

COMMONWEALTH OF KENTUCKY

# Quarterly Economic & Revenue Report

**Fourth Quarter • Fiscal Year 2012  
Annual Report**

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



*Kentucky*  
UNBRIDLED SPIRIT™

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**Steven L. Beshear**  
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**Mary E. Lassiter**  
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July 30, 2012

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 2012 (FY12). It also includes an analysis of FY12 totals and an interim economic and revenue forecast for the first three quarters of FY13.

For the fiscal year that ended June 30, 2012 (FY12), General Fund receipts totaled \$9,091.0 million, a sum 3.8 percent higher than FY11 collections. Final FY12 revenues were \$83.3 million, or 0.9 percent more than the official revenue estimate which projected a 2.8 percent increase in revenues.

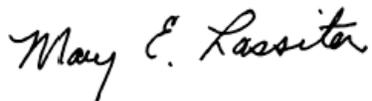
After two years of revenue declines resulting from the national recession, General Fund receipts have posted a second year of solid growth. The Consensus Forecasting Group (CFG) predicted a rebounding economy in FY12 and revenues posted gains only slightly ahead of projections. Kentucky is one of a few states that exceeded FY08 revenues by FY11 and built upon those gains in FY12. On the positive side, the sales tax and individual income taxes exceeded the enacted estimates with solid growth. In contrast, the coal severance tax came in below the official estimate by \$44.7 million. Coal receipts are expected to decline by an additional 22.8 percent in the first three quarters of FY13. In sum, this interim report calls for modest growth of 3.5 percent General Fund revenue growth during the first three quarters of FY13. The officially enacted estimate for the General Fund in FY13 is \$9,307.8.

Governor Beshear  
July 30, 2012  
Page 2

Road Fund revenues for FY12 were \$1,443.8 million, an increase of 7.8 percent from the previous fiscal year. Strong growth in the motor fuels taxes, as well as an improving market for new and used vehicles, provided the perfect environment for a robust recovery in Road Fund revenues. The Road Fund is projected to increase 4.2 percent during the first three quarters of FY13.

As this report highlights, the quarterly flow of revenue receipts during a fiscal year is somewhat uneven. As the forecasting horizon of this report is the next three fiscal quarters, the projected growth rates in this report should not be applied to predict the entirety of FY13.

Sincerely,

A handwritten signature in cursive script that reads "Mary E. Lassiter".

Mary E. Lassiter  
State Budget Director

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# ***Executive Summary***

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a *Quarterly Economic and Revenue Report* for the fourth quarter of FY12. 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 second consecutive year following two years of declining receipts during the latest recession.
- Annual Road Fund receipts posted a sizable increase following similarly strong gains in FY11. The Road Fund has now increased for three consecutive years.
- Both the General Fund and Road Fund exceeded the official estimates for FY12.
  - General Fund receipts were \$83.3 million, or 0.9 percent, higher than the officially enacted estimate.
  - Road Fund receipts exceeded the estimate by \$31.3 million, or 2.2 percent.
- In the fourth quarter of FY12, General Fund receipts posted a ninth consecutive quarterly increase, a streak that began in the fourth quarter of FY10. Monthly growth has been somewhat sporadic, but the generally positive quarterly trend has endured despite five of the twelve months of FY12 posting negative General Fund growth rates.
- The Road Fund continues to post prodigious growth on the strength on the motor fuels and motor vehicle usage taxes. Both taxes continued their strong trends from FY11 to post a second consecutive year of extraordinary growth.

- Kentucky non-farm employment growth has slowed substantially over the last two quarters. Third quarter annual growth was revised down from 3.7 percent to 1.7 percent. Fourth quarter non-farm employment is expected to grow only 0.4 percent over the third quarter.
- The economic outlook remains fraught with uncertainty. After a rebound in the first calendar quarter of 2012, growth has tapered for the summer months, much like the previous two years.
- Positive revenue growth is projected in the first three fiscal quarters of FY13 in both the Road Fund and General Fund. The first revised internal estimate for FY13 in its entirety will be released in October 2012 in the next quarterly report.
- 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 FY11 and FY12.
- General Fund growth is expected to be 3.5 percent in the first three quarters of FY13. Both the individual and corporation income taxes are expected to lead the growth, while the growth rate in sales tax will be slightly lower due to the pronounced 5.4 percent growth which occurred in FY12. The coal severance tax is expected to decline, consistent with its fourth-quarter FY12 decline.
- The Road Fund outlook is predominantly a function of the fuels taxes which are based on the prevailing wholesale gasoline and special fuels tax rates. Recent prices have triggered the maximum increase in the statutory calculation for the first quarter of FY13. This interim outlook predicts fuel price that would maintain that rate through the next three quarters.

**I.**  
**Fourth Quarter**  
**Fiscal Year 2012**  
**General and Road Fund Receipts**

# Revenue Receipts

## FOURTH QUARTER, FY12 General Fund

General Fund receipts increased 2.3 percent, or \$56.6 million, to \$2,489.5 million, in the fourth quarter of FY12. Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these and other accounts is available in Appendix A.

Among the major accounts, individual income, sales and use, and corporation income taxes posted the largest increases. On the other hand, the largest shortfalls occurred in the coal severance and property taxes, which were \$15.3 million and \$10.0 million below FY11 levels, respectively.

Individual income tax receipts posted an increase of 3.5 percent during the fourth quarter of FY12. Receipts totaled \$1,086.5 million and were \$36.3 million more than

collected in the previous fourth quarter. Strong growth in withholding and net returns offset decreases in fiduciary and declaration collections.

Sales tax receipts rose 6.0 percent in the fourth quarter of FY12, or \$44.6 million, as consumer spending increased.

Total property taxes decreased 20.7 percent during the fourth quarter of the fiscal year as distributions to local governments affected net collections. Receipts totaled \$38.0 million and compare to \$48.0 million collected in the fourth quarter of FY11.

Corporation income tax collections rose 3.6 percent in the fourth quarter of FY12 compared to collections in the fourth quarter of FY11. Receipts of \$154.6 million were \$5.4 million more than was collected in the fourth quarter of the previous fiscal year.

Coal severance taxes decreased 19.0 percent in the fourth quarter of FY12 as severed tons declined 10.4 percent and prices continued their decline. Total collections for the quarter were \$15.3 million less than FY11 fourth quarter receipts.

Cigarette taxes increased 0.6 percent in the final three months of FY12. Receipts of \$69.4 million compare to \$69.0 million in the fourth quarter of FY11. The quarterly increase is partially attributable to the \$1.00 per-pack tax increase recently enacted in Illinois.

**Table 1  
Summary General Fund Receipts  
Fourth Quarter, FY12, \$ millions**

	FY12	FY11	Diff (\$)	Diff (%)
Individual Income	1,086.5	1,050.2	36.3	3.5
Sales and Use	784.7	740.1	44.6	6.0
Property	38.0	48.0	-10.0	-20.7
Corporation Income	154.6	149.2	5.4	3.6
Coal Severance	65.5	80.9	-15.3	-19.0
Cigarette Taxes	69.4	69.0	0.4	0.6
LLET	77.1	76.0	1.2	1.5
Lottery	54.8	57.0	-2.2	-3.8
Other	158.6	162.4	-3.8	-2.3
<b>Total</b>	<b>2,489.5</b>	<b>2,432.8</b>	<b>56.6</b>	<b>2.3</b>

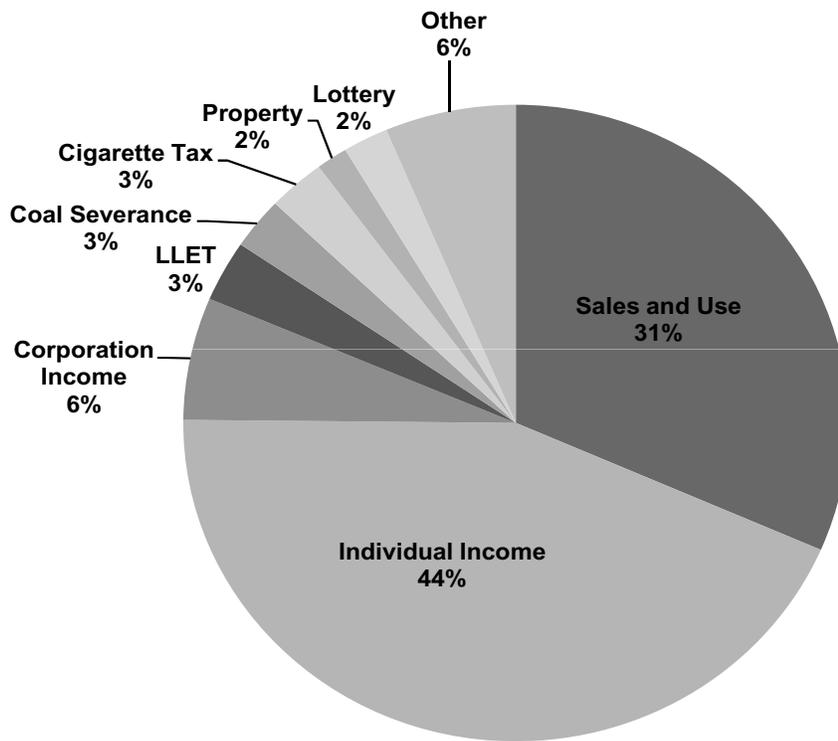
The LLET tax had collections of \$77.1 million in the fourth quarter of the fiscal year, an increase of 1.5 percent.

Lottery receipts fell by 3.8 percent, or \$2.2 million, from the previous year. Receipts of \$54.8 million compare to \$57.0 million remitted to the state in the fourth quarter of FY11.

The “Other” category finished the fourth quarter down 2.3 percent. Receipts of \$158.6 million compare to \$162.4 million collected in the fourth quarter of FY11.

Figure A details the composition of FY12 General Fund receipts by tax type. 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” and corporation income tax categories at 6.0 percent. The largest components in the “Other” category include the insurance premium tax, telecommunications tax, beer wholesale sales tax, inheritance tax, and distilled spirits wholesale tax. LLET, cigarette and coal severance taxes each made up 3.0 percent of the General Fund. Property taxes and lottery receipts each accounted for 2.0 percent of total General Fund receipts.

**Figure A**  
**General Fund Receipts Composition**  
**Fourth Quarter, FY12**



## Road Fund

Total Road Fund receipts grew 9.3 percent during the fourth quarter of FY12 due primarily to large increases in motor fuels and motor vehicle usage taxes. Total receipts of \$388.7 million compare to \$355.8 million collected during the fourth quarter of FY11. Summary data are contained in Table 2 and detailed data are shown in Appendix A.

Motor fuels collections grew 8.1 percent in the fourth quarter of FY12 as the statutorily-defined motor fuels tax rate remained at its maximum. Collections of \$200.4 million were \$15.1 million more than received in the fourth quarter of FY11.

Motor vehicle usage tax receipts of \$118.2 million represent an increase of 16.2 percent compared to the \$101.8 million collected in the fourth quarter FY11. Pent-up demand continued to drive consumers to increase purchases of motor vehicles.

Motor vehicle license tax receipts fell 8.1 percent with receipts of \$32.3 million compared to \$35.1 million collected in the fourth quarter of FY11.

Motor vehicle operators' collections grew 5.6 percent with collections of \$4.0 million compared to \$3.8 million collected in the fourth quarter of FY11.

Weight distance tax revenues increased 3.1 percent with receipts of \$18.7 million compared to \$18.2 million collected in the fourth quarter of FY11.

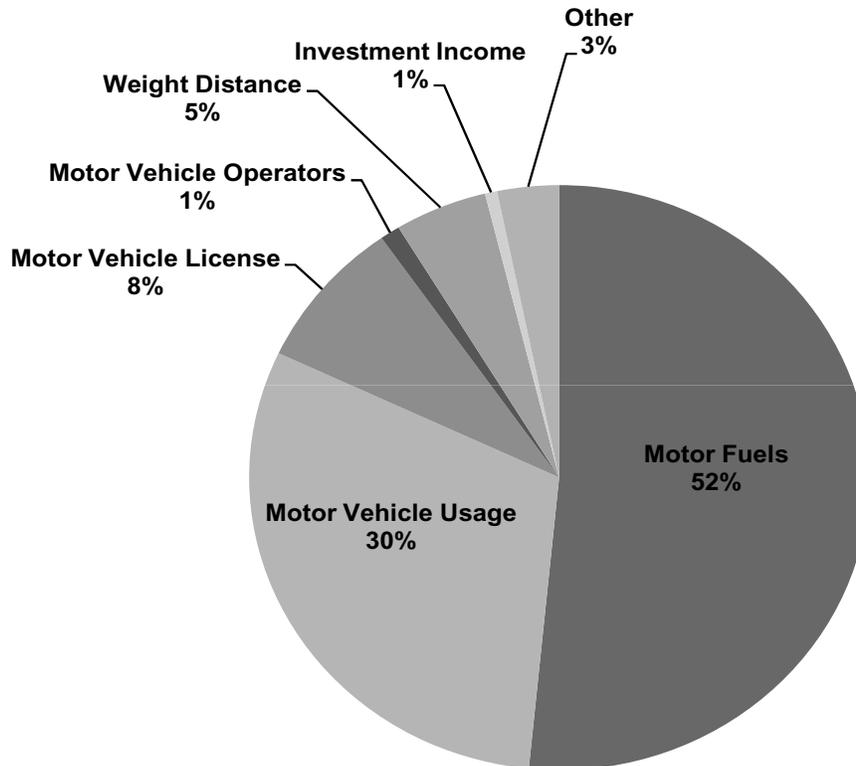
Investment income increased \$1.6 million. Receipts totaled \$2.5 million, compared to \$0.9 million in the fourth quarter of FY11.

