

Commonwealth of Kentucky

Quarterly Economic & Revenue Report

First Quarter Fiscal Year 2027



Office of State Budget Director
Governor's Office for Economic Analysis

TEAM
KENTUCKY



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October 30, 2026

The Honorable Andy Beshear
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, Kentucky 40601

Ms. Katie Comstock, Director
Legislative Research Commission
Room 300, State Capitol
Frankfort, Kentucky 40601

Mr. Jason McGinnis, Executive Director
Administrative Office of the Courts
1001 Vandalay Drive
Frankfort, Kentucky 40601

Dear Honorable Governor Beshear; Ms. Comstock; and Mr. McGinnis:

In accordance with KRS 48.400(1), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In furtherance of this directive, OSBD submits this *Quarterly Economic and Revenue Report* for the first quarter of Fiscal Year 2027 (FY27) to the three branches of government.

This report includes the actual revenue receipts and economic conditions for the first quarter and the newly revised official General Fund forecast for the final three quarters of FY27 (the forecast horizon) pursuant to KRS 48.400(2). The report also provides an outlook for the Kentucky Road Fund and forecasts for the national and state economies that provided the inputs into the revenue models.

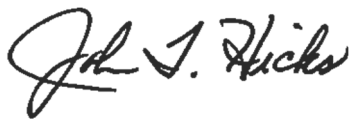


Governor Beshear; Ms. Comstock; and Mr. McGinnis:
October 30, 2026
Page 2

The interim General Fund revenue projections prepared for this report are identical to the revised official estimates agreed to by the Consensus Forecasting Group (CFG) on September 22 in accordance with KRS 48.115(2). When combined with the first quarter of actual receipts, the interim forecast predicts FY27 General Fund revenue of \$16,894.0 million, or a 5.7 percent increase compared to FY26. The revised official estimate would result in a revenue increase of \$997.9 million compared to the previous official estimate of \$15,896.1 million enacted during the 2026 Regular Session upon which the biennial budget was based. The large FY27 increase relative to FY26 is primarily attributable to a \$499.9 million upward revision to the major business taxes discussed and agreed upon by the CFG at the September 22 meeting.

The Road Fund was not revised by the CFG at the September meeting, so the forecasted values are unofficial interim estimates that are customarily presented. Road Fund revenues face a projected \$62.8 million decrease compared to official estimates for FY27, primarily driven by a continuing downward trajectory in motor fuels receipts. Though total collections are expected to decline by only 1.7 percent over the final three quarters, the year is projected to end 2.7 percent below FY26 levels. This deficit is heavily concentrated, with motor vehicle usage and motor fuels taxes combined accounting for \$55.9 million of the total difference.

Sincerely,

A handwritten signature in black ink, reading "John T. Hicks". The signature is written in a cursive, flowing style with a large initial "J".

John T. Hicks
State Budget Director

TABLE OF CONTENTS

Executive Summary	1
 Revenue & Economic Outlook First Quarter FY27	
General Fund Revenue Outlook	5
Road Fund Revenue Outlook	9
National Economic Outlook	10
Kentucky Economic Outlook	13
 Revenue Receipts – First Quarter FY27	
General Fund	15
Road Fund	17
 The Economy – First Quarter FY27	
National Economy	20
Kentucky Economy	22
 Appendix	
General Fund and Road Fund Receipts	26-28
 Glossary.....	 29-31

EXECUTIVE SUMMARY

In accordance with KRS 48.400(1), the Office of State Budget Director (OSBD) is directed to continuously monitor the financial situation of the Commonwealth. In fulfillment of this statutory requirement, OSBD submits this *Quarterly Economic and Revenue Report* for the first quarter of Fiscal Year 2027 (FY27). This interim report includes the actual revenue receipts and economic landscape for the first quarter, a comprehensive revenue outlook for upcoming three fiscal quarters which make up the remainder of FY27, as well as a US and Kentucky economic outlook for the same period. All estimates in this outlook extend from the second quarter through the fourth quarter of FY27 (the forecasting horizon).

The interim General Fund revenue outlook prepared pursuant to KRS 48.400(2) is identical to the revised official estimates agreed to by the Consensus Forecasting Group (CFG) on September 22, 2026, pursuant to KRS 48.115(2). The General Fund revenue outlook presented in Table 1 was projected using forecasted values of the economy from the August 2026 “pessimistic scenario” economic forecast for both IHS Markit and the Kentucky MAK model – as recommended by the CFG. IHS Markit has placed a 50 percent probability on their “control scenario” as being the most likely economic outcome, relative to the pessimistic (25 percent) and optimistic (25 percent) scenarios. The Road Fund revenue outlook used the same data sources as the General Fund, but the Road Fund was not officially revised in September – so the Road Fund estimates in this report are unofficial, interim estimates prepared in the customary way for a KRS 48.400 (2) report.

In order to properly understand the FY27 General Fund revenue outlook, it is necessary to briefly review some events that occurred in FY26. The General Fund recorded a 7.2 percent increase in the final quarter of FY26, which contributed greatly to a 1.7 percent annual increase in FY26. The enacted estimate was calling for a 1.3 percent revenue reduction. The 3.0 percent difference between actual General Fund revenues and the enacted estimate amounted to a revenue surplus of \$476.6 million in FY26. That gap between actual revenues and the enacted estimates in the base year of a biennial revenue forecast was one of three factors that influenced the decision by the State Budget Director to invoke KRS 48.115(2) to convene the CFG in September. A second reason was that the prior edition of the *Quarterly Report* predicted a 6.2 percent increase in General Fund revenues for the first three quarters of FY27. That growth compared favorably to the 2.5 percent increase from FY26 to FY27 for the enacted estimates. Finally, an extra \$330 million in corporate declaration payments were remitted in July – reminiscent of a similar occurrence in FY25. The estimated payments received in July are actual FY27 receipts, so the justification includes prior year receipts, interim estimates from the previous Quarterly Report, and actual FY27 collections already in the bank.

Projected General Fund Growth for the Final Three Quarters of FY27

Table 1 displays the forecast for the remainder of FY27. When combining the first quarter of actual receipts with the next three estimated fiscal quarters, the revised official outlook predicts FY27 General Fund revenue of \$16,894.0 million, or a 5.7 percent increase, and would result in a positive revenue difference of \$997.9 million compared to the enacted estimate that was used in the 2026 budgeting process. Six of the eight major revenue accounts are expected to post growth in FY27. Only the cigarette taxes and the “Other” set of accounts are expected to show small revenue declines from FY26 in the official FY27 estimates. There were two factors responsible for the \$997.9 million revision. The base year forecast for FY26 was too low by \$476.6 million. Therefore, assuming that the growth rate for FY27 was correct, that contributes an additional \$476.6 million to FY27 that was not projected in the earlier forecast. The second factor is the \$499.9 million revision to major business taxes as projected by the CFG.

Projected Road Fund Growth for the Final Three Quarters of FY27

Road Fund revenues are projected to be \$62.8 million lower than the official estimate for FY27, primarily driven by the continuing downward trajectory in motor fuels receipts. Though total Road Fund collections are expected to decline by only 1.7 percent over the final three quarters, FY27 is projected to end 2.7 percent below FY26 levels. This deficit is highly concentrated, with motor vehicle usage and motor fuels taxes accounting for \$55.9 million of the total reduction. While some categories like motor vehicle operator's collections are forecasted to reverse course and grow by 17.5 percent over the remaining nine months, these minor gains will not be enough to offset losses in fuel consumption and the “Other” account.

Summary of Projected Major Economic Factors for the Final Three Quarters of FY27

Real GDP is expected to rise 1.5 percent during the forecast horizon. All four contributing components are also expected to rise, with real investment expected to be the fastest with 4.6 percent growth. Inflation is expected to be 3.8 percent during the final three quarters of FY27, with energy inflation driving much of the increases. US personal income is expected to grow 5.0 percent during the forecast horizon. Non-farm employment is expected to rise 0.2 percent in the forecast period. Four sectors are expected to lose jobs during that time: trade, transportation, and utilities employment; information services employment; financial services employment; and business services employment.

Kentucky personal income is expected to rise 4.2 percent during the final three quarters of FY27. Wages and salaries contributes almost half of the personal income growth. Non-farm employment in Kentucky is expected to grow by 0.3 percent during the forecast period, representing 5,800 jobs, with the bulk of them in manufacturing. Three sectors are expected to lose jobs during the forecast period. They are trade, transportation, and utilities employment; information services employment; and financial services employment.

