

Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Fourth Quarter Fiscal Year

2020

Annual Edition



*Governor's Office for Economic Analysis
Office of State Budget Director*



Office of State Budget Director

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State Budget Director

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August 27, 2020

The Honorable Andy Beshear
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, Kentucky 40601

Mr. Jay Hartz
Director
Legislative Research Commission
Room 300, State Capitol
Frankfort, Kentucky 40601

Ms. Laurie Dudgeon
Director
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Governor Beshear, Mr. Hartz and Ms. Dudgeon:

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. To that end, OSBD submits this *Quarterly Economic and Revenue Report* for the fourth quarter of fiscal year 2020 to the three branches of government.

The national economic forecasts provided by IHS Markit that are used within this report assume a continuation of several federal relief programs which have subsequently expired creating further uncertainty in that economic forecast.



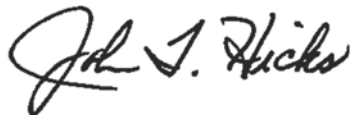
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Applying both the IHS Markit control and pessimistic economic scenarios results in an estimated FY21 General Fund revenue shortfall that ranges from \$241.9 million to \$540.3 million. Both reflect a decline in revenues from FY20. The Road Fund revenue shortfall for the two scenarios ranges from \$48.2 million to \$205.7 million.

The revenue outlook has changed dramatically due to the COVID-19 pandemic. The projected decline in General Fund revenues for FY21 would be the first annual decline since FY10. Fiscal year 2020 receipts contained a fourth quarter decline, which would have been more profound without the significant federal relief to individuals and business. The report also provides updates on the national and Kentucky economic landscapes.

This office will continue to closely monitor Kentucky's economic and revenue conditions during this turbulent time, and will provide updates at the appropriate times.

Sincerely,

A handwritten signature in black ink that reads "John T. Hicks". The signature is written in a cursive style with a large, stylized initial "J".

John T. Hicks
State Budget Director

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EXECUTIVE SUMMARY

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. To that end OSBD submits this *Quarterly Economic and Revenue Report* for the fourth quarter of fiscal year 2020 (FY20). This report includes the actual revenue receipts for the fourth quarter, the annual review of FY20, and an unofficial forecast for FY21 applying both the “control” and “pessimistic” scenarios compared to the enacted estimate. The report also provides updates on the national and Kentucky economic landscapes.

Since the previous edition of the Quarterly report, the level of uncertainty in the economy and revenue picture has remained at a heightened level. The duration of COVID-19 cases and the national economic assumptions behind them are based on forecasts provided by IHS Markit, a global economic forecasting firm. The national economic forecast provided by IHS Markit includes several scenarios. This report provides information on the control and pessimistic scenarios.

While IHS did not predict a precise peak to the number of new cases, both the control and pessimistic forecasts assume a vaccine becomes distributable in mid-2021. Until then, cases are likely to remain elevated and variable, subject to a negative feedback loop between the spread of the virus and attempts to re-open the economy, with regional flare-ups in the virus countered by regional tightening of containment measures. IHS Markit did not have a specific projected path for daily infections and deaths, but noted that it seems reasonable to expect that current attempts to re-open schools in person will delay any sharp decline in reported cases.

IHS Markit also updated their assessment of federal support of incomes in the four pandemic relief bills already enacted. In their control scenario, IHS Markit estimates that such support will average about \$3.5 trillion in the middle two quarters of calendar year 2020. They also assume that the \$600 per week emergency unemployment benefit is extended through December 2020, a second round of household Economic Impact payments, \$1,200 per individual and \$500 for each child starting in September, and an extension of the Payroll Protection Program (PPP), but nowhere near the funding levels authorized in the earlier relief package. This pushes the “fiscal ledge” back to early 2021. As of this writing, Congress has not extended these three relief provisions, and the longer that lack of relief continues, the less likely the underlying economic assumptions from IHS are met. The result would be an overly optimistic economic and revenue forecast. From March through July, Kentucky has received over \$14 billion in payments from the federal government to

individual and businesses. The vast majority of those payment programs have expired.

In the pessimistic scenario, the level of federal support for individuals and businesses remains the same as the control scenario. The primary difference between the two alternatives is a much steeper, longer contraction in consumer spending in the pessimistic scenario. Undergirding this alternative scenario is an inability to stem the increase in new cases and deaths associated with COVID-19. The new cases derail the pace of businesses reopening, makes households less confident about resuming familiar spending patterns, and greatly slows the recovery of consumer spending and investment. Consumer spending declines in the first quarter of FY21 in the pessimistic scenario, compared to a sharp increase in the same quarter for the control scenario. The recovery takes significantly longer than the control. The previous peak in GDP is not surpassed until the end of 2023, six quarters later than the control. IHS gives the pessimistic scenario a 30-percent weight compared to the 50-percent probability that the control assumptions will occur.

Projected FY21 General Fund Shortfall—Ranges from \$241.9 to \$540.4 Million

Control Scenario

The unofficial, control General Fund revenue estimate for FY21 is projected to be \$11,361.2 million, a decline of 1.8 percent from FY20 and would result in a \$241.9 million revenue shortfall. This figure computes to a 2.1 percent revenue shortfall compared to the enacted estimate of \$11,603.1 million. The FY21 Road Fund revenues are forecasted to be \$1,495.2 million, a 0.2 percent increase from FY20 with a revenue shortfall of \$48.2 million, or a 3.1 percent shortfall compared to the enacted estimate of \$1,543.4 million.

Pessimistic Scenario

The unofficial, pessimistic General Fund revenue estimate for FY21 is projected to be \$11,062.8 million, a decline of 4.4 percent from FY20 and would result in a \$540.3 million revenue shortfall. This figure computes to a 4.7 percent revenue shortfall compared to the enacted estimate of \$11,603.1 million. The FY21 Road Fund revenues are forecasted to be \$1,337.7 million, a decline of 10.3 percent from FY20 with a revenue shortfall of \$205.7 million, or a 13.3 percent shortfall compared to the enacted estimate of \$1,543.4 million.

FY20 Revenue Surplus

Kentucky's General Fund receipts for FY20 ended better than expected: \$104.6 million more than the budget enacted in April 2020 and \$575.1 million more than the late May 2020 revised revenue estimate. Road Fund collections were \$60.3 million less than the enacted budget and \$101.5 million more than the May revised estimate. The FY20 year-end General Fund surplus was \$177.5 million: \$105.8 million from

higher resources than estimated and \$71.7 million due to the actions of state agencies in limiting their spending in the last two months of the fiscal year. From the surplus, \$162.5 million was deposited to the Budget Reserve Trust Fund, the state's rainy day fund. That deposit raised its balance to \$465.7 million, which will provide helpful assistance in contending with the upcoming impacts of the recession.

FY20 Revenues

Over 76 percent of FY20 General Fund revenues are attributable to two tax accounts – individual income and the sales tax. In FY20, both taxes produced positive growth, primarily due to the pre-COVID-19 economy. The individual income tax rose 4.9 percent while the sales and use tax grew 3.4 percent. However, in the fourth quarter of FY20 the sales tax fell 5.9 percent. The reason the individual income tax rose 4.1 percent in the fourth quarter was due to tax return collections that reflected calendar year 2019 income.

General Fund revenues fell 4.5 percent in the fourth quarter even with the negative effects of the novel coronavirus after collections had steadily increased over the first three quarters of FY20. The federal COVID-19 relief payments supported both income tax withholding and consumer spending. Revenues in the quarter totaled \$3,048.3 million, a \$143.2 million difference from the \$3,191.5 million collected in the fourth quarter of FY19. Fourth quarter collections declined in seven of the eight categories with the lone exception being the individual income tax.

On an annual basis, General Fund receipts grew 1.5 percent in FY20 despite the negative impacts of the COVID-19 pandemic. Strong revenue receipts through the first nine months of the fiscal year were enough to weather a fourth quarter decline. Collections for FY20 were \$11,566.6 million, which is \$173.9 million more than FY19 receipts. Growth rates for the four quarters of FY20 were 1.1, 4.1, 6.4, and -4.5 percent, respectively. The 4.5 percent decline in the fourth fiscal quarter was the first quarterly decline following 12 consecutive increases.

Road Fund receipts plummeted 23.6 percent in the fourth quarter of FY20 as the effects of the coronavirus severely impacted revenues. No revenue account was immune from the effects of the pandemic as all posted declines. Motor fuels and motor vehicle usage tax collections were particularly hard hit in April and May. Although revenues improved in June, collections were still negative for the month. Total receipts for the quarter totaled \$324.6 million compared to the \$424.8 million received in the fourth quarter of FY19.

Road Fund revenues for the entirety of FY20 were \$1,491.5 million, a decrease of 4.8 percent from the previous fiscal year. Total Road Fund collections grew steadily for the first three quarters before falling sharply in the final quarter due to the COVID-19 pandemic. Growth rates for the four quarters were 1.1, 1.1, 4.6, and -23.6 percent,

respectively. The declines in the final quarter were enough to erase all of the gains seen over the first nine months of the year as all of the major accounts ended the year lower than FY19 levels.

Summary of Major Economic Factors

Control Scenario

Real GDP in FY21 is projected to fall by 2.1 percent. The quarterly numbers show sharper rates of decline early in the fiscal year with slow to modest improvements in each of the four fiscal quarters.

Total non-farm payroll employment is anticipated to contract by an additional 14,900 jobs to end FY21. Kentucky personal income actually rose 10.2 percent due to a 76.9 percent increase in transfer receipts income, most of which were from federal COVID-19 relief payments. During that quarter, wages and salaries declined by 16.1 percent, the largest single-quarter loss in history. Throughout the course of FY21, Kentucky personal income is expected to decline by 0.4 percent, slightly outperforming the US personal income decline of -0.6 percent. The expected decline in personal income is due in large part to a reduction in transfer payments from the peak seen in the fourth quarter of FY20. The wages and salaries component forecasts slight growth of 1.5 percent, an increase of \$1.3 billion for FY21, compared to FY20.

Real GDP fell by 10.6 percent in the fourth quarter of FY20. This is the largest real GDP decline since 1947 when real GDP took its current form. All components of real GDP fell in the fourth quarter. Real consumption fell by 11.2 percent, real investment declined by 18.1 percent, and real exports fell by 27.3 percent. Those three components had the largest impact on real GDP. US personal income rose by 8.3 percent in the fourth quarter. Every category of personal income declined, except for transfer receipts income. Transfer receipts income rose by 75.8 percent in the fourth quarter, which was by far the largest gain in the history of transfer receipts, reflecting the impact of federal relief payments to individuals. US wages and salaries income fell by 6.0 percent in the fourth quarter. US non-farm employment fell by 11.2 percent in the fourth quarter. All 11 supersectors experienced significant employment declines. Leisure and hospitality services employment lost the most jobs, declining 38.4 percent, a net 6.3 million jobs lost.

Pessimistic Scenario

Real GDP in FY21 is projected to fall by 7.5 percent. The quarterly numbers show sharper rates of decline early in the fiscal year with slow improvements in each of the four fiscal quarters. The largest component of real GDP, real consumption, is expected to fall very sharply when compared to the control forecast.

Total non-farm payroll employment in Kentucky is anticipated to contract by 48,900 jobs to end FY21. By comparison, the employment contraction from the control scenario was 14,900 jobs. Throughout the course of FY21, Kentucky personal income is expected to decline by 5.3 percent, slightly worse than 5.0 percent setback in US personal income. The wages and salaries component in the pessimistic scenario predicts a modest decline of 7.4 percent, a decrease of \$6.9 billion for FY21, compared to FY20.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND

The Interim Outlook represents unofficial staff estimates prepared pursuant to KRS 48.400(2). Forecasted revenues presented in Table 1A and Table 2A were projected using the July 2020 “control scenario” economic forecast from both IHS Markit and the Kentucky MAK model as our primary inputs. The control scenario from IHS Markit carries a 50 percent probability. In addition, the revenue estimates incorporate various tax law changes enacted during the 2018, 2019, and 2020 Regular Sessions of the General Assembly. In addition to the customary control forecast, this Interim Outlook includes a look at the July 2020 “pessimistic” scenario as well, profiled in Table 1B and 2B. The likelihood of the pessimistic scenario is weighted at a 30 percent probability by IHS Markit. OSBD decided that a range of estimates would be more appropriate than a point estimate, given the heightened level of uncertainty.

For FY20, General Fund receipts totaled \$11,566.6 million, which is a 1.5 percent increase over FY19 collections. Final FY20 General Fund revenues exceeded the May 22, 2020 official Consensus Forecasting Group (CFG) estimates by \$575.1 million, or 5.2 percent. The FY20 General Fund total also exceeded the budget estimates enacted in April 2020 by \$104.6 million. Revenues came in stronger than anticipated in the fourth quarter of FY20, partially due to federal fiscal policy measures that helped stabilize disposable income. The higher disposable income resulted in increased spending on taxable goods in Kentucky. As a result, FY20 tax receipts were bolstered. Withholding was also improved due to taxable unemployment insurance (UI) benefits.

The latest forecast from IHS assumes the \$600 per week emergency unemployment benefit is extended through December 2020, a second round of household Economic Impact payments, \$1,200 per individual and \$500 for each child starting in September, and an extension of the PPP, but nowhere near the funding levels authorized in the earlier relief package. This pushes the “fiscal ledge” back to early 2021.

Estimates in this outlook extend through the end of FY21, one quarter beyond the statutory minimum. This minor alteration permits a comparison between these unofficial interim projections for FY21 and the official enacted FY21 General Fund and Road Fund estimates.

The current official estimate for FY21 is the enacted projection of \$11,603.1 million, 0.3 percent greater than actual FY20 General Fund collections. When the CFG met in May 2020, the special call was limited to a revision of FY20 estimates only. Therefore, the latest official estimate for FY21 was issued with the enactment of the FY21 budget by the General Assembly in April 2020. Projected General Fund revenues are displayed in Table 1A and Table 1B. This unofficial, interim outlook calls for a 1.8 percent decline in General Fund revenues for FY21 using the control scenario. Expected collections of \$11,361.2 million would be \$241.9 million below the FY21 enacted estimate of \$11,603.1 million. Table 1B shows the alternative scenario driven by the “pessimistic” forecast. Expected collections of \$11,062.8 million, a 4.4 percent decline, would fall \$540.3 million short of the FY21 enacted estimate. The expected revenue shortfall in FY21 reported in these interim estimates ranges from \$241.9 million in the control forecast to \$540.3 million in the pessimistic scenario.

Nearly 77.1 percent of projected General Fund revenues are attributable to two tax accounts – individual income and the sales tax. In FY20, both taxes grew on an annual basis. The individual income tax rose 4.9 percent while the sales and use tax grew 3.4 percent. However, in the fourth quarter of FY20 the sales tax fell 5.9 percent. The reason the individual income tax rose 4.1 percent in the fourth quarter was due to tax return collections that reflected calendar year 2019 income.

Individual income receipts are projected to rise 1.4 percent in FY21 in the control version compared to a 0.9 percent decline in the pessimistic model. The individual income tax is composed of four parts: withholding, declaration payments, net returns, and fiduciary. Withholding is by far the largest component, making up over 90 percent of the total individual income tax. The withholding component is expected to increase 3.6 percent in the control scenario for FY21, primarily driven by the 1.5 percent forecasted growth in Kentucky wages and salaries. In the pessimistic outlook, withholding increases by 1.1 percent due to the lower forecast for Kentucky wages and salaries. Declarations are made by some individual income tax filers based on their expected tax liability for tax year 2020. This component of the individual income tax is forecasted to decline by 4.8 percent due lower expected tax liabilities. Net returns are the combination of pay returns less refunds, with the sum being historically a negative number. Net returns are also projected to worsen in FY21, partially due to anticipated refunds on taxable unemployment insurance benefits that were subject to withholding in calendar year 2020. The final component, fiduciary payments, are a very small revenue source that is expected to rise in FY21 due to historically low collections in FY20.

