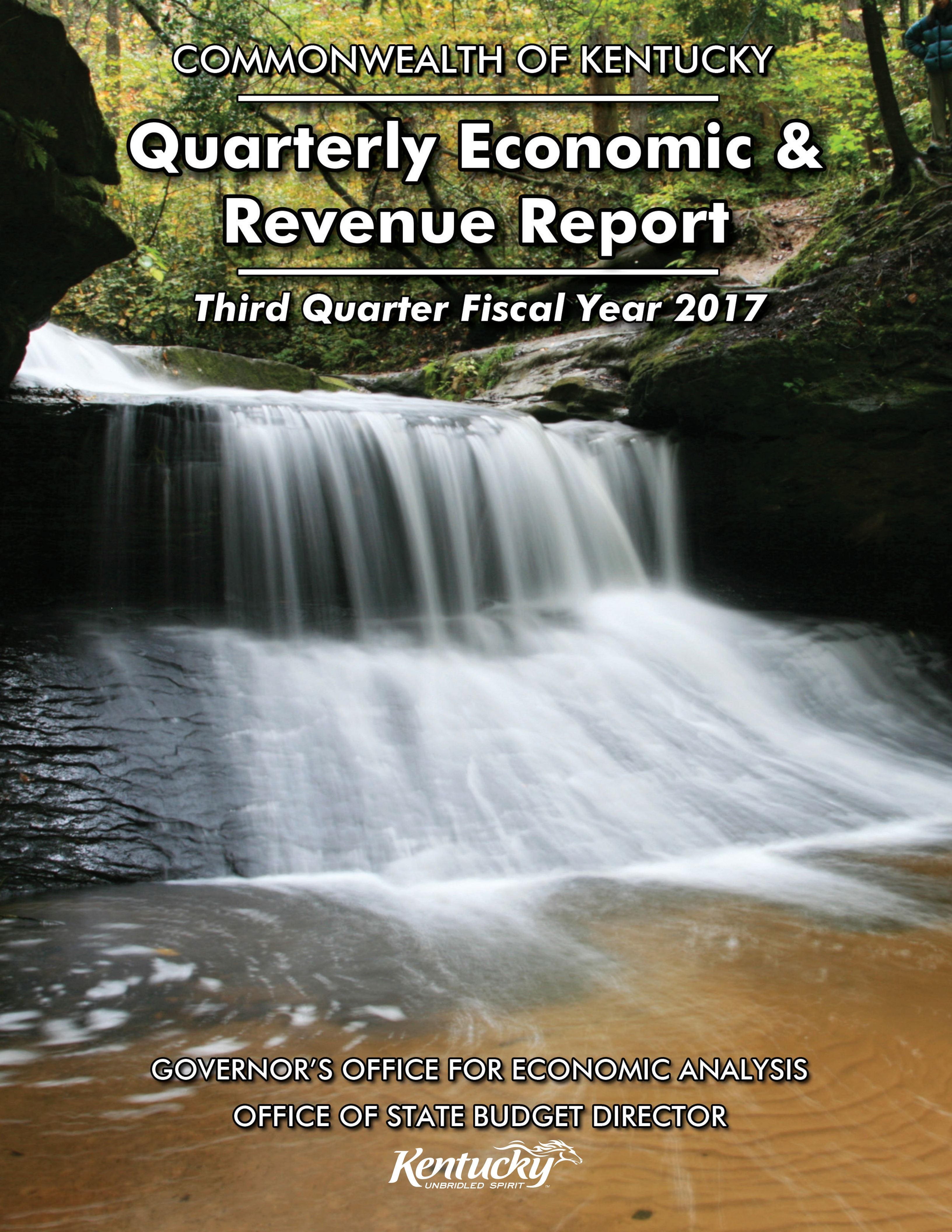

COMMONWEALTH OF KENTUCKY

Quarterly Economic & Revenue Report

Third Quarter Fiscal Year 2017

GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS

OFFICE OF STATE BUDGET DIRECTOR

Kentucky UNBRIDLED SPIRIT

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Matthew G. Bevin
Governor

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John E. Chilton
State Budget Director

Governor's Office for Policy and Management
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May 1, 2017

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

Dear Governor Bevin:

Pursuant to KRS 48.400 (2), the Office of State Budget Director has prepared the attached Quarterly Economic and Revenue Report which summarizes the Commonwealth's revenue and economic statistics for the third quarter of Fiscal Year 2017 (FY17). It also includes an interim economic and revenue forecast for the next three fiscal quarters. These estimates are internal staff estimates and do not constitute an official revision to the enacted estimates.

Kentucky's General Fund receipts fell by 3.2 percent in the third quarter, breaking a streak of 12 consecutive quarters with growth above that of the prior year. General Fund revenues for the remainder of FY17 are projected to be 2.6 percent higher compared to the final quarter of FY16. Including the historical data for the three quarters of FY17, General Fund revenues for all of FY17 are forecasted to equal $10,503.2 million for growth of 1.6 percent. Collections at the newly forecasted levels would produce a current-year revenue shortfall of $113.2 million <u>below</u> the official General Fund forecast of $10,616.4 million.

Revenue collections in the third quarter of FY17 totaled $2,364.5 million compared to $2,443.6 million in the third quarter of FY16, a decrease of $79.1 million or 3.2 percent. The third-quarter decline was the first quarterly decline since the second quarter of FY14. Growth rates for the first three quarters of the fiscal year, receipts have been 3.4, 3.3 and -3.2 percent. Receipts have now grown 1.2 percent during the first nine months of FY17.

In recent fiscal years, overall General Fund growth has leaned heavily on the largest two taxes, individual income and sales. Weaker withholding growth, coupled with the FY17 slump in the sales tax, have combined to depress overall revenue collections; this forecast calls for a $113.2 million revenue shortfall for FY17.

Road Fund revenues are expected to decline slightly in the fourth quarter of FY17 but still end the year in positive territory. Full-year FY17 receipts are expected to be 1.2 percent above FY16. The FY17 full-year forecast is $44.2 million more than the official revenue forecast to which was approved by the Consensus Forecasting Group on December 16, 2015.

We will keep monitoring the economic and revenue trends and give you further updates as they become available.

Sincerely,

John E. Chilton
State Budget Director

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In accordance with KRS 48.400(2), the Office of State Budget Director (OSBD) has prepared a *Quarterly Economic and Revenue Report* for the third quarter of FY17. This report includes a synopsis of the current economic and fiscal conditions of the Commonwealth, as well as an outlook for the next three fiscal quarters.

Kentucky's General Fund receipts fell by 3.2 percent in the third quarter, breaking a streak of 12 consecutive quarters with growth above that of the prior year. General Fund revenues for the remainder of FY17 are projected to be 2.6 percent higher compared to the final quarter of FY16. Including the historical data for the three quarters of FY17, General Fund revenues for all of FY17 are forecasted to equal $10,503.2 million for growth of 1.6 percent. Collections at the newly forecasted levels would produce a current year revenue shortfall of $113.2 million below the official General Fund forecast of $10,616.4 million.

Major points that will be discussed in this report include the following:

- General Fund receipts in the third quarter of FY17 totaled $2,364.5 million compared to $2,443.6 million in the third quarter of FY16, a decrease of $79.1 million or 3.2 percent. The third-quarter decline was the first quarterly decline since the second quarter of FY14. Growth rates for the first three quarters of the fiscal year, receipts have been 3.4, 3.3 and -3.2 percent, respectively. Receipts have now grown a net 1.2 percent during the first nine months of FY17. The official revenue estimate calls for 2.7 percent revenue growth for the fiscal year. To meet the estimate, receipts must grow 6.6 percent over the last three months of FY17.

- Road Fund revenue increased 5.4 percent in the third quarter of FY17. Receipts totaled $376.5 million compared to the $357.2 million received in the third quarter of last fiscal year. Through the first nine months of FY17, receipts have increased 1.8 percent. The official Road Fund revenue estimate calls for revenues to decline 1.7 percent for the fiscal year. Based on year-to-date tax collections, revenues can fall 11.8 percent for the remainder of FY17 and still meet the estimate.

