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**GENERAL AND ROAD FUND RECEIPTS REPORTED
FOR FISCAL YEAR 2008**

General Fund receipts increase by 1.1 percent

Road Fund receipts increase by 3.0 percent

FRANKFORT, Ky. - State Budget Director Mary Lassiter today reported that General Fund receipts for the fiscal year that ended June 30, 2008, (FY08), totaled \$8.664 billion, making FY08 General Fund growth 1.1 percent. Receipts for June were 0.1 percent less than the amount collected last year. While the books have been closed on the revenue side of the budget, adjustments are still being made on the expenditure side.

FY08 actual revenues were \$100.8 million below originally budgeted levels for the year, but \$28.0 million above the revised official estimate rendered in January 2008 by the Consensus Forecasting Group, as modified by the 2008 General Assembly, which projected revenue growth of just 0.7 percent. The reduced revenue estimates in December 2007 and January 2008 resulted in a budget reduction earlier this fiscal year.

“The actions taken earlier this year to balance the budget were necessary given the economic downturn. We are pleased that the revised revenue estimate was exceeded,” said State Budget Director Mary Lassiter. “But revenue growth of just 1.1 percent reflects the weakness in economic conditions, both nationally and in Kentucky; this is the lowest level of growth we’ve seen since 2002. Despite the national income tax rebate checks, our sales tax growth is being

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substantially eroded due to inflation, primarily in the energy and food sectors. We will need to see improved growth in many of our revenue accounts to make the FY09 budgeted revenue estimate, so we will continue to closely monitor the economic and revenue situation” said Lassiter. A summary of General Fund collections for FY08 and FY07 is shown below in Table 1.

Table 1
Summary of General Fund Receipts
FY08 and FY07

	FY08	FY07	Difference	Difference
	<u>(\$Mil)</u>	<u>(\$Mil)</u>	<u>(\$Mil)</u>	<u>(%)</u>
Sales and Use	2,877.8	2,817.7	60.1	2.1
Individual Income	3,483.1	3,041.5	441.6	14.5
Corp. Income	435.2	988.1	-552.8	-56.0
LLET	98.4	0.0	98.4	--
Tobacco Taxes	178.4	177.4	1.0	0.6
Coal Severance	233.0	222.0	11.0	5.0
Property	500.6	492.5	8.1	1.7
Lottery	187.5	186.6	0.9	0.4
<u>Other</u>	<u>670.2</u>	<u>648.0</u>	<u>22.2</u>	<u>3.4</u>
TOTAL	8,664.3	8,573.8	90.5	1.1

Individual Income Tax:

Individual income tax receipts grew by \$441.6 million (14.5 percent) from last year, due largely to a shift in the reporting requirement for limited liability pass-through entities. When the law changed in 2005, pass-through income was taxed under the corporation income tax. HB1 in the 2006 special session returned the taxation of pass-through income to the individual income tax, so a portion of the 14.5 percent growth in this tax is attributable to law changes rather than the underlying economy. Additionally, mandatory withholding from out-of-state firms increased some income tax payments from pass-through entities.

Sales and Excise Taxes:

Sales and use tax receipts grew by 2.1 percent or \$60.1 million, as the national housing slump and higher energy prices cut into consumers’ ability to make taxable purchases. Tobacco tax receipts increased \$1.0 million, or 0.6 percent, in FY08.

Business Taxes:

Corporate income tax collections plummeted \$552.8 million due primarily to the offsetting factor affecting individual income tax receipts. The limited liability pass-through entity shift was the main contributor to the 56.0 percent decline in receipts. Weakening corporate profits and a reduction of the top corporate tax rate were also factors. The combination of individual income taxes, corporation income taxes, and the limited liability entity tax reflected a decrease of 0.3 percent for the year as compared to the prior year.

Other Revenues:

Coal severance taxes increased by 5.0 percent in FY08 reflecting both increased volume and prices. Total collections for the fiscal year were \$233.0 million.

Property tax receipts increased by 1.7 percent or \$8.1 million from FY07. Lottery receipts rose by 0.4 percent or \$900,000.

The "Other" category registered an increase of 3.4 percent or \$22.2 million. Accounts showing strong growth were the inheritance tax and the sale of NOx allowances. Offsetting these gains were abandoned property receipts and interest on investments.

Table 2 compares General Fund collections to the January 2008 official revised revenue forecast as modified by the 2008 General Assembly. This estimate had been revised downward by \$128.8 million from the amount upon which the FY08 budget was enacted by the 2006 General Assembly. Actual receipts exceeded the revised estimate by \$28.0 million, or 0.3 percent.

