COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

First Quarter Fiscal Year 2016

Governor's Office
for Economic Analysis

Office of
State Budget Director

Kentucky
UNBRIDLED SPIRIT

Office of State Budget Director
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Steven L. Beshear
Governor

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Governor's Office for Policy and Management
Governor's Office for Economic Analysis
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October 30, 2015

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 first quarter of Fiscal Year 2016 (FY16). It also includes an analysis of the first FY16 totals and an interim economic and revenue forecast for the final three quarters of FY16.

The upcoming forecast for the Kentucky economy will benefit from a housing market rebound as residential construction activity is expected to increase. Construction employment is forecast to be solid. Low gasoline prices continue to buoy tourism and travel as well as personal consumption. Kentuckians' wages and salaries are forecast to grow 5.1 percent over the remainder of FY16, the highest of any fiscal year since 2003.

Growth in the General Fund was strong in the first quarter. Income and sales taxes continue to be the engine of growth for Kentucky's fiscal economy. The individual income tax grew by 6.0 percent as receipts of $1,039.9 million were $58.5 million more than was collected in the first quarter of the previous fiscal year. Declaration payments and withholding receipts were up 20.4 percent and 5.3 percent respectively for the quarter. The sales tax grew 6.9 percent with solid sales across nearly every sector. Corporation income tax receipts rounded out an impressive quarter of growth with an 11.5 percent increase.

The revenue outlook calls for continued growth, but at a pace slower than the first quarter's rate of 4.5 percent. General Fund growth for FY16 is expected to end the year with a 3.4 percent increase over FY15. If attained, the forecasted revenues would exceed the current official estimate by $242.3 million. A tax-by-tax summary of the forecast is presented in the revenue outlook section of this report. As was the case in the first quarter, sales and individual income taxes will continue to lead revenue accounts with robust growth. The individual income tax is expected to finish FY16 4.6 percent higher than FY15 while the sales tax increases 4.7 percent.

Road Fund revenues fell 8.3 percent in the first quarter of FY16, their third consecutive quarterly decline. Revenues are projected to continue this downward trend for the remainder of the fiscal year, declining 5.3 percent over the final three quarters of FY16. Motor fuels taxes fell 16.1 percent in the first three months of the years and are forecasted to fall, at a slightly slower rate of decline, for the remainder of the year. Motor vehicle usage tax will likewise see a slowing in the rate of growth for the next nine months; however, revenue growth from this account will be positive.

Going forward, Kentucky remains well-positioned in relation to the national economy. Personal income in Kentucky is forecast to grow faster than the national average over the next three quarters, a very positive sign considering the roles were reversed throughout most of the period between 2011 and 2014.

Sincerely,

Jane C. Driskell

Jane C. Driskell
State Budget Director

TABLE OF CONTENTS

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 first quarter of FY16. 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.

A current snapshot of the economy reveals that real gross domestic product rose by 2.2 percent in the first quarter of FY16, slowing slightly over the last six quarters. US personal income continued its recent solid growth and grew 4.3 percent in the first quarter of FY16. Similarly, Kentucky personal income growth also continued its solid growth and grew 4.7 percent in the first quarter. Kentucky non-farm employment grew a modest 2.1 percent as weak employment growth across most sectors continues to be a signature trait of this expansion period.

Going forward, the underlying conditions for the national economy look stronger after the Bureau of Economic Analysis (BEA) made revisions to the previous two quarters. The housing market is finally beginning to show solid signs of growth. Wages and salaries are projected to grow as labor market conditions continue to tighten. Growth in manufacturing may be slowed marginally, however, due to the strong dollar and its effect on the purchasing power of our trading partners. Uncertainty regarding fiscal and monetary policy is creating further headwinds for the national outlook.

The upcoming forecast for the Kentucky economy will benefit from a housing market rebound and residential construction activity is expected to increase. Construction employment is forecast to be solid going forward. Low gasoline prices continue to buoy tourism and travel as well as personal consumption. Kentuckians' wages and salaries are forecast to grow 5.1 percent over the remainder of FY16, the highest of any fiscal year since 2003. Growth in manufacturing is of some concern going forward due partly to the strong dollar. There is likewise concern about employers' lack of eagerness to hire additional workers heading into the holiday season.

The revenue forecasts presented in Table 6 and Table 7 were estimated using the September 2015 "control scenario" economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky MAK model. Forecasted revenues prepared pursuant to KRS 48.400 (2) are typically internal estimates prepared by the staff of the Office of State Budget Director. In odd-numbered years, however, the first quarterly report is prepared simultaneously with the work of the State Consensus Forecasting Group (CFG) as prescribed in KRS 48.120 (1). The CFG adopted the "control scenario" as their preliminary estimates at the October 13, 2015 meeting and therefore they are identical to the control scenario presented herein.

Growth in the General Fund was strong in the first quarter. Income and sales taxes continue to be the engine of growth for Kentucky's fiscal economy. The individual income tax grew by 6.0 percent as receipts of $1,039.9 million were $58.5 million more than was collected in the first quarter of the previous fiscal year. Declaration payments and withholding receipts were up 20.4 percent and 5.3 percent respectively for the quarter. The sales tax grew 6.9 percent with solid sales across nearly every sector. Corporation income tax receipts rounded out an impressive quarter of growth with an 11.5 percent increase.

The revenue outlook calls for continued growth, but at a pace slower than the first quarter's rate of 4.5 percent. General Fund growth for FY16 is expected to end the year with a 3.4 percent increase over FY15. If attained, the forecasted revenues would exceed the current official estimate by $242.3 million. A tax-by-tax summary of the forecast is presented in the revenue outlook section of this report. As was the case in the first quarter, sales and individual income taxes will lead revenue accounts with robust growth. The individual income tax is expected to finish FY16 4.6 percent higher than FY15 while the sales tax increases 4.7 percent. Corporation taxes are expected to slow from the pace set in the first quarter. Similarly, the limited liability entity tax is expected to slow in the final three quarters of FY16 for a full year growth of 1.8 percent.

Road Fund revenues fell 8.3 percent in the first quarter of FY16, their third consecutive quarterly decline. Revenues are projected to continue this downward trend for the remainder of the fiscal year, declining 5.3 percent over the final three quarters of FY16 as shown in Table 7. Motor fuels taxes fell 16.1 percent in the first three months of the years and are forecasted to fall, at a slightly slower rate of decline, for the remainder of the year. Motor vehicle usage tax will likewise see a slowing in the rate of growth for the next nine months; however, revenue growth from this account will be positive.

