

COMMONWEALTH OF KENTUCKY

# QUARTERLY ECONOMIC & REVENUE REPORT

FOURTH QUARTER  
FISCAL YEAR 2010  
ANNUAL EDITION

GOVERNOR'S OFFICE FOR  
ECONOMIC ANALYSIS

OFFICE OF  
STATE BUDGET  
DIRECTOR



**Kentucky**  
UNBRIDLED SPIRIT™



***Office of State Budget Director***

Capitol Building, 700 Capitol Avenue  
Frankfort, Kentucky 40601

**Steven L. Beshear**  
Governor

(502) 564-2611 or (502) 564-7300  
FAX: (502) 564-7022 or (502) 564-6684  
Internet: [osbd.ky.gov](http://osbd.ky.gov)

**Mary E. Lassiter**  
State Budget Director

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

July 30, 2010

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 2010 (FY10). It also includes an analysis of FY10 totals and an interim economic and revenue forecast for the first three quarters of FY11.

Final General Fund receipts for FY10 totaled \$8,225.1 million, a decrease of 2.4 percent compared to the same period in FY09. This was \$27.2 million more than the revised official estimates rendered in December 2009 by the Consensus Forecasting Group, amended by the actions of the 2010 General Assembly.

Final Road Fund revenues for FY10 totaled \$1,206.6 million, an increase of 1.2 percent from FY09, and were \$7.5 million above the revised revenue estimate.

The interim General Fund forecast for the first three quarters of FY11 calls for an increase of 4.5 percent compared to the same period one year ago. The Road Fund is expected to increase 8.3 percent in the first three quarters of FY11.

We will continue to monitor the economic and fiscal conditions of the Commonwealth and will keep you apprised of developments.

Sincerely,

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

Mary E. Lassiter  
State Budget Director

## TABLE OF CONTENTS

|                                            |    |
|--------------------------------------------|----|
| <i>Executive Summary</i> .....             | 1  |
| <b>I. Revenue Receipts</b>                 |    |
| <b>Fourth Quarter, FY10</b>                |    |
| General Fund Fourth Quarter FY10 .....     | 7  |
| Road Fund Fourth Quarter FY10 .....        | 8  |
| <b>Annual Totals</b>                       |    |
| General Fund .....                         | 10 |
| Road Fund .....                            | 14 |
| Tobacco Master Settlement Agreement .....  | 14 |
| <b>II. The Economy Fourth Quarter FY10</b> |    |
| National Economy - FY10 Q4 .....           | 19 |
| Kentucky Economy - FY10 Q4 .....           | 21 |
| <b>III. Interim Outlook</b>                |    |
| General Fund .....                         | 25 |
| Road Fund .....                            | 28 |
| National Economy .....                     | 30 |
| State Economy .....                        | 31 |

### Figures

|          |                                                                 |    |
|----------|-----------------------------------------------------------------|----|
| Figure A | Compositon of Fourth Quarter FY10 GF Receipts by Tax Type ..... | 8  |
| Figure B | Compositon of Fourth Quarter FY10 RF Receipts by Tax type ..... | 9  |
| Figure C | Compositon of FY10 GF Receipts by Tax Type .....                | 12 |
| Figure D | Quarterly General Fund Detailed Growth Rates by Quarter .....   | 13 |
| Figure E | Composition of FY10 RF Receipts by Tax Type .....               | 16 |
| Figure F | Quarterly Road Fund Detailed Growth Rates .....                 | 17 |

### Appendices

|                                                               |  |    |
|---------------------------------------------------------------|--|----|
| Appendix A:                                                   |  |    |
| Detailed Revenue Receipts - Fourth Quarter 2010:4 .....       |  | 36 |
| Appendix B:                                                   |  |    |
| Summary Statistics for General and Road Funds FY01-FY10 ..... |  | 40 |



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 FY10. In accordance with the statutes, 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:

- General Fund receipts fell for the second consecutive fiscal year, the third time in nine years, but only the fourth time in 65 years.
- Road Fund receipts posted a small increase in FY10, growing by 1.2 percent.
- Both the General Fund and Road Fund receipts were very close to revised estimates in FY10.
  - ◆ The General Fund was \$27.2 million, or 0.3 percent, higher than the official estimates.
  - ◆ The Road Fund exceeded estimates by \$7.5 million, or 0.6 percent.
- In the fourth quarter of FY10, General Fund receipts finally ended a string of five consecutive quarterly declines by posting growth, albeit just 0.4 percent.
- The Road Fund grew more robustly, 4.6 percent, in the fourth quarter on the strength of both motor fuels and motor vehicle usage tax collections.
- The economy is keeping pace with earlier projections, especially the control scenario. However, the pessimistic alternative scenario has increased in likelihood and the downside risks appear to outweigh upside risks at the time of this report.
- Revenue growth is projected in the first three fiscal quarters of FY11 in both the Road Fund and General Fund. Comparisons between these interim estimates and the revised official estimates for the entire fiscal year may seem disparate due to the seasonality associated with quarterly revenue growth rates and collections.

## General Fund - FY10 Q4

General Fund receipts fell 2.4 percent in FY10 to \$8,225.1 million. Relative to the official revenue forecast of \$8,197.9 million, actual receipts were \$27.2 million greater than the estimates (the consensus estimate of December 2009 as modified by 2010 legislation). In the fourth quarter, General Fund receipts rose 0.4 percent for quarterly collections of \$2,218.8 million. Growth in the fourth quarter ended a streak of five consecutive quarterly declines in the General Fund, the longest such run of declines since World War II. Since 1954, the economy has faced ten recessions but annual General Fund receipts have fallen only three times: FY02, FY09, and now FY10. The official estimate produced by the Consensus Forecasting Group (CFG) in December 2009 calls for the streak of declines to end in FY11 with projected revenue growth of 4.2 percent.

Throughout this report, comparisons are made between actual FY10 revenues and the “official estimate”, which is a defined term in KRS 48.120 meaning the enacted estimates until later modified by the CFG or actions of the General Assembly. The enacted General Fund estimate as adopted by the CFG in January, 2008, was \$9,296.0 million. In recognition of worsening economic conditions and in anticipation of the 2009 Special Session, the State Budget Director requested that the CFG meet to consider an official revision to the FY10 revenue estimates. On May 29, 2009, the CFG lowered the official General Fund estimate from \$9,296.0 million to \$8,300.0 million, a reduction of \$996.0 million. In addition, KRS 48.115 directs the CFG to provide revenue estimates for the current year and the upcoming biennium on or before the 15th legislative day. That process led to a second official revision to FY10

revenues with a projection of \$8,196.0 million. Finally, 2010 legislative actions added \$1.9 million to the FY10 official estimate. The sum of all these actions culminated in the FY10 official estimate of \$8,197.9 million that is referred to in this report. As compared to the enacted estimate, the final official estimate for 2010 was reduced by \$1,098.1 million or 11.9 percent. For the Road Fund, the enacted estimate was \$1,405.1 million. The CFG lowered the estimate to \$1,166.0 million in the May revision but raised the Road Fund estimate slightly to \$1,199.1 million during the KRS 48.115 process. As compared to the enacted estimate FY10, the final FY10 official estimate for the Road Fund was reduced by \$206.0 million or 14.7 percent.

As projected, most major revenue sources declined in FY10. The largest two revenue sources, the individual income tax and sales tax, both posted declines which greatly influenced the aggregate General Fund totals. Among the other major revenue sources, only lottery receipts, cigarette taxes, and property taxes recorded growth in FY10. Both the lottery and property tax increases were nominal; cigarette taxes grew 37.1 percent, but only because the rate of taxation rose from 30 cents to 60 cents per pack in April 2009. A complete tax-by-tax summary can be found in Table 4.

General Fund revenue projections for the next three quarters are shown in Table 13. All of the major revenue sources are predicted to post growth in the next three quarters. The official General Fund revenue projection for FY11, as modified by the actions of the General Assembly in 2010, is \$8,570.9 million with a corresponding growth rate of 4.2 percent. This quarterly report projects 4.5 percent growth over the first

three quarters of the year with total General Fund collections of \$6,278.9 million as compared to \$6,006.4 million collected over the same period in FY10.

The official estimate for FY11 is comprised of the \$8,490.8 million projected in December 2009, plus \$80.1 million estimated from legislative actions in 2010. Of the \$80.1 million expected in FY11, only \$48.4 is expected during the first three-quarters of the fiscal year.

Road Fund receipts increased 4.6 percent in the fourth quarter, primarily propelled by a strong rebound in motor fuels taxes. The fourth quarter performance propelled the Road Fund to post 1.2 percent growth in FY10. While the General Fund is not projected to exceed FY08 revenue totals until FY12, recent growth in the Road Fund, as well as the strong current-year performance projected in the interim forecast, should propel the Road Fund ahead of pre-recession FY08 levels in FY11 — one year ahead of the General Fund.

#### **Road Fund - FY10 Q4**

Projected Road Fund growth is detailed in Table 14. The robust growth predicted in the Road Fund is a function of two primary factors. First, the tax rate on motor fuels automatically adjusted by statutory formula, effective July 1, 2010. That higher rate is expected to prevail for most of FY11, thus moving fuels collections higher. Second, motor vehicle sales are starting to show signs of recovery, which will favorably impact the motor vehicle usage tax collections. The legislatively enacted “trade in credit” on new car purchases is also poised to invoke the \$25 million cap in the first quarter of FY11, thus helping collections in that account.

On the economic front, the biggest challenge facing recovery in the national economy will be finding a sustainable stable source of growth in aggregate demand.

When the April 2010 Third Quarter Report was issued, the outlook for the national economy was expected to turn decidedly more positive in FY11 and beyond. Since then, there has been little change to the broad message but the caveats to growth are becoming more mainstream and prevalent. The rebound in employment has been pushed back one quarter, the consumer side has softened, and the robust talk of an export-led recovery has tempered in intensity. While a double-dipped recession is still being viewed as unlikely, talks of a super-heated recovery and inflation risks are equally muted. In fact, deflation is now being cast as a more imminent possibility than an inflation spiral, so the outlook for any Federal Reserve intervention to kick up short rates has been postponed until late calendar-year 2011.

While these projections of weak employment growth in the early stages of recovery are certainly cause for concern, the same pattern played out during the recovery stage of the 2001 recession. Heading into that national recession, US nonfarm employment averaged 132.5 million in the third quarter of FY01. It took a full five years before employment finally eclipsed the pre-recession levels.

Unfortunately, the inherent lagging nature of employment has several consequences that add considerable uncertainty to the current economic forecast. Employment, particularly the wages and salaries generated from employment, is highly correlated with household consumption, which is in turn a driver for many other elements of the economy.

Current consumption helps form the expectations for future consumption demand, which in turn drives business decisions like equipment purchases. Second, uncertainty about employment has a dampening effect on two of the largest consumer purchases – housing and vehicles. This uncertainty is compounded by the aftermath of the financial crisis. This has caused consumer lending to tighten especially for higher-risk loans. The arguments above would suggest that until the employment picture becomes more clear, sectors like housing, automobiles, and business planned investment will likely tread water.

The bottom sections of Tables 15 and 16 display highlights of the current forecast for the Kentucky economy. There are many

similarities between the state and national outlooks. Most notably, personal income rebounds before employment, as seen in Table 15. In the first half of FY11, personal income in Kentucky is expected to grow by 4.0 percent while employment growth is below one percent. Compared to the national forecast for the same period, the employment outlook for Kentucky is very similar but the rebound in personal income is slightly muted. The income disparity is partly explained by a slowing in the growth of transfer payments. Kentucky was somewhat insulated from the depths of the recession by sustained growth in transfer payments from the Federal Government, but those double-digit growths have subsided in the most recent quarter to more sustainable, long-run rates.

**I.**  
**Fourth Quarter**  
**Fiscal Year 2010**  
**General Fund and Road Fund Receipts**

**This page intentionally left blank.**



## FOURTH QUARTER, FY10 General Fund

General Fund receipts in the fourth quarter of FY10 totaled \$2.219 billion compared to \$2.209 billion in the fourth quarter of FY09, an increase of 0.4 percent. The fourth quarter increase stemmed a tide of five consecutive quarterly declines. 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.

**Table 1**  
**Summary General Fund Receipts**  
**(\$ millions)**

|                   | <u>FY10</u>    | <u>FY09</u>    | <u>Diff</u> | <u>Diff</u> |
|-------------------|----------------|----------------|-------------|-------------|
|                   | <u>Q4</u>      | <u>Q4</u>      | <u>(\$)</u> | <u>(%)</u>  |
| Sales and Use     | 727.7          | 698.5          | 29.2        | 4.2         |
| Individual Income | 925.1          | 963.6          | -38.6       | -4.0        |
| Corp Income       | 108.7          | 77.1           | 31.7        | 41.1        |
| LLET              | 52.4           | 53.1           | -0.7        | -1.3        |
| Coal Severance    | 77.3           | 74.7           | 2.7         | 3.6         |
| Cigarette Taxes   | 72.9           | 82.8           | -9.9        | 9.6         |
| Property          | 47.1           | 54.2           | -7.1        | -13.1       |
| Lottery           | 55.5           | 52.0           | 3.5         | 6.7         |
| Other             | 152.1          | 153.4          | -1.2        | -11.2       |
| <b>TOTAL</b>      | <b>2,218.8</b> | <b>2,209.3</b> | <b>9.5</b>  | <b>0.4</b>  |

General Fund receipts started to show some positive signs in the fourth quarter of FY10 reflecting some of the underlying recovery in the national economy after the negative performances in each of the first three fiscal

quarters of FY10. These changes will be discussed below in the appropriate category.

The sales and use tax receipts increased by 4.2 percent in the fourth quarter of FY10 following declines in each of the first three quarters. The rate of decline mitigated throughout the fiscal year, culminating in actual growth in the fourth quarter.

Individual income tax receipts fell 4.0 percent in the fourth quarter of FY10 compared to collections in the fourth quarter of FY09. Receipts of \$925.1 million were \$38.6 million less than were collected in the fourth quarter of the previous fiscal year.

Corporation income taxes posted an increase of 41.1 percent during the fourth quarter of FY10. Receipts totaled \$108.7 million and were \$31.7 million more than collected a year earlier. Corporation income tax receipts were down 11.2 percent for the year due to lower profits and other factors.

The LLET had collections of \$52.4 million in the fourth quarter of the fiscal year, a decrease of 1.3 percent.

The coal severance tax receipts increased 3.6 percent in the fourth quarter following sizable declines in each of the first three quarters. Receipts of \$77.3 million compare to \$74.7 million collected in the fourth quarter of FY09.

Cigarette taxes decreased in the fourth quarter. Receipts of \$72.9 million were 11.9 percent less than collected in the fourth quarter of FY09.

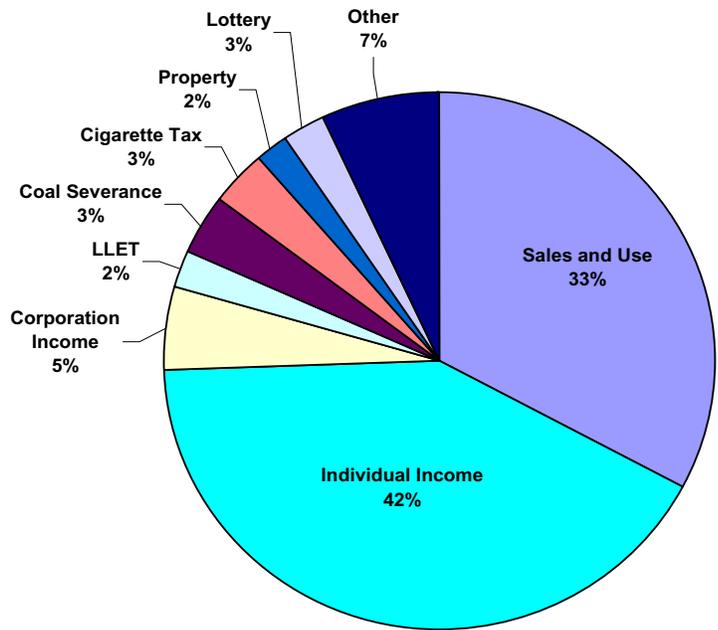
Property tax collections fell by 13.1 percent in the fourth quarter of FY10. Collections of \$47.1 million compare to \$54.2 million received in the final quarter of the prior fiscal year. Weakness in the other property tax receipts, a category which includes watercraft and distributions to local governments, contributed to the overall decline in property taxes.

Lottery receipts increased 6.7 percent, or \$3.5 million, in the fourth quarter of FY10 with revenues of \$55.5 million.

The “Other” category represents the remaining accounts in the General Fund, and combined for \$152.1 million in receipts, a decline of 0.8 percent from FY09.

Figure A details the composition of fourth-quarter 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 source of revenue was the “Other” category at 7.0 percent. The largest components in this category include the insurance premium tax, the inheritance tax, beer wholesale sales tax, the natural gas severance tax, abandoned property, departmental fees, and fines and forfeitures. Corporation income accounted for 5.0 percent. Cigarette taxes and coal severance taxes each accounted for 3.0 percent. Property tax and the LLET receipts each accounted for 2.0 percent or less of total General Fund receipts.

