

TEAM KENTUCKY



2020-2022 EXECUTIVE BUDGET

Andy Beshear
GOVERNOR

John Hicks
STATE BUDGET DIRECTOR



Budget in Brief

PREFACE

The Executive Branch budget for the 2020-2022 biennium is the financial plan for Kentucky State Government as proposed by the Governor for consideration by the 2020 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 2020-2022 Budget is presented in four volumes:

- **Volume I:** State Agency Program Budget Detail

- **Volume II:** Capital Projects

- **Budget in Brief:** Executive Summary
Budget Summary Reports
Revenue Estimates
Capital Financing

- **Historical Data:** Actual Agency Revenue and Expenditure Data for the past two Fiscal Years

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



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John T. Hicks
State Budget Director

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

January 28, 2020

The Honorable Andy Beshear, Governor
Commonwealth of Kentucky
700 Capitol Avenue
Frankfort, Kentucky 40601

Dear Governor Beshear:

Kentucky's budget process requires a newly elected governor to submit a two-year budget recommendation to the General Assembly within seven weeks of Inauguration Day. This is a daunting task for any executive. The budgetary challenge that the Commonwealth faces is unprecedented. The revenue limitations to which your Executive Budget must adhere contains low estimated growth rates combined with spending pressures that include elevated pension costs, ensuring affordable health care for those most in need, rising costs of Kentucky's incarceration policies, and follows fourteen years of spending cuts into the bone of the Commonwealth's public services.

This challenge is countered against the aspirational values you are asking of all three branches of Kentucky state government. Allocating the limited resources of the Commonwealth in a way that meets these values requires a difficult adjudication of many claims. Your priority in this Executive Budget can be expressed as an "education first" budget. Other priorities: health care, children and families, good-paying jobs for Kentuckians, and public employees and their pensions, are also addressed. Your first Executive Budget has navigated among these many issues to a point of returning Kentucky's budgetary choices from disinvestment to investment.

The 2020-2022 biennial budget presented by you is a responsible and transparent budget. It will serve as a solid framework for the 2020 Kentucky General Assembly to begin their deliberations. It is not a good start, it is a great start. This budget reflects sound fiscal stewardship and positions Kentucky to achieve better outcomes for its citizens.

Governor Beshear
January 28, 2020
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I want to extend my sincere thanks to your senior staff for their many hours of contribution. I especially want to honor the tremendous efforts of the staff of the Office of State Budget Director who have labored for many months, sacrificing time away from their families and friends to help deliver your first Executive Budget. They have made outstanding contributions to this end result. Special thanks is due to Deputy State Budget Directors, Janice Tomes and Kevin Cardwell, as well as our two Deputy Executive Directors, Greg Harkenrider and Michael Jones, for their leadership and application of their extensive experience.

Most importantly, Governor, thank you for your inspiring leadership.

Sincerely,



John T. Hicks
State Budget Director

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**2020-22 BUDGET OF THE COMMONWEALTH
GENERAL FUND SUMMARY**

	<u>Revised FY 2020</u>	<u>Recommended FY 2021</u>	<u>Recommended FY 2022</u>
RESOURCES			
Beginning Balance		103,057,400	85,182,200
Official Revenue Estimate	11,576,200,000	11,722,200,000	11,929,300,000
Revenue Proposal		73,070,000	74,620,000
Other Resources	13,784,700	14,225,000	49,825,000
Fund Transfers	315,851,900	153,199,100	134,960,200
RESOURCES	11,905,836,600	12,065,751,500	12,273,887,400
Continued Appropriations Reserve			
Budget Reserve Trust Fund	129,077,800	306,090,800	316,090,800
Executive Branch	73,813,300		
Legislative Branch	13,971,500	13,971,500	13,971,500
Judicial Branch	5,979,400		
Continued Appropriations Reserve	222,842,000	320,062,300	330,062,300
TOTAL RESOURCES	12,128,678,600	12,385,813,800	12,603,949,700
APPROPRIATIONS			
Executive Branch			
Appropriations-Operating	11,169,683,700	11,529,040,900	11,825,999,400
Current Year Appropriations	45,449,300		
Dedicated Revenue Adjustments	15,662,000		
Lapses	(53,800,000)	(17,900,200)	(17,117,200)
Total Executive Branch	11,176,995,000	11,511,140,700	11,808,882,200
Judicial Branch			
Appropriations	388,377,700	398,133,400	403,736,900
Lapses	(7,500,000)	(7,500,000)	(7,500,000)
Total Judicial Branch	380,877,700	390,633,400	396,236,900
Legislative Branch			
Appropriations	70,162,500	71,064,200	71,037,300
Lapses	(2,269,000)	(2,269,000)	(2,269,000)
Total Legislative Branch	67,893,500	68,795,200	68,768,300
TOTAL APPROPRIATIONS	11,625,766,200	11,970,569,300	12,273,887,400
BALANCE	502,912,400	415,244,500	330,062,300
Continued Appropriations Reserve			
Budget Reserve Trust Fund	129,077,800	306,090,800	316,090,800
Appropriations to Budget Reserve Trust Fund	177,013,000	10,000,000	0
Subtotal-Budget Reserve Trust Fund	306,090,800	316,090,800	316,090,800
Executive Branch	73,813,300		
Legislative Branch	13,971,500	13,971,500	13,971,500
Judicial Branch	5,979,400		
Continued Appropriations Reserve	399,855,000	330,062,300	330,062,300
ENDING BALANCE	103,057,400	85,182,200	0

2020-2022 EXECUTIVE BUDGET

Revenue Proposal

Tobacco and E-cigarettes/Vaping

Cigarettes

- Raise the tax on cigarettes by 10 cents, from \$1.10 per pack to \$1.20 per pack.
- Kentucky's tax will be the same as West Virginia while keeping a price advantage compared to Ohio and Illinois
- Effective Date July 1, 2020 – with Floor Stock tax

Other Tobacco Products

- Raise tax on Moist Snuff and Chewing Tobacco from \$0.19 per unit to \$0.38 per unit
- Raise the tax rate on other tobacco products (OTP which includes cigars) from 15% on the average wholesale price to 30%. This rate change will bring the tax rates on other tobacco products to the equivalent of the \$1.20 cigarette rate.
- Snuff and OTP tax rates have not been changed since 2009
- Effective Date July 1, 2020 – with Floor Stock tax

E-cigarettes/Vaping

- 19 states and the District of Columbia tax vaping products
- This proposal is for a tax at a rate of \$0.10 per fluid milliliters
- 8 of the 19 states that tax vaping do so with a per milliliter tax (not percent of price)
- Higher tax states use a tax on the value of the product as the basis of taxation, up to 95 percent of wholesale price in Minnesota
- Effective date to July 1, 2020 – with Floor Stock tax

Revenue Increase to the General Fund for Tobacco and E-cigarettes/Vaping:

\$50.3 million in FY 2020-2021

\$43.9 million in FY 2021-2022

Limited Liability Entity Tax (LLET) - Minimum Tax

- Raise the minimum tax from \$175 to \$225 annually
- Equates to indexing the original \$175 for inflation
- Effective date is January 1, 2020

Revenue Increase to the General Fund for LLET Minimum Tax:

\$8.2 million in FY2020-2021

\$8.2 million in FY2021-2022

Sports Wagering

- 14 states have legalized sports wagering and 6 states plus DC have authorized sports wagering. House Bill 137 in the 2020 Regular Session
- Authorizes sports wagering at horse tracks, professional sports venues, and/or online applications
- Authorizes fantasy sports and online poker
- Permits wagering on college sports
- Segregates sports wagering from advanced deposit wagering
- Full range of sports wagering options (outcome based, proposition wagers, etc.)

Sports wagering revenue sources include:

- Initial license fees of \$500,000 at a licensed track or professional sports venue
- Annual renewal fees of \$50,000
- Taxation on wagers of 9.75% on the adjusted gross revenue on wagers made at a physical location and 14.25% on wagers placed online or smart phone

Potential online poker revenue sources include:

- Initial license fees of \$250,000
- Annual renewal fees of \$10,000
- Gaming fees of 6.75% of net poker revenue imposed on each online poker vendor

Potential fantasy sports revenue sources include:

- Initial license fees of \$5,000
- Annual renewal fees of \$5,000 or 6% of the adjusted gross revenues for the prior calendar year
- Effective date is July 1, 2020

Revenue Increase to the General Fund for Sports Wagering:

\$14.6 million in FY 2020-21

\$22.5 million in FY 2021-22

TOTAL ADDITIONAL GENERAL FUND REVENUES:

\$73.1 million in FY 2020-21

\$74.6 million in FY 2021-22

**2020-2022 EXECUTIVE BUDGET
ROAD FUND SUMMARY**

	<u>Revised FY 2020</u>	<u>Recommended FY 2021</u>	<u>Recommended FY 2022</u>
RESOURCES			
Beginning Balance		59,123,400	
Official Revenue Estimate	1,572,800,000	1,573,400,000	1,593,100,000
Road Fund Surplus Expenditure Plan	75,238,000		
Transfer from Capital	2,188,700		
Fund Transfers	1,829,800	1,831,100	837,400
TOTAL RESOURCES	<u>1,652,056,500</u>	<u>1,634,354,500</u>	<u>1,593,937,400</u>
APPROPRIATIONS			
Appropriations	1,513,697,500	1,637,960,000	1,597,311,700
Current Year Appropriations	4,265,500		
Surplus Appropriations	75,238,000		
Dedicated Revenue Adjustments	9,046,100		
Debt Service Lapse	(5,921,100)		
Build America Bonds-Debt Service Lapse	(3,392,900)	(3,605,500)	(3,374,300)
TOTAL APPROPRIATIONS	<u>1,592,933,100</u>	<u>1,634,354,500</u>	<u>1,593,937,400</u>
ENDING BALANCE	<u><u>59,123,400</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

THE EDUCATION FIRST BUDGET

2020-2022 EXECUTIVE BUDGET EXECUTIVE SUMMARY

Governor Andy Beshear's 2020-2022 Executive Budget is an education-first budget. It focuses on providing opportunity for every Kentucky family and creating the capacity to break the cycle of poverty, abuse and addiction, and to obtain a good-paying career, affordable health care and a quality education.

The Values in Governor Beshear's 2020-2022 Budget Recommendation

- Public Education
- Health Care
- Children and Families
- Good-Paying Jobs
- Public Employees and Pensions

A Responsible Budget

Governor Beshear's 2020-2022 biennial budget is a responsible budget. Every dollar is accounted for and transparent. Its development took into account the programmatic and fiscal data that all state government agencies provided during the budget request process. The Governor's budget:

- Is balanced and transparent
- Adheres to the revenue estimates of the Consensus Forecasting Group
- Recommends a structurally balanced budget equivalent to the 2018-20 enacted budget
- Contains fund transfer amounts that are much lower than the last two budgets
- Protects the Budget Reserve Trust Fund, Kentucky's rainy day fund, and adds to it
- Builds a rational and affordable capital improvement plan that focuses on maintaining our postsecondary education and state government physical assets
- Stays significantly below the Commonwealth's debt service to revenue policy cap of 6%. With the new debt proposed, that ratio is 5.27%, one of the lowest ratios since the adoption of the 6% debt policy
- Includes a modest revenue proposal that represents just 0.6% of total General Fund resources and is \$241 million less than the 2018-2020 budget's revenue increase actions.
- Plans for funding our known liabilities
- Has total General Fund appropriations that increase by 1.5% in fiscal year 2021 and by another 2.4% in fiscal year 2022

No Spending Cuts

There are no General Fund spending cuts in Governor Beshear's budget. This is the first budget since the 2006-2008 biennium with no cuts. Over \$2.3 billion in General Fund budget and spending cuts have taken place since fiscal year 2008.

The Budget Development Challenge for the 2020-2022 Biennium

The budgetary challenge for the next biennium is unprecedented. That challenge combines the need to return to investing in education, fund rising pension costs, ensure that affordable and quality health care is provided to those most in need, rising costs of the corrections system until criminal justice reforms can change that trend, and changing the fourteen-year downward trajectory of diminished resources for critical and required public services. During the Great Recession and its aftermath, the Commonwealth was unable to achieve its goals, but now, the opportunity is there to do so.

Resources to Be Applied in the Budget

The resources that are put to use in most every budget include these four basic elements:

- Official General Fund revenue estimate from the Consensus Forecasting Group
- Excess available funds, known as “other resources” in the Kentucky Constitution
- Maximizing other resources, such as retiring debt, and responsible use of other funds
- Modest revenue increase proposal

The table below displays the amount from each these four elements:

Resources to Balance the Budget:	(in millions of \$)			Biennial
	FY 2020	FY 2021	FY 2022	Total
Official Revenue Estimate		\$11,722.2	\$11,929.3	\$23,765.7
Official Revenue Increase in FY 2020	\$114.2			\$114.2
Excess Available Funds		\$153.2	\$135.0	\$288.2
Maximizing Resources	\$50.0	\$76.6	\$129.8	\$256.3
Modest Revenue Proposal		\$73.1	\$74.6	\$147.7
Total	\$164.2	\$12,087.6	\$12,367.5	\$24,572.2

The next table shows how these resources differ from the current period, fiscal year 2020.

Increase in Resources to Balance the Budget:	(in millions of \$)			Biennial
	FY 2020	FY 2021	FY 2022	Total
Official Revenue Estimate	\$114.2	\$260.2	\$467.3	\$841.7
Excess Available Funds		\$14.4	(\$3.9)	\$10.5
Maximizing Resources	\$50.0	\$76.6	\$129.8	\$256.3
Modest Revenue Proposal		\$73.1	\$74.6	\$147.7
Total	\$164.2	\$424.2	\$667.8	\$1,256.2

Now, the Commonwealth has just a little in which to invest. This budget invests in the things that are important.

EDUCATION FIRST
Limited but Important Investments

\$2,000 Teacher Salary Increase

A \$2,000 salary increase for teachers is provided in fiscal year 2021. This will be a one-time salary supplement to teachers who are full-time employees in a school district or a state school and who provide daily instruction to students. Additional General Fund amounts of \$97.7 million in fiscal year 2021 and \$90.9 million in fiscal year 2022 are provided. These funds will be administered by the Department of Education and will be reimbursed directly to school districts and will not flow through the SEEK formula to ensure that all school districts receive the full amount for their teachers. The average Kentucky teacher salary in 2019 was \$53,923. A \$2,000 increase reflects a 3.7 percent average increase.

Increases the SEEK base per pupil amount by 1%

To begin the process of reinvesting in our public education system, a one percent increase in the SEEK program's base per pupil amount is included in the Executive Budget, reflecting increased funding of \$39.0 million in fiscal year 2021 and \$48.5 million in fiscal year 2022. This will raise the base per pupil amount up by \$40 to \$4,040. This is a starting point that hopes to be followed in subsequent budgets with greater investment.

Teachers' Retirement and Medical Benefits

The Executive Budget includes full pension funding for the Teachers' Retirement System for just the second time. It also includes full funding in both years of the biennium for the medical benefits. This budget will begin the second decade of fully funding the medical benefits for retired teachers. Additional General Fund amounts of \$62.1 million in fiscal year 2021 and \$83.2 million are provided.

Textbooks

Funding for textbooks was eliminated in the last budget. The Governor's budget recommendation includes \$11 million each year of the biennium to restore a large portion of the amounts included in past budgets.

Preschool and Early Learning Funding for Disadvantaged Areas

An additional \$5 million each year is included to support preschool programs in disadvantaged areas. This funding is intended to create more opportunities for children in the most need to obtain the benefits of preschool programs. Moreover, the Executive Budget includes provisions that would direct any excess funds from the SEEK formula and excess lottery revenues to preschool programs and all-day kindergarten.

Teacher Loan Forgiveness/Teacher Scholarships

The Executive Budget restores a teacher loan forgiveness program to be administered by the Kentucky Higher Education Assistance Authority by adding \$2.1 million each year from lottery revenues. The need-based teacher scholarship program which was eliminated in the last budget will be revitalized with an additional \$1 million each year from lottery revenues.

School Safety

The Governor's budget recommendation includes bond funding for \$18.2 million to finance the school building upgrades required by Senate Bill 1 from the 2019 legislative session. This is the full amount of funding need as estimated by the Kentucky School Boards Association. The Department of Education will administer these funds. This reflects the first phase of implementation of the School Safety and Resiliency Act. The Transportation biennial road plan will further include some projects that improve safety at public school entrances, including but not limited to, schools in Bullitt, Carter, Taylor and Trimble counties.

School Facilities

The Executive Budget includes the necessary debt service to follow through and increase the \$58 million in offers of assistance that were authorized in the 2018-20 budget. Additionally, the budget proposes that the School Facilities Construction Commission be authorized to make \$100 million in offers of assistance to school districts, an increase from the \$58 million in the last budget and a return to an amount that school districts have counted on for many years.

School Buses - Volkswagen Settlement Funds

The Governor's budget recommendation includes funding from the Volkswagen Settlement Fund to replace more than 150 school buses.

Infrastructure Repair for Kentucky School for the Blind and School for the Deaf

The capital budget includes \$13.3 million for needed facility systems repairs at both the Kentucky School for the Deaf and the Kentucky School for the Blind to help meet deferred maintenance and facility upgrade needs at those two state schools.

Area Technology Center

The budget includes funding to staff and operate a new regional, secondary Area Technology Center in Estill County, serving Estill, Powell and surrounding counties. This will be Kentucky's 54th state operated Area Technology Center.

POSTSECONDARY EDUCATION

Increases Funding for Postsecondary Education Institutions by 1%

Kentucky's postsecondary education institutions have been subjected to budget cuts for 12 of the last 13 fiscal years. The Governor's budget recommendation includes a one percent increase in funding for all postsecondary education institutions. Due to the sustained falling investment in Kentucky's postsecondary education system, the additional \$8.6 million each year from the General Fund and the base state funding for all institutions will not be subject to the performance funding model and instead will ensure an equitable increase in each institution's capacity to serve its students and to meet the laudable performance goals included in the model. This funding will protect universities from further budget reductions so they are able to achieve the goals of the performance funding model.

Higher Education Resurgence Fund

The Governor's budget recommendation includes an unprecedented \$200 million in bond funds for the Resurgence Fund to be allocated among the institutions. These are capital funds that will be applied to a significant inventory of deferred maintenance and asset preservation needs estimated at \$7 billion. The last infusion of capital funds for these purposes was \$13.9 million in the 2008-10 budget. Matching funds from the institutions will leverage the \$200 million into much more.

Student Financial Aid

The Executive Budget devotes all of the estimated lottery revenues to student financial aid programs. Due to higher than expected lottery revenues in the current year and the next biennium compared to the enacted fiscal year 2020 budget, the need-based aid programs will support approximately 7,300 additional recipients. This aid flows through the College Access Program and for students attending private institutions, it is supplemented by the Kentucky Tuition Grant program, as well as the KEES program. Funding for the dual credit scholarship program, begun in fiscal year 2017, is expected to support over 29,000 students by the end of the next biennium.

University Mandated Programs

The Governor's budget recommendation includes additional funding for several mandated programs. An additional \$497,400 is provided in the current fiscal year and in the next two fiscal years to enable Kentucky State University to match the federal land grant award. Morehead State University's budget will receive an additional \$329,000 in fiscal year 2021 and \$658,600 in fiscal year 2022 for the Craft Academy to add more students and is also supported by a multi-year private donation. The University of Kentucky Press, which publishes academic books and books about the history and culture of Kentucky, the Ohio Valley region and Appalachia, has a statewide mission. Its funding from the General Fund was eliminated in the 2018-2020 budget. The Governor's budget includes \$336,300 each year of the biennium.

University Agency Bonds

The Executive budget includes almost \$430 million in Agency bond authority for the universities. This reflects 23 line-item capital projects requested by seven institutions that range from constructing a new college of business building at the University of Louisville to replacing exterior panels on a dormitory at Morehead State University. The debt service for Agency bond debt comes from each institution's tuition and fee revenue.

Pension Funding Relief for Regional Universities and the Kentucky Community and Technical College System

The Governor's recommended budget adds \$18.7 million each year from the General Fund to fund the new frozen pension contribution rate of 67.41%. All of the six regional universities and the Kentucky Community and Technical College system schools have employees that participate in the Kentucky retirement system pension plans. These institutions are facing an increase of over \$45 million to meet the 93.01% employer contribution rate. In the 2018-2020 budget, to avoid an increase to 83.43%, the contribution rate was frozen at the 49.47%.

Optometry and Veterinary School Contract Spaces

The Executive Budget includes an additional \$273,200 in fiscal year 2020-2021 and \$289,200 in fiscal year 2021-2022 to maintain the Commonwealth's reserved spaces for these professional degree programs at out-of-state universities.

HEALTH CARE

Fully Funds Medicaid and Medicaid Expansion

The Governor's budget fully funds the Medicaid program, including Medicaid Expansion. The budget includes an additional \$38.9 million from the General Fund in fiscal year 2021 and \$199.0 million in fiscal year 2022 to fully fund the Medicaid and Medicaid expansion program. The budget also accommodates several Federal/State share changes. Kentucky's base Medicaid program state share shifts slightly downward from 28.22% in fiscal year 2020 to 28.01% in fiscal year 2021 and 27.95% in fiscal year 2022. The final step in the Medicaid expansion state share increases from 8.5% to 10% in the fiscal year 2021. In 2018, the U.S. Congress phased out the 2015 enhanced match for the Children's Health Insurance Program (K-CHIP in Kentucky) resulting in the state match becoming 11.5% higher.

Medicaid Waiver – Michelle P. and Supports for Community Living Slot Increases

The Executive Budget includes funding for 500 additional slots in the Michelle P. waiver program and 100 additional slots in the Supports for Community Living waiver program. General Fund resources of \$3.5 million in fiscal year 2021 and \$7.0 million are provided in fiscal year 2022 support this expansion.

Louisville's Health Care System

The Governor's budget includes \$35 million in bond funding to the Economic Development Cabinet to provide a loan to the University of Louisville for a public medical center that will provide needed direct health care services and research operations facilities to the Commonwealth.

Local Health Departments and Community Mental Health Centers-Pension Relief

Thirteen regional Community Mental Health Centers and 60 Local and District Health Departments participate in the Kentucky retirement system pension plans. These health providers together are facing an increase of over \$76 million to meet the 93.01% employer contribution rate. The Governor's recommended budget adds \$16.5 million each year for the Health Departments and \$13.1 million each year for the Community Mental Health Centers from the General Fund to fund the new frozen pension employer contribution rate of 67.41%. The funding that would have otherwise gone to increased pension costs may now be utilized by these health care providers to prevent disease and promote healthy lifestyles and for community mental health centers to provide core services to help individuals with mental illness to avoid crisis situations and avoid hospitalization, among the many public health services they provide.

CHILDREN AND FAMILIES

350 New Social Workers to Fight Abuse and Neglect

Funding is provided to add an additional 350 children's protective services social workers over the 2020-22 biennium to raise the current complement of social workers from 1,309 to 1,659, a 27% increase in staffing. This badly needed increase in resources will address the severity of the current caseloads and improve it; from the average level of 19 current cases per social worker. In many locations, the caseloads are much higher. The additional amount provided from the General Fund is \$7 million in fiscal year 2021 and \$24.5 million in fiscal year 2022.

Kentucky's Children's Health Insurance Program (KCHIP)

The Governor's budget recommendation provides full funding to accommodate a higher state share in the KCHIP program. The budget also includes \$1 million in state funds each year for efforts to pursue full enrollment of KCHIP-eligible children in health care coverage. These funds will leverage over \$5 million each year when federal funds are added.

Preserving Child Support Enforcement

An additional \$13 million over the two years is provided from the General Fund to preserve the federal funding awarded to Kentucky for child support enforcement. The County Attorneys primarily carry out this important service. The reduction in certain agency revenues as created the need to fill a gap, preventing a \$26 million loss from unmatched federal dollars over the biennium.

Child Advocacy Centers, Domestic Violence Centers, Rape Crisis Centers – Pension Relief

The Governor's recommended budget adds \$1.8 million each year from the General Fund to fund the new frozen pension rate of 67.41%. The Department for Community Based Services contracts with many local providers such as Domestic Violence Centers, Child Advocacy Centers and Rape Crisis Centers, whose employees participate in the Kentucky retirement system pension plans. These centers together are facing an increase of over \$4 million to meet the 93.01% employer contribution rate. In the 2018-2020 budget, to avoid an increase from 49.47% to 83.43%, the contribution rate was frozen at the 49.47%.

Supporting Programs that Assist Victims of Domestic Violence

An additional \$1 million each year is provided to the Department for Community Based Services for the Kentucky Coalition against Domestic Violence to administer batterer intervention services.

PUBLIC EMPLOYEES

Salary Increase for State Employees

The Governor's budget recommendation includes a 1% salary increase each year for state employees. State employees have received no across-the-board salary increase in eight of the last ten years. Adjusted for inflation, a state employee making \$30,000 in 2010 has lost nearly 18% in purchasing power. The General Fund cost is \$8.5 million in fiscal year 2021 and \$23.5 million in fiscal year 2021-22.

Pensions for Public Employees and Quasi-Governmental Agencies

The Executive Budget includes full funding for the actuarially determined pension contribution for all state employees. The pension employer contribution rate increase for the largest pension plan, the non-hazardous plan, rises from 83.43% to 93.01%. The State Police contribution rates rise from 146.28% to 156.97%. An additional \$56.5 million in fiscal year 2021 and \$63.9 million in fiscal year 2022 is provided from the General Fund to finance these increased rates that pay the actuarially determined contribution. Another \$9.3 million in fiscal year 2021 and \$34 million in fiscal year 2022 from the General Fund finances the increased health insurance premium contributions.

The Governor's budget recommendation also provides pension relief for the quasi-government entities that are providing health care, substance use and mental health treatment and public safety services to the citizens of Kentucky, by providing \$50 million each year to local health departments, community mental health centers, regional universities and KCTCS, and domestic violence centers, child advocacy centers and rape crisis centers that provide services for the Commonwealth. The Governor's budget recommendation also prohibits these agencies from ceasing their participation in the Kentucky Employees Retirement System. It freezes the employer contribution rates at 67.41%, an increase from the current 49.47%.

PUBLIC SAFETY AND VICTIM SERVICES

Improved Compensation for Law Enforcement and Firefighters

Local and state law enforcement officers and local firefighters will receive a \$600 stipend increase from the Kentucky Law Enforcement and Firefighters Foundation Program funds, bringing the stipend up to \$4,600. Over 8,000 law enforcement officers and over 3,800 firefighters will receive this increase.

Kentucky State Police – Salary Increase

The Governor's budget recommendation includes \$5.3 million in fiscal year 2021 and \$8.6 million in fiscal year 2022 to provide salary increases to troopers and other sworn personnel in the Kentucky State Police. This is the second biennium of their new salary schedule, put in place to improve the retention of our State Police force.

Firefighters –PTSD Treatment Services

An additional \$2.5 million each year is provided from the Firefighters Foundation Program Fund for a program to treat firefighters with post-traumatic stress disorder.

Kentucky State Police – Emergency Radio System Replacement-Phase II

An additional \$52.5 million is provided in the capital budget for Phase II of the emergency radio replacement system. The project will replace the twenty-year old radio system and upgrade it to a modern, state-of-the art communications network that will improve the safety of the State Police and other first responders by ensuring coverage throughout the state.

Kentucky State Police – Rapid DNA and State Police Laboratory Staff Retention

The Governor’s budget recommendation includes \$3 million each year to improve state police laboratory staff salaries to improve recruitment and retention of key laboratory personnel and to invest in a Rapid DNA technology which will speed up investigatory efforts as well as decrease the time needed for DNA testing.

Supporting our State Prosecutors

The budget provides an additional \$3 million each year for more staffing for the Commonwealth’s Attorneys and \$840,000 each year to support the operating expenses of the County Attorneys.

Corrections

The General Fund budget for Corrections increases by about \$109 million over the 2020-2022 biennium. To offset the loss of 1,269 prison beds, most at the medium-security Kentucky State Reformatory, the Commonwealth will begin operating a new medium-security correctional facility in Wheelwright, the Southeastern Correctional Complex, which provides 656 beds. This will help offset some portion of the lost beds at aging facilities that are also unable to recruit and retain sufficient correctional officers.

Higher operating costs, underfunding of correctional institutions, the need to raise pay in the Oldham/Shelby county institutions for correctional officers, a slightly higher inmate population, and an action plan to correct issues with the awarding of good time to inmates make up the other portions of the increased General Fund spending in Corrections.

Kentucky Education Television – Public Safety Emergency Warning and Alert Capacity

Capital bond funds in the amount of \$1,000,000 is provided to provide KET with the capability to provide critical localized weather alerts improving safety and preparedness around the state.

LOCAL GOVERNMENTS

Returning Coal Severance Tax Revenues to Counties

For the first time since the inception of Kentucky’s coal severance tax, the Governor’s budget returns coal severance tax revenues to the counties, after reserving amounts needed for debt service on past capital projects that benefitted Kentucky’s coal counties and the administration of those programs. Over \$10.3 million in fiscal year 2021 and \$7.5 million in fiscal year 2022 will be returned to the counties through the Local Government Economic Assistance Fund.

Water and Sewer Infrastructure

The capital budget includes \$16.4 million in state bond funds to match \$93.9 million in federal dollars to repair, replace and improve local drinking water and wastewater infrastructure.

State Share of County Elections and Voter Registration

The Governor’s budget includes a return to the statutory rate of state reimbursement to counties for election and voter registration costs.

Equal Pay Audits

The Department of Local Government will administer a grant program that provides resources for local governments to voluntarily conduct equal pay for equal work pay audits of their own human resources processes; \$1,000,000 in each year of the biennium.

ECONOMIC DEVELOPMENT

Economic Development Capacity

An additional \$30 million in Bond funds is provided for the Cabinet's three investment programs to recapitalize the financial resources they use to expand jobs at existing businesses and bring in good-paying jobs into the Commonwealth.