Revenue Receipts

GENERAL FUND
First Quarter, FY16

General Fund receipts in the first quarter of FY16 totaled $2,401.6 million compared to $2,298.4 million in the first quarter of FY15, for an increase of $103.2 million or 4.5 percent. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these major accounts is available in the Appendix. Receipts in the first quarter of FY16 reflect positive growth in the General Fund. Receipts in the first quarter of FY16 reflect negative growth in the Road Fund. These changes are in line with the official revenue projections.

Table 1
Summary General Fund Receipts
$ millions

	FY16 Q1	FY15 Q1	Diff $	Diff %
Individual Income	1,039.9	981.3	58.5	6.0
Sales and Use	859.7	804.5	55.2	6.9
Property	46.8	44.6	2.2	4.9
Corporation Income	124.9	112.0	12.9	11.5
Coal Severance	37.7	48.8	-11.1	-22.8
Cigarette Taxes	58.1	57.3	0.8	1.5
LLET	44.7	44.5	0.2	0.5
Lottery	53.5	52.0	1.5	2.9
Other	136.3	153.4	-17.1	-11.1
Total	**2,401.6**	**2,298.4**	**103.2**	**4.5**

The official General Fund revenue estimate for FY16 calls for revenue to grow 1.0 percent compared to FY15 actual receipts. Based on first quarter results, General Fund revenues need only to remain flat for the remainder of the fiscal year to meet the current official estimate.

Growth in the General Fund was strong in the first quarter. Income and sales taxes continue to be the engine of growth for Kentucky's fiscal economy. Three tax accounts experienced robust growth. The individual income tax continued its strong growth, but sales and corporation income taxes experienced even stronger growth.

Individual income tax receipts increased 6.0 percent in the first quarter of FY16. Receipts of $1,039.9 million were $58.5 million more than was collected in the first quarter of the previous fiscal year. Declaration payments and withholding receipts were up 20.4 percent and 5.3 percent respectively for the quarter.

The sales and use tax rose 6.9 percent in the first quarter of FY16. Receipts of $859.7 million compare to the $804.5 million collected in the first quarter of FY15. Positive growth in the first quarter marks the ninth consecutive quarter of growth in the sales tax.

Property taxes were up 4.9 percent in the first quarter of FY16 due to timing of collections in the tangible and public service company accounts. Collections of $46.8 million compare favorably to $44.6 million received in the first quarter of the prior fiscal year. This first quarter growth is the first growth since the second quarter of FY15. There were some timing issues in FY15, but growth overall was still weak. Property taxes grew by 0.2 percent in FY15. In general, property taxes have been very slow in recovering losses incurred during the 2007 recession where the valuations on all types of property endured a market correction.

Corporation income tax posted an increase of 11.5 percent, or $12.9 million, during the first quarter of FY16. Receipts totaled $124.9 million compared to the $112.0 million received a year earlier. Corporation income tax has grown for the last four quarters.

The limited liability entity tax (LLET) registered a $0.2 million increase in tax collections in the first quarter of FY16 when compared to FY15. Total collections in the current fiscal year totaled $44.7 million and compare to revenues of $44.5 million in the same period a year earlier.

The coal severance tax receipts continued to decrease in the first quarter as receipts fell 22.8 percent. Receipts of $37.7 million compare to $48.8 million collected in the first quarter of FY15. Kentucky severed tons are currently around 17 million tons per quarter having fallen from their peak of 45 million tons in the fourth quarter of FY90.

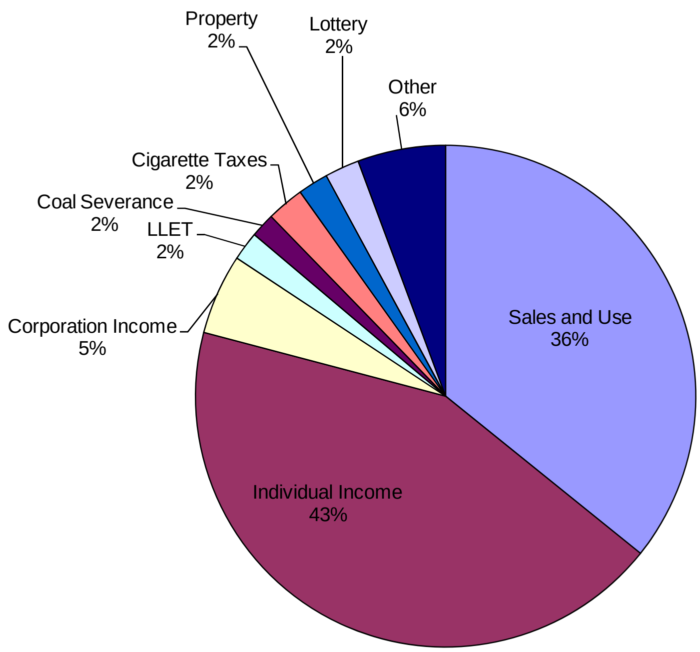
Cigarette taxes increased 1.5 percent in the first quarter with receipts of $58.1 million compared to $57.3 million in the first quarter of FY15.

Lottery receipts increased 2.9 percent, or $1.5 million, in the first quarter of FY16 with revenues of $53.5 million.

The “Other” category represents the remaining accounts in the General Fund, and collections in this account decreased 11.1 percent with receipts of $136.3 million.

Figure 1 details the composition of first-quarter General Fund receipts by tax type. Seventy-nine percent of General Fund revenues were collected in the areas of the individual income and sales taxes. The next largest source of revenue was the “Other” at seven percent. The major accounts in the "Other" category include: insurance premium tax, bank franchise tax, telecommunications tax, beer wholesale tax and the inheritance tax. The corporation income accounts made up five percent. Finally lottery receipts, property, cigarette, coal severance taxes and LLET accounted for two percent each.

Figure 1
General Fund Receipts Composition
First Quarter, FY16



ROAD FUND
First Quarter, FY16

Road Fund revenue fell 8.3 percent in the first quarter of FY16 as motor fuels tax collections remain weak. Receipts totaled $371.1 million compared to the $404.8 million received in the first quarter of the last fiscal year. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
$ millions

	FY16 Q1	FY15 Q1	Diff $	Diff %
Motor Fuels	196.4	234.0	-37.6	-16.1
Motor Vehicle Usage	123.7	115.0	8.7	7.5
Motor Vehicle License	18.7	22.4	-3.8	-16.7
Motor Vehicle Operators	4.2	4.1	0.1	2.2
Weight Distance	20.6	20.0	0.6	3.0
Income on Investments	0.4	0.6	-0.2	-26.5
Other	7.0	8.6	-1.6	-18.4
Total	**371.1**	**404.8**	**-33.7**	**-8.3**

Motor fuels tax receipts decreased 16.1 percent during the first quarter of FY16. Growth in this account was limited for two reasons. Receipts were $196.4 million and compare to $234.0 million collected during the first quarter of FY15. House Bill 299, passed during the 2015 Legislative Session, set the motor fuels tax floor at 19.6 cents, per gallon.

