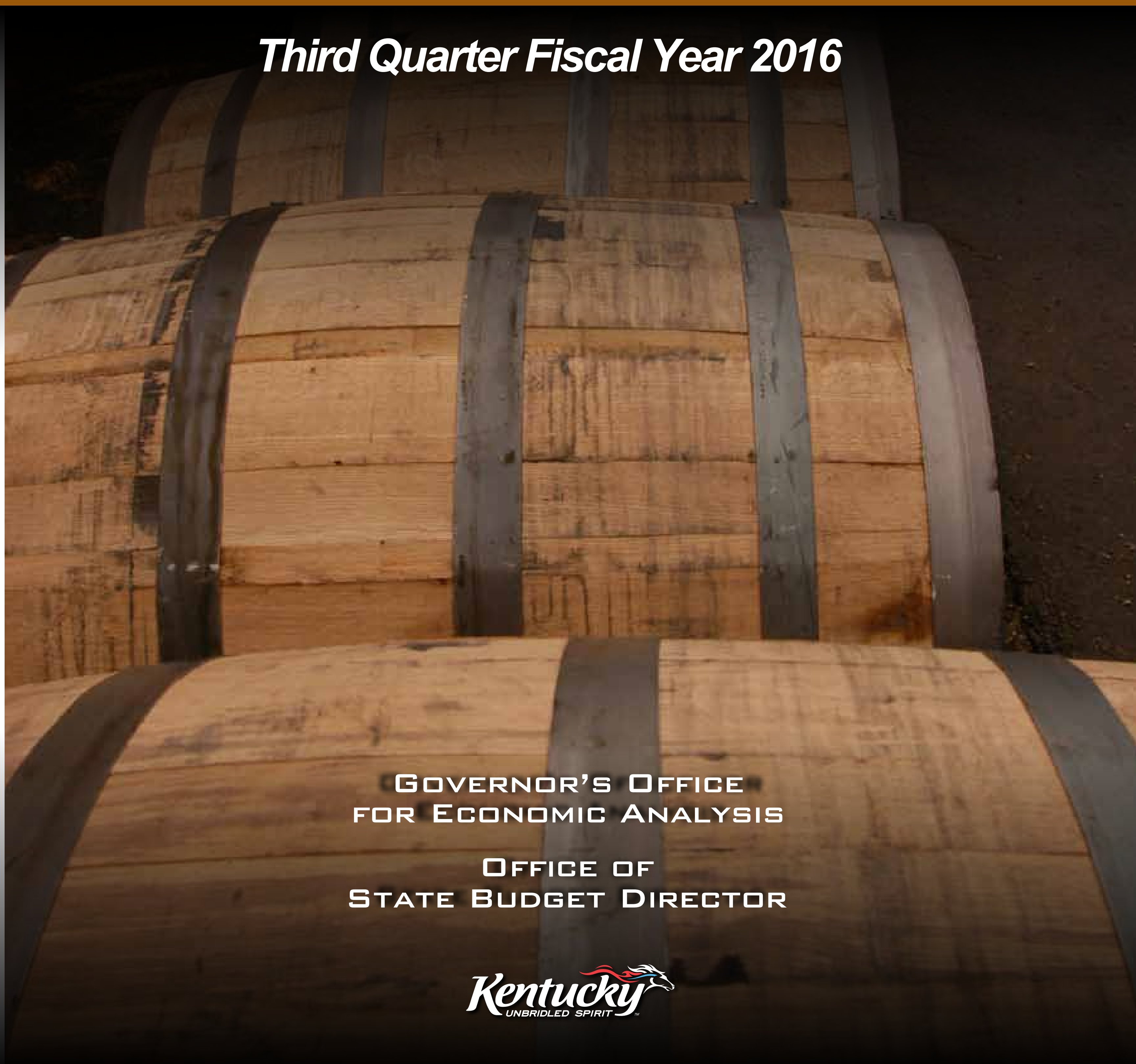
COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report



Third Quarter Fiscal Year 2016

GOVERNOR'S OFFICE
FOR ECONOMIC ANALYSIS

OFFICE OF
STATE BUDGET DIRECTOR

Kentucky
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Matthew G. Bevin
Governor

John E. Chilton
State Budget Director

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

April 29, 2016

The Honorable Matthew G. Bevin
Governor
Commonwealth of Kentucky
State Capitol Building
Frankfort, KY 40601

Dear Governor Bevin:

We have prepared the attached Quarterly Economic and Revenue Report which summarizes the Commonwealth's revenue and economic statistics for the third quarter of Fiscal Year 2016 (FY16). It also includes an interim economic and revenue forecast for the next three fiscal quarters.

The revenue forecasts discussed in this report were estimated using the March 2016 "control scenario" of the national and state economic models. Forecasted revenues are prepared pursuant to KRS 48.400(2) and are unofficial staff estimates derived from the latest actual revenue collections and economic analysis by the Office of State Budget Director.

Growth in the state and national economies supports the strong projected revenue collections. Third quarter real gross domestic product growth increased slightly to 2.4 percent over the third quarter of the previous fiscal year. Positive highlights for the national economy continue to be growth in employment and personal incomes, as well as increases in consumer spending on areas other than energy, which were depressed due to low gasoline prices.

The Commonwealth appears ready to maintain its solid and steady rate of personal income growth throughout the first half of FY17. Employment growth is forecast to remain positive while growing at an ever slower rate because firms must raise wages in order to attract qualified workers.

Revenue collections grew 7.2 percent, or $163.7 million, in the third quarter of FY16 following a 3.5 percent increase in the second quarter and a 4.5 percent performance in the first quarter of the year. This is the ninth consecutive quarter in which General Fund revenue growth has been positive.

The upcoming fiscal quarter will prove very telling as to the relative strength of economic factors and their ability to generate an elastic response in state tax revenues. We will closely monitor these trends as the final quarter progresses.

Sincerely,

John E. Chilton
State Budget Director

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Executive Summary

In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared this *Quarterly Economic and Revenue Report* for the third quarter of FY16. This report includes updates on the national and Kentucky landscapes, as well as an economic and fiscal outlook for the next three fiscal quarters.

The revenue forecasts discussed in this report were estimated using the March 2016 “control scenario” economic forecast from both IHS Global Insight (hereafter Global Insight) and the Kentucky Macroeconomic Model (MAK). Forecasted revenues prepared pursuant to KRS 48.400(2) are unofficial staff estimates derived from the latest revenue collections and economic analysis. When compared to the official estimates that were presented in the prior edition of the *Quarterly Report*, this document will provide the first update of the projected year-end deviations from the official projections.

General Fund receipts in the third quarter of FY16 totaled $2,443.6 million compared to $2,279.9 million in the third quarter of FY15, for an increase of $163.7 million or 7.2 percent. The official revenue estimate for FY16 calls for 3.2 percent revenue growth over FY15. To meet the estimate, receipts can actually decline 1.2 percent over the last three months of FY16. The fourth quarter of FY16 pits two opposing factors against one another. Revenue momentum has been building all fiscal year – year-to-date receipts have increased 5.0 percent with quarterly growth rates of 4.5, 3.5, and 7.2 percent, respectively. However, the fourth quarter of FY15 grew at an astounding 8.6 percent – thus creating a high base period of comparison when computing the growth for the fourth quarter.

Projected General Fund revenues for the next three quarters are shown in Table 6 later in this report. As the table indicates, fourth quarter General Fund growth is projected to be 2.4 percent compared to the final quarter of FY15. Adding the three quarters of historical data to the fourth quarter estimates, General Fund revenues for FY16 are projected to equal $10,390.6 million for full-year growth of 4.3 percent – generating $100.7 million in General Fund revenues in excess of the official estimate. Collections at the forecasted levels would also generate 3.7 percent growth in the first half of FY17.

Individual income tax receipts are expected to total $4,339.2 million in FY16, mostly due to the robust growth of 7.6 percent in the first three quarters of the fiscal year. Receipts are projected to increase by 4.5 percent during the final quarter of FY16. Taken in aggregate, the individual income tax is forecasted to grow at an impressive 6.6 percent rate for FY16. Growth in the individual income tax is even more notable considering that the base from FY15 grew at an impressive rate of 8.5 percent.

