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General Fund Receipts Exceed Estimates by \$49.0 Million for FY 2016
Road Fund Receipts Exceed Estimates by \$36.6 Million for FY 2016
General Fund receipts rose 1.9 percent in June
Road Fund receipts rose 9.5 percent in June

FRANKFORT, Ky. (Monday, July 11, 2016) State Budget Director John Chilton reported today that Kentucky's General Fund receipts rose for the sixth consecutive year and topped \$10 billion for the first time ever. For the fiscal year that ended June 30, 2016 (FY16), General Fund receipts totaled \$10,338.9 million, or 3.7 percent more than FY15 collections. Final FY16 General Fund revenues were \$49.0 million, or 0.5 percent, more than the official revenue estimate which projected 3.2 percent growth.

John Chilton was pleased with the revenue total and expressed optimism that the Commonwealth is making strides toward a sounder budgetary picture. "The Consensus Forecasting Group (CFG) continued to accurately forecast General Fund collections. Fiscal Year 2016 receipts were within 0.5 percent of their forecasted level. This marks the eighth time in the last 10 years in which receipts were within 1.0 percent of the estimated level, said Chilton. "We have now closed the books on revenues and will close the books on the expenditure side later this month. The disposition of the revenue surplus will be made at that time as revenues are counterbalanced with the annual expenditures. In general I am quite pleased at the pace in which we have tackled major budgetary issues, like pensions, while remaining balanced at the end of the fiscal year."

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Revenue collections increased in all four quarters of the fiscal year. However, the rate of growth slowed to less than one percent in the fourth quarter after growing 5.0 percent through the first three quarters. Growth rates for the four quarters were 4.5 percent, 3.5 percent, 7.2 percent and 0.6 percent.

A summary of General Fund collections for FY16 and FY15 is shown in Table 1.

Table 1
Summary of General Fund Receipts
FY16 and FY15

| | <u>Actual</u> <u>FY16</u> | <u>Actual</u> <u>FY15</u> | <u>Difference</u> <u>(\$ mil)</u> | <u>Difference</u> <u>(%)</u> |
|--------------------|--|--|--|---|
| Sales and Use | 3,462.7 | 3,267.3 | 195.4 | 6.0 |
| Individual Income | 4,282.1 | 4,069.5 | 212.6 | 5.2 |
| Corporation Income | 526.6 | 528.1 | -1.5 | -0.3 |
| LLET | 203.0 | 223.8 | -20.8 | -9.3 |
| Coal Severance | 120.6 | 180.3 | -59.7 | -33.1 |
| Cigarette Taxes | 224.3 | 220.9 | 3.4 | 1.5 |
| Property | 577.5 | 563.4 | 14.1 | 2.5 |
| Lottery | 241.8 | 221.5 | 20.3 | 9.2 |
| Other | <u>700.2</u> | <u>691.8</u> | <u>8.5</u> | <u>1.2</u> |
| TOTAL | 10,338.9 | 9,966.6 | 372.3 | 3.7 |

Individual Income Tax:

Individual income tax receipts posted the largest increase over FY15 levels, growing \$212.6 million. Withholding and declarations, the two largest components of the tax, together grew \$232.8 million. Net balances on returns and fiduciary showed small declines. Overall growth of 5.2 percent is lower than in the previous fiscal year but still robust. Growth rates for the four quarters were 6.0 percent, 3.5 percent, 14.3 percent and -0.1 percent.

Sales and Use Taxes:

Sales and use tax receipts grew \$195.4 million, or 6.0 percent in FY16. Growth in this account was the highest since FY06 as growth remained strong throughout the year. Quarterly growth rates were evenly distributed at 6.9 percent, 5.5 percent, 6.4 percent and 5.2 percent.

Tobacco Taxes:

Cigarette tax receipts reversed their long-run decline, growing \$3.4 million, or 1.5 percent. Fiscal Year 2016 marks the first increase in this account following five years of annual declines. Quarterly growth rates for the year were 1.5 percent, 4.6 percent, 3.3 percent and -2.7 percent.

Business Taxes:

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

The limited liability entity tax (LLET) declined \$20.8 million, or 9.3 percent, from last year. Weakness in this account was constant throughout the year. Growth rates for the four quarters were 0.5 percent, -7.9 percent, -15.7 percent and -11.5 percent.