Urban Venture Fund

The Governor's budget includes over \$1.9 million each year to support a venture funds directed to distressed urban areas to provide support for small business and entrepreneurs that suffer from lack of credit, lack of access to capital and have been subject to wrongful insurance practices.

Louisville Waterfront

The Executive Budget includes \$400,000 each year for the Louisville Waterfront Development Corporation.

TRANSPORTATION

REAL ID

The Executive Budget includes \$4,124,800 in the current year and over \$15 million each year of the biennium so that the Transportation Cabinet can begin issuing REAL ID motor vehicle driver licensing and personal identification cards, complying with federal security requirements and meeting the October 1, 2020 deadline for air travel and entering a federal building. The Judicial branch's Circuit Court Clerks will not be issuing REAL ID's.

Public Transportation Funding for Local Governments

Due to the loss of state matching funds from a source called toll credits, the General Fund is supporting these matching funds to ensure that Kentucky's local governments are able to obtain federal public transit grants, with most federal programs providing 80% in federal dollars; \$6.7 million in fiscal year 2021 and \$8.4 million in fiscal year 2022. The federal public transit grants are used to purchase public transit vehicles/buses, bus cameras, other capital equipment, and build/renovate transit facilities. The elderly, low income, and persons with disabilities are populations that would be most affected by a loss of federal funding.

INVESTING IN VETERANS

Design of the Bowling Green Veterans Center

The capital budget includes \$2.5 million for the design of a new veterans nursing center in Bowling Green. The completion of the design is a prerequisite to drawing down federal funds for the construction of the new facility.

Nursing Staff Loan Forgiveness Program

Funds are provided to initiate a new loan forgiveness program for the nursing staff at the Veterans Centers to improve both the recruitment and retention of critical personnel at Kentucky's centers.

FINANCE AND ADMINISTRATION

Revenue Collection Enhancement

The Governor's budget includes additional funding for the Department of Revenue to improve the collection of due and owing tax payments. An additional \$1,500,000 in fiscal year 2021 and \$5,000,000 in fiscal year 2022 is included to support the cost of hiring additional staff. Also, as the Department is phasing in the production of its new integrated tax system, new operating costs to support the system are required; \$1,427,800 in fiscal year 2021 and \$6,044,700. Through these combined efforts, additional General Fund revenues are estimated to be collected: \$7.6 million in fiscal year 2021 and \$28.2 million in fiscal year 2022.

State Facilities Infrastructure Improvement

The capital budget includes \$22 million in bond funds for the first phase of upgrades to the Capitol Campus, comprising the state Capitol building, the Capitol Annex building, and the Capitol Parking Garage. The basic mechanical, plumbing and electrical systems are over sixty years old and have had few significant upgrades.

TOURISM

State Fairgrounds – Trifesta Grounds Improvements

The capital budget includes \$4 million for the Prestonia Grounds and Infrastructure Improvements project. This effort will improve ten acres on the site of the Kentucky Exposition Center to provide an improved location for outdoor music festivals, including the Trifesta, a series of three music festivals occurring in the fall of each year.

Parks – Operating and Infrastructure Improvements

The budget includes an additional \$2.7 million in the current fiscal year to address the Department of Parks' prior year budget shortfall. The capital budget contains \$10 million in bond funds for wastewater treatment plant improvements across the Kentucky Parks system, as well as a \$10 million for major maintenance for the Parks system.

AGRICULTURE

New Inspection and Licensing System – Department of Agriculture

The Governor's budget includes a capital information technology project for the Department of Agriculture to replace a 20-year old system for the Department's licensing and regulatory system

that will encompass over twenty statutorily-required programs and share resources under a unified platform using new technologies.

OTHER GOVERNMENT AREAS

Commission on Women

The Executive Budget reinstates funding for the Commission on Women, \$357,500 each year, so that it can perform its statutory requirements to promote, encourage and provide advisory assistance in the establishment of local volunteer community improvement programs for, and of interest to women.

Commission on Human Rights

An additional \$200,000 each year of the biennium to reinvest in human rights by providing some of the resources to the Commission that have been drained over the years by budget cuts.

Office of Minority Empowerment

The Governor's budget reinstates the Office of Minority Empowerment, whose capacity to carry out their responsibilities were diminished in recent years.

FISCAL RESPONSIBILITY

Budget Reserve Trust Fund

Kentucky's Budget Reserve Trust Fund, its "rainy day fund" balance has never exceeded 3.7 percent of General Fund revenues. The balance at the beginning of fiscal year 2019-20 is \$306.1 million which is 2.6 percent of estimated General Fund revenues. This ranks as the 46th lowest rainy day fund among the 50 states.

To protect and preserve the current low balance of the Budget Reserve Trust Fund, the Executive Budget provides an additional \$10 million, bringing the balance up to \$316.1 million.

Planning for Known Liabilities

To further protect and preserve the Budget Reserve Trust Fund, the Governor's budget recommendation also includes \$25 million in direct appropriations in the current fiscal year for expenses already incurred and known unbudgeted liabilities, such as Judgments against the Commonwealth, Guardian Ad Litem required reimbursements, security for courthouses across the Commonwealth, and actions required at the Maxey Flats nuclear waste disposal site. This action will prevent \$25 million in further reductions to the balance of the Budget Reserve Trust Fund. This is necessary because disposition of the fiscal year 2019 surplus, the traditional source for these unbudgeted expenses, provided no funding.

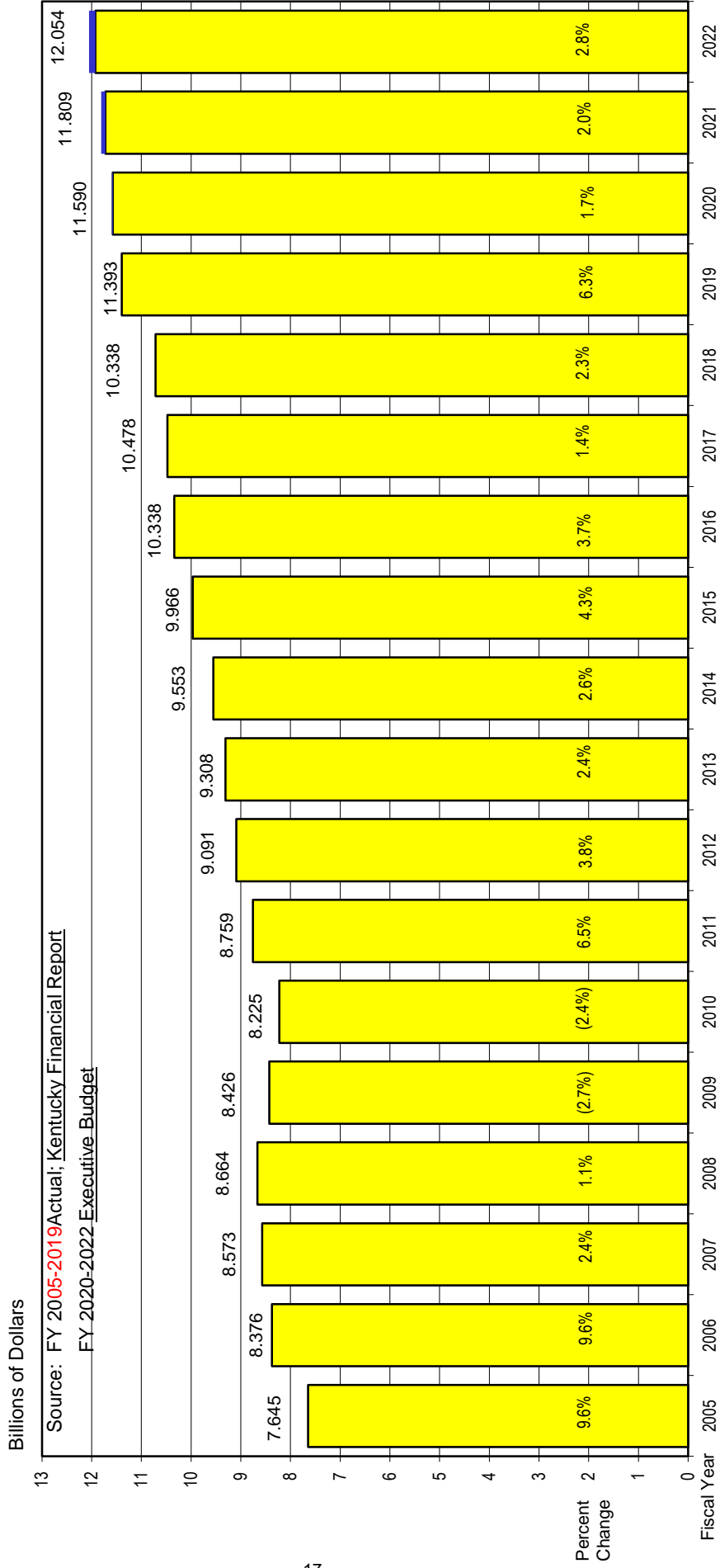
Known Liabilities – Judgments

The Governor's budget includes \$22.5 million each year for known liabilities related to a settlement of a lawsuit. Rather than depend upon a budget surplus or draining the Budget Reserve Trust Fund, this budget provides direct funding.

General Fund Revenue Receipts

Fiscal Years 2005-2022

(Billions of dollars – rounded)

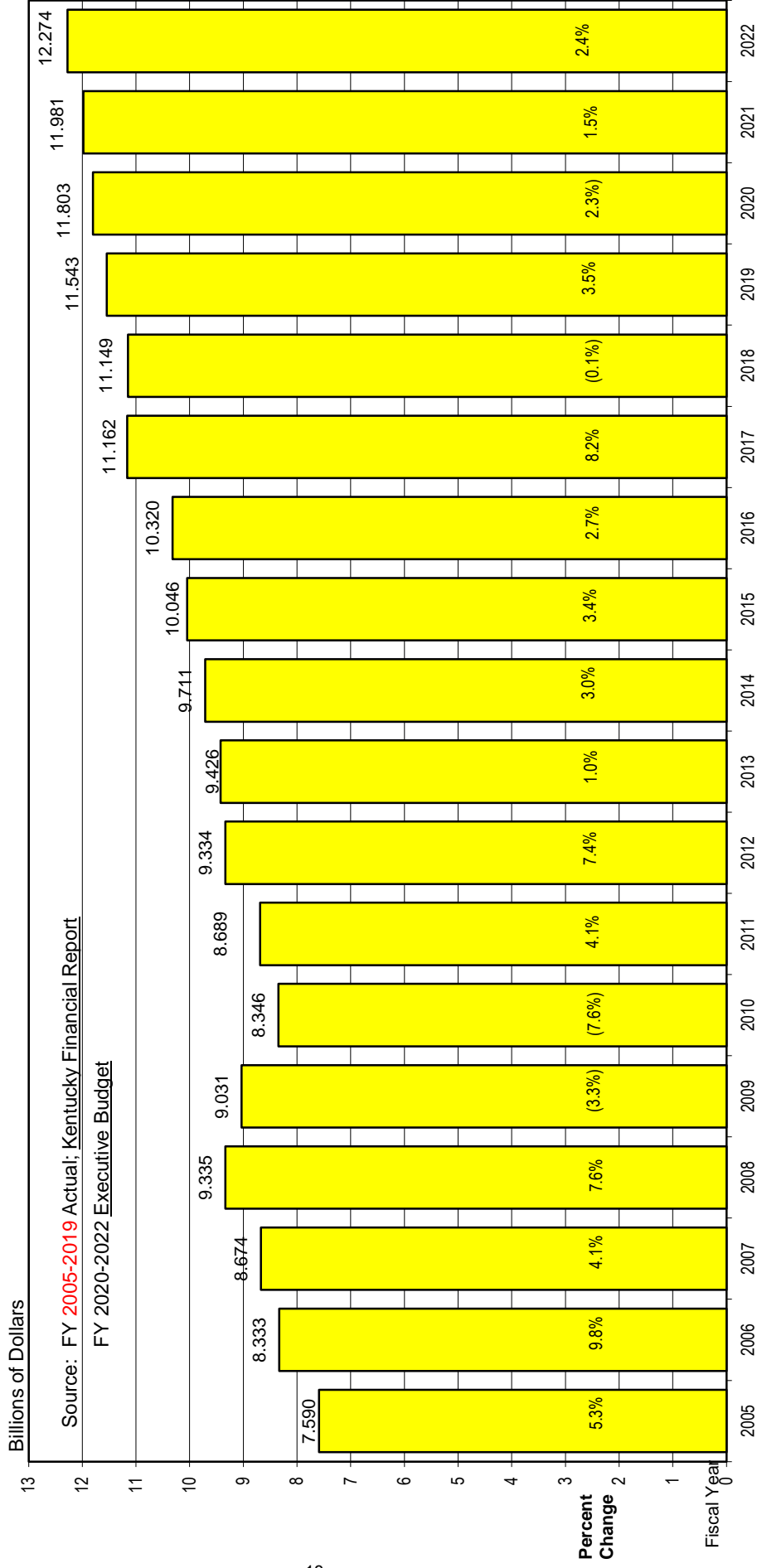


- Excludes Tobacco Settlement – Phase I Funds
- Excludes Fund Transfers

General Fund Expenditures

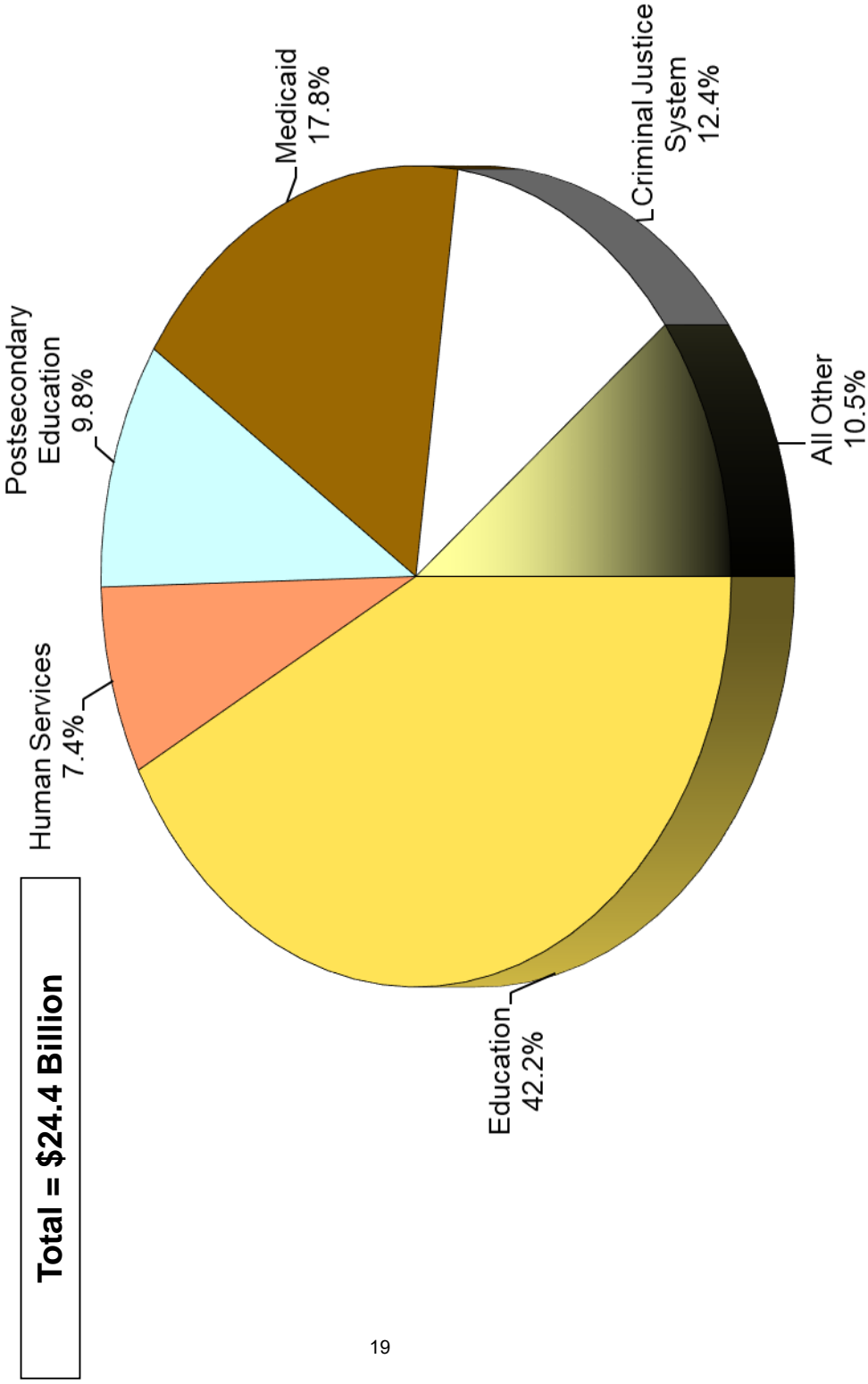
Fiscal Years 2005-2022

(Billions of dollars – rounded)



• Excludes Tobacco Settlement – Phase I Funds

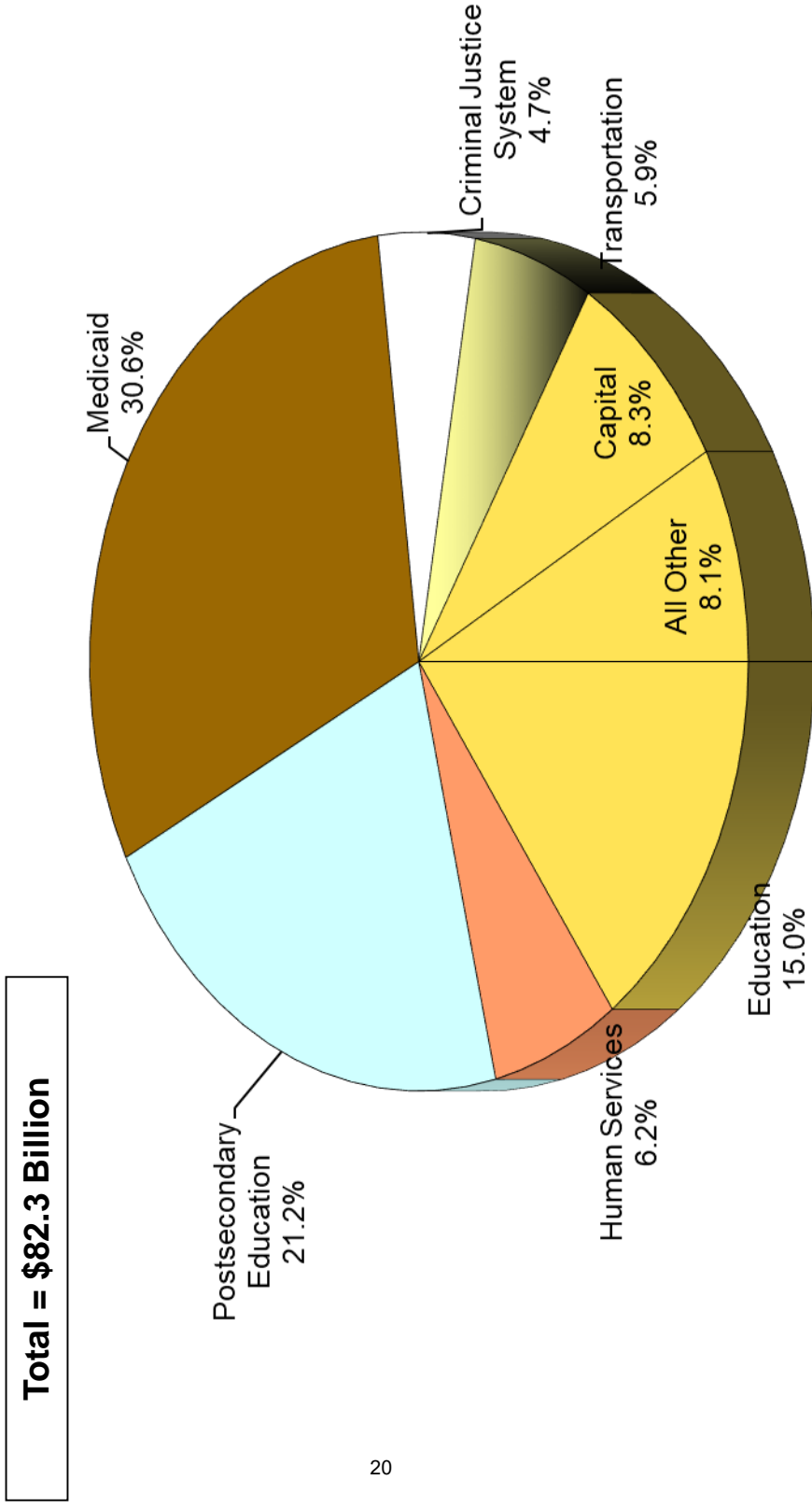
Distribution of General Fund Appropriations



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.

2020-2022 Biennium

Distribution of All Fund Appropriations



* Education includes the Department of Education, Teachers' Retirement System, and the School Facilities Construction Commission.
** 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 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,361,566,700	12,937,155,200	13,202,557,800	11,539,040,900	11,825,999,400
Postsecondary Ed Performance		-81,123,500	-89,986,900		
Surplus Expenditure Plan	130,094,500				
Current Year Appropriation	45,449,300				
Continuing Approp-General Fund	202,891,000	266,090,783	266,090,783	375,290,800	325,290,800
Other	792,000				
Total General Fund	11,740,793,500	13,122,122,483	13,378,661,683	11,914,331,700	12,151,290,200
Tobacco Fund					
Regular Appropriation		100,000	100,000		
Tobacco Settlement - Phase I	120,087,500	119,108,300	114,864,500	108,226,600	104,785,700
Continuing Approp-Tob Settlement	62,788,700	18,824,500	12,061,600	18,773,500	11,989,100
Budget Reduction-Tobacco	-7,200,000				
Total Tobacco Fund	175,676,200	138,032,800	127,026,100	127,000,100	116,774,800
Restricted Funds					
Other		-1,216,100	-949,200		
Balance Forward	862,479,051	744,753,352	663,309,852	744,085,540	576,943,440
Current Receipts	8,126,239,431	8,478,736,100	8,834,658,350	8,526,021,900	8,879,171,600
Non-Revenue Receipts	969,844,958	921,278,100	933,688,600	911,008,800	929,054,400
Fund Transfers	-50,917,800	-3,589,300	-987,400	-120,429,100	-111,009,700
Total Restricted Funds	9,907,645,640	10,139,962,152	10,429,720,202	10,060,687,140	10,274,159,740
Federal Fund					
Balance Forward	-22,710,104	24,116,232	23,174,732	17,285,700	18,082,000
Current Receipts	14,079,818,931	14,252,731,400	14,685,434,203	14,134,516,400	14,291,440,100
Non-Revenue Receipts	2,140,800	-2,540,200	-2,548,100	-2,522,300	-2,530,200
Total Federal Fund	14,059,249,627	14,274,307,432	14,706,060,835	14,149,279,800	14,306,991,900
Road Fund					
Regular Appropriation	1,582,795,600	1,679,989,100	1,700,997,500	1,624,020,000	1,590,121,700
Current Year Appropriation	4,265,500				
Other	9,046,100				
Total Road Fund	1,596,107,200	1,679,989,100	1,700,997,500	1,624,020,000	1,590,121,700
TOTAL SOURCE OF FUNDS	37,479,472,167	39,354,413,967	40,342,466,320	37,875,318,740	38,439,338,340
EXPENDITURES BY CLASS					
Personnel Costs	7,686,706,600	8,452,284,735	8,603,184,150	8,022,734,300	8,277,418,824
Operating Expenses	3,593,325,000	3,899,106,265	4,021,899,953	3,774,892,500	3,930,899,976
Grants Loans Benefits	22,340,981,700	23,439,502,700	24,053,976,100	22,590,558,200	22,905,019,700
Debt Service	1,159,315,800	1,224,616,300	1,192,297,900	1,158,604,800	1,113,696,800
Capital Outlay	272,460,300	302,932,900	306,441,500	284,143,300	294,256,800
Construction	1,206,124,600	1,065,953,100	1,090,241,500	1,094,048,000	1,063,735,500
TOTAL EXPENDITURES	36,258,914,000	38,384,396,000	39,268,041,103	36,924,981,100	37,585,027,600
EXPENDITURES BY FUND SOURCE					
General Fund	11,311,702,700	12,852,791,600	13,110,113,800	11,576,540,700	11,818,082,100
Tobacco Fund	154,869,000	124,117,200	119,135,800	113,084,400	108,884,400
Restricted Funds	9,163,560,100	9,476,122,700	9,786,747,800	9,483,743,700	9,783,911,900
Federal Fund	14,041,963,900	14,251,132,700	14,682,922,003	14,131,197,800	14,287,401,800
Road Fund	1,586,818,300	1,679,989,100	1,700,997,500	1,620,414,500	1,586,747,400
TOTAL EXPENDITURES	36,258,914,000	38,384,153,300	39,399,916,903	36,924,981,100	37,585,027,600

EXPENDITURES BY UNIT

General Government	1,832,884,200	1,996,447,800	2,012,366,600	1,800,655,900	1,819,573,300
Economic Development	38,523,100	55,206,000	55,292,300	33,195,900	36,055,300
Department of Education	5,072,549,500	5,584,485,600	5,588,223,800	5,242,808,800	5,237,065,200
Education and Workforce Development	637,803,200	654,807,500	656,563,100	615,595,100	617,246,200
Energy and Environment	287,082,700	304,400,100	312,322,700	250,970,300	260,749,900
Finance and Administration	945,346,300	1,047,408,700	1,015,807,500	993,182,700	960,474,400
Health and Family Services	14,783,372,600	15,444,959,900	16,019,576,100	15,007,584,100	15,285,043,300
Justice and Public Safety	1,276,297,700	1,532,169,000	1,550,028,200	1,345,687,300	1,369,130,400
Labor	205,714,400	202,789,100	204,395,000	202,693,700	204,407,600
Personnel	61,891,700	64,178,800	64,566,000	64,171,200	64,610,500
Postsecondary Education	8,151,482,100	8,549,211,100	8,947,556,903	8,536,480,700	8,930,169,100
Public Protection	134,598,700	140,293,700	140,756,700	129,067,100	129,301,700
Tourism, Arts and Heritage	261,866,200	300,162,600	302,680,000	275,773,400	281,291,000
Transportation	2,569,501,600	2,507,633,400	2,529,782,000	2,427,114,900	2,389,909,700
TOTAL EXPENDITURES	36,258,914,000	38,384,153,300	39,399,916,903	36,924,981,100	37,585,027,600

General Government

	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,158,282,500	1,416,554,200	1,443,942,800	1,252,971,200	1,277,107,700
Surplus Expenditure Plan	130,094,500				
Current Year Appropriation	21,535,000				
Continuing Approp-General Fund	15,144,400				
Reorganization Adjustment	151,800				
Other	662,000				
Total General Fund	1,325,870,200	1,416,554,200	1,443,942,800	1,252,971,200	1,277,107,700
Tobacco Fund					
Regular Appropriation		100,000	100,000		
Tobacco Settlement - Phase I	40,929,300	38,879,300	38,879,300	35,244,800	35,618,800
Continuing Approp-Tob Settlement	24,801,800	18,824,500	12,061,600	18,773,500	11,989,100
Budget Reduction-Tobacco	-3,279,000				
Reorganization Adjustment	-2,050,000				
Total Tobacco Fund	60,402,100	57,803,800	51,040,900	54,018,300	47,607,900
Restricted Funds					
Other		-1,216,100	-949,200		
Balance Forward	131,011,407	118,472,952	103,930,852	117,737,740	89,056,540
Current Receipts	172,770,400	203,460,800	204,404,200	187,958,100	189,582,800
Non-Revenue Receipts	104,276,233	110,412,900	109,934,700	109,718,400	112,044,200
Fund Transfers	-1,500,000	-460,200	-558,600	-7,900,000	-16,700,000
Total Restricted Funds	406,558,040	430,670,352	416,761,952	407,514,240	373,983,540
Federal Fund					
Balance Forward	3,914,400	11,362,432	7,263,832	4,531,900	2,077,400
Current Receipts	176,620,600	195,042,600	185,869,900	184,171,100	183,869,800
Total Federal Fund	180,535,000	206,405,032	193,133,732	188,703,000	185,947,200
Road Fund					
Regular Appropriation	562,000	567,300	570,100	572,200	575,500
Total Road Fund	562,000	567,300	570,100	572,200	575,500
TOTAL SOURCE OF FUNDS	1,973,927,340	2,112,000,684	2,105,449,484	1,903,778,940	1,885,221,840
EXPENDITURES BY CLASS					
Personnel Costs	419,634,400	512,618,100	519,333,500	447,832,400	454,589,924
Operating Expenses	144,189,300	155,343,500	154,566,800	154,922,700	151,788,776
Grants Loans Benefits	1,022,834,600	1,091,145,500	1,121,894,700	968,562,900	1,000,087,800
Debt Service	225,012,800	213,731,300	195,964,100	211,689,100	198,831,000
Capital Outlay	21,213,100	23,852,100	20,854,100	17,648,800	14,275,800
TOTAL EXPENDITURES	1,832,884,200	1,996,690,500	2,012,613,200	1,800,655,900	1,819,573,300
EXPENDITURES BY FUND SOURCE					
General Fund	1,325,870,200	1,424,029,200	1,451,417,800	1,252,971,200	1,277,107,700
Tobacco Fund	41,628,600	45,814,700	44,936,200	42,029,200	41,503,200
Restricted Funds	288,820,300	326,895,400	326,138,500	318,457,700	314,727,300
Federal Fund	176,003,100	199,141,200	189,304,000	186,625,600	185,659,600
Road Fund	562,000	567,300	570,100	572,200	575,500
TOTAL EXPENDITURES	1,832,884,200	1,996,447,800	2,012,366,600	1,800,655,900	1,819,573,300

