

# Commonwealth of Kentucky 2016 - 2018 Executive Budget

Matthew G. Bevin  
Governor

*Budget in Brief*

John E. Chilton  
State Budget Director



## PREFACE

The Executive Branch budget for the 2016-2018 biennium is the financial plan for Kentucky State Government as proposed by the Governor for consideration by the 2016 General Assembly. It is published by the Office of State Budget Director, Governor's Office for Policy and Management in accordance with KRS Chapter 48.

The 2016-2018 Budget is presented in four volumes:

- **Volume I:** State Agency Program Budget Detail
- **Volume II:** Capital Projects
- **Budget in Brief:** Executive Summary  
Budget Summary Reports  
Revenue Estimates  
Capital Financing
- **Historical Data:** Actual Agency Revenue and Expenditure Data for the past two Fiscal Years

These documents provide the detail to support the budget in legislative form as presented in the budget bill.



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**Matthew G. Bevin**  
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January 26, 2016

The Honorable Matthew G. Bevin, Governor  
Commonwealth of Kentucky  
700 Capitol Avenue  
Frankfort, Kentucky 40601

Dear Governor Bevin:

The Executive Budget of the Commonwealth of Kentucky represents your policy statement about how the state's limited financial resources should be spent in the next biennium. The underlying theme in this budget is "get the Commonwealth's financial house in order" so that Kentuckians will have a rewarding, satisfying, and secure future.

While modest total revenue growth is expected in the next biennium, the Commonwealth has significant financial obligations that must be addressed, including most prominently: Pensions and Medicaid costs.

While these are of great concern, your budget meets the Commonwealth's primary obligation to provide basic services including, among others, public safety, quality K-12 education, excellent, relevant and economical postsecondary education, a fair and efficient judicial system, and safe roads and bridges.

Your policy priorities are reflected throughout this budget. The most significant priority is your spending reduction strategy that will conserve resources that are needed to deal with the Commonwealth's long-term financial concerns.

While you have budgeted reductions in all areas of state government, you have proposed to increase spending for some of Kentucky's front-line public servants -- the Kentucky State Police and other peace officers, social workers, public defenders, correction officers, and others.

In the recent past, budgets have relied heavily upon "one time money" to make things balance. In addition to one time federal money, surplus funds within state government have been used to support current operations. Your budget minimizes the sweeping of state funds.

**Governor Bevin**  
**January 26, 2016**  
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Importantly, neither the transition to the federal healthcare exchange nor your proposed budget will result in changes to Kentucky's current Medicaid coverage. In addition, other resources, such as K-TAP, SNAP, WIC, etc. are not altered.

This budget is balanced, fiscally responsible, and puts the Commonwealth in a position to cope with important long-term concerns.

Finally Governor, I want to thank those who have contributed significantly to the development of your budget recommendations. The professional employees of the Office of State Budget Director worked especially hard over the recent weeks and months. I am privileged to work with these individuals every day. Special thanks are due to Deputy State Budget Directors, John Hicks and Janice Tomes, and to Greg Harkenrider, the Deputy Executive Director of the Governor's Office for Economic Analysis.

Thank you, Governor, for your honest leadership in addressing the Commonwealth's significant fiscal problems and concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "John E. Chilton". The signature is fluid and cursive, with the first name "John" being the most prominent.

John E. Chilton  
State Budget Director

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- **Transform Kentucky's Healthcare Delivery System**
- **Build Infrastructure for the Future**

### **SAVING FOR A DOWN PAYMENT ON KENTUCKY'S FUTURE**

## INTRODUCTION

Governor Matthew G. Bevin's Fiscal Year ("FY") 2017-18 Biennial Budget Proposal puts the Commonwealth on a path to long-term fiscal stability after an honest analysis of Kentucky's current financial situation.

Kentucky's two biggest financial challenges are the tens of billions in unfunded pension liabilities and the runaway costs of Medicaid. Modest increases in revenue projections are not keeping up with huge increases in demands upon the Commonwealth's General Fund. After years of kicking the can down the road, these unfunded liabilities are crowding out necessary investments in education, public safety, and vital social services for Kentucky's most vulnerable citizens. More importantly, it is morally irresponsible to continue ignoring the tough decisions today and stick Kentucky's children with the bill tomorrow.

***Taking immediate action to stabilize Kentucky's future is no longer an option – it is a necessity.***

There is no magic wand or money tree in Frankfort to fix Kentucky's financial woes and improve the Commonwealth's credit rating. This budget must rely on either tax increases or spending cuts to get Kentucky's fiscal house in order. Because Kentuckians cannot afford any tax increases, this budget proposal cuts spending and allocates Kentucky's scarce taxpayer dollars more prudently than in years past.

Governor Bevin's Budget Proposal adequately funds needed state services and will lead to more jobs, better educational opportunities, and better access to quality healthcare for all Kentuckians.

## GOVERNOR BEVIN'S PRIORITIES

### Strengthen Kentucky's Financial Foundation

Before his first day in office, Governor Bevin was presented with a stark reality: he had seven weeks to craft a budget that would plug a shortfall of at least \$500 million. The shortfall is the result of a chronically underfunded and underperforming pension system, combined with the end of the federal government's 100% financing of the 2013 Medicaid expansion.

Without decisive action addressing these issues, critical priorities like protecting the basic funding for K-12 education, fulfilling the commitment to fighting the heroin scourge that is ravaging the Commonwealth, and investing in workforce training to meet the demands of Kentucky's job creators will be sacrificed.

To meet all commitments, balance the budget, and plan for the difficult transitions ahead, spending cuts cannot be avoided. The necessary belt-tightening is essential to meet pension obligations, protect the SEEK formula for education, and support the Commonwealth's front-line law enforcement personnel. Governor Bevin's budget acknowledges this reality and begins an honest dialogue on how to address the situation.

To meet these challenges, the Governor's budget includes a 4.5% spending reduction in the current fiscal year (FY '16) and a 9% reduction to baseline spending over the biennium. **Critical areas are exempt:** the SEEK formula is protected; student financial aid; and services to Kentucky's veterans are protected. (See Table 1 for a full list of exempt items). All told, Governor Bevin's budget reduces baseline spending by approximately \$650 million in order to stabilize the Commonwealth's finances and reallocate additional funding toward critical priorities.

### Invest in Education and Workforce Development

Education and workforce development are key building blocks for developing a strong foundation to grow jobs and strengthen the economy. The Commonwealth cannot backslide on its commitment to Kentucky's children. A lack of sufficiently skilled workers is one of the biggest obstacles to attracting and retaining employers who provide high quality, good paying jobs. That is why it is so critical to invest in education and workforce development training. Kentucky's future depends on it.

- **PROTECTING THE SEEK FORMULA:** This budget goes above and beyond the current funding for the base Support Education Excellence in Kentucky (SEEK) formula, increasing SEEK funding by \$39 million to accommodate the projected increase in student populations while holding the per pupil funding harmless from any reduction.
- **LOTTERY PROCEEDS DEDICATED TO EDUCATION:** This budget will dedicate all available lottery proceeds entirely to education, as originally promised to Kentuckians, including funds provided



to both the KEES scholarship program, needs-based aid, and the National Guard Tuition Award program.

- **INVESTMENTS IN KENTUCKY’S MANUFACTURING & INFORMATION TECHNOLOGY WORKFORCE:** The Governor’s budget proposes a bond pool of \$100 million dollars for the Education and Workforce Development Cabinet in order to co-invest with those local communities that are experiencing growth demand for high-skill jobs, including advanced manufacturing and information technology jobs.
- **PERFORMANCE FUNDING FOR UNIVERSITIES:** The funding provided to state universities out of the General Fund will begin to be distributed based upon performance criteria – often referred to as “outcomes based funding” - that will be developed in collaboration with the leadership of state universities. It is this Administration’s intention to fully phase in outcome-based funding over a three-year period starting in FY ’18.

### **Keeping the Commitment to Kentucky’s Public Servants**

Together, the KRS and KTRS plans have well over \$30 billion in unfunded liabilities. To put that in context, the total amount of unfunded liabilities is more than ***three times the Commonwealth’s entire \$10 billion annual General Fund budget.***

Governor Bevin believes state government’s greatest assets are its public servants. In the recent past, pension promises that were made were not fully kept. The Governor’s budget keeps the promise by fully funding – and going beyond the KERS actuarially required contribution (the “ARC”). His budget assumes a lower – and more realistic – investment rate of return of 6.75%. By doing so, additional dollars are required to meet the ARC. It’s a difficult, but responsible, choice to make to begin shoring up the chronically underfunded state employee pension plan.

#### Executive Budget Recommendation – KERS ARC

- FY ’17 \$60,196,800
- FY ’18 \$70,523,400

On the surface, the teacher’s retirement system (KTRS) appears to be in better financial shape. However, unless fundamentally restructured, the funding requirements of KTRS will soon make it impossible to maintain. The resources needed to invest in future students will be consumed by supporting an unsustainable retirement system for current and future retired teachers.

KTRS has requested an additional \$1 billion to prop up its faltering pension system. To put that in perspective, to fund that request would have required spending cuts of close to twice the size Governor Bevin has proposed for this biennium and would not have allowed for any additional support for SEEK, salary improvements for front-line state employees, or other pressing priorities.

Governor Bevin recognizes that the hole that has been dug only gets deeper if nothing is done. He further recognizes that the solution to the debt problem is not to take on billions of dollars in pension obligation bond debt. We cannot borrow our way out of debt.

To that end, his budget calls for the first of many payments needed to save the teacher's retirement system.

#### Executive Budget Recommendation – KTRS ARC

- FY '17 \$300,054,900
- FY '18 \$291,465,200

In addition, the Governor's budget is designed in such a way that if certain conservative budgeting targets are met and the budget reserve trust fund is strengthened as a result, an additional \$135,725,000 will be dedicated over the biennium to further stabilize both the state employee and teacher retirement systems.

#### **Safeguard Kentucky's Most Vulnerable**

This budget calls for important investments in the organizations and public servants who care for Kentucky's most vulnerable citizens. In order to build a better future for all Kentuckians, the Commonwealth must first ensure that our children are protected. Child advocates, social workers, clinicians, and guardians who protect Kentucky's children and vulnerable citizens are presently underpaid and understaffed. This budget provides for increases in wages and resources to improve the care that public servants are able to give statewide.

#### **FIRST LADY'S INITIATIVE: INCREASE FUNDING FOR CHILDREN'S ADVOCACY CENTERS**

- The goal envisioned by First Lady, Glenna Bevin, is to dramatically reduce child abuse and neglect in the Commonwealth. The Children's Advocacy Centers (CAC's) providing essential care and resources to child victims are woefully underfunded.
- The 15 CAC's around the state are all non-profit organizations and many of the services to children and non-offending caregivers include: forensic interviews, comprehensive medical exams, mental health services, case management and court advocacy.
- The number of child victims has grown at a disproportional rate from the funding provided to CACs. The last time the General Assembly increased program funding for CACs was during FY 2008.
- The First Lady's Initiative invests an additional \$1,563,800 to CAC's over the biennium and reaffirms the Commonwealth's commitment to our most vulnerable children.

## **STRENGTHEN SOCIAL WORKERS AND GUARDIANS:**

- Social Workers and Clinicians – These public servants are on the front lines protecting citizens from abuse and neglect. The budget calls for an additional \$4,800,500 over the biennium for an increase in entry level and new hire salaries.
  - This investment positively affects 2,030 social workers.
  - The minimum starting salary for mid-level social workers is increased in order to retain employees, thereby decreasing the chronic turnover that ultimately burdens every state social worker and clinician, and the taxpayers who are funding them.
- Guardianship – These public servants take responsibility for the care of people who do not have the capacity to make their own health and financial decisions due to mental or physical issues.
  - The budget invests an additional \$964,100 into guardianship caseload management. This equates to an increase of 6% relative to projected growth in caseloads over the next biennium.
  - This additional funding is intended to reduce the caseload on the guardians who provide these critical services.

## **ELIMINATE DNA TESTING BACKLOG AT STATE LABS:**

For too long, the Kentucky state lab has carried a backlog for DNA and other forensic testing due to a shortage of resources. This backlog includes blood alcohol, toxicology, drugs, gunshot residue, arson, fingerprint, DNA, polygraph and other tests whose results can be critical to ensuring justice for survivors of crimes, including rape and sexual assault victims. We must stop talking about this problem and start solving it. The time for action is now.

In order for Kentucky law enforcement to fully investigate each case, bring justice to the victims, and hold the perpetrators accountable, the Governor's Budget provides additional funding for the state labs to test the backlogged kits and increase the quality of these services.

Funds will be made immediately available to begin addressing the backlogs of untested rape kits and other types of forensic testing. In addition, the Governor's budget provides an additional \$4.5 million to eliminate the backlog completely by the earliest possible date.

## **Protect Those Who Protect Us**

The Governor recognizes the critical contributions and sacrifices made by front-line members of Kentucky's law enforcement and justice communities. In this budget, the Governor proposes an increase in investment to protect those who protect the people of the Commonwealth.

- **Kentucky Law Enforcement Foundation Program Fund (KLEFPF) Training Stipend Increase:** Governor Bevin’s budget increases the KLEFPF funded training stipend for all current certified officers and firefighters from \$3,100 to \$4,000 each year of the biennium.
- **KLEFPF Fund – New Entrants:** For the first time, an additional 200 state-certified peace officers (such as State Park Rangers, Attorney General’s office investigators, Horse Park mounted patrol) will qualify for the \$4,000 training stipend. These increased dollars do not place new demands on the General Fund. Rather, they will be paid for by not sweeping the KLEFPF fund, but allocating the dollars for their intended purposes – supporting Kentucky’s law enforcement personnel.
- **Base Salary Increases for Kentucky State Police and Department of Corrections:** The Governor’s budget proposes an additional \$12.4 million to fund salary increases for state police troopers and trooper seniors. His budget retains the 2015 correctional system salary increases and further invests over an additional \$4.5 million in retention raises for correctional officers. The intention is to minimize the cost caused by excessive turnover of personnel, currently in excess of 67%.
- **Supporting the Criminal Justice System:** Additional funding is included in the Governor’s budget to support 44 new public defenders, while the Commonwealth’s state prosecutors are exempt from the budget reductions.

### **Strengthening the Fight Against Substance Abuse**

Heroin has had a devastating resurgence in the nation, and Kentucky has not been spared the ill effects of this monstrous drug. Heroin is a highly addictive opiate that has devastated countless lives across the Commonwealth. In addition to the scourge of heroin, the Commonwealth continues to be plagued by other illicit drugs, such as marijuana, cocaine, crack, and methamphetamines. Governor Bevin is committed to providing the resources needed to address these problems.

- **Fully Funding SB 192 Heroin Legislation:** Governor Bevin’s budget proposes full funding of the comprehensive anti-heroin legislation in both fiscal years of the biennium.
- **Ongoing Support for the KASPER System:** The KASPER system is needed in the fight against prescription drug abuse. Governor Bevin’s budget provides \$6.4 million to keep the program strong.
- **Operation UNITE:** Full funding for Operation UNITE is proposed for each year of the biennium.

## **Transform Kentucky's Healthcare Delivery System**

The Governor has taken action to transition the activities of the Kentucky Health Benefit Exchange, known as "kynect," to the federal government's health insurance exchange, Healthcare.gov. The change will not be effective until after open enrollment for the 2017 plan year. Through Healthcare.gov, Kentuckians will have uninterrupted access to the full array of health insurance products required by federal law but will simply acquire it from a different source.

The budget contemplates this transition to Healthcare.gov. A portion of the assessment revenues currently used to operate kynect will be used to fund the transition. No General Fund revenues will be required to fund the transition. The move to the federal exchange is expected to save the Commonwealth millions of dollars each year.

Once the transition to Healthcare.gov occurs, Kentucky consumers will be able to choose from insurance plans that are the same or similar to what is available through the kynect website.

This Administration has initiated an effort to pursue a demonstration waiver that will allow Kentucky to redesign and revamp the Medicaid program in order to transition it into something more affordable, more sustainable, and more tailored to Kentucky's needs. The Governor's budget contains transitional funding to maintain Medicaid services during the waiver negotiations with Centers for Medicare and Medicaid Services.

## **Build Infrastructure for the Future**

The Road Fund is struggling to meet current infrastructure demands. Kentucky must not allow this challenge to overshadow the need for critical infrastructure investment. Providing a safe and reliable transportation system that furthers economic expansion and enhances the quality of life for all Kentuckians is a priority focus of this Administration.

- The Governor proposes to use no less than 15% of the state-funded portion of the Road Fund for maintenance and repair of existing bridges.
  - Kentucky has approximately 400 bridges that have been identified as structurally deficient and in need of maintenance and repair.
  - This is a critical investment in Kentucky's existing infrastructure.
- Kentucky's road plan places great focus on its trunk system of federal interstate highways including I-65 and I-75.
  - A new interchange in Shepherdsville (Bullitt County) will spur economic growth and provide better access to a rapidly growing area.
  - Widening I-75 in Rockcastle County will help to drive investment and growth as well as help to deliver a safer route for tourism and development.

- The proposed road plan includes a study and analysis of simple and immediate flow changes as well as existing bridge maintenance, repair, and painting to improve the Brent Spence Corridor (Boone, Kenton, and Campbell Counties), representing approximately a \$38 million investment.
- To assist economic development efforts in Western Kentucky, the proposed budget accelerates the planning phase of the I-69 Henderson-Evansville Ohio River Bridge, as well as future I-69 tie-in projects such as the extension of KY 80 from KY 303 to future I-69 in Graves County.
- The road plan proposes to complete the widening of US 641 from the Tennessee line to Murray in Calloway County.
- Kentucky's road plan will continue the Mountain Parkway enhancements with particular focus on critical sections in Magoffin County.
- The Governor's budget proposes to paint the Second Street Bridge in downtown Louisville to match its appearance with the new Lincoln Bridge between Louisville and Southern Indiana.
- The proposed road plan furthers the ultimate inclusion of the Natcher Parkway into the federal interstate highway system in order to add Owensboro to the system.
- The proposed budget contains \$10 million per year for maintenance, repair, and expansion of airports and aviation needs.

## **SAVING FOR A DOWN PAYMENT ON KENTUCKY'S FUTURE**

It is time for our state government to be better stewards of the taxpayer's money. After years of avoiding the state's fiscal problems, the bill is coming due. Governor Bevin's budget is his first action to stem the financial bleeding. This, however, is only the beginning.

Until the state's pension and Medicaid systems are fundamentally restructured, those programs will continue to suck the lifeblood out of any critical investments in Kentucky's future. Governor Bevin will continue to lead an open and honest dialogue with Kentuckians.

There will be enormous transitional costs associated with saving the pension system. Real solutions to our pressing problems cannot be realized without "saving for a down payment on Kentucky's future."

If Governor Bevin's budget is enacted, in addition to the over \$1.1 billion in dedicated pension contributions, it will also set aside over \$1 billion in future pension contributions and savings to help us better navigate the difficult road ahead.

The easy solution, what cynics might call the "Frankfort solution," would be to squander these savings now, claim the budget is balanced and continue with a reckless disregard for our perilous financial condition. Kentucky is better than that!

Enacting these proposed budget measures will give Kentucky the opportunity to become the best possible version of itself. We owe nothing less to our fellow Kentuckians and to the generations of Kentuckians who will follow. Let us stand united in our desire for fiscal responsibility, because as our state motto wisely notes, "United we stand. Divided we fall."

TABLE 1:

**Exempted from Executive Branch Spending Reductions**

- Department of Veterans Affairs
- The SEEK Formula – the primary financing mechanism for local schools
- School District Health Insurance
- Medicaid
- KTRS & KERS
- Student Financial Aid
- SB 192 Heroin Bill Funding
- Dedicated Coal Severance Programs (LGEDF & LGEAF)
- Front Line Public Safety Employees (State Police, Corrections, Juvenile Justice)
- Front Line Social Worker Salaries (Department for Community Based Services, Aging and Independent Living Services)
- Commonwealth Attorneys, County Attorneys, Public Defender’s headcount
- Debt Payments Service
- Board of Elections – State Share of Elections
- Necessary Government Expenses



**2016-18 EXECUTIVE BUDGET  
GENERAL FUND SUMMARY**

	<b>Revised FY 2016</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>RESOURCES</b>			
Beginning Balance	220,816,400	377,853,800	200,112,900
Official Revenue Estimate	10,289,900,000	10,617,200,000	10,875,500,000
Fund Transfers	140,910,100	61,982,800	58,187,100
Tobacco Settlement-Phase I	88,100,000	87,000,000	92,800,000
<b>RESOURCES</b>	<b>10,739,726,500</b>	<b>11,144,036,600</b>	<b>11,226,600,000</b>
<b>Continued Appropriations Reserve</b>			
Budget Reserve Trust Fund	77,093,900	209,447,000	362,883,000
Executive Branch	11,374,600		
Legislative Branch	13,890,400	13,364,800	11,545,200
Judicial Branch	1,803,500	119,800	
<b>Continued Appropriations Reserve</b>	<b>104,162,400</b>	<b>222,931,600</b>	<b>374,428,200</b>
<b>TOTAL RESOURCES</b>	<b>10,843,888,900</b>	<b>11,366,968,200</b>	<b>11,601,028,200</b>
<b>APPROPRIATIONS</b>			
<b>Executive Branch</b>			
Appropriations-Operating	9,863,741,700	10,268,401,900	10,531,091,900
Appropriations-Capital		1,836,000	
Contingent Appropriations for Pensions		64,100,000	71,625,000
Necessary Government Expenses	56,600,000		
Special Appropriations	15,459,000		
Current Year Appropriations	33,157,500		
Dedicated Revenue Adjustments	(30,277,500)		
Budget Stabilization Plan	(117,703,500)		
Lapses	(63,149,900)	(19,187,800)	(19,509,700)
Tobacco Settlement-Phase I	90,279,500	89,151,400	95,018,000
Build America Bonds-Tobacco Lapse	(2,179,500)	(2,151,400)	(2,218,000)
<b>Total Executive Branch</b>	<b>9,845,927,300</b>	<b>10,402,150,100</b>	<b>10,676,007,200</b>
<b>Judicial Branch</b>			
Appropriations	337,449,600	333,356,700	334,270,600
Budget Stabilization Plan	(9,406,500)		
<b>Total Judicial Branch</b>	<b>328,043,100</b>	<b>333,356,700</b>	<b>334,270,600</b>
<b>Legislative Branch</b>			
Appropriations	60,139,500	54,980,900	55,361,300
Budget Stabilization Plan	(2,617,500)		
Lapses	(1,972,800)		
<b>Total Legislative Branch</b>	<b>55,549,200</b>	<b>54,980,900</b>	<b>55,361,300</b>
<b>TOTAL APPROPRIATIONS</b>	<b>10,229,519,600</b>	<b>10,790,487,700</b>	<b>11,065,639,100</b>
<b>BALANCE</b>	<b>614,369,300</b>	<b>576,480,500</b>	<b>535,389,100</b>
<b>Continued Appropriations Reserve</b>			
Budget Reserve Trust Fund	209,447,000	209,447,000	362,883,000
Appropriations to Budget Reserve Trust Fund		89,336,000	89,335,900
Contingent Appropriations to Budget Reserve		64,100,000	71,625,000
<b>Subtotal-Budget Reserve Trust Fund</b>	<b>209,447,000</b>	<b>362,883,000</b>	<b>523,843,900</b>
Executive Branch	11,374,600		
Legislative Branch	13,890,400	13,364,800	11,545,200
Judicial Branch	1,803,500	119,800	
<b>Continued Appropriations Reserve</b>	<b>236,515,500</b>	<b>376,367,600</b>	<b>535,389,100</b>
<b>ENDING BALANCE</b>	<b>377,853,800</b>	<b>200,112,900</b>	<b>0</b>

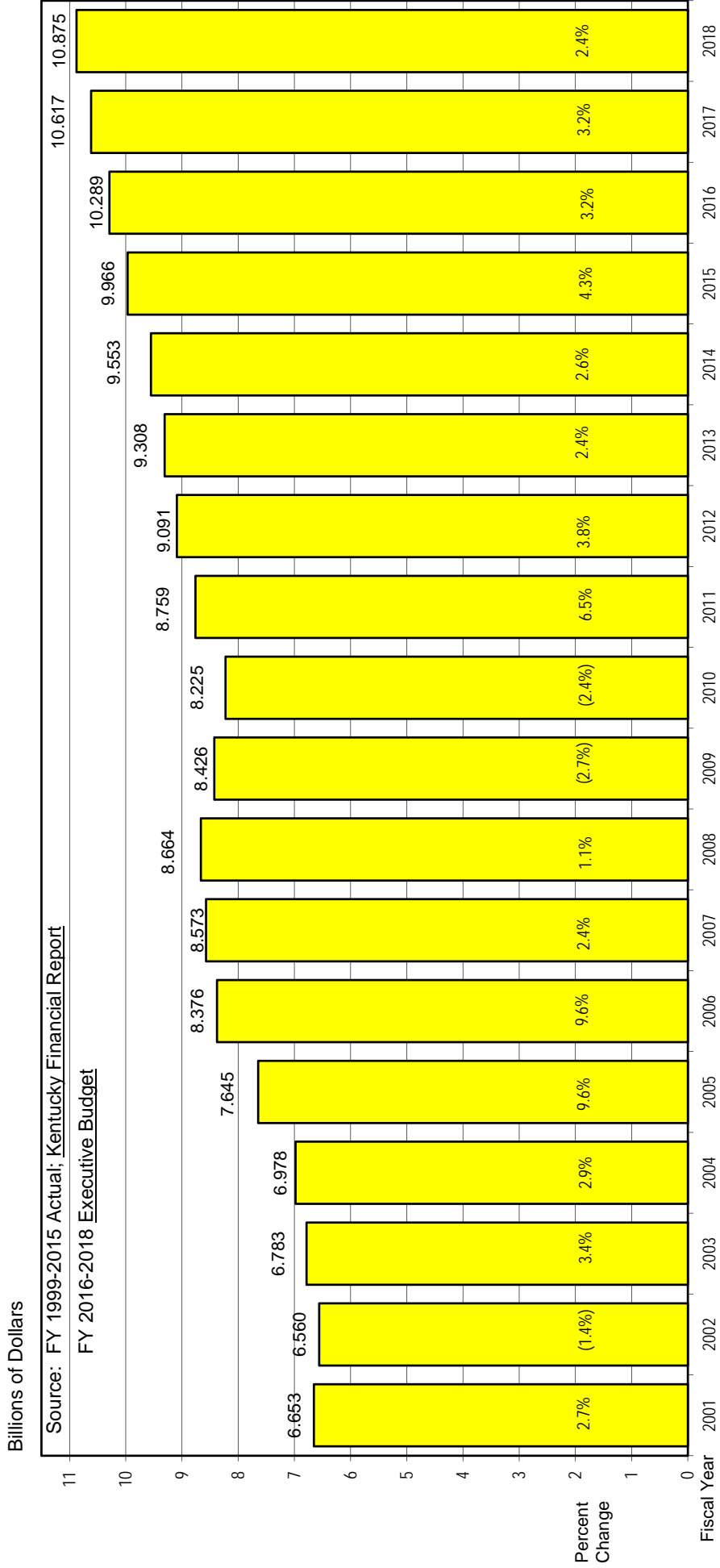
**2016-2018 EXECUTIVE BUDGET  
ROAD FUND SUMMARY**

	<u>Revised FY 2016</u>	<u>Recommended FY 2017</u>	<u>Recommended FY 2018</u>
<b>RESOURCES</b>			
Beginning Balance	6,338,100	0	0
Official Revenue Estimate	1,445,900,000	1,456,900,000	1,478,200,000
Fund Transfers	996,800	3,162,200	1,830,700
<b>TOTAL RESOURCES</b>	<b><u>1,453,234,900</u></b>	<b><u>1,460,062,200</u></b>	<b><u>1,480,030,700</u></b>
<b>APPROPRIATIONS</b>			
Appropriations	1,562,872,600	1,463,545,200	1,483,636,300
Surplus Appropriations	6,338,100		
Debt Service Lapse	(18,558,100)		
Dedicated Revenue Adjustments	(61,952,200)		
Budget Reductions	(31,989,700)		
Build America Bonds-Debt Service Lapse	(3,475,800)	(3,483,000)	(3,605,600)
<b>TOTAL APPROPRIATIONS</b>	<b><u>1,453,234,900</u></b>	<b><u>1,460,062,200</u></b>	<b><u>1,480,030,700</u></b>
<b>ENDING BALANCE</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

# General Fund Revenue Receipts

## Fiscal Years 1999-2018

(Billions of dollars – rounded)

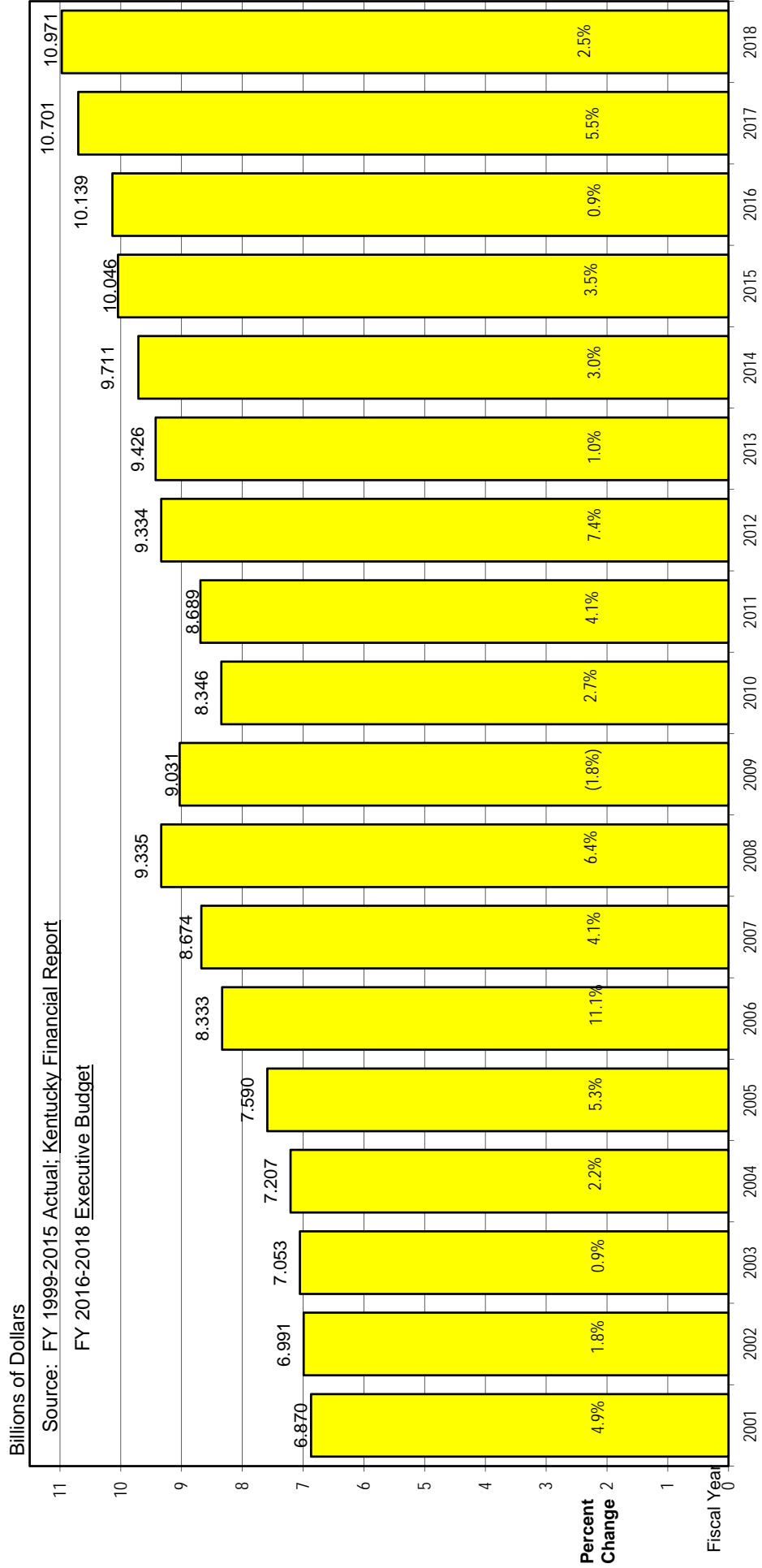


- Excludes Tobacco Settlement – Phase I Funds
- Excludes Fund Transfers

# General Fund Expenditures

## Fiscal Years 1999-2018

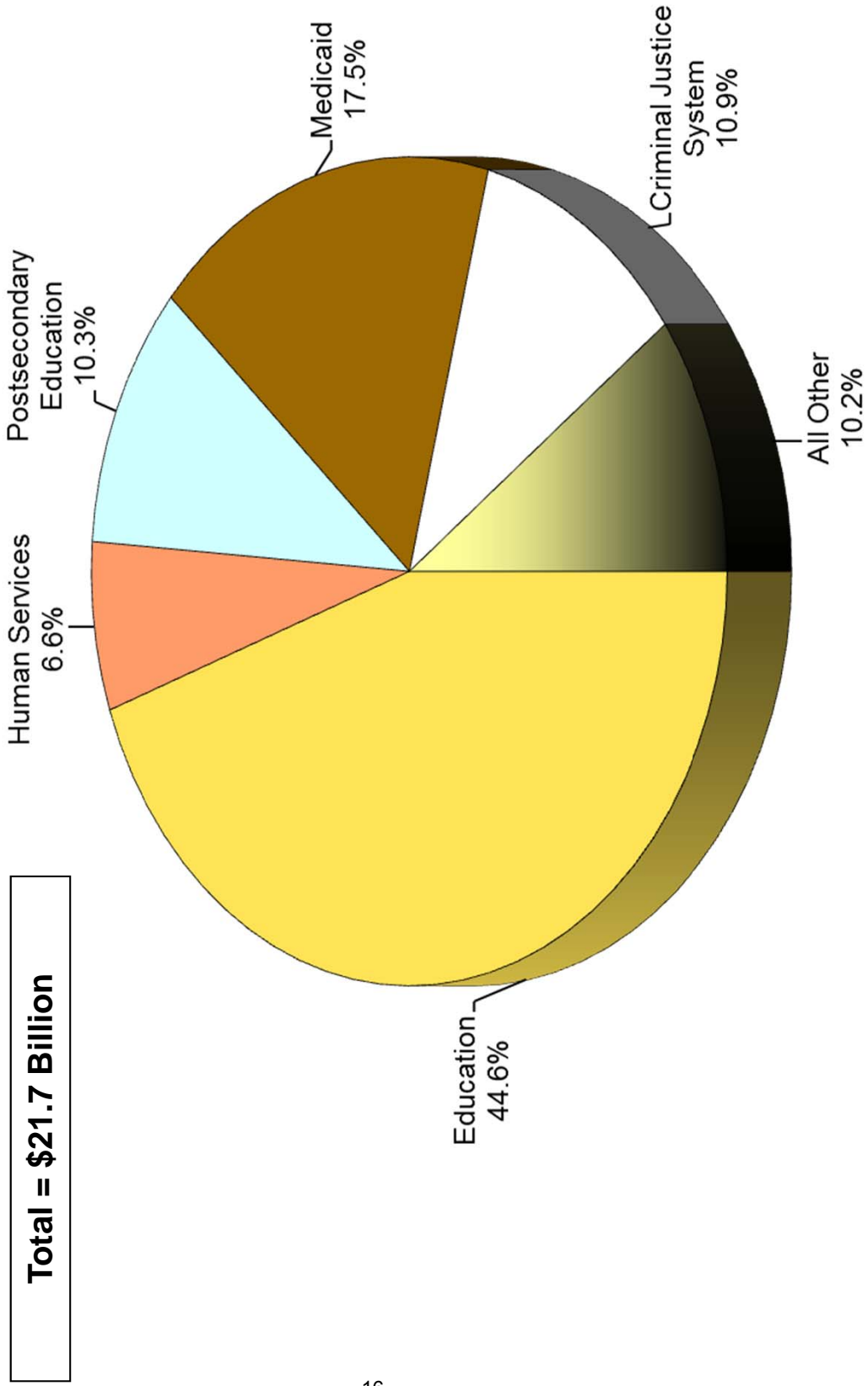
(Billions of dollars – rounded)



