

**COMMONWEALTH OF KENTUCKY**

# **Quarterly Economic & Revenue Report**



**Fourth Quarter  
Fiscal Year 2009  
Annual Edition**

**Governor's Office for  
Economic Analysis**

**Office of  
State Budget Director**





***Office of State Budget Director***

Capitol Building, 700 Capitol Avenue  
Frankfort, Kentucky 40601

**Steven L. Beshear**  
Governor

(502) 564-2611 or (502) 564-7300  
FAX: (502) 564-7022 or (502) 564-6684  
Internet: [osbd.ky.gov](http://osbd.ky.gov)

**Mary E. Lassiter**  
State Budget Director

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

July 30, 2009

The Honorable Steven L. Beshear  
Governor  
Commonwealth of Kentucky  
State Capitol Building  
Frankfort, KY 40601

Dear Governor Beshear:

The *Quarterly Economic and Revenue Report Annual Edition* summarizes Kentucky's revenue and economic statistics for the Fiscal Year 2009 (FY09). It also includes an interim economic and revenue forecast for the first three quarters of FY10.

General Fund receipts for FY09 totaled \$8.426 billion, a decrease of 2.7 percent compared to the same period in FY08. This was \$55.7 million less than the revised official estimate rendered in November 2008 by the Consensus Forecasting Group and amended by the 2009 General Assembly.

Road Fund revenues totaled \$1.192 billion, a decrease of 5.6 percent from FY08, and were \$36.8 million below the revised revenue estimate.

The interim General Fund forecast for the first three quarters of FY10 calls for a decrease of 1.8 percent compared to the same period one year ago. The Road Fund is expected to decline by 2.2 percent in the first three quarters of FY10.

We will continue to monitor the economic and fiscal conditions of the Commonwealth and will keep you apprised of developments.

Sincerely,

A handwritten signature in cursive script that reads "Mary E. Lassiter".

Mary E. Lassiter  
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 has prepared a Quarterly Economic and Revenue Report for the fourth quarter of FY09. In accordance with the statutes, this report includes a current synopsis of the economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

General Fund receipts fell 2.7 percent in FY09 to \$8.426 billion. Relative to the official revenue forecast of \$8.482 billion, receipts were \$55.7 million short of the estimates (the consensus estimate of November 2008 as modified by 2009 legislation). For the fourth quarter, General Fund receipts fell 9.7 percent for quarterly collections of \$2.209 billion, clearly continuing a recent trend of weakness in the General Fund.

Since 1954, the economy has faced nine recessions and General Fund receipts have fallen only twice: FY02 and FY09. The official estimate produced by the Consensus Forecasting Group (CFG) in May of 2009 shows another decline in FY10. Given the rarity of revenue declines over the last half century, the magnitude and severity of the current recession becomes manifest.

The largest shortfalls occurred in the individual income and sales and use taxes, which were \$50.0 million and \$31.4 million below forecasted levels, respectively. Counterbalancing occurred as the limited liability entity (LLET) and coal severance taxes came in above forecasted levels. A complete tax-by-tax summary can be found in table 4.

Sales tax receipts fell 0.7 percent in FY09, or \$20.1 million, as the recession curbed spending on nearly every category of taxable sales. Receipts of \$2.858 billion compare to prior year receipts of \$2.878 billion. The sales tax finished the year with three consecutive quarterly declines, providing additional resistance to an immediate and robust 2010 recovery.

Individual income tax receipts declined by \$167.8 million from last year as all components of the tax showed weakness. Only withholding tax receipts rose compared to last year but the increase was less than 0.1 percent and the current trend is negative. Receipts totaled \$3.315 billion and compare to \$3.483 billion collected last year.

Total Road Fund receipts fell by 5.6 percent during FY09. Total receipts of \$1.192 billion compare to \$1.263 billion collected during FY08. Road Fund collections are detailed in table 7. Road Fund collections for FY09 were \$36.8 million below the official revenue estimate as shown in table 1.

The remainder of this executive summary will follow the spatial order of the various sections of this report.

- ◆ General Fund and Road Fund totals for the most recently completed quarter of FY09
- ◆ A summary of current national and state economic conditions
- ◆ A three-quarter outlook for revenues; and

- ◆ A three-quarter outlook for the state and national economies.

### **General Fund - FY09 Q4**

General Fund receipts in the fourth quarter of FY09 totaled \$2.209 billion compared to \$2.448 billion in the fourth quarter of FY08, a decline of 9.7 percent. 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.

Tax law changes and weak economic conditions had an impact on collections during the fourth quarter of FY09. Recent acts of the Kentucky General Assembly positively affected tobacco and sales tax receipts, but the negative impacts from the slumping economy more than offset the impacts of the revenue enhancements. These law changes, and their impacts on FY10 receipts, are shown in table 12 later in this report.

The sales and use tax fell 3.0 percent in the fourth quarter of FY09 despite a small infusion of receipts from the taxation of package liquor that went into effect on April 1, 2009. Sales and use taxes fell 5.5 percent in the month of June alone as the pace of decline seems to be accelerating.

Individual income tax receipts fell 17.0 percent in the fourth quarter of FY09 compared to collections in the fourth quarter of FY08. All components of the tax (withholding, declarations, net returns and fiduciary), declined in FY09 compared to the same time last year. The withholding component of the individual income tax has been particularly tepid in recent months, falling 5.8 percent in June to mark a seventh consecutive monthly decline.

Corporation income taxes posted a decline of 38.3 percent during the fourth quarter of FY09, but the LLET had collections of \$53.1 million during the same period for an increase of 11.1 percent. Compliance efforts on prior-year returns greatly enhanced total FY09 collections for the LLET. While current and expected profits remain problematic, the LLET provides a limited backstop to the potential erosion of business taxes.

The coal severance tax increased 12.7 percent in the fourth quarter on the strength of increased coal prices. Receipts of \$74.7 million compare to \$66.3 million collected in the fourth quarter of FY08. The fourth quarter, as well as the totals for FY09, were both record highs for this revenue source.

Cigarette taxes increased significantly in the fourth quarter. Receipts of \$82.8 million were 101.7 percent more than collected in the fourth quarter of FY08. Cigarette tax collections were bolstered by the provisions of HB144 which doubled the tax rate on cigarettes from 30 cents to 60 cents per pack.

In addition, HB144 included an inventory tax that buoyed receipts by \$16.3 million over the quarter.

Property taxes fell by 4.5 percent in the fourth quarter of FY09 and were generally weak during FY09. Lottery receipts increased 9.0 percent, or \$4.3 million, in the fourth quarter of FY09 with revenues of \$52.0 million.

### **Road Fund - FY09 Q4**

Road Fund receipts fell 2.1 percent in the fourth quarter of FY09 as motor vehicle usage tax receipts continued their year-long skid. Receipts for the Road Fund totaled \$316.6

million compared to the \$323.4 million received in the fourth quarter of FY08. Summary data are contained in table 2 and detailed data are shown in Appendix A.

Motor fuels tax receipts increased 5.9 percent during the fourth quarter of FY09. Receipts were \$160.9 million and compare to \$151.8 million collected during the fourth quarter last year. Collections were aided by the enactment of HB374 which preserved the variable portion of the tax rate by freezing the statutory floor of the average wholesale price of gasoline at \$1.786 per gallon.

Motor vehicle usage tax receipts decreased by 16.5 percent during the fourth quarter due to weak automobile sales. Receipts were \$84.9 million compared to \$101.7 million collected during the same period last year.

#### **The National Economy - FY09 Q4**

The fourth quarter of FY09 marked the fourth consecutive decline for real Gross Domestic Product (GDP). Real GDP fell \$71.7 billion in the fourth quarter, a 0.6 percent decline. Real GDP has fallen by a total of \$458.2 billion, a decline of 3.9 percent, since the fourth quarter of FY08, the previous peak. The 2007 recession has now surpassed the 1973 recession in terms of depth. The 1973 recession was long considered the worst recession since the Great Depression. Real GDP fell by \$135.7 billion, a 3.1 percent loss, from peak to trough during the 1973 recession.

U.S. personal income increased by 0.4 percent in the fourth quarter, but was still down a net 0.3 percent compared to the fourth quarter of FY08. A portion of these losses were likely due to a slight decrease in the civilian labor force, as the labor force contracted 0.1 percent in the fourth quarter. The losses in wage and salary income were particularly noteworthy,

since many of Kentucky's revenue variables demonstrate historical correlations with this component of earned income.

U.S. unemployment is at a 26-year high, rising to 9.2 percent in the fourth quarter of FY09. The unemployment rate does not appear to have peaked, as evidenced by data released earlier in July showing the Kentucky unemployment rate moving up to 10.9 percent (for June 2009).

U.S. nonfarm employment has now declined by 5.5 million jobs, or 4.0 percent, since the fourth quarter of 2008. A large portion of those losses occurred in the manufacturing sector, which has lost 1.6 million jobs, or 11.8 percent since the fourth quarter of 2008.

#### **The State Economy - FY09 Q4**

Fiscal years 2007 and 2008 marked a period of moderate to strong growth in personal income for Kentucky. Annual personal income growth was 5.8 percent and 4.7 percent, respectively. In the first quarter of FY09, Kentucky personal income declined by a modest 0.4 percent, or \$578 million, from the previous quarter.

Fiscal year 2009 was a particularly bad year for Kentucky employment. Nonagricultural employment in the state declined by 47,900 jobs (averaged quarterly figures), or 2.6 percent, from FY08 to FY09.

Construction employment declined by 9.0 percent or 7,700 jobs in FY09. The housing market crisis has led to tepid demand for the construction of new homes and for the improvement of existing homes. The outlook for this sector will reveal continued weakness until high inventories of both new and existing homes are absorbed into the market.

Kentucky manufacturing employment suffered the largest absolute employment loss as well as the largest percentage loss, with a loss of 26,900 jobs, or 10.6 percent. Kentucky is over-represented in the manufacturing sector, so recessions typically negatively affect the Kentucky manufacturing sector more profoundly than the U.S.

Despite the relative importance of the manufacturing sector in Kentucky, the largest employment sector in absolute terms in Kentucky is the trade, transportation and utilities sector. Trade, transportation and utilities declined by 9,400 jobs, or 2.4 percent from FY08 to FY09, indicating that the weakness in the goods-producing sectors are having a spillover effect into the trade sectors.

### **Interim Outlook Kentucky General Fund and Road Fund**

Projected General Fund revenues for the next three quarters are shown in table 11. General Fund revenues are anticipated to be \$6.107 billion for the first three quarters of FY10, a projected decline of 1.8 percent.

The revenue outlook includes the impacts of legislation that was enacted during the 2009 regular and extraordinary session of the General Assembly. A summary of these actions is shown in table 12. For the General Fund, the net effect of the 2009 legislative actions is an increase of \$154.1 million for FY10, but only \$122.3 million of that annual impact will accrue in the first three quarters. The trade-in allowance on new vehicle purchases will reduce Road Fund receipts by \$25.0 million in FY10, \$18.8 million of which will occur during the first three quarters.

As table 12 demonstrates, it is important to note that the General Fund impact from

2009 legislative actions is a positive and significant amount. Without these additional revenues, the decline in General Fund revenue would have been 3.8 percent for FY10 instead of the 1.8 percent decline reported in this document.

Sales and use tax receipts are projected to fall by 2.1 percent over the next three quarters despite a sizeable amount of new sales tax attributable to collections from package liquor sales. Sales tax receipts fell during the last three quarters of FY09, so the projected declines in this report are consistent with a continuation of the recent trend

The interim forecast for the individual income tax calls for receipts to fall by 4.4 percent in the first three quarters of FY10. Over 90 percent of total collections in the individual income tax typically come from the withholding component. High unemployment rates, low inflation, and weak aggregate demand will all combine forces to keep withholding collections muted throughout the duration of this forecast.

### **Interim Outlook - The Economy**

Due to the depth and duration of the current recession, a clean and robust recovery appears unlikely. The broader economy appears poised to move sideways until economic agents can more positively identify and confirm that the tide has turned. Economic agents are content to cautiously wait out the recession, thereby retarding any meaningful rebound in business planned investment or employment until the fog clears.

The biggest challenge facing recovery in the national economy will continue to be an inability to sustain a rebound in aggregate demand. World economies do not appear poised to lead the U.S. out of recession vis-à-

vis an export boom. Domestic consumption, therefore, will need to hit the beach running if the front-line strike on the current recession is a sustained consumption-led assault. Therein lies the problem: the American consumer is not currently in the position to pick up the economic slack. Unemployment rates have yet to peak. Job losses continue to mount. Personal balance sheets are in disarray, partly because of depreciating assets, but also because consumers are drawing down reserves to remain afloat until the economy does pick up. Simply put, aside from temporal help from federal stimulatory policy, the U.S. consumer sector will remain mired in low consumer sentiment, uncertain future income, and few options available to prop spending above current income levels.

Employment is not projected to form a bottom until sometime in early 2010. Wage and salary income and employment are the best barometers of state economic and revenue performance, so a projected delayed recovery in these sectors will continue to hamper Kentucky's ability to reverse the current downturn.

The short-run outlook for the Kentucky economy is dominated by weaknesses in the employment sector. In absolute terms, Kentucky's economy will have lost 105,600 jobs between the peak level of employment in the fourth quarter of FY07 and the third quarter of FY10. That represents a loss of 5.6 percent of the Kentucky workforce compared

to a 5.2 percent peak-to-trough loss in U.S. employment.

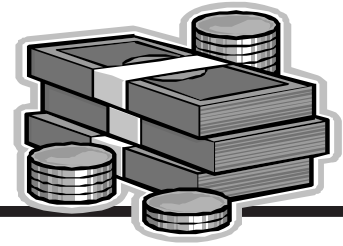
Kentucky personal income is projected to inch forward by 0.6 percent for each of the next two quarters followed by 1.0 percent growth in the third quarter of FY10. However, the most recent personal income data suggests an unfavorable mix in the components of personal income. Transfer payments are up sharply with four consecutive quarters of double-digit growth between the third quarter of FY09 and the second quarter of FY10. Wages and salary income, a bell-weather indicator for many state tax variables, fell during the final quarter of FY09 and will continue to decline for the first three quarters of FY10.

In comparison to the May outlook, which was the basis for the revised FY10 consensus revenue estimates, both the employment and personal income projections have weakened marginally due to slight downward revisions from Global Insight. While major news sources have been peppered with reports of a major recovery in the economy, it would be premature to declare victory over the recession until the employment picture improves significantly. State revenues are most closely aligned with employment and personal income. These variables have become increasingly weak and are expected to continue to post losses for the first three quarters of FY10, making revenue growth unlikely.