EXPENDITURES BY UNIT

Office of the Governor	7,112,400	7,342,100	7,424,800	8,167,100	7,852,000
Office of State Budget Director	3,795,200	3,861,700	4,005,100	3,904,400	4,051,600
Homeland Security	6,025,200	8,458,000	8,319,300	6,045,100	6,051,300
Department of Veterans' Affairs	92,503,000	109,270,400	108,741,600	95,776,700	94,535,000
Governor's Office of Agricultural Policy	41,228,600	45,314,700	44,436,200	41,479,200	40,953,200
Kentucky Infrastructure Authority	64,246,900	80,717,700	69,388,800	63,996,500	64,700,600
Military Affairs	140,127,800	168,410,300	169,065,200	140,320,000	140,445,900
Commission on Human Rights	2,260,600	2,898,700	2,921,700	2,564,200	2,597,600
Commission on Women				357,500	357,500
Department for Local Government	39,942,900	40,352,900	40,430,900	57,745,900	57,828,100
Local Government Economic Assistance Fund	38,624,200	22,825,700	22,825,700	35,275,200	29,583,300
Local Government Economic Development Fund	13,570,500	13,570,500	13,570,500		
Local Government Regional Development Agency Assistance Fund		6,000,000	6,000,000	6,000,000	6,000,000
Executive Branch Ethics Commission	975,700	1,129,600	1,139,700	1,010,900	1,023,300
Secretary of State	5,155,100	5,248,800	5,291,900	5,321,300	5,364,200
Board of Elections	13,176,800	10,060,900	9,539,500	8,985,900	5,455,000
Registry of Election Finance	1,529,400	1,622,000	1,642,000	1,597,700	1,618,500
Attorney General	34,903,400	37,711,900	37,539,600	36,027,200	36,156,400
Unified Prosecutorial System	119,244,300	163,406,700	165,114,700	131,906,500	134,404,500
Treasury	5,781,900	6,479,000	6,523,000	5,902,200	5,943,600
Agriculture	37,956,300	41,897,300	42,178,400	40,177,100	40,445,100
Auditor of Public Accounts	17,698,900	20,345,200	20,636,400	17,928,500	17,996,500
Personnel Board	845,900	868,600	897,900	878,700	909,200
Kentucky Retirement Systems	108,883,200	51,206,900	51,614,700	49,058,300	49,496,600
Occupational & Professional Boards & Commissions	25,516,600	27,483,400	27,731,500	26,820,300	27,117,200
Kentucky River Authority	7,550,000	8,100,700	6,892,100	7,991,000	6,785,500
School Facilities Construction Commission	129,071,300	123,620,600	126,639,700	124,255,800	129,262,000
Teachers' Retirement System	803,463,400	918,093,100	940,443,000	797,720,300	819,095,500
Judgments	16,900,000			22,500,000	22,500,000
Appropriations Not Otherwise Classified	19,026,400	20,526,400	20,526,400	14,526,400	14,526,400
KY Communications Network Authority	35,768,300	49,624,000	50,886,300	46,416,000	46,517,700
TOTAL EXPENDITURES	1,832,884,200	1,996,447,800	2,012,366,600	1,800,655,900	1,819,573,300

Economic Development
Economic Development

	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	25,606,300	51,875,000	51,972,000	29,244,500	32,842,800
Continuing Approp-General Fund	8,200,000				
Total General Fund	33,806,300	51,875,000	51,972,000	29,244,500	32,842,800
Restricted Funds					
Balance Forward	2,549,200	976,000	1,046,000	976,000	351,000
Current Receipts	2,743,600	3,094,600	3,127,800	3,020,000	3,020,000
Total Restricted Funds	5,292,800	4,070,600	4,173,800	3,996,000	3,371,000
Federal Fund					
Balance Forward	-127,900	124,400	122,400	124,400	122,400
Current Receipts	652,300	304,400	261,000	304,400	261,000
Total Federal Fund	524,400	428,800	383,400	428,800	383,400
TOTAL SOURCE OF FUNDS	39,623,500	56,374,400	56,529,200	33,669,300	36,597,200
EXPENDITURES BY CLASS					
Personnel Costs	13,523,200	16,729,700	16,859,300	12,347,700	12,479,900
Operating Expenses	2,561,800	4,864,500	4,821,200	3,939,800	3,869,600
Grants Loans Benefits	22,438,100	33,611,800	33,611,800	15,373,900	15,373,800
Debt Service				1,534,500	4,332,000
TOTAL EXPENDITURES	38,523,100	55,206,000	55,292,300	33,195,900	36,055,300
EXPENDITURES BY FUND SOURCE					
General Fund	33,806,300	51,875,000	51,972,000	29,244,500	32,842,800
Restricted Funds	4,316,800	3,024,600	3,057,800	3,645,000	2,950,000
Federal Fund	400,000	306,400	262,500	306,400	262,500
TOTAL EXPENDITURES	38,523,100	55,206,000	55,292,300	33,195,900	36,055,300
EXPENDITURES BY UNIT					
Economic Development	38,523,100	55,206,000	55,292,300	33,195,900	36,055,300
TOTAL EXPENDITURES	38,523,100	55,206,000	55,292,300	33,195,900	36,055,300

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 \$400,000 in each fiscal year for the Louisville Waterfront Development Corporation.

The Executive Budget includes General Fund of \$1,962,100 in fiscal year 2020-2021 and \$1,962,000 in fiscal year 2021-2022 for the Economic Development Venture Fund.

The Executive Budget includes additional General Fund in the amount of \$304,500 in fiscal year 2021 and \$332,200 in fiscal year 2022 to fund the cost increases of actuarially determined contribution.

The Executive Budget includes additional General Fund in the amount of \$36,700 in fiscal year 2021 and \$106,600 in fiscal year 2022 to fund cost increases associated with providing a 1% increment each year.

The Executive Budget includes General Fund debt service in the amount of \$1,534,500 in fiscal year 2020-2021 and \$4,332,000 in fiscal year 2021-2022 to support new bonds as set forth in Part II, Capital Projects Budget.

Department of Education
Department of Education

	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,124,254,500	4,562,825,100	4,565,778,100	4,165,548,300	4,209,219,500
Continuing Approp-General Fund				67,800,000	8,500,000
Reorganization Adjustment	3,643,800				
Total General Fund	4,127,898,300	4,562,825,100	4,565,778,100	4,233,348,300	4,217,719,500
Restricted Funds					
Balance Forward	16,171,944				
Current Receipts	5,838,531	22,711,800	23,304,900	22,711,800	23,304,900
Non-Revenue Receipts	21,410,425	27,220,500	27,304,400	23,720,500	24,204,400
Fund Transfers				-200,000	
Total Restricted Funds	43,420,900	49,932,300	50,609,300	46,232,300	47,509,300
Federal Fund					
Balance Forward	171,000				
Current Receipts	968,859,300	971,728,200	971,836,400	971,728,200	971,836,400
Total Federal Fund	969,030,300	971,728,200	971,836,400	971,728,200	971,836,400
TOTAL SOURCE OF FUNDS	5,140,349,500	5,584,485,600	5,588,223,800	5,251,308,800	5,237,065,200
EXPENDITURES BY CLASS					
Personnel Costs	133,557,500	143,143,000	147,095,100	124,433,700	126,626,700
Operating Expenses	33,184,400	35,299,600	35,306,700	34,320,700	34,466,300
Grants Loans Benefits	4,905,807,600	5,406,043,000	5,405,822,000	5,083,052,400	5,073,570,200
Debt Service				1,002,000	2,402,000
TOTAL EXPENDITURES	5,072,549,500	5,584,485,600	5,588,223,800	5,242,808,800	5,237,065,200
EXPENDITURES BY FUND SOURCE					
General Fund	4,060,098,300	4,562,825,100	4,565,778,100	4,224,848,300	4,217,719,500
Restricted Funds	43,420,900	49,932,300	50,609,300	46,232,300	47,509,300
Federal Fund	969,030,300	971,728,200	971,836,400	971,728,200	971,836,400
TOTAL EXPENDITURES	5,072,549,500	5,584,485,600	5,588,223,800	5,242,808,800	5,237,065,200
EXPENDITURES BY UNIT					
Support Education Excellence in Kentucky (SEEK)	2,962,480,900	3,363,724,400	3,337,422,200	3,120,599,700	3,086,996,400
Operations and Support Services	474,184,900	492,301,300	495,543,100	475,797,400	478,671,900
Learning and Results Services	1,635,883,700	1,728,459,900	1,755,258,500	1,646,411,700	1,671,396,900
TOTAL EXPENDITURES	5,072,549,500	5,584,485,600	5,588,223,800	5,242,808,800	5,237,065,200

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 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	34,372,900	85,139,200	87,091,400	69,698,100	72,992,200
Continuing Approp-General Fund	4,283,800				
Reorganization Adjustment	34,335,400				
Total General Fund	72,992,100	85,139,200	87,091,400	69,698,100	72,992,200
Tobacco Fund					
Tobacco Settlement - Phase I		2,078,500	2,091,700	2,050,000	2,050,000
Continuing Approp-Tob Settlement	3,912,300				
Reorganization Adjustment	2,050,000				
Total Tobacco Fund	5,962,300	2,078,500	2,091,700	2,050,000	2,050,000
Restricted Funds					
Balance Forward	10,835,600	12,791,500	9,234,700	8,870,000	6,812,300
Current Receipts	21,604,600	20,767,300	20,686,600	35,843,600	35,808,900
Non-Revenue Receipts	6,611,900	29,440,300	29,441,000	-7,909,700	-7,909,000
Total Restricted Funds	39,052,100	62,999,100	59,362,300	36,803,900	34,712,200
Federal Fund					
Balance Forward	-2,751,800				
Current Receipts	534,843,700	513,825,400	514,261,600	513,855,400	514,255,600
Non-Revenue Receipts	-3,425,200				
Total Federal Fund	528,666,700	513,825,400	514,261,600	513,855,400	514,255,600
TOTAL SOURCE OF FUNDS	646,673,200	664,042,200	662,807,000	622,407,400	624,010,000
EXPENDITURES BY CLASS					
Personnel Costs	101,148,300	109,272,700	111,894,800	104,763,100	107,313,300
Operating Expenses	35,313,400	35,467,900	35,297,300	35,316,200	35,015,300
Grants Loans Benefits	501,284,400	501,593,800	500,897,900	475,414,700	474,773,500
Debt Service		8,416,000	8,416,000	44,000	87,000
Capital Outlay	57,100	57,100	57,100	57,100	57,100
TOTAL EXPENDITURES	637,803,200	654,807,500	656,563,100	615,595,100	617,246,200
EXPENDITURES BY FUND SOURCE					
General Fund	72,992,100	85,139,200	87,091,400	69,698,100	72,992,200
Tobacco Fund	5,962,300	2,078,500	2,091,700	2,050,000	2,050,000
Restricted Funds	30,182,100	53,764,400	53,118,400	29,991,600	27,948,400
Federal Fund	528,666,700	513,825,400	514,261,600	513,855,400	514,255,600
TOTAL EXPENDITURES	637,803,200	654,807,500	656,563,100	615,595,100	617,246,200
EXPENDITURES BY UNIT					
General Administration and Program Support	30,074,500	37,949,500	39,450,900	28,122,800	29,634,300
Commission on Proprietary Education	323,900	329,500	331,800	332,800	335,400
Deaf and Hard of Hearing	2,149,700	2,467,200	2,484,300	2,180,900	2,193,000
Kentucky Educational Television	16,560,900	17,272,300	17,454,000	17,144,200	17,383,400
Environmental Education Council	815,700	820,700	823,100	823,300	826,000
Libraries and Archives	19,748,300	20,573,400	19,940,200	18,522,000	17,886,600
Department of Workforce Investment	568,130,200	575,394,900	576,078,800	548,469,100	548,987,500
TOTAL EXPENDITURES	637,803,200	654,807,500	656,563,100	615,595,100	617,246,200

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
- 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 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	88,054,000	103,169,800	105,252,300	91,186,200	98,309,400
Current Year Appropriation	700,000				
Continuing Approp-General Fund	1,798,500			1,400,000	700,000
Reorganization Adjustment	2,049,300				
Total General Fund	92,601,800	103,169,800	105,252,300	92,586,200	99,009,400
Tobacco Fund					
Tobacco Settlement - Phase I	3,757,300	3,757,300	3,757,300	3,386,800	3,423,400
Continuing Approp-Tob Settlement	14,348,300				
Budget Reduction-Tobacco	-321,000				
Total Tobacco Fund	17,784,600	3,757,300	3,757,300	3,386,800	3,423,400
Restricted Funds					
Balance Forward	52,262,400	41,447,600	42,171,000	46,270,000	14,945,500
Current Receipts	27,361,700	29,864,600	29,801,900	27,557,400	27,188,600
Non-Revenue Receipts	74,750,400	76,620,700	83,338,800	72,531,200	80,443,700
Fund Transfers	-14,500,000			-56,500,000	-40,000,000
Total Restricted Funds	139,874,500	147,932,900	155,311,700	89,858,600	82,577,800
Federal Fund					
Balance Forward	-2,970,100				
Current Receipts	89,057,200	93,720,400	93,729,900	89,960,800	89,580,600
Non-Revenue Receipts	4,569,000	-2,330,200	-2,338,100	-2,312,300	-2,320,200
Total Federal Fund	90,656,100	91,390,200	91,391,800	87,648,500	87,260,400
Road Fund					
Regular Appropriation	320,900	320,900	320,900	320,900	320,900
Total Road Fund	320,900	320,900	320,900	320,900	320,900
TOTAL SOURCE OF FUNDS	341,237,900	346,571,100	356,034,000	273,801,000	272,591,900
EXPENDITURES BY CLASS					
Personnel Costs	160,921,800	177,211,000	179,763,800	152,981,400	154,912,500
Operating Expenses	38,737,900	44,279,300	44,188,400	22,683,700	20,890,600
Grants Loans Benefits	40,535,500	34,897,100	41,263,600	30,741,700	38,422,800
Debt Service				1,176,000	3,528,000
Capital Outlay	7,117,000	7,035,400	6,268,600	3,910,200	3,657,700
Construction	39,770,500	40,977,300	40,838,300	39,477,300	39,338,300
TOTAL EXPENDITURES	287,082,700	304,400,100	312,322,700	250,970,300	260,749,900
EXPENDITURES BY FUND SOURCE					
General Fund	84,716,600	103,169,800	105,252,300	84,701,000	91,824,200
Tobacco Fund	17,784,600	3,757,300	3,757,300	3,386,800	3,423,400
Restricted Funds	93,604,500	105,761,900	111,600,400	74,913,100	77,921,000
Federal Fund	90,656,100	91,390,200	91,391,800	87,648,500	87,260,400
Road Fund	320,900	320,900	320,900	320,900	320,900
TOTAL EXPENDITURES	287,082,700	304,400,100	312,322,700	250,970,300	260,749,900
EXPENDITURES BY UNIT					
Secretary	7,179,100	14,737,500	21,622,600	12,452,500	20,736,600
Environmental Protection	120,002,900	132,930,100	133,489,300	96,742,800	98,179,700
Natural Resources	130,928,200	123,969,800	124,302,000	114,045,900	114,140,500
Public Service Commission	11,768,300	13,294,100	13,487,700	11,954,700	12,081,000
Office of Administrative Services	11,469,200	13,440,200	13,595,700	11,029,400	11,113,000
Office of KY Nature Preserves	3,481,300	3,624,500	3,551,300	2,780,200	2,680,100
Office of Energy Policy	2,253,700	2,403,900	2,274,100	1,964,800	1,819,000
TOTAL EXPENDITURES	287,082,700	304,400,100	312,322,700	250,970,300	260,749,900

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 two departments: Environmental Protection and Natural Resources. The Cabinet has three offices: the Office of the Secretary, the Office of Energy Policy, and the Office of Kentucky Nature Preserves. Attached for administrative purposes are the Mine Safety Review 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

Finance and Administration

	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	702,674,300	732,481,600	703,620,500	698,784,700	674,925,100
Special Appropriation	3,181,500				
Current Year Appropriation	2,800,000				
Total General Fund	708,655,800	732,481,600	703,620,500	698,784,700	674,925,100
Tobacco Fund					
Tobacco Settlement - Phase I	32,128,700	31,113,200	26,853,200	31,113,200	26,851,200
Total Tobacco Fund	32,128,700	31,113,200	26,853,200	31,113,200	26,851,200
Restricted Funds					
Balance Forward	40,603,100	34,981,300	27,236,500	34,855,400	23,395,300
Current Receipts	238,165,300	280,920,500	280,964,200	254,540,800	253,627,100
Non-Revenue Receipts	3,015,600	3,747,300	3,767,200	3,263,200	3,283,300
Fund Transfers	-2,800,000			-2,950,000	-250,000
Total Restricted Funds	278,984,000	319,649,100	311,967,900	289,709,400	280,055,700
Federal Fund					
Balance Forward	3,069				
Current Receipts	391,231	150,400	150,400	150,400	150,400
Total Federal Fund	394,300	150,400	150,400	150,400	150,400
Road Fund					
Regular Appropriation	3,887,400	3,892,400	3,894,700	4,061,900	4,122,200
Total Road Fund	3,887,400	3,892,400	3,894,700	4,061,900	4,122,200
TOTAL SOURCE OF FUNDS	1,024,050,200	1,087,286,700	1,046,486,700	1,023,819,600	986,104,600
EXPENDITURES BY CLASS					
Personnel Costs	272,415,100	326,418,000	330,218,300	290,956,500	303,203,700
Operating Expenses	150,657,000	181,284,800	181,576,000	162,852,400	161,993,500
Grants Loans Benefits	1,052,500	1,052,500	1,052,500	1,052,500	1,052,500
Debt Service	500,733,500	515,585,800	479,923,100	516,142,700	472,465,400
Capital Outlay	20,488,200	23,067,600	23,037,600	22,178,600	21,759,300
TOTAL EXPENDITURES	945,346,300	1,047,408,700	1,015,807,500	993,182,700	960,474,400
EXPENDITURES BY FUND SOURCE					
General Fund	666,841,000	721,766,600	693,688,400	693,469,700	664,993,000
Tobacco Fund	30,095,000	29,186,700	25,067,600	29,186,600	25,065,500
Restricted Funds	244,128,600	292,412,600	293,006,400	266,314,100	266,143,300
Federal Fund	394,300	150,400	150,400	150,400	150,400
Road Fund	3,887,400	3,892,400	3,894,700	4,061,900	4,122,200
TOTAL EXPENDITURES	945,346,300	1,047,408,700	1,015,807,500	993,182,700	960,474,400
EXPENDITURES BY UNIT					
General Administration	38,819,900	38,585,600	38,771,100	37,387,900	37,579,500
Controller	19,627,800	22,809,700	22,864,000	21,154,900	21,242,400
Office of Inspector General	1,379,800	1,531,600	1,539,500	1,522,100	1,538,300
Debt Service	500,733,500	515,585,800	470,850,000	515,585,700	470,415,400
Facilities and Support Services	52,448,100	63,504,300	70,532,400	61,660,200	63,408,200
County Costs	24,246,000	24,284,300	24,284,300	21,446,000	21,446,000
Commonwealth Office of Technology	130,606,300	168,159,100	171,026,400	149,235,500	148,760,900
Revenue	117,846,000	139,926,500	141,585,500	122,343,700	131,592,500
Property Valuation Administrators	59,638,900	73,021,800	74,354,300	62,846,700	64,491,200
TOTAL EXPENDITURES	945,346,300	1,047,408,700	1,015,807,500	993,182,700	960,474,400

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 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,870,293,300	3,416,150,400	3,621,015,200	2,975,708,300	3,167,763,400
Reorganization Adjustment	-151,800				
Total General Fund	2,870,141,500	3,416,150,400	3,621,015,200	2,975,708,300	3,167,763,400
Tobacco Fund					
Tobacco Settlement - Phase I	29,222,900	29,222,900	29,222,900	23,997,100	24,275,000
Continuing Approp-Tob Settlement	14,467,200				
Budget Reduction-Tobacco	-2,436,700				
Total Tobacco Fund	41,253,400	29,222,900	29,222,900	23,997,100	24,275,000
Restricted Funds					
Balance Forward	91,546,900	117,573,600	47,597,200	117,573,600	45,602,000
Current Receipts	904,075,400	801,481,400	801,806,800	881,544,300	880,038,900
Non-Revenue Receipts	435,904,000	397,056,100	400,191,000	417,448,200	420,288,600
Total Restricted Funds	1,431,526,300	1,316,111,100	1,249,595,000	1,416,566,100	1,345,929,500
Federal Fund					
Balance Forward	-23,187,000	3,400	1,300	3,400	1,300
Current Receipts	10,581,215,500	10,731,070,600	11,139,623,600	10,636,912,500	10,764,987,000
Non-Revenue Receipts	-100				
Total Federal Fund	10,558,028,400	10,731,074,000	11,139,624,900	10,636,915,900	10,764,988,300
TOTAL SOURCE OF FUNDS	14,900,949,600	15,492,558,400	16,039,458,000	15,053,187,400	15,302,956,200
EXPENDITURES BY CLASS					
Personnel Costs	959,748,200	1,144,523,300	1,142,144,400	1,020,364,000	1,042,693,400
Operating Expenses	140,691,300	151,046,900	151,142,000	132,466,600	132,190,100
Grants Loans Benefits	13,671,429,100	14,136,307,100	14,702,739,300	13,842,247,300	14,097,033,300
Debt Service	11,256,200	11,257,600	23,417,100	11,752,700	12,993,200
Capital Outlay	247,800	1,825,000	133,300	753,500	133,300
TOTAL EXPENDITURES	14,783,372,600	15,444,959,900	16,019,576,100	15,007,584,100	15,285,043,300
EXPENDITURES BY FUND SOURCE					
General Fund	2,870,141,500	3,416,150,400	3,621,015,200	2,975,708,300	3,167,763,400
Tobacco Fund	41,253,400	29,222,900	29,222,900	23,997,100	24,275,000
Restricted Funds	1,313,952,700	1,268,513,900	1,229,713,100	1,370,964,100	1,328,016,600
Federal Fund	10,558,025,000	10,731,072,700	11,139,624,900	10,636,914,600	10,764,988,300
TOTAL EXPENDITURES	14,783,372,600	15,444,959,900	16,019,576,100	15,007,584,100	15,285,043,300
EXPENDITURES BY UNIT					
General Administration and Program Support	100,673,500	110,471,800	114,775,200	110,841,800	112,532,500
Aging and Independent Living	72,236,900	91,266,900	91,486,500	73,456,000	73,677,300
Income Support	110,404,100	121,314,500	121,808,900	111,547,400	112,496,300
Public Health	380,843,300	417,370,500	419,243,100	386,653,600	387,425,400
Behavioral Health, Developmental & Intellectual Disabilities	464,055,000	520,143,200	521,301,500	444,711,300	432,702,900
Family Resource Centers and Volunteer Services	18,389,700	19,879,700	19,904,900	18,456,000	18,480,700
Community Based Services	1,338,820,000	1,429,492,400	1,463,609,300	1,384,791,600	1,407,453,900
Medicaid Services	12,258,055,500	12,693,531,800	13,226,380,600	12,445,952,500	12,709,580,000
Office for Children with Special Health Care Needs	21,292,500	23,370,500	22,920,200	19,952,600	19,454,000
Office of Health Data and Analytics	18,602,100	18,118,600	18,145,900	11,221,300	11,240,300
TOTAL EXPENDITURES	14,783,372,600	15,444,959,900	16,019,576,100	15,007,584,100	15,285,043,300

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 the Inspector General, Office of Legal Services, Office of Administrative Services, Office of Application Technology Services, Office of Human Resource Management, Office of Finance and Budget, Office of Legislative and Regulatory Affairs, Office of Ombudsman and Administrative Review, and Office of Public Affairs which comprise the Administration and Program Support appropriation unit. Remaining agencies/appropriation units within the Cabinet include the Office of Health Data and Analytics; 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 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	921,059,400	1,145,597,800	1,166,396,400	971,029,800	994,021,600
Current Year Appropriation	17,216,900				
Continuing Approp-General Fund	2,700				
Total General Fund	938,279,000	1,145,597,800	1,166,396,400	971,029,800	994,021,600
Tobacco Fund					
Tobacco Settlement - Phase I	7,362,800	7,370,600	7,373,600	6,516,600	6,586,100
Continuing Approp-Tob Settlement	4,616,800				
Budget Reduction-Tobacco	-609,600				
Total Tobacco Fund	11,370,000	7,370,600	7,373,600	6,516,600	6,586,100
Restricted Funds					
Balance Forward	44,362,900	42,441,900	24,759,200	44,011,700	35,593,300
Current Receipts	54,931,800	56,545,600	56,941,200	56,704,800	57,100,400
Non-Revenue Receipts	110,364,600	116,082,700	117,494,900	118,565,200	122,627,100
Fund Transfers					-2,452,100
Total Restricted Funds	209,659,300	215,070,200	199,195,300	219,281,700	212,868,700
Federal Fund					
Balance Forward	-5,218,500	1,371,700	775,100	1,371,700	775,100
Current Receipts	65,466,000	71,007,300	71,052,200	70,335,200	70,387,300
Non-Revenue Receipts	863,200				
Total Federal Fund	61,110,700	72,379,000	71,827,300	71,706,900	71,162,400
Road Fund					
Regular Appropriation	106,762,100	117,285,700	120,101,400	113,520,700	116,885,400
Total Road Fund	106,762,100	117,285,700	120,101,400	113,520,700	116,885,400
TOTAL SOURCE OF FUNDS	1,327,181,100	1,557,703,300	1,564,894,000	1,382,055,700	1,401,524,200
EXPENDITURES BY CLASS					
Personnel Costs	705,110,600	876,118,600	891,439,700	752,314,600	765,689,400
Operating Expenses	148,819,800	180,940,900	181,675,200	157,577,800	157,003,500
Grants Loans Benefits	403,764,300	440,796,400	443,955,300	421,713,800	427,681,200
Debt Service	1,492,400	16,471,200	19,336,400	1,757,500	6,444,700
Capital Outlay	17,110,600	17,841,900	13,621,600	12,323,600	12,311,600
TOTAL EXPENDITURES	1,276,297,700	1,532,169,000	1,550,028,200	1,345,687,300	1,369,130,400
EXPENDITURES BY FUND SOURCE					
General Fund	932,779,000	1,145,597,800	1,166,396,400	971,029,800	994,021,600
Tobacco Fund	11,370,000	7,370,600	7,373,600	6,516,600	6,586,100
Restricted Funds	165,647,600	190,311,000	184,553,800	183,688,400	180,699,200
Federal Fund	59,739,000	71,603,900	71,603,000	70,931,800	70,938,100
Road Fund	106,762,100	117,285,700	120,101,400	113,520,700	116,885,400
TOTAL EXPENDITURES	1,276,297,700	1,532,169,000	1,550,028,200	1,345,687,300	1,369,130,400
EXPENDITURES BY UNIT					
Justice Administration	84,508,700	100,776,300	100,608,300	92,466,000	92,440,500
Criminal Justice Training	82,954,500	100,645,300	98,339,400	91,466,300	93,158,000
Juvenile Justice	119,297,100	136,628,800	137,844,400	125,423,600	127,252,700
State Police	272,274,700	359,915,600	371,009,400	291,997,000	303,172,900
Corrections	644,589,100	741,246,000	747,304,500	668,103,400	675,988,500
Public Advocacy	72,673,600	92,957,000	94,922,200	76,231,000	77,117,800
TOTAL EXPENDITURES	1,276,297,700	1,532,169,000	1,550,028,200	1,345,687,300	1,369,130,400

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.

	Labor				
	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,008,200	2,728,000	2,728,000	2,235,400	2,264,900
Reorganization Adjustment	-3,280,200				
Total General Fund	2,728,000	2,728,000	2,728,000	2,235,400	2,264,900
Restricted Funds					
Balance Forward	24,269,500				
Current Receipts	89,481,300	102,262,500	103,069,500	102,035,300	102,881,900
Non-Revenue Receipts	85,748,600	94,311,600	95,110,500	94,074,200	94,912,000
Total Restricted Funds	199,499,400	196,574,100	198,180,000	196,109,500	197,793,900
Federal Fund					
Current Receipts	3,487,000	3,487,000	3,487,000	4,348,800	4,348,800
Total Federal Fund	3,487,000	3,487,000	3,487,000	4,348,800	4,348,800
TOTAL SOURCE OF FUNDS	205,714,400	202,789,100	204,395,000	202,693,700	204,407,600
EXPENDITURES BY CLASS					
Personnel Costs	134,995,300	142,931,700	144,573,300	143,242,100	144,963,700
Operating Expenses	16,109,300	5,399,400	5,363,700	4,993,600	4,985,900
Grants Loans Benefits	54,358,000	54,358,000	54,358,000	54,358,000	54,358,000
Capital Outlay	251,800	100,000	100,000	100,000	100,000
TOTAL EXPENDITURES	205,714,400	202,789,100	204,395,000	202,693,700	204,407,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,728,000	2,728,000	2,728,000	2,235,400	2,264,900
Restricted Funds	199,499,400	196,574,100	198,180,000	196,109,500	197,793,900
Federal Fund	3,487,000	3,487,000	3,487,000	4,348,800	4,348,800
TOTAL EXPENDITURES	205,714,400	202,789,100	204,395,000	202,693,700	204,407,600
EXPENDITURES BY UNIT					
Secretary	11,206,500	12,441,700	12,669,200	12,203,800	12,471,200
Workplace Standards	14,349,700	14,376,700	14,573,200	14,528,800	14,759,400
Workers' Claims	72,456,800	71,109,900	71,445,600	71,287,000	71,615,300
Occupational Safety and Health Review Commission	697,500	710,300	717,800	718,100	726,400
Workers' Compensation Funding Commission	107,002,800	104,149,400	104,988,100	103,954,900	104,834,200
Workers' Compensation Nominating Committee	1,100	1,100	1,100	1,100	1,100
TOTAL EXPENDITURES	205,714,400	202,789,100	204,395,000	202,693,700	204,407,600

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. Workers' Claims 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 received by the Workers Compensation Funding Commission and are 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 Employers' Mutual Insurance Authority, the Workers' Compensation Nominating Commission, and the Workers' Compensation Board.