- Real US GDP grew by 2.1 percent in the third quarter of FY17. While this is a slight improvement over the last four quarters, it is still historically weak. US personal income grew by 4.4 percent driven largely by strong wages and salaries growth. Kentucky personal income grew by 4.8 percent in the third quarter of FY17. Like US personal income, Kentucky personal income growth has been strong for several recent quarters. Kentucky non-farm employment grew by 1.2 percent in the third quarter; and has been weak for several years. Employment losses in mining and low growth in business services and government employment contributed to the poor overall employment growth.

- Projected General Fund growth for the remainder of FY17 is projected to be 2.6 percent compared to the final quarter of FY16. Adding the first three quarters of historical data, aggregate General Fund revenues for FY17 are projected to equal $10,503.2 million for growth of 1.6 percent.

- The withholding component of the individual income tax, by far the largest contributor to nominal growth, started the fiscal year strongly and has since waned. Growth in the third quarter was 2.3 percent and stands at 3.5 percent for the fiscal year. Below-average growth is expected for the fourth quarter with a FY17 total of 3.2 percent. Among other things, Kentucky employment and Kentucky wages and salaries affect withholding. As employment limps forward at 1.4 percent in the fourth quarter, growth in withholding will be increasingly more dependent upon wage growth.

- In recent fiscal years, overall General Fund growth has leaned heavily on the largest two taxes, individual income and sales. Weaker withholding growth, coupled with the FY17 slump in the sales tax, have combined to depress overall revenue collections to where this forecast calls for a $113.2 million revenue shortfall in FY17.

- Road Fund revenues are expected to decline slightly in the fourth quarter of FY17 but still end the year in positive territory. Full year FY17 receipts are expected to be 1.2 percent above FY16. Rates of growth for the first three quarters of FY17 have been 3.6, -3.6, and 5.4 percent, respectively. Revenues are forecasted to increase slightly in the first two quarters of FY18, growing 0.2 percent. The FY17 full-year forecast is $44.2 million more than the official revenue forecast as approved by the Consensus Forecasting Group on December 16, 2015.

- Light vehicle sales are expected to soften after seven years of strong growth.

Revenue Receipts . . . .

GENERAL FUND
Third Quarter FY17

General Fund receipts in the third quarter of FY17 totaled $2,364.5 million compared to $2,443.6 million in the third quarter of FY16, a decrease of $79.1 million or 3.2 percent. The third-quarter decline was the first quarterly decline since the second quarter of FY14. Growth rates for the first three quarters of the fiscal year, receipts have been 3.4, 3.3 and -3.2 percent. Receipts have now grown a net 1.2 percent during the first nine months of FY17. The official revenue estimate calls for 2.7 percent revenue growth for the fiscal year. To meet the estimate, receipts must grow 6.6 percent over the last three months of FY17.

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. Third-quarter collections were dragged down primarily by the corporation income and sales and use taxes.

Table 1
Summary General Fund Receipts
$ millions

	FY17 Q3	FY16 Q3	Diff $	Diff %
Individual Income	944.0	960.3	-16.4	-1.7
Sales and Use	818.7	836.0	-17.2	-2.1
Property	138.1	137.4	0.7	0.5
Corporation Income	26.3	92.6	-66.3	-71.6
Coal Severance	27.3	25.4	2.0	7.7
Cigarette Taxes	51.6	51.2	0.4	0.7
LLET	51.2	35.5	15.7	44.4
Lottery	58.0	59.0	-1.0	-1.7
Other	249.3	246.2	3.0	1.2
Total	**2,364.5**	**2,443.6**	**-79.1**	**-3.2**

Individual income tax receipts were down 1.7 percent in the third quarter of FY17. Receipts of $944.0 million were $16.4 million less than was collected in the third quarter of the previous fiscal year. The individual income tax is made up of four components. Declaration payments, net returns (pay returns less refund returns), and fiduciary receipts each declined in the third quarter compared to the same quarter last year. The lone improvement came in the form of withholding payments, which grew 2.3 percent.

Most refund returns are processed in the third quarter of the fiscal year. However, sometimes taxpayers will delay filing until April and those refund requests will show up in the fourth quarter. This affects quarterly net returns and therefore individual income tax receipts. Historically, this type of refund shift from third quarter to fourth quarter does not indicate that total annual refunds are going to be larger or that individual income tax receipts will be lower.

Last year the Department of Revenue was very deliberate in the issuance of refunds so that they could more closely screen returns for fraudulent claims. This year the same amount of scrutiny took less time, so the Commonwealth has paid more refunds year-to-date in FY17 compared to FY16. Overall collections, net of refunds, in the individual income tax have grown 2.4 percent through the first nine months of FY17.

Total sales and use tax receipts for the quarter were $818.7 million, compared to $836.0 million in the third quarter of FY16. The $17.2 million difference translates to a decrease of 2.1 percent. Receipts have now fallen in five of the last six months. Year-to-date sales and use tax receipts have grown 0.6 percent compared to last year.

Property tax receipts were $0.7 million, or 0.5 percent, more than the third quarter of FY16. Collections of $138.1 million compare favorably to $137.4 million received in the third quarter of FY16.

Property tax collections have grown 2.8 percent through the first nine months of FY17, right on track with expectations.

Corporation income tax fell 71.6 percent, or $66.3 million, during the third quarter of FY17. Receipts totaled $26.3 million compared to the $92.6 million received a year earlier. For the year, collections have decreased 6.7 percent. The due date for federal corporate tax returns was permanently changed from March 15 until April 15. For that reason, Department of Revenue is expecting April receipts to include payments that in the past would have been made in March. March declarations declined by $26.1 million compared to March 2016. March net returns declined by $41.2 million compared to March 2016. It is believed that some or most of those declines were due to this federal due date change.

Coal severance tax receipts increased for the first time since the third quarter of FY12. Receipts of $27.3 million exceeded the $25.4 million collected in the third quarter of FY16. Despite the third-quarter increase, tax receipts have declined a net 20.7 percent through the first nine months of the fiscal year.

Cigarette taxes also increased in the third quarter. Receipts of $51.6 million were 0.7 percent more than collected in the third quarter of FY16. Year-to-date cigarette tax receipts have declined 2.2 percent.

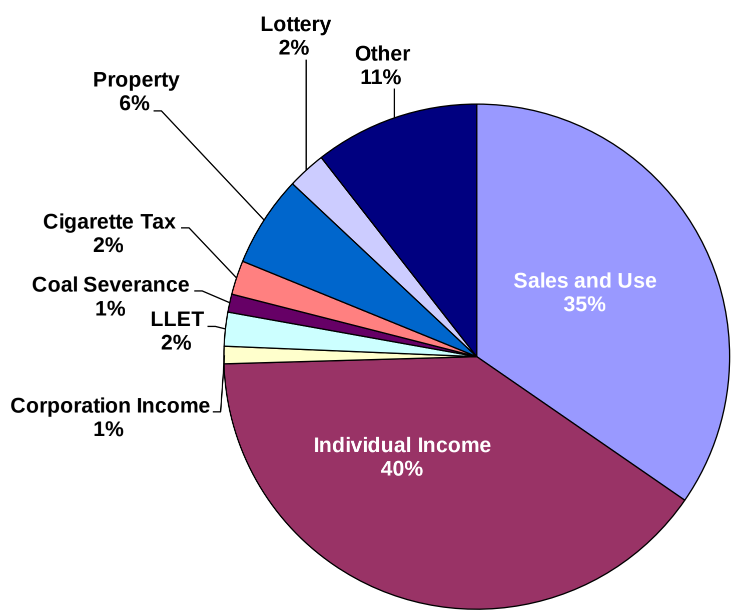
The limited liability entity tax (LLET) registered a $15.7 million increase in the third quarter of FY17 when compared to the third quarter of FY16. Collections of $51.2 million compares favorably to the $35.5 million received in the third quarter of FY16. This improvement was a welcomed sign given the large drop in corporation income tax receipts.