Road Fund revenues are forecasted to fall in the fourth quarter of FY16, the fifth consecutive quarterly contraction. The string of declines follows an expansionary period in which collections increased in 19 of the previous 20 quarters. The decline in revenues is expected to continue over the first two quarters of FY17; however, on the positive side, the rate of decline will get smaller and approach zero. The FY16 full-year forecast is $15.6 million more than the official revenue forecast.

Growth in the state and national economies undergird the strong projected revenue collections. Third quarter real gross domestic product growth increased slightly to 2.4 percent over the third quarter last year. Consumption and government expenditures growth were the two largest contributing components to real GDP in the third quarter. US personal income grew by 4.4 percent in the third quarter of FY16. This personal income growth was broad in scope and occurred evenly across all of the components of personal income. Kentucky personal income outpaced the US economy by posting 5.0 percent growth in the third quarter of FY16. Kentucky non-farm employment grew by 1.4 percent in the third quarter of FY16. Information services employment grew the fastest in the third quarter of FY16, growing 4.8 percent. Kentucky's mining employment declined in the third quarter by 9.8 percent. Mining employment declined by a net 1,600 jobs since the third quarter of FY15.

Bright spots for the near-term forecast of the national economy continue to be growth in employment and personal incomes as well as increases in consumer spending on areas other than energy due to low gasoline prices. Continued growth in the real estate sector has been an important driver for the manufacturing of durable goods-- particularly automobiles. Trouble spots include the decrease in net exports due to a strong dollar, alarmingly slow economic growth abroad, and financial difficulties of energy companies due to low prices of coal, oil, and natural gas.

Locally the Commonwealth appears poised to maintain its solid rate of personal income growth throughout the first half of FY17. Employment growth is forecast to remain positive while growing at an ever slower rate as firms raise wages in order to attract workers. The recent upward trend in labor force participation is a promising sign that workers find the job market increasingly attractive. An increase in single-unit housing permits suggests an increase in housing supply and construction employment.

While the US remains somewhat isolated from trouble abroad, some forecasters have expressed concern over US growth prospects going forward. It is noteworthy that the Federal Open Market Committee (FOMC) signaled greater hesitancy to raise rates this year, despite core CPI seeing its largest year-on-year increase in February since 2008. Moreover, continued strength in the US dollar creates uncertainty for Kentucky’s automobile and aerospace manufacturing exporters. While low energy prices are a boon to consumers, the same low prices continue to squeeze suppliers in the mining industry and layoffs in that sector continue.

Revenue Receipts

GENERAL FUND
Third Quarter, FY16

General Fund receipts in the third quarter of FY16 totaled $2,443.6 million compared to $2,279.9 million in the third quarter of FY15, for an increase of $163.7 million or 7.2 percent. Through the first three quarters of the fiscal year, receipts have increased 5.0 percent. The official revenue estimate calls for 3.2 percent revenue growth for the fiscal year. To meet the estimate, receipts can decline 1.2 percent over the last three months of FY16. The ability of General Fund receipts to continue to register growth is greatly aided by robust collections in most of the major accounts.

Revenue growth appears to be picking up momentum as the 7.2 percent rate of increase in the third quarter of FY16 follows 3.5 percent growth in the second quarter and a 4.5 percent performance in the first quarter. These growth rates have been led by individual income tax, corporation income, lottery, cigarette and sales and use taxes. This is the ninth consecutive quarter in which General Fund revenue growth has been positive.

Table 1
Summary General Fund Receipts
$ millions

	FY16 Q3	FY15 Q3	Diff $	Diff %
Individual Income	960.3	840.2	120.1	14.3
Sales and Use	836.0	785.9	50.0	6.4
Property	137.4	134.3	3.2	2.4
Corporation Income	92.6	86.7	5.9	6.8
Coal Severance	25.4	40.6	-15.3	-37.6
Cigarette Taxes	51.2	49.6	1.6	3.3
LLET	35.5	42.1	-6.6	-15.7
Lottery	59.0	55.5	3.5	6.3
Other	246.2	245.0	1.3	0.5
Total	**2,443.6**	**2,279.9**	**163.7**	**7.2**

Collections in the major revenue categories are shown in summary form in Table 1. Detailed information on these and other accounts is available in the Appendix.

Variations in the quarterly receipts are often affected by differences in the timing of payments into revenue accounts. While timing differences were not as prevalent as in the past, property tax receipts continue to record some monthly shifts because of these differences.

Individual income tax receipts increased 14.3 percent in the third quarter of FY16. Receipts of $960.3 million were $120.1 million more than was collected in the third quarter of the previous fiscal year. Withholding and declarations receipts both increased from last year. Refund payments have been slower this year as the Department of Revenue has implemented additional security and fraud analysis tools to protect taxpayers. Collections have grown 7.6 percent through the first nine months of FY16.

Total sales and use tax receipts for the quarter were $836.0 million, compared to $785.9 million in the third quarter of FY15. The $50.0 million difference translates to an increase of 6.4 percent. Year-to-date sales and use tax receipts have increased by 6.3 percent.

Third quarter property taxes were up 2.4 percent in the third quarter of FY16 due to the timing of collections in the tangible and public service property accounts. Collections of $137.4 million compare to $134.3 million received in the third quarter of the prior fiscal year. In general, property taxes have been very slow in recovering losses incurred during the 2007 recession where the valuations on all types of property plummeted.

Corporation income tax posted an increase of 6.8 percent, or $5.9 million, during the third quarter of FY16. Receipts totaled $92.6 million compared to the $86.7 million received a year earlier. For the year, collections have increased 8.1 percent.

The coal severance tax continued to erode in the third quarter as receipts fell 37.6 percent. Receipts of $25.4 million compare to $40.6 million collected in the third quarter of FY15. Tax receipts have declined 29.4 percent through the first nine months of the fiscal year.

Cigarette taxes increased in the third quarter. Receipts of $51.2 million were 3.3 percent more than collected in the third quarter of FY15. Year-to-date, cigarette tax receipts have grown 3.1 percent.

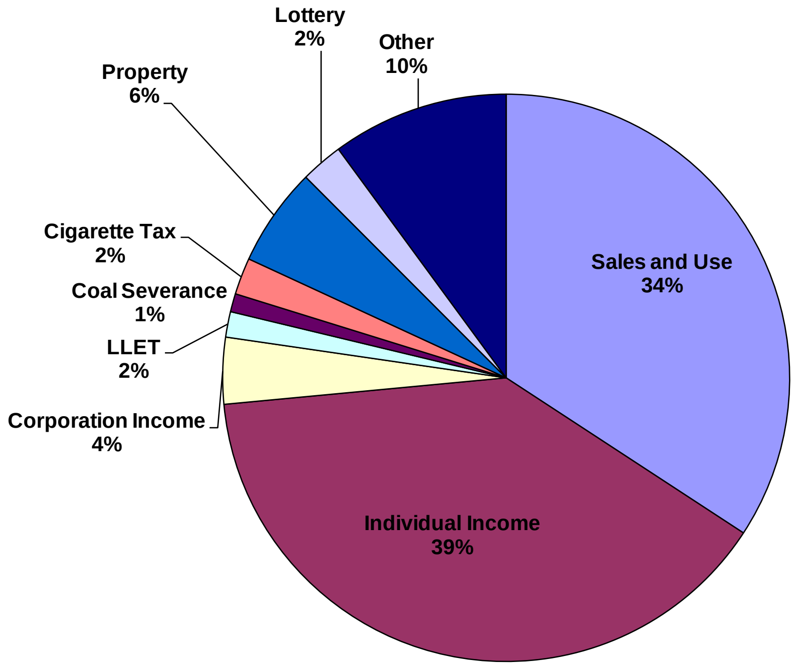
The limited liability entity tax (LLET) posted a $6.6 million decline in the third quarter of FY16 when compared to FY15. The LLET collections in the current fiscal quarter stand at $35.5 million compared to $42.1 million in the same period a year earlier. Performance in the LLET has diminished since the tax hit a peak level of $246.1 million in FY13.

