

COMMONWEALTH OF KENTUCKY

# Quarterly Economic & Revenue Report

Fourth Quarter • Fiscal Year 2013

Annual Edition

Governor's Office  
for Economic Analysis

Office of  
State Budget Director

**Kentucky**  
UNBRIDLED SPIRIT<sup>®</sup>

Perryville Battlefield State Historic Site

## **October 8, 1862 - 150th Anniversary of the Battle of Perryville**

Perryville was the largest battle fought in the State of Kentucky.

Perryville is considered the “High Water Mark” for the confederacy in the West.

At its time, Perryville was the second bloodiest battle of the Western Theater.

A severe drought in the region drew the two armies to the Perryville region.

Despite greatly outnumbering their Confederate opponent, only one of the three Union corps at Perryville was significantly engaged in the battle.

Famous confederate diarist Sam Watkins declared Perryville the “hardest fighting” that he experienced.

Small quantities of Henry repeating rifles were used at Perryville, probably the first time one was used in combat.

Two officers who fought at Perryville were fathers of significant World War Two generals.

The Perryville Battlefield has one of the first monuments, erected by the U.S. Government dedicated to the fallen Confederate soldiers.

The Perryville State Battlefield Site was established on October 8, 1954, ninety years after the battle.

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### Data notes:

- (1) The figures, differences and growth rates in all tables are computing using dollar measurements to the penny. These figures are then rounded to the nearest \$100,000 or tenth of a percent.
- (2) The tables which reference "Cigarette taxes" are computed using the sum of the Kentucky cigarette tax receipts and any receipts from the floor stock tax.



***Office of State Budget Director***

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Governor

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July 30, 2013

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

Dear Governor Beshear:

The *Quarterly Economic and Revenue Report Annual Edition* summarizes Kentucky's revenue and economic statistics for the fourth quarter of Fiscal Year 2013 (FY13). It also includes an analysis of FY13 totals and an interim economic and revenue forecast for the first three quarters of FY14.

For the fiscal year that ended June 30, 2013 (FY13), General Fund receipts totaled \$9,348.3 million, a sum 2.8 percent higher than FY12 collections. Final FY13 revenues were \$40.5 million, or 0.4 percent more than the official revenue estimate which projected a 2.4 percent increase in revenues. When the General Fund revenue pictured was merged with the expenditure side of the budget, the official budget surplus for FY13 was \$70.6 million.

General Fund revenue collections showed positive growth in each of the four quarters of the fiscal year, varying between weak to moderate growth. Growth rates for the four quarters were 2.1, 5.4, 0.2 and 3.4 percent respectively. Six of the nine General Fund accounts showed growth while three, sales and use, coal severance and cigarette taxes, posted declines. The trend in the General Fund revealed increasing shares of tax receipts based on income or economic activity with a decreasing reliance on transactional taxes (sales taxes or severance taxes).

Governor Beshear

July 30, 2013

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Total Road Fund receipts grew 3.3 percent to \$1,491.6 million during FY13. Final FY13 Road Fund revenues fell \$8.0 million short of the enacted estimate of \$1,499.6 million. Notwithstanding the small over-prediction in revenues, the Road Fund was able to post a budget surplus of \$17.7 million due to lower-than-budgeted spending. The \$17.7 million surplus will be deposited into the state highway construction account.

Motor fuels taxes increased 6.1 percent with receipts of \$838.3 million, compared to \$790.2 million collected during the previous fiscal year. The increase was the result of the automatic statutory increase in the tax rate due to increased wholesale prices. While pump prices showed some volatility, wholesale prices were able to stay above \$2.62, the statutory ceiling for purposes of setting the variable tax rate for motor fuels pursuant to KRS 138.210 and 138.220.

Sincerely,

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

Jane C. Driskell  
State Budget Director

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# *Executive Summary*

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In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a *Quarterly Economic and Revenue Report* for the fourth quarter of FY13. This report includes a current synopsis of the economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

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

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

- Annual General Fund receipts rose for the third consecutive year following two years of declining receipts during the latest recession.
- Annual Road Fund receipts also posted a sizable increase following strong gains in FY11 and FY12 that returned the Road Fund to a level above pre-recessionary levels. The Road Fund has now increased for four consecutive years.
- Notwithstanding the growth in both funds, the General Fund exceeded the official estimate while the Road Fund fell slightly short of the estimated mark. Both estimates were well within a narrow range of 0.5 percent.
  - General Fund receipts were \$40.5 million, or 0.4 percent, higher than the officially-enacted estimate.
  - Road Fund receipts fell short by \$8.0 million on a base of \$1,491.6 million.
- In the fourth quarter of FY13, General Fund receipts posted a thirteenth consecutive quarterly increase, a streak that began in the fourth quarter of FY10. Monthly growth has been somewhat sporadic. The quarterly growth rates have been positive despite four of the last 12 monthly growth rates being negative.

- The Road Fund continues to grow due to underlying strength in the motor fuels and motor vehicle usage taxes. Both taxes continued their strong trends from FY11 to post a third consecutive year of solid receipts.
- Kentucky non-farm employment rose by 1.3 percent in the fourth quarter. Post-recession employment growth continues to be sluggish, in-line with the employment growth pattern from the 2001 recession. Manufacturing employment had the highest growth, growing a net 3.1 percent, or 6,900 jobs, over FY12. The growth in manufacturing was a welcome sign, while the mining sector lost a significant 2,200 jobs during the fiscal year.
- The national economic outlook remains filled with uncertainty, but stronger in general due to an improving national economy. Real private investment and real consumption anchored the modest FY13 growth, as real exports and government spending continue to show weakness.
- Positive revenue growth is projected in the first three fiscal quarters of FY14 in both the Road Fund and General Fund. The first revised internal estimate for FY14 in its entirety will be released in October 2013 in the next quarterly report. In addition, a preliminary estimate will be prepared, in accordance with statutes, in August 2013 (in conjunction with the Consensus Forecasting Group).
- The short-run outlook for General Fund receipts calls for continued growth over the higher base, but growth rates will be somewhat mitigated due to the newly established baselines for each tax from the strong performances in prior fiscal years.
- General Fund growth is expected to be 1.1 percent in the first three quarters of FY14. The sales tax is expected to post positive growth following a negative performance in FY13. The sales tax decline in FY13 was only the third annual decline since 1980. All three declines occurred in the last five fiscal years, implying potential structural concerns with the base of the sales tax.
- The Road Fund outlook is predominantly a function of the fuels taxes which are, in turn, based on the prevailing wholesale gasoline and special fuels tax rates. Total Road Fund growth is projected to be 4.4 percent over the forecast horizon. Recent prices have triggered the maximum increase in the statutory calculation for the first quarter of FY14. This interim outlook predicts fuel price that would maintain that rate through the next three quarters.

**Table 1**  
**FY13 General Fund Receipts Compared to Official Estimate**  
**\$ millions**

	FY13		Difference	
	Actual	Estimate	\$	%
Individual Income	3,723.0	3,587.7	135.2	3.8
Sales and Use	3,021.8	3,089.2	-67.4	-2.2
Property	558.4	538.4	20.0	3.7
Corporation Income	400.8	370.3	30.4	8.2
LLET	246.1	222.9	23.2	10.4
Coal Severance	230.5	337.0	-106.5	-31.6
Cigarette Tax	238.7	252.3	-13.6	-5.4
Lottery	215.3	214.0	1.3	0.6
Other	713.8	696.0	17.8	2.6
<b>Total</b>	<b>9,348.3</b>	<b>9,307.8</b>	<b>40.5</b>	<b>0.4</b>

**Table 2**  
**FY13 Road Fund Receipts Compared to Official Estimate**  
**\$ millions**

	FY13		Difference	
	Actual	Estimate	\$	%
Motor Fuels	838.3	850.4	-12.1	-1.4
Motor Vehicle Usage	426.8	410.8	16.0	3.9
Motor Vehicle License	102.3	99.3	3.0	3.0
Motor Vehicle Operators	16.0	15.9	0.1	0.9
Weight Distance	74.9	86.0	-11.1	-12.9
Income on Investments	-0.4	2.3	-2.7	NA
Other	33.6	34.9	-1.3	-3.7
<b>Total</b>	<b>1,491.6</b>	<b>1,499.6</b>	<b>-8.0</b>	<b>-0.5</b>

**I.**

**Revenue Receipts  
Fourth Quarter, FY13  
Annual Totals, FY13**



# Revenue Receipts Fourth Quarter FY13

## FOURTH QUARTER, FY13 General Fund

General Fund receipts increased 3.4 percent, or \$83.5 million, to \$2,573.0 million, in the fourth quarter of FY13. Collections in the major revenue categories are shown in summary form in Table 3. Detailed information on these and other accounts is available in Appendix A.

The fourth quarter of FY13 can be summarized in a similar manner to the first three quarters: taxes based on income or broad economic aggregates fared relatively better than consumption taxes. Specifically, the income and limited liability entity tax (LLET) taxes performed much better than the sales tax or the severance taxes.

Individual income tax receipts posted an increase of 6.7 percent during the fourth quarter of FY13. Receipts totaled \$1,159.8

million and were \$73.3 million more than collected in the previous fourth quarter. All of the subcomponents of the individual income tax moved favorably in the fourth quarter, especially in the areas of net payments with returns and estimated payments.

Sales tax receipts decreased 1.5 percent in the fourth quarter of FY13, an \$11.7 million loss in nominal collections. Reasons for the decline include slow growth in disposable income and increases in the consumption (and price) of non-taxed services and goods, a relatively narrow base for the Kentucky sales tax.

Total property taxes decreased 5.6 percent during the fourth quarter of the fiscal year as distributions to local governments affected net collections. Receipts totaled \$35.9 million and compare to \$38.0 million collected in the fourth quarter of FY12.

Corporation income tax collections decreased 1.1 percent in the fourth quarter of FY13 compared to collections in the fourth quarter of FY12. Receipts of \$153.0 million were \$1.7 million less than were collected in the fourth quarter of the previous fiscal year.

Coal severance taxes decreased 15.1 percent in the fourth quarter of FY13 as the demand for coal and the value of severed tons showed continued weakness. Total collections for the quarter were \$9.9 million less than FY12 fourth quarter receipts.

**Table 3**  
**Summary General Fund Receipts**  
**Fourth Quarter, FY13, \$ millions**

	<b>FY13</b>	<b>FY12</b>	<b>Diff (\$)</b>	<b>Diff (%)</b>
Individual Income	1,159.8	1,086.5	73.3	6.7
Sales and Use	773.0	784.7	-11.7	-1.5
Property	35.9	38.0	-2.1	-5.6
Corporation Income	153.0	154.6	-1.7	-1.1
LLET	88.0	77.1	10.8	14.0
Coal Severance	55.7	65.5	-9.9	-15.1
Cigarette Taxes	63.3	69.4	-6.1	-8.9
Lottery	60.0	54.8	5.2	9.4
Other	184.3	158.6	25.7	16.2
<b>Total</b>	<b>2,573.0</b>	<b>2,489.5</b>	<b>83.5</b>	<b>3.4</b>

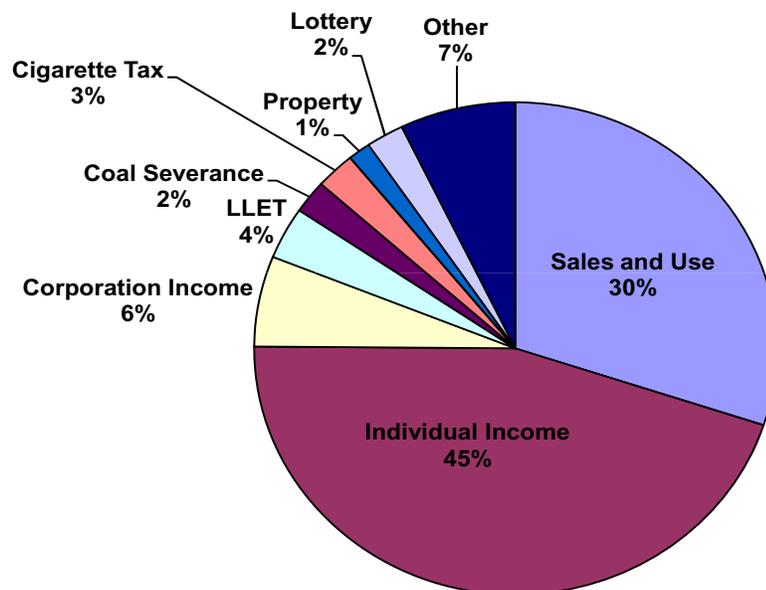
Cigarette taxes decreased 8.9 percent in the final three months of FY13. Receipts of \$63.3 million compare to \$69.4 million in the fourth quarter of FY12.

The LLET tax had collections of \$88.0 million in the fourth quarter of the fiscal year, an increase of 14.0 percent. When taken in conjunction with the corporation income tax, “business taxes” helped contribute to the strong fourth quarter of General Fund receipts.

Lottery receipts increased 9.4 percent, or \$5.2 million, from the previous year. Receipts of \$60.0 million compare to \$54.8 million remitted to the state in the fourth quarter of FY12.

Figure A details the composition of General Fund revenues by tax type for the fourth quarter of FY13. Seventy-five percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next largest sources of revenue were the “Other” category at 7.0 percent. The largest components in the “Other” category include the insurance premium tax, bank franchise tax, and telecommunications tax. Corporation income taxes accounted for 6.0 percent. The LLET followed by cigarette tax accounted for 4.0 and 3.0 percent respectively. Lottery and coal severance receipts each made up 2.0 percent of the General Fund. Property tax accounted for 1.0 percent of total General Fund receipts.

