Commonwealth of Kentucky

Quarterly Economic & Revenue Report

Second Quarter Fiscal Year 2018

Governor's Office for Economic Analysis

Office of State Budget Director

Office of State Budget Director
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Matthew G. Bevin
Governor

John E. Chilton
State Budget Director

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

January 30, 2018

The Honorable Matthew G. Bevin
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Bevin:

The enclosed Quarterly Economic and Revenue Report summarizes Kentucky's revenue and economic statistics for the second quarter of Fiscal Year 2018 (FY18). 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 revenue forecasts discussed in this report were prepared using the November 2017 "control scenario" economic forecast from both IHS Markit and the Kentucky Macroeconomic 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 second quarterly report is prepared simultaneously with the work of the Consensus Forecasting Group (CFG) as prescribed in KRS 48.120(3).

General Fund receipts in the second quarter of FY18 totaled $2,846.3 million compared to $2,757.1 million in the second quarter of FY17, for an increase of 3.2 percent, or $89.2 million. Revenues have now grown in the last three consecutive quarters since falling in the third quarter of FY17. With the solid growth in receipts through the first six months, revenues would need to grow 1.5 percent for the last six months of the fiscal year to meet the CFG's official estimate.

General Fund growth for the remainder of FY18 is projected to be 1.5 percent compared to the second half of FY17. Growth in the first half of FY18 was 3.1 percent. Revenues for the entire fiscal year of 2018 are projected to be $10,718.4 million for growth of 2.3 percent.

Total Road Fund receipts fell 0.3 percent during the second quarter of FY18. Total receipts of $356.9 million compare to $357.9 million from the second quarter of last year. Based on year-to-date tax collections, revenues can decline 0.2 percent for the remainder of FY18 to meet the CFG's official estimate.

Total Road Fund collections are expected to remain stagnant through the forecast period as the two largest revenue accounts, the motor fuels tax and motor vehicle usage tax, fail to gain ground. Revenue is forecasted to decline in FY18 before increasing slightly in the first quarter of FY19. Fiscal Year 2018 collections are projected to be $1,503.3 million, a decrease of 0.3 percent from the previous fiscal year. Receipts for the first quarter of FY19 are forecasted to increase 0.5 percent.

Just like nationally, Kentucky employment growth is still historically low, but is still better than the average during the post-2001 and 2007 recession expansion periods.

Cordially,

John E. Chilton
State Budget Director

TABLE OF CONTENTS

Executive Summary . . . .

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared this *Quarterly Economic and Revenue Report* for the second quarter of FY18. This report includes updates on the national and Kentucky landscapes, as well as an economic and fiscal outlook for the next three fiscal quarters.

The revenue forecasts discussed in this report were prepared using the November 2017 "control scenario" economic forecast from both IHS Markit and the Kentucky Macroeconomic 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 even-numbered years, however, the second quarterly report is prepared simultaneously with the work of the Commonwealth's Consensus Forecasting Group (CFG) as prescribed in KRS 48.120(3). Therefore, the estimates presented herein are identical to the control, or baseline, scenario adopted by the CFG on December 15, 2017.

General Fund receipts in the second quarter of FY18 totaled $2,846.3 million compared to $2,757.1 million in the second quarter of FY17, for an increase of 3.2 percent, or $89.2 million. Revenues have now grown in the last three consecutive quarters since falling in the third quarter of FY17. With the solid growth through the first six months in receipts, revenues would need to grow 1.5 percent for the last six months of the fiscal year to meet the official estimate.

Total Road Fund receipts fell 0.3 percent during the second quarter of FY18 as motor fuels tax collections remain weak. Total receipts of $356.9 million compare to $357.9 million from the second quarter of last year. Based on year-to-date tax collections, revenues can decline 0.2 percent for the remainder of FY18 to meet the estimate.

Real GDP rose by 2.5 percent in the second quarter of FY18. Consumption, investment, and exports were each strong in the second quarter, growing 2.6 percent, 3.3 percent, and 4.0 percent, respectively. US personal income grew by 3.7 percent in the second quarter of FY18. Wages and salaries and supplements to wages and salaries were the fastest growing components of personal income, growing 4.7 percent and 3.8 percent, respectively. US non-farm employment grew by 1.4 percent in the second quarter. Historically this is still low, but it is still better than expansion periods following the 2001 and 2007 recessions.

Kentucky personal income grew by 3.5 percent in the second quarter of FY18. All five contributing-components of personal income were strong in the second quarter, each growing over 2.0 percent. Kentucky non-farm employment grew by 1.4 percent in the second quarter. Just like nationally, Kentucky employment growth is still historically low, but is still better than the average during the expansion periods following the 2001 and 2007 recessions.

As we enter the second half of FY18, the US economy has been growing for 102 months, the third longest economic expansion since 1854. If the economy continues to grow for an additional 19 months, this period of expansion will be longest in US history. The continued growth in the economy has been supported by current financial conditions. Rising home equity and home prices have improved household balance sheets, and consumer confidence has been driven by low unemployment, increasing personal income growth, and rising financial markets. Adding to the current economic tailwinds is the passage of the Tax Cuts and Jobs Act (TCJA), which lowers the corporate tax rate from 35 percent to 21 percent, allows accelerated expensing of business equipment, and reduces the average effective personal income tax rate by approximately two percent.

Kentucky personal income remains poised to continue its recent trend of strong growth for the remainder of FY18 and into the first quarter of FY19. Kentucky personal incomes are expected to grow 3.4 percent for all of FY18. This is in contrast to the 3.9 percent growth expected at the national level. The Commonwealth's wages and salaries component has improved by 4.3 percent in the third and fourth quarters of FY18 over the same period in FY17. It is expected to increase 4.2 percent in the first quarter of FY19.

Individual income tax receipts are expected to total $4,509.0 million in FY18, partially due to robust growth of 3.6 percent in the first half of the fiscal year. Receipts are projected to increase by 1.7 percent during the final two quarters of FY18. Taken in aggregate, the individual income tax is forecasted to grow at 2.6 percent rate for FY18.

The withholding component of the individual income tax is adding stability to the overall growth, posting 3.6 percent growth in the first half of FY18. Withholding is expected to remain solid for the remainder of FY18 and into the first quarter of FY19. Withholding is closely tied to wages and salaries and employment in the state.

Total Road Fund collections are expected to remain stagnant through the forecast period as the two largest revenue accounts, the motor fuels tax and motor vehicle usage tax, fail to gain ground. Revenue is forecasted to decline in FY18 before increasing slightly in the first quarter of FY19. Fiscal Year 2018 collections are projected to be $1,503.3 million, a decrease of 0.3 percent from the previous fiscal year. Receipts for the first quarter of FY19 are forecasted to increase 0.5 percent.

Revenue Receipts . . . .

GENERAL FUND
Second Quarter FY18

General Fund receipts in the second quarter of FY18 totaled $2,846.3 million compared to $2,757.1 million in the second quarter of FY17, for an increase of 3.2 percent, or $89.2 million. Through the first two quarters of the fiscal year, receipts have increased 3.1 percent. Revenues have now grown in the last three consecutive quarters since falling in the third quarter of FY17. With the solid growth through the first six months in receipts, revenues would need to grow 1.5 percent for the last six months of the fiscal year to meet the budgeted estimate. Second quarter gains were primarily driven by individual income, sales and use, and property taxes. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these and other accounts is available in the Appendix.

