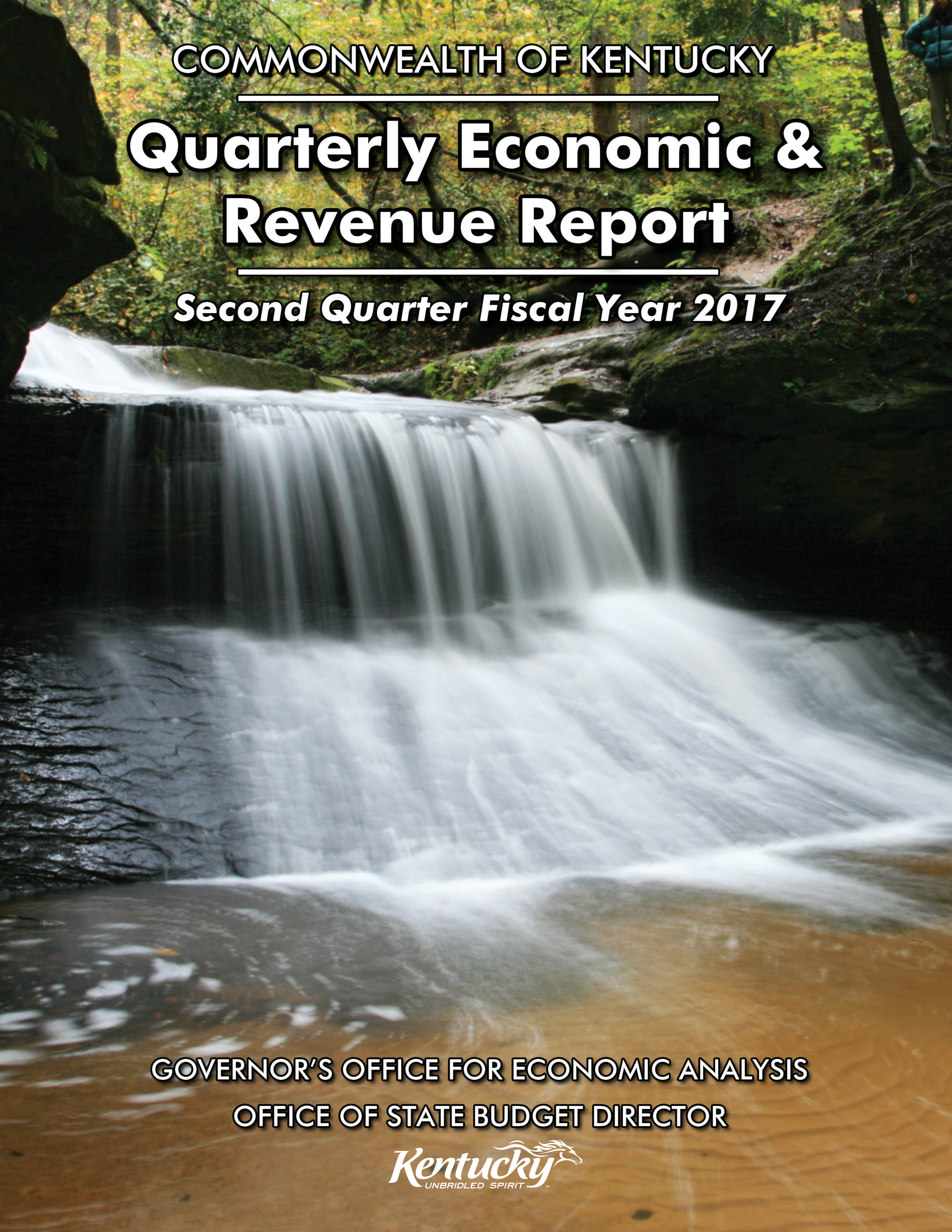

COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

Second Quarter Fiscal Year 2017

GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS

OFFICE OF STATE BUDGET DIRECTOR

Kentucky UNBRIDLED SPIRIT

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Matthew G. Bevin
Governor

John E. Chilton
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
Governor's Office for Policy Research

January 30, 2017

The Honorable Matthew G. Bevin
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Bevin:

The attached Quarterly Economic and Revenue Report summarizes the revenue and economic statistics for the second quarter of Fiscal Year 2017 (FY17). This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

The revenue forecasts presented in this report were estimated using the January 2017 "control scenario" economic forecast from both IHS Global Insight and the Kentucky macroeconomic model. Forecasted revenues presented herein were prepared pursuant to KRS 48.400 (2) are internal estimates prepared by the staff of the Office of State Budget Director.

General Fund receipts in the second quarter of FY17 totaled $2,757.1 million compared to $2,668.7 million in the second quarter of FY17, for an increase of 3.3 percent, or $88.4 million. Through the first two quarters of the fiscal year, receipts have increased 3.3 percent.

The interim, unofficial forecast calls for a slowing of General Fund growth to a rate of 1.5 percent in the second half of FY17. Collections at the newly forecasted levels would produce a current year revenue shortfall of $29.5 million <u>below</u> the official General Fund forecast of $10,616.4 million. The sales and use tax and individual income tax both lost momentum at the end of the second quarter and we expect them to remain at somewhat depressed levels through the end of the fiscal year. Sales tax receipts, in particular, have softened appreciably in the second quarter, falling for the first time since FY13.

Total Road Fund receipts fell 3.6 percent during the second quarter of FY17, partially due to timing issues in the largest two revenue sources. Total receipts received were $357.9 million and compare to $371.2 million from the second quarter of last year.

The Road Fund receipts in the first half of FY17 were flat following declines in the last two fiscal years. Some small but positive growth is expected in the second half of FY17. The forecast for FY17 is expected to be just 0.6 percent higher than FY16 receipts. Road Fund receipts for the first quarter of FY18 are expected to decline very slightly as a result of timing issues with the motor vehicle usage tax.

We project overall economic growth in Kentucky to continue through FY17 in terms of employment and personal income growth, albeit at a slightly slower pace than the rate of growth experienced at the national level.

Sincerely,

John E. Chilton
State Budget Director

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Executive Summary . . . .

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a *Quarterly Economic and Revenue Report* for the second quarter of FY17. This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

Kentucky's General Fund receipts rose for the twelfth consecutive quarter with growth of 3.3 percent over the second quarter of FY16. General Fund revenues for the remainder of FY17 are projected to be 1.5 percent compared to the final two quarters of FY16. Adding the historical data from the first half of FY17, aggregate General Fund revenues for FY17 are forecasted to equal $10,586.9 million for growth of 2.4 percent. Collections at the newly forecasted levels would produce a current year revenue shortfall of $29.5 million <u>below</u> the official General Fund forecast of $10,616.4 million.

Major points that will be discussed in this report include the following:

- General Fund receipts in the second quarter of FY17 totaled $2,757.1 million compared to $2,668.7 million in the second quarter of FY16, for an increase of 3.3 percent, or $88.4 million. Through the first two quarters of the fiscal year, receipts have increased 3.3 percent.

- Total Road Fund receipts fell 3.6 percent during the second quarter of FY17, partially due to timing issues on the largest two revenue sources. Total receipts received were $357.9 million and compare to $371.2 million from the second quarter of last year. Based on year-to-date tax collections, revenues can decline 3.5 percent for the remainder of FY17 to meet the estimate.

