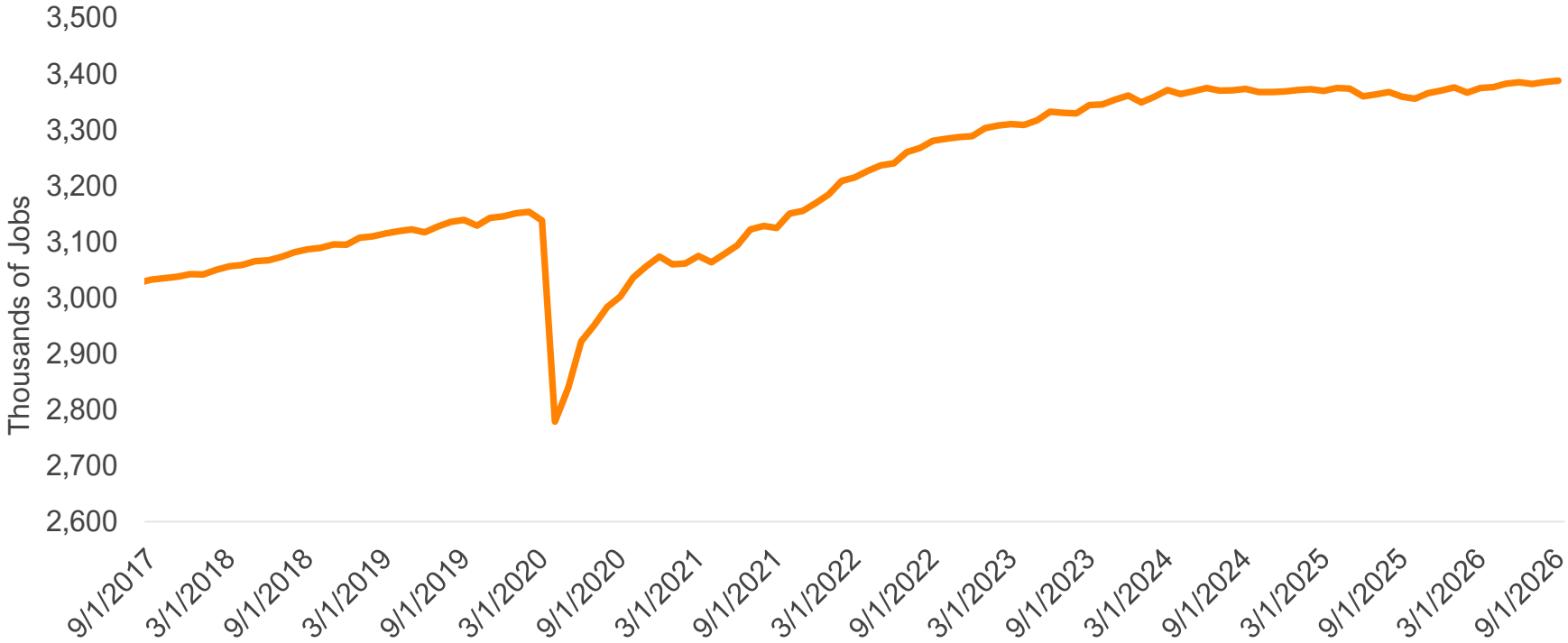
Shaded areas indicate U.S. recessions.

myf.red/g/1ZCBw

Import Taxes Are Highest Since 1940

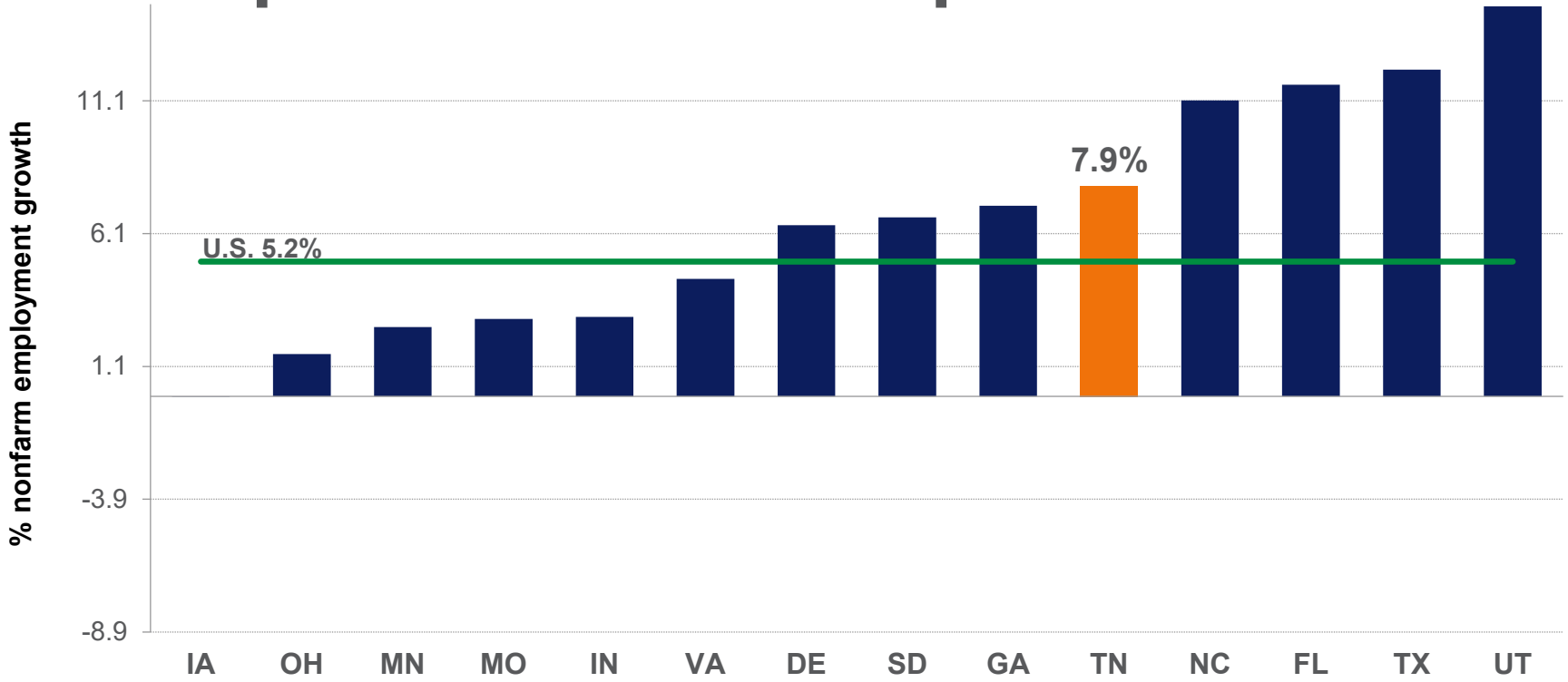


Tennessee Nonfarm Employment Growth Has Flattened (still *up 234,000* since Feb. 2020)



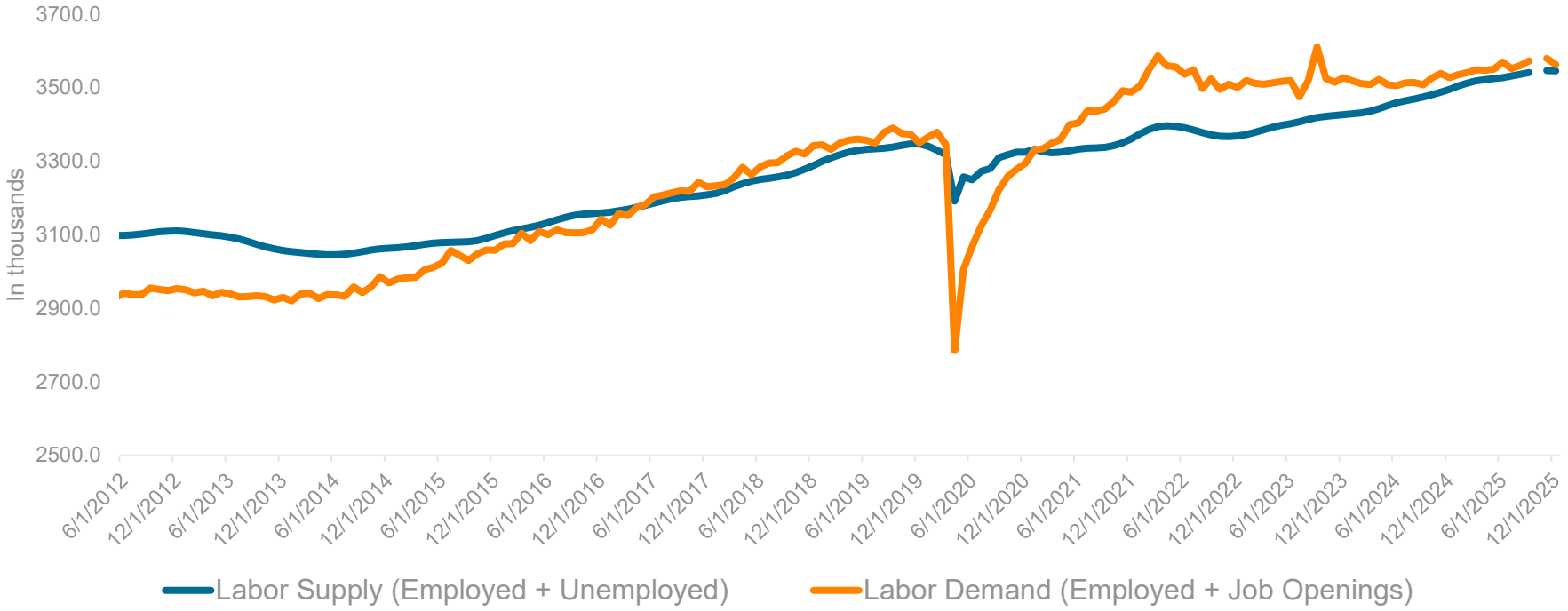
Source: Bureau of Labor Statistics

Tennessee Nonfarm Employment Growth
September 2019 – September 2026



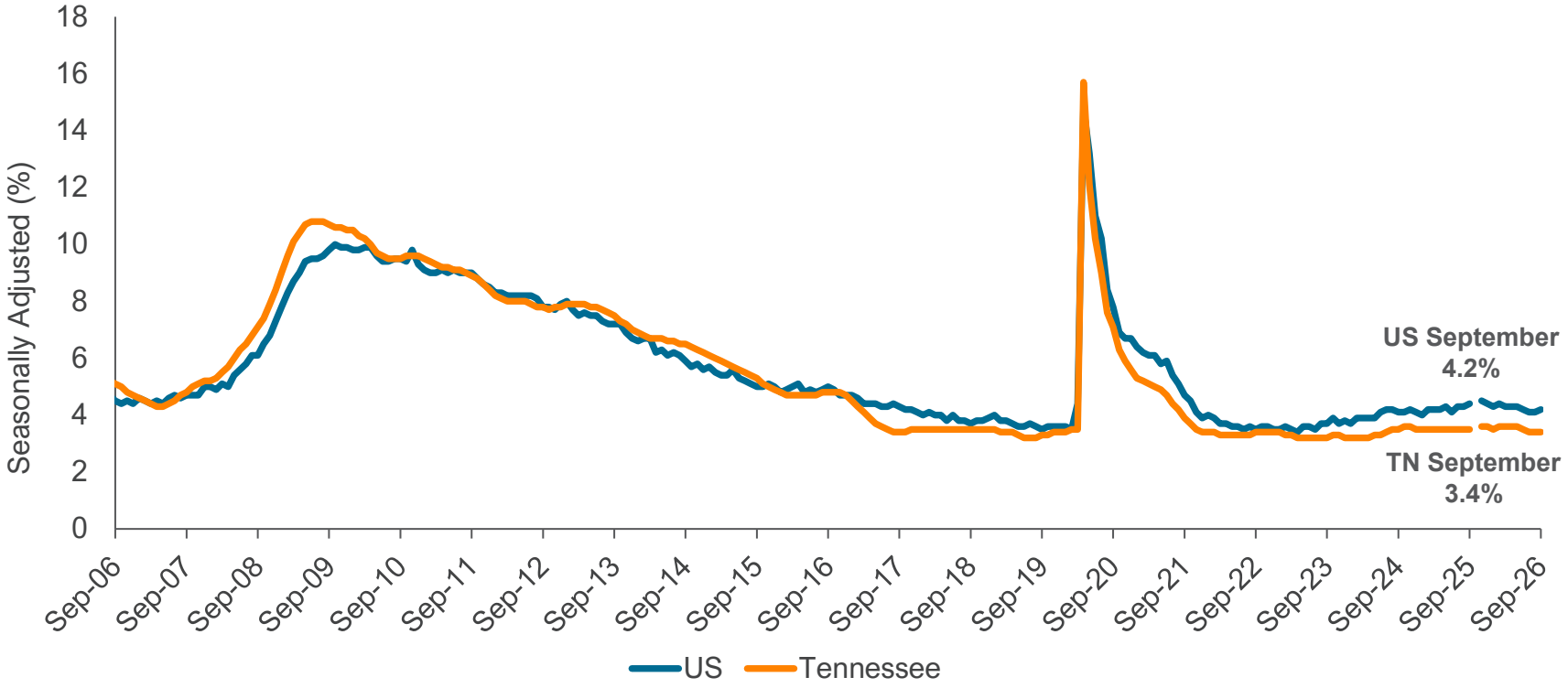
Source: Bureau of Economic Analysis

The Worker Shortage in Tennessee is Down to 17,000 (*Lowest Since Early 2021*)



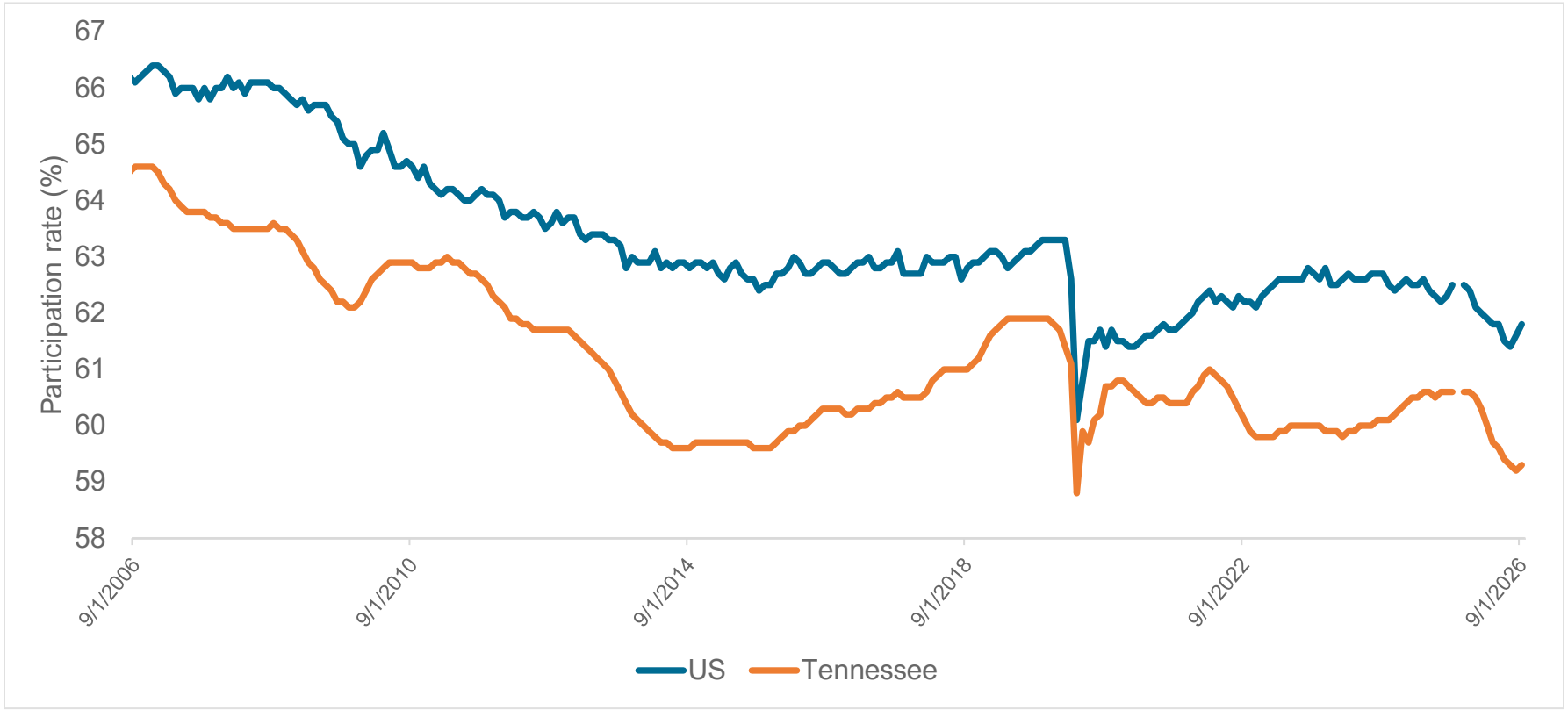
Source: Bureau of Labor Statistics Job Openings and Labor Turnover Survey

Unemployment Rates are Drifting Upward But Remain Historically Low, *Especially in TN*



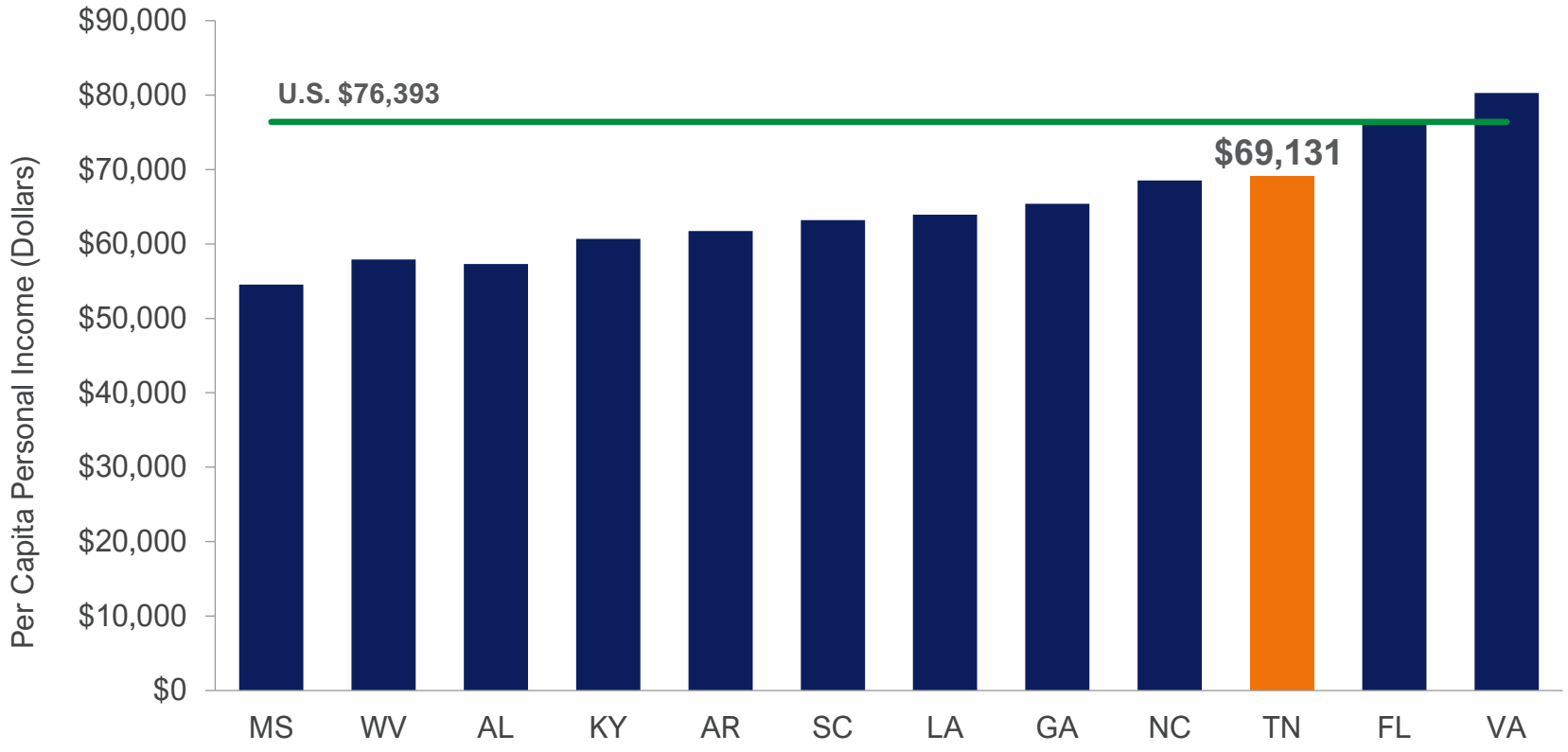
Source: Bureau of Labor Statistics

Labor Force Participation Remains Depressed



Source: Bureau of Labor Statistics

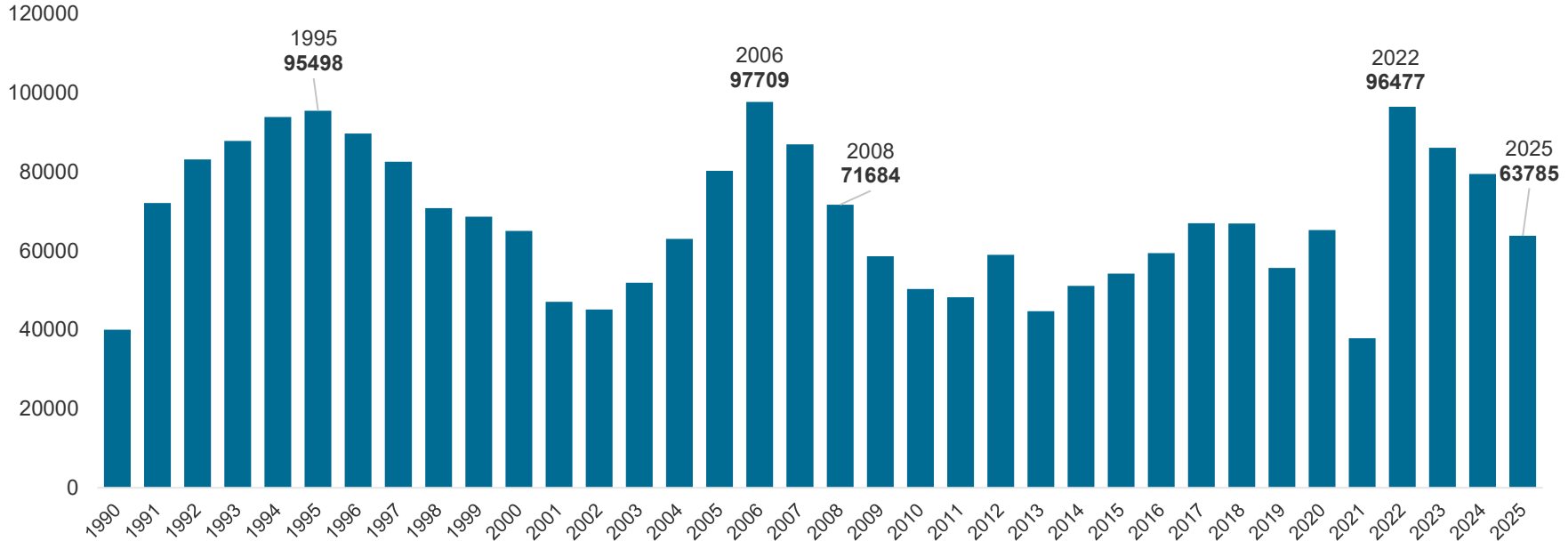
Nominal Per Capita Personal Income, 2025



Source: Bureau of Economic Analysis

Tennessee Has Seen Three Consecutive Years of Strong Population Gains, but Growth is Slowing

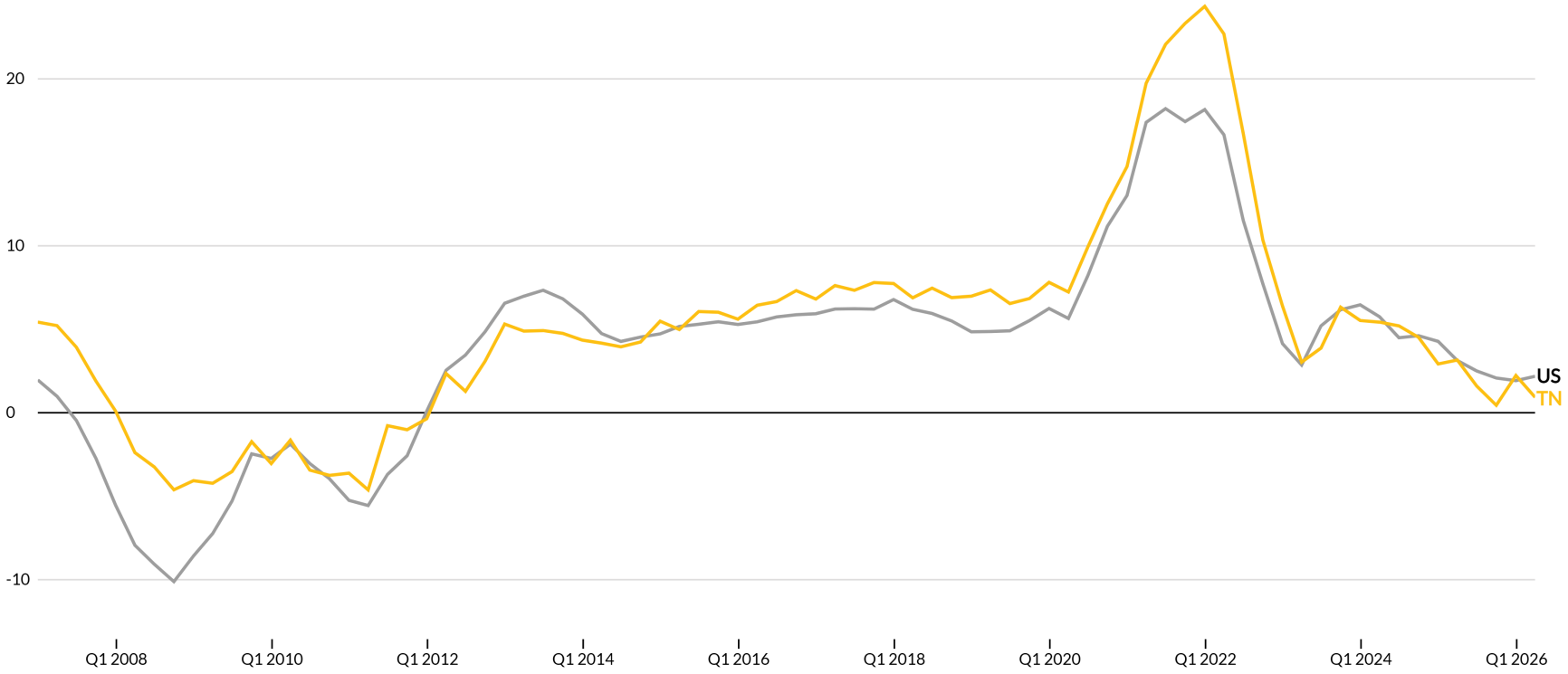
Annual Population Change, 1990 to 2025



Source: U.S. Census Bureau, Population Estimate Program, 1990-2025

Housing Price Growth Continues to Slow Down

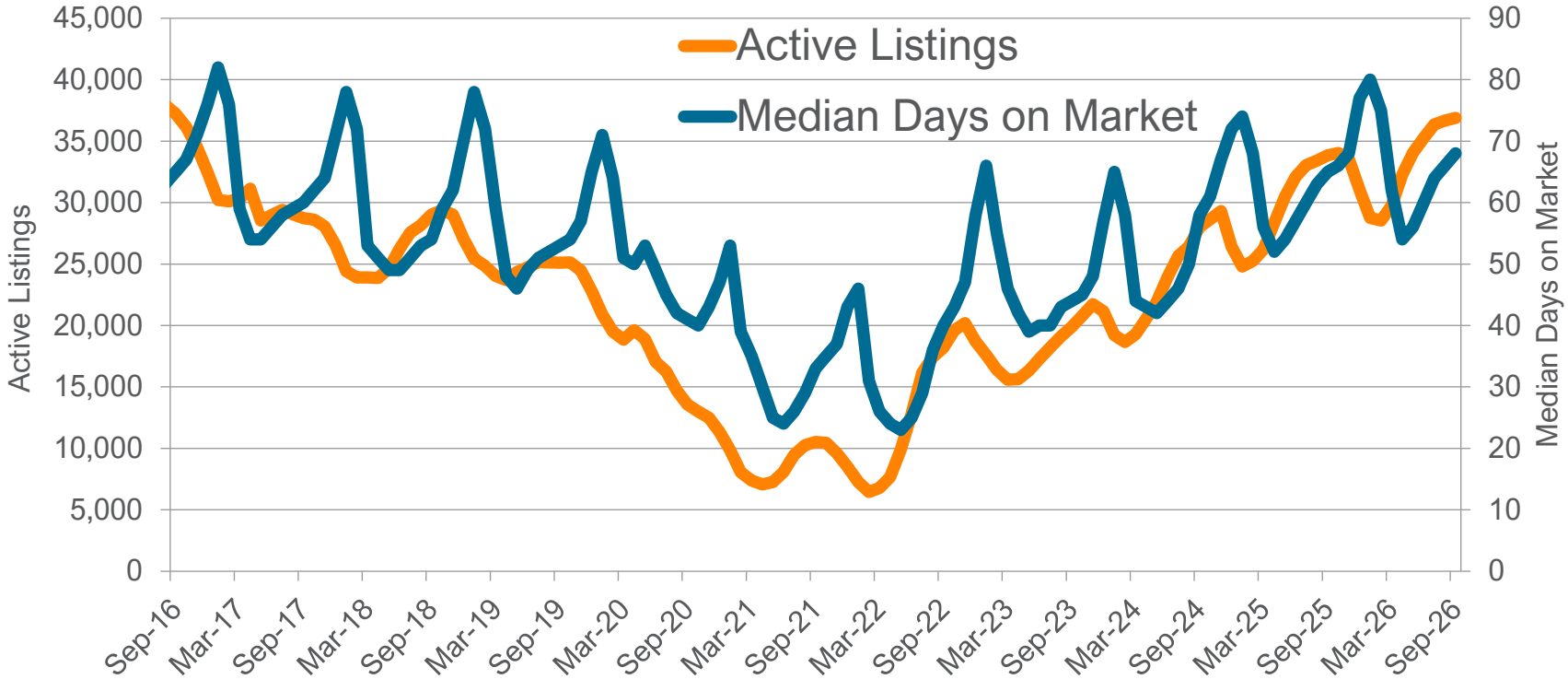
(Seasonally Adjusted Year-over-Year Percent Change)



Source: Federal Housing Finance Agency via the State Economic Monitor

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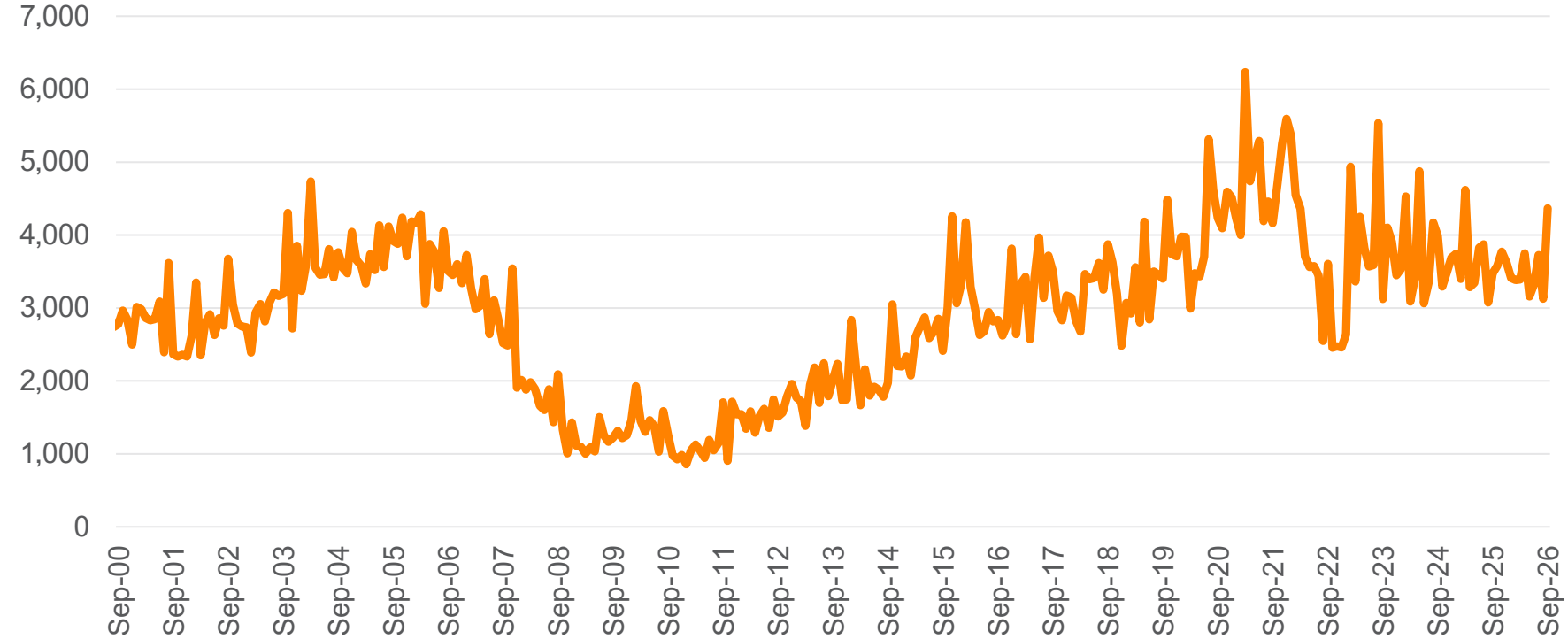
More Active TN Listings, Longer Time on Market



Source: Realtor.com

New TN Permits for Private Housing Units

Monthly, Seasonally Adjusted



Source: Census

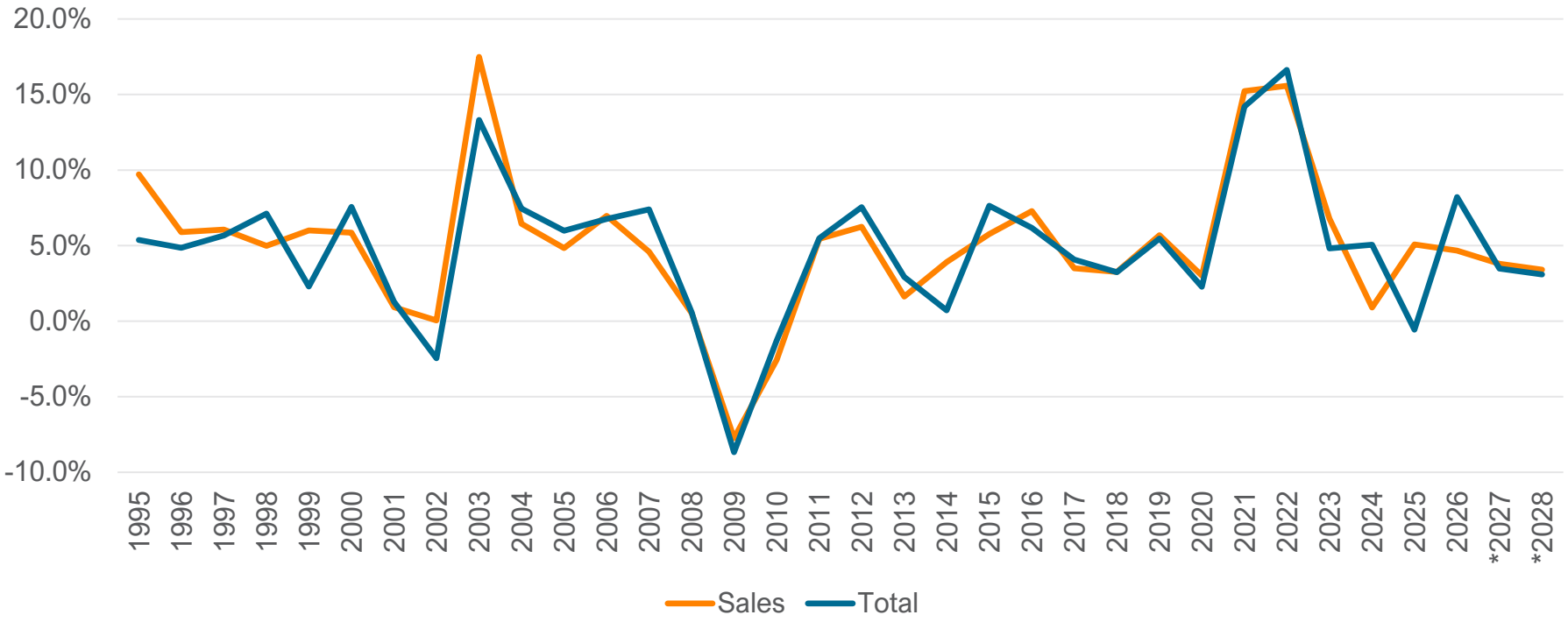
Key Forecast Factors

Geopolitical Instability	• Diesel/gas supply and price impacts
Tariffs	• Export markets; Imported supply markets
Inflation & Interest Rates	• How many rate increases, and when?
Population Growth & Labor Markets	• Deportations, immigration, labor supply
Consumer & Business Confidence	• Consumption and housing demand

Tennessee Department of Revenue Collections (Millions of Dollars)									
	2026			2027			2028		
	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund	Amount	Percent Change	General Fund
Sales and Use	15,179.4	4.7	14,208.2	15,756.2	3.8	14,663.0	16,291.9	3.4	15,161.6
Gasoline	886.1	-0.4	14.1	876.4	-1.1	14.0	883.4	0.8	14.2
Motor Fuel	320.7	0.4	2.3	320.4	-0.1	2.3	322.6	0.7	2.3
Gasoline Inspection	72.4	0.2	21.1	72.5	0.2	21.0	72.9	0.5	21.1
Motor Vehicle Registration	420.6	2.1	79.6	431.1	2.5	78.9	435.4	1.0	79.7
Income	0.7	-65.8	0.6	-	-100.0	-	-	0.0	-
Privilege	517.9	10.9	511.6	531.4	2.6	523.8	547.9	3.1	540.0
Gross Receipts	499.7	11.9	284.7	516.2	3.3	293.8	531.1	2.9	302.3
Gross Receipts - TVA	445.7	11.3	240.1	461.7	3.6	249.9	476.0	3.1	257.6
Gross Receipts - Other	54.0	16.8	44.6	54.5	0.9	45.5	55.1	1.1	46.0
Beer	15.8	-4.7	10.7	15.2	-4.0	10.2	14.6	-4.0	9.8
Alcoholic Beverage	84.2	-0.6	69.5	83.7	-0.6	69.2	83.7	0.0	69.2
Franchise & Excise	4,663.7	25.1	4,395.2	4,845.5	3.9	4,473.2	4,995.7	3.1	4,611.9
Inheritance & Estate	0.0	-88.7	0.0	-	-100.0	-	-	0.0	-
Tobacco	178.0	-1.4	178.0	170.4	-4.3	170.4	164.1	-3.7	164.1
Vapor Products	16.3	-	16.3	17.1	5.0	17.1	17.1	-	17.1
Hemp	1.3	-	1.3	8.4	555.0	8.4	16.7	100.0	16.7
Motor Vehicle Title	22.5	-0.5	19.8	23.0	2.5	20.3	23.3	1.0	20.6
Mixed Drink	233.5	1.9	116.8	242.9	4.0	121.4	245.3	1.0	122.6
Business	399.8	12.7	399.8	420.6	5.2	420.6	439.1	4.4	439.1
Severance	0.6	20.7	0.4	0.6	10.0	0.2	0.6	0.0	0.2
Coin Amusement	0.2	-49.2	0.2	0.2	0.0	0.2	0.2	0.0	0.2
Unauthorized Substance	-	0.0	-	-	0.0	-	-	0.0	-
Total	23,513.4	8.2	20,330.2	24,331.9	3.5	20,909.6	25,085.7	3.1	21,593.9
General Fund Growth		8.8			2.9			3.3	

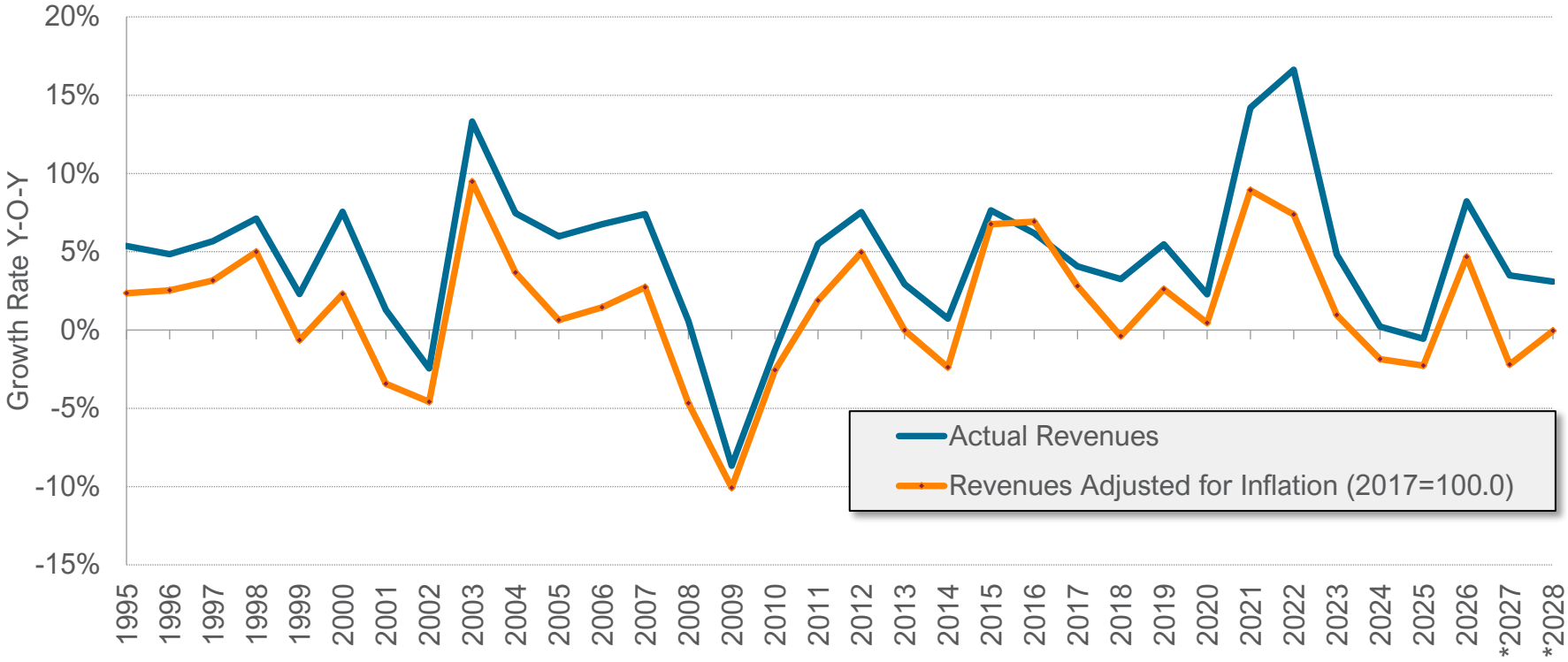
November 9, 2026
Donald Bruce
Boyd Center for Business and Economic Research
University of Tennessee, Knoxville

TN Tax Revenue Growth Has Slowed Due to Policy Changes and the Reduction in Inflation



Source: TN Department of Revenue (* 2027 & 2028 are Boyd Center Estimates)

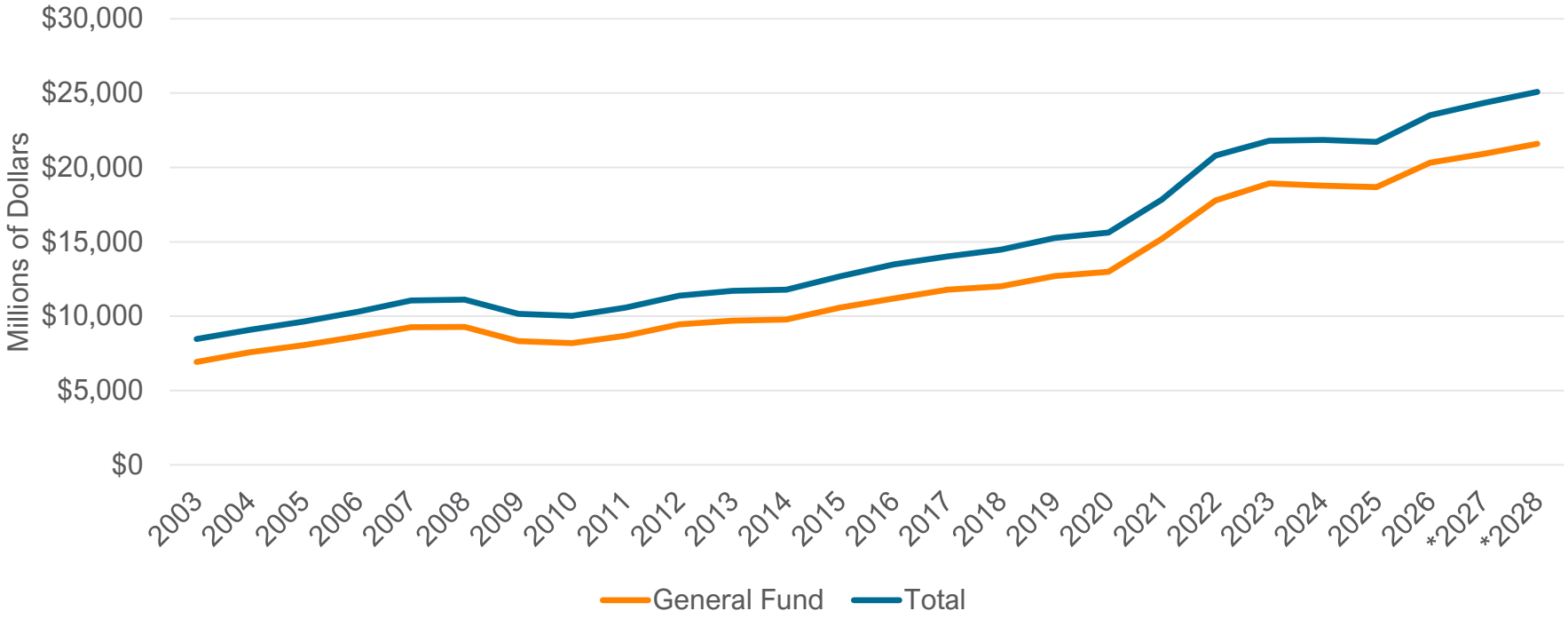
Real (Inflation-Adjusted) Revenue Growth will be Negative



Source: TN Department of Revenue (* 2027 & 2028 are Boyd Center Estimates)

Collections Remain Above Pre-COVID Trend

Nominal General Fund and Total Revenues



Source: TN Department of Revenue (* 2027 & 2028 are Boyd Center Estimates)

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BOYD CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

ECONOMIC OUTLOOK AND REVENUE FORECAST

DR. JON L. SMITH
DR. JOSEPH NEWHARD
DR. ARYAMAN BHATNAGAR

NOV 9, 2026

BUREAU OF BUSINESS & ECONOMIC RESEARCH
EAST TENNESSEE STATE UNIVERSITY



Economic Outlook

- The defining challenge: High cost of living
- How is it affecting economic activity?
- What will shape the next two fiscal years?

