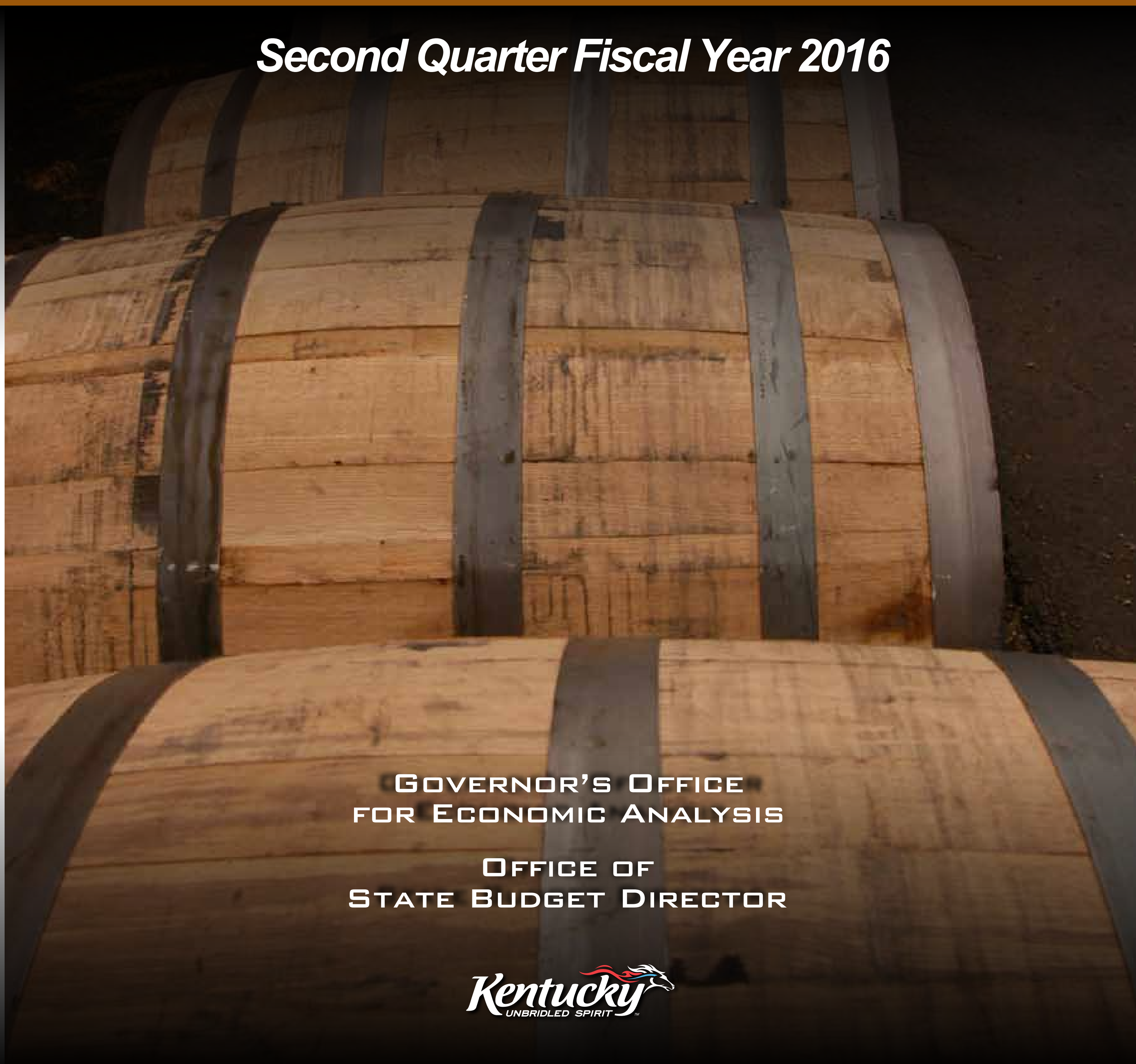
COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

Second Quarter Fiscal Year 2016



GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS

OFFICE OF STATE BUDGET DIRECTOR

Kentucky UNBRIDLED SPIRIT

Office of State Budget Director
284 Capitol Annex, 702 Capitol Avenue
Frankfort, Kentucky 40601

(502) 564-7300
Internet: osbd.ky.gov

Matthew G. Bevin
Governor

John E. Chilton
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
Governor's Office for Policy Research

January 29, 2016

The Honorable Matthew G. Bevin
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Bevin:

The attached Quarterly Economic and Revenue Report summarizes the revenue and economic statistics for the second quarter of Fiscal Year 2016 (FY16). It also includes an interim economic and revenue forecast for the next three fiscal quarters.

The revenue forecasts discussed in this report were estimated using the November 2015 "control scenario" of the national and state economic models. Forecasted revenues are prepared pursuant to KRS 48.400 (2) and are typically internal staff estimates prepared by the Office of State Budget Director. In odd-numbered years, however, the second quarterly report is prepared simultaneously with the work of the Commonwealth's Consensus Forecasting Group (CFG) as prescribed in KRS 48.120 (2). Therefore, the estimates presented herein are identical to the estimates adopted by the CFG on December 16, 2015.

A current snapshot of the national economy reveals that real gross domestic product rose by 2.1 percent in the second quarter of FY16. Growth in the first two quarters of FY16 has slowed relative to FY15. Economic growth in the current recovery period is historically low. The highest four-quarter growth during the 2001 recovery was 4.4 percent, while the highest four-quarter growth during the current recovery has been only 3.1 percent.

Revenue collections grew 3.5 percent, or $89.8 million, in the second quarter of FY16 following a 4.5 percent increase in the first quarter of the year. Through the first two quarters of the fiscal year, receipts have increased 4.0 percent. Revenues have now grown in eight consecutive quarters.

With the solid growth through the first six months of the fiscal year, revenues are expected to grow at a more tepid 2.6 percent for the final six months of the fiscal year. The second half of FY16 is expected to grow more slowly primarily due to the higher base of comparison (FY15), where revenues grew 5.4 percent and 8.6 percent in the final two quarters.

The upcoming fiscal quarters will prove very telling as to the relative strength of economic factors and their ability to generate an elastic response in state tax revenues. These trends will be closely monitored as the next two quarters progress. In particular, the volatility in the U.S. stock market has the potential to cause further economic disruption on top of the roughly eight percent decline in the current calendar year.

Sincerely,

John E. Chilton
State Budget Director

TABLE OF CONTENTS

Executive Summary

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared this *Quarterly Economic and Revenue Report* for the second quarter of FY16. This report includes updates on the national and Kentucky landscapes, as well as an economic and fiscal outlook for the next three fiscal quarters.

The revenue forecasts discussed in this report were estimated using the November 2015 "control scenario" economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky Macroeconomic Model (MAK). Forecasted revenues prepared pursuant to KRS 48.400(2) are typically internal estimates prepared by the staff of the Office of State Budget Director. In odd-numbered years, however, the second quarterly report is prepared simultaneously with the work of the Commonwealth's Consensus Forecasting Group (CFG) as prescribed in KRS 48.120(2). Therefore, the estimates presented herein are identical to the control, or baseline, scenario adopted by the CFG on December 16, 2015.

A current snapshot of the national economy reveals that real gross domestic product rose by 2.1 percent in the second quarter of FY16. Growth in the first two quarters of FY16 has slowed relative to FY15. Growth in the current recovery period is historically low. Growth has not even reached the modest levels of growth seen in the 2001 recovery period. The highest 4-quarter growth during the 2001 recovery was 4.4 percent, while the highest 4-quarter growth during the current recovery has been only 3.1 percent.