Lottery dividends posted a decrease of 1.7 percent, or $1.0 million, during the third quarter of FY17. Receipts totaled $58.0 million and compare to revenues of $59.0 million received a year earlier.

The “Other” category, which represents the remaining accounts of the General Fund, increased 1.2 percent in the third quarter. Third quarter receipts for FY17 were $249.3 million and compare to $246.2 million in FY16.

Figure 1 details the composition of third-quarter General Fund receipts by tax type. Seventy-five 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 11 percent. The major components in this category include insurance premium, bank franchise, telecommunications, and beer wholesale taxes. Property tax accounted for six percent. The LLET, lottery and cigarette taxes accounted for two percent each. Finally, coal severance and corporation income taxes accounted for one percent each.

Figure 1
Composition of Third Quarter FY17
General Fund Revenues



ROAD FUND
Third Quarter FY17

Road Fund revenue increased 5.4 percent in the third quarter of FY17. Receipts totaled $376.5 million compared to the $357.2 million received in the third quarter of the last fiscal year. Through the first nine months of FY17, receipts have increased 1.8 percent. Growth rates for the first three quarters of FY17 were 3.6, -3.6 and 5.4 percent, respectively. The official Road Fund revenue estimate calls for revenues to decline 1.7 percent for the fiscal year. Based on year-to-date tax collections, revenues can fall 11.8 percent for the remainder of FY17 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

	FY17 Q3	FY16 Q3	Diff $	Diff %
Motor Fuels	176.2	175.4	0.9	0.5
Motor Vehicle Usage	129.1	111.9	17.3	15.5
Motor Vehicle License	36.9	33.6	3.4	10.1
Motor Vehicle Operators	3.9	4.0	-0.1	-2.1
Weight Distance	20.7	20.2	0.5	2.5
Income on Investments	0.8	1.2	-0.5	-38.4
Other	8.8	11.0	-2.1	-19.5
Total	**376.5**	**357.2**	**19.3**	**5.4**

Motor fuels tax receipts increased 0.5 percent during the third quarter of FY17. Receipts were $176.2 million and compare to $175.4 million collected during the third quarter of last year. Through the first nine months of FY17, motor fuels grew 1.6 percent

Motor vehicle usage tax receipts increased 15.5 percent, or $17.3 million, during the third quarter. Receipts were $129.1 million compared to $111.9 million collected during the same period last year. Through the first nine months of FY17, motor vehicle usage tax increased 3.6 percent.

Motor vehicle license tax receipts increased 10.1 percent during the third quarter of FY17. Receipts of $36.9 million compare to $33.6 million received during the third quarter of FY16.

Motor vehicle operators' license fees totaled $3.9 million, a 2.1 percent decrease compared to the level observed a year ago.

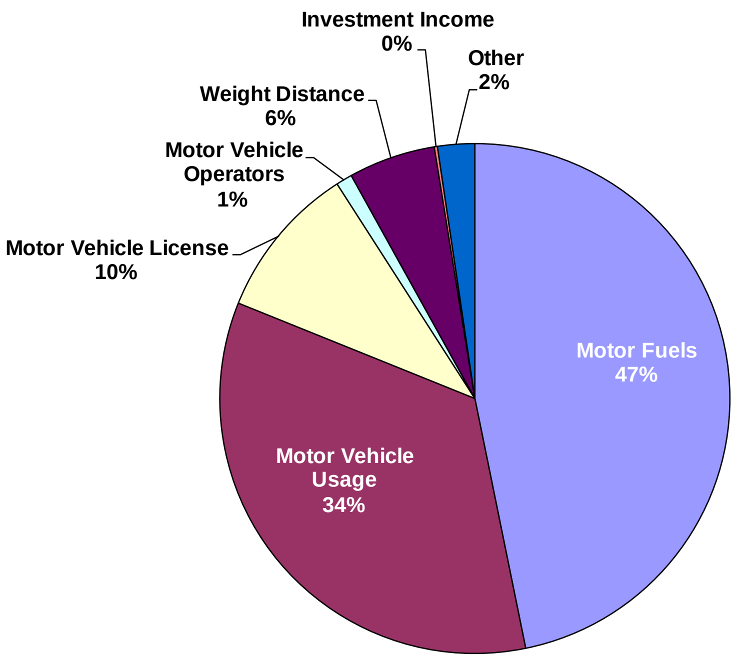
Weight distance tax receipts of $20.7 million represent a 2.5 percent increase compared to receipts collected during the third quarter of FY16. The weight distance tax has some significance as a leading indicator of economic activity, as it is a good proxy for goods in transit over Kentucky highways.

Income on investments receipts totaled $0.8 million, a 38.4 percent decrease compared to the level observed a year ago.

The remainder of the accounts in the Road Fund combined for a decrease of 19.5 percent. Receipts for the "Other" category totaled $8.8 million during the third quarter, compared to $11.0 million in the third quarter of FY16.

Figure 2 details the composition of Road Fund revenues by tax type in the third quarter of FY17. Motor fuels taxes and the motor vehicle usage tax accounted for 81 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 two percent, while motor vehicle operators' license fees comprised one percent. Income on investments accounted for a negligible amount of total Road Fund receipts.

Figure 2
Composition of Third Quarter FY17
Road Fund Revenues



The Economy
Third Quarter FY17. . . . .

NATIONAL ECONOMY

Third quarter real gross domestic product grew by 2.1 percent over the same quarter last year. Growth over the last few years has been historically weak, but the quarter-over-same-quarter-last-year growth rates have been slowly improving. The last four quarter-over-same-quarter-last-year growth rates were 1.3, 1.7, 1.9 and 2.1 percent, respectively. While quarterly growth rates have ticked up slightly, adjacent-quarter growth rates have declined for the last three quarters. Adjacent-quarter growth for the last three quarters has been 0.9, 0.5, and 0.4 percent, respectively. Growth is also low relative to the current trend. Average adjacent-quarter growth since the end of the 2007 recession is 0.5 percent. Most of the growth in real GDP has come from consumption over the last three years, with the occasional contribution from investment or exports.

Real consumption grew by 3.1 percent in the third quarter of FY17. This is the highest growth rate among the contributing components of real GDP. Adjacent-quarter growth rates have been above average for the previous three quarters, growing 1.1 percent in the fourth quarter of FY16, and 0.7 percent in the first and second quarters of FY17. Adjacent-quarter growth fell to 0.6 percent in the third quarter of FY17, which is also the average growth rate over the last 17-year period. Real consumption made up 69.5 percent of real GDP in the third quarter of FY17.

Real investment grew by 2.3 percent in the third quarter of FY17. On an adjacent-quarter basis, real investment has now grown for three consecutive quarters, following three consecutive declines. Real investment grew 0.8, 2.2, and 1.4 percent on an adjacent-quarter basis during the last three quarters. Growth in the previous three quarters was -0.6, -0.8, and -2.0 percent, respectively. Real investment has declined in nine quarters since the 2007 recession officially ended. Despite those declines, real investment has grown substantially since the recession ended, growing a net 61.1 percent since the first quarter of FY10, which is the most recent trough for real investment. Real investment made up 17.2 percent of real GDP in the third quarter of FY17.

Real government expenditures declined by 0.5 percent in the third quarter of FY17. On an adjacent-quarter basis, real government expenditures declined by 0.4 percent in the third quarter. This was the 20th contraction since the end of the 2007 recession. It is common for government expenditures to contract during expansions, as expenditures on many social welfare programs decrease during this time. On net, real government, expenditures have declined by $215.7 billion since the end of the 2007 recession. Real government expenditures have also declined relative to real GDP since 2000. Currently, real government expenditures make up 17.2 percent of real GDP. In 2000, real government expenditures made up 20.0 percent of real GDP.

