



Office of State Budget Director

284 Capitol Annex, 702 Capitol Avenue
Frankfort, Kentucky 40601

Steven L. Beshear
Governor

(502) 564-7300
Internet: osbd.ky.gov

Jane C. Driskell
State Budget Director

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

October 16, 2015

Mr. David Byerman
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. Byerman & Ms. Dudgeon:

Pursuant to Kentucky Revised Statutes (KRS) 48.120 (1) and KRS 48.115, by October 15 of each odd-numbered year, the Office of State Budget Director, in conjunction with the consensus forecasting group (CFG), shall provide preliminary detailed revenue estimates to each branch of government. The attachments to this letter present these preliminary estimates for your review.

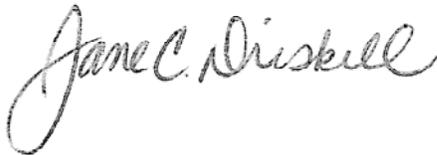
A summary of the detailed revenue estimates is provided below. The FY 2016 General Fund estimate adopted by the CFG is \$242.3 million more than the FY 2016 official enacted estimate of \$10,067.2 million. A primary reason for the improved General Fund forecast is due to the fact that FY 2015 General Fund receipts exceeded the forecasted level by \$165.4 million. The FY 2016 Road Fund estimate adopted by the CFG is \$124.8 million less than the FY 2016 official enacted estimate of \$1,558.4 million. The FY 2016 Road Fund estimate was reduced primarily due to a revision in forecasted motor fuels tax receipts.

	General Fund	Road Fund	Tobacco MSA
FY16	\$10,309,500,000	\$1,433,600,000	\$88,300,000
FY17	\$10,609,100,000	\$1,437,400,000	\$87,300,000
FY18	\$10,868,100,000	\$1,462,300,000	\$85,700,000

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 current fiscal year and upcoming biennium. 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 Zapanick-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,

A handwritten signature in cursive script that reads "Jane C. Driskell". The signature is written in dark ink and is positioned above the typed name and title.

Jane C. Driskell
State Budget Director

c: Governor Steven L. Beshear

Attachments

SENATE MEMBERS

Robert Stivers
President, LRC Co-Chair
David Givens
President Pro Tem
Damon Thayer
Majority Floor Leader
Ray S. Jones II
Minority Floor Leader
Dan "Malano" Seum
Majority Caucus Chair
Gerald A. Neal
Minority Caucus Chair
Jimmy Higdon
Majority Whip
Julian M. Carroll
Minority Whip

LEGISLATIVE RESEARCH COMMISSION

State Capitol 700 Capitol Avenue Frankfort KY 40601

502-564-8100

Capitol Fax 502-564-2922
Annex Fax 502-564-6543
lrc.ky.gov

David A. Byerman
Director

HOUSE MEMBERS

Gregory D. Stumbo
Speaker, LRC Co-Chair
Jody Richards
Speaker Pro Tem
Rocky Adkins
Majority Floor Leader
Jeff Hoover
Minority Floor Leader
Sannie Overly
Majority Caucus Chair
Stan Lee
Minority Caucus Chair
Johnny Bell
Majority Whip
Jim DeCesare
Minority Whip

October 15, 2015

Jane C. Driskell
State Budget Director
Office of the State Budget Director
Room 284, Capitol Annex
Frankfort, Kentucky 40601

Dear Ms. Driskell:

In accordance with KRS 48.120 and 48.115, the Consensus Forecasting Group (CFG) assembled on October 13, 2015 to consider preliminary revisions to the official revenue estimates for FY 2016 and to develop preliminary revenue estimates for FY 2017 and FY 2018. The preliminary estimates adopted by the CFG during the October 2015 meeting are contained in the table below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>
2016	\$10,309,500,000	\$1,433,600,000
2017	\$10,609,100,000	\$1,437,400,000
2018	\$10,868,100,000	\$1,462,300,000

The FY 2016 General Fund estimate adopted by the CFG is \$242.3 million more than the FY 2016 official enacted estimate. A primary reason for the improved General Fund forecast is due to the fact that FY 2015 General Fund receipts exceeded the forecasted level by \$165.4 million. The FY 2016 Road Fund estimate adopted by the CFG is \$124.8 million less than the FY 2016 official enacted estimate. The FY 2016 Road Fund estimate was reduced primarily due to a revision in forecasted motor fuels tax receipts. The FY 2016 General Fund and Road Fund estimates adopted by the CFG on October 13, 2015 are preliminary and do not represent an official revision to the FY 2016 revenue estimates.

In addition to providing estimates for the General Fund and the Road Fund, the Consensus Forecasting Group provides estimates of the receipts the Commonwealth may receive from the Phase I Tobacco Master Settlement Agreement (MSA). The figures below represent the MSA revenue estimates adopted by the CFG at the October 2015 meeting and are not included in the General Fund totals. The FY 2016 MSA estimate adopted by the CFG incorporates the effects of

the June 2014 Non-Participating Manufacturers settlement. As a result, the FY 2016 MSA estimate has been increased by \$15.9 million when compared to the FY 2016 MSA estimate that was adopted by the CFG on December 19, 2013.

