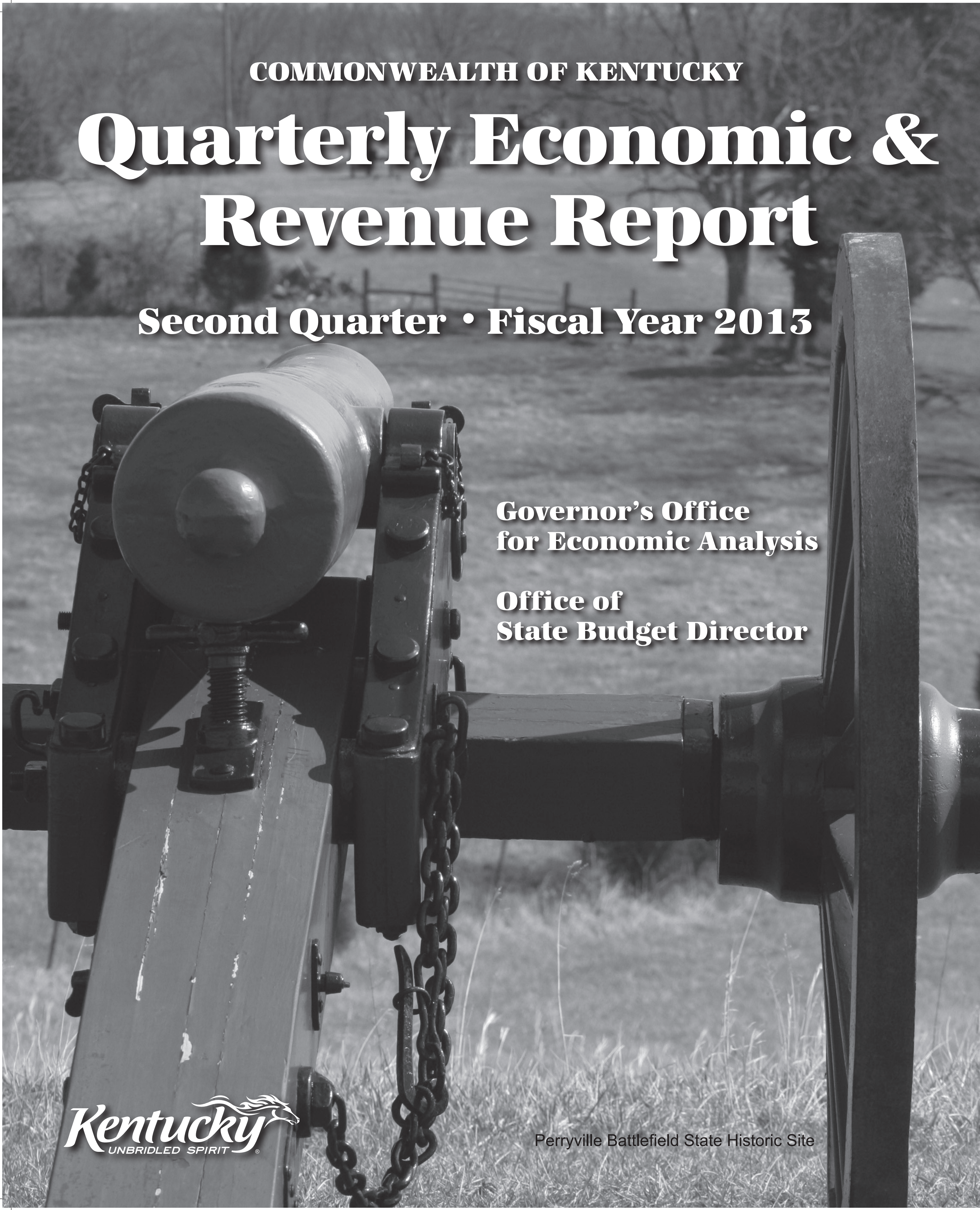
COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

Second Quarter • Fiscal Year 2013

Governor's Office
for Economic Analysis

Office of
State Budget Director



Kentucky
UNBRIDLED SPIRIT

Perryville Battlefield State Historic Site

October 8, 1862 - 150th Anniversary of the Battle of Perryville

Perryville was the largest battle fought in the State of Kentucky.

Perryville is considered the “High Water Mark” for the confederacy in the West.

At its time, Perryville was the second bloodiest battle of the Western Theater.

A severe drought in the region drew the two armies to the Perryville region.

Despite greatly outnumbering their Confederate opponent, only one of the three Union corps at Perryville was significantly engaged in the battle.

Famous confederate diarist Sam Watkins declared Perryville the “hardest fighting” that he experienced.

Small quantities of Henry repeating rifles were used at Perryville, probably the first time one was used in combat.

Two officers who fought at Perryville were fathers of significant World War Two generals.

The Perryville Battlefield has one of the first monuments, erected by the U.S. Government dedicated to the fallen Confederate soldiers.

The Perryville State Battlefield Site was established on October 8, 1954, ninety years after the battle.

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Jane C. Driskell
State Budget Director

Governor's Office for Policy and Management
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January 30, 2013

The Honorable Steven L. Beshear
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Beshear:

This Quarterly Economic and Revenue Report summarizes the revenue and economic statistics for the second quarter of Fiscal Year 2013 (FY13) as well as an unofficial interim outlook for the next three fiscal quarters.

General Fund receipts for the second quarter of FY13 totaled $2,455.5 million, an increase of 5.4 percent or $125.5 million compared to the same period in FY12. The interim General Fund forecast for the final two quarters of FY13 calls for an increase of 1.3 percent compared to the second half of FY12 resulting in an unofficial interim outlook for the entire FY13 of $9,322.0 million. The official revenue estimate for the General Fund for FY13 is $9,307.8 million. The interim outlook exceeds the official revenue projection by $14.2 million, reinforcing the revenue projections in the first quarterly report of FY13 predicting aggregate General Fund receipts on track with budgeted amounts.

The official revenue estimate for the General Fund for FY13 included estimated revenues from a Tax Amnesty Program authorized by the 2012 General Assembly. As you know, the Tax Amnesty Program occurred from October 1 through November 30, 2012, and is now being followed by enhanced compliance efforts by the Department of Revenue. Second quarter General Fund receipts include some Tax Amnesty proceeds, however final results will not be known until later this spring. Taxpayers were provided an option under the Amnesty program to pay over time, with final payments being due in May of 2013. The Department of Revenue is now working on a report of preliminary results from the Tax Amnesty program, which is not finalized at this time.

Road Fund revenue totaled $366.5 million for growth of 5.6 percent in the second quarter of FY13, marking the twelfth consecutive quarter of revenue growth in the Road Fund. The interim forecast for the Road Fund calls for muted growth in the final two quarters of FY13 with an increase of 1.8 percent over FY12. The interim estimate for FY13 is $1,480.5 million, $19.1 million below the official estimate of $1,499.6 million. Projected weakness in the fuels taxes, due to reduced fuel consumption, is the primary culprit for the anticipated revenue shortfall in the Road Fund.

Having completed the first half of FY13, we are cautiously optimistic that aggregate General Fund revenues remain on track to achieve budgeted totals. Challenges remain in the sales and severance taxes -- as well as the Road Fund where fuels taxes are slightly behind pace with the official estimates. We will continue to monitor the economic and fiscal conditions of the Commonwealth and will keep you apprised of further developments.