Sales and use tax receipts increased 3.4 percent during FY20, but the fourth quarter declined by 5.9 percent due to the pandemic. Modest declines are expected early in the fiscal year until business activity rebounds and consumers begin to resume normal spending habits later in the year. Slower growth in the early part of the year is expected to predominate as FY21 collections are expected to fall 3.7 percent in the

control forecast. In the pessimistic forecast, sales tax collections fall by 8.3 percent due to the sharper drop in real consumption across the sectors. The difference between the sales tax control and pessimistic scenarios is \$183.6 million. The total variation between the two scenarios for all taxes is \$298.5 million, so clearly the sales tax makes up the greatest portion of the difference between the IHS control and pessimistic scenarios.

The projected decline in the sales tax would have been more pronounced but for two separate factors. Growth in the sales tax has been higher due to collections from e-commerce, which were made possible by the U.S. Supreme Court's *Wayfair* decision. The United States Supreme Court ruled in [South Dakota v. Wayfair](#) on June 21, 2018, that states can require sellers to collect and remit sales or use tax on sales delivered to locations within their state regardless of physical presence. In 2019, the Kentucky legislature passed additional legislation that required marketplace providers to collect and remit sales and use taxes. Marketplace providers include the operation of internet sites, digital platforms and application stores for the purpose of making retail sales. Additional taxpayer accounts surface each month as online sellers come into compliance with the new tax laws. Remote and online sales tax collections totaled almost \$165 million in FY20 compared to about \$22 million in FY19. The second factor buffering losses in the sales tax is national fiscal policy in the face of the recession, especially the enhanced federal unemployment benefits and the \$1,200 stimulus checks. These measures add disposable income to households, which in turn leads to more taxable sales.

Corporation taxes fell 16.2 percent in FY20, the largest annual decline since the Great Recession and their share of total General Fund revenues dropped to 5.5 percent. The corporation income tax and the LLET are now reported and estimated in combination due to the inability to separate the receipts in a meaningful manner. Corporate and LLET combined are expected to decline another 19.5 percent in the control forecast for FY21. The pessimistic forecast for combined corporation taxes falls only slightly more, at a rate of 21.6 percent. The steep rates of decline in both forecasts are a continuation of weak receipts seen in FY20. In the case of business taxes, the tax law changes from 2018 and 2019 have had a profound impact on collections even before the onset of the pandemic. This tax-law effect has led to larger declines than would be predicted based on the forecasted pattern of corporate profits.

Despite real property tax growth of 3.5 percent, aggregate property tax revenues dropped 0.6 percent in FY20 and fell short of the enacted estimate by \$14.1 million. Several of the accounts within the aggregate property tax receipts failed to meet expectations, especially motor vehicle property taxes and omitted and delinquent tangible. These tax accounts were negatively influenced by collection efforts due to the pandemic. Growth is expected to moderate to 0.9 percent in the control forecast for FY21 due primarily to continued strength in the real property tax. The pessimistic projections call for growth of only 0.1 percent.

Lottery dividends totaled \$271.4 million in FY20 and narrowly exceeded the enacted estimate of \$271.0 million. The May 2020 revised estimate of \$262.4 million anticipated a weak fourth quarter of FY20 attributable to an expected fall-off in play associated with the coronavirus. While some games did fall off sharply, the federal stimulus money is believed to have injected consumers with disposable income. Thus, the Kentucky Lottery Corporation was still able to meet the enacted estimate. The FY21 estimate is also equal to the April 2020 enacted estimate of \$277.0 million despite the lingering health crisis.

Cigarette tax receipts in FY19 and FY20 were significantly impacted by the change in the rate of taxation from 60 cents per pack to \$1.10, effective July 1, 2018. Despite the tax increase, cigarette consumption has remained strong. In fact, collections in FY20 exceeded the level in FY19, bucking the national trend of declining cigarette consumption. The forecast for FY21 calls for a 2.0 percent decline in cigarette tax revenues. Since the rate of taxation will remain the same in FY21 as it was in FY19 and FY20, variations in cigarette tax receipts will be based solely on the volume of cigarette tax stamps sold to wholesalers and registered stamping agents. The forecast calls for a 2.0 percent reduction in stamp purchases in FY21. The expected nominal decline varies from the national rate of decline which has been running between 5.0 percent and 6.0 percent per year.

Coal severance tax receipts dropped sharply in FY20, declining by 36.7 percent to \$58.8 million. The FY21 forecast calls for a marginal decline of 3.9 percent to a level of \$56.5 million. If achieved, FY21 coal severance tax receipts will be \$12.0 million higher than the enacted estimate of \$44.6 million.

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” accounts totaled \$763.1 million in FY20, a sum \$5.4 million higher than the enacted estimate for the fiscal year. Each account was re-examined and the resulting forecast for FY21 sums to \$760.7 million compared to an enacted estimate of \$767.4 million. Appropriate adjustments were made to calibrate the models for effects from the coronavirus pandemic. Some accounts, like the telecommunications tax, seem to thrive as healthy-at-home initiatives have led to an increase in the purchase of video streaming and other taxable telecommunications services. Other accounts, like court fees and the pari-mutuel tax, will continue to be disrupted by the reduced hours of operation for the coming months.

Table 1A
General Fund Interim Control Forecast
\$ millions

	FY20				FY20		FY20		FY21		FY21	
	Q4		Full Year		Enacted Est.		Revised Est.		Interim		Enacted Est.	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	\$ Diff	Estimate	% Chg	Estimate	% Chg
Individual Income	1,410.2	4.1	4,765.2	4.9	4,664.4	100.8	4,526.0	239.2	4,834.0	1.4	4,770.9	0.1
Sales & Use	984.4	-5.9	4,070.9	3.4	4,129.8	-58.9	3,931.6	139.3	3,921.6	-3.7	4,190.5	2.9
Corp. Inc. & LLET	267.7	-16.5	639.2	-16.2	581.1	58.1	488.4	150.8	514.8	-19.5	545.9	-14.6
Property	48.4	-33.5	643.0	-0.6	657.1	-14.1	632.4	10.6	648.7	0.9	671.7	4.5
Lottery	70.0	-12.8	271.4	2.8	271.0	0.4	262.4	9.0	277.0	2.1	277.0	2.1
Cigarettes	87.0	-6.2	355.0	0.4	344.9	10.1	352.0	3.0	347.9	-2.0	335.2	-5.6
Coal Severance	10.7	-60.4	58.8	-36.7	55.9	2.9	62.7	-3.9	56.5	-3.9	44.6	-24.2
Other	169.9	-13.7	763.1	-3.5	757.7	5.4	736.0	27.1	760.7	-0.3	767.4	0.6
General Fund	3,048.3	-4.5	11,566.6	1.5	11,462.0	104.6	10,991.5	575.1	11,361.2	-1.8	11,603.1	0.3

Table 1B
General Fund Interim Pessimistic Forecast
\$ millions

	FY20				FY20		FY20		FY21		FY21	
	Q4		Full Year		Enacted Est.		Revised Est.		Pessimistic		Enacted Est.	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	\$ Diff	Estimate	% Chg	Estimate	% Chg
Individual Income	1,410.2	4.1	4,765.2	4.9	4,664.4	100.8	4,526.0	239.2	4,724.6	-0.9	4,770.9	0.1
Sales & Use	984.4	-5.9	4,070.9	3.4	4,129.8	-58.9	3,931.6	139.3	3,738.0	-8.3	4,190.5	2.9
Corp. Inc. & LLET	267.7	-16.5	639.2	-16.2	581.1	58.1	488.4	150.8	501.5	-21.6	545.9	-14.6
Property	48.4	-33.5	643.0	-0.6	657.1	-14.1	632.4	10.6	643.5	0.1	671.7	4.5
Lottery	70.0	-12.8	271.4	2.8	271.0	0.4	262.4	9.0	277.0	2.1	277.0	2.1
Cigarettes	87.0	-6.2	355.0	0.4	344.9	10.1	352.0	3.0	347.9	-2.0	335.2	-5.6
Coal Severance	10.7	-60.4	58.8	-36.7	55.9	2.9	62.7	-3.9	69.5	18.2	44.6	-24.2
Other	169.9	-13.7	763.1	-3.5	757.8	5.3	736.0	27.1	760.7	-0.3	767.4	0.6
General Fund	3,048.3	-4.5	11,566.6	1.5	11,462.0	104.6	10,991.5	575.1	11,062.8	-4.4	11,603.1	0.3

ROAD FUND

Road Fund revenues grew for the first three quarters of FY20 before falling sharply in the final three months due to the coronavirus pandemic. The precipitous fourth quarter decline erased all of the gains in Road Fund collections to that point as the fund ended the year 4.8 percent below FY19 levels. Looking ahead, Road Fund revenues are forecasted to improve slightly in FY21, growing 0.2 percent with the control scenario assumptions. Using the pessimistic forecast assumptions leads to a 10.3 percent decline in the Road Fund in FY21. Among the major accounts, motor fuels collections are expected to decrease slightly in both scenarios, with a 0.5 percent decline in the control forecast and a 4.8 percent decline under the pessimistic set of assumptions. The larger difference when comparing the control and pessimistic forecasts comes from the motor vehicle usage tax. In the control version, motor vehicle usage tax receipts are predicted to yield a modest increase of 1.3 percent. The pessimistic economic assumptions trigger a sharp decline of 22.1 percent in motor vehicle usage tax receipts. Estimated revenues from the motor vehicle usage tax range from an \$11.0 million excess over the official enacted estimate in the control forecast versus a \$105.7 million shortfall in the pessimistic scenario.

Total FY20 Road Fund collections were 4.8 percent, or \$74.6 million, below FY19 totals due to declines in all major accounts resulting from the novel coronavirus. Motor vehicle usage and motor fuels taxes accounted for \$46.9 million of the total decline.

Using the control model, motor fuels tax receipts are expected to decline 0.5 percent in FY21 as demand for gasoline remains relatively unchanged from last year's low level. In the pessimistic model, motor fuel taxes fall 4.8 percent, owing to the uncertainty of the pandemic. Fiscal year 2020 receipts declined by 4.1 percent after growing just 1.0 percent in the first nine months. It is anticipated that motor fuels consumption will be constrained in FY21, much like in FY20.

Motor vehicle usage taxes are forecasted to increase 1.3 percent in FY21 under the control assumptions. Collections in this account in FY20 were resilient, falling only 3.0 percent even with the impact of the pandemic. Expectations are for a similar level in motor vehicle sales in FY21 as revenues are expected to rise by only \$6.5 million over FY20 levels which would exceed the official enacted estimate by \$11.0 million. The pessimistic view, in contrast, predicts a \$105.7 million shortfall in motor vehicle tax receipts compared to the enacted estimate.

To estimate growth of the other components of the Road Fund, the Governor's Office for Economic Analysis 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 increase 2.4 percent as FY20 collections were limited by a temporary inability of taxpayers to renew licenses in person. Weight distance taxes are expected to fall 1.3 percent, motor vehicle operators' license (driver's license) taxes are forecasted to rise 27.9 percent as FY20 collections were low due to an extension of time to renew operators' licenses, and investment income collections are projected to be \$300,000. The "other" category is expected to increase 4.9 percent.

Table 2A
Road Fund Interim Control Forecast
(\$ millions)

	FY20				FY20		FY20		FY21		FY21	
	Q4		Full Year		Enacted Est.		Revised Est.		Control		Enacted Est.	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	\$ Diff	Estimate	% Chg	Estimate	% Chg
Motor Fuels	160.3	-19.0	741.6	-4.1	773.2	0.0	696.2	45.4	738.2	-0.5	786.6	1.7
Motor Vehicle Usage	99.7	-27.8	499.3	-3.0	518.6	0.8	458.1	41.2	505.8	1.3	494.8	-4.6
Motor Vehicle License	31.3	-27.3	108.6	-10.2	115.4	-4.5	105.7	2.9	111.2	2.4	118.8	2.9
Motor Vehicle Operators	0.9	-79.1	12.9	-22.3	17.1	2.8	14.0	-1.1	16.5	27.9	18.3	7.0
Weight Distance	19.8	-3.1	83.4	-0.4	83.8	0.1	73.9	9.5	82.3	-1.3	81.2	-3.1
Income on Investments	1.0	-82.0	6.7	-43.7	3.7	-69.0	6.5	0.2	0.3	-95.5	2.4	-35.1
Other	11.6	-25.7	39.0	-13.5	40.0	-11.4	35.6	3.4	40.9	4.9	41.3	3.3
Road Fund	324.6	-23.6	1,491.5	-4.8	1,551.8	-0.9	1,390.0	101.5	1,495.2	0.2	1,543.4	-0.5

Table 2B
Road Fund Interim Pessimistic Forecast
(\$ millions)

	FY20				FY20		FY20		FY21		FY21	
	Q4		Full Year		Enacted Est.		Revised Est.		Pessimistic		Enacted Est.	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	\$ Diff	Estimate	% Chg	Estimate	% Chg
Motor Fuels	160.3	-19.0	741.6	-4.1	773.2	0.0	696.2	45.4	705.7	-4.8	786.6	1.7
Motor Vehicle Usage	99.7	-27.8	499.3	-3.0	518.6	0.8	458.1	41.2	389.1	-22.1	494.8	-4.6
Motor Vehicle License	31.3	-27.3	108.6	-10.2	115.4	-4.5	105.7	2.9	108.7	0.1	118.8	2.9
Motor Vehicle Operators	0.9	-79.1	12.9	-22.3	17.1	2.8	14.0	-1.1	14.1	9.0	18.3	7.0
Weight Distance	19.8	-3.1	83.4	-0.4	83.8	0.1	73.9	9.5	81.6	-2.1	81.2	-3.1
Income on Investments	1.0	-82.0	6.7	-43.7	3.7	-69.0	6.5	0.2	0.1	-98.5	2.4	-35.1
Other	11.6	-25.7	39.0	-13.5	40.0	-11.4	35.6	3.4	38.4	-1.6	41.3	3.3
Road Fund	324.6	-23.6	1,491.5	-4.8	1,551.8	-0.9	1,390.0	101.5	1,337.7	-10.3	1,543.4	-0.5

NATIONAL OUTLOOK

The outlook for the national economy was quite bleak in the third quarter. Quarterly Economic and Revenue Report for FY20, released three months ago. Profound contractions in output, employment, and personal income, occurred at breakneck speed, which left the US economy reeling. The National Bureau of Economic Research (NBER) officially declared the current recession just four months after it began, making it the fastest-identified recession on record. In the prior three recessions, the NBER's announcement arrived, on average, 10 months after each downturn began.

Aggressive federal fiscal policy actions like the federally enhanced unemployment insurance benefits, economic impact payments to individuals and the Paycheck Protection Program have helped to mitigate the historic slowdown. Continued health setbacks are expected to instill increased caution in businesses and consumers, creating further uncertainty regarding the recession's path. Near-term cyclical growth in the outlook will continue to be driven by the pandemic's course. IHS predicts that a vaccine becomes available in mid-calendar year 2021.

Real GDP in FY21 is projected to fall by 2.5 percent. The quarterly numbers show sharper rates of decline early in the fiscal year with slow to modest improvements in each of the four fiscal quarters. First quarter GDP is projected to drop by 7.4 percent followed by a 6.7 percent decline in the second quarter. The final two quarters of FY21 get progressively better, culminating in 8.9 percent growth in the fourth quarter of FY21. Consumer spending appears to have formed a bottom. Real consumption fell 11.2 percent in the fourth quarter of FY20 on a year-over-year basis, by far the sharpest decline on record. Real consumption, which is roughly 70.0 percent of real GDP, is expected to fall only 2.1 percent in FY21. Real consumption, in theory, depends on the path of real personal income. Real personal income is projected to decline 0.6 percent in FY21 but wages and salaries are expected to grow 2.2 percent over the same period.

In the pessimistic scenario, the level of federal support for individuals and businesses remains the same as the control scenario. The primary difference between the two alternatives is a much steeper, longer contraction in consumer spending in the pessimistic scenario. Undergirding this alternative scenario is an inability to stem the increase in new cases and deaths associated with COVID-19. The new cases derail the pace of businesses reopening, makes households less confident about resuming familiar spending patterns, and greatly slows the recovery of consumer spending and investment. Consumer spending declines in the first quarter of FY21 in the pessimistic scenario, compared to a sharp increase in the same quarter for the control scenario. The recovery takes significantly longer than the control. The previous peak in GDP is not surpassed until the end of 2023, six quarters later than the control. IHS gives the pessimistic scenario a 30-percent weight compared to the 50-percent probability that the control assumptions will occur.

