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**STATE BUDGET DIRECTOR ANNOUNCES  
GENERAL FUND AND ROAD FUND RECEIPTS  
FOR FISCAL YEAR 2007**

*General Fund receipts up 2.4 percent*

**FRANKFORT, Ky.** - State Budget Director Brad Cowgill today reported that General Fund receipts for the fiscal year (FY07) which ended June 30, 2007, totaled \$8.574 billion, making FY07 fiscal General Fund growth 2.4 percent.

FY07 revenues were \$36.2 million below the official revised revenue estimate rendered in January 2007 by the Consensus Forecasting Group as modified by the 2007 General Assembly, which anticipated revenue growth of 2.8 percent. The growth rate of the General Fund in FY07 was lower than in the previous two fiscal years as a result of several factors, including especially the anticipated effects of various tax law changes.

"Many of the cuts included in the 2005 legislation did not fully manifest themselves until this fiscal year, and the result has been much lower revenue growth, which was a planned event," said Cowgill, emphasizing the elimination of the corporation license tax, elimination of the intangible property tax, and House Bill 1 passed in the 2006 special session of the General Assembly. "House Bill 1 was intended to provide relief from the alternative minimum calculation for small businesses. The drop in corporation income tax revenue shows that its objective has been achieved," said Cowgill.

A summary of General Fund collections for FY07 and FY06 is shown below in Table 1.

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**Table 1**  
**Summary of General Fund Receipts**  
**FY07 and FY06**

	<b>FY07</b> <b>(\$Mil)</b>	<b>FY06</b> <b>(\$Mil)</b>	<b>Difference</b> <b>(\$Mil)</b>	<b>Difference</b> <b>(%)</b>
Sales and Use	2,817.7	2,749.8	67.9	2.5
Individual Income	3,041.5	2,918.6	122.9	4.2
Corp. Inc. & License	999.8	1,045.1	-45.3	-4.3
Tobacco Taxes	177.4	184.2	-6.8	-3.7
Coal Severance	222.0	224.5	-2.5	-1.1
Property	492.5	502.5	-10.0	-2.0
Lottery	186.6	190.0	-3.4	-1.8
<u>Other</u>	<u>636.3</u>	<u>561.4</u>	<u>74.9</u>	<u>13.4</u>
<b>TOTAL</b>	<b>8,573.8</b>	<b>8,376.1</b>	<b>197.8</b>	<b>2.4</b>

**Individual Income Tax:**

Individual income tax receipts rose by \$122.9 million (4.2 percent) from last year, aided by a shift in the reporting requirement for limited liability pass-through entities. As a result of House Bill 1, these businesses no longer pay taxes directly, but pass their income through to their owners who pay under the individual income tax.

**Sales and Excise Taxes:**

Sales and use tax receipts grew by 2.5 percent or \$67.9 million, as the national housing slump and higher energy prices cut into consumers' ability to make other taxable purchases.

Tobacco tax receipts fell during the fiscal year due to the inclusion in FY06 numbers of the floor-stocks tax. The floor stocks tax was a one-time tax paid in the spring and summer of 2005, some of which added to FY06 receipts.

**Business Taxes:**

Corporate income and license taxes dropped \$45.3 million. Corporation income tax revenue had risen sharply in FY06, largely as a result of increased corporate profits and tax shifts within *JOBS for Kentucky* tax modernization. The slowing economy, elimination of the corporation license tax, and the changes enacted in House Bill 1 contributed to the decline.

Cowgill anticipates that in FY08 corporate income tax receipts will decline further as a result of a reduction in the top corporate from 7 percent to 6 percent on January 1, 2007, together with other corporate tax cuts adopted in House Bill 1 of the special session called by Governor Fletcher in June, 2006.

**Other Revenues:**

Coal severance taxes declined by 1.1 percent in FY07 after several years of rapid growth. Total collections for the fiscal year were \$222.0 million.

Property tax receipts fell by 2.0 percent or \$10.0 million from FY06. The elimination of intangible property taxes and the removal of telecommunications companies from the Public Service Company property tax contributed to the decline. The lottery, meanwhile, dipped by 1.8 percent or \$3.4 million. Lottery receipts were unable to match the results of the previous year which was boosted by unusually large Powerball sales.

The “other” category registered an increase of 13.3 percent or \$74.9 million. Several factors contributed to this growth. Investment income was up sharply due to more favorable interest rates as well as higher General Fund balances. Legislation enacted in 2006 contributed to additional revenue realized from abandoned property. The enactment of the telecommunications tax in 2005 was fully effective in the most recent fiscal year.

Table 2 compares General Fund collections to the official revenue forecast as modified by the 2007 General Assembly. Based on this estimate, actual receipts fell short by \$36.2 million, or 0.4 percent.

