

# TENNESSEE GOVERNMENT

## Update

### NEWS FOR THE CLIENTS AND FRIENDS OF BASS, BERRY & SIMS PLC

The State Funding Board this week heard the state economist, UT's Dr. Bill Fox, forecast an unanticipated \$116 million in sales tax receipts by June 30. Fox, marquee researcher for the University of Tennessee Center for Economic & Business Research, told the board, "I have significantly raised my estimate since we last met [in December]. Specifically, I have added \$116 million" to the tax take expected by the end of this fiscal year. "I did not raise my estimate of franchise and excise taxes," Fox said. Revenue collections for April, due out next week, show "extremely strong" returns for F&E, he said, but those taxes fluctuate a great deal month to month and may end with a weak June. "The hardest thing to forecast is corporate tax," he added.

Revenue Department researcher Reid Linn agreed the F&E taxes are difficult to summarize. Tennessee excise taxes are routinely called an "income tax" on businesses, but Linn said the tax is calculated by a formula with many other factors. "If you track just excise taxes, it doesn't really track corporate profits," he acknowledged. "Franchise and excise taxes together ... track more closely," he said.

Quick notes from one of Dr. Fox's charts, this one predicting the tax take this fiscal year and next for the major revenue streams (about 90% of state tax flow):

#### Tax performance by type, estimated 5/3/06 by Dr. Bill Fox (in millions)

Type	2005-06		2006-06	
	\$Amount	Growth	\$Amount	Growth
Sales & Use	\$6,515.0	7.0%	\$6,827.7	4.8%
F&E	1,420.0	3.5%	1,448.4	2.0%
Gasoline	603.0	-0.8%	597.0	-1.0%
MV register	250.0	2.4%	255.0	2.0%
Privilege	304.0	14.7%	313.1	3.0%
<b>Totals*</b>	<b>\$10,203.1</b>	<b>5.9%</b>	<b>\$10,586.9</b>	<b>3.8%</b>

\*Totals include miscellaneous taxes making up the final 10% of revenues.

Administration spokesmen immediately announced the executive branch would prioritize the funds for education, state employee pay raises and health care, in that order.

### **“Cover TN” may get name change**

Look for the governor’s health-insurance-for-the-working-poor to undergo a name change to “Insure Tennessee.” A 54-page amendment to SB 3895, the “Cover Tennessee” bill, was distributed this week. The amendment would change the name of the key feature of the program, the state subsidized insurance for low-paid employees of small companies not offering insurance. The amendment may be found at <http://www.legislature.state.tn.us/bills/currentga/Amend/SA1300.pdf>.

Senator Jerry Cooper (D-Morrison), chair of the Senate Commerce Committee and new lead sponsor for the bill, explained the parts of the governor’s plan to the Senate Finance Committee.

- “Cover Kids,” a State Children’s Health Insurance Program (SCHIP) expected to reach up to 150,000 children.
- A new Tennessee Comprehensive Health Insurance Pool (TCHIP), high risk pool for uninsurable Tennesseans who can afford premiums of 150% to 200% of standard market rates.
- “Cover Tennessee” [to be re-named “Insure Tennessee”], a subsidized insurance plan for the working poor making under 250% of the federal poverty level.
- Safety Net pharmacy benefit, to be expanded to recipients under 250% of poverty and consisting of a formulary of generic drugs.
- Project Diabetes, an educational/prevention program to lower the number of Tennesseans at risk of developing Type II diabetes.
- Further funding for coordinated school health plans as part of the diabetes outreach, a proposal added by the Senate Commerce Committee.

The bill is to be discussed in the Senate Finance, Ways & Means Committee and in the House Finance Committee next week.

### **Predatory Lending**

Predatory lending goes to the House floor Monday after sliding through a last-minute compromise and being handed up by the House Commerce Committee. HB 3597 Larry Turner/SB 3989 Herron, with a new 27-page compromise amendment, will be scheduled for action before the Senate bill, which is still in the Senate Calendar Committee. Rep. Larry Turner (D-Memphis) said the new amendment prevents the refinancing of home loans within 2.5 years, prevents the inclusion of more than two financing “points” during the course of the loan and generally informs consumers of their rights. Enforcement will be under the Department of Financial Institutions with civil action possible by the state Attorney General’s office, he said.

Wednesday, the Senate passed SB 3207/HB 3635, and Thursday the House concurred, enacting the “Broadband Business Certainty Act of 2006.” As amended it allows for continued regulation by the Tennessee Regulatory Authority (TRA) of intrastate, existing services that were already under the TRA. The bill still prohibits the TRA from

exercising jurisdiction over or relating to *other* broadband services, regardless of the entity providing the service except as amended. The bill defines “broadband” as a transmission rate to or from the Internet of 200 kilobits per second.

Of the 90 constitutionally-appointed days for sessions, the House had used 82 and the Senate 79.

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