Cost of Living

Cost of Living and Affordability

1. Prices

- What households pay
- Price levels and inflation

2. Incomes

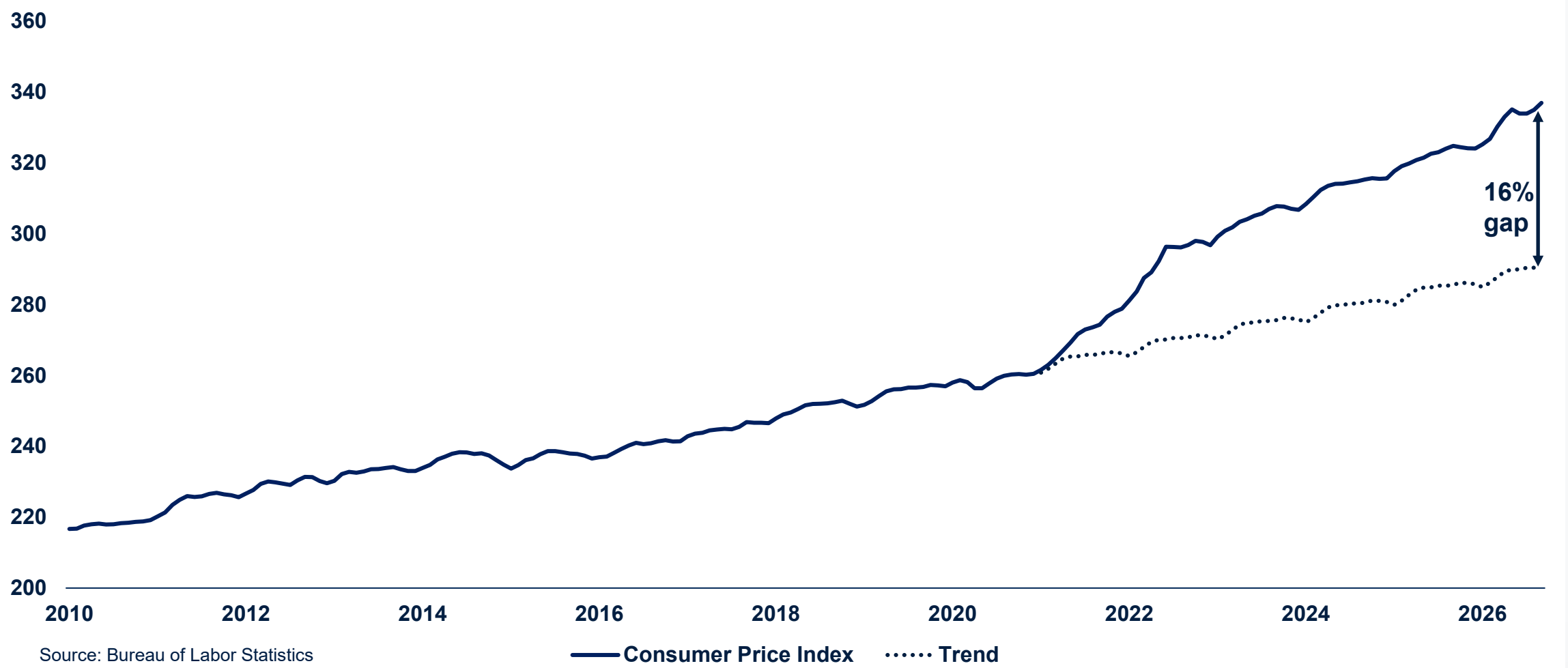
- What households earn
- Income growth relative to prices

3. Borrowing Costs

- What it costs to borrow
- Interest rates

1. Prices

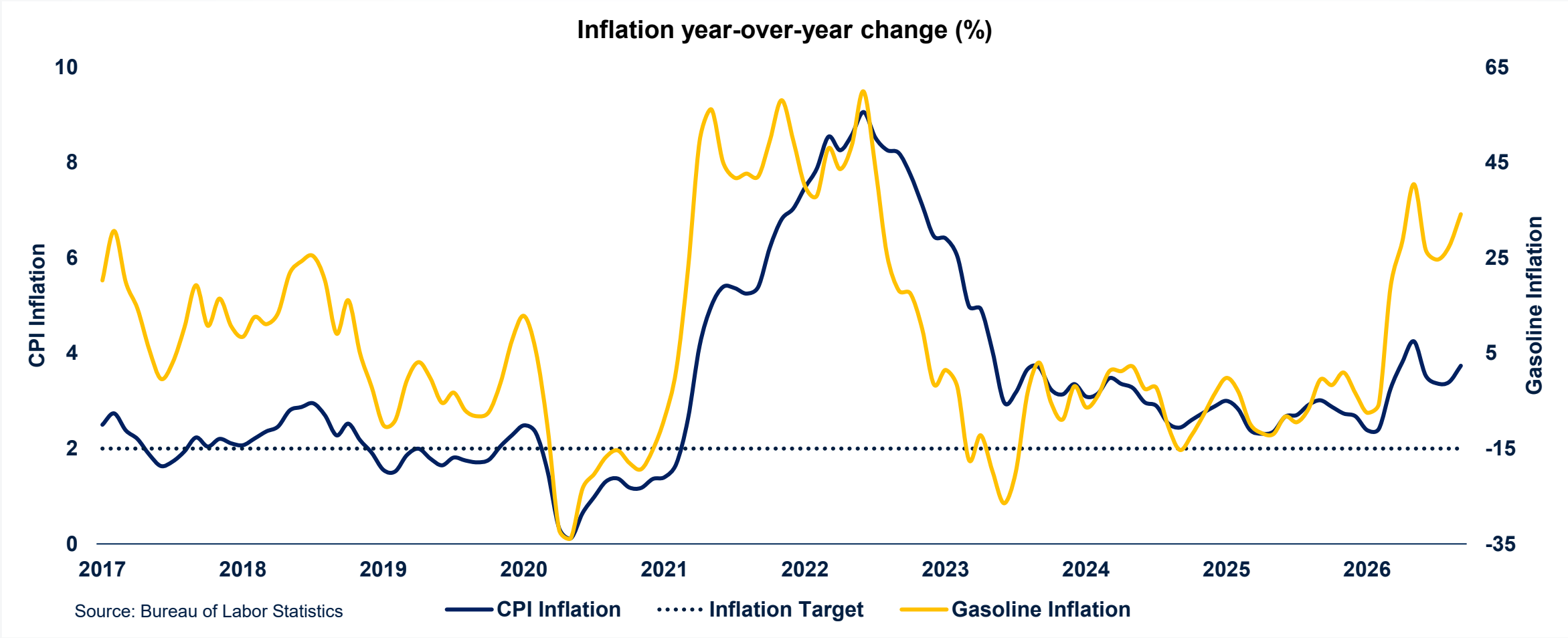
Prices remain well above the pre-pandemic trend



Source: Bureau of Labor Statistics

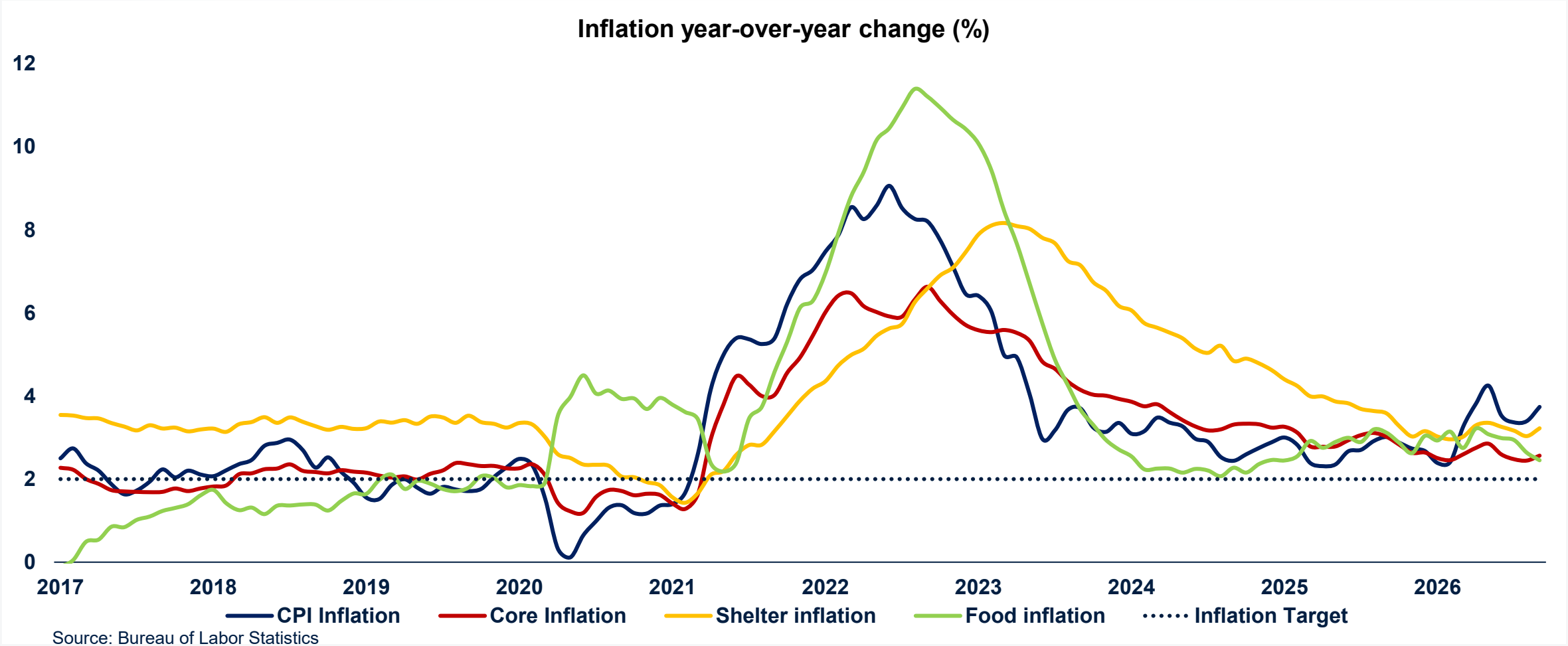
1. Prices

Inflation has been increasing again



1. Prices

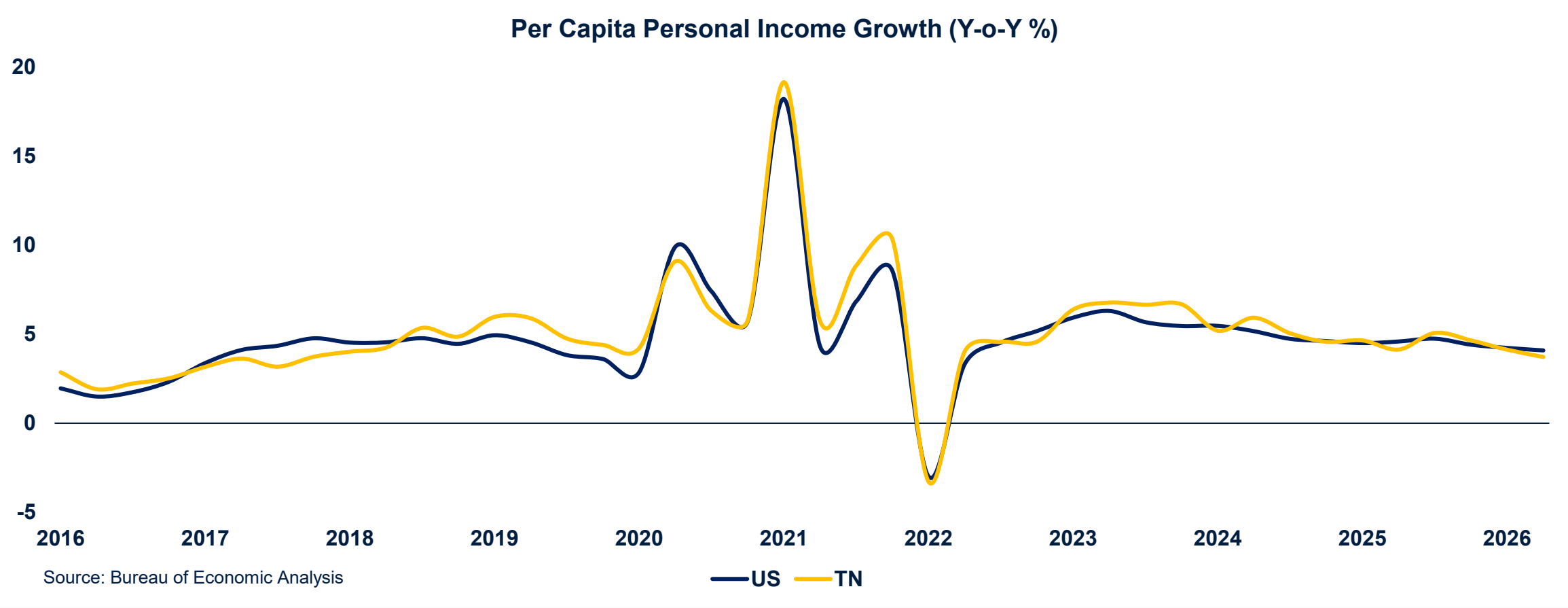
Prices are still rising across major categories



Source: Bureau of Labor Statistics

2. Incomes

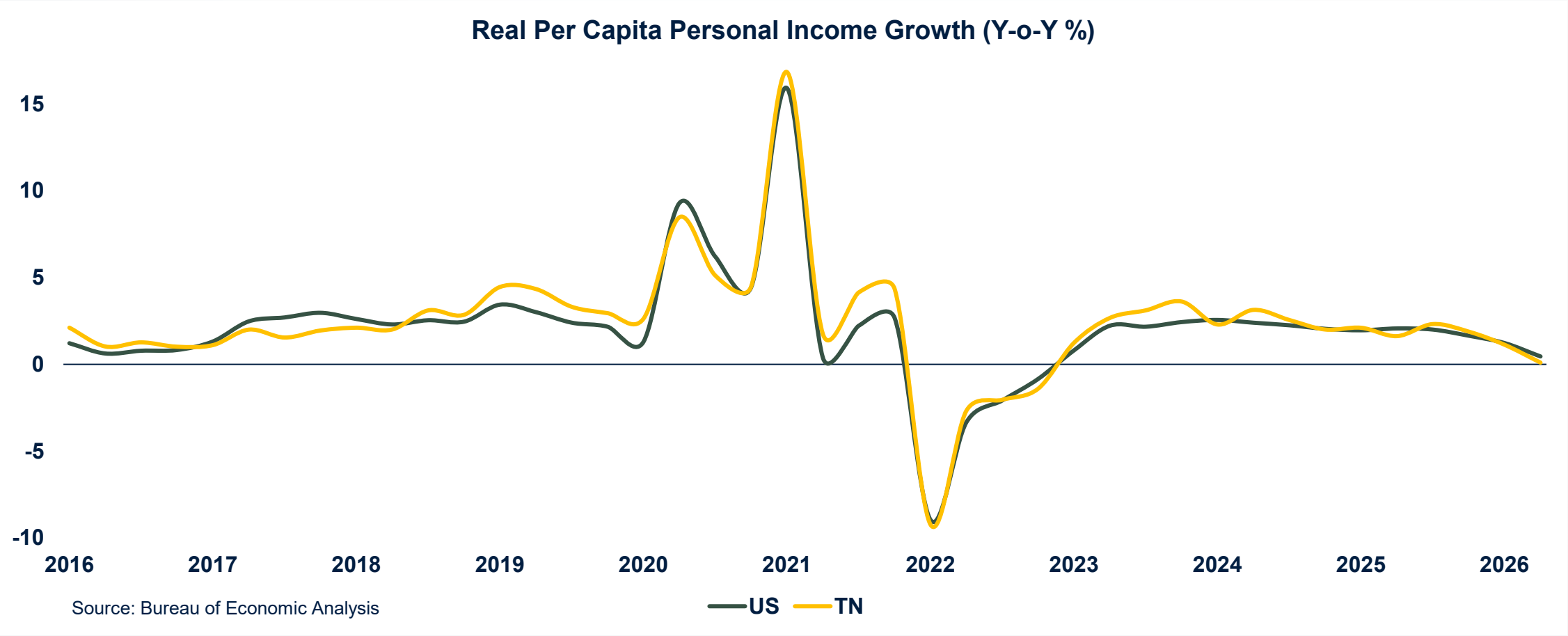
Nominal income growth is back on trend



Source: Bureau of Economic Analysis

2. Incomes

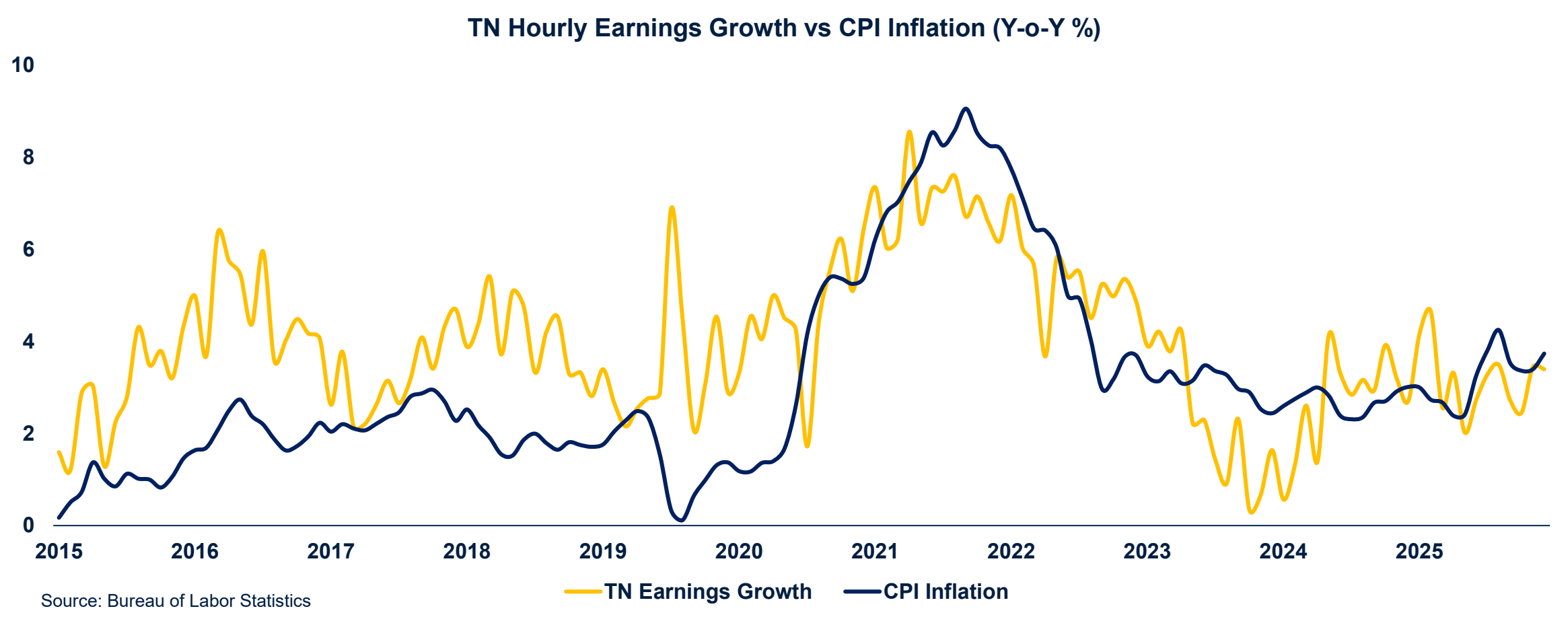
But real income growth is close to zero



Source: Bureau of Economic Analysis

2. Incomes

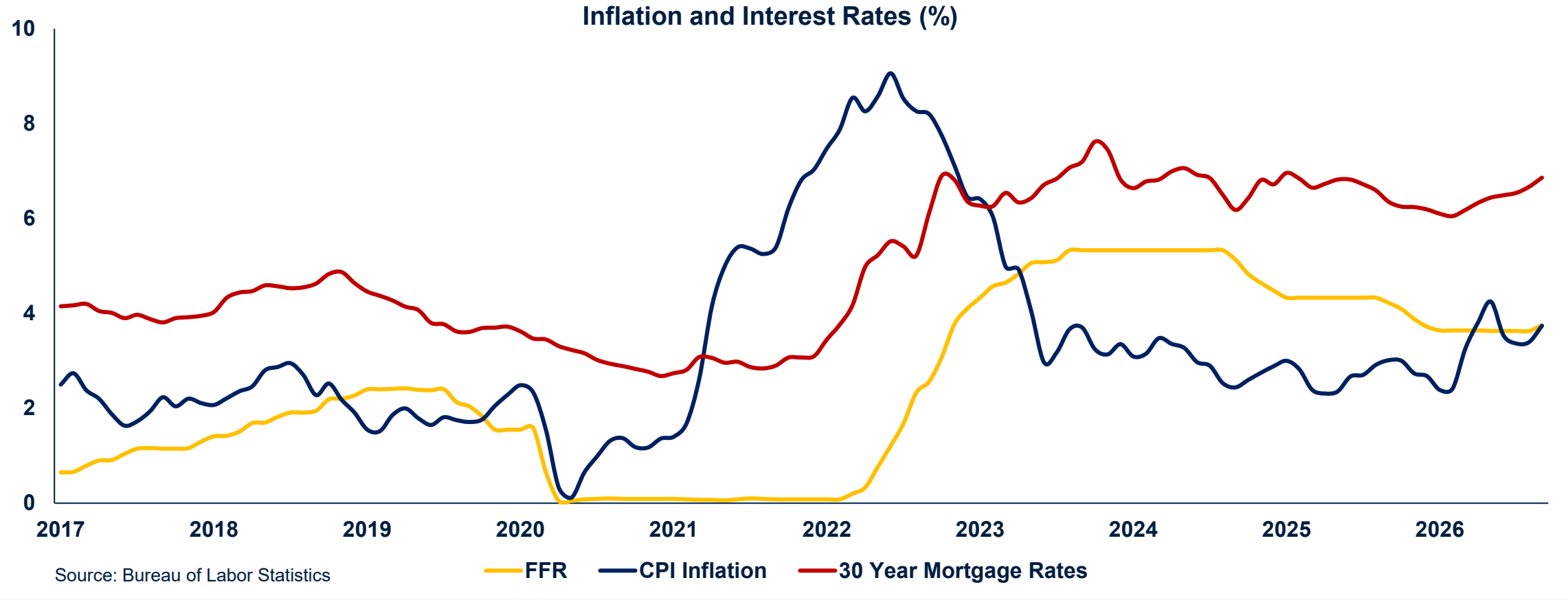
Earnings growth is not keeping up with inflation



Source: Bureau of Labor Statistics

3. Borrowing Costs

Cost of borrowing has gone up

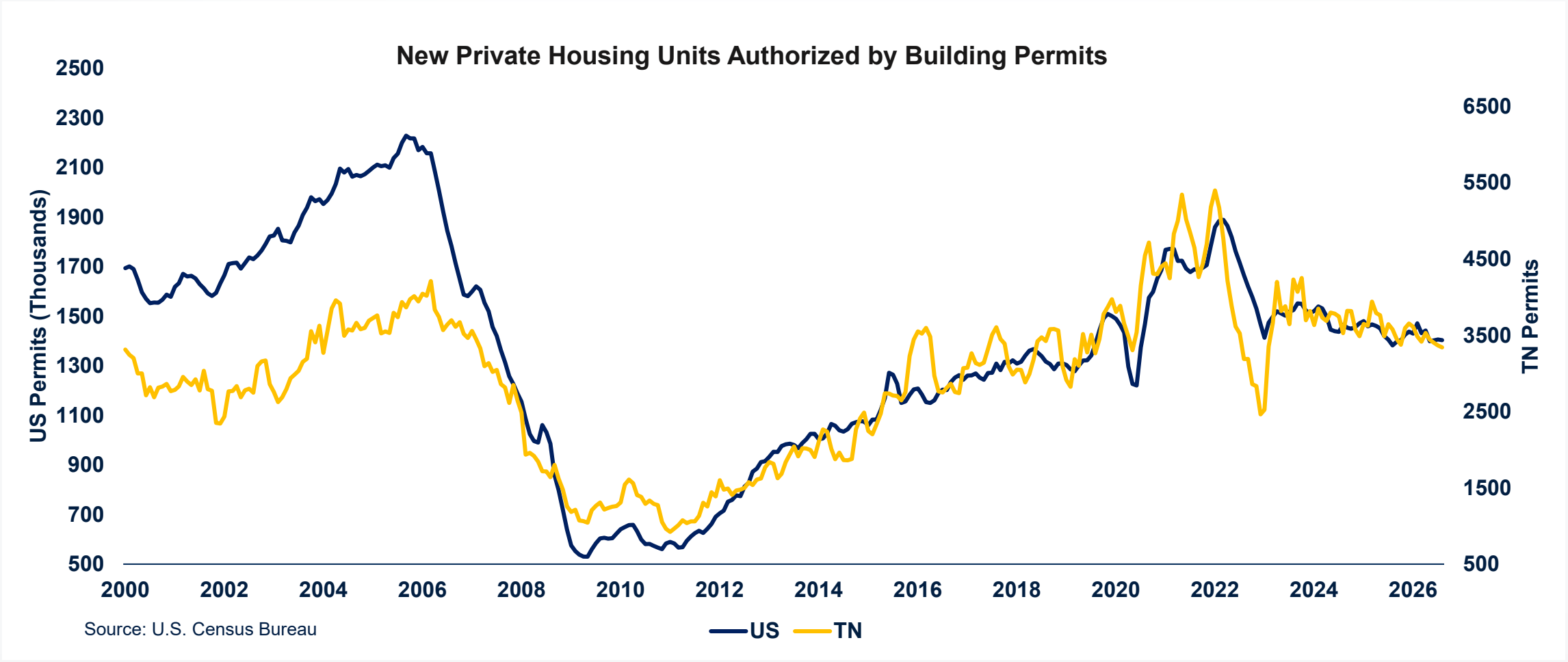


Source: Bureau of Labor Statistics

Economic Activity

Housing

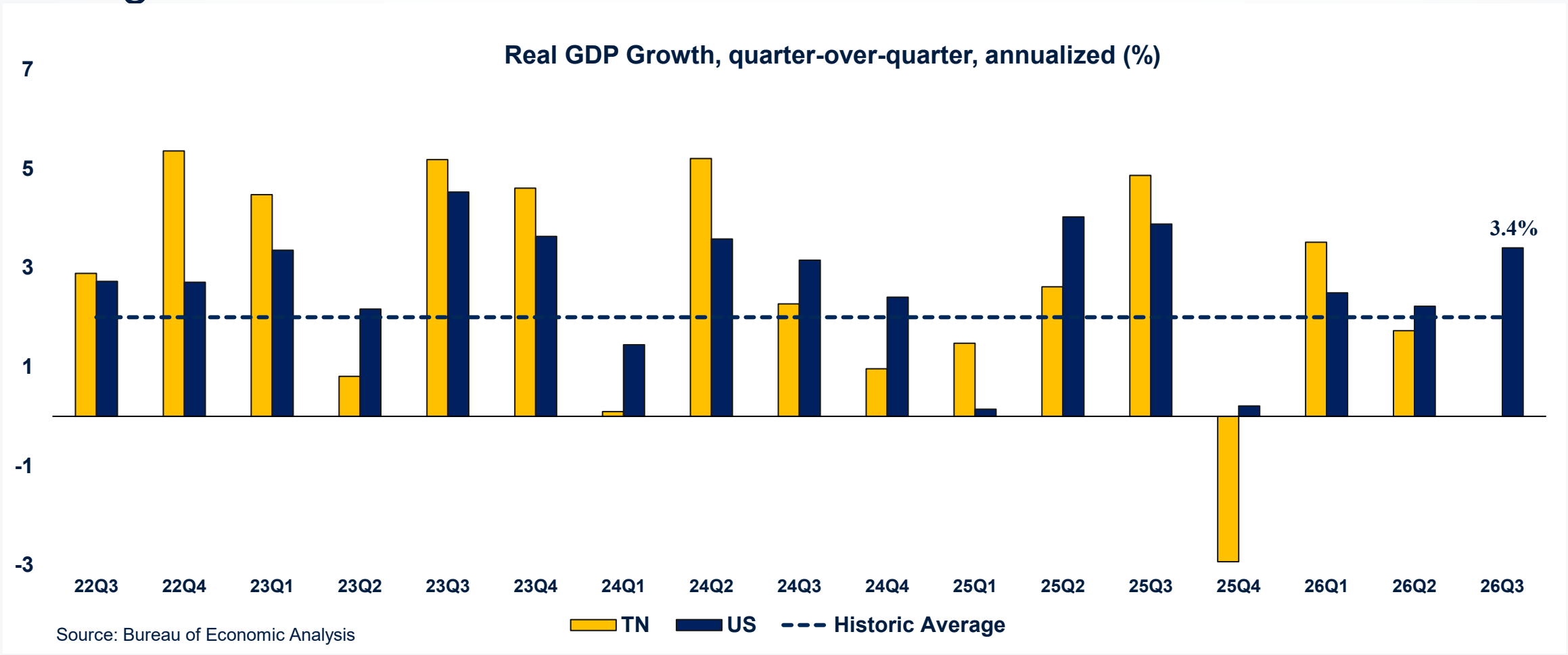
Housing activity has been sluggish



Source: U.S. Census Bureau

GDP Growth

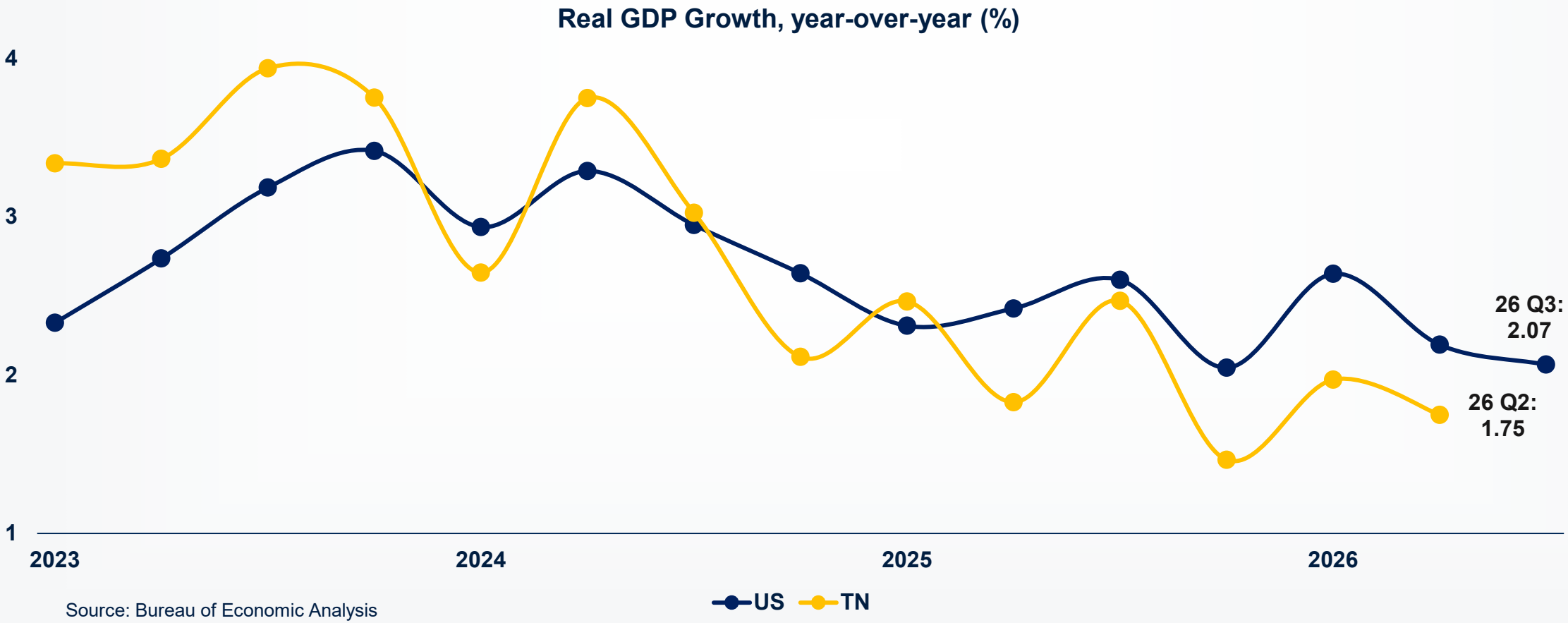
GDP growth has been resilient



Source: Bureau of Economic Analysis

GDP Growth

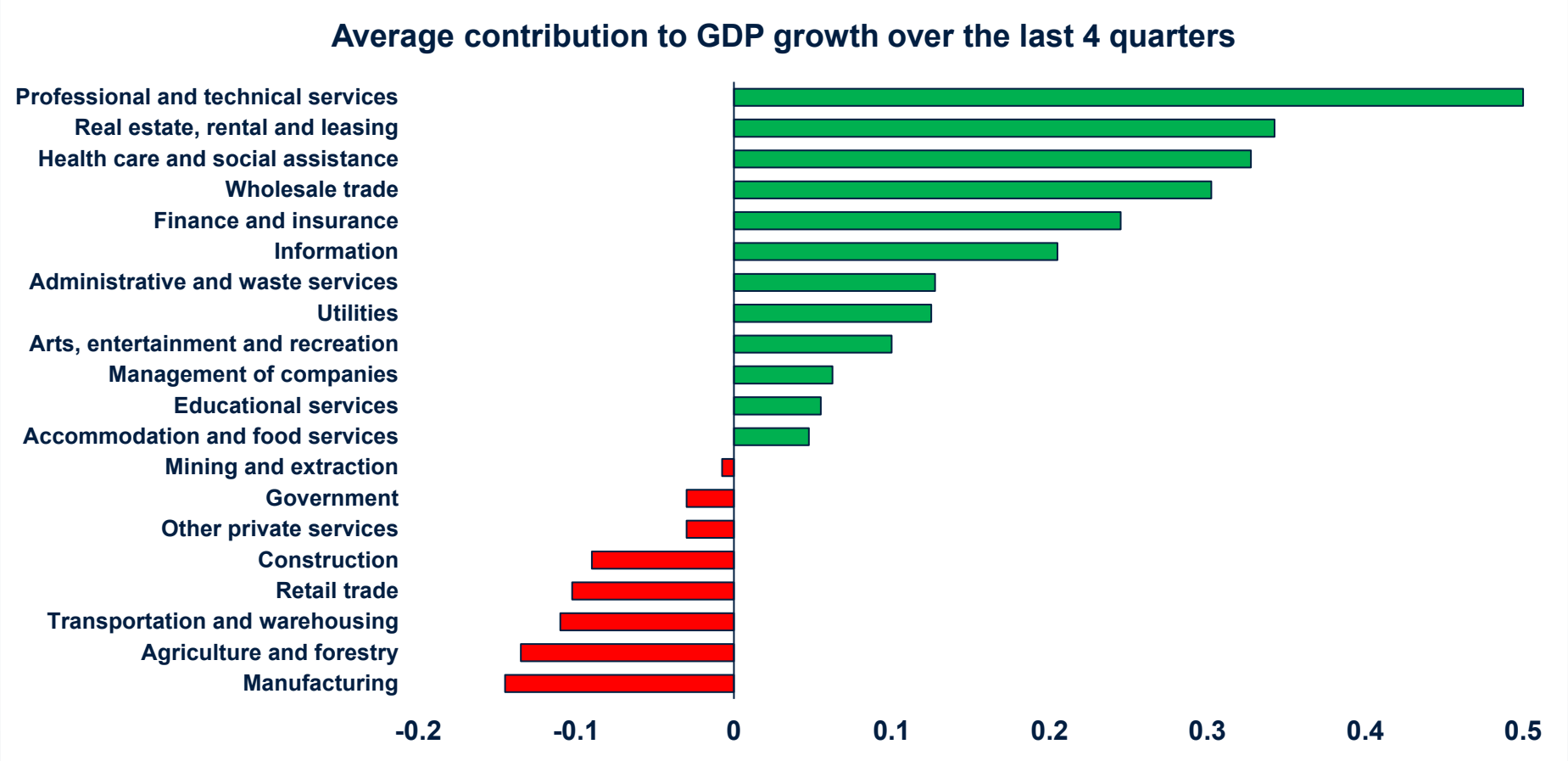
Year-on-year growth has been trending down



