These methodology notes are a companion piece to the Sycamore Institute’s Tennessee State Budget Primer and are not intended to be an exhaustive listing of our methodology. The Primer includes explanations of general methods and data sources. These notes provide a more detailed explanation of specific categorizations and analyses used in the Primer—particularly where they may differ from the Budget document.

NOTES ABOUT “STATE TAXES” VS. “STATE AppropriATION”

In the Primer, we often categorize revenue sources by state taxes, federal funding, and all other revenues where we are able. The Budget, however, categorizes them as state appropriation, federal, current services, tuition, and student fees. **State taxes are a subset of state appropriation.** We use the state tax number where we can when the information is available to do so because we feel it is more meaningful to policymakers and taxpayers.

- The Budget distinguishes between the following funding sources:
  - State Appropriation – includes state revenues and reserves (i.e. prior year balances and reversions); includes taxes, licenses, and fees
  - Federal Funding – includes funds from the federal government
  - Current Services and Other Revenue – includes revenues collected directly by a department (including payments from one department to another)
  - Tuition and Student Fees – includes collections by state universities
  - Bonds – includes borrowed funds for transportation and capital costs
- These categorizations are used throughout the Budget document from top-line numbers all the way down to program-level activities. Nowhere in the Budget are department or program expenditures shown by state tax funding source.
- The Tennessee State Budget Primer distinguishes between different funding sources in a couple of different ways:
  - Categorization #1
    - State Taxes – aligns with the state tax collections included in the “Comparison Statement of State Revenues” table in each year’s Budget document
    - Federal Funding – aligns with the Budget’s numbers for Federal Funding
    - All Other Revenues – includes the Budget’s numbers for state appropriations less the state tax number obtained from the “Comparison Statement of State Revenues” plus Current Service and Other Revenue, Tuition and Student Fees, and Bonds
  - Categorization #2
    - State Dollars – aligns with the State Appropriation amounts from the Budget
    - Federal Dollars – aligns with Federal amounts from the Budget
    - All Other Revenues – includes Current Service and Other Revenue, Tuition and Student Fees, and Bonds
- Categorization #1 is only used for top-line Budget numbers, since this is the only level at which state tax collection information is available. Categorization #2 is used when parsing out Budget information for specific purposes, departments, or programs because it is the only level of detail available in the Budget.
- The difference between the topline state tax number and the appropriation number in FY 2016-2017, for example, is $1.3 billion, which is about 7% of the appropriation number.
- **Whenever the term “state’s own dollars” is used in the Primer, it is referring to the Budget’s appropriations number.**
NOTES ABOUT EXPENDITURE CATEGORIZATION

The list below includes the expenditure categorizations used in the Primer followed by the specific departments and agencies enumerated in the Budget document that are included in each categorization throughout the Primer.

- **Education**: K-12 Education, Higher Education
  - The Budget allocates the Miscellaneous Appropriation and Capital Outlay Programs to the appropriate functional area. These allocation amounts, however, are not available to distribute in our analysis.
  - The Budget displays State Taxes to Cities & Counties separately.
- **Health & Social Services**: Commission on Children & Youth, Commission on Aging & Disability, TennCare, Department of Mental Health & Substance Abuse, Youth Development, Department of Health, Department of Intellectual and Developmental Disabilities, Department of Human Services, Strategic Healthcare Programs, Department of Children’s Services
- **Public Safety & Criminal Justice**: Court System, Attorney General and Reporter, District AGs, District Public Defenders, Board of Parole, Department of Corrections, Military, Tennessee Bureau of Investigation, Department of Safety
- **Transportation and Economic Development**: Tennessee Housing Development Agency, Department of Agriculture, Tourist Development, Economic and Community Development, Employment Security, Department of Transportation

NOTES ABOUT STATE TAX REVENUE CATEGORIZATION

The list below includes the state tax revenue categorizations used in the Primer followed by the specific taxes enumerated in the Budget document that are included in each categorization throughout the Primer. The categories used by the Primer are based on those used by the Census Bureau in its analysis of state government tax collections found here.

- **Sales Taxes**: Sales and Use Tax
- **Corporate Taxes**: Franchise Tax, Excise Tax
- **Selective Sales and Gross Receipts Taxes**: Gross Receipts Tax - TVA, Gross Receipts Tax - Other, Gasoline Tax, Motor Fuel Tax, Beer Tax, Alcoholic Beverage Tax, Tobacco Tax, Mixed Drink Tax, Coin-Operated Amusement Tax
- **Individual Income Tax**: Hall Income Tax
- **Other Taxes**: Gasoline Inspection Tax, Motor Vehicle Registration Tax, Privilege Tax, Inheritance and Estate Tax, Motor Vehicle Title Fees, Business Tax, Severance Tax, Unauthorized Substance Tax, Other State Tax Revenue (e.g. taxes collected by specific departments)

NOTES ABOUT REVENUE ESTIMATION ANALYSIS

- As a matter of background, revenues are re-estimated by the executive branch several times:
  - Recommended: An estimate of revenues for the recommended Budget (i.e. the recommended column in the Budget)
  - Enacted: A re-estimate of revenues at the time of Legislative enactment of the appropriations bill
  - Budgeted: Official July 1 revenue estimate by the Department of Finance and Administration (i.e. the budgeted amount on the F&A monthly collections reports)
  - Estimated: Mid-year revenue re-estimate (i.e. the middle, current year estimated column in the Budget)
  - Final/Actual: A final estimate of actual collections on an accrual basis, which feed into the CAFR to close out the books. These are also included as the actual, prior year column in the Budget.
Notes about the revenue estimation display on page 10 of the Primer:

- **Actual Amounts:**
  - The Actual amount for FY 2015-2016 was obtained from the July 2016 monthly collection report published by the Department of Finance and Administration. All other years were obtained from the actual column of the Budget.

- **Estimated/Budget Amounts:**
  - For FY 2014-2015 and FY 2015-2016, Actual collections are compared with Budgeted collections, because the July monthly collections reports displaying the fiscal year Budgeted revenues were only available for these two years.
  - All other fiscal years compare Actual collections with Estimated collection.
  - Comparing actual vs. estimated (instead of budgeted) likely underestimates the error between the actual collections and the revenue estimates made at the time of enactment.

- The data used to create the display includes only Department of Revenue collections because those are the data included on the monthly collections reports.
- The year-to-date information on each July collections report represents the full fiscal year as collections are recorded on an accrual basis - that is, collections in July reflect economic activity that occurred in June.

### NOTES ABOUT RAINY DAY FUND/SURPLUS ANALYSIS

The calculation of the number of days that the state government could operate is based on the total FY 2015-2016 General/Education Fund funding from state appropriations divided by 365 for a daily state funding amount. The combined projected balance of the Reserve for Revenue Fluctuations and the TennCare Reserve at the end of FY 2015-2016 was divided by this number to arrive at 23 days.

To access the full Tennessee State Budget Primer, visit our website.

[www.sycamoreinstituteTN.org](http://www.sycamoreinstituteTN.org)