Motor vehicle usage tax receipts increased 7.5 percent, or $8.7 million, during the first quarter. Receipts were $123.7 million compared to $115.0 million collected during the same period last year.

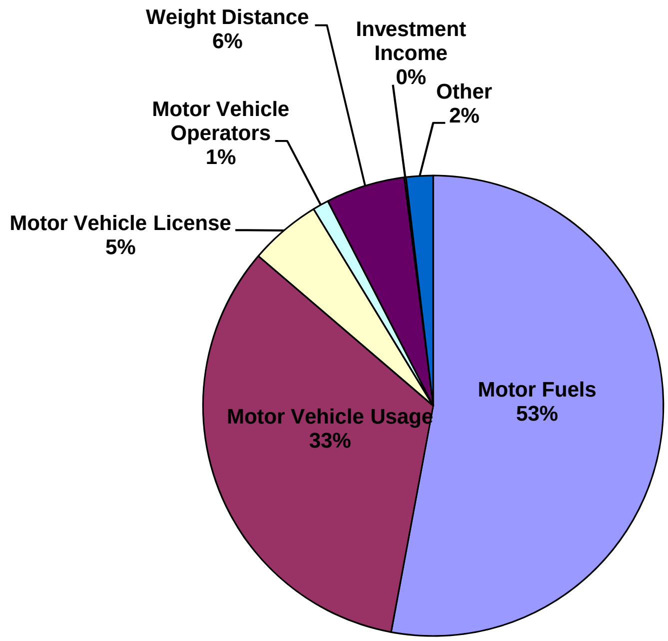
Motor vehicle license tax receipts decreased 16.7 percent during the first quarter of FY16. Receipts of $18.7 million compare to $22.4 million received during the first quarter of FY15. Motor vehicle operators' license fees totaled $4.2 million, a 2.2 percent increase compared to the level observed a year ago.

Weight distance tax receipts totaled $20.6 million, an increase of 3.0 percent from the first quarter of last year. The weight distance tax has some significance as a leading indicator of economic activity, as it is a rough proxy for goods in transit over Kentucky highways. Investment income receipts of $0.4 million compared to $0.6 in the first quarter of FY15.

The remainder of the accounts in the Road Fund combined for a decrease of 18.4 percent. Receipts for the "Other" category totaled $7.0 million during the first quarter, compared to $8.6 million in the first quarter of FY15.

Figure B details the composition of Road Fund revenues by tax type in the first quarter of FY16. Motor fuels taxes and the motor vehicle usage tax accounted for 86 percent of Road Fund revenues in the first quarter. The next-largest sources of revenue were weight distance with six percent followed by motor vehicle license taxes with five percent. The "Other" category accounted for two percent and motor vehicle operators accounted for one percent. Income on investment accounted for a negligible amount of the total Road Fund receipts.

Figure 2
Road Fund Receipts Composition
First Quarter, FY16



The Economy
First Quarter FY16

NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 2.2 percent in the first quarter of FY16.[1] 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 outside the US border. Growth has slowed since this same time last year. Quarterly real GDP growth in FY15 was 2.9, 2.5, 2.9 and 2.7 percent, respectively.

Real consumption rose by 3.0 percent in the first quarter of FY16. Growth continued roughly in line with FY15 growth rates. Quarterly real consumption growth in FY15 was 3.0, 3.2, 3.3, and 3.0 percent, respectively. Historically, this is above average growth for real consumption. Average growth over the last two contraction-expansion cycles has been 2.1 percent. Real consumption contributed $330.1 billion to real GDP in the first quarter, which makes real consumption the largest absolute contributor for the first quarter. Real consumption made up 68.5 percent of real GDP in the first quarter of FY16.

Real investment rose by 4.9 percent in the first quarter of FY16. Real investment grew the fastest among the contributing components to real GDP. Real investment reached a trough in the first quarter of FY10 and has had an upward trend ever since. The rate of that growth is historically good and has been consistent for the last six quarters. Real investment made up 17.6 percent of real GDP in the first quarter of FY16.

Real government expenditures rose by 0.5 percent in the first quarter of FY16. This was the fifth consecutive quarter of positive (but very low) growth for real government expenditures. These increases occurred following an 18 quarter contraction period. It is not uncommon for government expenditures to contract following a recession. As the economy improves, many temporary support programs like Medicaid and unemployment insurance are relied upon less by citizens. This causes government expenditures to decrease.

[1] Source: IHS Global Insight estimate, September 2015. Unless otherwise noted, all first quarter FY16 economic data are September 2015 estimates, rather than actual values, since final official numbers released by the BEA and BLS are not available as of the release date of this report. Quarterly growth rates are quarter-over-same-quarter last year, unless otherwise noted.

Table 3
Summary of US Economic Series
First Quarter FY16 & FY15

	First Quarter			
	FY16	**FY15**	**Chg**	**% Chg**
Real GDP	16,418.1	16,068.8	349.3	2.2
Real Consumption	11,248.8	10,918.6	330.1	3.0
Real Investment	2,892.2	2,758.1	134.1	4.9
Real Govt. Expenditures	2,864.8	2,849.2	15.6	0.5
Real Exports	2,130.4	2,096.0	34.4	1.6
Real Imports	2,685.8	2,525.1	160.7	6.4
Inflation (% chg CPI)	0.2	1.8	NA	NA
Industrial Production Index (% chg)	0.7	4.2	NA	NA
Civilian Labor Force (millions)	157.7	156.0	1.7	1.1
Unemployment Rate (%)	5.3	6.1	NA	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 FY16 Q1 are September 2015 estimates.
Source: IHS Global Insight Inc., September 8, 2015 data release.

Historically-speaking, this has been a long period of contraction following this last recession in 2007. Following the 1969 recession, there was a four quarter period of government expenditure contraction. This contraction was small relative to the recession losses. There was essentially no contraction following the dual recessions of 1980 and 1981. Real government expenditures declined in three of the four quarters following the 1990 recession.

Real government expenditures declined in one quarter (second quarter of FY03) following the 2001 recession. Real government expenditures declined in 16 of the 17 quarters following the real government expenditure peak of the 2007 recession. This is significant. Real government expenditures declined by a net $284.6 billion during this prolonged contraction period. This most recent contraction appears to have concluded in the second quarter of FY14. Real government expenditures have risen for the last seven quarters, gaining a net $36.4 billion during that time. Real government expenditures made up 17.4 percent of real GDP in the first quarter of FY16.

