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**GENERAL FUND, ROAD FUND RECEIPTS DECREASE**  
**IN MAY 2014**

***General Fund receipts decreased 2.1 percent***  
***Road Fund receipts decreased 1.8 percent***

The Office of State Budget Director reported today that May's General Fund receipts fell 2.1 percent compared to May of last year. Total revenues for the month were \$777.3 million, compared to \$793.9 million during May 2013. Receipts have now grown 1.1 percent for the first eleven months of FY14.

The enacted budget calls for 2.2 percent revenue growth for the entire fiscal year. To meet the official revenue estimate, receipts must increase 11.7 percent over the final month of the fiscal year.

State Budget Director Jane Driskell observed that General Fund revenues have underperformed over the past two months. "Following revenue growth of 6.2 percent and 2.4 percent in February and March respectively, General Fund receipts have been weak, making a revenue shortfall in FY14 inevitable."

"The most recent internal quarterly revenue forecast predicted we would end the year \$27.7 million short of budgeted revenues. Now with April and May receipts below expected levels, we expect a significantly larger shortfall, however we will not know the magnitude until early July. We are preparing for the yearend close out, directing state agencies to closely monitor all activities and reviewing all potential options to address the shortfall;" noted Driskell.

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The Constitution mandates that each fiscal year close with a balanced budget.

According to Driskell, several major revenue sources have underperformed, but the individual income tax, which is the largest single General Fund revenue source, is the primary reason revenues are coming in less than expected. It has been virtually flat through the first eleven months of FY14, compared to expected 2.4 percent growth. This tax grew 5.7 percent on average over the last three fiscal years. While disappointing, this appears to be a trend of poor income tax growth in several states this fiscal year according to recent national revenue publications.

According to preliminary data for the third quarter of FY14, declines in income tax collections were reported by ten states for the first time since early 2010 and expected to continue to show weakness this quarter.

Among the other major revenue sources, coal severance tax collections continue to decline. The losses are due, in large part, to a decline in severed tons as a result of decreased demand. Coal receipts fell 8 percent in May and have fallen 14.6 percent through the first eleven months of the fiscal year.

In addition, property tax collections have declined 2.1 percent year-to-date and were projected to grow 1.9 percent for the year. Property collections in the last month of the year are only a small percentage of the total property tax receipts and will not be sufficient to bring this account to a positive growth rate by year end.

Among the other major accounts:

- Sales and use tax receipts increased 3.6 percent for the month and have grown 3.5 percent year-to-date.
- Corporation income tax receipts decreased \$5.6 million but have grown 28.6 percent for the year.
- Cigarette tax receipts declined 0.5 percent in May and have fallen 4.4 percent year-to-date.

Road Fund receipts fell 1.8 percent in May 2014 with collections of \$131.4 million. Year-to-date collections have increased at 4.9 percent. The official Road Fund revenue estimate calls for an increase in revenues of 6.1 percent for the fiscal year. Based on year-to-date tax collections, revenues must grow 18.4 percent in June to meet the estimate, which implies a shortfall in Road Fund revenues is also inevitable. The most recent internal quarterly revenue forecast estimated an \$11.0 million dollar shortfall for the year. Among the accounts, May motor fuels taxes fell 3.6 percent. Motor vehicle usage revenue increased 8.2 percent, and license and privilege receipts fell 11.1 percent.

