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Mary E. Lassiter
 State Budget Director

Governor's Office for Policy and Management
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December 19, 2007

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

Mr. Robert Sherman, Director
 Legislative Research Commission
 Room 300, State Capitol
 Frankfort, Kentucky 40601

Mr. Jason Nemes, Director
 Administrative Office of the Courts
 100 Millcreek Park
 Frankfort, Kentucky 40601

Dear Ms. Lassiter, Mr. Sherman and Mr. Nemes:

Pursuant to Kentucky Revised Statutes 48.115 and 48.120, the attached report includes the official detailed revised revenue estimates for the General Fund, Road Fund, and Phase I, Master Settlement Agreement (MSA) for Fiscal Year 2008. The revenue estimates for the current fiscal year were determined at the December 18, 2007 meeting of the Consensus Forecasting Group, and are listed in the table below.

Fiscal Year 2008 Revenue Estimates

General Fund	\$ 8,644,036,000
Road Fund	\$ 1,287,021,405
Phase I MSA	\$ 117,470,000

The revised official forecast reflects a 0.8 percent increase in General Fund receipts in FY 2008 when compared to FY 2007. Road Fund receipts are expected to rise by 5.0 percent over their level in FY 2007.

Compared to the October 15, 2007 preliminary estimate, the FY 2008 December official estimate for the General Fund has been reduced by \$22.3 million. The December official Road Fund estimate, when compared to the October estimate, has been raised by \$1.9 million.

Ms. Lassiter, Mr. Sherman & Mr. Nemes
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In addition to providing estimates for the General Fund and the Road Fund, the Consensus Forecasting Group examined the outlook for FY 2008 revenue from the MSA. The estimate for FY 2008 is unchanged from the forecast rendered on August 10, 2007 of \$117,470,000.

In summary, the General Fund, Road Fund, and MSA estimates were prepared by the Consensus Forecasting Group and represent an agreement as to the most likely outcome for revenues in the current fiscal year, given the available information on December 18, 2007.

The Consensus Forecasting Group consisted of Dr. Larry Lynch (chairman), Dr. Jim McCabe, Dr. Frank O'Connor, Dr. Bruce Johnson, Dr. David Wildasin, Dr. Virginia Wilson, and Ms. Maria G. Hampton. Support was provided by the Governor's Office for Economic Analysis and the Legislative Research Commission.

Detailed estimates for each account and summary tables for both the General Fund and the Road Fund are attached.

Sincerely,



Robert W. Cox
Deputy Executive Director
Governor's Office for Economic Analysis

Attachments

**General Fund
GOEA Forecast for FY08**

December 2007

General Fund Revenues (million \$)

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Sales & Use	2,817.7	2,889.4
Individual Income	3,041.5	3,352.5
Corporation Inc & LLET*	999.8	685.7
Coal Severance	222.0	225.5
Cigarette & OTP	177.4	181.7
Property	492.5	497.0
Lottery	186.6	187.5
Other	<u>636.3</u>	<u>624.8</u>
Total General Fund	8,573.8	8,644.0

Annual Percentage Growth Rates

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Sales & Use	2.5	2.5
Individual Income	4.2	10.2
Corp. Inc & LLET*	-4.3	-31.4
Coal Severance	-1.1	1.6
Cigarette & OTP	-3.7	2.4
Property	-2.0	0.9
Lottery	-1.8	0.5
Other	13.3	-1.8
Total General Fund	2.4	0.8

* Includes corporate license tax for FY06 & FY07 only

October 07 CFG Estimate

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Sales & Use	2,817.7	2,886.4
Individual Income	3,041.5	3,360.2
Corporation Inc & LLET*	999.8	709.9
Coal Severance	222.0	217.4
Cigarette & OTP	177.4	192.4
Property	492.5	497.0
Lottery	186.6	187.5
Other	<u>636.3</u>	<u>615.6</u>
Total General Fund	8,573.8	8,666.4

Change from October to December (Million \$)

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Sales & Use	0.0	3.0
Individual Income	0.0	-7.7
Corporation Inc & LLET*	0.0	-24.2
Coal Severance	0.0	8.1
Cigarette & OTP	0.0	-10.7
Property	0.0	0.0
Lottery	0.0	0.0
Other	0.0	9.2
Total General Fund	0.0	-22.4