Table 1
Summary General Fund Receipts
$ millions

	FY18 Q2	FY17 Q2	Diff $	Diff %
Individual Income	1,112.8	1,067.9	44.9	4.2
Sales and Use	904.7	863.9	40.8	4.7
Property	362.2	341.9	20.3	5.9
Corporation Income	121.7	135.2	-13.5	-10.0
Coal Severance	21.3	26.1	-4.8	-18.4
Cigarette Taxes	51.0	54.4	-3.4	-6.2
LLET	62.3	60.2	2.1	3.5
Lottery	61.5	60.0	1.5	2.5
Other	148.8	147.5	1.3	0.9
Total	**2,846.3**	**2,757.1**	**89.2**	**3.2**

Individual income tax posted receipts of $1,112.8 million, compared to last year's second quarter receipts of $1,067.9 million. The resulting growth rate was 4.2 percent, and compares to a growth rate of 3.7 percent for the second quarter of last year. Both declarations and withholding payments increased as compared to the same time frame last year.

Sales and use tax receipts were up $40.8 million, 4.7 percent higher than the second quarter of FY17. Receipts totaled $904.7 million, as compared to $863.9 million in the second quarter of FY17. Sales and use tax has grown for the last three quarters following negative growth recorded in the third quarter of FY17. Year-to-date sales tax receipts have increased 2.7 percent as compared to last year.

Property tax receipts posted revenues that were $20.3 million more than the second quarter of FY17. The property tax is notoriously volatile in the second and third fiscal quarters due to the timing of billings and payments. Collections of $362.2 million compare favorably to $341.9 million received in the second quarter of the prior fiscal year.

Corporation income tax posted a decrease of 10.0 percent, or $13.5 million, during the second quarter of FY18. Receipts totaled $121.7 million compared to the $135.2 million received a year earlier.

The limited liability entity tax (LLET) registered a $2.1 million increase in tax collections in the second quarter of FY18 when compared to FY17. Total collections in the current fiscal year totaled $62.3 million and compare to revenues of $60.2 million in the same period a year earlier.

The coal severance tax revenue continued to decline in the second quarter, with receipts down 18.4 percent. Collections of $21.3 million compare to the FY17 second quarter total of $26.1 million. Coal tax collections resumed a pattern of decline in the second quarter following three consecutive quarters of growth.

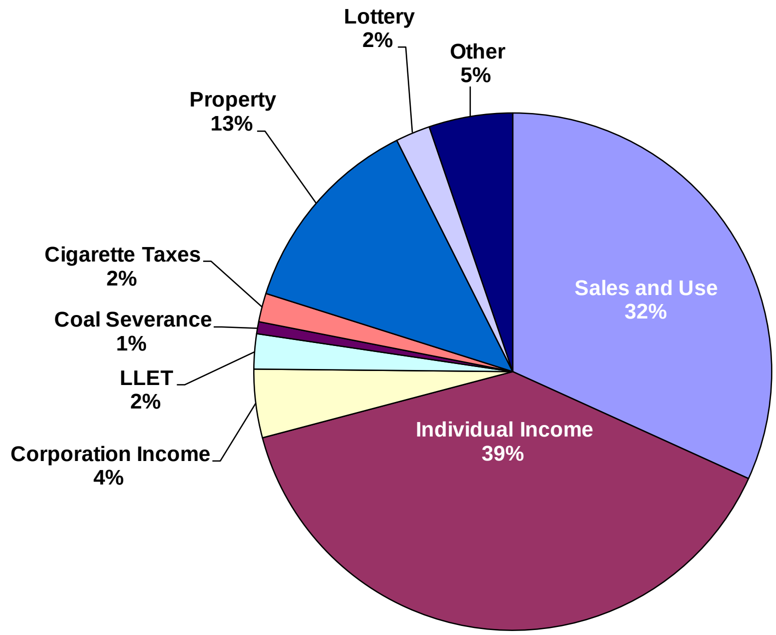
Cigarette tax receipts were $51.0 million in the second quarter of FY18 as compare to $54.4 million in the second quarter of FY17. Cigarette tax receipts continued their weak performance for the last two quarters due to fewer packs stamped.

Lottery receipts were $61.5 million, which were 2.5 percent more than last year's second-quarter total of $60.0 million. Positive growth in the second quarter marks the first growth in the lottery following three consecutive declines.

The "Other" category, which represents the remaining accounts of the General Fund, increased 0.9 percent in the second quarter. Second quarter receipts for FY18 were $148.8 million and compare to $147.5 million in FY17.

Figure 1 details the composition of General Fund revenues by tax type for the second quarter of FY18. Seventy-one percent of General Fund revenues were collected in the areas of the individual income tax and the sales tax. The next largest sources of revenue were the property tax, which accounted for 13.0 percent of the total General Fund receipts, followed by the "Other" category at 5.0 percent. The largest components in the "Other" category include the insurance premium tax, the bank franchise tax, the telecommunications tax, the beer wholesale tax, and the inheritance tax. Corporation income taxes accounted for 4.0 percent. LLET, lottery, and cigarette taxes accounted for 2.0 percent each. Finally, coal severance receipts accounted for 1.0 percent.

Figure 1
Composition of Second Quarter FY18
General Fund Revenues



ROAD FUND
Second Quarter FY18

Total Road Fund receipts fell 0.3 percent during the second quarter of FY18. Total receipts were $356.9 million and compare to $357.9 million from the second quarter of last year. Based on year-to-date tax collections, revenues can decline 0.2 percent for the remainder of FY18 to meet the estimate. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
$ millions

	FY18 Q2	FY17 Q2	Diff $	Diff %
Motor Fuels	189.5	191.8	-2.3	-1.2
Motor Vehicle Usage	114.6	112.0	2.7	2.4
Motor Vehicle License	20.3	20.9	-0.6	-2.7
Motor Vehicle Operators	4.1	3.8	0.3	6.6
Weight Distance	20.6	21.0	-0.4	-1.7
Income on Investments	0.1	-0.3	0.4	NA
Other	7.6	8.8	-1.2	-13.7
Total	**356.9**	**357.9**	**-1.0**	**-0.3**

Motor fuels tax receipts decreased 1.2 percent during the second quarter. Receipts were $189.5 million as compared to $191.8 million collected during the second quarter of last year.

Motor vehicle usage tax receipts of $114.6 million represent an increase of 2.4 percent compared to the $112.0 million collected in the second quarter of FY17. Vehicle usage tax collections fluctuate with the level of vehicle sale transactions that occur in Kentucky economy.

Motor vehicle license tax receipts decreased 2.7 percent in the second quarter of FY18 to $20.3 million.