Summary of Tax Receipts for First Quarter in FY27

The first quarter of FY27 General Fund revenue collections started off on a strong footing, posting total of \$4,222.1 million for a \$478.9 million increase over the previous year. Total revenues grew 12.8 percent, which represents the highest quarterly growth rate since FY22, heavily driven by a 136.7 percent spike in major business taxes and steady growth in sales and use tax revenues. These significant gains were partially offset by a \$58.5 million drop in individual income tax receipts, which was primarily caused by a 12.5 percent tax rate reduction that lowered withholding collections. As a result of the first quarter growth rate of 12.8 percent, General Fund receipts only need to increase by 3.6 percent for the rest of the fiscal year to meet the official FY27 growth target of 5.7 percent.

Road Fund receipts fell 5.4 percent in the first quarter of FY27 to \$456.7 million, marking the third consecutive quarterly decline for the fund. This \$26.2 million drop was heavily impelled by motor fuels tax revenues, which plunged \$20.0 million in their ninth consecutive quarterly decrease. While the official revenue estimate calls for a 0.8 percent increase in revenue, current year-to-date declines mean Road Fund collections must now grow by 3.0 percent for the remainder of the fiscal year to hit that target. Together, the motor fuels and motor vehicle usage taxes remain the fund's core pillars, combining to make up 85 percent of total Road Fund revenues despite both experiencing recent downturns.

Summary of the Economy for the First Quarter of FY27

Real GDP rose 1.4 percent in the first quarter of FY27. Real investment is the fastest-growing component of real GDP, growing 4.6 percent in the first quarter of FY27. Inflation was 3.2 percent in the first quarter of FY27 with much of the increase due to energy prices. US personal income grew 3.4 percent in the first quarter of FY27. US non-farm employment increased 0.3 percent in the first quarter. Five employment sectors lost jobs during the first quarter: manufacturing; trade, transportation, and utilities; information services; financial services; and government employment. The fastest-growing sector in the first quarter was educational services, which grew 2.3 percent over the first quarter of FY26.

Kentucky personal income grew 2.7 percent in the first quarter of FY27. All five contributing components grew in Kentucky personal income. Transfer receipts income grew the fastest with 3.7 percent growth over the same quarter last year. Kentucky non-farm employment rose 0.2 percent in the first quarter of FY27. Five sectors lost jobs in the first quarter: mining; trade, transportation, and utilities; information services; financial services; and government employment. The fastest-growing component of Kentucky non-farm employment in the first quarter was leisure and hospitality employment, which rose 1.2 percent over the same quarter in FY26.

REVENUE & ECONOMIC OUTLOOK

GENERAL FUND REVENUE OUTLOOK

The interim General Fund and Road Fund outlooks prepared for this report are identical to the revised official estimates agreed to on September 22, 2026, by the CFG in accordance with KRS 48.115(2). Forecasted revenues presented in Table 1 and Table 2 were projected using the August 2026 “pessimistic scenario” economic forecast, as agreed to by the CFG, from both the S&P Global and the Kentucky MAK model as the primary inputs. Additionally, all of the outlook tables in this report also use the S&P Global pessimistic scenario. S&P Global assigned a 50 percent probability on their control or baseline scenario, relative to the pessimistic (25 percent) and optimistic (25 percent) scenarios. All estimates in this outlook extend through the fourth quarter of FY27 (the forecasting horizon).

Table 1
General Fund Interim Outlook
\$ millions

	FY27						FY27	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff
Individual Income	1,272.4	-4.4	4,365.1	3.1	5,637.5	1.3	5,637.5	0.0
Sales & Use	1,641.2	5.8	4,864.8	4.7	6,506.0	5.0	6,506.0	0.0
Corp. Inc. & LLET	770.1	136.7	1,220.2	10.2	1,990.3	38.9	1,990.3	0.0
Property	74.4	17.7	805.2	2.0	879.6	3.1	879.6	0.0
Lottery	84.0	0.0	291.0	1.7	375.0	1.4	375.0	0.0
Cigarettes	64.6	0.5	177.8	-2.2	242.4	-1.5	242.4	0.0
Coal Severance	13.3	-4.0	56.3	14.7	69.6	10.6	69.6	0.0
Other	302.1	-2.8	891.5	-4.8	1,193.6	-4.3	1,193.6	0.0
General Fund	4,222.1	12.8	12,671.9	3.6	16,894.0	5.7	16,894.0	0.0

When combining the first quarter of actual receipts with the next three estimated fiscal quarters, the interim outlook predicts FY27 General Fund revenue of \$16,894.0 million, or a 5.7 percent increase, and would result in a positive revenue difference of \$997.9 million compared to the enacted estimate that was used in the 2026 budgeting process.

To better understand the FY27 General Fund revenue outlook, a brief review of FY26 is relevant, especially the fourth quarter of FY26. The General Fund recorded a 7.2 percent increase in the final quarter of FY26, which helped fuel a 1.7 percent annual increase. The enacted estimate was calling for a 1.3 percent reduction in FY26. The 3.0 percent difference between actual General Fund revenues and the enacted estimate amounted to a revenue surplus of \$476.6 million in FY26. The strong fourth

quarter growth of 7.2 percent was not anticipated, as it followed growth rates of -2.8, 1.4, and 0.2 percent, respectively, in the previous three quarters.

Fiscal Year 2026 was the base year of the previous official General Fund estimate agreed upon by the CFG on December 16, 2025. Deviations between the actual collections and the FY26 base year estimation have a direct impact on the FY27 and FY28 revenue outlook since the new General Fund growth rates for the biennium are applied to a base that was \$476.6 million higher than was expected using the enacted estimate for FY26. The higher base especially impacts the estimates in the largest three revenue sources that collectively amount to 83.7 percent of the FY27 estimate – sales tax, individual income tax, and the major business taxes. In addition to the higher base, the FY27 official estimates were influenced by a \$557.6 million projected increase over FY26 levels in the major business taxes. Combining the effect of the higher base with the large projected increase in major business taxes led to a new official estimate of \$16,894.0 million, \$997.9 million higher than the enacted revenues included in the budgeting process.

Individual income tax receipts fell 4.4 percent in the first quarter of FY27 but are projected to increase 3.1 percent during the three-quarter forecasting horizon. The forecasted increase in the individual income tax for the remainder of the fiscal year is primarily attributable to the fact that the second half of FY27 will not include a further rate reduction for January 1, 2027. Since the time when rate reduction conditions were enacted in HB 8 during the 2022 legislative session, the flat rate on Kentucky net income has fallen in half-percentage-point increments from 5.0 percent from tax year 2022 to 3.5 percent in tax year 2026. Since there is no rate reduction effective for tax year 2027, all the major components of the individual income tax will be more directly determined by wage and salary growth in the Kentucky economy rather than tax law changes.

Sales and use tax receipts rose 5.8 percent in the first quarter of FY27. Growth is expected to moderate to 4.7 percent over the forecast horizon. When combined with the 5.8 percent growth from the first quarter of FY27, annual growth in the sales tax is expected to be 5.0 percent for FY27. Going back to FY23, the sales tax had grown at torrid pace with double-digit growth in three consecutive fiscal years. Growth of 12.0 percent in FY21 was followed by increases of 11.0 percent and 10.1 percent in FY22 and FY23, respectively. During that three-year span, the sales and use tax has risen from \$4,070.9 million in FY20 to \$5,576.3 million in FY23, a remarkable and unprecedented growth spurt. Since then, growth has been 4.1 percent in FY24, 0.3 percent in FY25, and back up to 6.4 percent in FY26.

Major business taxes (corporation income tax plus the limited liability entity tax) have always posed unique challenges in forecasting due to the credit that flows through from the LLET to the corporation income tax dollar-for-dollar except for the \$175 minimum LLET tax payment. This flow of payments between the taxes has created data challenges that OSBD has addressed by combining the taxes prior to estimation. In FY25 and FY27, a different complication emerged – a large gain in

corporation estimated payments. In FY25, three months of the fiscal year experienced abnormally high payments on tax year 2024 activity that totaled over \$400 million in seemingly non-recurring revenues. Major business taxes grew 46.9 percent in FY25 with collections of \$1,834.5 million. In FY27, a similar occurrence is taking place with even higher tax year 2026 estimated payments of \$330 million collected in just the month of July during FY27. During the September 2026 CFG meeting, the official estimates included all the collections received in July 2026 plus a minority fraction of the pro-rated revenues from estimated payments that were received in October and January in FY25. When the unanticipated collections were added to an already strong major business tax forecast, the result is a forecast of \$1,220.2 million for the forecast horizon. Receipts in the first quarter of FY27 were \$770.1 million, making the sum for FY27 \$1,990.3 million, which computes to growth of 38.9 percent. Higher corporate profits have contributed to both the regular forecast for major business taxes and the magnitude of the unusually high estimated payments received in July.