Table 2
Summary of FY08 General Fund Receipts
Actual vs. Official Revised Estimate

	Actual Receipts (\$Mil)	Official Estimate (\$Mil)	Difference (\$Mil)	Difference (%)
Sales and Use	2,877.8	2,897.6	-19.8	-0.7
Individual Income	3,483.1	3,370.0	113.1	3.4
Corp. Inc.	435.2	551.5	-116.3	-21.1
LLET	98.4	93.0	5.4	5.8
Tobacco Taxes	178.4	179.7	-1.3	-0.7
Coal Severance	233.0	223.7	9.3	4.1
Property	500.6	497.0	3.6	0.7
Lottery	187.5	187.5	0.0	0.0
Other	<u>670.2</u>	<u>636.3</u>	<u>33.9</u>	<u>5.3</u>
TOTAL	8,664.3	8,636.3	28.0	0.3

Among the major accounts, the sales and use tax was below the estimate by 0.7 percent. The individual income tax exceeded the forecasted level by \$113.1 million, almost exactly offsetting the corporation income tax shortfall of \$116.3 million. Combining the individual and corporate tax receipts with the limited liability entity tax, estimated receipts were within \$2.3 million of the \$4.0 billion forecast. Tobacco taxes were close to the estimate, only 0.7 percent less. The coal severance tax was 4.1 percent above the consensus estimate and property taxes were 0.7 percent higher than forecasted. The Lottery yielded the exact amount forecasted, and all other taxes were 5.3 percent higher.

Road Fund revenues for FY08 were \$1.263 billion, an increase of 3.0 percent from the previous fiscal year. The Road Fund was helped by the strong growth of motor fuels taxes resulting from statutory rate increases. Investment income and “Other” receipts also increased over FY07 but the remaining accounts, including motor vehicle usage, all saw declines. The details of Road Fund collections for FY08 and FY07 are shown in Table 3.

Table 3
Summary of Road Fund Receipts
FY08 vs. FY07

	FY 08 <u>(\$Mil)</u>	FY 07 <u>(\$Mil)</u>	Difference <u>(\$Mil)</u>	Difference <u>(%)</u>
Motor Fuels	608.8	563.4	45.4	8.1
Motor Vehicle Usage	405.8	411.3	-5.5	-1.3
Motor Vehicle License	93.5	101.7	-8.2	-8.0
Motor Vehicle Operators	15.4	15.8	-0.4	-2.8
Weight Distance	84.4	85.4	-1.0	-1.3
Investment Income	19.5	16.1	3.4	20.9
Other	<u>35.5</u>	<u>32.2</u>	<u>3.3</u>	<u>10.3</u>
TOTAL	1,262.8	1,225.9	36.9	3.0

The major taxes of the Road Fund moved in opposite directions in FY08. Motor fuels tax receipts rose by \$45.4 million or 8.1 percent. The rise in fuels tax revenue was entirely attributable to a statutorily-prescribed increase in the tax rate. This rise was partially offset by a decline in gallons sold, reflecting consumer response to high gas prices. Motor vehicle usage taxes were down by \$5.5 million for a decrease of 1.3 percent reflecting fewer vehicle sales. Motor vehicle license, motor vehicle operators, and weight distance tax receipts all experienced decreases in FY08. Investment income increased 20.9 percent on the strength of Road Fund balances. Road Fund collections for FY08 were below the official consensus estimate issued in January 2008 by \$20.0 million, as shown in Table 4.

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Table 4
Summary of FY08 Road Fund Receipts
Actual vs. Official Estimate

	Actual	Official		
	Receipts	Estimate	Difference	Difference
	<u>(\$Mil)</u>	<u>(\$Mil)</u>	<u>(\$Mil)</u>	<u>(%)</u>
Motor Fuels	608.8	611.7	-2.9	-0.5
Motor Vehicle Usage	405.8	411.7	-5.9	-1.4
Motor Vehicle License	93.5	108.6	-15.1	-13.9
Motor Vehicle Operators	15.4	15.4	0.0	-0.2
Weight Distance	84.4	85.5	-1.1	-1.3
Investment Income	19.5	15.8	3.7	23.2
Other	<u>35.5</u>	<u>34.1</u>	<u>1.4</u>	<u>4.1</u>
TOTAL	1,262.8	1,282.8	-20.0	-1.6

Among the major accounts, actual motor fuels tax receipts were \$2.9 million below the forecasted levels, and motor vehicle usage taxes were \$5.9 million below forecasted levels. The motor vehicle license tax accounted for \$15.1 million of the \$20.0 million Road Fund shortfall when compared to the official estimate. Motor vehicle operators, investment income, and “Other” receipts were close to the official projections.