Coal Severance Taxes:

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

Property Taxes:

Property tax receipts increased 2.5 percent or \$14.1 million in FY16. Collections on real property, the largest account, grew 3.4 percent which is the most since FY08. Tangible personal property, the other significant account, increased 5.0 percent. Growth rates for the four quarters were 4.9 percent, 2.4 percent, 2.4 percent and 1.8 percent.

Lottery and Other Revenues:

Collections from the Kentucky Lottery Corporation grew 9.2 percent, or \$20.3 million, to post a total dividend to the Commonwealth of \$241.8 million. Lottery receipts were 9.8 million greater than estimated due to strength in draw games, such as the Powerball, and instant tickets. The “other” category (which includes multiple miscellaneous taxes and fees such as investment income, bank franchise taxes, and insurance premium taxes) increased 1.2 percent or \$8.5 million. Quarterly growth rates for the “other” account were -11.1 percent, 8.4 percent, 0.5 percent and 8.1 percent.

Table 2 compares General Fund collections to the official revenue forecast. Actual receipts were \$49.0 million or 0.5 percent more than the official estimate.

Table 2
Summary of FY16 General Fund Receipts
Actual vs. Official Estimate

| | FY 16 | FY 16 | Difference | Difference |
|--------------------|-----------------|-----------------|-------------------|-------------------|
| | <u>Actual</u> | <u>Estimate</u> | <u>(\$ mil)</u> | <u>(%)</u> |
| Sales and Use | 3,462.7 | 3,420.5 | 42.2 | 1.2% |
| Individual Income | 4,282.1 | 4,233.5 | 48.6 | 1.1% |
| Corporation Income | 526.6 | 531.7 | -5.1 | -1.0% |
| LLET | 203.0 | 219.8 | -16.8 | -7.6% |
| Coal Severance | 120.6 | 138.4 | -17.8 | -12.9% |
| Cigarette Taxes | 224.3 | 225.8 | -1.5 | -0.7% |
| Property | 577.5 | 573.0 | 4.5 | 0.8% |
| Lottery | 241.8 | 232.0 | 9.8 | 4.2% |
| Other | <u>700.2</u> | <u>715.2</u> | <u>-15.0</u> | <u>-2.1%</u> |
| TOTAL | 10,338.9 | 10,289.9 | 49.0 | 0.5% |

For the year, all of the accounts were close to estimated totals with four revenue accounts exceeding forecasted values while five were below. The differences ranged from -\$17.8 million to \$48.6 million. The two largest revenue sources, sales and use and individual income, missed the estimate by just over 1 percent. The remaining seven accounts were below the official estimate by a combined \$41.8 million. On a percentage basis, all nine of the accounts were within 13 percent of the estimate; with six within 2.1 percent.

Sales and use tax receipts exceeded the estimate by 1.2 percent. The individual income tax was above the forecasted level by \$48.6 million, or 1.1 percent. Corporation income tax receipts were below forecasted levels by \$5.1 million, or 1.0 percent. Limited liability entity tax receipts were below forecasted level by \$16.8 million. Cigarette taxes were below the estimate by \$1.5 million. The coal severance tax was \$17.8 million percent below the official estimate while property taxes were 0.8 percent greater than forecasted. Lottery receipts exceeded the official forecast by 4.2 percent while all other taxes were 2.1 percent below the official estimate.

Road Fund

Road Fund revenues for FY16 totaled \$1,482.5 million, a decrease of 2.9 percent from the previous fiscal year. Total receipts were \$44.2 million less than FY15 levels as motor fuels tax receipts fell by over \$100 million. Motor vehicle usage tax collections were unexpectedly strong, exceeding the FY15 level by \$51.6 million. On net, the five remaining accounts increased \$4.4 million over FY15 levels.

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

Details of Road Fund collections for FY16 and FY15 are shown in Table 3.