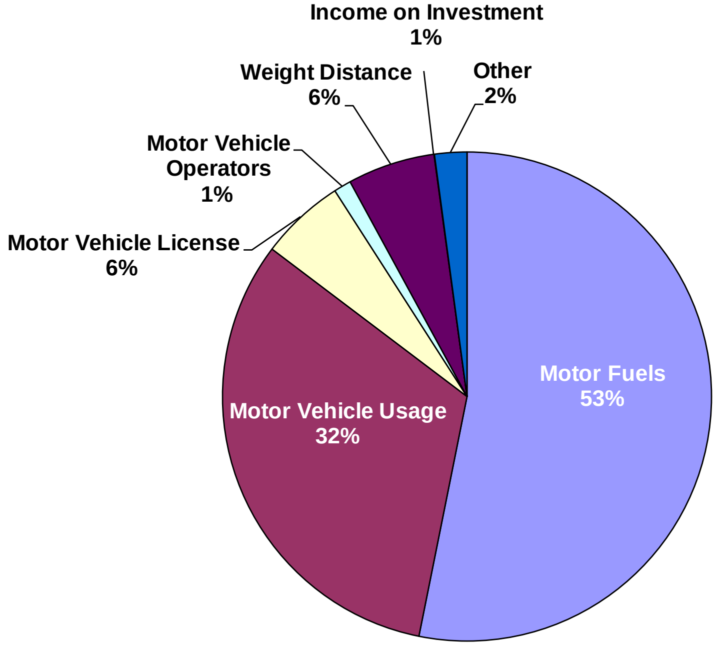
Motor vehicle operators license tax receipts were $4.1 million in the second quarter of FY18, a 6.6 percent increase compared to the level observed a year ago.

Weight distance tax receipts of $20.6 million represent a 1.7 percent decrease compared to receipts of $21.0 million during the second quarter of FY17. 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.

The remainder of the accounts in the Road Fund are grouped in the "Other" category combined for a decrease of 13.7 percent from a year earlier. In the "Other" category, revenues of $7.6 million were received and compared to $8.8 million in the second quarter of FY17.

Figure 2 details the composition of Road Fund revenues by tax type in the second quarter of FY18. Motor fuels taxes and the motor vehicle usage tax accounted for 85.0 percent of Road Fund revenues in the second quarter. The next-largest sources of revenue were the motor vehicle license and weight distance taxes with 6.0 percent each. The "Other" category accounted for 2.0 percent, while motor vehicle operators comprised 1.0 percent. Investment income accounted for a negligible amount of total Road Fund receipts.

Figure 2
Composition of Second Quarter FY18
Road Fund Revenue



The Economy
Second Quarter FY18. . . . .

NATIONAL ECONOMY

Real gross domestic product (real GDP) increased by 2.5 percent in the second quarter of FY18 (see Table 3). The 2.5 percent growth is the highest growth posted since the fourth quarter of FY15. The last three quarters of adjacent-quarter growth have been noticeably higher than recent history. The last three quarters of adjacent-quarter growth were 0.8, 0.7, and 0.6 percent, respectively. Average adjacent-quarter growth during the previous eight quarters was 0.4 percent. Real exports contributed the most to real GDP in terms of growth (+4.0 percent), while real consumption contributed the most in terms of absolute change (+309.4 billion) relative to last year.

Real consumption grew by 2.6 percent in the second quarter of FY18. Long-run average adjacent-quarter growth for real consumption is 0.6 percent. Real consumption recently has performed well above this average. Real consumption growth has been above that average in 12 of the last 15 quarters. Real consumption is a cyclical series. That is, typically, it rises when real GDP rises and it falls when real GDP falls. Real consumption did not fall during the 2001 recession, but there was a period of sustained high growth (+0.8 or higher) in the expansion period immediately following the 2001 recession. During the 2007 recession, real consumption fell six times during that period. Real consumption made up 69.6 percent of real GDP in the second quarter.

Real investment grew by 3.3 percent in the second quarter of FY18. On an adjacent-quarter basis, real investment grew by 1.1 percent in the second quarter. This is the third consecutive quarter of positive adjacent-quarter growth. This trend is promising, as it followed a two-year period with many losses. Real investment reached a new all-time high in the second quarter of FY18; surpassing the $3.0 trillion mark for the first time. Real investment made up 17.4 percent of real GDP in the second quarter.

Real government expenditures declined by 0.2 percent in the second quarter of FY18. This is the fourth consecutive adjacent-quarter decline for government expenditures. The declines were each very small; less than 0.2 percent on an adjacent-quarter basis. Real government expenditures are countercyclical, so it is not unusual for real government expenditures to decline during expansion periods. The current expansion period however has been peculiar for government expenditures. There was a period during this expansion where real government expenditures began to rise unsurreptitiously. Between the fourth quarter of FY14 and the third quarter of FY16, real government expenditures rose by a net 2.7 percent. Real government expenditures made up 16.8 percent of real GDP in the second quarter.

Real exports rose by 4.0 percent in the second quarter of FY18. On an adjacent-quarter basis, real exports rose by 0.7 percent in the second quarter of FY18 over the first quarter. This is the fourth consecutive quarter of positive adjacent-quarter growth in real exports. Real exports in calendar 2015 and 2016 were weak, falling in five of the eight quarters during that time. Real exports made up 12.8 percent of real GDP in the second quarter.

Real imports, a deduction to real GDP, grew by 2.2 percent in the second quarter of FY18. Real imports have been erratic over the last few quarters. Real imports growth was low in the fourth quarter of FY17, growing 0.4 percent on an adjacent-quarter basis. Average adjacent-quarter growth during this expansion period is 1.2 percent. Real imports declined in the first quarter of FY18, falling 0.2 percent on an adjacent-quarter basis. This quarter imports increased by 0.9 percent on an adjacent-quarter basis.

US personal income grew by 3.7 percent in the second quarter of FY18. On an adjacent-quarter basis, US personal income grew by 0.9 percent in the second quarter over the first quarter. US personal income has struggled to attain 1.0 percent adjacent-quarter growth in the last eight quarters. And in the third quarter of FY16, US personal income declined by 0.1 percent. This is unusual during an expansion period. Most of the strength in this quarter's US personal income came from wages and salaries and supplements to wages and salaries.

Wages and salaries grew by 4.7 percent in the second quarter, while supplements to wages and salaries grew by 3.8 percent. US wages and salaries have performed well for the last four quarters with adjacent-quarter growth rates of 1.5, 1.1, 1.0, and 1.0 percent, respectively. Calendar 2016 was troublesome for US wages and salaries as it declined (on an adjacent-quarter basis) in two of the four quarters. The current prolonged period of growth seems to indicate that that trouble spot is now over.

US non-farm employment grew by 1.4 percent in the second quarter of FY18. On an adjacent-quarter basis, US non-farm employment grew by 0.3 percent in the second quarter over the first quarter. Average adjacent-quarter growth during the expansion period following the 2007 recession has been 0.4 percent. Historically, this is low quarterly growth, but it is not low relative to the growth during the expansion period following the 2001 recession. In the expansion period following the 2001 recession, non-farm employment growth also averaged just 0.3 percent on an adjacent-quarter basis.

Business services employment and educational services employment were the two fastest growing labor sectors during the second quarter, each contributing half a million in job growth over the same quarter in FY17. On a percentage basis, mining employment was the fastest growing industry, with 7.7 percent growth over FY17. That growth was on top of an extremely low base. Mining employment is by far the smallest employment sector, with only 700,000 total jobs in the nation. Mining employment includes metal mining, coal mining, oil and gas extraction, and non-metallic mineral mining.