**Figure A**  
**General Fund Receipts Composition**  
**Fourth Quarter, FY13**



## Road Fund

Total Road Fund receipts grew 5.4 percent during the fourth quarter of FY13 due primarily to large increases in motor fuels and motor vehicle license taxes. Total receipts of \$409.5 million compare to \$388.7 million collected during the fourth quarter of FY12. Summary data are contained in Table 4 and detailed data are shown in Appendix A.

Strong growth in the fourth quarter helped the Road Fund end the year on a high note. Motor fuels taxes and the motor vehicle usage tax both ended the fiscal year solidly. These two revenue sources average nearly 84 percent of all Road Fund revenues so their performance is especially critical to monitor.

Motor fuels collections grew 10.3 percent in the fourth quarter of FY13, primarily due to the motor fuels tax rate remaining at the maximum. Collections of \$221.2 million were \$20.7 million more than received in the fourth quarter of FY12.

Motor vehicle usage tax receipts of \$121.9 million represent an increase of 3.1 percent compared to the \$118.2 million collected in the fourth quarter FY12.

Motor vehicle license tax receipts increased 18.9 percent with receipts of \$38.4 million compared to \$32.3 million collected in the fourth quarter of FY12.

Motor vehicle operators' collections grew 2.2 percent with collections of \$4.1 million. Collections in the fourth quarter of FY 12 were \$4.0 million.

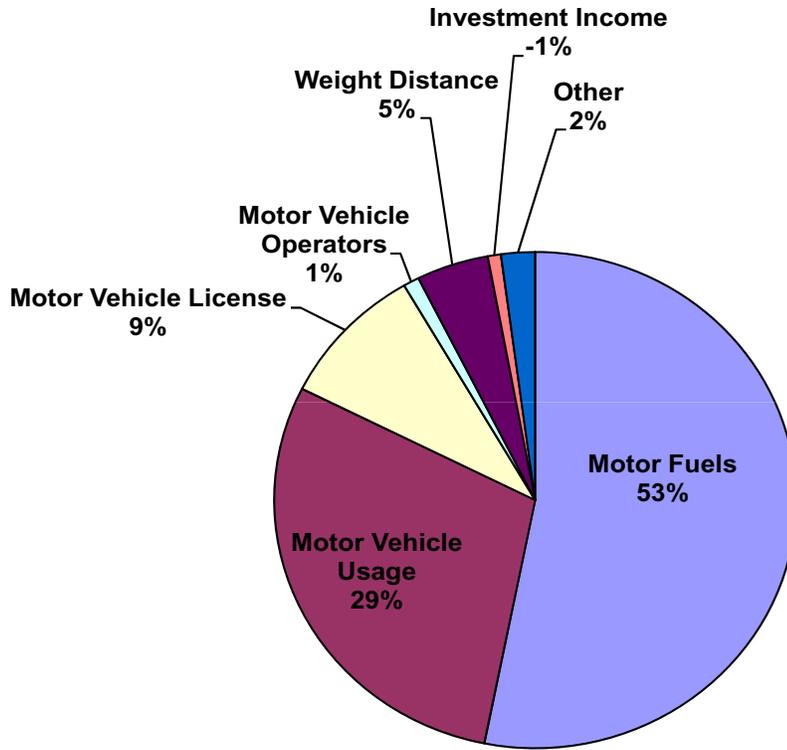
Weight distance tax revenues fell 0.7 percent with receipts of \$18.6 million compared to \$18.7 million collected in the fourth quarter of FY12.

The remainder of the accounts in the Road Fund combined for a decrease of 30.0 percent. Receipts for the "Other" category totaled \$8.8 million during the fourth quarter, compared to \$12.5 million in the fourth quarter of FY12.

	<b>FY13</b>	<b>FY12</b>	<b>Diff (\$)</b>	<b>Diff (%)</b>
Motor Fuels	221.2	200.4	20.7	10.3
Motor Vehicle Usage	121.9	118.2	3.7	3.1
Motor Vehicle License	38.4	32.3	6.1	18.9
Motor Vehicle Operators	4.1	4.0	0.1	2.2
Weight Distance	18.6	18.7	-0.1	-0.7
Income on Investments	-3.4	2.5	-5.9	NA
Other	8.8	12.5	-3.8	-30.0
<b>Total</b>	<b>409.5</b>	<b>388.7</b>	<b>20.8</b>	<b>5.4</b>

Figure B details the composition of Road Fund revenues by tax type for the fourth quarter of FY13. Motor fuels taxes and motor vehicle usage taxes comprised 82.0 percent of Road Fund revenues in the fourth quarter. The next largest source of revenue was motor vehicle license collections with 9.0 percent, followed by weight distance taxes with 5.0 percent. The "Other" category accounted for 2.0 percent while motor vehicle operators accounted for 1.0 percent.

**Figure B  
Road Fund Receipts Composition  
Fourth Quarter, FY13**



**ANNUAL TOTALS, FY13  
General Fund**

General Fund collections grew 2.8 percent, or \$257.4 million, in FY13. Revenue collections showed positive growth in each of the four quarters of the fiscal year, varying between weak to moderate growth. Growth rates for the four quarters were 2.1, 5.4, 0.2 and 3.4 percent respectively. Six of the nine major accounts showed growth while only three: sales and use, coal severance and cigarette taxes, posted declines.

There has been a shift in the make-up of the General Fund by economic activity and transaction type. That is, income-related taxes increased in their share of the General Fund, while the sales tax and other transactional excise taxes have decreased in share.

Receipts totaled \$9,348.3 million compared to \$9,091.0 million for the previous year. Collections in the major revenue categories are shown in summary form in Table 5. Detailed information on these and other accounts is available in Appendix A.

Sales tax receipts fell 1.0 percent in FY13, or \$30.4 million. Receipts of \$3,021.8 million compared to prior year receipts of \$3,052.2 million.

Individual income tax receipts increased 6.0 percent over FY12 totals. All four components of the individual income tax improved in FY13. Net returns, declarations, and fiduciary receipts all improved strongly, while withholding grew slowly for the first time in three years.

Receipts totaled \$3,723.0 million and compare to \$3,512.1 million collected last year. Nominal receipts in the individual income tax increased by \$210.9 million. Disaggregating the major components of growth, estimated payments grew \$84.5 million, withholding grew \$58.7 million, and net returns were \$63.9 million more favorable than FY12.

Corporation income tax collections grew \$26.4 million in FY13. Receipts for the year totaled \$400.8 million and compare to \$374.4 million collected in FY12. While estimated payments fell in FY13, payments with returns increased by \$61.5 million. Growth in this area was partially aided by the tax amnesty period and enhanced collection efforts. In addition to a strong year for the corporation income tax, the LLET increased 22.6 percent compared to the prior year with receipts of \$246.1 million in FY13.

Coal severance taxes decreased 22.7 percent in FY13. Severed tons have also declined steadily as the demand for coal wanes. Total collections for the fiscal year were \$230.5 million or \$67.8 million less than FY12 receipts.

Total property taxes rose 5.4 percent during the fiscal year, the highest rate of growth since FY06. Receipts totaled \$558.4 million compared to \$529.6 million collected in FY12.

Lottery receipts increased 2.1 percent, or \$4.5 million, from the previous year. Receipts of \$215.3 million compare to \$210.8 million remitted to the Commonwealth in FY12.

The “Other” category finished the year up 8.5 percent. Receipts of \$713.8 million compare to \$658.0 million collected in FY12.

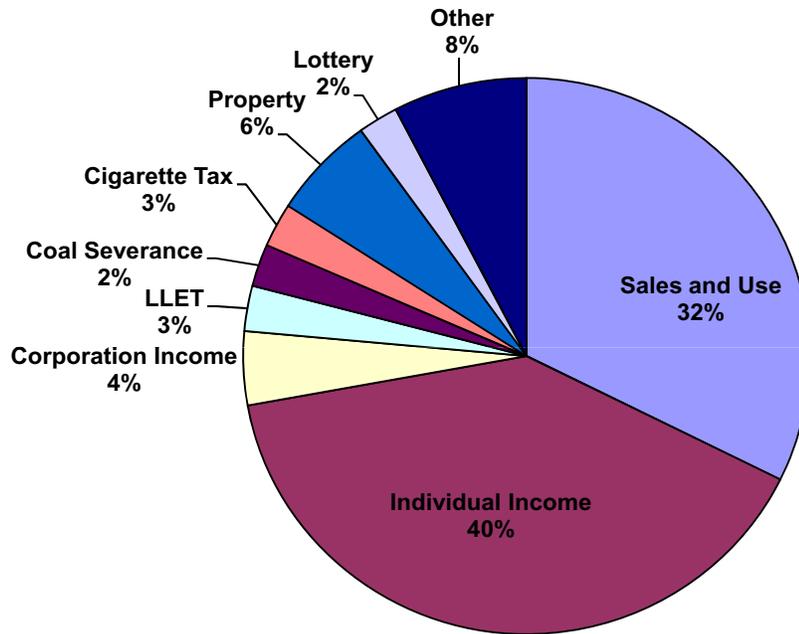
Figure C details the composition of FY13 General Fund receipts by tax type. Seventy-two percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next largest source of revenue was the “Other” category with 8.0 percent. Property taxes made up 6.0 percent of the General Fund and corporation income accounted for 4.0 percent. Cigarette tax and LLET each accounted for 3.0 percent. Coal severance and lottery taxes each accounted for 2.0 percent of General Fund revenues.

Figure D details the growth rates in General Fund revenues by each fiscal quarter of FY13. Growth was positive in all four quarters of the fiscal year with growth ranging from 0.2 percent in the third quarter to 5.4 percent in the second quarter.

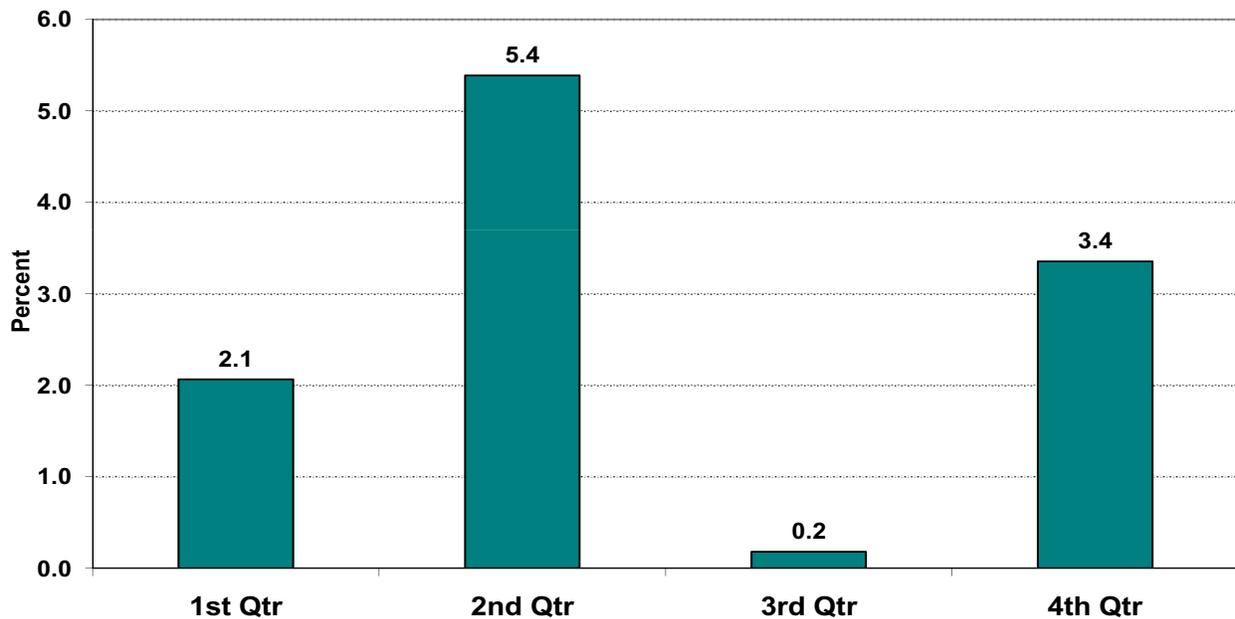
**Table 5**  
**General Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year Receipts			Growth Rates (%)		
	FY13	FY12	FY11	FY13	FY12	FY11
Individual Income	3,723.0	3,512.1	3,417.8	6.0	2.8	8.3
Sales and Use	3,021.8	3,052.2	2,896.3	-1.0	5.4	3.7
Property	558.4	529.6	514.8	5.4	2.9	-0.3
Corporate Income	400.8	374.4	300.8	7.0	24.5	26.4
LLET	246.1	200.7	215.7	22.6	-7.0	47.8
Coal Severance	230.5	298.3	295.8	-22.7	0.8	8.8
Cigarette Taxes	238.7	254.8	262.2	-6.3	-2.8	-5.8
Lottery	215.3	210.8	200.5	2.1	5.1	0.2
Other	713.8	658.0	655.5	8.5	0.4	4.7
<b>Total</b>	<b>9,348.3</b>	<b>9,091.0</b>	<b>8,759.4</b>	<b>2.8</b>	<b>3.8</b>	<b>6.5</b>

