

COMMONWEALTH OF KENTUCKY

# *Quarterly Economic & Revenue Report*

*Fourth Quarter Fiscal Year 2016  
Annual Edition*

GOVERNOR'S OFFICE  
FOR ECONOMIC ANALYSIS

OFFICE OF  
STATE BUDGET DIRECTOR





***Office of State Budget Director***

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**Matthew G. Bevin**  
Governor

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**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

July 29, 2016

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

Dear Governor Bevin:

The *Quarterly Economic and Revenue Report Annual Edition* summarizes Kentucky's revenue and economic statistics for the fourth quarter of Fiscal Year 2016 (FY16). It also includes an analysis of FY16 totals and an interim economic and revenue forecast for the first three quarters of FY17.

In FY16, Kentucky's General Fund receipts rose for the sixth consecutive year and exceeded \$10 billion for the first time ever. Final FY16 General Fund revenues were \$10,338.9 million, or 3.7 percent, more than FY15 collections. General Fund revenues were \$49.0 million or 0.5 percent more than the official revenue estimate which had projected 3.2 percent growth.

Road Fund revenues for FY16 were \$1,482.5 million, a decrease of 2.9 percent from the previous fiscal year. Total receipts were \$44.2 million less than FY15 as motor fuels tax receipts fell by \$100.2 million. Motor vehicle usage tax collections were unexpectedly strong -- exceeding the FY15 level by \$51.6 million. Five remaining accounts increased \$4.4 million over FY15 levels.

Looking into to the new fiscal year, the latest staff projections show General Fund growth of 2.6 percent in the first three quarters of FY17. The two major revenue sources individual income taxes and sales and use taxes are expected to be the engines of growth in FY17 with 4.0 percent and 3.2 percent growth over the forecasting horizon.

Governor Bevin  
July 29, 2016  
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Road Fund revenues are forecasted to show an improvement relative to the previous two years. Decreases in motor fuels taxes have now cycled through and adjusted to the new statutory floor. We expect motor vehicle usage tax will continue to perform at a high level but the levels of growth seen in FY16 are not sustainable.

The national economic outlook for the US economy heading into FY17 looks far less rosy than was anticipated at the beginning of FY16. While a recession is not being predicted, forecasters are lowering forecasts for baseline GDP to around 2.0 percent growth in the short term.

Going forward, there is increasing uncertainty about the state's outlook considering the national conditions. One positive outlook for Kentucky's growth is that automobile and transportation parts manufacturing sectors have benefitted from increased demand for automobiles and transportation equipment. We have also witnessed good personal income growth with wages and salaries up around four percent year-over-year.

Sincerely,

A handwritten signature in black ink, appearing to read "John E. Chilton". The signature is written in a cursive, flowing style.

John E. Chilton  
State Budget Director

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# *Executive Summary*

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In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a *Quarterly Economic and Revenue Report* for the fourth quarter of Fiscal Year 2016 (FY16). This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

The fourth quarter edition of the *Quarterly Report* is typically the longest report of the year due to the reporting of both quarterly and annual data. The *Annual Edition* also includes the latest interim projections and an expanded statistical appendix containing a ten-year history of the major General Fund and Road Fund accounts with a corresponding history of growth rates.

Kentucky's General Fund receipts rose for the sixth consecutive year in FY16 and exceeded \$10 billion for the first time ever. For the fiscal year that ended June 30, 2016 (FY16), General Fund receipts totaled \$10,338.9 million or 3.7 percent more than FY15 collections. Final FY16 General Fund revenues were \$49.0 million, or 0.5 percent, more than the official revenue estimate which had projected 3.2 percent growth. The Consensus Forecasting Group (CFG) estimate for FY17 had called for growth of 3.2 percent over the projected FY16 ending balance. Taking into account the actual FY16 revenue total, the official estimate for FY17 of \$10,616.4 million can be obtained with growth of 2.7 percent.

Major points that will be discussed in this report include the following:

- Projected General Fund revenues are shown in Table 14. As the table indicates, General Fund growth is projected to be 2.6 percent over the forecast horizon of the first three quarters of FY17.
- Economic growth in the period since the 2007 recession has been weak. Real GDP grew by 1.7 percent in the fourth quarter of FY16. Average adjacent-quarter growth since the recession has been 0.5 percent, while it was much higher in previous recovery periods. Real investment fell by 1.9 percent in the fourth quarter of FY16. While the declines were small, adjacent-quarter growth has fallen for four consecutive quarters. Real government expenditures, which are countercyclical in nature, have begun rising again; they have risen in eight of the last nine quarters. Real government expenditures rose by 1.1 percent in the fourth quarter.
- Kentucky personal income rose by 4.4 percent in the fourth quarter of FY16. The majority of the adjacent-quarter growth in FY16 occurred in the first three quarters. Wages and salaries income was mostly responsible for the strong growth in overall personal income for FY16. Kentucky non-farm

employment increased by 1.5 percent in the fourth quarter. The FY16 growth continues the trend of stable but modest growth over the last three years.

- The outlook for the US economy going into FY17 and beyond looks far less rosy than was anticipated at the beginning of FY16. Global Insight, professional forecasters, and government forecasters have consistently downgraded their outlooks for the coming quarters over the course of this fiscal year. Not everything in the national economic outlook is gloomy however; the employment outlook looks to remain positive. Employment growth is projected to continue over the next three quarters. Home prices have continued to appreciate, with US prices in this quarter reaching a level not seen since FY08.
- While FY16 was a very positive year for the Kentucky economy, and many forward-looking indicators are positive, there is increasing uncertainty about the state's outlook considering the national conditions. Kentucky is not immune to external shocks, and the Kentucky Cabinet for Economic Development has recently expressed concerns about export growth due to the headwinds from a stronger dollar and weaker trading partners. One of the brightest spots in the outlook is the housing and construction sector, where employment growth is projected to be among the strongest.
- One enduring reason for Kentucky's growth in recent years is that its automobile and transportation parts manufacturing sectors have benefitted from record national demand for automobiles and transportation equipment.
- The largest two General Fund taxes (individual income and sales and use) are consistently pulling up the average while the remaining taxes are struggling to perform at level par to the average. In FY16, the individual income tax grew 5.2 percent while the sales tax grew 6.0 percent. Total General Fund growth was 3.7 percent, so all remaining revenue sources except the lottery served to exert downward pressure on aggregate revenue growth. This pattern is sustainable until the largest two taxes lose steam.
- Individual income tax receipts are expected to increase by 4.0 percent during the first three quarters of FY17. By way of comparison, the last six years of annual growth in the individual income tax have been 8.3 percent in FY11, followed by growth of 2.8 percent, 6.0 percent, 0.7 percent, 8.5 percent, and 5.2 percent in FY12 through FY16, respectively. The largest component of individual income tax receipts is withholding, which makes up approximately 93 percent of total individual income tax receipts. Withholding is closely tied to wages and salaries and employment in the state.
- Sales and use tax receipts posted a third fiscal year of solid growth: 3.6 percent in FY14 followed by 4.4 percent in FY15 and 6.0 percent in FY16. Growth of 3.2 percent is expected over the forecasting horizon. The deceleration of growth in the sales tax is partially attributable to the high

base established in FY16, where the 6.0 percent surge was the highest since FY06. Consumption has been one of the stronger components of US GDP growth in recent quarters. The strong housing market surge is also propping up consumption of durables over the forecasting horizon.

- On a positive note, total Road Fund revenues are forecasted to show an improvement relative to the previous two years. The downside is that growth in collections will continue to be negative; albeit at a rate much closer to zero. Motor fuels collections should see a small increase over the forecast horizon as an unchanged tax rate coupled with an increase in consumption will drive the expansion. The gains from motor fuels revenue will be offset by an expected decline in motor vehicle usage tax receipts. The remaining accounts taken together are forecasted to decline 1.3 percent.

# Revenue Receipts

## GENERAL FUND

### Fourth Quarter, FY16

General Fund receipts in the fourth quarter of FY16 totaled \$2,824.9 million compared to \$2,809.4 million in the fourth quarter of FY15, an increase of 0.6 percent. The fourth quarter increase continues a trend of 10 quarters of quarterly growth in the General Fund. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these and other accounts is available in Appendix A.

Individual income tax receipts decreased 0.1 percent in the fourth quarter of FY16 compared to collections in the fourth quarter of FY15. Receipts of \$1,252.3 million were \$1.1 million less than collected in the fourth quarter of the previous fiscal year.

Table 1 Summary General Fund Receipts \$ millions				
	FY16 Q4	FY15 Q4	Diff \$	Diff %
Individual Income	1,252.3	1,253.4	-1.1	-0.1
Sales and Use	899.1	854.5	44.6	5.2
Property	59.8	58.7	1.0	1.8
Corporation Income	207.1	232.6	-25.5	-10.9
Coal Severance	23.0	42.1	-19.1	-45.3
Cigarette Taxes	57.4	59.0	-1.6	-2.7
LLET	87.3	98.7	-11.4	-11.5
Lottery	72.5	56.5	16.0	28.3
Other	166.4	153.9	12.5	8.1
<b>Total</b>	<b>2,824.9</b>	<b>2,809.4</b>	<b>15.5</b>	<b>0.6</b>

The sales and use tax posted an increase of 5.2 percent in the fourth quarter of FY16. Receipts of \$899.1 million compare to the \$854.5 million collected in the fourth quarter of FY15. Positive growth in the fourth quarter marks the 12th consecutive quarter of growth in the sales tax following FY13, where the sales tax fell in three of the four fiscal quarters.

Property tax collections increased 1.8 percent in the fourth quarter of FY16. Collections of \$59.8 million compare to \$58.7 million received in the fourth quarter of the prior fiscal year.

Corporation income collections decreased 10.9 percent in the fourth quarter of FY16. Receipts totaled \$207.1 million and were \$25.5 million less than collected a year earlier.

Coal severance tax receipts continue to decrease in the fourth quarter as receipts fell 45.3 percent. Receipts of \$23.0 million compare to \$42.1 million collected in the fourth quarter of FY15. Collections have fallen continuously since the fourth quarter of FY12.

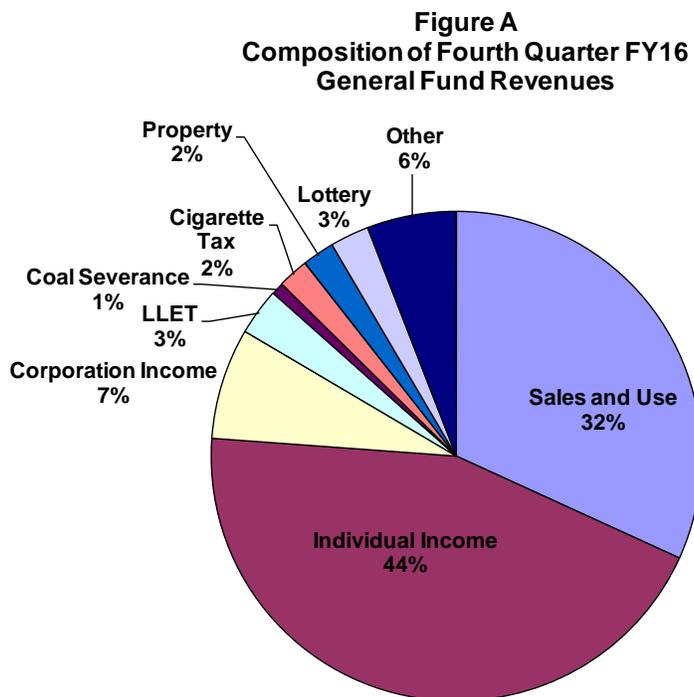
Cigarette taxes decreased in the fourth quarter. Receipts of \$57.4 million were 2.7 percent less than collected in the fourth quarter of FY15.

The LLET receipts decreased 11.5 percent, or \$11.4 million in the fourth quarter of FY16 with revenues of \$87.3 million compared to \$98.7 million. Collections dropped sharply during the last three quarters of the fiscal year.

Lottery receipts increased 28.3 percent, or \$16.0 million, in the fourth quarter of FY16 with revenues of \$72.5 million. In addition to the normal distributions made by the Kentucky Lottery, an extra release of \$9.5 million was transferred to the General Fund at the end of the fiscal year.

The “Other” category represents the remaining accounts in the General Fund, and collections in this account increased 8.1 percent from FY15. Fourth quarter receipts for FY16 were \$166.4 million and compare to \$153.9 million in FY15.

Figure A details the composition of fourth quarter General Fund receipts by tax type. Seventy-six percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next-largest source of revenue was the corporation income category at seven percent followed by the “Other” accounted for six percent. The largest components in this category include the insurance premium tax, bank franchise tax, telecommunications tax and the beer wholesale tax. The LLET and lottery receipts accounted for three percent for each fund, followed by property and cigarette taxes which accounted for two percent each. Finally coal severance taxes accounted for one percent.



## ROAD FUND Fourth Quarter, FY16

Road Fund receipts grew 5.4 percent in the fourth quarter of FY16. Receipts totaled \$383.1 million compared to the \$363.6 million received in the fourth quarter of FY15. Total Road Fund collections fell in each of the first three quarters of the fiscal year before growing in the final quarter, the first positive quarter following five consecutive declines. Growth rates for the four quarters were -8.3 percent, -2.3 percent, -5.6 percent and 5.4 percent, respectively. Summary data are contained in Table 2 and detailed data are shown in Appendix A.

	<b>FY16 Q4</b>	<b>FY15 Q4</b>	<b>Diff \$</b>	<b>Diff %</b>
Motor Fuels	192.6	188.3	4.3	2.3
Motor Vehicle Usage	123.6	109.5	14.0	12.8
Motor Vehicle License	34.2	32.3	1.8	5.6
Motor Vehicle Operators	4.2	4.0	0.2	4.4
Weight Distance	19.9	18.9	1.0	5.2
Income on Investments	1.0	0.3	0.7	193.8
Other	7.8	10.2	-2.5	-24.0
<b>Total</b>	<b>383.1</b>	<b>363.6</b>	<b>19.5</b>	<b>5.4</b>

Motor fuels tax receipts increased 2.3 percent during the fourth quarter of FY16. Receipts were \$192.6 million and compare to \$188.3 million collected during the fourth quarter last year.

Motor vehicle usage tax receipts grew 12.8 percent during the fourth quarter of FY16. Receipts of \$123.6 million compared to \$109.5 million received during the same period last year.

Motor vehicle license tax receipts increased 5.6 percent during the fourth quarter of FY16. Receipts of \$34.2 million compare to \$32.3 million received during the fourth quarter of FY15.

Motor vehicle operator's license fees totaled \$4.2 million, a 4.4 percent increase compared to the level observed a year ago.

Weight distance tax receipts totaled \$19.9 million, an increase of 5.2 percent from the fourth quarter of last year.

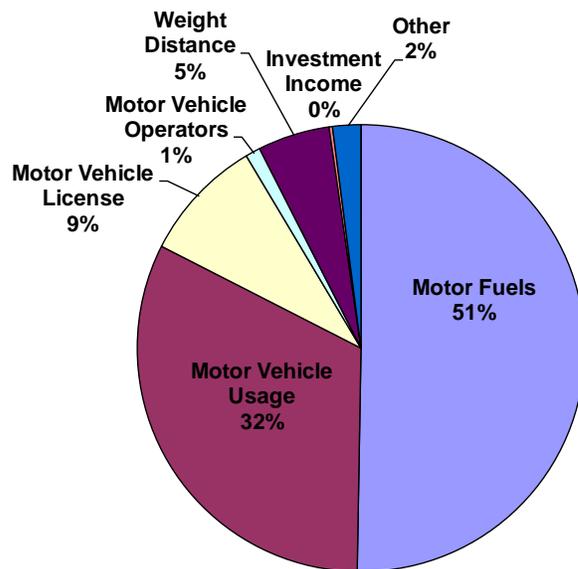
Investment income was up in the fourth quarter of FY16, yielding \$1.0 million.