US real exports increased by 1.6 percent in the first quarter of FY16. Adjacent-quarter growth of exports have been weak for the last seven quarters, growing -1.7, 2.4, 0.4, 1.3, -1.5, 1.3, and 0.6 percent, respectively. This is largely as a result of weak import demand from our trading partners as other countries are experiencing contracting or weak economic growth. US real imports increased by 6.4 percent in the first quarter of FY16. Growth in real US real imports has improved considerably in the last seven quarters, growing 2.9, 3.9, 3.1, 5.4, 6.5, 4.8, and 6.4 percent, respectively. Imports are growing much faster than exports. As a result, the trade deficit has gotten larger. The trade deficit expanded to $555.4 billion in the first quarter of FY16.

Personal income rose by 4.3 percent in the first quarter of FY16. On an adjacent-quarter basis, US personal income rose by 1.2 percent. This is the fifth time in seven quarters that adjacent-quarter growth has been above one percent. All six contributing personal income components rose in the first quarter of FY16. Dividends, interest and rents income, the second largest of the personal income components, rose by the largest percentage in the first quarter, gaining 5.2 percent. Wages and salaries, the largest personal income component, rose by 4.0 percent. Transfer Payments, the third largest component, rose by 4.9 percent in the first quarter.

Table 4
Personal Income
$ billions, SAAR

	Q1			
	FY16	**FY15**	**$ Diff**	**% Diff**
United States				
Personal Income	15,405	14,775	630	4.3
Social Insurance	1,201	1,163	38	3.3
Residence Adjustments	-609	-585	-23	4.0
Dividends, Interest and Rents	2,874	2,733	141	5.2
Transfer Receipts	2,682	2,557	126	4.9
Wages & Salaries	7,814	7,514	300	4.0
Supplements to W&S	2,444	2,361	83	3.5
Proprietor's Income	1,400	1,358	43	3.1
Kentucky				
Personal Income	174.7	166.9	7.8	4.7
Social Insurance	14.0	13.5	0.5	3.7
Residence Adjustments	-1.6	-1.7	0.1	-4.5
Dividends, Interest and Rents	27.4	26.3	1.2	4.5
Transfer Receipts	41.6	40.3	1.3	3.3
Wages & Salaries	85.9	81.3	4.5	5.6
Supplements to W&S	22.0	21.0	1.0	4.7
Proprietor's Income	13.4	13.2	0.2	1.4

Transfer payments' share of total personal income has been rising for several years. By comparison, the transfer payment share was 12.5 percent of total Kentucky personal income at the beginning of the millennium. During a recession, it is common for transfer receipts and the share of transfer receipts to rise, as the unemployed receive government services like unemployment insurance and food stamps payments. It is also common for transfer receipts and transfer receipts' share to recede during the following expansion period. Transfer receipts followed this pattern following the 2007 recession. Transfer payments' share rose from 14.5 percent at the beginning of the recession to 18.8 percent in the third quarter of FY10. Transfer receipts share then shrank until the second quarter of FY13 when the share was 16.7 percent. Transfer receipts have been increasing again since the second quarter of FY13 and now make up 17.4 percent of total US personal income.

The civilian labor force grew by 1.1 percent in the first quarter of FY16. The civilian labor force is composed of individuals who are 16 years or older, not members of any of the Armed Services, and are not in institutions such has prisons, mental hospitals or nursing homes. Prior to 2009, the civilian labor force had been rising at a very consistent rate, growing on average 340,000 persons per quarter. The civilian labor force is heavily influenced by domestic population growth, the size of population cohorts especially those persons nearing age 16 and those nearing retirement age, net immigration changes, labor market tightness and general health of the economy. It is not yet clear which factors caused this extreme contraction of the labor force, but the latter two factors are the most likely causes. From 2009 to the third quarter of FY11, the civilian labor force dropped by 1.4 million persons. This is very unusual and has never happened since data collecting began in 1959. From 2011 to 2012, the civilian labor force grew slowly and returned to 2009 levels. It remained flat for about two years and then slowly began to grow again. From the fourth quarter of FY11 to the first quarter of FY16, the civilian labor force has increased by 4.2 million. This an average rate of growth of 235,000 persons per quarter.

US non-farm employment rose by 2.1 percent in the first quarter of FY16. US employment is in a period of low but stable growth. This is the twelfth consecutive month where adjacent-quarter growth has been between 0.4 and 0.6 percent. In percentage terms, construction employment grew the fastest among the 11 employment sectors, gaining 4.0 percent over the first quarter of FY15 for a net increase of 200,000 jobs. In absolute terms, business services jobs increased by the most, gaining 700,000 jobs in the last year. Mining employment declined the most in absolute and percentage terms in the first quarter, losing 8.3 percent or 100,000 net jobs during the last year.

Table 5
Summary of US & KY Employment
First Quarter FY16 & FY15

	US Q1 (millions)			KY Q1 (thousands)		
	FY16	FY15	% Chg	FY16	FY15	% Chg
Non-farm Employment	142.3	139.4	2.1	1,900.3	1,862.1	2.1
Goods-producing	19.6	19.3	1.6	328.9	326.8	0.7
Construction	6.4	6.2	4.0	75.7	73.0	3.6
Mining	0.8	0.9	-8.3	14.9	16.5	-9.5
Manufacturing	12.3	12.2	1.2	238.3	237.3	0.5
Service-providing	100.7	98.2	2.6	1,246.4	1,210.9	2.9
Trade, Transportation & Utilities	27.0	26.4	2.2	387.3	377.3	2.7
Information	2.8	2.8	1.6	26.8	26.3	1.7
Finance	8.2	8.0	2.0	91.8	89.8	2.2
Business Services	19.8	19.2	3.4	220.5	210.8	4.6
Educational Services	22.1	21.5	2.6	268.1	259.9	3.1
Leisure and Hospitality Services	15.2	14.8	2.9	188.8	182.9	3.2
Other Services	5.7	5.6	1.4	63.0	63.8	-1.2
Government	21.9	21.9	0.3	324.9	324.4	0.2

Not Seasonally Adjusted. Data for FY16 Q1 are September 2015 estimates.
Source: IHS Global Insight Inc., September 8, 2015 data release.

KENTUCKY ECONOMY

Kentucky personal income rose by 4.7 percent in the first quarter of FY16. In the 22 quarters since the end of the recession, Kentucky personal income has risen in 20 quarters and fallen in two. During that time, it has gained a net 24.5 percent for an increase of $34.3 billion. Wages and salaries, the largest personal income component, grew by 5.6 percent in the first quarter and was both the largest percentage and absolute improvement among the components. Wages and salaries growth has been robust for the last seven quarters.

Among the six contributing components to personal income, only the residence adjustment declined. A decline in the residence adjustment means that on net, the number of persons who work inside Kentucky and live outside Kentucky increased relative to those who live in Kentucky and work outside Kentucky.

