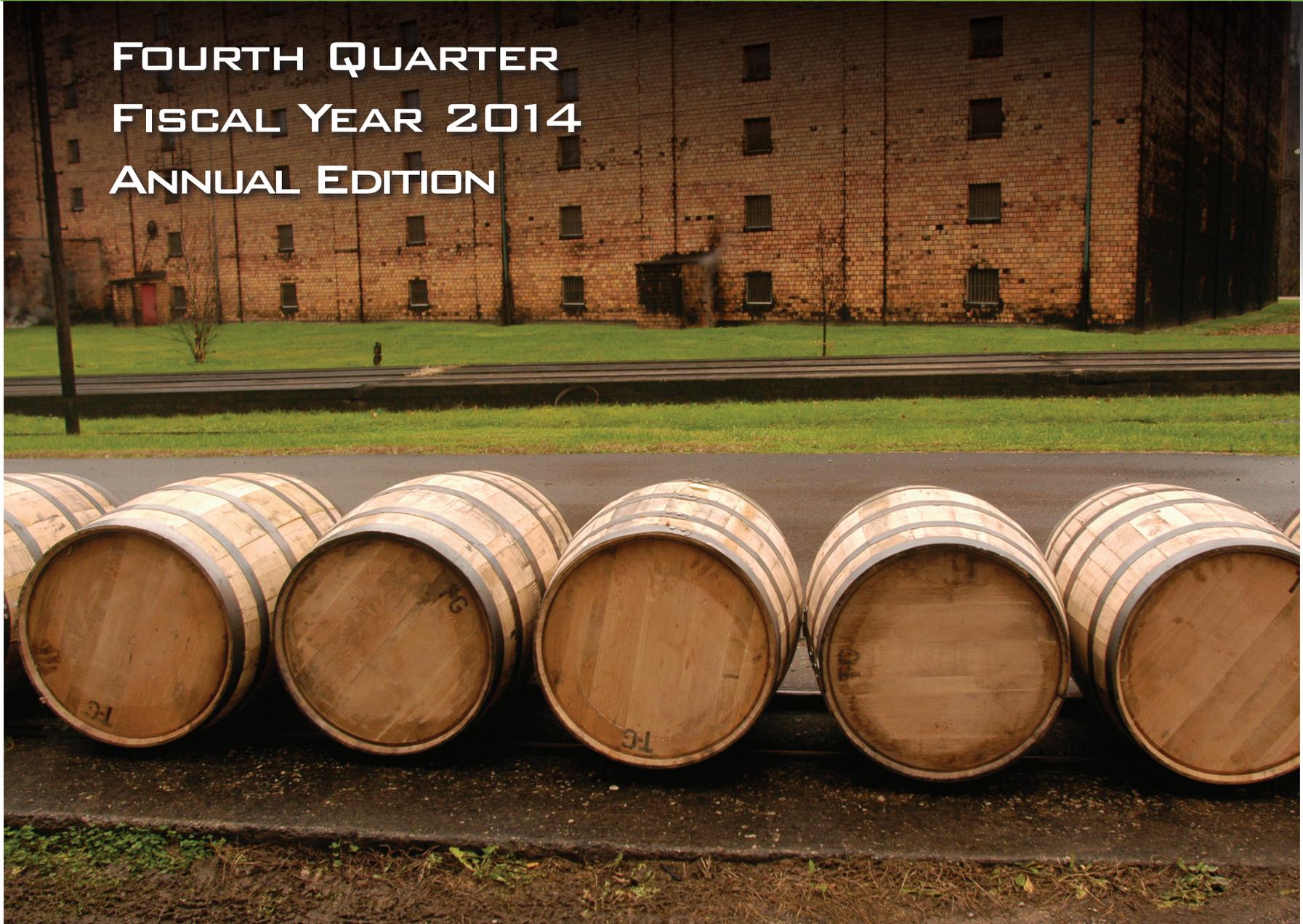


COMMONWEALTH OF KENTUCKY

QUARTERLY ECONOMIC & REVENUE REPORT

FOURTH QUARTER
FISCAL YEAR 2014
ANNUAL EDITION



GOVERNOR'S OFFICE FOR
ECONOMIC ANALYSIS

OFFICE OF
STATE BUDGET DIRECTOR





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Governor

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July 30, 2014

The Honorable Steven L. Beshear
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Beshear:

The *Quarterly Economic and Revenue Report Annual Edition* summarizes Kentucky's revenue and economic statistics for the fourth quarter of Fiscal Year 2014 (FY14). It also includes an analysis of FY14 totals and an interim economic and revenue forecast for the first three quarters of FY15.

General Fund receipts in the fourth quarter of FY14 totaled \$2,586.7 million compared to \$2,573.0 million in the fourth quarter of FY13, an increase of 0.5 percent. Among the major accounts: sales and use and corporation income posted the largest increases. On the other hand, the largest declines occurred in the limited liability entity tax (LLET) and coal severance taxes.

The General Fund grew 1.2 percent, or \$113.7 million, in FY14. Revenue collections showed positive growth in first quarter of 3.3 percent, a decline of 0.7 percent in the second quarter, growth of 2.1 percent, and 0.5 percent in the final two quarters, respectively. For the fiscal year that ended June 30, 2014 (FY14), General Fund receipts totaled \$9,462.0 million, a sum of 1.2 percent more than FY13 collections. Final FY14 revenues were \$90.9 million, or 1.0 percent below the official revenue estimate.

Road Fund receipts fell 2.7 percent in the fourth quarter of FY14. Receipts totaled \$398.3 million compared to the \$409.5 million received in the fourth quarter of FY13. It is noteworthy that both motor fuels and motor vehicle usage tax receipts declined. While it has not been unusual for one of the major accounts to fall, this is the first time since the first quarter of FY09 that both have declined.

Governor Beshear
July 30, 2014
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Road Fund revenues for FY14 were \$1,560.4 million, an increase of 4.6 percent from the previous fiscal year. Total receipts exceeded the FY13 level by \$68.8 million. Final FY14 Road Fund revenues fell short of the official consensus estimate by \$22.1 million or 1.4 percent.

Sincerely,

A handwritten signature in cursive script that reads "Jane C. Driskell". The signature is written in black ink and is positioned below the word "Sincerely,".

Jane C. Driskell
State Budget Director

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Executive Summary

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a *Quarterly Economic and Revenue Report* for the fourth quarter of FY14. This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

The fourth quarter edition of the *Quarterly Report* is typically the longest report of the year due to the reporting of both quarterly and annual data. The *Annual Edition* also includes the latest interim projections and an expanded statistical appendix containing a ten-year history of the major General Fund and Road Fund accounts with a corresponding history of growth rates.

Major points that will be discussed in this report include the following:

- Although the General Fund fell short of the official FY14 estimate by \$90.9 million or 1.0 percent, annual General Fund receipts rose for the fourth consecutive fiscal year following two years of declining receipts during the latest recession. General Fund receipts for FY14 totaled \$9,462.0 million. See Table 1. Despite the string of four consecutive increases, the rate of increase has been shrinking: In FY11, growth in the General Fund was 6.5 percent, FY12 at 3.8 percent, FY13 at 3.8 percent and finally 1.2 percent in FY14.
- The General Fund grew by 0.5 percent in the fourth quarter. The General Fund grew in three of the four quarters of FY14. After a solid first quarter, the General Fund declined by 0.7 percent in the second quarter compared to the second quarter of FY13.
- Individual income tax receipts increased \$26.3 million, or 0.7 percent, from FY13. Growth of 0.7 percent is a significant slowdown from what the Commonwealth has experienced in the past three years following the recession in which rates of growth were 8.3 percent, 2.8 percent and 6.0 percent. The “April Surprise” clearly depressed both estimated payments and final payments in FY14 due to the partial acceleration of capital gains and declarations of one-time income in FY13. The interim forecast calls for a rebound in the individual income tax in accordance with earnings projections.
- Sales and use tax receipts posted the largest nominal difference over FY13 levels, growing \$109.3 million, or 3.6 percent. The rate of growth in this account was a welcome relief given it has seen declines in three of the five previous years. Growth in FY15 is expected to be slightly lower than FY14.

- Property tax rose by 72.9 percent in the fourth quarter, which was largely the result of timing issues. The property tax, despite a robust fourth quarter, grew only 0.7 percent for FY14.
- The limited liability entity tax (LLET) tax fell by 21.7 percent in the fourth quarter. The LLET tax fell by 19.0 percent in FY14. The corporate income tax grew by 18.6 percent in FY14.
- The coal severance tax fell by 12.6 percent in the fourth quarter while the FY14 tax fell 14.3 percent.
- General Fund growth is expected to be 1.3 percent in the first three quarters of FY15, and will need to grow by 3.6 percent for the fiscal year to meet the official estimate.
- The Road Fund fell by 2.7 percent in the fourth quarter. Nearly every account within the Road Fund experienced declines in the fourth quarter; only the weight distance tax grew.
- Annual Road Fund receipts posted 4.6 percent growth in FY14, despite having a negative fourth quarter. The Road Fund has now increased for five consecutive fiscal years. Road Fund receipts for FY14 totaled \$1,560.4 million. See Table 2. Both the motor fuels and motor vehicle usage taxes grew by modest amounts in FY14. The Road Fund also fell short of the official FY14 estimate by \$22.2 million, or 1.4 percent of the Road Fund.
- At the national level, the most recent employment report was the third monthly report in a row to report more than 200,000 jobs added. Overall, the last half of fiscal 2014 has seen over 1.3 million payroll jobs added, and employment is now up almost 2.3 million year-over-year.
- Kentucky non-farm employment rose by 0.3 percent in the fourth quarter. See Table 12. Post-recession employment growth continues to be weak. The highest growing sector in the fourth quarter was other services employment which grew by a modest 1.7 percent. Five of the 11 supersectors experienced employment losses in the fourth quarter. The largest losses occurred in finance services, which lost 2.6 percent in the fourth quarter.
- Individual income tax is expected to increase by 3.3 percent for the forecast horizon. The sales tax is expected to decline 0.6 percent. Coal severance tax losses are expected to taper and only drop 5.0 percent. Corporate income tax is expected to increase by 2.6 percent.

- The Road Fund is expected to grow 0.1 percent during the three quarter forecast period. Motor fuels taxes are expected to increase 2.0 percent. Motor vehicle usage tax is expected to decline by 3.1 percent.
- Road Fund growth is expected to be 0.1 percent in the first three quarters of FY15.

Table 1
FY14 General Fund Receipts Compared to Official Estimate
\$ millions

	FY14		Difference	
	Actual	Estimate	\$	%
Individual Income	3,749.3	3,812.3	-63.0	-1.7
Sales and Use	3,131.1	3,099.3	31.8	1.0
Property	562.4	568.9	-6.5	-1.1
Corporation Income	475.1	460.5	14.6	3.2
LLET	199.3	231.7	-32.4	-14.0
Coal Severance	197.5	200.6	-3.1	-1.5
Cigarette Tax	228.1	231.2	-3.1	-1.4
Lottery	219.5	224.0	-4.5	-2.0
Other	699.7	724.4	-24.7	-3.4
Total	9,462.0	9,552.9	-90.9	-1.0

Table 2
FY14 Road Fund Receipts Compared to Official Estimate
\$ millions

	FY14		Difference	
	Actual	Estimate	\$	%
Motor Fuels	886.2	900.7	-14.5	-1.6
Motor Vehicle Usage	443.0	448.4	-5.4	-1.2
Motor Vehicle License	101.9	101.3	0.6	0.6
Motor Vehicle Operators	16.2	16.1	0.0	0.3
Weight Distance	76.9	76.1	0.8	1.0
Income on Investments	4.0	2.8	1.2	NA
Other	32.3	37.2	-4.9	-13.1
Total	1,560.4	1,582.6	-22.1	-1.4

Revenue Receipts

FOURTH QUARTER, FY14 General Fund

General Fund receipts in the fourth quarter of FY14 totaled \$2,586.7 million compared to \$2,573.0 million in the fourth quarter of FY13, an increase of 0.5 percent. Collections in the major revenue categories are shown in summary form in Table 3. Detailed information on these and other accounts is available in Appendix A.

	FY14	FY13	Diff (\$)	Diff (%)
Individual Income	1,124.3	1,159.8	-35.5	-3.1
Sales and Use	812.6	773.0	39.5	5.1
Property	62.1	35.9	26.2	72.9
Corporation Income	183.3	153.0	30.4	19.9
Coal Severance	48.7	55.7	-7.0	-12.6
Cigarette Taxes	59.1	63.3	-4.2	-6.6
LLET	68.9	88.0	-19.1	-21.7
Lottery	62.9	60.0	2.9	4.8
Other	164.9	184.4	-19.4	-10.5
Total	2,586.7	2,573.0	13.7	0.5

Among the major accounts: sales and use, corporation income, property and lottery taxes posted the largest increases. On the other hand, the largest declines occurred in the LLET, coal severance, and other taxes, which were \$19.1 million, \$7.0 million and \$19.4 million below FY13 levels, respectively.

The sales and use tax posted an increase of 5.1 percent in the fourth quarter of FY14. Receipts of \$812.6 million compare to the

\$773.0 million collected in the fourth quarter of FY13.

Property tax collections increased 72.9 percent in the fourth quarter of FY14. Collections of \$62.1 million compare to \$35.9 million received in the fourth quarter of the prior fiscal year.

Corporation income collections rose 19.9 percent in the fourth quarter of FY14. Receipts totaled \$183.3 million and were \$30.4 million more than collected a year earlier.

Individual income tax receipts fell 3.1 percent in the fourth quarter of FY14 compared to collections in the fourth quarter of FY13. Receipts of \$1,124.3 million were \$35.5 million less than collected in the fourth quarter of the previous fiscal year. All components of the tax: withholding, declarations, net returns and fiduciary decreased in FY14 compared to the same time last year. In terms of the “April Surprise”, the effects clearly depressed both estimated payments and final payments in FY14 due to the partial acceleration of capital gains and declarations of one-time income in FY13.