Table 3
Summary of US Economic Series
Second Quarter FY18 & FY17

	Second Quarter			
	FY18	**FY17**	**Chg**	**% Chg**
Real GDP	17,267.2	16,851.4	415.7	2.5
Real Consumption	12,011.5	11,702.1	309.4	2.6
Real Investment	3,000.3	2,905.7	94.6	3.3
Real Govt. Expenditures	2,894.3	2,901.2	-6.9	-0.2
Real Exports	2,208.3	2,124.4	83.9	4.0
Real Imports	2,815.2	2,755.5	59.7	2.2
CPI all goods (% chg)	1.8	1.8	NA	NA
CPI Food (% chg)	1.7	-0.3	NA	NA
CPI Energy (% chg)	3.2	2.1	NA	NA
CPI Core (% chg)	1.7	2.2	NA	NA
Industrial Production Index (% chg)	2.6	-0.1	NA	NA
Working Population[1]	255.9	254.5	1.4	0.6
Civilian Labor Force[2]	160.3	159.4	0.9	0.5
Employed[3]	154.0	152.2	1.8	1.2
Unemployed[4]	6.3	7.2	-1.0	-13.3
Not in Labor Force[5]	95.7	95.1	0.5	0.6
Labor Force Participation Rate[6] (%)	62.7	62.7	NA	NA
Unemployment Rate (%)	4.2	4.7	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 FY18 Q2 are November 2017 estimates.
Source: IHS Markit - Economics & Country Risk, November 8, 2017 data release.

1 Working population is the group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.
2 Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.
3 Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.
4 Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
5 Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.
6 Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Table 4
US Federal Outlays
$ billions, AR

	Second Quarter			
	FY18	**FY17**	**Chg**	**% Chg**
Federal Outlays excl. Gross Investment	4,289.0	4,193.3	95.7	2.3
Social Security	938.4	906.0	32.4	3.6
Medicare	681.1	662.9	18.2	2.7
National Defense	594.1	583.2	10.8	1.9
Interest on Debt	491.7	497.0	-5.3	-1.1
Medicaid	392.1	383.7	8.4	2.2
Non-Medicaid Grants to S&L Govts	185.0	182.6	2.4	1.3
Subsidies	60.0	61.1	-1.1	-1.8
Aid to Foreign Governments	57.5	52.2	5.3	10.1

Not Seasonally Adjusted. Data for FY18 Q2 are November 2017 estimates.
Source: IHS Markit - Economics & Country Risk, November 8, 2017 data release.

KENTUCKY ECONOMY

Kentucky personal income grew by 3.5 percent in the second quarter of FY18. On an adjacent-quarter basis, Kentucky personal income grew by 1.0 percent in the second quarter. This is the fourth consecutive quarter of solid adjacent-quarter growth for personal income. The solid growth was spread out among the components of personal income. All five contributing components grew by over 2.1 percent over the same quarter last year. The fastest growing component in absolute terms was wages and salaries which grew by 3.9 percent (+$3.4 billion) over the second quarter of FY17. The growth experienced over the last four quarters has been solid and widespread among all the components.

The recent solid and widespread growth in personal income has been ephemeral. In the second quarter of FY17, personal income declined by 0.5 percent over the first quarter of FY17. The decline in the personal income in the second quarter of FY17 was also diffused among the components. Kentucky wages and salaries declined by 1.0 percent in the second quarter over the first quarter of FY17. Kentucky transfer income declined by 0.9 percent in the second quarter. Growth in supplements to wages and salaries and proprietor's income were both weak in the second quarter of FY17 growing 0.1 and 0.5 percent, respectively.

Kentucky non-farm employment grew by 1.4 percent in the second quarter. Kentucky non-farm employment growth has been historically slow over the last 16 years. Specifically, employment growth during the last two expansions has been significantly slower than in prior expansion periods. In the expansion period following the 1990 recession, average adjacent-quarter growth was 0.6 percent. In the expansion period following the 2001 and 2007 recessions, the average adjacent-quarter growth was 0.2 and 0.3 percent, respectively. Something fundamentally changed either in the labor market itself or in how firms employ labor following the 2001 recession, relative to previous expansion periods. The exact source of the change has not yet been identified or settled among economists.

The fastest growing employment sector in Kentucky in the second quarter was construction, which grew by 6.3 percent. The second fastest growing sector was information services employment, which grew by 4.9 percent. These two fast-growing sectors were offset by falling or weak growth in mining employment, government employment and educational services employment, which experienced growth rates of -4.2, -0.2, and 0.1 percent, respectively. Construction employment made up 4.2 percent of total non-farm employment in the second quarter of FY18, while information services made up 1.2 percent, mining employment made up 0.5 percent, government made up 16.3 percent, and educational services employment made up 14.0 percent.

On an adjacent-quarter basis, government employment increased by 0.3 percent. But on average, government employment has been trending downwards since the first quarter of FY14. Government employment includes federal, state and local government employees, whereby the employment occurs within the boundaries of the Commonwealth of Kentucky. It is not unusual for government employment to contract during expansion periods, as the need for many welfare programs and unemployment services decreases during times of economic growth.

Table 5
Personal Income
$ billions, SAAR

	Second Quarter			
	FY18	**FY17**	**$ Diff**	**% Diff**
United States				
Personal Income	16,623	16,026	597	3.7
Social Insurance	1,324	1,250	74	5.9
Residence Adjustments	0	0	0	-299.0
Dividends, Interest and Rents	3,209	3,110	99	3.2
Transfer Receipts	2,868	2,796	72	2.6
Wages & Salaries	8,492	8,108	384	4.7
Supplements to W&S	1,980	1,907	73	3.8
Proprietor's Income	1,398	1,355	43	3.2
Kentucky				
Personal Income	179	173	6	3.5
Social Insurance	15	15	1	4.9
Residence Adjustments	-2	-2	0	-3.0
Dividends, Interest and Rents	28	27	1	2.1
Transfer Receipts	43	42	1	2.2
Wages & Salaries	92	88	3	3.9
Supplements to W&S	23	22	1	3.7
Proprietor's Income	11	10	1	9.5

Table 6
Summary of US & KY Employment
Second Quarter FY18 & FY17

	US Q2 (millions)			KY Q2 (thousands)		
	FY18	**FY17**	**% Chg**	**FY18**	**FY17**	**% Chg**
Non-farm Employment	147.2	145.2	1.4	1,952.8	1,926.5	1.4
Goods-producing	20.2	19.8	2.0	346.4	336.7	2.9
Construction	6.9	6.8	2.7	81.6	76.8	6.3
Mining	0.7	0.7	7.7	9.6	10.0	-4.2
Manufacturing	12.5	12.3	1.3	255.2	249.9	2.1
Service-providing	104.7	103.1	1.5	1,288.0	1,270.9	1.3
Trade, Transportation & Utilities	27.5	27.4	0.4	403.1	400.1	0.8
Information	2.7	2.8	-1.8	24.4	23.2	4.9
Finance	8.5	8.3	1.7	96.0	94.9	1.2
Business Services	20.9	20.4	2.7	228.4	222.9	2.5
Educational Services	23.3	22.8	2.0	272.8	272.4	0.1
Leisure and Hospitality Services	16.0	15.7	1.7	196.5	191.9	2.4
Other Services	5.8	5.7	1.5	66.9	65.6	2.0
Government	22.4	22.3	0.3	318.3	318.9	-0.2

Not Seasonally Adjusted. Data for FY18 Q2 are November 2017 estimates.
Source: IHS Markit - Economics & Country Risk, November 8, 2017 data release.

Interim Outlook . . . .