Transfer payments income rose by 3.3 percent in the first quarter of FY16. As with US transfer payments, it is common for transfer payments and transfer payments' share to rise during a recession and immediately following a recession as persons are consuming more government services like unemployment insurance and other forms of welfare assistance. During the expansion period, it is normal for those transfer payments and the share to recede as employment is gained and persons no longer use government assistance. During the 2007 recession, the share of transfer payment income to total personal income rose from 19.9 percent in first quarter of FY08 to 24.7 percent in the third quarter of FY10. Between the third quarter of FY10 and the second quarter of FY13, the transfer payments' share began to decline. As noted, this is quite common. However, in the nine quarters following the second quarter of FY13, transfer payments' share began to rise again. This is unusual. By the third quarter of FY15, the transfer payments' share had risen to 24.5 percent, which is almost back to the peak level following the 2007 recession. In the last two quarters, the share has dropped slightly to 23.8 percent and is significantly above the national average.

Kentucky non-farm employment rose by 2.1 percent in the first quarter of FY16, identical to the US growth. Kentucky non-farm employment growth has been low and much less stable than US employment growth. Adjacent-quarter Kentucky non-farm employment growth as varied from 0.0 percent to 0.8 percent during the last 10 quarters. Business services employment grew the fastest, increasing by 4.6 percent in the first quarter for a net increase of 9,700 jobs.

Trade, transportation and utilities employment, the largest employment sector in Kentucky, rose by the largest absolute amount gaining 10,000 jobs in the first quarter of FY16. Mining employment, the smallest employment sector in Kentucky, declined by 9.5 percent or 1,600 jobs in the first quarter of FY16. The mining employment sector includes coal mining, other mineral mining, stone mining, metal mining and logging employment.

Interim Outlook

GENERAL FUND
First Quarter, FY16

The revenue forecasts presented in Table 6 and Table 7 were estimated using the September 2015 "control scenario" economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky MAK model. Forecasted revenues prepared pursuant to KRS 48.400 (2) are typically internal estimates prepared by the staff of the Office of State Budget Director. In odd-numbered years, however, the first quarterly report is prepared simultaneously with the preliminary estimates of the Consensus Forecasting Group (CFG) as prescribed in KRS 48.120 (1). The CFG adopted the "control scenario" as their preliminary estimates at the October 13, 2015 meeting and therefore they are identical to the control scenario presented herein.

Projected General Fund revenues for the next three quarters are shown in Table 6. As the table indicates, General Fund growth is projected to be 3.1 percent compared to the final three quarters of FY15. The full year estimate for FY16 is equal to $10,309.5 million for an expected growth rate of 3.4 percent. Collections at the forecasted levels would produce a current year revenue surplus of $242.3 above the official General Fund forecast of $10,067.2 million.

Table 6
General Fund Interim Forecast
$ millions

	FY16						FY16	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff
Individual Income	1,039.9	6.0	3,218.1	4.2	4,258.0	4.6	4,130.3	127.7
Sales & Use	859.7	6.9	2,562.3	4.0	3,422.0	4.7	3,215.7	206.3
Property	46.8	4.9	526.2	1.4	573.0	1.7	597.5	-24.5
Corporation Income	124.9	11.5	411.4	-1.1	536.3	1.5	433.9	102.4
Coal Severance	37.7	-22.8	102.2	-22.3	139.9	-22.4	201.6	-61.7
Cigarettes	58.1	1.5	157.2	-3.9	215.3	-2.5	219.2	-3.9
LLET	44.7	0.5	175.1	-2.3	219.8	-1.8	253.1	-33.3
Lottery	53.5	2.9	178.5	5.3	232.0	4.7	251.5	-19.5
Other	136.3	-11.1	576.9	7.2	713.2	3.1	764.4	-51.2
General Fund	**2,401.6**	**4.5**	**7,907.9**	**3.1**	**10,309.5**	**3.4**	**10,067.2**	**242.3**

Individual income tax receipts are expected to total $4,258.0 million in FY16, partially due to the robust growth of 6.0 percent in the first quarter of the fiscal year. Receipts are projected to increase by 4.2 percent during the final three quarters of FY16. Taken in aggregate, the individual income tax is forecasted to grow a robust 4.6 percent for FY16.

The withholding component of the individual income tax is adding the most to overall growth, posting 5.3 percent growth in the first quarter. Withholding is expected to remain at 5.3 percent for the remainder of FY16 despite Kentucky non-agricultural employment growth of only 1.7 percent (see Table 9). 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, 1.3, and 2.0 percent, respectively. The increased rate of growth in the individual income tax for the forecast period is once again predicated upon improvement in Kentucky wages and salaries, which are collectively projected to increase 5.2 percent in FY16.

Since declining in FY13, the sales and use tax has witnessed a steady dose of positive momentum. Growth of 3.6 percent in FY14 was followed by even faster growth of 4.4 percent during FY15. The first quarter of FY16 was even higher with 6.9 percent growth. This interim report calls for continued growth in the sales and use tax at a more sustainable growth rate of 4.0 percent growth for the final nine months of FY16.

Property tax revenues are expected to increase by 1.4 percent over the forecasting horizon following growth of 4.9 percent in the first quarter. Due to the sustained 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 seven 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. This interim report assumes that this reversion to "normal" will not occur during the forecasting horizon.

The corporation income tax and the LLET are expected to moderate over the next three quarters following five consecutive fiscal years of extraordinary growth. Collections during the three-quarter forecasting horizon are expected to decline in both taxes, as the corporation income tax is projected to fall a marginal 1.1 percent while the LLET dips 2.3 percent. A downward revision to the forecast for U.S. profits drove the corporate income tax forecast marginally lower, as the base of the tax is profits apportioned to Kentucky. Combined with first quarter growth of 11.5 percent, the corporation income tax is still expected to post growth for the sixth consecutive fiscal year at an annual rate of 1.5 percent.

Coal severance receipts fell slightly short of the official estimate in FY15 and are expected to decline further in FY16. Energy markets and coal markets in particular, have become quite volatile with downside risk. The interim estimate is for receipts of $139.9 million, or a 22.4 percent decline in FY16 following an 8.7

percent drop in FY15 and a 14.3 percent plunge in FY14. The official estimate for the FY16 is $201.6 million, which illustrates how much coal sales have shrunk since that official forecast was rendered in 2013. With the federal law changes, mine closures, and power plants going offline, a return to the levels near the FY12 peak ($298.3 million) is implausible during this forecast horizon.

