

# FY 12 Year End Financial Report

Interim Joint Committee on  
Appropriations and Revenue

**July 26, 2012**

**Mary Lassiter**, State Budget Director  
and Secretary of the Executive Cabinet

**Kevin Cardwell**, Deputy State Budget Director

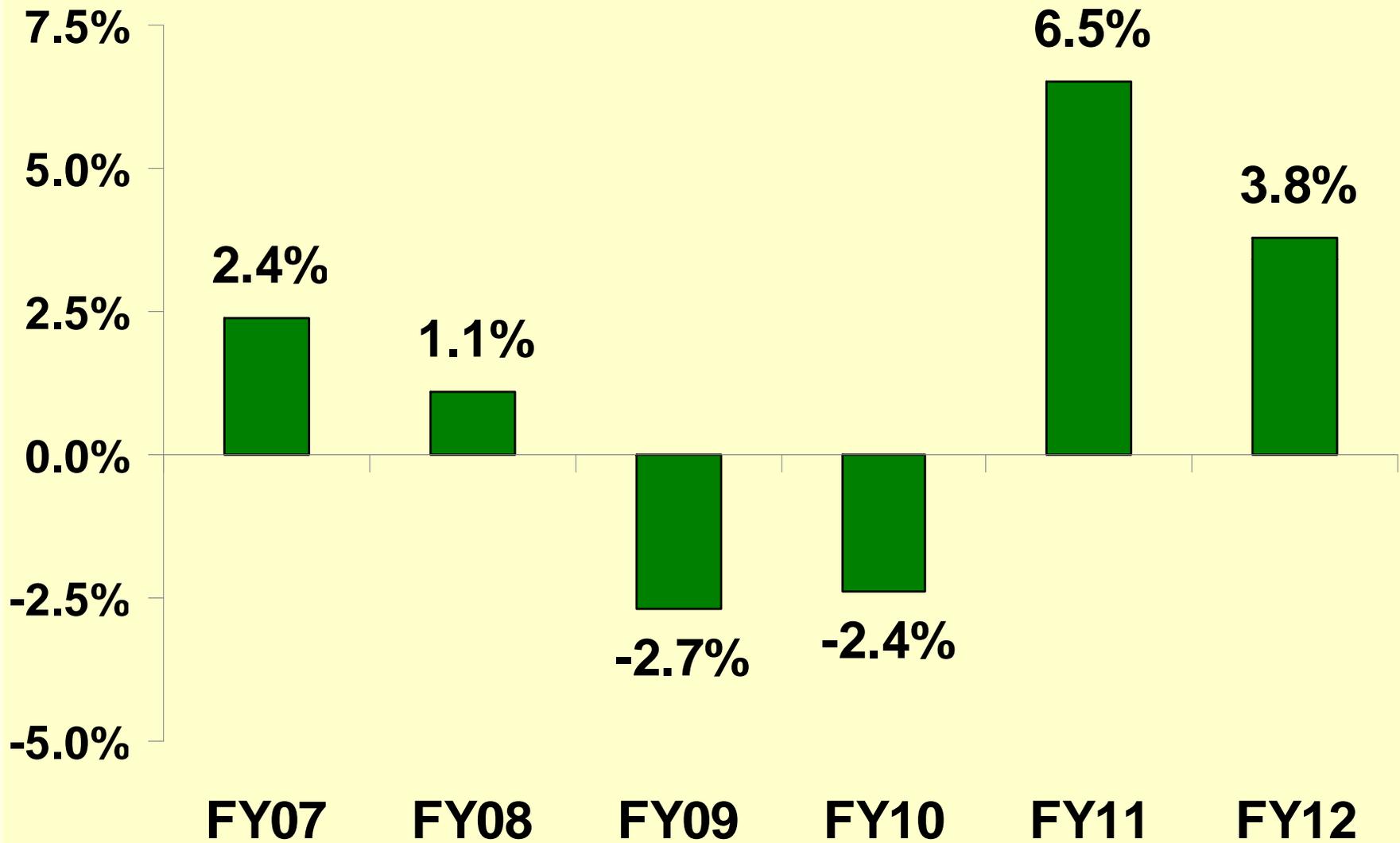
**Greg Harkenrider**, Deputy Exec. Director,  
Governor's Office of Economic Analysis

# Overview

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- FY 12 General Fund Report
- FY 12 Road Fund Report
- FY 12 Tobacco Settlement Funds
- Economic Outlook for FY 13