The remainder of the accounts in the Road Fund combined for a decrease of 24.0 percent. Receipts for the "Other" category totaled \$7.8 million during the fourth quarter, compared to \$10.2 million in the fourth quarter of FY15.

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY16. Motor fuels taxes and motor vehicle usage taxes comprised 83.0 percent of Road Fund revenues in the fourth quarter. The next largest source of revenue was the motor vehicle license tax with nine percent, followed by weight distance taxes with five percent. The "Other" category accounted for two percent

and motor vehicle operators accounted for one percent. Income on investment accounted for a negligible amount of the total Road Fund receipts.

**Figure B**  
**Composition of Fourth Quarter FY16**  
**Road Fund Revenues**



### **ANNUAL TOTALS, FY16** **General Fund**

The General Fund receipts totaled \$10,338.9 million, which is \$372.3 million or 3.7 percent more than FY15 receipts. Revenue collections increased in all four quarters of the fiscal year. However, the rate of growth slowed to less than one percent in the fourth quarter after growing 5.0 percent through the first three quarters. Growth rates for the four quarters of FY16 were 4.5 percent, 3.5 percent, 7.2 percent and 0.6 percent, respectively.

For the year, all of the accounts were close to estimated totals with four revenue accounts exceeding forecasted values while five were below. The differences ranged from -\$17.8 million to \$48.6 million. The two largest revenue sources, sales and use and individual income, each missed the estimate by just over one percent. The remaining seven accounts combined were below the official estimate by \$41.8 million. Six of the 11 accounts were within 2.1 percent of the estimate. General Fund receipts in FY16 were \$49.0 million or 0.5 percent more than the official estimate.

Sales tax receipts grew \$195.4 million, or 6.0 percent over FY15 totals. Receipts of \$3,462.7 million compare to prior year receipts \$3,267.3 million. Quarterly growth

rates were evenly distributed with 6.9 percent, 5.5 percent, 6.4 percent, and 5.2 percent, respectively. Growth in this account was the highest since FY06 as growth remained strong throughout the year. Sales and use tax receipts exceeded the estimate by \$42.2 million, or 1.2 percent.

Individual income tax receipts grew \$212.6 million from last year. Withholding and declarations, the two largest components of the tax, together grew \$232.8 million. Net balances on returns and fiduciary showed small declines. Overall growth of 5.2 percent is lower than in the previous fiscal year but still robust. Growth rates for the four quarters were 6.0 percent, 3.5 percent, 14.3 percent, and -0.1 percent, respectively. The individual income tax was above the forecasted level by \$48.6 million, or 1.1 percent.

Corporation income tax collections were essentially unchanged, falling \$1.5 million compared to last year. This tax has experienced rapid growth as collections have increased in excess of 11.0 percent in four of the past five years. Given the pattern of historical growth, the slowdown of receipts was not surprising. Quarterly growth rates were 11.5 percent, 5.4 percent, 6.8 percent, and -10.9 percent, respectively. Corporation income tax receipts were below forecasted levels by \$5.1 million, or 1.0 percent.

The LLET declined \$20.8 million, or 9.3 percent, from last year. Weakness in this account increased through most of the year. Growth rates for the four quarters were 0.5 percent, -7.9 percent, -15.7 percent, and -11.5 percent, respectively. Limited liability entity tax receipts were below forecasted level by \$16.8 million, or 7.6 percent.

Coal severance tax collections fell to a historic low level in FY16. Total receipts for the year were \$120.6 million and are the lowest in at least 29 years. The decline has been dramatic considering this account reached an all-time high in FY12 with collections of \$298.3 million. Quarterly growth rates for this account were -22.8 percent, -29.2 percent, -37.6 percent, and -45.3 percent, respectively. The coal severance tax was \$17.8 million, 12.9 percent below the official estimate.

Cigarette tax receipts reversed their long time decline, growing \$3.4 million, or 1.5 percent. Fiscal year 2016 marks the first increase in this account following five years of annual declines. Quarterly growth rates for the year were 1.5 percent, 4.6 percent, 3.3 percent and -2.7 percent, respectively. Receipts for the year totaled \$224.3 million and compare to \$220.9 million collected in FY15. Cigarette taxes were below the estimate by \$1.5 million, or 0.7 percent.

Total property taxes increased 2.5 percent or \$14.1 million, during the fiscal year. Receipts totaled \$577.5 million compared to \$563.4 million collected in FY15. Collections on real property, the largest account, grew 3.4 percent which is the most since FY08. Tangible personal property, the other significant account, increased 5.0 percent. Growth rates for the four quarters were 4.9 percent, 2.4 percent, 2.3

percent and 1.8 percent, respectively. Property taxes were \$4.5 million, or 0.8 percent greater than forecasted.

Lottery receipts increased 9.2 percent, or \$20.3 million, from the previous year. Receipts of \$241.8 million compare favorably to \$221.5 million remitted to the state in FY15. Lottery receipts were \$9.8 million greater than estimated due to strength in draw games, such as the Powerball, and instant tickets. Lottery receipts exceeded the official forecast by \$9.8 million, or 4.2 percent.

The “Other” category, which includes over 50 taxes and fees such as investment income, bank franchise taxes, and insurance premium taxes increased 1.2 percent, or \$8.5 million. Receipts of \$700.2 million compare to \$691.8 million collected in FY15. Quarterly growth rates for the “Other” account were -11.1 percent, 8.4 percent, 0.5 percent and 8.1 percent, respectively. The “Other” category taxes were 2.1 percent below the official estimate.

**Table 3**  
**General Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year Receipts			Growth Rates (%)		
	FY16	FY15	FY14	FY16	FY15	FY14
Individual Income	4,282.1	4,069.5	3,749.3	5.2	8.5	0.7
Sales and Use	3,462.7	3,267.3	3,131.1	6.0	4.4	3.6
Property	577.5	563.4	562.4	2.5	0.2	0.7
Corporate Income	526.6	528.1	475.1	-0.3	11.2	18.6
LLET	203.0	223.8	199.3	-9.3	12.3	-19.0
Coal Severance	120.6	180.3	197.5	-33.1	-8.7	-14.3
Cigarette Taxes	224.3	220.9	228.1	1.5	-3.1	-4.4
Lottery	241.8	221.5	219.5	9.2	0.9	2.0
Other	700.2	691.8	698.9	1.2	-1.0	-2.1
<b>Total</b>	<b>10,338.9</b>	<b>9,966.6</b>	<b>9,462.0</b>	<b>3.7</b>	<b>5.3</b>	<b>1.2</b>

**Table 4**  
**FY14 General Fund Receipts Compared to Official Estimate**  
**\$ millions**

	FY16		Difference	
	Actual	Estimate	\$	%
Sales and Use	3,462.7	3,420.5	42.2	1.2
Individual Income	4,282.1	4,233.5	48.6	1.1
Corporation Income	526.6	531.7	-5.1	-1.0
LLET	203.0	219.8	-16.8	-7.6
Coal Severance	120.6	138.4	-17.8	-12.9
Cigarette Tax	224.3	225.8	-1.5	-0.7
Property	577.5	573.0	4.5	0.8
Lottery	241.8	232.0	9.8	4.2
Other	700.2	715.2	-15.0	-2.1
<b>TOTAL</b>	<b>10,338.9</b>	<b>10,289.9</b>	<b>49.0</b>	<b>0.5</b>

Figure C details the composition of FY16 General Fund receipts by tax type. Seventy-five percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next largest source of revenue was the "Other" category accounted for seven percent. The largest components in this category include insurance premium tax, bank franchise tax, telecommunications tax, beer wholesale tax, miscellaneous taxes, non-tax receipts, and the inheritance tax. Property taxes made up six percent of the General Fund followed by corporation income which accounted for five percent. Cigarette tax, lottery and LLET each accounted for two percent of General Fund revenues. Finally, coal severance taxes accounted for one percent.

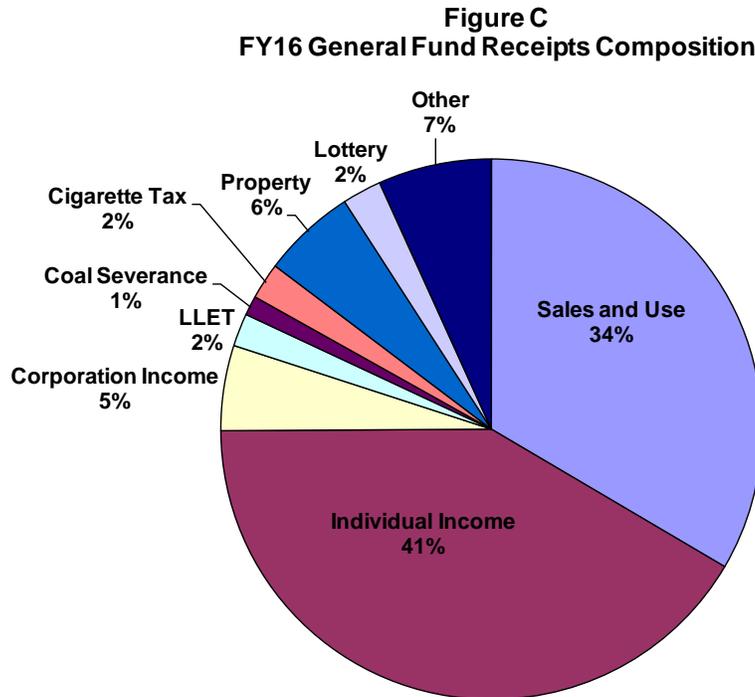
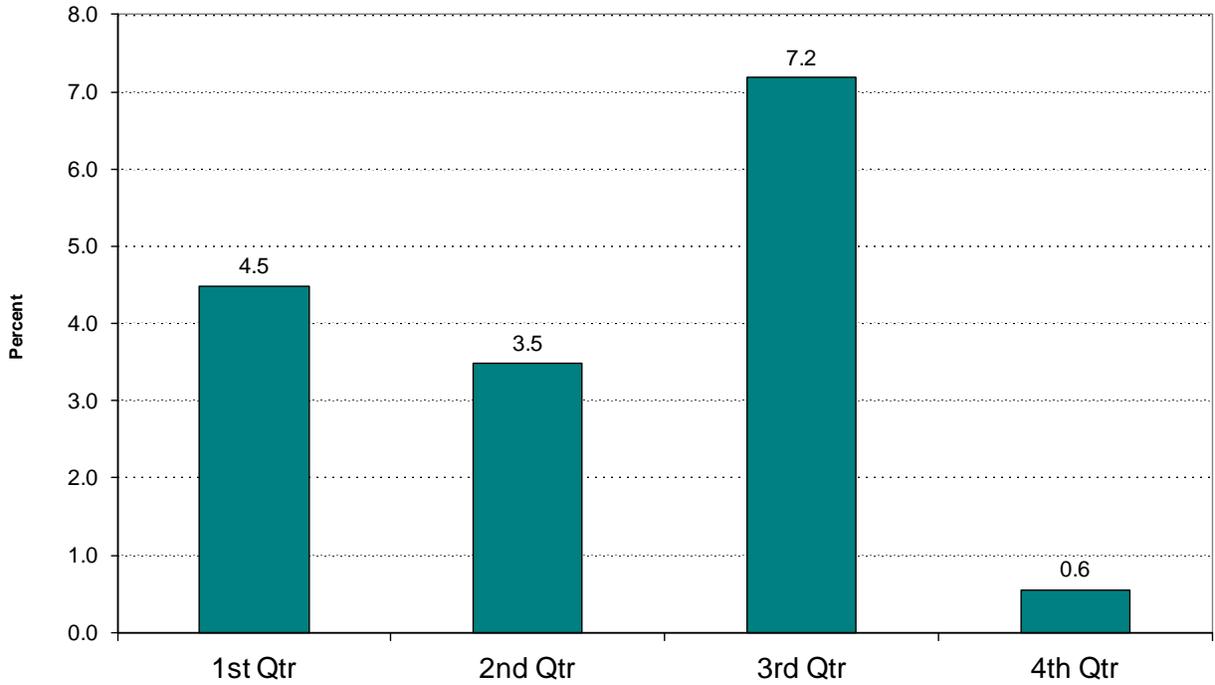


Table 5 and Figure D detail the growth rates in General Fund revenues by each fiscal quarter of FY16. General Fund receipts were positive in all four quarters of the fiscal year. Third quarter growth of 7.2 percent, marked the highest quarter for growth in FY16. Growth rates for the four quarters were 4.5 percent, 3.5 percent, 7.2 percent and 0.6 percent, respectively.

**Table 5**  
**General Fund Quarterly Growth Rates**  
 percents

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY16</u>
Sales and Use	6.9	5.5	6.4	5.2	6.0
Individual Income	6.0	3.5	14.3	-0.1	5.2
Corporation Income	11.5	5.4	6.8	-10.9	-0.3
LLET	0.5	-7.9	-15.7	-11.5	-9.3
Coal Severance	-22.8	-29.2	-37.6	-45.3	-33.1
Cigarette Tax	1.5	4.6	3.3	-2.7	1.5
Property	4.9	2.4	2.4	1.8	2.5
Lottery	2.9	-1.3	6.3	28.3	9.2
Other	-11.1	8.4	0.5	8.1	1.2
<b>TOTAL</b>	<b>4.5</b>	<b>3.5</b>	<b>7.2</b>	<b>0.6</b>	<b>3.7</b>

**Figure D**  
**FY16 General Fund Quarterly Growth Rates**  
 percent



**Table 6**  
**General Fund Quarterly Revenue Receipts**  
**\$ millions**

	FY16				
	Q1	Q2	Q3	Q4	Full Year
Sales and Use	859.7	868.0	836.0	899.1	3,462.7
Individual Income	1,039.9	1,029.6	960.3	1,252.3	4,282.1
Corporation Income	124.9	102.1	92.6	207.1	526.6
LLET	44.7	35.5	35.5	87.3	203.0
Coal Severance	37.7	34.5	25.4	23.0	120.6
Cigarette Tax	58.1	57.6	51.2	57.4	224.3
Property	46.8	333.5	137.4	59.8	577.5
Lottery	53.5	56.8	59.0	72.5	241.8
Other	136.3	151.2	246.2	166.4	700.2
<b>TOTAL</b>	<b>2,401.6</b>	<b>2,668.7</b>	<b>2,443.6</b>	<b>2,824.9</b>	<b>10,338.9</b>

## ANNUAL TOTALS, FY16

### Road Fund

Road Fund revenues for FY16 were \$1,482.5 million, a decrease of 2.9 percent from the previous fiscal year. Total receipts were \$44.2 million less than FY15 as motor fuels tax receipts fell by \$100.2 million. Motor vehicle usage tax collections were unexpectedly strong, exceeding the FY15 level by \$51.6 million. On net, the five remaining accounts increased \$4.4 million over FY15 levels.

Total Road Fund collections fell in each of the first three quarters of the fiscal years before growing in the final quarter, the first positive quarter following five consecutive declines. Growth rates for the four quarters were -8.3 percent, -2.3 percent, -5.6 percent and 5.4 percent, respectively. Road Fund collections are detailed in Table 7.