Other components of real GDP are expected to decline more sharply than real consumption. Real investment is expected to drop 9.9 percent as businesses hold off on making capital purchases until the pandemic situation is clearer. Weakness in business fixed investment is reflective of reduced risk-taking behavior to invest in the machines, tools and equipment that businesses purchase for use in future production of goods and services.

Real exports and real imports are both forecasted to fall off sharply, with exports dropping 9.9 percent and real imports falling 12.4 percent. In response to falling global demand and the interruption of world-wide supply chains, it does not appear that foreign demand for US exports will help the US out of the recession. Exports are expected to remain lackluster in FY21. Like exports, imports plummeted in the second calendar quarter of 2020 as the global pandemic halted trade. Declines in imports are anticipated to extend over the next three quarters as global markets slowly return to more normal patterns.

US non-farm employment fell by 11.2 percent in the fourth quarter of FY21. Full recovery in total non-farm employment, however, is not expected until the third quarter of FY22 in the control forecast. Total US non-farm employment is on track to decline by 1.4 million jobs, a drop of 0.9 percent in FY21. The unemployment rate will exceed the Federal Reserve's target, averaging 7.7 percent in FY21. Inflation is expected to remain subdued in FY21, slowing from 1.6 percent in FY20 to a meager 0.9 percent forecast for FY21. Lackluster labor markets and firms competing for reduced overall demand are expected to keep inflation at bay.

Table 3
US Economic Outlook
FY21 and FY20

	Full Year			
	FY21	FY20	Chg	% Chg
Real GDP	18,112.6	18,582.1	-469.5	-2.5
Real Consumption	12,654.8	12,928.1	-273.4	-2.1
Real Investment	2,897.3	3,215.1	-317.8	-9.9
Real Govt. Expenditures	3,311.1	3,317.3	-6.1	-0.2
Real Exports	2,111.1	2,341.9	-230.9	-9.9
Real Imports	2,832.5	3,234.4	-401.9	-12.4
Personal Income (\$ billions)	19,027.4	19,140.4	-113.0	-0.6
Wages and Salaries (\$ billions)	9,417.9	9,216.4	201.5	2.2
Transfer Receipts	3,818.0	3,818.4	-0.4	0.0
Dividends, Interest, and Rents	3,605.5	3,761.7	-156.2	-4.2
Supplements to Wages and Salaries	2,177.4	2,115.8	61.6	2.9
Proprietors' Income	1,476.5	1,646.1	-169.6	-10.3
Social Insurance	1,468.0	1,418.1	49.9	3.5
Inflation (% chg CPI)	0.9	1.6	NA	NA
Industrial Production Index (% chg)	-2.1	-4.2	NA	NA
Total Non-farm Employment (millions)	145.8	147.1	-1.4	-0.9
Manufacturing Employment (millions)	11.7	12.6	-0.9	-7.3
Unemployment Rate (%)	7.7	6.0	NA	NA
Housing Starts (millions, AR)	1.27	1.30	-0.03	-2.3

KENTUCKY OUTLOOK

The depth and speed of the fall in economic output and employment in the fourth quarter of FY20 is unparalleled. While June employment statistics were far less detrimental than initially anticipated, there is still considerable uncertainty in the Commonwealth's short-term economic outlook.

The four quarter employment outlook predicts continued weakness in the labor market. Total non-farm payroll employment is expected to contract by an additional 14,900 jobs to end FY21. See Table 4. Of the 11 supersectors, eight are forecasted to endure varying degrees of employment declines. The goods-producing sector is expected to take the brunt of the job loss in absolute and percentage terms. The decrease in goods-producing employment will account for a loss of 21,500 jobs, or a 6.4 percent drop over the outlook period. An increase in the service-providing sector only partially offsets the declines in goods-producing and government sectors.

Table 4
Kentucky Economic Outlook
FY21 and FY20

	Full Year			
	FY21	FY20	Chg	% Chg
Personal Income (\$ millions)	202,213.0	202,924.6	-711.6	-0.4
Wages and Salaries (\$ millions)	94,396.9	93,045.6	1,351.2	1.5
Transfer Receipts	57,461.7	57,117.8	343.9	0.6
Dividends, Interest, and Rents	32,743.7	33,838.2	-1,094.5	-3.2
Supplements to Wages and Salaries	25,237.1	24,652.4	584.6	2.4
Proprietors' Income	11,978.5	12,883.4	-904.9	-7.0
Social Insurance	16,430.6	15,843.0	587.6	3.7
Non-farm Employment (thousands)	1,880.1	1,895.0	-14.9	-0.8
Goods-producing	313.8	335.2	-21.5	-6.4
Construction	74.0	79.3	-5.3	-6.6
Mining	8.0	8.9	-0.8	-9.3
Manufacturing	231.7	247.1	-15.4	-6.2
Service-providing	1,260.3	1,250.9	9.4	0.8
Trade, Transportation & Utilities	396.5	391.7	4.8	1.2
Information	19.5	20.9	-1.4	-6.6
Finance	91.2	92.6	-1.4	-1.5
Business Services	210.9	214.2	-3.3	-1.6
Educational Services	287.0	281.7	5.2	1.9
Leisure and Hospitality Services	193.1	185.8	7.3	3.9
Other Services	62.1	63.9	-1.8	-2.8
Government	306.0	308.9	-2.8	-0.9

In absolute terms, manufacturing employment is anticipated to lose the most jobs over the next four quarters, losing 15,400 jobs, a 6.2 percent decline. Manufacturing employment is expected to make up 12.3 percent of total non-farm employment in FY21, ranking manufacturing employment as the fourth largest employment supersector in Kentucky. The manufacturing sector plays a key role in Kentucky's economy, producing 18.5 percent of state gross domestic product. Disruptions within the manufacturing industry have the potential to further slow economic growth within the Commonwealth.

In contrast, the service-providing sector anticipates notable growth. The service-providing sector is on track to gain 9,400 jobs, accounting for a 0.8 percent change compared to the same period one year prior. Fourth quarter annualized growth in the service-providing sector plummeted by 11.4 percentage points following the swath of business closures, shelter in place orders, and abrupt supply chain disruptions. The leisure and hospitality industry, having suffered its most brutal quarter on record in the fourth quarter of FY20, is on pace to rebound the quickest in FY21 with a net addition of 7,300 jobs, or a 3.9 percent gain. Educational services are projected to grow by 1.9 percent. Trade, transportation and utilities employment is expected to grow by 1.2 percent.

For the month of July, initial unemployment claims have not exceeded 25,000 in any given week suggesting a notable decrease of Kentuckians filing for unemployment insurance. Since March, approximately 1,140,000 Kentuckians have applied for unemployment insurance, a stark contrast to the economic climate Kentucky workers were experiencing just months prior. To provide a bit of context, 158,517 Kentuckians applied for unemployment insurance for the entirety 2019.

In the fourth quarter of FY20, Kentucky personal income rose 10.2 percent due to a 76.9 percent increase in transfer receipts income, mostly from federal COVID-19 relief payments to individuals. During that quarter, wages and salaries declined by 16.1 percent. Through FY21, Kentucky personal income is expected to decline by 0.4 percent, slightly outperforming the national average of negative 0.6 percent. The expected decline in personal income is due in large part to a reduction in dividends, interest, and rents and proprietors' income over the next four quarters. The wages and salaries component of Kentucky personal income forecast anticipates slight growth of 1.5 percent, or an increase of \$1.3 billion for FY21, compared to FY20

The pessimistic scenario in Kentucky reveals greater declines in employment, personal income, and wages and salaries. Total non-farm payroll employment is anticipated to contract 48,900 jobs to end FY21. By comparison, the employment contraction from the control scenario was 14,900 jobs. Throughout the course of FY21, Kentucky personal income is expected to decline by 5.3 percent, slightly worse than the US personal income decline of 5.0 percent. The wages and salaries component in the pessimistic scenario predicts a modest decline of 7.4 percent, a

decrease of \$6.9 billion for FY21, compared to FY20. When comparing to the control assumptions, wages and salaries range from slight growth of 1.5 percent in the control version to a 7.4 percent decline in the pessimistic view. There has traditionally been a high correlation between the wages and salaries component of personal income and the withholding component of the individual income tax as well as the sales and use tax.

REVENUE RECEIPTS

GENERAL FUND Fourth Quarter, FY20

General Fund revenues fell only 4.5 percent in the fourth quarter of FY20 even with the thousands of citizens temporarily or permanently unemployed and many businesses shuttered. The decline comes after collections had steadily increased over the first three quarters. Fourth quarter revenues totaled \$3,048.3 million, a \$143.2 million difference from the \$3,191.5 million collected in the fourth quarter of FY19. Fourth quarter collections fell in seven of the eight categories presented in this report. The lone exception was the individual income tax as shown in Table 5. Detailed information on these and other accounts is available in Appendix A.

Table 5				
Summary General Fund Receipts				
\$ millions				
	FY20	FY19	Diff	Diff
	Q4	Q4	\$	%
Individual Income	1,410.2	1,355.1	55.1	4.1
Sales & Use	984.4	1,046.0	-61.6	-5.9
Corp. Inc. & LLET	267.7	320.8	-53.1	-16.5
Property	48.4	72.7	-24.3	-33.5
Lottery	70.0	80.3	-10.3	-12.8
Cigarettes	87.0	92.7	-5.7	-6.2
Coal Severance	10.7	27.0	-16.3	-60.4
Other	170.0	196.9	-26.9	-13.7
Total	3,048.3	3,191.5	-143.2	-4.5

Individual income tax receipts rose 4.1 percent in the quarter to \$1,410.2 million on the strength of net payments with returns. Net returns were indicative of tax year 2019 taxable income which was prior to COVID-19. Withholding also grew but the increase was minimal. Declarations, or estimated payments, on the other hand, decreased in the quarter by 11.8 percent. Like the General Fund, revenue growth increased in each of the first three

quarters before weakening in the final three months. Growth rates for the quarters were 1.6, 2.3, 12.2, and 4.1 percent, respectively.

Sales and use tax revenue fell 5.9 percent in the fourth quarter of FY20 as nonessential businesses were closed or limited the number of customers in the store at one time. The fourth quarter decline interrupted a solid nine month run in which revenue had risen 6.7 percent. Receipts were \$984.4 million compared to the \$1,046.0 million collected in the fourth quarter of FY19. Growth rates for the four quarters were 7.8, 4.9, 7.6, and -5.9 percent, respectively.

Combined corporation income and limited liability entity tax (LLET) collections declined 16.5 percent in the fourth quarter of FY20. Receipts totaled \$267.7 million and were \$53.1 million less than collected a year earlier, a decline of 16.5 percent.

Property tax collections decreased \$24.3 million, or 33.5 percent, in the fourth quarter of FY20 as tangible (mostly motor vehicles) and public service property accounted for the majority of the losses. Collections in the final three months were \$48.4 million compared to \$72.7 million received in the fourth quarter of the prior fiscal year.

Lottery receipts decreased 12.8 percent, or \$10.3 million, in the fourth quarter of the year. The decline wiped out much of the \$17.7 million in gains through the first three quarters of the year.

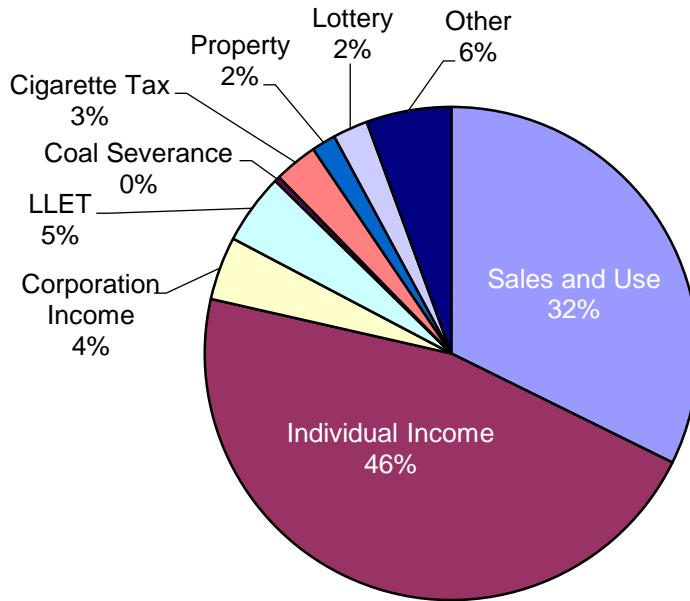
Cigarette tax revenue had its steady nine-month increase interrupted by a 6.2 percent fall in the final quarter of the FY20. Receipts of \$87.0 million were 6.2 percent less than collected in the fourth quarter of FY19. Growth rates for the four quarters were 0.1, 3.0, 5.4, and -6.2 percent, respectively.

Coal severance tax collections continued on their sharp downward path as the rate of decline accelerated over the course of the year. Tax receipts in this account fell 11.9, 25.2, 39.7, and 60.4 percent, respectively in the four quarters of FY20. Receipts in the fourth quarter were \$10.7 million which is \$16.3 million less than what was collected in the same period last year.

The “other” category encompasses the remaining General Fund taxes and fees. Collections in this account decreased 13.7 percent, or \$26.9 million over FY19 levels. Fourth quarter receipts were \$169.9 million and compare to \$196.8 million in FY19.

Figure A details the composition of fourth quarter General Fund receipts by tax type. Seventy-eight 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 and LLET taxes at nine percent followed by the “other” account at six percent. The largest components in this category include the insurance premium taxes, the bank franchise tax, and the telecommunications tax. Cigarette taxes accounted for three percent while property and lottery were each at two percent. Finally, coal severance taxes accounted for less than one percent.

**Figure A
Composition of Fourth Quarter FY20
General Fund Revenues**



**ROAD FUND
Fourth Quarter, FY20**

Road Fund receipts plummeted 23.6 percent in the fourth quarter of FY20 as the effects of the novel coronavirus severely impacted revenues. No revenue account was immune from the effects of the pandemic as all posted declines, ranging from 3.1 percent to 82.0 percent. With Kentucky effectively shut down due to the COVID-19 virus, motor fuels and motor vehicle usage tax collections were particularly hard hit in April and May. Revenues improved in June; however, collections were still negative for the month. Total receipts for the quarter totaled \$324.6 million compared to the \$424.8 million received in the fourth quarter of FY19. Summary data are contained in Table 6 and detailed data are shown in Appendix A.

Motor fuels tax receipts fell 19.0 percent, or \$37.6 million, during the fourth quarter of FY20 as collections were significantly down in each month of the quarter. To prevent the spread of the COVID-19 virus, people drove fewer miles. Receipts were \$160.3 million compared to \$197.9 million collected during the fourth quarter last fiscal year.

Motor vehicle usage tax receipts totaled \$99.7 million during the quarter, a drop of 27.8 percent. Receipts were lower by \$38.5 million compared to the same period last year. Collections in April and May fell by more than 46 percent as the effects of the COVID-19 pandemic kept people at home. However, when automobile dealerships reopened in June, revenues grew 9.6 percent.

Table 6				
Summary Road Fund Receipts				
\$ millions				
	FY20	FY19	Diff	Diff
	Q4	Q4	\$	%
Motor Fuels	160.3	197.9	-37.6	-19.0
Motor Vehicle Usage	99.7	138.2	-38.5	-27.8
Motor Vehicle License	31.3	43.0	-11.7	-27.3
Motor Vehicle Operators	0.9	4.3	-3.4	-79.1
Weight Distance	19.8	20.5	-0.6	-3.1
Income on Investments	1.0	5.3	-4.3	-82.0
Other	11.6	15.6	-4.0	-25.7
Total	324.6	424.8	-100.2	-23.6

Like motor vehicle usage tax receipts, motor vehicle license tax collections fell sharply in April and May before rebounding in June. Revenues in this account decreased 27.3 percent during the final quarter of the year. Receipts of \$31.3 million compare to \$43.0 million received during the fourth quarter of FY19.

Motor vehicle operator’s license fees totaled just under \$900,000, a \$3.4 million decrease compared to the level observed a year ago. Receipts were adversely affected both by government offices being closed as well as by a 90-day extension to renew Kentucky driver’s licenses, ID cards and permits.