KENTUCKY STATE GOVERNMENT REVENUE
1. GENERAL FUND REVENUE

	2008	JUNE 2007	% Change	FY 2008	JULY THROUGH JUNE FY 2007	% Change
TOTAL GENERAL FUND	\$872,957,947	\$874,084,212	-0.1%	\$8,664,336,663	\$8,573,819,250	1.1%
Tax Receipts	\$813,450,378	\$788,587,715	3.2%	\$8,329,734,971	\$8,233,818,722	1.2%
Sales and Gross Receipts	\$293,959,112	\$287,019,528	2.4%	\$3,354,581,311	\$3,280,448,981	2.3%
Beer Consumption	603,791	630,093	-4.2%	6,535,066	6,344,079	3.0%
Beer Wholesale	4,632,776	5,065,251	-8.5%	49,531,545	46,806,186	5.8%
Cigarette	13,589,733	16,123,158	-15.7%	169,547,927	168,778,213	0.5%
Distilled Spirits Case Sales	8,242	8,021	2.8%	104,154	98,874	5.3%
Distilled Spirits Consumption	817,606	817,324	0.0%	10,378,013	10,094,572	2.8%
Distilled Spirits Wholesale	2,114,561	2,025,224	4.4%	26,628,403	25,139,117	5.9%
Insurance Premium	15,612,355	12,244,677	27.5%	129,296,901	125,877,984	2.7%
Pari-Mutuel	578,624	610,988	-5.3%	5,327,540	5,489,552	-3.0%
Race Track Admission	10,175	0	---	219,939	190,362	15.5%
Sales and Use	249,042,991	243,046,970	2.5%	2,877,814,014	2,817,652,253	2.1%
Wine Consumption	185,495	198,603	-6.6%	2,353,476	2,326,331	1.2%
Wine Wholesale	998,668	1,012,444	-1.4%	11,977,256	11,392,111	5.1%
Telecommunications Tax	4,985,516	4,428,103	12.6%	55,972,928	51,623,000	8.4%
Other Tobacco Products	778,579	808,671	-3.7%	8,894,150	8,636,348	3.0%
License and Privilege	52,048,350	26,142,555	99.1%	\$468,666,009	\$352,829,122	32.8%
Alc. Bev. License Suspension	64,000	76,111	-15.9%	830,310	659,151	26.0%
Coal Severance	21,768,168	19,116,974	13.9%	232,977,827	221,952,516	5.0%
Corporation License	824,669	146,701	462.1%	2,822,279	11,734,452	-75.9%
Corporation Organization	15,850	19,804	-20.0%	259,654	115,755	124.3%
Occupational Licenses	72,393	54,045	34.0%	191,571	207,198	-7.5%
Oil Production	1,171,970	560,485	109.1%	10,201,113	6,198,342	64.6%
Race Track License	10,850	0	---	245,360	283,675	-13.5%
Bank Franchise Tax	584,558	215,424	171.4%	71,976,055	63,912,315	12.6%
Driver License Fees	46,891	48,401	-3.1%	599,370	603,807	-0.7%
Minerals Severance	1,539,248	1,332,617	15.5%	16,360,844	14,822,013	10.4%
Natural Gas Severance	5,773,173	4,571,993	26.3%	33,794,313	32,339,897	4.5%
Limited Liability Entity	20,176,580	0	---	98,407,313	0	---
Income	458,804,176	463,398,594	-1.0%	\$3,918,359,883	\$4,029,600,561	-2.8%
Corporation	103,546,512	174,416,227	-40.6%	435,222,566	988,064,957	-56.0%
Individual	355,257,664	288,982,367	22.9%	3,483,137,317	3,041,535,604	14.5%
Property	\$2,025,816	\$5,081,483	-60.1%	\$500,646,790	\$492,462,208	1.7%
Building & Loan Association	1,562,627	1,650,707	-5.3%	2,649,630	2,921,484	-9.3%
General - Real	1,827,390	1,789,815	2.1%	237,153,330	228,282,174	3.9%
General - Tangible	7,108,480	7,422,244	-4.2%	205,763,426	192,343,695	7.0%
Omitted & Delinquent	(9,412,161)	(6,636,754)	---	17,519,651	25,253,460	-30.6%
Public Service	939,481	855,471	9.8%	36,511,473	42,588,669	-14.3%
Other	0	0	-100.0%	1,049,281	1,072,725	-2.2%
Inheritance	\$3,647,806	\$3,961,064	-7.9%	51,001,299	43,578,107	17.0%
Miscellaneous	\$2,965,119	\$2,984,491	-0.6%	\$36,479,679	\$34,899,743	4.5%
Legal Process	1,905,080	2,060,900	-7.6%	24,060,840	24,788,938	-2.9%
T. V. A. In Lieu Payments	1,055,161	918,640	14.9%	12,389,344	10,037,326	23.4%
Other	4,878	4,951	-1.5%	29,495	73,478	-59.9%
Nontax Receipts	\$61,015,560	\$84,392,259	-27.7%	\$330,053,277	\$329,944,409	0.0%
Departmental Fees	2,095,717	1,929,507	8.6%	30,382,254	27,109,425	12.1%
PSC Assessment Fee	3,630,993	2,297,113	58.1%	14,306,084	14,593,067	-2.0%
Fines & Forfeitures	2,256,287	2,266,528	-0.5%	28,118,106	26,606,686	5.7%
Interest on Investments	22,560,577	30,687,949	-26.5%	23,868,325	31,991,861	-25.4%
Lottery	16,200,000	18,500,000	-12.4%	187,461,591	186,625,113	0.4%
Sale of NOx Credits	922,500	111,000	731.1%	12,251,950	811,600	1409.6%
Miscellaneous	13,349,485	28,600,162	-53.3%	33,664,968	42,206,657	-20.2%
Redeposit of State Funds	(\$1,507,991)	\$1,104,238	---	4,548,415	10,056,119	-54.8%