Lottery dividends grew in the third quarter with revenues of $59.0 million, which were 6.3 percent above last year's third quarter total of $55.5 million.

The "Other" category represents the remaining accounts in the General Fund, and collections in this account increased 0.5 percent with receipts of $246.2 million.

Figure 1 details the composition of third quarter General Fund receipts by tax type. Seventy-three percent of General Fund revenues were collected in the areas of the individual income and sales taxes. The next largest source of revenue was the "other" account at 10 percent. The major components in this category include insurance premium, bank franchise, telecommunications, beer wholesale taxes and inheritance taxes. Property tax accounted for six percent. Corporation income accounted for four percent. Lottery receipts, cigarette and LLET taxes, accounted for two percent each fund. Finally coal severance taxes accounted for one percent.

Figure 1
General Fund Receipts Composition
Third Quarter FY16



ROAD FUND
Third Quarter, FY16

Road Fund revenue decreased 5.6 percent in the third quarter of FY16. Receipts totaled $357.2 million compared to the $378.3 million received in the third quarter of the last fiscal year. Through the first nine months of FY16, receipts have decreased 5.5 percent. Growth rates for the first three quarters were -8.3, -2.3 and -5.6 percent, respectively. The official Road Fund revenue estimate calls for revenues to decline 5.3 percent for the fiscal year. Based on year-to-date tax collections, revenues can fall 4.7 percent for the remainder of FY16 and still meet the estimate. Summary data are contained in Table 2 and detailed data are shown in the Appendix.

Table 2
Summary Road Fund Receipts
$ millions

	FY16 Q3	FY15 Q3	Diff $	Diff %
Motor Fuels	175.4	199.6	-24.2	-12.1
Motor Vehicle Usage	111.9	107.7	4.1	3.8
Motor Vehicle License	33.6	34.6	-1.0	-3.0
Motor Vehicle Operators	4.0	3.8	0.1	3.0
Weight Distance	20.2	19.7	0.5	2.6
Income on Investments	1.2	1.3	-0.1	-6.4
Other	11.0	11.5	-0.5	-4.4
Total	**357.2**	**378.3**	**-21.1**	**-5.6**

Motor fuels tax receipts decreased 12.1 percent during the third quarter of FY16. Receipts were $175.4 million and compare to $199.6 million collected during the third quarter of last year. Through the first nine months of FY16 motor fuels fell 15.8 percent due to declines in the variable portion of the tax rate.

Motor vehicle usage tax receipts increased 3.8 percent, or $4.1 million, during the third quarter. Receipts were $111.9 million compared to $107.7 million collected during the same period last year. Through the first nine months of FY16, the motor vehicle usage tax increased 11.6 percent.

Motor vehicle license tax receipts were down 3.0 percent during the third quarter of FY16. Receipts of $33.6 million compare to $34.6 million received during the third quarter of FY15.

Motor vehicle operators' license fees totaled $4.0 million, a 3.0 percent increase compared to the level observed a year ago.

Weight distance tax receipts of $20.2 million increased 2.6 percent compared to receipts collected during the third quarter of last year. The weight distance tax has some significance as a leading indicator of economic activity, as it is a good proxy for goods in transit over Kentucky highways.

Income on investment receipts totaled $1.2 million, a 6.4 percent decrease compared to the level observed a year ago.

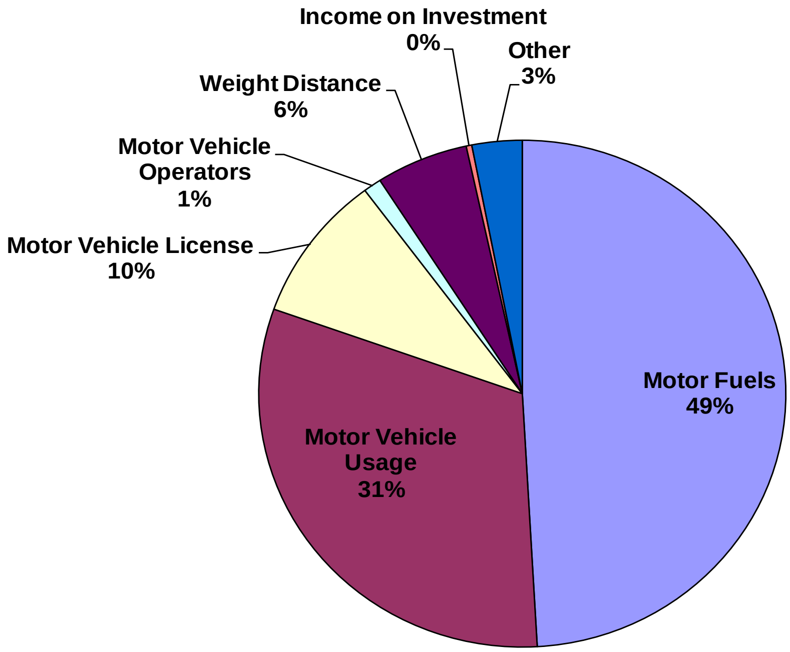
The remainder of the accounts in the Road Fund combined for a decrease of 4.4 percent. Receipts for the "Other" category totaled $11.0 million during the third quarter, compared to $11.5 million in the third quarter of FY15.

Figure 2 details the composition of Road Fund revenues by tax type in the third quarter of FY16. Motor fuels taxes and the motor vehicle usage tax accounted for 80 percent of Road Fund revenues in the third quarter. The next largest sources of revenue were the motor vehicle license tax with 10 percent followed by weight distance with six percent. The "Other" category accounted for three percent, while motor vehicle operators' license fees comprised one percent.

Figure 2

Road Fund Receipts Composition

Third Quarter FY16



The Economy
Third Quarter FY16

NATIONAL ECONOMY

Third quarter real gross domestic product growth increased slightly to 2.4 percent over the third quarter last year. Growth in the second quarter of FY16 was 1.9 percent. Real gross domestic product (real GDP) is the sum of all goods and services that are produced and sold within a country's physical boundary in a given year and explicitly excludes those goods and services which are produced by US citizens in other countries. Real GDP has risen by a net 15.4 percent since the last trough (fourth quarter of FY09). Real GDP adjacent-quarter growth averaged 0.6 percent during that time. Adjacent-quarter growth in the third quarter of FY16 was 0.6 percent. This is the weakest expansion period growth in comparison to the previous three expansion periods. The average adjacent-quarter growth rates for these expansion periods were 1.0, 0.9, and 0.7 percent, respectively.

Real consumption rose by 2.9 percent in the third quarter of FY16. Consumption growth has been above average for six of the last eight quarters. Adjacent-quarter growth over the last two years has averaged 0.8 percent. Coincidentally that was the growth for the third quarter as well. Consumption and government expenditures growth were the two largest contributing components to real GDP in the third quarter. (See Table 3) Real consumption made up 68.9 percent of real GDP in the third quarter.

Real investment growth tapered in the third quarter, growing 1.0 percent over last year. Real investment has softened recently. On an adjacent-quarter basis, real investment has been flat or slightly falling over the last three quarters. Since the fourth quarter of FY15, real investment has fallen a net $5.3 billion. It is still unclear if this plateau in real investment is a signal that investment has peaked and will soon decline or if it is just a pause during the current expansion. Real investment made up 17.3 percent of real GDP in the third quarter.

Real government expenditures rose by 2.5 percent in the third quarter of FY16. On an adjacent-quarter basis, real government expenditures rose sharply in the third quarter, increasing 1.4 percent compared to second quarter expenditures. This is the second highest single-quarter growth in over a decade. By comparison, during the expansion following the 2001 recession, average real government expenditure growth was 0.5 percent. Real government expenditures were uncharacteristic during the 2001 recession. Real government expenditures increased during and following the recession. There was no contraction in expenditures at all, which normally accompanies a recovery. In any case, recent real government expenditures reached a visible floor in the third quarter of FY15 and have now risen a net $71.1 billion or 2.5 percent. Real government expenditures made up 17.6 percent of real GDP in the third quarter.

