



## State of Tennessee

*Secretary of State Tre Hargett  
State Comptroller Justin P. Wilson  
State Treasurer David H. Lillard, Jr.*

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### **NEWS RELEASE: STATE FUNDING BOARD EXPECTS MODEST REVENUE GROWTH DURING THE NEXT FISCAL YEAR**

With the state and national economic picture for the next 18 months still muddled, the Tennessee State Funding Board is expecting only modest growth in the state's revenues during the 2010-2011 fiscal year.

For the fiscal year ending June 30, 2010, the Funding Board expects the revenue growth rates to be negative, ranging between -1.77 percent and -1.29 percent for total tax revenues and between -2.31 percent to -1.78 percent for the state's general fund, the primary funding source for state government's general operations.

For the fiscal year that begins July 1, 2010, the Funding Board is projecting a slight improvement in total tax revenues with a positive growth rate ranging between 1.73 percent and 1.98 percent. The Funding Board also anticipates a positive growth rate for the general fund between 2.05 percent and 2.30 percent.

Even with these positive growth rates for 2010-2011 fiscal year, tax revenue collections still will be less than they were for the fiscal year ending June 30, 2008 for total tax revenue and for the fiscal year ending June 30, 2007 for the general fund because the growth will be from a lower revenue base. The state may not return to the 2007 and 2008 revenue collection amounts until the 2013-2014 fiscal year.

The Funding Board's revenue estimates are based on the assumption that the General Assembly will not make any changes to its current tax structure.

In a letter to Governor Phil Bredesen; Senator Randy McNally, chairman of the Senate Finance, Ways and Means Committee; and Representative Craig Fitzhugh, chairman of the House Finance, Ways and Means Committee, the Funding Board members noted the difficulty of predicting the timetable for the state's recovery from the nation's worst economic downturn since the Great Depression.

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The Funding Board held a series of meetings March 19 through March 25 to hear from economists, some of whom provided specific revenue estimates and others who commented generally on the outlook for state and national economic conditions. After those hearings, the Funding Board publicly discussed the revenue situation at meetings March 25 and March 29 before reaching consensus on its estimates.

While there was general agreement among the economists who made presentations to the Funding Board that the state's financial situation will improve, there were several complicating factors.

For instance, improvement in the state's unemployment rate and housing start figures, which historically indicates an economic upturn, is not expected to occur very quickly.

Also, the economists said the loss of federal stimulus funds and the expiration of the Bush Administration tax cuts at the end of 2010 could have a negative impact on the state's revenue outlook in the 2011 calendar year. The economists also agreed that states with no state income tax are faring better than states with a state income tax.

In the letter, the Funding Board also provided estimates on revenues expected for the state lottery through the 2013-2014 fiscal year.

The mid-range estimate for lottery revenues is expected to increase very slightly from \$267,050,000 in the current fiscal year to \$269,950,000 in the 2013-2014 fiscal year.

Meanwhile, funding needed to cover scholarships and grants supported by the lottery is expected to grow from \$287,500,000 in the current fiscal year to \$387,900,000 in the 2013-2014 fiscal year.

Funding Board members expressed concern about the projected deficits between revenue collections and expected scholarship and grant needs. The deficit is projected from just over \$20,000,000 in the current fiscal year to \$117,950,000 by 2013-2014 fiscal year.

Members of the Funding Board include: Comptroller Justin P. Wilson, the board's secretary; Treasurer David H. Lillard Jr.; Secretary of State Tre Hargett; Finance and Administration Commissioner M.D. Goetz Jr. and Governor Bredesen.