Table 3
Summary of Road Fund Receipts
FY16 vs. FY15

| | Actual <u>FY16</u> | Actual <u>FY15</u> | Difference <u>(\$ mil)</u> | Difference <u>(%)</u> |
|------------------------|-------------------------------------|-------------------------------------|---|--|
| Motor Fuels | 750.0 | 850.3 | -100.2 | -11.8 |
| Motor Vehicle Usage | 484.4 | 432.8 | 51.6 | 11.9 |
| Motor Vehicle License | 113.1 | 107.6 | 5.6 | 5.2 |
| Motor Vehicle Operator | 16.3 | 16.0 | 0.4 | 2.3 |
| Weight Distance | 81.4 | 79.1 | 2.2 | 2.8 |
| Investment Income | 2.4 | 2.9 | -0.5 | -15.3 |
| Other | <u>34.9</u> | <u>38.1</u> | <u>-3.2</u> | <u>-8.5</u> |
| TOTAL | 1,482.5 | 1,526.7 | -44.2 | -2.9 |

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

Motor vehicle usage taxes grew \$51.6 million, or 11.9 percent, in FY16 to reach an all-time high. Growth rates for the four quarters were 7.5 percent, 24.7 percent, 3.8 percent and 12.8 percent.

Motor vehicle license receipts grew \$5.6 million while motor vehicle operators' receipts rose by \$400,000. Investment income declined \$500,000 and "other" income fell \$3.2 million.

Road Fund collections for FY16 exceeded the official consensus estimate by \$36.6 million, or 2.5 percent, as shown in Table 4. It is the eighth time in the past 10 years that Road Fund revenues have been within 2.5 percent of the official estimate.

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Table 4
Summary of FY16 Road Fund Receipts
Actual vs. Official Estimate

| | FY 16 | FY 16 | Difference | Difference |
|-------------------------|----------------------|------------------------|------------------------|-------------------|
| | <u>Actual</u> | <u>Estimate</u> | <u>(\$ mil)</u> | <u>(%)</u> |
| Motor Fuels | 750.0 | 742.9 | 7.1 | 1.0 |
| Motor Vehicle Usage | 484.4 | 463.1 | 21.3 | 4.6 |
| Motor Vehicle License | 113.1 | 107.9 | 5.2 | 4.8 |
| Motor Vehicle Operators | 16.3 | 16.2 | 0.1 | 0.8 |
| Weight Distance | 81.4 | 79.9 | 1.5 | 1.8 |
| Investment Income | 2.4 | 1.2 | 1.2 | 101.4 |
| Other | <u>34.9</u> | <u>34.7</u> | <u>0.2</u> | <u>0.5</u> |
| TOTAL | 1,482.5 | 1,445.9 | 36.6 | 2.5 |

All seven of the forecasted Road Fund accounts were above estimated levels. The motor vehicle usage tax had the largest error. It was \$21.3 million, or 4.6 percent, over the official estimate. Motor fuels receipts had the second largest error (in dollar terms) exceeding the estimate by \$7.1 million or 1.0 percent. All other accounts, taken together, were \$8.2 million over forecasted levels. As with the General Fund, the Road Fund ending balance for FY16 will be determined later in July.