**I.**  
**Fourth Quarter**  
**Fiscal Year 2009**  
**General Fund and Road Fund Receipts**

# Revenue Receipts . . .



## FOURTH QUARTER, FY2009 General Fund

General Fund receipts in the fourth quarter of FY09 totaled \$2.209 billion compared to \$2.448 billion in the fourth quarter of FY08, a decline of 9.7 percent. 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.

**Table 1**  
**Summary General Fund Receipts**  
**(\$ millions)**  
**July 2009**

	<u>FY09</u> <u>Q4</u>	<u>FY08</u> <u>Q4</u>	<u>Diff</u> <u>(\$)</u>	<u>Diff</u> <u>(%)</u>
Sales and Use	698.5	719.8	-21.3	-3.0
Individual Income	963.6	1,161.2	-197.6	-17.0
Corp Inc.	77.1	124.9	-47.9	-38.3
LLET	53.1	47.8	5.3	11.1
Coal Severance	74.7	66.3	8.4	12.7
Cigarette Tax	82.8	41.0	41.7	101.7
Property	54.2	56.8	-2.5	-4.5
Lottery	52.0	47.7	4.3	9.0
Other	153.4	182.4	-29.0	-15.9
<b>TOTAL</b>	<b>2,209.3</b>	<b>2,447.8</b>	<b>-238.6</b>	<b>-9.7</b>

Tax law changes and weak economic conditions had an impact on collections during the fourth quarter of FY09. Tax law changes boosted tobacco and sales tax receipts while economic conditions influenced these as well as all other tax receipts. These changes will be discussed below in the appropriate category.

The sales and use tax fell 3.0 percent in the fourth quarter of FY09 as rising unemployment and stagnant wages reduced consumers' disposable income. Offsetting this decline was the impact of HB144, enacted by the 2009 General Assembly. This legislation imposed the Kentucky sales tax on package alcohol sales, which were previously taxed at the wholesale level but not at retail. Receipts of \$698.5 million compare to the \$719.8 million collected in the fourth quarter of FY08.

Individual income tax receipts fell 17.0 percent in the fourth quarter of FY09 compared to collections in the fourth quarter of FY08. Receipts of \$963.6 million were \$197.6 million less than was collected in the fourth quarter of the previous fiscal year. All components of the tax (withholding, declarations, net returns, and fiduciary) declined in the fourth quarter of FY09 compared to the same time last year.

Corporation income taxes posted a decline of 38.3 percent during the fourth quarter of FY09. Receipts totaled \$77.1 million and were \$47.9 million less than collected a year earlier. Corporation income taxes were reduced by expectations that corporate profits would remain weak.

The LLET had collections of \$53.1 million in the fourth quarter of the fiscal year, an increase of 11.1 percent. Compliance efforts on prior-year returns greatly enhanced total FY09 collections.

The coal severance tax increased 12.7 percent in the fourth quarter on the strength of increased coal prices. Receipts of \$74.7 million compare to \$66.3 million collected in the fourth quarter of FY08.

Cigarette taxes increased significantly in the fourth quarter. Receipts of \$82.8 million were 101.7 percent more than collected in the fourth quarter of FY08. Cigarette tax collections were bolstered by the provisions of HB144 which doubled the tax rate on cigarettes from 30 cents to 60 cents per pack.

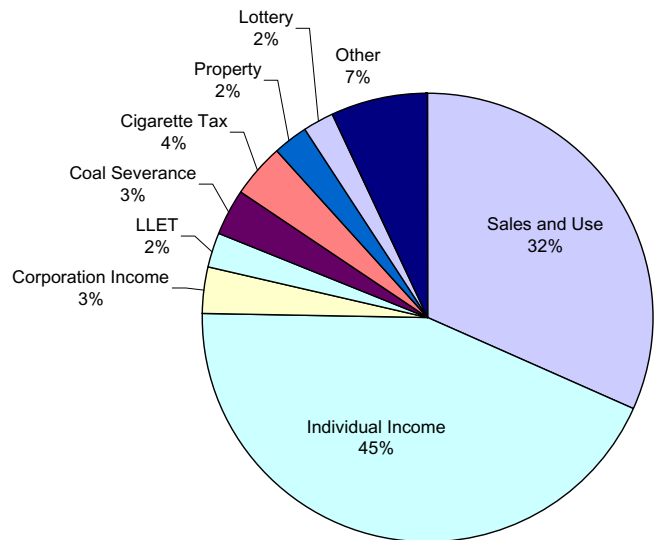
Property taxes fell by 4.5 percent in the fourth quarter of FY09. Collections of \$54.2 million compare to \$56.8 million received in the final quarter of the prior fiscal year. Weakness in tangible property tax receipts, which were down 20.3 percent for the quarter, contributed to the decline.

Lottery receipts increased 9.0 percent, or \$4.3 million, in the fourth quarter of FY09 with revenues of \$52.0 million.

The “Other” category represents the remaining accounts in the General Fund, and combined for \$153.4 million in receipts, a decline of 15.9 percent from FY08.

Figure A details the composition of fourth-quarter General Fund receipts by tax type. Seventy-seven 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 at 7 percent. The largest components in this category include the insurance premium tax, the inheritance tax, beer wholesale sales tax, the natural gas severance tax, investment income, abandoned property, departmental fees, and fines and forfeitures.

**Figure A**  
**Composition of Fourth Quarter FY09**  
**General Fund Receipts By Tax Type**



Cigarette taxes accounted for 4 percent. The coal severance tax, property tax, corporation income tax, the LLET and lottery receipts each accounted for three percent or less of total General Fund receipts.

**Road Fund - FY09 Q4**

Road Fund receipts fell 2.1 percent in the fourth quarter of FY09 as motor vehicle usage tax receipts continued their year-long slide. On the positive side, legislation enacted by the 2009 General Assembly boosted receipts for the quarter. Receipts totaled \$316.6 million compared to the \$323.4 million received in the fourth quarter of FY08. Summary data are contained in table 2 and detailed data are shown in Appendix A.

Motor fuels tax receipts increased 5.9 percent during the fourth quarter of FY09. Receipts were \$160.9 million and compare to \$151.8

**Table 2**  
**Summary Road Fund Receipts**  
**(\$ millions)**  
**July 2009**

	<u>FY09</u> <u>Q4</u>	<u>FY08</u> <u>Q4</u>	<u>Diff</u> <u>(\$)</u>	<u>Diff</u> <u>(%)</u>
Motor Fuels	160.9	151.8	9.0	5.9
Motor Vehicle Usage	84.9	101.7	-16.8	-16.5
Motor Vehicle License	38.1	29.0	9.1	31.4
Motor Vehicle Operators	3.9	3.9	0.0	0.2
Weight Distance	16.9	20.4	-3.4	-16.7
Investment Income	3.3	5.9	-2.6	-44.4
Other	8.7	10.8	-2.1	-19.7
<b>TOTAL</b>	<b>316.6</b>	<b>323.4</b>	<b>-6.8</b>	<b>-2.1</b>

million collected during the fourth quarter last year. Collections were aided by the enactment of HB374 which preserved the variable portion of the tax rate by freezing the statutory floor of the average wholesale price of gasoline.

Motor vehicle usage tax receipts decreased by 16.5 percent during the fourth quarter due to weak automobile sales. Receipts were \$84.9 million compared to \$101.7 million collected during the same period last year.

Weight distance tax receipts totaled \$16.9 million, a decline of 16.7 percent from the fourth quarter of last year.

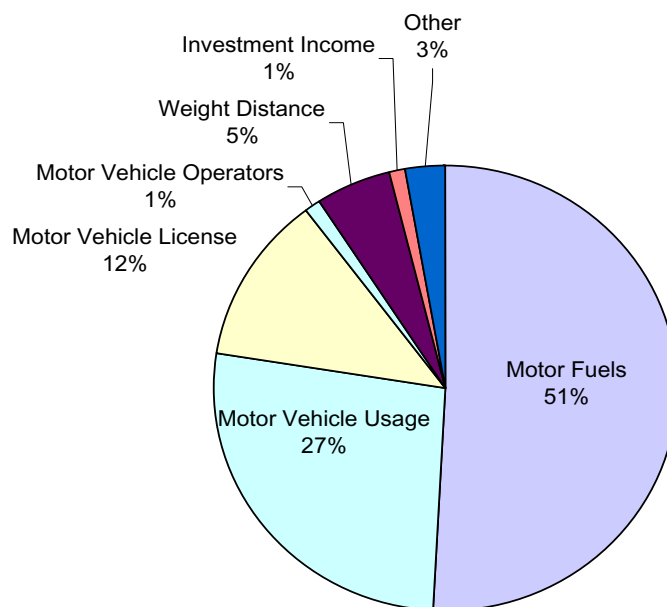
Motor vehicle license tax receipts increased 31.4 percent during the fourth quarter of FY09. The large increase is due to timing issues in FY08 collections. Receipts of \$38.1 million compare to \$29.0 million received during the fourth quarter of FY08.

Investment income was down in the fourth quarter of FY09, yielding \$3.3 million.

The remainder of the accounts in the Road Fund combined for a decrease of 19.7 percent. Receipts for the “Other” category totaled \$8.7 million during the fourth quarter, compared to \$10.8 million in the fourth quarter of FY08.

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY09. Motor fuels taxes and motor vehicle usage taxes comprised 78 percent of Road Fund revenues in the fourth quarter. The next-largest source of revenue was the motor vehicle license tax with 12 percent, followed by weight distance taxes with five percent. The “Other” category accounted for three percent, while investment income and motor vehicle operators each accounted for one percent.

**Figure B**  
**Composition of Fourth Quarter FY09**  
**Road Fund Receipts By Tax Type**





## ANNUAL TOTALS, FY2009 General Fund

The General Fund decreased by 2.7 percent, or \$238.0 million, in FY09, the first annual decline in General Fund receipts since FY02. General Fund receipts have declined only twice in the past 56 years. The global recession has started to take a pronounced and detrimental toll on Kentucky tax receipts as the major sources of revenue – sales and individual income tax – posted declines for the year. Receipts totaled \$8.426 billion compared to \$8.664 billion for the previous year. Collections in the major revenue categories are shown in summary form in table 3. Detailed information on these and other accounts is available in Appendix A.

respectively. On the other hand, the corporation income, LLET, and coal severance taxes all came in above forecasted levels.

Sales tax receipts fell 0.7 percent FY09, or \$20.1 million, as the national recession cut into consumers' ability to make taxable purchases. Receipts of \$2.858 billion compare to prior year receipts \$2.878 billion. Sales tax receipts finished the year with three consecutive quarterly declines, providing additional headwind for a robust 2010 recovery.

Individual income tax receipts declined by \$167.8 million from last year as all components of the tax showed weakness. Only withholding tax receipts rose compared to last year but the increase was less than 0.1

**Table 3**  
**FY09 General Fund Revenues Compared to Previous Years**  
**(\$ millions)**  
**July 2009**

	Million \$			Growth Rate (%)		
	FY09	FY08	FY07	FY09	FY08	FY07
Sales and Use	2,857.7	2,877.8	2,817.7	-0.7	2.1	2.5
Individual Income	3,315.4	3,483.1	3,041.5	-4.8	14.5	4.2
Corporation Income	268.0	435.2	988.1	-38.4	-56.0	-1.4
LLET	121.7	98.4	--	23.6	--	--
Coal Severance	292.6	233.0	222.0	25.6	5.0	-1.1
Cigarette Tax	203.0	169.5	168.8	19.8	0.5	1.8
Property	513.1	500.6	492.5	2.5	1.7	-2.0
Lottery	193.5	187.5	186.6	3.2	0.4	-1.8
Other	<u>661.4</u>	<u>679.1</u>	<u>656.8</u>	<u>-2.6</u>	<u>3.4</u>	<u>5.4</u>
<b>TOTAL</b>	<b>8,426.4</b>	<b>8,664.3</b>	<b>8,573.8</b>	<b>-2.7</b>	<b>1.1</b>	<b>2.4</b>

General Fund collections for FY09 were \$55.7 million below the revised official estimate rendered in November 2008 by the Consensus Forecasting Group, as modified by the 2009 General Assembly, which projected revenue growth of -2.1 percent. The largest shortfalls occurred in the individual income and sales and use taxes, which were \$50.0 million and \$31.4 million below forecasted levels,

percent. Receipts totaled \$3.315 billion and compare to \$3.483 billion collected last year. Corporate income tax collections fell \$167.2 million in FY09 on weak corporate profits. Receipts for the year totaled \$268.0 million and compare to \$435.2 million collected in FY08. The limited liability entity tax increased 23.6 percent compared to the prior year with receipts of \$121.7 million.

**Table 4**  
**FY09 General Fund Revenues Compared to Revised Official Estimate**  
**(\$ millions)**  
**July 2009**

	<u>Actual</u>	<u>Estimate</u>	<u>Diff.</u> <u>(\$)</u>	<u>Diff.</u> <u>(%)</u>
Sales and Use	2,857.7	2,889.1	-31.4	-1.1
Individual Income	3,315.4	3,365.4	-50.0	-1.5
Corporation Income	268.0	241.6	26.4	10.9
LLET	121.7	98.0	23.7	24.1
Coal Severance	292.6	275.3	17.3	6.3
Cigarette Tax	203.0	207.9	-4.9	-2.3
Property	513.1	527.2	-14.1	-2.7
Lottery	193.5	198.5	-5.0	-2.5
Other	<u>661.4</u>	<u>679.1</u>	<u>-17.7</u>	<u>-2.6</u>
<b>TOTAL</b>	<b>8,426.4</b>	<b>8,482.1</b>	<b>-55.7</b>	<b>-0.7</b>

Coal severance taxes increased by 25.6 percent in FY09 reflecting increased prices. Total collections for the fiscal year were \$292.6 million or \$59.6 million more than FY08 receipts, easily eclipsing the previous high for collections in this account.

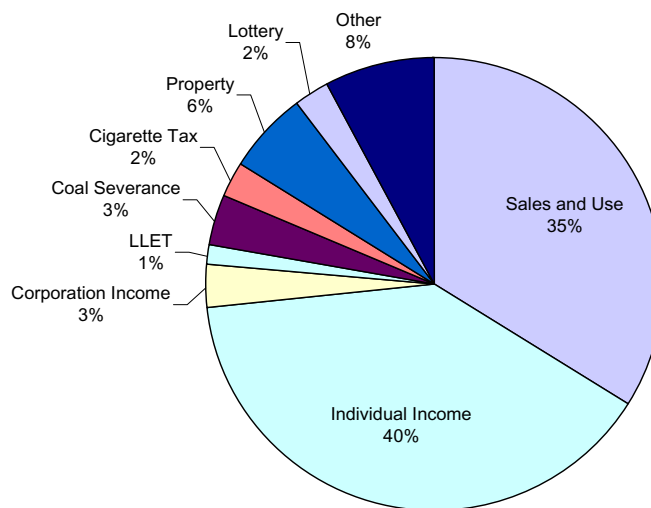
Total property taxes rose 2.5 percent during the fiscal year. Receipts totaled \$513.1 million compared to \$500.6 million collected in FY08. Strong growth in the omitted and delinquent accounts helped offset lower than expected real property tax collections.