**Figure A**  
**Composition of Fourth Quarter FY10**  
**General Fund Receipts by Tax Type**



**FOURTH QUARTER, FY10**  
**Road Fund**

Road Fund receipts increased 4.6 percent in the fourth quarter of FY10 due to strong growth in motor fuels tax receipt and timing of receipts. Receipts totaled \$331.2 million compared to the \$316.6 million received in the fourth quarter of FY09. Summary data are contained in Table 2 and detailed data are shown in Appendix A.

Motor fuels tax receipts increased 9.5 percent during the fourth quarter of FY10. Receipts were \$176.2 million and compare to \$160.9 million collected during the fourth quarter last year. The increase was partially a result of the statutory formula which triggered increases in statutory wholesale price due to increased actual wholesale prices observed in the marketplace.

| Table 2<br>Summary Road Fund Receipts<br>(\$ millions) |              |              |              |             |
|--------------------------------------------------------|--------------|--------------|--------------|-------------|
|                                                        | FY10<br>Q4   | FY09<br>Q4   | Diff<br>(\$) | Diff<br>(%) |
| Motor Fuels                                            | 176.2        | 160.9        | 15.3         | 9.5         |
| Motor Vehicle Usage                                    | 88.5         | 84.9         | 3.6          | 4.3         |
| Motor Vehicle License                                  | 35.0         | 38.1         | -3.1         | -8.2        |
| Motor Vehicle Operators                                | 4.0          | 3.9          | 0.1          | 2.9         |
| Weight Distance                                        | 17.3         | 16.9         | 0.4          | 2.4         |
| Investment Income                                      | 0.8          | 3.3          | -2.5         | -75.4       |
| Other                                                  | 9.4          | 8.7          | 0.7          | 8.5         |
| <b>TOTAL</b>                                           | <b>331.2</b> | <b>316.6</b> | <b>14.6</b>  | <b>4.6</b>  |

Figure B details the composition of Road Fund revenues by tax type in the fourth quarter of FY10. Motor fuels taxes and motor vehicle usage taxes comprised 80.0 percent of Road Fund revenues in the fourth quarter. The next-largest source of revenue was the motor vehicle license tax with 11.0 percent, followed by weight distance taxes with 5.0 percent. The “Other” category accounted for 3.0 percent, while motor vehicle operators accounted for one percent and investment income under one percent.

Motor vehicle usage tax receipts increased by 4.3 percent during the fourth quarter. This rebound was after a very tough stretch over the past two years. Receipts were \$88.5 million compared to \$84.9 million collected during the same period last year.

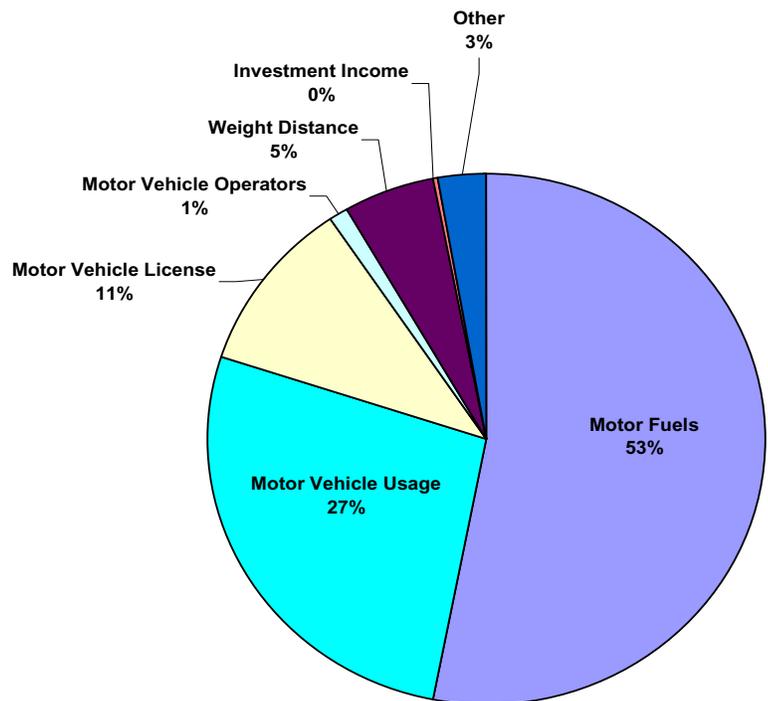
Weight distance tax receipts totaled \$17.3 million, an increase of 2.4 percent from the fourth quarter of last year.

Motor vehicle license tax receipts declined by 8.2 percent during the fourth quarter of FY10. Receipts of \$35.0 million compare to \$38.1 million received during the fourth quarter of FY09.

Investment income was down in the fourth quarter of FY10, yielding \$0.8 million.

The remainder of the accounts in the Road Fund combined for an increase of 8.5 percent. Receipts for the “Other” category totaled \$9.4 million during the fourth quarter, compared to \$8.7 million in the fourth quarter of FY09.

**Figure B**  
**Composition of Fourth Quarter FY10**  
**Road Fund Receipts by Tax Type**



**ANNUAL TOTALS - FY10  
General Fund**

The General Fund decreased by 2.4 percent, or \$201.2 million, in FY10 as receipts totaled \$8.225 billion compared to \$8.426 billion 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.

General Fund collections for FY10 were \$27.2 million more than the revised official estimate rendered in December 2009 by the CFG, as modified by the 2010 General Assembly, which projected a revenue decline of 2.7 percent. The largest shortfalls occurred in the “Other” and property taxes, which were \$8.6 million and \$2.5 million below forecasted levels, respectively. On the other hand, collections from the coal severance, individual income and corporation income taxes all came in above forecasted levels.

Sales tax receipts fell 2.2 percent in FY10, or \$63.6 million, as the national recession cut into consumers’ ability to make taxable pur-

chases. Receipts of \$2.794 billion compare to prior year receipts \$2.858 billion. Sales tax receipts have now declined in two consecutive fiscal years. Sales tax receipts finished the year with an increase in the fourth quarter after three consecutive quarterly declines.

Individual income tax receipts declined by \$160.9 million from last year as all components of the tax showed weakness. Receipts totaled \$3.154 billion and compare to \$3.315 billion collected last year. Much like the sales tax, individual income tax receipts have now declined in two consecutive fiscal years.

Corporate income tax collections fell \$30.1 million in FY10 on weak corporate profits. Receipts for the year totaled \$237.9 million and compare to \$268.0 million collected in FY09. The limited liability entity tax increased 20.0 percent compared to the prior year with receipts of \$145.9 million. In FY10, combined corporation income tax receipts and limited liability entity tax receipts were \$383.8 million or \$5.8 million lower than was collected in FY09.

**Table 3  
FY10 General Fund Revenues Compared to Previous Years  
(\$ millions)**

|                    | Actual Collections |                |                | Growth Rates (%) |             |            |
|--------------------|--------------------|----------------|----------------|------------------|-------------|------------|
|                    | FY10               | FY09           | FY08           | FY10             | FY09        | FY08       |
| Sales and Use      | 2,794.1            | 2,857.7        | 2,877.8        | -2.2             | -0.7        | 2.1        |
| Individual Income  | 3,154.5            | 3,315.4        | 3,483.1        | -4.9             | -4.8        | 14.5       |
| Corporation Income | 237.9              | 268.0          | 435.2          | -11.2            | -38.4       | -56.0      |
| LLET               | 145.9              | 121.7          | 98.4           | 20.0             | 23.6        | --         |
| Coal Severance     | 271.9              | 292.6          | 233.0          | -7.1             | 25.6        | 5.0        |
| Cigarette Tax      | 278.4              | 203.0          | 169.5          | 37.1             | 19.8        | 0.5        |
| Property           | 516.2              | 513.1          | 500.6          | 0.6              | 2.5         | 1.7        |
| Lottery            | 200.0              | 193.5          | 187.5          | 3.4              | 3.2         | 0.4        |
| Other              | 626.2              | 661.4          | 679.1          | -5.3             | -2.6        | 3.4        |
| <b>TOTAL</b>       | <b>8,225.1</b>     | <b>8,426.4</b> | <b>8,664.3</b> | <b>-2.4</b>      | <b>-2.7</b> | <b>1.1</b> |

**Table 4**  
**FY10 General Fund Revenues Compared to Revised Official Estimate**  
**(\$ millions)**

|                    | <b>FY10</b>          | <b>FY10</b>            | <b>Diff.</b>       | <b>Diff.</b>      |
|--------------------|----------------------|------------------------|--------------------|-------------------|
|                    | <b><u>Actual</u></b> | <b><u>Estimate</u></b> | <b><u>(\$)</u></b> | <b><u>(%)</u></b> |
| Sales and Use      | 2,794.1              | 2,792.6                | 1.5                | 0.1               |
| Individual Income  | 3,154.5              | 3,148.8                | 5.7                | 0.2               |
| Corporation Income | 237.9                | 234.5                  | 3.4                | 1.4               |
| LLET               | 145.9                | 143.6                  | 2.3                | 1.6               |
| Coal Severance     | 271.9                | 244.7                  | 27.2               | 11.1              |
| Cigarette Tax      | 278.4                | 280.2                  | -1.8               | -0.6              |
| Property           | 516.2                | 518.7                  | -2.5               | -0.5              |
| Lottery            | 200.0                | 200.0                  | 0.0                | 0.0               |
| Other              | <u>626.2</u>         | <u>634.8</u>           | <u>-8.6</u>        | <u>-1.4</u>       |
| <b>TOTAL</b>       | <b>8,225.1</b>       | <b>8,197.9</b>         | <b>27.2</b>        | <b>0.3</b>        |

Coal severance taxes decreased by 7.1 percent in FY10. Total collections for the fiscal year were \$271.9 million or \$20.6 million less than FY09 receipts. As mentioned above, the coal severance tax receipts exceeded the consensus estimate by a wide margin even though receipts fell. A much larger decline was predicted due to the historically high base set in FY09 when coal prices temporarily spiked.

Cigarette tax receipts increased in FY10 by \$75.4 million or 37.1 percent more than FY09 due to April 2009 tax increase.

Total property tax collections rose 0.6 percent during the fiscal year. Receipts totaled \$516.2 million compared to \$513.1 million collected in FY09.

Lottery receipts increased 3.4 percent, or \$6.5 million, from the previous year. Receipts of \$200.0 million compare favorably to \$193.5 million remitted to the state in FY09.

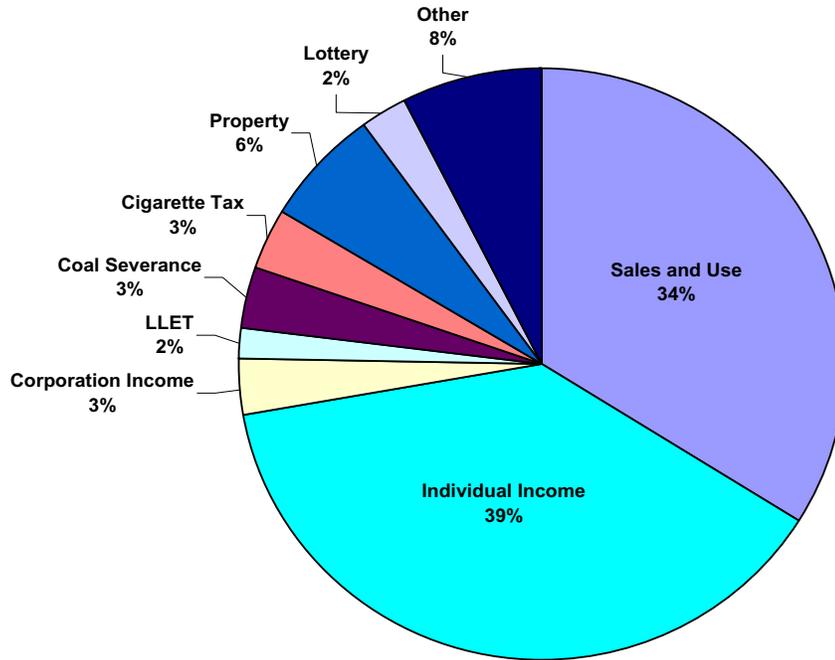
The “Other” category finished the year down 5.3 percent. Receipts of \$626.2 million compare to \$661.4 million collected in FY09.

Declines in interest on investments and reductions in the sale of NOx allowances largely accounted for the decline.

Figure C details the composition of FY10 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. The largest components in this category include the insurance premium tax, bank franchise tax, inheritance tax, beer wholesale sales tax, the natural gas severance tax, abandoned property, departmental fees, and fines and forfeitures. Property taxes made up 6.0 percent of the General Fund and corporation income, cigarette taxes and coal severance each accounted for 3.0 percent. Lottery revenues and the LLET each accounted for 2.0 percent each of General Fund revenues.

Table 6 and Figure D detail the growth rates in General Fund revenues by each fiscal quarter of FY10. The General Fund had declined in each of the first three quarters but finally turned positive in the fourth quarter reflecting the beginning of an economic recovery.

**Figure C**  
**Composition of FY10**  
**General Fund Receipts by Tax Type**



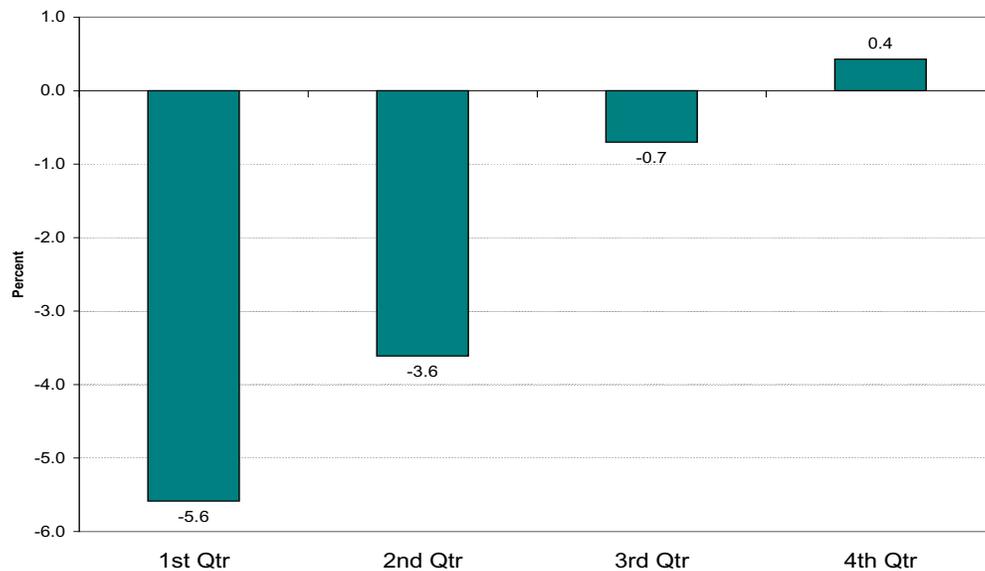
**Table 5**  
**General Fund Growth Rates for the Four Quarters and Full Year FY10**  
**(percent)**

|                    | <u>Q1</u>   | <u>Q2</u>   | <u>Q3</u>   | <u>Q4</u>  | <u>FY10</u> |
|--------------------|-------------|-------------|-------------|------------|-------------|
| Sales and Use      | -7.7        | -3.5        | -1.4        | 4.2        | -2.2        |
| Individual Income  | -7.1        | -8.3        | 1.8         | -4.0       | -4.9        |
| Corporation Income | -40.5       | -32.7       | -6.0        | 41.1       | -11.2       |
| LLET               | 156.8       | 19.6        | 1.7         | -1.3       | 19.9        |
| Coal Severance     | -8.0        | -14.0       | -10.0       | 3.6        | -7.1        |
| Cigarette Taxes    | 79.5        | 70.0        | 62.0        | -11.9      | 37.0        |
| Property           | -5.7        | 8.0         | -4.7        | -13.1      | 0.6         |
| Lottery            | 2.3         | 1.0         | 3.0         | 6.7        | 3.4         |
| Other              | -4.6        | -1.1        | -11.1       | -0.8       | -5.3        |
| <b>TOTAL</b>       | <b>-5.6</b> | <b>-3.6</b> | <b>-0.7</b> | <b>0.4</b> | <b>-2.4</b> |

**Table 6**  
**General Fund Revenue for the Four Quarters**  
**and Full Year FY10**  
**(\$ million)**

|                    | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> | <u>4th Qtr</u> | <u>FY10</u>    |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Sales and Use      | 693.9          | 690.9          | 681.6          | 727.7          | 2,794.1        |
| Individual Income  | 814.4          | 788.4          | 626.6          | 925.1          | 3,154.5        |
| Corporation Income | 49.0           | 55.4           | 24.7           | 108.7          | 237.9          |
| LLET               | 30.5           | 36.1           | 26.9           | 52.4           | 145.9          |
| Coal Severance     | 66.8           | 65.0           | 62.8           | 77.3           | 271.9          |
| Cigarette Tax      | 74.3           | 67.3           | 63.7           | 72.9           | 278.1          |
| Property           | 60.1           | 275.8          | 133.1          | 47.1           | 516.2          |
| Lottery            | 44.0           | 49.0           | 51.5           | 55.5           | 200.0          |
| Other              | <u>829.2</u>   | <u>134.4</u>   | <u>204.7</u>   | <u>152.1</u>   | <u>1,320.4</u> |
| <b>TOTAL</b>       | <b>1,968.5</b> | <b>2,162.4</b> | <b>1,875.6</b> | <b>2,218.8</b> | <b>8,225.1</b> |

**Figure D**  
**Quarterly General Fund Detailed Growth Rates, by Quarter**  
**(percent)**



## Road Fund

Total Road Fund receipts increased by 1.2 percent during FY10. Total receipts of \$1,206.6 million compare to \$1,192.0 million collected during FY09. Road Fund collections are detailed in Table 7.

