The Long Road to Recovery

Matthew N. Murray
September 10, 2010
Forecasting is like trying to drive forward while looking out your rear-view mirror.
Real GDP: 2005 to 2013

Source: IHS Global Insight, Inc.
Household Net Worth: 2005.1 to 2013.4

Source: IHS Global Insight, Inc.
U.S. Housing Starts and Light Vehicle Sales: 2005 to 2013

(millions, annual rate)

Source: IHS Global Insight, Inc.
U.S. Nonfarm Employment: 2005 to 2013
(seasonally adjusted)

Source: IHS Global Insight, Inc.
Annual Growth in Tennessee County Total Covered*  
Employment: 2008 to 2009

Tennessee: -5.7%  
United States: -4.6%

*Total employment covered by the state unemployment insurance program.

Tennessee Nonfarm Employment: 2006 to 2012
(seasonally adjusted)

Source: Bureau of Labor Statistics and CBER-UT.
Tennessee County Unemployment Rate: July 2010
(not seasonally adjusted)

Tennessee: 9.6% NSA
United States: 9.7% NSA

Annual Unemployment Rate: 2009 to 2019

Source: Bureau of Labor Statistics; IHS Global Insight, Inc.; and CBER-UT.
Change in Total Tax Revenue, July-March, FY2009 to FY2010

Note: Tennessee’s total tax revenue growth for FY2010 over FY 2009 is (1.6)%.
Change in Sales Tax Revenue, July-March, FY2009 to FY2010

Note: Tennessee’s sales tax revenue growth for FY2010 over FY 2009 is (3.7)%. 

Less than -6.0% --22--

-6.0% to -4.4% --11--

Greater than -4.4% --12--

NA --5--

U.S. = -5.2%
Growth in Tennessee Total Tax Collections: 1971–2010

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Tennessee Monthly Sales & Use Tax Revenue Indexed to Beginning of Recession

Source: Calculated by CBER using data from the Tennessee Department of Revenue.
### Tax Collections by Source: FY2007–FY2011
(billions of dollars)

<table>
<thead>
<tr>
<th>Source</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>Est. FY10</th>
<th>Est. FY11</th>
<th>Ann. Avg. Growth FY07–FY11</th>
<th>Percentage of FY11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6.83</td>
<td>6.87</td>
<td>6.34</td>
<td>6.13</td>
<td>6.25</td>
<td>-2.2</td>
<td>61.1%</td>
</tr>
<tr>
<td>Franchise &amp; Excise</td>
<td>1.74</td>
<td>1.65</td>
<td>1.32</td>
<td>1.45</td>
<td>1.48</td>
<td>-4.0</td>
<td>14.5%</td>
</tr>
<tr>
<td>Gas, Motor Fuel, Gas Inspect.</td>
<td>0.85</td>
<td>0.85</td>
<td>0.82</td>
<td>0.82</td>
<td>0.83</td>
<td>-0.6</td>
<td>8.1%</td>
</tr>
<tr>
<td>Motor Vehicle Registrations</td>
<td>0.26</td>
<td>0.26</td>
<td>0.25</td>
<td>0.24</td>
<td>0.25</td>
<td>-1.0</td>
<td>2.4%</td>
</tr>
<tr>
<td>Privilege</td>
<td>0.32</td>
<td>0.29</td>
<td>0.26</td>
<td>0.23</td>
<td>0.24</td>
<td>-6.9</td>
<td>2.3%</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>0.27</td>
<td>0.30</td>
<td>0.31</td>
<td>0.34</td>
<td>0.32</td>
<td>4.3</td>
<td>3.1%</td>
</tr>
<tr>
<td>Other Tax Revenue</td>
<td>0.71</td>
<td>0.94</td>
<td>0.87</td>
<td>0.85</td>
<td>0.86</td>
<td>4.9</td>
<td>8.4%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10.98</td>
<td>11.16</td>
<td>10.17</td>
<td>10.06</td>
<td>10.23</td>
<td>-1.8</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Tennessee Tax Revenues, Total and as a Share of Personal Income: 1988–2011

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September 2010
Total Tennessee Tax Revenues Fully Rebound in 2012/13

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TennCare Reserves
(millions of dollars)

FY07: $550
FY08: $474
FY09: $434
FY10: $434
FY11: $264
## Base Funding Reductions: FY2009–FY2010
(millions of dollars)

<table>
<thead>
<tr>
<th>Program</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>TOTAL</th>
<th>Percentage of Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (K-12)</td>
<td>-9.4</td>
<td>-68.9</td>
<td>-34.8</td>
<td>-113.1</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>-56.0</td>
<td>-181.7</td>
<td>-69.8</td>
<td>-307.5</td>
<td>-19.2%</td>
</tr>
<tr>
<td>TennCare</td>
<td>-87.7</td>
<td>-255.6</td>
<td>-200.5</td>
<td>-543.8</td>
<td>-20.2%</td>
</tr>
<tr>
<td>Human Services</td>
<td>-5.8</td>
<td>-11.8</td>
<td>-5.4</td>
<td>-23.0</td>
<td>-12.5%</td>
</tr>
<tr>
<td>Mental Health</td>
<td>-4.0</td>
<td>-22.8</td>
<td>-6.2</td>
<td>-33.0</td>
<td>-18.4%</td>
</tr>
<tr>
<td>Correction</td>
<td>-17.3</td>
<td>-64.3</td>
<td>-6.4</td>
<td>-88.0</td>
<td>-13.2%</td>
</tr>
<tr>
<td>Other Programs</td>
<td>-98.5</td>
<td>-148.8</td>
<td>-88.1</td>
<td>-335.4</td>
<td>-15.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>-278.7</td>
<td>-753.9</td>
<td>-411.2</td>
<td>-1443.8</td>
<td>-12.9%</td>
</tr>
</tbody>
</table>

Note: Discretionary Base excludes K-12 Basic Education Program, dedicated funds, statutory positions, and various poverty programs.
The University of Tennessee System
Base State Appropriation Dollars Compared to Inflation-Adjusted Dollars (HEPI FY2002–FY2011)

Source: The University of Tennessee, Office of the Treasurer.
The University of Tennessee
Budgeted Unrestricted Revenues: FY2011

Source: The University of Tennessee, Office of the Treasurer.
The University of Tennessee
Ten Year Unrestricted Revenues

Source: The University of Tennessee, Office of the Treasurer.

September 2010
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CBO’s Baseline Budget Outlook—
Don’t Expect Help from the Feds!

Source: Congressional Budget Office.