Sincerely,

Jane C. Driskell

Jane C. Driskell
State Budget Director

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Executive Summary

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a Quarterly Economic and Revenue Report for the second quarter of FY13. In accordance with the statutes, this report includes a current synopsis of the economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

At the end of the first quarter of FY13, the largest cloud on the horizon was the resolution of the Federal "fiscal cliff" which was poised to further disrupt the economy at the end of calendar 2012. The 'fiscal cliff' is the colloquial name for a conjunction of legislative actions which expire or begin on January 1, 2013. The legislative actions include (in order of magnitude): the expiration of the 2003 marginal tax rate reductions (i.e. the Bush tax cuts), an adjustment to the alternative minimum tax, the expiration of the payroll tax holiday (i.e. two percent increase in FICA payments), automatic cuts in discretionary spending adjustments to unemployment insurance, the introduction of several new income and excise taxes which were part of the Affordable Care Act, and the expiration of some business tax breaks.

While the brokered deal did bring some temporary closure on some tax issues, it did not fully resolve the issue of the sequestered spending cuts and leaves unresolved the full issue of raising the nation's debt ceiling. As a result, more political debate is sure to be in store over the coming quarters. Nevertheless, markets responded favorably to the clarity that was produced in the eleventh-hour legislation as some analysts feared more austere tax plans would further stunt growth in the economy.

In terms of the national economic outlook, the biggest impacts from the fiscal cliff resolution are the partial elimination of the payroll tax holiday, and the partial removal of the tax cuts enacted from 2001 to 2003.

A common theme in recent quarterly reports is the lack of a major economic demand component to emerge as the engine of growth that would propel the economy out of the current stretch of tepid growth. Overall, the economy continues to grow, but the rates of growth have yet to accelerate or even stabilize. Reasonable expectations point to consumption, exports, or business planned investment to eventually return to a stable path of post-recession growth. Instead, every quarter that hope is dashed. In keeping with that theme, the current view is for the Federal Reserve to continue its vigilant campaign of low interest rate policy, which should be helpful to the investment portion of GDP as well as the sectors related to housing.

The Federal Reserve is pursuing a policy of low interest rates, which should help spur investment growth. Unfortunately, this policy has been at best mildly successful. In general, firms are holding off on investments and waiting for a definitive improvement in demand and a better economic climate before making any long-term commitments of capital.

The previous quarterly report also noted weak performance in the labor market, and unfortunately that performance has continued in the intervening months. During the last three months, payroll employment growth has averaged less than 125,000 per month. Employment growth which is low will not keep up with the population growth. This often leads to additional unemployed or increased numbers of eligible workers who are not in the labor force. The unemployment rate has improved slightly but that was due to a decrease in the workforce, not because of rising employment.

Kentucky's economy is projected to proceed in a manner consistent, but slightly better, than the U.S. averages. The current forecast, for the remainder of FY13, calls for modest employment growth, especially in business services, with income growth outpacing employment growth – implying an uptick in wages and salaries. One significant area of concern has been the market for Kentucky coal. Coal production, utilization, and severance taxes have decreased significantly in recent quarters and have shown continued signs of weakness due to input substitution, supply side disruptions, and inventory accumulations. The dramatic expansion and availability of natural gas, coupled with pending air quality requirements have made numerous power generators re-evaluate the most economical decisions for the coming years. Power plants are shifting their structure towards more natural gas-generated electricity production.

Projected General Fund revenues for the next three quarters are shown in Table 5. As the table indicates, General Fund growth is projected to slow over the next three quarters. The second half of FY13 receipts are expected to grow by 1.3 percent compared to the second half of FY12. The receipts for the first quarter of FY14 are expected to rise by only 1.1 percent over those receipts collected in the first quarter of FY13. The slower growth projected in the second half of FY13 is a partial reflection of strong growth in the second half of FY12 which sets a higher bar to exceed in FY13.

Revenue collections grew 5.4 percent, or $125.5 million, in the second quarter of FY13 following a 2.1 percent increase in the first quarter of the year. Through the first two quarters of the fiscal year, receipts have increased 3.8 percent. Revenues have now grown in eleven consecutive quarters following five consecutive quarterly declines.

The official revenue estimate for the General Fund for FY13 included estimated revenues from a Tax Amnesty Program authorized by the 2012 General Assembly. The Tax Amnesty Program occurred from October 1 through November 30, 2012, and is now being followed by enhanced compliance efforts by the Department of Revenue. Second quarter General Fund receipts include some Tax Amnesty proceeds, however final results will not be known until later this spring.

Variations in the quarterly receipts are often affected by differences in the timing of payments into revenue accounts. While timing differences were not as prevalent as in the past, property tax receipts continue to be particularly sensitive to timing fluctuations. As the forecast for the remainder of the year reflects, property tax growth will abate in the second half of the year due to the timing of annual filers and the corresponding local distributions.

Growth in Road Fund revenues is forecasted to slow over the final six months of the fiscal year, increasing only 1.8 percent compared to growth of 3.4 percent in the first two quarters of FY13. Revenues are expected to rebound in the first quarter of FY14, increasing 6.6 percent.

Motor fuels tax collections are forecasted to grow 5.8 percent over the final six months of FY13. This is due principally to a continuation of the long-term trend of declining motor fuels consumption. Taxable gallons have declined an average of just over one percent annually for the past seven years. Declining consumption has been offset by an increasing tax rate, keeping revenue growth at a moderate level. In FY13, the motor fuels tax rate has been or will be at its statutory maximum for the first three quarters and is expected to remain there for the final quarter. Growth in this revenue source will continue in the first quarter of FY14, rising 7.3 percent, but projections are particularly tentative due to the proximity of the statutory average wholesale price to prevailing market values.

Revenue Receipts
Second Quarter FY13

GENERAL FUND

Revenue collections grew 5.4 percent, or $125.5 million, in the second quarter of FY13 following a 2.1 percent increase in the first quarter of the year. Through the first two quarters of the fiscal year, receipts have increased 3.8 percent. Revenues have now grown in eleven consecutive quarters following five consecutive quarterly declines.

Second quarter gains were primarily driven by improvements in individual income, property, and the limited liability entity tax (LLET). Total receipts in the second quarter totaled $2,455.5 million compared to $2,329.9 million received in the second quarter of FY12. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these and other accounts is available in the Appendix.

Table 1
Summary General Fund Receipts
Second Quarter, FY13, $ millions

	FY13	FY12	Diff ($)	Diff (%)
Individual Income	911.2	843.0	68.2	8.1
Sales and Use	751.2	742.6	8.6	1.2
Property	331.4	279.0	52.3	18.8
Corporation Income	81.9	94.5	-12.6	-13.3
Coal Severance	56.6	79.7	-23.1	-28.9
Cigarette Taxes	60.9	60.3	0.6	1.0
LLET	60.9	38.2	22.7	59.4
Lottery	53.3	55.5	-2.2	-4.0
Other	148.1	137.1	11.1	8.1
Total	**2,455.5**	**2,329.9**	**125.5**	**5.4**

Variations in the quarterly receipts are often affected by differences in the timing of payments into revenue accounts. While timing differences were not as prevalent as in the past, property tax receipts continue to be particularly sensitive to timing fluctuations. As the forecast for the remainder of the year will show later in this report, property tax growth will abate in the second half of the year due to the timing of annual filers and the corresponding local distributions. The due-date for timely paid real property tax payments is December 31st of each year. The late due date creates timing differences as payments are transferred from the county sheriff offices to the state account.

Individual income tax posted receipts of $911.2 million compared to last year's second quarter receipts of $843.0 million. The resulting growth rate was 8.1 percent, and compares to a growth rate of 1.7 percent for the second quarter of last year.

