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**Final FY 2014 General Fund Receipts Below Budget by \$90.9 Million**  
**Road Fund Receipts Short Below Estimates by \$22.2 Million**  
*General Fund receipts rose 1.2 percent in FY 2014*  
*Road Fund receipts rose 4.6 percent in FY 2014*

**FRANKFORT, KY (July 10, 2014)** - State Budget Director Jane Driskell today reported that Kentucky's General Fund receipts for the fiscal year that ended June 30, 2014 (FY14), totaled \$9,462.0 million, or 1.2 percent more than FY13 collections. Final FY14 General Fund revenues were \$90.9 million, or 1.0 percent, less than the official revenue estimate which projected 2.2 percent growth in revenues.

Receipts for June were \$979.1 million, 2.2 percent more than what was collected last June. For FY 14, the General Fund quarterly growth rates were 3.3 percent in the first quarter, a decline of 0.7 percent in the second quarter, and growth of 2.1 percent, and 0.5 percent in the final two quarters respectively. "These rates of growth are below what the underlying economic data reflect – an example of the Governor's admonition that the tax code in Kentucky needs to be more elastic," Driskell said. While the books have been closed on the revenue side of the budget, activity on the expenditure side will be final later this month. The determination for how to deal with the revenue shortfall has been underway and will be complete soon."

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A summary of General Fund collections for FY14 and FY13 is shown in Table 1.

**Table 1**  
**Summary of General Fund Receipts**  
**FY14 and FY13**

	<u>FY14</u>	<u>FY13</u>	<u>Difference</u> <u>(\$ mil)</u>	<u>Difference</u> <u>(%)</u>
Sales and Use	\$3,131.1	\$3,021.8	109.3	3.6
Individual Income	3,749.3	3,723.0	26.3	0.7
Corporation Income	475.1	400.8	74.4	18.6
LLET	199.3	246.1	-46.8	-19.0
Coal Severance	197.5	230.5	-33.0	-14.3
Cigarette Taxes	228.1	238.7	-10.6	-4.4
Alcohol Taxes	128.5	121.8	6.8	5.6
Property	562.4	558.4	4.0	0.7
Lottery	219.5	215.3	4.2	2.0
Other	<u>571.2</u>	<u>592.0</u>	<u>-20.8</u>	<u>-3.6</u>
<b>TOTAL</b>	<b>\$9,462.0</b>	<b>\$9,348.3</b>	<b>113.7</b>	<b>1.2</b>

**Individual Income Tax:**

Individual income tax receipts increased \$26.3 million, or 0.7 percent, from last year as increases in withholding offset a decline in declaration payments and a slight decline in returns. Both declining components were unanticipated as they conflict with recent legislative changes and the economic trends. Growth of 0.7 percent in individual income tax receipts is a significant slowdown from what the Commonwealth has experienced in the past three years following the recession in which rates of growth were 8.3 percent, 2.8 percent and 6.0 percent.

**Sales and Use Taxes:**

Sales and use tax receipts posted the largest nominal increase over FY13 levels, growing \$109.3 million, or 3.6 percent. The rate of growth in this account was welcome given it has declined in three of the five previous years.

**Business Taxes:**

Corporation income tax collections rose \$74.4 million, or 18.6 percent, reflecting the

increased profitability of businesses operating in the state. The limited liability entity tax (LLET) decreased 19.0 percent from last year, or \$46.8 million. The decline is partially attributable to the tax amnesty and compliance programs which inflated FY13 collections. The LLET typically moves in a counter-cyclical fashion when compared to corporation income tax receipts.

#### **Tobacco and Alcohol Taxes:**

Cigarette tax receipts decreased \$10.6 million, or 4.4 percent, in FY14 due to reduced sales and the transition by some smokers to roll-your-own cigarettes, little cigars, or other alternatives. This marks the fourth consecutive annual decline in cigarette tax collections. Taxes on beer, wine, and distilled spirits increased \$6.8 million, or 5.6 percent, in FY14 with only distilled spirits consumption receipts declining.