The remainder of the accounts in the Road Fund combined for an increase of 17.6 percent. Receipts for the "Other" category totaled \$12.5 million during the fourth quarter, compared to \$10.7 million in the fourth quarter of FY11.

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY12. 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 8.0 percent, followed by weight distance taxes with 5.0 percent. The "Other" category accounted for 3.0 percent while investment income and motor vehicle operators both accounted for 1.0 percent.

	<b>FY12</b>	<b>FY11</b>	<b>Diff (\$)</b>	<b>Diff (%)</b>
Motor Fuels	200.4	185.3	15.1	8.1
Motor Vehicle Usage	118.2	101.8	16.5	16.2
Motor Vehicle License	32.3	35.1	-2.9	-8.1
Motor Vehicle Operators	4.0	3.8	0.2	5.6
Weight Distance	18.7	18.2	0.6	3.1
Investment Income	2.5	0.9	1.6	178.9
Other	12.5	10.7	1.9	17.6
<b>Total</b>	<b>388.7</b>	<b>355.8</b>	<b>33.0</b>	<b>9.3</b>

**Figure B**  
**Road Fund Receipts Composition**  
**Fourth Quarter, FY12**



### **ANNUAL TOTALS, FY12** **General Fund**

General Fund collections grew 3.8 percent, or \$331.5 million, in FY12. Revenue collections showed positive growth in each of the four quarters of the fiscal year, alternating between moderate-to-strong and weak growth. Growth rates for the four quarters were 4.9, 1.4, 7.2 and 2.3 percent. Seven of the nine major accounts showed growth while only two: cigarette and LLET taxes, posted declines.

For the fiscal year, General Fund receipts exceeded the official estimate by \$83.3 million, or 0.9 percent. Estimates for corporation income, LLET and coal severance taxes all were off by at least 5.0 percent; however,

the remaining major accounts were within 2.1 percent of their estimates.

Receipts totaled \$9,091.0 million compared to \$8,759.4 million for the previous year. 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.

Sales tax receipts grew 5.4 percent in FY12, or \$156.0 million, as the recovery from the national recession increased consumers' ability to make taxable purchases. Receipts of \$3,052.2 million compare to prior year receipts of \$2,896.3 million.

Individual income tax receipts increased 2.8 percent over FY11 totals. Strong growth in

**Table 3**  
**General Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year Receipts			Growth Rates (%)		
	FY12	FY11	FY10	FY12	FY11	FY10
Individual Income	3,512.1	3,417.8	3,154.5	2.8	8.3	-4.9
Sales and Use	3,052.2	2,896.3	2,794.1	5.4	3.7	-2.2
Property	529.6	514.8	516.2	2.9	-0.3	0.6
Corporation Income	374.4	300.8	237.9	24.5	26.4	-11.2
LLET	200.7	215.7	145.9	-7.0	47.8	20.0
Coal Severance	298.3	295.8	271.9	0.8	8.8	-7.1
Cigarette Taxes	254.8	262.2	278.4	-2.8	-5.8	37.1
Lottery	210.8	200.5	200.0	5.1	0.2	3.4
Other	658.0	655.5	626.2	0.4	4.7	-5.3
<b>Total</b>	<b>9,091.0</b>	<b>8,759.4</b>	<b>8,225.1</b>	<b>3.8</b>	<b>6.5</b>	<b>-2.4</b>

withholding, 5.3 percent was able to outpace declines in the remaining components. Receipts totaled \$3,512.1 million and compare to \$3,417.8 million collected last year.

Corporation income tax collections grew \$73.6 million in FY12 as both declarations and net returns posted increases. Receipts for the year totaled \$374.4 million and compare to \$300.8 million collected in FY11.

The LLET decreased 7.0 percent compared to the prior year with receipts of \$200.7 million in FY12.

Coal severance taxes increased 0.8 percent in FY12. Severed tons decreased by 9.6 percent in FY12. Long-term contract prices for the first three quarters of FY12 were slightly higher than those same contracts in FY11. The combination of prices and severed tons resulted in the small increase in coal receipts in FY12. Spot market prices for coal have been declining steadily since September 2011. Contract prices in the fourth quarter of FY12 were lower than those same contract prices in the fourth quarter of FY11. Total collections for the fiscal year were

\$298.3 million or \$2.5 million more than FY11 receipts.

Total property taxes rose 2.9 percent during the fiscal year, the highest rate of growth since FY06. Receipts totaled \$529.6 million compared to \$514.8 million collected in FY11. Tangible property receipts provided most of the increase while real property showed signs of revival with growth of 1.7 percent.

Lottery receipts increased 5.1 percent, or \$10.3 million, from the previous year. Receipts of \$210.8 million compare to \$200.5 million remitted to the Commonwealth in FY11.

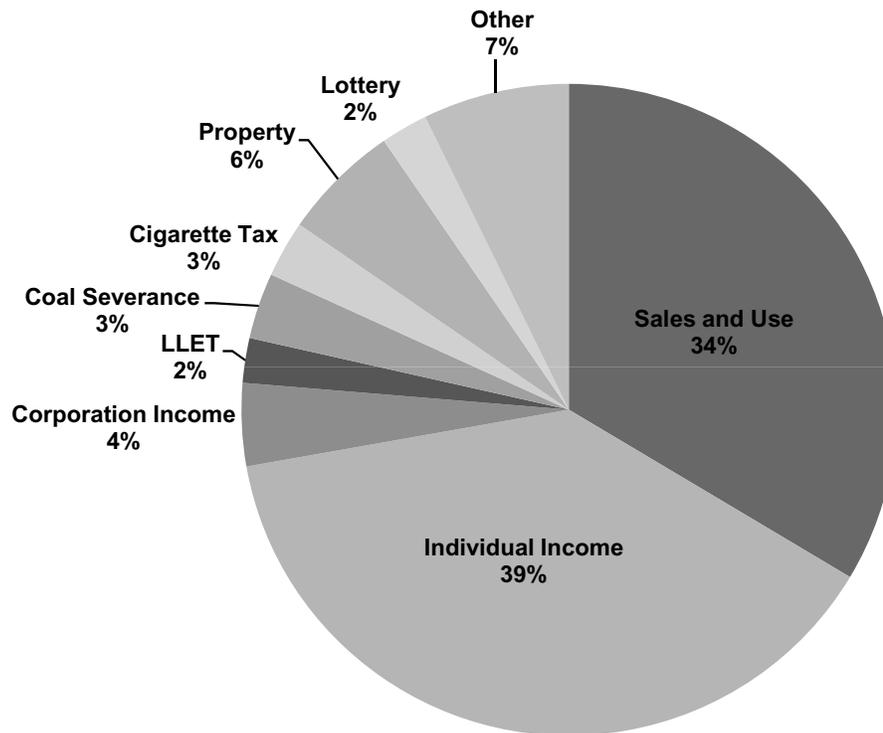
The “Other” category finished the year up 0.4 percent. Receipts of \$658.0 million compare to \$655.5 million collected in FY11.

Figure C details the composition of FY12 General Fund receipts by tax type. Seventy-three percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next-largest source of revenue was the “Other” category with 7.0 percent. The largest components in this cat-

egory include the insurance premium tax, bank franchise tax, telecommunications tax, beer wholesale sales tax, and inheritance tax. Property taxes made up 6.0 percent of the General Fund and corporation income

accounted for 4.0 percent. Coal severance and cigarette taxes each accounted for 3.0 percent. Lottery revenues and the LLET each accounted for 2.0 percent of General Fund revenues.

**Figure C**  
**General Fund Receipts Composition**  
**Fiscal Year 2012**



**Table 4**  
**FY12 General Fund Receipts Compared to Official Estimate**  
**\$ millions**

	FY12		Difference	
	Actual	Estimate	\$	%
Individual Income	3,512.1	3,484.2	27.9	0.8
Sales and Use	3,052.2	3,007.4	44.8	1.5
Property	529.6	518.8	10.8	2.1
Corporation Income	374.4	333.5	40.9	12.3
LLET	200.7	218.3	-17.6	-8.0
Coal Severance	298.3	326.7	-28.4	-8.7
Cigarette Tax	254.8	253.6	1.2	0.5
Lottery	210.8	211.0	-0.2	-0.1
Other	658.0	654.2	3.8	0.6
<b>Total</b>	<b>9,091.0</b>	<b>9,007.7</b>	<b>83.3</b>	<b>0.9</b>

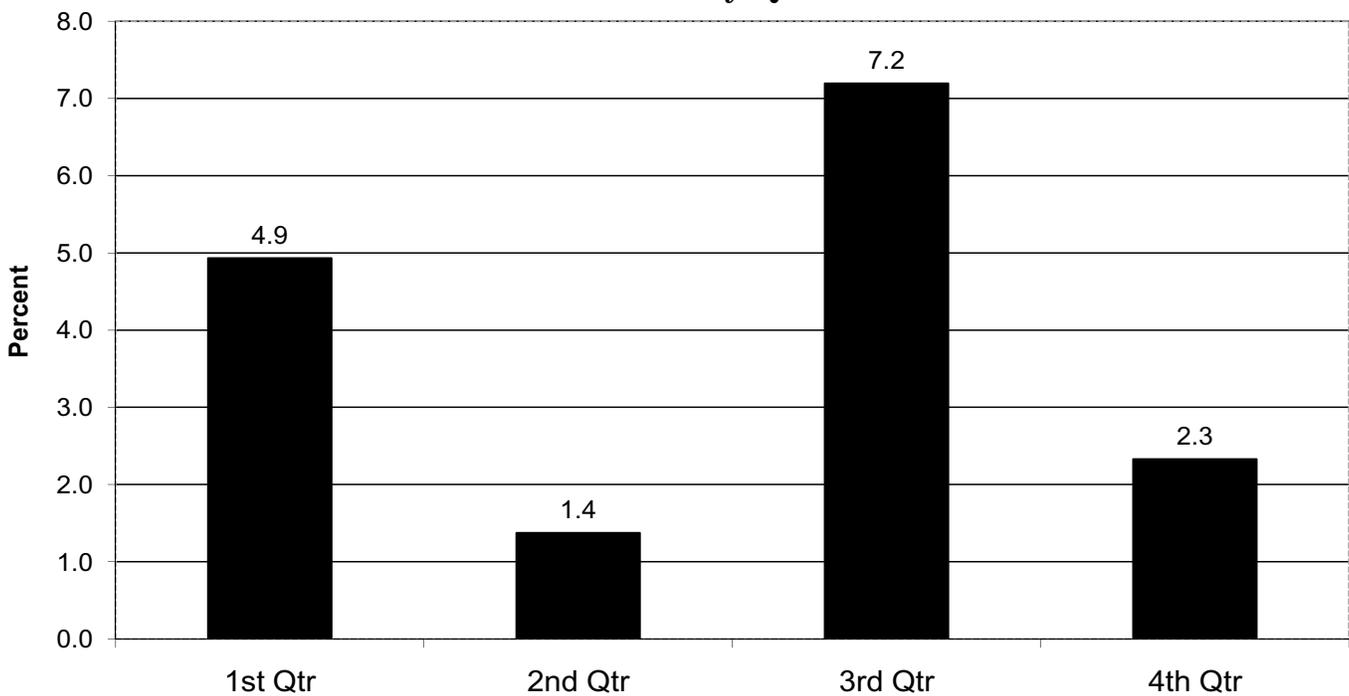
Figure D details the growth rates in General Fund revenues by each fiscal quarter of FY12. Growth was positive in all four quarters of

the fiscal year with growth ranging from 1.4 percent in the second quarter to 7.2 percent in the third quarter.

**Table 5**  
**General Fund Quarterly Revenue Receipts**  
**\$ millions**

	FY12				
	Q1	Q2	Q3	Q4	Full Year
Individual Income	886.0	843.0	696.7	1,086.5	3,512.1
Sales and Use	768.4	742.6	756.5	784.7	3,052.2
Property	38.1	279.0	174.4	38.0	529.6
Corporation Income	92.1	94.5	33.1	154.6	374.4
LLET	48.6	38.2	36.8	77.1	200.7
Coal Severance	80.2	79.7	72.8	65.5	298.3
Cigarette Tax	66.5	60.3	58.5	69.4	254.8
Lottery	46.0	55.5	54.5	54.8	210.8
Other	130.5	137.1	231.8	158.6	658.0
<b>Total</b>	<b>2,156.5</b>	<b>2,329.9</b>	<b>2,115.1</b>	<b>2,489.5</b>	<b>9,091.0</b>

**Figure D**  
**Quarterly General Fund Detailed**  
**Growth Rates by Quarter**



**Table 6**  
**General Fund Quarterly Growth Rates**  
**percents**

	FY12				Full Year
	Q1	Q2	Q3	Q4	
Individual Income	4.8	1.7	0.6	3.5	2.8
Sales and Use	7.1	1.3	7.2	6.0	5.4
Property	-26.3	-6.7	50.4	-20.7	2.9
Corporation Income	31.8	68.7	29.1	3.6	24.5
LLET	9.9	-28.6	-12.5	1.5	-7.0
Coal Severance	10.1	10.4	4.1	-19.0	0.8
Cigarette Tax	-3.7	-9.9	2.3	0.5	-2.9
Lottery	2.2	11.0	12.3	-3.8	5.1
Other	-84.8	-1.0	7.8	-2.3	-52.1
<b>Total</b>	<b>4.9</b>	<b>1.4</b>	<b>7.2</b>	<b>2.3</b>	<b>3.8</b>

## Road Fund

Total Road Fund receipts grew 7.8 percent to \$1,443.8 million during FY12. Collections grew moderately in the first quarter before peaking in the second quarter at 10.4 percent. Receipts remained strong, increasing 7.1 percent and 9.1 percent in the final two quarters. Road Fund collections are detailed in Table 7.

