



COMMONWEALTH OF KENTUCKY

2018 - 2020

EXECUTIVE BUDGET

BUDGET IN BRIEF

MATTHEW G. BEVIN
GOVERNOR



JOHN E. CHILTON
STATE BUDGET DIRECTOR

PREFACE

The Executive Branch budget for the 2018-2020 biennium is the financial plan for Kentucky State Government as proposed by the Governor for consideration by the 2018 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 2018-2020 Budget is presented in four volumes:

- **Volume I:** State Agency Program Budget Detail
- **Volume II:** Capital Projects
- **Budget in Brief:** Summary Letter
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
Governor

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John E. Chilton
State Budget Director

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

January 16, 2018

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

Dear Governor Bevin:

Since your inauguration, you have emphasized the need to “get the Commonwealth’s financial house in order.” Prudent fiscal responsibility is a basic and essential foundation that will enable Kentuckians to benefit from a thriving economy and have a secure future. This budget continues that commitment.

In recent years, the Commonwealth has experienced significant financial strain resulting from the national economy’s sluggish growth and the associated constraint on Kentucky’s economic recovery. This has produced only moderate revenue growth to support the services provided by state government. In the 2018-2020 biennium, the limited increases in revenue and increasingly significant financial needs for pensions, health care, public safety and other urgencies has required significant reductions in spending on other important priorities.

Modest revenue increases

The Commonwealth’s primary obligation is to provide basic services including, among others, public safety, protecting Kentucky’s most vulnerable citizens – children and those with health care needs, K-12 and postsecondary education, a fair and efficient judicial system, and safe roads, bridges, and airports. While this budget proposes spending reductions in most areas of state government, it also places the necessary emphasis on maintaining an adequate level of funding for basic government services and infrastructure.

The Consensus Forecasting Group does project total revenue growth in the 2018-2020 biennium compared to FY 2018 but the increases are modest – for FY2019 and 2020, those increases are \$287.5 million and \$284.1 million, or growth of 2.7% and 2.6%, respectively. In this context, the Commonwealth must address its many significant financial obligations, including most



prominently, pensions, corrections and Medicaid costs. While numerous financial concerns require immediate and significant spending reductions in many areas, this biennial budget addresses those concerns in both the short-term and long-term.

Coping with budgetary strain – reduced spending

There are several ways to approach spending reductions. One way is to implement “across the board” reductions in all components of government, while perhaps protecting limited priority programs from cuts. This approach may be appropriate in limited circumstances, but the danger is that some important and basic government programs may actually already be operating at a “bare bones” level. This jeopardizes the effectiveness of high-priority activities because of the continued funding of non-essential programs and activities.

Another more appropriate approach is to evaluate the benefits derived from each program and set funding priorities. Setting priorities may actually result in increased funding for high-priority activities together with the elimination or severe reduction of identified non-essential activities. While there will certainly be differences of opinion about which programs are high-priority, this budget recommendation adopts this approach by recommending elimination or large reductions in funding for specific programs, while maintaining or increasing funding for other basic activities, such as pension funding, opioid addiction prevention and treatment, social services, and corrections.

Key Provisions within the Budget

Focus: More Jobs and Economic Development

Your recommended budget continues financial support that will allow the Commonwealth to continue its successful economic development efforts to foster business expansion and make more jobs available to Kentucky families. This includes adequate funding for the Cabinet for Economic Development and authorization of a second \$100 million Workforce Development Bond Pool that, together with local money, will result in the creation of new workforce training facilities. These will allow the economic growth that has occurred in 2017 to continue.

Focus: Fully Funding the Pension Plans

This budget includes full funding of the Actuarially Determined Contribution to the pension and post-retirement medical plans that cover state employees, as well as full funding of the Kentucky Teachers’ Retirement Plan funding request. This is the first time these plans have been fully funded in decades.

Focus: Preserving Basic Per-Pupil Funding The largest category of state spending is K-12 education. This budget continues per student funding at \$3,981 per student for classroom instruction. However, due to the severely limited state resources, financial support for student transportation and certain teacher related expenses is being reduced. Since many local school districts have reserve funds (the total reserve funds for all school districts is over \$950 million), local school boards will need to satisfy these funding needs by using those reserves and perhaps tapping other fund sources. In addition, the budget requires that school boards adjust administrative and support staffing levels.

Focus: Support for Vulnerable Kentuckians

The budget includes reduced but hopefully adequate funding for Medicaid, including expanded Medicaid. In addition, the budget provides for implementation of the Kentucky Health plan that was recently approved by the federal government. Additionally, your proposal does not alter resources for the Kentucky Transitional Assistance Program (K-TAP), Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), Supplemental Nutrition Program for Women, Infants and Children (WIC), etc. The Medicaid and related programs will continue to focus on improved health outcomes for Kentuckians while managing costs for the Commonwealth.

This budget also provides increased funding to help address the opioid crisis, foster care issues, and adoption backlogs, as well as improving various community-based services provided by the Cabinet for Health and Family Services.

Focus: Asset Preservation

The budget includes authorization for a \$300 million asset preservation bond pool for the Commonwealth's postsecondary institutions that supplements institution money with state money. These funds will help preserve and upgrade facilities owned by the Commonwealth.

Focus: A Stronger Justice System In order to safeguard Kentucky's citizens and reduce high caseloads, this budget includes funds for 30 new Commonwealth Attorneys, 45 new County Attorneys, and 51 new public advocates. In addition, funding for compensation adjustments for currently employed attorneys is included in the budget.

Prudent Fiscal Management

Reasonable debt levels

You have often mentioned in public your general aversion to debt. Debt is a long-term obligation that may be difficult to pay in the future. The level of debt that you are recommending will allow the Commonwealth to maintain a debt ratio of less than 6%.

One time money

In the recent past, budgets have relied heavily upon "one time money" to make things balance. Prior year fund carryovers or unexpected, non-recurring money within some components of state government have been used to support current operations. Your budget continues your policy of minimizing the sweeping of state funds, including no sweeping of funds from the Commonwealth's many boards and commissions. No KLEFPF funds have been swept into the general fund and 100% of all the lottery proceeds are dedicated to education.

Bond ratings

The Commonwealth's fiscal status directly affects opinions issued by agencies that rate municipal bonds. Poor ratings increase the cost of borrowing and, in most cases, adversely affects the value of bond owned by investors. I believe that this fiscally responsible budget will have a positive effect on bond ratings.

Responsible budgeting

In the past, many expenditures that could have been reasonably anticipated were not budgeted but were authorized as Necessary Government Expenditures and charged to the Rainy Day Fund. This

Governor Matthew G. Bevin

January 16, 2018

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budget includes a sensible estimate of those expenditures, thereby reserving the Rainy Day Fund for real emergencies or other unanticipated events.

The Rainy Day Fund

Responsible budgeting demands the restoration of the Budget Reserve Trust Fund (Rainy Day Fund) to a reasonable level. In your budget proposal, you have appropriately budgeted to replenish the Commonwealth's primary financial reserve to at least \$250 million. While most states, including Kentucky, target 5% of actual general fund receipts as a desirable balance (that is, \$550 million), \$250 million is a fitting initial step towards an appropriately funded Rainy Day Fund.

The budget is balanced

This budget is balanced, fiscally responsible, addresses short-term priorities, 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 working in the Office of State Budget Director have worked especially hard over the recent weeks and months. While I very much appreciate the significant efforts of everyone who participated in the budget process, a special thanks is due to the Deputy State Budget Directors, Janice Tomes, Kevin Cardwell, and Andrew McNeill, Greg Harkenrider, the Deputy Executive Director of the Governor's Office for Economic Analysis, and Michael Jones, the Deputy Executive Director of the Governor's Office for Policy and Research. In addition, the guidance provided by many in your office has contributed significantly.

Thank you, Governor, for your sincere and persistent leadership in addressing the Commonwealth's significant short-term and long-term fiscal problems and concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "John E. Chilton". The signature is fluid and cursive, with a large initial "J" and "C".

John E. Chilton
State Budget Director

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**2018-20 BUDGET OF THE COMMONWEALTH
GENERAL FUND SUMMARY**

	<u>Revised FY 2018</u>	<u>Recommended FY 2019</u>	<u>Recommended FY 2020</u>
RESOURCES			
Beginning Balance	115,553,400		
Official Revenue Estimate	10,719,500,000	11,005,900,000	11,290,000,000
Tax Changes	(1,100,000)		
Fund Transfers	257,053,000	235,706,700	250,433,500
Tobacco Settlement-Phase I	112,553,000	119,500,000	118,100,000
Tobacco Settlement-Phase I - prior year excess	8,397,100		
RESOURCES	11,211,956,500	11,361,106,700	11,658,533,500
Continued Appropriations Reserve			
Budget Reserve Trust Fund	150,491,500	8,054,200	70,468,300
Executive Branch	37,867,500		
Legislative Branch	10,836,000	10,762,400	10,762,400
Judicial Branch	2,281,300		
Continued Appropriations Reserve	201,476,300	18,816,600	81,230,700
TOTAL RESOURCES	11,413,432,800	11,379,923,300	11,739,764,200
APPROPRIATIONS			
Executive Branch			
Appropriations-Operating	10,887,659,600	10,764,204,300	10,939,779,000
Program Reductions/Eliminations			
Appropriations-Capital			
Necessary Government Expenses	85,725,800		
Special Appropriations	10,939,000		
Current Year Appropriations	19,953,600		
Dedicated Revenue Adjustments	(11,447,000)		
Budget Reduction	(126,634,800)		0
Lapses	(52,211,600)	(17,864,600)	(17,601,000)
Tobacco Settlement-Phase I	123,015,100	121,531,400	120,087,500
Build America Bonds-Tobacco Lapse	(2,065,000)	(2,031,400)	(1,987,500)
Total Executive Branch	10,934,934,700	10,865,839,700	11,040,278,000
Judicial Branch			
Appropriations	365,212,700	366,634,400	368,027,600
Budget Reduction	(4,668,200)		
Total Judicial Branch	360,544,500	366,634,400	368,027,600
Legislative Branch			
Appropriations	63,206,600	66,218,500	66,849,900
Budget Reduction	(807,900)		
Lapses	(3,484,100)		
Total Legislative Branch	58,914,600	66,218,500	66,849,900
TOTAL APPROPRIATIONS	11,354,393,800	11,298,692,600	11,475,155,500
BALANCE	59,039,000	81,230,700	264,608,700
Continued Appropriations Reserve			
Budget Reserve Trust Fund	8,054,200	8,054,200	70,468,300
Appropriations to Budget Reserve Trust Fund		62,414,100	183,378,000
Contingent Appropriations to Budget Reserve			
Subtotal-Budget Reserve Trust Fund	8,054,200	70,468,300	253,846,300
Executive Branch	37,867,500		
Legislative Branch	10,836,000	10,762,400	10,762,400
Judicial Branch	2,281,300		
Continued Appropriations Reserve	59,039,000	81,230,700	264,608,700
ENDING BALANCE	0	0	0

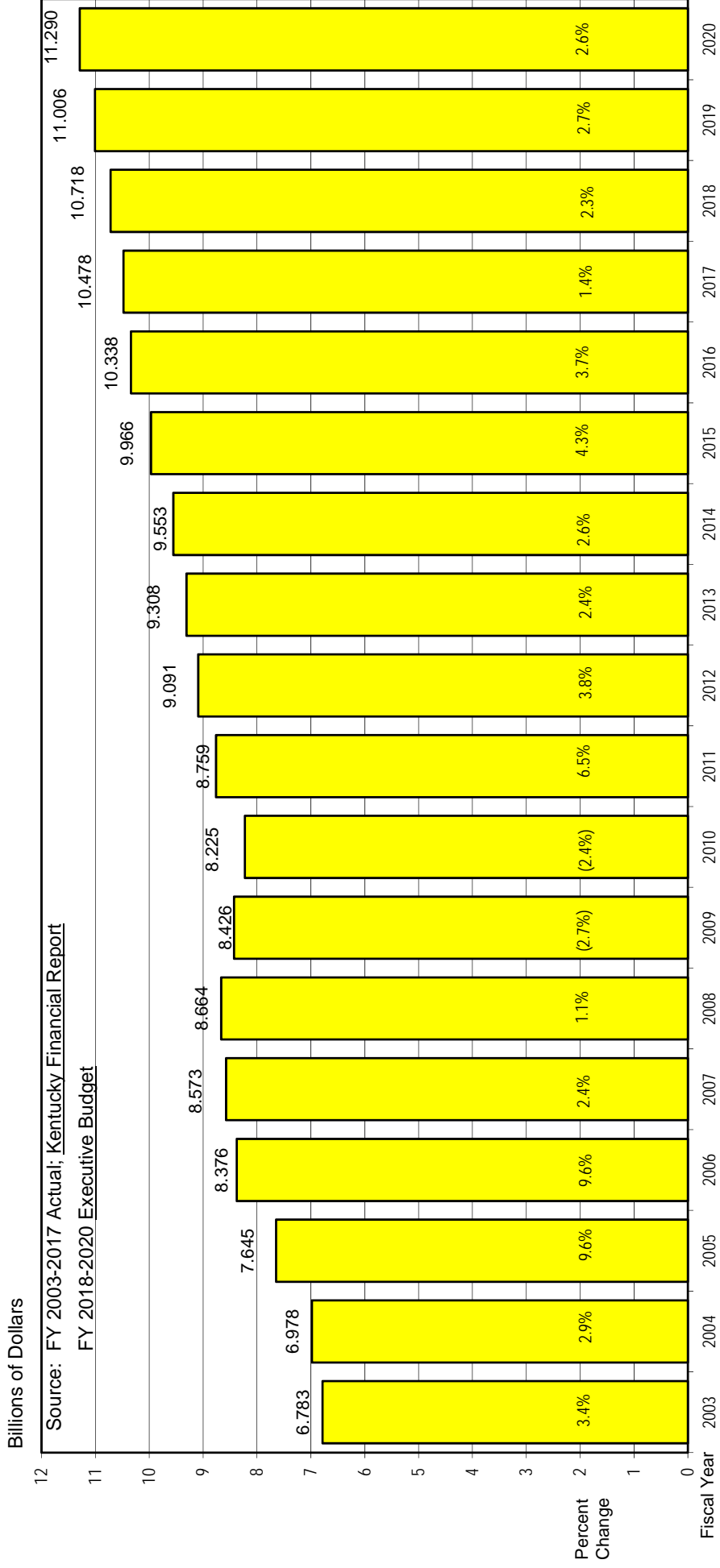
**2018-2020 EXECUTIVE BUDGET
ROAD FUND SUMMARY**

	<u>Revised FY 2018</u>	<u>Recommended FY 2019</u>	<u>Recommended FY 2020</u>
RESOURCES			
Beginning Balance		27,562,600	
Official Revenue Estimate	1,503,300,000	1,505,300,000	1,508,500,000
Fund Transfers	1,830,700	1,830,600	1,829,800
TOTAL RESOURCES	1,505,130,700	1,534,693,200	1,510,329,800
APPROPRIATIONS			
Appropriations	1,483,636,300	1,538,060,900	1,513,697,500
Debt Service Lapse	(7,389,600)		
Dedicated Revenue Adjustments	4,927,000		
Build America Bonds-Debt Service Lapse	(3,605,600)	(3,367,700)	(3,367,700)
TOTAL APPROPRIATIONS	1,477,568,100	1,534,693,200	1,510,329,800
ENDING BALANCE	27,562,600	0	0

General Fund Revenue Receipts

Fiscal Years 2003-2020

(Billions of dollars – rounded)

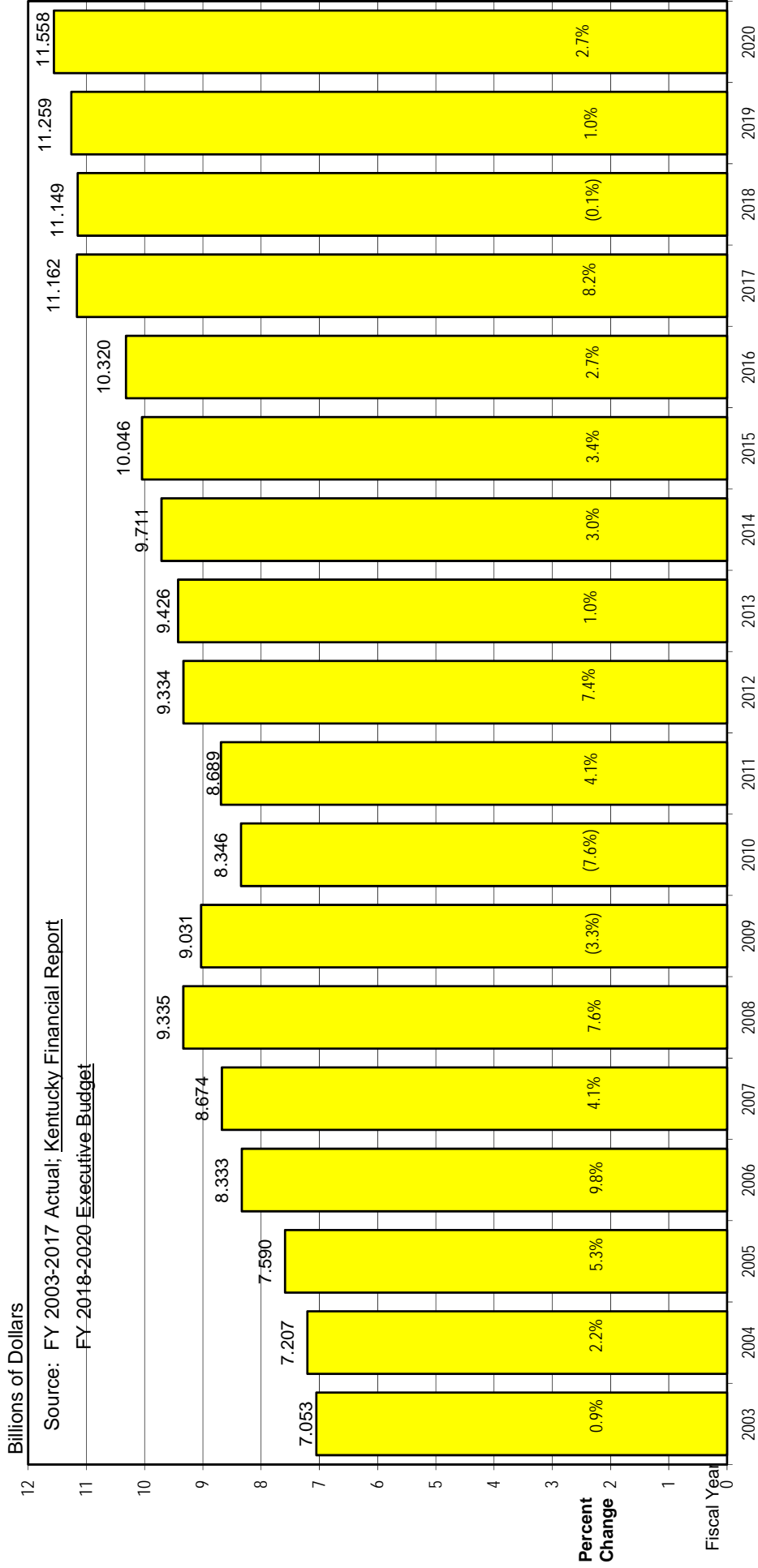


- Excludes Tobacco Settlement – Phase I Funds
- Excludes Fund Transfers

General Fund Expenditures

Fiscal Years 2003-2020

(Billions of dollars – rounded)



Billions of Dollars

Source: FY 2003-2017 Actual; Kentucky Financial Report

FY 2018-2020 Executive Budget

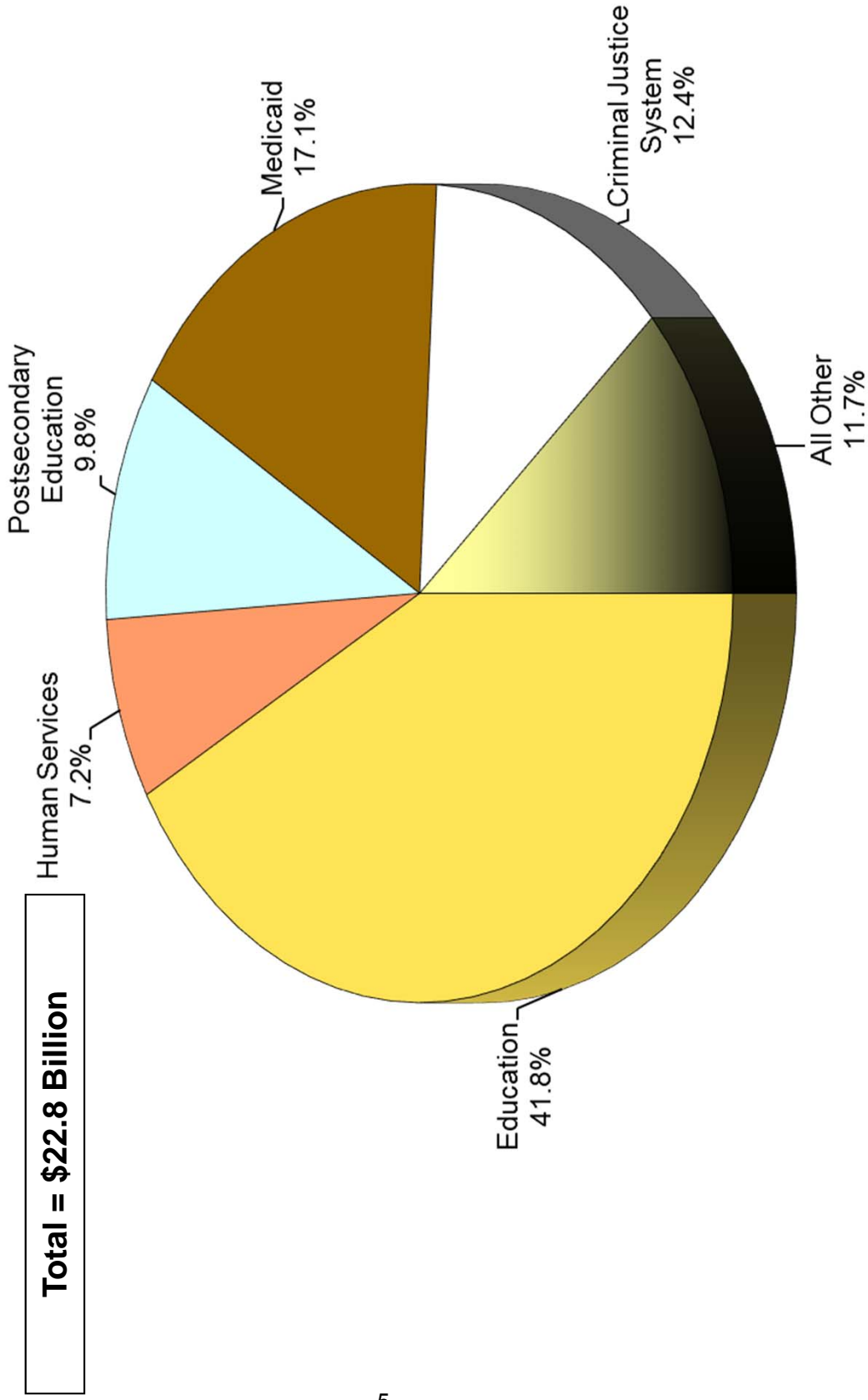
Percent Change

Fiscal Year

• Excludes Tobacco Settlement – Phase I Funds

2018-2020 Biennium

Distribution of General Fund Appropriations



Excludes Tobacco Settlement – Phase I Funds

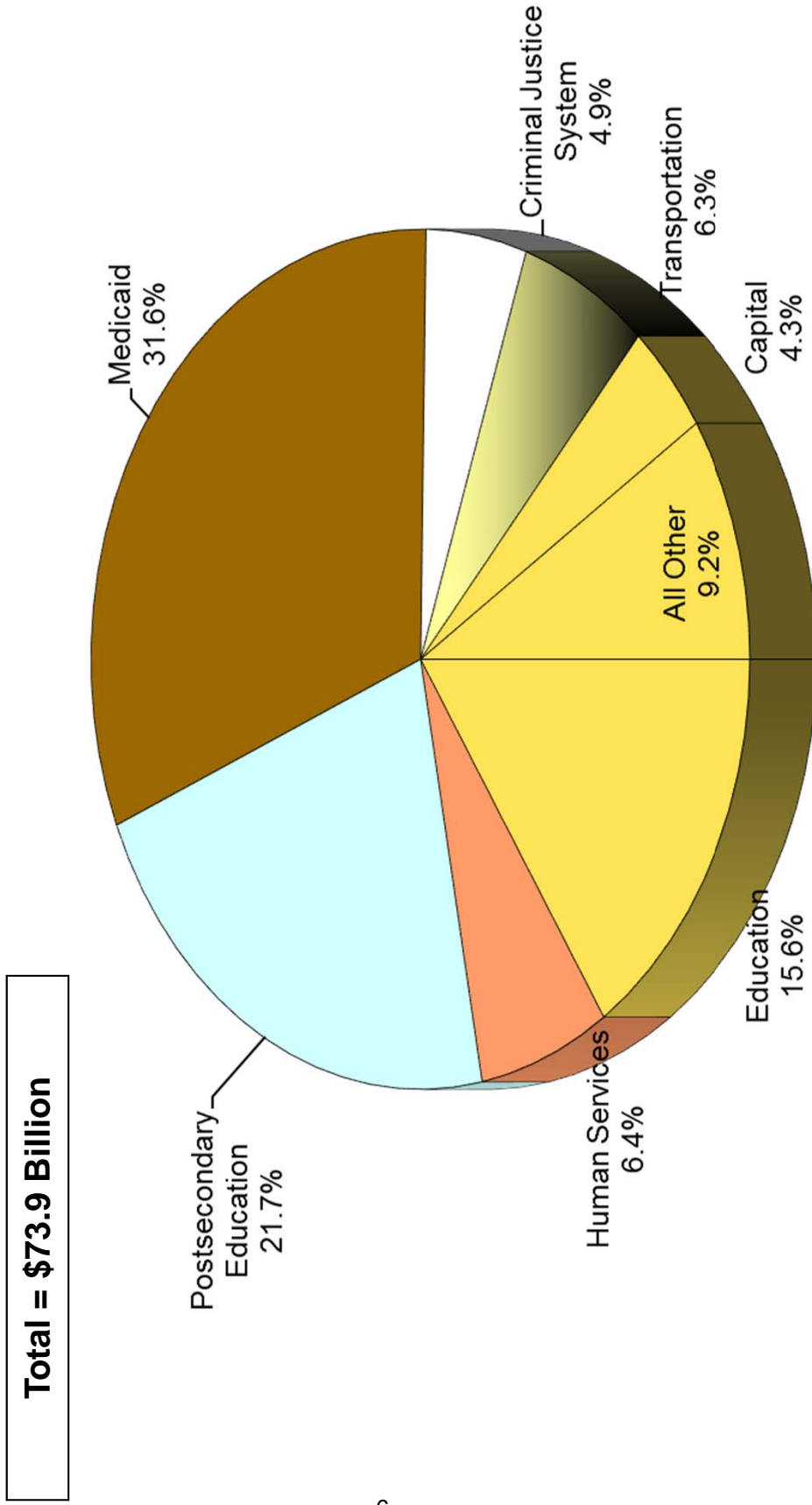
* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission and the Education Professional Standards Board.

** 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.

2018-2020 Biennium

Distribution of All 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.