#### **Coal Severance Taxes:**

Coal severance taxes fell 14.3 percent, or \$33.0 million, in FY14, close to forecasted expectations. Total collections for the fiscal year were \$197.5 million, the lowest since FY05, and a sharp decline from the record high of nearly \$300 million set two years ago. Increased Federal Government scrutiny of mining permits, emissions, mining, and burning of coal has led to weak prices on the spot market and a decline in demand.

#### **Property Taxes:**

Property tax receipts increased 0.7 percent or \$4.0 million from FY13. Tax receipts on real property grew only 0.1 percent as the state continues to recover from the national housing recession. The state real property tax rate which declines when assessment growth exceeds 4 percent, has remained unchanged at 12.2 cents since 2008. Both real and tangible property tax receipts increased for the year, comprising over 85 percent of total property tax collections.

#### **Lottery and Other Revenues:**

Receipts from the Kentucky Lottery Corporation grew 2.0 percent, or \$4.2 million, to post a dividend to the Commonwealth of \$219.5 million. The lottery dividend was \$4.5 million below the

official estimate of \$224.0 million. The “other” category, which includes multiple other sources such as bank franchise taxes, insurance premium taxes, telecommunications taxes, departmental fees, abandoned property, inheritance taxes, and the Public Service Commission assessment, decreased 3.6 percent or \$20.8 million.

Table 2 compares General Fund collections to the official revenue forecast. Actual receipts were \$90.9 million or 1.0 percent less than the official estimate.

**Table 2**  
**Summary of FY14 General Fund Receipts**  
**Actual vs. Official Estimate**

	<b>FY 14</b>	<b>FY 14</b>	<b>Difference</b>	<b>Difference</b>
	<b><u>Actual</u></b>	<b><u>Estimate</u></b>	<b><u>(\$ mil)</u></b>	<b><u>(%)</u></b>
Sales and Use	\$3,131.1	\$3,099.3	31.8	1.0%
Individual Income	3,749.3	3,812.3	-63.0	-1.7%
Corporation Income	475.1	460.5	14.6	3.2%
LLET	199.3	231.7	-32.4	-14.0%
Coal Severance	197.5	200.6	-3.1	-1.5%
Cigarette Taxes	228.1	231.2	-3.1	-1.4%
Alcohol Taxes	128.5	125.2	6.8	5.6%
Property	562.4	568.9	-6.5	-1.1%
Lottery	219.5	224.0	-4.5	-2.0%
Other	<u>571.2</u>	<u>599.2</u>	<u>-28.0</u>	<u>-4.7%</u>
<b>TOTAL</b>	<b>\$9,462.0</b>	<b>\$9,552.9</b>	<b>-90.9</b>	<b>-1.0%</b>

Final FY14 General Fund revenues were \$90.9 million, or 1.0 percent, less than the official revenue estimate which projected 2.2 percent growth in revenues. Sales and use tax receipts exceeded the estimate by 1.0 percent. The individual income tax was below the forecasted level by \$63.0 million, or 1.7 percent. Corporation income tax receipts exceeded expectations by \$14.6 million, or 3.2 percent. Limited liability entity tax receipts were below forecasted levels by \$32.4 million. The coal severance tax was \$3.1 million below the official estimate while property taxes were 1.1 percent below the official estimates. Cigarette taxes were below the estimate by \$3.1 million. Lottery receipts were below the official forecast by 2.0 percent while all other taxes were 4.7 percent below the official estimate.

## **Road Fund**

Road Fund revenues for FY14 were \$1,560.4 million, an increase of 4.6 percent from the previous fiscal year. Receipts for June rose 1.7 percent. Total FY14 receipts exceeded the FY13 level by \$68.8 million as increases in motor fuels and motor vehicle usage tax accounted for the majority of the growth. Details of Road Fund collections for FY14 and FY13 are shown in Table 3.