Motor fuels taxes increased by 5.3 percent on receipts of \$655.8 million, compared to \$622.5 million collected during the previous fiscal year.

Motor vehicle usage tax receipts of \$332.8 million represent a decline of 1.0 percent compared to the \$336.3 million collected in FY09.

Weight distance tax revenues fell 6.6 percent with receipts of \$70.5 million compared to \$75.4 million collected in FY09.

Motor vehicle license tax receipts were down 1.4 percent with collections of \$96.8 million compared to \$98.2 million collected in FY09.

Investment income declined 65.9 percent as Road Fund balances fell over the previous fiscal year. Receipts totaled \$3.6 million, compared to \$10.7 million in FY09.

The “Other” category declined 6.6 percent from FY09. Total receipts in this category were \$31.2 million, compared to \$33.4 million collected in FY09.

Road Fund collections for FY10 were \$7.5 million above the official revenue estimate (the consensus estimate of December 2009 as modified by 2010 legislation) as shown in Table 8. This was 0.6 percent more than anticipated in the official estimate. The largest additions occurred in the motor vehicle usage and motor vehicle license tax collections, which were \$4.2 million and \$3.3

million or 1.3 percent and 3.6 percent more than the forecasted level, respectively.

Figure E details the composition of FY10 Road Fund receipts by tax type. Just over four-fifths of the Road Fund comes from motor vehicle usage taxes and motor fuels taxes. Following these, the motor vehicle license tax accounted for 8.0 percent and the weight distance tax accounted for 6.0 percent. “Other” taxes combined to account for 3.0 percent, motor vehicle operators’ revenue was 1.0 percent and investment income was under one percent.

Table 9 details the growth rates in Road Fund revenue by each fiscal quarter in FY10. Road Fund receipts declined in the first two quarters of the fiscal year but turned positive and accelerated in the second half.

## Tobacco Master Settlement Agreement (MSA)

For the fourth quarter of FY10, the Commonwealth was forecasted to receive a total of \$112.3 million in MSA payments from the participating tobacco manufacturers. The actual payments received in mid-April (which were the only payments in FY10) totaled \$105.5 million as compared to \$126.5 million in FY09. The amount received was lower than officially projected due to dramatic declines in the national demand for cigarettes. With significant increases in tax rates at the national and state levels, annual cigarette sales in the U.S. have fallen to 325 billion cigarettes, representing a decline of 9.3 percent from 2008 and a decline of 4.3 percent annually over the last five years. For the 46 participating MSA states, total MSA payments declined by 16.5 percent in FY10 as compared to the previous year. To date, Kentucky has received \$1.29 billion from the MSA.

**Table 7**  
**FY10 Road Fund Revenues Compared to Previous Years**  
**(\$ millions)**

|                         | <u>Full Year</u> |                |                | <u>Growth Rate (%)</u> |             |             |
|-------------------------|------------------|----------------|----------------|------------------------|-------------|-------------|
|                         | <u>FY10</u>      | <u>FY09</u>    | <u>FY08</u>    | <u>FY10</u>            | <u>FY09</u> | <u>FY08</u> |
| Motor Fuels             | 655.8            | 622.5          | 608.8          | 5.3                    | 2.3         | 8.0         |
| Motor Vehicle Usage     | 332.8            | 336.3          | 405.8          | -1.0                   | -17.1       | -1.3        |
| Motor Vehicle License   | 96.8             | 98.2           | 93.5           | -1.4                   | 5.0         | -8.0        |
| Motor Vehicle Operators | 15.9             | 15.5           | 15.4           | 2.7                    | 1.0         | -2.8        |
| Weight Distance         | 70.5             | 75.4           | 84.4           | -6.6                   | -10.6       | -1.3        |
| Investment Income       | 3.6              | 10.7           | 19.5           | -65.9                  | -45.2       | 20.9        |
| Other                   | 31.2             | 33.4           | 35.5           | -6.6                   | -6.0        | 10.3        |
| <b>TOTAL</b>            | <b>1,206.6</b>   | <b>1,192.0</b> | <b>1,262.8</b> | <b>1.2</b>             | <b>-5.6</b> | <b>3.0</b>  |

**Table 8**  
**FY10 Road Fund Revenues Compared to Official Estimate**  
**(\$ millions)**

|                         | <u>FY10</u>    | <u>FY10</u>     | <u>Diff.</u> | <u>Diff.</u> |
|-------------------------|----------------|-----------------|--------------|--------------|
|                         | <u>Actual</u>  | <u>Estimate</u> | <u>(\$)</u>  | <u>(%)</u>   |
| Motor Fuels             | 655.8          | 655.6           | 0.2          | 0.0          |
| Motor Vehicle Usage     | 332.8          | 328.6           | 4.2          | 1.3          |
| Motor Vehicle License   | 96.8           | 93.5            | 3.3          | 3.6          |
| Motor Vehicle Operators | 15.9           | 15.3            | 0.6          | 4.2          |
| Weight Distance         | 70.5           | 70.4            | 0.1          | 0.1          |
| Investment Income       | 3.6            | 3.9             | -0.3         | -6.8         |
| Other                   | 31.2           | 31.8            | -0.6         | -2.0         |
| <b>TOTAL</b>            | <b>1,206.6</b> | <b>1,199.1</b>  | <b>7.5</b>   | <b>0.6</b>   |

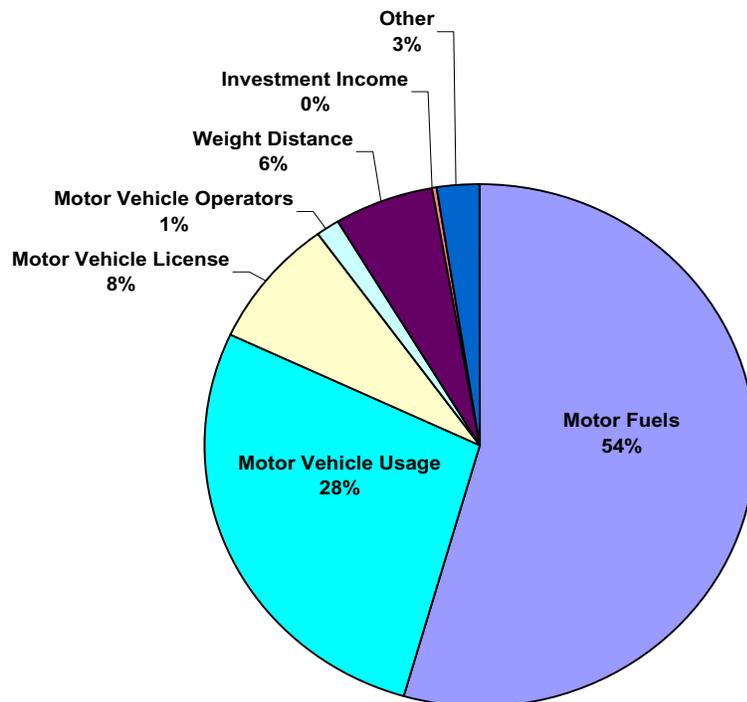
**Table 9**  
**Road Fund Growth Rates for the Four Quarters and Full Year FY10**  
**(percent)**

|                         | <u>Q1</u>   | <u>Q2</u>   | <u>Q3</u>  | <u>Q4</u>  | <u>FY10</u> |
|-------------------------|-------------|-------------|------------|------------|-------------|
| Motor Fuels             | 2.7         | 0.6         | 8.8        | 9.5        | 5.3         |
| Motor Vehicle Usage     | -6.3        | -2.0        | 0.8        | 4.3        | -1.0        |
| Motor Vehicle License   | -3.5        | 5.4         | 5.7        | -8.2       | -1.4        |
| Motor Vehicle Operators | -0.3        | 2.5         | 6.2        | 2.9        | 2.7         |
| Weight Distance         | -16.1       | -10.4       | 0.3        | 2.4        | -6.6        |
| Investment Income       | -51.3       | -54.7       | -79.8      | -75.4      | -65.9       |
| Other                   | -21.9       | 28.4        | -34.8      | 8.5        | -6.7        |
| <b>TOTAL</b>            | <b>-3.0</b> | <b>-0.3</b> | <b>3.7</b> | <b>4.6</b> | <b>1.2</b>  |

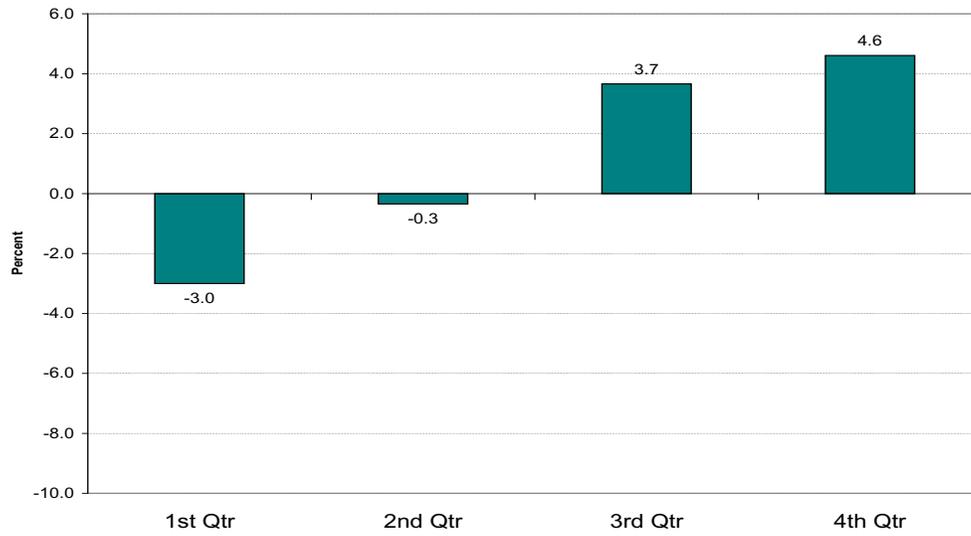
**Table 10**  
**Road Fund Revenue for the Four Quarters**  
**and Full Year FY10**  
**(\$ million)**

|                       | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> | <u>4th Qtr</u> | <u>FY10</u>    |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Motor Fuels           | 162.2          | 158.6          | 158.9          | 176.2          | 655.8          |
| Motor Vehicle Usage   | 93.7           | 72.3           | 78.3           | 88.5           | 332.8          |
| Motor Vehicle License | 17.0           | 16.2           | 28.6           | 35.0           | 96.8           |
| Operators             | 4.2            | 3.8            | 3.9            | 4.0            | 15.9           |
| Weight Distance       | 17.4           | 17.9           | 17.8           | 17.3           | 70.5           |
| Investment Income     | 1.3            | 1.0            | 0.5            | 0.8            | 3.6            |
| Other                 | <u>6.8</u>     | <u>9.2</u>     | <u>5.8</u>     | <u>9.4</u>     | <u>31.2</u>    |
| <b>TOTAL</b>          | <b>302.6</b>   | <b>279.1</b>   | <b>293.7</b>   | <b>331.2</b>   | <b>1,206.6</b> |

**Figure E**  
**Composition of FY10**  
**Road Fund Receipts by Tax Type**



**Figure F**  
**Quarterly Road Fund Detailed Growth Rates**  
**(percent)**



## **II.**

# **The Economy**



# The Economy Fourth Quarter FY10

## National Economy – FY10 Q4

The national economy, as measured by real gross domestic product (real GDP), has increased for the fourth consecutive quarter. From the fourth quarter of FY08 to the fourth quarter of FY09, real GDP fell by \$513.8 billion, or 3.8 percent of total real GDP. In the following four quarters, real GDP rebounded in a nearly symmetric fashion, making up 95.6 percent of those losses. Real GDP in the fourth quarter of FY10 was \$13,392 billion, just \$22.6 billion below the previous peak.<sup>1</sup>

The components of real GDP were not at all uniform in their movements during the recession or the following expansion segment. Consumption, which makes up 70.5 percent of real GDP, decreased by \$161.9 billion during the recession. This loss accounted for just under one-third of the total losses in real GDP during that time.<sup>2</sup> Similarly, consumption rose robustly during the following four quarters, gaining a net \$252.2 billion, an increase of 2.7 percent. These gains in consumption made up just over 50 percent of the total gains in real GDP during this time.

Investment is the most volatile of the five GDP components. In the fourth quarter of FY10, investment made up 13.0 percent of real GDP. Investment declined by a net \$569.8 billion, or 39.1 percent during the four-quarter recession.<sup>3</sup> Investment income exhibited the largest decline in both absolute and percentage terms among the GDP components during this contraction period. During the four quarters after the fourth quarter of FY09, investment increased by \$284.2 billion, a 16.3 percent net increase. This is robust growth under any definition, but it does not come close to making up for the investment losses which occurred during the 2007 recession. Total US investment remains significantly below its previous peak of \$2,264.7 billion, which occurred in the third quarter of FY06.

Government expenditures, which made up 19.4 percent of real GDP in FY10 Q4, increased by \$61.7 billion, or a net 2.4 percent, during the 2007 recession. During the next four quarters, government expenditures increased by \$25.3 billion, or a net 1.0 percent. During recessions, government outlays for income transfers, including unemployment insurance payments, food stamps and housing subsidies increase. The increase in govern-

<sup>1</sup> The FY10 Q4 figures are estimates from IHS Global Insight's June 4, 2010 data release.

<sup>2</sup> Note: The sum of the weights for Consumption, Investment, Government Expenditures and Exports are greater than one because Imports are subtracted from real GDP.

<sup>3</sup> This is an unofficial commentary about the end of the recession. As of July 27, 2010, the National Bureau for Economic Research has not officially declared the turning point for the end of the 2007 recession. The above "four-quarter recession" assessment is based on the assumption that FY09 Q4, when real GDP increased again, marked the end of the recession.

ment expenditures during the 2007 recession is consistent with the trend during past recessions. A more helpful tool in measuring government expenditures is the ratio of government expenditure to real GDP. This ratio is higher now than it was at the beginning of this decade; 19.4 percent compared to 18.6 percent at the beginning of this decade. This ratio reached a peak in the first quarter of FY10 when government expenditures comprised 19.9 percent of real GDP.

Total US exports declined by \$250.9 billion during the 2007 recession, a 17.7 percent net decline. Meanwhile, total US imports declined by \$396.7 billion, a 22.7 percent net decline. The United States' net exports position improved slightly as US consumers greatly decreased their consumption of foreign goods. In the four quarters following March 2009, total US exports increased by \$218.8 billion, a 13.4 percent net increase. Meanwhile, total US imports increased by \$273.9 billion, a 13.5 percent net increase. Overall, the US net export position has

favorably improved compared to pre-recession levels, partially due to lower oil prices and a stronger US dollar.

Growth in US transfer payments, which include payments to individuals for food stamps, Medicare, Medicaid and low-income housing subsidies, tapered significantly in the fourth quarter of FY10. Transfer payments grew by 0.4 percent in the fourth quarter compared to the third quarter. This is significantly less than growth during calendar 2009, in which US transfer payments rose an average of 4.1 percent per quarter. Average quarterly growth during the last 10 years has been 2.0 percent. Historically, transfer payments have a strong upward trend, similar to personal income. But unlike personal income, transfer payments are countercyclical due to the ties to unemployment and demand for government programs like food stamps.