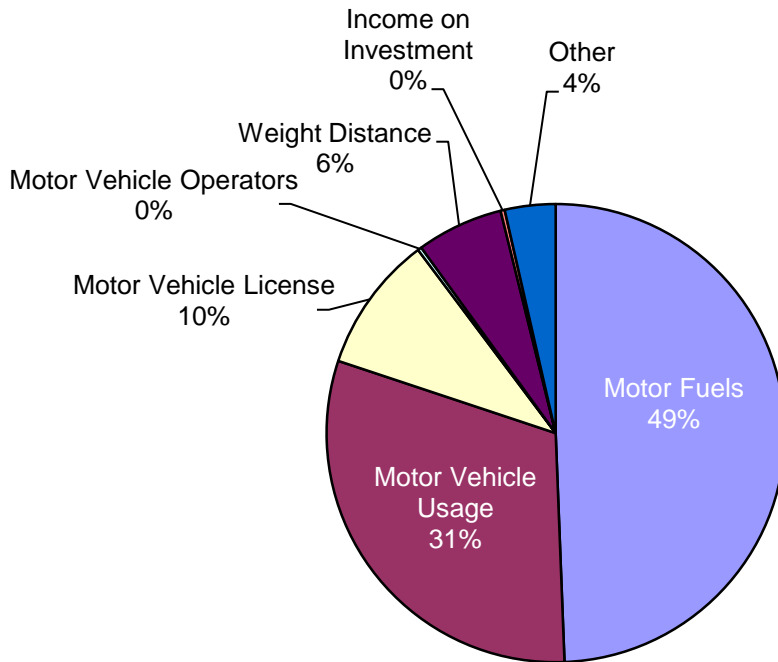
Weight distance tax receipts were only mildly affected by the novel coronavirus as revenues declined only 3.1 percent for the final quarter of the year. Collections totaled \$19.8 million compared to \$20.5 million in the prior year.

Income on investment fell \$4.3 million to \$1.0 million for the quarter. Lower balances available for investment were a primary contributor to the decline.

The remainder of the accounts in the Road Fund combined to total \$11.6 million, a decline of 25.7 percent.

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY20. Motor fuels taxes and motor vehicle usage taxes comprised 80.0 percent of Road Fund revenues in the fourth quarter. The next-largest source of revenue was the motor vehicle license tax with 10 percent, followed by weight distance taxes with six percent. The “other” category accounted for four percent while motor vehicle operators and income on investment accounted for less than one percent of the total Road Fund receipts.

**Figure B
Composition of Fourth Quarter FY20
Road Fund Revenues**



**ANNUAL TOTALS, FY20
General Fund**

General Fund receipts grew by 1.5 percent in FY20 despite the negative impacts of the coronavirus pandemic. Strong revenue receipts through the first nine months of the fiscal year were enough to weather a fourth quarter decline. Collections for FY20 were \$11,566.6 million, which is \$173.9 million more than FY19 receipts.

Revenue collections grew in the first three quarters of the fiscal year with the growth rate increasing before revenues fell in the final three months of the year. Growth rates for the four quarters of FY20 were 1.1, 4.1, 6.4, and -4.5 percent, respectively. The 4.5 percent decline in the fourth fiscal quarter was the worst quarterly decline since the Great Recession. For the year, revenue from all but four of the major accounts increased over prior year totals. The decliners were the combined corporation and LLET taxes, which was the largest decline since FY09; property, coal severance, and “other”.

Final FY20 General Fund revenues exceeded the enacted estimate by \$104.6 million with only two accounts below enacted levels. The sales and use tax was \$58.9 million less than projected while property tax revenue came in \$14.1 million short. On the positive side of the ledger, the individual income tax exceeded the enacted amount by

\$100.8 million followed by the combined corporate and LLET taxes at \$58.1 million. The remaining taxes were all close to enacted levels – combining to be within \$18.7 million of the estimate.

Individual income tax receipts increased 4.9 percent in FY20 after declining last year due to tax rate reductions passed in 2018, and was the first annual decline since FY10. Collections in this account were \$220.6 million over FY19 levels as increases in withholding and net returns offset declines in declarations and fiduciary. Growth rates for the four quarters of the individual income tax were 1.6, 2.3, 12.2, and 4.1 percent, respectively.

Sales and use tax receipts grew \$133.3 million, or 3.4 percent, in FY20. Receipts were robust throughout the first nine months of the year before declining 5.9 percent in the final quarter of the year. Quarterly growth rates were 7.8, 4.9, 7.6, and -5.9 percent, respectively. Remote and online sales tax collections totaled almost \$165 million in FY20 compared to about \$22 million in FY19.

Corporation income and LLET tax collections taken together declined 16.2 percent, or \$123.5 million, to \$639.2 million in FY20. Revenue collections from this account declined in all four quarters of the year. Growth rates for these taxes were -10.5, -3.9, -57.7, and -16.5 percent, respectively.

Total property taxes decreased 0.6 percent, or \$4.0 million, during the fiscal year. Real property tax collections were the bright spot in this account, increasing 3.5 percent for the year. These collections were generally immune from the effects of coronavirus as nearly all of the revenue was collected prior to the start of the pandemic. Tangible property, as well as omitted and delinquent receipts, both had substantial annual declines. Total property tax growth rates for the four quarters were -9.8, 1.5, 13.4, and -33.5 percent, respectively.

Lottery receipts increased 2.8 percent, or \$7.4 million, from the previous year. Receipts of \$271.4 million compare favorably to \$263.9 million remitted to the state in FY19. Lottery dividends were \$400,000 above the official enacted estimate.

Cigarette tax receipts were \$355.0 million in FY20 which exceeded the estimate by \$10.1 million. This represents an increase of 0.4 percent or \$1.5 million over prior year levels. Like many over the other taxes, the impact of the novel coronavirus can be seen the quarterly growth rates. Revenues were positive in each of the first three quarters of the year before falling in the final quarter. Quarterly growth rates for the year were 0.1, 3.0, 5.4, and -6.2 percent, respectively.

Coal severance tax collections fell 36.7 percent for the year. Revenues, however, were \$2.8 million over the official enacted estimate. Collections were negative in each quarter and the decline in collections accelerated over the course of the year. Quarterly growth rates were -11.9, -25.2, -39.7, and -60.4 percent, respectively.

The “other” category, which includes multiple taxes and fees such as insurance premium taxes, bank franchise taxes, telecommunication tax, alcohol taxes, and inheritance taxes, decreased 3.5 percent but exceeded the enacted estimate by \$5.4 million. Receipts of \$763.1 million compare to \$790.4 million collected in FY19. Quarterly growth rates for the “other” account were -23.5, 26.2, -0.3, and -13.7 percent, respectively.

Figure C details the composition of FY20 General Fund receipts by tax type. Seventy-six 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 which accounted for seven percent while property and the combined corporate and LLET taxes made up six percent. Cigarette tax made up three percent followed by lottery dividends at two percent. Finally, coal severance taxes accounted for less than one percent.

Figure C
FY20 General Fund Receipts Composition

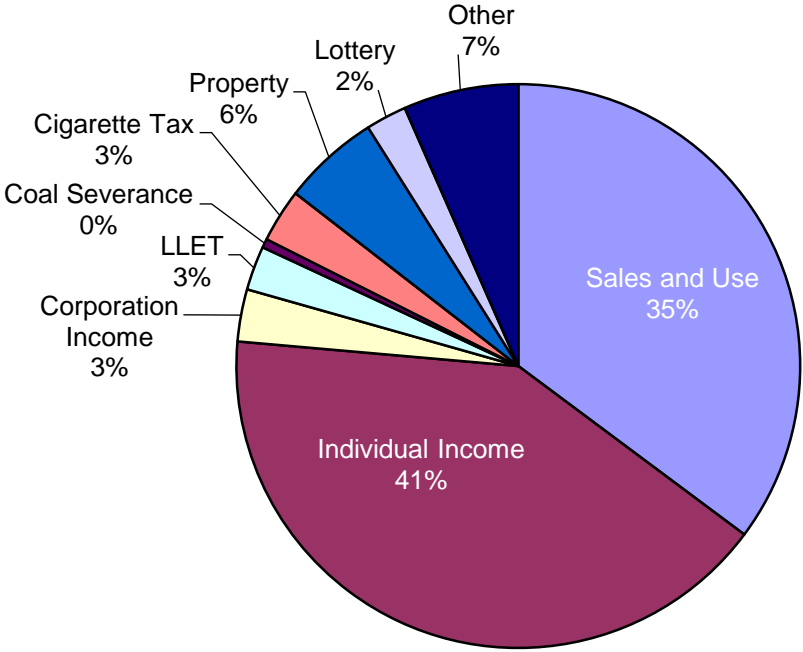


Table 7 and Figure D detail the growth rates in General Fund revenues by each fiscal quarter of FY20. Revenue collections were solid through the first three quarters of the fiscal year.

Table 7
General Fund Quarterly Growth Rates
percents

	FY20				
	Q1	Q2	Q3	Q4	Full Year
Individual Income	1.6	2.3	12.2	4.1	4.9
Sales & Use	7.8	4.9	7.6	-5.9	3.4
Corp. Inc. & LLET	-10.5	-3.9	-57.7	-16.5	-16.2
Property	-9.8	1.5	13.4	-33.5	-0.6
Lottery	3.5	20.0	4.1	-12.8	2.8
Cigarettes	0.1	3.0	5.4	-6.2	0.4
Coal Severance	-11.9	-25.2	-39.7	-60.4	-36.7
Other	-23.5	26.2	-0.3	-13.7	-3.5
Total	1.1	4.1	6.4	-4.5	1.5

Figure D
FY20 General Fund Quarterly Growth Rates
percent

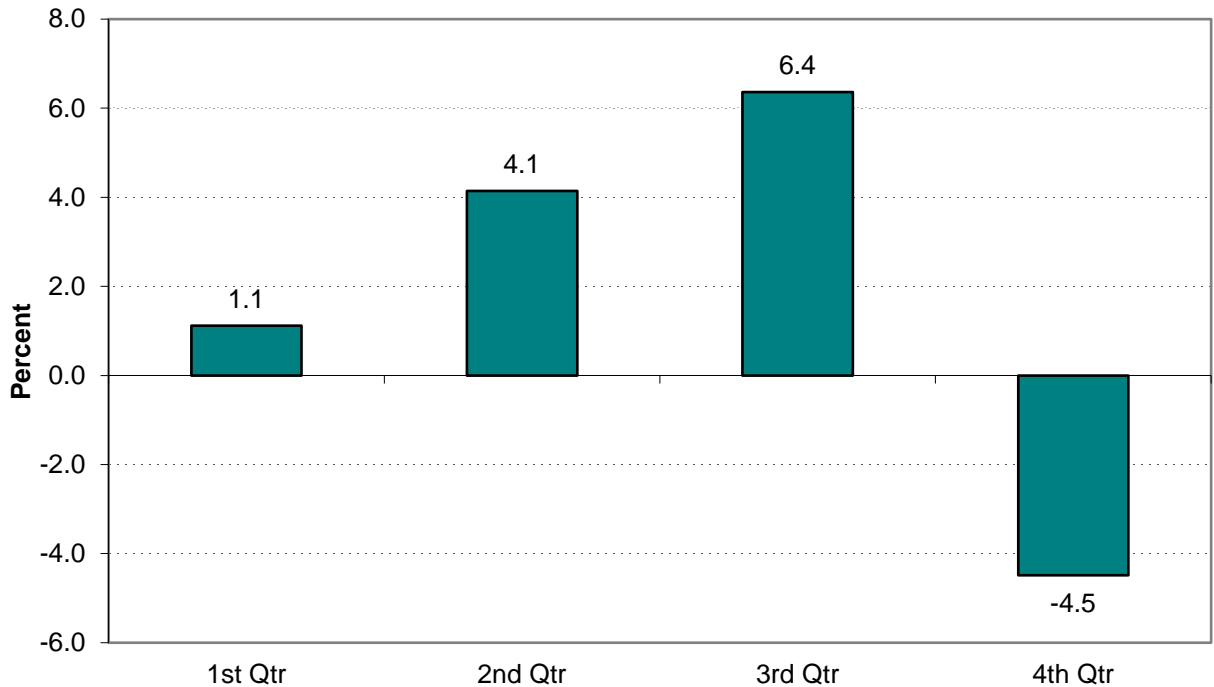


Table 8
General Fund Revenues Compared to Previous Years
\$ millions

	Full Year			Growth Rates (%)		
	FY20	FY19	FY18	FY20	FY19	FY18
Individual Income	4,765.2	4,544.7	4,603.6	4.9	-1.3	4.8
Sales & Use	4,070.9	3,937.6	3,605.7	3.4	9.2	3.5
Corp. Inc. & LLET	639.2	762.7	749.5	-16.2	1.8	-16.5
Property	643.0	647.0	621.3	-0.6	4.1	3.2
Lottery	271.4	263.9	253.0	2.8	4.3	4.7
Cigarettes	355.0	353.5	211.8	0.4	66.9	-4.3
Coal Severance	58.8	92.9	89.6	-36.7	3.6	-10.8
Other	763.1	790.4	703.7	-3.5	12.3	2.0
Total	11,566.6	11,392.7	10,838.2	1.5	5.1	3.4

Table 9
FY20 General Fund Receipts Compared to Official Estimate
\$ millions

	FY20		Difference	
	Actual	Estimate	\$	%
Individual Income	4,765.2	4,526.0	239.2	5.3
Sales & Use	4,070.9	3,931.6	139.3	3.5
Corp. Inc. & LLET	639.2	488.4	150.8	30.9
Property	643.0	632.4	10.6	1.7
Lottery	271.4	262.4	9.0	3.4
Cigarettes	355.0	352.0	3.0	0.8
Coal Severance	58.8	62.7	-3.9	-6.2
Other	763.1	736.0	27.1	3.7
Total	11,566.6	10,991.5	575.1	5.2

Table 10
General Fund Quarterly Revenue Receipts
\$ millions

	FY20				Full Year
	Q1	Q2	Q3	Q4	
Individual Income	1,134.0	1,093.0	1,128.1	1,410.2	4,765.2
Sales & Use	1,053.3	1,034.1	999.2	984.4	4,070.9
Corp. Inc. & LLET	174.3	165.5	31.7	267.7	639.2
Property	43.8	388.1	162.7	48.4	643.0
Lottery	58.5	79.4	63.5	70.0	271.4
Cigarettes	90.9	88.9	88.2	87.0	355.0
Coal Severance	17.6	14.8	15.8	10.7	58.8
Other	125.1	187.4	280.7	170.0	763.1
Total	2,697.3	3,051.1	2,769.8	3,048.3	11,566.6

ANNUAL TOTALS, FY20

Road Fund

Road Fund revenues for FY20 were \$1,491.5 million, a decrease of 4.8 percent from the previous fiscal year, as the pandemic adversely affected collections in the final quarter of the year. Road Fund collections were \$60.3 million less than the enacted estimate and \$101.5 million more than the revised estimate. Total Road Fund collections grew steadily for the first three quarters before falling sharply in the final quarter due to the coronavirus pandemic. Growth rates for the four quarters were 1.1, 1.1, 4.6, and -23.6 percent, respectively. The declines in the final quarter were enough to erase all of the gains seen over the first nine months of the year as all of the major accounts ended the year lower than FY19 levels. Road Fund collections are detailed in Table 14.

Motor fuels tax receipts were up 1.0 percent through the first three quarters of the year and then the coronavirus hit. Healthy-at-home directives as well as actions to prevent the spread of the COVID-19 virus limited travel, causing collections to fall 19.0 percent in the final three months of FY20. Quarterly growth rates for motor fuels taxes were 0.8, 0.5, 1.9, and -19.0 percent, respectively.

Motor vehicle usage taxes fell \$15.2 million, or 3.0 percent, in FY20. Collections in this account were robust for the first three quarters before plummeting in the fourth. Growth rates for the four quarters were 5.9, 3.9, 8.7, and -27.8 percent, respectively.

Weight distance tax receipts of \$83.4 million represent a decrease of 0.4 percent compared to the \$83.7 million collected in FY19.