Kentucky personal income grew by 4.6 percent in the second quarter of FY16. The solid second quarter growth was led by strong growth in income from transfer payments; proprietor's income; and dividends, interest and rents income. Kentucky non-farm employment grew by 1.3 percent in the second quarter of FY16. That is a net gain of 24,300 jobs over the same quarter last year. The largest contributors were leisure and hospitality, which grew 3.7 percent or 6,900 jobs, and trade, transportation, and utilities employment, which grew 1.4 percent or 5,200 jobs over the same quarter last year.

Going forward, low gasoline prices and unseasonably warm weather have positive impacts for travel and consumer spending as shown by the record rate of automobile sales and hotel occupancy in 2015, as well as a solid retail sales performance through November. In December some economic uncertainty was mitigated as the federal government passed a budget and avoided a shutdown. The Federal Reserve finally met expectations and raised the federal funds rate target for the first time since 2008 and indicated that they will make further hikes over the next twelve months. The US economy is expected to maintain moderate growth despite potential headwinds.

Growth for the second half of FY16 in Kentucky employment and personal income is expected to be roughly in line with the national rates. While the US has seen tepid manufacturing employment growth in recent years, Kentucky's has been more robust, adding jobs at a rate much faster than the national average and approaching its pre-recession high for manufacturing jobs. The Commonwealth is projected to grow manufacturing jobs at eight times the national rate in FY16 (see Tables 8 and 9). The automotive sector alone was responsible for half of Kentucky's manufacturing employment growth in the first quarter of FY16 (per the Louisville Federal Reserve Report). The housing market in the Commonwealth seems to be turning the corner as the rate of growth of new housing permits has increased and construction employment is increasing.

Revenue collections grew 3.5 percent, or $89.8 million, in the second quarter of FY16 following a 4.5 percent increase in the first quarter of the year. Through the first two quarters of the fiscal year, receipts have increased 4.0 percent. Revenues have now grown in eight consecutive quarters.

With the solid growth through the first six months of the fiscal year, revenues are expected to grow 2.6 percent for the final six months of the fiscal year. The second half of FY16 is expected to grow more slowly primarily due to a high base of comparison from FY15, where revenues grew 5.4 percent and 8.6 percent in the final two quarters.

Individual income tax receipts are expected to total $4,233.5 million in FY16, partially due to robust growth of 4.7 percent in the first half of the fiscal year. Receipts are projected to increase by 3.4 percent during the final two quarters of FY16. Taken in aggregate, the individual income tax is forecasted to grow at 4.0 percent rate for FY16. Growth in the individual income tax is even more impressive considering that the base from FY15 grew at an impressive rate of 8.5 percent.

Since declining in FY13, the sales and use tax has experienced a steady dose of positive momentum. Growth of 3.6 percent in FY14 was followed by even faster growth of 4.4 percent during FY15. The first half of FY16 was higher still – 6.2 percent greater than the first half of FY15. This interim report calls for continued growth in the sales and use tax, albeit at a slightly reduced rate of 3.2 percent growth for the final six months of FY16.

The January 2016 interim Road Fund forecast projects an improving revenue situation compared to the past four quarters; however, collections are still expected to decline over the forecast horizon. The first two quarters of FY16 have seen Road Fund revenues fall 5.4 percent, largely due to a drop in motor fuels revenue. Growth in the second half of the year is estimated to be comparable to the first half with -5.1 percent while growth in the first quarter of FY17 is forecasted to be -1.7 percent.

The 5.4 percent decline in the first six months of FY16 was largely the result of a 17.4 percent drop in motor fuels revenue. Motor vehicle usage tax receipts were uncharacteristically strong. The 15.6 percent growth over the first half of the fiscal year is the strongest in the past 15 years. The remaining "Other" accounts had both gains and losses but, on net, increased $4.3 million.

Revenue Receipts

GENERAL FUND
Second Quarter, FY16

General Fund revenue collections grew 3.5 percent, or $89.8 million, in the second quarter of FY16 following a 4.5 percent increase in the first quarter of the year. Through the first two quarters of the fiscal year, receipts have increased 4.0 percent. Revenues have now grown in eight consecutive quarters. With the solid growth through the first six months of the fiscal year, revenues would need to grow 2.6 percent for the final six months of the fiscal year to meet the official estimate.

Table 1
Summary General Fund Receipts
$ millions

	FY16 Q2	FY15 Q2	Diff $	Diff %
Individual Income	1,029.6	994.5	35.0	3.5
Sales and Use	868.0	822.4	45.6	5.5
Property	333.5	325.8	7.7	2.4
Corporation Income	102.1	96.8	5.2	5.4
Coal Severance	34.5	48.8	-14.2	-29.2
Cigarette Taxes	57.6	55.1	2.5	4.6
LLET	35.5	38.5	-3.0	-7.9
Lottery	56.8	57.5	-0.7	-1.3
Other	151.2	139.5	11.8	8.4
Total	**2,668.7**	**2,578.9**	**89.8**	**3.5**

Second quarter gains were driven by sales and use, corporation income, cigarette, and individual income taxes. Total receipts in the second quarter totaled $2,668.7 million compared to $2,578.9 million received in the second quarter of FY15. 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.

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 record some monthly shifts because of these differences.

Individual income tax posted receipts of $1,029.6 million, compared to last year's second-quarter receipts of $994.5 million. The resulting growth rate was 3.5 percent, and compares to a growth rate of 7.5 percent for the second quarter of last year. In order to meet the revised official estimate, income tax receipts must rise 3.4 percent for the remainder of FY16.

The sales and use tax grew 5.5 percent in the second quarter of FY16. Receipts of $868.0 million compared favorably to $822.4 million in the second quarter of FY15. Year-to-date sales tax receipts have increased 6.2 percent. It is interesting to note that in FY16 so far, the percent increase in sales tax collections have outpaced the individual income tax as a whole and withholding in particular.

Second quarter property tax receipts posted revenues that were $7.7 million more than the second quarter of FY15. The difference is due mainly to timing issues as bills were mailed earlier in FY16. Second quarter receipts of $333.5 million compare with $325.8 million from the second quarter of FY15.

Combined corporation income and limited liability entity tax (LLET) receipts were up in the second quarter of the fiscal year. Revenues of $137.6 million were 1.6 percent more than year-earlier figures of $135.4 million.

Coal severance tax revenue continued to decline in the second quarter, with receipts down 29.2 percent. Collections of $34.5 million compare to the FY15 second quarter total of $48.8 million. The downward trend in many energy prices has led to quarterly declines in the oil production tax and the natural gas severance tax collections.

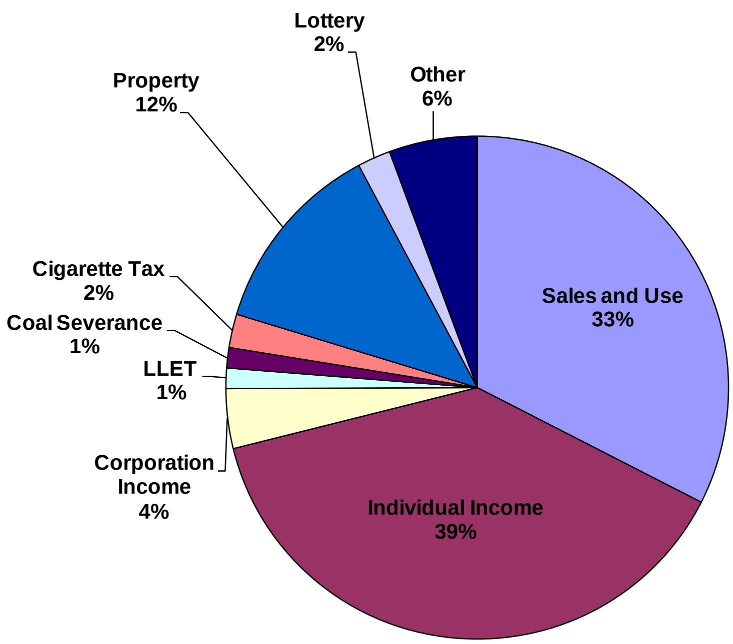
Cigarette tax receipts of $57.6 million in the second quarter of FY16 compare to $55.1 million in the second quarter of FY15. Cigarette tax receipts continued their strong performance, growing 4.6 percent in the second quarter. For the first six months of the year collections have increased 3.0 percent.