Defense spending growth has softened significantly since 2008 and the first half of

**Table 11**  
**Summary of US Economic Series**  
**Fourth Quarter FY10**

|                                     | <b>Fourth Quarter</b> |             |                |              | <b>Fiscal Year Average</b> |             |              |
|-------------------------------------|-----------------------|-------------|----------------|--------------|----------------------------|-------------|--------------|
|                                     | <b>FY10</b>           | <b>FY09</b> | <b>Diff \$</b> | <b>% Chg</b> | <b>FY10</b>                | <b>FY09</b> | <b>% Chg</b> |
| Real GDP                            | 13,392.7              | 12,901.5    | 491.2          | 3.8          | 13,190.9                   | 13,073.4    | 0.9          |
| Real Consumption                    | 9,441.2               | 9,189.0     | 252.2          | 2.7          | 9,338.0                    | 9,215.3     | 1.3          |
| Real Investment                     | 1,740.9               | 1,456.7     | 284.2          | 19.5         | 1,628.5                    | 1,715.9     | -5.1         |
| Real Govt. Expenditures             | 2,593.9               | 2,568.6     | 25.3           | 1.0          | 2,580.2                    | 2,544.1     | 1.4          |
| Real Exports                        | 1,638.3               | 1,419.5     | 218.8          | 15.4         | 1,564.5                    | 1,519.3     | 3.0          |
| Real Imports                        | 2,023.7               | 1,749.8     | 273.9          | 15.7         | 1,929.3                    | 1,936.0     | -0.3         |
| Personal Income (\$ billions)       | 12,319.1              | 12,048.8    | 270.3          | 2.2          | 12,143.1                   | 12,130.4    | 0.1          |
| Inflation (% chg CPI)               | 1.8                   | -1.0        | NA             | NA           | 1.0                        | 1.4         | NA           |
| Industrial Production Index         | 103.3                 | 96.4        | 6.9            | 7.1          | 100.5                      | 102.0       | -1.5         |
| Civilian Labor Force (millions)     | 154.9                 | 154.8       | 0.0            | 0.0          | 154.0                      | 154.6       | -0.3         |
| Total Nonfarm Employment (millions) | 130.5                 | 131.1       | -0.6           | -0.5         | 130.0                      | 133.9       | -2.9         |
| Manufacturing Employment (millions) | 11.7                  | 11.9        | -0.2           | -1.9         | 11.6                       | 12.7        | -8.2         |
| Unemployment Rate (%)               | 9.8                   | 9.3         | NA             | NA           | 9.8                        | 7.6         | NA           |

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

GDP components may not sum due to rounding at lower levels of detail.

Data for FY10 Q4 are June 2010 estimates.

Source: IHS Global Insight Inc., June 6, 2010 data release

2009, when quarterly growth was in the double-digits. In the fourth quarter of FY10, defense spending was \$819.0 billion and grew 5.5 percent over the previous quarter. Defense spending as a portion of total government expenditures is on the rise. In the first quarter of FY01, defense spending made up 18.2 percent of total government expenditures. In the fourth quarter of FY10, defense spending made up 31.6 percent of total government expenditures. Defense spending growth has greatly outpaced growth in both total government expenditures and real GDP for the last decade.

US personal income has grown for the last three quarters. Personal income in the fourth quarter of FY10 grew 2.2 percent over a year ago. This period of growth was preceded by five quarters of weakness in personal income when personal income declined in four of the five quarters. During the income contraction, US personal income fell \$340.2 billion, a 2.8 percent net decline. US personal income surpassed its previous peak in the fourth quarter of FY10, making up all of the recession losses.

Non-farm employment continues to show declines despite improving output indicators. This is the ninth consecutive year-over-year decline, with the fourth quarter declining 0.5 percent over the fourth quarter of FY09. Non-farm employment may have bottomed out in the second quarter of FY10, with 129.6 million employed. If that was indeed the trough, then the US lost a total of 8.3 million jobs during the 2007 recession. Since then, the US has regained 900,000 net jobs and now employs a total of 130.5 million persons.

## Kentucky Economy - FY10 Q4

Personal income in Kentucky has grown modestly during FY10. In the fourth quarter, personal income was \$141,690 million and increased by 1.2 percent from the previous quarter. The first quarter of FY10 concluded a period of weakness for Kentucky personal income. Four of the five quarters from third quarter FY09 to first quarter FY10 were losses. In the remaining three quarters of FY10, personal income grew by 1.0, 0.8, and 1.2 percent respectively. The previous peak for personal income was set in the fourth quarter of FY08 with \$137,979 million. Kentucky personal income surpassed that mark by the second quarter of FY10.

Personal income is composed of eight major categories: wages and salary; supplemental income; proprietors' income; adjustment for residence; dividends, interest and rent; personal current transfer receipts; and the subtraction of government social insurance contributions. Wages and salary disbursements make up the largest category of personal income in Kentucky, representing 51.0 percent of total personal income in the fourth quarter. Year over year growth in Kentucky wages and salary has been positive in each of the last two quarters, growing 1.3 and 2.2 percent respectively.

Wages and salary income was affected in an unusual way during the 2007 recession. A sharp single-quarter decline occurred in the third quarter of FY09, where wage and salary income declined by \$2,334 million, or 3.2 percent. Growth rates in the quarters leading up to the third quarter had diminished

but were still positive. The modest growth since then has made up 80.0 percent of the losses attributable to the recession.

Wages and salary income grew by 1.3 percent from the third quarter to fourth quarter of FY10. This is the first time quarterly growth has been above one percent since the second quarter of FY08.

Proprietors' income was the fastest-growing category in the fourth quarter, growing by 1.9 percent over the third quarter. Proprietors' income makes up 7.4 percent of personal income. Currently proprietors' income is well above its long-run average of 0.3 percent quarterly growth.

The second largest component of Kentucky personal income is transfer receipts (hereafter transfers). Transfers made up 24.4 percent of personal income in the fourth quarter of FY10. Transfers include any payments to individuals or nonprofit institutions by any federal, state or local government or businesses. Government payments to individuals, the largest component of transfers, include payments for disability insurance, Medicare, Medicaid, unemployment insurance and veterans' benefits. Transfers grew by 0.9 percent over the third quarter of FY10. Transfer income contains a very rigid upward trend, similar to personal income. However, during recessions, when personal income may flatten out or even decline, transfers increase faster. Transfer income grew by 7.8 percent in the fourth quarter of FY08, 5.2 percent in the third quarter of FY09, and 7.8 percent in the fourth quarter of FY09. The fourth quarter growth of 0.9 percent is difficult to interpret. On the one hand, the series is still "high" in absolute terms due to the several months of high growth preceding it. On the other hand, the series is returning

to its long-run trend line with the lower quarterly growth.

Kentucky non-farm employment grew for only the second time in nine quarters with 0.8 percent growth over the third quarter. The previous peak for non-farm employment was 1,869,200 jobs, which occurred in the second quarter of FY08. Assuming that the third quarter of FY10 was the bottom for non-farm employment, then Kentucky lost a net 113,700 seasonally-adjusted jobs during the 2007 recession. That is a loss of 6.1 percent in total non-farm employment. In the fourth quarter of FY10, 14,000 net jobs were gained, an improvement of 0.8 percent.

Kentucky manufacturing employment lost the most jobs during this same (non-farm) peak-to-trough time period, losing 45,600 seasonally-adjusted jobs for a net 18.0 percent loss. The largest percentage loser was in construction employment. Construction employment fell by 20,600 seasonally-adjusted persons, or 23.9 percent during the non-farm peak-to-trough period. The mining and education and health services employment sectors, while not unaffected by the 2007 recession, had net gains to employment during this period. Mining employment grew by 1,300 jobs or 5.7 percent, while education and health services employment grew by 6,800 jobs or 2.8 percent.

The trade, transportation and utilities employment sector, the largest supersector in Kentucky, fell by 23,900 seasonally-adjusted jobs, or 6.2 percent during the non-farm peak-to-trough recession period. The second largest employment sector in Kentucky, government employment (which includes all levels of government), fell by 400 seasonally-adjusted jobs, or 0.1 percent.

**Table 12**  
**Summary of Kentucky Economic Series**  
**Fourth Quarter FY10**

|                                       | <u>Fourth Quarter</u> |             |              | <u>Fiscal Year Average</u> |             |              |
|---------------------------------------|-----------------------|-------------|--------------|----------------------------|-------------|--------------|
|                                       | <u>FY10</u>           | <u>FY09</u> | <u>% Chg</u> | <u>FY10</u>                | <u>FY09</u> | <u>% Chg</u> |
| Personal Income (\$ millions)         | 141,690.4             | 137,838.0   | 2.8          | 139,578.8                  | 136,991.3   | 1.9          |
| Wages and Salary Income (\$ millions) | 72,208.7              | 70,623.0    | 2.2          | 71,312.6                   | 71,565.5    | -0.4         |
| Non-farm Employment (thousands)       | 1,769.5               | 1,767.8     | 0.1          | 1,762.4                    | 1,807.8     | -2.5         |
| Goods Producing (thousands)           | 302.6                 | 311.3       | -2.8         | 301.4                      | 332.8       | -9.4         |
| Construction                          | 68.6                  | 73.7        | -6.9         | 69.2                       | 79.6        | -13.1        |
| Mining                                | 23.3                  | 24.4        | -4.6         | 23.1                       | 24.9        | -7.2         |
| Manufacturing                         | 210.7                 | 213.2       | -1.2         | 209.2                      | 228.3       | -8.4         |
| Service Providing (thousands)         | 1,141.3               | 1,132.6     | 0.8          | 1,136.1                    | 1,153.0     | -1.5         |
| Trade, Transportation & Utilities     | 364.6                 | 363.0       | 0.4          | 361.8                      | 371.8       | -2.7         |
| Information                           | 26.2                  | 27.1        | -3.3         | 26.5                       | 28.2        | -6.1         |
| Finance                               | 86.3                  | 88.6        | -2.6         | 87.0                       | 90.1        | -3.5         |
| Business Services                     | 179.0                 | 168.2       | 6.4          | 175.6                      | 174.9       | 0.4          |
| Educational Services                  | 250.5                 | 246.6       | 1.6          | 248.9                      | 245.8       | 1.2          |
| Leisure and Hospitality Services      | 166.0                 | 168.8       | -1.7         | 167.6                      | 170.2       | -1.5         |
| Other Services                        | 68.7                  | 70.3        | -2.2         | 68.7                       | 72.1        | -4.7         |
| Government (thousands)                | 325.6                 | 323.8       | 0.5          | 324.9                      | 322.0       | 0.9          |

Data for FY10 Q4 are June 2010 estimates.

Source: IHS Global Insight Inc. and Governor's Office for Economic Analysis MAK model June 4, 2010 estimates

**III.**  
**Interim Outlook**



## General Fund

The revenue estimates in this report were prepared using the June 2010 control economic forecast from both Global Insight and the Kentucky Macro Model, which is operated by the Governor's Office for Economic Analysis. In summary terms, the estimates are very similar to the control estimates from the December 2009 meeting of the CFG since we have experienced fairly stable economic conditions and few surprises in the revenue collections. Global Insight has changed their sectors of emphasis slightly,

but the overall outlook has only deviated very slightly with regard to the magnitude and timing of the recovery.

As stated in a prior section of this report, the official CFG General Fund estimate for FY10 was \$8,197.9 million while collections came in \$8,225.1 million, an error rate of 0.3 percent. Given the proximity of actual 2010 revenue collections to the latest forecasted amounts, the history of receipts for this forecasting cycle did not produce any substantive changes to the General Fund Forecast.

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

|                     | FY10<br>Q4     |            | FY10<br>Full Year |             | FY11<br>Q1, Q2, & Q3 |            |
|---------------------|----------------|------------|-------------------|-------------|----------------------|------------|
|                     | Actual         | % Chg      | Actual            | % Chg       | Estimate             | % Chg      |
| Sales & Use         | 727.7          | 4.2        | 2,794.1           | -2.2        | 2,164.1              | 4.7        |
| Individual Income   | 925.1          | -4.0       | 3,154.5           | -4.9        | 2,307.0              | 3.5        |
| Corporation Inc.    | 108.7          | 41.1       | 237.9             | -11.2       | 133.8                | 3.6        |
| LLET                | 52.4           | -1.3       | 145.9             | 1.6         | 92.1                 | -1.6       |
| Coal Severance      | 77.3           | 3.6        | 271.9             | -7.1        | 213.2                | 9.6        |
| Cigarette Taxes     | 72.9           | -11.9      | 278.4             | 37.1        | 209.2                | 1.9        |
| Property            | 47.1           | -13.1      | 516.2             | 0.6         | 472.4                | 0.7        |
| Lottery             | 55.5           | 6.7        | 200.0             | 3.4         | 148.8                | 3.0        |
| Other               | 152.0          | -0.9       | 626.2             | -5.3        | 490.0                | 3.3        |
| <b>Subtotal</b>     | <b>2,218.8</b> | <b>0.4</b> | <b>8,225.1</b>    | <b>-2.4</b> | <b>6,230.6</b>       | <b>3.7</b> |
| Legislative Actions |                |            |                   |             | 48.4                 |            |
| <b>General Fund</b> |                |            |                   |             | <b>6,278.9</b>       | <b>4.5</b> |

The interim forecast calls for small adjustments to most accounts, but in the aggregate the projections have remained very stable and have closely followed the control forecast from December 2010. The exception would be the coal severance tax, which sharply outperformed the FY10 estimate leading to a slightly larger adjustment to the projections.

Projected General Fund revenues for the next three quarters are shown in Table 13. All of the major revenue sources are poised for growth in the next three quarters. The official General Fund revenue projection for FY11, as modified by the actions of the General Assembly in 2010, is \$8,570.9 million with a corresponding growth rate of 4.2 percent. This quarterly report projects 4.5 percent growth over the first three quarters of the year with total General Fund collections of \$6,278.9 million as compared to \$6,006.4 million collected over the same period in FY10.

The official estimate for FY11 is comprised of the \$8,490.8 million projected in December 2009, plus \$80.1 million estimated from legislative actions in 2010. Of the \$80.1 million expected in FY11, only \$48.4 is expected during the first three-quarters of the fiscal year. Many of the revenue enhancements added legislatively through the budget bill or other tax-related measures will not accrue uniformly throughout the fiscal year. The OSBD is projecting a back-loading of legislatively-added revenues such that the final quarter of FY11 will see the largest quarterly infusion of the additional revenues.

Sales tax receipts are projected to grow 4.7 percent over the forecasting horizon, which is the first three quarters of FY11. That pace of growth is consistent with the official pro-

jections where a 4.1 percent growth in the control forecast for sales tax was blended with a 4.7 percent optimistic scenario. Since FY09, the sales tax has been particularly vulnerable to the underlying weaknesses in employment and income during the recent stubborn recession. However, positive growth in the final quarter of FY10 reversed a six-quarter streak of consecutive declines in the sales tax. A low sales tax base from the six declining quarters and a rebound in the underlying economic factors most closely aligned empirically to the sales tax should combine forces to generate growth in the sales tax in line with our latest projections.

The interim forecast for the individual income tax calls for receipts to increase 3.5 percent over the next three quarters, where receipts are projected to equal \$2,307.0 million compared to \$2,229.4 over the same period in FY10. The accuracy of this projection will be closely tied to the rebound in employment. As discussed in the Economic Outlook section of this report, both the national and state employment forecasts carry the most uncertainty in the current economic environment. Nevertheless, the models seem to be tracking the control forecast very tightly, so derailment of these projections should only occur if the path of the economy jumps the track to a more muted outlook.

Perhaps the largest June surprise was a sharp rebound in the corporation income tax. Collections of \$97.0 million easily surpassed the recessionary total of \$64.9 million posted in June 2009. With the big June, combined corporation taxes (which include the LLET) exceeded the estimates by \$5.7 million in FY10 but still posted a decline of 1.5 percent for the fiscal year. The interim forecast calls for 1.4 percent growth in com-

bined corporation taxes over the forecasting horizon. Low refund inventories and improving corporate profits both bode quite well for the realization of that forecast.

The unprecedented revenue growth in coal severance tax revenue in FY09 was only partially reversed in FY10. Despite very slow going in the first three quarters, the fourth quarter of FY10 posted growth of 3.6 percent over the record levels set in FY09. Coal severance finished FY10 at \$271.9 million in collections, \$27.2 million higher than projected. With the higher base heading into FY11, it is reasonable to assume that the projections going forward would be slightly higher than the official estimates. That is indeed the case. For the first three quarters of FY11, the interim forecast calls for 9.6 percent growth in coal severance receipts.

Cigarette taxes totaled \$278.4 million in FY10, an improvement of 37.1 percent over FY09. Compared to the official projections for FY10, the cigarette taxes missed the mark by six-tenths of one percent – quite respectable given that the state tax rate doubled in April of 2009 at the same time as the national tax also increased by over \$1.00 per pack. The CFG estimated that Kentucky would lose approximately 105 million packs annually due to the combined price impacts from the state and federal taxes. Twelve month equivalent data suggests that the pack loss was approximately 112 million packs. Going forward, the interim forecasts calls for very slight growth in cigarette tax revenues now that both the historical data and new month receipts will be on a comparable tax rate. National smoking declines and Kentucky's relatively low prices for cigarettes almost completely wash one another out, leading to a forecast of flat to slightly increasing receipts.