**Table 3**  
**Summary of Road Fund Receipts**  
**FY14 and FY13**

	<b>Actual</b>	<b>Actual</b>	<b>Difference</b>	<b>Difference</b>
	<b><u>FY14</u></b>	<b><u>FY13</u></b>	<b><u>(\$ mil)</u></b>	<b><u>(%)</u></b>
Motor Fuels	\$886.2	\$838.3	47.8	5.7
Motor Vehicle Usage	443.0	426.8	16.2	3.8
Motor Vehicle License	101.9	102.3	-0.4	-0.4
Motor Vehicle Operator	16.2	16.0	0.2	0.6
Weight Distance	76.9	74.9	2.0	2.6
Investment Income	4.0	-0.4	4.4	NA
Other	<u>32.2</u>	<u>33.6</u>	<u>-1.4</u>	<u>-4.3</u>
<b>TOTAL</b>	<b>\$1,560.4</b>	<b>\$1,491.6</b>	<b>68.8</b>	<b>4.6</b>

Motor fuels tax receipts rose by \$47.8 million or 5.7 percent in FY14 and provided most of the growth in Road Fund revenues. The growth resulted from the automatic statutory increase in the variable tax rate due to increased wholesale prices in the first two quarters of the fiscal year. This increase helped counteract a decline in taxable gallons of fuel sold. Motor vehicle usage taxes rose \$16.2 million, or 3.8 percent. Motor vehicle license receipts decreased \$400,000 while motor vehicle operators' receipts grew by \$100,000. Investment income grew \$4.4 million and "other" income declined \$1.3 million.

Road Fund collections for FY14 fell short of the official consensus estimate by \$22.2 million, or 1.4 percent, as shown in Table 4.

**Table 4**  
**Summary of FY14 Road Fund Receipts**  
**Actual vs. Official Estimate**

	<b>FY 14</b> <b><u>Actual</u></b>	<b>FY 14</b> <b><u>Estimate</u></b>	<b>Difference</b> <b><u>(\$ mil)</u></b>	<b>Difference</b> <b><u>(%)</u></b>
Motor Fuels	\$886.2	\$900.7	-14.5	-1.6
Motor Vehicle Usage	443.0	448.4	-5.4	-1.2
Motor Vehicle License	101.9	101.3	0.6	0.6
Motor Vehicle Operators	16.2	16.1	0.0	0.3
Weight Distance	76.9	76.1	0.8	1.0
Investment Income	4.0	2.8	1.2	NA
Other	<u>32.2</u>	<u>37.2</u>	<u>-5.0</u>	<u>-15.5</u>
<b>TOTAL</b>	<b>\$1,560.4</b>	<b>\$1,582.6</b>	<b>-22.2</b>	<b>-1.4</b>

Among the two largest accounts, motor fuels and motor vehicle usage taxes, revenue collections were below the estimates by \$19.9 million. All other accounts, taken together, were \$2.3 million below forecasted levels. As with the General Fund, the determination for how to deal with the revenue shortfall has been underway and will be complete soon.