Table 3
Summary of US Economic Series
Third Quarter FY17 & FY16

	Third Quarter			
	FY17	**FY16**	**Chg**	**% Chg**
Real GDP	16,871.4	16,525.0	346.4	2.1
Real Consumption	11,719.5	11,365.2	354.3	3.1
Real Investment	2,908.2	2,841.5	66.7	2.3
Real Govt. Expenditures	2,897.3	2,913.2	-15.9	-0.5
Real Exports	2,161.7	2,102.0	59.7	2.8
Real Imports	2,788.8	2,668.2	120.6	4.5
CPI all goods (% chg)	2.6	1.1	NA	NA
CPI Food (% chg)	-0.1	0.8	NA	NA
CPI Energy (% chg)	13.1	-10.3	NA	NA
CPI Core (% chg)	2.2	2.2	NA	NA
Industrial Production Index (% chg)	0.6	-1.6	NA	NA
Working Population[1]	254.2	252.6	1.7	0.7
Civilian Labor Force[2]	159.4	158.2	1.2	0.8
Employed[3]	151.6	149.9	1.6	1.1
Unemployed[4]	7.8	8.2	-0.4	-5.4
Not in Labor Force[5]	94.9	94.4	0.5	0.5
Labor Force Participation Rate[6] (%)	62.9	62.9	NA	NA
Unemployment Rate (%)	4.7	4.9	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 FY17 Q3 are March 2017 estimates.
Source: IHS Global Insight Inc., March 10, 2017 data release.

1 Working population is the group of persons who are 16 years or older, non-institutionalized, not in prison, not in an old-age home and not engaged in active military duty. It is meant to capture those persons who are capable of working and could work if suitable employment were found. Working population figures are listed in millions.
2 Civilian Labor Force is a subset of the working population who are currently employed or are actively looking for employment.
3 Employed is a subset of the civilian labor force who are employed regardless of industry or profession. This is therefore different than non-farm employment, which explicitly does not include those persons employed in the agricultural sector.
4 Unemployed is a subset of the civilian labor force who are not currently employed but are actively seeking employment.
5 Not in Labor Force is a subset of the working population who have decided not to be employed nor seek employment.
6 Labor Force Participation Rate is computed as the Civilian Labor Force divided by the Working Population.

Federal outlays have increased by 3.6 percent in the third quarter of FY17. The interest on the debt was the largest growing expenditure in the third quarter, growing 9.6 percent over the third quarter of FY16. The interest on the debt is the fourth largest expenditure item in the federal government. Medicaid spending grew by 6.5 percent in the third quarter. Adjacent-quarter growth in the third quarter was 0.8 percent. Average Medicaid expenditures growth since 2000 has been 1.9 percent, so growth is currently below the long-term trend.

Social security expenditures have increased by 3.3 percent since the third quarter of FY16. Social security is the largest expenditure item of the federal government by a large margin. Social security makes up 21.5 percent of all federal outlays (excluding gross investment). This share dipped briefly to around 18.5 percent in 2011, but then grew again to over 21 percent by 2013. It has remained just over 21 percent since 2013.

Table 4
US Federal Outlays
$ billions, Annual Rate

	Third Quarter			
	FY17	**FY16**	**Chg**	**% Chg**
Federal Outlays excl. Gross Investment	4,256.8	4,110.8	146.0	3.6
Social Security	915.9	886.3	29.6	3.3
Medicare	676.7	650.0	26.7	4.1
National Defense	593.6	587.0	6.6	1.1
Interest on Debt	497.8	454.2	43.6	9.6
Medicaid	385.2	361.8	23.4	6.5
Non-Medicaid Grants to S&L Govts	183.4	179.3	4.1	2.3
Subsidies	59.5	57.7	1.8	3.1
Aid to Foreign Governments	56.5	59.6	-3.1	-5.2

Not Seasonally Adjusted. Data for FY17 Q3 are March 2017 estimates.
Source: IHS Global Insight Inc., March 10, 2017 data release.

Real exports grew by 2.8 percent in the third quarter of FY17. Real exports have been weak over the last five years as exports have fallen in seven quarters during that time. Real exports have increased by a net 11.3 percent from the third quarter of FY12 to the third quarter of FY17. Real imports grew by 4.5 percent in the third quarter of FY17. Real imports have declined in just three quarters over the last five years. On net, real imports growth has been strong during that time. In the last two quarters, growth has been solid, growing 2.1 percent and 1.8 percent on an adjacent-quarter basis. However, the previous five quarters were nearly flat, growing 0.3, 0.2 -0.2, 0.1 and 0.5 percent, respectively. Real imports grew a net 15.9 percent from the third quarter of FY12 to the third quarter of FY17.

The trade deficit (which is imports less exports) has increased to $627.1 billion in the third quarter, which is the largest level since the first quarter of FY08. The trade deficit is a complex measure of the economy, that assimilate the import demands of each of the United States' trading partners, supply lines/disruptions in the US production markets, cost of energy and transportation, and exchange rates. Real exports made up 12.8 percent of real GDP in the third quarter of FY17. Real imports, which is a deduction from real GDP, made up 16.5 percent of real GDP in the third quarter of FY17.

US personal income grew by 4.4 percent in the third quarter of FY17. US personal income has grown in every quarter since the end of the 2007 recession except for one. US personal income declined by 2.9 percent (on an adjacent-quarter basis) in the third quarter of FY13. There are seven components of personal income, six of which are contributing components (see Table 5). Social insurance is subtracted from personal income because it has already been included in income elsewhere. The residence adjustment is a correction to the data to account for those individuals who live outside the United States but work inside the United States and for those individuals who work outside the United States but live inside the United States. The net adjustment for those two groups is the residence adjustment.

Wages and salaries income grew by the largest amount among the components, growing 5.2 percent over the third quarter of FY16. Growth has been solid for over two years. Adjacent-quarter growth has been over 1.0 percent for nine of the last 11 quarters.

Non-farm employment rose by 1.6 percent in the third quarter of FY17, an increase of 2.4 million jobs over the third quarter of FY16. This is historically weak recovery-period growth. In fact, employment recovery has been historically weak during the last two recovery periods. Average growth following the 2001 recession was 1.4 percent and average growth following the 2007 recession has been 1.6 percent. Average growth following the previous five recessions was 3.1, 2.7, 2.9, 2.8, and 2.2 percent, respectively.

Mining employment declined by 4.5 percent in the third quarter. On an adjacent-quarter basis, mining employment grew by 2.0 percent. This is the second consecutive quarter that mining employment has increased (adjacent-quarter basis), following eight consecutive quarters of large (adjacent-quarter) declines. US mining employment, which includes all natural resources including forestry and minerals mining, has fallen from just over 900,000 jobs in the first quarter of FY15 to just over 675,000 jobs in the third quarter of FY17. Manufacturing employment also declined in the third quarter, falling 0.2 percent.

Business services employment was the fastest growing supersector in the third quarter, growing 3.0 percent over the third quarter of FY16. Business services employment has been very steady since the 2007 recession ended. It has grown in every quarter during the expansion in both adjacent-quarter terms and in quarter-over-same-quarter-last-year terms. Average adjacent-quarter growth has been 0.7 percent per quarter. Employment in the supersector has increased a net 24.9 percent since the end of the recession.

The working population grew 0.7 percent in the third quarter of FY17. However, on an adjacent-quarter basis, the working population declined by 0.1 percent in the third quarter. This is the first time the working population has declined since the beginning of 2008. The working population is divided into two categories, those in the labor force and those not in the labor force. Those in the labor force increased by 0.8 percent in the third quarter, while those not in the labor force increased by 0.5 percent. While there is substantial seasonal and cyclical variation in the Not in the Labor Force data, the series has been trending upward by 0.5 percent per quarter since the turn of the century. This trend can be seen easily in the Labor Force Participation series, which has fallen from 67.3 percent in 2000 to 62.9 percent in the third quarter of FY17.