Source: Bureau of Economic Analysis

TN GDP Growth by Industry

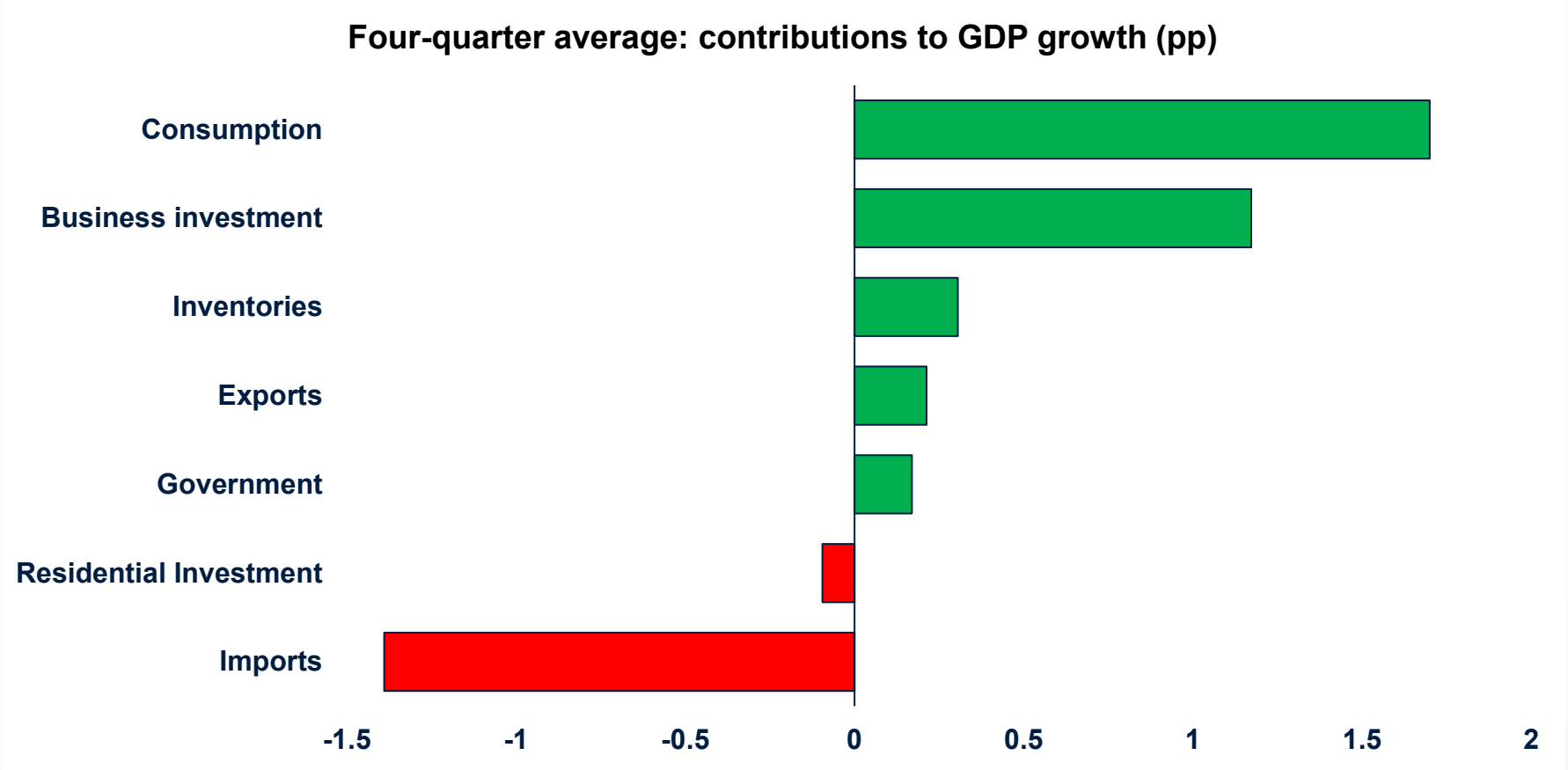
Professional services led Tennessee's GDP growth



Source: Bureau of Economic Analysis

US GDP Growth by Category

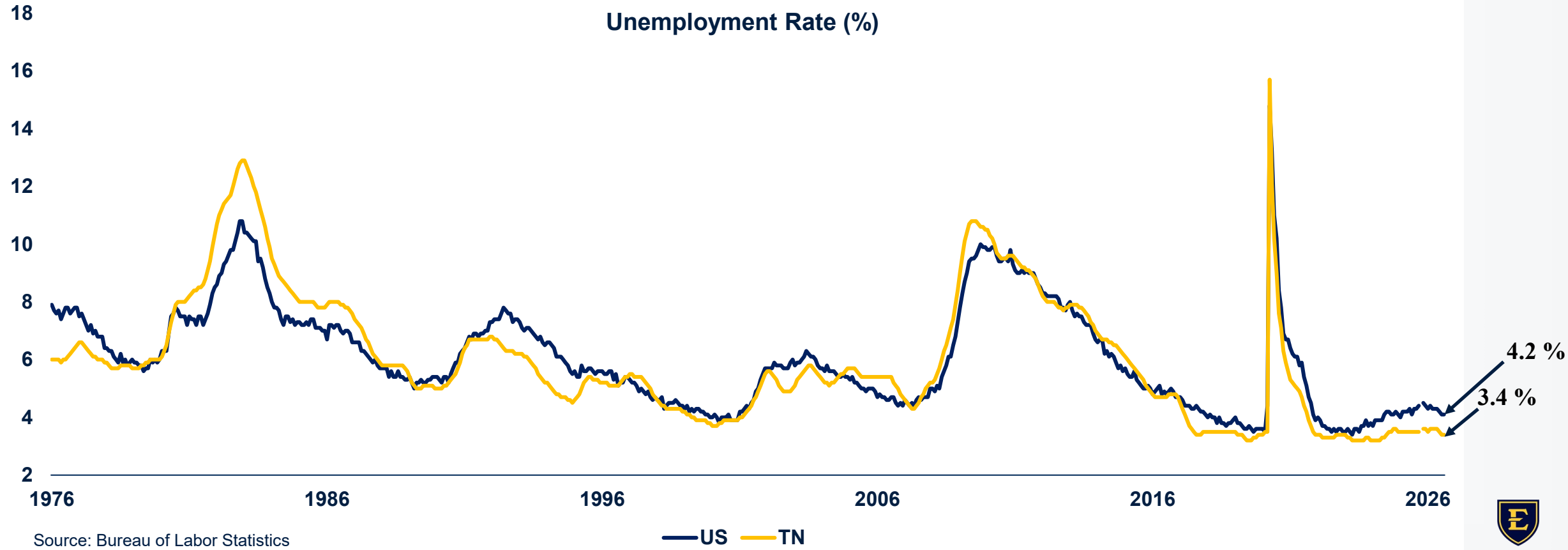
Consumption and business investment have supported U.S. growth



Source: Bureau of Economic Analysis

Unemployment

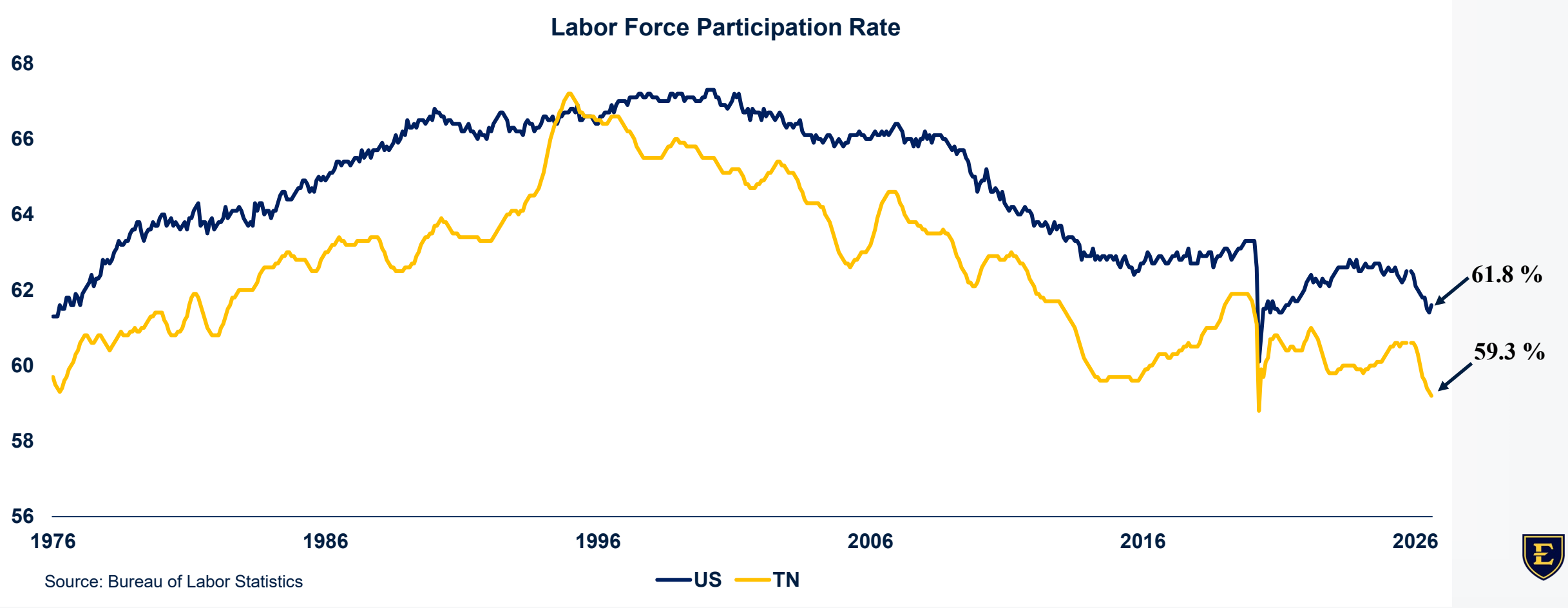
Unemployment rate is near historic lows



Source: Bureau of Labor Statistics

Labor Force

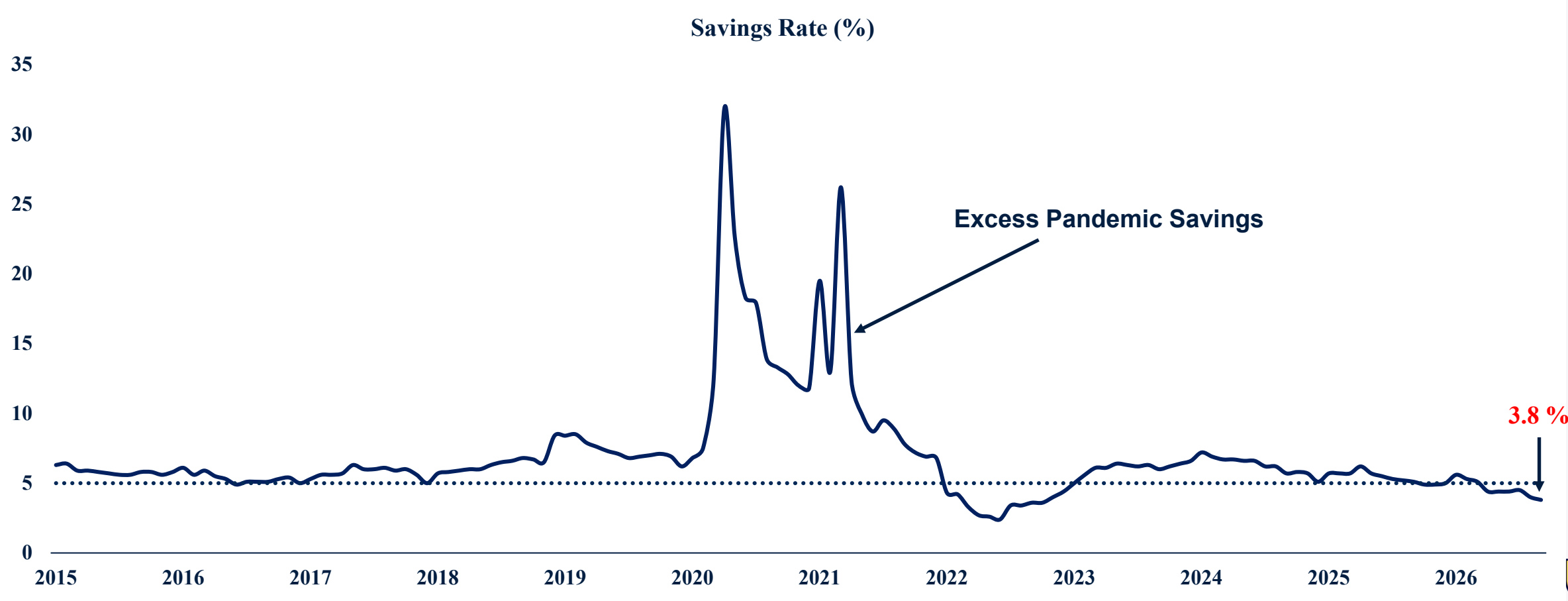
But labor force participation has also been decreasing



Source: Bureau of Labor Statistics

Personal Savings

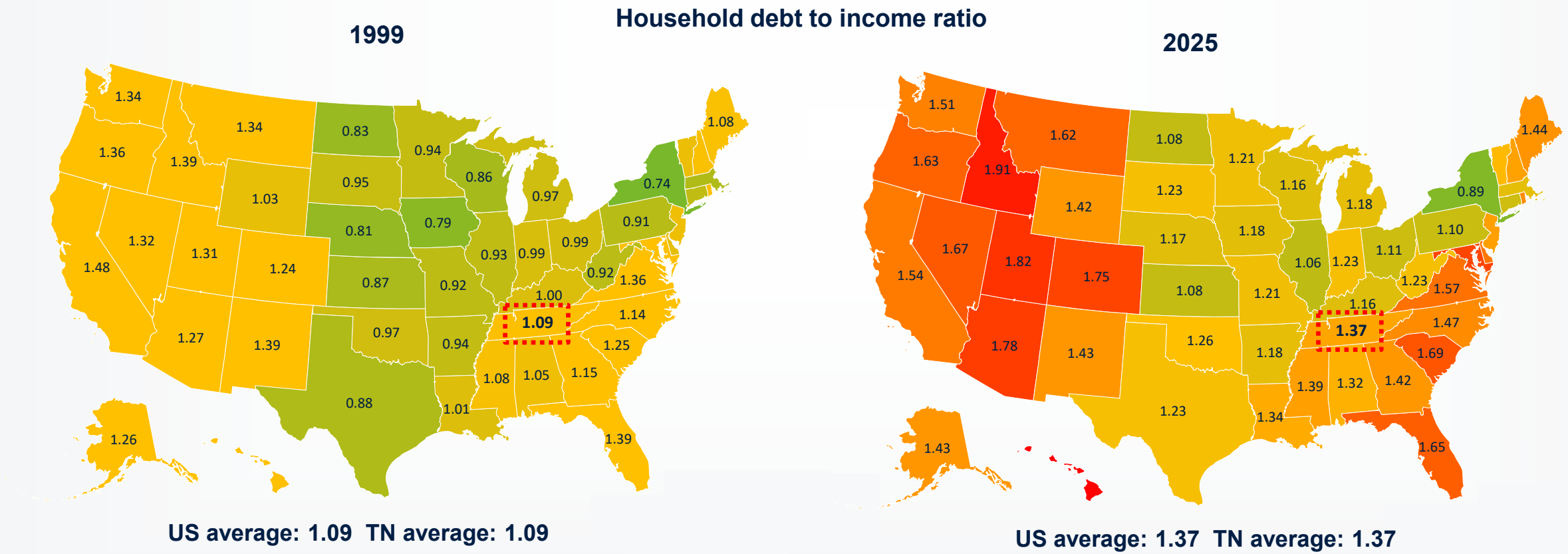
Households are exhausting their savings



Source: Bureau of Economic Analysis

Household Debt

Household debt is rising relative to income



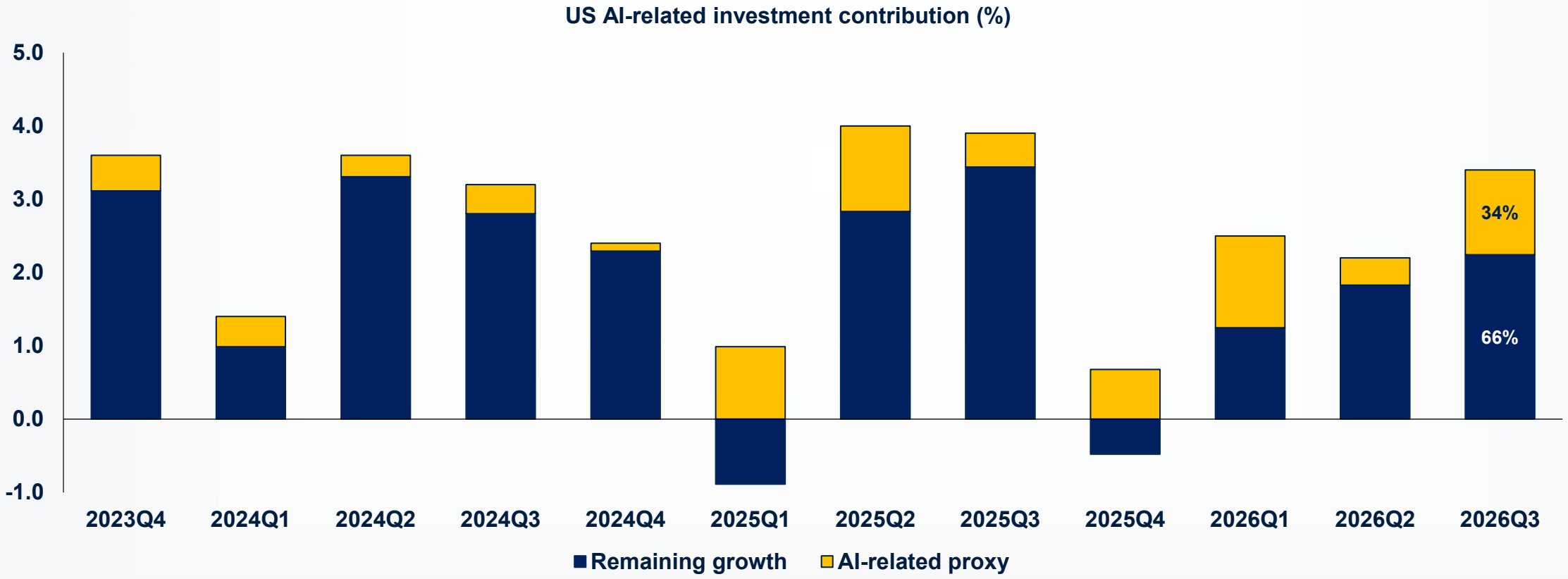
US average: 1.09 TN average: 1.09

US average: 1.37 TN average: 1.37

Source: FRBNY Consumer Credit Panel, Bureau of Labor Statistics

The Role of AI: Direct Effect

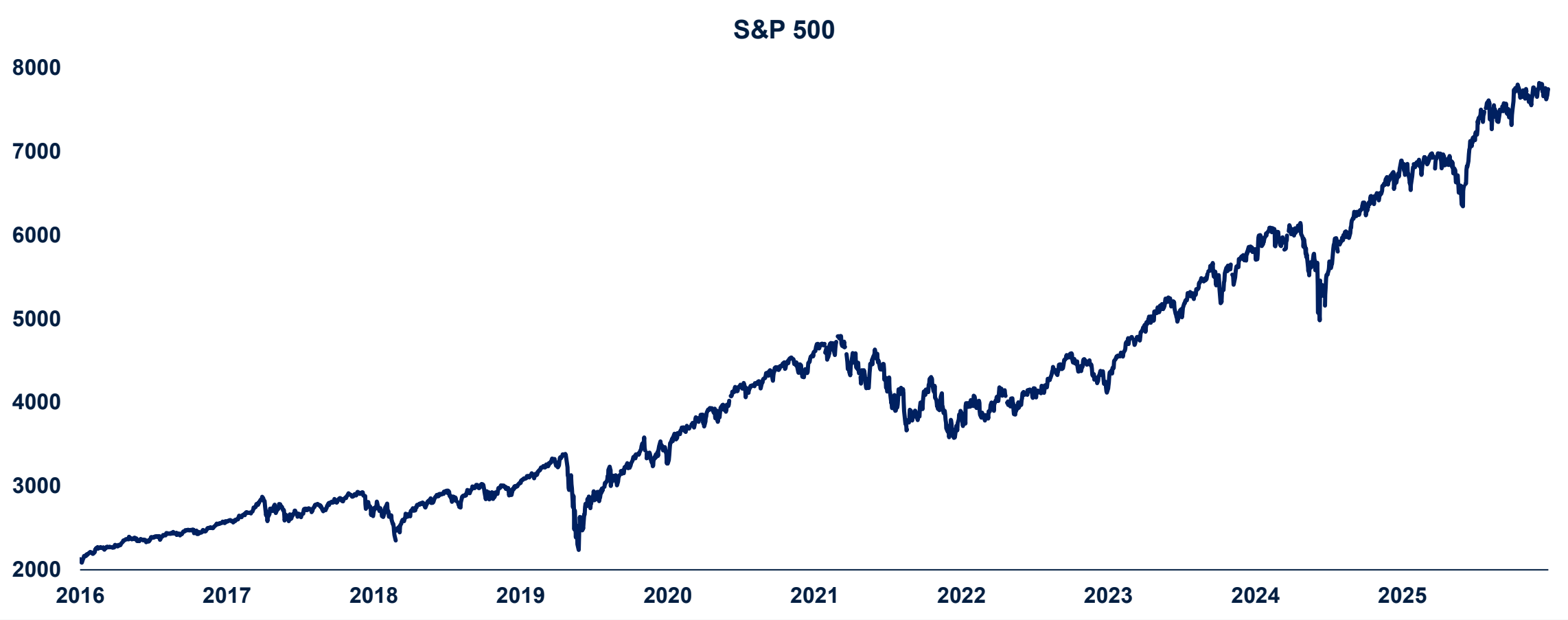
AI related investments are boosting growth



Source: Authors' calculations, Bureau of Economic Analysis, Soto, Paul E., Mason Thieu, and Jeffrey S. Allen (2026). "The AI Buildout and the Economy: Publicly Available Data to Assess AI's Impact," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, July 17, 2026, https://doi.org/10.17016/2380-7172.4119.

The Role of AI: Indirect Effect

Higher stock market wealth may be contributing to increased consumption

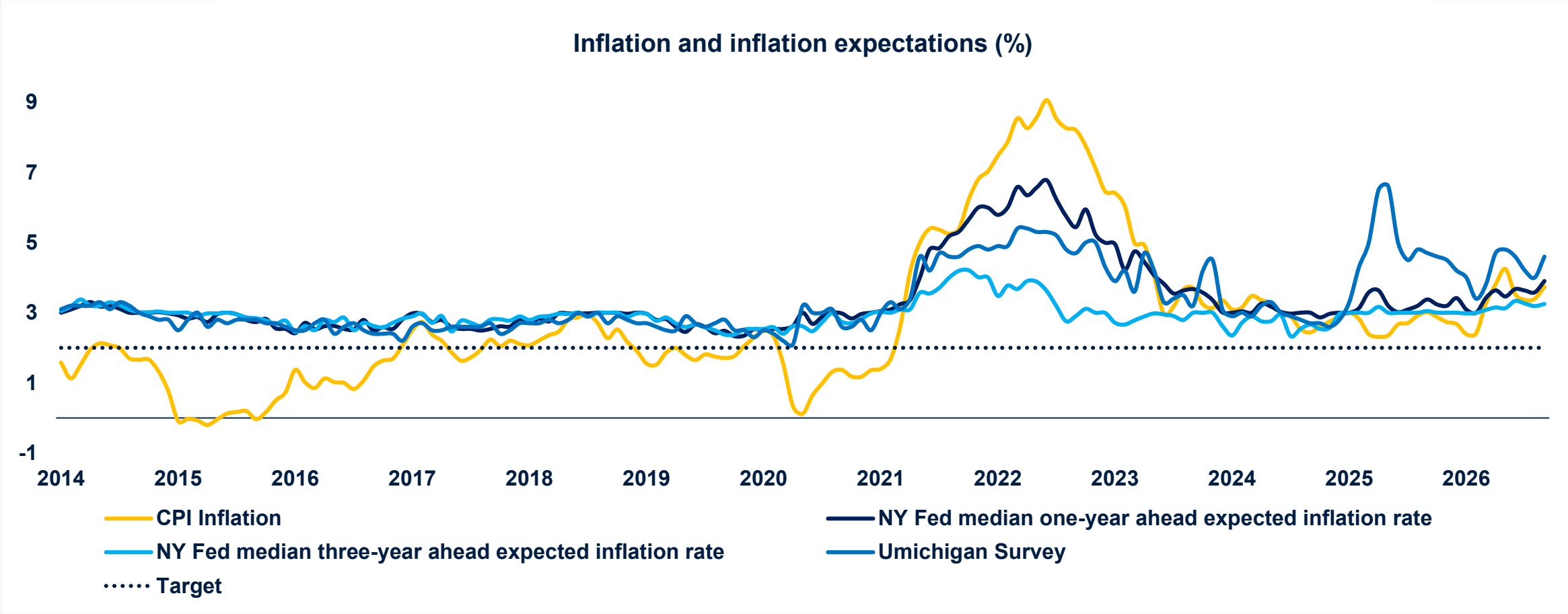


Source: S&P Dow Jones Indices

Going Forward

1. Inflation

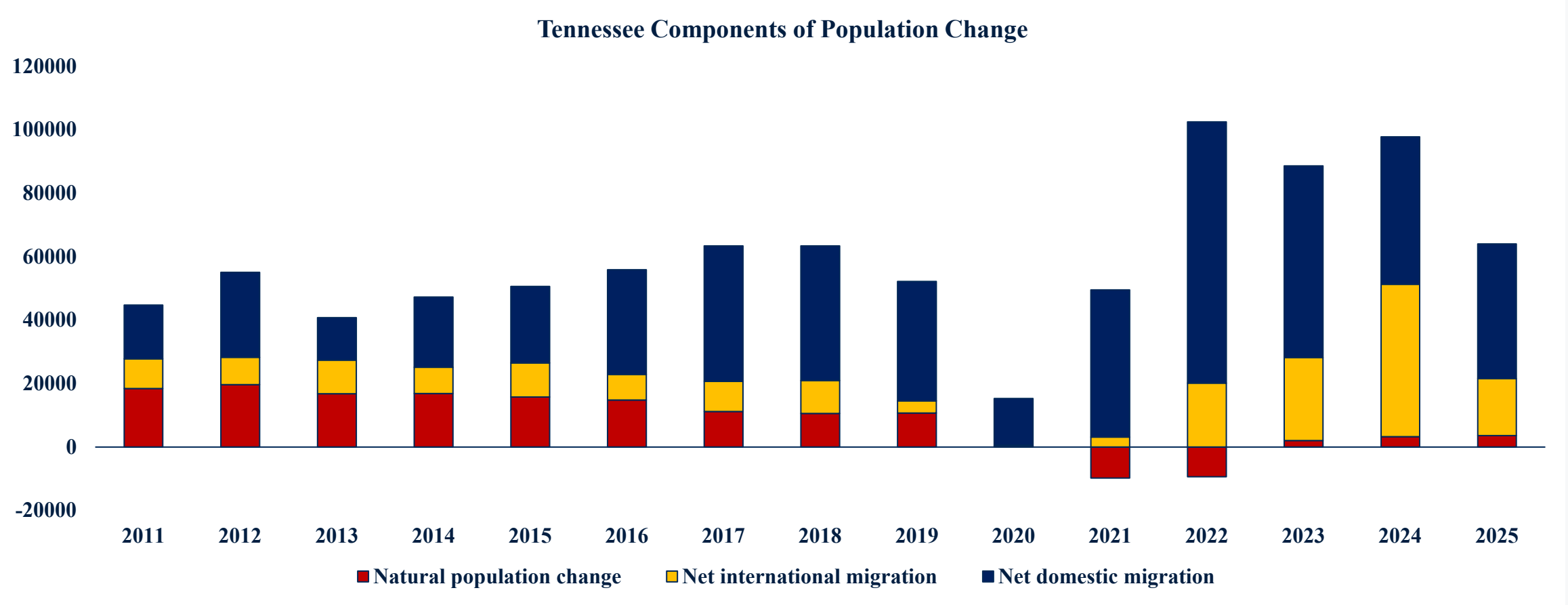
Inflation expectations remain unanchored



Source: Bureau of Labor Statistics, New York Fed, University of Michigan

2. Population

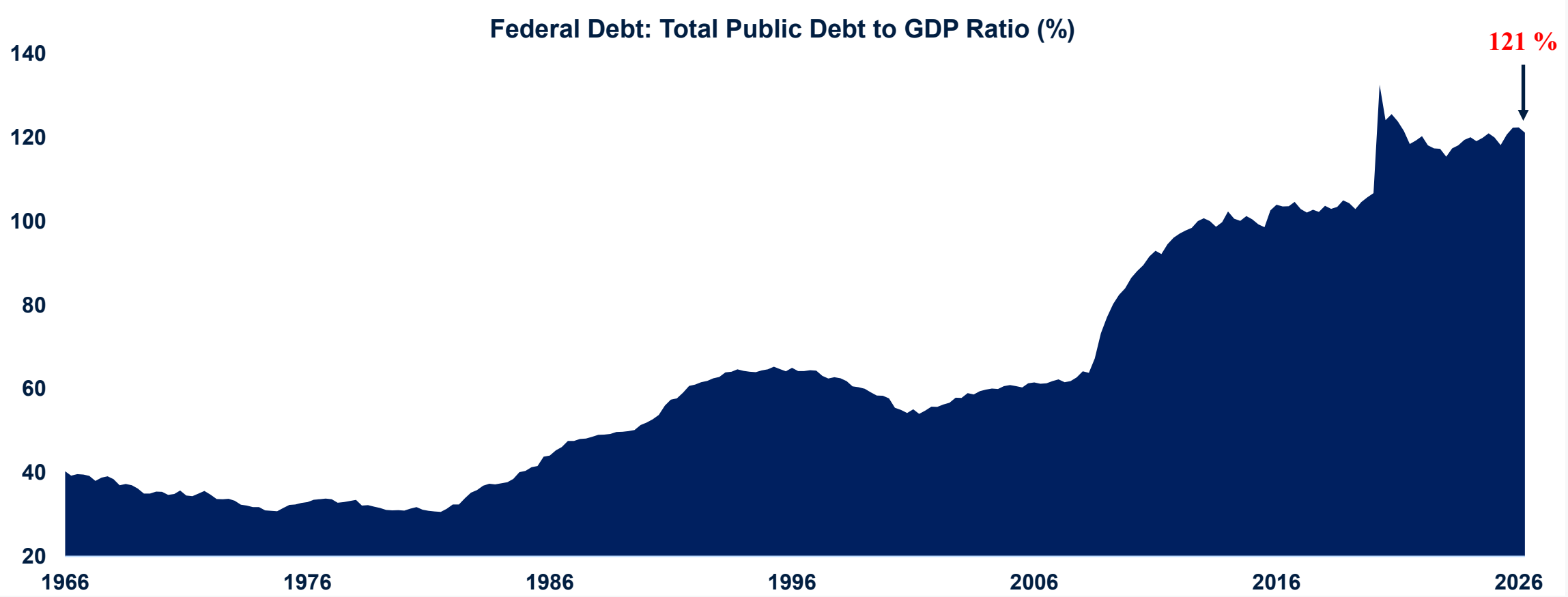
Domestic migration remains key to Tennessee's population growth



Source: U.S. Census Bureau

3. Debt

High federal debt can limit the response to future downturns



Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget

Economic Outlook: Key Takeaways

- High prices, borrowing costs, and weak real income growth strain household budgets
- Activity remains resilient, but low saving and high debt burdens could limit future spending
- AI investment supports U.S. growth, but disappointing returns pose major risks
- **Near term:** Inflation and borrowing costs remain key
- **Longer term:** AI's productivity gains, population growth, and federal debt will shape the outlook

Revenue Forecast

	FY 25 -26	FY 26- 27		FY 27 - 28	
	AMOUNT	AMOUNT	PERCENT CHANGE OVER PREVIOUS YEAR	AMOUNT	PERCENT CHANGE OVER PREVIOUS YEAR
Sales and Use Tax[1]	$15,179,383,100	$15,890,000,000	4.68%	$16,435,000,000	3.43%
Gasoline Tax	$886,135,900	$881,200,000	-0.56%	$892,200,000	1.25%
Motor Fuel Tax	$320,670,700	$327,600,000	2.16%	$333,800,000	1.89%
Gasoline Inspection Tax	$72,372,300	$71,500,000	-1.21%	$71,600,000	0.14%
Motor Vehicle Registration Tax	$420,594,800	$431,700,000	2.64%	$415,600,000	-3.73%
Income Tax	$707,800	$500,000	-29.36%	$425,000	-15.00%
Privilege Tax[2]	$517,943,200	$542,000,000	4.64%	$557,200,000	2.80%
Gross Receipts Tax - TVA	$445,685,700	$462,750,000	3.83%	$481,600,000	4.07%
Gross Receipts Tax - Other	$54,001,400	$55,700,000	3.15%	$56,500,000	1.44%
Beer Tax	$16,491,000	$16,500,000	0.05%	$16,525,000	0.15%
Alcoholic Beverage Tax	$84,210,400	$88,200,000	4.74%	$90,700,000	2.83%
Franchise Tax	$1,286,054,900	$1,301,000,000	1.16%	$1,350,000,000	3.77%
Excise Tax	$3,377,595,400	$3,420,000,000	1.26%	$3,500,000,000	2.34%
Inheritance and Estate Tax	$14,200	$12,000	-15.49%	$10,000	-16.67%
Tobacco Tax	$178,030,000	$175,000,000	-1.70%	$172,000,000	-1.71%
Vapor Products Tax	$16,284,100	$16,850,000	3.48%	$17,650,000	4.75%
Hemp Tax	$1,275,000	$1,350,000	5.88%	$1,450,000	7.41%
Motor Vehicle Title Fees	$22,480,700	$23,100,000	2.75%	$23,550,000	1.95%
Mixed Drink Tax	$233,549,300	$240,020,000	2.77%	$246,500,000	2.70%
Business Tax	$399,833,900	$404,000,000	1.04%	$405,000,000	0.25%
Severance Tax	$565,700	$525,000	-7.19%	$565,700	7.75%
Coin-operated Amusement Tax	$213,100	$320,000	50.16%	$400,000	25.00%
Unauthorized Substance Tax	-	-	-	-	-
	$23,514,092,600	$24,349,827,000	3.55%	$25,068,275,700	2.87%

[1]Excludes $159.3 million in estimated earmarked fees from E911 telecommunications services and $21.9 million from special Money Transfer Tax funds.

[2]Excludes $78 million in estimated earmarked fees collected under the privilege tax.

Total Revenue	Total Revenue	General Fund	Education Fund	Highway Fund	Debt Service Fund	Cities & Counties*
Sales and Use Tax[1]	$15,890,000,000	$5,704,059,964	$9,083,486,009	$121,179,603	$111,626,456	$869,647,968
Gasoline Tax	$881,200,000	$14,122,738	-	$407,597,908	$124,554,702	$334,924,652
Motor Fuel Tax	$327,600,000	$2,321,257	-	$239,594,085	-	$85,684,658
Gasoline Inspection Tax	$71,500,000	$20,666,438	-	$38,982,192	-	$11,851,370
Income Tax	$500,000	-	$430,000	-	-	$70,000
Motor Vehicle Registration Tax	$431,700,000	$78,831,244	$213,925	$352,654,832	-	-
Privilege Tax[2]	$542,000,000	$533,929,467	$318,574	-	-	$7,751,959
Gross Receipts Tax - TVA	$462,750,000	$250,446,671	-	-	-	$212,303,329
Gross Receipts Tax - Other	$55,700,000	$46,476,559	-	$9,223,441	-	-
Beer Tax	$16,500,000	$11,067,073	-	$2,112,805	-	$3,320,122
Alcoholic Beverage Tax	$88,200,000	$72,893,447	-	-	-	$15,306,553
Franchise Tax	$1,301,000,000	$1,281,120,543	-	-	$19,879,457	-
Excise Tax	$3,420,000,000	$3,062,608,696	-	-	$266,086,957	$91,304,348
Inheritance and Estate Tax	$12,000	$1,853	$10,147	-	-	-
Tobacco Tax	$175,000,000	$27,023,536	$147,976,464	-	-	-
Vapor Products Tax	$16,850,000	$16,850,000	-	-	-	-
Hemp Tax	$1,350,000	$1,350,000	-	-	-	-
Motor Vehicle Title Fees	$23,100,000	$20,400,000	-	-	$2,700,000	-
Mixed Drink Tax	$240,020,000	$0	$119,958,997	-	-	$120,061,003
Business Tax	$404,000,000	$404,000,000	-	-	-	-
Severance Tax	$525,000	$210,000	-	-	-	$315,000
Coin-operated Amusement Tax	$320,000	$320,000	-	-	-	-
Unauthorized Substance Tax	-	-	-	-	-	-
	$24,349,827,000	$11,548,699,486	$9,352,394,115	$1,171,344,865	$524,847,571	$1,752,540,963

*Excludes $159.3 million in estimated earmarked fees from E911 telecommunications services and $21.9 million from special Money Transfer Tax funds.
[2]Excludes $78 million in estimated earmarked fees collected under the privilege tax.



Estimated State Tax Revenue Presentation to the State Funding Board

November 9, 2026

Takeaways

- Significant up and downside risks to the forecast exist
- F&E timing and uncertainty
- Inflation still above Fed targeted rate
- Economic indicators generally at or slightly above long-term trend

Fiscal Year 2026 Tax Revenue

COMPARISON OF ACCRUAL STATE TAX REVENUE

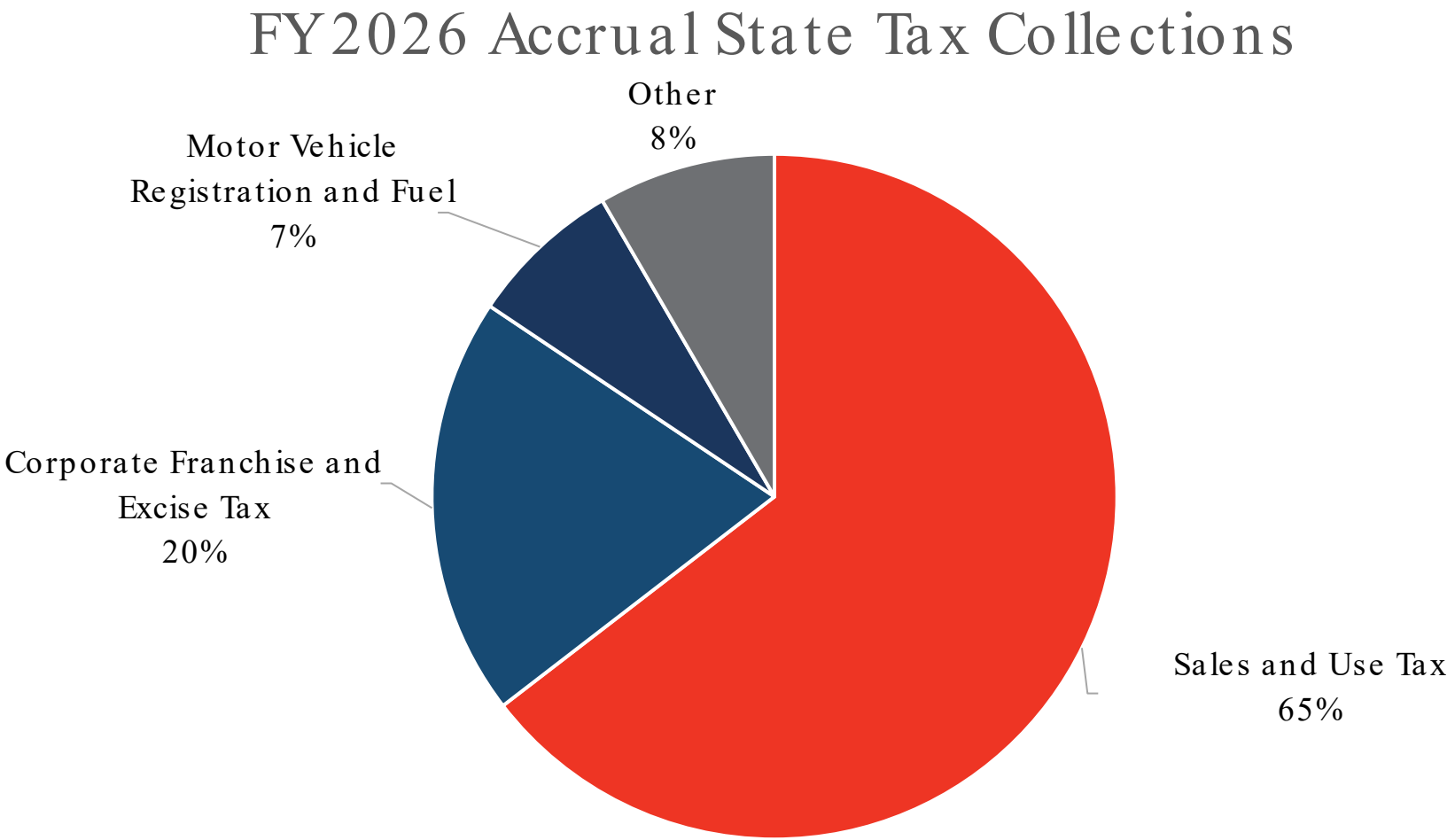
DEPARTMENT OF REVENUE TAXES

YEAR OVER YEAR COMPARISON

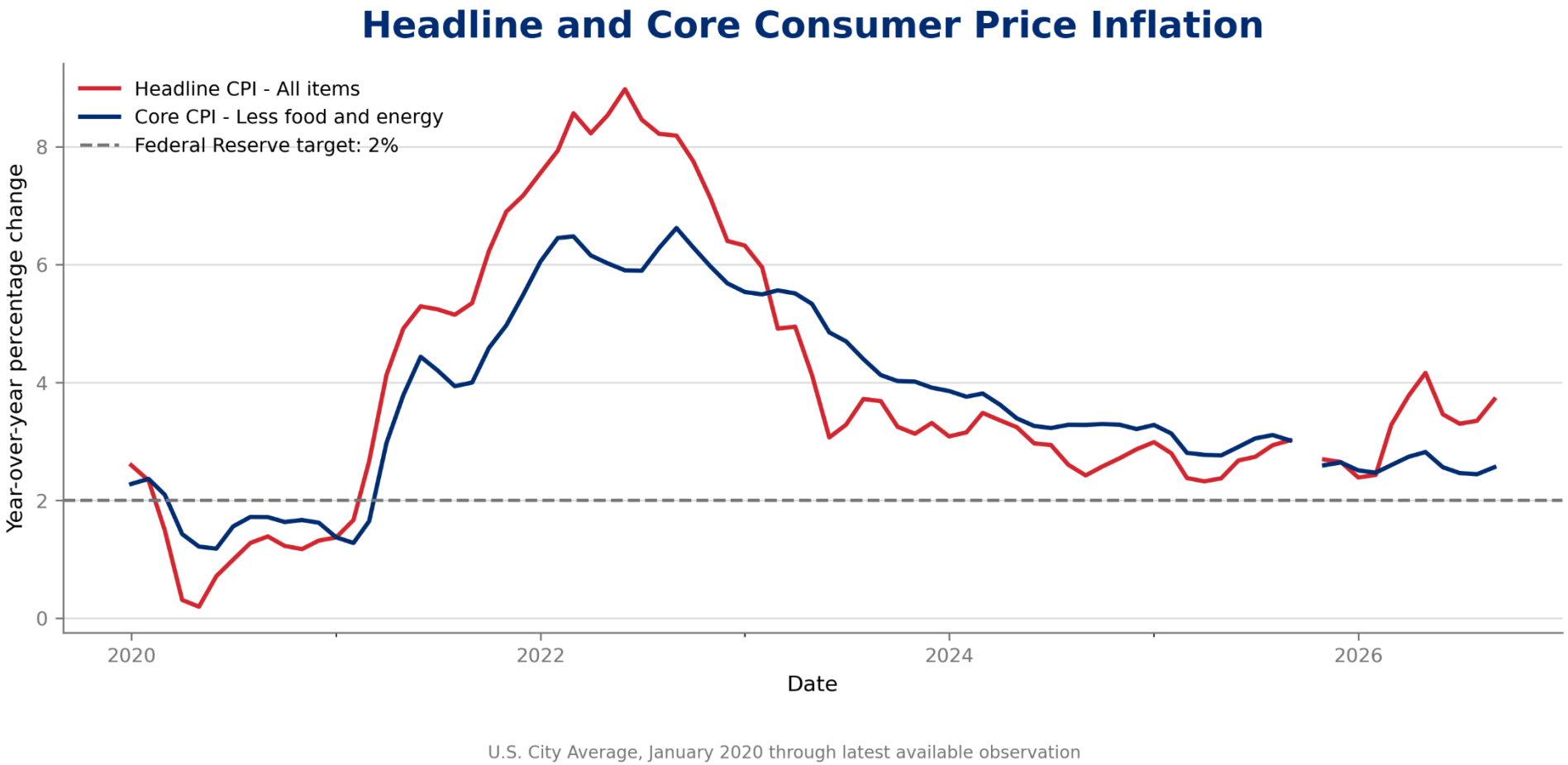
	Fiscal Year 2025	Fiscal Year 2026	% Change	Tax Weight FY 2025	Total % Point Contribution
Sales and Use Tax	$14,502,001,400	$15,179,383,100	4.7%	66.7%	3.1%
Corporate Franchise and Excise Tax	$3,727,202,000	$4,663,650,300	25.1%	17.2%	4.3%
Motor Vehicle Registration and Fuel[1]	$1,693,638,600	$1,699,773,700	0.4%	7.8%	0.0%
Other	$1,804,958,000	$1,970,638,900	9.2%	8.3%	0.8%
TOTAL ACCRUAL REVENUE	$21,727,800,000	$23,513,446,000	8.2%	100.0%	8.2%

*Data from F&A.
[1]Includes motor vehicle registrations. gasoline, motor vehicle fuel, and petroleum special taxes.