- General Fund growth in the second half of FY17 is expected to slow to 1.5 percent. The sales and use tax and individual income tax both lost momentum at the end of the second quarter and are expected to remain at somewhat depressed levels through the end of the fiscal year. Sales tax receipts, in particular, have softened appreciably in the second quarter, falling for the first time since FY13.

- The withholding component of the individual income tax, by far the largest contributor to nominal growth, was up 4.2 percent in the first half of FY17 but only 3.5 percent in the second quarter. Withholding growth was a more robust 4.9 percent in the first quarter of FY17 and decreased slightly in the second quarter. The forecast calls for that lower growth to continue with second half withholding rising by 2.8 percent for a cumulative FY17 forecast of 3.5 percent.

- This interim report calls for continued growth in the sales and use tax for the final six months of FY17, albeit at the reduced rate of 1.2 percent, bringing the annual total to $3,514.5 million. The recent wave of 13 consecutive quarters of growth in the sales tax came to an unceremonious halt in the second quarter as receipts fell for the first time since FY13. Clearly, the sales tax is getting softer, but for now the slowdown in growth is expected to be a soft landing rather than a widespread sectoral crash.

- The January 2017 interim Road Fund forecast projects a leveling off of revenues after declines in the last two fiscal years. Growth, however, is expected to be negligible for the forecast horizon. Collections in the first two quarters of FY17 have been flat compared to the previous year. While the outlook for the remainder of the year is not much rosier, but it is an improvement on the 2.2 and 2.9 percent declines of FY15 and FY16, respectively.

- Real GDP rose by 1.8 percent in the second quarter. Real investment has declined for four consecutive quarters. US personal income rose by 3.6 percent in the second quarter of FY17, driven almost entirely by real consumption. US and Kentucky non-farm employment were both weak, growing only 1.6 and 0.6 percent, respectively. US and Kentucky personal income grew by 3.6 and 2.1 percent, respectively.

- As we enter the third quarter of the 2017 fiscal year for the national economy, the geopolitical landscape has dramatically changed, and broad measures of consumer and business confidence have significantly improved. The rise in optimism and stock market indexes reflect a broad belief that there are reasonable expectations for tax reform, reduced regulatory burdens, and increased infrastructure spending with the incoming administration and a Republican-led Congress working together.

- Overall economic growth in Kentucky is projected to continue through FY17 in terms of employment and personal income growth, albeit at a slightly slower pace than the rate of growth experienced at the national level

Revenue Receipts . . . .

GENERAL FUND
Second Quarter FY17

General Fund receipts in the second quarter of FY17 totaled $2,757.1 million compared to $2,668.7 million in the second quarter of FY17, for an increase of 3.3 percent, or $88.4 million. Through the first two quarters of the fiscal year, receipts have increased 3.3 percent. Revenues have now grown in twelve consecutive quarters since falling in the second quarter of FY14. With the solid growth through the first six months in receipts, revenues need to grow 2.1 percent for the last six months of the fiscal year to meet the budgeted estimate. Second quarter gains were primarily driven by corporation income, individual income, LLET, property and lottery receipts. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these and other accounts is available in the Appendix.

Table 1
Summary General Fund Receipts
$ millions

	FY17 Q2	FY16 Q2	Diff $	Diff %
Individual Income	1,067.9	1,029.6	38.3	3.7
Sales and Use	863.9	868.0	-4.0	-0.5
Property	341.9	333.5	8.4	2.5
Corporation Income	135.2	102.1	33.2	32.5
Coal Severance	26.1	34.5	-8.4	-24.3
Cigarette Taxes	54.4	57.6	-3.2	-5.5
LLET	60.2	35.5	24.6	69.4
Lottery	60.0	56.8	3.2	5.7
Other	147.5	151.2	-3.8	-2.5
Total	**2,757.1**	**2,668.7**	**88.4**	**3.3**

Individual income tax posted receipts of $1,067.9 million, compared to last year's second-quarter receipts of $1,029.6 million. The resulting growth rate was 3.7 percent, and compares to a growth rate of 3.5 percent for the second quarter of last year. Declarations and withholding components of this tax increased relative to the same time frame last year.

The sales and use tax receipts were down $4.0 million or 0.5 percent lower than the second quarter of FY16. Receipts totaled $863.9 million, as compared to $868.0 million in the second quarter of FY16. This is the first quarterly decline since the fourth quarter of FY13. Year-to-date sales tax receipts have increased 1.8 percent compared to last year.

Property tax receipts posted revenues that were $8.4 million more than the second quarter of FY16. The difference is due mainly to timing which is based on several factors, including the dates when property tax bills were sent out to taxpayers. Collections of $341.9 million compare favorably to $333.5 million received in the second quarter of the prior fiscal year.

Corporation income tax posted an increase of 32.5 percent, or $33.2 million, during the second quarter of FY17. Receipts totaled $135.2 million compared to the $102.1 million received a year earlier.

The limited liability entity tax (LLET) registered a $24.6 million increase in tax collections in the second quarter of FY17 when compared to FY16. Total collections in the current fiscal year totaled $60.2 million and compare to revenues of $35.5 million in the same period a year earlier.

The coal severance tax revenue continued to decline in the second quarter, with receipts down 24.3 percent. Collections of $26.1 million compare to the FY16 second quarter total of $34.5 million. The downward trend in many energy prices has led to quarterly declines in the oil production tax and the natural gas severance tax.

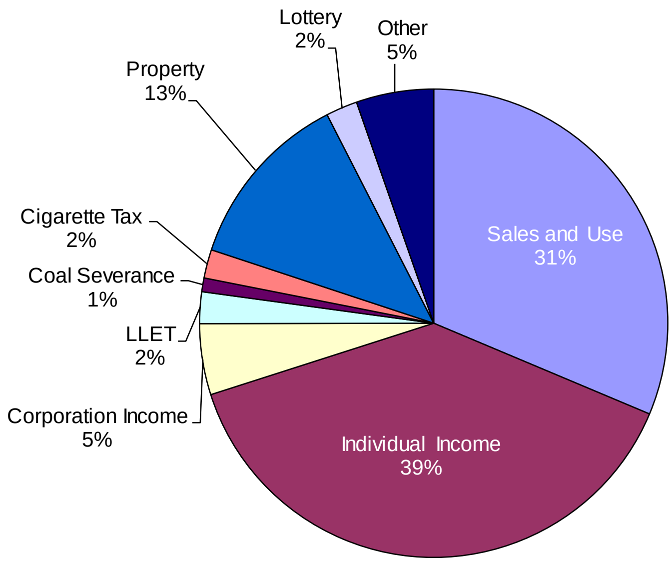
Cigarette tax receipts were $54.4 million in the second quarter of FY17. This compares to $57.6 million in the second quarter of FY16. Cigarette tax receipts continued their weak performance for the last three quarters in spite of West Virginia raising its cigarette tax from $0.55 to $1.20 per pack effective July 1, 2016.

Lottery receipts were $60.0 million, which were 5.7 percent more than last year's second quarter total of $56.8 million. Positive growth in the second quarter marks the fourth consecutive quarter of growth in the lottery.

The "Other" category, which represents the remaining accounts of the General Fund, decreased 2.5 percent in the second quarter. Second quarter receipts for FY17 were $147.5 million and compare to $151.2 million in FY16. Collections have fallen for the last two quarters.