• Excludes Tobacco Settlement – Phase I Funds

# 2016-2018 Biennium

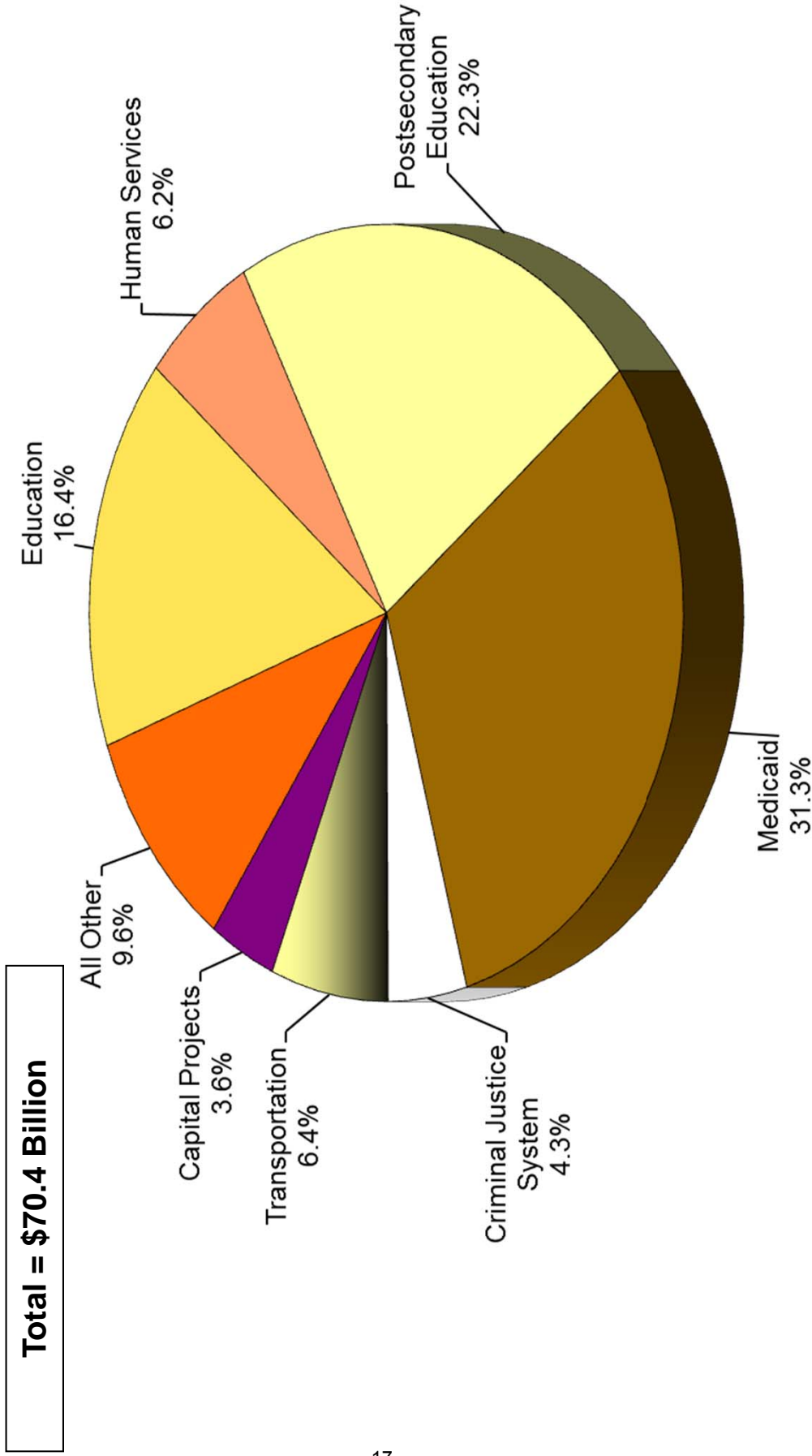
# Distribution of General Fund Appropriations



Excludes Tobacco Settlement – Phase I Funds  
\* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission and the Education Professional Standards Board.  
\*\* Human Services include the Health and Family Services Cabinet (net of Medicaid).  
\*\*\* Criminal Justice System includes the Unified Prosecutorial System, Justice and Public Safety Cabinet and the Judicial Branch.

# 2016-2018 Biennium

## Distribution of All Funds Appropriations



\* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission and the Education Professional Standards Board.

\*\* Human Services include the Health and Family Services Cabinet (net of Medicaid).

\*\*\* Criminal Justice System includes the Unified Prosecutorial System, Justice and Public Safety Cabinet and the Judicial Branch.

**Executive Branch**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	9,863,466,400	11,466,131,100	11,921,992,900	10,485,937,900	10,763,677,800
Surplus Expenditure Plan	82,514,310				
Special Appropriation	78,959,000				
Current Year Appropriation	33,157,500				
Continuing Approp-General Fund	88,468,536	209,447,046	209,447,046	209,447,000	362,883,000
Mandated Allotments	16,800,000				
Other	-43,938,700				
<b>Total General Fund</b>	<b>10,119,427,046</b>	<b>11,675,578,146</b>	<b>12,131,439,946</b>	<b>10,695,384,900</b>	<b>11,126,560,800</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	97,725,600	91,309,900	90,420,400	89,151,400	95,018,000
Special Appropriation	23,506,600				
Continuing Approp-Tob Settlement	22,551,200	18,761,100	16,005,000	20,706,200	15,817,000
<b>Total Tobacco Fund</b>	<b>143,783,400</b>	<b>110,071,000</b>	<b>106,425,400</b>	<b>109,857,600</b>	<b>110,835,000</b>
<b>Restricted Funds</b>					
Balance Forward	916,790,600	896,539,200	1,021,847,300	911,954,700	1,008,961,600
Current Receipts	6,805,984,767	7,225,093,700	7,624,985,500	7,234,703,800	7,638,129,200
Non-Revenue Receipts	1,101,474,433	1,044,917,900	958,344,900	1,058,169,000	964,898,100
Fund Transfers	-61,781,000	-13,078,400	-8,080,400	-45,116,100	-41,318,900
<b>Total Restricted Funds</b>	<b>8,762,468,800</b>	<b>9,153,472,400</b>	<b>9,597,097,300</b>	<b>9,159,711,400</b>	<b>9,570,670,000</b>
<b>Federal Fund</b>					
Balance Forward	92,819,481	40,234,500	37,462,900	40,063,000	37,483,700
Current Receipts	12,700,138,919	13,038,848,000	13,388,452,700	12,955,092,800	13,284,393,500
Non-Revenue Receipts	1,094,500	-3,083,800	-3,136,500	-3,069,800	-3,122,100
<b>Total Federal Fund</b>	<b>12,794,052,900</b>	<b>13,075,998,700</b>	<b>13,422,779,100</b>	<b>12,992,086,000</b>	<b>13,318,755,100</b>
<b>Road Fund</b>					
Regular Appropriation	1,545,167,600	1,536,589,300	1,562,329,600	1,453,846,200	1,473,941,300
Surplus Expenditure Plan	6,338,100				
Budget Reduction-Road Fund	-30,832,500				
Other	-61,952,200				
<b>Total Road Fund</b>	<b>1,458,721,000</b>	<b>1,536,589,300</b>	<b>1,562,329,600</b>	<b>1,453,846,200</b>	<b>1,473,941,300</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>33,278,453,146</b>	<b>35,551,709,546</b>	<b>36,820,071,346</b>	<b>34,410,886,100</b>	<b>35,600,762,200</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	6,657,144,570	7,342,611,200	7,680,759,500	7,036,548,800	7,257,784,100
Operating Expenses	3,185,562,530	3,482,607,900	3,681,058,200	3,320,152,700	3,501,820,400
Grants Loans Benefits	19,601,412,100	20,895,060,900	21,404,417,000	20,216,545,600	20,709,767,800
Debt Service	1,111,913,700	1,156,627,400	1,372,708,900	1,141,366,200	1,242,539,600
Capital Outlay	253,063,000	363,185,600	378,567,100	279,645,700	289,224,700
Construction	1,099,249,900	1,008,585,000	1,009,619,500	962,641,100	987,213,600
<b>TOTAL EXPENDITURES</b>	<b>31,908,345,800</b>	<b>34,248,678,000</b>	<b>35,527,130,200</b>	<b>32,956,900,100</b>	<b>33,988,350,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	9,730,257,000	11,454,023,000	11,909,574,200	10,313,314,000	10,583,207,200
Tobacco Fund	136,897,700	92,105,200	90,906,600	87,867,100	89,528,500
Restricted Funds	7,850,514,100	8,127,425,100	8,579,349,600	8,150,753,500	8,566,073,000
Federal Fund	12,753,989,900	13,038,535,800	13,384,970,300	12,954,602,300	13,279,205,800
Road Fund	1,436,687,100	1,536,589,300	1,562,329,600	1,450,363,200	1,470,335,700
<b>TOTAL EXPENDITURES</b>	<b>31,908,345,800</b>	<b>34,248,678,400</b>	<b>35,527,130,300</b>	<b>32,956,900,100</b>	<b>33,988,350,200</b>
<b>EXPENDITURES BY UNIT</b>					
General Government	1,107,489,700	1,718,929,400	1,716,225,500	1,503,288,300	1,531,911,500

**EXPENDITURES BY UNIT**

Economic Development	44,535,000	27,434,600	29,183,200	21,082,900	22,017,500
Department of Education	4,997,491,600	5,251,493,500	5,248,592,300	5,015,844,100	5,006,558,900
Education and Workforce Development	835,839,200	871,863,800	887,426,200	833,470,500	847,236,600
Energy and Environment	258,295,100	259,724,900	261,631,700	237,321,900	233,780,700
Finance and Administration	830,473,700	880,147,600	955,561,900	860,160,500	904,971,200
Health and Family Services	12,613,140,100	13,278,360,400	13,841,369,000	12,954,806,900	13,442,186,100
Justice and Public Safety	986,970,600	1,203,078,600	1,235,659,400	1,038,865,300	1,041,148,500
Labor	221,717,400	236,342,400	244,137,300	233,079,800	237,495,100
Personnel	62,306,100	65,676,000	67,735,300	65,055,000	66,863,300
Postsecondary Education	7,275,163,100	7,780,660,900	8,323,747,300	7,630,081,700	8,052,714,200
Public Protection	98,791,600	108,962,800	112,436,700	107,373,900	108,306,900
Tourism, Arts and Heritage	235,399,800	271,666,500	285,277,500	234,406,800	238,146,000
Transportation	2,340,732,800	2,294,337,000	2,318,147,000	2,222,062,500	2,255,013,700
<b>TOTAL EXPENDITURES</b>	<b>31,908,345,800</b>	<b>34,248,678,400</b>	<b>35,527,130,300</b>	<b>32,956,900,100</b>	<b>33,988,350,200</b>



**General Government**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	665,287,500	1,268,154,700	1,235,738,300	1,049,337,700	1,047,283,700
Continuing Approp-General Fund	299,100				
Other	-30,277,500				
<b>Total General Fund</b>	<b>635,309,100</b>	<b>1,268,154,700</b>	<b>1,235,738,300</b>	<b>1,049,337,700</b>	<b>1,047,283,700</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	35,833,200	30,871,200	30,871,200	28,008,000	31,100,200
Special Appropriation	16,000,000				
Continuing Approp-Tob Settlement	5,440,600	18,761,100	16,005,000	18,659,600	15,817,000
<b>Total Tobacco Fund</b>	<b>57,273,800</b>	<b>49,632,300</b>	<b>46,876,200</b>	<b>46,667,600</b>	<b>46,917,200</b>
<b>Restricted Funds</b>					
Balance Forward	97,278,401	93,140,900	80,795,700	93,608,500	83,422,800
Current Receipts	146,865,580	169,847,800	175,099,200	180,760,100	196,941,500
Non-Revenue Receipts	94,891,219	99,165,300	123,982,100	100,862,500	118,515,700
Fund Transfers	-1,750,000	-2,119,200	-2,119,200	-2,200,000	-700,000
<b>Total Restricted Funds</b>	<b>337,285,200</b>	<b>360,034,800</b>	<b>377,757,800</b>	<b>373,031,100</b>	<b>398,180,000</b>
<b>Federal Fund</b>					
Balance Forward	14,811,000	9,716,300	4,487,600	9,716,300	4,487,600
Current Receipts	172,834,900	131,952,500	130,860,800	131,762,200	130,132,800
Non-Revenue Receipts	-574,200				
<b>Total Federal Fund</b>	<b>187,071,700</b>	<b>141,668,800</b>	<b>135,348,400</b>	<b>141,478,500</b>	<b>134,620,400</b>
<b>Road Fund</b>					
Regular Appropriation	512,500	524,800	536,700	519,200	520,400
<b>Total Road Fund</b>	<b>512,500</b>	<b>524,800</b>	<b>536,700</b>	<b>519,200</b>	<b>520,400</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>1,217,452,300</b>	<b>1,820,015,400</b>	<b>1,796,257,400</b>	<b>1,611,034,100</b>	<b>1,627,521,700</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	320,197,970	387,989,200	406,442,200	347,007,800	355,989,900
Operating Expenses	74,924,130	90,816,800	91,228,300	94,640,800	104,485,400
Grants Loans Benefits	446,626,400	964,750,800	916,190,300	786,798,500	784,081,200
Debt Service	259,786,900	262,579,500	287,109,600	268,625,200	280,984,800
Capital Outlay	5,954,300	12,793,100	15,255,100	6,216,000	6,370,200
<b>TOTAL EXPENDITURES</b>	<b>1,107,489,700</b>	<b>1,718,929,400</b>	<b>1,716,225,500</b>	<b>1,503,288,300</b>	<b>1,531,911,500</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	631,330,900	1,268,166,400	1,235,761,300	1,049,337,700	1,047,283,700
Tobacco Fund	54,614,200	33,817,900	33,575,400	26,828,500	27,828,700
Restricted Funds	243,676,700	279,239,100	311,366,400	289,612,000	322,021,000
Federal Fund	177,355,400	137,181,200	134,985,700	136,990,900	134,257,700
Road Fund	512,500	524,800	536,700	519,200	520,400
<b>TOTAL EXPENDITURES</b>	<b>1,107,489,700</b>	<b>1,718,929,400</b>	<b>1,716,225,500</b>	<b>1,503,288,300</b>	<b>1,531,911,500</b>
<b>EXPENDITURES BY UNIT</b>					
Office of the Governor	11,200,000	11,797,200	10,798,700	11,307,300	10,109,400
Office of State Budget Director	3,293,900	3,609,200	3,816,900	3,364,200	3,407,800
State Planning Fund	150,800	150,800	150,800	137,200	137,200
Homeland Security	6,008,600	6,532,400	6,617,300	5,998,100	6,044,000
Department of Veterans' Affairs	69,329,000	95,828,700	101,576,900	87,345,800	94,115,800
Governor's Office of Agricultural Policy	51,357,600	30,343,100	29,939,300	23,356,300	24,190,000
Kentucky Infrastructure Authority	62,879,400	63,036,100	87,285,700	68,692,700	84,961,400
Military Affairs	121,101,000	91,685,800	94,005,300	85,861,800	86,220,100

**EXPENDITURES BY UNIT**

Commission on Human Rights	1,905,600	3,091,000	3,225,700	1,929,700	1,948,600
Commission on Women	221,600	326,800	340,500	224,600	227,000
Department for Local Government	49,924,000	50,695,700	51,836,500	49,884,000	49,541,800
Local Government Economic Assistance Fund	38,442,800	48,690,000	48,690,000	37,594,600	37,406,100
Local Government Economic Development Fund	8,395,900	28,426,200	28,426,200	8,441,700	116,300
Area Development Fund	452,300	473,600	473,600	431,000	431,000
Executive Branch Ethics Commission	513,800	642,400	666,200	561,400	565,900
Secretary of State	3,615,100	4,107,600	4,179,900	4,400,700	4,359,100
Board of Elections	9,389,400	10,988,100	7,556,700	9,322,600	8,165,200
Registry of Election Finance	1,165,900	1,351,300	1,409,400	1,166,500	1,176,800
Attorney General	29,149,900	30,643,300	31,753,700	29,742,800	30,255,700
Unified Prosecutorial System	89,034,000	108,325,500	113,932,500	93,272,700	94,422,800
Treasury	3,262,700	3,692,400	3,835,100	3,493,500	3,565,200
Agriculture	33,350,500	34,802,100	35,742,100	32,649,700	32,810,700
Auditor of Public Accounts	13,129,500	15,190,000	15,631,000	13,596,300	13,718,500
Personnel Board	856,000	897,700	948,900	888,000	913,800
Kentucky Retirement Systems	41,306,800	43,107,700	44,492,100	119,537,200	123,440,900
KY Communications Network Authority	5,064,000	11,581,300	13,958,200	18,649,700	27,941,900
Occupational & Professional Boards & Commissions	23,779,700	26,357,400	27,111,400	25,625,100	25,785,500
Kentucky River Authority	3,614,500	4,104,100	5,636,800	3,752,400	3,762,000
School Facilities Construction Commission	109,054,000	120,907,700	127,102,500	121,686,800	126,950,800
Teachers' Retirement System	311,515,000	850,873,300	798,414,700	635,347,500	630,193,800
Appropriations Not Otherwise Classified	5,026,400	16,670,900	16,670,900	5,026,400	5,026,400
<b>TOTAL EXPENDITURES</b>	<b>1,107,489,700</b>	<b>1,718,929,400</b>	<b>1,716,225,500</b>	<b>1,503,288,300</b>	<b>1,531,911,500</b>

## Economic Development

	Revised FY 2016	Requested FY 2017	Requested FY 2018	Recommended FY 2017	Recommended FY 2018
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	34,254,600	24,290,700	26,024,500	17,888,600	18,904,200
Continuing Approp-General Fund	24,900				
<b>Total General Fund</b>	<b>34,279,500</b>	<b>24,290,700</b>	<b>26,024,500</b>	<b>17,888,600</b>	<b>18,904,200</b>
<b>Restricted Funds</b>					
Balance Forward	2,551,700				149,600
Current Receipts	3,045,300	2,943,900	3,058,700	3,143,900	3,258,700
<b>Total Restricted Funds</b>	<b>5,597,000</b>	<b>2,943,900</b>	<b>3,058,700</b>	<b>3,143,900</b>	<b>3,408,300</b>
<b>Federal Fund</b>					
Non-Revenue Receipts	5,525,000	200,000	100,000	200,000	100,000
<b>Total Federal Fund</b>	<b>5,525,000</b>	<b>200,000</b>	<b>100,000</b>	<b>200,000</b>	<b>100,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>45,401,500</b>	<b>27,434,600</b>	<b>29,183,200</b>	<b>21,232,500</b>	<b>22,412,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	9,807,100	12,287,100	12,788,800	9,878,800	9,971,600
Operating Expenses	2,717,400	1,955,600	1,847,500	1,380,000	1,271,200
Grants Loans Benefits	32,010,500	13,191,900	13,191,900	9,824,100	9,826,700
Debt Service			1,355,000		948,000
<b>TOTAL EXPENDITURES</b>	<b>44,535,000</b>	<b>27,434,600</b>	<b>29,183,200</b>	<b>21,082,900</b>	<b>22,017,500</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	33,413,000	24,290,700	26,024,500	17,888,600	18,904,200
Restricted Funds	5,597,000	2,943,900	3,058,700	2,994,300	3,013,300
Federal Fund	5,525,000	200,000	100,000	200,000	100,000
<b>TOTAL EXPENDITURES</b>	<b>44,535,000</b>	<b>27,434,600</b>	<b>29,183,200</b>	<b>21,082,900</b>	<b>22,017,500</b>
<b>EXPENDITURES BY UNIT</b>					
Economic Development	44,535,000	27,434,600	29,183,200	21,082,900	22,017,500
<b>TOTAL EXPENDITURES</b>	<b>44,535,000</b>	<b>27,434,600</b>	<b>29,183,200</b>	<b>21,082,900</b>	<b>22,017,500</b>

The Cabinet for Economic Development is governed by the Kentucky Economic Development Partnership. The Partnership board has 11 voting members and two non-voting members. The 11 voting members are the Governor, who is chairman, the Secretary of the Finance and Administration Cabinet, the Secretary of the Energy and Environment Cabinet, and eight citizen members appointed by the Governor who represent all sectors of the economic development community. The Secretary of the Cabinet for Economic Development (nominated by the Economic Development Partnership and appointed by the Governor) and the Secretary of the Tourism, Arts and Heritage Cabinet serve as non-voting members.

The budgetary resources for the Cabinet are organized in four programs within a single appropriation unit. Business Development is the Commonwealth's marketing and sales force to both prospective investors and existing businesses. Its resources include Kentucky-based business development agents and representatives in Tokyo, Japan and Hamburg, Germany; a database of available sites; comprehensive market research; targeted programs for small businesses; and support of the statewide network of Innovation and Commercialization Centers. The Bluegrass State Skills Corporation makes matching grants for industry-specific training of employees. Financial Services administers loans, grants and tax incentives available to businesses that invest and create or maintain jobs in Kentucky, and staffs the Kentucky Economic Development Finance Authority. The Office of the Secretary provides strategic direction for Cabinet activities and administrative services such as legal, fiscal, budget, personnel and asset management.

### Policy

The Executive Budget includes a current year appropriation of \$975,000 in Restricted Funds for services related to the customization of computer software and provides \$200,000 for annual licenses in fiscal year 2016-2017 and fiscal year 2017-2018.

The Executive Budget includes General Fund debt service in the amount of \$948,000 in fiscal year 2017-2018 for debt service on new bonds included in the capital budget.

The Executive Budget includes General Fund of \$2,311,200 in fiscal year 2016-2017 and \$2,311,800 in fiscal year 2017-2018 for training grants for Bluegrass State Skills Corporation. Notwithstanding KRS 45.229, the General Fund appropriation balance for Bluegrass State Skills Corporation training grants for fiscal year 2015-2016 and fiscal year 2016-2017 shall not lapse and shall carry forward.

**Department of Education**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	4,092,679,300	4,328,042,800	4,323,709,900	4,093,226,500	4,083,876,900
Continuing Approp-General Fund	454,000				
<b>Total General Fund</b>	<b>4,093,133,300</b>	<b>4,328,042,800</b>	<b>4,323,709,900</b>	<b>4,093,226,500</b>	<b>4,083,876,900</b>
<b>Restricted Funds</b>					
Balance Forward	9,865,399				
Current Receipts	3,138,887	13,917,500	14,017,000	14,072,900	14,119,300
Non-Revenue Receipts	19,964,214	20,948,900	21,931,200	20,069,600	20,069,600
<b>Total Restricted Funds</b>	<b>32,968,500</b>	<b>34,866,400</b>	<b>35,948,200</b>	<b>34,142,500</b>	<b>34,188,900</b>
<b>Federal Fund</b>					
Balance Forward	3,394,181				
Current Receipts	884,750,719	888,584,300	888,934,200	888,475,100	888,493,100
<b>Total Federal Fund</b>	<b>888,144,900</b>	<b>888,584,300</b>	<b>888,934,200</b>	<b>888,475,100</b>	<b>888,493,100</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>5,014,246,700</b>	<b>5,251,493,500</b>	<b>5,248,592,300</b>	<b>5,015,844,100</b>	<b>5,006,558,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	112,181,700	130,458,400	137,796,900	112,813,500	113,155,700
Operating Expenses	34,243,100	39,125,600	39,092,300	29,912,100	29,860,700
Grants Loans Benefits	4,851,066,800	5,079,278,500	5,069,072,100	4,873,118,500	4,863,542,500
Debt Service	0	2,631,000	2,631,000	0	0
<b>TOTAL EXPENDITURES</b>	<b>4,997,491,600</b>	<b>5,251,493,500</b>	<b>5,248,592,300</b>	<b>5,015,844,100</b>	<b>5,006,558,900</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	4,076,378,200	4,328,042,800	4,323,709,900	4,093,226,500	4,083,876,900
Restricted Funds	32,968,500	34,866,400	35,948,200	34,142,500	34,188,900
Federal Fund	888,144,900	888,584,300	888,934,200	888,475,100	888,493,100
<b>TOTAL EXPENDITURES</b>	<b>4,997,491,600</b>	<b>5,251,493,500</b>	<b>5,248,592,300</b>	<b>5,015,844,100</b>	<b>5,006,558,900</b>
<b>EXPENDITURES BY UNIT</b>					
Support Education Excellence in Kentucky (SEEK)	3,009,490,600	3,126,680,800	3,115,894,500	3,034,985,800	3,023,991,700
Operations and Support Services	388,080,100	392,942,600	393,731,500	387,006,700	387,087,700
Learning and Results Services	1,599,920,900	1,731,870,100	1,738,966,300	1,593,851,600	1,595,479,500
<b>TOTAL EXPENDITURES</b>	<b>4,997,491,600</b>	<b>5,251,493,500</b>	<b>5,248,592,300</b>	<b>5,015,844,100</b>	<b>5,006,558,900</b>

In enacting the Kentucky Education Reform Act (KERA), the 1990 General Assembly provided for a reconstituted Department of Education to implement KERA along with existing programs. In accordance with KRS 156.148, the Department of Education is headed by a Commissioner of Education appointed by the Kentucky Board of Education.

### Education and Workforce Development

	Revised FY 2016	Requested FY 2017	Requested FY 2018	Recommended FY 2017	Recommended FY 2018
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	51,905,800	80,903,800	88,309,000	51,203,000	55,843,400
<b>Total General Fund</b>	51,905,800	80,903,800	88,309,000	51,203,000	55,843,400
<b>Restricted Funds</b>					
Balance Forward	37,217,300	55,821,700	79,360,300	55,821,700	78,284,100
Current Receipts	13,100,400	12,536,300	12,588,000	13,526,100	13,260,600
Non-Revenue Receipts	41,698,000	50,459,900	47,448,800	43,831,700	44,625,200
<b>Total Restricted Funds</b>	92,015,700	118,817,900	139,397,100	113,179,500	136,169,900
<b>Federal Fund</b>					
Balance Forward	2,249,800	287,700	344,200	288,300	344,400
Current Receipts	747,962,900	751,558,900	758,841,100	747,428,200	754,467,800
<b>Total Federal Fund</b>	750,212,700	751,846,600	759,185,300	747,716,500	754,812,200
<b>TOTAL SOURCE OF FUNDS</b>	894,134,200	951,568,300	986,891,400	912,099,000	946,825,500
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	99,556,400	115,990,300	121,200,800	99,513,700	98,577,400
Operating Expenses	34,810,200	34,809,800	34,506,000	33,153,500	33,200,000
Grants Loans Benefits	684,468,300	699,544,700	707,142,000	681,943,300	688,185,800
Debt Service	15,770,400	19,718,400	22,897,400	17,809,400	26,218,400
Capital Outlay	1,083,900	1,800,600	1,680,000	1,050,600	1,055,000
Construction	150,000				
<b>TOTAL EXPENDITURES</b>	835,839,200	871,863,800	887,426,200	833,470,500	847,236,600
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	49,720,800	80,903,800	88,309,000	51,203,000	55,843,400
Restricted Funds	36,194,000	39,457,600	42,314,900	34,895,400	38,963,800
Federal Fund	749,924,400	751,502,400	756,802,300	747,372,100	752,429,400
<b>TOTAL EXPENDITURES</b>	835,839,200	871,863,800	887,426,200	833,470,500	847,236,600
<b>EXPENDITURES BY UNIT</b>					
General Administration and Program Support	12,524,500	18,693,000	18,692,300	15,095,600	19,564,100
Proprietary Education	209,000	287,700	298,000	286,500	288,600
Deaf and Hard of Hearing	1,952,700	2,056,000	2,115,900	1,972,500	1,983,500
Kentucky Educational Television	14,100,000	17,749,700	17,413,900	14,073,200	14,182,100
Environmental Education Council	221,300	231,100	239,200	211,900	188,700
Libraries and Archives	9,244,600	11,408,400	11,739,300	9,329,700	9,385,100
Direct Local Aid	6,924,100	9,308,000	10,183,000	6,790,200	6,790,200
Office for the Blind	11,079,500	13,120,300	13,528,100	10,466,500	10,531,600
Employment and Training	710,808,600	720,615,700	733,349,500	707,596,800	716,541,900
Vocational Rehabilitation	59,735,800	67,456,200	68,442,000	59,870,400	59,983,400
Education Professional Standards Board	9,039,100	10,937,700	11,425,000	7,777,200	7,797,400
<b>TOTAL EXPENDITURES</b>	835,839,200	871,863,800	887,426,200	833,470,500	847,236,600

During the 2006 Regular Session of the General Assembly, Senate Bill 105 combined several departments and offices from the former Education, Arts, and Humanities Cabinet and the former Workforce Development Cabinet to create the Education Cabinet. Senate Bill 78 from the 2009 Regular Session of the General Assembly renamed the cabinet to the Education and Workforce Development Cabinet to emphasize the important connection between education and workforce development. Since that time, other changes have been implemented via enacted legislation including moving the Council on Postsecondary Education from the Education and Workforce Development Cabinet to the Governor's Office, for administrative purposes; moving the Governor's Scholars Program from the Governor's Office to the Education and Workforce Development Cabinet; and dissolving the Board for Proprietary Education and creating the Commission on

Proprietary Education, and moving it to the Education and Workforce Development Cabinet for administrative purposes.