		Personnel			
		Personnel			
	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	23,534,400	20,447,000	14,606,000	20,447,000	14,613,600
Current Receipts	52,123,200	50,835,500	48,098,600	50,835,500	48,098,500
Non-Revenue Receipts	9,374,900	10,193,000	10,255,700	10,193,000	10,255,700
Fund Transfers	-2,693,800	-2,690,700		-2,690,700	
Total Restricted Funds	82,338,700	78,784,800	72,960,300	78,784,800	72,967,800
TOTAL SOURCE OF FUNDS	82,338,700	78,784,800	72,960,300	78,784,800	72,967,800
EXPENDITURES BY CLASS					
Personnel Costs	55,426,700	56,986,000	57,310,500	57,304,000	57,715,500
Operating Expenses	6,465,000	7,192,800	7,255,500	6,867,200	6,895,000
TOTAL EXPENDITURES	61,891,700	64,178,800	64,566,000	64,171,200	64,610,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	61,891,700	64,178,800	64,566,000	64,171,200	64,610,500
TOTAL EXPENDITURES	61,891,700	64,178,800	64,566,000	64,171,200	64,610,500
EXPENDITURES BY UNIT					
General Operations	29,811,500	31,622,200	31,937,900	31,618,200	31,973,800
Public Employees Deferred Compensation Authority	7,961,000	8,294,100	8,322,000	8,290,600	8,330,500
Workers' Compensation Benefits and Reserve	24,119,200	24,262,500	24,306,100	24,262,400	24,306,200
TOTAL EXPENDITURES	61,891,700	64,178,800	64,566,000	64,171,200	64,610,500

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 four appropriation units: General Operations, Public Employees Deferred Compensation Authority, Workers' Compensation Benefits and Reserve, 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 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,135,159,000	1,287,833,700	1,321,357,500	1,181,199,300	1,199,361,300
Postsecondary Ed Performance		-81,123,500	-89,986,900		
Current Year Appropriation	497,400				
Continuing Approp-General Fund	42,426,400				
Reorganization Adjustment	-18,407,400				
Other	15,000,000				
Total General Fund	1,174,675,400	1,206,710,200	1,231,370,600	1,181,199,300	1,199,361,300
Tobacco Fund					
Tobacco Settlement - Phase I	6,686,500	6,686,500	6,686,500	5,918,100	5,981,200
Continuing Approp-Tob Settlement	642,300				
Budget Reduction-Tobacco	-553,700				
Total Tobacco Fund	6,775,100	6,686,500	6,686,500	5,918,100	5,981,200
Restricted Funds					
Balance Forward	7,328,700	4,150,000	3,002,900	4,150,000	1,413,000
Current Receipts	6,111,787,400	6,454,910,400	6,807,896,000	6,452,265,000	6,805,807,500
Non-Revenue Receipts	17,328,200	2,011,600	1,669,600	15,433,000	15,433,000
Total Restricted Funds	6,136,444,300	6,461,072,000	6,812,568,500	6,471,848,000	6,822,653,500
Federal Fund					
Balance Forward	22,900	23,800	23,800	23,800	23,800
Current Receipts	837,738,200	878,430,900	902,654,303	878,928,300	903,151,800
Total Federal Fund	837,761,100	878,454,700	902,678,103	878,952,100	903,175,600
TOTAL SOURCE OF FUNDS	8,155,655,900	8,552,923,400	8,953,303,703	8,537,917,500	8,931,171,600
EXPENDITURES BY CLASS					
Personnel Costs	3,887,260,400	4,069,556,635	4,176,403,150	4,087,087,200	4,269,547,500
Operating Expenses	2,517,908,900	2,645,356,765	2,765,750,253	2,669,110,300	2,830,327,200
Grants Loans Benefits	1,375,032,500	1,408,335,000	1,417,426,700	1,388,048,500	1,416,388,200
Debt Service	171,929,400	210,622,400	225,282,100	176,883,900	183,341,100
Capital Outlay	199,350,900	215,340,300	230,572,300	215,350,800	230,565,100
TOTAL EXPENDITURES	8,151,482,100	8,549,211,100	8,815,434,503	8,536,480,700	8,930,169,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,174,675,400	1,206,710,100	1,231,370,600	1,181,199,300	1,199,361,300
Tobacco Fund	6,775,100	6,686,500	6,686,500	5,918,100	5,981,200
Restricted Funds	6,132,294,300	6,457,383,600	6,807,039,500	6,470,435,000	6,821,674,800
Federal Fund	837,737,300	878,430,900	902,460,303	878,928,300	903,151,800
TOTAL EXPENDITURES	8,151,482,100	8,549,211,100	8,947,556,903	8,536,480,700	8,930,169,100
EXPENDITURES BY UNIT					
Council on Postsecondary Education	32,402,400	50,357,900	67,022,600	34,756,400	45,156,700
Kentucky Higher Education Assistance Authority	332,066,200	328,049,900	335,873,800	306,745,300	312,745,300
Postsecondary Education Institutions	7,787,013,500	8,170,803,300	8,544,660,503	8,194,979,000	8,572,267,100
TOTAL EXPENDITURES	8,151,482,100	8,549,211,100	8,947,556,903	8,536,480,700	8,930,169,100

	Public Protection				
	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,178,100	10,136,900	10,207,500	6,660,400	8,276,200
Reorganization Adjustment	652,700				
Total General Fund	7,830,800	10,136,900	10,207,500	6,660,400	8,276,200
Restricted Funds					
Balance Forward	116,330,700	108,961,000	119,808,100	106,683,600	85,953,900
Current Receipts	100,984,200	102,149,800	103,059,250	103,382,700	104,313,800
Non-Revenue Receipts	37,739,400	37,656,900	37,656,900	35,947,100	35,947,500
Fund Transfers	-23,000,000			-38,850,000	-38,850,000
Total Restricted Funds	232,054,300	248,767,700	260,524,250	207,163,400	187,365,200
Federal Fund					
Balance Forward	-37,473				
Current Receipts	1,434,700	1,197,200	1,197,200	1,197,200	1,197,500
Total Federal Fund	1,397,227	1,197,200	1,197,200	1,197,200	1,197,500
TOTAL SOURCE OF FUNDS	241,282,327	260,101,800	271,928,950	215,021,000	196,838,900
EXPENDITURES BY CLASS					
Personnel Costs	82,393,600	87,573,700	88,430,200	77,148,100	78,110,800
Operating Expenses	12,718,300	13,296,400	13,286,900	12,879,400	12,151,300
Grants Loans Benefits	39,039,600	39,039,600	39,039,600	39,039,600	39,039,600
Capital Outlay	447,200	384,000			
TOTAL EXPENDITURES	134,598,700	140,293,700	140,756,700	129,067,100	129,301,700
EXPENDITURES BY FUND SOURCE					
General Fund	7,830,800	10,136,900	10,207,500	6,660,400	8,276,200
Restricted Funds	125,370,700	128,959,600	129,352,000	121,209,500	119,828,000
Federal Fund	1,397,200	1,197,200	1,197,200	1,197,200	1,197,500
TOTAL EXPENDITURES	134,598,700	140,293,700	140,756,700	129,067,100	129,301,700
EXPENDITURES BY UNIT					
Secretary	7,257,800	8,306,800	8,392,400	6,984,100	7,105,700
Professional Licensing	4,722,700	5,582,800	5,621,600	5,137,100	5,186,400
Kentucky Claims Commission	2,515,200	2,469,100	2,481,300	2,513,400	2,533,000
Boxing and Wrestling Commission	179,600	204,800	206,800	184,200	186,400
Alcoholic Beverage Control	8,897,500	9,140,800	9,201,900	8,116,900	8,180,400
Charitable Gaming	4,333,900	4,410,000	4,444,400	3,806,600	3,844,600
Financial Institutions	13,966,100	15,132,100	15,268,800	13,160,300	13,323,200
Horse Racing Commission	45,585,400	46,018,400	46,082,900	45,412,600	45,484,200
Housing, Buildings and Construction	26,239,700	28,178,200	28,072,900	25,279,000	24,885,500
Insurance	20,900,800	20,850,700	20,983,700	18,472,900	18,572,300
TOTAL EXPENDITURES	134,598,700	140,293,700	140,756,700	129,067,100	129,301,700

The Public Protection Cabinet's mission is to provide for public safety, consumer protection and financial integrity through the enforcement and administration of laws and regulations throughout the Commonwealth. The Cabinet has six departments:

- Department of Alcoholic Beverage Control
- Department of Charitable Gaming
- Department of Financial Institutions
- Department of Housing, Buildings and Construction
- Department of Insurance
- Department of Professional Licensing.

The Cabinet also has commissions attached for administrative purposes only:

- Kentucky Horse Racing Commission
- Kentucky Boxing & Wrestling Commission
- Kentucky Claims Commission.

The Office of the Secretary also includes the Office of Administrative Services, the Office of Communications and Public Outreach, Office of Administrative Hearings, and the Office of Legal Services.

Tourism, Arts and Heritage

Tourism, Arts and Heritage

	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	68,477,100	93,856,400	93,958,700	71,985,700	74,426,300
Current Year Appropriation	2,700,000				
Total General Fund	71,177,100	93,856,400	93,958,700	71,985,700	74,426,300
Restricted Funds					
Balance Forward	190,652,000	226,734,500	256,106,700	226,734,500	249,841,300
Current Receipts	201,066,400	206,233,200	208,058,700	204,120,300	204,946,300
Non-Revenue Receipts	4,318,000	7,521,700	7,527,400	7,521,700	7,527,400
Fund Transfers				-6,500,000	-5,500,000
Total Restricted Funds	396,036,400	440,489,400	471,692,800	431,876,500	456,815,000
Federal Fund					
Balance Forward	6,400,300	11,230,500	14,988,300	11,230,500	15,082,000
Current Receipts	25,530,500	25,238,300	25,251,400	25,238,300	25,251,400
Non-Revenue Receipts	133,900	-210,000	-210,000	-210,000	-210,000
Total Federal Fund	32,064,700	36,258,800	40,029,700	36,258,800	40,123,400
Road Fund					
Regular Appropriation	553,000	653,000	653,000	575,700	583,500
Total Road Fund	553,000	653,000	653,000	575,700	583,500
TOTAL SOURCE OF FUNDS	499,831,200	571,257,600	606,334,200	540,696,700	571,948,200
EXPENDITURES BY CLASS					
Personnel Costs	163,863,700	176,647,500	178,260,400	167,349,300	169,197,000
Operating Expenses	82,843,000	92,991,500	95,269,500	87,522,500	90,569,900
Grants Loans Benefits	8,100,500	8,230,500	8,230,500	7,860,500	7,860,500
Debt Service	2,395,600	11,178,600	11,227,600	3,126,600	4,171,600
Capital Outlay	4,663,400	11,114,500	9,692,000	9,914,500	9,492,000
TOTAL EXPENDITURES	261,866,200	300,162,600	302,680,000	275,773,400	281,291,000
EXPENDITURES BY FUND SOURCE					
General Fund	71,177,100	93,856,400	93,958,700	71,985,700	74,426,300
Restricted Funds	169,301,900	184,382,700	186,784,700	182,035,200	185,091,300
Federal Fund	20,834,200	21,270,500	21,283,600	21,176,800	21,189,900
Road Fund	553,000	653,000	653,000	575,700	583,500
TOTAL EXPENDITURES	261,866,200	300,162,600	302,680,000	275,773,400	281,291,000
EXPENDITURES BY UNIT					
Secretary	17,916,800	20,529,800	21,576,900	18,908,900	20,956,000
Artisans Center	2,641,200	3,290,700	3,304,800	2,686,600	2,702,200
Kentucky Department of Tourism	3,187,000	3,653,500	3,689,900	3,309,300	3,372,300
Parks	100,315,400	110,637,100	111,193,700	101,616,100	103,194,300
Horse Park Commission	12,792,500	16,474,300	16,437,100	13,102,800	12,969,000
State Fair Board	51,321,000	60,173,100	60,499,000	54,137,000	55,227,600
Fish and Wildlife Resources	61,630,300	70,764,800	71,340,500	68,735,000	69,313,700
Historical Society	7,016,700	8,189,600	8,160,500	7,657,400	7,710,800
Arts Council	2,589,000	3,211,400	3,226,000	2,639,300	2,856,200
Heritage Council	1,898,000	2,635,000	2,648,300	2,422,700	2,430,600
Kentucky Center for the Arts	558,300	603,300	603,300	558,300	558,300
TOTAL EXPENDITURES	261,866,200	300,162,600	302,680,000	275,773,400	281,291,000

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 Tourism
- Office of the Secretary
- The Kentucky Humanities Council

	Transportation		Transportation		
	Revised FY 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,089,000	28,807,100	29,237,400	12,789,000	14,489,000
Continuing Approp-General Fund	1,957,400				
Total General Fund	8,046,400	28,807,100	29,237,400	12,789,000	14,489,000
Restricted Funds					
Balance Forward	111,020,300	15,776,000	13,810,700	15,776,000	9,365,700
Current Receipts	143,305,600	143,498,100	143,438,700	143,502,300	143,452,000
Non-Revenue Receipts	59,002,700	9,002,800	9,996,500	10,502,800	9,996,500
Fund Transfers	-6,424,000	-438,400	-428,800	-4,838,400	-7,257,600
Total Restricted Funds	306,904,600	167,838,500	166,817,100	164,942,700	155,556,600
Federal Fund					
Balance Forward	1,071,000				
Current Receipts	794,522,700	767,528,700	776,059,300	757,385,800	762,162,500
Total Federal Fund	795,593,700	767,528,700	776,059,300	757,385,800	762,162,500
Road Fund					
Regular Appropriation	1,470,710,200	1,557,269,800	1,575,457,400	1,504,968,600	1,467,634,200
Current Year Appropriation	4,265,500				
Other	9,046,100				
Total Road Fund	1,484,021,800	1,557,269,800	1,575,457,400	1,504,968,600	1,467,634,200
TOTAL SOURCE OF FUNDS	2,594,566,500	2,521,444,100	2,547,571,200	2,440,086,100	2,399,842,300
EXPENDITURES BY CLASS					
Personnel Costs	596,707,800	612,554,800	619,457,700	584,610,200	590,375,500
Operating Expenses	263,125,600	346,342,000	346,400,500	289,439,600	288,753,000
Grants Loans Benefits	295,305,000	284,092,400	283,684,200	263,092,400	259,378,300
Debt Service	246,495,900	237,353,400	228,731,500	233,495,800	225,100,800
Capital Outlay	1,513,200	2,315,000	2,104,900	1,906,200	1,904,900
Construction	1,166,354,100	1,024,975,800	1,049,403,200	1,054,570,700	1,024,397,200
TOTAL EXPENDITURES	2,569,501,600	2,507,633,400	2,529,782,000	2,427,114,900	2,389,909,700
EXPENDITURES BY FUND SOURCE					
General Fund	8,046,400	28,807,100	29,237,400	12,789,000	14,489,000
Restricted Funds	291,128,600	154,027,800	149,027,900	155,577,000	148,998,300
Federal Fund	795,593,700	767,528,700	776,059,300	757,385,800	762,162,500
Road Fund	1,474,732,900	1,557,269,800	1,575,457,400	1,501,363,100	1,464,259,900
TOTAL EXPENDITURES	2,569,501,600	2,507,633,400	2,529,782,000	2,427,114,900	2,389,909,700
EXPENDITURES BY UNIT					
General Administration and Support	84,057,000	98,388,800	98,849,800	89,398,300	90,064,300
Aviation	36,201,600	37,153,800	31,020,000	24,646,000	18,699,400
Debt Service	142,412,500	148,141,400	139,793,700	144,385,900	136,269,300
Highways	1,851,879,000	1,761,649,800	1,791,846,100	1,718,827,700	1,692,423,100
Public Transportation	58,296,400	51,343,500	55,731,600	40,178,300	40,401,200
Revenue Sharing	346,364,300	348,546,000	349,008,900	348,530,600	350,577,700
Vehicle Regulation	50,290,800	62,410,100	63,531,900	61,148,100	61,474,700
TOTAL EXPENDITURES	2,569,501,600	2,507,633,400	2,529,782,000	2,427,114,900	2,389,909,700

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 2020	Requested FY 2021	Requested FY 2022	Recommended FY 2021	Recommended FY 2022
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	195,064,500			10,000,000	
Special Appropriation	-3,181,500				
Continuing Approp-General Fund	129,077,800	266,090,783	266,090,783	306,090,800	316,090,800
Other	-14,870,000				
Total General Fund	306,090,800	266,090,783	266,090,783	316,090,800	316,090,800
TOTAL SOURCE OF FUNDS	306,090,800	266,090,783	266,090,783	316,090,800	316,090,800
EXPENDITURES BY CLASS					
TOTAL EXPENDITURES					
EXPENDITURES BY FUND SOURCE					
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 half of each fiscal year’s general fund surplus until the balance reaches five percent of the prior year’s General Fund revenue receipts. The General Assembly has also appropriated amounts directly to the Budget Reserve Trust Fund after years in which withdrawals have reduced the balance to very low levels. The permitted uses of the Budget Reserve Trust Fund are outlined in each biennial Executive branch appropriations act. The most prominent use is when there is a revenue shortfall. The appropriation acts also provide that the Fund can be used for certain necessary government expenses if the General Fund surplus is insufficient to accommodate them. In six of the last thirteen years, the General Assembly has drawn down \$182.5 million from the Budget Reserve Trust Fund for routine appropriations during the budget development process. The Fund has not been used in the last four years when there was a General Fund revenue shortfall.

Policy

Kentucky’s “Rainy Day Fund” balance has never exceeded 3.7 percent of General Fund revenues. The balance at the beginning of fiscal year 2019-20 is \$306.1 million which is 2.6 percent of estimated General Fund revenues.

To protect and preserve the current low balance of the Budget Reserve Trust Fund, the Executive Budget recommends an appropriation of \$10 million, bringing the balance up to \$316.1 million.

To further protect and preserve the Budget Reserve Trust Fund, the Governor’s budget recommendation also provides \$25 million in direct appropriations for expenses already incurred and known unbudgeted liabilities, such as Judgments against the Commonwealth, Guardian Ad Litem required reimbursements, security for courthouses across the Commonwealth, and actions required at the Maxey Flats nuclear waste disposal site. This action will prevent \$25 million in further reductions to the balance of the Budget Reserve Trust Fund. This is necessary because the enacted budget reserved the entirety of the \$130.1 million General Fund surplus at the end of fiscal year 2018-19 to pay the required employer contribution for retired teachers’ medical liability and a deposit to the unfunded liability of the Kentucky Employees Retirement non-hazardous pension plan, leaving no available resource for these required, unbudgeted expenses.

Revenue Estimates

Fiscal Years

2020-2022

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) on December 17, 2019. 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 15, 2019 to generate the “planning estimates”. Two months later, the CFG held a second meeting in Frankfort, on October 15, 2019, to finalize the “preliminary estimates. Finally, as directed by statutes, the CFG returned to the Capitol on December 17, 2019 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 blended 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 – based on the three US and KY economic scenarios produced by IHS Markit and OSBD, respectively.

PROJECTIONS FOR THE 2020-2022 BIENNIUM

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. Alan Bartley, Dr. Christopher Bollinger, Dr. Cathy Carey, Dr. Jose Fernandez, Ms. Janet Harrah, Dr. Bruce Johnson, Dr. John Perry, Mr. David Sinclair, and Dr. Eugenia Toma.

The Consensus Forecasting Group met on December 17, 2019 to render the official estimates. The revenue estimates adopted by the CFG during the December 2019 meeting are listed in the table below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>MSA Revenue</u>
2020	\$11,576,200,000	\$1,572,800,000	\$110,900,000
2021	\$11,722,200,000	\$1,573,400,000	\$106,300,000
2022	\$11,929,300,000	\$1,593,100,000	\$103,000,000

The official FY 2020 General Fund estimate adopted by the CFG is \$114.2 million more than the FY 2020 enacted estimate. FY20 Growth of 0.6 percent for FY 2020 is required to hit the revised target of \$11,576,200,000. Through the month of December, the General Fund has risen 2.7 for the first half of FY20. General Fund growth rates for the 2020-2022 biennium are 1.6 percent, 1.3 percent, and 1.8 percent respectively.

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 on the General Fund, the CFG adopted the optimistic scenario for FY20 and a 70-percent control and 30-percent pessimistic blended forecast for FY21 and FY22. For the Road Fund, the CFG opted for the control, or baseline, forecast for FY20 and for the biennial estimates. 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 consensus was reached.

A detailed display of these estimates can be found later in this section directly ahead of the appendix. The remainder of this section will provide data and analysis regarding the revenue and economic data that were used in preparation of the official estimates.

FY2000-FY2022 NATIONAL ECONOMIC OUTLOOK

Since the revenue estimation process is really a culmination of three meetings with the CFG (August, October, and December), it is helpful to see how the underlying economic assumptions evolved from October until December.

In the development of the October projections for the underlying economic forecast, OSBD staff presented the CFG three options to consider. First was the control economy, or estimates based on the September 2019 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 55 percent probability of outcome by IHS. Excerpts from the control forecast are outlined below.

Real GDP growth transitions to below-trend in 2021

- *GDP growth is projected at 2.1% through 2020, modestly above our estimate of potential growth. The year 2021 sees a transition to below-trend growth that persists through 2024, allowing the unemployment rate to drift up to “full employment,” approximately 4.5%. Several factors support above-trend growth through 2020: (1) this year, the 2017 Tax Act is still supporting private demand, while the Bipartisan Budget Act of 2018 is still supporting government spending; next year there is additional fiscal stimulus from the Bipartisan Budget Act of 2019 and a small lift from the 2020 census; (2) interest rates are low; (3) recent gains in wealth, employment, and compensation, along with elevated consumer confidence, support growth of personal consumption expenditures; (4) foreign growth, while slowing in 2019, rebounds in 2020 to support US exports; and (5) strong increases in US production of crude oil.*
- *The slowdown after 2020 arises from: (1) waning fiscal stimulus (see Fiscal Policy); (2) lagged effects of recent tariff increases; (3) a reversal of monetary easing starting in late 2020 (4) an upward drift in long-term interest rates as the term premium in Treasury yields gradually normalizes; (5) proximity to full employment that limits growth of labor income; and (6) a projected deceleration in household wealth as equity values flatten and house-price appreciation slows. As GDP growth slows after 2020, a small positive output gap is gradually eliminated.*

Second was the pessimistic economy, or estimates based on the September 2019 pessimistic scenario of IHS Markit Economics. Pessimistic estimates were given a 35 percent probability of outcome according to IHS. Excerpts from the pessimistic forecast follow.

Broad-based loss of confidence and risk aversion result in a three-quarter recession

In the pessimistic scenario, a broad loss in confidence and growing aversion to risk lead to drops in a wide range of investment and consumer spending categories to end the expansion in its 135th month, a new record. In this simulation, business fixed investment is weaker than in the baseline. Potential growth as a result is also lower. With demand weak, inflation, as measured by the core consumer price index, has four-quarter growth drop from around 2.7% in the second quarter of 2020 to 2.2% in the second quarter of 2021.

The economy starts out growing only modestly slower than in the baseline. Yet rising prices have left the real estate market vulnerable, and this market’s growth has been slowing. The slowdown turns into a decline, as real estate prices correct and confidence plunges. The financial sector shows initial strength, with equity values moving close to the baseline through 2019. However, a growing sense of unease marked by declines in consumer confidence and an inverted yield curve spooks capital markets, resulting in sharp declines in asset values and broad-based declines in business fixed investment. The S&P 500 plummets 7.3% in 2020, not recovering to the baseline levels until late 2024.

Negative wealth effects and employment declines lead households to sharply curtail their spending in early 2020. Foreign growth also slows. The result is a three quarter recession starting in the third quarter of 2020.

Third was the optimistic economy, or estimates based on the September 2019, 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 October revenue projections from the optimistic scenario.

All three scenarios from IHS Markit 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.

The transition to December was fairly smooth as the underlying economic assumptions did not change much from the October projections to the December projections. The biggest change from October to December was the performance of the General Fund revenues, When the CFG met in October, first quarter revenue figures indicated that General Fund revenue growth was only 1.1%. In the intervening months to December, General Fund receipts grew 11.5% in October followed by 7.6% growth in November, for a combined 9.4% surge in the first two months of the second fiscal quarter. Most importantly, the withholding component of the individual income tax was up 4.9 year-to-date and the sales tax was 7.1% higher than the previous year. These two accounts equal roughly 75% of the General Fund. **The strong year-to-date performance of the General Fund gave the CFG confidence in the fiscal performance in the short run, so the optimistic scenario was adopted for FY20 General Fund revenues.**

For General Fund revenues for FY21 and FY22, a more cautious consensus was reached. The national economic forecast had a 35% chance of the pessimistic scenario being correct, and that scenario included a two to three quarter recession beginning in FY21. As such, the CFG adopted a blended forecast that included a 30% weight on the pessimistic forecast and a 70% weight on the control or baseline economic forecast.

REVENUE ESTIMATES DETAILED OUTLOOK FOR THE 2020-2022 BIENNIUM

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 2019), 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 IHS 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 17, 2019, as seen in an attachment below. To reiterate, the CFG adopted the optimistic forecast in FY20 followed by blended estimates using 70 percent control and 30 percent pessimistic for FY21 and FY22.

General Fund: Major Accounts

Total General Fund revenue for FY20 is projected to be \$11,576.2 million, for an increase of 1.6 percent from FY19. Receipts for FY21 are estimated to be \$11,722.2 million followed by \$11,929.3 million in FY22. The General Fund growth rate in FY21 computes to 1.3 percent followed by 1.8 percent growth in FY22.

Individual Income Tax

Individual income tax receipts are expected to total \$4,672.9, or 2.8 percent, in FY20. The individual income tax receipts grew 2.0 percent in the first half of FY20; growth of 2.8 percent is needed in the remaining six months to achieve the official estimate. During the biennium, individual income tax receipts are projected to grow 2.8 percent in FY20, 2.6 percent in FY21, and another 2.7 percent in FY22.

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 adds stability to the overall growth, posting 2.1 percent growth in the first half of FY20. Withholding is expected to remain solid for the remainder of FY20 and into the next biennium. 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. Non-withholding components were projected using a variety of models, ranging from a simple moving average methodology for net returns to a

structural model for estimated payments. All components of the income tax were adjusted for administrative changes, tax law changes, and timing considerations.

Sales and Use Tax

Sales and use receipts continue to be strong, growing 4.9 percent in the second quarter FY20, a net \$48.0 million improvement over FY19. The General Assembly took multiple actions that affected sales tax in the last couple of sessions. House Bill 487 in 2018 added remote sellers and 15 distinct service categories to the sales tax. House Bill 354 in 2019 added marketplace providers to the sales tax. The net result of these actions was an increase to the sales tax. Some of the actions are still providing new revenues as they are implemented fully. Sales tax has had strong growth for the last six quarters, growing 8.2, 9.0, 7.9, 11.5, 7.8, and 4.9 percent, respectively

The official sales tax forecast adopted by the CFG was based on a blend of multiple models using multiple estimating techniques. The primary modeling strategy was to adjust the data series to account for the effects of the tax law changes, which added over \$200 million to each fiscal year beginning in FY19. This goal was accomplished by creating a policy-neutral sales tax variable that withholds the six quarters of data where the tax law was changed. That neutral series was estimated using a blending model, combining structural models and a vector autoregression model. Upon completion of the estimation phase, the policy impacts were added back to the forecasted variable to arrive at the nominal forecast. The result was projected growth of 6.5 percent in FY20 as the tax law impact gets fully incorporated into the history. Growth in FY21 and FY22 replicates underlying growth in the economy, so the rate of increase slows to 1.1 percent in FY21 and 2.3 percent in FY22.

Corporation Income Tax & Limited Liability Entity Tax

The 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 FY20 calls for combined decline of -16.5 percent for the corporation income tax and the LLET. Corporate and LLET receipts declined by 3.9 percent in the second quarter FY20. This is the second consecutive quarter of losses for corporate and LLET receipts. Year-to-date corporate and LLET collections have declined 7.4 percent over the same period of last year. Receipts are expected to decline by 25.0 percent in the second half of FY20 to hit the official estimate of \$636.7 million. Growth for FY21 is projected to be -5.6 percent followed by positive 12.7 percent in FY22. Part of the jump in FY22 is attributable to the income taxation of financial institutions that was enacted when the bank franchise tax was repealed effective January 1, 2021.

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 \$56.0 million, or a 39.7 percent decline in FY20. Continued declines are expected for the next biennium, including an 18.1 percent drop in FY21 followed by an additional 9.5 percent reduction in FY22. For the upcoming biennium, nominal revenues are forecasted to be \$45.9 million and \$36.9 million in FY21 and FY22, respectively – both all-time lows in the coal severance tax. Coal receipts have fallen in 26 of the last 31 quarters since peaking in FY12 at \$298.3 million.

Cigarette Taxes

Cigarette tax receipts are up 3.0 percent or \$2.6 million over the second quarter of FY19. Collections are expected to decline over the second half of the year by 6.4 percent to end the year at \$344.9 million. The cigarette tax increase from \$0.60 to \$1.10 per pack that was implemented in July, 2018, has helped cigarette collections to rise. There are still a number of border states which have a higher tax rate than Kentucky and those customers still find Kentucky a more economical place to shop for their cigarettes. The forecast for the upcoming biennium has the decline in the rate of smoking outpacing the border effects. The consensus forecast calls for declines of 2.2 and 2.3 percent in FY21 and FY22, respectively.