Motor vehicle license tax receipts decreased \$12.3 million while motor vehicle motor vehicle operators' receipts declined by \$3.7 million. Income on investment fell to \$6.7 million while "other" income declined by \$6.1 million.

Road Fund collections for the year were \$60.3 million short of the enacted estimate. Six of the seven of the forecasted Road Fund accounts were below estimated levels with the exception being income on investment. The motor vehicle usage and motor fuels taxes had the largest dollar differences between actual and estimate totals. Together, they were \$50.9 million under the enacted estimate. All other accounts, taken together, were \$9.4 million below forecasted levels.

Figure E details the composition of FY20 Road Fund receipts by tax type. Eighty-three percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. Following these, the motor vehicle license tax accounted for seven percent and the weight distance tax accounted for six percent. "Other" taxes combined to account for three percent. Motor vehicle operators accounted for one percent while income on investment was less than one percent.

Figure E
Composition of FY20 Road Fund Revenues

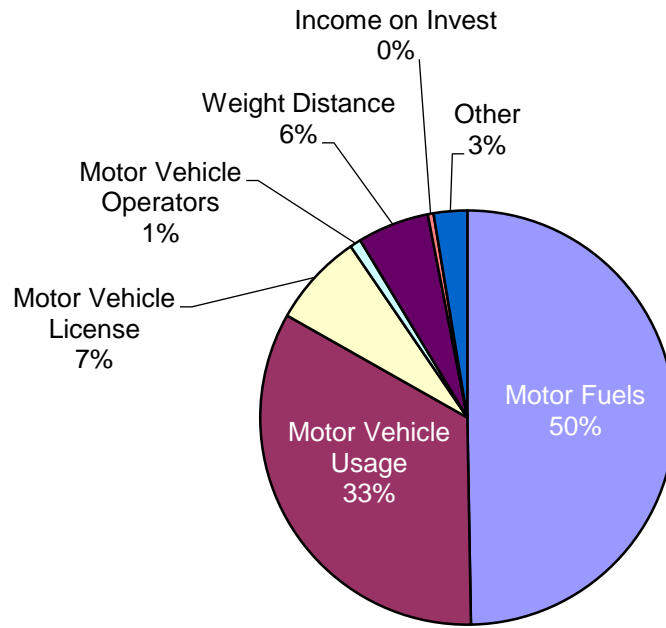


Table 11
Road Fund Quarterly Growth Rates
percents

	FY20				Full Year
	Q1	Q2	Q3	Q4	
Motor Fuels	0.8	0.5	1.9	-19.0	-4.1
Motor Vehicle Usage	5.9	3.9	8.7	-27.8	-3.0
Motor Vehicle License	-13.2	-2.6	9.7	-27.3	-10.2
Motor Vehicle Operators	-2.2	-2.1	-3.9	-79.1	-22.3
Weight Distance	1.3	0.8	-0.8	-3.1	-0.4
Income on Investments	-21.5	-43.4	11.7	-82.0	-43.9
Other	-14.4	-4.8	0.1	-25.7	-13.6
Total	1.1	1.1	4.6	-23.6	-4.8

Figure F
FY20 Road Fund Quarterly Growth Rates
 percent

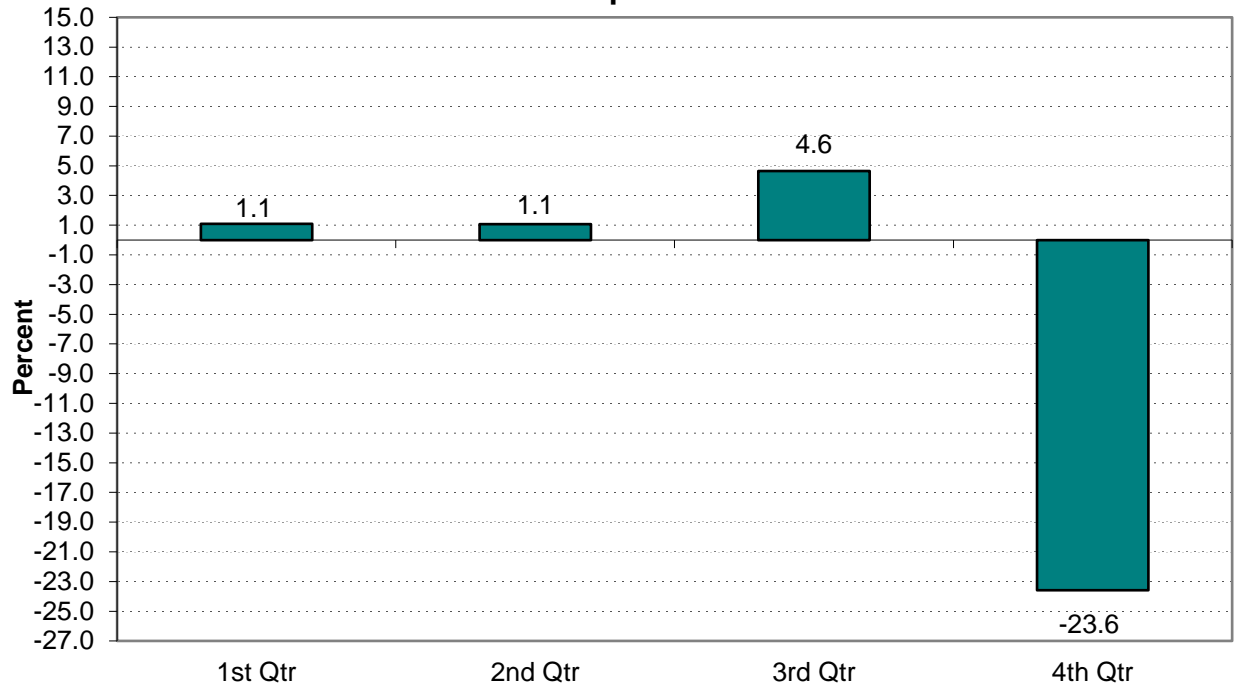


Table 12
Road Fund Revenues Compared to Previous Years
 \$ millions

	Full Year			Growth Rates (%)		
	FY20	FY19	FY18	FY20	FY19	FY18
Motor Fuels	741.6	773.2	764.9	-4.1	1.1	0.6
Motor Vehicle Usage	499.3	514.5	493.1	-3.0	4.3	-1.3
Motor Vehicle License	108.6	120.9	112.9	-10.2	7.1	0.8
Motor Vehicle Operators	12.9	16.6	16.8	-22.3	-1.0	4.2
Weight Distance	83.4	83.7	81.7	-0.4	2.5	-1.4
Income on Investments	6.7	11.9	2.8	-43.9	NA	79.4
Other	39.0	45.1	38.7	-13.6	16.5	10.2
Total	1,491.5	1,566.1	1,511.0	-4.8	3.6	0.2

Table 13
FY20 Road Fund Receipts Compared to Official Estimate
\$ millions

	FY20		Difference	
	Actual	Estimate	\$	%
Motor Fuels	741.6	696.2	45.4	6.5
Motor Vehicle Usage	499.3	458.1	41.2	9.0
Motor Vehicle License	108.6	105.7	2.9	2.8
Motor Vehicle Operators	12.9	14.0	-1.1	-7.6
Weight Distance	83.4	73.9	9.5	12.8
Income on Investments	6.7	6.5	0.2	2.9
Other	39.0	35.6	3.4	9.6
Total	1,491.5	1,390.0	101.5	7.3

Table 14
Road Fund Quarterly Revenue Receipts
\$ millions

	FY20				Full Year
	Q1	Q2	Q3	Q4	
Motor Fuels	202.8	195.3	183.1	160.3	741.6
Motor Vehicle Usage	140.9	126.9	131.8	99.7	499.3
Motor Vehicle License	20.6	21.2	35.6	31.3	108.6
Motor Vehicle Operators	4.2	4.0	3.8	0.9	12.9
Weight Distance	21.5	21.2	20.8	19.8	83.4
Income on Investments	1.5	1.1	3.2	1.0	6.7
Other	10.1	8.4	8.9	11.6	39.0
Total	401.7	378.1	387.2	324.6	1,491.5

THE ECONOMY

FOURTH QUARTER FY20

NATIONAL ECONOMY

GDP

Real Gross Domestic Product (real GDP) fell by 10.6 percent in the fourth quarter of FY20. In 1947 real GDP underwent significant changes in design and computation. Therefore it is difficult to get quarterly data prior to that date. The double-digit fourth quarter decline is the largest single-quarter decline since 1947. The next largest single-quarter decline was -3.9 percent, which occurred in the fourth quarter of FY09. This is the second adjacent-quarter decline in real GDP. The last four adjacent-quarter growth rates were 0.5, 0.5, -1.3, and -10.4 percent, respectively. A third quarter of consecutive declines is the generally accepted minimum standard for a recession. The NBER is the official arbiter of recession turning points.

CONSUMPTION

Real consumption declined by 11.2 percent in the fourth quarter of FY20. The adjacent-quarter growth rates for real consumption look very similar to the last four growth rates for real GDP: 0.8, 0.5, -1.8, and -10.7 percent, respectively. The fourth quarter drop was the largest since the fourth quarter of FY09, when real consumption dropped by a mere 2.3 percent. Real consumption is generally a monotonic increasing function, where declines are rare. In fact, during the 2001 recession, real consumption did not decline during a single quarter. Real consumption declines far less than real GDP declines. Between 1959 and the fourth quarter of FY20, real GDP declined in 22 quarters, while real consumption only declined in 14 quarters. Real consumption made up 69.4 percent of real GDP in the fourth quarter of FY20.

EMPLOYMENT

US non-farm employment declined by 11.2 percent in the fourth quarter of FY20. That is a single-quarter loss of 16.9 million jobs. All 11 supersectors experienced employment declines in the fourth quarter of FY20. The supersector hit hardest by the coronavirus event was the leisure and hospitality services sector. Leisure and hospitality employment declined by 38.4 percent in the fourth quarter of FY20. That is a net loss of 6.3 million jobs. This sector includes hotels, recreation businesses like minor league and professional sports, and restaurants. Just over a third of the total job losses occurred in these industries. The leisure and hospitality services sector made up 7.6 percent of total non-farm employment in the fourth quarter of FY20.

The second largest number of job losses occurred in the trade, transportation, and utilities sector. Trade, transportation, and utilities declined by 9.6 percent, or a net 2.7 million jobs. The trade, transportation, and utilities sector includes any services relating to motor vehicles, motor vehicle parts, furniture, construction equipment, clothing and many other categories of services. Trade, transportation, and utilities services employment made up 18.7 percent of total non-farm employment in the fourth quarter of FY20.

The unemployment rate rose to 13.0 percent in the fourth quarter of FY20, as governors acted to prevent the spread of the COVID-19 virus through the shutdown of businesses or the restriction of the number of customers who could enter those businesses. Prior to the coronavirus event, unemployment was stable and very low. The average unemployment rate during the previous eight quarters was 3.7 percent. The current unemployment rate is the highest quarterly rate of unemployment since at least 1948, when the current definition of the unemployment rate was created.

PERSONAL INCOME

Personal income rose by 8.3 percent in the fourth quarter of FY20. Every category of personal income declined in the fourth quarter except for transfer receipts income. Transfer receipts income rose substantially as the federal government passed multiple stimulus bills. Transfer receipts income rose by 75.8 percent in the fourth quarter of FY20, a net increase of \$2,394 billion. Transfer receipts income has been rising fast in almost every quarter for two decades. Transfer receipts income grew an average of 7.5 percent per year from FY01 to FY11. This was an especially high growth period for transfer income. Between FY15 and FY19, transfer receipts income was also high and grew an average of 4.4 percent per year. Transfers income grew by 24.6 percent in FY20 compared to FY19. This is by far the highest growth in transfers receipts income in history. Given the extreme growth in transfers receipts income, the share has changed significantly. In FY19, the share of transfers receipts income to total personal income was 16.8 percent. In FY20, the share of transfers receipts income to total personal income rose to 19.9 percent.

US wages and salaries income fell by 6.0 percent in the fourth quarter of FY20. The decline in wages and salaries reduced total income by a net \$561 billion. See Table 18. Prior to the coronavirus event, wages and salaries income was increasing modestly to strongly every quarter for several years. Adjacent-quarter growth for the last 10 quarters is: 1.6, 0.8, 1.1, 0.5, 2.5, 0.7, 0.4, 1.2, -0.01, and -7.5 percent, respectively. Nationally, the decrease in demand for many goods has caused a variety of responses from firms. Some firms temporarily closed or have gone out of business. The workers in those firms were all put out of work. Some firms decreased the hours of their existing employees, which in turn reduces their total wages and salaries. Some firms have cut the salaries of their existing employees and kept their hours the same, which in turn reduces their total wages and salaries. In the second quarter of

FY20, wages and salaries made up 50.0 percent of total personal income. In the fourth quarter of FY20, wages and salaries made up 43.4 percent of total personal income.

INVESTMENT

Real investment declined by 18.1 percent in the fourth quarter of FY20. Real investment has been declining for some time. The last seven quarters of adjacent-quarter growth are: 0.7, 1.5, -1.6, -0.2, -1.5, -2.6, and -14.3 percent, respectively. Real investment is a highly volatile series, where large declines are not uncommon. It is fair to describe real investment as acyclical, as these declines appear during both recessions and expansions. The fourth quarter FY20 decline is the second largest single-quarter decline in real investment history (at least since 1947 when the current identity for real GDP was created). The largest single-quarter decline occurred at the end of the 1973 recession (in the third quarter of FY75) when real investment fell 16.1 percent.

Real investment is highly susceptible to consumer sentiment. If corporations and entrepreneurs believe that demand could fall for the next two quarters, then they are motivated to reduce expenditures on capital investments and expansion. The forced closure of thousands of businesses in most states across the US has caused many businesses to make this calculation. Real investment made up 17.3 percent of real GDP in the fourth quarter of FY20.

GOVERNMENT EXPENDITURES

Real government expenditures declined by 0.3 percent in the fourth quarter of FY20. The last four quarters of adjacent-quarter growth are: 0.4, 0.6, 0.3, and -1.6 percent, respectively. It might seem counterintuitive that real government expenditures declined in light of the massive increase in some government outlays. First, government expenditures, as part of real GDP, only measures the expenditures on goods and services, not on transfers. So the increase in transfers is not measured in the real government expenditures series. Second, real government expenditures is the sum of federal, state, and local governments spending on goods and services. Federal government expenditures on goods and services were largely unaffected by the coronavirus event. However, state and local government expenditures on goods and services decreased as these governments were forced to spend less in the face of less revenues. The net effect was a small decline in real government expenditures. Real government expenditures made up 17.6 percent of real GDP in the fourth quarter of FY20.

Federal outlays increased by a massive \$3,932.8 billion in the fourth quarter of FY20. This is an 82.0 percent increase over the fourth quarter of FY19. The increases were focused in three outlay categories. The large majority of the increases (+\$2,312.7 billion) occurred in Federal Transfer Payments to Resident Persons. The next largest category of increases occurred in Subsidies, mostly aid to businesses (+1,108.1

billion). And the third category of increases occurred in Federal Grant-in-aid to State and Local Governments (+\$488.0 billion). See Table 15.

EXPORTS

Real exports decreased by 27.3 percent in the fourth quarter of FY20. That is a net decline of \$686.7 billion over the fourth quarter of FY19. Real exports have been weak over the last five quarters and have declined in three of the last five quarters. The last seven adjacent-quarter growth rates are: 0.4, 1.0, -1.4, 0.2, 0.5, -2.3, and -26.1 percent, respectively. The coronavirus event has decreased incomes and product demand all over the world and that has led to a decrease in demand for US exports. Similarly, the coronavirus event has decreased the incomes of Americans, which has caused a decrease in demand for foreign goods, which decreases US imports. US imports decreased by 23.0 percent in the fourth quarter of FY20. US imports have been weak for the last six quarters. The last seven adjacent-quarter growth rates are: 0.9, -0.4, -0.005, 0.4, -2.2, -4.2, and -18.2 percent, respectively. Real exports made up 13.1 percent of real GDP in the fourth quarter of FY20. Real imports (which are a deduction from real GDP) made up 17.4 percent of real GDP in the fourth quarter of FY20.