The following agencies comprise the Education and Workforce Development Cabinet:

- Department of Education
- Kentucky Center for School Safety
- Governor's Scholars Program
- Education Professional Standards Board
- Kentucky Commission on the Deaf and Hard of Hearing
- Environmental Education Council
- Department for Workforce Investment
- Kentucky Commission on Proprietary Education
- Kentucky Educational Television
- Department for Libraries and Archives

**Energy and Environment**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	78,086,400	90,147,200	94,581,900	76,129,000	77,075,000
Continuing Approp-General Fund	674,500				
<b>Total General Fund</b>	<b>78,760,900</b>	<b>90,147,200</b>	<b>94,581,900</b>	<b>76,129,000</b>	<b>77,075,000</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I		5,000,000	5,000,000	5,000,000	5,000,000
Special Appropriation	5,000,000				
Continuing Approp-Tob Settlement	11,483,500				
<b>Total Tobacco Fund</b>	<b>16,483,500</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>
<b>Restricted Funds</b>					
Balance Forward	24,632,700	16,201,600	16,832,900	15,800,000	15,669,300
Current Receipts	22,918,600	23,833,500	24,313,100	23,833,500	24,313,100
Non-Revenue Receipts	66,724,200	65,523,700	65,495,500	64,019,700	63,693,100
Fund Transfers	-8,016,200				
<b>Total Restricted Funds</b>	<b>106,259,300</b>	<b>105,558,800</b>	<b>106,641,500</b>	<b>103,653,200</b>	<b>103,675,500</b>
<b>Federal Fund</b>					
Balance Forward					48,700
Current Receipts	85,490,700	78,797,900	76,213,400	78,257,800	75,700,300
Non-Revenue Receipts	-2,982,900	-3,267,000	-3,219,700	-3,253,000	-3,205,300
<b>Total Federal Fund</b>	<b>82,507,800</b>	<b>75,530,900</b>	<b>72,993,700</b>	<b>75,004,800</b>	<b>72,543,700</b>
<b>Road Fund</b>					
Regular Appropriation	320,900	320,900	320,900	320,900	320,900
<b>Total Road Fund</b>	<b>320,900</b>	<b>320,900</b>	<b>320,900</b>	<b>320,900</b>	<b>320,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>284,332,400</b>	<b>276,557,800</b>	<b>279,538,000</b>	<b>260,107,900</b>	<b>258,615,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	129,569,900	141,304,400	148,031,200	132,229,200	133,254,300
Operating Expenses	42,077,200	46,736,900	45,802,100	39,954,700	39,253,900
Grants Loans Benefits	51,102,000	41,796,800	40,548,800	37,361,900	35,808,600
Debt Service	589,000	474,000	474,000	485,500	665,500
Capital Outlay	8,879,400	9,949,800	9,312,600	7,827,600	7,335,400
Construction	26,077,600	19,463,000	17,463,000	19,463,000	17,463,000
<b>TOTAL EXPENDITURES</b>	<b>258,295,100</b>	<b>259,724,900</b>	<b>261,631,700</b>	<b>237,321,900</b>	<b>233,780,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	68,523,600	90,147,200	94,581,900	69,061,000	70,007,000
Tobacco Fund	16,483,500	5,000,000	5,000,000	5,000,000	5,000,000
Restricted Funds	90,459,300	88,725,900	88,735,200	87,983,900	86,719,000
Federal Fund	82,507,800	75,530,900	72,993,700	74,956,100	71,733,800
Road Fund	320,900	320,900	320,900	320,900	320,900
<b>TOTAL EXPENDITURES</b>	<b>258,295,100</b>	<b>259,724,900</b>	<b>261,631,700</b>	<b>237,321,900</b>	<b>233,780,700</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	5,844,600	7,422,900	7,716,300	5,861,200	5,883,600
Environmental Protection	115,522,300	123,992,400	126,422,700	115,801,200	115,364,900
Natural Resources	120,605,700	107,080,600	106,287,400	100,742,300	98,048,600
Energy Development and Independence	3,994,700	6,891,800	6,797,000	3,416,000	2,934,800
Kentucky Nature Preserves Commission	1,406,700	1,884,500	1,905,100	1,425,900	1,389,100
Public Service Commission	10,921,100	12,452,700	12,503,200	10,075,300	10,159,700
<b>TOTAL EXPENDITURES</b>	<b>258,295,100</b>	<b>259,724,900</b>	<b>261,631,700</b>	<b>237,321,900</b>	<b>233,780,700</b>



The Energy and Environment Cabinet is charged with the protection and preservation of land, air and water resources as well as creating efficient, sustainable energy solutions. The Cabinet has three departments: Environmental Protection, Natural Resources, and Energy Development and Independence. Attached for administrative purposes are the Mine Safety Review Commission, the State Nature Preserves Commission, the Environmental Quality Commission, and the Public Service Commission.

A Secretary appointed by the Governor heads the Cabinet. The Secretary is responsible for leadership, monitoring trends and shaping a vision for the future of Kentucky's energy platform and environment.

**Finance and Administration**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	629,963,900	612,879,500	687,163,500	588,095,300	634,895,000
Special Appropriation	5,459,000				
<b>Total General Fund</b>	<b>635,422,900</b>	<b>612,879,500</b>	<b>687,163,500</b>	<b>588,095,300</b>	<b>634,895,000</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	30,907,000	27,102,100	26,784,500	27,235,300	26,917,700
<b>Total Tobacco Fund</b>	<b>30,907,000</b>	<b>27,102,100</b>	<b>26,784,500</b>	<b>27,235,300</b>	<b>26,917,700</b>
<b>Restricted Funds</b>					
Balance Forward	53,033,000	39,064,100	24,920,300	46,950,100	25,193,500
Current Receipts	217,574,200	237,887,300	239,057,700	234,518,200	234,608,100
Non-Revenue Receipts	1,550,900	1,943,700	1,943,700	1,709,500	1,721,100
Fund Transfers	-1,000,000			-6,300,000	-5,000,000
<b>Total Restricted Funds</b>	<b>271,158,100</b>	<b>278,895,100</b>	<b>265,921,700</b>	<b>276,877,800</b>	<b>256,522,700</b>
<b>Federal Fund</b>					
Current Receipts	1,546,300	1,262,800	1,262,800	1,262,800	1,262,800
<b>Total Federal Fund</b>	<b>1,546,300</b>	<b>1,262,800</b>	<b>1,262,800</b>	<b>1,262,800</b>	<b>1,262,800</b>
<b>Road Fund</b>					
Regular Appropriation	3,399,600	3,399,600	3,399,600	3,523,100	3,545,900
<b>Total Road Fund</b>	<b>3,399,600</b>	<b>3,399,600</b>	<b>3,399,600</b>	<b>3,523,100</b>	<b>3,545,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>942,433,900</b>	<b>923,539,100</b>	<b>984,532,100</b>	<b>896,994,300</b>	<b>923,144,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	237,150,000	270,323,100	281,488,300	259,838,700	258,220,200
Operating Expenses	128,457,300	144,751,700	144,762,600	130,136,400	129,658,100
Grants Loans Benefits	1,991,800	1,698,300	1,421,000	1,698,300	1,421,000
Debt Service	441,954,600	430,176,400	496,235,400	436,380,500	483,758,000
Capital Outlay	20,920,000	33,198,100	31,654,600	29,475,600	26,652,900
<b>TOTAL EXPENDITURES</b>	<b>830,473,700</b>	<b>880,147,600</b>	<b>955,561,900</b>	<b>857,529,500</b>	<b>899,710,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	572,592,300	600,759,700	674,721,800	575,975,400	622,453,300
Tobacco Fund	28,727,500	24,950,700	24,566,500	25,083,900	24,699,700
Restricted Funds	224,208,000	249,774,800	251,611,200	251,684,300	247,748,500
Federal Fund	1,546,300	1,262,800	1,262,800	1,262,800	1,262,800
Road Fund	3,399,600	3,399,600	3,399,600	3,523,100	3,545,900
<b>TOTAL EXPENDITURES</b>	<b>830,473,700</b>	<b>880,147,600</b>	<b>955,561,900</b>	<b>857,529,500</b>	<b>899,710,200</b>
<b>EXPENDITURES BY UNIT</b>					
General Administration	39,521,900	46,476,100	47,036,400	44,112,300	42,181,600
Controller	15,026,400	15,899,400	16,442,900	17,190,900	17,415,100
Debt Service	441,949,600	430,171,400	479,484,400	435,820,000	481,757,500
Facilities and Support Services	44,828,300	51,856,900	63,213,900	53,192,400	51,865,900
County Costs	17,599,500	23,317,500	23,317,500	17,599,500	17,599,500
Commonwealth Office of Technology	124,824,300	140,712,100	143,338,600	140,118,800	137,638,900
Revenue	100,438,200	115,158,000	123,751,400	100,737,600	101,476,700
Property Valuation Administrators	46,285,500	56,556,200	58,976,800	48,758,000	49,775,000
<b>TOTAL EXPENDITURES</b>	<b>830,473,700</b>	<b>880,147,600</b>	<b>955,561,900</b>	<b>857,529,500</b>	<b>899,710,200</b>

The Finance and Administration Cabinet is responsible for managing the financial resources of the Commonwealth and for providing central administrative services to agencies of state and local government. The mission of the Finance and Administration Cabinet is to provide its customers with assistance in the delivery of quality services, effective

administration, and sound financial management. The Cabinet provides leadership, coordination, and support to other state agencies to ensure accountability and integrity in the use of public resources. The Finance and Administration Cabinet constantly strives to conduct government business more effectively. Moreover, among the highest priorities of the Cabinet is providing state government with the resources necessary to carry out its mission by equitable and efficient revenue collection.

The Cabinet's duties include construction of state facilities, property management including motor vehicles, tax administration and collection, management of the Commonwealth's information technology systems, expenditure control, and state purchasing.

**Health and Family Services**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	2,381,426,800	2,754,720,700	2,987,946,600	2,512,167,400	2,714,506,600
<b>Total General Fund</b>	<b>2,381,426,800</b>	<b>2,754,720,700</b>	<b>2,987,946,600</b>	<b>2,512,167,400</b>	<b>2,714,506,600</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	25,036,800	20,556,300	19,977,500	21,492,900	23,954,200
Special Appropriation	682,500				
Continuing Approp-Tob Settlement	5,017,000			2,046,600	
<b>Total Tobacco Fund</b>	<b>30,736,300</b>	<b>20,556,300</b>	<b>19,977,500</b>	<b>23,539,500</b>	<b>23,954,200</b>
<b>Restricted Funds</b>					
Balance Forward	52,321,300	20,803,700	13,695,500	20,803,700	23,211,100
Current Receipts	596,540,300	590,537,500	597,169,600	592,520,800	598,512,200
Non-Revenue Receipts	472,186,800	458,206,800	469,135,000	458,555,700	469,004,500
Fund Transfers				-500,000	500,000
<b>Total Restricted Funds</b>	<b>1,121,048,400</b>	<b>1,069,548,000</b>	<b>1,080,000,100</b>	<b>1,071,380,200</b>	<b>1,091,227,800</b>
<b>Federal Fund</b>					
Balance Forward	63,073,900				
Current Receipts	9,070,805,900	9,447,230,900	9,759,242,800	9,370,930,900	9,651,262,700
<b>Total Federal Fund</b>	<b>9,133,879,800</b>	<b>9,447,230,900</b>	<b>9,759,242,800</b>	<b>9,370,930,900</b>	<b>9,651,262,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>12,667,091,300</b>	<b>13,292,055,900</b>	<b>13,847,167,000</b>	<b>12,978,018,000</b>	<b>13,480,951,300</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	778,573,100	944,070,500	967,002,200	879,335,700	866,596,900
Operating Expenses	144,196,100	153,317,300	153,724,000	139,707,200	138,042,400
Grants Loans Benefits	11,676,708,400	12,168,108,800	12,691,122,400	11,922,773,000	12,424,125,800
Debt Service	11,257,700	11,587,900	28,244,400	11,715,100	12,145,100
Capital Outlay	2,404,800	1,275,900	1,275,900	1,275,900	1,275,900
<b>TOTAL EXPENDITURES</b>	<b>12,613,140,100</b>	<b>13,278,360,400</b>	<b>13,841,368,900</b>	<b>12,954,806,900</b>	<b>13,442,186,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	2,350,325,900	2,754,720,700	2,987,946,600	2,512,167,400	2,714,506,600
Tobacco Fund	28,689,700	20,556,300	19,977,500	23,539,500	23,954,200
Restricted Funds	1,100,244,700	1,055,852,500	1,074,202,100	1,048,169,100	1,052,462,600
Federal Fund	9,133,879,800	9,447,230,900	9,759,242,800	9,370,930,900	9,651,262,700
<b>TOTAL EXPENDITURES</b>	<b>12,613,140,100</b>	<b>13,278,360,400</b>	<b>13,841,369,000</b>	<b>12,954,806,900</b>	<b>13,442,186,100</b>
<b>EXPENDITURES BY UNIT</b>					
Health Benefit and Information Exchange	47,627,600	41,986,200	36,615,100	43,028,600	17,413,800
General Administration and Program Support	84,802,900	95,689,100	99,061,900	89,932,600	90,326,400
Health Policy	3,253,200	2,773,700	2,273,700	2,767,100	2,273,200
Aging and Independent Living	70,678,400	84,433,500	84,951,500	70,596,900	70,730,500
Income Support	104,095,200	108,364,100	117,335,100	106,993,100	108,735,300
Public Health	372,026,000	377,260,400	382,521,300	361,317,000	362,276,600
Behavioral Health, Developmental & Intellectual Disabilities	456,032,000	479,902,900	489,814,200	430,876,800	431,676,500
Family Resource Centers and Volunteer Services	4,481,800	13,241,400	13,313,700	6,271,400	6,281,700
Community Based Services	1,020,334,700	1,126,864,600	1,144,497,000	1,049,257,800	1,056,270,000
Medicaid Services	10,431,154,800	10,928,118,500	11,450,487,700	10,773,900,900	11,275,946,300
Comm for Children with Special Health Care Needs	18,653,500	19,726,000	20,497,800	19,864,700	20,255,800
<b>TOTAL EXPENDITURES</b>	<b>12,613,140,100</b>	<b>13,278,360,400</b>	<b>13,841,369,000</b>	<b>12,954,806,900</b>	<b>13,442,186,100</b>

The Cabinet for Health and Family Services is the primary state agency responsible for leadership in protecting and promoting the health and well being of all Kentuckians through the delivery of quality health and human services. The following departments and/or offices comprise the Cabinet for Health and Family Services: the Office of the Secretary, Office of Communications and Administrative Review, Office of the Inspector General, Office of Legal Services, Office of Administrative and Technology Services, Office of Human Resource Management, Office of Policy and Budget and Office of the Ombudsman which comprise the Administration and Program Support appropriation unit. Remaining agencies/ appropriation units within the Cabinet include the Kentucky Office of Health Benefit and Information Exchange, the Office of Health Policy, Department for Medicaid Services, Department for Behavioral Health, Developmental and Intellectual Disabilities, Department for Public Health, Department for Aging and Independent Living, Department for Community Based Services, Department for Income Support, Department for Family Resource Centers and Volunteer Services and the Commission for Children with Special Health Care Needs.

**Justice and Public Safety**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	691,476,700	924,685,200	951,413,200	748,819,500	757,672,800
Special Appropriation	10,000,000				
Current Year Appropriation	16,177,500				
Mandated Allotments	16,800,000				
<b>Total General Fund</b>	<b>734,454,200</b>	<b>924,685,200</b>	<b>951,413,200</b>	<b>748,819,500</b>	<b>757,672,800</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	1,241,100	1,707,800	1,714,700	1,609,100	1,769,800
Special Appropriation	459,100				
Continuing Approp-Tob Settlement	73,100				
<b>Total Tobacco Fund</b>	<b>1,773,300</b>	<b>1,707,800</b>	<b>1,714,700</b>	<b>1,609,100</b>	<b>1,769,800</b>
<b>Restricted Funds</b>					
Balance Forward	19,054,300	13,018,400	15,281,200	17,957,800	13,231,200
Current Receipts	45,393,000	44,884,500	45,114,900	45,545,800	41,825,700
Non-Revenue Receipts	87,461,000	73,779,900	74,599,700	96,778,300	98,226,300
Fund Transfers	-11,000,000				
<b>Total Restricted Funds</b>	<b>140,908,300</b>	<b>131,682,800</b>	<b>134,995,800</b>	<b>160,281,900</b>	<b>153,283,200</b>
<b>Federal Fund</b>					
Balance Forward	918,100	21,859,300	24,259,900	21,859,300	24,259,900
Current Receipts	59,935,300	50,430,900	50,644,800	41,109,900	41,250,000
Non-Revenue Receipts	-684,500				
<b>Total Federal Fund</b>	<b>60,168,900</b>	<b>72,290,200</b>	<b>74,904,700</b>	<b>62,969,200</b>	<b>65,509,900</b>
<b>Road Fund</b>					
Regular Appropriation	96,845,800	112,253,700	116,436,700	102,676,700	103,596,700
<b>Total Road Fund</b>	<b>96,845,800</b>	<b>112,253,700</b>	<b>116,436,700</b>	<b>102,676,700</b>	<b>103,596,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>1,034,150,500</b>	<b>1,242,619,700</b>	<b>1,279,465,100</b>	<b>1,076,356,400</b>	<b>1,081,832,400</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	565,935,700	651,356,300	685,317,700	599,005,200	604,586,200
Operating Expenses	120,435,300	141,346,100	139,417,100	116,956,000	115,688,700
Grants Loans Benefits	292,720,500	322,273,200	323,890,400	310,559,100	311,840,900
Debt Service	2,140,500	8,898,900	10,256,600	2,409,400	3,109,100
Capital Outlay	5,738,200	79,203,700	76,777,200	9,935,200	5,923,200
Construction	400	400	400	400	400
<b>TOTAL EXPENDITURES</b>	<b>986,970,600</b>	<b>1,203,078,600</b>	<b>1,235,659,400</b>	<b>1,038,865,300</b>	<b>1,041,148,500</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	727,091,400	924,685,200	951,413,200	748,819,500	757,672,800
Tobacco Fund	1,773,300	1,707,800	1,714,700	1,609,100	1,769,800
Restricted Funds	122,950,500	116,401,600	117,882,000	147,050,700	139,291,200
Federal Fund	38,309,600	48,030,300	48,212,800	38,709,300	38,818,000
Road Fund	96,845,800	112,253,700	116,436,700	102,676,700	103,596,700
<b>TOTAL EXPENDITURES</b>	<b>986,970,600</b>	<b>1,203,078,600</b>	<b>1,235,659,400</b>	<b>1,038,865,300</b>	<b>1,041,148,500</b>
<b>EXPENDITURES BY UNIT</b>					
Justice Administration	37,328,700	54,189,700	56,843,800	43,148,500	43,941,300
Criminal Justice Training	53,187,600	53,676,800	54,512,000	74,944,500	70,836,200
Juvenile Justice	105,836,400	114,182,900	118,844,200	111,556,100	112,463,100
State Police	206,057,900	320,343,400	333,018,900	225,275,300	226,972,100
Corrections Management	9,652,800	11,863,000	12,243,900	9,710,300	9,779,900
Adult Correctional Institutions	290,669,500	318,488,500	320,711,800	288,447,600	289,124,000

**EXPENDITURES BY UNIT**

Community Services and Local Facilities	213,015,500	236,803,500	239,117,200	212,420,800	214,408,700
Local Jail Support	17,538,700	23,585,200	23,899,200	16,712,300	16,712,300
Public Advocacy	53,683,500	69,945,600	76,468,400	56,649,900	56,910,900
<b>TOTAL EXPENDITURES</b>	<u>986,970,600</u>	<u>1,203,078,600</u>	<u>1,235,659,400</u>	<u>1,038,865,300</u>	<u>1,041,148,500</u>

The Kentucky Justice Cabinet was established in 1974. It was renamed the Justice and Public Safety Cabinet in 2007. In 2009, the Department of Vehicle Enforcement was brought under the Kentucky State Police.

The Cabinet is comprised of six departments:

- Department of Justice Administration
- Department for Public Advocacy
- Department of Kentucky State Police
- Department of Juvenile Justice
- Department of Criminal Justice Training
- Department of Corrections

**Labor**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	5,183,400	6,253,900	6,639,500	4,951,000	4,994,300
<b>Total General Fund</b>	<b>5,183,400</b>	<b>6,253,900</b>	<b>6,639,500</b>	<b>4,951,000</b>	<b>4,994,300</b>
<b>Restricted Funds</b>					
Balance Forward	9,941,200	622,900	1,087,100	622,900	1,078,300
Current Receipts	103,646,200	118,043,100	121,746,200	116,188,800	118,211,500
Non-Revenue Receipts	99,656,700	108,860,100	111,528,200	108,751,400	110,074,700
<b>Total Restricted Funds</b>	<b>213,244,100</b>	<b>227,526,100</b>	<b>234,361,500</b>	<b>225,563,100</b>	<b>229,364,500</b>
<b>Federal Fund</b>					
Current Receipts	4,162,900	3,666,300	3,666,300	3,666,300	3,666,300
Non-Revenue Receipts	-16,800	-16,800	-16,800	-16,800	-16,800
<b>Total Federal Fund</b>	<b>4,146,100</b>	<b>3,649,500</b>	<b>3,649,500</b>	<b>3,649,500</b>	<b>3,649,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>222,573,600</b>	<b>237,429,500</b>	<b>244,650,500</b>	<b>234,163,600</b>	<b>238,008,300</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	143,301,500	155,163,600	160,986,000	151,964,800	154,393,300
Operating Expenses	7,263,800	7,588,300	7,571,400	7,530,000	7,521,900
Grants Loans Benefits	71,012,100	73,400,500	75,389,900	73,400,500	75,389,900
Capital Outlay	140,000	190,000	190,000	190,000	190,000
<b>TOTAL EXPENDITURES</b>	<b>221,717,400</b>	<b>236,342,400</b>	<b>244,137,300</b>	<b>233,085,300</b>	<b>237,495,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	4,950,100	6,253,900	6,639,500	4,951,000	4,994,300
Restricted Funds	212,621,200	226,439,000	233,848,300	224,484,800	228,851,300
Federal Fund	4,146,100	3,649,500	3,649,500	3,649,500	3,649,500
<b>TOTAL EXPENDITURES</b>	<b>221,717,400</b>	<b>236,342,400</b>	<b>244,137,300</b>	<b>233,085,300</b>	<b>237,495,100</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	4,603,600	4,734,900	4,951,500	4,736,700	4,780,500
General Administration and Program Support	6,608,000	7,097,700	7,415,200	6,373,100	6,403,400
Workplace Standards	84,297,800	87,593,900	90,189,800	86,967,900	89,077,500
Workers' Claims	18,039,100	18,914,600	19,737,300	18,876,000	19,040,800
Occupational Safety and Health Review Commission	770,900	807,000	842,200	806,500	813,100
Workers' Compensation Funding Commission	107,398,000	117,194,300	121,001,300	115,325,100	117,379,800
<b>TOTAL EXPENDITURES</b>	<b>221,717,400</b>	<b>236,342,400</b>	<b>244,137,300</b>	<b>233,085,300</b>	<b>237,495,100</b>

The Labor Cabinet is created pursuant to KRS 336. The Cabinet consists of the Office of the Secretary, the Department of Workers' Claims, and the Department of Workplace Standards. The Office of the Secretary manages and administers the Cabinet. The Department of Workers' Claims administers workers' compensation claims and ensures that employers comply with the insurance, self-insurance and rehabilitation provisions in KRS Chapter 342. The Department of Workplace Standards regulates state and federal laws regarding prevailing wage, employment standards, occupational safety and health and child labor law. Workplace Standards also administers the payment of workers' compensation injury claims by the Special Fund and the Coal Workers' Pneumoconiosis Fund.

Attached to the Labor Cabinet for administrative purposes are the Kentucky Labor Management Advisory Council, the State Labor Relations Board, the Workers' Compensation Funding Commission, the Workers' Compensation Advisory Council, the Kentucky Occupational Safety and Health Review Commission, the Occupational Safety and Health Standards Board, the Prevailing Wage Review Board, the Apprenticeship and Training Council, the Employers' Mutual Insurance Authority, the Workers' Compensation Nominating Commission, and the Workers' Compensation Board.

In addition, the Office of General Administration and Program Support for Shared Services and the Office of Inspector



General are attached to the Labor Cabinet for administrative purposes. These offices provide principal administrative, human resources, budget, auditing, and internal investigation activities for the Labor Cabinet, Energy and Environment Cabinet, and Public Protection Cabinet.

**Personnel**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	959,600	940,400	940,400	873,200	873,200
<b>Total General Fund</b>	<b>959,600</b>	<b>940,400</b>	<b>940,400</b>	<b>873,200</b>	<b>873,200</b>
<b>Restricted Funds</b>					
Balance Forward	18,332,200	16,016,800	9,554,300	16,016,800	14,175,500
Current Receipts	51,806,500	54,974,700	55,307,400	54,769,200	55,449,400
Non-Revenue Receipts	7,267,800	8,298,400	8,543,500	7,571,300	7,601,800
Fund Transfers		-5,000,000			
<b>Total Restricted Funds</b>	<b>77,406,500</b>	<b>74,289,900</b>	<b>73,405,200</b>	<b>78,357,300</b>	<b>77,226,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>78,366,100</b>	<b>75,230,300</b>	<b>74,345,600</b>	<b>79,230,500</b>	<b>78,099,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	55,005,400	57,974,000	59,989,500	57,502,000	58,764,600
Operating Expenses	6,191,700	6,569,000	6,612,800	6,487,200	7,032,900
Grants Loans Benefits	916,700	940,700	940,700	873,500	873,500
Capital Outlay	192,300	192,300	192,300	192,300	192,300
<b>TOTAL EXPENDITURES</b>	<b>62,306,100</b>	<b>65,676,000</b>	<b>67,735,300</b>	<b>65,055,000</b>	<b>66,863,300</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	916,400	940,400	940,400	873,200	873,200
Restricted Funds	61,389,700	64,735,600	66,794,900	64,181,800	65,990,100
<b>TOTAL EXPENDITURES</b>	<b>62,306,100</b>	<b>65,676,000</b>	<b>67,735,300</b>	<b>65,055,000</b>	<b>66,863,300</b>
<b>EXPENDITURES BY UNIT</b>					
General Operations	28,028,200	30,151,000	31,031,100	29,586,000	30,320,800
Public Employees Deferred Compensation Authority	9,161,500	9,333,300	9,469,500	9,315,500	9,340,700
Workers' Compensation Benefits and Reserve	24,200,000	25,251,300	26,294,300	25,280,300	26,328,600
State Group Health Insurance Fund	916,400	940,400	940,400	873,200	873,200
<b>TOTAL EXPENDITURES</b>	<b>62,306,100</b>	<b>65,676,000</b>	<b>67,735,300</b>	<b>65,055,000</b>	<b>66,863,300</b>

The Personnel Cabinet provides human resources management for Kentucky state government agencies. The Cabinet coordinates the personnel and payroll functions for most of state government. It coordinates state employee benefit packages, such as health and life insurance, workers' compensation, and deferred compensation programs. The Cabinet coordinates state government's employee application process, as well as recruiting and retention functions.

Currently, the Personnel Cabinet is comprised of five appropriation units: General Operations, Public Employees Deferred Compensation Authority, Workers' Compensation Benefits and Reserve, the State Group Health Insurance Fund, and the State Salary and Compensation Fund.

The Department of Personnel was created in 1960 under KRS 18.160. At the time of its inception, it was headed by a personnel board consisting of five members appointed by the Governor. The Board had the responsibility to forward to the Governor a list of qualified applicants for the position of Commissioner of Personnel. In 1972, the legislature made the Commissioner of Personnel a direct appointee of the Governor without nominations from the Personnel Board.

In 1982, KRS 18.160 was repealed and re-enacted under KRS chapter 18A.015. Legislation enacted that year also authorized the Department to charge other state agencies their pro rata share of costs associated with the administration of the Executive Branch's personnel-related functions. In 1998, the General Assembly elevated the Department to Cabinet status.

**Postsecondary Education**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	1,164,420,400	1,264,412,700	1,399,388,500	1,116,979,500	1,129,943,500
Current Year Appropriation	2,300,000				
Continuing Approp-General Fund	9,725,000				
<b>Total General Fund</b>	<b>1,176,445,400</b>	<b>1,264,412,700</b>	<b>1,399,388,500</b>	<b>1,116,979,500</b>	<b>1,129,943,500</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	4,707,500	6,072,500	6,072,500	5,806,100	6,276,100
Special Appropriation	1,365,000				
Continuing Approp-Tob Settlement	537,000				
<b>Total Tobacco Fund</b>	<b>6,609,500</b>	<b>6,072,500</b>	<b>6,072,500</b>	<b>5,806,100</b>	<b>6,276,100</b>
<b>Restricted Funds</b>					
Balance Forward	6,630,400	3,204,300	2,629,600	5,368,400	4,790,000
Current Receipts	5,218,035,600	5,561,790,900	5,939,394,400	5,562,115,900	5,939,719,400
Non-Revenue Receipts	13,890,000	16,987,300	17,351,200	13,779,000	13,779,000
<b>Total Restricted Funds</b>	<b>5,238,556,000</b>	<b>5,581,982,500</b>	<b>5,959,375,200</b>	<b>5,581,263,300</b>	<b>5,958,288,400</b>
<b>Federal Fund</b>					
Balance Forward	172,500	172,500	172,500	400	0
Current Receipts	901,765,000	930,822,800	961,234,000	930,822,400	961,234,000
Non-Revenue Receipts	-172,100	0	0	0	0
<b>Total Federal Fund</b>	<b>901,765,400</b>	<b>930,995,300</b>	<b>961,406,500</b>	<b>930,822,800</b>	<b>961,234,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>7,323,376,300</b>	<b>7,783,463,000</b>	<b>8,326,242,700</b>	<b>7,634,871,700</b>	<b>8,055,742,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	3,523,879,300	3,741,744,300	3,962,362,100	3,684,463,000	3,920,784,400
Operating Expenses	2,195,727,200	2,394,473,600	2,594,663,100	2,321,950,100	2,495,514,600
Grants Loans Benefits	1,204,290,900	1,269,231,300	1,304,987,000	1,250,022,800	1,246,299,900
Debt Service	148,134,600	155,753,700	223,905,900	155,090,800	154,088,700
Capital Outlay	203,131,100	219,457,600	237,829,200	218,555,000	236,026,600
<b>TOTAL EXPENDITURES</b>	<b>7,275,163,100</b>	<b>7,780,660,500</b>	<b>8,323,747,300</b>	<b>7,630,081,700</b>	<b>8,052,714,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	1,133,601,000	1,264,412,700	1,399,388,500	1,116,979,500	1,129,943,500
Tobacco Fund	6,609,500	6,072,500	6,072,500	5,806,100	6,276,100
Restricted Funds	5,233,187,600	5,579,352,900	5,957,052,300	5,576,473,300	5,955,260,600
Federal Fund	901,765,000	930,822,800	961,234,000	930,822,800	961,234,000
<b>TOTAL EXPENDITURES</b>	<b>7,275,163,100</b>	<b>7,780,660,900</b>	<b>8,323,747,300</b>	<b>7,630,081,700</b>	<b>8,052,714,200</b>
<b>EXPENDITURES BY UNIT</b>					
Council on Postsecondary Education	70,528,600	76,395,500	148,239,700	67,135,200	67,651,100
Kentucky Higher Education Assistance Authority	247,613,200	272,970,100	278,690,400	270,706,000	277,529,500
Eastern Kentucky University	363,671,300	376,404,100	386,276,400	367,433,800	353,842,500
Kentucky State University	62,236,100	66,880,100	67,680,100	58,541,000	52,441,100
Morehead State University	255,530,200	267,835,800	276,515,100	262,243,400	256,097,700
Murray State University	189,284,900	198,450,700	205,824,500	192,149,600	182,991,400
Northern Kentucky University	236,415,800	250,235,900	261,177,900	243,768,600	234,350,800
University of Kentucky	3,355,808,700	3,673,155,300	4,010,850,900	3,629,806,400	3,864,587,500
University of Louisville	1,221,311,500	1,263,023,000	1,301,441,600	1,241,451,000	1,228,670,200
Western Kentucky University	393,205,800	408,119,900	419,674,800	398,290,600	382,390,000
Kentucky Community and Technical College System	879,557,000	927,190,500	967,375,900	898,556,100	869,654,500

**EXPENDITURES BY UNIT**Postsecondary Education  
Performance Fund

282,507,900

**TOTAL EXPENDITURES**

7,275,163,100

7,780,660,900

8,323,747,300

7,630,081,700

8,052,714,200

**Public Protection**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	7,322,000	8,487,300	8,791,200	7,039,100	7,108,700
<b>Total General Fund</b>	<b>7,322,000</b>	<b>8,487,300</b>	<b>8,791,200</b>	<b>7,039,100</b>	<b>7,108,700</b>
<b>Restricted Funds</b>					
Balance Forward	70,279,200	65,424,500	84,084,000	65,424,500	54,865,700
Current Receipts	92,899,100	93,531,200	94,777,900	93,645,000	95,247,500
Non-Revenue Receipts	21,046,500	24,233,600	24,353,200	24,461,600	24,281,100
Fund Transfers	-28,450,000			-29,700,000	-29,700,000
<b>Total Restricted Funds</b>	<b>155,774,800</b>	<b>183,189,300</b>	<b>203,215,100</b>	<b>153,831,100</b>	<b>144,694,300</b>
<b>Federal Fund</b>					
Balance Forward	1,300				
Current Receipts	1,447,400	1,370,200	1,297,400	1,369,400	1,295,700
<b>Total Federal Fund</b>	<b>1,448,700</b>	<b>1,370,200</b>	<b>1,297,400</b>	<b>1,369,400</b>	<b>1,295,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>164,545,500</b>	<b>193,046,800</b>	<b>213,303,700</b>	<b>162,239,600</b>	<b>153,098,700</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	62,221,300	68,177,000	71,503,800	67,223,600	68,004,000
Operating Expenses	12,413,200	13,563,000	13,397,300	13,352,500	13,192,300
Grants Loans Benefits	23,082,900	25,484,400	26,084,400	25,215,400	25,815,400
Capital Outlay	1,074,200	1,738,400	1,451,200	1,582,400	1,295,200
<b>TOTAL EXPENDITURES</b>	<b>98,791,600</b>	<b>108,962,800</b>	<b>112,436,700</b>	<b>107,373,900</b>	<b>108,306,900</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	6,992,600	8,487,300	8,791,200	7,039,100	7,108,700
Restricted Funds	90,350,300	99,105,300	102,348,100	98,965,400	99,902,500
Federal Fund	1,448,700	1,370,200	1,297,400	1,369,400	1,295,700
<b>TOTAL EXPENDITURES</b>	<b>98,791,600</b>	<b>108,962,800</b>	<b>112,436,700</b>	<b>107,373,900</b>	<b>108,306,900</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	6,201,200	6,653,100	6,955,900	6,574,100	6,625,700
Boxing and Wrestling Authority	169,100	158,700	164,500	161,300	161,800
Alcoholic Beverage Control	6,360,700	7,666,900	7,921,500	7,733,400	7,746,400
Charitable Gaming	3,489,300	3,687,900	3,825,400	3,714,300	3,742,200
Board of Claims/Crime Victims'	2,068,700	2,933,000	2,922,100	1,913,900	1,846,900
Compensation Board					
Financial Institutions	10,984,400	12,104,800	12,901,000	12,274,100	12,678,500
Horse Racing Commission	29,026,100	31,927,800	32,721,100	31,661,800	32,293,400
Housing, Buildings and Construction	21,194,900	23,859,000	24,491,200	23,392,800	23,197,500
Insurance	18,846,600	19,472,000	20,013,400	19,498,200	19,560,700
Tax Appeals	450,600	499,600	520,600	450,000	453,800
<b>TOTAL EXPENDITURES</b>	<b>98,791,600</b>	<b>108,962,800</b>	<b>112,436,700</b>	<b>107,373,900</b>	<b>108,306,900</b>

The Public Protection Cabinet is charged with the supervision and regulation of industries. The Cabinet has five departments and one office: Alcoholic Beverage Control, Financial Institutions, Housing, Buildings and Construction, Insurance, Charitable Gaming and Office of Occupations and Professions. The Cabinet also has four boards/commissions attached for administrative purposes only: Kentucky Horse Racing Commission, Boxing & Wrestling Authority, Board of Claims/Crime Victims Compensation Board and Board of Tax Appeals. The Office of the Secretary also includes the Office of Communications and Public Outreach and the Office of Legal Services.