Property taxes are expected to rise marginally at 0.7 percent over the first three quarters of FY11. Revenues grew only 0.6 percent in FY10, but it was a tale of two halves. The first half of the year produced growth of 5.2 percent growth. OSBD attributed to timing anomalies since the underlying data did not support this level of growth. True to form, the correction came in the second half of the year as property taxes recorded percentage losses thus finishing the year with only 0.6 percent growth. Looking ahead, the Department of Revenue officially posted the 2010 millage rate on real property at 12.2 cents per \$100 in assessed value. This marks the third consecutive year with a state rate at 12.2 cents, yet another sign of the continued weakness in the real estate market. Three consecutive years without a drop in the state tax rate is unprecedented since the passage of HB44 almost three decades ago.

Lottery revenues for FY10 were lowered from \$202.0 million to \$200 million at the December 2009 meeting of the CFG. The FY10 dividend payments from the Kentucky Lottery Corporation were exactly \$200.0 million, right on estimate. The annualized estimate for FY11 is \$206 million, or 3.0 percent. The monthly dividend schedule is likely to produce \$148.8 million in the first three quarters of FY11. While demand for scratch-off products continues to be weak, online sales of mega-jackpot tickets and daily online draws have served to more than counterbalance poor instant tickets. Moreover, the addition of the Mega Millions game in the spring of 2010 should continue to rejuvenate the sale of online tickets and produce growth in the lottery dividend.

Revenues in the "Other" category fell 5.3 percent in FY10. The "Other" category contains a variety of accounts, some of which

producing stable revenues while others perform erratically. Many of these accounts also have timing idiosyncrasies that dominate any underlying autoregressive patterns. Collectively, the interim forecast calls for improvement in these taxes for FY11, with 3.3 percent growth projected in the first three quarters.

### Road Fund

Road Fund receipts are forecasted to increase 8.3 percent during the first three quarters of FY11, as shown in Table 14. The Road Fund rose 1.2 percent in FY10 due to strength in motor fuels tax and operator's license collections which offset weaknesses in the remaining accounts.

For the first three quarters of FY11, motor fuels tax receipts are expected to increase 10.0 percent, due in large part to an increase in the tax rate caused by rising average wholesale prices of gasoline. The rate increase will be at the maximum allowable by law only in first quarter of the fiscal year before receding slightly in the remaining quarters.

Motor vehicle usage taxes are expected to rise 10.7 percent during the first three quarters of FY11 as motor vehicle sales strengthen. Additionally, House Bill 3, from the 2009 Special Legislative Session, which exempts from tax the value of a trade-in on a new car purchase, will have only a minimal effect on receipts as the legislatively-mandated cap of \$25 million will be reached during the first quarter. In FY10, receipts from this category fell 1.0 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 operator's license (driver's license) fees are expected to decrease 0.6 percent. Weight distance taxes are expected to rise 6.9 percent, motor vehicle license taxes are forecasted to decline 1.4 percent, and investment income should fall 71.7 percent due to lower Road Fund balances. The "Other" category should rise 10.1 percent.

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

|                        | <b>FY10</b>      |              | <b>FY10</b>      |              | <b>FY11</b>                  |              |
|------------------------|------------------|--------------|------------------|--------------|------------------------------|--------------|
|                        | <b>Quarter 4</b> |              | <b>Full Year</b> |              | <b>Quarters 1, 2 &amp; 3</b> |              |
|                        | <u>Actual</u>    | <u>% Chg</u> | <u>Actual</u>    | <u>% Chg</u> | <u>Estimate</u>              | <u>% Chg</u> |
| Motor Fuels            | 176.2            | 9.5          | 655.8            | 5.3          | 527.7                        | 10.0         |
| Motor Vehicle Usage    | 88.5             | 4.3          | 332.8            | -1.0         | 270.5                        | 10.7         |
| Motor Vehicle License  | 35.0             | -8.2         | 96.8             | -1.4         | 61.0                         | -1.4         |
| Motor Vehicle Operator | 4.0              | 2.9          | 15.9             | 2.7          | 11.8                         | -0.6         |
| Weight Distance        | 17.3             | 2.4          | 70.5             | -6.6         | 56.8                         | 6.9          |
| Investment             | 0.8              | -75.4        | 3.6              | -65.9        | 0.8                          | -71.7        |
| Other                  | <u>9.4</u>       | <u>8.5</u>   | <u>31.2</u>      | <u>-6.6</u>  | <u>23.9</u>                  | <u>10.1</u>  |
| <b>Subtotal</b>        | <b>331.2</b>     | <b>4.6</b>   | <b>1,206.6</b>   | <b>1.2</b>   | <b>952.6</b>                 | <b>8.8</b>   |
| Legislative Actions    |                  |              |                  |              | -4.8                         |              |
| <b>Road Fund</b>       |                  |              |                  |              | <b>947.7</b>                 | <b>8.3</b>   |

## NATIONAL ECONOMY

When our April 2010 *Quarterly Report* was issued, the outlook for the national economy was expected to turn decidedly more positive in FY11 and beyond. GDP, personal income, industrial production, exports, and retail sales – the major national economic aggregates that feed into the Kentucky economy – were all expected to post solid growth in 2010. The lone exception to a forecast of a solid recovery was the employment outlook, which called for continued weakness in the labor market.

Since then, there has been little change to the broad message but the caveats to growth are becoming more mainstream and prevalent. The rebound in employment has been pushed back one quarter, the consumer side has softened, and the robust talk of an export-led recovery has tempered in intensity. While a double-dipped recession is still being viewed as unlikely, talks of a super-heated recovery and inflation risks are equally muted. In fact, deflation is now being cast as a more imminent possibility than an inflation spiral, so the outlook for any Federal Reserve intervention to kick up short rates has been postponed until late calendar-year 2011.

Tables 15 and 16 demonstrate the disparity between economic aggregates and employment. The first half of FY11 is expected to usher in real GDP of 3.6 percent, slightly lower than the fourth quarter of FY10 but nevertheless robust. Personal income is expected to rise by 4.3 percent in the first half of FY11 in a period of little or no anticipated inflation. Finally, control projections for industrial production show a 6.9 increase in the first half of FY11, completing a picture of growth in economic aggregates in line with the early stages of

recovery. Despite these promising projections, US employment is only expected to inch up 0.8 percent with Kentucky at 0.9 percent. With production growth expected to be around 7.0, it is clear that firms have considerable uncertainty about the restoration of employees that were reluctantly released during the prolonged downturn from the recession.

While these projections of weak employment growth in the early stages of recovery are certainly cause for concern, the same pattern played out during the recover stage of the 2001 recession. Heading into that national recession, US nonfarm employment averaged 132.5 million in the third quarter of FY01. It took a full five years before employment finally eclipsed the 132.5 million mark again.

Unfortunately, the inherent lagging nature of the employment has several consequences that add considerable uncertainty to the current economic forecast. Employment, particularly the wages and salaries employment, is highly correlated with household consumption, which is in turn a driver for many other elements of the economy. Current consumption helps form the expectations for future consumption demand, which in turn drives business decisions like equipment purchases. Second, uncertainty about employment has a dampening effect on two of the largest consumer purchases – housing and vehicles. This uncertainty is compounded by the aftermath of the financial crisis. This has caused consumer lending to tighten especially for higher-risk loans. The arguments above would suggest that until the employment picture becomes more clear, sectors like housing, automobiles, and business planned investment will likely tread water.

Like any economic forecast, there are both upside and downside risks to this control forecast. The control scenario has considerable inertia, in that Global Insight has consistently backed a recovery pattern based on growth in certain demand sectors: exports, consumer demand, and business planned investment. The variations in the forecasts over the last year have all centered on the timing and the magnitude of the recovery, and to a lesser extent the percentages associated with pessimistic and optimistic alternatives to the control forecast. By all accounts, the recovery is still somewhat fragile and derailment could still occur.

The single largest downside concern is that the bicycle will tip over now that the training wheels have been removed. Fiscal stimulus spending, homebuyer tax credits, the inventory cycle, and other transitory boosts to the economy were great countercyclical stabilizers, but they do not secure sources of sustainable long-term aggregate demand. Until a source of demand emerges sustainably, the pessimistic scenario contemplates a w-shaped recession stemming from increasingly fragile financial and equity markets with ripple effects that would reach all of the typical broader economic aggregates. Regarding upside risk, and following the bicycle metaphor, the removal of the training wheels leads not to a crash but rather to the emergence of an Olympic cyclist. The countercyclical fiscal policies lead to a much stronger rebound than predicted in the control forecast, led primarily by growing domestic and international demand in emerging markets. This rebound triggers a strong, decisive response from businesses through higher investments and increased employment. As employment increases, the pent-up consumer demand finally kicks in and the economy is off to the races. Global

Insight has assigned a 20 percent probability to the pessimistic scenario and a 15 percent probability to the upside scenario. All of the state economic and revenue projections use only the control forecast from Global Insight, which continues to carry an overwhelming majority as the desired point estimate.

## KENTUCKY ECONOMY

Forecasting the state economy is seemingly as an easier proposition than the national counterpart, but reality seldom follows convention. At the national level, the diversity between and among states creates situations where some states under and over perform and the errors tend to offset one another vis-à-vis the business cycle. When forecasting for a single state, the law of averages goes out the window and point estimates become crucial. These difficulties are magnified in periods of downturn and recovery since the precise timing of the recovery makes a material difference in the downstream revenue forecasts. It is during these turning points where extra reliance is placed on the relationships built into the state econometric models.

The bottom section of tables 15 and 16 display highlights of the current forecast. There are many similarities between the state and national outlooks. Most notably, personal income rebounds before employment, as seen in table 14. In the first half of FY11, personal income in Kentucky is expected to grow by 4.0 while employment growth is below one percent. Compared to the national forecast for the same period, the state employment outlook is very similar, but the rebound in personal income is slightly more muted in Kentucky. The income disparity is partly explained by a slowing in the growth of transfer payments. Kentucky was some-

what insulated from the depths of the recession by sustained growth in transfer payments from the US Federal Government, but the double-digit growth rates experienced a year ago have subsided in the most recent quarters as the economy transitions out of the recession.

In summary, the forecast calls for growth much in line with the projections used by the Consensus Forecasting Group during the December 2009 official estimates. The projections for some of the national economic aggregates have actually increased since the official estimates, but the main revenue drivers (employment, wages, and personal income) are very much congruous with our

official estimates. The same risks that apply to the national economy exist for the state economy as well. On the downside, the pessimistic scenario predicts that none of the expected sectoral rebounds occur at the same magnitude or time frame predicted in the baseline forecast. On the upside, the seeds of growth that have been planted over the past six months begin to take root and grow at a pace beyond baseline projections. For the purposes of the revenue projections, these risks are acknowledged but not quantitatively incorporated into the forecast. The official estimates for FY11 and FY12 are a blend of the control with the optimistic scenarios as directed by the CFG.

**Table 15**  
**Economic Outlook**  
**First Half FY11 and FY10**

|                                        | First Half |           |         |       |
|----------------------------------------|------------|-----------|---------|-------|
|                                        | FY11       | FY10      | Chg     | % Chg |
| <b>United States</b>                   |            |           |         |       |
| Real GDP                               | 13,533.2   | 13,061.3  | 471.9   | 3.6   |
| Personal Income (\$ billions)          | 12,555.4   | 12,037.3  | 518.1   | 4.3   |
| Inflation (% chg CPI)                  | 0.9        | -0.1      | NA      | NA    |
| Industrial Production Index (2002=100) | 105.6      | 98.7      | 6.8     | 6.9   |
| Nonfarm Employment (millions)          | 130.9      | 129.9     | 1.0     | 0.8   |
| Manufacturing Employment (millions)    | 11.9       | 11.6      | 0.3     | 2.4   |
| Unemployment Rate (percent)            | 9.6        | 9.8       | NA      | NA    |
| <b>Kentucky</b>                        |            |           |         |       |
| Personal Income (\$ millions)          | 143,903.6  | 138,303.5 | 5,600.1 | 4.0   |
| Wage & Salary (\$ millions)            | 73,198.6   | 70,894.0  | 2,304.6 | 3.3   |
| Nonfarm Employment (thousands)         | 1,777.3    | 1,762.3   | 15.0    | 0.9   |
| Goods Producing (thousands)            | 306.3      | 303.4     | 2.9     | 0.9   |
| Service Providing (thousands)          | 1,147.9    | 1,133.8   | 14.1    | 1.2   |
| Government (thousands)                 | 323.2      | 325.2     | -2.0    | -0.6  |

Real series are in billions of chained 2000 annual rate dollars.  
Source: IHS Global Insight, Inc., June 4, 2010 data release and Kentucky MAK model.

**Table 16**  
**Economic Outlook**  
**Third Quarter FY11**

|                                        | <b>FY11</b> | <b>FY10</b> |            |              |
|----------------------------------------|-------------|-------------|------------|--------------|
|                                        | <b>Q3</b>   | <b>Q3</b>   | <b>Chg</b> | <b>% Chg</b> |
| <b>United States</b>                   |             |             |            |              |
| Real GDP                               | 13,669.8    | 13,248.2    | 421.6      | 3.2          |
| Personal Income (\$ billions)          | 12,782.6    | 12,178.9    | 603.7      | 5.0          |
| Inflation (% chg CPI)                  | 1.0         | 2.4         | NA         | NA           |
| Industrial Production Index (2002=100) | 107.4       | 101.4       | 6.0        | 5.9          |
| Nonfarm Employment (millions)          | 131.8       | 129.7       | 2.1        | 1.6          |
| Manufacturing Employment (millions)    | 12.1        | 11.6        | 0.5        | 4.2          |
| Unemployment Rate (percent)            | 9.4         | 9.7         | NA         | NA           |
| <b>Kentucky</b>                        |             |             |            |              |
| Personal Income (\$ millions)          | 145,920.3   | 140,017.9   | 5,902.4    | 4.2          |
| Wage & Salary (\$ millions)            | 74,393.1    | 71,253.8    | 3,139.2    | 4.4          |
| Nonfarm Employment (thousands)         | 1,786.6     | 1,755.5     | 31.1       | 1.8          |
| Goods Producing (thousands)            | 309.6       | 296.3       | 13.3       | 4.5          |
| Service Providing (thousands)          | 1,155.5     | 1,135.4     | 20.2       | 1.8          |
| Government (thousands)                 | 321.5       | 323.9       | -2.4       | -0.7         |

Real series are in billions of chained 2000 annual rate dollars.

Source: IHS Global Insight, Inc. June 4, 2010 data release and Kentucky MAK model.