**Figure C**  
**FY13 General Fund Receipts Composition**  
**(percents)**



**Figure D**  
**FY13 General Fund Quarterly Growth Rates**  
**(percents)**



**Table 6**  
**General Fund Quarterly Revenue Receipts**  
**\$ millions**

	FY13				
	Q1	Q2	Q3	Q4	FY13
Individual Income	901.9	911.2	750.1	1,159.8	3,723.0
Sales and Use	760.7	751.2	736.9	773.0	3,021.8
Property	65.7	331.4	125.4	35.9	558.4
Corporation Income	112.9	81.9	52.9	153.0	400.8
LLET	47.3	60.9	50.0	88.0	246.1
Coal Severance	64.9	56.6	53.3	55.7	230.5
Cigarette Tax	60.6	60.9	53.9	63.3	238.7
Lottery	48.5	53.3	53.5	60.0	215.3
Other	138.4	148.1	242.9	184.4	713.8
<b>Total</b>	<b>2,201.0</b>	<b>2,455.5</b>	<b>2,118.9</b>	<b>2,573.0</b>	<b>9,348.3</b>

**Table 7**  
**General Fund Quarterly Growth Rates**  
**percents**

	FY13				
	Q1	Q2	Q3	Q4	FY13
Individual Income	1.8	8.1	7.7	6.7	6.0
Sales and Use	-1.0	1.2	-2.6	-1.5	-1.0
Property	72.7	18.8	-28.1	-5.6	5.4
Corporation Income	22.6	-13.3	59.8	-1.1	7.0
LLET	-2.9	59.4	36.1	14.0	22.6
Coal Severance	-19.1	-28.9	-26.8	-15.1	-22.7
Cigarette Tax	-8.9	1.0	-8.0	-8.9	-6.3
Lottery	5.4	-4.0	-1.8	9.4	2.1
Other	6.1	8.1	4.8	16.2	8.5
<b>Total</b>	<b>2.1</b>	<b>5.4</b>	<b>0.2</b>	<b>3.4</b>	<b>2.8</b>

## Road Fund

Total Road Fund receipts grew 3.3 percent to \$1,491.6 million during FY13. Road Fund collections are detailed in Table 8.

Motor vehicle usage tax receipts of \$426.8 million represent an increase of 2.4 percent over FY12 totals.

Motor vehicle license tax receipts were down 5.2 percent with collections of \$102.3 million compared to \$107.8 million collected in FY12.

Motor vehicle operators tax receipts were up 2.0 percent with collections of \$16.0 million compared to \$15.7 million collected in FY12.

Weight distance tax revenues decreased 0.2 percent with receipts of \$74.9 million compared to \$75.1 million collected in FY12.

The “Other” category decreased 3.8 percent from FY12. Total receipts in this category were \$33.6 million, compared to \$34.9 million collected in FY12.

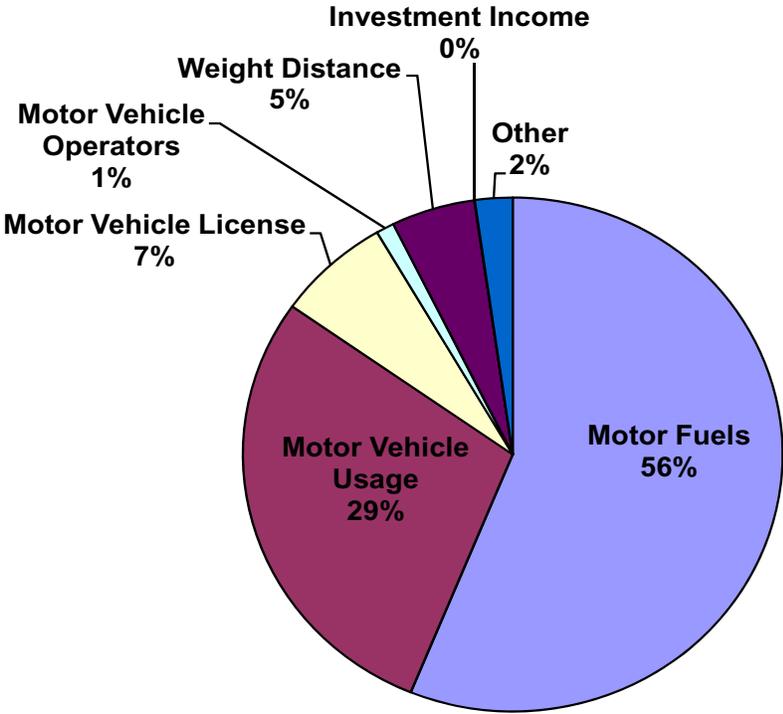
Road Fund collections for FY13 were below the official revenue estimate by \$8.0 million, or 0.5 percent. The largest increases over the official estimates occurred in the motor vehicle usage and motor vehicle license taxes. All other accounts, taken together, were within \$27.0 million of the forecasted levels.

Figure E details the composition of FY13 Road Fund receipts by tax type. Eighty five percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. Following these, the motor vehicle license tax accounted for 7.0 percent and the weight distance tax accounted for 5.0 percent. “Other” taxes combined to account for 2.0 percent. Motor vehicle operators’ revenue accounted for 1.0 percent.

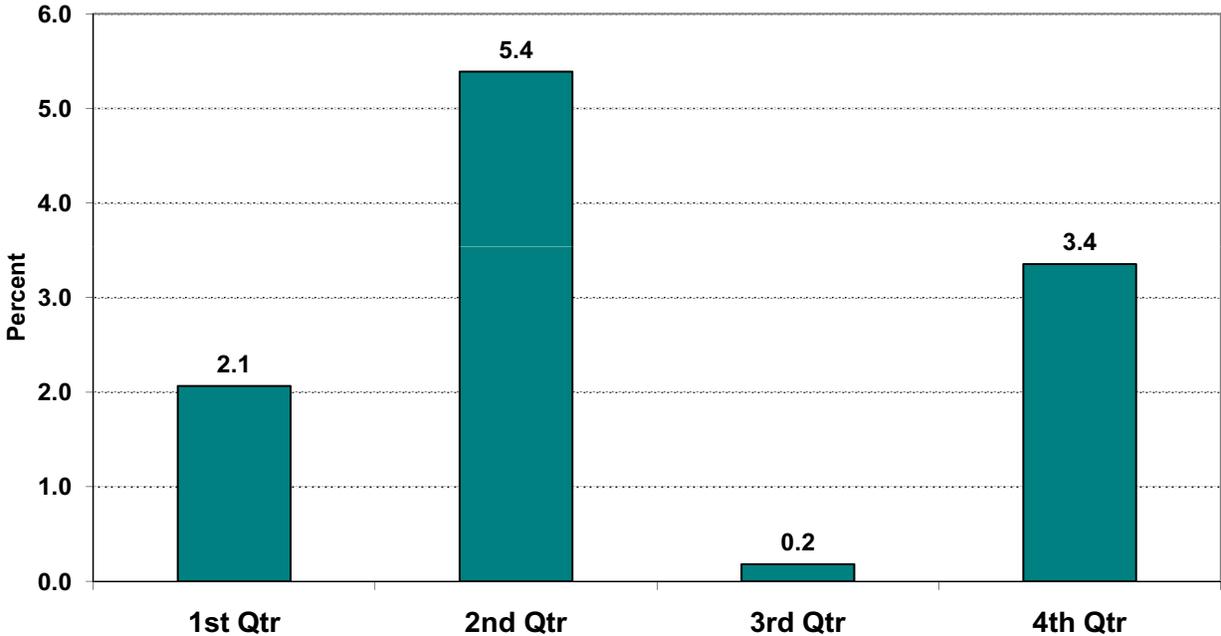
**Table 8**  
**Road Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year Receipts			Growth Rates (%)		
	FY13	FY12	FY11	FY13	FY12	FY11
Motor Fuels	838.3	790.2	732.8	6.1	7.8	11.8
Motor Vehicle Usage	426.8	416.9	381.8	2.4	9.2	14.7
Motor Vehicle License	102.3	107.8	97.8	-5.2	10.2	1.0
Motor Vehicle Operators	16.0	15.7	15.7	2.0	0.0	-1.3
Weight Distance	74.9	75.1	74.0	-0.2	1.5	4.9
Income on Investments	-0.4	3.1	2.0	NA	54.3	-45.1
Other	33.6	34.9	34.7	-3.8	0.7	11.3
<b>Total</b>	<b>1,491.6</b>	<b>1,443.8</b>	<b>1,338.8</b>	<b>3.3</b>	<b>7.8</b>	<b>11.0</b>

**Figure E**  
**FY13 Road Fund Receipts Composition**  
**(percents)**



**Figure F**  
**FY13 Road Fund Quarterly Growth Rates**  
**(percents)**



**Table 9**  
**Road Fund Quarterly Revenue Receipts**  
**\$ millions**

	FY13				
	Q1	Q2	Q3	Q4	FY13
Motor Fuels	207.1	215.6	194.4	221.2	838.3
Motor Vehicle Usage	101.7	100.0	103.3	121.9	426.8
Motor Vehicle License	17.5	17.7	28.7	38.4	102.3
Motor Vehicle Operators	4.3	3.9	3.8	4.1	16.0
Weight Distance	19.0	18.9	18.5	18.6	74.9
Income on Investments	1.3	0.8	0.9	-3.4	-0.4
Other	7.8	9.7	7.4	8.8	33.6
<b>Total</b>	<b>358.7</b>	<b>366.5</b>	<b>356.9</b>	<b>409.5</b>	<b>1,491.6</b>

**Table 10**  
**Road Fund Quarterly Growth Rates**  
**percents**

	FY13				
	Q1	Q2	Q3	Q4	FY13
Motor Fuels	2.7	8.0	3.2	10.3	6.1
Motor Vehicle Usage	-1.5	7.1	1.1	3.1	2.4
Motor Vehicle License	-10.2	-21.4	-14.5	18.9	-5.2
Motor Vehicle Operators	6.9	0.5	-2.0	2.2	2.0
Weight Distance	0.2	-0.6	0.2	-0.7	-0.2
Income on Investments	2,947.9	307.1	136.3	NA	NA
Other	11.5	11.1	10.0	-30.0	-3.8
<b>Total</b>	<b>1.2</b>	<b>5.6</b>	<b>1.0</b>	<b>5.4</b>	<b>3.3</b>

## **II.**

# **The Economy**



# The Economy

## Fourth Quarter FY13

### NATIONAL ECONOMY

Real gross domestic product (real GDP) rose by 1.8 percent in the fourth quarter of FY13. See Table 11. Gross domestic product is defined as the sum of all final goods and services sold within a country's physical boundaries in a given year and explicitly excludes those goods and services which are produced by US citizens in other countries. Real GDP has risen in 16 consecutive quarters since the last trough in 2009.

Real GDP is composed of five components: consumption, investment, government expenditures, exports and imports. Imports are deducted from GDP, as they represent goods and services not produced within the country. Real consumption rose by 2.1 percent in the fourth quarter. Real consumption has changed gears several times since the recession ended. In the quarter immediately following the recession, the third quarter of FY10, real consumption rose by only 0.7 percent. Growth accelerated to 3.1 percent by the third quarter of FY11. Growth slowed to 1.8 percent in the

**Table 11**  
**Summary of US Economic Series**  
**Fourth Quarter FY13 & FY12**

	Fourth Quarter			Full Year		
	FY13	FY12	% Chg	FY13	FY12	% Chg
Real GDP	13,798.2	13,548.5	1.8	13,715.6	13,450.7	2.0
Real Consumption	9,783.3	9,582.5	2.1	9,703.2	9,515.1	2.0
Real Investment	2,024.9	1,898.4	6.7	1,966.5	1,849.2	6.3
Real Govt. Expenditures	2,396.0	2,479.4	-3.4	2,446.1	2,495.6	-2.0
Real Exports	1,853.6	1,842.1	0.6	1,845.9	1,813.3	1.8
Real Imports	2,242.1	2,249.6	-0.3	2,235.8	2,223.0	0.6
Personal Income (\$ billions)	13,716.2	13,327.0	2.9	13,622.3	13,137.0	3.7
Wages and Salaries (\$ billions)	7,080.7	6,849.2	3.4	7,017.9	6,761.4	3.8
Inflation (% chg CPI)	1.3	1.9	NA	1.6	2.9	NA
Industrial Production Index (% chg)	1.9	4.5	NA	2.6	3.6	NA
Civilian Labor Force (millions)	155.5	154.9	0.4	155.3	154.3	0.7
Total Non-farm Employment (millions)	135.6	133.5	1.6	134.8	132.6	1.6
Manufacturing Employment (millions)	12.0	11.9	0.6	12.0	11.8	1.1
Unemployment Rate (%)	7.5	8.2	NA	7.8	8.5	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 FY13 Q4 are June 2013 estimates.

Source: IHS Global Insight Inc., June 2013 data release

third quarter of FY12 and has inched up slightly since then. Real consumption makes up 70.9 percent of real GDP, which is the largest share of all the components.

Real investment grew by 6.7 percent in the fourth quarter of FY13. This was the fastest growing component of real GDP in the fourth quarter. Real investment has been trending upwards since the fourth quarter of FY11, but it is still below its previous peak set in the third quarter of FY06. The 2007 recession had a profound impact on real investment. Investment turned downwards earlier than the other components of real GDP in the 2007 recession. Real investment lost a net \$871.5 billion, or 38.5 percent, during the 2007 recession. So despite solid growth for most of the last two years in real investment, it has still only made up 72.3 percent of those losses 15 quarters after the recession trough. Real investment makes up 14.7 percent of real GDP.