GENERAL FUND OUTLOOK
Beyond the Second Quarter, FY18

The revenue forecasts presented in Table 7 and Table 8 were prepared using the November 2017 "control scenario" economic forecast from both 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 even-numbered years, however, the second quarterly report is prepared simultaneously with the work of the Commonwealth's Consensus Forecasting Group (CFG) as prescribed in KRS 48.120(2). Therefore, the estimates presented herein are identical to the control, or baseline, scenario adopted by the CFG on December 15, 2017.

Table 7
General Fund Interim Forecast
$ millions

	FY18						FY18		FY19	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	2,236.1	3.6	2,272.9	1.7	4,509.0	2.6	4,509.0	0.0	1,138.0	1.3
Sales & Use	1,807.7	2.7	1,804.2	4.5	3,611.9	3.6	3,611.9	0.0	926.4	2.6
Property	415.8	5.5	192.1	-7.6	607.9	1.0	607.9	0.0	54.9	2.3
Corporate Income	275.4	1.3	283.2	25.5	558.6	12.3	558.6	0.0	168.8	9.9
Coal Severance	46.6	-6.8	41.9	-17.0	88.5	-11.9	88.5	0.0	20.5	-18.9
Cigarette Tax	106.1	-4.9	108.2	-1.4	214.3	-3.2	214.3	0.0	53.8	-2.4
LLET	105.7	8.6	80.5	-45.7	186.2	-24.2	186.2	0.0	45.0	3.5
Lottery	116.5	-1.4	126.5	2.4	243.0	0.6	243.0	0.0	56.0	1.8
Other	289.9	4.0	409.1	-0.6	699.0	1.3	699.0	0.0	140.2	-0.7
General Fund	**5,399.9**	**3.1**	**5,318.5**	**1.5**	**10,718.4**	**2.3**	**10,718.4**	**0.0**	**2,603.6**	**2.0**

Projected General Fund revenues for the next three quarters are shown in Table 7. As the table indicates, General Fund growth in the second half of FY18 is projected to be 1.5 percent compared to the final half of FY17. Growth in the first half of FY18 was 3.1 percent. Revenues for the entire fiscal year of 2018 are projected to be $10,718.4 million for growth of 2.3 percent. Collections at the forecasted levels would produce 2.0 percent growth in the first quarter of FY19.

Individual income tax receipts are expected to total $4,509.0 million in FY18, largely due to robust growth of 3.6 percent in the first half of the fiscal year. Receipts are projected to increase by 1.7 percent during the final two quarters of FY18. Taken in aggregate, the individual income tax is forecasted to grow at a 2.6 percent rate for FY18.

In forecasting the individual income tax receipts, the first step is to estimate "withholding" collections. Withholding results in roughly 95 percent of the total individual income tax receipts. Declaration (estimated) payments are historically positive, but are offset nearly dollar for dollar by net refunds, which is negative due to the high number of refunds that are paid out in February and March every year.

The withholding component of the individual income tax adds stability to the overall growth, posting 3.6 percent growth in the first half of FY18. Withholding is expected to remain solid for the remainder of FY18 and into the first quarter of FY19. Withholding is closely tied to wages and salaries and employment in the state.

Annual sales tax receipts slowed significantly in FY17. Sales and use tax receipts grew 3.6 percent in FY14. Receipts improved in FY15 and grew by 4.4 percent. Receipts grew by 6.0 percent in FY16, which is the highest growth in over a decade. Sales tax growth in excess of wage and salary growth is difficult to sustain. That adage proved correct in FY17 as sales tax growth slipped to 0.7 percent despite very similar growth in wages relative to previous years.

Forecasted sales and use tax revenues are $3,611.9 million in FY18, which would represent a 3.6 percent increase relative to FY17 receipts. Receipts for the first quarter of FY19 are projected to grow by 2.6 percent.

Property tax revenues are expected to decrease by 7.6 percent over the remainder of the year following growth of 5.5 percent in the first six months of FY18. Due to the sustained effects of the recession on the housing market, the state rate on real property has remained at 12.2 cents since valuation year 2008, an unprecedented occurrence of ten consecutive years without a rate decline.

The OSBD has fundamentally changed the way that the two largest business taxes, the corporation income tax and the LLET, are estimated. Due to the interaction between payment of the LLET and the credit on the income tax return, it is difficult to pinpoint exact amounts of business tax to apportion or allocate between each tax category. Therefore, OSBD has adopted a model with a combined forecasting variable equal to the sum of LLET and corporate income tax receipts.

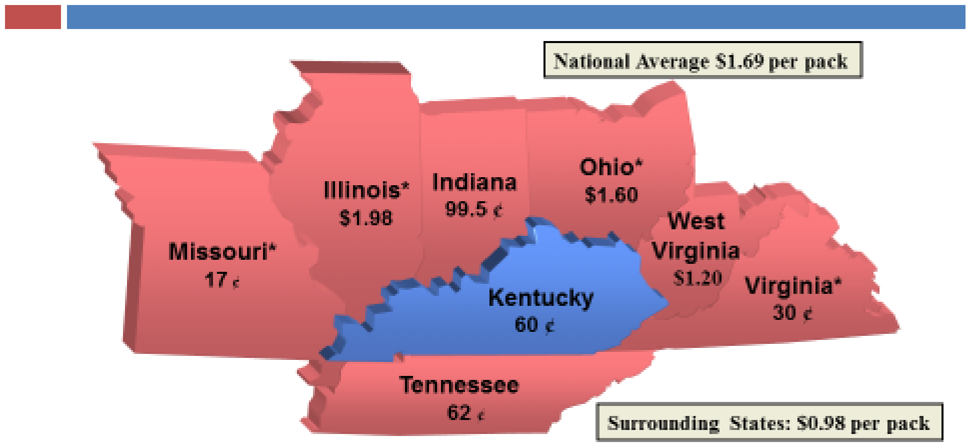
The forecast for FY18 calls for growth of 0.2 percent for the combined accounts of the corporation income tax and the LLET. Due in large part to a strong December, the combined account has grown 3.3 percent through the first half of FY18. Consequently, receipts can decline 2.8 percent for the remainder of the fiscal year and still hit the official estimate.

Energy markets, and coal markets in particular, continue to be fraught with downside risk. The official estimate for the coal severance tax calls for receipts of $88.5 million, or a 11.9 percent decline in FY18. 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 regardless of the forecasting horizon.

Cigarette tax receipts grew 1.5 percent in FY16 followed by a 1.3 percent decline in FY17. There are two counterbalancing forces which characterize the current market for Kentucky-sold cigarettes. First, there is the protracted downward trend in smoking rates both nationally and in Kentucky. Second, there is increased border sales due to higher tax rates in most neighboring states. Smoking rates have been declining for at least two decades due to health concerns, smoking bans, and other factors.

However, individuals that continue to smoke have some choice in where they purchase cigarettes, especially those who live in close proximity to a border state. The map below shows that Kentucky is well situated vis-à-vis our northern neighbors with respect to taxation. Given sales volumes in Kentucky and rates of adult smoking, it is clear that Kentucky is an export state in the net sale of cigarettes. Kentucky's low tax rate should lead to higher sales to border state consumers, above those sales from Kentuckians. Meanwhile, the universal decline in smoking should result in lower sales from Kentuckians and from border state consumers. The net impact of these two opposing effects is theoretically ambiguous. However, it appears in practice, at least in the short-term, that the decline in smoking preference has been stronger than the border effect. Through the first half of FY18, cigarette tax receipts have fallen 4.9 percent. For the entire FY18, tax receipts are expected to decline by 3.2 percent.