Lottery receipts were $56.8 million, which were 1.3 percent below last year's second-quarter total of $57.5 million.

The "Other" category, which represents the remaining taxes in the General Fund, increased 8.4 percent in the second quarter. Second quarter receipts for FY16 were $151.2 million and compare to $139.5 million in FY15.

Figure 1 details the composition of General Fund revenues by tax type for the second quarter of FY16. Seventy-two percent of General Fund revenues were collected in the areas of the individual income tax and the sales tax. The next largest sources of revenue were property tax accounted for 12.0 percent of the total General Fund receipts followed by the "Other" category at 6.0 percent. The largest components in the "Other" category include: insurance premium tax, the bank franchise tax, the telecommunications tax, the beer wholesale tax and the inheritance tax. Corporation income taxes accounted for 4.0 percent. Lottery and cigarette receipts accounted for 2.0 percent each. Finally LLET and coal severance receipts accounted for 1.0 percent each.

Figure 1
General Fund Receipts Composition
Second Quarter, FY16



ROAD FUND
Second Quarter, FY16

Total Road Fund receipts fell 2.3 percent during the second quarter of FY16 as motor fuels tax collections remain weak. Total receipts of $371.2 million and compare to $380.1 million from the second quarter of last year. Including all road fund taxes, receipts have declined 5.4 percent for the year. Based on year-to-date tax collections, revenues can decline 5.2 percent for the remainder of FY16 to meet the official estimate. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Motor fuels tax receipts decreased 18.7 percent during the second quarter. Receipts were $185.7 million and compare to $228.5 million collected during the second quarter of last year.

Table 2
Summary Road Fund Receipts
$ millions

	FY16 Q2	FY15 Q2	Diff $	Diff %
Motor Fuels	185.7	228.5	-42.8	-18.7
Motor Vehicle Usage	125.3	100.4	24.9	24.7
Motor Vehicle License	26.7	18.2	8.5	47.0
Motor Vehicle Operators	4.0	4.0	0.0	-0.1
Weight Distance	20.7	20.5	0.1	0.6
Income on Investments	-0.2	0.6	-0.9	NA
Other	9.1	7.8	1.2	15.9
Total	**371.2**	**380.1**	**-8.9**	**-2.3**

Motor vehicle usage tax receipts of $125.3 million represent an increase of 24.7 percent compared to the $100.4 million collected in the second quarter of FY15. Vehicle usage tax collections arise from vehicle sale transactions.

Motor vehicle license tax receipts increased 47.0 percent in the second quarter of FY16 to $26.7 million.

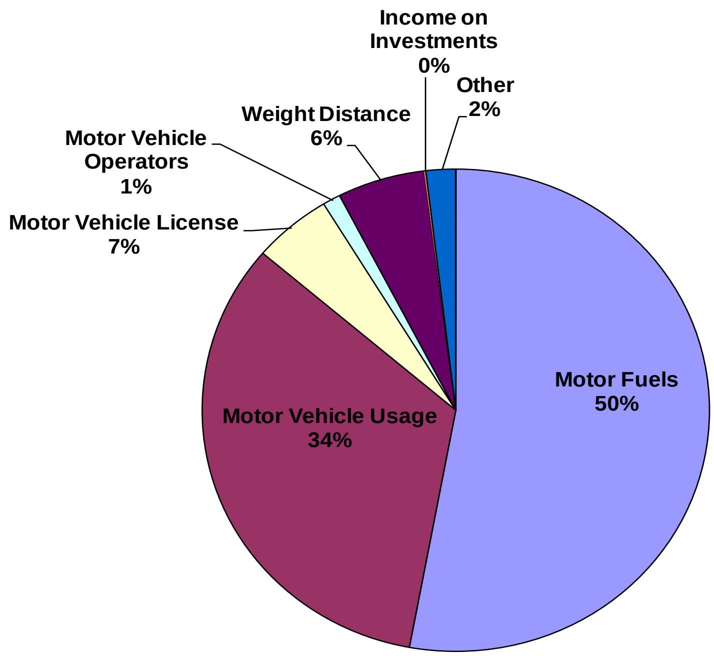
Motor vehicle operators license tax receipts were $4.0 million in the second quarter of FY16.

Weight distance tax receipts of $20.7 million represent a 0.6 percent increase compared to receipts of $20.5 million during the second quarter of FY15. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways.

The remainder of the accounts in the Road Fund combined for an increase of 15.9 percent from a year earlier. The “Other” category revenues of $9.1 million compare to $7.8 million in the second quarter of FY15.

Figure 2 details the composition of Road Fund revenues by tax type in the second quarter of FY16. Motor fuels taxes and the motor vehicle usage tax accounted for 84.0 percent of Road Fund revenues in the second quarter. The next-largest sources of revenue were the motor vehicle license with 7.0 percent followed by weight distance with 6.0 percent. The “Other” category accounted for 2.0 percent, while motor vehicle operators comprised 1.0 percent. Income on investments accounted for a negligible amount of total Road Fund receipts.

Figure 2
Road Fund Receipts Composition
Second Quarter, FY16



The Economy
Second Quarter FY16

NATIONAL ECONOMY

Real gross domestic product rose by 2.1 percent in the second quarter of FY16. Real gross domestic product (real GDP) is the sum of all final goods and services sold within a country's physical boundaries in a given year and explicitly excludes those goods and services which are produced by US citizens in other countries. Growth in the first two quarters of FY16 have slowed relative to FY15. Real GDP growth for the last six quarters were 2.9, 2.5, 2.9, 2.7, 2.0 and 2.1 percent respectively. Slowdowns in investment and exports were largely responsible for the slowdown in real GDP over this six-quarter period. Growth in the current recovery period is historically low. Growth has not even reached the modest levels of growth seen in the 2001 recovery period. The highest four-quarter growth during the 2001 recovery was 4.4 percent, while the highest four-quarter growth during the current recovery has been only 3.1 percent, which occurred immediately following the trough, where the base levels of real GDP were very low.

Real consumption grew by 2.9 percent in the second quarter of FY16. Real consumption growth has been inconsistent over the last 10 quarters. Adjacent-quarter growth ranged from 0.3 percent to 1.1 percent during that time. Adjacent-quarter growth in the second quarter was 0.8 percent. So while this is lower than the high point over the last 10 quarters, it is still significantly higher than the low growth years from FY11 to FY13, when the average adjacent-quarter growth was 0.4 percent. Real consumption made up 68.9 percent of real GDP in the second quarter of FY16.

Real investment grew by 2.8 percent in the second quarter of FY16. This is somewhat misleading as growth has been erratic over the last five quarters. The majority of that 2.8 percent annual growth occurred during the third quarter of FY15, where the adjacent-quarter growth was 2.1 percent. On an adjacent-quarter basis, real investment fell 1.4 percent in the first quarter of FY16. These first quarter losses were concentrated in three components of real investment: structures, other equipment, and change in private inventories.