Motor fuels taxes increased 7.8 percent with receipts of \$790.2 million, compared to \$732.8 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. Wholesale prices rose significantly over the fiscal year.

Motor vehicle usage tax receipts of \$416.9 million represent an increase of 9.2 percent over FY11 totals. Collections in this account are at their highest level since FY04.

Motor vehicle license tax receipts were up 10.2 percent with collections of \$107.8 million compared to \$97.8 million collected in FY11.

Weight distance tax revenues increased 1.5 percent with receipts of \$75.1 million compared to \$74.0 million collected in FY11.

Investment income increased 54.3 percent as Road Fund balances increased over the previous fiscal year. Receipts totaled \$3.1 million, compared to \$2.0 million in FY11.

The “Other” category increased 0.7 percent from FY11. Total receipts in this category were \$34.9 million, compared to \$34.7 million collected in FY11.

Road Fund collections for FY12 exceeded the official revenue estimate by \$31.3 million, or 2.2 percent, as shown in Table 8. The largest increases over the official estimates occurred in the motor vehicle usage and motor fuels taxes. All other accounts, taken together, were within \$6.4 million of the forecasted levels.

Figure E details the composition of FY12 Road Fund receipts by tax type. Eighty four percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. Follow-

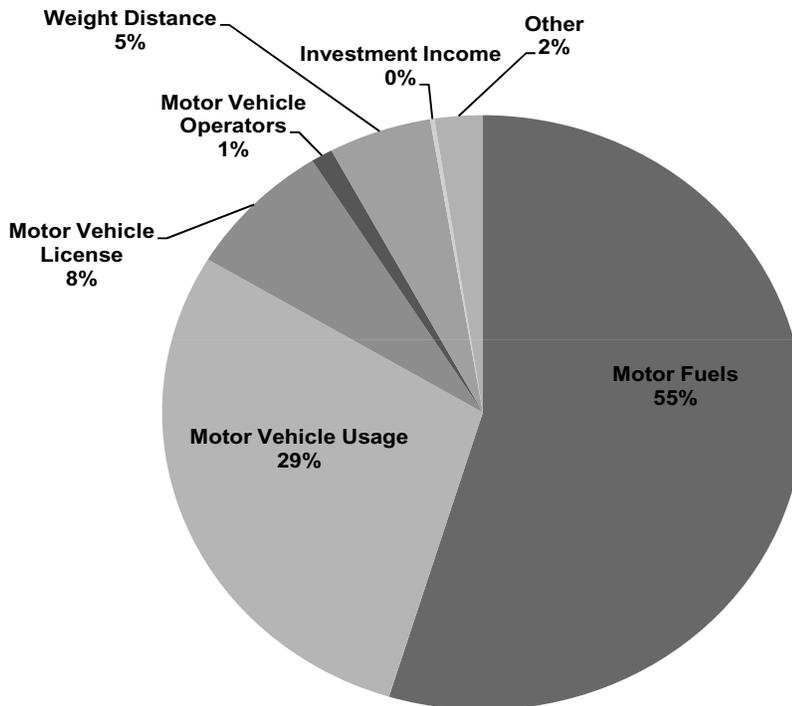
ing these, the motor vehicle license tax accounted for 8.0 percent and the weight distance tax accounted for 5.0 percent. “Other”

taxes combined to account for 2.0 percent. Motor vehicle operators’ revenue accounted for 1.0 percent while investment income contributed less than 1.0 percent.

**Table 7**  
**Road Fund Revenues Compared to Previous Years**  
**\$ millions**

	Full Year Receipts			Growth Rates (%)		
	FY12	FY11	FY10	FY12	FY11	FY10
Motor Fuels	790.2	732.8	655.8	7.8	11.8	5.3
Motor Vehicle Usage	416.9	381.8	332.8	9.2	14.7	-1.0
Motor Vehicle License	107.8	97.8	96.8	10.2	1.0	-1.4
Motor Vehicle Operators	15.7	15.7	15.9	0.0	-1.3	2.7
Weight Distance	75.1	74.0	70.5	1.5	4.9	-6.6
Investment Income	3.1	2.0	3.6	54.3	-45.1	-65.9
Other	34.9	34.7	31.2	0.7	11.3	-6.6
<b>Total</b>	<b>1,443.8</b>	<b>1,338.8</b>	<b>1,206.6</b>	<b>7.8</b>	<b>11.0</b>	<b>1.2</b>

**Figure E**  
**Road Fund Receipts Composition**  
**Fiscal Year 2012**



**Table 8**  
**FY12 Road Fund Receipts Compared to Official Estimate**  
**\$ millions**

	FY12		Difference	
	Actual	Estimate	\$	%
Motor Fuels	790.2	779.5	10.7	1.4
Motor Vehicle Usage	416.9	402.7	14.2	3.5
Motor Vehicle License	107.8	100.8	7.0	7.0
Motor Vehicle Operators	15.7	15.8	-0.1	-0.4
Weight Distance	75.1	79.4	-4.3	-5.4
Investment Income	3.1	0.5	2.6	515.8
Other	34.9	33.8	1.1	3.4
<b>Total</b>	<b>1,443.8</b>	<b>1,412.5</b>	<b>31.3</b>	<b>2.2</b>

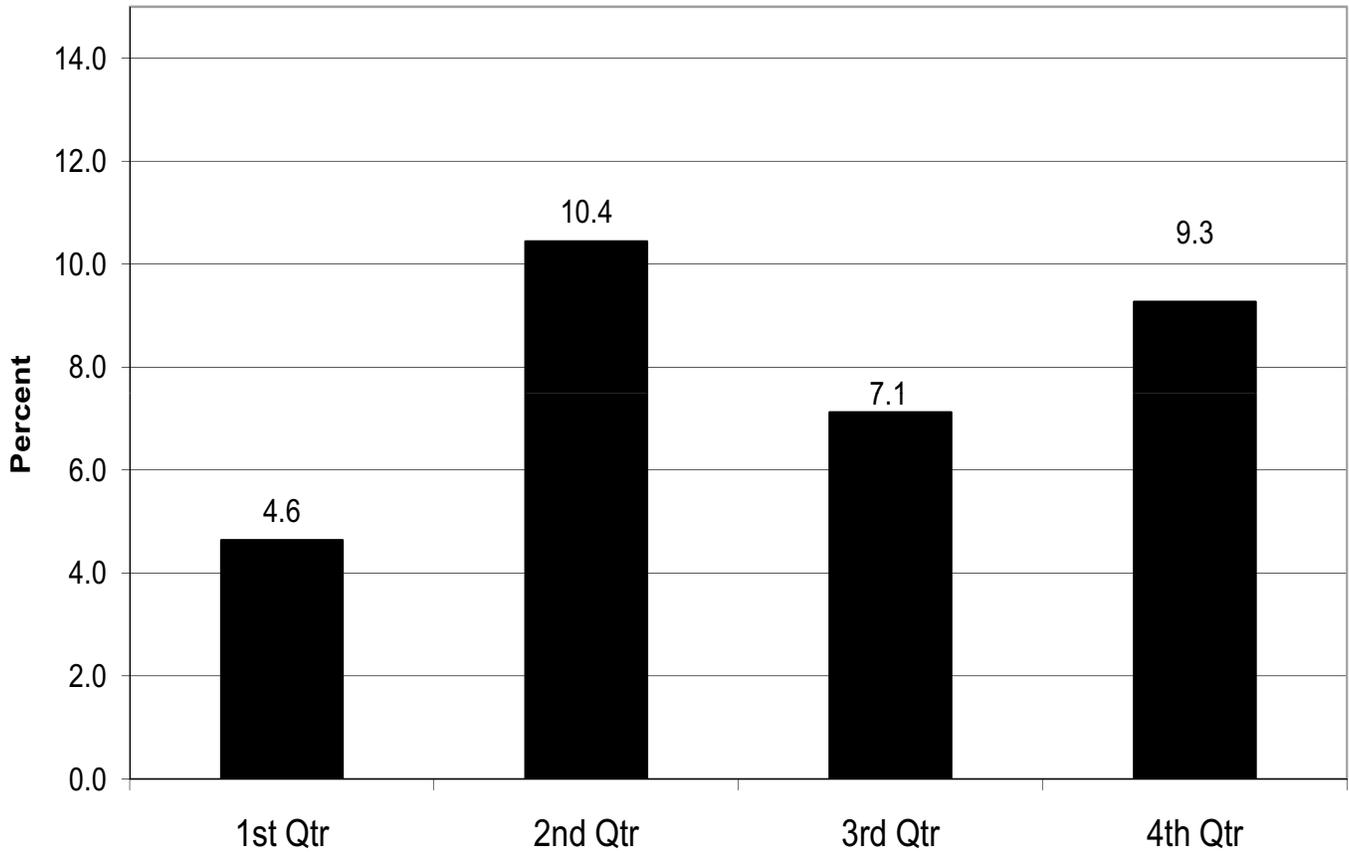
**Table 9**  
**Road Fund Quarterly Revenue Receipts**  
**\$ millions**

	FY12				
	Q1	Q2	Q3	Q4	Full Year
Motor Fuels	201.7	199.61	188.5	200.44	790.2
Motor Vehicle Usage	103.2	93.294	102.1	118.25	416.9
Motor Vehicle License	19.5	22.487	33.6	32.275	107.8
Motor Vehicle Operators	4.0	3.855	3.8	4.018	15.7
Weight Distance	18.9	18.984	18.5	18.735	75.1
Investment Income	0.0	0.186	0.4	2.471	3.1
Other	7.0	8.722	6.7	12.53	34.9
<b>Total</b>	<b>354.4</b>	<b>347.13</b>	<b>353.6</b>	<b>388.71</b>	<b>1,443.8</b>

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

	FY12				
	Q1	Q2	Q3	Q4	Full Year
Motor Fuels	4.5	8.6	10.4	8.1	7.8
Motor Vehicle Usage	8.5	10.7	1.5	16.2	9.2
Motor Vehicle License	9.0	33.9	19.9	-8.1	10.2
Motor Vehicle Operators	-3.0	-2.4	0.2	5.6	0.0
Weight Distance	0.9	1.6	0.6	3.1	1.5
Investment Income	-91.1	-51.1	54.1	178.9	54.5
Other	-24.7	33.2	-18.6	17.6	0.7
<b>Total</b>	<b>4.6</b>	<b>10.4</b>	<b>7.1</b>	<b>9.3</b>	<b>7.8</b>

**Figure F**  
**Quarterly Road Fund Detailed**  
**Growth Rates by Quarter**



## **II.**

# **The Economy**

# *The Economy*

## **NATIONAL ECONOMY**

Real gross domestic product (real GDP) increased by 2.1 percent in the fourth quarter of FY12 over the previous year. Gross domestic product is the sum of all final goods and services sold within a country's physical boundaries in a given year. Real GDP has increased for 12 consecutive quarters since the trough in 2009. In the first quarter of FY12, real GDP surpassed its previous peak of \$13,326 billion. Since that trough, real GDP has nearly resumed its pre-recession pace.

In the 12 quarters following the trough, real GDP has grown by a net 7.2 percent. In the 12 quarters just prior to the 2007 recession, real GDP grew by a net 7.6 percent. These are both historically low three-year growth rates. In the three-year period immediately prior to the 2001 recession, real GDP grew by a net 14.8 percent. Even after excluding the recession quarters, the dozen years between 2001 and 2012 has been a historically low-growth period for real GDP.

Real GDP is composed of five components: consumption, investment, government expenditures, exports and imports. Real consumption, which makes up 70.9 percent of real GDP, grew by 2.3 percent in the fourth quarter of FY12 and contributed the largest share to fourth quarter real GDP. Consumption more than any other

component contributed to the expansion growth following the 2007 recession. Real GDP reached a trough in the fourth quarter of FY09. Since then, real GDP has regained \$914.2 billion. Real consumption grew by a net \$608.3 billion during that time. The next largest contributor, real investment grew by a net \$529.9 billion. Government expenditures and net exports both incurred net losses during that time period and so did not contribute positively to real GDP. Real GDP has largely reflected the growth path of consumption since the trough of 2009.