KENTUCKY STATE GOVERNMENT REVENUE
1. GENERAL FUND REVENUE

| | JUNE | | | JULY THROUGH JUNE | | |
|-------------------------------|------------------------|------------------------|---------------|-------------------------|------------------------|-------------|
| | 2016 | 2015 | % Change | FY 2016 | FY 2015 | % Change |
| TOTAL GENERAL FUND | \$1,042,036,869 | \$1,022,600,609 | 1.9% | \$10,338,884,795 | \$9,966,630,897 | 3.7% |
| Tax Receipts | \$983,833,360 | \$996,361,303 | -1.3% | \$9,988,342,493 | \$9,637,987,521 | 3.6% |
| Sales and Gross Receipts | \$356,146,096 | \$333,565,871 | 6.8% | \$4,062,700,416 | \$3,854,700,860 | 5.4% |
| Beer Consumption | 704,947 | 493,838 | 42.7% | 6,557,744 | 6,071,389 | 8.0% |
| Beer Wholesale | 5,662,201 | 5,125,837 | 10.5% | 61,161,655 | 57,570,011 | 6.2% |
| Cigarette | 19,434,147 | 17,582,554 | 10.5% | 224,303,658 | 220,902,529 | 1.5% |
| Distilled Spirits Case Sales | 11,632 | 10,294 | 13.0% | 136,488 | 132,802 | 2.8% |
| Distilled Spirits Consumption | 1,081,156 | 965,544 | 12.0% | 12,823,273 | 12,468,749 | 2.8% |
| Distilled Spirits Wholesale | 3,329,266 | 2,796,566 | 19.0% | 38,886,865 | 36,471,357 | 6.6% |
| Insurance Premium | 19,347,840 | 9,730,949 | 98.8% | 145,250,375 | 146,480,663 | -0.8% |
| Pari-Mutuel | 721,668 | 279,433 | 158.3% | 4,993,574 | 2,964,884 | 68.4% |
| Race Track Admission | 33,927 | 0 | --- | 229,316 | 155,426 | 47.5% |
| Sales and Use | 296,909,534 | 288,070,332 | 3.1% | 3,462,704,116 | 3,267,331,025 | 6.0% |
| Wine Consumption | 238,042 | 213,576 | 11.5% | 3,102,163 | 2,912,784 | 6.5% |
| Wine Wholesale | 1,398,058 | 1,185,015 | 18.0% | 16,583,413 | 16,323,658 | 1.6% |
| Telecommunications Tax | 5,446,645 | 5,351,063 | 1.8% | 64,681,001 | 63,575,235 | 1.7% |
| Other Tobacco Products | 1,827,034 | 1,757,626 | 3.9% | 21,278,667 | 21,328,845 | -0.2% |
| Floor Stock Tax | 0 | 3,243 | -100.0% | 8,108 | 11,502 | -29.5% |
| License and Privilege | \$946,331 | \$249,195 | 279.8% | \$111,094,998 | \$101,926,283 | 9.0% |
| Alc. Bev. License Suspension | 32,700 | 55,525 | -41.1% | 480,675 | 450,542 | 6.7% |
| Corporation License | 52,290 | 9,060 | 477.1% | 135,698 | 188,600 | -28.0% |
| Corporation Organization | 35,575 | 45,766 | -22.3% | 136,720 | 186,635 | -26.7% |
| Occupational Licenses | 60,267 | 57,648 | 4.5% | 289,193 | 202,297 | 43.0% |
| Race Track License | 40,000 | 0 | --- | 324,375 | 247,766 | 30.9% |
| Bank Franchise Tax | 669,621 | 29,614 | 2161.2% | 109,049,728 | 99,990,669 | 9.1% |
| Driver License Fees | 55,879 | 51,582 | 8.3% | 678,609 | 659,776 | 2.9% |
| Natural Resources | \$9,430,250 | \$15,451,134 | -39.0% | \$149,405,137 | \$220,613,349 | -32.3% |
| Coal Severance | 7,249,032 | 13,033,115 | -44.4% | 120,610,311 | 180,283,352 | -33.1% |
| Oil Production | 393,681 | 637,446 | -38.2% | 4,748,862 | 9,840,015 | -51.7% |
| Minerals Severance | 1,537,478 | 1,308,858 | 17.5% | 17,596,331 | 15,128,385 | 16.3% |
| Natural Gas Severance | 250,059 | 471,715 | -47.0% | 6,449,632 | 15,361,597 | -58.0% |
| Income | \$593,582,786 | \$621,153,899 | -4.4% | \$5,011,709,475 | \$4,821,410,590 | 3.9% |
| Corporation | 161,725,157 | 194,211,760 | -16.7% | 526,637,870 | 528,118,737 | -0.3% |
| Individual | 390,745,439 | 384,528,564 | 1.6% | 4,282,080,975 | 4,069,500,570 | 5.2% |
| Limited Liability Entity | 41,112,190 | 42,413,575 | -3.1% | 202,990,630 | 223,791,283 | -9.3% |
| Property | \$16,841,056 | \$18,157,339 | -7.2% | \$577,548,052 | \$563,435,472 | 2.5% |
| Building & Loan Association | 1,630,246 | 1,394,771 | 16.9% | 2,191,706 | 1,482,051 | 47.9% |
| General - Real | 43,031 | 97,480 | -55.9% | 268,087,934 | 259,228,298 | 3.4% |
| General - Tangible | 10,607,081 | 10,466,960 | 1.3% | 237,464,692 | 226,137,118 | 5.0% |
| Omitted & Delinquent | 2,247,533 | 5,437,876 | -58.7% | 11,991,240 | 16,237,196 | -26.1% |
| Public Service | 2,308,331 | 760,252 | 203.6% | 56,210,797 | 58,864,760 | -4.5% |
| Other | 4,834 | 0 | --- | 1,601,684 | 1,486,050 | 7.8% |
| Inheritance Tax | \$4,821,453 | \$5,781,879 | -16.6% | \$51,247,149 | \$50,975,858 | 0.5% |
| Miscellaneous | 2,065,387 | 2,001,985 | 3.2% | 24,637,267 | 24,925,107 | -1.2% |
| Legal Process | 1,216,831 | 1,213,755 | 0.3% | 14,479,452 | 15,435,811 | -6.2% |
| T. V. A. In Lieu Payments | 848,556 | 784,225 | 8.2% | 10,119,811 | 9,452,432 | 7.1% |
| Other | 0 | 4,005 | -100.0% | 38,005 | 36,863 | 3.1% |
| Nontax Receipts | \$57,813,204 | \$26,217,872 | 120.5% | \$344,822,276 | \$326,949,419 | 5.5% |
| Departmental Fees | 3,103,349 | 3,141,685 | -1.2% | 21,891,588 | 22,036,475 | -0.7% |
| PSC Assessment Fee | 3,498,542 | 6,132,841 | -43.0% | 14,367,915 | 20,829,264 | -31.0% |
| Fines & Forfeitures | 1,644,588 | 1,988,275 | -17.3% | 21,204,392 | 22,771,487 | -6.9% |
| Income on Investments | 1,032,114 | 925,168 | 11.6% | 287,789 | 213,267 | 34.9% |
| Lottery | 32,500,000 | 20,500,000 | 58.5% | 241,778,429 | 221,500,000 | 9.2% |
| Sale of NOx Credits | 0 | 0 | --- | 0 | 27,594 | -100.0% |
| Miscellaneous | 16,034,611 | (6,470,097) | --- | 45,292,162 | 39,571,333 | 14.5% |
| Redeposit of State Funds | \$390,305 | \$21,434 | 1720.9% | \$5,720,026 | \$1,693,958 | 237.7% |