Total sales and use tax receipts for the quarter were $751.2 million, compared to $742.6 million in the second quarter of FY12. Year-to-date sales tax receipts have increased a tepid 0.1 percent.

Second-quarter property tax receipts posted revenues that were $52.3 million more than the second quarter of FY12. The difference is due mainly to timing issues discussed above. FY13 second-quarter receipts of $331.4 million compare with $279.0 million from the second quarter of FY12.

Combined corporation income and (LLET) receipts were up in the second quarter of the fiscal year. Revenues of $142.8 million were 7.6 percent more than the year-earlier figure of $132.7 million.

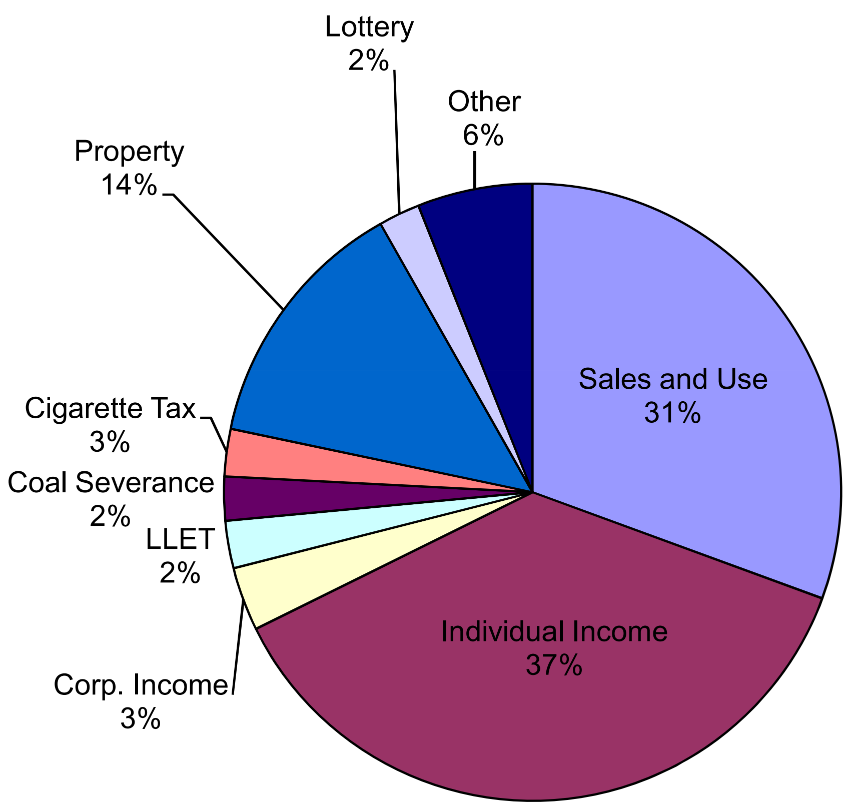
Coal severance tax revenue continued the downward trend in the second quarter as receipts fell 28.9 percent. Collections of $56.6 million compare to the FY12 second quarter total of $79.7 million. The downward trend in many energy prices has led to quarterly declines in the oil production tax and the natural gas severance tax.

Cigarette tax receipts of $60.9 million in the second quarter of FY13 increased slightly compared to last year's total of $60.3 million. Year-to-date, cigarette tax receipts have fallen 4.2 percent due to lower sales, but the $1.00 per pack tax increase in Illinois should lead to some increased border sales in that region of Kentucky.

Lottery receipts were $53.3 million, which were 4.0 percent below last year's second-quarter total of $55.5 million.

The "Other" category, which represents the remaining accounts of the General Fund, increased 8.1 percent in the second quarter. Second quarter receipts for FY13 were $148.1 million compared to $137.1 million in FY12.

Figure 1
General Fund Receipts Composition
Second Quarter, FY13



ROAD FUND

The Road Fund reported growth of 5.6 percent in the second quarter of FY13. Receipts totaled $366.5 million and compare to $347.1 million from the second quarter of last year. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Motor fuels tax receipts were $215.6 million for the quarter and compare to $199.6 million collected during the second quarter of last year. The 8.0 percent growth is due primarily to the automatic adjustment to the fuels tax rate prescribed in KRS 138.210 (10) and KRS 138.220(1), which created a 2.1 cent-per-gallon increase in the variable rate on motor fuels. For gasoline, the total tax rate increased by 7.6 percent.

Motor vehicle usage tax increased 7.1 percent in the second quarter. Receipts during the second quarter of FY13 totaled $100.0 million and compare to $93.3 million collected during the same period last year. The strong growth in this account is the result of an increase in the value of motor vehicle sales.

Motor vehicle license tax receipts decreased 21.4 percent in the second quarter of FY13 to $17.7 million compared to $22.5 million during the second quarter of FY12.

Motor vehicle operators' license tax receipts were $3.9 million in the second quarter of FY13 an amount unchanged from the prior year.

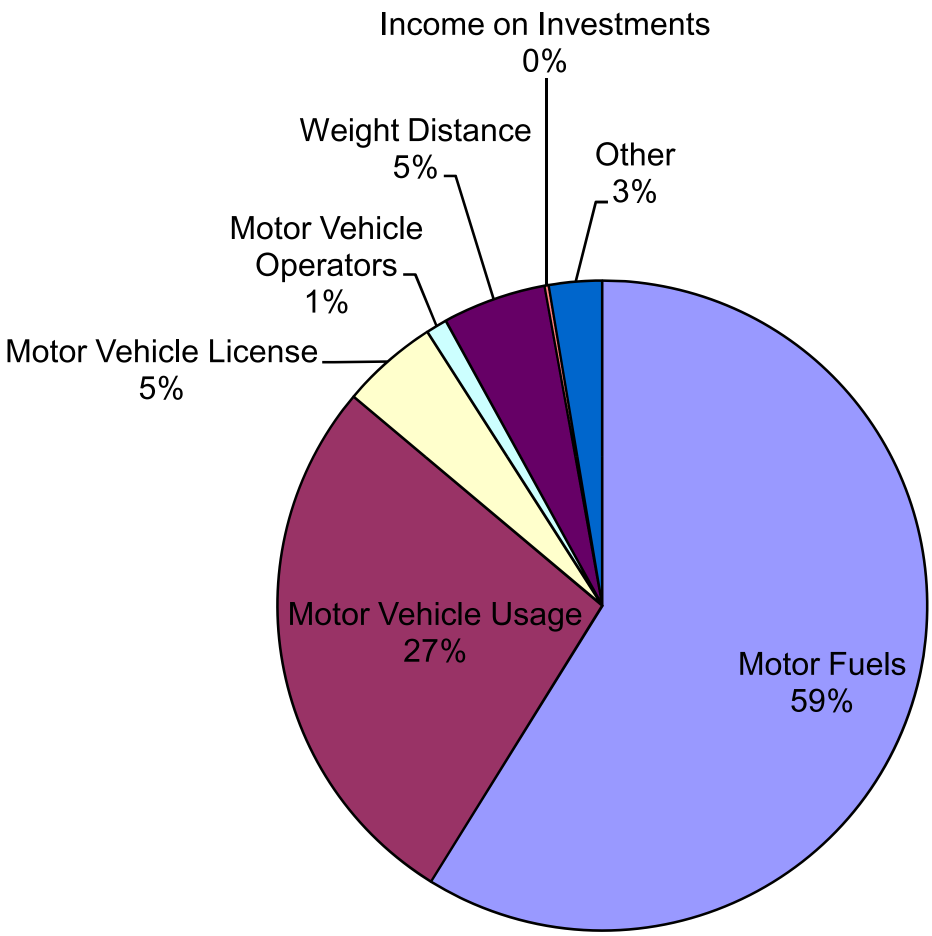
Weight distance tax receipts of $18.9 million represent a 0.6 percent decrease compared to receipts of $19.0 million during the second quarter of FY12.

