

COMMONWEALTH OF KENTUCKY

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# Quarterly Economic & Revenue Report

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*Fourth Quarter Fiscal Year 2017  
Annual Edition*

GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS  
OFFICE OF STATE BUDGET DIRECTOR





**Office of State Budget Director**

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**Matthew G. Bevin**  
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July 31, 2017

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

Re: Quarterly Economic and Revenue Report

Dear Governor Bevin:

The *Quarterly Economic and Revenue Report Annual Edition* summarizes Kentucky's revenue and economic statistics for the fourth quarter of Fiscal Year 2017 (FY17). It also includes an analysis of FY17 totals and an interim economic and revenue forecast for the first three quarters of FY18.

Revenue

In FY17, Kentucky's General Fund receipts rose for the seventh consecutive year. Final FY17 General Fund revenues were \$10,477.8 million or 1.3 percent more than FY16 collections. General Fund revenues were \$138.5 million or 1.3 percent less than the official revenue estimate which had projected 2.7 percent growth.

Road Fund revenues for FY17 were \$1,508.0 million, an increase of 1.7 percent from the previous fiscal year. Total receipts were \$25.5 million more than FY16 and \$51.1 million more than the official estimate for FY17. Total Road Fund collections grew in three of the four quarters of FY17 and put an end to the two consecutive fiscal year declines in Road Fund receipts.

Looking into to the new fiscal year, the latest OSBD staff estimates predict General Fund growth of 2.5 percent in the first three quarters of FY18 compared to FY 17. The Consensus Forecasting Group (CFG) had predicted 2.4 percent growth in FY18 over the FY17 amounts that they had projected. That official estimate was made in December 2015. The FY17 revenue shortfall of \$138.5 million has now made the FY18 forecast a difficult hurdle to attain. Growth of 3.8 percent over FY17 actual receipts would be required to meet that official FY18 estimate. The CFG meets again on August 11 to formulate the budget planning estimates and to start the process of determining an official revenue estimate for FY19 and FY20. Those estimates will be important as we move towards the 2018 Budget Session that starts in January.

### The Economy

After subdued growth in the third fiscal quarter of 2017, real GDP is generally projected to improve in the first three fiscal quarters of 2018 by 2.5 percent, relative to the same period in FY17. The growth is expected to be driven by consumer spending and real investment, as consumer confidence remains mostly strong. Continued low unemployment, modestly rising disposable income, and increasing household net worth should allow consumers to improve their real consumption.

Kentucky appears poised to continue its recent run of positive economic growth in the areas of wages and income. Personal incomes of Kentuckians are on pace to grow 4.4 percent over the next three quarters, slightly outperforming what seems to be predicted as the national average of 4.2 percent.

### Kentucky's Tax Base

Finally, FY17 demonstrated the need to build more elasticity into the Kentucky tax base through tax reform. The two largest General Fund taxes (individual income and sales and use) constitute over 75 percent of the General Fund. When one (or both) of these revenue sources fails to keep pace with economic growth, the remaining taxes have been struggling to pick up the slack.

We will be providing a more detailed analysis of the economy and revenue projections in connection with the CFG meetings that begin in August and in the next quarterly report.

Sincerely,

A handwritten signature in black ink, appearing to read "John E. Chilton". The signature is fluid and cursive, with a large initial "J" and "C".

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 fourth 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 fourth quarter edition of the *Quarterly Report* is typically the longest report of the year due to the reporting of both quarterly and annual data. The *Annual Edition* also includes the latest interim projections and an expanded statistical appendix containing a 10-year history of the major General Fund and Road Fund accounts with a corresponding history of growth rates.

Kentucky's General Fund receipts rose for the seventh consecutive year for the fiscal year that ended June 30, 2017 (FY17). General Fund receipts totaled \$10,477.8 million or 1.3 percent more than FY16 collections. Final FY17 General Fund revenues were \$138.5 million, or 1.3 percent, less than the official revenue estimate which had projected 2.7 percent growth. The Consensus Forecasting Group estimate for FY18 had called for growth of 2.4 percent over the projected FY17 ending balance. Taking into account the actual FY17 revenue total, the official estimate for FY18 of \$10,874.4 million can be obtained with growth of 3.8 percent.

Road Fund revenues for FY17 totaled \$1,508.0 million, an increase of 1.7 percent from the previous fiscal year. Total receipts were \$25.5 million more than FY16 levels as no single account had a significant change. Total Road Fund collections grew in three of the four quarters and halted a two-year decline in revenues.

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

- Projected General Fund revenues are shown in Table 14. As the table indicates, General Fund growth is projected to be 2.5 percent over the first three quarters of FY18.
- Real Gross Domestic Product (real GDP) grew by 2.4 percent in the fourth quarter. That is the fastest year-over-year growth since the fourth quarter of FY15. Despite this improvement, 2.4 percent growth is historically a low level of growth for an expansion period. On an adjacent-quarter basis, real GDP has grown 0.7 percent over the third quarter of FY17. This too, is an improvement over the last few quarters.
- Kentucky personal income grew by 4.2 percent in the fourth quarter of FY17. On an adjacent quarter basis, Kentucky personal income grew by 1.1 percent over the third quarter. Kentucky personal income growth has been strong for

the last 14 quarters in a row. Quarter-over-same-quarter-last year growth in each of those quarters has been above 2.0 percent, with most quarters over 4.2 percent.

- After subdued growth in the third fiscal quarter of 2017, real GDP is projected to strengthen for the first three fiscal quarters of 2018 to 2.5 percent, relative to the same period in FY17. The growth is expected to be driven by consumer spending and real investment, as consumer confidence remains strong. Continued low unemployment, rising disposable income, and increasing household net worth should allow consumers to improve their real consumption.
- Kentucky appears poised to continue its recent run of positive economic growth in the areas of wages and income. Personal incomes of Kentuckians are on pace to grow 4.4 percent over the next three quarters, slightly outperforming the national average of 4.2 percent. Kentucky wages and salaries are projected to maintain a steady pace of growth, estimated at 4.2 percent over the same horizon. Overall, the Kentucky economy experienced a favorable year in FY17 with respect to the rate of personal income growth.
- Employment is projected to grow in nine of the eleven supersector groups over the course of the next three quarters, suggesting optimism will be on the rise as it is associated with growth in Kentuckian's incomes and employment prospects.
- The FY17 revenue shortfall of \$138.5 million has made the FY18 forecast hurdle more formidable. The interim forecast for the first three quarters of FY18 calls for General Fund growth of 2.5 percent. The current official forecast for FY18 would require 3.8 percent growth to meet the estimate. The largest two General Fund taxes (individual income and sales and use) constitute over 75 percent of the General Fund. When one (or both) of these revenue sources falters relative to the economy, the remaining taxes have been struggling to pick up the slack. In FY17, the individual income tax grew 2.6 percent while the sales tax grew only 0.7 percent. Together these revenue sources produced \$134.3 million in revenue growth over FY16. The remaining accounts collectively accounted for \$4.7 million in new revenue over FY16.
- Road Fund revenues are forecasted to decline for the third time in the past four years as the demand for automobiles is expected to weaken in FY18. Total Road Fund revenues grew 1.7 percent in FY17 after declining in each of the previous two fiscal years. The increase in total Road Fund collections in FY17 was primarily due to increases in the major revenue accounts; motor fuels and motor vehicle usage taxes. Together, these two accounts increased \$25.9 million while the remaining accounts declined by \$0.5 million. Motor fuels tax receipts rebounded in FY17 after a precipitous drop in FY16 due to a decline in the tax rate.

# Revenue Receipts . . . . .

## GENERAL FUND Fourth Quarter, FY17

General Fund receipts in the fourth quarter of FY17 totaled \$2,873.8 million compared to \$2,824.9 million in the fourth quarter of FY16, an increase of 1.7 percent. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these and other accounts is available in Appendix A.

Table 1 Summary General Fund Receipts \$ millions				
	FY17 Q4	FY16 Q4	Diff \$	Diff %
Individual Income	1,291.7	1,252.3	39.4	3.1
Sales and Use	907.0	899.1	8.0	0.9
Property	69.8	59.8	10.0	16.7
Corporate Income	199.4	207.1	-7.7	-3.7
Coal Severance	23.1	23.0	0.1	0.3
Cigarette Taxes	58.1	57.4	0.7	1.2
LLET	97.0	87.3	9.7	11.1
Lottery	65.5	72.5	-7.0	-9.7
Other	162.1	166.4	-4.3	-2.6
<b>Total</b>	<b>2,873.8</b>	<b>2,824.9</b>	<b>48.9</b>	<b>1.7</b>

Individual income tax receipts increased 3.1 percent in the fourth quarter of FY17 compared to collections in the fourth quarter of FY16. Receipts of \$1,291.7 million were \$39.4 million more than collected in the fourth quarter of the previous fiscal year.

The sales and use tax posted an increase of 0.9 percent in the fourth quarter of FY17. Receipts of \$907.0 million compare to the \$899.1 million collected in the fourth quarter of FY16. While the fourth quarter closed FY17

sales and use tax receipts on a positive note, the 13-quarter growth run following FY13 experienced a disruption as result of declines in two of the four fiscal quarters.

Property tax collections increased 16.7 percent in the fourth quarter of FY17. Collections of \$69.8 million compared to \$59.8 million collected in the fourth quarter of the prior fiscal year. The positive growth reflected in the fourth quarter marks the eighth consecutive quarter of growth in property tax collections following FY15, where property tax fell in three of the four fiscal quarters.

Corporation income collections decreased 3.7 percent in the fourth quarter of FY17. Receipts totaled \$199.4 million and were \$7.7 million less than collected a year earlier.

The limited liability entity tax (LLET) receipts increased 11.1 percent, or \$9.7 million in the fourth quarter of FY17 with revenues of \$97.0 million compared to \$87.3 million.

Coal severance tax receipts experienced growth in the fourth quarter as receipts increased 0.3 percent. Receipts of \$23.1 million compare to \$23.0 million collected in the fourth quarter of FY16. The growth reflected in the final two quarters of FY17 marks the first shift to positive growth in coal severance tax receipts since the third quarter of FY12. Albeit by a de minimis amount, the presence of positive growth is a welcomed shift.

Cigarette taxes increased in the fourth quarter, following a typical pattern of quarterly fluctuations observed in the rise and fall of cigarette tax receipts. Receipts of \$58.1 million were 1.2 percent more than collected in the fourth quarter of FY16.

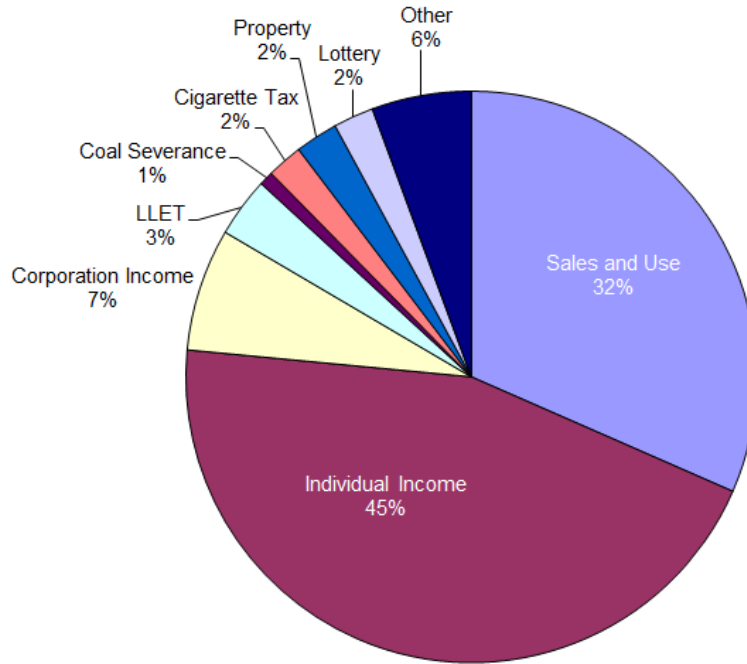
Lottery receipts decreased 9.7 percent, or \$7.0 million, in the fourth quarter of FY17 with revenues of \$65.5 million compared to \$72.5 million collected in the fourth quarter of FY16. The fourth quarter of FY16 was inflated due to a strong run in the Powerball game, so the base of comparison was artificially inflated. Although the dividends from the Kentucky Lottery Corporation declined slightly for the whole fiscal year, the dividend exceeded the official estimate by \$5.6 million for FY17.

The “Other” category represents the remaining accounts in the General Fund, and collections in this account decreased 2.6 percent from FY16. Fourth quarter receipts for FY17 were \$162.1 million and compare to \$166.4 million in FY16.

Figure A details the composition of fourth quarter General Fund receipts by tax type. Seventy-seven percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next-largest source of revenue was the corporation income category at seven percent followed by the “Other” accounted for six percent. The largest components in this category include the insurance premium tax, bank franchise tax, beer wholesale tax and the telecommunications tax. The LLET and lottery receipts accounted for three percent and two percent, respectively. Property and cigarette taxes accounted for two percent each, followed by coal severance taxes accounting for one percent of General Fund revenues collected in the fourth quarter of FY17.



**Figure A  
Composition of Fourth Quarter FY17  
General Fund Revenues**



**ROAD FUND  
Fourth Quarter, FY17**

Road Fund receipts grew 1.5 percent in the fourth quarter of FY17. Receipts totaled \$389.0 million compared to the \$383.1 million received in the fourth quarter of FY16. Total Road Fund collections grew in three of the four quarters to post positive net growth for FY17, thereby breaking an unfortunate string of two annual declines in Road Fund receipts. Growth rates for the four quarters were 3.6 percent, -3.6 percent, 5.4 percent and 1.5 percent, respectively. Summary data are contained in Table 2 and detailed data are shown in Appendix A.

Motor fuels tax receipts increased 0.7 percent during the fourth quarter of FY17. Receipts were \$194.0 million and compare to \$192.6 million collected during the fourth quarter last year. The positive growth observed in the fourth fiscal quarter marks the fifth consecutive quarter of growth for motor fuels tax collections.

Motor vehicle usage tax receipts grew 2.0 percent during the fourth quarter of FY17. Receipts of \$126.0 million compared to \$123.6 million received during the same period last year.

Table 2 Summary Road Fund Receipts \$ millions				
	FY17 Q4	FY16 Q4	Diff \$	Diff %
Motor Fuels	194.0	192.6	1.4	0.7
Motor Vehicle Usage	126.0	123.6	2.5	2.0
Motor Vehicle License	35.3	34.2	1.2	3.4
Motor Vehicle Operators	4.3	4.2	0.1	2.3
Weight Distance	20.2	19.9	0.4	1.9
Income on Investments	1.0	1.0	0.0	-2.1
Other	8.2	7.8	0.4	5.2
<b>Total</b>	<b>389.0</b>	<b>383.1</b>	<b>5.9</b>	<b>1.5</b>

Motor vehicle license tax receipts increased 3.4 percent during the fourth quarter of FY17. Receipts of \$35.3 million compare to \$34.2 million received during the fourth quarter of FY16.