During the first quarter of FY27, **property tax** receipts were up 17.7 percent and are expected to increase 2.0 percent during the forecast horizon, ending the fiscal year with 3.1 percent growth compared to FY26. Property tax collections have a strong seasonal component, and only 8.5 percent of projected FY27 total collections were collected in the first fiscal quarter. Real property tax collections, comprising 43.9 percent of total state property taxes, are expected to post growth of 2.5 percent in FY27 following unusually strong growth of 4.3 percent in the prior fiscal year. While some real property owners experienced higher assessments, it should be noted that the state rate on real property fell from 10.6 cents per \$100 in valuation in tax year 2025 to 10.3 cents per \$100 in tax year 2026 to adjust for the growing assessment base. Tax year 2026 assessments come due in the fall months in the middle of FY27. The next largest categories of state property revenue, motor vehicle property taxes and tangible personal property taxes, are projected to increase by 1.0 percent and 1.6 percent, respectively.

Dividend payments from the **Kentucky Lottery** continue to be a reliable source of General Fund revenues despite the maturity of the state lottery and the growing number of alternative sources of recreational gaming. General Fund payments totaled \$370.0 million in FY26. Total Kentucky Lottery dividend payments were \$84.0 million in the first quarter of FY27, even par with the total payments from the first quarter last year. The total dividend payments from the Kentucky Lottery expected during the forecasting horizon are \$291.0 million for a FY27 total estimate of \$375.0 million, up \$10.0 million from the enacted estimate of \$365.0 million. The increase in the FY27 estimate stems from a large Powerball jackpot (\$1 billion) and a Mega Millions jackpot (\$803 million) that provided a jump start in sales to begin FY27 in both online games as well as scratch-off products due to higher foot traffic.

Cigarette taxes are collected at the rate of \$1.10 per pack, effective July 1, 2018. Cigarette tax revenues are sensitive to tax rates in other states in addition to own price effects. On July 1, 2025, Indiana raised its cigarette excise tax rate from \$0.995 per pack to \$2.995, thus providing smokers from Indiana with a new financial incentive to purchase cigarettes in Kentucky rather than their home state. This contributed heavily to a 1.1 percent increase in cigarette tax revenues in FY26, reversing a trend of fiscal year revenue losses of 7.3, 7.8, 9.6, and 9.9 percent, respectively during the time span between FY22 through FY25. Cigarette tax revenues grew 0.5 percent in the first quarter of FY27. Estimated collections of \$177.8 million over the forecast horizon compute to a reduction of 2.2 percent compared to FY26. The full-year official estimate for cigarette taxes is \$242.4 million, a decline of 1.5 percent compared to FY26 actual receipts.

Since the **coal severance tax** grew 36.7 percent to \$96.6 million in FY23, receipts have endured a dramatic decline. Coal severance tax collections fell to \$77.8 million in FY24 to \$56.1 million in FY25 before a slight uptick to \$63.0 million in FY26. While not a dramatic increase in the coal severance revenues compared to past values, receipts are expected to grow 14.7 percent over the forecasting horizon. When combined with a 4.0 percent decline in the first quarter, the official estimate for FY27 is \$69.6 million, a 10.6 percent, or \$6.6 million, improvement over FY26.

The **“Other” category of revenues** contains roughly 60 accounts that are not otherwise classified in the major accounts. Income on investments, insurance premiums taxes, collective alcohol taxes, and telecommunications taxes are the four largest ongoing accounts. Income on investments recorded receipts of \$244.1 million in FY26, down sharply from the \$323.0 million registered in FY25. Looking ahead to FY27, the CFG agreed to a more modest \$12.0 million decline in General Fund income on investments, bringing the FY27 forecast down to \$232.1 million. The projected decrease is attributed to declining investable balances and a reduction in interest rates accruing to the short-term pool. “Other” taxes taken collectively are expected to fall \$54.1 million, or 4.3 percent, between FY26 and FY27. Of the \$54.1 million projected revenue decline, \$39.7 million of the revenue loss is attributable to a change in the inheritance tax where nieces and nephews were added to the list of class A beneficiaries who are exempt from the inheritance tax. This tax law change was enacted during the 2026 regular session with an effective date of April 27, 2026.

ROAD FUND REVENUE OUTLOOK

Looking ahead, total Road Fund collections are expected to decline 1.7 percent over the final three quarters of FY27, ending the year 2.7 percent below FY26 levels. Motor fuels taxes are forecasted to continue their first quarter downward trajectory, but the rate of decline is projected to mitigate. Receipts are expected to decline 6.1 percent over the remainder of the year due to a decline in consumption. Motor vehicle usage taxes fell 1.4 percent in the first quarter but are expected to grow 1.5 percent over the rest of the year, ending FY27 at 0.7 percent net growth over prior year levels.

Table 2
Road Fund Interim Outlook
\$ millions

	FY27						FY27	
	Q1		Q2, Q3, & Q4		Full Year		Official CFG	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	\$ Diff
Motor Fuels	196.0	-9.3	539.9	-6.1	735.9	-6.9	768.8	-32.9
Motor Vehicle Usage	194.2	-1.4	545.5	1.5	739.7	0.7	762.8	-23.1
Motor Vehicle License	24.4	5.4	99.5	1.5	123.9	2.3	121.9	2.0
Motor Vehicle Operators	6.2	-31.2	26.2	17.5	32.4	3.4	35.4	-3.0
Weight Distance	23.0	3.5	64.9	0.1	87.9	0.9	89.7	-1.8
Income on Investments	0.7	-78.5	4.3	14.5	5.0	-27.6	9.3	-4.3
Other	12.2	-1.2	36.2	-5.2	48.4	-4.3	48.2	0.2
Road Fund	456.7	-5.4	1,316.5	-1.7	1,773.2	-2.7	1,836.1	-62.8

Motor vehicle license receipts rose 5.4 percent in the first three months of the year. The forecast for the remainder of the year is for revenues to increase 1.5 percent, ending the year at 2.3 percent. First quarter motor vehicle operator's collections dropped 31.2 percent. Receipts in this account are expected to reverse course over the remainder of the year, increasing 17.5 percent over the final nine months. Weight distance tax collections rose 3.5 percent in the first quarter but are forecasted to be flat over the final three quarters of the year with revenues ending the year up 0.9 percent. Income on investments fell sharply in the first quarter with collections of \$0.7 million. The forecast calls for an additional \$4.3 million for the rest of the year, 27.6 percent less than what was collected in FY26. Finally, the "Other" category fell 1.2 percent in the first quarter and is forecast to decrease 5.2 percent in the final three quarters of the year.

Based on the above forecast, estimated revenues would be \$62.8 million below the official revenue estimate. Unlike the General Fund, the enacted Road Fund estimates were not revised when the CFG convened on September 22, 2026. Motor vehicle usage and motor fuels tax revenues together would account for \$55.9 million of the reduction while the remaining accounts would collectively be \$6.9 million below the enacted level.

NATIONAL ECONOMIC OUTLOOK

Real gross domestic product (Real GDP) is expected to rise 1.5 percent in the last three quarters of FY27. See Table 3. All four contributing components of real GDP are expected to rise during the forecast horizon. Real imports, a subtraction from real GDP, is expected to rise the fastest among all the components. Therefore, net exports will continue to be a drag on real GDP.

Real consumption is expected to rise 1.4 percent during the last three quarters of FY27. Real consumption growth has tapered significantly since the second quarter of FY25, when adjacent-quarter growth was 1.0 percent. First quarter of FY27 growth was 0.3 percent and the forecast for the next three quarters is for 0.2 to 0.3 percent adjacent-quarter growth each quarter. Real consumption is expected to make up 69.1 percent of real GDP during the forecast horizon.

Real investment is expected to increase 4.6 percent during the forecast horizon. Not unexpectedly, real investment has shown wide variations during the last eight quarters. Adjacent-quarter growth has ranged from -3.6 percent to +5.4 percent. The forecast has adjacent-quarter growth between 0.8 to 1.5 percent for each of the next three quarters. This is average to good quarterly growth given the high-risk environment in interest rates, the housing market, and energy prices during the three-quarter span. Real investment is expected to make up 19.1 percent of real GDP during the last three quarters of FY27.

Real government expenditures is expected to rise 1.5 percent during the final three quarters of FY27. Real government expenditures adjacent-quarter growth has hovered near zero for the last seven quarters. The forecast is for that growth to remain between 0.1 and 0.5 percent adjacent-quarter growth for the next three quarters. Real government expenditures is expected to make up 16.5 percent of real GDP during the forecast horizon.