Cigarette tax receipts declined 4.4 percent in FY14 and 3.1 percent in FY15. The outlook for cigarette tax receipts is for a modest 2.5 percent decline in FY16. A downward trend in smoking rates is still expected, but the $1.00 per pack increase in the tax rate for Illinois and the $0.35 per pack increase in Ohio should serve to create a small positive revenue impact for cigarette purchases in Kentucky. Notwithstanding these minor border impacts, the consumption of cigarettes has steadily been trending downward. The Ohio border impact has the potential to become a major impact as the markets transition to a new equilibrium. Total state cigarette taxes in Ohio went from $1.25 per pack to $1.60 per pack, a full $10.00 per carton higher than the Kentucky rate.

Lottery dividends are expected to grow 4.7 percent in FY16 on the basis of continued strength in scratch-off sales and a recovery in online games. Modest collections of $232.0 million would fall $19.5 million below the official estimate of $251.5 million for FY16. The decrease in fuel prices has helped the market for scratch games, but jackpot fatigue has hampered success in the large multi-state online games.

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 7.2 percent during the forecasting horizon. Each account was re-examined after FY15 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled $691.8 million in FY15. “Other” collections are estimated to be $713.2 million for FY16.

ROAD FUND
First Quarter, FY16

Road Fund revenues fell 8.3 percent in the first quarter of FY16, their third consecutive quarterly decline. Revenues are projected to continue this downward trend for the remainder of the fiscal year, declining 5.3 percent over the final three quarters of FY16 as shown in Table 7. Motor fuels taxes fell 16.1 percent in the first three months of the year and are forecasted to decline, albeit at a slightly slower rate, for the remainder of the year. Motor vehicle usage tax will likewise see a slowing in the rate of growth for the next nine months; however, revenue growth from this account will be positive. All of the remaining accounts are expected to be virtually unchanged with the exception of the "Other" account which will have a more pronounced decline.

Table 7
Road Fund Interim Forecast
$ millions

	FY16						FY16	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff
Motor Fuels	196.4	-16.1	546.7	-11.3	743.1	-12.6	870.5	-127.4
Motor Vehicle Usage	123.7	7.5	331.6	4.4	455.3	5.2	445.5	9.8
Motor Vehicle License	18.7	-16.7	85.5	0.4	104.2	-3.2	102.7	1.5
Motor Vehicle Operators	4.2	2.2	11.9	0.1	16.1	0.6	17.5	-1.4
Weight Distance	20.6	3.0	59.1	0.0	79.7	0.8	81.4	-1.7
Income on Investments	0.4	-26.5	1.1	-54.1	1.5	-48.3	3.7	-2.2
Other	7.0	-18.4	26.7	-9.2	33.7	-11.3	37.1	-3.4
Road Fund	**371.1**	**-8.3**	**1,062.5**	**-5.3**	**1,433.6**	**-6.1**	**1,558.4**	**-124.8**

Motor fuels tax receipts are forecasted to fall 11.3 percent for the remainder of the fiscal year which is an improvement on the 16.1 percent decline seen in the first quarter. The drop in revenue is due almost entirely to a lower tax rate this year than last. HB 299, enacted in the 2015 Regular Session of the General Assembly, made significant changes to the motor fuels tax rate as well as the rate setting procedure. Most significant for this revenue forecast was the raising of the average wholesale price floor to $2.177 from $1.786 as well as statutorily-imposed FY16 tax rate of 26.0 cents per gallon of fuel. In previous years, the tax rate was free to change quarterly but HB 299 sets forth an annual tax rate.

An increase in taxable gallons will help bolster motor fuels tax collections, although only slightly, over the forecast horizon. Consumption in FY15 rose 1.4 percent which was only the third gain in the past 11 years. Taxable gallons grew 0.4 percent in FY07 and 0.2 percent in FY11. Projections of motor fuels consumption are expected to be positive for FY16 but at a slightly lower rate.

Motor vehicle usage tax collections are anticipated to grow 4.4 percent over the final nine months of FY16, after increasing 7.5 percent in the first quarter. The impact of HB440, which provided for a trade-in credit on new car purchases, reduced revenue by $45.8 million last year but will not impact the forecasted rate of growth of this revenue source. It will, however, lower the level of receipts.

To estimate the growth of all other components of the Road Fund, officials of the Kentucky Transportation Cabinet and staff of the Governor's Office for Economic Analysis assessed recent growth patterns as well as administrative and statutory factors to formulate the projections. Motor vehicle license taxes are forecasted to increase 0.4 percent in the final three quarters of FY16. Motor vehicle operators' licenses are projected to rise 0.1 percent in the remainder of the fiscal year. Weight distance tax revenue is expected to be unchanged for the remainder of the fiscal year. Income on investments should decrease $1.4 million. All other revenues combined are projected to decline 9.2 percent during the last nine months of FY16.

NATIONAL ECONOMY

The FY16 outlook for the US economy looks brighter after the BEA announced upward revisions of GDP measured in the final two quarters of FY15. Consequently, the annual growth rate of real GDP in FY16 has been revised up to 2.5 percent, which is also the rate of growth expected for the full year FY16 (See Table 8). Growth is expected to slightly accelerate in the last two quarters of the fiscal year, bringing hopes that calendar 2016 will see the fastest US economic growth since prior to the last recession .[2]

Nonresidential fixed investment struggled in the final quarter of FY15 but is expected to rebound going forward. Both private residential and nonresidential construction are picking up as interest rates remain low. Monthly single-family housing starts are growing at the fastest rate since 2007 and the National Association of Home Builders' builder confidence index is at its highest in 10 years, signaling more growth to come.[3] Unsurprisingly, real investment is projected to grow at a solid 4.5 percent for the remainder of FY16 (See Table 8).

The national employment picture looks slightly less rosy, with non-farm employment expected to grow at a slower rate than in FY15. However, this is partly due to labor market tightening as unemployment rates continue to fall around the U.S. As the labor market tightens, firms must bid up wages in order to attract workers. Thus, the forecast is for wages and salaries to increase by 4.1 percent in the next three quarters (See Table 8). The upticks in housing and nonresidential construction mean greater job growth for construction in the coming quarters

[2] IHS. (September, 2015). *US Economic Outlook.* Table 2, p. 14.
[3] NAHB. (August, 2015). Retrieved from https://www.nahb.org/en/news-and-publications/Press-Releases/2015/august/builder-confidence-rises-one-point-in-august.aspx

relative to the other sectors.[4] Until oil prices rebound, employment in natural resources and mining will continue to struggle.

Growth in manufacturing employment may be another concern going forward. The Federal Reserve reported that US industrial production decreased in August, with analysts predicting a further decline to be likely.[5] This may partly be due to the strong dollar and slow economic growth seen abroad. JP Morgan's Global Manufacturing Purchasing Managers Index fell in September to its lowest level since 2013, indicating lowered expectations for manufacturing growth worldwide.[6] While low, these indicators remain positive. Table 8 shows that manufacturing employment will grow 0.5 percent in the remainder of FY16.