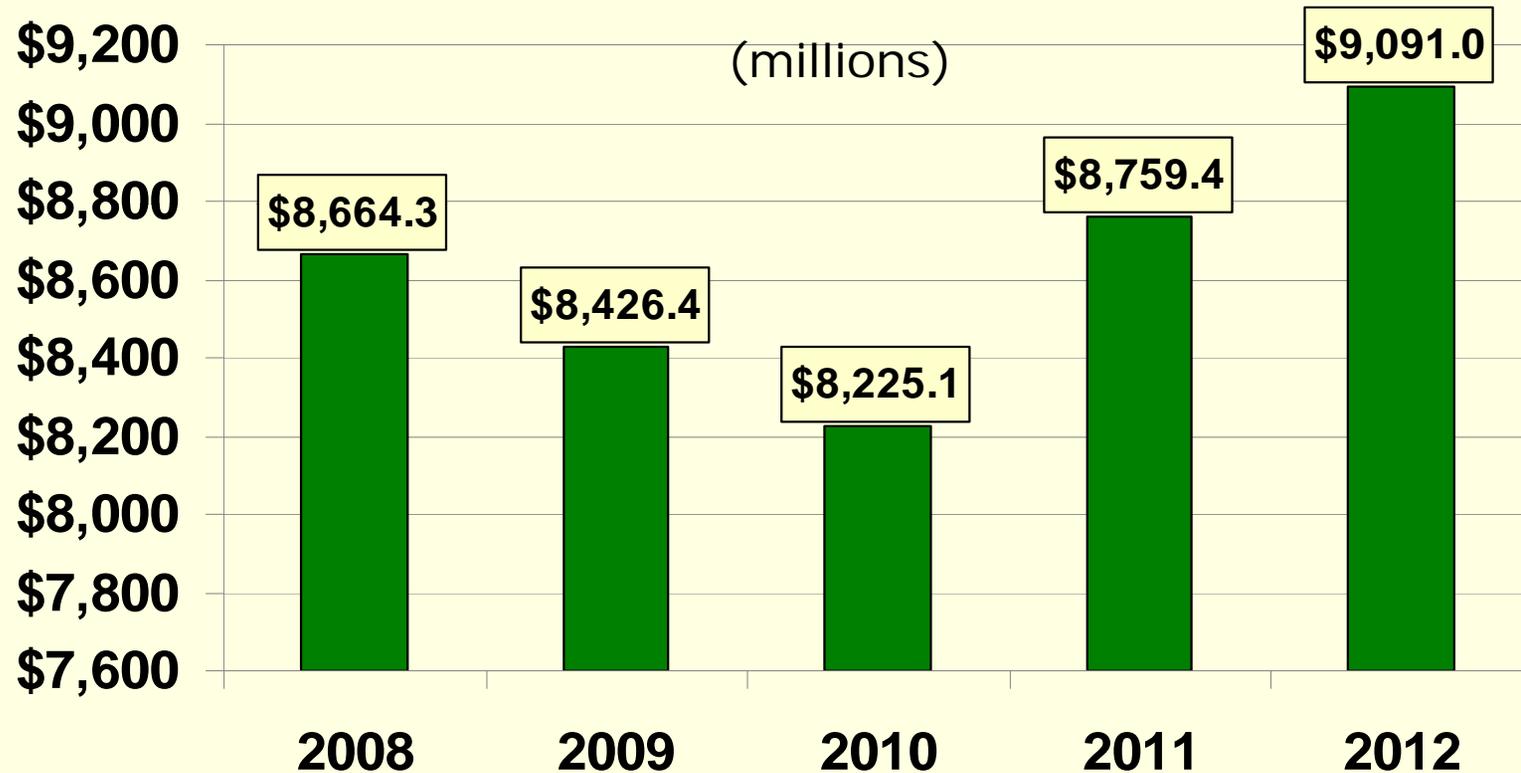
# General Fund Revenues Reflect Economic Recovery



# General Fund Revenues Increased 3.8% in FY 12

	<u>\$million</u>		<u>Difference</u>	
	<u>FY 12</u>	<u>FY 11</u>	<u>(\$ million)</u>	<u>(%)</u>
Sales and Use	3,052.2	2,896.3	156.0	5.4
Individual Income	3,512.1	3,417.8	94.3	2.8
Corporation Income	374.4	300.8	73.6	24.5
LLET	200.7	215.7	-15.0	-7.0
Coal Severance	298.3	295.8	2.4	0.8
Cigarette Taxes	254.8	262.2	-7.4	-2.8
Property	529.6	514.8	14.8	2.9
Lottery	210.8	200.5	10.3	5.1
Other	<u>658.0</u>	<u>655.4</u>	<u>2.5</u>	<u>0.4</u>
<b>TOTAL</b>	<b>9,091.0</b>	<b>8,759.4</b>	<b>331.5</b>	<b>3.8</b>

# FY 12 GF Revenues Post 2<sup>nd</sup> Increase After Declines in FY 09 and FY 10



# FY 12 General Fund Receipts Exceed Official Estimate by \$83.3 million

	(\$ millions)			
	<u>Actual</u>	<u>Estimate</u>	<u>Diff</u>	<u>Diff (%)</u>
Sales and Use	3,052.2	3,007.4	44.8	1.5
Individual Income	3,512.1	3,484.2	27.9	0.8
Corporation Income	374.4	333.5	40.9	12.3
LLET	200.7	218.3	-17.6	-8.0
Coal Severance	298.3	326.7	-28.4	-8.7
Cigarette Taxes	254.8	253.6	1.2	0.5
Property	529.6	518.8	10.8	2.1
Lottery	210.8	211.0	-0.2	-0.1
Other	<u>658.0</u>	<u>654.2</u>	<u>3.8</u>	<u>0.6</u>
<b>TOTAL</b>	<b>9,091.0</b>	<b>9,007.7</b>	<b>83.3</b>	<b>0.9</b>

# \$45.7 Million FY 12 General Fund Surplus

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	<u>millions</u>
FY 12 General Fund Year-End Balance	\$90.1
Budgeted Carryforward	(\$44.4)
<b>General Fund Surplus</b>	<b>\$45.7</b>

## **Actual vs. Budgeted**

Revenues in Excess of Official Estimate	\$83.3
Unrealized Funds Budgeted to be Available to General Fund	(\$18.4)
Prior Period Adjustment	(\$16.8)
Necessary Government Expenses Greater than Budgeted	(\$10.5)
Dedicated Severance Tax Appropriations Less than Budgeted	\$4.3
Fund Transfers in Excess of Budget/Other	\$3.8
<b>General Fund Surplus</b>	<b>\$45.7</b>

