



# STATE OF TENNESSEE

## Revenue Outlook

01/09/2024

# November Funding Board

## Positives

- Fundamentals of our economy are still good

## Challenge

- Expect much slower tax growth in 2024

## Key Factors

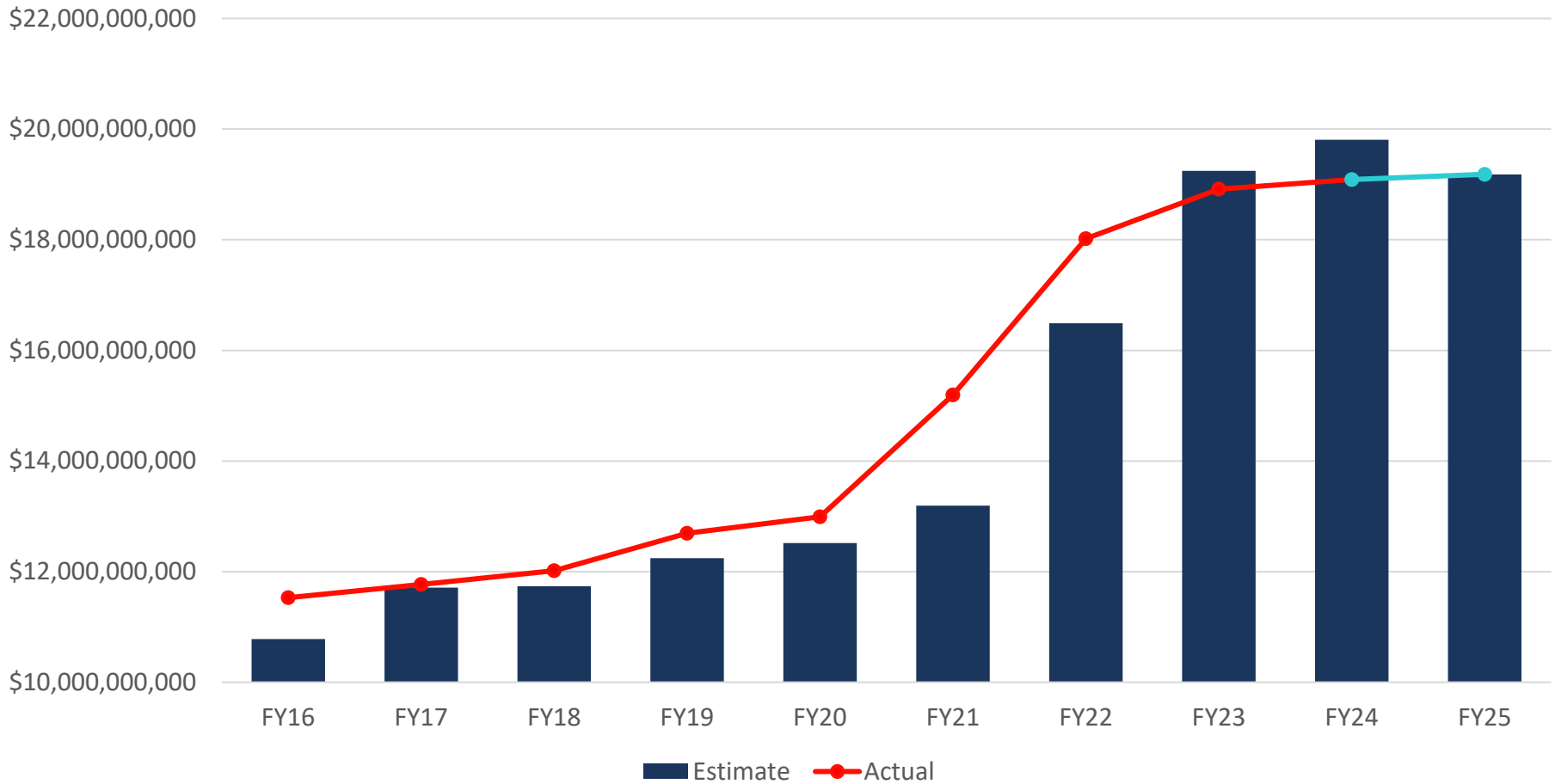
- Shift in Spending Patterns
- High Interest Rates
- Housing Costs
- Slowing Corporate Profit Growth
- Federal Stimulus dollars working out of the economy

# Funding Board Action – General Fund Taxes

	FY24 July 1 Est	Nov FY24 Forecast	Nov FY24 Revised
UT BCBER		0.72%	
Dept of Revenue	3.77%	0.13%	-.50% to 0.00%
Fiscal Review		1.56%	
ETSU		6.07%	
		Nov FY25 Forecast	Nov FY25 Projection
Dept of Revenue		-1.10%	
UT BCBER		-0.25%	-.50% to 0.50%
Fiscal Review		2.59%	
ETSU		3.32%	