Real government expenditures declined by 3.4 percent in the fourth quarter of FY13. Real government expenditures declined by 1.3 percent over the third quarter of FY13. This is the twelfth adjacent-quarter decrease in real government expenditures in the last 14 quarters. It is not unusual for real government expenditures to decline following a recession. As employment improves, numerous forms of transfer payments decline and that allows government expenditures to fall. Government expenditures as a share of real GDP have declined steadily since the first quarter of FY10, falling from its recent peak of 20.5 percent to its current level of 17.4 percent.

A reverse crowding-out effect occurred from the first quarter of FY10 to present. The real

GDP shares for real investment and government expenditures in the first quarter of FY10 were 10.9 and 20.5 percent respectively, while in the fourth quarter of FY13, the shares were 14.7 and 17.4 percent respectively. During this same time periods, real consumption remained constant at 71 percent. Net exports declined from -\$347.0 billion to -\$388.5 billion during that same time period.

Real exports increased by 0.6 percent in the fourth quarter of FY13. This is the seventh quarter of weak growth in real exports. Import growth has been similarly weak, falling 0.3 percent, which has helped to temper the balance of trade losses in recent quarters. The US net exports hit their all-time peak in the first quarter of FY07 when net exports were -\$756.7 billion. The US net export position improved for many quarters following FY07, but has stalled near the -\$400 billion mark for the last nine quarters. Real exports make up 13.4 percent of real GDP. US imports have exceeded US exports since 1976. Therefore, net exports have been a net reduction to real GDP since 1976.

US personal income rose by 2.9 percent in the fourth quarter. Wages and salaries income rose by 3.4 percent in the fourth quarter. Wages and salaries makes up 51.6 percent of total US personal income. The wages and salary share of total US personal income has been falling for over a decade. In the first quarter of 2000, the share was 56.7 percent.

Total non-farm employment rose by a meager 1.6 percent in the fourth quarter of FY13. Total non-farm employment growth has been steady and modest for the last two years. Quarter-to-quarter growth has been 0.3 to

0.6 percent for the last 10 quarters. While this is neither exceptionally high nor low growth, it is unusually steady.

## KENTUCKY ECONOMY

Kentucky personal income increased by 1.9 percent in the fourth quarter of FY13. In contrast to US personal income, Kentucky personal income growth has been very erratic over the last eight quarters. Kentucky personal income has seen a whole gamut of growth rates over the last eight quarters, from the 0.7 percent decline in the third quarter of FY13 to the 1.7 percent single-quarter increase in the third quarter of FY12. Annual growth rates have been declining for Kentucky personal income for the last three years, as they have fallen from 5.2 percent, to 3.2 percent to 1.9 percent this year.

Kentucky wages and salaries grew by 2.3 percent in the fourth quarter of FY13. Wages and salaries makes up 50.8 percent of total Kentucky personal income. The wages and salaries share of total Kentucky personal income was steady around 54.0 percent for the first half of the 2000 decade. Then in 2005, the share began to fall towards 50 percent by 2012. The Kentucky share declines are similar to the US share movements; they just occurred over different time horizons.

Kentucky non-farm employment rose by 1.3 percent in the fourth quarter. Post-recession employment growth has been low following both of the last two recessions. The employment growth from five quarters out from the trough during the 1990 recession was 3.3 percent, while the growth rates for the 2001 and 2007 recessions were 1.8 percent

**Table 12**  
**Summary of Kentucky Economic Series**  
**Fourth Quarter FY13 & FY12**

	Fourth Quarter			Full Year		
	FY13	FY12	% Chg	FY13	FY12	% Chg
Personal Income (\$ millions)	155,874.6	153,008.0	1.9	154,831.7	150,921.8	2.6
Wages and Salary (\$ millions)	79,134.9	77,353.0	2.3	78,116.2	76,425.3	2.2
Non-farm Employment (thousands)	1,846.8	1,823.9	1.3	1,836.5	1,812.8	1.3
Goods-producing	317.5	311.1	2.1	314.6	307.3	2.4
Construction	69.1	67.5	2.3	67.8	67.8	-0.1
Mining	19.0	21.2	-10.3	19.1	22.6	-15.4
Manufacturing	229.4	222.5	3.1	227.7	216.9	5.0
Service-providing	1,193.1	1,175.6	1.5	1,185.4	1,168.4	1.5
Trade, Transportation & Utilities	375.7	370.4	1.4	373.9	368.4	1.5
Information	26.5	26.6	-0.3	26.0	26.7	-2.5
Finance	87.6	86.0	1.8	87.9	85.6	2.8
Business Services	196.0	191.5	2.4	193.5	189.7	2.0
Educational Services	260.0	257.1	1.2	258.7	255.8	1.1
Leisure and Hospitality Services	178.6	174.3	2.5	176.7	172.4	2.5
Other Services	68.8	69.8	-1.5	68.7	69.9	-1.7
Government	336.1	337.1	-0.3	336.5	337.0	-0.2

Not Seasonally Adjusted. Data for FY13 Q4 are June 2013 estimates.

Source: IHS Global Insight Inc., June 2013 data release

and 2.3 percent respectively. Recent growth rates have also been modest and steady. Quarter-to-quarter growth has been between 0.2 and 0.5 percent for the last five quarters. Among the 11 supersectors, manufacturing

employment had the highest growth, growing a net 3.1 percent, or 6,900 jobs, over FY12. Meanwhile, mining employment had the worst growth relative to FY12, as it lost a net 10.3 percent, or 2,200 jobs.

### **III.**

## **Interim Outlook**



# Interim Outlook

## GENERAL FUND

The revenue forecasts presented in Table 13 and Table 14 were estimated using the June 2013 “control scenario” economic forecast from both IHS Global Insight and the Kentucky MAK model. The FY14 estimates presented here highlight the first three fiscal quarters of the year. Underlying economic conditions have solidified somewhat for the near-term forecast, as illustrated in the Economic Outlook section of this report. The cloud of uncertainty has not changed appreciably since the economic forecast was officially adopted by the Consensus Forecasting Group (CFG) in December 2011. This, coupled with small revenue surpluses in FY12 and FY13, provides confidence that we remain on a revenue path consistent with the enacted revenue estimates.

Projected General Fund revenues for the next three quarters are shown in Table 13. As the table indicates, General Fund growth is projected to be 1.1 percent over the forecast horizon. The official revenue estimate for the General Fund in FY14 is \$9,523.9 million.

Individual income tax receipts are expected to increase by 1.6 percent during the first three quarters of FY14. The largest component of individual income tax receipts is withholding, which makes up approximately 95 percent of total individual income tax receipts. Withholding is closely tied to wages and salaries and employment in the state. Recent gains in employment and wages have been modest, hence the muted growth projected for the near term.

**Table 13**  
**General Fund Interim Forecast**  
**\$ millions**

	FY13				FY13		FY14	
	Q4		Full Year		Official CFG		Q1, Q2, & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Individual Income	1,159.8	6.7	3,723.0	6.0	3,587.7	135.2	2,605.1	1.6
Sales & Use	773.0	-1.5	3,021.8	-1.0	3,089.2	-67.4	2,281.3	1.4
Property	35.9	-5.6	558.4	5.4	538.4	20.0	534.4	2.3
Corporate Income	153.0	-1.1	400.8	7.0	370.3	30.4	255.2	3.0
Coal Severance	55.7	-15.1	230.5	-22.7	337.0	-106.5	154.4	-11.7
Cigarette Tax	63.3	-8.9	238.7	-6.3	252.3	-13.6	171.2	-2.4
LLET	88.0	14.0	246.1	22.6	222.9	23.2	153.2	-3.1
Lottery	60.0	9.4	215.3	2.1	214.0	1.3	160.0	3.0
Other	184.3	16.2	713.8	8.5	696.0	17.8	536.0	1.2
<b>General Fund</b>	<b>2,573.0</b>	<b>3.4</b>	<b>9,348.3</b>	<b>2.8</b>	<b>9,307.8</b>	<b>40.5</b>	<b>6,850.8</b>	<b>1.1</b>

Growth in sales and use tax collections is expected to pick up slightly following a decline of 1.0 percent in FY13. Sales and use receipts are closely tied to personal income and disposable income. Sales and use receipts grew 5.4 in FY12, a rate of growth that proved unsustainable. Since that rate of growth in the sales tax exceeded growth in incomes, our models correctly predicted some one-time spending trends that usually follow recessionary periods from pent-up demand. Positive growth gave way to a full-on retreat in FY13. Fiscal Year 2014 promises to be somewhat more stable as growth in the first three quarters of FY14 is expected to be 1.4 percent.

Property tax revenues are expected to increase by 2.3 percent over the forecasting horizon. The state rate on real property will remain at 12.2 cents per \$100 in valuation for property assessed as of January 1, 2013. Due to the effects of the recession on the housing market, the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented occurrence of five consecutive years without a rate decline. As the housing market shores up, growth in new property and existing values can be expected to resume more normal trends, but housing values have been rigid given the most recent recession that was triggered by excessive valuations.

The corporation income tax and the LLET were designed to be complementary. The LLET is a backstop for the corporation income tax. That is, when corporate profits and tax receipts fall, LLET collections rise and vice versa. That pattern was less evident in FY13 as both taxes increased sharply. In FY13, corporation income tax collections

grew 7.0 percent while LLET receipts grew at a more rapid 22.6 percent pace. For the forecasting horizon, both taxes should gravitate toward longer term trend values. The corporation income tax is expected to grow 2.3 percent, based on sustained profitability, and the LLET tax is projected to fall a modest 3.1 percent. Both taxes were favorably affected by the tax amnesty program that occurred in FY13, so FY14 receipts have a slightly elevated bar to eclipse.

Coal severance receipts fell short of the official estimate in FY13 and are expected to decline further in FY14. Energy markets, and coal markets in particular, have become quite volatile in the wake of technological advances in natural gas and oil extraction. Increased use of natural gas, slowing global demand, and unseasonable weather all combined to depress coal demand and coal prices.

Cigarette tax receipts declined 6.3 percent in FY13 but the accelerated downward trend is expected to stabilize over the forecast horizon. The outlook for cigarette tax receipts is for a nominal 2.4 percent decline in the first three quarters of FY14. A downward trend in smoking rates is still expected, but the \$1.00 per pack increase in the tax rate for Illinois is expected to have a small positive revenue impact for cigarette purchases in Kentucky.

Lottery receipts are determined by the Lottery Corporation's dividend schedule. The dividend expected in FY14 remains at \$214.5 million, the enacted estimate. Growth over the first three quarters of FY14 is expected to produce roughly same amount as FY12, while hitting the enacted estimate for the fiscal year.

The “Other” category contains dozens of smaller accounts, which make up the remainder of the General Fund. Insurance premiums tax, bank franchise and telecommunications tax are the three largest accounts in the “Other” category. The “Other” category of taxes is expected to rise 1.2 percent during the forecasting horizon, a small increase in growth compared to FY13. Each account was re-examined after FY13 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled \$713.8 million in FY13. The “Other” accounts are estimated to be \$536.0 million for the forecasting horizon. Tax Amnesty collections were responsible for the higher than expected receipts (vis-a-vis the FY13 official estimate).

### Road Fund

The Road Fund is forecasted to increase 4.4 percent during the first three quarters of FY14, as shown in Table 14. The Road Fund grew 3.3 percent in FY13 due to strong growth in motor fuels receipts and moderate growth in motor vehicle usage tax collections. Those increases helped offset declines in motor vehicle license, weight distance and “Other” tax receipts.

Motor fuels tax receipts are expected to increase 4.3 percent in the first nine months of FY14, due in large part to an increase in the

tax rate caused by rising average wholesale prices of gasoline. The tax rate will be at the maximum statutorily allowable rate in the first two quarters before declining in the third quarter. Total taxable gallons are projected to continue their long-term decline, offsetting some of the revenue gains resulting from a higher tax rate.

Motor vehicle usage taxes are forecast to grow 6.8 percent during the first three quarters of FY14 as motor vehicle sales continue to increase. The forecast for motor vehicle usage is boosted by the fact that the first three quarters of FY13 were weak. Motor vehicle usage receipts grew by 2.4 percent in FY13. This is significantly slower than in the two previous years when growth was 14.7 and 9.2 percent respectively.

To estimate growth of the other components of the Road Fund, GOEA consulted with officials in the Transportation Cabinet and the Department of Revenue to assess recent growth patterns as well as administrative factors in developing an updated estimate. Motor vehicle license fees are expected to increase 2.4 percent. Weight distance taxes are expected to rise 3.1 percent, motor vehicle operator’s license (driver’s license) taxes are forecasted to decline 1.2 percent, and investment income collections are projected to be \$1.8 million. The “Other” category is expected to increase 4.2 percent due to a variety of administrative factors.