Motor vehicle operator's license fees totaled \$4.3 million, a 2.3 percent increase compared to the level observed a year ago.

Weight distance tax receipts totaled \$20.2 million, an increase of 1.9 percent or \$400,000 from the fourth quarter of last year. The fourth fiscal quarter growth marks the eighth consecutive quarter of growth in weight distance tax collections, following the decline experienced in the fourth quarter of FY15.

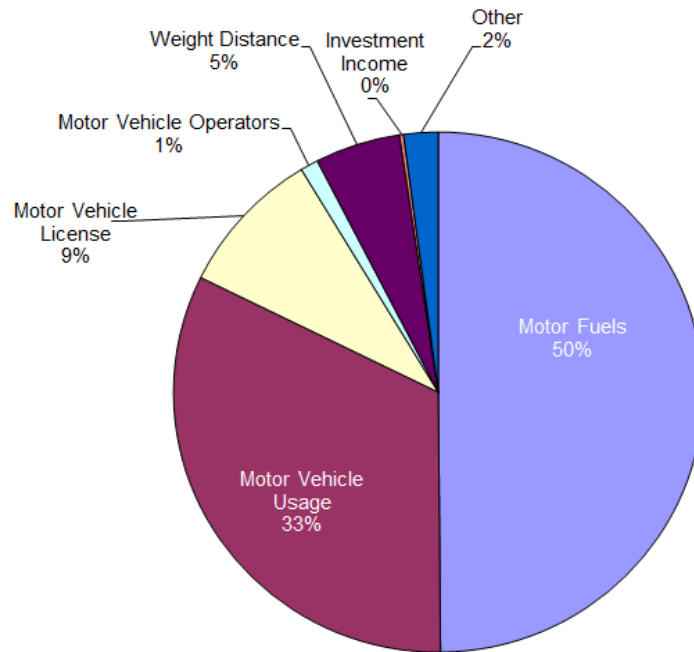
Weight distance tax receipts

Investment income was down 2.1 percent in the fourth quarter of FY17, yielding \$1.0 million in tax receipts.

The remainder of the accounts in the Road Fund combined for an increase of 5.2 percent. Receipts for the "Other" category totaled \$8.2 million during the fourth quarter, compared to \$7.8 million in the fourth quarter of FY16.

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY17. Motor fuels taxes and motor vehicle usage taxes comprised 83.0 percent of Road Fund revenues in the fourth quarter. The next largest source of revenue was the motor vehicle license tax with nine percent, followed by weight distance taxes with five percent. The "Other" category accounted for two percent and motor vehicle operators accounted for one percent. Income on investment accounted for a negligible amount of the total Road Fund receipts.

**Figure B  
Composition of Fourth Quarter FY17  
Road Fund Revenues**



**ANNUAL TOTALS, FY17  
General Fund**

The General Fund receipts totaled \$10,477.8 million, which is \$139.0 million or 1.3 percent more than FY16 receipts. General Fund revenue collections grew in three of the four quarters in FY17 with the third quarter being the outlier. The first two quarters exhibited relatively strong growth; however, receipts took a downturn in the third quarter before rebounding slightly in the final three months. Growth rates for the four quarters were 3.4 percent, 3.3 percent, -3.2 percent and 1.7 percent, respectively. Due in large part to the third quarter decline, General Fund revenues fell \$138.5 million below the official estimate for FY17.

For the year, six accounts were below estimated totals while three exceeded forecasted values. The deviations ranged from negative \$81.9 million in the corporation income account to a positive \$21.9 million in the LLET. The two largest revenue sources, sales and use and individual income, were extremely close to budgeted levels as each were within 1.5 percent of the target. Combined, the deviation from the estimate was less than 1.0 percent. The remaining seven accounts were below the official estimate by a combined \$66.7 million. On a percentage basis, six of the nine accounts were within three percent of the estimate.

Sales and use tax receipts grew \$22.5 million, or 0.7 percent, in FY17. Collections in this account have grown for four consecutive years but the rate of growth for FY17 is the lowest since a decline in FY13. Receipts grew strongly in the first quarter but were weak for the remaining three quarters of the fiscal year. Quarterly growth rates were 4.2 percent, -0.5 percent, -2.1 percent and 0.9 percent, respectively.

Individual income tax receipts posted the largest net increase over FY16 levels, growing \$111.8 million. Withholding was the only component of the tax to increase, rising \$138.7 million. The remaining components; declarations, net balances on returns and fiduciary showed small declines. Growth in this tax of 2.6 percent is the lowest since FY14. Growth rates for the four quarters were 4.8 percent, 3.7 percent, -1.7 percent and 3.1 percent, respectively.

Corporation income tax collections declined \$29.2 million compared to last year. This is the second consecutive annual decline after five years of strong growth. A poor second half of the year offset stout first half growth. Quarterly growth rates were 9.3 percent, 32.5 percent, -71.6 percent and -3.7 percent, respectively.

The limited liability entity tax (LLET) just missed reaching an all-time high with gross collections of \$245.6 million. The 21.0 percent growth, or \$42.6 million increase, was largely concentrated in the second and third quarters. Growth rates for the four quarters were -16.8 percent, 69.4 percent, 44.4 percent and 11.1 percent, respectively. Payment of the LLET is allowed as a non-refundable payment credit against corporate and individual income tax, so the net benefit to the General Fund is actually less than what gross LLET collections exhibit.

Coal severance tax collections declined for the fifth consecutive year, reaching an all-time low of \$100.5 million. The decline has been dramatic considering this account reached an all-time high in FY12 with collections of \$298.3 million. Tax collections in the second half of the year improved; a welcomed change of fortune compared to the recent free-fall in receipts. Quarterly growth rates for this account were -36.6 percent, -24.3 percent, 7.7 percent and 0.3 percent, respectively.

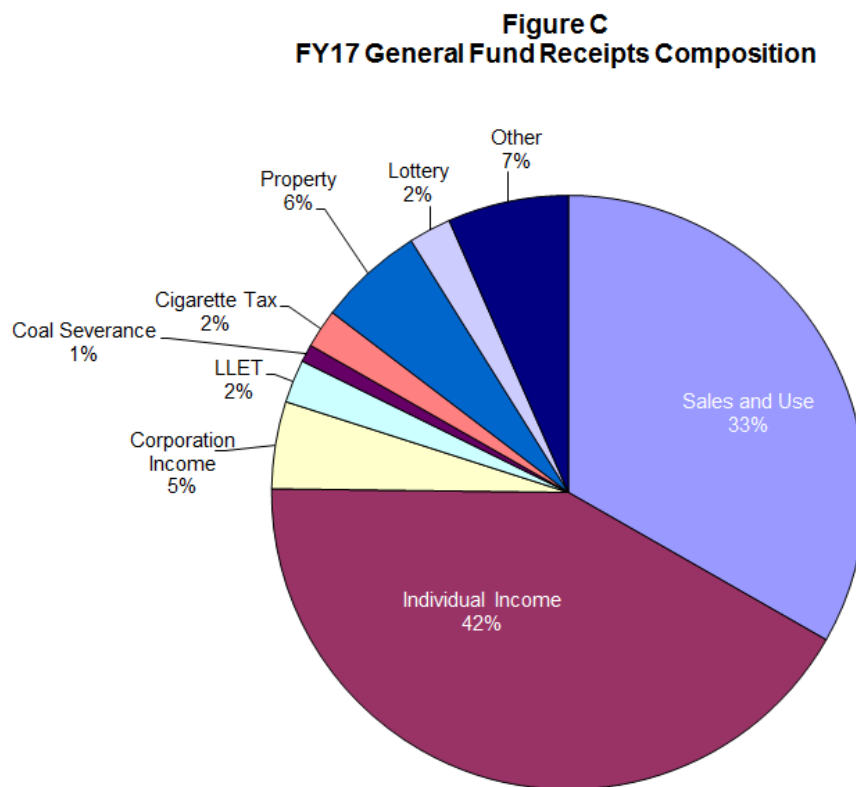
Cigarette tax receipts reverted to their long-run downward trend, after increasing in FY16. Collections fell \$2.9 million, or 1.3 percent in FY17. Quarterly growth rates for the year were -1.5 percent, -5.5 percent, 0.7 percent and 1.2 percent, respectively.

Total property taxes increased 4.3 percent or \$24.5 million, during the fiscal year. The public service and tangible personal property components were the primary drivers for the increase. Growth rates for the four quarters were 11.7 percent, 2.5 percent, 0.5 percent and 16.7 percent, respectively. Property taxes were \$16.9 million, or 2.9 percent greater than forecasted.

Lottery receipts declined 0.1 percent, or \$200,000, from the previous year. The Lottery dividend exceeded the official estimate by \$5.6 million. Strength in the Keno game and instant ticket sales propelled the Lottery over the estimate despite weakness in multi-state online games like Powerball and Mega-Millions.

The “Other” category, which includes multiple other taxes and fees such as investment income, bank franchise taxes, and insurance premium taxes, decreased 1.4 percent or \$10.1 million compared to FY16. Quarterly growth rates for the “Other” account were -3.7 percent, -2.5 percent, 1.2 percent and -2.6 percent, respectively. The “Other” category taxes were 1.1 percent below the official estimate, or \$7.8 million.

Figure C details the composition of FY17 General Fund receipts by tax type. Seventy-five percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next largest source of revenue was the “Other” category accounted for seven percent. The largest components in this category include insurance premium tax, bank franchise tax, beer wholesale tax and the telecommunications tax. Property taxes made up six percent of the General Fund followed by corporation income, which accounted for five percent. Cigarette tax, lottery and LLET each accounted for two percent of General Fund revenues. Finally, coal severance taxes accounted for one percent.



**Table 3**  
**General Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year			Growth Rates (%)		
	FY17	FY16	FY15	FY17	FY16	FY15
Individual Income	4,393.9	4,282.1	4,069.5	2.6	5.2	8.5
Sales and Use	3,485.2	3,462.7	3,267.3	0.7	6.0	4.4
Property	602.1	577.5	563.4	4.3	2.5	0.2
Corporate Income	497.5	526.6	528.1	-5.5	-0.3	11.2
LLET	245.6	203.0	223.8	21.0	-9.3	12.3
Coal Severance	100.5	120.6	180.3	-16.7	-33.1	-8.7
Cigarette Taxes	221.4	224.3	220.9	-1.3	1.5	-3.1
Lottery	241.6	241.8	221.5	-0.1	9.2	0.9
Other	690.1	700.2	691.8	-1.4	1.2	-1.0
<b>Total</b>	<b>10,477.8</b>	<b>10,338.9</b>	<b>9,966.6</b>	<b>1.3</b>	<b>3.7</b>	<b>5.3</b>

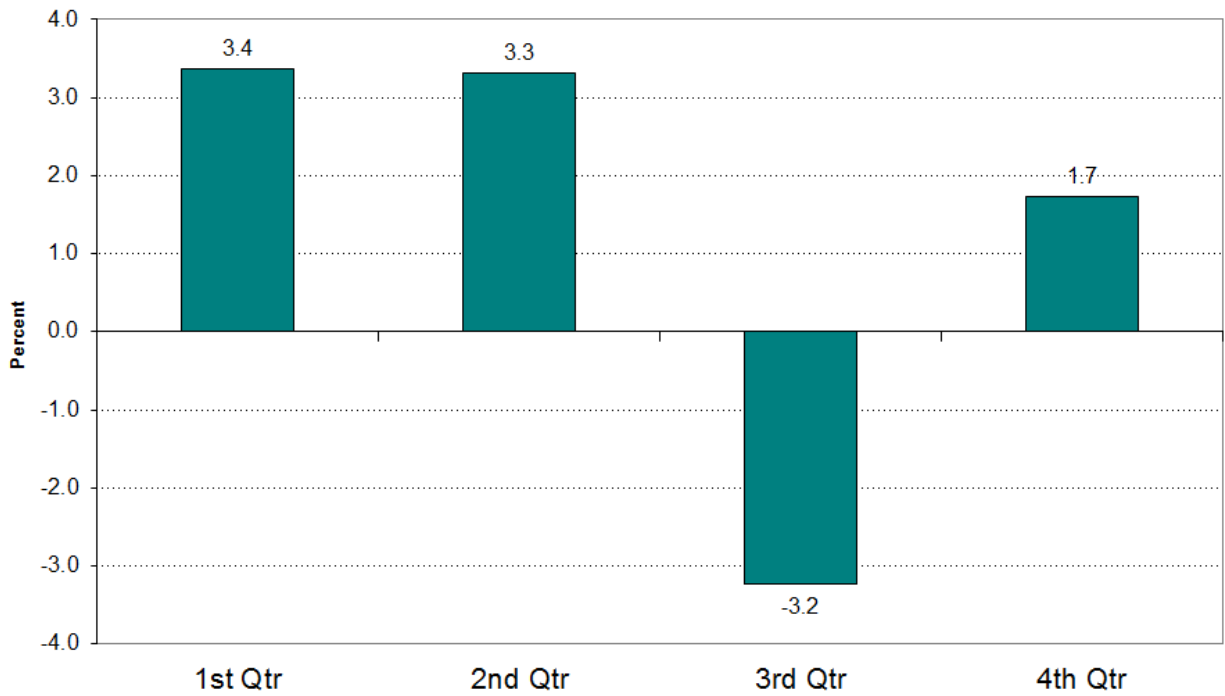
**Table 4**  
**FY17 General Fund Receipts Compared to Official Estimate**  
**\$ millions**

	FY17		Difference	
	Actual	Estimate	\$	%
Individual Income	4,393.9	4,411.1	-17.2	-0.4
Sales and Use	3,485.2	3,539.8	-54.6	-1.5
Property	602.1	585.2	16.9	2.9
Corporate Income	497.5	579.4	-81.9	-14.1
LLET	245.6	223.7	21.9	9.8
Coal Severance	100.5	120.7	-20.2	-16.8
Cigarette Tax	221.4	222.5	-1.1	-0.5
Lottery	241.6	236.0	5.6	2.4
Other	690.1	698.0	-7.8	-1.1
<b>Total</b>	<b>10,477.8</b>	<b>10,616.4</b>	<b>-138.5</b>	<b>-1.3</b>

**Table 5**  
**General Fund Quarterly Growth Rates**  
**percents**

	FY17				Full Year
	Q1	Q2	Q3	Q4	
Individual Income	4.8	3.7	-1.7	3.1	2.6
Sales and Use	4.2	-0.5	-2.1	0.9	0.7
Property	11.7	2.5	0.5	16.7	4.3
Corporate Income	9.3	32.5	-71.6	-3.7	-5.5
LLET	-16.8	69.4	44.4	11.1	21.0
Coal Severance	-36.6	-24.3	7.7	0.3	-16.7
Cigarette Tax	-1.5	-5.5	0.7	1.2	-1.3
Lottery	8.6	5.7	-1.7	-9.7	-0.1
Other	-3.7	-2.5	1.2	-2.6	-1.4
<b>Total</b>	<b>3.4</b>	<b>3.3</b>	<b>-3.2</b>	<b>1.7</b>	<b>1.3</b>

**Figure D**  
**FY17 General Fund Quarterly Growth Rates**  
 percent



**Table 6**  
**General Fund Quarterly Revenue Receipts**  
 \$ millions

	FY17				Full Year
	Q1	Q2	Q3	Q4	
Individual Income	1,090.3	1,067.9	944.0	1,291.7	4,393.9
Sales and Use	895.5	863.9	818.7	907.0	3,485.2
Property	52.3	341.9	138.1	69.8	602.1
Corporate Income	136.5	135.2	26.3	199.4	497.5
LLET	37.2	60.2	51.2	97.0	245.6
Coal Severance	23.9	26.1	27.3	23.1	100.5
Cigarette Tax	57.2	54.4	51.6	58.1	221.4
Lottery	58.1	60.0	58.0	65.5	241.6
Other	131.3	147.5	249.3	162.1	690.1
<b>Total</b>	<b>2,482.4</b>	<b>2,757.1</b>	<b>2,364.5</b>	<b>2,873.8</b>	<b>10,477.8</b>

**ANNUAL TOTALS, FY17**  
**Road Fund**

Road Fund revenues for FY17 totaled \$1,508.0 million, an increase of 1.7 percent from the previous fiscal year. Total receipts were \$25.5 million more than FY16 levels as no single account had a significant change. Motor vehicle usage and motor fuels tax collections increased a combined \$25.9 million. On net, the five remaining accounts decreased \$500,000 compared to FY16 levels.