Fiscal Year 2026 Tax Revenue



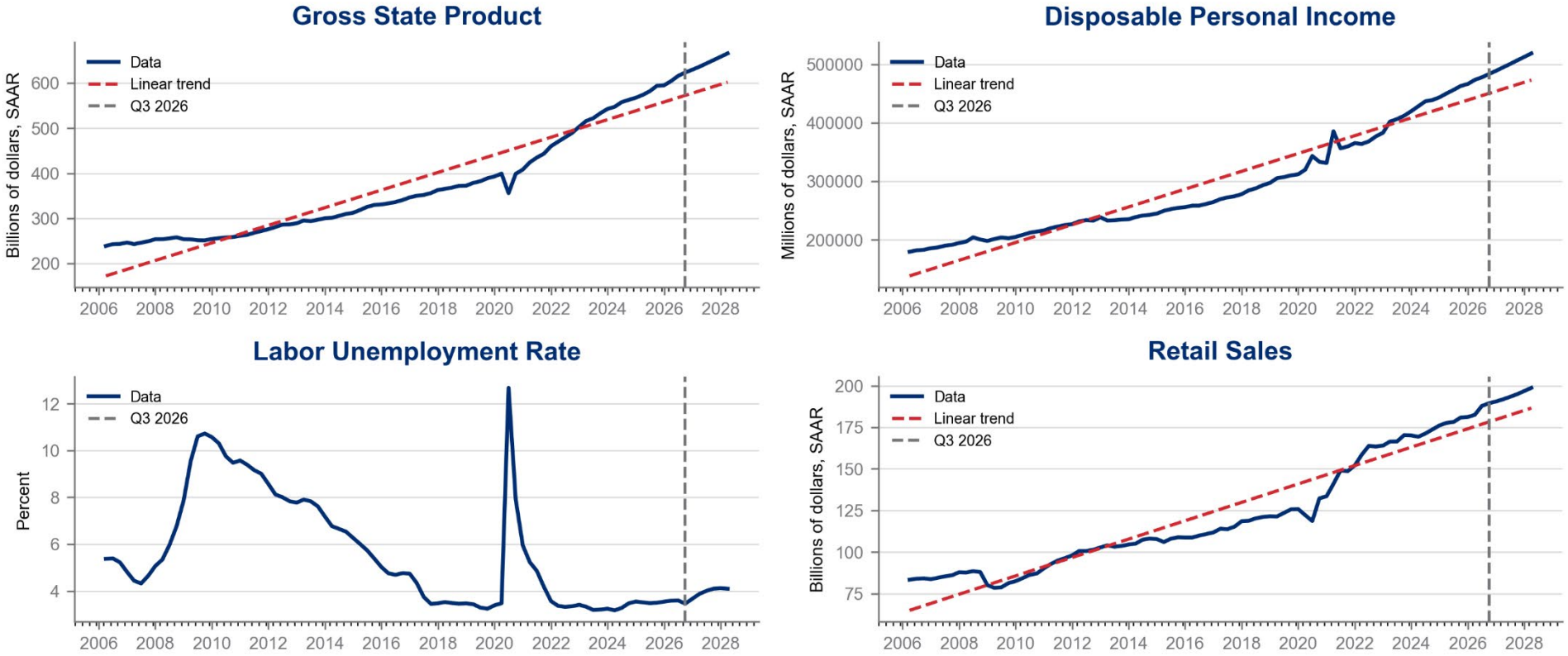
Inflation Remains Above Target Rate



*10/25 Data not published due to federal government shutdown

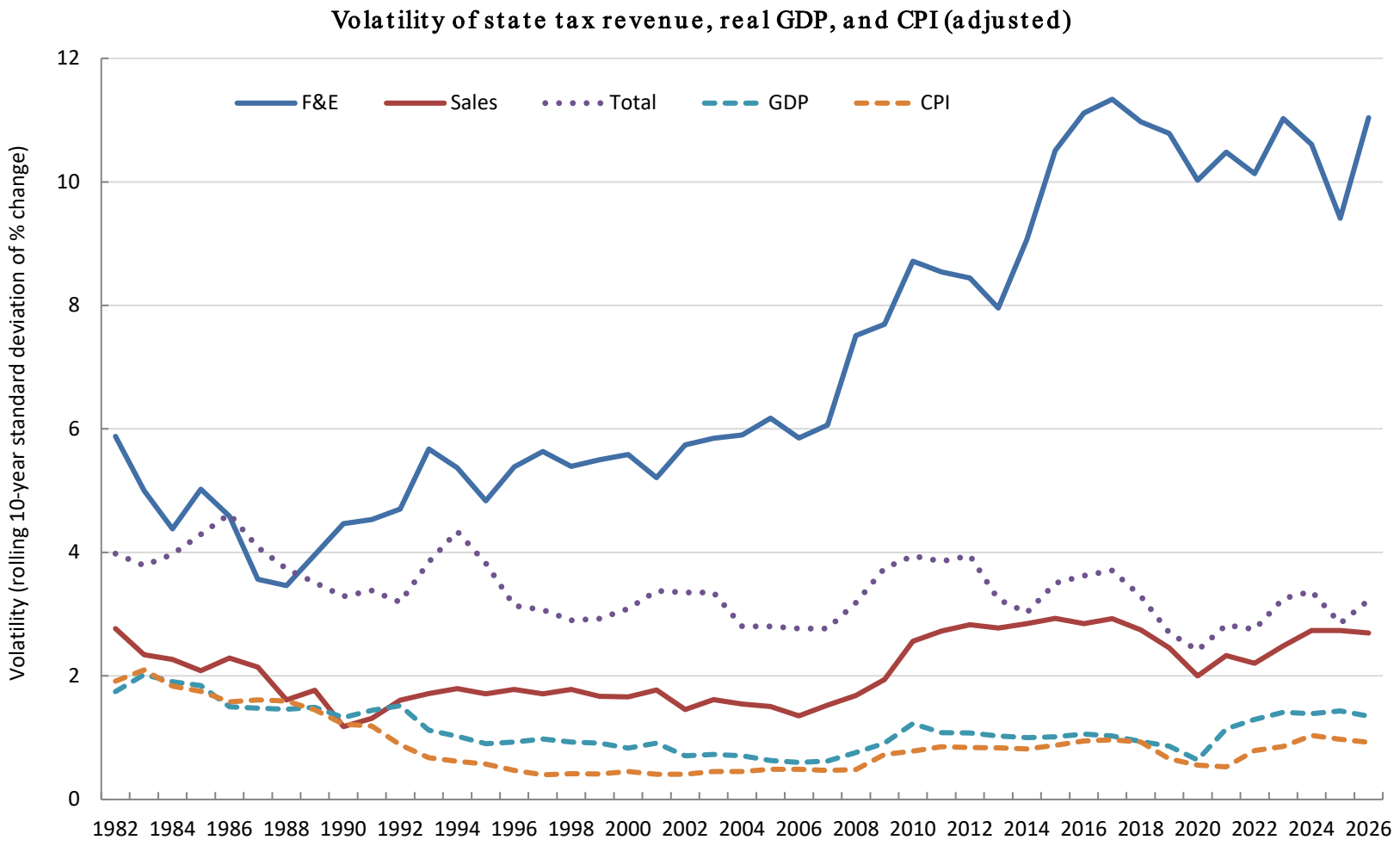
State Level Economic Indicators

Selected Tennessee Economic Indicators

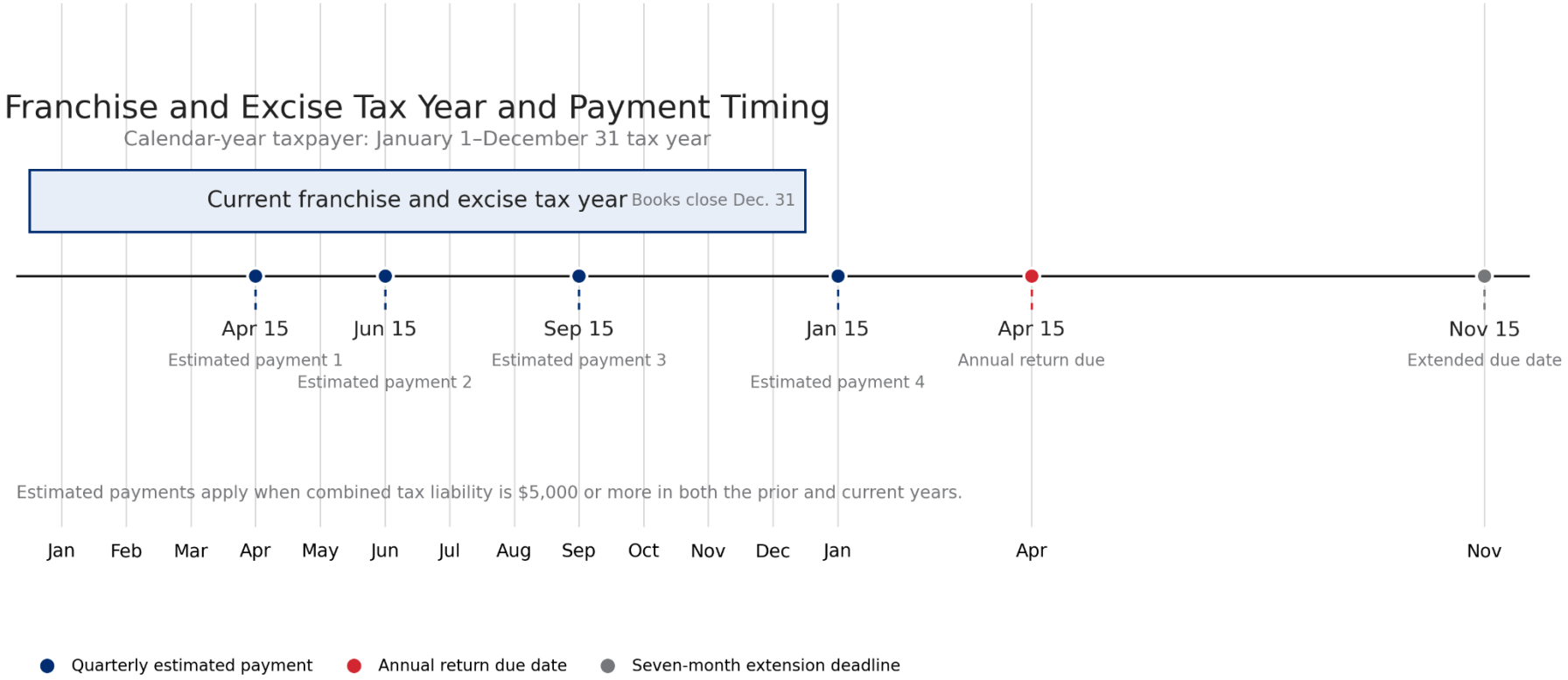


Dashed gray line indicates Q3 2026
Quarterly data, Q1 2006 through Q2 2028

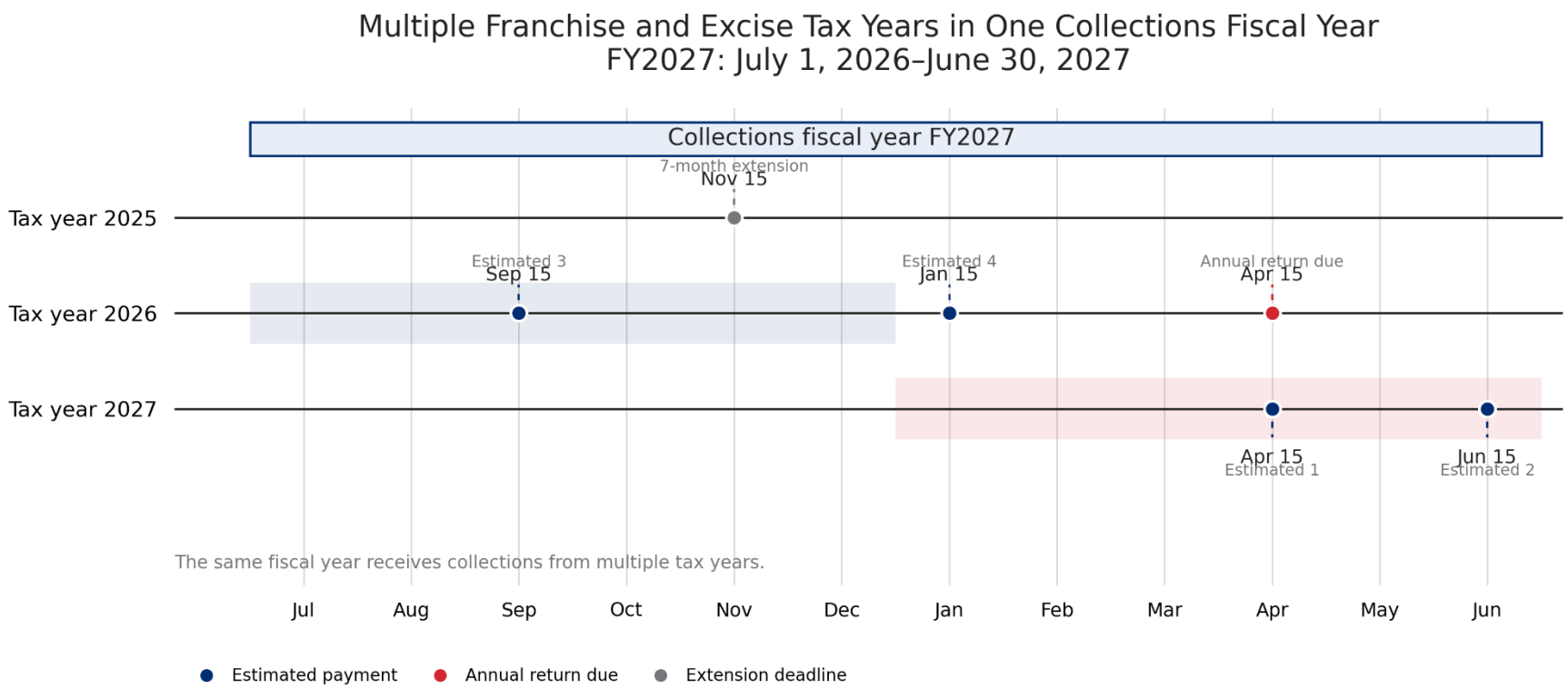
Tennessee Tax Volatility Comparison



Franchise and Excise Tax Timing

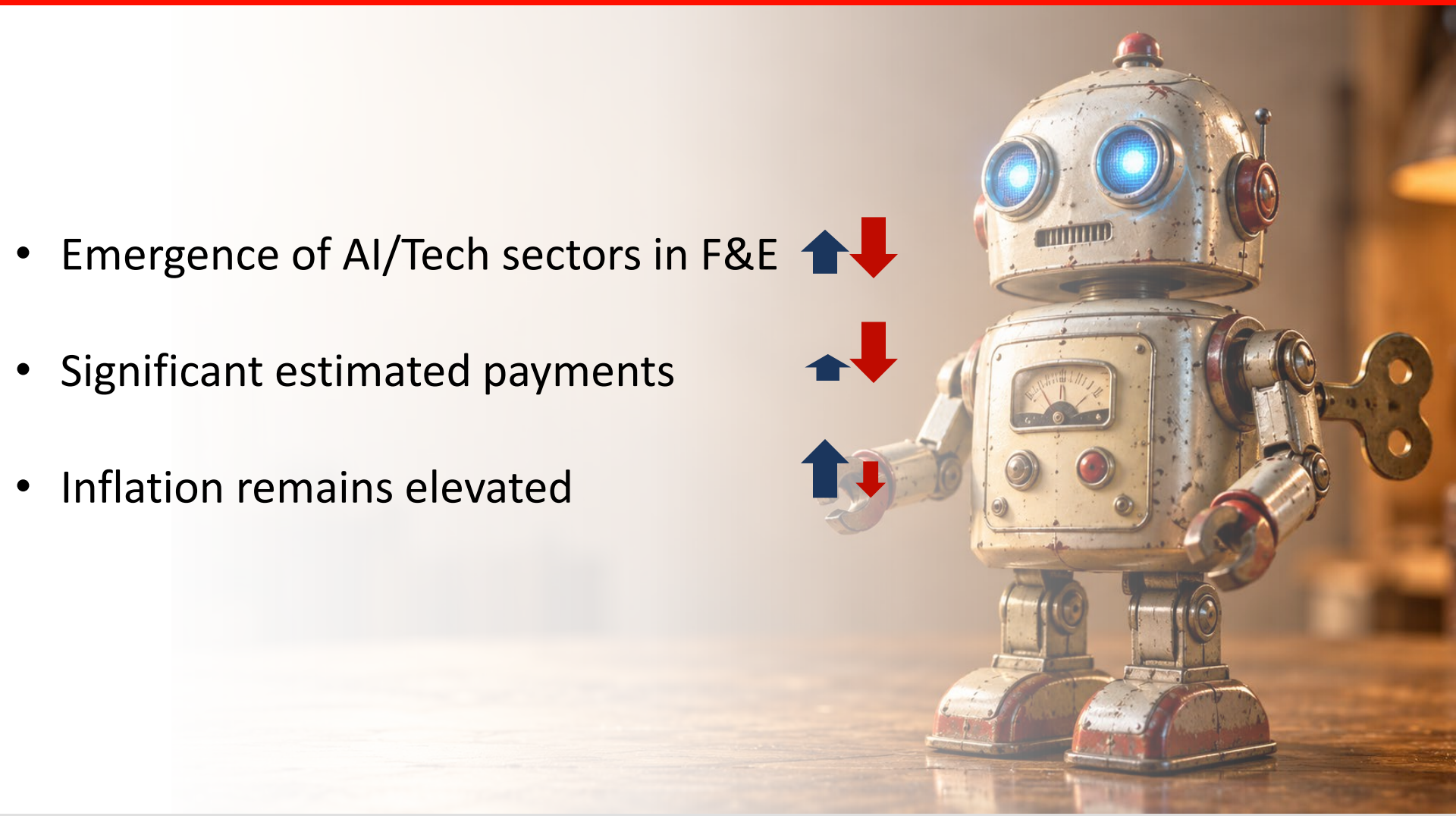


Franchise and Excise Tax Timing FY



Risks to the Forecast

- Emergence of AI/Tech sectors in F&E
- Significant estimated payments
- Inflation remains elevated



Revenue Estimates

Department of Revenue	Actual Revenues FY2026	Official Revenue Estimates FY2026	FY2027 Revised Estimates FY2027	% change[3] over FY2026	FY2028 Revenue Estimates FY2028	% change[3] over FY2027
	Actual					
Sales and Use Tax[1]	$15,179,383,100	$14,852,800,000	$15,832,100,000	4.3%	$16,481,200,000	4.1%
Gasoline Tax	886,135,900	887,800,000	887,000,000	0.1%	893,200,000	0.7%
Motor Fuel Tax	320,670,700	324,400,000	322,600,000	0.6%	324,900,000	0.7%
Gasoline Inspection Tax	72,372,300	72,800,000	73,000,000	0.9%	73,700,000	1.0%
Motor Vehicle Registration Tax	420,594,800	392,400,000	430,700,000	2.4%	442,300,000	2.7%
Income Tax	707,800	-	-	-	-	-
Privilege Tax[2]	517,943,200	476,000,000	521,700,000	0.7%	528,900,000	1.4%
Gross Receipts Tax - TVA	445,685,700	399,000,000	463,200,000	3.9%	474,800,000	2.5%
Gross Receipts Tax - Other	54,001,400	42,100,000	54,300,000	0.6%	54,800,000	0.9%
Beer Tax	15,844,300	17,800,000	15,800,000	-0.3%	15,600,000	-1.3%
Alcoholic Beverage Tax	84,210,400	89,800,000	84,300,000	0.1%	84,700,000	0.5%
Franchise & Excise Tax	4,663,650,300	3,923,400,000	4,892,200,000	4.9%	4,992,000,000	2.0%
Inheritance and Estate Tax	14,200	-	-	-	-	-
Tobacco Tax	178,030,000	179,000,000	172,700,000	-3.0%	171,000,000	-1.0%
Vapor Products	16,284,100	17,200,000	17,200,000	5.6%	17,600,000	2.3%
Hemp	1,275,000	55,800,000	8,900,000	598.0%	10,300,000	15.7%
Motor Vehicle Title Fees	22,480,700	22,300,000	22,200,000	-1.2%	22,100,000	-0.5%
Mixed Drink Tax	233,549,300	229,100,000	242,200,000	3.7%	250,000,000	3.2%
Business Tax	399,833,900	362,800,000	421,800,000	5.5%	442,500,000	4.9%
Severance Tax	565,700	500,000	600,000	6.1%	600,000	0.0%
Coin-operated Amusement Tax	213,100	500,000	200,000	-6.1%	200,000	0.0%
Unauthorized Substance Tax	-	-	-	-	-	-
Total Department of Revenue	**$23,513,446,000**	**$22,345,500,000**	**$24,462,700,000**	**4.0%**	**$25,280,400,000**	**3.3%**
General Fund Only	**$20,330,224,000**	**$19,320,393,000**	**$21,200,780,000**	**4.3%**	**$21,943,501,000**	**3.5%**

[1]Excludes $159.3 million earmarked fees collected under sales tax for E911 telecommunications services and $21.9 million from Special Money Transfer Tax funds.
[2]Excludes $78.0 million earmarked fees collected under the privilege tax.
[3]Percent change in revenue for each tax is calculated percentage change *after* rounding to nearest 100,000.

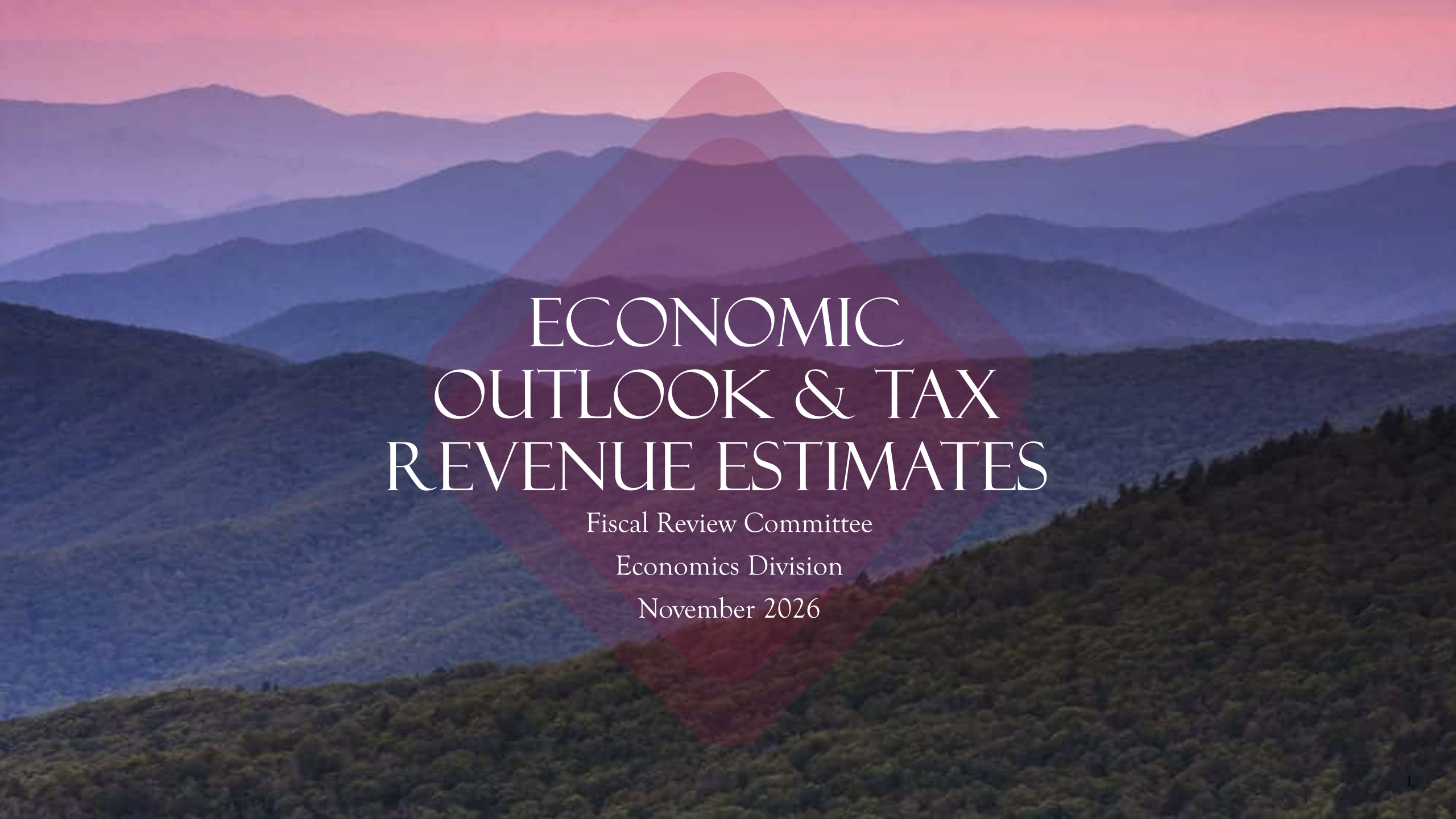
Forecast Adjustments

- Franchise and Excise tax estimates for fiscal year 2026-27 are adjusted for the impacts of the TN Works Act legislative changes passed in 2023, and for the Franchise Tax property measure repeal passed in 2024.

- Franchise and Excise tax estimates do not include revenue estimates for any proposed or potential rule changes.

Sources

- Data Sourced From:
  - Moody's Analytics (Fall, 2026)
  - BEA (Fall, 2026)
  - BLS (Fall, 2026)
  - U.S. Census Bureau (Fall, 2026)
  - TN Department of Revenue (Fall, 2026)
  - TN Department of Finance & Administration (Fall, 2026)



ECONOMIC OUTLOOK & TAX REVENUE ESTIMATES

Fiscal Review Committee

Economics Division

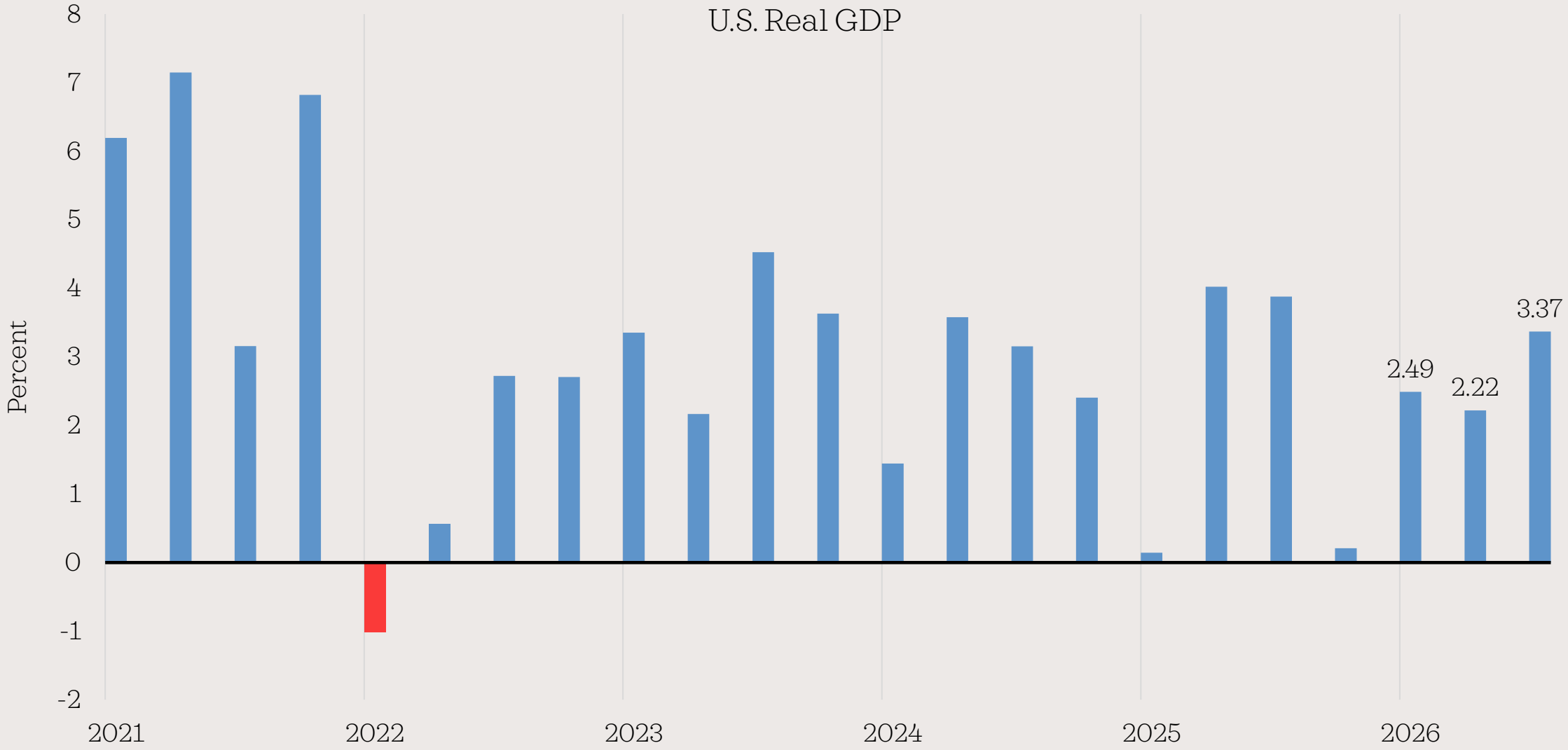
November 2026

POLICY UNCERTAINTY

- Trade Policies
- Federal Reserve Actions
- Geopolitical uncertainty
- Business and Consumer Expectations & Reactions
- Inflation & Labor Market

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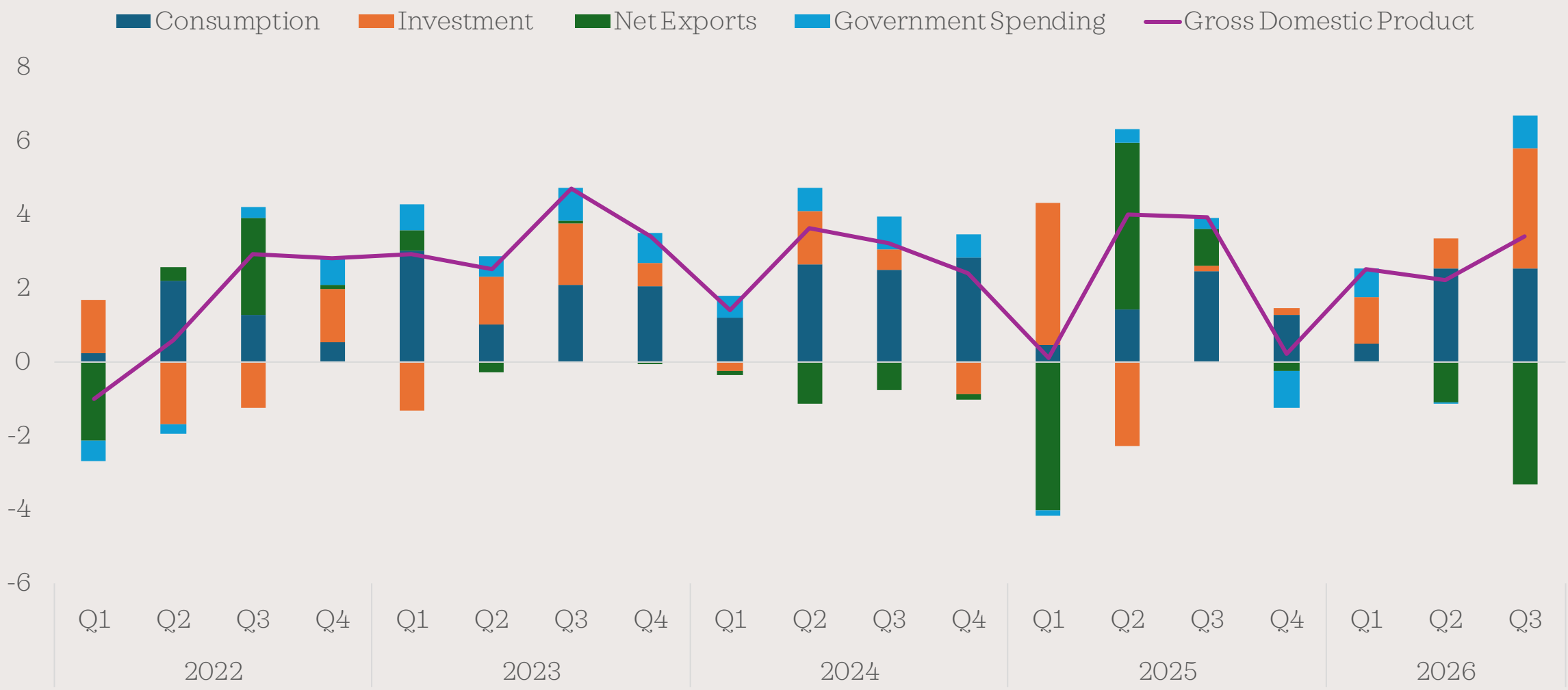
ECONOMIC ENVIRONMENT



Source: U.S. Bureau of Economic Analysis/FRED

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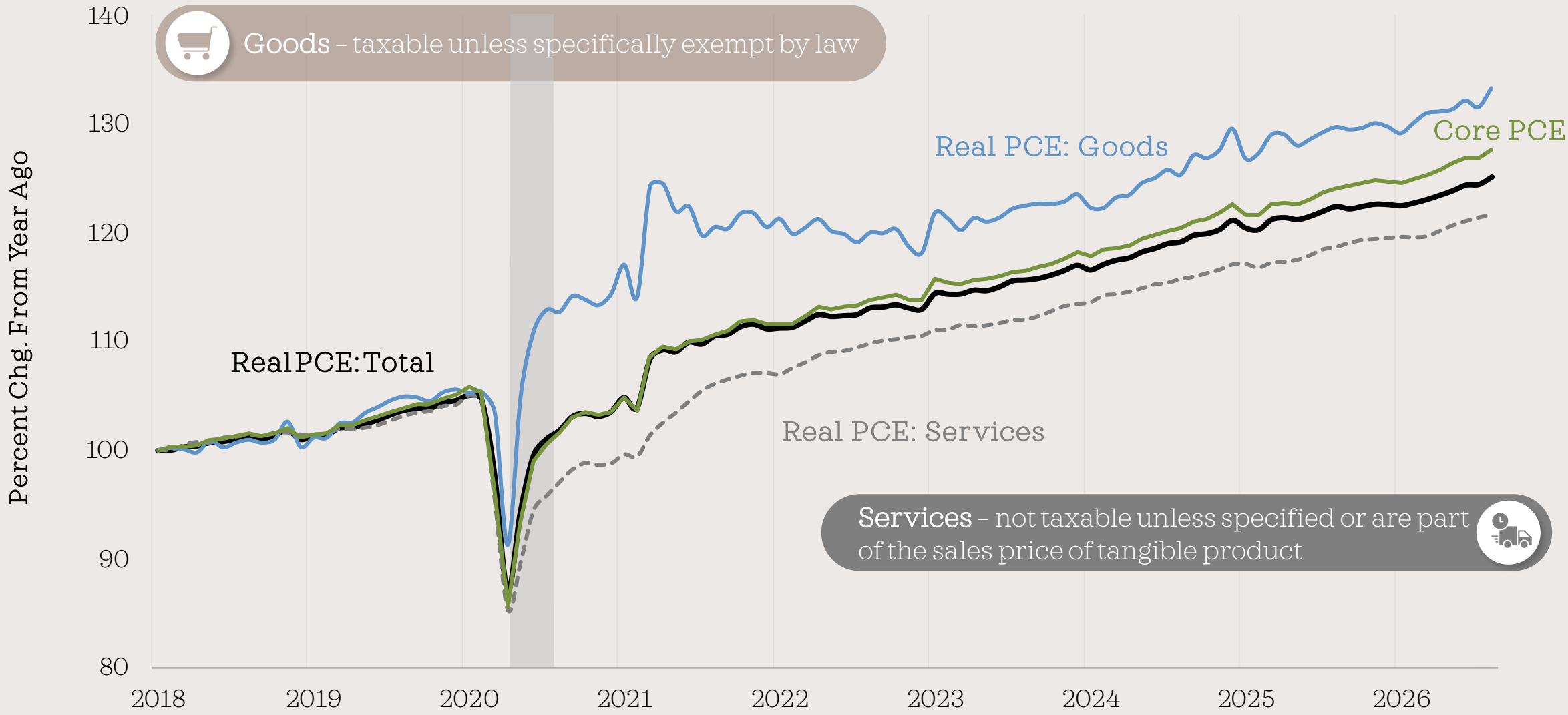
GDP



Source: U.S. Bureau of Economic Analysis/FRED

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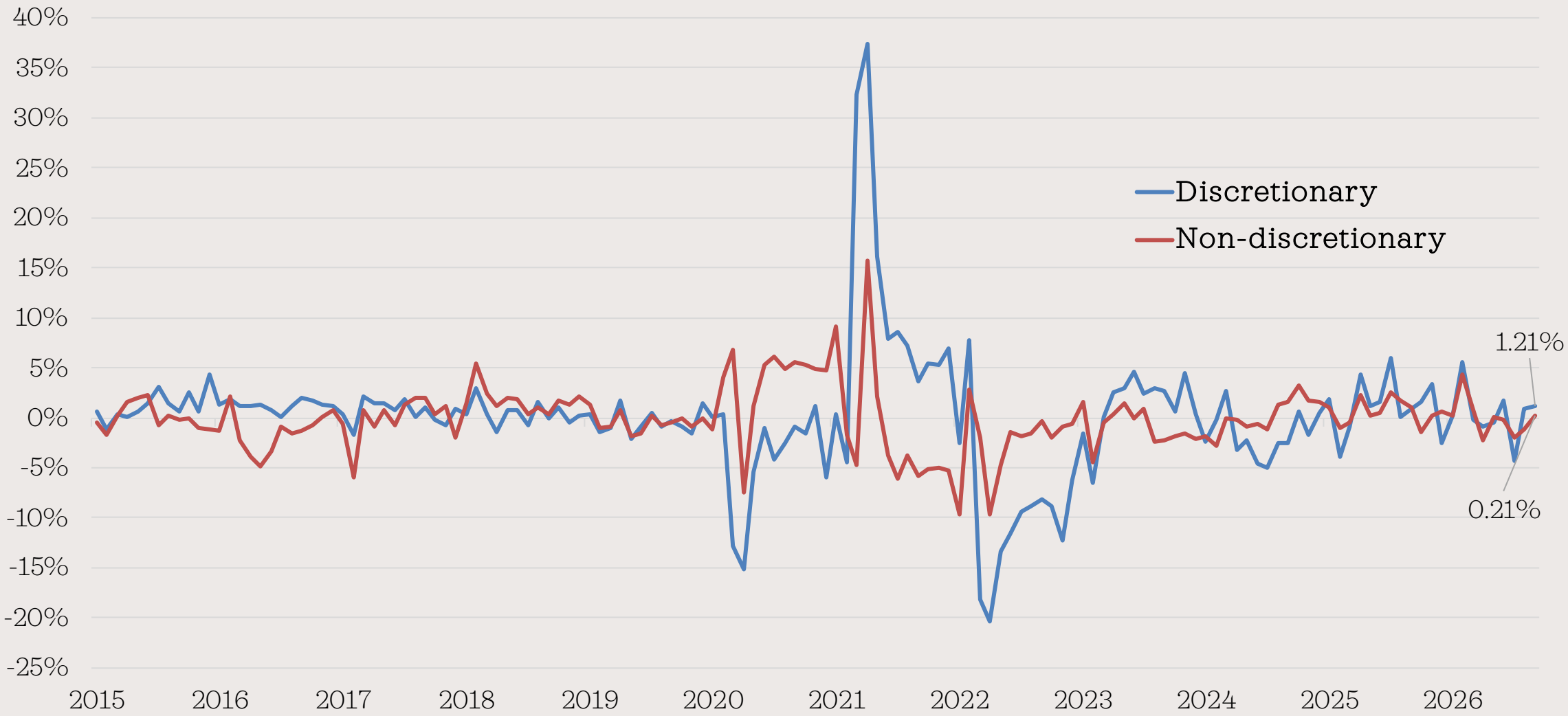
EXPENDITURES