# \$45.7 Million FY 12 General Fund Surplus

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- HB 265 General Fund Surplus Expenditure Plan
  - FY 13 Necessary Government Expenses
  - Budget Reserve Trust Fund

# FY 12 Necessary Government Expenses

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	<u>millions</u>
<b>Description</b>	
Military Affairs-Disaster Match & Calling Out the Guard	\$8.2
Natural Resources-Forest Fire Suppression	\$3.0
Corrections-Higher Felon Population than Budgeted	\$20.5
ANOC-Guardian Ad Litem	\$11.0
ANOC-Unredeemed Checks	\$1.2
Other	\$1.6
<b>Total</b>	<hr/> <b>\$45.5</b>

# What is a NGE?

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- **Necessary Government Expense**
- Authority to spend funds on certain expenses is provided in the budget; but no funds are appropriated
- Funds come from the General Fund Surplus Account, the Budget Reserve Trust Fund, or other cuts must be made to accommodate the expenses

# FY 12-14 Authorized NGE

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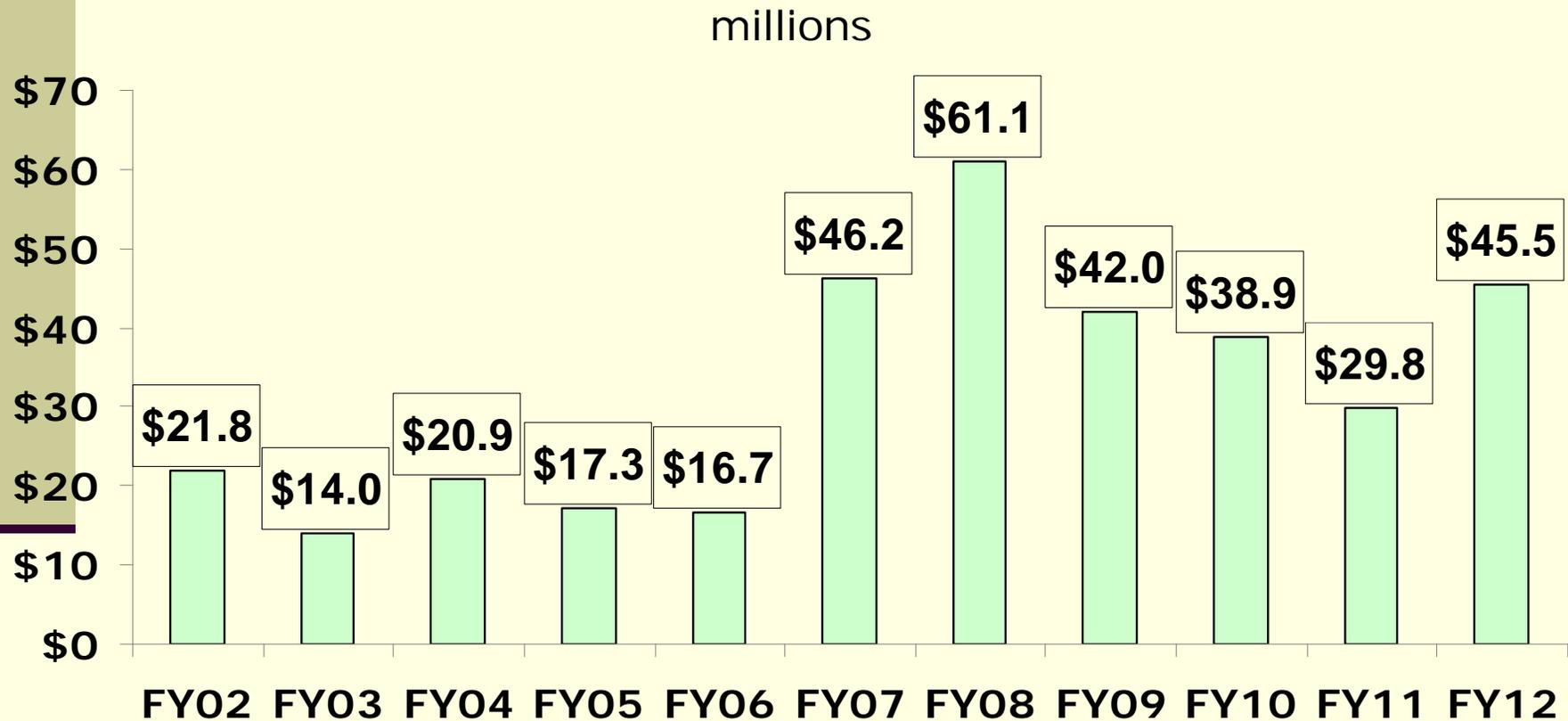
- Veterans' Affairs - debt service for the state share in case the federal government funds the 4th State Veterans' nursing home capital project
- Military Affairs-Disaster Match and Calling out the Guard
- Board of Elections - state share of special elections, additional precincts, additional new registered voters
- Attorney General Expert Witnesses –up to \$275,000 for biennium
- Judgments
- Appropriations Not Otherwise Classified: Attorney General Expense, Board of Claims awards, Guardian Ad Litem, Prior Year Claims, Unredeemed Checks refunded, Survivor benefits for Police/Firefighter/National Guard and Reserve deaths in line of duty