	Executive Branch				
	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,874,212,600	12,237,347,700	12,557,808,400	10,825,977,900	11,122,292,600
Postsecondary Ed Performance			-626,500		
Special Appropriation	10,939,000				
Current Year Appropriation	19,953,600				
Continuing Approp-General Fund	188,358,700	11,779,983	11,779,983	8,054,200	70,468,300
Budget Reduction-General Fund	-126,634,800				
Mandated Allotments	-69,827,700				
Other	-54,711,500				
Total General Fund	10,842,289,900	12,249,127,683	12,568,961,883	10,834,032,100	11,192,760,900
Tobacco Fund					
Tobacco Settlement - Phase I	95,018,000	97,485,600	100,413,000	121,531,400	120,087,500
Current Year Appropriation	27,997,100				
Continuing Approp-Tob Settlement	64,283,100	18,996,200	14,981,500	18,766,200	14,714,900
Total Tobacco Fund	187,298,200	116,481,800	115,394,500	140,297,600	134,802,400
Restricted Funds					
Balance Forward	734,338,059	452,247,298	387,095,398	475,196,228	326,682,228
Current Receipts	7,300,229,858	7,719,969,200	8,045,174,000	7,713,446,400	8,048,953,000
Non-Revenue Receipts	842,006,311	794,441,600	802,446,600	778,467,000	786,526,800
Fund Transfers	-64,346,700	-3,115,100	-3,117,800	-72,059,900	-47,562,800
Total Restricted Funds	8,812,227,528	8,963,542,998	9,231,598,198	8,895,049,728	9,114,599,228
Federal Fund					
Balance Forward	56,339,719	21,947,195	15,674,995	21,846,219	16,708,519
Current Receipts	13,204,699,900	13,552,865,400	13,784,666,100	13,495,897,000	13,677,825,400
Non-Revenue Receipts	-1,157,500	-1,872,800	-2,271,600	-572,800	-971,600
Fund Transfers		1,300,000	1,300,000		
Total Federal Fund	13,259,882,119	13,574,239,795	13,799,369,495	13,517,170,419	13,693,562,319
Road Fund					
Regular Appropriation	1,473,941,300	1,627,926,000	1,628,435,000	1,527,470,900	1,507,557,500
Surplus Expenditure Plan	57,237,100				
Other	4,927,000				
Total Road Fund	1,536,105,400	1,627,926,000	1,628,435,000	1,527,470,900	1,507,557,500
TOTAL SOURCE OF FUNDS	34,637,803,147	36,531,318,276	37,343,759,076	34,914,020,747	35,643,282,347
EXPENDITURES BY CLASS					
Personnel Costs	7,372,946,800	8,091,530,335	8,305,131,338	7,773,954,455	7,900,136,455
Operating Expenses	3,205,744,200	3,504,007,330	3,675,808,822	3,375,387,820	3,522,250,320
Grants Loans Benefits	20,668,799,600	21,832,262,981	22,223,689,757	20,767,797,425	21,102,078,025
Debt Service	1,232,294,400	1,235,191,700	1,299,784,400	1,197,063,300	1,223,004,800
Capital Outlay	238,464,100	256,978,193	264,601,522	232,527,800	238,778,100
Construction	1,330,126,700	1,152,872,600	1,155,517,800	1,115,452,300	1,109,011,900
TOTAL EXPENDITURES	34,048,375,800	36,072,843,139	36,924,533,639	34,462,183,100	35,095,259,600
EXPENDITURES BY FUND SOURCE					
General Fund	10,781,957,900	12,225,164,239	12,545,280,639	10,745,699,200	10,921,313,600
Tobacco Fund	166,240,500	99,431,500	102,418,700	123,551,300	126,075,000
Restricted Funds	8,337,031,300	8,562,811,600	8,859,547,800	8,568,367,500	8,862,821,600
Federal Fund	13,238,035,900	13,558,564,800	13,788,851,500	13,500,461,900	13,680,859,600
Road Fund	1,525,110,200	1,627,926,000	1,628,435,000	1,524,103,200	1,504,189,800
TOTAL EXPENDITURES	34,048,375,800	36,073,898,139	36,924,533,639	34,462,183,100	35,095,259,600

EXPENDITURES BY UNIT

General Government	1,774,487,900	1,836,038,700	1,797,335,100	1,708,014,800	1,663,004,400
Economic Development	24,749,800	28,535,100	28,406,800	31,672,600	32,384,800
Department of Education	5,081,677,500	5,555,170,700	5,560,657,500	4,885,206,600	4,885,468,000
Education and Workforce Development	605,114,600	637,968,700	640,732,500	630,653,700	635,306,400
Energy and Environment	248,860,100	275,610,300	279,677,300	266,037,200	273,851,800
Finance and Administration	866,671,900	965,749,900	1,004,751,600	919,544,900	949,029,400
Health and Family Services	13,647,504,300	14,235,673,000	14,593,398,500	13,902,025,100	14,153,724,700
Justice and Public Safety	1,066,664,900	1,398,549,900	1,435,609,400	1,279,407,200	1,315,928,100
Labor	205,174,700	219,859,700	221,758,400	221,768,700	221,427,400
Personnel	63,931,100	67,154,000	67,716,700	66,174,600	66,486,800
Postsecondary Education	7,556,521,200	8,028,185,539	8,459,755,139	7,834,090,600	8,200,114,600
Public Protection	112,459,700	123,388,100	124,389,900	123,723,400	122,273,100
Tourism, Arts and Heritage	243,199,200	278,744,900	288,622,300	258,238,600	261,409,800
Transportation	2,551,358,900	2,423,269,600	2,421,722,500	2,335,625,100	2,314,850,300
TOTAL EXPENDITURES	34,048,375,800	36,073,898,139	36,924,533,639	34,462,183,100	35,095,259,600

General Government

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,207,320,700	1,334,242,900	1,297,092,000	1,218,817,300	1,169,808,900
Current Year Appropriation	2,820,200				
Continuing Approp-General Fund	203,700				
Budget Reduction-General Fund	-1,939,600				
Mandated Allotments	15,370,000				
Other	22,754,000				
Total General Fund	1,246,529,000	1,334,242,900	1,297,092,000	1,218,817,300	1,169,808,900
Tobacco Fund					
Tobacco Settlement - Phase I	31,100,200	31,260,600	31,284,200	43,203,300	41,029,300
Current Year Appropriation	4,198,300				
Continuing Approp-Tob Settlement	39,822,200	18,996,200	14,981,500	18,766,200	14,714,900
Total Tobacco Fund	75,120,700	50,256,800	46,265,700	61,969,500	55,744,200
Restricted Funds					
Balance Forward	139,781,744	108,404,356	97,462,756	120,639,928	78,216,228
Current Receipts	209,744,673	238,705,800	238,787,700	228,004,500	233,011,600
Non-Revenue Receipts	77,027,311	72,778,200	73,374,600	70,679,000	71,611,600
Fund Transfers	-2,507,800			-27,500,000	-1,500,000
Total Restricted Funds	424,045,928	419,888,356	409,625,056	391,823,428	381,339,428
Federal Fund					
Balance Forward	13,749,919	9,989,295	5,971,395	9,926,819	6,529,619
Current Receipts	162,807,700	137,981,200	138,238,700	123,080,600	123,116,500
Non-Revenue Receipts	1,177,400			1,300,000	1,300,000
Fund Transfers		1,300,000	1,300,000		
Total Federal Fund	177,735,019	149,270,495	145,510,095	134,307,419	130,946,119
Road Fund					
Regular Appropriation	520,400	525,300	527,200	557,900	562,000
Total Road Fund	520,400	525,300	527,200	557,900	562,000
TOTAL SOURCE OF FUNDS	1,923,951,047	1,954,183,851	1,899,020,051	1,807,475,547	1,738,400,647
EXPENDITURES BY CLASS					
Personnel Costs	464,804,200	465,141,400	475,173,300	428,038,700	432,094,000
Operating Expenses	112,258,400	149,868,900	150,143,600	123,253,300	123,770,600
Grants Loans Benefits	901,452,000	944,180,600	914,502,300	884,633,500	850,648,900
Debt Service	288,043,500	263,650,600	245,931,200	260,542,100	246,506,200
Capital Outlay	7,929,800	13,197,200	11,584,700	11,547,200	9,984,700
TOTAL EXPENDITURES	1,774,487,900	1,836,038,700	1,797,335,100	1,708,014,800	1,663,004,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,246,398,800	1,334,242,900	1,297,092,000	1,218,817,300	1,169,808,900
Tobacco Fund	56,354,500	35,381,500	35,417,800	47,254,600	49,004,300
Restricted Funds	303,406,000	322,589,900	321,860,700	313,607,200	317,020,300
Federal Fund	167,808,200	143,299,100	142,437,400	127,777,800	126,608,900
Road Fund	520,400	525,300	527,200	557,900	562,000
TOTAL EXPENDITURES	1,774,487,900	1,836,038,700	1,797,335,100	1,708,014,800	1,663,004,400
EXPENDITURES BY UNIT					
Office of the Governor	14,711,400	9,450,800	9,512,600	9,142,400	9,142,500
Office of State Budget Director	3,245,600	3,936,800	4,059,500	3,834,300	3,917,300
State Planning Fund		137,200	137,200		
Homeland Security	5,791,200	5,967,200	6,010,000	5,996,900	6,025,200
Department of Veterans' Affairs	95,437,200	113,372,300	115,719,600	102,865,800	103,582,000

EXPENDITURES BY UNIT

Governor's Office of Agricultural Policy	49,595,500	32,831,500	32,867,800	44,704,600	46,454,300
Kentucky Infrastructure Authority	83,868,700	79,365,400	79,406,000	77,341,500	82,965,600
Military Affairs	130,304,700	122,697,300	123,849,300	99,457,700	100,228,800
Commission on Human Rights	1,945,500	2,687,000	2,788,700	1,603,900	1,734,700
Commission on Women	225,200	268,600	273,700		
Department for Local Government	45,316,300	48,391,600	48,586,900	47,506,900	47,642,900
Local Government Economic Assistance Fund	31,746,400	23,183,500	22,680,800	25,929,800	22,413,900
Local Government Economic Development Fund	11,400,000	19,540,700	14,998,900	16,400,000	16,400,000
Area Development Fund	408,900	431,000	431,000		
Executive Branch Ethics Commission	785,200	888,500	903,200	1,383,900	1,390,700
Secretary of State	4,654,400	5,245,800	5,334,100	5,113,500	5,155,100
Board of Elections	8,280,200	9,667,900	8,656,400	8,507,200	7,403,300
Registry of Election Finance	1,231,700	1,509,900	1,543,100	1,448,100	1,466,500
Attorney General	37,098,000	39,511,900	39,895,700	36,570,200	36,448,100
Unified Prosecutorial System	96,922,800	134,331,700	136,900,700	119,474,400	120,717,300
Treasury	4,063,100	4,625,000	4,708,200	4,403,900	4,359,800
Agriculture	35,085,200	38,989,600	39,517,600	36,318,200	36,527,400
Auditor of Public Accounts	14,651,800	18,831,200	19,227,900	15,625,800	15,727,200
Personnel Board	913,800	1,015,200	1,030,600	1,009,800	1,018,500
Kentucky Retirement Systems	130,534,700	47,613,500	48,327,600	47,307,300	47,702,500
Occupational & Professional Boards & Commissions	21,877,700	25,179,300	25,565,600	25,187,000	25,400,300
Kentucky River Authority	3,846,300	7,691,500	7,704,000	7,572,200	7,575,700
School Facilities Construction Commission	134,918,000	129,925,400	130,502,600	129,286,000	127,846,700
Teachers' Retirement System	758,352,200	853,285,700	811,832,200	782,609,700	733,463,400
Appropriations Not Otherwise Classified	17,026,400	18,526,400	18,526,400	14,526,400	14,526,400
KY Communications Network Authority	30,249,800	36,939,300	35,837,200	36,887,400	35,768,300
TOTAL EXPENDITURES	1,774,487,900	1,836,038,700	1,797,335,100	1,708,014,800	1,663,004,400

Economic Development

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	18,031,200	25,248,800	25,456,800	28,386,300	29,434,800
Continuing Approp-General Fund	3,251,400				
Total General Fund	21,282,600	25,248,800	25,456,800	28,386,300	29,434,800
Restricted Funds					
Balance Forward	937,900	338,200	338,200	338,200	338,200
Current Receipts	2,413,600	2,888,800	2,950,000	2,888,800	2,950,000
Total Restricted Funds	3,351,500	3,227,000	3,288,200	3,227,000	3,288,200
Federal Fund					
Balance Forward	13,000				
Non-Revenue Receipts	440,900	397,500		397,500	
Total Federal Fund	453,900	397,500		397,500	
TOTAL SOURCE OF FUNDS	25,088,000	28,873,300	28,745,000	32,010,800	32,723,000
EXPENDITURES BY CLASS					
Personnel Costs	10,925,600	14,391,200	14,661,100	13,659,400	13,830,800
Operating Expenses	2,810,200	2,958,300	2,558,900	6,827,600	6,428,200
Grants Loans Benefits	11,014,000	11,185,600	11,186,800	11,185,600	11,186,800
Debt Service					939,000
TOTAL EXPENDITURES	24,749,800	28,535,100	28,406,800	31,672,600	32,384,800
EXPENDITURES BY FUND SOURCE					
General Fund	21,282,600	25,248,800	25,456,800	28,386,300	29,434,800
Restricted Funds	3,013,300	2,888,800	2,950,000	2,888,800	2,950,000
Federal Fund	453,900	397,500		397,500	
TOTAL EXPENDITURES	24,749,800	28,535,100	28,406,800	31,672,600	32,384,800
EXPENDITURES BY UNIT					
Economic Development	24,749,800	28,535,100	28,406,800	31,672,600	32,384,800
TOTAL EXPENDITURES	24,749,800	28,535,100	28,406,800	31,672,600	32,384,800

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 General Fund of \$4,000,000 in fiscal year 2018-2019 and \$4,000,000 in fiscal year 2019-2020 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 2017-2018 and fiscal year 2018-2019 shall not lapse and shall carry forward.

The Executive Budget includes General Fund debt service in the amount of \$939,000 in fiscal year 2019-2020 for debt service on new bonds included in the capital budget.

Notwithstanding KRS 164.6011 to KRS 164.6041 the Executive Budget authorizes the Cabinet for Economic Development to carry out provisions of KRS 164.6011 to KRS 164.6041. Included in the General Fund is \$5,112,300 in each fiscal year to carry out the Science and Technology program.

Department of Education

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,121,630,500	4,564,134,600	4,569,276,500	3,892,870,500	3,892,787,000
Continuing Approp-General Fund	12,090,700				
Budget Reduction-General Fund	-20,522,100				
Total General Fund	4,113,199,100	4,564,134,600	4,569,276,500	3,892,870,500	3,892,787,000
Tobacco Fund					
Tobacco Settlement - Phase I				1,300,000	1,300,000
Total Tobacco Fund				1,300,000	1,300,000
Restricted Funds					
Balance Forward	7,216,915				
Current Receipts	34,471,985	21,286,600	21,292,800	42,213,600	42,446,600
Non-Revenue Receipts		20,927,000	21,153,800		
Total Restricted Funds	41,688,900	42,213,600	42,446,600	42,213,600	42,446,600
Federal Fund					
Current Receipts	948,493,100	948,822,500	948,934,400	948,822,500	948,934,400
Total Federal Fund	948,493,100	948,822,500	948,934,400	948,822,500	948,934,400
TOTAL SOURCE OF FUNDS	5,103,381,100	5,555,170,700	5,560,657,500	4,885,206,600	4,885,468,000
EXPENDITURES BY CLASS					
Personnel Costs	116,235,800	137,744,600	138,357,500	116,154,700	116,543,500
Operating Expenses	40,103,300	46,503,500	46,400,300	37,569,200	37,704,800
Grants Loans Benefits	4,925,338,400	5,370,922,600	5,375,899,700	4,731,482,700	4,731,219,700
TOTAL EXPENDITURES	5,081,677,500	5,555,170,700	5,560,657,500	4,885,206,600	4,885,468,000
EXPENDITURES BY FUND SOURCE					
General Fund	4,091,495,500	4,564,134,600	4,569,276,500	3,892,870,500	3,892,787,000
Tobacco Fund				1,300,000	1,300,000
Restricted Funds	41,688,900	42,213,600	42,446,600	42,213,600	42,446,600
Federal Fund	948,493,100	948,822,500	948,934,400	948,822,500	948,934,400
TOTAL EXPENDITURES	5,081,677,500	5,555,170,700	5,560,657,500	4,885,206,600	4,885,468,000
EXPENDITURES BY UNIT					
Support Education Excellence in Kentucky (SEEK)	3,015,599,200	3,343,804,300	3,334,815,000	2,899,261,000	2,898,915,300
Operations and Support Services	451,913,000	459,808,100	460,097,200	451,164,900	451,293,300
Learning and Results Services	1,614,165,300	1,751,558,300	1,765,745,300	1,534,780,700	1,535,259,400
TOTAL EXPENDITURES	5,081,677,500	5,555,170,700	5,560,657,500	4,885,206,600	4,885,468,000

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 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	52,877,200	72,501,200	76,864,600	58,514,800	63,923,900
Budget Reduction-General Fund	-2,708,800				
Total General Fund	50,168,400	72,501,200	76,864,600	58,514,800	63,923,900
Restricted Funds					
Balance Forward	48,988,200	6,558,600	5,317,000	5,930,400	5,085,300
Current Receipts	14,653,700	13,049,600	11,878,700	14,392,900	13,452,300
Non-Revenue Receipts	-17,500	49,819,900	50,278,000	49,354,600	49,767,600
Total Restricted Funds	63,624,400	69,428,100	67,473,700	69,677,900	68,305,200
Federal Fund					
Balance Forward	3,756,300				
Current Receipts	493,395,100	501,356,400	500,744,100	507,546,300	507,175,500
Non-Revenue Receipts	248,900				
Total Federal Fund	497,400,300	501,356,400	500,744,100	507,546,300	507,175,500
TOTAL SOURCE OF FUNDS	611,193,100	643,285,700	645,082,400	635,739,000	639,404,600
EXPENDITURES BY CLASS					
Personnel Costs	97,911,500	113,275,300	115,236,900	109,186,400	109,383,800
Operating Expenses	30,101,500	31,314,900	30,864,800	32,108,200	31,182,200
Grants Loans Benefits	439,066,900	492,074,300	493,155,000	485,752,400	486,839,100
Debt Service	36,619,200		365,000	2,303,500	6,728,000
Capital Outlay	1,415,500	1,304,200	1,110,800	1,304,200	1,110,800
TOTAL EXPENDITURES	605,114,600	637,968,700	640,732,500	630,654,700	635,243,900
EXPENDITURES BY FUND SOURCE					
General Fund	50,168,400	72,501,200	76,864,600	58,514,800	63,923,900
Restricted Funds	57,545,900	64,111,100	63,123,800	64,592,600	64,207,000
Federal Fund	497,400,300	501,356,400	500,744,100	507,546,300	507,175,500
TOTAL EXPENDITURES	605,114,600	637,968,700	640,732,500	630,653,700	635,306,400
EXPENDITURES BY UNIT					
General Administration and Program Support	16,048,500	16,762,400	16,942,100	24,533,600	28,846,900
Commission on Proprietary Education	288,600	312,900	316,600	320,900	323,900
Deaf and Hard of Hearing	1,966,000	2,698,500	2,731,800	2,132,800	2,149,700
Kentucky Educational Television	14,655,400	18,818,400	20,222,300	16,566,200	16,925,900
Environmental Education Council	262,400	288,300	284,800		
Libraries and Archives	16,660,900	20,536,500	20,517,300	15,125,700	15,032,200
Office for the Blind	10,262,200	13,121,500	13,284,400	13,002,800	13,090,700
Employment and Training	477,607,400	486,515,800	487,214,900	487,132,200	487,086,400
Vocational Rehabilitation	59,373,500	67,611,900	68,012,200	66,997,000	67,136,700
Education Professional Standards Board	7,989,700	11,302,500	11,206,100	4,842,500	4,714,000
TOTAL EXPENDITURES	605,114,600	637,968,700	640,732,500	630,653,700	635,306,400

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

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	76,883,500	93,579,500	97,348,900	87,443,600	88,903,000
Continuing Approp-General Fund	610,600				
Budget Reduction-General Fund	-3,552,200				
Mandated Allotments	528,100				
Total General Fund	74,470,000	93,579,500	97,348,900	87,443,600	88,903,000
Tobacco Fund					
Tobacco Settlement - Phase I	5,000,000	5,000,000	5,000,000	2,500,000	2,500,000
Continuing Approp-Tob Settlement	13,896,000				
Total Tobacco Fund	18,896,000	5,000,000	5,000,000	2,500,000	2,500,000
Restricted Funds					
Balance Forward	25,078,400	19,367,600	20,415,300	19,314,300	10,317,500
Current Receipts	24,246,700	25,578,800	26,652,700	32,378,800	40,252,700
Non-Revenue Receipts	68,215,800	67,382,600	69,866,400	67,632,600	70,116,400
Fund Transfers	-8,000,000			-11,500,000	-11,500,000
Total Restricted Funds	109,540,900	112,329,000	116,934,400	107,825,700	109,186,600
Federal Fund					
Current Receipts	74,320,100	87,016,400	87,040,800	87,016,400	87,040,800
Non-Revenue Receipts	-2,305,500	-2,266,700	-2,268,000	-2,266,700	-2,268,000
Total Federal Fund	72,014,600	84,749,700	84,772,800	84,749,700	84,772,800
Road Fund					
Regular Appropriation	320,900	367,400	374,700	320,900	320,900
Total Road Fund	320,900	367,400	374,700	320,900	320,900
TOTAL SOURCE OF FUNDS	275,242,400	296,025,600	304,430,800	282,839,900	285,683,300
EXPENDITURES BY CLASS					
Personnel Costs	129,439,800	154,863,900	158,266,900	146,686,855	147,472,755
Operating Expenses	40,038,900	43,863,400	44,607,700	41,185,220	41,547,120
Grants Loans Benefits	44,334,000	26,473,200	26,213,200	28,245,325	34,790,925
Debt Service	474,000			424,500	849,000
Capital Outlay	10,764,200	7,823,800	7,815,300	6,909,300	6,417,800
Construction	23,809,200	42,586,000	42,774,200	42,586,000	42,774,200
TOTAL EXPENDITURES	248,860,100	275,610,300	279,677,300	266,037,200	273,851,800
EXPENDITURES BY FUND SOURCE					
General Fund	67,402,000	93,579,500	97,348,900	80,958,400	82,417,800
Tobacco Fund	18,896,000	5,000,000	5,000,000	2,500,000	2,500,000
Restricted Funds	90,226,600	91,913,700	92,180,900	97,508,200	103,840,300
Federal Fund	72,014,600	84,749,700	84,772,800	84,749,700	84,772,800
Road Fund	320,900	367,400	374,700	320,900	320,900
TOTAL EXPENDITURES	248,860,100	275,610,300	279,677,300	266,037,200	273,851,800
EXPENDITURES BY UNIT					
Secretary	5,997,000	6,741,100	6,831,200	13,130,500	19,730,900
Environmental Protection	116,884,100	131,013,700	133,380,300	121,230,800	121,584,700
Natural Resources	110,801,100	120,203,600	121,513,300	115,851,700	116,710,100
Energy Development and Independence	2,870,800	3,006,500	3,013,600	2,861,800	2,843,300
Kentucky Nature Preserves Commission	1,999,900	2,378,100	2,418,400	2,218,000	2,238,400
Public Service Commission	10,307,200	12,267,300	12,520,500	10,744,400	10,744,400
TOTAL EXPENDITURES	248,860,100	275,610,300	279,677,300	266,037,200	273,851,800

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, 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

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	664,028,700	709,689,000	745,269,800	658,447,600	685,055,600
Special Appropriation	641,000				
Budget Reduction-General Fund	-8,015,100				
Other	-22,754,000				
Total General Fund	633,900,600	709,689,000	745,269,800	658,447,600	685,055,600
Tobacco Fund					
Tobacco Settlement - Phase I	26,917,700	29,224,900	32,128,700	29,224,900	32,128,700
Total Tobacco Fund	26,917,700	29,224,900	32,128,700	29,224,900	32,128,700
Restricted Funds					
Balance Forward	40,969,300	21,778,528	16,405,028	19,466,400	9,623,100
Current Receipts	217,382,400	228,626,500	228,905,900	228,061,300	228,152,300
Non-Revenue Receipts	3,018,000	3,621,300	3,659,400	3,526,300	3,547,300
Fund Transfers	-14,208,100				
Total Restricted Funds	247,161,600	254,026,328	248,970,328	251,054,000	241,322,700
Federal Fund					
Current Receipts	280,000	10,000	10,000	10,000	10,000
Total Federal Fund	280,000	10,000	10,000	10,000	10,000
Road Fund					
Regular Appropriation	3,545,900	3,364,600	3,367,700	3,842,300	3,887,400
Total Road Fund	3,545,900	3,364,600	3,367,700	3,842,300	3,887,400
TOTAL SOURCE OF FUNDS	911,805,800	996,314,828	1,029,746,528	942,578,800	962,404,400
EXPENDITURES BY CLASS					
Personnel Costs	241,697,200	300,910,200	309,722,800	268,078,000	270,313,500
Operating Expenses	125,475,200	137,938,700	138,127,500	133,768,800	133,940,200
Grants Loans Benefits	1,205,600	1,205,500	1,205,500	1,205,500	1,205,500
Debt Service	470,557,800	501,534,200	531,354,500	491,980,800	519,058,400
Capital Outlay	27,736,100	24,161,300	24,341,300	24,511,800	24,511,800
TOTAL EXPENDITURES	866,671,900	965,749,900	1,004,751,600	919,544,900	949,029,400
EXPENDITURES BY FUND SOURCE					
General Fund	610,524,600	697,505,600	733,368,600	647,068,200	673,939,800
Tobacco Fund	24,626,200	27,049,900	30,000,800	27,193,500	30,141,200
Restricted Funds	227,695,200	237,819,800	238,004,500	241,430,900	241,051,000
Federal Fund	280,000	10,000	10,000	10,000	10,000
Road Fund	3,545,900	3,364,600	3,367,700	3,842,300	3,887,400
TOTAL EXPENDITURES	866,671,900	965,749,900	1,004,751,600	919,544,900	949,029,400
EXPENDITURES BY UNIT					
General Administration	38,449,200	40,527,200	41,043,600	40,453,600	40,836,500
Controller	17,113,200	19,272,300	19,496,100	19,489,300	19,627,800
Office of Inspector General	1,249,100	1,497,100	1,526,200	1,447,800	1,465,600
Debt Service	470,557,800	501,534,200	509,666,500	491,147,800	510,146,900
Facilities and Support Services	50,414,600	52,937,900	59,890,700	49,314,200	50,608,700
County Costs	17,599,500	23,317,500	23,317,500	21,136,000	21,136,000
Commonwealth Office of Technology	119,715,200	131,626,100	135,852,100	134,360,300	135,088,900
Revenue	101,721,500	125,261,200	142,155,100	111,742,500	118,550,000
Property Valuation Administrators	49,851,800	69,776,400	71,803,800	50,453,400	51,569,000
TOTAL EXPENDITURES	866,671,900	965,749,900	1,004,751,600	919,544,900	949,029,400

