



Office of State Budget Director

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Matthew G. Bevin
Governor

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John E. Chilton
State Budget Director

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

January 12, 2016

Mr. Scott Brinkman
Secretary of the Executive Cabinet
Office of the Governor
State Capitol
Frankfort, Kentucky 40601

Mr. David Byerman
Director
Legislative Research Commission
Room 300, State Capitol
Frankfort, Kentucky 40601

Ms. Laurie Dudgeon
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Mr. Brinkman, Mr. Byerman and Ms. Dudgeon:

Pursuant to Kentucky Revised Statutes 48.120 (3), on or before the fifteenth legislative day, the Office of State Budget Director shall certify and present to the General Assembly the official revenue estimates made by the consensus forecasting group (CFG) for the General Fund and the Road Fund for the current and next two (2) fiscal years.

These estimates presented below were agreed upon at the December 16, 2015, meeting of the CFG. During the deliberations, the group discussed the state and national economies as well as the latest trends in Kentucky revenue receipts. Many scenarios were discussed and analyzed, but ultimately the "control", or baseline, scenario was adopted.

	General Fund	Road Fund	Tobacco MSA
FY16	\$10,289,900,000	\$1,445,900,000	\$88,100,000
FY17	\$10,617,200,000	\$1,456,900,000	\$87,000,000
FY18	\$10,875,500,000	\$1,478,200,000	\$92,800,000

The General Fund, Road Fund, and MSA Tobacco Fund estimates were prepared in cooperation with the Consensus Forecasting Group, and represent an agreement by the Group as to the most likely outcome for revenues in the upcoming four years. The Consensus Forecasting Group consists of individuals knowledgeable about the state and national economies and the revenue and financial conditions of the Commonwealth. Appointed jointly by State Budget Director and the Legislative Research Commission, the members are: Dr. Frank O'Connor (Chair), Dr. Bruce Johnson, Dr. Alan Bartley, Dr. James McCoy, Ms. Janet Harrah, Mr. David Sinclair. Major assistance was provided by the Office of State Budget Director: Gregory Harkenrider, Gene Zaparanick-Brown, Thomas Jones, Michael Jones, and Justin Tapp.

Please feel free to contact my office if you have any question regarding the material included in this packet.

Sincerely,

John E. Chilton
State Budget Director

SENATE MEMBERS

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December 17, 2015

John E. Chilton
 State Budget Director
 Office of the State Budget Director
 Room 284, Capitol Annex
 Frankfort, Kentucky 40601

Dear Mr. Chilton:

In accordance with KRS 48.120 and 48.115, the Consensus Forecasting Group (CFG) assembled on December 16, 2015 to consider revisions to the official revenue estimates for FY 2016 and to develop official revenue estimates for FY 2017 and FY 2018. The estimates adopted by the CFG during the December meeting are contained in the table below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>
2016	\$10,289,900,000	\$1,445,900,000
2017	\$10,617,200,000	\$1,456,900,000
2018	\$10,875,500,000	\$1,478,200,000

The FY 2016 General Fund estimate adopted by the CFG is \$222.7 million more than the FY 2016 enacted estimate (\$10,067.2 million). The FY 2016 Road Fund estimate adopted by the CFG is \$112.5 million less than the FY 2016 enacted estimate (\$1,558.4 million). A summary of the General Fund and Road Fund estimates by tax category are included in Attachment A and Attachment B. Detailed tables of the revenue estimates by tax category are included in Attachment C and Attachment D.

In addition to providing estimates for the General Fund and the Road Fund, the CFG provides estimates of the receipts the Commonwealth may receive from the Phase I Tobacco Master Settlement Agreement (MSA). The figures below represent the MSA estimates adopted by the CFG at the December 16, 2015 meeting and are not included in the General Fund totals.

<u>Fiscal Year</u>	<u>MSA Revenue</u>
2016	\$88,100,000
2017	\$87,000,000
2018	\$92,800,000

The FY 2016 MSA estimate is \$15.7 million more than the FY 2016 MSA enacted estimate adopted by the CFG in December 2013 (\$72.4 million). The FY 2016 MSA enacted estimate recognized the 2016 MSA payment could be impacted by the final resolution of the 2004 NPM adjustment. In June 2014, the Commonwealth reached a settlement on the NPM issue for certain MSA payment years, which reduced the likelihood of an NPM adjustment in FY 2016. As a result, the MSA estimate for FY 2016 was increased by the Consensus Forecasting Group at the December 2015 meeting.

In summary, the General Fund, Road Fund and MSA revenue estimates adopted by the Consensus Forecasting Group represent an agreement among the members as to the most likely outcome for revenues for the next fiscal year and the upcoming biennium, given the information available on December 16, 2015.

Sincerely,



Frank O'Connor
Chairman, Consensus Forecasting Group
Professor of Economics
Eastern Kentucky University

General Fund
GOEA Control Forecast FY16 - FY18
(Millions of Dollars)
December 2015

<u>CFG Official Estimate</u>	<u>FY15</u>		<u>FY16</u>		<u>FY17</u>		<u>FY18</u>	
	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Individual Income	4,069.5	8.5	4,233.5	4.0	4,411.1	4.2	4,588.6	4.0
Sales and Use	3,267.3	4.3	3,420.5	4.7	3,539.8	3.5	3,638.4	2.8
Property	563.4	0.2	573.0	1.7	585.2	2.1	598.7	2.3
Corporation Income	528.1	11.2	531.7	0.7	579.4	9.0	553.1	-4.5
LLET	223.8	12.3	219.8	-1.8	223.7	1.8	221.6	-0.9
Coal Severance	180.3	-8.7	138.4	-23.2	120.7	-12.8	107.6	-10.9
Cigarette	220.9	-3.2	225.8	2.2	222.5	-1.5	220.5	-0.9
Lottery	221.5	0.9	232.0	4.7	236.0	1.7	241.0	2.1
Other	691.8	-1.0	715.2	3.4	698.8	-2.3	706.0	1.0
Total General Fund	9,966.6	5.3	10,289.9	3.2	10,617.2	3.2	10,875.5	2.4

Road Fund
GOEA Control Forecast FY16 - FY18
(Millions of Dollars)
December 2015

<u>Control Forecast</u>	FY15		FY16		FY17		FY18	
	<u>Actual</u>	<u>%Chg</u>	<u>Estimate</u>	<u>%Chg</u>	<u>Estimate</u>	<u>%Chg</u>	<u>Estimate</u>	<u>%Chg</u>
Motor Fuels	850.3	-4.0	742.9	-12.6	747.3	0.6	749.8	0.3
Motor Vehicle Usage	432.8	-2.3	463.1	7.0	469.5	1.4	485.7	3.5
Motor Vehicle License	107.6	5.6	107.9	0.3	105.0	-2.6	105.6	0.6
Motor Vehicle Operators	16.0	-1.2	16.2	1.5	16.1	-0.6	16.3	1.2
Weight Distance	79.1	2.9	79.9	1.0	82.1	2.8	83.8	2.1
Investment	2.9	-27.1	1.2	-58.8	1.4	16.7	1.5	7.1
Other	38.1	18.0	34.7	-8.9	35.5	2.2	35.5	0.0
Total Road Fund	1,526.7	-2.2	1,445.9	-5.3	1,456.9	0.8	1,478.2	1.5