Source: U.S. Bureau of Economic Analysis/FRED

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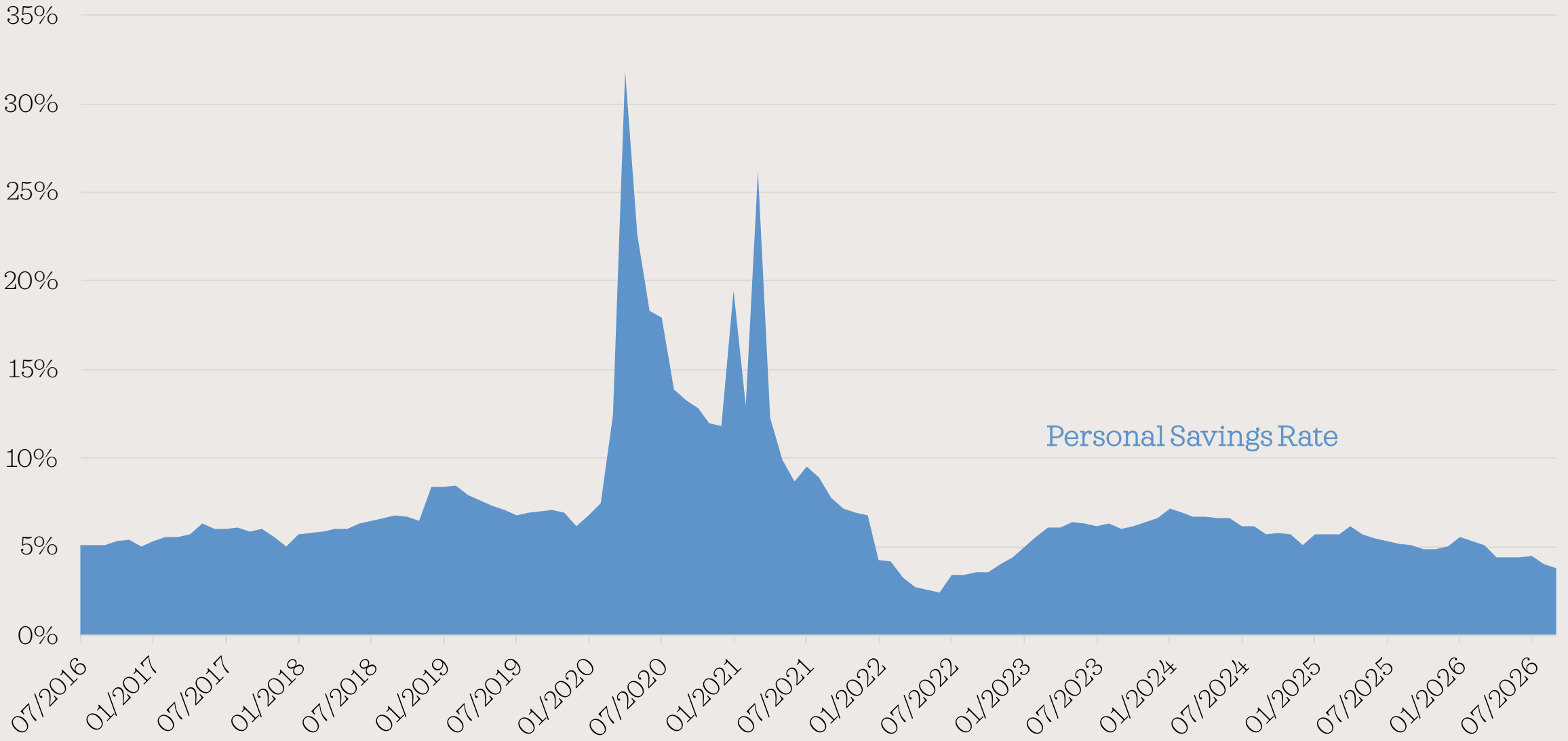
VISA SPENDING MOMENTUM



Source: U.S. Bureau of Economic Analysis/FRED

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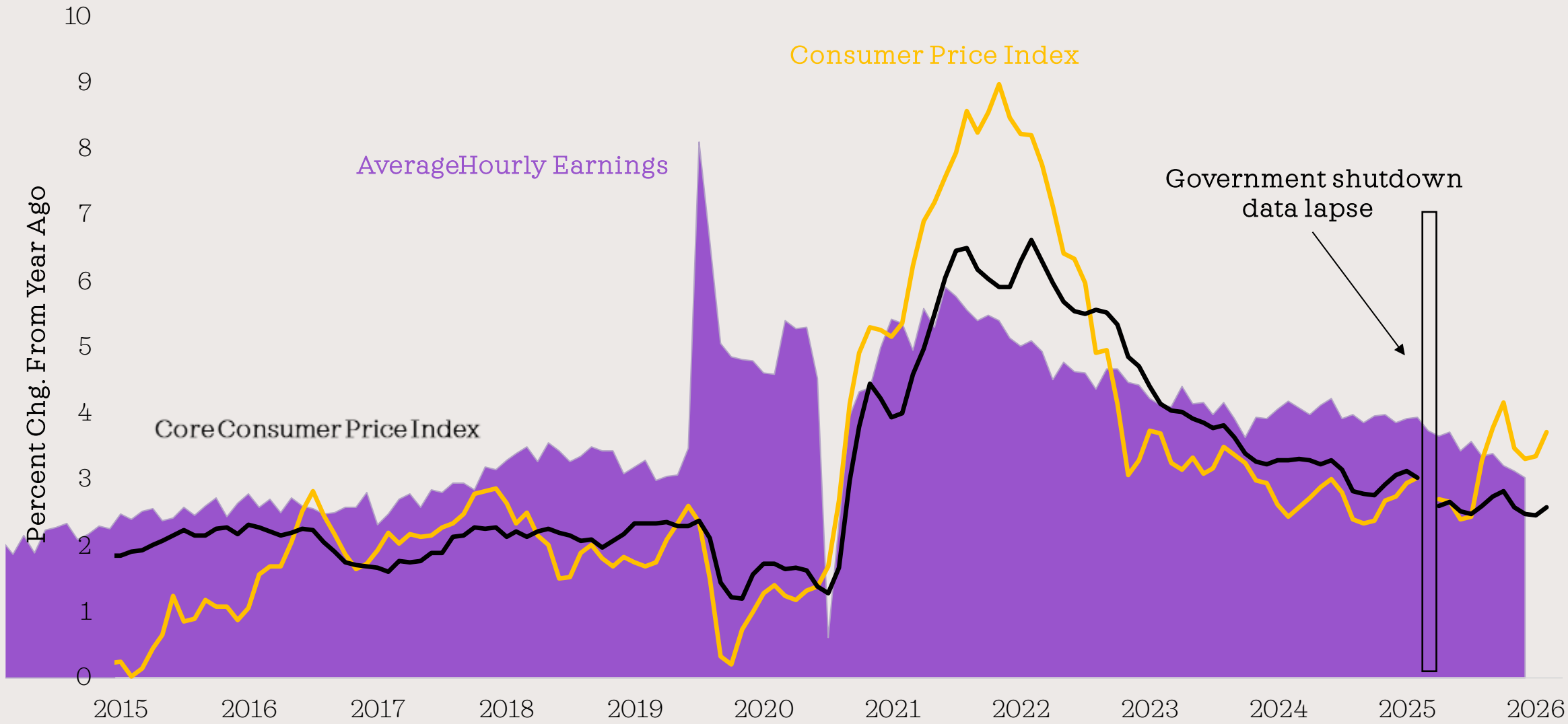
SAVINGS



Source: U.S. Bureau of Economic Analysis/FRED

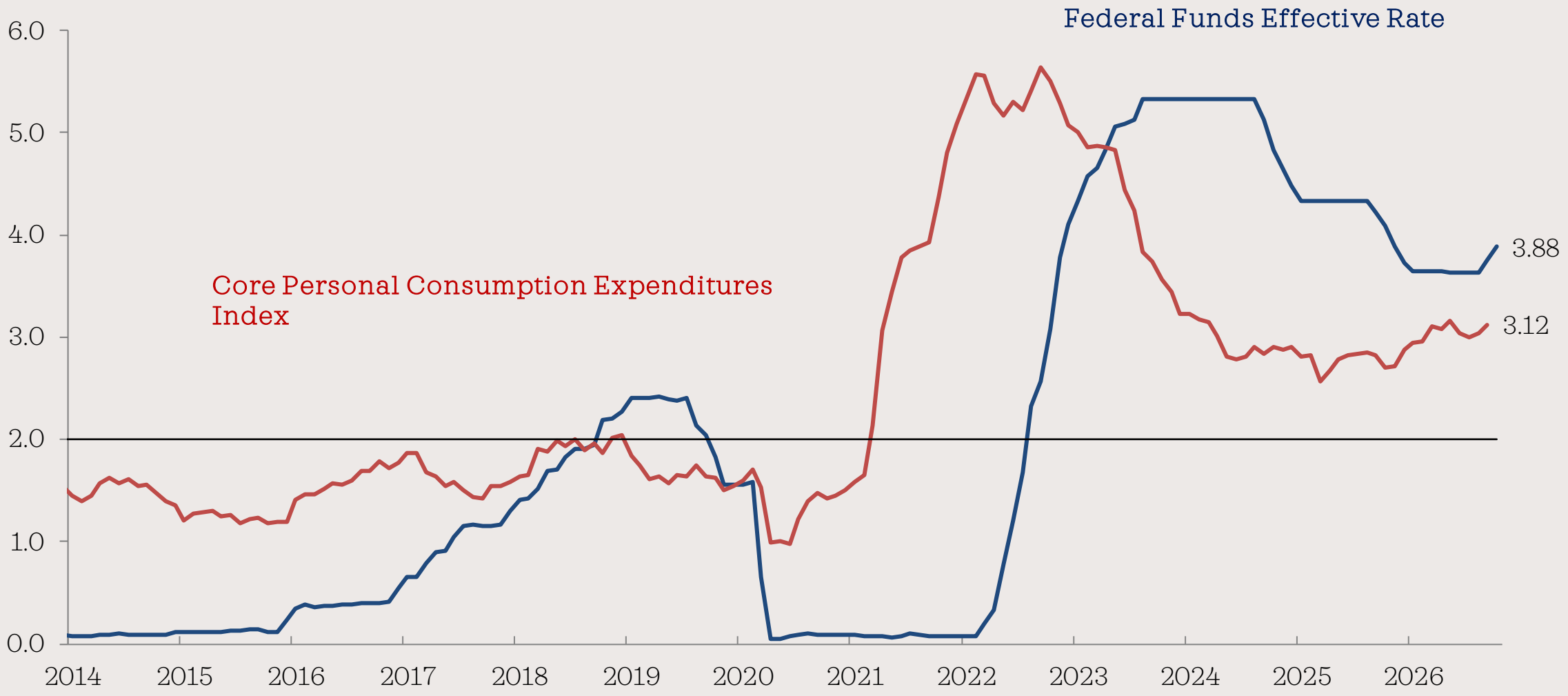
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INFLATION & EARNINGS



Source: U.S. Bureau of Economic Analysis/FRED

INFLATION & FEDERAL FUNDS RATE



Source: U.S. Bureau of Labor Statistics, Board of Governors of the Federal Reserve System/FRED

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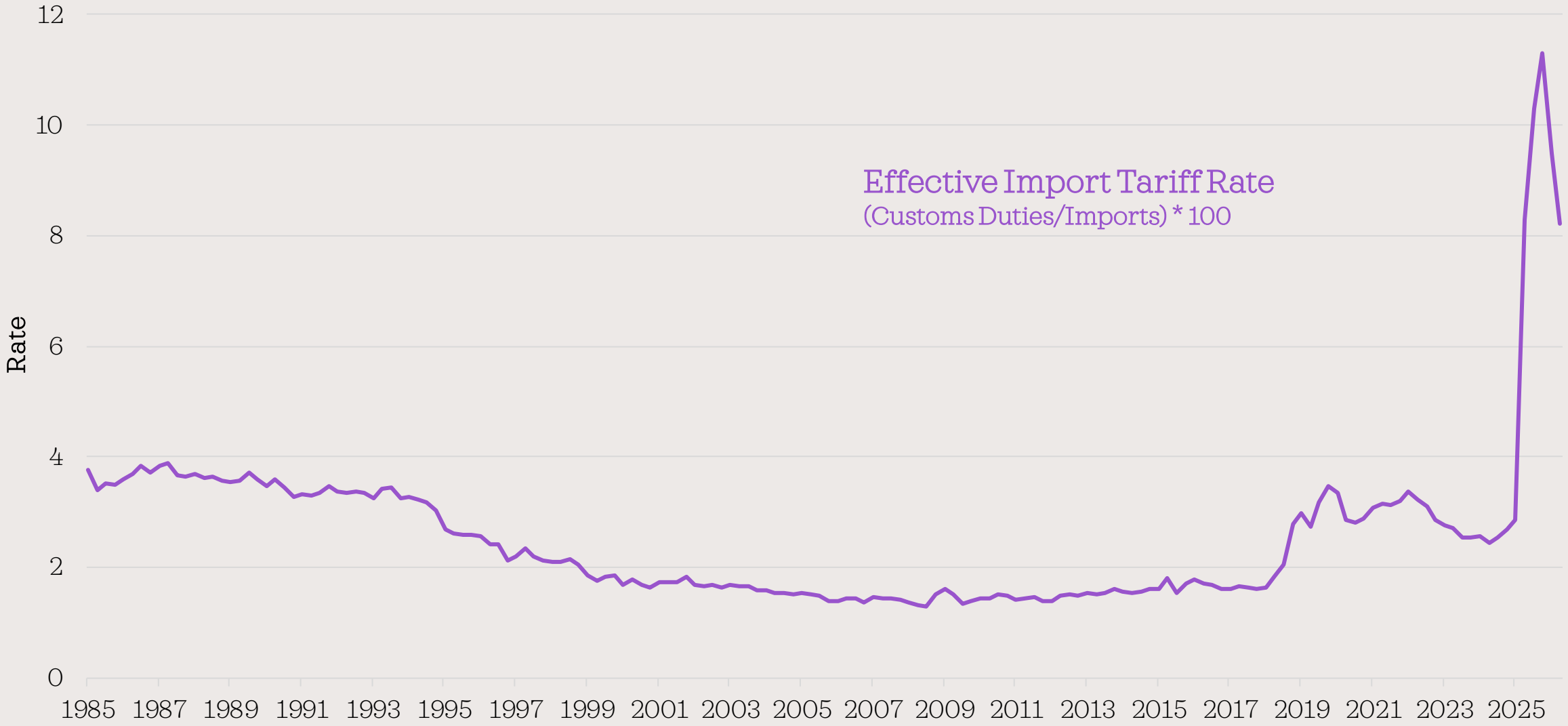
INFLATION



Source: U.S. Bureau of Labor Statistics, Board of Governors of the Federal Reserve System/FRED

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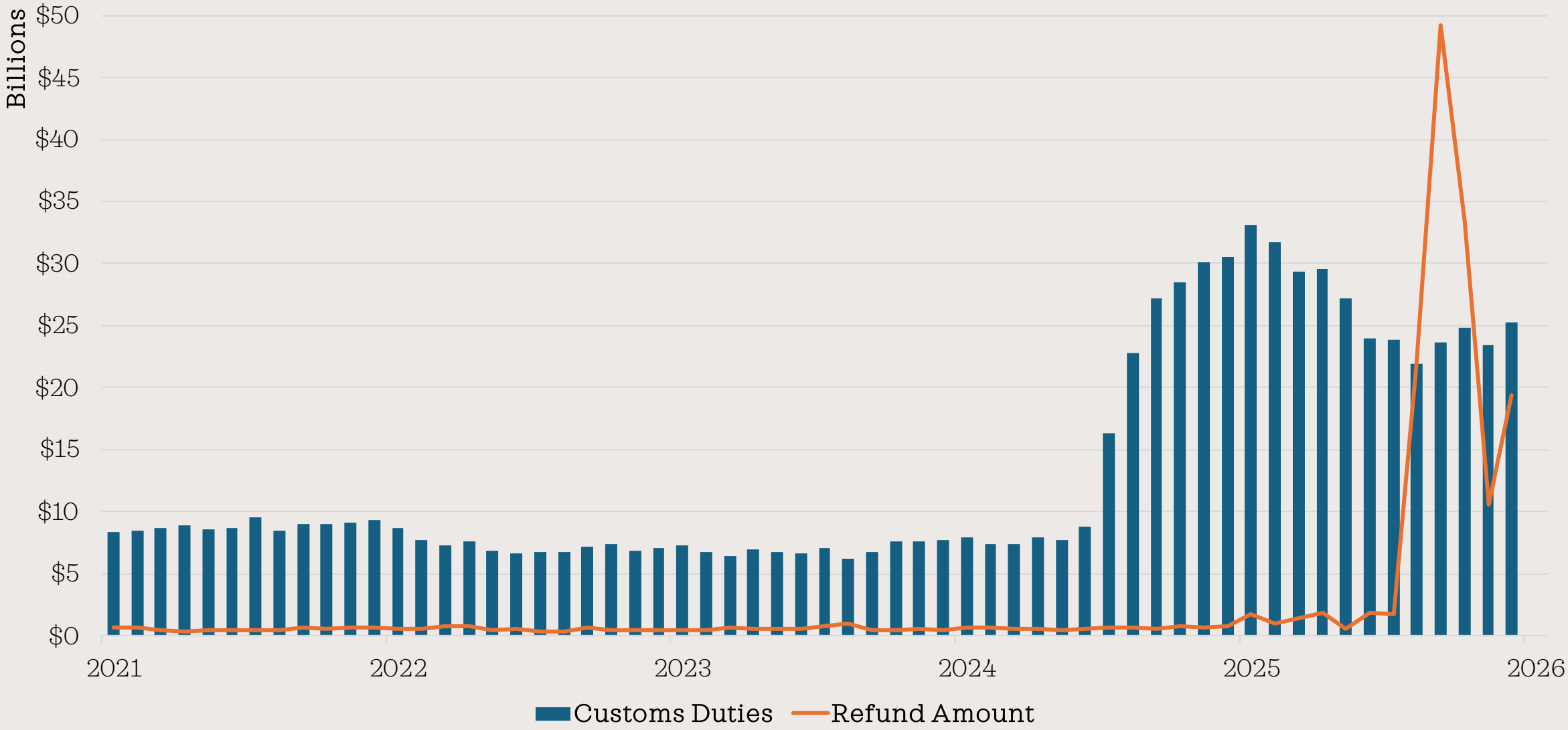
TARIFFS



Source: U.S. Bureau of Economic Analysis/FRED

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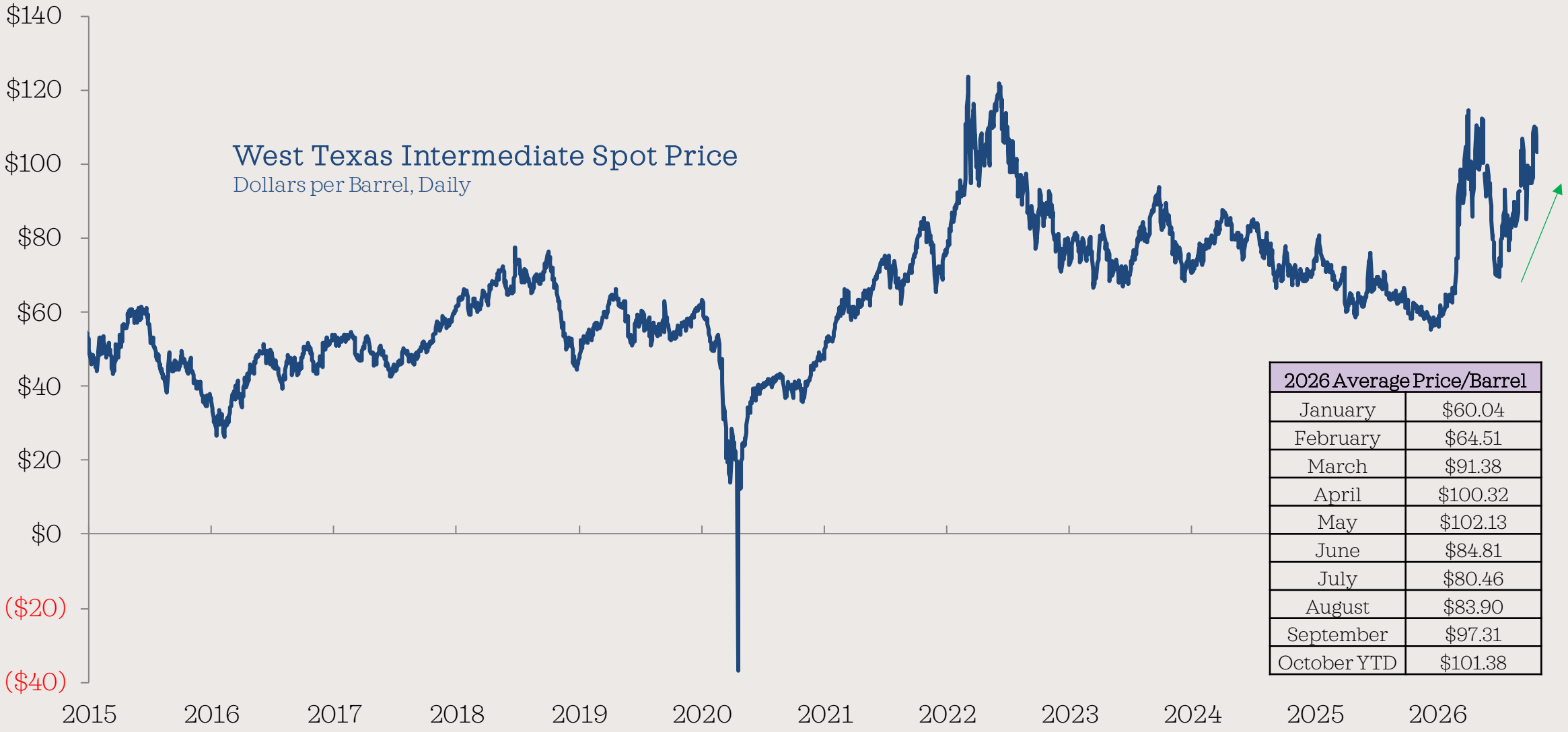
TARIFFS



Source: U.S. Treasury

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CRUDE OIL

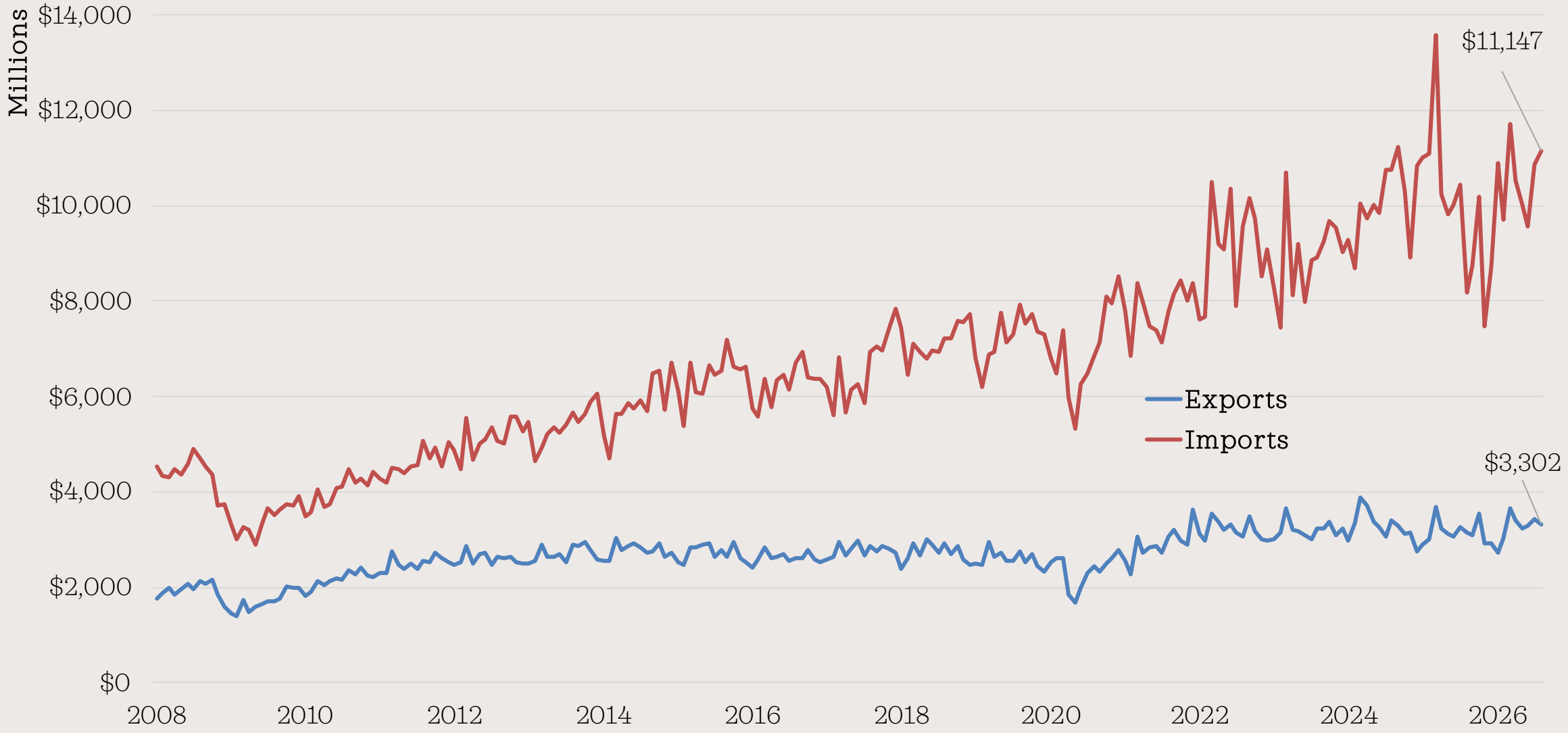


2026 Average Price/Barrel	
January	$60.04
February	$64.51
March	$91.38
April	$100.32
May	$102.13
June	$84.81
July	$80.46
August	$83.90
September	$97.31
October YTD	$101.38

Source: U.S. Energy Information Administration/FRED

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TENNESSEE IMPORTS



Source: U.S. Census Bureau/FRED

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CONSUMER SENTIMENT

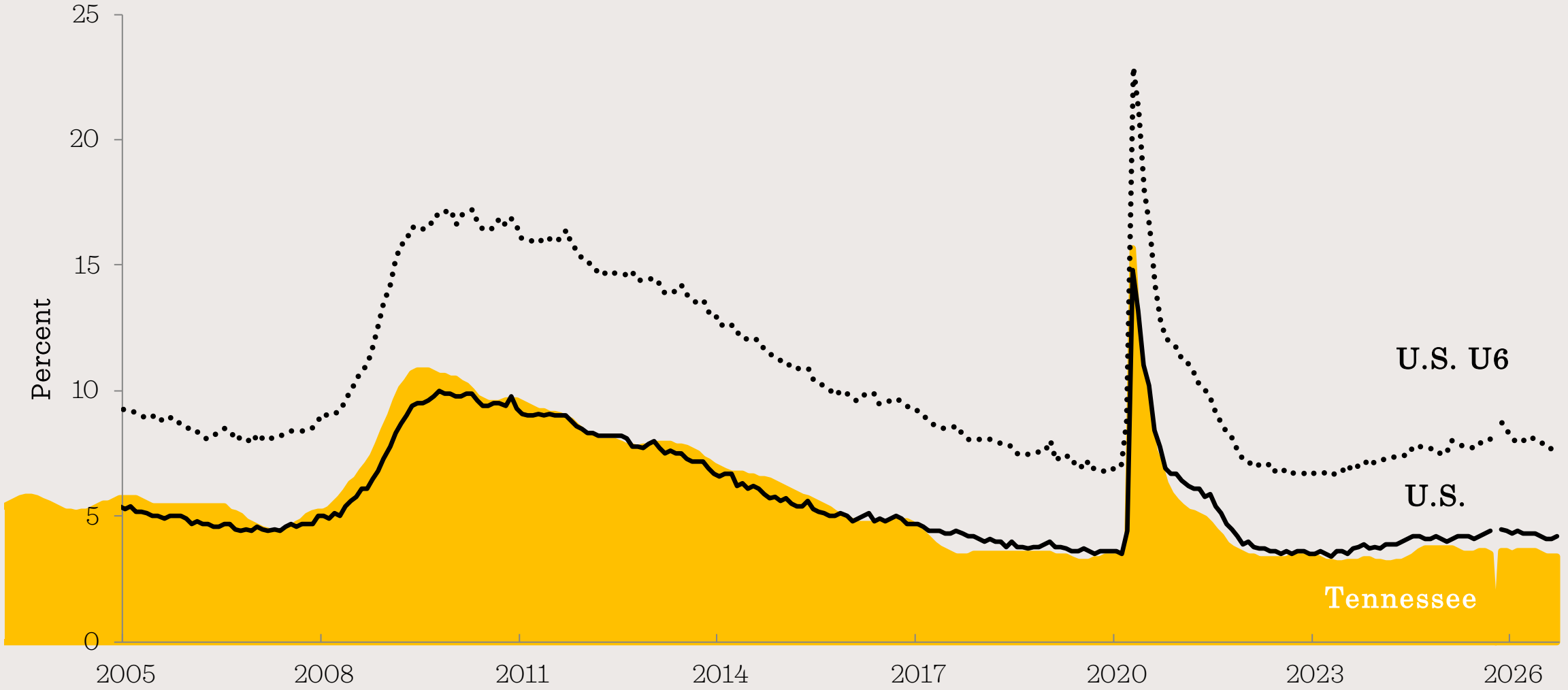


Source: University of Michigan/FRED

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LABOR MARKET

UNEMPLOYMENT

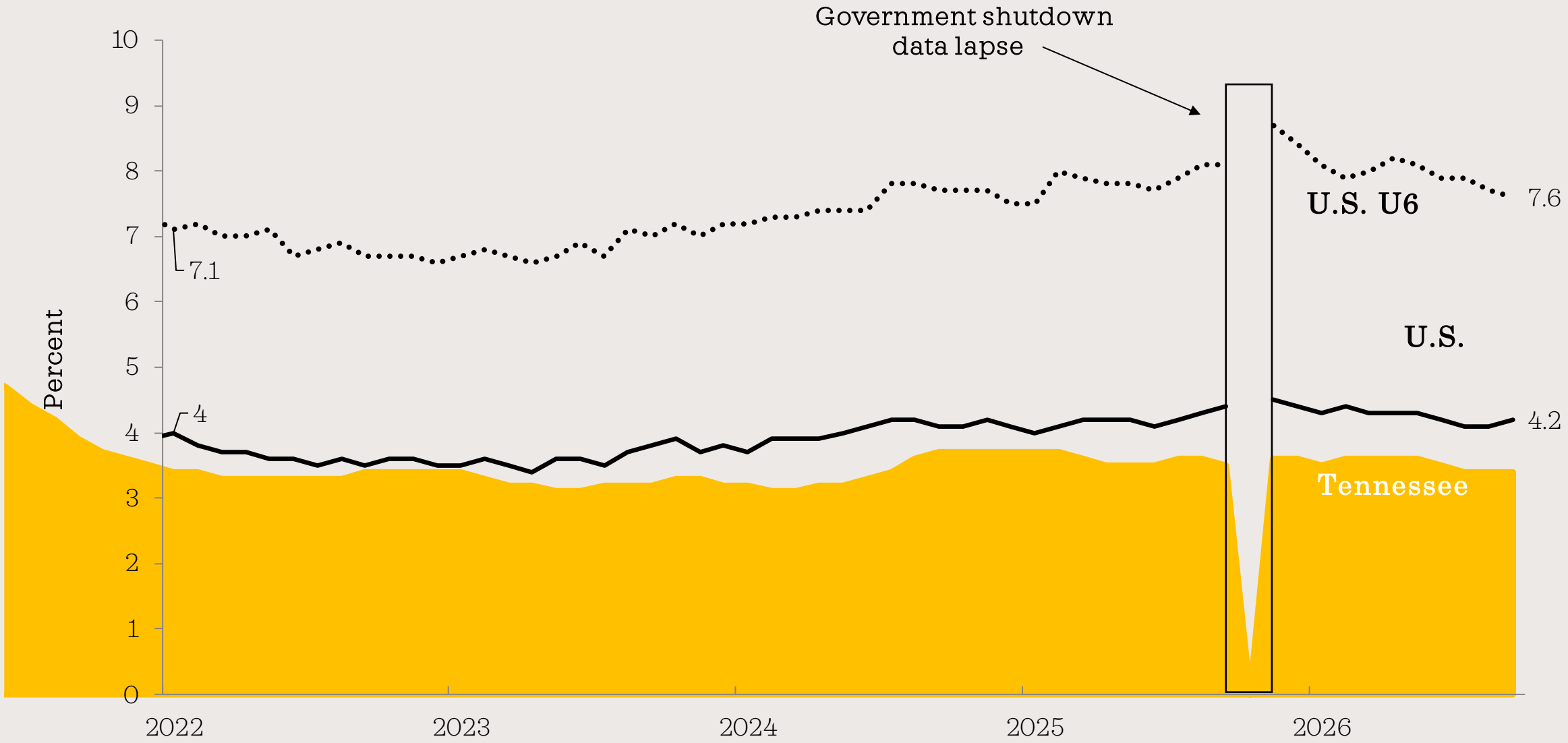


Source: U.S. Bureau of Labor Statistics/FRED

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LABOR MARKET

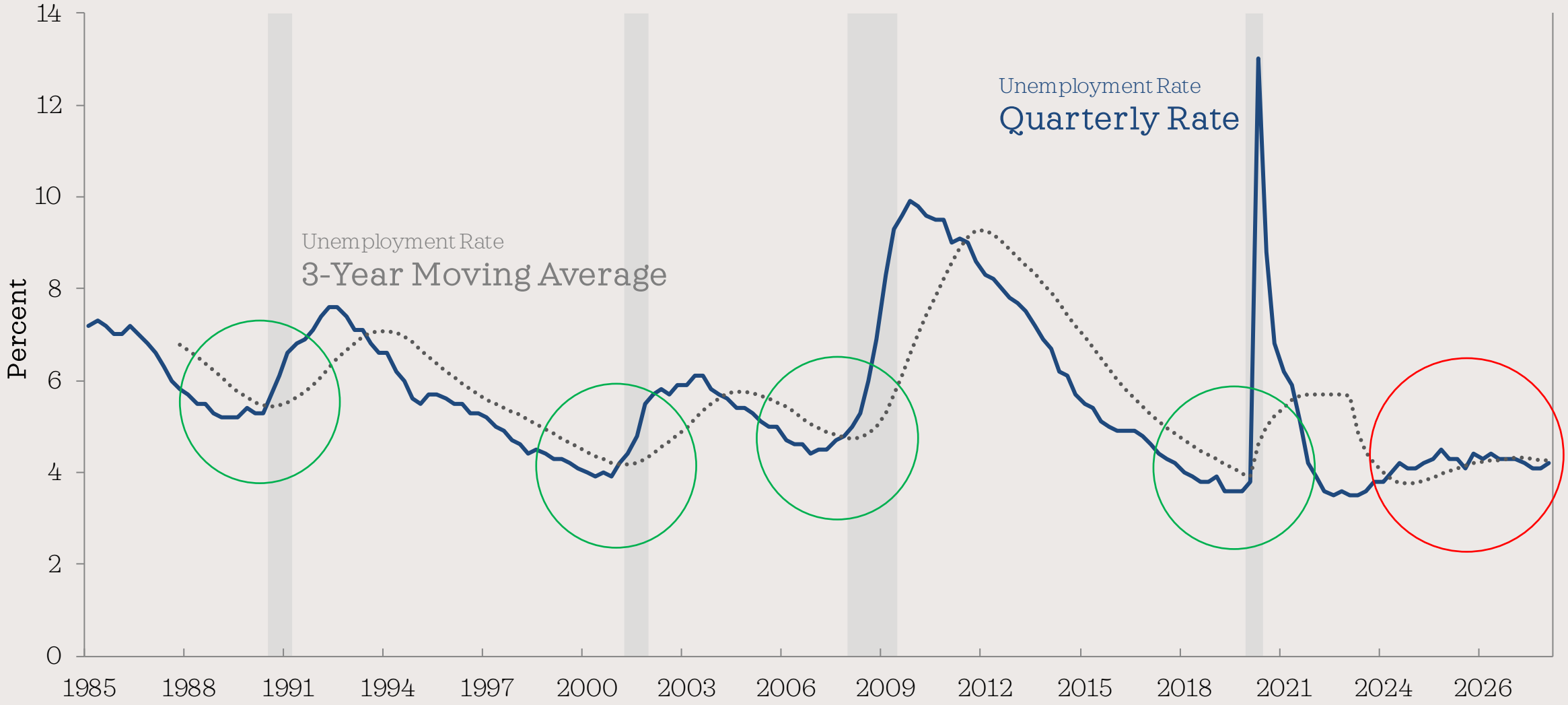
UNEMPLOYMENT – UNDER THE SCOPE



Source: U.S. Bureau of Labor Statistics/FRED

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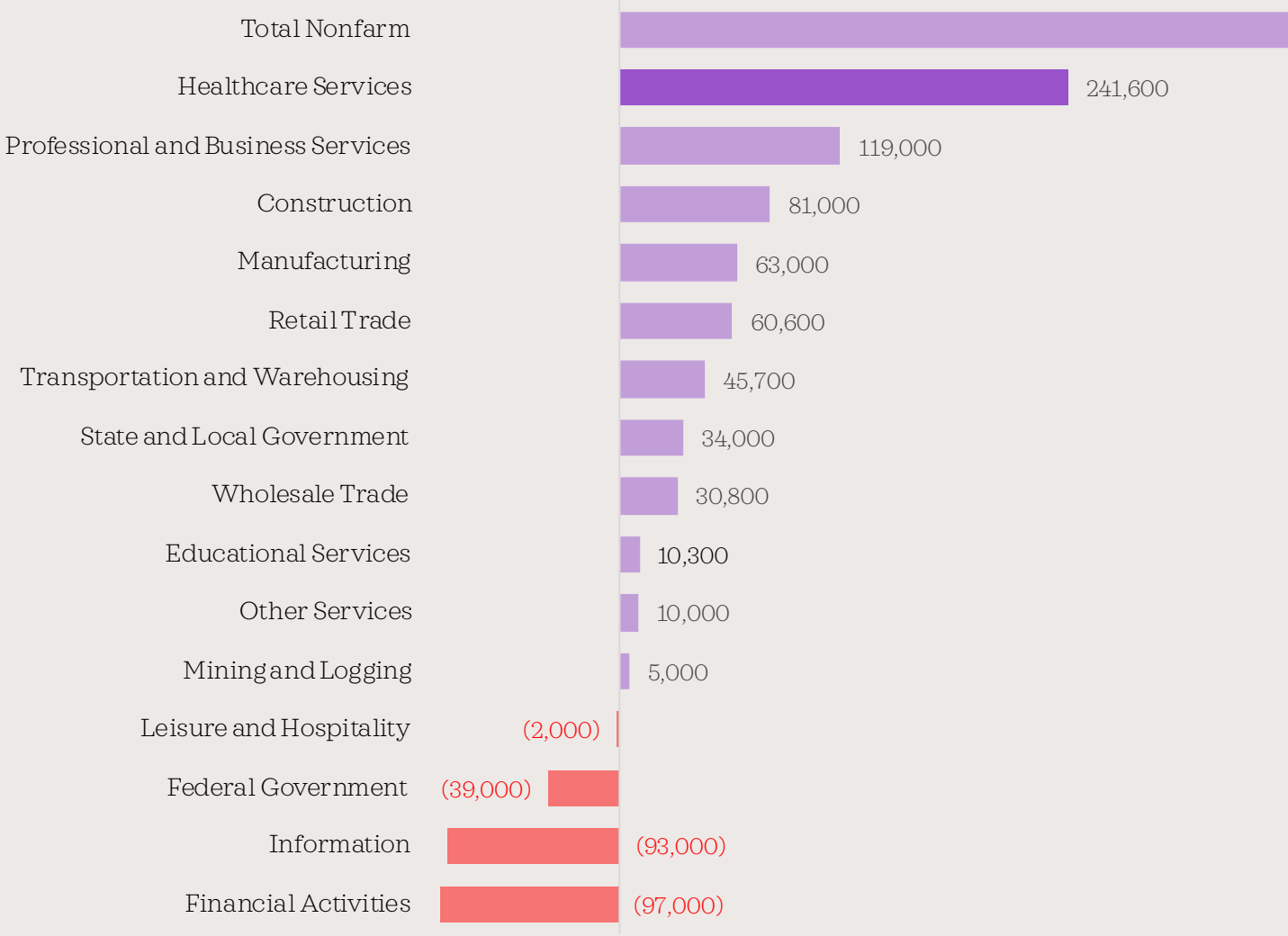