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

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,713,948,100	2,993,889,800	3,196,298,600	2,697,188,900	2,847,360,600
Budget Reduction-General Fund	-69,620,100				
Total General Fund	2,644,328,000	2,993,889,800	3,196,298,600	2,697,188,900	2,847,360,600
Tobacco Fund					
Tobacco Settlement - Phase I	23,954,200	23,954,200	23,954,200	34,496,100	33,191,900
Current Year Appropriation	9,819,300				
Continuing Approp-Tob Settlement	9,034,200				
Total Tobacco Fund	42,807,700	23,954,200	23,954,200	34,496,100	33,191,900
Restricted Funds					
Balance Forward	75,672,700	59,175,700	21,133,400	59,175,700	18,153,200
Current Receipts	671,303,000	692,126,200	692,293,400	692,126,200	692,293,400
Non-Revenue Receipts	402,310,600	345,756,600	345,011,100	343,387,900	342,195,800
Total Restricted Funds	1,149,286,300	1,097,058,500	1,058,437,900	1,094,689,800	1,052,642,400
Federal Fund					
Balance Forward	25,180,400	38,500	16,400		
Current Receipts	9,845,059,300	10,141,862,600	10,322,137,300	10,093,784,300	10,225,261,300
Non-Revenue Receipts	18,300	19,200	19,200	19,200	19,200
Total Federal Fund	9,870,258,000	10,141,920,300	10,322,172,900	10,093,803,500	10,225,280,500
TOTAL SOURCE OF FUNDS	13,706,680,000	14,256,822,800	14,600,863,600	13,920,178,300	14,158,475,400
EXPENDITURES BY CLASS					
Personnel Costs	1,069,570,000	1,119,936,800	1,114,351,800	1,085,831,900	1,036,868,100
Operating Expenses	118,230,400	134,817,700	135,429,000	129,703,900	129,580,100
Grants Loans Benefits	12,447,576,300	12,969,593,600	13,318,395,100	12,674,990,900	12,974,908,400
Debt Service	11,261,200	11,257,500	25,155,200	11,431,000	12,300,700
Capital Outlay	866,400	67,400	67,400	67,400	67,400
TOTAL EXPENDITURES	13,647,504,300	14,235,673,000	14,593,398,500	13,902,025,100	14,153,724,700
EXPENDITURES BY FUND SOURCE					
General Fund	2,644,328,000	2,993,889,800	3,196,298,600	2,697,188,900	2,847,360,600
Tobacco Fund	42,807,700	23,954,200	23,954,200	34,496,100	33,191,900
Restricted Funds	1,090,110,600	1,075,925,100	1,050,972,800	1,076,536,600	1,047,891,700
Federal Fund	9,870,258,000	10,141,903,900	10,322,172,900	10,093,803,500	10,225,280,500
TOTAL EXPENDITURES	13,647,504,300	14,235,673,000	14,593,398,500	13,902,025,100	14,153,724,700
EXPENDITURES BY UNIT					
Health Benefit and Information Exchange	5,552,200	5,063,900	5,100,500	5,063,900	5,100,500
General Administration and Program Support	103,967,000	113,986,100	117,267,900	111,227,400	112,343,500
Health Policy	2,273,200	2,465,800	2,326,000	2,303,300	2,139,100
Aging and Independent Living	70,600,300	82,657,700	83,138,900	71,870,200	72,075,900
Income Support	108,676,600	122,821,000	125,851,300	104,880,400	105,404,100
Public Health	367,131,200	415,654,700	419,543,200	367,152,900	367,609,900
Behavioral Health, Developmental & Intellectual Disabilities	444,505,200	506,867,900	507,574,700	432,621,400	417,937,300
Family Resource Centers and Volunteer Services	8,381,700	15,366,700	15,406,900	8,568,600	8,598,000
Community Based Services	1,100,663,800	1,251,911,900	1,265,836,800	1,237,639,100	1,244,246,400
Medicaid Services	11,415,697,300	11,697,369,200	12,029,493,300	11,539,597,300	11,796,977,500
Comm for Children with Special Health Care Needs	20,055,800	21,508,100	21,859,000	21,100,600	21,292,500

EXPENDITURES BY UNIT
TOTAL EXPENDITURES

13,647,504,300 14,235,673,000 14,593,398,500 13,902,025,100 14,153,724,700

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, Office of Legislative and Regulatory Affairs, Office of the Ombudsman and Kentucky Health Information Exchange which comprise the Administration and Program Support appropriation unit. Remaining agencies/appropriation units within the Cabinet include the Kentucky Office of Health Benefit 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

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	768,568,600	1,041,894,900	1,050,249,700	921,362,300	938,831,000
Current Year Appropriation	8,301,800				
Budget Reduction-General Fund	-7,356,600				
Total General Fund	769,513,800	1,041,894,900	1,050,249,700	921,362,300	938,831,000
Tobacco Fund					
Tobacco Settlement - Phase I	1,769,800	1,769,800	1,769,800	10,807,100	9,937,600
Current Year Appropriation	13,979,500				
Continuing Approp-Tob Settlement	668,600				
Total Tobacco Fund	16,417,900	1,769,800	1,769,800	10,807,100	9,937,600
Restricted Funds					
Balance Forward	29,784,000	12,848,600	14,307,700	28,131,200	23,088,300
Current Receipts	48,813,200	51,649,500	51,087,500	51,539,600	51,793,100
Non-Revenue Receipts	94,566,300	105,133,800	105,241,400	109,521,900	110,210,500
Fund Transfers	-1,500,000				-945,000
Total Restricted Funds	171,663,500	169,631,900	170,636,600	189,192,700	184,146,900
Federal Fund					
Balance Forward	1,783,500	160,800	74,800	160,800	74,800
Current Receipts	47,724,600	75,792,100	100,767,700	75,768,600	100,730,700
Non-Revenue Receipts	-743,100				
Total Federal Fund	48,765,000	75,952,900	100,842,500	75,929,400	100,805,500
Road Fund					
Regular Appropriation	88,596,700	123,682,900	127,530,400	105,278,800	106,762,100
Total Road Fund	88,596,700	123,682,900	127,530,400	105,278,800	106,762,100
TOTAL SOURCE OF FUNDS	1,094,956,900	1,412,932,400	1,451,029,000	1,302,570,300	1,340,483,100
EXPENDITURES BY CLASS					
Personnel Costs	606,640,000	803,468,000	812,806,100	711,025,300	708,292,200
Operating Expenses	120,289,800	137,875,900	138,434,100	124,524,300	124,898,000
Grants Loans Benefits	332,352,200	423,018,400	471,156,900	422,712,700	463,573,800
Debt Service	218,500	17,677,100	3,400,300	3,671,400	7,157,100
Capital Outlay	7,164,400	16,510,500	9,812,000	17,473,500	12,007,000
TOTAL EXPENDITURES	1,066,664,900	1,398,549,900	1,435,609,400	1,279,407,200	1,315,928,100
EXPENDITURES BY FUND SOURCE					
General Fund	769,513,800	1,041,894,900	1,050,249,700	921,362,300	938,831,000
Tobacco Fund	16,417,900	1,769,800	1,769,800	10,807,100	9,937,600
Restricted Funds	143,532,300	155,324,200	155,275,200	166,104,400	159,650,100
Federal Fund	48,604,200	75,878,100	100,784,300	75,854,600	100,747,300
Road Fund	88,596,700	123,682,900	127,530,400	105,278,800	106,762,100
TOTAL EXPENDITURES	1,066,664,900	1,398,549,900	1,435,609,400	1,279,407,200	1,315,928,100
EXPENDITURES BY UNIT					
Justice Administration	71,424,500	91,583,700	116,934,500	97,180,000	121,488,200
Criminal Justice Training	69,289,800	83,105,700	83,217,700	86,168,300	83,852,700
Juvenile Justice	105,916,500	139,104,500	141,823,300	123,138,000	124,145,900
State Police	227,495,900	297,657,200	287,137,000	273,980,900	265,425,900
Corrections	531,753,900	692,877,800	707,229,500	627,497,200	648,918,200
Public Advocacy	60,784,300	94,221,000	99,267,400	71,442,800	72,097,200
TOTAL EXPENDITURES	1,066,664,900	1,398,549,900	1,435,609,400	1,279,407,200	1,315,928,100

The Kentucky Justice Cabinet was established in 1974 and was renamed the Justice and Public Safety Cabinet in 2007. The Cabinet is responsible for criminal justice services throughout the Commonwealth of Kentucky, including law enforcement, law enforcement training, adult and juvenile incarceration, and public advocacy. The Cabinet provides overall leadership, policy direction and training for six departments and multiple public agencies and boards, with a focus on prevention, treatment, law enforcement and preparing offenders for reentry into society with acquired skills to facilitate non-criminal behavior.

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

The mission of the Justice and Public Safety Cabinet is to ensure the safety and security of Kentucky communities through a fair and impartial administration of taxpayer resources. The approach centers on protecting citizens, restoring victims and reforming wrongdoers, all in a focused environment where everything is measured for accountability and performance. The Cabinet seeks the best possible return from our public safety investment, using evidence-based programs, fiscal discipline, and data-driven strategies. Likewise, the Cabinet is committed to holding offenders to the highest standards of personal accountability and responsibility.

The vision of the Justice and Public Safety Cabinet is to remain a national leader in criminal justice while focusing our limited resources on the most effective strategies to reduce crime and protect public safety. This involves a comprehensive effort to right-size corrections, enhance re-entry programs, and reinvest any savings into law enforcement, community supervision, and better drug interventions. The Cabinet will empower and support victims, and demand that offenders learn productive skills to support themselves after release.

The Justice and Public Safety Cabinet core values include:

Public Safety: Our first obligation and highest priority is to protect the safety and security of Kentucky families and communities.

Government Accountability: We will perform all of our duties with the highest level of ethical and fiscal discipline, setting clear, measurable goals and continually evaluating our performance against those objectives.

Data-Driven Decision Making: We will administer justice using the best data, evidence, and policy expertise available to drive favorable outcomes.

Transparency: We will endeavor in every way to engage with Kentucky taxpayers, families, stakeholders, and all other members of the public, providing information in a timely and accurate manner and develop public confidence in our work.

Impartiality: We will provide a fair and impartial system of justice to all Kentuckians.

	Labor				
	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,244,300	6,731,000	7,079,000	5,932,500	6,008,200
Budget Reduction-General Fund	-268,700				
Total General Fund	4,975,600	6,731,000	7,079,000	5,932,500	6,008,200
Restricted Funds					
Balance Forward	23,785,900	11,433,600	7,772,700	11,433,600	7,825,700
Current Receipts	99,704,500	111,161,200	112,020,000	112,230,500	111,724,500
Non-Revenue Receipts	84,492,800	94,422,100	95,252,700	96,111,800	96,235,000
Total Restricted Funds	207,983,200	217,016,900	215,045,400	219,775,900	215,785,200
Federal Fund					
Balance Forward	127,900	1,500	1,500	1,500	
Current Receipts	3,545,900	3,907,300	3,907,300	3,907,300	3,907,300
Non-Revenue Receipts	-22,800	-22,800	-22,800	-22,800	-22,800
Total Federal Fund	3,651,000	3,886,000	3,886,000	3,886,000	3,884,500
TOTAL SOURCE OF FUNDS	216,609,800	227,633,900	226,010,400	229,594,400	225,677,900
EXPENDITURES BY CLASS					
Personnel Costs	142,658,600	157,942,200	159,840,700	158,481,500	158,555,100
Operating Expenses	7,796,300	6,890,500	6,890,700	6,842,200	6,803,300
Grants Loans Benefits	54,352,800	54,349,800	54,349,800	54,349,800	54,349,800
Capital Outlay	367,000	677,200	677,200	2,095,200	1,719,200
TOTAL EXPENDITURES	205,174,700	219,859,700	221,758,400	221,768,700	221,427,400
EXPENDITURES BY FUND SOURCE					
General Fund	4,975,600	6,731,000	7,079,000	5,932,500	6,008,200
Restricted Funds	196,549,600	209,244,200	210,794,900	211,950,200	211,534,700
Federal Fund	3,649,500	3,884,500	3,884,500	3,886,000	3,884,500
TOTAL EXPENDITURES	205,174,700	219,859,700	221,758,400	221,768,700	221,427,400
EXPENDITURES BY UNIT					
Secretary	4,780,500	5,539,400	5,660,100	6,932,700	6,624,000
General Administration and Program Support	6,110,500	7,300,200	7,450,800	6,969,400	7,017,000
Workplace Standards	13,221,200	14,914,400	15,220,700	14,808,600	14,979,200
Workers' Claims	72,464,600	75,105,200	75,509,400	75,004,600	75,227,500
Occupational Safety and Health Review Commission	813,100	748,900	761,700	745,700	752,600
Workers' Compensation Funding Commission	107,783,700	116,250,500	117,154,600	117,306,600	116,826,000
Workers' Compensation Nominating Committee	1,100	1,100	1,100	1,100	1,100
TOTAL EXPENDITURES	205,174,700	219,859,700	221,758,400	221,768,700	221,427,400

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. During the 2017 General Assembly, HB 377 directed the transfer of assets and liabilities of the Coal Workers Pneumoconiosis Fund to the Kentucky Employers' Mutual Insurance (KEMI) and the program was closed to new claims after July 1, 2017. The assessments are received by the Workers Compensation Funding Commission and are to be transferred annually to KEMI.

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

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	873,200	873,200	873,200		
Budget Reduction-General Fund	-44,700				
Total General Fund	828,500	873,200	873,200		
Restricted Funds					
Balance Forward	21,054,700	18,161,700	12,308,100	18,161,700	12,388,600
Current Receipts	54,218,400	52,075,200	51,760,000	52,075,200	51,760,000
Non-Revenue Receipts	8,683,800	11,041,000	11,167,500	11,015,300	11,085,500
Fund Transfers	-2,692,600	-2,689,000	-2,693,800	-2,689,000	-2,693,800
Total Restricted Funds	81,264,300	78,588,900	72,541,800	78,563,200	72,540,300
TOTAL SOURCE OF FUNDS	82,092,800	79,462,100	73,415,000	78,563,200	72,540,300
EXPENDITURES BY CLASS					
Personnel Costs	55,220,400	58,758,100	59,320,700	58,645,300	58,957,400
Operating Expenses	7,866,600	7,522,700	7,522,800	7,529,300	7,529,400
Grants Loans Benefits	828,500	873,200	873,200		
Capital Outlay	15,600				
TOTAL EXPENDITURES	63,931,100	67,154,000	67,716,700	66,174,600	66,486,800
EXPENDITURES BY FUND SOURCE					
General Fund	828,500	873,200	873,200		
Restricted Funds	63,102,600	66,280,800	66,843,500	66,174,600	66,486,800
TOTAL EXPENDITURES	63,931,100	67,154,000	67,716,700	66,174,600	66,486,800
EXPENDITURES BY UNIT					
General Operations	28,936,500	31,545,900	32,010,600	31,449,800	31,707,400
Public Employees Deferred Compensation Authority	8,756,300	9,233,600	9,308,300	9,227,800	9,269,300
Workers' Compensation Benefits and Reserve	25,409,800	25,501,300	25,524,600	25,497,000	25,510,100
State Group Health Insurance Fund	828,500	873,200	873,200		
TOTAL EXPENDITURES	63,931,100	67,154,000	67,716,700	66,174,600	66,486,800

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

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,173,458,600	1,282,645,200	1,371,045,700	1,103,586,700	1,123,378,300
Postsecondary Ed Performance			-626,500		
Special Appropriation	298,000				
Continuing Approp-General Fund	18,158,500				
Budget Reduction-General Fund	-10,983,600				
Other	2,000,000				
Total General Fund	1,182,931,500	1,282,645,200	1,370,419,200	1,103,586,700	1,123,378,300
Tobacco Fund					
Tobacco Settlement - Phase I	6,276,100	6,276,100	6,276,100		
Continuing Approp-Tob Settlement	862,100				
Total Tobacco Fund	7,138,200	6,276,100	6,276,100		
Restricted Funds					
Balance Forward	7,323,800	6,618,814	3,405,514	5,043,200	1,431,800
Current Receipts	5,516,796,600	5,865,489,700	6,187,239,500	5,839,990,500	6,161,859,700
Non-Revenue Receipts	12,497,500	13,739,400	12,794,500	16,081,300	17,266,200
Total Restricted Funds	5,536,617,900	5,885,847,914	6,203,439,514	5,861,115,000	6,180,557,700
Federal Fund					
Balance Forward		28,400	28,400	28,400	28,400
Current Receipts	834,876,800	870,820,700	896,698,700	870,820,700	896,449,300
Non-Revenue Receipts	28,400				
Total Federal Fund	834,905,200	870,849,100	896,727,100	870,849,100	896,477,700
TOTAL SOURCE OF FUNDS	7,561,592,800	8,045,618,314	8,476,861,914	7,835,550,800	8,200,413,700
EXPENDITURES BY CLASS					
Personnel Costs	3,771,338,500	4,001,648,535	4,168,881,338	3,937,690,400	4,102,484,800
Operating Expenses	2,253,211,100	2,420,040,230	2,589,243,922	2,381,799,300	2,532,727,800
Grants Loans Benefits	1,199,576,600	1,258,639,681	1,276,596,457	1,196,577,200	1,216,245,000
Debt Service	156,514,600	160,607,700	222,796,000	158,062,700	172,653,000
Capital Outlay	175,880,400	186,194,393	202,237,422	159,961,000	176,004,000
TOTAL EXPENDITURES	7,556,521,200	8,027,130,539	8,459,755,139	7,834,090,600	8,200,114,600
EXPENDITURES BY FUND SOURCE					
General Fund	1,182,931,500	1,282,645,139	1,370,419,139	1,103,586,700	1,123,378,300
Tobacco Fund	7,138,200	6,276,100	6,276,100		
Restricted Funds	5,531,574,700	5,868,443,600	6,186,610,600	5,859,683,200	6,180,287,000
Federal Fund	834,876,800	870,820,700	896,449,300	870,820,700	896,449,300
TOTAL EXPENDITURES	7,556,521,200	8,028,185,539	8,459,755,139	7,834,090,600	8,200,114,600
EXPENDITURES BY UNIT					
Council on Postsecondary Education	70,079,400	68,026,000	128,308,700	58,759,300	71,006,200
Kentucky Higher Education Assistance Authority	296,867,400	315,431,300	321,759,700	281,631,900	289,896,300
Postsecondary Education Institutions	7,189,574,400	7,644,728,239	8,009,686,739	7,493,699,400	7,839,212,100
TOTAL EXPENDITURES	7,556,521,200	8,028,185,539	8,459,755,139	7,834,090,600	8,200,114,600

	Public Protection				
	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,172,300	8,371,900	9,549,500	7,968,000	8,079,000
Budget Reduction-General Fund	-367,400				
Total General Fund	6,804,900	8,371,900	9,549,500	7,968,000	8,079,000
Restricted Funds					
Balance Forward	81,852,800	68,313,500	76,328,400	68,313,500	53,925,800
Current Receipts	99,441,300	99,616,800	100,536,000	99,616,800	100,536,000
Non-Revenue Receipts	22,228,500	22,553,600	24,231,900	23,890,200	24,075,600
Fund Transfers	-30,850,000			-23,000,000	-24,500,000
Total Restricted Funds	172,672,600	190,483,900	201,096,300	168,820,500	154,037,400
Federal Fund					
Balance Forward	3,500	3,500		3,500	
Current Receipts	1,295,700	857,200	157,200	857,200	157,200
Total Federal Fund	1,299,200	860,700	157,200	860,700	157,200
TOTAL SOURCE OF FUNDS	180,776,700	199,716,500	210,803,000	177,649,200	162,273,600
EXPENDITURES BY CLASS					
Personnel Costs	71,787,800	83,144,800	84,146,800	81,799,100	82,015,000
Operating Expenses	12,771,100	12,665,300	12,665,300	12,680,300	12,680,300
Grants Loans Benefits	25,829,800	25,772,300	25,772,300	25,772,300	25,772,300
Capital Outlay	2,071,000	1,805,700	1,805,500	3,471,700	1,805,500
TOTAL EXPENDITURES	112,459,700	123,388,100	124,389,900	123,723,400	122,273,100
EXPENDITURES BY FUND SOURCE					
General Fund	6,804,900	8,371,900	9,549,500	7,968,000	8,079,000
Restricted Funds	104,359,100	114,155,500	114,683,200	114,894,700	114,036,900
Federal Fund	1,295,700	860,700	157,200	860,700	157,200
TOTAL EXPENDITURES	112,459,700	123,388,100	124,389,900	123,723,400	122,273,100
EXPENDITURES BY UNIT					
Secretary	5,907,000	6,567,300	6,722,200	6,494,100	6,581,000
Professional Licensing	5,193,200	5,948,100	6,044,500	5,768,800	5,819,200
Kentucky Claims Commission	2,364,300	2,585,700	2,620,600	2,496,200	2,515,200
Boxing and Wrestling Commission	161,800	179,100	182,400	178,100	179,600
Alcoholic Beverage Control	7,678,500	8,493,500	8,620,900	8,198,500	8,257,500
Charitable Gaming	3,742,200	4,231,400	4,307,400	4,292,800	4,333,900
Financial Institutions	12,678,500	14,612,500	14,909,600	14,523,000	14,688,700
Horse Racing Commission	32,026,000	33,027,400	33,145,000	32,828,300	32,893,100
Housing, Buildings and Construction	23,197,500	26,852,300	27,362,300	28,094,200	26,704,100
Insurance	19,510,700	20,890,800	20,475,000	20,849,400	20,300,800
TOTAL EXPENDITURES	112,459,700	123,388,100	124,389,900	123,723,400	122,273,100

The Public Protection Cabinet is charged with the supervision and regulation of industries. The mission of the Cabinet is to provide for public safety, consumer protection and financial integrity through enforcement and administration of laws and regulations throughout the Commonwealth. The Cabinet has six departments: Alcoholic Beverage Control, Charitable Gaming, Financial Institutions, Housing, Buildings and Construction, Insurance and Professional Licensing. The Cabinet has commissions attached for administrative purposes only: Kentucky Horse Racing Commission, Boxing & Wrestling Commission and Kentucky Claims Commission. 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 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	57,947,500	86,190,500	93,836,700	67,831,400	70,130,400
Current Year Appropriation	8,831,600				
Budget Reduction-General Fund	-936,900				
Total General Fund	65,842,200	86,190,500	93,836,700	67,831,400	70,130,400
Restricted Funds					
Balance Forward	109,676,200	109,640,900	103,540,300	109,640,900	103,693,100
Current Receipts	165,685,800	172,586,400	173,640,300	170,986,400	171,288,600
Non-Revenue Receipts	-7,769,500	-7,703,500	-7,699,900	-7,703,500	-7,699,900
Total Restricted Funds	267,592,500	274,523,800	269,480,700	272,923,800	267,281,800
Federal Fund					
Balance Forward	11,725,200	11,725,200	9,582,500	11,725,200	10,075,700
Current Receipts	18,960,200	18,983,000	18,976,400	18,983,000	18,976,400
Total Federal Fund	30,685,400	30,708,200	28,558,900	30,708,200	29,052,100
Road Fund					
Regular Appropriation	445,200	445,200	445,200	544,000	553,000
Total Road Fund	445,200	445,200	445,200	544,000	553,000
TOTAL SOURCE OF FUNDS	364,565,300	391,867,700	392,321,500	372,007,400	367,017,300
EXPENDITURES BY CLASS					
Personnel Costs	150,767,200	171,982,900	175,196,200	164,814,300	166,472,200
Operating Expenses	79,615,800	86,216,200	87,320,900	79,238,400	79,464,800
Grants Loans Benefits	8,012,200	8,041,200	8,041,200	7,759,300	7,759,300
Debt Service	2,555,800	9,200,800	14,796,800	3,122,800	4,446,300
Capital Outlay	2,248,200	3,303,800	3,267,200	3,303,800	3,267,200
TOTAL EXPENDITURES	243,199,200	278,744,900	288,622,300	258,238,600	261,409,800
EXPENDITURES BY FUND SOURCE					
General Fund	65,842,200	86,190,500	93,836,700	67,831,400	70,130,400
Restricted Funds	157,951,600	170,983,500	172,889,300	169,230,700	169,953,200
Federal Fund	18,960,200	21,125,700	21,451,100	20,632,500	20,773,200
Road Fund	445,200	445,200	445,200	544,000	553,000
TOTAL EXPENDITURES	243,199,200	278,744,900	288,622,300	258,238,600	261,409,800
EXPENDITURES BY UNIT					
Secretary	16,685,200	18,964,800	19,131,700	17,861,900	17,916,900
Artisans Center	2,423,300	2,963,900	3,000,600	2,627,800	2,641,200
Kentucky Department of Tourism	2,867,500	3,366,600	3,439,200	3,017,100	3,057,000
Parks	91,565,400	106,981,900	112,833,600	98,283,100	99,844,900
Horse Park Commission	14,353,600	13,643,800	13,943,100	12,553,700	12,792,500
State Fair Board	47,462,600	57,428,200	59,599,800	51,426,100	51,938,000
Fish and Wildlife Resources	55,454,200	61,380,100	62,560,400	60,951,900	61,630,300
Historical Society	6,168,600	7,009,800	7,033,300	6,531,500	6,580,200
Arts Council	3,488,200	3,736,100	3,773,400	2,568,800	2,589,000
Heritage Council	1,847,000	2,354,600	2,392,100	1,858,400	1,861,500
Kentucky Center for the Arts	883,600	915,100	915,100	558,300	558,300
TOTAL EXPENDITURES	243,199,200	278,744,900	288,622,300	258,238,600	261,409,800

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
- The Kentucky Humanities Council

Transportation

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,228,200	17,355,200	17,567,400	15,213,900	15,213,900
Special Appropriation	10,000,000				
Continuing Approp-General Fund	3,552,300				
Budget Reduction-General Fund	-319,000				
Total General Fund	19,461,500	17,355,200	17,567,400	15,213,900	15,213,900
Restricted Funds					
Balance Forward	122,215,500	9,607,200	8,361,000	9,607,200	2,595,400
Current Receipts	141,354,000	145,128,100	146,129,500	146,941,300	147,432,200
Non-Revenue Receipts	76,900,800	-5,030,400	-1,884,800	-5,030,400	-1,884,800
Fund Transfers	-4,588,200	-426,100	-424,000	-7,370,900	-6,424,000
Total Restricted Funds	335,882,100	149,278,800	152,181,700	144,147,200	141,718,800
Federal Fund					
Current Receipts	773,941,400	765,456,000	767,053,500	765,300,100	766,066,000
Total Federal Fund	773,941,400	765,456,000	767,053,500	765,300,100	766,066,000
Road Fund					
Regular Appropriation	1,380,512,200	1,499,540,600	1,496,189,800	1,416,927,000	1,395,472,100
Surplus Expenditure Plan	57,237,100				
Other	4,927,000				
Total Road Fund	1,442,676,300	1,499,540,600	1,496,189,800	1,416,927,000	1,395,472,100
TOTAL SOURCE OF FUNDS	2,571,961,300	2,431,630,600	2,432,992,400	2,341,588,200	2,318,470,800
EXPENDITURES BY CLASS					
Personnel Costs	443,950,200	508,322,400	519,169,200	493,863,600	496,790,800
Operating Expenses	255,175,600	285,531,100	285,599,300	258,357,800	253,993,500
Grants Loans Benefits	277,860,300	245,933,000	246,342,300	243,130,200	243,578,500
Debt Service	266,049,800	271,263,800	255,985,400	265,524,500	252,367,100
Capital Outlay	2,005,500	1,932,700	1,882,700	1,882,700	1,882,700
Construction	1,306,317,500	1,110,286,600	1,112,743,600	1,072,866,300	1,066,237,700
TOTAL EXPENDITURES	2,551,358,900	2,423,269,600	2,421,722,500	2,335,625,100	2,314,850,300
EXPENDITURES BY FUND SOURCE					
General Fund	19,461,500	17,355,200	17,567,400	15,213,900	15,213,900
Restricted Funds	326,274,900	140,917,800	140,911,800	141,551,800	141,466,000
Federal Fund	773,941,400	765,456,000	767,053,500	765,300,100	766,066,000
Road Fund	1,431,681,100	1,499,540,600	1,496,189,800	1,413,559,300	1,392,104,400
TOTAL EXPENDITURES	2,551,358,900	2,423,269,600	2,421,722,500	2,335,625,100	2,314,850,300
EXPENDITURES BY UNIT					
General Administration and Support	77,293,000	84,409,200	85,279,000	83,619,900	84,015,700
Aviation	38,069,700	22,902,700	22,945,800	22,131,700	21,992,800
Debt Service	154,830,400	162,336,000	150,298,000	156,646,700	146,729,700
Highways	1,844,340,600	1,731,283,000	1,742,772,500	1,654,491,900	1,645,280,200
Public Transportation	50,096,200	32,302,700	32,322,200	31,927,200	32,000,400
Revenue Sharing	336,957,200	339,256,800	340,049,100	336,462,200	337,435,200
Vehicle Regulation	49,771,800	50,779,200	48,055,900	50,345,500	47,396,300
TOTAL EXPENDITURES	2,551,358,900	2,423,269,600	2,421,722,500	2,335,625,100	2,314,850,300

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**

	Revised FY 2018	Requested FY 2019	Requested FY 2020	Recommended FY 2019	Recommended FY 2020
SOURCE OF FUNDS					
General Fund					
Regular Appropriation				62,414,100	183,378,000
Continuing Approp-General Fund	150,491,500	11,779,983	11,779,983	8,054,200	70,468,300
Mandated Allotments	-85,725,800				
Other	-56,711,500				
Total General Fund	8,054,200	11,779,983	11,779,983	70,468,300	253,846,300
TOTAL SOURCE OF FUNDS	8,054,200	11,779,983	11,779,983	70,468,300	253,846,300
EXPENDITURES BY CLASS					
TOTAL EXPENDITURES					
EXPENDITURES BY FUND SOURCE					
TOTAL EXPENDITURES					
EXPENDITURES BY UNIT					
TOTAL EXPENDITURES					

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

The 2016-2018 enacted budget withdrew \$56,711,500 in fiscal year 2018 from the Budget Reserve Trust Fund. It is estimated that \$85 million will be needed to fund Necessary Governmental Expenses in fiscal year 2018.