Real exports grew by 0.9 percent in the third quarter of FY16, while real imports grew by 2.4 percent. Real import growth is accelerating and real export growth is decelerating. Net growth over the last nine quarters is 1.7 percent for export growth and 9.7 percent for import growth. As a result, the trade deficit has further expanded to $585 billion in the third quarter of FY16. This is the highest trade deficit since the third quarter of FY08.

US personal income grew by 4.4 percent in the third quarter of FY16. Average adjacent-quarter growth since the end of the recession has been 1.0 percent. Adjacent-quarter growth in the third quarter of FY16 was 1.2 percent. Adjacent-quarter growth has been above average for seven of the last nine quarters, indicating an improvement in long term income growth. This personal income growth was broad in scope with solid growth across all of the components of personal income. Wages and salaries growth was just slightly higher than the other components with 4.8 percent growth in the third quarter of FY16. (See Table 4)

US non-farm employment rose 1.9 percent in the third quarter of FY16. Adjacent-quarter growth was 0.4 percent. This was the 14th consecutive quarter of modest quarterly growth. Mining employment declined by 14.7 percent, a net loss of 200,000 jobs. Mining was the only supersector which incurred a net employment loss over the last four quarters. Construction employment grew the fastest over third quarter of last year with 4.4 percent growth, a net increase of 200,000 jobs. Also notable was educational services employment which grew 2.4 percent, a net increase of 700,000 jobs.

KENTUCKY ECONOMY

Kentucky personal income grew by 5.0 percent in the third quarter of FY16. This is the ninth consecutive quarter of positive Kentucky personal income growth. On an adjacent-quarter basis, Kentucky personal income grew an average of 1.3 percent per quarter for the last nine quarters. This growth slowed to 0.7 percent in the third quarter of FY16.

Wages and salaries income grew the fastest in both absolute and percentage terms in the third quarter. Wages and salaries income grew by $5.2 billion or 6.3 percent over the last year. (See Table 4) The slowest growing component of personal income was transfer receipts, which grew by 3.4 percent compared to the third quarter of FY15. Despite the lower growth in transfer receipts relative to other components, transfer receipts as a share of total personal income has been increasing significantly over the last couple decades. Transfer receipts now make up 24.4 percent of total personal income. Two decades ago, transfer receipts made up only 17 percent of total personal income. The great majority of this share growth occurred over the last decade.

Kentucky non-farm employment grew by 1.4 percent in the third quarter of FY16. Information services employment grew the fastest in the third quarter of FY16, growing 4.8 percent. Information services employment grew a net 1,200 jobs. Information services employment is still well below the pre-recession peak established in the first quarter of FY08 when employment reached 30,200 jobs. Information services employment in the third quarter rose to 27,000 jobs.

Kentucky's mining employment declined in the third quarter by 9.8 percent. Mining employment declined by a net 1,600 jobs since the third quarter of FY15. This national and Kentucky trend in mining employment losses is driven almost entirely by the Environmental Protection Agency's policies, which have caused power plants to close prematurely. The closure of power plants greatly reduces the demand for coal in the US. The decrease in demand for coal puts downward pressure on coal prices, which further harms the coal mining operations. A few months ago, western Kentucky coal output surpassed eastern Kentucky coal output for the first time in Kentucky history. Coal revenue tax receipts reached a record low in the third quarter as demand has continued to decline.

Table 3
Summary of US Economic Series
Third Quarter FY16 & FY15

	Third Quarter			
	FY16	**FY15**	**Chg**	**% Chg**
Real GDP	16,559.2	16,177.3	381.9	2.4
Real Consumption	11,404.3	11,081.2	323.1	2.9
Real Investment	2,859.5	2,830.2	29.3	1.0
Real Govt. Expenditures	2,909.6	2,838.5	71.1	2.5
Real Exports	2,109.8	2,091.4	18.4	0.9
Real Imports	2,694.8	2,632.5	62.3	2.4
Inflation (% chg CPI)	0.9	-0.1	NA	NA
Industrial Production Index (% chg)	-0.7	3.5	NA	NA
Civilian Labor Force (millions)	158.5	156.9	1.6	1.0
Unemployment Rate (%)	4.9	5.6	NA	NA

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Components do not sum to GDP because they are annualized independently.
Data for FY16 Q3 are March 2016 estimates.
Source: IHS Global Insight Inc., March 7, 2016 data release

Table 4
Personal Income
$ billions, SAAR

	Q3			
	FY16	**FY15**	**$ Diff**	**% Diff**
United States				
Personal Income	15,747	15,080	667	4.4
Social Insurance	1,233	1,186	47	3.9
Residence Adjustments	579	559	21	3.7
Dividends, Interest and Rents	2,897	2,783	115	4.1
Transfer Receipts	2,736	2,626	110	4.2
Wages & Salaries	8,049	7,682	366	4.8
Supplements to W&S	1,293	1,247	46	3.7
Proprietor's Income	1,425	1,369	56	4.1
Kentucky				
Personal Income	178.1	169.5	8.6	5.0
Social Insurance	14.4	13.7	0.7	4.7
Residence Adjustments	-2.0	-2.1	0.0	-1.4
Dividends, Interest and Rents	27.1	26.1	1.0	3.7
Transfer Receipts	43.5	42.0	1.4	3.4
Wages & Salaries	88.2	83.0	5.2	6.3
Supplements to W&S	22.8	21.8	1.0	4.8
Proprietor's Income	12.9	12.4	0.5	4.3

Table 5
Summary of US & KY Employment
Third Quarter FY16 & FY15

	Q3 US (millions)			Q3 KY (thousands)		
	FY16	**FY15**	**% Chg**	**FY16**	**FY15**	**% Chg**
Non-farm Employment	143.5	140.8	1.9	1,910.1	1,883.0	1.4
Goods-producing	19.7	19.6	1.0	332.7	327.9	1.5
Construction	6.6	6.4	4.4	77.5	74.4	4.2
Mining	0.7	0.9	-14.7	14.1	15.7	-9.8
Manufacturing	12.4	12.3	0.3	241.1	237.8	1.4
Service-providing	101.7	99.3	2.4	1,249.9	1,232.4	1.4
Trade, Transportation & Utilities	27.2	26.7	1.6	382.8	381.9	0.2
Information	2.8	2.7	1.0	27.0	25.8	4.8
Finance	8.2	8.1	1.9	94.6	90.7	4.4
Business Services	20.0	19.4	3.3	218.0	216.4	0.8
Educational Services	22.4	21.8	3.0	271.7	265.3	2.4
Leisure and Hospitality Services	15.4	15.0	3.1	191.5	188.5	1.6
Other Services	5.7	5.6	1.0	64.2	63.9	0.5
Government	22.0	22.0	0.3	327.6	322.7	1.5

Not Seasonally Adjusted. Data for FY16 Q3 are March 2016 estimates.
Source: IHS Global Insight Inc., March 7, 2016 data release

Interim Outlook

GENERAL FUND
Third Quarter, FY16

The revenue forecasts presented in Table 6 and Table 7 were estimated using the March 2016 "control scenario" economic forecast from both Global Insight and the Kentucky MAK model. Forecasted revenues prepared pursuant to KRS 48.400(2) are internal estimates prepared by the staff of the Office of State Budget Director.