Table 5
Personal Income
$ billions, Seasonally-Adjusted Annual Rate

	Second Quarter			
	FY17	**FY16**	**$ Diff**	**% Diff**
United States				
Personal Income	16,428	15,740	688	4.4
Social Insurance	1,291	1,229	62	5.1
Residence Adjustments	-641	-618	-22	3.6
Dividends, Interest and Rents	3,041	2,929	113	3.8
Transfer Receipts	2,832	2,744	88	3.2
Wages & Salaries	8,431	8,011	420	5.2
Supplements to W&S	2,598	2,499	99	4.0
Proprietor's Income	1,457	1,404	54	3.8
Kentucky				
Personal Income	180.6	172.3	8.3	4.8
Social Insurance	15.0	14.1	0.9	6.3
Residence Adjustments	-2.2	-2.0	-0.1	6.5
Dividends, Interest and Rents	27.2	26.4	0.8	3.1
Transfer Receipts	43.8	42.4	1.3	3.2
Wages & Salaries	92.0	86.4	5.7	6.6
Supplements to W&S	23.3	22.1	1.2	5.4
Proprietor's Income	11.5	11.2	0.3	3.0

KENTUCKY ECONOMY

Kentucky personal income grew by 4.8 percent in the third quarter of FY17. Wages and salaries income, which makes up 51.0 percent of personal income in Kentucky, has been the most influential driver of personal income changes for the last five quarters. Adjacent-quarter growth in wages and salaries has been -1.8, 1.9, 2.1, 0.8, and 1.5 percent, respectively. Adjacent-quarter growth in Kentucky personal income has been -1.0, 1.2, 1.4, 0.4, and 1.7 percent, respectively. Average Kentucky personal income growth (adjacent-quarter basis) since the end of the 2007 recession has been 0.9 percent. So growth is currently well above the trend. Supplements to wages and salaries income has also followed this same pattern. Supplements to wages and salaries income grew by 5.4 percent in the third quarter.

Kentucky non-farm employment grew by 1.2 percent in the third quarter of FY17. This, like US employment growth, is historically low. Kentucky non-farm employment growth has averaged 0.4 percent (on an adjacent-quarter basis) since the end of the 2007 recession. Adjacent-quarter growth is currently 0.2 percent.

The weakness in non-farm employment growth was spread fairly evenly across all the supersectors. The fastest growing supersectors were information services and educational services, each of which grew by only 2.0 percent in the third quarter. The poorest performing supersector was mining, which lost 16.2 percent compared to the third quarter of FY16. On an adjacent-quarter basis, mining lost 2.2 percent compared to the second quarter of FY17. In the 30 quarters since the end of the 2007 recession, mining employment has declined in 22 quarters. Net mining employment has declined from 25,500 jobs in the third quarter of FY09 to 9,800 in the third quarter of FY17, a net loss of 15,700 jobs.

Table 6
Summary of US & KY Employment
Third Quarter FY17 & FY16

	US Q3 (millions)			KY Q3 (thousands)		
	FY17	**FY16**	**% Chg**	**FY17**	**FY16**	**% Chg**
Non-farm Employment	145.8	143.4	1.6	1,930.8	1,907.6	1.2
Goods-producing	19.9	19.8	0.6	339.8	335.0	1.4
Construction	6.8	6.7	2.5	78.2	77.4	1.0
Mining	0.7	0.7	-4.5	9.8	11.7	-16.2
Manufacturing	12.3	12.4	-0.2	251.9	246.0	2.4
Service-providing	103.6	101.6	2.1	1,271.9	1,253.4	1.5
Trade, Transportation & Utilities	27.5	27.1	1.4	401.5	394.8	1.7
Information	2.8	2.8	0.0	23.1	22.7	2.0
Finance	8.4	8.2	2.5	94.2	93.1	1.2
Business Services	20.5	19.9	3.0	220.2	218.8	0.6
Educational Services	22.9	22.4	2.4	272.0	266.8	2.0
Leisure and Hospitality Services	15.8	15.5	2.1	195.8	192.2	1.8
Other Services	5.7	5.7	1.1	65.1	65.0	0.1
Government	22.3	22.1	0.5	319.1	319.1	0.0

Not Seasonally Adjusted. Data for FY17 Q3 are March 2017 estimates.
Source: IHS Global Insight Inc., March 10, 2017 data release.

Interim Outlook . . . .

GENERAL FUND

The revenue forecasts presented in Table 7 and Table 8 were estimated using the most recent “control scenario” economic forecast from IHS Global Insight (hereafter Global Insight) and the Kentucky MAK model. Forecasted revenues presented herein were prepared pursuant to KRS 48.400 (2) and are internal estimates prepared by the staff of the Office of State Budget Director.

Projected General Fund revenues for the next three quarters are shown in Table 7. As the table indicates, General Fund growth for the remainder of FY17 is projected to be 2.6 percent compared to the final quarter of FY16. Including the first three quarters of historical data, General Fund revenues for all of FY17 are projected to equal $10,503.2 million for growth of 1.6 percent. Collections at the forecasted levels would produce a current-year revenue shortfall of $113.2 million below the official General Fund forecast of $10,616.4 million.

Table 7
General Fund Interim Forecast
$ millions

	FY17						FY17		FY18	
	Q1-Q3		Q4		Full Year		Official CFG		Q1-Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Individual Income	3,102.2	2.4	1,292.9	3.2	4,395.1	2.6	4,411.1	-16.0	2,206.6	2.2
Sales & Use	2,578.2	0.6	903.0	0.4	3,481.2	0.5	3,539.8	-58.6	1,797.5	2.2
Property	532.3	2.8	62.9	5.2	595.2	3.1	585.2	10.0	404.4	2.6
Corporate Income	298.1	-6.7	233.0	12.5	531.1	0.8	579.4	-48.3	260.0	-4.3
Coal Severance	77.3	-20.7	31.5	36.9	108.9	-9.7	120.7	-11.8	66.2	32.4
Cigarette Tax	163.3	-2.2	59.2	3.2	222.5	-0.8	222.5	0.0	110.5	-1.0
LLET	148.6	28.4	86.7	-0.7	235.3	15.9	223.7	11.6	99.0	1.7
Lottery	176.1	4.0	59.9	-17.4	236.0	-2.4	236.0	0.0	117.5	-0.5
Other	528.0	-1.1	170.0	2.1	698.0	-0.3	698.0	0.0	283.0	1.5
General Fund	**7,604.1**	**1.2**	**2,899.2**	**2.6**	**10,503.2**	**1.6**	**10,616.4**	**-113.2**	**5,344.8**	**2.0**

Individual income tax (IIT) receipts are expected to total $4,395.1 million in FY17, partially due to solid growth of 4.3 percent in the first half of the fiscal year. Third-quarter collections in the IIT, however, fell 1.7 percent. Receipts are predicted to rebound with growth of 3.2 percent during the fourth quarter of FY17. Taken in aggregate, the individual income tax is forecasted to grow 2.6 percent for FY17.

The withholding component of the individual income tax, by far the largest contributor to nominal growth, started the fiscal year strongly and has since waned. Withholding grew by 4.9, 3.5, and 2.3 percent in the first three quarters of FY17. Among other things, Kentucky employment and Kentucky wages and salaries affect withholding. As employment limps forward at 1.4 percent in the fourth quarter, growth in withholding will be increasingly more dependent upon wage growth. Table

10 illustrates that wage growth is expected to average 5.8 percent for the remainder of FY17, thus helping withholding collections remain in positive territory amidst tepid employment growth.

Since declining in FY13, the sales and use tax experienced solid growth for three years. Growth of 3.6 percent in FY14 was followed by even faster growth of 4.4 percent during FY15. The pinnacle came in FY16 with year-over-year growth of 6.0 percent. Fiscal Year 2017, however, has been a struggle. The year began with solid growth of 4.2 percent in the first quarter. Since then the second and third quarters have declined modestly. Clearly, the sales tax is getting softer, but for now the slowdown in growth is expected to be a soft landing rather than a widespread sectorial crash. As we cautioned in earlier reports, growth in excess of wage growth is clearly difficult to sustain, especially in light of the recent history of strong sales tax collections. The forecast calls for 0.4 percent growth in the fourth quarter of FY17 followed by 2.2 percent growth in the first half of FY18. The projected growth in the fourth quarter would close the fiscal year with nominal collections of $3,481.2 million, or $58.6 million below the official estimate.