Real exports is expected to rise 2.5 percent in the final three quarters of FY27 compared to the same three quarters in FY26. Real exports is expected to make up 11.5 percent of real GDP in the final three quarters of FY27. Real imports is expected to rise 5.4 percent in the second, third, and fourth quarters of FY27 compared to the same three quarters in FY26. This is the fastest growing component of real GDP. Real imports is expected to make up 16.1 percent of real GDP during the forecast horizon. Real imports are a subtraction to real GDP. Since real imports is greater than real exports, net exports is a net drag on real GDP. Real imports have been greater than real exports every quarter for over 30 years.

Inflation, as measured by the CPI for all goods, is expected to be 3.8 percent for the forecast horizon, which is the final three quarters of FY27. Food inflation is expected to be 3.9 percent during the forecast horizon. Energy inflation is expected to be 14.1 percent during the final three quarters of FY27.

US personal income is expected to grow 5.0 percent in the last three quarters of FY27. All personal income data is nominal. Therefore, wage inflation is captured in the growth statistics. Some share of the 5.0 percent growth is wage inflation, a second portion is labor growth, and remaining portion is based on actual economic activity. All five contributing components of US personal income are expected to rise during the forecast horizon. Social Insurance income is a subtraction to personal income. Incidentally, social insurance growth is the smallest of the six components.

The largest component of US personal income is wages and salaries income. Wages and salaries income is expected to rise 4.4 percent during the final three quarters of FY27. Wages and salaries income makes up 49.7 percent of total US personal income during the forecast horizon.

The fastest-growing income component is proprietors' income, which is expected to grow 6.4 percent during the forecast period. Proprietors' income makes up 8.0 percent of total US personal income during the forecast horizon.

Non-farm employment is expected to grow 0.2 percent during the final three quarters of FY27. Non-farm employment adjacent-quarter growth is forecast to be between -0.1 percent and 0.02 percent each quarter for the next three quarters. Four supersectors are forecasted to lose jobs during the three quarter forecast horizon. They are trade, transportation, and utilities employment; information services employment, financial services employment, and business services employment.

Mining employment is forecasted to grow a net 4.4 percent during the forecast horizon. This is the highest growth among all of the supersectors for the forecast horizon. Mining employment is the smallest US employment sector and makes up 0.4 percent of total non-farm employment.

Information services employment is expected to fall the most during the forecast period, losing 3.0 percent compared to the same three quarters in FY26. This equates to a loss of about 100,000 jobs during those three quarters compared to the same period last year. Information services employment makes up 1.7 percent of total non-farm employment in the US.

Trade, transportation, and utilities employment is the largest employment sector in the US. It is expected to fall 0.7 percent in the last three quarters of FY27 compared to the same three quarters in FY26. That equates to about 200,000 jobs lost in that sector over the three quarter period compared to the same period last year. Trade, transportation, and utilities employment makes up 17.9 percent of total non-farm employment in the US.

Table 3
US Economic Outlook
Interim Forecast

	Q2-Q4			Full Year	
	FY27	FY26	% chg	FY27	% chg
Real GDP (\$ billions, AR)	24,542.4	24,168.9	1.5	24,499.1	1.5
Real Consumption	16,958.0	16,723.6	1.4	16,936.8	1.5
Real Investment	4,681.0	4,475.8	4.6	4,656.4	4.6
Real Govt. Expenditures	4,042.6	3,983.2	1.5	4,035.7	1.1
Real Exports	2,811.2	2,743.8	2.5	2,796.9	2.3
Real Imports	3,960.0	3,758.9	5.4	3,935.4	5.4
CPI all goods (% chg)	3.8	3.1	NA	3.7	NA
CPI Food (% chg)	3.9	3.0	NA	3.7	NA
CPI Energy (% chg)	14.1	8.7	NA	13.8	NA
CPI Core (% chg)	3.0	2.6	NA	2.8	NA
Industrial Production Index (% chg)	0.8	1.2	NA	0.8	NA
Unemployment Rate (%)	4.7	4.4	NA	4.6	NA
Housing Starts (millions, NSA)	1.3	1.4	-5.0	1.3	-3.0

Table 4
US Labor and Income Outlook
Interim Forecast

	Q2-Q4			Full Year	
	FY27	FY26	% chg	FY27	% chg
Non-farm Employment (millions, NSA)	158.9	158.6	0.2	158.9	0.2
Goods-producing	21.6	21.5	0.4	21.6	0.4
Construction	8.3	8.3	0.5	8.3	0.6
Mining	0.6	0.6	4.4	0.6	3.5
Manufacturing	12.6	12.6	0.2	12.6	0.2
Service-providing	113.9	113.8	0.1	114.0	0.2
Trade, Transportation & Utilities	28.5	28.7	-0.7	28.5	-0.6
Information	2.7	2.8	-3.0	2.7	-2.8
Finance	9.1	9.1	-0.6	9.1	-0.7
Business Services	22.4	22.4	-0.3	22.4	-0.1
Educational Services	28.2	27.7	1.5	28.1	1.7
Leisure and Hospitality Services	17.0	17.0	0.4	17.0	0.4
Other Services	6.1	6.0	0.6	6.1	0.6
Government	23.4	23.3	0.2	23.4	0.0
Personal Income (\$ billions, AR)	27,983.4	26,656.9	5.0	27,776.6	4.6
Wages and Salaries (\$ billions, AR)	13,837.4	13,251.1	4.4	13,750.3	4.2
Transfer Receipts	5,373.5	5,100.6	5.4	5,334.8	5.0
Dividends, Interest, and Rents	5,666.8	5,406.1	4.8	5,620.7	4.3
Supplements to Wages and Salaries	2,942.6	2,836.4	3.7	2,928.4	3.7
Proprietors' Income	2,274.7	2,137.4	6.4	2,250.3	5.5
Social Insurance	2,111.6	2,074.6	1.8	2,107.9	2.1
Residence Adjustment	0.0	0.0	NA	0.0	NA

KENTUCKY ECONOMIC OUTLOOK

Kentucky personal income is expected to grow a net 4.2 percent in the final three quarters of FY27 compared to the final three quarters of FY26. This is an improvement over the growth experienced in the last two quarters. Kentucky personal income grew 0.5 percent and 0.9 percent on an adjacent-quarter basis during the last two quarters. Kentucky personal income is expected to grow between 1.1 and 1.5 percent in each of the next three quarters. All five contributing components of personal income are expected to rise during the forecast period.

Wages and salaries income is the largest component of Kentucky personal income. It is expected to grow 3.7 percent in the final three quarters of FY27. Wages and salaries makes up 46.9 percent of Kentucky personal income.

Kentucky proprietors' income is expected to grow the fastest during the forecast period. It is expected to grow 7.3 percent, or a net \$1.4 billion during the forecast period compared to the same three quarters in FY26. Kentucky proprietors' income makes up 7.1 percent of total Kentucky personal income.

Kentucky non-farm employment is expected to increase 0.3 percent during the final three quarters of FY27. Eight of the 11 supersectors are expected to gain jobs during the forecast horizon.

Manufacturing employment is expected to grow by about 3,600 jobs which is a 1.5 percent growth rate. Mining employment is expected to grow the fastest in the forecast horizon, at a rate of 3.5 percent, or 200 jobs. The Government sector is expected to grow by 1,600 jobs, which is a 0.5 percent growth rate.

Trade, transportation, and utilities employment is the largest employment sector in Kentucky. It is expected to fall 1.1 percent over the next three quarters, shedding 4,500 jobs. Trade, transportation, and utilities employment makes up 20.6 percent of total Kentucky non-farm employment. Information services employment is expected to fall 1.2 percent.