Lottery receipts increased 3.2 percent, or \$6.0 million, from the previous year. Receipts of \$193.5 million compare favorably to \$187.5 million remitted to the state in FY08, but fell short of the estimate of \$198.5 million.

The "Other" category finished the year down 2.6 percent. Receipts of \$661.4 million compare to \$679.1 million collected in FY08. Declines in interest on investments and the sale of NOx allowances largely accounted for the decline.

Figure C details the composition of FY09 General Fund receipts by tax type. Seventy-five percent of General Fund revenues were

**Figure C**  
**Composition of FY09**  
**General Fund Receipts by Tax Type**

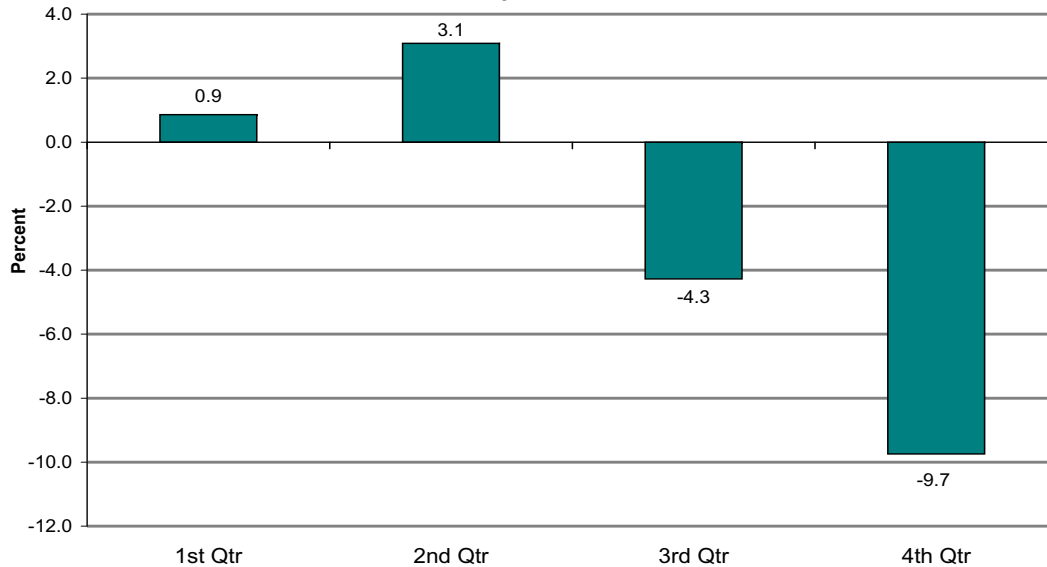


in the areas of the individual income tax and the sales tax. The next-largest source of revenue was the "Other" category. The largest components in this category include the insurance premium tax, bank franchise tax, inheritance tax, beer wholesale sales tax, the natural gas severance tax, abandoned property, departmental fees, and fines and forfeitures. Property taxes made up six percent of the General Fund and corporation income and coal severance each accounted

**Table 5**  
**General Fund Growth Rates for the Four Quarters and Full Year FY09**  
**(percent)**  
**July 2009**

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY09</u>
Sales and Use	3.2	-0.2	-2.9	-3.0	-0.7
Individual Income	6.6	7.7	-12.2	-17.0	-4.8
Corporation Income	-49.8	-23.7	-31.6	-38.3	-38.4
LLET	-36.1	64.1	94.4	11.1	23.7
Coal Severance	36.0	31.5	24.9	12.7	25.6
Cigarette Tax	-5.4	-3.9	-9.8	101.7	19.8
Property	8.4	4.1	0.0	-4.5	2.5
Lottery	3.6	-4.5	5.3	9.0	3.2
Other	<u>4.1</u>	<u>-2.3</u>	<u>4.0</u>	<u>-15.9</u>	<u>-2.6</u>
<b>TOTAL</b>	<b>0.9</b>	<b>3.1</b>	<b>-4.3</b>	<b>-9.7</b>	<b>-2.7</b>

**Figure D**  
**Quarterly General Fund Detailed Growth Rates**  
**(percent)**  
**July 2009**



for 3 percent. Lottery revenues, cigarette taxes, and the LLET each accounted for two percent or less of General Fund revenues.

Table 5 and Figure D detail the growth rates in General Fund revenues by each fiscal quarter of FY09. Growth was moderate in

the first two quarters of the fiscal year but turned negative in the second half. The decline in General Fund receipts accelerated over the second half of the fiscal year, ending with a decline of 9.7 percent in the fourth quarter.

## Road Fund

Total Road Fund receipts fell by 5.6 percent during FY09. Total receipts of \$1.192 billion compare to \$1.263 billion collected during FY08. Road Fund collections are detailed in table 6.

Motor fuels taxes increased by 2.3 percent on receipts of \$622.5 million, compared to \$608.8 million collected during the previous fiscal year. Motor fuels taxes for the fiscal year were affected by a statutory tax rate increase tied to the wholesale price of gasoline. This increase was partially offset by a decline in gallons of motor fuels sold.

Motor vehicle usage tax receipts of \$336.3 million represent a decline of 17.1 percent compared to the \$405.8 million collected in FY08.

Weight distance tax revenues fell 10.6 percent with receipts of \$75.4 million compared to \$84.4 million collected in FY08.

Motor vehicle license tax receipts were up 5.0 percent with collections of \$98.2 million compared to \$93.5 million collected in FY08.

Investment income declined 45.2 percent as Road Fund balances fell over the previous fiscal year. Receipts totaled \$10.7 million, compared to \$19.5 million in FY08.

The “Other” category declined 6.0 percent from FY08. Total receipts in this category were \$33.4 million, compared to \$35.5 million collected in FY08.

Road Fund collections for FY09 were \$36.8 million below the official revenue estimate (the consensus estimate of November 2008 as modified by 2009 legislation) as shown in table 7. This was 3.0 percent less than anticipated in the official estimate. The largest shortfall occurred in the motor fuels tax, which was \$26.7 million, or 4.1 percent below the forecasted level. All other accounts, taken together, were within \$6.2 million of the forecasted levels.

Figure E details the composition of FY09 Road Fund receipts by tax type. Fully four-fifths of the Road Fund comes from motor vehicle usage taxes and motor fuels taxes. Following these, the motor vehicle license tax accounted for 8.0 percent and the weight distance tax accounted for 6.0 percent. “Other” taxes combined to account for 3.0 percent, investment income and motor vehicle operators revenue each were 1.0 percent.

Table 8 details the growth rates in Road Fund revenue by each fiscal quarter in FY09. Road Fund receipts declined in each quarter of the fiscal year with the magnitude of the decline increasing through the first three quarters before moderating in the fourth quarter.



**Table 6**  
**FY09 Road Fund Revenues Compared to Previous Years**  
**(\$ millions)**  
**July 2009**

	Million \$			Growth Rate (%)		
	FY09	FY08	FY07	FY09	FY08	FY07
Motor Fuels	622.5	608.8	563.5	2.3	8.0	6.7
Motor Vehicle Usage	336.3	405.8	411.3	-17.1	-1.3	4.0
Motor Vehicle License	98.2	93.5	101.7	5.0	-8.0	8.3
Motor Vehicle Operators	15.5	15.4	15.8	1.0	-2.8	8.6
Weight Distance	75.4	84.4	85.4	-10.6	-1.3	0.1
Investment Income	10.7	19.5	16.1	-45.2	20.9	152.6
Other	<u>33.4</u>	<u>35.5</u>	<u>32.2</u>	<u>-6.0</u>	<u>10.3</u>	<u>-22.1</u>
<b>TOTAL</b>	<b>1,192.0</b>	<b>1,262.8</b>	<b>1,225.9</b>	<b>-5.6</b>	<b>3.0</b>	<b>5.2</b>

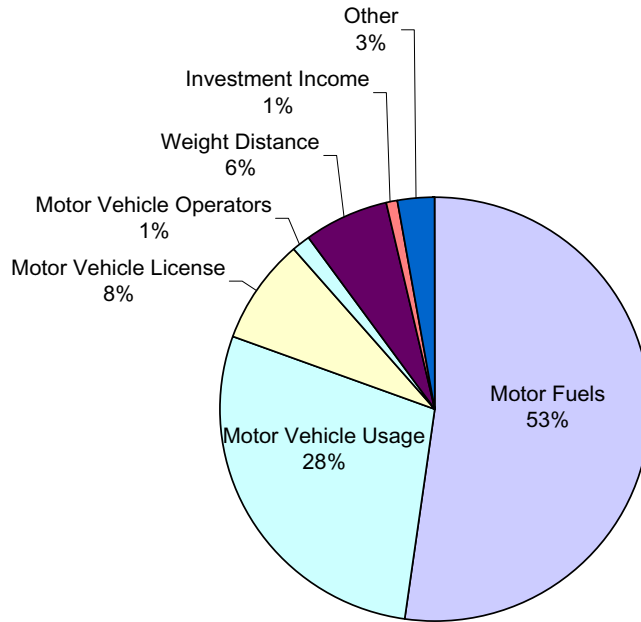
**Table 7**  
**FY09 Road Fund Revenues Compared to Official Estimate**  
**(\$ million)**  
**July 2009**

	FY09 <u>Actual</u>	FY09 <u>Estimate</u>	Diff. <u>(\$)</u>	Diff. <u>(%)</u>
Motor Fuels	622.5	649.2	-26.7	-4.1
Motor Vehicle Usage	336.3	340.2	-3.9	-1.1
Motor Vehicle License	98.2	95.8	2.4	2.5
Motor Vehicle Operators	15.5	16.3	-0.8	-4.8
Weight Distance	75.4	79.6	-4.2	-5.2
Investment Income	10.7	10.9	-0.2	-2.2
Other	<u>33.4</u>	<u>36.8</u>	<u>-3.4</u>	<u>-9.3</u>
<b>TOTAL</b>	<b>1,192.0</b>	<b>1,228.8</b>	<b>-36.8</b>	<b>-3.0</b>

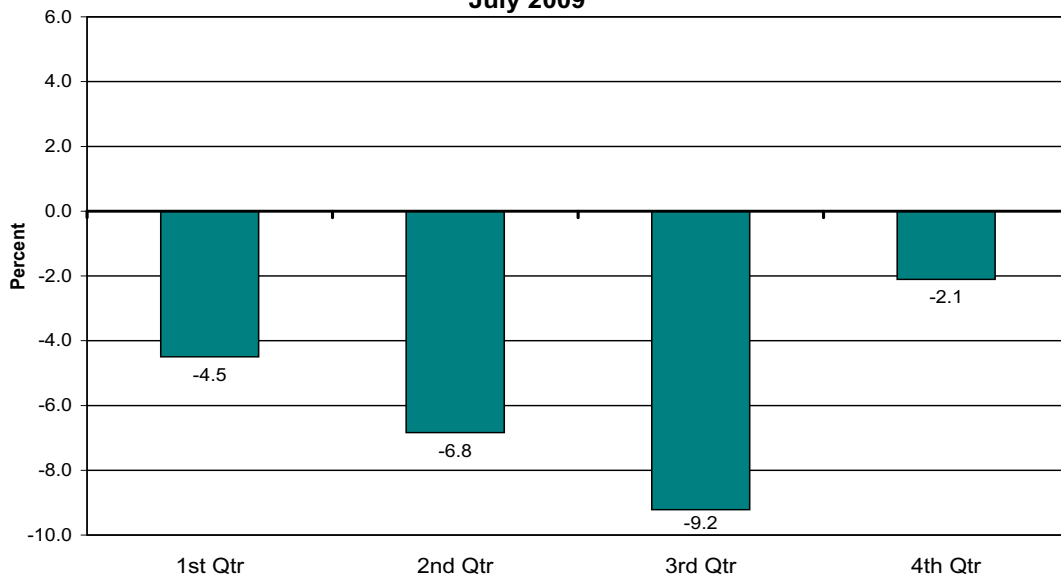
**Table 8**  
**Road Fund Growth Rates for the Four Quarters and Full Year FY09**  
**(percent)**  
**July 2009**

	Q1	Q2	Q3	Q4	FY09
Motor Fuels	-1.4	4.1	0.5	5.9	2.3
Motor Vehicle Usage	-9.2	-21.8	-22.0	-16.5	-17.1
Motor Vehicle License	-4.8	-10.9	-5.7	31.4	5.0
Motor Vehicle Operators	6.2	-2.0	-0.9	0.2	1.0
Weight Distance	-6.1	-5.9	-14.0	-16.7	-10.6
Investment Income	-19.8	-50.3	-57.1	-44.4	-45.2
Other	<u>4.7</u>	<u>-9.1</u>	<u>3.8</u>	<u>-19.7</u>	<u>-6.0</u>
<b>TOTAL</b>	<b>-4.5</b>	<b>-6.8</b>	<b>-9.2</b>	<b>-2.1</b>	<b>-5.6</b>

**Figure E**  
**Composition of FY09**  
**Road Fund Revenues**  
**By Tax Type**



**Figure F**  
**Quarterly Road Fund Detailed Growth Rates**  
**(percent)**  
**July 2009**



**II.**  
**The Economy**

# The Economy . . .



## National Economy - FY09 Q4

Real gross domestic product (real GDP) is the broadest measure of economic activity for a nation. It is defined as the sum of all goods and services created within a country's physical boundaries in a given year. Real GDP can be broken down into five components: consumption, investment, government expenditures, imports and exports. Real GDP for the United States is estimated to have fallen to \$11,269 billion in the fourth quarter of fiscal 2009.

The fourth quarter of FY09 marked the fourth consecutive decline for real GDP. Real GDP has fallen \$71.7 billion since the third quarter, a 0.6 percent decline. Real GDP has fallen by total of \$458.2 billion, a decline of 3.9 percent, since the fourth quarter of FY08, the previous

peak. The 2007 recession has now surpassed the 1973 recession in terms of depth. The 1973 recession was long considered the worst recession since the Great Depression. Real GDP fell by \$135.7 billion, a 3.1 percent loss, from peak to trough during the 1973 recession.

Real consumption, the largest component of real GDP, made up 72.9 percent of GDP in the fourth quarter. Real consumption increased by \$2.7 billion, or 0.03 percent, over the third quarter, but is still down significantly, 1.5 percent, from the fourth quarter of FY08. Decreases in energy demand, which constitute a portion of consumption, were prevalent in the latter half of 2008. However, it is investment that is making the largest changes now near the bottom of the contraction period.