Source: U.S. Bureau of Labor Statistics/FRED

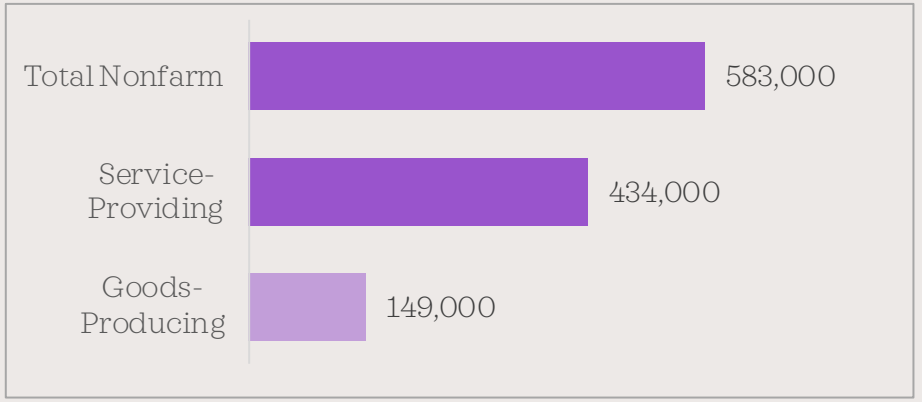
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Employment (SA, YTD Growth)



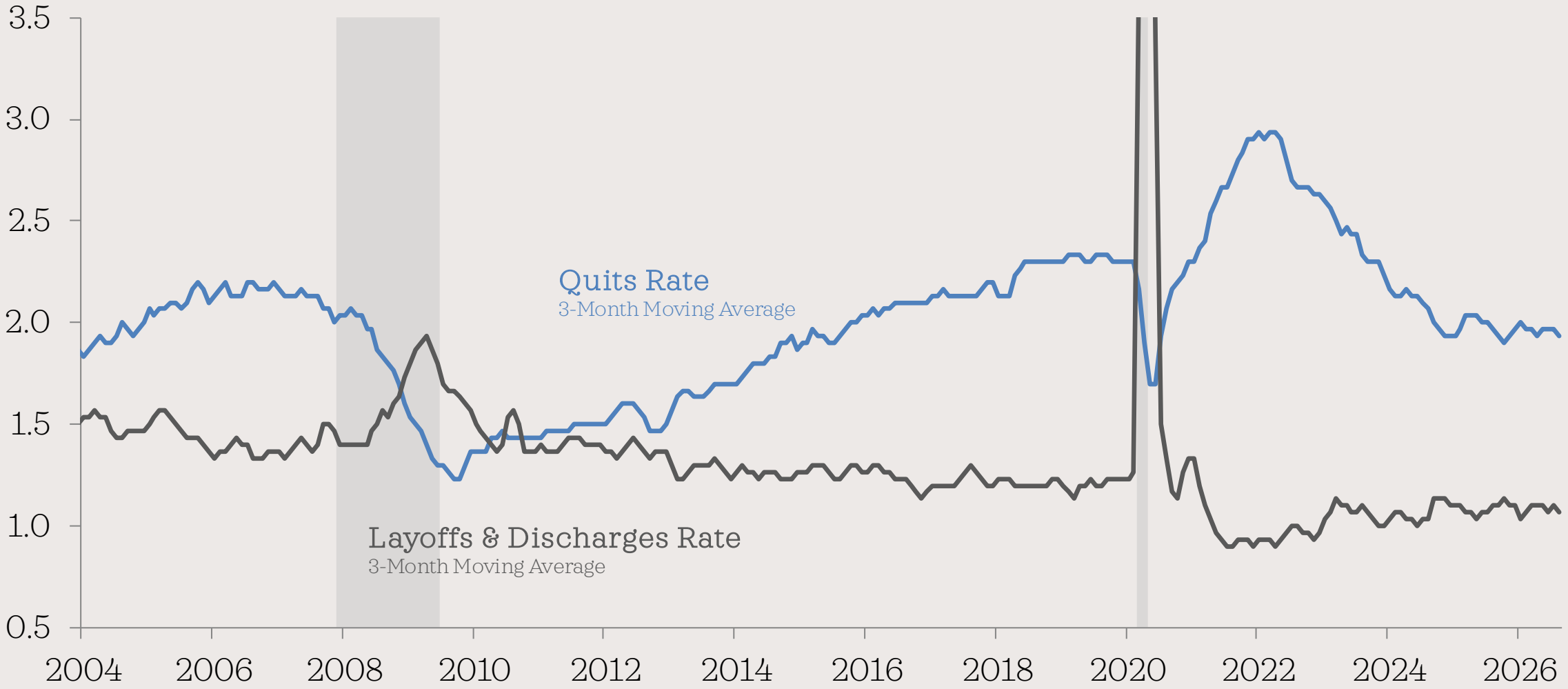
Select Growth Rates		
Industry	YTD December 2025-August 2026	YOY August 2025-August 2026
Total Nonfarm	0.37%	0.34%
Healthcare Services	1.32%	2.18%
Leisure and Hospitality	(0.01%)	0.53%
Manufacturing	0.50%	0.22%
Federal Government	(-1.43%)	(7.99%)



Source: U.S. Bureau of Labor Statistics

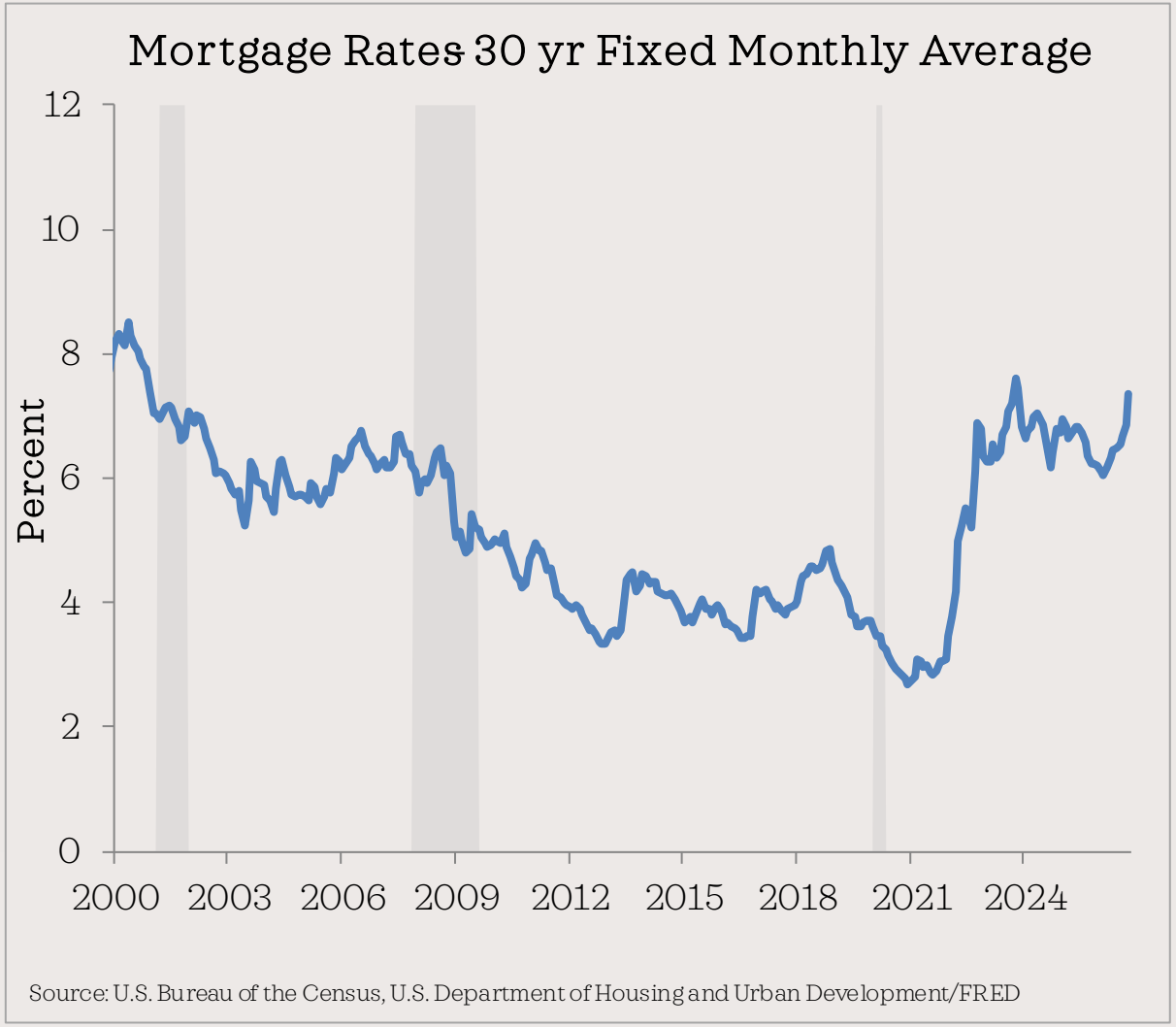
FRC Staff

LABOR MARKET

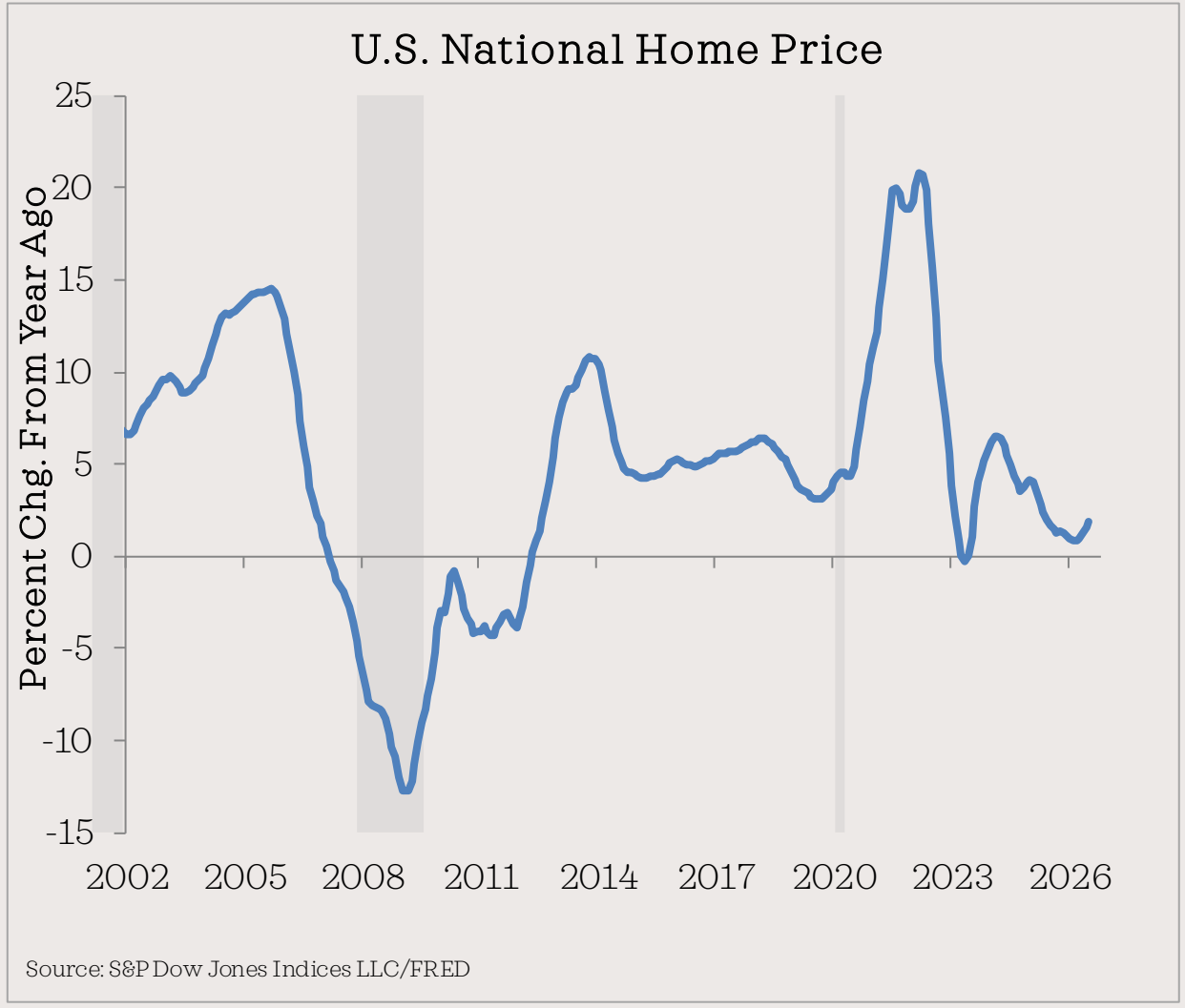


Source: U.S. Bureau of Labor Statistics/FRED

HOUSING



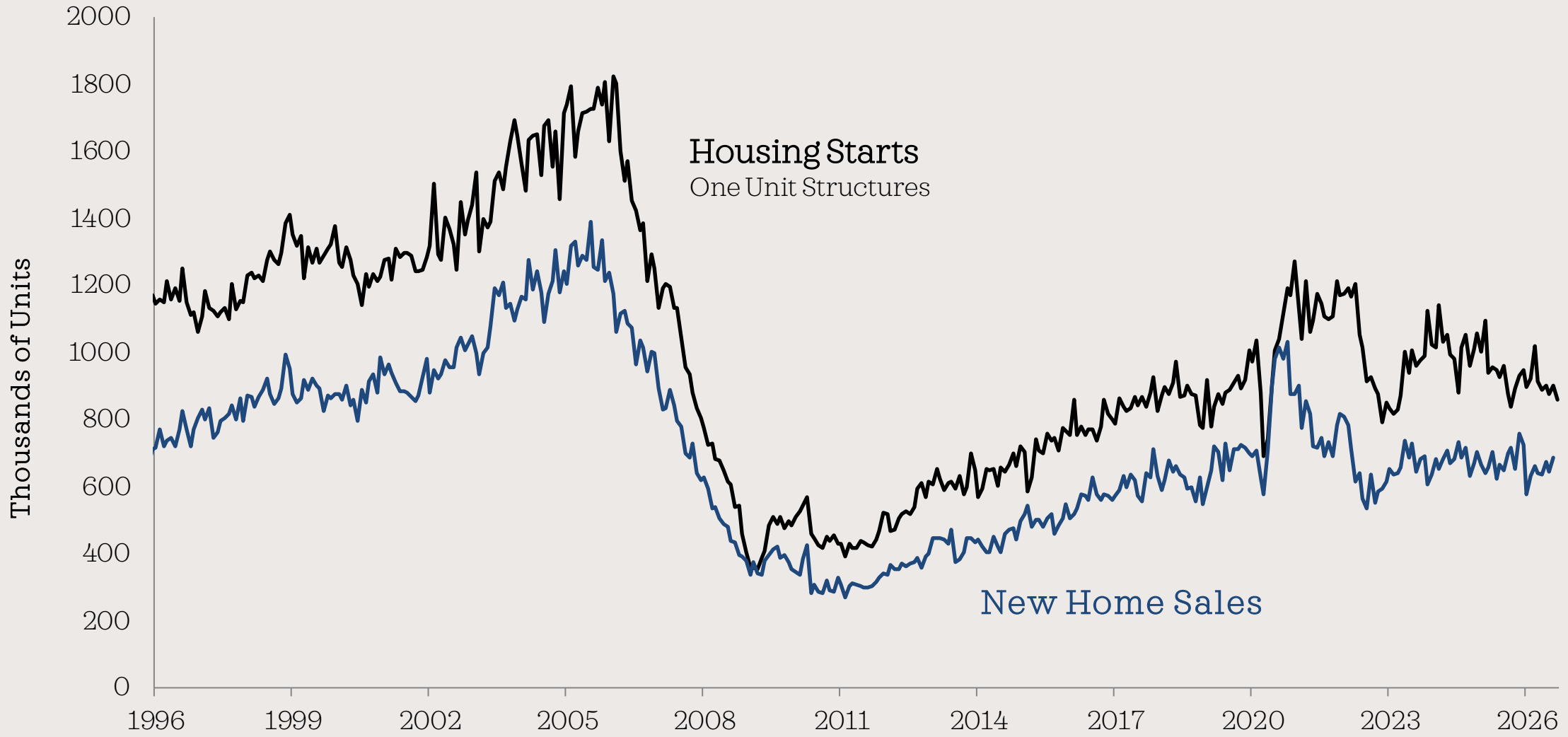
Source: U.S. Bureau of the Census, U.S. Department of Housing and Urban Development/FRED



Source: S&P Dow Jones Indices LLC/FRED

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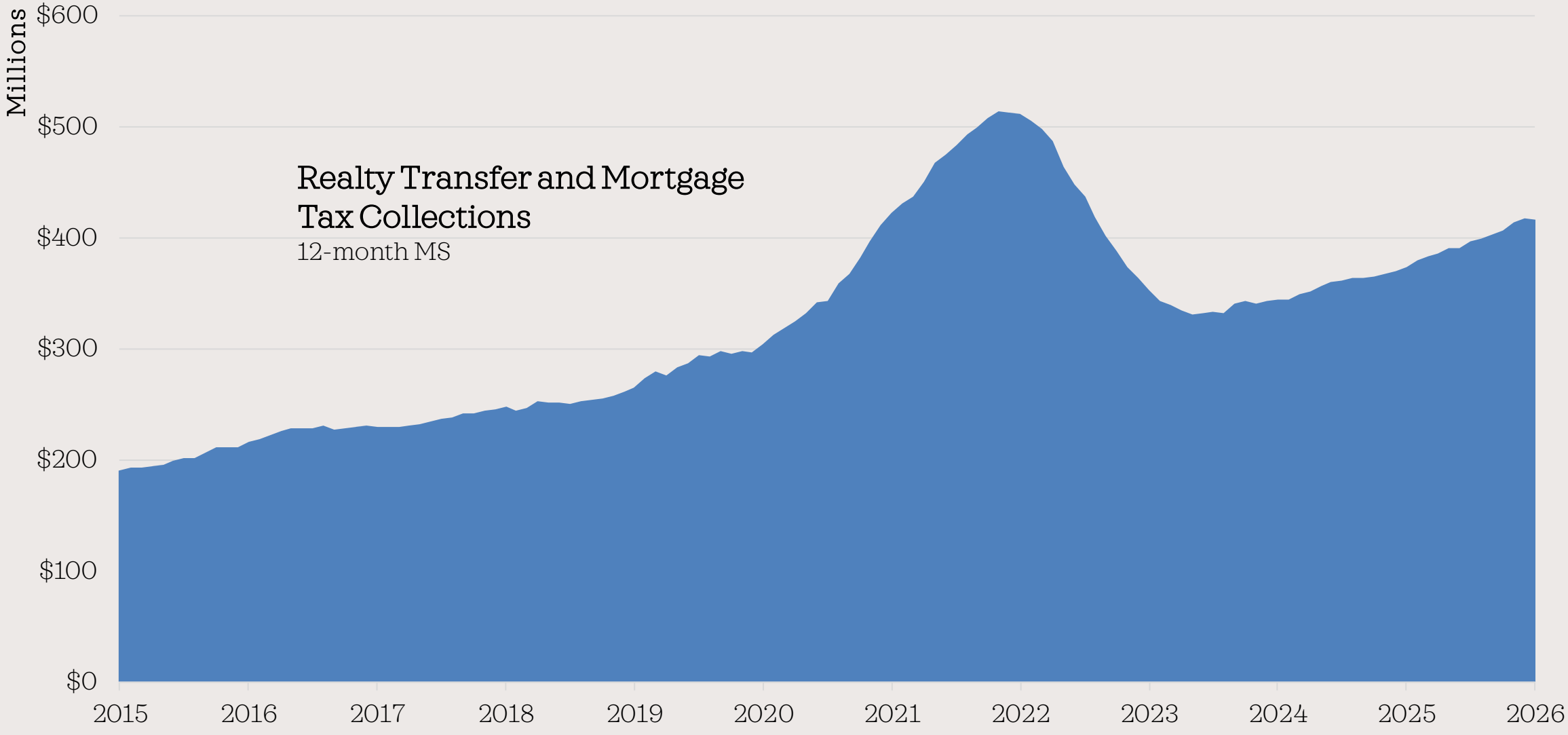
HOUSING



Source: U.S. Bureau of the Census, U.S. Department of Housing and Urban Development/FRED

FRC Staff

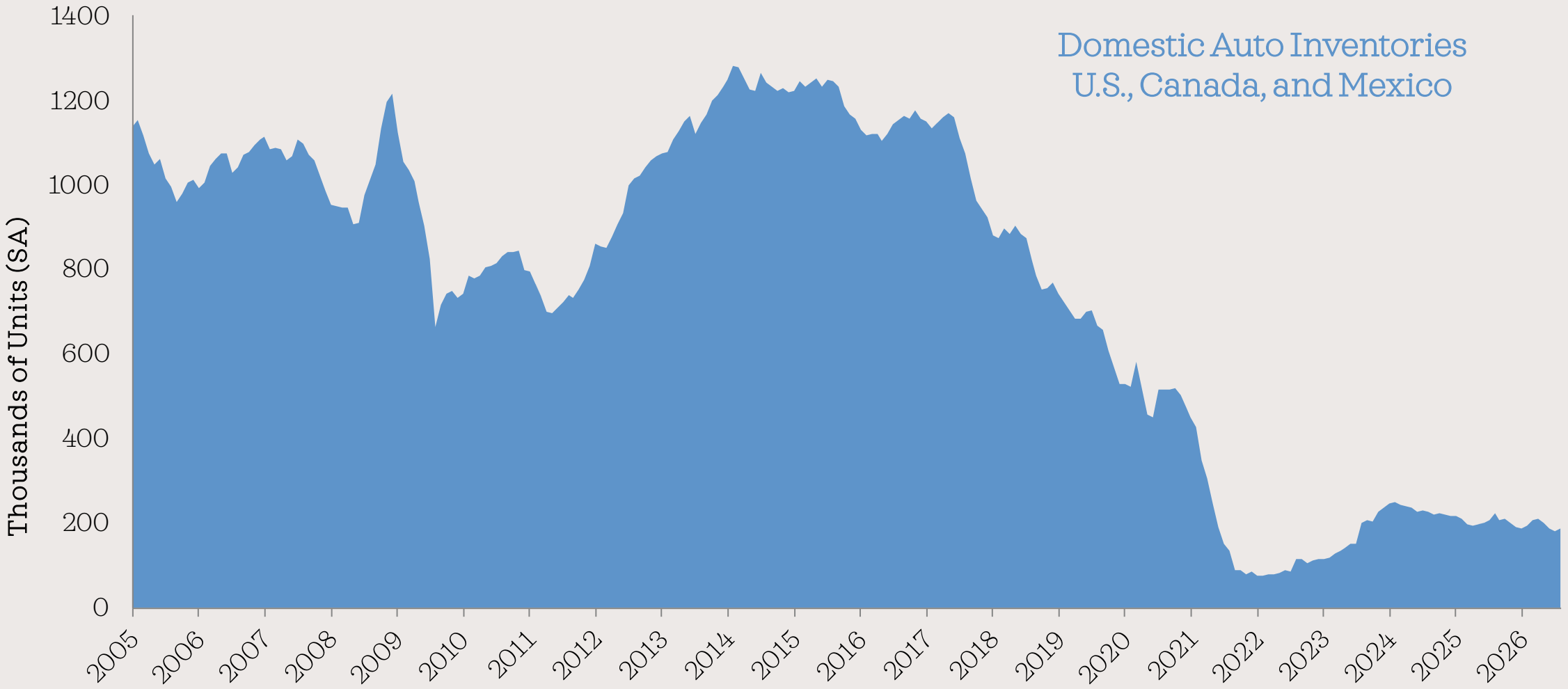
HOUSING



Source: TN Department of Revenue Website

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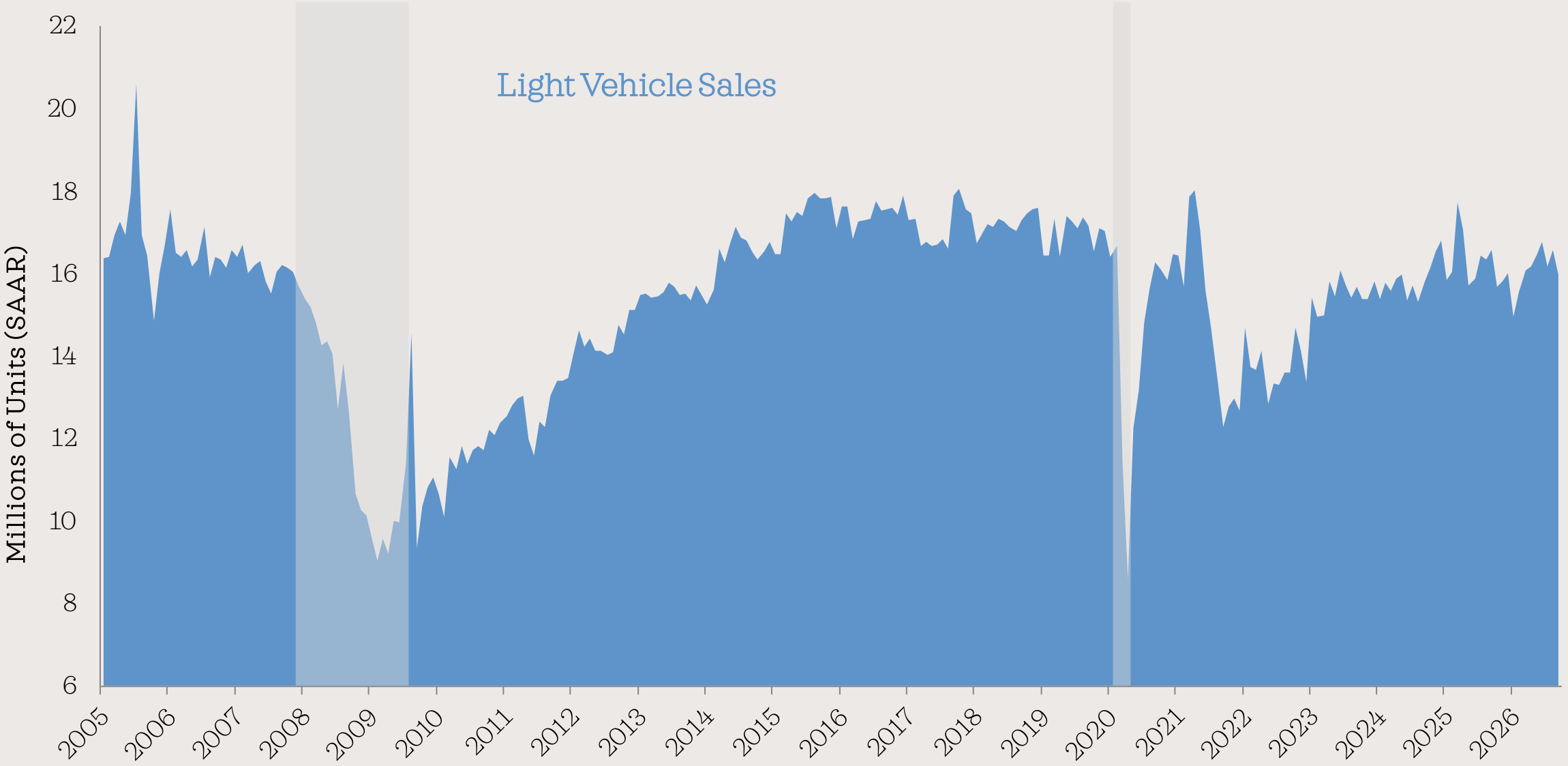
AUTO SECTOR



Source: U.S. Bureau of Economic Analysis/FRED

FRC Staff

AUTO SECTOR



Source: U.S. Bureau of Economic Analysis/FRED



OUTLOOK

FRC Staff

- Relatively low probability of recession over the next 12 months – but remain cautious.
- Consumer spending is resilient, and will remain strong in the near term.
  - *Consumer spending may be higher due to inflation, rather than an organic growth in the volume of consumption.*
- Continued policy and tariff uncertainty impacting various indicators.
- Cool labor market - monthly job growth will remain low. Hire, quit, and layoff rates remain low.
- Inflationary pressures remain…
  - *Core PCE remains around 3-3.5%*
    - Tariff impacts are realized;
    - Continued strong consumer demand— allowing firms to upwardly adjust prices;
  - *Core CPI hovers between 2.44-2.57.*
  - *Headline CPI is at 3.71, has increased on average 0.12/month since January 2026.*
- Federal Reserve has upwardly adjusted rates to address price stability. It will consider further hikes in the near term to counter inflation.

FY26-27 & FY27-28 ESTIMATES

REVENUE SOURCE	ACTUAL ACCRUED COLLECTIONS FY25-26	FRC STAFF TAX REVENUE ESTIMATES FY26-27	PERCENT INCREASE OVER FY25-26	FRC STAFF TAX REVENUE ESTIMATES FY27-28	PERCENT INCREASE OVER FY26-27
SALES AND USE TAX - LESS EARMARKED*	$15,179,383,100	$15,718,800,000	3.55%	$16,246,900,000	3.36%
GASOLINE TAX	$886,135,900	$870,000,000	-1.82%	$865,000,000	-0.57%
MOTOR FUEL TAX	$320,670,700	$321,500,000	0.26%	$323,500,000	0.62%
GASOLINE INSPECTION TAX	$72,372,300	$72,400,000	0.04%	$72,700,000	0.41%
MOTOR VEHICLE REGISTRATION TAX	$420,594,800	$423,000,000	0.57%	$429,000,000	1.42%
PRIVILEGE TAX - LESS EARMARKED**	$517,943,200	$521,000,000	0.59%	$522,000,000	0.19%
GROSS RECEIPTS TAX – TVA	$445,685,700	$465,980,000	4.55%	$480,000,000	3.01%
GROSS RECEIPTS TAX – OTHER	$54,001,400	$50,300,000	-6.85%	$49,500,000	-1.59%
BEER TAX	$15,844,300	$16,100,000	1.61%	$15,800,000	-1.86%
ALCOHOLIC BEVERAGE TAX	$84,210,400	$85,300,000	1.29%	$84,500,000	-0.94%
FRANCHISE AND EXCISE TAX	$4,663,650,300	$5,150,000,000	10.43%	$5,300,000,000	2.91%
TOBACCO TAX	$178,030,000	$173,000,000	-2.83%	$166,000,000	-4.05%
VAPOR PRODUCTS TAX	$16,284,100	$17,200,000	5.62%	$17,900,000	4.07%
HEMP TAX***	$1,275,000	$25,000,000	N/A	$25,000,000	0.00%
MOTOR VEHICLE TITLE FEES	$22,480,700	$22,700,000	0.98%	$23,000,000	1.32%
MIXED DRINK TAX	$233,549,300	$236,000,000	1.05%	$241,000,000	2.12%
BUSINESS TAX	$399,833,900	$400,000,000	0.04%	$407,500,000	1.88%
SEVERANCE TAX	$565,700	$550,000	-2.78%	$525,000	-4.55%
COIN OPERATED AMUSEMENT TAX	$213100	$400,000	87.71%	$405,000	1.25%
UNAUTHORIZED SUBSTANCE TAX	$0	$0	N/A	$0	N/A
REPEALED TAX SOURCES (INCOME AND INHERITANCE & ESTATE TAX)	$722,000	$0	-100.00%	$0	N/A
TOTAL REVENUE	**$23,513,445,900**	**$24,569,230,000**	**4.49%**	**$25,270,230,000**	**2.85%**

*Sales and Use Tax has been reduced by $155 million in FY25-26; $181.2 million in FY26-27; and $203.1 in FY27-28 for the earmarked portion of the tax.

**Privilege Tax has been reduced by $85.3 million in FY25-26, and $78 million in both FY26-27 and FY27-28 for the earmarked portion of the tax.

***Hemp Tax collections began January 1, 2026.

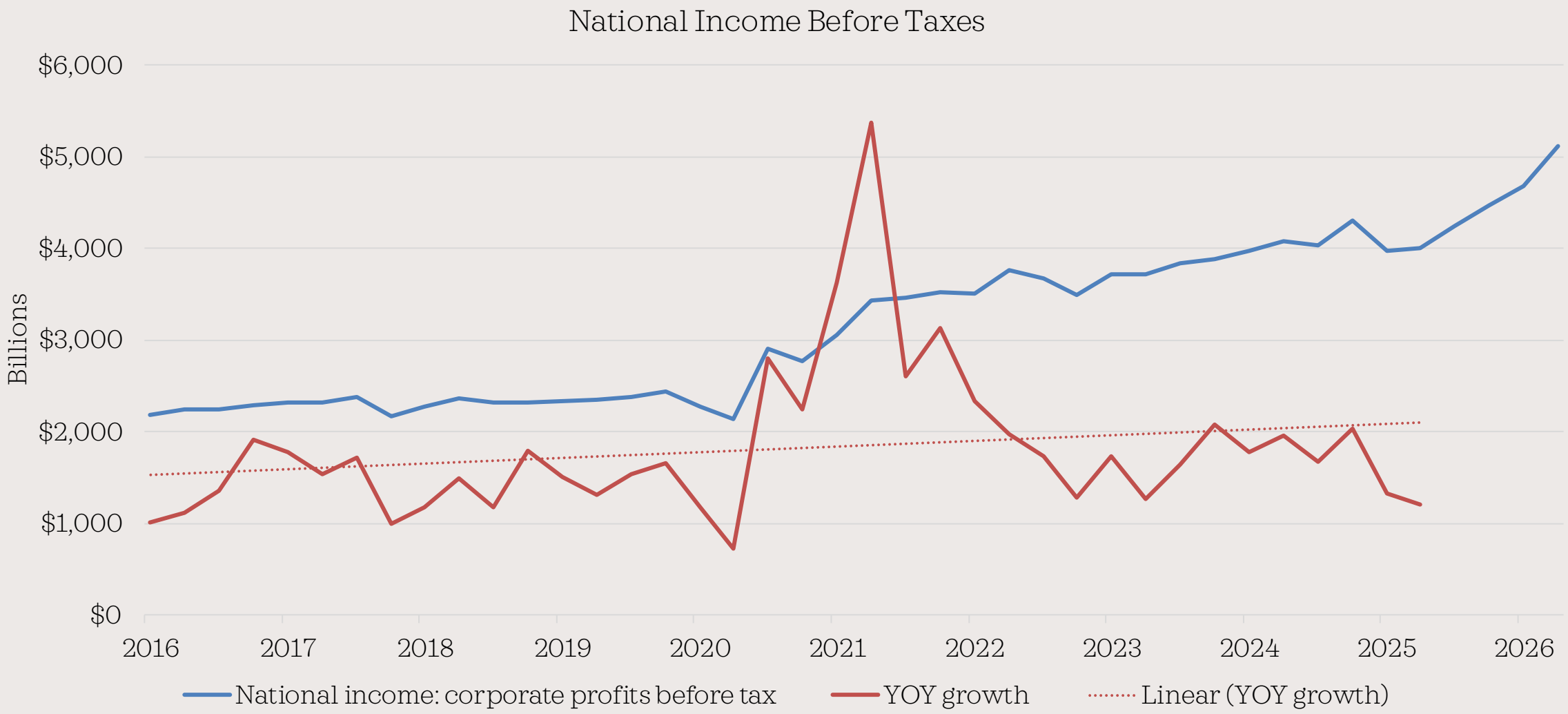
ESTIMATES VS FY25-26 & BUDGET

	ACTUAL FY25-26 ACCRUALS	CURRENT BUDGETED ESTIMATES FOR FY26-27	FRC ESTIMATES FOR FY26-27	INCREASE OVER FY25-26	INCREASE OVER CURRENT BUDGETED ESTIMATES
SALES AND USE*	$15,179,383,100	$15,302,600,000	$15,718,800,000	$539,416,900	$416,200,000
FRANCHISE AND EXCISE	$4,663,650,300	$3,800,000,000	$5,150,000,000	$486,349,700	$1,350,000,000
ALL FUNDS	$23,513,445,900	$22,853,900,000	$24,569,230,000	$1,055,784,100	$1,715,330,000
GENERAL FUND	$20,330,223,900	$19,554,200,000	$21,344,259,106	$1,014,035,206	$1,790,059,106

*Sales and Use Tax has been reduced by $159 million in FY25-26; $181.2 million in FY26-27; and $203.1 million in FY27-28 for the earmarked portions of the tax.