KENTUCKY STATE GOVERNMENT REVENUE  
**1. GENERAL FUND REVENUE**

|                               | <u>2014</u>          | <u>MAY</u><br><u>2013</u> | <u>% Change</u> | <u>FY 2014</u>         | <u>JULY THROUGH MAY</u><br><u>FY 2013</u> | <u>% Change</u> |
|-------------------------------|----------------------|---------------------------|-----------------|------------------------|---|-----------------|
| <b>TOTAL GENERAL FUND</b>     | <b>\$777,341,569</b> | <b>\$793,883,456</b>      | <b>-2.1%</b>    | <b>\$8,482,916,440</b> | <b>\$8,390,648,267</b>                    | <b>1.1%</b>     |
| <b>Tax Receipts</b>           | <b>\$751,248,164</b> | <b>\$757,588,161</b>      | <b>-0.8%</b>    | <b>\$8,188,513,721</b> | <b>\$8,087,517,138</b>                    | <b>1.2%</b>     |
| Sales and Gross Receipts      | \$345,489,301        | \$329,787,879             | 4.8%            | \$3,397,719,974        | \$3,305,269,136                           | 2.8%            |
| Beer Consumption              | 585,643              | 483,760                   | 21.1%           | 5,661,748              | 5,640,860                                 | 0.4%            |
| Beer Wholesale                | 5,756,520            | 4,671,241                 | 23.2%           | 52,309,767             | 48,495,431                                | 7.9%            |
| Cigarette                     | 20,969,396           | 21,078,830                | -0.5%           | 208,385,667            | 217,898,834                               | -4.4%           |
| Distilled Spirits Case Sales  | 11,465               | 11,099                    | 3.3%            | 117,276                | 112,167                                   | 4.6%            |
| Distilled Spirits Consumption | 1,082,697            | 1,056,771                 | 2.5%            | 10,957,677             | 10,931,764                                | 0.2%            |
| Distilled Spirits Wholesale   | 3,142,983            | 3,012,529                 | 4.3%            | 31,074,389             | 29,182,900                                | 6.5%            |
| Insurance Premium             | 38,660,473           | 34,550,406                | 11.9%           | 134,316,798            | 130,548,052                               | 2.9%            |
| Pari-Mutuel                   | 413,043              | 1,231,999                 | -66.5%          | 2,151,612              | 4,419,789                                 | -51.3%          |
| Race Track Admission          | 4,248                | 36,884                    | -88.5%          | 178,017                | 179,560                                   | -0.9%           |
| Sales and Use                 | 265,960,868          | 256,822,124               | 3.6%            | 2,858,089,425          | 2,761,154,444                             | 3.5%            |
| Wine Consumption              | 260,437              | 244,887                   | 6.3%            | 2,665,350              | 2,617,455                                 | 1.8%            |
| Wine Wholesale                | 1,464,746            | 1,340,746                 | 9.2%            | 14,252,360             | 13,702,343                                | 4.0%            |
| Telecommunications Tax        | 5,404,933            | 3,348,313                 | 61.4%           | 58,482,876             | 60,626,912                                | -3.5%           |
| Other Tobacco Products        | 1,771,716            | 1,897,197                 | -6.6%           | 19,079,126             | 19,740,223                                | -3.3%           |
| Floor Stock Tax               | 133                  | 1,095                     | -87.9%          | (2,113)                | 18,400                                    | ---             |
| License and Privilege         | \$25,616,458         | \$35,184,376              | -27.2%          | \$493,552,988          | \$560,903,698                             | -12.0%          |
| Alc. Bev. License Suspension  | 21,750               | 50,167                    | -56.6%          | 293,215                | 385,825                                   | -24.0%          |
| Coal Severance                | 17,297,523           | 18,798,805                | -8.0%           | 182,098,268            | 213,117,430                               | -14.6%          |
| Corporation License           | 20,915               | (78,027)                  | ---             | 803,054                | (293,985)                                 | ---             |
| Corporation Organization      | 848                  | 0                         | ---             | 39,169                 | 94,120                                    | -58.4%          |
| Occupational Licenses         | 43,589               | 16,510                    | 164.0%          | 177,713                | 85,973                                    | 106.7%          |
| Oil Production                | 1,511,175            | 1,257,068                 | 20.2%           | 11,959,012             | 9,916,777                                 | 20.6%           |
| Race Track License            | 5,425                | 40,000                    | -86.4%          | 253,800                | 258,586                                   | -1.9%           |
| Bank Franchise Tax            | 10,654               | 191,523                   | -94.4%          | 102,702,455            | 99,079,313                                | 3.7%            |
| Driver License Fees           | 52,956               | 53,897                    | -1.7%           | 580,778                | 579,215                                   | 0.3%            |
| Minerals Severance            | (1,254,224)          | 1,227,308                 | -202.2%         | 10,797,882             | 11,937,717                                | -9.5%           |
| Natural Gas Severance         | 2,264,275            | 1,173,175                 | 93.0%           | 16,752,110             | 13,041,394                                | 28.5%           |
| Limited Liability Entity      | 5,641,573            | 12,453,950                | -54.7%          | 167,095,532            | 212,701,333                               | -21.4%          |
| Income                        | \$348,593,561        | \$361,915,013             | -3.7%           | \$3,684,747,653        | \$3,595,710,886                           | 2.5%            |
| Corporation                   | (5,324,097)          | 339,956                   | ---             | 322,193,015            | 250,585,852                               | 28.6%           |
| Individual                    | 353,917,658          | 361,575,058               | -2.1%           | 3,362,554,638          | 3,345,125,034                             | 0.5%            |
| Property                      | \$24,240,968         | \$22,715,630              | 6.7%            | \$543,225,730          | \$554,911,858                             | -2.1%           |
| Building & Loan Association   | 627,935              | 1,321,437                 | -52.5%          | 633,688                | 1,330,855                                 | -52.4%          |
| General - Real                | 2,903,513            | 3,429,769                 | -15.3%          | 258,079,598            | 257,876,232                               | 0.1%            |
| General - Tangible            | 13,038,378           | 13,975,988                | -6.7%           | 213,464,455            | 209,999,209                               | 1.7%            |
| Omitted & Delinquent          | 4,181,583            | 3,792,157                 | 10.3%           | 15,439,269             | 32,346,165                                | -52.3%          |
| Public Service                | 3,488,742            | 196,279                   | ---             | 49,801,298             | 51,993,935                                | -4.2%           |
| Other                         | 816                  | 0                         | ---             | 5,807,422              | 1,365,461                                 | 325.3%          |
| Inheritance                   | \$4,839,152          | \$5,214,575               | -7.2%           | \$42,147,695           | \$37,124,609                              | 13.5%           |
| Miscellaneous                 | \$2,468,724          | \$2,770,687               | -10.9%          | \$27,119,680           | \$33,596,950                              | -19.3%          |
| Legal Process                 | 1,487,591            | 1,619,031                 | -8.1%           | 15,378,261             | 18,092,522                                | -15.0%          |
| T. V. A. In Lieu Payments     | 978,784              | 1,140,847                 | -14.2%          | 11,688,633             | 15,459,620                                | -24.4%          |
| Other                         | 2,349                | 10,809                    | ---             | 52,786                 | 44,809                                    | 17.8%           |
| <b>Nontax Receipts</b>        | <b>\$25,841,338</b>  | <b>\$36,168,660</b>       | <b>-28.6%</b>   | <b>\$292,558,291</b>   | <b>\$300,513,607</b>                      | <b>-2.6%</b>    |
| Departmental Fees             | 2,586,618            | 2,528,332                 | 2.3%            | 22,011,556             | 23,767,996                                | -7.4%           |
| PSC Assessment Fee            | 741                  | 50                        | 1382.8%         | 14,843,571             | 13,091,994                                | 13.4%           |
| Fines & Forfeitures           | 1,996,682            | 2,276,103                 | -12.3%          | 23,051,984             | 26,316,547                                | -12.4%          |
| Income on Investments         | (39,525)             | (353,089)                 | ---             | (947,200)              | 630,538                                   | ---             |
| Lottery                       | 22,000,000           | 20,000,000                | 10.0%           | 197,639,743            | 194,266,568                               | 1.7%            |
| Sale of NOx Credits           | 0                    | 9,688                     | -100.0%         | 87,304                 | 41,292                                    | 111.4%          |
| Miscellaneous                 | (703,179)            | 11,707,577                | ---             | 35,871,334             | 42,398,673                                | -15.4%          |
| Redeposit of State Funds      | \$252,068            | \$126,635                 | 99.1%           | \$1,844,428            | \$2,617,523                               | -29.5%          |