The remainder of the accounts in the Road Fund combined for an increase of 11.1 percent from a year earlier. In the "Other" category, revenues of $9.7 million compare to $8.7 million in the second quarter of FY12.

Table 2
Summary Road Fund Receipts
Second Quarter, FY13, $ millions

	FY13	FY12	Diff ($)	Diff (%)
Motor Fuels	215.6	199.6	16.0	8.0
Motor Vehicle Usage	100.0	93.3	6.7	7.1
Motor Vehicle License	17.7	22.5	-4.8	-21.4
Motor Vehicle Operators	3.9	3.9	0.0	0.5
Weight Distance	18.9	19.0	-0.1	-0.6
Income on Investments	0.8	0.2	0.6	308.1
Other	9.7	8.7	1.0	11.1
Total	**366.5**	**347.1**	**19.3**	**5.6**

Figure 2
Road Fund Receipts Composition
Second Quarter, FY13



The Economy
Second Quarter FY13

NATIONAL ECONOMY

Real gross domestic product (real GDP) is the most encompassing measure of the national economy. It measures the sum of all goods and services sold within a country's physical boundaries in a given year. Real GDP is composed of five components: consumption, investment, government expenditures, imports and exports. Real GDP grew 1.6 percent in the second quarter (see Table 3). Growth, while positive for the last five quarters, has been tapering since the second quarter of FY12. Real GDP grew by only 0.1 percent compared to the first quarter of FY13.

Real consumption, which makes up 70.7 percent of real GDP, grew by 1.7 percent in the second quarter. Real consumption contributed the greatest amount in absolute terms to real GDP in the second quarter adding $165.2 billion to real GDP compared to the second quarter of FY12. Despite the significant contribution to nominal GDP growth, the rate of consumption growth has also slowed. In the second quarter of FY13, real consumption grew 0.4 percent over the first quarter of

Table 3
Summary of US Economic Series
Second Quarters of FY13 & FY12

	Second Quarter			
	FY13	FY12	$ Chg	% Chg
Real GDP	13,655.3	13,441.0	214.3	1.6
Real Consumption	9,654.6	9,489.3	165.2	1.7
Real Investment	1,925.6	1,867.3	58.3	3.1
Real Govt. Expenditures	2,481.5	2,502.7	-21.2	-0.8
Real Exports	1,861.1	1,799.3	61.8	3.4
Real Imports	2,261.5	2,217.3	44.2	2.0
Personal Income ($ billions)	13,543.6	13,017.4	526.2	4.0
Inflation (% chg of CPI)	1.9	3.3	NA	NA
Industrial Production Index (% chg)	1.9	4.1	NA	NA
Civilian Labor Force (millions)	155.6	154.0	1.7	1.1
Total Non-farm Employment (millions)	133.9	132.0	1.9	1.4
Manufacturing Employment (millions)	12.0	11.8	0.2	1.6
Unemployment Rate (percent)	7.9	8.7	NA	NA

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY13 Q2 are December 2012 estimates.
Source: IHS Global Insight Inc., December 10, 2012 data release

FY13. The slowing started in the second quarter of FY11, when adjacent quarter growth was 1.0 percent.

Real investment is more volatile than consumption and made up 14.1 percent of real GDP in the second quarter. Real investment grew 3.1 percent in the second quarter. The 2007 recession had a significant impact on real investment. From the previous peak in the third quarter of FY06 to the trough in the first quarter of FY10, real investment fell by $871.5 billion, a 38.5 percent net decline. Despite the low rates of interest, real investment has still not fully recovered. Real investment has only regained 60.9 percent of the recession losses since the trough. Real investment growth has stalled in the second quarter of FY13, declining 0.2 percent compared to the first quarter of FY13.

Real government expenditures, which make up 18.2 percent of real GDP, declined by 0.8 percent in the second quarter. This is the ninth consecutive decline in annual terms. Coincidentally, real GDP fell by 0.8 percent compared to the first quarter of FY13 as well. This is the tenth decline in the last 12 quarters on an adjacent-quarter basis for real government expenditures. It is normal for government expenditures to fall during the expansion period following a recession — unemployment insurance, transfer payments, and stimulus spending decline.

Real exports, which make up 13.6 percent of real GDP, grew by 3.4 percent in the second quarter. The rate of real export growth has slowed in the last 10 quarters. In the second quarter of FY10, real exports grew by 5.5 percent over the first quarter of FY10. Adjacent-quarter growth in the second quarter of FY13 was 0.8 percent. This is low by historical standards.

In summary, the US, as measured by real GDP, is in a state of expansion. Real GDP growth improved in the second quarter of FY12, but has now tapered back down to only 0.1 percent growth (not annualized) over the previous quarter. This is very low in historical terms. Real GDP has yet to actualize the rapid growth which is common in the periods immediately following a trough. All real GDP components can be characterized as weak or slowing.

US personal income grew by 4.0 percent in the second quarter. Second quarter growth was a considerable improvement over the first quarter growth. Personal income grew 1.1 percent compared to the first quarter, while personal income in the first quarter grew 0.5 percent over the fourth quarter of FY12. Quarterly personal income growth has been below one percent for five of the last seven quarters.

The civilian labor force grew by 1.1 percent over the second quarter of FY12. The civilian labor force grew by 0.5 percent over the first quarter. This is solid growth for the civilian labor force, which moves slowly and rarely by large amounts. However, this solid growth is potentially misleading. The civilian labor force is the total number of working age persons who are actively working or looking for work during a given time period. The labor force participation rate is the ratio of the labor force to the number of persons who are of working age. That is, it is a measure of the eligible workforce in the population. People choose to enter or exit the labor force for many reasons.

The labor force participation rate provides subtle but useful insights into the economy, which aggregate labor force data alone cannot relate. The labor force participation rate rose steadily from 1963 to March 2000, when it peaked at 67.3 percent of the eligible population. The labor force participation declined steadily until 2005. The rate plateaued for the next four years right around 66.0 percent. Labor force participation rate has been in a state of steady decline since August 2008. The current labor force participation rate is 63.6 percent. The participation rate change is largely attributable to changes in female labor force participation. Male participation has been declining consistently since 1960, with that pattern unchanged over the last four years. Female participation, on the other hand, reached a peak in approximately 2000, then slightly declined for nearly eight years, took a small dip around 2004, plateaued for four years, and resumed falling again from 2008 to the present. In short, the historic increases in female participation rate had been bolstering the total labor force participation rates for many years. Now that female participation has turned downward, the total labor force participation rate is falling too.