Motor fuels tax receipts fell by \$100.2 million, or 11.8 percent, in FY16. Lower tax rates during the first three quarters of FY16 led to the decline in collections. Taxable gallons grew in each of the first three quarters but not enough to offset the lower tax rate. Quarterly growth rates for motor fuels taxes were -16.1 percent, -18.7 percent, -12.1 percent and 2.3 percent, respectively.

Motor vehicle usage tax receipts of \$484.4 million compared to the \$432.8 million collected in FY15. Motor vehicle usage taxes grew \$51.6 million, or 11.9 percent, in FY16 to reach an all-time high. Growth rates for the four quarters were 7.5 percent, 24.7 percent, 3.8 percent and 12.8 percent, respectively.

Weight distance tax receipts of \$81.4 million represent an increase of 2.8 percent compared to the \$79.1 million collected in FY15.

Motor vehicle license tax receipts grew \$5.6 million while motor vehicle operator's receipts rose by \$0.4 million. Investment income declined \$0.5 million and the "Other" income fell \$3.2 million from FY15.

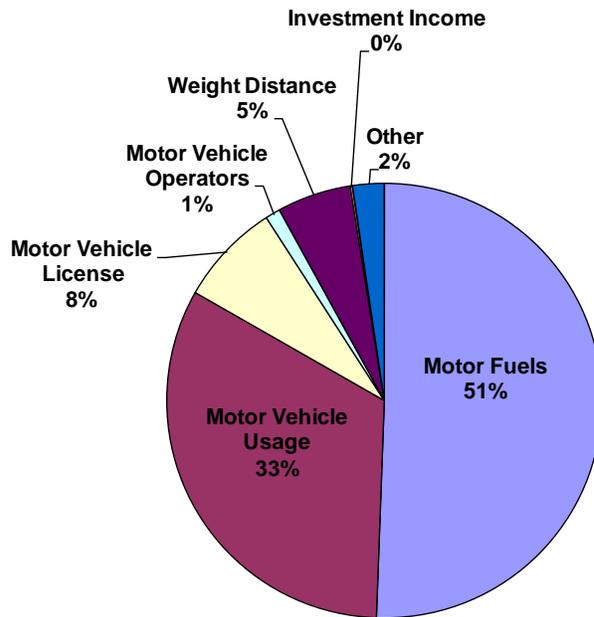
Road Fund collections for FY16 exceeded the official consensus estimate by \$36.6 million, or 2.5 percent, see Table 9. It is the eighth time in the past 10 years that Road Fund revenues have been within 2.5 percent of the official estimate. All seven of the forecasted Road Fund accounts were above estimated levels. The motor fuels tax was \$7.1 million, or 1.0 percent, above the official estimate. The motor vehicle usage tax was \$21.3 million, or 4.6 percent, over the official estimate. All other accounts, taken together, were \$8.2 million over forecasted levels.

**Table 7**  
**Road Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year Receipts			Growth Rates (%)		
	FY16	FY15	FY14	FY16	FY15	FY14
Motor Fuels	750.0	850.3	886.2	-11.8	-4.0	5.7
Motor Vehicle Usage	484.4	432.8	443.0	11.9	-2.3	3.8
Motor Vehicle License	113.1	107.6	101.9	5.2	5.6	-0.4
Motor Vehicle Operators	16.3	16.0	16.2	2.3	-1.2	0.6
Weight Distance	81.4	79.1	76.9	2.8	2.9	2.6
Income on Investments	2.4	2.9	4.0	-17.0	-28.0	-1,116.8
Other	34.9	38.1	32.3	-8.5	18.0	-3.9
<b>Total</b>	<b>1,482.5</b>	<b>1,526.7</b>	<b>1,560.5</b>	<b>-2.9</b>	<b>-2.2</b>	<b>4.6</b>

Figure E details the composition of FY16 Road Fund receipts by tax type. Eighty-four percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. The motor vehicle license tax accounted for eight percent and the weight distance tax accounted for five percent. “Other” taxes combined to account for two percent. Motor vehicle operators’ revenue accounted for one percent.

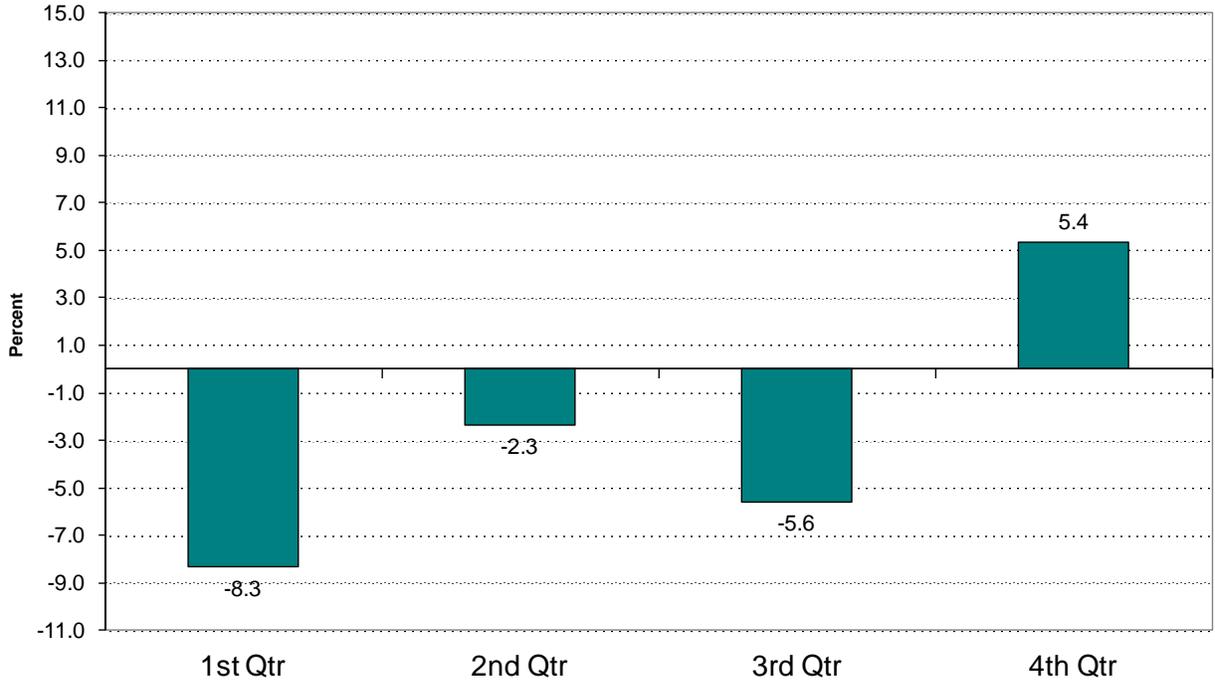
**Figure E  
FY16 Road Fund Receipts Composition**



**Table 8  
Road Fund Quarterly Growth Rates  
percents**

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY16</u>
Motor Fuels	-16.1	-18.7	-12.1	2.3	-11.8
Motor Vehicle Usage	7.5	24.7	3.8	12.8	11.9
Motor Vehicle License	-16.7	47.0	-3.0	5.6	5.2
Motor Vehicle Operators	2.2	-0.1	3.0	4.4	2.3
Weight Distance	3.0	0.6	2.6	5.2	2.8
Income on Investments	-26.5	-131.8	-6.4	193.8	-15.2
Other	-18.4	15.9	-4.4	-24.0	-8.7
<b>Total</b>	<b>-8.3</b>	<b>-2.3</b>	<b>-5.6</b>	<b>5.4</b>	<b>-2.9</b>

**Figure F  
FY16 Road Fund Quarterly Growth Rates**



**Table 9  
FY16 Road Fund Receipts Compared to Official Estimate  
\$ millions**

	FY16		Difference	
	Actual	Estimate	\$	%
Motor Fuels	750.0	742.9	7.1	1.0
Motor Vehicle Usage	484.4	463.1	21.3	4.6
Motor Vehicle License	113.1	107.9	5.2	4.8
Motor Vehicle Operators	16.3	16.2	0.1	0.8
Weight Distance	81.4	79.9	1.5	1.8
Income on Investments	2.4	1.2	1.2	101.4
Other	34.9	34.7	0.2	0.5
<b>Total</b>	<b>1,482.5</b>	<b>1,445.9</b>	<b>36.6</b>	<b>2.5</b>

**Table 10**  
**Road Fund Quarterly Revenue Receipts**  
**\$ millions**

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY16</u>
Motor Fuels	196.4	185.7	175.4	192.6	750.0
Motor Vehicle Usage	123.7	125.3	111.9	123.6	484.4
Motor Vehicle License	18.7	26.7	33.6	34.2	113.1
Motor Vehicle Operators	4.2	4.0	4.0	4.2	16.3
Weight Distance	20.6	20.7	20.2	19.9	81.4
Income on Investments	0.4	-0.2	1.2	1.0	2.5
Other	7.0	9.1	11.0	7.8	34.8
<b>Total</b>	<b>371.1</b>	<b>371.2</b>	<b>357.2</b>	<b>383.1</b>	<b>1,482.5</b>

# *The Economy*

## *Fourth Quarter FY16*

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### NATIONAL ECONOMY

Real gross domestic product (real GDP) grew by 1.7 percent in the fourth quarter of FY16.<sup>1</sup> See Table 11. This is the 28<sup>th</sup> quarter of the expansion following the 2007 recession and this is the ninth consecutive quarter without an adjacent-quarter contraction in real GDP. Growth rates have been declining for the last six quarters, falling from a high of 2.9 percent in the third quarter of FY15. Adjacent-quarter growth in the fourth quarter of FY16 was 0.6 percent.

This is the weakest recovery in terms of real GDP growth in many decades. The average adjacent-quarter growth from the 1975 recession recovery was 1.1 percent. Average growth from the 1981 recession recovery was 0.9 percent. Average growth from the 1990 recession recovery was 0.9 percent. Average growth from the 2001 recession recovery was 0.7 percent. It has been 28 quarters since the end of the 2007 recession and real GDP has grown a net 15.7 percent. Average recovery growth to date since the end of the 2007 recession has been 0.5 percent. That is the weakest average recovery growth since World War II.

Real consumption grew by 2.7 percent in the fourth quarter of FY16. Consumption was by far the largest contributor to real GDP in the fourth quarter. Real consumption grew a net \$300.4 billion, while the remaining components of real GDP combined for a loss of \$14.6 billion. Real consumption made up 69.1 percent of real GDP in the fourth quarter.

Real investment fell by 1.9 percent in the fourth quarter of FY16. Adjacent-quarter real investment declined in all four quarters in FY16. The net decline equaled \$53.1 billion over the fourth quarter of FY15. In the 28 quarters since the end of the recession, real investment has declined 10 times. The magnitude of these declines was small, with an average decline of 0.7 percent. Meanwhile, the other 18 quarters, which grew, averaged 2.9 percent growth. Real investment had been trending downward well before the recession of 2007 officially began. Real investment peaked in the third quarter of FY06 with \$2,773.8 billion. Real investment lost nearly a trillion by the time the recession ended. Real investment just recently recovered all of its recession losses in the third quarter of FY15. Real investment made up 16.9 percent share of real GDP in the fourth quarter.

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<sup>1</sup> Source: IHS Global Insight estimate, June 2016. Unless otherwise stated, all fourth quarter FY16 economic data are June 2016 estimates, rather than actual values, since final data released by the BEA and BLS are not available as of the release date of this report. Quarterly growth rates are quarter-over-same-quarter last year, unless otherwise noted.

**Table 11**  
**Summary of US Economic Series**  
**Fourth Quarter FY16 & FY15**

	Fourth Quarter			Full Year		
	FY16	FY15	% Chg	FY16	FY15	% Chg
Real GDP	16,611.2	16,333.6	1.7	16,500.2	16,182.8	2.0
Real Consumption	11,479.4	11,178.9	2.7	11,364.2	11,053.0	2.8
Real Investment	2,811.7	2,864.8	-1.9	2,839.4	2,806.4	1.2
Real Govt. Expenditures	2,887.8	2,856.9	1.1	2,876.8	2,845.9	1.1
Real Exports	2,120.7	2,117.5	0.1	2,112.9	2,107.2	0.3
Real Imports	2,656.5	2,652.1	0.2	2,661.6	2,599.3	2.4
Inflation (% chg CPI)	1.0	0.0	NA	0.7	0.7	NA
Industrial Production Index (% chg)	-1.1	0.4	NA	-1.0	2.4	NA
Civilian Labor Force (millions)	158.8	157.1	1.1	158.0	156.6	0.9
Unemployment Rate (%)	4.8	5.4	NA	5.0	5.7	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 Q4 are June 2016 estimates.

Source: IHS Global Insight Inc., June 2016 data release.

Real government expenditures rose by 1.1 percent in the fourth quarter of FY16. Government expenditures are countercyclical by nature. That is, they decline during expansions and expand during recessions. In the several quarters following the end of the 2007 recession, government expenditures, predictably began contracting. By the third quarter of FY14 however, this common contraction in government expenditures ended. Government expenditures have now grown in eight of the last nine quarters. Government expenditures made up 17.4 percent of real GDP in the fourth quarter.

Real exports grew by 0.1 percent in the fourth quarter of FY16. Immediately following the end of the 2007 recession, real exports grew for several quarters by double digits. But ever since then, export growth has tapered. It appears that that period of export growth might be coming to an end. Real exports were quite weak in FY16, with growth rates of 1.2, -0.6, -0.4 and 0.1 percent, respectively. Real exports made up 12.8 percent of real GDP in the fourth quarter.

Real imports grew by 0.2 percent in the fourth quarter. On an adjacent-quarter basis, real imports declined by 0.2 percent. This was the third consecutive adjacent-quarter decline in real imports. Real imports are a deduction from real GDP. As they are already counted in real consumption, they should not be counted twice. The trade deficit contracted slightly in the fourth quarter, falling to \$535.9 billion. A trade deficit simply indicates that on net, the United States imports more total goods and services than it exports to the rest of the world. There is no implied uncovered budget cost to this type of deficit as there is with a state or country's budget deficit.

US personal income rose by 4.1 percent in the fourth quarter see, Table 13. On an adjacent-quarter basis, US personal income grew by 1.0 percent in the fourth quarter. Adjacent-quarter growth hovered right near 1.0 percent for all of FY16. This is just slightly lower than FY15, when growth averaged 1.1 percent per quarter. On a year-over-year basis, wages and salaries rose the fastest among the personal income components, see Table 13. However, on an adjacent-quarter basis, US transfer payments rose by the most in the fourth quarter among all of the personal income components with 1.3 percent growth. US proprietary income had the slowest growth with 0.8 percent growth on the same adjacent-quarter basis.

Non-farm employment rose by 1.7 percent in the fourth quarter of FY16. Year-over-year growth peaked with 2.2 percent growth in the third quarter of FY15. It has slowly declined since then. Educational services employment had the highest growth rate (3.1 percent) and highest absolute contribution (700,000 jobs) to total non-farm employment. Mining employment was the largest loser among the components with a 16.2 percent drop for 100,000 lost jobs. This is the sixth consecutive quarter of losses for mining.