The net effect is a balance in fiscal year 2019 of approximately \$8 million, representing 0.07 percent of budgeted revenues.

The Executive Budget includes \$62,414,100 in fiscal year 2019 and \$183,378,000 in fiscal year 2020 to the Budget Reserve Trust Fund, which would bring the balance up to \$253,846,300, which is 2.3 percent of the fiscal year 2020 General Fund revenue estimate.

The Executive Budget directs any General Fund surplus to the Budget Reserve Trust Fund, after allowing for sufficient resources for items authorized as necessary government expenses.

KRS 48.705(3) targets a Budget Reserve Trust Fund balance of five percent of actual General Fund receipts collected during the fiscal year just ended (approximately \$550 million). The Executive Budget moves toward that objective with a Budget Reserve Trust Fund balance of over \$250 million on June 30, 2020.

Revenue Estimates

Fiscal Years
2018-2020

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 11, 2017 to generate the “planning estimates”. Two months later, the CFG held a second meeting in Frankfort, on October 13, 2017, to finalize the “preliminary estimates”. During the October meeting, the CFG also made an official revision to the fiscal year 2018 estimates pursuant to a KRS 48.115 (2) letter from State Budget Director John Chilton. Finally, as directed by statutes, the CFG returned to the Capitol on December 15, 2017 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 produced three forecast scenarios for the CFG to consider: Control (or baseline), Optimistic, and Pessimistic.

PROJECTIONS FISCAL YEARS FY18-FY20

The General Fund, Road Fund, and MSA Tobacco Fund estimates were prepared in cooperation with the CFG, and represent an agreement by the CFG as to the most likely outcome for revenues in the current fiscal year and the upcoming two years. The CFG consists of individuals knowledgeable about the state and national economies and the revenue and financial conditions of the Commonwealth. Appointed jointly by the State Budget Director and the Legislative Research Commission, the members are: Dr. Frank O’Connor (Chair), Dr. Bruce Johnson, Dr. Alan Bartley, Dr. James McCoy, Ms. Janet Harrah, Mr. David Sinclair, and Dr. Christopher Bollinger.

The Consensus Forecasting Group met on December 15, 2017 to render the official estimates. The revenue estimates adopted by the CFG during the December 2017 meeting are listed in the table below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Tobacco Fund</u>
2018	\$10,718,400,000	\$1,503,300,000	\$114,600,000
2019	\$11,005,900,000	\$1,505,300,000	\$119,500,000
2020	\$11,290,000,000	\$1,508,500,000	\$118,100,000

The official FY 2018 General Fund estimate adopted by the CFG is \$156.0 million lower than the FY 2018 enacted estimate. FY18 Growth of 2.3 percent for FY18 is required to hit the revised target. Through the month of November, the General Fund has risen 1.1 percent thus far in FY18.

All three scenarios from IHS Markit (Control, Optimistic, and Pessimistic) were used as inputs in the OSBD’s MAK model, an analytical model that takes US trends in employment and income as predetermined variables in order to estimate Kentucky-specific forecasts for employment and personal income. Of highest importance is the Kentucky wages and salary forecast, which has a direct impact on the Kentucky individual income tax projections and the sales tax estimates.

After a thorough and productive discussion, the CFG adopted the control (baseline) forecast as the most likely outcome for the US and Kentucky economies for purposes of the General Fund and Road Fund revenue models. The OSBD staff prepared all three scenarios for consideration by the CFG, so the General Fund and Road Fund revenue numbers were reviewed, debated, and the control consensus was reached on both funds.

Despite adopting the control forecast for the General Fund in December, as opposed to the pessimistic forecast in October, revenue estimates actually fell compared to October in all three fiscal years. The CFG discussed this in detail and attributed the apparent anomaly to two factors. First, second quarter receipts were negatively impacted by October and November General Fund receipts. Second, IHS Markit removed much of the impacts from Federal fiscal policy from the control forecast, thus making the baseline December forecast more similar to the October pessimistic outlook.

ECONOMIC OUTLOOK

The CFG began debating the State and National Economies during the August and October sessions. During August, there was a markedly cautious tone due to the political gridlock in Washington and the apparent lack of momentum in health care reform, infrastructure appropriations, and the highly-touted tax plan. There were also some concerns regarding the performance of the IHS Markit forecast and their tendency to over-predict economic growth. Ultimately, these concerns led the CFG to opt for the pessimistic forecast for purposes of the General Fund forecast and the control forecast for the Road Fund.

In the development of the projections for the underlying economic forecast, OSBD staff presented the CFG three options to consider in August. First was the control economy, or estimates based on the June 2017 control scenario of IHS Markit Economics (formally known as Global Insight). Control estimates represent the most likely outcome according to IHS and were given a 60% probability of outcome by IHS. Excerpts from the control forecast are outlined below.

IHS Markit continues to assume that a modest pro-growth agenda is likely to be implemented by the end of 2017, although we have scaled back our assumption about corporate tax cuts. We now expect that the statutory rate will be reduced to only 25% (compared with the assumed 20 percent a month ago) and that fewer loopholes will be closed. If the current political turmoil were to escalate into a full-blown crisis, then the chances of any tax stimulus or infrastructure reforms being implemented would diminish considerably.

Meanwhile, there is ample evidence that the US economy is still chugging along at a 2.0–2.5% growth rate. In particular, while the most recent estimates show that real GDP growth in the first quarter was an anemic 1.2%, growth in final sales to domestic purchasers (GDP less inventories and exports—a much better gauge than GDP of the underlying growth rate of the US economy) was 2.1%. IHS Markit predicts that real GDP growth will be 2.3% this year and then accelerate to 2.7% in 2018—but only if fiscal stimulus is enacted.

Second was the pessimistic economy, or estimates based on the June 2017 pessimistic scenario of IHS Markit Economics. Pessimistic estimates were given a 25 percent probability of outcome according to IHS. Excerpts from the pessimistic forecast are outlined below.

In the pessimistic scenario, the US economy suffers from a crisis of confidence, managing only feeble growth during the second half of 2018, as consumers and businesses react to an uncertain fiscal and monetary policy environment with guarded and more risk-averse behavior. Lack of progress in Washington calls into question all the promises and expectations of the new administration, bruising consumer and business confidence, and sending the stock market into negative territory. In this scenario, the political and fiscal policy turmoil in Washington escalates. Congress and the president make no progress on any major policy initiatives this year. There is no tax or healthcare reform, and no fiscal stimulus. Even more routine action, including the omnibus budget bill and increase in the debt limit, is contentious and accomplished only at the last minute, provoking anxiety and a wait-and-see attitude. Uncertainty regarding future tax and healthcare policies causes business confidence to deteriorate, impacting capital spending and hiring plans. Consumers feel the pinch as well. With fewer job prospects and weaker wage gains, they pull back on spending.

Discouraged by the economic situation and disagreements between Congress and the administration, the stock market tumbles, losing more than 17% from its current high to its fourth quarter 2018 trough. Real consumer spending manages only 2.2% growth during 2018, versus 3.2% in the baseline, and housing starts in 2018 and 2019 are well below the baseline. Meanwhile, the commercial real estate sector deflates.

Third was the optimistic economy, or estimates based on the June 2017, optimistic scenario of IHS Markit Economics. Optimistic estimates were given a 10 percent probability of outcome according to IHS. No excerpts from the optimistic forecast are included because the CFG did not base any of the revenue projections from the optimistic scenario.

The outlook did not change in October when the CFG again adopted the pessimistic forecast for the General Fund and the control forecast for the Road Fund. While there were some changes between August and October, the forecast remained upbeat vis-à-vis the expectations of the CFG. All three scenarios from IHS Markit (Control, Optimistic, and Pessimistic) were used as inputs in the OSBD's MAK model, an analytical model that takes US trends in employment and income as predetermined variables in order to estimate Kentucky-specific forecasts for employment and personal income. Of highest importance is the Kentucky wages and salary forecast, which has a direct impact on the Kentucky individual income tax projections and the sales tax estimates. After a spirited and productive discussion, the CFG adopted the pessimistic forecast as the most likely outcome for the US and Kentucky economies for purposes of the General Fund revenue models. The OSBD staff prepared all three scenarios for consideration by the CFG, so the General Fund revenue numbers were reviewed, debated, and the pessimistic consensus was reached on the General Fund.

In December, the control forecast looked very similar to the pessimistic forecasts from August and October. Global Insight had tempered expectations of federal fiscal policy in the control scenario, which brought the levels of many variables down to October pessimistic levels. Similar trends were observed in the Kentucky MAK model. Moreover, personal income data were lowered due to the annual benchmarking process. Since the control scenario in December took a more pessimistic tone, the CFG was comfortable using the control forecast for purposes of determining General Fund and Road Fund revenues for fiscal years 2018 through 2020.

Despite adopting the control forecast for the General Fund in December as opposed to the pessimistic forecast in October, revenue estimates actually fell in all three fiscal years (FY18 – FY20). The CFG discussed this in detail and attributed the apparent anomaly to two factors. First, second quarter receipts were negatively impacted by October and November General Fund receipts. Second, IHS Markit removed much of the impacts from Federal fiscal policy from the control forecast, thus making the baseline December forecast more similar to the October pessimistic outlook.

NATIONAL ECONOMY

Recent History:

Real gross domestic product (real GDP) increased by 2.5 percent in the second quarter of FY18. The 2.5 percent growth is the highest growth posted since the fourth quarter of FY15. The last three quarters of adjacent-quarter growth have been noticeably higher than recent history. The last three quarters of adjacent-quarter growth were 0.8, 0.7, and 0.6 percent, respectively. Real exports contributed the most in terms of growth (+4.0 percent), while real consumption contributed the most in terms of absolute change (+309.4 billion) from last year.

Real consumption grew by 2.6 percent in the second quarter of FY18. Long-run average adjacent-quarter growth for real consumption is 0.6 percent. Real consumption recently has performed well above this average. Real consumption growth has been above that average in 13 of the last 15 quarters. Real consumption is a cyclical series. That is, typically, it rises when real GDP rises and it falls when real GDP falls. Real consumption did not fall during the 2001 recession, but there was a period of sustained 1.0 percent or higher growth in the expansion period immediately following the 2001 recession. During the 2007 recession, real consumption fell six times during that eight-quarter period. Real consumption made up 69.6 percent of real GDP in the second quarter.

Real investment grew by 3.3 percent in the second quarter of FY18. On an adjacent-quarter basis, real investment grew by 1.1 percent in the second quarter. This is the third consecutive quarter of positive adjacent-quarter growth. This trend is promising, as it followed a two-year period with many losses. Real investment reached a new all-time high in the second quarter of FY18; surpassing the \$3.0 trillion mark for the first time. Real investment made up 17.4 percent of real GDP in the second quarter.

Real government expenditures declined by 0.2 percent in the second quarter of FY18. This is the fourth consecutive decline for government expenditures. The declines were each very small; less than 0.2 percent on an adjacent-quarter basis. Real government expenditures are countercyclical, so it is not unusual for real government expenditures to decline during expansion periods. Although the current expansion period has been peculiar for government expenditures. There was a period where real government expenditures began to rise unsurreptitiously. Between the fourth quarter of FY14 and the third quarter of FY16, real government expenditures rose by a net 2.7 percent. Real government expenditures made up 16.8 percent of real GDP in the second quarter.

Real exports rose by 4.0 percent in the second quarter of FY18. On an adjacent-quarter basis, real exports rose by 0.7 percent in the second quarter of FY18 over the third quarter. This is the fourth consecutive quarter of positive adjacent-quarter growth in real exports. Real exports in calendar 2015 and 2016 were weak, falling in five of the eight quarters during that time. Real exports made up 12.8 percent of real GDP in the second quarter.

Real imports, a deduction to real GDP, grew by 2.2 percent in the second quarter of FY18. Real imports growth was low in the fourth quarter of FY17, growing 0.4 percent on an adjacent-quarter basis. Real imports declined in the first quarter of FY18, falling 0.2 percent on an adjacent-quarter basis. This quarter imports increased by 0.9 percent on an adjacent-quarter basis.

US personal income grew by 3.7 percent in the second quarter of FY18. On an adjacent-quarter basis, US personal income grew by 0.9 percent in the second quarter over the first quarter. US personal income has struggled to attain 1.0 percent adjacent-quarter growth in the last eight quarters. In addition, in the third quarter of FY16, US personal income declined by 0.1 percent. This is unusual during an expansion period. Most of the strength in this quarter's US personal income came from wages and salaries and supplements to wages and salaries.

Wages and salaries grew by 4.7 percent in the second quarter, while supplements to wages and salaries grew by 3.8 percent. US wages and salaries have performed well for the last four quarters with adjacent-quarter growth rates of 1.5, 1.1, 1.0, and 1.0 percent, respectively. Calendar 2016 was troublesome for US wages and salaries as it declined (on an adjacent-quarter basis) in two of the four quarters. The current prolonged period of growth seems to indicate that that trouble spot is now over.

US non-farm employment grew by 1.4 percent in the second quarter of FY18. On an adjacent-quarter basis, US non-farm employment grew by 0.4 percent in the second quarter over the first quarter. Average adjacent-quarter growth during the expansion period following the 2007 recession has been 0.4 percent. Historically, this is low quarterly growth -- but it is not low relative to the expansion following the 2001 recession. In the expansion period following the 2001 recession, non-farm employment growth averaged just 0.3 percent on an adjacent-quarter basis.

Business services employment and educational services employment were the two fastest growing labor sectors during the second quarter, each contributing half a million in job growth over the same quarter in FY17. On a percentage basis, mining employment was the fastest growing industry, with 7.7 percent growth over FY17. That growth was on top of an extremely low base. Mining employment is by far the smallest employment sector, with only 700,000 total jobs in the nation. Mining employment includes metal mining, coal mining, oil and gas extraction, and non-metallic mineral mining.

Outlook:

As we enter the second half of FY2018, the US economy has been growing for 103 months, the third longest economic expansion since 1854. If the economy continues to grow for an additional 17 months, this period of expansion will be longest in US history. The continued growth in the economy has been supported by current financial conditions. Rising home equity and home prices have improved household balance sheets, and consumer confidence has been driven by low unemployment, increasing personal income growth, and rising financial markets. Business fixed investment continues to strengthen, supported by low capital costs, an improving regulatory climate, and expanding global markets. The current macroeconomic data and indicators would seem to predict that the expansion will continue.

Adding to the current economic tailwinds is the passage of the Tax Cuts and Jobs Act (TCJA), which lowers the corporate tax rate from 35% to 21%, allows accelerated expensing of business equipment, and reduces average, effective personal income tax rate by approximately two percent. The current forecast predicts real GDP growth of 2.5% for FY2018, but the impact of the TCJA should increase real GDP growth by approximately 0.2% in calendar 2019. The TCJA contains a disincentive for research and development spending, as businesses will be required to amortize their expenditures over five years, rather than one year, starting in calendar 2022. This reduction in the value of research and development tax credits is expected to increase research and development expenditures for capital equipment over the next several years. Combined with lower corporate tax rates, the overall impact should be an increase in the capital stock and continued support for economic growth.

Consumer spending, income, and confidence are also expected to modestly increase over current forecasted levels with the passage of the tax bill. The increase in household incomes and associated real consumer spending, due to the reduction in income taxes, will provide additional reinforcement to the already strong fundamentals of monthly job growth, increasing wages, and rising asset values. The current forecast predicts real consumption growth of 2.6% for FY2018, but the impact of the TCJA should increase real consumption growth by approximately 0.1% in calendar 2019.

The Federal Open Market Committee (FOMC), as expected, raised the federal funds rate by 25 basis points at their December meeting. This was the third increase in calendar 2017, as compared to a single rate hike in 2015 and 2016, respectfully. The increase in the frequency of FOMC actions comes as the committee has signaled that there is a continued belief that job gains, household incomes, and wealth creation will continue to support moderate economic growth in the near term. However, the increases are at odds with the continued low readings in Personal Consumption Expenditures (PCE) inflation measures. While current expectations are for three additional rate hikes in calendar 2018, there FOMC may surprise with an additional rate hike or a larger than expected rate increase at a future meeting. The FOMC has already expressed concerns that strong economic growth and continued declines in the unemployment rate could lead to overheating in the economy. With the passage of the TCJA, and the expected boost in economic growth through corporate and personal tax cuts, additional FOMC actions remain a distinct possibility.

KENTUCKY ECONOMY

Recent History:

Kentucky personal income grew by 3.5 percent in the second quarter of FY18. On an adjacent-quarter basis, Kentucky personal income grew by 1.0 percent in the second quarter. This is the fourth consecutive quarter of solid adjacent-quarter growth for personal income. The solid growth was spread out among the components of personal income. All five contributing components grew by over 2.5 percent over the same quarter last year. The fastest growing component was wages and salaries, which grew by 4.7 percent over the second quarter of FY17. The growth experienced over the last four quarters has been solid and widespread among all the components.

The recent solid and widespread growth in personal income has been short-lived. In the second quarter of FY17, personal income declined by 0.5 percent over the first quarter of FY17. The decline in the personal income in the second quarter of FY17 was also diffused among the components. Kentucky wages and salaries declined by 1.0 percent in the second quarter over the first quarter of FY17. Kentucky transfer income declined by 0.9 percent in the second quarter. Growth in supplements to wages and salaries and proprietor's income were both weak in the second quarter of FY17 growing 0.1 and 0.5 percent, respectively.

Kentucky non-farm employment grew by 1.4 percent in the second quarter. Kentucky non-farm employment growth has been historically slow over the last 16 years. Specifically, in the time following the 2001 recession, employment growth during the last two expansions has been significantly slower than in prior expansion periods. In the expansion period following the 1990 recession, average adjacent-quarter growth was 0.6 percent. In the expansion period following the 2001 and 2007 recessions, the average adjacent-quarter growth was 0.3 and 0.4 percent, respectively. Something fundamental changed either in the labor market itself or in how firms employ labor following the 2001 recession, relative to previous expansion periods. The exact source of the change has not yet been identified or settled among economists.

The fastest growing employment sector in Kentucky in the second quarter was construction, which grew by 6.3 percent. The second fastest growing sector was information services employment, which grew by 4.9 percent. These two fast-growing sectors were offset by falling or weak growth in mining employment, government employment and educational services employment, which experienced grow rates of -4.2, -0.2, and 0.1 percent, respectively. Construction employment made up 4.2 percent of total non-farm employment in the second quarter of FY18, while information services made up 1.2 percent, mining employment made up 0.5 percent, government made up 16.3 percent, and educational services employment made up 1.7 percent.

On an adjacent-quarter basis, government employment increased by 0.3 percent. But on average, government employment has been trending downwards since the first quarter of FY15. Government employment includes federal, state and local government employees, whereby the employment occurs within the boundaries of the Commonwealth of Kentucky. It is not unusual for government employment to contract during expansion periods, as the need for many welfare programs and unemployment services decreases during times of economic growth.

Outlook:

Personal income remains poised to continue its recent trend of strong growth for the remainder of FY18 and into the first quarter of FY19. Marginally underperforming against the national level, Kentuckians' personal incomes projects growth of 3.4 percent for the full year of FY18, compared to the 3.9 percent forecasted growth at the national level. The Commonwealth's salary and wage component has shown increased gain of 4.3 percent over the third and fourth quarter of FY18 in contrast to the respective periods of FY17, and forecasted to increase 4.2 percent entering into the first quarter of FY19.

Persistent gain in personal income, as well as wages and salaries continues to bode well for consumer confidence for the first part of the FY18 and is likely to continue into the forecasted horizon. To reinforce the notion of positive consumer mood, Kentucky's sales and use tax receipts rose 3.0 percent in December, having followed the three consecutive months in which sales and use tax receipts' growth exceeded 5 percent. Year-to-date collections in sales and use collections have increased 2.7 percent. Individual income tax collections rose 14.2 percent in December on the strength of withholding receipts, showing favor to the year-to-date collections of 3.6 percent.

Redirecting attention towards the Kentucky employment outlook, stagnant growth is projected over the horizon in both the goods-producing and service-providing sectors. Of the eleven supersectors, three are forecasted to reflect negative growth moving into the first quarter of FY19. As it has been the weak spot in Kentucky's economy, mining employment will continue to reflect negative growth of 4.7 percent moving into FY19, showing an ever-slight rebound from the 5.4 percent negative growth forecasted for the third and fourth quarters of FY18.

The service-providing sector overall is anticipated to end the third and fourth quarter with weakened growth of 1.2 percent prior to dropping an additional 0.5 percentage points entering into FY19. Within the sector, other services supersector is expected to display the sharpest decline in employment of 0.5 percent in the final two quarters of FY18, taking an even more significant dive into the first quarter of FY19 with expected negative growth of 2.7 percent. Other bleak spots in employment include construction as well as trade, transportation and utility forecasted to enter FY19 with depressed growth.

The employment bright spot of Kentucky's economic outlook is located in the non-farm employment sector. Manufacturing is on target to conclude the final two quarters of FY18 with growth of 1.8 percent, surging at a swift pace of 4.1 percent growth entering into FY19. While hiring in alternate sectors has been much more muted, the brisk growth seen within manufacturing employments accounts for a gain of 3.2 million jobs for the full year of FY18 compared to that of FY17. While the uptick seen in consumer spending accounts for a portion of the increase, measures that are more significant include economic development initiatives to attract new businesses, with such passage Right to Work legislation, along with pledged business investments is changing the business climate in the Commonwealth and reflects gains in construction and manufacturing employment.

Kentucky Economic Outlook
FY18 Q3 & Q4, FY19 Q1

	Q3 & Q4			Full Year		Q1	
	FY18	FY17	% Chg	FY18	% Chg	FY19	% Chg
Personal Income (\$ millions)	182,447.4	175,374.0	4.0	180,480.1	3.4	185,428.9	4.4
Wages and Salaries (\$ millions)	93,170.8	89,361.6	4.3	92,215.0	3.5	94,568.6	4.2
Non-farm Employment (thousands)	1,959.1	1,937.5	1.1	1,954.1	1.2	1,966.5	1.1
Goods-producing	348.0	342.4	1.6	345.8	1.8	351.0	3.0
Construction	82.0	80.4	2.0	81.9	4.3	82.4	0.5
Mining	9.3	9.8	-5.4	9.5	-4.7	9.2	-4.7
Manufacturing	256.7	252.2	1.8	254.4	1.3	259.5	4.1
Service-providing	1,292.4	1,277.7	1.2	1,290.0	1.4	1,296.3	0.7
Trade, Transportation & Utilities	403.5	401.7	0.4	403.8	0.7	403.1	-0.5
Information	24.3	24.0	1.5	24.3	3.3	24.4	0.9
Finance	96.3	95.4	1.0	96.0	1.3	96.7	1.4
Business Services	230.9	224.4	2.9	229.6	3.3	234.0	2.4
Educational Services	273.7	270.9	1.1	273.1	0.7	274.4	0.9
Leisure and Hospitality Services	197.4	194.6	1.5	196.4	1.3	197.8	1.8
Other Services	66.3	66.7	-0.5	66.8	1.1	65.8	-2.7
Government	318.7	317.4	0.4	318.3	0.1	319.2	0.5

Not Seasonally Adjusted.

Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, November 2017.

Selected U.S. and Kentucky Economic Indicators
Global Insight: Control Scenario
November 2017

	FY16	FY17	FY18	FY19	FY20
OUTPUT					
US Real GDP (Bil 2000\$)	16,578 1.7%	16,891 1.9%	17,314 2.5%	17,706 2.3%	18,103 2.2%
Industrial Production Index, Total	-1.8%	0.3%	2.2%	2.3%	2.7%
Industrial Production Index, Durables	1.3%	0.5%	2.1%	2.1%	2.1%
INCOME					
KY Personal Income (Mil\$)	171,849 3.0%	174,588 1.6%	180,480 3.4%	188,667 4.5%	197,071 4.5%
KY Wage & Salary Income (Mil\$)	86,741 4.3%	89,065 2.7%	92,215 3.5%	96,029 4.1%	99,588 3.7%
KY Supplements to W&S (Mil\$)	21,970 3.0%	22,400 2.0%	23,251 3.8%	24,154 3.9%	25,103 3.9%
KY Proprietors' Income (Mil\$)	10,119 -3.5%	10,064 -0.5%	10,848 7.8%	11,330 4.4%	11,701 3.3%
KY Dividend, Interest, & Rent (Mil\$)	26,796 2.7%	27,126 1.2%	27,721 2.2%	28,789 3.9%	30,041 4.3%
KY Transfer Payments (Mil\$)	42,293 2.4%	42,421 0.3%	43,458 2.4%	45,899 5.6%	48,804 6.3%
KY Social Insurance (Mil\$)	14,259 4.1%	14,751 3.4%	15,320 3.9%	15,890 3.7%	16,573 4.3%
US Personal Income (Bil\$)	15,764 3.6%	16,166 2.5%	16,720 3.4%	17,477 4.5%	18,323 4.8%
EMPLOYMENT					
KY Nonfarm Employment (Thous)	1,901.2 1.6%	1,930.2 1.5%	1,954.1 1.2%	1,972.8 1.0%	1,985.2 0.6%
US Nonfarm Employment (Mil)	143.1 1.9%	145.4 1.6%	147.4 1.3%	149.1 1.2%	150.5 0.9%
KY Manufacturing Employment (Thou)	245.0 2.8%	251.2 2.5%	254.4 1.3%	261.3 2.7%	264.1 1.1%
US Manufacturing Employment (Mil)	12.4 0.6%	12.4 0.1%	12.5 1.4%	12.8 2.3%	12.9 0.9%
OTHER KEY MEASURES					
Consumer Sentiment Index (Michigan)	91.5	94.3	96.1	97.5	97.7
Rate of Inflation (%)	0.7%	1.9%	1.8%	2.0%	2.4%
US Retail Sales (%)	2.6%	3.9%	3.3%	3.3%	3.9%
US Corporate Profits(%)	-8.0%	9.5%	8.6%	9.8%	6.4%
Three-month Treasury Bills (%)	631.0%	212.3%	116.1%	51.5%	28.4%
Oil Price, West Texas (\$/barrel)	41.74	48.62	50.16	53.24	60.26

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

REVENUE ESTIMATES DETAILED FOR FISCAL YEAR 2018 THROUGH FISCAL YEAR 2020

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 2017), a planning report is prepared. The second estimates, the preliminary projections, are due on or before October 15. Finally, before the 15th 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 HIS Markit (formerly 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 IHS. 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 potentially modify the estimates based on their own experience and considerations of the relevant facts.

Final official estimates were prepared on December 15, 2017, as seen in an attachment below.

General Fund: Major Accounts

Total General Fund revenue for fiscal year 2018 is projected to be \$10,718.4 million, for an increase of 2.3 percent from fiscal year 2017. Receipts for fiscal year 2019 are estimated to be \$11,005.9 million followed by \$11,290.0 million in fiscal year 2020.

Individual Income Tax

Individual income tax receipts are expected to total \$4,509.0, or 2.6 percent, in FY18. The individual income tax receipts grew 3.6 percent in the first half of FY18; growth of 1.7 percent is needed in the remaining six months to achieve the official estimate. During the biennium, individual income tax receipts are projected to grow 3.1 percent in FY19 and another 3.1 percent in FY20.

In forecasting the individual income tax receipts, the first step is 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 due to over withholding.

The withholding component of the individual income tax is adding stability to the overall growth, posting 3.6 percent growth in the first half of FY18. Withholding is expected to remain solid for the remainder of FY18 and into the first quarter of FY19. Withholding is closely tied to wages and salaries and employment in the state.

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 2018 through 2020. 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. FY16 was higher still – posting growth of 6.0 percent. Sales tax growth in excess of wage and salary growth is difficult to sustain, and that adage proved correct as sales tax growth slipped to 0.7 percent in FY17 despite very similar growth in wages to the high growth years.

The official 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 cointegrating equation was used, with sales tax receipts and Kentucky withholding as the dependent variables. The final model was a structural model using differenced data to account for inherent nonstationarity. The structural model used furniture and durable household equipment to emphasize the inevitable linkage between the housing sector and sales tax revenues.