KENTUCKY ECONOMY

Kentucky personal income grew by 4.5 percent in the second quarter. Quarter to quarter growth has been somewhat volatile for many quarters. Over the last 10 quarters,

Table 4
Summary of Kentucky Economic Series
Second Quarters of FY13 & FY12

	Second Quarter			
	FY13	FY12	Chg	% Chg
Personal Income ($ millions)	156,340.6	149,579.0	6,761.6	4.5
Wages and Salary Income ($ millions)	78,222.9	75,687.0	2,535.9	3.4
Non-farm Employment (thousands)	1,833.9	1,799.5	34.4	1.9
Goods Producing (thousands)	306.6	303.8	2.8	0.9
Construction	67.1	66.7	0.4	0.6
Mining	22.2	22.3	-0.1	-0.5
Manufacturing	217.4	214.8	2.5	1.2
Service Providing (thousands)	1,199.9	1,168.1	31.9	2.7
Trade, Transportation & Utilities	370.4	366.6	3.8	1.0
Information	27.0	26.6	0.4	1.4
Finance	84.0	83.7	0.3	0.4
Business Services	209.1	192.4	16.7	8.7
Educational Services	261.6	258.1	3.5	1.4
Leisure and Hospitality Services	176.7	170.6	6.1	3.6
Other Services	71.2	70.1	1.1	1.5
Government (thousands)	327.4	327.7	-0.3	-0.1

Not Seasonally Adjusted. Data for FY13 Q2 are December 2012 estimates.
Source: IHS Global Insight Inc. and Governor's Office for Economic Analysis MAK model

personal income growth has gone from a low of 0.4 percent growth to 3.1 percent growth, back down to 0.4 percent before jumping to 2.1 percent and then subsiding again to 0.4 percent. Adjacent-quarter growth is currently a solid 1.0 percent, which is similar to US personal income growth.

Kentucky non-farm employment grew by 1.9 percent in the second quarter compared to the second quarter of FY12. Much of that growth occurred in the third quarter of FY12. Employment was lackluster in the other intervening quarters. In fact, second quarter employment was essentially flat compared to the first quarter of FY13.

The lion's share of the non-farm employment growth occurred in business services employment, which grew by 8.7 percent over the second quarter of FY12. This is a net increase of 16,700 jobs. Business services accounted for both the highest absolute and percentage increase among the supersectors. The service sectors performed better than all three goods-producing employment sectors during the second quarter.

Mining employment suffered the worst losses in the second quarter. Mining employment declined by 100 workers in the second quarter, a decline of 0.5 percent, and the outlook remains somewhat bleak. Nine of the 11 employment sectors gained jobs in the second quarter. The only other sector which lost jobs was the government employment sector in Kentucky, which lost 300 jobs, a 0.1 percent decline. Government employment includes state and local government employment.

Kentucky manufacturing employment fell by 1.3 percent in the second quarter over the first quarter, a loss of 2,800 jobs. Solid growth in the fourth quarter of FY12 helps mask weak growth over the last five quarters. As a result, Kentucky manufacturing employment never reached a trough during the 2001 recession. Kentucky's manufacturing employment did not experience a recovery following the 2001 recession. In fact, there were only a few quarters in the period from 2001 and the onset of the 2007 recession where manufacturing employment did not fall. Between the third quarter of FY06 and the third quarter of FY10, Kentucky manufacturing employment lost 57,100 jobs, a 21.7 percent net decline. In the 11 quarters following that trough, manufacturing employment has increased in nine of those 11 quarters, resulting in a net increase of 11,300 jobs since the third quarter of FY10. This is the first sustained period of growth for Kentucky manufacturing employment since 1999.

Interim Outlook

GENERAL FUND

The official General Fund estimate for FY13 is $9,307.8, an increase of 2.4 percent over FY12 collections. The official estimate is based on the Consensus Forecasting Group's estimates from December 2011 and modified by actions of the General Assembly.

The official revenue estimate for the General Fund for FY13 included estimated revenues from a Tax Amnesty Program authorized by the 2012 General Assembly. The Tax Amnesty Program occurred from October 1 through November 30, 2012, and is now being followed by enhanced compliance efforts by the Department of Revenue. Second quarter General Fund receipts include some Tax Amnesty proceeds, however final results will not be known until later this spring.

The revenue forecasts presented in Table 5 and Table 6 were estimated using the December 2012 "control scenario" economic forecast from both IHS Global Insight and the Kentucky MAK model. The unofficial estimate generated in this report for the General Fund is $9,322.0. This estimate is based on the most current revenue receipts and economic data. The difference between the current unofficial forecast and the official forecast is $14.2 million, would most properly be interpreted by inferring that the General Fund is "right on track" to hit the official revenue estimate.

Projected General Fund revenues for the next three quarters are shown in Table 5. As the table indicates, General Fund growth is projected to slow over the next three quarters. The second half of FY13 receipts are expected to grow by 1.3 percent compared to

Table 5
General Fund Interim Forecast
$ millions

	FY13						FY13		FY14	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	1,813.1	4.9	1,834.3	2.9	3,647.4	3.9	3,587.7	59.6	934.2	3.6
Sales & Use	1,511.9	0.1	1,560.3	1.2	3,072.2	0.7	3,089.2	-17.0	771.3	1.4
Property	397.1	25.2	166.8	-21.5	563.9	6.5	538.4	25.5	52.4	-20.3
Corporate Income	194.9	4.4	206.5	10.0	401.4	7.2	370.3	31.1	117.2	3.8
Coal Severance	121.6	-24.0	115.8	-16.3	237.4	-20.4	337.0	-99.6	57.8	-11.0
Cigarette Tax	121.5	-4.2	122.9	-4.0	244.4	-4.1	252.3	-7.9	59.9	-1.2
LLET	108.1	24.5	145.4	27.6	253.5	26.3	222.9	30.6	45.8	-3.1
Lottery	101.8	0.3	112.2	2.7	214.0	1.5	214.0	0.0	49.0	1.0
Other	286.5	7.1	401.3	2.8	687.8	4.5	696.0	-8.2	138.5	0.0
General Fund	**4,656.5**	**3.8**	**4,665.6**	**1.3**	**9,322.0**	**2.5**	**9,307.8**	**14.2**	**2,226.0**	**1.1**

the second half of FY12. The receipts for the first quarter of FY14 are expected to rise by only 1.1 percent over those receipts collected in the first quarter of FY13. The slower growth projected in the second half of FY13 is a partial reflection of strong growth in the second half of FY12 which sets a higher bar to exceed in FY13.

Individual income tax receipts are composed of four components: withholding, declarations, fiduciary and net returns. Individual income tax receipts are expected to increase by 2.9 percent over the next two quarters before showing more robust growth in the first quarter of FY14. The largest component of individual income tax receipts is withholding, which makes up approximately 98 percent of total individual income tax receipts. Withholding is closely tied to wages and salaries and employment in the state. As growth in these two latter series increases, so too does the growth in withholding. Individual income tax receipts are expected to rise 3.6 in the first quarter of FY14.

Sales and use tax collections were nearly flat in the first half of FY13. Sales and use tax receipts are expected to grow by 1.2 percent in the second half of the FY13. This is an improvement over the first half growth, but it is still weak growth. Sales and use receipts are closely tied to disposable income. As disposable income rises, expenditures on applicable sales taxed goods increase. Receipts are expected to rise by a modest 1.4 percent in the first quarter of FY14 over FY13.

Growth in property tax revenues is expected to decrease by 21.5 percent in the second half of FY13. The majority of FY13 property tax receipts were received in the first half of FY13, instead of more evenly distributed across the fiscal year halves. Fluctuations in property tax collections across months of a fiscal year are fairly common, so the volatility in this receipts category is typical. Inferring underlying economic significance to this pattern is contraindicated and may lead to improper conclusions. November to February is the normal payment period for a large share of the property taxes. The FY13 net growth is 6.5 percent over FY12. Property taxes in the first quarter of FY14 are expected to fall 20.4 percent compared to the first quarter of FY13, partially due to a reversal of the timing from FY13.

Corporate income tax receipts are expected to increase by 10.0 percent in the second half of FY13 relative to the second half of FY12. Growth for the full fiscal year is therefore expected to be 7.2 percent over FY12. Growth is expected to slow to 3.8 percent in the first quarter of FY14. The LLET receipts are growing sharply relative to FY12 and are expected to continue to rise at approximately the same pace for the second half of FY13. Fiscal year growth for LLET receipts is expected to be 26.3 percent over FY12. The first quarter of FY14 is expected to fall relative to the 'high' first quarter FY13 receipts resulting in receipts of $45.8 million for the quarter.

