



Office of State Budget Director

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John T. Hicks
State Budget Director

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

October 25, 2021

Mr. J. Michael Brown
Secretary of the Governor's Cabinet
Office of the Governor
Frankfort, Kentucky 40601

Mr. Jay Hartz
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 Secretary Brown, Mr. Hartz and Ms. Dudgeon:

Pursuant to Kentucky Revised Statutes 48.120(2), the Office of State Budget Director is providing the preliminary revenue estimates made by the Consensus Forecasting Group (CFG), for the General Fund and Road Fund, for the current and next two fiscal years, including explanatory statements, and a comparative record of the actual revenues of these funds for each of the last two years concluded.

The CFG met on October 14, 2021, to reach a consensus on the most probable economic and revenue outlook for fiscal years (FY) 2022 through 2024. A letter with attachments from Dr. Frank O'Connor, Chairman of the CFG, memorializes the preliminary revenue estimates decided by the CFG at the October meeting.

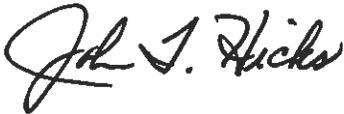
Detailed revenue estimates are attached to this letter. The preliminary revenue estimates were based on the September 2021 control, or baseline, forecast from IHS Markit. When these national economic assumptions were used in the Kentucky Macro Model, a forecast of the state economy was also produced.

Mr. Brown, Mr. Hartz, Ms. Dudgeon
October 25, 2021
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The preliminary revenue estimates are not official estimates and do not constitute revisions to the enacted official estimates from the 2021 regular session of the General Assembly. For comparison purposes, the official enacted General Fund estimate for FY22 is \$11,849.8 million. The preliminary estimate for FY22 equaled \$13,556.6 million, which is \$1,706.8 million higher than the official estimate.

The CFG will meet in December to reach a consensus on the official estimates for FY2022 through 2024 pursuant to KRS 48.120(3).

Sincerely,

A handwritten signature in black ink that reads "John T. Hicks". The signature is written in a cursive, flowing style.

John T. Hicks
State Budget Director

Copy with attachments to:

Senator Robert Stivers, Senate President
Representative David Osborne, Speaker of the House
Senator Chris McDaniel, Chair, Interim Joint Committee on A&R
Representative Jason Petrie, Chair, Interim Joint Committee on A&R

SENATE MEMBERS

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Dennis Parrett
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Jay D. Hartz
Director

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Minority Caucus Chair

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Majority Whip

Angie Hatton
Minority Whip

October 15, 2021

John Hicks
State Budget Director
Office of the State Budget Director
Room 284, Capitol Annex
Frankfort, Kentucky 40601

Dear Mr. Hicks:

In accordance with KRS 48.120 and 48.115, the Consensus Forecasting Group (CFG) met on October 14, 2021, to adopt the preliminary revenue estimates for FY 2022, FY 2023, and FY 2024. The preliminary General Fund and Road Fund estimates adopted by the CFG during the October 14, 2021, meeting are contained in the table below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>
2022	\$13,556,600,000	\$1,689,700,000
2023	\$13,722,200,000	\$1,660,900,000
2024	\$14,189,600,000	\$1,649,900,000

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 estimates below represent the MSA revenue estimates adopted by the CFG at the October 14, 2021, meeting and are not included in the General Fund totals.

<u>Fiscal Year</u>	<u>MSA Revenue</u>
2022	\$109,800,000
2023	\$105,600,000
2024	\$97,200,000

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 14, 2021. On or before the fifteenth legislative day of the 2022 Regular Session, the CFG will re-examine the General Fund, Road Fund, and MSA estimates and will provide your office with the official revenue estimates for the current fiscal year and the upcoming biennium.

Sincerely,

A handwritten signature in blue ink that reads "Frank O'Connor". The signature is written in a cursive style with a large initial "F" and "O".