**Table 9**  
**Summary of US Economic Series**  
**Fourth Quarter FY08/FY09**  
**July 2009**

	<u>Fourth Quarter</u>			<u>Fiscal Year Average</u>		
	<u>FY09</u>	<u>FY08</u>	<u>% Chg</u>	<u>FY08</u>	<u>FY09</u>	<u>% Chg</u>
Real GDP	11,269.2	11,727.4	-3.9	11,655.0	11,461.1	-1.7
Real Consumption	8,216.9	8,341.3	-1.5	8,308.5	8,215.5	-1.1
Real Investment	1,240.5	1,702.0	-27.1	1,769.2	1,467.5	-17.1
Real Govt. Expenditures	2,075.4	2,058.9	0.8	2,038.2	2,083.0	2.2
Real Exports	1,305.6	1,544.7	-15.5	1,498.4	1,411.9	-5.8
Real Imports	1,603.6	1,926.0	-16.7	1,958.3	1,742.9	-11.0
Personal Income (\$ billions)	12,119.5	12,152.2	-0.3	11,928.8	12,121.3	1.6
Inflation (% chg of CPI)	-1.4	4.3	NA	3.7	1.3	NA
Industrial Production Index (% chg)	-12.8	-0.4	NA	1.1	-8.6	NA
Civilian Labor Force (millions)	154.2	154.3	-0.1	153.7	154.4	0.4
Total Nonfarm Employment (millions)	132.0	137.5	-4.0	137.8	134.6	-2.3
Manufacturing Employment (millions)	11.9	13.5	-11.8	13.7	12.7	-7.3
Unemployment Rate (percent)	9.2	5.4	NA	5.0	7.5	NA

Not Seasonally Adjusted. Real series are in billions of chained 2000 dollars.

GDP components may not sum due to rounding at lower levels of detail.

Data for FY09 Q4 are July 2009 estimates.

Source: IHS Global Insight Inc., July 1, 2009 data release



Historically, real investment is the most volatile of the five components. It is also the smallest component of GDP, making up 11.0 percent of GDP in the fourth quarter of fiscal 2009. Real investment fell by 6.7 percent from the third to the fourth quarter. That is the second largest single-quarter drop since 1982. Real investment is down 27.1 percent compared to the fourth quarter of FY08.

Real investment includes purchases of goods and services used to produce other goods and services. For example, investment includes the purchase of computers in the accounting section of a company and the construction of or extraction of a new natural resource, like coal mines. Real investment also includes the construction of new homes by private individuals but does not include the sale of existing homes. Investment does include renovation or improvements of existing homes, like the construction of a new deck or garage. Real investment was both the largest percentage loser (-27.1 percent) and absolute loser (-\$461.5 billion) of all the components in real GDP. The majority of these losses occurred in the latter half of FY09.

Real government expenditures increased by 0.1 percent for the fourth quarter of FY09 over the third quarter and is up 0.8 percent compared to the same quarter in FY08. Government expenditures made up 18.4 percent of GDP in the fourth quarter. Since 1959, the ratio of government expenditures to GDP was in a state of steady decline. The high of 29.6 percent occurred in the third quarter of FY61. The ratio reached a minimum of 17.4 in the fourth quarter of FY06. Since the first quarter of FY08, the ratio has been on a steady rise again. Government expenditures are typically countercyclical, increasing during contractions as unemployment insurance

payments and many needs-based program expenditures rise due to increased eligibility.

By the second half of FY09, most of the world had entered a contraction period or an economic slowdown. With global aggregate demand down, it is no surprise that U.S. exports also declined. Real exports declined by 1.9 percent from the third quarter to the fourth quarter. This is 15.5 percent less than was exported in the fourth quarter of FY08. The world-wide recession hit Europe and Asia some time after it hit the U.S. Lower demand depressed U.S. imports throughout all of FY09.

It is difficult to separate the long term trends in U.S. trade from the effects of the recession. The trade deficit has been declining steadily since it peaked in the second quarter of FY06 at \$637.9 billion. The trade deficit in the fourth quarter of FY09 was \$297.9 billion. Imports fell by 2.2 percent in the fourth quarter compared to the third quarter. For the year imports fell by a net 16.7 percent over the fourth quarter of FY08.

U.S. personal income increased by 0.4 percent in the fourth quarter, but was still down a net 0.3 percent compared to fourth quarter of FY08. A portion of these losses were likely due to a slight decrease in the civilian labor force, as it declined a net 0.1 percent in the fourth quarter. The losses in wage and salary income were particularly noteworthy, since many of Kentucky's revenue variables demonstrate historical correlations with this component of earned income.

U.S. unemployment is at a 26-year high, at 9.2 percent in the fourth quarter of FY09. The unemployment rate does not appear to have peaked as evidenced by the increase in duration of unemployment and more workers

who have exhausted their unemployment benefits. It should be expected that several components of personal income will continue to decline as employment rolls decline.

Nonfarm employment has now declined by 5.5 million jobs, or 4.0 percent, since the fourth quarter of FY08. This is the fifth consecutive adjacent-quarter decline in nonfarm employment. A large portion of those losses occurred in the manufacturing sector, which has lost 1.6 million jobs, or 11.8 percent since the fourth quarter of FY08. While U.S. manufacturing employment has been trending downwards for many years, the losses have been small. However, in the last three quarters the losses have become much larger, 2.4 percent, 4.5 percent, and 4.2 percent, respectively.

#### **State Economy - FY09 Q4**

There is no official measure for recession starting points for states. In many cases, an analysis of the key macroeconomic series for the state, personal income and employment, can identify a reasonable estimate. The majority of the key series started actively declining between April and August of 2008, four to eight months after the official starting point of the 2007 recession. So the 'Kentucky recession' starting point lagged the U.S. recession. Kentucky historically lags the nation in the precise beginning of a recessionary period. Historically, Kentucky's expansions start after national expansions begin. The official turning points in the U.S. business cycle are determined by the National Bureau of Economic Research (NBER). The most recently identified turning point by NBER is December 2007 as the last contraction starting point. As of July 13, 2009, the expansion period has not been determined for the nation.

Fiscal years 2007 and 2008 marked a period of moderate growth in personal income for Kentucky. Annual personal income growth was 5.8 percent and 4.7 percent, respectively. In the first quarter of FY09, Kentucky personal income declined by a modest 0.4 percent, or \$578 million, over the previous quarter. Growth flattened out to near zero in the next two quarters, while the fourth quarter increased by a welcomed 1.1 percent adjacent-quarter growth.

The fiscal year average growth rate pulled back considerably from the previous two fiscal years with a modest 2.6 percent annual growth. This is only slightly better than the personal income growth which occurred during the 2001 recession; 2.2 percent and 2.3 percent, respectively for FY02 and FY03. There were considerable employment losses in Kentucky during the second half of FY08 and all of FY09 with six consecutive declines. The full effects of those employment losses will be integrated into the personal income data in the next two quarters.

Kentucky wage and salary income declined in the third quarter by 1.0 percent over the second quarter, and declined by 1.2 percent in the fourth quarter over the third quarter. The fourth quarter ended 1.8 percent lower than the same quarter in FY08.

Fiscal year 2009 was a particularly bad year for Kentucky employment. Nonagricultural employment in the state declined by 47,900 jobs (averaged quarterly figures), or 2.6 percent, from FY08 to FY09. Only three sectors were spared from these losses, as mining, educational services and leisure & hospitality services all experienced some gains. Both construction and manufacturing employment had large percentage losses of jobs in FY09. Construction employment

**Table 10**  
**Summary of Kentucky Economic Series**  
**Fourth Quarter FY08/FY09**  
**July 2009**

	Fourth Quarter			Fiscal Year Average		
	FY09	FY08	% Chg	FY09	FY08	% Chg
Total Personal Income (\$ billions)	138,300.5	137,051.0	0.9	137,034.4	133,536.0	2.6
Wages and Salary Income (\$ billions)	71,905.2	73,208.0	-1.8	72,898.6	72,160.3	1.0
Nonagricultural Employment (thousands)	1,780.8	1,860.5	-4.3	1,818.3	1,866.3	-2.6
Goods Producing (thousands)	301.4	357.4	-15.7	328.3	360.2	-8.9
Construction	71.6	85.5	-16.3	77.9	85.5	-9.0
Mining	25.3	23.2	8.8	25.0	22.4	11.8
Manufacturing	204.5	248.7	-17.8	225.4	252.2	-10.6
Service Providing (thousands)	1,158.0	1,180.5	-1.9	1,169.4	1,181.9	-1.1
Trade, Transportation & Utilities	367.8	383.1	-4.0	375.5	384.9	-2.4
Information	29.2	29.9	-2.3	29.5	30.0	-1.6
Finance	90.9	92.0	-1.2	91.6	91.9	-0.4
Business Services	179.4	184.5	-2.8	180.7	184.9	-2.3
Educational Services	246.6	244.2	1.0	245.9	242.4	1.5
Leisure and Hospitality Services	171.5	171.9	-0.2	172.6	172.5	0.1
Other Services	72.7	74.9	-3.0	73.5	75.4	-2.5
Government (thousands)	321.4	322.6	-0.4	320.7	324.2	-1.1

Data for FY09 Q4 are July 2009 estimates.

Source: IHS Global Insight Inc. and Governor's Office for Economic Analysis MAK model

declined by 9.0 percent or 7,700 jobs in FY09, the second highest percentage loss among all the 2-digit NAICS sectors. The housing market crisis has led to tempered demand for the construction of new homes and for the improvement of existing homes. High inventories of both new and existing homes continues to put additional downward pressure on the construction sector.

Kentucky manufacturing employment suffered the large absolute employment loss as well as the largest percentage loss, with a loss of 26,900 jobs, or 10.6 percent. Recessions tend to hit the manufacturing sector harder than other goods-producing sectors. And as Kentucky is over-represented in the manufacturing sector, recessions typically hurt the Kentucky manufacturing sector harder than the U.S. This is certainly true of the current recession. The U.S. and Kentucky both lost similar percentages of total employment -2.3 percent versus -2.6 percent, but Kentucky lost far more in the

manufacturing sector by comparison, as the U.S. manufacturing sector lost 7.3 percent, compared to the more severe 10.6 percent loss in Kentucky.

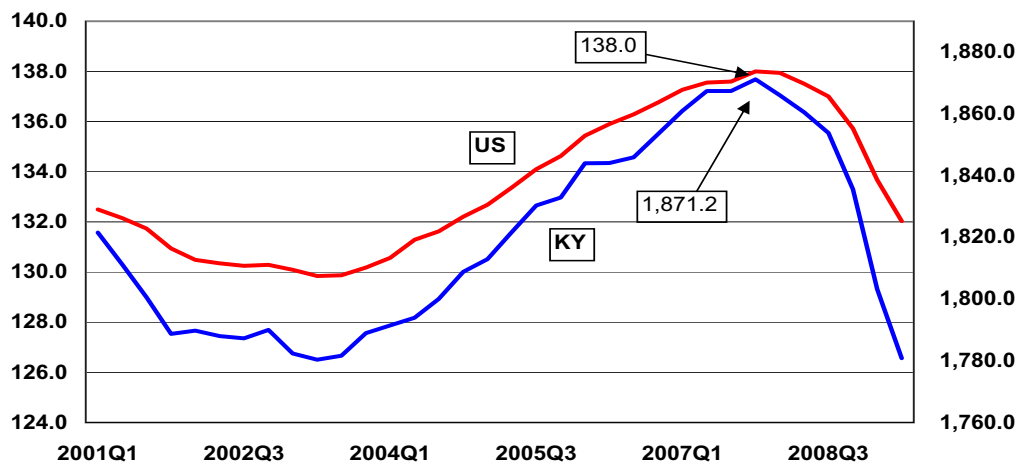
Despite the relative importance of the manufacturing sector in Kentucky, the largest employment sector in absolute terms in Kentucky is the trade, transportation and utilities sector. This sector makes up 20.7 percent of total nonagricultural employment in Kentucky. Kentucky manufacturing makes up 12.4 percent of total nonagricultural employment. Trade, transportation and utilities declined by 9,400 jobs, or 2.4 percent from FY08 to FY09. The losses in the trade, transportation and utilities sector represent the largest absolute decline among the services sectors.

Mining employment increased by 11.8 percent on a fiscal year average basis, up by 2,600 jobs. The majority of this increase occurred in the coal mining sub-sector where

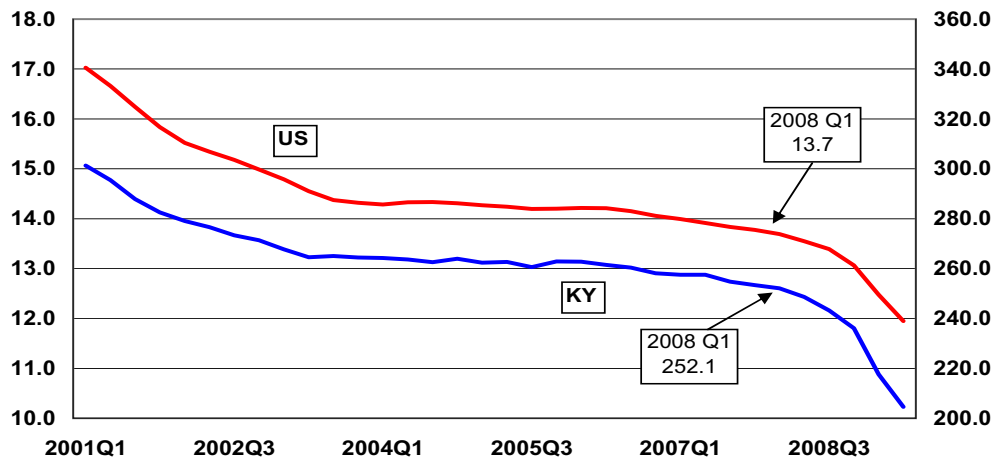
employment increased by 2,100 non-seasonally adjusted persons from May 2008 to May 2009. Extraordinarily high prices in the coal market fueled increased demand for coal mining employment in the first half of FY09 and to a lesser degree in the second half of FY09, as prices began to moderate from their all-time highs.

Kentucky government employment declined by 3,500, or 1.1 percent, on a fiscal year average basis. Government employment, the second largest employment sector, makes up 17.6 percent of total nonagricultural employment.

**Figure G**  
**US (left) and KY (right) Nonagricultural Employment**  
**US (millions), KY (thousands)**  
**July 2009**



**Figure H**  
**US (upper) and KY (lower) Manufacturing Employment**  
**US (millions), KY (thousands)**  
**July 2009**





**III.**  
**Interim Outlook**

# Interim Outlook...



## General Fund

Projected General Fund revenues for the next three quarters are shown in table 11. General Fund revenues are anticipated to be \$6.107 billion for the first three quarters of FY10, a projected decline of 1.8 percent. A continuation of weak economic conditions account for the projected revenue decline. In particular, further job losses and projected declines in wage and salary income are expected to depress receipts in the major revenue sources.