Coal severance tax receipts continued to decrease in the fourth quarter as receipts fell 12.6 percent. Receipts of \$48.7 million compare to \$55.7 million collected in the fourth quarter of FY13.

Cigarette taxes decreased in the fourth quarter. Receipts of \$59.1 million were 6.6 percent less than collected in the fourth quarter of FY13.

The LLET receipts have declined sharply in the last three quarters. Fourth quarter collections declined 21.7 percent. Fourth quarter collections were \$68.9 million compared to \$88.0 million last fiscal year.

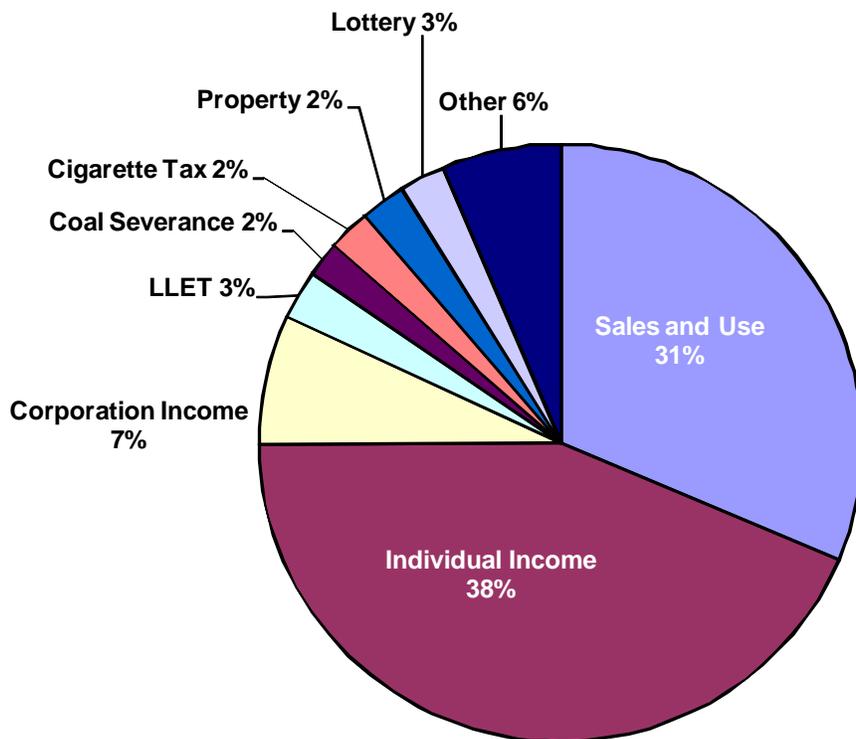
Lottery receipts increased 4.8 percent, or \$2.9 million, in the fourth quarter of FY14 with revenues of \$62.9 million. Despite the large percentage increase, lottery receipts were \$4.5 million short of the official estimate.

The “Other” category represents the remaining accounts in the General Fund and com-

bine for \$164.9 million in receipts, a decline of 10.5 percent from FY13.

Figure A details the composition of fourth-quarter General Fund receipts by tax type. Sixty-nine percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next-largest source of revenue was the corporation income category at seven percent followed by the “Other” which accounted for six percent. The largest components in this category include the insurance premium tax, the bank franchise tax, telecommunications tax, beer wholesale tax, and the inheritance tax. Lot-

Figure A
General Fund Receipts Composition
Fourth Quarter, FY14



tery receipts and LLET accounted for three percent each. Finally property, cigarette and coal severance taxes accounted for two percent each.

Road Fund

Road Fund receipts fell 2.7 percent in the fourth quarter of FY14. Receipts totaled \$398.3 million compared to the \$409.5 million received in the fourth quarter of FY13. Collections for this quarter are notable for the fact that both motor fuels and motor vehicle usage tax receipts declined. While it has not been unusual for one of the major accounts to fall, this is the first time since the first quarter of FY09 that both have declined during the same quarter. Summary data are contained in Table 4 and detailed data are shown in Appendix A.

Motor fuels tax receipts decreased 1.8 percent during the fourth quarter of FY14. Receipts were \$217.3 million and compare to \$221.2 million collected during the fourth quarter last year. The decrease is predominantly a function of a decline in taxable gallons of motor fuels sold. The tax rate for

the quarter was only 0.2 cents per gallon higher than for the same period in FY13.

Fourth quarter motor vehicle usage tax receipts posted their weakest rate of growth in FY14, declining 3.8 percent. Despite the decline, motor vehicle usage receipts of \$117.3, was still the largest quarter of the fiscal year.

Motor vehicle license tax receipts decreased 17.1 percent during the fourth quarter of FY14. Receipts of \$31.8 million compare to \$38.4 million received during the fourth quarter of FY13.

Motor vehicle operators' license fees totaled \$4.0 million, a 1.5 percent decrease compared to the level observed a year ago.

Weight distance tax receipts totaled \$19.2 million, an increase of 3.1 percent from the fourth quarter of last year.

Investment income was higher in the fourth quarter of FY14, yielding \$1.9 million.

The remainder of the accounts in the Road Fund combine for a decrease of 22.3 percent.

Receipts for the "Other" category totaled \$6.8 million during the fourth quarter, compared to \$8.8 million in the fourth quarter of FY13.

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY14. Motor fuels taxes and motor vehicle usage taxes comprised 87 percent of Road Fund revenues in the fourth quarter. The next-largest source of revenue was the motor vehicle license tax

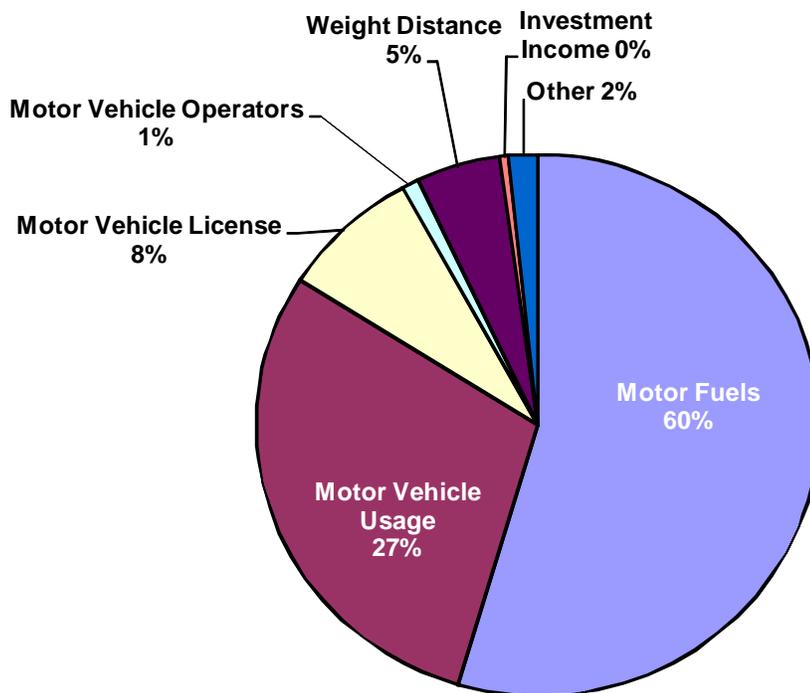
Table 4
Summary Road Fund Receipts
Fourth Quarter, FY14, \$ millions

	FY14	FY13	Diff (\$)	Diff (%)
Motor Fuels	217.3	221.2	-3.9	-1.8
Motor Vehicle Usage	117.3	121.9	-4.6	-3.8
Motor Vehicle License	31.8	38.4	-6.6	-17.1
Motor Vehicle Operators	4.0	4.1	-0.1	-1.5
Weight Distance	19.2	18.6	0.6	3.1
Income on Investments	1.9	-3.4	5.2	-154.8
Other	6.8	8.8	-2.0	-22.3
Total	398.3	409.5	-11.3	-2.7

with eight percent, followed by weight distance taxes with five percent. The “Other” category accounted for two percent and mo-

tor vehicle operators accounted for one percent. Income on investment accounted for a negligible amount of the total Road Fund receipts.

Figure B
Road Fund Receipts Composition
Fourth Quarter, FY14



ANNUAL TOTALS, FY14 General Fund

The General Fund grew 1.2 percent, or \$113.7 million, in FY14. Revenue collections showed positive growth in first quarter of 3.3 percent, a decline of 0.7 percent in the second quarter, and growth of 2.1 percent and 0.5 percent in the final two quarters respectively. Five of the eight major accounts showed growths while only three: LLET, coal severance, and cigarette taxes posted declines.

General Fund collections for FY14 were \$90.9 million, or 1.0 percent below the official estimate which had projected revenue growth of 2.2 percent. The largest shortfalls occurred in the individual income and the LLET taxes. On the other hand, sales and use and corporation income taxes came in above the forecasted levels.

Individual income tax receipts grew \$26.3 million from last year. Modest gains in withholding payments offset losses in declarations and net returns. Withholding grew by 1.7 percent in FY14; the same growth rate as FY13. Fiduciary payments increased by less

than \$1 million. Individual income tax receipts totaled \$3,749.3 million and compare to \$3,723.0 million collected last year.

Sales tax receipts increased \$109.3 million, or 3.6 percent over FY13 totals. Receipts of \$3,131.1 million compare to prior year receipts \$3,021.8 million.

Total property taxes rose 0.7 percent during FY14. Receipts totaled \$562.4 million compared to \$558.4 million collected in FY13. Both real and tangible property tax receipts increased for the year.

Corporate income tax collections grew \$74.4 million in FY14. Receipts for the year totaled \$475.1 million and compare to \$400.8 million collected in FY13. Payments with returns increased by \$91.0 million. The LLET with receipts of \$199.3 million in FY14 decreased 19.0 percent compared to the prior year.

Coal severance taxes decreased by 14.3 percent in FY14. Severed tons have also declined steadily as the demand for coal wanes. Total collections for FY14 were \$197.5 million or \$33.0 million less than FY13 receipts.

Lottery receipts increased 2.0 percent, or \$4.2 million, from the previous year. Receipts of \$219.5 million compare favorably to \$215.3 million remitted to the state in FY13, but fell short of the estimate of \$224.0 million.

The "Other" category finished the year down 2.0 percent. Receipts of \$699.7 million compare to \$713.8 million collected in FY13.

Table 5
General Fund Revenues Compared to Previous Years
\$ millions

	Full Year Receipts			Growth Rates (%)		
	FY14	FY13	FY12	FY14	FY13	FY12
Individual Income	3,749.3	3,723.0	3,512.1	0.7	6.0	2.8
Sales and Use	3,131.1	3,021.8	3,052.2	3.6	-1.0	5.4
Property	562.4	558.4	529.6	0.7	5.4	2.9
Corporate Income	475.1	400.8	374.4	18.6	7.0	24.5
LLET	199.3	246.1	200.7	-19.0	22.6	-7.0
Coal Severance	197.5	230.5	298.3	-14.3	-22.7	0.8
Cigarette Taxes	228.1	238.7	254.8	-4.4	-6.3	-2.8
Lottery	219.5	215.3	210.8	2.0	2.1	5.1
Other	699.7	713.8	658.0	-2.0	8.5	0.4
Total	9,462.0	9,348.3	9,091.0	1.2	2.8	3.8

Losses in nontax receipts and the telecommunications tax were largely responsible for the small decline.

Figure C details the composition of FY14 General Fund receipts by tax type. Seventy-three percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next-largest source of revenue was the “Other” category. Property taxes made up six percent of the General Fund followed by the corporation income tax which accounted for five percent. Cigarette tax accounted for

three percent. Lottery revenues, coal severance, and the LLET each accounted for two percent of General Fund revenues.

Table 7 and Figure D detail the growth rates in General Fund revenues by each fiscal quarter of FY14. First-quarter growth of 3.3 percent marked the highest quarter for growth in FY14 and was actually negative in the second quarter. General Fund receipts were positive in the second half of the fiscal year, ending with growth of 0.5 percent in the fourth quarter.