## Tourism, Arts and Heritage

	Revised FY 2016	Requested FY 2017	Requested FY 2018	Recommended FY 2017	Recommended FY 2018
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	54,271,800	94,949,000	104,040,500	57,493,400	58,810,900
Current Year Appropriation	14,680,000				
<b>Total General Fund</b>	<b>68,951,800</b>	<b>94,949,000</b>	<b>104,040,500</b>	<b>57,493,400</b>	<b>58,810,900</b>
<b>Restricted Funds</b>					
Balance Forward	105,127,600	98,548,400	99,052,700	98,858,400	100,219,600
Current Receipts	165,737,700	165,999,300	168,718,100	165,911,300	168,328,000
Non-Revenue Receipts	-20,304,100	-8,434,700	-7,912,200	-7,160,800	-6,639,000
Fund Transfers	-3,000,000				
<b>Total Restricted Funds</b>	<b>247,561,200</b>	<b>256,113,000</b>	<b>259,858,600</b>	<b>257,608,900</b>	<b>261,908,600</b>
<b>Federal Fund</b>					
Balance Forward	8,198,700	8,198,700	8,198,700	8,198,700	8,343,100
Current Receipts	18,190,700	19,246,700	19,975,900	19,228,700	19,919,100
<b>Total Federal Fund</b>	<b>26,389,400</b>	<b>27,445,400</b>	<b>28,174,600</b>	<b>27,427,400</b>	<b>28,262,200</b>
<b>Road Fund</b>					
Regular Appropriation	410,500	410,500	410,500	439,800	445,200
<b>Total Road Fund</b>	<b>410,500</b>	<b>410,500</b>	<b>410,500</b>	<b>439,800</b>	<b>445,200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>343,312,900</b>	<b>378,917,900</b>	<b>392,484,200</b>	<b>342,969,500</b>	<b>349,426,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	141,034,300	155,178,000	161,495,000	144,160,200	145,484,700
Operating Expenses	81,987,300	89,071,300	89,935,300	77,590,300	79,697,500
Grants Loans Benefits	8,460,300	10,365,700	9,887,200	8,572,300	8,584,800
Debt Service	1,028,100	14,198,100	21,502,600	1,230,600	1,921,600
Capital Outlay	2,889,800	2,853,400	2,457,400	2,853,400	2,457,400
<b>TOTAL EXPENDITURES</b>	<b>235,399,800</b>	<b>271,666,500</b>	<b>285,277,500</b>	<b>234,406,800</b>	<b>238,146,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	68,095,800	94,949,000	104,040,500	57,493,400	58,810,900
Restricted Funds	148,702,800	157,060,300	160,850,600	157,389,300	159,929,700
Federal Fund	18,190,700	19,246,700	19,975,900	19,084,300	18,960,200
Road Fund	410,500	410,500	410,500	439,800	445,200
<b>TOTAL EXPENDITURES</b>	<b>235,399,800</b>	<b>271,666,500</b>	<b>285,277,500</b>	<b>234,406,800</b>	<b>238,146,000</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	13,223,000	16,844,000	17,619,200	15,831,400	16,864,200
Artisans Center	2,381,900	2,899,200	2,960,600	2,424,200	2,435,000
Travel	3,051,600	7,162,600	7,017,700	3,049,500	3,075,400
Parks	89,715,400	101,204,200	106,192,600	84,550,400	85,205,400
Horse Park Commission	14,190,400	17,802,900	21,293,500	14,422,400	14,479,600
State Fair Board	47,281,300	53,965,900	55,592,400	46,249,300	48,149,800
Fish and Wildlife Resources	52,972,400	55,446,000	57,047,900	55,439,800	55,454,200
Historical Society	6,352,600	7,583,100	8,069,600	6,222,900	6,234,700
Arts Council	3,530,500	3,744,200	3,825,800	3,485,800	3,500,800
Heritage Council	1,804,200	2,246,300	2,389,100	1,845,800	1,859,600
Kentucky Center for the Arts	896,500	2,803,600	3,269,100	885,300	887,300
<b>TOTAL EXPENDITURES</b>	<b>235,399,800</b>	<b>271,666,500</b>	<b>285,277,500</b>	<b>234,406,800</b>	<b>238,146,000</b>

The Tourism, Arts and Heritage Cabinet's mission (KRS 148.522) is to capitalize on the natural assets of the Commonwealth and draw from resources in business development, tourism, outdoor attractions, arts, and cultural heritage. Through unified efforts of its agencies, the Cabinet will continually strive to improve the quality of life of the people of Kentucky by creating new wealth and generating jobs.

The Tourism, Arts and Heritage Cabinet is comprised of the following agencies:

- Kentucky State Fair Board
- Kentucky Heritage Council
- Kentucky Arts Council
- Kentucky Historical Society
- Kentucky Center for the Arts
- Governor's School for the Arts
- Department of Fish and Wildlife Resources
- Kentucky Horse Park
- Kentucky Department of Parks
- Kentucky Artisan Center at Berea
- Department of Travel and Tourism
- Office of the Secretary
- Capital Plaza Operations
- Creative Services
- The Kentucky Humanities Council

**Transportation**

	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	6,228,200	7,263,200	7,305,900	5,667,700	5,667,700
Continuing Approp-General Fund	197,100				
<b>Total General Fund</b>	<b>6,425,300</b>	<b>7,263,200</b>	<b>7,305,900</b>	<b>5,667,700</b>	<b>5,667,700</b>
<b>Restricted Funds</b>					
Balance Forward	410,525,900	474,671,900	594,553,700	474,721,900	594,670,900
Current Receipts	125,283,400	134,366,200	134,623,300	134,152,300	134,334,200
Non-Revenue Receipts	195,441,200	124,945,000	-55,000	124,945,000	-55,000
Fund Transfers	-8,564,800	-5,959,200	-5,961,200	-6,416,200	-6,418,900
<b>Total Restricted Funds</b>	<b>722,685,700</b>	<b>728,023,900</b>	<b>723,160,800</b>	<b>727,403,000</b>	<b>722,531,200</b>
<b>Federal Fund</b>					
Current Receipts	751,246,200	733,923,800	736,279,200	740,779,100	755,708,900
<b>Total Federal Fund</b>	<b>751,246,200</b>	<b>733,923,800</b>	<b>736,279,200</b>	<b>740,779,100</b>	<b>755,708,900</b>
<b>Road Fund</b>					
Regular Appropriation	1,443,678,300	1,419,679,800	1,441,225,200	1,346,366,500	1,365,512,200
Surplus Expenditure Plan	6,338,100				
Budget Reduction-Road Fund	-30,832,500				
Other	-61,952,200				
<b>Total Road Fund</b>	<b>1,357,231,700</b>	<b>1,419,679,800</b>	<b>1,441,225,200</b>	<b>1,346,366,500</b>	<b>1,365,512,200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>2,837,588,900</b>	<b>2,888,890,700</b>	<b>2,907,971,100</b>	<b>2,820,216,300</b>	<b>2,849,420,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	478,730,900	510,595,000	504,355,000	491,612,500	470,000,900
Operating Expenses	300,118,600	318,482,900	318,498,400	307,407,400	307,400,800
Grants Loans Benefits	256,954,500	224,995,300	224,548,900	224,384,400	223,971,800
Debt Service	231,251,900	250,609,500	278,097,000	244,988,700	273,439,400
Capital Outlay	655,000	532,700	491,600	491,700	450,600
Construction	1,073,021,900	989,121,600	992,156,100	953,177,700	979,750,200
<b>TOTAL EXPENDITURES</b>	<b>2,340,732,800</b>	<b>2,294,337,000</b>	<b>2,318,147,000</b>	<b>2,222,062,400</b>	<b>2,255,013,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	6,325,000	7,263,200	7,305,900	5,667,700	5,667,700
Restricted Funds	247,963,800	133,470,200	133,336,700	132,732,100	131,730,500
Federal Fund	751,246,200	733,923,800	736,279,200	740,779,100	755,708,900
Road Fund	1,335,197,800	1,419,679,800	1,441,225,200	1,342,883,500	1,361,906,600
<b>TOTAL EXPENDITURES</b>	<b>2,340,732,800</b>	<b>2,294,337,000</b>	<b>2,318,147,000</b>	<b>2,222,062,400</b>	<b>2,255,013,700</b>
<b>EXPENDITURES BY UNIT</b>					
General Administration and Support	73,238,300	78,205,800	79,985,900	76,922,400	77,248,000
Aviation	29,361,400	15,075,000	13,677,400	14,964,700	13,427,000
Debt Service	150,430,100	162,424,300	166,771,000	156,899,900	162,220,000
Highways	1,664,504,300	1,628,487,500	1,643,844,000	1,564,906,300	1,590,765,500
Public Transportation	51,327,100	32,148,100	32,234,300	31,635,800	31,700,300
Revenue Sharing	328,632,300	331,031,600	332,287,900	330,812,900	332,030,200
Vehicle Regulation	43,239,300	46,964,700	49,346,500	45,920,400	47,622,700
<b>TOTAL EXPENDITURES</b>	<b>2,340,732,800</b>	<b>2,294,337,000</b>	<b>2,318,147,000</b>	<b>2,222,062,400</b>	<b>2,255,013,700</b>

The Transportation Cabinet is responsible for maintaining and improving transportation services in the Commonwealth. All modes of transportation are addressed by the Cabinet, including air transportation, railroads, waterways, public transit, and highways. The Secretary of Transportation, who is appointed by the Governor, heads the organization. The duties and responsibilities of the Cabinet are found in Titles XV and XVI of the Kentucky Revised Statutes.



The Cabinet receives funding from the state Road Fund, proceeds from highway bonds issued by the Kentucky Turnpike Authority, and federal aid apportionments for highways. Other revenue sources include agency receipts, non highway federal aid, the state General Fund, and a federal fund leveraging mechanism titled Grant Anticipation Revenue Vehicle (GARVEE) bonds. The revenue components of the Road Fund are the motor fuels tax, motor vehicle usage tax, license and privilege taxes, interest income, and miscellaneous departmental fees, permits, and sales.

Seven major budget units comprise the Transportation Cabinet: General Administration and Support, Aviation, Public Transportation, Revenue Sharing, Highways, Vehicle Regulation, and Debt Service.

Organizationally, the agency is divided into four departments: Aviation, Vehicle Regulation, Rural and Municipal Aid, and Highways. Each department is headed by a commissioner directly responsible to the Secretary. Other organizational units include the Office of Support Services, the Office of Transportation Delivery, the Office of Audits, the Office of Human Resource Management, the Office of Information Technology, the Office of Legal Services, the Office of Public Affairs, the Office of Budget and Fiscal Management, the Office for Civil Rights and Small Business Development, and the Office of Inspector General. These units report to the Office of the Secretary. The following offices report to the State Highway Engineer in the Department of Highways: the Office of Project Development, the Office of Project Delivery and Preservation, the Office of Highway Safety, and Highway District Offices One through Twelve. The Office of Local Programs and the Office of Rural and Secondary Roads report to the Commissioner of Rural and Municipal Aid.

The Transportation Cabinet has its origin as an agency of the Commonwealth of Kentucky in 1912 when the General Assembly established the Department of Highways. Legislation in 1974 created the Department of Transportation by consolidating the Departments of Highways, Motor Transportation, and Aeronautics, plus certain transportation-related functions of the Department of Public Safety and the Department of Revenue. The 1982 General Assembly established the Transportation Cabinet as the successor to the Department of Transportation, and it assumed all of the duties formerly associated with the Department.

**Statewide  
Budget Reserve Trust Fund**

<b>SOURCE OF FUNDS</b>	<b>Revised FY 2016</b>	<b>Requested FY 2017</b>	<b>Requested FY 2018</b>	<b>Recommended FY 2017</b>	<b>Recommended FY 2018</b>
<b>General Fund</b>					
Regular Appropriation				153,436,000	160,960,900
Surplus Expenditure Plan	82,514,310				
Special Appropriation	63,500,000				
Continuing Approp-General Fund	77,093,936	209,447,046	209,447,046	209,447,000	362,883,000
Other	-13,661,200				
<b>Total General Fund</b>	<b>209,447,046</b>	<b>209,447,046</b>	<b>209,447,046</b>	<b>362,883,000</b>	<b>523,843,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>209,447,046</b>	<b>209,447,046</b>	<b>209,447,046</b>	<b>362,883,000</b>	<b>523,843,900</b>

The Budget Reserve Trust Fund is the Commonwealth's "Rainy Day Fund." KRS 48.705 provides for deposits to the Budget Reserve Trust Fund from direct appropriations, excess receipts, and unexpended appropriations, up to five percent of actual General Fund revenue receipts. These funds are appropriated and available in the event that actual General Fund revenue receipts during the biennium are not sufficient to meet the General Fund appropriation levels authorized in the budget. These funds are also available as a resource for Necessary Governmental Expenses when there is no General Fund surplus.

**Policy**

A deposit of \$82,514,310 to the Budget Reserve Trust Fund was made from the fiscal year 2015 General Fund surplus. House Bill 510 from the 2015 General Assembly directed an additional deposit of \$63,500,000, sourced from an additional fund transfer to the General Fund. The 2014-16 enacted budget withdrew \$13,661,200 in fiscal year 2016.

The net effect is a balance in fiscal year 2016-2017 of \$209.4 million in the Budget Reserve Trust Fund, representing 2.1 percent of budgeted revenues.

The Executive Budget includes \$89,336,000 to the Budget Reserve Trust Fund in fiscal year 2016-2017 and \$89,335,900 in fiscal year 2017-2018, which would bring the balance up to \$388,118,900, which is 3.6 percent of the fiscal year 2017-2018 General Fund revenue estimate.

The official General Fund revenue estimate from the Consensus Forecasting Group for fiscal year 2016-2017 is \$10,617,200,000 and \$10,875,500,000 for fiscal year 2017-2018. The recommended total General Fund appropriations in the Executive Budget for expenditure purposes totals \$10,489,000,000, or \$128,200,000 less than the official revenue estimate for fiscal year 2016-2017. The recommended total General Fund appropriations in the Executive Budget for expenditure purposes totals \$10,732,250,000, or \$143,250,000 less than the official revenue estimate for fiscal year 2017-2018. The Executive Budget provides "contingent" appropriations of up to \$128,200,000 in fiscal year 2016-2017 and up to \$143,250,000 in fiscal year 2017-2018. Half of the amounts over the lower thresholds would go toward the unfunded pension liabilities of the Kentucky Teachers' Retirement System and Kentucky Employees Retirement Systems, and half would go to the Budget Reserve Trust Fund (\$64,100,000 and \$71,625,000, respectively).

If actual General Fund revenues meet the official estimates in both years, then the Budget Reserve Trust Fund balance would rise to \$362,883,000 at the end of fiscal year 2016-2017, and to \$523,843,900 at the end of fiscal year 2017-2018, 4.8 percent of the fiscal year 2017-2018 General Fund revenue estimate.

The Executive Budget directs any General Fund surplus to the Budget Reserve Trust Fund and to the unfunded pension liabilities through the General Fund Surplus Expenditure Plan, after allowing for sufficient resources for items authorized as necessary government expenses.

# Revenue Estimates

Fiscal Years

2016-2018

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## EXECUTIVE SUMMARY

This section of the Budget in Brief will highlight the official biennial revenue estimates prepared by the Office of State Budget Director and ratified by the Consensus Forecasting Group (CFG). It will also briefly describe the processes involved, as well as some of the economic conditions that affect the national economy, which in turn affects the state economy and ultimately state revenues.

The estimates discussed below reflect the consensus forecasting process prescribed under Kentucky Revised Statute 48.115 and 48.120. Pursuant to these statutes, the CFG met on August 13, 2015, to generate the “planning estimates”. Two months later, the CFG held a second meeting in Frankfort on October 13, 2015, to finalize the “preliminary estimates”. Finally, as directed by statutes, the CFG returned to the Capitol on December 16, 2015, to deliberate over the “official revenue estimates”.

In the formation of the official estimates, the CFG debated the draft estimates prepared by the Governor's Office for Economic Analysis (GOEA) and ultimately adopted the control estimates as a basis for the official estimates for the General Fund, Road Fund, and Tobacco MSA Fund. GOEA produces three forecast scenarios for the CFG to consider: Control, Optimistic, and Pessimistic.

## PROJECTIONS FISCAL YEARS FY16-FY18

Total General Fund revenues for fiscal year 2016 are revised to be \$10,289.9 million for an increase of 3.2 percent over fiscal year 2015. Receipts for fiscal year 2017 are estimated to be \$910,617.2 million and for fiscal year 2018 \$10,875.5 million.

Total Road Fund revenues for fiscal year 2016 are revised to be \$1,445.9 million, a decline of 5.3 percent from the previous fiscal year. Road Fund revenues for fiscal year 2017 are estimated to be \$1,456.9 million followed by \$1,478.2 million in fiscal year 2018.

Tobacco Settlement (MSA) estimates: Revised FY16: \$88,100,000 FY17:\$87,000,000 and FY18: \$92,800,000.

## ECONOMIC OUTLOOK

The CFG began debating the State and National Economies during the August and October sessions. During August, there was a slightly cautious tone due to the minor threat of a debt ceiling or U.S. budgetary impasse. There were also some concerns over the economies of our major trading partners, thus affecting U.S. exports. The strong dollar was seen as a drag on exports as well. In October, the mood grew somewhat more optimistic as the budgetary and debt ceiling impasse seemed more unlikely. The remaining concerns centered on panic in global equity markets bleeding into significant declines in the U.S. equity arena. By December, the debt ceiling was suspended through March, 2017, a Bipartisan Budget Act of 2015 was adopted, and the outlook for our major trading partners had solidified – although the dollar was still expected to appreciate 3.2 percent over the next year.

In December, 2015, the “control” forecast was once again deemed the most likely set of assumptions. Real GDP growth was projected to be moderate with gains in total factor productivity. The Federal Reserve was predicted to raise rates by 25 basis points in the short run with similar small increments throughout 2016. Alternative scenarios were considered, but both the optimistic and pessimistic scenarios embodied assumptions that the CFG found unlikely. Specifically, the optimistic forecast had strong increases in real GDP that fueled housing starts surpassing 1.3 million units in 2016. The robust U.S. economy, under the optimistic scenario, would give the Federal Reserve cover to raise interest rates 300 basis points by 2017. This and other assumptions that made up the optimistic forecast were deemed unlikely to occur. Similarly, the pessimistic forecast embodied some assumptions that were, in the eyes of the CFG, unlikely to manifest. In particular, the pessimistic scenario called for job growth to hit the skids, growing by 22,000 jobs per month in 2016. Since job growth had been averaging nearly 200,000 jobs per month, the rapid deceleration of employment growth seemed less plausible than the control scenario.

## NATIONAL ECONOMY

### Recent History:

Real gross domestic product rose by 2.1 percent in the second quarter of FY16. Real gross domestic product (real GDP) is the sum of all final goods and services sold within a country's physical boundaries in a given year. It excludes those goods and services exclusively which are produced by US citizens in other countries. Growth in the first two quarters of FY16 slowed relative to FY15. Real GDP growth for the last six quarters were 2.9, 2.5, 2.9, 2.7, 2.0 and 2.1 percent respectively. Slowdowns in investment and exports were largely responsible for the slowdown in real GDP during that time. Growth in the current recovery period is historically low. Growth has not even reached the modest levels of growth seen in the 2001 recovery period. The highest 4-quarter growth during the 2001 recovery was 4.4 percent, while the highest 4-quarter growth during the current recovery has been only 3.1 percent, which occurred immediately following the trough, where the base levels of real GDP were very low.

Real consumption grew by 2.9 percent in the second quarter of FY16. Real consumption growth has been inconsistent over the last 10 quarters. Adjacent-quarter growth ranged from 0.3 percent to 1.1 percent during that time. Adjacent-quarter growth in the second quarter was 0.8 percent. So while this is lower than the high over the last 10 quarters, it is still significantly higher than the low growth years from FY11 to FY13, when the average adjacent-quarter growth was 0.4 percent. Real consumption made up 68.9 percent of real GDP in the second quarter of FY16.

Real investment grew by 2.8 percent in the second quarter of FY16. This is somewhat misleading as growth has been erratic over the last five quarters. The majority of that 2.8 percent net growth occurred during the third quarter of FY15, where the adjacent-quarter growth was 2.1 percent. Adjacent-quarter growth in the first quarter of FY16 was -1.4 percent. These first quarter losses were concentrated in three components of real investment: structures, other equipment, and change in private inventories.

In the second quarter, investment in structures was essentially flat. Other equipment bounced back strongly with growth of 2.6 percent making up more than all of the first quarter losses. Changes in private inventories continued to fall but only at half the rate as in the first quarter. The change in private inventories category makes up a very small percentage of total real investment. In the second quarter of FY16, it made up 1.4 percent of real investment. This share varies considerably over a decade, but rarely does it get higher than 3.0 percent of total investment. Total real investment made up 17.3 percent of real GDP in the second quarter of FY16.

Real government expenditures grew by 1.3 percent in the second quarter of FY16. Real government expenditures include all expenditures by federal, state and local governments. It is typical for government expenditures to contract following a recession. Real government expenditures at the beginning of the 2007 recession were \$2,939.8 billion. Government expenditures expanded for the next eight quarters. Then during the recovery, expenditures began to contract. By the second quarter of FY13, government expenditures contracted back to their pre-recession level. The contraction of government expenditures continued for another four months after reaching the pre-recession level. Government expenditures reached a trough in the third quarter of FY14 and have been slowly rising since then. Government expenditures are now \$46.3 billion greater than that trough. Real government expenditures made up 17.4 percent of real GDP in the second quarter of FY16.

Real imports grew by 4.3 percent in the second quarter of FY16. Real exports grew by only 0.7 percent in the second quarter of FY16. Over the last two years, real exports are growing at 0.4 percent per quarter. Over the same time, real imports are growing at 1.2 percent per quarter. That is triple the rate, so it is not surprising that the trade deficit continues to expand. The trade deficit for the second quarter of FY16 was \$558.8 billion. That is the highest it has been since the start of the 2007 recession.

US Personal income grew by 4.0 percent in the second quarter of FY16. Adjacent-quarter personal income growth has been solid and steady for the last two years, ranging between 0.8 percent and 1.5 percent per quarter. While wages and salaries income contributed the most in absolute amounts to personal income, it was high growth in transfer receipts and dividends, interest and rents that led to such high growth in the second quarter on a percentage basis. Transfer receipts, that share of income which comes from government programs, now make up 17.4 percent of total personal income. Wages and salaries, the largest component, makes up 50.7 percent of personal income. Dividends, interest and rents makes up the second largest category, which is 18.7 percent of personal income. US personal income declined for one quarter in the third quarter of FY13, but it has been solid and steady since then.

Total non-farm employment rose by 1.8 percent, or 2.5 million jobs, in the second quarter of FY16. Weak growth in mining, manufacturing and other services provided a drag to growth for total employment during the second quarter. Business services had the highest percentage and absolute growth in the second quarter, with 3.0 percent and 0.5 million jobs, respectively. Business services employment had grown modestly, but steadily since the end of the 2007 recession, with an average adjacent-quarter growth of 0.8 percent since then. Growth in every supersector is still performing below the average for an expansion period.

### **Outlook:**

As the conclusion of the second quarter of fiscal year 2016 approached, the US economy appeared to be moving along at a moderate but steady pace. As of November, unemployment is holding at 5.1 percent nationwide but inflationary pressures were all but non-existent as oil prices had fallen under \$40 a barrel and wage growth was slow. As reported in Table 3, Real GDP growth was estimated to finish at a tepid two percent in the second quarter, but is expected to pick up in the final two quarters of the fiscal year despite the large increase in imports due to the relatively strong dollar (see Table 8). Forecast investment growth of 2.8 percent over the entirety of FY16 bodes well for future economic growth.

Low gasoline prices and unseasonably warm weather encouraged travel and consumer spending as shown by the record rates of automobile sales and hotel occupancy in 2015, as well as a solid retail sales performance through November. Real personal consumption expenditures are projected to grow 3.3 percent over the next two quarters before slowing down a bit heading into FY17 (see Table 8).

Unemployment is expected to hold at five percent through the first quarter of FY17 and total non-farm employment growth is projected to slow, a condition consistent with reaching full employment. Theory suggests that one should see wages begin to rise in order to attract workers. Accordingly, wages and salaries are projected to grow 4.3 percent over the remainder of FY16 compared to the previous fiscal year (Table 8).

In previous quarters there was serious concern about the risk that uncertain monetary and fiscal policies posed to the national outlook. In December, some economic uncertainty was mitigated as the federal government passed a budget and avoided a shutdown. The Federal Reserve finally met expectations and raised the federal funds rate target for the first time since 2008 and indicated further hikes over the next twelve months. All else equal, tighter monetary policy creates a headwind for exports.

Petroleum prices are expected to remain low, but increasing unrest in the Middle East could drive up prices of oil vis-à-vis supply concerns. Perhaps the greatest risk to the national outlook is the continuing long-run problem of falling labor force participation; the labor force participation rate fell in November to a rate not seen since 1977. This is in large part due to the demographics of an aging workforce but also may indicate other underlying economic problems as people give up looking for work or hold out for higher wages. The US economy is expected to maintain moderate growth despite any potential headwinds.

## **KENTUCKY ECONOMY**

### **Recent History:**

Kentucky personal income grew by 4.6 percent in the second quarter of FY16. The solid second quarter growth was led by solid growth in transfer receipts income, proprietor's income and dividends, interest and rents income. The other contributing categories also performed well.

Transfer receipts income generally contracts during an expansion period, but that is not what is currently happening in Kentucky. Perhaps it is due to the slow-recovering labor market. In 2005, transfer receipts made up 18.8 percent of total personal income in Kentucky. This share was increasing even before the recession started. When the recession started, transfer receipts made up 20.1 percent of personal income. This share then expanded to 25.1 percent by the third quarter of FY10. This is normal in a historical sense, as out of work persons rely on unemployment insurance and other assistance until they can find employment again. Following the third quarter of FY10, transfer receipts began to contract. By the second quarter of FY13, transfer receipts made up 22.7 percent of total personal income. However, since then, they have begun to expand again. Currently, transfer receipts make up 24.5 percent of personal income, which is very close to the two-decade high for that component of income.

Proprietor's income makes up 7.3 percent of total personal income in Kentucky. Quarterly growth in this category of income has been very erratic over the last three years. In the third quarter of FY13, proprietor's income grew 11.0 percent in one quarter. Unfortunately, over half of those exceptional gains were erased over the next year. In fact, proprietor's income has fallen in six of the last 14 quarters. Despite the recent erratic growth, proprietor's income is up a net 37.7 percent over its peak before the 2007 recession. Proprietor's income is the second fastest growing income category since the recession.

Dividends, interest and rents income grew by 5.1 percent over the same quarter last year. The recession was particular detrimental to the dividends, interest, and rents income category. It lost 12.9 percent of its value in the few quarters following the recession. And with solid growth it made up all those losses by the first quarter of FY12. Dividends, interest, and rents income has grown by over one percent (adjacent-quarter growth) for three quarters in a row now.

Kentucky non-farm employment grew by 1.3 percent in the second quarter of FY16. That is a net gain of 24,300 jobs over the same quarter last year. The largest contributors were leisure and hospitality, which grew 3.7 percent or 6,900 jobs, and trade, transportation, and utilities employment, which grew 1.4 percent, or 5,200 jobs over the same quarter last year.

Leisure and hospitality services employment grew by 3.7 percent in the second quarter and was the largest absolute and percentage contributor to total employment in the second quarter. Leisure and hospitality services employment reached a peak in the third quarter of FY08. As a result of the 2007 recession, employment in this category declined until it reached a trough in the third quarter of FY10. Since then, it has grown an average of 0.6 percent per quarter. The second quarter of FY16 was the largest growth quarter for leisure and hospitality since before the 2007 recession began.

Trade, transportation and utilities employment makes up the largest share of non-farm employment. In the second quarter, it made up 20.3 percent of total employment in the state. Employment in trade, transportation and utilities declined in fourth quarter of FY15 and the first quarter of FY16. The second quarter adjacent-quarter growth of 1.8 percent was the highest in trade, transportation and utilities since before the 2007 recession began.

Notably, mining employment declined 2,300 jobs, or 14.2 percent. The Environmental Protection Agency's new rules and standards on mercury emissions [implemented in 2015] have caused several power plants to shutdown over the last 12 months. This has put additional downward pressure on the demand for coal mining. Additionally, the prolonged low price of natural gas has allowed existing power plants to shift their input make-up to use less coal and more natural gas. Again, this put downward pressure on coal demand. The demand for coal has been depressed for an extended time, and many mines have closed permanently. Mining employment has dropped for the last five consecutive months, losing a net 2,600 jobs over that time. Mining employment, which includes all natural resources mining and logging, makes up 0.7 percent of total employment in Kentucky.

Other services employment declined by 0.9 percent in the second quarter. It has been declining steadily since before the 2007 recession. Other services employment grew during the previous three consecutive quarters, but that growth was very low. Other services employment makes up 3.3 percent of total employment in Kentucky.

#### **Outlook:**

Economic growth overall in Kentucky is projected to continue through FY16 roughly in line with the national economy in terms of employment and personal income growth. The unemployment rate in November was holding at 4.9 percent, just above the US rate of 5.0 percent. Kentuckians' personal incomes are forecast to grow 4.9 percent over this fiscal year, the fastest rate of growth since 2008 (see Table 9). A majority of local businesses surveyed by the Louisville Federal Reserve say they are increasing wages moving into the second half of the state fiscal year. Wage and salary growth is projected to be a robust 4.5 percent in FY16 with even faster growth in the next fiscal year (see Table 9). Kentucky's index of leading economic indicators, as reported by the Philadelphia Federal Reserve, has remained high relative to the US average. This suggests that growth will be positive in several areas over the next two quarters.

While the US has seen tepid manufacturing employment growth in recent years, Kentucky's has been more robust, adding jobs at a rate much faster than the national average and approaching its pre-recession high for manufacturing jobs. The Commonwealth is projected to grow manufacturing jobs at eight times the national rate in

FY16 (see Tables 8 and 9). The Commonwealth enjoys such growth largely because it is a major center for the manufacture of automobiles, automobile parts, and aerospace components, which make up almost half of the state's exports. The automotive sector alone was responsible for half of Kentucky's manufacturing employment growth in the previous quarter (Louisville Federal Reserve). Nationally, motor vehicle sales are on pace to finish 2015 at the highest level in history. In November, two local automobile manufacturers announced expansions and over 2,000 additional jobs. This was followed by a European automobile parts manufacturer announcing a \$193 million new plant in Kentucky.

The housing market in the Commonwealth seems to be turning the corner as the rate of growth of new housing permits has increased and construction employment is increasing. Single-unit housing permits issued in Kentucky were up an eye-catching 79% in November from the year prior (Census). It logically follows then, that jobs in the construction industry are forecast to be among the fastest growing in the next three quarters (see Table 9). The Louisville Federal Reserve's survey of local real estate contacts found that over two-thirds of agents reported higher demand in the second fiscal year quarter as households increased their mortgage debt year-over-year by more than one percent for the first time since the last recession.

Risks to the forecast involve larger events nationwide. The Federal Reserve raised interest rates in December for the first time since 2008 and signaled further rate hikes ahead. The resulting increase in borrowing costs could dampen the growth of home and automobile sales, as well as further appreciate the dollar and depress exports. Several indicators suggest manufacturing may be slowing, which would not ordinarily be of great concern since manufacturing is less than 10 percent of the US economy. But any downturn in production of automobiles and aerospace would have a significant impact on Kentucky. Also, any unexpectedly large increases in the price of gasoline could decrease demand for automobiles, as well as decrease travel and tourism; this would bring the hotel and hospitality sector down from its record rates of occupancy experienced over calendar 2015. But the Commonwealth is currently forecast to have steady growth without any obvious threats on the horizon.