The revenue outlook includes the legislative impacts that were enacted during the 2009 regular and first extraordinary sessions of the General Assembly. A summary of these actions appears in table 12. For the General Fund, the net effect of 2009 legislative actions will produce an increase of \$154.1 million for FY10, but only \$122.3 million will accrue during the first three quarters. The Road Fund impact from the trade-in allowance on new vehicle purchases equals a \$25.0 million reduction, \$18.8 million of which will occur during the three-quarter forecasting horizon of this report.

**Table 11**  
**General Fund: Interim Forecast**  
**(\$ millions)**  
**July 2009**

	FY09 Q4		FY09 Full Year		FY10 Q1, Q2 & Q3	
	Actual	% Chg Year Ago	Actual	% Chg for Actual	Interim Estimate	% Chg Year Ago
Sales and Use	698.5	-3.0	2,857.7	-0.7	2,113.3	-2.1
Individual Income	963.6	-17.0	3,315.4	-4.8	2,248.3	-4.4
Corporation Income	77.1	-38.3	268.0	-38.4	192.0	0.6
LLET	53.1	11.1	121.7	23.7	80.0	16.6
Coal Severance	74.7	12.7	292.6	25.6	170.5	-21.8
Cigarette Tax	82.8	101.7	203.0	19.8	196.7	63.5
Property	54.2	-4.5	513.1	2.5	465.4	1.4
Lottery	52.0	9.0	193.5	3.2	145.0	2.5
Other	<u>153.4</u>	<u>-106.8</u>	<u>661.4</u>	<u>-2.6</u>	<u>492.5</u>	<u>-3.1</u>
<b>Subtotal</b>	<b>2,209.3</b>	<b>-9.7</b>	<b>8,426.4</b>	<b>-2.7</b>	<b>6,103.6</b>	<b>-1.8</b>
Enhanced Collections (HB 4, 2009 Extraordinary Session #1)					12.0	
Economic Development (HB 3, 2009 Extraordinary Session #1)					-8.4	
<b>General Fund</b>					<b>6,107.2</b>	<b>-1.8</b>

**Table 12**  
**Summary of 2009 Legislative Impacts**  
(\$ millions)  
July 2009

	<u>Session</u>	<u>FY10 Q1-Q3</u>	<u>FY10 Full Year</u>
<b>HB 144</b>			
Cigarette Taxes	2009 RS	73.0	97.3
Snuff Tax	2009 RS	2.7	3.6
Tobacco Taxes	2009 RS	4.1	5.4
Sales Tax on Package Alcohol	2009 RS	38.9	51.9
<b>HB 3</b>			
Homebuyer Credit	2009 SS	-3.9	-13.6
Exemption of Active Duty Military Pay	2009 SS	-4.5	-9.0
Car Trade-In Credit	2009 SS	-18.8	-25.0
<b>HB 4</b>			
Enhanced Collections	2009 SS	12.0	18.5
<b>Total General Fund</b>		<b>122.3</b>	<b>154.1</b>
<b>Total Road Fund</b>		<b>-18.8</b>	<b>-25.0</b>

It is important to note that the General Fund impact from 2009 legislative actions is a positive and significant amount. Without these additional revenues, the decline in General Fund revenue would have been 3.9 percent instead of the 1.8 percent decline reported in this document.

Sales and use tax receipts are estimated to fall by 2.1 percent despite a sizeable amount of new sales tax attributable to collections from package alcohol sales. The sales tax is particularly vulnerable to reductions in wages and employment, both of which are expected to occur during this forecast. Sales tax receipts fell during the last three quarters of FY09, so the projected declines in this report are consistent with a continuation of the recent trend.

The interim forecast for the individual income tax calls for receipts to fall by 4.4 percent in the first three quarters of FY10. Over 90 percent of total collections in the individual income tax typically come from the

withholding component. High unemployment rates, low inflation, and weak aggregate demand will all combine forces to keep withholding collections muted throughout the duration of this forecast.

Combined corporation income and LLET receipts call for very modest growth in the first three quarters of FY10. Corporate profits have been weak but are expected to improve slightly over the forecast period. The LLET portion of this combined account is expected to grow by 16.6 percent. Factors that lead to this increase include better awareness by taxpayers, amended returns from prior periods, and the countercyclical nature of the interactions between the LLET credit and the corporation income tax.

Strong growth in coal severance tax revenue is expected to end in FY10 as coal prices subside from historic highs. For the first three quarters of FY10, coal severance tax revenue is forecasted to fall by 21.8 percent. Other severance taxes, especially the natural gas severance tax, will show similar declines as weak energy demand has sent prices on a downward path.

Cigarette taxes are expected to rise 63.5 percent due to the doubling of the tax rate from 30 cents to 60 cents per pack. While it is too early to compute elasticities from the tax increase, it does appear that there were modest consumption declines in line with the projections. The floor stock tax, or inventory tax, slightly outperformed expectations, but no additional revenue is expected from that tax during FY10. Other tobacco taxes are expected to show similar growth to the anticipated increases in the cigarette tax.

Property taxes are expected to rise by 1.4 percent, a very tepid amount. In July, the Department of Revenue announced that the ad valorem rate on real property would remain unchanged at 12.2 cents per \$100 in valuation due to weak assessment growth. The last time the state tax rate was unchanged was 2005. A lack of new property accumulation, coupled with a persistent gap between billings and collections, both point toward weak growth in real property tax receipts over the forecasting period. In addition, motor vehicle property taxes are expected to decline due to depreciating vehicle values and a lull in new motor vehicle purchases to replace lower-valued vehicles.

Lottery revenues for the first nine months of FY10 are expected to be \$145 million, an increase of 2.5 percent. Lottery revenues fell \$5.0 million short of the official estimate in FY09, but the projections for FY10 assume a restoration of lottery dividends to the originally enacted FY10 totals.

Revenues in the “Other” category should decrease by 3.1 percent during the first three quarters of FY10. Projected weaknesses in investment income, abandoned property, and natural gas severance are expected to team up to drive the total for other taxes into negative territory.

### **Road Fund**

The Road Fund is expected to decline 2.2 percent during the first three quarters of FY10, as shown in table 13. The Road Fund fell 5.6 percent in FY09 due to weakness in motor vehicles usage and weight distance tax collections as well as income on investments.

Motor fuels tax receipts are expected to increase 1.7 percent due to increased consumption of motor fuels as fuel prices are lower compared to prices a year earlier. While motor fuel tax collections have seen strong growth over the past several years due to an increasing variable portion of the tax rate, that trend is not likely to hold over this forecast period. Wholesale fuel prices have once again moderated and current projections do not call for the average wholesale price of gasoline to exceed the new statutory floor of \$1.786 per gallon as established by HB374 passed during the 2009 Regular Session of the Kentucky General Assembly.

Motor vehicle usage taxes are expected to fall 8.7 percent during the first three quarters of FY10 as motor vehicle sales continue to decline. Additionally, HB3 will exempt from tax the value of a trade-in on a new car purchase, reducing receipts another \$25 million. In FY09, receipts from this category fell 17.1 percent.

To estimate growth of the other components of the Road Fund, the Governor's Office for Economic Analysis (GOEA) consulted with officials in the Transportation Cabinet and the Department of Revenue to assess recent growth patterns as well as administrative factors in developing an updated estimate. Motor vehicle operator's license (driver's license) fees are expected to increase 2.5 percent. Weight distance taxes are expected to fall 7.2 percent, motor vehicle license taxes are forecasted to increase 4.6 percent, and investment income should fall 69.6 percent due to lower Road Fund balances. The “Other” category should rise 3.2 percent.

**Table 13**  
**Road Fund: Interim Forecast**  
(\$ millions)  
July 2009

	FY09		FY09		FY10	
	Q4		Full Year		Q1, Q2 & Q3	
	Actual	% Chg Year Ago	Actual	% Chg for Actual	Interim Estimate	% Chg Year Ago
Motor Fuels	160.9	5.9	622.5	2.3	469.4	1.7
Motor Vehicle Usage	84.9	-16.5	336.3	-17.1	229.5	-8.7
Motor Vehicle License	38.1	31.4	98.2	5.0	62.9	4.6
Motor Vehicle Operator	3.9	0.2	15.5	1.0	11.9	2.5
Weight Distance	16.9	-16.7	75.4	-10.6	54.3	-7.2
Investment	3.3	-44.4	10.7	-45.2	2.3	-69.6
Other	<u>8.7</u>	<u>-19.7</u>	<u>33.4</u>	<u>-6.0</u>	<u>25.5</u>	<u>3.2</u>
<b>Road Fund</b>	<b>316.6</b>	<b>-2.1</b>	<b>1,192.0</b>	<b>-5.6</b>	<b>855.8</b>	<b>-2.2</b>

## ECONOMY

The economic outlook presented here is for the three-quarter period from July 2009 through March 2010, inclusive. This period corresponds to the first three fiscal quarters of FY10. Caution should be exercised when extrapolating projections for the entirety of FY10 when using this report

Global Insight's "control" scenario is profiled in this report, but there are a total of three scenarios available for consideration: Optimistic, or "Green Shoots" (20% probability); Control (60% probability); and "False Dawn" or Pessimistic (20% probability). The primary distinctions among the scenarios include the duration of the recession, the rebound in aggregate demand, and the reaction of consumers and businesses to the mixed economic signals inherent in the turning point process.

### National Economy

July's Global Insight forecast contains elements of good news and bad news – both

embedded in the statement that there is little change from the previous quarterly report forecast. On a positive note, there have been no great setbacks in the path to projected recovery. The bad news is also that there is no change, meaning that the green sprouts that were planted earlier this year have not germinated into any upside surprises.

Due to the depth and duration of the current recession, a clean and robust recovery appears unlikely. Rather, the economy appears poised to move sideways until economic agents can more positively identify that the tide has turned. Businesses, faced with slumping current sales, will continue to be exceedingly cautious about expanding production and employment. Moreover, caution about current production decisions seems to be bleeding over into extreme caution about future production plans, which will further delay any meaningful rebound in business planned investment.

The biggest challenge facing recovery in the national economy will continue to be an



inability to sustain a rebound in aggregate demand. World economies do not appear poised to lead the U.S. out of recession vis-à-vis an export boom. Domestic consumption, therefore, will need to hit the beach running if the front-line assault on the current recession is a sustained consumption-led recovery. Therein lies the problem: the American consumer is not currently in the position to pick up the economic slack. Unemployment rates have yet to peak. Job losses continue to mount. Personal balance sheets are in disarray, partly because of depreciating assets, but also due to the necessary draw-down of reserves in efforts to remain afloat until the economy does pick up. Simply put, aside from temporal help from federal stimulatory policy, U.S. consumers remain mired in low sentiment, uncertain future income, and few options to turn to for obtaining credit.

So when exactly will the bottom form on the national economy? Global Insight projects positive growth in GDP in the current quarter. Hidden in the aggregate GDP numbers are many disparate signals. National government spending is clearly helping contribute to the rebound in GDP, but questions have begun to surface regarding the drag on the economy that will inevitably occur when federal fiscal stimulus funds have been exhausted and not replaced due to increasing concerns over the rising federal debt. Consumption appears to have formed a bottom, but non-residential fixed investment is projected to remain negative for two additional quarters. Exports will also be delayed by one quarter, but the growth for future quarters has been revised upward

due to a weaker forecast for the U.S. dollar. Imported goods, the flip-side of the weaker dollar, have already begun to turn the corner, mainly due to moderating energy prices and weak aggregate demand. On net, foreign trade will initially provide resistance to a U.S. recovery due to the increase in imports occurring before the recovery in exports. If the dollar continues to weaken, the headwind from foreign trade may shift favorably and provide a much needed boost.

The components of federal GDP point to an economy that will struggle to gain momentum. Like many recovery periods, the most likely outcome will be a fairly long period of “fits and starts”, characterized by encouraging news followed by periods of recurring fears of a “W” shaped recession. Unfortunately, the sector most adversely impacted by the uncertainty will be employment. Employment is not projected to form a bottom until sometime in early 2010. As the state economic outlook will demonstrate, employment and wage & salary

**Table 14**  
**U.S. Economic Outlook**  
**FY09/FY10 Q1, Q2 & Q3**  
**July 2009**

	Q1, Q2 & Q3		
	FY10	FY09	%Chg
Real GDP	11,300.6	11,525.1	-1.9
Real Consumption	8,277.1	8,215.1	0.8
Real Investment	1,282.8	1,543.2	-16.9
Real Govt. Expenditures	2,087.2	2,085.5	0.1
Real Exports	1,285.1	1,447.3	-11.2
Real Imports	1,671.1	1,789.3	-6.6
Personal Income (\$ billions)	12,094.5	12,121.8	-0.2
Inflation (% chg of CPI)	0.3	-0.4	NA
Industrial Production Index (% chg)	97.1	103.8	-6.5
Civilian Labor Force (millions)	154.1	154.4	-0.2
Total Nonfarm Employment (millions)	131.0	135.5	-3.3
Manufacturing Employment (millions)	11.3	13.0	-13.2
Unemployment Rate (percent)	9.9	7.0	41.0

Not Seasonally Adjusted. Real series are in billions of chained 2000 dollars.  
Source: IHS Global Insight Inc., July 1, 2009 data release

income are the best barometers of state economic and revenue performance, so the delayed recovery in these sectors will continue to hamper Kentucky's ability to reverse the current downturn.

### **State Economy**

The short-run outlook for the Kentucky economy is dominated by weaknesses in the employment sector. In absolute terms, Kentucky's economy will have lost 105,600 jobs between the peak level of employment in the first quarter of FY08 and the third quarter of FY10. That represents a loss of 5.6 percent of the Kentucky workforce compared to a 5.1 percent peak-to-trough loss in U.S. employment.

Kentucky personal income is projected to inch forward by 0.6 percent in the next two quarters followed by 1.0 percent growth in the third quarter of FY10. Both figures compare favorably to their U.S. counterparts. However, the most recent personal income data suggest an unfavorable mix in the components of personal income. Transfer payments are up sharply with four consecutive quarters of double-digit growth between the third quarter of FY09 and the second quarter of FY10. Wages and salary income, a bell-weather indicator for many state tax variables, fell during the final quarter of FY09 and will continue to decline for the first three quarters of FY10. The peak decline is expected to occur during the second quarter of FY10, when wages and salaries are expected to fall 2.9 percent.

The three-quarter employment outlook by sector reveals widespread weakness, with the goods-producing industries suffering the brunt of the job losses in percentage terms. Construction sector employment has also endured double-digit percentage losses during the second half of FY09 and will continue to slide 15.9 percent and 13.0 percent for the first two quarters of FY10, respectively. A glut of existing homes, coupled with an inability for average homeowners to finance home improvement projects, have led to the collapse in construction activity. Even wholesale and retail trade have fallen prey to the tough times, posting consistent employment declines in recent quarters with the anticipation of further declines throughout this forecasting horizon.