Property tax revenues are expected to increase by 5.2 percent in the fourth quarter, thus closing FY17 with net growth of 3.1 percent. 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 run 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 forecast assumes that this reversion to "normal" will not occur during the forecasting horizon.

The corporation income tax fell 0.3 percent in FY16 following an impressive string of five consecutive years of high growth. A modest decline after five strong years of growth appeared to have been a harbinger of a downturn, but corporate receipts showed resilience with growth of 19.7 percent in the first half of FY17. Unfortunately a plunge occurred in the third quarter, when corporation income tax receipts dove 71.6 percent. The due date for federal corporate tax returns was permanently changed from March 15 until April 15. For that reason, Department of Revenue is expecting April receipts to include payments that in the past that would have been made in March in prior years. March declarations declined by $26.1 million compared to March 2016. March net returns declined by $41.2 million compared to March 2016. It is believed that some or most of those declines were due to this federal due date change. The estimates presented on Table 7 reflect an adjustment to account for timing, as corporate receipts are expected to rise 12.5 percent in the fourth quarter. However the model predicts a weak first half of FY18 with expected receipts declining 4.3 percent.

LLET receipts have been volatile over the last five fiscal years, recording two years of positive growth sandwiched between three years of steep declines. Fiscal Year 2017 has started with growth of 28.4 percent through the first three quarters. While this interim forecast calls for LLET receipts to decline 0.7 percent for the remainder of FY17, the effect of the strong collections earlier in the year to propel FY17 receipts 15.9 percent higher than FY16.

Coal severance tax receipts rose 7.7 percent in the third quarter, thereby ending a streak of 19 consecutive quarterly declines. Growth of 36.9 percent is expected in the fourth quarter of FY17 followed by 32.4 percent growth in the first half of FY18. The official estimate for the current fiscal year is $120.7 million, a level that illustrates the depths of the collapse endured by the coal market when compared with the FY12 peak of $298.3 million.

Cigarette tax receipts increased by a modest 1.5 percent in FY16. The outlook for cigarette tax receipts calls for a 0.8 percent decline in FY17. Collections have fallen 2.2 percent through the first three quarters, but a 3.2 percent increase is projected for the fourth quarter. A downward trend in smoking rates is still expected, but the $0.65 per pack increase in West Virginia, the $1.00 per pack increase for Illinois and the $0.35 per pack increase in Ohio should serve to create a small positive revenue impact for cigarette purchases in Kentucky. The Ohio border impact has the potential to become a major impact as the markets transition to a new equilibrium. Total state cigarette taxes in Ohio went from $1.25 per pack to $1.60 per pack, a full $10.00 per carton higher than the Kentucky rate. The West Virginia and Illinois carton price differentials are now at $6.00 on the West Virginia border and $13.80 crossing the river into Illinois. Despite these minor border impacts, the national consumption of cigarettes has steadily been trending downward.

Lottery dividends are expected to hit the FY17 official estimate based on continued strength in scratch-off sales and a recovery in online games. Relatively high disposable income has helped the scratch-off market in the recent past. Changes implemented by the Kentucky Lottery Corporation have increased play and profitability in the online games as well.

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 increase marginally by 2.1 percent during the final quarter of FY17. Each account was re-examined after FY16 and the proper adjustments are made each quarter to calibrate the models. The “Other” accounts projected sum is $698.0 million in FY17, a decline of 0.3 percent compared to FY16.

ROAD FUND

Road Fund revenues are expected to decline slightly in the fourth quarter of FY17 but end the year in positive territory. The annual increase in collections would end a two-year stretch of year-over-year declines. Road Fund revenues have historically experienced steady, solid growth. For perspective, in the 33 years preceding the two contractions, Road Fund revenues declined in only four of those years. Growth rates for the first three quarters of FY17 have been 3.6, -3.6, and 5.4 percent, respectively. Revenues are forecasted to increase slightly in the first two quarters of FY18 as shown in Table 6. Growth rates for the fourth quarter of the current fiscal year and the first six months of FY18 are forecasted to be -0.3 percent and 0.2 percent, respectively. The FY17 full-year forecast is $44.2 million more than the official revenue forecast as approved by the Consensus Forecasting Group on December 16, 2015.

Motor fuels tax collections are forecasted to grow 0.3 percent over the final quarter of FY17. Because the tax rate in effect for the current fiscal year is unchanged from FY16, growth in this revenue source is limited to changes in consumption is tends to be in the range of -1.0 percent to 1.0 percent. Receipts in the first two quarters of FY18 are expected to decrease slightly, falling 1.7 percent as the tax rate remains unchanged.

Motor vehicle usage tax collections are expected to decrease in the fourth quarter, falling 1.5 percent before growing 0.4 percent over the first two quarters of FY18. After declining in all four quarters of FY15 due to a tax law change, motor vehicle usage tax receipts have increased in six of the previous seven quarters. During this expansionary period, tax collections have been characterized by large swings in the rates of growth. The FY17 growth rates have been 7.3, -10.6, and 15.5 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 decline 3.3 percent in the final quarter of FY17 but grow 14.8 percent in the first two quarters of FY18. Motor vehicle operators' licenses are projected to fall 2.2 percent for the remainder of the fiscal year and decrease 1.2 percent over the first six months of FY18. 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 FY18 growing 3.9 percent and 2.6 percent, respectively. Investment income is expected to fall over the remainder of the fiscal year but increase in the first half of FY18; however, the gains are presumed to be small due to low interest rates. All other revenues should grow 12.5 percent during the last three months of the current fiscal year but decline 1.8 percent the first two quarters of FY18.

Table 8
Road Fund Interim Forecast
$ millions

	FY17						FY17		FY18	
	Q1-Q3		Q4		Full Year		Official CFG		Q1-Q2	
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	$ Diff	Estimate	% Chg
Motor Fuels	566.5	1.6	193.1	0.3	759.6	1.3	747.3	12.3	383.6	-1.7
Motor Vehicle Usage	373.8	3.6	121.7	-1.5	495.5	2.3	469.5	26.0	245.7	0.4
Motor Vehicle License	76.6	-3.0	33.0	-3.3	109.6	-3.1	105.0	4.6	45.5	14.8
Motor Vehicle Operators	11.9	-2.5	4.0	-2.2	15.9	-2.5	16.1	-0.2	7.9	-1.2
Weight Distance	62.6	1.8	20.7	3.9	83.3	2.3	82.1	1.2	43.0	2.6
Income on Investments	0.6	-58.8	0.8	-22.7	1.4	-44.0	1.4	0.0	0.4	NA
Other	27.0	-0.3	8.8	12.5	35.8	2.6	35.5	0.3	17.8	-1.8
Road Fund	**1,119.0**	**1.8**	**382.1**	**-0.3**	**1,501.1**	**1.2**	**1,456.9**	**44.2**	**743.9**	**0.2**

NATIONAL OUTLOOK

As we enter the fourth quarter of the 2017 fiscal year, it is important to remember that the tumultuous nature of national politics do not necessarily carry over to the overall outlook for the national economy. The failure to "repeal and replace" the Affordable Care Act with the American Health Care Act is being incorporated into the current underlying forecast as an overall positive sign that there may be an increased chance of bipartisanship and movement forward on a pro-growth agenda by Congress. In the near term, Congress is expected to work together to avoid any Federal government shutdown as the April deadline for passage of a spending resolution approaches. In the remainder of the calendar year, a less ambitious tax reform package focusing on cutting personal and corporate tax rates, repatriating offshore corporate profits, and expanded middle class tax breaks is expected to be enacted. Such a plan would be more pro-growth than a radical overhaul of the corporate tax code containing such provisions as a border-adjustment tax.

Looking past the recent volatility, real GDP is expected to strengthen from 2.1 percent in the third fiscal quarter to 2.4 percent in the last quarter of the fiscal year. The growth is expected to be driven by consumer spending, which now comprises 69 percent of GDP, as consumer confidence remains strong. Continued low unemployment, rising real incomes, and increasing household net worth should allow consumers to help fuel increases in real consumption.