State excise taxes on cigarettes



* Does not include sales tax or local excise rates imposed by cities and counties

In FY17, Kentucky Lottery sales broke the $1.0 billion mark for the first time in KY Lottery history. Scratch-off tickets continue to be the largest individual game category, and grew 1.1 percent in FY17. Keno was the biggest source of growth, rising 15 percent to $75.7 million. Daily draw games also performed strongly (Pick 3, Pick 4, Cash Ball). However, major multi-state draw games were off sharply as players wait for the record jackpots to purchase tickets.

Lottery dividends are expected to grow 0.6 percent in FY18 on the basis of continued strength in scratch-off sales. The growth rate of 0.6 percent is artificially low because the base in FY17 is artificially inflated by the extra $4.6 million in dividend payments received in FY17. Year-to-date collections through December totaled $116.5 million. The forecast calls for improved growth in the second half of FY18. Total FY18 receipts are expected to reach $243.0 million.

The "Other" category contains dozens of smaller tax accounts, which make up the remainder of the General Fund. The insurance premiums tax, the bank franchise tax, and the telecommunications tax are the three largest accounts in the "Other" category. The "Other" category of taxes is expected to fall 0.6 percent during the FY18 forecasting horizon. Each account was re-examined after FY17 and the proper adjustments were made to calibrate the models. The "Other" accounts totaled $690.1 million in FY17. "Other" collections are estimated to be $699.0 million for FY18.

ROAD FUND OUTLOOK
Beyond the Second Quarter, FY18

Total Road Fund collections are expected to remain stagnant through the forecast period as the two largest revenue accounts, the motor fuels tax and motor vehicle usage tax, fail to gain ground. Revenue is forecasted to decline in FY18 before increasing slightly in the first quarter of FY19. Fiscal Year 2018 collections are projected to be $1,503.3 million, a decrease of 0.3 percent from the previous fiscal year. Receipts for the first quarter of FY19 are forecasted to increase 0.5 percent.

Motor fuels tax collections are forecasted to increase 1.0 percent in the second half of FY18, which is an improvement in the revenue situation seen during the first six months of the year where collections declined 0.5 percent. Because the motor fuels tax rate is expected to remain at its current level for the duration of the forecast period, changes in revenue will arise strictly from changes in consumption. Therefore, the FY19 first quarter forecast calls for a similarly small change in this account with collections falling 0.4 percent. Over the long-term, consumption has trended downward. However, in the years where consumption does increase, the increases are typically quite small.

Table 8
Road Fund Interim Forecast
$ millions

	FY18						FY18		FY19	
	Q1 & Q2		Q3 & Q4		Full Year		Official CFG		Q1	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	388.3	-0.5	373.9	1.0	761.2	0.2	761.2	0.0	198.0	-0.4
Motor Vehicle Usage	241.6	-1.3	252.3	-1.1	493.9	-1.2	493.9	0.0	128.1	0.9
Motor Vehicle License	41.3	4.1	72.1	-0.2	113.4	1.3	113.4	0.0	21.2	1.1
Motor Vehicle Operators	8.4	4.8	8.2	1.2	16.6	3.0	16.6	0.0	4.4	1.1
Weight Distance	41.4	-1.1	40.0	-2.5	81.4	-1.8	81.4	0.0	21.2	1.8
Income on Investments	1.0	-791.3	1.0	-44.4	2.0	26.5	2.0	0.0	1.6	75.6
Other	17.5	-3.3	17.3	1.5	34.8	-1.0	34.8	0.0	9.9	-0.6
Road Fund	**739.5**	**-0.4**	**763.8**	**-0.2**	**1,503.3**	**-0.3**	**1503.3**	**0.0**	**384.4**	**0.5**

Motor vehicle usage tax collections reached an all-time high at the close of FY17 but rates of growth have tapered off over the past few quarters. The FY18 forecast for this account is for a decline of 1.2 percent as consumers slow their purchases of automobiles and light trucks. Revenues fell 1.3 percent in the first six months of FY18 and are expected to decline 1.1 percent over the remainder of the year before rebounding slightly in the first three months of FY19 with collections expected to increase 0.9 percent.

Motor vehicle license tax collections increased 4.1 percent in the first two quarters of FY18 with collections of $41.3 million. License receipts were estimated using a structural model with registered vehicles as a driver. Motor vehicle license receipts are estimated to be $113.4 million in FY18, an increase of 1.3 percent. Revenues for the first quarter of FY19 are expected to remain on a similar trajectory, with 1.1 percent growth.

Motor vehicle operators' collections were estimated using a time series (ARIMA) model. Revenues were $8.4 million in the first six months of FY18, an increase of 4.8 percent. The forecast is for revenues to increase 1.2 percent for the remainder of the fiscal year and 1.1 percent for the first quarter of FY19.

Weight distance tax receipts of $41.4 million in the first half of FY18 represent a 1.1 percent decrease over FY17 collections. The weight distance tax is estimated by a structural model with the U.S. industrial production index as the driver. Receipts for FY18 are expected to total $81.4 million, a 1.8 percent decrease. The weight distance tax is typically considered a leading indicator of manufacturing activity. Revenue in this account is expected to pick up slightly in the first quarter of FY19, with 1.8 percent growth.

Income on investment is estimated by examining historical and current trends in investment balances and interest rate forecasts. Investment receipts increased $421,000 in the second quarter of FY18 as yields on investments went from losses to gains. Investment income for the current year is estimated to be $2.0 million.

"Other" receipts include fees, fines, and miscellaneous receipts. These accounts combined for decrease of 3.3 percent from a year earlier in the first two quarters of FY18. The estimates of these revenue sources are based on econometric models, historical growth patterns, recent statutory changes, and administrative factors that influence the flow of revenues. Receipts are forecasted to decline 1.0 percent to $34.8 million in the current fiscal year, and fall 0.6 percent in the first quarter of FY19.

NATIONAL ECONOMY OUTLOOK
Beyond the Second Quarter, FY18

As we enter the second half of FY18, the US economy has been growing for 102 months, the third longest economic expansion since 1854. If the economy continues to grow for an additional 19 months, this period of expansion will be longest in US history. The continued growth in the economy has been supported by current financial conditions. Rising home equity and home prices have improved household balance sheets. Consumer confidence has been driven by low unemployment. Personal incomes have grown. Financial markets have improved. Business fixed investment continues to strengthen. This is supported by low capital costs, an improving regulatory climate, and expanding global markets. The current macroeconomic data and indicators would seem to predict that the expansion will continue.

Adding to the current economic tailwinds is the passage of the TCJA, which lowers the corporate tax rate from 35 percent to 21 percent, allows accelerate expensing of business equipment, and reduces average, effective personal income tax rate by approximately two percent. The current forecast predicts real GDP growth of 2.5 percent for FY18. The TCJA should increase real GDP growth by approximately 0.2 percent in calendar year 2019. The TCJA contains a disincentive for research and development spending, as businesses will be required to amortize their expenditures over five years, rather than one year, starting in calendar year 2022. This reduction in the value of research and development tax credits is expected to increase research and development expenditures for capital equipment over the next several years.