2. ROAD FUND REVENUE

	<u>2008</u>	<u>JUNE</u> <u>2007</u>	<u>% Change</u>	<u>FY 2008</u>	<u>JULY THROUGH JUNE</u> <u>FY 2007</u>	<u>% Change</u>
TOTAL STATE ROAD FUND	\$99,281,646	\$106,637,977	-6.9%	\$1,262,798,750	\$1,225,943,515	3.0%
Tax Receipts-	\$94,419,725	\$101,782,737	-7.2%	1,219,349,262	\$1,186,074,087	2.8%
Sales and Gross Receipts	\$86,169,118	\$89,192,974	-3.4%	\$1,014,576,337	\$974,732,028	4.1%
Motor Fuels Taxes	47,775,221	47,998,300	-0.5%	571,316,086	538,568,693	6.1%
Motor Fuels Use & Surtax	4,462,937	3,032,986	47.1%	37,184,397	24,600,438	51.2%
Truck Trip Permits (fuel)	23,640	27,080	-12.7%	278,640	310,900	-10.4%
Motor Vehicle Usage	33,907,320	38,134,608	-11.1%	405,797,215	411,251,997	-1.3%
License and Privilege	\$8,250,607	\$12,589,764	-34.5%	\$204,772,925	\$211,342,059	-3.1%
Motor Vehicles	5,232,180	9,915,371	-47.2%	93,523,748	101,660,768	-8.0%
Motor Vehicle Operators	1,338,475	1,261,960	6.1%	15,372,618	15,811,880	-2.8%
Weight Distance	652,558	649,584	0.5%	84,353,543	85,435,610	-1.3%
Truck Decal Fees	30,829	28,790	7.1%	774,379	842,239	-8.1%
Other Special Fees	996,565	734,060	35.8%	10,748,637	7,591,561	41.6%
Nontax Receipts	\$4,839,471	\$4,860,175	-0.4%	\$41,805,267	\$39,469,278	5.9%
Departmental Fees	1,840,797	1,630,205	12.9%	20,291,394	17,787,658	14.1%
In Lieu of Traffic Fines	90,348	97,929	-7.7%	1,112,801	1,174,453	-5.2%
Highway Tolls	0	0	---	0	3,717,965	-100.0%
Investment Income	2,821,623	3,048,926	-7.5%	19,460,549	16,094,719	20.9%
Miscellaneous	86,703	83,115	4.3%	940,522	694,483	35.4%
Redeposit of State Funds	\$22,450	(\$4,935)	---	1,644,222	400,150	310.9%

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