KENTUCKY STATE GOVERNMENT REVENUE  
1. GENERAL FUND REVENUE

	2014	JUNE 2013	% Change	FY 2014	JULY THROUGH JUNE FY 2013	% Change
<b>TOTAL GENERAL FUND</b>	<b>\$979,118,576</b>	<b>\$957,677,733</b>	<b>2.2%</b>	<b>\$9,462,035,017</b>	<b>\$9,348,326,000</b>	<b>1.2%</b>
<b>Tax Receipts</b>	<b>\$937,952,288</b>	<b>\$904,855,008</b>	<b>3.7%</b>	<b>\$9,126,466,009</b>	<b>\$8,992,372,146</b>	<b>1.5%</b>
Sales and Gross Receipts	\$319,089,254	\$311,463,023	2.4%	\$3,716,809,229	\$3,616,732,159	2.8%
Beer Consumption	565,132	549,225	2.9%	6,226,880	6,190,085	0.6%
Beer Wholesale	5,659,418	5,254,615	7.7%	57,969,185	53,750,045	7.8%
Cigarette	19,691,168	20,771,061	-5.2%	228,076,834	238,669,895	-4.4%
Distilled Spirits Case Sales	10,599	10,706	-1.0%	127,875	122,873	4.1%
Distilled Spirits Consumption	1,003,593	1,030,684	-2.6%	11,961,270	11,962,448	0.0%
Distilled Spirits Wholesale	2,754,813	2,729,003	0.9%	33,829,202	31,911,903	6.0%
Insurance Premium	7,321,843	8,922,972	-17.9%	141,638,641	139,471,024	1.6%
Pari-Mutuel	269,487	423,058	-36.3%	2,421,099	4,842,847	-50.0%
Race Track Admission	35,941	4,709	663.3%	213,958	184,269	16.1%
Sales and Use	273,037,451	260,639,943	4.8%	3,131,126,876	3,021,794,387	3.6%
Wine Consumption	231,337	238,664	-3.1%	2,896,687	2,856,119	1.4%
Wine Wholesale	1,270,997	1,257,161	1.1%	15,523,357	14,959,504	3.8%
Telecommunications Tax	5,414,635	7,701,003	-29.7%	63,897,510	68,327,915	-6.5%
Other Tobacco Products	1,822,614	1,929,195	-5.5%	20,901,740	21,669,418	-3.5%
Floor Stock Tax	226	1,025	-77.9%	(1,887)	19,426	---
License and Privilege	52,961,691	54,917,593	-3.6%	\$546,514,679	\$615,821,292	-11.3%
Alc. Bev. License Suspension	50,737	17,133	196.1%	343,952	402,958	-14.6%
Coal Severance	15,427,631	17,422,719	-11.5%	197,525,899	230,540,150	-14.3%
Corporation License	11,485	(889)	---	814,539	(294,874)	---
Corporation Organization	8,322	3,843	116.6%	47,491	97,963	-51.5%
Occupational Licenses	36,440	51,337	-29.0%	214,153	137,311	56.0%
Oil Production	1,169,028	1,057,350	10.6%	13,128,040	10,974,127	19.6%
Race Track License	37,500	5,425	591.2%	291,300	264,011	10.3%
Bank Franchise Tax	154,991	(108,055)	---	102,857,446	98,971,258	3.9%
Driver License Fees	31,993	53,983	-40.7%	612,770	633,198	-3.2%
Minerals Severance	1,500,781	1,368,930	9.6%	12,298,663	13,306,647	-7.6%
Natural Gas Severance	2,283,915	1,623,970	40.6%	19,036,025	14,665,363	29.8%
Limited Liability Entity	32,248,868	33,421,848	-3.5%	199,344,400	246,123,181	-19.0%
Income	539,630,496	528,005,079	2.2%	\$4,224,378,149	\$4,123,715,965	2.4%
Corporation	152,927,303	150,166,322	1.8%	475,120,319	400,752,175	18.6%
Individual	386,703,192	377,838,757	2.3%	3,749,257,830	3,722,963,791	0.7%
Property	\$19,202,717	\$3,466,470	454.0%	\$562,428,448	\$558,378,328	0.7%
Building & Loan Association	1,173,287	1,002,068	17.1%	1,806,976	2,332,923	-22.5%
General - Real	204,711	94,208	117.3%	258,284,309	257,970,441	0.1%
General - Tangible	9,929,434	6,942,873	43.0%	223,393,888	216,942,082	3.0%
Omitted & Delinquent	5,837,258	(5,373,922)	---	21,276,527	26,972,243	-21.1%
Public Service	2,058,027	801,244	156.9%	51,859,325	52,795,179	-1.8%
Other	0	0	---	5,807,422	1,365,461	325.3%
Inheritance	\$3,696,154	\$4,201,611	-12.0%	45,843,849	41,326,220	10.9%
Miscellaneous	\$3,371,976	\$2,801,232	20.4%	\$30,491,656	\$36,398,182	-16.2%
Legal Process	1,414,409	1,656,092	-14.6%	16,792,670	19,748,614	-15.0%
T. V. A. In Lieu Payments	1,957,567	1,140,847	71.6%	13,646,200	16,600,467	-17.8%
Other	0	4,292	-100.0%	52,786	49,101	7.5%
<b>Nontax Receipts</b>	<b>\$41,301,814</b>	<b>\$52,589,819</b>	<b>-21.5%</b>	<b>\$333,860,106</b>	<b>\$353,103,427</b>	<b>-5.4%</b>
Departmental Fees	2,478,006	4,726,077	-47.6%	24,489,562	28,494,072	-14.1%
PSC Assessment Fee	2,311,860	113,514	1936.6%	17,155,431	13,205,508	29.9%
Fines & Forfeitures	1,695,958	1,948,159	-12.9%	24,747,942	28,264,706	-12.4%
Income on Investments	770,944	80,978	852.0%	(176,256)	711,516	---
Lottery	21,861,000	21,000,000	4.1%	219,500,743	215,266,568	2.0%
Sale of NOx Credits	16,938	9,600	76.4%	104,242	50,892	104.8%
Miscellaneous	12,167,108	24,711,491	-50.8%	48,038,442	67,110,164	-28.4%
Redeposit of State Funds	(\$135,526)	\$232,905	---	1,708,902	2,850,428	-40.0%