General Fund Detailed Consensus Revenue Estimate

<u>Source</u>	<u>Actual 2006-07</u>	<u>Estimate 2007-08</u>
<u>Selected Sales and Gross Receipts Taxes</u>		
Sales & Use	\$2,817,652,253	\$2,889,400,000
Cigarette Excise Tax	13,056,369	15,100,000
Cigarette Surtax	155,712,098	157,300,000
Cigarette Floor Stock Tax	9,746	0
Distilled Spirits Case Sales	98,874	102,000
Insurance Tax Foreign Companies	36,952,894	36,500,000
Insurance Tax Companies Other Than Life	84,547,124	85,800,000
Insurance Tax Fire Prevention Fund	4,377,967	4,700,000
Pari-Mutuel	5,489,552	6,600,000
Race Track Admission	190,362	200,000
Beer Consumption	6,344,079	6,300,000
Distilled Spirits Consumption	10,094,572	10,500,000
Wine Consumption	2,326,331	2,300,000
Beer Wholesale	46,806,186	46,700,000
Distilled Spirits Wholesale	25,139,117	27,300,000
Wine Wholesale	11,392,111	12,400,000
Other Tobacco Products and Snuff	8,636,348	9,300,000
Telecommunications Taxes	51,623,000	51,500,000
TOTAL SEL. SALES AND GROSS RECEIPTS TAXES	\$3,280,448,983	\$3,362,002,000
<u>License and Privilege Taxes</u>		
Coal Severance Tax	\$221,952,516	\$225,500,000
Mineral Severance Tax	14,822,013	14,800,000
Natural Gas Severance Tax	32,339,897	26,500,000
Oil Production	6,198,342	8,000,000
Corporate License	11,734,452	7,600,000
Cigarette License	92,106	70,000
Race Track License	283,675	300,000
Marijuana and Controlled Substance Tax	109,992	0
Bank Franchise Tax	63,912,315	67,200,000
Corporation Organization	115,755	100,000
Cir. Ct. Clk. - Driver License Receipts	603,807	600,000
Sand and Gravel License	5,100	0
Alcoholic Beverage License Suspension	659,151	800,000
Limited Liability Entity Tax	0	93,000,000
TOTAL LICENSE AND PRIVILEGE TAXES	\$352,829,121	\$444,470,000
<u>Income Taxes</u>		
Corporation Income Tax	\$988,064,957	\$592,700,000
Individual Income Tax	3,041,535,604	3,352,500,000
TOTAL INCOME TAXES	\$4,029,600,561	\$3,945,200,000
<u>Property Taxes</u>		
Real Property	\$228,300,000	\$242,000,000
Tangible Personal Property	\$81,700,000	\$86,100,000
Motor Vehicles	\$103,700,000	\$106,900,000
Building and Loan Association Capital Stock	\$2,900,000	\$3,000,000
Delinquent Property	\$7,500,000	\$7,500,000
Omitted Intangible Personal Property	\$7,100,000	\$250,000
Omitted Tangible Personal Property	\$10,700,000	\$6,000,000
Apportioned Vehicles	\$7,000,000	\$5,500,000
Public Service Companies	\$42,600,000	\$38,700,000
Other Property	\$1,000,000	\$1,000,000
TOTAL PROPERTY TAXES	\$492,500,000	\$496,950,000

General Fund Detailed Consensus Revenue Estimate

Inheritance Taxes

Inheritance Tax	\$43,578,107	\$48,000,000
TOTAL INHERITANCE TAXES	\$43,578,107	\$48,000,000

Departmental Fees, Sales and Rentals

Public Service Commission Assessments-	\$14,593,067	\$10,706,000
Insurance - Retaliatory Taxes & Fees-	1,547,010	1,600,000
Sec. of State - Process Agents Fees	0	100,000
Insurance - Miscellaneous Receipts	0	200,000
Circuit Court Clk. - Civil Filing Fee Receipts-	11,338,790	12,400,000
Circuit Court Clk. - Bond Filing Fee-	519,733	500,000
Circuit Court Clk. - 10% Bond Fee-	686,538	704,000
Circuit Court Clk. - Receipts for Services-	5,075,912	5,600,000
Strip Mining & Reclamation Fees-	1,108,250	1,500,000
Strip Mining & Reclamation - Fines Coll.	799,708	1,000,000
Master Commissioner Sales-	0	
Miscellaneous - Pub Advoc; Sec State Fee	3,967,778	4,250,000
TOTAL DEPARTMENT FEES, SALES AND RENTALS	\$39,636,786	\$38,560,000