The Federal Reserve remains divided on whether to begin raising interest rates, with some probability remaining that the Federal Open Market Committee may raise rates as early as December. Federal Reserve Chairman Janet Yellen's speech on September 30 argued strongly for an interest rate hike sooner rather than later.[7] Expectations of tighter monetary policy may currently be weighing on US investment and helping boost the dollar against other currencies.

In conclusion, employment growth has been steady, the housing market appears to finally be rebounding, and historically low gasoline prices have buoyed consumer spending and travel; the fundamentals of the economy appear poised for further growth. However, weak economic growth abroad, a strong US dollar, and uncertainty regarding monetary and fiscal policies have the potential to seriously dampen manufacturing and investment growth going forward.

[4] IHS. (September, 2015). *US Economic Outlook*. Table 2, p. 60.
[5] Federal Reserve (September 15, 2015). Industrial production and capacity utilization. Retrieved from http://www.federalreserve.gov/releases/g17/20150915/
[6] Mukherjee, A. (September 1, 2015). "Global factory growth at two-year low." Reuters. Retrieved from http://www.reuters.com/article/2015/09/01/us-global-economy-pmi-idUSKCN0R144Y20150901
[7] Yellen, J. (September 30, 2015). "Welcoming Remarks." Retrieved from http://www.federalreserve.gov/newsevents/speech/yellen20150930a.htm

Table 8
US Economic Outlook
Quarters 2, 3, & 4

	Q2, Q3, & Q4			Full Year	
	FY16	**FY15**	**% Chg**	**FY16**	**% Chg**
Real GDP	16,632.5	16,217.7	2.6	16,578.9	2.5
Real Consumption	11,434.0	11,093.6	3.1	11,387.7	3.1
Real Investment	2,948.7	2,822.9	4.5	2,934.5	4.6
Real Govt. Expenditures	2,868.9	2,844.8	0.8	2,867.9	0.8
Real Exports	2,170.9	2,111.0	2.8	2,160.8	2.5
Real Imports	2,758.7	2,623.5	5.2	2,740.4	5.4
Personal Income ($ billions)	15,743.6	15,085.6	4.4	15,659.0	4.3
Wages and Salaries ($ billions)	7,995.5	7,681.7	4.1	7,950.0	4.1
Inflation (% chg CPI)	1.0	0.4	NA	0.8	NA
Industrial Production Index (% chg)	0.2	3.2	NA	0.4	NA
Civilian Labor Force (millions)	158.8	156.8	1.2	158.5	1.2
Total Non-farm Employment (millions)	143.5	141.0	1.8	143.2	1.8
Manufacturing Employment (millions)	12.4	12.3	0.5	12.4	0.7
Unemployment Rate (%)	5.2	5.6	NA	5.2	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 FY15 Q2 through FY15 Q4 are September 2014 estimates.
Source: IHS Global Insight Inc., September 8, 2015 data release.

KENTUCKY ECONOMY

Both the national economy and the Commonwealth entered this quarter on a positive note, with Kentuckians' personal income growth surpassing that of the U.S. for the fourth consecutive quarter and the real value of manufacturing exports outpacing U.S. states as a whole.[8] Thus far employment and personal incomes have kept pace with the previous forecast. Table 9 indicates that going forward Kentuckians' personal incomes will grow at a robust 4.4 percent over the next three quarters. If achieved, the forecast of 5.2 percent wage and salary growth would be the highest for any fiscal year since 2000.

The brightest spot in the Kentucky economy is currently the housing market. Home prices are up from the same period a year ago across all Kentucky metropolitan statistical areas (MSAs).[9] Year-over-year home sales are up over 20 percent in the Louisville MSA and mortgage delinquency rates are at six-year lows. Construction employment is projected to grow 4 percent over the rest of FY16, far outpacing the job growth in other sectors. The St. Louis Fed's contacts expected residential

[8] Eubanks, Daniel. (2015). *Burgundy Book*, p. 4. Louisville Zone Eighth District St. Louis Federal Reserve.
[9] Kerdnunvong, Usa. (2015). *Burgundy Book,* p. 5. Louisville Zone Eighth District St. Louis Federal Reserve.

construction activity to increase at least through calendar 2015.[10] However, area bankers surveyed in September by the Louisville office of the St. Louis Federal Reserve do not anticipate an uptick in demand for loans anytime soon, putting a damper on forecasts for future housing starts.[11]

Low gasoline prices are continuing to help the pocketbooks of those in the Commonwealth; fall and winter are when refineries switch to a cheaper blend of gasoline. As demonstrated by the growth in sales tax collections in the first quarter of FY16 (Table 6), consumer spending has been solid and forecasters are eyeing the holiday season for any signs of continued consumer confidence.

While there are some clearly positive data points in the leading indicators forecasters look at to discern the future, there are also some clear areas of growing concern. Of greatest concern is the slowdown in the growth of manufacturing and shipping reported nationally in August and September, and anecdotally by local contacts in the in the Cleveland and St. Louis Fed districts that cover Kentucky. Manufacturing employment in Kentucky fell in July to a level below the same month a year prior.[12] Likewise, employment in motor vehicle manufacturing in Kentucky fell in August for the first time in almost a year.[13] The Institute for Supply Management's national survey of manufacturers fell in September to a level indicating minimal positive growth from new orders.[14] Table 9 illustrates that manufacturing employment will grow by a tepid 0.3 percent in FY16, well below the growth we have seen in the previous five fiscal years. The strong US dollar is not helping matters in regards to exports, a hurdle that is not expected to vanish anytime soon.

Total non-farm employment in Kentucky is forecast to grow at a slightly slower pace than the US as a whole through FY16, which is not unusual (Tables 8 and 9). However, the Conference Board's Help Wanted Online index of job postings noted that, adjusting for seasonality, ads for employment in Kentucky fell in both August and September, which is of concern combined with the weak manufacturing indicators heading into the holiday season.[15]

The forecast moving forward definitely presents robust growth through the remainder of the fiscal year in personal income and wages and salaries. This is consistent with what one would expect given low unemployment and coming off a

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[10] Eighth District St. Louis Federal Reserve. (September, 2015). The Beige Book. Retrieved from https://www.stlouisfed.org/publications/beige-book/september-2-2015

[11] Ibid, p. 7.

[12] US Bureau of Labor Statistics. (September, 2015). State and Area Employment, Hours, and Earnings: Kentucky. Retrieved from: http://data.bls.gov/timeseries/SMS21000003000000001?data_tool=XGtable

[13] US Bureau of Labor Statistics. (September, 2015). All Employees: Durable Goods: Motor Vehicle Parts Manufacturing in Kentucky. Retrieved Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/SMU21000003133630001SA/.