**Table 2**  
**Summary of FY07 General Fund Receipts**  
**Actual vs. Official Estimate**

	<b>Actual Receipts <u>(\$Mil)</u></b>	<b>Official Estimate <u>(\$Mil)</u></b>	<b>Difference <u>(\$Mil)</u></b>	<b>Difference <u>(%)</u></b>
Sales and Use	2,817.7	2,832.6	-14.9	-0.5
Individual Income	3,041.5	3120.1	-78.6	-2.5
Corp. Inc. & License	999.8	984.3	15.5	1.6
Tobacco Taxes	177.4	177.7	-0.3	-0.2
Coal Severance	222.0	225.5	-3.5	-1.6
Property	492.5	487.1	5.4	1.1
Lottery	186.6	182.6	4.0	2.2
Other	<u>636.3</u>	<u>600.1</u>	<u>36.2</u>	<u>6.0</u>
<b>TOTAL</b>	<b>8,573.8</b>	<b>8,610.0</b>	<b>-36.2</b>	<b>-0.4</b>

Among the major accounts, the sales and use tax was below the estimate by 0.5 percent, while the individual income tax lagged the forecasted level by 2.5 percent. Corporation income and license taxes were 1.6 percent higher than estimated, and tobacco taxes were very close to the estimated, only 0.2 percent less. The coal severance tax was 1.6 percent below the consensus estimate, but property taxes were 1.1 percent higher than forecasted. The Lottery yielded 2.2 percent more than the official estimate, and all other taxes were 6.0 percent higher due to abandoned property receipts that were much larger than anticipated.

Road Fund revenues for FY07 were \$1.226 billion, an increase of 5.2 percent from the previous fiscal year. The Road Fund was boosted by the growth of motor fuels taxes and also by the performance

of the motor vehicle usage tax. The details of Road Fund collections for FY07 and FY06 are shown in Table 3 below.

**Table 3**  
**Summary of Road Fund Receipts**  
**FY07 vs. FY06**

	<b>FY 07</b>	<b>FY 06</b>	<b>Difference</b>	<b>Difference</b>
	<b><u>(\$Mil)</u></b>	<b><u>(\$Mil)</u></b>	<b><u>(\$Mil)</u></b>	<b><u>(%)</u></b>
Motor Fuels & MF Use	563.4	528.3	35.1	6.6
Motor Vehicle Usage	411.3	395.6	15.7	4.0
Weight Distance	85.4	85.3	0.1	0.1
Motor Vehicle License	101.7	93.9	7.8	8.3
Investment Income	16.1	6.4	9.7	152.6
Other	<u>48.0</u>	<u>55.9</u>	<u>-7.9</u>	<u>-14.1</u>
<b>TOTAL</b>	<b>1,225.9</b>	<b>1,165.4</b>	<b>60.5</b>	<b>5.2</b>

The major taxes of the Road Fund experienced varying growth rates in FY07. Motor fuels tax receipts rose by \$35.1 million or 6.6 percent. A major cause of the increase was a formula-driven increase in the rate tied to the price of gasoline. Motor vehicle usage taxes were up by \$15.7 million for an increase of 4.0 percent. The weight distance tax was nearly flat, rising just 0.1 percent. Motor vehicle license tax receipts increased 8.3 percent in FY07, boosted by reclassification of “other special fees” into this account. Investment income more than doubled, growing 152.6 percent on the strength of Road Fund balances and higher interest rates.

Road Fund collections for FY07 were above the official consensus estimate by \$10.8 million, as shown in Table 4.

**Table 4**  
**Summary of FY07 Road Fund Receipts**  
**Actual vs. Official Estimate**

	<b>Actual</b>	<b>Official</b>	<b>Difference</b>	<b>Difference</b>
	<b><u>Receipts</u></b>	<b><u>Estimate</u></b>	<b><u>(\$Mil)</u></b>	<b><u>(%)</u></b>
	<b><u>(\$Mil)</u></b>	<b><u>(\$Mil)</u></b>		
Motor Fuels & MF Use	563.4	563.9	-0.5	-0.1
Motor Vehicle Usage	411.3	404.8	6.5	1.6
Weight Distance	85.4	86.3	-0.9	-1.0
Motor Vehicle License	101.7	94.9	6.8	7.2
Investment Income	16.1	15.3	0.8	5.2
Other	<u>48.0</u>	<u>49.9</u>	<u>-1.9</u>	<u>-3.8</u>
<b>TOTAL</b>	<b>1,225.9</b>	<b>1,215.1</b>	<b>10.8</b>	<b>0.9</b>

Among the major accounts, motor fuels taxes were very closely forecasted on a percentage basis, and motor vehicle usage taxes were \$6.5 million above forecasted levels. The weight distance tax was within \$1 million of the forecasted level, whereas the motor vehicle license tax was up by \$6.8 million compared to the official estimate. Investment income was higher by \$0.8 million, and all other accounts combined to be below the forecasted amount by \$1.9 million.