Total Road Fund collections grew in three of the four quarters of FY17 and put an end to the two consecutive fiscal year declines in Road Fund receipts.

Growth rates for the four quarters were 3.6 percent, -3.6 percent, 5.4 percent and 1.5 percent, respectively. Road Fund collections are detailed in Table 7.

**Table 7**  
**Road Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year			Growth Rates (%)		
	FY17	FY16	FY15	FY17	FY16	FY15
Motor Fuels	760.5	750.0	850.3	1.4	-11.8	-4.0
Motor Vehicle Usage	499.8	484.4	432.8	3.2	11.9	-2.3
Motor Vehicle License	111.9	113.1	107.6	-1.1	5.2	5.6
Motor Vehicle Operators	16.1	16.3	16.0	-1.3	2.3	-1.2
Weight Distance	82.9	81.4	79.1	1.9	2.8	2.9
Income on Investments	1.6	2.4	2.9	-34.6	NA	-28.0
Other	35.1	34.9	38.1	0.8	-8.5	18.0
<b>Total</b>	<b>1,508.0</b>	<b>1,482.5</b>	<b>1,526.7</b>	<b>1.7</b>	<b>-2.9</b>	<b>-2.2</b>

Motor fuels tax receipts rebounded from their \$100.2 million decline in FY16 to increase \$10.5 million in FY17. The FY16 decline was the result of a lower tax rate but with a constant rate throughout FY17. Collections reflected only a change in the consumption of motor fuels. Quarterly growth rates for motor fuels taxes were 1.1 percent, 3.3 percent, 0.5 percent and 0.7 percent, respectively.

Motor vehicle usage taxes grew \$15.4 million, or 3.2 percent, in FY17. Growth rates for the four quarters were 7.3 percent, -10.6 percent, 15.5 percent and 2.0 percent, respectively as timing issues affected the quarterly growth rates.

The weight distance tax exceeded the receipts on record for FY16 of \$81.4 million by 1.9 percent, resulting in \$82.9 million collected in FY17. Growth rates for the four quarters were 1.5 percent, 1.5 percent, 2.5 percent and 1.9 percent, respectively. The weight distance tax was \$800,000, or 1.0 percent, greater than forecasted.



Motor vehicle license receipts fell \$1.2 million while motor vehicle operators' receipts declined by \$200,000. Investment income declined \$800,000 and "other" income rose by \$300,000.

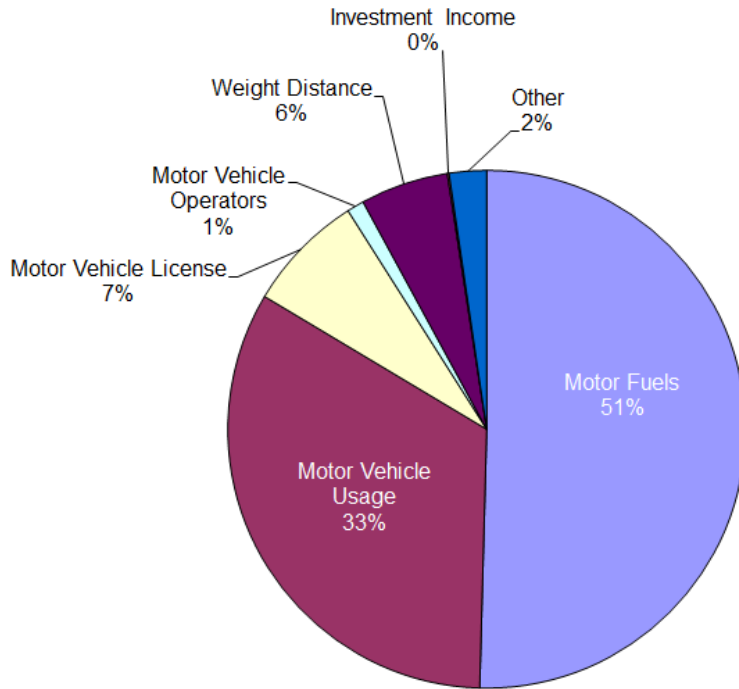
Road Fund collections for FY17 exceeded the official consensus estimate by \$51.1 million, or 3.5 percent, as shown in Table 8. Six of the seven of the Road Fund accounts were above forecasted levels with only one account slightly below target. The motor vehicle usage tax had the largest deviation from the estimate. It was \$30.3 million, or 6.5 percent, over the official estimate. Motor fuels receipts had the second largest deviation (in dollar terms) exceeding the estimate by \$13.2 million or 1.8 percent. All other accounts, taken together, were \$7.6 million over forecasted levels.

**Table 8**  
**FY17 Road Fund Receipts Compared to Official Estimate**  
**\$ millions**

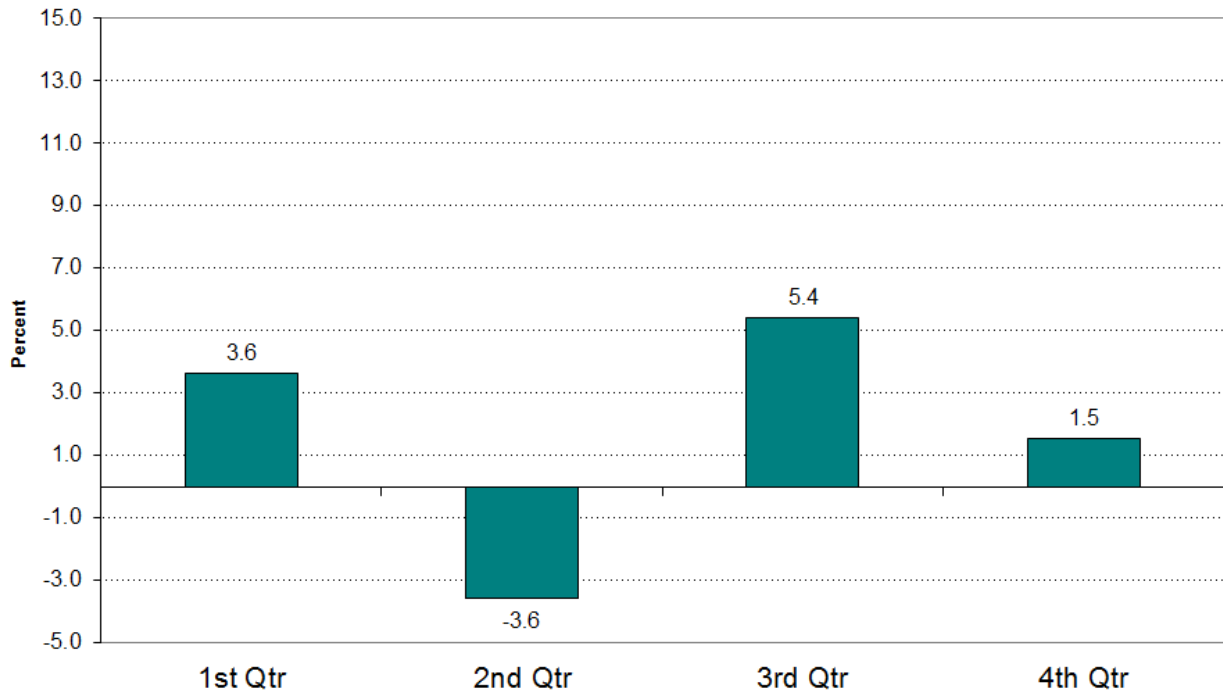
	FY17		Difference	
	Actual	Estimate	\$	%
Motor Fuels	760.5	747.3	13.2	1.8
Motor Vehicle Usage	499.8	469.5	30.3	6.5
Motor Vehicle License	111.9	105.0	6.9	6.6
Motor Vehicle Operators	16.1	16.1	0.0	0.1
Weight Distance	82.9	82.1	0.8	1.0
Income on Investments	1.6	1.4	0.2	12.9
Other	35.1	35.5	-0.4	-1.0
<b>Total</b>	<b>1,508.0</b>	<b>1,456.9</b>	<b>51.1</b>	<b>3.5</b>

Figure E details the composition of FY17 Road Fund receipts by tax type. Eighty-four percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. The motor vehicle license tax accounted for seven percent and the weight distance tax accounted for six percent. "Other" taxes combined to account for two percent. Motor vehicle operators' revenue accounted for one percent.

**Figure E**  
**Composition of FY17 Road Fund Revenues**



**Figure F**  
**FY17 Road Fund Quarterly Growth Rates**  
 percent



**Table 9**  
**Road Fund Quarterly Growth Rates**  
**percents**

	FY17				
	Q1	Q2	Q3	Q4	Full Year
Motor Fuels	1.1	3.3	0.5	0.7	1.4
Motor Vehicle Usage	7.3	-10.6	15.5	2.0	3.2
Motor Vehicle License	0.4	-21.8	10.1	3.4	-1.1
Motor Vehicle Operators	-1.0	-4.5	-2.1	2.3	-1.3
Weight Distance	1.5	1.5	2.5	1.9	1.9
Income on Investments	-67.6	43.2	-38.5	-2.1	-35.9
Other	33.7	-3.3	-19.5	5.2	0.9
<b>Total</b>	<b>3.6</b>	<b>-3.6</b>	<b>5.4</b>	<b>1.5</b>	<b>1.7</b>

**Table 10**  
**Road Fund Quarterly Revenue Receipts**  
**\$ millions**

	FY17				
	Q1	Q2	Q3	Q4	Full Year
Motor Fuels	198.5	191.8	176.2	194.0	760.5
Motor Vehicle Usage	132.7	112.0	129.1	126.0	499.8
Motor Vehicle License	18.8	20.9	36.9	35.3	111.9
Motor Vehicle Operators	4.2	3.8	3.9	4.3	16.1
Weight Distance	20.9	21.0	20.7	20.2	82.9
Income on Investments	0.1	-0.3	0.8	1.0	1.6
Other	9.4	8.8	8.8	8.2	35.1
<b>Total</b>	<b>384.6</b>	<b>357.9</b>	<b>376.5</b>	<b>389.0</b>	<b>1,508.0</b>

# The Economy

## Fourth Quarter FY17.....

### NATIONAL ECONOMY

Real Gross Domestic Product (real GDP) grew by 2.4 percent in the fourth quarter of FY17. That is the fastest year-over-year growth since the fourth quarter of FY15. Despite this improvement, 2.4 percent growth is historically a low level of growth for an expansion period. On an adjacent-quarter basis, real GDP has grown 0.7 percent over the third quarter of FY17. This too, is an improvement over the last few quarters. But historically, it is low. In the expansion following the 1969 recession, average adjacent-quarter growth was 1.3 percent. The average growth following the 1973 recession was 1.1 percent. The average growth following the dual recessions of 1980-1 was 1.0 percent. The average growth following the 1990 recession was 0.9 percent. The average growth after the 2001 recession was 0.7 percent. So historically, the growth that occurred during the expansion following the 2001 recession was significantly slower than the previous four expansion periods. The average growth since the end of the 2007 recession has been 0.5 percent! In those 32 quarters, growth was 1.0 percent or higher in just six quarters. This expansion has been the slowest in more than five decades.

Real consumption grew by 2.6 percent in the fourth quarter of FY17. Real consumption growth has tapered slightly in the last couple of quarters. Real consumption grew by 3.1 percent in the second quarter of FY17 and by 2.8 percent in the third quarter of FY17. Real consumption was responsible for almost three-quarters of the growth in real GDP over the last year: \$298 billion out of \$404 billion. (See Table 12) Real consumption made up 69.3 percent of real GDP in the fourth quarter of FY17.

Real investment grew by 5.6 percent in the fourth quarter of FY17. Real investment is made up of three major categories: non-residential fixed investment, residential fixed investment, and the change in private inventories. Non-residential fixed investment includes the purchase of structures, equipment, intellectual property, and the like by firms for a commercial purpose. Residential fixed investment includes the purchase of structures and equipment for single and multi-family dwellings. Non-residential fixed investment makes up approximately three-quarters of total real investment. On an adjacent-quarter basis, the last three quarters of FY16 were poor for real investment, losing 0.6, 0.8, and 2.0 percent respectively. Adjacent-quarter growth in FY17 has been better, but not great, growing 0.8, 2.3, 1.2, and 1.3 percent, respectively. Real investment made up 17.2 percent of real GDP in the fourth quarter of FY17.

Real government expenditures were flat for the fourth quarter of FY17. Adjacent-quarter growth in the fourth quarter was 0.1 percent. Adjacent-quarter growth in the last five quarters has been substantially lower than the previous five quarters. Growth in the last five quarters averaged -0.1 percent, while growth in the previous five quarters averaged 0.5 percent. The current expansion can be described as atypical and non-monotonic. That is, government expenditures, which are typically countercyclical, have displayed two different patterns during the current expansion. Following the end of the 2007 recession, government expenditures contracted, as would be expected until the third quarter of FY14 when government expenditures reached a bottom and then started to rise. Since 2014, government expenditures have risen a net \$77.9 billion. While this is a small net change, it is unusual because normally government expenditures trend downward during expansions. Real Government expenditures have risen (adjacent-quarter basis) in 10 of the last 13 quarters. Real government expenditures made up 17.2 percent of real GDP in the fourth quarter of FY17.