**2. ROAD FUND REVENUE**

	<u>2014</u>	<u>JUNE</u> <u>2013</u>	<u>% Change</u>	<u>FY 2014</u>	<u>JULY THROUGH JUNE</u> <u>FY 2013</u>	<u>% Change</u>
<b>TOTAL STATE ROAD FUND</b>	<b>\$134,836,510</b>	<b>\$132,584,754</b>	<b>1.7%</b>	<b>\$1,560,441,246</b>	<b>\$1,491,623,668</b>	<b>4.6%</b>
Tax Receipts-	\$132,519,002	\$133,218,380	-0.5%	1,535,727,564	\$1,471,593,789	4.4%
Sales and Gross Receipts	\$122,147,344	\$119,646,183	2.1%	\$1,329,208,128	\$1,265,175,199	5.1%
Motor Fuels Taxes	77,092,958	75,704,989	1.8%	886,161,042	838,344,373	5.7%
Motor Vehicle Usage	45,054,386	43,941,195	2.5%	443,047,087	426,830,826	3.8%
License and Privilege	\$10,371,658	\$13,572,197	-23.6%	\$206,519,436	\$206,418,590	0.0%
Motor Vehicles	7,712,527	9,485,053	-18.7%	101,879,541	102,256,080	-0.4%
Motor Vehicle Operators	1,329,306	1,392,584	-4.5%	16,150,032	16,049,755	0.6%
Weight Distance	589,357	1,035,035	-43.1%	76,894,805	74,935,016	2.6%
Truck Decal Fees	14,106	31,432	-55.1%	489,072	590,397	-17.2%
Other Special Fees	726,362	1,628,093	-55.4%	11,105,986	12,587,343	-11.8%
Nontax Receipts	\$2,682,873	(\$524,139)	---	\$22,833,411	\$18,023,074	26.7%
Departmental Fees	2,508,517	1,859,692	34.9%	17,368,008	17,094,723	1.6%
In Lieu of Traffic Fines	45,675	53,707	-15.0%	544,637	702,451	-22.5%
Income on Investments	(48,358)	(2,598,449)	---	3,997,826	(398,745)	---
Miscellaneous	177,039	160,912	10.0%	922,939	624,646	47.8%
Redeposit of State Funds	(\$365,365)	(\$109,488)	---	1,880,271	2,006,806	-6.3%

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