Figure 1 details the composition of General Fund revenues by tax type for the second quarter of FY17. Seventy percent of General Fund revenues were collected in the areas of the individual income tax and the sales tax. The next largest sources of revenue were property tax, which accounted for 13.0 percent of the total General Fund receipts, followed by the corporation income and the "Other" category at 5.0 percent each. The largest components in the "Other" category include: insurance premium tax, bank franchise tax, telecommunications tax, beer wholesale tax, and inheritance tax. The LLET, lottery and cigarette taxes accounted for 2.0 percent each. Finally, coal severance receipts accounted for 1.0 percent.

Figure 1
Composition of Second Quarter FY17
General Fund Revenues



ROAD FUND
Second Quarter FY17

Total Road Fund receipts fell 3.6 percent during the second quarter of FY17, as motor vehicle usage tax collections remain weak. Total receipts received of $357.9 million and compare to $371.2 million from the second quarter of last year. Based on year-to-date tax collections, revenues can decline 3.5 percent for the remainder of FY17 to meet the official estimate. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
$ millions

	FY17 Q2	FY16 Q2	Diff $	Diff %
Motor Fuels	191.8	185.7	6.1	3.3
Motor Vehicle Usage	112.0	125.3	-13.3	-10.6
Motor Vehicle License	20.9	26.7	-5.8	-21.8
Motor Vehicle Operators	3.8	4.0	-0.2	-4.5
Weight Distance	21.0	20.7	0.3	1.5
Income on Investments	-0.3	-0.2	-0.1	NA
Other	8.8	9.1	-0.3	-3.3
Total	**357.9**	**371.2**	**-13.3**	**-3.6**

Motor fuels tax receipts increased 3.3 percent during the second quarter. Receipts were $191.8 million as compared to $185.7 million collected during the second quarter of last year.

Motor vehicle usage tax receipts of $112.0 million represent a decrease of 10.6 percent compared to the $125.3 million collected in the second quarter of FY16. Vehicle usage tax collections fluctuate with the level of the vehicle sale transactions that occur in Kentucky economy.

Motor vehicle license tax receipts decreased 21.8 percent in the second quarter of FY17 to $20.9 million.

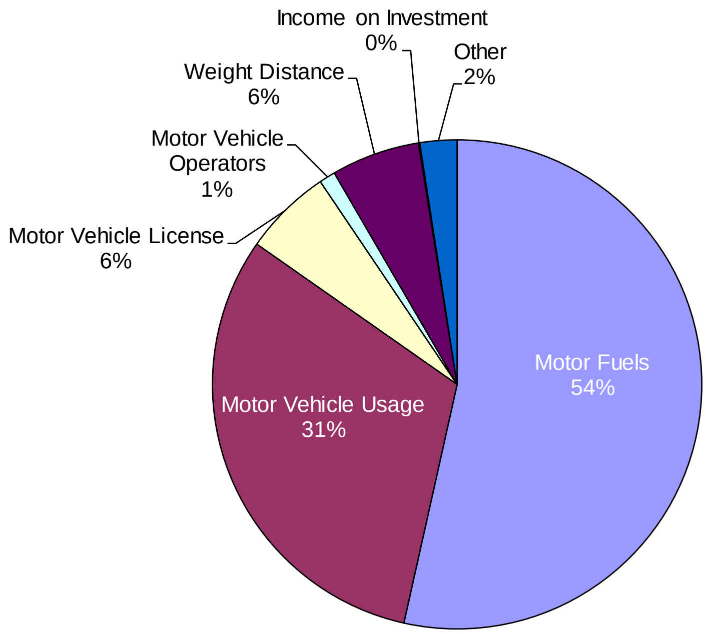
Motor vehicle operators' license tax receipts were $3.8 million in the second quarter of FY17, a 4.5 percent decrease compared to the level observed a year ago.

Weight distance tax receipts of $21.0 million represent a 1.5 percent increase compared to receipts of $20.7 million during the second quarter of FY16. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways.

The remainder of the accounts in the Road Fund are grouped in the "Other" category combined for a decrease of 3.3 percent from a year earlier. In the "Other" category, revenues of $8.8 million were received and compared to $9.1 million in the second quarter of FY16.

Figure 2 details the composition of Road Fund revenues by tax type in the second quarter of FY17. Motor fuels taxes and the motor vehicle usage tax accounted for 85.0 percent of Road Fund revenues in the second quarter. The next largest sources of revenue were the motor vehicle license and weight distance taxes with 6.0 percent each. The "Other" category accounted for 2.0 percent, while motor vehicle operators comprised 1.0 percent. Income on investment accounted for a negligible amount of total Road Fund receipts.

Figure 2
Composition of Second Quarter FY17
Road Fund Revenues



The Economy
Second Quarter FY17. . . . .

NATIONAL ECONOMY

Real gross domestic product rose by 1.8 percent in the second quarter of FY17. Real gross domestic product (real GDP) is the sum of all final goods and services sold within a country's physical boundaries in a given year and explicitly excludes those goods and services which are produced by US citizens who reside in foreign countries even if they are produced in a US owned facility. Growth in each of the last five quarters has been below two percent. This is historically very weak growth during an expansion period. The highest growth in the current expansion period occurred in the third quarter of FY15 when growth was 3.3 percent compared to the third quarter of FY14. Real GDP growth was three percent or higher in only three quarters during the current expansion period. Average growth during this expansion period has been 1.8 percent. Historically, this is very low growth.

Real consumption grew by 2.8 percent in the second quarter of FY17. Consumption growth was modest in the second quarter and was the only component of real GDP which was not weak. Real consumption has grown by over two percent every quarter since the second quarter of FY14. Real consumption made up 69.2 percent of real GDP in the second quarter of FY17. So while real consumption has gained in share of real GDP over the last couple years, it is largely because of the extremely slow growth of the other components and not because of robust growth in real consumption.

Real investment declined by 0.8 percent in the second quarter of FY17. This is the fourth consecutive quarter that year over year growth has declined. The previous four quarters were better with growth rates of 8.1, 5.5, 3.8, and 2.6 percent, respectively. The effects of the two calendar years mostly canceled each other out. The net growth from the second quarter of FY15 to the second quarter of FY17 was 0.2 percent. Real investment made up 16.8 percent of real GDP in the second quarter of FY17. This is down considerably from 2000 when real investment made up 18.5 percent of real GDP.

Real government expenditures rose by 0.4 percent in the second quarter of FY17. While growth over the last two years has been very small, government expenditures have been systematically increasing. Real government expenditures have increased for nine consecutive quarters. Net growth from the second quarter of FY15 to the second quarter of FY17 was 0.3 percent. Real government expenditures made up 17.4 percent of real GDP in the second quarter of FY17.

Table 3
Summary of US Economic Series
Second Quarter FY17 & FY16

	Second Quarter			
	FY17	FY16	Chg	% Chg
Real GDP	16,789.2	16,490.7	298.5	1.8
Real Consumption	11,641.6	11,319.3	322.3	2.8
Real Investment	2,841.1	2,865.4	-24.3	-0.8
Real Govt. Expenditures	2,914.0	2,901.7	12.3	0.4
Real Exports	2,139.7	2,105.8	33.9	1.6
Real Imports	2,719.0	2,672.4	46.6	1.7
CPI all goods (% chg)	1.8	0.4	NA	NA
CPI Food (% chg)	-0.3	1.2	NA	NA
CPI Energy (% chg)	2.3	-14.9	NA	NA
CPI Core (% chg)	2.2	2.0	NA	NA
Industrial Production Index (% chg)	-0.3	-1.6	NA	NA
Working Population[1]	254.5	251.7	2.8	1.1
Civilian Labor Force[2]	159.4	157.3	2.1	1.3
Employed[3]	152.2	149.7	2.4	1.6
Unemployed[4]	7.2	7.6	-0.3	-4.5
Not in Labor Force[5]	95.1	94.4	0.7	0.7
Labor Force Participation Rate[6] (%)	62.7	62.6	NA	NA
Unemployment Rate (%)	4.7	5.0	NA	NA

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY17 Q2 are January 2017 estimates.
Source: IHS Global Insight Inc., January 5, 2017 data release.