**Table 12**  
**US and KY Employment**  
**Fourth Quarter FY16 & FY15**

	US Q4 (millions)			KY Q4 (thousands)		
	FY16	FY15	% Chg	FY16	FY15	% Chg
Non-farm Employment (thousands)	143.9	141.5	1.7	1,907.2	1,878.1	1.5
Goods-producing	19.6	19.6	0.3	333.6	328.6	1.5
Construction	6.7	6.4	3.7	78.1	75.1	4.0
Mining	0.7	0.8	-16.2	13.6	14.5	-6.0
Manufacturing	12.3	12.3	-0.3	242.0	239.0	1.2
Service-providing	102.2	99.9	2.3	1,255.6	1,230.7	2.0
Trade, Transportation & Utilities	27.3	26.9	1.6	393.9	385.8	2.1
Information	2.8	2.7	0.9	25.4	25.3	0.4
Finance	8.3	8.1	1.9	93.5	92.1	1.6
Business Services	20.1	19.6	2.7	219.4	214.0	2.5
Educational Services	22.6	22.0	3.1	269.0	263.3	2.2
Leisure and Hospitality Services	15.5	15.1	2.7	191.7	186.7	2.6
Other Services	5.7	5.6	1.2	62.7	63.5	-1.3
Government	22.1	22.0	0.5	317.9	318.8	-0.3

Not Seasonally Adjusted. Data for FY16Q4 are June 2016 estimates.

Source: IHS Global Insight Inc., June 2016 data release.

## KENTUCKY ECONOMY

Kentucky personal income grew by 4.4 percent in the fourth quarter of FY16. An examination of adjacent-quarter growth in FY16 reveals a less optimistic picture with growth rates of 0.9, 1.2, 2.0, and 0.3 percent, respectively. While many of the same-quarter-over-last-year growth rates, which are reported in Table 13, are solid, much of that growth occurred in periods before the fourth quarter. The fourth quarter alone was rather weak compared to the third quarter. Kentucky personal income grew just 0.3 percent in the fourth quarter compared to the third quarter.

**Table 13**  
**Personal Income**  
**\$ billions, SAAR**

	Q4			
	FY16	FY15	\$ Diff	% Diff
<b>United States</b>				
Personal Income	15,911	15,277	634	4.1
Social Insurance	1,249	1,199	50	4.2
Residence Adjustments	-625	-603	-23	3.7
Dividends, Interest and Rents	2,912	2,832	80	2.8
Transfer Receipts	2,763	2,651	112	4.2
Wages & Salaries	8,170	7,792	378	4.8
Supplements to W&S	2,516	2,426	90	3.7
Proprietor's Income	1,424	1,377	47	3.4
<b>Kentucky</b>				
Personal Income	179.5	171.9	7.6	4.4
Social Insurance	14.5	14.0	0.5	3.9
Residence Adjustments	-2.3	-2.1	-0.1	5.5
Dividends, Interest and Rents	27.3	26.5	0.8	2.9
Transfer Receipts	43.8	42.2	1.6	3.8
Wages & Salaries	89.4	84.7	4.7	5.5
Supplements to W&S	23.0	22.0	1.0	4.4
Proprietor's Income	12.8	12.6	0.3	2.1

Wages and salaries income had the highest growth in percent terms with 5.5 percent growth in the fourth quarter of FY16. Wages and salaries, the largest component of personal income, made up 49.8 percent of total personal income in Kentucky in the fourth quarter. Wages and salaries contributed \$4.7 billion of the \$7.6 billion in personal income growth in FY16.

Somewhat counter intuitively, wages and salaries declined by 0.5 percent in the fourth quarter when compared to the third quarter. The majority of the robust annual growth for wages and salaries occurred in the third quarter, when adjacent-quarter growth was 3.5 percent over the second quarter. Adjacent-quarter wages and salaries growth in FY16 were 0.8, 1.7, 3.5, and -0.5 percent, respectively.

Proprietor's income was the weakest component in the fourth quarter with only 2.1 percent growth. Proprietor's income is that income earned by Kentucky unincorporated businesses from current production. Proprietor's income is the smallest of the income accounts, making up just 7.1 percent of total personal income in the fourth quarter.

Kentucky non-farm employment increased by 1.5 percent in the fourth quarter of FY16, see Table 12. The fourth quarter growth rate can be thought of as the net growth in employment for the entire fiscal year. Growth in FY15 was 1.3 percent and growth in FY14 was 1.6 percent. These are modest not strong growth rates for an expansion period. Adjacent-quarter growth fell to 0.1 percent in the fourth quarter, which is the lowest in three years. The highest adjacent-quarter growth since the end of the recession was 0.8 percent and that occurred in the second quarter of FY16. So this is a tremendous slowdown which has occurred in just the last three quarters.

Construction employment grew by the highest growth rate in the fourth quarter among the components with 4.0 percent growth for a net gain of 3,000 jobs. Construction employment has been erratic at times, but has sustained a high level of growth for three years. Construction employment has grown by 10,900 net jobs in the last three years, a net growth of 16.2 percent. This is substantial growth considering the recent weaknesses in the residential housing market.

Trade, transportation, and utilities employment, which is the largest of the employment supersectors, grew by 8,100 jobs in the fourth quarter and grew the most in absolute terms among the components. Trade, transportation, and utilities employment made up 20.7 percent of total non-farm employment in the fourth quarter. High adjacent-quarter growth in the third quarter of FY16 was the main source of growth for the year-over-year growth. The adjacent-quarter growth in the fourth quarter of FY16 was not helpful, falling 0.9 percent over the third quarter.

Kentucky mining employment, like the national figures, has performed poorly. Mining employment fell by 6.0 percent in the fourth quarter, or a net loss of 900 jobs for the year. Kentucky mining employment is one of the smallest of the supersectors in Kentucky making up 0.7 percent of total non-farm employment in the fourth quarter. Mining employment in Kentucky reached its previous peak in the third quarter of FY09 with 25,500 jobs. At that time, mining employment made up 1.4 percent of total non-farm jobs. So while both shares are small, that share has been cut in half in seven years. Continued tough EPA regulations have caused many coal-fired power plants to shut down in the last eight years. This decline in coal demand has caused many mines to decrease production and somehow even declared bankruptcy.

Government employment (which includes all levels of government employment, federal, state and local) declined by 0.3 percent in the fourth quarter of FY16, or a decline of 900 net jobs. Government employment on an adjacent-quarter basis had been declining every quarter for six consecutive quarters, until this quarter.

Following adjacent-quarter declines of 1.2, 0.6, 0.4, 0.4, 0.3, and 0.6 percent, government employment rose by 1.0 percent in the fourth quarter of FY16 over the third quarter. As government expenditures are countercyclical, it is not unusual for government employment to follow a similar countercyclical pattern. Total US government employment, which includes all levels of government employment, federal, state, and local, for all states, stopped contracting about nine quarters ago and then began to expand again. No conclusions can be drawn about the nature or meaning of these shifts. Government employment made up 16.7 percent of total non-farm employment in Kentucky in the fourth quarter. This share has fallen in the last six years from a peak of 18.2 percent in FY10.

# Interim Outlook

## GENERAL FUND

Kentucky's General Fund receipts rose for the sixth consecutive year in FY16 and exceeded \$10 billion for the first time ever. The FY16 General Fund receipts totaled \$10,338.9 million or 3.7 percent more than FY15 collections. Final FY16 General Fund revenues were \$49.0 million, or 0.5 percent, more than the official revenue estimate which had projected 3.2 percent growth. The CFG estimate for FY17 had called for growth of 3.2 percent over the *projected* FY16 ending balance. Taking into account the *actual* FY16 revenue total, the official estimate for FY17 of \$10,616.4 million can be obtained with growth of 2.7 percent – a seemingly manageable hurdle.

The revenue forecasts presented in Table 14 and Table 15 were estimated using the June 2016 “control scenario” economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky MAK model. The FY17 estimates presented here highlight the first three fiscal quarters of the year. Projected General Fund revenues are shown in Table 14. As the table indicates, General Fund growth is projected to be 2.6 percent for the first three quarters of FY17. One should not assume that fourth quarter receipts' growth in FY17 will be similar to growth in the first three quarters since the fourth quarter receipts include the months of April and June, which are two of the most pivotal and volatile months of the fiscal year.

**Table 14**  
**General Fund Interim Forecast**  
**\$ millions**

	FY16		FY16		FY16		FY17	
	Q4		Full Year		Official CFG		Q1, Q2, & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Individual Income	1,252.3	-0.1	4,282.1	5.2	4,233.5	48.6	3,152.3	4.0
Sales & Use	899.1	5.2	3,462.7	6.0	3,420.5	42.2	2,645.7	3.2
Property	59.8	1.8	577.5	2.5	573.0	4.5	532.8	2.9
Corporate Income	207.1	-10.9	526.6	-0.3	531.7	-5.1	317.6	-0.6
Coal Severance	23.0	-45.3	120.6	-33.1	138.4	-17.8	62.7	-35.7
Cigarette Tax	57.4	-2.7	224.3	1.5	225.8	-1.5	169.0	1.3
LLET	87.3	-11.5	203.0	-9.3	219.8	4.0	116.3	0.5
Lottery	72.5	28.3	241.8	9.2	232.0	-10.5	172.5	1.9
Other	166.4	8.1	700.2	1.1	715.2	-15.5	537.8	0.8
<b>General Fund</b>	<b>2,824.9</b>	<b>0.6</b>	<b>10,338.9</b>	<b>3.7</b>	<b>10,289.9</b>	<b>49.0</b>	<b>7,706.7</b>	<b>2.6</b>

The small FY16 revenue surplus of \$49.0 million has made the FY17 forecast hurdle more manageable. The three-quarter interim forecast calls for General Fund growth of 2.6 percent and the newly-computed growth rate for the FY17 official estimate is now just 2.7 percent. As the remainder of this section will highlight, the largest two General Fund taxes (individual income and sales and use) are consistently pulling up the average while the remaining taxes have been struggling to perform at level par to the average. In FY16, the individual income tax grew 5.2 percent while the sales tax grew 6.0 percent. The remaining accounts (except for Lottery) each grew at a rate below 2.6 percent. The high level of General Fund growth has been heavily reliant on the two largest taxes.

Individual income tax receipts are expected to increase by 4.0 percent during the first three quarters of FY17. By way of comparison, the last six years of annual growth in the individual income tax have been 8.3 percent in FY11, followed by growth of 2.8 percent, 6.0 percent, 0.7 percent, 8.5 percent, and 5.2 percent, respectively. The largest component of individual income tax receipts is withholding, which makes up approximately 93 percent of total individual income tax receipts. Withholding is closely tied to wages and salaries and employment in the state.

Sales and use tax receipts posted a third fiscal year of solid growth: 3.6 percent in FY14 followed by 4.4 percent in FY15 and 6.0 percent in FY16. Growth of 3.2 percent is expected over the forecasting horizon. The deceleration of growth in the sales tax is partially attributable to the high base established in FY16, where the 6.0 percent surge was the highest since FY06, which also grew at 6.0 percent. Consumption has been one of the stronger components of US GDP growth in recent quarters. The strong housing market surge is also propping up consumption of durables over the forecasting horizon.

Property tax revenues are expected to increase by 2.9 percent over the forecasting horizon. While the rate of growth may seem low, property tax growth has been only 0.7 percent in FY14, 0.2 percent in FY15, and 2.5 percent in FY16. The state rate on real property will remain at 12.2 cents per \$100 in valuation for property assessed as of January 1, 2017. Due to the effects of the recession on the housing market, the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented run of nine 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 forecast assumes that this reversion to normal will not occur immediately.

The corporation income tax and the LLET were both strong performers in FY15 but tapered off in FY16. Corporation income tax receipts fell 0.3 percent while the LLET dropped 9.3 percent. Corporation income taxes had grown by double digits in four of the previous five years before FY16. For the forecasting horizon, the interim forecast calls for a 0.6 percent decline in the corporation income tax and 0.5 percent growth in the LLET. Lackluster corporate profits are the primary culprit for the reversal of fortune in the business taxes.

Coal severance receipts fell 12.9 percent short of the official estimate in FY16 and are expected to decline further in FY17. Coal severance receipts have fallen from \$298.3 million in FY12 to \$120.6 million in FY16. The energy market continues to be quite volatile and the outlook for coal will continue to be depressed due to new regulatory requirements. The interim estimate is for a 35.7 percent decline over the forecasting horizon.

Cigarette tax receipts increased 1.5 percent in FY16, the first such growth since the stamp price was increased in FY09. Kentucky sales have been buoyed by rate increases in Illinois, Ohio, and most recently West Virginia. The outlook for cigarette tax receipts is for a 1.3 percent increase in the first three quarters of FY17. A downward trend in smoking rates is still expected, but the tax increases in neighboring states is expected to have a small positive revenue impact for cigarette purchases in Kentucky. Notwithstanding the minor border impact, the consumption of cigarettes has steadily been trending downward over the last decade.

Lottery dividends exceeded the FY16 estimate by \$9.8 million, largely due to strength in the mega-jackpot online games and solid growth in the instant ticket marketplace. While the dividend schedule for FY17 has not been released, improvement is expected over the \$241.8 million received in FY16. Collections of dividend payments are expected to be \$172.5 million for the first three quarters of FY16.

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 0.8 percent during the forecasting horizon, a lackluster increase coming off FY16 where revenues increased by 1.1 percent. Each account was re-examined after FY16 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled \$700.2 million in FY16. “Other” collections are estimated to be \$537.8 million for the three-quarter forecasting horizon.

## **ROAD FUND**

Road Fund revenues are forecasted to improve relative to the past two years; however, growth in collections is expected to still be negative for the first three quarters of FY17. Total Road Fund revenues declined 2.2 percent in FY15 and 2.9 percent in FY16, but should improve to -0.6 percent over the forecast horizon as shown in Table 15. Revenues fell in each of the first three quarters of FY16 before growing in the final quarter. Rates of growth for the four quarters were -8.3 percent, -2.3 percent, -5.6 percent, and 5.4 percent, respectively. Among the major accounts, motor fuels collections are expected to increase slightly while motor vehicle usage tax receipts are expected to decline.

**Table 15**  
**Road Fund Interim Forecast**  
**(\$ millions)**

	FY16				FY16		FY17	
	Q4		Full Year		Official CFG		Q1, Q2 & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	192.6	2.3	750.0	-11.8	742.9	7.1	565.2	1.4
Motor Vehicle Usage	123.6	12.8	484.4	11.9	463.1	21.3	349.0	-3.3
Motor Vehicle License	34.2	5.6	113.1	5.2	107.9	5.2	75.6	-4.2
Motor Vehicle Operator	4.2	4.3	16.3	2.3	16.2	0.1	12.3	1.0
Weight Distance	19.9	5.2	81.4	2.8	79.9	1.5	60.4	0.2
Income on Investments	1.0	193.8	2.5	-15.3	1.2	1.3	1.6	8.5
Other	7.8	-24.0	34.8	-8.7	34.7	0.1	28.9	2.1
<b>Road Fund</b>	<b>383.1</b>	<b>5.4</b>	<b>1,482.5</b>	<b>-2.9</b>	<b>1,445.9</b>	<b>36.6</b>	<b>1,093.0</b>	<b>-0.6</b>

Total Road Fund collections fell 2.9 percent, or \$44.2 million, in FY16 due to a steep decline in motor fuels revenue. That drop was partially offset by strong growth in motor vehicle usage tax receipts. Taken together, motor fuels and motor vehicle collections fell \$48.6 million. The remaining five accounts combined to increase by \$4.4 million.

Motor fuels tax receipts fell by \$100.2 million, or 11.8 percent, in FY16 due to a lower tax rate in the first three quarters. The tax rate in effect for the final quarter of the fiscal year was unchanged from FY15. Taxable gallons grew 2.6 percent in the first ten months of the year but the rise in consumption was not enough to offset the decline in the tax rate. Quarterly growth rates for motor fuels taxes were -16.1 percent, -18.7 percent, -12.1 percent and 2.3 percent, respectively.