**Table 14**  
**Road Fund Interim Forecast**  
**(\$ millions)**

	FY13				FY13		FY14	
	Q4		Full Year		Official CFG		Q1, Q2 & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	\$ Diff	Estimate	% Chg
Motor Fuels	221.2	10.3	838.3	6.1	850.5	-12.2	643.5	4.3
Motor Vehicle Usage	121.9	3.1	426.8	2.4	410.8	16.0	325.5	6.8
Motor Vehicle License	38.4	18.9	102.3	-5.2	99.3	3.0	65.4	2.4
Motor Vehicle Operator	4.1	2.2	16.0	2.0	15.9	0.1	11.8	-1.2
Weight Distance	18.6	-0.7	74.9	-0.2	86.0	-11.1	58.1	3.1
Income on Investments	-3.4	NA	-0.4	NA	2.3	-2.7	1.8	NA
Other	8.8	-30.0	33.6	-3.8	34.9	-1.3	25.9	4.2
<b>Road Fund</b>	<b>409.5</b>	<b>5.4</b>	<b>1,491.6</b>	<b>3.3</b>	<b>1,499.6</b>	<b>-8.0</b>	<b>1,130.2</b>	<b>4.4</b>

## NATIONAL ECONOMY

With four years of economic recovery now in the rearview mirror, more areas of the economy are displaying signs of improvement. The robustness of the housing market and consumer spending levels have led many economists to greatly increase their expectations for growth.

However, the significant downward revision of the first calendar quarter GDP estimates for 2013 from 2.4 percent to 1.8 percent was reminiscent of past years when a strong initial start for a calendar year faded in the second and third calendar quarters. The modest overall numbers are deceiving because the economy is starting from such a weak base.

As we enter the 2014 fiscal year, there are solid reasons to expect momentum to rebuild by the second and third quarters of the fiscal year. Businesses and consumers have adjusted to the fiscal tightening imposed by the budget sequestration and the impact of the two-percentage-point increase in payroll taxes that resulted from the loss of the pay-

roll tax holiday in the beginning of calendar 2013. Continuing improvement in the housing market should also add to the expansion. These purchases are bell-weather indicators as they give businesses and consumers the confidence to continue making purchases that increase total consumption and non-residential fixed investment.

At the federal level, increased tax revenues and reduced expenditures have reduced the budget deficit and removed the pressure needed for Congress to achieve a compromise on a fiscal policy agreement. The requirement to address the nation's debt ceiling will not arrive until the end of calendar 2013, allowing the nation to continue to operate under continued spending resolutions. As a result, the current budget sequestration is expected to remain in place throughout the calendar year, causing forecasted GDP growth to be 0.1 percent lower than expected.

The split between a re-energizing private sector and further cutbacks in government spending partially explain how job growth has increased at a faster pace than economic

growth. Spending cuts by the federal government have had more of an effect on outlays and hours worked by federal employees and contractors than they have on employment. That being said, there are concerns about the quality of jobs being added in the private sector, which have been heavily weighted toward lower-paying industries, many of which predominantly employ part-time or temporary workers. Efforts to minimize the effect of the Affordable Care Act may have played a role in this hiring.

As FY14 begins, there is still very little inflation pressure in the economy. A stubbornly high 7.7 percent unemployment rate is restraining wages, while weakening demand overseas is continuing to cause deflationary commodity price movements. Europe's recession is deepening and China's economy is slowing, further helping to keep inflation expectations low and removing price power from firms trying to increase prices.

As the fourth quarter of FY13 drew to a close, global financial markets responded negatively to statements made by Federal Reserve Chairman Ben Bernanke concerning the possibility of the Federal Reserve tapering their purchases of bond assets. The extreme volatility was especially apparent in bond markets, but all financial asset classes experienced significant declines in value, especially emerging country and currency markets.

The Federal Reserve is fully expected to continue with renewed purchases of \$45 billion in long-term Treasuries per month. This is in addition to the existing purchase of \$40 billion in mortgage backed securities per month and continued guidance on "near-zero" interest rates until unemployment drops to 6.5 percent. Given the current fore-

cast, this would keep the Federal Reserve's interest rate policies and asset purchasing programs in place through calendar 2013, with the potential for a tapering of the program to begin in early 2014.

Overall, the outlook for the next three quarters is positive, but continued slow growth. Real GDP is expected to grow at an annualized rate of 1.5 percent over the next quarter and for the first three quarters of FY14. Real GDP is forecasted to grow at an annualized rate of 1.9 percent. This represents a 1.9 percent increase over the same period in FY13. Consumption is forecast to grow by an annual rate of 2.1 percent over the next quarter. Government expenditures at all levels, Federal, state, and local, will continue to decline significantly.

## KENTUCKY ECONOMY

For the first three quarters of fiscal 2014, Kentucky is expected to lag the national economy in some areas of economic activity while experiencing greater growth than the national averages in some important categories. As shown in Tables 15 and 16, Kentucky personal income growth is expected to be 3.0 percent, slightly lagging the national average of 3.3 percent. However, growth in wages and salaries is expected to exceed the national growth rate with 3.6 percent increase versus the national increase of 3.4 percent.

Employment gains in the Commonwealth should be similar to the national average, with growth in the non-farm sector of 1.3 percent and a modest 2.3 percent in the goods producing sector. For the manufacturing sector, the continued recession in the Eurozone and slowing economic growth in China and other emerging markets will re-

duce demand for exports of manufactured, durable goods.

The service producing industries continue to account for approximately two-thirds of Kentucky jobs. The service-providing industries are forecasted to expand by 1.5 percent with the creation of approximately 17,000 jobs. If the recent nation trend of expanding the number of part-time workers in the service sector to mute the impact of the Affordable Care Act requirements is observed in the Commonwealth, the forecasted growth of service sector employment may be exceeded.

Employment in government—including federal, state, and local—is expected to continue to slow as government at all levels adjust to continued budgetary constraints and the continued federal budget sequestration. Overall, the sector is expected to decline by 0.1 percent for the first three quarters of FY14.

For the past four quarters, coal production, utilization and severance taxes have decreased significantly. In the fourth fiscal quarter of 2012, an equal share of the national electricity production was produced by coal and natural gas. Since the end of the fourth quarter of FY12, a combination of higher prices for natural gas and increased demand for electricity during the summer and winter months led electric systems across much of the country to increase their use of

coal-fired units. As we enter FY14 and demand for electricity typically rises, higher prices for natural gas have reduced the fuel's share of total generation and coal-fired facilities have generated 40 percent or more of the nation's electricity in recent months.

Additionally, two recent trends may indicate that Kentucky coal production could begin to recover from the recent low levels of production. The first concerns coal stockpiles at generating facilities. Last spring, when natural gas prices were near ten-year lows, coal consumption for electricity declined and stockpile levels increased. Coal consumption has since increased, but most power plants are burning down the record stockpile levels rather than increase purchases of coal. As the stockpiles are reduced, demand for coal production will begin to increase as we move into the third quarter of FY14. The second trend concerns exports of US mined coal to foreign countries. In the last quarter, monthly international exports exceeded previous records by approximately one million tons. Kentucky has historically exported approximately five percent of the annual production of the Commonwealth. The major destinations for exported coal are China, Netherlands, United Kingdom, South Korea, and Brazil. In each of these regions, natural gas prices have remained high as advanced drilling production techniques have not expanded significantly in their respective energy production markets.

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

	<b>Q1, Q2, &amp; Q3</b>			
	<b>FY14</b>	<b>FY13</b>	<b>\$ Chg</b>	<b>% Chg</b>
<b>United States</b>				
Real GDP	13,952.2	13,688.0	264.1	1.9
Real Consumption	9,885.8	9,676.5	209.3	2.2
Real Investment	2,093.7	1,947.0	146.7	7.5
Real Govt. Expenditures	2,392.9	2,462.8	-69.9	-2.8
Real Exports	1,903.5	1,843.3	60.2	3.3
Real Imports	2,300.4	2,233.7	66.7	3.0
Personal Income (\$ billions)	14,035.2	13,591.0	444.2	3.3
Wages and Salaries (\$ billions)	7,232.5	6,997.0	235.5	3.4
Inflation (% chg CPI)	1.1	1.8	NA	NA
Industrial Production Index (% chg)	3.0	2.9	NA	NA
Civilian Labor Force (millions)	156.5	155.3	1.3	0.8
Total Non-farm Employment (millions)	136.5	134.5	2.0	1.5
Manufacturing Employment (millions)	12.0	12.0	0.1	0.6
Unemployment Rate (%)	7.5	7.9	NA	NA
<b>Kentucky</b>				
Personal Income (\$ millions)	159,099.3	154,484.1	4,615.2	3.0
Wage & Salary (\$ millions)	80,611.2	77,776.6	2,834.5	3.6
Non-farm Employment (thousands)	1,857.4	1,833.1	24.3	1.3
Goods Producing (thousands)	320.7	313.6	7.1	2.3
Service Providing (thousands)	1,200.5	1,182.9	17.6	1.5
Government (thousands)	336.2	336.6	-0.4	-0.1

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

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

Data for FY14 Q1 through Q3 are June 2013 estimates.

Source: IHS Global Insight Inc., June 2013 data release

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

	FY12				FY13				FY14		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>United States</b>											
Real GDP	1.6	2.0	2.4	2.1	2.6	1.7	1.8	1.8	1.5	2.0	2.3
Real Consumption	2.5	1.9	1.8	1.9	1.9	1.8	2.1	2.1	2.2	2.2	2.1
Real Investment	1.5	10.9	14.1	10.9	11.1	3.6	4.3	6.7	6.4	8.1	8.1
Real Government Expenditures	-3.8	-3.3	-2.2	-2.2	-0.5	-1.8	-2.3	-3.4	-4.4	-2.8	-1.2
Real Exports	6.5	4.3	4.0	4.3	3.2	2.1	1.2	0.6	1.4	3.7	4.8
Real Imports	2.2	3.5	3.2	3.9	2.5	0.2	-0.1	-0.3	1.1	3.5	4.4
Personal Income	4.7	4.1	2.9	3.0	3.3	5.7	2.8	2.9	3.4	1.8	4.7
Wage & Salary	3.5	3.4	3.1	2.9	3.2	5.5	3.2	3.4	3.9	2.4	3.9
CPI	3.7	3.3	2.8	1.9	1.7	1.9	1.7	1.3	1.2	1.0	1.1
Industrial Production Index	2.6	3.3	4.0	4.5	3.3	2.8	2.5	1.9	2.8	3.2	3.0
Civilian Labor Force	-0.1	0.1	0.9	0.9	0.8	0.9	0.5	0.4	0.7	0.7	1.0
Total Non-farm Employment	1.4	1.5	1.8	1.7	1.7	1.6	1.5	1.6	1.6	1.5	1.4
Manufacturing Employment	1.8	1.8	1.9	1.8	1.6	1.4	0.9	0.6	0.6	0.6	0.6
Unemployment Rate	9.0	8.7	8.3	8.2	8.0	7.8	7.7	7.5	7.6	7.6	7.4
<b>Kentucky</b>											
Personal Income	4.8	4.8	3.4	3.2	2.8	4.0	1.6	1.9	2.6	2.0	4.4
Wage & Salary	3.5	4.1	3.6	3.1	2.2	2.7	1.7	2.3	3.5	3.6	3.7
Non-farm Employment	1.6	1.3	1.9	1.9	1.5	1.5	1.0	1.3	1.4	1.3	1.4
Goods Producing	1.4	1.6	2.7	2.8	3.4	2.1	2.0	2.1	1.7	2.9	2.2
Service Providing	1.7	1.2	1.7	2.0	1.4	2.0	1.0	1.5	1.7	1.1	1.7
Government	1.7	1.6	1.9	1.0	0.3	-0.5	-0.1	-0.3	-0.1	0.3	-0.6

Data for FY13 Q4 are June 2013 estimates.

Source: IHS Global Insight Inc., June 2013 data release.