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

General Fund
GOEA Blend Forecast FY22 - FY24
(Millions of Dollars)
October 2021

Control Weight:	100%
Optimistic Weight	0%
Pessimistic Weight:	0%

Blended Estimate	FY20		FY21		FY22		FY23		FY24	
	Actual	%Chg	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Individual Income	4,765.2	4.9	5,143.8	7.9	5,272.7	2.5	5,453.1	3.4	5,648.3	3.6
Sales & Use	4,070.9	3.4	4,561.0	12.0	4,884.3	7.1	5,118.8	4.8	5,294.8	3.4
Corp. Inc. & LLET	639.2	-16.2	882.8	38.1	976.8	10.6	902.3	-7.6	947.8	5.0
Property	643.0	-0.6	702.5	9.3	711.0	1.2	735.7	3.5	759.9	3.3
Lottery	271.4	2.8	289.1	6.5	319.3	10.4	335.0	4.9	347.0	3.6
Cigarettes	355.0	0.4	349.9	-1.4	341.1	-2.5	334.3	-2.0	326.6	-2.3
Coal Severance	58.8	-36.7	56.1	-4.6	64.1	14.3	76.6	19.5	75.2	-1.8
Other	763.1	-3.5	842.2	10.4	987.3	17.2	766.5	-22.4	790.1	3.1
Total General Fund	11,566.6	1.5	12,827.4	10.9	13,556.6	5.7	13,722.2	1.2	14,189.6	3.4
Without Settlement					13,331.6	3.93%		2.93%		

CFG August Estimate	FY20		FY21		FY22		FY23		FY24	
	Estimate	%Chg	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Individual Income			5,143.8	7.9	5,189.2	0.9	5,362.1	3.3	5,564.8	3.8
Sales & Use			4,561.0	12.0	4,780.9	4.8	4,871.0	1.9	5,036.0	3.4
Corp. Inc. & LLET			882.8	38.1	751.6	-14.9	760.4	1.2	859.0	13.0
Property			702.5	9.3	711.0	1.2	735.7	3.5	759.9	3.3
Lottery			289.1	6.5	319.3	10.4	335.0	4.9	347.0	3.6
Cigarettes			349.9	-1.4	342.1	-2.2	335.8	-1.8	329.6	-1.8
Coal Severance			56.1	-4.6	67.7	20.7	61.0	-9.9	59.1	-3.1
Other			842.2	10.4	778.7	-7.5	779.6	0.1	802.7	3.0
Total General Fund			12,827.4	10.9	12,940.5	0.9	13,240.6	2.3	13,758.1	3.9

Difference			
Individual Income	-	83.5	91.0
Sales & Use	-	103.4	247.8
Corp. Inc. & LLET	-	225.2	141.9
Property	-	-	-
Lottery	-	-	-
Cigarettes	-	(1.0)	(1.6)
Coal Severance	-	(3.6)	15.6
Other	-	208.6	(13.1)
Total General Fund	-	616.1	481.6

Road Fund
GOEA Control Forecast FY22 - FY24
(Millions of Dollars)
October 2021

<u>Control Forecast</u>	<u>FY20</u>		<u>FY21</u>		<u>FY22</u>		<u>FY23</u>		<u>FY24</u>	
	Actual	%Chg	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Motor Fuels	741.6	-4.1	748.4	0.9	787.2	5.2	796.9	1.2	805.7	1.1
Motor Vehicle Usage	499.3	-3.0	620.9	24.4	631.4	1.7	586.3	-7.1	558.4	-4.8
Motor Vehicle License	108.6	-10.2	125.5	15.5	115.7	-7.8	118.2	2.2	119.7	1.3
Motor Vehicle Operators	12.9	-22.2	22.1	70.8	25.1	13.7	26.8	6.8	28.1	4.9
Weight Distance	83.4	-0.4	83.2	-0.2	88.5	6.4	90.6	2.4	92.9	2.5
Investment	6.7	-43.9	-0.1	NA	0.1	-184.7	0.1	0.0	2.0	1900.0
Other	39.0	-13.6	42.5	8.8	41.7	-1.8	42.0	0.7	43.1	2.6
Total Road Fund	1,491.5	-4.8	1,642.3	10.1	1,689.7	2.9	1,660.9	-1.7	1,649.9	-0.7

August Estimate

Motor Fuels	782.9	812.5	835.3
Motor Vehicle Usage	636.5	612.6	580.7
Motor Vehicle License	116.3	121.5	119.9
Motor Vehicle Operators	20.4	22.2	24.3
Weight Distance	89.1	91.0	92.1
Investment	0.2	0.4	0.5
Other	40.4	40.9	41.4
Total Road Fund	1,685.8	1,701.1	1,694.2

Difference from August

Motor Fuels	4.3	(15.6)	(29.6)
Motor Vehicle Usage	(5.1)	(26.3)	(22.3)
Motor Vehicle License	(0.6)	(3.3)	(0.2)
Motor Vehicle Operators	4.7	4.6	3.8
Weight Distance	(0.6)	(0.4)	0.8
Investment	(0.1)	(0.3)	1.5
Other	1.3	1.1	1.7
Total Road Fund	3.9	(40.2)	(44.3)