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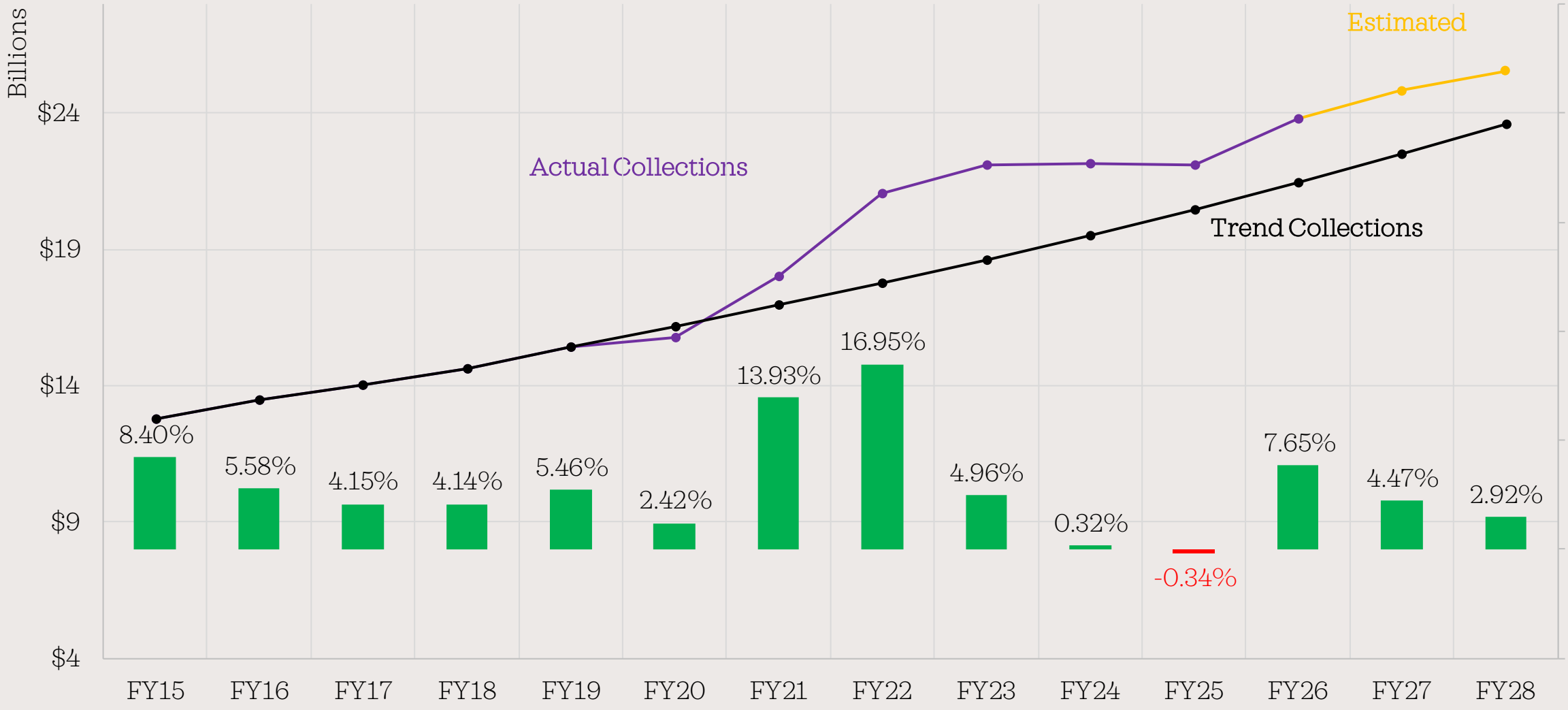
CORPORATE INCOME



Source: TN Department of Review Website; Fiscal Review Committee Staff Estimates

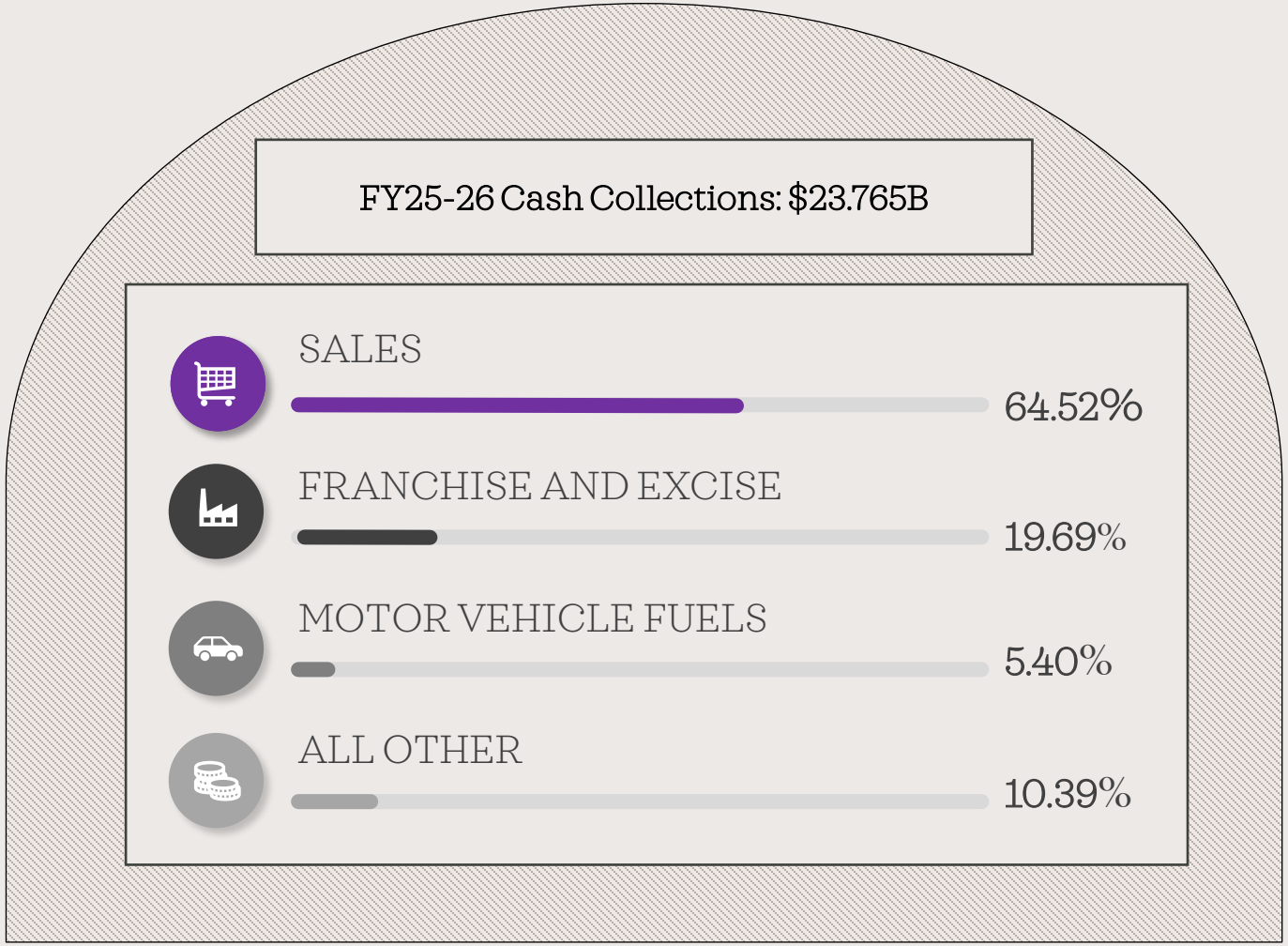
FRC Staff

TAX COLLECTIONS



Source: TN Department of Review Website; Fiscal Review Committee Staff Estimates

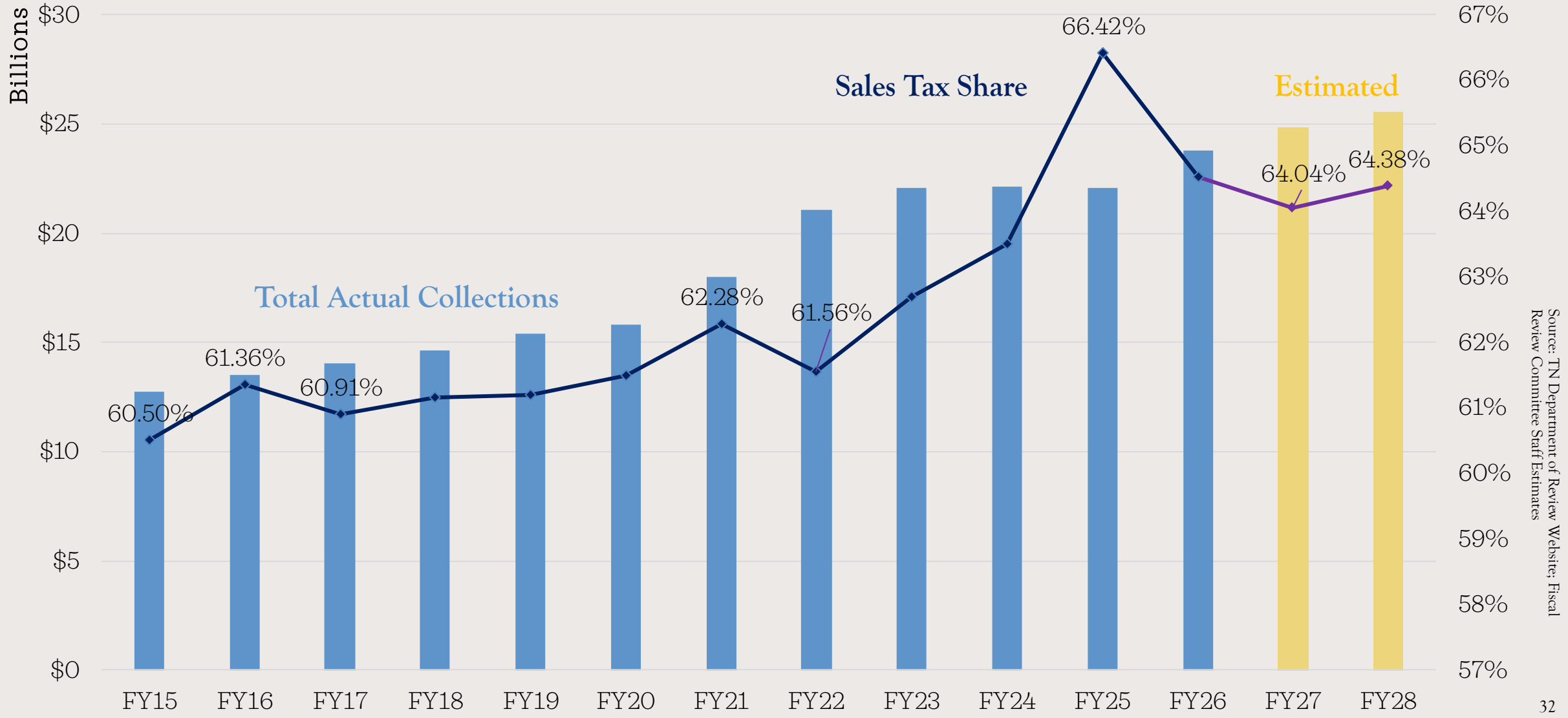
TAX SOURCES



Source: TN Department of Review Website

FRC Staff

TAX SOURCES



Source: TN Department of Review Website; Fiscal Review Committee Staff Estimates

FY26-27 ALL FUNDS & GF

REVENUE SOURCE	ALL FUNDS FY26-27	GENERAL FUND FY26-27
SALES AND USE TAX - LESS EARMARKED*	$15,718,800,000	$14,650,765,716
GASOLINE TAX	$870,000,000	$13,871,917
MOTOR FUEL TAX	$321,500,000	$2,313,869
GASOLINE INSPECTION TAX	$72,400,000	$21,132,485
MOTOR VEHICLE REGISTRATION TAX	$423,000,000	$80,033,072
PRIVILEGE TAX - LESS EARMARKED**	$521,000,000	$514,627,310
GROSS RECEIPTS TAX – TVA	$465,980,000	$251,072,685
GROSS RECEIPTS TAX – OTHER	$50,300,000	$41,530,143
BEER TAX	$16,100,000	$10,825,531
ALCOHOLIC BEVERAGE TAX	$85,300,000	$70,411,721
FRANCHISE AND EXCISE TAX	$5,150,000,000	$4,858,000,000
TOBACCO TAX	$173,000,000	$173,000,000
VAPOR PRODUCTS TAX	$17,200,000	$17,200,000
HEMP TAX***	$25,000,000	$25,000,000
MOTOR VEHICLE TITLE FEES	$22,700,000	$20,000,000
MIXED DRINK TAX	$236,000,000	$118,000,000
BUSINESS TAX	$400,000,000	$400,000,000
SEVERANCE TAX	$550,000	$366,634
COIN OPERATED AMUSEMENT TAX	$400,000	$400,000
UNAUTHORIZED SUBSTANCE TAX	$0	$0
REPEALED TAX SOURCES (INCOME AND INHERITANCE & ESTATE TAX)	$0	$0
TOTAL REVENUE	**$24,569,230,000**	**$21,268,551,083**

*Sales and Use Tax has been reduced by $181.2 million in FY26-27 for the earmarked portion of the tax.

**Privilege Tax has been reduced by $78 million in FY26-27 for the earmarked portion of the tax.

***Hemp Tax collections began January 1, 2026.

FY27-28 ALL FUNDS & GF

REVENUE SOURCE	ALL FUNDS FY27-28	GENERAL FUND FY27-28
SALES AND USE TAX - LESS EARMARKED*	$16,246,900,000	$15,150,515,658
GASOLINE TAX	$865,000,000	$13,792,194
MOTOR FUEL TAX	$323,500,000	$2,328,263
GASOLINE INSPECTION TAX	$72,700,000	$21,220,051
MOTOR VEHICLE REGISTRATION TAX	$429,000,000	$81,168,293
PRIVILEGE TAX - LESS EARMARKED**	$522,000,000	$515,615,079
GROSS RECEIPTS TAX – TVA	$480,000,000	$258,626,741
GROSS RECEIPTS TAX – OTHER	$49,500,000	$40,869,624
BEER TAX	$15,800,000	$10,623,813
ALCOHOLIC BEVERAGE TAX	$84,500,000	$69,751,353
FRANCHISE AND EXCISE TAX	$5,300,000,000	$5,008,000,000
TOBACCO TAX	$166,000,000	$166,000,000
VAPOR PRODUCTS TAX	$17,900,000	$17,900,000
HEMP TAX***	$25,000,000	$25,000,000
MOTOR VEHICLE TITLE FEES	$23,000,000	$20,300,000
MIXED DRINK TAX	$241,000,000	$120,500,000
BUSINESS TAX	$407,500,000	$407,500,000
SEVERANCE TAX	$525,000	$349,969
COIN OPERATED AMUSEMENT TAX	$405,000	$405,000
UNAUTHORIZED SUBSTANCE TAX	$0	$0
REPEALED TAX SOURCES (INCOME AND INHERITANCE & ESTATE TAX)	$0	$0
TOTAL REVENUE	**$25,270,230,000**	**$21,930,466,037**

*Sales and Use Tax has been reduced by $203.1 million in FY27-28 for the earmarked portion of the tax.

**Privilege Tax has been reduced by $78 million in FY27-28 for the earmarked portion of the tax.

***Hemp Tax collections began January 1, 2026.


THANK YOU
Fiscal Review Committee
Economics Division
November 2026

Net Lottery Proceeds Estimates

Fiscal Review Committee Staff

November 9, 2026

Historical Results

Category	FY22-23	FY23-24	FY24-25	FY25-26	FY25-26 Growth Rate
Net Revenue	$1,968,346,614	$1,903,886,393	$1,708,296,935	$1,733,585,081	1.48%
Total Expenses	$1,470,228,453	$1,411,590,593	$1,295,982,640	$1,308,777,676	0.99%
Excess Unclaimed Proceeds	$896,000	$9,026,000	$0	$2,463,654	N/A
NET LOTTERY PROCEEDS	**$499,014,170**	**$501,321,800**	**$412,314,295**	**$427,271,059**	**3.63%**
After-School Funding	$18,000,000	$18,000,000	$17,749,538	$18,000,000	1.41%
Total State Proceeds	$517,014,170	$519,321,800	$430,063,833	$445,271,059	3.54%

Historical Results

Category	FY22-23	FY23-24	FY24-25	FY25-26	FY25-26 Growth Rate
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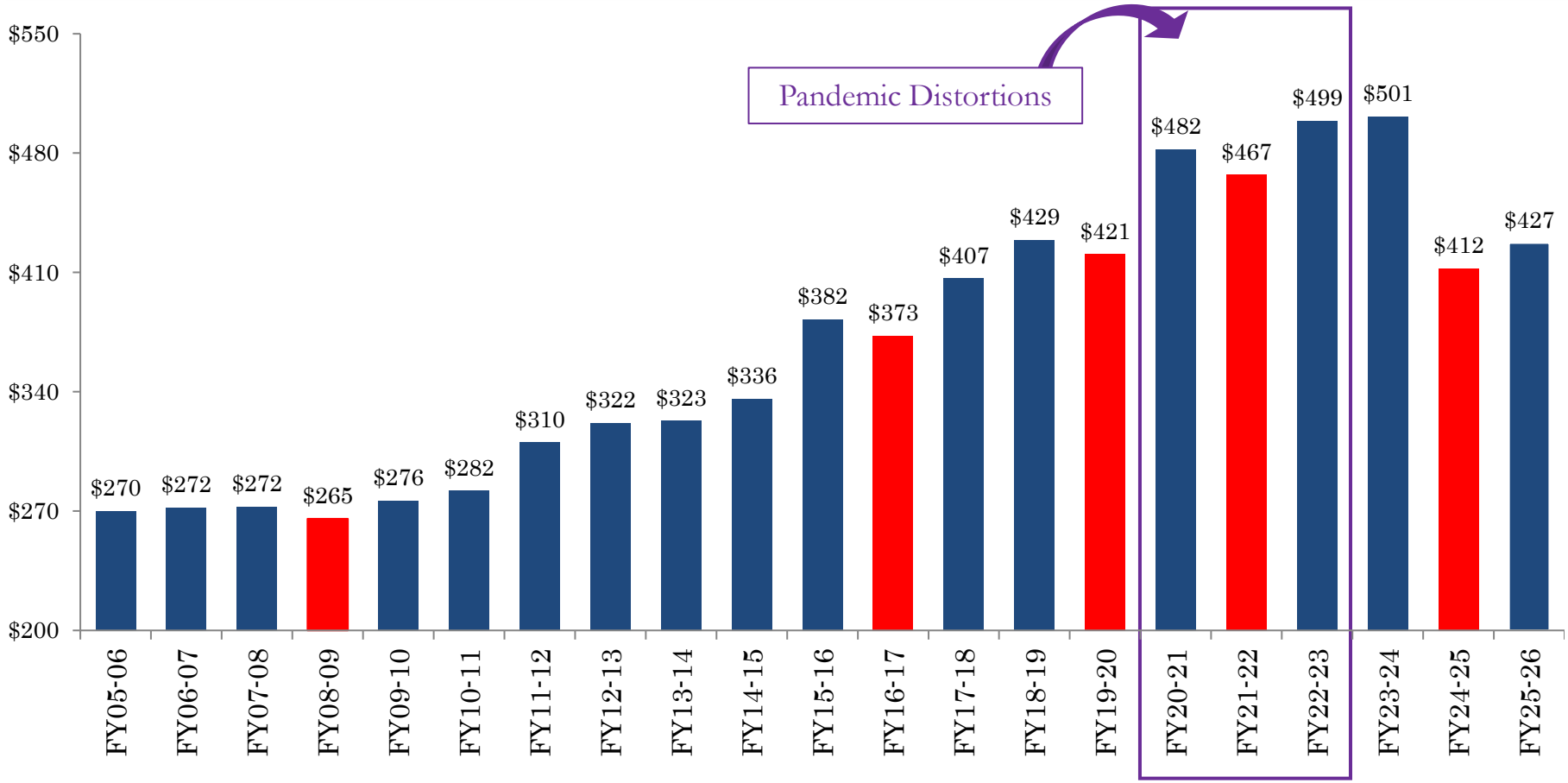
After-school funding represents unclaimed prizes and is limited to $18M. All excess funding is allocated to the Lottery for Education Account.

Historical Results

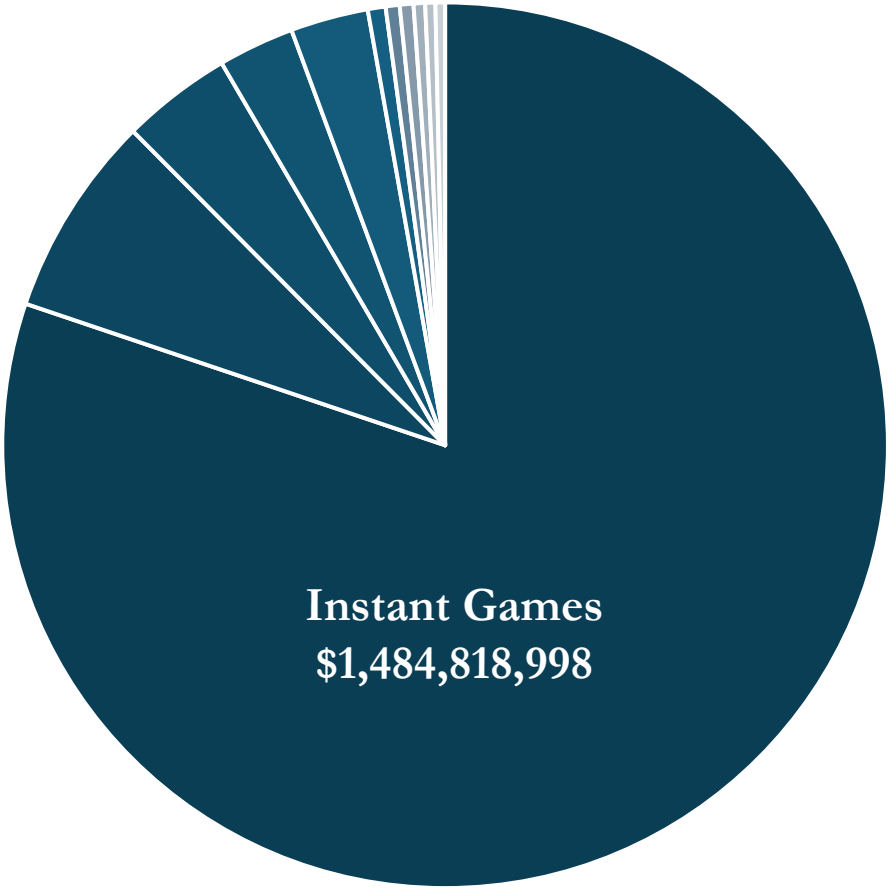
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Historical Results – NLP

Category	FY22-23	FY23-24	FY24-25	FY25-26	FY25-26 GR
NET LOTTERY PROCEEDS	$499,014,170	$501,321,800	$412,314,295	$427,271,059	3.63%



Gross Ticket Sales

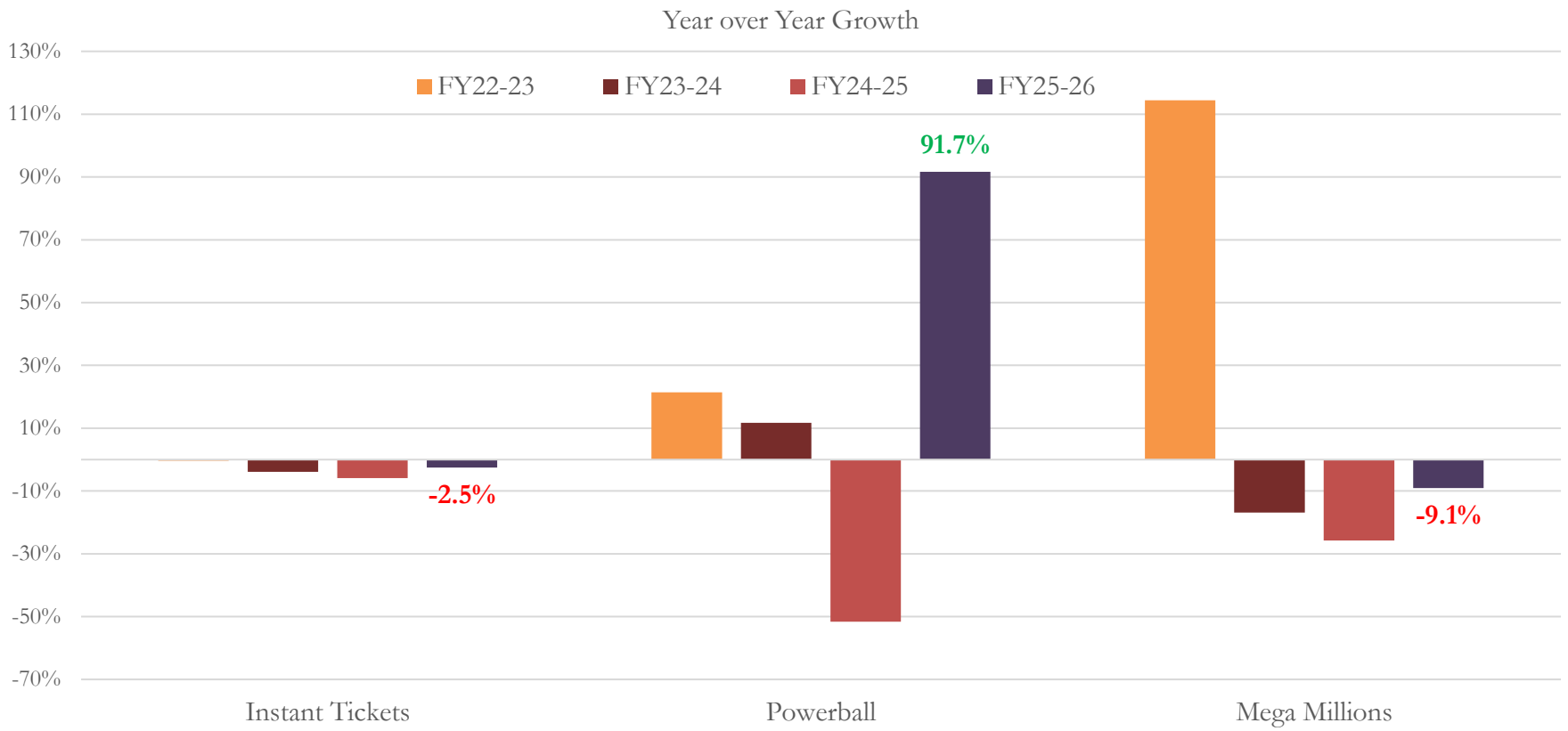


- Instant Game Tickets (80.18%)
- Powerball (7.37%)
- Cash 3 (4.03%)
- Cash 4 (2.78%)
- MegaMillions (2.84%)
- Lotto America (0.65%)
- Keno To Go (0.51%)
- Tennessee Cash (0.50%)
- Daily TN Jkpt (0.42%)
- Millionaire 4 Life* (.37%)
- Cash 4 Life* (0.35%)

FY25-26 Gross Ticket Sales: $1,851,949,005

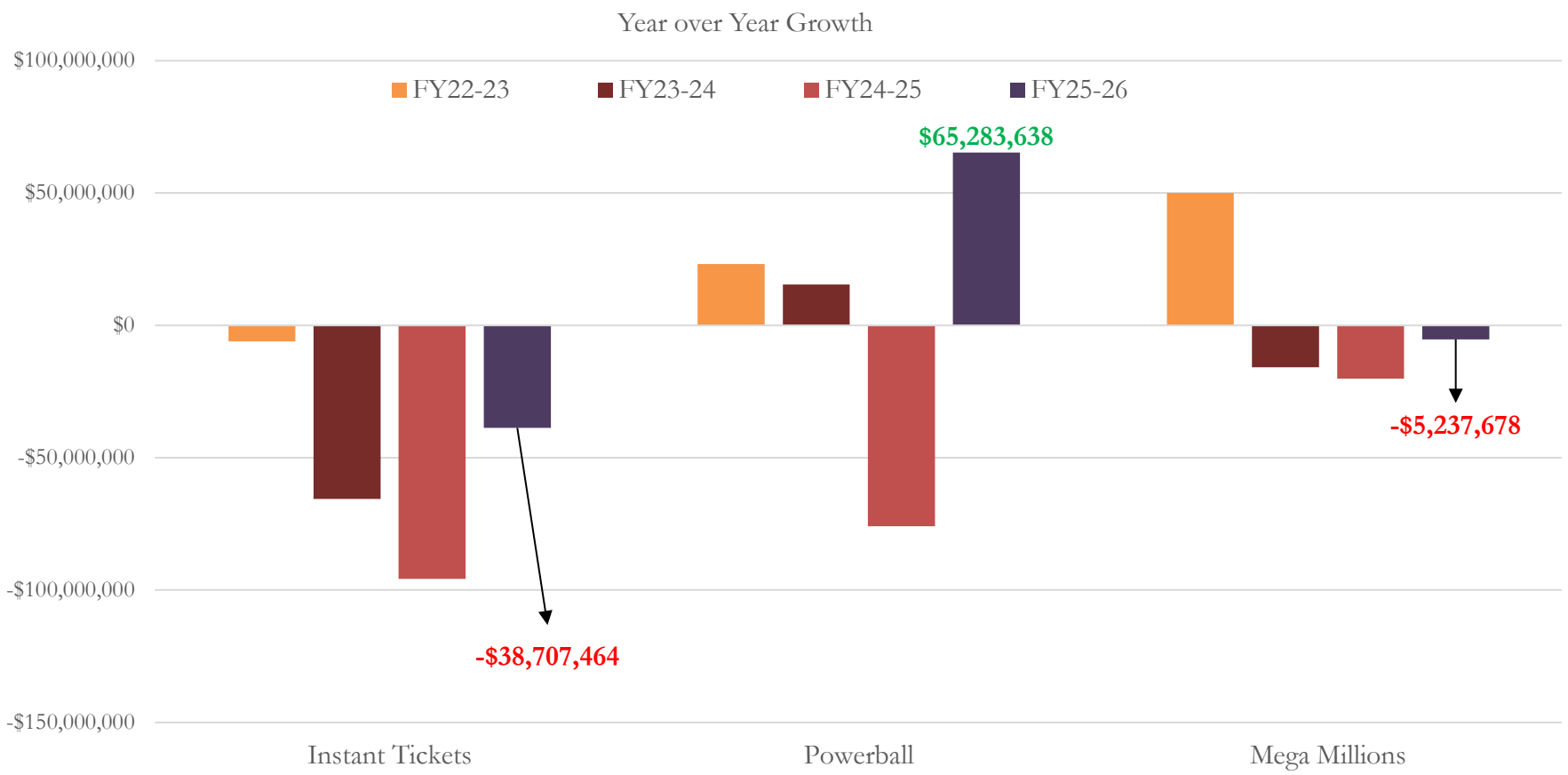
Historical Results – Select Games

Category	FY22-23	FY23-24	FY24-25	FY25-26	FY25-26 GR
NET LOTTERY PROCEEDS	**$499,014,170**	**$501,321,800**	**$412,314,295**	**$427,271,059**	**3.63%**

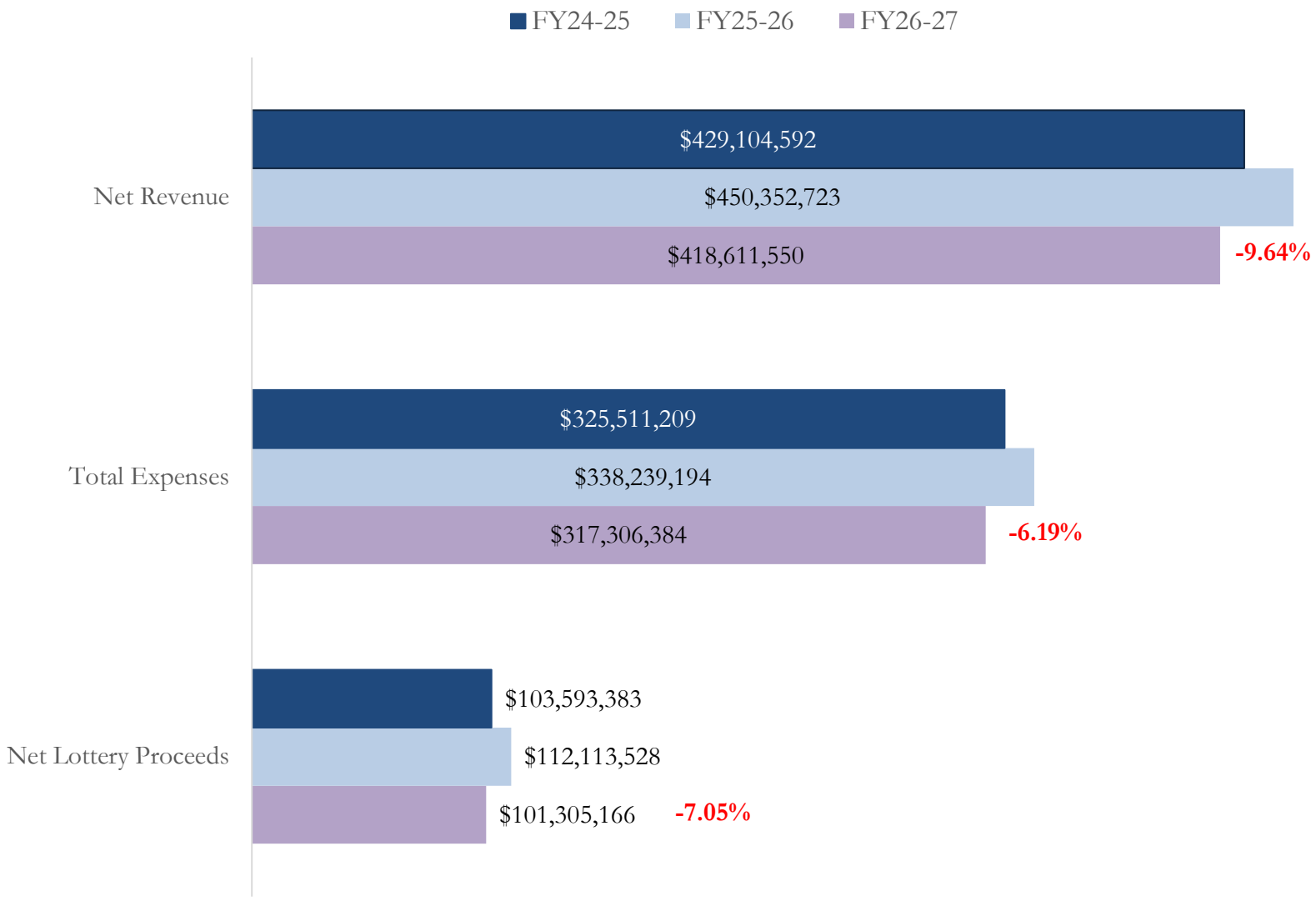


Historical Results – Select Games

Category	FY22-23	FY23-24	FY24-25	FY25-26	FY25-26 GR
NET LOTTERY PROCEEDS	$499,014,170	$501,321,800	$412,314,295	$427,271,059	3.63%



FY26-27 Year-to-Date
July through September



FY26-27 Year-to-Date Powerball

($23,712,417) (-44.05%)

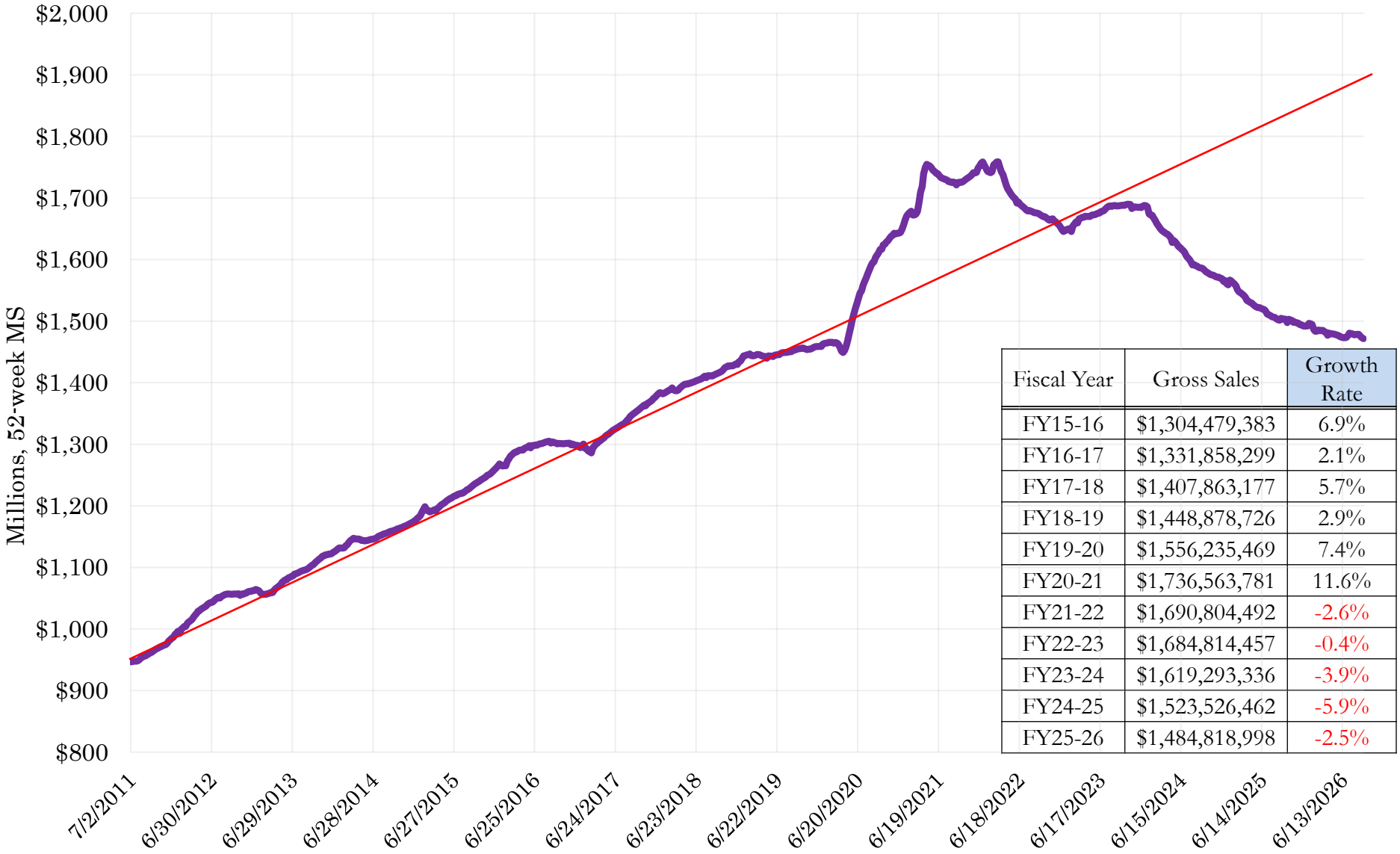
Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle
FY25-26 Q1	$426,846,154	$1,800,000,000
FY26-27 Q1	$393,950,000	$1,000,000,000

FY26-27 Year-to-Date
Mega Millions

$471,987 (3.78%)

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle
FY25-26 Q1	$231,407,407	$497,000,000
FY26-27 Q1	$314,115,385	$800,000,000

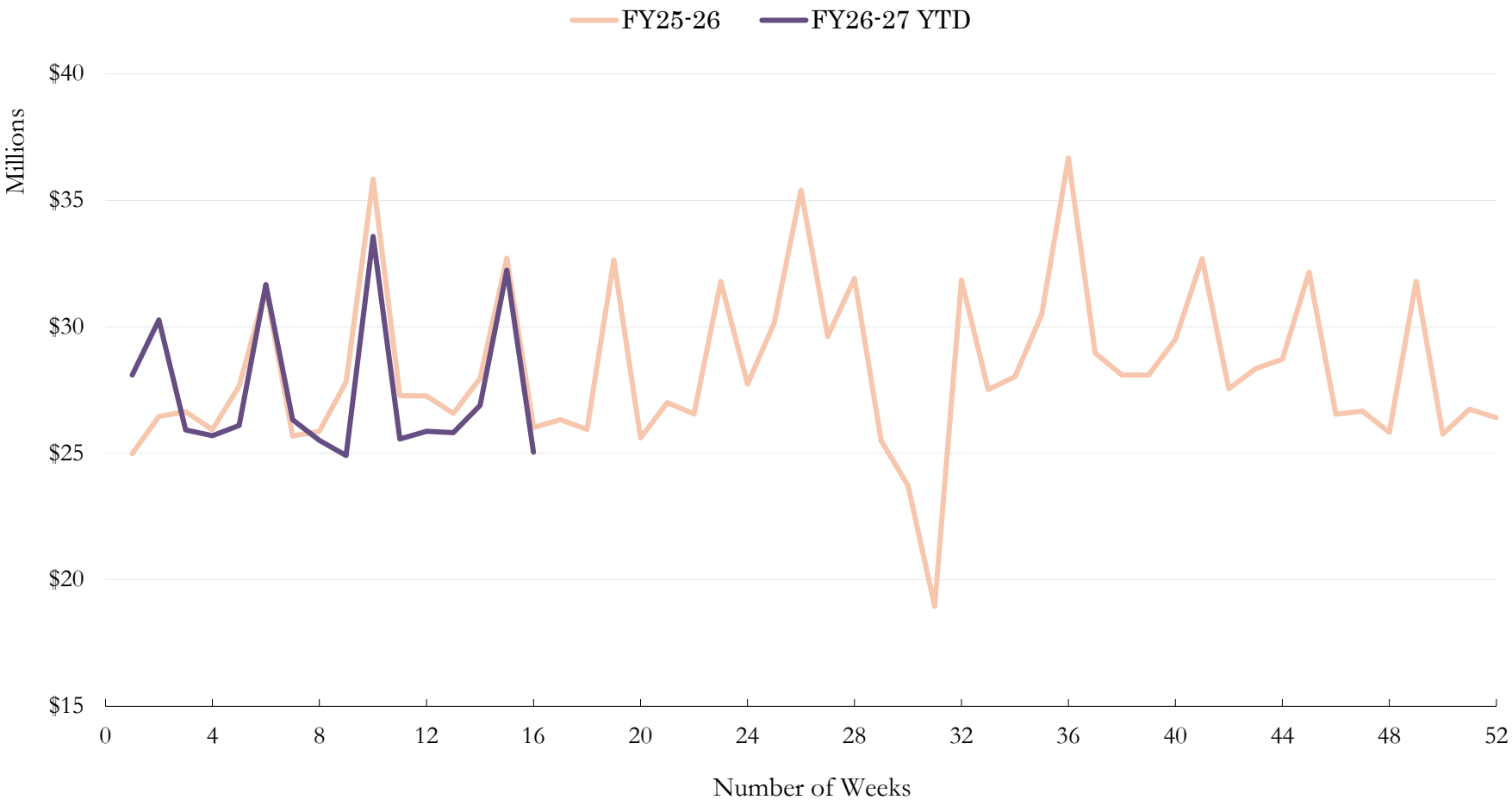
Instant Games



Fiscal Year	Gross Sales	Growth Rate
FY15-16	$1,304,479,383	6.9%
FY16-17	$1,331,858,299	2.1%
FY17-18	$1,407,863,177	5.7%
FY18-19	$1,448,878,726	2.9%
FY19-20	$1,556,235,469	7.4%
FY20-21	$1,736,563,781	11.6%
FY21-22	$1,690,804,492	-2.6%
FY22-23	$1,684,814,457	-0.4%
FY23-24	$1,619,293,336	-3.9%
FY24-25	$1,523,526,462	-5.9%
FY25-26	$1,484,818,998	-2.5%

FY26-27 Year-to-Date Instant Tickets

($10,831,964) (-3.21%)



Instant Games

Category	FY24-25 Actual	FY25-26 Actual	FY26-27 Estimates	FY27-28 Estimates	Range
Instant Games (Gross Sales)	$1,523,526,462	$1,484,818,998	$1,445,000,000	$1,426,000,000	Low
			$1,455,000,000	$1,438,000,000	Median
			$1,465,000,000	$1,450,000,000	High
Tickets Provided as Prizes	$133,004,569	$130,042,396	$126,539,700	$125,061,200	Low
			$127,431,700	$125,942,800	Median
			$128,323,700	$126,824,400	High
Instant Games (Net Sales)	$1,390,521,893	$1,354,776,602	$1,318,460,300	$1,300,938,800	Low
			$1,327,568,300	$1,312,057,200	Median
			$1,336,676,300	$1,323,175,600	High

Powerball

- FY24-25 sales: $71,223,917
- FY25-26 sales: $136,507,555
- FY25-26 growth: $65,283,638 (91.66%)

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
FY24-25	$158,490,446	$515,000,000	20	1	9
FY25-26	$323,615,385	$1,800,000,000	55	31	7
FY26-27 YTD*	$430,764,706	$1,000,000,000	35	20	1

**As of October 26, 2026*

Powerball

FY24-25 Actual Sales	FY25-26 Actual Sales	FY26-27 Estimates	FY27-28 Estimates	Range
$71,223,917	$136,507,555	$100,500,000	$82,500,000	Low
		$105,500,000	$92,500,000	Median
		$110,500,000	$102,500,000	High

Mega Millions

- FY24-25 sales: $57,846,851
- FY25-26 sales: $52,609,173
- FY25-26 growth: ($5,237,678) (-9.05%)

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
FY24-25	$266,413,462	$1,220,000,000	36	15	5
FY25-26	$292,761,905	$980,000,000	45	15	5
FY26-27* YTD	$331,588,235	$800,000,000	17	8	1

**As of October 26, 2026*

Mega Millions

FY24-25 Actual Sales	FY25-26 Actual Sales	FY26-27 Estimates	FY27-28 Estimates	Range
$57,846,851	$52,609,173	$50,400,000	$38,500,000	Low
		$55,400,000	$48,500,000	Median
		$60,400,000	$58,500,000	High

Lotto America

- FY24-25 sales: $13,627,192
- FY25-26 sales: $12,017,366
- FY25-26 growth: ($1,609,826) (-11.81%)