Property Taxes

Property tax revenues are expected to pick up the pace of growth to 4.1 percent over the second half of FY20, yielding annual growth of 1.6 percent following first half growth of just 0.3 percent. The state rate on real property remained at 12.2 cents per \$100 in valuation for property assessed as of January 1, 2019. Many areas of the state continue to linger from the effects of the housing recession, so the state rate has remained at 12.2 cents since valuation year 2008, an unprecedented run of 12 consecutive years without a rate decline. The relatively weak annual growth expected in the property tax for FY20 is primarily attributable the public service account as well as the omitted and delinquent accounts. Both of these categories fared above average in FY19 and are expected to revert to more historical patterns in FY20 and beyond. Property taxes were not materially affected by the most recent tax reform, so no additions or subtractions were indicated for these accounts. The forecast for all types of property is listed below.

Property Tax Forecast FY20 – FY22

	FY20		FY21		FY22	
	\$M	%Chg	\$M	%Chg	\$M	%Chg
REAL	304.9	3.8%	316.5	3.8%	328.2	3.7%
TANGIBLE	264.6	2.4%	267.6	1.1%	275.4	2.9%
OM & DELIN	16.6	(17.4%)	15.5	(6.6%)	16.2	4.5%
PUBLIC SERVICE	67.0	(5.6%)	70.0	4.5%	73.0	4.3%
ALL OTHER	4.0	6.7%	2.1	(47.5%)	2.2	4.8%
TOTAL PROPERTY	657.1	1.6%	671.7	2.2%	695.0	3.5%

Kentucky Lottery

Lottery dividends are expected to grow 2.7 percent in FY20 on the basis of continued growth in all categories of lottery products. Year-to-date collections through December totaled \$137.9 million, so the forecast calls for only modest growth in the second half to hit the nominal FY20 estimate of \$271.0 million. Dividend payments for the biennium are expected to total \$277.0 million in FY21 and \$283.0 million in FY22.

Other Revenue Sources

The “Other” category contains 68 smaller tax accounts, which make up the remainder of the General Fund. The bank franchise tax, Insurance premiums tax, beer wholesale tax, and the inheritance tax are four of the larger accounts. The “Other” category of taxes is expected to decline 5.9 percent during the FY20 forecasting horizon, due primarily to corrections in the abandoned property tax account and the cigarette floor stocks account. Each account was re-examined after FY19 and the proper adjustments were made to calibrate the models. The “Other” accounts totaled \$790.4 million in FY19. “Other” collections are estimated to be \$744.0 million for FY20. Receipts for FY21 are estimated at \$753.9 million with a respective growth rate of 1.3 percent and \$641.6 with a decline of 14.9 percent for FY22 due to the repeal of the bank franchise tax.

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 2020 collections are projected to be \$1,572.8 million, an increase of 0.4 percent from the previous fiscal year. Receipts for FY21 are estimated to be \$1,573.4 million followed by \$1,593.1 million in FY22.

Motor Fuels (Normal, Normal Use Tax, and Fuels Road Fund: Major Accounts

Total Road Fund revenues are forecasted to see minimal growth through FY22, as the two main drivers, the motor fuels taxes and motor vehicle usage tax, remain at or near their current levels. Total Road Fund tax revenues are expected to grow 0.4 percent in the current year, remain at the same level in FY21 and then increases slightly in FY22. The net revenue increase from FY20 through FY22 is just more than \$20 million. Fiscal Year 2020 collections are projected to be \$1,572.8 million, an increase of 0.4 percent from the previous fiscal year. Receipts for FY21 are estimated to be \$1,573.4 million followed by \$1,593.1 million in FY22.

Motor Fuels

Motor fuels tax collections are expected to increase by less than one percent in the current year as well as in the next two years. This is in line with recent history as revenue growth has ranged from 0.6 percent to 1.4 percent over the past four years. This sharply contrasts with the revenue situation for the period FY05-FY14 in which the average annual growth rate for motor fuels revenue was 6.8 percent. This corresponds to a period in which the tax rate was increasing due to the average wholesale price of gasoline rising. Because the motor fuels tax rate has remained constant since the fourth quarter of FY15, and is expected to remain at its current level through FY22, changes in revenue will arise strictly from changes in consumption. Over the long-term, consumption has trended downward; however, in recent years consumption has increased, but only modestly.

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 grown 0.7 percent and are forecasted to increase 0.8 percent over the final six months of the year. Growth in this account is expected to be minor for FY21 and FY22, increasing 0.6 percent and 0.5 percent respectively. Nominal collections for Fiscal Years 2020-2022 are estimated to be \$779.0 million, \$783.6 million and \$787.8 million.

Motor Vehicle Usage

Motor vehicle usage tax collections were at an all-time last year and are expected to continue to increase in the current year before leveling off in FY21 and FY22. The forecast for this account is for a slight decline in FY21 and a small increase in FY22, leaving FY22 receipts basically unchanged from their FY20 level. Revenues in this account grew 4.9 percent in the first six months of FY20 and are expected to increase 2.1 percent over the remainder of the year. Fiscal Year 2021 collections are expected to fall 1.7 percent before growing 1.4 percent in FY22.

Receipts for FY20 are forecasted to total \$532.6 million, an increase of 3.5 percent. In FY21, receipts should total \$523.5 million while collections for FY22 are expected to be \$531.0 million, an increase of 1.4 percent.

Motor Vehicle License

Motor vehicle license tax collections fell 8.1 percent in the first two quarters of FY20 due primarily to timing issues and are expected to decline only 1.2 percent over the second half of the year. License receipts were estimated using a structural model with registered vehicles as a driver. Motor vehicle license receipts are estimated to be \$116.3 million in FY20, followed by \$119.7 million in FY21 and \$123.1 million in FY22.

Motor Vehicle Operators

Motor vehicle operators' collections were estimated using a time series (ARIMA) model. Revenues were \$8.2 million in the first six months of FY20, a decrease of 2.1 percent. The forecast is for revenues to increase 7.8 percent for the remainder of the fiscal year. During the next biennium receipts are expected to be \$18.3 million in FY21 and \$21.7 million in FY22. The accelerated growth in the last two years of the forecast horizon is due in large part to the effects of the REAL ID Act in Kentucky which will feature a phased-in, statewide rollout of the new credentials.

Weight Distance

Weight distance tax receipts of \$42.7 million in the first half of FY 20 represent a 1.1 percent decrease over FY19 collections. The weight distance tax is estimated by a structural model with the U.S. industrial production index as the driver. Receipts for FY20 are expected to total \$84.1 million, a 0.5 percent increase. The weight distance tax is typically considered a leading indicator of manufacturing activity. Revenue in this account is expected to grow at the same rate over the biennium, increasing 0.6 percent in FY21 and 0.5 percent in FY22.

Investment

Income from investment is estimated by examining historical and current trends in investment balances as well as interest rate forecasts. Investment receipts fell 32.4 percent during the first six months of FY20 as investible balances fell to normal levels. Fiscal Year 2019 balances were higher than projected due to revenues exceeding projections as well as lower than forecasted overhead expenses. Investment income for the current year is estimated to be \$3.7 million, followed by \$2.4 million in FY21 and \$2.3 million in FY22.

Other Revenue Sources

"Other" receipts include fees, fines, and miscellaneous receipts. These accounts combined for a decrease of 10.3 percent from a year earlier in the first two quarters of FY20. 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 \$40.0 million in the current fiscal year, followed by \$41.3 million in FY21 and \$42.2 million in FY2022.

General Fund
CFG Official Estimates (Adopted December 17, 2019)
Fiscal Years 2020 – 2022
(Millions of Dollars)

	<u>FY19</u>		<u>FY20</u>		<u>FY21</u>		<u>FY22</u>	
	<u>Act</u>	<u>%Chg</u>	<u>Est</u>	<u>%Chg</u>	<u>Est</u>	<u>%Chg</u>	<u>Est</u>	<u>%Chg</u>
Individual Income	4,544.7	-1.3	4,672.9	2.8	4,794.3	2.6	4,925.7	2.7
Sales & Use	3,937.6	9.2	4,193.6	6.5	4,241.2	1.1	4,340.2	2.7
Corp. Inc. & LLET	762.7	1.8	636.7	-16.5	600.9	-5.6	677.4	12.7
Property	647.0	4.1	657.1	1.6	671.7	2.2	283.0	2.2
Lottery	263.9	4.3	271.0	2.7	277.0	2.2	283.0	2.2
Cigarettes	353.5	66.9	344.9	-2.4	337.3	-2.2	329.5	-2.3
Coal Severance	92.9	3.6	56.0	-39.7	45.9	-18.1	36.9	-19.5
Other	790.4	12.3	744.0	-5.9	753.9	1.3	641.5	-14.9
Total General Fund	11,392.7	5.1	11,576.2	1.6	11,722.2	1.3	11,929.3	1.8
Est. Growth in GF by FY			183.5		146.0		207.1	

Road Fund
CFG Official Estimates (Adopted December 17, 2019)
Fiscal Years 2020 – 2022
(Millions of Dollars)

	<u>FY19</u>		<u>FY20</u>		<u>FY21</u>		<u>FY22</u>	
	<u>Act</u>	<u>%Chg</u>	<u>Est</u>	<u>%Chg</u>	<u>Est</u>	<u>%Chg</u>	<u>Est</u>	<u>%Chg</u>
Motor Fuels	773.2	1.1	779.0	0.7	783.6	0.67	87.8	0.5
Motor Vehicle Usage	514.5	4.3	532.6	3.5	523.5	(1.7)	531.0	1.4
Motor Vehicle License	120.9	7.1	116.3	(3.8)	119.7	2.9	123.1	2.8
Motor Vehicle Operators	16.6	(1.0)	17.1	2.8	18.3	7.0	21.7	18.6
Weight Distance	83.7	2.5	84.1	0.5	84.6	0.6	85.0	0.5
Investment	11.9	320.3	3.7	(69.0)	2.4	(35.1)	2.3	(4.2)
Other	45.1	16.5	40.0	(11.4)	41.3	3.3	42.2	2.2
Total Road Fund	1,566.1	3.6	1,572.8	0.4	1,573.4	0.0	1,593.1	1.3
Est. Growth in RF by FY			6.7		0.6		19.7	

NATIONAL ECONOMY

Recent History:

Real Gross Domestic Product (real GDP) increased by 2.1 percent in the second quarter of FY20. Adjacent-quarter growth was 0.4 percent. Adjacent-quarter growth has tapered moderately in the last 10 quarters. In FY18 adjacent-quarter growth averaged 0.8 percent. In FY19 adjacent-quarter growth has averaged 0.6 percent. In the first two quarters of FY20, adjacent-quarter growth has averaged 0.4 percent. The low point for the current expansion period occurred in FY13 with average adjacent-quarter growth of 0.3 percent. The high point during the current expansion period occurred in FY18 with 0.8 percent average growth. It is now the thirteenth consecutive quarter that annual growth has been above 2.0 percent. Consumption and government expenditures were the main contributors for quarterly growth.

Real consumption grew by 2.8 percent in the second quarter of FY20. Real consumption grew by 0.7 percent on an adjacent-quarter basis. Real consumption growth has been very stable over the past 10 quarters. Average adjacent-quarter growth in FY18 was 0.8 percent. Average adjacent-quarter growth in FY19 was 0.7 percent. Average adjacent-quarter growth in the first half of FY20 was also 0.7 percent. Real Consumption made up 70.0 percent of real GDP in the second quarter of FY20.

Real investment declined by 1.0 percent in the second quarter of FY20. Adjacent-quarter growth was -0.4 percent. Recent growth has been poor relative to the recent past. In FY18, adjacent-quarter growth averaged 1.0 percent. It was also 1.0 percent in FY19. Average adjacent-quarter growth in the first half of FY20 was -0.4 percent. Real investment reached an all-time high of \$3,481.1 million in the third quarter of FY19. Real investment has declined for three consecutive quarters following that record. Real investment made up 17.7 percent of real GDP in the second quarter of FY20.

Real government expenditures rose by 2.5 percent in the second quarter of FY20. Adjacent-quarter growth was 0.1 percent in the second quarter. Following the end of the 2007 recession, real government expenditures began to contract. This is normal, as government expenditures are generally countercyclical. However, in the first quarter of FY15 something unusual happened. Real government expenditures started to grow during an expansion period. Real government expenditures have grown an average of 0.4 percent per quarter on an adjacent-quarter basis since then. This probably has something to do with the extraordinarily long expansion period following the 2007 recession. Real government expenditures made up 17.3 percent of real GDP in the second quarter of FY20.

Federal outlays grew by 5.9 percent in the second quarter of FY20. Adjacent-quarter growth for the second quarter is 0.7 percent. Federal outlays were contracting up until the second quarter of FY14. Then in the third quarter of FY14, federal outlays started to grow. Moreover, that growth has accelerated in the last seven quarters. Average adjacent-quarter growth between the third quarter of FY14 and the third quarter of FY18 was 0.9 percent. In the last seven quarters, average adjacent-quarter growth has been 1.4 percent. The sources of this growth are from four specific outlays: Medicare, national defense, subsidies and aid to foreign governments. In the period between the third quarter of FY14 and the third quarter of FY18 (the former period), Medicare grew an average of 1.2 percent on an adjacent-quarter basis. From the fourth quarter of FY18 to the second quarter of FY20 (the current period), Medicare grew an average of 2.2 percent on an adjacent-quarter basis. National defense grew from 0.2 percent in the former period and 1.6 percent in the current period. National defense spending has grown a net \$70.3 billion over the last seven quarters. Subsidies to states or individuals was essentially flat prior to seven years ago. Over the last seven quarters, average adjacent-quarter growth was 6.7 percent. Subsidies have increased a net \$23.8 billion in the last seven quarters.

Real exports declined by 0.3 percent in the second quarter of FY20. On an adjacent-quarter basis, exports declined by 0.1 percent. Real exports have declined three times in the last six quarters. This is not unusual, as real exports are an acyclical series. Exports are connected to the economic activities and incomes of the foreign countries as well as domestic economic activities. Real exports have been weak recently and are down a net \$39.8 billion since the end of FY18. Real exports made up 13.1 percent of real GDP in the second quarter of FY20.

Real imports were flat in the second quarter of FY20. While receipts in the last year have been flat, real imports are up relative to FY18. Real imports are up \$101.1 billion since the end of FY18. On an adjacent-quarter basis, real imports have only declined in four quarters since the end of the 2007 recession. Two of those four declines occurred within the last four quarters. Real imports made up 18.3 percent of real GDP in the second quarter of FY20.

US employment rose by 1.4 percent in the second quarter of FY20. US employment grew by 0.3 percent on an adjacent-quarter basis. Growth has been very stable for the last five years. This is the twentieth consecutive quarter that employment growth has increased between 0.3 and 0.5 percent per quarter. Educational services employment was the fastest growing employment sector in both absolute and percentage terms in the second quarter of FY20. Employment grew by 0.6 million, 2.6 percent for the second quarter. Mining employment was the slowest growing sector losing 0.1 million, or 0.4 percent in the second quarter of FY20.

US personal income rose 4.8 percent in the second quarter of FY20. US personal income grew by 0.9 percent on an adjacent-quarter basis. Most income categories grew robustly in the second quarter. Transfers income was the fastest growing income category with 7.5 percent growth in the second quarter of FY20. The growth in transfers income has been accelerating. Transfers income in FY17 grew by 2.9 percent compared to FY16. Transfers income in FY18 grew by 3.6 percent. Transfers income in FY19 grew by 5.3 percent. Transfers income made up 17.0 percent of total personal income in the second quarter of FY20.

The slowest growing income category is dividends, interest and rents income, which grew by 1.4 percent in the second quarter of FY20. Dividends, interest and rents income has slowed considerably in the last six quarters. In FY18, average adjacent-quarter growth was 2.1 percent. In FY19, average adjacent-quarter growth slowed to 0.9 percent. Average adjacent-quarter growth in the last first half of FY20 is 0.3 percent. Dividends, interest and rents income made up 20.2 percent of total personal income in the second quarter of FY20.

KENTUCKY ECONOMY

Recent History:

Kentucky non-farm employment grew by 1.4 percent in the second quarter of FY20. Kentucky non-farm employment declined twice on an adjacent-quarter basis in FY17, losing 0.1 percent in both the second and fourth quarters. Since then, Kentucky non-farm employment has grown for 10 consecutive quarters, gaining a net 45,000 jobs during that time.

Construction employment was the fastest growing sector in the second quarter of FY20, gaining 3.4 percent, or 2,700 seasonally-adjusted jobs. Adjacent-quarter growth for construction employment has been either very high or very low recently. For the last four quarters, adjacent-growth was 2.1, -0.3, -1.2, and 2.9 percent, respectively. Construction employment made up 4.1 percent of total Kentucky non-farm employment in the second quarter of FY20. Construction employment is the eighth largest employment sector in Kentucky.

Manufacturing and government employment were tied for the slowest job growth in the second quarter with 0.2 percent. On an adjacent-quarter basis, manufacturing employment declined by 0.7 percent in the second quarter. Manufacturing employment has declined in four of the last 10 quarters. This is unusual during an expansion period. Fortunately, these declines were small enough that manufacturing employment rebounded after one or two quarters to again exceed its previous level. Manufacturing employment made up 12.9 percent of total employment in the second quarter of FY20. Manufacturing is the fourth largest employment sector in Kentucky.

Kentucky personal income grew by 4.9 percent in the second quarter of FY20. On an adjacent-quarter basis, Kentucky personal income grew by 0.9 percent in the second quarter. Personal income growth has been solid for the last 24 quarters; averaging 1.0 percent per quarter on an adjacent-quarter basis. Similar to national personal income, transfer receipts income was the fastest growing income category, growing 7.6 percent. Adjacent-quarter growth rates for the last four quarters are 3.0, 1.3, 1.8, and 1.3 percent, respectively. The average adjacent-quarter growth during the current expansion period is 0.9 percent. Transfer receipts income made up 24.2 percent of personal income in Kentucky in the second quarter. This is the second largest income category in Kentucky.

Proprietor's income was the slowest growing personal income category in the second quarter, growing 3.1 percent. On an adjacent-quarter basis, proprietor's income increased by 0.7 percent in the second quarter. Average adjacent-quarter growth during the current expansion is 0.9 percent growth per quarter. Proprietor's income made up 6.5 percent of total personal income in Kentucky in the second quarter. This is the smallest income category.

NATIONAL OUTLOOK, SHORT TERM

Following the global crisis of 2008, the US economy has been growing for an impressive 126 months, making it the longest expansion in US history. In the near term, recession risks appear to be abating. IHS Markit forecasts a recession probability of approximately 35 percent beginning in the next 12 months. The National economic outlook calls for continued growth at an above trend pace over the forecast horizon.

Gross domestic product, the metric used to measure periods of sustained growth, is projected to grow 2.0 percent for the remainder of FY20 and 2.1 percent for the first quarter of FY21. According to the US Bureau of Economic Analysis, the GDP growth that the US has experienced in recent quarters is sustainable into the outlook periods.

Rebounding activities at Boeing and GM are aiding factors in the rise of GDP over the next three quarters. Production and shipments of the grounded Boeing 737 MAX line are anticipated to resume in the second quarter of FY21. Following the shutdown at GM, which occurred mid-September through the majority of October, production schedules (issued after the conclusion of the strike) reflect production levels rising above the production rates that were scheduled prior to the shutdown. The recent softness observed in real exports and real imports is expected to be strengthened with a modest uptick entering into FY21, with anticipated growth of 2.4 percent and 3.0 percent, respectively. In the outlook periods, additional factors that support above trend growth include core measures of inflation remain soft, oil prices are expected to fall to \$52 per barrel for Brent crude, credit conditions will continue to gradually ease, housing starts are expected to rise, and fiscal stimulus is expected to extend from the Bipartisan Budget Act of 2019.

After reaching its peak of 9.9 percent in the second quarter of FY10, an overall downtrend in unemployment has been observed for all following periods. The unemployment rate is forecasted to edge down to 3.4 percent by the first quarter of FY21. Beginning an upward drift in later FY21 that is consequent with a tighter labor market and weaker employment gains. The final quarters of FY20 will contain a temporary boost in the US labor force, as hiring of 350,000 temporary workers for the Decennial Census, before returning to the trend of slowing employment gains.

Table 9
US Economic Outlook
FY20 Q3 & Q4, FY21 Q1

	Q3 & Q4			Full Year		Q1	
	FY20	FY19	% Chg	FY20	% Chg	FY21	% Chg
Real GDP	19,347.3	18,974.6	2.0	19,247.8	2.0	19,515.9	2.1
Real Consumption	13,564.9	13,176.7	2.9	13,476.5	2.8	13,692.0	2.6
Real Investment	3,383.9	3,452.9	-2.0	3,393.8	-1.2	3,449.3	1.1
Real Govt. Expenditures	3,345.0	3,277.3	2.1	3,329.7	2.2	3,368.9	1.7
Real Exports	2,568.4	2,535.9	1.3	2,544.8	0.6	2,581.8	2.4
Real Imports	3,542.8	3,498.3	1.3	3,526.4	0.8	3,612.8	3.0
CPI all goods (% chg)	2.1	1.7	NA	2.0	NA	2.0	NA
CPI Food (% chg)	1.9	1.9	NA	1.9	NA	2.4	NA
CPI Energy (% chg)	-1.0	-2.1	NA	-1.9	NA	-1.9	NA
CPI Core (% chg)	2.5	2.1	NA	2.4	NA	2.3	NA
Industrial Production Index (% chg)	0.0	2.0	NA	-0.2	NA	0.3	NA
Unemployment Rate (%)	3.4	3.8	NA	3.5	NA	3.4	-6.5

KENTUCKY OUTLOOK SHORT TERM

Continued growth is expected in personal income, as well as subtle gains in non-farm employment, indicate a degree of economic stability that will extend into the first quarter of FY21. State-level employment gains should lag the national average for the remaining half of FY20, entering into the first quarter of the new fiscal year.

Over the forecast horizon, Kentuckians' personal income is anticipated to continue its long-term trend of adjacent-quarter growth, spanning back to the fourth quarter of FY16. Looking ahead, personal income is poised to grow 4.6 percent through the remainder of the fiscal year. Entering the first quarter of FY21, growth in personal income is expected to dampen slightly to 3.6 percent, compared to the percentage change of growth in the first quarter of FY20. Wages and salaries, the largest component of personal income, is expected to increase by 3.6 percent in

the third and fourth quarters of FY20, compared to the same periods one year prior. In the first quarter of FY21, wages and salaries are expected to increase 3.1 percent, mirroring the slight decline in personal income growth. Despite the tight labor market, wages and salary growth remains respectful over the forecast horizon.

Total non-farm employment is expected to rise by an additional 19,500 jobs in the final two quarters of FY20 and grow an additional 1.0 percent in the first quarter of FY21. While a subtle uptick in non-farm employment is expected across the Commonwealth, historically low employment growth will persist well into the outlook periods. Overall, notable job gains are anticipated to occur in construction, business services, educational services, as well as leisure and hospitality supersectors. Meanwhile, continued job losses are expected in the mining and manufacturing supersectors.

Growth in the goods-producing sector is expected to be significantly weaker than the service-providing sectors. More specifically, the manufacturing forecast calls for significant job loss across the outlook span. The -0.5 percent change reflected in the third and fourth quarter of FY20 accounts for a total loss of 1,300 manufacturing jobs, compared to the same periods one year prior. Job loss is anticipated to persist into the first quarter of FY21, as an additional 2,000 manufacturing job cuts are expected.

Kentucky is not immune to external shocks and economic conditions experienced on a national level. The pace of manufacturing production and employment has slowed across the US, and in turn the effects have rippled to the state-level. Trade restrictions, business uncertainties, and foreign retaliation of US products have been commonly cited factors that are responsible for ongoing reductions in manufacturing jobs. While these factors most certainly affect a portion of the manufacturing decline, it does not illustrate the story in its entirety.

Cross-regional migration and skill mismatch are also strong contributing factors that contribute to declining manufacturing workforce. The loss of jobs in a particular region or employment sector generally are being replaced in absolute terms, if not as a share of the labor force, in exchange for a new job in an alternate region or employment sector. The gap between an individual's job skills and the demands of the job itself can inflict strain on the productivity and efficiency of select industries. In response to the decline in manufacturing employment, the economic outlook anticipates a rise in construction jobs, growing 3.2 percent in the first quarter of FY21. Looking ahead, slowing production growth extending well into the new fiscal year in combination with an abundance of qualified workers will heighten the material slowing of employment gains.

**Kentucky Economic Outlook
FY20 Q3 & Q4, FY21 Q1**

	Q3 & Q4			Full Year		Q1	
	FY20	FY19	% Chg	FY20	% Chg	FY21	% Chg
Personal Income (\$ millions)	204,215.8	195,265.0	4.6	202,323.1	4.7	206,826.2	3.6
Wages and Salaries (\$ millions)	99,726.1	96,286.8	3.6	99,011.6	4.2	101,004.0	3.1
Non-farm Employment (thousands)	1,969.7	1,950.2	1.0	1,964.6	1.1	1,975.0	1.0
Goods-producing	345.1	345.4	-0.1	345.3	0.6	344.1	-0.2
Construction	81.4	80.1	1.6	80.8	1.9	81.5	3.2
Mining	10.0	10.3	-2.6	10.1	-2.0	9.3	-4.8
Manufacturing	253.7	255.0	-0.5	254.4	0.3	253.2	-1.1
Service-providing	1,307.9	1,291.8	1.2	1,304.6	1.4	1,314.1	1.1
Trade, Transportation & Utilities	408.5	406.6	0.5	408.6	0.7	408.6	-0.1
Information	21.9	21.9	-0.4	21.9	-0.1	21.8	-0.1
Finance	95.2	93.6	1.7	94.9	1.6	95.6	1.2
Business Services	222.3	217.6	2.1	220.7	1.6	226.1	3.8
Educational Services	288.8	285.4	1.2	288.5	2.0	289.3	0.2
Leisure and Hospitality Services	204.9	200.1	2.4	203.5	2.2	206.9	3.0
Other Services	66.3	66.5	-0.2	66.4	0.6	65.8	-1.2
Government	316.6	312.9	1.2	314.8	0.5	316.8	1.7

Not Seasonally Adjusted.

Source: IHS Markit, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, November 2019

Selected U.S. and Kentucky Economic Indicators
Global Insight: Control Scenario
November 2019

	FY18	FY19	FY20	FY21	FY22
OUTPUT					
US Real GDP (Bil 2012\$)	18,381 2.8%	18,866 2.6%	19,248 2.0%	19,666 2.2%	20,008 1.7%
Industrial Production Index, Total	3.2%	3.2%	-0.2%	1.0%	1.2%
Industrial Production Index, Durables	2.1%	0.8%	-0.7%	1.3%	1.5%
INCOME					
KY Personal Income (Mil\$)	186,316 4.0%	193,169 3.7%	202,323 4.7%	209,814 3.7%	217,879 3.8%
KY Wage & Salary Income (Mil\$)	91,811 2.9%	95,024 3.5%	99,012 4.2%	102,176 3.2%	105,229 3.0%
KY Supplements to W&S (Mil\$)	23,319 4.9%	24,089 3.3%	25,210 4.7%	26,465 5.0%	27,681 4.6%
KY Proprietors' Income (Mil\$)	12,148 4.8%	12,445 2.4%	12,995 4.4%	13,072 0.6%	13,265 1.5%
KY Dividend, Interest, & Rent (Mil\$)	31,819 6.7%	33,650 5.8%	34,393 2.2%	35,285 2.6%	36,703 4.0%
KY Transfer Payments (Mil\$)	44,606 3.6%	46,059 3.3%	49,071 6.5%	51,809 5.6%	54,628 5.4%
KY Social Insurance (Mil\$)	15,007 2.7%	15,567 3.7%	16,340 5.0%	16,977 3.9%	17,636 3.9%
US Personal Income (Bil\$)	17,357 5.4%	18,242 5.1%	19,037 4.4%	19,771 3.9%	20,611 4.3%
EMPLOYMENT					
KY Nonfarm Employment (Thous)	1,926.3 0.5%	1,942.5 0.8%	1,964.4 1.1%	1,978.3 0.7%	1,984.5 0.3%
US Nonfarm Employment (Mil)	147.8 1.5%	150.3 1.7%	152.4 1.4%	153.9 1.0%	154.8 0.6%
KY Manufacturing Employment (Thou)	250.9 0.3%	253.7 1.1%	254.4 0.3%	252.0 -1.0%	250.4 -0.7%
US Manufacturing Employment (Mil)	12.6 1.5%	12.8 1.9%	12.8 0.3%	12.6 -1.8%	12.5 -0.8%
OTHER KEY MEASURES					
Consumer Sentiment Index (Michigan)	97.7	97.3	95.7	96.6	95.8
Rate of Inflation (%)	2.2%	2.1%	2.0%	1.6%	2.2%
US Retail Sales (%)	5.0%	3.7%	4.7%	2.9%	3.0%
US Corporate Profits(%)	-0.1%	1.7%	-0.6%	4.3%	5.4%
Three-month Treasury Bills (%)	155.7%	60.2%	-26.4%	-2.0%	25.3%
Oil Price, West Texas (\$/barrel)	58.62	60.82	55.41	47.30	50.39

TOBACCO MASTER SETTLEMENT AGREEMENT

The Tobacco Settlement-Phase I revenue forecast is \$110.9 million in FY20, \$106.3 million in FY21 and \$103.0 million in FY22.