Forecasted sales and use tax revenues are \$3,611.9 million in fiscal year 2018, which would represent a 3.6 percent increase relative to fiscal year 2017 actual revenues. Receipts for fiscal year 2019 are projected to be \$3,699.4 million followed by \$3,791.7 million in fiscal year 2020. Respective growth rates are 2.4 percent and 2.5 percent for the upcoming biennium.

Corporation Income Tax & Limited Liability Entity Tax

OSBD has fundamentally changed the way we estimate the two largest business taxes, the corporation income tax and the LLET. Due to the interaction between payment of the LLET and the credit on the income tax return, it is difficult for the Department of Revenue to pinpoint exact amounts of business tax to apportion or allocate to each tax category. Therefore, OSBD has adopted a model with a combined forecasting variable equal to the sum of LLET and corporate income tax receipts.

The forecast for FY18 calls for combined growth of 0.2 percent for the corporation income tax and the LLET. Due in large part to a strong month of December, the combined account has grown 3.3 percent through the first half of FY18. Consequently, receipts can decline 2.8 percent for the remainder of the fiscal year and still hit the official estimate. Growth for FY19 is projected to be 7.5 percent followed by 5.3 percent in FY20.

Coal Severance Tax

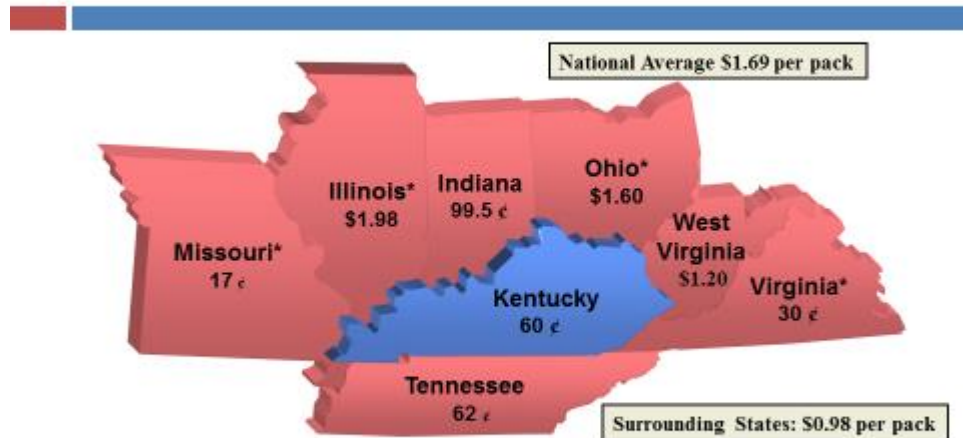
Energy markets, and coal markets in particular, continue to be quite fraught with downside risk. The official estimate for the coal severance tax calls for receipts of \$88.5 million, or a 11.9 percent decline in FY18 following a 16.7 percent drop in FY17 and a 33.1 percent free-fall in FY16. With the 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. For the upcoming biennium, revenues are forecasted to be \$77.9 million and \$65.1 million in FY19 and FY20 respectively.

Cigarette Taxes

Cigarette tax receipts actually grew 1.5 percent in FY16 followed by a 1.3 percent decline in FY17. Two counterbalancing forces characterize the current market for Kentucky-sold cigarettes -- a downward trend in smoking rates versus border selling opportunities created by higher tax rates in most neighboring states. Smoking rates have been declining for at least two decades due to health concerns, smoking bans, and other factors. However, individuals that continue to smoke have some choice in where they purchase cigarettes, especially when living in proximity to a bordering state. The map below shows that Kentucky is well situated vis-à-vis our northern neighbors when it comes to low prices due to taxation. Given sales volumes in Kentucky and rates of adult smoking, it is clear that Kentucky is an export state in the net sale of cigarettes. Therefore, Kentucky's low tax rate should lead to higher sales, but the rate of smoking is declining, so whether tax receipts rise or fall is theoretically ambiguous.

The forecast for the upcoming biennium has the decline in the rate of smoking outpacing the import factor from Kentucky being a low-tax state. Through the first half of FY18, the cigarette taxes have fallen 4.9 percent. For the entire FY18, tax receipts will fall by 3.2 percent. That pattern will continue throughout the biennium with declines of 3.0 and 2.8 in FY19 and FY20, respectively.

State excise taxes on cigarettes



* Does not include sales tax or local excise rates imposed by cities and counties

Property Taxes

Due to the sustained effects of the Great Recession on the housing market, the state rate on real property has remained at 12.2 cents per \$100 since valuation year 2008, an unprecedented occurrence of ten consecutive years without a rate decline. The forecast for all types of property is listed below.

Property Tax Forecast, Control Scenario

FY18 – FY20

	FY18		FY19		FY20	
	\$M	%Chg	\$M	%Chg	\$M	%Chg
REAL	281.2	2.7	290.2	3.2	300.3	3.5
TANGIBLE	107.0	(0.3)	107.3	0.3	107.8	0.5
MOTOR VEHICLE	136.1	2.4	138.8	2.0	140.9	1.5
BLDG AND LOAN	2.4	1.3	2.5	4.2	2.5	0.0
DELINQUENT	7.5	9.0	7.5	0.0	7.5	0.0
OM TANGIBLE	10.0	10.0	10.0	0.0	10.0	0.0
APP VEHICLE	4.0	(5.2)	4.1	2.5	4.2	2.4
PUBLIC SERVICE	58.0	(8.9)	58.5	0.9	60.0	2.6
OTHER	1.7	1.6	1.8	5.9	1.9	5.6
TOTAL PROPERTY	607.9	1.0	620.7	2.1	635.1	2.3

Property tax collections are expected to total \$607.9 million in fiscal year 2018, 1.0 percent more than actual fiscal year 2017 receipts. Receipts for fiscal year 2019 are estimated at \$620.7 million followed by \$635.1 million in fiscal year 2020.

Kentucky Lottery

In FY17, Kentucky Lottery sales broke the \$1.0 billion mark for the first time in KY Lottery history. Scratch-off tickets continue to be the largest individual game category, and grew 1.1% in FY17. Keno was the biggest source of growth, rising 15 percent to \$75.7 million. Daily draw games also performed strongly (Pick 3, Pick 4, Cash Ball). However, major multi-state draw games were off sharply as players wait for the record jackpots to purchase tickets.

Lottery dividends are expected to grow 0.6 percent in FY16 on the basis of continued strength in scratch-off sales. The growth rate of 0.6 percent is artificially low because the base in FY17 is overstated by the extra \$4.6 million in dividend payments received in FY17 (carryover from 2016). Year-to-date collections through December totaled \$116.5 million, so the forecast calls for an acceleration of growth to hit the nominal FY18 estimate of \$243.0 million. Dividend payments for the biennium are expected to total \$249.0 million in FY19 and \$256 million in FY20.

Other Revenue Sources

The “Other” category contains dozens of smaller tax 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 0.6 percent during the FY18 forecasting horizon. Each account was re-examined after FY17 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled \$690.1 million in FY17. “Other” collections are estimated to be \$699.0 million for FY18.

After tallying all of the accounts, the forecast calls for revenues of \$700.7 million in fiscal year 2019, an increase of 0.3 percent compared to fiscal year 2018 estimated collections. Receipts for fiscal year 2020 are estimated at \$703.8 million with a respective growth rate of 1.4 percent.

Road Fund: Major Accounts

Total Road Fund revenues are expected to remain stagnant through FY20 as the two main drivers, the motor fuels taxes and motor vehicle usage tax, fail to gain ground. Total Road Fund tax revenue will decline in the first year of the forecast horizon before increasing slightly in the second and third years. Fiscal Year 2018 collections are projected to be \$1,503.3 million, a decrease of 0.3 percent from the previous fiscal year. Receipts for fiscal year 2019 are estimated to be \$1,505.3 million followed by \$1,508.5 million in fiscal year 2020.

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

Motor fuels tax collections are forecasted to increase 1.0 percent in the second half of FY18, which is an improvement in the revenue situation seen during the first six months of the year where collections declined 0.5 percent. Because the motor fuels tax rate is expected to remain at its current level through FY20, changes in revenue will arise strictly from changes in consumption. Over the long-term, consumption has trended downward; however, in some years consumption does increase but the changes are typically quite small.

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 motor fuels receipts have fallen 0.5 percent but are forecasted to increase 1.0 percent over the final six months of the year. Growth in this account is expected to be negligible for FY19 and FY20, decreasing 0.3 percent and then increasing 0.3 percent respectively. Nominal collections for Fiscal Years 2018-2020 are estimated to be \$761.2 million, \$759.2 million and \$761.2 million.

Motor Vehicle Usage

Motor vehicle usage tax collections reached an all-time at the close of FY17 but rates of growth have leveled off over the past few quarters. The forecast for this account is for a slight decline through FY20 as consumers slow their purchases of automobiles and light trucks. Revenues fell 1.3 percent in the first six months of FY18 and are expected to decline 1.1 percent over the remainder of the year. Fiscal Year 2019 collections are expected to be flat before declining 0.3 percent in FY20.

Receipts for Fiscal Year 2018 are forecasted to total \$493.9 million, a decrease of 1.2 percent. In Fiscal Year 2019, receipts should total \$494.0 million while collections for FY20 are expected to be \$492.6 million, a decline of 0.3 percent.

Motor Vehicle License

Motor vehicle license tax collections increased 4.1 percent in the first two quarters of Fiscal Year 2018 with collections of \$41.3 million. License receipts were estimated using a structural model with registered vehicles as a driver. Motor vehicle license receipts are estimated to be \$113.4 million in Fiscal Year 2018, followed by \$115.2 million in Fiscal Year 2019 and \$116.3 million in Fiscal Year 2020.

Motor Vehicle Operators

Motor vehicle operators' collections were estimated using a time series (ARIMA) model. Revenues were \$8.4 million in the first six months of FY18, an increase of 4.8 percent. The forecast is for revenues to increase 1.2 percent for the remainder of the fiscal year. During the next biennium receipts are expected to be \$16.7 million in FY19 and \$16.8 million in Fiscal Year 2020.

Weight Distance

Weight distance tax receipts of \$41.4 million in the first half of Fiscal Year 2018 represent a 1.1 percent decrease over FY17 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 2018 are expected to total \$81.4 million, a 1.8 percent decrease. The weight distance tax is typically considered a leading indicator of manufacturing activity. Revenue in this account is expected to pick up slightly over the biennium, increasing 0.9 percent in FY19 and 1.3 percent in FY20.

Investment

Income from investment is estimated by examining historical and current trends in investment balances as well as interest rate forecasts. Investment receipts increased \$421,000 during the first six months of Fiscal Year 2018 as yields on investments went from a decline to a modest increase. Investment income for the current year is estimated to be \$2.0 million, followed by \$3.1 million in Fiscal Year 2019 and \$3.3 million in Fiscal Year 2020.

Other Revenue Sources

"Other" receipts include fees, fines, and miscellaneous receipts. These accounts combined for decrease of 3.3 percent from a year earlier in the first two quarters of FY18. 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 \$34.8 million in the current fiscal year, followed by \$35.0 million in both Fiscal Years 2019 and \$35.1 million in FY2018.

TOBACCO MASTER SETTLEMENT AGREEMENT

The Tobacco Settlement-Phase I revenue forecast is \$114.6 million in fiscal year 2018, \$119.5 million in fiscal year 2019 and \$118.1 million in fiscal year 2020.

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 began in 2008 and ended in 2017. This category was included to reward states for contributions to the tobacco settlement. To date, Kentucky has received \$1.96 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 NPM Adjustment amounts. The agreement was finalized in September 2017 and settled all NPM Adjustment claims for 2003 through 2015. The settlement relieved the state from the financial and administrative burden of litigating disputes over events that occurred many years in the past, 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 25 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 2016 (payment year 2017), 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
December 2017 CFG Official Estimates
Fiscal Years 2018 – 2020
(Millions of Dollars)**

<u>December 2017 CFG Official Estimates</u>	FY17		FY18		FY19		FY20	
	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Individual Income	\$4,393.9	2.6	\$4,509.0	2.6	\$4,649.5	3.1	\$4,793.2	3.1
Sales and Use	3,485.2	0.7	3,611.9	3.6	3,699.4	2.4	3,791.7	2.5
Property	602.1	4.3	607.9	1.0	620.7	2.1	635.1	2.3
Corporation Income	497.5	-5.5	558.6	12.3	600.6	7.5	632.3	5.3
LLET	245.6	21.0	186.1	-24.2	200.2	7.5	210.8	5.3
Coal Severance	100.5	-16.7	88.5	-11.9	77.9	-12.0	65.1	-16.4
Cigarette	221.4	-1.3	214.3	-3.2	207.9	-3.0	202.0	-2.8
Lottery	241.6	-0.1	243.0	0.6	249.0	2.5	256.0	2.8
Other	690.1	-2.6	699.0	1.3	700.7	0.2	703.8	0.4
Total General Fund	\$10,477.8	1.7	\$10,718.4	2.3	\$11,005.9	2.7	\$11,290.0	2.6
Estimated Growth in GF by Fiscal Year			\$240.6		\$287.5		\$284.1	

Annual Percentage Growth Rates

	FY17	FY18	FY19	FY20
	Actual	Estimate	Estimate	Estimate
Individual Income	2.6	2.6	3.1	3.1
Sales and Use	0.7	3.6	2.4	2.5
Property	4.3	1.0	2.1	2.3
Corporation Income	-5.5	12.3	7.5	5.3
LLET	21.0	-24.2	7.5	5.3
Coal Severance	-16.7	-11.9	-11.9	-16.5
Cigarette	-1.3	-3.2	-3.0	-2.8
Lottery	-0.1	0.6	2.5	2.8
Other	<u>-2.6</u>	<u>0.6</u>	<u>0.3</u>	<u>1.4</u>
Total General Fund	1.7	2.3	2.7	2.6

**Road Fund
December 2017 CFG Official Estimates
Fiscal Years 2018 – 2020
(Millions of Dollars)**

December 2017 CFG Official Estimates	FY17		FY18		FY19		FY20	
	Actual	%Chg	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Motor Fuels	\$760.5	1.4	\$761.2	0.1	\$759.2	-0.3	\$761.2	0.3
Motor Vehicle Usage	499.8	3.2	493.9	-1.2	494.0	0.0	492.6	-0.3
Motor Vehicle License	111.9	-1.0	113.4	1.3	115.2	1.6	116.3	1.0
Motor Vehicle Operators	16.1	-1.3	16.6	3.0	16.7	0.6	16.8	0.6
Weight Distance	82.9	1.9	81.4	-1.8	82.1	0.9	83.2	1.3
Investment	1.6	-35.9	2.0	26.5	3.1	55.0	3.3	6.5
Other	35.1	0.7	34.8	-0.9	35.0	0.6	35.1	0.3
Total Road Fund	\$1,508.0	1.7	\$1,503.3	-0.3	\$1,505.3	0.1	\$1,508.5	0.2
Estimated Growth in RF by Fiscal Year			-\$4.7		\$2.0		\$3.2	

Annual Percentage Growth Rates

	FY17 Actual	FY18 Estimate	FY19 Estimate	FY20 Estimate
Motor Fuels	1.4	-0.9	-0.7	0.6
Motor Vehicle Usage	3.2	-3.5	-3.2	3.1
Motor Vehicle License	-1.0	0.9	1.0	1.4
Motor Vehicle Operators	-1.3	3.0	0.6	0.6
Weight Distance	1.9	-3.5	-0.1	1.5
Investment	-35.9	26.5	55.0	6.5
Other	<u>0.7</u>	<u>-0.9</u>	<u>0.6</u>	<u>0.3</u>
Total Road Fund	1.7	-1.7	-1.2	1.5

General Fund Detailed Estimates

<u>Source</u>	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Estimated 2018</u>	<u>Estimated 2019</u>	<u>Estimated 2020</u>
<u>Selected Sales and Gross Receipts Taxes</u>					
Sales & Use	\$3,462,704,116	\$3,485,215,349	\$3,611,900,000	\$3,699,400,000	\$3,791,700,000
Cigarette	\$224,303,658	\$221,375,451	\$214,300,000	\$ 207,900,000	\$ 202,000,000
Cigarette Floor Stock Tax	\$8,108	\$6,040	\$0	\$0	\$0
Distilled Spirits Case Sales	\$136,488	\$153,781	\$158,088	\$166,228	\$174,369
Insurance Tax Foreign Companies	\$36,470,852	\$36,370,031	\$36,186,121	\$38,738,685	\$40,238,685
Insurance Tax Companies Other Than Life	\$102,704,941	\$105,827,125	\$106,621,504	\$107,415,882	\$108,210,261
Insurance Tax Fire Prevention Fund	\$6,074,582	\$5,991,671	\$6,274,109	\$6,444,020	\$6,613,931
Pari-Mutuel	\$4,993,574	\$6,807,535	\$6,964,648	\$6,385,974	\$6,607,299
Race Track Admission	\$229,416	\$174,356	\$205,295	\$214,760	\$224,225
Beer Consumption	\$6,557,744	\$6,205,443	\$6,370,875	\$6,413,079	\$6,455,284
Distilled Spirits Consumption	\$12,823,273	\$14,237,920	\$14,668,921	\$15,387,369	\$16,105,816
Wine Consumption	\$3,102,163	\$3,084,190	\$3,186,928	\$3,262,117	\$3,337,305
Beer Wholesale	\$61,161,655	\$59,525,060	\$59,088,231	\$58,088,231	\$59,328,231
Distilled Spirits Wholesale	\$38,886,865	\$44,064,952	\$46,593,784	\$49,122,616	\$51,651,448
Wine Wholesale	\$16,583,413	\$18,289,377	\$18,231,435	\$19,349,431	\$20,173,442
Other Tobacco Products and Snuff	\$21,278,667	\$21,573,080	\$21,637,766	\$21,759,883	\$21,882,001
Telecommunications Taxes	\$64,681,001	\$57,540,002	\$56,676,902	\$55,826,749	\$54,989,347
TOTAL SEL. SALES AND GROSS RECEIPTS TAXES	\$4,062,700,516	\$4,086,441,363	\$4,209,064,607	\$4,295,875,024	\$4,389,691,644
<u>License and Privilege Taxes</u>					
Coal Severance Tax	\$120,610,311	\$100,455,465	\$88,500,000	\$ 77,900,000	\$ 65,100,000
Mineral Severance Tax	\$17,596,331	\$16,923,270	\$17,677,149	\$16,877,149	\$17,204,088
Natural Gas Severance Tax	\$6,449,632	\$7,564,489	\$8,579,345	\$8,694,201	\$9,709,057
Oil Production	\$4,748,862	\$5,120,700	\$4,742,538	\$5,397,709	\$6,044,547
Corporate License	\$135,698	\$7,423	\$0	\$0	\$0
Cigarette License	\$115,531	\$87,926	\$105,843	\$93,412	\$88,569
Race Track License	\$324,375	\$276,596	\$298,283	\$304,108	\$309,932
Marijuana and Controlled Substance Tax	\$173,662	\$141,654	\$157,858	\$162,010	\$166,161
Bank Franchise Tax	\$109,049,728	\$105,129,792	\$104,325,933	\$103,322,074	\$105,101,152
Corporation Organization	\$136,720	\$982,251	\$75,928	\$261,003	\$395,084
Cir. Ct. Clk. - Driver License Receipts	\$678,609	\$696,509	\$715,112	\$733,509	\$751,907
Sand and Gravel License	\$0	\$0	\$0	\$0	\$0
Alcoholic Beverage License Suspension	\$480,675	\$367,853	\$436,215	\$446,399	\$456,582
Limited Liability Entity Tax	\$202,990,632	\$245,611,177	\$186,200,000	\$ 200,200,000	\$ 210,800,000
TOTAL LICENSE AND PRIVILEGE TAXES	\$463,490,766	\$483,365,165	\$411,814,204	\$414,391,574	\$416,127,079
<u>Income Taxes</u>					
Corporation Income Tax	\$526,637,870	\$497,479,037	\$558,600,000	\$600,600,000.00	\$632,300,000.00
Individual Income Tax	\$4,282,080,975	\$4,393,862,556	\$4,509,022,127	\$4,649,472,533	\$4,793,174,001
TOTAL INCOME TAXES	\$4,808,718,845	\$4,891,341,593	\$5,067,622,127	\$5,250,072,533	\$5,425,474,001
<u>Property Taxes</u>					
Real Property	\$268,087,934	\$273,935,818	\$281,200,000	\$290,200,000	\$300,300,000
Tangible Personal Property	\$107,525,754	\$107,365,231	\$107,000,000	\$107,300,000	\$107,800,000
Motor Vehicles	\$126,040,656	\$132,885,719	\$136,100,000	\$138,800,000	\$140,900,000
Bank Deposits	\$632,587	\$644,459			
Distilled Spirits Ad Valorem	\$961,388	\$1,020,812			
Building and Loan Association Capital Stock	\$2,191,706	\$2,369,893	\$2,400,000	\$2,500,000	\$2,500,000
Omitted and Delinquent	\$11,991,240	\$15,966,205	\$17,500,000	\$17,500,000	\$17,500,000
Apportioned Vehicles	\$3,898,280	\$4,218,591	\$4,000,000	\$4,100,000	\$4,200,000
Public Service Companies	\$56,210,797	\$63,680,782	\$58,000,000	\$58,500,000	\$60,000,000
Other Property	\$7,710	\$8,087	\$1,700,000	\$1,800,000	\$1,900,000
TOTAL PROPERTY TAXES	\$577,548,052	\$602,095,597	\$607,900,000	\$620,700,000	\$635,100,000

	Actual 2016	Actual 2017	Estimated 2018	Estimated 2019	Estimated 2020
<u>Inheritance Taxes</u>					
Inheritance Tax	\$51,247,149	\$44,699,808	\$50,800,288	\$51,268,888	\$45,245,457
TOTAL INHERITANCE TAXES	\$51,247,149	\$44,699,808	\$50,800,288	\$51,268,888	\$45,245,457
<u>Departmental Fees, Sales and Rentals</u>					
Public Service Commission Assessments-	\$14,367,915	\$13,784,610	\$16,582,600	\$16,618,389	\$16,654,178
Insurance - Retaliatory Taxes & Fees-	\$3,956,567	\$3,939,429	\$4,422,291	\$4,505,152	\$4,688,014
Sec. of State - Process Agents Fees			\$0	0	0
Insurance - Miscellaneous Receipts			\$0	0	0
Circuit Court Clk. - Civil Filing Fee Receipts-	\$7,717,301	\$7,966,190	\$8,282,021	\$8,581,116	\$8,880,211
Circuit Court Clk. - Bond Filing Fee-	\$2,615,650	\$2,543,286	\$2,571,048	\$2,573,779	\$2,576,510
Circuit Court Clk. - 10% Bond Fee-	\$360,910	\$337,846	\$332,765	\$323,189	\$313,613
Circuit Court Clk. - Receipts for Services-	\$5,190,116	\$5,055,304	\$4,998,544	\$4,922,270	\$4,845,997
Strip Mining & Reclamation Fees-		\$4,970	\$0	\$0	\$0
Strip Mining & Reclamation - Fines Coll.	\$800,000	\$770,507	\$711,014	\$700,521	\$682,027
Miscellaneous - Pub Advoc; Sec State Fee	\$1,251,044	\$1,187,848	\$912,424	\$865,068	\$800,000
TOTAL DEPARTMENT FEES, SALES AND RENTALS	\$36,259,503	\$35,589,990	\$38,812,707	\$39,089,484	\$39,440,550
<u>Investment Receipts</u>					
General Depository Investment Income **	\$287,789	(\$1,129,875)	(\$3,600,000)	(\$5,200,000)	(\$6,800,000)
Circuit Court Clk. - Interest Income					
Ky Asset/Liab - TRAN					
TOTAL INVESTMENT RECEIPTS	\$287,789	(\$1,129,875)	(\$3,600,000)	(\$5,200,000)	(\$6,800,000)
<u>Miscellaneous Revenue</u>					
Lottery	\$241,778,429	\$241,627,129	\$243,000,000	\$249,000,000	\$256,000,000
Legal Process - Clk. Supreme Court	\$92,519	\$88,221	\$85,332	\$80,501	\$75,669
Legal Process - Clk. Court of Appeals			\$0	\$0	\$0
Dept. of Rev. Legal Process Taxes - Co. Clk.	\$2,646,150	\$2,687,150	\$2,745,054	\$2,813,868	\$2,882,682
Dept. of Rev. Penalty & Int. of Co. Officials	(\$23,834)	(\$20,655)	(\$21,010)	(\$19,827)	(\$18,644)
TVA - In Lieu of Taxes - State Portion	\$10,119,811	\$11,350,177	\$12,580,543	\$12,810,908	\$13,041,274
F.H.A. - In Lieu of Taxes	\$37,695	\$92,180	\$84,784	\$97,195	\$109,607
R.E.C.C. and R.T.C.C. In Lieu of Taxes	\$310	\$310	\$310	\$310	\$310
Business Development - In Lieu of Taxes			0	\$0	\$0
Abandoned Property	\$38,694,831	\$34,075,777	\$32,883,226	\$37,163,793	\$36,431,840
Circuit Court Clk. - Fish & Wildlife Fines	\$60,404	\$61,562	\$62,721	\$63,879	\$65,038
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	\$17,093,966	\$15,605,685	\$14,509,867	\$13,260,775	\$12,011,684
Circuit Court Clk. - Bond Forfeitures	\$1,190,456	\$1,049,369	\$1,062,267	\$1,006,018	\$995,867
Fines Dept Insurance			\$0	\$0	\$0
Workplace & Employment Standards, Fees, Fines			\$0	\$0	\$0
Sale of NOx Credits	\$0		\$0	\$0	\$0
Other Fines & Unhonored Checks	\$8,654,164	\$8,281,950	\$10,603,219	\$9,952,961	\$10,571,465
Court Costs	\$12,567,350	\$11,200,841	\$10,130,955	\$8,986,914	\$7,842,872
TOTAL MISCELLANEOUS REVENUE	\$332,912,251	\$326,099,696	\$327,727,268	\$335,217,295	\$340,009,664
MISC. NOT IN REVENUE ESTIMATES	\$5,720,022	\$9,345,533	\$8,258,799	\$4,485,202	\$5,711,605
REVENUE INITIATIVES					
2018 Legislative Impact					
TOTAL GENERAL FUND	\$10,338,884,893	\$10,477,848,870	\$10,718,400,000	\$11,005,900,000	\$11,290,000,000