In comparison to the May outlook, which was the basis for the revised FY10 consensus revenue estimates, both the employment and personal income projections have weakened marginally due to a slightly more negative national outlook from Global Insight. While major news sources have been peppered with reports of a major recovery in the economy, it would be premature to declare victory over the recession until the employment picture improves significantly. State revenues are most closely aligned with employment and personal income. These variables have become increasingly weak and will continue to post losses for the first three quarters of FY10, making revenue growth unlikely.

**Table 15**  
**Kentucky Economic Outlook**  
**FY09/FY10 Q1, Q2 & Q3**  
**July 2009**

	Q1, Q2 & Q3		% Chg
	FY10	FY09	
Total Personal Income (\$ billions)	137,608.8	136,612.3	0.7
Wages and Salary Income (\$ billions)	71,495.7	73,229.7	-2.4
Nonagricultural Employment (thousands)	1,767.2	1,830.9	-3.5
Goods Producing (thousands)	289.4	337.2	-14.2
Construction	71.1	80.0	-11.1
Mining	24.8	25.0	-0.8
Manufacturing	193.5	232.3	-16.7
Service Providing (thousands)	1,157.2	1,173.2	-1.4
Trade, Transportation & Utilities	365.7	378.1	-3.3
Information	28.6	29.7	-3.5
Finance	90.5	91.8	-1.4
Business Services	179.7	181.1	-0.8
Educational Services	248.4	245.7	1.1
Leisure and Hospitality Services	170.6	173.0	-1.4
Other Services	73.6	73.8	-0.3
Government (thousands)	320.7	320.4	0.1

Source: IHS Global Insight Inc. and Governor's Office for Economic Analysis MAK model, July 2009

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**APPENDIX A**  
*Fourth Quarter Report*



## KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	Fourth Quarter FY 2009	Fourth Quarter FY 2008	% Change	Year-To-Date FY 2009	Year-To-Date FY 2008	% Change
<b>TOTAL GENERAL FUND</b>	<b>2,209,274,971</b>	<b>2,447,838,253</b>	<b>-9.7%</b>	<b>\$8,426,351,594</b>	<b>\$8,664,336,663</b>	<b>-2.7%</b>
Tax Receipts	2,126,605,057	2,346,499,810	-9.4%	\$8,112,768,934	\$8,329,734,971	-2.6%
Sales and Gross Receipts	870,908,422	848,203,166	2.7%	\$3,374,871,927	\$3,354,581,311	0.6%
Beer Consumption	1,712,350	1,687,971	1.4%	6,478,525	6,535,066	-0.9%
Beer Wholesale	13,305,370	12,669,870	5.0%	51,696,564	49,531,545	4.4%
Cigarette	66,458,542	41,018,509	62.0%	186,756,010	169,547,927	10.1%
Distilled Spirits Case Sales	28,329	25,863	9.5%	109,333	104,154	5.0%
Distilled Spirits Consumption	2,689,200	2,572,211	4.5%	10,676,604	10,378,013	2.9%
Distilled Spirits Wholesale	7,038,078	6,669,490	5.5%	27,884,547	26,628,403	4.7%
Insurance Premium	39,130,274	40,194,417	-2.6%	125,168,149	129,296,901	-3.2%
Pari-Mutuel	1,979,917	2,686,166	-26.3%	4,387,515	5,327,540	-17.6%
Race Track Admission	34,309	38,864	-11.7%	230,888	219,939	5.0%
Sales and Use	698,522,998	719,810,259	-3.0%	2,857,665,168	2,877,814,014	-0.7%
Wine Consumption	598,418	568,270	5.3%	2,392,069	2,353,476	1.6%
Wine Wholesale	3,053,516	2,939,284	3.9%	12,356,700	11,977,256	3.2%
Telecommunications Tax	15,106,807	15,053,592	0.4%	61,228,833	55,972,928	9.4%
OTP	4,958,047	2,268,401	118.6%	11,548,724	8,894,150	29.8%
Floor Stock Tax	16,292,266	0	---	16,292,300	0	---
License and Privilege	138,980,207	134,677,620	3.2%	\$561,746,597	\$468,666,009	19.9%
Alc. Bev. License Suspension	129,250	180,000	-28.2%	393,050	830,310	-52.7%
Coal Severance	74,660,457	66,256,631	12.7%	292,591,094	232,977,827	25.6%
Corporation License	841,992	628,067	34.1%	9,154,338	2,822,279	224.4%
Corporation Organization	4,036	23,463	-82.8%	38,101	259,654	-85.3%
Occupational Licenses	115,795	102,118	13.4%	257,200	191,571	34.3%
Oil Production	1,331,343	3,389,644	-60.7%	8,430,228	10,201,113	-17.4%
Race Track License	48,350	50,850	-4.9%	350,225	245,360	42.7%
Bank Franchise Tax	288,861	1,683,342	-82.8%	73,339,144	71,976,055	1.9%
Driver License Fees	141,598	134,884	5.0%	579,919	599,370	-3.2%
Minerals Severance	2,414,636	3,701,711	-34.8%	12,807,705	16,360,844	-21.7%
Natural Gas Severance	5,941,858	10,755,261	-44.8%	42,155,501	33,794,313	24.7%
Limited Liability Entity	53,062,029	47,771,649	11.1%	121,650,092	98,407,313	23.6%
Income	1,040,685,505	1,286,135,248	-19.1%	\$3,583,353,074	\$3,918,359,883	-8.5%
Corporation	77,058,095	124,940,817	-38.3%	267,984,858	435,222,566	-38.4%
Individual	963,627,409	1,161,194,432	-17.0%	3,315,368,217	3,483,137,317	-4.8%
Property	\$54,239,580	\$56,770,054	-4.5%	\$513,122,060	\$500,646,790	2.5%
Building & Loan Association	2,674,999	2,414,129	10.8%	2,898,977	2,649,630	9.4%
General - Real	7,513,794	8,220,107	-8.6%	241,008,338	237,153,330	1.6%
General - Tangible	35,870,366	45,027,923	-20.3%	203,783,916	205,763,426	-1.0%
Omitted & Delinquent	5,950,562	(1,347,798)	---	22,945,670	17,519,651	31.0%
Public Service	2,212,578	2,445,499	-9.5%	41,315,048	36,511,473	13.2%
Other	17,282	10,193	69.5%	1,170,110	1,049,281	11.5%
Inheritance	\$11,289,744	\$11,824,203	-4.5%	\$41,234,240	\$51,001,299	-19.2%
Miscellaneous	\$10,501,600	\$8,889,520	18.1%	\$38,441,036	\$36,479,679	5.4%
Legal Process	5,894,372	5,717,110	3.1%	23,782,419	24,060,840	-1.2%
T. V. A. In Lieu Payments	4,580,385	3,165,484	44.7%	14,593,246	12,389,344	17.8%
Other	26,843	6,926	287.6%	65,371	29,495	121.6%
Nontax Receipts	\$84,044,423	\$103,492,446	-18.8%	\$311,791,847	\$330,053,277	-5.5%
Departmental Fees	8,723,199	7,756,135	12.5%	31,912,667	30,382,254	5.0%
PSC Assessment Fee	4,730,657	3,634,541	30.2%	14,104,836	14,306,084	-1.4%
Fines & Forfeitures	7,629,811	6,696,839	13.9%	29,298,014	28,118,106	4.2%
Interest on Investments	1,833,517	22,757,416	-91.9%	4,183,825	23,868,325	-82.5%
Lottery	52,000,000	47,700,000	9.0%	193,500,000	187,461,591	3.2%
Sale of NOx Credits	0	2,716,350	-100.0%	0	12,251,950	-100.0%
Miscellaneous	9,127,238	12,231,165	-25.4%	38,792,505	33,664,968	15.2%
Redeposit of State Funds	(\$1,374,509)	(\$2,154,003)	---	\$1,790,813	\$4,548,415	-60.6%

## KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Fourth Quarter FY 2009	Fourth Quarter FY 2008	% Change	Year-To-Date FY 2009	Year-To-Date FY 2008	% Change
<b>TOTAL ROAD FUND</b>	<b>\$316,587,011</b>	<b>\$323,404,802</b>	<b>-2.1%</b>	<b>\$1,191,982,894</b>	<b>\$1,262,798,750</b>	<b>-5.6%</b>
Tax Receipts-	\$307,579,457	\$311,369,989	-1.2%	\$1,159,379,226	\$1,219,349,262	-4.9%
Sales and Gross Receipts	\$245,713,577	\$253,497,157	-3.1%	\$958,780,727	\$1,014,576,337	-5.5%
Motor Fuels Taxes	160,856,717	151,834,553	5.9%	622,479,527	608,779,123	2.3%
Motor Vehicle Usage	84,856,861	101,662,604	-16.5%	336,301,200	405,797,215	-17.1%
License and Privilege	\$61,865,880	\$57,872,832	6.9%	\$200,598,500	\$204,772,925	-2.0%
Motor Vehicles	38,066,262	28,970,091	31.4%	98,186,733	93,523,748	5.0%
Motor Vehicle Operators	3,906,987	3,897,010	0.3%	15,521,191	15,372,618	1.0%
Weight Distance	16,948,973	20,352,876	-16.7%	75,444,283	84,353,543	-10.6%
Truck Decal Fees	706,833	714,021	-1.0%	832,653	774,379	7.5%
Other Special Fees	2,236,826	3,938,833	-43.2%	10,613,640	10,748,637	-1.3%
Nontax Receipts	\$8,663,090	\$11,859,703	-27.0%	\$31,375,092	\$41,805,267	-24.9%
Departmental Fees	4,918,674	5,487,164	-10.4%	19,106,827	20,291,394	-5.8%
In Lieu of Traffic Fines	237,573	264,619	-10.2%	958,790	1,112,801	-13.8%
Investment Income	3,270,758	5,877,746	-44.4%	10,661,790	19,460,549	-45.2%
Miscellaneous	236,085	230,174	2.6%	647,685	940,522	-31.1%
Redeposit of State Funds	\$344,463	\$175,110	96.7%	\$1,228,575	\$1,644,222	-25.3%

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**APPENDIX B**

**Summary Statistics for General and Road Funds**

**FY00 - FY09**

**Summary Statistics for General Fund  
Major Revenue Sources - Fiscal Years 2000-2009**

	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>
<b>TOTAL GENERAL FUND</b>	<b>6,478,385,032</b>	<b>6,653,897,653</b>	<b>6,560,216,551</b>	<b>6,783,458,295</b>	<b>6,977,623,200</b>
<b>Tax Receipts</b>	<b>6,200,475,504</b>	<b>6,377,917,219</b>	<b>6,292,004,457</b>	<b>6,543,157,657</b>	<b>6,686,290,589</b>
<b>Sales and Gross Receipts</b>	<b>2,356,212,660</b>	<b>2,435,481,566</b>	<b>2,497,020,953</b>	<b>2,577,542,870</b>	<b>2,668,210,228</b>
Beer Consumption	6,284,242	6,272,031	6,286,734	6,334,169	6,320,886
Beer Wholesale	32,101,648	32,582,889	34,596,592	35,969,890	37,439,919
Cigarette	14,184,888	14,007,582	13,943,208	16,367,947	17,136,198
Cigarette Floor Stock	---	---	---	---	---
Distilled Spirits Case Sales	82,871	82,529	81,922	85,601	87,662
Distilled Spirits Consumption	8,211,541	8,184,798	8,266,005	8,680,833	8,985,826
Distilled Spirits Wholesale	14,055,368	14,809,730	15,129,146	16,088,048	16,957,192
Insurance Premium	95,355,564	96,825,818	105,102,951	114,988,790	120,523,955
Pari-Mutuel	6,645,098	6,182,083	5,179,952	5,953,247	3,629,292
Race Track Admission	220,824	216,615	260,232	193,114	232,350
Sales and Use	2,171,397,969	2,248,471,100	2,299,990,621	2,364,182,478	2,447,584,698
Wine Consumption	1,748,839	1,743,393	1,786,984	1,902,818	2,005,265
Wine Wholesale	5,923,809	6,102,998	6,396,603	6,795,936	7,306,985
Telecommunications Tax	---	---	---	---	---
Other Tobacco Products	---	---	---	---	---
<b>License and Privilege</b>	<b>364,098,883</b>	<b>373,309,229</b>	<b>356,591,984</b>	<b>379,857,645</b>	<b>368,122,494</b>
Alc. Bev. License & Suspension	49,150	193,800	220,800	227,850	223,700
Coal Severance	145,139,909	141,553,087	160,160,116	141,664,981	147,498,230
Corporation License	139,127,819	147,515,402	117,500,770	152,595,257	124,096,012
Corporation Organization	369,916	227,655	144,233	190,494	143,804
Occupational Licenses	132,811	107,737	226,609	197,977	223,002
Oil Production	2,967,395	3,358,036	2,590,722	3,116,954	3,387,884
Race Track License	405,500	320,800	37,423	322,825	335,625
Bank Franchise Tax	53,061,798	49,610,220	50,549,169	53,747,906	55,467,195
Driver License Fees	475,167	391,939	505,187	499,003	523,979
Minerals Severance	13,923,246	12,710,667	12,355,174	12,580,912	13,711,874
Natural Gas Severance	8,446,173	17,319,885	12,301,781	14,713,486	22,511,188
LLET	---	---	---	---	---
<b>Income</b>	<b>3,008,055,957</b>	<b>3,068,472,461</b>	<b>2,909,863,799</b>	<b>3,024,422,738</b>	<b>3,099,593,870</b>
Corporation	306,442,050	289,931,017	207,353,777	278,035,794	303,262,821
Individual	2,701,613,908	2,778,541,444	2,702,510,022	2,746,386,944	2,796,331,049
<b>Property</b>	<b>387,257,800</b>	<b>407,494,858</b>	<b>433,029,587</b>	<b>434,768,249</b>	<b>448,765,511</b>
Bank Deposits	433,962	412,646	460,334	456,527	467,711
Building & Loan Association	2,491,414	2,482,623	2,249,927	3,181,373	2,513,083
Distilled Spirits	443,880	360,248	363,410	442,092	375,637
General - Intangible	22,721,743	22,551,153	23,113,567	25,883,197	27,547,183
General - Real	167,326,472	171,524,695	179,678,050	186,000,177	192,534,530
General - Tangible	130,960,896	140,466,295	151,308,795	149,426,286	149,155,206
Omitted & Delinquent	15,543,134	20,605,462	25,649,592	20,368,623	15,829,225
Public Service	46,882,427	48,883,924	49,991,359	48,836,372	60,178,393
Other	453,871	207,812	214,551	173,603	164,542
<b>Inheritance</b>	<b>74,489,981</b>	<b>83,461,499</b>	<b>83,359,872</b>	<b>95,864,480</b>	<b>66,083,705</b>
<b>Miscellaneous</b>	<b>10,360,222</b>	<b>9,697,606</b>	<b>12,138,263</b>	<b>30,701,674</b>	<b>35,514,782</b>
Legal Process	3,457,280	3,597,385	5,263,021	22,994,148	27,322,798
T. V. A. In Lieu Payments	6,842,117	6,046,676	6,814,492	7,660,437	8,146,924
Other	60,824	53,545	60,750	47,090	45,061
<b>Nontax Receipts</b>	<b>271,911,197</b>	<b>266,792,632</b>	<b>260,466,324</b>	<b>233,694,271</b>	<b>280,871,754</b>
Departmental Fees	32,719,509	17,062,102	19,570,116	21,982,797	22,161,022
PSC Assessment Fee	---	12,598,397	10,455,826	8,702,466	5,389,636
Fines & Forfeitures	46,056,986	40,749,856	40,069,496	28,888,326	27,991,293
Interest on Investments	28,077,454	28,217,850	13,342,627	(7,157,704)	1,017,305
Lottery	156,300,000	157,030,000	169,000,000	171,000,000	173,800,000
Sale of NOx Credits	---	---	---	---	11,836,125
Miscellaneous	8,757,248	11,134,428	8,028,259	10,278,386	38,676,373
<b>Redeposit of State Funds</b>	<b>5,998,332</b>	<b>9,187,802</b>	<b>7,745,769</b>	<b>6,606,367</b>	<b>10,460,857</b>