Table 5
KY Labor and Income Outlook
Interim Forecast

	Q2-Q4			Full Year	
	FY27	FY26	% chg	FY27	% chg
Non-farm Employment (thousands, NSA)	2,036.8	2,031.0	0.3	2,037.2	0.3
Goods-producing	353.5	349.6	1.1	353.5	1.0
Construction	93.1	93.1	0.04	93.1	0.2
Mining	7.0	6.8	3.5	7.0	2.4
Manufacturing	253.4	249.7	1.5	253.4	1.3
Service-providing	1,365.6	1,365.3	0.0	1,366.3	0.1
Trade, Transportation & Utilities	418.9	423.4	-1.1	419.5	-1.0
Information	19.8	20.0	-1.2	19.8	-1.3
Finance	95.2	95.6	-0.4	95.3	-0.4
Business Services	225.5	224.0	0.6	225.6	0.5
Educational Services	322.2	320.8	0.4	322.4	0.6
Leisure and Hospitality Services	209.9	207.5	1.2	209.6	1.2
Other Services	74.1	73.9	0.3	74.1	0.5
Government	317.7	316.1	0.5	317.4	0.3
Personal Income (\$ billions, AR)	296.8	284.8	4.2	294.9	3.8
Wages and Salaries (\$ billions, AR)	139.3	134.4	3.7	138.6	3.4
Transfer Receipts	81.7	78.1	4.5	81.1	4.3
Dividends, Interest, and Rents	48.6	47.2	3.0	48.3	2.7
Supplements to Wages and Salaries	32.9	31.6	4.2	32.7	3.9
Proprietors' Income	21.0	19.6	7.3	20.7	6.0
Social Insurance	22.8	22.4	2.1	22.8	2.2
Residence Adjustment	-3.8	-3.7	NA	-3.8	NA

REVENUE RECEIPTS

GENERAL FUND First Quarter FY27

General Fund revenue collections ended FY26 on a strong note and that momentum has carried over to the first quarter of FY27. Receipts in the just completed quarter had the largest rate of growth since the fourth quarter of FY22. Major business tax collections rose significantly as did sales and use revenue; with some of the receipts offset by a small by a drop in individual income tax receipts. Revenues in the just completed quarter totaled \$4,222.1 million compared to \$3,743.2 million in the first quarter of FY26, for an increase of \$478.9 million. Collections from the major revenue categories are shown in summary form in Table 6, which reveals a near-equal number of accounts which grew and those that declined. Detailed information on these major accounts is available in the Appendix.

Table 6 Summary General Fund Receipts \$ millions				
	FY27	FY26	Diff	Diff
	Q1	Q1	\$	%
Individual Income	1,272.4	1,330.8	-58.5	-4.4
Sales & Use	1,641.2	1,550.9	90.4	5.8
Corp. Inc. & LLET	770.1	325.4	444.8	136.7
Property	74.4	63.2	11.2	17.7
Lottery	84.0	84.0	0.0	0.0
Cigarettes	64.6	64.3	0.3	0.5
Coal Severance	13.3	13.9	-0.5	-4.0
Other	302.2	310.9	-8.7	-2.8
Total	4,222.1	3,743.2	478.9	12.8

The official General Fund revenue estimate for FY27 calls for collections to grow 5.7 percent compared to FY26 receipts. Given the year-to-date revenue situation, General Fund receipts must increase 3.6 percent for the remainder of the fiscal year to meet the official estimate.

Individual income tax receipts declined by \$58.5 million in the first quarter of the year even though three of the four components of the tax had increases. Withholding fell 9.9

percent, or \$114.8 million, due to a 12.5 percent reduction in the tax rate. Declaration payments were up \$17.2 million; net returns increased \$1.8 million and pass-through entity (PTE) collections rose by \$40.2 million.

Sales and use tax collections rose 5.8 percent, or \$90.4 million, over FY26 levels. Collections for the quarter were \$1,641.2 million.

Revenue from the major business taxes rose 136.7 percent, or \$444.8 million, in the just completed quarter. Receipts were aided by a very small number of taxpayers making unusually large estimated payments in July. For the period, corporation income tax revenue rose by \$503.8 million while limited liability entity tax (LLET) receipts fell \$59.0 million.

Property tax revenue grew by 17.7 percent in the quarter with collections of \$74.4 million. This compares to \$63.2 million received in the first quarter of the prior fiscal year. The first quarter is typically the lowest quarter of collections each fiscal year, contributing less than 10 percent of the annual total for the property tax accounts.

Lottery receipts were unchanged from FY26 with dividend payments of \$84.0 million.

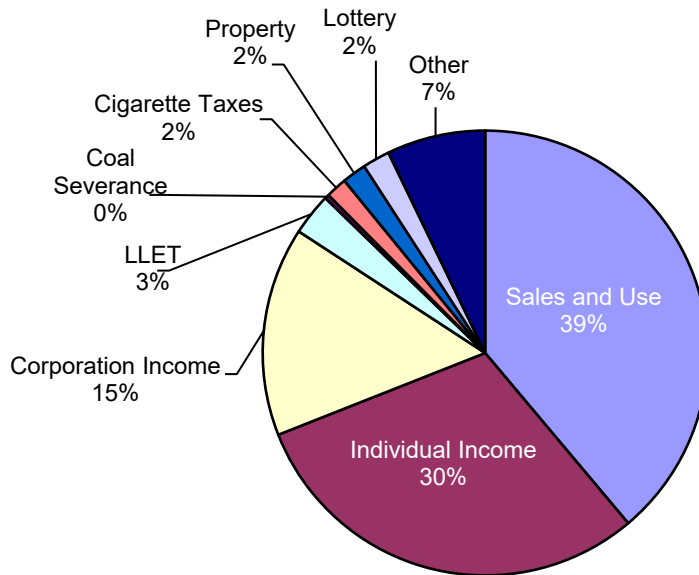
Cigarette tax receipts grew 0.5 percent in the first quarter with \$64.6 million in revenue. This compares to \$64.3 million collected in the first quarter of FY26.

Coal severance tax collections were \$13.3 million which is \$0.5 million less than FY26 first quarter revenues.

The “Other” category represents the remaining accounts in the General Fund, and collections in this account decreased 2.8 percent due largely to a decline in income on investments which was \$31.2 million less than collected last year. Collections in the quarter were \$302.1 million.

Figure 1 details the composition of first quarter General Fund receipts by tax type. Sixty-nine percent of General Fund revenues were collected in the areas from the individual income and sales and use taxes. The next largest source of revenue was the combined corporation income and LLET taxes which made up 18 percent while the “Other” account contributed seven percent of the total General Fund revenue. Cigarette, property, and lottery receipts each accounted for two percent. Finally, the coal severance tax accounted for less than one percent.

Figure 1
Composition of First Quarter FY27
General Fund Revenues



ROAD FUND

First Quarter, FY27

Road Fund receipts fell 5.4 percent in the first quarter of FY27, the third consecutive quarterly decline in the fund. Revenues were \$456.7 million, \$26.2 million less than was collected in the first quarter last year. Motor fuels tax revenues had a significant decline that accounted for the majority of the drop in collections. Four of the six remaining accounts also had declines, but the magnitudes were small. The two accounts in which revenues rose, motor vehicle license and weight distance taxes, brought in only \$2.0 million more than last year.

The official Road Fund revenue estimate calls for a 0.8 percent increase in revenues for the year. Based on year-to-date tax collections, revenues must grow 3.0 percent for the remainder of the year to meet the estimate. Summary data are contained in Table 7 and detailed data are shown in the Appendix.

Motor fuels tax receipts fell 9.3 percent, or \$20.0 million, during the quarter after declining 5.5 percent in FY26. The decline is the ninth consecutive quarterly drop in revenues. Receipts for the quarter were \$196.0 million as compared to \$215.9 million collected during the first quarter of last year.

Motor vehicle usage tax revenue fell 1.4 percent in the just completed quarter with collections of \$194.2 million. This account continues to be a significant revenue source as it has seen record collections in each of the past six years; however, quarterly revenues have now fallen in the previous two quarters.

Table 7 Summary Road Fund Receipts \$ millions				
	FY27	FY26	Diff	Diff
	Q1	Q1	\$	%
Motor Fuels	196.0	215.9	-20.0	-9.3
Motor Vehicle Usage	194.2	197.0	-2.8	-1.4
Motor Vehicle License	24.4	23.2	1.2	5.3
Motor Vehicle Operators	6.2	9.1	-2.8	-31.2
Weight Distance	23.0	22.2	0.8	3.5
Income on Investments	0.7	3.1	-2.5	-78.5
Other	12.2	12.4	-0.2	-1.2
Total	456.7	482.9	-26.2	-5.4

Motor vehicle license tax receipts rose 5.4 percent, or \$1.2 million, in the first quarter of FY27. Receipts in the quarter were \$24.4 million compared to \$23.2 million during the same period last year.

Motor vehicle operator's tax receipts were \$6.2 million in the first quarter of FY27, a \$2.8 million decline compared to collections a year ago.