Figure C
FY14 General Fund Receipts Composition

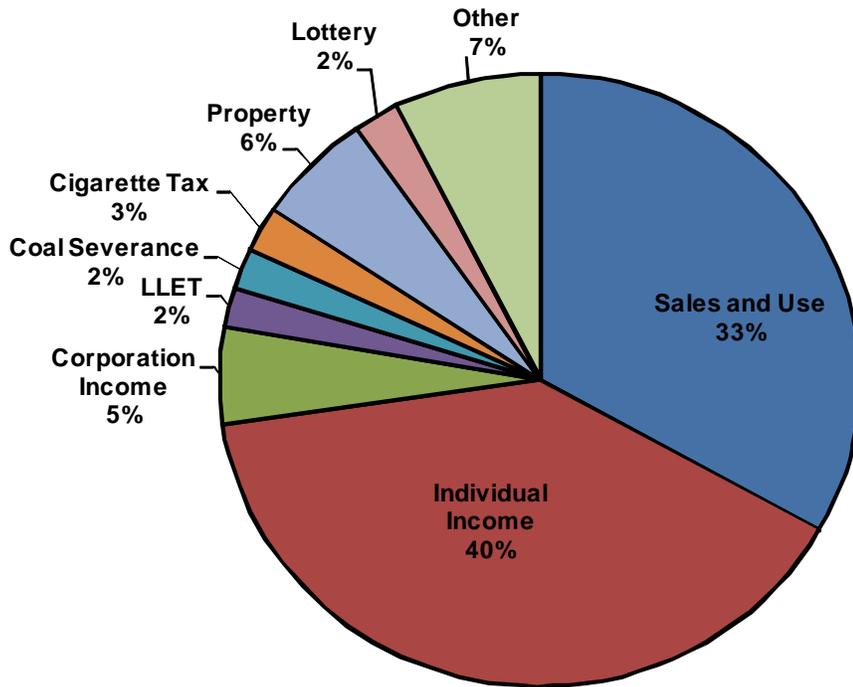


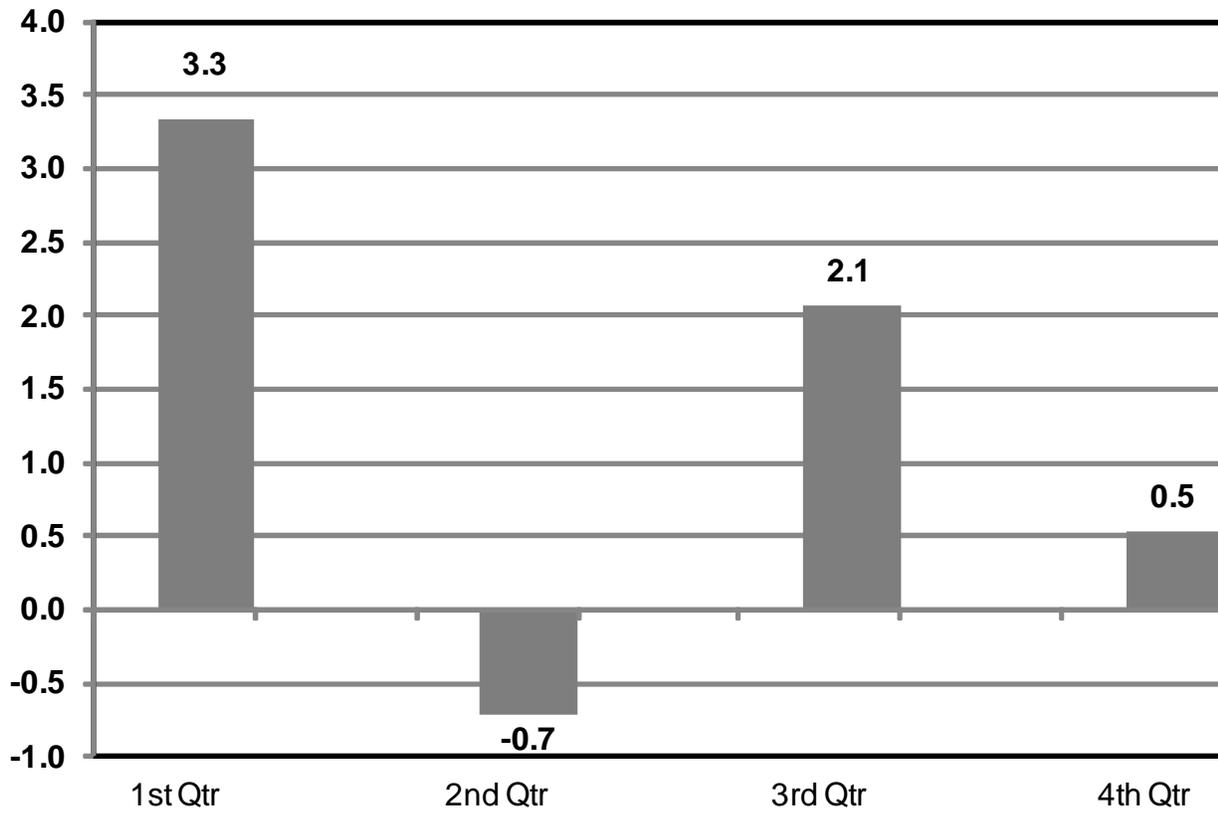
Table 6
General Fund Quarterly Revenue Receipts
\$ millions

	FY14				
	Q1	Q2	Q3	Q4	Full Year
Individual Income	931.3	925.3	768.4	1,124.3	3,749.3
Sales and Use	778.1	779.0	761.4	812.6	3,131.1
Property	55.8	306.2	138.3	62.1	562.4
Corporation Income	150.7	79.9	61.2	183.3	475.1
LLET	48.6	45.4	36.5	68.9	199.3
Coal Severance	51.3	52.8	44.8	48.7	197.5
Cigarette Tax	59.3	57.9	51.8	59.1	228.1
Lottery	48.5	54.6	53.5	62.9	219.5
Other	150.7	137.0	247.0	164.9	699.7
Total	2,274.4	2,438.1	2,162.9	2,586.7	9,462.0

Table 7
General Fund Quarterly Growth Rates
percents

	Q1	Q2	Q3	Q4	FY14
Individual Income	3.3	1.6	2.4	-3.1	0.7
Sales and Use	2.3	3.7	3.3	5.1	3.6
Property	-15.1	-7.6	10.3	72.9	0.7
Corporation Income	33.4	-2.4	15.6	19.9	18.6
LLET	2.8	-25.5	-27.1	-21.7	-19.0
Coal Severance	-20.9	-6.8	-16.0	-12.6	-14.3
Cigarette Tax	-2.1	-5.1	-3.8	-6.6	-4.4
Lottery	0.0	2.6	0.0	4.8	2.0
Other	8.9	-7.5	1.7	-10.5	-2.0
Total	3.3	-0.7	2.1	0.5	1.2

Figure D
FY14 General Fund Quarterly Growth Rates
percents



Road Fund

Road Fund revenues for FY14 were \$1,560.4 million, an increase of 4.6 percent from the previous fiscal year. Total receipts exceeded the FY13 level by \$68.8 million as increases in motor fuels and motor vehicle usage tax accounted for the majority of the growth. On net, the five remaining accounts increased \$4.8 million over FY13 levels.

Road Fund receipts have now grown for five consecutive fiscal years. Growth of 4.6 percent in FY14 reverses the trend which saw Road Fund rate of growth of revenues decline in each of the previous four years (FY10-FY13). On a quarterly basis, Road Fund collections increased in three of the four quarters with the strongest growth occurring in the first half of the fiscal year. Rates of growth for the four quarters were 10.9 percent, 3.2 percent, 8.2 percent and -2.7 percent. Road Fund collections are detailed in Table 8.

Motor fuels tax receipts rose by \$47.8 million, or 5.7 percent, in FY14 and continue to be the engine of growth for Road Fund revenues. The increase resulted from the auto-

matic statutory increase in the variable tax rate due to increased wholesale prices in the first two quarters of the fiscal year. While the increase in the tax rate was not as large in the second half of the year, rates still exceeded FY13 levels. This increase helped counteract a decline in taxable gallons of fuel sold.

Motor vehicle usage tax receipts of \$443.0 million represent an increase of 3.8 percent compared to the \$426.8 million collected in FY13. The increase in FY14 collections is an improvement over the rate of growth experienced in FY13. This growth is on top of the rapid growth which occurred in FY11 and FY12.

Motor vehicle license tax receipts fell 0.4 percent with collections of \$101.9 million compared to \$102.3 million collected in FY13.

Weight distance tax revenues rebounded from an FY13 decline with receipts growing 2.6 percent. Receipts of \$76.9 million in FY14 compared to \$74.9 million collected in FY13.

The "Other" category declined 3.9 percent from FY13. Total receipts in this category were \$32.3 million, compared to \$33.6 million collected in FY13.

Road Fund collections for FY14 fell short the official consensus estimate by \$22.1 million, or 1.4 percent. Among the two largest accounts, motor fuels and motor vehicle usage taxes, rev-

Table 8
Road Fund Revenues Compared to Previous Years
\$ millions

	Full Year Receipts			Growth Rates (%)		
	FY14	FY13	FY12	FY14	FY13	FY12
Motor Fuels	886.2	838.3	790.2	5.7	6.1	7.8
Motor Vehicle Usage	443.0	426.8	416.9	3.8	2.4	9.2
Motor Vehicle License	101.9	102.3	107.8	-0.4	-5.2	10.2
Motor Vehicle Operators	16.2	16.0	15.7	0.6	2.0	0.0
Weight Distance	76.9	74.9	75.1	2.6	-0.2	1.5
Income on Investments	4.0	-0.4	3.1	NA	-112.9	54.3
Other	32.3	33.6	34.9	-3.9	-3.8	0.7
Total	1,560.4	1,491.6	1,443.8	4.6	3.3	7.8

Revenue collections were below the estimates by \$19.9 million. On a percentage level, five of the seven major accounts were within 1.6 percent of estimated levels.

Figure E details the composition of FY14 Road Fund receipts by tax type. Eighty-five

percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. Following these, the motor vehicle license tax accounted for seven percent and the weight distance tax accounted for five percent. "Other" taxes combined to account for two percent. Motor vehicle operators' revenue accounted for one percent.

Figure E
FY14 Road Fund Receipts Composition

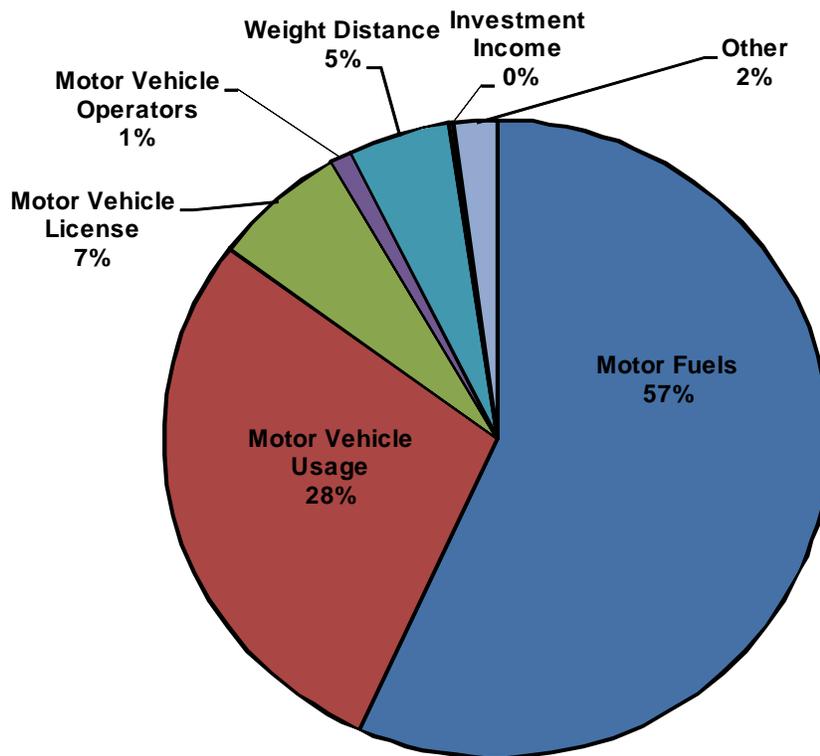


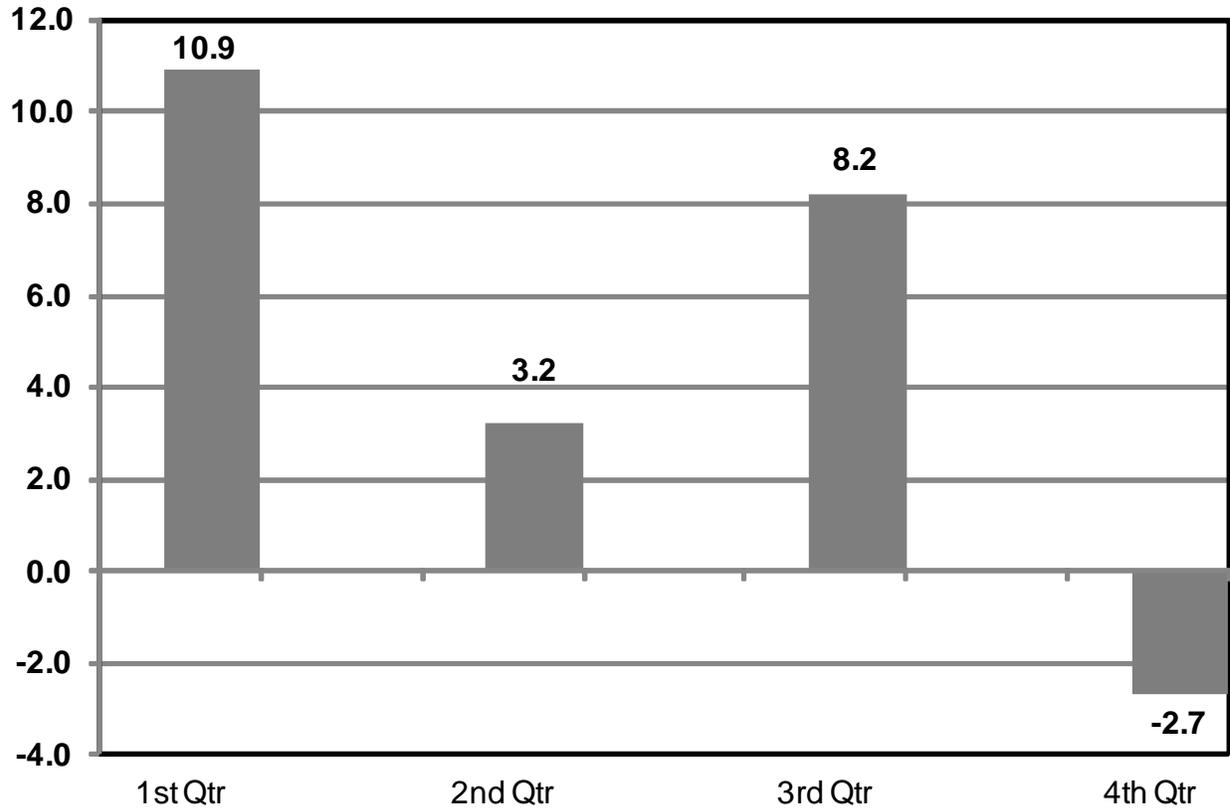
Table 9
Road Fund Quarterly Revenue Receipts
percent

	FY14				Full Year
	Q1	Q2	Q3	Q4	
Motor Fuels	230.4	227.7	210.7	217.3	886.2
Motor Vehicle Usage	115.6	101.3	108.8	117.3	443.0
Motor Vehicle License	18.5	18.1	33.5	31.8	101.9
Motor Vehicle Operators	4.2	3.9	4.0	4.0	16.1
Weight Distance	19.2	19.5	19.0	19.2	76.9
Income on Investments	0.8	0.1	1.3	1.9	4.0
Other	9.0	7.7	8.8	6.8	32.3
Total	397.7	378.3	386.1	398.3	1,560.4

Table 10
Road Fund Quarterly Growth Rates
\$ millions

	Q1	Q2	Q3	Q4	FY14
Motor Fuels	11.2	5.6	8.4	-1.8	5.7
Motor Vehicle Usage	13.7	1.3	5.4	-3.8	3.8
Motor Vehicle License	5.7	2.3	16.7	-17.1	-0.4
Motor Vehicle Operators	-1.6	0.2	5.9	-1.5	0.6
Weight Distance	1.5	3.1	2.9	3.1	2.6
Income on Investments	-40.9	-88.9	41.8	NA	-1,101.5
Other	15.0	-20.3	19.9	-22.3	-3.9
Total	10.9	3.2	8.2	-2.7	4.6

Figure F
FY14 Road Fund Quarterly Growth Rates
percent



The Economy

Fourth Quarter FY14

NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 2.3 percent¹ in the fourth quarter of FY14. See Table 11. Gross domestic product is defined as the sum of all final goods and services sold within a country's physical boundary in a given year and explicitly excludes those goods and services which are produced by US citizens in other countries. Real GDP declined by 2.9 percent in the third quarter of FY14.² Using the same Bureau of Economic Analysis (BEA) growth rate methodology, real GDP is expected to increase by 3.7 percent in the fourth quarter of FY14.³ Official BEA-calculated fourth quarter real GDP growth rates will be published in July, August and September of 2014.