So while government expenditures have been flat for the last four quarters, federal outlays have increased by 4.1 percent. Federal outlays increased by a net \$168 billion over the last four quarters. On a percentage basis, Aid to Foreign Governments was the fastest growing outlay category over the last four quarters. It grew by 10.7 percent, or a net \$5.1 billion increase. On an absolute basis, the Interest on Debt was the largest outlay increase, which grew by a net \$32.5 billion since the fourth quarter of FY16. The next two largest growth categories were Social Security and Medicare, which grew by \$29.4 billion and \$28.9 billion, respectively during the last year.

**Table 11**  
**US Federal Outlays**  
**\$ billions, AR**

	Fourth Quarter			
	FY17	FY16	Chg	% Chg
Federal Outlays excl. Gross Investment	4,305.1	4,137.1	168.0	4.1
Social Security	923.5	894.1	29.4	3.3
Medicare	688.1	659.2	28.9	4.4
National Defense	601.4	585.8	15.6	2.7
Interest on Debt	504.2	471.7	32.5	6.9
Medicaid	383.5	359.1	24.3	6.8
Non-Medicaid Grants to S&L Govts	187.2	180.4	6.7	3.7
Subsidies	59.7	58.8	0.8	1.4
Aid to Foreign Governments	52.8	47.7	5.1	10.7

Not Seasonally Adjusted. Data for FY17 Q4 are June 2017 estimates.  
Source: IHS Global Insight Inc., June 8, 2017 data release.

**Table 12**  
**Summary of US Economic Series**  
**Fourth Quarter FY17 & FY16**

	Fourth Quarter			
	FY17	FY16	Chg	% Chg
Real GDP	16,987.6	16,583.1	404.5	2.4
Real Consumption	11,783.5	11,484.9	298.6	2.6
Real Investment	2,939.1	2,783.8	155.3	5.6
Real Govt. Expenditures	2,902.2	2,900.9	1.3	0.0
Real Exports	2,168.7	2,111.3	57.4	2.7
Real Imports	2,776.1	2,669.7	106.4	4.0
CPI all goods (% chg)	2.0	1.1	NA	NA
CPI Food (% chg)	0.9	0.7	NA	NA
CPI Energy (% chg)	6.3	-9.4	NA	NA
CPI Core (% chg)	1.9	2.2	NA	NA
Industrial Production Index (% chg)	2.3	-1.3	NA	NA
Working Population <sup>1</sup> (millions)	254.8	253.2	1.6	0.6
Civilian Labor Force <sup>2</sup>	160.4	159.1	1.2	0.8
Employed <sup>3</sup>	153.6	151.6	2.0	1.3
Unemployed <sup>4</sup>	6.8	7.6	-0.8	-10.5
Not in Labor Force <sup>5</sup>	94.4	94.0	0.4	0.4
Labor Force Participation Rate <sup>6</sup> (%)	62.8	62.7	NA	NA
Unemployment Rate (%)	4.4	4.9	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 Q4 are June 2017 estimates.

Source: IHS Global Insight Inc., June 8, 2017 data release.

- <sup>1</sup> 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.
- <sup>2</sup> Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.
- <sup>3</sup> 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.
- <sup>4</sup> Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
- <sup>5</sup> Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.
- <sup>6</sup> Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Real exports grew by 2.7 percent in the fourth quarter of FY17. The first quarter of FY17 was a really good quarter for US exports, as they grew 2.4 percent compared to the fourth quarter of FY16. Constrastingly, the other nine of the last 10 quarters have been very poor. Adjacent-quarter growth rates for the last 10 quarters were - 1.5, 0.7, -0.7, -0.7, -0.2, 0.4, 2.4, -1.1, 1.4, and 0.0, respectively. In the absence of that stellar first quarter of FY17, US exports would have lost ground over that 10-quarter period. US imports' growth has been mostly positive, growing an average of 0.6 percent over the last 10 quarters. Real imports grew by 4.0 percent in the fourth quarter of FY17. That is an increase of 0.3 percent over the third quarter of FY17. As a result, the balance of trade grew worse in the fourth quarter, falling to -\$607.4 billion. The trade balance has been steadily declining for the last three years. In the second quarter of FY14, the trade balance was -\$368.1 billion. This is only a statement about the current position of net exports; it does not indicate any standing debt owed to any nation as the name might insinuate.

The consumer price index (CPI) grew by 2.0 percent in the fourth quarter of FY17. Growth in the CPI is also called the inflation rate. The consumer price index is computed by measuring the prices of a 'basket of goods' over a period of time. So from this, we can determine that prices have increased in every quarter but one over eight years. The inflation rate has increased in nine of the last 10 quarters. Energy prices have played a significant role in increasing the CPI for the last two quarters; when the energy CPI grew 12.5 and 6.3 percent, respectively. Housing prices hold a high weight in the 'basket' computation, so the CPI is heavily influenced by residential and rental housing prices. The core CPI, which excludes food and energy costs, rose by 1.9 percent, nearly the same amount as the total CPI.

US personal income grew by 3.4 percent in the fourth quarter of FY17. Year-over-year growth has been above 3.0 percent every quarter for the last 14 quarters. Every component of personal income grew robustly in the fourth quarter. US wages and salary income makes up 51.1 percent of total US personal income. US wages and salaries grew by 3.3 percent in the fourth quarter. Social insurance (which is a deduction from personal income) and proprietor's income both grew by 3.8 percent, which were the highest growing components of US personal income in the fourth quarter.

US non-farm employment grew by 1.5 percent in the fourth quarter of FY17. Growth has been relatively steady in FY17. On an adjacent-quarter basis, US non-farm employment grew 0.5, 0.4, 0.4, and 0.3 percent, respectively over the last four quarters. That is roughly the same range that quarter-to-quarter growth has been occurring for the last four years. Average growth since the end of the recession has been 0.3 percent. Mining employment was the fastest growing sector in the fourth quarter, growing 4.7 percent off of a very small base. Also notably, business services employment grew 3.1 percent in the fourth quarter. Business services employment is one of the few bright spots where growth has been consistent and robust since the recession ended in the fourth quarter of FY09.

Information services employment fell by 1.5 percent in the fourth quarter. That is the only major sector which declined in the fourth quarter. Information services employment has been struggling recently; on an adjacent-quarter basis, employment has declined in four of the last five quarters. Information services has been trending (slowly, but consistently) downward since the beginning of the 2001 recession. Information services reached a high watermark in the third quarter of 2001 when employment was 3.7 million workers. Today information services employs 2.7 million workers.

## **KENTUCKY ECONOMY**

Kentucky personal income grew by 4.2 percent in the fourth quarter of FY17. On an adjacent quarter basis, Kentucky personal income grew by 1.1 percent over the third quarter. Kentucky personal income growth has been strong for the last 14 quarters in a row. Quarter-over-same-quarter-last year growth in each of those quarters has been above 2.0 percent, with most quarters over 4.2 percent. This high growth came from several sources. Wages and salaries income grew by 4.7 percent in the fourth quarter of FY17 over the fourth quarter of FY16. Supplements to wages and salaries, or what is known as fringe benefits, rose by 5.0 percent in the fourth quarter. Wages and salaries income makes up 50.7 percent of Kentucky personal income. Supplements to wages and salaries income makes up 13.0 percent of personal income.

Over the last four years, Kentucky personal income grew by a net 15.7 percent. Transfer payments were the fastest growing component of personal income during that time, growing a net 19.4 percent. Wages and salaries income grew by 17.4 percent. Dividends, interest, and rents income grew by 12.8 percent. Supplements to income grew by 12.3 percent. Proprietor's income grew by 3.3 percent. Social insurance, which is a deduction from personal income, grew by 15.9 percent.

In the last 16 years, transfer payments rose significantly faster than any other component of income. In 2001, transfer payments made up 17.4 percent of Kentucky personal income. In the fourth quarter of FY17, transfer payments made up 24.3 percent. The crowding out effect largely impacted wages and salaries income and dividends, interest, and rents income. Wages and salaries income share fell from 53.7 percent to 50.7 percent, while dividends, interest, and rents income share declined from 17.8 percent to 15.1 percent.

Kentucky non-farm employment rose by 1.3 percent in the fourth quarter of FY17. On an adjacent-quarter basis, non-farm employment declined by 0.1 percent in the fourth quarter. That is the first quarterly decline since the third quarter of FY10 when the 2007 recession was still negatively impacting employment. Information services employment was the fastest growing income sector, growing 2.4 percent in the fourth quarter of FY17. This is peculiar, in that, information services, nationally, was the worst performing employment sector. The worst performing employment sector in Kentucky is mining employment, which declined by 6.4 percent in the fourth quarter. That is a net decline of 600 non-seasonally-adjusted jobs.



There is something incongruous about a poorly performing employment growth with simultaneous strong wage and salary growth. Wages and salaries data is literally the sum of all wages and salaries for all employed persons. For that reason, the wages and salaries data inherently contains the employment level in it. If no new net hires have occurred, then the inference is that wages and salaries for the currently employed have increased. This is an unusual event, as this has been the case for several quarters. So in general, flat employment is a non-issue, as existing employees are receiving higher incomes and unemployment is very low. Higher real wages in this sense indicate an underlying increase in productivity. Unfortunately, the personal income growth is largely coming from transfer payments, which is a source of income that does not produce any goods or services for the economy. Transfer payments are paid for with taxes from all employees and all consumers.

**Table 13**  
**Personal Income**  
**\$ billions, SAAR**

	Fourth Quarter			
	FY17	FY16	\$ Diff	% Diff
<b>United States</b>				
Personal Income	16,473	15,929	544	3.4
Social Insurance	1,292	1,245	47	3.8
Residence Adjustments	-646	-625	NA	NA
Dividends, Interest and Rents	3,057	2,956	101	3.4
Transfer Receipts	2,866	2,764	102	3.7
Wages & Salaries	8,414	8,143	271	3.3
Supplements to W&S	2,613	2,529	85	3.4
Proprietor's Income	1,461	1,408	53	3.8
<b>Kentucky</b>				
Personal Income	181.7	174.4	7.3	4.2
Social Insurance	15.0	14.3	0.7	4.5
Residence Adjustments	-2.2	-2.1	NA	NA
Dividends, Interest and Rents	27.4	26.6	0.8	3.2
Transfer Receipts	44.2	42.6	1.6	3.7
Wages & Salaries	92.2	88.1	4.1	4.7
Supplements to W&S	23.5	22.4	1.1	5.0
Proprietor's Income	11.5	11.2	0.4	3.3

# Interim Outlook . . . . .

## GENERAL FUND

Kentucky’s General Fund receipts rose for the seventh consecutive year in FY17. The FY17 General Fund receipts totaled \$10,477.8 million or 1.3 percent more than FY16 collections. Final FY17 General Fund revenues were \$138.5 million, or 1.3 percent, less than the official revenue estimate which had projected 2.7 percent growth. The CFG estimate for FY18 had called for growth of 2.4 percent over the *projected* FY17 ending balance. Taking into account the *actual* FY17 revenue total, the official estimate for FY18 of \$10,874.4 million can be reached with growth of 3.8 percent.

The revenue forecasts presented in Table 14 and Table 15 were prepared using the June 2017 “control scenario” economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky MAK model. The FY18 estimates presented here highlight the first three fiscal quarters of the year. Projected General Fund revenues are shown in Table 14. As the table indicates, General Fund growth is projected to be 2.5 percent for the first three quarters of FY18. One should not assume that fourth quarter receipts’ growth in FY18 will be similar to growth in the first three quarters since the fourth quarter receipts include the months of April and June, which are two of the most pivotal and volatile months of the fiscal year.

**Table 14**  
**General Fund Interim Forecast**  
**\$ millions**

	FY17				FY17		FY18	
	Q4		Full Year		Official CFG		Q1, Q2, & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Individual Income	1,291.7	3.1	4,393.9	2.6	4,411.1	-17.2	3,219.9	3.8
Sales & Use	907.0	0.9	3,485.2	0.7	3,539.8	-54.6	2,632.7	2.1
Property	69.8	16.7	602.1	4.3	585.2	16.9	537.4	1.0
Corporate Income	199.4	-3.7	497.5	-5.5	579.4	-81.9	340.4	14.2
Coal Severance	23.1	0.3	100.5	-16.7	120.7	-20.2	76.9	-0.5
Cigarette Tax	58.1	1.2	221.4	-1.3	222.5	-1.1	162.4	-0.6
LLET	97.0	11.1	245.6	21.0	223.7	21.9	112.5	-24.3
Lottery	65.5	-9.7	241.6	-0.1	236.0	5.6	177.0	0.5
Other	162.1	-2.6	690.1	-1.4	698.0	-7.9	535.4	1.4
<b>General Fund</b>	<b>2,873.8</b>	<b>1.7</b>	<b>10,477.8</b>	<b>1.3</b>	<b>10,616.4</b>	<b>-138.5</b>	<b>7,794.6</b>	<b>2.5</b>

The FY17 revenue shortfall of \$138.5 million has made the FY18 forecast hurdle more formidable. The interim forecast for the first three quarters of FY18 calls for General Fund growth of 2.5 percent. The current official forecast for FY18 would require 3.8 percent growth to meet the estimate. As the remainder of this section will highlight, the largest two General Fund taxes (individual income and sales and use) constitute over 75 percent of the General Fund. When one (or both) of these revenue sources falters, the remaining taxes have been struggling to pick up the slack. In FY17, the individual income tax grew 2.6 percent while the sales tax grew only 0.7 percent. Together these revenue sources produced \$134.3 million in revenue growth over FY16. The remaining accounts collectively accounted for \$4.8 million in new revenue in FY16.

Individual income tax receipts are expected to increase by 3.8 percent during the first three quarters of FY18. By way of comparison, the last seven years of annual growth in the individual income tax were 8.3 percent in FY11, followed by growth of 2.8 percent, 6.0 percent, 0.7 percent, 8.5 percent, 5.2 percent, and 2.6 percent, respectively. The largest component of individual income tax receipts is withholding, which makes up approximately 95 percent of total individual income tax receipts. Withholding is closely tied to wages and salaries and employment in the state.

Growth in sales and use tax receipts slipped to 0.7 percent following three years of solid progress: 3.6 percent in FY14 followed by 4.4 percent in FY15 and 6.0 percent in FY16. Growth of 2.1 percent is expected over the forecasting horizon. Aside from the three-year run leading into FY17, the sales tax has been sporadic during this recovery period with three declines in FY09, FY10, and FY13 surrounded by years of modest to good growth. The underlying economic fundamentals that produced 6.0 percent growth in FY16 were quite similar to the economic conditions in FY17 where growth dipped to 0.7 percent. One year ago, we reported that sales tax growth of 6.0 percent was unsustainable due to the rate of consumption outpacing income growth. However, 0.7 percent in FY17 was well below income growth so it is likely that the “truth” lies somewhere in the middle.