Table 15
US Federal Outlays
\$ billions, AR

	Fourth Quarter			
	FY20	FY19	\$ Chg	% Chg
Federal Outlays excl. Gross Investment	8,727.0	4,794.2	3,932.8	82.0
Social Security	1,080.9	1,030.5	50.4	4.9
Medicare	855.7	793.6	62.1	7.8
National Defense	706.5	676.9	29.7	4.4
Interest on Debt	574.0	605.1	-31.1	-5.1
Medicaid	526.4	420.9	105.5	25.1
Subsidies	1,169.4	61.3	1,108.1	1,808.3
Aid to Foreign Governments	55.2	49.4	5.7	11.6
Federal Transfer Payments to Resident Person	4,642.8	2,330.1	2,312.7	99.3
Grant-in-Aid to S&L Governments	1,102.0	614.1	488.0	79.5
Non-Medicaid Grants to S&L Govts	575.6	193.2	382.5	198.0

Table 16
Summary of US Economic Series
Fourth Quarter FY20 & FY19

	Fourth Quarter			
	FY20	FY19	Chg	% Chg
Real GDP	17,007.9	19,021.9	-2,014.0	-10.6
Real Consumption	11,766.6	13,250.0	-1,483.4	-11.2
Real Investment	2,806.3	3,424.7	-618.3	-18.1
Real Govt. Expenditures	3,287.4	3,296.6	-9.1	-0.3
Real Exports	1,830.7	2,517.5	-686.7	-27.3
Real Imports	2,693.1	3,498.2	-805.1	-23.0
CPI all goods (% chg)	0.4	1.8	NA	NA
CPI Food (% chg)	4.2	1.9	NA	NA
CPI Energy (% chg)	-15.9	-0.7	NA	NA
CPI Core (% chg)	1.3	2.1	NA	NA
Industrial Production Index (% chg)	-14.4	1.2	NA	NA
Working Population ¹ (millions)	260.0	258.9	1.2	0.5
Civilian Labor Force ²	158.2	163.0	-4.7	-2.9
Employed ³	137.9	157.2	-19.4	-12.3
Unemployed ⁴	20.4	5.7	14.6	255.6
Not in Labor Force ⁵	101.8	95.9	5.9	6.2
Labor Force Participation Rate ⁶ (%)	60.8	62.9	NA	NA
Unemployment Rate (%)	13.0	3.6	NA	NA
Housing Starts (millions, AR)	1.01	1.26	-0.25	-19.6

Table 17
Summary of US & KY Employment
Fourth Quarter FY20 & FY19

	US Q4 (millions)			KY Q4 (thousands)		
	FY20	FY19	% Chg	FY20	FY19	% Chg
Non-farm Employment	133.7	150.6	-11.2	1,757.7	1,938.3	-9.3
Goods-producing	19.3	21.1	-8.2	317.7	342.6	-7.3
Construction	6.9	7.5	-7.6	76.0	80.1	-5.1
Mining	0.6	0.7	-14.1	7.9	10.2	-22.6
Manufacturing	11.8	12.8	-8.2	233.7	252.3	-7.3
Service-providing	92.9	107.0	-13.1	1,137.9	1,284.3	-11.4
Trade, Transportation & Utilities	25.0	27.7	-9.6	362.9	403.8	-10.1
Information	2.6	2.9	-9.4	20.3	21.7	-6.4
Finance	8.6	8.7	-1.6	90.9	93.4	-2.6
Business Services	19.5	21.3	-8.4	201.7	215.4	-6.4
Educational Services	22.3	24.1	-7.6	270.8	282.4	-4.1
Leisure and Hospitality Services	10.2	16.5	-38.4	135.0	202.0	-33.2
Other Services	4.9	5.9	-17.4	56.2	65.5	-14.2
Government	21.4	22.6	-5.0	302.1	311.4	-3.0

KENTUCKY ECONOMY

PERSONAL INCOME

Kentucky personal income rose by 10.2 percent in the fourth quarter of FY20. This increase is entirely due to an increase in transfer receipts income. Transfer receipts income rose by 76.9 percent in the fourth quarter of FY20. That is a net increase of \$36 billion over the fourth quarter of FY19. Transfer receipts income includes payments to individuals by federal, state, and local governments and by businesses. Government payments include retirement payments, unemployment insurance, veteran benefits, Medicare, Medicaid, and federal education grants to students. Transfer receipts income was increasing significantly before the coronavirus event. The last six adjacent-quarter growth rates are: 3.0, 1.3, 1.2, 0.4, 2.9, and 69.2 percent, respectively. Transfer receipts income made up 38.7 percent of total personal income in the fourth quarter of FY20.

All other components of personal income decreased during the fourth quarter of FY20. Wages and salaries declined by 16.1 percent in the fourth quarter of FY20. This is a net decrease of \$16 billion over the fourth quarter in FY19. Kentucky wages and salaries were growing modestly before the coronavirus event. The last seven quarters of adjacent-quarter growth are: 0.8, 1.8, 0.3, 0.3, 1.4, -0.1, and -17.5 percent, respectively. Kentucky wages and salaries has been the largest component of personal income in Kentucky for many decades. Kentucky wages and salaries made up 49.2 percent of total personal income in the second quarter of FY20. After the transfers receipts income rose, and Kentucky wages and salaries fell, made up only 37.4 percent of total personal income in the fourth quarter of FY20. Transfer receipts income is now the largest component in Kentucky personal income.

EMPLOYMENT

Kentucky non-farm employment decreased by 9.3 percent in the fourth quarter of FY20. That is a decrease of 180,600 seasonally-adjusted jobs from the fourth quarter of FY19 to the fourth quarter of FY20. Kentucky non-farm employment growth has been weak for a long time. Growth in the last five quarters has dipped even closer to zero or below zero than earlier in this expansion. The last five adjacent-quarter growth rates are: -0.01, 0.2, -0.1, 0.004, and -9.4 percent, respectively.

Employment in all 11 supersectors decreased in the fourth quarter of FY20. The biggest loser in absolute and percentage terms is leisure and hospitality services employment. Leisure and hospitality services employment declined by 33.2 percent in the fourth quarter of FY20, a loss of 67,000 seasonally-adjusted jobs. Leisure and hospitality services employment made up 7.7 percent of total non-farm employment in the fourth quarter of FY20. Trade, transportation, and utilities employment was also significantly impacted by the coronavirus event. Trade, transportation, and utilities employment declined by 10.1 percent in the fourth quarter of FY20, a net loss of 40,900 jobs. Trade, transportation, and utilities employment is the largest

employment supersector in Kentucky and made up 20.6 percent of total non-farm employment in the fourth quarter of FY20.

Kentucky government employment declined by 3.0 percent in the fourth quarter of FY20. Kentucky government employment includes federal, state and local government employment in the borders of the Commonwealth of Kentucky. This is a particularly large single-quarter change in government employment. On an adjacent-quarter basis, Kentucky government employment fell by 2.9 percent. Typically, changes in government employment occur incrementally over a long period of time. In this case, 2.9 percent, or 9,000 seasonally-adjusted jobs, were lost all in the fourth quarter. For comparison, all adjacent-quarter growth rates for the last 20 quarters were between -0.9 and 0.7 percent. In the presence of the coronavirus event, many local government jobs may have been impacted. It is not clear at this time if this is a temporary phenomenon or a permanent one. Government employment made up 17.2 percent of total Kentucky non-farm employment in the fourth quarter of FY20.

Table 18
Personal Income
\$ billions, SAAR

	Fourth Quarter			
	FY20	FY19	\$ Diff	% Diff
United States				
Personal Income	20,097	18,556	1,542	8.3
Social Insurance	1,366	1,416	-50	-3.5
Residence Adjustments	0	0	0	NA
Dividends, Interest and Rents	3,674	3,794	-120	-3.2
Transfer Receipts	5,553	3,159	2,394	75.8
Wages & Salaries	8,713	9,274	-561	-6.0
Supplements to W&S	2,018	2,113	-95	-4.5
Proprietor's Income	1,506	1,633	-127	-7.8
Kentucky				
Personal Income	216	196	20	10.2
Social Insurance	15	16	0	-2.7
Residence Adjustments	-3	-3	0	7.9
Dividends, Interest and Rents	33	34	-1	-2.2
Transfer Receipts	83	47	36	76.9
Wages & Salaries	81	96	-16	-16.1
Supplements to W&S	24	24	0	-0.1
Proprietor's Income	12	12	0	-2.1

Table 19
History and Outlook
Annual Growth Rates (%)

	FY19				FY20				FY21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
United States											
Real GDP	3.1	2.5	2.7	2.3	2.1	2.3	0.3	-10.6	-7.4	-6.7	-3.7
Real Consumption	3.4	2.6	2.5	2.6	2.6	2.7	0.6	-11.2	-6.5	-6.2	-3.5
Real Investment	5.5	5.1	5.1	3.9	0.4	-1.9	-5.9	-18.1	-21.3	-16.4	-9.2
Real Government Expenditures	2.2	1.5	1.8	2.3	2.2	3.0	2.5	-0.3	-0.2	-0.4	-0.8
Real Exports	2.4	0.4	1.2	-1.7	0.2	0.3	-3.0	-27.3	-26.5	-21.2	-9.4
Real Imports	5.7	3.2	2.6	2.6	0.9	-2.1	-5.8	-23.0	-26.6	-19.9	-11.2
Personal Income	5.9	4.9	4.6	4.7	4.2	4.2	3.2	8.3	1.9	-0.6	0.6
Wage & Salary	5.2	4.0	5.0	4.8	4.1	4.8	2.3	-6.0	-2.2	-1.4	1.4
Industrial Production Index	4.9	4.0	2.9	1.2	0.2	-0.7	-2.0	-14.4	-10.2	-8.0	-3.6
Total Non-farm Employment	1.6	1.6	1.5	1.3	1.3	1.4	1.2	-11.2	-6.2	-4.7	-2.9
Manufacturing Employment	2.2	2.1	1.9	1.4	1.0	0.5	0.1	-8.2	-9.1	-9.7	-9.5
Unemployment Rate	3.8	3.8	3.9	3.6	3.6	3.5	3.8	13.0	9.3	8.3	6.9
Kentucky											
Personal Income	4.0	3.4	3.7	3.3	3.7	3.8	3.1	9.9	1.3	0.1	1.8
Wage & Salary	3.2	2.9	3.7	3.6	3.3	4.0	1.7	-16.4	-8.1	-4.9	-0.1
Non-farm Employment	0.6	0.4	0.7	0.4	0.6	0.4	0.1	-9.3	-5.4	-3.7	-2.2
Goods Producing	0.6	0.9	1.6	0.9	1.0	-0.5	-1.0	-7.3	-8.9	-8.3	-7.8
Service Providing	1.0	0.7	0.9	0.5	0.7	0.8	0.4	-11.4	-5.2	-3.1	-0.9
Government	-1.0	-1.3	-0.8	-0.8	-0.2	-0.2	-0.1	-3.0	-2.2	-1.6	-1.5

APPENDIX A

General Fund and Road Fund Revenue Receipts

Fourth Quarter FY20

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Fourth Quarter FY 2020	Fourth Quarter FY 2019	% Change	Year-To-Date FY 2020	Year-To-Date FY 2019	% Change
TOTAL GENERAL FUND	\$3,048,286,763	\$3,191,499,423	-4.5%	\$11,566,621,672	\$11,392,698,460	1.5%
Tax Receipts	\$2,952,120,161	\$3,058,801,794	-3.5%	\$11,185,135,285	\$10,988,227,884	1.8%
Sales and Gross Receipts	\$1,192,935,601	\$1,255,790,454	-5.0%	\$4,859,752,240	\$4,717,609,351	3.0%
Beer Consumption	1,512,525	1,512,973	0.0%	6,147,066	5,885,046	4.5%
Beer Wholesale	15,897,622	13,839,626	14.9%	61,686,347	56,215,810	9.7%
Cigarette	86,999,082	92,726,854	-6.2%	354,965,469	353,452,495	0.4%
Distilled Spirits Case Sales	48,461	43,077	12.5%	180,755	163,929	10.3%
Distilled Spirits Consumption	4,294,349	3,827,207	12.2%	15,928,560	14,756,577	7.9%
Distilled Spirits Wholesale	14,014,450	13,180,994	6.3%	53,860,774	49,288,861	9.3%
Insurance Premium	55,839,354	54,878,340	1.8%	168,803,965	165,476,033	2.0%
Pari-Mutuel	896,812	5,256,356	-82.9%	15,771,742	14,578,083	8.2%
Race Track Admission	0	61,070	-100.0%	143,685	214,345	-33.0%
Sales and Use	984,350,742	1,045,957,093	-5.9%	4,070,905,629	3,937,610,039	3.4%
Wine Consumption	879,998	757,800	16.1%	3,261,354	3,143,994	3.7%
Wine Wholesale	4,643,227	4,541,050	2.3%	17,837,410	17,608,228	1.3%
Telecommunications Tax	17,741,641	13,594,965	30.5%	68,074,621	55,757,372	22.1%
Other Tobacco Products	5,813,133	5,583,182	4.1%	22,133,743	22,168,888	-0.2%
Floor Stock Tax	4,204	29,872	-85.9%	51,120	21,289,650	-99.8%
License and Privilege	\$1,248,256	\$3,119,162	-60.0%	\$125,203,420	\$121,663,708	2.9%
Alc. Bev. License Suspension	31,400	81,244	-61.4%	264,150	320,000	-17.5%
Corporation License	45,972	1,691	2618.1%	83,625	62,947	32.9%
Corporation Organization	9,660	3,223	199.8%	65,992	314,310	-79.0%
Occupational Licenses	71,339	104,077	-31.5%	173,320	193,778	-10.6%
Race Track License	0	50,500	-100.0%	242,717	268,875	-9.7%
Bank Franchise Tax	995,227	2,704,803	-63.2%	123,097,210	119,821,064	2.7%
Driver License Fees	94,658	173,624	-45.5%	1,276,406	682,734	87.0%
Natural Resources	\$16,606,427	\$35,240,578	-52.9%	\$87,324,689	\$127,756,984	-31.6%
Coal Severance	10,680,372	26,993,951	-60.4%	58,820,499	92,906,947	-36.7%
Oil Production	458,897	1,465,477	-68.7%	4,591,931	5,910,918	-22.3%
Minerals Severance	4,575,510	4,704,242	-2.7%	19,425,087	18,926,560	2.6%
Natural Gas Severance	891,648	2,076,909	-57.1%	4,487,171	10,012,558	-55.2%
Income	\$1,677,943,406	\$1,675,944,575	0.1%	\$5,404,391,683	\$5,307,357,898	1.8%
Corporation	126,742,144	247,474,292	-48.8%	346,366,518	555,976,332	-37.7%
Individual	1,410,201,538	1,355,140,095	4.1%	4,765,235,522	4,544,676,175	4.9%
Limited Liability Entity	140,999,724	73,330,188	92.3%	292,789,644	206,705,391	41.6%
Property	\$48,363,659	\$72,697,418	-33.5%	\$643,046,099	\$647,009,309	-0.6%
Building & Loan Association	1,802,638	1,444,714	24.8%	1,609,784	1,701,042	-5.4%
General - Real	5,735,537	5,777,005	-0.7%	304,018,815	293,725,321	3.5%
General - Tangible	37,973,689	54,245,700	-30.0%	251,537,842	258,458,750	-2.7%
Omitted & Delinquent	(921,830)	2,091,810	---	12,184,648	20,097,838	-39.4%
Public Service	3,729,460	9,092,841	-59.0%	71,408,609	70,981,420	0.6%
Other	44,164	45,347	-2.6%	2,286,401	2,044,937	11.8%
Inheritance Tax	\$10,742,790	\$9,713,007	10.6%	\$46,322,174	\$44,434,124	4.2%
Miscellaneous	\$4,280,022	\$6,296,600	-32.0%	\$19,094,980	\$22,396,511	-14.7%
Legal Process	1,676,196	3,471,924	-51.7%	11,554,463	13,135,526	-12.0%
T. V. A. In Lieu Payments	2,496,643	2,824,676	-11.6%	6,657,123	9,251,250	-28.0%
Other	107,184	0	---	883,395	9,735	8974.4%
Nontax Receipts	\$95,228,462	\$130,731,201	-27.2%	\$363,353,087	\$393,632,360	-7.7%
Departmental Fees	5,355,535	7,209,574	-25.7%	15,286,507	17,464,180	-12.5%
PSC Assessment Fee	1,850,097	3,523,002	-47.5%	14,921,519	19,665,109	-24.1%
Fines & Forfeitures	2,491,884	5,115,009	-51.3%	15,576,601	19,960,970	-22.0%
Income on Investments	(43,025)	(1,322,291)	---	(6,147,796)	(10,553,105)	---
Lottery	70,000,000	80,300,000	-12.8%	271,363,344	263,946,017	2.8%
Miscellaneous	15,573,970	35,905,908	-56.6%	52,352,911	83,149,189	-37.0%
Redeposit of State Funds	\$938,140	\$1,966,428	-52.3%	\$18,133,300	\$10,838,216	67.3%