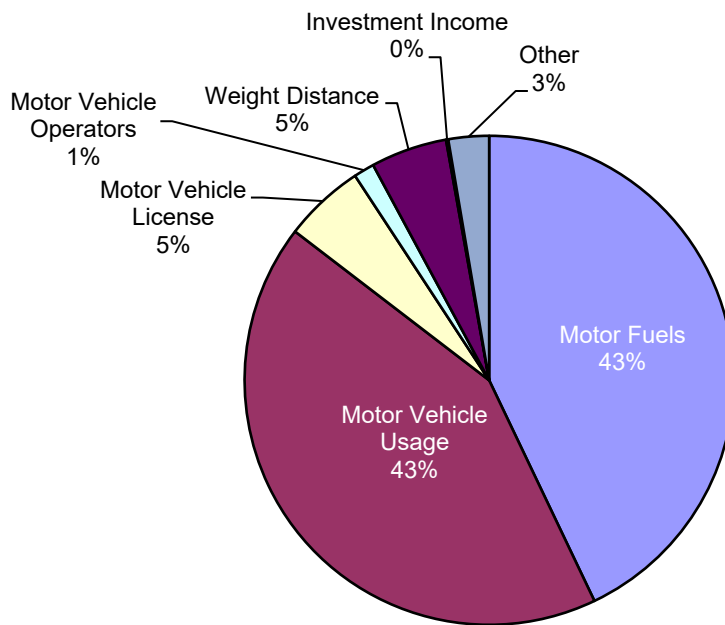
Weight distance tax receipts were \$23.0 million in the quarter, a 3.5 percent increase compared to receipts collected during the first quarter of FY26.

Investment income was \$0.7 million in the quarter. Collections were \$2.5 million less than prior year revenue.

The remainder of the accounts in the Road Fund are grouped in the "Other" category and consist primarily of fines, fees and miscellaneous receipts. These funds combined to total \$12.2 million, a 1.2 percent decrease from FY26 levels.

Figure 2 shows the composition of Road Fund revenues by tax type in the quarter. The motor fuels tax and the motor vehicle usage tax are by far the largest components of the Road Fund. Together, they combined for 86 percent of Road Fund revenues in the first quarter. The next largest sources of revenue were the motor vehicle license and weight distance taxes at five percent each. The "Other" category accounted for three percent while the motor vehicle operators contributed one percent. Lastly, income on investments was less than 1.0 percent.

Figure 2
Composition of First Quarter FY27
Road Fund Revenues



THE ECONOMY

FIRST QUARTER FY27

NATIONAL ECONOMY

Real gross domestic product (Real GDP) rose 1.4 percent in the first quarter of FY27 compared to the first quarter of FY26. See Table 8. Gross domestic product is defined as the sum of all final goods and services sold within a country's physical boundary in a given year and explicitly excludes those goods and services which are produced by US citizens in other countries. Adjacent-quarter growth has softened in the last seven quarters. The last seven adjacent-quarter growth rates are -0.2, 0.9, 1.1, 0.1, 0.5, 0.4, and 0.4 percent, respectively. The average adjacent-quarter growth rate for real GDP is 0.5 percent since the first quarter of 2000. Adjacent-quarter growth has been negative twice since the 2020 recession ended - once in the third quarter of FY22 and once in the third quarter of FY25. This is important because "two consecutive adjacent-quarter declines" is the standard definition for a recession. The National Bureau of Economic Research uses other economic measures to determine official turning points in the overall economy as well, but real GDP is the most important.

Real consumption rose 1.7 percent in the first quarter of FY27. Real consumption made up the great majority of gains in real GDP in the first quarter of FY27. Real GDP rose by a net \$342.2 billion in the first quarter of FY27 over the first quarter of FY26. Real consumption contributed \$287.3 billion of that net growth during that time. Real consumption has grown on an adjacent-quarter basis for 25 consecutive quarters. Real consumption made up 69.2 percent of real GDP in the first quarter of FY27.

Real investment rose 4.6 percent in the first quarter of FY27. While real consumption was the largest contributor to real GDP in absolute terms, real investment is the fastest-growing component of real GDP in percentage terms. Real investment adjacent-quarter growth has improved in the last four quarters compared to the previous four quarters. The last eight adjacent-quarter growth rates for real investment are: -1.7, 5.4, -3.6, 0.01, 0.6, 1.9, 0.7 and 1.2 percent, respectively. Real investment made up 18.8 percent of real GDP in the first quarter of FY27.

Real government expenditures marginally fell 0.0003 percent in the first quarter of FY27 compared to the first quarter of FY26. This is for all practical purposes flat. The last eight adjacent-quarter growth rates for real government expenditures are: 0.8, -0.2, -0.02, 0.6, -1.4, 1.1, -0.2, and 0.6 percent, respectively. There are an equal number of declines to increases, but expenditures have netted small positive growth during

that time. Real government expenditures made up 16.5 percent of real GDP in the first quarter of FY27.

Total federal outlays increased 3.8 percent in the first quarter of FY27. The fastest-growing component is Medicare, which grew 10.5 percent in the first quarter of FY27 over the first quarter of FY26. Medicare, the second largest outlay, makes up 17.4 percent of total outlays. The second fastest-growing outlay is interest on the debt, which grew 6.6 percent in the first quarter of FY27. Interest on the debt makes up 16.2 percent of total outlays. Interest on the debt is the third largest outlay, behind Social Security and Medicare.

Real exports rose 1.7 percent in the first quarter of FY27. Exports have been rising slowly over the last two years, but it has been a turbulent rise, with half of the quarters declining and half of the quarters increasing. Real imports increased 5.4 percent in the first quarter of FY27. Real imports have been even more turbulent than real exports. Real imports increased by 8.4 percent in the third quarter of FY25, then fell 8.3 percent in the fourth quarter of FY25. Despite falling five times in the last eight quarters, real imports experienced a net increase during that time. The net increase was \$132.2 billion, or a gain of 3.5 percent. Real exports made up 11.3 percent of real GDP in the first quarter of FY27. Real imports, a deduction from real GDP, made up 15.8 percent of real GDP in the first quarter of FY27.

Inflation, as measured by the change in the CPI for all Goods, fell from 3.8 percent in the fourth quarter of FY26 to 3.2 percent in the first quarter of FY27. Food inflation rose slightly to 3.2 percent. Energy inflation fell from 18.6 percent to 12.9 percent in the first quarter of FY27. See Table 8.

US personal income grew by 3.4 percent in the first quarter of FY27. While adjacent-quarter growth remains below average, the growth has increased for the last three consecutive quarters. The last four adjacent-quarter growth rates are 0.6, 0.8, 0.9, and 1.0 percent, respectively. The 25 year average is 1.1 percent adjacent-quarter growth. Wages and salaries, the largest personal income component, grew 3.4 percent in the first quarter of FY27. Transfer receipts income was the fastest-growing component of personal income in the first quarter of FY27. Transfer receipts grew 4.1 percent, or a net 204.8 billion, in the first quarter of FY27 compared to the first quarter of FY26. All five contributing components of US personal income rose in the first quarter of FY27. Wages and salaries made up 49.7 percent of total US personal income in the first quarter of FY27. Transfer receipts made up 19.2 percent of total US personal income in the first quarter of FY27.

US non-farm employment increased by 0.3 percent in the first quarter of FY27. Six of the 11 supersectors gained jobs in the first quarter of FY27. Adjacent-quarter growth has been at or below 0.2 percent for the last 10 consecutive quarters.

Trade, transportation, and utilities employment, the largest supersector, declined by 0.4 percent in the first quarter of FY27. On an adjacent-quarter basis, this is the fifth decline out of the last six quarters for trade, transportation, and utilities employment. The trend has been very steady. The net losses over the last three years are 0.6 percent as well. Trade, transportation, and utilities employment made up 18.0 percent of total US non-farm employment in the first quarter of FY27.

The fastest-growing supersector is educational services, which grew 2.3 percent in the first quarter of FY27. While adjacent-quarter growth has tapered over the last three years, educational services remains one of the fastest growing sectors every quarter. Adjacent-quarter growth has fallen from 1.3 percent in first quarter of FY24 to 0.6 percent in the first quarter of FY27. Educational services, the second largest supersector, made up 17.7 percent of total US non-farm employment in the first quarter of FY27.

Information services was the fastest-declining supersector in the first quarter of FY27. Information services fell a net 2.2 percent in the first quarter compared to a year ago. However, information services increased by 0.5 percent in the first quarter compared to the fourth quarter of FY26, thus ending 14 consecutive adjacent-quarter declines. Information services made up 1.8 percent of total US non-farm employment in the first quarter of FY27.

KENTUCKY ECONOMY

Kentucky personal income rose 2.7 percent in the first quarter of FY27. All five contributing components of Kentucky personal income rose during the first quarter of FY27. The fastest-growing component of personal income in the first quarter of FY27 is transfer receipts income. Transfer receipts income has been the fastest-growing component in Kentucky for several years.

The largest component of Kentucky personal income is wages and salaries income. Kentucky wages and salaries income rose 2.5 percent, or a net \$3.4 billion, in the first quarter of FY27. The gains in Kentucky wages and salaries during that time made up 44.1 percent of the total gains in personal income. Kentucky wages and salaries income made up 47.2 percent of total Kentucky personal income in the first quarter of FY27.