Property tax revenues are expected to increase by 1.0 percent over the forecasting horizon. The state rate on real property will remain at 12.2 cents per \$100 in valuation for property assessed as of January 1, 2017. Many areas of the state continue to linger from the effects of the housing recession, so the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented run of 10 consecutive years without a rate decline. The relatively weak growth expected in the property tax accounts is primarily attributable the public service account as well as the omitted and delinquent account. Both of these categories experienced double-digit increases in FY17 that are expect to revert back to more tradition levels of collection.

The corporation income tax and the LLET were both strong performers in FY15 but tapered off in FY16 and FY17. Corporation income taxes had grown by double digits in four of the previous five years before FY16. In FY17, the LLET grew 21.0 percent but the income tax fell 5.5 percent for a combined net increase of 1.8 percent. For the

forecasting horizon, corporate income tax receipts are expected to grow 8.2 percent but the LLET is projected to decline by 27.7 percent. Large fluctuations in the corporate accounts are not uncommon given the volatile nature of the tax base.

Coal severance receipts fell 16.7 percent, or \$20.2 million, short of the official estimate in FY17 and are expected to decline further in FY18. Coal severance receipts have fallen from \$298.3 million in FY12 to \$100.5 million in FY17. The energy market continues to be quite volatile and the outlook for coal will continue to be depressed due to new regulatory requirements. The interim estimate is for a 0.5 percent decline over the forecasting horizon.

Cigarette tax receipts declined 1.3 percent in FY17 following growth in FY16. Kentucky sales have been buoyed somewhat by rate increases in Illinois, Ohio, and most recently West Virginia. The outlook for cigarette tax receipts is for a 0.6 percent decline in the first three quarters of FY18. A downward trend in smoking rates is still expected, but the tax increases in neighboring states is expected to have a small positive revenue impact for cigarette purchases in Kentucky. Notwithstanding the minor border impact, the consumption of cigarettes has steadily been trending downward over the last decade.

Lottery dividends exceeded the FY17 estimate by \$5.6 million, largely due to strength in the Keno game and solid growth in the instant ticket marketplace. While the dividend schedule for FY18 has not been released, minor improvement is expected over the \$241.6 million received in FY17. Collections of dividend payments are expected to be \$177.0 million for the first three quarters of FY18.

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 rise 1.4 percent during the forecasting horizon, an improvement over the 1.4 percent decline in FY17. Each account was re-examined after FY17 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled \$690.1 million in FY17. “Other” collections are estimated to be \$535.4 million for the three-quarter forecasting horizon.

## **ROAD FUND**

Road Fund revenues are forecasted to decline for the third time in the past four years as the demand for automobiles is expected to weaken in FY18. Total Road Fund revenues grew 1.7 percent in FY17 after declining in each of the previous two fiscal years. Table 15 shows the three-quarter FY18 breakdown by revenue account. In FY17, revenues were flat for the first six months of the year before growing 3.4 percent in the final two quarters. Rates of growth for the four quarters were 3.6 percent, -3.6 percent, 5.4 percent and 1.5 percent, respectively.

**Table 15**  
**Road Fund Interim Forecast**  
**(\$ millions)**

	FY17				FY17		FY18	
	Q4		Full Year		Official CFG		Q1, Q2 & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	194.0	0.7	760.5	1.4	747.3	13.2	565.2	-0.2
Motor Vehicle Usage	126.0	2.0	499.8	3.2	469.5	30.3	364.4	-2.5
Motor Vehicle License	35.3	3.4	111.9	-1.0	105.0	6.9	73.8	-3.6
Motor Vehicle Operators	4.3	2.3	16.1	-1.3	16.1	0.0	11.9	0.3
Weight Distance	20.2	1.9	82.9	1.9	82.1	0.8	63.4	1.2
Income on Investments	1.0	-2.1	1.6	-35.9	1.4	0.2	1.0	64.5
Other	8.2	5.1	35.1	0.9	35.5	-0.4	26.8	-0.6
<b>Road Fund</b>	<b>389.0</b>	<b>1.5</b>	<b>1,508.0</b>	<b>1.7</b>	<b>1,456.9</b>	<b>51.1</b>	<b>1,106.5</b>	<b>-1.1</b>

Total Road Fund collections grew 1.7 percent, or \$25.5 million, in FY17 due to increases in the major revenue accounts; motor fuels and motor vehicle usage taxes. Together, these two accounts increased \$25.9 million while the remaining accounts declined by \$0.5 million.

Motor fuels tax receipts rebounded in FY17 after a precipitous drop in FY16 due to a decline in the tax rate. Taxable gallons were essentially unchanged in the first eleven months of the year which, coupled with an unchanging tax rate, kept revenue growth modest. Quarterly growth rates for motor fuels taxes were 1.1 percent, 3.3 percent, 0.5 percent and 0.7 percent, respectively.

Motor vehicle usage taxes grew \$15.4 million, or 3.2 percent, to end the year at \$499.8 million. Any increase in this account is noteworthy considering collections grew nearly 12 percent in FY16. Rates of growth for the four quarters were 7.3 percent, - 10.6 percent, 15.5 percent and 2.0 percent, respectively.

Looking ahead, motor fuels tax receipts are expected to decline 0.2 percent over the first nine months of FY18 as growth will be limited to changes in consumption. The motor fuels tax rate that was in effect for FY17 will remain in effect for all of FY18.

Motor vehicle usage taxes are forecasted to decline 2.5 percent during the first three quarters of FY18. Collections in this account have been robust for the past two years and coupled with weakening demand for motor vehicles will serve to limit any revenue growth.

To estimate growth of the other components of the Road Fund, GOEA consulted with officials in the Transportation Cabinet and the Department of Revenue to assess recent growth patterns as well as administrative factors in developing an updated estimate. Motor vehicle license fees are expected to decrease 3.6 percent. Weight distance taxes are forecasted to increase 1.2 percent, motor vehicle operator's license

(driver's license) taxes are forecasted to grow 0.3 percent, and investment income collections are projected to be \$1.0 million. The "other" category is expected to decrease 0.6 percent.

## **NATIONAL ECONOMY**

As we close out FY17, the current economic expansion is the third longest on record and now begins its ninth year. Unemployment has fallen from a peak of 9.9 percent to as low as 4.4 percent in the fourth quarter of FY17, which is lowest reported rate since 2001. Additionally, nonfarm employment has increased for 80 consecutive months. While marked by longevity, the current economic expansion has also been one of unusually slow growth, averaging a 2.1 percent rate of growth. Continued expansion has recently been fueled by the rise in optimism and stock market indexes, which have reflected a broad belief that there are reasonable expectations for tax reform, reduced regulatory burdens, and increased infrastructure spending with the current administration and a Republican-led Congress working together.

However, there are growing concerns that political turmoil and legislative stalemates will hamper the ability of legislative initiatives to be passed to address key economic issues. The current, underlying forecast reflects these concerns as the assumptions concerning a future reduction in corporate tax rates have been scaled back to an anticipated, statutory rate of 25 percent (rather than 20 percent) and a reduced number of tax inequities being addressed. Additionally, while there is more than sufficient economic data to provide evidence of the economy being able to sustain continued growth in the range of 2.0-2.3 percent, the current forecast predicts real GDP growth accelerating to 2.7 percent in calendar year 2018 due to the enactment of fiscal stimulus. Overall, there are several key assumptions in the current forecast that are inextricably linked to the tax and policy initiatives of the president and Congress.

After subdued growth in the third fiscal quarter of 2017, real GDP is expected to strengthen for the first three fiscal quarters of FY18 to 2.5 percent, relative to the same period in fiscal year 2017. The growth is expected to be driven by consumer spending and real investment, as consumer confidence remains strong. Continued low unemployment, rising disposable income, and increasing household net worth should allow consumers to improve their real consumption.

The increases in household new worth have been partially driven by increases in home prices. The supply of new and existing homes available for sale has not been keeping pace with the current demand. Existing homes stayed on the market for an average of 27 days in May, the shortest timeframe since the start of the data collection in 2011. The result has been increasing sale prices, with the average price for a new home exceeding \$400,000 for the first time. This represents an average annual increase of 5.6 percent over the last 40 years and a ten-fold increase since 1975. Overall, construction activity is expected to increase solidly in the first half of fiscal 2018 and post sizeable gains in the latter half of the fiscal year.

**Table 16**  
**US Economic Outlook**  
**Quarters 1, 2, & 3**

	Q1, Q2, & Q3			
	FY18	FY17	Chg	% Chg
Real GDP	17,222.6	16,800.6	422.0	2.5
Real Consumption	11,947.3	11,642.4	304.9	2.6
Real Investment	3,025.4	2,858.4	167.1	5.8
Real Govt. Expenditures	2,920.5	2,904.4	16.0	0.6
Real Exports	2,194.5	2,155.8	38.7	1.8
Real Imports	2,835.3	2,731.5	103.7	3.8
Personal Income (\$ billions)	16,879.7	16,202.3	677.4	4.2
Wages and Salaries (\$ billions)	8,626.2	8,270.6	355.6	4.3
Inflation (% chg CPI)	1.9	1.8	NA	NA
Industrial Production Index (% chg)	3.4	-0.2	NA	NA
Total Non-farm Employment (millions)	147.0	145.2	1.8	1.3
Manufacturing Employment (millions)	12.4	12.3	0.1	0.6
Unemployment Rate (%)	4.2	4.8	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.  
Source: IHS Global Insight Inc., June 8, 2017 data release.

**Table 17**  
**History and Outlook**  
**Annual Growth Rates (%)**

	FY16				FY17				FY18		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>United States</b>											
Real GDP	2.2	1.9	1.6	1.3	1.7	2.0	2.0	2.4	2.3	2.4	2.8
Real Consumption	3.1	2.6	2.4	2.7	2.8	3.1	2.8	2.6	2.6	2.3	3.0
Real Investment	3.8	2.6	-0.7	-2.9	-2.7	0.1	2.1	5.6	6.3	5.5	5.7
Real Government Expenditures	1.8	2.2	1.9	0.7	0.4	0.2	-0.5	0.0	0.2	0.4	1.0
Real Exports	-0.4	-2.2	-0.9	-1.1	2.0	1.5	3.1	2.7	1.0	2.7	1.7
Real Imports	5.1	2.5	1.0	0.3	0.6	2.6	3.7	4.0	4.4	3.1	3.9
Personal Income	4.2	3.9	3.6	3.4	3.6	3.0	3.7	3.4	3.5	4.4	4.6
Wage & Salary	5.0	5.1	4.2	4.3	4.7	2.6	3.8	3.3	3.1	4.7	5.1
Industrial Production Index	-1.1	-2.7	-2.2	-1.3	-1.2	-0.1	0.6	2.3	2.9	3.4	3.7
Total Non-farm Employment	2.0	2.0	1.9	1.7	1.8	1.6	1.6	1.5	1.3	1.3	1.2
Manufacturing Employment	1.2	0.7	0.5	0.1	0.0	-0.2	0.0	0.5	0.5	0.7	0.6
Unemployment Rate	5.1	5.0	4.9	4.9	4.9	4.7	4.7	4.4	4.3	4.2	4.2
<b>Kentucky</b>											
Personal Income	4.4	4.5	2.9	2.6	3.0	2.0	4.3	4.2	4.0	4.7	4.6
Wage & Salary	4.7	6.2	4.1	3.9	5.0	3.1	5.1	4.7	3.7	4.0	4.8
Non-farm Employment	1.4	1.6	1.7	1.5	1.6	1.5	1.5	1.3	1.1	0.9	0.5
Goods Producing	1.6	1.5	1.7	1.8	1.5	1.1	2.5	1.6	1.5	1.9	0.2
Service Providing	2.2	2.2	2.2	2.0	1.9	2.0	1.7	1.5	1.2	0.8	0.7
Government	-2.1	-0.6	-0.1	-0.3	0.4	-0.1	-0.4	0.3	0.1	0.0	0.3

Data for FY17 Q4 are June 2017 estimates.  
Source: IHS Global Insight Inc., June 8, 2017 data release.

## KENTUCKY ECONOMY

Kentucky personal incomes and wages and salaries are expected to continue their solid growth into the forecast horizon. Personal incomes of Kentuckians are on pace to grow 4.4 percent over the next three quarters, slightly outperforming the national average of 4.2 percent. Kentucky wages and salaries' are projected to maintain a steady pace of growth, estimated at 4.2 percent over the same horizon. Overall, the Kentucky economy experienced a favorable year in FY17 with respect to the rate of personal income growth.

Sustained growth in personal income is plausible as forward-looking indicators leading into FY18 indicate favorable conditions for the Commonwealth. The continued positive pattern should sustain the rate of revenue collected for the General Fund and benefit Kentucky's economy as a whole. Nonetheless, the economic conditions on a national level continue to impart a degree of uncertainty pertaining to the outlook for the Commonwealth. The greatest challenge for Kentucky will be to increase revenue growth beyond FY17 levels with an economy that is roughly the same in terms of income and employment.

Employment is projected to grow in nine of the eleven supersector groups over the course of the next three quarters. Optimism, therefore, will be on the rise as it is associated with growth in Kentuckian's incomes and employment prospects. Leisure and hospitality employment is anticipated to grow at a relatively brisk pace in percentage and absolute terms, gaining 2.7 percent growth or an additional 5,100 jobs. Also posting relatively robust gains was the construction industry, with an increase of 1,800 jobs, driven largely by the demand for new construction. Construction continues to be a bright spot in the Kentucky employment outlook, as it has been in the preceding quarters of FY17. Residential real estate demand is an engine that drives major industries and services, which in turn stimulates other industries such as construction, materials, supplies and retail. Kentucky's residential real estate sector has slowly rebounded from the steep losses experienced during the recessionary periods and has gained ground to exceed prerecession levels, which bodes well for Kentucky's goods-producing sector looking forward.

The overall focus towards Kentucky employment indicates all three quarters of the outlook continue to project weak growth in both the service-providing and government sectors, as well as continued losses in the mining supersector. The stagnate outlook for Kentucky employment is the sustained weak spot for the Commonwealth's economy, not to mention steady loss of mining employment. To bring particular attention to this point, mining employment is on pace to decline by an additional 4.9 percent in response to plummeting coal production experienced in the coal mining subsector over last several years, showing little sign of revival for future production. Mining employment consists of all forms of mining including mineral mining, coal mining, as well as all forms of metal mining. The plunge in coal jobs is not just reserved to Kentucky alone. The U.S. now has about 51,000 coal mining jobs, a drastic change from the 89,400 positions counted by the Bureau of



Labor Statistics at the end of 2011. In addition to mining employment, other services employment is anticipated to decline at a rate of 1.3 percent, accounting for the loss of 800 jobs, since the fourth quarter of FY17 leading into the first three quarters of FY18.