Investment Receipts

General Depository Investment Income **	\$30,501,690	\$16,400,000
Circuit Court Clk. - Interest Income	0	0
Ky Asset/Liab - TRAN	0	0
TOTAL INVESTMENT RECEIPTS	\$30,501,690	\$16,400,000

Miscellaneous Revenue

Lottery	\$186,625,113	\$187,500,000
Legal Process - Clk. Supreme Court	116,706	131,000
Legal Process - Clk. Court of Appeals	0	10,000
Dept. of Rev. Legal Process Taxes - Co. Clk.	3,135,400	3,200,000
Dept. of Rev. Penalty & Int. of Co. Officials	(29,468)	0
TVA - In Lieu of Taxes - State Portion	10,037,326	12,400,000
F.H.A. - In Lieu of Taxes	73,168	0
R.E.C.C. and R.T.C.C. In Lieu of Taxes	310	0
Business Development - In Lieu of Taxes	0	0
Abandoned Property	38,238,637	25,000,000
Circuit Court Clk. - Fish & Wildlife Fines	70,595	70,000
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	24,852,725	25,000,000
Circuit Court Clk. - Bond Forfeitures	1,483,153	1,500,000
Fines Dept Insurance	717,032	800,000
Workplace & Employment Standards, Fees, Fines	1,199,815	1,475,000
Sale of NOx Credits	811,600	2,600,000
Other Fines & Unhonored Checks	23,788,218	21,830,000
TOTAL MISCELLANEOUS REVENUE	\$291,120,330	\$281,516,000
MISC. NOT IN REVENUE ESTIMATES	\$12,151,295	\$10,000,000
REVENUE INITIATIVES	\$0	\$938,000
TOTAL GENERAL FUND	\$8,572,366,873	8,644,036,000

**Road Fund
GOEA Forecast for FY08**

December 2007

Road Fund Revenues (million \$)

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Motor Fuels	563.4	610.6
Motor Vehicle Usage	411.3	418.9
Motor Vehicle License	101.7	107.5
Motor Vehicle Operators	15.8	15.7
Weight Distance	85.4	86.0
Investment	16.1	14.0
Other	32.2	34.4
Total Road Fund	<u>1,225.9</u>	<u>1,287.0</u>

Annual Percentage Growth Rates

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Motor Fuels	6.6	8.4
Motor Vehicle Usage	4.0	1.8
Motor Vehicle License	8.3	5.7
Motor Vehicle Operators	8.2	-0.6
Weight Distance	0.1	0.7
Investment	151.6	-13.0
Other	-22.0	6.8
Total Road Fund	5.2	5.0

October 07 CFG Estimate

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Motor Fuels	563.4	612.3
Motor Vehicle Usage	411.3	417.1
Motor Vehicle License	101.7	104.2
Motor Vehicle Operators	15.8	15.9
Weight Distance	85.4	86.7
Investment	16.1	14.0
Other	32.2	35.0
Total Road Fund	<u>1,225.9</u>	<u>1,285.2</u>

Change from October to December (Million \$)

	<u>FY07</u>	<u>FY08</u>
	Actual	Estimate
Motor Fuels	0.0	-1.7
Motor Vehicle Usage	0.0	1.8
Motor Vehicle License	0.0	3.3
Motor Vehicle Operators	0.0	-0.2
Weight Distance	0.0	-0.7
Investment	0.0	0.0
Other	0.0	-0.6
Total Road Fund	0.0	1.9