**Page intentionally left blank**

# APPENDIX A

## KENTUCKY STATE GOVERNMENT REVENUE GENERAL FUND REVENUE

|                               | Fourth Quarter<br>FY 2010 | Fourth Quarter<br>FY 2009 | %<br>Change | Year-To-Date<br>FY 2010 | Year-To-Date<br>FY 2009 | %<br>Change  |
|-------------------------------|---------------------------|---------------------------|-------------|-------------------------|-------------------------|--------------|
| <b>TOTAL GENERAL FUND</b>     | <b>\$2,218,752,662</b>    | <b>\$2,209,274,971</b>    | <b>0.4%</b> | <b>\$8,225,127,620</b>  | <b>\$8,426,351,594</b>  | <b>-2.4%</b> |
| Tax Receipts                  | \$2,139,555,458           | \$2,126,605,057           | 0.6%        | \$7,917,980,032         | \$8,112,768,934         | -2.4%        |
| Sales and Gross Receipts      | \$892,085,672             | \$870,908,422             | 2.4%        | \$3,396,530,945         | \$3,374,871,927         | 0.6%         |
| Beer Consumption              | 1,635,866                 | 1,712,350                 | -4.5%       | 6,165,505               | 6,478,525               | -4.8%        |
| Beer Wholesale                | 13,534,168                | 13,305,370                | 1.7%        | 51,596,255              | 51,696,564              | -0.2%        |
| Cigarette                     | 72,862,652                | 66,458,542                | 9.6%        | 278,159,743             | 186,756,010             | 48.9%        |
| Distilled Spirits Case Sales  | 372,010                   | 28,329                    | 1213.2%     | 453,002                 | 109,333                 | 314.3%       |
| Distilled Spirits Consumption | 2,728,052                 | 2,689,200                 | 1.4%        | 10,719,543              | 10,676,604              | 0.4%         |
| Distilled Spirits Wholesale   | 7,063,346                 | 7,038,078                 | 0.4%        | 27,517,432              | 27,884,547              | -1.3%        |
| Insurance Premium             | 40,136,889                | 39,130,274                | 2.6%        | 125,063,475             | 125,168,149             | -0.1%        |
| Pari-Mutuel                   | 670,335                   | 1,979,917                 | -66.1%      | (82,480)                | 4,387,515               | ---          |
| Race Track Admission          | 35,178                    | 34,309                    | 2.5%        | 187,994                 | 230,888                 | -18.6%       |
| Sales and Use                 | 727,672,780               | 698,522,998               | 4.2%        | 2,794,057,329           | 2,857,665,168           | -2.2%        |
| Wine Consumption              | 613,745                   | 598,418                   | 2.6%        | 2,442,113               | 2,392,069               | 2.1%         |
| Wine Wholesale                | 2,796,251                 | 3,053,516                 | -8.4%       | 12,082,136              | 12,356,700              | -2.2%        |
| Telecommunications Tax        | 16,464,602                | 15,106,807                | 9.0%        | 66,786,669              | 61,228,833              | 9.1%         |
| OTP                           | 5,445,672                 | 4,958,047                 | 9.8%        | 21,107,290              | 11,548,724              | 82.8%        |
| Floor Stock Tax               | 54,125                    | 16,292,266                | -99.7%      | 274,940                 | 16,292,300              | -98.3%       |
| License and Privilege         | \$148,528,062             | \$138,980,207             | 6.9%        | \$539,421,718           | \$561,746,597           | -4.0%        |
| Alc. Bev. License Suspension  | 179,607                   | 129,250                   | 39.0%       | 562,082                 | 393,050                 | 43.0%        |
| Coal Severance                | 77,346,596                | 74,660,457                | 3.6%        | 271,943,100             | 292,591,094             | -7.1%        |
| Corporation License           | 3,168,091                 | 841,992                   | 276.3%      | 5,470,951               | 9,154,338               | -40.2%       |
| Corporation Organization      | 18,985                    | 4,036                     | 370.4%      | 167,841                 | 38,101                  | 340.5%       |
| Occupational Licenses         | 72,504                    | 115,795                   | -37.4%      | 172,153                 | 257,200                 | -33.1%       |
| Oil Production                | 2,094,749                 | 1,331,343                 | 57.3%       | 7,564,121               | 8,430,228               | -10.3%       |
| Race Track License            | 44,675                    | 48,350                    | -7.6%       | 271,425                 | 350,225                 | -22.5%       |
| Bank Franchise Tax            | 850,248                   | 288,861                   | 194.3%      | 69,085,922              | 73,339,144              | -5.8%        |
| Driver License Fees           | 155,779                   | 141,598                   | 10.0%       | 596,348                 | 579,919                 | 2.8%         |
| Minerals Severance            | 3,145,643                 | 2,414,636                 | 30.3%       | 13,266,156              | 12,807,705              | 3.6%         |
| Natural Gas Severance         | 9,098,763                 | 5,941,858                 | 53.1%       | 24,373,188              | 42,155,501              | -42.2%       |
| Limited Liability Entity      | 52,352,423                | 53,062,029                | -1.3%       | 145,948,432             | 121,650,092             | 20.0%        |
| Income                        | \$1,033,785,190           | \$1,040,685,505           | -0.7%       | \$3,392,355,392         | \$3,583,353,074         | -5.3%        |
| Corporation                   | 108,713,259               | 77,058,095                | 41.1%       | 237,867,392             | 267,984,858             | -11.2%       |
| Individual                    | 925,071,931               | 963,627,409               | -4.0%       | 3,154,488,000           | 3,315,368,217           | -4.9%        |
| Property                      | \$47,128,060              | \$54,239,580              | -13.1%      | \$516,169,947           | \$513,122,060           | 0.6%         |
| Building & Loan Association   | 2,822,208                 | 2,674,999                 | 5.5%        | 2,920,507               | 2,898,977               | 0.7%         |
| General - Real                | 6,937,071                 | 7,513,794                 | -7.7%       | 248,756,857             | 241,008,338             | 3.2%         |
| General - Tangible            | 41,950,866                | 35,870,366                | 17.0%       | 193,234,982             | 203,783,916             | -5.2%        |
| Omitted & Delinquent          | 5,378,297                 | 5,950,562                 | ---         | 24,952,198              | 22,945,670              | 8.7%         |
| Public Service                | (9,965,091)               | 2,212,578                 | ---         | 45,026,921              | 41,315,048              | 9.0%         |
| Other                         | 4,710                     | 17,282                    | -72.7%      | 1,278,483               | 1,170,110               | 9.3%         |
| Inheritance                   | \$7,944,261               | \$11,289,744              | -29.6%      | \$37,201,611            | \$41,234,240            | -9.8%        |
| Miscellaneous                 | \$10,084,213              | \$10,501,600              | -4.0%       | \$36,300,419            | \$38,441,036            | -5.6%        |
| Legal Process                 | 5,270,090                 | 5,894,372                 | -10.6%      | 21,807,020              | 23,782,419              | -8.3%        |
| T. V. A. In Lieu Payments     | 4,800,569                 | 4,580,385                 | 4.8%        | 14,335,091              | 14,593,246              | -1.8%        |
| Other                         | 13,555                    | 26,843                    | -49.5%      | 158,308                 | 65,371                  | 142.2%       |
| Nontax Receipts               | \$76,383,966              | \$84,044,423              | -9.1%       | \$301,799,304           | \$311,791,847           | -3.2%        |
| Departmental Fees             | 8,991,303                 | 8,723,199                 | 3.1%        | 29,530,171              | 31,912,667              | -7.5%        |
| PSC Assessment Fee            | 4,316,470                 | 4,730,657                 | -8.8%       | 12,685,063              | 14,104,836              | -10.1%       |
| Fines & Forfeitures           | 6,905,105                 | 7,629,811                 | -9.5%       | 29,046,803              | 29,298,014              | -0.9%        |
| Interest on Investments       | (925,979)                 | 1,833,517                 | ---         | (303,103)               | 4,183,825               | ---          |
| Lottery                       | 55,500,000                | 52,000,000                | 6.7%        | 200,000,000             | 193,500,000             | 3.4%         |
| Sale of NOx Credits           | 16,300                    | 0                         | ---         | 625,230                 | 0                       | ---          |
| Miscellaneous                 | 1,580,767                 | 9,127,238                 | -82.7%      | 30,215,139              | 38,708,024              | -21.9%       |
| Redeposit of State Funds      | \$2,813,238               | (\$1,374,509)             | ---         | \$5,348,284             | \$1,790,813             | 198.7%       |

## KENTUCKY STATE GOVERNMENT REVENUE ROAD FUND REVENUE

|                          | Fourth Quarter<br>FY 2010 | Fourth Quarter<br>FY 2009 | %<br>Change | Year-To-Date<br>FY 2010 | Year-To-Date<br>FY 2009 | %<br>Change |
|--------------------------|---------------------------|---------------------------|-------------|-------------------------|-------------------------|-------------|
| <b>TOTAL ROAD FUND</b>   | <b>\$331,175,208</b>      | <b>\$316,587,011</b>      | <b>4.6%</b> | <b>\$1,206,622,639</b>  | <b>\$1,191,982,894</b>  | <b>1.2%</b> |
| Tax Receipts-            | \$324,678,843             | \$307,579,457             | 5.6%        | \$1,181,341,209         | \$1,159,379,226         | 1.9%        |
| Sales and Gross Receipts | \$264,621,523             | \$245,713,577             | 7.7%        | \$988,541,345           | \$958,780,727           | 3.1%        |
| Motor Fuels Taxes        | 176,153,539               | 160,856,717               | 9.5%        | 655,761,466             | 622,479,527             | 5.3%        |
| Motor Vehicle Usage      | 88,467,984                | 84,856,861                | 4.3%        | 332,779,879             | 336,301,200             | -1.0%       |
| License and Privilege    | \$60,057,320              | \$61,865,880              | -2.9%       | \$192,799,864           | \$200,598,500           | -3.9%       |
| Motor Vehicles           | 34,963,082                | 38,066,262                | -8.2%       | 96,839,803              | 98,186,733              | -1.4%       |
| Motor Vehicle Operators  | 4,020,356                 | 3,906,987                 | 2.9%        | 15,941,488              | 15,521,191              | 2.7%        |
| Weight Distance          | 17,347,294                | 16,948,973                | 2.4%        | 70,498,757              | 75,444,283              | -6.6%       |
| Truck Decal Fees         | 624,096                   | 706,833                   | -11.7%      | 679,383                 | 832,653                 | -18.4%      |
| Other Special Fees       | 3,102,491                 | 2,236,826                 | 38.7%       | 8,840,433               | 10,613,640              | -16.7%      |
| Nontax Receipts          | \$6,313,451               | \$8,663,090               | -27.1%      | \$23,871,991            | \$31,375,092            | -23.9%      |
| Departmental Fees        | 5,081,663                 | 4,918,674                 | 3.3%        | 18,487,783              | 19,106,827              | -3.2%       |
| In Lieu of Traffic Fines | 201,447                   | 237,573                   | -15.2%      | 779,495                 | 958,790                 | -18.7%      |
| Investment Income        | 806,190                   | 3,270,758                 | -75.4%      | 3,633,987               | 10,661,790              | -65.9%      |
| Miscellaneous            | 224,151                   | 236,085                   | -5.1%       | 970,725                 | 647,685                 | 49.9%       |
| Redeposit of State Funds | \$182,914                 | \$344,463                 | -46.9%      | \$1,409,439             | \$1,228,575             | 14.7%       |

**Page intentionally left blank**

**APPENDIX B**

**Summary Statistics for General and Road Funds**

**FY01 - FY10**

**Summary Statistics for General Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | FY01                 | FY02                 | FY03                 | FY04                 | FY05                 |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>TOTAL GENERAL FUND</b>       | <b>6,653,897,653</b> | <b>6,560,216,551</b> | <b>6,783,458,295</b> | <b>6,977,623,200</b> | <b>7,645,046,634</b> |
| <b>Tax Receipts</b>             | <b>6,377,917,219</b> | <b>6,292,004,457</b> | <b>6,543,157,657</b> | <b>6,686,290,589</b> | <b>7,350,335,469</b> |
| <b>Sales and Gross Receipts</b> | <b>2,435,481,566</b> | <b>2,497,020,953</b> | <b>2,577,542,870</b> | <b>2,668,210,228</b> | <b>2,838,701,120</b> |
| Beer Consumption                | 6,272,031            | 6,286,734            | 6,334,169            | 6,320,886            | 6,387,318            |
| Beer Wholesale                  | 32,582,889           | 34,596,592           | 35,969,890           | 37,439,919           | 37,815,717           |
| Cigarette                       | 14,007,582           | 13,943,208           | 16,367,947           | 17,136,198           | 24,966,880           |
| Cigarette Floor Stock           | ---                  | ---                  | ---                  | ---                  | 8,701,966            |
| Distilled Spirits Case Sales    | 82,529               | 81,922               | 85,601               | 87,662               | 92,178               |
| Distilled Spirits Consumption   | 8,184,798            | 8,266,005            | 8,680,833            | 8,985,826            | 9,190,089            |
| Distilled Spirits Wholesale     | 14,809,730           | 15,129,146           | 16,088,048           | 16,957,192           | 18,150,313           |
| Insurance Premium               | 96,825,818           | 105,102,951          | 114,988,790          | 120,523,955          | 123,410,091          |
| Pari-Mutuel                     | 6,182,083            | 5,179,952            | 5,953,247            | 3,629,292            | 4,710,111            |
| Race Track Admission            | 216,615              | 260,232              | 193,114              | 232,350              | 195,068              |
| Sales and Use                   | 2,248,471,100        | 2,299,990,621        | 2,364,182,478        | 2,447,584,698        | 2,594,966,373        |
| Wine Consumption                | 1,743,393            | 1,786,984            | 1,902,818            | 2,005,265            | 2,279,162            |
| Wine Wholesale                  | 6,102,998            | 6,396,603            | 6,795,936            | 7,306,985            | 7,835,853            |
| Telecommunications Tax          | ---                  | ---                  | ---                  | ---                  | ---                  |
| Other Tobacco Products          | ---                  | ---                  | ---                  | ---                  | ---                  |
| <b>License and Privilege</b>    | <b>373,309,229</b>   | <b>356,591,984</b>   | <b>379,857,645</b>   | <b>368,122,494</b>   | <b>427,823,269</b>   |
| Alc. Bev. License & Suspension  | 193,800              | 220,800              | 227,850              | 223,700              | 237,101              |
| Coal Severance                  | 141,553,087          | 160,160,116          | 141,664,981          | 147,498,230          | 184,436,935          |
| Corporation License             | 147,515,402          | 117,500,770          | 152,595,257          | 124,096,012          | 134,149,794          |
| Corporation Organization        | 227,655              | 144,233              | 190,494              | 143,804              | 613,048              |
| Occupational Licenses           | 107,737              | 226,609              | 197,977              | 223,002              | 188,761              |
| Oil Production                  | 3,358,036            | 2,590,722            | 3,116,954            | 3,387,884            | 4,710,832            |
| Race Track License              | 320,800              | 37,423               | 322,825              | 335,625              | 324,642              |
| Bank Franchise Tax              | 49,610,220           | 50,549,169           | 53,747,906           | 55,467,195           | 63,837,587           |
| Driver License Fees             | 391,939              | 505,187              | 499,003              | 523,979              | 522,904              |
| Minerals Severance              | 12,710,667           | 12,355,174           | 12,580,912           | 13,711,874           | 13,494,541           |
| Natural Gas Severance           | 17,319,885           | 12,301,781           | 14,713,486           | 22,511,188           | 25,307,125           |
| LLET                            |                      |                      |                      |                      |                      |
| <b>Income</b>                   | <b>3,068,472,461</b> | <b>2,909,863,799</b> | <b>3,024,422,738</b> | <b>3,099,593,870</b> | <b>3,514,735,211</b> |
| Corporation                     | 289,931,017          | 207,353,777          | 278,035,794          | 303,262,821          | 478,504,505          |
| Individual                      | 2,778,541,444        | 2,702,510,022        | 2,746,386,944        | 2,796,331,049        | 3,036,230,706        |
| <b>Property</b>                 | <b>407,494,858</b>   | <b>433,029,587</b>   | <b>434,768,249</b>   | <b>448,765,511</b>   | <b>472,596,276</b>   |
| Bank Deposits                   | 412,646              | 460,334              | 456,527              | 467,711              | 474,098              |
| Building & Loan Association     | 2,482,623            | 2,249,927            | 3,181,373            | 2,513,083            | 3,192,911            |
| Distilled Spirits               | 360,248              | 363,410              | 442,092              | 375,637              | 388,612              |
| General - Intangible            | 22,551,153           | 23,113,567           | 25,883,197           | 27,547,183           | 26,912,813           |
| General - Real                  | 171,524,695          | 179,678,050          | 186,000,177          | 192,534,530          | 202,182,555          |
| General - Tangible              | 140,466,295          | 151,308,795          | 149,426,286          | 149,155,206          | 159,883,091          |
| Omitted & Delinquent            | 20,605,462           | 25,649,592           | 20,368,623           | 15,829,225           | 20,646,846           |
| Public Service                  | 48,883,924           | 49,991,359           | 48,836,372           | 60,178,393           | 58,787,595           |
| Other                           | 207,812              | 214,551              | 173,603              | 164,542              | 127,756              |
| <b>Inheritance</b>              | <b>83,461,499</b>    | <b>83,359,872</b>    | <b>95,864,480</b>    | <b>66,083,705</b>    | <b>63,174,866</b>    |
| <b>Miscellaneous</b>            | <b>9,697,606</b>     | <b>12,138,263</b>    | <b>30,701,674</b>    | <b>35,514,782</b>    | <b>33,304,727</b>    |
| Legal Process                   | 3,597,385            | 5,263,021            | 22,994,148           | 27,322,798           | 24,696,032           |
| T. V. A. In Lieu Payments       | 6,046,676            | 6,814,492            | 7,660,437            | 8,146,924            | 8,559,023            |
| Other                           | 53,545               | 60,750               | 47,090               | 45,061               | 49,672               |
| <b>Nontax Receipts</b>          | <b>266,792,632</b>   | <b>260,466,324</b>   | <b>233,694,271</b>   | <b>280,871,754</b>   | <b>286,661,124</b>   |
| Departmental Fees               | 17,062,102           | 19,570,116           | 21,982,797           | 22,161,022           | 22,542,182           |
| PSC Assessment Fee              | 12,598,397           | 10,455,826           | 8,702,466            | 5,389,636            | 13,568,805           |
| Fines & Forfeitures             | 40,749,856           | 40,069,496           | 28,888,326           | 27,991,293           | 25,405,780           |
| Interest on Investments         | 28,217,850           | 13,342,627           | (7,157,704)          | 1,017,305            | 6,950,902            |
| Lottery                         | 157,030,000          | 169,000,000          | 171,000,000          | 173,800,000          | 161,252,000          |
| Sale of NOx Credits             | ---                  | ---                  | ---                  | 11,836,125           | 3,696,675            |
| Miscellaneous                   | 11,134,428           | 8,028,259            | 10,278,386           | 38,676,373           | 53,244,780           |
| <b>Redeposit of State Funds</b> | <b>9,187,802</b>     | <b>7,745,769</b>     | <b>6,606,367</b>     | <b>10,460,857</b>    | <b>8,050,041</b>     |