Real investment, which makes up 14.2 percent of real GDP, grew by the largest rate in the fourth quarter with 8.4 percent growth. Real investment was the second largest contributor to real GDP in absolute terms. The 2007 recession had large effects on real investment. From peak to trough, real investment declined by \$869.1 billion, a 38.3 percent net loss. In addition to large losses from the recession, the following recovery has been slow for investment. To date, real investment has only made up 61.0 percent of its 2007 recession losses. Real investment was \$1,927.1 billion in the fourth quarter of FY12. Real investment in the third quarter of FY06 was \$2,266.3 billion, which was the previous peak.

Real government expenditures, which make up 18.1 percent of real GDP, fell by 2.4 percent in the fourth quarter of FY12 over the fourth quarter of FY11. Real government expenditures have declined for seven

**Table 11**  
**Summary of US Economic Series**  
**Fourth Quarters of FY12 & FY11**

	Fourth Quarter			Full Year		
	FY12	FY11	% Chg	FY12	FY11	% Chg
Real GDP	13,555.5	13,271.8	2.1	13,451.8	13,213.9	1.8
Real Consumption	9,606.8	9,392.7	2.3	9,517.0	9,336.2	1.9
Real Investment	1,927.1	1,778.4	8.4	1,872.9	1,757.7	6.6
Real Govt. Expenditures	2,449.1	2,508.2	-2.4	2,473.6	2,536.1	-2.5
Real Exports	1,843.9	1,765.0	4.5	1,813.7	1,729.1	4.9
Real Imports	2,264.5	2,181.4	3.8	2,225.2	2,157.5	3.1
Personal Income (\$ billions)	13,326.2	12,955.3	2.9	13,176.4	12,708.3	3.7
Wages and Salaries (\$ billions)	6,846.7	6,617.1	3.5	6,782.8	6,531.7	3.8
Inflation (% chg of CPI)	1.9	3.3	NA	2.9	2.0	NA
Industrial Production Index (% chg)	4.7	3.6	NA	4.1	5.6	NA
Civilian Labor Force (millions)	154.8	153.5	0.8	154.3	153.6	0.4
Total Non-farm Employment (millions)	133.0	131.2	1.4	132.3	130.5	1.4
Manufacturing Employment (millions)	12.0	11.7	1.9	11.9	11.6	1.9
Unemployment Rate (percent)	8.2	9.0	NA	8.6	9.3	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 FY12 Q4 are June 2012 estimates.

Source: IHS Global Insight Inc., June 11, 2012 data release

consecutive quarters. As government expenditures have fallen and real GDP has risen, the share of real government expenditures to real GDP has also declined. In the fourth quarter of FY09, the government expenditure share of real GDP reached a peak of 20.1 percent. That share fell to 18.1 percent in the fourth quarter of FY12. The decline in federal government expenditures occurred as a result of decreased spending on defense purchases, infrastructure spending and other non-transfer accounts. Medicaid grants and social security payments were both up over FY11, while real Medicare spending was essentially flat compared to FY11, growing by a net 0.7 percent.

US exports grew by a net 4.5 percent in the fourth quarter, while US imports grew by 3.8 percent. Despite the higher growth in

exports, the trade deficit rose slightly to \$420.6 billion in the fourth quarter. The trade deficit in the fourth quarter of FY11 was \$416.4 billion. In the five quarters following FY09, US exports grew at a fast pace. US exports growth has tapered since 2010. In the last year, export growth rates have fallen below 2.0 percent on an adjacent-quarter growth basis. US exports grew by 0.8 percent in the fourth quarter of FY12 compared to the previous quarter.

US personal income rose by a net 2.9 percent in the fourth quarter compared to FY11. Growth throughout FY12 has been low and consistent. Adjacent-quarter growth rates for the last five quarters were 0.8, 0.8, 0.4, 0.8, and 0.8 percent respectively. This historically low growth pattern creates a serious impediment to growth in aggregate demand.

US non-farm employment grew by 1.4 percent in the fourth quarter of FY12. The 2007 recession had a deep and long-lasting impact on US employment. The US lost 8.6 million total non-farm jobs as a result of the 2007 recession. US employment reached a trough in the third quarter of FY10 with 129.3 million employed. Since then, non-farm employment has grown by 3.7 million net jobs, making up only 43.0 percent of recessionary losses. Since the trough, non-farm employment has grown by a net 2.9 percent, a rate which is less than during the previous recovery period. The unemployment rate improved from 9.0 percent to 8.2 percent between the fourth quarter of FY11 and the fourth quarter of FY12.

### **KENTUCKY ECONOMY**

Kentucky personal income increased by 3.1 percent in the fourth quarter of FY12. Over the last year, Kentucky personal income has followed a pattern of consistent low growth just like the US. In the last five quarters, Kentucky adjacent-quarter personal income grew by 0.8, 0.7, 0.8, 0.8, and 0.7 percent respectively. Kentucky wages and salaries, which make up 51.2 percent of total personal incomes, rose by 4.3 percent in the fourth quarter.

The 2007 recession had a smaller impact on Kentucky personal income than on overall

US personal income. Kentucky personal income contracted for three quarters from peak to trough, while the US personal income fell for five consecutive quarters during the recession. US personal income fell by a net 5.5 percent while Kentucky personal income fell by a net 2.8 percent from peak to trough.

Kentucky non-farm employment grew by 2.0 percent in the fourth quarter. Both manufacturing and business services employment grew strongly in the fourth quarter of FY12 compared to FY11. Manufacturing employment grew by a net 8.2 percent, generating over 17,000 jobs since the fourth quarter of FY11. The majority of the surge occurred in the fourth quarter when over 13,500 jobs were added. Business services employment grew by 5.8 percent for the year, or an increase of just under 11,000 jobs despite a weak fourth quarter. Business services was the most successful employment sector for the year, gaining 6.5 percent over FY11. There were only two sectors which lost jobs in the fourth quarter. Information services declined by the largest percentage, losing 1.2 percent, or 400 seasonally adjusted jobs lost. Government employment also declined, falling a net 1.1 percent in the fourth quarter, or 3,500 jobs lost. Government employment includes all state and local government employment.

**Table 12**  
**Summary of Kentucky Economic Series**  
**Fourth Quarters of FY12 & FY11**

	Fourth Quarter			Full Year		
	FY12	FY11	% Chg	FY12	FY11	% Chg
Personal Income (\$ millions)	151,149.6	146,560.0	3.1	149,412.7	143,905.0	3.8
Wages and Salary Income (\$ millions)	77,431.0	74,248.0	4.3	76,668.8	73,432.5	4.4
Nonagricultural Employment (thousands)	1,823.9	1,788.0	2.0	1,808.3	1,782.1	1.5
Goods Producing (thousands)	320.6	302.2	6.1	308.6	300.9	2.6
Construction	68.8	68.4	0.6	68.2	67.6	0.9
Mining	23.5	22.9	2.8	22.6	22.5	0.4
Manufacturing	228.2	210.9	8.2	217.7	210.7	3.3
Service Providing (thousands)	1,176.4	1,155.4	1.8	1,171.8	1,150.4	1.9
Trade, Transportation & Utilities	367.5	364.8	0.7	366.2	363.3	0.8
Information	26.3	26.7	-1.2	26.5	26.6	-0.6
Finance	84.7	84.6	0.0	83.9	85.0	-1.3
Business Services	195.3	184.5	5.8	194.7	182.8	6.5
Educational Services	259.3	255.0	1.7	258.2	253.5	1.8
Leisure and Hospitality Services	172.9	169.4	2.1	172.0	168.9	1.8
Other Services	70.5	70.4	0.1	70.4	70.2	0.3
Government (thousands)	326.9	330.4	-1.1	327.9	330.9	-0.9

Data for FY12 Q4 are June 2012 estimates.

Source: IHS Global Insight Inc. and Governor's Office for Economic Analysis MAK model June 11, 2012 estimates

### **III.**

## **Interim Outlook**

# Interim Outlook

## GENERAL FUND

The revenue forecasts presented in Table 13 and Table 14 were estimated using the June 2012 “control scenario” economic forecast from both IHS Global Insight and the Kentucky MAK model. The FY13 estimates presented here highlight the first three fiscal quarters of the year. Underlying economic conditions have softened 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 a slight revenue surplus in FY12, provides confidence that we remain

on an economic and 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 3.5 percent over the forecast horizon. It should be noted that revenue estimates enacted by the 2012 General Assembly are in excess of the CFG estimates referenced above due to actions enacted in legislation. The official revenue estimate for the General Fund in FY13 is \$9,307,839,200.

Individual income tax receipts are expected to increase by 7.4 percent during the first three quarters of FY13. The largest component of individual income tax receipts is

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

	FY12				FY13	
	Q4		Full Year		Q1, Q2, & Q3	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg
Individual Income	1,086.5	3.5	3,512.1	2.8	2,605.9	7.4
Sales & Use	784.7	6.0	3,052.2	5.4	2,326.5	2.6
Property	38.0	-20.7	529.6	2.9	513.1	4.4
Corporate Income	154.6	3.6	374.4	24.5	235.6	7.2
Coal Severance	65.5	-19.0	298.3	0.8	179.6	-22.8
Cigarette Tax	69.4	0.5	254.8	-2.9	193.5	4.4
LLET	77.1	1.5	200.7	-7.0	125.1	1.2
Lottery	54.8	-3.8	210.8	5.1	141.7	-9.1
Other	158.6	-2.3	658.0	0.4	512.0	2.5
<b>General Fund</b>	<b>2,489.5</b>	<b>2.3</b>	<b>9,091.0</b>	<b>3.8</b>	<b>6,833.1</b>	<b>3.5</b>

withholding, which makes up approximately 98 percent of total individual income tax receipts. Withholding, in turn, is closely tied to wages and salaries and employment in the state. Recent gains in employment and wages are expected to persist through the forecasting horizon, which partially explains the strong rate of anticipated growth.

Growth in sales and use tax collections is expected to recede slightly in FY13. Sales and use receipts are closely tied to personal income and disposable income. Sales and use receipts grew 5.2 percent in the first nine months of FY12 and 5.4 percent for the year. Since the rate of growth in the sales tax exceeded growth in incomes, our models detected some one-time spending trends that usually follow recessionary periods from pent-up demand. Growth tends to recede in the following years without the continued support of small demand shocks.

Property tax revenues are expected to increase by 4.4 percent over the forecasting horizon. The state rate on real property will remain at 12.2 cents per \$100 in valuation. Due to the effects of the housing recession, the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented occurrence. As the housing market shores up, growth in new property and existing values can be expected to resume more normal trends.

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 is evident in FY12 collections as well as in the forecast. In FY12, corporation income tax collections grew 24.5 percent while LLET receipts declined 7.0 percent. For the forecasting horizon,

both taxes should gravitate toward longer term trend values. The corporation income tax is expected to grow 7.2 percent, based on sustained profitability, and the LLET tax will remain fairly flat, with projected growth of 1.2 percent.

Coal severance receipts fell short of the official estimate in FY12 and are expected to decline in FY13. Energy markets, and coal markets in particular, have become quite volatile in the wake of technological advances in natural gas extraction. Input substitution, slowing global demand, and unseasonable weather all combined in a concerted fashion to depress coal demand and coal prices. Coal receipts fell 19.0 percent in the final quarter of FY12 and are expected to continue falling nearly 22.8 percent over the next three quarters before eventually forming a bottom.

Cigarette tax receipts declined 2.9 percent in FY12 but the downward trend is expected to stabilize over the forecast horizon. The outlook for cigarette tax receipts is for a nominal 4.4 percent increase in the first three quarters of FY13. 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 FY13 remains at \$214.0 million, the enacted estimate. Growth over the first three quarters of FY13 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 2.5 percent during the forecasting horizon, a slight increase in growth compared to FY12. Each account was re-examined after FY12 and the proper adjustments were made to calibrate the models. In all, these accounts were estimated to be \$654.2 million in FY12, with actual collections totaling \$658.0 million – an error rate of less than 1.0 percent.

## ROAD FUND

The Road Fund is expected to increase 4.2 percent during the first three quarters of FY13, as shown in Table 14. The Road Fund grew 7.8 percent in FY12 due to strong growth in motor fuels and motor vehicle usage tax collections as well as motor vehicle license receipts.

Motor fuels tax receipts are expected to increase 5.7 percent in the first nine months of FY13, due in large part to an increase in the tax rate caused by rising average wholesale prices of gasoline. The tax rate is projected

to be at the maximum statutorily allowable rate in the first two quarters before declining marginally in the third quarter.

Motor vehicle usage taxes are forecast to grow 5.7 percent during the first three quarters of FY13 as motor vehicle sales continue to increase but at a slightly slower rate. In FY12, receipts from this category rose 16.2 percent.

To estimate growth of the other components of the Road Fund, GOEA consulted with officials in the Transportation Cabinet and the Department of Revenue to assess recent growth patterns as well as administrative factors in developing an updated estimate. Motor vehicle license fees are expected to decrease 15.2 percent because FY12 collections were inflated due to timing issues. Weight distance taxes are expected to rise 0.9 percent, motor vehicle operator’s license (driver’s license) taxes are forecasted to decline 0.2 percent, and investment income collections are projected to be \$2.5 million. The “Other” category is expected to increase 16.1 percent due to a variety of administrative factors.