**Appendix A**

**General and Road Fund Receipts**  
**Fourth Quarter FY2013**

## KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	Fourth Quarter FY 2013	Fourth Quarter FY 2012	%	Year-To-Date FY 2013	Year-To-Date FY 2012	%
			Change			Change
<b>TOTAL GENERAL FUND</b>	<b>\$2,572,960,095</b>	<b>\$2,489,481,446</b>	<b>3.4%</b>	<b>\$9,348,326,000</b>	<b>\$9,090,954,645</b>	<b>2.8%</b>
Tax Receipts	\$2,461,640,953	2,408,630,620	2.2%	\$8,992,372,146	\$8,786,626,012	2.3%
Sales and Gross Receipts	\$936,912,494	951,335,137	-1.5%	\$3,616,732,159	\$3,648,803,253	-0.9%
Beer Consumption	1,655,403	1,698,360	-2.5%	6,190,085	6,125,423	1.1%
Beer Wholesale	14,830,404	14,971,812	-0.9%	53,750,045	54,139,730	-0.7%
Cigarette	63,286,979	69,428,937	-8.8%	238,669,895	254,798,018	-6.3%
Distilled Spirits Case Sales	31,411	29,682	5.8%	122,873	116,903	5.1%
Distilled Spirits Consumption	3,032,354	2,895,472	4.7%	11,962,448	11,355,027	5.3%
Distilled Spirits Wholesale	8,341,106	7,678,582	8.6%	31,911,903	29,695,678	7.5%
Insurance Premium	44,394,323	42,394,005	4.7%	139,471,024	133,069,934	4.8%
Pari-Mutuel	1,928,056	1,871,441	3.0%	4,842,847	3,600,911	34.5%
Race Track Admission	56,443	5,875	860.7%	184,269	164,223	12.2%
Sales and Use	773,029,004	784,719,884	-1.5%	3,021,794,387	3,052,236,048	-1.0%
Wine Consumption	701,351	653,008	7.4%	2,856,119	2,716,967	5.1%
Wine Wholesale	3,769,686	3,411,230	10.5%	14,959,504	14,102,961	6.1%
Telecommunications Tax	16,283,713	16,016,836	1.7%	68,327,915	64,919,274	5.3%
OTP	5,567,743	5,550,478	0.3%	21,669,418	21,730,607	-0.3%
Floor Stock Tax	4,518	9,535	-52.6%	8,198	23,786	-65.5%
<b>License and Privilege</b>	<b>\$155,709,821</b>	<b>\$160,018,238</b>	<b>-2.7%</b>	<b>\$615,821,292</b>	<b>\$647,694,277</b>	<b>-4.9%</b>
Alc. Bev. License Suspension	107,542	78,170	37.6%	402,958	281,375	43.2%
Coal Severance	55,667,587	65,534,975	-15.1%	230,540,150	298,263,637	-22.7%
Corporation License	228,596	4,898,408	-95.3%	(294,874)	5,330,573	---
Corporation Organization	9,676	59,907	-83.8%	97,963	94,666	3.5%
Occupational Licenses	77,752	87,513	-11.2%	137,311	156,845	-12.5%
Oil Production	3,116,798	3,015,451	3.4%	10,974,127	11,955,961	-8.2%
Race Track License	55,925	66,068	-15.4%	264,011	272,443	-3.1%
Bank Franchise Tax	577,860	1,565,633	-63.1%	98,971,258	94,158,966	5.1%
Driver License Fees	159,790	152,981	4.5%	633,198	608,829	4.0%
Minerals Severance	3,440,158	2,982,765	15.3%	13,306,647	13,292,368	0.1%
Natural Gas Severance	4,309,966	4,431,078	-2.7%	14,665,363	22,538,258	-34.9%
Limited Liability Entity	87,958,171	77,145,287	14.0%	246,123,181	200,740,356	22.6%
<b>Income</b>	<b>\$1,312,760,756</b>	<b>\$1,241,129,822</b>	<b>5.8%</b>	<b>\$4,123,715,965</b>	<b>\$3,886,498,908</b>	<b>6.1%</b>
Corporation	152,961,478	154,631,744	-1.1%	400,752,175	374,423,779	7.0%
Individual	1,159,799,278	1,086,498,078	6.7%	3,722,963,791	3,512,075,128	6.0%
<b>Property</b>	<b>\$35,906,020</b>	<b>\$38,040,099</b>	<b>-5.6%</b>	<b>\$558,378,328</b>	<b>\$529,566,811</b>	<b>5.4%</b>
Building & Loan Association	2,348,742	2,508,944	-6.4%	2,332,923	2,462,810	-5.3%
General - Real	5,875,331	6,111,493	-3.9%	257,970,441	251,285,063	2.7%
General - Tangible	31,774,678	35,601,266	-10.7%	216,942,082	207,739,436	4.4%
Omitted & Delinquent	(5,418,448)	817,969	---	26,972,243	16,687,591	61.6%
Public Service	1,320,913	(7,005,533)	---	52,795,179	50,063,069	5.5%
Other	4,803	5,961	-19.4%	1,365,461	1,328,843	2.8%
<b>Inheritance</b>	<b>\$11,919,911</b>	<b>\$10,811,894</b>	<b>10.2%</b>	<b>\$41,326,220</b>	<b>\$41,312,904</b>	<b>0.0%</b>
<b>Miscellaneous</b>	<b>\$8,431,951</b>	<b>\$7,295,430</b>	<b>15.6%</b>	<b>\$36,398,182</b>	<b>\$32,749,859</b>	<b>11.1%</b>
Legal Process	4,987,880	5,022,964	-0.7%	19,748,614	19,977,267	-1.1%
T. V. A. In Lieu Payments	3,422,542	2,269,975	50.8%	16,600,467	12,707,124	30.6%
Other	21,529	2,491	764.3%	49,101	65,468	-25.0%
<b>Nontax Receipts</b>	<b>\$111,285,818</b>	<b>\$80,578,631</b>	<b>38.1%</b>	<b>\$353,103,427</b>	<b>\$301,849,149</b>	<b>17.0%</b>
Departmental Fees	10,508,238	7,228,142	45.4%	28,494,072	26,203,503	8.7%
PSC Assessment Fee	114,224	1,951,575	-94.1%	13,205,508	7,389,549	78.7%
Fines & Forfeitures	6,497,196	7,165,464	-9.3%	28,264,706	26,274,627	7.6%
Income on Investments	(367,523)	(15,097,696)	---	711,516	(14,535,985)	---
Lottery	60,000,000	54,829,000	9.4%	215,266,568	210,800,122	2.1%
Sale of NOx Credits	23,288	2,025	1050.0%	50,892	22,025	131.1%
Miscellaneous	34,510,395	24,500,121	40.9%	67,110,164	45,695,310	46.9%
<b>Redeposit of State Funds</b>	<b>\$33,324</b>	<b>\$272,196</b>	<b>-87.8%</b>	<b>\$2,850,428</b>	<b>\$2,479,483</b>	<b>15.0%</b>

## KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Fourth Quarter FY 2013	Fourth Quarter FY 2012	%	Year-To-Date FY 2013	Year-To-Date FY 2012	%
			Change			Change
<b>TOTAL ROAD FUND</b>	<b>\$409,546,924</b>	<b>\$388,713,732</b>	<b>5.4%</b>	<b>\$1,491,623,669</b>	<b>\$1,443,773,845</b>	<b>3.3%</b>
Tax Receipts-	\$407,847,679	\$376,921,598	8.2%	\$1,471,593,789	\$1,416,497,670	3.9%
<b>Sales and Gross Receipts</b>	<b>\$343,079,609</b>	<b>\$318,685,711</b>	<b>7.7%</b>	<b>\$1,265,175,199</b>	<b>\$1,207,082,330</b>	<b>4.8%</b>
Motor Fuels Taxes	221,157,751	200,437,732	10.3%	838,344,373	790,229,379	6.1%
Motor Vehicle Usage	121,921,858	118,247,980	3.1%	426,830,826	416,852,951	2.4%
<b>License and Privilege</b>	<b>\$64,768,070</b>	<b>\$58,235,887</b>	<b>11.2%</b>	<b>\$206,418,590</b>	<b>\$209,415,340</b>	<b>-1.4%</b>
Motor Vehicles	38,382,449	32,275,527	18.9%	102,256,080	107,836,554	-5.2%
Motor Vehicle Operators	4,107,533	4,018,392	2.2%	16,049,755	15,737,651	2.0%
Weight Distance	18,596,276	18,735,571	-0.7%	74,935,016	75,111,565	-0.2%
Truck Decal Fees	520,569	629,410	-17.3%	590,397	736,224	-19.8%
Other Special Fees	3,161,244	2,576,987	22.7%	12,587,343	9,993,345	26.0%
<b>Nontax Receipts</b>	<b>\$1,656,603</b>	<b>\$12,024,378</b>	<b>-86.2%</b>	<b>\$18,023,074</b>	<b>\$26,739,794</b>	<b>-32.6%</b>
Departmental Fees	4,648,020	8,924,385	-47.9%	17,094,723	21,879,481	-21.9%
In Lieu of Traffic Fines	163,728	203,705	-19.6%	702,451	769,405	-8.7%
Income on Investments	(3,386,893)	2,471,110	-237.1%	(398,745)	3,081,180	-112.9%
Miscellaneous	231,748	425,178	-45.5%	624,646	1,009,727	-38.1%
<b>Redeposit of State Funds</b>	<b>\$42,642</b>	<b>(\$232,244)</b>	<b>--</b>	<b>\$2,006,806</b>	<b>\$536,381</b>	<b>274.1%</b>

## **Appendix B**

### **Summary Statistics for General and Road Funds FY04 - FY13**

**Summary Statistics for General Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2004 - 2013**

	FY04	FY05	FY06	FY07	FY08
<b>TOTAL GENERAL FUND</b>	<b>6,977,623,200</b>	<b>7,645,046,634</b>	<b>8,376,083,216</b>	<b>8,573,819,250</b>	<b>8,664,336,663</b>
<b>Tax Receipts</b>	<b>6,686,290,589</b>	<b>7,350,335,469</b>	<b>8,065,347,817</b>	<b>8,233,789,253</b>	<b>8,329,734,971</b>
<b>Sales and Gross Receipts</b>	<b>2,668,210,228</b>	<b>2,838,701,120</b>	<b>3,174,734,842</b>	<b>3,280,448,981</b>	<b>3,354,581,311</b>
Beer Consumption	6,320,886	6,387,318	6,393,753	6,344,079	6,535,066
Beer Wholesale	37,439,919	37,815,717	45,206,839	46,806,186	49,531,545
Cigarette	17,136,198	24,966,880	172,069,493	168,768,467	169,547,927
Cigarette Floor Stock	---	8,701,966	12,089,404	9,746	
Distilled Spirits Case Sales	87,662	92,178	94,806	98,874	104,154
Distilled Spirits Consumption	8,985,826	9,190,089	9,900,035	10,094,572	10,378,013
Distilled Spirits Wholesale	16,957,192	18,150,313	23,524,032	25,139,117	26,628,403
Insurance Premium	120,523,955	123,410,091	122,824,056	125,877,984	129,296,901
Pari-Mutuel	3,629,292	4,710,111	5,626,849	5,489,552	5,327,540
Race Track Admission	232,350	195,068	230,285	190,362	219,939
Sales and Use	2,447,584,698	2,594,966,373	2,749,765,011	2,817,652,253	2,877,814,014
Wine Consumption	2,005,265	2,279,162	1,945,945	2,326,331	2,353,476
Wine Wholesale	7,306,985	7,835,853	10,510,955	11,392,111	11,977,256
Telecommunications Tax	---	---	14,553,379	51,623,000	55,972,928
Other Tobacco Products	---	---	---	8,636,348	8,894,150
<b>License and Privilege</b>	<b>368,122,494</b>	<b>427,823,269</b>	<b>386,264,573</b>	<b>352,829,122</b>	<b>468,666,009</b>
Alc. Bev. License & Suspension	223,700	237,101	280,450	659,151	830,310
Coal Severance	147,498,230	184,436,935	224,490,111	221,952,516	232,977,827
Corporation License	124,096,012	134,149,794	43,516,942	11,734,452	2,822,279
Corporation Organization	143,804	613,048	221,281	115,755	259,654
Occupational Licenses	223,002	188,761	174,122	207,198	191,571
Oil Production	3,387,884	4,710,832	6,386,501	6,198,342	10,201,113
Race Track License	335,625	324,642	289,258	283,675	245,360
Bank Franchise Tax	55,467,195	63,837,587	59,603,147	63,912,315	71,976,055
Driver License Fees	523,979	522,904	600,903	603,807	599,370
Minerals Severance	13,711,874	13,494,541	14,502,342	14,822,013	16,360,844
Natural Gas Severance	22,511,188	25,307,125	36,199,516	32,339,897	33,794,313
LLET					98,407,313
<b>Income</b>	<b>3,099,593,870</b>	<b>3,514,735,211</b>	<b>3,920,229,525</b>	<b>4,029,600,561</b>	<b>3,918,359,883</b>
Corporation	303,262,821	478,504,505	1,001,618,543	988,064,957	435,222,566
Individual	2,796,331,049	3,036,230,706	2,918,610,982	3,041,535,604	3,483,137,317
<b>Property</b>	<b>448,765,511</b>	<b>472,596,276</b>	<b>502,510,631</b>	<b>492,462,208</b>	<b>500,646,790</b>
Bank Deposits	467,711	474,098	505,351	513,619	532,436
Building & Loan Association	2,513,083	3,192,911	2,071,523	2,921,484	2,649,630
Distilled Spirits	375,637	388,612	410,798	506,754	513,549
General - Intangible	27,547,183	26,912,813	30,955,124	48,841	-
General - Real	192,534,530	202,182,555	215,351,439	228,282,174	237,153,330
General - Tangible	149,155,206	159,883,091	165,622,948	192,343,695	205,763,426
Omitted & Delinquent	15,829,225	20,646,846	30,330,629	25,253,460	17,519,651
Public Service	60,178,393	58,787,595	57,259,849	42,588,669	36,511,473
Other	164,542	127,756	2,970	3,512	3,295
<b>Inheritance</b>	<b>66,083,705</b>	<b>63,174,866</b>	<b>45,990,266</b>	<b>43,578,107</b>	<b>51,001,299</b>
<b>Miscellaneous</b>	<b>35,514,782</b>	<b>33,304,727</b>	<b>35,617,980</b>	<b>34,870,274</b>	<b>36,479,679</b>
Legal Process	27,322,798	24,696,032	25,118,948	24,759,470	24,060,840
T. V. A. In Lieu Payments	8,146,924	8,559,023	10,248,314	10,037,326	12,389,344
Other	45,061	49,672	250,719	73,478	29,495
<b>Nontax Receipts</b>	<b>280,871,754</b>	<b>286,661,124</b>	<b>302,629,799</b>	<b>327,878,702</b>	<b>330,053,277</b>
Departmental Fees	22,161,022	22,542,182	23,932,336	25,043,719	30,382,254
PSC Assessment Fee	5,389,636	13,568,805	9,041,415	14,593,067	14,306,084
Fines & Forfeitures	27,991,293	25,405,780	26,129,275	26,606,686	28,118,106
Interest on Investments	1,017,305	6,950,902	18,681,492	31,991,861	23,868,325
Lottery	173,800,000	161,252,000	190,000,000	186,625,113	187,461,591
Sale of NOx Credits	11,836,125	3,696,675	1,126,000	811,600	12,251,950
Miscellaneous	38,676,373	53,244,780	33,719,282	42,206,657	33,664,968
<b>Redeposit of State Funds</b>	<b>10,460,857</b>	<b>8,050,041</b>	<b>8,105,601</b>	<b>12,151,295</b>	<b>4,548,415</b>