The final estimate real GDP growth rate in the third quarter was of particular importance because the revisions from first estimate to the final estimate were so large. The first estimate was +0.1 percent growth. The second estimate was -1.0 percent. The third and final estimate for third quarter real GDP growth was revised down to -2.9 percent. Using the same calculation method as in Table 11, the third quarter growth rate was 2.0 percent. That is, third quarter

real GDP was 2.0 percent higher than third quarter FY13 real GDP. This pattern of downward revisions has become somewhat more common during this recovery period. This particular downward revision is one of the largest BEA has ever implemented.

Real GDP is composed of five components: consumption, investment, government expenditures, exports and imports. Imports are deducted from GDP, as they represent goods and services which are not produced within the boundary of the United States. In the third quarter, the losses in real GDP were caused by declines in investment (-11.7 percent), government expenditures (-0.8 percent) and exports (-6.0 percent).⁴ All five real GDP components are expected to increase in the fourth quarter over the third quarter.

Real consumption rose by 2.7 percent in the fourth quarter. Consumption has been moderate and stable for the last three quarters, increasing 2.3, 2.5 and 2.7 percent over the same quarter of the previous fiscal year. Real consumption made up 68.5 percent of real GDP in the fourth quarter.

Owing mostly to an extremely strong first quarter growth, year-over-year growth rates for real investment in FY14 were solid; 6.9,

¹Source: IHS Global Insight estimate, June forecast. Unless otherwise noted, all fourth quarter FY14 economic data are estimated values rather than actual values since final official numbers released by the BEA are not available as of the release date of this report.

²Source: BEA, third estimate published June 25, 2014. This is an adjacent-quarter growth rate and is computed as an annual rate.

³Source: Global Insight, forecast published June 6, 2014. This is an adjacent-quarter growth rate and is computed as an annual rate. The growth rate published in Table 11 is growth compared to the same quarter in the previous fiscal year; a different mathematical calculation than annualizing a quarterly growth rate.

⁴Growth rates computed using BEA annual rate methodology of adjacent quarters.

8.3, 3.7 and 4.8 percent respectively. Real investment was substantially impacted during the 2007 recession. Investment declined on an adjacent-quarter basis in 13 of 14 quarters during that time. The losses were long and deep, losing \$969.1 billion, or 34.9 percent of its total value from peak to trough. As of the fourth quarter of FY14, real investment is still \$126.8 billion below the previous peak. This is a statement about the depth of the recession on investment as well as a statement about the weakness of investment during the recovery. Real investment made up 16.5 percent of real GDP in the fourth quarter.

Real government expenditures in the fourth quarter of FY14 fell by 1.3 percent compared to the same quarter in FY13. On an adjacent-quarter basis, real government expen-

ditures have declined in 14 of the last 19 quarters. In general, government expenditures are a countercyclical component of GDP. So it is normal for government expenditures to decline during a recovery, as many transfer payments are stopped or slowed. In addition to transfer payments, defense spending has been falling since FY12. In FY12, defense spending fell by 3.3 percent. In FY13, defense spending fell by 4.9 percent. And in FY14, defense spending fell by 3.1 percent. Defense spending has historically been acyclical; correlated more with major military operations and foreign wars, than with real GDP. Real government expenditures made up 17.9 percent of real GDP in the fourth quarter.

Real exports increased by 3.2 percent in the fourth quarter. Real imports increased by

Table 11
Summary of US Economic Series
Fourth Quarter FY14 & FY13

	Fourth Quarter			Full Year		
	FY14	FY13	% Chg	FY14	FY13	% Chg
Real GDP	16,047.6	15,679.7	2.3	15,933.0	15,584.3	2.2
Real Consumption	10,985.0	10,691.9	2.7	10,868.8	10,615.4	2.4
Real Investment	2,647.0	2,524.9	4.8	2,620.0	2,473.3	5.9
Real Govt. Expenditures	2,868.1	2,904.5	-1.3	2,876.7	2,934.9	-2.0
Real Exports	2,063.1	1,998.4	3.2	2,044.1	1,971.9	3.7
Real Imports	2,495.1	2,422.9	3.0	2,457.5	2,395.7	2.6
Personal Income (\$ billions)	14,562.5	14,086.2	3.4	14,376.6	13,946.7	3.1
Wages and Salaries (\$ billions)	7,365.9	7,117.6	3.5	7,262.5	7,037.3	3.2
Inflation (% chg CPI)	2.0	1.4	NA	1.5	1.7	NA
Industrial Production Index (% chg)	3.3	2.5	NA	3.2	3.1	NA
Civilian Labor Force (millions)	155.9	155.6	0.2	155.5	155.3	0.1
Total Non-farm Employment (millions)	138.5	136.1	1.7	137.5	135.2	1.7
Manufacturing Employment (millions)	12.1	12.0	1.0	12.1	12.0	0.6
Unemployment Rate (%)	6.4	7.5	NA	6.8	7.8	NA

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.

Components do not sum to GDP because they are annualized independently.

Data for FY14 Q4 are June 2014 estimates.

Source: IHS Global Insight Inc., June 2014 data release

3.0 percent. However, since imports increased by a larger absolute amount, the trade deficit widened and fell to \$432.0 billion. Exports have been inconsistent in the last two years. In the third quarter of FY14, exports declined by 1.5 percent compared to the second quarter. In the fourth quarter, exports increased by 1.5 percent compared to the third quarter. So on net, the fourth quarter US export position is slightly worse than in the second quarter of FY14. Exports are a function of the terms of trade (the ratio of prices), foreign country demand for our goods and US supply above that which is consumed domestically. Real exports made up 12.9 percent of real GDP in the fourth quarter.

The components of real GDP have performed in different ways during the current recovery. Since the trough in real GDP in the third quarter of FY09, real GDP has grown a net 11.8 percent. Real consumption has performed slightly better, growing a net 12.1 percent during that time. Real investment exhibited the highest growth since the recession ended, growing a net 45.4 percent. Real government expenditures decreased by a net 7.4 percent since the recession ended. As a result, the component shares of real GDP have noticeably changed since the recession officially ended. Investment went from 12.7 percent to 16.5 percent. Government expenditures went from 21.6 percent to 17.9 percent and exports went from 10.7 percent to 12.9 percent.

US personal income grew by 3.0 percent in the fourth quarter compared to the fourth quarter of FY13. US personal income growth during this recovery has been slightly slower than in the last recovery. The average adjacent-quarter growth during the last recov-

ery was 1.2 percent, while the average growth since the trough of the 2007 recession has been 1.0 percent. Average growth in each of the last two fiscal years has been 0.8 percent, a clear slowing of growth in personal income.

Wages and salaries grew by 3.5 percent in the fourth quarter over the same quarter of last year. Fourth quarter wages and salaries grew by 1.0 percent compared to third quarter. Wages and salaries made up 50.6 percent of US personal income in the fourth quarter. Not surprisingly, the weak growth in total personal income is seen in wages and salaries also. Wages and salaries have declined in two different quarters during this recovery, a 0.6 percent decline in the second quarter of FY12 and a 0.7 percent decline during the third quarter of FY13. The average adjacent-quarter growth during FY14 has been 0.9 percent.

Non-farm employment increased by 1.7 percent in the fourth quarter. Non-farm employment reached 138.5 million in the fourth quarter. Non-farm employment has finally surpassed its pre-recession peak. That is 17 quarters from the employment trough. Historically-speaking, this is a significant amount of time. It took four quarters to surpass the previous peak following the dual 1980 and 1981 recessions. It took seven quarters to surpass the previous peak following the 1990 recession. Similarly, it took seven quarters to surpass the previous employment peak following the 2001 recession. This is a statement about the depth of the recession losses in jobs as well as a statement about the slow employment growth during the subsequent recovery. Average adjacent-quarter growth during the last two recoveries has been slower than in past few recessions. Average recovery employment growth

has been 0.7, 0.5, 0.3 and 0.4 percent respectively. Employment growth has been hindered by slow civilian labor force participation, slow economic growth and extended unemployment benefit programs.

KENTUCKY ECONOMY

Kentucky personal income increased by 3.5 percent in the fourth quarter. See Table 12. Kentucky personal income growth has been slower during this recovery than the last recovery. Average adjacent-quarter growth following the 2001 recession was 1.1 percent, while average growth following the 2007 recession has been 0.9 percent. Adjacent-quarter growth in FY14 has been 0.9, 0.3, 1.3 and 1.0 respectively. Wages and salaries in Kentucky make up less of total personal income than they do nationally. In Kentucky, wages and salaries make up 49.2 percent of total income. Wages and salaries grew by 3.0 percent in the fourth quarter.

Kentucky non-farm employment grew by 0.3 percent in the fourth quarter. Growth since the end of the 2007 recession has been weak relative to other recoveries. More importantly, growth over the last five quarters has gotten even weaker. Adjacent-quarter growth in the last five quarters was 0.0, 0.4, 0.0, -0.5, and 0.4 percent respectively. Employment data for several sectors were subject to downward revisions for the third quarter of FY14, which resulted in a final third quarter reduction of employment by 8,600 seasonally adjusted persons, or a 0.5 percent decline compared to the second quarter of FY14. This downward revision of the third quarter would ordinarily provide an artificial boost to fourth quarter growth.

Despite the third quarter revision, fourth quarter employment growth was weak across all supersectors. The weakness of employment growth continues to be a major concern in Kentucky, as employment growth is correlated to many other sectors that feed off the wages and salaries generated by employment.

Five of 11 Kentucky supersectors lost jobs in first quarter of FY14. The largest losses occurred in financial services employment where employment dropped by 2,300 jobs or a 2.6 percent fall comparing fourth quarter FY14 to the same quarter of FY13. Mining, manufacturing, information services and trade, transportation, and utilities employment sectors also experienced declines. The sector which experienced the largest increase was other services, which grew by 1,100 jobs or 1.7 percent. Educational services employment grew by 2,600 jobs, or a 0.7 percent increase. Government employment, which includes federal, state and local government jobs, increased by 3,000 seasonally adjusted jobs, a 0.4 percent increase compared to the same quarter in FY13.

Construction employment has been falling steadily since the 2007 recession started. There has not been a clear rebound in this sector. While construction employment in Kentucky increased slightly in the fourth quarter, it is not yet clear that the bottom has been reached. Average adjacent-quarter growth since the official end of the recession has been -0.6 percent.

Manufacturing employment fell 0.6 percent in the fourth quarter. Manufacturing employment fell steadily during the recovery

period following the 2001 recession. Those regular quarterly losses stopped in the third quarter of FY10. From the third quarter of FY10 until the first quarter of FY14, manufacturing employment experienced some improvements and increased by a little over 23,000 seasonally adjusted jobs. Manufac-

turing employment fell in the second and third quarters of FY14 by 0.7 percent each. Manufacturing employment in Kentucky has never fully recovered from the 2001 recession. Kentucky's current manufacturing sector has 74,000 fewer jobs than the number of jobs during the peak prior to the 2001 recession.

Table 12
Summary of Kentucky Economic Series
Fourth Quarter FY14 & FY13

	Fourth Quarter			Full Year		
	FY14	FY13	% Chg	FY14	FY13	% Chg
Personal Income (\$ millions)	164,034.2	158,512.6	3.5	161,672.7	157,536.1	2.6
Wages and Salaries (\$ millions)	80,669.6	78,341.9	3.0	79,493.7	77,792.2	2.2
Non-farm Employment (thousands)	1,839.1	1,833.7	0.3	1,838.0	1,829.3	0.5
Goods-producing	312.6	313.2	-0.2	312.9	313.1	-0.1
Construction	67.9	67.2	1.0	67.5	67.0	0.8
Mining	17.6	17.6	-0.1	17.5	18.4	-4.7
Manufacturing	227.2	228.4	-0.6	227.8	227.7	0.1
Service-providing	1,187.5	1,184.5	0.3	1,186.9	1,179.4	0.6
Trade, Transportation & Utilities	368.1	369.7	-0.4	368.4	369.1	-0.2
Information	26.1	26.3	-0.8	26.1	26.4	-0.9
Finance	86.2	88.5	-2.6	87.3	87.9	-0.7
Business Services	200.3	198.7	0.8	201.3	195.9	2.7
Educational Services	260.3	257.7	1.0	259.3	257.6	0.7
Leisure and Hospitality Services	180.4	178.7	1.0	179.1	177.4	1.0
Other Services	66.0	64.9	1.7	65.4	65.1	0.5
Government	339.0	336.0	0.9	338.2	336.8	0.4

Not Seasonally Adjusted. Data for FY14 Q4 are June 2014 estimates.