Motor vehicle usage taxes grew \$51.6 million, or 11.9 percent, to reach an all-time high of \$484.4 million. Growth in this account was the highest since FY11 and was only the second time in the past 22 years which collections rose by more than 10 percent. Rates of growth for the four quarters were 7.5 percent, 24.7 percent, 3.8 percent, and 12.8 percent, respectively.

Motor fuels tax receipts are expected to grow 1.4 percent over the first nine months of FY17 as the tax rate is unchanged from FY16. Therefore, any revenue growth from this account is directly tied to a change in consumption. Total taxable gallons are projected to increase slightly over last year's total.

Motor vehicle usage taxes are forecasted to decline 3.3 percent during the first three quarters of FY17. Motor vehicle usage tax collections were unusually strong during FY16, thereby satiating the pent-up demand and creating a high base of comparison for FY17. Moreover, FY16 collections were bolstered by an additional payment of approximately \$8.0 million which posted in FY16 but was attributable to FY15 economic activity. These factors will act as a brake to dampen FY17 growth in this account.

Motor vehicle license fees are expected to decrease 4.2 percent as FY16 collections were augmented by some one-time money. Weight distance taxes are expected to remain essentially unchanged, with 0.2 percent growth. Motor vehicle operator's license (driver's license) taxes are forecasted to grow 1.0 percent and investment income collections are projected to be \$1.6 million. The "Other" category is expected to increase 2.1 percent.

## NATIONAL ECONOMY

The outlook for the US economy going into FY17 and beyond looks far less rosy now than was anticipated at the beginning of FY16. Global Insight and various other professional and government forecasters have consistently downgraded their outlooks for the coming quarters over the course of this fiscal year. The forecast in this Quarterly Report was generated prior to the referendum in which the UK elected to leave the European Union. This referendum has since increased uncertainty and rattled the markets. It remains unclear what, if any, impact Brexit will have on the US and global economy. It is now highly unlikely the FOMC will raise rates in the first half of FY17. More concerning is the FOMC's median projections for US real GDP growth in calendar years 2016-2018 and the "longer run" are now 2.0 percent.<sup>2</sup> The FOMC and other prognosticators seem to have resigned themselves to a new normal for growth; one which is considerably slower than that of the last 30 years.

Not everything in the national economic outlook is gloomy, however; the employment outlook looks to remain positive. Table 16 indicates that employment growth will steadily continue over the next three quarters as the unemployment rate continues to fall. As shown on Table 17, US Wage and Salary growth in FY17 will be on par with the steady growth experienced in FY16. Eventually, the increase in wages will put upward pressure on prices, and by the third quarter, inflation (as measured by the CPI) will be at its highest rate since FY12 (not pictured). The projected increase in personal income is good news for tax receipts, and real government expenditures are projected to increase their contribution to real GDP compared to FY15 and FY16.

Tables 16 and 17 also show that higher income growth will continue to boost consumer spending. Consumers' disposable incomes have benefited from low fuel prices, which have boosted miles driven on US roads and correlated with strong demand for automobiles, a trend projected to continue through FY17.<sup>3,4</sup> Home prices have continued to appreciate, with US prices in this quarter reaching a level not seen since FY08. This should continue to encourage spending through the wealth effect.<sup>5</sup> Rising home values, along with low mortgage rates and low prices for

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<sup>2</sup> Board of Governors of the Federal Reserve System (June 15, 2016). Advance release of Table 1 of the Summary of Economic Projections. <https://www.federalreserve.gov/monetarypolicy/fomcprojtab120160615.htm>

<sup>3</sup> Federal Highway Administration (April 2016). Traffic volume trends. [http://www.fhwa.dot.gov/policyinformation/travel\\_monitoring/16aprtvt/16aprtvt.pdf](http://www.fhwa.dot.gov/policyinformation/travel_monitoring/16aprtvt/16aprtvt.pdf)

<sup>4</sup> IHS Economics (June 2016). US Economic Outlook. p. 25.

<sup>5</sup> S&P Dow Jones Indices (June, 2016). S&P/Case-Shiller U.S. National Home Price Index. Data through April. <http://us.spindices.com/indices/real-estate/sp-Case-Shiller-US-National-Home-Price-Index>

building supplies, should encourage greater demand for construction. The most recent data show that single-unit housing permits issued are up 7.5 percent in the current quarter compared to the same period in FY15. This is a higher rate of growth than last year suggesting that new home starts and construction in the coming quarters of FY17 will be higher than were seen in FY16.<sup>6</sup> Global Insight's forecast accordingly projects that growth in construction employment will be well above overall US employment growth. New home sales will grow at a pace not seen since FY08.<sup>7</sup>

The increase in housing and commercial construction does not completely offset declines in investment in the energy sector and durable goods. Real investment will be a major drag on GDP growth until the end of FY17, see Table 17. It is forecast for FY17 that businesses will increase spending on intellectual property. The price of Brent crude and other energy prices will rise sufficiently to encourage an increase in drilling and mining.<sup>8</sup>

Table 17 shows that export growth is forecast to markedly increase in FY17. There are few indicators abroad which provide optimism. The Organization for Economic Cooperation and Development's international Composite Leading Index has continued its long and steady decline, and the World Bank downgraded its forecasts of world GDP for calendar 2016 and 2017 for the fourth consecutive six-month period.<sup>9,10</sup> Developing countries dependent upon commodity exports continue to struggle, while developed countries show sluggish growth in commercial investment, similar to the US. China's government-sanctioned index of expected future production and business activities fell in every month of this quarter.<sup>11</sup> Brexit may exacerbate already-existing problems in Europe.

While there is much to like in the current forecast, there is perhaps even more to be concerned about. As long as employment growth remains steady and incomes rise as forecasted, then the fundamentals of the US economy should be able to weather any temporary shock from abroad. The recent downgrade of forecasts in the medium to long-term by Global Insight, the Federal Reserve, and many others warrant concerns about what may be on the horizon.

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<sup>6</sup> US Census Bureau (June, 2016). Building Permits Survey. Data through May.  
<http://www.census.gov/construction/bps/uspermits.html>

<sup>7</sup> IHS Economics (June 2016). US Economic Outlook. p. 7, 57.

<sup>8</sup> *ibid* p. 7, 12.

<sup>9</sup> Organization for Economic Co-Operation and Development (June, 2016). Composite Leading Indicators (MEI), Amplitude Adjusted. [http://stats.oecd.org/Index.aspx?DataSetCode=MEI\\_CLI](http://stats.oecd.org/Index.aspx?DataSetCode=MEI_CLI)

<sup>10</sup> The World Bank (June, 2016). Global Economic Prospects: Divergences and Risks.  
<http://www.worldbank.org/en/publication/global-economic-prospects>

<sup>11</sup> National Bureau of Statistics China (June, 2016). Manufacturing Purchasing Manager's Index. National Data, NBS. <http://data.stats.gov.cn/english/easyquery.htm?cn=A01>

**Table 16**  
**US Economic Outlook**  
**Quarters 1, 2, & 3**

	Q1, Q2, & Q3			
	FY17	FY16	Chg	% Chg
<b>United States</b>				
Real GDP	16,821.1	16,463.2	357.8	2.2
Real Consumption	11,650.0	11,325.8	324.2	2.9
Real Investment	2,854.1	2,848.7	5.4	0.2
Real Govt. Expenditures	2,913.6	2,873.1	40.5	1.4
Real Exports	2,157.0	2,110.3	46.7	2.2
Real Imports	2,723.4	2,663.3	60.0	2.3
Personal Income (\$ billions)	16,262.9	15,597.3	665.7	4.3
Wages and Salaries (\$ billions)	8,392.5	7,984.4	408.1	5.1
Inflation (% chg CPI)	1.7	0.5	NA	NA
Industrial Production Index (% chg)	-0.8	-1.0	NA	NA
Civilian Labor Force (millions)	159.9	157.8	2.2	1.4
Total Non-farm Employment (millions)	145.0	142.9	2.1	1.5
Manufacturing Employment (millions)	12.3	12.3	0.0	0.1
Unemployment Rate (%)	4.7	5.0	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 FY17 Q1 through Q3 are June 2016 estimates.

Source: IHS Global Insight Inc., June 2016 data release.

**Table 17**  
**History and Outlook for US and Kentucky Economic Series**  
**Annual Growth Rates (%)**

	FY15				FY16				FY17		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>United States</b>											
Real GDP	2.9	2.5	2.9	2.7	2.1	2.0	2.0	1.7	1.8	2.1	2.6
Real Consumption	3.0	3.2	3.3	3.3	3.1	2.7	2.7	2.7	2.7	2.8	3.0
Real Investment	5.3	4.7	7.6	5.7	3.7	2.9	0.1	-1.9	-1.5	0.0	2.1
Real Government Expenditures	0.0	0.4	0.4	0.7	0.7	1.1	1.4	1.1	1.1	1.5	1.6
Real Exports	3.7	2.4	2.6	1.5	1.2	-0.6	0.4	0.1	0.7	2.2	3.8
Real Imports	3.1	5.4	6.5	4.8	5.6	2.9	1.1	0.2	1.0	2.2	3.5
Personal Income	4.5	5.2	4.5	4.5	4.5	4.3	4.4	4.1	4.0	4.2	4.6
Wage & Salary	5.2	5.7	4.5	5.1	4.7	4.8	5.3	4.8	5.2	4.9	5.2
CPI	1.8	1.2	-0.1	0.0	0.1	0.4	1.1	1.0	1.1	1.7	2.4
Industrial Production Index	3.4	3.5	2.4	0.4	0.1	-1.6	-1.6	-1.1	-2.1	-0.9	0.5
Civilian Labor Force	0.3	0.8	0.8	1.0	0.6	0.7	1.2	1.1	1.5	1.6	1.0
Total Non-farm Employment	2.0	2.1	2.2	2.1	2.0	2.0	1.9	1.7	1.5	1.5	1.5
Manufacturing Employment	1.6	1.6	1.7	1.4	1.0	0.4	0.0	-0.3	-0.4	0.2	0.4
Unemployment Rate	6.1	5.7	5.6	5.4	5.2	5.0	4.9	4.8	4.8	4.7	4.7
<b>Kentucky</b>											
Personal Income	4.4	5.7	4.5	4.6	4.6	4.4	5.6	4.4	4.6	4.9	4.1
Wage & Salary	4.1	5.5	3.3	4.4	4.4	4.4	8.3	5.5	6.1	6.2	3.8
Non-farm Employment	1.7	1.7	1.7	1.3	1.2	1.7	1.7	1.5	1.3	0.9	0.9
Goods Producing	3.8	3.7	3.1	1.8	1.3	2.0	1.0	1.5	0.6	0.1	1.3
Service Providing	1.5	1.8	2.1	2.0	2.2	2.5	2.7	2.0	1.8	1.1	0.8
Government	0.1	-0.4	-0.8	-1.3	-2.6	-1.6	-1.6	-0.3	0.1	0.4	1.0

Data for FY16Q4 are June 2016 estimates.

Source: IHS Global Insight Inc., June 2016 data release.

## KENTUCKY ECONOMY

While FY16 was a very favorable year for the Kentucky economy, and many forward-looking indicators are positive, there is increasing uncertainty about the state's outlook reflective of conditions nationally. Multiple entities have revised their GDP forecasts downward throughout the fourth quarter, partially due to discouraging news from abroad. Kentucky is not immune to external shocks, and the Kentucky Cabinet for Economic Development has recently expressed concerns about export growth due to the headwinds from a stronger dollar and weaker trading partners.<sup>12</sup> Kentucky currently ranks in the top ten among US states for growth of international exports; exports grew 1.2 percent in the third quarter despite declining US export growth overall.<sup>13</sup> The United Kingdom has traditionally been the Commonwealth's second-largest destination for exports, so the recent weakening of the pound due to Brexit could have negative implications for Kentucky's manufacturing sector.<sup>14</sup> This event happened after the forecast for this report was generated, and its implications have not yet been incorporated.

Slower international economic growth, however, is helping keep downward pressure on the prices for gasoline, construction supplies, and interest rates. One of the brightest spots in the outlook is the housing and construction sector. The most recent Burgundy Book produced by the Louisville office of the St. Louis Federal Reserve noted that office construction has been remarkably higher than last year and that there was evidence of increases in speculative multi-family building.<sup>15</sup> The latest Census data indicate that new permits to build single-family housing units in Kentucky are up almost 12 percent from the same quarter last year, indicating an increased expectation of building in the coming months.<sup>16</sup> Accordingly, the GOEA MAK model projects that construction employment growth will be 3.3 percent over the first three quarters of FY17, stronger than employment growth overall.

A majority of businesses surveyed by the Federal Reserve report that they expect to raise wages for at least some positions at a higher rate than in previous years.<sup>17</sup>

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<sup>12</sup> Wheatley, Kevin (2016). "Observers watch for ripple effect in U.S., Kentucky after United Kingdom's decision to slip from European Union." CN|2 Pure Politics. June 26, 2016. <http://mycn2.com/politics/observers-watch-for-ripple-effect-in-us-kentucky-after-united-kingdom-s-decision-to-split-from-european-union>

<sup>13</sup> Cabinet for Economic Development. "Aerospace, automotive parts lead growth in Kentucky's first-quarter 2016 exports." June 8, 2016. [http://thinkkentucky.com/Newsletter/articlePage.aspx?x=06032016\\_Kentucky\\_Exports.html](http://thinkkentucky.com/Newsletter/articlePage.aspx?x=06032016_Kentucky_Exports.html)

<sup>14</sup> United States Census Bureau, Foreign Trade. State Exports from Kentucky. <https://www.census.gov/foreign-trade/statistics/state/data/ky.html#ctry>

<sup>15</sup> McGillicuddy, Joseph (2016). "Home sales and house prices strengthen, industrial real estate activity picks up." St. Louis Federal Reserve Louisville Burgundy Book, p. 5. <https://research.stlouisfed.org/publications/burgundy-book/2016-06-21/louisville.pdf>

<sup>16</sup> Federal Reserve Bank of St. Louis. New Private Housing Units Authorized by Building Permits: 1-Unit Structures for Kentucky, retrieved from FRED, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/KYBP1FHSA>

<sup>17</sup> Kliesen, Kevin L. (2016). "Strong job growth and rising optimism typify conditions in Louisville zone." St. Louis Federal Reserve Louisville Burgundy Book, p. 1. <https://research.stlouisfed.org/publications/burgundy-book/2016-06-21/30ouisville.pdf>

Indeed, Table 17 indicates that Kentuckians' wages and salaries will grow at a rate above five percent in the first two quarters of FY17, and that Kentuckians' personal incomes will grow at or just above the US average. Should it hold, this rate of growth would be the envy of several states. The latest leading index for the 50 states as published by the Philadelphia Federal Reserve indicates that Kentucky's economy will be among the highest in growth over the next two quarters.<sup>18</sup>

One enduring reason for Kentucky's growth in recent years is its automobile and transportation parts manufacturing sectors benefiting from record national demand for automobiles and transportation equipment. A recent study by Toyota found that its payroll alone now accounts for 1.6 percent of total employee compensation in Kentucky.<sup>19</sup> The latest data from the Bureau of Labor Statistics show that employment growth in durable goods transportation equipment is up 7.1 percent year-over-year.<sup>20</sup> Motor vehicle manufacturing employment is up 9.3 percent.<sup>21</sup> The announced expansions and additions of major automobile manufacturers in the Commonwealth last year are have yet to reach completion, thus additional jobs in these sectors will be created moving forward into FY17. While the latest data for the quarter from the US Census suggest the growth of US new orders for transportation equipment, motor vehicles, and parts are decelerating, new orders are still up significantly from the same period in FY15 and suggest further growth in employment in these areas.<sup>22,23</sup> The deceleration in the growth of new orders, however, warrants some concern and revisions will be monitored closely, especially in light of the fact that many auto parts are exported to the UK and the Eurozone.