# Slowing Tax Growth

## General Fund Revenue



# FY24 and FY25 Tax Revenue Forecast

	<u>Projected Growth Rate</u>	<u>General Fund</u>	<u>Impact</u>
<b>July 1, 2023 Tax Estimate for FY24</b>		19,806,200,000	
<b>Revised FY24 Tax Estimate (Nov. Funding Board)</b>	0.00%	19,087,400,000	(718,800,000)
<b>FY25 Tax Estimate (Nov. Funding Board)</b>	0.50%	19,182,800,000	95,400,000

# FY24 Taxes

	<b>YTD Collection</b>	<b>Revised Estimate</b>
<b>Sales</b>	<b>1.05%</b>	<b>1.94%</b>
<b>F&amp;E</b>	<b>-13.57%</b>	<b>-7.90%</b>
<b>'Road Taxes'</b>	<b>6.52%</b>	<b>6.22%</b>
<b>All Other Taxes</b>	<b>-4.20%</b>	<b>-5.12%</b>
<b>Total Taxes</b>	<b>-1.32%</b>	<b>-0.19%</b>
<b>General Fund</b>	<b>-2.96%</b>	<b>0.00%</b>

# Proposed Tax Legislation

- Tennessee's franchise tax includes an alternative minimum tax on property used in Tennessee
- This “property measure” is a disincentive to investment and has recently created additional challenges
- The proposed legislation will
  - Remove the property measure, and
  - Authorize the Department of Revenue to issue refunds to taxpayers that have paid the franchise tax based on property

# Well Prepared

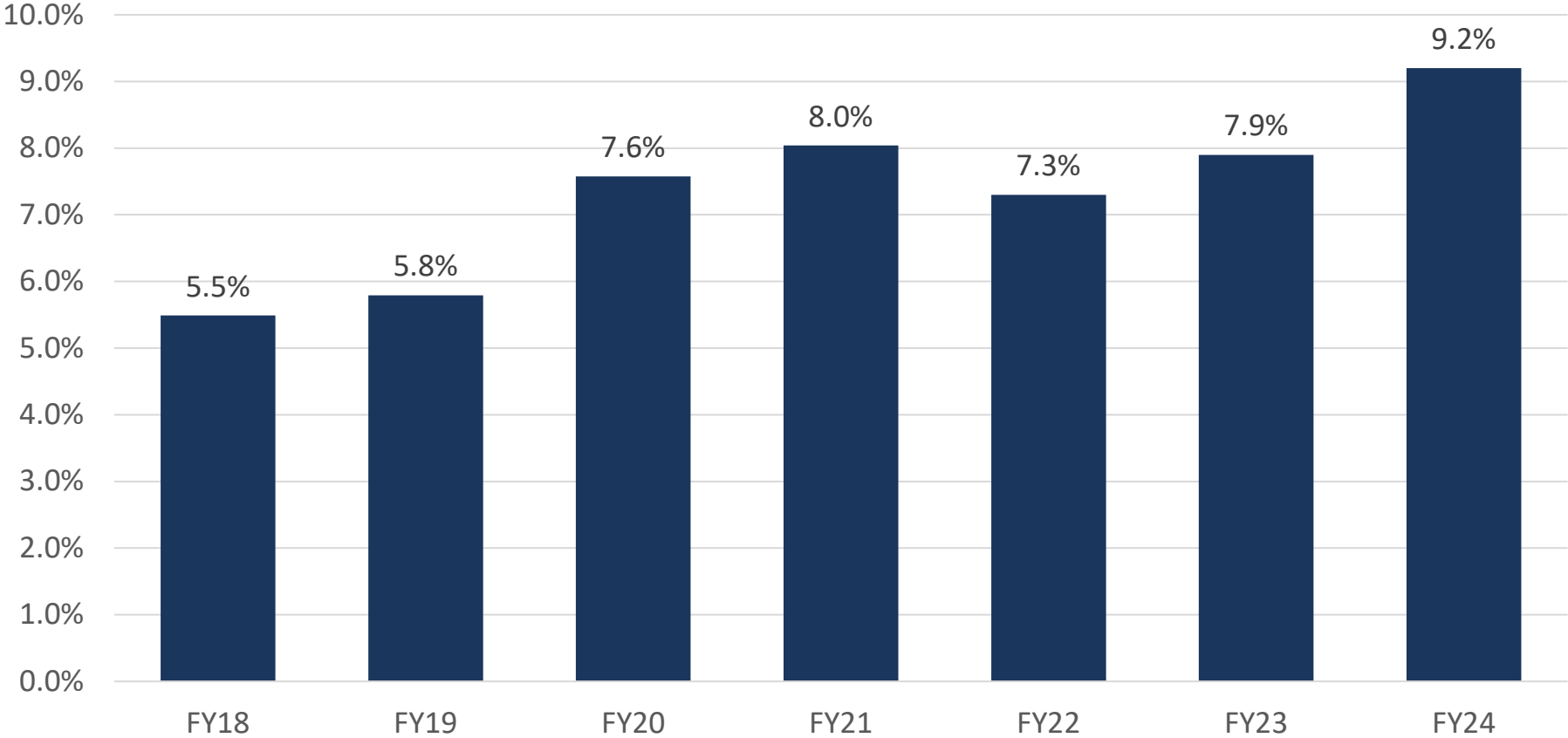
## Recurring Revenue / Non-Rec Expenditures