# FY 12-14 Authorized NGE

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- Forest Fire suppression
- Bluegrass State Skills – to make payments on prior obligations
- Lyon County Middle School Debt Service – KRS 157.623
- Social Security contingent liability fund
- County Costs: Sheriff's Fees, Jury Fund, Access to Justice, Fugitives from Justice, Witnesses Fund, Sheriffs' Expense Allowance, DUI Service Fees, and others
- Kentucky State Police - call to extraordinary duty
- Payments to County Jails for state felons in excess of the amount budgeted
- Capital Construction and Equipment Purchase Contingency account - sufficient funds
- Emergency Repair, Maintenance, and Replacement account

# NGE Recent Historical Amounts

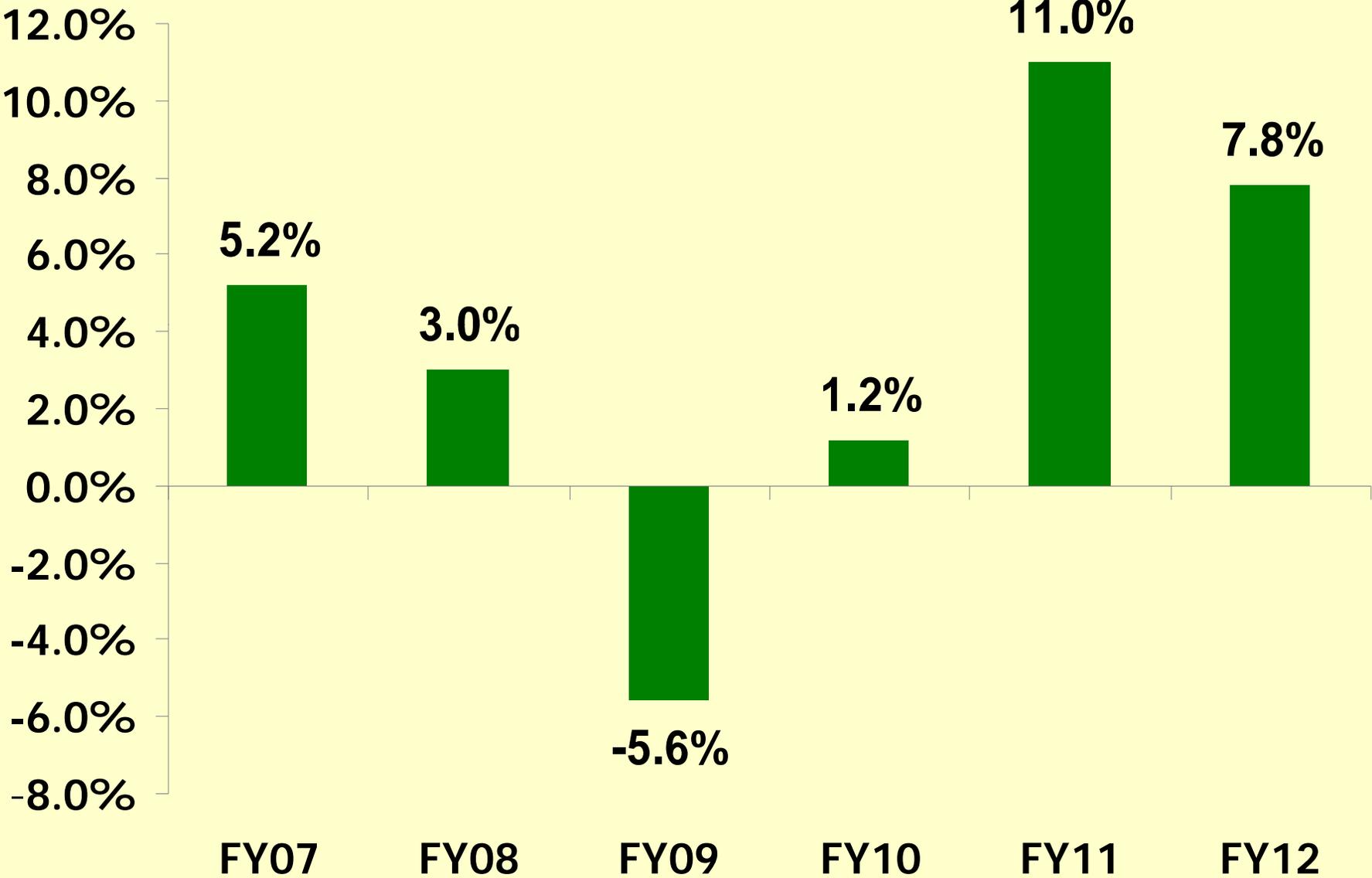


# FY 12 Road Fund Summary

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- Revenues
- Surplus

# Road Fund Continues to Recover



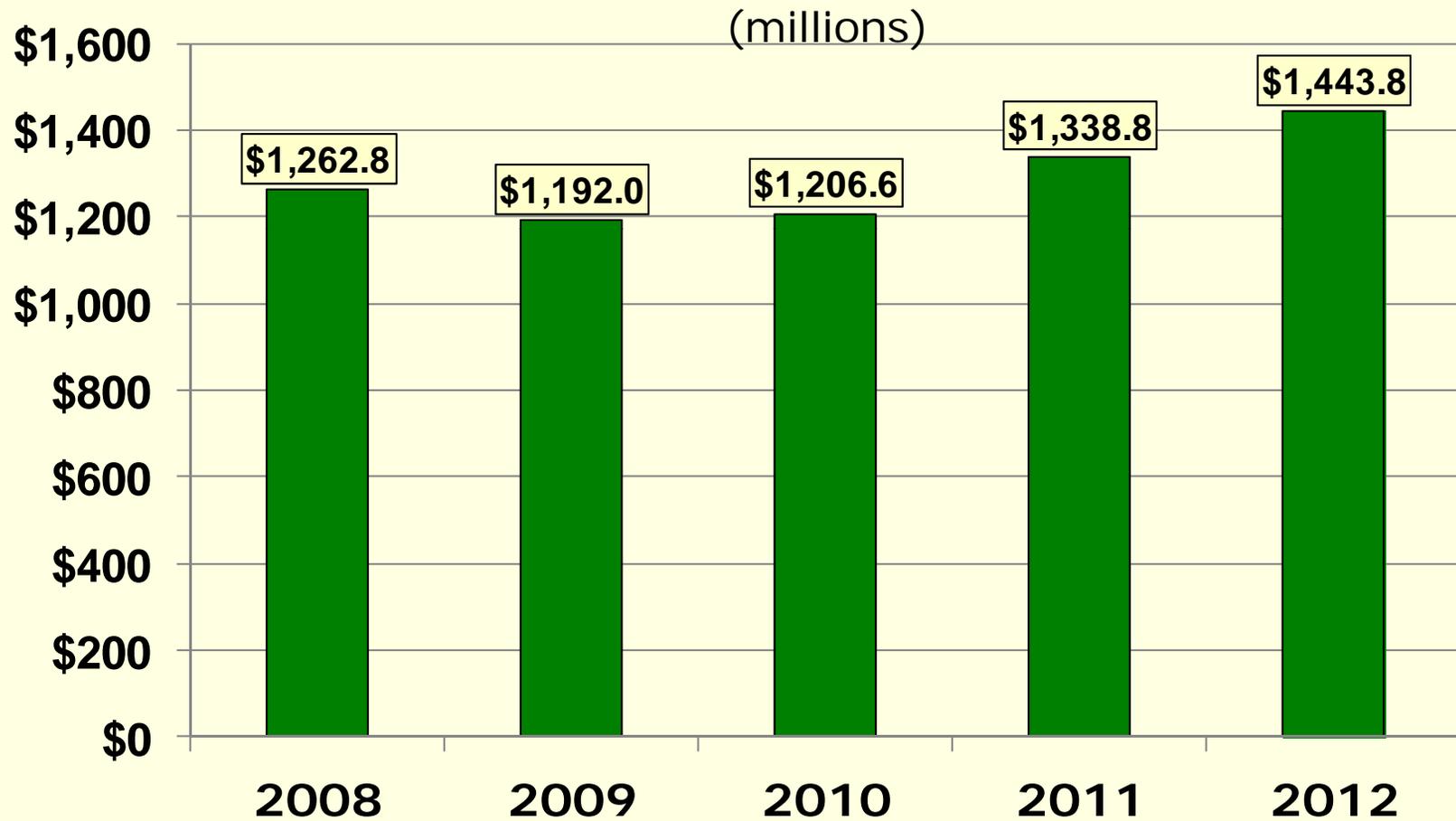
# Road Fund Revenues Increased 7.8% in FY 12

	(\$million)		<u>Difference</u>	
	<u>FY 12</u>	<u>FY 11</u>	<u>(\$million)</u>	<u>(%)</u>
Motor Fuels	790.2	732.8	57.4	7.8
Motor Vehicle Usage	416.9	381.8	35.1	9.2
Motor Vehicle License	107.8	97.8	10.0	10.2
