



Office of State Budget Director

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Andy Beshear
Governor

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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

September 29, 2023

The Honorable Andy Beshear
Governor
Suite 100, State Capitol
Frankfort, Kentucky 40601

Mr. Jay Hartz, Director
Legislative Research Commission
Room 300, State Capitol
Frankfort, Kentucky 40601

Ms. Katie C. Comstock, Director
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Governor Beshear, Director Hartz, and Director Comstock:

Pursuant to Kentucky Revised Statutes 48.120 (1), the purpose of this correspondence is to provide you with the preliminary revenue estimates for the General Fund, the Road Fund, and the Phase 1 Tobacco Master Settlement Agreement for fiscal year 2023-2024 through fiscal 2025-2026.

The Consensus Forecasting Group (CFG) met on September 25, 2023, and reached a consensus on the most probable revenue estimates for the current and next two fiscal years. These estimates will inform the Governor, the Legislative Research Commission, and the Administrative Office of the Courts as to the preliminary amount of revenue that will be available for appropriations in the upcoming legislative session. Final, official estimates will be conveyed on or before December 20, 2023.

Attached is a letter and associated materials from Dr. Bruce Johnson, Acting Chairman of the CFG, which memorializes the preliminary revenue estimates.

Sincerely,

A handwritten signature in black ink that reads "John T. Hicks".

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 A&R Committee
Representative Steven Rudy, Chair A&R Committee

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- David Givens**
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- Damon Thayer**
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- Mike Wilson**
Majority Whip
- David Yates**
Minority Whip



LEGISLATIVE RESEARCH COMMISSION

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Capitol Fax 502-564-2922

Annex Fax 502-564-6543

legislature.ky.gov

Jay D. Hartz
Director

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- Rachel Roberts**
Minority Whip

September 27, 2023

John T. Hicks
 State Budget Director
 Office of the State Budget Director
 200 Mero Street, 5th Floor
 Frankfort, Kentucky 40622

Dear Mr. Hicks:

Pursuant to KRS 48.120(1), the Consensus Forecasting Group (CFG) met on September 25, 2023, to adopt a preliminary revision to the enacted General Fund (GF) and Road Fund (RF) revenue estimates for FY 2024 and to adopt preliminary revenue estimates for FY 2025 and FY 2026. The estimates adopted by the CFG are listed in the table below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>
2024	\$15,394,200,000	\$1,879,800,000
2025	\$15,514,900,000	\$1,841,100,000
2026	\$15,987,700,000	\$1,893,200,000

The revised FY 2024 GF estimate adopted by the CFG (\$15,394.2M) reflects a \$276.5 million increase when compared to the FY 2024 enacted GF estimate (\$15,117.7M). The revised FY 2024 RF estimate adopted by the CFG (\$1,879.8M) is \$197.6M more than the FY 2024 enacted RF estimate (\$1,682.2M).

The preliminary GF estimates adopted by the CFG for the upcoming biennium indicate slow growth in revenues in FY 2025 and FY 2026. GF revenues are estimated to increase

by 0.8 percent (\$120.7M) in FY 2025, followed by 3.0 percent growth (\$472.8M) in FY 2026.

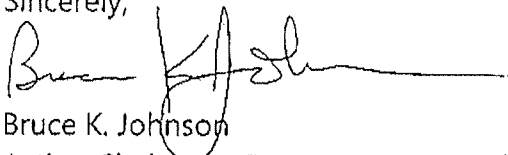
The preliminary RF estimates for the upcoming biennium forecast uneven revenue growth over the forecast horizon. Compared to FY 2024, RF revenues are estimated to decline by 2.1 percent (\$38.7M) in FY 2025. In FY 2026, RF revenues are expected to increase by 2.8 percent (\$52.1M) relative to FY 2025.