**Table 18**  
**Kentucky Economic Outlook**  
**FY17 Q4, FY18 Q1 & Q2**

	Q1, Q2, & Q3			
	FY18	FY17	Chg	% Chg
Personal Income (\$ millions)	185,906.1	178,005.6	7,900.5	4.4
Wages and Salaries (\$ millions)	94,254.8	90,477.4	3,777.4	4.2
Non-farm Employment (thousands)	1,943.4	1,927.4	16.1	0.8
Goods-producing	343.1	339.0	4.0	1.2
Construction	79.8	78.0	1.8	2.3
Mining	9.5	10.0	-0.5	-4.9
Manufacturing	253.8	251.1	2.7	1.1
Service-providing	1,281.5	1,269.9	11.6	0.9
Trade, Transportation & Utilities	401.5	400.5	1.0	0.2
Information	23.4	23.4	0.0	0.0
Finance	94.9	94.5	0.4	0.5
Business Services	224.7	221.5	3.2	1.4
Educational Services	273.7	271.0	2.7	1.0
Leisure and Hospitality Services	198.5	193.3	5.1	2.7
Other Services	64.9	65.7	-0.8	-1.3
Government	318.9	318.5	0.4	0.1

Not Seasonally Adjusted.

Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis  
 MAK model, June 2017.

**APPENDIX A**

**General and Road Fund Receipts  
Fourth Quarter FY17**

## KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Fourth Quarter FY 2017	Fourth Quarter FY 2016	%	Year-To-Date FY 2017	Year-To-Date FY 2016	%
			Change			Change
<b>TOTAL GENERAL FUND</b>	<b>\$2,873,794,389</b>	<b>\$2,824,901,151</b>	<b>1.7%</b>	<b>\$10,477,848,874</b>	<b>\$10,338,884,795</b>	<b>1.3%</b>
<b>Tax Receipts</b>	<b>\$2,783,752,440</b>	<b>\$2,720,706,190</b>	<b>2.3%</b>	<b>\$10,132,685,779</b>	<b>\$9,988,342,493</b>	<b>1.4%</b>
Sales and Gross Receipts	\$1,074,541,986	\$1,063,077,250	1.1%	\$4,086,441,364	\$4,062,700,416	0.6%
Beer Consumption	1,600,403	1,798,612	-11.0%	6,205,443	6,557,744	-5.4%
Beer Wholesale	15,395,048	16,082,606	-4.3%	59,525,060	61,161,655	-2.7%
Cigarette	58,127,148	57,412,581	1.2%	221,375,451	224,303,658	-1.3%
Distilled Spirits Case Sales	38,594	31,129	24.0%	153,781	136,488	12.7%
Distilled Spirits Consumption	3,562,932	2,923,867	21.9%	14,237,920	12,823,273	11.0%
Distilled Spirits Wholesale	11,226,551	9,213,197	21.9%	44,064,952	38,886,865	13.3%
Insurance Premium	48,335,518	47,894,715	0.9%	148,188,827	145,250,375	2.0%
Pari-Mutuel	2,778,066	2,221,846	25.0%	6,807,535	4,993,574	36.3%
Race Track Admission	32,365	38,436	-15.8%	174,356	229,316	-24.0%
Sales and Use	907,049,340	899,050,025	0.9%	3,485,215,349	3,462,704,116	0.7%
Wine Consumption	775,182	673,842	15.0%	3,084,190	3,102,163	-0.6%
Wine Wholesale	4,347,166	3,831,184	13.5%	18,289,377	16,583,413	10.3%
Telecommunications Tax	15,729,678	16,345,702	-3.8%	57,540,002	64,681,001	-11.0%
Other Tobacco Products	5,543,994	5,559,306	-0.3%	21,573,080	21,278,667	1.4%
Floor Stock Tax	0	202	-100.0%	6,040	8,108	-25.5%
License and Privilege	\$2,785,652	\$2,187,913	27.3%	\$107,690,065	\$111,094,998	-3.1%
Alc. Bev. License Suspension	83,600	107,174	-22.0%	367,853	480,675	-23.5%
Corporation License	677	(7,890)	---	7,423	135,698	-94.5%
Corporation Organization	10,800	45,035	-76.0%	982,251	136,720	618.4%
Occupational Licenses	123,045	151,766	-18.9%	229,579	289,193	-20.6%
Race Track License	49,121	48,225	1.9%	276,596	324,375	-14.7%
Bank Franchise Tax	2,340,476	1,646,592	42.1%	105,129,792	109,049,728	-3.6%
Driver License Fees	177,933	197,010	-9.7%	696,570	678,609	2.6%
Natural Resources	\$30,689,178	\$29,131,651	5.3%	\$130,063,924	\$149,405,137	-12.9%
Coal Severance	23,117,028	23,037,226	0.3%	100,455,465	120,610,311	-16.7%
Oil Production	1,295,064	1,075,642	20.4%	5,120,700	4,748,862	7.8%
Minerals Severance	3,762,927	3,955,522	-4.9%	16,923,270	17,596,331	-3.8%
Natural Gas Severance	2,514,159	1,063,261	136.5%	7,564,489	6,449,632	17.3%
Income	\$1,588,158,009	\$1,546,708,226	2.7%	\$5,136,952,770	\$5,011,709,475	2.5%
Corporation	199,417,487	207,096,888	-3.7%	497,479,037	526,637,870	-5.5%
Individual	1,291,692,987	1,252,297,779	3.1%	4,393,862,556	4,282,080,975	2.6%
Limited Liability Entity	97,047,535	87,313,559	11.1%	245,611,177	202,990,630	21.0%
Property	\$69,760,763	\$59,763,473	16.7%	\$602,095,597	\$577,548,052	4.3%
Building & Loan Association	2,354,521	2,203,596	6.8%	2,369,893	2,191,706	8.1%
General - Real	5,403,823	5,584,927	-3.2%	273,935,818	268,087,934	2.2%
General - Tangible	52,768,895	47,368,567	11.4%	244,469,542	237,464,692	2.9%
Omitted & Delinquent	2,410,775	542,241	344.6%	15,966,205	11,991,240	33.1%
Public Service	6,819,459	4,003,174	70.4%	63,680,782	56,210,797	13.3%
Other	3,291	60,979	-94.6%	1,673,358	1,601,684	4.5%
Inheritance Tax	\$12,025,646	\$13,872,229	-13.3%	\$44,699,808	\$51,247,149	-12.8%
Miscellaneous	\$5,791,207	\$5,965,447	-2.9%	\$24,742,251	\$24,637,267	0.4%
Legal Process	3,277,769	3,412,120	-3.9%	13,299,585	14,479,452	-8.1%
T. V. A. In Lieu Payments	2,490,216	2,545,668	-2.2%	11,350,177	10,119,811	12.2%
Other	23,221	7,660	203.1%	92,490	38,005	143.4%
<b>Nontax Receipts</b>	<b>\$88,039,550</b>	<b>\$103,083,319</b>	<b>-14.6%</b>	<b>\$335,817,562</b>	<b>\$344,822,276</b>	<b>-2.6%</b>
Departmental Fees	7,838,385	7,617,046	2.9%	21,805,380	21,891,588	-0.4%
PSC Assessment Fee	752,909	3,499,092	-78.5%	13,784,610	14,367,915	-4.1%
Fines & Forfeitures	5,796,842	5,471,854	5.9%	19,676,290	21,204,392	-7.2%
Income on Investments	(202,242)	927,028	-121.8%	(1,129,875)	287,789	---
Lottery	65,500,000	72,500,000	-9.7%	241,627,129	241,778,429	-0.1%
Sale of NOx Credits	0	0	---	0	0	---
Miscellaneous	8,353,655	13,068,299	-36.1%	40,054,028	45,292,162	-11.6%
Redeposit of State Funds	\$2,002,400	\$1,111,642	80.1%	\$9,345,533	\$5,720,026	63.4%

## KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Fourth Quarter FY 2017	Fourth Quarter FY 2016	%	Year-To-Date FY 2017	Year-To-Date FY 2016	%
			Change			Change
<b>TOTAL ROAD FUND</b>	<b>\$388,991,783</b>	<b>\$383,090,174</b>	<b>1.5%</b>	<b>\$1,508,003,421</b>	<b>\$1,482,541,978</b>	<b>1.7%</b>
Tax Receipts-	\$382,172,986	\$376,614,738	1.5%	\$1,484,228,925	\$1,458,382,671	1.8%
Sales and Gross Receipts	\$320,009,454	\$316,146,525	1.2%	\$1,260,348,857	\$1,234,432,155	2.1%
Motor Fuels Taxes	194,003,567	192,595,050	0.7%	760,514,967	750,034,840	1.4%
Motor Vehicle Usage	126,005,887	123,551,474	2.0%	499,833,891	484,397,314	3.2%
License and Privilege	\$62,163,532	\$60,468,214	2.8%	\$223,880,068	\$223,950,517	0.0%
Motor Vehicles	35,337,074	34,161,222	3.4%	111,927,466	113,114,908	-1.0%
Motor Vehicle Operators	4,251,736	4,154,641	2.3%	16,120,127	16,331,496	-1.3%
Weight Distance	20,248,239	19,861,064	1.9%	82,886,950	81,375,028	1.9%
Truck Decal Fees	258,189	244,642	5.5%	289,874	283,942	2.1%
Other Special Fees	2,068,294	2,046,646	1.1%	12,655,651	12,845,142	-1.5%
Nontax Receipts	\$6,547,084	\$5,941,857	10.2%	\$22,938,976	\$23,041,935	-0.4%
Departmental Fees	5,227,716	4,570,663	14.4%	19,473,809	19,308,449	0.9%
In Lieu of Traffic Fines	109,751	115,976	-5.4%	378,757	427,255	-11.4%
Income on Investments	972,874	993,465	-2.1%	1,581,851	2,468,620	-35.9%
Miscellaneous	236,743	261,754	-9.6%	1,504,559	837,611	79.6%
Redeposit of State Funds	\$271,712	\$533,578	-49.1%	\$835,520	\$1,117,372	-25.2%

## **APPENDIX B**

### **Summary Statistics for General Fund Major Revenue Sources Fiscal Years 2008- 2017 (\$ millions)**

	FY08	FY09	FY010	FY11	FY12
<b>TOTAL GENERAL FUND</b>	<b>8,664,336,663</b>	<b>8,426,351,594</b>	<b>8,225,127,620</b>	<b>8,759,442,646</b>	<b>9,090,954,645</b>
<b>Tax Receipts</b>	<b>8,329,734,971</b>	<b>8,112,768,934</b>	<b>7,917,980,032</b>	<b>8,455,775,175</b>	<b>8,786,626,012</b>
<b>Sales and Gross Receipts</b>	<b>3,354,581,311</b>	<b>3,374,871,927</b>	<b>3,396,530,945</b>	<b>3,489,069,236</b>	<b>3,648,803,253</b>
Beer Consumption	6,535,066	6,478,525	6,165,525	6,118,817	6,125,423
Beer Wholesale	49,531,545	51,696,564	51,596,255	51,914,445	54,139,730
Cigarette	169,547,927	186,756,010	278,159,743	262,220,720	254,798,018
Cigarette Floor Stock	-	16,292,300	274,940	150,038	31,548
Distilled Spirits Case Sales	104,154	109,333	453,002	-232,830	116,903
Distilled Spirits Consumption	10,378,013	10,676,604	10,719,543	10,942,531	11,355,027
Distilled Spirits Wholesale	26,628,403	27,884,547	27,517,432	28,175,617	29,695,678
Insurance Premium	129,296,901	125,168,149	125,063,475	128,731,563	133,069,934
Pari-Mutuel	5,327,540	4,387,515	-82,480	4,607,322	3,600,911
Race Track Admission	219,939	230,888	187,994	178,957	164,223
Sales and Use	2,877,814,014	2,857,665,168	2,794,057,329	2,896,251,816	3,052,236,048
Wine Consumption	2,353,476	2,392,069	2,442,113	2,584,039	2,716,967
Wine Wholesale	11,977,256	12,356,700	12,082,136	13,748,696	14,102,961
Telecommunications Tax	55,972,928	61,228,833	66,786,669	62,286,497	64,919,274
Other Tobacco Products	8,894,150	11,548,724	21,107,290	21,391,009	21,730,607
<b>License and Privilege</b>	<b>76,924,599</b>	<b>84,111,977</b>	<b>76,326,722</b>	<b>100,533,645</b>	<b>100,903,697</b>
Alc. Bev. License & Suspension	830,310	393,050	562,082	377,550	281,375
Corporation License	2,822,279	9,154,338	5,470,951	10,654,547	5,330,573
Corporation Organization	259,654	38,101	167,841	69,928	94,666
Occupational Licenses	191,571	257,200	172,153	165,753	156,845
Race Track License	245,360	350,225	271,425	262,175	272,443
Bank Franchise Tax	71,976,055	73,339,144	69,085,922	88,400,971	94,158,966
Driver License Fees	599,370	579,919	596,348	602,721	608,829
<b>Natural Resources</b>	<b>293,334,097</b>	<b>355,984,528</b>	<b>317,146,565</b>	<b>342,319,441</b>	<b>346,050,224</b>
Coal Severance	232,977,827	292,591,094	271,943,100	295,836,611	298,263,637
Oil Production	10,201,113	8,430,228	7,564,121	8,287,566	11,955,961
Minerals Severance	16,360,844	12,807,705	13,266,156	13,256,853	13,292,368
Natural Gas Severance	33,794,313	42,155,501	24,373,188	24,938,411	22,538,258
<b>Income</b>	<b>4,016,767,196</b>	<b>3,705,003,167</b>	<b>3,538,303,824</b>	<b>3,934,302,025</b>	<b>4,087,239,263</b>
Corporation	435,222,566	267,984,858	237,867,392	300,782,364	374,423,779
Individual	3,483,137,317	3,315,368,217	3,154,488,000	3,417,778,504	3,512,075,128
LLET	98,407,313	121,650,092	145,948,432	215,741,157	200,740,356
<b>Property</b>	<b>500,646,790</b>	<b>513,122,060</b>	<b>516,169,947</b>	<b>514,814,972</b>	<b>529,566,811</b>
Bank Deposits	532,436	542,716	589,597	561,375	570,776
Building & Loan Association	2,649,630	2,898,977	2,920,507	2,457,458	2,462,810
Distilled Spirits	513,549	624,280	685,815	730,146	754,636
General - Intangible	-	-	-	-	-
General - Real	237,153,330	241,008,338	248,756,857	247,034,036	251,285,063
General - Tangible	205,763,426	203,783,916	193,234,982	186,665,683	207,739,436
Omitted & Delinquent	17,519,651	22,945,670	24,952,198	28,140,461	16,687,591
Public Service	36,511,473	41,315,048	45,026,921	49,210,400	50,063,069
Other	3,295	3,115	3,071	15,412	3,431
<b>Inheritance</b>	<b>51,001,299</b>	<b>41,234,240</b>	<b>37,201,611</b>	<b>41,350,929</b>	<b>41,312,904</b>
<b>Miscellaneous</b>	<b>36,479,679</b>	<b>38,441,036</b>	<b>36,300,419</b>	<b>33,384,927</b>	<b>32,749,859</b>
Legal Process	24,060,840	23,782,419	21,807,020	20,303,600	19,977,267
T. V. A. In Lieu Payments	12,389,344	14,593,246	14,335,091	12,992,023	12,707,124
Other	29,495	65,371	158,308	89,304	65,468
<b>Nontax Receipts</b>	<b>330,053,277</b>	<b>311,791,847</b>	<b>301,799,304</b>	<b>300,260,186</b>	<b>301,849,149</b>
Departmental Fees	30,382,254	31,912,667	29,530,171	29,505,690	26,203,503
PSC Assessment Fee	14,306,084	14,104,836	12,685,063	16,266,055	7,389,549
Fines & Forfeitures	28,118,106	29,298,014	29,046,803	26,117,800	26,274,627
Interest on Investments	23,868,325	4,183,825	-303,103	767,606	-14,535,985
Lottery	187,461,591	193,500,000	200,000,000	200,500,000	210,800,122
Sale of NOx Credits	12,251,950	0	625,230	36,825	22,025
Miscellaneous	33,664,968	38,792,505	30,215,139	27,066,209	45,695,310
<b>Redeposit of State Funds</b>	<b>4,548,415</b>	<b>1,790,813</b>	<b>5,348,284</b>	<b>3,407,285</b>	<b>2,479,483</b>