Motor Vehicle Operator	15.7	15.7	0.0	0.0
Weight Distance	75.1	74.0	1.1	1.5
Investment Income	3.1	2.0	1.1	54.4
Other	<u>34.9</u>	<u>34.7</u>	<u>0.2</u>	<u>0.7</u>
<b>TOTAL</b>	<b>1,443.8</b>	<b>1,338.8</b>	<b>105.0</b>	<b>7.8</b>

# FY12 Road Fund Receipts Exceeded Estimate by \$31.3 Million

	(\$million)			
	<u>Actual</u>	<u>Estimate</u>	<u>Diff</u>	<u>Diff (%)</u>
Motor Fuels	790.2	779.5	10.7	1.4
Motor Vehicle Usage	416.9	402.7	14.2	3.5
Motor Vehicle License	107.8	100.8	7.0	7.0
Motor Vehicle Operators	15.7	15.8	-0.1	-0.4
Weight Distance	75.1	79.4	-4.3	-5.4
Investment Income	3.1	0.5	2.6	515.8
Other	<u>34.9</u>	<u>33.8</u>	<u>1.1</u>	<u>3.4</u>
<b>TOTAL</b>	<b>1,443.8</b>	<b>1,412.5</b>	<b>31.3</b>	<b>2.2</b>

# Road Fund Revenues Reflect Statutory Formula for Fuels Taxes



# \$50.3 Million FY 12 Road Fund Surplus

	<u>(millions)</u>
FY 12 Road Fund Year-End Balance	\$ 88.9
Budgeted Carryforward	<u>(\$38.6)</u>
<b>Road Fund Surplus</b>	<b>\$ 50.3</b>

## **Actual vs. Budgeted**

Revenues in Excess of Official Estimate	\$ 31.3
Dedicated Fuels Tax Appropriations in Excess of Budget	(\$ 6.6)
Fund Transfers in Excess of Budget	\$ 0.5
Unbudgeted Lapses	<u>\$ 25.1</u>
<b>Road Fund Surplus</b>	<b>\$ 50.3</b>