In the second quarter, investment in structures was essentially flat. Other equipment bounced back strongly with growth of 2.6 percent making up more than all of the first quarter losses. Changes in private inventories continued to fall but only at half the rate as in the first quarter. The change in private inventories category makes up a very small percentage of total real investment. In the second quarter of FY16, it made up 1.4 percent of all real investment. This share varies considerably over a decade, but rarely does it get higher than 3.0 percent of total investment. Total real investment made up 17.3 percent of real GDP in the second quarter of FY16.

Table 3
Summary of US Economic Series
Second Quarter FY16 & FY15

	Q2			
	FY16	**FY15**	**Chg**	**% Chg**
Real GDP	16,490.1	16,151.4	338.7	2.1
Real Consumption	11,354.0	11,033.3	320.8	2.9
Real Investment	2,850.4	2,772.5	77.9	2.8
Real Govt. Expenditures	2,874.7	2,839.0	35.7	1.3
Real Exports	2,139.4	2,123.9	15.5	0.7
Real Imports	2,698.2	2,587.5	110.7	4.3
Inflation (% chg CPI)	0.1	1.2	NA	NA
Industrial Production Index (% chg)	-0.7	4.5	NA	NA
Civilian Labor Force (millions)	158.0	156.3	1.8	1.1
Unemployment Rate (%)	5.1	5.7	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 FY16 Q2 are November 2015 estimates.[1]
Source: IHS Global Insight Inc., November 9, 2015 data release

Real government expenditures grew by 1.3 percent in the second quarter of FY16. Real government expenditures include all expenditures by federal, state and local governments. It is typical for government expenditures to contract following a recession. Real government expenditures at the beginning of the 2007 recession were $2,939.8 billion. Government expenditures expanded for the next eight quarters. Then during the recovery, expenditures began to contract. By the second quarter of FY13, government expenditures contracted back to their pre-recession level. The contraction of government expenditures continued for another four quarters after reaching the pre-recession level. Government expenditures reached a trough in the third quarter of FY14 and have been slowly rising since then. Government expenditures are now $46.3 billion greater than that trough. Real government expenditures made up 17.4 percent of real GDP in the second quarter of FY16.

[1] The second quarter FY16 data, presented here, is an estimate generated from the November 2015 Global Insight data release. It is not actual history. The actual data for most of these series will not be released until the end of the third quarter, which is far beyond the publishing date of this report.

Real imports grew by 4.3 percent in the second quarter of FY16. Real exports grew by only 0.7 percent in the second quarter of FY16. Over the last two years, real exports are growing an average of 0.4 percent per quarter. Over the same time, real imports grew at 1.2 percent per quarter. That is triple the rate, so it is not surprising that the trade deficit continues to expand. The trade deficit for the second quarter of FY16 was $558.8 billion. That is the highest it has been since the start of the 2007 recession.

National personal income grew by 4.0 percent in the second quarter of FY16. Adjacent-quarter personal income growth has been solid and steady for the last two years, ranging between 0.8 percent and 1.5 percent per quarter. While wages and salaries income contributed the most in absolute amounts to personal income, it was high growth in transfer receipts and dividends, interest and rents that led to such high growth in the second quarter on a percentage basis. Transfer receipts, that component of income which comes from government-assistance programs, now make up 17.4 percent of total personal income. Wages and salaries, the largest component, make up 50.7 percent of personal income. Dividends, interest and rents makes up the second largest category, which is 18.7 percent of personal income. National personal income declined for one quarter in the third quarter of FY13, but it has been solid and steady since then.

Total non-farm employment rose by 1.8 percent, or 2.5 million jobs, in the second quarter of FY16. Weak growth in mining, manufacturing and other services employment provided a drag to growth for total employment during the second quarter. Business services had the highest percentage and absolute growth in the second quarter, with 3.0 percent and 0.5 million jobs, respectively. Business services employment has grown modestly and steadily since the end of the 2007 recession. On average the quarterly growth rate has been 0.8 percent per quarter over that time. Growth in every supersector is still performing below the average for an expansion period.

KENTUCKY ECONOMY

Kentucky personal income grew by 4.6 percent in the second quarter of FY16. The solid second quarter growth was led by solid growth in income from transfer payments; proprietor's income; and dividends, interest and rents income. The other contributing categories also performed well.

Income from transfer payments generally contracts during an expansion period, but that is not what is currently happening in Kentucky. It is still not clear if this is just due to the slow-recovering labor market or if this a major change in the paradigm of welfare consumption. In 2005, transfer receipts made up 18.9 percent of total personal income in Kentucky. This share was increasing even before the recession started. When the recession started, transfer receipts made up 20.1 percent of personal income. This share then expanded to 25.1 percent by the third quarter of FY10. This is normal in a historical sense, as out of work persons rely on unemployment insurance and other assistance until they can find employment again. Following the third quarter of FY10, transfer receipts began to contract. By the second quarter of FY13, transfer receipts made up 22.7 percent of total personal income. However, since then, they have begun to expand again. Currently, transfer receipts make up 24.5 percent of personal income, which is very close to the two-decade high for that component of income. Transfer payments in Kentucky consistently make up a larger share of total personal income than the nation as a whole. Nationally, transfer payments made up 17.4 percent of total personal income. At the beginning of the millennium, Kentucky's transfer payment share was only 4.0 percent greater than the national share.

Table 4
Personal Income
$ billions, SAAR

	Q2			
	FY16	**FY15**	**$ Diff**	**% Diff**
United States				
Personal Income	15,549	14,956	593	4.0
Social Insurance	1,208	1,177	31	2.6
Residence Adjustments	-615	-592	-23	3.8
Dividends, Interest and Rents	2,901	2,759	142	5.1
Transfer Receipts	2,705	2,571	134	5.2
Wages & Salaries	7,887	7,633	254	3.3
Supplements to W&S	2,467	2,385	82	3.4
Proprietor's Income	1,413	1,378	35	2.6
Kentucky				
Personal Income	175.7	168.0	7.7	4.6
Social Insurance	14.0	13.7	0.3	1.9
Residence Adjustments	-1.6	-2.1	0.4	-21.3
Dividends, Interest and Rents	27.2	25.9	1.3	5.1
Transfer Receipts	43.0	40.9	2.1	5.2
Wages & Salaries	85.9	83.1	2.8	3.3
Supplements to W&S	22.5	21.7	0.7	3.3
Proprietor's Income	12.8	12.1	0.6	5.2

Proprietor's income makes up 7.3 percent of total personal income in Kentucky. Quarterly growth in this category of income has been very erratic over the last three years. In the third quarter of FY13, proprietor's income grew 11.0 percent in one quarter. Unfortunately, over half of those exceptional gains were erased over the next year. In fact, proprietor's income has fallen in six of the last 14 quarters. Despite the recent erratic growth, proprietor's income is up a net 37.7 percent over its peak before the 2007 recession. Proprietor's income is the second fastest growing income category since the recession.

Dividends, interest and rents income grew by 5.1 percent over the same quarter last year. The recession was particular detrimental to the dividends, interest, and rents income category. It lost 12.9 percent of its value in the few quarters following the recession. And with solid growth it made up all those losses by the first quarter of FY12. Dividends, interest, and rents income has grown by over one percent (adjacent-quarter growth) for three quarters in a row now.

Kentucky non-farm employment grew by 1.3 percent in the second quarter of FY16. That is a net gain of 24,300 jobs over the same quarter last year. The largest contributors were leisure and hospitality, which grew 3.7 percent or 6,900 jobs, and trade, transportation, and utilities employment, which grew 1.4 percent or 5,200 jobs over the same quarter last year.