**Summary Statistics for General Fund  
Major Revenue Sources - Fiscal Years 2000-2009**

	FY05	FY06	FY07	FY08	FY09
<b>TOTAL GENERAL FUND</b>	<b>7,645,046,634</b>	<b>8,376,083,216</b>	<b>8,573,819,250</b>	<b>8,664,336,663</b>	<b>8,426,351,594</b>
<b>Tax Receipts</b>	<b>7,350,335,469</b>	<b>8,065,347,817</b>	<b>8,233,789,253</b>	<b>8,329,734,971</b>	<b>8,112,768,934</b>
<b>Sales and Gross Receipts</b>	<b>2,838,701,120</b>	<b>3,174,734,842</b>	<b>3,280,448,981</b>	<b>3,354,581,311</b>	<b>3,374,871,927</b>
Beer Consumption	6,387,318	6,393,753	6,344,079	6,533,066	6,478,525
Beer Wholesale	37,815,717	45,206,839	46,806,186	49,531,545	51,696,564
Cigarette	24,966,880	172,069,493	168,768,467	169,547,927	186,756,010
Cigarette Floor Stock	8,701,966	12,089,404	9,746		16,292,300
Distilled Spirits Case Sales	92,178	94,806	98,874	104,154	109,333
Distilled Spirits Consumption	9,190,089	9,900,035	10,094,572	10,378,013	10,676,604
Distilled Spirits Wholesale	18,150,313	23,524,032	25,139,117	26,628,403	27,884,547
Insurance Premium	123,410,091	122,824,056	125,877,984	129,296,901	125,168,149
Pari-Mutuel	4,710,111	5,626,849	5,489,552	5,327,540	4,387,515
Race Track Admission	195,068	230,285	190,362	219,939	230,888
Sales and Use	2,594,966,373	2,749,765,011	2,817,652,253	2,877,814,014	2,857,665,168
Wine Consumption	2,279,162	1,945,945	2,326,331	2,353,476	2,392,069
Wine Wholesale	7,835,853	10,510,955	11,392,111	11,977,256	12,356,700
Telecommunications Tax	---	14,553,379	51,623,000	55,972,928	61,228,833
Other Tobacco Products	---	---	8,636,348	8,894,150	11,548,724
<b>License and Privilege</b>	<b>427,823,269</b>	<b>386,264,573</b>	<b>352,829,122</b>	<b>468,666,009</b>	<b>561,746,597</b>
Alc. Bev. License & Suspension	237,101	280,450	659,151	830,310	393,050
Coal Severance	184,436,935	224,490,111	221,952,516	232,977,827	292,591,094
Corporation License	134,149,794	43,516,942	11,734,452	2,822,279	9,154,338
Corporation Organization	613,048	221,281	115,755	259,654	38,101
Occupational Licenses	188,761	174,122	207,198	191,571	257,200
Oil Production	4,710,832	6,386,501	6,198,342	10,201,113	8,430,228
Race Track License	324,642	289,258	283,675	245,360	350,225
Bank Franchise Tax	63,837,587	59,603,147	63,912,315	71,976,055	73,339,144
Driver License Fees	522,904	600,903	603,807	599,370	579,919
Minerals Severance	13,494,541	14,502,342	14,822,013	16,360,844	12,807,705
Natural Gas Severance	25,307,125	36,199,516	32,339,897	33,794,313	42,155,501
LLET				98,407,313	121,650,092
<b>Income</b>	<b>3,514,735,211</b>	<b>3,920,229,525</b>	<b>4,029,600,561</b>	<b>3,918,359,883</b>	<b>3,583,353,074</b>
Corporation	478,504,505	1,001,618,543	988,064,957	435,222,566	267,984,858
Individual	3,036,230,706	2,918,610,982	3,041,535,604	3,483,137,317	3,315,368,217
<b>Property</b>	<b>472,596,276</b>	<b>502,510,631</b>	<b>492,462,208</b>	<b>500,646,790</b>	<b>513,122,060</b>
Bank Deposits	474,098	505,351	513,619	532,436	542,716
Building & Loan Association	3,192,911	2,071,523	2,921,484	2,649,630	2,898,977
Distilled Spirits	388,612	410,798	506,754	513,549	624,280
General - Intangible	26,912,813	30,955,124	48,841	-	-
General - Real	202,182,555	215,351,439	228,282,174	237,153,330	241,008,338
General - Tangible	159,883,091	165,622,948	192,343,695	205,763,426	203,783,916
Omitted & Delinquent	20,646,846	30,330,629	25,253,460	17,519,651	22,945,670
Public Service	58,787,595	57,259,849	42,588,669	36,511,473	41,315,048
Other	127,756	2,970	3,512	3,295	3,115
<b>Inheritance</b>	<b>63,174,866</b>	<b>45,990,266</b>	<b>43,578,107</b>	<b>51,001,299</b>	<b>41,234,240</b>
<b>Miscellaneous</b>	<b>33,304,727</b>	<b>35,617,980</b>	<b>34,870,274</b>	<b>36,479,679</b>	<b>38,441,036</b>
Legal Process	24,696,032	25,118,948	24,759,470	24,060,840	23,782,419
T. V. A. In Lieu Payments	8,559,023	10,248,314	10,037,326	12,389,344	14,593,246
Other	49,672	250,719	73,478	29,495	65,371
<b>Nontax Receipts</b>	<b>286,661,124</b>	<b>302,629,799</b>	<b>327,878,702</b>	<b>330,053,277</b>	<b>311,791,847</b>
Departmental Fees	22,542,182	23,932,336	25,043,719	30,382,254	31,912,667
PSC Assessment Fee	13,568,805	9,041,415	14,593,067	14,306,084	14,104,836
Fines & Forfeitures	25,405,780	26,129,275	26,606,686	28,118,106	29,298,014
Interest on Investments	6,950,902	18,681,492	31,991,861	23,868,325	4,183,825
Lottery	161,252,000	190,000,000	186,625,113	187,461,591	193,500,000
Sale of NOx Credits	3,696,675	1,126,000	811,600	12,251,950	0
Miscellaneous	53,244,780	33,719,282	42,206,657	33,664,968	38,792,505
<b>Redeposit of State Funds</b>	<b>8,050,041</b>	<b>8,105,601</b>	<b>12,151,295</b>	<b>4,548,415</b>	<b>1,790,813</b>



**General Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2000-2009**

	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>
<b>TOTAL GENERAL FUND</b>	<b>4.5%</b>	<b>2.7%</b>	<b>-1.4%</b>	<b>3.4%</b>	<b>2.9%</b>
<b>Tax Receipts</b>	<b>4.8%</b>	<b>2.9%</b>	<b>-1.3%</b>	<b>4.0%</b>	<b>2.2%</b>
<b>Sales and Gross Receipts</b>	<b>4.1%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>3.2%</b>	<b>3.5%</b>
Beer Consumption	0.4%	-0.2%	0.2%	0.8%	-0.2%
Beer Wholesale	4.9%	1.5%	6.2%	4.0%	4.1%
Cigarette	-3.3%	-1.2%	-0.5%	17.4%	4.7%
Cigarette Floor Stock	---	---	---	---	---
Distilled Spirits Case Sales	5.8%	-0.4%	-0.7%	4.5%	2.4%
Distilled Spirits Consumption	3.2%	-0.3%	1.0%	5.0%	3.5%
Distilled Spirits Wholesale	4.9%	5.4%	2.2%	6.3%	5.4%
Insurance Premium	5.7%	1.5%	8.5%	9.4%	4.8%
Pari-Mutuel	-7.4%	-7.0%	-16.2%	14.9%	-39.0%
Race Track Admission	-8.5%	-1.9%	20.1%	-25.8%	20.3%
Sales and Use	4.1%	3.5%	2.3%	2.8%	3.5%
Wine Consumption	7.6%	-0.3%	2.5%	6.5%	5.4%
Wine Wholesale	9.2%	3.0%	4.8%	6.2%	7.5%
Telecommunications Tax	---	---	---	---	---
Other Tobacco Products	---	---	---	---	---
<b>License and Privilege</b>	<b>4.2%</b>	<b>2.5%</b>	<b>-4.5%</b>	<b>6.5%</b>	<b>-3.1%</b>
Alc. Bev. License Suspension	-44.0%	294.3%	13.9%	3.2%	-1.8%
Coal Severance	-6.0%	-2.5%	13.1%	-11.5%	4.1%
Corporation License	10.5%	6.0%	-20.3%	29.9%	-18.7%
Corporation Organization	-26.1%	-38.5%	-36.6%	32.1%	-24.5%
Occupational Licenses	33.3%	-18.9%	110.3%	-12.6%	12.6%
Oil Production	120.6%	13.2%	-22.9%	20.3%	8.7%
Race Track License	2.5%	-20.9%	-88.3%	762.6%	4.0%
Bank Franchise Tax	12.8%	-6.5%	1.9%	6.3%	3.2%
Driver License Fees	-33.8%	-17.5%	28.9%	-1.2%	5.0%
Minerals Severance	17.5%	-8.7%	-2.8%	1.8%	9.0%
Natural Gas Severance	18.8%	105.1%	-29.0%	19.6%	53.0%
LLET	---	---	---	---	---
<b>Income</b>	<b>5.8%</b>	<b>2.0%</b>	<b>-5.2%</b>	<b>3.9%</b>	<b>2.5%</b>
Corporation	-1.8%	-5.4%	-28.5%	34.1%	9.1%
Individual	6.7%	2.8%	-2.7%	1.6%	1.8%
<b>Property</b>	<b>4.5%</b>	<b>5.2%</b>	<b>6.3%</b>	<b>0.4%</b>	<b>3.2%</b>
Bank Deposits	8.9%	-4.9%	11.6%	-0.8%	2.4%
Building & Loan Association	-18.2%	-0.4%	-9.4%	41.4%	-21.0%
Distilled Spirits	6.3%	-18.8%	0.9%	21.7%	-15.0%
General - Intangible	25.5%	-0.8%	2.5%	12.0%	6.4%
General - Real	3.5%	2.5%	4.8%	3.5%	3.5%
General - Tangible	4.3%	7.3%	7.7%	-1.2%	-0.2%
Omitted & Delinquent	30.3%	32.6%	24.5%	-20.6%	-22.3%
Public Service	-7.1%	4.3%	2.3%	-2.3%	23.2%
Other	---	-54.2%	3.2%	-19.1%	-5.2%
<b>Inheritance</b>	<b>-8.6%</b>	<b>12.0%</b>	<b>-0.1%</b>	<b>15.0%</b>	<b>-31.1%</b>
<b>Miscellaneous</b>	<b>26.5%</b>	<b>-6.4%</b>	<b>25.2%</b>	<b>152.9%</b>	<b>15.7%</b>
Legal Process	-3.1%	4.1%	46.3%	336.9%	18.8%
T. V. A. In Lieu Payments	49.2%	-11.6%	12.7%	12.4%	6.4%
Other	76.5%	-12.0%	13.5%	-22.5%	-4.3%
<b>Nontax Receipts</b>	<b>-0.1%</b>	<b>-1.9%</b>	<b>-2.4%</b>	<b>-10.3%</b>	<b>20.2%</b>
Departmental Fees	25.4%	-47.9%	14.7%	12.3%	0.8%
PSC Assessment Fee	---	---	-17.0%	-16.8%	-38.1%
Fines & Forfeitures	2.3%	-11.5%	-1.7%	-27.9%	-3.1%
Interest on Investments	-26.7%	0.5%	-52.7%	-153.6%	-114.2%
Lottery	1.6%	0.5%	7.6%	1.2%	1.6%
Sale of NOx Credits	---	---	---	---	---
Miscellaneous	-3.3%	27.1%	-27.9%	28.0%	276.3%
<b>Redeposit of State Funds</b>	<b>-32.4%</b>	<b>53.2%</b>	<b>-15.7%</b>	<b>-14.7%</b>	<b>58.3%</b>