Table 6
General Fund Interim Forecast
$ millions

	FY16						FY16		FY17	
	Q1, Q2 & Q3		Q4		Full Year		Official CFG		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	3,029.8	7.6	1,309.4	4.5	4,339.2	6.6	4,233.5	105.7	2,151.6	4.0
Sales & Use	2,563.7	6.3	876.2	2.5	3,439.9	5.3	3,420.5	19.4	1,807.2	4.6
Property	517.8	2.6	59.7	1.7	577.5	2.5	573.0	4.5	383.9	0.9
Corporation Income	319.5	8.1	219.4	-5.7	538.9	2.0	531.7	7.2	236.4	4.2
Coal Severance	97.6	-29.4	26.3	-37.5	123.9	-31.3	138.4	-14.5	51.7	-28.4
Cigarettes	166.9	3.1	59.2	0.3	226.1	2.3	225.8	0.3	119.6	3.4
LLET	115.7	-7.5	83.8	-15.1	199.5	-10.9	219.8	-20.3	81.8	2.0
Lottery	169.3	2.6	63.0	11.5	232.3	4.9	232.0	0.3	109.0	-1.2
Other	533.8	-0.7	179.6	16.6	713.4	3.1	715.2	-1.8	315.7	9.8
General Fund	**7,514.0**	**5.0**	**2,876.6**	**2.4**	**10,390.6**	**4.3**	**10,289.9**	**100.7**	**5,256.9**	**3.7**

In the previous edition of the *Quarterly Report*, the interim estimates were identical to the official estimates due to the close proximity in time to the meeting of the Consensus Forecasting Group (CFG). Since the release of that report, however, another quarter of revenues have been received and the economic forecast has been updated. General Fund revenues grew by 7.2 percent in the third quarter of FY16 after growing 4.5 and 3.5 percent in the first two quarters respectively. Third quarter growth has extended the current streak to nine consecutive quarters of General Fund growth.

Projected General Fund revenues for the next three quarters are shown in Table 6. As the table indicates, General Fund growth is projected to be 2.4 percent compared to the final quarter of FY15. Adding the three quarters of historical data, to the fourth quarter estimate General Fund revenues for FY16 are projected to equal $10,390.6 million for full- year growth of 4.3 percent – generating $100.7 million in General Fund revenues in excess of the official estimate. Collections at the forecasted levels would also generate 3.7 percent growth in the first half of FY17.

Individual income tax receipts are expected to total $4,339.2 million in FY16, mostly due to the robust growth of 7.6 percent in the first three quarters of the fiscal year. Receipts are projected to increase by 4.5 percent during the final quarter of FY16. Taken in aggregate, the individual income tax is forecasted to grow at an impressive 6.6 percent rate for FY16. Growth in the individual income tax is even more notable considering that the base from FY15 grew at an impressive rate of 8.5 percent. Given the level of growth projected in the fourth quarter of FY16, the individual income tax is now expected to exceed the official estimate by $105.7 million.

Since declining in FY13, the sales and use tax has grown in nearly every quarter by robust and consistent rates. Growth of 3.6 percent in FY14 was followed by even faster growth of 4.4 percent during FY15. The first three quarters of FY16 was higher still with 6.3 percent growth over the same period in FY15. This interim report calls for continued growth in the sales and use tax, albeit at a slightly reduced rate of 2.5 percent growth for the final three months of FY16. While the wave of positive news from the sales tax has been a welcomed sight, growth in excess of employment and wage growth is clearly difficult to sustain.

Property tax revenues are expected to increase by 1.7 percent over the remainder of the year following growth of 2.6 percent in the first nine months of FY16. Due to the sustained effects of the recession on the housing market, the state rate on real property has remained at 12.2 cents since valuation year 2008, an unprecedented occurrence of eight consecutive years without a rate decline. As the housing market shores up, growth in new property and existing values can be expected to eventually return to more traditional growth patterns, but this interim assumes that this reversion to "normal" will not occur during the forecasting horizon.

The corporation income tax and the LLET are expected to decline over the next three quarters following five consecutive fiscal years of extraordinary growth in the income tax. Collections in both accounts are expected to decline for the remainder of FY16, as the corporation income tax is projected to fall 5.7 percent while the LLET is expected to drop by 15.1 percent. A downward revision to the forecast for U.S. profits drove the corporate income tax forecast marginally lower, as the base of the tax is profits apportioned to Kentucky. Combined with year-to-date growth of 8.1 percent, the corporation income tax is still expected to post growth for the sixth consecutive fiscal year with 2.0 percent growth.

Coal severance receipts fell slightly short of the official estimate in FY15 and have been declining further in FY16. Year-to-date receipts have fallen 29.4 percent and the projections for the final quarter of FY16 call for an additional 37.5 percent decline. Energy markets, and coal markets in particular, have become quite volatile with downside risk. The official estimate calls for receipts of $138.4 million, or a 23.2 percent decline in FY16 following an 8.7 percent drop in FY15 and a 14.3 percent plunge in FY14. With the federal regulatory changes, mine closures, and power plants going offline, a return to the levels near the FY12 peak ($298.3 million) is implausible regardless of the forecasting horizon.

Cigarette tax receipts declined 4.4 percent in FY14 and by 3.1 percent in FY15. The outlook for cigarette tax receipts, however, calls for a 2.3 percent increase in FY16. The first three quarters of the year showed encouraging growth of 3.1 percent. A downward trend in smoking rates is still expected, but the $1.00 per pack increase in the tax rate for Illinois and the $0.35 per pack increase in Ohio should serve to create a positive revenue impact for cigarette purchases in Kentucky. The consumption of cigarettes has steadily been trending downward, but the Ohio border impact has the potential to create a major impact in Kentucky sales as the markets transition to a new equilibrium. Total state cigarette taxes in Ohio went from $1.25 per pack to $1.60 per pack, a full $10.00 per carton higher than the Kentucky rate.

Lottery dividends are expected to grow 4.9 percent in FY16 on the basis of continued strength in scratch-off sales and a recovery in online games. Year-to-date collections through March totaled $169.3 million, so the forecast calls for acceleration in growth to occur. The FY16 estimate is $232.3 million. The decrease in fuel prices has helped the market for scratch games while a change to the Powerball rules has recently led to record jackpots and renewed interest in one of the Commonwealth's largest games.

The "Other" category contains dozens of smaller accounts, which make up the remainder of the General Fund. Insurance premiums tax, bank franchise and telecommunications tax are the three largest accounts in the "Other" category. The "Other" category of taxes is expected to rise 16.6 percent during the final quarter of FY16, primarily due to a one-time increase in abandoned property sales late in the fiscal year. Each account was re-examined after March and the proper adjustments were made to calibrate the models. "Other" collections are estimated to be $713.4 million for FY16.

ROAD FUND

Road Fund revenues are forecasted to fall in the fourth quarter of FY16, which would extend the run of consecutive quarterly declines to six. The string of declines follows an expansionary period in which collections increased in 19 of the previous 20 quarters. Growth rates for the first three quarters of FY16 have been -8.3, -2.3 and -5.6 percent respectively. The decline in revenues is expected to continue over the first two quarters of FY17 as shown in Table 7. Growth rates for the fourth quarter of the current fiscal year and the first six months of FY17 are forecast to be -0.4 percent and -0.5 percent, respectively. The FY16 full-year forecast is $15.6 million more than the official revenue forecast which was approved by the Consensus Forecasting Group on December 16, 2015.

Motor fuels tax collections are forecasted to fall 0.7 percent over the final quarter of FY16 as the motor fuels tax rate matches the rate in effect at the close of FY15.

Receipts in the first two quarters of FY17 are expected to increase slightly, growing 0.3 percent. Collections in this account have fallen sharply over the past five quarters due to a lower tax rate which was caused by a drop in the average wholesale price (AWP) of gasoline. The tax rate was statutorily set at 26.0 cents per gallon beginning in the fourth quarter of FY15 and for all of FY16. The FY17 rate will remain unchanged since the AWP did not increase sufficiently to trigger an increase in the tax rate. With an unchanged tax rate, the sole source of revenue growth comes from consumption.

Motor vehicle usage tax collections are expected to increase in the fourth quarter and grow 4.1 percent before reversing the recent trend and then decline over the first two quarters of FY17. After declining in all four quarters of FY15 due to a tax law change, motor vehicle usage tax receipts have increased in each of the three quarters this fiscal year. The rates of growth have been 7.5, 24.7 and 3.8 percent, respectively.

To estimate the growth of all other components of the Road Fund, officials of the Kentucky Transportation Cabinet and staff of the Governor's Office for Economic Analysis together assessed recent growth patterns as well as administrative and statutory factors.