**Summary Statistics for General Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2004 - 2013**

	FY09	FY10	FY11	FY12	FY13
<b>TOTAL GENERAL FUND</b>	<b>8,426,351,594</b>	<b>8,225,127,620</b>	<b>8,759,442,646</b>	<b>9,090,954,645</b>	<b>9,348,326,000</b>
<b>Tax Receipts</b>	<b>8,112,768,934</b>	<b>7,917,980,032</b>	<b>8,455,775,175</b>	<b>8,786,626,012</b>	<b>8,992,372,146</b>
<b>Sales and Gross Receipts</b>	<b>3,374,871,927</b>	<b>3,396,530,945</b>	<b>3,489,069,236</b>	<b>3,648,803,253</b>	<b>3,616,732,159</b>
Beer Consumption	6,478,525	6,165,525	6,118,817	6,125,423	6,190,085
Beer Wholesale	51,696,564	51,596,255	51,914,445	54,139,730	53,750,045
Cigarette	186,756,010	278,159,743	262,220,720	254,798,018	238,669,895
Cigarette Floor Stock	16,292,300	274,940	150,038	31,548	19,426
Distilled Spirits Case Sales	109,333	453,002	-232,830	116,903	122,873
Distilled Spirits Consumption	10,676,604	10,719,543	10,942,531	11,355,027	11,962,448
Distilled Spirits Wholesale	27,884,547	27,517,432	28,175,617	29,695,678	31,911,903
Insurance Premium	125,168,149	125,063,475	128,731,563	133,069,934	139,471,024
Pari-Mutuel	4,387,515	-82,480	4,607,322	3,600,911	4,842,847
Race Track Admission	230,888	187,994	178,957	164,223	184,269
Sales and Use	2,857,665,168	2,794,057,329	2,896,251,816	3,052,236,048	3,021,794,387
Wine Consumption	2,392,069	2,442,113	2,584,039	2,716,967	2,856,119
Wine Wholesale	12,356,700	12,082,136	13,748,696	14,102,961	14,959,504
Telecommunications Tax	61,228,833	66,786,669	62,286,497	64,919,274	68,327,915
Other Tobacco Products	11,548,724	21,107,290	21,391,009	21,730,607	21,669,418
<b>License and Privilege</b>	<b>561,746,597</b>	<b>539,421,718</b>	<b>658,594,243</b>	<b>647,694,277</b>	<b>615,821,292</b>
Alc. Bev. License & Suspension	393,050	562,082	377,550	281,375	402,958
Coal Severance	292,591,094	271,943,100	295,836,611	298,263,637	230,540,150
Corporation License	9,154,338	5,470,951	10,654,547	5,330,573	-294,874
Corporation Organization	38,101	167,841	69,928	94,666	97,963
Occupational Licenses	257,200	172,153	165,753	156,845	137,311
Oil Production	8,430,228	7,564,121	8,287,566	11,955,961	10,974,127
Race Track License	350,225	271,425	262,175	272,443	264,011
Bank Franchise Tax	73,339,144	69,085,922	88,400,971	94,158,966	98,971,258
Driver License Fees	579,919	596,348	602,721	608,829	633,198
Minerals Severance	12,807,705	13,266,156	13,256,853	13,292,368	13,306,647
Natural Gas Severance	42,155,501	24,373,188	24,938,411	22,538,258	14,665,363
LLET	121,650,092	145,948,432	215,741,157	200,740,356	246,123,181
<b>Income</b>	<b>3,583,353,074</b>	<b>3,392,355,392</b>	<b>3,718,560,868</b>	<b>3,886,498,908</b>	<b>4,123,715,965</b>
Corporation	267,984,858	237,867,392	300,782,364	374,423,779	400,752,175
Individual	3,315,368,217	3,154,488,000	3,417,778,504	3,512,075,128	3,722,963,791
<b>Property</b>	<b>513,122,060</b>	<b>516,169,947</b>	<b>514,814,972</b>	<b>529,566,811</b>	<b>558,378,328</b>
Bank Deposits	542,716	589,597	561,375	570,776	588,098
Building & Loan Association	2,898,977	2,920,507	2,457,458	2,462,810	2,332,923
Distilled Spirits	624,280	685,815	730,146	754,636	772,733
General - Intangible	-	-	-	-	-
General - Real	241,008,338	248,756,857	247,034,036	251,285,063	257,970,441
General - Tangible	203,783,916	193,234,982	186,665,683	207,739,436	216,942,082
Omitted & Delinquent	22,945,670	24,952,198	28,140,461	16,687,591	26,972,243
Public Service	41,315,048	45,026,921	49,210,400	50,063,069	52,795,179
Other	3,115	3,071	15,412	3,431	4,629
<b>Inheritance</b>	<b>41,234,240</b>	<b>37,201,611</b>	<b>41,350,929</b>	<b>41,312,904</b>	<b>41,326,220</b>
<b>Miscellaneous</b>	<b>38,441,036</b>	<b>36,300,419</b>	<b>33,384,927</b>	<b>32,749,859</b>	<b>36,398,182</b>
Legal Process	23,782,419	21,807,020	20,303,600	19,977,267	19,748,614
T. V. A. In Lieu Payments	14,593,246	14,335,091	12,992,023	12,707,124	16,600,467
Other	65,371	158,308	89,304	65,468	49,101
<b>Nontax Receipts</b>	<b>311,791,847</b>	<b>301,799,304</b>	<b>300,260,186</b>	<b>301,849,149</b>	<b>353,103,427</b>
Departmental Fees	31,912,667	29,530,171	29,505,690	26,203,503	28,494,072
PSC Assessment Fee	14,104,836	12,685,063	16,266,055	7,389,549	13,205,508
Fines & Forfeitures	29,298,014	29,046,803	26,117,800	26,274,627	28,264,706
Interest on Investments	4,183,825	-303,103	767,606	-14,535,985	711,516
Lottery	193,500,000	200,000,000	200,500,000	210,800,122	215,266,568
Sale of NOx Credits	0	625,230	36,825	22,025	50,892
Miscellaneous	38,792,505	30,215,139	27,066,209	45,695,310	67,110,164
<b>Redeposit of State Funds</b>	<b>1,790,813</b>	<b>5,348,284</b>	<b>3,407,285</b>	<b>2,479,483</b>	<b>2,850,428</b>

**General Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2004 - 2013**

	FY04	FY05	FY06	FY07	FY08
<b>TOTAL GENERAL FUND</b>	<b>2.9%</b>	<b>9.6%</b>	<b>9.6%</b>	<b>2.4%</b>	<b>12.1%</b>
<b>Tax Receipts</b>	<b>2.2%</b>	<b>9.9%</b>	<b>9.7%</b>	<b>2.1%</b>	<b>12.0%</b>
<b>Sales and Gross Receipts</b>	<b>3.5%</b>	<b>6.4%</b>	<b>11.8%</b>	<b>3.3%</b>	<b>15.6%</b>
Beer Consumption	-0.2%	1.1%	0.1%	-0.8%	-0.7%
Beer Wholesale	4.1%	1.0%	19.5%	3.5%	23.8%
Cigarette	4.7%	45.7%	589.2%	-1.9%	576.0%
Cigarette Floor Stock	---	---	---	-99.9%	-99.9%
Distilled Spirits Case Sales	2.4%	5.2%	2.9%	4.3%	7.3%
Distilled Spirits Consumption	3.5%	2.3%	7.7%	2.0%	9.8%
Distilled Spirits Wholesale	5.4%	7.0%	29.6%	6.9%	38.5%
Insurance Premium	4.8%	2.4%	-0.5%	2.5%	2.0%
Pari-Mutuel	-39.0%	29.8%	19.5%	-2.4%	16.5%
Race Track Admission	20.3%	-16.0%	18.1%	-17.3%	-2.4%
Sales and Use	3.5%	6.0%	6.0%	2.5%	8.6%
Wine Consumption	5.4%	13.7%	-14.6%	19.5%	2.1%
Wine Wholesale	7.5%	7.2%	34.1%	8.4%	45.4%
Telecommunications Tax	---	---	---	254.7%	8.4%
Other Tobacco Products	---	---	---	---	3.0%
<b>License and Privilege</b>	<b>-3.1%</b>	<b>16.2%</b>	<b>-9.7%</b>	<b>-8.7%</b>	<b>-17.5%</b>
Alc. Bev. License Suspension	-1.8%	6.0%	18.3%	135.0%	178.0%
Coal Severance	4.1%	25.0%	21.7%	-1.1%	20.3%
Corporation License	-18.7%	8.1%	-67.6%	-73.0%	-91.3%
Corporation Organization	-24.5%	326.3%	-63.9%	-47.7%	-81.1%
Occupational Licenses	12.6%	-15.4%	-7.8%	19.0%	9.8%
Oil Production	8.7%	39.0%	35.6%	-2.9%	31.6%
Race Track License	4.0%	-3.3%	-10.9%	-1.9%	-12.6%
Bank Franchise Tax	3.2%	15.1%	-6.6%	7.2%	0.1%
Driver License Fees	5.0%	-0.2%	14.9%	0.5%	15.5%
Minerals Severance	9.0%	-1.6%	7.5%	2.2%	9.8%
Natural Gas Severance	53.0%	12.4%	43.0%	-10.7%	27.8%
LLET	---	---	---	---	---
<b>Income</b>	<b>2.5%</b>	<b>13.4%</b>	<b>11.5%</b>	<b>2.8%</b>	<b>14.6%</b>
Corporation	9.1%	57.8%	109.3%	-1.4%	106.5%
Individual	1.8%	8.6%	-3.9%	4.2%	0.2%
<b>Property</b>	<b>3.2%</b>	<b>5.3%</b>	<b>6.3%</b>	<b>-2.0%</b>	<b>4.2%</b>
Bank Deposits	2.4%	1.4%	6.6%	1.6%	8.3%
Building & Loan Association	-21.0%	27.1%	-35.1%	41.0%	-8.5%
Distilled Spirits	-15.0%	3.5%	5.7%	23.4%	30.4%
General - Intangible	6.4%	-2.3%	15.0%	-99.8%	-99.8%
General - Real	3.5%	5.0%	6.5%	6.0%	12.9%
General - Tangible	-0.2%	7.2%	3.6%	16.1%	20.3%
Omitted & Delinquent	-22.3%	30.4%	46.9%	-16.7%	22.3%
Public Service	23.2%	-2.3%	-2.6%	-25.6%	-27.6%
Other	-5.2%	-22.4%	-97.7%	18.2%	-97.3%
<b>Inheritance</b>	<b>-31.1%</b>	<b>-4.4%</b>	<b>-27.2%</b>	<b>-5.2%</b>	<b>-31.0%</b>
	<b>15.7%</b>	<b>-6.2%</b>	<b>6.9%</b>	<b>-2.1%</b>	<b>4.7%</b>
Legal Process	18.8%	-9.6%	1.7%	-1.4%	0.3%
T. V. A. In Lieu Payments	6.4%	5.1%	19.7%	-2.1%	17.3%
Other	-4.3%	10.2%	404.7%	-70.7%	47.9%
<b>Nontax Receipts</b>	<b>20.2%</b>	<b>2.1%</b>	<b>5.6%</b>	<b>8.3%</b>	<b>14.4%</b>
Departmental Fees	0.8%	1.7%	6.2%	4.6%	11.1%
PSC Assessment Fee <sup>7</sup>	-38.1%	151.8%	-33.4%	61.4%	7.5%
Fines & Forfeitures	-3.1%	-9.2%	2.8%	1.8%	4.7%
Interest on Investments	-114.2%	583.3%	168.8%	71.2%	360.3%
Lottery	1.6%	-7.2%	17.8%	-1.8%	15.7%
Sale of NOx Credits	---	---	---	-27.9%	-78.0%
Miscellaneous	276.3%	37.7%	-36.7%	25.2%	-20.7%
<b>Redeposit of State Funds</b>	<b>58.3%</b>	<b>-23.0%</b>	<b>0.7%</b>	<b>49.9%</b>	<b>50.9%</b>