Source: IHS Global Insight Inc., June 2014 data release

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Interim Outlook

GENERAL FUND

The revenue forecasts presented in Table 13 and Table 14 were estimated using the June 2014 “control scenario” economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky MAK model. The FY14 estimates presented here highlight the first three fiscal quarters of the year. Underlying economic conditions have solidified somewhat for the near-term forecast, as partially alluded to in the Economic Outlook section of this report. Uncertainty remains, but according to Global Insight many of the impediments to more robust growth have been partially mitigated.

Projected General Fund revenues for the next three quarters are shown in Table 13. As the table indicates, General Fund growth is projected to be 1.3 percent over the forecast

horizon of FY15 (i.e., the first three quarters of FY15). One should not assume that fourth-quarter receipts in FY15 will be the same as in the first three quarters since the fourth quarter receipts include the months of April and June, two of the most pivotal and volatile months of the fiscal year.

Individual income tax receipts are expected to increase by 3.3 percent during the first three quarters of FY15. The largest component of individual income tax receipts is withholding, which makes up approximately 95 percent of total individual income tax receipts. Withholding is closely tied to wages and salaries and employment in the state. Employment has been lackluster for the last two fiscal years, with growth of 1.7 percent each year. The increased rate of growth in the individual income tax for the forecast period is once again predicated upon improvement in the underlying economy.

Table 13
General Fund Interim Forecast
\$ millions

	FY14				FY14		FY15	
	Q4		Full Year		Official CFG		Q1, Q2, & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Individual Income	1,124.3	-3.1	3,749.3	0.7	3,812.3	-63.0	2,712.0	3.3
Sales & Use	812.6	5.1	3,131.1	3.6	3,099.3	31.8	2,304.6	-0.6
Property	62.1	72.9	562.4	0.7	568.9	-6.5	496.6	-0.7
Corporate Income	183.3	19.9	475.1	18.6	460.5	14.6	299.4	2.6
Coal Severance	48.7	-12.6	197.5	-14.3	200.6	-3.1	141.3	-5.0
Cigarette Tax	59.1	-6.6	228.1	-4.4	231.2	-3.1	162.3	-3.9
LLET	68.9	-21.7	199.3	-19.0	231.7	-32.4	133.6	2.4
Lottery	62.9	4.8	219.5	2.0	224.0	-4.5	178.3	13.9
Other	164.9	-10.5	699.7	-2.0	724.4	-24.7	538.4	0.7
General Fund	2,586.7	0.5	9,462.0	1.2	9,552.9	-90.9	6,966.6	1.3

Growth in sales and use tax receipts posted the largest nominal increase over FY13 levels, growing \$109.3 million or 3.6 percent. The rate of growth in this account was welcome given it has declined in three of the six previous years. Recent volatility in the sales tax has created additional challenges for future periods. Since that rate of growth in the sales tax exceeded growth in wages and disposable income, a measure of caution was exercised in blending the various sales tax models due to the inability to sustain levels of spending in excess of disposable income.

Property tax revenues are expected to decline by 0.7 percent over the forecasting horizon. The state rate on real property will remain at 12.2 cents per \$100 in valuation for property assessed as of January 1, 2014. Due to the effects of the recession on the housing market, the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented occurrence of six consecutive years without a rate decline. As the housing market shores up, growth in new property and existing values can be expected to eventually return to more traditional growth patterns, but this interim assumes that this reversion to “normal” will not occur during the forecasting horizon.

The corporation income tax and the LLET were designed to be complementary. The LLET is a backstop for the corporation income tax. That is, when corporate profits and tax receipts fall, LLET collections rise and vice versa. FY14 receipts exemplify this theoretical relation between the two taxes. In FY14, corporation income tax collections grew 18.6 percent while LLET receipts plummeted with a decline of 19.0 percent. For the forecasting horizon, the interim forecast calls for 2.6 percent growth in the corporation

income tax and 2.4 percent growth in the LLET. Business taxes such as corporation income and the LLET have a large percentage of revenues accruing in the fourth fiscal quarter, so it should not be expected that growth in the fourth quarter will mimic the first three quarters of FY15.

Coal severance receipts fell slightly short of the official estimate in FY14 and are expected to decline further in FY15. Energy markets and coal markets in particular, have become quite volatile. The interim estimate is for a 5.0 decline over the forecasting horizon. With the federal law changes and a gridlock in the issuances of new mining permits, a return to the levels near the FY12 peak (\$298.3 million) is implausible in the short to intermediate forecasting horizons.

Cigarette tax receipts declined 4.4 percent in FY14 but the accelerated downward trend is expected to stabilize somewhat over the forecast horizon. The outlook for cigarette tax receipts is for a nominal 3.9 percent decline in the first three quarters of FY15. A downward trend in smoking rates is still expected, but the \$1.00 per pack increase in the tax rate for Illinois is expected to have a small positive revenue impact for cigarette purchases in Kentucky. Notwithstanding this minor border impact, the consumption of cigarettes has steadily been trending downward.

Lottery dividends fell \$4.5 million short of the Lottery Corporation’s dividend schedule despite the expansion of lottery products available for purchase. While the dividend schedule for FY15 has not been released, the official estimate for FY15 remains at \$237.0 million. Nominal collections of dividend payments are expected to be \$178.3 million for the first three quarters of FY15.

The “Other” category contains dozens of smaller accounts, which make up the remainder of the General Fund. Insurance premiums tax, bank franchise and telecommunications tax are the three largest accounts in the “Other” category. The “Other” category of taxes is expected to rise 0.7 percent during the forecasting horizon, a lackluster increase coming off FY14 where revenues declined 2.0 percent. Each account was re-examined after FY14 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled \$699.7 million in FY14. “Other” collections are estimated to be \$538.4 million for the forecasting horizon.

ROAD FUND

Road Fund collections are forecasted to be essentially flat over the first three quarters of FY15, growing only 0.1 percent, as shown in Table 14. While the rate of growth is minimal, it is an improvement over the 2.7 percent decline experienced in the final quarter of FY14. The Road Fund grew 4.6 percent, or \$68.8 million in FY14 due to moderate growth in both motor fuels receipts and motor vehicle usage tax collections. Those increases helped offset declines in motor vehicle license and “other” tax receipts. Taken together, motor fuels and motor vehicle collections accounted for \$64.0 million of the total increase in Road Fund revenues.

Motor fuels tax receipts are expected to increase only 2.0 percent in the first nine months of FY15 even though the tax rate will be at the maximum statutorily allow-

able rate in the first two quarters before declining in the third. Total taxable gallons are projected to continue their long-term decline, offsetting some of the revenue gains resulting from a higher tax rate. Additionally, and more importantly, the tax rate may increase no more than 10 percent from the rate in effect at the close of the previous fiscal year. In FY14, that rate was so low that the maximum increase allowable for FY15 is only two-tenths of one cent.

Motor vehicle usage taxes are forecast to decline 3.1 percent during the first three quarters of FY15. After increasing 3.8 percent in FY14, collections in this account are expected to decline primarily due to a tax law change. Effective July 1, 2015, a trade-in credit will be allowed on the purchase of new vehicles similar to the one in effect for used vehicle purchases. The fiscal impact of the law change is estimated to be \$34.0 million for the entirety of FY15 and \$24.3 million for the first nine months of the fiscal year.

To estimate growth of the other components of the Road Fund, GOEA consulted with officials in the Transportation Cabinet and the Department of Revenue to assess recent growth patterns as well as administrative factors in developing an updated estimate. Motor vehicle license fees are expected to decrease 5.3 percent. Motor vehicle operators' license (driver's license) taxes are forecasted to grow 0.8 percent, weight distance taxes are expected to rise 1.2 percent, and investment income collections are projected to be \$2.8 million. The “Other” category is expected to decrease 2.1 percent.

Table 14
Road Fund Interim Forecast
(\$ millions)

	FY14				FY14		FY15	
	Q4		Full Year		Official CFG		Q1, Q2 & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	217.3	-1.8	886.2	5.7	900.7	-14.5	682.4	2.0
Motor Vehicle Usage	117.3	-3.8	443.0	3.8	448.4	-5.4	315.8	-3.1
Motor Vehicle License	31.8	-17.1	101.9	-0.4	101.3	0.6	66.4	-5.3
Motor Vehicle Operator	4.0	-1.5	16.2	0.6	16.1	0.0	12.2	0.8
Weight Distance	19.2	3.1	76.9	2.6	76.1	0.8	58.4	1.2
Income on Investments	1.9	NA	4.0	NA	2.8	1.2	2.8	33.3
Other	6.8	-22.3	32.3	-3.9	37.2	-4.9	25.0	-2.1
Road Fund	398.3	-2.7	1,560.4	4.6	1,582.6	-22.2	1,163.0	0.1

NATIONAL ECONOMY

As we enter the first fiscal quarter of 2015, one must balance the divergent messages that two of the broadest measures of economic growth are signaling. The most recent estimate of real GDP for the first calendar quarter by the Bureau of Economic Analysis (BEA) indicated a sharp drop of -2.9 percent, a further decline from the second revision which lowered the annual rate of growth from a positive 0.1 percent to a negative 1.0 percent. In contrast, the non-farm payroll report has expanded at the strongest pace in eight years in the first six months of 2014. Given the disparity between these two indicators, the question of how to interpret and balance economic data when estimating the economic vitality of the economy will continue to be a challenge for economic forecasters.

The three percentage point difference of the real GDP estimates from the initial estimate to the most recent estimate is the largest revision in over a decade. Such a significant swing requires a further examination into the root cause of the weakness in

economic growth during the quarter, and why the revisions were of such magnitudes.

The fundamental issues impacting economic growth in the first calendar quarter were discussed in the previous quarterly report, and those issues continue to be the predominate reasons for the overall weakness in economic growth. The first was a significant increase in inventories and exports at the end of calendar 2013. These factors were expected to have a corrective impact on growth in the first quarter. The second reason was the impact the severe weather had on the pattern of consumer spending and business investment.

One area of consumer spending that was seen as a strong positive to real GDP growth was consumer healthcare spending. Health care expenditures had shown strong growth in early calendar 2014 with the start of the Affordable Care Act and the influx of millions of previously uninsured individuals nationwide. These estimates were based on Medicaid enrollments, reported medical occupation labor statistics, and other data

sources. US healthcare employment rose by 1.5 percent in the fourth quarter compared to the fourth quarter of last year. This is just slightly below the 1.7 percent growth experienced by all of non-farm employment during the fourth quarter.

The other major component of the revisions came from updated international trade data. Changes in measurements in export and import growth subtracted 1.9 percentage points in the annual growth rate of the economy. Exports had grown significantly in the fourth calendar quarter of 2013, and the impact of the expansion on the first quarter was expected.

Balancing the negative revisions in real GDP has been the positive employment outlook. The most recent employment report was the third monthly report in a row to report more than two hundred thousand jobs added. Overall, the last half of fiscal 2014 has seen over 1.3 million payroll jobs added, and employment is now up almost 2.3 million year-over-year. Total employment is now over four hundred thousand above the pre-recession peak, and the unemployment rate has fallen to 6.4 percent.

Other positive signs may be found in the Job Openings and Labor Turnover Survey (JOLTS). The most recent JOLTS data from May showed a strong increase in the number of job openings with the number of job openings increasing 19 percent year-over-year, and the number of job openings has been over four million per month for four consecutive months. Further evidence of labor market confidence may be seen in the data on voluntary quits. The rate of voluntary separations or quits from currently held jobs has increased 15 percent year over year provid-

ing an indication that workers have an increased willingness or confidence in finding future employment.

However, like the GDP estimates, there are issues that raise concerns embedded in the data. The employment gains have been realized while the overall labor force participation rate has remained significantly lower than the average levels of the last 30 years. In the most recent jobs report, the number of individuals working part-time on a voluntary basis rose by over 840,000, and the number of part-time workers that desired full-time work increased by 275,000. More troubling was the decrease in seasonally adjusted, full-time employment of 523,000 positions. Combined with the approximate 3.1 million workers that have been unemployed longer than 26 weeks, the overall employment picture is improving but is unlikely to lead to robust wage gains.

The coming fiscal year will represent continued slow improvement in the nation's economic fundamentals. The greatest threats to the forecast are responses to monetary policy and global economic uncertainty. On the domestic front, the Federal Reserve has indicated that the ongoing tapering of the asset purchase programs will continue until fully eliminated by November. Additionally, it is widely expected that the Federal Reserve will begin increasing interest rates towards the end of the upcoming fiscal year. The removal of liquidity and increases in interest rates will impact financial and housing markets, and the current forecast assumes that these transitions will be relatively smooth. On the international front, continued uncertainty in foreign economic growth in the Eurozone and China could further impact export growth. Additionally,

energy markets have been nervously watching the situations in Crimea and Iraq. While current global oil production reserves are adequate for the current situation, a deepening crisis could lead to significant increases in oil prices. Consumer spending has been held back by increases in energy and food prices, and these pressures could increase with significantly higher energy prices.

KENTUCKY ECONOMY

Kentucky personal income growth was 3.5 percent in the fourth quarter, the highest rate of growth since the second quarter of FY13, and income growth for the entire FY14 was 2.6 percent above FY13. Wage and salary growth was also higher in the fourth quarter than recent quarters as weather improved and employment increased.

Kentuckians' incomes are expected to grow even more rapidly in FY15, in line with the US as a whole. This rate of growth is consistent with an economy returning to its long-run trend from the 2007 recession and subsequent sub-par growth as households and businesses slowly adjusted their balance sheets.

The Federal Reserve Bank of Philadelphia produces a Kentucky Leading Index which was positive for the 56th consecutive month, which indicates continued prosperity for Kentucky for the near future. The long string of positive leading indicators means that a recession in the next six months is not likely.