[1] Working population is the group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.
[2] Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.
[3] Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.
[4] Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
[5] Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.
[6] Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Nominal federal outlays (which are very similar to total government expenditures with a couple small differences) grew by 3.5 percent in the second quarter. See Table 4. The largest growth categories in percentage terms were aid to foreign governments, federal grants to state and local governments, and interest on the debt, each of which grew by six percent or more. The largest growth categories in absolute terms were Medicare, interest on the debt, and social security, each of which grew by over $24 billion (seasonally adjusted annual rate) compared to the second quarter of FY16.

Table 4
US Federal Outlays
$ billions, AR

	Second Quarter			
	FY17	**FY16**	**Chg**	**% Chg**
Federal Outlays excl. Gross Investment	4,201.7	4,058.9	142.8	3.5
Social Security	906.2	881.5	24.7	2.8
Medicare	672.4	639.8	32.6	5.1
National Defense	592.9	590.4	2.5	0.4
Interest on Debt	467.0	440.7	26.3	6.0
Medicaid	377.6	366.1	11.5	3.1
Non-Medicaid Grants to S&L Govts	188.4	177.5	11.0	6.2
Subsidies	60.2	56.8	3.4	6.0
Aid to Foreign Governments	52.2	47.7	4.5	9.5

Not Seasonally Adjusted. Data for FY17 Q2 are January 2017 estimates.
Source: IHS Global Insight Inc., January 5, 2017 data release.

Real exports grew by 1.6 percent in the second quarter of FY17. However, on an adjacent-quarter basis, real exports declined in two of the last four quarters. As real exports are not seasonally adjusted, it is not appropriate to attribute adjacent-quarter declines to be economically driven. A casual glance at historical exports shows that the current string of declines is not seasonal behavior, but rather it is something systematic. Real exports are a function of demand in foreign countries, excess supply produced in the US for the purpose of export, exchange rates, and trade barriers in foreign countries. Real exports have contracted slightly in the last eight quarters. Net growth from the second quarter of FY15 to the second quarter of FY17 was -0.1 percent. Real exports declined on an adjacent-quarter basis in five of the last eight quarters. Events in China and Europe are largely responsible for this decline in demand and hence the export contraction. Real exports made up 12.9 percent of real GDP in the second quarter of FY17.

Real imports grew by 1.7 percent in the second quarter of FY17. Over the last eight quarters, net growth in real imports increased by 0.4 percent, which is coincidentally the same net growth experienced by real GDP as a whole during that same eight quarters. US import growth has been weak for the last six quarters, never breaking 0.7 percent growth on an adjacent-quarter basis. Adjacent quarter growth in the second quarter of FY17 jumped to 1.3 percent, which was the highest since the third quarter of FY15. Real imports, which are a deduction from real GDP, made up 16.0 percent of real GDP in the second quarter of FY17.

US personal income rose by 3.6 percent in the second quarter of FY17. This solid growth comes on top of even higher growth in the second quarter of FY16. Year-over-year growth in the second quarter of FY16 was 3.9 percent. Net growth over the entire eight-quarter period was 7.6 percent. The largest growth in percentage terms occurred in supplements to wages and salaries (fringe benefits aka employer contributions to employee pension funds and employer contributions to social security), which grew by 4.0 percent in the second quarter of FY17. The largest contributor to personal income in absolute terms was wages and salaries, which grew by 3.8 percent, an increase of $304 billion over the second quarter of FY16.

Table 5
Personal Income
$ billions, SAAR

	Second Quarter			
	FY17	**FY16**	**$ Diff**	**% Diff**
United States				
Personal Income	16,257	15,690	567	3.6
Social Insurance	1,269	1,224	45	3.7
Residence Adjustments	-637	-611	-26	4.3
Dividends, Interest and Rents	3,014	2,913	101	3.5
Transfer Receipts	2,808	2,708	99	3.7
Wages & Salaries	8,329	8,025	304	3.8
Supplements to W&S	2,577	2,479	98	4.0
Proprietor's Income	1,436	1,401	35	2.5
Kentucky				
Personal Income	177.6	174.0	3.6	2.1
Social Insurance	14.6	14.3	0.3	2.1
Residence Adjustments	-2.3	-2.1	-0.2	8.7
Dividends, Interest and Rents	27.0	26.3	0.7	2.9
Transfer Receipts	43.2	42.6	0.7	1.6
Wages & Salaries	90.1	88.0	2.1	2.4
Supplements to W&S	22.9	22.3	0.6	2.5
Proprietor's Income	11.3	11.3	0.0	0.2

All five contributing components of personal income grew in the second quarter. Social insurance is a subtraction from personal income and it grew by 3.7 percent in the second quarter. Wages and salaries income made up 51.2 percent of US personal income in the second quarter. In 2001, US wages and salaries made up 55.6 percent of US personal income. This is the largest shift among the five components during that time. In 2001, US transfer payments income made up 12.9 percent of total US personal income. In the second quarter of FY17, US transfer payments income made up 17.3 percent of total US personal income. This is the largest increase in share among all of the personal income components. The shares of the other components of personal income were insignificantly different from their positions in 2001.

US non-farm employment increased by 1.6 percent in the second quarter of FY17. It is not uncommon for employment to continue to contract for a few quarters after the official recession has ended. This occurred following the 2007 recession also. Adjacent quarter employment declined until the third quarter of FY10. After that point, US non-farm employment has grown in every single quarter, albeit at historically low growth rates. Average adjacent-quarter growth since the end of the recession has been 0.3 percent.

Mining employment was the worst-performing supersector in the second quarter and fell by 11.7 percent or 100,000 non-seasonally adjusted jobs. In the last eight quarters, US mining employment has declined by 200,000 non-seasonally adjusted jobs. Mining employment includes coal mining, metal ore mining, and mineral mining.

Business services employment was the best-performing supersector in the second quarter and increased by 2.8 percent or 600,000 non-seasonally adjusted jobs. Business services employment has performed well since the end of the 2007 recession. In the last eight quarters, business services employment has grown by 1.2 million non-seasonally adjusted jobs. Educational services employment increased by 2.6 percent or 600,000 non-seasonally adjusted jobs in the second quarter. Educational services employment and business services employment tied for most jobs gained in absolute terms.

KENTUCKY ECONOMY

Kentucky personal income grew by 2.1 percent in the second quarter of FY17. Growth over the last eight quarters has been above average. Year-over-year growth in the second quarter of FY15 was 5.7 percent. Year-over-year growth has slowed significantly since then, but has not fallen below the normal range. Kentucky personal income has gained a net 6.7 percent in the last eight quarters.