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 \$2.19 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 percent 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 Detailed Estimates

<u>Source</u>	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Estimated 2020</u>	<u>Estimated 2021</u>	<u>Estimated 2022</u>
<u>Selected Sales and Gross Receipts Taxes</u>					
Sales & Use	\$3,605,661,335	\$3,937,610,039	\$4,193,600,000	\$4,241,200,000	\$4,340,200,000
Cigarette	\$211,834,789	\$353,452,495	\$344,900,000	\$337,300,000	\$329,500,000
Cigarette Floor Stock Tax	(\$3,399)	\$21,289,650	\$30,000	\$8,000	\$7,000
Distilled Spirits Case Sales	\$155,861	\$163,929	\$173,615	\$182,056	\$190,496
Insurance Tax Foreign Companies	\$38,428,168	\$37,570,505	\$38,549,163	\$39,084,873	\$39,620,582
Insurance Tax Companies Other Than Life	\$112,101,219	\$122,209,932	\$123,598,500	\$126,895,635	\$128,790,687
Insurance Tax Fire Prevention Fund	\$6,624,886	\$5,695,597	\$6,613,931	\$6,434,920	\$6,513,182
Pari-Mutuel	\$7,894,063	\$14,578,083	\$24,600,000	\$27,600,000	\$30,600,000
Race Track Admission	\$195,837	\$214,345	\$224,225	\$234,105	\$243,985
Beer Consumption	\$6,069,024	\$5,885,046	\$6,100,000	\$6,150,000	\$6,150,000
Distilled Spirits Consumption	\$14,288,035	\$14,756,577	\$15,488,957	\$16,073,960	\$16,658,962
Wine Consumption	\$3,165,448	\$3,143,994	\$3,133,000	\$3,150,000	\$3,175,000
Beer Wholesale	\$59,119,872	\$56,215,810	\$58,200,000	\$58,650,000	\$59,250,000
Distilled Spirits Wholesale	\$45,559,663	\$49,288,861	\$51,651,448	\$54,014,035	\$56,376,623
Wine Wholesale	\$17,445,613	\$17,608,228	\$19,500,000	\$19,750,000	\$20,000,000
Other Tobacco Products and Snuff	\$21,538,933	\$22,168,888	\$22,299,021	\$22,562,673	\$22,826,324
Telecommunications Taxes	\$61,125,754	\$55,757,372	\$59,856,850	\$59,250,325	\$59,154,587
TOTAL SEL. SALES AND GROSS RECEIPTS TAXES	\$4,211,205,101	\$4,717,609,351	\$4,968,518,711	\$5,018,540,581	\$5,119,257,428
<u>License and Privilege Taxes</u>					
Coal Severance Tax	\$89,643,238	\$92,906,947	\$56,000,000	\$45,900,000	\$36,900,000
Mineral Severance Tax	\$18,181,584	\$18,926,560	\$19,600,000	\$19,800,000	\$20,000,000
Natural Gas Severance Tax	\$9,786,736	\$10,012,558	\$7,800,000	\$7,700,000	\$7,500,000
Oil Production	\$5,360,469	\$5,910,918	\$5,200,000	\$5,125,000	\$5,000,000
Corporate License	\$11,596	\$62,947	\$42,000	\$15,000	\$10,000
Cigarette License	\$84,205	\$84,950	\$88,569	\$87,081	\$87,349
Race Track License	\$278,500	\$268,875	\$266,936	\$263,076	\$259,215
Marijuana and Controlled Substance Tax	\$132,786	\$108,828	\$112,000	\$120,000	\$125,000
Bank Franchise Tax	\$115,617,923	\$119,821,064	\$120,230,000	\$120,638,936	\$0
Corporation Organization	\$54,471	\$314,310	\$323,500	\$332,690	\$341,880
Cir. Ct. Clk. - Driver License Receipts	\$685,826	\$682,734	\$686,342	\$686,505	\$686,669
Sand and Gravel License	\$0	\$0	\$0	\$0	\$0
Alcoholic Beverage License Suspension	\$559,200	\$320,000	\$345,000	\$375,000	\$400,000
Limited Liability Entity Tax	\$238,127,417	\$206,705,391	\$0	\$0	\$0
TOTAL LICENSE AND PRIVILEGE TAXES	\$478,523,951	\$456,126,083	\$210,694,347	\$201,043,289	\$71,310,112
<u>Income Taxes</u>					
Corporation Income Tax	\$511,352,679	\$555,976,331.79	\$636,700,000.00	\$600,900,000	\$677,400,000
Individual Income Tax	\$4,603,578,834	\$4,544,676,175	\$4,672,900,000	\$4,794,300,000	\$4,925,700,000
TOTAL INCOME TAXES	\$5,114,931,513	\$5,100,652,506	\$5,309,600,000	\$5,395,200,000	\$5,603,100,000
<u>Property Taxes</u>					
Real Property	\$283,388,656	\$293,725,321	\$304,900,000	\$316,500,000	\$328,200,000
Tangible Personal Property	\$113,526,884	\$109,281,773	\$111,500,000	\$109,800,000	\$114,100,000
Motor Vehicles	\$136,991,944	\$144,172,607	\$148,600,000	\$152,500,000	\$156,300,000
Bank Deposits	\$676,070	\$666,266	\$692,000	\$692,000	\$692,000
Distilled Spirits Ad Valorem	\$1,149,557	\$1,372,441	\$1,300,000	\$1,400,000	\$1,500,000
Building and Loan Association Capital Stock	\$2,158,239	\$1,701,042	\$2,000,000	\$0	\$0
Omitted and Delinquent	\$16,274,357	\$20,097,838	\$16,600,000	\$15,500,000	\$16,200,000
Apportioned Vehicles	\$3,773,670	\$5,004,370	\$4,500,000	\$5,300,000	\$5,000,000
Public Service Companies	\$63,313,796	\$70,981,420	\$67,000,000	\$70,000,000	\$73,000,000
Other Property	\$7,133	\$6,230	\$8,000	\$8,000	\$8,000
TOTAL PROPERTY TAXES	\$621,260,307	\$647,009,309	\$657,100,000	\$671,700,000	\$695,000,000

Inheritance Taxes

Inheritance Tax	\$51,247,149	\$44,699,808	\$48,248,219	\$44,434,124	\$44,900,000	\$44,125,000	\$44,250,000
TOTAL INHERITANCE TAXES	\$51,247,149	\$44,699,808	\$48,248,219	\$44,434,124	\$44,900,000	\$44,125,000	\$44,250,000

Departmental Fees, Sales and Rentals

Public Service Commission Assessments- Insurance - Retaliatory Taxes & Fees- Sec. of State - Process Agents Fees Insurance - Miscellaneous Receipts	\$14,367,915 \$3,956,567	\$13,784,610 \$3,939,429	\$16,218,175 \$4,377,009	\$19,665,109 \$5,040,500	\$19,100,000 \$4,688,014	\$19,300,000 \$5,012,846	\$19,400,000 \$5,168,349
Circuit Court Clk. - Civil Filing Fee Receipts- Circuit Court Clk. - Bond Filing Fee- Circuit Court Clk. - 10% Bond Fee- Circuit Court Clk. - Receipts for Services- Strip Mining & Reclamation Fees- Strip Mining & Reclamation - Fines Coll. Miscellaneous - Pub Advoc; Sec State Fee	\$7,717,301 \$2,615,650 \$360,910 \$5,190,116 \$800,000 \$1,251,044	\$7,966,190 \$2,543,286 \$337,846 \$5,055,304 \$4,970 \$770,507 \$1,187,848	\$8,837,141 \$2,401,768 \$272,716 \$4,971,556 \$663,197 \$1,134,090	\$3,053,378 \$2,410,506 \$284,290 \$4,742,706 \$800,000 \$1,132,801	\$3,100,000 \$2,419,244 \$313,613 \$4,845,997 \$0 \$725,000 \$1,124,652	\$3,050,000 \$2,427,982 \$331,104 \$4,727,860 \$0 \$775,000 \$1,061,456	\$3,025,000 \$2,436,719 \$351,552 \$4,665,081 \$0 \$800,000 \$1,134,090
TOTAL DEPARTMENT FEES, SALES AND RENTALS	\$36,259,503	\$35,589,990	\$38,875,652	\$37,129,289	\$36,316,520	\$36,686,248	\$36,980,791

Investment Receipts

General Depository Investment Income **	\$287,789	(\$1,129,875)	(\$7,611,235)	(\$10,553,105)	(\$10,377,920)	(\$10,365,095)	(\$10,982,774)
Circuit Court Clk. - Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ky Asset/Liab - TRAN	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL INVESTMENT RECEIPTS	\$287,789	(\$1,129,875)	(\$7,611,235)	(\$10,553,105)	(\$10,377,920)	(\$10,365,095)	(\$10,982,774)

Miscellaneous Revenue

Lottery	\$241,778,429	\$241,627,129	\$253,000,000	\$263,946,017	\$271,000,000	\$277,000,000	\$283,000,000
Legal Process - Clk. Supreme Court	\$92,519	\$88,221	\$94,258	\$104,319	\$111,697	\$119,746	\$107,505
Legal Process - Clk. Court of Appeals					\$0		
Dept. of Rev. Legal Process Taxes - Co. Clk.	\$2,646,150	\$2,687,150	\$2,575,971	\$2,516,353	\$2,606,406	\$2,596,470	\$2,573,800
Dept. of Rev. Penalty & Int. of Co. Officials	(\$23,834)	(\$20,655)	(\$29,296)	(\$40,015)	(\$28,450)	(\$29,604)	(\$31,841)
TVA - In Lieu of Taxes - State Portion	\$10,119,811	\$11,350,177	\$10,575,611	\$9,251,250	\$7,479,150	\$6,141,125	\$6,003,100
F.H.A. - In Lieu of Taxes	\$37,695	\$92,180	\$49,715	\$9,435	\$25,000	\$25,000	\$25,000
R.E.C.C. and R.T.C.C. In Lieu of Taxes	\$310	\$310	\$310	\$300	\$310	\$310	\$310
Business Development - In Lieu of Taxes							
Abandoned Property	\$38,694,831	\$34,075,777	\$22,356,619	\$72,206,647	\$31,216,198	\$31,709,076	\$31,010,500
Circuit Court Clk. - Fish & Wildlife Fines	\$60,404	\$61,562	\$61,116	\$70,405	\$64,361	\$65,294	\$66,686
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	\$17,093,966	\$15,605,685	\$15,028,146	\$15,118,571	\$15,250,801	\$15,132,506	\$15,167,292
Circuit Court Clk. - Bond Forfeitures	\$1,190,456	\$1,049,369	\$1,078,118	\$1,014,089	\$957,920	\$1,016,709	\$996,240
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	\$11,351,272	\$14,205,525	\$11,279,582	\$12,278,793	\$11,351,272
Court Costs	\$12,567,350	\$11,200,841	\$10,967,915	\$11,049,792	\$10,921,800	\$10,846,275	\$10,770,750
TOTAL MISCELLANEOUS REVENUE	\$332,912,251	\$326,099,696	\$327,109,754	\$389,452,687	\$350,884,775	\$356,901,699	\$361,040,614
MISC. NOT IN REVENUE ESTIMATES	\$5,720,022	\$9,345,533	\$5,656,821	\$10,838,216	\$8,563,568	\$8,368,279	\$9,343,828

TOTAL GENERAL FUND	\$10,338,884,893	\$10,477,848,870	\$10,838,200,084	\$11,392,698,460	\$11,576,200,000	\$11,722,200,000	\$11,929,300,000
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Road Fund Detailed Estimates

	FY 2018 <u>Actual</u>	FY 2019 <u>Actual</u>	FY 2020 <u>Estimate</u>	FY 2021 <u>Estimate</u>	FY 2022 <u>Estimate</u>
<u>Sales and Gross Receipts Taxes</u>					
Motor Fuels Normal and Normal Use	\$763,953,595	\$772,313,798	\$778,050,000	\$782,655,000	\$786,865,000
Motor Vehicle Usage	448,251,614	464,828,170	481,599,000	471,499,000	477,999,000
Motor Vehicle Rental Usage	44,879,237	49,697,675	51,000,000	52,000,000	53,000,000
Truck Trip Permits	984,275	934,540	950,000	945,000	935,000
Sales and Use	1,853	-3,322	1,000	1,000	1,000
TOTAL SALES AND GROSS RECEIPTS TAX	\$1,258,070,574	\$1,287,770,861	\$1,311,600,000	\$1,307,100,000	\$1,318,800,000
<u>License and Privilege Taxes</u>					
Drive Away Utility Trailer Permits	\$34,570	\$35,190	\$35,000	\$35,500	\$36,000
Passenger Car License	45,803,747	47,212,732	46,932,925	46,976,500	48,715,500
Truck License - State Share	15,375,542	15,311,819	15,100,000	15,300,000	15,400,000
Motorcycle License	587,564	585,107	600,000	600,000	600,000
Dealers License	238,509	234,763	232,000	230,000	229,000
Transfer License	791,025	786,311	785,000	785,000	785,000
County Clerk Penalty	-54,928	-128,917	-50,000	-50,000	-50,000
Bus License - Except City	4,958	4,383	4,500	4,500	4,500
Bus Certificates and Permits	4,750	5,500	6,000	6,500	7,000
Taxi License	101,800	102,058	103,000	104,000	105,000
Truck Permits	35,775	36,200	37,000	38,000	39,000
Contract Taxicab Permit	70,190	68,750	70,000	70,000	70,000
Motor Vehicle Operator's License	14,736,287	14,600,582	15,050,000	16,255,000	19,650,000
Highway Special Permits	8,100,711	8,842,070	8,500,000	8,600,000	8,700,000
U-Drive-It Permits	65,750	62,250	61,000	60,000	59,000
U-Drive-Licenses	2,098,831	2,036,199	2,000,000	2,000,000	2,100,000
Junk Yard License	2,146	5,615	5,000	5,000	5,000
Operator's License-Driver Education	662,213	643,081	650,000	645,000	650,000
Truck Proportional Registration	47,691,946	54,548,633	50,383,575	53,540,000	55,000,000
Operator's License - Photography Program	1,396,041	1,387,448	1,400,000	1,400,000	1,400,000
Industrial Hauling Permits	980		1,000	1,000	1,000
Motor Carrier Identification Cards	5,247,320	9,198,978	5,962,000	7,809,805	7,222,125
Weight Distance Tax	81,711,920	83,721,474	84,100,000	84,600,000	85,000,000
Nonreciprocal Permits	155,820	143,050	144,000	142,000	140,000
Overweight Coal Truck Permit	289,061	313,011	315,000	316,000	318,000
TOTAL LICENSE AND PRIVILEGE TAX	\$225,152,529	\$239,756,287	\$232,427,000	\$239,473,805	\$246,186,125
<u>Departmental Fees, Sales and Rentals</u>					
Proposal Sales			\$0	\$0	\$0
Specification and Blue Print Sales	408,349	422,936	425,000	425,000	425,000
Miscellaneous Rentals	288,324	384,465	400,000	400,000	400,000
Fines and Forfeitures			0	0	0
Traffic Offenders School Fees	353,405	410,389	450,000	400,000	785,000
Record Copy Sales	95,080	236,301	300,000	300,000	300,000
Highway Sign Logo Rental	748,899	754,416	760,000	760,000	760,000
Driving History Record Fee	7,239,027	6,880,872	7,004,850	6,800,000	7,100,000
Operator's License Reinstatement Fees	1,174,044	1,188,980	1,200,000	1,300,000	1,400,000
Penalty & Interest - Weight and Use Taxes	2,069,695	3,404,217	3,500,000	3,100,000	3,500,000
Medical Alert Stickers	30	20	50	50	50
Motor Vehicle Title Receipts	5,753,785	5,815,168	6,000,000	6,000,000	6,200,000
Proceeds from Asset Disposition	3,136,057	1,523,318	1,600,000	1,500,000	1,600,000
Coal Road Recovery Fines	15,813	1,270	13,500	18,000	20,000
U-Drive-It Penalty and Interest	22,531	21,493	25,000	25,000	25,000
TOTAL DEPARTMENT FEES, SALES AND RENTALS	\$21,305,038	\$21,043,845	\$21,678,400	\$21,028,050	\$22,515,050
<u>Investment Income</u>					
Investment Income	\$2,837,474	\$11,923,927	\$3,700,000	\$2,400,000	\$2,300,000
TOTAL INVESTMENT INCOME	\$2,837,474	\$11,923,927	\$3,700,000	\$2,400,000	\$2,300,000
<u>Miscellaneous Income</u>					
Property Damage	\$2,762,123	\$3,974,598	\$2,000,000	\$2,000,000	\$2,000,000
Cold Check Account	0	0	0	0	0
TOTAL MISCELLANEOUS INCOME	\$2,762,123	\$3,974,598	\$2,000,000	\$2,000,000	\$2,000,000
Misc. Not in Revenue Estimates 2018 Legislation	\$875,784	\$1,610,343	\$1,394,600	\$1,398,145	\$1,298,825
TOTAL ROAD FUND REVENUE	\$1,511,003,522	\$1,566,079,861	\$1,572,800,000	\$1,573,400,000	\$1,593,100,000

Appendix A

Receipts First Half of Fiscal Year 2020

Kentucky State Government Revenue General Fund Revenue

	Second Quarter FY 2020	Second Quarter FY 2019	% Change	Year-To-Date FY 2020	Year-To-Date FY 2019	% Change
TOTAL GENERAL FUND	\$3,051,149,659	\$2,929,696,069	4.1%	\$5,748,486,655	\$5,597,125,965	2.7%
Tax Receipts	\$2,914,656,266	\$2,813,863,128	3.6%	\$5,533,741,457	\$5,401,989,132	2.4%
Sales and Gross Receipts	\$1,223,157,301	\$1,147,087,466	6.6%	\$2,450,987,067	\$2,326,708,121	5.3%
Beer Consumption	1,653,820	1,585,478	4.3%	3,268,492	3,331,119	-1.9%
Beer Wholesale	16,142,108	13,672,616	18.1%	33,014,408	29,958,792	10.2%
Cigarette	88,888,776	86,282,818	3.0%	179,743,163	177,046,940	1.5%
Distilled Spirits Case Sales	52,618	41,349	27.3%	89,403	75,093	19.1%
Distilled Spirits Consumption	4,545,226	3,191,986	42.4%	7,867,563	6,856,358	14.7%
Distilled Spirits Wholesale	15,794,150	11,110,489	42.2%	26,761,217	22,716,271	17.8%
Insurance Premium	27,235,393	17,859,403	52.5%	50,115,304	47,974,163	4.5%
Pari-Mutuel	5,379,782	3,331,935	61.5%	8,979,658	4,817,967	86.4%
Race Track Admission	35,562	66,937	-46.9%	116,072	153,276	-24.3%
Sales and Use	1,034,128,763	986,139,225	4.9%	2,087,378,854	1,963,470,838	6.3%
Wine Consumption	913,188	687,010	32.9%	1,565,560	1,456,562	7.5%
Wine Wholesale	5,226,656	3,937,649	32.7%	8,730,451	7,987,514	9.3%
Telecommunications Tax	17,721,602	13,885,757	27.6%	32,261,620	28,289,586	14.1%
Other Tobacco Products	5,427,357	5,264,421	3.1%	11,052,226	11,383,704	-2.9%
Floor Stock Tax	12,299	30,394	-59.5%	37,075	21,189,939	-99.8%
License and Privilege	(\$516,903)	\$259,193	—	(\$298,998)	(\$82,538)	—
Alc. Bev. License Suspension	68,000	69,007	-1.5%	156,000	180,257	-13.5%
Corporation License	36,556	1,787	1946.1%	37,498	46,443	-19.3%
Corporation Organization	1,115	97,535	-98.9%	28,550	107,040	-73.3%
Occupational Licenses	51,719	24,694	109.4%	87,405	55,714	56.9%
Race Track License	80,492	123,375	-34.8%	175,492	218,375	-19.6%
Bank Franchise Tax	(980,677)	(243,642)	—	(1,178,620)	(1,048,868)	—
Driver License Fees	225,891	186,438	21.2%	394,678	358,500	10.1%
Natural Resources	\$23,025,414	\$29,363,057	-21.6%	\$49,183,318	\$58,621,364	-16.1%
Coal Severance	14,805,357	19,804,862	-25.2%	32,377,033	39,759,234	-18.6%
Oil Production	1,334,638	1,449,045	-7.9%	2,771,268	3,176,467	-12.8%
Minerals Severance	5,855,025	5,819,491	0.6%	11,491,870	10,823,568	6.2%
Natural Gas Severance	1,030,394	2,289,660	-55.0%	2,543,148	4,862,096	-47.7%
Income	\$1,258,485,671	\$1,240,577,990	1.4%	\$2,566,711,063	\$2,551,304,330	0.6%
Corporation	106,905,762	143,021,515	-25.3%	241,146,924	288,837,756	-16.5%
Individual	1,092,983,027	1,068,370,921	2.3%	2,226,953,513	2,184,309,370	2.0%
Limited Liability Entity	58,596,883	29,185,554	100.8%	98,610,626	78,157,203	26.2%
Property	\$388,106,643	\$382,241,236	1.5%	\$431,934,141	\$430,814,983	0.3%
Building & Loan Association	(390,534)	0	—	(343,762)	257,579	—
General - Real	219,231,110	216,152,140	1.4%	219,304,240	216,206,484	1.4%
General - Tangible	116,041,618	115,136,668	0.8%	149,059,737	147,968,382	0.7%
Omitted & Delinquent	7,201,365	7,587,326	-5.1%	10,634,405	12,531,258	-15.1%
Public Service	44,709,712	42,360,667	5.5%	51,966,438	52,842,357	-1.7%
Other	1,313,371	1,004,435	30.8%	1,313,084	1,008,924	30.1%
Inheritance Tax	\$16,058,715	\$10,989,006	46.1%	\$26,484,642	\$24,583,900	7.7%
Miscellaneous	\$6,339,426	\$3,345,179	89.5%	\$8,740,223	\$10,038,972	-12.9%
Legal Process	3,195,025	2,375,182	34.5%	6,492,464	6,433,279	0.9%
T. V. A. In Lieu Payments	2,839,161	969,997	192.7%	1,663,837	3,601,898	-53.8%
Other	305,240	0	—	583,921	3,795	—
Nontax Receipts	\$122,142,844	\$114,133,353	7.0%	\$198,310,195	\$192,726,009	2.9%
Departmental Fees	2,514,613	2,733,581	-8.0%	6,110,483	6,383,518	-4.3%
PSC Assessment Fee	56,967	450,441	-87.4%	13,071,368	16,139,609	-19.0%
Fines & Forfeitures	4,380,410	3,996,107	9.6%	8,740,451	10,390,207	-15.9%
Income on Investments	(2,957,100)	(4,493,694)	—	(4,788,888)	(5,938,568)	—
Lottery	79,363,344	66,146,017	20.0%	137,863,344	122,646,017	12.4%
Miscellaneous	38,784,611	45,300,900	-14.4%	37,313,438	43,105,226	-13.4%
Redeposit of State Funds	\$14,350,548	\$1,699,588	744.4%	\$16,435,003	\$2,410,824	581.7%

Kentucky State Government Revenue Road Fund Revenue

	Second Quarter FY 2020	Second Quarter FY 2019	% Change	Year-To-Date FY 2020	Year-To-Date FY 2019	% Change
TOTAL ROAD FUND	\$378,064,811	\$374,033,793	1.1%	\$779,731,151	\$771,318,586	1.1%
Tax Receipts-	\$370,682,314	\$365,695,722	1.4%	\$763,075,428	\$755,049,395	1.1%
Sales and Gross Receipts	\$322,197,177	\$316,456,720	1.8%	\$665,937,688	\$650,759,004	2.3%
Motor Fuels Taxes	195,341,009	194,417,348	0.5%	398,165,598	\$395,593,938	0.7%
Motor Vehicle Usage	126,856,168	122,039,371	3.9%	267,772,090	\$255,165,067	4.9%
License and Privilege	\$48,485,138	\$49,239,002	-1.5%	\$97,137,740	\$104,290,391	-6.9%
Motor Vehicles	21,157,597	21,712,323	-2.6%	41,749,642	\$45,438,693	-8.1%
Motor Vehicle Operators	3,955,317	4,041,243	-2.1%	8,189,392	\$8,368,429	-2.1%
Weight Distance	21,235,535	21,058,823	0.8%	42,740,136	\$42,285,050	1.1%
Truck Decal Fees	3,660	10,927	-66.5%	19,077	\$27,665	-31.0%
Other Special Fees	2,133,028	2,415,687	-11.7%	4,439,493	\$8,170,554	-45.7%
Nontax Receipts	\$7,307,690	\$7,626,377	-4.2%	\$15,701,937	\$15,285,829	2.7%
Departmental Fees	5,179,584	4,684,971	10.6%	10,994,878	\$9,487,598	15.9%
In Lieu of Traffic Fines	79,020	87,470	-9.7%	166,612	\$180,103	-7.5%
Income on Investments	1,071,306	1,892,143	-43.4%	2,567,985	\$3,799,232	-32.4%
Miscellaneous	977,781	961,793	1.7%	1,972,462	\$1,818,896	8.4%
Redeposit of State Funds	\$74,807	\$711,695	-89.5%	\$953,786	\$983,362	-3.0%

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Appendix B

Summary Statistics for General Fund and Road Fund

Major Revenue Sources Fiscal Years 2010-2019

**SUMMARY STATISTICS FOR GENERAL FUND MAJOR REVENUE SOURCES
FISCAL YEARS 2010-2019 - \$ MILLIONS**

	FY010	FY11	FY12	FY13	FY14
TOTAL GENERAL FUND	8,225,127,620	8,759,442,646	9,090,954,645	9,348,326,000	9,462,035,017
Tax Receipts	7,917,980,032	8,455,775,175	8,786,626,012	8,992,372,146	9,126,466,009
Sales and Gross Receipts	3,396,530,945	3,489,069,236	3,648,803,253	3,616,732,159	3,716,809,229
Beer Consumption	6,165,525	6,118,817	6,125,423	6,190,085	6,226,880
Beer Wholesale	51,596,255	51,914,445	54,139,730	53,750,045	57,969,185
Cigarette	278,159,743	262,220,720	254,798,018	238,669,895	228,076,834
Cigarette Floor Stock	274,940	150,038	31,548	19,426	-1,887
Distilled Spirits Case Sales	453,002	-232,830	116,903	122,873	127,875
Distilled Spirits Consumption	10,719,543	10,942,531	11,355,027	11,962,448	11,961,270
Distilled Spirits Wholesale	27,517,432	28,175,617	29,695,678	31,911,903	33,829,202
Insurance Premium	125,063,475	128,731,563	133,069,934	139,471,024	141,638,641
Pari-Mutuel	-82,480	4,607,322	3,600,911	4,842,847	2,421,099
Race Track Admission	187,994	178,957	164,223	184,269	213,958
Sales and Use	2,794,057,329	2,896,251,816	3,052,236,048	3,021,794,387	3,131,126,876
Wine Consumption	2,442,113	2,584,039	2,716,967	2,856,119	2,896,687
Wine Wholesale	12,082,136	13,748,696	14,102,961	14,959,504	15,523,357
Telecommunications Tax	66,786,669	62,286,497	64,919,274	68,327,915	63,897,510
Other Tobacco Products	21,107,290	21,391,009	21,730,607	21,669,418	20,901,740
License and Privilege	76,326,722	100,533,645	100,903,697	100,211,825	105,181,651
Alc. Bev. License & Suspension	562,082	377,550	281,375	402,958	343,952
Corporation License	5,470,951	10,654,547	5,330,573	-294,874	814,539
Corporation Organization	167,841	69,928	94,666	97,963	47,491
Occupational Licenses	172,153	165,753	156,845	137,311	214,153
Race Track License	271,425	262,175	272,443	264,011	291,300
Bank Franchise Tax	69,085,922	88,400,971	94,158,966	98,971,258	102,857,446
Driver License Fees	596,348	602,721	608,829	633,198	612,770
Natural Resources	317,146,565	342,319,441	346,050,224	269,486,287	241,988,627
Coal Severance	271,943,100	295,836,611	298,263,637	230,540,150	197,525,899
Oil Production	7,564,121	8,287,566	11,955,961	10,974,127	13,128,040
Minerals Severance	13,266,156	13,256,853	13,292,368	13,306,647	12,298,663
Natural Gas Severance	24,373,188	24,938,411	22,538,258	14,665,363	19,036,025
Income	3,538,303,824	3,934,302,025	4,087,239,263	4,369,839,147	4,423,722,549
Corporation	237,867,392	300,782,364	374,423,779	400,752,175	475,120,319
Individual	3,154,488,000	3,417,778,504	3,512,075,128	3,722,963,791	3,749,257,830
LLET	145,948,432	215,741,157	200,740,356	246,123,181	199,344,400
Property	516,169,947	514,814,972	529,566,811	558,378,328	562,428,448
Bank Deposits	589,597	561,375	570,776	588,098	581,157
Building & Loan Association	2,920,507	2,457,458	2,462,810	2,332,923	1,806,976
Distilled Spirits	685,815	730,146	754,636	772,733	854,637
General - Intangible	-	-	-	-	816
General - Real	248,756,857	247,034,036	251,285,063	257,970,441	258,284,309
General - Tangible	193,234,982	186,665,683	207,739,436	216,942,082	223,393,888
Omitted & Delinquent	24,952,198	28,140,461	16,687,591	26,972,243	21,276,527
Public Service	45,026,921	49,210,400	50,063,069	52,795,179	51,859,325
Other	3,071	15,412	3,431	4,629	5,807,422
Inheritance	37,201,611	41,350,929	41,312,904	41,326,220	45,843,849
Miscellaneous	36,300,419	33,384,927	32,749,859	36,398,182	30,491,656
Legal Process	21,807,020	20,303,600	19,977,267	19,748,614	16,792,670
T. V. A. In Lieu Payments	14,335,091	12,992,023	12,707,124	16,600,467	13,646,200
Other	158,308	89,304	65,468	49,101	52,786
Nontax Receipts	301,799,304	300,260,186	301,849,149	353,103,427	333,860,106
Departmental Fees	29,530,171	29,505,690	26,203,503	28,494,072	24,489,562
PSC Assessment Fee	12,685,063	16,266,055	7,389,549	13,205,508	17,155,431
Fines & Forfeitures	29,046,803	26,117,800	26,274,627	28,264,706	24,747,942
Interest on Investments	-303,103	767,606	-14,535,985	711,516	(176,256)
Lottery	200,000,000	200,500,000	210,800,122	215,266,568	219,500,743
Sale of NOx Credits	625,230	36,825	22,025	50,892	104,242
Miscellaneous	30,215,139	27,066,209	45,695,310	67,110,164	48,038,442
Redeposit of State Funds	5,348,284	3,407,285	2,479,483	2,850,428	1,708,902