**Summary Statistics for General Fund (\$ mil)**  
**Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | FY06                 | FY07                 | FY08                 | FY09                 | FY10                 |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>TOTAL GENERAL FUND</b>       | <b>8,376,083,216</b> | <b>8,573,819,250</b> | <b>8,664,336,663</b> | <b>8,426,351,594</b> | <b>8,225,127,620</b> |
| <b>Tax Receipts</b>             | <b>8,065,347,817</b> | <b>8,233,789,253</b> | <b>8,329,734,971</b> | <b>8,112,768,934</b> | <b>7,917,980,032</b> |
| <b>Sales and Gross Receipts</b> | <b>3,174,734,842</b> | <b>3,280,448,981</b> | <b>3,354,581,311</b> | <b>3,374,871,927</b> | <b>3,396,530,945</b> |
| Beer Consumption                | 6,393,753            | 6,344,079            | 6,535,066            | 6,478,525            | 6,165,525            |
| Beer Wholesale                  | 45,206,839           | 46,806,186           | 49,531,545           | 51,696,564           | 51,596,255           |
| Cigarette                       | 172,069,493          | 168,768,467          | 169,547,927          | 186,756,010          | 278,159,743          |
| Cigarette Floor Stock           | 12,089,404           | 9,746                |                      | 16,292,300           | 274,940              |
| Distilled Spirits Case Sales    | 94,806               | 98,874               | 104,154              | 109,333              | 453,002              |
| Distilled Spirits Consumption   | 9,900,035            | 10,094,572           | 10,378,013           | 10,676,604           | 10,719,543           |
| Distilled Spirits Wholesale     | 23,524,032           | 25,139,117           | 26,628,403           | 27,884,547           | 27,517,432           |
| Insurance Premium               | 122,824,056          | 125,877,984          | 129,296,901          | 125,168,149          | 125,063,475          |
| Pari-Mutuel                     | 5,626,849            | 5,489,552            | 5,327,540            | 4,387,515            | -82,480              |
| Race Track Admission            | 230,285              | 190,362              | 219,939              | 230,888              | 187,994              |
| Sales and Use                   | 2,749,765,011        | 2,817,652,253        | 2,877,814,014        | 2,857,665,168        | 2,794,057,329        |
| Wine Consumption                | 1,945,945            | 2,326,331            | 2,353,476            | 2,392,069            | 2,442,113            |
| Wine Wholesale                  | 10,510,955           | 11,392,111           | 11,977,256           | 12,356,700           | 12,082,136           |
| Telecommunications Tax          | 14,553,379           | 51,623,000           | 55,972,928           | 61,228,833           | 66,786,669           |
| Other Tobacco Products          | ---                  | 8,636,348            | 8,894,150            | 11,548,724           | 21,107,290           |
| <b>License and Privilege</b>    | <b>386,264,573</b>   | <b>352,829,122</b>   | <b>468,666,009</b>   | <b>561,746,597</b>   | <b>539,421,718</b>   |
| Alc. Bev. License & Suspension  | 280,450              | 659,151              | 830,310              | 393,050              | 562,082              |
| Coal Severance                  | 224,490,111          | 221,952,516          | 232,977,827          | 292,591,094          | 271,943,100          |
| Corporation License             | 43,516,942           | 11,734,452           | 2,822,279            | 9,154,338            | 5,470,951            |
| Corporation Organization        | 221,281              | 115,755              | 259,654              | 38,101               | 167,841              |
| Occupational Licenses           | 174,122              | 207,198              | 191,571              | 257,200              | 172,153              |
| Oil Production                  | 6,386,501            | 6,198,342            | 10,201,113           | 8,430,228            | 7,564,121            |
| Race Track License              | 289,258              | 283,675              | 245,360              | 350,225              | 271,425              |
| Bank Franchise Tax              | 59,603,147           | 63,912,315           | 71,976,055           | 73,339,144           | 69,085,922           |
| Driver License Fees             | 600,903              | 603,807              | 599,370              | 579,919              | 596,348              |
| Minerals Severance              | 14,502,342           | 14,822,013           | 16,360,844           | 12,807,705           | 13,266,156           |
| Natural Gas Severance           | 36,199,516           | 32,339,897           | 33,794,313           | 42,155,501           | 24,373,188           |
| LLET                            |                      |                      | 98,407,313           | 121,650,092          | 145,948,432          |
| <b>Income</b>                   | <b>3,920,229,525</b> | <b>4,029,600,561</b> | <b>3,918,359,883</b> | <b>3,583,353,074</b> | <b>3,392,355,392</b> |
| Corporation                     | 1,001,618,543        | 988,064,957          | 435,222,566          | 267,984,858          | 237,867,392          |
| Individual                      | 2,918,610,982        | 3,041,535,604        | 3,483,137,317        | 3,315,368,217        | 3,154,488,000        |
| <b>Property</b>                 | <b>502,510,631</b>   | <b>492,462,208</b>   | <b>500,646,790</b>   | <b>513,122,060</b>   | <b>516,169,947</b>   |
| Bank Deposits                   | 505,351              | 513,619              | 532,436              | 542,716              | 589,597              |
| Building & Loan Association     | 2,071,523            | 2,921,484            | 2,649,630            | 2,898,977            | 2,920,507            |
| Distilled Spirits               | 410,798              | 506,754              | 513,549              | 624,280              | 685,815              |
| General - Intangible            | 30,955,124           | 48,841               | -                    | -                    |                      |
| General - Real                  | 215,351,439          | 228,282,174          | 237,153,330          | 241,008,338          | 248,756,857          |
| General - Tangible              | 165,622,948          | 192,343,695          | 205,763,426          | 203,783,916          | 193,234,982          |
| Omitted & Delinquent            | 30,330,629           | 25,253,460           | 17,519,651           | 22,945,670           | 24,952,198           |
| Public Service                  | 57,259,849           | 42,588,669           | 36,511,473           | 41,315,048           | 45,026,921           |
| Other                           | 2,970                | 3,512                | 3,295                | 3,115                | 3,071                |
| <b>Inheritance</b>              | <b>45,990,266</b>    | <b>43,578,107</b>    | <b>51,001,299</b>    | <b>41,234,240</b>    | <b>37,201,611</b>    |
| <b>Miscellaneous</b>            | <b>35,617,980</b>    | <b>34,870,274</b>    | <b>36,479,679</b>    | <b>38,441,036</b>    | <b>36,300,419</b>    |
| Legal Process                   | 25,118,948           | 24,759,470           | 24,060,840           | 23,782,419           | 21,807,020           |
| T. V. A. In Lieu Payments       | 10,248,314           | 10,037,326           | 12,389,344           | 14,593,246           | 14,335,091           |
| Other                           | 250,719              | 73,478               | 29,495               | 65,371               | 158,308              |
| <b>Nontax Receipts</b>          | <b>302,629,799</b>   | <b>327,878,702</b>   | <b>330,053,277</b>   | <b>311,791,847</b>   | <b>301,799,304</b>   |
| Departmental Fees               | 23,932,336           | 25,043,719           | 30,382,254           | 31,912,667           | 29,530,171           |
| PSC Assessment Fee              | 9,041,415            | 14,593,067           | 14,306,084           | 14,104,836           | 12,685,063           |
| Fines & Forfeitures             | 26,129,275           | 26,606,686           | 28,118,106           | 29,298,014           | 29,046,803           |
| Interest on Investments         | 18,681,492           | 31,991,861           | 23,868,325           | 4,183,825            | -303,103             |
| Lottery                         | 190,000,000          | 186,625,113          | 187,461,591          | 193,500,000          | 200,000,000          |
| Sale of NOx Credits             | 1,126,000            | 811,600              | 12,251,950           | 0                    | 625,230              |
| Miscellaneous                   | 33,719,282           | 42,206,657           | 33,664,968           | 38,792,505           | 30,215,139           |
| <b>Redeposit of State Funds</b> | <b>8,105,601</b>     | <b>12,151,295</b>    | <b>4,548,415</b>     | <b>1,790,813</b>     | <b>5,348,284</b>     |

**General Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | FY01         | FY02          | FY03          | FY04          | FY05          |
|---------------------------------|--------------|---------------|---------------|---------------|---------------|
| <b>TOTAL GENERAL FUND</b>       | <b>2.7%</b>  | <b>-1.4%</b>  | <b>3.4%</b>   | <b>2.9%</b>   | <b>9.6%</b>   |
| <b>Tax Receipts</b>             | <b>2.9%</b>  | <b>-1.3%</b>  | <b>4.0%</b>   | <b>2.2%</b>   | <b>9.9%</b>   |
| <b>Sales and Gross Receipts</b> | <b>3.4%</b>  | <b>2.5%</b>   | <b>3.2%</b>   | <b>3.5%</b>   | <b>6.4%</b>   |
| Beer Consumption                | -0.2%        | 0.2%          | 0.8%          | -0.2%         | 1.1%          |
| Beer Wholesale                  | 1.5%         | 6.2%          | 4.0%          | 4.1%          | 1.0%          |
| Cigarette                       | -1.2%        | -0.5%         | 17.4%         | 4.7%          | 45.7%         |
| Cigarette Floor Stock           | ---          | ---           | ---           | ---           | ---           |
| Distilled Spirits Case Sales    | -0.4%        | -0.7%         | 4.5%          | 2.4%          | 5.2%          |
| Distilled Spirits Consumption   | -0.3%        | 1.0%          | 5.0%          | 3.5%          | 2.3%          |
| Distilled Spirits Wholesale     | 5.4%         | 2.2%          | 6.3%          | 5.4%          | 7.0%          |
| Insurance Premium               | 1.5%         | 8.5%          | 9.4%          | 4.8%          | 2.4%          |
| Pari-Mutuel                     | -7.0%        | -16.2%        | 14.9%         | -39.0%        | 29.8%         |
| Race Track Admission            | -1.9%        | 20.1%         | -25.8%        | 20.3%         | -16.0%        |
| Sales and Use                   | 3.5%         | 2.3%          | 2.8%          | 3.5%          | 6.0%          |
| Wine Consumption                | -0.3%        | 2.5%          | 6.5%          | 5.4%          | 13.7%         |
| Wine Wholesale                  | 3.0%         | 4.8%          | 6.2%          | 7.5%          | 7.2%          |
| Telecommunications Tax          | ---          | ---           | ---           | ---           | ---           |
| Other Tobacco Products          | ---          | ---           | ---           | ---           | ---           |
| <b>License and Privilege</b>    | <b>2.5%</b>  | <b>-4.5%</b>  | <b>6.5%</b>   | <b>-3.1%</b>  | <b>16.2%</b>  |
| Alc. Bev. License Suspension    | 294.3%       | 13.9%         | 3.2%          | -1.8%         | 6.0%          |
| Coal Severance                  | -2.5%        | 13.1%         | -11.5%        | 4.1%          | 25.0%         |
| Corporation License             | 6.0%         | -20.3%        | 29.9%         | -18.7%        | 8.1%          |
| Corporation Organization        | -38.5%       | -36.6%        | 32.1%         | -24.5%        | 326.3%        |
| Occupational Licenses           | -18.9%       | 110.3%        | -12.6%        | 12.6%         | -15.4%        |
| Oil Production                  | 13.2%        | -22.9%        | 20.3%         | 8.7%          | 39.0%         |
| Race Track License              | -20.9%       | -88.3%        | 762.6%        | 4.0%          | -3.3%         |
| Bank Franchise Tax              | -6.5%        | 1.9%          | 6.3%          | 3.2%          | 15.1%         |
| Driver License Fees             | -17.5%       | 28.9%         | -1.2%         | 5.0%          | -0.2%         |
| Minerals Severance              | -8.7%        | -2.8%         | 1.8%          | 9.0%          | -1.6%         |
| Natural Gas Severance           | 105.1%       | -29.0%        | 19.6%         | 53.0%         | 12.4%         |
| LLET                            | ---          | ---           | ---           | ---           | ---           |
| <b>Income</b>                   | <b>2.0%</b>  | <b>-5.2%</b>  | <b>3.9%</b>   | <b>2.5%</b>   | <b>13.4%</b>  |
| Corporation                     | -5.4%        | -28.5%        | 34.1%         | 9.1%          | 57.8%         |
| Individual                      | 2.8%         | -2.7%         | 1.6%          | 1.8%          | 8.6%          |
| <b>Property</b>                 | <b>5.2%</b>  | <b>6.3%</b>   | <b>0.4%</b>   | <b>3.2%</b>   | <b>5.3%</b>   |
| Bank Deposits                   | -4.9%        | 11.6%         | -0.8%         | 2.4%          | 1.4%          |
| Building & Loan Association     | -0.4%        | -9.4%         | 41.4%         | -21.0%        | 27.1%         |
| Distilled Spirits               | -18.8%       | 0.9%          | 21.7%         | -15.0%        | 3.5%          |
| General - Intangible            | -0.8%        | 2.5%          | 12.0%         | 6.4%          | -2.3%         |
| General - Real                  | 2.5%         | 4.8%          | 3.5%          | 3.5%          | 5.0%          |
| General - Tangible              | 7.3%         | 7.7%          | -1.2%         | -0.2%         | 7.2%          |
| Omitted & Delinquent            | 32.6%        | 24.5%         | -20.6%        | -22.3%        | 30.4%         |
| Public Service                  | 4.3%         | 2.3%          | -2.3%         | 23.2%         | -2.3%         |
| Other                           | -54.2%       | 3.2%          | -19.1%        | -5.2%         | -22.4%        |
| <b>Inheritance</b>              | <b>12.0%</b> | <b>-0.1%</b>  | <b>15.0%</b>  | <b>-31.1%</b> | <b>-4.4%</b>  |
| <b>Miscellaneous</b>            | <b>-6.4%</b> | <b>25.2%</b>  | <b>152.9%</b> | <b>15.7%</b>  | <b>-6.2%</b>  |
| Legal Process                   | 4.1%         | 46.3%         | 336.9%        | 18.8%         | -9.6%         |
| T. V. A. In Lieu Payments       | -11.6%       | 12.7%         | 12.4%         | 6.4%          | 5.1%          |
| Other                           | -12.0%       | 13.5%         | -22.5%        | -4.3%         | 10.2%         |
| <b>Nontax Receipts</b>          | <b>-1.9%</b> | <b>-2.4%</b>  | <b>-10.3%</b> | <b>20.2%</b>  | <b>2.1%</b>   |
| Departmental Fees               | -47.9%       | 14.7%         | 12.3%         | 0.8%          | 1.7%          |
| PSC Assessment Fee              | ---          | -17.0%        | -16.8%        | -38.1%        | 151.8%        |
| Fines & Forfeitures             | -11.5%       | -1.7%         | -27.9%        | -3.1%         | -9.2%         |
| Interest on Investments         | 0.5%         | -52.7%        | -153.6%       | -114.2%       | 583.3%        |
| Lottery                         | 0.5%         | 7.6%          | 1.2%          | 1.6%          | -7.2%         |
| Sale of NOx Credits             | ---          | ---           | ---           | ---           | -68.8%        |
| Miscellaneous                   | 27.1%        | -27.9%        | 28.0%         | 276.3%        | 37.7%         |
| <b>Redeposit of State Funds</b> | <b>53.2%</b> | <b>-15.7%</b> | <b>-14.7%</b> | <b>58.3%</b>  | <b>-23.0%</b> |