[14] Institute for Supply Management (September, 2015). September 2015 Manufacturing ISM® *Report on Business®*. Retrieved from https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm

[15] The Conference Board (2015). Help Wanted OnLine® (HWOL). Retrieved from https://www.conference-board.org/data/helpwantedonline.cfm

solid first quarter. However, the Office of Economic Analysis will continue to monitor the situation closely and update the forecast with new data as it becomes available.

Table 9
Kentucky Economic Outlook
Quarters 2, 3, & 4

	Q2, Q3, & Q4			Full Year	
	FY16	**FY15**	**% Chg**	**FY16**	**% Chg**
Personal Income ($ millions)	178,745.0	171,184.6	4.4	177,731.2	4.5
Wages and Salaries ($ millions)	88,198.1	83,894.2	5.1	87,617.6	5.2
Non-farm Employment (thousands)	1,912.8	1,883.9	1.5	1,909.7	1.7
Goods-producing	330.5	327.8	0.8	330.1	0.8
Construction	77.3	74.4	4.0	76.9	3.9
Mining	14.7	15.7	-6.2	14.8	-7.0
Manufacturing	238.5	237.8	0.3	238.5	0.3
Service-providing	1,256.9	1,232.0	2.0	1,254.3	2.2
Trade, Transportation & Utilities	390.4	381.3	2.4	389.6	2.4
Information	27.1	26.0	4.1	27.0	3.5
Finance	92.3	91.0	1.4	92.2	1.6
Business Services	224.7	216.8	3.6	223.6	3.9
Educational Services	270.2	266.0	1.6	269.7	2.0
Leisure and Hospitality Services	190.3	186.9	1.8	189.9	2.2
Other Services	62.0	63.9	-2.9	62.3	-2.5
Government	325.3	324.1	0.4	325.2	0.3

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis MAK model, September 2015.

APPENDIX A

General and Road Fund Receipts
First Quarter FY16

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	First Quarter FY 2016	First Quarter FY 2015	% Change
TOTAL GENERAL FUND	**$2,401,629,510**	**$2,298,442,089**	**4.5%**
Tax Receipts	**$2,330,423,702**	**$2,215,365,811**	**5.2%**
Sales and Gross Receipts	**$1,007,805,640**	**$951,766,270**	**5.9%**
Beer Consumption	1,814,258	1,703,057	6.5%
Beer Wholesale	17,487,598	16,191,083	8.0%
Cigarette	58,098,297	57,261,379	1.5%
Distilled Spirits Case Sales	34,627	32,077	7.9%
Distilled Spirits Consumption	3,255,125	3,054,600	6.6%
Distilled Spirits Wholesale	9,551,462	8,513,571	12.2%
Insurance Premium	30,230,841	34,025,646	-11.2%
Pari-Mutuel	926,196	653,734	41.7%
Race Track Admission	111,140	74,316	49.6%
Sales and Use	859,749,606	804,538,576	6.9%
Wine Consumption	710,162	710,056	0.0%
Wine Wholesale	4,008,872	3,757,048	6.7%
Telecommunications Tax	16,393,290	15,693,787	4.5%
OTP	5,429,560	5,557,017	-2.3%
Floor Stock Tax	4,608	324	1322.6%
License and Privilege	**$91,190,943**	**$105,067,862**	**-13.2%**
Alc. Bev. License Suspension	121,725	127,080	-4.2%
Coal Severance	37,672,835	48,773,776	-22.8%
Corporation License	47,203	85,047	-44.5%
Corporation Organization	0	5,486	-100.0%
Occupational Licenses	53,636	43,024	24.7%
Oil Production	1,631,724	3,263,335	-50.0%
Race Track License	132,500	95,000	39.5%
Bank Franchise Tax	(829,985)	(322,636)	---
Driver License Fees	173,666	190,450	-8.8%
Minerals Severance	5,488,597	4,500,247	22.0%
Natural Gas Severance	2,007,537	3,825,390	-47.5%
Limited Liability Entity	44,691,505	44,481,663	0.5%
Income	**$1,164,755,238**	**$1,093,354,875**	**6.5%**
Corporation	124,863,217	112,005,594	11.5%
Individual	1,039,892,021	981,349,281	6.0%
Property	**$46,848,648**	**$44,639,454**	**4.9%**
Building & Loan Association	0	(498,150)	---
General - Real	(354,737)	(659,451)	---
General - Tangible	28,167,592	26,473,143	6.4%
Omitted & Delinquent	712,466	4,287,674	-83.4%
Public Service	18,318,369	14,955,989	22.5%
Other	4,958	80,247	-93.8%
Inheritance	**$13,749,815**	**$14,960,629**	**-8.1%**
Miscellaneous	**$6,073,419**	**$5,576,721**	**8.9%**
Legal Process	3,718,413	3,615,250	2.9%
T. V. A. In Lieu Payments	2,352,675	1,957,567	20.2%
Other	2,331	3,904	-40.3%
Nontax Receipts	**$70,479,667**	**$82,568,460**	**-14.6%**
Departmental Fees	2,831,760	3,355,952	-15.6%
PSC Assessment Fee	10,761,872	14,671,193	-26.6%
Fines & Forfeitures	5,598,233	5,703,192	-1.8%
Income on Investments	(165,406)	(155,509)	---
Lottery	53,500,000	52,000,000	2.9%
Sale of NOx Credits	0	15,594	-100.0%
Miscellaneous	(2,046,792)	6,978,038	---

Redeposit of State Funds	**$726,140**	**$507,819**	**43.0%**

KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	First Quarter FY 2016	First Quarter FY 2015	% Change
TOTAL ROAD FUND	**$371,068,910**	**$404,783,554**	**-8.3%**
Tax Receipts-	**$365,454,969**	**$397,511,911**	**-8.1%**
Sales and Gross Receipts	**$320,108,555**	**$349,024,748**	**-8.3%**
Motor Fuels Taxes	196,412,067	233,985,683	-16.1%
Motor Vehicle Usage	123,696,488	115,039,065	7.5%
License and Privilege	**$45,346,414**	**$48,487,163**	**-6.5%**
Motor Vehicles	18,673,778	22,430,251	-16.7%
Motor Vehicle Operators	4,213,332	4,123,620	2.2%
Weight Distance	20,623,080	20,013,402	3.0%
Truck Decal Fees	30,180	19,387	55.7%
Other Special Fees	1,806,045	1,900,503	-5.0%
Nontax Receipts	**$5,298,835**	**$4,656,144**	**13.8%**
Departmental Fees	4,640,139	3,754,930	23.6%
In Lieu of Traffic Fines	104,039	121,910	-14.7%
Income on Investments	447,102	608,174	-26.5%
Miscellaneous	107,555	171,130	-37.2%
Redeposit of State Funds	**$315,105**	**$2,615,499**	**-88.0%**