One area of concern, however, is light vehicle sales, which have increased on an annual basis by more than 50 percent in the last seven years. While recent months have shown declining sales, the deceleration has been tempered by manufacturers offering more incentives to spur sales. The average discount has reached the highest amount since the Great Recession and now average over 10 percent of manufacturer's suggested retail price for a new vehicle. Additionally, the average length of a new car loan continues to increase, as more than one-third of new car loans are dated 72 months or longer; and, the average credit quality of borrowers has declined while the amount borrowed and the amount of the monthly payment have continued to be at record high levels. Overall, these trends are expected to continue as manufacturers begin to temporarily idle production facilities and formulate plans to deal with excess inventories.

Additionally, consumer and business investment are facing continued headwinds due to interest rates and the strong dollar. In the last three quarters, long-term interest rates have risen by nearly 90 basis points, and the current forecast anticipates another 35 basis point rise by the end of the calendar year. Consumer spending, housing activity, and capital spending by businesses will be impacted by the continued increase in interest rates and associated borrowing costs. Of similar concern is the rise in the value of the US dollar, which has increased by 3.9 percent on a trade-weighted basis in the last three quarters, and is expected to rise another 3.5 percent by the end of calendar 2017. Regardless of potential changes to national trade policy, the increasing value of the US dollar will be a restraint on net exports.

The Federal Open Market Committee (FOMC), as expected, raised the federal funds rate by 25 basis points at their March meeting. In addition to raising the benchmark interest rate, the FOMC signaled that the committee is considering beginning to shrink the $4.5 trillion balance sheet of bonds purchased by the Federal Reserve since the Great Recession. The Federal Reserve made the purchases through three rounds of emergency asset purchases of Treasury bonds and mortgage

KENTUCKY OUTLOOK

Looking ahead at the final quarter of FY17 and first half of FY18, Kentucky is poised to maintain a steady pace of growth for personal income at an estimated 4.9 percent for all three quarters, while growth on the national level is estimated at 4.4 percent in the fourth quarter of FY17 and 4.6 percent for the first half of FY18. Kentucky wages and salaries' projection has a slightly differing outlook transitioning from robust growth of 5.8 percent in the fourth quarter of FY17, to a decelerated growth of 4.9 percent for the first two quarters of FY18. Softening growth in wages and salaries continue to influence weakened individual income tax collection, which fell in the third quarter of FY17. In addition, sales and use tax collection has decreased in the Commonwealth five of the last six months. Consumer spending has remained relatively consistent at the national level; however, a period of cautious consumer spending is expected in response to the weak spot in wage growth, consumer adjustment to a market of rising interest rates, as well as considerable economic uncertainty in the consumer market.

Shifting focus towards the Kentucky employment outlook, all three quarters of the outlook continue to project weak growth in both the goods-producing and service-producing sectors. The stagnate outlook for Kentucky employment is a sustained weak spot for the Commonwealth's economy. In the final quarter of FY17 non-farm employment is anticipated to rise 1.4 percent, with a diminished pace of growth anticipated of 1.1 percent following in the first part of FY18. Weakened growth rates of 1.7 percent in the fourth quarter and 1.5 percent in the first half of FY18 are expected to continue on a national level with respect to the same periods. The goods-producing sector is anticipated to outperform growth within the service-providing sector, albeit by a de minimis amount.

Employment in the manufacturing sector is expected to increase 0.3 percent for the fourth quarter of FY17 and increase 0.8 percent in the first half of FY18. Weakness in manufacturing employment continues. The US dollar value has been strong relative to the currencies of our trading partners. The construction sector, on the other hand, is predicted to grow making it one of the bright spots in the Kentucky employment outlook.

The service-providing sector will end the fourth quarter of FY17 on a positive note with growth anticipated at 1.6 percent before dropping 0.5 percentage points entering into the first half of FY18. Turning focus to the first and second quarter of FY18, depressed growth is expected in TTU (trade, transportation, & utilities), information, finance, and educational services, with expected job loss in other services and flat growth expected for government service. Kentuckian's leisure and hospitality employment expects growth, assisting in the offset of stagnant growth in other service-providing sectors.

Table 9
US Economic Outlook
FY17 Q4, FY18 Q1 & Q2

	Q4			Full Year		Q1 & Q2	
	FY17	FY16	% Chg	FY17	% Chg	FY18	% Chg
Real GDP	16,985.5	16,583.1	2.4	16,847.0	2.0	17,148.6	2.3
Real Consumption	11,807.1	11,484.9	2.8	11,687.6	2.9	11,929.7	2.7
Real Investment	2,928.1	2,783.8	5.2	2,877.1	1.2	2,997.9	5.7
Real Govt. Expenditures	2,904.5	2,900.9	0.1	2,904.3	0.1	2,917.3	0.3
Real Exports	2,179.7	2,111.3	3.2	2,160.8	2.4	2,199.6	2.3
Real Imports	2,806.8	2,669.7	5.1	2,754.8	3.2	2,870.8	5.9
CPI all goods	2.45	2.39	2.5	2.43	2.0	2.47	2.5
CPI Food	2.50	2.48	0.6	2.48	0.1	2.52	1.6
CPI Energy	2.04	1.87	8.7	2.00	3.7	2.05	5.7
CPI Core	2.53	2.47	2.4	2.50	2.3	2.55	2.4
Industrial Production Index (% chg)	1.8	-1.1	NA	0.3	NA	2.5	NA
Unemployment Rate (%)	4.6	4.9	NA	4.7	NA	4.5	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.
Source: IHS Global Insight Inc., March 10, 2017 data release.

Table 10
Kentucky Economic Outlook
FY17 Q4, FY18 Q1 & Q2

	Q4			Full Year		Q1 & Q2	
	FY17	FY16	% Chg	FY17	% Chg	FY18	% Chg
Personal Income ($ millions)	182,881.7	174,391.6	4.9	179,460.9	3.7	185,855.6	4.9
Wages and Salaries ($ millions)	93,196.6	88,058.0	5.8	91,462.7	5.1	94,714.9	4.9
Non-farm Employment (thousands)	1,936.7	1,909.3	1.4	1,928.3	1.4	1,944.3	1.1
Goods-producing	342.0	335.5	2.0	338.9	1.5	344.4	2.3
Construction	78.8	76.9	2.5	77.6	1.1	79.7	3.9
Mining	10.0	10.5	-4.6	10.0	-17.8	9.9	-1.3
Manufacturing	253.1	248.0	2.1	251.3	2.6	254.8	1.9
Service-providing	1,275.6	1,255.8	1.6	1,270.5	1.7	1,281.0	1.1
Trade, Transportation & Utilities	402.1	396.2	1.5	400.8	2.1	402.9	0.8
Information	23.2	22.8	1.6	23.1	2.1	23.2	0.3
Finance	94.5	93.4	1.2	94.2	1.5	94.9	0.8
Business Services	221.4	216.8	2.1	220.4	0.9	224.0	1.8
Educational Services	272.8	267.9	1.8	271.8	2.0	273.4	0.8
Leisure and Hospitality Services	196.5	193.2	1.7	194.7	1.8	197.7	2.3
Other Services	65.1	65.5	-0.7	65.3	0.8	64.9	-1.0
Government	319.1	318.1	0.3	319.0	0.1	318.9	0.0

Not Seasonally Adjusted.
Source: IHS Global Insight, Inc. and the Kentucky Governor's Office for Economic Analysis
MAK model, March 2017.