Leisure and hospitality services employment grew by 3.7 percent in the second quarter and was the largest absolute and percentage contributor to total employment in the second quarter. Leisure and hospitality services employment reached a peak in the third quarter of FY08. As a result of the 2007 recession, employment in this category declined until it reached a trough in the third quarter of FY10. Since then, it has grown an average of 0.6 percent per quarter. The second quarter of FY16 was the largest growth quarter for leisure and hospitality since before the 2007 recession began.

Trade, transportation and utilities employment makes up the largest share of non-farm employment. In the second quarter, it made up 20.3 percent of total employment in the state. Employment in trade, transportation and utilities declined in the fourth quarter of FY15 and the first quarter of FY16. The second quarter adjacent-quarter growth of 1.8 percent was the highest in trade, transportation and utilities since before the 2007 recession began.

Notably, mining employment declined 2,300 jobs, or 14.2 percent. The Environmental Protection Agency's new rules and standards on mercury emissions [implemented in 2015] have caused several power plants to shutdown over the last 12 months. This has put additional downward pressure on the demand for coal mining. Additionally, the prolonged low price of natural gas has allowed existing power plants to shift their input make-up to use less coal and more natural gas. Again, this put downward pressure on coal demand. The demand for coal has been depressed for an extended time, and many mines have closed permanently. Mining employment has dropped for the last five consecutive quarters, losing a net 2,600 jobs over that time. Mining employment, which includes all natural resource mining and logging, makes up 0.9 percent of total employment in Kentucky.

Other services employment declined by 0.9 percent in the second quarter. It has been declining steadily since before the 2007 recession. Other services employment grew from the second quarter of FY15 to the first quarter of FY16, but that growth was very low. Other services employment makes up 3.4 percent of total employment in Kentucky.

Table 5
Summary of US & KY Employment
Second Quarter FY16 & FY15

	Q2 US (millions)			Q2 KY (thousands)		
	FY16	FY15	% Chg	FY16	FY15	% Chg
Non-farm Employment	142.7	140.2	1.8	1,901.5	1,877.2	1.3
Goods-producing	19.5	19.4	0.4	329.0	326.7	0.7
Construction	6.4	6.2	2.9	75.9	73.5	3.3
Mining	0.8	0.9	-14.1	13.9	16.2	-14.2
Manufacturing	12.3	12.3	0.2	239.2	237.0	0.9
Service-providing	101.2	98.9	2.3	1,247.9	1,226.0	1.8
Trade, Transportation & Utilities	27.1	26.6	1.7	386.1	380.9	1.4
Information	2.8	2.8	1.1	26.4	26.3	0.4
Finance	8.2	8.0	1.6	91.7	90.7	1.1
Business Services	19.9	19.4	3.0	220.4	215.6	2.2
Educational Services	22.3	21.7	2.7	268.9	264.4	1.7
Leisure and Hospitality Services	15.3	14.9	2.7	191.3	184.4	3.7
Other Services	5.6	5.6	0.7	63.1	63.7	-0.9
Government	22.1	21.9	0.8	324.7	324.5	0.1

Not Seasonally Adjusted. Data for FY16 Q2 are November 2015 estimates.
Source: IHS Global Insight Inc., November 9, 2015 data release

Interim Outlook

GENERAL FUND
Second Quarter, FY16

The revenue forecasts presented in Table 6 and Table 7 were estimated using the November 2015 "control scenario" economic forecast from both Global Insight and the Kentucky MAK model. Forecasted revenues prepared pursuant to KRS 48.400(2) are typically internal estimates prepared by the staff of the Office of State Budget Director. In odd-numbered years, however, the second quarterly report is prepared simultaneously with the work of the Commonwealth's Consensus Forecasting Group (CFG) as prescribed in KRS 48.120(2). Therefore, the estimates presented herein are identical to the control, or baseline, scenario adopted by the CFG on December 16, 2015.

Table 6
General Fund Interim Forecast
$ millions

	FY16						FY16		FY17	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	2,069.5	4.7	2,164.0	3.4	4,233.5	4.0	4,233.5	0.0	1,059.4	1.9
Sales & Use	1,727.7	6.2	1,692.8	3.2	3,420.5	4.7	3,420.5	0.0	888.6	3.3
Property	380.3	2.7	192.7	-0.2	573.0	1.7	573.0	0.0	47.1	0.5
Corporate Income	226.9	8.7	304.8	-4.5	531.7	0.7	531.7	0.0	127.5	2.1
Coal Severance	72.2	-26.0	66.2	-20.0	138.4	-23.2	138.4	0.0	30.6	-18.8
Cigarette Tax	115.7	3.0	110.1	1.4	225.8	2.2	225.8	0.0	59.3	2.0
LLET	80.2	-3.4	139.6	-0.8	219.8	-1.8	219.8	0.0	45.4	1.6
Lottery	110.3	0.7	121.7	8.7	232.0	4.7	232.0	0.0	54.5	1.9
Other	287.6	-1.8	427.6	7.2	715.2	3.4	715.2	0.0	145.6	6.8
General Fund	**5,070.4**	**4.0**	**5,219.5**	**2.6**	**10,289.9**	**3.2**	**10,289.9**	**0.0**	**2,457.9**	**2.3**

Projected General Fund revenues for the next three quarters are shown in Table 6. As the table indicates, General Fund growth is projected to be 2.6 percent compared to the final half of FY15. Adding the two quarters of historical data, aggregate General Fund revenues for FY16 are projected to equal $10,289.9 million for full-year growth of 3.2 percent. Collections at the forecasted levels would produce 2.3 percent growth in the first quarter of FY17.

Individual income tax receipts are expected to total $4,233.5 million in FY16, partially due to robust growth of 4.7 percent in the first half of the fiscal year. Receipts are projected to increase by 3.4 percent during the final two quarters of FY16. Taken in aggregate, the individual income tax is forecasted to grow at 4.0 percent rate for FY16. Growth in the individual income tax is even more impressive considering that the base from FY15 grew at an impressive rate of 8.5 percent.

The withholding component of the individual income tax is adding stability to the overall growth, posting 3.9 percent growth in the first half of FY16. Withholding is expected to remain solid for the remainder of FY16 and into the first quarter of FY17. Withholding is closely tied to wages and salaries and employment in the state. Employment has been lackluster for the last two fiscal years, with growth of 1.7 percent each year. The increased rate of growth in the individual income tax for the forecast period is once again predicated upon improvements in Kentucky wages and salaries. Assuming that wages and salaries grow at the expected rates, then the individual income tax is projected to increase 4.0 percent in FY16.

Since declining in FY13, the sales and use tax has experienced a steady dose of positive momentum. Growth of 3.6 percent in FY14 was followed by even faster growth of 4.4 percent during FY15. The first half of FY16 was higher still – 6.2 percent greater than the first half of FY15. This interim report calls for continued growth in the sales and use tax, albeit at a slightly reduced rate of 3.2 percent growth for the final six months of FY16. While the wave of positive news from the sales tax has been a welcomed sight, growth in excess of wage growth is clearly difficult to sustain.

Property tax revenues are expected to decrease marginally by 0.2 percent over the remainder of the year following growth of 2.7 percent in the first six months of FY16. Due to the sustained effects of the recession on the housing market, the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented occurrence of eight consecutive years without a rate decline. As the housing market shores up, growth in new property and existing values can be expected to eventually return to more traditional growth patterns, but this interim assumes that this reversion to “normal” will not occur during the forecasting horizon.