<b>FY22</b>	<b>\$</b>	<b>234,744,340</b>
<b>FY23</b>	<b>\$</b>	<b>1,325,255,200</b>
<b>FY24</b>	<b>\$</b>	<b>2,600,274,360</b>



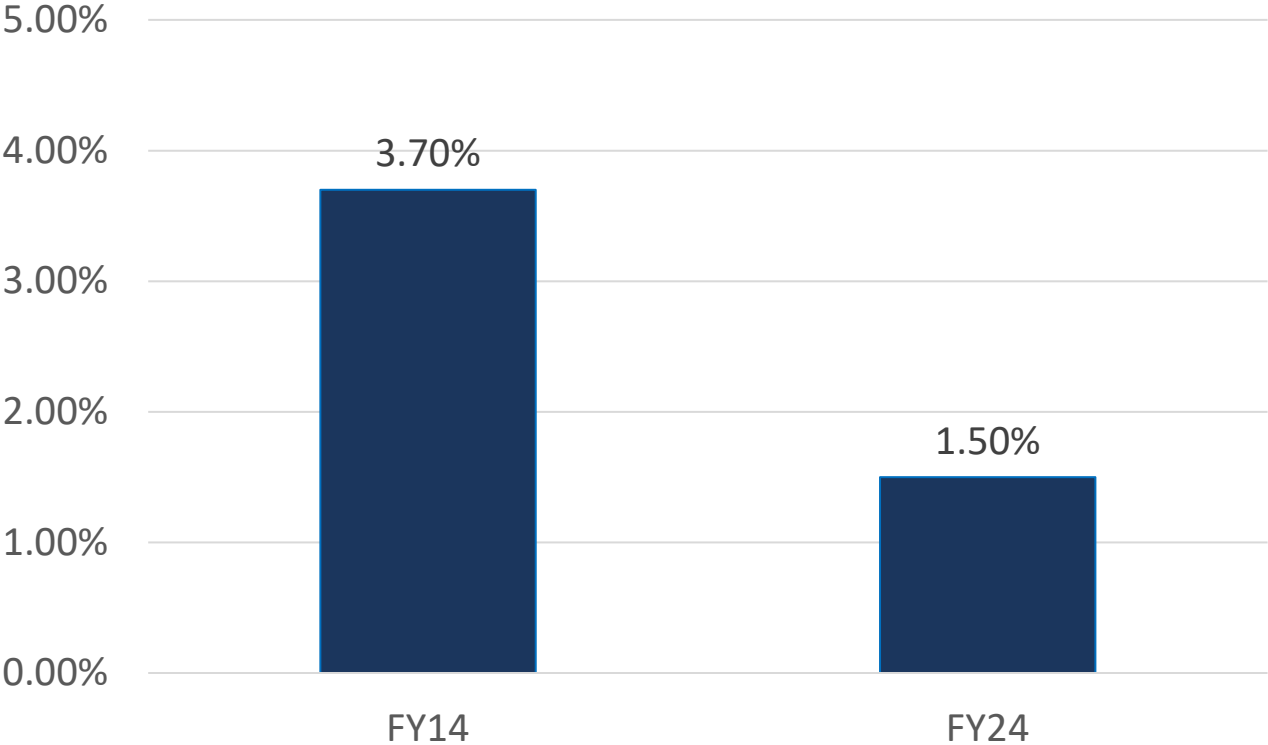
# Well Prepared

## Rainy Day Fund as a Percent of Revenue



# Well Prepared

### Debt Service as a Percent of Revenues



# Summary

- **Tennessee has experienced extraordinary growth over the past 3 years**
- **We have responded well by:**
  - Spending wisely
  - Growing our reserves
  - Paying down our debt
- **Tax revenue growth is now slowing**
- **The state is well prepared**

**Thank you**