**General Fund Growth Rates**  
**Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | <b>FY06</b>   | <b>FY07</b>  | <b>FY08</b>   | <b>FY09</b>   | <b>FY10</b>   |
|---------------------------------|---------------|--------------|---------------|---------------|---------------|
| <b>TOTAL GENERAL FUND</b>       | <b>9.6%</b>   | <b>2.4%</b>  | <b>1.1%</b>   | <b>-2.7%</b>  | <b>-2.4%</b>  |
| <b>Tax Receipts</b>             | <b>9.7%</b>   | <b>2.1%</b>  | <b>1.2%</b>   | <b>-2.6%</b>  | <b>-2.4%</b>  |
| <b>Sales and Gross Receipts</b> | <b>11.8%</b>  | <b>3.3%</b>  | <b>2.3%</b>   | <b>0.6%</b>   | <b>0.6%</b>   |
| Beer Consumption                | 0.1%          | -0.8%        | 3.0%          | -0.9%         | -4.8%         |
| Beer Wholesale                  | 19.5%         | 3.5%         | 5.8%          | 4.4%          | -0.2%         |
| Cigarette                       | 589.2%        | -1.9%        | 0.5%          | 10.1%         | 48.9%         |
| Cigarette Floor Stock           | 38.9%         | -99.9%       | -100.0%       |               | -98.3%        |
| Distilled Spirits Case Sales    | 2.9%          | 4.3%         | 5.3%          | 5.0%          | 314.3%        |
| Distilled Spirits Consumption   | 7.7%          | 2.0%         | 2.8%          | 2.9%          | 0.4%          |
| Distilled Spirits Wholesale     | 29.6%         | 6.9%         | 5.9%          | 4.7%          | -1.3%         |
| Insurance Premium               | -0.5%         | 2.5%         | 2.7%          | -3.2%         | -0.1%         |
| Pari-Mutuel                     | 19.5%         | -2.4%        | -3.0%         | -17.6%        | -101.9%       |
| Race Track Admission            | 18.1%         | -17.3%       | 15.5%         | 5.0%          | -18.6%        |
| Sales and Use                   | 6.0%          | 2.5%         | 2.1%          | -0.7%         | -2.2%         |
| Wine Consumption                | -14.6%        | 19.5%        | 1.2%          | 1.6%          | 2.1%          |
| Wine Wholesale                  | 34.1%         | 8.4%         | 5.1%          | 3.2%          | -2.2%         |
| Telecommunications Tax          |               | 254.7%       | 8.4%          | 9.4%          | 9.1%          |
| Other Tobacco Products          |               |              | 3.0%          | 29.8%         | 82.8%         |
| <b>License and Privilege</b>    | <b>-9.7%</b>  | <b>-8.7%</b> | <b>32.8%</b>  | <b>19.9%</b>  | <b>-4.0%</b>  |
| Alc. Bev. License Suspension    | 18.3%         | 135.0%       | 26.0%         | -52.7%        | 43.0%         |
| Coal Severance                  | 21.7%         | -1.1%        | 5.0%          | 25.6%         | -7.1%         |
| Corporation License             | -67.6%        | -73.0%       | -75.9%        | 224.4%        | -40.2%        |
| Corporation Organization        | -63.9%        | -47.7%       | 124.3%        | -85.3%        | 340.5%        |
| Occupational Licenses           | -7.8%         | 19.0%        | -7.5%         | 34.3%         | -33.1%        |
| Oil Production                  | 35.6%         | -2.9%        | 64.6%         | -17.4%        | -10.3%        |
| Race Track License              | -10.9%        | -1.9%        | -13.5%        | 42.7%         | -22.5%        |
| Bank Franchise Tax              | -6.6%         | 7.2%         | 12.6%         | 1.9%          | -5.8%         |
| Driver License Fees             | 14.9%         | 0.5%         | -0.7%         | -3.2%         | 2.8%          |
| Minerals Severance              | 7.5%          | 2.2%         | 10.4%         | -21.7%        | 3.6%          |
| Natural Gas Severance           | 43.0%         | -10.7%       | 4.5%          | 24.7%         | -42.2%        |
| LLET                            |               |              |               | 23.6%         | 20.0%         |
| <b>Income</b>                   | <b>11.5%</b>  | <b>2.8%</b>  | <b>-2.8%</b>  | <b>-8.5%</b>  | <b>-5.3%</b>  |
| Corporation                     | 109.3%        | -1.4%        | -56.0%        | -38.4%        | -11.2%        |
| Individual                      | -3.9%         | 4.2%         | 14.5%         | -4.8%         | -4.9%         |
| <b>Property</b>                 | <b>6.3%</b>   | <b>-2.0%</b> | <b>1.7%</b>   | <b>2.5%</b>   | <b>0.6%</b>   |
| Bank Deposits                   | 6.6%          | 1.6%         | 3.7%          | 1.9%          | 8.6%          |
| Building & Loan Association     | -35.1%        | 41.0%        | -9.3%         | 9.4%          | 0.7%          |
| Distilled Spirits               | 5.7%          | 23.4%        | 1.3%          | 21.6%         | 9.9%          |
| General - Intangible            | 15.0%         | -99.8%       | -100.0%       |               |               |
| General - Real                  | 6.5%          | 6.0%         | 3.9%          | 1.6%          | 3.2%          |
| General - Tangible              | 3.6%          | 16.1%        | 7.0%          | -1.0%         | -5.2%         |
| Omitted & Delinquent            | 46.9%         | -16.7%       | -30.6%        | 31.0%         | 8.7%          |
| Public Service                  | -2.6%         | -25.6%       | -14.3%        | 13.2%         | 9.0%          |
| Other                           | -97.7%        | 18.2%        | -6.2%         | -5.5%         | -1.4%         |
| <b>Inheritance</b>              | <b>-27.2%</b> | <b>-5.2%</b> | <b>17.0%</b>  | <b>-19.2%</b> | <b>-9.8%</b>  |
| <b>Miscellaneous</b>            | <b>6.9%</b>   | <b>-2.1%</b> | <b>4.6%</b>   | <b>5.4%</b>   | <b>-5.6%</b>  |
| Legal Process                   | 1.7%          | -1.4%        | -2.8%         | -1.2%         | -8.3%         |
| T. V. A. In Lieu Payments       | 19.7%         | -2.1%        | 23.4%         | 17.8%         | -1.8%         |
| Other                           | 404.7%        | -70.7%       | -59.9%        | 121.6%        | 142.2%        |
| <b>Nontax Receipts</b>          | <b>5.6%</b>   | <b>8.3%</b>  | <b>0.7%</b>   | <b>-5.5%</b>  | <b>-3.2%</b>  |
| Departmental Fees               | 6.2%          | 4.6%         | 21.3%         | 5.0%          | -7.5%         |
| PSC Assessment Fee              | -33.4%        | 61.4%        | -2.0%         | -1.4%         | -10.1%        |
| Fines & Forfeitures             | 2.8%          | 1.8%         | 5.7%          | 4.2%          | -0.9%         |
| Interest on Investments         | 168.8%        | 71.2%        | -25.4%        | -82.5%        | -107.2%       |
| Lottery                         | 17.8%         | -1.8%        | 0.4%          | 3.2%          | 3.4%          |
| Sale of NOx Credits             | -69.5%        | -27.9%       | 1409.6%       | -100.0%       |               |
| Miscellaneous                   | -36.7%        | 25.2%        | -20.2%        | 15.2%         | -22.1%        |
| <b>Redeposit of State Funds</b> | <b>0.7%</b>   | <b>49.9%</b> | <b>-62.6%</b> | <b>-60.6%</b> | <b>198.7%</b> |

**Summary Statistics for Road Fund  
Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | FY01                 | FY02                 | FY03                 | FY04                 | FY05                 |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>TOTAL STATE ROAD FUND</b>    | <b>1,064,181,565</b> | <b>1,119,005,317</b> | <b>1,123,103,133</b> | <b>1,116,734,272</b> | <b>1,126,554,402</b> |
| <b>Tax Receipts-</b>            | <b>992,142,884</b>   | <b>1,052,848,911</b> | <b>1,059,296,184</b> | <b>1,082,189,464</b> | <b>1,094,354,041</b> |
| <b>Sales and Gross Receipts</b> | <b>821,552,966</b>   | <b>873,623,010</b>   | <b>886,809,027</b>   | <b>889,251,190</b>   | <b>898,340,426</b>   |
| Motor Fuels Taxes               | 424,740,873          | 444,319,790          | 453,905,728          | 460,008,663          | 490,815,064          |
| Motor Vehicle Usage             | 396,812,093          | 429,303,220          | 432,903,299          | 429,242,527          | 407,525,361          |
| <b>License and Privilege</b>    | <b>170,589,918</b>   | <b>179,225,901</b>   | <b>172,487,157</b>   | <b>192,938,274</b>   | <b>196,013,615</b>   |
| Motor Vehicles                  | 76,861,958           | 84,510,332           | 76,192,363           | 93,388,573           | 91,933,157           |
| Motor Vehicle Operators         | 5,592,769            | 5,564,009            | 5,610,829            | 5,623,874            | 5,899,247            |
| Weight Distance                 | 75,170,141           | 75,265,639           | 76,851,211           | 79,574,022           | 83,069,296           |
| Truck Decal Fees                | 727,675              | 807,089              | 673,481              | 725,403              | 1,041,912            |
| Other Special Fees              | 12,237,376           | 13,078,832           | 13,159,273           | 13,626,402           | 14,070,003           |
| <b>Nontax Receipts</b>          | <b>69,204,781</b>    | <b>64,071,745</b>    | <b>62,789,372</b>    | <b>32,932,009</b>    | <b>30,432,049</b>    |
| Departmental Fees               | 13,772,863           | 15,137,452           | 18,430,002           | 15,258,391           | 16,685,742           |
| In Lieu of Traffic Fines        | 2,005,215            | 1,960,687            | 1,374,668            | 1,521,583            | 1,326,645            |
| Highway Tolls                   | 12,410,901           | 13,785,486           | 13,263,429           | 7,958,452            | 6,299,049            |
| Investment Income               | 40,187,239           | 32,156,652           | 29,115,311           | 7,507,462            | 5,524,646            |
| Miscellaneous                   | 828,562              | 1,031,468            | 605,962              | 686,121              | 595,967              |
| <b>Redeposit of State Funds</b> | <b>2,833,900</b>     | <b>2,084,661</b>     | <b>1,017,577</b>     | <b>1,612,799</b>     | <b>1,768,312</b>     |

**Road Fund Growth Rates  
Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | FY01          | FY02          | FY03          | FY04          | FY05         |
|---------------------------------|---------------|---------------|---------------|---------------|--------------|
| <b>TOTAL STATE ROAD FUND</b>    | <b>-2.4%</b>  | <b>5.2%</b>   | <b>0.4%</b>   | <b>-0.6%</b>  | <b>0.9%</b>  |
| <b>Tax Receipts-</b>            | <b>-3.8%</b>  | <b>6.1%</b>   | <b>0.6%</b>   | <b>2.2%</b>   | <b>1.1%</b>  |
| <b>Sales and Gross Receipts</b> | <b>-3.3%</b>  | <b>6.3%</b>   | <b>1.5%</b>   | <b>0.3%</b>   | <b>1.0%</b>  |
| Motor Fuels Taxes               | 0.2%          | 4.6%          | 2.2%          | 1.3%          | 6.7%         |
| Motor Vehicle Usage             | -3.1%         | 8.2%          | 0.8%          | -0.8%         | -5.1%        |
| <b>License and Privilege</b>    | <b>-6.1%</b>  | <b>5.1%</b>   | <b>-3.8%</b>  | <b>11.9%</b>  | <b>1.6%</b>  |
| Motor Vehicles                  | -10.2%        | 10.0%         | -9.8%         | 22.6%         | -1.6%        |
| Motor Vehicle Operators         | -1.7%         | -0.5%         | 0.8%          | 0.2%          | 4.9%         |
| Weight Distance                 | 0.0%          | 0.1%          | 2.1%          | 3.5%          | 4.4%         |
| Truck Decal Fees                | -1.4%         | 10.9%         | -16.6%        | 7.7%          | 43.6%        |
| Other Special Fees              | -16.0%        | 6.9%          | 0.6%          | 3.5%          | 3.3%         |
| <b>Nontax Receipts</b>          | <b>18.1%</b>  | <b>-7.4%</b>  | <b>-2.0%</b>  | <b>-47.6%</b> | <b>-7.6%</b> |
| Departmental Fees               | 4.5%          | 9.9%          | 21.8%         | -17.2%        | 9.4%         |
| In Lieu of Traffic Fines        | 20.6%         | -2.2%         | -29.9%        | 10.7%         | -12.8%       |
| Highway Tolls                   | -7.9%         | 11.1%         | -3.8%         | -40.0%        | -20.9%       |
| Investment Income               | 36.6%         | -20.0%        | -9.5%         | -74.2%        | -26.4%       |
| Miscellaneous                   | -1.5%         | 24.5%         | -41.3%        | 13.2%         | -13.1%       |
| <b>Redeposit of State Funds</b> | <b>288.1%</b> | <b>-26.4%</b> | <b>-51.2%</b> | <b>58.5%</b>  | <b>9.6%</b>  |

**Summary Statistics for Road Fund (\$ mil)  
Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | FY06                 | FY07                 | FY08                 | FY09                 | FY10                 |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>TOTAL STATE ROAD FUND</b>    | <b>1,165,409,505</b> | <b>1,225,943,515</b> | <b>1,262,798,750</b> | <b>1,191,982,894</b> | <b>1,206,622,639</b> |
| <b>Tax Receipts-</b>            | <b>1,133,247,862</b> | <b>1,186,074,087</b> | <b>1,219,349,262</b> | <b>1,159,379,226</b> | <b>1,181,341,209</b> |
| <b>Sales and Gross Receipts</b> | <b>923,879,353</b>   | <b>974,732,028</b>   | <b>1,014,576,337</b> | <b>958,780,727</b>   | <b>988,541,345</b>   |
| Motor Fuels Taxes               | 528,296,727          | 563,480,031          | 608,779,123          | 622,479,527          | 655,761,466          |
| Motor Vehicle Usage             | 395,582,626          | 411,251,997          | 405,797,215          | 336,301,200          | 332,779,879          |
| <b>License and Privilege</b>    | <b>209,368,509</b>   | <b>211,342,059</b>   | <b>204,772,925</b>   | <b>200,598,500</b>   | <b>192,799,864</b>   |
| Motor Vehicles                  | 93,902,097           | 101,660,768          | 93,523,748           | 98,186,733           | 96,839,803           |
| Motor Vehicle Operators         | 14,553,623           | 15,811,880           | 15,372,618           | 15,521,191           | 15,941,488           |
| Weight Distance                 | 85,336,610           | 85,435,610           | 84,353,543           | 75,444,283           | 70,498,757           |
| Truck Decal Fees                | 954,706              | 842,239              | 774,379              | 832,653              | 679,383              |
| Other Special Fees              | 14,621,473           | 7,591,561            | 10,748,637           | 10,613,640           | 8,840,433            |
| <b>Nontax Receipts</b>          | <b>30,208,832</b>    | <b>39,469,278</b>    | <b>41,805,267</b>    | <b>31,375,092</b>    | <b>23,871,991</b>    |
| Departmental Fees               | 15,617,220           | 17,787,658           | 20,291,394           | 19,106,827           | 18,487,783           |
| In Lieu of Traffic Fines        | 1,269,800            | 1,174,453            | 1,112,801            | 958,790              | 779,495              |
| Highway Tolls                   | 6,296,786            | 3,717,965            | -                    | -                    | -                    |
| Investment Income               | 6,372,788            | 16,094,719           | 19,460,549           | 10,661,790           | 3,633,987            |
| Miscellaneous                   | 652,239              | 694,483              | 940,522              | 647,685              | 970,725              |
| <b>Redeposit of State Funds</b> | <b>1,952,811</b>     | <b>400,150</b>       | <b>1,644,222</b>     | <b>1,228,575</b>     | <b>1,409,439</b>     |

**Road Fund Growth Rates  
Major Revenue Sources - Fiscal Years 2001-2010**

|                                 | FY06         | FY07          | FY08          | FY09          | FY10          |
|---------------------------------|--------------|---------------|---------------|---------------|---------------|
| <b>TOTAL STATE ROAD FUND</b>    | <b>3.4%</b>  | <b>5.2%</b>   | <b>3.0%</b>   | <b>-5.6%</b>  | <b>1.2%</b>   |
| <b>Tax Receipts-</b>            | <b>3.6%</b>  | <b>4.7%</b>   | <b>2.8%</b>   | <b>-4.9%</b>  | <b>1.9%</b>   |
| <b>Sales and Gross Receipts</b> | <b>2.8%</b>  | <b>5.5%</b>   | <b>4.1%</b>   | <b>-5.5%</b>  | <b>3.1%</b>   |
| Motor Fuels Taxes               | 7.6%         | 6.7%          | 8.0%          | 2.3%          | 5.3%          |
| Motor Vehicle Usage             | -2.9%        | 4.0%          | -1.3%         | -17.1%        | -1.0%         |
| <b>License and Privilege</b>    | <b>6.8%</b>  | <b>0.9%</b>   | <b>-3.1%</b>  | <b>-2.0%</b>  | <b>-3.9%</b>  |
| Motor Vehicles                  | 2.1%         | 8.3%          | -8.0%         | 5.0%          | -1.4%         |
| Motor Vehicle Operators         | 146.7%       | 8.6%          | -2.8%         | 1.0%          | 2.7%          |
| Weight Distance                 | 2.7%         | 0.1%          | -1.3%         | -10.6%        | -6.6%         |
| Truck Decal Fees                | -8.4%        | -11.8%        | -8.1%         | 7.5%          | -18.4%        |
| Other Special Fees              | 3.9%         | -48.1%        | 41.6%         | -1.3%         | -16.7%        |
| <b>Nontax Receipts</b>          | <b>-0.7%</b> | <b>30.7%</b>  | <b>5.9%</b>   | <b>-24.9%</b> | <b>-23.9%</b> |
| Departmental Fees               | -6.4%        | 13.9%         | 14.1%         | -5.8%         | -3.2%         |
| In Lieu of Traffic Fines        | -4.3%        | -7.5%         | -5.2%         | -13.8%        | -18.7%        |
| Highway Tolls                   | 0.0%         | -41.0%        | -100.0%       | -             | -             |
| Investment Income               | 15.4%        | 152.6%        | 20.9%         | -45.2%        | -65.9%        |
| Miscellaneous                   | 9.4%         | 6.5%          | 35.4%         | -31.1%        | 49.9%         |
| <b>Redeposit of State Funds</b> | <b>10.4%</b> | <b>-79.5%</b> | <b>310.9%</b> | <b>-25.3%</b> | <b>14.7%</b>  |