Road Fund Detailed Estimates

	FY 2017	FY 2018	FY 2019	FY 2020
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Sales and Gross Receipts Taxes</u>				
Motor Fuels Normal and Normal Use	\$759,572,447	\$760,250,000	\$758,250,000	\$760,250,000
Motor Vehicle Usage	454,442,501	447,800,000	447,400,000	445,500,000
Motor Vehicle Rental Usage	45,284,256	46,000,000	46,500,000	47,000,000
Truck Trip Permits	942,520	950,000	950,000	950,000
Sales and Use	107,134	100,000	100,000	100,000
TOTAL SALES AND GROSS RECEIPTS TAX	\$1,260,348,858	\$1,255,100,000	\$1,253,200,000	\$1,253,800,000
<u>License and Privilege Taxes</u>				
Drive Away Utility Trailer Permits	\$26,909	\$25,000	\$25,000	\$25,000
Amateur Radio Plate	8,815	8,900	8,900	8,900
Passenger Car License	29,406,306	30,000,000	31,000,000	32,000,000
Truck License - State Share	15,424,208	15,700,000	15,800,000	15,800,000
Motorcycle License	601,019	600,000	600,000	600,000
Dealers License	247,064	247,500	250,000	247,500
Transfer License	840,655	830,000	840,000	830,000
Trailer License	1,964,445	2,100,000	2,200,000	2,300,000
County Clerk Penalty	7,251	8,000	8,000	8,000
Bus License - Except City	3,722	4,000	4,000	4,000
Bus Certificates and Permits	3,750	4,000	4,000	4,000
Taxi License	140,162	150,000	150,000	150,000
Truck Permits	41,182	42,000	43,000	42,000
Contract Taxicab Permit	59,800	60,000	61,000	60,000
Motor Vehicle Operator's License	14,116,675	14,555,000	14,570,000	14,550,000
Highway Special Permits	7,037,033	7,200,000	7,300,000	7,400,000
U-Drive-It Permits	67,250	65,000	65,000	65,000
U-Drive-Licenses	1,894,444	2,000,000	2,100,000	2,100,000
Junk Yard License	3,387	2,000	2,000	2,000
Historic Vehicle License	378,767	380,000	390,000	380,000
Operator's License-Driver Education	643,898	620,000	630,000	650,000
Truck Proportional Registration	46,393,716	46,423,575	46,649,075	46,783,575
Operator's License - Photography Program	1,359,554	1,425,000	1,500,000	1,600,000
Industrial Hauling Permits	2,040	2,000	2,000	2,000
General Assembly License Plates	2,140	2,200	2,200	2,200
Pearl Harbor Survivor Plates	0	0	0	0
Collegiate Plates	1,800,040	1,900,000	2,000,000	1,900,000
Personalized License Plates	1,357,664	1,370,000	1,400,000	1,370,000
Army Reserve Plates	878,114	890,000	890,000	890,000
Purple Heart Plates	3,844	5,000	5,000	5,000
Judicial License Plates	37	100	100	100
Civil Air Patrol Plates	1,061	1,000	1,000	1,000
National Guard License Plates	3,443	3,400	3,400	3,400
Civic Event Plates	475	500	500	500
Street Rod Plates	1,857	2,000	2,000	2,000
Fraternal Order of Police Plates	84,842	82,000	82,000	82,000
Environmental License Plate	446,765	450,000	450,000	450,000
Dealer Demonstrator Tags	10,954	8,000	8,000	8,000
Volunteer Fireman License Tags	79,251	79,000	79,000	79,000
P.O.W. License Plates	144	25	25	25
Motor Carrier Identification Cards	5,462,226	5,600,000	5,700,000	5,700,000
Weight Distance Tax	82,886,950	81,400,000	82,100,000	83,200,000
DES License Plates	14,342	15,000	15,000	15,000
Child Victims License Plates	44,282	45,000	45,000	45,000
Masonic License Plates	92,592	70,000	70,000	70,000
Horse Council Plates	328,567	330,000	340,000	350,000
Law Enforcement	217,677	220,000	220,000	220,000
Independent College	77,537	80,000	80,000	80,000
Ducks Unlimited	31,494	31,500	31,500	31,500
Spay and Neuter Plate	160,613	159,000	159,000	159,000
Share The Road	123,684	124,000	124,000	124,000
Ky Colonels	81,189	80,000	80,000	80,000
Sportsman	181,515	183,500	183,500	183,500
Breast Cancer	333,658	330,000	340,000	350,000
Choose Life	57,117	57,000	57,000	57,000
Zoo Foundation Plate	30,703	29,000	29,000	29,000
Lincoln Bicentennial	0	0	0	0
Kentucky Dental Association	5,560	5,300	5,300	5,300
Ryder Cup	17,405	16,000	16,000	16,000
Autism Awareness	95,398	100,000	100,000	100,000
Quail Unlimited	58,350	58,500	58,500	58,500
Temporary Tags	486,906	475,000	475,000	475,000
Nonreciprocal Permits	150,965	125,000	125,000	125,000
Overweight Coal Truck Permit	289,874	295,000	295,000	295,000
Friends of Coal	898,493	910,000	910,000	910,000
Temporary Truck Decal Permits		0	0	0
Kentucky Lineman	39,735	41,000	41,000	41,000
Silver Star	2,244	2,000	2,000	2,000
Bronze Star Valor	380	400	400	400
Keeneland Association	42,924	45,000	45,000	45,000

In God We Trust	5,880,790	6,100,000	6,200,000	6,200,000
Gold Star Sibling	184	200	200	200
Temporary Motorcycle Tags	7,280	7,300	7,300	7,300
Kosair Charities	19,692	20,000	20,000	20,000
Chiropractor Plates	2,093	2,100	2,100	2,100
Kentucky Library Association	28,124	30,000	30,000	30,000
I Support Veterans	154,293	160,000	160,000	160,000
Juvenile Diabetes	15,118	16,000	16,000	16,000
Trust for Lfe	26,427	25,000	25,000	25,000
Smallmouth Bass	73,002	75,000	75,000	75,000
Rock - In God We Trust	15,034	16,000	16,000	16,000
Delta Sigma Theta Sorority	4,357	5,000	5,000	5,000
National Wild Turkey	17,355	14,000	14,000	14,000
WHAS Crusade	2,332	1,000	1,000	1,000
Cure KY Kids	25,510	25,000	25,000	25,000
Keep Foundation	29,554	30,000	30,000	30,000
Alzheimer's Association	23,875	25,000	25,000	25,000
TOTAL LICENSE AND PRIVILEGE TAX	\$223,880,083	\$224,624,000	\$227,424,000	\$229,824,000

Departmental Fees, Sales and Rentals

Proposal Sales	\$0	\$0	\$0	\$0
Specification and Blue Print Sales	444,282	450,000	450,000	450,000
Miscellaneous Rentals	280,740	275,000	275,000	275,000
Fines and Forfeitures		0	0	0
Traffic Offenders School Fees	378,757	375,000	375,000	375,000
Record Copy Sales	629,115	600,000	600,000	600,000
Highway Sign Logo Rental	732,830	740,000	740,000	740,000
Driving History Record Fee	7,411,693	7,200,000	7,100,000	7,100,000
Operator's License Reinstatement Fees	1,193,379	1,000,000	1,000,000	1,000,000
Penalty & Interest - Weight and Use Taxes	1,504,261	1,500,000	1,600,000	1,500,000
Medical Alert Stickers	51	50	50	50
Motor Vehicle Title Receipts	5,894,981	5,900,000	6,000,000	6,000,000
Proceeds from Asset Disposition	1,272,804	1,300,000	1,300,000	1,400,000
Coal Road Recovery Fines	24,124	25,000	25,000	25,000
U-Drive-It Penalty and Interest	85,549	85,000	85,000	85,000
TOTAL DEPARTMENT FEES, SALES AND RENTALS	\$19,852,566	\$19,450,050	\$19,550,050	\$19,550,050

Investment Income

Investment Income	\$1,581,851	\$2,000,000	\$3,100,000	\$3,300,000
TOTAL INVESTMENT INCOME	\$1,581,851	\$2,000,000	\$3,100,000	\$3,300,000

Miscellaneous Income

Property Damage	\$1,504,559	\$1,300,000	\$1,300,000	\$1,300,000
Cold Check Account	0	0	0	0
TOTAL MISCELLANEOUS INCOME	\$1,504,559	\$1,300,000	\$1,300,000	\$1,300,000

Misc. Not in Revenue Estimates	\$835,520	\$825,950	\$725,950	\$725,950
TOTAL ROAD FUND REVENUE	\$1,508,003,437	\$1,503,300,000	\$1,505,300,000	\$1,508,500,000
Other	35,138,170	34,800,000	35,000,000	35,100,000
MV License	111,927,481	113,400,000	115,200,000	116,300,000
MV Operator	16,120,127	16,600,000	16,700,000	16,800,000
	12,655,651	12,929,000	13,129,000	13,229,000

Appendix A

Receipts First Half of Fiscal Year 2018

Kentucky State Government Revenue General Fund Revenue

	Second Quarter FY 2018	Second Quarter FY 2017	% Change	Year-To-Date FY 2018	Year-To-Date FY 2017	% Change
TOTAL GENERAL FUND	\$2,846,323,741	\$2,757,145,588	3.2%	\$5,399,886,462	\$5,239,517,779	3.1%
Tax Receipts	\$2,737,102,791	\$2,647,673,202	3.4%	\$5,217,860,739	\$5,058,625,079	3.1%
Sales and Gross Receipts	\$1,025,447,079	\$989,313,025	3.7%	\$2,080,476,954	\$2,038,131,133	2.1%
Beer Consumption	1,477,323	1,526,019	-3.2%	3,256,894	3,251,869	0.2%
Beer Wholesale	14,306,460	14,979,993	-4.5%	31,410,893	31,643,777	-0.7%
Cigarette	51,028,906	54,411,149	-6.2%	106,136,572	111,653,427	-4.9%
Distilled Spirits Case Sales	40,219	43,474	-7.5%	78,368	79,472	-1.4%
Distilled Spirits Consumption	3,656,338	3,977,561	-8.1%	7,199,009	7,366,519	-2.3%
Distilled Spirits Wholesale	11,964,408	12,416,370	-3.6%	22,786,787	22,473,650	1.4%
Insurance Premium	10,291,977	9,701,835	6.1%	46,259,472	46,753,081	-1.1%
Pari-Mutuel	1,583,233	1,021,993	54.9%	2,813,108	2,131,495	32.0%
Race Track Admission	59,090	26,069	126.7%	158,150	106,418	48.6%
Sales and Use	904,693,442	863,936,968	4.7%	1,807,657,375	1,759,451,644	2.7%
Wine Consumption	799,473	915,093	-12.6%	1,544,357	1,658,248	-6.9%
Wine Wholesale	4,498,430	5,196,882	-13.4%	8,568,766	9,326,819	-8.1%
Telecommunications Tax	15,608,306	15,759,719	-1.0%	31,383,438	31,362,796	0.1%
Other Tobacco Products	5,439,423	5,398,102	0.8%	11,224,697	10,870,076	3.3%
Floor Stock Tax	51	1,798	-97.1%	(931)	1,841	--
License and Privilege	\$1,758,607	\$421,008	317.7%	\$1,392,094	(\$726,463)	-291.6%
Alc. Bev. License Suspension	141,517	99,053	42.9%	275,367	235,703	16.8%
Corporation License	1,190	15,208	-92.2%	12,086	(7,438)	--
Corporation Organization	5,265	917,252	-99.4%	17,640	923,197	-98.1%
Occupational Licenses	30,715	24,947	23.1%	67,581	66,904	1.0%
Race Track License	128,975	86,475	49.1%	229,050	181,475	26.2%
Bank Franchise Tax	1,290,376	(891,544)	--	445,647	(2,480,569)	--
Driver License Fees	160,569	169,617	-5.3%	344,722	354,266	-2.7%
Natural Resources	\$30,561,613	\$34,806,864	-12.2%	\$64,251,281	\$65,243,389	-1.5%
Coal Severance	21,339,818	26,138,963	-18.4%	46,627,466	50,023,771	-6.8%
Oil Production	1,269,783	1,204,268	5.4%	2,418,239	2,447,879	-1.2%
Minerals Severance	5,409,136	5,538,365	-2.3%	10,946,731	10,023,699	9.2%
Natural Gas Severance	2,542,877	1,925,267	32.1%	4,258,845	2,748,040	55.0%
Income	\$1,296,824,941	\$1,263,297,008	2.7%	\$2,617,232,413	\$2,527,262,083	3.6%
Corporation	121,721,637	135,242,185	-10.0%	275,358,104	271,720,629	1.3%
Individual	1,112,822,132	1,067,895,917	4.2%	2,236,125,976	2,158,191,451	3.6%
Limited Liability Entity	62,281,172	60,158,907	3.5%	105,748,333	97,350,003	8.6%
Property	\$362,166,608	\$341,889,584	5.9%	\$415,819,563	\$394,238,159	5.5%
Building & Loan Association	(801)	(1,261)	--	9,883	15,372	-35.7%
General - Real	210,124,835	198,629,706	5.8%	209,401,905	198,670,874	5.4%
General - Tangible	116,355,622	103,521,765	12.4%	149,063,034	134,550,736	10.8%
Omitted & Delinquent	4,403,168	5,573,589	-21.0%	9,206,025	9,309,675	-1.1%
Public Service	30,230,164	33,222,488	-9.0%	47,078,792	50,748,275	-7.2%
Other	1,053,620	943,295	11.7%	1,059,924	943,227	12.4%
Inheritance Tax	\$14,341,079	\$12,025,295	19.3%	\$26,996,075	\$22,584,767	19.5%
Miscellaneous	\$6,002,864	\$5,920,417	1.4%	\$11,692,359	\$11,892,010	-1.7%
Legal Process	3,194,710	3,203,104	-0.3%	6,376,670	6,585,246	-3.2%
T. V. A. In Lieu Payments	2,821,593	2,717,314	3.8%	5,311,809	5,262,981	0.9%
Other	(13,439)	0	--	3,880	43,784	-91.1%
Nontax Receipts	\$107,078,218	\$108,560,337	-1.4%	\$179,834,612	\$178,641,631	0.7%
Departmental Fees	4,425,420	4,428,924	-0.1%	7,719,554	7,448,660	3.6%
PSC Assessment Fee	12,854	105,335	-87.8%	15,825,437	13,031,320	21.4%
Fines & Forfeitures	4,185,745	4,370,391	-4.2%	8,608,772	9,296,389	-7.4%
Income on Investments	(2,106,873)	(257,455)	--	(3,243,422)	(327,005)	--
Lottery	61,500,000	60,000,000	2.5%	116,500,000	118,127,129	-1.4%
Miscellaneous	39,061,071	39,913,142	-2.1%	34,424,269	31,065,138	10.8%
Redeposit of State Funds	\$2,142,733	\$912,049	134.9%	\$2,191,112	\$2,251,069	-2.7%

Kentucky State Government Revenue Road Fund Revenue

	Second Quarter FY 2018	Second Quarter FY 2017	% Change	Year-To-Date FY 2018	Year-To-Date FY 2017	% Change
TOTAL ROAD FUND	\$356,887,658	\$357,921,347	-0.3%	\$739,514,013	\$742,491,195	-0.4%
Tax Receipts-	\$350,494,592	\$353,031,630	-0.7%	\$728,162,931	\$732,656,616	-0.6%
Sales and Gross Receipts	\$304,171,861	\$303,765,081	0.1%	\$629,845,594	\$634,963,316	-0.8%
Motor Fuels Taxes	189,524,180	191,788,830	-1.2%	388,290,442	\$390,284,986	-0.5%
Motor Vehicle Usage	114,647,681	111,976,250	2.4%	241,555,152	\$244,678,330	-1.3%
License and Privilege	\$46,322,731	\$49,266,550	-6.0%	\$98,317,337	\$97,693,300	0.6%
Motor Vehicles	20,327,903	20,886,695	-2.7%	41,287,821	\$39,642,565	4.2%
Motor Vehicle Operators	4,080,229	3,829,668	6.5%	8,384,931	\$7,998,987	4.8%
Weight Distance	20,614,759	20,971,355	-1.7%	41,432,813	\$41,907,054	-1.1%
Truck Decal Fees	8,767	16,464	-46.8%	25,360	\$18,370	38.0%
Other Special Fees	1,291,073	3,562,368	-63.8%	7,186,412	\$8,126,324	-11.6%
Nontax Receipts	\$6,065,378	\$4,810,218	26.1%	\$10,744,595	\$9,543,372	12.6%
Departmental Fees	5,282,138	4,665,319	13.2%	8,792,318	\$8,480,458	3.7%
In Lieu of Traffic Fines	81,046	76,265	6.3%	168,896	\$167,520	0.8%
Income on Investments	126,071	(295,737)	—	1,037,731	(\$150,789)	—
Miscellaneous	576,123	364,371	58.1%	745,650	\$1,046,183	-28.7%
Redeposit of State Funds	\$327,688	\$79,498	312.2%	\$606,488	\$291,208	108.3%

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Appendix B

Summary Statistics for General Fund and Road Fund

Major Revenue Sources Fiscal Years 2008-2017

**SUMMARY STATISTICS FOR GENERAL FUND MAJOR REVENUE SOURCES
FISCAL YEARS 2008-2017 - \$ MILLIONS**

	FY08	FY09	FY010	FY11	FY12
TOTAL GENERAL FUND	8,664,336,663	8,426,351,594	8,225,127,620	8,759,442,646	9,090,954,645
Tax Receipts	8,329,734,971	8,112,768,934	7,917,980,032	8,455,775,175	8,786,626,012
Sales and Gross Receipts	3,354,581,311	3,374,871,927	3,396,530,945	3,489,069,236	3,648,803,253
Beer Consumption	6,535,066	6,478,525	6,165,525	6,118,817	6,125,423
Beer Wholesale	49,531,545	51,696,564	51,596,255	51,914,445	54,139,730
Cigarette	169,547,927	186,756,010	278,159,743	262,220,720	254,798,018
Cigarette Floor Stock	-	16,292,300	274,940	150,038	31,548
Distilled Spirits Case Sales	104,154	109,333	453,002	-232,830	116,903
Distilled Spirits Consumption	10,378,013	10,676,604	10,719,543	10,942,531	11,355,027
Distilled Spirits Wholesale	26,628,403	27,884,547	27,517,432	28,175,617	29,695,678
Insurance Premium	129,296,901	125,168,149	125,063,475	128,731,563	133,069,934
Pari-Mutuel	5,327,540	4,387,515	-82,480	4,607,322	3,600,911
Race Track Admission	219,939	230,888	187,994	178,957	164,223
Sales and Use	2,877,814,014	2,857,665,168	2,794,057,329	2,896,251,816	3,052,236,048
Wine Consumption	2,353,476	2,392,069	2,442,113	2,584,039	2,716,967
Wine Wholesale	11,977,256	12,356,700	12,082,136	13,748,696	14,102,961
Telecommunications Tax	55,972,928	61,228,833	66,786,669	62,286,497	64,919,274
Other Tobacco Products	8,894,150	11,548,724	21,107,290	21,391,009	21,730,607
License and Privilege	76,924,599	84,111,977	76,326,722	100,533,645	100,903,697
Alc. Bev. License & Suspension	830,310	393,050	562,082	377,550	281,375
Corporation License	2,822,279	9,154,338	5,470,951	10,654,547	5,330,573
Corporation Organization	259,654	38,101	167,841	69,928	94,666
Occupational Licenses	191,571	257,200	172,153	165,753	156,845
Race Track License	245,360	350,225	271,425	262,175	272,443
Bank Franchise Tax	71,976,055	73,339,144	69,085,922	88,400,971	94,158,966
Driver License Fees	599,370	579,919	596,348	602,721	608,829
Natural Resources	293,334,097	355,984,528	317,146,565	342,319,441	346,050,224
Coal Severance	232,977,827	292,591,094	271,943,100	295,836,611	298,263,637
Oil Production	10,201,113	8,430,228	7,564,121	8,287,566	11,955,961
Minerals Severance	16,360,844	12,807,705	13,266,156	13,256,853	13,292,368
Natural Gas Severance	33,794,313	42,155,501	24,373,188	24,938,411	22,538,258
Income	4,016,767,196	3,705,003,167	3,538,303,824	3,934,302,025	4,087,239,263
Corporation	435,222,566	267,984,858	237,867,392	300,782,364	374,423,779
Individual	3,483,137,317	3,315,368,217	3,154,488,000	3,417,778,504	3,512,075,128
LLET	98,407,313	121,650,092	145,948,432	215,741,157	200,740,356
Property	500,646,790	513,122,060	516,169,947	514,814,972	529,566,811
Bank Deposits	532,436	542,716	589,597	561,375	570,776
Building & Loan Association	2,649,630	2,898,977	2,920,507	2,457,458	2,462,810
Distilled Spirits	513,549	624,280	685,815	730,146	754,636
General - Intangible	-	-	-	-	-
General - Real	237,153,330	241,008,338	248,756,857	247,034,036	251,285,063
General - Tangible	205,763,426	203,783,916	193,234,982	186,665,683	207,739,436
Omitted & Delinquent	17,519,651	22,945,670	24,952,198	28,140,461	16,687,591
Public Service	36,511,473	41,315,048	45,026,921	49,210,400	50,063,069
Other	3,295	3,115	3,071	15,412	3,431
Inheritance	51,001,299	41,234,240	37,201,611	41,350,929	41,312,904
Miscellaneous	36,479,679	38,441,036	36,300,419	33,384,927	32,749,859
Legal Process	24,060,840	23,782,419	21,807,020	20,303,600	19,977,267
T. V. A. In Lieu Payments	12,389,344	14,593,246	14,335,091	12,992,023	12,707,124
Other	29,495	65,371	158,308	89,304	65,468
Nontax Receipts	330,053,277	311,791,847	301,799,304	300,260,186	301,849,149
Departmental Fees	30,382,254	31,912,667	29,530,171	29,505,690	26,203,503
PSC Assessment Fee	14,306,084	14,104,836	12,685,063	16,266,055	7,389,549
Fines & Forfeitures	28,118,106	29,298,014	29,046,803	26,117,800	26,274,627
Interest on Investments	23,868,325	4,183,825	-303,103	767,606	-14,535,985
Lottery	187,461,591	193,500,000	200,000,000	200,500,000	210,800,122
Sale of NOx Credits	12,251,950	0	625,230	36,825	22,025
Miscellaneous	33,664,968	38,792,505	30,215,139	27,066,209	45,695,310
Redeposit of State Funds	4,548,415	1,790,813	5,348,284	3,407,285	2,479,483

	FY13	FY14	FY15	FY16	FY17
TOTAL GENERAL FUND	9,348,326,000	9,462,035,017	9,966,630,897	10,338,884,795	10,477,848,874
Tax Receipts	8,992,372,146	9,126,466,009	9,637,987,521	9,988,342,493	10,132,685,779
Sales and Gross Receipts	3,616,732,159	3,716,809,229	3,854,700,860	4,062,700,426	4,086,441,364
Beer Consumption	6,190,085	6,226,880	6,071,389	6,557,744	6,205,443
Beer Wholesale	53,750,045	57,969,185	57,570,011	61,161,655	59,525,060
Cigarette	238,669,895	228,076,834	220,902,529	224,303,658	221,375,451
Cigarette Floor Stock	19,426	-1,887	11,502	8,108	6,040
Distilled Spirits Case Sales	122,873	127,875	132,802	136,488	153,781
Distilled Spirits Consumption	11,962,448	11,961,270	12,468,749	12,823,273	14,237,920
Distilled Spirits Wholesale	31,911,903	33,829,202	36,471,357	38,886,865	44,064,952
Insurance Premium	139,471,024	141,638,641	146,480,663	145,250,375	148,188,827
Pari-Mutuel	4,842,847	2,421,099	2,964,884	4,993,574	6,807,535
Race Track Admission	184,269	213,958	155,426	229,416	174,356
Sales and Use	3,021,794,387	3,131,126,876	3,267,331,025	3,462,704,116	3,485,215,349
Wine Consumption	2,856,119	2,896,687	2,912,784	3,102,163	3,084,190
Wine Wholesale	14,959,504	15,523,357	16,323,658	16,583,413	18,289,377
Telecommunications Tax	68,327,915	63,897,510	63,575,235	64,681,001	57,540,002
Other Tobacco Products	21,669,418	20,901,740	21,328,845	21,278,667	21,573,080
License and Privilege	100,211,825	105,181,651	101,926,285	111,094,998	107,690,065
Alc. Bev. License & Suspension	402,958	343,952	450,542	480,675	367,853
Corporation License	-294,874	814,539	188,600	135,698	7,423
Corporation Organization	97,963	47,491	186,635	136,720	982,251
Occupational Licenses	137,311	214,153	202,297	289,193	229,579
Race Track License	264,011	291,300	247,766	324,375	276,596
Bank Franchise Tax	98,971,258	102,857,446	99,990,669	109,049,728	105,129,792
Driver License Fees	633,198	612,770	659,776	678,609	696,570
Natural Resources	269,486,287	241,988,627	220,613,349	149,405,136	130,063,924
Coal Severance	230,540,150	197,525,899	180,283,352	120,610,311	100,455,465
Oil Production	10,974,127	13,128,040	9,840,015	4,748,862	5,120,700
Minerals Severance	13,306,647	12,298,663	15,128,385	17,596,331	16,923,270
Natural Gas Severance	14,665,363	19,036,025	15,361,597	6,449,632	7,564,489
Income	4,369,839,147	4,423,722,549	4,821,410,590	5,011,709,477	5,136,952,770
Corporation	400,752,175	475,120,319	528,118,737	526,637,870	497,479,037
Individual	3,722,963,791	3,749,257,830	4,069,500,570	4,282,080,975	4,393,862,556
LLET	246,123,181	199,344,400	223,791,283	202,990,632	245,611,177
Property	558,378,328	562,428,448	563,435,472	577,548,052	602,095,597
Bank Deposits	588,098	581,157	588,914	632,587	644,459
Building & Loan Association	2,332,923	1,806,976	1,482,051	2,191,706	2,369,893
Distilled Spirits	772,733	854,637	891,761	961,388	1,020,812
General - Intangible	-	816	-	-	-
General - Real	257,970,441	258,284,309	259,228,298	268,087,934	273,935,818
General - Tangible	216,942,082	223,393,888	226,137,118	237,464,692	244,469,542
Omitted & Delinquent	26,972,243	21,276,527	16,237,196	11,991,240	15,966,205
Public Service	52,795,179	51,859,325	58,864,760	56,210,797	63,680,782
Other	4,629	5,807,422	5,374	7,708	8,087
Inheritance	41,326,220	45,843,849	50,975,858	51,247,149	44,699,808
Miscellaneous	36,398,182	30,491,656	24,925,107	24,637,267	24,742,251
Legal Process	19,748,614	16,792,670	15,435,811	14,479,452	13,299,585
T. V. A. In Lieu Payments	16,600,467	13,646,200	9,452,432	10,119,811	11,350,177
Other	49,101	52,786	36,863	38,005	92,490
Nontax Receipts	353,103,427	333,860,106	326,949,419	344,822,276	335,817,562
Departmental Fees	28,494,072	24,489,562	22,036,475	21,891,588	21,805,380
PSC Assessment Fee	13,205,508	17,155,431	20,829,264	14,367,915	13,784,610
Fines & Forfeitures	28,264,706	24,747,942	22,771,487	21,204,392	19,676,290
Interest on Investments	711,516	(176,256)	213,267	287,789	-1,129,875
Lottery	215,266,568	219,500,743	221,500,000	241,778,429	241,627,129
Sale of NOx Credits	50,892	104,242	27,594	0	0
Miscellaneous	67,110,164	48,038,442	39,571,333	45,292,162	40,054,028
Redeposit of State Funds	2,850,428	1,708,902	1,693,958	5,720,026	9,345,533

