

SENATE MEMBERS

David L. Williams
President, LRC Co-Chair

Katie Kratz Stine
President Pro Tem

Dan Kelly
Majority Floor Leader

Ed Worley
Minority Floor Leader

Richie Sanders, Jr.
Majority Caucus Chairman

Johnny Ray Turner
Minority Caucus Chairman

Dan Seum
Majority Whip

Joey Pendleton
Minority Whip



LEGISLATIVE RESEARCH COMMISSION

State Capitol 700 Capital Avenue Frankfort KY 40601

502/564-8100

Capitol FAX 502-223-5094

Annex FAX 502-564-6543

lrc.ky.gov

Robert Sherman
Director

HOUSE MEMBERS

Jody Richards
Speaker, LRC Co-Chair

Larry Clark
Speaker Pro Tem

Rocky Adkins
Majority Floor Leader

Jeffrey Hoover
Minority Floor Leader

Charlie Hoffman
Majority Caucus Chairman

Bob DeWeese
Minority Caucus Chairman

Rob Wilkey
Majority Whip

Stan Lee
Minority Whip

December 21, 2009

Mary E. Lassiter
State Budget Director
Office of the State Budget Director
Room 284, Capitol Annex
Frankfort, Kentucky 40601

Dear Ms. Lassiter,

In accordance with KRS 48.115 and KRS 48.120, the Consensus Forecasting Group (CFG) met on December 21st, to revise the official revenue forecast for the General Fund, Road Fund, and Phase I Tobacco Settlement Agreement Fund (MSA) for FY 2010. Also at this meeting the CFG officially adopted the final detailed revenue estimates for each of these three funds for FY 2011 and FY 2012.

The General Fund and Road Fund estimates adopted by the Consensus Forecasting Group (CFG) are as follows:

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>
2010	\$8,196,000,000	\$1,199,100,000
2011	\$8,490,800,000	\$1,270,600,000
2012	\$8,808,800,000	\$1,340,900,000

The FY 2010 General Fund estimate adopted by the CFG at the December meeting is \$99.9 million lower than the May 29th official estimate adjusted for 2009 Special Session legislative actions.

The final detailed estimates adopted by the CFG suggest the General Fund is expected to grow over the upcoming biennium. General Fund receipts in FY 2011 are expected to be \$294.8 million (3.6%) more than the FY 2010 estimate. Comparatively, General Fund growth of \$318 million (3.7%) is expected to occur from FY 2011 to FY 2012.

For the Road Fund, the FY 2010 revised official estimate adopted by the CFG at the December meeting is \$58.1 million higher than the May 29th official estimate adjusted for 2009 Special Session legislative actions. Based on the December CFG estimates, growth in the Road Fund is expected to occur during the upcoming biennium. In FY 2011, the Road Fund estimate is \$71.5 million (6.0%) greater than the FY 2010 Road Fund estimate. In the second year of the biennium (FY 2012), growth in the Road Fund is expected to be 5.5%, or \$70.3 million more than the amount of the Road Fund in FY 2011.

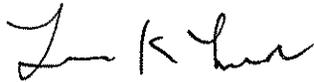
In addition to providing estimates for the General Fund and the Road Fund, the CFG provides estimates of the revenues the Commonwealth may realize from the Phase I Tobacco Settlement Agreement (MSA). The CFG did not revise the MSA estimates that were adopted on May 29th, 2009. The table below presents the MSA revenue estimates, and these estimates are not included in either the General Fund or Road Fund totals.

<u>Fiscal Year</u>	<u>Total MSA Revenue</u>
2010	\$112,270,000
2011	\$111,310,000
2012	\$102,720,000

In summary, the General Fund, Road Fund, and MSA estimates reflect the professional judgments of the CFG members as to the most probable revenue streams given the information available as of December 21, 2009.

The Consensus Forecasting Group consists of Dr. Ginny Wilson, Dr. Jim McCabe, Dr. Frank O'Connor, Dr. Bruce Johnson, Dr. David Wildasin, Ms. Maria Hampton, and myself. Support was provided by the Governor's Office for Economic Analysis and the Legislative Research Commission.

Sincerely,



Lawrence K. Lynch,
Chairman, Consensus Forecasting Group