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

	FY12				FY13	
	Q4		Full Year		Q1, Q2 & Q3	
	Actual	% Chg	Actual	% Chg	Estimate	% Chg
Motor Fuels	200.4	8.1	790.2	7.8	623.7	5.7
Motor Vehicle Usage	118.2	16.2	416.9	9.2	315.5	5.7
Motor Vehicle License	32.3	-8.1	107.8	10.2	64.1	-15.2
Motor Vehicle Operator	4.0	5.7	15.7	0.0	11.7	-0.2
Weight Distance	18.7	3.1	75.1	1.5	56.9	0.9
Investment	2.5	248.5	3.1	54.4	2.0	227.9
Other	12.5	15.6	34.9	0.7	26.0	16.1
<b>Total Road Fund</b>	<b>388.7</b>	<b>9.3</b>	<b>1,443.8</b>	<b>7.8</b>	<b>1,099.9</b>	<b>4.2</b>

## NATIONAL ECONOMY

Fiscal year 2011 ended with a relatively optimistic outlook. Real GDP was up 2.7 percent for the year and forecasted to exceed that growth at the start of 2012. Most indicators for the national economy were trending upward and for the most part those trends were expected to continue. The only national variable that was expected to perform poorly was real government expenditures, largely a result of the expiring stimulus.

Within one quarter, those expectations had changed. What looked to be a strong rebound had begun to lose momentum by the first quarterly report of FY12. Real GDP went from having forecasted growth of 2.8 percent all the way down to 1.7 percent. Similarly, forecasts for consumption, investment, government expenditures, exports, and imports all declined. Global Insight accredited the deceleration to the emerging troubles in the Eurozone abroad and erupting political battles at home.

In the simplest term, no segment of state and national demand has emerged to lead the economy into a robust recovery. In the early stages of the recovery, business planned investment was expected to accelerate due to low interest rates reducing the cost of capital and the need for replacement equipment. That source of growth never fully materialized. Businesses still faced uncertain markets for their finished products, so investment decisions were further delayed. Later, hope emerged that a global recovery would allow net exports to lead the surge in the US domestic economy. This did not happen. Major fiscal and financial problems in Europe and building weaknesses in Asia derailed any chance of an export-led acceleration. Next, low interest rates and very low

real estate prices led to renewed optimism for a rebound in domestic housing. While a rebound is inevitable, this source of “investment” has also taken a holding pattern as potential buyers continue to seek value and gauge the strength of the economy before making purchases.

Finally, domestic consumption was identified as a possible tonic for increased final demand. Consumption has indeed been strong in the past six quarters. As employment slowly limped forward, households became more confident and the purse-strings slowly opened. Moreover, pent-up demand had been building since the recession began, and consumers took advantage of lower prices to finally make delayed purchases for households. In summary, the lack of a clear-cut and stable source of domestic demand continues to cloud the economic outlook. On the positive side, the lack of a credible demand source has not led to a double-dip in the 2007 recession. Nonetheless, strong forward progress has proven illusive and many business decisions continue to be delayed pending more clarity on the direction of the major economic aggregates.

The outlook for the next three quarters is, for the most part, an extension of the trend viewed in the past year: marginal improvement on all fronts, with exceptional improvement on none. GDP is expected to grow 2.2 percent over the next three quarters, consumption is forecast to grow by 2.6 percent, and investment should continue to be one of the bright spots, posting 7.6 percent growth. Government expenditures, which decreased by 2.5 percent in the past year will continue to decline, but at a decelerating rate of 2.1 percent. Exports should have less impressive growth and imports more impressive growth with 4.3 and 4.6 percent respectively.

In the previous quarterly report it was noted that risks of higher fuel prices were the greatest short-run risk to the economy. Seasonal price volatility combined with uncertainty in the Middle East had the possibility of increasing fuel prices, thereby depressing disposable income and discretionary consumption. This did not happen. Instead, between April and July of 2012, gasoline prices dropped by almost 60 cents per gallon nationally. This equates to a 0.5 percent increase in household disposable income. This is the opposite of what was expected one year ago.

Lower fuel prices have also meant decreased expenses in bringing products to market, and as a corollary, lower inflation. Year-over-year growth for the consumer price index, producer price index (finished goods), and producer price index (industrial commodities) are all at 12 month lows. So while increasing fuel prices in FY12 sent inflation shooting up (3.3 percent over the first three quarters) and zapped consumers of their discretionary spending ability, a reversal in gas prices should have the opposite effect and restore much-needed purchasing power to household budgets. Inflation is expected to drop to one percent growth over the first three quarters of FY13.

The previous quarterly report noted strong performance in the labor market, but that performance has dropped significantly in the intervening months. The most recent three months have all seen payroll employment growth of less than 100,000 per month. In the three months preceding the last quarterly report monthly employment growth average 245,000. Global Insight has posited that this slowdown in employment growth is over-exaggerated. In this scenario, the mild winter prevented typical seasonal disrupt-

tion in employment, making recent employment gains look comparatively weak.

The current forecast calls for total nonfarm employment growth of 1.4 percent in the first three quarters of FY13. Manufacturing employment is expected to start the year slightly stronger, and then level off. This slight, but steady improvement in employment is expected to decrease the unemployment rate to 7.9 percent by the third quarter. For the sake of comparison, the unemployment rate was 9.1 percent at the beginning of FY12.

This forecast has several base assumptions built into the underlying models. Global Insight assumed that the temporary two percent payroll tax cut and emergency unemployment insurance benefits were extended into 2013 rather than allowed to expire in the current calendar year. Furthermore, Global Insight has assumed that Congress is able to reach a compromise that will extend the Bush/Obama tax cuts into at least 2013 and forestall automatic spending cuts that are scheduled to begin in January 2013. Obviously these assumptions rest on some level of cooperation among members of congress leading up to and following the presidential election. Global Insight also assumed that the recent drop in gas prices will continue, and that the Federal Reserve will continue to hold interest rates near zero.

## KENTUCKY ECONOMY

The peak before the 2007 recession occurred largely at the end of FY08 in Kentucky. Personal income, wages, and salaries, and total nonfarm employment were all at, or near, all-time highs in the third and fourth quarters of that fiscal year. Even employ-

ment in the goods-producing sector, which had been wrapped in a decade of decline, was more or less stabilized prior to that point. Then the bottom fell out.

The good news is that now, four years after the onset of the recession, Kentucky's economy has exceeded those previous high in terms of personal income and wages and salaries. Kentucky personal income and wages and salaries are 7.2 percent and 6.3 percent respectively higher than their pre-recession peaks. Annual growth rates over the past eight quarters have averaged 3.8 percent for personal income and 3.7 percent for wages and salaries. Looking forward, that slow and steady growth is expected to continue. The current forecast calls for 3.5 percent and 3.3 percent growth in those two categories.

US personal income is expected to perform slightly better than Kentucky personal income over the next three quarters. See Table 15. US personal income is expected to grow by 3.7 percent, while Kentucky growth is expected to be 3.5 percent. Wages and salary growth in both Kentucky and nationally is expected to be 3.3 percent. Overall the outlook for income growth between Kentucky and the US are very similar and are much more optimistic than employment, inflation and debt outlooks might indicate.

The narrative regarding employment is much less optimistic. Whereas Kentucky has exceeded pre-recession peaks in the recovery, an uphill battle remains for a complete employment recovery. Total non-farm employment declined by 6.0 percent during the recession. Since the trough in Kentucky

employment we have regained approximately 60 percent of recessionary job losses. The forecast calls for nonfarm employment growth of 1.8 percent over the next three quarters.

It is also helpful to think of the employment outlook among the major sectors in Kentucky's economy. Service producing industries, which make up approximately two-thirds of Kentucky jobs, have recovered approximately 85 percent of jobs lost during the recession. This sector is the primary driving force behind the plodding growth. The first three quarters of FY13 are expected to grow 1.5 percent over the same quarters in FY12.

Manufacturing employment never had a definable recovery period following the 2001 recession. This complicates measurements for the goods producing employment too. Using the official recession start quarter, the goods producing sector lost over 17 percent of its jobs during the 2007 recession. The outlook for goods producing employment is very optimistic and it is expected to grow by 5.7 percent during the next three quarters.

Employment by the government is altogether different. Like the other two sectors government employment began to drop in FY09, but it was buoyed by the American Recovery and Reinvestment Act. Since most of the funds available through the stimulus have expired, government employment has dropped throughout the country and Kentucky is no exception. Table 16 shows that government employment has dropped in each of the past six quarters and is expected to continue dropping in FY13.

**Table 15**  
**Economic Outlook**  
**FY13 Q1, Q2, & Q3**

	Q1, Q2, & Q3			
	FY13	FY12	Chg	% Chg
<b>United States</b>				
Real GDP	13,707.1	13,417.2	289.9	2.2
Real Consumption	9,729.0	9,487.1	241.9	2.6
Real Investment	1,995.3	1,854.8	140.5	7.6
Real Government Expenditures	2,429.6	2,481.8	-52.2	-2.1
Real Exports	1,880.4	1,803.6	76.8	4.3
Real Imports	2,312.9	2,212.1	100.8	4.6
Personal Income (\$ billions)	13,614.8	13,126.4	488.4	3.7
Wage & Salary (\$ billions)	6,984.4	6,761.5	222.9	3.3
Inflation (% chg CPI)	1.0	3.3	NA	NA
Industrial Production Index (% chg)	3.1	3.9	NA	NA
Civilian Labor Force (millions)	155.3	154.1	1.2	0.8
Total Nonfarm Employment (millions)	133.9	132.1	1.8	1.4
Manufacturing Employment (millions)	12.0	11.8	0.2	1.5
Unemployment Rate (percent)	8.0	8.7	NA	NA
<b>Kentucky</b>				
Personal Income (\$ millions)	154,117.0	148,833.7	5,283.3	3.5
Wage & Salary (\$ millions)	78,947.6	76,414.8	2,532.9	3.3
Non-farm Employment (thousands)	1,834.8	1,803.1	31.6	1.8
Goods Producing (thousands)	322.0	304.5	17.5	5.7
Service Providing (thousands)	1,187.5	1,170.3	17.2	1.5
Government (thousands)	325.3	328.3	-3.0	-0.9

Real series are in billions of chained 2000 dollars.

Source: IHS Global Insight, Inc. June 11, 2012 data release and Kentucky MAK model.

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

	FY11				FY12				FY13		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>United States</b>											
Real GDP	3.5	3.1	2.2	1.6	1.5	1.6	2.0	2.1	2.2	2.1	2.1
Real Consumption	2.2	3.0	2.8	2.2	2.0	1.6	1.8	2.3	2.5	2.6	2.5
Real Investment	25.5	14.0	7.4	2.9	1.0	8.1	8.8	8.4	10.1	6.5	6.3
Real Government Expenditures	0.6	0.1	-1.1	-2.2	-2.4	-2.8	-2.3	-2.4	-2.6	-2.1	-1.6
Real Exports	12.5	8.8	8.9	7.3	6.0	4.7	4.5	4.5	4.2	4.5	4.1
Real Imports	15.9	10.7	9.6	4.8	2.1	3.6	3.1	3.8	4.8	4.7	4.2
Personal Income	4.9	5.4	5.8	5.1	4.8	4.2	2.9	2.9	3.2	4.0	3.9
Wage & Salary	3.3	3.3	4.4	3.4	4.2	4.3	3.5	3.5	2.8	3.4	3.6
CPI	1.2	1.2	2.1	3.3	3.8	3.3	2.8	1.9	1.0	1.0	0.8
Industrial Production Index	7.2	6.3	5.4	3.6	3.3	4.0	4.3	4.7	3.7	3.1	2.4
Civilian Labor Force	-0.2	0.1	-0.3	-0.4	-0.2	0.1	0.9	0.8	0.8	0.9	0.7
Total Nonfarm Employment	0.0	0.6	1.1	1.0	1.2	1.4	1.5	1.4	1.4	1.4	1.2
Manufacturing Employment	-0.6	0.6	1.7	1.7	1.8	2.0	2.0	1.9	1.8	1.6	1.0
Unemployment Rate (levels)	9.5	9.6	9.0	9.0	9.1	8.7	8.3	8.2	8.1	8.0	7.9
<b>Kentucky</b>											
Personal Income	2.8	2.7	5.1	4.8	4.3	4.7	3.2	3.1	3.5	3.7	3.5
Wage & Salary	3.5	2.2	3.5	2.8	3.4	5.6	4.4	4.3	3.6	3.1	3.3
Non-farm Employment	0.5	1.3	1.7	0.9	1.2	0.9	1.7	2.0	2.1	2.0	1.2
Goods Producing	-1.8	-0.4	1.2	1.3	1.4	0.9	1.9	6.1	6.0	6.0	5.3
Service Providing	1.0	1.7	2.0	1.4	1.5	1.5	2.6	1.8	1.9	1.7	0.8
Government	1.1	1.3	1.3	-1.1	0.0	-1.2	-1.3	-1.1	-1.0	-0.8	-1.0

Not Seasonally Adjusted. Real series are in billions of chained 2000 dollars.

Data for FY12 Q4 and forward are June 2012 estimates.