**KENTUCKY STATE GOVERNMENT REVENUE**  
**1. GENERAL FUND REVENUE**

	<u>2007</u>	<u>JUNE</u> <u>2006</u>	<u>% Change</u>	<u>FY 2007</u>	<u>JULY THROUGH JUNE</u> <u>FY 2006</u>	<u>% Change</u>
<b>TOTAL GENERAL FUND</b>	<b>\$874,084,212</b>	<b>\$867,041,400</b>	<b>0.8%</b>	<b>\$8,573,819,250</b>	<b>\$8,376,083,216</b>	<b>2.4%</b>
<b>Tax Receipts</b>	<b>\$788,587,715</b>	<b>\$808,737,990</b>	<b>-2.5%</b>	<b>\$8,233,789,253</b>	<b>\$8,065,347,817</b>	<b>2.1%</b>
Sales and Gross Receipts	\$287,019,528	\$269,383,780	6.5%	\$3,280,448,981	\$3,174,734,842	3.3%
Beer Consumption	630,093	581,168	8.4%	6,344,079	6,393,753	-0.8%
Beer Wholesale	5,065,251	4,401,221	15.1%	46,806,186	45,206,839	3.5%
Cigarette	16,123,158	14,335,379	12.5%	168,768,467	165,777,580	1.8%
Cigarette Floor Stock	0	(7,625)	---	9,746	12,089,404	-99.9%
Distilled Spirits Case Sales	8,021	7,706	4.1%	98,874	94,806	4.3%
Distilled Spirits Consumption	817,324	786,323	3.9%	10,094,572	9,900,035	2.0%
Distilled Spirits Wholesale	2,025,224	1,919,563	5.5%	25,139,117	23,524,032	6.9%
Insurance Premium	12,244,677	6,496,135	88.5%	125,877,984	122,824,056	2.5%
Pari-Mutuel	610,988	603,196	1.3%	5,489,552	5,626,849	-2.4%
Race Track Admission	0	42,927	-100.0%	190,362	230,285	-17.3%
Sales and Use	243,046,970	230,843,943	5.3%	2,817,652,253	2,749,765,011	2.5%
Wine Consumption	198,603	181,516	9.4%	2,326,331	1,945,945	19.5%
Wine Wholesale	1,012,444	867,648	16.7%	11,392,111	10,510,955	8.4%
Telecommunications Tax	4,428,103	7,631,099	-42.0%	51,623,000	14,553,379	254.7%
OTP	808,671	693,580	16.6%	8,636,348	6,291,913	37.3%
License and Privilege	26,142,555	25,606,866	2.1%	\$352,829,122	\$386,264,573	-8.7%
Alc. Bev. License Suspension	76,111	67,000	13.6%	659,151	280,450	135.0%
Coal Severance	19,116,974	20,781,368	-8.0%	221,952,516	224,490,111	-1.1%
Corporation License	146,701	207,760	-29.4%	11,734,452	43,516,942	-73.0%
Corporation Organization	19,804	11,860	67.0%	115,755	221,281	-47.7%
Occupational Licenses	54,045	85,451	-36.8%	207,198	174,122	19.0%
Oil Production	560,485	620,207	-9.6%	6,198,342	6,386,501	-2.9%
Race Track License	0	23,983	-100.0%	283,675	289,258	-1.9%
Bank Franchise Tax	215,424	(589,285)	---	63,912,315	59,603,147	7.2%
Driver License Fees	48,401	52,928	-8.6%	603,807	600,903	0.5%
Minerals Severance	1,332,617	1,174,972	13.4%	14,822,013	14,502,342	2.2%
Natural Gas Severance	4,571,993	3,170,624	44.2%	32,339,897	36,199,516	-10.7%
Income	463,398,594	503,148,118	-7.9%	\$4,029,600,561	\$3,920,229,525	2.8%
Corporation	174,416,227	243,656,179	-28.4%	988,064,957	1,001,618,543	-1.4%
Individual	288,982,367	259,491,939	11.4%	3,041,535,604	2,918,610,982	4.2%
Property	\$5,081,483	\$2,569,809	97.7%	\$492,462,208	\$502,510,631	-2.0%
Bank Deposits	0	0	---	513,619	505,351	1.6%
Building & Loan Association	1,650,707	1,076,452	53.3%	2,921,484	2,071,523	41.0%
Distilled Spirits	0	3,963	-100.0%	506,754	410,798	23.4%
General - Intangible	0	11,001	-100.0%	48,841	30,955,124	-99.8%
General - Real	1,789,815	1,289,792	38.8%	228,282,174	215,351,439	6.0%
General - Tangible	7,422,244	471,853	1473.0%	192,343,695	165,622,948	16.1%
Omitted & Delinquent	(6,636,754)	(3,629,449)	---	25,253,460	30,330,629	-16.7%
Public Service	855,471	3,346,197	-74.4%	42,588,669	57,259,849	-25.6%
Other	0	0	---	3,512	2,970	18.2%
Inheritance	\$3,961,064	\$4,296,456	-7.8%	43,578,107	45,990,266	-5.2%
Miscellaneous	\$2,984,491	\$3,732,959	-20.1%	\$34,870,274	\$35,617,980	-2.1%
Legal Process	2,060,900	2,128,095	-3.2%	24,759,470	25,118,948	-1.4%
T. V. A. In Lieu Payments	918,640	1,602,119	-42.7%	10,037,326	10,248,314	-2.1%
Other	4,951	2,745	80.4%	73,478	250,719	-70.7%
<b>Nontax Receipts</b>	<b>\$84,392,259</b>	<b>\$57,062,107</b>	<b>47.9%</b>	<b>\$327,878,702</b>	<b>\$302,629,799</b>	<b>8.3%</b>
Departmental Fees	1,929,507	1,681,990	14.7%	25,043,719	23,932,336	4.6%
PSC Assessment Fee	2,297,113	260,930	780.4%	14,593,067	9,041,415	61.4%
Fines & Forfeitures	2,266,528	2,121,268	6.8%	26,606,686	26,129,275	1.8%
Interest on Investments	30,687,949	17,636,002	---	31,991,861	18,681,492	71.2%
Lottery	18,500,000	36,000,000	-48.6%	186,625,113	190,000,000	-1.8%
Sale of NOx Credits	111,000	0	---	811,600	1,126,000	-27.9%
Miscellaneous	28,600,162	(638,084)	---	42,206,657	33,719,282	25.2%
Redeposit of State Funds	\$1,104,238	\$1,241,303	-11.0%	12,151,295	8,105,601	49.9%