**GENERAL FUND GROWTH RATES
MAJOR REVENUE SOURCES – FISCAL YEARS 2008-2017**

	FY08	FY09	FY10	FY11	FY12
TOTAL GENERAL FUND	1.1%	-2.7%	-2.4%	6.5%	3.8%
Tax Receipts	1.2%	-2.6%	-2.4%	6.8%	3.9%
Sales and Gross Receipts	2.3%	0.6%	0.6%	2.7%	4.6%
Beer Consumption	3.0%	-0.9%	-4.8%	-0.8%	0.1%
Beer Wholesale	5.8%	4.4%	-0.2%	0.6%	4.3%
Cigarette	0.5%	10.1%	48.9%	-5.7%	-2.8%
Cigarette Floor Stock	-100.0%	---	-98.3%	-45.4%	-79.0%
Distilled Spirits Case Sales	5.3%	5.0%	314.3%	-151.4%	-150.2%
Distilled Spirits Consumption	2.8%	2.9%	0.4%	2.1%	3.8%
Distilled Spirits Wholesale	5.9%	4.7%	-1.3%	2.4%	5.4%
Insurance Premium	2.7%	-3.2%	-0.1%	2.9%	3.4%
Pari-Mutuel	-3.0%	-17.6%	-101.9%	-5686.0%	-21.8%
Race Track Admission	15.5%	5.0%	-18.6%	-4.8%	-8.2%
Sales and Use	2.1%	-0.7%	-2.2%	3.7%	5.4%
Wine Consumption	1.2%	1.6%	2.1%	5.8%	5.1%
Wine Wholesale	5.1%	3.2%	-2.2%	13.8%	2.6%
Telecommunications Tax	8.4%	9.4%	9.1%	-6.7%	4.2%
Other Tobacco Products	3.0%	29.8%	82.8%	1.3%	1.6%
License and Privilege	-0.8%	9.3%	-9.3%	31.7%	0.4%
Alc. Bev. License Suspension	26.0%	-52.7%	43.0%	-32.8%	-25.5%
Corporation License	-75.9%	224.4%	-40.2%	94.7%	-50.0%
Corporation Organization	124.3%	-85.3%	340.5%	-58.3%	35.4%
Occupational Licenses	-7.5%	34.3%	-33.1%	-3.7%	-5.4%
Race Track License	-13.5%	42.7%	-22.5%	-3.4%	3.9%
Bank Franchise Tax	12.6%	1.9%	-5.8%	28.0%	6.5%
Driver License Fees	-0.7%	-3.2%	2.8%	1.1%	1.0%
Natural Resources	6.5%	21.4%	-10.9%	7.9%	1.1%
Coal Severance	5.0%	25.6%	-7.1%	8.8%	0.8%
Oil Production	64.6%	-17.4%	-10.3%	9.6%	44.3%
Minerals Severance	10.4%	-21.7%	3.6%	-0.1%	0.3%
Natural Gas Severance	4.5%	24.7%	-42.2%	2.3%	-9.6%
Income	-0.3%	-7.8%	-4.5%	11.2%	3.9%
Corporation	-56.0%	-38.4%	-11.2%	26.4%	24.5%
Individual	14.5%	-4.8%	-4.9%	8.3%	2.8%
LLET	---	23.6%	20.0%	47.8%	-7.0%
Property	1.7%	2.5%	0.6%	-0.3%	2.9%
Bank Deposits	3.7%	1.9%	8.6%	-4.8%	1.7%
Building & Loan Association	-9.3%	9.4%	0.7%	-15.9%	0.2%
Distilled Spirits	1.3%	21.6%	9.9%	6.5%	3.4%
General - Intangible	-100.0%	---	---	---	---
General - Real	3.9%	1.6%	3.2%	-0.7%	1.7%
General - Tangible	7.0%	-1.0%	-5.2%	-3.4%	11.3%
Omitted & Delinquent	-30.6%	31.0%	8.7%	12.8%	-40.7%
Public Service	-14.3%	13.2%	9.0%	9.3%	1.7%
Other	-6.2%	-5.5%	-1.4%	401.9%	-77.7%
Inheritance	17.0%	-19.2%	-9.8%	11.2%	-0.1%
Miscellaneous	4.6%	5.4%	-5.6%	-8.0%	-1.9%
Legal Process	-2.8%	-1.2%	-8.3%	-6.9%	-1.6%
T. V. A. In Lieu Payments	23.4%	17.8%	-1.8%	-9.4%	-2.2%
Other	-59.9%	121.6%	142.2%	-43.6%	-26.7%
Nontax Receipts	0.7%	-5.5%	-3.2%	-0.5%	0.5%
Departmental Fees	21.3%	5.0%	-7.5%	-0.1%	-11.2%
PSC Assessment Fee ⁷	-2.0%	-1.4%	-10.1%	28.2%	-54.6%
Fines & Forfeitures	5.7%	4.2%	-0.9%	-10.1%	0.6%
Interest on Investments	-25.4%	-82.5%	-107.2%	-353.2%	-1993.7%
Lottery	0.4%	3.2%	3.4%	0.3%	5.1%
Sale of NOx Credits	1409.6%	-100.0%	---	-94.1%	-40.2%
Miscellaneous	-20.2%	15.2%	-22.1%	-10.4%	68.8%
Redeposit of State Funds	-62.6%	-60.6%	198.7%	-36.3%	-27.2%

	FY13	FY14	FY15	FY16	FY17
TOTAL GENERAL FUND	2.8%	1.2%	5.3%	3.7%	1.3%
Tax Receipts	2.3%	1.5%	5.6%	3.6%	1.4%
Sales and Gross Receipts	-0.9%	2.8%	3.7%	5.4%	0.6%
Beer Consumption	1.1%	0.6%	-2.5%	8.0%	-5.4%
Beer Wholesale	-0.7%	7.8%	-0.7%	6.2%	-2.7%
Cigarette	-6.3%	-4.4%	-3.1%	1.5%	-1.3%
Cigarette Floor Stock	-38.4%	-109.7%	-709.6%	-29.5%	-25.5%
Distilled Spirits Case Sales	5.1%	4.1%	3.9%	2.8%	12.7%
Distilled Spirits Consumption	5.3%	0.0%	4.2%	2.8%	11.0%
Distilled Spirits Wholesale	7.5%	6.0%	7.8%	6.6%	13.3%
Insurance Premium	4.8%	1.6%	3.4%	-0.8%	2.0%
Pari-Mutuel	34.5%	-50.0%	22.5%	68.4%	36.3%
Race Track Admission	12.2%	16.1%	-27.4%	47.6%	-24.0%
Sales and Use	-1.0%	3.6%	4.4%	6.0%	0.7%
Wine Consumption	5.1%	1.4%	0.6%	6.5%	-0.6%
Wine Wholesale	6.1%	3.8%	5.2%	1.6%	10.3%
Telecommunications Tax	5.3%	-6.5%	-0.5%	1.7%	-11.0%
Other Tobacco Products	-0.3%	-3.5%	2.0%	-0.2%	1.4%
License and Privilege	-0.7%	5.0%	-3.1%	9.0%	-3.1%
Alc. Bev. License Suspension	43.2%	-14.6%	31.0%	6.7%	-23.5%
Corporation License	-105.5%	-376.2%	-76.8%	-28.0%	-94.5%
Corporation Organization	3.5%	-51.5%	293.0%	-26.7%	618.4%
Occupational Licenses	-12.5%	56.0%	-5.5%	43.0%	-20.6%
Race Track License	-3.1%	10.3%	-14.9%	30.9%	-14.7%
Bank Franchise Tax	5.1%	3.9%	-2.8%	9.1%	-3.6%
Driver License Fees	4.0%	-3.2%	7.7%	2.9%	2.6%
Natural Resources	-22.1%	-10.2%	-8.8%	-32.3%	-12.9%
Coal Severance	-22.7%	-14.3%	-8.7%	-33.1%	-16.7%
Oil Production	-8.2%	19.6%	-25.0%	-51.7%	7.8%
Minerals Severance	0.1%	-7.6%	23.0%	16.3%	-3.8%
Natural Gas Severance	-34.9%	29.8%	-19.3%	-58.0%	17.3%
Income	6.9%	1.2%	9.0%	3.9%	2.5%
Corporation	7.0%	18.6%	11.2%	-0.3%	-5.5%
Individual	6.0%	0.7%	8.5%	5.2%	2.6%
LLET	22.6%	-19.0%	12.3%	-9.3%	21.0%
Property	5.4%	0.7%	0.2%	2.5%	4.3%
Bank Deposits	3.0%	-1.2%	1.3%	7.4%	1.9%
Building & Loan Association	-5.3%	-22.5%	-18.0%	47.9%	8.1%
Distilled Spirits	2.4%	10.6%	4.3%	7.8%	6.2%
General - Intangible	---	---	---	---	---
General - Real	2.7%	0.1%	0.4%	3.4%	2.2%
General - Tangible	4.4%	3.0%	1.2%	5.0%	2.9%
Omitted & Delinquent	61.6%	-21.1%	-23.7%	-26.1%	33.1%
Public Service	5.5%	-1.8%	13.5%	-4.5%	13.3%
Other	34.9%	---	-99.9%	7.8%	107.8%
Inheritance	0.0%	10.9%	11.2%	0.5%	-12.8%
Miscellaneous	11.1%	-16.2%	-18.3%	-1.2%	0.4%
Legal Process	-1.1%	-15.0%	-8.1%	-6.2%	-8.1%
T. V. A. In Lieu Payments	30.6%	-17.8%	-30.7%	7.1%	12.2%
Other	-25.0%	7.5%	-30.2%	3.1%	143.4%
Nontax Receipts	17.0%	-5.4%	-2.1%	5.5%	-2.6%
Departmental Fees	8.7%	-14.1%	-10.0%	-0.7%	-0.4%
PSC Assessment Fee	78.7%	29.9%	21.4%	-31.0%	-4.1%
Fines & Forfeitures	7.6%	-12.4%	-8.0%	-6.9%	-7.2%
Interest on Investments	-104.9%	-124.8%	---	34.9%	---
Lottery	2.1%	2.0%	0.9%	9.2%	-0.1%
Sale of NOx Credits	131.1%	104.8%	-73.5%	-100.0%	---
Miscellaneous	46.9%	-28.4%	-17.6%	14.5%	-11.6%
Redeposit of State Funds	15.0%	-40.0%	-0.9%	237.7%	63.4%

**SUMMARY STATISTICS FOR ROAD FUND MAJOR REVENUE SOURCES
FISCAL YEARS 2008-2017 – (\$ MILLIONS)**

	FY08	FY09	FY10	FY11	FY12
TOTAL STATE ROAD FUND	1,262,798,750	1,191,982,894	1,206,622,639	1,338,811,926	1,443,773,845
Tax Receipts-	1,219,349,262	1,159,379,226	1,181,341,209	1,315,130,011	1,416,497,670
Sales and Gross Receipts	1,014,576,337	958,780,727	988,541,345	1,114,593,981	1,207,082,330
Motor Fuels Taxes	608,779,123	622,479,527	655,761,466	732,826,112	790,229,379
Motor Vehicle Usage	405,797,215	336,301,200	332,779,879	381,767,869	416,852,951
License and Privilege	204,772,925	200,598,500	192,799,864	200,536,031	209,415,340
Motor Vehicles	93,523,748	98,186,733	96,839,803	97,812,587	107,836,554
Motor Vehicle Operators	15,372,618	15,521,191	15,941,488	15,736,805	15,737,651
Weight Distance	84,353,543	75,444,283	70,498,757	73,983,781	75,111,565
Truck Decal Fees	774,379	832,653	679,383	793,715	736,224
Other Special Fees	10,748,637	10,613,640	8,840,433	12,209,142	9,993,345
Nontax Receipts	41,805,267	31,375,092	23,871,991	21,932,031	26,739,794
Departmental Fees	20,291,394	19,106,827	18,487,783	18,167,778	21,879,481
In Lieu of Traffic Fines	1,112,801	958,790	779,495	779,828	769,405
Investment Income	19,460,549	10,661,790	3,633,987	1,995,228	3,081,180
Miscellaneous	940,522	647,685	970,725	989,197	1,009,727
Redeposit of State Funds	1,644,222	1,228,575	1,409,439	1,749,883	536,381

	FY13	FY14	FY15	FY16	FY17
TOTAL STATE ROAD FUND	1,491,623,669	1,560,439,604	1,526,738,659	1,482,541,978	1,508,003,421
Tax Receipts-	1,471,593,789	1,535,727,564	1,501,667,661	1,458,382,671	1,484,228,925
Sales and Gross Receipts	1,265,175,199	1,329,208,128	1,283,046,179	1,234,432,155	1,260,348,857
Motor Fuels Taxes	838,344,373	886,161,042	850,276,246	750,034,840	760,514,967
Motor Vehicle Usage	426,830,826	443,047,087	432,769,932	484,397,314	499,833,891
License and Privilege	206,418,590	206,519,436	218,621,482	223,950,517	223,880,068
Motor Vehicles	102,256,080	101,879,541	107,554,129	113,114,908	111,927,466
Motor Vehicle Operators	16,049,755	16,150,032	15,958,491	16,331,496	16,120,127
Weight Distance	74,935,016	76,894,805	79,147,533	81,375,028	82,886,950
Truck Decal Fees	590,397	489,072	404,906	283,942	289,874
Other Special Fees	12,587,343	11,105,986	15,556,424	12,845,142	12,655,651
Nontax Receipts	18,023,074	22,833,411	22,358,605	23,041,935	22,938,976
Departmental Fees	17,094,723	17,368,008	17,766,834	19,308,449	19,473,809
In Lieu of Traffic Fines	702,451	544,637	465,304	427,255	378,757
Investment Income	-398,745	3,997,826	2,913,784	2,468,620	1,581,851
Miscellaneous	624,646	922,939	1,212,683	837,611	1,504,559
Redeposit of State Funds	2,006,806	1,880,271	2,712,394	1,117,372	835,520

**ROAD FUND GROWTH RATES
MAJOR REVENUE SOURCES – FISCAL YEARS 2008-2017**

	FY08	FY09	FY10	FY11	FY12
TOTAL STATE ROAD FUND	3.0%	-5.6%	1.2%	11.0%	7.8%
Tax Receipts-	2.8%	-4.9%	1.9%	11.3%	7.7%
Sales and Gross Receipts	4.1%	-5.5%	3.1%	12.8%	8.3%
Motor Fuels Taxes	8.0%	2.3%	5.3%	11.8%	7.8%
Motor Vehicle Usage	-1.3%	-17.1%	-1.0%	14.7%	9.2%
License and Privilege	-3.1%	-2.0%	-3.9%	4.0%	4.4%
Motor Vehicles	-8.0%	5.0%	-1.4%	1.0%	10.2%
Motor Vehicle Operators	-2.8%	1.0%	2.7%	-1.3%	0.0%
Weight Distance	-1.3%	-10.6%	-6.6%	4.9%	1.5%
Truck Decal Fees	-8.1%	7.5%	-18.4%	16.8%	-7.2%
Other Special Fees	41.6%	-1.3%	-16.7%	38.1%	-18.1%
Nontax Receipts	5.9%	-24.9%	-23.9%	-8.1%	21.9%
Departmental Fees	14.1%	-5.8%	-3.2%	-1.7%	20.4%
In Lieu of Traffic Fines	-5.2%	-13.8%	-18.7%	0.0%	-1.3%
Investment Income	20.9%	-45.2%	-65.9%	-45.1%	54.4%
Miscellaneous	35.4%	-31.1%	49.9%	1.9%	2.1%
Redeposit of State Funds	310.9%	-25.3%	14.7%	24.2%	-69.3%

	FY13	FY14	FY15	FY16	FY17
TOTAL STATE ROAD FUND	3.3%	4.6%	-2.2%	-2.9%	1.7%
Tax Receipts-	3.9%	4.4%	-2.2%	-2.9%	1.8%
Sales and Gross Receipts	4.8%	5.1%	-3.5%	-3.8%	2.1%
Motor Fuels Taxes	6.1%	5.7%	-4.0%	-11.8%	1.4%
Motor Vehicle Usage	2.4%	3.8%	-2.3%	11.9%	3.2%
License and Privilege	-1.4%	0.0%	5.9%	2.4%	0.0%
Motor Vehicles	-5.2%	-0.4%	5.6%	5.2%	-1.0%
Motor Vehicle Operators	2.0%	0.6%	-1.2%	2.3%	-1.3%
Weight Distance	-0.2%	2.6%	2.9%	2.8%	1.9%
Truck Decal Fees	-19.8%	-17.2%	-17.2%	-29.9%	2.1%
Other Special Fees	26.0%	-11.8%	40.1%	-17.4%	-1.5%
Nontax Receipts	-32.6%	26.7%	-2.1%	3.1%	-0.4%
Departmental Fees	-21.9%	1.6%	2.3%	8.7%	0.9%
In Lieu of Traffic Fines	-8.7%	-22.5%	-14.6%	-8.2%	-11.4%
Investment Income	-112.9%	-1102.6%	-27.1%	-15.3%	-35.9%
Miscellaneous	-38.1%	47.8%	31.4%	-30.9%	79.6%
Redeposit of State Funds	274.1%	-6.3%	44.3%	-58.8%	-25.2%

FISCAL YEAR 2017 RECEIPTS UPDATE

General Fund

The General Fund receipts totaled \$10,477.8 million, which is \$139.0 million or 1.3 percent more than FY16 receipts. General Fund revenue collections grew in three of the four quarters in FY17 with the third quarter being the outlier. The first two quarters exhibited relatively strong growth; however, receipts took a downturn in the third quarter before rebounding slightly in the final three months. Growth rates for the four quarters were 3.4 percent, 3.3 percent, -3.2 percent and 1.7 percent, respectively. Due in large part to the third quarter decline, General Fund revenues fell \$138.5 million below the official estimate for FY17.

For the year, six accounts were below estimated totals while three exceeded forecasted values. The deviations ranged from negative \$81.9 million in the corporation income account to a positive \$21.9 million in the LLET. The two largest revenue sources, sales and use and individual income, were extremely close to budgeted levels as each were within 1.5 percent of the target. Combined, the deviation from the estimate was less than 1.0 percent. The remaining seven accounts were below the official estimate by a combined \$66.7 million. On a percentage basis, six of the nine accounts were within three percent of the estimate.

Sales and use tax receipts grew \$22.5 million, or 0.7 percent, in FY17. Collections in this account have grown for four consecutive years but the rate of growth for FY17 is the lowest since a decline in FY13. Receipts grew strongly in the first quarter but were weak for the remaining three quarters of the fiscal year. Quarterly growth rates were 4.2 percent, -0.5 percent, -2.1 percent and 0.9 percent, respectively.

Individual income tax receipts posted the largest net increase over FY16 levels, growing \$111.8 million. Withholding was the only component of the tax to increase, rising \$138.7 million. The remaining components; declarations, net balances on returns and fiduciary showed small declines. Growth in this tax of 2.6 percent is the lowest since FY14. Growth rates for the four quarters were 4.8 percent, 3.7 percent, -1.7 percent and 3.1 percent, respectively.

Corporation income tax collections declined \$29.2 million compared to last year. This is the second consecutive annual decline after five years of strong growth. A poor second half of the year offset stout first half growth. Quarterly growth rates were 9.3 percent, 32.5 percent, -71.6 percent and -3.7 percent, respectively.

The limited liability entity tax (LLET) just missed reaching an all-time high with gross collections of \$245.6 million. The 21.0 percent growth, or \$42.6 million increase, was largely concentrated in the second and third quarters. Growth rates for the four quarters were -16.8 percent, 69.4 percent, 44.4 percent and 11.1 percent, respectively. Payment of the LLET is allowed as a non-refundable payment credit against corporate and individual income tax, so the net benefit to the General Fund is actually less than what gross LLET collections exhibit.

Coal severance tax collections declined for the fifth consecutive year, reaching an all-time low of \$100.5 million. The decline has been dramatic considering this account reached an all-time high in FY12 with collections of \$298.3 million. Tax collections in the second half of the year improved; a welcomed change of fortune compared to the recent free-fall in receipts. Quarterly growth rates for this account were -36.6 percent, -24.3 percent, 7.7 percent and 0.3 percent, respectively.

Cigarette tax receipts reverted to their long-run downward trend, after increasing in FY16. Collections fell \$2.9 million, or 1.3 percent in FY17. Quarterly growth rates for the year were -1.5 percent, -5.5 percent, 0.7 percent and 1.2 percent, respectively.

Total property taxes increased 4.3 percent or \$24.5 million, during the fiscal year. The public service and tangible personal property components were the primary drivers for the increase. Growth rates for the four quarters were 11.7 percent, 2.5 percent, 0.5 percent and 16.7 percent, respectively. Property taxes were \$16.9 million, or 2.9 percent greater than forecasted.

Lottery receipts declined 0.1 percent, or \$200,000, from the previous year. The Lottery dividend exceeded the official estimate by \$5.6 million. Strength in the Keno game and instant ticket sales propelled the Lottery over the estimate despite weakness in multi-state online games like Powerball and Mega-Millions.

The "Other" category, which includes multiple other taxes and fees such as investment income, bank franchise taxes, and insurance premium taxes, decreased 1.4 percent or \$10.1 million compared to FY16. Quarterly growth rates for the "Other" account were -3.7 percent, -2.5 percent, 1.2 percent and -2.6 percent, respectively. The "Other" category taxes were 1.1 percent below the official estimate, or \$7.8 million.

**FY17 General Fund Revenues
Compared to Previous Years**

	Million \$			Growth Rate (%)		
	FY17	FY16	FY15	FY17	FY16	FY15
Sales and Use	3,485.2	3,462.7	3,267.3	0.7	6.0	4.4
Individual Income	4,393.9	4,282.1	4,069.5	2.6	5.2	8.5
Corporation Income	497.5	526.6	528.1	-5.5	-0.3	11.2
LLET	245.6	203.0	223.8	21.0	-9.3	12.3
Coal Severance	100.5	120.6	180.3	-16.7	-33.1	-8.7
Cigarette Tax	221.4	224.3	220.9	-1.3	1.5	-3.1
Property	602.1	577.5	563.4	4.2	2.5	0.2
Lottery	241.6	241.8	221.5	-0.1	9.2	0.9
<u>Other</u>	<u>690.1</u>	<u>700.2</u>	<u>691.8</u>	<u>-1.4</u>	<u>1.2</u>	<u>-1.0</u>
TOTAL	10,477.8	10,338.9	9,966.6	1.3	3.7	5.3

**FY17 General Fund Revenues Compared to Official Estimate
(million \$)**

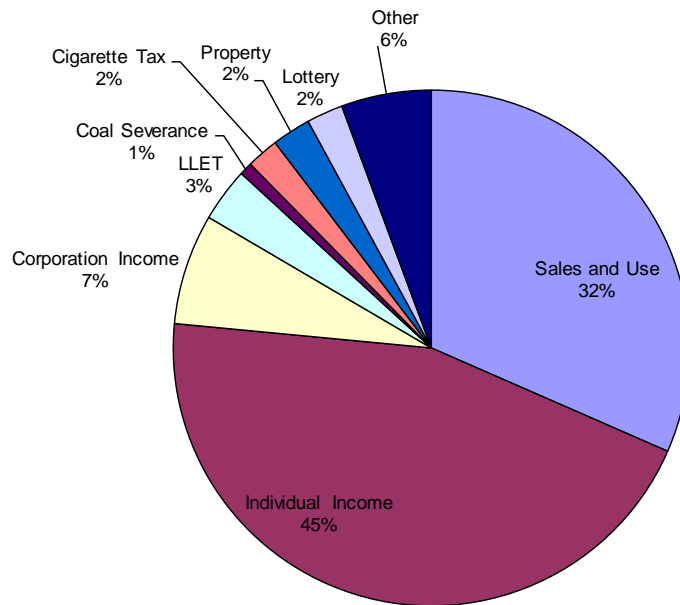
	Actual	Estimate	Diff (\$)	Diff (%)
Sales and Use	3,485.2	3,539.8	-54.6	-1.5%
Individual Income	4,393.9	4,411.1	-17.2	-0.4%
Corporation Income	497.5	579.4	-81.9	-14.1%
LLET	245.6	223.7	21.9	9.8%
Coal Severance	100.5	120.7	-20.2	-16.8%
Cigarette Tax	221.4	222.5	-1.1	-0.5%
Property	602.1	585.2	16.9	2.9%
Lottery	241.6	236.0	5.6	2.4%
Other	<u>690.1</u>	<u>698.0</u>	<u>-7.8</u>	<u>-1.1%</u>
TOTAL	10,477.8	10,616.4	-138.5	-1.3%

General Fund Growth Rates for the Four Quarters and Full Year FY17

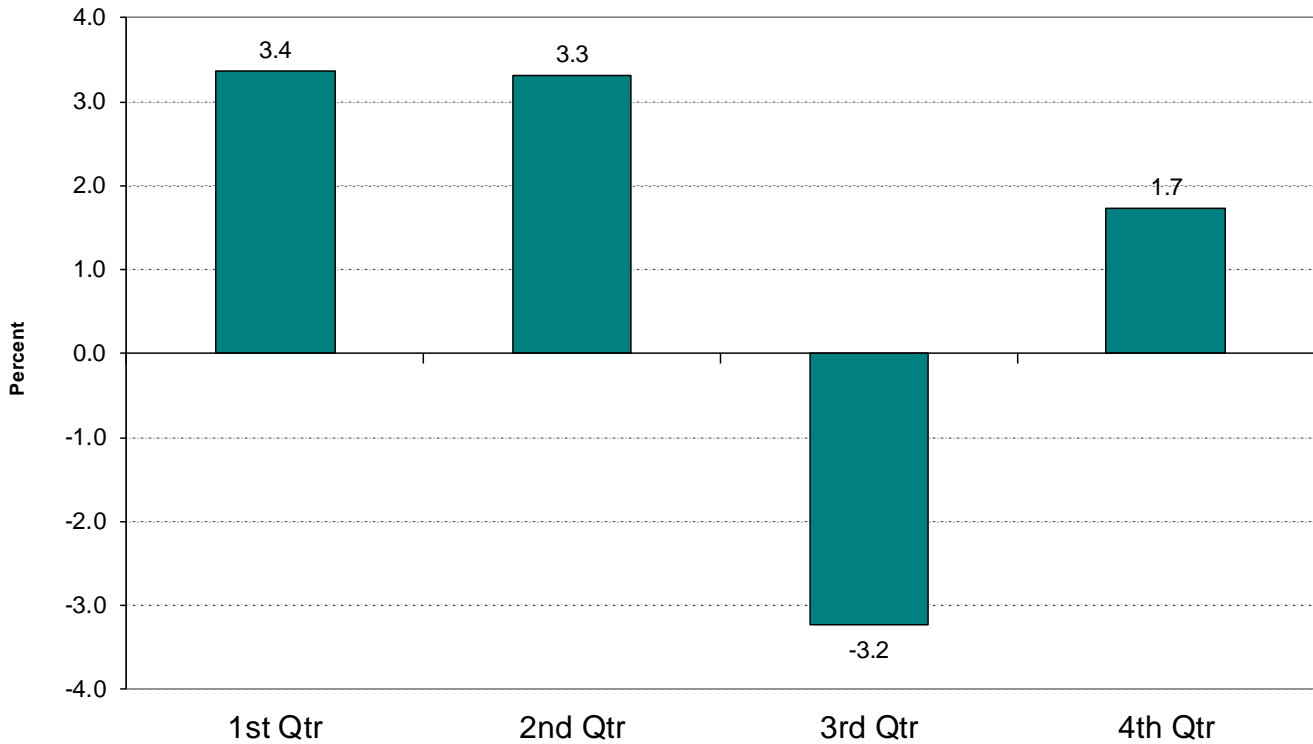
(percent)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	FY17
Sales and Use	4.2	-0.5	-2.1	0.9	0.7
Individual Income	4.8	3.7	-1.7	3.1	2.6
Corporation Income	9.3	32.5	-71.6	-3.7	-5.5
LLET	-16.8	69.4	44.4	11.1	21.0
Coal Severance	-36.6	-24.3	7.7	0.3	-16.7
Cigarette Tax	-1.5	-5.5	0.7	1.2	-1.3
Property	11.7	2.5	0.5	16.7	4.3
Lottery	8.6	5.7	-1.7	-9.7	-0.1
<u>Other</u>	<u>-3.7</u>	<u>-2.5</u>	<u>1.2</u>	<u>-2.6</u>	<u>-1.4</u>
TOTAL	3.4	3.3	-3.2	1.7	1.3

Composition of Fourth Quarter FY17 General Fund Revenues



FY17 Quarterly General Fund Growth



Fiscal Year 2017

	Million \$			Growth Rate (%)		
	FY17	FY16	FY15	FY17	FY16	FY15
Sales and Use	3,485.2	3,462.7	3,267.3	0.7	6.0	4.4
Individual Income	4,393.9	4,282.1	4,069.5	2.6	5.2	8.5
Corporation Income	497.5	526.6	528.1	-5.5	-0.3	11.2
LLET	245.6	203.0	223.8	21.0	-9.3	12.3
Coal Severance	100.5	120.6	180.3	-16.7	-33.1	-8.7
Cigarette Tax	221.4	224.3	220.9	-1.3	1.5	-3.1
Property	602.1	577.5	563.4	4.2	2.5	0.2
Lottery	241.6	241.8	221.5	-0.1	9.2	0.9
Other	<u>690.1</u>	<u>700.2</u>	<u>691.8</u>	<u>-1.4</u>	<u>1.2</u>	<u>-1.0</u>
TOTAL	10,477.8	10,338.9	9,966.6	1.3	3.7	5.3

**FY17 General Fund Revenues Compared to Official Estimate
(million \$)**

	<u>Actual</u>	<u>Estimate</u>	<u>Diff (\$)</u>	<u>Diff (%)</u>
Sales and Use	3,485.2	3,539.8	-54.6	-1.5%
Individual Income	4,393.9	4,411.1	-17.2	-0.4%
Corporation Income	497.5	579.4	-81.9	-14.1%
LLET	245.6	223.7	21.9	9.8%
Coal Severance	100.5	120.7	-20.2	-16.8%
Cigarette Tax	221.4	222.5	-1.1	-0.5%
Property	602.1	585.2	16.9	2.9%
Lottery	241.6	236.0	5.6	2.4%
Other	<u>690.1</u>	<u>698.0</u>	<u>-7.8</u>	<u>-1.1%</u>
TOTAL	10,477.8	10,616.4	-138.5	-1.3%

Road Fund

Road Fund revenues for FY17 totaled \$1,508.0 million, an increase of 1.7 percent from the previous fiscal year. Total receipts were \$25.5 million more than FY16 levels as no single account had a significant change. Motor vehicle usage and motor fuels tax collections increased a combined \$25.9 million. On net, the five remaining accounts decreased \$500,000 compared to FY16 levels.