Source: IHS Global Insight Inc., June 11, 2012 data release

**Appendix A**  
**General and Road Fund Receipts**  
**Fourth Quarter FY2012**

## KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	Fourth Quarter FY 2012	Fourth Quarter FY 2011	% Change	Year-To-Date FY 2012	Year-To-Date FY 2011	% Change
<b>TOTAL GENERAL FUND</b>	<b>\$2,489,481,446</b>	<b>\$2,432,832,119</b>	<b>2.3%</b>	<b>\$9,090,954,645</b>	<b>\$8,759,442,646</b>	<b>3.8%</b>
Tax Receipts	\$2,408,630,620	\$2,350,576,236	2.5%	\$8,786,626,012	\$8,455,775,175	3.9%
Sales and Gross Receipts	\$951,335,137	\$902,087,042	5.5%	\$3,648,803,253	\$3,489,069,236	4.6%
Beer Consumption	1,698,360	1,600,138	6.1%	6,125,423	6,118,817	0.1%
Beer Wholesale	14,971,812	13,009,302	15.1%	54,139,730	51,914,445	4.3%
Cigarette	69,428,937	69,029,224	0.6%	254,798,018	262,220,720	-2.8%
Distilled Spirits Case Sales	29,682	29,405	0.9%	116,903	(232,830)	---
Distilled Spirits Consumption	2,895,472	2,877,104	0.6%	11,355,027	10,942,531	3.8%
Distilled Spirits Wholesale	7,678,582	7,513,375	2.2%	29,695,678	28,175,617	5.4%
Insurance Premium	42,394,005	41,057,991	3.3%	133,069,934	128,731,563	3.4%
Pari-Mutuel	1,871,441	1,707,339	9.6%	3,600,911	4,607,322	-21.8%
Race Track Admission	5,875	30,334	-80.6%	164,223	178,957	-8.2%
Sales and Use	784,719,884	740,075,643	6.0%	3,052,236,048	2,896,251,816	5.4%
Wine Consumption	653,008	663,390	-1.6%	2,716,967	2,584,039	5.1%
Wine Wholesale	3,411,230	3,470,694	-1.7%	14,102,961	13,748,696	2.6%
Telecommunications Tax	16,016,836	15,557,509	3.0%	64,919,274	62,286,497	4.2%
OTP	5,550,478	5,423,605	2.3%	21,730,607	21,391,009	1.6%
Floor Stock Tax	9,535	41,988	-77.3%	23,786	86,999	-72.7%
License and Privilege	\$160,018,238	\$180,399,726	-11.3%	\$647,694,277	\$658,594,243	-1.7%
Alc. Bev. License Suspension	78,170	74,943	4.3%	281,375	377,550	-25.5%
Coal Severance	65,534,975	80,878,417	-19.0%	298,263,637	295,836,611	0.8%
Corporation License	4,898,408	412,405	1087.8%	5,330,573	10,654,547	-50.0%
Corporation Organization	59,907	13,528	342.8%	94,666	69,928	35.4%
Occupational Licenses	87,513	66,382	31.8%	156,845	165,753	-5.4%
Oil Production	3,015,451	2,568,797	17.4%	11,955,961	8,287,566	44.3%
Race Track License	66,068	45,725	44.5%	272,443	262,175	3.9%
Bank Franchise Tax	1,565,633	10,035,499	-84.4%	94,158,966	88,400,971	6.5%
Driver License Fees	152,981	148,156	3.3%	608,829	602,721	1.0%
Minerals Severance	2,982,765	3,150,880	-5.3%	13,292,368	13,256,853	0.3%
Natural Gas Severance	4,431,078	7,027,256	-36.9%	22,538,258	24,938,411	-9.6%
Limited Liability Entity	77,145,287	75,977,739	1.5%	200,740,356	215,741,157	-7.0%
Income	\$1,241,129,822	\$1,199,444,901	3.5%	\$3,886,498,908	\$3,718,560,868	4.5%
Corporation	154,631,744	149,214,688	3.6%	374,423,779	300,782,364	24.5%
Individual	1,086,498,078	1,050,230,212	3.5%	3,512,075,128	3,417,778,504	2.8%
Property	\$38,040,099	\$47,995,649	-20.7%	\$529,566,811	\$514,814,972	2.9%
Building & Loan Association	2,508,944	2,247,679	11.6%	2,462,810	2,457,458	0.2%
General - Real	6,111,493	7,371,527	-17.1%	25,285,063	247,034,036	1.7%
General - Tangible	35,601,266	27,194,880	30.9%	207,739,436	186,665,683	11.3%
Omitted & Delinquent	817,969	(1,228,477)	---	16,687,591	28,140,461	-40.7%
Public Service	(7,005,533)	12,397,639	---	50,063,069	49,210,400	1.7%
Other	5,961	12,401	-51.9%	1,328,843	1,306,933	1.7%
Inheritance	\$10,811,894	\$12,047,148	-10.3%	\$41,312,904	\$41,350,929	-0.1%
Miscellaneous	\$7,295,430	\$8,601,770	-15.2%	\$32,749,859	\$33,384,927	-1.9%
Legal Process	5,022,964	5,195,212	-3.3%	19,977,267	20,303,600	-1.6%
T. V. A. In Lieu Payments	2,269,975	3,404,199	-33.3%	12,707,124	12,992,023	-2.2%
Other	2,491	2,358	5.6%	65,468	89,304	-26.7%
Nontax Receipts	\$80,578,631	\$82,312,158	-2.1%	\$301,849,149	\$300,260,186	0.5%
Departmental Fees	7,228,142	8,494,104	-14.9%	26,203,503	29,505,690	-11.2%
PSC Assessment Fee	1,951,575	7,537,842	-74.1%	7,389,549	16,266,055	-54.6%
Fines & Forfeitures	7,165,464	6,463,657	10.9%	26,274,627	26,117,800	0.6%
Interest on Investments	(15,097,696)	256,937	---	(14,535,985)	767,606	---
Lottery	54,829,000	57,000,000	-3.8%	210,800,122	200,500,000	5.1%
Sale of NOx Credits	2,025	14,313	-85.9%	22,025	36,825	-40.2%
Miscellaneous	24,500,121	2,545,306	862.6%	45,695,310	27,066,209	68.8%
Redeposit of State Funds	\$272,196	(\$56,275)	---	\$2,479,483	\$3,407,285	-27.2%

## KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Fourth Quarter FY 2012	Fourth Quarter FY 2011	%	Year-To-Date FY 2012	Year-To-Date FY 2011	%
			Change			Change
<b>TOTAL ROAD FUND</b>	<b>\$388,713,732</b>	<b>\$355,752,737</b>	<b>9.3%</b>	<b>\$1,443,773,845</b>	<b>\$1,338,811,926</b>	<b>7.8%</b>
Tax Receipts-	\$376,921,598	\$349,726,954	7.8%	\$1,416,497,670	\$1,315,130,011	7.7%
Sales and Gross Receipts	\$318,685,711	\$287,101,400	11.0%	\$1,207,082,330	\$1,114,593,981	8.3%
Motor Fuels Taxes	200,437,732	185,340,869	8.1%	790,229,379	732,826,112	7.8%
Motor Vehicle Usage	118,247,980	101,760,531	16.2%	416,852,951	381,767,869	9.2%
License and Privilege	\$58,235,887	\$62,625,555	-7.0%	\$209,415,340	\$200,536,031	4.4%
Motor Vehicles	32,275,527	35,126,535	-8.1%	107,836,554	97,812,587	10.2%
Motor Vehicle Operators	4,018,392	3,806,403	5.6%	15,737,651	15,736,805	0.0%
Weight Distance	18,735,571	18,177,209	3.1%	75,111,565	73,983,781	1.5%
Truck Decal Fees	629,410	709,415	-11.3%	736,224	793,715	-7.2%
Other Special Fees	2,576,987	4,805,993	-46.4%	9,993,345	12,209,142	-18.1%
Nontax Receipts	\$12,024,378	\$6,017,386	99.8%	\$26,739,794	\$21,932,031	21.9%
Departmental Fees	8,924,385	4,617,898	93.3%	21,879,481	18,167,778	20.4%
In Lieu of Traffic Fines	203,705	211,250	-3.6%	769,405	779,828	-1.3%
Investment Income	2,471,110	885,562	179.0%	3,081,180	1,995,228	54.4%
Miscellaneous	425,178	302,676	40.5%	1,009,727	989,197	2.1%
Redeposit of State Funds	(\$232,244)	\$8,397	---	\$536,381	\$1,749,883	-69.3%

**Appendix B**  
**Summary Statistics for General and Road Funds**  
**FY03 - FY12**

**Summary Statistics for General Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2003-2012**

	FY03	FY04	FY05	FY06	FY07
<b>TOTAL GENERAL FUND</b>	<b>6,783,458,295</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>Tax Receipts</b>	<b>6,543,157,657</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>Sales and Gross Receipts</b>	<b>2,577,542,870</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>
Beer Consumption	6,334,169	6,320,886	6,387,318	6,393,753	6,344,079
Beer Wholesale	35,969,890	37,439,919	37,815,717	45,206,839	46,806,186
Cigarette	16,367,947	17,136,198	24,966,880	172,069,493	168,768,467
Cigarette Floor Stock	---	---	8,701,966	12,089,404	9,746
Distilled Spirits Case Sales	85,601	87,662	92,178	94,806	98,874
Distilled Spirits Consumption	8,680,833	8,985,826	9,190,089	9,900,035	10,094,572
Distilled Spirits Wholesale	16,088,048	16,957,192	18,150,313	23,524,032	25,139,117
Insurance Premium	114,988,790	120,523,955	123,410,091	122,824,056	125,877,984
Pari-Mutuel	5,953,247	3,629,292	4,710,111	5,626,849	5,489,552
Race Track Admission	193,114	232,350	195,068	230,285	190,362
Sales and Use	2,364,182,478	2,447,584,698	2,594,966,373	2,749,765,011	2,817,652,253
Wine Consumption	1,902,818	2,005,265	2,279,162	1,945,945	2,326,331
Wine Wholesale	6,795,936	7,306,985	7,835,853	10,510,955	11,392,111
Telecommunications Tax	---	---	---	14,553,379	51,623,000
Other Tobacco Products	---	---	---	---	8,636,348
<b>License and Privilege</b>	<b>379,857,645</b>	<b>368,122,494</b>	<b>427,823,269</b>	<b>386,264,573</b>	<b>352,829,122</b>
Alc. Bev. License & Suspension	227,850	223,700	237,101	280,450	659,151
Coal Severance	141,664,981	147,498,230	184,436,935	224,490,111	221,952,516
Corporation License	152,595,257	124,096,012	134,149,794	43,516,942	11,734,452
Corporation Organization	190,494	143,804	613,048	221,281	115,755
Occupational Licenses	197,977	223,002	188,761	174,122	207,198
Oil Production	3,116,954	3,387,884	4,710,832	6,386,501	6,198,342
Race Track License	322,825	335,625	324,642	289,258	283,675
Bank Franchise Tax	53,747,906	55,467,195	63,837,587	59,603,147	63,912,315
Driver License Fees	499,003	523,979	522,904	600,903	603,807
Minerals Severance	12,580,912	13,711,874	13,494,541	14,502,342	14,822,013
Natural Gas Severance	14,713,486	22,511,188	25,307,125	36,199,516	32,339,897
LLET					
<b>Income</b>	<b>3,024,422,738</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>
Corporation	278,035,794	303,262,821	478,504,505	1,001,618,543	988,064,957
Individual	2,746,386,944	2,796,331,049	3,036,230,706	2,918,610,982	3,041,535,604
<b>Property</b>	<b>434,768,249</b>	<b>448,765,511</b>	<b>472,596,276</b>	<b>502,510,631</b>	<b>492,462,208</b>
Bank Deposits	456,527	467,711	474,098	505,351	513,619
Building & Loan Association	3,181,373	2,513,083	3,192,911	2,071,523	2,921,484
Distilled Spirits	442,092	375,637	388,612	410,798	506,754
General - Intangible	25,883,197	27,547,183	26,912,813	30,955,124	48,841
General - Real	186,000,177	192,534,530	202,182,555	215,351,439	228,282,174
General - Tangible	149,426,286	149,155,206	159,883,091	165,622,948	192,343,695
Omitted & Delinquent	20,368,623	15,829,225	20,646,846	30,330,629	25,253,460
Public Service	48,836,372	60,178,393	58,787,595	57,259,849	42,588,669
Other	173,603	164,542	127,756	2,970	3,512
<b>Inheritance</b>	<b>95,864,480</b>	<b>66,083,705</b>	<b>63,174,866</b>	<b>45,990,266</b>	<b>43,578,107</b>
<b>Miscellaneous</b>	<b>30,701,674</b>	<b>35,514,782</b>	<b>33,304,727</b>	<b>35,617,980</b>	<b>34,870,274</b>
Legal Process	22,994,148	27,322,798	24,696,032	25,118,948	24,759,470
T. V. A. In Lieu Payments	7,660,437	8,146,924	8,559,023	10,248,314	10,037,326
Other	47,090	45,061	49,672	250,719	73,478
<b>Nontax Receipts</b>	<b>233,694,271</b>	<b>280,871,754</b>	<b>286,661,124</b>	<b>302,629,799</b>	<b>327,878,702</b>
Departmental Fees	21,982,797	22,161,022	22,542,182	23,932,336	25,043,719
PSC Assessment Fee	8,702,466	5,389,636	13,568,805	9,041,415	14,593,067
Fines & Forfeitures	28,888,326	27,991,293	25,405,780	26,129,275	26,606,686
Interest on Investments	(7,157,704)	1,017,305	6,950,902	18,681,492	31,991,861
Lottery	171,000,000	173,800,000	161,252,000	190,000,000	186,625,113
Sale of NOx Credits	---	11,836,125	3,696,675	1,126,000	811,600
Miscellaneous	10,278,386	38,676,373	53,244,780	33,719,282	42,206,657
<b>Redeposit of State Funds</b>	<b>6,606,367</b>	<b>10,460,857</b>	<b>8,050,041</b>	<b>8,105,601</b>	<b>12,151,295</b>