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Fourth Quarter FY 2020	Fourth Quarter FY 2019	% Change	Year-To-Date FY 2020	Year-To-Date FY 2019	% Change
TOTAL ROAD FUND	\$324,601,367	\$424,766,221	-23.6%	\$1,491,513,188	\$1,566,079,860	-4.8%
Tax Receipts-	\$317,964,990	\$410,899,698	-22.6%	\$1,459,053,657	\$1,527,527,150	-4.5%
Sales and Gross Receipts	\$260,022,681	\$336,108,922	-22.6%	\$1,240,878,729	\$1,287,770,861	-3.6%
Motor Fuels Taxes	160,304,099	197,939,546	-19.0%	741,601,128	773,248,338	-4.1%
Motor Vehicle Usage	99,718,583	138,169,376	-27.8%	499,277,601	514,522,523	-3.0%
License and Privilege	\$57,942,309	\$74,790,775	-22.5%	\$218,174,928	\$239,756,289	-9.0%
Motor Vehicles	31,295,158	43,031,788	-27.3%	108,626,329	120,900,980	-10.2%
Motor Vehicle Operators	891,664	4,257,647	-79.1%	12,930,555	16,631,111	-22.3%
Weight Distance	19,838,436	20,472,111	-3.1%	83,374,856	83,721,474	-0.4%
Truck Decal Fees	100,680	268,175	-62.5%	120,460	313,011	-61.5%
Other Special Fees	5,816,371	6,761,054	-14.0%	13,122,728	18,189,713	-27.9%
Nontax Receipts	\$6,719,348	\$13,776,351	-51.2%	\$32,083,175	\$36,942,367	-13.2%
Departmental Fees	4,401,800	7,231,058	-39.1%	20,315,948	20,633,454	-1.5%
In Lieu of Traffic Fines	31,755	95,180	-66.6%	282,892	410,389	-31.1%
Income on Investments	953,770	5,289,910	-82.0%	6,688,478	11,923,927	-43.9%
Miscellaneous	1,332,023	1,160,203	14.8%	4,795,857	3,974,598	20.7%
Redeposit of State Funds	(\$82,972)	\$90,172	-192.0%	\$376,356	\$1,610,343	-76.6%

APPENDIX B

Summary Statistics for General Fund Major Revenue Sources Fiscal Years 2011- 2020 (\$)

	FY11	FY12	FY13	FY14	FY15
TOTAL GENERAL FUND	8,759,442,646	9,090,954,645	9,348,326,000	9,462,035,017	9,966,630,897
Tax Receipts	8,455,775,175	8,786,626,012	8,992,372,146	9,126,466,009	9,637,987,521
Sales and Gross Receipts	3,489,069,236	3,648,803,253	3,616,732,159	3,716,809,229	3,854,700,860
Beer Consumption	6,118,817	6,125,423	6,190,085	6,226,880	6,071,389
Beer Wholesale	51,914,445	54,139,730	53,750,045	57,969,185	57,570,011
Cigarette	262,220,720	254,798,018	238,669,895	228,076,834	220,902,529
Cigarette Floor Stock	150,038	31,548	19,426	-1,887	11,502
Distilled Spirits Case Sales	-232,830	116,903	122,873	127,875	132,802
Distilled Spirits Consumption	10,942,531	11,355,027	11,962,448	11,961,270	12,468,749
Distilled Spirits Wholesale	28,175,617	29,695,678	31,911,903	33,829,202	36,471,357
Insurance Premium	128,731,563	133,069,934	139,471,024	141,638,641	146,480,663
Pari-Mutuel	4,607,322	3,600,911	4,842,847	2,421,099	2,964,884
Race Track Admission	178,957	164,223	184,269	213,958	155,426
Sales and Use	2,896,251,816	3,052,236,048	3,021,794,387	3,131,126,876	3,267,331,025
Wine Consumption	2,584,039	2,716,967	2,856,119	2,896,687	2,912,784
Wine Wholesale	13,748,696	14,102,961	14,959,504	15,523,357	16,323,658
Telecommunications Tax	62,286,497	64,919,274	68,327,915	63,897,510	63,575,235
Other Tobacco Products	21,391,009	21,730,607	21,669,418	20,901,740	21,328,845
License and Privilege	100,533,645	100,903,697	100,211,825	105,181,651	101,926,285
Alc. Bev. License & Suspension	377,550	281,375	402,958	343,952	450,542
Corporation License	10,654,547	5,330,573	-294,874	814,539	188,600
Corporation Organization	69,928	94,666	97,963	47,491	186,635
Occupational Licenses	165,753	156,845	137,311	214,153	202,297
Race Track License	262,175	272,443	264,011	291,300	247,766
Bank Franchise Tax	88,400,971	94,158,966	98,971,258	102,857,446	99,990,669
Driver License Fees	602,721	608,829	633,198	612,770	659,776
Natural Resources	342,319,441	346,050,224	269,486,287	241,988,627	220,613,349
Coal Severance	295,836,611	298,263,637	230,540,150	197,525,899	180,283,352
Oil Production	8,287,566	11,955,961	10,974,127	13,128,040	9,840,015
Minerals Severance	13,256,853	13,292,368	13,306,647	12,298,663	15,128,385
Natural Gas Severance	24,938,411	22,538,258	14,665,363	19,036,025	15,361,597
Income	3,934,302,025	4,087,239,263	4,369,839,147	4,423,722,549	4,821,410,590
Corporation	300,782,364	374,423,779	400,752,175	475,120,319	528,118,737
Individual	3,417,778,504	3,512,075,128	3,722,963,791	3,749,257,830	4,069,500,570
LLET	215,741,157	200,740,356	246,123,181	199,344,400	223,791,283
Property	514,814,972	529,566,811	558,378,328	562,428,448	563,435,472
Bank Deposits	561,375	570,776	588,098	581,157	588,914
Building & Loan Association	2,457,458	2,462,810	2,332,923	1,806,976	1,482,051
Distilled Spirits	730,146	754,636	772,733	854,637	891,761
General - Intangible	-	-	-	816	-
General - Real	247,034,036	251,285,063	257,970,441	258,284,309	259,228,298
General - Tangible	186,665,683	207,739,436	216,942,082	223,393,888	226,137,118
Omitted & Delinquent	28,140,461	16,687,591	26,972,243	21,276,527	16,237,196
Public Service	49,210,400	50,063,069	52,795,179	51,859,325	58,864,760
Other	15,412	3,431	4,629	5,807,422	5,374
Inheritance	41,350,929	41,312,904	41,326,220	45,843,849	50,975,858
Miscellaneous	33,384,927	32,749,859	36,398,182	30,491,656	24,925,107
Legal Process	20,303,600	19,977,267	19,748,614	16,792,670	15,435,811
T. V. A. In Lieu Payments	12,992,023	12,707,124	16,600,467	13,646,200	9,452,432
Other	89,304	65,468	49,101	52,786	36,863
Nontax Receipts	300,260,186	301,849,149	353,103,427	333,860,106	326,949,419
Departmental Fees	29,505,690	26,203,503	28,494,072	24,489,562	22,036,475
PSC Assessment Fee	16,266,055	7,389,549	13,205,508	17,155,431	20,829,264
Fines & Forfeitures	26,117,800	26,274,627	28,264,706	24,747,942	22,771,487
Interest on Investments	767,606	-14,535,985	711,516	(176,256)	213,267
Lottery	200,500,000	210,800,122	215,266,568	219,500,743	221,500,000
Sale of NOx Credits	36,825	22,025	50,892	104,242	27,594
Miscellaneous	27,066,209	45,695,310	67,110,164	48,038,442	39,571,333
Redeposit of State Funds	3,407,285	2,479,483	2,850,428	1,708,902	1,693,958

	FY16	FY17	FY18	FY19	FY20
TOTAL GENERAL FUND	10,338,884,795	10,477,848,874	10,838,200,084	11,392,698,460	11,566,621,672
Tax Receipts	9,988,342,493	10,132,685,779	10,497,829,798	10,988,227,884	11,185,135,285
Sales and Gross Receipts	4,062,700,426	4,086,441,364	4,211,205,101	4,717,609,351	4,859,752,240
Beer Consumption	6,557,744	6,205,443	6,069,024	5,885,046	6,147,066
Beer Wholesale	61,161,655	59,525,060	59,119,872	56,215,810	61,686,347
Cigarette	224,303,658	221,375,451	211,834,789	353,452,495	354,965,469
Cigarette Floor Stock	8,108	6,040	-3,399	21,289,650	51,120
Distilled Spirits Case Sales	136,488	153,781	155,861	163,929	180,755
Distilled Spirits Consumption	12,823,273	14,237,920	14,288,035	14,756,577	15,928,560
Distilled Spirits Wholesale	38,886,865	44,064,952	45,559,663	49,288,861	53,860,774
Insurance Premium	145,250,375	148,188,827	157,154,273	165,476,033	168,803,965
Pari-Mutuel	4,993,574	6,807,535	7,894,063	14,578,083	15,771,742
Race Track Admission	229,416	174,356	195,837	214,345	143,685
Sales and Use	3,462,704,116	3,485,215,349	3,605,661,335	3,937,610,039	4,070,905,629
Wine Consumption	3,102,163	3,084,190	3,165,448	3,143,994	3,261,354
Wine Wholesale	16,583,413	18,289,377	17,445,613	17,608,228	17,837,410
Telecommunications Tax	64,681,001	57,540,002	61,125,754	55,757,372	68,074,621
Other Tobacco Products	21,278,667	21,573,080	21,538,933	22,168,888	22,133,743
License and Privilege	111,094,998	107,690,065	117,424,507	121,663,708	125,203,420
Alc. Bev. License & Suspension	480,675	367,853	559,200	320,000	264,150
Corporation License	135,698	7,423	11,596	62,947	83,625
Corporation Organization	136,720	982,251	54,471	314,310	65,992
Occupational Licenses	289,193	229,579	216,991	193,778	173,320
Race Track License	324,375	276,596	278,500	268,875	242,717
Bank Franchise Tax	109,049,728	105,129,792	115,617,923	119,821,064	123,097,210
Driver License Fees	678,609	696,570	685,826	682,734	1,276,406
Natural Resources	149,405,136	130,063,924	122,972,027	127,756,984	87,324,689
Coal Severance	120,610,311	100,455,465	89,643,238	92,906,947	58,820,499
Oil Production	4,748,862	5,120,700	5,360,469	5,910,918	4,591,931
Minerals Severance	17,596,331	16,923,270	18,181,584	18,926,560	19,425,087
Natural Gas Severance	6,449,632	7,564,489	9,786,736	10,012,558	4,487,171
Income	5,011,709,477	5,136,952,770	5,353,058,930	5,307,357,898	5,404,391,683
Corporation	526,637,870	497,479,037	511,352,679	555,976,332	346,366,518
Individual	4,282,080,975	4,393,862,556	4,603,578,834	4,544,676,175	4,765,235,522
LLET	202,990,632	245,611,177	238,127,417	206,705,391	292,789,644
Property	577,548,052	602,095,597	621,260,307	647,009,309	643,046,099
Bank Deposits	632,587	644,459	676,071	666,267	699,983
Building & Loan Association	2,191,706	2,369,893	2,158,239	1,701,042	1,609,784
Distilled Spirits	961,388	1,020,812	1,149,557	1,372,441	1,580,059
General - Intangible	-	-	-	-	-
General - Real	268,087,934	273,935,818	283,388,656	293,725,321	304,018,815
General - Tangible	237,464,692	244,469,542	254,292,498	258,458,750	251,537,841
Omitted & Delinquent	11,991,240	15,966,205	16,274,357	20,097,838	12,184,648
Public Service	56,210,797	63,680,782	63,313,796	70,981,420	71,408,609
Other	7,708	8,087	7,133	6,230	6,360
Inheritance	51,247,149	44,699,808	48,248,219	44,434,124	46,322,174
Miscellaneous	24,637,267	24,742,251	23,660,706	22,396,511	19,094,980
Legal Process	14,479,452	13,299,585	13,035,070	13,135,526	11,554,463
T. V. A. In Lieu Payments	10,119,811	11,350,177	10,575,611	9,251,250	6,657,123
Other	38,005	92,490	50,025	9,735	883,395
Nontax Receipts	344,822,276	335,817,562	334,713,465	393,632,360	363,353,087
Departmental Fees	21,891,588	21,805,380	22,657,477	17,464,180	15,286,507
PSC Assessment Fee	14,367,915	13,784,610	16,218,175	19,665,109	14,921,519
Fines & Forfeitures	21,204,392	19,676,290	17,829,955	19,960,970	15,576,601
Interest on Investments	287,789	-1,129,875	-7,611,235	-10,553,105	-6,147,796
Lottery	241,778,429	241,627,129	253,000,000	263,946,017	271,363,344
Sale of NOx Credits	0	0	0	0	0
Miscellaneous	45,292,162	40,054,028	32,619,094	83,149,189	52,352,911
Redeposit of State Funds	5,720,026	9,345,533	5,656,821	10,838,216	18,133,300