	FY15	FY16	FY17	FY18	FY19
TOTAL GENERAL FUND	9,966,630,897	10,338,884,795	10,477,848,874	10,838,200,084	11,392,698,460
Tax Receipts	9,637,987,521	9,988,342,493	10,132,685,779	10,497,829,798	10,988,227,884
Sales and Gross Receipts	3,854,700,860	4,062,700,426	4,086,441,364	4,211,205,101	4,717,609,351
Beer Consumption	6,071,389	6,557,744	6,205,443	6,069,024	5,885,046
Beer Wholesale	57,570,011	61,161,655	59,525,060	59,119,872	56,215,810
Cigarette	220,902,529	224,303,658	221,375,451	211,834,789	353,452,495
Cigarette Floor Stock	11,502	8,108	6,040	-3,399	21,289,650
Distilled Spirits Case Sales	132,802	136,488	153,781	155,861	163,929
Distilled Spirits Consumption	12,468,749	12,823,273	14,237,920	14,288,035	14,756,577
Distilled Spirits Wholesale	36,471,357	38,886,865	44,064,952	45,559,663	49,288,861
Insurance Premium	146,480,663	145,250,375	148,188,827	157,154,273	165,476,033
Pari-Mutuel	2,964,884	4,993,574	6,807,535	7,894,063	14,578,083
Race Track Admission	155,426	229,416	174,356	195,837	214,345
Sales and Use	3,267,331,025	3,462,704,116	3,485,215,349	3,605,661,335	3,937,610,039
Wine Consumption	2,912,784	3,102,163	3,084,190	3,165,448	3,143,994
Wine Wholesale	16,323,658	16,583,413	18,289,377	17,445,613	17,608,228
Telecommunications Tax	63,575,235	64,681,001	57,540,002	61,125,754	55,757,372
Other Tobacco Products	21,328,845	21,278,667	21,573,080	21,538,933	22,168,888
License and Privilege	101,926,285	111,094,998	107,690,065	117,424,507	121,663,708
Alc. Bev. License & Suspension	450,542	480,675	367,853	559,200	320,000
Corporation License	188,600	135,698	7,423	11,596	62,947
Corporation Organization	186,635	136,720	982,251	54,471	314,310
Occupational Licenses	202,297	289,193	229,579	216,991	193,778
Race Track License	247,766	324,375	276,596	278,500	268,875
Bank Franchise Tax	99,990,669	109,049,728	105,129,792	115,617,923	119,821,064
Driver License Fees	659,776	678,609	696,570	685,826	682,734
Natural Resources	220,613,349	149,405,136	130,063,924	122,972,027	127,756,984
Coal Severance	180,283,352	120,610,311	100,455,465	89,643,238	92,906,947
Oil Production	9,840,015	4,748,862	5,120,700	5,360,469	5,910,918
Minerals Severance	15,128,385	17,596,331	16,923,270	18,181,584	18,926,560
Natural Gas Severance	15,361,597	6,449,632	7,564,489	9,786,736	10,012,558
Income	4,821,410,590	5,011,709,477	5,136,952,770	5,353,058,930	5,307,357,898
Corporation	528,118,737	526,637,870	497,479,037	511,352,679	555,976,332
Individual	4,069,500,570	4,282,080,975	4,393,862,556	4,603,578,834	4,544,676,175
LLET	223,791,283	202,990,632	245,611,177	238,127,417	206,705,391
Property	563,435,472	577,548,052	602,095,597	621,260,307	647,009,309
Bank Deposits	588,914	632,587	644,459	676,071	666,267
Building & Loan Association	1,482,051	2,191,706	2,369,893	2,158,239	1,701,042
Distilled Spirits	891,761	961,388	1,020,812	1,149,557	1,372,441
General - Intangible	-	-	-	-	-
General - Real	259,228,298	268,087,934	273,935,818	283,388,656	293,725,321
General - Tangible	226,137,118	237,464,692	244,469,542	254,292,498	258,458,750
Omitted & Delinquent	16,237,196	11,991,240	15,966,205	16,274,357	20,097,838
Public Service	58,864,760	56,210,797	63,680,782	63,313,796	70,981,420
Other	5,374	7,708	8,087	7,133	6,230
Inheritance	50,975,858	51,247,149	44,699,808	48,248,219	44,434,124
Miscellaneous	24,925,107	24,637,267	24,742,251	23,660,706	22,396,511
Legal Process	15,435,811	14,479,452	13,299,585	13,035,070	13,135,526
T. V. A. In Lieu Payments	9,452,432	10,119,811	11,350,177	10,575,611	9,251,250
Other	36,863	38,005	92,490	50,025	9,735
Nontax Receipts	326,949,419	344,822,276	335,817,562	334,713,465	393,632,360
Departmental Fees	22,036,475	21,891,588	21,805,380	22,657,477	17,464,180
PSC Assessment Fee	20,829,264	14,367,915	13,784,610	16,218,175	19,665,109
Fines & Forfeitures	22,771,487	21,204,392	19,676,290	17,829,955	19,960,970
Interest on Investments	213,267	287,789	-1,129,875	-7,611,235	-10,553,105
Lottery	221,500,000	241,778,429	241,627,129	253,000,000	263,946,017
Sale of NOx Credits	27,594	0	0	0	0
Miscellaneous	39,571,333	45,292,162	40,054,028	32,619,094	83,149,189
Redeposit of State Funds	1,693,958	5,720,026	9,345,533	5,656,821	10,838,216

**GENERAL FUND GROWTH RATES
MAJOR REVENUE SOURCES – FISCAL YEARS 2010-2019**

	FY10	FY11	FY12	FY13	FY14
TOTAL GENERAL FUND	-2.4%	6.5%	3.8%	2.8%	1.2%
Tax Receipts	-2.4%	6.8%	3.9%	2.3%	1.5%
Sales and Gross Receipts	0.6%	2.7%	4.6%	-0.9%	2.8%
Beer Consumption	-4.8%	-0.8%	0.1%	1.1%	0.6%
Beer Wholesale	-0.2%	0.6%	4.3%	-0.7%	7.8%
Cigarette	48.9%	-5.7%	-2.8%	-6.3%	-4.4%
Cigarette Floor Stock	---	-45.4%	-79.0%	-38.4%	-109.7%
Distilled Spirits Case Sales	314.3%	-151.4%	-150.2%	5.1%	4.1%
Distilled Spirits Consumption	0.4%	2.1%	3.8%	5.3%	0.0%
Distilled Spirits Wholesale	-1.3%	2.4%	5.4%	7.5%	6.0%
Insurance Premium	-0.1%	2.9%	3.4%	4.8%	1.6%
Pari-Mutuel	-101.9%	---	-21.8%	34.5%	-50.0%
Race Track Admission	-18.6%	-4.8%	-8.2%	12.2%	16.1%
Sales and Use	-2.2%	3.7%	5.4%	-1.0%	3.6%
Wine Consumption	2.1%	5.8%	5.1%	5.1%	1.4%
Wine Wholesale	-2.2%	13.8%	2.6%	6.1%	3.8%
Telecommunications Tax	9.1%	-6.7%	4.2%	5.3%	-6.5%
Other Tobacco Products	82.8%	1.3%	1.6%	-0.3%	-3.5%
License and Privilege	-9.3%	31.7%	0.4%	-0.7%	5.0%
Alc. Bev. License Suspension	43.0%	-32.8%	-25.5%	43.2%	-14.6%
Corporation License	-40.2%	94.7%	-50.0%	-105.5%	-376.2%
Corporation Organization	340.5%	-58.3%	35.4%	3.5%	-51.5%
Occupational Licenses	-33.1%	-3.7%	-5.4%	-12.5%	56.0%
Race Track License	-22.5%	-3.4%	3.9%	-3.1%	10.3%
Bank Franchise Tax	-5.8%	28.0%	6.5%	5.1%	3.9%
Driver License Fees	2.8%	1.1%	1.0%	4.0%	-3.2%
Natural Resources	-10.9%	7.9%	1.1%	-22.1%	-10.2%
Coal Severance	-7.1%	8.8%	0.8%	-22.7%	-14.3%
Oil Production	-10.3%	9.6%	44.3%	-8.2%	19.6%
Minerals Severance	3.6%	-0.1%	0.3%	0.1%	-7.6%
Natural Gas Severance	-42.2%	2.3%	-9.6%	-34.9%	29.8%
Income	-4.5%	11.2%	3.9%	6.9%	1.2%
Corporation	-11.2%	26.4%	24.5%	7.0%	18.6%
Individual	-4.9%	8.3%	2.8%	6.0%	0.7%
LLET	20.0%	47.8%	-7.0%	22.6%	-19.0%
Property	0.6%	-0.3%	2.9%	5.4%	0.7%
Bank Deposits	8.6%	-4.8%	1.7%	3.0%	-1.2%
Building & Loan Association	0.7%	-15.9%	0.2%	-5.3%	-22.5%
Distilled Spirits	9.9%	6.5%	3.4%	2.4%	10.6%
General - Intangible	---	---	---	---	---
General - Real	3.2%	-0.7%	1.7%	2.7%	0.1%
General - Tangible	-5.2%	-3.4%	11.3%	4.4%	3.0%
Omitted & Delinquent	8.7%	12.8%	-40.7%	61.6%	-21.1%
Public Service	9.0%	9.3%	1.7%	5.5%	-1.8%
Other	-1.4%	401.9%	-77.7%	34.9%	125357.4%
Inheritance	-9.8%	11.2%	-0.1%	0.0%	10.9%
Miscellaneous	-5.6%	-8.0%	-1.9%	11.1%	-16.2%
Legal Process	-8.3%	-6.9%	-1.6%	-1.1%	-15.0%
T. V. A. In Lieu Payments	-1.8%	-9.4%	-2.2%	30.6%	-17.8%
Other	142.2%	-43.6%	-26.7%	-25.0%	7.5%
Nontax Receipts	-3.2%	-0.5%	0.5%	17.0%	-5.4%
Departmental Fees	-7.5%	-0.1%	-11.2%	8.7%	-14.1%
PSC Assessment Fee	-10.1%	28.2%	-54.6%	78.7%	29.9%
Fines & Forfeitures	-0.9%	-10.1%	0.6%	7.6%	-12.4%
Interest on Investments	-107.2%	-353.2%	-1993.7%	-104.9%	-124.8%
Lottery	3.4%	0.3%	5.1%	2.1%	2.0%
Sale of NOx Credits	---	-94.1%	-40.2%	131.1%	104.8%
Miscellaneous	-22.1%	-10.4%	68.8%	46.9%	-28.4%
Redeposit of State Funds	198.7%	-36.3%	-27.2%	-36.3%	-40.0%

	FY15	FY16	FY17	FY18	FY19
TOTAL GENERAL FUND	5.3%	3.7%	1.3%	3.4%	5.1%
Tax Receipts	5.6%	3.6%	1.4%	3.6%	4.7%
Sales and Gross Receipts	3.7%	5.4%	0.6%	3.1%	12.0%
Beer Consumption	-2.5%	8.0%	-5.4%	-2.2%	-3.0%
Beer Wholesale	-0.7%	6.2%	-2.7%	-0.7%	-4.9%
Cigarette	-3.1%	1.5%	-1.3%	-4.3%	66.9%
Cigarette Floor Stock	-709.6%	-29.5%	-25.5%	-156.3%	---
Distilled Spirits Case Sales	3.9%	2.8%	12.7%	1.4%	5.2%
Distilled Spirits Consumption	4.2%	2.8%	11.0%	0.4%	3.3%
Distilled Spirits Wholesale	7.8%	6.6%	13.3%	3.4%	8.2%
Insurance Premium	3.4%	-0.8%	2.0%	6.1%	5.3%
Pari-Mutuel	22.5%	68.4%	36.3%	16.0%	84.7%
Race Track Admission	-27.4%	47.6%	-24.0%	12.3%	9.5%
Sales and Use	4.4%	6.0%	0.7%	3.5%	9.2%
Wine Consumption	0.6%	6.5%	-0.6%	2.6%	-0.7%
Wine Wholesale	5.2%	1.6%	10.3%	-4.6%	0.9%
Telecommunications Tax	-0.5%	1.7%	-11.0%	6.2%	-8.8%
Other Tobacco Products	2.0%	-0.2%	1.4%	-0.2%	2.9%
License and Privilege	-3.1%	9.0%	-3.1%	9.0%	3.6%
Alc. Bev. License Suspension	31.0%	6.7%	-23.5%	52.0%	-42.8%
Corporation License	-76.8%	-28.0%	-94.5%	56.2%	442.8%
Corporation Organization	293.0%	-26.7%	618.4%	-94.5%	477.0%
Occupational Licenses	-5.5%	43.0%	-20.6%	-5.5%	-10.7%
Race Track License	-14.9%	30.9%	-14.7%	0.7%	-3.5%
Bank Franchise Tax	-2.8%	9.1%	-3.6%	10.0%	3.6%
Driver License Fees	7.7%	2.9%	2.6%	-1.5%	-0.5%
Natural Resources	-8.8%	-32.3%	-12.9%	-5.5%	3.9%
Coal Severance	-8.7%	-33.1%	-16.7%	-10.8%	3.6%
Oil Production	-25.0%	-51.7%	7.8%	4.7%	10.3%
Minerals Severance	23.0%	16.3%	-3.8%	7.4%	4.1%
Natural Gas Severance	-19.3%	-58.0%	17.3%	29.4%	2.3%
Income	9.0%	3.9%	2.5%	4.2%	-0.9%
Corporation	11.2%	-0.3%	-5.5%	2.8%	8.7%
Individual	8.5%	5.2%	2.6%	4.8%	-1.3%
LLET	12.3%	-9.3%	21.0%	-3.0%	-13.2%
Property	0.2%	2.5%	4.3%	3.2%	4.1%
Bank Deposits	1.3%	7.4%	1.9%	4.9%	-1.5%
Building & Loan Association	-18.0%	47.9%	8.1%	-8.9%	-21.2%
Distilled Spirits	4.3%	7.8%	6.2%	12.6%	19.4%
General - Intangible	---	---	---	---	---
General - Real	0.4%	3.4%	2.2%	3.5%	3.6%
General - Tangible	1.2%	5.0%	2.9%	4.0%	1.6%
Omitted & Delinquent	-23.7%	-26.1%	33.1%	1.9%	23.5%
Public Service	13.5%	-4.5%	13.3%	-0.6%	12.1%
Other	-99.9%	43.4%	4.9%	7.8%	107.8%
Inheritance	11.2%	0.5%	-12.8%	7.9%	-7.9%
Miscellaneous	-18.3%	-1.2%	0.4%	-4.4%	-5.3%
Legal Process	-8.1%	-6.2%	-8.1%	-2.0%	0.8%
T. V. A. In Lieu Payments	-30.7%	7.1%	12.2%	-6.8%	-12.5%
Other	-30.2%	3.1%	143.4%	-45.9%	-80.5%
Nontax Receipts	-2.1%	5.5%	-2.6%	-0.3%	17.6%
Departmental Fees	-10.0%	-0.7%	-0.4%	3.9%	-22.9%
PSC Assessment Fee	21.4%	-31.0%	-4.1%	17.7%	21.3%
Fines & Forfeitures	-8.0%	-6.9%	-7.2%	-9.4%	12.0%
Interest on Investments	-221.0%	34.9%	-492.6%	34.9%	38.7%
Lottery	0.9%	9.2%	-0.1%	4.7%	4.3%
Sale of NOx Credits	-73.5%	-100.0%	---	---	---
Miscellaneous	-17.6%	14.5%	-11.6%	-18.6%	154.9%
Redeposit of State Funds	-0.9%	237.7%	63.4%	-39.5%	91.6%

**SUMMARY STATISTICS FOR ROAD FUND MAJOR REVENUE SOURCES
FISCAL YEARS 2010-2019 – (\$ MILLIONS)**

	FY010	FY11	FY12	FY13	FY14
TOTAL STATE ROAD FUND	1,206,622,639	1,338,811,926	1,443,773,845	1,491,623,669	1,560,439,604
Tax Receipts-	1,181,341,209	1,315,130,011	1,416,497,670	1,471,593,789	1,535,727,564
Sales and Gross Receipts	988,541,345	1,114,593,981	1,207,082,330	1,265,175,199	1,329,208,128
Motor Fuels Taxes	655,761,466	732,826,112	790,229,379	838,344,373	886,161,042
Motor Vehicle Usage	332,779,879	381,767,869	416,852,951	426,830,826	443,047,087
License and Privilege	192,799,864	200,536,031	209,415,340	206,418,590	206,519,436
Motor Vehicles	96,839,803	97,812,587	107,836,554	102,256,080	101,879,541
Motor Vehicle Operators	15,941,488	15,736,805	15,737,651	16,049,755	16,150,032
Weight Distance	70,498,757	73,983,781	75,111,565	74,935,016	76,894,805
Truck Decal Fees	679,383	793,715	736,224	590,397	489,072
Other Special Fees	8,840,433	12,209,142	9,993,345	12,587,343	11,105,986
Nontax Receipts	23,871,991	21,932,031	26,739,794	18,023,074	22,833,411
Departmental Fees	18,487,783	18,167,778	21,879,481	17,094,723	17,368,008
In Lieu of Traffic Fines	779,495	779,828	769,405	702,451	544,637
Investment Income	3,633,987	1,995,228	3,081,180	-398,745	3,997,826
Miscellaneous	970,725	989,197	1,009,727	624,646	922,939
Redeposit of State Funds	1,409,439	1,749,883	536,381	2,006,806	1,880,271

	FY15	FY16	FY17	FY18	FY19
TOTAL STATE ROAD FUND	1,526,738,659	1,482,541,978	1,508,003,421	1,511,003,520	1,566,079,860
Tax Receipts-	1,501,667,661	1,458,382,671	1,484,228,925	1,483,223,103	1,527,527,150
Sales and Gross Receipts	1,283,046,179	1,234,432,155	1,260,348,857	1,258,070,574	1,287,770,861
Motor Fuels Taxes	850,276,246	750,034,840	760,514,967	764,937,870	773,248,338
Motor Vehicle Usage	432,769,932	484,397,314	499,833,891	493,132,705	514,522,523
License and Privilege	218,621,482	223,950,517	223,880,068	225,152,529	239,756,289
Motor Vehicles	107,554,129	113,114,908	111,927,466	112,850,030	120,900,980
Motor Vehicle Operators	15,958,491	16,331,496	16,120,127	16,794,541	16,631,111
Weight Distance	79,147,533	81,375,028	82,886,950	81,711,920	86,721,474
Truck Decal Fees	404,906	283,942	289,874	289,061	313,011
Other Special Fees	15,556,424	12,845,142	12,655,651	13,506,977	18,189,713
Nontax Receipts	22,358,605	23,041,935	22,938,976	26,904,635	36,942,367
Departmental Fees	17,766,834	19,308,449	19,473,809	20,951,634	20,633,454
In Lieu of Traffic Fines	465,304	427,255	378,757	353,405	410,389
Investment Income	2,913,784	2,468,620	1,581,851	2,837,474	11,923,927
Miscellaneous	1,212,683	837,611	1,504,559	2,762,123	3,974,598
Redeposit of State Funds	2,712,394	1,117,372	835,520	875,783	1,610,343

**ROAD FUND GROWTH RATES
MAJOR REVENUE SOURCES – FISCAL YEARS 2010-2019**

	FY10	FY011	FY12	FY13	FY14
TOTAL STATE ROAD FUND	1.2%	11.0%	7.8%	11.0%	4.6%
Tax Receipts-	1.9%	11.3%	7.7%	11.3%	4.4%
Sales and Gross Receipts	3.1%	12.8%	8.3%	12.8%	5.1%
Motor Fuels Taxes	5.3%	11.8%	7.8%	11.8%	5.7%
Motor Vehicle Usage	-1.0%	14.7%	9.2%	14.7%	3.8%
License and Privilege	-3.9%	4.0%	4.4%	4.0%	0.0%
Motor Vehicles	-1.4%	1.0%	10.2%	1.0%	-0.4%
Motor Vehicle Operators	2.7%	-1.3%	0.0%	-1.3%	0.6%
Weight Distance	-6.6%	4.9%	1.5%	4.9%	2.6%
Truck Decal Fees	-18.4%	16.8%	-7.2%	16.8%	-17.2%
Other Special Fees	-16.7%	38.1%	-18.1%	38.1%	-11.8%
Nontax Receipts	-23.9%	-8.1%	21.9%	-8.1%	26.7%
Departmental Fees	-3.2%	-1.7%	20.4%	-1.7%	1.6%
In Lieu of Traffic Fines	-18.7%	0.0%	-1.3%	0.0%	-22.5%
Investment Income	-65.9%	-45.1%	54.4%	-45.1%	-1102.6%
Miscellaneous	49.9%	1.9%	2.1%	1.9%	47.8%
Redeposit of State Funds	14.7%	24.2%	-69.3%	24.2%	-6.3%

	FY15	FY16	FY17	FY18	FY19
TOTAL STATE ROAD FUND	-2.2%	-2.9%	1.7%	0.2%	3.6%
Tax Receipts-	-2.2%	-2.9%	1.8%	-0.1%	3.0%
Sales and Gross Receipts	-3.5%	-3.8%	2.1%	-0.2%	2.4%
Motor Fuels Taxes	-4.0%	-11.8%	1.4%	0.6%	1.1%
Motor Vehicle Usage	-2.3%	11.9%	3.2%	-1.3%	4.3%
License and Privilege	5.9%	2.4%	0.0%	0.6%	6.5%
Motor Vehicles	5.6%	5.2%	-1.0%	0.8%	7.1%
Motor Vehicle Operators	-1.2%	2.3%	-1.3%	4.2%	-1.0%
Weight Distance	2.9%	2.8%	1.9%	-1.4%	6.1%
Truck Decal Fees	-17.2%	-29.9%	2.1%	-0.3%	8.3%
Other Special Fees	40.1%	-17.4%	-1.5%	6.7%	34.7%
Nontax Receipts	-2.1%	3.1%	-0.4%	17.3%	37.3%
Departmental Fees	2.3%	8.7%	0.9%	7.6%	-1.5%
In Lieu of Traffic Fines	-14.6%	-8.2%	-11.4%	-6.7%	16.1%
Investment Income	-27.1%	-15.3%	-35.9%	79.4%	320.2%
Miscellaneous	31.4%	-30.9%	79.6%	83.6%	43.9%
Redeposit of State Funds	44.3%	-58.8%	-25.2%	4.8%	83.9%

FISCAL YEAR 2019 RECEIPTS REVIEW

General Fund

The General Fund receipts totaled \$11,392.7 million, which is \$554.5 million or 5.1 percent more than FY18 receipts. Revenue collections grew in all four quarters of the fiscal year. Growth rates for the four quarters of FY19 were 4.5, 2.9, 4.6, and 8.3 percent, respectively. The 8.3 percent growth in the fourth fiscal quarter was the largest one-quarter increase since the fourth quarter of FY15. General Fund receipts rose for the ninth consecutive year. Of note among the major accounts is the modest decline in individual income revenue and the large increases in the sales and cigarette taxes. These changes are due, in large part, to legislative actions undertaken in 2018.

For the year, revenue from all the major accounts, except one, exceeded official estimates. The corporation income tax was the only account to fall short of estimated totals. The errors ranged from -\$17.0 million to \$68.4 million. The two largest revenue sources, sales and use and individual income, were extremely close to budgeted levels as each were within 0.8 percent of the official estimate. The official revenue estimate for FY19 was rendered by the CFG in December 2017 and then adjusted to reflect legislation enacted in the 2018 legislative session. Sales and use tax receipts were above the estimate by 0.8 percent. The individual income tax exceeded the forecasted level by \$13.5 million, or 0.3 percent. Corporation income tax receipts were below forecasted levels by \$17.0 million, or -3.0 percent. Limited liability entity tax receipts exceeded the forecasted level by \$6.5 million. Cigarette taxes were above the estimate by \$36.8 million. The coal severance tax was \$15.0 million over the official estimate while property taxes were 4.2 percent more than forecasted. Lottery receipts exceeded the official forecast by 6.0 percent while all other taxes combined were 9.8 percent above the official estimate.

Sales and use tax receipts grew \$331.9 million, or 9.2 percent, in FY19. Collections in this account were also impacted by legislation. The high rate of growth in this account is largely attributable to the base-broadening measures in HB 487 from 2018. This bill extended the sales and use tax to include the installation and maintenance of tangible property, as well as to specific services, such as landscaping, small animal veterinary services, and extended warranty services. Receipts were robust throughout the year with the low point being the third quarter when revenues grew 7.9 percent. Quarterly growth rates were 8.2, 9.0, 7.9, and 11.5 percent, respectively.

Individual income tax receipts fell for the first time since FY10, declining 1.3 percent, due to tax law changes. HB 487 from the 2018 Regular Session affected income taxation in a number of ways. The most significant change was moving from a graduated tax bracket, with a maximum of six percent to a flat rate five percent. The base of taxation was also broadened through the elimination of various deductions as well as the removal of the personal tax credit for taxpayers, their spouses and dependents. Among the major components of the individual income tax, withholding, fiduciary, and declarations fell while net taxpayer refunds were lower compared to FY18 totals. Growth rates for the four quarters of the individual income tax were -0.7, -4.0, -2.2, and 1.1 percent, respectively.

Corporation income tax collections rose 8.7 percent, or \$44.6 million, compared to last year while the LLET fell by \$31.4 million for a net increase of \$13.2 million. While legislation did not directly affect the LLET, there is a strong interplay between the two taxes. House Bill 487 from 2018 was expected to have a net negative impact on corporation income tax receipts. Provisions in the bill replaced the progressive rate structure with a top rate of six percent to a flat rate of five percent. This represented a tax cut for most corporations. The rate cuts were coupled with some base broadening and an update to the Federal Internal Revenue Code effective January 1, 2018. This partially mitigated the negative fiscal impact of the rate reduction. Both the corporation income and the LLET experienced large quarterly fluctuations throughout the year. Growth rates for the corporation income tax were -5.1, 17.5, -48.0, and 24.9 percent while the LLET had growth rates of 12.7, -53.1, 56.3, and -24.4 percent.

Coal severance tax collections increased in FY19 after six consecutive annual declines. Revenues were \$3.3 million, or 3.6 percent above FY18 totals. Through the first six months of the year, it looked like coal would continue on its long slow decline. However, a strong second half of the year pushed receipts into positive territory. Quarterly growth rates for these accounts were -21.1, -7.2, 17.4, and 30.1 percent, respectively. Third and fourth quarter coal severance tax receipts were bolstered by the collection of prior year severance taxes from financially distressed companies.

Cigarette tax receipts increased \$162.9 million, or 76.9 percent in FY19. Receipts of \$374.7 million compare favorably to \$211.8 million remitted to the state in FY18. Cigarette tax receipts were greatly impacted by legislation. House Bill 487 from 2018 increased the tax on a pack of cigarettes from \$0.60 to \$1.10, an 83 percent increase. The increase in the tax rate resulted in a decrease in consumption. Quarterly growth rates for the year were 103.1, 69.1, 69.4, and 64.9 percent, respectively.

Total property taxes increased 4.1 percent or \$25.7 million, during the fiscal year. Receipts of \$647.0 million compare favorably to \$621.3 million in FY18. Real property and public service property components were the primary drivers of the increase in revenues. Collections were steady for the final three quarters of the year after declining in the first three months of FY19. Growth rates for the four quarters were -9.5, 5.5, 5.3, and 5.2 percent, respectively.

Lottery receipts increased 4.3 percent, or \$10.9 million, from the previous year. Receipts of \$263.9 million compare favorably to \$253.0 million remitted to the state in FY18. Lottery dividend was \$14.9 million or 6.0 percent over the budgeted estimate.

The “Other” category, which includes multiple taxes and fees such as, insurance premium taxes, bank franchise taxes, telecommunication tax, beer wholesale tax, and inheritance tax, increased 9.3 percent or \$65.4 million, largely due to an increase in abandoned property as securities were sold in the fourth quarter. Receipts of \$769.1 million compare to \$703.7 million collected in FY18. Quarterly growth rates for the “Other” account were 0.9, -0.2, 7.3, and 29.8 percent, respectively.