**Summary Statistics for General Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2003-2012**

	FY08	FY09	FY10	FY11	FY12
<b>TOTAL GENERAL FUND</b>	<b>8,664,336,663</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>Tax Receipts</b>	<b>8,329,734,971</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>Sales and Gross Receipts</b>	<b>3,354,581,311</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>
Beer Consumption	6,535,066	6,478,525	6,165,525	6,118,817	6,125,423
Beer Wholesale	49,531,545	51,696,564	51,596,255	51,914,445	54,139,730
Cigarette	169,547,927	186,756,010	278,159,743	262,220,720	254,798,018
Cigarette Floor Stock		16,292,300	274,940	150,038	23,786
Distilled Spirits Case Sales	104,154	109,333	453,002	-232,830	116,903
Distilled Spirits Consumption	10,378,013	10,676,604	10,719,543	10,942,531	11,355,027
Distilled Spirits Wholesale	26,628,403	27,884,547	27,517,432	28,175,617	29,695,678
Insurance Premium	129,296,901	125,168,149	125,063,475	128,731,563	133,069,934
Pari-Mutuel	5,327,540	4,387,515	-82,480	4,607,322	3,600,911
Race Track Admission	219,939	230,888	187,994	178,957	164,223
Sales and Use	2,877,814,014	2,857,665,168	2,794,057,329	2,896,251,816	3,052,236,048
Wine Consumption	2,353,476	2,392,069	2,442,113	2,584,039	2,716,967
Wine Wholesale	11,977,256	12,356,700	12,082,136	13,748,696	14,102,961
Telecommunications Tax	55,972,928	61,228,833	66,786,669	62,286,497	64,919,274
Other Tobacco Products	8,894,150	11,548,724	21,107,290	21,391,009	21,730,607
<b>License and Privilege</b>	<b>468,666,009</b>	<b>561,746,597</b>	<b>539,421,718</b>	<b>658,594,243</b>	<b>647,694,277</b>
Alc. Bev. License & Suspension	830,310	393,050	562,082	377,550	281,375
Coal Severance	232,977,827	292,591,094	271,943,100	295,836,611	298,263,637
Corporation License	2,822,279	9,154,338	5,470,951	10,654,547	5,330,573
Corporation Organization	259,654	38,101	167,841	69,928	94,666
Occupational Licenses	191,571	257,200	172,153	165,753	156,845
Oil Production	10,201,113	8,430,228	7,564,121	8,287,566	11,955,961
Race Track License	245,360	350,225	271,425	262,175	272,443
Bank Franchise Tax	71,976,055	73,339,144	69,085,922	88,400,971	94,158,966
Driver License Fees	599,370	579,919	596,348	602,721	608,829
Minerals Severance	16,360,844	12,807,705	13,266,156	13,256,853	13,292,368
Natural Gas Severance	33,794,313	42,155,501	24,373,188	24,938,411	22,538,258
LLET	98,407,313	121,650,092	145,948,432	215,741,157	200,740,356
<b>Income</b>	<b>3,918,359,883</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>
Corporation	435,222,566	267,984,858	237,867,392	300,782,364	374,423,779
Individual	3,483,137,317	3,315,368,217	3,154,488,000	3,417,778,504	3,512,075,128
<b>Property</b>	<b>500,646,790</b>	<b>513,122,060</b>	<b>516,169,947</b>	<b>514,814,972</b>	<b>529,566,811</b>
Bank Deposits	532,436	542,716	589,597	561,375	570,776
Building & Loan Association	2,649,630	2,898,977	2,920,507	2,457,458	2,462,810
Distilled Spirits	513,549	624,280	685,815	730,146	754,636
General - Intangible	-	-	-	-	-
General - Real	237,153,330	241,008,338	248,756,857	247,034,036	251,285,063
General - Tangible	205,763,426	203,783,916	193,234,982	186,665,683	207,739,436
Omitted & Delinquent	17,519,651	22,945,670	24,952,198	28,140,461	16,687,591
Public Service	36,511,473	41,315,048	45,026,921	49,210,400	50,063,069
Other	3,295	3,115	3,071	15,412	3,431
<b>Inheritance</b>	<b>51,001,299</b>	<b>41,234,240</b>	<b>37,201,611</b>	<b>41,350,929</b>	<b>41,312,904</b>
<b>Miscellaneous</b>	<b>36,479,679</b>	<b>38,441,036</b>	<b>36,300,419</b>	<b>33,384,927</b>	<b>32,749,859</b>
Legal Process	24,060,840	23,782,419	21,807,020	20,303,600	19,977,267
T. V. A. In Lieu Payments	12,389,344	14,593,246	14,335,091	12,992,023	12,707,124
Other	29,495	65,371	158,308	89,304	65,468
<b>Nontax Receipts</b>	<b>330,053,277</b>	<b>311,791,847</b>	<b>301,799,304</b>	<b>300,260,186</b>	<b>301,849,149</b>
Departmental Fees	30,382,254	31,912,667	29,530,171	29,505,690	26,203,503
PSC Assessment Fee	14,306,084	14,104,836	12,685,063	16,266,055	7,389,549
Fines & Forfeitures	28,118,106	29,298,014	29,046,803	26,117,800	26,274,627
Interest on Investments	23,868,325	4,183,825	-303,103	767,606	-14,535,985
Lottery	187,461,591	193,500,000	200,000,000	200,500,000	210,800,122
Sale of NOx Credits	12,251,950	0	625,230	36,825	22,025
Miscellaneous	33,664,968	38,792,505	30,215,139	27,066,209	45,695,310
<b>Redeposit of State Funds</b>	<b>4,548,415</b>	<b>1,790,813</b>	<b>5,348,284</b>	<b>3,407,285</b>	<b>2,479,483</b>

**General Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2003-2012**

	FY03	FY04	FY05	FY06	FY07
<b>TOTAL GENERAL FUND</b>	<b>3.4%</b>	<b>2.9%</b>	<b>9.6%</b>	<b>9.6%</b>	<b>2.4%</b>
<b>Tax Receipts</b>	<b>4.0%</b>	<b>2.2%</b>	<b>9.9%</b>	<b>9.7%</b>	<b>2.1%</b>
<b>Sales and Gross Receipts</b>	<b>3.2%</b>	<b>3.5%</b>	<b>6.4%</b>	<b>11.8%</b>	<b>3.3%</b>
Beer Consumption	0.8%	-0.2%	1.1%	0.1%	-0.8%
Beer Wholesale	4.0%	4.1%	1.0%	19.5%	3.5%
Cigarette	17.4%	4.7%	45.7%	589.2%	-1.9%
Cigarette Floor Stock	---	---	---	---	-99.9%
Distilled Spirits Case Sales	4.5%	2.4%	5.2%	2.9%	4.3%
Distilled Spirits Consumption	5.0%	3.5%	2.3%	7.7%	2.0%
Distilled Spirits Wholesale	6.3%	5.4%	7.0%	29.6%	6.9%
Insurance Premium	9.4%	4.8%	2.4%	-0.5%	2.5%
Pari-Mutuel	14.9%	-39.0%	29.8%	19.5%	-2.4%
Race Track Admission	-25.8%	20.3%	-16.0%	18.1%	-17.3%
Sales and Use	2.8%	3.5%	6.0%	6.0%	2.5%
Wine Consumption	6.5%	5.4%	13.7%	-14.6%	19.5%
Wine Wholesale	6.2%	7.5%	7.2%	34.1%	8.4%
Telecommunications Tax	---	---	---	---	254.7%
Other Tobacco Products	---	---	---	---	---
<b>License and Privilege</b>	<b>6.5%</b>	<b>-3.1%</b>	<b>16.2%</b>	<b>-9.7%</b>	<b>-8.7%</b>
Alc. Bev. License Suspension	3.2%	-1.8%	6.0%	18.3%	135.0%
Coal Severance	-11.5%	4.1%	25.0%	21.7%	-1.1%
Corporation License	29.9%	-18.7%	8.1%	-67.6%	-73.0%
Corporation Organization	32.1%	-24.5%	326.3%	-63.9%	-47.7%
Occupational Licenses	-12.6%	12.6%	-15.4%	-7.8%	19.0%
Oil Production	20.3%	8.7%	39.0%	35.6%	-2.9%
Race Track License	762.6%	4.0%	-3.3%	-10.9%	-1.9%
Bank Franchise Tax	6.3%	3.2%	15.1%	-6.6%	7.2%
Driver License Fees	-1.2%	5.0%	-0.2%	14.9%	0.5%
Minerals Severance	1.8%	9.0%	-1.6%	7.5%	2.2%
Natural Gas Severance	19.6%	53.0%	12.4%	43.0%	-10.7%
LLET	---	---	---	---	---
<b>Income</b>	<b>3.9%</b>	<b>2.5%</b>	<b>13.4%</b>	<b>11.5%</b>	<b>2.8%</b>
Corporation	34.1%	9.1%	57.8%	109.3%	-1.4%
Individual	1.6%	1.8%	8.6%	-3.9%	4.2%
<b>Property</b>	<b>0.4%</b>	<b>3.2%</b>	<b>5.3%</b>	<b>6.3%</b>	<b>-2.0%</b>
Bank Deposits	-0.8%	2.4%	1.4%	6.6%	1.6%
Building & Loan Association	41.4%	-21.0%	27.1%	-35.1%	41.0%
Distilled Spirits	21.7%	-15.0%	3.5%	5.7%	23.4%
General - Intangible	12.0%	6.4%	-2.3%	15.0%	-99.8%
General - Real	3.5%	3.5%	5.0%	6.5%	6.0%
General - Tangible	-1.2%	-0.2%	7.2%	3.6%	16.1%
Omitted & Delinquent	-20.6%	-22.3%	30.4%	46.9%	-16.7%
Public Service	-2.3%	23.2%	-2.3%	-2.6%	-25.6%
Other	-19.1%	-5.2%	-22.4%	-97.7%	18.2%
<b>Inheritance</b>	<b>15.0%</b>	<b>-31.1%</b>	<b>-4.4%</b>	<b>-27.2%</b>	<b>-5.2%</b>
	<b>152.9%</b>	<b>15.7%</b>	<b>-6.2%</b>	<b>6.9%</b>	<b>-2.1%</b>
Legal Process	336.9%	18.8%	-9.6%	1.7%	-1.4%
T. V. A. In Lieu Payments	12.4%	6.4%	5.1%	19.7%	-2.1%
Other	-22.5%	-4.3%	10.2%	404.7%	-70.7%
<b>Nontax Receipts</b>	<b>10.3%</b>	<b>20.2%</b>	<b>2.1%</b>	<b>5.6%</b>	<b>8.3%</b>
Departmental Fees	12.3%	0.8%	1.7%	6.2%	4.6%
PSC Assessment Fee <sup>7</sup>	-16.8%	-38.1%	151.8%	-33.4%	61.4%
Fines & Forfeitures	-27.9%	-3.1%	-9.2%	2.8%	1.8%
Interest on Investments	153.6%	-114.2%	583.3%	168.8%	71.2%
Lottery	1.2%	1.6%	-7.2%	17.8%	-1.8%
Sale of NOx Credits	---	---	---	---	-27.9%
Miscellaneous	28.0%	276.3%	37.7%	-36.7%	25.2%
<b>Redeposit of State Funds</b>	<b>-14.7%</b>	<b>58.3%</b>	<b>-23.0%</b>	<b>0.7%</b>	<b>49.9%</b>