The corporation income tax and the LLET are expected to moderate over the next three quarters following five consecutive fiscal years of extraordinary growth. Collections in both accounts are expected to decline for the remainder of FY16, as the corporation income tax is projected to fall 4.5 percent while the LLET dips 0.8 percent. A downward revision to the forecast for U.S. profits drove the corporate income tax forecast marginally lower, as the base of the tax is profits apportioned to Kentucky. Combined with year-to-date growth of 8.7 percent, the corporation income tax is still expected to post growth for the sixth consecutive fiscal year at an annual rate of 0.7 percent.

Coal severance receipts fell slightly short of the official estimate in FY15 and have been declining further in FY16. Year-to-date receipts have fallen 26.0 percent and the projections for the second half of FY16 call for an additional 20.0 percent decline. Energy markets, and coal markets in particular, have become quite volatile with downside risk. The official estimate calls for receipts of $138.4 million, or a 23.2 percent decline in FY16 following an 8.7 percent drop in FY15 and a 14.3 percent plunge in FY14. With the federal regulatory changes, mine closures, and power plants going offline, a return to the levels near the FY12 peak ($298.3 million) is implausible regardless of the forecasting horizon.

Cigarette tax receipts declined 4.4 percent in FY14 and 3.1 percent in FY15. The outlook for cigarette tax receipts, however, calls for a 2.2 percent increase in FY16. The first half of the year showed encouraging growth of 3.0 percent. A downward trend in smoking rates is still expected, but the $1.00 per pack increase in the tax rate for Illinois and the $0.35 per pack increase in Ohio should serve to create a positive revenue impact for cigarette purchases in Kentucky. Notwithstanding these border impacts, the consumption of cigarettes has steadily been trending downward but the Ohio border impact has the potential to create a major impact in Kentucky sales as the markets transition to a new equilibrium. Total state cigarette taxes in Ohio went from $1.25 per pack to $1.60 per pack, a full $10.00 per carton higher than the Kentucky rate.

Lottery dividends are expected to grow 4.7 percent in FY16 on the basis of continued strength in scratch-off sales and a recovery in online games. Year-to-date collections through December totaled $110.3 million, so the forecast calls for an acceleration of growth to hit the nominal FY16 estimate of $232.0 million. The decrease in fuel prices has helped the market for scratch games while a change to the Powerball rules has recently led to record jackpots and renewed interest in our largest online game.

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 7.2 percent during the second half of FY16. Each account was re-examined after FY15 and the proper adjustments were made to calibrate the models. "Other" collections are estimated to be $715.2 million for FY16.

ROAD FUND
Second Quarter, FY16

The Road Fund forecast projects an improving revenue situation compared to the past four quarters; however, collections are still expected to decline over the forecast horizon. The first two quarters of FY16 have seen Road Fund revenues fall 5.4 percent, largely due to a drop in motor fuels revenue. Growth in the second half of the year is estimated to be comparable to the first half with -5.1 percent while growth in the first quarter of FY17 is forecasted to be -1.7 percent.

The 5.4 percent decline in the first six months of FY16 was largely the result of a 17.4 percent drop in motor fuels revenue. The drop resulted from a lower tax rate in the current year relative to FY15. Increased consumption of fuel, due to lower prices, helped offset the decline but only marginally. Motor vehicle usage tax receipts were uncharacteristically strong; helped, in part, by a timing issue in which approximately $8 million in FY15 money was processed in the current year. The 15.6 percent growth over the first half of the fiscal year is the strongest in the past

15 years. The remaining accounts had both gains and losses but, on net, increased $4.3 million.

Motor fuels tax collections are forecasted to decline 7.0 percent over the final six months of FY16, an improvement from the first two quarters. Fiscal Year 2015 saw the motor fuels tax rate decline from a maximum of 31.5 cents per gallon in the first quarter to 25.0 cents in the fourth quarter. The tax rate for the entirety of FY16 is fixed at 25.0 cents per gallon. Therefore, the difference in tax rates between the two years was considerable in the first six months of the year but will be much narrower in the final two quarters. Specifically, the tax rate gaps for the four quarters of FY16 are 6.5 cents per gallon, 5.9 cents, 1.6 cents and unchanged.

Motor vehicle usage tax collections were extremely strong in the first half of FY16 due, in part, to timing issues but mostly from strong domestic sales. The forecast is for a slight decline in this account of the final six months of the fiscal year as the timing issues play out. Revenues are expected to decline 1.5 percent over the final two quarters and fall 4.0 percent in the first quarter of FY17.

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 6.7 percent in the final two quarters of FY16 and fall 0.4 percent in the first quarter of FY17. Motor vehicle operators' licenses are projected to rise 1.5 percent in the remainder of the fiscal year but decline 2.7 percent in the first quarter of FY17. Weight distance tax revenue should rise 0.2 percent for the remainder of the fiscal year and 3.3 percent over the first three months of FY17. Investment income will decline by $600,000 over the remainder of the fiscal year but increase $100,000 in the first quarter of FY17. All other revenues will fall 14.1 percent during the last six months of FY16 and then increase 7.1 percent in the first quarter of FY17.

Table 7
Road Fund Interim Forecast
$ millions

	FY16						FY16		FY17	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	382.1	-17.4	360.8	-7.0	742.9	-12.6	742.9	0.0	193.9	-1.3
Motor Vehicle Usage	249.0	15.6	214.1	-1.5	463.1	7.0	463.1	0.0	118.8	-4.0
Motor Vehicle License	45.4	11.8	62.5	-6.7	107.9	0.3	107.9	0.0	18.6	-0.4
Motor Vehicle Operators	8.2	1.0	8.0	1.5	16.2	1.3	16.2	0.0	4.1	-2.7
Weight Distance	41.3	1.8	38.6	0.2	79.9	1.0	79.9	0.0	21.3	3.3
Income on Investments	0.2	-80.9	1.0	-41.6	1.2	-58.6	1.2	0.0	0.5	11.9
Other	16.1	-2.1	18.6	-14.1	34.7	-8.9	34.7	0.0	7.5	7.1
Road Fund	**742.3**	**-5.4**	**703.6**	**-5.1**	**1,445.9**	**-5.3**	**1,445.9**	**0.0**	**364.7**	**-1.7**

NATIONAL ECONOMY

As of the second quarter of FY16 concluded, the US economy appears to be moving along at a moderate but steady pace. Second quarter unemployment is holding at 5.1 percent nationwide but inflationary pressures are all but non-existent as oil prices have fallen under $40 a barrel and wage growth has been slow. As reported in Table 3, real GDP growth was estimated to finish at a tepid 2.1 percent in the second quarter, but is expected to pick up in the final two quarters of the fiscal year despite the large increase in imports due to the relatively strong dollar (see Table 8).

Low gasoline prices and unseasonably warm weather have positive impacts for travel and consumer spending as shown by the record rate of automobile sales and hotel occupancy in 2015. Solid retail sales have continued through November. Real personal consumption expenditures are projected to grow 3.2 percent over the next two quarters before slowing down a bit heading into FY17 (see Table 8).

Unemployment is expected to hold around five percent through the first quarter of FY17 and total non-farm employment growth is projected to slow, a condition consistent with reaching full employment. Theory suggests that one should see wages begin to rise in order to attract workers. Accordingly, wages and salaries are projected to grow 4.3 percent over the remainder of FY16 compared to the previous fiscal year. Investment growth is expected to grow at 2.8 percent for the full year of FY16. This should help to counter some of the growth in imports.