One reason for the boom in automobile and automotive parts manufacturing is low gasoline prices. This encourages greater miles driven. The Federal Highway Administration's latest report in this quarter indicates cumulative travel on US roads is up 3.7 percent year-over-year.<sup>24</sup> This bodes well for the state's travel and tourism industry and should continue, since energy prices and unemployment are widely forecast to remain low. But the low energy prices continue to be a drag on mining output and related employment, adversely affecting several counties. However, the Kentucky MAK model's forecast, based on Global Insight's national

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<sup>18</sup> Federal Reserve Bank of Philadelphia. State Leading Indexes. <https://philadelphiafed.org/research-and-data/regional-economy/indexes/leading>

<sup>19</sup> Meehan, Mary (2016). "Toyota celebrates 30<sup>th</sup> anniversary with reopening of visitor center." Lexington Herald-Leader, June 8, 2016. <http://www.kentucky.com/news/business/article82477112.html#storylink=cpy>

<sup>20</sup> US Bureau of Labor Statistics. All Employees: Durable Goods: Transportation Equipment Manufacturing in Kentucky. State and Metro Area Employment, Hours, and Earnings. Retrieved from FRED, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/SMU21000003133600001SA>

<sup>21</sup> US Bureau of Labor Statistics. All Employees: Durable Goods: Motor Vehicle Manufacturing in Kentucky. State and Metro Area Employment, Hours, and Earnings. Retrieved from FRED, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/SMU21000003133610001SA>

<sup>22</sup> US Bureau of the Census. Value of Manufacturers' New Orders for Motor Vehicles and Parts Industries. Manufacturers' Shipments, Inventories, and Orders (M3) Survey. Retrieved from FRED, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/AMVPNO>

<sup>23</sup> US Bureau of the Census. Value of Manufacturers' New Orders for Durable Goods Industries: Transportation Equipment: Motor Vehicle Bodies, Parts, and Trailers. Retrieved from FRED, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/ABTPNO>

<sup>24</sup> US Dept. of Transportation Federal Highway Administration. April 2016 Traffic Volume Trends. [http://www.fhwa.dot.gov/policyinformation/travel\\_monitoring/16aprtvt/](http://www.fhwa.dot.gov/policyinformation/travel_monitoring/16aprtvt/)

forecast, suggests that mining and natural resources employment may have hit its bottom and can expect some relief as energy prices pick up later in FY17.

As a whole, the forecast is positive and suggests Kentuckians can be optimistic about employment prospects and income growth. However, this depends upon how the US economy weathers the coming months. This in turn will have a great bearing on whether the Kentucky Outlook holds up.

## **APPENDIX A**

### **General and Road Fund Receipts Fourth Quarter FY16**

## KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Fourth Quarter FY 2016	Fourth Quarter FY 2015	%	Year-To-Date FY 2016	Year-To-Date FY 2015	%
			Change			Change
<b>TOTAL GENERAL FUND</b>	<b>\$2,824,901,151</b>	<b>\$2,809,373,528</b>	<b>0.6%</b>	<b>\$10,338,884,795</b>	<b>\$9,966,630,897</b>	<b>3.7%</b>
<b>Tax Receipts</b>	<b>\$2,720,706,190</b>	<b>\$2,733,719,665</b>	<b>-0.5%</b>	<b>\$9,988,342,493</b>	<b>\$9,637,987,521</b>	<b>3.6%</b>
<b>Sales and Gross Receipts</b>	<b>\$1,063,077,250</b>	<b>\$1,016,877,516</b>	<b>4.5%</b>	<b>\$4,062,700,416</b>	<b>\$3,854,700,860</b>	<b>5.4%</b>
Beer Consumption	1,798,612	1,546,066	16.3%	6,557,744	6,071,389	8.0%
Beer Wholesale	16,082,606	14,873,336	8.1%	61,161,655	57,570,011	6.2%
Cigarette	57,412,581	59,017,076	-2.7%	224,303,658	220,902,529	1.5%
Distilled Spirits Case Sales	31,129	33,831	-8.0%	136,488	132,802	2.8%
Distilled Spirits Consumption	2,923,867	3,176,454	-8.0%	12,823,273	12,468,749	2.8%
Distilled Spirits Wholesale	9,213,197	9,546,763	-3.5%	38,886,865	36,471,357	6.6%
Insurance Premium	47,894,715	46,771,976	2.4%	145,250,375	146,480,663	-0.8%
Pari-Mutuel	2,221,846	922,791	140.8%	4,993,574	2,964,884	68.4%
Race Track Admission	38,436	6,528	488.8%	229,316	155,426	47.5%
Sales and Use	899,050,025	854,489,920	5.2%	3,462,704,116	3,267,331,025	6.0%
Wine Consumption	673,842	701,580	-4.0%	3,102,163	2,912,784	6.5%
Wine Wholesale	3,831,184	4,049,374	-5.4%	16,583,413	16,323,658	1.6%
Telecommunications Tax	16,345,702	16,380,718	-0.2%	64,681,001	63,575,235	1.7%
Other Tobacco Products	5,559,306	5,354,857	3.8%	21,278,667	21,328,845	-0.2%
Floor Stock Tax	202	6,247	-96.8%	8,108	11,502	-29.5%
<b>License and Privilege</b>	<b>\$2,187,913</b>	<b>\$2,497,398</b>	<b>-12.4%</b>	<b>\$111,094,998</b>	<b>\$101,926,283</b>	<b>9.0%</b>
Alc. Bev. License Suspension	107,174	179,570	-40.3%	480,675	450,542	6.7%
Corporation License	(7,890)	(190,009)	---	135,698	188,600	-28.0%
Corporation Organization	45,035	118,343	-61.9%	136,720	186,635	-26.7%
Occupational Licenses	151,766	93,663	62.0%	289,193	202,297	43.0%
Race Track License	48,225	6,475	644.8%	324,375	247,766	30.9%
Bank Franchise Tax	1,646,592	2,132,778	-22.8%	109,049,728	99,990,669	9.1%
Driver License Fees	197,010	156,578	25.8%	678,609	659,776	2.9%
<b>Natural Resources</b>	<b>\$29,131,651</b>	<b>\$49,897,459</b>	<b>-41.6%</b>	<b>\$149,405,137</b>	<b>\$220,613,349</b>	<b>-32.3%</b>
Coal Severance	23,037,226	42,112,387	-45.3%	120,610,311	180,283,352	-33.1%
Oil Production	1,075,642	1,681,367	-36.0%	4,748,862	9,840,015	-51.7%
Minerals Severance	3,955,522	3,753,989	5.4%	17,596,331	15,128,385	16.3%
Natural Gas Severance	1,063,261	2,349,716	-54.7%	6,449,632	15,361,597	-58.0%
<b>Income</b>	<b>\$1,546,708,226</b>	<b>\$1,584,594,707</b>	<b>-2.4%</b>	<b>\$5,011,709,475</b>	<b>\$4,821,410,590</b>	<b>3.9%</b>
Corporation	207,096,888	232,553,188	-10.9%	526,637,870	528,118,737	-0.3%
Individual	1,252,297,779	1,253,373,981	-0.1%	4,282,080,975	4,069,500,570	5.2%
Limited Liability Entity	87,313,559	98,667,538	-11.5%	202,990,630	223,791,283	-9.3%
<b>Property</b>	<b>\$59,763,473</b>	<b>\$58,714,607</b>	<b>1.8%</b>	<b>\$577,548,052</b>	<b>\$563,435,472</b>	<b>2.5%</b>
Building & Loan Association	2,203,586	1,980,201	11.3%	2,191,706	1,482,051	47.9%
General - Real	5,584,927	5,667,444	-1.5%	268,087,934	259,228,298	3.4%
General - Tangible	47,368,567	42,312,531	11.9%	237,464,692	226,137,118	5.0%
Omitted & Delinquent	542,241	3,024,198	-82.1%	11,991,240	16,237,196	-26.1%
Public Service	4,003,174	5,731,061	-30.1%	56,210,797	58,864,760	-4.5%
Other	60,979	(827)	---	1,601,684	1,486,050	7.8%
<b>Inheritance Tax</b>	<b>\$13,872,229</b>	<b>\$14,823,224</b>	<b>-6.4%</b>	<b>\$51,247,149</b>	<b>\$50,975,858</b>	<b>0.5%</b>
<b>Miscellaneous</b>	<b>\$5,965,447</b>	<b>\$6,314,754</b>	<b>-5.5%</b>	<b>\$24,637,267</b>	<b>\$24,925,107</b>	<b>-1.2%</b>
Legal Process	3,412,120	3,958,074	-13.8%	14,479,452	15,435,811	-6.2%
T. V. A. In Lieu Payments	2,545,668	2,352,675	8.2%	10,119,811	9,452,432	7.1%
Other	7,660	4,005	91.3%	38,005	36,863	3.1%
<b>Nontax Receipts</b>	<b>\$103,083,319</b>	<b>\$75,190,892</b>	<b>37.1%</b>	<b>\$344,822,276</b>	<b>\$326,949,419</b>	<b>5.5%</b>
Departmental Fees	7,617,046	7,860,851	-3.1%	21,891,588	22,036,475	-0.7%
PSC Assessment Fee	3,499,092	6,133,205	-42.9%	14,367,915	20,829,264	-31.0%
Fines & Forfeitures	5,471,854	5,817,029	-5.9%	21,204,392	22,771,487	-6.9%
Income on Investments	927,028	797,081	16.3%	287,789	213,267	34.9%
Lottery	72,500,000	56,500,000	28.3%	241,778,429	221,500,000	9.2%
Sale of NOx Credits	0	0	---	0	27,594	-100.0%
Miscellaneous	13,068,299	(1,917,274)	---	45,292,162	39,571,333	14.5%
<b>Redeposit of State Funds</b>	<b>\$1,111,642</b>	<b>\$462,971</b>	<b>140.1%</b>	<b>\$5,720,026</b>	<b>\$1,693,958</b>	<b>237.7%</b>

## KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Fourth Quarter FY 2016	Fourth Quarter FY 2015	%	Year-To-Date FY 2016	Year-To-Date FY 2015	%
			Change			Change
<b>TOTAL ROAD FUND</b>	<b>\$383,090,174</b>	<b>\$363,595,054</b>	<b>5.4%</b>	<b>\$1,482,541,978</b>	<b>\$1,526,738,658</b>	<b>-2.9%</b>
<b>Tax Receipts-</b>	<b>\$376,614,738</b>	<b>\$358,508,739</b>	<b>5.1%</b>	<b>\$1,458,382,671</b>	<b>\$1,501,667,661</b>	<b>-2.9%</b>
<b>Sales and Gross Receipts</b>	<b>\$316,146,525</b>	<b>\$297,829,953</b>	<b>6.2%</b>	<b>\$1,234,432,155</b>	<b>\$1,283,046,179</b>	<b>-3.8%</b>
Motor Fuels Taxes	192,595,050	188,286,347	2.3%	750,034,840	850,276,246	-11.8%
Motor Vehicle Usage	123,551,474	109,543,606	12.8%	484,397,314	432,769,932	11.9%
<b>License and Privilege</b>	<b>\$60,468,214</b>	<b>\$60,678,786</b>	<b>-0.3%</b>	<b>\$223,950,517</b>	<b>\$218,621,482</b>	<b>2.4%</b>
Motor Vehicles	34,161,222	32,338,085	5.6%	113,114,908	107,554,129	5.2%
Motor Vehicle Operators	4,154,641	3,981,312	4.4%	16,331,496	15,958,491	2.3%
Weight Distance	19,861,064	18,881,165	5.2%	81,375,028	79,147,533	2.8%
Truck Decal Fees	244,642	366,157	-33.2%	283,942	404,906	-29.9%
Other Special Fees	2,046,646	5,112,066	-60.0%	12,845,142	15,556,424	-17.4%
<b>Nontax Receipts</b>	<b>\$5,941,857</b>	<b>\$5,693,740</b>	<b>4.4%</b>	<b>\$23,041,935</b>	<b>\$22,358,605</b>	<b>3.1%</b>
Departmental Fees	4,570,663	4,775,143	-4.3%	19,308,449	17,766,834	8.7%
In Lieu of Traffic Fines	115,976	111,300	4.2%	427,255	465,304	-8.2%
Income on Investments	993,465	338,401	193.6%	2,468,620	2,913,784	-15.3%
Miscellaneous	261,754	468,896	-44.2%	837,611	1,212,683	-30.9%
<b>Redeposit of State Funds</b>	<b>\$533,578</b>	<b>(\$607,426)</b>	<b>---</b>	<b>\$1,117,372</b>	<b>\$2,712,393</b>	<b>-58.8%</b>