**Summary of Kentucky Economic Series  
Fourth Quarter FY15 & FY14**

	US Q4 (millions)			KY Q4 (thousands)		
	FY15	FY14	% Chg	FY15	FY14	% Chg
Non-farm Employment (thousands)	141.6	138.6	2.2	1,891.6	1,853.2	2.1
Goods-producing	19.6	19.2	2.1	327.1	322.6	1.4
Construction	6.4	6.1	4.5	75.1	72.5	3.6
Mining	0.8	0.9	-4.6	15.0	16.5	-9.0
Manufacturing	12.3	12.2	1.4	237.0	233.6	1.4
Service-providing	100.1	97.6	2.6	1,239.9	1,208.0	2.6
Trade, Transportation & Utilities	26.9	26.3	2.1	385.3	376.0	2.5
Information	2.8	2.7	2.1	26.6	26.2	1.4
Finance	8.1	8.0	2.0	91.5	89.7	2.0
Business Services	19.7	19.0	3.5	218.8	209.9	4.3
Educational Services	22.0	21.4	2.8	266.8	259.6	2.8
Leisure and Hospitality Services	15.1	14.7	2.9	187.7	182.8	2.7
Other Services	5.6	5.6	1.2	63.2	63.8	-0.9
Government	21.9	21.8	0.4	324.6	322.6	0.6

Not Seasonally Adjusted. Data for FY15 Q4 are June 2015 estimates.  
Source: IHS Global Insight Inc., June 2015 data release



**Selected U.S. and Kentucky Economic Indicators**  
**Global Insight: Control Scenario**  
**November 2015**

	FY14	FY15	FY16	FY17	FY18
<b>OUTPUT</b>					
US Real GDP (Bil 2000\$)	15,751 2.1%	16,183 2.7%	16,566 2.4%	17,064 3.0%	17,518 2.7%
Industrial Production Index, Total	2.6%	3.4%	0.4%	3.0%	3.1%
Industrial Production Index, Durables	0.7%	2.4%	1.6%	2.2%	2.8%
<b>INCOME</b>					
KY Personal Income (Mil\$)	161,058 2.1%	168,559 4.7%	176,897 4.9%	185,219 4.7%	194,332 4.9%
KY Wage & Salary Income (Mil\$)	79,692 2.6%	82,865 4.0%	86,631 4.5%	90,851 4.9%	94,923 4.5%
KY Supplements to W&S (Mil\$)	21,187 -0.8%	21,741 2.6%	22,610 4.0%	23,882 5.6%	25,165 5.4%
KY Proprietors' Income (Mil\$)	11,985 3.2%	12,285 2.5%	12,864 4.7%	13,357 3.8%	13,810 3.4%
KY Dividend, Interest, & Rent (Mil\$)	25,153 0.0%	26,066 3.6%	27,248 4.5%	28,456 4.4%	30,480 7.1%
KY Transfer Payments (Mil\$)	38,248 5.4%	41,366 8.2%	43,278 4.6%	45,077 4.2%	47,061 4.4%
KY Social Insurance (Mil\$)	13,204 9.0%	13,703 3.8%	14,128 3.1%	14,894 5.4%	15,690 5.3%
US Personal Income (Bil\$)	14,351 2.3%	15,007 4.6%	15,638 4.2%	16,412 4.9%	17,296 5.4%
<b>EMPLOYMENT</b>					
KY Nonfarm Employment (Thous)	1,841.9 1.3%	1,878.4 2.0%	1,904.1 1.4%	1,926.9 1.2%	1,947.1 1.1%
US Nonfarm Employment (Mil)	137.6 1.8%	140.6 2.1%	143.0 1.8%	145.1 1.5%	147.0 1.3%
KY Manufacturing Employment (Thou)	231.3 1.7%	237.6 2.7%	239.6 0.8%	242.2 1.1%	246.3 1.7%
US Manufacturing Employment (Mil)	12.1 0.9%	12.3 1.6%	12.3 0.1%	12.4 1.0%	12.6 1.1%
<b>OTHER KEY MEASURES</b>					
Consumer Sentiment Index (Michigan)	80.6	90.6	93.2	94.6	94.6
Rate of Inflation (%)	1.6%	0.7%	0.5%	2.3%	2.6%
US Retail Sales (%)	3.5%	3.2%	3.4%	5.9%	5.2%
US Corporate Profits(%)	-0.1%	4.8%	6.9%	3.0%	-2.2%
Three-month Treasury Bills (%)	0.0%	-45.3%	1217.1%	312.6%	76.8%
Oil Price, West Texas (\$/barrel)	101.23	69.22	44.30	57.70	64.31

MAK: Macromodel of Kentucky  
Governor's Office for Economic Analysis  
Office of State Budget Director

## **REVENUE ESTIMATES DETAILED FOR FISCAL YEAR 2016 THROUGH FISCAL YEAR 2018**

The Consensus Forecasting Group (CFG) produces revenue estimates for the General Fund, Road Fund, and Phase I Master Settlement Agreement. On or before August 15 of each odd-numbered year (such as 2013), a planning estimate is prepared. The second estimates, the preliminary projections, are due on or before October 15. Finally, before the 15<sup>th</sup> day of the legislative session in each even-numbered year, official estimates must be rendered.

The CFG relies almost exclusively upon forecasting results from the Governor's Office for Economic Analysis (GOEA), a division within the Office of State Budget Director. To fulfill its obligation to provide accurate and timely revenue forecasts, GOEA relies on several forecasting techniques, ranging from simple trend extrapolation to the latest econometric techniques and models. To link revenue estimates to the overall national and state economies, GOEA goes through a multi-step modeling technique. First, a national economic outlook is purchased from IHS Global Insight, a data forecasting company used by at least 39 other states. In many cases, however, national economic trends do not exactly coincide with the economies of the various states. As such, GOEA forecasts Kentucky specific macroeconomic variables using the national outlook from Global Insight. The model used to perform this analysis is called the Macroeconomic Model of Kentucky (MAK). MAK is primarily a structural forecasting model of the Kentucky economy that enables staff to use forecasts of Kentucky economic variable to forecast Kentucky revenues. In most cases, state specific data should provide a tighter fit and better estimates than using national variables which are collaborations of 50 different state economies. This model provides, among other things, estimates for future income and employment for the Commonwealth of Kentucky.

In addition to data from MAK, revenue forecasting models use past values for the various categories of revenue and other economic and financial data. Some revenue forecasts use detailed, highly theoretical estimating techniques with several data inputs. Other forecasts use more intuitive equations with basic data. Regardless of the method or data inputs, each estimate is carefully weighed against the forecaster's knowledge of economic events, past revenue trends, and administrative considerations. Analysts from the Transportation Cabinet and the Department of Revenue provide additional information about the administration of various taxes. After GOEA's analysis is completed, the revenue estimates are presented to the CFG for consideration and approval. The CFG is a select group of distinguished economists, leaders in banking and finance, and budgetary experts who examine and may modify the estimates based on their own experience and considerations of the relevant facts.

Final official estimates were prepared on December 16, 2015, as seen in an attachment below.

### **General Fund: Major Accounts**

Total General Fund revenue for fiscal year 2016 is projected to be \$10,289.9 million, for an increase of 3.2 percent from fiscal year 2013. Receipts for fiscal year 2017 are estimated to be \$10,617.2 million followed by \$10,875.5 million in fiscal year 2018.

### **Individual Income Tax**

Individual income tax receipts are expected to total \$4,235.5 in FY16, partially due to robust growth of 4.7 percent in the first half of the fiscal year. Receipts are projected to increase by 3.4 percent during the final two quarters of FY16. Taken in aggregate, the individual income tax is forecasted to grow at a steady 4.0 percent rate for FY16. Growth in the individual income tax is more impressive considering that the base from FY15 grew at an impressive rate of 8.5 percent.

The withholding component of the individual income tax is adding stability to the overall growth, posting 3.9 percent growth in the first half of FY16. Withholding is expected to remain solid for the remainder of FY16 and into the first quarter of FY17. Withholding is closely tied to wages and salaries and employment in the state. Employment has been lackluster for the last two fiscal years, with growth of 1.7 percent each year. The increased rate of growth in the individual income tax for the forecast period is once again predicated upon improvement in Kentucky wages and salaries, which are collectively projected to increase 4.0 percent in FY16.

In forecasting the individual income tax, the first step was to estimate “withholding” collections. Withholding results in roughly 95 percent of the total individual income tax receipts. Declaration (estimated) payments are historically positive, but offset nearly dollar for dollar by net refunds, which are negative due to the spring refunds.

Several types of forecasting models were tested for withholding. The model used for estimating withholding was a structural model using only Kentucky wages and salary as an exogenous variable. The input variables were based on the control scenario for fiscal years 2016 through 2018. Non-withholding components were projected using a simple moving average methodology, and were adjusted for administrative and/or timing considerations.

## **Sales and Use Tax**

Since declining in FY13, the sales and use tax has witnessed a steady dose of positive momentum. Growth of 3.6 percent in FY14 was followed by even faster growth of 4.4 percent during FY15. The first half of FY16 was higher still – 6.2 percent greater than the first half of FY15. This interim report calls for continued growth in the sales and use tax, albeit at a slightly reduced rate of 3.2 percent growth for the final six months of FY16. While the recent wave of positive news from the sales tax has been a welcomed sight, growth in excess of wage growth is clearly difficult to sustain, especially in light of the recent history of strong collections.

The sales tax forecast adopted by the CFG was based on a blend of multiple models using multiple estimating techniques. An ARIMA (8,1,8) was fit and was one of the models employed in the final blend. Second, a VAR estimated with eight lags with one co-integrating equation was used, with sales tax receipts and Kentucky withholding as the dependent variables. The final model was a structural models using differenced data to account for inherent non-stationarity. The structural model used taxable durable and nondurable consumption to emphasize the inevitable linkage between manufacturing and tax revenues.

Forecasted sales and use tax revenues are \$3,420.5 million in fiscal year 2016, which would represent a 4.7 percent increase relative to fiscal year 2015 actual revenues. Receipts for fiscal year 2017 are projected to be \$3,539.8 million followed by \$3,638.4 million in fiscal year 2018. Respective growth rates are 3.5 percent and 2.8 percent for the upcoming biennium.

## **Corporation Income Tax**

The corporation income tax and the LLET are expected to moderate over the next three quarters following five consecutive fiscal years of extraordinary growth. Collections in both accounts are expected to decline for the remainder of FY16, as the corporation income tax is projected to fall 4.5 percent while the LLET dips 0.8 percent. A downward revision to the forecast for U.S. profits drove the corporate income tax forecast marginally lower, as the base of the tax is profits apportioned to Kentucky. Combined with year-to-date growth of 8.7 percent, the corporation income tax is still expected to post growth for the sixth consecutive fiscal year at an annual rate of 0.7 percent.

The methodology used to produce the corporation income tax estimate is to estimate a “policy neutral” revenue stream which takes into account the effects of Tax Modernization. Adjustments were made for the eight quarters covering fiscal years 2006 and 2007.

Extreme volatility in the corporation income tax has led OSBD staff to examine alternative models for business taxes. Growth rates have been in the double-digits four of the past five years. In nominal terms, the corporation income tax has grown from \$237.9 million in FY10 to \$528.1 million in FY15 – making the corporation income tax the fastest growing revenue source over the five-year period. Despite the rapid rates of recent historical growth, the control forecast has the corporation income tax moderating over the forecasting horizon. Several other states have reported a slowdown in corporation receipts as well, and the forecast for corporate profits is tempering the corporation income tax in Kentucky as well.

For fiscal year 2016, estimated receipts from corporation income taxes are \$531.7 million, representing an increase of 0.7 percent from the previous year. For fiscal year 2017, revenues are expected to increase again, reaching \$579.4 million. In the following year, collections are expected to decrease, with receipts of \$553.1 million.

## **Limited Liability Entity Tax**

The limited liability entity tax was created in the 2006 Special Session of the General Assembly as a replacement for the alternative minimum calculation of the corporation income tax.

The LLET receipts for fiscal year 2014 are estimated at \$219.8 million. Tax receipts from this tax are expected to be relatively flat over the next two fiscal years with receipts of \$223.7 million in fiscal year 2017 and \$221.6 million in fiscal year 2018.

## **Coal Severance Tax**

Coal severance receipts fell slightly short of the official estimate in FY15 and have been declining further in FY16. Year-to-date receipts have fallen 26.0 percent and the projections for the second half of FY16 call for an additional 20.0 percent decline. Energy markets and coal markets in particular, have become quite volatile with downside risk. The official estimate calls for receipts of \$138.4 million, or a 23.2 percent decline in FY16 following an 8.7 percent drop in FY15 and a 14.3 percent plunge in FY14. With the federal law changes, mine closures, and power plants going offline, a return to the levels near the FY12 peak (\$298.3 million) is implausible regardless of the forecasting horizon.

The forecast was prepared using a structural demand model. The exogenous variables were the U.S. producer price index for coal, the Henry Hub price for natural gas, the West Texas Intermediate price of oil, and U.S. personal income.

Anticipated receipts of \$138.4 million in fiscal year 2016 are expected to be less than the previous year by 23.2 percent. For the upcoming biennium, revenues are forecasted to be \$120.7 million and \$107.6 million in successive years.

## **Cigarette Taxes**

Cigarette tax receipts declined 4.4 percent in FY14 and 3.1 percent in FY15. The outlook for cigarette tax receipts, however, calls for a 2.2 percent increase in FY16. The first half of the year showed encouraging growth of 3.0 percent. A downward trend in smoking rates is still expected, but the \$1.00 per pack increase in the tax rate for Illinois and the \$0.35 per pack increase in Ohio should serve to create a positive revenue impact for cigarette purchases in Kentucky. Notwithstanding these border impacts, the consumption of cigarettes has steadily been trending downward but the Ohio border impact has the potential to create a major impact in Kentucky sales as the markets transition to a new equilibrium. Total state cigarette taxes in Ohio went from \$1.25 per pack to \$1.60 per pack, a full \$10.00 per carton higher than the Kentucky rate.

The forecast for the upcoming biennium was prepared by estimating the number of cigarette packs sold in Kentucky. The forecast assumes a confluence of three opposing trends. First, national and state data both confirm a reduction in cigarette sales due to health concerns and smoking bans. The forecast is for demand to continue to fall. Two counterbalancing forces will offset the general downward trend of smoking. First, and most importantly, tax increases in surrounding states have enhanced Kentucky's ability to sell more cigarettes than our current population would suggest are being consumed in Kentucky. As other states raise rates, Kentucky will continue to improve its competitive position in border sales. Second, some of the vapor-creating e-cigarettes have begun to lose popularity, leading some previous consumers of alternative nicotine delivery devices back to traditional smoking.

## **Property Taxes**

Property tax revenues are expected to decrease marginally by 0.2 percent over the remainder of the year following growth of 2.7 percent in the first six months of FY16. Due to the sustained effects of the recession on the housing market, the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented occurrence of eight consecutive years without a rate decline. As the housing market shores up, growth in new property and existing values can be expected to eventually return to more traditional growth patterns, but this interim assumes that this reversion to "normal" will not occur during the forecasting horizon.

Collections are expected to total \$573.0 million in fiscal year 2016, 1.7 percent more than actual fiscal year 2015

receipts. Receipts for fiscal year 2017 are estimated at \$585.2 million followed by \$598.7 million in fiscal year 2018.

### **Kentucky Lottery**

Lottery dividends are expected to grow 4.7 percent in FY16 on the basis of continued strength in scratch-off sales and a recovery in online games. Year-to-date collections through December totaled \$110.3 million, so the forecast calls for an acceleration of growth to hit the nominal FY16 estimate of \$232.0 million. The decrease in fuel prices has helped the market for scratch games while a change to the Powerball rules has recently led to record jackpots and renewed interest in our largest online game.

### **Other Revenue Sources**

The “Other” category contains dozens of smaller accounts, which make up the remainder of the General Fund. Insurance premiums tax, bank franchise and telecommunications tax are the three largest accounts in the “Other” category. The “Other” category of taxes is expected to rise 7.2 percent during the forecasting horizon. Each account was re-examined after FY15 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled \$691.8 million in FY15. “Other” collections are estimated to be \$713.2 million for FY16.

After tallying all of the accounts, the forecast calls for revenues of \$698.8 million in fiscal year 2017, an decrease of 2.3 percent compared to fiscal year 2016 estimated collections. Receipts for fiscal year 2018 are estimated at \$706.0 million with a respective growth rate of 1.0 percent.

### **Road Fund: Major Accounts**

Total Road Fund revenues are expected to decline in FY16 and see only minimal growth through FY18 due to softening motor fuels tax receipts. Motor vehicle usage tax revenue will provide only moderate growth for the forecast period. Fiscal Year 2016 collections are projected to be \$1,445.9 million, a decrease of 5.3 percent from the previous fiscal year. Receipts for fiscal year 2017 are estimated to be \$1,456.9 million followed by \$1,478.2 million in fiscal year 2018.

### **Motor Fuels (Normal, Normal Use Tax, and Fuels Surtax)**

Motor fuels tax collections are forecasted to decline 7.0 percent over the final six months of FY16, an improvement from the first two quarters when revenue fell 17.4 percent. Fiscal Year 2015 saw the motor fuels tax rate decline from a maximum of 31.5 cents per gallon in the first quarter to 25.0 cents in the fourth quarter. The tax rate for all of FY16 is fixed at 25.0 cents per gallon. Therefore, the difference in tax rates between the two years was considerable in the first six months of the year but will be much narrower in the final two quarters. Specifically, the tax rate gaps for the four quarters of FY16 are 6.5 cents per gallon, 5.9 cents, 1.6 cents and unchanged. For Fiscal Years 2017 and 2018, the tax rate is forecasted to remain at 25.0 cents per gallon. Because the tax rate is expected to remain at its current level, changes in revenue can only come from changes in consumption. Over the long-term, consumption has trended downward; however, lower oil prices are expected to reverse this trend.

The motor fuels forecast consists of two pieces: regular collections and the “rate impact”. Regular collections are motor fuels tax collections net of revenue resulting from a change in the variable portion of the tax rate. The rate impact is simply the difference in revenue from a change in the variable portion of the tax rate which is tied to the average wholesale price of gasoline (AWP). Changes in oil prices affect each component in offsetting ways. An increase in the price of oil reduces regular collections through a decrease in quantity demanded. On the other hand, increasing oil prices increase the wholesale price which can increase the variable portion of the tax rate.

The AWP was estimated with a structural model containing U.S. gasoline pump prices. Motor fuels were estimated using a structural model with U.S. highway consumption of gasoline and special fuels, and the Michigan consumer sentiment index.

Year-to-date fuel receipts have fallen 17.4 percent but are forecasted to improve to -7.0 percent over the final six months of the year. Growth in this account is expected to be negligible for FY17 and FY18, increasing only 0.6

percent and 0.3 percent respectively. Nominal collections for Fiscal Years 2016-2018 are estimated to be \$742.9 million, \$747.3 million and \$749.8 million.

### **Motor Vehicle Usage**

Motor vehicle usage tax collections were extremely strong in the first half of FY16 due, in part, to timing issues but mostly from strong domestic sales of automobiles and light trucks. The forecast is for a slight decline in this account of the final six months of the fiscal year as the timing issues play out. Revenues are expected to decline 1.5 percent over the final two quarters but increase slightly in FY17 and FY18.

Receipts for Fiscal Year 2016 are expected to total \$463.1 million, an increase of 7.0 percent. In Fiscal Year 2017, the outlook for receipts is an increase of 1.4 percent to \$469.5 million. Collections are forecasted to pick up in FY18, increasing 3.5 percent to \$485.7 million.

### **Motor Vehicle License**

Motor vehicle license tax increased 11.8 percent in the first two quarters of Fiscal Year 2016 with collections of \$45.4 million. Revenues in this account were aided by a one-time journal voucher of \$3.5 million. License receipts were estimated using a structural model with registered vehicles as a driver. Motor vehicle license receipts are estimated to be \$107.9 million in Fiscal Year 2016, followed by \$105.0 million in Fiscal Year 2017 and \$105.6 million in Fiscal Year 2018.

### **Motor Vehicle Operators**

Motor vehicle operators' collections were estimated using a time series (ARIMA) model. Revenues were \$8.2 million in the first six months of FY16, an increase of 1.0 percent. The forecast is for revenues to increase 1.5 percent for the remainder of the fiscal year. During the next biennium receipts are expected to be \$16.1 million in FY17 and \$16.3 million in Fiscal Year 2018.

### **Weight Distance**

Weight distance tax receipts of \$41.3 million in the first half of Fiscal Year 2016 represent a 1.8 percent increase over FY15 collections. The weight distance tax is estimated by a structural model with the U.S. industrial production index as the driver. Receipts for Fiscal Year 2016 are expected to total \$79.9 million, a 1.0 percent increase. The weight distance tax is typically considered a leading indicator of manufacturing activity. Revenue in this account is expected to pick up over the biennium, increasing 2.8 percent in FY17 and 2.1 percent in FY18.

### **Investment**

Income from investment is estimated by examining historical and current trends in investment balances and interest rate forecasts. Investment receipts were down 80.9 percent for the first six months of Fiscal Year 2016 as investible balances and interest rates remain low. Investment income for the current year is estimated to be \$1.2 million, followed by \$1.4 million in Fiscal Year 2017 and \$1.5 million in Fiscal Year 2018.

### **Other Revenue Sources**

"Other" receipts include fees, fines, and miscellaneous receipts. These accounts combined for decrease of 2.1 percent from a year earlier in the first two quarters of FY16. The estimates of these revenue sources are based on econometric models, historical growth patterns, recent statutory changes, and administrative factors that influence the flow of revenues. Receipts are forecasted to be \$34.7 million in the current fiscal year, followed by \$35.5 million in both Fiscal Years 2017 and 2018.

# **TOBACCO MASTER SETTLEMENT AGREEMENT**

The Tobacco Settlement-Phase I revenue forecast is \$88.1 million in fiscal year 2016, \$87.0 million in fiscal year 2017 and \$92.8 million in fiscal year 2018.

## **History of the Tobacco Master Settlement Agreement (MSA)**

On November 23, 1998 the attorneys general of forty-six states, five territories, and the District of Columbia reached an agreement with five major tobacco companies, representing 97.5 percent of the tobacco industry. Worth approximately \$229 billion over the next twenty-six years, the Master Settlement Agreement (MSA) will provide payments to states based on a formula developed by the attorneys general. Four additional states – Florida, Minnesota, Mississippi, and Texas – individually settled with the tobacco industry for more than \$40 billion.

In the early years of the agreement, the participating states received “initial” payments, which are distinct from the “annual” payments (which are ongoing). The initial payments ended in 2003. The annual payments commenced in 2000 and continue indefinitely. These payments have a disbursement date of April 15th. The third and final type of payment made to states is the “strategic contribution fund” payment, which begins in 2008 and sunsets in 2017. This category was included to reward states for contributions to the tobacco settlement. To date, Kentucky has received \$1.82 billion from the MSA.

## **Forecasting Methodology**

The forecasting methodology was dictated by the terms of the Master Settlement Agreement (MSA). The MSA contains several caveats and reduction factors that could potentially diminish the payments to the states. Therefore, OSBD’s forecasting model started with the black-letter payments that are outlined in the MSA. We then adjusted these payments by our best forecast of the reduction factors. Since all states participating in the MSA are affected by the reduction factors, OSBD was able to compare forecasting ideas with other states and organizations, including the National Governors’ Association and the National Association of Attorneys General.

The order of the adjustment factors is important. The inflation adjustment precedes the volume adjustment, which precedes the adjustment for previously settled states. The NPM adjustment is the last to be applied, since the effect of the NPM adjustment is not borne equally by the states.

## **Inflation Adjustment**

Each year, an inflation adjustment is applied to that year’s annual payment amount. The inflation adjustment equals the greater of growth in the Consumer Price Index or three percent. Since inflation has been in check in recent years, the three percent growth was used in the forecast for this biennium.

## **Volume Adjustment**

After the inflation adjustment is made, the volume adjustment is applied to the annual payment. The formula for the volume adjustment is specified directly in the MSA: “In the event the Actual Volume is less than the Base Volume, the Applicable Base Payment shall be reduced by subtracting from it the amount equal to such Applicable Base Payment multiplied by 0.98 and by the result of 1 minus the ratio of Actual Volume to Base Volume.”

There are several important considerations in the formula for the volume adjustment. First, in the event that actual volume falls below the 1997 base volume, a two percent automatic reduction occurs before multiplying the resultant by the volume ratio. Second, volume adjustments are cumulative. Since the base volume never changes, consistent declines in domestic shipments will build cumulatively upon one another. Finally, domestic shipment data are used in the formula. Therefore, the forecast of MSA payments will necessarily rely on a forecast of domestic shipments from the manufacturers participating in the MSA.

## **Previously Settled States Adjustment**

The third step in calculating the payment is to apply the previously settled states reduction (PSS). This reduction reflects payment to the four states —Florida, Mississippi, Minnesota, and Texas— that settled with the industry prior to the MSA. The percentage is 12.45 percent on payments through 2006, 12.24 percent from 2007-2017, and 11.07 percent in 2018 and thereafter.

## ***Risks to the MSA Payments***

**Non-Participating Manufacturer (NPM) Adjustment** – The model statute contains reciprocal language that mandates escrow payments for tobacco product manufacturers in lieu of their obligations as signatories to the MSA. These retaliatory contributions from non-MSA manufacturers are an attempt to create a level playing field in the retail tobacco markets. A reduction to state payments is made for states that fail to enact and diligently enforce a model statute. Kentucky's statutes are currently in full compliance with the MSA, and the provisions of statute are being diligently enforced.

**Deciding Diligent Enforcement Through National Arbitration** - The question of diligent enforcement was expected to be decided in each state's relevant court of jurisdiction. However, the participating manufacturers have argued that, legally, the decision of diligent enforcement must be decided through an arbitration process as prescribed in the MSA.

Beginning in June 2012, a three-member arbitration panel began state-specific hearings on this topic for 35 states (including Kentucky) whose diligence in 2003 was challenged by the manufacturers. In December 2012, 19 of the 52 states, districts and territories in the tobacco settlement agreement, including many of the states in state-specific arbitration proceedings, signed on to a multi-year settlement agreement with the participating manufacturers. The agreement apportions withheld funds between the manufacturers and the states and makes various other changes to how future NPM adjustments will be calculated for states that participate. The arbitration panel allowed the agreement to proceed.

Ultimately, 15 states, including Kentucky, proceeded with the arbitration process outlined in the original Tobacco MSA. Of those 15 states, nine have now been found to have diligently enforced their NPM laws in 2003, while six, including Kentucky, had arbitration panel findings against them. As the penalties are determined on a pro-rata share, the Commonwealth's 1.76% share of the MSA payments resulted in an approximate 12% share of the total damages. Although there were some concessions offered by the OPMs before the arbitration began and there were funds on deposit in the Disputed Payment Account (DPA), the net result was a potential reduction in the Commonwealth's FY14 MSA payment of approximately \$55 million.

On June 12, 2014, a settlement was announced between the Commonwealth and the MSA participating manufacturers to resolve the issue of the 2003 through 2012 NPM Adjustment amounts. The settlement relieved the state from the financial and administrative burden of litigating disputes over events that occurred many years, and provides a framework for evaluating the parties' obligations going forward. It also ensures that Kentucky will continue receiving its MSA payments. With this agreement, Kentucky joined 22 other states that have elected to settle Non-Participating Manufacturer MSA disputes.

The settlement does not remove or replace the MSA's NPM Adjustment, the diligent enforcement arbitrations, or the reallocation provision of the NPM Adjustment for those states found non-diligent. The Commonwealth must continue to diligently enforce our escrow statutes and potentially expand the scope of our enforcement and data collection efforts.

Beginning with sales year 2015 (payment year 2016), a contested signatory state will have to enter into arbitration and prove it diligently enforced its escrow statute in order to avoid an NPM Adjustment. While the current NPM Adjustment procedure remains, there are significant changes for how the adjustment works for signatory states. As a result of the potential time delay between the years of enforcement and the actual arbitration procedure, the Commonwealth has developed methods and procedures to ensure reliable data and record retention of all relevant actions. These efforts are coordinated across the Office of State Budget Director, Office of the Attorney General, Department of Revenue, and the Finance and Administration Cabinet.



**GENERAL FUND CONSENSUS FORECAST**  
**(Millions of Dollars)**  
**December 2015**

	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Estimate</u>	<u>FY17</u> <u>Estimate</u>	<u>FY18</u> <u>Estimate</u>
Individual Income	4,069.5	4,233.5	4,411.1	4,588.6
Sales and Use	3,267.3	3,420.5	3,539.8	3,638.4
Property	563.4	573.0	585.2	598.7
Corporation Income	528.1	531.7	579.4	553.1
LLET	223.8	219.8	223.7	221.6
Coal Severance	180.3	138.4	120.7	107.6
Cigarette	220.9	225.8	222.5	220.5
Lottery	221.5	232.0	236.0	241.0
Other	691.8	715.2	698.8	706.0
<b>Total General Fund</b>	<b>9,966.6</b>	<b>10,289.9</b>	<b>10,617.2</b>	<b>10,875.5</b>

**Annual Percentage Growth Rates**

	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Estimate</u>	<u>FY17</u> <u>Estimate</u>	<u>FY18</u> <u>Estimate</u>
Individual Income	8.5	4.0	4.2	4.0
Sales and Use	4.3	4.7	3.5	2.8
Property	0.2	1.7	2.1	2.3
Corporation Income	11.2	0.7	9.0	-4.5
LLET	12.3	-1.8	1.8	-0.9
Coal Severance	-8.7	-23.2	-12.8	-10.9
Cigarette	-3.2	2.2	-1.5	-0.9
Lottery	0.9	4.7	1.7	2.1
Other	-1.0	3.4	-2.3	1.0
<b>Total General Fund</b>	<b>5.3</b>	<b>3.2</b>	<b>3.2</b>	<b>2.4</b>

**ROAD FUND CONSENSUS FORECAST**  
**(Millions of Dollars)**  
**December 2015**

	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Estimate</u>	<u>FY17</u> <u>Estimate</u>	<u>FY18</u> <u>Estimate</u>
Motor Fuels	850.3	742.9	747.3	749.8
Motor Vehicle Usage	432.8	463.1	469.5	485.7
Motor Vehicle License	107.6	107.9	105.0	105.6
Motor Vehicle Operators	16.0	16.2	16.1	16.3
Weight Distance	79.1	79.9	82.1	83.8
Investment	2.9	1.2	1.4	1.5
Other	<u>38.1</u>	<u>34.7</u>	<u>35.5</u>	<u>35.5</u>
<b>Total Road Fund</b>	<b>1,526.7</b>	<b>1,445.9</b>	<b>1,456.9</b>	<b>1,478.2</b>

**Annual Percentage Growth Rates**

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	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Estimate</u>	<u>FY17</u> <u>Estimate</u>	<u>FY18</u> <u>Estimate</u>
Motor Fuels	-4.0	-12.6	0.6	0.3
Motor Vehicle Usage	-2.3	7.0	1.4	3.5
Motor Vehicle License	5.6	0.3	-2.6	0.6
Motor Vehicle Operators	-1.2	1.5	-0.6	1.2
Weight Distance	2.9	1.0	2.8	2.1
Investment	-27.1	-58.8	16.7	7.1
Other	<u>18.0</u>	<u>-8.9</u>	<u>2.2</u>	<u>0.0</u>
<b>Total Road Fund</b>	<b>-2.2</b>	<b>-5.3</b>	<b>0.8</b>	<b>1.5</b>

## General Fund Detailed Estimates

<u>Source</u>	<u>Estimated FY 2016</u>	<u>Estimated FY 2017</u>	<u>Estimated FY 2018</u>
<b><u>Selected Sales and Gross Receipts</u></b>			
<b><u>Taxes</u></b>			
Sales & Use	\$3,420,500,000	\$3,539,800,000	\$3,638,400,000
Cigarette	\$225,800,000	\$222,500,000	\$220,500,000
Insurance Tax Companies Other Than Life	\$102,504,098	\$105,166,602	\$107,829,106
Telecommunications Taxes	\$63,059,353	\$62,210,101	\$61,360,849
Beer Wholesale	\$57,170,838	\$56,771,664	\$56,372,490
Distilled Spirits Wholesale	\$38,630,275	\$40,910,002	\$43,189,729
Insurance Tax Foreign Companies	\$40,895,835	\$40,683,837	\$41,258,569
Other Tobacco Products and Snuff	\$21,312,696	\$21,300,661	\$21,288,626
Wine Wholesale	\$16,848,727	\$17,473,757	\$18,098,788
Distilled Spirits Consumption	\$12,795,609	\$13,141,477	\$13,487,345
Insurance Tax Fire Prevention Fund	\$6,116,861	\$6,417,630	\$6,718,399
Beer Consumption	\$6,148,499	\$6,149,159	\$6,149,820
Wine Consumption	\$3,044,481	\$3,128,201	\$3,211,920
Pari-Mutuel	\$2,343,002	\$2,498,232	\$2,459,184
Race Track Admission	\$180,169	\$180,436	\$180,703
Distilled Spirits Case Sales	\$138,282	\$143,549	\$148,815
<b>TOTAL</b>	<b>\$4,017,488,725</b>	<b>\$4,138,475,308</b>	<b>\$4,240,654,343</b>
<b><u>License and Privilege Taxes</u></b>			
Limited Liability Entity Tax	\$219,800,000	\$223,700,000	\$221,600,000
Coal Severance Tax	\$138,400,000	\$120,700,000	\$107,600,000
Bank Franchise Tax	\$101,625,869	\$102,135,574	\$103,395,609
Mineral Severance Tax	\$17,400,000	\$18,100,000	\$18,900,000
Natural Gas Severance Tax	\$11,400,000	\$14,800,000	\$15,500,000
Oil Production	\$5,400,000	\$7,000,000	\$8,100,000
Cir. Ct. Clk. - Driver License Receipts	\$658,870	\$670,673	\$682,476
Alcoholic Beverage License Suspension	\$433,844	\$454,700	\$475,556
Race Track License	\$264,550	\$258,405	\$267,546
Corporation Organization	\$155,198	\$173,812	\$192,426
Marijuana and Controlled Substance Tax	\$124,053	\$134,487	\$144,921
Cigarette License	\$93,426	\$97,526	\$101,625
Corporate License	\$2,000,000	\$0	\$0
<b>TOTAL</b>	<b>\$497,755,810</b>	<b>\$488,225,177</b>	<b>\$476,960,159</b>
<b><u>Income Taxes</u></b>			
Individual Income Tax	\$4,233,500,000	\$4,411,100,000	\$4,588,600,000
Corporation Income Tax	\$531,700,000	\$579,400,000	\$553,100,000
<b>TOTAL</b>	<b>\$4,765,200,000</b>	<b>\$4,990,500,000</b>	<b>\$5,141,700,000</b>