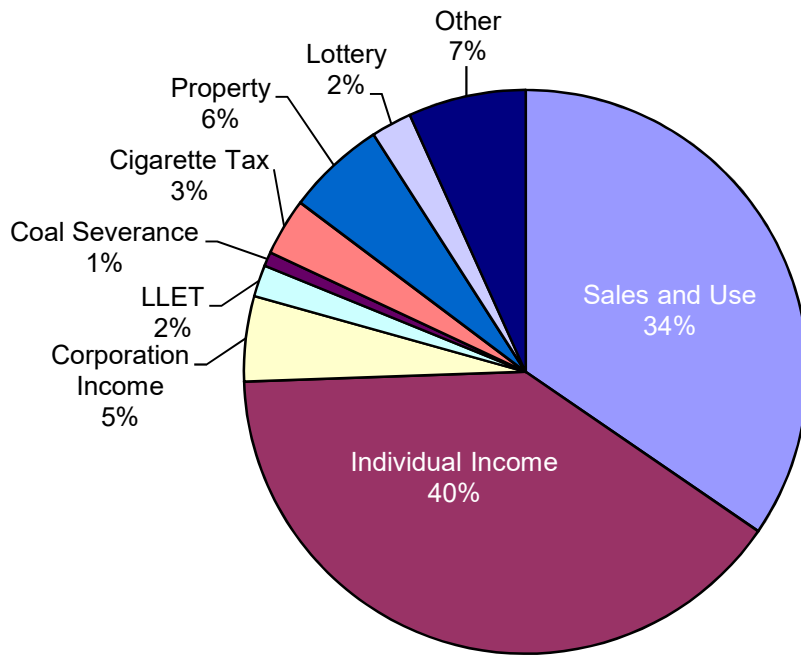
General Fund Revenues Compared to Previous Years
\$ millions

	Full Year			Growth Rates (%)		
	FY19	FY18	FY17	FY19	FY18	FY17
Individual Income	4,544.7	4,603.6	4,393.9	-1.3	4.8	2.6
Sales & Use	3,937.6	3,605.7	3,485.2	9.2	3.5	0.7
Corp. Inc. & LLET	762.7	749.5	743.1	1.8	0.9	1.8
Property	647.0	621.3	602.1	4.1	3.2	4.2
Lottery	263.9	253.0	241.6	4.3	4.7	-0.1
Cigarettes	374.7	211.8	221.4	76.9	-4.3	-1.3
Coal Severance	92.9	89.6	100.5	3.6	-10.8	-16.7
Other	769.1	703.7	690.1	9.3	2.0	-1.4
Total	11,392.7	10,838.2	10,477.8	5.1	3.4	1.3

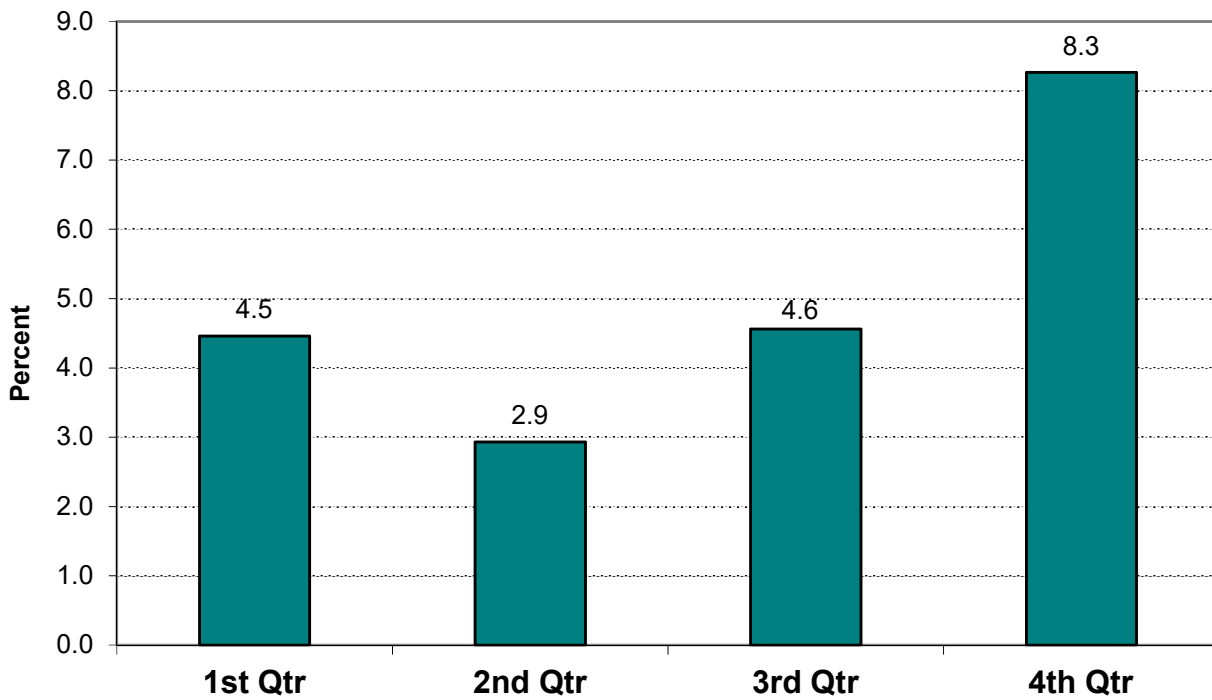
General Fund Quarterly Growth Rates
percents

	FY19				Full Year
	Q1	Q2	Q3	Q4	
Individual Income	-0.7	-4.0	-2.2	1.1	-1.3
Sales & Use	8.2	9.0	7.9	11.5	9.2
Corp. Inc. & LLET	-1.2	-6.4	2.4	8.7	1.8
Property	-9.5	5.5	5.3	5.2	4.1
Lottery	2.7	7.6	2.5	4.3	4.3
Cigarettes	103.1	69.1	69.4	64.9	76.9
Coal Severance	-21.1	-7.2	17.4	30.1	3.6
Other	0.9	-0.2	7.3	29.8	9.3
Total	4.5	2.9	4.6	8.3	5.1

FY19 General Fund Receipts Composition



FY19 General Fund Quarterly Growth Rates percent



FY19 General Fund Receipts Compared to Official Estimate

\$ millions

	FY19		Difference	
	Actual	Estimate	\$	%
Individual Income	4,544.7	4,531.2	13.5	0.3
Sales & Use	3,937.6	3,907.6	30.0	0.8
Corp. Inc. & LLET	762.7	773.2	-10.5	-1.4
Property	647.0	620.7	26.3	4.2
Lottery	263.9	249.0	14.9	6.0
Cigarettes	374.7	337.9	36.8	10.9
Coal Severance	92.9	77.9	15.0	19.3
Other	769.1	700.7	68.4	9.8
Total	11,392.7	11,198.2	194.5	1.7

Road Fund

Road Fund revenues for FY19 were \$1,566.1 million, an increase of 3.6 percent from the previous fiscal year. Total receipts were \$55.1 million more than FY18 levels as motor vehicle usage tax revenue was the single largest gainer. Motor fuels tax, income on investment and motor vehicle license also posted gains. This is the third consecutive year in which revenues have increased and 3.6 percent growth is the strongest since collections grew 4.6 percent in FY14.

Total Road Fund collections grew steadily across the year with the exception of the third quarter when revenues were flat. Growth rates for the four quarters were 3.8, 4.8, 0.0, and 5.8 percent, respectively.

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

Road Fund Revenues Compared to Previous Years

\$ millions

	Full Year			Growth Rates (%)		
	FY19	FY18	FY17	FY19	FY18	FY17
Motor Fuels	773.2	764.9	760.5	1.1	0.6	1.4
Motor Vehicle Usage	514.5	493.1	499.8	4.3	-1.3	3.2
Motor Vehicle License	120.9	112.9	111.9	7.1	0.8	-1.1
Motor Vehicle Operators	16.6	16.8	16.1	-1.0	4.2	-1.3
Weight Distance	83.7	81.7	82.9	2.5	-1.4	1.9
Income on Investments	11.9	2.8	1.6	320.2	79.5	-34.6
Other	45.1	38.7	35.1	16.5	10.2	0.8
Total	1,566.1	1,511.0	1,508.0	3.6	0.2	1.7

Motor fuels tax growth continues to be tepid. Fiscal Year 2019 is the third consecutive year in which collections have been in the 0.6 percent to 1.4 percent band. The tax rate on fuels has remained unchanged since the fourth quarter of FY15 so any change in revenue is the direct result of a change in consumption. Quarterly growth rates for motor fuels taxes were 1.2, 2.6, -0.6, and 1.1 percent, respectively.

Motor vehicle usage tax receipts of \$514.5 million compared to the \$493.1 million collected in FY18. Collections rose \$21.4 million, or 4.3 percent, compared to prior year totals. Growth rates for the four quarters were 4.9, 6.4, -1.5, and 7.5 percent, respectively.

Weight distance tax receipts of \$83.7 million represent an increase of 2.5 percent compared to the \$81.7 million collected in FY18.

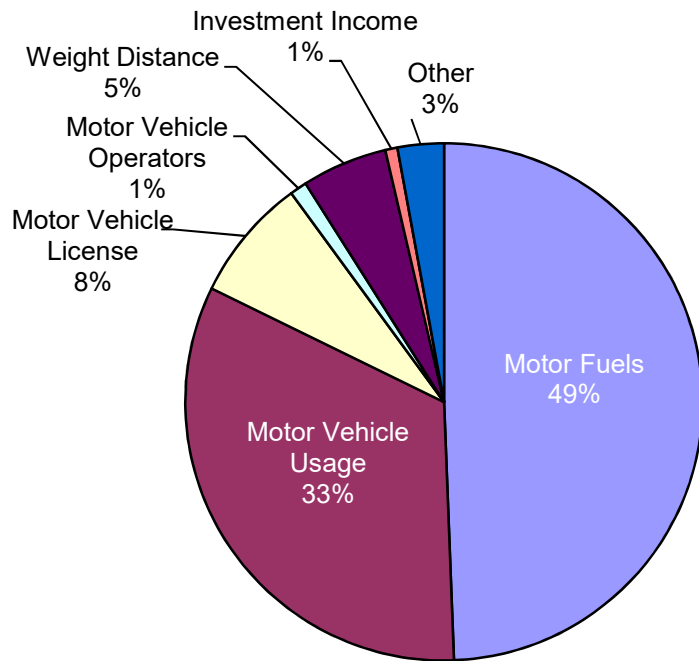
Motor vehicle license tax receipts increased \$8.1 million while motor vehicle motor vehicle operators' receipts declined by \$200,000. Income on investment skyrocketed to \$11.9 million an amount not seen since FY09 while "Other" income rose \$6.4 million from FY18.

Road Fund collections for FY19 exceeded the official consensus estimate by \$59.5 million, or 4.0 percent. Six of the seven of the forecasted Road Fund accounts were above estimated levels with one slightly below the estimate. The motor vehicle usage tax had the largest variance between actual and estimate totals. It was \$20.5 million, or 4.2 percent, over the official estimate. Motor fuels receipts had the second largest variation exceeding the estimate by \$14.0 million or 1.9 percent. All other accounts, taken together, were \$25.0 million over forecasted levels.

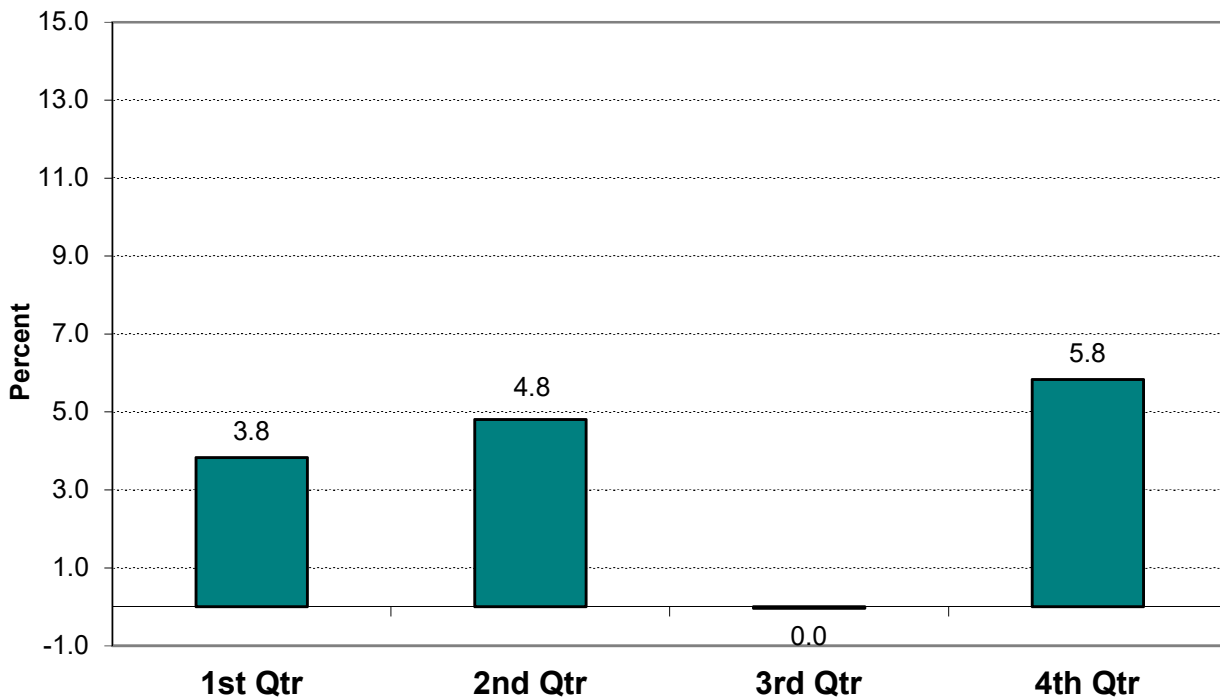
Road Fund Quarterly Growth Rates
percents

	FY19				
	Q1	Q2	Q3	Q4	Full Year
Motor Fuels	1.2	2.6	-0.6	1.1	1.1
Motor Vehicle Usage	4.9	6.4	-1.5	7.5	4.3
Motor Vehicle License	13.2	6.8	0.8	9.3	7.1
Motor Vehicle Operators	0.5	-1.0	0.4	-3.6	-1.0
Weight Distance	2.0	2.2	3.6	2.2	2.5
Income on Investments	109.3	1,401.6	383.4	336.0	320.3
Other	18.4	17.2	-4.6	30.9	16.5
Total	3.8	4.8	0.0	5.8	3.6

Composition of FY19 Road Fund Revenues



FY19 Road Fund Quarterly Growth Rates percent



Capital Financing Analysis

EXECUTIVE SUMMARY

The Governor proposes \$634,376,300 in new General Fund supported debt and \$429,797,600 in new Agency Fund supported debt. The proposal for the 2020-2022 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:

- FY20-22 General Fund revenues are based on the December 17, 2019 Consensus Forecasting Group's Official Revenue Estimates plus proposed new revenue included in the Governor's recommended budget. FY20 is projected to be \$114.2 million higher than the official General Fund revenue estimate enacted in the 2018-20 biennial budget during the 2018 Regular Session. FY21 and FY22 General Fund revenues are projected using proposed new revenue measures and a 1.3 percent and a 1.8 percent growth rate, respectively.
- FY20-22 Road Fund revenues are based on the December 17, 2019 Consensus Forecasting Group's Official Revenue Estimates. FY20 is projected to be \$63.0 million higher than the official Road Fund revenue estimate enacted in the 2018-20 biennial budget during the 2018 Regular Session. FY20-22 Road Fund revenues are projected using a 0.0 percent and a 1.3 percent growth rate, respectively.
- Agency Fund revenues are based on actual FY19 revenue from the Supplementary Information to the FY19 Comprehensive Annual Financial Report, and for FY20, FY21, and FY22, estimated amounts are obtained from the 2020-2022 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, 2018 through September 30, 2019 were reduced by 6.9%. Estimated interest subsidy payments during October 1, 2019 through September 30, 2022 were reduced by 5.9%.
- Currently authorized but un-issued debt is assumed to be issued during the balance of FY20 with no additional debt service to be paid in FY20 but with debt service payments to be made in FY21 and FY22 using the revised template rates. Where actual debt service is unknown, required debt service is estimated from amortization schedules using the revised debt service template rates.
- Cost of issuance is assumed to be two percent (2%) of bond size.
- Previously authorized General Fund Bonds of \$10,500,000 and Agency Fund Bonds of \$171,541,000 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>
1998-00 ¹	1,095,128,000	2010-12 ⁷	1,553,199,800
2000-02 ²	1,046,927,600	2012-14 ⁸	630,258,000
2002-04 ³	828,936,380	2014-16 ⁹	1,496,548,200
2004-06 ⁴	1,906,315,300	2016-18 ¹⁰	1,266,242,500
2006-08 ⁵	2,110,528,000	2018-20 ¹¹	1,047,702,000
2008-10 ⁶	2,015,494,000	2020-22 ¹²	1,064,173,900

¹Debt 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.

²Debt 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.

³Debt Enacted in the 2002-2004 Budget of the Commonwealth.

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

⁴Debt 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.

⁵Debt 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.

⁶Debt 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.

⁷Debt 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.

⁸Debt 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.

⁹Debt 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.

¹⁰Debt Enacted in the 2016-2018 Budget of the Commonwealth and 2017 Regular Session of the General Assembly.

General Fund Authorization	\$ 588,986,500
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.

¹¹Debt Enacted in the 2018-2020 Budget of the Commonwealth and 2019 Regular Session of the General Assembly.

General Fund Authorization:	\$ 444,817,000
Agency Fund Authorization:	\$ 602,885,000

The 2018 Regular Session authorized \$369,817,000 for new projects. The Agency Fund bond authorization includes \$60,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund. The 2019 Regular Session of the General Assembly authorized General Fund bonds of \$25,000,000 for the Economic Development Cabinet and \$50,000,000 for Parks.

¹²\$1,064,173,900 New Debt Recommended in the 2020-2022 Executive Budget.

General Fund Authorization	\$ 634,376,300
Agency Fund Authorization	\$ 429,797,600

The Agency Fund bond authorization is comprised entirely of university debt.

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 FY20 – FY22 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+/A+ State Property and Buildings Commission General Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's, Fitch Ratings and Kroll Bond Rating Agency, respectively.
6. Maintain or improve the state's current Aa3/A-/A+/NR 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 ENTITIES**

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+/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/A-/A+/NR
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/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/NR (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/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-/NR

¹ Ratings, where applicable, include Moody's, Standard & Poor's, Fitch, and Kroll. 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

Following are recent ratings for the referenced issuer or obligations; this is not a comprehensive history of all rating changes:

State Property and Buildings Commission

- 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.
- On May 18, 2018, Standard & Poor's downgraded the Commonwealth's issuer credit rating to "A" from "A+" 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 "BBB+" from "A-". The outlook on all ratings is stable.

Turnpike Authority of Kentucky

- On July 20, 2017, Moody's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "Aa3" from "Aa2".
- On August 29, 2018, Standard & Poor's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "A-" from "AA-". The outlook is stable.

Kentucky Asset/Liability Commission – GARVEEs

- 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 from negative to stable.

Kentucky Infrastructure Authority

- 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.

Public Private Partnerships

- The Commonwealth of Kentucky has financed three capital construction projects through the Public-Private Partnership ("P3") structure as of January 1, 2020. 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 Mayo-Underwood State Office Building project was financed through the issuance of \$107,260,000 tax-exempt and \$3,415,000 taxable COPs. 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.	\$65,060,000
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 July 2019, the system completion date is October 29, 2020, and the Longstop date remains 12 months after the Target System Completion Date (October 30, 2021).	\$304,127,260
2018 Commonwealth of Kentucky State Office Building (Mayo-Underwood)	Capital lease payments, consisting of base rent and additional rent, made pursuant to a facilities lease agreement under a taxable and tax-exempt structure for a 30-year term.	Site work commenced in December 2017 with a substantial completion date of October 30, 2019. Full occupancy was achieved by December 2019.	\$107,260,000

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 FY21 and FY22 are based upon the Consensus Forecasting Group's December 17, 2019 Official Revenue Estimates with additional revenue from the Governor's budget recommendation. Agency Fund estimates are based upon actual results for FY19, and for FY20, FY21, and FY22, estimated amounts are from the 2020-2022 biennial budget requests. Interest rate subsidies of 35% on bonds issued as BABs and interest rate subsidies of 70% on bonds issued as QEGBs 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 5.00 percent or with a taxable interest rate of 5.75 percent or other applicable rates). Asset bonds equate to project costs plus cost of issuance and assume no debt service reserves.

Historical Information

Table 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
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	9,031.73	0.50	2.517	3,588.72	-1.76
2019	8,281.28	-8.31	2.575	3,216.53	-10.37
2020*	8,356.48	0.91	2.633	3,174.35	-1.31
2021*	7,581.27	-9.28	2.694	2,813.71	-11.36
2022*	6,806.39	-10.22	2.758	2,468.14	-12.28

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes no additional debt authorization for the 2020-2022 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 (\$)
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	0.33	5.15	0.60	2,017.75	233.42
2018	2.60	0.32	4.76	0.59	2021.43	251.40
2019	2.29	0.33	4.19	0.60	1853.88	263.76
2020*	2.27	0.29	4.06	0.51	1864.56	235.56
2021*	2.02	0.30	3.55	0.53	1686.03	251.74
2022*	1.75	0.28	3.09	0.50	1508.72	244.68

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes no additional debt authorization for the 2020-2022 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 \$1,064,173,900 Executive Budget Recommended New Authorization	Required Debt Service as a % of Personal Income with \$1,064,173,900 Executive Budget Recommended New Authorization
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	0.60		
2018	4.76	0.59		
2019	4.19	0.60		
2020*	4.06	0.51		
2021*	3.55	0.53		
2022*	3.09	0.50	3.57	0.54

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes new debt authorization for the 2020-2022 Biennium with full year debt service in FY22.

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	
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	17,912.90	1,024.02	5.72
2017	18,490.92	1,039.64	5.62
2018	19,551.35	1,123.28	5.75
2019	20,673.17	1,178.23	5.70
2020*	21,327.52	1,055.73	4.95
2021*	21,968.27	1,131.97	5.15
2022*	22,603.70	1,103.85	4.88

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes no additional debt authorization for the 2020-2022 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	\$1,064,173,900 Executive Budget Recommended New Authorization
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	5.62	
2018	5.75	
2019	5.70	
2020*	4.95	
2021*	5.15	
2022*	4.88	5.27

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes new debt authorization for the 2020-2022 Biennium with full year debt service in FY22.

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 (%)	\$1,064,173,900 Executive Budget Recommended New Authorization
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	12,294.46	10.23	
2019	12,955.05	9.18	
2020*	13,103.16	9.14	
2021*	13,361.83	8.47	
2022*	13,597.79	8.12	8.74

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes new debt authorization for the 2020-2022 Biennium with full year debt service in FY22.

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>
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	0.33	0.36	0.36
2018	2.60	0.32	0.36	0.36
2019	2.29	0.33	0.33	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>
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	0.60	0.65	0.66
2018	4.76	0.59	0.66	0.66
2019	4.19	0.60	0.60	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>
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	233.42	256.01	256.88
2018	2,021.43	251.40	281.44	280.31
2019	1,853.88	263.76	266.14	293.94

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>
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
2018	0.51	0.94	397.15
2019	0.50	0.91	404.29

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 (%)
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	17,912.90	5.72	6.62	6.37
2017	18,490.92	5.62	6.17	6.19
2018	19,551.35	5.75	6.43	6.41
2019	20,673.17	5.70	5.75	6.35

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 (%)
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	11,903.26	8.73	9.58	9.61
2018	12,294.46	9.14	10.23	10.19
2019	12,955.05	9.09	9.18	10.14

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

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
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	1168.30	153.29	13.12
2018	1170.03	154.82	13.23
2019	1221.84	154.41	12.64

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

Appendix C: University Rating Agency Information

Ratings for the Public Universities of the Commonwealth of Kentucky as of 12/3/19

University	Moody's				S&P				Fitch			
	Underlying		Enhanced		Underlying		Enhanced		Underlying		Enhanced	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
Eastern Kentucky University <i>General Receipts</i>	A2	stable	A1	stable	A	Stable	A	Stable	-	-	-	-
KCTCS <i>General Receipts</i>	Aa3	negative	A1	stable	-	-	-	-	Not Rated	-	A+	Stable
Kentucky State University <i>General Receipts</i>	-	-	-	-	-	-	-	-	-	-	-	-
Morehead State University <i>General Receipts</i>	A2	negative	A1	stable	-	-	-	-	-	-	-	-
Murray State University <i>General Receipts</i>	A2	stable	A1	stable	A	stable	A	stable	-	-	-	-
Northern Kentucky University <i>General Receipts</i>	A1	stable	A1	stable	A	stable	A	stable	-	-	-	-
University of Kentucky <i>General Receipts</i>	Aa2	stable	-	-	AA	stable	-	-	-	-	-	-
University of Louisville <i>General Receipts</i> <i>CEBR</i>	Baa1	negative	A1	stable	A+	stable	-	-	-	-	-	-
Western Kentucky University <i>General Receipts</i>	A2	stable	A1	stable	A-	stable	A	stable	-	-	-	-

Notes:

Kentucky State University ratings were withdrawn

S&P ratings of EKU, Murray, NKU are based off a 9/3/2015 S&P report that was released in conjunction with SPBC109 (AOC)

S&P rating of WKU is an actual rating (WKU receives an S&P rating and Moody's rating with every deal)

SPBC 116 was not rated by S&P

Appendix D: Recommended Bond Funded Projects

<u>AGENCY</u>	<u>PROJECT</u>	<u>GENERAL FUND</u>
University of Kentucky	Resurgence Fund - State Share	\$ 68,314,000
University of Louisville	Resurgence Fund - State Share	32,522,000
Eastern Kentucky University	Resurgence Fund - State Share	14,981,000
Kentucky State University	Resurgence Fund - State Share	5,364,800
Morehead State University	Resurgence Fund - State Share	11,509,800
Murray State University	Resurgence Fund - State Share	12,278,400
Northern Kentucky University	Resurgence Fund - State Share	10,695,000
Western Kentucky University	Resurgence Fund - State Share	17,902,000
KCTCS	Resurgence Fund - State Share	26,433,000
Veterans Affairs	Design Bowling Green Veterans Nursing Home	2,500,000
Ky Infrastructure Authority	Fund A-Federally Assisted Wastewater Program	8,172,000
Ky Infrastructure Authority	Fund F-Drinking Water Revolving Loan Program	8,222,000
Economic Development	Economic Development Bond Program	10,000,000
Economic Development	High-Tech Construction/Investment Pool	10,000,000
Economic Development	KY Economic Development Finance Authority Loan Pool	45,000,000
School Facilities Construction Commission	Offers of Assistance - 2018-2020	100,000,000
Education	School Safety Facility Upgrades	18,200,000
Finance & Administration	Capitol Campus Upgrade	22,000,000
Finance & Administration	Air Handler Replacement and Repair-Central Lab	2,011,300
Finance & Administration	Elevator Upgrades - Phase I	2,000,000
Kentucky State Police	Emergency Radio System Replacement-Phase II	52,450,000
Corrections	Repair/Replace Roofs - Eastern KY Correctional Complex	6,531,000
Corrections	Install Emergency Generators-Luther Lockett & Green River	5,700,000
CHFS-Behavioral Health	Western State Hospital - Electrical Upgrade - Phase III	3,493,000
CHFS-Behavioral Health	Oakwood Renovate/Replace Cottages - Phase II	8,000,000
CHFS-Behavioral Health	Oakwood Replace, Upgrade and Enhance Emergency Generators	1,825,000
State Fair Board	Prestonia Grounds and Infrastructure Improvements	4,000,000
Parks	Wastewater Treatment Upgrades Pool	10,000,000
Environmental Protection	State-Owned Dam Repair Pool	7,000,000
Environmental Protection	Petroleum Storage Tank Environmental Assurance Fund	50,000,000
KET	Public Safety Emergency Warning & Alerting	1,000,000
Education	State Schools Roof Replacement Pool	3,272,000
Education	State Schools HVAC Pool	10,000,000
Parks	Maintenance Pool	10,000,000
Finance & Administration	Maintenance Pool	10,000,000
Corrections	Maintenance Pool	10,000,000
Health and Family Services	Maintenance Pool	10,000,000
State Fair Board	Maintenance Pool	3,000,000
TOTAL-NEW 2021-22 GENERAL FUND BONDS		\$ 634,376,300
<u>AGENCY</u>	<u>PROJECT</u>	<u>AGENCY FUND</u>
Eastern	Upgrade/Improve Athletic Facilities/Fields Pool	\$ 25,000,000
Morehead	Resurgence Fund - Agency Match	5,754,900
Morehead	Capital Renewal and Maintenance Pool-Auxiliary	4,539,000
Morehead	Comply with ADA - Auxiliary	2,034,000
Morehead	Construct New Residence Hall	37,956,000
Morehead	Construct New Volleyball Facility - Phase 2	2,380,000
Morehead	Renovate Alumni Tower Ground Floor	3,812,000
Morehead	Replace Exterior Precast Panels-Nunn Hall	3,148,000
Morehead	Replace Turf on Jacobs Field	1,102,000
Murray	Resurgence Fund - Agency Match	6,139,200
Murray	Renovate Residence Hall or Replace	16,740,000
Murray	Renovate Residence Hall Electrical System	4,180,000
Murray	Renovate Residence Hall HVAC System	3,503,000
Murray	Replace Residence Hall Domestic Water Piping	1,143,000
Murray	Renovate Residence Hall Interior	1,601,000
Northern	Resurgence Fund - Agency Match	5,347,500
UK	Resurgence Fund - Agency Match	34,157,000
UK	Facilities Renewal and Modernization	125,000,000
UK	Renovate/Upgrade Health Care Facilities-Addl	25,000,000
UK	Acquire/Renovate Housing	40,000,000
UofL	Resurgence Fund - Agency Match	16,261,000
UofL	Construct College of Business Building	40,000,000
WKU	Construct Parking Structure IV	25,000,000
TOTAL-AGENCY BOND PROJECTS		\$ 429,797,600
TOTAL - ALL BOND PROJECTS		\$ 1,064,173,900

ACKNOWLEDGMENTS

OFFICE OF STATE BUDGET DIRECTOR	
John T. Hicks	State Budget Director
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT	
Janice Tomes	Deputy State Budget Director
Kevin Cardwell	Deputy State Budget Director
Michaela Giles	Policy and Budget Analyst
Glenna Goins	Policy and Budget Analyst
Christina Gordley	Policy and Budget Analyst
Traci Hedrick	Administrative Specialist
Melissa Highfield-Smith	Policy and Budget Analyst
Alex Kelly	Policy and Budget Analyst
Marty Miller	Staff Assistant
Stacy Roland	Policy and Budget Analyst
Phillip Rosell	Programmer
Teresa Sanders	Policy and Budget Analyst
Kara Smothermon	Policy and Budget Analyst
Ethan Williams	Policy and Budget Analyst
Lori Woodside	Policy and Budget Analyst
Carla Wright	Policy and Budget Analyst
GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS	
Greg Harkenrider	Deputy Executive Director
Martha Armstrong	Administrative Specialist
Thomas Jones	Financial Investment and Forecasting Program Analyst
Gene Zaparanick -Brown	Financial Investment and Forecasting Program Analyst
GOVERNOR'S OFFICE FOR POLICY RESEARCH	
Michael Jones	Deputy Executive Director
Sara Aitkin	Financial Investment and Forecasting Program Specialist