**General Fund Growth Rates  
Major Revenue Sources - Fiscal Years 2000-2009**

	FY05	FY06	FY07	FY08	FY09
<b>TOTAL GENERAL FUND</b>	<b>9.6%</b>	<b>9.6%</b>	<b>2.4%</b>	<b>1.1%</b>	<b>-2.7%</b>
<b>Tax Receipts</b>	<b>9.9%</b>	<b>9.7%</b>	<b>2.1%</b>	<b>1.2%</b>	<b>-2.6%</b>
<b>Sales and Gross Receipts</b>	<b>6.4%</b>	<b>11.8%</b>	<b>3.3%</b>	<b>2.3%</b>	<b>0.6%</b>
Beer Consumption	1.1%	0.1%	-0.8%	3.0%	-0.9%
Beer Wholesale	1.0%	19.5%	3.5%	5.8%	4.4%
Cigarette	45.7%	589.2%	-1.9%	0.5%	10.1%
Cigarette Floor Stock	---	38.9%	-99.9%	-100.0%	---
Distilled Spirits Case Sales	5.2%	2.9%	4.3%	5.3%	5.0%
Distilled Spirits Consumption	2.3%	7.7%	2.0%	2.8%	2.9%
Distilled Spirits Wholesale	7.0%	29.6%	6.9%	5.9%	4.7%
Insurance Premium	2.4%	-0.5%	2.5%	2.7%	-3.2%
Pari-Mutuel	29.8%	19.5%	-2.4%	-3.0%	-17.6%
Race Track Admission	-16.0%	18.1%	-17.3%	15.5%	5.0%
Sales and Use	6.0%	6.0%	2.5%	2.1%	-0.7%
Wine Consumption	13.7%	-14.6%	19.5%	1.2%	1.6%
Wine Wholesale	7.2%	34.1%	8.4%	5.1%	3.2%
Telecommunications Tax	---	---	254.7%	8.4%	9.4%
Other Tobacco Products	---	---	---	3.0%	29.8%
<b>License and Privilege</b>	<b>16.2%</b>	<b>-9.7%</b>	<b>-8.7%</b>	<b>32.8%</b>	<b>19.9%</b>
Alc. Bev. License Suspension	6.0%	18.3%	135.0%	26.0%	-52.7%
Coal Severance	25.0%	21.7%	-1.1%	5.0%	25.6%
Corporation License	8.1%	-67.6%	-73.0%	-75.9%	224.4%
Corporation Organization	326.3%	-63.9%	-47.7%	124.3%	-85.3%
Occupational Licenses	-15.4%	-7.8%	19.0%	-7.5%	34.3%
Oil Production	39.0%	35.6%	-2.9%	64.6%	-17.4%
Race Track License	-3.3%	-10.9%	-1.9%	-13.5%	42.7%
Bank Franchise Tax	15.1%	-6.6%	7.2%	12.6%	1.9%
Driver License Fees	-0.2%	14.9%	0.5%	-0.7%	-3.2%
Minerals Severance	-1.6%	7.5%	2.2%	10.4%	-21.7%
Natural Gas Severance	12.4%	43.0%	-10.7%	4.5%	24.7%
LLET	---	---	---	---	23.6%
<b>Income</b>	<b>13.4%</b>	<b>11.5%</b>	<b>2.8%</b>	<b>-2.8%</b>	<b>-8.5%</b>
Corporation	57.8%	109.3%	-1.4%	-56.0%	-38.4%
Individual	8.6%	-3.9%	4.2%	14.5%	-4.8%
<b>Property</b>	<b>5.3%</b>	<b>6.3%</b>	<b>-2.0%</b>	<b>1.7%</b>	<b>2.5%</b>
Bank Deposits	1.4%	6.6%	1.6%	3.7%	1.9%
Building & Loan Association	27.1%	-35.1%	41.0%	-9.3%	9.4%
Distilled Spirits	3.5%	5.7%	23.4%	1.3%	21.6%
General - Intangible	-2.3%	15.0%	-99.8%	-100.0%	---
General - Real	5.0%	6.5%	6.0%	3.9%	1.6%
General - Tangible	7.2%	3.6%	16.1%	7.0%	-1.0%
Omitted & Delinquent	30.4%	46.9%	-16.7%	-30.6%	31.0%
Public Service	-2.3%	-2.6%	-25.6%	-14.3%	13.2%
Other	-22.4%	-97.7%	18.2%	-6.2%	-5.5%
<b>Inheritance</b>	<b>-4.4%</b>	<b>-27.2%</b>	<b>-5.2%</b>	<b>17.0%</b>	<b>-19.2%</b>
<b>Miscellaneous</b>	<b>-6.2%</b>	<b>6.9%</b>	<b>-2.1%</b>	<b>4.6%</b>	<b>5.4%</b>
Legal Process	-9.6%	1.7%	-1.4%	-2.8%	-1.2%
T. V. A. In Lieu Payments	5.1%	19.7%	-2.1%	23.4%	17.8%
Other	10.2%	404.7%	-70.7%	-59.9%	121.6%
<b>Nontax Receipts</b>	<b>2.1%</b>	<b>5.6%</b>	<b>8.3%</b>	<b>0.7%</b>	<b>-5.5%</b>
Departmental Fees	1.7%	6.2%	4.6%	21.3%	5.0%
PSC Assessment Fee	151.8%	-33.4%	61.4%	-2.0%	-1.4%
Fines & Forfeitures	-9.2%	2.8%	1.8%	5.7%	4.2%
Interest on Investments	583.3%	168.8%	71.2%	-25.4%	-82.5%
Lottery	-7.2%	17.8%	-1.8%	0.4%	3.2%
Sale of NOx Credits	-68.8%	-69.5%	-27.9%	1409.6%	-100.0%
Miscellaneous	37.7%	-36.7%	25.2%	-20.2%	15.2%
<b>Redeposit of State Funds</b>	<b>-23.0%</b>	<b>0.7%</b>	<b>49.9%</b>	<b>-62.6%</b>	<b>-60.6%</b>

**Summary Statistics for Road Fund  
Major Revenue Sources - Fiscal Years 2000-2009**

	FY00	FY01	FY02	FY03	FY04
<b>TOTAL STATE ROAD FUND</b>	<b>1,090,777,822</b>	<b>1,064,181,565</b>	<b>1,119,005,317</b>	<b>1,123,103,133</b>	<b>1,116,734,272</b>
<b>Tax Receipts-</b>	<b>1,031,467,147</b>	<b>992,142,884</b>	<b>1,052,848,911</b>	<b>1,059,296,184</b>	<b>1,082,189,464</b>
<b>Sales and Gross Receipts</b>	<b>849,700,352</b>	<b>821,552,966</b>	<b>873,623,010</b>	<b>886,809,027</b>	<b>889,251,190</b>
Motor Fuels Taxes	423,876,351	408,801,115	429,812,296	438,564,438	441,382,996
Motor Fuels Use & Surtax	15,905,613	15,492,738	14,124,035	14,969,884	18,185,947
Truck Trip Permits (fuel)	451,689	447,020	383,460	371,406	439,720
Motor Vehicle Usage	409,466,699	396,812,093	429,303,220	432,903,299	429,242,527
<b>License and Privilege</b>	<b>181,766,795</b>	<b>170,589,918</b>	<b>179,225,901</b>	<b>172,487,157</b>	<b>192,938,274</b>
Motor Vehicles	85,623,787	76,861,958	84,510,332	76,192,363	93,388,573
Motor Vehicle Operators	5,689,329	5,592,769	5,564,009	5,610,829	5,623,874
Weight Distance	75,144,201	75,170,141	75,265,639	76,851,211	79,574,022
Truck Decal Fees	738,342	727,675	807,089	673,481	725,403
Other Special Fees	14,571,136	12,237,376	13,078,832	13,159,273	13,626,402
<b>Nontax Receipts</b>	<b>58,580,537</b>	<b>69,204,781</b>	<b>64,071,745</b>	<b>62,789,372</b>	<b>32,932,009</b>
Departmental Fees	13,184,983	13,772,863	15,137,452	18,430,002	15,258,391
In Lieu of Traffic Fines	1,662,261	2,005,215	1,960,687	1,374,668	1,521,583
Highway Tolls	13,474,101	12,410,901	13,785,486	13,263,429	7,958,452
Investment Income	29,418,349	40,187,239	32,156,652	29,115,311	7,507,462
Miscellaneous	840,843	828,562	1,031,468	605,962	686,121
<b>Redeposit of State Funds</b>	<b>730,138</b>	<b>2,833,900</b>	<b>2,084,661</b>	<b>1,017,577</b>	<b>1,612,799</b>

**Road Fund Growth Rates  
Major Revenue Sources - Fiscal Years 2000-2009**

	FY00	FY01	FY02	FY03	FY04
<b>TOTAL STATE ROAD FUND</b>	<b>3.2%</b>	<b>-2.4%</b>	<b>5.2%</b>	<b>0.4%</b>	<b>-0.6%</b>
<b>Tax Receipts-</b>	<b>4.0%</b>	<b>-3.8%</b>	<b>6.1%</b>	<b>0.6%</b>	<b>2.2%</b>
<b>Sales and Gross Receipts</b>	<b>3.5%</b>	<b>-3.3%</b>	<b>6.3%</b>	<b>1.5%</b>	<b>0.3%</b>
Motor Fuels Taxes	-0.9%	-3.6%	5.1%	2.0%	0.6%
Motor Fuels Use & Surtax	-5.6%	-2.6%	-8.8%	6.0%	21.5%
Truck Trip Permits (fuel)	2.2%	-1.0%	-14.2%	-3.1%	18.4%
Motor Vehicle Usage	9.0%	-3.1%	8.2%	0.8%	-0.8%
<b>License and Privilege</b>	<b>6.9%</b>	<b>-6.1%</b>	<b>5.1%</b>	<b>-3.8%</b>	<b>11.9%</b>
Motor Vehicles	7.7%	-10.2%	10.0%	-9.8%	22.6%
Motor Vehicle Operators	5.3%	-1.7%	-0.5%	0.8%	0.2%
Weight Distance	7.1%	0.0%	0.1%	2.1%	3.5%
Truck Decal Fees	-10.2%	-1.4%	10.9%	-16.6%	7.7%
Other Special Fees	1.7%	-16.0%	6.9%	0.6%	3.5%
<b>Nontax Receipts</b>	<b>-9.0%</b>	<b>18.1%</b>	<b>-7.4%</b>	<b>-2.0%</b>	<b>-47.6%</b>
Departmental Fees	1.8%	4.5%	9.9%	21.8%	-17.2%
In Lieu of Traffic Fines	5.5%	20.6%	-2.2%	-29.9%	10.7%
Highway Tolls	1.0%	-7.9%	11.1%	-3.8%	-40.0%
Investment Income	-17.3%	36.6%	-20.0%	-9.5%	-74.2%
Miscellaneous	-4.9%	-1.5%	24.5%	-41.3%	13.2%
<b>Redeposit of State Funds</b>	<b>18.9%</b>	<b>288.1%</b>	<b>-26.4%</b>	<b>-51.2%</b>	<b>58.5%</b>

**Summary Statistics for Road Fund  
Major Revenue Sources - Fiscal Years 2000-2009**

	FY05	FY06	FY07	FY08	FY09
<b>TOTAL STATE ROAD FUND</b>	<b>1,126,554,402</b>	<b>1,165,409,505</b>	<b>1,225,943,515</b>	<b>1,262,798,750</b>	<b>1,191,982,894</b>
<b>Tax Receipts-</b>	<b>1,094,354,041</b>	<b>1,133,247,862</b>	<b>1,186,074,087</b>	<b>1,219,349,262</b>	<b>1,159,379,226</b>
<b>Sales and Gross Receipts</b>	<b>898,340,426</b>	<b>923,879,353</b>	<b>974,732,028</b>	<b>1,014,576,337</b>	<b>958,780,727</b>
Motor Fuels Taxes	469,621,779	501,927,927	538,568,693	571,316,086	622,479,527
Motor Fuels Use & Surtax	20,748,200	25,982,599	24,600,438	37,184,397	36,597,491
Truck Trip Permits (fuel)	445,085	386,200	310,900	278,640	293,720
Motor Vehicle Usage	407,525,361	395,582,626	411,251,997	405,797,215	336,301,200
<b>License and Privilege</b>	<b>196,013,615</b>	<b>209,368,509</b>	<b>211,342,059</b>	<b>204,772,925</b>	<b>200,598,500</b>
Motor Vehicles	91,933,157	93,902,097	101,660,768	93,523,748	98,186,733
Motor Vehicle Operators	5,899,247	14,553,623	15,811,880	15,372,618	15,521,191
Weight Distance	83,069,296	85,336,610	85,435,610	84,353,543	75,444,283
Truck Decal Fees	1,041,912	954,706	842,239	774,379	832,653
Other Special Fees	14,070,003	14,621,473	7,591,561	10,748,637	10,613,640
<b>Nontax Receipts</b>	<b>30,432,049</b>	<b>30,208,832</b>	<b>39,469,278</b>	<b>41,805,267</b>	<b>31,375,092</b>
Departmental Fees	16,685,742	15,617,220	17,787,658	20,291,394	19,106,827
In Lieu of Traffic Fines	1,326,645	1,269,800	1,174,453	1,112,801	958,790
Highway Tolls	6,299,049	6,296,786	3,717,965	-	-
Investment Income	5,524,646	6,372,788	16,094,719	19,460,549	10,661,790
Miscellaneous	595,967	652,239	694,483	940,522	647,685
<b>Redeposit of State Funds</b>	<b>1,768,312</b>	<b>1,952,811</b>	<b>400,150</b>	<b>1,644,222</b>	<b>1,228,575</b>

**Road Fund Growth Rates  
Major Revenue Sources - Fiscal Years 2000-2009**

	FY05	FY06	FY07	FY08	FY09
<b>TOTAL STATE ROAD FUND</b>	<b>0.9%</b>	<b>3.4%</b>	<b>5.2%</b>	<b>3.0%</b>	<b>-5.6%</b>
<b>Tax Receipts-</b>	<b>1.1%</b>	<b>3.6%</b>	<b>4.7%</b>	<b>2.8%</b>	<b>-4.9%</b>
<b>Sales and Gross Receipts</b>	<b>1.0%</b>	<b>2.8%</b>	<b>5.5%</b>	<b>4.1%</b>	<b>-5.5%</b>
Motor Fuels Taxes	6.4%	6.9%	7.3%	6.1%	9.0%
Motor Fuels Use & Surtax	14.1%	25.2%	-5.3%	51.2%	-1.6%
Truck Trip Permits (fuel)	1.2%	-13.2%	-19.5%	-10.4%	5.4%
Motor Vehicle Usage	-5.1%	-2.9%	4.0%	-1.3%	-17.1%
<b>License and Privilege</b>	<b>1.6%</b>	<b>6.8%</b>	<b>0.9%</b>	<b>-3.1%</b>	<b>-2.0%</b>
Motor Vehicles	-1.6%	2.1%	8.3%	-8.0%	5.0%
Motor Vehicle Operators	4.9%	146.7%	8.6%	-2.8%	1.0%
Weight Distance	4.4%	2.7%	0.1%	-1.3%	-10.6%
Truck Decal Fees	43.6%	-8.4%	-11.8%	-8.1%	7.5%
Other Special Fees	3.3%	3.9%	-48.1%	41.6%	-1.3%
<b>Nontax Receipts</b>	<b>-7.6%</b>	<b>-0.7%</b>	<b>30.7%</b>	<b>5.9%</b>	<b>-24.9%</b>
Departmental Fees	9.4%	-6.4%	13.9%	14.1%	-5.8%
In Lieu of Traffic Fines	-12.8%	-4.3%	-7.5%	-5.2%	-13.8%
Highway Tolls	-20.9%	0.0%	-41.0%	-100.0%	-
Investment Income	-26.4%	15.4%	152.6%	20.9%	-45.2%
Miscellaneous	-13.1%	9.4%	6.5%	35.4%	-31.1%
<b>Redeposit of State Funds</b>	<b>9.6%</b>	<b>10.4%</b>	<b>-79.5%</b>	<b>310.9%</b>	<b>-25.3%</b>