Motor vehicle license taxes are forecasted to decrease 9.9 percent in the final quarter of FY16, but rise 0.3 percent in the first two quarters of FY17. Motor vehicle operators' licenses are projected to grow 3.6 percent for the remainder of the fiscal year but decrease by 1.5 percent over the first six months of FY17. Weight distance tax revenue is forecast to increase in both the final quarter of the fiscal year as well as in the first half of FY16 growing 4.3 percent and 0.5 percent, respectively. Income on investment is expected to rise over the remainder of the fiscal year as well as in the first half of FY17; however, the gains are presumed to be small due to low interest rates. All other revenues should fall 27.1 percent during the last three months of FY16 and grow 0.8 percent the first two quarters of FY17.

Table 7
Road Fund Interim Forecast
$ millions

	FY16						FY16		FY17	
	Q1, Q2 & Q3		Q4		Full Year		Official CFG		Q1 & Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	557.4	-15.8	187.1	-0.7	744.5	-12.4	742.9	1.6	383.2	0.3
Motor Vehicle Usage	360.8	11.6	114.1	4.1	474.9	9.7	463.1	11.8	243.6	-2.2
Motor Vehicle License	79.0	5.0	29.1	-9.9	108.1	0.5	107.9	0.2	45.5	0.3
Motor Vehicle Operators	12.2	1.7	4.1	3.6	16.3	2.1	16.2	0.1	8.1	-1.5
Weight Distance	61.5	2.1	19.7	4.3	81.2	2.6	79.9	1.3	41.5	0.5
Income on Investments	1.5	-42.7	0.5	55.3	2.0	-31.3	1.2	0.8	0.4	66.7
Other	27.1	-3.0	7.4	-27.1	34.5	-9.5	34.7	-0.2	16.2	0.8
Road Fund	**1,099.5**	**-5.5**	**362.0**	**-0.4**	**1,461.5**	**-4.3**	**1,445.9**	**15.6**	**738.5**	**-0.5**

NATIONAL ECONOMY

While recent revisions to data in the second and third quarters confirm relatively lackluster growth, estimates suggest that the economy will pick up nationally beginning in the fourth quarter. Bright spots for the US economy continue to be growth in employment and personal incomes, increases in non-energy consumer spending, continued growth in the real estate prices and the construction sector, and manufacturing of durable goods--particularly automobiles. Trouble spots include the decrease in net exports, alarmingly slow economic growth abroad, and financial difficulties of energy companies due to persistently low prices of coal, oil, and natural gas.

According to the Bureau of Labor Statistics, job openings were up 11 percent in January compared to the previous year and well above the level seen before the previous recession, a sign employers need labor and may soon be paying higher wages to attract workers.[1] Initial unemployment claims have reached a low not seen since the 1970s, further suggestive of a tightening labor market.[2] Overall employment growth seems to be settling at a lower rate, which should happen as the US approaches a level consistent with full employment. The number of new ads for employment posted online have fallen in recent months, and there are currently fewer ads than what was seen at this point last year, suggesting that firms do not anticipate needing quite as many new workers as last year.[3] Tables 8 and 9 project that non-farm employment will grow 1.8 percent in the final quarter of FY16 relative to the same quarter last year, and growth will be slightly less in the first two quarters of FY17. The unemployment rate is projected to fall slightly, to 4.7 percent by December.

US personal income is projected to increase relative to employment over the next three quarters as income from wages and salaries increase (see Table 9). Global Insight forecasts consumer spending growth through the remainder of FY16 at roughly the rate of the previous two years, but growing faster into the second half of FY17 (see Tables 8 and 9). Low energy prices have helped consumers' disposable incomes; through January, energy expenditure as a percentage of personal consumption expenditures reached a 13-year low.[4] Light vehicle sales in calendar 2016 are also projected to be close to the record sales of 2015. However, there is some concern that automobile sales are being driven by increasingly bad credit as the percentage of delinquent subprime auto loans has reached its highest level since 2009.[5]

A combination of low prices for lumber and other building materials due to depressed demand abroad and low mortgage rates have been a boon to the US

[1] http://www.bls.gov/news.release/jolts.nr0.htm
[2] http://workforcesecurity.doleta.gov/press/2016/032416.pdf
[3] https://www.conference-board.org/data/helpwantedonline.cfm
[4] http://www.calculatedriskblog.com/2016/03/update-energy-expenditures-as.html
[5] http://www.bloomberg.com/news/articles/2016-03-21/this-is-what-s-going-on-beneath-the-subprime-auto-loan-turmoil

housing market.[6] Mortgage applications in March were up 25 percent from FY15, indicating a healthier market.[7] The National Association of Home Builders' Housing Market Index shows continued forward-looking optimism among builders, posting its highest March index number in eleven years.[8] Likewise, permits issued for privately-owned housing units in February were up 6.4 percent from the same month a year ago, following a 13.5 percent increase in January.[9] Global Insight projects residential fixed investment will pick up the pace in the first quarter of FY17 and be a primary driver of real GDP. This bodes well for employment in construction-related sectors in the coming quarters.

Despite positive signs in the US economy, the indicators from abroad are considerably worse. The Organization for Economic Co-operation and Development (OECD) composite of leading economic indicators has fallen to a three-year low and indicates contraction.[10] The Eurozone manufacturing Purchasing Managers Index (PMI) fell to a twelve-month low in February and remains at a level that just barely indicates growth.[11] The Ifo Institute for Economic Research (IFO) index of German business expectations likewise has fallen to a level not seen in two years.[12] The European Central Bank announced a new round of monetary stimulus in March in an effort to keep European economies from entering a recession. The situation in China has worsened as both its state-produced PMI and survey of business expectations have fallen significantly from the previous year's highs and indicate ongoing contraction.[13] Brazil has plunged into its worst recession since the 1930s, raising concerns about growth in South America, particularly among countries dependent on mineral and fossil fuel exports. While the US remains somewhat isolated from trouble abroad, some forecasters have expressed concern for US growth prospects going forward because slower growth abroad means less demand for US exports and a stronger dollar relative to other currencies as capital moves into the US for relative safety.

One area of concern domestically is the effect on markets and due to the potential defaults of several energy companies.[14] The Federal Open Market Committee (FOMC) held the federal funds rate steady in March and cited concerns about business fixed investment and the international economy. The FOMC also signaled greater hesitancy to raise rates this year, despite core CPI seeing its largest year-on-year increase in February since 2008.[15] The Federal Reserve's projections for GDP in both the near and long-term were also revised down somewhat from December, and the Philadelphia Federal Reserve Bank's survey of professional

[6] http://www.calculatedriskblog.com/2016/03/update-framing-lumber-prices-down-about.html
[7] http://mam.econoday.com/byshoweventfull.asp?fid=471994&cust=mam&year=2016&lid=0&prev=/byweek.aspp
[8] https://www.nahb.org/en/research/housing-economics/housing-indexes/housing-market-index.aspx
[9] http://www.census.gov/construction/nrc/pdf/newresconst.pdf
[10] http://stats.oecd.org/Index.aspx?DatasetCode=MEI_CLI
[11] https://www.markiteconomics.com/Survey/PressRelease.mvc/fce84dda8af0475093105df2d8f7e31f
[12] http://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/Geschaeftsklima-Archiv/2016/Geschaeftsklima-20160223.html
[13] http://data.stats.gov.cn/english/easyquery.htm?cn=A01
[14] http://www.bloomberg.com/news/articles/2016-03-10/the-shale-reckoning-comes-to-oklahoma?bcomANews=true
[15] https://www.federalreserve.gov/newsevents/press/monetary/20160316a.htm

forecasters also saw a downward revision.[16,17] While the underlying fundamentals of the US appear to be the strongest in years, one hopes that it will be able to weather any further difficulties from abroad to achieve the current forecast.