Coal severance receipts year-to-date in FY13 have fallen by 24.0 percent compared to FY12. The losses are the result of a decrease in severed tons, weak coal prices, and decreased demand for coal, due in large part to falling prices of demand-side energy substitutes like natural gas. Spot market prices have stabilized and have inched slowly upward since July 2012. However, forward contracts for delivery are made for three or more years. Therefore, despite some minor help from spot prices, contracts are currently being fulfilled at forward prices set during a period of depressed contract prices per ton. The effect of commodity prices on tax receipts has certainly depressed natural gas severance receipts as well, as spot gas prices remain well below prices in previous fiscal years. The second half of FY13 coal severance receipts are expected to fall 16.3 percent compared to the same period a year ago. The trend is expected to continue into FY14, as first quarter FY14 receipts are expected to be 11.0 percent less than the same quarter of FY13.

Cigarette smoking has declined both in Kentucky and nationally, as measured by the number of packs sold. This underlying trend continues to influence cigarette receipts in Kentucky. Cigarette receipts declined 4.2 percent in the first six months of FY13 and are expected to continue falling for the next six months. Receipts in the second half of FY13 are expected to decline 4.0 percent. The first quarter of FY14 receipts are expected to decline by 1.2 percent compared to the already depressed first quarter FY13.

Lottery receipts are determined by the Lottery Corporation's dividend schedule. Lottery receipts are projected to end FY13 at $214.0 million, an increase of 1.5 percent over FY12 levels. First quarter FY14 receipts are expected to be $49.0 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" category of taxes is expected to rise a net 2.8 percent in the latter half of FY13. Receipts in the first quarter of FY14 are expected to be flat relative to the same quarter a year earlier.

ROAD FUND

Growth in Road Fund revenues is forecasted to slow over the final six months of the fiscal year, increasing only 1.8 percent compared to growth of 3.4 percent in the first two quarters of FY13. (see Table 6) Revenues are expected to rebound in the first quarter of FY14, increasing 6.6 percent.

Motor fuels tax collections are forecasted to grow 5.8 percent over the final six months of FY13. This is due principally to a continuation of the long-term trend of declining motor fuels consumption. Taxable gallons have declined an average of just over one percent annually for the past seven years. Declining consumption has been offset by an increasing tax rate, keeping revenue growth at a moderate level. In FY13, the motor fuels tax rate has been or will be at its statutory maximum for the first three quarters and is expected to remain there for the final quarter. Growth in this revenue source is predicted to continue in the first quarter of FY14, rising 7.3 percent.

Growth in motor vehicle usage tax collections is predicted to decline over the final six months of the fiscal year. Receipts, however, will increase and are forecasted to be $12.7 million more than what was collected in the first half of the fiscal year compared to last year. Collections are projected to fall 2.8 percent over the remainder of the fiscal year but increase 5.3 percent in the first three months of FY14.

To estimate the growth of all other components of the Road Fund, officials of the Kentucky Transportation Cabinet and staff of the Governor's Office for Economic Analysis together assessed recent growth patterns as well as administrative and statutory factors. Motor vehicle license taxes are forecasted to decrease 5.7 percent in the final two quarters of FY13 but increase 4.1 percent in the first quarter of FY14. Motor vehicle operators' licenses are projected to rise 7.2 percent in the remainder of the fiscal year and grow 1.8 percent in the first quarter of FY14. Weight distance tax revenue should rise 1.0 percent for the remainder of the fiscal year and grow 4.7 percent over the first three months of FY14. Income on investments is projected to fall 40.0 percent over the remainder of the fiscal year and increase approximately $2.3 million in the first quarter of FY14. All other revenues are projected to grow 5.2 percent during the last six months of FY13 and then decline 11.3 percent in the first quarter of FY14.

Table 6
Road Fund Interim Forecast
$ millions

	FY13						FY13		FY14	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	422.8	5.3	411.3	5.8	834.1	5.6	850.4	-16.3	216.4	7.3
Motor Vehicle Usage	201.6	2.6	214.3	-2.8	415.9	-0.2	410.8	5.1	108.6	5.3
Motor Vehicle License	35.2	-16.2	62.1	-5.7	97.3	-9.8	99.3	-2.0	20.3	4.1
Motor Vehicle Operators	8.2	3.8	8.4	7.2	16.6	5.5	15.9	0.7	4.1	1.8
Weight Distance	37.8	-0.2	37.6	1.0	75.4	0.4	86.0	-10.6	19.8	4.7
Income on Investments	2.1	808.7	1.7	-40.0	3.8	23.3	2.3	1.5	2.3	5,248.8
Other	17.5	11.3	20.2	5.2	37.7	7.9	34.9	2.8	6.2	-11.3
Road Fund	**725.2**	**3.4**	**755.3**	**1.8**	**1,480.5**	**2.5**	**1,499.6**	**-19.1**	**377.7**	**6.6**

NATIONAL ECONOMY

At the end of the first quarter of fiscal year 2013, the greatest cloud on the horizon was the resolution of the "fiscal cliff" at the end of calendar 2012. The Federal "fiscal cliff" was the colloquial name for the automated reduction and sequestration of $1.2 billion in budgetary spending and the expiration of numerous tax laws and provisions that had been put in place by the Budget Control Act of 2011 or earlier.

While the brokered deal did bring some certainty and closure on some tax issues, it did not fully resolve the issue of the sequestered spending cuts and leaves unresolved the full issue of raising the nation's debt ceiling. As a result, more political debate is sure to be in store over the coming quarters. Nevertheless, markets responded favorable to the clarity that was produced in the eleventh-hour legislation as some analysts feared more austere tax plans would further stunt growth in the economy.

In terms of the national economic outlook, the biggest impacts from the fiscal cliff resolution are the partial elimination of the payroll tax holiday, the partial removal of the tax cuts enacted from 2001 to 2003 and the extension of emergency unemployment compensation.

The largest overall impact to the forecast for the national economy is the elimination of the payroll tax cuts that provided workers with a two percent reduction in take home pay. The impact of the reinstatement of the payroll tax increase is estimated to be 0.7 percent of GDP and is estimated to reduce overall growth in 2013 by 0.4 percentage points. Representing a reduction of approximately one percent in disposable income, the payroll tax reinstatement will put further pressure on households. Households, and their associated consumer spending, have been struggling with high debt burdens, low housing values, and job market uncertainty. While the market for light vehicles has started to exhibit the stimulatory effect of pent-up demand, the overall picture for consumer spending is morose with the direct reduction in disposable income due to the expiration of the payroll tax cut.

The January 1, 2013 US legislative action answered some, but not all, of the long running questions of what certainly would happen to the tax cuts enacted in 2001-2003, commonly referred to as the "Bush tax cuts". The compromise reinstates the top income tax bracket of 39.6 percent that had been in place from 1993 to 2000, from the 35 percent rate that has been in place since 2003 for those individuals with adjusted gross incomes in excess of $400,000 and families with incomes over $450,000. Overall, these tax increases represent approximately 0.2 percent of GDP. While these tax increases are expected to generate significantly more federal tax revenue, the immediate impact will be muted in the coming quarters as upper-income households would be expected to reduce their rate of savings.