**General Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2004 - 2013**

	FY09	FY10	FY11	FY12	FY13
<b>TOTAL GENERAL FUND</b>	<b>-2.7%</b>	<b>-2.4%</b>	<b>6.5%</b>	<b>3.8%</b>	<b>2.8%</b>
<b>Tax Receipts</b>	<b>-2.6%</b>	<b>-2.4%</b>	<b>6.8%</b>	<b>3.9%</b>	<b>2.3%</b>
<b>Sales and Gross Receipts</b>	<b>0.6%</b>	<b>0.6%</b>	<b>2.7%</b>	<b>4.6%</b>	<b>-0.9%</b>
Beer Consumption	-0.9%	-4.8%	-0.8%	0.1%	1.1%
Beer Wholesale	4.4%	-0.2%	0.6%	4.3%	-0.7%
Cigarette	10.1%	48.9%	-5.7%	-2.8%	-6.3%
Cigarette Floor Stock	---	-98.3%	-45.4%	-79.0%	-38.4%
Distilled Spirits Case Sales	5.0%	314.3%	-151.4%	-150.2%	5.1%
Distilled Spirits Consumption	2.9%	0.4%	2.1%	3.8%	5.3%
Distilled Spirits Wholesale	4.7%	-1.3%	2.4%	5.4%	7.5%
Insurance Premium	-3.2%	-0.1%	2.9%	3.4%	4.8%
Pari-Mutuel	-17.6%	-101.9%	-5686.0%	-21.8%	34.5%
Race Track Admission	5.0%	-18.6%	-4.8%	-8.2%	12.2%
Sales and Use	-0.7%	-2.2%	3.7%	5.4%	-1.0%
Wine Consumption	1.6%	2.1%	5.8%	5.1%	5.1%
Wine Wholesale	3.2%	-2.2%	13.8%	2.6%	6.1%
Telecommunications Tax	9.4%	9.1%	-6.7%	4.2%	5.3%
Other Tobacco Products	29.8%	82.8%	1.3%	1.6%	-0.3%
<b>License and Privilege</b>	<b>19.9%</b>	<b>-4.0%</b>	<b>22.1%</b>	<b>-1.7%</b>	<b>-4.9%</b>
Alc. Bev. License Suspension	-52.7%	43.0%	-32.8%	-25.5%	43.2%
Coal Severance	25.6%	-7.1%	8.8%	0.8%	-22.7%
Corporation License	224.4%	-40.2%	94.7%	-50.0%	-105.5%
Corporation Organization	-85.3%	340.5%	-58.3%	35.4%	3.5%
Occupational Licenses	34.3%	-33.1%	-3.7%	-5.4%	-12.5%
Oil Production	-17.4%	-10.3%	9.6%	44.3%	-8.2%
Race Track License	42.7%	-22.5%	-3.4%	3.9%	-3.1%
Bank Franchise Tax	1.9%	-5.8%	28.0%	6.5%	5.1%
Driver License Fees	-3.2%	2.8%	1.1%	1.0%	4.0%
Minerals Severance	-21.7%	3.6%	-0.1%	0.3%	0.1%
Natural Gas Severance	24.7%	-42.2%	2.3%	-9.6%	-34.9%
LLET	23.6%	20.0%	47.8%	-7.0%	22.6%
<b>Income</b>	<b>-8.5%</b>	<b>-5.3%</b>	<b>9.6%</b>	<b>4.5%</b>	<b>6.1%</b>
Corporation	-38.4%	-11.2%	26.4%	24.5%	7.0%
Individual	-4.8%	-4.9%	8.3%	2.8%	6.0%
<b>Property</b>	<b>2.5%</b>	<b>0.6%</b>	<b>-0.3%</b>	<b>2.9%</b>	<b>5.4%</b>
Bank Deposits	1.9%	8.6%	-4.8%	1.7%	3.0%
Building & Loan Association	9.4%	0.7%	-15.9%	0.2%	-5.3%
Distilled Spirits	21.6%	9.9%	6.5%	3.4%	2.4%
General - Intangible					
General - Real	1.6%	3.2%	-0.7%	1.7%	2.7%
General - Tangible	-1.0%	-5.2%	-3.4%	11.3%	4.4%
Omitted & Delinquent	31.0%	8.7%	12.8%	-40.7%	61.6%
Public Service	13.2%	9.0%	9.3%	1.7%	5.5%
Other	-5.5%	-1.4%	401.9%	-77.7%	34.9%
<b>Inheritance</b>	<b>-19.2%</b>	<b>-9.8%</b>	<b>11.2%</b>	<b>-0.1%</b>	<b>0.0%</b>
<b>Miscellaneous</b>	<b>5.4%</b>	<b>-5.6%</b>	<b>-8.0%</b>	<b>-1.9%</b>	<b>11.1%</b>
Legal Process	-1.2%	-8.3%	-6.9%	-1.6%	-1.1%
T. V. A. In Lieu Payments	17.8%	-1.8%	-9.4%	-2.2%	30.6%
Other	121.6%	142.2%	-43.6%	-26.7%	-25.0%
<b>Nontax Receipts</b>	<b>-5.5%</b>	<b>-3.2%</b>	<b>-0.5%</b>	<b>0.5%</b>	<b>17.0%</b>
Departmental Fees	5.0%	-7.5%	-0.1%	-11.2%	8.7%
PSC Assessment Fee	-1.4%	-10.1%	28.2%	-54.6%	78.7%
Fines & Forfeitures	4.2%	-0.9%	-10.1%	0.6%	7.6%
Interest on Investments	-82.5%	-107.2%	-353.2%	-1993.7%	-104.9%
Lottery	3.2%	3.4%	0.2%	5.1%	2.1%
Sale of NOx Credits	-100.0%	---	-94.1%	-40.2%	131.1%
Miscellaneous	15.2%	-22.1%	-10.4%	68.8%	46.9%
<b>Redeposit of State Funds</b>	<b>-60.6%</b>	<b>198.7%</b>	<b>-36.3%</b>	<b>-27.2%</b>	<b>15.0%</b>

**Summary Statistics for Road Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2004 - 2013**

	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
<b>TOTAL STATE ROAD FUND</b>	<b>1,116,734,272</b>	<b>1,126,554,402</b>	<b>1,165,409,505</b>	<b>1,225,943,515</b>	<b>1,262,798,750</b>
<b>Tax Receipts-</b>	<b>1,082,189,464</b>	<b>1,094,354,041</b>	<b>1,133,247,862</b>	<b>1,186,074,087</b>	<b>1,219,349,262</b>
<b>Sales and Gross Receipts</b>	<b>889,251,190</b>	<b>898,340,426</b>	<b>923,879,353</b>	<b>974,732,028</b>	<b>1,014,576,337</b>
Motor Fuels Taxes	460,008,663	490,815,064	528,296,727	563,480,031	608,779,123
Motor Vehicle Usage	429,242,527	407,525,361	395,582,626	411,251,997	405,797,215
<b>License and Privilege</b>	<b>192,938,274</b>	<b>196,013,615</b>	<b>209,368,509</b>	<b>211,342,059</b>	<b>204,772,925</b>
Motor Vehicles	93,388,573	91,933,157	93,902,097	101,660,768	93,523,748
Motor Vehicle Operators	5,623,874	5,899,247	14,553,623	15,811,880	15,372,618
Weight Distance	79,574,022	83,069,296	85,336,610	85,435,610	84,353,543
Truck Decal Fees	725,403	1,041,912	954,706	842,239	774,379
Other Special Fees	13,626,402	14,070,003	14,621,473	7,591,561	10,748,637
<b>Nontax Receipts</b>	<b>32,932,009</b>	<b>30,432,049</b>	<b>30,208,832</b>	<b>39,469,278</b>	<b>41,805,267</b>
Departmental Fees	15,258,391	16,685,742	15,617,220	17,787,658	20,291,394
In Lieu of Traffic Fines	1,521,583	1,326,645	1,269,800	1,174,453	1,112,801
Highway Tolls	7,958,452	6,299,049	6,296,786	3,717,965	-
Investment Income	7,507,462	5,524,646	6,372,788	16,094,719	19,460,549
Miscellaneous	686,121	595,967	652,239	694,483	940,522
<b>Redeposit of State Funds</b>	<b>1,612,799</b>	<b>1,768,312</b>	<b>1,952,811</b>	<b>400,150</b>	<b>1,644,222</b>

	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>TOTAL STATE ROAD FUND</b>	<b>1,191,982,894</b>	<b>1,206,622,639</b>	<b>1,338,811,926</b>	<b>1,443,773,845</b>	<b>1,491,623,669</b>
<b>Tax Receipts-</b>	<b>1,159,379,226</b>	<b>1,181,341,209</b>	<b>1,315,130,011</b>	<b>1,416,497,670</b>	<b>1,471,593,789</b>
<b>Sales and Gross Receipts</b>	<b>958,780,727</b>	<b>988,541,345</b>	<b>1,114,593,981</b>	<b>1,207,082,330</b>	<b>1,265,175,199</b>
Motor Fuels Taxes	622,479,527	655,761,466	732,826,112	790,229,379	838,344,373
Motor Vehicle Usage	336,301,200	332,779,879	381,767,869	416,852,951	426,830,826
<b>License and Privilege</b>	<b>200,598,500</b>	<b>192,799,864</b>	<b>200,536,031</b>	<b>209,415,340</b>	<b>206,418,590</b>
Motor Vehicles	98,186,733	96,839,803	97,812,587	107,836,554	102,256,080
Motor Vehicle Operators	15,521,191	15,941,488	15,736,805	15,737,651	16,049,755
Weight Distance	75,444,283	70,498,757	73,983,781	75,111,565	74,935,016
Truck Decal Fees	832,653	679,383	793,715	736,224	590,397
Other Special Fees	10,613,640	8,840,433	12,209,142	9,993,345	12,587,343
<b>Nontax Receipts</b>	<b>31,375,092</b>	<b>23,871,991</b>	<b>21,932,031</b>	<b>26,739,794</b>	<b>18,023,074</b>
Departmental Fees	19,106,827	18,487,783	18,167,778	21,879,481	17,094,723
In Lieu of Traffic Fines	958,790	779,495	779,828	769,405	702,451
Highway Tolls	-	-	-	-	-
Investment Income	10,661,790	3,633,987	1,995,228	3,081,180	-398,745
Miscellaneous	647,685	970,725	989,197	1,009,727	624,646
<b>Redeposit of State Funds</b>	<b>1,228,575</b>	<b>1,409,439</b>	<b>1,749,883</b>	<b>536,381</b>	<b>2,006,806</b>

**Road Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2004 - 2013**

	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
<b>TOTAL STATE ROAD FUND</b>	<b>-0.6%</b>	<b>0.9%</b>	<b>3.4%</b>	<b>5.2%</b>	<b>8.8%</b>
<b>Tax Receipts-</b>	<b>2.2%</b>	<b>1.1%</b>	<b>3.6%</b>	<b>4.7%</b>	<b>8.4%</b>
<b>Sales and Gross Receipts</b>	<b>0.3%</b>	<b>1.0%</b>	<b>2.8%</b>	<b>5.5%</b>	<b>8.5%</b>
Motor Fuels Taxes	1.3%	6.7%	7.6%	6.7%	14.8%
Motor Vehicle Usage	-0.8%	-5.1%	-2.9%	4.0%	0.9%
<b>License and Privilege</b>	<b>11.9%</b>	<b>1.6%</b>	<b>6.8%</b>	<b>0.9%</b>	<b>7.8%</b>
Motor Vehicles	22.6%	-1.6%	2.1%	8.3%	10.6%
Motor Vehicle Operators	0.2%	4.9%	146.7%	8.6%	168.0%
Weight Distance	3.5%	4.4%	2.7%	0.1%	2.8%
Truck Decal Fees	7.7%	43.6%	-8.4%	-11.8%	-19.2%
Other Special Fees	3.5%	3.3%	3.9%	-48.1%	-46.0%
<b>Nontax Receipts</b>	<b>-47.6%</b>	<b>-7.6%</b>	<b>-0.7%</b>	<b>30.7%</b>	<b>29.7%</b>
Departmental Fees	-17.2%	9.4%	-6.4%	13.9%	6.6%
In Lieu of Traffic Fines	10.7%	-12.8%	-4.3%	-7.5%	-11.5%
Highway Tolls	-40.0%	-20.9%	0.0%	-41.0%	-41.0%
Investment Income	-74.2%	-26.4%	15.4%	152.6%	191.3%
Miscellaneous	13.2%	-13.1%	9.4%	6.5%	16.5%
<b>Redeposit of State Funds</b>	<b>58.5%</b>	<b>9.6%</b>	<b>10.4%</b>	<b>-79.5%</b>	<b>-77.4%</b>



	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>TOTAL STATE ROAD FUND</b>	<b>-5.6%</b>	<b>1.2%</b>	<b>11.0%</b>	<b>7.8%</b>	<b>3.3%</b>
<b>Tax Receipts-</b>	<b>-4.9%</b>	<b>1.9%</b>	<b>11.3%</b>	<b>7.7%</b>	<b>3.9%</b>
<b>Sales and Gross Receipts</b>	<b>-5.5%</b>	<b>3.1%</b>	<b>12.8%</b>	<b>8.3%</b>	<b>4.8%</b>
Motor Fuels Taxes	2.3%	5.3%	11.8%	7.8%	6.1%
Motor Vehicle Usage	-17.1%	-1.0%	14.7%	9.2%	2.4%
<b>License and Privilege</b>	<b>-2.0%</b>	<b>-3.9%</b>	<b>4.0%</b>	<b>4.4%</b>	<b>-1.4%</b>
Motor Vehicles	5.0%	-1.4%	1.0%	10.2%	-5.2%
Motor Vehicle Operators	1.0%	2.7%	-1.3%	0.0%	2.0%
Weight Distance	-10.6%	-6.6%	4.9%	1.5%	-0.2%
Truck Decal Fees	7.5%	-18.4%	16.8%	-7.2%	-19.8%
Other Special Fees	-1.3%	-16.7%	38.1%	-18.1%	26.0%
<b>Nontax Receipts</b>	<b>-24.9%</b>	<b>-23.9%</b>	<b>-8.1%</b>	<b>21.9%</b>	<b>-32.6%</b>
Departmental Fees	-5.8%	-3.2%	-1.7%	20.4%	-21.9%
In Lieu of Traffic Fines	-13.8%	-18.7%	0.0%	-1.3%	-8.7%
Highway Tolls					
Investment Income	-45.2%	-65.9%	-45.1%	54.4%	-112.9%
Miscellaneous	-31.1%	49.9%	1.9%	2.1%	-38.1%
<b>Redeposit of State Funds</b>	<b>-25.3%</b>	<b>14.7%</b>	<b>24.2%</b>	<b>-69.3%</b>	<b>274.1%</b>