Consumer spending, income, and consumer confidence are also expected to modestly increase over current forecasted levels with the passage of the tax bill. The increase in household incomes and associated real consumer spending, due to the reduction in income taxes, will provide additional reinforcement to the already strong fundamentals of monthly job growth, increasing wages, and rising asset values. The current forecast predicts real consumption growth of 2.6 percent for FY18, but the impact of the TCJA should increase real consumption growth by approximately 0.1 percent in calendar 2019.

The Federal Open Market Committee (FOMC), as expected, raised the federal funds rate by 25 basis points at their December meeting. This was the third increase in calendar 2017, as compared to a single rate hike in 2015 and 2016, respectfully. The increase in the frequency of FOMC actions comes as the committee has signaled that there is a persistent belief that job gains, household incomes, and wealth creation will support economic growth in the near term. However, the increases are at odds with the continued low readings in Personal Consumption Expenditures inflation measures. The expectations are for three additional rate hikes in calendar year 2018. With the passage of the TCJA and the expected boost in economic growth through corporate and individual income tax cuts, additional FOMC actions remain a distinct possibility.

Table 9
US Economic Outlook
FY18 Q3 & Q4, FY19 Q1

	Q3 & Q4			Full Year		Q1	
	FY18	**FY17**	**% Chg**	**FY18**	**% Chg**	**FY19**	**% Chg**
Real GDP	17,416.1	16,967.2	2.6	17,314.1	2.5	17,561.8	2.4
Real Consumption	12,119.6	11,805.5	2.7	12,043.2	2.6	12,219.9	2.5
Real Investment	3,045.9	2,910.8	4.6	3,014.9	4.2	3,089.5	4.1
Real Govt. Expenditures	2,899.8	2,895.9	0.1	2,897.1	0.0	2,907.0	0.4
Real Exports	2,249.4	2,171.7	3.6	2,225.2	3.3	2,284.3	4.1
Real Imports	2,866.4	2,789.6	2.8	2,834.3	2.7	2,906.0	4.2
CPI all goods (% chg)	1.8	2.2	NA	1.8	NA	2.0	NA
CPI Food (% chg)	1.6	0.4	NA	1.5	NA	1.5	NA
CPI Energy (% chg)	1.3	9.0	NA	3.1	NA	1.5	NA
CPI Core (% chg)	1.9	2.0	NA	1.8	NA	2.1	NA
Industrial Production Index (% chg)	2.4	1.4	NA	2.2	NA	2.9	NA
Unemployment Rate (%)	4.0	4.5	NA	4.1	NA	4.0	-6.8

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Source: IHS Markit - Economics & Country Risk, November 8, 2017 data release.

KENTUCKY ECONOMY OUTLOOK
Beyond the Second Quarter, FY18

Personal income remains poised to continue its recent trend of strong growth for the remainder of FY18 and into the first quarter of FY19. Kentucky personal incomes are expected to grow 3.4 percent for all of FY18. This is in contrast to the 3.9 percent growth expected at the national level. The Commonwealth's wages and salaries component has improved by of 4.3 percent in the third and fourth quarters of FY18 over the same period in FY17. It is expected to increase 4.2 percent in the first quarter of FY19.

Excellent personal income growth is expected to continue through the forecast horizon. Kentucky's sales and use tax receipts rose 3.0 percent in December. Year-to-date collections in sales and use collections have increased 2.7 percent. Individual income tax collections rose 14.2 percent in December on the strength of withholding receipts. Year-to-date collections improved to 3.6 percent, largely as a result of the strong December receipts.

Kentucky employment growth has been weak for several years. Stagnant growth is projected over the forecast horizon in both the goods-producing and service-providing sectors. Of the 11 supersectors, three are forecasted to decline in the first quarter of FY19. As it has been the weak spot in Kentucky's economy, mining employment is expected to post declining growth, 4.7 percent, moving into the first quarter of FY19.

The service-providing sector overall is anticipated to end the second half of FY18 with weakened growth of 1.2 percent. Growth is expected to taper further to 0.7 percent in the first quarter of FY19. The other services employment sector is expected to decline by 0.5 percent in the second half of FY18. The other services employment sector is expected to decline by 2.7 percent in the first quarter of FY19. Other bleak spots in employment include construction as well as trade, transportation and utility which are also forecasted to enter FY19 with depressed growth.

The employment bright spot in the Kentucky economic outlook is the manufacturing sector. Manufacturing is expected to conclude the final two quarters of FY18 with growth of 1.8 percent. Manufacturing employment growth is expected to surge to 4.1 percent in the first quarter off FY19. While hiring in various sectors has been more muted, the brisk growth seen within manufacturing employment accounts for a gain of 3.3 million jobs in FY18. While the uptick in consumer spending accounts for a portion of the increase, measures that are more significant include economic development initiatives to attract new businesses, with such passage Right to Work legislation, pledged business investments are changing the business climate in the Commonwealth.

Table 10
Kentucky Economic Outlook
FY18 Q3 & Q4, FY19 Q1

	Q3 & Q4			Full Year		Q1	
	FY18	**FY17**	**% Chg**	**FY18**	**% Chg**	**FY19**	**% Chg**
Personal Income ($ millions)	182,447.4	175,374.0	4.0	180,480.1	3.4	185,428.9	4.4
Wages and Salaries ($ millions)	93,170.8	89,361.6	4.3	92,215.0	3.5	94,568.6	4.2
Non-farm Employment (thousands)	1,959.1	1,937.5	1.1	1,954.1	1.2	1,966.5	1.1
Goods-producing	348.0	342.4	1.6	345.8	1.8	351.0	3.0
Construction	82.0	80.4	2.0	81.9	4.3	82.4	0.5
Mining	9.3	9.8	-5.4	9.5	-4.7	9.2	-4.7
Manufacturing	256.7	252.2	1.8	254.4	1.3	259.5	4.1
Service-providing	1,292.4	1,277.7	1.2	1,290.0	1.4	1,296.3	0.7
Trade, Transportation & Utilities	403.5	401.7	0.4	403.8	0.7	403.1	-0.5
Information	24.3	24.0	1.5	24.3	3.3	24.4	0.9
Finance	96.3	95.4	1.0	96.0	1.3	96.7	1.4
Business Services	230.9	224.4	2.9	229.6	3.3	234.0	2.4
Educational Services	273.7	270.9	1.1	273.1	0.7	274.4	0.9
Leisure and Hospitality Services	197.4	194.6	1.5	196.4	1.3	197.8	1.8
Other Services	66.3	66.7	-0.5	66.8	1.1	65.8	-2.7
Government	318.7	317.4	0.4	318.3	0.1	319.2	0.5

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, November 2017.