**2. ROAD FUND REVENUE**

	<u>2007</u>	<u>JUNE</u> <u>2006</u>	<u>% Change</u>	<u>FY 2007</u>	<u>JULY THROUGH JUNE</u> <u>FY 2006</u>	<u>% Change</u>
<b>TOTAL STATE ROAD FUND</b>	<b>\$106,637,977</b>	<b>\$95,359,748</b>	<b>11.8%</b>	<b>\$1,225,943,515</b>	<b>\$1,165,409,505</b>	<b>5.2%</b>
Tax Receipts-	\$101,782,737	\$91,790,385	10.9%	1,186,074,087	\$1,133,247,862	4.7%
Sales and Gross Receipts	\$89,192,974	\$80,713,871	10.5%	\$974,732,028	\$923,879,353	5.5%
Motor Fuels Taxes	47,998,300	42,861,192	12.0%	538,568,693	501,927,927	7.3%
Motor Fuels Use & Surtax	3,032,986	1,832,423	65.5%	24,600,438	25,982,599	-5.3%
Truck Trip Permits (fuel)	27,080	34,680	-21.9%	310,900	386,200	-19.5%
Motor Vehicle Usage	38,134,608	35,985,576	6.0%	411,251,997	395,582,626	4.0%
License and Privilege	\$12,589,764	\$11,076,514	13.7%	\$211,342,059	\$209,368,509	0.9%
Motor Vehicles	9,915,371	8,041,951	23.3%	101,660,768	93,902,097	8.3%
Motor Vehicle Operators	1,261,960	1,265,618	-0.3%	15,811,880	14,553,623	8.6%
Weight Distance	649,584	828,140	-21.6%	85,435,610	85,336,610	0.1%
Truck Decal Fees	28,790	30,729	-6.3%	842,239	954,706	-11.8%
Other Special Fees	734,060	910,076	-19.3%	7,591,561	14,621,473	-48.1%
Nontax Receipts	\$4,860,175	\$3,268,381	48.7%	\$39,469,278	\$30,208,832	30.7%
Departmental Fees	1,630,205	910,044	79.1%	17,787,658	15,617,220	13.9%
In Lieu of Traffic Fines	97,929	113,050	-13.4%	1,174,453	1,269,800	-7.5%
Highway Tolls	0	358,618	-100.0%	3,717,965	6,296,786	-41.0%
Investment Income	3,048,926	1,812,156	68.2%	16,094,719	6,372,788	152.6%
Miscellaneous	83,115	74,513	11.5%	694,483	652,239	6.5%
Redeposit of State Funds	(\$4,935)	\$300,981	---	400,150	1,952,811	-79.5%

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