## **APPENDIX B**

### **Summary Statistics for General Fund Major Revenue Sources Fiscal Years 2007 -2016 (\$ millions)**

	FY07	FY08	FY09	FY010	FY11
<b>TOTAL GENERAL FUND</b>	<b>8,573,819,250</b>	<b>8,664,336,663</b>	<b>8,426,351,594</b>	<b>8,225,127,620</b>	<b>8,759,442,646</b>
<b>Tax Receipts</b>	<b>8,233,789,253</b>	<b>8,329,734,971</b>	<b>8,112,768,934</b>	<b>7,917,980,032</b>	<b>8,455,775,175</b>
<b>Sales and Gross Receipts</b>	<b>3,280,448,981</b>	<b>3,354,581,311</b>	<b>3,374,871,927</b>	<b>3,396,530,945</b>	<b>3,489,069,236</b>
Beer Consumption	6,344,079	6,535,066	6,478,525	6,165,525	6,118,817
Beer Wholesale	46,806,186	49,531,545	51,696,564	51,596,255	51,914,445
Cigarette	168,768,467	169,547,927	186,756,010	278,159,743	262,220,720
Cigarette Floor Stock	9,746	-	16,292,300	274,940	150,038
Distilled Spirits Case Sales	98,874	104,154	109,333	453,002	-232,830
Distilled Spirits Consumption	10,094,572	10,378,013	10,676,604	10,719,543	10,942,531
Distilled Spirits Wholesale	25,139,117	26,628,403	27,884,547	27,517,432	28,175,617
Insurance Premium	125,877,984	129,296,901	125,168,149	125,063,475	128,731,563
Pari-Mutuel	5,489,552	5,327,540	4,387,515	-82,480	4,607,322
Race Track Admission	190,362	219,939	230,888	187,994	178,957
Sales and Use	2,817,652,253	2,877,814,014	2,857,665,168	2,794,057,329	2,896,251,816
Wine Consumption	2,326,331	2,353,476	2,392,069	2,442,113	2,584,039
Wine Wholesale	11,392,111	11,977,256	12,356,700	12,082,136	13,748,696
Telecommunications Tax	51,623,000	55,972,928	61,228,833	66,786,669	62,286,497
Other Tobacco Products	8,636,348	8,894,150	11,548,724	21,107,290	21,391,009
<b>License and Privilege</b>	<b>77,516,353</b>	<b>76,924,599</b>	<b>84,111,977</b>	<b>76,326,722</b>	<b>100,533,645</b>
Alc. Bev. License & Suspension	659,151	830,310	393,050	562,082	377,550
Corporation License	11,734,452	2,822,279	9,154,338	5,470,951	10,654,547
Corporation Organization	115,755	259,654	38,101	167,841	69,928
Occupational Licenses	207,198	191,571	257,200	172,153	165,753
Race Track License	283,675	245,360	350,225	271,425	262,175
Bank Franchise Tax	63,912,315	71,976,055	73,339,144	69,085,922	88,400,971
Driver License Fees	603,807	599,370	579,919	596,348	602,721
<b>Natural Resources</b>	<b>275,312,769</b>	<b>293,334,097</b>	<b>355,984,528</b>	<b>317,146,565</b>	<b>342,319,441</b>
Coal Severance	221,952,516	232,977,827	292,591,094	271,943,100	295,836,611
Oil Production	6,198,342	10,201,113	8,430,228	7,564,121	8,287,566
Minerals Severance	14,822,013	16,360,844	12,807,705	13,266,156	13,256,853
Natural Gas Severance	32,339,897	33,794,313	42,155,501	24,373,188	24,938,411
<b>Income</b>	<b>4,029,600,561</b>	<b>4,016,767,196</b>	<b>3,705,003,167</b>	<b>3,538,303,824</b>	<b>3,934,302,025</b>
Corporation	988,064,957	435,222,566	267,984,858	237,867,392	300,782,364
Individual	3,041,535,604	3,483,137,317	3,315,368,217	3,154,488,000	3,417,778,504
LLET	-	98,407,313	121,650,092	145,948,432	215,741,157
<b>Property</b>	<b>492,462,208</b>	<b>500,646,790</b>	<b>513,122,060</b>	<b>516,169,947</b>	<b>514,814,972</b>
Bank Deposits	513,619	532,436	542,716	589,597	561,375
Building & Loan Association	2,921,484	2,649,630	2,898,977	2,920,507	2,457,458
Distilled Spirits	506,754	513,549	624,280	685,815	730,146
General - Intangible	48,841	-	-	-	-
General - Real	228,282,174	237,153,330	241,008,338	248,756,857	247,034,036
General - Tangible	192,343,695	205,763,426	203,783,916	193,234,982	186,665,683
Omitted & Delinquent	25,253,460	17,519,651	22,945,670	24,952,198	28,140,461
Public Service	42,588,669	36,511,473	41,315,048	45,026,921	49,210,400
Other	3,512	3,295	3,115	3,071	15,412
<b>Inheritance</b>	<b>43,578,107</b>	<b>51,001,299</b>	<b>41,234,240</b>	<b>37,201,611</b>	<b>41,350,929</b>
<b>Miscellaneous</b>	<b>34,870,274</b>	<b>36,479,679</b>	<b>38,441,036</b>	<b>36,300,419</b>	<b>33,384,927</b>
Legal Process	24,759,470	24,060,840	23,782,419	21,807,020	20,303,600
T. V. A. In Lieu Payments	10,037,326	12,389,344	14,593,246	14,335,091	12,992,023
Other	73,478	29,495	65,371	158,308	89,304
<b>Nontax Receipts</b>	<b>327,878,702</b>	<b>330,053,277</b>	<b>311,791,847</b>	<b>301,799,304</b>	<b>300,260,186</b>
Departmental Fees	25,043,719	30,382,254	31,912,667	29,530,171	29,505,690
PSC Assessment Fee	14,593,067	14,306,084	14,104,836	12,685,063	16,266,055
Fines & Forfeitures	26,606,686	28,118,106	29,298,014	29,046,803	26,117,800
Interest on Investments	31,991,861	23,868,325	4,183,825	-303,103	767,606
Lottery	186,625,113	187,461,591	193,500,000	200,000,000	200,500,000
Sale of NOx Credits	811,600	12,251,950	0	625,230	36,825
Miscellaneous	42,206,657	33,664,968	38,792,505	30,215,139	27,066,209
<b>Redeposit of State Funds</b>	<b>12,151,295</b>	<b>4,548,415</b>	<b>1,790,813</b>	<b>5,348,284</b>	<b>3,407,285</b>

	FY12	FY13	FY14	FY15	FY16
<b>TOTAL GENERAL FUND</b>	<b>9,090,954,645</b>	<b>9,348,326,000</b>	<b>9,462,035,017</b>	<b>9,966,630,897</b>	<b>10,338,884,795</b>
<b>Tax Receipts</b>	<b>8,786,626,012</b>	<b>8,992,372,146</b>	<b>9,126,466,009</b>	<b>9,637,987,521</b>	<b>9,988,342,493</b>
<b>Sales and Gross Receipts</b>	<b>3,648,803,253</b>	<b>3,616,732,159</b>	<b>3,716,809,229</b>	<b>3,854,700,860</b>	<b>4,062,700,426</b>
Beer Consumption	6,125,423	6,190,085	6,226,880	6,071,389	6,557,744
Beer Wholesale	54,139,730	53,750,045	57,969,185	57,570,011	61,161,655
Cigarette	254,798,018	238,669,895	228,076,834	220,902,529	224,303,658
Cigarette Floor Stock	31,548	19,426	-1,887	11,502	8,108
Distilled Spirits Case Sales	116,903	122,873	127,875	132,802	136,488
Distilled Spirits Consumption	11,355,027	11,962,448	11,961,270	12,468,749	12,823,273
Distilled Spirits Wholesale	29,695,678	31,911,903	33,829,202	36,471,357	38,886,865
Insurance Premium	133,069,934	139,471,024	141,638,641	146,480,663	145,250,375
Pari-Mutuel	3,600,911	4,842,847	2,421,099	2,964,884	4,993,574
Race Track Admission	164,223	184,269	213,958	155,426	229,416
Sales and Use	3,052,236,048	3,021,794,387	3,131,126,876	3,267,331,025	3,462,704,116
Wine Consumption	2,716,967	2,856,119	2,896,687	2,912,784	3,102,163
Wine Wholesale	14,102,961	14,959,504	15,523,357	16,323,658	16,583,413
Telecommunications Tax	64,919,274	68,327,915	63,897,510	63,575,235	64,681,001
Other Tobacco Products	21,730,607	21,669,418	20,901,740	21,328,845	21,278,667
<b>License and Privilege</b>	<b>100,903,697</b>	<b>100,211,825</b>	<b>105,181,651</b>	<b>101,926,285</b>	<b>111,094,998</b>
Alc. Bev. License & Suspension	281,375	402,958	343,952	450,542	480,675
Corporation License	5,330,573	-294,874	814,539	188,600	135,698
Corporation Organization	94,666	97,963	47,491	186,635	136,720
Occupational Licenses	156,845	137,311	214,153	202,297	289,193
Race Track License	272,443	264,011	291,300	247,766	324,375
Bank Franchise Tax	94,158,966	98,971,258	102,857,446	99,990,669	109,049,728
Driver License Fees	608,829	633,198	612,770	659,776	678,609
<b>Natural Resources</b>	<b>346,050,224</b>	<b>269,486,287</b>	<b>241,988,627</b>	<b>220,613,349</b>	<b>149,405,136</b>
Coal Severance	298,263,637	230,540,150	197,525,899	180,283,352	120,610,311
Oil Production	11,955,961	10,974,127	13,128,040	9,840,015	4,748,862
Minerals Severance	13,292,368	13,306,647	12,298,663	15,128,385	17,596,331
Natural Gas Severance	22,538,258	14,665,363	19,036,025	15,361,597	6,449,632
<b>Income</b>	<b>4,087,239,263</b>	<b>4,369,839,147</b>	<b>4,423,722,549</b>	<b>4,821,410,590</b>	<b>5,011,709,477</b>
Corporation	374,423,779	400,752,175	475,120,319	528,118,737	526,637,870
Individual	3,512,075,128	3,722,963,791	3,749,257,830	4,069,500,570	4,282,080,975
LLET	200,740,356	246,123,181	199,344,400	223,791,283	202,990,632
<b>Property</b>	<b>529,566,811</b>	<b>558,378,328</b>	<b>562,428,448</b>	<b>563,435,472</b>	<b>577,548,052</b>
Bank Deposits	570,776	588,098	581,157	588,914	632,587
Building & Loan Association	2,462,810	2,332,923	1,806,976	1,482,051	2,191,706
Distilled Spirits	754,636	772,733	854,637	891,761	961,388
General - Intangible	-	-	816	-	-
General - Real	251,285,063	257,970,441	258,284,309	259,228,298	268,087,934
General - Tangible	207,739,436	216,942,082	223,393,888	226,137,118	237,464,692
Omitted & Delinquent	16,687,591	26,972,243	21,276,527	16,237,196	11,991,240
Public Service	50,063,069	52,795,179	51,859,325	58,864,760	56,210,797
Other	3,431	4,629	5,807,422	5,374	7,708
<b>Inheritance</b>	<b>41,312,904</b>	<b>41,326,220</b>	<b>45,843,849</b>	<b>50,975,858</b>	<b>51,247,149</b>
<b>Miscellaneous</b>	<b>32,749,859</b>	<b>36,398,182</b>	<b>30,491,656</b>	<b>24,925,107</b>	<b>24,637,267</b>
Legal Process	19,977,267	19,748,614	16,792,670	15,435,811	14,479,452
T. V. A. In Lieu Payments	12,707,124	16,600,467	13,646,200	9,452,432	10,119,811
Other	65,468	49,101	52,786	36,863	38,005
<b>Nontax Receipts</b>	<b>301,849,149</b>	<b>353,103,427</b>	<b>333,860,106</b>	<b>326,949,419</b>	<b>344,822,276</b>
Departmental Fees	26,203,503	28,494,072	24,489,562	22,036,475	21,891,588
PSC Assessment Fee	7,389,549	13,205,508	17,155,431	20,829,264	14,367,915
Fines & Forfeitures	26,274,627	28,264,706	24,747,942	22,771,487	21,204,392
Interest on Investments	-14,535,985	711,516	(176,256)	213,267	287,789
Lottery	210,800,122	215,266,568	219,500,743	221,500,000	241,778,429
Sale of NOx Credits	22,025	50,892	104,242	27,594	0
Miscellaneous	45,695,310	67,110,164	48,038,442	39,571,333	45,292,162
<b>Redeposit of State Funds</b>	<b>2,479,483</b>	<b>2,850,428</b>	<b>1,708,902</b>	<b>1,693,958</b>	<b>5,720,026</b>

**General Fund Growth Rates  
Major Revenue Sources  
Fiscal Years 2007 – 2016  
(%)**

	FY07	FY08	FY09	FY10	FY11
<b>TOTAL GENERAL FUND</b>	<b>2.4%</b>	<b>1.1%</b>	<b>-2.7%</b>	<b>-2.4%</b>	<b>6.5%</b>
<b>Tax Receipts</b>	<b>2.1%</b>	<b>1.2%</b>	<b>-2.6%</b>	<b>-2.4%</b>	<b>6.8%</b>
<b>Sales and Gross Receipts</b>	<b>3.3%</b>	<b>2.3%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>2.7%</b>
Beer Consumption	-0.8%	3.0%	-0.9%	-4.8%	-0.8%
Beer Wholesale	3.5%	5.8%	4.4%	-0.2%	0.6%
Cigarette	-1.9%	0.5%	10.1%	48.9%	-5.7%
Cigarette Floor Stock	-99.9%	-100.0%	---	-98.3%	-45.4%
Distilled Spirits Case Sales	4.3%	5.3%	5.0%	314.3%	-151.4%
Distilled Spirits Consumption	2.0%	2.8%	2.9%	0.4%	2.1%
Distilled Spirits Wholesale	6.9%	5.9%	4.7%	-1.3%	2.4%
Insurance Premium	2.5%	2.7%	-3.2%	-0.1%	2.9%
Pari-Mutuel	-2.4%	-3.0%	-17.6%	-101.9%	-5686.0%
Race Track Admission	-17.3%	15.5%	5.0%	-18.6%	-4.8%
Sales and Use	2.5%	2.1%	-0.7%	-2.2%	3.7%
Wine Consumption	19.5%	1.2%	1.6%	2.1%	5.8%
Wine Wholesale	8.4%	5.1%	3.2%	-2.2%	13.8%
Telecommunications Tax	254.7%	8.4%	9.4%	9.1%	-6.7%
Other Tobacco Products	---	3.0%	29.8%	82.8%	1.3%
<b>License and Privilege</b>	<b>-26.0%</b>	<b>-0.8%</b>	<b>9.3%</b>	<b>-9.3%</b>	<b>31.7%</b>
Alc. Bev. License Suspension	135.0%	26.0%	-52.7%	43.0%	-32.8%
Corporation License	-73.0%	-75.9%	224.4%	-40.2%	94.7%
Corporation Organization	-47.7%	124.3%	-85.3%	340.5%	-58.3%
Occupational Licenses	19.0%	-7.5%	34.3%	-33.1%	-3.7%
Race Track License	-1.9%	-13.5%	42.7%	-22.5%	-3.4%
Bank Franchise Tax	7.2%	12.6%	1.9%	-5.8%	28.0%
Driver License Fees	0.5%	-0.7%	-3.2%	2.8%	1.1%
<b>Natural Resources</b>	<b>-2.2%</b>	<b>6.5%</b>	<b>21.4%</b>	<b>-10.9%</b>	<b>7.9%</b>
Coal Severance	-1.1%	5.0%	25.6%	-7.1%	8.8%
Oil Production	-2.9%	64.6%	-17.4%	-10.3%	9.6%
Minerals Severance	2.2%	10.4%	-21.7%	3.6%	-0.1%
Natural Gas Severance	-10.7%	4.5%	24.7%	-42.2%	2.3%
<b>Income</b>	<b>2.8%</b>	<b>-0.3%</b>	<b>-7.8%</b>	<b>-4.5%</b>	<b>11.2%</b>
Corporation	-1.4%	-56.0%	-38.4%	-11.2%	26.4%
Individual	4.2%	14.5%	-4.8%	-4.9%	8.3%
LLET	---	---	23.6%	20.0%	47.8%
<b>Property</b>	<b>-2.0%</b>	<b>1.7%</b>	<b>2.5%</b>	<b>0.6%</b>	<b>-0.3%</b>
Bank Deposits	1.6%	3.7%	1.9%	8.6%	-4.8%
Building & Loan Association	41.0%	-9.3%	9.4%	0.7%	-15.9%
Distilled Spirits	23.4%	1.3%	21.6%	9.9%	6.5%
General - Intangible	-99.8%	-100.0%	---	---	---
General - Real	6.0%	3.9%	1.6%	3.2%	-0.7%
General - Tangible	16.1%	7.0%	-1.0%	-5.2%	-3.4%
Omitted & Delinquent	-16.7%	-30.6%	31.0%	8.7%	12.8%
Public Service	-25.6%	-14.3%	13.2%	9.0%	9.3%
Other	18.2%	-6.2%	-5.5%	-1.4%	401.9%
<b>Inheritance</b>	<b>-5.2%</b>	<b>17.0%</b>	<b>-19.2%</b>	<b>-9.8%</b>	<b>11.2%</b>
<b>Miscellaneous</b>	<b>-2.1%</b>	<b>4.6%</b>	<b>5.4%</b>	<b>-5.6%</b>	<b>-8.0%</b>
Legal Process	-1.4%	-2.8%	-1.2%	-8.3%	-6.9%
T. V. A. In Lieu Payments	-2.1%	23.4%	17.8%	-1.8%	-9.4%
Other	-70.7%	-59.9%	121.6%	142.2%	-43.6%
<b>Nontax Receipts</b>	<b>8.3%</b>	<b>0.7%</b>	<b>-5.5%</b>	<b>-3.2%</b>	<b>-0.5%</b>
Departmental Fees	4.6%	21.3%	5.0%	-7.5%	-0.1%
PSC Assessment Fee <sup>7</sup>	61.4%	-2.0%	-1.4%	-10.1%	28.2%
Fines & Forfeitures	1.8%	5.7%	4.2%	-0.9%	-10.1%
Interest on Investments	71.2%	-25.4%	-82.5%	-107.2%	-353.2%
Lottery	-1.8%	0.4%	3.2%	3.4%	0.3%
Sale of NOx Credits	-27.9%	1409.6%	-100.0%	---	-94.1%
Miscellaneous	25.2%	-20.2%	15.2%	-22.1%	-10.4%
<b>Redeposit of State Funds</b>	<b>49.9%</b>	<b>-62.6%</b>	<b>-60.6%</b>	<b>198.7%</b>	<b>-36.3%</b>