All five contributing components to personal income grew in the second quarter of FY17. The best performing component was dividends, interest, and rents, which grew by 2.9 percent. Dividends, interest, and rents made up 15.2 percent of total Kentucky personal income in the second quarter. Dividends, interest, and rents income has grown a net 4.3 percent over the last eight quarters. The worst-performing component in the second quarter was proprietor's income, which grew by only 0.2 percent. Proprietor's income growth was much better in 2013 when growth was double digits for most of the year. Growth has fallen considerably in just the last four quarters. In the third quarter of FY16, growth was 3.3 percent. Proprietor's income, the smallest of the five contributing components, made up 6.4 percent of total Kentucky personal income in the second quarter.

Kentucky non-farm employment grew by 0.6 percent in the second quarter of FY17. Employment growth has been weak since the end of the recession in 2009. It has gotten even weaker in the last three quarters as growth has slowly declined from 1.7 percent in the third quarter of FY16. Six of the 11 employment supersectors lost jobs in the second quarter of FY17. The worst-performing sector was mining employment, which lost 18.8 percent, or 2,500 net jobs since the second quarter of FY16. Kentucky mining employment, which is dominated by coal mining employment, has been declining steadily since the second quarter of FY11. Total mining employment in the state reach a peak in the third quarter of FY09, when employment was 25,500. Losses in employment are driven by mine closures, which is in turn caused by a decrease in demand for coal by power plants.

Finance employment and educational services employment both grew by 3.3 percent in the second quarter of FY17. Finance employment gained a net 3,100 jobs during that time, while educational services employment gained 8,700 jobs. Finance employment has been weak for most of the expansion following the 2007 recession. It was not until the last three quarters that employment in this sector really started to gain a significant number of jobs. Educational services employment has also been weak or declining since the recession ended. It was only in the last five quarters that educational services employment really started to improve, growing 2.6, 3.7, 3.6, 4.1, and 3.3 percent, respectively.

Table 6
Summary of US & KY Employment
Second Quarter FY17 & FY16

	US Q2 (millions)			KY Q2 (thousands)		
	FY17	**FY16**	**% Chg**	**FY17**	**FY16**	**% Chg**
Non-farm Employment	145.1	142.9	1.6	1,913.0	1,902.1	0.6
Goods-producing	19.6	19.6	0.1	329.0	334.9	-1.8
Construction	6.7	6.5	2.4	74.7	77.6	-3.7
Mining	0.7	0.8	-11.7	10.8	13.3	-18.8
Manufacturing	12.3	12.3	-0.4	243.5	244.0	-0.2
Service-providing	103.2	101.2	2.0	1,268.7	1,250.5	1.5
Trade, Transportation & Utilities	27.4	27.1	1.3	396.0	389.6	1.7
Information	2.8	2.8	0.3	24.1	25.0	-3.9
Finance	8.3	8.2	1.9	97.2	94.1	3.3
Business Services	20.5	19.9	2.8	219.9	220.5	-0.3
Educational Services	22.9	22.3	2.6	276.6	267.8	3.3
Leisure and Hospitality Services	15.6	15.3	1.9	191.2	190.2	0.5
Other Services	5.7	5.6	1.3	63.8	63.3	0.8
Government	22.2	22.0	1.0	315.4	316.7	-0.4

Not Seasonally Adjusted. Data for FY17 Q2 are January 2017 estimates.
Source: IHS Global Insight Inc., January 5, 2017 data release.

Interim Outlook . . . .

GENERAL FUND

The revenue forecasts presented in Table 7 and Table 8 were estimated using the January 2017 "control scenario" economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky macroeconomic model. Forecasted revenues presented herein were prepared pursuant to KRS 48.400 (2) are internal estimates prepared by the staff of the Office of State Budget Director.

Table 7
General Fund Interim Forecast
$ millions

	FY17						FY17		FY18	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	2,158.2	4.3	2,283.1	3.2	4,441.3	3.7	4,411.1	30.2	1,108.6	1.7
Sales & Use	1,759.5	1.8	1,755.0	1.2	3,514.5	1.5	3,539.8	-25.3	904.3	1.0
Property	394.2	3.7	200.1	1.5	594.3	2.9	585.2	9.1	53.1	1.4
Corporate Income	271.7	19.7	291.0	-2.9	562.7	6.9	579.4	-16.7	141.2	3.5
Coal Severance	50.0	-30.7	52.6	8.7	102.6	-14.9	120.7	-18.1	28.3	18.4
Cigarette Tax	111.7	-3.5	107.4	-1.1	219.1	-2.3	222.5	-3.4	56.9	-0.6
LLET	97.4	21.4	123.0	0.2	220.4	8.6	223.7	-3.3	37.6	1.1
Lottery	118.1	7.1	132.0	0.4	250.1	3.5	236.0	14.1	57.0	-1.9
Other	278.8	-3.1	403.2	-2.3	682.0	-2.6	698.0	-16.0	135.6	3.3
General Fund	**5,239.5**	**3.3**	**5,347.4**	**1.5**	**10,586.9**	**2.4**	**10,616.4**	**-29.5**	**2,522.5**	**1.6**

Projected General Fund revenues for the next three quarters are shown in Table 7. As the table indicates, General Fund growth for the remainder of FY17 is projected to be 1.5 percent compared to the final two quarters of FY16. Adding the historical data from the first half of FY17, aggregate General Fund revenues for FY17 are projected to equal $10,586.9 million for growth of 2.4 percent. Collections at the forecasted levels would produce current year revenue shortfall of $29.5 million below the official General Fund forecast of $10,616.4 million.

Individual income tax receipts are expected to total $4,441.3 million in FY17, partially due to solid growth of 4.3 percent in the first half of the fiscal year. Receipts are projected to increase by 3.2 percent during the final half of FY17. Taken in aggregate, the individual income tax is forecasted to grow 3.7 percent for FY17.

The withholding component of the individual income tax, the largest contributor to nominal growth of the individual income tax, was up by 4.9 percent in the first quarter, but fell to a still respectable 3.5 percent in the second quarter of FY17. The forecast calls for the lower growth to continue with second half withholding growth of 2.8 percent for a cumulative FY17 growth of 3.5 percent. Among other things, withholding is affected by Kentucky employment and Kentucky wages and salaries. Kentucky non-agricultural employment growth is expected to remain below one percent in FY17. (See Table 10) As employment limps forward, growth in withholding will be increasingly more dependent upon wage growth. Table 10 illustrates that wage growth is expected to average 5.1 percent for the remainder of FY17, thus helping withholding collections remain in positive territory amidst tepid employment growth.

Since declining in FY13, the sales and use tax has experienced additional momentum. Growth of 3.6 percent in FY14 was followed by even faster growth of 4.4 percent during FY15. The pinnacle came in FY16 with year-over-year growth of 6.0 percent. This interim report calls for continued growth in the sales and use tax for the final six months of FY17, albeit at the reduced rate of 1.2 percent, bringing the annual total to $3,514.5 million. The recent wave of 13 consecutive quarters of growth in the sales tax came to an unceremonious halt in the second quarter as receipts fell for the first time since FY13. Clearly, the sales tax is getting softer, but for now, the slowdown in growth is expected to be a soft landing rather than a widespread sectoral crash. As we cautioned in earlier reports, growth in excess of wage growth is clearly difficult to sustain, especially in light of the recent history of strong sales tax collections.