## ■ **HB 1 Road Fund Surplus Expenditure Plan**

- All surplus funds deposited into State Construction Account

# FY 12 Tobacco Settlement Funds

- Actual Receipts 0.9% less than budgeted
- Proportionate Reductions Made

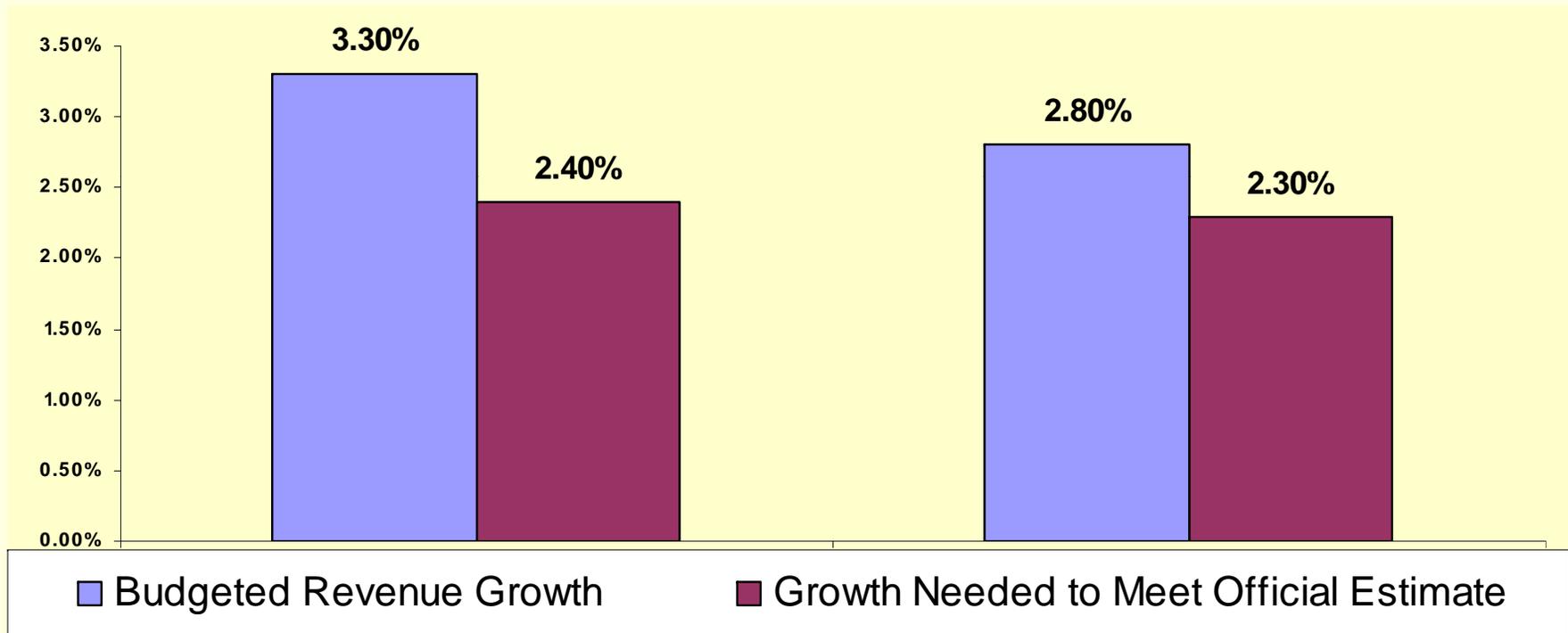
	<b>Enacted</b>	<b>(millions) Reductions</b>	<b>Revised</b>
<b>Rural Development Fund</b>	\$51.2	(\$0.462)	\$50.8
<b>Health Care Improvement Fund</b>	\$25.6	(\$0.231)	\$25.4
<b>Early Childhood Development Fund</b>	\$25.6	(\$0.231)	\$25.4
<b>Department of Revenue</b>	\$0.3	(\$0.002)	\$0.3
<b>Total</b>	<b>\$102.7</b>	<b>(\$0.927)</b>	<b>\$101.8</b>