Transfer receipts income grew 3.7 percent in the first quarter of FY27. While transfer receipts growth is the highest among all the personal income components this quarter, its growth rate has slowed some in the last five quarters. Transfer receipts income increased by \$2.8 billion during this time period. That is 36.4 percent of the total gains in personal income during that time. Transfer receipts income made up 27.5 percent of total Kentucky personal income in the first quarter of FY27.

Kentucky non-farm employment rose 0.2 percent in the first quarter of FY27. Kentucky non-farm employment has declined in five of the last eight quarters on an adjacent-quarter basis. Six of the 11 supersectors gained jobs in the first quarter of FY27 compared to the first quarter of FY26.

Manufacturing employment gained 1,600 jobs, or 0.6 percent growth. Leisure and hospitality employment rose by 1.2 percent, or a net 2,500 jobs, the largest percentage gain among all supersectors in the first quarter of FY27. Educational services employment rose by 1.1 percent, or 3,600 net jobs, the largest absolute gain among all supersectors, in the first quarter of FY27.

Trade, transportation, and utilities employment, the largest supersector in Kentucky, fell by 1.0 percent, or 4,200 net jobs in the first quarter of FY27, the largest loss in absolute terms in the first quarter among all supersectors. Information services employment fell by 1.5 percent, or a net 300 net jobs, the largest percentage loss among all supersectors, in the first quarter of FY27.

Table 8
History of US Economic Variables

	FY26								FY27	
	Q1	% chg	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg
Real GDP (\$ billions, AR)	24,026.8	2.3	24,055.7	2.0	24,180.4	2.7	24,270.6	2.1	24,369.0	1.4
Real Consumption	16,585.9	2.6	16,665.2	2.1	16,687.7	2.1	16,817.9	2.3	16,873.2	1.7
Real Investment	4,383.2	-0.2	4,408.3	2.1	4,492.9	-1.2	4,526.3	3.3	4,582.7	4.6
Real Government Expenditures	4,015.0	1.1	3,957.1	-1.2	4,000.2	0.2	3,992.2	0.0	4,015.0	0.0
Real Exports	2,708.8	1.7	2,686.8	1.1	2,757.0	3.7	2,787.7	5.3	2,754.0	1.7
Real Imports	3,664.3	-1.7	3,655.4	-1.9	3,758.8	-7.0	3,862.4	4.2	3,861.5	5.4
CPI - All Goods (% chg)	2.9	NA	2.7	NA	2.7	NA	3.8	NA	3.2	NA
CPI - Food (% chg)	3.1	NA	2.9	NA	2.9	NA	3.1	NA	3.2	NA
CPI - Energy (% chg)	0.7	NA	3.2	NA	4.2	NA	18.6	NA	12.9	NA
Core CPI (% chg)	3.1	NA	2.7	NA	2.5	NA	2.7	NA	2.5	NA
Industrial Prod. Index (% chg)	1.7	NA	1.6	NA	0.8	NA	1.3	NA	0.8	NA
Working Population (millions, NSA)	274.0	1.9	G	G	274.8	0.7	275.1	0.6	D	D
Civilian Labor Force	171.3	1.3	G	G	170.0	-0.1	169.8	-0.5	D	D
Employed	163.7	1.1	G	G	162.2	-0.4	162.8	-0.6	D	D
Unemployed	7.6	6.0	G	G	7.8	4.7	7.0	1.4	D	D
Not in Labor Force	102.7	2.9	G	G	104.8	2.1	105.2	2.5	D	D
Labor Force Participation Rate (%)	62.3	NA	G	G	62.0	NA	61.7	NA	D	D
Unemployment Rate (%)	4.3	NA	4.5	NA	4.3	NA	4.3	NA	4.3	NA
Housing Starts (millions, AR)	1.3	0.5	1.3	-4.7	1.4	1.5	1.3	-0.7	1.4	3.1

G = Data for Q4 2025 were not produced. Data for October 2025 were not collected due to the federal government shutdown.

D = Data not available at time of other forecast.

Table 9
US Federal Outlays
\$ billions, AR

	First Quarter			
	FY27	FY26	Chg	% Chg
Federal Outlays excl. Gross Investment	7,871.6	7,580.2	291.4	3.8
National Defense	956.9	913.8	43.1	4.7
Non-Defense Consumption	590.5	602.8	-12.3	-2.0
Federal Transfer Payments to Resident Persons	3,819.8	3,652.0	167.8	4.6
Medicare	1,367.0	1,237.6	129.4	10.5
Social Security	1,664.6	1,575.4	89.1	5.7
Social Insurance to Rest of the World	40.2	38.6	1.6	4.1
Grants-in-Aid to State & Local Govts	1,036.6	1,002.2	34.4	3.4
Medicaid	744.2	699.3	44.9	6.4
Non-Medicaid Grants to State & Local Govts	292.4	302.9	-10.5	-3.5
Aid to Foreign Govts	40.4	47.9	-7.5	-15.6
Interest on the Debt	1,277.9	1,199.2	78.7	6.6
Subsidies	109.3	123.4	-14.1	-11.4

Table 10
History of US Labor and Income Data

	FY26								FY27	
	Q1	% chg	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg
Non-farm Employment (millions, NSA)	158.5	0.5	158.4	0.2	158.6	0.2	158.9	0.3	159.0	0.3
Goods-producing	21.5	-0.7	21.5	-0.6	21.5	-0.3	21.5	0.0	21.6	0.3
Mining	0.6	-2.3	0.6	-2.8	0.6	-3.1	0.6	-1.6	0.6	0.5
Construction	8.3	0.2	8.3	0.0	8.3	0.5	8.3	0.6	8.3	0.9
Manufacturing	12.6	-1.3	12.6	-0.9	12.6	-0.6	12.6	-0.4	12.6	-0.1
Service-providing	113.5	0.7	113.6	0.5	113.7	0.5	114.0	0.6	114.1	0.5
Trade, Transportation & Utilities	28.7	-0.3	28.7	-0.4	28.6	-0.5	28.7	-0.1	28.6	-0.4
Information	2.9	-1.7	2.8	-1.4	2.8	-2.6	2.8	-2.9	2.8	-2.2
Finance	9.2	0.4	9.2	0.1	9.1	-0.6	9.1	-1.0	9.1	-0.9
Business Services	22.4	-0.8	22.4	-0.6	22.4	-0.2	22.5	0.1	22.4	0.3
Educational Services	27.4	3.2	27.6	2.7	27.7	2.5	27.9	2.3	28.1	2.3
Leisure and Hospitality Services	16.9	0.7	16.9	0.7	17.0	0.9	17.0	0.8	17.0	0.6
Other Services	6.0	0.7	6.0	0.8	6.0	0.8	6.0	0.8	6.1	0.9
Government	23.6	0.5	23.4	-0.6	23.3	-1.0	23.4	-0.9	23.4	-0.8
Personal Income (\$ billions, AR)	26,269.6	5.0	26,424.9	4.4	26,649.4	3.6	26,896.6	3.5	27,156.0	3.4
Wages and Salaries	13,049.3	4.7	13,136.6	4.0	13,246.2	3.6	13,370.6	4.0	13,488.8	3.4
Transfer Receipts	5,013.9	9.3	5,053.6	8.6	5,099.7	6.5	5,148.4	4.0	5,218.7	4.1
Dividends, Interest, and Rents	5,332.4	2.1	5,354.4	1.9	5,409.2	1.8	5,454.6	2.4	5,482.5	2.8
Supplements to Wages and Salaries	2,787.5	4.9	2,813.0	4.9	2,836.3	4.2	2,859.9	4.0	2,885.6	3.5
Proprietors' Income	2,117.7	4.2	2,111.3	2.3	2,138.0	1.7	2,162.8	2.7	2,177.0	2.8
Social Insurance	2,031.3	5.0	2,043.9	4.3	2,080.0	4.2	2,099.8	4.7	2,096.6	3.2
Residential Adjustment	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA

Table 11
History of KY Labor and Income Data

	FY26								FY27	
	Q1	% chg	Q2	% chg	Q3	% chg	Q4	% chg	Q1	% chg
Non-farm Employment (thousands, NSA)	2,034.7	-0.2	2,028.4	-0.4	2,032.8	0.0	2,031.6	-0.4	2,038.5	0.2
Goods-producing	351.3	-2.3	350.6	-1.5	350.5	-0.6	347.5	-1.7	353.6	0.7
Mining	7.0	-12.1	7.0	-7.9	6.7	-7.3	6.7	-5.6	6.9	-0.7
Construction	92.5	-1.4	92.6	-0.2	93.0	1.4	93.5	0.6	93.2	0.8
Manufacturing	251.8	-2.3	251.0	-1.8	250.8	-1.1	247.3	-2.4	253.4	0.6
Service-providing	1,365.8	0.1	1,362.0	-0.2	1,366.3	0.2	1,367.6	0.0	1,368.2	0.2
Trade, Transportation & Utilities	425.5	-0.8	423.0	-0.9	423.6	-0.7	423.7	-0.8	421.3	-1.0
Information	20.2	-3.1	20.1	-3.2	19.9	-3.4	20.1	-2.4	19.9	-1.5
Finance	95.6	0.2	95.7	0.4	95.9	0.5	95.4	-0.2	95.3	-0.3
Business Services	225.5	0.6	224.1	0.4	224.8	0.6	223.3	-0.5	225.8	0.2
Educational Services	319.2	1.3	318.5	0.3	321.8	1.1	322.2	0.8	322.8	1.1
Leisure and Hospitality Services	206.4	0.3	207.1	-0.1	206.7	0.7	208.6	1.0	208.9	1.2
Other Services	73.3	-0.8	73.6	-0.1	73.6	0.1	74.3	1.1	74.1	1.1
Government	317.6	0.7	315.8	-0.3	316.0	-0.2	316.5	-0.5	316.7	-0.3
Personal Income (\$ billions, AR)	281.6	5.0	282.5	4.2	285.2	3.9	286.7	2.6	289.3	2.7
Wages and Salaries	133.2	3.7	133.2	3.3	134.5	3.7	135.5	2.1	136.6	2.5
Transfer Receipts	76.7	9.8	77.5	8.4	78.4	7.2	78.5	3.9	79.5	3.7
Dividends, Interest, and Rents	46.7	1.9	46.9	1.7	47.3	1.7	47.4	1.6	47.5	1.8
Supplements to Wages and Salaries	31.2	4.3	31.3	4.2	31.6	4.2	31.9	2.7	32.2	3.2
Proprietors' Income	19.6	3.6	19.3	0.5	19.5	-1.2	19.9	3.4	20.0	2.0
Social Insurance	22.0	4.1	22.0	3.6	22.4	4.3	22.7	3.1	22.6	2.7
Residential Adjustment	-3.7	NA	-3.6	NA	-3.6	NA	-3.8	NA	-3.8	NA

APPENDIX

General Fund and Road Fund Revenue Receipts

FIRST QUARTER FY27

Kentucky State Government – General Fund

	First Quarter FY 2027	First Quarter FY 2026	% Change
TOTAL GENERAL FUND	\$4,222,123,355	\$3,743,220,156	12.8%
Tax Receipts	\$4,036,251,019	\$3,553,369,755	13.6%
Sales and Gross Receipts	\$1,868,509,076	\$1,784,049,888	4.7%
Beer Consumption	1,688,216	1,449,521	16.5%
Beer Wholesale	20,607,041	17,323,320	19.0%
Cigarette	64,556,041	64,252,196	0.5%
Distilled Spirits Case Sales	64,354	61,037	5.4%
Distilled Spirits Consumption	4,833,991	4,832,056	0.0%
Distilled Spirits Wholesale	18,354,758	17,963,637	2.2%
Insurance Premium	45,220,674	63,268,966	-28.5%
Pari-Mutuel	24,790,799	17,684,082	40.2%
Race Track Admission	0	0	—
Sales and Use	1,641,249,891	1,550,856,705	5.8%
Wine Consumption	611,526	647,988	-5.6%
Wine Wholesale	4,218,258	4,375,487	-3.6%
Telecommunications Tax	20,793,158	20,146,190	3.2%
Other Tobacco Products	8,372,081	8,797,894	-4.8%
Fantasy Sports Wagering	0	0	—
Car Rental & Ride Sharing	13,148,288	12,390,809	6.1%
Natural Resources	\$25,192,109	\$26,789,173	-6.0%
Coal Severance	13,317,575	13,866,176	-4.0%
Oil Production	1,465,021	995,734	47.1%
Minerals Severance	9,262,238	10,280,234	-9.9%
Natural Gas Severance	1,147,275	1,647,029	-30.3%
Individual Income Tax	\$1,272,353,141	\$1,330,818,718	-4.4%
Withholding	1,044,804,541	1,159,586,888	-9.9%
Declarations	107,783,897	90,616,522	18.9%
Net Returns	(2,580,201)	(4,387,676)	—
Fiduciary	(1,599,863)	1,245,880	—
Pass-Through Entity Tax	123,944,767	83,757,104	48.0%
Major Business Taxes	\$770,135,582	\$325,378,887	136.7%
Corporation Income	641,265,091	137,500,414	366.4%
LLET	128,870,491	187,878,473	-31.4%
Property	\$74,362,228	\$63,179,611	17.7%
General - Real	346,477	(414,808)	—
General - Tangible	12,988,029	12,248,534	6.0%
Tangible - Motor Vehicle	53,548,471	46,200,303	15.9%
Omitted & Delinquent	(1,014,573)	894,208	—
Public Service	8,441,525	2,343,904	260.1%
Other	52,299	1,907,469	-97.3%
Inheritance Tax	\$25,279,393	\$22,798,043	10.9%
Miscellaneous	\$419,490	\$355,435	18.0%
License and Privilege	\$413,373	\$554,949	-25.5%
Bank Franchise	\$0	(\$5,946)	—
Legal Process	2,412,506	2,567,575	-6.0%
T. V. A. In Lieu Payments	(2,421,756)	(2,776,801)	—
Other	15,367	15,658	-1.9%
Nontax Receipts	\$185,668,827	\$187,874,617	-1.2%
Departmental Fees	2,913,838	2,827,612	3.0%
PSC Assessment Fee	14,396,221	14,400,696	0.0%
Fines & Forfeitures	5,614,420	5,573,309	0.7%
Income on Investments	41,850,057	73,083,660	-42.7%
Lottery	84,000,000	84,000,000	0.0%
Miscellaneous	36,894,291	7,989,340	361.8%
Redeposit of State Funds	\$203,509	\$1,975,784	-89.7%

Kentucky State Government – Road Fund

	First Quarter FY 2027	First Quarter FY 2026	% Change
TOTAL STATE ROAD FUND	\$456,708,089	\$482,910,598	-5.4%
Tax Receipts-	\$446,673,723	\$470,183,688	-5.0%
Sales and Gross Receipts	\$390,314,336	\$413,088,003	-5.5%
Motor Fuels Taxes	195,953,687	215,944,572	-9.3%
Motor Vehicle Usage	194,157,990	196,954,600	-1.4%
EV Charging Station Tax	202,659	188,831	7.3%
License and Privilege	\$56,359,387	\$57,095,686	-1.3%
Motor Vehicles	24,445,167	23,206,117	5.3%
Motor Vehicle Operators	6,229,274	9,051,157	-31.2%
Weight Distance	23,013,564	22,235,887	3.5%
Truck Decal Fees	33,120	35,040	-5.5%
Other Special Fees	2,638,261	2,567,484	2.8%
Nontax Receipts	\$9,970,430	\$12,590,982	-20.8%
Departmental Fees	5,774,111	6,343,181	-9.0%
In Lieu of Traffic Fines	43,060	43,980	-2.1%
Income on Investments	672,271	3,130,226	-78.5%
Miscellaneous	2,146,864	2,485,490	-13.6%
Hybrid/ Electric Annual Fee	1,334,125	588,106	126.9%
Redeposit of State Funds	\$63,936	\$135,927	-53.0%

Glossary

Adjacent-quarter	A growth rate computed as the current quarter relative to the previous quarter.
AR	Annual Rate is the quantity of a series that would occur for the entire year, if the current period's growth were to continue for the entire year.
Civilian Labor Force	A subset of the working population who are currently employed or are actively looking for employment.
Employed	In the context of working population and civilian labor force data, 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.
Growth rate	Unless otherwise stipulated, a growth rate is computed as the current quarter relative to the same quarter of the previous year.
Labor Force Participation Rate	The Civilian Labor Force divided by the Working Population.
Not in Labor Force	A subset of the working population who have decided not to be employed nor seek employment.
SA	Seasonally-Adjusted
SAAR	Seasonally-Adjusted Annual Rate
Unemployed	In the context of working population and civilian labor force data, Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
Working population	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.

Tables Notes

Table 3

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, August 17, 2026 data release.

Table 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. Data for FY27 Q1 are August 2026 estimates.

Source: IHS Markit - Economics & Country Risk, August 17, 2026 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 10

Seasonally Adjusted. Data for FY27 Q1 are August 2026 estimates.

Source: IHS Markit – Economics & Country Risk, August 17, 2026, data release.