Property tax revenues are expected to increase by 1.5 percent in the second half of FY17. Growth in the first half of FY17 was 3.7 percent. Due to the sustained effects of the recession on the housing market, the state rate on real property has remained at 12.2 cents since valuation year 2008, an unprecedented run of eight consecutive years without a rate decline. As the housing market shores up, growth in new property and existing values can be expected to eventually return to more traditional growth patterns, but this interim forecast assumes that this reversion to "normal" will not occur during the forecasting horizon.

The corporation income tax fell 0.3 percent in FY16 following an impressive string of five consecutive years of high growth. A modest decline after five strong years of growth could have been a harbinger of a downturn, but corporate receipts showed resilience with growth of 19.7 percent in the first half of FY17. Growth over the second half of FY17 is expected to give way to a 2.9 percent decline, bringing the annual total to $562.7 million for 6.9 percent growth.

LLET receipts have been volatile over the last five fiscal years, recording two years of positive growth sandwiched between three years of steep declines. Fiscal year 2017 has started off with first half growth of 21.4 percent. While this interim forecast calls for growth of only 0.2 percent for the remainder of FY17, the effect of the strong first half is expected to propel FY17 receipts 8.6 percent higher than FY16.

Coal severance receipts fell short of the official estimate in FY16 and are expected to decline further in FY17. Energy markets and coal markets in particular, have become quite volatile with some downside risk. The interim estimate calls for receipts of \$102.6 million, or a 14.9 percent decline in FY17 following the 33.1 percent record plunge in FY16. The official estimate for the current fiscal year is \$120.7 million, a level which illustrates the depths of the decline in the current coal market. With the federal regulation changes, mine closures, and power plants going offline, a return to the levels near the FY12 peak (\$298.3 million) is implausible regardless of the forecasting horizon.

Cigarette tax receipts increased by a modest 1.5 percent in FY16. The outlook for cigarette tax receipts calls for a 2.3 percent decline in FY17. A downward trend in smoking rates is still expected, but the \$0.65 per pack increase in West Virginia, the \$1.00 per pack increase in the tax rate for Illinois, and the \$0.35 per pack increase in Ohio should serve to create a small positive revenue impact for cigarette purchases in Kentucky. The Ohio border impact has the potential to become a major impact as the markets transition to a new equilibrium. Total state cigarette taxes in Ohio went from \$1.25 per pack to \$1.60 per pack, a full \$10.00 per carton higher than the Kentucky rate. The West Virginia and Illinois carton price differentials are now at \$6.00 on the West Virginia border and \$13.80 crossing the river into Illinois. Notwithstanding these minor border impacts, the national consumption of cigarettes has steadily been trending downward.

Lottery dividends are expected to exceed the FY17 official estimate by \$14.1 million on the basis of continued strength in scratch-off sales and a recovery in online games. The continued low fuel prices have helped the market for scratch-off games. Changes implemented by the Kentucky Lottery Corporation have increased play and profitability in the online games as well.

The “Other” category contains dozens of smaller accounts which make up the remainder of the General Fund. Insurance premiums tax, bank franchise and telecommunications tax are the three largest accounts in the “Other” category. The “Other” category of taxes is expected to decline marginally by 2.3 percent during the second half of FY17. Each account was re-examined after FY16 and the proper adjustments were made to calibrate the models. The “Other” accounts projected sum is \$682.0 million in FY17, a decline of 2.6 percent compared to FY16.

ROAD FUND

The January 2017 interim Road Fund forecast projects a leveling off of revenues after declines in the last two fiscal years. Growth, however, is expected to be negligible for the forecast horizon. Collections in the first two quarters of FY17 have been flat compared to the previous year and while the outlook for the remainder of the year is not much rosier, it is an improvement on the 2.2 and 2.9 percent declines of FY15 and FY16.

Table 8
Road Fund Interim Forecast
$ millions

	FY17						FY17		FY18	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	390.3	2.2	364.8	-0.9	755.1	0.7	747.3	7.8	199.6	0.6
Motor Vehicle Usage	244.7	-1.7	245.8	4.4	490.5	1.3	469.5	21.0	129.4	-2.5
Motor Vehicle License	39.6	-12.6	68.6	1.2	108.2	-4.3	105.0	3.2	18.9	0.8
Motor Vehicle Operators	8.0	-2.7	8.2	1.2	16.2	-0.8	16.1	0.1	4.4	5.5
Weight Distance	41.9	1.5	41.0	2.2	82.9	1.9	82.1	0.8	21.2	1.3
Income on Investments	-0.2	-162.5	1.6	-30.4	1.4	-43.3	1.4	0.0	0.2	38.9
Other	18.1	12.8	19.3	2.4	37.4	7.2	35.5	1.9	9.7	3.5
Road Fund	**742.5**	**0.0**	**749.2**	**1.2**	**1,491.7**	**0.6**	**1,456.9**	**34.8**	**383.4**	**-0.3**

Total Road Fund revenues are unchanged through the first two quarters of FY17 as gains in motor fuels collections have been offset by a drop in motor vehicle usage tax revenue. Motor fuels collections have increased 2.2 percent due to an increase in consumption as the tax rate has remained unchanged since the fourth quarter of FY15. Motor vehicle usage tax revenue has fallen 1.7 percent so far in FY17, an unsurprising result considering FY16 revenues represented an all-time high for the account. The remaining five accounts combined for a decline of $3.7 million with most of the differences being within $2.0 million of prior year levels. The lone exception is the motor vehicle license tax account, which is $5.8 million below the level in the first half FY16. This is due to a timing issue which inflated the prior year revenues.

Motor fuels tax collections are expected to decline 0.9 percent over the final six months of FY17 but grow 0.6 percent in the first quarter of FY18. The forecast calls for the tax rate to remain at the statutory minimum rate through the estimation period. This means that any growth in this account will be because of changes in consumption.

Motor vehicle usage tax collections fell 1.7 percent in the first half of FY17 due, in part, to strong Kentucky sales in FY16. The forecast is for a rebound in revenues in the second half of the fiscal year before retreating in the first quarter of FY18. Revenues are expected to grow 4.4 percent over the final two quarters but fall 2.5 percent in the first quarter of FY18.

To estimate the growth of all other components of the Road Fund, officials of the Kentucky Transportation Cabinet and staff of the Governor's Office for Economic Analysis together assessed recent growth patterns as well as administrative and statutory factors. Motor vehicle license taxes are forecasted to increase 1.2 percent in the final two quarters of FY17 and grow 0.8 percent in the first quarter of FY18. Motor vehicle operators' license revenues are projected to rise 1.2 percent for the remainder of the fiscal year and rise 5.5 percent in the first quarter of FY18. Weight distance tax revenue should rise 2.2 percent for the remainder of the fiscal year and 1.3 percent over the first three months of FY18. Income on investment will decline by $600,000 over the remainder of the fiscal year but increase $100,000 in Q1 of FY18. All other revenues will increase 2.4 percent during the last six months of FY17 and then increase 3.5 percent in the first quarter of FY18.

NATIONAL ECONOMY

As we enter the third quarter of the 2017 fiscal year, the geopolitical landscape has dramatically changed and broad measures of consumer and business confidence have significantly improved. The rise in optimism and stock market indexes reflect a reasonable expectation for tax reform, reduced regulatory burdens, and increased infrastructure spending with the incoming administration and a Republican-led Congress working together. In the best case, a perceived shift towards a more business-friendly environment could lead to increased capital spending and subsequent expansions in worker productivity. Additionally, increased household wealth and wage gains could help further increase consumer spending.