# Economic Outlook

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- General Fund
- Road Fund

# Required General Fund Revenue Growth Lower for FY 13 and FY 14



# General Fund Revenue Trends

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- Positive

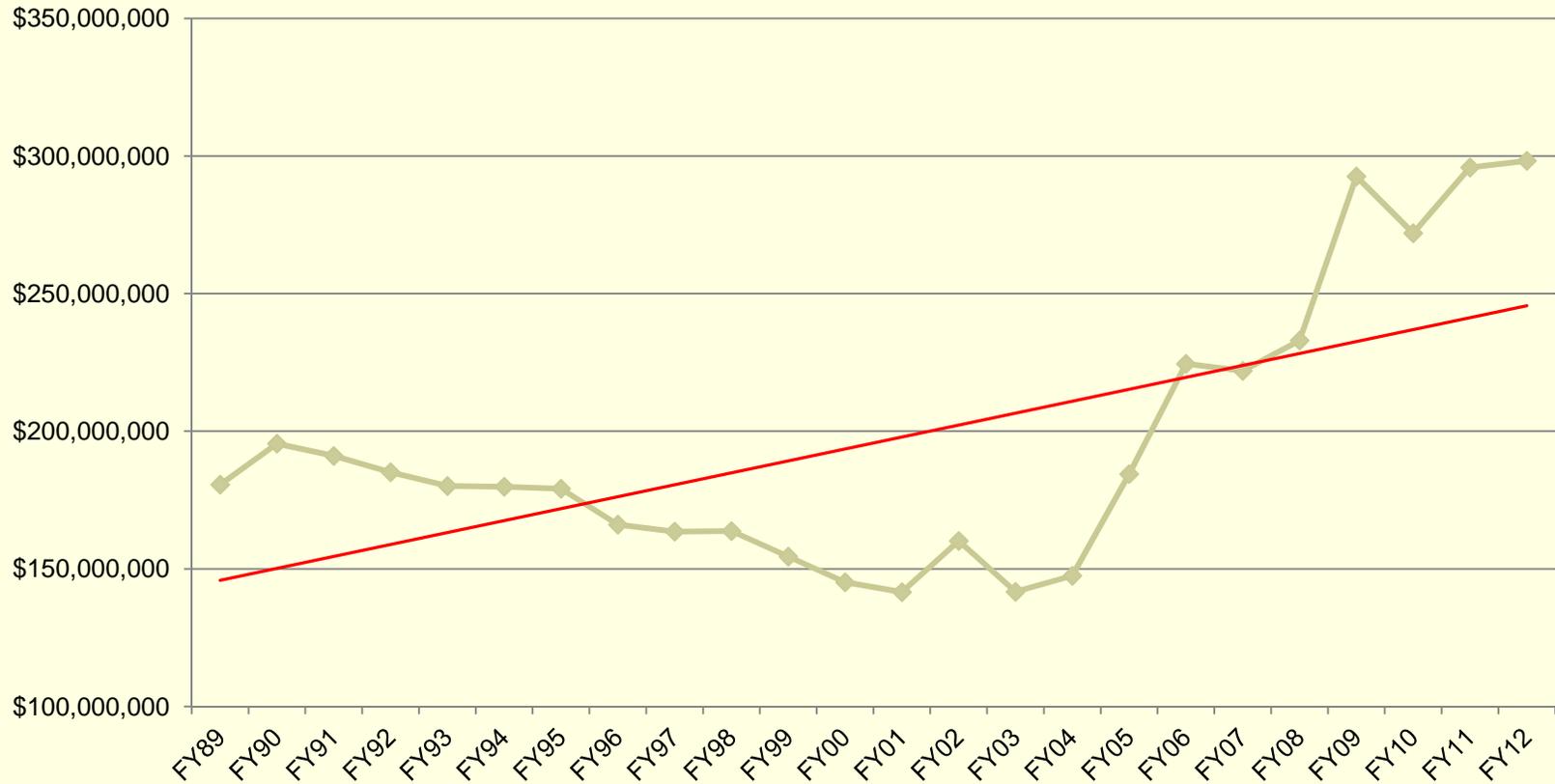
- Modest growth continues for 2nd straight year
- Both major taxes (income and sales) performed slightly better than national economic data

- Areas of Concern

- Coal Severance
- Underlying economic uncertainty will limit upside potential

# Coal Severance Trends

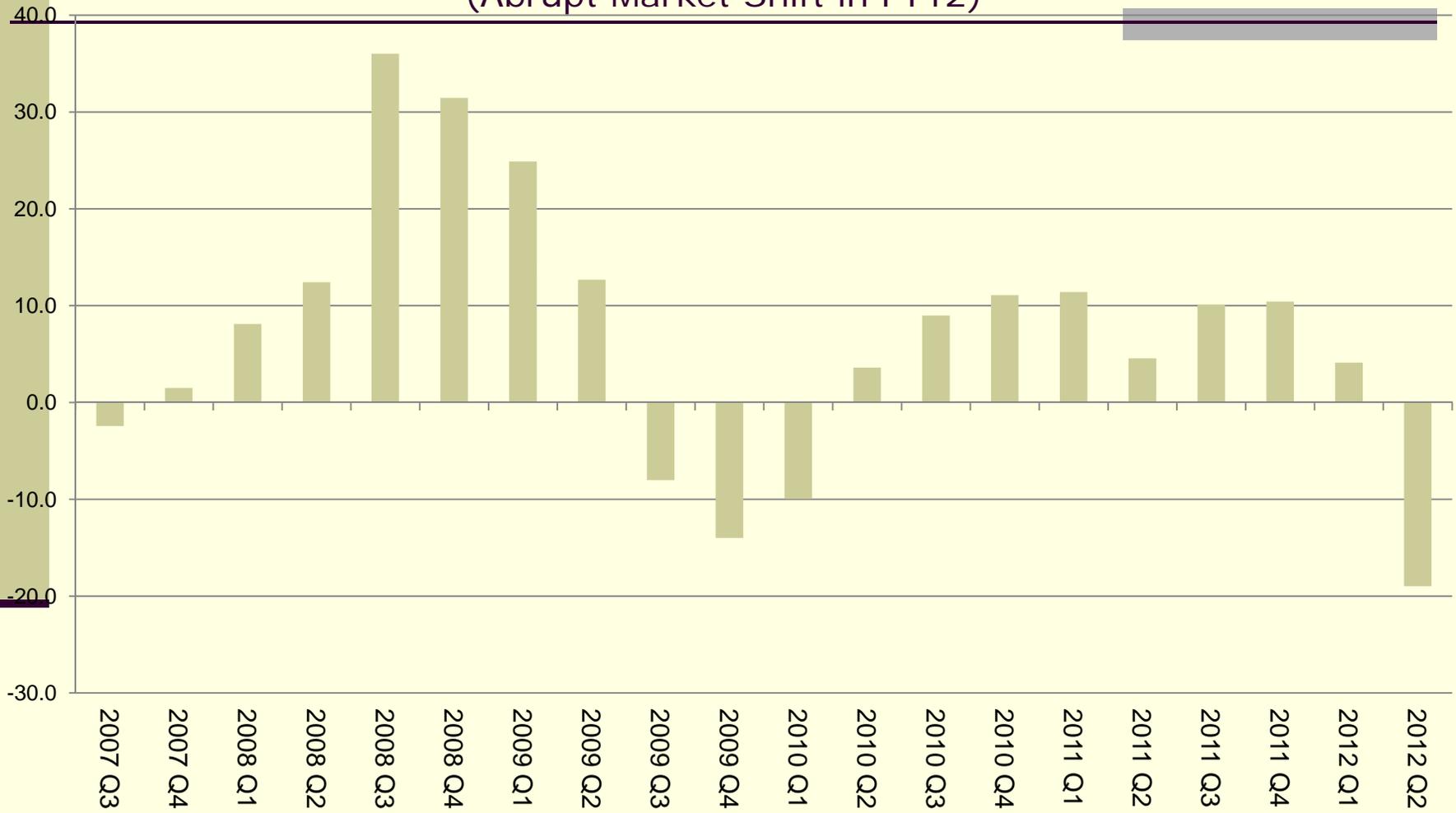
(While still above trend, Coal showing signs of retrenchment)