In previous quarters there was serious concern that uncertain monetary and fiscal policies posed a risk to the national outlook. In December, some economic uncertainty was mitigated as the federal government passed a budget and avoided a shutdown. The Federal Reserve finally met expectations and raised the federal funds rate target for the first time since 2008 and indicated further hikes over the next twelve months. All else equal, tighter monetary policy creates a headwind for exports.

Petroleum prices are expected to remain low, but increasing unrest in the Middle East could drive up prices of oil vis-à-vis supply concerns. Perhaps the greatest risk to the national outlook is the continuing long-run problem of falling labor force participation; the labor force participation rate fell in November to a rate not seen since 1977. This is in part due to the demographics of an aging workforce but also may indicate other underlying economic problems as people give up looking for work or hold out for higher wages. The US economy is expected to maintain moderate growth despite these potential headwinds.

Table 8
US Economic Outlook
FY16 Q3 & Q4, FY17 Q1

	Q3 & Q4			Full Year		Q1	
	FY16	FY15	% Chg	FY16	% Chg	FY17	% Chg
Real GDP	16,690.8	16,255.5	2.7	16,566.5	2.4	16,879.7	0.8
Real Consumption	11,483.6	11,130.1	3.2	11,397.5	3.1	11,619.6	0.8
Real Investment	2,931.5	2,847.5	3.0	2,884.2	2.8	3,012.3	1.8
Real Govt. Expenditures	2,915.6	2,847.7	2.4	2,893.7	1.7	2,924.0	0.2
Real Exports	2,155.5	2,104.5	2.4	2,144.5	1.8	2,188.9	1.1
Real Imports	2,766.8	2,642.3	4.7	2,723.8	4.8	2,837.1	1.7
Personal Income ($ billions)	15,805.8	15,149.6	4.3	15,637.9	4.2	16,085.0	1.2
Wages and Salaries ($ billions)	8,035.6	7,706.3	4.3	7,943.0	4.0	8,194.7	1.3
Inflation (% chg CPI)	0.9	0.0	NA	0.5	NA	1.4	NA
Industrial Production Index (% chg)	0.6	2.5	NA	0.3	NA	1.9	NA
Civilian Labor Force (millions)	159.1	157.1	1.2	158.3	1.1	160.0	0.4
Total Non-farm Employment (millions)	143.6	141.3	1.6	143.0	1.8	144.4	0.3
Manufacturing Employment (millions)	12.3	12.3	-0.4	12.3	0.1	12.3	0.3
Unemployment Rate (%)	5.1	5.5	NA	5.1	NA	5.0	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 FY16 Q3 through FY17 Q1 are November 2015 estimates.
Source: IHS Global Insight Inc., November 9, 2015 data release

KENTUCKY ECONOMY

Economic growth overall in Kentucky is projected to continue through FY16 roughly in line with the national economy in terms of employment and personal income growth. The unemployment rate in November was holding at 4.9 percent, just below the US rate of 5.0 percent. Kentuckians' personal incomes are forecast to grow 4.9 percent over this fiscal year, the fastest rate of growth since 2008 (see Table 9). A majority of local businesses surveyed by the Louisville Federal Reserve say they are increasing wages moving into the second half of the fiscal year. Wage and salary growth is projected to be a robust 4.5 percent in FY16 with even faster growth in the next fiscal year (see Table 9). Kentucky's index of leading economic indicators, as reported by the Philadelphia Federal Reserve, has remained high relative to the US average. This suggests that growth will be positive in several areas over the next two quarters.

While the US has seen tepid manufacturing employment growth in recent years, Kentucky's has been more robust, adding jobs at a rate much faster than the national average and approaching its pre-recession high for manufacturing jobs. The Commonwealth is projected to grow manufacturing jobs at eight times the national rate in FY16 (see Tables 8 and 9). The Commonwealth enjoys such growth largely because it is a major center for the manufacture of automobiles, automobile parts, and aerospace components, which make up almost half of the state's exports. The automotive sector alone was responsible for half of Kentucky's manufacturing employment growth in the first quarter of FY16 (per the Louisville Federal Reserve Report). Nationally, motor vehicle sales are on pace to finish 2015 at the highest level in history. In November, two local automobile manufactures announced expansions and over 2,000 additional jobs. This was followed by a European automobile parts manufacturer announcing a new $193 million plant in Kentucky.

The housing market in the Commonwealth seems to be turning the corner as the rate of growth of new housing permits has increased and construction employment is increasing. Single-unit housing permits issued in Kentucky were up an eye-catching 79 percent in November from the year prior (Census). It logically follows then, that jobs in the construction industry are forecast to be among the fastest growing in the next three quarters (see Table 9). The Louisville Federal Reserve's survey of local real estate contacts found that over two-thirds of agents reported higher demand in the second quarter of FY16 as households increased their mortgage debt year-over-year by more than one percent for the first time since the last recession.

Risks to the forecast involve larger events nationwide. The Federal Reserve raised interest rates in December for the first time since 2008 and signaled further rate hikes ahead. The resulting increase in borrowing costs could dampen the growth of home and automobile sales, as well as further appreciate the dollar and depress exports. Several indicators suggest manufacturing may be slowing, which would not ordinarily be of great concern since manufacturing is less than 10 percent of the US economy. But any downturn in production of automobiles and aerospace would have a significant impact on Kentucky. Also, any unexpectedly large increases in the price of gasoline could decrease demand for automobiles, as well as decrease travel and tourism; this would bring the hotel and hospitality sector down from its record rates of occupancy experienced over calendar 2015. But the Commonwealth is currently forecast to have steady growth without any obvious threats on the horizon.

Table 9
Kentucky Economic Outlook
FY16 Q3 & Q4, FY17 Q1

	Q3 & Q4			Full Year		Q1	
	FY16	FY15	% Chg	FY16	% Chg	FY17	% Chg
Personal Income ($ millions)	178,823.6	170,284.3	5.0	176,896.9	4.9	181,810.6	4.4
Wages and Salaries ($ millions)	87,649.9	83,297.6	5.2	86,630.7	4.5	89,251.7	4.6
Non-farm Employment (thousands)	1,910.2	1,887.2	1.2	1,904.1	1.4	1,918.0	1.2
Goods-producing	329.8	328.4	0.4	329.9	0.7	332.1	0.4
Construction	76.8	74.8	2.7	76.3	3.0	78.3	3.7
Mining	13.7	15.5	-11.3	14.0	-11.9	13.8	-6.1
Manufacturing	239.3	238.2	0.5	239.6	0.8	240.0	-0.3
Service-providing	1,255.2	1,235.0	1.6	1,248.6	1.8	1,260.4	2.0
Trade, Transportation & Utilities	388.1	381.5	1.7	385.4	1.3	389.8	2.8
Information	26.7	25.9	3.3	26.6	1.9	27.0	1.9
Finance	92.1	91.2	1.0	92.4	1.8	91.9	-1.9
Business Services	222.6	217.5	2.3	220.2	2.3	225.7	4.8
Educational Services	270.7	266.9	1.4	269.9	2.0	271.8	1.0
Leisure and Hospitality Services	192.5	188.2	2.3	191.0	2.8	192.8	2.7
Other Services	62.6	64.0	-2.2	63.1	-1.1	61.4	-4.5
Government	325.2	324.0	0.4	325.7	0.5	325.5	-0.7

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, November 2015.