The fiscal cliff negotiations and resolution also extended Emergency Unemployment Compensation for approximately 2.1 million long-term unemployed who faced an end to their unemployment compensation after December 29, 2012. The extension does not provide additional weeks of compensation for individuals that have exhausted their total weeks of benefits. However, millions of individuals transitioning from their state system to the Federal system in calendar 2013 will have extra weeks of compensation available based on the unemployment rate in their state, with a maximum of 47 weeks.

The outlook for the national economy must also contain an estimation of the resolution for the items that were not dealt with in the fiscal cliff compromise. The sequestration called for $1.2 trillion in spending cuts over nine years; and while that has been averted for the short-run, the necessary legislative actions must be undertaken in the near-term. The final resolution is expected to be a combination of further revenue enhancements through limitations on deductions, spending cuts on the entitlement programs of Medicare and Social Security, and a mixture of defense and non-defense discretionary spending cuts. Although the brinkmanship is expected to be on par with the impasses we have experienced in the past few years, a deal is expected to be enacted in the next quarters of the calendar year and the overall impact is expected to be equally divided between revenue and spending, beginning in calendar 2014.

Against this backdrop, the Federal Reserve replaced “Operation Twist” with renewed purchases of $45 billion in long-term Treasuries per month. This is in addition to the previously announced program of quantitative easing focused on the purchase of $40 billion in mortgage-backed securities per month. The Federal Reserve Bank will also continue its stated target of near-zero overnight interest rates until unemployment drops to 6.5 percent. Given the current forecast, this would keep the Federal Reserve’s interest rate policies in place through calendar 2015.

These actions are intended to continue to lower long-term interest rates and borrowing costs. By targeting long-term rates, the Fed hopes to encourage firms to make additional capital investments. The open-ended commitment to purchase $40 billion in mortgage-backed securities per month has helped to lower mortgage rates to historically low levels. However, the overall effect of these rates on the housing market and consumers looking to purchase or refinance a home will be muted by the continued stringent credit requirements for mortgages.

Overall, the outlook for the next two quarters is positive, but very slow growth. Real GDP is expected to grow 1.8 percent over the next two quarters, and consumption is forecast to grow by 1.9 percent. Government expenditures at all levels, Federal, state, and local, will continue to decline. Oil and energy prices will also continue to decline, helping to keep core inflation low.

KENTUCKY ECONOMY

As shown in tables 7 and 8, Kentucky personal income growth is expected to be 2.9 percent, slightly lagging the national average of 3.3 percent. However, employment gains in the Commonwealth should outpace the national average, with growth in the non-farm sector of 2.0 percent and a robust 4.8 percent in the goods producing sector. Employment in government—including federal, state, and local—is expected to continue to slow as government at all levels adjust to continued budgetary constraints. Overall, the sector is expected to decline by 0.3 percent for the remainder of FY13.

The service producing industries continue to account for approximately two-thirds of Kentucky jobs. The expiration of the payroll tax cut will reduce the overall disposable income of consumers, but the service sector remains an entrenched force in the economy of the

Table 7
US and KY Economic Outlook
Second Half of FY13 & FY12

	Q3 & Q4		
	FY13	**FY12**	**% Chg**
United States			
Real GDP	13,772.4	13,527.5	1.8
Real Consumption	9,748.7	9,564.7	1.9
Real Investment	1,976.6	1,896.8	4.2
Real Government Expenditures	2,461.7	2,481.6	-0.8
Real Exports	1,889.8	1,830.4	3.2
Real Imports	2,293.0	2,241.9	2.3
Personal Income ($ billions)	13,711.0	13,277.1	3.3
Inflation (% chg CPI)	1.4	2.4	NA
Industrial Production Index (% chg)	1.5	4.6	NA
Civilian Labor Force (millions)	156.2	154.8	0.9
Total Non-farm Employment (millions)	134.7	132.8	1.4
Manufacturing Employment (millions)	12.0	11.9	0.9
Unemployment Rate (percent)	7.8	8.2	NA
Kentucky			
Personal Income ($ millions)	157,894.9	153,447.5	2.9
Wage & Salary ($ millions)	79,295.5	77,581.5	2.2
Non-farm Employment (thousands)	1,857.8	1,821.0	2.0
Goods Producing (thousands)	321.5	306.6	4.8
Service Providing (thousands)	1,209.6	1,186.5	1.9
Government (thousands)	326.7	327.8	-0.3

Not Seasonally Adjusted. Real series are in billions of chained 2000 dollars.
Data for FY13 Q3 & Q4 are estimates based on the IHS Global Insight Control scenario.
Source: IHS Global Insight Inc., December 10, 2012 data release

Table 8
US and KY Economic Outlook
First Quarter of FY14 & FY13

	Q1		
	FY14	**FY13**	**% Chg**
United States			
Real GDP	13,881.9	13,638.1	1.8
Real Consumption	9,834.7	9,615.9	2.3
Real Investment	2,028.4	1,929.3	5.1
Real Government Expenditures	2,449.9	2,500.7	-2.0
Real Exports	1,916.5	1,847.2	3.8
Real Imports	2,331.1	2,250.2	3.6
Personal Income ($ billions)	13,936.8	13,398.4	4.0
Inflation (% chg CPI)	1.5	1.7	NA
Industrial Production Index (% chg)	2.4	3.3	NA
Civilian Labor Force (millions)	156.7	154.9	1.2
Total Non-farm Employment (millions)	135.6	133.4	1.7
Manufacturing Employment (millions)	12.1	12.0	1.1
Unemployment Rate (percent)	7.7	8.1	NA
Kentucky			
Personal Income ($ millions)	159,953.7	154,837.2	3.3
Wage & Salary ($ millions)	80,282.2	77,865.2	3.1
Non-farm Employment (thousands)	1,869.0	1,833.5	1.9
Goods Producing (thousands)	323.5	306.3	5.6
Service Providing (thousands)	1,219.2	1,198.6	1.7
Government (thousands)	326.3	328.6	-0.7

Not Seasonally Adjusted. Real series are in billions of chained 2000 dollars.
Data for FY14 Q1 are estimates based on the IHS Global Insight Control scenario.
Source: IHS Global Insight Inc., December 10, 2012 data release

Commonwealth. The service-providing industries are forecasted to expand by 1.7 percent with the creation of approximately 20,000 jobs.

Overall, Kentucky personal income and wages and salaries are 14.3 percent and 11.0 percent higher, respectively, than their recession nadirs. The current forecast, for the remainder of FY13, calls for 2.9 percent and 2.2 percent growth for these two categories.

One significant area of concern has been the market for Kentucky coal. Coal production, utilization and severance taxes have decreased significantly in recent quarters and have shown continued signs of weakness due to input substitution, supply side disruptions, and inventory accumulations. The dramatic expansion and availability of natural gas, coupled with pending air quality requirements have made numerous power generators re-evaluate the most economical decisions for the coming years. Power plants are shifting their structure towards more natural gas-generated electricity production.

Going forward in FY13, the decrease in coal utilization should stabilize as natural gas drilling slows due to the exceptionally low market prices. Higher natural gas prices, coupled with slightly higher electricity demand, should lead to an increase in coal-fired generation over the forecast period. Unfortunately for the coal producing regions of the Commonwealth, coal production is expected to experience little or no growth as primary and secondary inventory draws will be able to meet the needs of the small consumption increase expected in calendar 2013.