As alluded to above, different data sources can often complicate the interpretation of how well a sector is performing. For example, the employment establishment data have been notably positive - in direct conflict with recent GDP reports. The Workforce Development Cabinet reported that the unemployment rate has fallen in 103 of 120 Kentucky counties between May 2013 and May 2014. As reported back in Table 12, mining employment fell the most sharply in FY14 while employment in business services grew the fastest. The St. Louis Federal Reserve's Louisville branch reported in June that Kentucky's manufacturing exports showed substantial increase towards the end of FY14, and Western Kentucky coal production was increasing relative to the previous year's output for the first time since 2011. As reported in Table 16, employment growth in manufacturing and goods production is projected to surpass that of service producing industries in the later quarters of FY15.

The remarkably cold and long winter was confirmed to have had adverse effects on the US and Kentucky economy in the third quarter of FY14, and now that weather has improved Kentucky's economy appears to be moving forward more rapidly. However, the housing market is still of some concern as housing starts have been sluggish nationwide. The Cleveland Federal Reserve reports that higher mortgage rates and modest tightening of lending standards explain the relative decline in residential investment and should caution home builders moving forward. Overall, the Kentucky economy is forecast to achieve a rate of growth in FY15 not seen in several years.

Table 15
US Economic Outlook
Quarters 1, 2, & 3

	Q1, Q2, & Q3			
	FY15	FY14	Chg	% Chg
United States				
Real GDP	16,288.5	15,894.8	393.7	2.5
Real Consumption	11,113.2	10,830.0	283.2	2.6
Real Investment	2,732.4	2,611.0	121.4	4.7
Real Govt. Expenditures	2,876.1	2,879.5	-3.4	-0.1
Real Exports	2,117.1	2,037.8	79.3	3.9
Real Imports	2,529.3	2,444.9	84.4	3.5
Personal Income (\$ billions)	14,873.4	14,314.6	558.8	3.9
Wages and Salaries (\$ billions)	7,530.8	7,228.0	302.8	4.2
Inflation (% chg CPI)	2.1	1.4	NA	NA
Industrial Production Index (% chg)	3.2	3.2	NA	NA
Civilian Labor Force (millions)	157.0	155.4	1.6	1.0
Total Non-farm Employment (millions)	139.7	137.2	2.5	1.8
Manufacturing Employment (millions)	12.2	12.0	0.2	1.4
Unemployment Rate (%)	6.3	7.0	NA	NA
Kentucky				
Personal Income (\$ millions)	167,499.4	160,885.6	6,613.8	4.1
Wage & Salary (\$ millions)	82,486.2	79,101.7	3,384.5	4.3
Non-farm Employment (thousands)	1,853.9	1,837.6	16.3	0.9
Goods Producing (thousands)	316.2	313.0	3.2	1.0
Service Providing (thousands)	1,198.2	1,186.8	11.4	1.0
Government (thousands)	339.5	337.9	1.6	0.5

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.

Components do not sum to GDP because they are annualized independently.

Data for FY15 Q1 through Q3 are June 2014 estimates.

Source: IHS Global Insight Inc., June 2014 data release

Table 16
History and Outlook for US and Kentucky Economic Series
Annual Growth Rates (%)

	FY13				FY14				FY15		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
United States											
Real GDP	3.1	2.0	1.3	1.6	2.0	2.6	2.0	2.3	2.1	2.2	3.2
Real Consumption	2.2	2.0	1.9	1.9	1.9	2.3	2.5	2.7	2.8	2.6	2.5
Real Investment	11.2	3.1	1.7	4.4	6.9	8.3	3.7	4.8	1.8	3.3	9.0
Real Government Expenditures	0.2	-1.1	-1.8	-2.0	-2.7	-2.4	-1.5	-1.3	-1.1	0.3	0.5
Real Exports	2.8	2.4	1.0	2.0	2.9	4.9	3.7	3.2	3.5	2.7	5.6
Real Imports	2.4	0.1	0.1	1.2	1.6	2.8	2.9	3.0	2.2	3.3	4.8
Personal Income	3.1	5.8	2.8	3.2	3.8	1.6	3.5	3.4	3.3	3.8	4.6
Wage & Salary	3.1	6.4	2.9	3.6	3.7	2.0	3.6	3.5	4.0	4.1	4.5
CPI	1.7	1.9	1.7	1.4	1.5	1.2	1.4	2.0	1.9	2.2	2.1
Industrial Production Index	3.6	3.2	3.0	2.5	2.7	3.3	3.4	3.3	3.5	3.1	3.0
Civilian Labor Force	0.8	0.9	0.5	0.5	0.4	-0.3	0.2	0.2	0.5	1.3	1.2
Total Non-farm Employment	1.6	1.7	1.6	1.7	1.8	1.8	1.7	1.7	1.8	1.7	1.8
Manufacturing Employment	1.7	1.5	1.1	0.6	0.2	0.7	0.7	1.0	1.4	1.1	1.6
Unemployment Rate	8.0	7.8	7.7	7.5	7.2	7.0	6.7	6.4	6.5	6.3	6.2
Kentucky											
Personal Income	2.3	3.7	1.9	1.8	2.7	1.4	2.8	3.5	3.5	4.3	4.5
Wage & Salary	1.9	3.0	2.0	1.8	2.3	1.7	1.8	3.0	3.9	4.3	4.6
Non-farm Employment	1.4	1.3	1.0	0.7	1.0	0.7	-0.1	0.3	0.3	0.7	1.6
Goods Producing	3.2	2.1	1.4	0.9	0.5	0.1	-0.6	-0.2	-0.3	1.2	2.2
Service Providing	1.2	1.4	1.3	1.1	1.3	1.1	-0.1	0.3	0.5	0.6	1.8
Government	0.3	0.1	-0.4	-0.9	0.2	0.0	0.5	0.9	0.5	0.7	0.2

Data for FY14 Q4 are June 2014 estimates.

Source: IHS Global Insight Inc., June 2014 data release.

APPENDIX A

General and Road Fund Receipts Fourth Quarter FY14

KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	Fourth Quarter FY 2014	Fourth Quarter FY 2013	%	Year-To-Date FY 2014	Year-To-Date FY 2013	%
			Change			Change
TOTAL GENERAL FUND	\$2,586,683,659	\$2,572,960,095	0.5%	\$9,462,035,017	\$9,348,326,000	1.2%
Tax Receipts	\$2,489,627,534	\$2,461,640,953	1.1%	\$9,126,466,009	\$8,992,372,146	1.5%
Sales and Gross Receipts	\$972,595,213	\$936,912,494	3.8%	\$3,716,809,229	\$3,616,732,159	2.8%
Beer Consumption	1,610,282	1,655,403	-2.7%	6,226,880	6,190,085	0.6%
Beer Wholesale	14,960,773	14,830,404	0.9%	57,969,185	53,750,045	7.8%
Cigarette	59,105,705	63,286,979	-6.6%	228,076,834	238,669,895	-4.4%
Distilled Spirits Case Sales	32,024	31,411	2.0%	127,875	122,873	4.1%
Distilled Spirits Consumption	3,032,095	3,032,354	0.0%	11,961,270	11,962,448	0.0%
Distilled Spirits Wholesale	8,561,525	8,341,106	2.6%	33,829,202	31,911,903	6.0%
Insurance Premium	45,773,536	44,394,323	3.1%	141,638,641	139,471,024	1.6%
Pari-Mutuel	1,114,886	1,928,056	-42.2%	2,421,099	4,842,847	-50.0%
Race Track Admission	55,298	56,443	-2.0%	213,958	184,269	16.1%
Sales and Use	812,552,253	773,029,004	5.1%	3,131,126,876	3,021,794,387	3.6%
Wine Consumption	706,420	701,351	0.7%	2,896,687	2,856,119	1.4%
Wine Wholesale	3,871,644	3,769,686	2.7%	15,523,357	14,959,504	3.8%
Telecommunications Tax	15,920,499	16,283,713	-2.2%	63,897,510	68,327,915	-6.5%
OTP	5,297,915	5,567,743	-4.8%	20,901,740	21,669,418	-3.5%
Floor Stock Tax	359	4,518	-92.0%	(1,887)	19,426	---
License and Privilege	\$128,443,752	\$155,709,821	-17.5%	\$546,514,679	\$615,821,292	-11.3%
Alc. Bev. License Suspension	95,762	107,542	-11.0%	343,952	402,958	-14.6%
Coal Severance	48,672,570	55,667,587	-12.6%	197,525,899	230,540,150	-14.3%
Corporation License	(36,042)	228,596	---	814,539	(294,874)	---
Corporation Organization	16,074	9,676	66.1%	47,491	97,963	-51.5%
Occupational Licenses	118,650	77,752	52.6%	214,153	137,311	56.0%
Oil Production	3,440,573	3,116,798	10.4%	13,128,040	10,974,127	19.6%
Race Track License	42,925	55,925	-23.2%	291,300	264,011	10.3%
Bank Franchise Tax	(40,788)	577,860	---	102,857,446	98,971,258	3.9%
Driver License Fees	139,601	159,790	-12.6%	612,770	633,198	-3.2%
Minerals Severance	1,059,998	3,440,158	-69.2%	12,298,663	13,306,647	-7.6%
Natural Gas Severance	6,042,629	4,309,966	40.2%	19,036,025	14,665,363	29.8%
Limited Liability Entity	68,891,800	87,958,171	-21.7%	199,344,400	246,123,181	-19.0%
Income	\$1,307,610,825	\$1,312,760,756	-0.4%	\$4,224,378,149	\$4,123,715,965	2.4%
Corporation	183,324,452	152,961,478	19.9%	475,120,319	400,752,175	18.6%
Individual	1,124,286,373	1,159,799,278	-3.1%	3,749,257,830	3,722,963,791	0.7%
Property	\$62,082,968	\$35,906,020	72.9%	\$562,428,448	\$558,378,328	0.7%
Building & Loan Association	1,801,222	2,348,742	-23.3%	1,806,976	2,332,923	-22.5%
General - Real	5,525,311	5,875,331	-6.0%	258,284,309	257,970,441	0.1%
General - Tangible	40,627,210	31,774,678	27.9%	223,393,888	216,942,082	3.0%
Omitted & Delinquent	7,397,696	(5,418,448)	---	21,276,527	26,972,243	-21.1%
Public Service	6,720,712	1,320,913	408.8%	51,859,325	52,795,179	-1.8%
Other	10,817	4,803	125.2%	5,807,422	1,365,461	325.3%
Inheritance	\$10,511,033	\$11,919,911	-11.8%	\$45,843,849	\$41,326,220	10.9%
Miscellaneous	\$8,383,743	\$8,431,951	-0.6%	\$30,491,656	\$36,398,182	-16.2%
Legal Process	4,449,531	4,987,880	-10.8%	16,792,670	19,748,614	-15.0%
T. V. A. In Lieu Payments	3,915,134	3,422,542	14.4%	13,646,200	16,600,467	-17.8%
Other	19,077	21,529	-11.4%	52,786	49,101	7.5%
Nontax Receipts	\$96,795,892	\$111,285,818	-13.0%	\$333,860,106	\$353,103,427	-5.4%
Departmental Fees	9,204,582	10,508,238	-12.4%	24,489,562	28,494,072	-14.1%
PSC Assessment Fee	2,319,215	114,224	1930.4%	17,155,431	13,205,508	29.9%
Fines & Forfeitures	5,819,619	6,497,196	-10.4%	24,747,942	28,264,706	-12.4%
Income on Investments	679,669	(367,523)	---	(176,256)	711,516	---
Lottery	62,861,000	60,000,000	4.8%	219,500,743	215,266,568	2.0%
Sale of NOx Credits	49,000	23,288	110.4%	104,242	50,892	104.8%
Miscellaneous	15,862,807	34,510,395	-54.0%	48,038,442	67,110,164	-28.4%
Redeposit of State Funds	\$260,233	\$33,324	680.9%	\$1,708,902	\$2,850,428	-40.0%

KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Fourth Quarter FY 2014	Fourth Quarter FY 2013	% Change	Year-To-Date FY 2014	Year-To-Date FY 2013	% Change
TOTAL ROAD FUND	\$398,293,958	\$409,546,924	-2.7%	\$1,560,441,246	\$1,491,623,669	4.6%
Tax Receipts-	\$392,279,413	\$407,847,679	-3.8%	\$1,535,727,564	\$1,471,593,789	4.4%
Sales and Gross Receipts	\$334,589,440	\$343,079,609	-2.5%	\$1,329,208,128	\$1,265,175,199	5.1%
Motor Fuels Taxes	217,282,802	221,157,751	-1.8%	886,161,042	838,344,373	5.7%
Motor Vehicle Usage	117,306,638	121,921,858	-3.8%	443,047,087	426,830,826	3.8%
License and Privilege	\$57,689,972	\$64,768,070	-10.9%	\$206,519,436	\$206,418,590	0.0%
Motor Vehicles	31,824,796	38,382,449	-17.1%	101,879,541	102,256,080	-0.4%
Motor Vehicle Operators	4,045,197	4,107,533	-1.5%	16,150,032	16,049,755	0.6%
Weight Distance	19,168,360	18,596,276	3.1%	76,894,805	74,935,016	2.6%
Truck Decal Fees	451,700	520,569	-13.2%	489,072	590,397	-17.2%
Other Special Fees	2,199,919	3,161,244	-30.4%	11,105,986	12,587,343	-11.8%
Nontax Receipts	\$8,051,932	\$1,656,603	386.1%	\$22,833,411	\$18,023,074	26.7%
Departmental Fees	5,808,520	4,648,020	25.0%	17,368,008	17,094,723	1.6%
In Lieu of Traffic Fines	134,409	163,728	-17.9%	544,637	702,451	-22.5%
Income on Investments	1,854,783	(3,386,893)	-154.8%	3,997,826	(398,745)	---
Miscellaneous	254,221	231,748	9.7%	922,939	624,646	47.8%
Redeposit of State Funds	(\$2,037,386)	\$42,642	---	\$1,880,271	\$2,006,806	-6.3%

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Appendix B

Summary Statistics for General and Road Funds FY05 - FY14

Summary Statistics for General Fund (\$ mil)