APPENDIX

General and Road Fund Receipts
Third Quarter FY17

KENTUCKY STATE GOVERNMENT – GENERAL FUND REVENUE

	Third Quarter FY 2017	Third Quarter FY 2016	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL GENERAL FUND	**$2,364,536,706**	**$2,443,630,408**	**-3.2%**	**$7,604,054,485**	**$7,513,983,645**	**1.2%**
Tax Receipts	**$2,290,308,261**	**$2,371,792,240**	**-3.4%**	**$7,348,933,339**	**$7,267,636,303**	**1.1%**
Sales and Gross Receipts	**$973,768,245**	**$992,987,593**	**-1.9%**	**$3,011,899,378**	**$2,999,623,166**	**0.4%**
Beer Consumption	1,353,172	1,269,786	6.6%	4,605,040	4,759,132	-3.2%
Beer Wholesale	12,486,235	12,582,304	-0.8%	44,130,011	45,079,049	-2.1%
Cigarette	51,594,876	51,214,353	0.7%	163,248,303	166,891,077	-2.2%
Distilled Spirits Case Sales	35,716	34,597	3.2%	115,188	105,358	9.3%
Distilled Spirits Consumption	3,308,468	3,239,851	2.1%	10,674,988	9,899,406	7.8%
Distilled Spirits Wholesale	10,364,751	9,872,689	5.0%	32,838,402	29,673,669	10.7%
Insurance Premium	53,100,228	51,476,400	3.2%	99,853,309	97,355,660	2.6%
Pari-Mutuel	1,897,974	998,117	90.2%	4,029,469	2,771,728	45.4%
Race Track Admission	35,573	58,025	-38.7%	141,991	190,880	-25.6%
Sales and Use	818,714,364	835,952,372	-2.1%	2,578,166,009	2,563,654,091	0.6%
Wine Consumption	650,760	780,274	-16.6%	2,309,008	2,428,321	-4.9%
Wine Wholesale	4,615,392	4,424,521	4.3%	13,942,211	12,752,229	9.3%
Telecommunications Tax	10,447,528	16,075,536	-35.0%	41,810,325	48,335,299	-13.5%
Other Tobacco Products	5,159,009	5,006,873	3.0%	16,029,086	15,719,361	2.0%
Floor Stock Tax	4,199	1,894	121.7%	6,040	7,906	-23.6%
License and Privilege	**$105,630,876**	**$107,017,809**	**-1.3%**	**$104,904,413**	**$108,907,085**	**-3.7%**
Alc. Bev. License Suspension	48,550	136,600	-64.5%	284,253	373,501	-23.9%
Corporation License	14,184	73,269	-80.6%	6,746	143,587	-95.3%
Corporation Organization	48,255	0	---	971,452	91,685	959.6%
Occupational Licenses	39,630	50,315	-21.2%	106,534	137,427	-22.5%
Race Track License	46,000	63,650	-27.7%	227,475	276,150	-17.6%
Bank Franchise Tax	105,269,886	106,538,804	-1.2%	102,789,317	107,403,136	-4.3%
Driver License Fees	164,371	155,171	5.9%	518,637	481,599	7.7%
Natural Resources	**$34,131,357**	**$30,121,473**	**13.3%**	**$99,374,746**	**$120,273,486**	**-17.4%**
Coal Severance	27,314,665	25,357,424	7.7%	77,338,437	97,573,085	-20.7%
Oil Production	1,377,758	814,813	69.1%	3,825,636	3,673,221	4.1%
Minerals Severance	3,136,644	2,952,919	6.2%	13,160,344	13,640,809	-3.5%
Natural Gas Severance	2,302,290	996,317	131.1%	5,050,330	5,386,371	-6.2%
Income	**$1,021,532,678**	**$1,088,417,199**	**-6.1%**	**$3,548,794,761**	**$3,465,001,249**	**2.4%**
Corporation	26,340,921	92,615,706	-71.6%	298,061,550	319,540,982	-6.7%
Individual	943,978,118	960,328,387	-1.7%	3,102,169,569	3,029,783,196	2.4%
Limited Liability Entity	51,213,639	35,473,106	44.4%	148,563,642	115,677,071	28.4%
Property	**$138,096,675**	**$137,446,276**	**0.5%**	**$532,334,834**	**$517,784,578**	**2.8%**
Building & Loan Association	0	0	---	15,372	(11,881)	---
General - Real	69,861,121	67,018,889	4.2%	268,531,995	262,503,007	2.3%
General - Tangible	57,149,910	59,078,627	-3.3%	191,700,646	190,096,125	0.8%
Omitted & Delinquent	4,245,755	7,663,831	-44.6%	13,555,430	11,448,999	18.4%
Public Service	6,113,049	3,110,146	96.6%	56,861,323	52,207,623	8.9%
Other	726,840	574,784	26.5%	1,670,067	1,540,705	8.4%
Inheritance Tax	**$10,089,395**	**$9,466,281**	**6.6%**	**$32,674,162**	**$37,374,919**	**-12.6%**
Miscellaneous	**$7,059,034**	**$6,335,608**	**11.4%**	**$18,951,045**	**$18,671,820**	**1.5%**
Legal Process	3,436,570	3,744,937	-8.2%	10,021,816	11,067,332	-9.4%
T. V. A. In Lieu Payments	3,596,979	2,545,668	41.3%	8,859,960	7,574,143	17.0%
Other	25,485	45,004	-43.4%	69,269	30,345	128.3%
Nontax Receipts	**$69,136,381**	**$70,985,683**	**-2.6%**	**$247,778,012**	**$241,738,956**	**2.5%**
Departmental Fees	6,518,335	6,352,576	2.6%	13,966,994	14,274,542	-2.2%
PSC Assessment Fee	381	513	-25.8%	13,031,700	10,868,823	19.9%
Fines & Forfeitures	4,583,059	5,109,543	-10.3%	13,879,448	15,732,538	-11.8%
Income on Investments	(600,629)	(217,157)	---	(927,633)	(639,239)	---
Lottery	58,000,000	59,000,000	-1.7%	176,127,129	169,278,429	4.0%
Sale of NOx Credits	0	0	---	0	0	---
Miscellaneous	635,235	740,208	-14.2%	31,700,373	32,223,864	-1.6%
Redeposit of State Funds	**$5,092,065**	**$852,485**	**497.3%**	**$7,343,134**	**$4,608,385**	**59.3%**

KENTUCKY STATE GOVERNMENT – ROAD FUND REVENUE

	Third Quarter FY 2017	Third Quarter FY 2016	% Change	Year-To-Date FY 2016	Year-To-Date FY 2015	% Change
TOTAL ROAD FUND	$376,520,443	$357,199,843	5.4%	$1,119,011,638	$1,099,451,804	1.8%
Tax Receipts-	$369,399,324	$350,788,431	5.3%	$1,102,055,939	$1,081,767,933	1.9%
Sales and Gross Receipts	$305,376,087	$287,229,565	6.3%	$940,339,403	$918,285,630	2.4%
Motor Fuels Taxes	176,226,413	175,374,570	0.5%	566,511,399	557,439,790	1.6%
Motor Vehicle Usage	129,149,674	111,854,996	15.5%	373,828,004	360,845,840	3.6%
License and Privilege	$64,023,236	$63,558,866	0.7%	$161,716,536	$163,482,303	-1.1%
Motor Vehicles	36,947,827	33,572,132	10.1%	76,590,392	78,953,687	-3.0%
Motor Vehicle Operators	3,869,404	3,953,004	-2.1%	11,868,391	12,176,855	-2.5%
Weight Distance	20,731,656	20,229,458	2.5%	62,638,710	61,513,964	1.8%
Truck Decal Fees	13,315	1,058	1158.1%	31,686	39,300	-19.4%
Other Special Fees	2,461,034	5,803,215	-57.6%	10,587,357	10,798,496	-2.0%
Nontax Receipts	$6,848,520	$6,327,946	8.2%	$16,391,891	$17,100,077	-4.1%
Departmental Fees	5,765,635	4,810,327	19.9%	14,246,093	14,737,786	-3.3%
In Lieu of Traffic Fines	101,486	105,012	-3.4%	269,006	311,279	-13.6%
Income on Investments	759,766	1,234,239	-38.4%	608,977	1,475,155	-58.7%
Miscellaneous	221,633	178,368	24.3%	1,267,816	575,857	120.2%
Redeposit of State Funds	$272,600	$83,466	226.6%	$563,808	$583,794	-3.4%