Table 8
US and KY Economic Outlook
Fourth Quarter FY16 & FY15

	Q4		
	FY16	**FY15**	**% Chg**
United States			
Real GDP	16,656.3	16,333.6	2.0
Real Consumption	11,488.1	11,178.9	2.8
Real Investment	2,872.3	2,864.8	0.3
Real Govt. Expenditures	2,917.2	2,856.9	2.1
Real Exports	2,129.6	2,117.5	0.6
Real Imports	2,722.4	2,652.1	2.6
Personal Income ($ billions)	15,864.3	15,277.0	3.8
Wages and Salaries ($ billions)	8,136.1	7,791.8	4.4
Inflation (% chg CPI)	0.4	0.0	NA
Industrial Production Index (% chg)	-0.6	1.5	NA
Civilian Labor Force (millions)	159.0	157.1	1.2
Total Non-farm Employment (millions)	144.1	141.5	1.8
Manufacturing Employment (millions)	12.3	12.3	0.2
Unemployment Rate (%)	4.8	5.4	NA
Kentucky			
Personal Income ($ millions)	179,767.3	171,789.0	4.6
Wage & Salary ($ millions)	89,371.7	84,669.9	5.6
Non-farm Employment (thousands)	1,917.1	1,891.4	1.4
Goods Producing (thousands)	333.3	328.8	1.4
Service Providing (thousands)	1,256.1	1,237.4	1.5
Government (thousands)	327.7	325.2	0.8

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Data for FY16 Q4 are March 2016 estimates.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis MAK model, March 2016.

KENTUCKY ECONOMY

The Commonwealth appears poised to maintain its solid rate of personal income growth throughout the first half of FY17. Employment growth is forecast to remain positive while growing at an ever slower rate as firms raise wages in order to attract workers. The recent positive growth in Kentucky's civilian labor force is a promising sign that workers find the job market increasingly attractive. Nonetheless, there are some signs of potential slowdown that warrant attention.

[16] http://www.federalreserve.gov/monetarypolicy/fomcprojtabl20160316.htm
[17] https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2016/survq116

Kentucky has certainly benefited from record US automobile sales over the past year and parts suppliers continue to announce new factories or expansions within the Commonwealth. However, while data through March indicate that motor vehicle and vehicle parts manufacturing employment in Kentucky are still growing, the rate of growth has slowed noticeably.[18] Nonetheless, low gasoline prices continue to fuel the growth in US vehicle miles driven, now at record highs for Kentucky and the nation.[19] Recent data suggest that hotel occupancy and revenue per available room will be on track to match the previous calendar year's records, boding well for Kentucky's travel and tourism industry.[20]

Major revisions to the Bureau of Labor Statistic (BLS') benchmarks and seasonal adjustments have muddled the employment picture for the Commonwealth since the previous Quarterly Report. While the unemployment rate has risen, the data indicate the rise is attributed to the increase of Kentuckians entering the labor force, perhaps in response to higher wages or greater opportunities.[21] The Louisville office of the St. Louis Federal Reserve reports that two-thirds of businesses surveyed had raised wages over the prior year and the same number expected wages to increase through the fourth quarter of FY16.[22]

As shown on Table 8, as measured year-over-year, Kentuckians' personal incomes are projected to grow 4.6 percent in the final quarter, above the national personal income growth. This is fueled by wage and salary growth at 5.6 percent, a strong finish to FY16. Table 9 illustrates that Kentuckians' personal income growth in the first half of FY17 relative to the same period in FY16 will remain slightly above US personal income growth, and wage and salary growth is likewise forecast to continue in solid fashion. A comparison of the two tables shows that growth in goods producing industries will slow by December from its current rate.

Low interest rates and decreases in the prices of lumber and other materials due to depressed demand abroad have been helpful for the housing market. New single-unit housing permits issued in Kentucky in February were up an eye-catching 51 percent from 2015, indicating a strong outlook for an increase in housing supply as this series is a leading indicator for construction activity and employment. The Beige Books of both the Cleveland and St. Louis branches of the Federal Reserve, which monitor economic activity in Kentucky, indicate continued growth in both commercial and residential real estate activity in the area.[23,24] The MAK model projects that construction employment will grow the fastest of all the major sectors through the remainder of FY16 and into the first half of FY17.

Two indicators of concern are the Philadelphia Federal Reserve's Leading Index for Kentucky and the number of Kentucky job listings online as reported by The

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[18] https://research.stlouisfed.org/fred2/series/SMU21000003133630001SA, March 14, 2016.
[19] http://www.fhwa.dot.gov/policyinformation/travel_monitoring/15dectvt/page6.cfm
[20] http://www.hotelnewsnow.com/Articles/31927/STR-US-hotel-results-for-week-ending-27-February
[21] https://research.stlouisfed.org/fred2/series/KYLF
[22] https://research.stlouisfed.org/publications/burgundy-book/2016-03-24/louisville.pdf
[23] https://www.stlouisfed.org/publications/beige-book/march-2-2016
[24] https://www.clevelandfed.org/en/our%20research/our%20region/beige%20book.aspx

Conference Board. At the time of the forecast, The Philadelphia Federal Reserve reported that Kentucky's leading index was negative for the second quarter of FY16 for the first time since 2009, suggesting slower growth than our forecast indicates.[25] Likewise, job listings online fell to a five-month low in February, with new ads in Kentucky down 19 percent from the same month in 2015; typical of a tightening labor market.[26] Job listings are a signal of business expectations and a leading indicator for employment growth.

Events abroad may have the potential to impact the Kentucky economy adversely as well. A recent study by the St. Louis Federal Reserve found that Kentucky exports almost four times the national average of transportation equipment.[27] Hence, the weight of a stronger dollar as the Federal Open Market Committee signals future interest rate increases is of particular concern to manufacturing exporters.[28] An ongoing concern is also the continued losses in mining-related jobs, which fell to its lowest level on record in January.[29] This problem is not new; the Eastern Kentucky region has averaged a loss of 900 coal mining jobs per year since 1979.[30] Despite losses in mining, Table 9 indicates that non-farm employment growth as a whole will remain positive well into FY17.

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[25] https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/indexes/leading/2015/leadingindexes1215.pdf?la=en

[26] https://www.conference-board.org/data/helpwantedonline.cfm

[27] https://www.stlouisfed.org/publications/regional-economist/january-2016/districts-patterns-in-imports-and-exports-sometimes-differ-from-nations

[28] https://research.stlouisfed.org/publications/burgundy-book/2016-03-24/louisville.pdf, p.4.

[29] http://data.bls.gov/timeseries/SMS21000001000000001?data_tool=XGtable

[30] https://www.clevelandfed.org/newsroom-and-events/publications/forefront/ff-v7n01/ff-20160302-v7n0105-eastern-kentucky-a-region-in-flux.aspx

Table 9
US and KY Economic Outlook
First Half FY17 & FY16

	Q1 & Q2		
	FY17	**FY16**	**% Chg**
United States			
Real GDP	16,826.3	16,434.6	2.4
Real Consumption	11,621.1	11,290.9	2.9
Real Investment	2,917.4	2,857.2	2.1
Real Govt. Expenditures	2,926.3	2,869.5	2.0
Real Exports	2,167.0	2,113.8	2.5
Real Imports	2,778.1	2,665.3	4.2
Personal Income ($ billions)	16,103.7	15,505.4	3.9
Wages and Salaries ($ billions)	8,287.0	7,911.7	4.7
Inflation (% chg CPI)	1.0	0.3	NA
Industrial Production Index (% chg)	-0.7	0.2	NA
Civilian Labor Force (millions)	159.9	157.2	1.7
Total Non-farm Employment (millions)	144.9	142.5	1.7
Manufacturing Employment (millions)	12.4	12.3	0.9
Unemployment Rate (%)	4.7	5.1	NA
Kentucky			
Personal Income ($ millions)	182,753.2	175,447.9	4.2
Wage & Salary ($ millions)	91,184.2	86,914.6	4.9
Non-farm Employment (thousands)	1,926.7	1,905.1	1.1
Goods Producing (thousands)	335.3	334.3	0.3
Service Providing (thousands)	1,263.2	1,244.1	1.5
Government (thousands)	328.1	326.7	0.4

Not Seasonally Adjusted. Real series are annual rate, billions of chained 2000 dollars.
Data for FY17 Q1 and Q2 are March 2016 estimates.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis MAK model, March 2016.