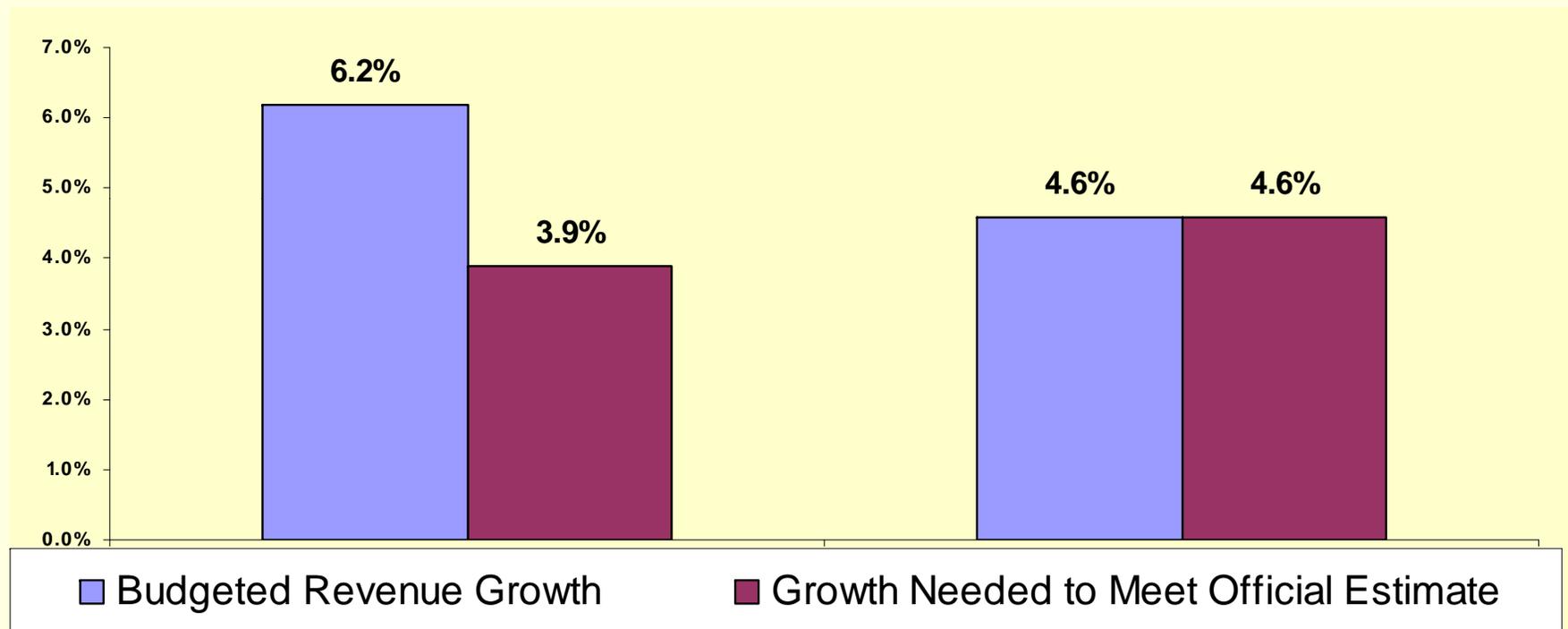
# Coal Growth Rates, By Quarter

2007 - 2012

(Abrupt Market Shift in FY12)



# Required Road Fund Growth Lower for FY 13



# Road Fund Revenue Trends

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- Positive

- Motor Vehicle Usage Tax

- Areas of Concern

- Falling fuel prices could destabilize Road Fund

- AWP floor is \$1.786 (16.1 cents per gallon)
    - Current AWP is \$3.239 (23.5 cents per gallon)
    - Current state total fuels rate on gasoline is 29.9 cents per gallon
      - Federal rate is 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel fuel

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