**General Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2003-2012**

	FY08	FY09	FY10	FY11	FY12
<b>TOTAL GENERAL FUND</b>	<b>1.1%</b>	<b>-2.7%</b>	<b>-2.4%</b>	<b>6.5%</b>	<b>3.8%</b>
<b>Tax Receipts</b>	<b>1.2%</b>	<b>-2.6%</b>	<b>-2.4%</b>	<b>6.8%</b>	<b>3.9%</b>
<b>Sales and Gross Receipts</b>	<b>2.3%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>2.7%</b>	<b>4.6%</b>
Beer Consumption	3.0%	-0.9%	-4.8%	-0.8%	0.1%
Beer Wholesale	5.8%	4.4%	-0.2%	0.6%	4.3%
Cigarette	0.5%	10.1%	48.9%	-5.7%	-2.8%
Cigarette Floor Stock	-100.0%	---	-98.3%	-45.4%	-84.1%
Distilled Spirits Case Sales	5.3%	5.0%	314.3%	-151.4%	-150.2%
Distilled Spirits Consumption	2.8%	2.9%	0.4%	2.1%	3.8%
Distilled Spirits Wholesale	5.9%	4.7%	-1.3%	2.4%	5.4%
Insurance Premium	2.7%	-3.2%	-0.1%	2.9%	3.4%
Pari-Mutuel	-3.0%	-17.6%	-101.9%	-5686.0%	-21.8%
Race Track Admission	15.5%	5.0%	-18.6%	-4.8%	-8.2%
Sales and Use	2.1%	-0.7%	-2.2%	3.7%	5.4%
Wine Consumption	1.2%	1.6%	2.1%	5.8%	5.1%
Wine Wholesale	5.1%	3.2%	-2.2%	13.8%	2.6%
Telecommunications Tax	8.4%	9.4%	9.1%	-6.7%	4.2%
Other Tobacco Products	3.0%	29.8%	82.8%	1.3%	1.6%
<b>License and Privilege</b>	<b>32.8%</b>	<b>19.9%</b>	<b>-4.0%</b>	<b>22.1%</b>	<b>-1.7%</b>
Alc. Bev. License Suspension	26.0%	-52.7%	43.0%	-32.8%	-25.5%
Coal Severance	5.0%	25.6%	-7.1%	8.8%	0.8%
Corporation License	-75.9%	224.4%	-40.2%	94.7%	-50.0%
Corporation Organization	124.3%	-85.3%	340.5%	-58.3%	35.4%
Occupational Licenses	-7.5%	34.3%	-33.1%	-3.7%	-5.4%
Oil Production	64.6%	-17.4%	-10.3%	9.6%	44.3%
Race Track License	-13.5%	42.7%	-22.5%	-3.4%	3.9%
Bank Franchise Tax	12.6%	1.9%	-5.8%	28.0%	6.5%
Driver License Fees	-0.7%	-3.2%	2.8%	1.1%	1.0%
Minerals Severance	10.4%	-21.7%	3.6%	-0.1%	0.3%
Natural Gas Severance	4.5%	24.7%	-42.2%	2.3%	-9.6%
LLET		23.6%	20.0%	47.8%	-7.0%
<b>Income</b>	<b>-2.8%</b>	<b>-8.5%</b>	<b>-5.3%</b>	<b>9.6%</b>	<b>4.5%</b>
Corporation	-56.0%	-38.4%	-11.2%	26.4%	24.5%
Individual	14.5%	-4.8%	-4.9%	8.3%	2.8%
<b>Property</b>	<b>1.7%</b>	<b>2.5%</b>	<b>0.6%</b>	<b>-0.3%</b>	<b>2.9%</b>
Bank Deposits	3.7%	1.9%	8.6%	-4.8%	1.7%
Building & Loan Association	-9.3%	9.4%	0.7%	-15.9%	0.2%
Distilled Spirits	1.3%	21.6%	9.9%	6.5%	3.4%
General - Intangible	-100.0%				
General - Real	3.9%	1.6%	3.2%	-0.7%	1.7%
General - Tangible	7.0%	-1.0%	-5.2%	-3.4%	11.3%
Omitted & Delinquent	-30.6%	31.0%	8.7%	12.8%	-40.7%
Public Service	-14.3%	13.2%	9.0%	9.3%	1.7%
Other	-6.2%	-5.5%	-1.4%	401.9%	-77.7%
<b>Inheritance</b>	<b>17.0%</b>	<b>-19.2%</b>	<b>-9.8%</b>	<b>11.2%</b>	<b>-0.1%</b>
<b>Miscellaneous</b>	<b>4.6%</b>	<b>5.4%</b>	<b>-5.6%</b>	<b>-8.0%</b>	<b>-1.9%</b>
Legal Process	-2.8%	-1.2%	-8.3%	-6.9%	-1.6%
T. V. A. In Lieu Payments	23.4%	17.8%	-1.8%	-9.4%	-2.2%
Other	-59.9%	121.6%	142.2%	-43.6%	-26.7%
<b>Nontax Receipts</b>	<b>0.7%</b>	<b>-5.5%</b>	<b>-3.2%</b>	<b>-0.5%</b>	<b>0.5%</b>
Departmental Fees	21.3%	5.0%	-7.5%	-0.1%	-11.2%
PSC Assessment Fee	-2.0%	-1.4%	-10.1%	28.2%	-54.6%
Fines & Forfeitures	5.7%	4.2%	-0.9%	-10.1%	0.6%
Interest on Investments	-25.4%	-82.5%	-107.2%	-353.2%	-1993.7%
Lottery	0.4%	3.2%	3.4%	0.2%	5.1%
Sale of NOx Credits	1409.6%	-100.0%	---	-94.1%	-40.2%
Miscellaneous	-20.2%	15.2%	-22.1%	-10.4%	68.8%
<b>Redeposit of State Funds</b>	<b>-62.6%</b>	<b>-60.6%</b>	<b>198.7%</b>	<b>-36.3%</b>	<b>-27.2%</b>

**Summary Statistics for Road Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2003-2012**

	FY03	FY04	FY05	FY06	FY07
<b>TOTAL STATE ROAD FUND</b>	<b>1,123,103,133</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>Tax Receipts-</b>	<b>1,059,296,184</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>Sales and Gross Receipts</b>	<b>886,809,027</b>	<b>889,251,190</b>	<b>898,340,426</b>	<b>923,879,353</b>	<b>974,732,028</b>
Motor Fuels Taxes	453,905,728	460,008,663	490,815,064	528,296,727	563,480,031
Motor Vehicle Usage	432,903,299	429,242,527	407,525,361	395,582,626	411,251,997
<b>License and Privilege</b>	<b>172,487,157</b>	<b>192,938,274</b>	<b>196,013,615</b>	<b>209,368,509</b>	<b>211,342,059</b>
Motor Vehicles	76,192,363	93,388,573	91,933,157	93,902,097	101,660,768
Motor Vehicle Operators	5,610,829	5,623,874	5,899,247	14,553,623	15,811,880
Weight Distance	76,851,211	79,574,022	83,069,296	85,336,610	85,435,610
Truck Decal Fees	673,481	725,403	1,041,912	954,706	842,239
Other Special Fees	13,159,273	13,626,402	14,070,003	14,621,473	7,591,561
<b>Nontax Receipts</b>	<b>62,789,372</b>	<b>32,932,009</b>	<b>30,432,049</b>	<b>30,208,832</b>	<b>39,469,278</b>
Departmental Fees	18,430,002	15,258,391	16,685,742	15,617,220	17,787,658
In Lieu of Traffic Fines	1,374,668	1,521,583	1,326,645	1,269,800	1,174,453
Highway Tolls	13,263,429	7,958,452	6,299,049	6,296,786	3,717,965
Investment Income	29,115,311	7,507,462	5,524,646	6,372,788	16,094,719
Miscellaneous	605,962	686,121	595,967	652,239	694,483
<b>Redeposit of State Funds</b>	<b>1,017,577</b>	<b>1,612,799</b>	<b>1,768,312</b>	<b>1,952,811</b>	<b>400,150</b>

**Road Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2003-2012**

	FY03	FY04	FY05	FY06	FY07
<b>TOTAL STATE ROAD FUND</b>	<b>0.4%</b>	<b>-0.6%</b>	<b>0.9%</b>	<b>3.4%</b>	<b>5.2%</b>
<b>Tax Receipts-</b>	<b>0.6%</b>	<b>2.2%</b>	<b>1.1%</b>	<b>3.6%</b>	<b>4.7%</b>
<b>Sales and Gross Receipts</b>	<b>1.5%</b>	<b>0.3%</b>	<b>1.0%</b>	<b>2.8%</b>	<b>5.5%</b>
Motor Fuels Taxes	2.2%	1.3%	6.7%	7.6%	6.7%
Motor Vehicle Usage	0.8%	-0.8%	-5.1%	-2.9%	4.0%
<b>License and Privilege</b>	<b>-3.8%</b>	<b>11.9%</b>	<b>1.6%</b>	<b>6.8%</b>	<b>0.9%</b>
Motor Vehicles	-9.8%	22.6%	-1.6%	2.1%	8.3%
Motor Vehicle Operators	0.8%	0.2%	4.9%	146.7%	8.6%
Weight Distance	2.1%	3.5%	4.4%	2.7%	0.1%
Truck Decal Fees	-16.6%	7.7%	43.6%	-8.4%	-11.8%
Other Special Fees	0.6%	3.5%	3.3%	3.9%	-48.1%
<b>Nontax Receipts</b>	<b>-2.0%</b>	<b>-47.6%</b>	<b>-7.6%</b>	<b>-0.7%</b>	<b>30.7%</b>
Departmental Fees	21.8%	-17.2%	9.4%	-6.4%	13.9%
In Lieu of Traffic Fines	-29.9%	10.7%	-12.8%	-4.3%	-7.5%
Highway Tolls	-3.8%	-40.0%	-20.9%	0.0%	-41.0%
Investment Income	-9.5%	-74.2%	-26.4%	15.4%	152.6%
Miscellaneous	-41.3%	13.2%	-13.1%	9.4%	6.5%
<b>Redeposit of State Funds</b>	<b>51.2%</b>	<b>58.5%</b>	<b>9.6%</b>	<b>10.4%</b>	<b>-79.5%</b>

**Summary Statistics for Road Fund (\$ mil)  
Major Revenue Sources - Fiscal Years 2003-2012**

	FY08	FY09	FY10	FY11	FY12
<b>TOTAL STATE ROAD FUND</b>	<b>1,262,798,750</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>Tax Receipts-</b>	<b>1,219,349,262</b>	<b>1,159,379,226</b>	<b>1,181,341,209</b>	<b>1,315,130,011</b>	1,416,497,670
<b>Sales and Gross Receipts</b>	<b>1,014,576,337</b>	<b>958,780,727</b>	<b>988,541,345</b>	<b>1,114,593,981</b>	1,207,082,330
Motor Fuels Taxes	608,779,123	622,479,527	655,761,466	732,826,112	790,229,379
Motor Vehicle Usage	405,797,215	336,301,200	332,779,879	381,767,869	416,852,951
<b>License and Privilege</b>	<b>204,772,925</b>	<b>200,598,500</b>	<b>192,799,864</b>	<b>200,536,031</b>	<b>209,415,340</b>
Motor Vehicles	93,523,748	98,186,733	96,839,803	97,812,587	107,836,554
Motor Vehicle Operators	15,372,618	15,521,191	15,941,488	15,736,805	15,737,651
Weight Distance	84,353,543	75,444,283	70,498,757	73,983,781	75,111,565
Truck Decal Fees	774,379	832,653	679,383	793,715	736,224
Other Special Fees	10,748,637	10,613,640	8,840,433	12,209,142	9,993,345
<b>Nontax Receipts</b>	<b>41,805,267</b>	<b>31,375,092</b>	<b>23,871,991</b>	<b>21,932,031</b>	<b>26,739,794</b>
Departmental Fees	20,291,394	19,106,827	18,487,783	18,167,778	21,879,481
In Lieu of Traffic Fines	1,112,801	958,790	779,495	779,828	769,405
Highway Tolls	-	-	-	-	-
Investment Income	19,460,549	10,661,790	3,633,987	1,995,228	3,081,180
Miscellaneous	940,522	647,685	970,725	989,197	1,009,727
<b>Redeposit of State Funds</b>	<b>1,644,222</b>	<b>1,228,575</b>	<b>1,409,439</b>	<b>1,749,883</b>	<b>536,381</b>

**Road Fund Growth Rates  
Major Revenue Sources - Fiscal Years 2003-2012**

	FY08	FY09	FY10	FY11	FY12
<b>TOTAL STATE ROAD FUND</b>	<b>3.0%</b>	<b>-5.6%</b>	<b>1.2%</b>	<b>11.0%</b>	<b>7.8%</b>
<b>Tax Receipts-</b>	<b>2.8%</b>	<b>-4.9%</b>	<b>1.9%</b>	<b>11.3%</b>	<b>7.7%</b>
<b>Sales and Gross Receipts</b>	<b>4.1%</b>	<b>-5.5%</b>	<b>3.1%</b>	<b>12.8%</b>	<b>8.3%</b>
Motor Fuels Taxes	8.0%	2.3%	5.3%	11.8%	7.8%
Motor Vehicle Usage	-1.3%	-17.1%	-1.0%	14.7%	9.2%
<b>License and Privilege</b>	<b>-3.1%</b>	<b>-2.0%</b>	<b>-3.9%</b>	<b>4.0%</b>	<b>4.4%</b>
Motor Vehicles	-8.0%	5.0%	-1.4%	1.0%	10.2%
Motor Vehicle Operators	-2.8%	1.0%	2.7%	-1.3%	0.0%
Weight Distance	-1.3%	-10.6%	-6.6%	4.9%	1.5%
Truck Decal Fees	-8.1%	7.5%	-18.4%	16.8%	-7.2%
Other Special Fees	41.6%	-1.3%	-16.7%	38.1%	-18.1%
<b>Nontax Receipts</b>	<b>5.9%</b>	<b>-24.9%</b>	<b>-23.9%</b>	<b>-8.1%</b>	<b>21.9%</b>
Departmental Fees	14.1%	-5.8%	-3.2%	-1.7%	20.4%
In Lieu of Traffic Fines	-5.2%	-13.8%	-18.7%	0.0%	-1.3%
Highway Tolls	-100.0%	-	-	-	-
Investment Income	20.9%	-45.2%	-65.9%	-45.1%	54.4%
Miscellaneous	35.4%	-31.1%	49.9%	1.9%	2.1%
<b>Redeposit of State Funds</b>	<b>310.9%</b>	<b>-25.3%</b>	<b>14.7%</b>	<b>24.2%</b>	<b>-69.3%</b>