<u>Source</u>	<u>Estimated FY 2016</u>	<u>Estimated FY 2017</u>	<u>Estimated FY 2018</u>
<b><u>Property Taxes</u></b>			
Real Property	\$263,100,000	\$268,400,000	\$275,050,000
Motor Vehicles	\$128,300,000	\$133,200,000	\$137,050,000
Tangible Personal Property	\$100,700,000	\$102,300,000	\$104,900,000
Public Service Companies	\$54,000,000	\$54,400,000	\$54,900,000
Omitted and Delinquent	\$20,500,000	\$20,500,000	\$20,500,000
Apportioned Vehicles	\$3,500,000	\$3,500,000	\$3,500,000
Building and Loan Association Capital Stock	\$1,400,000	\$1,400,000	\$1,300,000
Distilled Spirits Ad Valorem	\$900,000	\$900,000	\$900,000
Bank Deposits	\$595,000	\$595,000	\$595,000
Other Property	\$5,000	\$5,000	\$5,000
<b>TOTAL</b>	<b>\$573,000,000</b>	<b>\$585,200,000</b>	<b>\$598,700,000</b>
<b><u>Inheritance Taxes</u></b>			
Inheritance Tax	\$46,048,643	\$47,622,783	\$48,215,761
<b>TOTAL</b>	<b>\$46,048,643</b>	<b>\$47,622,783</b>	<b>\$48,215,761</b>
<b><u>Departmental Fees, Sales and Rentals</u></b>			
Public Service Commission Assessments	\$21,000,000	\$21,630,000	\$22,278,900
Circuit Court Clk. - Civil Filing Fee Receipts	\$8,373,851	\$7,302,244	\$6,873,601
Insurance - Retaliatory Taxes & Fees	\$4,795,683	\$4,912,838	\$5,029,993
Circuit Court Clk. - Receipts for Services	\$5,028,951	\$4,838,204	\$4,647,457
Miscellaneous - Pub Advoc; Sec State Fee	\$2,698,552	\$2,809,088	\$2,919,625
Circuit Court Clk. - Bond Filing Fee	\$2,484,788	\$2,431,750	\$2,378,713
Circuit Court Clk. - 10% Bond Fee	\$323,996	\$289,516	\$255,036
Strip Mining & Reclamation Fees	\$193,571	\$121,047	\$48,524
<b>TOTAL</b>	<b>\$44,899,392</b>	<b>\$44,334,687</b>	<b>\$44,431,849</b>
<b><u>Investment Receipts</u></b>			
General Depository Investment Income	(\$600,000)	(\$7,000,000)	(\$11,000,000)
<b>TOTAL</b>	<b>(\$600,000)</b>	<b>(\$7,000,000)</b>	<b>(\$11,000,000)</b>
<b><u>Miscellaneous Revenue</u></b>			
Lottery	\$232,000,000	\$236,000,000	\$241,000,000
Abandoned Property	\$48,933,628	\$33,468,482	\$34,565,126
Other Fines & Unhonored Checks Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	\$20,298,541	17,917,281	19,536,021
TVA - In Lieu of Taxes - State Portion	\$16,888,767	\$15,525,834	\$14,162,902
Court Costs	\$10,000,060	\$10,248,314	\$11,113,202
Court Costs	\$12,230,241	\$10,971,558	\$9,712,874
Dept. of Rev. Legal Process Taxes - Co. Clk.	\$2,589,867	\$2,630,203	\$2,670,538

<u>Source</u>	<u>Estimated FY 2016</u>	<u>Estimated FY 2017</u>	<u>Estimated FY 2018</u>
Circuit Court Clk. - Bond Forfeitures	\$1,289,526	\$1,273,835	\$1,258,144
Circuit Court Clk. - Fish & Wildlife Fines	\$58,236	\$54,209	\$50,182
F.H.A. - In Lieu of Taxes	\$28,508	\$20,437	\$12,366
R.E.C.C. and R.T.C.C. In Lieu of Taxes	\$300	\$300	\$300
Dept. of Rev. Penalty & Int. of Co. Officials	(\$27,448)	(\$28,152)	(\$28,855)
<b>TOTAL</b>	<b>\$344,290,226</b>	<b>\$328,082,301</b>	<b>\$334,052,800</b>
Miscellaneous Not Otherwise Specified	\$1,817,204	\$1,759,744	\$1,785,088
<b>OFFICAL ESTIMATE</b>	<b>\$10,289,900,000</b>	<b>\$10,617,200,000</b>	<b>\$10,875,500,000</b>

## Road Fund Detailed Estimates

<u>Source</u>	<u>Estimated FY 2016</u>	<u>Estimated FY 2017</u>	<u>Estimated FY 2018</u>
<b><u>Sales and Gross Receipts Taxes</u></b>			
Motor Fuels Normal and Normal Use	\$741,950,000	\$746,350,000	\$748,850,000
Motor Vehicle Usage	427,200,000	433,100,000	448,800,000
Motor Vehicle Rental Usage	36,000,000	36,500,000	37,000,000
Truck Trip Permits	950,000	950,000	950,000
Sales and Use	-100,000	-100,000	-100,000
<b>TOTAL</b>	<b>\$1,206,000,000</b>	<b>\$1,216,800,000</b>	<b>\$1,235,500,000</b>
<b><u>License and Privilege Taxes</u></b>			
Weight Distance Tax	\$79,900,000	\$82,100,000	\$83,800,000
Truck Proportional Registration	44,500,000	41,500,000	42,000,000
Passenger Car License	30,400,000	30,200,000	30,100,000
License Plates	12,172,300	12,419,300	12,667,300
Truck License - State Share	14,900,000	14,800,000	14,700,000
Motor Vehicle Operator's License	14,200,000	14,155,000	14,255,000
Highway Special Permits	7,100,000	7,100,000	7,000,000
Motor Carrier Identification Cards	5,000,000	5,000,000	5,100,000
Trailer License	2,000,000	2,100,000	2,100,000
U-Drive-Licenses	1,600,000	1,650,000	1,700,000
Operator's License - Photography Program	1,380,000	1,325,000	1,425,000
Transfer License	860,000	860,000	860,000
Operator's License-Driver Education	620,000	620,000	620,000
Motorcycle License	617,000	618,000	619,000
Temporary Tags	450,000	450,000	450,000
Overweight Coal Truck Permit	425,000	425,000	425,000
Nonreciprocal Permits	250,000	250,000	250,000
Dealers License	245,000	246,000	247,000
Bus License - Except City	37,000	38,000	38,000
Taxi License	30,000	30,000	30,000
Truck Permits	30,000	30,000	30,000
Contract Taxicab Permit	14,500	15,000	15,000
Drive Away Utility Trailer Permits	12,500	12,000	12,000
County Clerk Penalty	10,000	10,000	10,000
Temporary Motorcycle Tags	7,200	7,200	7,200
U-Drive-It Permits	6,500	6,500	6,500
Dealer Demonstrator Tags	6,000	6,000	6,000
Bus Certificates and Permits	2,000	2,000	2,000
Junk Yard License	2,000	2,000	2,000

<u>Source</u>	<u>Estimated FY 2016</u>	<u>Estimated FY 2017</u>	<u>Estimated FY 2018</u>
Industrial Hauling Permits	1,000	1,000	1,000
<b>TOTAL</b>	<b>\$216,778,000</b>	<b>\$215,978,000</b>	<b>\$218,478,000</b>
<b><u>Departmental Fees, Sales and Rentals</u></b>			
Driving History Record Fee	6,000,000	6,100,000	6,600,000
Motor Vehicle Title Receipts	5,130,000	5,250,000	5,275,000
Operator's License Reinstatement Fees	1,300,000	1,400,000	1,700,000
Proceeds from Asset Disposition	2,500,000	2,800,000	1,700,000
Penalty & Interest - Weight and Use Taxes	1,400,000	1,400,000	1,400,000
Highway Sign Logo Rental	710,000	715,000	710,000
Record Copy Sales	500,000	500,000	500,000
Traffic Offenders School Fees	475,000	495,000	475,000
Specification and Blue Print Sales	450,000	450,000	450,000
Miscellaneous Rentals	275,000	275,000	275,000
U-Drive-It Penalty and Interest	55,000	55,000	55,000
Coal Road Recovery Fines	29,000	33,000	35,000
Medical Alert Stickers	50	50	50
<b>TOTAL</b>	<b>\$18,824,050</b>	<b>\$19,473,050</b>	<b>\$19,175,050</b>
<b><u>Investment Income</u></b>			
Investment Income	\$1,200,000	\$1,400,000	\$1,500,000
<b>TOTAL</b>	<b>\$1,200,000</b>	<b>\$1,400,000</b>	<b>\$1,500,000</b>
<b><u>Miscellaneous Revenue</u></b>			
Property Damage	\$1,300,000	\$1,350,000	\$1,300,000
<b>TOTAL</b>	<b>\$1,300,000</b>	<b>\$1,350,000</b>	<b>\$1,300,000</b>
Miscellaneous Not Otherwise Specified	\$1,797,950	\$1,898,950	\$2,246,950
<b>OFFICAL ESTIMATE</b>	<b>\$1,445,900,000</b>	<b>\$1,456,900,000</b>	<b>\$1,478,200,000</b>

## **Appendix A**

### **Receipts First Half of Fiscal Year 2014**



## Kentucky State Government Revenue General Fund Revenue

	Second Quarter FY 2016	Second Quarter FY 2015	%	Year-To-Date FY 2016	Year-To-Date FY 2015	%
			Change			Change
<b>TOTAL GENERAL FUND</b>	<b>\$2,668,723,727</b>	<b>\$2,578,896,689</b>	<b>3.5%</b>	<b>\$5,070,353,237</b>	<b>\$4,877,338,778</b>	<b>4.0%</b>
<b>Tax Receipts</b>	<b>\$2,565,420,361</b>	<b>\$2,478,113,500</b>	<b>3.5%</b>	<b>\$4,895,844,064</b>	<b>\$4,693,479,311</b>	<b>4.3%</b>
<b>Sales and Gross Receipts</b>	<b>\$998,829,933</b>	<b>\$942,205,296</b>	<b>6.0%</b>	<b>\$2,006,635,573</b>	<b>\$1,893,971,565</b>	<b>5.9%</b>
Beer Consumption	1,675,088	1,410,147	18.8%	3,489,346	3,113,203	12.1%
Beer Wholesale	15,009,147	13,451,751	11.6%	32,496,745	29,642,833	9.6%
Cigarette	57,578,427	55,054,332	4.6%	115,676,724	112,315,711	3.0%
Distilled Spirits Case Sales	36,134	33,557	7.7%	70,761	65,634	7.8%
Distilled Spirits Consumption	3,404,431	3,112,288	9.4%	6,659,556	6,166,887	8.0%
Distilled Spirits Wholesale	10,249,518	9,311,440	10.1%	19,800,979	17,825,011	11.1%
Insurance Premium	15,648,419	10,679,113	46.5%	45,879,260	44,704,759	2.6%
Pari-Mutuel	847,415	726,041	16.7%	1,773,611	1,379,775	28.5%
Race Track Admission	21,714	71,647	-69.7%	132,854	145,963	-9.0%
Sales and Use	867,952,114	822,369,543	5.5%	1,727,701,719	1,626,908,119	6.2%
Wine Consumption	937,885	762,400	23.0%	1,648,047	1,472,455	11.9%
Wine Wholesale	4,318,836	4,298,068	0.5%	8,327,708	8,055,116	3.4%
Telecommunications Tax	15,866,473	15,748,596	0.7%	32,259,763	31,442,383	2.6%
OTP	5,282,928	5,175,697	2.1%	10,712,488	10,732,714	-0.2%
Floor Stock Tax	1,404	678	107.2%	6,012	1,001	500.3%
<b>License and Privilege</b>	<b>\$81,054,309</b>	<b>\$101,201,888</b>	<b>-19.9%</b>	<b>\$172,245,253</b>	<b>\$206,269,750</b>	<b>-16.5%</b>
Alc. Bev. License Suspension	115,176	93,350	23.4%	236,901	220,430	7.5%
Coal Severance	34,542,826	48,777,013	-29.2%	72,215,660	97,550,789	-26.0%
Corporation License	23,115	218,884	-89.4%	70,318	303,930	-76.9%
Corporation Organization	91,685	32,106	185.6%	91,685	37,591	143.9%
Occupational Licenses	33,475	29,883	12.0%	87,111	72,907	19.5%
Oil Production	1,226,684	3,299,742	-62.8%	2,858,408	6,563,078	-56.4%
Race Track License	80,000	143,350	-44.2%	212,500	238,350	-10.8%
Bank Franchise Tax	1,694,317	306,477	452.8%	864,332	(16,159)	---
Driver License Fees	152,762	161,256	-5.3%	326,428	351,707	-7.2%
Minerals Severance	5,199,293	4,075,213	27.6%	10,687,890	8,575,460	24.6%
Natural Gas Severance	2,382,517	5,518,119	-56.8%	4,390,054	9,343,509	-53.0%
Limited Liability Entity	35,512,460	38,546,495	-7.9%	80,203,965	83,028,158	-3.4%
<b>Income</b>	<b>\$1,131,624,848</b>	<b>\$1,091,384,971</b>	<b>3.7%</b>	<b>\$2,296,380,085</b>	<b>\$2,184,739,846</b>	<b>5.1%</b>
Corporation	102,062,060	96,849,356	5.4%	226,925,277	208,854,950	8.7%
Individual	1,029,562,788	994,535,615	3.5%	2,069,454,809	1,975,884,896	4.7%
<b>Property</b>	<b>\$333,489,655</b>	<b>\$325,790,623</b>	<b>2.4%</b>	<b>\$380,338,302</b>	<b>\$370,430,077</b>	<b>2.7%</b>
Building & Loan Association	(11,881)	0	---	(11,881)	(498,150)	---
General - Real	195,838,856	185,129,144	5.8%	195,484,118	184,469,693	6.0%
General - Tangible	102,849,906	104,718,165	-1.8%	131,017,499	131,191,308	-0.1%
Omitted & Delinquent	3,072,702	1,745,375	76.0%	3,785,168	6,033,049	-37.3%
Public Service	30,779,108	33,424,080	-7.9%	49,097,477	48,380,070	1.5%
Other	960,963	773,859	24.2%	965,921	854,106	13.1%
<b>Inheritance</b>	<b>\$14,158,824</b>	<b>\$10,825,332</b>	<b>30.8%</b>	<b>\$27,908,639</b>	<b>\$25,785,961</b>	<b>8.2%</b>
<b>Miscellaneous</b>	<b>\$6,262,793</b>	<b>\$6,705,390</b>	<b>-6.6%</b>	<b>\$12,336,211</b>	<b>\$12,282,111</b>	<b>0.4%</b>
Legal Process	3,603,982	3,915,875	-8.0%	7,322,395	7,531,125	-2.8%
T. V. A. In Lieu Payments	2,675,800	2,789,515	-4.1%	5,028,475	4,747,082	5.9%
Other	(16,990)	0	---	(14,659)	3,904	---
<b>Nontax Receipts</b>	<b>\$100,273,606</b>	<b>\$100,391,601</b>	<b>-0.1%</b>	<b>\$170,753,273</b>	<b>\$182,960,060</b>	<b>-6.7%</b>
Departmental Fees	5,090,206	3,808,778	33.6%	7,921,966	7,164,730	10.6%
PSC Assessment Fee	106,438	460	23052.7%	10,868,310	14,671,653	-25.9%
Fines & Forfeitures	5,024,762	5,416,734	-7.2%	10,622,994	11,119,926	-4.5%
Income on Investments	(256,676)	(236,922)	---	(422,082)	(392,431)	---
Lottery	56,778,429	57,500,000	-1.3%	110,278,429	109,500,000	0.7%
Sale of NOx Credits	0	12,000	-100.0%	0	27,594	-100.0%
Miscellaneous	33,530,448	33,890,551	-1.1%	31,483,656	40,868,589	-23.0%
<b>Redeposit of State Funds</b>	<b>\$3,029,760</b>	<b>\$391,588</b>	<b>673.7%</b>	<b>\$3,755,900</b>	<b>\$899,407</b>	<b>317.6%</b>

## Kentucky State Government Revenue Road Fund Revenue

	Second Quarter FY 2016	Second Quarter FY 2015	%	Year-To-Date FY 2016	Year-To-Date FY 2015	%
			Change			Change
<b>TOTAL ROAD FUND</b>	<b>\$371,183,052</b>	<b>\$380,079,146</b>	<b>-2.3%</b>	<b>\$742,251,962</b>	<b>\$784,862,700</b>	<b>-5.4%</b>
<b>Tax Receipts-</b>	<b>\$365,524,532</b>	<b>\$374,780,408</b>	<b>-2.5%</b>	<b>\$730,979,502</b>	<b>\$772,292,319</b>	<b>-5.3%</b>
<b>Sales and Gross Receipts</b>	<b>\$310,947,509</b>	<b>\$328,895,288</b>	<b>-5.5%</b>	<b>\$631,056,065</b>	<b>\$677,920,036</b>	<b>-6.9%</b>
Motor Fuels Taxes	185,653,153	228,452,300	-18.7%	382,065,220	\$462,437,983	-17.4%
Motor Vehicle Usage	125,294,356	100,442,988	24.7%	248,990,844	\$215,482,053	15.6%
<b>License and Privilege</b>	<b>\$54,577,023</b>	<b>\$45,885,121</b>	<b>18.9%</b>	<b>\$99,923,437</b>	<b>\$94,372,283</b>	<b>5.9%</b>
Motor Vehicles	26,707,778	18,168,060	47.0%	45,381,555	\$40,598,310	11.8%
Motor Vehicle Operators	4,010,519	4,014,938	-0.1%	8,223,852	\$8,138,558	1.0%
Weight Distance	20,661,427	20,533,475	0.6%	41,284,507	\$40,546,877	1.8%
Truck Decal Fees	8,062	12,073	-33.2%	38,242	\$31,460	21.6%
Other Special Fees	3,189,237	3,156,575	1.0%	4,995,282	\$5,057,078	-1.2%
<b>Nontax Receipts</b>	<b>\$5,473,296</b>	<b>\$5,434,036</b>	<b>0.7%</b>	<b>\$10,772,132</b>	<b>\$10,090,180</b>	<b>6.8%</b>
Departmental Fees	5,287,320	4,223,661	25.2%	9,927,459	\$7,978,591	24.4%
In Lieu of Traffic Fines	102,227	121,298	-15.7%	206,267	\$243,208	-15.2%
Income on Investments	(206,186)	647,552	---	240,917	\$1,255,726	-80.8%
Miscellaneous	289,935	441,525	-34.3%	397,489	\$612,655	-35.1%
<b>Redeposit of State Funds</b>	<b>\$185,223</b>	<b>(\$135,298)</b>	<b>---</b>	<b>\$500,328</b>	<b>\$2,480,201</b>	<b>-79.8%</b>

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## **Appendix B**

### **Summary Statistics for General Fund and Road Fund**

### **Major Revenue Sources Fiscal Years 2004 – 2013**

**SUMMARY STATISTICS FOR GENERAL FUND MAJOR REVENUE SOURCES  
FISCAL YEARS 2006-2015 - \$ MILLIONS**

	FY06	FY07	FY08	FY09	FY010
<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>

	FY11	FY12	FY13	FY14	FY15
<b>TOTAL GENERAL FUND</b>	<b>8,759,442,646</b>	<b>9,090,954,645</b>	<b>9,348,326,000</b>	<b>9,462,035,017</b>	<b>9,966,630,897</b>
<b>Tax Receipts</b>	<b>8,455,775,175</b>	<b>8,786,626,012</b>	<b>8,992,372,146</b>	<b>9,126,466,009</b>	<b>9,637,987,521</b>
<b>Sales and Gross Receipts</b>	<b>3,489,069,236</b>	<b>3,648,803,253</b>	<b>3,616,732,159</b>	<b>3,716,809,229</b>	<b>3,854,700,860</b>
Beer Consumption	6,118,817	6,125,423	6,190,085	6,226,880	6,071,389
Beer Wholesale	51,914,445	54,139,730	53,750,045	57,969,185	57,570,011
Cigarette	262,220,720	254,798,018	238,669,895	228,076,834	220,902,529
Cigarette Floor Stock	150,038	31,548	19,426	(1,887)	11,502
Distilled Spirits Case Sales	-232,830	116,903	122,873	127,875	132,802
Distilled Spirits Consumption	10,942,531	11,355,027	11,962,448	11,961,270	12,468,749
Distilled Spirits Wholesale	28,175,617	29,695,678	31,911,903	33,829,202	36,471,357
Insurance Premium	128,731,563	133,069,934	139,471,024	141,638,641	146,480,663
Pari-Mutuel	4,607,322	3,600,911	4,842,847	2,421,099	2,964,884
Race Track Admission	178,957	164,223	184,269	213,958	155,426
Sales and Use	2,896,251,816	3,052,236,048	3,021,794,387	3,131,126,876	3,267,331,025
Wine Consumption	2,584,039	2,716,967	2,856,119	2,896,687	2,912,784
Wine Wholesale	13,748,696	14,102,961	14,959,504	15,523,357	16,323,658
Telecommunications Tax	62,286,497	64,919,274	68,327,915	63,897,510	63,575,235
Other Tobacco Products	21,391,009	21,730,607	21,669,418	20,901,740	21,328,845
<b>License and Privilege</b>	<b>658,594,243</b>	<b>647,694,277</b>	<b>615,821,292</b>	<b>546,514,679</b>	<b>546,330,916</b>
Alc. Bev. License & Suspension	377,550	281,375	402,958	343,952	450,542
Coal Severance	295,836,611	298,263,637	230,540,150	197,525,899	180,283,352
Corporation License	10,654,547	5,330,573	-294,874	814,539	188,600
Corporation Organization	69,928	94,666	97,963	47,491	186,635
Occupational Licenses	165,753	156,845	137,311	214,153	202,297
Oil Production	8,287,566	11,955,961	10,974,127	13,128,040	9,840,015
Race Track License	262,175	272,443	264,011	291,300	247,766
Bank Franchise Tax	88,400,971	94,158,966	98,971,258	102,857,446	99,990,669
Driver License Fees	602,721	608,829	633,198	612,770	659,776
Minerals Severance	13,256,853	13,292,368	13,306,647	12,298,663	15,128,385
Natural Gas Severance	24,938,411	22,538,258	14,665,363	19,036,025	15,361,597
LLET	215,741,157	200,740,356	246,123,181	199,344,400	223,791,283
<b>Income</b>	<b>3,718,560,868</b>	<b>3,886,498,908</b>	<b>4,123,715,965</b>	<b>4,224,378,149</b>	<b>4,597,619,307</b>
Corporation	300,782,364	374,423,779	400,752,175	475,120,319	528,118,737
Individual	3,417,778,504	3,512,075,128	3,722,963,791	3,749,257,830	4,069,500,570
<b>Property</b>	<b>514,814,972</b>	<b>529,566,811</b>	<b>558,378,328</b>	<b>562,428,448</b>	<b>563,435,472</b>
Bank Deposits	561,375	570,776	588,098	581,157	588,914
Building & Loan Association	2,457,458	2,462,810	2,332,923	1,806,976	1,482,051
Distilled Spirits	730,146	754,636	772,733	854,637	891,761
General - Intangible	-	-	-	816	-
General - Real	247,034,036	251,285,063	257,970,441	258,284,309	259,228,298
General - Tangible	186,665,683	207,739,436	216,942,082	223,393,888	226,137,118
Omitted & Delinquent	28,140,461	16,687,591	26,972,243	21,276,527	16,237,196
Public Service	49,210,400	50,063,069	52,795,179	51,859,325	58,864,760
Other	15,412	3,431	4,629	5,807,422	5,374
<b>Inheritance</b>	<b>41,350,929</b>	<b>41,312,904</b>	<b>41,326,220</b>	<b>45,843,849</b>	<b>50,975,858</b>
<b>Miscellaneous</b>	<b>33,384,927</b>	<b>32,749,859</b>	<b>36,398,182</b>	<b>30,491,656</b>	<b>24,925,107</b>
Legal Process	20,303,600	19,977,267	19,748,614	16,792,670	15,435,811
T. V. A. In Lieu Payments	12,992,023	12,707,124	16,600,467	13,646,200	9,452,432
Other	89,304	65,468	49,101	52,786	36,863
<b>Nontax Receipts</b>	<b>300,260,186</b>	<b>301,849,149</b>	<b>353,103,427</b>	<b>333,860,106</b>	<b>326,949,419</b>
Departmental Fees	29,505,690	26,203,503	28,494,072	24,489,562	22,036,475
PSC Assessment Fee	16,266,055	7,389,549	13,205,508	17,155,431	20,829,264
Fines & Forfeitures	26,117,800	26,274,627	28,264,706	24,747,942	22,771,487
Interest on Investments	767,606	-14,535,985	711,516	(176,256)	213,267
Lottery	200,500,000	210,800,122	215,266,568	219,500,743	221,500,000
Sale of NOx Credits	36,825	22,025	50,892	104,242	27,594
Miscellaneous	27,066,209	45,695,310	67,110,164	48,038,442	39,571,333
<b>Redeposit of State Funds</b>	<b>3,407,285</b>	<b>2,479,483</b>	<b>2,850,428</b>	<b>1,708,902</b>	<b>1,693,958</b>

**GENERAL FUND GROWTH RATES  
MAJOR REVENUE SOURCES – FISCAL YEARS 2006-2015**

	<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 <sup>7</sup>	-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>

	FY11	FY12	FY13	FY14	FY15
<b>TOTAL GENERAL FUND</b>	<b>6.5%</b>	<b>3.8%</b>	<b>2.8%</b>	<b>1.2%</b>	<b>5.3%</b>
<b>Tax Receipts</b>	<b>6.8%</b>	<b>3.9%</b>	<b>2.3%</b>	<b>1.5%</b>	<b>5.6%</b>
<b>Sales and Gross Receipts</b>	<b>2.7%</b>	<b>4.6%</b>	<b>-0.9%</b>	<b>2.8%</b>	<b>3.7%</b>
Beer Consumption	-0.8%	0.1%	1.1%	0.6%	-2.5%
Beer Wholesale	0.6%	4.3%	-0.7%	7.8%	-0.7%
Cigarette	-5.7%	-2.8%	-6.3%	-4.4%	-3.1%
Cigarette Floor Stock	-45.4%	-79.0%	-38.4%	-109.7%	-709.6%
Distilled Spirits Case Sales	-151.4%	-150.2%	5.1%	4.1%	3.9%
Distilled Spirits Consumption	2.1%	3.8%	5.3%	0.0%	4.2%
Distilled Spirits Wholesale	2.4%	5.4%	7.5%	6.0%	7.8%
Insurance Premium	2.9%	3.4%	4.8%	1.6%	3.4%
Pari-Mutuel	---	---	34.5%	-50.0%	22.5%
Race Track Admission	-4.8%	-8.2%	12.2%	16.1%	-27.4%
Sales and Use	3.7%	5.4%	-1.0%	3.6%	4.4%
Wine Consumption	5.8%	5.1%	5.1%	1.4%	0.6%
Wine Wholesale	13.8%	2.6%	6.1%	3.8%	5.2%
Telecommunications Tax	-6.7%	4.2%	5.3%	-6.5%	-0.5%
Other Tobacco Products	1.3%	1.6%	-0.3%	-3.5%	2.0%
<b>License and Privilege</b>	<b>22.1%</b>	<b>-1.7%</b>	<b>-4.9%</b>	<b>-11.3%</b>	<b>0.0%</b>
Alc. Bev. License Suspension	-32.8%	-25.5%	43.2%	-14.6%	31.0%
Coal Severance	8.8%	0.8%	-22.7%	-14.3%	-8.7%
Corporation License	94.7%	-50.0%	-105.5%	-376.2%	-76.8%
Corporation Organization	-58.3%	35.4%	3.5%	-51.5%	293.0%
Occupational Licenses	-3.7%	-5.4%	-12.5%	56.0%	-5.5%
Oil Production	9.6%	44.3%	-8.2%	19.6%	-25.0%
Race Track License	-3.4%	3.9%	-3.1%	10.3%	-14.9%
Bank Franchise Tax	28.0%	6.5%	5.1%	3.9%	-2.8%
Driver License Fees	1.1%	1.0%	4.0%	-3.2%	7.7%
Minerals Severance	-0.1%	0.3%	0.1%	-7.6%	23.0%
Natural Gas Severance	2.3%	-9.6%	-34.9%	29.8%	-19.3%
LLET	47.8%	-7.0%	22.6%	-19.0%	12.3%
<b>Income</b>	<b>9.6%</b>	<b>4.5%</b>	<b>6.1%</b>	<b>2.4%</b>	<b>8.8%</b>
Corporation	26.4%	24.5%	7.0%	18.6%	11.2%
Individual	8.3%	2.8%	6.0%	0.7%	8.5%
<b>Property</b>	<b>-0.3%</b>	<b>2.9%</b>	<b>5.4%</b>	<b>0.7%</b>	<b>0.2%</b>
Bank Deposits	-4.8%	1.7%	3.0%	-1.2%	1.3%
Building & Loan Association	-15.9%	0.2%	-5.3%	-22.5%	-18.0%
Distilled Spirits	6.5%	3.4%	2.4%	10.6%	4.3%
General - Intangible	---	---	---	---	---
General - Real	-0.7%	1.7%	2.7%	0.1%	0.4%
General - Tangible	-3.4%	11.3%	4.4%	3.0%	1.2%
Omitted & Delinquent	12.8%	-40.7%	61.6%	-21.1%	-23.7%
Public Service	9.3%	1.7%	5.5%	-1.8%	13.5%
Other	401.9%	-77.7%	34.9%	---	-99.9%
<b>Inheritance</b>	<b>11.2%</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>10.9%</b>	<b>11.2%</b>
<b>Miscellaneous</b>	<b>-8.0%</b>	<b>-1.9%</b>	<b>11.1%</b>	<b>-16.2%</b>	<b>-18.3%</b>
Legal Process	-6.9%	-1.6%	-1.1%	-15.0%	-8.1%
T. V. A. In Lieu Payments	-9.4%	-2.2%	30.6%	-17.8%	-30.7%
Other	-43.6%	-26.7%	-25.0%	7.5%	-30.2%
<b>Nontax Receipts</b>	<b>-0.5%</b>	<b>0.5%</b>	<b>17.0%</b>	<b>-5.4%</b>	<b>-2.1%</b>
Departmental Fees	-0.1%	-11.2%	8.7%	-14.1%	-10.0%
PSC Assessment Fee	28.2%	-54.6%	78.7%	29.9%	21.4%
Fines & Forfeitures	-10.1%	0.6%	7.6%	-12.4%	-8.0%
Interest on Investments	-353.2%	-1993.7%	-104.9%	-124.8%	---
Lottery	0.3%	5.1%	2.1%	2.0%	0.9%
Sale of NOx Credits	-94.1%	-40.2%	131.1%	104.8%	-73.5%
Miscellaneous	-10.4%	68.8%	46.9%	-28.4%	-17.6%
<b>Redeposit of State Funds</b>	<b>-36.3%</b>	<b>-27.2%</b>	<b>15.0%</b>	<b>-40.0%</b>	<b>-0.9%</b>



**SUMMARY STATISTICS FOR ROAD FUND MAJOR REVENUE SOURCES  
FISCAL YEARS 2006-2015 – (\$ MILLIONS)**

	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>

	FY11	FY12	FY13	FY14	FY15
<b>TOTAL STATE ROAD FUND</b>	<b>1,338,811,926</b>	<b>1,443,773,845</b>	<b>1,491,623,669</b>	<b>1,560,439,604</b>	<b>1,526,738,659</b>
<b>Tax Receipts-</b>	<b>1,315,130,011</b>	<b>1,416,497,670</b>	<b>1,471,593,789</b>	<b>1,535,727,564</b>	<b>1,501,667,661</b>
<b>Sales and Gross Receipts</b>	<b>1,114,593,981</b>	<b>1,207,082,330</b>	<b>1,265,175,199</b>	<b>1,329,208,128</b>	<b>1,283,046,179</b>
Motor Fuels Taxes	732,826,112	790,229,379	838,344,373	886,161,042	850,276,246
Motor Vehicle Usage	381,767,869	416,852,951	426,830,826	443,047,087	432,769,932
<b>License and Privilege</b>	<b>200,536,031</b>	<b>209,415,340</b>	<b>206,418,590</b>	<b>206,519,436</b>	<b>218,621,482</b>
Motor Vehicles	97,812,587	107,836,554	102,256,080	101,879,541	107,554,129
Motor Vehicle Operators	15,736,805	15,737,651	16,049,755	16,150,032	15,958,491
Weight Distance	73,983,781	75,111,565	74,935,016	76,894,805	79,147,533
Truck Decal Fees	793,715	736,224	590,397	489,072	404,906
Other Special Fees	12,209,142	9,993,345	12,587,343	11,105,986	15,556,424
<b>Nontax Receipts</b>	<b>21,932,031</b>	<b>26,739,794</b>	<b>18,023,074</b>	<b>22,833,411</b>	<b>22,358,605</b>
Departmental Fees	18,167,778	21,879,481	17,094,723	17,368,008	17,766,834
In Lieu of Traffic Fines	779,828	769,405	702,451	544,637	465,304
Highway Tolls	-	-	-	-	-
Investment Income	1,995,228	3,081,180	-398,745	3,997,826	2,913,784
Miscellaneous	989,197	1,009,727	624,646	922,939	1,212,683
<b>Redeposit of State Funds</b>	<b>1,749,883</b>	<b>536,381</b>	<b>2,006,806</b>	<b>1,880,271</b>	<b>2,712,394</b>

**ROAD FUND GROWTH RATES  
MAJOR REVENUE SOURCES – FISCAL YEARS 2006-2015**

	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>

	FY11	FY12	FY13	FY14	FY15
<b>TOTAL STATE ROAD FUND</b>	<b>11.0%</b>	<b>7.8%</b>	<b>3.3%</b>	<b>4.6%</b>	<b>-2.2%</b>
<b>Tax Receipts-</b>	<b>11.3%</b>	<b>7.7%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>-2.2%</b>
<b>Sales and Gross Receipts</b>	<b>12.8%</b>	<b>8.3%</b>	<b>4.8%</b>	<b>5.1%</b>	<b>-3.5%</b>
Motor Fuels Taxes	11.8%	7.8%	6.1%	5.7%	-4.0%
Motor Vehicle Usage	14.7%	9.2%	2.4%	3.8%	-2.3%
<b>License and Privilege</b>	<b>4.0%</b>	<b>4.4%</b>	<b>-1.4%</b>	<b>0.0%</b>	<b>5.9%</b>
Motor Vehicles	1.0%	10.2%	-5.2%	-0.4%	5.6%
Motor Vehicle Operators	-1.3%	0.0%	2.0%	0.6%	-1.2%
Weight Distance	4.9%	1.5%	-0.2%	2.6%	2.9%
Truck Decal Fees	16.8%	-7.2%	-19.8%	-17.2%	-17.2%
Other Special Fees	38.1%	-18.1%	26.0%	-11.8%	40.1%
<b>Nontax Receipts</b>	<b>-8.1%</b>	<b>21.9%</b>	<b>-32.6%</b>	<b>26.7%</b>	<b>-2.1%</b>
Departmental Fees	-1.7%	20.4%	-21.9%	1.6%	2.3%
In Lieu of Traffic Fines	0.0%	-1.3%	-8.7%	-22.5%	-14.6%
Highway Tolls	---	---	---	---	---
Investment Income	-45.1%	54.4%	-112.9%	-1102.6%	-27.1%
Miscellaneous	1.9%	2.1%	-38.1%	47.8%	31.4%
<b>Redeposit of State Funds</b>	<b>24.2%</b>	<b>-69.3%</b>	<b>274.1%</b>	<b>-6.3%</b>	<b>44.3%</b>

## FISCAL YEAR 2015 RECEIPTS

### General Fund

General Fund receipts totaled \$9,966.6 million in FY15, which is \$504.6 million or 5.3 percent more than FY14 receipts. Fiscal Year 2011 was the last time the General Fund grew by more than five percent. Revenue collections increased in all four quarters of the fiscal year as the rate of growth gathered strength throughout the year. Growth was the strongest in the final quarter and the quarterly rate of increase was the largest since the fourth quarter of FY11. Growth rates for the four quarters of FY15 were 1.1 percent, 5.8 percent, 5.4 percent and 8.6 percent, respectively. Six of the nine major accounts posted higher receipts in FY15 while three accounts (coal severance, cigarette and other) posted declines.