<u>Fiscal Year</u>	<u>MSA Revenue</u>
2016	\$88,300,000
2017	\$87,300,000
2018	\$85,700,000

In summary, the General Fund, Road Fund, and MSA revenue estimates adopted by the Consensus Forecasting Group represent an agreement as to the most likely outcome for revenues for the current fiscal year and the upcoming biennium, given the information available on October 13, 2015. In the coming months, the CFG will have an opportunity to revisit the General Fund, Road Fund, and MSA estimates, and will provide the official revenue estimates on or before the fifteenth legislative day of the 2016 Regular Session of the General Assembly as required by KRS 48.120.

Sincerely,



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

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

<u>October Control</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	4,258.0	4.6	4,412.2	3.6	4,560.2	3.4
Sales and Use	3,267.3	4.3	3,422.0	4.7	3,540.2	3.5	3,657.6	3.3
Property	563.4	0.2	573.0	1.7	585.2	2.1	598.7	2.3
Corporation Income	528.1	11.2	536.3	1.6	577.2	7.6	556.4	-3.6
LLET	223.8	12.3	219.8	-1.8	223.7	1.8	221.6	-0.9
Coal Severance	180.3	-8.7	139.9	-22.4	123.6	-11.7	115.3	-6.7
Cigarette	220.9	-3.2	215.3	-2.5	209.6	-2.6	205.7	-1.9
Lottery	221.5	0.9	232.0	4.7	236.0	1.7	241.0	2.1
Other	691.8	-1.0	713.2	3.1	701.3	-1.7	711.6	1.5
Total General Fund	9,966.6	5.3	10,309.5	3.4	10,609.0	2.9	10,868.1	2.4

<u>August Control</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	4,243.6	4.3	4,355.0	2.6	4,496.0	3.2
Sales and Use	3,267.3	4.3	3,377.7	3.4	3,523.0	4.3	3,656.9	3.8
Property	563.4	0.2	573.0	1.7	585.2	2.1	598.7	2.3
Corporation Income	528.1	11.2	568.1	7.6	597.6	5.2	593.8	-0.6
LLET	223.8	12.3	219.8	-1.8	223.7	1.8	221.6	-0.9
Coal Severance	180.3	-8.7	144.4	-19.9	135.2	-6.4	127.8	-5.5
Cigarette	220.9	-3.2	214.6	-2.9	207.6	-3.3	201.3	-3.0
Lottery	221.5	0.9	232.0	4.7	236.0	1.7	241.0	2.1
Other	691.8	-1.0	713.2	3.1	701.3	-1.7	728.4	3.9
Total General Fund	9,966.6	5.3	10,286.4	3.2	10,564.6	2.7	10,865.5	2.8

<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Individual Income	14.4	57.2	64.2
Sales and Use	44.3	17.2	0.7
Property	-	-	-
Corporation Income	(31.8)	(20.4)	(37.4)
LLET	-	-	-
Coal Severance	(4.5)	(11.6)	(12.5)
Cigarette	0.7	2.0	4.4
Lottery	-	-	-
Other	-	-	(16.8)
Total General Fund	23.1	44.4	2.6

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

<u>Control Forecast</u>	<u>FY15</u>		<u>FY16</u>		<u>FY17</u>		<u>FY18</u>	
	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Motor Fuels	850.3	-4.0	743.1	-12.6	747.4	0.6	749.9	0.3
Motor Vehicle Usage	432.8	-2.3	455.3	5.2	450.9	-1.0	470.3	4.3
Motor Vehicle License	107.6	5.6	104.2	-3.1	105.1	0.9	105.6	0.5
Motor Vehicle Operators	16.0	-1.2	16.1	0.9	16.0	-0.6	16.2	1.3
Weight Distance	79.1	2.9	79.7	0.7	82.1	3.0	84.5	2.9
Investment	2.9	-27.1	1.5	-48.5	1.5	0.0	1.5	0.0
Other	38.1	18.0	33.7	-11.6	34.4	2.1	34.3	-0.3
Total Road Fund	1,526.7	-2.2	1,433.6	-6.1	1,437.4	0.3	1,462.3	1.7

August Control Forecast

Motor Fuels	738.3	742.6	745.8
Motor Vehicle Usage	444.1	459.3	486.4
Motor Vehicle License	104.9	106.3	107.6
Motor Vehicle Operators	16.2	16.3	16.2
Weight Distance	78.6	81.3	83.1
Investment	1.5	1.5	6.5
Other	35.6	36.4	35.4
Total Road Fund	1,419.2	1,443.7	1,481.0

Difference

Motor Fuels	4.8	4.8	4.1
Motor Vehicle Usage	11.2	(8.4)	(16.1)
Motor Vehicle License	(0.7)	(1.2)	(2.0)
Motor Vehicle Operators	(0.1)	(0.3)	-
Weight Distance	1.1	0.8	1.4
Investment	-	-	(5.0)
Other	(1.9)	(2.0)	(1.1)
Total Road Fund	14.4	(6.3)	(18.7)