However, there are reasons to temper expectations. Some forecasters believe that the responses of financial markets have been driven more by promises and rhetoric than the likely final form of current proposals. Policies often take significant time to formulate and be shepherded though the political process. The final version of any proposal has a significant likelihood of being less generous or expansive than originally proposed and often reflects compromises that had to be made along the way. Once enacted, the economic impact of fiscal policy comes with long and variable lags. This means that many of the currently anticipated changes at the Federal level will be unlikely to be felt by the overall economy until later in calendar 2017 or early 2018.

The current forecast anticipates an average rate of growth in real GDP of 2.3 percent in the last two fiscal quarters of FY17. The acceleration from the 1.8 percent growth in the second fiscal quarter is expected to be due to solid gains in consumer spending, business fixed investment, and residential investment. Industrial production has declined in five of the past eight quarters but is expected to recover, rising at an average of 1.0 percent annual rate over the next two fiscal quarters. The current forecast incorporates some policies proposed by the new administration, including lower personal and corporate tax rates, reduced Federal government receipts, and approximately $250 billion in additional infrastructure spending over the next 10 years. The current forecast does not incorporate proposed changes to trade and immigration policies.

Monetary policy has followed expectations as the Federal Open Market Committee (FOMC) voted unanimously to increase the federal funds rate by 25 basis points at the last meeting of calendar 2016. The FOMC issued a statement, "that the labor market has continued to strengthen and that economic activity has been expanding at a moderate pace since mid-year." The FOMC expected three rate hikes in calendar 2017. In prior FOMC meetings, only two rate hikes had been forecasted for the year. There is the potential for interest rates to be increased by the FOMC at a pace faster than currently predicted. The FOMC expects the federal funds rate to increase to 3.0 percent by the end of calendar 2019.

Table 9
US Economic Outlook
FY17 Q3 & Q4, FY18 Q1

	Q3 & Q4			Full Year		Q1	
	FY17	FY16	% Chg	FY17	% Chg	FY18	% Chg
Real GDP	16,938.3	16,554.1	2.3	16,848.2	2.0	17,081.1	2.1
Real Consumption	11,762.5	11,425.0	3.0	11,683.9	2.9	11,875.9	2.7
Real Investment	2,886.3	2,812.7	2.6	2,854.6	0.4	2,946.8	5.1
Real Govt. Expenditures	2,923.5	2,907.1	0.6	2,916.9	0.5	2,929.5	0.8
Real Exports	2,155.9	2,106.6	2.3	2,153.4	2.1	2,177.0	0.7
Real Imports	2,762.7	2,669.0	3.5	2,732.2	2.3	2,823.3	5.2
CPI all goods	2.4	2.4	2.5	2.4	2.0	2.5	2.6
CPI Food	2.5	2.5	0.5	2.5	0.2	2.5	1.5
CPI Energy	2.1	1.8	11.3	2.0	4.0	2.1	8.8
CPI Core	2.5	2.5	2.1	2.5	2.2	2.5	2.2
Industrial Production Index (% chg)	105.1	104.0	1.0	104.7	0.2	106.0	1.5
Unemployment Rate (%)	4.7	4.9	NA	4.7	NA	4.6	-7.1

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Source: IHS Global Insight Inc., January 5, 2017 data release.

KENTUCKY ECONOMY

Overall economic growth in Kentucky is projected to continue through FY17 in terms of employment and personal income growth, albeit at a slightly slower pace than the rate of growth experienced at the national level. In the second quarter of FY17, Kentuckians' personal income grew an estimated 2.1 percent while US personal income growth increased by 3.6 percent. Wages and salaries followed a similar pattern with Kentucky growth of 2.1 percent versus the US growth of 3.8 percent. Growth in Kentucky personal income is expected to accelerate to 4.2 percent for the remainder of FY17 with wage and salary income up 5.1 percent over the same time horizon. Wage and salary growth is a key economic driver for both withholding collections in the individual income tax, as well as the sales tax, which softened considerably in the second quarter of FY17.

Turning to the outlook for Kentucky employment, non-farm employment is expected to rise 0.8 percent for the remainder of FY17, followed by slightly higher growth in the first quarter of FY18. All three quarters of the outlook project weak growth when compared to recovery periods following recessions. In the goods-producing sectors, only manufacturing employment is expected to increase in the second half of FY17 at an anemic 0.3 percent rate. Part of the weakness in manufacturing employment is due to the strong trading value of the U.S. dollar vis-à-vis many of our trading partners. The mining and construction sectors are projected to lose employment compared to the third and fourth quarters of FY16. Overall, the goods-producing sector is on pace to lose 1,200 year-over-year jobs over the same two-quarter period. Service-providing employment is well poised to expand 1.3 percent in the second half of FY17 despite expected job losses in trade, transportation, and utilities (TTU) and information services. Financial services, business, education, and leisure services will collectively offset the job losses in TTU and informational services such that service employment rises over the second half of FY17. Nevertheless, the outlook for employment remains a weak spot for the Kentucky economy.

Table 10
Kentucky Economic Outlook
FY17 Q3 & Q4, FY18 Q1

	Q3 & Q4			Full Year		Q1	
	FY17	FY16	% Chg	FY17	% Chg	FY18	% Chg
Personal Income ($ millions)	180,662.9	173,338.5	4.2	178,725.4	3.3	183,680.2	4.4
Wages and Salaries ($ millions)	91,726.0	87,281.5	5.1	90,656.4	4.2	93,181.6	4.6
Non-farm Employment (thousands)	1,920.2	1,905.1	0.8	1,915.2	0.8	1,926.5	1.0
Goods-producing	329.9	331.1	-0.4	329.4	-0.9	331.7	0.9
Construction	75.3	75.9	-0.7	74.9	-1.9	76.0	2.3
Mining	10.7	12.1	-11.6	10.8	-15.4	10.5	-5.7
Manufacturing	243.9	243.2	0.3	243.7	0.2	245.2	0.8
Service-providing	1,274.8	1,259.0	1.3	1,270.5	1.5	1,279.0	1.2
Trade, Transportation & Utilities	396.9	397.6	-0.2	396.4	0.8	396.8	0.3
Information	24.2	24.3	-0.4	24.1	-2.3	24.3	1.2
Finance	97.6	94.3	3.5	97.3	3.8	97.7	0.8
Business Services	222.2	218.9	1.5	220.6	1.0	225.3	3.2
Educational Services	278.0	272.2	2.2	277.0	2.9	278.9	1.2
Leisure and Hospitality Services	192.5	189.1	1.8	191.6	1.3	193.8	1.9
Other Services	63.3	62.8	0.9	63.5	0.8	62.3	-2.0
Government	315.5	315.1	0.1	315.3	-0.2	315.8	0.3

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis MAK model, January 2017.