General Fund collections for FY15 were \$165.4 million, or 1.7 percent above the official estimate of \$9,801.2 million. The largest shortfalls occurred in the "Other", coal, and property taxes. On the other hand, sales and use, individual income and corporation income taxes came in above the forecasted level. Increases in part-time employment and personal income were greater than originally forecast and contributed to higher than anticipated receipts in those three accounts.

Individual income tax receipts grew \$320.2 million from last year. All four components of the tax: withholding, fiduciary, declaration payments and net payments with returns posted increases over FY14 levels. Growth of 8.5 percent is largest since this account grew 14.5 percent in FY08.

Sales tax receipts increased \$136.2 million, or 4.4 percent over FY14 totals. Receipts of \$3,267.3 million compare to prior year receipts \$3,131.1 million. Growth in this account was the highest since FY12 and showed steady growth throughout the year. The sales tax has benefited greatly from growth in Kentucky wages, lower fuel prices, and high consumer sentiment.

Total property taxes rose 0.2 percent or \$1.0 million during the fiscal year. Receipts totaled \$563.4 million compared to \$562.4 million collected in FY14. Tax receipts on real property grew only 0.4 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 since 2008. By comparison, in the 28 years between 1980 and 2008, the rate fell 26 of the 28 years. Both of the major accounts, real and tangible property, increased for the year while some of the minor accounts declined. Together real and tangible property account for over 85 percent of total property tax collections.

Corporate income tax collections grew \$53.0 million, or 11.2 percent in FY15. Receipts for the year totaled \$528.1 million and compare to \$475.1 million collected in FY14. However, collections fell in the first quarter of the fiscal year before accelerating sharply over the remaining nine months. Fiscal year 2015 marks the fourth time in the past five years in which receipts in this account increased at least 10 percent.

Coal severance taxes decreased by 8.7 percent in FY15. Severed tons have also declined steadily as the demand for coal wanes. Total collections for the fiscal year were \$180.3 million and are the lowest since FY04 when receipts totaled \$147.5 million. Collections have now fallen in 13 consecutive quarters and dropped almost 40 percent since peaking in FY12 just three years ago.

Cigarette tax receipts continued their long-run decline, falling \$7.2 million, or 3.1 percent. Fiscal Year 2015 marks the fifth consecutive annual decline in cigarette tax collections. Receipts for the year totaled \$220.9 million and compare to \$228.1 million collected in FY14.

The LLET increased 12.3 percent or \$24.4 million. After declining in the first six months of the year, collections exploded over the final two quarters. Receipts for the year totaled \$223.8 million and compare to \$199.3 million collected in FY14.

Lottery receipts increased 0.9 percent, or \$2.0 million, from the previous year. Receipts of \$221.5 million compare favorably to \$219.5 million remitted to the state in FY14, but fell short of the estimate of \$238.0 million.

The "Other" category, which includes multiple other taxes and fees such as the insurance premium tax, bank franchise tax and the telecommunications tax decreased 1.1 percent or \$7.9 million. Receipts of \$691.8 million compare to \$698.9 million collected in FY14.

**Fiscal Year 2015  
General Fund Revenues Compared to Previous Years  
\$ millions**

	<u>Full Year Receipts</u>			<u>Growth Rates (%)</u>		
	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
Individual Income	4,069.5	3,749.3	3,723.0	8.5	0.7	6.0
Sales and Use	3,267.3	3,131.1	3,021.8	4.4	3.6	-1.0
Property	563.4	562.4	558.4	0.2	0.7	5.4
Corporate Income	528.1	475.1	400.8	11.2	18.6	7.0
LLET	223.8	199.3	246.1	12.3	-19.0	22.6
Coal Severance	180.3	197.5	230.5	-8.7	-14.3	-22.7
Cigarette Taxes	220.9	228.1	238.7	-3.1	-4.4	-6.3
Lottery	221.5	219.5	215.3	0.9	2.0	2.1
Other	<u>691.8</u>	<u>698.9</u>	<u>713.8</u>	<u>-1.0</u>	<u>-2.1</u>	<u>8.5</u>
<b>Total</b>	<b>9,966.6</b>	<b>9,462.0</b>	<b>9,348.3</b>	<b>5.3</b>	<b>1.2</b>	<b>2.8</b>

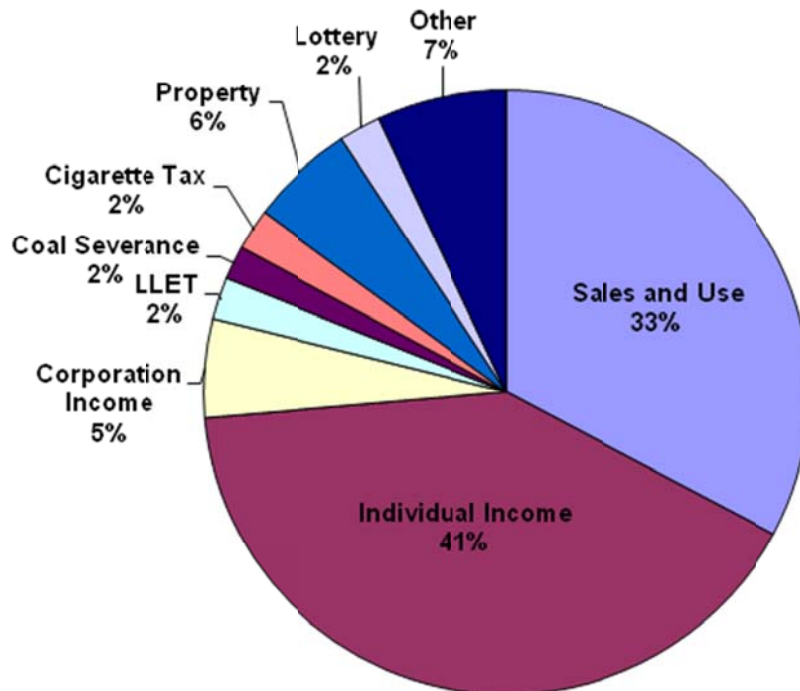
**Fiscal Year 2015  
General Fund Receipts Compared to Official Estimate  
\$ millions**

	<u>FY15</u>		<u>Difference</u>	
	<u>Actual</u>	<u>Estimate</u>	<u>\$</u>	<u>%</u>
Individual Income	4,069.5	3,977.3	92.2	2.3
Sales and Use	3,267.3	3,154.0	113.3	3.6
Property	563.4	581.2	-17.8	-3.1
Corporation Income	528.1	462.4	65.7	14.2
LLET	223.8	233.7	-9.9	-4.2
Coal Severance	180.3	204.6	-24.3	-11.9
Cigarette Tax	220.9	223.5	-2.6	-1.2
Lottery	221.5	238.0	-16.5	-6.9
Other	<u>691.8</u>	<u>726.5</u>	<u>-34.7</u>	<u>-4.8</u>
<b>Total</b>	<b>9,966.6</b>	<b>9,801.2</b>	<b>165.4</b>	<b>1.7</b>

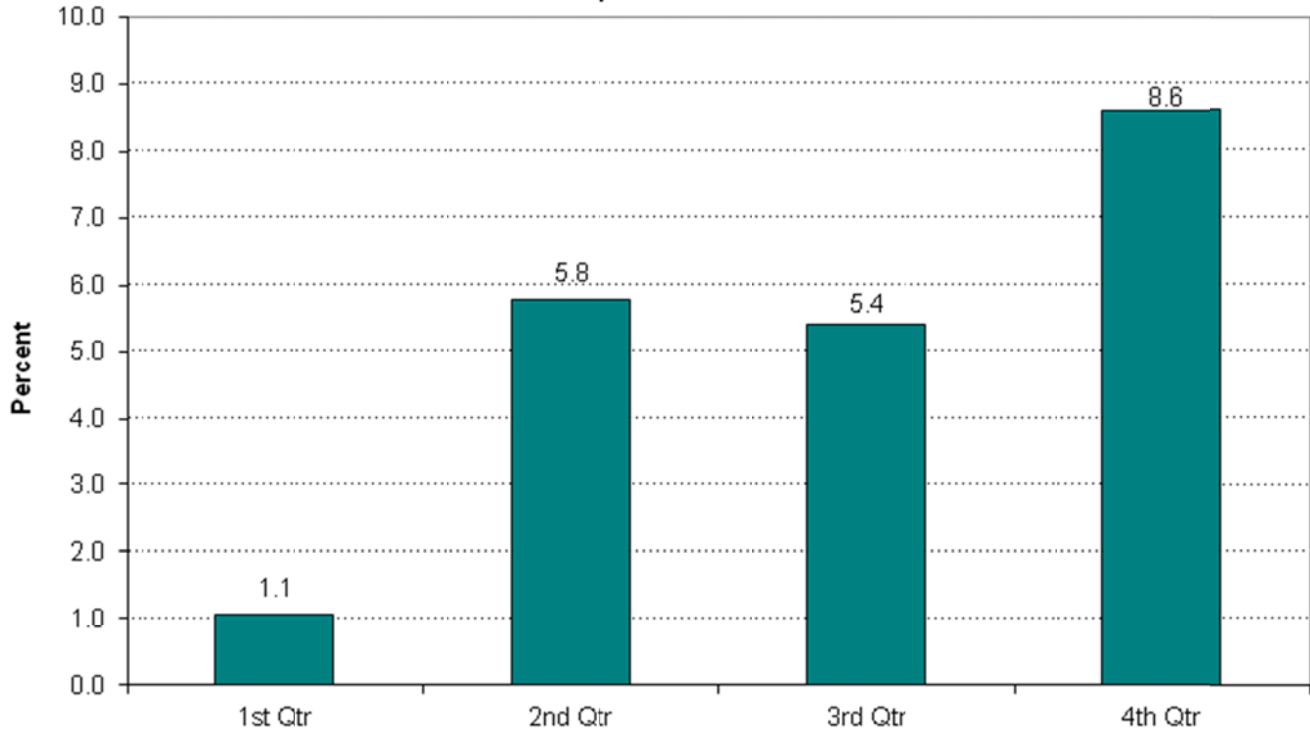
**General Fund Quarterly Growth Rates and Full Fiscal Year 2015  
percents**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY15</b>
Individual Income	5.4	7.5	9.3	11.5	8.5
Sales and Use	3.4	5.6	3.2	5.2	4.3
Property	-20.0	6.4	-2.9	-5.4	0.2
Corporation Income	-25.7	21.2	41.8	26.9	11.2
LLET	-8.4	-15.0	15.3	43.2	12.3
Coal Severance	-5.0	-7.6	-9.2	-13.5	-8.7
Cigarette Tax	-3.5	-4.8	-4.3	-0.1	-3.1
Lottery	7.2	5.2	3.7	-10.1	0.9
Other	1.8	1.8	-0.8	-6.7	-1.1
<b>Total</b>	<b>1.1</b>	<b>5.8</b>	<b>5.4</b>	<b>8.6</b>	<b>5.3</b>

**General Fund Receipts Composition  
Fiscal Year 2015**



**Figure D**  
**FY15 General Fund Quarterly Growth Rates**  
**percent**



**Road Fund**

Road Fund revenues for FY15 were \$1,526.7 million, a decrease of 2.2 percent from the previous fiscal year. Total receipts were \$33.7 million less than FY14 as the two largest accounts motor fuels and motor vehicle usage taxes declined \$46.2 million. On net, the remaining accounts increased \$12.5 million over FY14 levels. The decline in collections is the first since FY09.

Total Road Fund collections were positive but weak in the first half of the fiscal year and then declined in both of the quarters in the second half of the year. Growth rates for the four quarters were 1.8 percent, 0.5 percent, -2.0 percent and -8.7 percent, respectively. Road Fund collections are detailed below in the table below.

Motor fuels tax receipts fell by \$35.9 million, or 4.0 percent, in FY15, the first decline since FY01. Declining gas prices during the year led to a decrease in the motor fuels tax rate. The tax rate was slightly higher in the first quarter of the year compared to FY14 but lower, relative to the prior year, in each of the three remaining quarters. Taxable gallons grew in each of the first three quarters but not enough to offset the lower tax rate. Quarterly growth rates for motor fuels taxes were 1.6 percent, 0.3 percent, -5.3 percent and -13.3 percent, respectively.

Motor vehicle usage tax receipts of \$432.8 million represent a decrease of 2.3 percent compared to the \$443.0 million collected in FY14. The decrease in FY15 collections is breaking a string of four consecutive years of growth. Growth rates for the four quarters were -0.5 percent, -0.8 percent, -1.0 percent and -6.6 percent, respectively. Collections in this account were hindered by HB440, passed in 2013, which allowed for a trade-in credit on new vehicle purchases. The fiscal impact of that legislation reduced revenue by \$45.8 million in FY15.

Weight distance tax receipts of \$79.1 million represent an increase of 2.9 percent compared to the \$76.9 million collected in FY14.

Motor vehicle license tax receipts grew \$5.7 million while motor vehicle motor vehicle operators' receipts fell by \$0.2 million. Investment income declined \$1.1 million and the "Other" income rose \$5.8 million from FY14.

Road Fund collections for FY15 fell short the official consensus estimate by \$20.0 million, or 1.3 percent. The motor fuels tax was \$32.9 million, or 3.7 percent, below the official estimate. Motor vehicle usage tax exceeded

the estimate by \$7.3 million or 1.7 percent. All other accounts, taken together, were \$5.7 million over forecasted levels.

Figure E details the composition of FY15 Road Fund receipts by tax type. Eighty-four percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. Following these, the motor vehicle license tax accounted for 7.0 percent and the weight distance tax accounted for 5.0 percent. "Other" taxes combined to account for 3.0 percent. Motor vehicle operators' revenue accounted for 1.0 percent.

**Fiscal Year 2015  
Road Fund Revenues Compared to Previous Years  
\$ millions**

	<u>Full Year Receipts</u>			<u>Growth Rates (%)</u>		
	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
Motor Fuels	850.3	886.2	838.3	-4.0	5.7	6.1
Motor Vehicle Usage	432.8	443.0	426.8	-2.3	3.8	2.4
Motor Vehicle License	107.6	101.9	102.3	5.6	-0.4	-5.2
Motor Vehicle Operators	16.0	16.2	16.0	-1.2	0.6	2.0
Weight Distance	79.1	76.9	74.9	2.9	2.6	-0.2
Income on Investments	2.9	4.0	-0.4	-28.0	NA	-112.9
Other	38.1	32.3	33.6	18.0	-3.9	-3.8
<b>Total</b>	<b>1,526.7</b>	<b>1,560.5</b>	<b>1,491.6</b>	<b>-2.2</b>	<b>4.6</b>	<b>3.3</b>

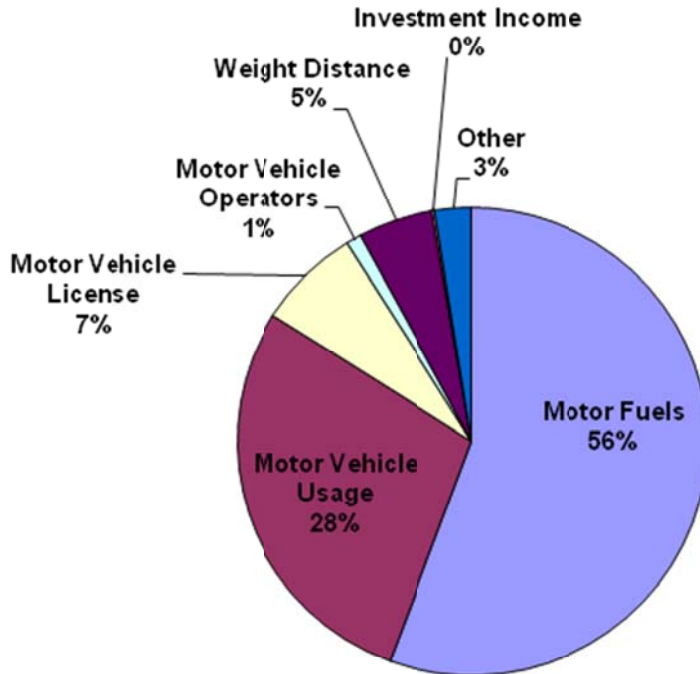
**Fiscal Year 2015  
Road Fund Receipts Compared to Official Estimate  
\$ millions**

	<u>FY15</u>		<u>Difference</u>	
	<u>Actual</u>	<u>Estimate</u>	<u>\$</u>	<u>%</u>
Motor Fuels	850.3	883.2	-32.9	-3.7
Motor Vehicle Usage	432.8	425.5	7.3	1.7
Motor Vehicle License	107.6	101.9	5.7	5.5
Motor Vehicle Operators	16.0	16.7	-0.7	-4.4
Weight Distance	79.1	79.9	-0.8	-0.9
Income on Investments	2.9	3.1	-0.2	NA
Other	38.1	36.4	1.7	4.7
<b>Total</b>	<b>1,526.7</b>	<b>1,546.7</b>	<b>-20.0</b>	<b>-1.3</b>

**Road Fund Quarterly Growth Rates and Full Fiscal Year 2015  
percents**

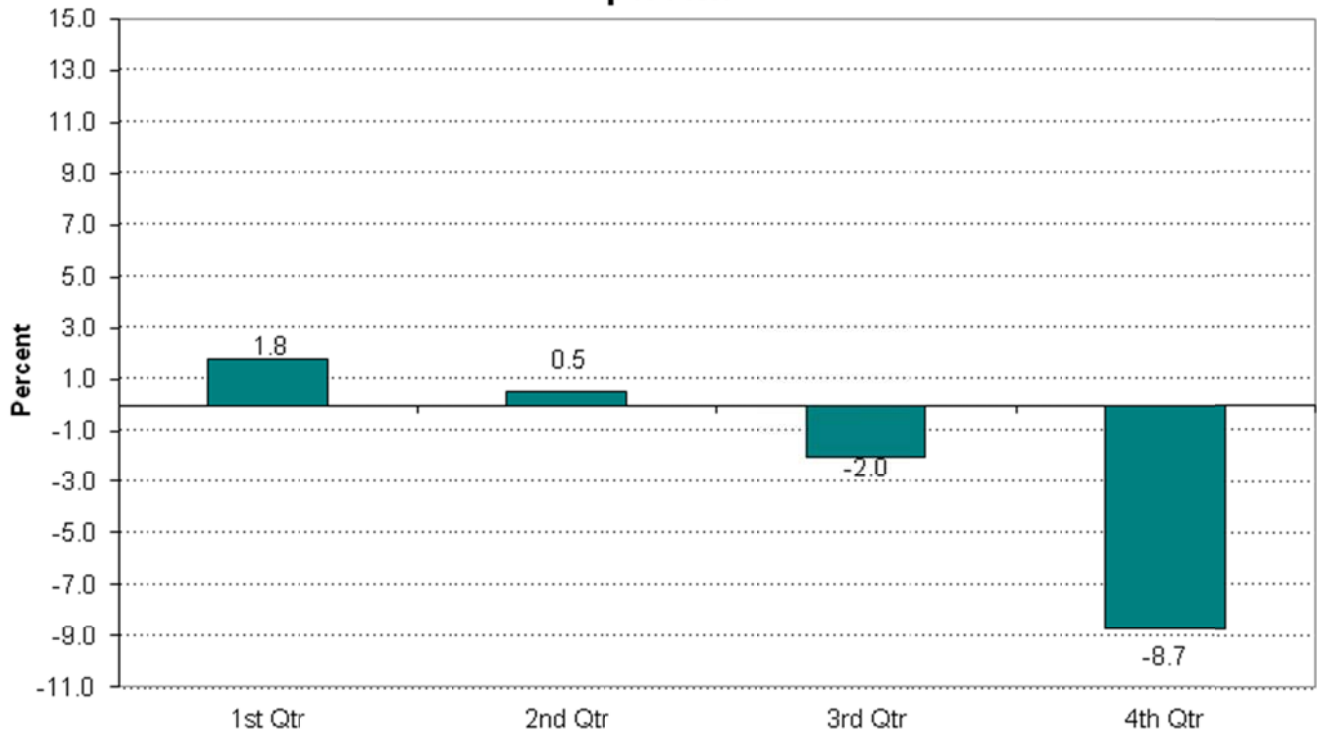
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY15</u>
Motor Fuels	1.6	0.3	-5.3	-13.3	-4.0
Motor Vehicle Usage	-0.5	-0.8	-1.0	-6.6	-2.3
Motor Vehicle License	21.2	0.5	3.4	1.6	5.6
Motor Vehicle Operators	-2.7	3.4	-3.6	-1.6	-1.2
Weight Distance	4.0	5.5	3.6	-1.5	2.9
Income on Investments	-22.6	671.1	3.7	-82.2	-28.0
Other	-4.2	1.3	30.3	50.0	18.0
<b>Total</b>	<b>1.8</b>	<b>0.5</b>	<b>-2.0</b>	<b>-8.7</b>	<b>-2.2</b>

**Road Fund Receipts Composition  
Fiscal Year 2015**





**Figure F**  
**FY15 Road Fund Quarterly Growth Rates**  
percent



# Capital Financing Analysis

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## EXECUTIVE SUMMARY

The Governor proposes \$624,621,500 in new debt. The proposal for the 2016-2018 biennium is compared to previous biennia in Table 7, and the bond funded projects are described in more detail in Appendix D.

The **Capital Financing Analysis** provides an overview of the structure of debt issuance in the Commonwealth. In addition, historical information about the status of the debt program is provided in the Appendices. This information is required pursuant to KRS 42.410.

## Assumptions

This analysis is premised on the following assumptions:

- FY16-18 General Fund revenues are based on the December 16, 2015 Consensus Forecasting Group's Official Revenue Estimates. FY16 is projected to be \$222.7 million higher than the official General Fund revenue estimate enacted in the 2014-16 biennial budget during the 2014 Regular Session. FY17 and FY18 General Fund revenues are projected using a 3.2 percent and a 2.4 percent growth rate, respectively.
- FY16-18 Road Fund revenues are based on the December 16, 2015 Consensus Forecasting Group's Official Revenue Estimates. FY16 is projected to be \$112.5 million less than the official Road Fund revenue estimate enacted in the 2014-16 biennial budget during the 2014 Regular Session. FY17-18 Road Fund revenues are projected using a 0.8 percent and a growth rate of 1.5 percent, respectively.
- Agency Fund revenues are based on actual FY15 revenue from the Supplementary Information to the FY15 Comprehensive Annual Financial Report, and for FY17 and FY18, estimated amounts are obtained from the 2016-2018 biennial budget submissions.
- Tobacco Settlement Funds are based on the Official Revenue Estimates and are listed as General Fund revenue.
- Interest rate subsidies of 35% on bonds that were issued as Build America Bonds (BABs) as well as interest rate subsidies of 70% on bonds that were issued as Qualified Energy Conservation Bonds (QECBs) from the American Recovery and Reinvestment Act (ARRA) of 2009 are included in the General Fund, Road Fund, and Agency Fund Revenues. Note: Due to Federal Sequestration, interest subsidy payments during October 1, 2013 through September 30, 2014 were reduced by 7.2 percent and during October 1, 2014 through September 30, 2015 were reduced by 7.3%.
- Currently authorized but un-issued debt is assumed to be issued during the balance of FY16 with no additional debt service to be paid in FY16 but with debt service payments to be made in FY17 and FY18 using the revised template rates, except for School Facilities Construction Commission debt that is authorized at a different level. Where actual debt service is unknown, required debt service is estimated from amortization schedules using the revised debt service template rates.
- Cost of issuance is assumed to be two percent (2%) of bond size.
- Previously authorized General Fund Bonds of \$9,000,000 are assumed to have their authorization lapse.

**Table 7  
DEBT AUTHORIZED BY RECENT SESSIONS OF THE GENERAL ASSEMBLY**

<u>Biennium</u>	<u>Principal Debt Authorized</u>	<u>Biennium</u>	<u>Principal Debt Authorized</u>
1994-96 <sup>1</sup>	429,575,900	2006-08 <sup>7</sup>	2,110,528,000
1996-98 <sup>2</sup>	313,575,000	2008-10 <sup>8</sup>	2,015,494,000
1998-00 <sup>3</sup>	1,168,030,000	2010-12 <sup>9</sup>	1,553,199,800
2000-02 <sup>4</sup>	1,046,927,600	2012-14 <sup>10</sup>	630,258,000
2002-04 <sup>5</sup>	835,188,380	2014-16 <sup>11</sup>	1,496,548,200
2004-06 <sup>6</sup>	1,906,315,300	2016-18 <sup>12</sup>	624,621,500

<sup>1</sup> This includes debt authorized in the 1995 Extraordinary Session of the General Assembly and debt authorized by the Surplus Expenditure Plan.

<sup>2</sup> Enacted in the 1996-1998 Budget of the Commonwealth, and the Second 1997 Extraordinary Session of the Kentucky General Assembly.

Reauthorized: \$69,393,000 General Fund and \$2,000,000 Agency Fund

New Authorization: \$103,796,000 General Fund and \$35,000,000 Agency Fund

May 1997 Extraordinary Session: Includes \$103,386,000 of Bond Funded Projects. Excludes the \$60,000,000 of Agency Bonds in the Finance and Administration Cabinet (KY Infrastructure Authority leveraging), which pursuant to KRS 56.870 (3) legislative authorization is required when revolving fund repayments are used to support bonds. This authorization was never acted upon or reauthorized.

<sup>3</sup> Debt Enacted in the 1998-2000 Budget of the Commonwealth.

Reauthorized: \$74,102,000 General Fund and \$2,000,000 Agency Fund

New Authorizations: \$600,830,000 General Fund; \$268,100,000 Road Fund; and \$96,100,000 Agency Fund

\$126,898,000 was authorized in the General Fund Surplus Expenditure Plan

\$201,000,000 was authorized for the School Facilities Construction Commission; however, debt service was appropriated for only \$108,130,000

<sup>4</sup> Debt Enacted in the 2000-2002 Budget of the Commonwealth.

General Fund Authorization: \$901,202,600

Road Fund Authorization: \$ 28,200,000

Agency Fund Authorization: \$117,525,000

The 2000 Session of the Kentucky General Assembly authorized \$1,053,015,600 of debt. The Secretary of the Finance and Administration Cabinet determined that \$6,088,000 of debt authorized projects would be funded with General Fund cash, thereby reducing the authorized amount to \$1,046,927,600.

<sup>5</sup> Debt Enacted in the 2002-2004 Budget of the Commonwealth.

General Fund Authorization: \$628,188,380

Agency Fund Authorization: \$207,000,000

<sup>6</sup> Debt Enacted in the 2004-2006 Budget of the Commonwealth.

General Fund Authorization: \$1,204,589,300

Road Fund Authorization: \$ 450,000,000

Agency Fund Authorization: \$ 251,726,000

The 2005 Session of the Kentucky General Assembly also authorized \$150,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds.

<sup>7</sup> Debt Enacted in the 2006-2008 Budget of the Commonwealth and subsequent 2007 Second Extraordinary Session of the General Assembly.

General Fund Authorization: \$1,492,991,000

Road Fund Authorization: \$ 350,000,000

Agency Fund Authorization: \$ 267,537,000

The 2006 Session of the Kentucky General Assembly also authorized \$290,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds.

<sup>8</sup> Debt Enacted in the 2008-2010 Budget of the Commonwealth.

General/Tobacco Fund Authorization: \$ 657,281,000

Road Fund Authorization: \$ 535,000,000

Agency Fund Authorization: \$ 743,213,000

Other Authorization: \$ 80,000,000

The 2008 Session of the Kentucky General Assembly also authorized \$231,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds.

- <sup>9</sup> **Debt Enacted in the 2010-2012 Budget of the Commonwealth.**
- |                                     |                |
|-------------------------------------|----------------|
| General/Tobacco Fund Authorization: | \$ 507,395,800 |
| Road Fund Authorization:            | \$ 522,500,000 |
| Agency Fund Authorization:          | \$ 519,304,000 |
- The 2010 Extraordinary Session of the Kentucky General Assembly also authorized \$435,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds. The 2010 Session authorized \$4,000,000 of Agency Bonds for the Department of Military Affairs.
- <sup>10</sup> **Debt Enacted in the 2012-2014 Budget of the Commonwealth.**
- |                             |                |
|-----------------------------|----------------|
| General Fund Authorization: | \$ 182,860,000 |
| Road Fund Authorization:    | \$ 12,500,000  |
| Agency Fund Authorization:  | \$ 434,898,000 |
- The 2013 Regular Session \$363,298,000 of Agency Bonds for several universities and authorized \$28,100,000 of Agency Bonds for the Administrative Office of the Courts in the Court of Justice.
- <sup>11</sup> **Debt Enacted in the 2014-2016 Budget of the Commonwealth and 2015 Regular Session of the General Assembly.**
- |                             |                |
|-----------------------------|----------------|
| General Fund Authorization: | \$ 770,273,200 |
| Road Fund Authorization:    | \$ 5,000,000   |
| Agency Fund Authorization:  | \$ 721,275,000 |
- The 2014-16 Regular Session authorized \$742,773,200 for projects and deauthorized \$105,000,000. The 2015 Regular Session authorized \$132,500,000 for the University of Kentucky Research Building.
- <sup>12</sup> **\$624,621,500 New Debt Recommended in the 2016-2018 Executive Budget of the Commonwealth.**
- |                             |                |
|-----------------------------|----------------|
| General Fund Authorization: | \$ 460,241,500 |
| Agency Fund Authorization:  | \$ 164,380,000 |
- From the General Fund, \$9,000,000 is proposed to be deauthorized bringing the recommended net new debt to \$615,621,500.

## DEBT CAPACITY ANALYSIS

### Purpose

This report provides a review of pertinent historical information about the Commonwealth's debt and debt management goals. The Governor's recommendation for new debt-financed capital projects for the FY16 – FY18 biennium is evaluated against various measures of debt affordability and previous biennial authorizations.

The goals of the debt management program of the Commonwealth are:

1. Maintain debt at levels that eliminate questions concerning the state's willingness or ability to make timely payments on appropriation supported obligations.
2. Use debt to finance projects prudently, while addressing the capital investment needs of the state.
3. Issue debt only for those projects that will provide benefits equal to or longer than the life of the obligation.
4. Amortize debt consistent with the useful life of the project. Monitor principal levels by Fund source within the broader parameters of 27-30 percent maturing in 5 years and 55-60 percent maturing within 10 years.
5. Maintain or improve the state's current Aa3/A/A+ State Property and Buildings Commission General Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.
6. Maintain or improve the state's current Aa2/AA/A+ Turnpike Authority of Kentucky Road Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.
7. Initiate reviews of debt management processes that are consistent with reviews by external entities such as rating agencies.
8. Continue to develop the program to manage the net interest expense of the Commonwealth.
9. Continually strive to reduce the expense of debt through ongoing management of outstanding debt and analysis of low-cost alternatives.
10. Use tax-exempt rather than taxable funding sources for project financing whenever possible to minimize overall governmental operating costs.

These goals continue to be important to the assessment by outside entities of the use of debt by the Commonwealth and provide an appropriate backdrop for any discussion about long-term capital expenditures.

## Structure

The Commonwealth's indebtedness is classified as either appropriation supported debt or non-appropriation supported debt.

**Appropriation supported debt** carries the name of the Commonwealth and is either (i) a general obligation of the state, or (ii) a lease revenue obligation of one of its debt issuing agencies created by the Kentucky General Assembly to finance various projects which is subject to state appropriation for all or a portion of the debt service on the bonds.

General obligation bonds pledge the full faith, credit and taxing power of the Commonwealth for the repayment of the debt. The Kentucky Constitution requires voter approval by general referendum prior to the issuance of general obligation bonds in amounts exceeding \$500,000. Kentucky has not issued general obligation bonds since 1966. The Commonwealth has no general obligation bonds outstanding.

Project revenue notes and bonds are issued by various debt issuing authorities of the Commonwealth. The revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project or agency constitute the entire source of payment.