APPENDIX

General and Road Fund Receipts
Second Quarter FY18

KENTUCKY STATE GOVERNMENT – GENERAL FUND

	Second Quarter FY 2018	Second Quarter FY 2017	% Change	Year-To-Date FY 2018	Year-To-Date FY 2017	% Change
TOTAL GENERAL FUND	**$2,846,323,741**	**$2,757,145,588**	**3.2%**	**$5,399,886,462**	**$5,239,517,779**	**3.1%**
Tax Receipts	$2,737,102,791	$2,647,673,202	3.4%	$5,217,860,739	$5,058,625,079	3.1%
Sales and Gross Receipts	$1,025,447,079	$989,313,025	3.7%	$2,080,476,954	$2,038,131,133	2.1%
Beer Consumption	1,477,323	1,526,019	-3.2%	3,256,894	3,251,869	0.2%
Beer Wholesale	14,306,460	14,979,993	-4.5%	31,410,893	31,643,777	-0.7%
Cigarette	51,028,906	54,411,149	-6.2%	106,136,572	111,653,427	-4.9%
Distilled Spirits Case Sales	40,219	43,474	-7.5%	78,368	79,472	-1.4%
Distilled Spirits Consumption	3,656,338	3,977,561	-8.1%	7,199,009	7,366,519	-2.3%
Distilled Spirits Wholesale	11,964,408	12,416,370	-3.6%	22,786,787	22,473,650	1.4%
Insurance Premium	10,291,977	9,701,835	6.1%	46,259,472	46,753,081	-1.1%
Pari-Mutuel	1,583,233	1,021,993	54.9%	2,813,108	2,131,495	32.0%
Race Track Admission	59,090	26,069	126.7%	158,150	106,418	48.6%
Sales and Use	904,693,442	863,936,968	4.7%	1,807,657,375	1,759,451,644	2.7%
Wine Consumption	799,473	915,093	-12.6%	1,544,357	1,658,248	-6.9%
Wine Wholesale	4,498,430	5,196,882	-13.4%	8,568,766	9,326,819	-8.1%
Telecommunications Tax	15,608,306	15,759,719	-1.0%	31,383,438	31,362,796	0.1%
Other Tobacco Products	5,439,423	5,398,102	0.8%	11,224,697	10,870,076	3.3%
Floor Stock Tax	51	1,798	-97.1%	(931)	1,841	---
License and Privilege	$1,758,607	$421,008	317.7%	$1,392,094	($726,463)	-291.6%
Alc. Bev. License Suspension	141,517	99,053	42.9%	275,367	235,703	16.8%
Corporation License	1,190	15,208	-92.2%	12,086	(7,438)	---
Corporation Organization	5,265	917,252	-99.4%	17,640	923,197	-98.1%
Occupational Licenses	30,715	24,947	23.1%	67,581	66,904	1.0%
Race Track License	128,975	86,475	49.1%	229,050	181,475	26.2%
Bank Franchise Tax	1,290,376	(891,544)	---	445,647	(2,480,569)	---
Driver License Fees	160,569	169,617	-5.3%	344,722	354,266	-2.7%
Natural Resources	$30,561,613	$34,806,864	-12.2%	$64,251,281	$65,243,389	-1.5%
Coal Severance	21,339,818	26,138,963	-18.4%	46,627,466	50,023,771	-6.8%
Oil Production	1,269,783	1,204,268	5.4%	2,418,239	2,447,879	-1.2%
Minerals Severance	5,409,136	5,538,365	-2.3%	10,946,731	10,023,699	9.2%
Natural Gas Severance	2,542,877	1,925,267	32.1%	4,258,845	2,748,040	55.0%
Income	$1,296,824,941	$1,263,297,008	2.7%	$2,617,232,413	$2,527,262,083	3.6%
Corporation	121,721,637	135,242,185	-10.0%	275,358,104	271,720,629	1.3%
Individual	1,112,822,132	1,067,895,917	4.2%	2,236,125,976	2,158,191,451	3.6%
Limited Liability Entity	62,281,172	60,158,907	3.5%	105,748,333	97,350,003	8.6%
Property	$362,166,608	$341,889,584	5.9%	$415,819,563	$394,238,159	5.5%
Building & Loan Association	(801)	(1,261)	---	9,883	15,372	-35.7%
General - Real	210,124,835	198,629,706	5.8%	209,401,905	198,670,874	5.4%
General - Tangible	116,355,622	103,521,765	12.4%	149,063,034	134,550,736	10.8%
Omitted & Delinquent	4,403,168	5,573,589	-21.0%	9,206,025	9,309,675	-1.1%
Public Service	30,230,164	33,222,488	-9.0%	47,078,792	50,748,275	-7.2%
Other	1,053,620	943,295	11.7%	1,059,924	943,227	12.4%
Inheritance Tax	$14,341,079	$12,025,295	19.3%	$26,996,075	$22,584,767	19.5%
Miscellaneous	$6,002,864	$5,920,417	1.4%	$11,692,359	$11,892,010	-1.7%
Legal Process	3,194,710	3,203,104	-0.3%	6,376,670	6,585,246	-3.2%
T. V. A. In Lieu Payments	2,821,593	2,717,314	3.8%	5,311,809	5,262,981	0.9%
Other	(13,439)	0	---	3,880	43,784	-91.1%
Nontax Receipts	$107,078,218	$108,560,337	-1.4%	$179,834,612	$178,641,631	0.7%
Departmental Fees	4,425,420	4,428,924	-0.1%	7,719,554	7,448,660	3.6%
PSC Assessment Fee	12,854	105,335	-87.8%	15,825,437	13,031,320	21.4%
Fines & Forfeitures	4,185,745	4,370,391	-4.2%	8,608,772	9,296,389	-7.4%
Income on Investments	(2,106,873)	(257,455)	---	(3,243,422)	(327,005)	---
Lottery	61,500,000	60,000,000	2.5%	116,500,000	118,127,129	-1.4%
Miscellaneous	39,061,071	39,913,142	-2.1%	34,424,269	31,065,138	10.8%
Redeposit of State Funds	$2,142,733	$912,049	134.9%	$2,191,112	$2,251,069	-2.7%

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Second Quarter FY 2018	Second Quarter FY 2017	% Change	Year-To-Date FY 2018	Year-To-Date FY 2017	% Change
TOTAL ROAD FUND	**$356,887,658**	**$357,921,347**	**-0.3%**	**$739,514,013**	**$742,491,195**	**-0.4%**
Tax Receipts-	$350,494,592	$353,031,630	-0.7%	$728,162,931	$732,656,616	-0.6%
Sales and Gross Receipts	$304,171,861	$303,765,081	0.1%	$629,845,594	$634,963,316	-0.8%
Motor Fuels Taxes	189,524,180	191,788,830	-1.2%	388,290,442	$390,284,986	-0.5%
Motor Vehicle Usage	114,647,681	111,976,250	2.4%	241,555,152	$244,678,330	-1.3%
License and Privilege	$46,322,731	$49,266,550	-6.0%	$98,317,337	$97,693,300	0.6%
Motor Vehicles	20,327,903	20,886,695	-2.7%	41,287,821	$39,642,565	4.2%
Motor Vehicle Operators	4,080,229	3,829,668	6.5%	8,384,931	$7,998,987	4.8%
Weight Distance	20,614,759	20,971,355	-1.7%	41,432,813	$41,907,054	-1.1%
Truck Decal Fees	8,767	16,464	-46.8%	25,360	$18,370	38.0%
Other Special Fees	1,291,073	3,562,368	-63.8%	7,186,412	$8,126,324	-11.6%
Nontax Receipts	$6,065,378	$4,810,218	26.1%	$10,744,595	$9,543,372	12.6%
Departmental Fees	5,282,138	4,665,319	13.2%	8,792,318	$8,480,458	3.7%
In Lieu of Traffic Fines	81,046	76,265	6.3%	168,896	$167,520	0.8%
Income on Investments	126,071	(295,737)	---	1,037,731	($150,789)	---
Miscellaneous	576,123	364,371	58.1%	745,650	$1,046,183	-28.7%
Redeposit of State Funds	$327,688	$79,498	312.2%	$606,488	$291,208	108.3%