APPENDIX

General and Road Fund Receipts
Second Quarter FY17

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Second Quarter FY 2017	Second Quarter FY 2016	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL GENERAL FUND	$2,757,145,588	$2,668,723,727	3.3%	$5,239,517,779	$5,070,353,237	3.3%
Tax Receipts	$2,647,673,202	$2,565,420,361	3.2%	$5,058,625,079	$4,895,844,064	3.3%
Sales and Gross Receipts	$989,313,025	$998,829,933	-1.0%	$2,038,131,133	$2,006,635,573	1.6%
Beer Consumption	1,526,019	1,675,088	-8.9%	3,251,869	3,489,346	-6.8%
Beer Wholesale	14,979,993	15,009,147	-0.2%	31,643,777	32,496,745	-2.6%
Cigarette	54,411,149	57,578,427	-5.5%	111,653,427	115,676,724	-3.5%
Distilled Spirits Case Sales	43,474	36,134	20.3%	79,472	70,761	12.3%
Distilled Spirits Consumption	3,977,561	3,404,431	16.8%	7,366,519	6,659,556	10.6%
Distilled Spirits Wholesale	12,416,370	10,249,518	21.1%	22,473,650	19,800,979	13.5%
Insurance Premium	9,701,835	15,648,419	-38.0%	46,753,081	45,879,260	1.9%
Pari-Mutuel	1,021,993	847,415	20.6%	2,131,495	1,773,611	20.2%
Race Track Admission	26,069	21,714	20.1%	106,418	132,854	-19.9%
Sales and Use	863,936,968	867,952,114	-0.5%	1,759,451,644	1,727,701,719	1.8%
Wine Consumption	915,093	937,885	-2.4%	1,658,248	1,648,047	0.6%
Wine Wholesale	5,196,882	4,318,836	20.3%	9,326,819	8,327,708	12.0%
Telecommunications Tax	15,759,719	15,866,473	-0.7%	31,362,796	32,259,763	-2.8%
Other Tobacco Products	5,398,102	5,282,928	2.2%	10,870,076	10,712,488	1.5%
Floor Stock Tax	1,798	1,404	28.0%	1,841	6,012	-69.4%
License and Privilege	$421,008	$2,190,530	-80.8%	($726,463)	$1,889,275	-138.5%
Alc. Bev. License Suspension	99,053	115,176	-14.0%	235,703	236,901	-0.5%
Corporation License	15,208	23,115	-34.2%	(7,438)	70,318	---
Corporation Organization	917,252	91,685	900.4%	923,197	91,685	906.9%
Occupational Licenses	24,947	33,475	-25.5%	66,904	87,111	-23.2%
Race Track License	86,475	80,000	8.1%	181,475	212,500	-14.6%
Bank Franchise Tax	(891,544)	1,694,317	---	(2,480,569)	864,332	---
Driver License Fees	169,617	152,762	11.0%	354,266	326,428	8.5%
Natural Resources	$34,806,864	$43,351,320	-19.7%	$65,243,389	$90,152,012	-27.6%
Coal Severance	26,138,963	34,542,826	-24.3%	50,023,771	72,215,660	-30.7%
Oil Production	1,204,268	1,226,684	-1.8%	2,447,879	2,858,408	-14.4%
Minerals Severance	5,538,365	5,199,293	6.5%	10,023,699	10,687,890	-6.2%
Natural Gas Severance	1,925,267	2,382,517	-19.2%	2,748,040	4,390,054	-37.4%
Income	$1,263,297,008	$1,167,137,307	8.2%	$2,527,262,083	$2,376,584,050	6.3%
Corporation	135,242,185	102,062,060	32.5%	271,720,629	226,925,277	19.7%
Individual	1,067,895,917	1,029,562,788	3.7%	2,158,191,451	2,069,454,809	4.3%
Limited Liability Entity	60,158,907	35,512,460	69.4%	97,350,003	80,203,965	21.4%
Property	$341,889,584	$333,489,655	2.5%	$394,238,159	$380,338,302	3.7%
Building & Loan Association	(1,261)	(11,881)	---	15,372	(11,881)	---
General - Real	198,629,706	195,838,856	1.4%	198,670,874	195,484,118	1.6%
General - Tangible	103,521,765	102,849,906	0.7%	134,550,736	131,017,499	2.7%
Omitted & Delinquent	5,573,589	3,072,702	81.4%	9,309,675	3,785,168	146.0%
Public Service	33,222,488	30,779,108	7.9%	50,748,275	49,097,477	3.4%
Other	943,295	960,963	-1.8%	943,227	965,921	-2.3%
Inheritance Tax	$12,025,295	$14,158,824	-15.1%	$22,584,767	$27,908,639	-19.1%
Miscellaneous	$5,920,417	$6,262,793	-5.5%	$11,892,010	$12,336,211	-3.6%
Legal Process	3,203,104	3,603,982	-11.1%	6,585,246	7,322,395	-10.1%
T. V. A. In Lieu Payments	2,717,314	2,675,800	1.6%	5,262,981	5,028,475	4.7%
Other	0	(16,990)	---	43,784	(14,659)	---
Nontax Receipts	$108,560,337	$100,273,606	8.3%	$178,641,631	$170,753,273	4.6%
Departmental Fees	4,428,924	5,090,206	-13.0%	7,448,660	7,921,966	-6.0%
PSC Assessment Fee	105,335	106,438	-1.0%	13,031,320	10,868,310	19.9%
Fines & Forfeitures	4,370,391	5,024,762	-13.0%	9,296,389	10,622,994	-12.5%
Income on Investments	(257,455)	(256,676)	---	(327,005)	(422,082)	---
Lottery	60,000,000	56,778,429	5.7%	118,127,129	110,278,429	7.1%
Sale of NOx Credits	0	0	---	0	0	---
Miscellaneous	39,913,142	33,530,448	19.0%	31,065,138	31,483,656	-1.3%
Redeposit of State Funds	$912,049	$3,029,760	-69.9%	$2,251,069	$3,755,900	-40.1%

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Second Quarter FY 2017	Second Quarter FY 2016	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL ROAD FUND	$357,921,347	$371,183,052	-3.6%	$742,491,195	$742,251,962	0.0%
Tax Receipts-	$353,031,630	$365,524,532	-3.4%	$732,656,616	$730,979,502	0.2%
Sales and Gross Receipts	$303,765,081	$310,947,509	-2.3%	$634,963,316	$631,056,065	0.6%
Motor Fuels Taxes	191,788,830	185,653,153	3.3%	390,284,986	$382,065,220	2.2%
Motor Vehicle Usage	111,976,250	125,294,356	-10.6%	244,678,330	$248,990,844	-1.7%
License and Privilege	$49,266,550	$54,577,023	-9.7%	$97,693,300	$99,923,437	-2.2%
Motor Vehicles	20,886,695	26,707,778	-21.8%	39,642,565	$45,381,555	-12.6%
Motor Vehicle Operators	3,829,668	4,010,519	-4.5%	7,998,987	$8,223,852	-2.7%
Weight Distance	20,971,355	20,661,427	1.5%	41,907,054	$41,284,507	1.5%
Truck Decal Fees	16,464	8,062	104.2%	18,370	$38,242	-52.0%
Other Special Fees	3,562,368	3,189,237	11.7%	8,126,324	$4,995,282	62.7%
Nontax Receipts	$4,810,218	$5,473,296	-12.1%	$9,543,372	$10,772,132	-11.4%
Departmental Fees	4,665,319	5,287,320	-11.8%	8,480,458	$9,927,459	-14.6%
In Lieu of Traffic Fines	76,265	102,227	-25.4%	167,520	$206,267	-18.8%
Income on Investments	(295,737)	(206,186)	---	(150,789)	$240,917	---
Miscellaneous	364,371	289,935	25.7%	1,046,183	$397,489	163.2%
Redeposit of State Funds	$79,498	$185,223	-57.1%	$291,208	$500,328	-41.8%