The payment of debt service by the state universities is enhanced by a state intercept provision that provides that in the event of a default, the Secretary of the Finance and Administration Cabinet is required to intercept any funds appropriated to the University but not yet disbursed and to remit those funds to the Trustee to remedy the default.

**Non-appropriation or moral obligation debt** carries the name of the Commonwealth for the benefit and convenience of other entities within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. Some issues covenant that in the event of a shortfall, the issuer will request from the Secretary of the Finance and Administration Cabinet or the Governor and the General Assembly in the next regular session sufficient amounts to pay debt service or to replenish the debt service reserves, as applicable. Certain Kentucky Higher Education Student Loan Corporation bonds, Kentucky Housing Corporation Multi-Family conduit bonds, Kentucky Infrastructure Authority's Governmental Agencies Program and Leveraged Wastewater and Drinking Water Revolving Fund bonds, and Kentucky Public Transportation Infrastructure Authority bonds are not moral obligation debt.

## Default Record

The Commonwealth has never defaulted in the payment of principal or interest on its general obligation indebtedness or its project revenue obligations.



**Table 8  
ACTIVE DEBT ISSUING ENTITIES<sup>2</sup>**

<b>ENTITY</b>	<b>STATUTORY AUTHORITY/PURPOSE</b>	<b>DEBT LIMITATIONS</b>	<b>RATINGS<sup>1</sup></b>
State Property and Buildings Commission	<b>KRS 56.450</b> Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A/A+
Kentucky Asset/Liability Commission	<b>KRS 56.860</b> Provide interim financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies***
Turnpike Authority of Kentucky	<b>KRS 175.410-175.990</b> Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa2/AA/A+
The State Universities (consisting of nine)	<b>KRS 56.495</b> Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	See Appendix C
Kentucky Housing Corporation	<b>KRS 198A</b> Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents of the State.	Limited to \$5.0 billion of debt outstanding.	Aaa/AAA/NR
Kentucky Infrastructure Authority	<b>KRS 224A</b> Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of \$500 million.	Aa3/A+/A+** (Appropriation) Aaa/AAA/AAA (Leverage Loan)
Kentucky Higher Education Student Loan Corporation	<b>KRS 164A</b> Make guaranteed student loans to residents of the state to attend postsecondary institutions and to make loans to students attending postsecondary schools within the state.	Limited to \$5.0 billion of debt outstanding.	Varies
School Facilities Construction Commission	<b>KRS 157.611-157.665</b> Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3
Kentucky Economic Development Finance Authority	<b>KRS 154</b> Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None	Varies
Kentucky Public Transportation Infrastructure Authority	<b>KRS 175B.005-175B.115</b> Facilitate construction, financing, operation, and oversight of significant transportation projects within the Commonwealth by entering into bi-state agreements and by creating bi-state authorities and project authorities.	Cannot incur debt prior approval of projects by General Assembly.	Baa3/ /BBB-

1 Ratings, where applicable, include Moody's, Standard & Poor's, and Fitch. Certain State Property and Buildings Commission Agency Fund Revenue Bonds and Road Fund Revenue Bonds may have ratings different from those identified above.

Notes

- The Kentucky Infrastructure Authority's Governmental Agencies Program Revenue Bonds are rated "AA" by Standard & Poor's and are backed by the loans of the borrowers. The Kentucky Infrastructure Authority's Wastewater and Drinking Water Revolving Fund Revenue Bonds Series 2010A and Series 2012A are rated "Aaa/AAA/AAA" by Moody's, Standard & Poor's and Fitch, respectively.

- On February 18, 2014, Moody's downgraded certain stand-alone GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund from "Aa3" to "A1" with a negative outlook. On June 16, 2014, Moody's downgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund from "A1" to "A2" and changed the outlook from negative to stable.
- On June 15, 2015, Standard and Poor's downgraded the Turnpike authority of Kentucky's Road Fund appropriation-supported obligations from "AA+" to "AA" and changed the outlook from Stable to Negative.
- On September 3, 2015, Standard and Poor's downgraded the Commonwealth's issuer credit rating to "A+" from "AA-" and its rating on the Commonwealth's appropriation debt to "A" from "A+". At the same time, Standard & Poor's has lowered its rating on debt backed by the commonwealth state intercept programs for schools and university to "A" from "A+" and on lease debt issued by various Kentucky county public property corporations backed by the appropriations from Administrative Office of the Courts to "A-" from "A". The outlook for all is stable.

2 The Commonwealth of Kentucky has financed two capital construction projects through the Public-Private Partnership ("P3") structure as of January 20, 2016. The Commonwealth of Kentucky State Office Building project was financed through the issuance of \$68,757,000 tax-exempt Certificates of Participation ("COPs"). The Next Generation-Kentucky Information Highway project was funded from proceeds of a conduit issue of \$231,950,000 of tax-exempt senior bonds, \$57,996,000 of taxable senior bonds and \$15,229,110 of subordinate bonds via the Kentucky Economic Development Finance Authority. The Commonwealth has never defaulted on any payments relative to a P3 obligation.

<u>PROJECT</u>	<u>Structure</u>	<u>Status</u>	<u>Principal Outstanding</u>
Commonwealth of Kentucky State Office Building	Capital lease payments, consisting of base rent and additional rent, made pursuant to a facilities lease agreement under a 30-year, tax-exempt structure.	Project commenced in March 2015 and is under construction with estimated substantial completion date of July 1, 2016.	\$68,575,000
Next Generation - Kentucky Information Highway	Availability payments under a taxable, tax-exempt and subordinate structure for a 30-year term.	Project commenced in 2015 with estimated substantial completion date in late 2018.	\$305,175,110

## Definitions

**Debt service** is defined as all debt service appropriated by the General Assembly to the Executive Branch. This includes debt service on all bond issues of the State Property and Buildings Commission, the Kentucky Asset/Liability Commission, state universities (general receipts bonds, consolidated educational buildings revenue bonds, and housing and dining system revenue bonds), the Turnpike Authority of Kentucky, and the state appropriation-supported portion of both the School Facilities Construction Commission and the Kentucky Infrastructure Authority.

**Revenue** is defined to include the General Fund, Road Fund, and Agency Funds and is reported on an actual cash (budgetary) basis. Although the state adopted a modified accrual basis of accounting in 1983, the use of the cash basis for both General and Road Funds allows for an analysis of debt for a longer time period. Revenues for the General Fund and the Road Fund for FY17 and FY18 are based upon the Consensus Forecasting Group's December 16, 2015 Official Revenue Estimates with additional revenue from the Governor's budget recommendation. Agency Fund estimates are based upon actual results for FY15, and for FY17 and FY18, estimated amounts are from the 2016-2018 biennial budget requests. Interest rate subsidies of 35% on bonds issued as BABs and interest rate subsidies of 70% on bonds issued as QECBs are also included in the revenues for the General Fund, Road Fund, and Agency Fund. – See Note under Assumptions regarding subsidy reductions.

Historical revenue figures and debt service levels were obtained from the *Kentucky Comprehensive Annual Financial Report* and the supplementary information reports for the various years.

**Debt capacity** is the total amount of new asset bonds that can be supported by a calculated amount of state appropriations (assuming a 20-year term with a tax-exempt interest rate of 5.75 percent or with a taxable interest rate of 6.75 percent or other applicable rates). Asset bonds equate to project costs plus cost of issuance and assume no debt service reserves.

## Historical Information

Table 9 displays the historical comparison of debt outstanding in current and constant dollars.

Table 10 displays the comparison of debt outstanding and required debt service as a percent of assessed property, personal income, and on a per capita basis.

Table 11 provides an update of Table 10 to include the Governor's proposed debt financed projects as it relates to personal income.

Table 12 provides the comparison of total appropriation required debt service as a percentage of total revenue. This is the key indicator of debt affordability for the Commonwealth and is used to assess the impact of any capital program.

Table 13 provides an update of Table 12 to include the Governor's proposed debt financed projects.

Table 14 provides the comparison of total appropriated debt service as a percentage of anticipated available revenue as well as an update to include the Governor's proposed debt financed projects.

**Table 9**  
**APPROPRIATION SUPPORTED DEBT**  
**PRINCIPAL DEBT OUTSTANDING**  
**(000,000)**

<u>Fiscal Year</u>	<u>Current</u>	<u>Percent Change</u>	<u>CPI Constant Dollar Adjustment</u>	<u>Constant (1984)</u>	<u>Percent Change</u>
1991	3,277.26	19.05	1.362	2,406.21	14.25
1992	3,537.60	7.94	1.403	2,521.45	4.79
1993	3,837.66	8.48	1.445	2,655.82	5.33
1994	3,785.78	-1.35	1.482	2,554.51	-3.81
1995	3,809.20	0.62	1.524	2,499.47	-2.15
1996	3,775.38	-0.89	1.569	2,406.23	-3.73
1997	3,557.74	-5.76	1.605	2,216.66	-7.88
1998	3,600.08	1.19	1.630	2,208.64	-0.36
1999	3,589.95	-0.28	1.666	2,154.83	-2.44
2000	3,556.97	-0.92	1.722	2,065.60	-4.14
2001	3,966.22	11.51	1.771	2,239.53	8.42
2002	4,423.93	11.54	1.799	2,459.10	9.80
2003	4,102.63	-7.26	1.840	2,229.69	-9.33
2004	4,483.53	9.28	1.889	2,373.49	6.45
2005	4,658.95	3.91	1.953	2,385.53	0.51
2006	5,103.48	9.54	2.016	2,531.49	6.12
2007	5,455.69	6.90	2.073	2,631.25	3.94
2008	6,300.18	15.48	2.153	2,926.19	11.21
2009	6,831.16	8.43	2.139	3,193.62	9.14
2010	7,815.33	14.41	2.171	3,599.88	12.72
2011	8,763.50	12.13	2.204	3,976.18	10.45
2012	8,974.39	2.41	2.239	4,008.22	0.81
2013	8,792.92	-2.02	2.276	3,863.32	-3.61
2014	9,121.34	3.74	2.368	3,851.92	-0.30
2015	8,899.69	-2.43	2.415	3,685.17	-4.33
2016*	9,896.20	11.20	2.466	4,013.06	8.90
2017*	9,281.54	-6.21	2.520	3,683.15	-8.22
2018*	8,647.96	-6.83	2.579	3,353.22	-8.96

\*Estimated

Assumes remaining un-issued debt authorization is issued in FY16.

Assumes no additional debt authorization for the 2016-2018 Biennium.

**Table 10**  
**APPROPRIATION SUPPORTED DEBT**  
**KENTUCKY ECONOMIC DEBT INDICATORS**  
**(Current Dollars)**

<b>Fiscal Year</b>	<b>Debt as a % of Assessed Property</b>	<b>Required Debt Service as a % of Assessed Property</b>	<b>Debt as a % of Personal Income</b>	<b>Required Debt Service as a % of Personal Income</b>	<b>Debt Per Capita (\$)</b>	<b>Required Debt Service Per Capita (\$)</b>
1991	1.58	0.15	5.39	0.52	882.24	84.71
1992	1.62	0.18	5.51	0.61	941.76	105.00
1993	1.71	0.18	5.72	0.59	1006.68	103.55
1994	1.56	0.16	5.35	0.56	983.55	102.87
1995	1.49	0.17	5.11	0.57	979.88	109.24
1996	1.48	0.17	4.83	0.56	963.22	111.17
1997	1.51	0.19	4.31	0.56	900.07	116.26
1998	1.43	0.18	4.08	0.52	903.32	114.78
1999	1.36	0.17	3.94	0.50	893.46	114.50
2000	1.29	0.20	3.62	0.57	878.52	137.44
2001	1.35	0.19	3.92	0.55	974.78	135.95
2002	1.33	0.16	4.23	0.50	1080.88	128.75
2003	1.17	0.17	3.80	0.55	996.31	145.26
2004	1.24	0.16	3.90	0.51	1081.43	141.46
2005	1.22	0.14	3.92	0.46	1116.34	132.37
2006	1.49	0.18	4.13	0.50	1213.36	148.04
2007	1.49	0.15	4.13	0.42	1286.27	131.65
2008	1.66	0.18	4.64	0.51	1475.71	163.02
2009	1.76	0.16	4.90	0.46	1583.44	147.73
2010	1.97	0.10	5.55	0.29	1798.17	92.57
2011	2.19	0.17	5.96	0.45	2005.67	151.44
2012	2.19	0.17	5.85	0.46	2048.75	162.74
2013	3.02	0.32	5.57	0.59	2000.53	213.35
2014	3.10	0.34	5.66	0.61	2066.71	223.61
2015	2.98	0.34	5.28	0.60	2008.96	227.42
2016*	3.22	0.32	5.59	0.56	2218.88	222.47
2017*	2.93	0.35	5.01	0.60	2067.16	245.70
2018*	2.65	0.34	4.45	0.57	1917.51	245.34

\*Estimated

Assumes remaining un-issued debt authorization is issued in FY16.

Assumes no additional debt authorization for the 2016-2018 Biennium.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

**Table 11**  
**APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE**  
**AS A PERCENT OF PERSONAL INCOME**  
**(000,000)**

Fiscal Year	Debt as a % of Personal Income Assuming No New Authorization	Required Debt Service as a % of Personal Income Assuming No New Authorization	Debt as a % of Personal Income with \$624,621,500 Executive Budget Recommended New Authorization	Required Debt Service as a % of Personal Income with \$624,621,500 Executive Budget Recommended New Authorization
1991	5.39	0.52		
1992	5.51	0.61		
1993	5.72	0.59		
1994	5.35	0.56		
1995	5.11	0.57		
1996	4.83	0.56		
1997	4.31	0.56		
1998	4.08	0.52		
1999	3.94	0.50		
2000	3.62	0.57		
2001	3.92	0.55		
2002	4.23	0.50		
2003	3.80	0.55		
2004	3.90	0.51		
2005	3.92	0.46		
2006	4.13	0.50		
2007	4.13	0.42		
2008	4.64	0.51		
2009	4.90	0.46		
2010	5.55	0.29		
2011	5.96	0.45		
2012	5.85	0.46		
2013	5.57	0.59		
2014	5.66	0.61		
2015	5.28	0.60		
2016*	5.59	0.56		
2017*	5.01	0.60		
2018*	4.45	0.57	4.77	0.60

\*Estimated

Assumes remaining un-issued debt authorization is issued in FY16.

Assumes new debt authorization for the 2016-2018 Biennium with full year debt service in FY18.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

**Table 12**  
**APPROPRIATION SUPPORTED DEBT SERVICE**  
**AS A PERCENT OF TOTAL REVENUE**  
**(000,000)**

<u>Fiscal Year</u>	<u>Revenue (\$)</u>	<u>Debt Service (\$)</u>	<u>Debt Service/ Revenue (%)</u>
1991	6,120.63	314.66	5.14
1992	6,383.17	394.44	6.18
1993	6,588.49	394.76	5.99
1994	6,716.11	395.95	5.90
1995	7,447.43	424.65	5.70
1996	7,759.59	435.72	5.62
1997	8,188.69	459.56	5.61
1998	8,675.09	457.44	5.27
1999	9,104.41	460.08	5.05
2000	9,427.31	556.47	5.90
2001	9,920.62	553.15	5.58
2002	10,172.25	526.97	5.18
2003	10,499.22	598.16	5.70
2004	10,877.02	586.47	5.39
2005	11,749.64	552.42	4.70
2006	12,746.44	622.68	4.89
2007	13,022.81	558.39	4.29
2008	13,490.88	695.96	5.16
2009	13,249.29	637.34	4.81
2010	13,525.62	402.34	2.97
2011	14,529.38	661.71	4.55
2012	15,741.19	712.87	4.53
2013	15,775.73	937.73	5.94
2014	15,994.20	986.90	6.17
2015	17,581.56	1,007.48	5.73
2016*	18,314.92	992.24	5.42
2017*	19,041.95	1,103.20	5.79
2018*	19,740.82	1,106.49	5.61

\*Estimated

Assumes remaining un-issued debt authorization is issued in FY16.

Assumes no additional debt authorization for the 2016-2018 Biennium.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

**Table 13  
 APPROPRIATION SUPPORTED DEBT SERVICE  
 AS A PERCENT OF TOTAL REVENUE (%)**

<b>Fiscal Year</b>	<b>Assuming No New Authorization</b>	<b>\$624,621,500 Executive Budget Recommended New Authorization</b>
1991	5.14	
1992	6.18	
1993	5.99	
1994	5.90	
1995	5.70	
1996	5.62	
1997	5.61	
1998	5.27	
1999	5.05	
2000	5.90	
2001	5.58	
2002	5.18	
2003	5.70	
2004	5.39	
2005	4.70	
2006	4.89	
2007	4.29	
2008	5.16	
2009	4.81	
2010	2.97	
2011	4.55	
2012	4.53	
2013	5.94	
2014	6.17	
2015	5.73	
2016*	5.42	
2017*	5.79	
2018*	5.61	5.88

\*Estimated

Assumes remaining un-issued debt authorization is issued in FY16.

Assumes new debt authorization for the 2016-2018 Biennium with full year debt service in FY18.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.



**Table 14**  
**APPROPRIATION SUPPORTED DEBT SERVICE**  
**AS A PERCENT OF AVAILABLE REVENUE (%)**

<b>Fiscal Year</b>	<b>Available Revenue (000,000)</b>	<b>Appropriated Debt Service/ Revenue (%)</b>	<b>\$624,621,500 Executive Budget Recommended New Authorization</b>
1991	4,886.89	7.55	
1992	4,945.61	8.82	
1993	5,126.13	7.69	
1994	5,293.20	8.24	
1995	5,832.88	7.01	
1996	6,059.21	7.10	
1997	6,397.46	7.18	
1998	6,834.06	6.69	
1999	7,042.47	6.53	
2000	7,396.68	7.19	
2001	7,648.48	7.78	
2002	7,622.59	7.96	
2003	7,912.92	7.46	
2004	8,079.32	7.79	
2005	8,681.45	6.40	
2006	9,444.88	7.69	
2007	9,716.66	7.78	
2008	9,851.17	8.53	
2009	9,557.71	8.96	
2010	9,339.15	9.49	
2011	9,986.71	8.06	
2012	10,402.47	8.19	
2013	10,687.89	9.84	
2014	10,905.21	9.65	
2015*	11,307.05	9.72	
2016*	11,667.53	10.16	
2017*	12,039.95	9.16	
2018*	12,307.53	8.99	<b>9.42</b>

\*Estimated

Assumes remaining un-issued debt authorization is issued in FY16.

Assumes new debt authorization for the 2016-2018 Biennium with full year debt service in FY18.

## **Appendix A – Economic Indicators**

The following data reflect Kentucky's debt (principal outstanding) and debt service in comparison with various economic indicators or measures of wealth. Appropriation supported debt and three categories of debt service are presented in terms of the economic variables of assessed property values, personal income and population.

Tables A-1, A-2 and A-3 show the annual debt and debt service in three different categories: required, appropriated and actual. "Required debt service" is the net debt service that is actually due to the bondholders regardless of source of revenue. Debt service may be paid from interest earnings on the debt service reserve funds as well as by direct appropriations or projected revenues. The "required debt service" category is the most accurate reflection of the Commonwealth's liability.

"Appropriated debt service" reflects those funds that were appropriated in the various budgets for debt service. In many cases, these figures are estimated well in advance of debt being issued or refinanced. These figures are neither an accurate nor consistent reflection of the Commonwealth's debt liability and are presented pursuant to KRS 42.410.

"Actual debt service" reflects those funds that flowed through the Debt Service Fund within the state's accounting system. These figures include not only debt service but also proceeds from refundings, costs of issuance and accrued interest on newly issued bonds, rebate and arbitrage penalty payments and trustee fees. These data are not an accurate reflection of the Commonwealth's debt liability, but are being presented pursuant to KRS 42.410.

Table A-4 reflects Kentucky's non-appropriation supported debt in relation to the economic variables of assessed property value, personal income and population. Non-appropriation supported debt is the debt of those authorities for which appropriation of state funds is not used to pay the debt service. The authorities include the Kentucky Housing Corporation, Kentucky Higher Education Student Loan Corporation, Kentucky Local Correctional Facilities Construction Authority, and certain debt of the Kentucky Infrastructure Authority. The final debt service payment for the Kentucky Local Correctional Facilities Construction Authority was made on November 1, 2014.

**Table A-1**  
**APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE**  
**AS A PERCENT OF ASSESSED PROPERTY**  
**(Current Dollars)**

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Required Debt Service as a % of Assessed Property</u>	<u>Appropriated Debt Service as a % of Assessed Property</u>	<u>Actual Debt Service as a % of Assessed Property</u>
2000	1.29	0.20	0.19	0.16
2001	1.35	0.19	0.20	0.19
2002	1.33	0.16	0.18	0.17
2003	1.17	0.17	0.17	0.17
2004	1.24	0.16	0.17	0.19
2005	1.22	0.14	0.15	0.16
2006	1.49	0.18	0.21	0.17
2007	1.49	0.15	0.21	0.18
2008	1.66	0.18	0.22	0.19
2009	1.76	0.16	0.22	0.19
2010	1.97	0.10	0.22	0.22
2011	2.19	0.17	0.20	0.21
2012	2.19	0.17	0.21	0.21
2013	3.02	0.32	0.36	0.36
2014	3.10	0.34	0.36	0.36
2015	2.98	0.34	0.37	0.37

**Table A-2**  
**APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE**  
**AS A PERCENT OF PERSONAL INCOME**  
**(Current Dollars)**

<u>Fiscal Year</u>	<u>Debt as a % of Personal Income</u>	<u>Required Debt Service as a % of Personal Income</u>	<u>Appropriated Debt Service as a % of Personal Income</u>	<u>Actual Debt Service as a % of Personal Income</u>
2000	3.62	0.57	0.54	0.46
2001	3.92	0.55	0.59	0.56
2002	4.23	0.50	0.58	0.55
2003	3.80	0.55	0.55	0.56
2004	3.90	0.51	0.55	0.59
2005	3.92	0.46	0.47	0.51
2006	4.13	0.50	0.59	0.48
2007	4.13	0.42	0.57	0.50
2008	4.64	0.51	0.62	0.53
2009	4.90	0.46	0.61	0.52
2010	5.55	0.29	0.63	0.62
2011	5.96	0.45	0.55	0.56
2012	5.85	0.46	0.55	0.57
2013	5.57	0.59	0.67	0.67
2014	5.66	0.61	0.65	0.66
2015	5.28	0.60	0.65	0.65

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

**Table A-3**

**APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE  
PER CAPITA  
(Current Dollars)**

<u>Fiscal Year</u>	<u>Debt Per Capita (\$)</u>	<u>Required Debt Service Per Capita (\$)</u>	<u>Appropriated Debt Service Per Capita (\$)</u>	<u>Actual Debt Service Per Capita (\$)</u>
2000	878.52	137.44	131.37	112.08
2001	974.78	135.95	146.26	139.36
2002	1080.88	128.75	148.31	140.38
2003	996.31	145.26	143.33	146.07
2004	1081.43	141.46	151.79	163.06
2005	1116.34	132.37	133.11	145.80
2006	1213.36	148.04	172.79	141.79
2007	1286.27	131.65	178.12	154.88
2008	1475.71	163.02	196.79	168.44
2009	1583.44	147.73	198.57	169.03
2010	1798.17	92.57	203.94	201.78
2011	2005.67	151.44	184.14	188.24
2012	2048.75	162.74	194.47	200.56
2013	2000.53	213.35	239.34	239.60
2014	2066.71	223.61	238.42	241.87
2015	2008.96	227.42	248.14	249.07

**Table A-4  
NON-APPROPRIATION SUPPORTED DEBT  
KENTUCKY ECONOMIC DEBT INDICATORS**

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Debt as a % of Personal Income</u>	<u>Debt Per Capita (\$)</u>
2000	0.68	1.92	466.68
2001	0.66	1.91	475.93
2002	0.61	1.94	495.29
2003	0.67	2.17	568.58
2004	0.62	1.96	544.02
2005	0.69	2.20	628.17
2006	0.98	2.72	797.97
2007	1.14	3.16	984.30
2008	1.16	3.25	1034.74
2009	1.14	3.17	1024.85
2010	0.90	2.55	824.22
2011	0.84	2.27	764.60
2012	0.78	2.08	728.60
2013	1.04	1.93	691.18
2014	1.15	2.09	763.82
2015	1.01	1.79	679.69

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

## **Appendix B: Fiscal Debt Indicators**

In the following table, total appropriated revenue is shown in terms of the three categories of debt service as described in Appendix A. Appropriated revenue is the revenue of the General Fund, Road Fund and Agency Funds in the Executive Branch budget. Table B-1 compares required, appropriated and actual debt service to total revenue.

Table B-2 reflects the three categories of debt service in terms of “available appropriated revenues.” This form of revenue is revenue from the same sources as described above less funds that are statutorily dedicated to a specific purpose. In the case of the Road Fund (Table B-3), the following receipts are subtracted: County Road Aid, Rural Secondary Road Aid, Municipal Road Aid within the Motor Fuels Normal and Motor Fuels Normal Use accounts, Kentucky Transportation Center Funds, Coal Haul Cooperative Agreements, Extended Weight and Coal Haul Fines, Drivers Education Program and Drivers License Photo Program.

The Agency Fund receipts include those agency funds that are actually applied to debt service. These include primarily the debt service for university general receipts and housing and dining issues. In addition, certain university consolidated educational buildings revenue bonds and State Property and Buildings Commission bonds are supported by Agency Fund appropriations.

**Table B-1**  
**APPROPRIATED DEBT SERVICE**  
**AS A PERCENT OF TOTAL REVENUE**  
**(Budget Basis)**

<b>Fiscal Year</b>	<b>Total Revenue (\$Millions)</b>	<b>Required Debt Service/ Revenue (%)</b>	<b>Appropriated Debt Service/ Revenue (%)</b>	<b>Actual Debt Service/ Revenue (%)</b>
2000	9,427.31	5.90	5.64	4.81
2001	9,920.62	5.58	6.00	5.72
2002	10,172.25	5.18	5.97	5.65
2003	10,499.22	5.70	5.62	5.73
2004	10,877.02	5.39	5.79	6.22
2005	11,749.64	4.70	4.73	5.18
2006	12,746.44	4.89	5.70	4.68
2007	13,022.81	4.29	5.80	5.04
2008	13,490.88	5.16	6.23	5.33
2009	13,249.29	4.81	6.47	5.50
2010	13,525.62	2.97	6.55	6.48
2011	14,529.38	4.55	5.54	5.66
2012	15,741.19	4.53	5.41	5.58
2013	15,775.73	5.94	6.67	6.68
2014	15,994.20	6.17	6.58	6.67
2015	17,581.56	5.73	6.25	6.28

**Table B-2**  
**APPROPRIATED DEBT SERVICE**  
**AS A PERCENT OF AVAILABLE REVENUE**  
**(Budget Basis)**

<b>Fiscal Year</b>	<b>Available Revenue (\$Millions)</b>	<b>Required Debt Service/ Revenue (%)</b>	<b>Appropriated Debt Service/ Revenue (%)</b>	<b>Actual Debt Service/ Revenue (%)</b>
2000	7,396.68	7.52	7.19	6.14
2001	7,648.48	7.23	7.78	7.41
2002	7,622.59	6.91	7.96	7.54
2003	7,912.92	7.56	7.46	7.60
2004	8,079.32	7.26	7.79	8.37
2005	8,681.45	6.36	6.40	7.01
2006	9,444.88	6.59	7.69	6.31
2007	9,716.66	5.75	7.78	6.76
2008	9,851.17	7.06	8.53	7.30
2009	9,557.71	6.67	8.96	7.63
2010	9,339.15	4.31	9.49	9.39
2011	9,986.71	6.63	8.06	8.24
2012	10,402.47	6.85	8.19	8.45
2013	10,687.89	8.77	9.84	9.85
2014	10,905.21	9.05	9.65	9.79
2015*	11,307.05	8.91	9.72	9.76

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.  
\*Estimated

**Table B-3**

**ROAD FUND DEBT SERVICE  
AS A PERCENT OF ROAD FUND REVENUE  
(000,000)**

<b>Fiscal Year</b>	<b>Available Road Fund Revenue</b>	<b>Debt Service</b>	<b>Debt Service as a Percent of Available Revenue</b>
2000	875.38	168.50	19.25
2001	856.39	154.31	18.02
2002	901.63	172.86	19.17
2003	901.46	170.97	18.97
2004	891.98	153.30	17.19
2005	879.54	102.89	11.70
2006	920.91	137.49	14.93
2007	983.20	146.10	14.86
2008	995.91	153.60	15.42
2009	918.62	118.86	12.94
2010	916.43	31.01	3.38
2011	1,012.51	97.07	9.59
2012	1,089.41	99.77	9.16
2013	1,112.92	135.50	12.17
2014	1,158.34	142.42	12.29
2015*	1,135.08	149.60	13.18

Note: Total required debt service for Fiscal Year 2010 was reduced by debt restructuring.

\*Estimated

**Appendix C: University Rating Agency Information**

University	Consolidated Education		Housing & Dining	General Receipts	
	Underlying Rating	Underlying Rating	Underlying Rating	Underlying	Intercept*
Eastern Kentucky					
Moody's	Not Outstanding	Not Outstanding	Not Outstanding	A1	Aa3
S&P	Not Outstanding	Not Outstanding	Not Outstanding	A	A
Kentucky State					
Moody's	Not Outstanding	Not Outstanding	Not Outstanding	Not Rated	Not Rated
S&P	Not Outstanding	Not Outstanding	Not Outstanding	Not Rated	Not Rated
Morehead State					
Moody's	A2	Not Outstanding	Not Outstanding	A2	Aa3
S&P	A	Not Outstanding	Not Outstanding	Not Rated	Not Rated
Murray State					
Moody's	Not Outstanding	Not Outstanding	Not Outstanding	A1	Aa3
S&P	Not Outstanding	Not Outstanding	Not Outstanding	Not Rated	A
Northern Kentucky					
Moody's	Not Outstanding	A2	Not Outstanding	A1	Aa3
S&P	Not Outstanding	Not Rated	Not Outstanding	A	A
University of Kentucky					
Moody's	Aa2	Not Outstanding	Not Outstanding	Aa2	Not Rated
S&P	AA-	Not Outstanding	Not Outstanding	AA	Not Rated
University of Louisville					
Moody's	Aa2	Aa3	Not Outstanding	Aa3	Aa3 <sup>(2)</sup>
S&P	AA-	A+	Not Outstanding	AA-	Not Rated
Western Kentucky <sup>(1)</sup>					
Moody's	Not Outstanding	Not Rated	Not Outstanding	A2	Aa3
S&P	Not Outstanding	Not Rated	Not Outstanding	A	A

\* With State Intercept

(1) All outstanding housing debt was issued through the Student Life Foundation, not the University.

(2) Doesn't completely benefit from the state intercept mechanism.



## Appendix D: Recommended Bond Funded Projects

<u>AGENCY</u>	<u>PROJECT</u>	<u>GENERAL FUND</u>
Ky Infrastructure Authority	KIA Fund A - Federally Assisted Wastewater Program-2016-2018	\$7,500,000
Ky Infrastructure Authority	KIA Fund F - Drinking Water Revolving Loan Program-2016-2018	6,100,000
School Facilities Construction Comm.	Offers of Assistance - 2014-2016	91,000,000
School Facilities Construction Comm.	Special Offers of Assistance - 2014-2016	103,112,000
Economic Development	Economic Development Bond Program - 2016-2018	7,000,000
Economic Development	High-Tech Construction/Investment Pool - 2016-2018	7,000,000
Economic Development	Ky Economic Development Finance Authority Loan Pool - 2016-2018	7,000,000
Education and Workforce Dev.	Workforce Development Construction Pool	100,000,000
Environmental Protection	State-Owned Dam Repair - 2016-2018	4,000,000
Finance-General Administration	Lexington Convention Center Replacement	60,000,000
Finance-General Administration	Business One-Stop Portal-Phase III	12,000,000
Facilities and Support Services	Maintenance Pool 2016-2018	5,700,000
Facilities and Support Services	Upgrade L&N Building	4,375,000
Facilities and Support Services	HVAC Replacement-CHR Building	4,500,000
Health & Family Services-Gen Admin.	Maintenance Pool 2016-2018	4,750,000
Behavioral Health	Western State Hospital-Electrical Upgrade-Phase I	4,867,500
Corrections-Adult Institutions	Maintenance Pool 2016-2018	5,225,000
Corrections-Adult Institutions	Kentucky State Reformatory-Stabilization of Dorm 8	4,155,000
Corrections-Adult Institutions	Kentucky State Reformatory-Repair and Stabilize Tower	3,797,000
Corrections-Adult Institutions	Kentucky Correctional Institution for Women-Sewer Plant/Lines	2,560,000
Parks	Maintenance Pool 2016-2018	7,600,000
State Fair Board	Kentucky Exposition Center Roof Repair	8,000,000
<b>TOTAL - NEW GENERAL FUND BONDS</b>		<b>\$460,241,500</b>
Deauthorized Unissued Bonds		(9,000,000)
<b>TOTAL GENERAL FUND BONDS</b>		<b>\$451,241,500</b>
<u>AGENCY</u>	<u>PROJECT</u>	<u>AGENCY FUND</u>
Kentucky Infrastructure Authority	KIA-Fund F - Drinking Water Revolving Loan Program	25,000,000
Kentucky Infrastructure Authority	KIA-Fund A - Wastewater Revolving Loan Program	100,000,000
Kentucky River Authority	Replace Dam 10 (Boonesborough)	34,000,000
Kentucky River Authority	Design of Dam 6 Repair	2,299,000
Kentucky River Authority	Design of Dam 7 Repair	3,081,000
<b>TOTAL - AGENCY BOND PROJECTS</b>		<b>\$164,380,000</b>
<b>TOTAL - ALL BOND PROJECTS</b>		<b>\$615,621,500</b>

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