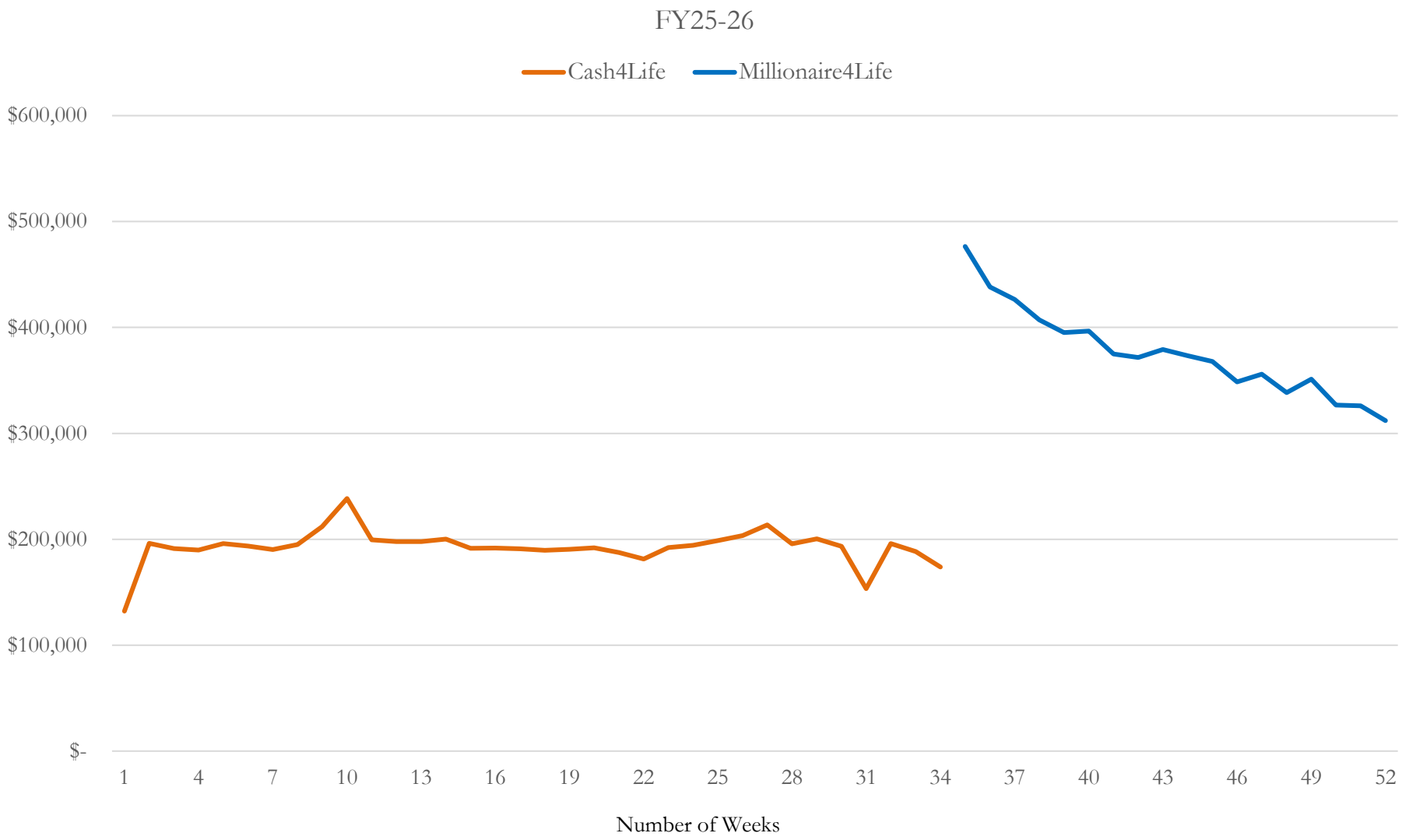
Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots $15,000,000 or More	Drawings with Jackpots $30,000,000 or More	Jackpot Winners
FY24-25	$17,626,051	$37,400,000	87	24	1
FY25-26	$12,835,321	$30,900,000	61	5	2
FY26-27* YTD	$7,776,078	$34,120,000	8	8	2

**As of October 26, 2026*

Lotto America

FY24-25 Actual Sales	FY25-26 Actual Sales	FY26-27 Estimates	FY27-28 Estimates	Range
$13,627,192	$12,169,454	$11,100,000	$10,950,000	Low
		$11,600,000	$11,700,000	Median
		$12,100,000	$12,450,000	High

Cash4Life → Millionaire4Life
Began *February 2026*



Cash4Life → Millionaire4Life

- Cash4Life FY25-26 sales (Weeks 1-34): $6,572,741
- Millionaire4Life FY25-26 sales (Weeks 35-52): $6,870,710

FY25-26 Actual Sales	FY26-27 Estimates	FY27-28 Estimates	Range
$6,870,710	$14,100,000	$13,250,000	Low
	$14,600,000	$14,000,000	Median
	$15,100,000	$14,750,000	High

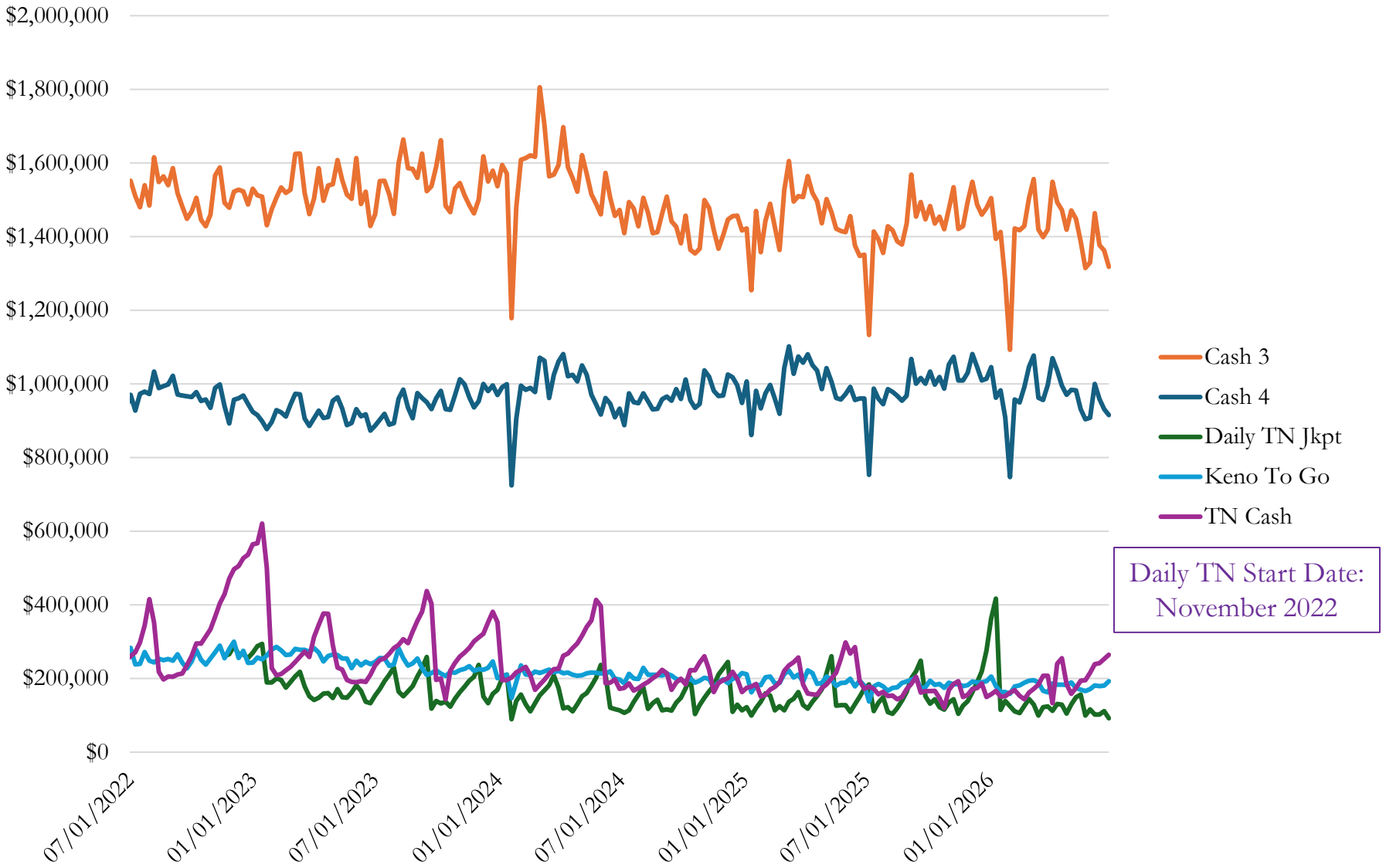
Powerball Xs & Os
Began September 2026

- Jackpot drawing game made in partnership with the NFL
- Results are randomly drawn and not based on the outcome of NFL games
- Drawings occur once per week
- The game will be offered indefinitely and is not tied to sports schedules
- **Difficult to develop a forecast due to the game's recent implementation**

FY26-27 Sales YTD*	FY26-27 Estimates	FY27-28 Estimates	Range
$322,250	$3,000,000	$4,800,000	Low
	$3,500,000	$6,000,000	Median
	$4,000,000	$7,200,000	High

**As of Week Ending October 17, 2026*

Tennessee Exclusive Drawing Style Games Gross Revenue



Tennessee Exclusive Drawing Style Games

Game Type	FY24-25 Actual Sales	FY25-26 Actual Sales	FY25-26 Growth	
Cash 3 & Cash 4	$126,619,429	$126,118,644	($500,785)	-0.40%
Daily TN Jackpot	$7,607,607	$7,697,855	$90,248	1.19%
Keno To Go	$10,356,530	$9,493,095	($863,435)	-8.34%
TN Cash	$11,517,262	$9,242,868	($2,274,394)	-19.75%

Cash 3 and Cash 4

FY24-25 Actual Sales	FY25-26 Actual Sales	FY25-26 Estimates	FY26-27 Estimates	Range
$126,619,429	$126,118,644	$122,800,000	$120,500,000	Low
		$124,300,000	$122,200,000	Median
		$125,800,000	$123,900,000	High

Daily TN Jackpot

FY24-25 Actual Sales	FY25-26 Actual Sales	FY26-27 Estimates	FY27-28 Estimates	Range
$7,607,607	$7,697,855	$7,700,000	$7,700,000	Low
		$8,700,000	$8,700,000	Median
		$9,700,000	$9,700,000	High

Keno To Go

FY24-25 Actual Sales	FY25-26 Actual Sales	FY26-27 Estimates	FY27-28 Estimates	Range
$10,356,530	$9,493,095	$9,500,000	$8,800,000	Low
		$10,000,000	$9,300,000	Median
		$10,500,000	$9,800,000	High

Tennessee Cash

FY24-25 Actual Sales	FY25-26 Actual Sales	FY26-27 Estimates	FY27-28 Estimates	Range
$11,517,262	$9,242,868	$9,700,000	$9,150,000	Low
		$10,200,000	$9,900,000	Median
		$10,700,000	$10,650,000	High



Net Lottery Proceeds

FY26-27 Estimates

	FY25-26 Actuals	FY26-27 Estimates		
		Low	Median	High
Instant Games (Net)	$1,354,776,602	$1,318,460,300	$1,327,568,300	$1,336,676,300
Powerball	$136,507,555	$100,500,000	$105,500,000	$110,500,000
Mega Millions	$52,609,173	$50,400,000	$55,400,000	$60,400,000
Cash 3 and Cash 4	$126,118,644	$122,800,000	$124,300,000	$125,800,000
Other Games	$51,894,635	$55,600,000	$58,600,000	$61,600,000
Misc. Revenue	$11,678,472	$9,100,000	$10,100,000	$11,100,000
Net Revenue	$1,733,585,081	$1,656,816,300	$1,681,468,300	$1,706,120,300
Total Expenses	$1,308,777,676	$1,250,358,700	$1,268,881,700	$1,287,404,700
Excess Unclaimed Proceeds	$2,463,654	$0	$0	$500,000
NET LOTTERY PROCEEDS	**$427,271,059**	**$405,957,600**	**$412,586,600**	**$419,215,600**
After-School Funding	$18,000,000	$18,000,000	$18,000,000	$18,000,000
Total State Proceeds	**$445,271,059**	**$423,957,600**	**$430,586,600**	**$437,215,600**

FY26-27 Estimates

	FY25-26 Actuals	FY26-27 Estimates		
		Low	Median	High
Instant Games (Net)	$1,354,776,602	$1,318,460,300	$1,327,568,300	$1,336,676,300
Powerball	$136,507,555	$100,500,000	$105,500,000	$110,500,000
Mega Millions	$52,609,173	$50,400,000	$55,400,000	$60,400,000
Cash 3 and Cash 4	$126,118,644	$122,800,000	$124,300,000	$125,800,000
Other Games	$51,894,635	$55,600,000	$58,600,000	$61,600,000
Misc. Revenue	$11,678,472	$9,100,000	$10,100,000	$11,100,000
Net Revenue	$1,733,585,081	$1,656,816,300	$1,681,468,300	$1,706,120,300
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After-School Funding	$18,000,000	$18,000,000	$18,000,000	$18,000,000
Total State Proceeds	**$445,271,059**	$423,957,600	**$430,586,600**	$437,215,600

FY27-28 Estimates

	FY26-27 Median Estimate	FY27-28 Estimates		
		Low	Median	High
Instant Games (Net)	$1,327,568,300	$1,300,938,800	$1,312,057,200	$1,323,175,600
Powerball	$105,500,000	$82,500,000	$92,500,000	$102,500,000
Mega Millions	$55,400,000	$38,500,000	$48,500,000	$58,500,000
Cash 3 and Cash 4	$124,300,000	$120,500,000	$122,200,000	$123,900,000
Other Games	$58,600,000	$55,600,000	$59,600,000	$63,600,000
Misc. Revenue	$10,100,000	$9,200,000	$10,200,000	$11,200,400
Net Revenue	$1,681,468,300	$1,607,374,800	$1,645,057,200	$1,682,739,600
Total Expenses	$1,268,881,700	$1,213,983,500	$1,242,053,500	$1,270,123,500
Excess Unclaimed Proceeds	$0	$0	$0	$500,000
NET LOTTERY PROCEEDS	**$412,586,600**	**$392,891,300**	**$403,003,700**	**$413,116,100**
After-School Funding	$18,000,000	$18,000,000	$18,000,000	$18,000,000
Total State Proceeds	**$430,586,600**	**$410,891,300**	**$421,003,700**	**$431,116,100**

FY27-28 Estimates

	FY26-27 Median Estimate	FY27-28 Estimates		
		Low	Median	High
Instant Games (Net)	$1,327,568,300	$1,300,938,800	$1,312,057,200	$1,323,175,600
Powerball	$105,500,000	$82,500,000	$92,500,000	$102,500,000
Mega Millions	$55,400,000	$38,500,000	$48,500,000	$58,500,000
Cash 3 and Cash 4	$124,300,000	$120,500,000	$122,200,000	$123,900,000
Other Games	$58,600,000	$55,600,000	$59,600,000	$63,600,000
Misc. Revenue	$10,100,000	$9,200,000	$10,200,000	$11,200,400
Net Revenue	$1,681,468,300	$1,607,374,800	$1,645,057,200	$1,682,739,600
Total Expenses	$1,268,881,700	$1,213,983,500	$1,242,053,500	$1,270,123,500
Excess Unclaimed Proceeds	$0	$0	$0	$500,000
NET LOTTERY PROCEEDS	**$412,586,600**	$392,891,300	**$403,003,700**	$413,116,100
After-School Funding	$18,000,000	$18,000,000	$18,000,000	$18,000,000
Total State Proceeds	**$430,586,600**	$410,891,300	**$421,003,700**	$431,116,100

Subsequent Years

Growth beyond FY27-28 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
- Legislative action
- Varying jackpot cycles
- New and discontinued games
- Changes to retailer base
- Changes to advertising
- Changes in economy
- Trends in sports wagering and prediction markets

FY28-29, FY29-30, FY30-31

Category	FY28-29	FY29-30	FY30-31
Net Revenue	$1,661,507,777	$1,678,122,855	$1,694,904,084
Total Expenses	$1,254,474,080	$1,267,018,821	$1,279,689,009
Excess Unclaimed Proceeds	$0	$0	$0
NET LOTTERY PROCEEDS	$407,033,697	$411,104,034	$415,215,074
After-School Funding	$18,000,000	$18,000,000	$18,000,000
Total State Proceeds	$425,045,296	$429,125,731	$433,245,338



Thank you

Fiscal Review Committee
Economics Division

DR. STEVEN GENTILE
Executive Director

Tennessee Higher Education Commission

BILL LEE
Governor

STATE OF TENNESSEE
HIGHER EDUCATION COMMISSION
312 ROSA L. PARKS AVENUE, 9TH FLOOR
NASHVILLE, TENNESSEE 37243
(615) 741-3605

November 9, 2026

MEMORANDUM

TO: State Funding Board

FROM: Tim Phelps, Senior Director for Grant & Scholarship Programs
Tennessee Higher Education Commission

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) is providing projected expenditures for the lottery scholarship and grant programs through the 2030-31 academic year.

The expenditures below incorporate data for all lottery-funded programs, including the HOPE Scholarship, General Assembly Merit Scholarship, ASPIRE award, 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.

Fiscal Year	TELS Low	TELS Baseline	TELS High	Recipients
2025-26 actual*	N/A	$521.4M	N/A	168,600
2026-27 estimated*	$544.8M	$555.9M	$572.6M	179,800
2027-28 estimated*	$550.2M	$561.5M	$578.3M	181,600
2028-29 estimated*	$555.7M	$567.1M	$584.1M	183,400
2029-30 estimated*	$561.3M	$572.7M	$589.9M	185,200
2030-31 estimated*	$566.9M	$578.5M	$595.8M	187,100

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

These projections are based on the latest student enrollment data, 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 Sports Wagering Council

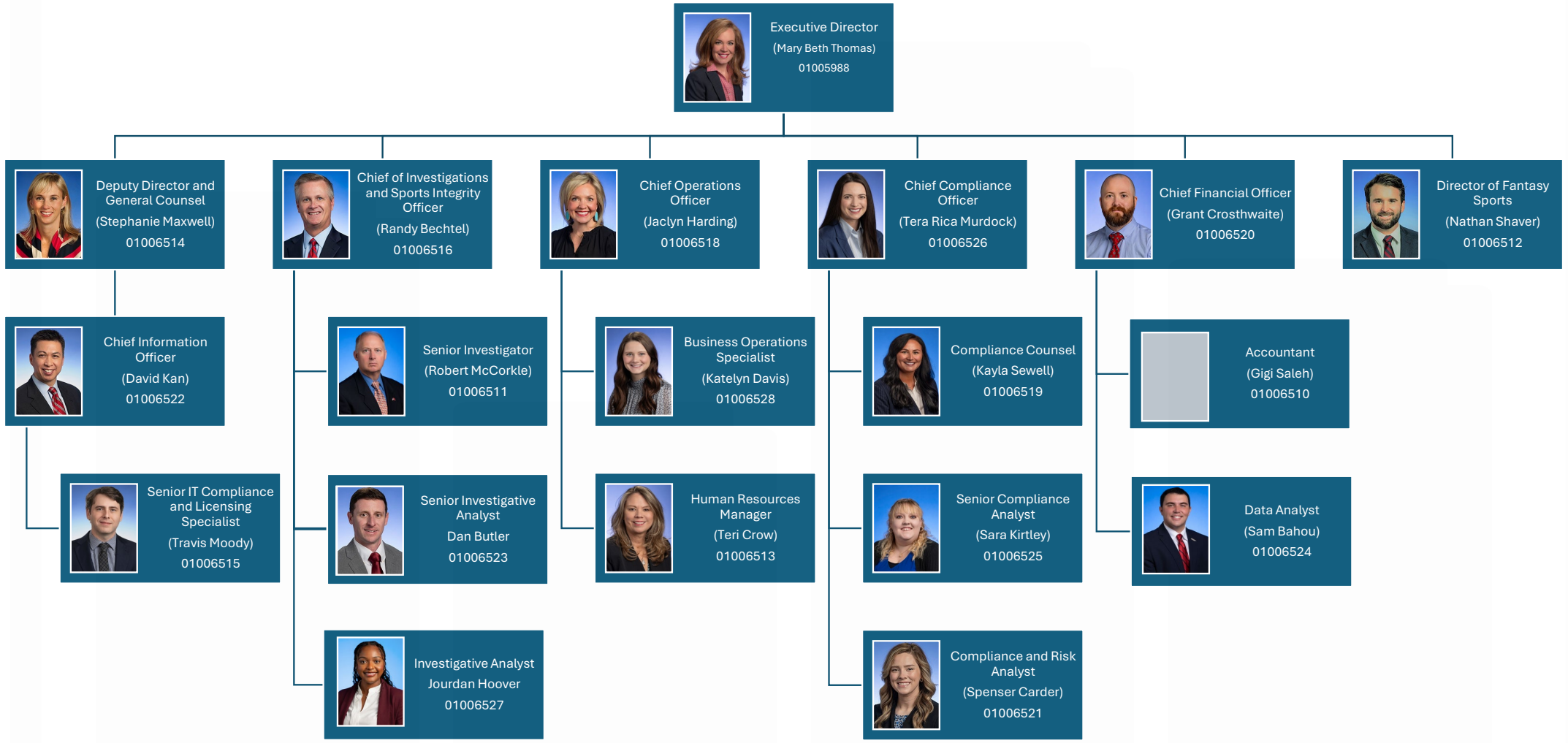
State Funding Board

NOVEMBER 9, 2026

STEPHANIE MAXWELL, DEPUTY DIRECTOR AND GENERAL COUNSEL

Tennessee Sports Wagering Council

The SWC Team



The SWC's Regulatory Responsibility

Compliance Oversight

Privilege Tax Collection
Technical and Financial Audit
Day to Day Reporting
Education and Outreach

Enforcement

Illegal Betting Operations
Fines and Civil Penalties
Law Enforcement Referrals
Player Complaint Assistance

Licensing and Registration

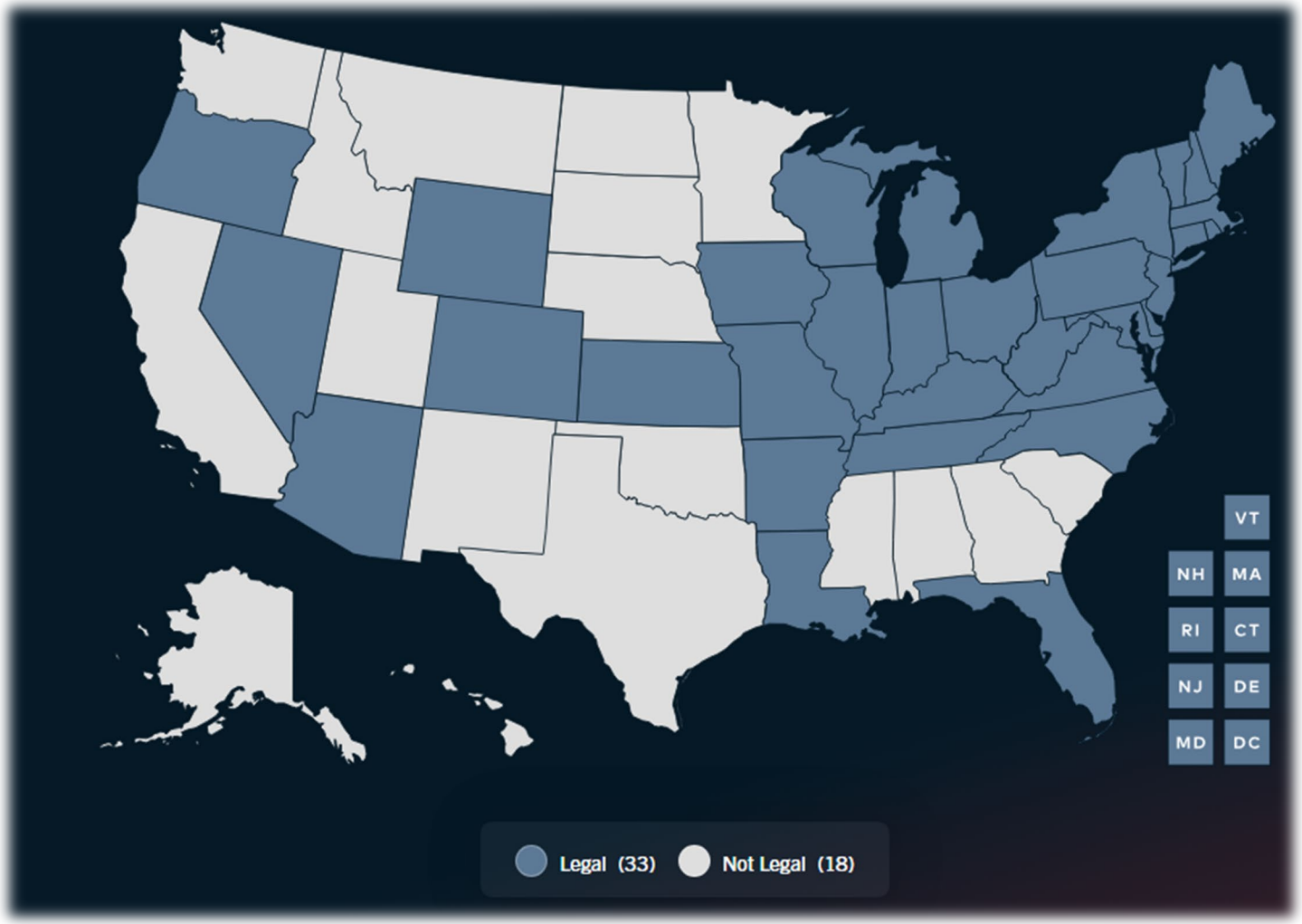
9 Sportsbooks
56 Sportsbook Vendors
16 Fantasy Sports Operators

Tennessee
Sports Wagering Council

Tennessee Sports Wagering Council

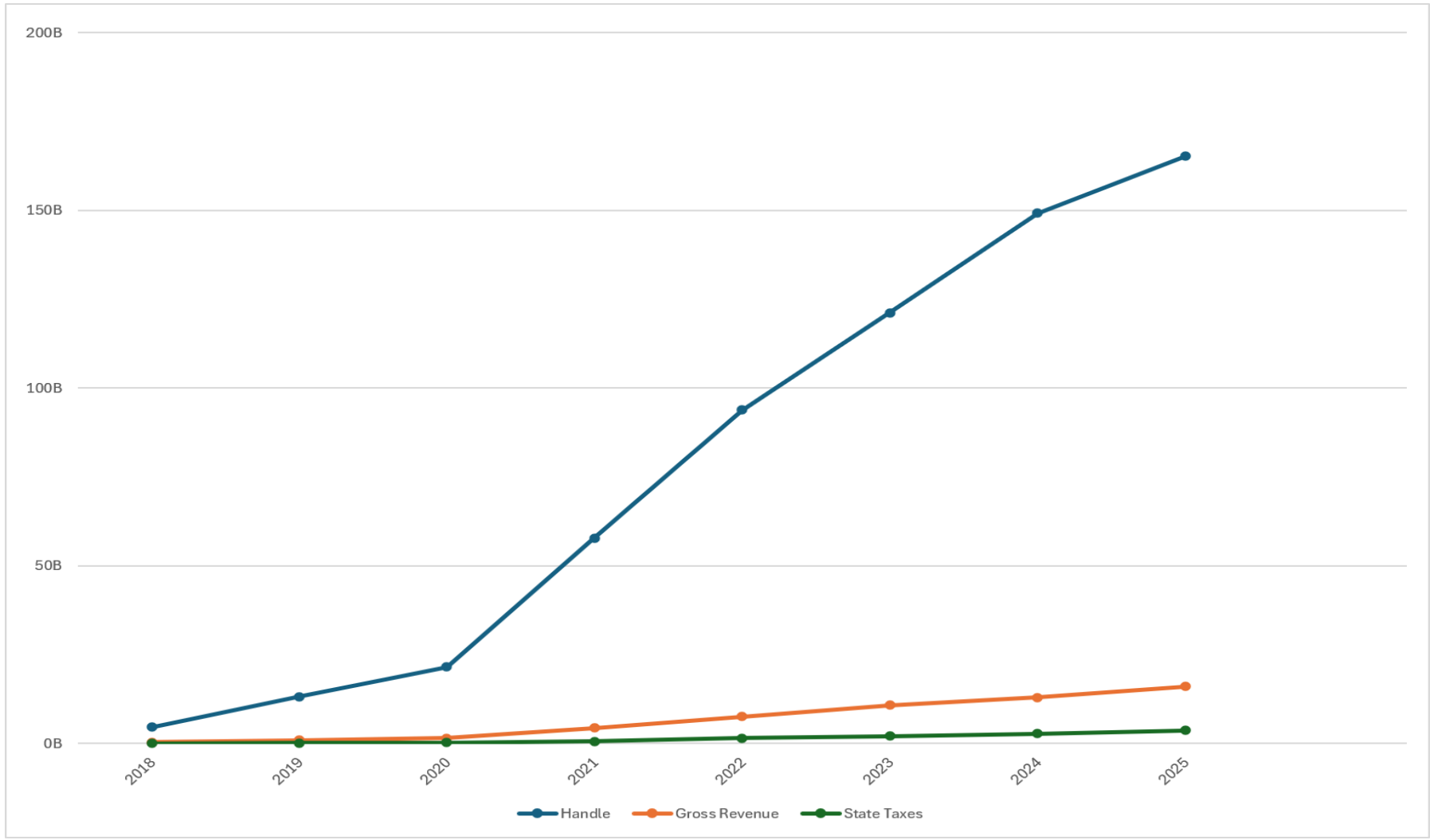
National Trends

Online Sports Betting is now legal in 33 states



Tennessee Sports Wagering Council

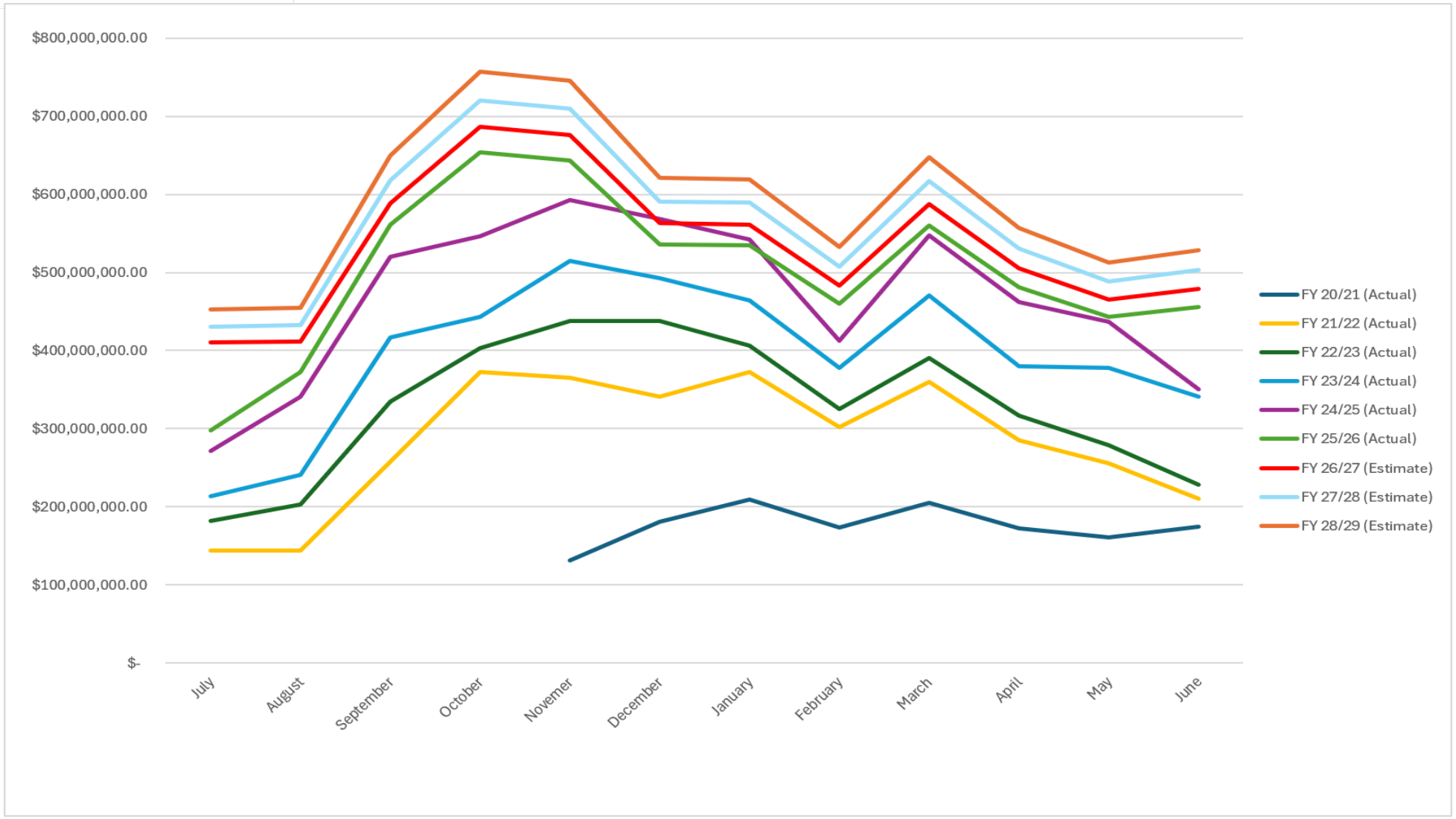
US Sports Betting Handle vs. Sportsbook Revenue and State Tax Revenue Since Legalization



Source: Sportshandle.com; Data through June 2026

Tennessee Sports Wagering Council

Year over Year Gross Handle by Month



Tennessee Sports Wagering Council

	State	Reported GGR
1	New York	$2,275,379,010.00
2	Illinois	$1,320,705,763.00
3	New Jersey	$1,073,584,982.00
4	Ohio	$923,277,582.00
5	Massachusetts	$775,722,626.00
6	Pennsylvania	$774,952,182.00
7	Arizona	$759,050,809.00
8	Virginia	$747,644,809.00
9	Maryland	$698,520,266.00
10	North Carolina	$646,939,820.00
11	Tennessee	$560,422,513.00
12	Michigan	$535,630,086.00
13	Colorado	$526,368,546.00
14	Indiana	$517,513,779.00
15	Nevada	$510,587,000.00
16	Louisiana	$504,660,024.00
17	Kentucky	$296,986,330.00
18	Kansas	$264,527,800.00
19	Connecticut	$248,178,574.00
20	Iowa	$240,134,290.00
21	Oregon	$105,256,906.00
22	New Hampshire	$88,490,913.00
23	DC	$82,162,625.00
24	Maine	$61,989,785.00
25	West Virginia	$56,762,516.00
26	Arkansas	$53,056,735.00
27	Rhode Island	$37,613,066.00
28	Wyoming	$24,269,508.00
29	Vermont	$21,721,780.00
30	Delaware	$17,356,149.00

Source: United States Tax Foundation, www.taxfoundation.org

Gross Gaming Revenue from Online Sports Betting by State for Calendar Year 2025

(Highest to Lowest)

Tennessee Sports Wagering Council

TN Sports Betting Handle and Privilege Taxes

	Gross Handle	Privilege Tax
FY 24/25	$ 5,590,550,325.09	$ 103,425,693.94
FY 25/26	$ 5,998,987,894.67	$ 110,981,826.45
FY 26/27 (Estimate)	$ 6,417,329,284.70	$ 118,721,180.55
FY 27/28 (Estimate)	$ 6,738,195,748.94	$ 124,657,239.58
FY 28/29 (Estimate)	$ 7,075,105,536.38	$ 130,890,101.55

- Tennessee assesses a 1.85% privilege tax on gross betting handle.
- 7% average growth rate of handle historically.
- 5% conservative growth rate estimated moving forward.

Tennessee Sports Wagering Council

Distribution of Sports Betting Privilege Tax

	Lottery For Education Fund (through 6/30/25)	School Construction and Maintenance (Effective 7/1/25)	Department of Mental Health	Local Governments
FY 24/25	$ 82,740,555.15		$ 5,171,284.70	$ 15,513,854.09
FY 25/26		$ 88,782,798.65	$ 5,548,924.92	$ 16,646,774.75
FY 26/27 (Estimate)		$ 94,976,944.44	$ 5,936,059.03	$ 17,808,177.08
FY 27/28 (Estimate)		$ 99,725,791.66	$ 6,232,861.98	$ 18,698,585.94
FY 28/29 (Estimate)		$ 104,712,081.24	$ 6,544,505.08	$ 19,633,515.23

- The SWC collects privileges taxes from sports betting operators each month, then transfers the funds to the Department of Revenue for distribution.
- The Department of Mental Health utilizes privilege taxes for responsible gaming prevention and treatment programs, with the excess available for juvenile mental health treatment.
- Local governments may use privilege tax funds for local infrastructure projects and emergency services. Funds are distributed on a per capita basis according to the most recent census data.

Tennessee Sports Wagering Council

Other Revenue to the State: SWC Licensure Fees

	Licensure Fees	SWC Operational Expenses and 10% Reserve	TN Promise Distribution
FY 24/25	$ 8,825,000.00	$ 4,557,757.11	$ 4,267,242.89
FY 25/26	$ 8,405,010.00	$ 4,538,758.08	$ 3,866,251.92

- Licensure fees collected from sports betting operators fund the operations of the SWC.
- All remaining licensure fees, less a 10% reserve, are remitted to the Tennessee Promise at the end of the fiscal year.
- The SWC's spending authority was $6,384,900 in FY24/25. The SWC utilized 71% of its spending authority in FY24/25.
- The SWC's spending authority was $6,951,600 in FY25/26. The SWC utilized 65% of its spending authority in FY25/26.

Tennessee Sports Wagering Council

Other Revenue to the State: Fantasy Sports Tax

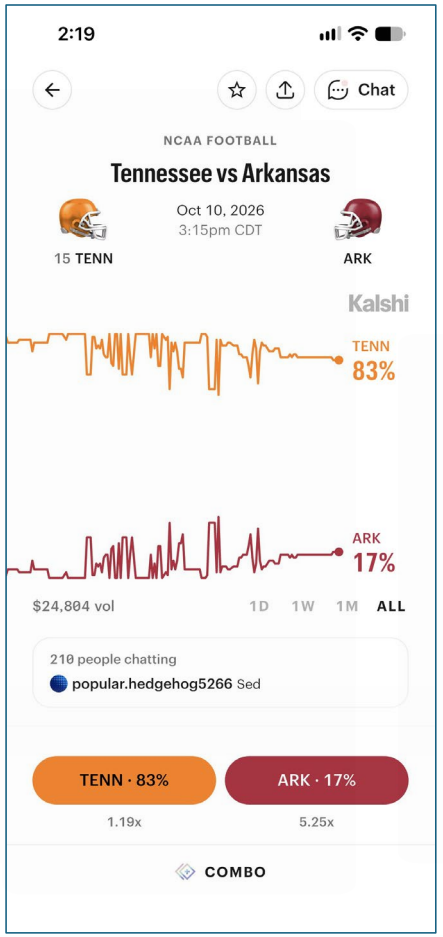
	Fantasy Sports Tax (6% of Adjusted Revenues)	Year over Year Growth
FY 24/25	$ 1,535,013	245%
FY 25/26	$ 1,619,524	106%

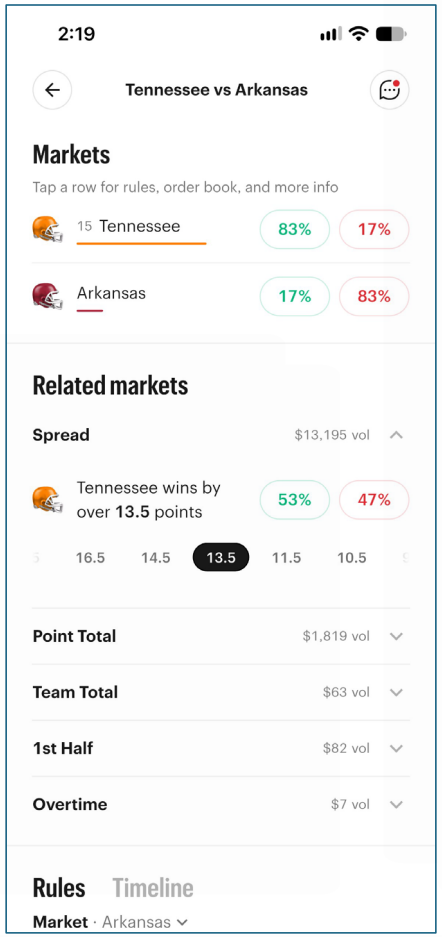
Distributed as follows:

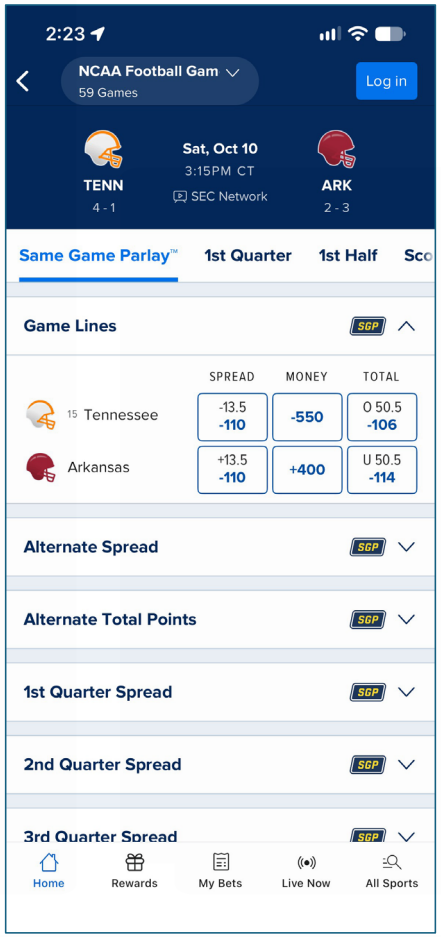
	General Fund (68%)	Counties (20%)	Fantasy Sports Fund (10%)	Dept. of Revenue (2%)
FY 24/25	$ 1,043,808.84	$ 307,002.60	$ 153,501.30	$ 30,700.26
FY 25/26	$ 1,101,275.99	$ 323,904.70	$ 161,952.35	$ 32,390.47

Tennessee Sports Wagering Council

Kalshi & FanDuel Markets: UT vs. Arkansas. - 10/10/2026







Tennessee Sports Wagering Council

RECOMMENDED FOR PUBLICATION
Pursuant to Sixth Circuit I.O.P. 32.1(b)

File Name: 26a0272p.06

UNITED STATES COURT OF APPEALS

FOR THE SIXTH CIRCUIT

KALSHIEX LLC,

Plaintiff-Appellant (26-3196),
Plaintiff-Appellee (26-5235),

v.

MATTHEW T. SCHULER; THOMAS J. STICKRATH; SHEETAL BAJORIA; SCOTT P. BORGEMENKE; KEITH CHENEY; PENELOPE R. CUNNINGHAM; CHRISTOPHER SMITHERMAN; TRIFFON CALLOS; OHIO CASINO CONTROL COMMISSION; DAVE YOST, Ohio Attorney General,

Defendants-Appellees (26-3196),

WILLIAM ORGEL, in his official capacity as Chairman of the Tennessee Sports Wagering Council; MARY BETH THOMAS, in her official capacity as the Executive Director of the Tennessee Sports Wagering

Nos. 26-3196/5235

Tennessee Sports Wagering Council

Thank You

DEPUTY DIRECTOR AND GENERAL COUNSEL STEPHANIE MAXWELL

BILL LEE
GOVERNOR

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

LIZZETTE REYNOLDS
COMMISSIONER

TO: Members of the Tennessee State Funding Board

FROM: Lizzette Reynolds, Commissioner

DATE: November 2, 2026

SUBJECT: Request for $23,000 from Net Lottery Proceeds for Lottery Scholarship Day for FY2027-2028

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 20276-2028 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.

Lizzette Reynolds_srp
Digitally signed by Lizzette Reynolds_srp
Date: 2026.11.02 11:18:29 -06'00'

cc: David Thurman