	FY13	FY14	FY15	FY16	FY17
<b>TOTAL GENERAL FUND</b>	<b>9,348,326,000</b>	<b>9,462,035,017</b>	<b>9,966,630,897</b>	<b>10,338,884,795</b>	<b>10,477,848,874</b>
<b>Tax Receipts</b>	<b>8,992,372,146</b>	<b>9,126,466,009</b>	<b>9,637,987,521</b>	<b>9,988,342,493</b>	<b>10,132,685,779</b>
<b>Sales and Gross Receipts</b>	<b>3,616,732,159</b>	<b>3,716,809,229</b>	<b>3,854,700,860</b>	<b>4,062,700,426</b>	<b>4,086,441,364</b>
Beer Consumption	6,190,085	6,226,880	6,071,389	6,557,744	6,205,443
Beer Wholesale	53,750,045	57,969,185	57,570,011	61,161,655	59,525,060
Cigarette	238,669,895	228,076,834	220,902,529	224,303,658	221,375,451
Cigarette Floor Stock	19,426	-1,887	11,502	8,108	6,040
Distilled Spirits Case Sales	122,873	127,875	132,802	136,488	153,781
Distilled Spirits Consumption	11,962,448	11,961,270	12,468,749	12,823,273	14,237,920
Distilled Spirits Wholesale	31,911,903	33,829,202	36,471,357	38,886,865	44,064,952
Insurance Premium	139,471,024	141,638,641	146,480,663	145,250,375	148,188,827
Pari-Mutuel	4,842,847	2,421,099	2,964,884	4,993,574	6,807,535
Race Track Admission	184,269	213,958	155,426	229,416	174,356
Sales and Use	3,021,794,387	3,131,126,876	3,267,331,025	3,462,704,116	3,485,215,349
Wine Consumption	2,856,119	2,896,687	2,912,784	3,102,163	3,084,190
Wine Wholesale	14,959,504	15,523,357	16,323,658	16,583,413	18,289,377
Telecommunications Tax	68,327,915	63,897,510	63,575,235	64,681,001	57,540,002
Other Tobacco Products	21,669,418	20,901,740	21,328,845	21,278,667	21,573,080
<b>License and Privilege</b>	<b>100,211,825</b>	<b>105,181,651</b>	<b>101,926,285</b>	<b>111,094,998</b>	<b>107,690,065</b>
Alc. Bev. License & Suspension	402,958	343,952	450,542	480,675	367,853
Corporation License	-294,874	814,539	188,600	135,698	7,423
Corporation Organization	97,963	47,491	186,635	136,720	982,251
Occupational Licenses	137,311	214,153	202,297	289,193	229,579
Race Track License	264,011	291,300	247,766	324,375	276,596
Bank Franchise Tax	98,971,258	102,857,446	99,990,669	109,049,728	105,129,792
Driver License Fees	633,198	612,770	659,776	678,609	696,570
<b>Natural Resources</b>	<b>269,486,287</b>	<b>241,988,627</b>	<b>220,613,349</b>	<b>149,405,136</b>	<b>130,063,924</b>
Coal Severance	230,540,150	197,525,899	180,283,352	120,610,311	100,455,465
Oil Production	10,974,127	13,128,040	9,840,015	4,748,862	5,120,700
Minerals Severance	13,306,647	12,298,663	15,128,385	17,596,331	16,923,270
Natural Gas Severance	14,665,363	19,036,025	15,361,597	6,449,632	7,564,489
<b>Income</b>	<b>4,369,839,147</b>	<b>4,423,722,549</b>	<b>4,821,410,590</b>	<b>5,011,709,477</b>	<b>5,136,952,770</b>
Corporation	400,752,175	475,120,319	528,118,737	526,637,870	497,479,037
Individual	3,722,963,791	3,749,257,830	4,069,500,570	4,282,080,975	4,393,862,556
LLET	246,123,181	199,344,400	223,791,283	202,990,632	245,611,177
<b>Property</b>	<b>558,378,328</b>	<b>562,428,448</b>	<b>563,435,472</b>	<b>577,548,052</b>	<b>602,095,597</b>
Bank Deposits	588,098	581,157	588,914	632,587	644,459
Building & Loan Association	2,332,923	1,806,976	1,482,051	2,191,706	2,369,893
Distilled Spirits	772,733	854,637	891,761	961,388	1,020,812
General - Intangible	-	816	-	-	-
General - Real	257,970,441	258,284,309	259,228,298	268,087,934	273,935,818
General - Tangible	216,942,082	223,393,888	226,137,118	237,464,692	244,469,542
Omitted & Delinquent	26,972,243	21,276,527	16,237,196	11,991,240	15,966,205
Public Service	52,795,179	51,859,325	58,864,760	56,210,797	63,680,782
Other	4,629	5,807,422	5,374	7,708	8,087
<b>Inheritance</b>	<b>41,326,220</b>	<b>45,843,849</b>	<b>50,975,858</b>	<b>51,247,149</b>	<b>44,699,808</b>
<b>Miscellaneous</b>	<b>36,398,182</b>	<b>30,491,656</b>	<b>24,925,107</b>	<b>24,637,267</b>	<b>24,742,251</b>
Legal Process	19,748,614	16,792,670	15,435,811	14,479,452	13,299,585
T. V. A. In Lieu Payments	16,600,467	13,646,200	9,452,432	10,119,811	11,350,177
Other	49,101	52,786	36,863	38,005	92,490
<b>Nontax Receipts</b>	<b>353,103,427</b>	<b>333,860,106</b>	<b>326,949,419</b>	<b>344,822,276</b>	<b>335,817,562</b>
Departmental Fees	28,494,072	24,489,562	22,036,475	21,891,588	21,805,380
PSC Assessment Fee	13,205,508	17,155,431	20,829,264	14,367,915	13,784,610
Fines & Forfeitures	28,264,706	24,747,942	22,771,487	21,204,392	19,676,290
Interest on Investments	711,516	(176,256)	213,267	287,789	-1,129,875
Lottery	215,266,568	219,500,743	221,500,000	241,778,429	241,627,129
Sale of NOx Credits	50,892	104,242	27,594	0	0
Miscellaneous	67,110,164	48,038,442	39,571,333	45,292,162	40,054,028
<b>Redeposit of State Funds</b>	<b>2,850,428</b>	<b>1,708,902</b>	<b>1,693,958</b>	<b>5,720,026</b>	<b>9,345,533</b>

**General Fund Growth Rates  
Major Revenue Sources  
Fiscal Years 2008 – 2017  
(%)**



	FY08	FY09	FY10	FY11	FY12
<b>TOTAL GENERAL FUND</b>	<b>1.1%</b>	<b>-2.7%</b>	<b>-2.4%</b>	<b>6.5%</b>	<b>3.8%</b>
<b>Tax Receipts</b>	<b>1.2%</b>	<b>-2.6%</b>	<b>-2.4%</b>	<b>6.8%</b>	<b>3.9%</b>
<b>Sales and Gross Receipts</b>	<b>2.3%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>2.7%</b>	<b>4.6%</b>
Beer Consumption	3.0%	-0.9%	-4.8%	-0.8%	0.1%
Beer Wholesale	5.8%	4.4%	-0.2%	0.6%	4.3%
Cigarette	0.5%	10.1%	48.9%	-5.7%	-2.8%
Cigarette Floor Stock	-100.0%	---	-98.3%	-45.4%	-79.0%
Distilled Spirits Case Sales	5.3%	5.0%	314.3%	-151.4%	-150.2%
Distilled Spirits Consumption	2.8%	2.9%	0.4%	2.1%	3.8%
Distilled Spirits Wholesale	5.9%	4.7%	-1.3%	2.4%	5.4%
Insurance Premium	2.7%	-3.2%	-0.1%	2.9%	3.4%
Pari-Mutuel	-3.0%	-17.6%	-101.9%	-5686.0%	-21.8%
Race Track Admission	15.5%	5.0%	-18.6%	-4.8%	-8.2%
Sales and Use	2.1%	-0.7%	-2.2%	3.7%	5.4%
Wine Consumption	1.2%	1.6%	2.1%	5.8%	5.1%
Wine Wholesale	5.1%	3.2%	-2.2%	13.8%	2.6%
Telecommunications Tax	8.4%	9.4%	9.1%	-6.7%	4.2%
Other Tobacco Products	3.0%	29.8%	82.8%	1.3%	1.6%
<b>License and Privilege</b>	<b>-0.8%</b>	<b>9.3%</b>	<b>-9.3%</b>	<b>31.7%</b>	<b>0.4%</b>
Alc. Bev. License Suspension	26.0%	-52.7%	43.0%	-32.8%	-25.5%
Corporation License	-75.9%	224.4%	-40.2%	94.7%	-50.0%
Corporation Organization	124.3%	-85.3%	340.5%	-58.3%	35.4%
Occupational Licenses	-7.5%	34.3%	-33.1%	-3.7%	-5.4%
Race Track License	-13.5%	42.7%	-22.5%	-3.4%	3.9%
Bank Franchise Tax	12.6%	1.9%	-5.8%	28.0%	6.5%
Driver License Fees	-0.7%	-3.2%	2.8%	1.1%	1.0%
<b>Natural Resources</b>	<b>6.5%</b>	<b>21.4%</b>	<b>-10.9%</b>	<b>7.9%</b>	<b>1.1%</b>
Coal Severance	5.0%	25.6%	-7.1%	8.8%	0.8%
Oil Production	64.6%	-17.4%	-10.3%	9.6%	44.3%
Minerals Severance	10.4%	-21.7%	3.6%	-0.1%	0.3%
Natural Gas Severance	4.5%	24.7%	-42.2%	2.3%	-9.6%
<b>Income</b>	<b>-0.3%</b>	<b>-7.8%</b>	<b>-4.5%</b>	<b>11.2%</b>	<b>3.9%</b>
Corporation	-56.0%	-38.4%	-11.2%	26.4%	24.5%
Individual	14.5%	-4.8%	-4.9%	8.3%	2.8%
LLET	---	23.6%	20.0%	47.8%	-7.0%
<b>Property</b>	<b>1.7%</b>	<b>2.5%</b>	<b>0.6%</b>	<b>-0.3%</b>	<b>2.9%</b>
Bank Deposits	3.7%	1.9%	8.6%	-4.8%	1.7%
Building & Loan Association	-9.3%	9.4%	0.7%	-15.9%	0.2%
Distilled Spirits	1.3%	21.6%	9.9%	6.5%	3.4%
General - Intangible	-100.0%	---	---	---	---
General - Real	3.9%	1.6%	3.2%	-0.7%	1.7%
General - Tangible	7.0%	-1.0%	-5.2%	-3.4%	11.3%
Omitted & Delinquent	-30.6%	31.0%	8.7%	12.8%	-40.7%
Public Service	-14.3%	13.2%	9.0%	9.3%	1.7%
Other	-6.2%	-5.5%	-1.4%	401.9%	-77.7%
<b>Inheritance</b>	<b>17.0%</b>	<b>-19.2%</b>	<b>-9.8%</b>	<b>11.2%</b>	<b>-0.1%</b>
<b>Miscellaneous</b>	<b>4.6%</b>	<b>5.4%</b>	<b>-5.6%</b>	<b>-8.0%</b>	<b>-1.9%</b>
Legal Process	-2.8%	-1.2%	-8.3%	-6.9%	-1.6%
T. V. A. In Lieu Payments	23.4%	17.8%	-1.8%	-9.4%	-2.2%
Other	-59.9%	121.6%	142.2%	-43.6%	-26.7%
<b>Nontax Receipts</b>	<b>0.7%</b>	<b>-5.5%</b>	<b>-3.2%</b>	<b>-0.5%</b>	<b>0.5%</b>
Departmental Fees	21.3%	5.0%	-7.5%	-0.1%	-11.2%
PSC Assessment Fee'	-2.0%	-1.4%	-10.1%	28.2%	-54.6%
Fines & Forfeitures	5.7%	4.2%	-0.9%	-10.1%	0.6%
Interest on Investments	-25.4%	-82.5%	-107.2%	-353.2%	-1993.7%
Lottery	0.4%	3.2%	3.4%	0.3%	5.1%
Sale of NOx Credits	1409.6%	-100.0%	---	-94.1%	-40.2%
Miscellaneous	-20.2%	15.2%	-22.1%	-10.4%	68.8%
<b>Redeposit of State Funds</b>	<b>-62.6%</b>	<b>-60.6%</b>	<b>198.7%</b>	<b>-36.3%</b>	<b>-27.2%</b>