Major Revenue Sources - Fiscal Years 2005-2014

	FY05	FY06	FY07	FY08	FY09
TOTAL GENERAL FUND	7,645,046,634	8,376,083,216	8,573,819,250	8,664,336,663	8,426,351,594
Tax Receipts	7,350,335,469	8,065,347,817	8,233,789,253	8,329,734,971	8,112,768,934
Sales and Gross Receipts	2,838,701,120	3,174,734,842	3,280,448,981	3,354,581,311	3,374,871,927
Beer Consumption	6,387,318	6,393,753	6,344,079	6,535,066	6,478,525
Beer Wholesale	37,815,717	45,206,839	46,806,186	49,531,545	51,696,564
Cigarette	24,966,880	172,069,493	168,768,467	169,547,927	186,756,010
Cigarette Floor Stock	8,701,966	12,089,404	9,746		16,292,300
Distilled Spirits Case Sales	92,178	94,806	98,874	104,154	109,333
Distilled Spirits Consumption	9,190,089	9,900,035	10,094,572	10,378,013	10,676,604
Distilled Spirits Wholesale	18,150,313	23,524,032	25,139,117	26,628,403	27,884,547
Insurance Premium	123,410,091	122,824,056	125,877,984	129,296,901	125,168,149
Pari-Mutuel	4,710,111	5,626,849	5,489,552	5,327,540	4,387,515
Race Track Admission	195,068	230,285	190,362	219,939	230,888
Sales and Use	2,594,966,373	2,749,765,011	2,817,652,253	2,877,814,014	2,857,665,168
Wine Consumption	2,279,162	1,945,945	2,326,331	2,353,476	2,392,069
Wine Wholesale	7,835,853	10,510,955	11,392,111	11,977,256	12,356,700
Telecommunications Tax	---	14,553,379	51,623,000	55,972,928	61,228,833
Other Tobacco Products	---	---	8,636,348	8,894,150	11,548,724
License and Privilege	427,823,269	386,264,573	352,829,122	468,666,009	561,746,597
Alc. Bev. License & Suspension	237,101	280,450	659,151	830,310	393,050
Coal Severance	184,436,935	224,490,111	221,952,516	232,977,827	292,591,094
Corporation License	134,149,794	43,516,942	11,734,452	2,822,279	9,154,338
Corporation Organization	613,048	221,281	115,755	259,654	38,101
Occupational Licenses	188,761	174,122	207,198	191,571	257,200
Oil Production	4,710,832	6,386,501	6,198,342	10,201,113	8,430,228
Race Track License	324,642	289,258	283,675	245,360	350,225
Bank Franchise Tax	63,837,587	59,603,147	63,912,315	71,976,055	73,339,144
Driver License Fees	522,904	600,903	603,807	599,370	579,919
Minerals Severance	13,494,541	14,502,342	14,822,013	16,360,844	12,807,705
Natural Gas Severance	25,307,125	36,199,516	32,339,897	33,794,313	42,155,501
LLET				98,407,313	121,650,092
Income	3,514,735,211	3,920,229,525	4,029,600,561	3,918,359,883	3,583,353,074
Corporation	478,504,505	1,001,618,543	988,064,957	435,222,566	267,984,858
Individual	3,036,230,706	2,918,610,982	3,041,535,604	3,483,137,317	3,315,368,217
Property	472,596,276	502,510,631	492,462,208	500,646,790	513,122,060
Bank Deposits	474,098	505,351	513,619	532,436	542,716
Building & Loan Association	3,192,911	2,071,523	2,921,484	2,649,630	2,898,977
Distilled Spirits	388,612	410,798	506,754	513,549	624,280
General - Intangible	26,912,813	30,955,124	48,841	-	-
General - Real	202,182,555	215,351,439	228,282,174	237,153,330	241,008,338
General - Tangible	159,883,091	165,622,948	192,343,695	205,763,426	203,783,916
Omitted & Delinquent	20,646,846	30,330,629	25,253,460	17,519,651	22,945,670
Public Service	58,787,595	57,259,849	42,588,669	36,511,473	41,315,048
Other	127,756	2,970	3,512	3,295	3,115
Inheritance	63,174,866	45,990,266	43,578,107	51,001,299	41,234,240
Miscellaneous	33,304,727	35,617,980	34,870,274	36,479,679	38,441,036
Legal Process	24,696,032	25,118,948	24,759,470	24,060,840	23,782,419
T. V. A. In Lieu Payments	8,559,023	10,248,314	10,037,326	12,389,344	14,593,246
Other	49,672	250,719	73,478	29,495	65,371
Nontax Receipts	286,661,124	302,629,799	327,878,702	330,053,277	311,791,847
Departmental Fees	22,542,182	23,932,336	25,043,719	30,382,254	31,912,667
PSC Assessment Fee	13,568,805	9,041,415	14,593,067	14,306,084	14,104,836
Fines & Forfeitures	25,405,780	26,129,275	26,606,686	28,118,106	29,298,014
Interest on Investments	6,950,902	18,681,492	31,991,861	23,868,325	4,183,825
Lottery	161,252,000	190,000,000	186,625,113	187,461,591	193,500,000
Sale of NOx Credits	3,696,675	1,126,000	811,600	12,251,950	0
Miscellaneous	53,244,780	33,719,282	42,206,657	33,664,968	38,792,505
Redeposit of State Funds	8,050,041	8,105,601	12,151,295	4,548,415	1,790,813

Summary Statistics for General Fund (\$ mil)
Major Revenue Sources - Fiscal Years 2005-2014

	FY010	FY11	FY12	FY13	FY14
TOTAL GENERAL FUND	8,225,127,620	8,759,442,646	9,090,954,645	9,348,326,000	9,462,035,017
Tax Receipts	7,917,980,032	8,455,775,175	8,786,626,012	8,992,372,146	9,126,466,009
Sales and Gross Receipts	3,396,530,945	3,489,069,236	3,648,803,253	3,616,732,159	3,716,809,229
Beer Consumption	6,165,525	6,118,817	6,125,423	6,190,085	6,226,880
Beer Wholesale	51,596,255	51,914,445	54,139,730	53,750,045	57,969,185
Cigarette	278,159,743	262,220,720	254,798,018	238,669,895	228,076,834
Cigarette Floor Stock	274,940	150,038	31,548	19,426	(1,887)
Distilled Spirits Case Sales	453,002	-232,830	116,903	122,873	127,875
Distilled Spirits Consumption	10,719,543	10,942,531	11,355,027	11,962,448	11,961,270
Distilled Spirits Wholesale	27,517,432	28,175,617	29,695,678	31,911,903	33,829,202
Insurance Premium	125,063,475	128,731,563	133,069,934	139,471,024	141,638,641
Pari-Mutuel	-82,480	4,607,322	3,600,911	4,842,847	2,421,099
Race Track Admission	187,994	178,957	164,223	184,269	213,958
Sales and Use	2,794,057,329	2,896,251,816	3,052,236,048	3,021,794,387	3,131,126,876
Wine Consumption	2,442,113	2,584,039	2,716,967	2,856,119	2,896,687
Wine Wholesale	12,082,136	13,748,696	14,102,961	14,959,504	15,523,357
Telecommunications Tax	66,786,669	62,286,497	64,919,274	68,327,915	63,897,510
Other Tobacco Products	21,107,290	21,391,009	21,730,607	21,669,418	20,901,740
License and Privilege	539,421,718	658,594,243	647,694,277	615,821,292	546,514,679
Alc. Bev. License & Suspension	562,082	377,550	281,375	402,958	343,952
Coal Severance	271,943,100	295,836,611	298,263,637	230,540,150	197,525,899
Corporation License	5,470,951	10,654,547	5,330,573	-294,874	814,539
Corporation Organization	167,841	69,928	94,666	97,963	47,491
Occupational Licenses	172,153	165,753	156,845	137,311	214,153
Oil Production	7,564,121	8,287,566	11,955,961	10,974,127	13,128,040
Race Track License	271,425	262,175	272,443	264,011	291,300
Bank Franchise Tax	69,085,922	88,400,971	94,158,966	98,971,258	102,857,446
Driver License Fees	596,348	602,721	608,829	633,198	612,770
Minerals Severance	13,266,156	13,256,853	13,292,368	13,306,647	12,298,663
Natural Gas Severance	24,373,188	24,938,411	22,538,258	14,665,363	19,036,025
LLET	145,948,432	215,741,157	200,740,356	246,123,181	199,344,400
Income	3,392,355,392	3,718,560,868	3,886,498,908	4,123,715,965	4,224,378,149
Corporation	237,867,392	300,782,364	374,423,779	400,752,175	475,120,319
Individual	3,154,488,000	3,417,778,504	3,512,075,128	3,722,963,791	3,749,257,830
Property	516,169,947	514,814,972	529,566,811	558,378,328	562,428,448
Bank Deposits	589,597	561,375	570,776	588,098	581,157
Building & Loan Association	2,920,507	2,457,458	2,462,810	2,332,923	1,806,976
Distilled Spirits	685,815	730,146	754,636	772,733	854,637
General - Intangible	-	-	-	-	816
General - Real	248,756,857	247,034,036	251,285,063	257,970,441	258,284,309
General - Tangible	193,234,982	186,665,683	207,739,436	216,942,082	223,393,888
Omitted & Delinquent	24,952,198	28,140,461	16,687,591	26,972,243	21,276,527
Public Service	45,026,921	49,210,400	50,063,069	52,795,179	51,859,325
Other	3,071	15,412	3,431	4,629	4,370,813
Inheritance	37,201,611	41,350,929	41,312,904	41,326,220	45,843,849
Miscellaneous	36,300,419	33,384,927	32,749,859	36,398,182	30,491,656
Legal Process	21,807,020	20,303,600	19,977,267	19,748,614	16,792,670
T. V. A. In Lieu Payments	14,335,091	12,992,023	12,707,124	16,600,467	13,646,200
Other	158,308	89,304	65,468	49,101	52,786
Nontax Receipts	301,799,304	300,260,186	301,849,149	353,103,427	333,860,106
Departmental Fees	29,530,171	29,505,690	26,203,503	28,494,072	24,489,562
PSC Assessment Fee	12,685,063	16,266,055	7,389,549	13,205,508	17,155,431
Fines & Forfeitures	29,046,803	26,117,800	26,274,627	28,264,706	24,747,942
Interest on Investments	-303,103	767,606	-14,535,985	711,516	(176,256)
Lottery	200,000,000	200,500,000	210,800,122	215,266,568	219,500,743
Sale of NOx Credits	625,230	36,825	22,025	50,892	104,242
Miscellaneous	30,215,139	27,066,209	45,695,310	67,110,164	48,038,442
Redeposit of State Funds	5,348,284	3,407,285	2,479,483	2,850,428	1,708,902

General Fund Growth Rates

Major Revenue Sources - Fiscal Years 2005-2014

	FY05	FY06	FY07	FY08	FY09
TOTAL GENERAL FUND	9.6%	9.6%	2.4%	1.1%	-2.7%
Tax Receipts	9.9%	9.7%	2.1%	1.2%	-2.6%
Sales and Gross Receipts	6.4%	11.8%	3.3%	2.3%	0.6%
Beer Consumption	1.1%	0.1%	-0.8%	3.0%	-0.9%
Beer Wholesale	1.0%	19.5%	3.5%	5.8%	4.4%
Cigarette	45.7%	589.2%	-1.9%	0.5%	10.1%
Cigarette Floor Stock	---	38.9%	-99.9%	-100.0%	---
Distilled Spirits Case Sales	5.2%	2.9%	4.3%	5.3%	5.0%
Distilled Spirits Consumption	2.3%	7.7%	2.0%	2.8%	2.9%
Distilled Spirits Wholesale	7.0%	29.6%	6.9%	5.9%	4.7%
Insurance Premium	2.4%	-0.5%	2.5%	2.7%	-3.2%
Pari-Mutuel	29.8%	19.5%	-2.4%	-3.0%	-17.6%
Race Track Admission	-16.0%	18.1%	-17.3%	15.5%	5.0%
Sales and Use	6.0%	6.0%	2.5%	2.1%	-0.7%
Wine Consumption	13.7%	-14.6%	19.5%	1.2%	1.6%
Wine Wholesale	7.2%	34.1%	8.4%	5.1%	3.2%
Telecommunications Tax	---	---	254.7%	8.4%	9.4%
Other Tobacco Products	---	---	---	3.0%	29.8%
License and Privilege	16.2%	-9.7%	-8.7%	32.8%	19.9%
Alc. Bev. License Suspension	6.0%	18.3%	135.0%	26.0%	-52.7%
Coal Severance	25.0%	21.7%	-1.1%	5.0%	25.6%
Corporation License	8.1%	-67.6%	-73.0%	-75.9%	224.4%
Corporation Organization	326.3%	-63.9%	-47.7%	124.3%	-85.3%
Occupational Licenses	-15.4%	-7.8%	19.0%	-7.5%	34.3%
Oil Production	39.0%	35.6%	-2.9%	64.6%	-17.4%
Race Track License	-3.3%	-10.9%	-1.9%	-13.5%	42.7%
Bank Franchise Tax	15.1%	-6.6%	7.2%	12.6%	1.9%
Driver License Fees	-0.2%	14.9%	0.5%	-0.7%	-3.2%
Minerals Severance	-1.6%	7.5%	2.2%	10.4%	-21.7%
Natural Gas Severance	12.4%	43.0%	-10.7%	4.5%	24.7%
LLET	---	---	---	---	23.6%
Income	13.4%	11.5%	2.8%	-2.8%	-8.5%
Corporation	57.8%	109.3%	-1.4%	-56.0%	-38.4%
Individual	8.6%	-3.9%	4.2%	14.5%	-4.8%
Property	5.3%	6.3%	-2.0%	1.7%	2.5%
Bank Deposits	1.4%	6.6%	1.6%	3.7%	1.9%
Building & Loan Association	27.1%	-35.1%	41.0%	-9.3%	9.4%
Distilled Spirits	3.5%	5.7%	23.4%	1.3%	21.6%
General - Intangible	-2.3%	15.0%	-99.8%	-100.0%	---
General - Real	5.0%	6.5%	6.0%	3.9%	1.6%
General - Tangible	7.2%	3.6%	16.1%	7.0%	-1.0%
Omitted & Delinquent	30.4%	46.9%	-16.7%	-30.6%	31.0%
Public Service	-2.3%	-2.6%	-25.6%	-14.3%	13.2%
Other	-22.4%	-97.7%	18.2%	-6.2%	-5.5%
Inheritance	-4.4%	-27.2%	-5.2%	17.0%	-19.2%
Miscellaneous	-6.2%	6.9%	-2.1%	4.6%	5.4%
Legal Process	-9.6%	1.7%	-1.4%	-2.8%	-1.2%
T. V. A. In Lieu Payments	5.1%	19.7%	-2.1%	23.4%	17.8%
Other	10.2%	404.7%	-70.7%	-59.9%	121.6%
Nontax Receipts	2.1%	5.6%	8.3%	0.7%	-5.5%
Departmental Fees	1.7%	6.2%	4.6%	21.3%	5.0%
PSC Assessment Fee ⁷	151.8%	-33.4%	61.4%	-2.0%	-1.4%
Fines & Forfeitures	-9.2%	2.8%	1.8%	5.7%	4.2%
Interest on Investments	583.3%	168.8%	71.2%	-25.4%	-82.5%
Lottery	-7.2%	17.8%	-1.8%	0.4%	3.2%
Sale of NOx Credits	-68.8%	-69.5%	-27.9%	1409.6%	-100.0%
Miscellaneous	37.7%	-36.7%	25.2%	-20.2%	15.2%
Redeposit of State Funds	-23.0%	0.7%	49.9%	-62.6%	-60.6%