APPENDIX

KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	Second Quarter FY 2013	Second Quarter FY 2012	% Change	Year-To-Date FY 2013	Year-To-Date FY 2012	% Change
TOTAL GENERAL FUND	**$2,455,462,402**	**$2,329,932,420**	**5.4%**	**$4,656,459,716**	**$4,486,385,916**	**3.8%**
Tax Receipts	$2,355,949,216	$2,234,206,299	5.4%	$4,480,913,957	$4,330,184,659	3.5%
Sales and Gross Receipts	$877,917,553	$866,023,795	1.4%	$1,784,465,294	$1,784,177,398	0.0%
Beer Consumption	1,515,080	1,457,401	4.0%	3,244,964	3,140,296	3.3%
Beer Wholesale	13,574,374	12,757,604	6.4%	27,758,586	27,903,605	-0.5%
Cigarette	60,932,679	60,334,763	1.0%	121,531,322	126,832,431	-4.2%
Distilled Spirits Case Sales	27,866	28,835	-3.4%	61,701	58,231	6.0%
Distilled Spirits Consumption	3,056,461	2,769,400	10.4%	6,072,013	5,651,177	7.4%
Distilled Spirits Wholesale	8,336,866	7,379,882	13.0%	15,767,068	14,582,708	8.1%
Insurance Premium	11,183,040	12,348,893	-9.4%	41,810,028	40,574,297	3.0%
Pari-Mutuel	906,413	755,764	19.9%	2,342,161	1,305,884	79.4%
Race Track Admission	45,454	56,521	-19.6%	126,070	138,999	-9.3%
Sales and Use	751,169,454	742,607,150	1.2%	1,511,896,143	1,511,006,738	0.1%
Wine Consumption	764,256	707,091	8.1%	1,430,408	1,346,067	6.3%
Wine Wholesale	4,036,701	3,775,606	6.9%	7,376,512	7,006,898	5.3%
Telecommunications Tax	16,906,338	15,634,646	8.1%	34,005,754	33,574,655	1.3%
OTP	5,455,400	5,419,930	0.7%	11,031,335	11,047,653	-0.1%
Floor Stock Tax	7,170	(9,692)	---	11,228	7,762	44.7%
License and Privilege	$131,205,495	$134,571,760	-2.5%	$251,036,466	$276,459,052	-9.2%
Alc. Bev. License Suspension	130,567	84,925	53.7%	203,933	134,800	51.3%
Coal Severance	56,643,052	79,717,679	-28.9%	121,565,409	159,926,317	-24.0%
Corporation License	51,259	216,915	-76.4%	(443,324)	727,038	-161.0%
Corporation Organization	7,511	21,667	-65.3%	47,759	21,667	120.4%
Occupational Licenses	21,245	17,926	18.5%	36,240	43,070	-15.9%
Oil Production	2,673,264	2,211,487	20.9%	5,224,047	4,550,444	14.8%
Race Track License	101,711	100,000	1.7%	196,711	195,000	0.9%
Bank Franchise Tax	3,161,379	2,812,181	12.4%	2,096,962	1,888,274	11.1%
Driver License Fees	155,742	142,718	9.1%	325,939	305,439	6.7%
Minerals Severance	4,025,755	4,610,562	-12.7%	7,549,343	8,897,393	-15.2%
Natural Gas Severance	3,368,636	6,455,890	-47.8%	6,117,062	12,942,091	-52.7%
Limited Liability Entity	60,865,375	38,179,810	59.4%	108,116,384	86,827,520	24.5%
Income	$993,100,069	$937,495,451	5.9%	$2,007,925,440	$1,915,601,977	4.8%
Corporation	81,923,572	94,534,260	-13.3%	194,870,310	186,682,141	4.4%
Individual	911,176,497	842,961,191	8.1%	1,813,055,129	1,728,919,837	4.9%
Property	$331,379,786	$279,047,087	18.8%	$397,115,829	$317,100,370	25.2%
Building & Loan Association	(20,000)	(43,835)	---	(15,820)	(46,134)	---
General - Real	191,031,804	152,057,032	25.6%	190,739,386	151,686,908	25.7%
General - Tangible	101,379,637	88,419,538	14.7%	129,577,690	115,665,335	12.0%
Omitted & Delinquent	11,399,430	14,409,844	-20.9%	29,969,945	11,558,481	159.3%
Public Service	27,074,120	23,777,037	13.9%	46,063,771	37,477,398	22.9%
Other	514,794	427,471	20.4%	780,857	758,382	3.0%
Inheritance	$11,248,426	$8,596,779	30.8%	$20,635,653	$19,827,894	4.1%
Miscellaneous	$11,097,888	$8,471,426	31.0%	$19,735,275	$17,017,968	16.0%
Legal Process	4,752,130	4,843,440	-1.9%	9,979,656	9,980,828	0.0%
T. V. A. In Lieu Payments	6,345,522	3,627,987	74.9%	9,755,383	7,032,186	38.7%
Other	236	0	---	236	4,954	-95.2%
Nontax Receipts	$98,796,430	$95,345,052	3.6%	$174,311,268	$155,009,978	12.5%
Departmental Fees	4,213,148	6,665,281	-36.8%	10,063,244	10,102,058	-0.4%
PSC Assessment Fee	2,920	13,658	-78.6%	13,076,450	5,436,227	140.5%
Fines & Forfeitures	6,841,086	5,913,180	15.7%	15,125,932	12,669,932	19.4%
Income on Investments	167,101	168,534	-0.9%	1,342,364	416,133	222.6%
Lottery	53,266,568	55,500,000	-4.0%	101,766,568	101,500,000	0.3%
Sale of NOx Credits	21,104	0	---	27,604	0	---
Miscellaneous	34,284,503	27,084,399	26.6%	32,909,106	24,885,629	32.2%
Redeposit of State Funds	$716,756	$381,069	88.1%	$1,234,491	$1,191,279	3.6%

KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Second Quarter FY 2013	Second Quarter FY 2012	% Change	Year-To-Date FY 2013	Year-To-Date FY 2012	% Change
TOTAL ROAD FUND	**$366,462,070**	**$347,134,999**	**5.6%**	**$725,163,047**	**$701,509,261**	**3.4%**
Tax Receipts-	$360,664,478	$341,129,455	5.7%	$712,604,354	$690,677,281	3.2%
Sales and Gross Receipts	$315,591,809	$292,900,808	7.7%	$624,386,781	$597,794,353	4.4%
Motor Fuels Taxes	215,631,505	199,606,417	8.0%	422,775,640	$401,323,292	5.3%
Motor Vehicle Usage	99,960,304	93,294,391	7.1%	201,611,140	$196,471,061	2.6%
License and Privilege	$45,072,669	$48,228,647	-6.5%	$88,217,573	$92,882,928	-5.0%
Motor Vehicles	17,672,585	22,487,697	-21.4%	35,186,039	$41,992,340	-16.2%
Motor Vehicle Operators	3,875,368	3,855,254	0.5%	8,182,723	$7,884,214	3.8%
Weight Distance	18,871,800	18,984,385	-0.6%	37,833,525	$37,900,183	-0.2%
Truck Decal Fees	16,524	26,316	-37.2%	36,414	$77,118	-52.8%
Other Special Fees	4,636,392	2,874,994	61.3%	6,978,873	$5,029,073	38.8%
Nontax Receipts	$4,777,715	$5,636,760	-15.2%	$9,843,021	$10,251,031	-4.0%
Departmental Fees	3,756,001	4,821,691	-22.1%	7,143,560	$9,104,016	-21.5%
In Lieu of Traffic Fines	171,368	182,087	-5.9%	342,948	$369,561	-7.2%
Income on Investments	759,298	186,518	307.1%	2,090,347	$230,189	808.1%
Miscellaneous	91,047	446,465	-79.6%	266,166	$547,265	-51.4%
Redeposit of State Funds	$1,019,877	$368,784	176.6%	$2,715,673	$580,949	367.5%