In addition to providing estimates for the General Fund and the Road Fund, the CFG adopted estimates of the receipts the Commonwealth receives from the Phase I Tobacco Master Settlement Agreement (MSA). The revised FY 2024 MSA estimate adopted by the CFG (\$102,600,000) is \$400,000 more than the FY 2024 enacted MSA estimate (\$102,200,000). The table below contains the revised FY 2024 and the preliminary MSA estimates for FY 2025 and FY 2026 adopted by the CFG.

<u>Fiscal Year</u>	<u>MSA Revenue</u>
2024	\$102,600,000
2025	\$97,300,000
2026	\$92,500,000

Inherent in any revenue forecast is the risk that actual receipts may differ from their forecasted values. The Kentucky economic and revenue forecasts adopted by the CFG are directly linked to the national forecast provided by S&P Global and represent an agreement as to the most likely outcome for revenues for the current fiscal year and the next biennium, given the information available on September 25, 2023.

Sincerely,



Bruce K. Johnson
Acting Chairman, Consensus Forecasting Group
Professor of Economics
Centre College

Selected U.S. and Kentucky Economic Variables
IHS Markit: Control Scenario
August 2023

	FY23	FY24	FY25	FY26
OUTPUT				
US Real GDP (Bil 2012\$)	20,231 1.8%	20,620 1.9%	20,866 1.2%	21,172 1.5%
Industrial Production Index, Total	1.6%	-0.8%	-0.5%	0.6%
Industrial Production Index, Durables	-0.6%	-1.4%	-0.6%	0.3%
INCOME				
KY Personal Income (Mil\$)	239,651 4.1%	248,392 3.6%	258,018 3.9%	268,113 3.9%
KY Wage & Salary Income (Mil\$)	118,027 7.4%	122,807 4.0%	127,298 3.7%	131,775 3.5%
KY Supplements to W&S (Mil\$)	29,367 5.6%	30,559 4.1%	31,846 4.2%	33,117 4.0%
KY Proprietors' Income (Mil\$)	17,373 6.1%	17,614 1.4%	17,868 1.4%	18,426 3.1%
KY Dividend, Interest, & Rent (Mil\$)	37,493 4.5%	39,382 5.0%	41,987 6.6%	43,638 3.9%
KY Transfer Payments (Mil\$)	61,308 -2.1%	63,010 2.8%	65,232 3.5%	68,560 5.1%
KY Social Insurance (Mil\$)	19,576 7.5%	20,422 4.3%	21,277 4.2%	22,088 3.8%
US Personal Income (Bil\$)	22,371 5.2%	23,410 4.6%	24,499 4.7%	25,561 4.3%

Selected U.S. and Kentucky Economic Variables
IHS Markit: Control Scenario
August 2023

	FY23	FY24	FY25	FY26
EMPLOYMENT				
KY Nonfarm Employment (Thous)	1,988.3 2.7%	1,997.6 0.5%	1,993.0 -0.2%	1,990.4 -0.1%
US Nonfarm Employment (Mil)	154.7 3.3%	156.7 1.3%	156.5 -0.1%	156.3 -0.2%
KY Manufacturing Employment (Thou)	257.1 4.1%	253.4 -1.4%	250.6 -1.1%	249.4 -0.5%
US Manufacturing Employment (Mil)	13.0 2.8%	12.9 -0.5%	12.5 -2.7%	12.3 -2.1%
OTHER KEY MEASURES				
Consumer Sentiment Index (Michigan)	60.5	69.1	82.0	87.8
Rate of Inflation (%)	3.0%	3.1%	3.2%	3.2%
US Retail Sales (%)	5.8%	2.0%	1.8%	1.8%
US Corporate Profits(%)	-2.9%	7.5%	1.6%	3.8%
Three-month Treasury Bills (%)	4.1%	5.4%	3.9%	2.7%
Oil Price, West Texas (\$/barrel)	81.45	73.90	74.99	80.91

MAK: Macromodel of Kentucky
Governor's Office for Economic Analysis
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