	FY12	FY13	FY14	FY15	FY16
<b>TOTAL GENERAL FUND</b>	<b>3.8%</b>	<b>2.8%</b>	<b>1.2%</b>	<b>5.3%</b>	<b>3.7%</b>
<b>Tax Receipts</b>	<b>3.9%</b>	<b>2.3%</b>	<b>1.5%</b>	<b>5.6%</b>	<b>3.6%</b>
<b>Sales and Gross Receipts</b>	<b>4.6%</b>	<b>-0.9%</b>	<b>2.8%</b>	<b>3.7%</b>	<b>5.4%</b>
Beer Consumption	0.1%	1.1%	0.6%	-2.5%	8.0%
Beer Wholesale	4.3%	-0.7%	7.8%	-0.7%	6.2%
Cigarette	-2.8%	-6.3%	-4.4%	-3.1%	1.5%
Cigarette Floor Stock	-79.0%	-38.4%	-109.7%	-709.6%	-29.5%
Distilled Spirits Case Sales	-150.2%	5.1%	4.1%	3.9%	2.8%
Distilled Spirits Consumption	3.8%	5.3%	0.0%	4.2%	2.8%
Distilled Spirits Wholesale	5.4%	7.5%	6.0%	7.8%	6.6%
Insurance Premium	3.4%	4.8%	1.6%	3.4%	-0.8%
Pari-Mutuel	-21.8%	34.5%	-50.0%	22.5%	68.4%
Race Track Admission	-8.2%	12.2%	16.1%	-27.4%	47.6%
Sales and Use	5.4%	-1.0%	3.6%	4.4%	6.0%
Wine Consumption	5.1%	5.1%	1.4%	0.6%	6.5%
Wine Wholesale	2.6%	6.1%	3.8%	5.2%	1.6%
Telecommunications Tax	4.2%	5.3%	-6.5%	-0.5%	1.7%
Other Tobacco Products	1.6%	-0.3%	-3.5%	2.0%	-0.2%
<b>License and Privilege</b>	<b>-84.7%</b>	<b>-0.7%</b>	<b>5.0%</b>	<b>-3.1%</b>	<b>9.0%</b>
Alc. Bev. License Suspension	-25.5%	43.2%	-14.6%	31.0%	6.7%
Corporation License	-50.0%	-105.5%	-376.2%	-76.8%	-28.0%
Corporation Organization	35.4%	3.5%	-51.5%	293.0%	-26.7%
Occupational Licenses	-5.4%	-12.5%	56.0%	-5.5%	43.0%
Race Track License	3.9%	-3.1%	10.3%	-14.9%	30.9%
Bank Franchise Tax	6.5%	5.1%	3.9%	-2.8%	9.1%
Driver License Fees	1.0%	4.0%	-3.2%	7.7%	2.9%
<b>Natural Resources</b>	<b>1.1%</b>	<b>-22.1%</b>	<b>-10.2%</b>	<b>-8.8%</b>	<b>-32.3%</b>
Coal Severance	0.8%	-22.7%	-14.3%	-8.7%	-33.1%
Oil Production	44.3%	-8.2%	19.6%	-25.0%	-51.7%
Minerals Severance	0.3%	0.1%	-7.6%	23.0%	16.3%
Natural Gas Severance	-9.6%	-34.9%	29.8%	-19.3%	-58.0%
<b>Income</b>	<b>9.9%</b>	<b>6.9%</b>	<b>1.2%</b>	<b>9.0%</b>	<b>3.9%</b>
Corporation	24.5%	7.0%	18.6%	11.2%	-0.3%
Individual	2.8%	6.0%	0.7%	8.5%	5.2%
LLET	-7.0%	22.6%	-19.0%	12.3%	-9.3%
<b>Property</b>	<b>2.9%</b>	<b>5.4%</b>	<b>0.7%</b>	<b>0.2%</b>	<b>2.5%</b>
Bank Deposits	1.7%	3.0%	-1.2%	1.3%	7.4%
Building & Loan Association	0.2%	-5.3%	-22.5%	-18.0%	47.9%
Distilled Spirits	3.4%	2.4%	10.6%	4.3%	7.8%
General - Intangible	---	---	---	---	---
General - Real	1.7%	2.7%	0.1%	0.4%	3.4%
General - Tangible	11.3%	4.4%	3.0%	1.2%	5.0%
Omitted & Delinquent	-40.7%	61.6%	-21.1%	-23.7%	-26.1%
Public Service	1.7%	5.5%	-1.8%	13.5%	-4.5%
Other	-77.7%	34.9%	---	-99.9%	7.8%
<b>Inheritance</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>10.9%</b>	<b>11.2%</b>	<b>0.5%</b>
<b>Miscellaneous</b>	<b>-1.9%</b>	<b>11.1%</b>	<b>-16.2%</b>	<b>-18.3%</b>	<b>-1.2%</b>
Legal Process	-1.6%	-1.1%	-15.0%	-8.1%	-6.2%
T. V. A. In Lieu Payments	-2.2%	30.6%	-17.8%	-30.7%	7.1%
Other	-26.7%	-25.0%	7.5%	-30.2%	3.1%
<b>Nontax Receipts</b>	<b>0.5%</b>	<b>17.0%</b>	<b>-5.4%</b>	<b>-2.1%</b>	<b>5.5%</b>
Departmental Fees	-11.2%	8.7%	-14.1%	-10.0%	-0.7%
PSC Assessment Fee	-54.6%	78.7%	29.9%	21.4%	-31.0%
Fines & Forfeitures	0.6%	7.6%	-12.4%	-8.0%	-6.9%
Interest on Investments	-1993.7%	-104.9%	-124.8%	---	34.9%
Lottery	5.1%	2.1%	2.0%	0.9%	9.2%
Sale of NOx Credits	-40.2%	131.1%	104.8%	-73.5%	-100.0%
Miscellaneous	68.8%	46.9%	-28.4%	-17.6%	14.5%
<b>Redeposit of State Funds</b>	<b>-27.2%</b>	<b>15.0%</b>	<b>-40.0%</b>	<b>-0.9%</b>	<b>237.7%</b>

## **APPENDIX C**

### **Summary Statistics for Road Fund Major Revenue Sources Fiscal Years 2007 – 2016 (\$ millions)**

	FY07	FY08	FY09	FY10	FY11
<b>TOTAL STATE ROAD FUND</b>	<b>1,225,943,515</b>	<b>1,262,798,750</b>	<b>1,191,982,894</b>	<b>1,206,622,639</b>	<b>1,338,811,926</b>
<b>Tax Receipts-</b>	<b>1,186,074,087</b>	<b>1,219,349,262</b>	<b>1,159,379,226</b>	<b>1,181,341,209</b>	<b>1,315,130,011</b>
<b>Sales and Gross Receipts</b>	<b>974,732,028</b>	<b>1,014,576,337</b>	<b>958,780,727</b>	<b>988,541,345</b>	<b>1,114,593,981</b>
Motor Fuels Taxes	563,480,031	608,779,123	622,479,527	655,761,466	732,826,112
Motor Vehicle Usage	411,251,997	405,797,215	336,301,200	332,779,879	381,767,869
<b>License and Privilege</b>	<b>211,342,059</b>	<b>204,772,925</b>	<b>200,598,500</b>	<b>192,799,864</b>	<b>200,536,031</b>
Motor Vehicles	101,660,768	93,523,748	98,186,733	96,839,803	97,812,587
Motor Vehicle Operators	15,811,880	15,372,618	15,521,191	15,941,488	15,736,805
Weight Distance	85,435,610	84,353,543	75,444,283	70,498,757	73,983,781
Truck Decal Fees	842,239	774,379	832,653	679,383	793,715
Other Special Fees	7,591,561	10,748,637	10,613,640	8,840,433	12,209,142
<b>Nontax Receipts</b>	<b>39,469,278</b>	<b>41,805,267</b>	<b>31,375,092</b>	<b>23,871,991</b>	<b>21,932,031</b>
Departmental Fees	17,787,658	20,291,394	19,106,827	18,487,783	18,167,778
In Lieu of Traffic Fines	1,174,453	1,112,801	958,790	779,495	779,828
Highway Tolls	3,717,965	-	-	-	-
Investment Income	16,094,719	19,460,549	10,661,790	3,633,987	1,995,228
Miscellaneous	694,483	940,522	647,685	970,725	989,197
<b>Redeposit of State Funds</b>	<b>400,150</b>	<b>1,644,222</b>	<b>1,228,575</b>	<b>1,409,439</b>	<b>1,749,883</b>

	FY12	FY13	FY14	FY15	FY16
<b>TOTAL STATE ROAD FUND</b>	<b>1,443,773,845</b>	<b>1,491,623,669</b>	<b>1,560,439,604</b>	<b>1,526,738,659</b>	<b>1,482,541,978</b>
<b>Tax Receipts-</b>	<b>1,416,497,670</b>	<b>1,471,593,789</b>	<b>1,535,727,564</b>	<b>1,501,667,661</b>	<b>1,458,382,671</b>
<b>Sales and Gross Receipts</b>	<b>1,207,082,330</b>	<b>1,265,175,199</b>	<b>1,329,208,128</b>	<b>1,283,046,179</b>	<b>1,234,432,155</b>
Motor Fuels Taxes	790,229,379	838,344,373	886,161,042	850,276,246	750,034,840
Motor Vehicle Usage	416,852,951	426,830,826	443,047,087	432,769,932	484,397,314
<b>License and Privilege</b>	<b>209,415,340</b>	<b>206,418,590</b>	<b>206,519,436</b>	<b>218,621,482</b>	<b>223,950,517</b>
Motor Vehicles	107,836,554	102,256,080	101,879,541	107,554,129	113,114,908
Motor Vehicle Operators	15,737,651	16,049,755	16,150,032	15,958,491	16,331,496
Weight Distance	75,111,565	74,935,016	76,894,805	79,147,533	81,375,028
Truck Decal Fees	736,224	590,397	489,072	404,906	283,942
Other Special Fees	9,993,345	12,587,343	11,105,986	15,556,424	12,845,142
<b>Nontax Receipts</b>	<b>26,739,794</b>	<b>18,023,074</b>	<b>22,833,411</b>	<b>22,358,605</b>	<b>23,041,935</b>
Departmental Fees	21,879,481	17,094,723	17,368,008	17,766,834	19,308,449
In Lieu of Traffic Fines	769,405	702,451	544,637	465,304	427,255
Highway Tolls	-	-	-	-	-
Investment Income	3,081,180	-398,745	3,997,826	2,913,784	2,468,620
Miscellaneous	1,009,727	624,646	922,939	1,212,683	837,611
<b>Redeposit of State Funds</b>	<b>536,381</b>	<b>2,006,806</b>	<b>1,880,271</b>	<b>2,712,394</b>	<b>1,117,372</b>

**Road Fund Growth Rates  
Major Revenue Sources  
Fiscal Years 2007 – 2016  
(%)**

<b>TOTAL STATE ROAD FUND</b>	<b>5.2%</b>	<b>3.0%</b>	<b>-5.6%</b>	<b>1.2%</b>	<b>11.0%</b>
<b>Tax Receipts-</b>	<b>4.7%</b>	<b>2.8%</b>	<b>-4.9%</b>	<b>1.9%</b>	<b>11.3%</b>
<b>Sales and Gross Receipts</b>	<b>5.5%</b>	<b>4.1%</b>	<b>-5.5%</b>	<b>3.1%</b>	<b>12.8%</b>
Motor Fuels Taxes	6.7%	8.0%	2.3%	5.3%	11.8%
Motor Vehicle Usage	4.0%	-1.3%	-17.1%	-1.0%	14.7%
<b>License and Privilege</b>	<b>0.9%</b>	<b>-3.1%</b>	<b>-2.0%</b>	<b>-3.9%</b>	<b>4.0%</b>
Motor Vehicles	8.3%	-8.0%	5.0%	-1.4%	1.0%
Motor Vehicle Operators	8.6%	-2.8%	1.0%	2.7%	-1.3%
Weight Distance	0.1%	-1.3%	-10.6%	-6.6%	4.9%
Truck Decal Fees	-11.8%	-8.1%	7.5%	-18.4%	16.8%
Other Special Fees	-48.1%	41.6%	-1.3%	-16.7%	38.1%
<b>Nontax Receipts</b>	<b>30.7%</b>	<b>5.9%</b>	<b>-24.9%</b>	<b>-23.9%</b>	<b>-8.1%</b>
Departmental Fees	13.9%	14.1%	-5.8%	-3.2%	-1.7%
In Lieu of Traffic Fines	-7.5%	-5.2%	-13.8%	-18.7%	0.0%
Highway Tolls	-41.0%	-100.0%	---	---	---
Investment Income	152.6%	20.9%	-45.2%	-65.9%	-45.1%
Miscellaneous	6.5%	35.4%	-31.1%	49.9%	1.9%
<b>Redeposit of State Funds</b>	<b>-79.5%</b>	<b>310.9%</b>	<b>-25.3%</b>	<b>14.7%</b>	<b>24.2%</b>

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<b>TOTAL STATE ROAD FUND</b>	<b>7.8%</b>	<b>3.3%</b>	<b>4.6%</b>	<b>-2.2%</b>	<b>-2.9%</b>
<b>Tax Receipts-</b>	<b>7.7%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>-2.2%</b>	<b>-2.9%</b>
<b>Sales and Gross Receipts</b>	<b>8.3%</b>	<b>4.8%</b>	<b>5.1%</b>	<b>-3.5%</b>	<b>-3.8%</b>
Motor Fuels Taxes	7.8%	6.1%	5.7%	-4.0%	-11.8%
Motor Vehicle Usage	9.2%	2.4%	3.8%	-2.3%	11.9%
<b>License and Privilege</b>	<b>4.4%</b>	<b>-1.4%</b>	<b>0.0%</b>	<b>5.9%</b>	<b>2.4%</b>
Motor Vehicles	10.2%	-5.2%	-0.4%	5.6%	5.2%
Motor Vehicle Operators	0.0%	2.0%	0.6%	-1.2%	2.3%
Weight Distance	1.5%	-0.2%	2.6%	2.9%	2.8%
Truck Decal Fees	-7.2%	-19.8%	-17.2%	-17.2%	-29.9%
Other Special Fees	-18.1%	26.0%	-11.8%	40.1%	-17.4%
<b>Nontax Receipts</b>	<b>21.9%</b>	<b>-32.6%</b>	<b>26.7%</b>	<b>-2.1%</b>	<b>3.1%</b>
Departmental Fees	20.4%	-21.9%	1.6%	2.3%	8.7%
In Lieu of Traffic Fines	-1.3%	-8.7%	-22.5%	-14.6%	-8.2%
Highway Tolls	---	---	---	---	---
Investment Income	54.4%	-112.9%	-1102.6%	-27.1%	-15.3%
Miscellaneous	2.1%	-38.1%	47.8%	31.4%	-30.9%
<b>Redeposit of State Funds</b>	<b>-69.3%</b>	<b>274.1%</b>	<b>-6.3%</b>	<b>44.3%</b>	<b>-58.8%</b>