General Fund Growth Rates

Major Revenue Sources - Fiscal Years 2005-2014

	FY10	FY11	FY12	FY13	FY14
TOTAL GENERAL FUND	-2.4%	6.5%	3.8%	2.8%	1.2%
Tax Receipts	-2.4%	6.8%	3.9%	2.3%	1.5%
Sales and Gross Receipts	0.6%	2.7%	4.6%	-0.9%	2.8%
Beer Consumption	-4.8%	-0.8%	0.1%	1.1%	0.6%
Beer Wholesale	-0.2%	0.6%	4.3%	-0.7%	7.8%
Cigarette	48.9%	-5.7%	-2.8%	-6.3%	-4.4%
Cigarette Floor Stock	-98.3%	-45.4%	-79.0%	-38.4%	---
Distilled Spirits Case Sales	314.3%	-151.4%	-150.2%	5.1%	4.1%
Distilled Spirits Consumption	0.4%	2.1%	3.8%	5.3%	0.0%
Distilled Spirits Wholesale	-1.3%	2.4%	5.4%	7.5%	6.0%
Insurance Premium	-0.1%	2.9%	3.4%	4.8%	1.6%
Pari-Mutuel	-101.9%	---	-21.8%	34.5%	-50.0%
Race Track Admission	-18.6%	-4.8%	-8.2%	12.2%	16.1%
Sales and Use	-2.2%	3.7%	5.4%	-1.0%	3.6%
Wine Consumption	2.1%	5.8%	5.1%	5.1%	1.4%
Wine Wholesale	-2.2%	13.8%	2.6%	6.1%	3.8%
Telecommunications Tax	9.1%	-6.7%	4.2%	5.3%	-6.5%
Other Tobacco Products	82.8%	1.3%	1.6%	-0.3%	-3.5%
License and Privilege	-4.0%	22.1%	-1.7%	-4.9%	-11.3%
Alc. Bev. License Suspension	43.0%	-32.8%	-25.5%	43.2%	-14.6%
Coal Severance	-7.1%	8.8%	0.8%	-22.7%	-14.3%
Corporation License	-40.2%	94.7%	-50.0%	-105.5%	---
Corporation Organization	340.5%	-58.3%	35.4%	3.5%	-51.5%
Occupational Licenses	-33.1%	-3.7%	-5.4%	-12.5%	56.0%
Oil Production	-10.3%	9.6%	44.3%	-8.2%	19.6%
Race Track License	-22.5%	-3.4%	3.9%	-3.1%	10.3%
Bank Franchise Tax	-5.8%	28.0%	6.5%	5.1%	3.9%
Driver License Fees	2.8%	1.1%	1.0%	4.0%	-3.2%
Minerals Severance	3.6%	-0.1%	0.3%	0.1%	-7.6%
Natural Gas Severance	-42.2%	2.3%	-9.6%	-34.9%	29.8%
LLET	20.0%	47.8%	-7.0%	22.6%	-19.0%
Income	-5.3%	9.6%	4.5%	6.1%	2.4%
Corporation	-11.2%	26.4%	24.5%	7.0%	18.6%
Individual	-4.9%	8.3%	2.8%	6.0%	0.7%
Property	0.6%	-0.3%	2.9%	5.4%	0.7%
Bank Deposits	8.6%	-4.8%	1.7%	3.0%	-1.2%
Building & Loan Association	0.7%	-15.9%	0.2%	-5.3%	-22.5%
Distilled Spirits	9.9%	6.5%	3.4%	2.4%	10.6%
General - Intangible	---	---	---	---	---
General - Real	3.2%	-0.7%	1.7%	2.7%	0.1%
General - Tangible	-5.2%	-3.4%	11.3%	4.4%	3.0%
Omitted & Delinquent	8.7%	12.8%	-40.7%	61.6%	-21.1%
Public Service	9.0%	9.3%	1.7%	5.5%	-1.8%
Other	-1.4%	401.9%	-77.7%	34.9%	---
Inheritance	-9.8%	11.2%	-0.1%	0.0%	10.9%
Miscellaneous	-5.6%	-8.0%	-1.9%	11.1%	-16.2%
Legal Process	-8.3%	-6.9%	-1.6%	-1.1%	-15.0%
T. V. A. In Lieu Payments	-1.8%	-9.4%	-2.2%	30.6%	-17.8%
Other	142.2%	-43.6%	-26.7%	-25.0%	7.5%
Nontax Receipts	-3.2%	-0.5%	0.5%	17.0%	-5.4%
Departmental Fees	-7.5%	-0.1%	-11.2%	8.7%	-14.1%
PSC Assessment Fee	-10.1%	28.2%	-54.6%	78.7%	29.9%
Fines & Forfeitures	-0.9%	-10.1%	0.6%	7.6%	-12.4%
Interest on Investments	-107.2%	-353.2%	-1993.7%	-104.9%	-124.8%
Lottery	3.4%	0.3%	5.1%	2.1%	2.0%
Sale of NOx Credits	---	-94.1%	-40.2%	131.1%	104.8%
Miscellaneous	-22.1%	-10.4%	68.8%	46.9%	-28.4%
Redeposit of State Funds	198.7%	-36.3%	-27.2%	15.0%	-40.0%

Summary Statistics for Road Fund (\$ mil)

Major Revenue Sources - Fiscal Years 2005-2014

	FY05	FY06	FY07	FY08	FY09
TOTAL STATE ROAD FUND	1,126,554,402	1,165,409,505	1,225,943,515	1,262,798,750	1,191,982,894
Tax Receipts-	1,094,354,041	1,133,247,862	1,186,074,087	1,219,349,262	1,159,379,226
Sales and Gross Receipts	898,340,426	923,879,353	974,732,028	1,014,576,337	958,780,727
Motor Fuels Taxes	490,815,064	528,296,727	563,480,031	608,779,123	622,479,527
Motor Vehicle Usage	407,525,361	395,582,626	411,251,997	405,797,215	336,301,200
License and Privilege	196,013,615	209,368,509	211,342,059	204,772,925	200,598,500
Motor Vehicles	91,933,157	93,902,097	101,660,768	93,523,748	98,186,733
Motor Vehicle Operators	5,899,247	14,553,623	15,811,880	15,372,618	15,521,191
Weight Distance	83,069,296	85,336,610	85,435,610	84,353,543	75,444,283
Truck Decal Fees	1,041,912	954,706	842,239	774,379	832,653
Other Special Fees	14,070,003	14,621,473	7,591,561	10,748,637	10,613,640
Nontax Receipts	30,432,049	30,208,832	39,469,278	41,805,267	31,375,092
Departmental Fees	16,685,742	15,617,220	17,787,658	20,291,394	19,106,827
In Lieu of Traffic Fines	1,326,645	1,269,800	1,174,453	1,112,801	958,790
Highway Tolls	6,299,049	6,296,786	3,717,965	-	-
Investment Income	5,524,646	6,372,788	16,094,719	19,460,549	10,661,790
Miscellaneous	595,967	652,239	694,483	940,522	647,685
Redeposit of State Funds	1,768,312	1,952,811	400,150	1,644,222	1,228,575

	FY10	FY11	FY12	FY13	FY14
TOTAL STATE ROAD FUND	1,206,622,639	1,338,811,926	1,443,773,845	1,491,623,669	1,560,439,604
Tax Receipts-	1,181,341,209	1,315,130,011	1,416,497,670	1,471,593,789	1,535,727,564
Sales and Gross Receipts	988,541,345	1,114,593,981	1,207,082,330	1,265,175,199	1,329,208,128
Motor Fuels Taxes	655,761,466	732,826,112	790,229,379	838,344,373	886,161,042
Motor Vehicle Usage	332,779,879	381,767,869	416,852,951	426,830,826	443,047,087
License and Privilege	192,799,864	200,536,031	209,415,340	206,418,590	206,519,436
Motor Vehicles	96,839,803	97,812,587	107,836,554	102,256,080	101,879,541
Motor Vehicle Operators	15,941,488	15,736,805	15,737,651	16,049,755	16,150,032
Weight Distance	70,498,757	73,983,781	75,111,565	74,935,016	76,894,805
Truck Decal Fees	679,383	793,715	736,224	590,397	489,072
Other Special Fees	8,840,433	12,209,142	9,993,345	12,587,343	11,105,986
Nontax Receipts	23,871,991	21,932,031	26,739,794	18,023,074	22,833,411
Departmental Fees	18,487,783	18,167,778	21,879,481	17,094,723	17,368,008
In Lieu of Traffic Fines	779,495	779,828	769,405	702,451	544,637
Highway Tolls	-	-	-	-	-
Investment Income	3,633,987	1,995,228	3,081,180	-398,745	3,997,826
Miscellaneous	970,725	989,197	1,009,727	624,646	922,939
Redeposit of State Funds	1,409,439	1,749,883	536,381	2,006,806	1,878,628

Road Fund Growth Rates Major Revenue Sources - Fiscal Years 2005-2014

	FY05	FY06	FY07	FY08	FY09
TOTAL STATE ROAD FUND	0.9%	3.4%	5.2%	3.0%	-5.6%
Tax Receipts-	1.1%	3.6%	4.7%	2.8%	-4.9%
Sales and Gross Receipts	1.0%	2.8%	5.5%	4.1%	-5.5%
Motor Fuels Taxes	6.7%	7.6%	6.7%	8.0%	2.3%
Motor Vehicle Usage	-5.1%	-2.9%	4.0%	-1.3%	-17.1%
License and Privilege	1.6%	6.8%	0.9%	-3.1%	-2.0%
Motor Vehicles	-1.6%	2.1%	8.3%	-8.0%	5.0%
Motor Vehicle Operators	4.9%	146.7%	8.6%	-2.8%	1.0%
Weight Distance	4.4%	2.7%	0.1%	-1.3%	-10.6%
Truck Decal Fees	43.6%	-8.4%	-11.8%	-8.1%	7.5%
Other Special Fees	3.3%	3.9%	-48.1%	41.6%	-1.3%
Nontax Receipts	-7.6%	-0.7%	30.7%	5.9%	-24.9%
Departmental Fees	9.4%	-6.4%	13.9%	14.1%	-5.8%
In Lieu of Traffic Fines	-12.8%	-4.3%	-7.5%	-5.2%	-13.8%
Highway Tolls	-20.9%	0.0%	-41.0%	-100.0%	---
Investment Income	-26.4%	15.4%	152.6%	20.9%	-45.2%
Miscellaneous	-13.1%	9.4%	6.5%	35.4%	-31.1%
Redeposit of State Funds	9.6%	10.4%	-79.5%	310.9%	-25.3%

	FY10	FY11	FY12	FY13	FY14
TOTAL STATE ROAD FUND	1.2%	11.0%	7.8%	3.3%	4.6%
Tax Receipts-	1.9%	11.3%	7.7%	3.9%	4.4%
Sales and Gross Receipts	3.1%	12.8%	8.3%	4.8%	5.1%
Motor Fuels Taxes	5.3%	11.8%	7.8%	6.1%	5.7%
Motor Vehicle Usage	-1.0%	14.7%	9.2%	2.4%	3.8%
License and Privilege	-3.9%	4.0%	4.4%	-1.4%	0.0%
Motor Vehicles	-1.4%	1.0%	10.2%	-5.2%	-0.4%
Motor Vehicle Operators	2.7%	-1.3%	0.0%	2.0%	0.6%
Weight Distance	-6.6%	4.9%	1.5%	-0.2%	2.6%
Truck Decal Fees	-18.4%	16.8%	-7.2%	-19.8%	-17.2%
Other Special Fees	-16.7%	38.1%	-18.1%	26.0%	-11.8%
Nontax Receipts	-23.9%	-8.1%	21.9%	-32.6%	26.7%
Departmental Fees	-3.2%	-1.7%	20.4%	-21.9%	1.6%
In Lieu of Traffic Fines	-18.7%	0.0%	-1.3%	-8.7%	-22.5%
Highway Tolls	---	---	---	---	---
Investment Income	-65.9%	-45.1%	54.4%	-112.9%	---
Miscellaneous	49.9%	1.9%	2.1%	-38.1%	47.8%
Redeposit of State Funds	14.7%	24.2%	-69.3%	274.1%	-6.4%