Total Road Fund collections grew in three of the four quarters of FY17 and put an end to the two consecutive fiscal year declines in Road Fund receipts.

Growth rates for the four quarters were 3.6 percent, -3.6 percent, 5.4 percent and 1.5 percent, respectively. Road Fund collections are detailed in Table 7.

Motor fuels tax receipts rebounded from their \$100.2 million decline in FY16 to increase \$10.5 million in FY17. The FY16 decline was the result of a lower tax rate but with a constant rate throughout FY17. Collections reflected only a change in the consumption of motor fuels. Quarterly growth rates for motor fuels taxes were 1.1 percent, 3.3 percent, 0.5 percent and 0.7 percent, respectively.

Motor vehicle usage taxes grew \$15.4 million, or 3.2 percent, in FY17. Growth rates for the four quarters were 7.3 percent, -10.6 percent, 15.5 percent and 2.0 percent, respectively as timing issues affected the quarterly growth rates.

The weight distance tax exceeded the receipts on record for FY16 of \$81.4 million by 1.9 percent, resulting in \$82.9 million collected in FY17. Growth rates for the four quarters were 1.5 percent, 1.5 percent, 2.5 percent and 1.9 percent, respectively. The weight distance tax was \$800,000, or 1.0 percent, greater than forecasted.

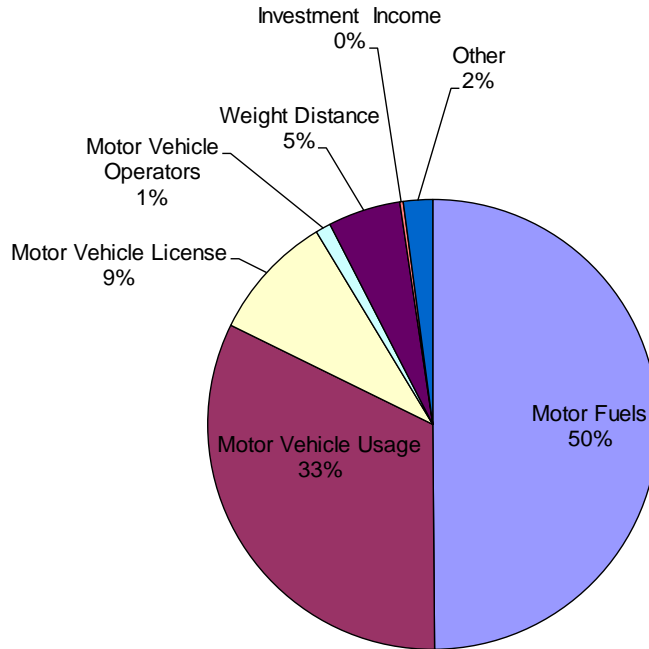
Motor vehicle license receipts fell \$1.2 million while motor vehicle operators' receipts declined by \$200,000. Investment income declined \$800,000 and "other" income rose by \$300,000.

Road Fund collections for FY17 exceeded the official consensus estimate by \$51.1 million, or 3.5 percent, as shown in Table 8. Six of the seven of the Road Fund accounts were above forecasted levels with only one account slightly below target. The motor vehicle usage tax had the largest deviation from the estimate. It was \$30.3 million, or 6.5 percent, over the official estimate. Motor fuels receipts had the second largest deviation (in dollar terms) exceeding the estimate by \$13.2 million or 1.8 percent. All other accounts, taken together, were \$7.6 million over forecasted levels.

**Road Fund Growth Rates for the Four Quarters
and Full Year FY17**
(percent)

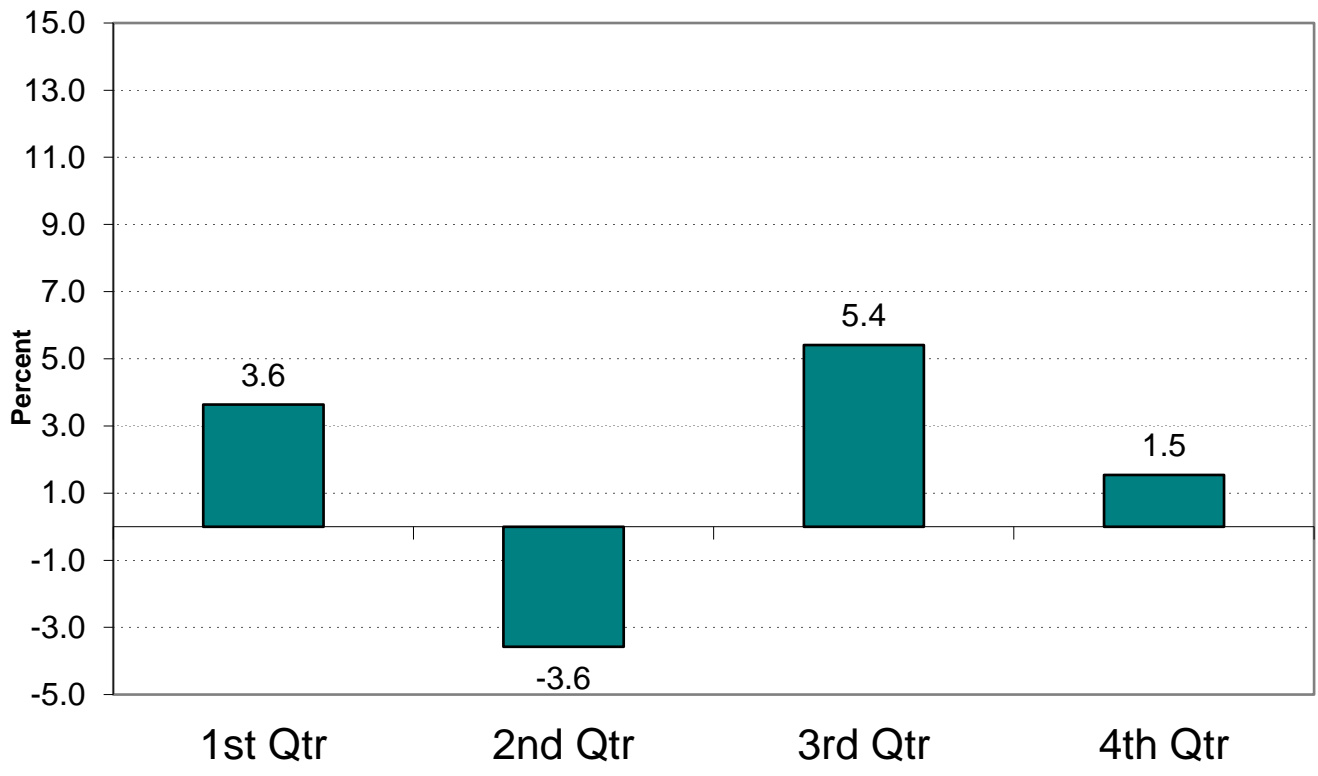
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	FY17
Motor Fuels	1.1	3.3	0.5	0.7	1.4
Motor Vehicle Usage	7.3	-10.6	15.5	2.0	3.2
Motor Vehicle License	0.4	-21.8	10.1	3.4	-1.1
Motor Vehicle Operators	-1.0	-4.5	-2.1	2.3	-1.3
Weight Distance	1.5	1.5	2.5	1.9	1.9
Investment Income	-67.6	43.2	-38.5	-2.1	-35.9
<u>Other</u>	<u>33.7</u>	<u>-3.3</u>	<u>-19.5</u>	<u>5.2</u>	<u>0.9</u>
TOTAL	3.6	-3.6	5.4	1.5	1.7

**Composition of Fourth Quarter FY17
Road Fund Revenues**



FY17 Quarterly Road Fund Growth

percent



Capital Financing Analysis

EXECUTIVE SUMMARY

The Governor proposes \$755,554,000 in new General Fund supported debt and \$60,000,000 in Agency Fund non-appropriation supported revolving fund debt. The proposal for the 2018-2020 biennium is compared to previous biennia in Table 1, 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:

- FY18-20 General Fund revenues are based on the December 15, 2017 Consensus Forecasting Group's Official Revenue Estimates. FY18 is projected to be \$156 million less than the official General Fund revenue estimate enacted in the 2016-18 biennial budget during the 2016 Regular Session. FY19 and FY20 General Fund revenues are projected using a 2.7 percent and a 2.6 percent growth rate, respectively.
- FY18-20 Road Fund revenues are based on the December 15, 2017 Consensus Forecasting Group's Official Revenue Estimates. FY18 is projected to be \$25.1 million higher than the official Road Fund revenue estimate enacted in the 2016-18 biennial budget during the 2016 Regular Session. FY19-20 Road Fund revenues are projected using a 0.1 percent and a growth rate of 0.2 percent, respectively.
- Agency Fund revenues are based on actual FY17 revenue from the Supplementary Information to the FY17 Comprehensive Annual Financial Report, and for FY18, FY19, and FY20, estimated amounts are obtained from the 2018-2020 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, 2015 through September 30, 2016 were reduced by 6.8 percent and during October 1, 2016 through September 30, 2017 were reduced by 6.9%. Estimated interest subsidy payments during October 1, 2017 through September 30, 2019 were reduced by 6.6%.
- Currently authorized but un-issued debt is assumed to be issued during the balance of FY18 with no additional debt service to be paid in FY18 but with debt service payments to be made in FY19 and FY20 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 Agency Fund Bonds of \$27,000,000 and Federal Fund Bonds of \$59,500,000 are assumed to have their authorizations lapse.

**Table 1
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>
1996-98 ¹	242,182,000	2008-10 ⁷	2,015,494,000
1998-00 ²	1,095,128,000	2010-12 ⁸	1,553,199,800
2000-02 ³	1,046,927,600	2012-14 ⁹	630,258,000
2002-04 ⁴	828,936,380	2014-16 ¹⁰	1,496,548,200
2004-06 ⁵	1,906,315,300	2016-18 ¹¹	1,276,742,500
2006-08 ⁶	2,110,528,000	2018-20 ¹²	815,554,000

¹Enacted in the 1996-1998 Budget of the Commonwealth and the Second 1997 Extraordinary Session of the Kentucky General Assembly.

Excludes \$60,000,000 of Agency Bonds for Kentucky Infrastructure Authority that was unable to be acted upon.

²Debt Enacted in the 1998-2000 Budget of the Commonwealth

\$604,030,000 General Fund; \$268,100,000 Road Fund; and \$96,100,000 Agency Funds. \$126,898,000 was appropriated in the General Fund Surplus Expenditure Plan in fiscal year 1998-99.

³Debt 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.

⁴Debt Enacted in the 2002-2004 Budget of the Commonwealth.

General Fund Authorization:	\$621,936,380
Agency Fund Authorization:	\$207,000,000

⁵Debt 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.

⁶Debt 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.

⁷Debt 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. The Agency Fund bond authorization includes \$230,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund.

⁸Debt 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:	\$ 523,304,000

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 for the Lake Barkley and Kentucky Lake Bridges Project and the Louisville-Southern Indiana Ohio River Bridges Project. The Agency Fund bond authorization includes \$125,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund. The 2010 Regular Session authorized \$4,000,000 of Agency Bonds for the Department of Military Affairs.

⁹Debt Enacted in the 2012-2014 Budget of the Commonwealth and 2013 Regular Session of the General Assembly.

General Fund Authorization:	\$ 182,860,000
Road Fund Authorization:	\$ 12,500,000
Agency Fund Authorization:	\$ 434,898,000

The 2013 Regular Session authorized \$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.

¹⁰Debt 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 Regular Session authorized \$742,773,200 for new projects and deauthorized \$105,000,000. The Agency Fund bond authorization includes \$125,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund. The 2015 Regular Session authorized General Fund bonds of \$132,500,000 for the University of Kentucky Research Building.

¹¹Debt Enacted in the 2016-2018 Budget of the Commonwealth and 2017 Regular Session of the General Assembly.

General Fund Authorization	\$599,486,500
Agency Fund Authorization	\$677,256,000

The 2016 Regular Session authorized \$582,986,500 for new projects and deauthorized \$9,000,000. The Agency Fund bond authorization includes \$125,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund. The 2017 Regular Session of the General Assembly authorized General Fund bonds of \$15,000,000 for the Economic Development Cabinet and \$10,500,000 for Veterans' Affairs.

¹²\$815,554,000 New Debt Recommended in the 2018-2020 Executive Budget.

General Fund Authorization:	\$ 755,554,000
Agency Fund Authorization:	\$ 60,000,000

The Agency Fund bond authorization includes \$60,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund.

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 FY18 – FY20 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 A1/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 Aa3/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 2
ACTIVE DEBT ISSUING ENTITIES²**

ENTITY	STATUTORY AUTHORITY/PURPOSE	DEBT LIMITATIONS	RATINGS¹
State Property and Buildings Commission	KRS 56.450 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.	A1/A/A+
Kentucky Asset/Liability Commission	KRS 56.860 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	KRS 175.410-175.990 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.	Aa3/AA-/A+
The State Universities (consisting of nine)	KRS 56.495 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	KRS 198A 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	KRS 224A 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.	Aaa/AAA/AAA (Leverage Loan)
Kentucky Higher Education Student Loan Corporation	KRS 164A 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	KRS 157.611-157.665 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.	A1/NR/NR
Kentucky Economic Development Finance Authority	KRS 154 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	KRS 175B.005-175B.115 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/NR/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. NR denotes not rated.

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 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 to "A1" from "Aa3" 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 to "A2" from "A1" and changed the outlook to stable from negative.
 - On September 3, 2015, Standard & 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 lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A" from "A+" and on lease debt issued by various Kentucky county public properties corporations backed by appropriations from Administrative Office of the Courts to "A-" from "A". On January 11, 2017, Standard & Poor's changed the outlook for all to negative from stable.
 - On March 4, 2016, Standard & Poor's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "AA-" from "AA" and changed the outlook to stable from negative. On July 20, 2017, Standard & Poor's revised its outlook on the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to negative from stable.
 - On July 20, 2017, Moody's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "Aa3" from "Aa2".
 - On July 20, 2017, Moody's downgraded the Commonwealth's issuer credit rating to "A1" from "Aa3" and its rating on the Commonwealth's appropriation debt to "A2" from "A1". At the same time, Moody's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A1" from "Aa3". The outlook on 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 (300 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 achieved substantial completion on April 1, 2016 and final completion on May 15, 2016. Full occupancy was achieved by August 23, 2016.	\$67,425,000
Next Generation - Kentucky Information Highway	Availability payments under a taxable, tax-exempt and subordinate structure for a 30-year term.	Project commenced in 2015 and as of January 2018, final completion is estimated to be Spring/Summer 2022.	\$289,946,000

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 FY19 and FY20 are based upon the Consensus Forecasting Group's December 15, 2017 Official Revenue Estimates with additional revenue from the Governor's budget recommendation. Agency Fund estimates are based upon actual results for FY17, and for FY18, FY19, and FY20, estimated amounts are from the 2018-2020 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 5.35 percent or with a taxable interest rate of 6.25 percent or other applicable rates). Asset bonds equate to project costs plus cost of issuance and assume no debt service reserves.

Historical Information

Table 3 displays the historical comparison of debt outstanding in current and constant dollars.

Table 4 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 5 provides an update of Table 10 to include the Governor's proposed debt financed projects as it relates to personal income.

Table 6 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 7 provides an update of Table 12 to include the Governor's proposed debt financed projects.

Table 8 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 3
APPROPRIATION SUPPORTED DEBT
PRINCIPAL DEBT OUTSTANDING
(000,000)

Fiscal Year	Current	Percent Change	CPI Constant Dollar Adjustment	Constant (1984)	Percent Change
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	2.145	3,184.14	8.82
2010	7,815.33	14.41	2.181	3,584.09	12.56
2011	8,763.50	12.13	2.249	3,895.95	8.70
2012	8,974.39	2.41	2.296	3,908.81	0.33
2013	8,792.92	-2.02	2.330	3,774.48	-3.44
2014	9,121.34	3.74	2.367	3,852.96	2.08
2015	8,899.69	-2.43	2.370	3,754.87	-2.55
2016	9,019.27	1.34	2.400	3,757.92	0.08
2017	8,987.05	-0.36	2.460	3,653.12	-2.79
2018*	9,637.98	7.24	2.517	3,829.61	4.83
2019*	8,858.57	-8.09	2.575	3,440.76	-10.15
2020*	8,093.58	-8.64	2.633	3,074.48	-10.65

*Estimated

Assumes remaining un-issued debt authorization is issued in FY18.

Assumes no additional debt authorization for the 2018-2020 Biennium.

Table 4
APPROPRIATION SUPPORTED DEBT
KENTUCKY ECONOMIC DEBT INDICATORS
(Current Dollars)

Fiscal Year	Debt as a % of Assessed Property	Required Debt Service as a % of Assessed Property	Debt as a % of Personal Income	Required Debt Service as a % of Personal Income	Debt Per Capita (\$)	Required Debt Service Per Capita (\$)
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	1,006.68	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	4.22	0.50	1,080.88	128.75
2003	1.17	0.17	3.82	0.56	996.31	145.26
2004	1.24	0.16	4.00	0.52	1,081.43	141.46
2005	1.22	0.14	3.93	0.47	1,116.34	132.37
2006	1.49	0.18	4.08	0.50	1,213.36	148.04
2007	1.49	0.15	4.15	0.42	1,286.27	131.65
2008	1.66	0.18	4.54	0.50	1,475.71	163.02
2009	1.76	0.16	4.89	0.46	1,583.44	147.73
2010	1.97	0.10	5.54	0.29	1,798.17	92.57
2011	2.19	0.17	5.96	0.45	2,005.67	151.44
2012	2.19	0.17	5.84	0.46	2,048.75	162.74
2013	3.02	0.32	5.62	0.60	2,000.53	213.35
2014	3.10	0.34	5.73	0.62	2,066.71	223.61
2015	2.98	0.34	5.33	0.60	2,008.96	227.42
2016	2.94	0.33	5.25	0.60	2,033.20	230.84
2017	2.83	0.34	5.15	0.62	2,017.75	241.42
2018*	2.95	0.33	5.34	0.59	2,155.18	237.13
2019*	2.65	0.35	4.70	0.62	1,972.96	258.69
2020*	2.36	0.32	4.11	0.56	1,794.59	245.88

*Estimated

Assumes remaining un-issued debt authorization is issued in FY18.

Assumes no additional debt authorization for the 2018-2020 Biennium.

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

Table 5
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 \$755,554,000 Executive Budget Recommended New Authorization	Required Debt Service as a % of Personal Income with \$755,554,000 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	4.22	0.50		
2003	3.82	0.56		
2004	4.00	0.52		
2005	3.93	0.47		
2006	4.08	0.50		
2007	4.15	0.42		
2008	4.54	0.50		
2009	4.89	0.46		
2010	5.54	0.29		
2011	5.96	0.45		
2012	5.84	0.46		
2013	5.62	0.60		
2014	5.73	0.62		
2015	5.33	0.60		
2016	5.25	0.60		
2017	5.15	0.62		
2018*	5.34	0.59		
2019*	4.70	0.62		
2020*	4.11	0.56	4.48	0.60

*Estimated

Assumes remaining un-issued debt authorization is issued in FY18.

Assumes new debt authorization for the 2018-2020 Biennium with full year debt service in FY20.

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

Table 6
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>
		with no new authorization	
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	16,740.11	1,007.48	6.02
2016	17,916.08	1,024.02	5.72
2017	18,493.89	1,075.27	5.81
2018*	19,597.31	1,060.46	5.41
2019*	20,346.65	1,161.51	5.71
2020*	20,968.42	1,108.92	5.29

*Estimated

Assumes remaining un-issued debt authorization is issued in FY18.

Assumes no additional debt authorization for the 2018-2020 Biennium.

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

**Table 7
 APPROPRIATION SUPPORTED DEBT SERVICE
 AS A PERCENT OF TOTAL REVENUE (%)**

Fiscal Year	Assuming No New Authorization	\$755,554,000 Executive Budget Recommended New Authorization
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	6.02	
2016	5.72	
2017	5.81	
2018*	5.41	
2019*	5.71	
2020*	5.29	5.63

*Estimated

Assumes remaining un-issued debt authorization is issued in FY18.

Assumes new debt authorization for the 2018-2020 Biennium with full year debt service in FY20.

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

**Table 8
 APPROPRIATION SUPPORTED DEBT SERVICE
 AS A PERCENT OF AVAILABLE REVENUE (%)**

Fiscal Year	Available Revenue (000,000)	Appropriated Debt Service/ Revenue (%)	\$755,554,000 Executive Budget Recommended New Authorization
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	10.61	
2015	11,313.18	9.72	
2016	11,727.57	10.11	
2017*	11,903.15	9.58	
2018*	12,188.33	10.32	
2019*	12,543.27	9.26	
2020*	12,807.85	8.66	9.21

*Estimated

Assumes remaining un-issued debt authorization is issued in FY18.

Assumes new debt authorization for the 2018-2020 Biennium with full year debt service in FY20.

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>
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	0.39	0.36
2015	2.98	0.34	0.37	0.37
2016	2.94	0.33	0.39	0.37
2017	2.83	0.34	0.36	0.36

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>
2002	4.22	0.50	0.58	0.55
2003	3.82	0.56	0.55	0.56
2004	4.00	0.52	0.56	0.60
2005	3.93	0.47	0.47	0.51
2006	4.08	0.50	0.58	0.48
2007	4.15	0.42	0.57	0.50
2008	4.54	0.50	0.61	0.52
2009	4.89	0.46	0.61	0.52
2010	5.54	0.29	0.63	0.62
2011	5.96	0.45	0.55	0.56
2012	5.84	0.46	0.55	0.57
2013	5.62	0.60	0.67	0.67
2014	5.73	0.62	0.73	0.67
2015	5.33	0.60	0.66	0.66
2016	5.25	0.60	0.69	0.66
2017	5.15	0.62	0.65	0.66

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>
2002	1,080.88	128.75	148.31	140.38
2003	996.31	145.26	143.33	146.07
2004	1,081.43	141.46	151.79	163.06
2005	1,116.34	132.37	133.11	145.80
2006	1,213.36	148.04	172.79	141.79
2007	1,286.27	131.65	178.12	154.88
2008	1,475.71	163.02	196.79	168.44
2009	1,583.44	147.73	198.57	169.03
2010	1,798.17	92.57	203.94	201.78
2011	2,005.67	151.44	184.14	188.24
2012	2,048.75	162.74	194.47	200.56
2013	2,000.53	213.35	239.34	239.60
2014	2,066.71	223.61	262.23	241.87
2015	2,008.96	227.42	248.14	249.07
2016	2,033.20	230.84	267.27	257.19
2017	2,017.75	241.42	256.01	256.88

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>
2002	0.61	1.93	495.29
2003	0.67	2.18	568.58
2004	0.62	2.01	544.02
2005	0.69	2.21	628.17
2006	0.98	2.68	797.97
2007	1.14	3.18	984.30
2008	1.16	3.18	1,034.74
2009	1.14	3.16	1,024.85
2010	0.90	2.54	824.22
2011	0.84	2.27	764.60
2012	0.78	2.08	728.60
2013	1.04	1.94	691.18
2014	1.15	2.12	763.82
2015	1.01	1.80	679.69
2016	0.64	1.15	444.81
2017	0.57	1.03	405.36

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)

Fiscal Year	Total Revenue (\$Millions)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
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	7.24	6.67
2015	16,740.11	6.02	6.57	6.59
2016	17,916.08	5.72	6.62	6.37
2017*	18,493.89	5.81	6.17	6.19

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

Fiscal Year	Available Revenue (\$Millions)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
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	10.61	9.79
2015	11,313.18	8.91	9.72	9.75
2016	11,727.57	8.73	10.11	9.73
2017*	11,903.15	9.03	9.58	9.61

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)**

Fiscal Year	Available Road Fund Revenue	Debt Service	Debt Service as a Percent of Available Revenue
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	1,141.20	149.60	13.11
2016	1,147.46	150.05	13.08
2017*	1,168.30	153.29	13.12

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

*Estimated

Appendix C: University Rating Agency Information

Ratings for the Public Universities of the Commonwealth of Kentucky as of 1/9/2018

<u>University</u>	Moody's		S&P		Fitch	
	<u>Underlying Rating</u>	<u>Enhanced Rating</u>	<u>Underlying Rating</u>	<u>Enhanced Rating</u>	<u>Underlying Rating</u>	<u>Enhanced Rating</u>
Eastern Kentucky University <i>General Receipts</i>	A1	A1	A	A	-	-
KCTCS <i>General Receipts</i>	Aa3	A1	-	-	Not Rated	A+
Kentucky State University <i>General Receipts</i>	-	-	-	-	-	-
Morehead State University <i>General Receipts</i>	A2	A1	-	-	-	-
Murray State University <i>General Receipts</i>	A1	A1	A	A	-	-
Northern Kentucky University <i>General Receipts</i>	A1	A1	A	A	-	-
<i>Housing and Dining</i>	-	-	-	-	-	-
University of Kentucky <i>General Receipts</i>	Aa2	-	AA	-	-	-
University of Louisville <i>General Receipts</i>	A3	A1	A+	-	-	-
<i>Consolidated Education</i>	-	-	A+	-	-	-
Western Kentucky University <i>General Receipts</i>	A2	A1	A-	A	-	-

Note:

Kentucky State University ratings were withdrawn

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 - 2018-2020	6,802,000
Ky Infrastructure Authority	KIA Fund F - Drinking Water Revolving Loan Program - 2018-2020	5,176,000
School Facilities Construction Commission	Offers of Assistance - 2016-2018	58,000,000
Economic Development	Economic Development Bond Program - 2018-2020	7,000,000
Economic Development	High-Tech Construction/Investment Pool - 2018-2020	7,000,000
Economic Development	Ky Economic Dev Finance Authority Loan Pool - 2018-2020	7,000,000
Education and Workforce Dev-Gen Admin	Workforce Development Construction Pool - 2018-2020	100,000,000
Education and Workforce Development-KET	Transmitter and Repack	2,100,000
Environmental Protection	State-Owned Dam Repair - 2018-2020	10,000,000
Facilities and Support Services	Maintenance Pool - 2018-2020	5,700,000
Facilities and Support Services	L&N Building Security and Structural Upgrades	9,800,000
Facilities and Support Services	Upgrade Capitol Mechanical and Electrical System, Phase I	4,500,000
Facilities and Support Services	Emergency Generator Repair or Replacement COT/CHR	2,600,000
Health & Family Services-Gen Administration	Maintenance Pool - 2018-2020	4,750,000
Health & Family Services-BHDID	Electrical & Telecom Upgrade-Western State Hospital, Phase II	3,410,000
Health & Family Services-BHDID	HVAC System Replacement - Hazelwood	8,000,000
Health & Family Services-BHDID	Renovate/Replace Cottages - Oakwood, Phase I	4,000,000
Justice Cabinet-Corrections-Adult Institutions	Maintenance Pool - 2018-2020	6,000,000
Justice Cabinet-Corrections-Adult Institutions	Replace Perimeter Fence, Kentucky State Reformatory	3,116,000
Justice Cabinet - State Police	Two-Way Radio System Replacement, Phase I	35,100,000
Justice Cabinet - Criminal Justice Training	Indoor Firing Range	20,000,000
Military Affairs	Armory Modernization Pool - 2018-2020	2,000,000
Parks	Maintenance Pool - 2018-2020	20,000,000
State Fair Board	Ky International Convention Center Roof Replacement	5,000,000
State Fair Board	Maintenance Pool - 2018-2020	6,000,000
Revenue	Integrated Tax System	92,500,000
Finance - COT	Legacy System Retirement	20,000,000
Postsecondary Ed	Asset Preservation Pool - 2018-2020	300,000,000
TOTAL - NEW GENERAL FUND PROJECTS		755,554,000
<u>AGENCY</u>	<u>PROJECT</u>	<u>AGENCY FUND</u>
Kentucky Infrastructure Authority	KIA Fund F - Drinking Water Revolving Loan Program - 2018-2020	30,000,000
Kentucky Infrastructure Authority	KIA Fund A - Federally Assisted Wastewater Program - 2018-2020	30,000,000
TOTAL - AGENCY BOND PROJECTS		60,000,000
TOTAL - ALL BOND PROJECTS		815,554,000

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