| | <u>JUNE</u> | | | <u>JULY THROUGH JUNE</u> | | |
|------------------------------|----------------------|----------------------|-----------------|--------------------------|------------------------|-----------------|
| | <u>2016</u> | <u>2015</u> | <u>% Change</u> | <u>FY 2016</u> | <u>FY 2015</u> | <u>% Change</u> |
| TOTAL STATE ROAD FUND | \$134,074,668 | \$122,456,984 | 9.5% | \$1,482,541,978 | \$1,526,738,659 | -2.9% |
| Tax Receipts- | \$130,012,619 | \$121,255,292 | 7.2% | 1,458,382,671 | \$1,501,667,661 | -2.9% |
| Sales and Gross Receipts | \$116,879,076 | \$107,716,751 | 8.5% | \$1,234,432,155 | \$1,283,046,179 | -3.8% |
| Motor Fuels Taxes | 68,739,706 | 70,280,024 | -2.2% | 750,034,840 | 850,276,246 | -11.8% |
| Motor Vehicle Usage | 48,139,370 | 37,436,728 | 28.6% | 484,397,314 | 432,769,932 | 11.9% |
| License and Privilege | \$13,133,543 | \$13,538,540 | -3.0% | \$223,950,517 | \$218,621,482 | 2.4% |
| Motor Vehicles | 10,087,178 | 8,300,532 | 21.5% | 113,114,908 | 107,554,129 | 5.2% |
| Motor Vehicle Operators | 1,388,564 | 1,262,374 | 10.0% | 16,331,496 | 15,958,491 | 2.3% |
| Weight Distance | 886,335 | 294,062 | 201.4% | 81,375,028 | 79,147,533 | 2.8% |
| Truck Decal Fees | 7,800 | 87,220 | -91.1% | 283,942 | 404,906 | -29.9% |
| Other Special Fees | 763,666 | 3,594,352 | -78.8% | 12,845,142 | 15,556,424 | -17.4% |
| Nontax Receipts | \$3,765,534 | \$1,491,234 | 152.5% | \$23,041,935 | \$22,358,605 | 3.1% |
| Departmental Fees | 2,625,797 | 1,213,754 | 116.3% | 19,308,449 | 17,766,834 | 8.7% |
| In Lieu of Traffic Fines | 39,880 | 54,546 | -26.9% | 427,255 | 465,304 | -8.2% |
| Income on Investments | 961,610 | 10,370 | 9172.6% | 2,468,620 | 2,913,784 | -15.3% |
| Miscellaneous | 138,246 | 212,564 | -35.0% | 837,611 | 1,212,683 | -30.9% |
| Redeposit of State Funds | \$296,515 | (\$289,543) | --- | 1,117,372 | 2,712,394 | -58.8% |

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