APPENDIX

General and Road Fund Receipts
Second Quarter FY16

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Second Quarter FY 2016	Second Quarter FY 2015	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL GENERAL FUND	**$2,668,723,727**	**$2,578,896,689**	**3.5%**	**$5,070,353,237**	**$4,877,338,778**	**4.0%**
Tax Receipts	$2,565,420,361	$2,478,113,500	3.5%	$4,895,844,064	$4,693,479,311	4.3%
Sales and Gross Receipts	$998,829,933	$942,205,296	6.0%	$2,006,635,573	$1,893,971,565	5.9%
Beer Consumption	1,675,088	1,410,147	18.8%	3,489,346	3,113,203	12.1%
Beer Wholesale	15,009,147	13,451,751	11.6%	32,496,745	29,642,833	9.6%
Cigarette	57,578,427	55,054,332	4.6%	115,676,724	112,315,711	3.0%
Distilled Spirits Case Sales	36,134	33,557	7.7%	70,761	65,634	7.8%
Distilled Spirits Consumption	3,404,431	3,112,288	9.4%	6,659,556	6,166,887	8.0%
Distilled Spirits Wholesale	10,249,518	9,311,440	10.1%	19,800,979	17,825,011	11.1%
Insurance Premium	15,648,419	10,679,113	46.5%	45,879,260	44,704,759	2.6%
Pari-Mutuel	847,415	726,041	16.7%	1,773,611	1,379,775	28.5%
Race Track Admission	21,714	71,647	-69.7%	132,854	145,963	-9.0%
Sales and Use	867,952,114	822,369,543	5.5%	1,727,701,719	1,626,908,119	6.2%
Wine Consumption	937,885	762,400	23.0%	1,648,047	1,472,455	11.9%
Wine Wholesale	4,318,836	4,298,068	0.5%	8,327,708	8,055,116	3.4%
Telecommunications Tax	15,866,473	15,748,596	0.7%	32,259,763	31,442,383	2.6%
OTP	5,282,928	5,175,697	2.1%	10,712,488	10,732,714	-0.2%
Floor Stock Tax	1,404	678	107.2%	6,012	1,001	500.3%
License and Privilege	**$81,054,309**	**$101,201,888**	**-19.9%**	**$172,245,253**	**$206,269,750**	**-16.5%**
Alc. Bev. License Suspension	115,176	93,350	23.4%	236,901	220,430	7.5%
Coal Severance	34,542,826	48,777,013	-29.2%	72,215,660	97,550,789	-26.0%
Corporation License	23,115	218,884	-89.4%	70,318	303,930	-76.9%
Corporation Organization	91,685	32,106	185.6%	91,685	37,591	143.9%
Occupational Licenses	33,475	29,883	12.0%	87,111	72,907	19.5%
Oil Production	1,226,684	3,299,742	-62.8%	2,858,408	6,563,078	-56.4%
Race Track License	80,000	143,350	-44.2%	212,500	238,350	-10.8%
Bank Franchise Tax	1,694,317	306,477	452.8%	864,332	(16,159)	---
Driver License Fees	152,762	161,256	-5.3%	326,428	351,707	-7.2%
Minerals Severance	5,199,293	4,075,213	27.6%	10,687,890	8,575,460	24.6%
Natural Gas Severance	2,382,517	5,518,119	-56.8%	4,390,054	9,343,509	-53.0%
Limited Liability Entity	35,512,460	38,546,495	-7.9%	80,203,965	83,028,158	-3.4%
Income	**$1,131,624,848**	**$1,091,384,971**	**3.7%**	**$2,296,380,085**	**$2,184,739,846**	**5.1%**
Corporation	102,062,060	96,849,356	5.4%	226,925,277	208,854,950	8.7%
Individual	1,029,562,788	994,535,615	3.5%	2,069,454,809	1,975,884,896	4.7%
Property	**$333,489,655**	**$325,790,623**	**2.4%**	**$380,338,302**	**$370,430,077**	**2.7%**
Building & Loan Association	(11,881)	0	---	(11,881)	(498,150)	---
General - Real	195,838,856	185,129,144	5.8%	195,484,118	184,469,693	6.0%
General - Tangible	102,849,906	104,718,165	-1.8%	131,017,499	131,191,308	-0.1%
Omitted & Delinquent	3,072,702	1,745,375	76.0%	3,785,168	6,033,049	-37.3%
Public Service	30,779,108	33,424,080	-7.9%	49,097,477	48,380,070	1.5%
Other	960,963	773,859	24.2%	965,921	854,106	13.1%
Inheritance	**$14,158,824**	**$10,825,332**	**30.8%**	**$27,908,639**	**$25,785,961**	**8.2%**
Miscellaneous	**$6,262,793**	**$6,705,390**	**-6.6%**	**$12,336,211**	**$12,282,111**	**0.4%**
Legal Process	3,603,982	3,915,875	-8.0%	7,322,395	7,531,125	-2.8%
T. V. A. In Lieu Payments	2,675,800	2,789,515	-4.1%	5,028,475	4,747,082	5.9%
Other	(16,990)	0	---	(14,659)	3,904	---
Nontax Receipts	**$100,273,606**	**$100,391,601**	**-0.1%**	**$170,753,273**	**$182,960,060**	**-6.7%**
Departmental Fees	5,090,206	3,808,778	33.6%	7,921,966	7,164,730	10.6%
PSC Assessment Fee	106,438	460	23052.7%	10,868,310	14,671,653	-25.9%
Fines & Forfeitures	5,024,762	5,416,734	-7.2%	10,622,994	11,119,926	-4.5%
Income on Investments	(256,676)	(236,922)	---	(422,082)	(392,431)	---
Lottery	56,778,429	57,500,000	-1.3%	110,278,429	109,500,000	0.7%
Sale of NOx Credits	0	12,000	-100.0%	0	27,594	-100.0%
Miscellaneous	33,530,448	33,890,551	-1.1%	31,483,656	40,868,589	-23.0%
Redeposit of State Funds	**$3,029,760**	**$391,588**	**673.7%**	**$3,755,900**	**$899,407**	**317.6%**

KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Second Quarter FY 2016	Second Quarter FY 2015	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL ROAD FUND	$371,183,052	$380,079,146	-2.3%	$742,251,962	$784,862,700	-5.4%
Tax Receipts-	$365,524,532	$374,780,408	-2.5%	$730,979,502	$772,292,319	-5.3%
Sales and Gross Receipts	$310,947,509	$328,895,288	-5.5%	$631,056,065	$677,920,036	-6.9%
Motor Fuels Taxes	185,653,153	228,452,300	-18.7%	382,065,220	$462,437,983	-17.4%
Motor Vehicle Usage	125,294,356	100,442,988	24.7%	248,990,844	$215,482,053	15.6%
License and Privilege	$54,577,023	$45,885,121	18.9%	$99,923,437	$94,372,283	5.9%
Motor Vehicles	26,707,778	18,168,060	47.0%	45,381,555	$40,598,310	11.8%
Motor Vehicle Operators	4,010,519	4,014,938	-0.1%	8,223,852	$8,138,558	1.0%
Weight Distance	20,661,427	20,533,475	0.6%	41,284,507	$40,546,877	1.8%
Truck Decal Fees	8,062	12,073	-33.2%	38,242	$31,460	21.6%
Other Special Fees	3,189,237	3,156,575	1.0%	4,995,282	$5,057,078	-1.2%
Nontax Receipts	$5,473,296	$5,434,036	0.7%	$10,772,132	$10,090,180	6.8%
Departmental Fees	5,287,320	4,223,661	25.2%	9,927,459	$7,978,591	24.4%
In Lieu of Traffic Fines	102,227	121,298	-15.7%	206,267	$243,208	-15.2%
Income on Investments	(206,186)	647,552	---	240,917	$1,255,726	-80.8%
Miscellaneous	289,935	441,525	-34.3%	397,489	$612,655	-35.1%
Redeposit of State Funds	$185,223	($135,298)	---	$500,328	$2,480,201	-79.8%