**2. ROAD FUND REVENUE**

|                              | <u>2014</u>          | <u>MAY</u><br><u>2013</u> | <u>% Change</u> | <u>FY 2014</u>         | <u>JULY THROUGH MAY</u><br><u>FY 2013</u> | <u>% Change</u> |
|------------------------------|----------------------|---------------------------|-----------------|------------------------|---|-----------------|
| <b>TOTAL STATE ROAD FUND</b> | <b>\$131,354,225</b> | <b>\$133,814,707</b>      | <b>-1.8%</b>    | <b>\$1,425,604,736</b> | <b>\$1,359,038,915</b>                    | <b>4.9%</b>     |
| Tax Receipts-                | \$131,071,492        | \$134,101,911             | -2.3%           | \$1,403,208,562        | \$1,338,375,409                           | 4.8%            |
| Sales and Gross Receipts     | \$106,880,586        | \$106,878,875             | 0.0%            | \$1,207,060,784        | \$1,145,529,016                           | 5.4%            |
| Motor Fuels Taxes            | 71,586,401           | 74,248,318                | -3.6%           | 809,068,084            | 762,639,385                               | 6.1%            |
| Motor Vehicle Usage          | 35,294,185           | 32,630,557                | 8.2%            | 397,992,700            | 382,889,631                               | 3.9%            |
| License and Privilege        | \$24,190,906         | \$27,223,036              | -11.1%          | \$196,147,778          | \$192,846,394                             | 1.7%            |
| Motor Vehicles               | 8,191,417            | 10,598,755                | -22.7%          | 94,167,014             | 92,771,026                                | 1.5%            |
| Motor Vehicle Operators      | 1,263,927            | 1,356,428                 | -6.8%           | 14,820,726             | 14,657,171                                | 1.1%            |
| Weight Distance              | 13,876,872           | 14,283,823                | -2.8%           | 76,305,448             | 73,899,981                                | 3.3%            |
| Truck Decal Fees             | 213,572              | 288,137                   | -25.9%          | 474,966                | 558,965                                   | -15.0%          |
| Other Special Fees           | 645,117              | 695,892                   | -7.3%           | 10,379,624             | 10,959,250                                | -5.3%           |
| Nontax Receipts              | \$2,148,464          | (\$373,282)               | ---             | \$20,150,538           | \$18,547,212                              | 8.6%            |
| Departmental Fees            | 992,770              | 915,304                   | 8.5%            | 14,859,491             | 15,235,031                                | -2.5%           |
| In Lieu of Traffic Fines     | 48,363               | 60,031                    | -19.4%          | 498,963                | 648,744                                   | -23.1%          |
| Income on Investments        | 1,031,942            | (1,407,008)               | ---             | 4,046,184              | 2,199,703                                 | 83.9%           |
| Miscellaneous                | 75,389               | 58,391                    | 29.1%           | 745,901                | 463,734                                   | 60.8%           |
| Redeposit of State Funds     | (\$1,865,731)        | \$86,078                  | ---             | \$2,245,636            | \$2,116,293                               | 6.1%            |

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