Road Fund Detailed Revenue Estimates

	FY 2007	FY 2008
	<u>Actual</u>	<u>Estimated</u>
<u>Sales and Gross Receipts Taxes</u>		
Motor Fuels Normal and Normal Use	\$563,169,131	\$610,280,000
Motor Vehicle Usage	377,321,335	385,320,000
Motor Vehicle Rental Usage	33,863,836	33,600,000
Truck Trip Permits	310,900	400,000
Sales and Use	66,826	0
Usage Tax on Buses	0	0
Supplemental Fuel Surtax	0	0
Usage Tax on Historical Vehicles	0	0
TOTAL SALES AND GROSS RECEIPTS TAX	\$974,732,028	\$1,029,600,000
<u>License and Privilege Taxes</u>		
Drive Away Utility Trailer Permits	\$7,249	\$6,500
Amateur Radio Plate	9,439	9,500
Passenger Car License	26,588,981	30,900,000
Truck License - State Share	21,291,558	21,800,000
Motorcycle License	528,257	470,000
Motorcycle License-Program GA19		0
Dealers License	261,416	290,000
Transfer License	778,123	660,000
Trailer License	1,629,254	1,700,000
County Clerk Penalty	39,576	75,850
Bus License - Except City	31,595	30,000
City and Suburban Bus License		0
Bus Certificates and Permits	2,100	4,000
Taxi License	30,005	29,500
Truck Permits	131,630	91,500
Contract Taxicab Permit	16,375	15,000
Motor Vehicle Operator's License	13,869,458	13,700,000
Motor Vehicle Operator's License-Program GA19		0
Highway Special Permits	7,063,872	7,000,000
U-Drive-It Permits	7,588	12,000
U-Drive-Licenses	1,411,309	1,710,000
Junk Yard License	4,139	4,500
Historic Vehicle License	263,020	250,000
Operator's License-Driver Education	616,464	650,000
Truck Proportional Registration	42,684,710	43,150,000
Operator's License - Photography Program	1,325,959	1,300,000
Industrial Hauling Permits	3,580	5,000
General Assembly License Plates	2,342	2,000
Pearl Harbor Survivor Plates	48	150
Collegiate Plates	739,896	870,000
Personalized License Plates	1,184,757	1,100,000
Army Reserve Plates	506,457	550,000
Purple Heart Plates	35,273	31,000
Judicial License Plates	382	750
Civil Air Patrol Plates	1,257	1,000
National Guard License Plates	18,743	7,500
Civic Event Plates	455	750
Street Rod Plates	2,022	2,000
Fraternal Order of Police Plates	82,507	260,000
Environmental License Plate	1,060,884	1,000,000
Dealer Demonstrator Tags	5,077	6,200
Volunteer Fireman License Tags	66,732	68,000
P.O.W. License Plates	80	130
Motor Carrier Identification Cards	399,095	5,400,000
Weight Distance Tax	85,435,610	86,000,000
DES License Plates	9,381	8,400
Child Victims License Plates	108,659	150,000
Masonic License Plates	48,761	40,000
Horse Council Plates	452,729	490,000
Law Enforcement	137,446	138,000
Independent College	45,832	46,000
Ducks Unlimited	38,308	39,000
Spay and Neuter Plate	218,265	219,000
Share The Road	94,773	95,000
Ky Colonels	67,599	68,000
Sportsman	211,324	282,000
Breast Cancer	48,209	49,000
Choose Life	273,418	275,000
Zoo Foundation Plate	22,500	23,000
Temporary Tags	464,468	490,000

Road Fund Detailed Revenue Estimates

Nonreciprocal Permits	120,875	120,000
Overweight Coal Truck Permit	842,239	850,000
Temporary Truck Decal Permits		50,000
TOTAL LICENSE AND PRIVILEGE TAX	\$211,342,060	\$222,595,230

Departmental Fees, Sales and Rentals

Proposal Sales		
Specification and Blue Print Sales	445,203	420,000
Miscellaneous Rentals	506,283	520,000
MVL Computer Services		
Fines and Forfeitures		
Traffic Offenders School Fees	1,174,453	1,500,000
Record Copy Sales	111,256	68,000
Highway Sign Logo Rental	622,126	670,000
Driving History Record Fee	7,009,055	6,900,000
Operator's License Reinstatement Fees	1,195,254	1,350,000
Operator's License Name Sales		0
Penalty & Interest - Weight and Use Taxes	1,542,829	2,000,000
Medical Alert Stickers	122	175
Motor Vehicle Title Receipts	4,870,434	4,700,000
Proceeds from Asset Disposition	1,473,973	1,300,000
Coal Road Recovery Fines	1,043	3,000
U-Drive-It Penalty and Interest	10,080	10,000
TOTAL DEPARTMENT FEES, SALES AND RENTALS	\$18,962,111	\$19,441,175

Toll Facility Income

Audubon Parkway	\$898,316	\$0
Green River Parkway	2,819,649	0
Daniel Boone Parkway	0	0
Cumberland Parkway	0	0
TOTAL TOLL FACILITY INCOME	\$3,717,965	\$0

Investment Income

Investment Income	\$16,094,719	\$14,000,000
TOTAL INVESTMENT INCOME	\$16,094,719	\$14,000,000

Miscellaneous Income

Property Damage	\$691,087	\$600,000
Cold Check Account		0
Toll Credit Card Receipts	3,395	85,000
TOTAL MISCELLANEOUS INCOME	\$694,482	\$685,000
Misc. Not in Revenue Estimates	\$400,150	\$700,000
TOTAL ROAD FUND REVENUE	\$1,225,943,515	\$1,287,021,405