APPENDIX

General and Road Fund Receipts
Third Quarter FY16

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Third Quarter FY 2016	Third Quarter FY 2015	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL GENERAL FUND	**$2,443,630,408**	**$2,279,918,592**	**7.2%**	**$7,513,983,645**	**$7,157,257,369**	**5.0%**
Tax Receipts	$2,371,792,240	$2,210,788,544	7.3%	$7,267,636,303	$6,904,267,855	5.3%
Sales and Gross Receipts	$992,987,593	$943,851,779	5.2%	$2,999,623,166	$2,837,823,344	5.7%
Beer Consumption	1,269,786	1,412,120	-10.1%	4,759,132	4,525,323	5.2%
Beer Wholesale	12,582,304	13,053,842	-3.6%	45,079,049	42,696,675	5.6%
Cigarette	51,214,353	49,569,742	3.3%	166,891,077	161,885,453	3.1%
Distilled Spirits Case Sales	34,597	33,336	3.8%	105,358	98,970	6.5%
Distilled Spirits Consumption	3,239,851	3,125,407	3.7%	9,899,406	9,292,295	6.5%
Distilled Spirits Wholesale	9,872,689	9,099,583	8.5%	29,673,669	26,924,594	10.2%
Insurance Premium	51,476,400	55,003,928	-6.4%	97,355,660	99,708,687	-2.4%
Pari-Mutuel	998,117	662,319	50.7%	2,771,728	2,042,093	35.7%
Race Track Admission	58,025	2,935	1877.3%	190,880	148,898	28.2%
Sales and Use	835,952,372	785,932,987	6.4%	2,563,654,091	2,412,841,105	6.3%
Wine Consumption	780,274	738,749	5.6%	2,428,321	2,211,205	9.8%
Wine Wholesale	4,424,521	4,219,168	4.9%	12,752,229	12,274,284	3.9%
Telecommunications Tax	16,075,536	15,752,134	2.1%	48,335,299	47,194,517	2.4%
Other Tobacco Products	5,006,873	5,241,274	-4.5%	15,719,361	15,973,988	-1.6%
Floor Stock Tax	1,894	4,253	-55.5%	7,906	5,255	50.4%
License and Privilege	**$107,017,809**	**$98,220,129**	**9.0%**	**$108,907,085**	**$99,428,885**	**9.5%**
Alc. Bev. License Suspension	136,600	50,542	170.3%	373,501	270,972	37.8%
Corporation License	73,269	74,679	-1.9%	143,587	378,609	-62.1%
Corporation Organization	0	30,700	-100.0%	91,685	68,291	34.3%
Occupational Licenses	50,315	35,727	40.8%	137,427	108,634	26.5%
Race Track License	63,650	2,941	2064.6%	276,150	241,291	14.4%
Bank Franchise Tax	106,538,804	97,874,051	8.9%	107,403,136	97,857,891	9.8%
Driver License Fees	155,171	151,491	2.4%	481,599	503,197	-4.3%
Natural Resources	**$30,121,473**	**$48,683,054**	**-38.1%**	**$120,273,486**	**$170,715,890**	**-29.5%**
Coal Severance	25,357,424	40,620,176	-37.6%	97,573,085	138,170,965	-29.4%
Oil Production	814,813	1,595,570	-48.9%	3,673,221	8,158,648	-55.0%
Minerals Severance	2,952,919	2,798,935	5.5%	13,640,809	11,374,395	19.9%
Natural Gas Severance	996,317	3,668,373	-72.8%	5,386,371	13,011,882	-58.6%
Income	**$1,088,417,199**	**$969,047,879**	**12.3%**	**$3,465,001,249**	**$3,236,815,884**	**7.0%**
Corporation	92,615,706	86,710,598	6.8%	319,540,982	295,565,549	8.1%
Individual	960,328,387	840,241,693	14.3%	3,029,783,196	2,816,126,589	7.6%
Limited Liability Entity	35,473,106	42,095,588	-15.7%	115,677,071	125,123,746	-7.5%
Property	**$137,446,276**	**$134,290,788**	**2.3%**	**$517,784,578**	**$504,720,865**	**2.6%**
Building & Loan Association	0	0	---	(11,881)	(498,150)	---
General - Real	67,018,889	69,091,161	-3.0%	262,503,007	253,560,854	3.5%
General - Tangible	59,078,627	52,633,278	12.2%	190,096,125	183,824,586	3.4%
Omitted & Delinquent	7,663,831	7,179,949	6.7%	11,448,999	13,212,998	-13.4%
Public Service	3,110,146	4,753,629	-34.6%	52,207,623	53,133,699	-1.7%
Other	574,784	632,770	-9.2%	1,540,705	1,486,877	3.6%
Inheritance Tax	**$9,466,281**	**$10,366,673**	**-8.7%**	**$37,374,919**	**$36,152,635**	**3.4%**
Miscellaneous	**$6,335,608**	**$6,328,242**	**0.1%**	**$18,671,820**	**$18,610,353**	**0.3%**
Legal Process	3,744,937	3,946,613	-5.1%	11,067,332	11,477,737	-3.6%
T. V. A. In Lieu Payments	2,545,668	2,352,675	8.2%	7,574,143	7,099,757	6.7%
Other	45,004	28,955	55.4%	30,345	32,858	-7.6%
Nontax Receipts	**$70,985,683**	**$68,798,467**	**3.2%**	**$241,738,956**	**$251,758,527**	**-4.0%**
Departmental Fees	6,352,576	7,010,894	-9.4%	14,274,542	14,175,624	0.7%
PSC Assessment Fee	513	24,406	-97.9%	10,868,823	14,696,059	-26.0%
Fines & Forfeitures	5,109,543	5,834,532	-12.4%	15,732,538	16,954,458	-7.2%
Income on Investments	(217,157)	(191,383)	---	(639,239)	(583,814)	---
Lottery	59,000,000	55,500,000	6.3%	169,278,429	165,000,000	2.6%
Sale of NOx Credits	0	0	---	0	27,594	-100.0%
Miscellaneous	740,208	620,017	19.4%	32,223,864	41,488,606	-22.3%
Redeposit of State Funds	**$852,485**	**$331,581**	**157.1%**	**$4,608,385**	**$1,230,987**	**274.4%**

KENTUCKY STATE GOVERNMENT - ROAD FUND REVENUE

	Third Quarter FY 2016	Third Quarter FY 2015	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL ROAD FUND	**$357,199,843**	**$378,280,905**	**-5.6%**	**$1,099,451,804**	**$1,163,143,605**	**-5.5%**
Tax Receipts-	$350,788,431	$370,866,603	-5.4%	$1,081,767,933	$1,143,158,922	-5.4%
Sales and Gross Receipts	**$287,229,565**	**$307,296,189**	**-6.5%**	**$918,285,630**	**$985,216,225**	**-6.8%**
Motor Fuels Taxes	175,374,570	199,551,916	-12.1%	557,439,790	661,989,899	-15.8%
Motor Vehicle Usage	111,854,996	107,744,273	3.8%	360,845,840	323,226,326	11.6%
License and Privilege	**$63,558,866**	**$63,570,413**	**0.0%**	**$163,482,303**	**$157,942,696**	**3.5%**
Motor Vehicles	33,572,132	34,617,733	-3.0%	78,953,687	75,216,043	5.0%
Motor Vehicle Operators	3,953,004	3,838,621	3.0%	12,176,855	11,977,179	1.7%
Weight Distance	20,229,458	19,719,491	2.6%	61,513,964	60,266,368	2.1%
Truck Decal Fees	1,058	7,288	-85.5%	39,300	38,748	1.4%
Other Special Fees	5,803,215	5,387,280	7.7%	10,798,496	10,444,358	3.4%
Nontax Receipts	**$6,327,946**	**$6,574,684**	**-3.8%**	**$17,100,077**	**$16,664,864**	**2.6%**
Departmental Fees	4,810,327	5,013,099	-4.0%	14,737,786	12,991,690	13.4%
In Lieu of Traffic Fines	105,012	110,796	-5.2%	311,279	354,004	-12.1%
Income on Investments	1,234,239	1,319,657	-6.5%	1,475,155	2,575,384	-42.7%
Miscellaneous	178,368	131,132	36.0%	575,857	743,787	-22.6%
Redeposit of State Funds	**$83,466**	**$839,618**	**-90.1%**	**$583,794**	**$3,319,819**	**-82.4%**