	FY13	FY14	FY15	FY16	FY17
<b>TOTAL GENERAL FUND</b>	<b>2.8%</b>	<b>1.2%</b>	<b>5.3%</b>	<b>3.7%</b>	<b>1.3%</b>
<b>Tax Receipts</b>	<b>2.3%</b>	<b>1.5%</b>	<b>5.6%</b>	<b>3.6%</b>	<b>1.4%</b>
<b>Sales and Gross Receipts</b>	<b>-0.9%</b>	<b>2.8%</b>	<b>3.7%</b>	<b>5.4%</b>	<b>0.6%</b>
Beer Consumption	1.1%	0.6%	-2.5%	8.0%	-5.4%
Beer Wholesale	-0.7%	7.8%	-0.7%	6.2%	-2.7%
Cigarette	-6.3%	-4.4%	-3.1%	1.5%	-1.3%
Cigarette Floor Stock	-38.4%	-109.7%	-709.6%	-29.5%	-25.5%
Distilled Spirits Case Sales	5.1%	4.1%	3.9%	2.8%	12.7%
Distilled Spirits Consumption	5.3%	0.0%	4.2%	2.8%	11.0%
Distilled Spirits Wholesale	7.5%	6.0%	7.8%	6.6%	13.3%
Insurance Premium	4.8%	1.6%	3.4%	-0.8%	2.0%
Pari-Mutuel	34.5%	-50.0%	22.5%	68.4%	36.3%
Race Track Admission	12.2%	16.1%	-27.4%	47.6%	-24.0%
Sales and Use	-1.0%	3.6%	4.4%	6.0%	0.7%
Wine Consumption	5.1%	1.4%	0.6%	6.5%	-0.6%
Wine Wholesale	6.1%	3.8%	5.2%	1.6%	10.3%
Telecommunications Tax	5.3%	-6.5%	-0.5%	1.7%	-11.0%
Other Tobacco Products	-0.3%	-3.5%	2.0%	-0.2%	1.4%
<b>License and Privilege</b>	<b>-0.7%</b>	<b>5.0%</b>	<b>-3.1%</b>	<b>9.0%</b>	<b>-3.1%</b>
Alc. Bev. License Suspension	43.2%	-14.6%	31.0%	6.7%	-23.5%
Corporation License	-105.5%	-376.2%	-76.8%	-28.0%	-94.5%
Corporation Organization	3.5%	-51.5%	293.0%	-26.7%	618.4%
Occupational Licenses	-12.5%	56.0%	-5.5%	43.0%	-20.6%
Race Track License	-3.1%	10.3%	-14.9%	30.9%	-14.7%
Bank Franchise Tax	5.1%	3.9%	-2.8%	9.1%	-3.6%
Driver License Fees	4.0%	-3.2%	7.7%	2.9%	2.6%
<b>Natural Resources</b>	<b>-22.1%</b>	<b>-10.2%</b>	<b>-8.8%</b>	<b>-32.3%</b>	<b>-12.9%</b>
Coal Severance	-22.7%	-14.3%	-8.7%	-33.1%	-16.7%
Oil Production	-8.2%	19.6%	-25.0%	-51.7%	7.8%
Minerals Severance	0.1%	-7.6%	23.0%	16.3%	-3.8%
Natural Gas Severance	-34.9%	29.8%	-19.3%	-58.0%	17.3%
<b>Income</b>	<b>6.9%</b>	<b>1.2%</b>	<b>9.0%</b>	<b>3.9%</b>	<b>2.5%</b>
Corporation	7.0%	18.6%	11.2%	-0.3%	-5.5%
Individual	6.0%	0.7%	8.5%	5.2%	2.6%
LLET	22.6%	-19.0%	12.3%	-9.3%	21.0%
<b>Property</b>	<b>5.4%</b>	<b>0.7%</b>	<b>0.2%</b>	<b>2.5%</b>	<b>4.3%</b>
Bank Deposits	3.0%	-1.2%	1.3%	7.4%	1.9%
Building & Loan Association	-5.3%	-22.5%	-18.0%	47.9%	8.1%
Distilled Spirits	2.4%	10.6%	4.3%	7.8%	6.2%
General - Intangible	---	---	---	---	---
General - Real	2.7%	0.1%	0.4%	3.4%	2.2%
General - Tangible	4.4%	3.0%	1.2%	5.0%	2.9%
Omitted & Delinquent	61.6%	-21.1%	-23.7%	-26.1%	33.1%
Public Service	5.5%	-1.8%	13.5%	-4.5%	13.3%
Other	34.9%	---	-99.9%	7.8%	107.8%
<b>Inheritance</b>	<b>0.0%</b>	<b>10.9%</b>	<b>11.2%</b>	<b>0.5%</b>	<b>-12.8%</b>
<b>Miscellaneous</b>	<b>11.1%</b>	<b>-16.2%</b>	<b>-18.3%</b>	<b>-1.2%</b>	<b>0.4%</b>
Legal Process	-1.1%	-15.0%	-8.1%	-6.2%	-8.1%
T. V. A. In Lieu Payments	30.6%	-17.8%	-30.7%	7.1%	12.2%
Other	-25.0%	7.5%	-30.2%	3.1%	143.4%
<b>Nontax Receipts</b>	<b>17.0%</b>	<b>-5.4%</b>	<b>-2.1%</b>	<b>5.5%</b>	<b>-2.6%</b>
Departmental Fees	8.7%	-14.1%	-10.0%	-0.7%	-0.4%
PSC Assessment Fee	78.7%	29.9%	21.4%	-31.0%	-4.1%
Fines & Forfeitures	7.6%	-12.4%	-8.0%	-6.9%	-7.2%
Interest on Investments	-104.9%	-124.8%	---	34.9%	---
Lottery	2.1%	2.0%	0.9%	9.2%	-0.1%
Sale of NOx Credits	131.1%	104.8%	-73.5%	-100.0%	---
Miscellaneous	46.9%	-28.4%	-17.6%	14.5%	-11.6%
<b>Redeposit of State Funds</b>	<b>15.0%</b>	<b>-40.0%</b>	<b>-0.9%</b>	<b>237.7%</b>	<b>63.4%</b>

## **APPENDIX C**

### **Summary Statistics for Road Fund Major Revenue Sources Fiscal Years 2008 – 2017 (\$ millions)**

	FY08	FY09	FY10	FY11	FY12
<b>TOTAL STATE ROAD FUND</b>	<b>1,262,798,750</b>	<b>1,191,982,894</b>	<b>1,206,622,639</b>	<b>1,338,811,926</b>	<b>1,443,773,845</b>
<b>Tax Receipts-</b>	<b>1,219,349,262</b>	<b>1,159,379,226</b>	<b>1,181,341,209</b>	<b>1,315,130,011</b>	<b>1,416,497,670</b>
<b>Sales and Gross Receipts</b>	<b>1,014,576,337</b>	<b>958,780,727</b>	<b>988,541,345</b>	<b>1,114,593,981</b>	<b>1,207,082,330</b>
Motor Fuels Taxes	608,779,123	622,479,527	655,761,466	732,826,112	790,229,379
Motor Vehicle Usage	405,797,215	336,301,200	332,779,879	381,767,869	416,852,951
<b>License and Privilege</b>	<b>204,772,925</b>	<b>200,598,500</b>	<b>192,799,864</b>	<b>200,536,031</b>	<b>209,415,340</b>
Motor Vehicles	93,523,748	98,186,733	96,839,803	97,812,587	107,836,554
Motor Vehicle Operators	15,372,618	15,521,191	15,941,488	15,736,805	15,737,651
Weight Distance	84,353,543	75,444,283	70,498,757	73,983,781	75,111,565
Truck Decal Fees	774,379	832,653	679,383	793,715	736,224
Other Special Fees	10,748,637	10,613,640	8,840,433	12,209,142	9,993,345
<b>Nontax Receipts</b>	<b>41,805,267</b>	<b>31,375,092</b>	<b>23,871,991</b>	<b>21,932,031</b>	<b>26,739,794</b>
Departmental Fees	20,291,394	19,106,827	18,487,783	18,167,778	21,879,481
In Lieu of Traffic Fines	1,112,801	958,790	779,495	779,828	769,405
Investment Income	19,460,549	10,661,790	3,633,987	1,995,228	3,081,180
Miscellaneous	940,522	647,685	970,725	989,197	1,009,727
<b>Redeposit of State Funds</b>	<b>1,644,222</b>	<b>1,228,575</b>	<b>1,409,439</b>	<b>1,749,883</b>	<b>536,381</b>

	FY13	FY14	FY15	FY16	FY17
<b>TOTAL STATE ROAD FUND</b>	<b>1,491,623,669</b>	<b>1,560,439,604</b>	<b>1,526,738,659</b>	<b>1,482,541,978</b>	<b>1,508,003,421</b>
<b>Tax Receipts-</b>	<b>1,471,593,789</b>	<b>1,535,727,564</b>	<b>1,501,667,661</b>	<b>1,458,382,671</b>	<b>1,484,228,925</b>
<b>Sales and Gross Receipts</b>	<b>1,265,175,199</b>	<b>1,329,208,128</b>	<b>1,283,046,179</b>	<b>1,234,432,155</b>	<b>1,260,348,857</b>
Motor Fuels Taxes	838,344,373	886,161,042	850,276,246	750,034,840	760,514,967
Motor Vehicle Usage	426,830,826	443,047,087	432,769,932	484,397,314	499,833,891
<b>License and Privilege</b>	<b>206,418,590</b>	<b>206,519,436</b>	<b>218,621,482</b>	<b>223,950,517</b>	<b>223,880,068</b>
Motor Vehicles	102,256,080	101,879,541	107,554,129	113,114,908	111,927,466
Motor Vehicle Operators	16,049,755	16,150,032	15,958,491	16,331,496	16,120,127
Weight Distance	74,935,016	76,894,805	79,147,533	81,375,028	82,886,950
Truck Decal Fees	590,397	489,072	404,906	283,942	289,874
Other Special Fees	12,587,343	11,105,986	15,556,424	12,845,142	12,655,651
<b>Nontax Receipts</b>	<b>18,023,074</b>	<b>22,833,411</b>	<b>22,358,605</b>	<b>23,041,935</b>	<b>22,938,976</b>
Departmental Fees	17,094,723	17,368,008	17,766,834	19,308,449	19,473,809
In Lieu of Traffic Fines	702,451	544,637	465,304	427,255	378,757
Investment Income	-398,745	3,997,826	2,913,784	2,468,620	1,581,851
Miscellaneous	624,646	922,939	1,212,683	837,611	1,504,559
<b>Redeposit of State Funds</b>	<b>2,006,806</b>	<b>1,880,271</b>	<b>2,712,394</b>	<b>1,117,372</b>	<b>835,520</b>

**Road Fund Growth Rates  
Major Revenue Sources  
Fiscal Years 2008 – 2017  
(%)**

	FY08	FY09	FY10	FY11	FY12
<b>TOTAL STATE ROAD FUND</b>	<b>3.0%</b>	<b>-5.6%</b>	<b>1.2%</b>	<b>11.0%</b>	<b>7.8%</b>
<b>Tax Receipts-</b>	<b>2.8%</b>	<b>-4.9%</b>	<b>1.9%</b>	<b>11.3%</b>	<b>7.7%</b>
<b>Sales and Gross Receipts</b>	<b>4.1%</b>	<b>-5.5%</b>	<b>3.1%</b>	<b>12.8%</b>	<b>8.3%</b>
Motor Fuels Taxes	8.0%	2.3%	5.3%	11.8%	7.8%
Motor Vehicle Usage	-1.3%	-17.1%	-1.0%	14.7%	9.2%
<b>License and Privilege</b>	<b>-3.1%</b>	<b>-2.0%</b>	<b>-3.9%</b>	<b>4.0%</b>	<b>4.4%</b>
Motor Vehicles	-8.0%	5.0%	-1.4%	1.0%	10.2%
Motor Vehicle Operators	-2.8%	1.0%	2.7%	-1.3%	0.0%
Weight Distance	-1.3%	-10.6%	-6.6%	4.9%	1.5%
Truck Decal Fees	-8.1%	7.5%	-18.4%	16.8%	-7.2%
Other Special Fees	41.6%	-1.3%	-16.7%	38.1%	-18.1%
<b>Nontax Receipts</b>	<b>5.9%</b>	<b>-24.9%</b>	<b>-23.9%</b>	<b>-8.1%</b>	<b>21.9%</b>
Departmental Fees	14.1%	-5.8%	-3.2%	-1.7%	20.4%
In Lieu of Traffic Fines	-5.2%	-13.8%	-18.7%	0.0%	-1.3%
Investment Income	20.9%	-45.2%	-65.9%	-45.1%	54.4%
Miscellaneous	35.4%	-31.1%	49.9%	1.9%	2.1%
<b>Redeposit of State Funds</b>	<b>310.9%</b>	<b>-25.3%</b>	<b>14.7%</b>	<b>24.2%</b>	<b>-69.3%</b>

	FY13	FY14	FY15	FY16	FY17
<b>TOTAL STATE ROAD FUND</b>	<b>3.3%</b>	<b>4.6%</b>	<b>-2.2%</b>	<b>-2.9%</b>	<b>1.7%</b>
<b>Tax Receipts-</b>	<b>3.9%</b>	<b>4.4%</b>	<b>-2.2%</b>	<b>-2.9%</b>	<b>1.8%</b>
<b>Sales and Gross Receipts</b>	<b>4.8%</b>	<b>5.1%</b>	<b>-3.5%</b>	<b>-3.8%</b>	<b>2.1%</b>
Motor Fuels Taxes	6.1%	5.7%	-4.0%	-11.8%	1.4%
Motor Vehicle Usage	2.4%	3.8%	-2.3%	11.9%	3.2%
<b>License and Privilege</b>	<b>-1.4%</b>	<b>0.0%</b>	<b>5.9%</b>	<b>2.4%</b>	<b>0.0%</b>
Motor Vehicles	-5.2%	-0.4%	5.6%	5.2%	-1.0%
Motor Vehicle Operators	2.0%	0.6%	-1.2%	2.3%	-1.3%
Weight Distance	-0.2%	2.6%	2.9%	2.8%	1.9%
Truck Decal Fees	-19.8%	-17.2%	-17.2%	-29.9%	2.1%
Other Special Fees	26.0%	-11.8%	40.1%	-17.4%	-1.5%
<b>Nontax Receipts</b>	<b>-32.6%</b>	<b>26.7%</b>	<b>-2.1%</b>	<b>3.1%</b>	<b>-0.4%</b>
Departmental Fees	-21.9%	1.6%	2.3%	8.7%	0.9%
In Lieu of Traffic Fines	-8.7%	-22.5%	-14.6%	-8.2%	-11.4%
Investment Income	-112.9%	-1102.6%	-27.1%	-15.3%	-35.9%
Miscellaneous	-38.1%	47.8%	31.4%	-30.9%	79.6%
<b>Redeposit of State Funds</b>	<b>274.1%</b>	<b>-6.3%</b>	<b>44.3%</b>	<b>-58.8%</b>	<b>-25.2%</b>