**General Fund Growth Rates
Major Revenue Sources
Fiscal Years 2011 – 2020
(%)**

	FY011	FY12	FY13	FY14	FY15
TOTAL GENERAL FUND	6.5%	3.8%	2.8%	1.2%	5.3%
Tax Receipts	6.8%	3.9%	2.3%	1.5%	5.6%
Sales and Gross Receipts	2.7%	4.6%	-0.9%	2.8%	3.7%
Beer Consumption	-0.8%	0.1%	1.1%	0.6%	-2.5%
Beer Wholesale	0.6%	4.3%	-0.7%	7.8%	-0.7%
Cigarette	-5.7%	-2.8%	-6.3%	-4.4%	-3.1%
Cigarette Floor Stock	-45.4%	-79.0%	-38.4%	-109.7%	-709.6%
Distilled Spirits Case Sales	---	---	5.1%	4.1%	3.9%
Distilled Spirits Consumption	2.1%	3.8%	5.3%	0.0%	4.2%
Distilled Spirits Wholesale	2.4%	5.4%	7.5%	6.0%	7.8%
Insurance Premium	2.9%	3.4%	4.8%	1.6%	3.4%
Pari-Mutuel	---	-21.8%	34.5%	-50.0%	22.5%
Race Track Admission	-4.8%	-8.2%	12.2%	16.1%	-27.4%
Sales and Use	3.7%	5.4%	-1.0%	3.6%	4.4%
Wine Consumption	5.8%	5.1%	5.1%	1.4%	0.6%
Wine Wholesale	13.8%	2.6%	6.1%	3.8%	5.2%
Telecommunications Tax	-6.7%	4.2%	5.3%	-6.5%	-0.5%
Other Tobacco Products	1.3%	1.6%	-0.3%	-3.5%	2.0%
License and Privilege	31.7%	0.4%	-0.7%	5.0%	-3.1%
Alc. Bev. License Suspension	-32.8%	-25.5%	43.2%	-14.6%	31.0%
Corporation License	94.7%	-50.0%	-105.5%	-376.2%	-76.8%
Corporation Organization	-58.3%	35.4%	3.5%	-51.5%	293.0%
Occupational Licenses	-3.7%	-5.4%	-12.5%	56.0%	-5.5%
Race Track License	-3.4%	3.9%	-3.1%	10.3%	-14.9%
Bank Franchise Tax	28.0%	6.5%	5.1%	3.9%	-2.8%
Driver License Fees	1.1%	1.0%	4.0%	-3.2%	7.7%
Natural Resources	7.9%	1.1%	-22.1%	-10.2%	-8.8%
Coal Severance	8.8%	0.8%	-22.7%	-14.3%	-8.7%
Oil Production	9.6%	44.3%	-8.2%	19.6%	-25.0%
Minerals Severance	-0.1%	0.3%	0.1%	-7.6%	23.0%
Natural Gas Severance	2.3%	-9.6%	-34.9%	29.8%	-19.3%
Income	11.2%	3.9%	6.9%	1.2%	9.0%
Corporation	26.4%	24.5%	7.0%	18.6%	11.2%
Individual	8.3%	2.8%	6.0%	0.7%	8.5%
LLET	47.8%	-7.0%	22.6%	-19.0%	12.3%
Property	-0.3%	2.9%	5.4%	0.7%	0.2%
Bank Deposits	-4.8%	1.7%	3.0%	-1.2%	1.3%
Building & Loan Association	-15.9%	0.2%	-5.3%	-22.5%	-18.0%
Distilled Spirits	6.5%	3.4%	2.4%	10.6%	4.3%
General - Intangible	---	---	---	---	---
General - Real	-0.7%	1.7%	2.7%	0.1%	0.4%
General - Tangible	-3.4%	11.3%	4.4%	3.0%	1.2%
Omitted & Delinquent	12.8%	-40.7%	61.6%	-21.1%	-23.7%
Public Service	9.3%	1.7%	5.5%	-1.8%	13.5%
Other	401.9%	-77.7%	34.9%	---	-99.9%
Inheritance	11.2%	-0.1%	0.0%	10.9%	11.2%
Miscellaneous	-8.0%	-1.9%	11.1%	-16.2%	-18.3%
Legal Process	-6.9%	-1.6%	-1.1%	-15.0%	-8.1%
T. V. A. In Lieu Payments	-9.4%	-2.2%	30.6%	-17.8%	-30.7%
Other	-43.6%	-26.7%	-25.0%	7.5%	-30.2%
Nontax Receipts	-0.5%	0.5%	17.0%	-5.4%	-2.1%
Departmental Fees	-0.1%	-11.2%	8.7%	-14.1%	-10.0%
PSC Assessment Fee ⁷	28.2%	-54.6%	78.7%	29.9%	21.4%
Fines & Forfeitures	-10.1%	0.6%	7.6%	-12.4%	-8.0%
Interest on Investments	-353.2%	-1993.7%	-104.9%	-124.8%	-221.0%
Lottery	0.3%	5.1%	2.1%	2.0%	0.9%
Sale of NOx Credits	-94.1%	-40.2%	131.1%	104.8%	-73.5%
Miscellaneous	-10.4%	68.8%	46.9%	-28.4%	-17.6%
Redeposit of State Funds	-36.3%	-27.2%	-36.3%	-40.0%	-0.9%

	FY16	FY17	FY18	FY19	FY20
TOTAL GENERAL FUND	3.7%	1.3%	3.4%	5.1%	1.5%
Tax Receipts	3.6%	1.4%	3.6%	4.7%	1.8%
Sales and Gross Receipts	5.4%	0.6%	3.1%	12.0%	3.0%
Beer Consumption	8.0%	-5.4%	-2.2%	-3.0%	4.5%
Beer Wholesale	6.2%	-2.7%	-0.7%	-4.9%	9.7%
Cigarette	1.5%	-1.3%	-4.3%	66.9%	0.4%
Cigarette Floor Stock	-29.5%	-25.5%	---	---	-99.8%
Distilled Spirits Case Sales	2.8%	12.7%	1.4%	5.2%	10.3%
Distilled Spirits Consumption	2.8%	11.0%	0.4%	3.3%	7.9%
Distilled Spirits Wholesale	6.6%	13.3%	3.4%	8.2%	9.3%
Insurance Premium	-0.8%	2.0%	6.1%	5.3%	2.0%
Pari-Mutuel	68.4%	36.3%	16.0%	84.7%	8.2%
Race Track Admission	47.6%	-24.0%	12.3%	9.5%	-33.0%
Sales and Use	6.0%	0.7%	3.5%	9.2%	3.4%
Wine Consumption	6.5%	-0.6%	2.6%	-0.7%	3.7%
Wine Wholesale	1.6%	10.3%	-4.6%	0.9%	1.3%
Telecommunications Tax	1.7%	-11.0%	6.2%	-8.8%	22.1%
Other Tobacco Products	-0.2%	1.4%	-0.2%	2.9%	-0.2%
License and Privilege	9.0%	-3.1%	9.0%	3.6%	2.9%
Alc. Bev. License Suspension	6.7%	-23.5%	52.0%	-42.8%	-17.5%
Corporation License	-28.0%	-94.5%	56.2%	442.8%	32.9%
Corporation Organization	-26.7%	618.4%	-94.5%	477.0%	-79.0%
Occupational Licenses	43.0%	-20.6%	-5.5%	-10.7%	-10.6%
Race Track License	30.9%	-14.7%	0.7%	-3.5%	-9.7%
Bank Franchise Tax	9.1%	-3.6%	10.0%	3.6%	2.7%
Driver License Fees	2.9%	2.6%	-1.5%	-0.5%	87.0%
Natural Resources	-32.3%	-12.9%	-5.5%	3.9%	-31.6%
Coal Severance	-33.1%	-16.7%	-10.8%	3.6%	-36.7%
Oil Production	-51.7%	7.8%	4.7%	10.3%	-22.3%
Minerals Severance	16.3%	-3.8%	7.4%	4.1%	2.6%
Natural Gas Severance	-58.0%	17.3%	29.4%	2.3%	-55.2%
Income	3.9%	2.5%	4.2%	-0.9%	1.8%
Corporation	-0.3%	-5.5%	2.8%	8.7%	-37.7%
Individual	5.2%	2.6%	4.8%	-1.3%	4.9%
LLET	-9.3%	21.0%	-3.0%	-13.2%	41.6%
Property	2.5%	4.3%	3.2%	4.1%	-0.6%
Bank Deposits	7.4%	1.9%	4.9%	-1.5%	5.1%
Building & Loan Association	47.9%	8.1%	-8.9%	-21.2%	-5.4%
Distilled Spirits	7.8%	6.2%	12.6%	19.4%	15.1%
General - Intangible	---	---	---	---	---
General - Real	3.4%	2.2%	3.5%	3.6%	3.5%
General - Tangible	5.0%	2.9%	4.0%	1.6%	-2.7%
Omitted & Delinquent	-26.1%	33.1%	1.9%	23.5%	-39.4%
Public Service	-4.5%	13.3%	-0.6%	12.1%	0.6%
Other	43.4%	4.9%	-11.8%	-12.7%	2.1%
Inheritance	0.5%	-12.8%	7.9%	-7.9%	4.2%
Miscellaneous	-1.2%	0.4%	-4.4%	-5.3%	-14.7%
Legal Process	-6.2%	-8.1%	-2.0%	0.8%	-12.0%
T. V. A. In Lieu Payments	7.1%	12.2%	-6.8%	-12.5%	-28.0%
Other	3.1%	143.4%	-45.9%	-80.5%	8974.4%
Nontax Receipts	5.5%	-2.6%	-0.3%	17.6%	-7.7%
Departmental Fees	-0.7%	-0.4%	3.9%	-22.9%	-12.5%
PSC Assessment Fee	-31.0%	-4.1%	17.7%	21.3%	-24.1%
Fines & Forfeitures	-6.9%	-7.2%	-9.4%	12.0%	-22.0%
Interest on Investments	34.9%	---	---	---	---
Lottery	9.2%	-0.1%	4.7%	4.3%	2.8%
Sale of NOx Credits	-100.0%	---	---	---	---
Miscellaneous	14.5%	-11.6%	-18.6%	154.9%	-37.0%
Redeposit of State Funds	237.7%	63.4%	-39.5%	91.6%	67.3%

APPENDIX C

Summary Statistics for Road Fund Major Revenue Sources Fiscal Years 2011 – 2020 (\$)

	FY11	FY12	FY13	FY14	FY15
TOTAL STATE ROAD FUND	1,338,811,926	1,443,773,845	1,491,623,669	1,560,439,604	1,526,738,659
Tax Receipts-	1,315,130,011	1,416,497,670	1,471,593,789	1,535,727,564	1,501,667,661
Sales and Gross Receipts	1,114,593,981	1,207,082,330	1,265,175,199	1,329,208,128	1,283,046,179
Motor Fuels Taxes	732,826,112	790,229,379	838,344,373	886,161,042	850,276,246
Motor Vehicle Usage	381,767,869	416,852,951	426,830,826	443,047,087	432,769,932
License and Privilege	200,536,031	209,415,340	206,418,590	206,519,436	218,621,482
Motor Vehicles	97,812,587	107,836,554	102,256,080	101,879,541	107,554,129
Motor Vehicle Operators	15,736,805	15,737,651	16,049,755	16,150,032	15,958,491
Weight Distance	73,983,781	75,111,565	74,935,016	76,894,805	79,147,533
Truck Decal Fees	793,715	736,224	590,397	489,072	404,906
Other Special Fees	12,209,142	9,993,345	12,587,343	11,105,986	15,556,424
Nontax Receipts	21,932,031	26,739,794	18,023,074	22,833,411	22,358,605
Departmental Fees	18,167,778	21,879,481	17,094,723	17,368,008	17,766,834
In Lieu of Traffic Fines	779,828	769,405	702,451	544,637	465,304
Investment Income	1,995,228	3,081,180	-398,745	3,997,826	2,913,784
Miscellaneous	989,197	1,009,727	624,646	922,939	1,212,683
Redeposit of State Funds	1,749,883	536,381	2,006,806	1,880,271	2,712,394

	FY16	FY17	FY18	FY19	FY20
TOTAL STATE ROAD FUND	1,482,541,978	1,508,003,421	1,511,003,520	1,566,079,860	1,491,513,188
Tax Receipts-	1,458,382,671	1,484,228,925	1,483,223,103	1,527,527,150	1,459,053,657
Sales and Gross Receipts	1,234,432,155	1,260,348,857	1,258,070,574	1,287,770,861	1,240,878,729
Motor Fuels Taxes	750,034,840	760,514,967	764,937,870	773,248,338	741,601,128
Motor Vehicle Usage	484,397,314	499,833,891	493,132,705	514,522,523	499,277,601
License and Privilege	223,950,517	223,880,068	225,152,529	239,756,289	218,174,928
Motor Vehicles	113,114,908	111,927,466	112,850,030	120,900,980	108,626,329
Motor Vehicle Operators	16,331,496	16,120,127	16,794,541	16,631,111	12,930,555
Weight Distance	81,375,028	82,886,950	81,711,920	86,721,474	83,374,856
Truck Decal Fees	283,942	289,874	289,061	313,011	120,460
Other Special Fees	12,845,142	12,655,651	13,506,977	18,189,713	13,122,728
Nontax Receipts	23,041,935	22,938,976	26,904,635	36,942,367	32,083,175
Departmental Fees	19,308,449	19,473,809	20,951,634	20,633,454	20,315,948
In Lieu of Traffic Fines	427,255	378,757	353,405	410,389	282,892
Investment Income	2,468,620	1,581,851	2,837,474	11,923,927	6,688,478
Miscellaneous	837,611	1,504,559	2,762,123	3,974,598	4,795,857
Redeposit of State Funds	1,117,372	835,520	875,783	1,610,343	376,356

**Road Fund Growth Rates
Major Revenue Sources
Fiscal Years 2011 – 2020
(%)**

	FY011	FY12	FY13	FY14	FY15
TOTAL STATE ROAD FUND	11.0%	7.8%	3.3%	4.6%	-2.2%
Tax Receipts-	11.3%	7.7%	3.9%	4.4%	-2.2%
Sales and Gross Receipts	12.8%	8.3%	4.8%	5.1%	-3.5%
Motor Fuels Taxes	11.8%	7.8%	6.1%	5.7%	-4.0%
Motor Vehicle Usage	14.7%	9.2%	2.4%	3.8%	-2.3%
License and Privilege	4.0%	4.4%	-1.4%	0.0%	5.9%
Motor Vehicles	1.0%	10.2%	-5.2%	-0.4%	5.6%
Motor Vehicle Operators	-1.3%	0.0%	2.0%	0.6%	-1.2%
Weight Distance	4.9%	1.5%	-0.2%	2.6%	2.9%
Truck Decal Fees	16.8%	-7.2%	-19.8%	-17.2%	-17.2%
Other Special Fees	38.1%	-18.1%	26.0%	-11.8%	40.1%
Nontax Receipts	-8.1%	21.9%	-32.6%	26.7%	-2.1%
Departmental Fees	-1.7%	20.4%	-21.9%	1.6%	2.3%
In Lieu of Traffic Fines	0.0%	-1.3%	-8.7%	-22.5%	-14.6%
Investment Income	-45.1%	54.4%	-112.9%	---	-27.1%
Miscellaneous	1.9%	2.1%	-38.1%	47.8%	31.4%
Redeposit of State Funds	24.2%	-69.3%	274.1%	-6.3%	44.3%

	FY16	FY17	FY18	FY19	FY20
TOTAL STATE ROAD FUND	-2.9%	1.7%	0.2%	3.6%	-4.8%
Tax Receipts-	-2.9%	1.8%	-0.1%	3.0%	-4.5%
Sales and Gross Receipts	-3.8%	2.1%	-0.2%	2.4%	-3.6%
Motor Fuels Taxes	-11.8%	1.4%	0.6%	1.1%	-4.1%
Motor Vehicle Usage	11.9%	3.2%	-1.3%	4.3%	-3.0%
License and Privilege	2.4%	0.0%	0.6%	6.5%	-9.0%
Motor Vehicles	5.2%	-1.0%	0.8%	7.1%	-10.2%
Motor Vehicle Operators	2.3%	-1.3%	4.2%	-1.0%	-22.3%
Weight Distance	2.8%	1.9%	-1.4%	6.1%	-3.9%
Truck Decal Fees	-29.9%	2.1%	-0.3%	8.3%	-61.5%
Other Special Fees	-17.4%	-1.5%	6.7%	34.7%	-27.9%
Nontax Receipts	3.1%	-0.4%	17.3%	37.3%	-13.2%
Departmental Fees	8.7%	0.9%	7.6%	-1.5%	-1.5%
In Lieu of Traffic Fines	-8.2%	-11.4%	-6.7%	16.1%	-31.1%
Investment Income	-15.3%	-35.9%	79.4%	320.2%	-43.9%
Miscellaneous	-30.9%	79.6%	83.6%	43.9%	20.7%
Redeposit of State Funds	-58.8%	-25.2%	4.8%	83.9%	-76.6%

Glossary

Adjacent-quarter	A growth rate computed as the current quarter relative to the previous quarter.
AR	Annual Rate is the quantity of a series that would occur for the entire year, if the current period's growth were to continue for the entire year.
Civilian Labor Force	A subset of the working population who are currently employed or are actively looking for employment.
Employed	In the context of working population and civilian laborforce data, 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.
Growth rate	Unless otherwise stipulated, a growth rate is computed as the current quarter relative to the same quarter of the previous year.
Labor Force Participation Rate	The Civilian Labor Force divided by the Working Population.
Not in Labor Force	A subset of the working population who have decided not to be employed nor seek employment.
SA	Seasonally-Adjusted
SAAR	Seasonally-Adjusted Annual Rate
Unemployed	In the context of working population and civilian laborforce data, Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
Working population	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.

Tables Notes

Table 11

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 FY20 Q4 are July 2020 estimates.

Source: IHS Markit - Economics & Country Risk, July 8, 2020 data release.

¹ Working population is the group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.

² Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.

³ Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.

⁴ Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.

⁵ Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.

⁶ Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Table 12

Not Seasonally Adjusted. Data for FY20 Q4 are July 2020 estimates.

Source: IHS Markit - Economics & Country Risk, July 8, 2020 data release.

Table 14

Not Seasonally Adjusted. Data for FY20 Q4 are July 2020 estimates.

Source: IHS Markit - Economics & Country Risk, July 8, 2020 data release.

Table 17

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 Markit - Economics & Country Risk, July 8, 2020 data release.

Table 18

Not Seasonally Adjusted.

Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis MAK model, July 2020.